Swisscom “investing for sustainable returns”

Results 2011 and Plans 2012

Investor & Analyst Presentation

Zürich, 15 February 2012

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1. Big Picture – investing for sustainable returns

A. Telecoms is a <u>fixed cost</u> business

- Capital intensive (Capex)
- Low COGS, high fixed Opex

B. Making money in fixed cost business is about <u>scale and share</u>

- Scale: # customers
- Share: position within market

C. To achieve scale and share requires best <u>network</u> & <u>pricing</u> (differentiation)

- Attractive offers that reflect changing customer demand
- Superb network availability

D. To sustain is about

- Willingness and financial ability to (continue to) invest
- Selecting the right investments from both technology and competition perspective at the right time

E.
FCF generation supported by Capex, Marketshare & Pricing power

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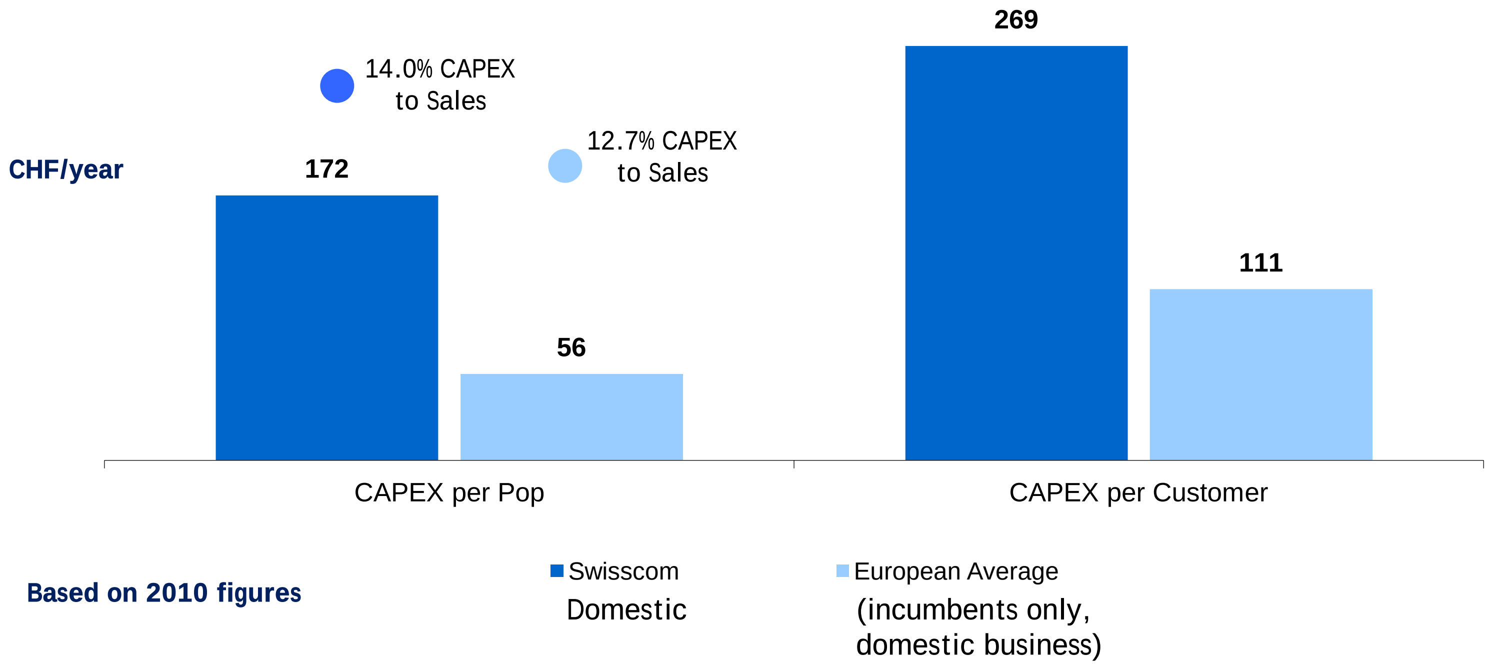
A. Telco, a fixed cost business - Capital intensive (Capex)

Networks by definition constructed to cover an entire country and all inhabitants (pop)



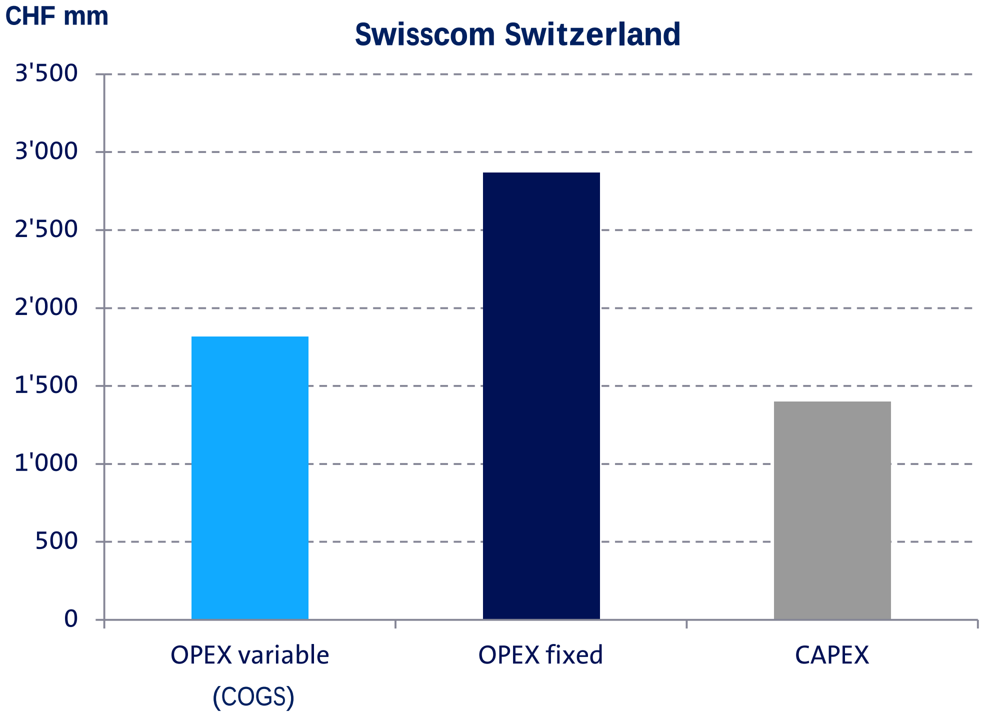
Based on 2010 figures

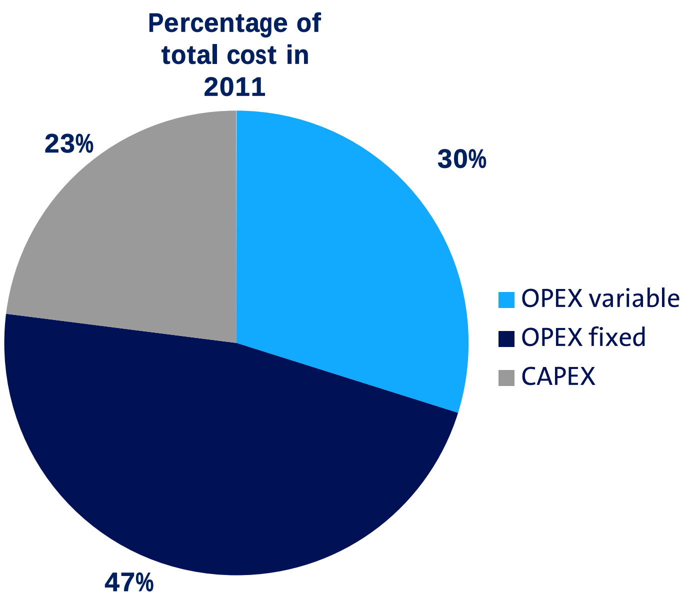
source: Swisscom and broker research

Swisscom invested around 3x more than peers on a Pop basis and over 2x more on a per customer basis. However, its Capex / Sales is “only” 10% higher than peers, pointing towards the benefits of high market share and premium which can be charged on the back of best network quality

A. Telco, a fixed cost business - Capex & Opex at Swisscom

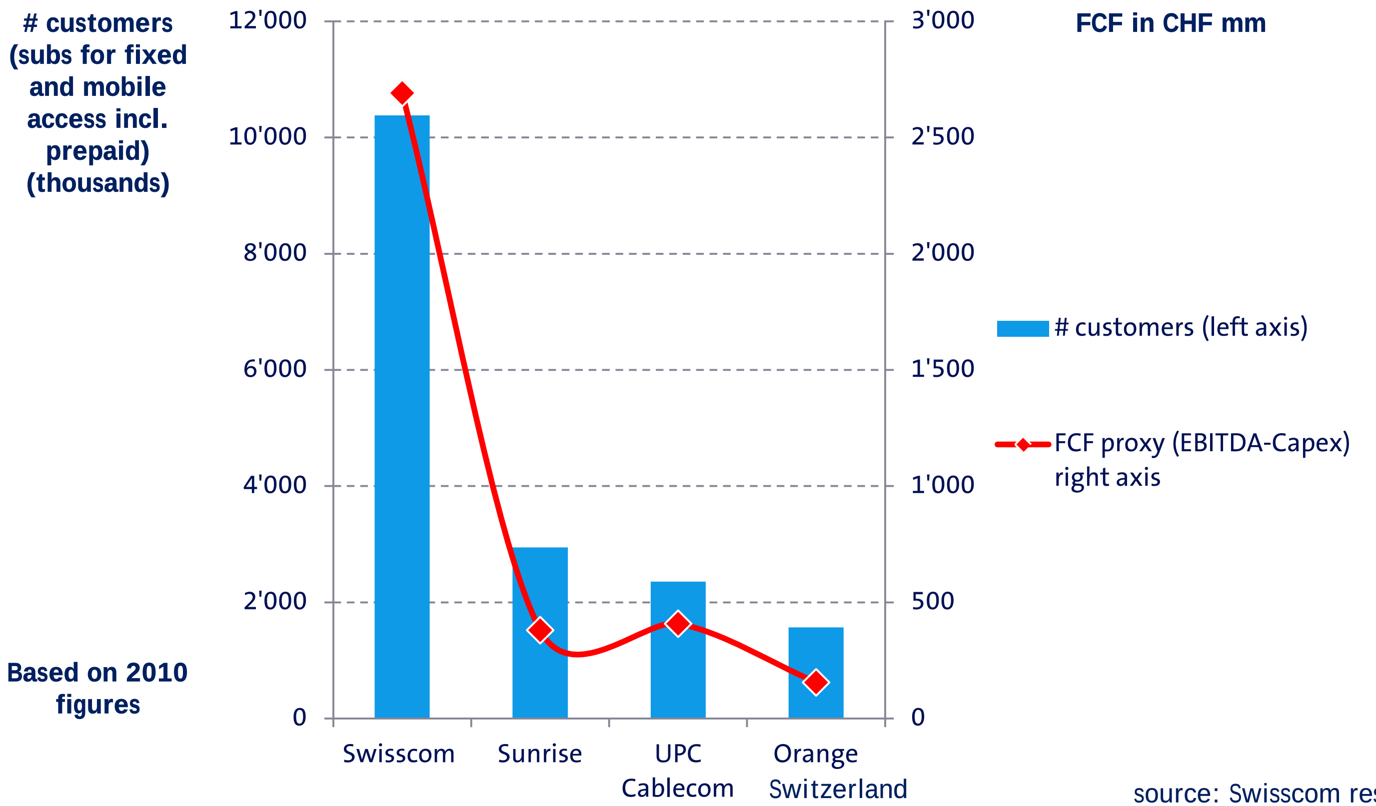
Operating a network involves mainly fixed, and only limited variable, cash out





70% of cash out is fixed by nature

Critical mass is crucial with minimum amount of customers to breakeven (on basis EBITDA – Capex) in Switzerland probably at around 1 million



Based on 2010 figures

source: Swisscom research

Scale matters

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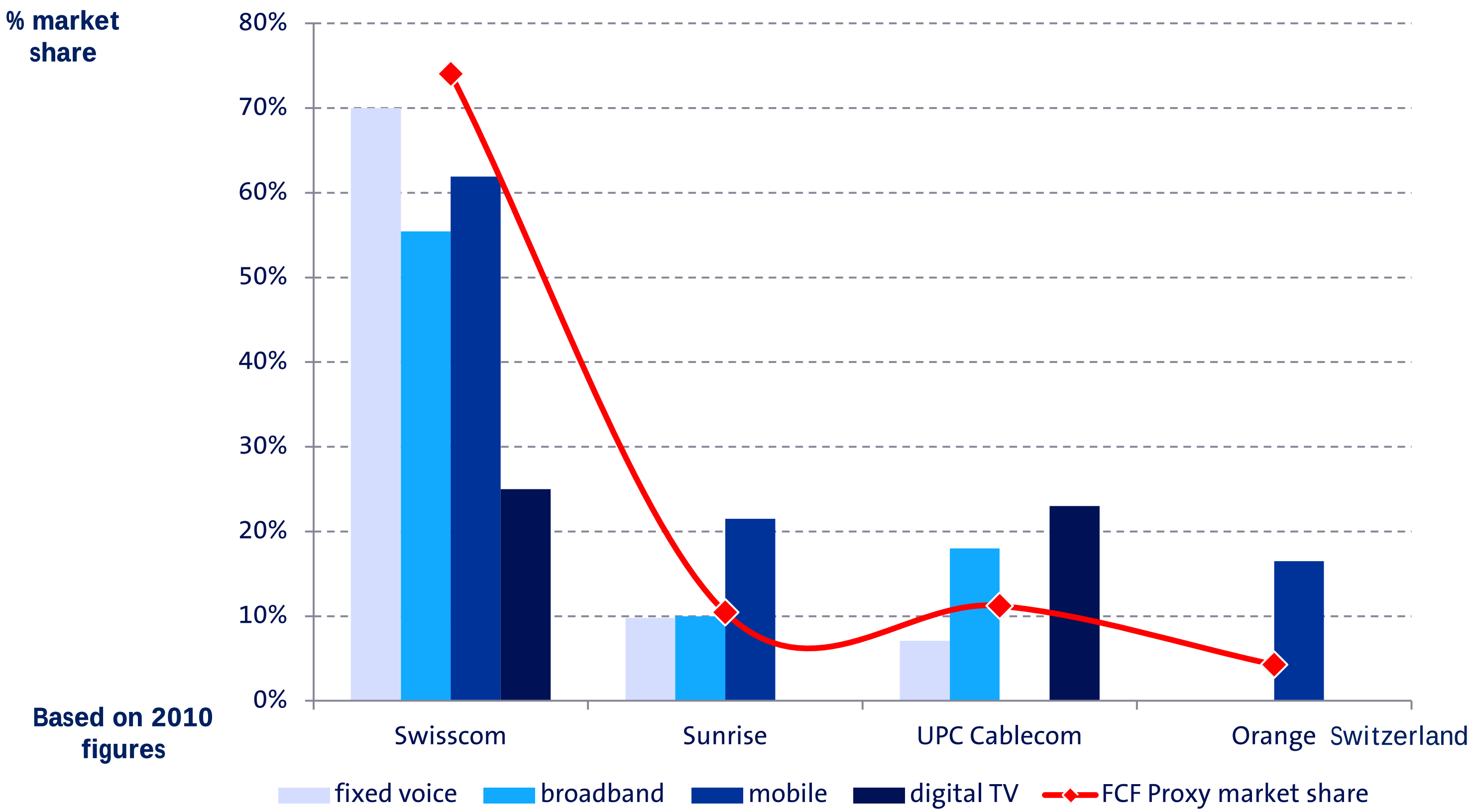
B. Market share is crucial to generate significant FCF

Correlation FCF and Market share in the Swiss market



source: Swisscom research

Scale matters, with share of FCF even higher than share of market

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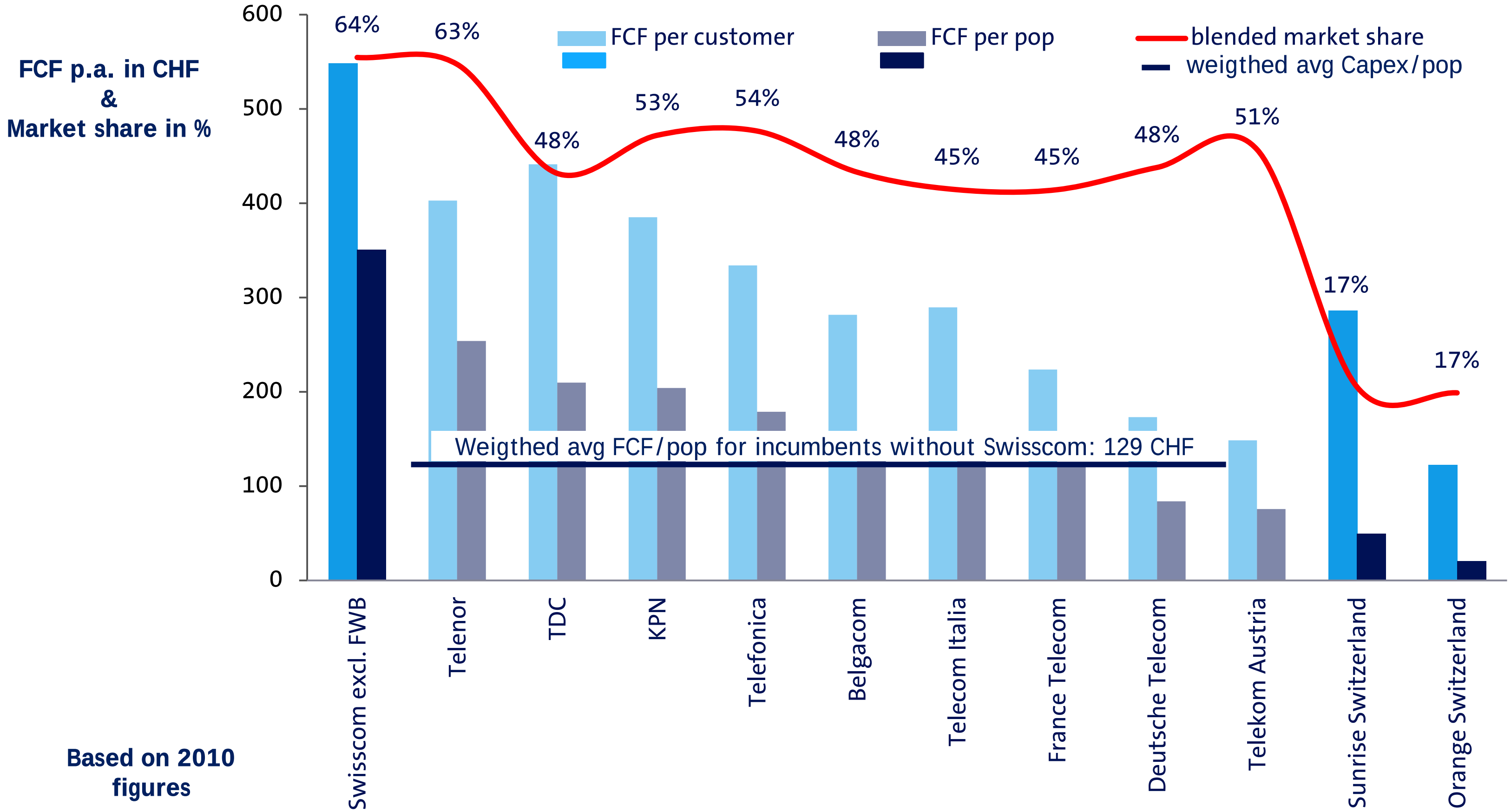
B. Market share and FCF are correlated, also internationally

