



Swisscom Annual Press Conference

18 February 2010, Zurich



Swisscom Annual Press Conference

Dr Anton Scherrer, Chairman of the Board of Directors



ROLL UP, ROLL UP
WELCOME BEHIND
THE SCENES



2009: Swisscom holds its ground well despite difficult economic environment

- 2009 was a challenging year:
 - Financial crisis posed the greatest economic and political challenge in decades
 - Still weathering the recession, delayed impact on domestic economy
 - Uncertain business environment dampens spending and delays projects and investments
- Swisscom holds its ground well:
 - Stable development
 - Improved customer satisfaction and stronger market position
 - Innovative offerings (for example Swisscom TV)
 - High investment in network infrastructure, creation of several thousand new jobs for suppliers
 - Very satisfactory closing results

Greater competition: Mobile market changing – driven by telecoms giants

- Planned Sunrise-Orange merger will strengthen competitors and increase competition
 - Capital expenditure and fixed costs spread over twice the number of customers
 - New rival will be able to invest more and improve customer care, service and network quality, putting it on a par with Swisscom
 - Big players: owners of Swisscom's rivals are many times bigger than Swisscom (France Telecom, Liberty Global)
 - Market forces at play – no need for additional regulation
 - Increased competition is better than regulation

Regulation: New Telecommunications Act proves effective – high investments in various networks

- The new Telecommunications Act (TCA) has been in force since April 2007:
 - No other European country has unbundled the local loop faster than Switzerland. Prices are now set.
 - Dynamic development: over 150,000 lines unbundled by year-end 2009 – nearly five times more than at year-end 2008
- Ongoing large-scale investments in network renewal and expansion
- Revision of the Telecommunications Act would provoke legal uncertainty among providers across the board and jeopardise investments
- Infrastructure competition is working, with various providers investing heavily in new, competing technologies:
 - Fibre-optic networks, cable networks and mobile communications
- Need for prevention of market abuse rather than regulation of market shares

Switzerland's obligation: Presence in urban centres is important in order to ensure nationwide basic service provision

- Swisscom has a commitment to public service provision and to Switzerland: with annual investments of around CHF 1.35 bn
- Switzerland has one of the world's best telecoms infrastructures: over 98% broadband penetration, broadband access as part of basic service provision
- Basic provision without state support requires that Swisscom has a long-term presence in urban centres and is able to generate margins
- Long-term fibre-optic expansion project is making rapid headway:
 - Collaboration on construction of the fibre-optic network alongside infrastructure competition
 - Multi-fibre model as outcome of round-table discussions is gaining acceptance as industry standard

Environmental and social responsibility: Swisscom has set itself ambitious goals

- Swisscom has been leading the way on the ecological front for many years and supports its customers with its climate-friendly behaviour:
 - First telcoms company worldwide to pursue a systematic environmental management policy (1998)
 - Numerous international sustainability awards for its Mistral project (use of fresh-air cooling systems in data centres)
 - Cooperation with WWF (Climate Group member) for past 10 years
 - Among the top 100 sustainable companies worldwide (ranking 43; Corporate Knights study; Jan. 2010)
- Ambitious environmental targets for the next few years:
 - 100% electricity procurement from renewable domestic sources; already largest purchaser of wind and solar power
 - 20% increase in energy efficiency by 2015
 - 60% reduction in CO₂ emissions by 2015 (compared with 1990)
 - 10% annual increase in number of users of Green Services

Swisscom's triple-pillar strategy has proven its worth and is bearing fruit

Maximise



Stronger service culture

Efficiency stepped up in order to partially offset price cuts

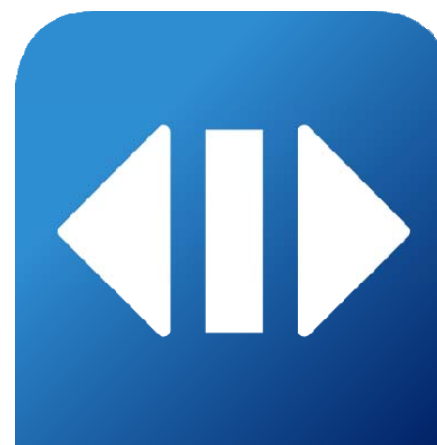
Extend



Acquisitions by Swisscom IT Services

Swisscom TV's market success

Expand



Profitable growth at Fastweb

Successful business performance in 2009 allows higher dividend of CHF 20

- Key performance indicators 2009:
 - Slightly lower revenue and operating income (EBITDA)
 - Stable net income (excl. exceptional items)
 - Higher operating free cash flow (+7.8%)
- Proposal to AGM for increased ordinary dividend per share of CHF 20 (last year CHF 19)
 - Further reduction in net debt and increase in financial flexibility
- Remuneration report: consultative vote at AGM
 - Prudent salary policy pays off
 - Performance-related remuneration linked to long-term goals such as customer satisfaction; shares with three-year blocking period
- Personnel information: Chairman of the Board of Directors will stand for a further year; handover to Hansueli Loosli at 2011 AGM



Thank you

- Stefan Nünlist
- Group Executive Board and staff
- Thank you for your attention!