Blended market share in domestic operations versus FCF per pop and per customer



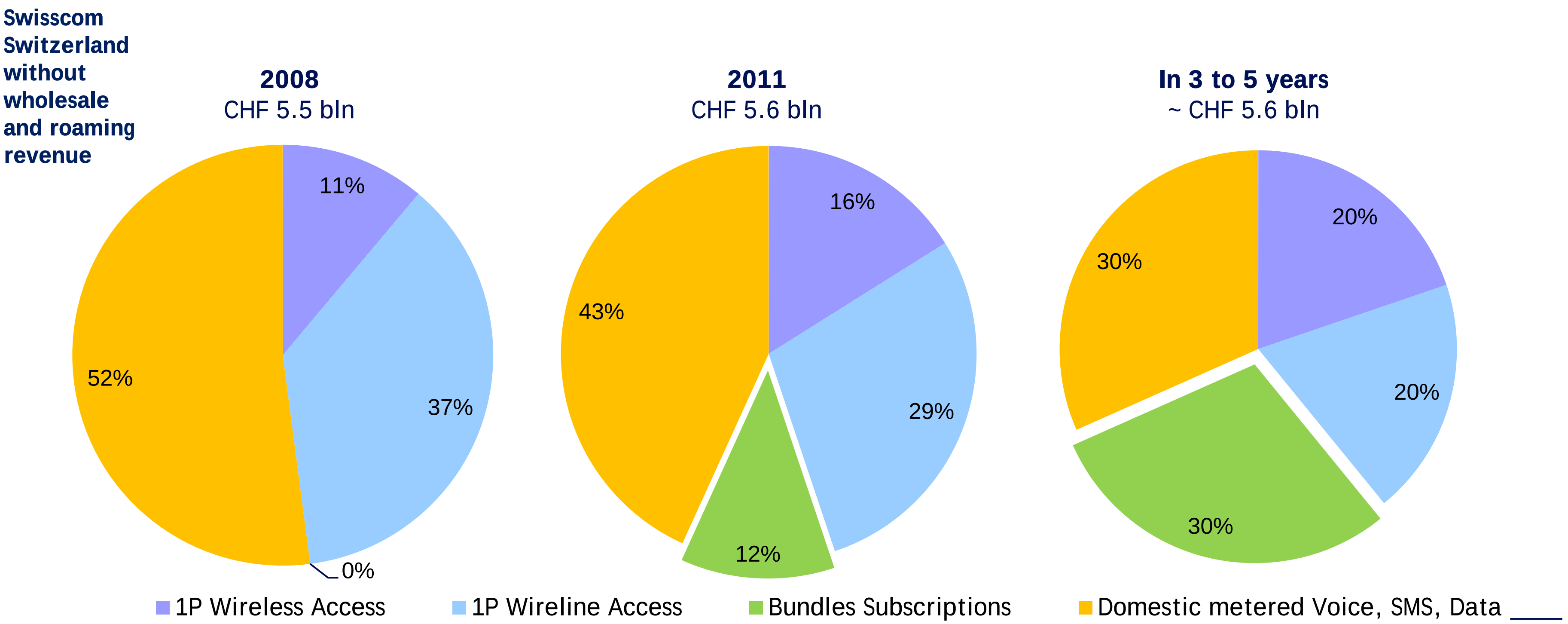
Based on 2010 figures

source: Swisscom and broker research

In quite some other countries, the minimum required market share for breakeven will be higher than in Switzerland, considering also large players create less FCF/pop

C. Customers desire more predictable pricing (less variable)

Do not fight customers' desire to move away from metered revenues, but create bundles which compensate this



Revenues from bundles to go from 0 in 2008 to well over CHF 1.5 bln (30% of total) in a few years

Variable metered revenues from >50% in 2008 to around 30% in a few years. Trend to continue. Challenge: to create bundles generating a compensating amount of new revenues. Sofar it worked.

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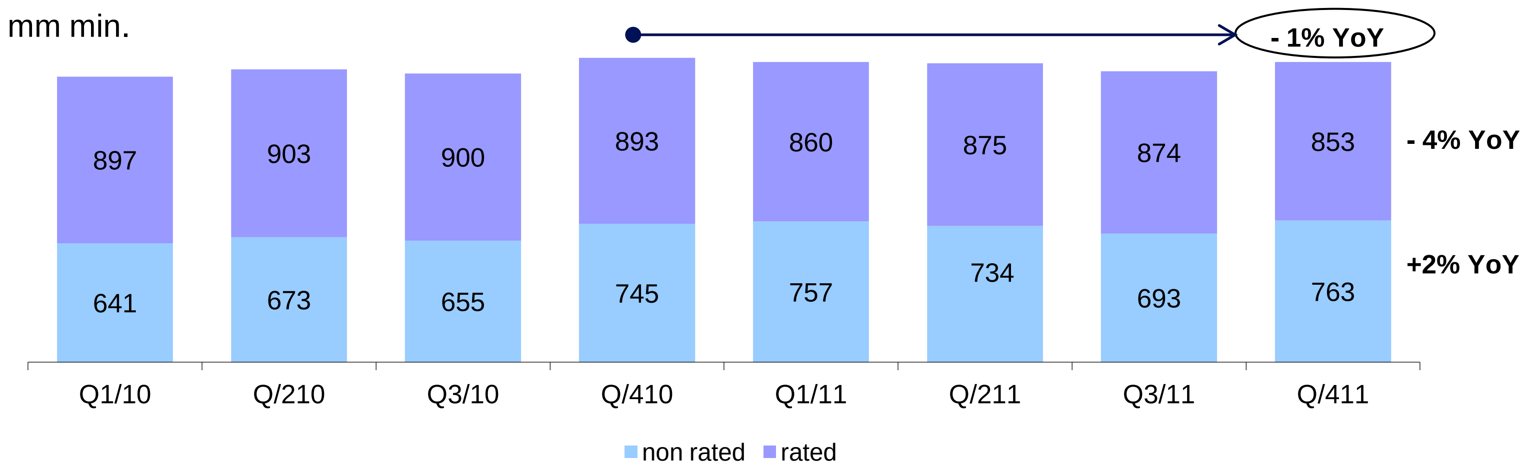
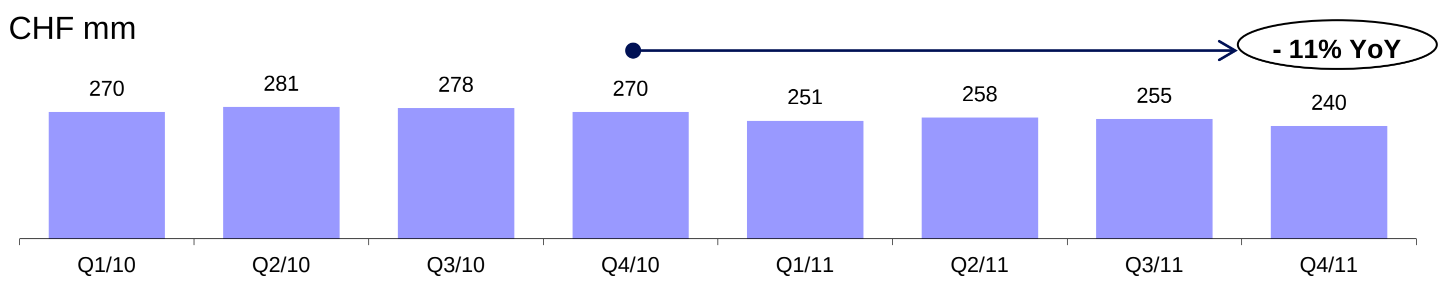
C. Customer demand for metered single play products changing

Wireless voice volumes domestic relatively stable, however proportion "non-metered" rising...

Swisscom Switzerland



...as a result, revenues domestic wireless voice traffic declining (also because of mix changes and lower pricing p. min.)



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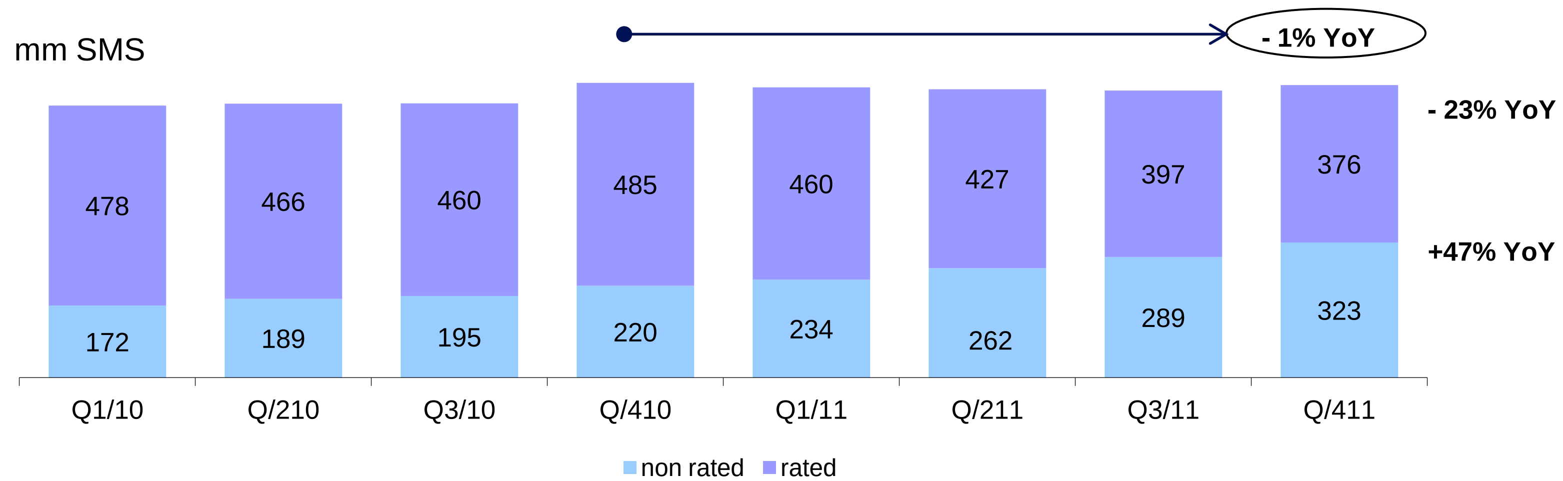
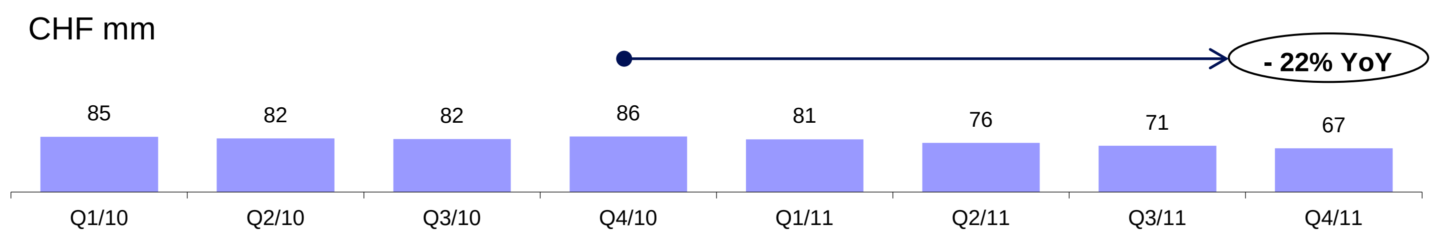
C. Customer demand for metered single play products changing

SMS volumes domestic relatively stable, however proportion "non-metered" rising…

Swisscom Switzerland



…as a result, revenues domestic SMS declining



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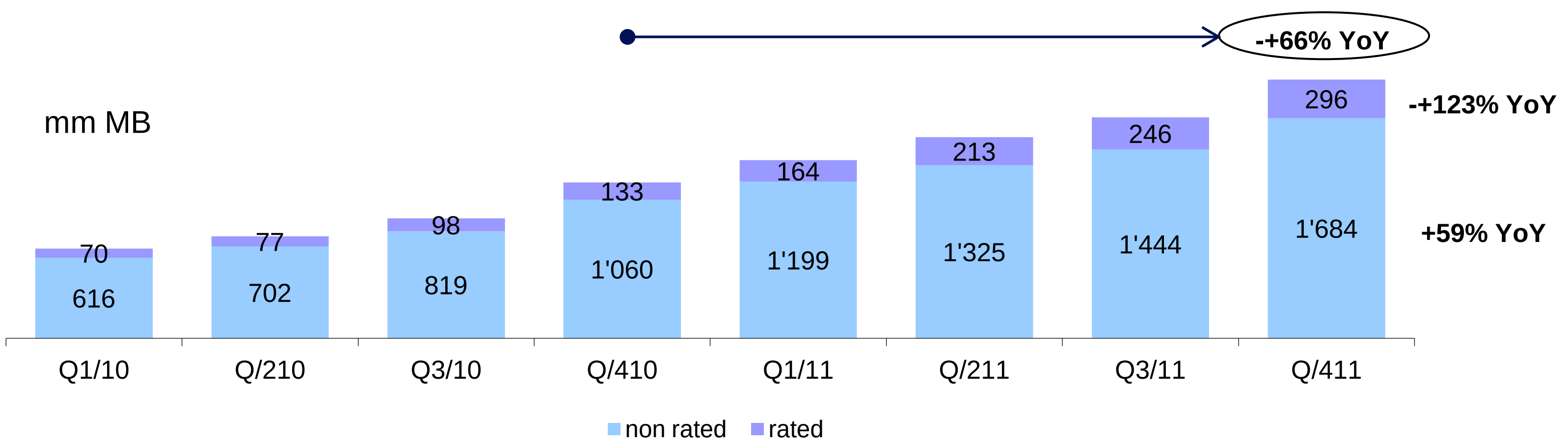
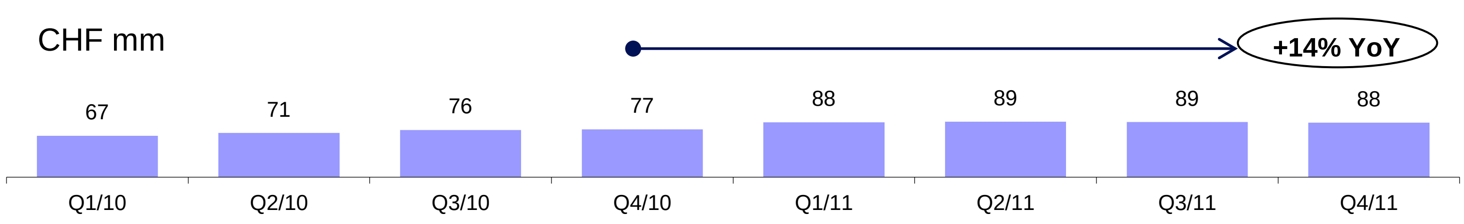
C. Customer demand for metered single play products changing

Wireless data volumes domestic exploding, both metered and non-metered...

Swisscom Switzerland



...as a result, wireless data revenues domestic growing despite lower pricing



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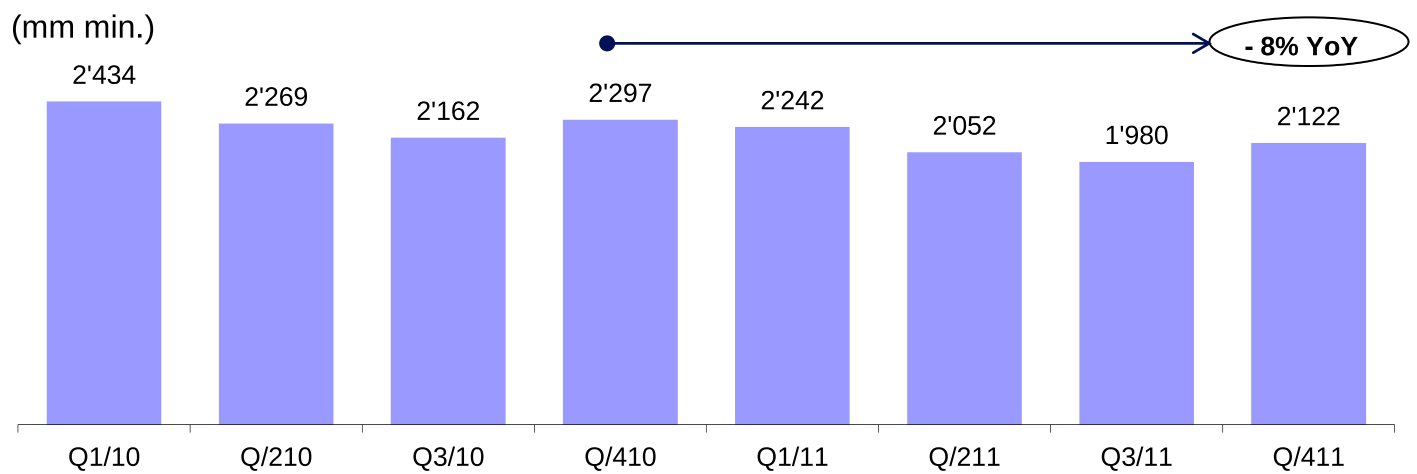
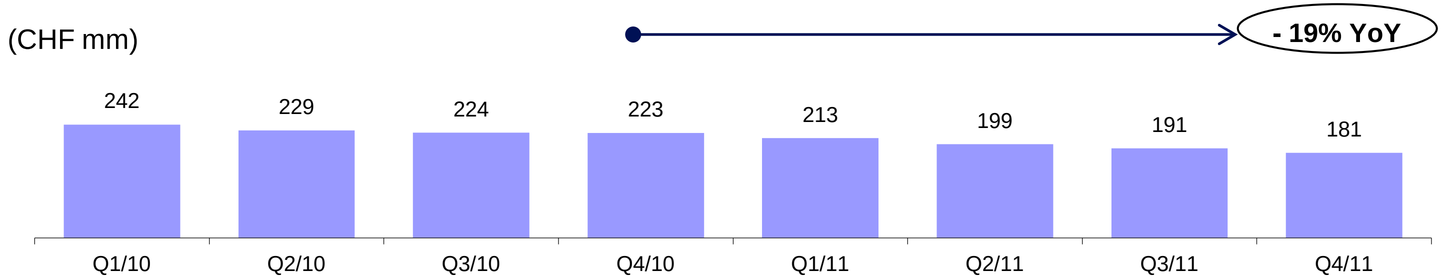
C. Customer demand for metered single play products changing

Wireline voice volumes lower…

Swisscom Switzerland



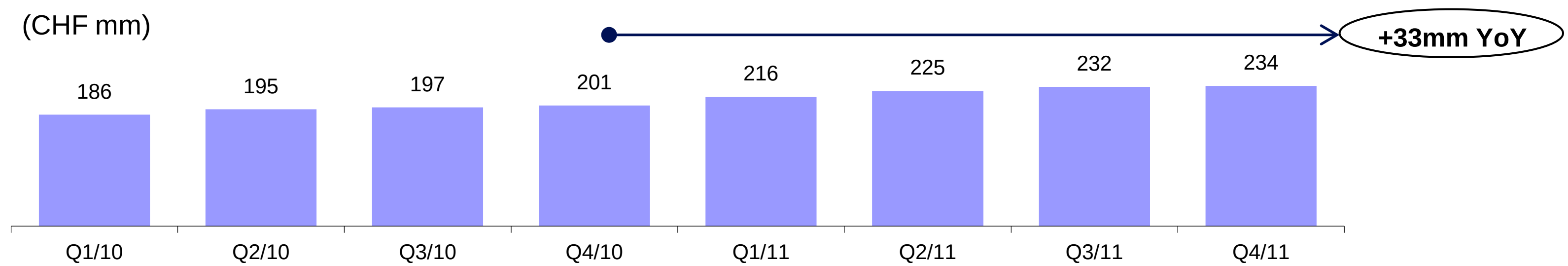
…as a result, revenues wireline traffic declining (also because of mix changes and lower pricing p. min.)



C. Lower demand for single play access overcompensated by bundles

Swisscom Switzerland

1P (single play) wireless access revenues increasing



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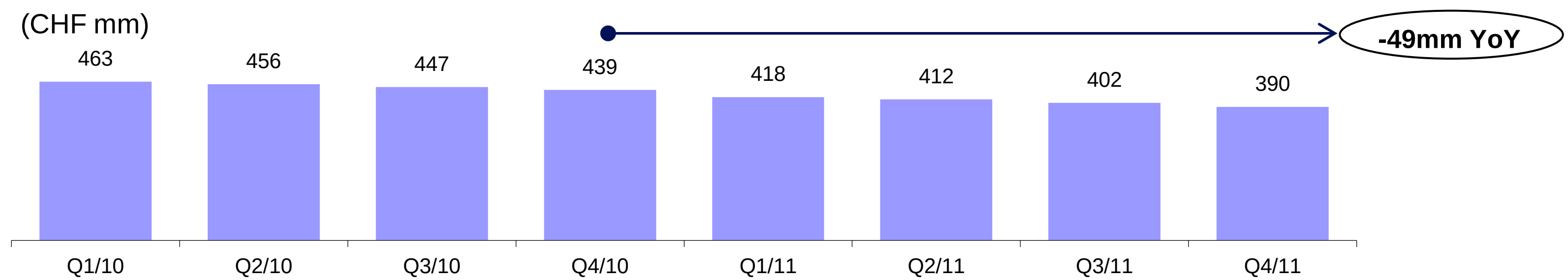
1P wireline access revenues declining



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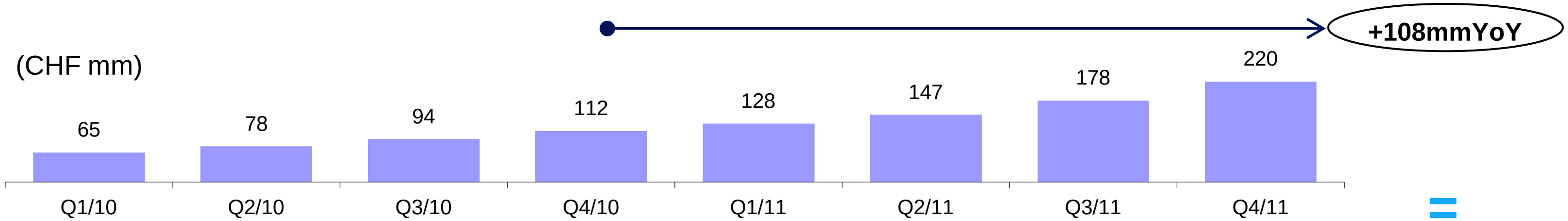
Bundle subscription revenues strongly growing



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Total +92mmYoY

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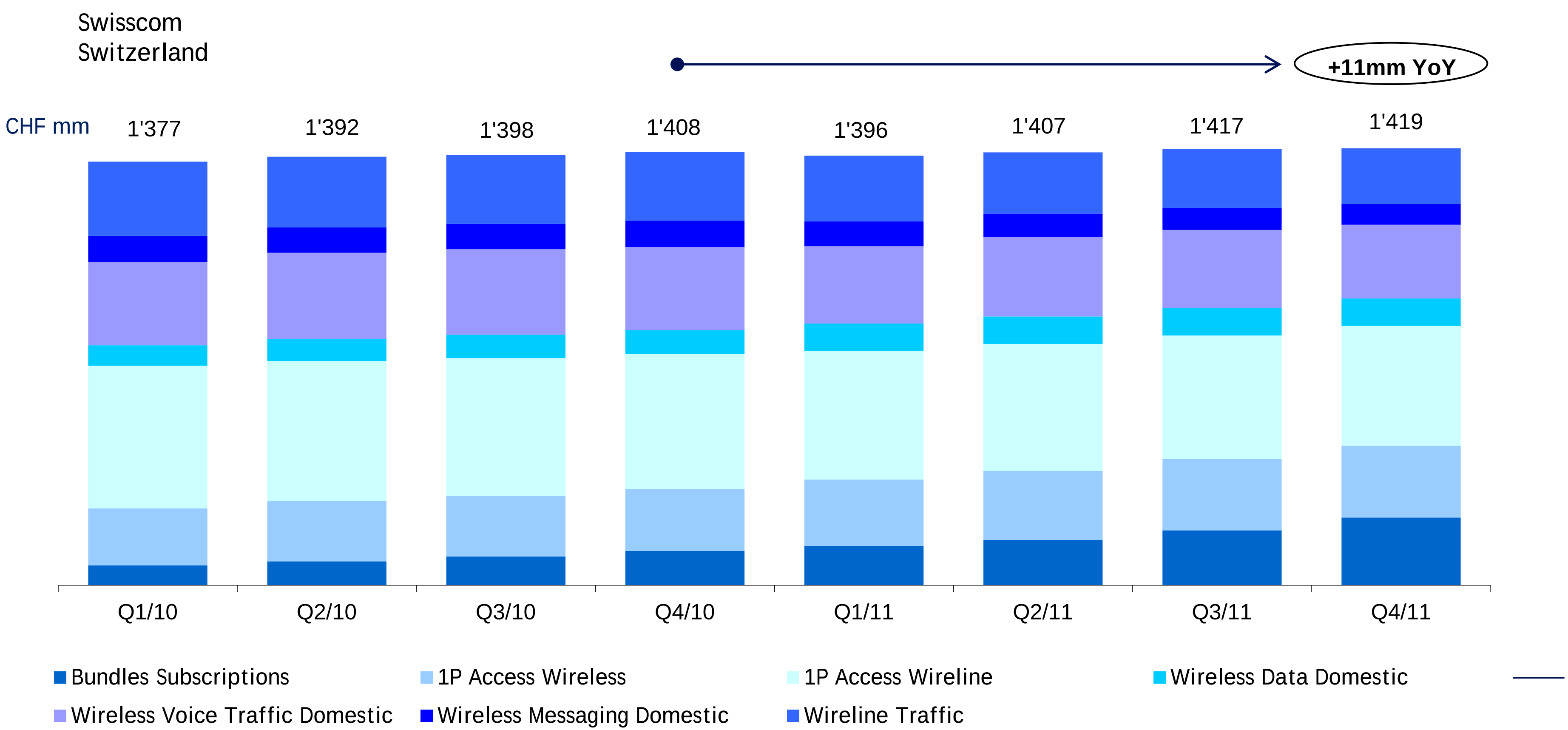
C. Taking everything together: traffic, 1P access and bundles

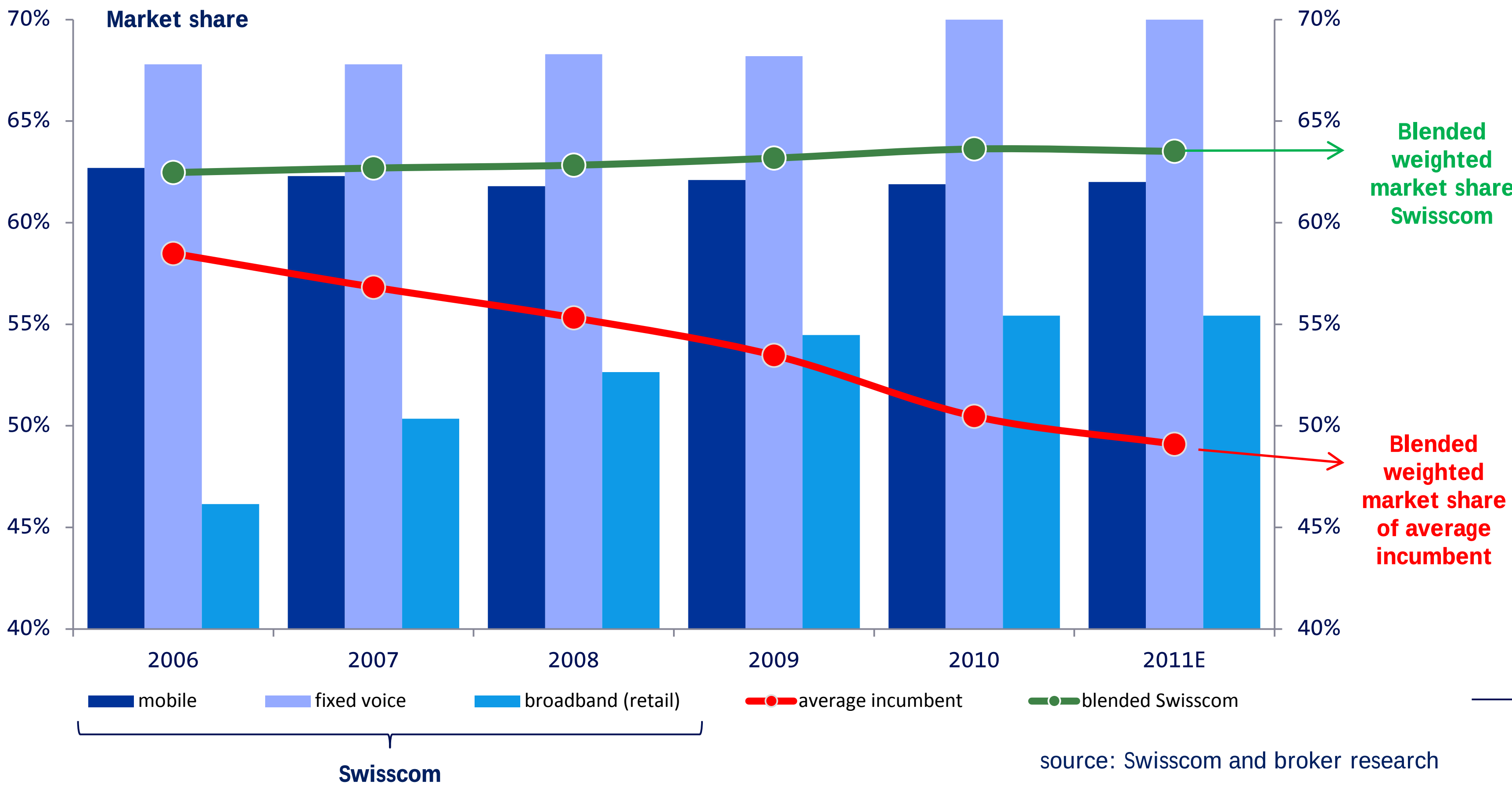
Domestic Revenues stabilised (without Wholesale and roaming)



Especially growth in bundles (+108 CHF mm in Q4 versus Q4 of last year) and mobile subscriptions + new data (+44 CHF mm) enough to compensate decline in traffic and 1P access revenues

C. Taking everything together: market share sustained

Swisscom market shares "more than" stable, with gap towards avg. incumbent increasing



source: Swisscom and broker research

Strategy to invest pays off in terms of market share. Ability to offer bundles (incl. 4P as of lately) helps to cement market share and drive future FCF generation. Part of which again can be used to invest and sustain returns.

C. Scale and share require best pricing strategy & best network

Pricing differentiation can only be maintained through superior quality

- **Where variable (per minute and SMS) fees disappear, it is crucial to find the right way to differentiate on pricing going forward**
- **Intuitive pricing should be on "speed" as experienced by customers, not on "data consumed": the average customer has no idea how much data was used**
- **Customers will only buy (at premium) higher speed packages, if these speeds can factually be delivered: network quality is again key**

Superior quality of network and services is key

- **Swiss consumers are relatively sensitive towards quality. Price as first argument applies to less than 40% of consumers (compared to 60% in EU)**
- **Swisscom historically serves esp. the quality sensitive part of population. Most of price sensitive customers have left to competitors over 10 years ago**
- **Serving premium quality also enables to charge a price premium – which generates pure additional Free Cash Flow**
- **Therefore, it is crucial to continue to invest to keep the USP (best network, best service) in place**
  - ➢ **Swisscom again "Connect Test Winner" in 2011 in Switzerland**

connect TESTSIEGER

Swisscom plans to continue investment into best networks, services and availability.
This will ensure market share, which in turn is the precondition for generating surplus FCF

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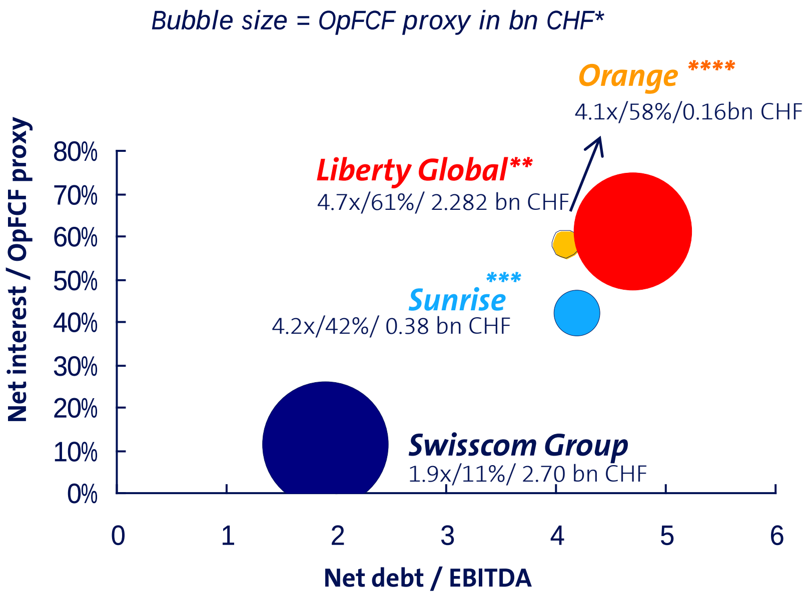
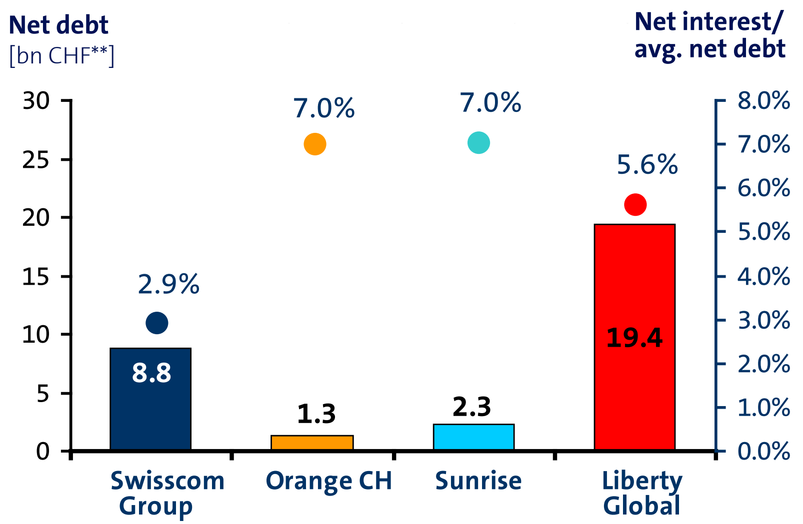
Financial strength compared

Debt/interest ratios in 2010



Net debt and avg. cost of debt in 2010



Sources: *all figures based on latest publicly available data in reports of Sunrise and Liberty Global (mother company of UPC Cablecom)*
**1 USD = 1.04 CHF*
*** Liberty Global assumption: Operating cash flow = EBITDA*
**** Sunrise pro forma figures as published, cost of debt = estimate based on Q3 2011*
***** Orange CH: estimate derived from publicly available data*

Not just the will, but esp. the ability plays a role in who can stay at the forefront of offering best quality networks & services. With recent changes in ownership in Swiss market, competitors will face more budget constraints than Swisscom – both relatively and absolute - which is a clear window of opportunity. Where Swisscom pays 11% of its FCF in interest, the others pay 40 to 65%….

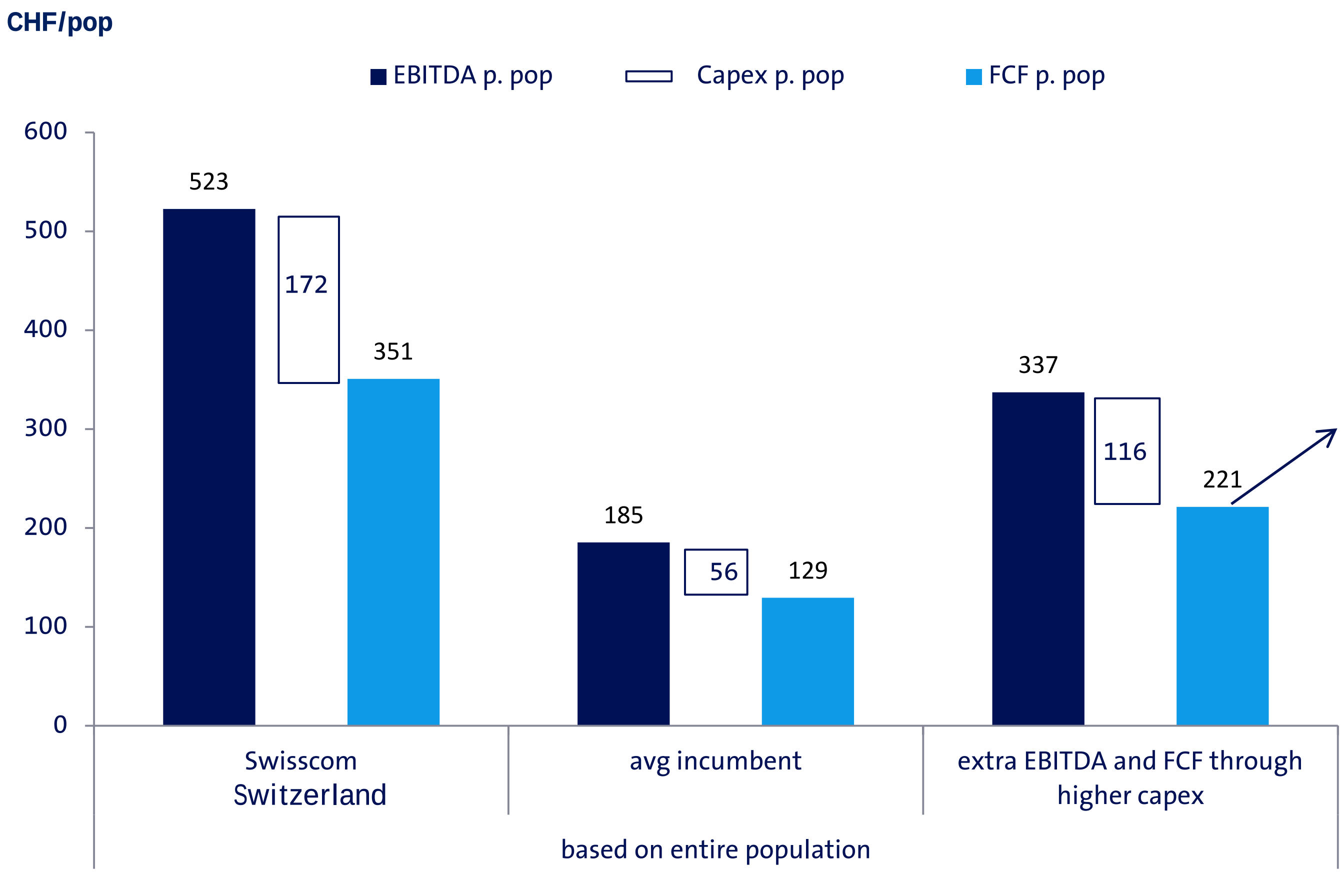
D. To sustain is about … Finding the right mix of technologies to invest into – at the right time

Coverage	Area	Competition	Current deployment	Potential technologies
0%–30%	Top 20 cities	Utilities as partner	VDSL 8-30 Mbps; FTTC/VDSL 20-50 Mbps; FTTH 100-1000 Mbps	
30%–60%	Smaller cities; Agglos	Large CATVs	VDSL 8-30 Mbps; FTTC/VDSL 20-50 Mbps	Vectoring 50-100 Mbps; FTTDP up to 500 Mbps; FTTH 100-1000 Mbps
60%–100%	Rural areas and remote municipalities	Small or no cable operators	xDSL up to 8 Mbps; VDSL 8-30 Mbps; FTTC/VDSL 20-50 Mbps	HSPA+/LTE up to 100 Mbps (shared); Vectoring 50-100 Mbps; FTTDP/(H) up to 500/(1000) Mbps

Finding the right technology mix is a constantly evolving process of optimization. It needs to take account also of competitors' ability and speed of rollout. Swisscom will invest up to CHF 100 mm extra p.a. over the next few years (from 2012) in an extended technology mix and footprint, in order to be ahead of competition, cement future market share, and generate best excess returns.