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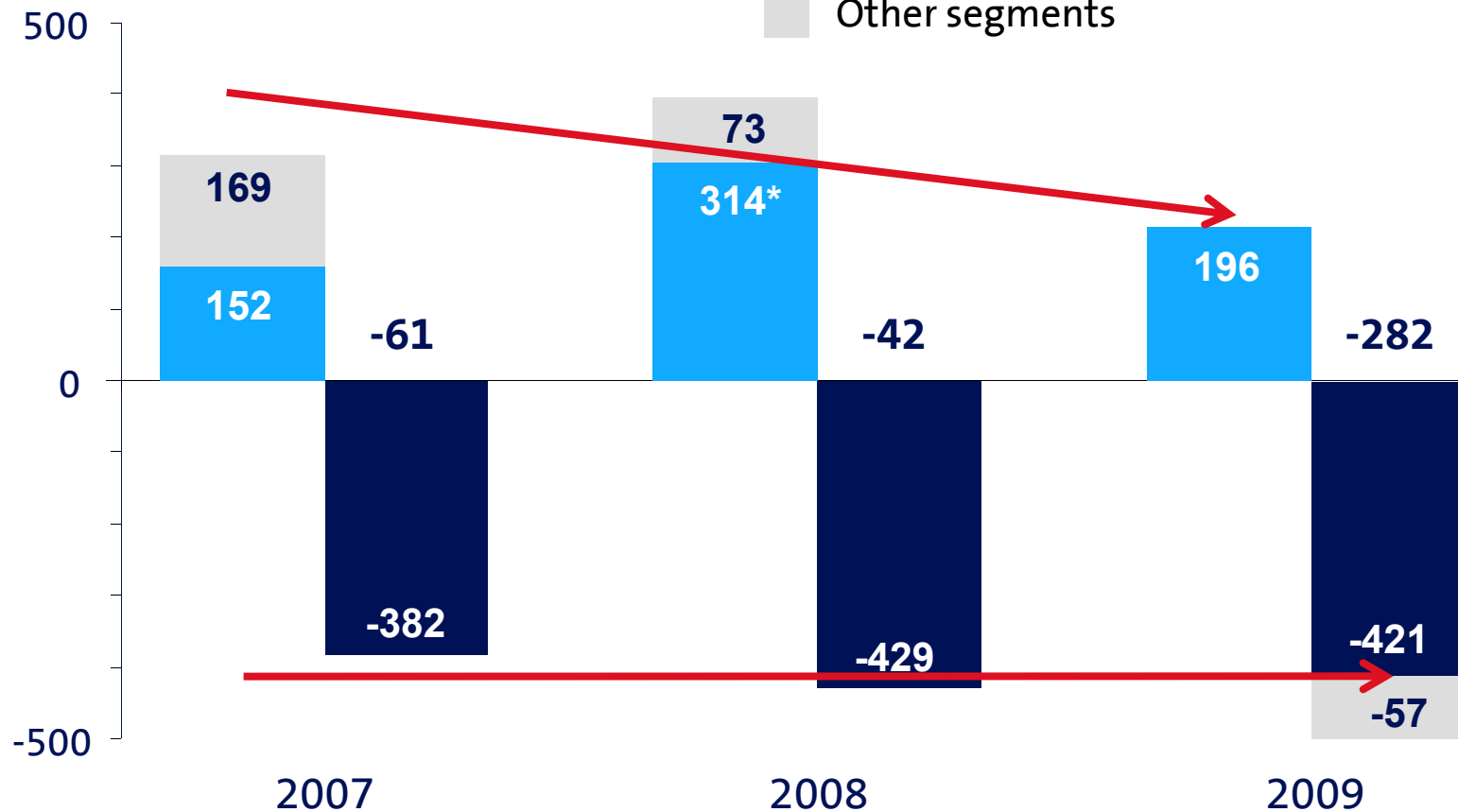
Carsten Schloter, CEO



In 2009 price cuts in Switzerland could no longer be offset by growth

Comparative change in revenue
Swisscom excl. Fastweb in CHFm

- Customer growth and new offerings
- Price cuts in core business
- Other segments

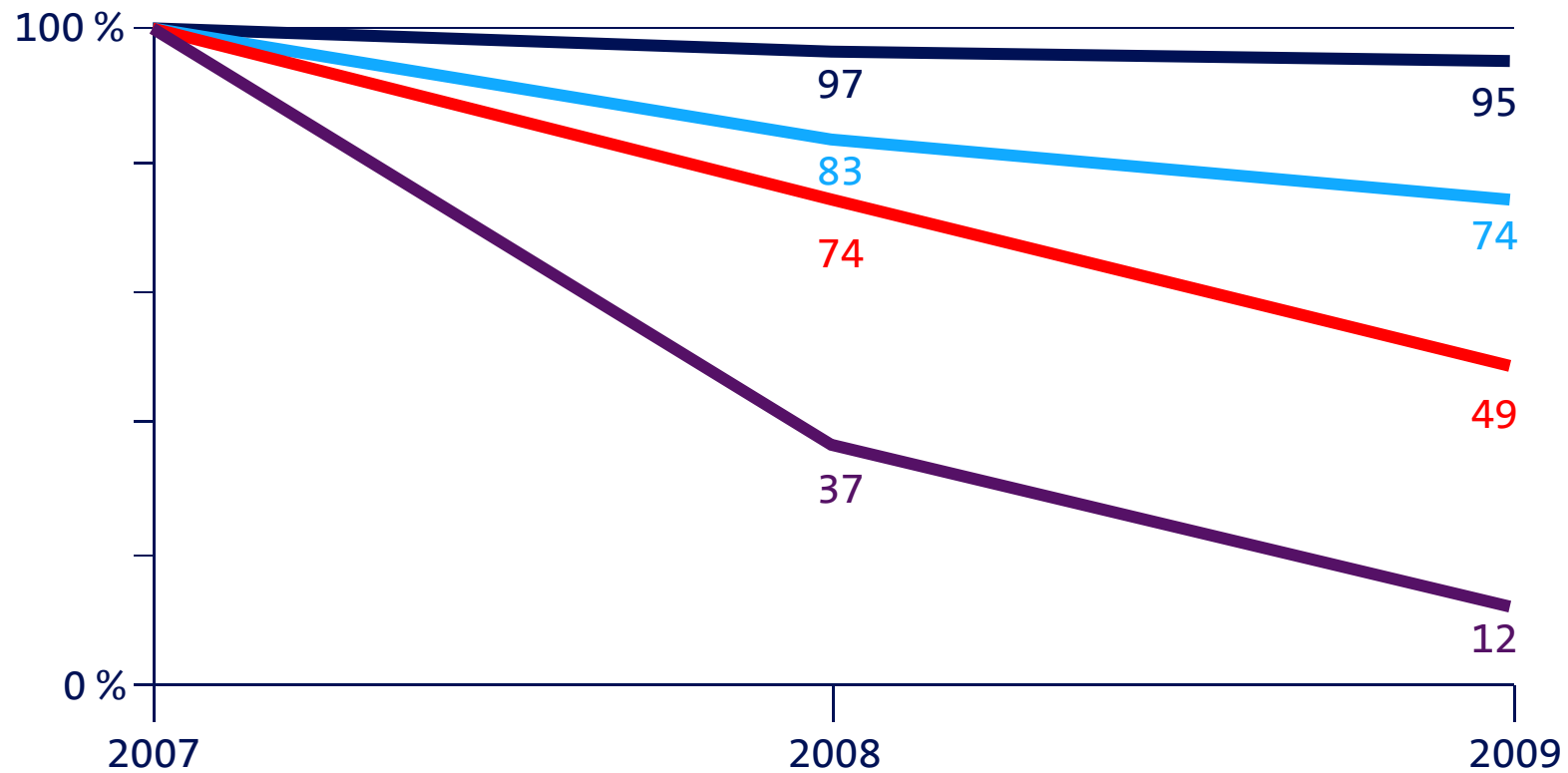


* Excl. revenue growth from iPhone launch

2009: Revenue dynamics in Swiss mobile and fixed-network business

CHFm	Price	Volume	Σ
Mobile	<p>Price cuts in core business</p> <p>Traditional Data services (excl. SMS)</p> <p>Σ -363</p>	<p>Customer growth and new offerings</p> <p>Traditional Data services (excl. SMS)</p> <p>Σ +278</p>	-85
	<p>Mobile phones</p> <p>+18 ← -18 → -36</p>		
Fixed network	<p>Traditional services</p> <p>Σ -58</p>	<p>Traditional services</p> <p>Σ -82</p>	-140
Total Σ	-421	+196	-225

Competition leads to greater price cuts, notably in data traffic



Fixed-line telephony CHF/min.
Mobile telephony CHF/min.

Fixed-line data traffic CHF/MB
Mobile data traffic CHF/MB

Average values per year, incl. roaming



Market success in 2009: Continuing customer growth in highly competitive environment

Fixed network

- Total 1.8 million broadband connections (+47,000 or +2.7%)
- Swisscom TV customer base almost doubled to 230,000 within year – Upgrade to high-definition quality for live events and video-on-demand

Mobile

- Total 5.61 million customers (+240,000 or +4.5%)
- Revenue from data services (excl. SMS) up 18.2% to CHF 410 million
- 258,000 iPhones sold in 2009, of which 109,000 in Q4 2009
- Around 30% of mobile phones sold in Q4 2009 were iPhones

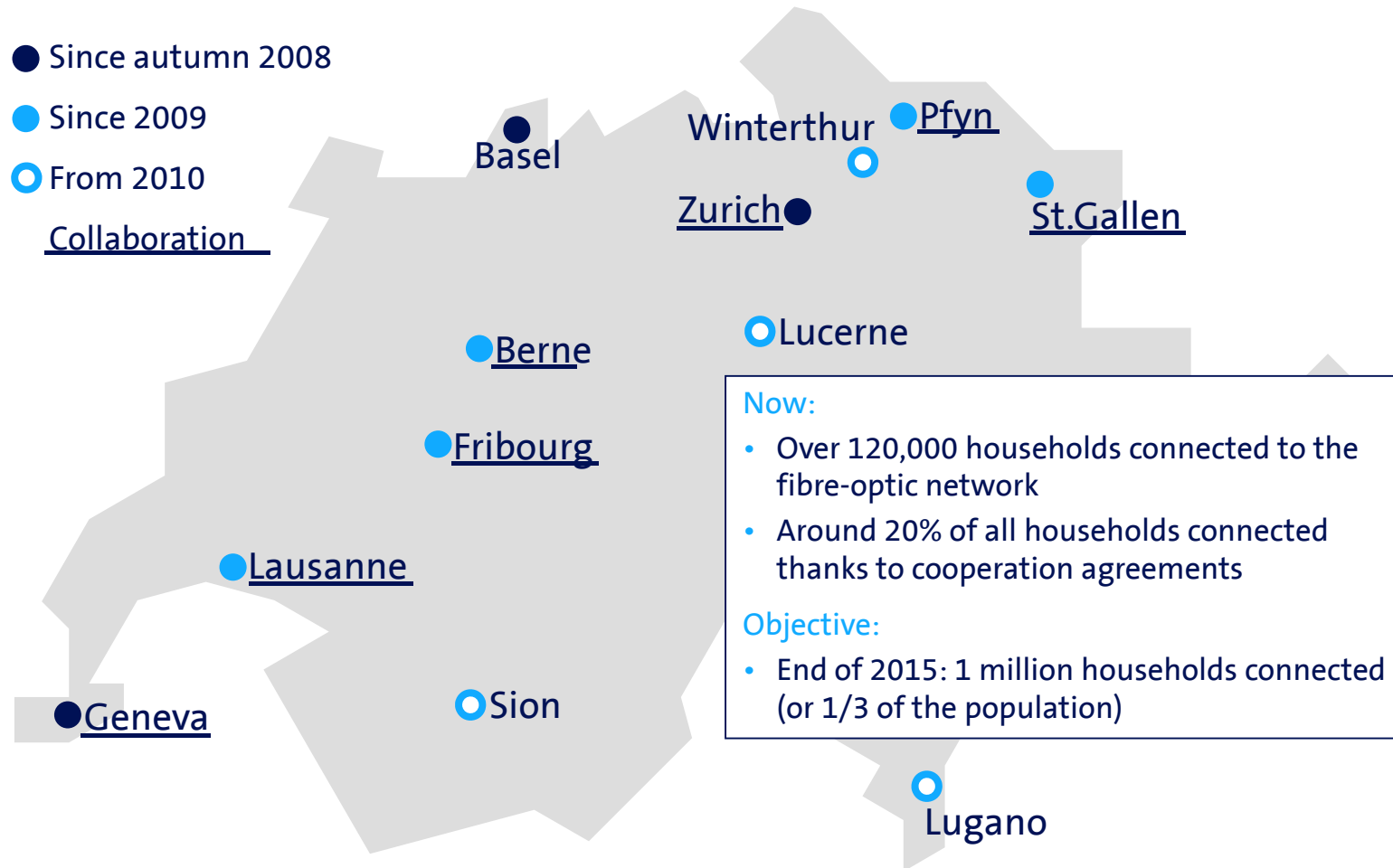
Business customer market: IT Services as growth driver during periods of uncertainty