E. Superior FCF generation from higher Capex and market share

Investments (Capex) done by definition to cover entire country, therefore should be compared with other incumbents on a per pop basis



CHF 221 extra FCF/pop esp. from higher capex (better network justifying better pricing) and higher market share (as a result)

source: Swisscom and broker research

Spending 116 CHF / pop p.a. more than peers leads to higher market share, better pricing and CHF 221 more FCF p.a. per pop : “Capex is a good investment” leading to sustainable returns.

Conclusion Chapter 1 - investing for sustainable returns

A. Telecoms is a fixed cost business

B. Making money in fixed cost business is about scale and share

C. To achieve scale and share requires best network & pricing (differentiation)

D. To sustain is about investing in right technology mix at the right time - to drive future FCF generation

E. FCF generation supported by Capex, Market share & Pricing power

In a fixed cost business, size & scale drive incremental FCF. To make this sustainable, offering intuitive pricing differentiation and best networks is key, as this also drives market share. Therefore, continued investment is the most important driver for future cash flow generation.

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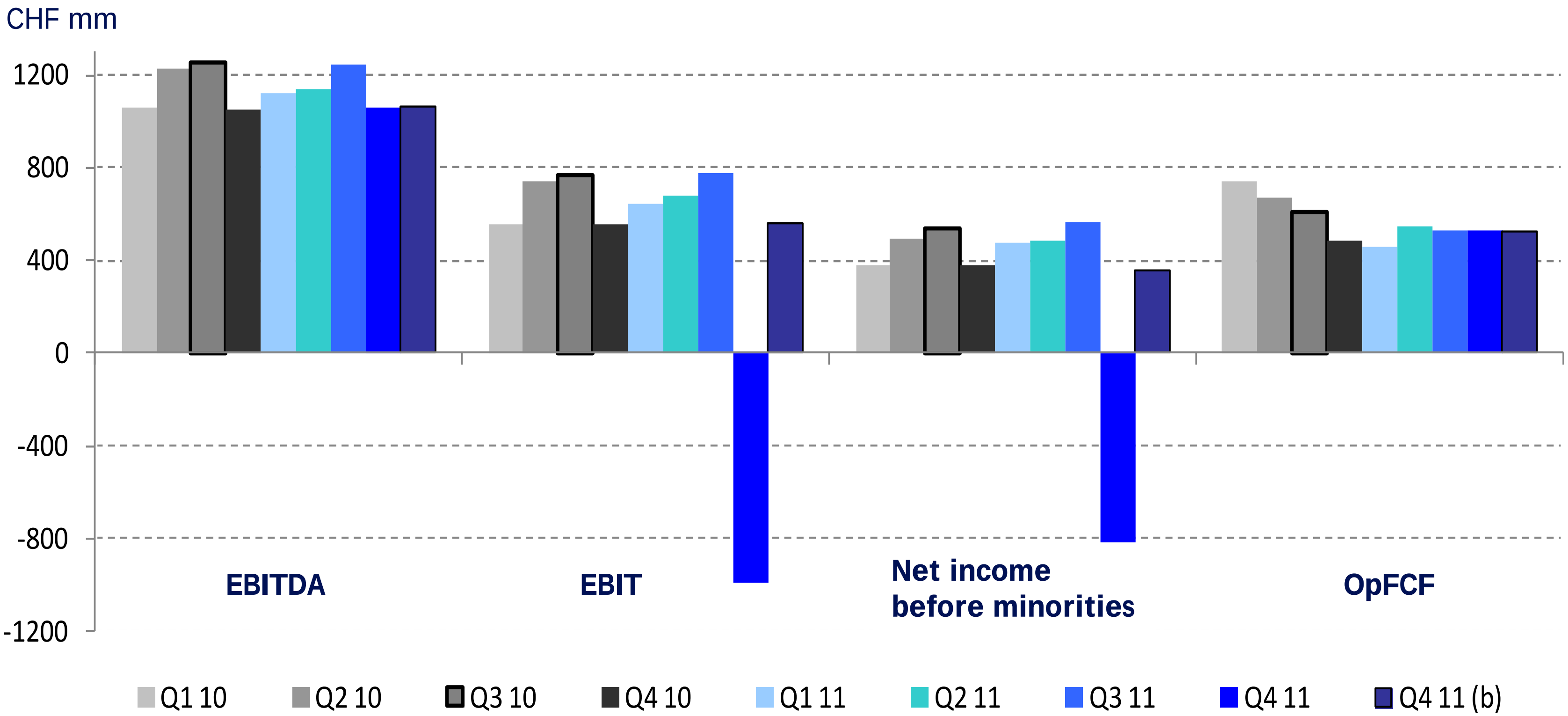
2. Key results – financially



*) all figures as reported

(b) proforma, excluding impairment

Impairment caused Q4 2011 to be out of range. Without impairment, underlying results in line with normal seasonal patterns.

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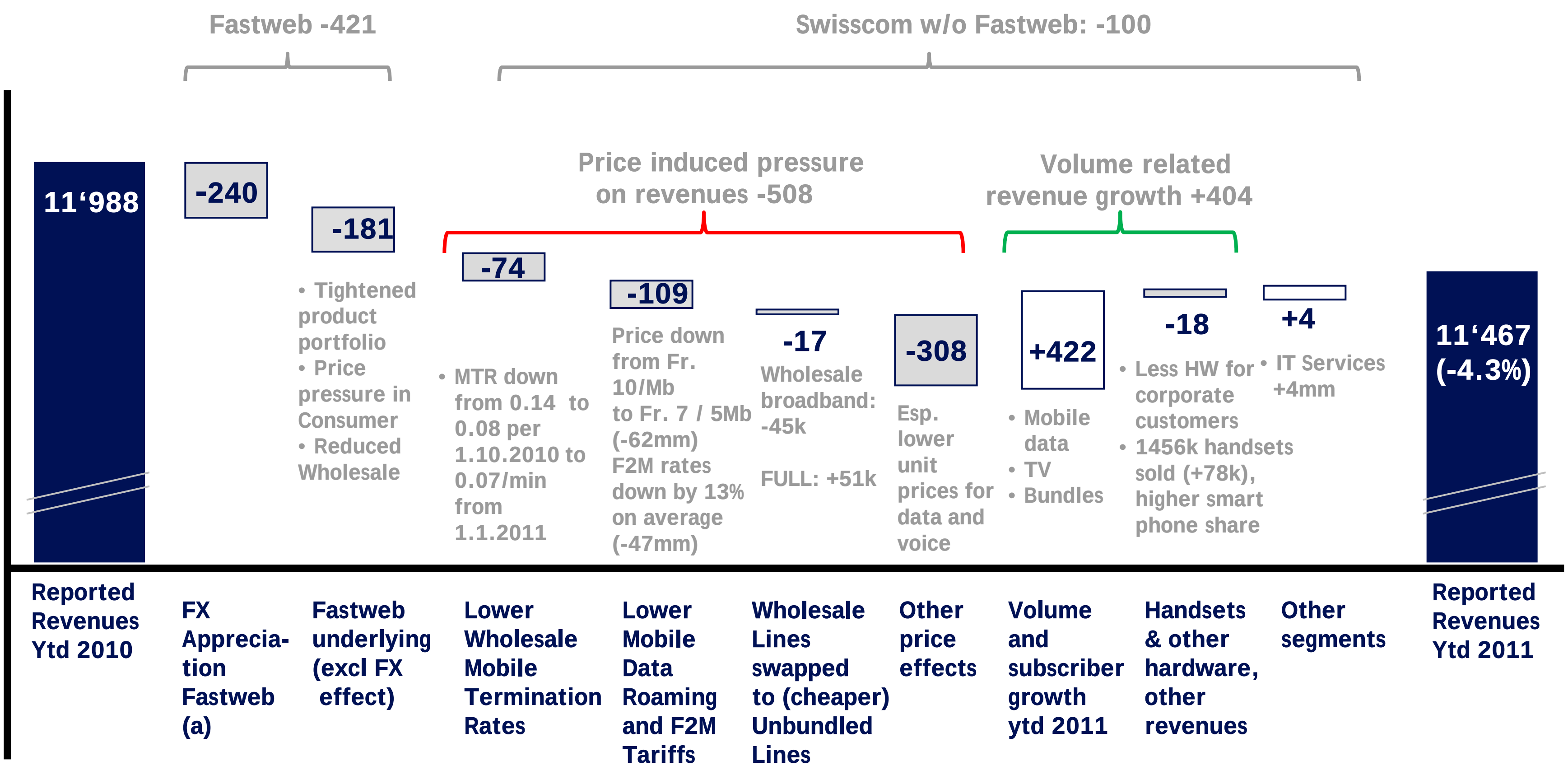
2. Key results – revenues

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



(a) Average exchange rate CHF/€ ytd 2010: 1.370 and in ytd 2011: 1.232, i.e. a weakening of Euro against Swiss Franc of 10.1%

Nearly half of total revenue decline driven by FX (Euro weakening against CHF)

2. Key results – Price and volume effects: single play subs vs bundles

Access Lines/Subs/Products (000)

YTD, (Change to 31.12.2010 in brackets)

		TV	Fixed Voice & Access	Broad-band	Mobile	Number of products in Bundle	Sum	Δ	
1P	Single Play	221 (+4)	2,604 (-301)	1,048 (-130)	5,895 (+145)	1	9,768	(-282)	(-2.8%)
Bundles	2Play Wireline		129 (+5)			2	258	(+10)	(+4%)
Bundles	2Play Convergent			97 (+19)		2	194	(+38)	(+24%)
Bundles	3Play Wireline	334 (+130)				3	1'002	(+390)	(+64%)
Bundles	4Play	53 (+53) and 4 additional Mobile Subs				4	216	(+216)	
Number of underlying products		608 (+187) +44%	3,120 (-113) -3.5%	1,661 (+77) +4.9%	6,049 (+221) +3.8%		11,438	(+372)	(+3.4%)
Migration to ULL			+51					+51	
Net change			-62					423	(+4%)

Number of underlying products continues to grow

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2. Key results – Price and Volume effects: overview for the Group

CHF mm.	Price effect		Volume effect		Σ
Mobile	Ø-Prices Core business		Customer growth+new services		
	Traditional	Data (w.o. SMS)	Traditional	Data (w.o. SMS)	
	-173	-272	+56	+322	-67
Fixed	-63		-283		-346
Bundled Products			+327		+327
Σ	-508		+422		-86
Devices and other services			-18		-18
Swisscom Switzerland	-508		+404		-104
Other Segments					+4
Σ Swisscom w.o. Fastweb					-100
Fastweb	At constant exchange rates -181		FX effect -240		-421
Revenue Swisscom Group					-521

80% of price declines in Switzerland were compensated by volume growth. Over half of Fastweb reduction caused by weakening of Euro

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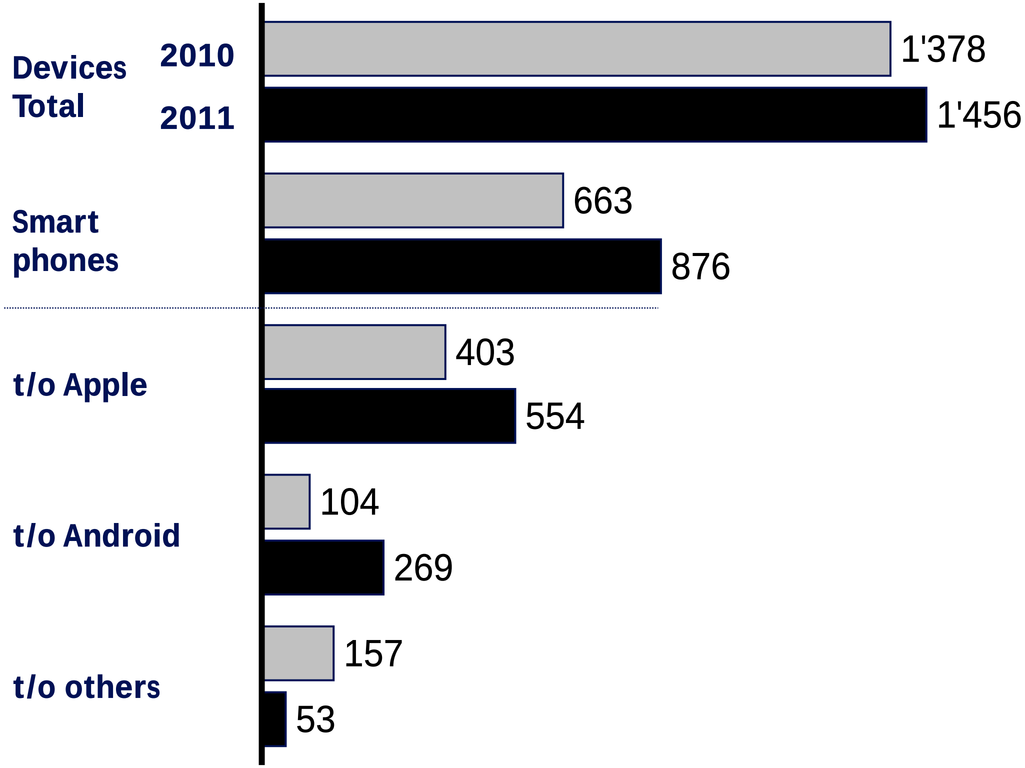
2. Key results – Price and Volume effects: volumes of devices sold

Sold Devices (thousands)



Smartphone Share

48% in 2010

60% in 2011

SACs, SRCs & promotional cost

228 MCHF in 2010

266 MCHF in 2011

+38 MCHF higher cost

Trends in SACs and SRCs:

- **SACs per device going down**
- **Smartphone share (with higher unitary SACs) going up**
- **Lifecycle of devices shortening**

Absolute SACs and SRCs likely to stay high

Smartphone success story continues, with penetration on total Swisscom base now 32%

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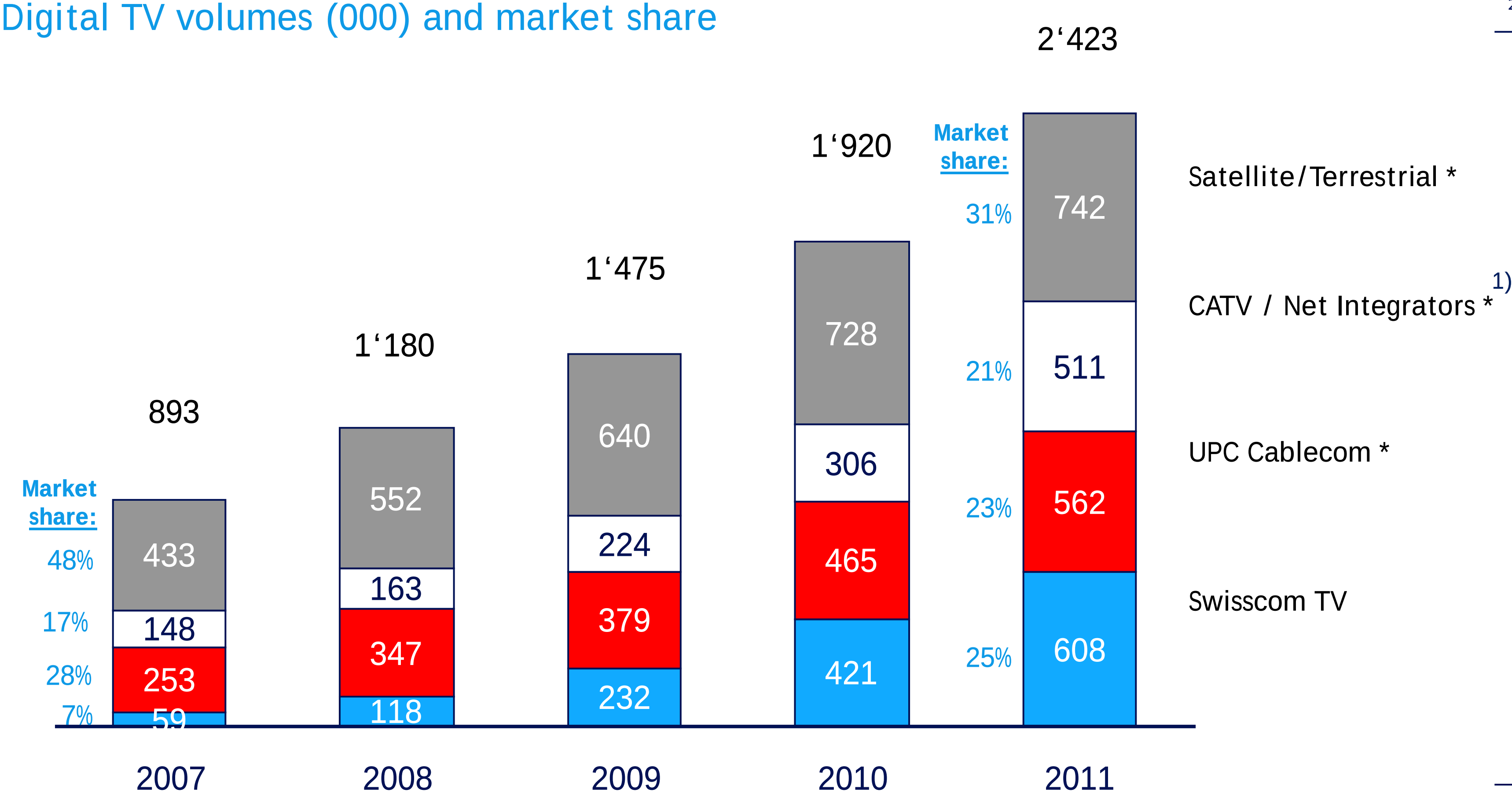
2. Key results – Price and Volume effects: (digital) TV market volumes

Digital TV volumes (000) and market share



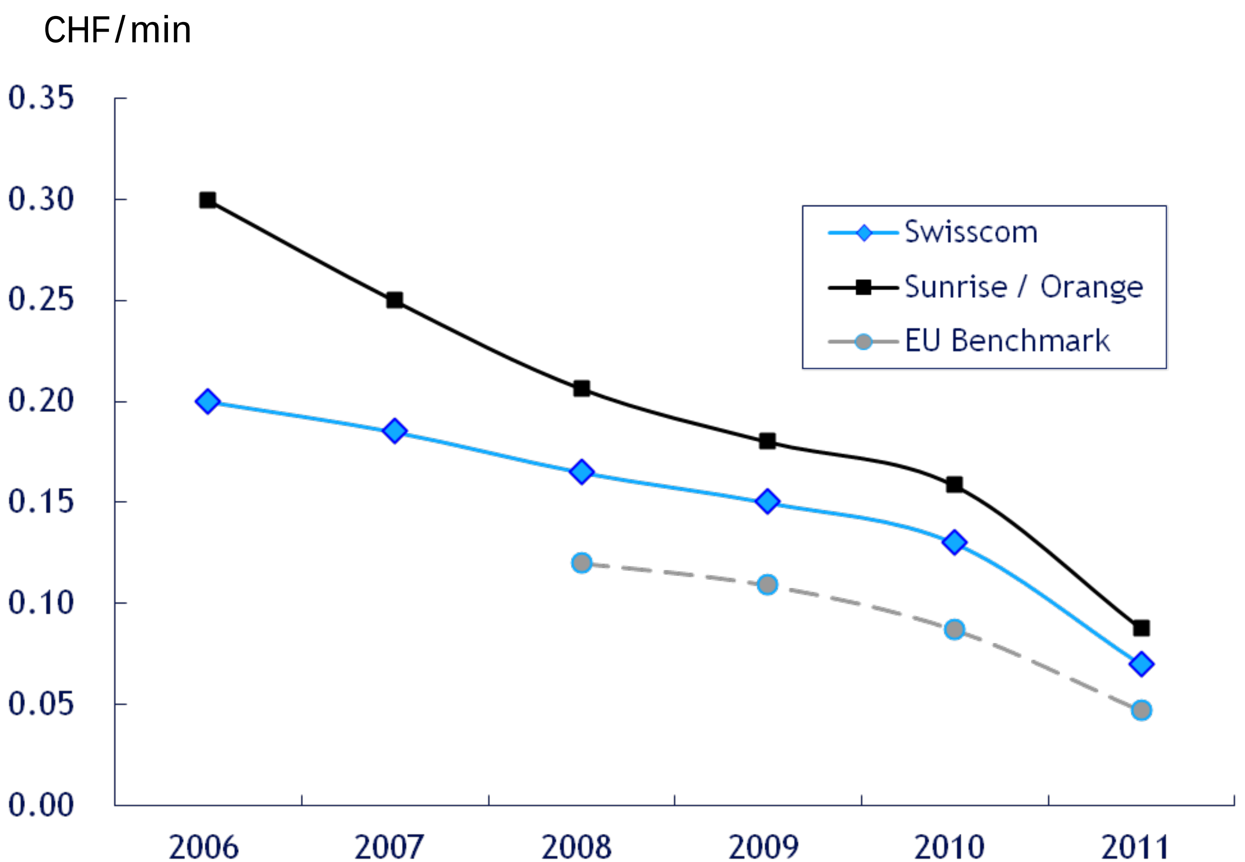
1) Migration to digital largely driven by analogue customers who have been transferred technically, but have not subscribed to a digital product yet: these are still potential customers for Swisscom

* Estimates for 2011

Nearly 40% of new digital TV customers chose Swisscom, bringing market share to 25% (from 7% at end of 2007)

2. Key results – Price and Volume effects: MTR prices

Wireless Termination



MTR rates cut has caused CHF 74mm lower wholesale revenues in 2011, however a similar amount in lower cost: neutral from a margin perspective.
Going forward, Swisscom wants to further lower these wholesale rates.