- Outsourcing business is an opportunity to help customers trim costs in uncertain times:
 - Record number of new orders at Swisscom IT Services, amounting to CHF 540 million (previous year: CHF 342 million)
- Acquisition and integration of Sourcag Ltd und Resource Ltd
- Building on leading role as system integrator in the banking sector and top player in infrastructure outsourcing
- Focus on solutions business, hosting, security services and network integration in the business customer market

Rapid advances in the sector: Networks becoming nerve systems

- More and more daily activities are taking place over the Internet: from online banking to communicating via social networking sites such as Facebook and Twitter
- Rapid advances in electronics are driving the development of increasingly powerful devices and applications
- Sharply falling prices are making digital technology more widely accessible
 - Telecoms networks are becoming the nerve system of the information society
 - Growing demands in terms of service, quality and network capabilities

Fibre-optic expansion: Collaboration in many towns and cities brings down construction costs



Fibre-optic collaboration at a glance:

Active competition in the broadband market

Town/city	No. of households	Expanded by	Swisscom market share*	Cable networks market share*	Wholesale market share*
Zurich	220,000	2017	35	52	13
Geneva	200,000	2014 (180,000 households)	47	35	18
Fribourg	120,000	2019	45	42	13
Berne	82,000	2014	41	47	12
Lausanne	80,000	Pilot project	42	38	20
St. Gallen	42,000	2014	44	44	12

* estimate

Success at Fastweb: Solid growth in Italian broadband market

- In a challenging competitive environment, Fastweb has performed well and lived up to our high expectations
- Fastweb accounts for 23% of the Group's net revenue
- Customer growth of over 160,000 to 1.64 million (+10.9%)
- Revenue growth +8.5% to EUR 1.85 billion, mainly driven by increased revenue from government agencies (+29%)
- Adjusted EBITDA growth of EUR 33 million or +6.4%
- Mobile offering launched successfully, chalking up 210,000 customers by the end of 2009

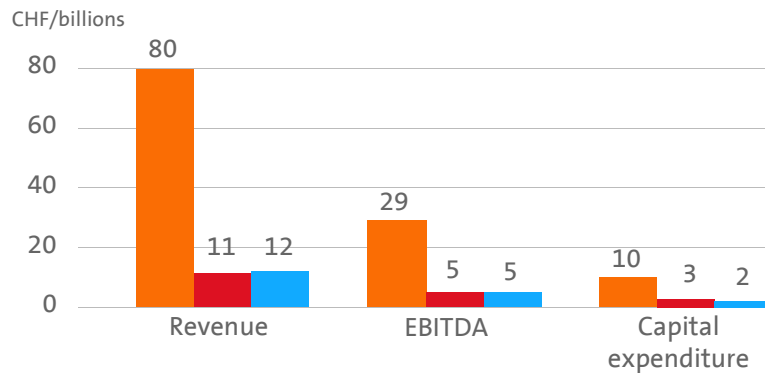
Outlook for 2010:

Competition set to intensify

- Continue tapping into areas with high potential, in particular digital TV and mobile broadband communication (HSPA+, LTE trial)
- Focus on expanding network infrastructure (fibre optics)
- Increased competitive dynamics due to merger of Sunrise and Orange, rebranding of largest cable network operator
- Successfully develop Fastweb and ensure a growing contribution to the Swisscom Group's free cash flow
- Financial expectations for 2010:
 - Excluding Fastweb, Swisscom's net revenue will be around CHF 9.15 billion, EBITDA approx. CHF 3.75 billion, and capital expenditure in the region of CHF 1.3 billion
 - Fastweb: Revenue will be around EUR 1.95 billion, EBITDA approx. EUR 580 million and capital expenditure in the region of EUR 410 million
 - Operating free cash flow for the Group, including Fastweb, will be around CHF 2.6 billion