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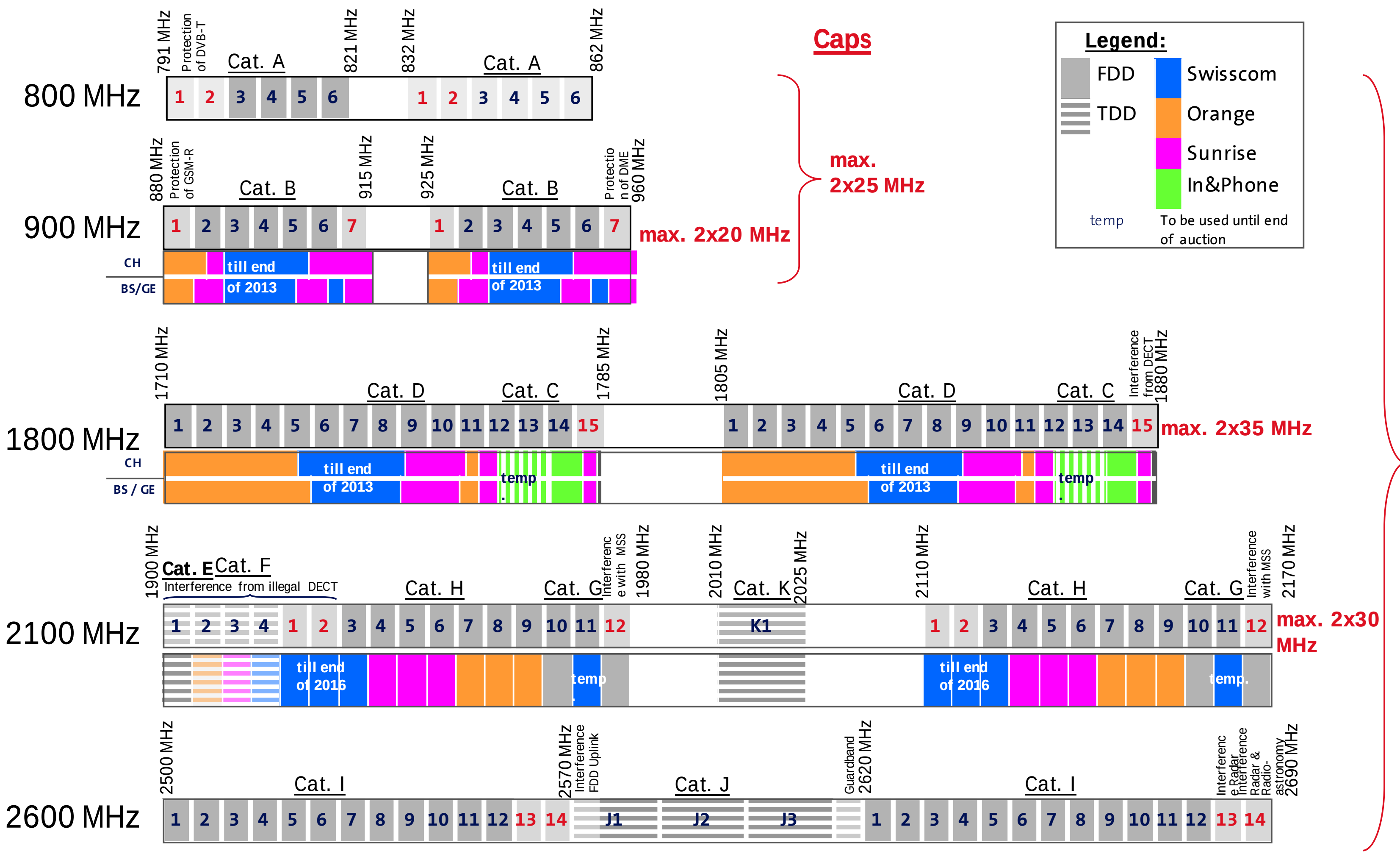
3. Special items – Mobile spectrum auction, caps



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3. Special items – Regulatory proceedings and outcomes

- **LRIC/ULL**: Federal Administrative Court overruled ComCom: telecoms regulator cannot change conditions on which competitors had already reached an agreement.
- **Leased Lines**: Appeal against ComCom's ruling that Swisscom has to resell lines. Case has been provisioned for at 80% of worst case, however should ruling be negative, then a price cut would extend itself into the future.
- **Mobile Termination Rates**: The Federal Court confirmed the decision of the Federal Administrative Court, which has quashed the decision of the Competition Commission to impose a CHF 333 mm fine. This case (for period until 2005) and the open case for period since 2005, are now both terminated, i.e. no fine for Swisscom.
- **ADSL**: Competition Commission claims Swisscom having abused its market dominance by applying a margin squeeze. Decision by Federal Administrative Court not before Q2 2012. Decision can be challenged at Supreme Court
- **Cost methodology:** regulator looking into new pricing methodology (based on IP technology), possibly impacting pricing for ULL (2013) and ducts (2014)

3. Special items – Revision of telecoms law

Process overview: so far no revision of telecoms law supported by Swiss government

Initiative to change law	Analysis by Swiss government of the functioning of market and telco law	Decision not to change law	*Review by commission*	*Discussion parliament*	
Jan 2009	**Sept 2010**	**First Quarter 2011**	**First Half 2012**	**2nd half 2012**	**later**
• The **Committee on Transport and Telecommunication (CTT)** of the Council of States **decided** in January 2009 that – before taking revision measures concerning the Law on Telecommunication (LTC) – **the Federal Council should report on the situation of the Swiss telecom market**.	• The Federal Council published this report in September 2010 with the recommendation **<u>not to revise</u> the current law**	• Both CTT of Council of States and National Council refrained from demand to change law, did however ask for a supplementary review	• Suppl. Review by government expected and to be discussed in both Councils. Either the process is over thereafter, regular Reviews are asked or a revision will be initiated	• If revision is initiated, this then goes from the CTT's in the plenary earliest in the second part of 2012	Change of law, if any, could take 2-3 yrs

Only if both Chambers (States and National) agree, a mandate for the revision of the Telecoms Law will be given to the Federal Council to elaborate a proposal

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3. Fastweb – measures taken and on track

Operationally a decent year in the context of more difficult market conditions

- Swisscom wrote down part of goodwill on back of
  - higher risk premium Italian bonds (causing higher WACC)
  - lower growth than originally anticipated due to competitive pressure and generally lower consumption
- € 1,276 mm (CHF 1,555 mm) impairment has had CHF 1,189 mm impact on net income 2011, with CHF 366 mm tax shield (lowering cash taxes from 2012 onwards)

Fastweb is focussing on improving performance

- Commercially with Sky partnership and denser distribution network
- Operationally with € 120mm (cost & capex) reduction program over 2 years (presented in more detail in Fastweb chapter)
- Composition wise, with less focus on (low margin) hubbing revenues. Concentrating on higher margin products, so that EBITDA can be kept at least stable on slightly lower revenues
- Revenues without hubbing to be stable at € 1.6bln, EBITDA to slightly increase, Capex to come down slightly: FCF improvement to be expected in 2012

Fastweb to be developed organically

- Default is to develop Fastweb stand alone as part of Swisscom Group
- Smaller bolt-on acquisitions (e.g. minority stake in Metroweb) may still happen going forward, however large acquisitions are not foreseen
- Swisscom remains open for potential strategic partnerships with Fastweb

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Ueli Dietiker, CFO

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Agenda

A. FASTWEB Today - 2011 Achievement and Results

B. Outlook

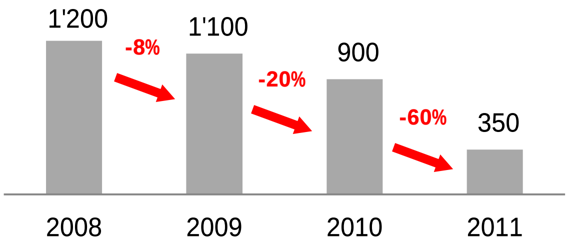
C. 2012 Guidance

4. Performance 2011 was in line with expectations

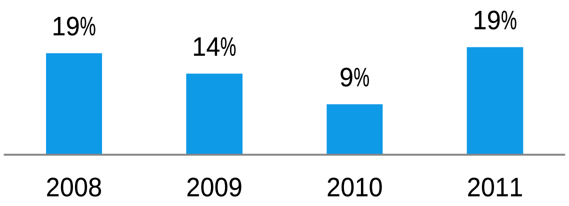
2011 Action Plan	Achievements	
1. Sky partnership	**Achieved**	71k gross adds (21% of total)
2. Improve inbound performance	**Achieved**	Inbound sale mix at 59% in 4Q 2011 vs 48% in 2010
3. Growth in SHP (microbusiness)	**Achieved**	50% sales increase vs 15% target
4. Reduce cost-to-connect	**Achieved**	Unitary connection costs down 70% vs last year
5. Reduce the overall bad debt level	**Achieved**	FBNP from 29.7% in Jan 2010 to 8.6% in Oct 2011

4. Despite market slow down, the performance in the consumer segment improved

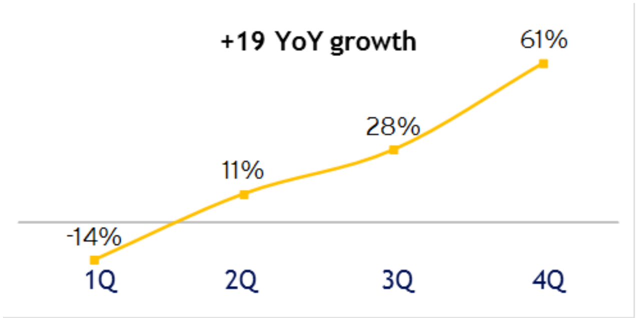
Italian Market BB Net Adds ('000)



FASTWEB Share of Net Adds



FASTWEB 2011 YoY Sale Trend (Res. & SHP)

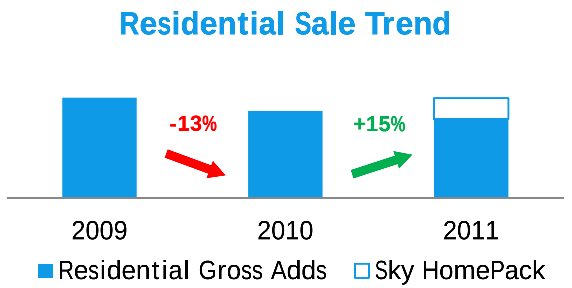


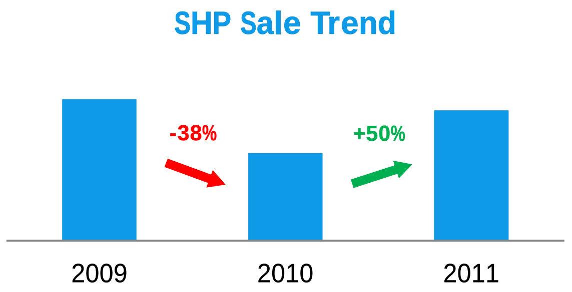
- Broadband market approached saturation with a 60% YoY reduction of net adds
- The slow down further sharpened in 2H, with net adds in the period accounting for less than 15% of yearly total

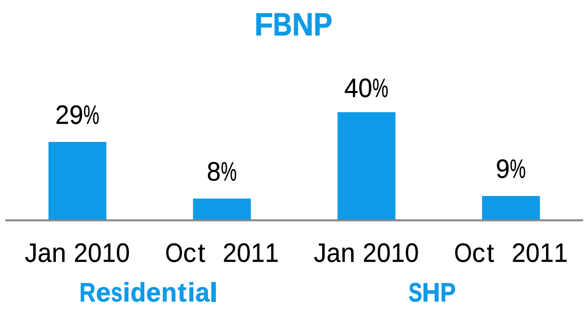
- FASTWEB share of net adds increased from 9% in 2010 to 19% vs 15% target

- Steady improvement of performance through the year

4. The stabilization of the business was the main driver of the recovery in Consumer



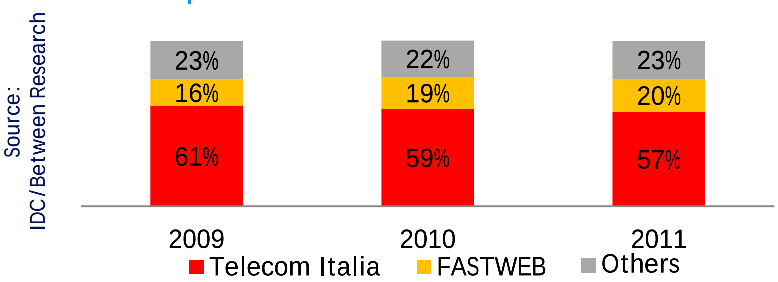




- The residential business was stabilized thanks to stronger go-to-market and effective CB management
  - Sales up 15% YoY also thanks to Sky HomePack contribution (21% of the overall amount)
  - Churn/sales ratio improved approximately 10 pp
- FASTWEB SHP performance (microbusiness segment) was structurally turned around
  - 50% YoY sales increase vs 15% target
  - Pre activation churn down from 28% in 2010 to 19%
  - Improved sales mix – Footprint acquisitions up to 62% from 55%
- Focus on sales quality also led to a sharp reduction of First Bill Not Paid
  - from 16% EoP 2010 to 8% in October 2011 for Consumer
  - from 26% EoP 2010 to 9% in October 2011 for SHP

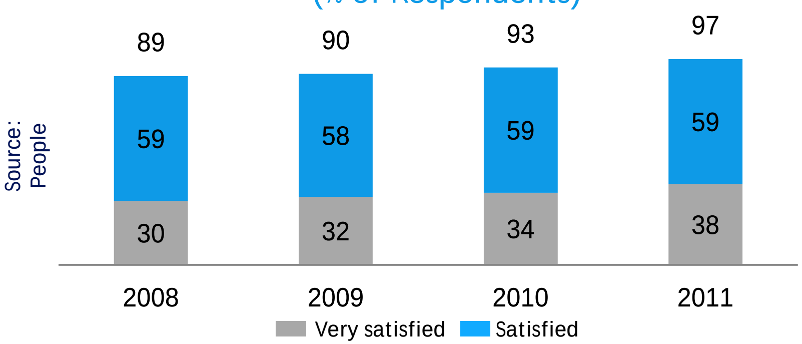
4. Fastweb leadership in the Corporate segment yielded additional growth

Corporate Wireline Market Share Evolution



- FASTWEB market share further increased in 2011 (to over 20%), reinforcing its positioning as the leading alternative operator in the Corporate segment

Corporate Customers Satisfaction Index (% of Respondents)



- FASTWEB overall customer satisfaction increased steadily since 2008 reaching 97% in 2011, the highest level in the Italian Corporate Market

2011 Corporate Financial Highlights

Revenues	+2% YoY	Contr. Margin	+5% YoY
FCF Proxy	+4% YoY	Cash In	+10% YoY

- Thanks to its positioning, FASTWEB performance in the Corporate segment was once again solid

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4. The cash cost reduction plan is being further extended

Cash cost (opex + capex) reduction initiatives were further extended and are well underway to lower 2013 versus 2011 base by €120 Mln

Implementation from 2011

1. Bad Debt
   - Overall First Bill Not Paid down from 29.7% in Jan 2010 to 8.6% in Oct 2011
   - Average Cash In/Turnover up from 90% in 2010 to 93.5% in 2011
2. Cost to connect
   - New activation process rolled out to residential and SHP customers – Savings from 2012

Implementation from 2012

3. IT - Rationalize outsourced IT Application Support and HW/SW platforms maintenance activities
4. BU Enterprise – Single BU addressing all business segments
5. Customer operations - Improve quality of customer service and operational efficiency
6. IPTV - Exit from legacy platform
7. Others

€120 Mln Target Savings by 2013

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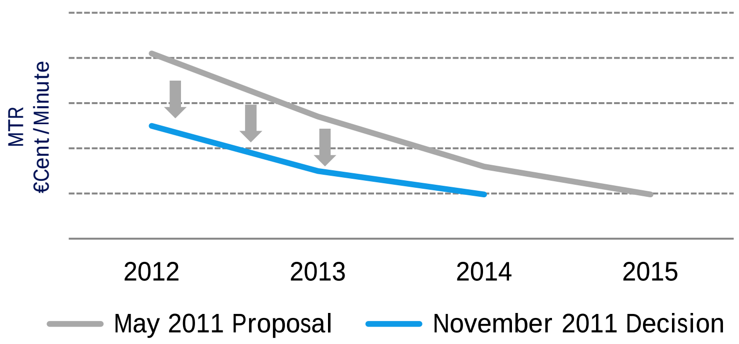
4. MTR reduction and M&A activity set to reinforce Fastweb positioning

MTR Reduction

New MTR regime approved by the NRA (regulator) in November 2011 introduced an “accelerated” glide path

- €0.98cent/minute to be applied in 2014 onwards (instead of 2015)
- >€20 Mln expected net savings for FASTWEB in 2012-2014 vs previous hypothesis



M&A

- Swisscom Italia signed a contract in 2H 2011 to acquire an 11.1% stake in Metroweb . Closing expected in March after clearance from antitrust authorities
- Metroweb is the fiber infrastructure network in Milan (of which FASTWEB is a client)
- The acquisition rationale was based on
  - Gaining an additional competitive advantage in the Milan area
  - Exploiting the alliance with F2i to proactively shaping the future deployment of NGN

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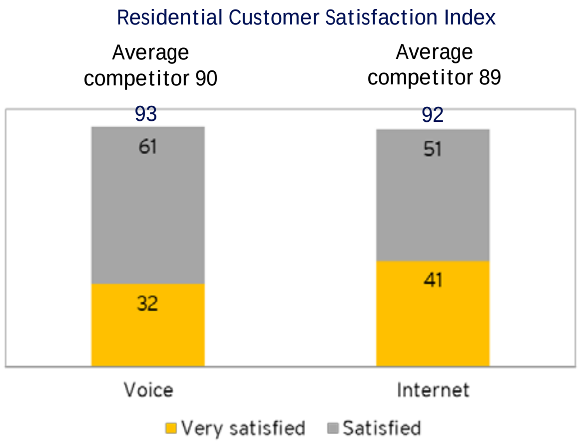
4. Fastweb is uniquely positioned in the context of the current market evolution

Quality of Service



- Thanks to quality of service, FASTWEB doubled its share of net adds in 2011 despite market saturation
- Increasing penetration of bandwidth-hungry applications will further boost demand for higher quality broadband services
- Opportunity for FASTWEB to intercept quality-seeker customers currently served by other operators

Innovation

- Still the leader of innovation in each market segment

Infrastructure

- With over 2.0 Mln home passed, FASTWEB is the “fiber company” in Italy, as it is the only operator with a fibre access network across the country

FASTWEB is best positioned to reap off the benefits of market trends in each segment

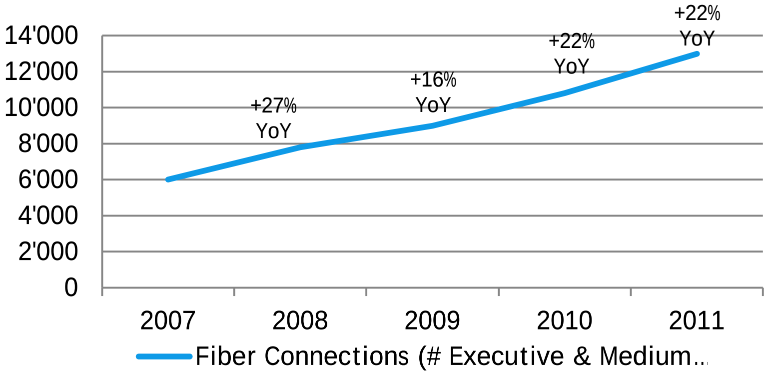
4. Building a platform for a long term sustainable consumer business

Differentiate through quality in premium segment	• Expand and optimize fiber and LLU footprint to enhance customer experience and profitability (154 new LLU COs/1 Mln HH potential)
Improve customer proximity	• 30 new monobrand stores and 100 franchise POS over the next three years to improve customer proximity and increase sales performance
Address complementary segments	• Boost SKY partnership (+70% HomePack sale vs 2011)
Further exploit SHP	• Push new go-to-market approach

Maintain a share of net adds between 15% and 20%

4. Upselling opportunities in the enterprise segment through fiber and ICT services

The Fiber Opportunity



- Fiber access will remain a key competitive advantage
  - Fiber deployment within industrial districts will enable FASTWEB to further penetrate the market
  - Connecting mobile BTS (base stations) through fiber will be an additional opportunity

Telco and IT Convergence

- Telco and IT services will progressively converge
- FASTWEB current revenue mix is highly dependent on traditional Telco services (90% of total revenues)
- Chance to upsell ICT VAS and to exploit new growth opportunities and increase stickiness
  - FASTcloud is the new bouquet of solutions complementing FASTWEB VAS portfolio

The fiber asset and the quality of infrastructure will remain the key driver of customer choice in the business segments

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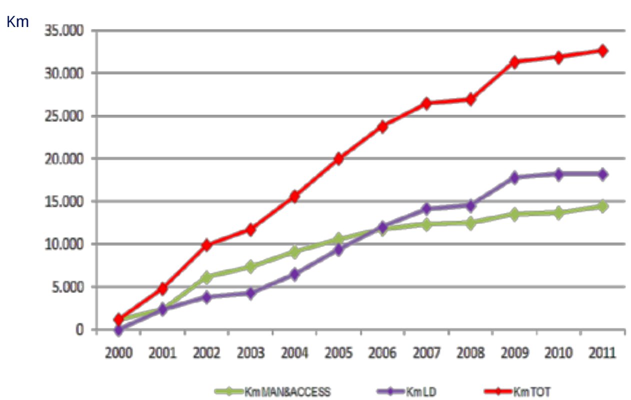
4. Fastweb is the only operator with a fibre access network across the country

FASTWEB Unique Access Fibre Network

- FASTWEB is the only operator with a fibre access network across the country covering 41 municipalities
  - Over 2.0 million homes connected or passed in Milan and nationwide
  - Additional competitive advantage in the Milan area also thanks to the stake in Metroweb

Ongoing Fibre Expansion (Over 32,600 km)



- The fiber network is being constantly expanded to meet market demand across all market segments
  - 32,600 KM of infrastructure evenly distributed between long distance and MAN/Access

1. FASTWEB is best positioned to further exploit the enterprise market
2. The Company can lead the adoption of hybrid copper-fiber solutions at the sub-local-loop unbundling level

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Guidance

1. Maintain customers growth	→	1. Broadband net adds broadly in line with 2011 level despite market saturation
2. Focus on high margin revenues	→	2. Managed revenue decrease, two third of which driven by a reduction of low margin wholesale (hubbing) revenues
3. Higher EBITDA	→	3. Slightly higher EBITDA and EBITDA margin increase thanks to the initial benefits of the cost reduction initiatives
4. Capex reduction	→	4. Slight Capex reduction also thanks to the benefits of lower cost to connect
5. Positive FCF	→	5. Positive FCF in the year driven by • Customer value thanks to FASTWEB positioning • Cost reduction initiatives • Favorable regulatory evolution

2012 will be the first year of FCF generation along a trajectory of financial sustainable growth in the long run

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Introduction

Carsten Schloter, CEO

1. Big Picture

- Investing for sustainable returns

2. Key Operational Results

- Financially
- Price and volume effects

3. Special Items

- Mobile frequency auction
- Regulation and law
- Fastweb

Outlook

Fastweb Refocus | Investment Plans | Financials & Dividends

4. Fastweb

- Results 2011
- Outlook
- Guidance 2012

Alberto Calcagno, CEO

5. Network Development

- Status today
- Sustaining the USP
- Implications

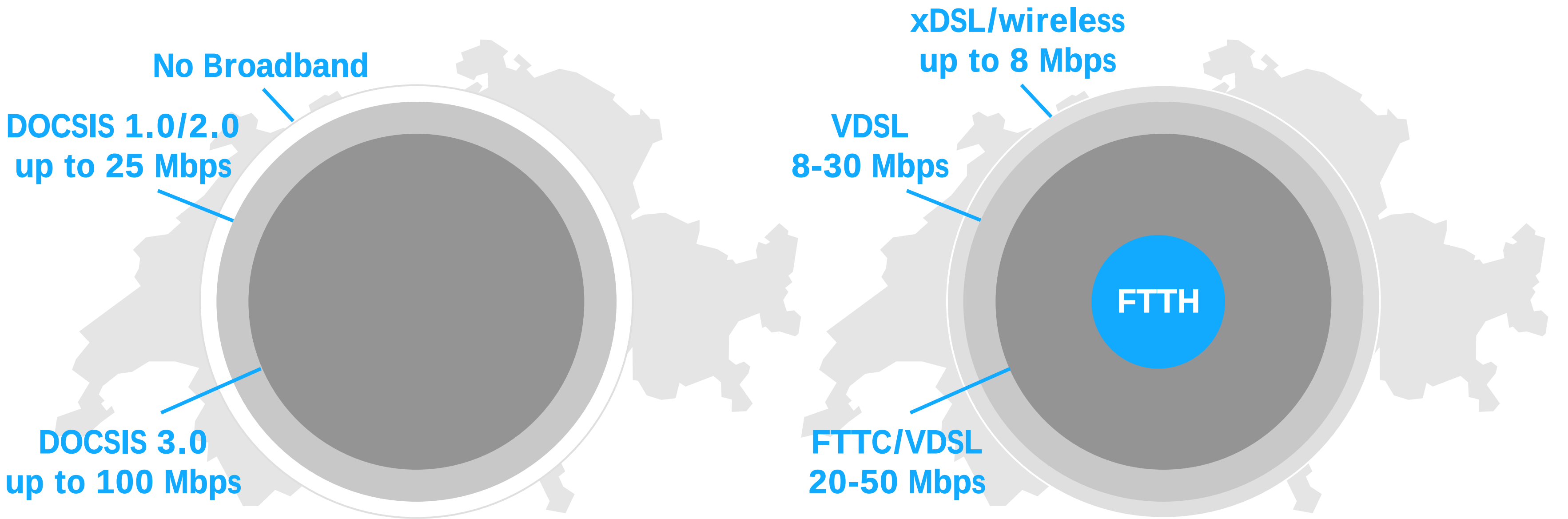
Heinz Herren, NIT

6. Financials

- Group results 2011
- Outlook 2012
- Dividend & policy

Ueli Dietiker, CFO

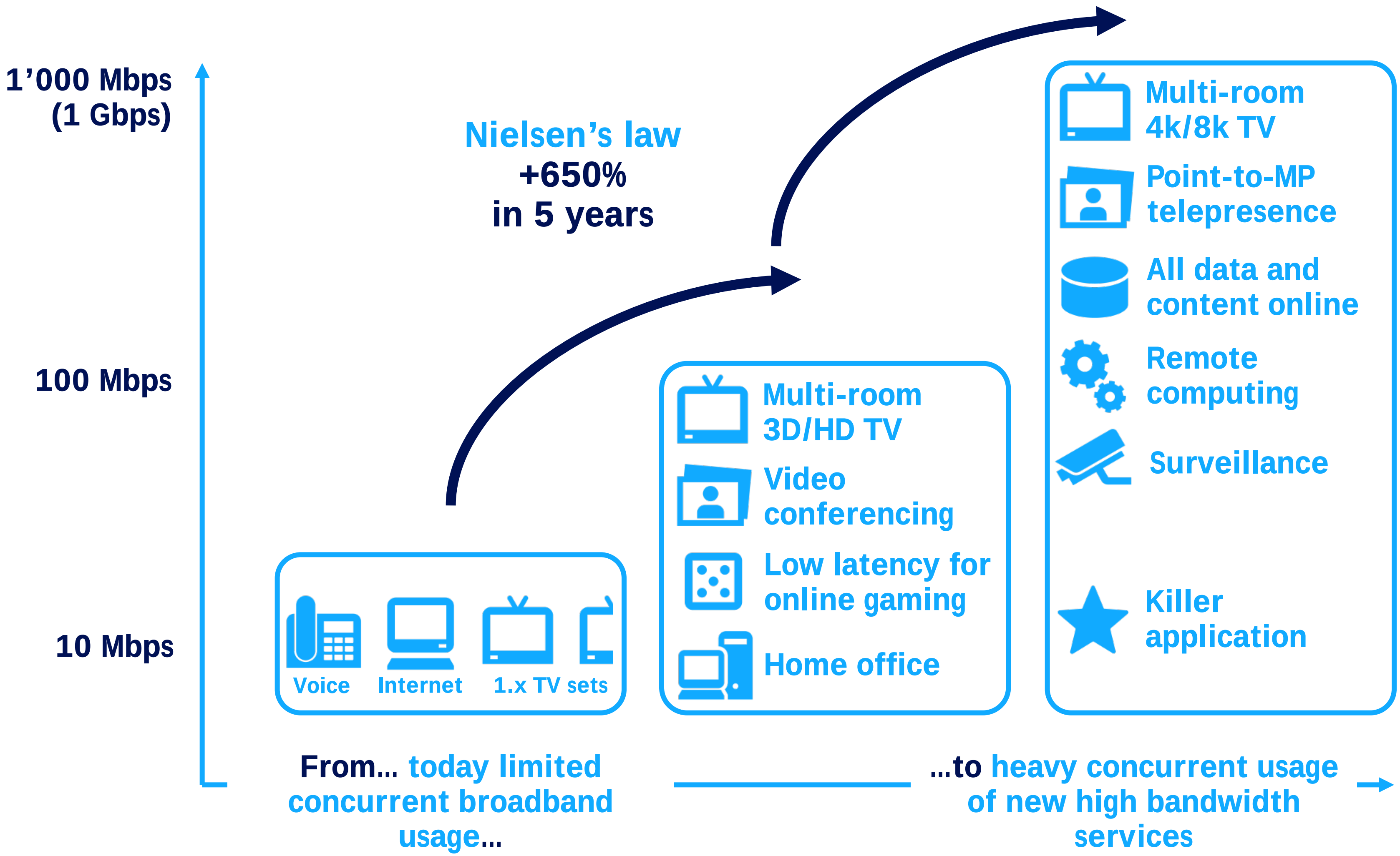
5. Swisscom's broadband network is meeting customer demand and keeping up with competition on relevant services



Cable broadband coverage (~85%)

Swisscom broadband coverage (100%)

5. Bandwidth demand is increasing exponentially as customers start using services simultaneously



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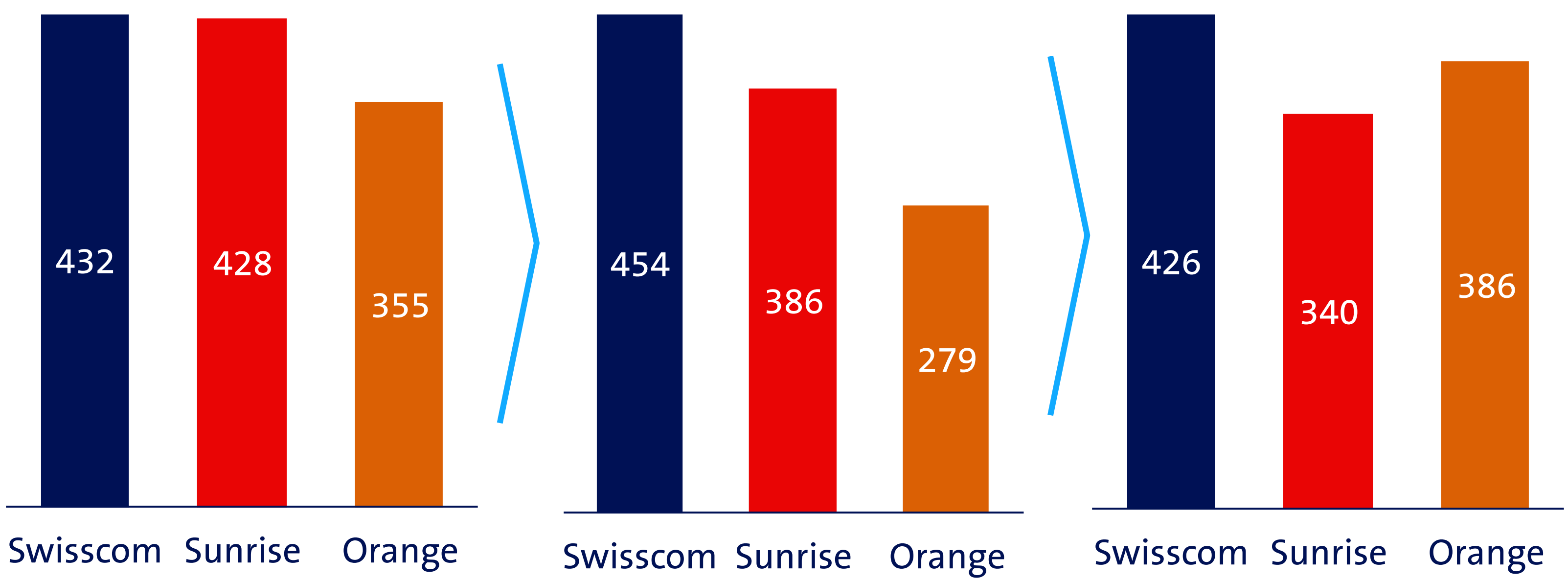
5. Swisscom operates Switzerland's best mobile network

Connect Test 2009 | **Connect Test 2010** | **Connect Test 2011**



„Call drop rate far less than a half percent"

„Impressive 93% high-speed coverage in cities, fantastic 79% in rural areas"

Only top graded network in Switzerland

5. Increasing wireless data traffic jeopardizes customer experience in near future

Higher spectral efficiency

2G 〉 3G 〉 4G

LTE approaches theoretical limit („Shannon limit“)

More spectrum

900 MHz	**800 MHz**
1800 MHz	**2600 MHz**
2100 MHz	**...**

Potential gains enabled by new frequency bands are limited due to stricter electromagnetic radiation limits in Switzerland

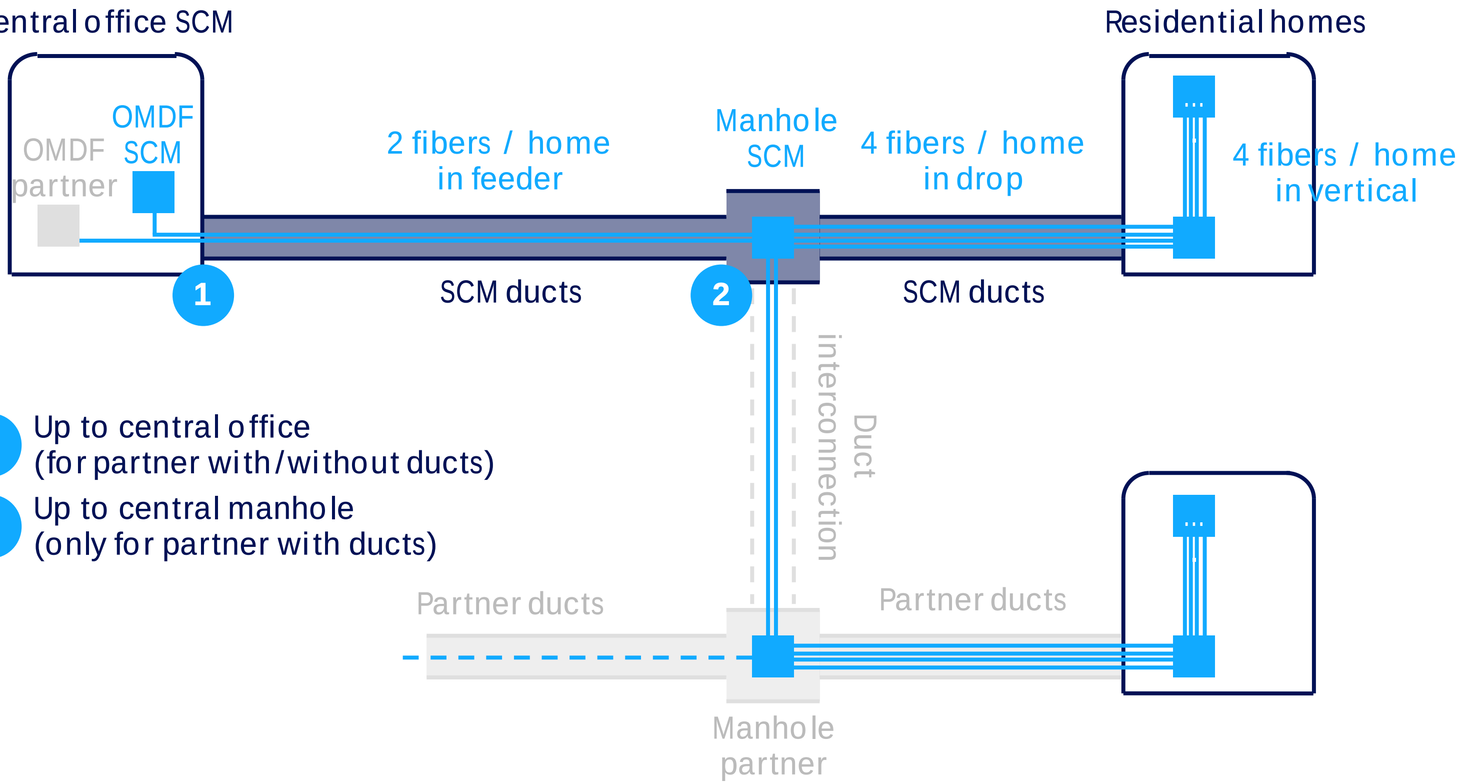
More sites

CAPEX cap as well as speed and extent of site acquisition set limits

5. Swisscom is considering several technologies to provide ultra-broadband in whole of Switzerland

	Area	Competition	Current deployment	Potential technologies
0%–30%	Top 20 cities	Utilities as partner	VDSL 8-30 Mbps FTTC/VDSL 20-50 Mbps FTTH 100-1000 Mbps	Vectoring 50-100 Mbps
30%–60%	Smaller cities Agglos	Large CATVs	VDSL 8-30 Mbps FTTC/VDSL 20-50 Mbps	FTTDP up to 500 Mbps FTTH 100-1000 Mbps
60%–80%–100%	Rural areas and remote municipalities	Small or no cable operators	xDSL up to 8 Mbps VDSL 8-30 Mbps FTTC/VDSL 20-50 Mbps	HSPA+/LTE up to 100 Mbps (shared) Vectoring 50-100 Mbps FTTDP/(H) up to 500/(1000) Mbps