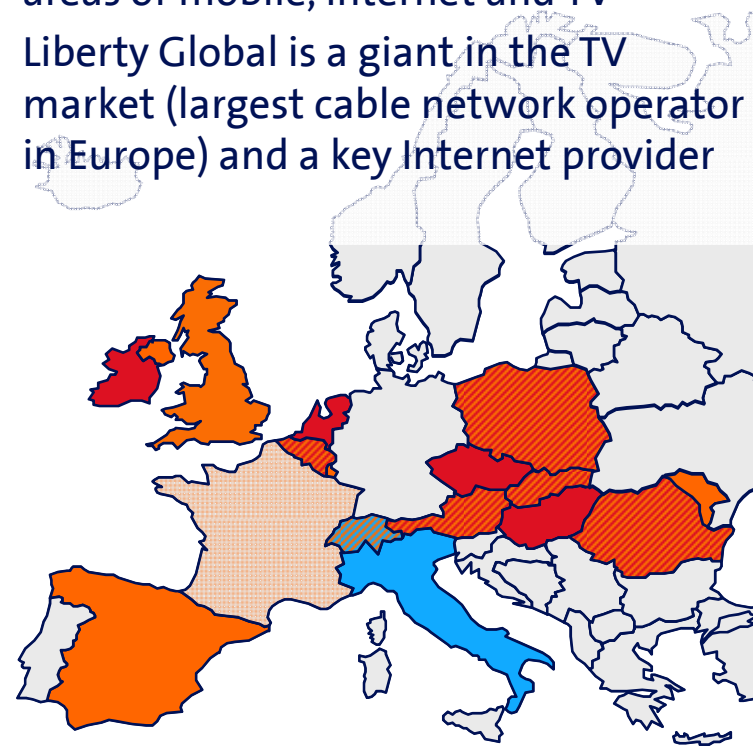
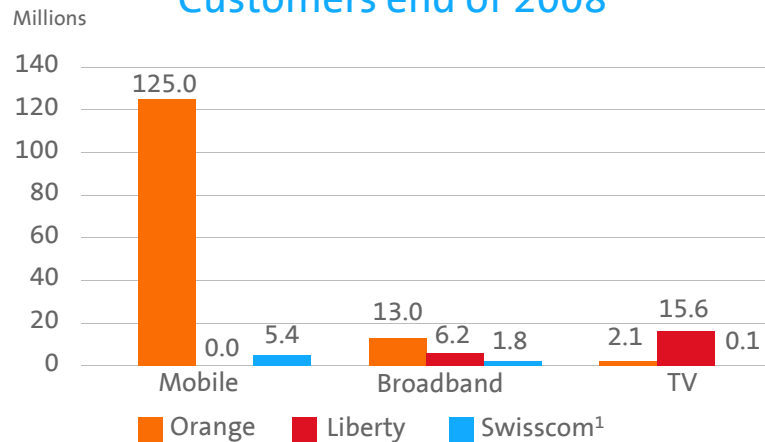
Competition: Swisscom faces competition from two globally active providers several times its size

Key financial figures 2008



- Orange/France Telecom is globally active and has enormous financial power, with economies of scale in the areas of mobile, Internet and TV
- Liberty Global is a giant in the TV market (largest cable network operator in Europe) and a key Internet provider

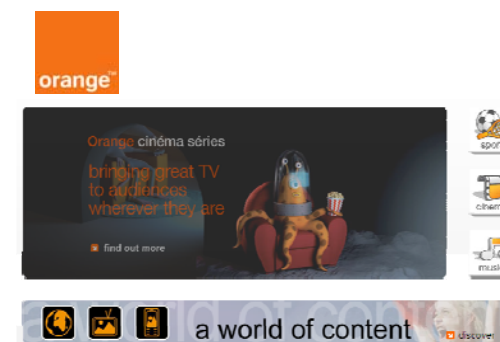
Customers end of 2008



¹Key financial figures incl. Fastweb, customers excl. Fastweb

Strategy: Competitors are challenging Swisscom by focusing on content

- Orange and Liberty Global/UPC have similar strategies to Swisscom, with a focus on content
- Liberty Global/UPC is mainly focusing on HDTV, video-on-demand (VoD) and a broad range of channels and can take advantage of economies of scale
 - Chellomedia (UPC subsidiary) produces and distributes 26 TV channels worldwide
 - It also provides all UPC markets with VoD
- Orange is pursuing an even broader strategy
 - Besides TV/video also music and gaming
 - "Content everywhere" on all three screens: TV, PC and mobile



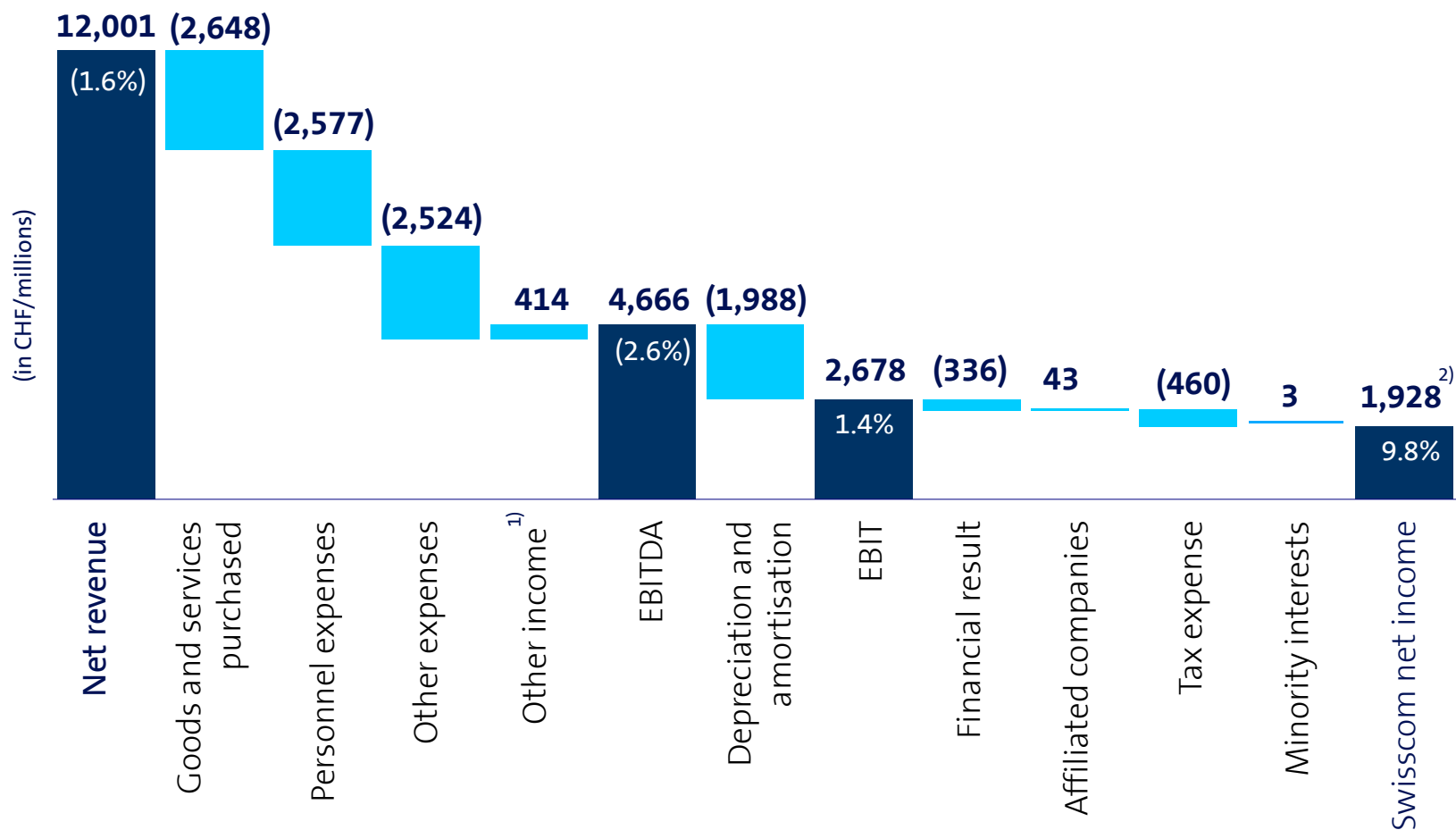
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Ueli Dietiker, CFO