5. Swisscom rolls out its FTTH network with partners



1. Up to central office (for partner with/without ducts)
2. Up to central manhole (only for partner with ducts)

Key elements of co-operations: Access to layer 1 both for investors and wholesale customers, cost and risk of FTTH rollout shared among partners (60:40 or 50:50 split), target equal share of ownership and IRU

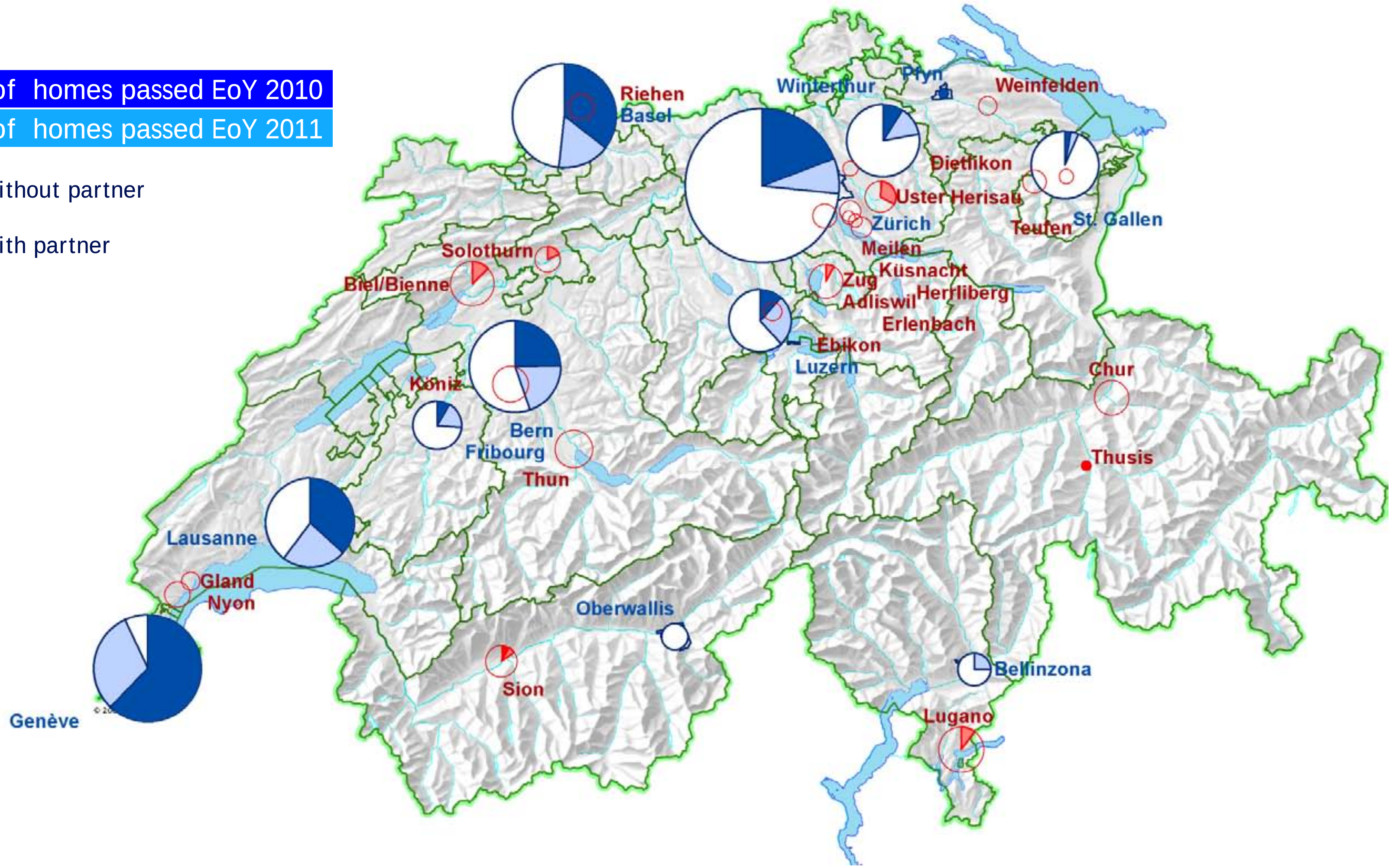
5. Roll-out of FTTH network is progressing: Together with its partners Swisscom has passed 364k homes in 2011

Share of homes passed EoY 2010

Share of homes passed EoY 2011

without partner

with partner



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Note: Status as of EOY 2011; partnership contracts were recently adjusted for approval by Swiss Competition Commission

5. SCM invests in wireless network to meet growing demand for mobile data and extend 'best network' position

	2011	2012 and ongoing
Improve coverage to cope with increasing mobility & expectations	• 99.8% EDGE, 95% 3G • 300 new 3G sites	• Improve indoor and on-train coverage • Near full 3G coverage by 2015 • Aim at 90% LTE coverage by 2016
Ensure capacity and performance to handle increasing traffic (doubling every 12 months)	• All 3G sites upgraded to at least 7.2 Mbps • 53% of sites with 14.4 or 21 Mbps, 11% even with 42 Mbps • Ca. 3'000 sites connected by fiber	• Further HSPA+ upgrade • Further cell densification • Complete fiber-to-the-site • Spectrum auction
Right technologies to deliver leading edge customer experience most efficiently	• 1st LTE customer trial in Switzerland • Intensified WiFi offload	• LTE launch in 2012 • Small cells • Mobile differentiation/traffic management • Offloading to WiFi/Femto

Best wireless network in Switzerland 2009, 2010 and 2011

Target: Extend position as best wireless network in Switzerland

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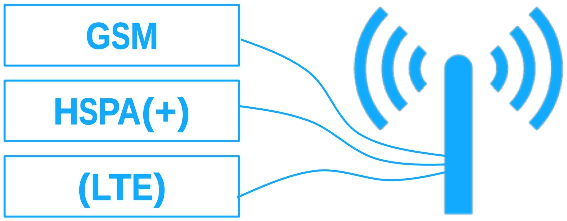
5. Complete modernisation of mobile network until 2014 – introduction of LTE technology in 2012

Single radio access („MVS“)



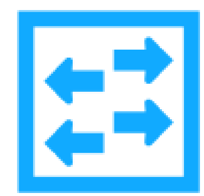
Supplier: Ericsson

- Swap of 6’000 sites by 2014
- LTE enabled
- Deployment of small cells

Multimedia core („Core deal“)

Voice optimised circuit-switched network

Data optimised packet-switched network

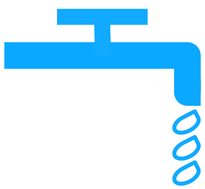


Suppliers: Ericsson and NSN

- LTE/SAE architecture (EPC, HLR/HSS and IMS for VoLTE) as basis for introduction of LTE

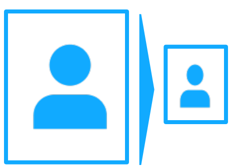
5. Mobile differentiation and traffic management for optimized user experience

Network deloading



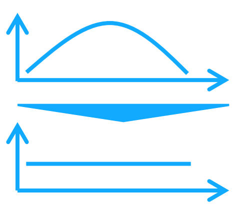
Throttling

- „Heavy user“ throttling to guarantee good user experience to everyone



Reduction of resolution

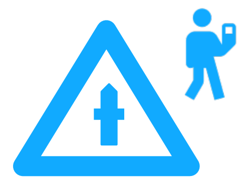
- Resolution adapted to screen size to minimize overhead



Traffic shaping

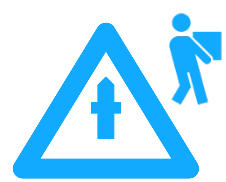
- Traffic shift outside busy hour through time-variant pricing

Speed differentiation/prioritization



Speed differentiation/ prioritization of user

- Speed differentiation or prioritization of user depending on chosen subscription



Service prioritization

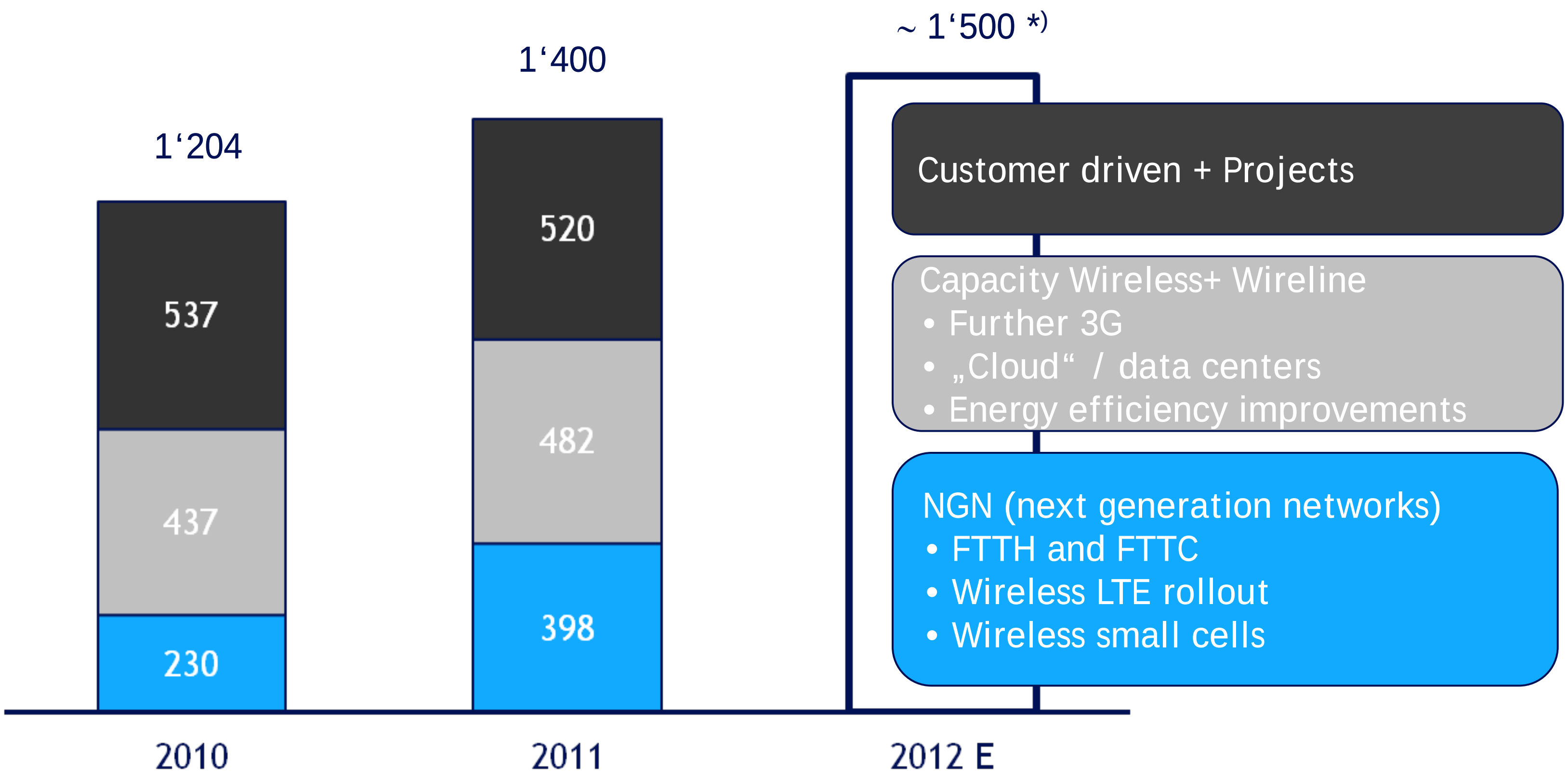
- Prioritization of QoS-critical services, such as TV or VoIP

5. Foundation laid for IT transformation for faster product development, enhanced customer experience, improved service quality, and lower (operating) expenditures

To date	2012	2013+
Converged CRM	Online and Self-care	Migration
Converged SAP / Billing	All-IP based IT (Copper)	Clean Up
All-IP based IT (FTTH)	Quadruple Play	Savings

Temporary increase of complexity and IT (operating) expenditures due to parallel operation of new and existing IT landscape; benefits will be realized after completion of IT transformation

5. Further fiber rollout, complete modernization of mobile network until 2016 – introduction of LTE technology and small cells



*) Excluding spectrum license fees

5. Extra investments in infrastructure will build the foundation for future services (e.g. NextGen TV, telepresence, collaboration, M2M, cloud), new growth opportunities and cement market share

FTTC
VDSL

Increasing 3-play penetration

FTTH
(Vectoring)
(FTTDP)

3D 4k

Incr. bandwidth need

UMTS
HSPA
Macro cells

Increasing mobile internet penetration

HSPA+
LTE
Small cells

Increasing usage

All-IP transformation

Higher flexibility in bundling and better time-to-market

FTTH provisioning

Phase-out legacy

IP

e.g. TDM phase out

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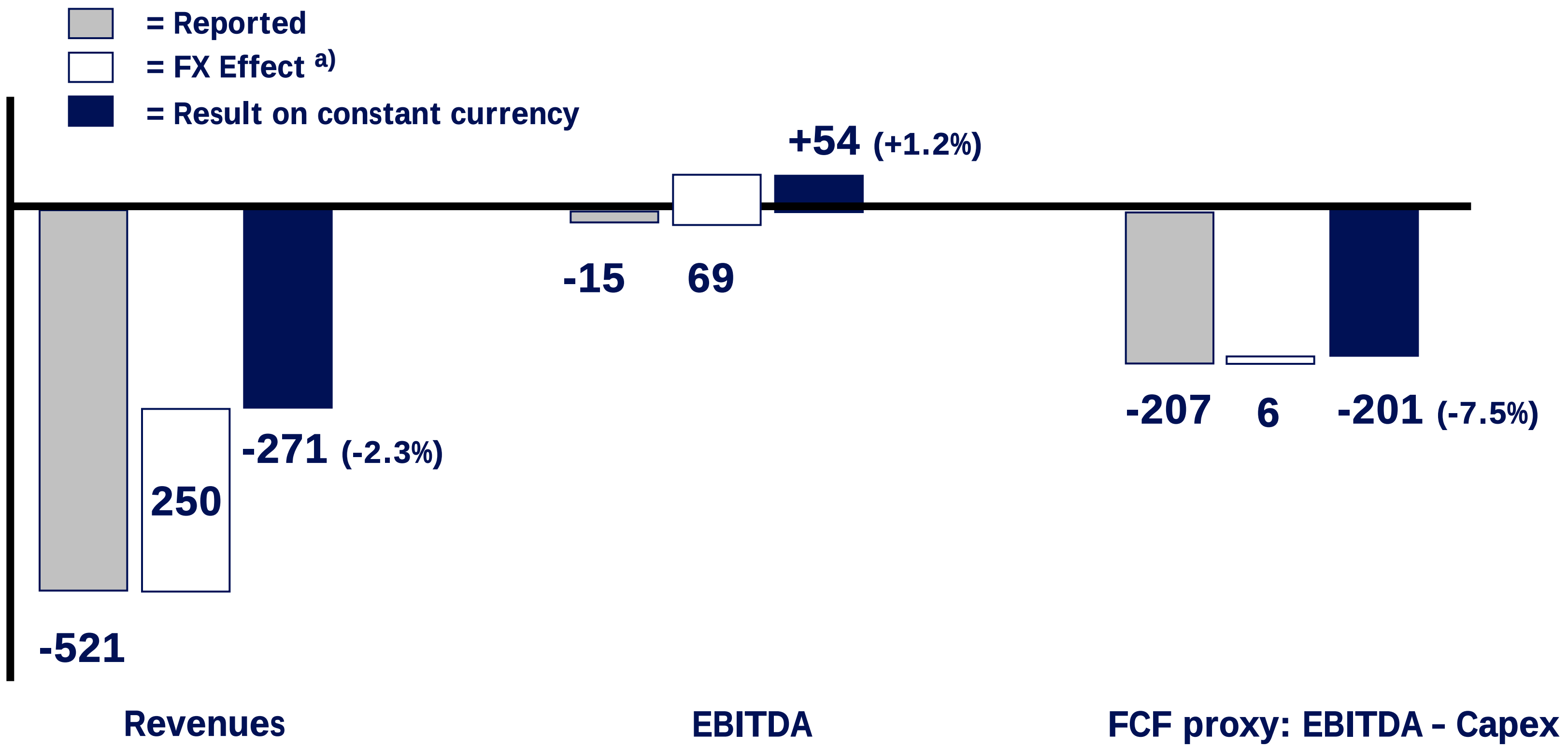
6. Financials – Reported results on constant currency basis

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



(a) Average exchange rate CHF/€ in FY 2010: 1.3700 and 2011: 1.232, i.e. a strengthening of 10.1%

Roughly half of the revenue decrease is from stronger Swiss Franc.
Higher Capex lead to a decrease of FCF proxy.