A successful business year

Stable net income excluding exceptional items

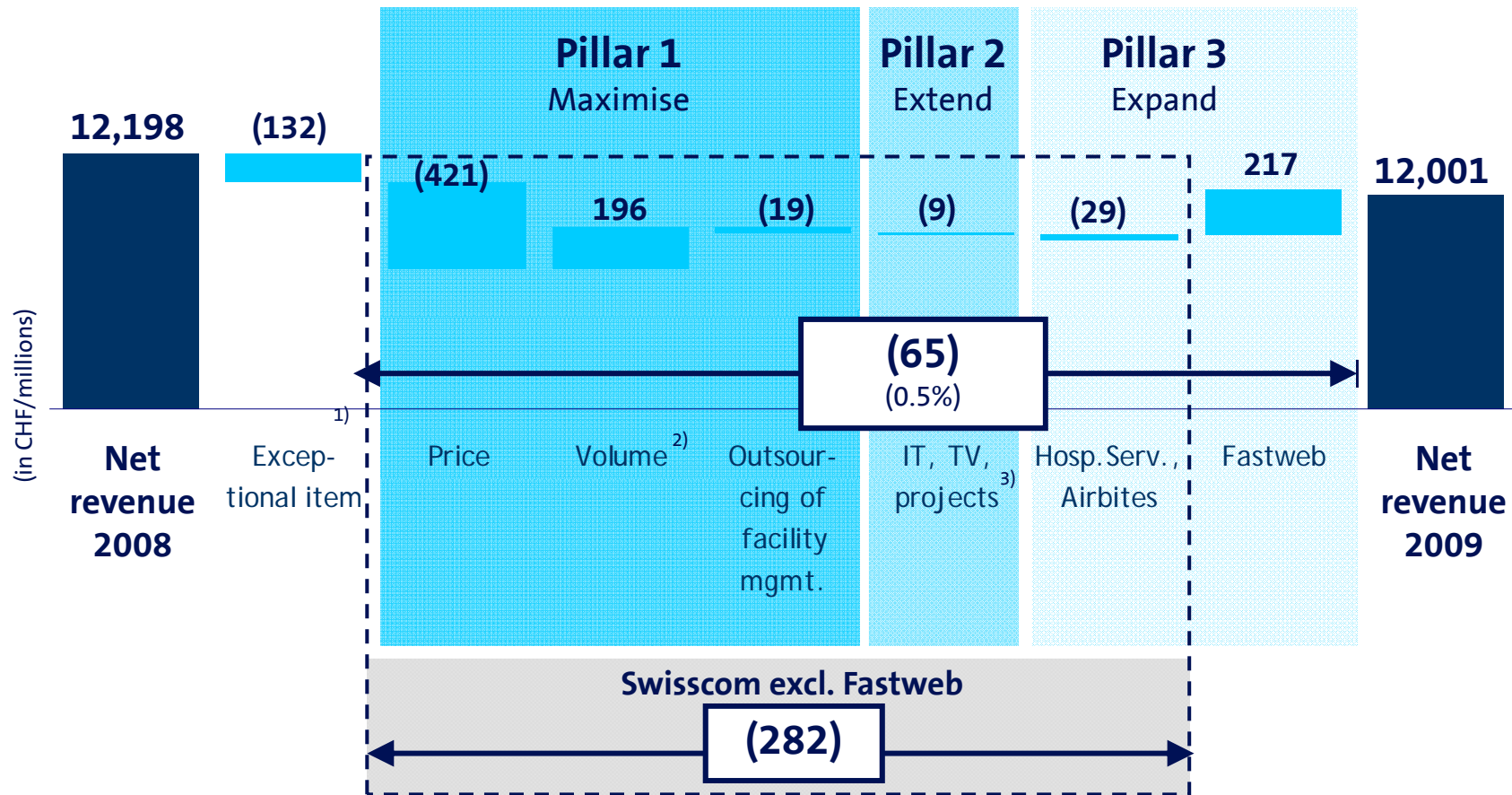


1) Including capitalised costs

2) Excluding exceptional items, such as reduced depreciation and amortisation (CHF 100 million) and a provision for the early termination of long-term lease agreements the previous year (CHF 126 million), net income is on a par with the prior-year level