6. Segmental results: residential customers

Financials and operational data

	31.12.2011	YOY
Net revenue in MCHF [1)]	5'147	-0.8%
Direct costs in MCHF	-1'311	-0.5%
Indirect costs in MCHF [2)]	-878	1.6%
Contribution Margin 2 in MCHF	**2'958**	**-1.7%**
Contribution Margin 2 in %	*57.5%*	
CAPEX in MCHF	146	14.1%
FTE's	4'683	1.6%

	31.12.2011	YOY
Voice lines in '000	2'361	-4.6%
BB lines in '000	1'452	4.0%
Wireless customers in '000	4'590	1.6%
Wireless cancellation rate (annualised)	14.8%	-0.2pp
Blended wireless ARPU in CHF	40	-4.8%
thereof ARPU new data in CHF	5.0	6.4%
Blended wireless AMPU in Min.	106	3.9%
Wireline traffic national in Mmin.	4'469	-11.0%
Wireline traffic int'l in Mmin.	577	-9.4%
TV subs in '000	589	44.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

12m 2011

- **Net revenue** slightly down by -0.8%. New data, Bundles and Subscriber growth compensate almost for price erosion and lower termination rates
- Wireline **revenue** down -1.2% (new bundle products, broadband subs and IPTV growth nearly compensate voice line loss and price erosion)
- **Direct cost** decrease -0.5%, lower outpayments overcompensate higher subscriber acquisition and retention cost
- **Indirect cost** up +1.6% (efficiency gains are offset by different higher expenses)
- **Contribution Margin** down -0.5%-points to 57.5%
- **TV Subscriber** up +44.0%
- **New Data** ARPU up +6.4%

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

Financials and operational data

	31.12.2011	YOY
Net revenue in MCHF [1]	1'175	0.0%
Direct costs in MCHF	-152	-11.1%
Indirect costs in MCHF [2]	-149	10.4%
Contribution Margin 2 in MCHF	**874**	**0.6%**
Contribution Margin 2 in %	*74.4%*	
CAPEX in MCHF	15	66.7%
FTE's	824	12.4%

	31.12.2011	YOY
Voice lines in '000	517	1.0%
BB lines in '000	177	12.0%
Wireless customers in '000	516	4.9%
Wireless cancellation rate (annualised)	7.2%	0.2pp
Blended wireless ARPU in CHF	88	-5.4%
thereof ARPU new data in CHF	13.4	3.9%
Blended wireless AMPU in Min.	210	-0.5%
Wireline traffic national in Mmin.	1'359	-5.2%
Wireline traffic int'l in Mmin.	165	-6.3%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

12m 2011

- Net **revenue** stable (price erosion compensated by ongoing subscriber, bundles and new data growth)
- **Direct costs** down by -11.1% due to lower outpayments
- **Indirect cost** up +10.4% (efficiency gains are overcompensated by expenses for service level and a higher number of FTE)
- **Contribution Margin** up 0.4%-points to 74.4% due to lower direct costs
- **BB lines** up +12.0%
- **New Data** ARPU up 3.9% to 13.4 CHF/month

6. Segmental results: corporate business

Financials and operational data

	31.12.2011	YOY
Net revenue in MCHF [1)]	1'865	0.4%
Direct costs in MCHF	-430	-3.4%
Indirect costs in MCHF [2)]	-463	9.7%
Contribution Margin 2 in MCHF	**972**	**-1.9%**
Contribution Margin 2 in %	*52.1%*	
CAPEX in MCHF	111	38.8%
FTE's	2'404	4.0%

	31.12.2011	YOY
Voice lines in '000	242	-1.6%
BB lines in '000	32	6.7%
Wireless customers in '000	943	15.4%
Wireless cancellation rate (annualised)	5.8%	1.8pp
Blended wireless ARPU in CHF	60	-10.4%
thereof ARPU new data in CHF	17.5	1.2%
Blended wireless AMPU in Min.	153	-7.8%
Wireline traffic national in Mmin.	1'482	-4.0%
Wireline traffic int'l in Mmin.	344	-1.7%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

12m 2011

- **Revenue** up by 0.4%, partially by acquisition of Axept. Decline of wireline revenue (price erosion) overcompensated by growth business and Mobile revenue (subscriber and new data growth)
- **Direct cost** down by -3.4% driven by lower outpayments
- **Indirect cost** increase by 9.7% due to the acquisition of Axept, a higher number of FTE and higher cost for ext. employees
- Increase of FTE +4.0% driven by outsourcing deals
- **Contribution Margin** decreased by 1.2%-points to 52.1% due to change in revenue mix (low margin) and increased indirect costs

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6. Segmental results: wholesale

Financials and operational data

	31.12.2011	YOY
Revenue from external customers in MCHF	609	-18.6%
Intersegment revenue in MCHF	388	-23.2%
Net revenue in MCHF	**997**	**-20.4%**
Direct costs in MCHF	-600	-25.2%
Indirect costs in MCHF [1)]	-17	41.7%
Contribution Margin 2 in MCHF	**380**	**-13.4%**
Contribution Margin 2 in %	*38.1%*	
CAPEX in MCHF	-	nm
FTE's	110	10.0%

	31.12.2011	YOY
Full access lines in '000	306	20.0%
BB (wholesale) lines in '000	181	-19.9%
Wireline wholesale traffic in Mmin.	8'731	-9.4%

1) incl. capitalised costs and other income

12m 2011

- **Net revenue** decreased by 256 MCHF
  - lower mobile termination rates
  - lower roaming rates
  - ongoing substitution towards full access
  - revenue decrease in data services
- **Direct costs** down by 202 MCHF as many revenue drivers push also down direct cost
- **Full access lines** (ULL) increased substantially, mostly substituting wholesale broadband lines

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6. Segmental results: network and support functions

Financials and operational data

	31.12.2011	YOY
Personnel expenses in MCHF	-627	-3.7%
Rent in MCHF	-177	-3.8%
Maintenance in MCHF	-214	1.9%
IT expenses in MCHF	-280	-13.8%
Other OPEX in MCHF	-283	-4.7%
Indirect costs in MCHF	-1'581	-5.2%
Capitalised costs and other income in MCHF	171	3.6%
Contribution Margin 2 in MCHF	**-1'410**	-6.1%
Depreciation, amortisation and impairment in MCHF	-832	-4.4%
Segment result in MCHF	**-2'242**	-5.5%
CAPEX in MCHF	1'128	14.2%
FTE's	4'075	2.8%

12m 2011

- **Indirect costs** down by 86 MCHF mostly driven by cost savings due to efficiency improvements and lower termination benefits
- **Segment result** increased by 130 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 (14.2%) mainly driven by higher spending for the fibre-infrastructure

6. Segmental results: Fastweb

Financials and operational data

	31.12.2011	YOY
Consumer revenue in MEUR	758	-11.7%
SME revenue in MEUR	222	-5.9%
Executive revenue in MEUR [1)]	766	-2.5%
Net revenue in MEUR [1)]	1'746	-7.1%
of which Hubbing in MEUR	141	-17.5%
OPEX in MEUR	-1'358	-9.2%
Capitalised costs and other income in MEUR	118	140.8%
EBITDA in MEUR	**506**	**16.9%**
EBITDA margin in %	*29.0%*	
CAPEX in MEUR	448	4.9%
OpFCF Proxy in MEUR	58	nm
FTE's	3'081	-1.3%

In Swisscom accounts	**31.12.2011**	**YOY**
EBITDA in MCHF	623	5.8%
CAPEX in MCHF	552	-5.6%

	31.12.2011	YOY
BB customers in '000	1'595	-7.5%
Mobile value customers in '000	307	29.5%

1) incl. revenues to Swisscom companies

12m 2011

- **Revenues** decreased by 7.1% YoY
  - Managed reduction of low margin Wholesale revenues represented 1.5% of the total YoY reduction. Executive without Wholesale increased by 9 MEUR
  - Strategic tightening of product portfolio to reduce cash burning revenues, i.e. hardware sales, represented 1.8% of the total YoY reduction
  - Competitive pressure due to loss-making offers (mobile to fixed cross subsidy) launched by Consumer and SME competitors represented 3.8% of the total YoY reduction

- Reported **EBITDA** reaches 506 MEUR, up 17% YOY. Adjusted for the effect of the settlements of legal disputes in 2011, EBITDA increased by 4% YOY. Tight cost control structural re-engineering process ongoing
- Excluding the VAT provision booked in 2010 and the settlement in 2011, EBITDA decreased by 53 MEUR
- **Contribution to Swisscom** EBITDA in CHF +5.8% (over 10% points below Reported EBITDA increase in Euros) due to the ongoing strengthening of Swiss Franc in a YOY context. (Currency impact in Swisscom accounts: revenue -240 MCHF / EBITDA -70 MCHF)

- **Customer base** was reduced by 197k in Q3 2011 due to settlement of a legal dispute with another operator. Excluding this one off effect, customer base increased by 68k subscribers or 3.9%

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6. Segmental results: Other

Financials and operational data

	31.12.2011	YOY
Swisscom IT Services in MCHF	531	0.8%
Swisscom Participations in MCHF	323	0.9%
Hospitality Services in MCHF	75	-2.6%
External revenue in MCHF	929	0.4%
Net revenue in MCHF [1)]	1'738	0.1%
OPEX in MCHF	-1'458	1.5%
Capitalised costs and other income in MCHF	59	40.5%
EBITDA in MCHF	**338**	**-0.6%**
EBITDA margin in %	*19.4%*	
CAPEX in MCHF	169	30.0%
FTE's	4'515	3.4%

1) incl. intersegment revenues

12m 2011

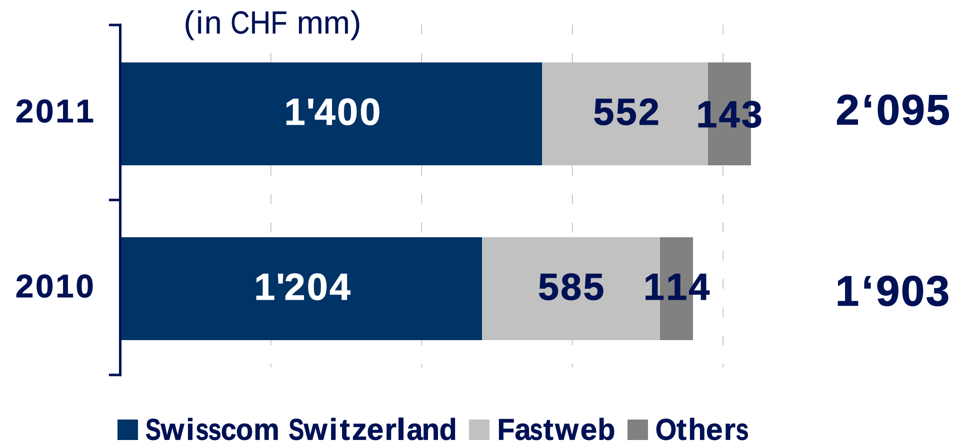
- **External revenue** up by 4 MCHF (+0.4%):

  IT Services up by 4 MCHF, mainly due to the acquisition of a new company in 2010 nearly offset by lower project business revenue

- **Net revenue** up by 2 MCHF, the increase of external revenue is partly offset by reduced intersegment revenues
- **EBITDA** down by 2 MCHF and EBITDA margin down by 0.2%-points due to revenue increase with overall lower margins
- **Order intake IT Services** 483 MCHF
- **Hospitality Services** revenues down in Swiss Francs due to weakening of Euro. In Euro terms: +7.6% YoY

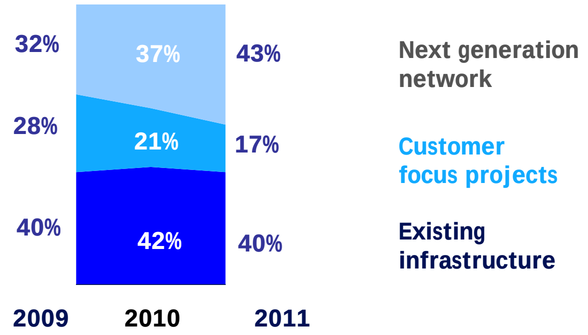
6. Group results: Capex breakdown

Consolidated Capex increase YoY (+CHF 192mm) due to further broadband rollout at SCS



Further Capex increase for the broadband infrastructure

Capex of Swisscom Switzerland – trend to invest more into NGN continues



- FTTx, VDSL, HSPA, HSPA+, LTE
- ALL IP

- Unified CRM (mainly in 2009)
- New Billing

- Infrastructure capacity extension
- Universal Service Obligation
- Customer equipment

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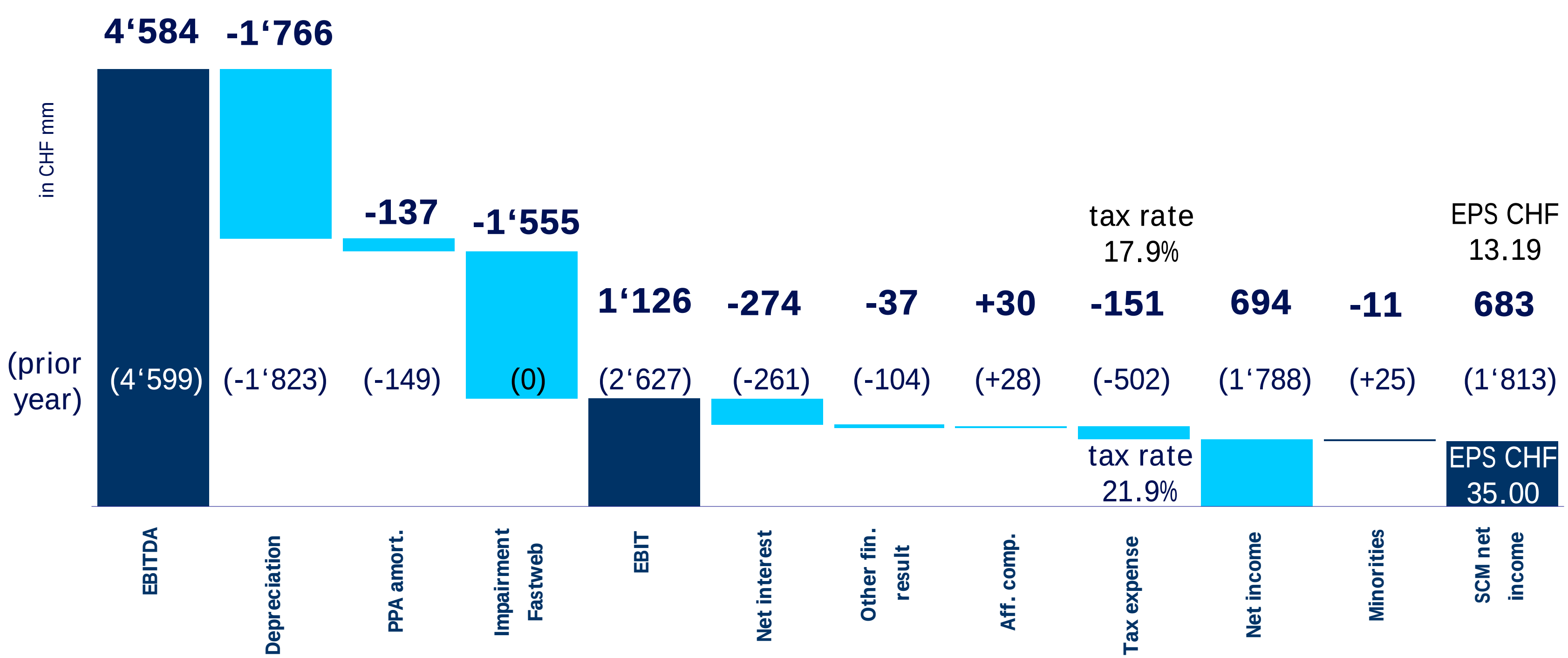
6. Group results: P&L breakdown



Net income down due to Fastweb impairment in Q4 11, lower tax expense as a result of Fastweb impairment

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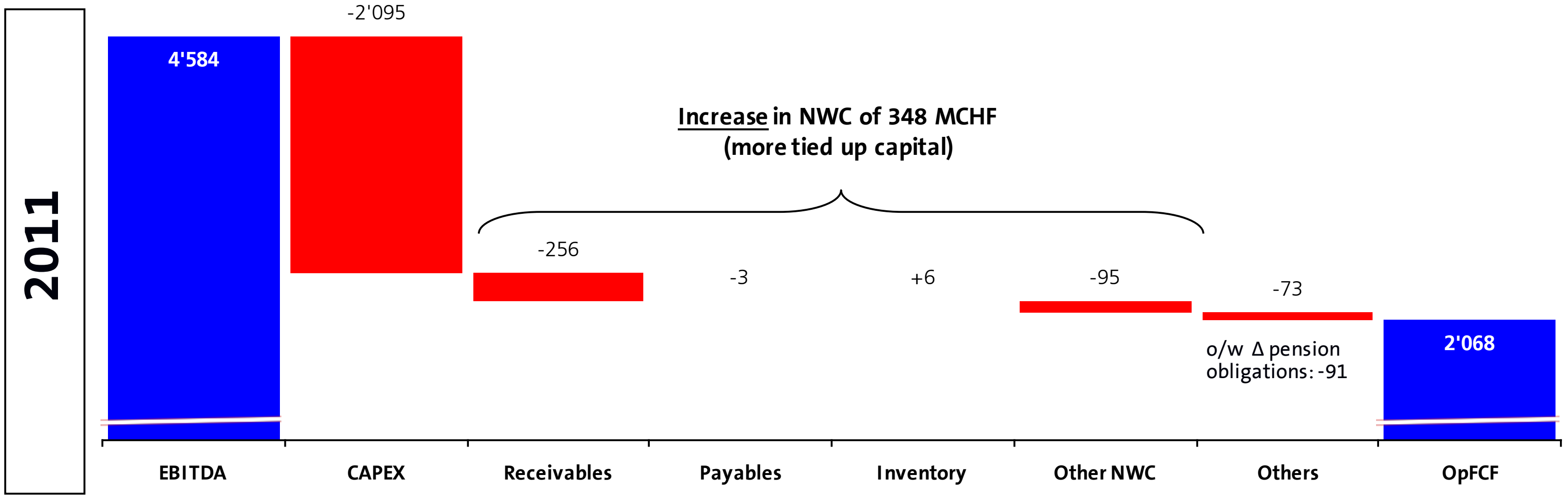
6. Group results: operating free cash flow breakdown in MCHF



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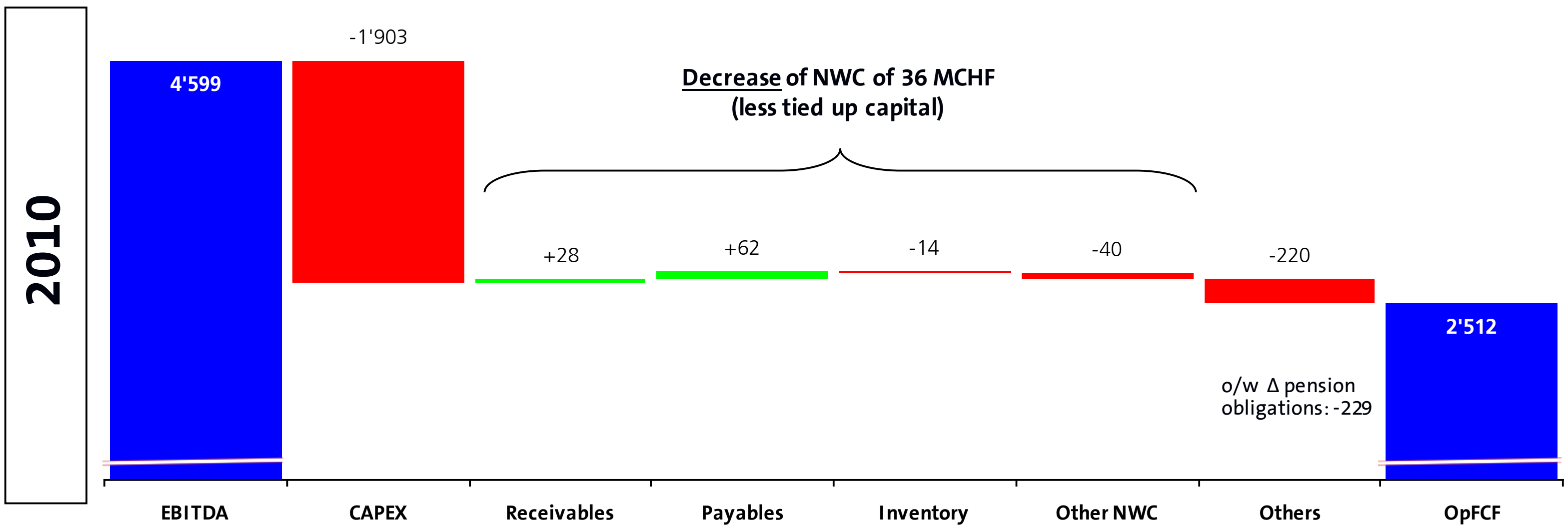
-15	-192	-284	-65	+20	-55	+147	-444



6. Outlook 2012

CHF bln	*2011 Actual*	2012 Expected Group Results
Exchange rate CHF/€	*1.232*	*1.23*
Revenues	*11.467*	11.4
EBITDA	*4.584*	4.4
CAPEX	*2.095*	2.2 (without cost for mobile spectrum)
Dividend/share (payable the year after)	*22* *(if approved by General Assembly, with ex-div date on 10 April and payment on 13 April 2012)*	22 Despite extra costs for mobile spectrum in 2012 (upon achieving the financial targets above, payable in 2013)

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Q&A

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"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.

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