Revenue

Solid growth thanks to Fastweb



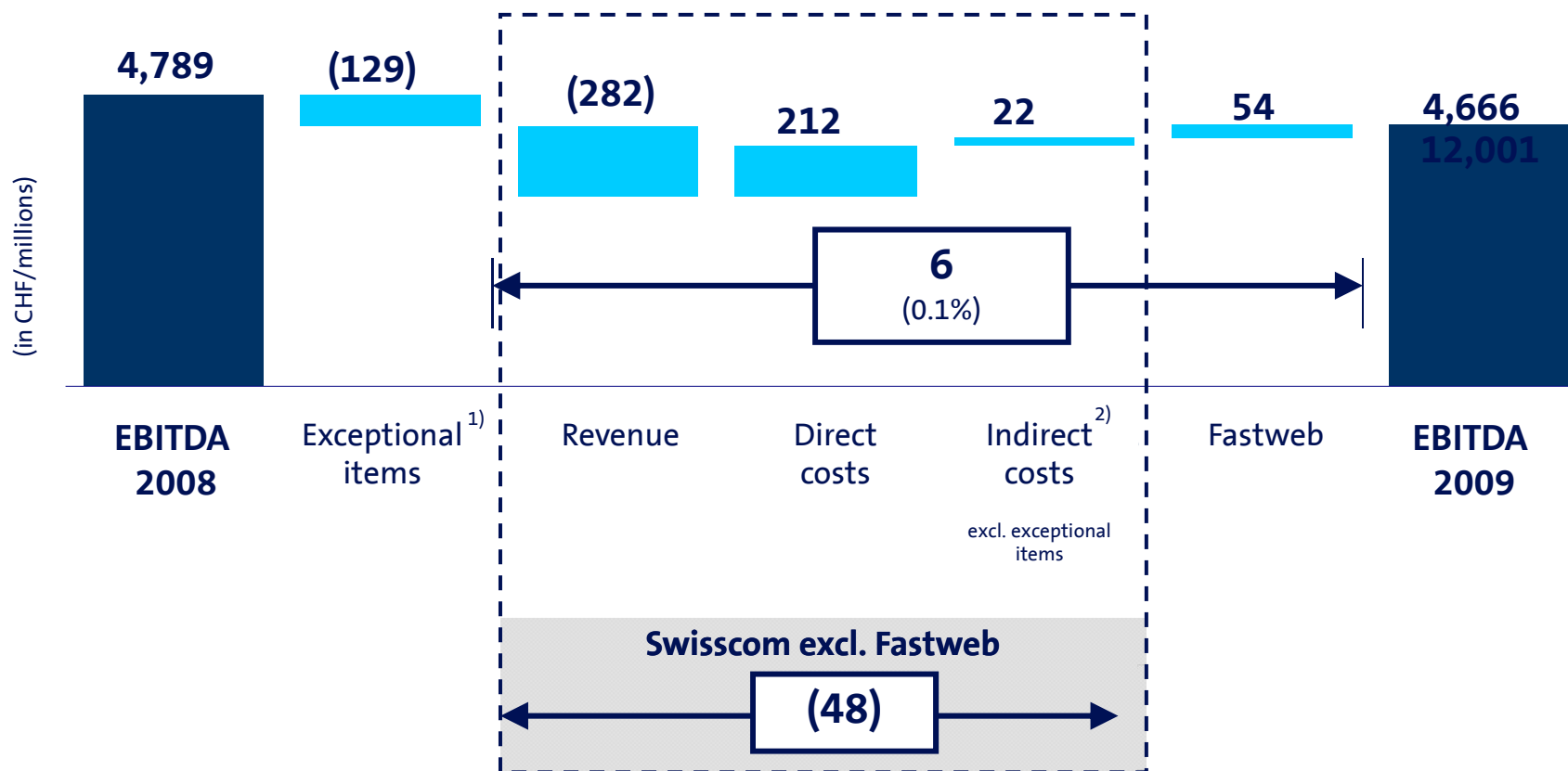
1) Foreign exchange impact of Fastweb CHF/EUR: 1.58 (2008) vs. 1.51 (2009) -> CHF -132 million

2) Incl. usage and customer growth

3) Incl. parts of Swisscom Participations (SC Broadcast, Sicap, Billag, Alphapay, Curabill)

Operating income

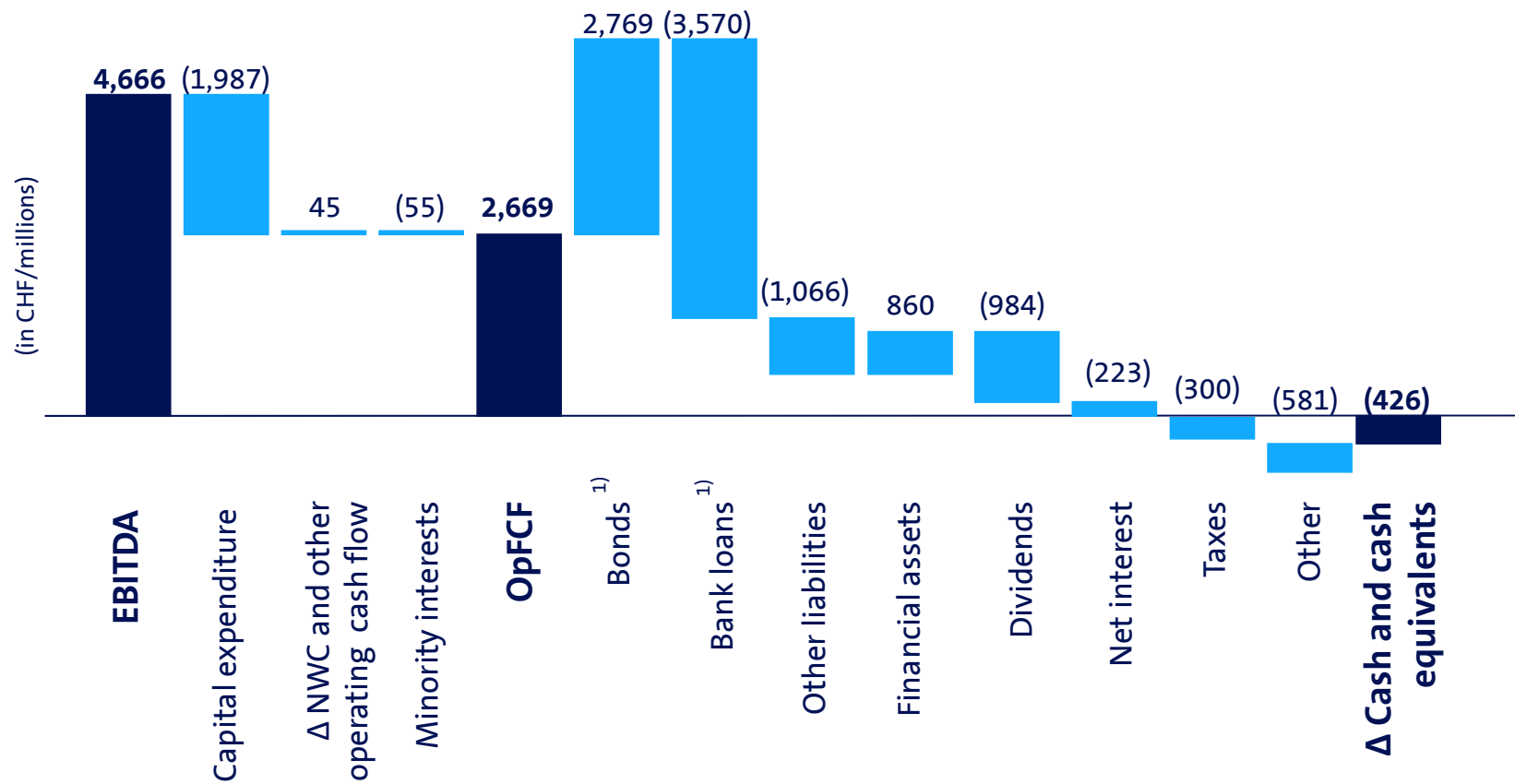
EBITDA stable compared to previous year



1) Foreign exchange impact Fastweb: CHF -39 million, TI compensation payment to Fastweb in 2008: CHF -48 million, additional provisions for regulatory risks related to access services (net 2008/2009): CHF -42 million
 2) Including other income and capitalised costs

Cash flow

Operating free cash flow CHF 2.7 billion

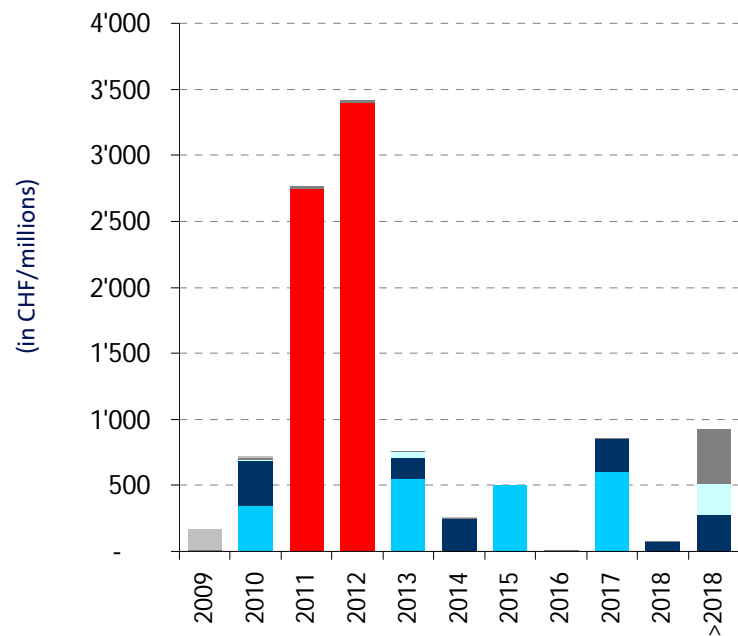


1) Incl. transaction costs, accrued interest and costs incurred through the termination of interest rate hedging

Debt portfolio

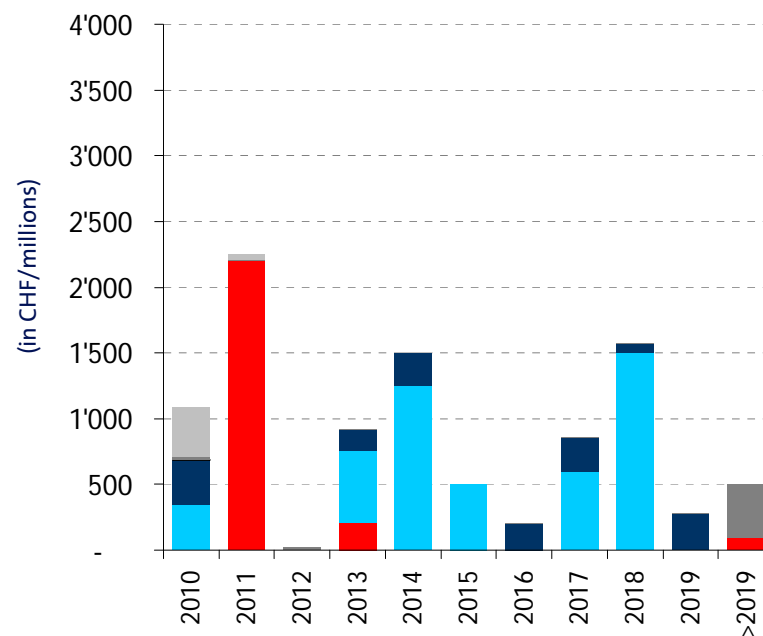
Successful refinancing

Maturity profile 31.12.2008



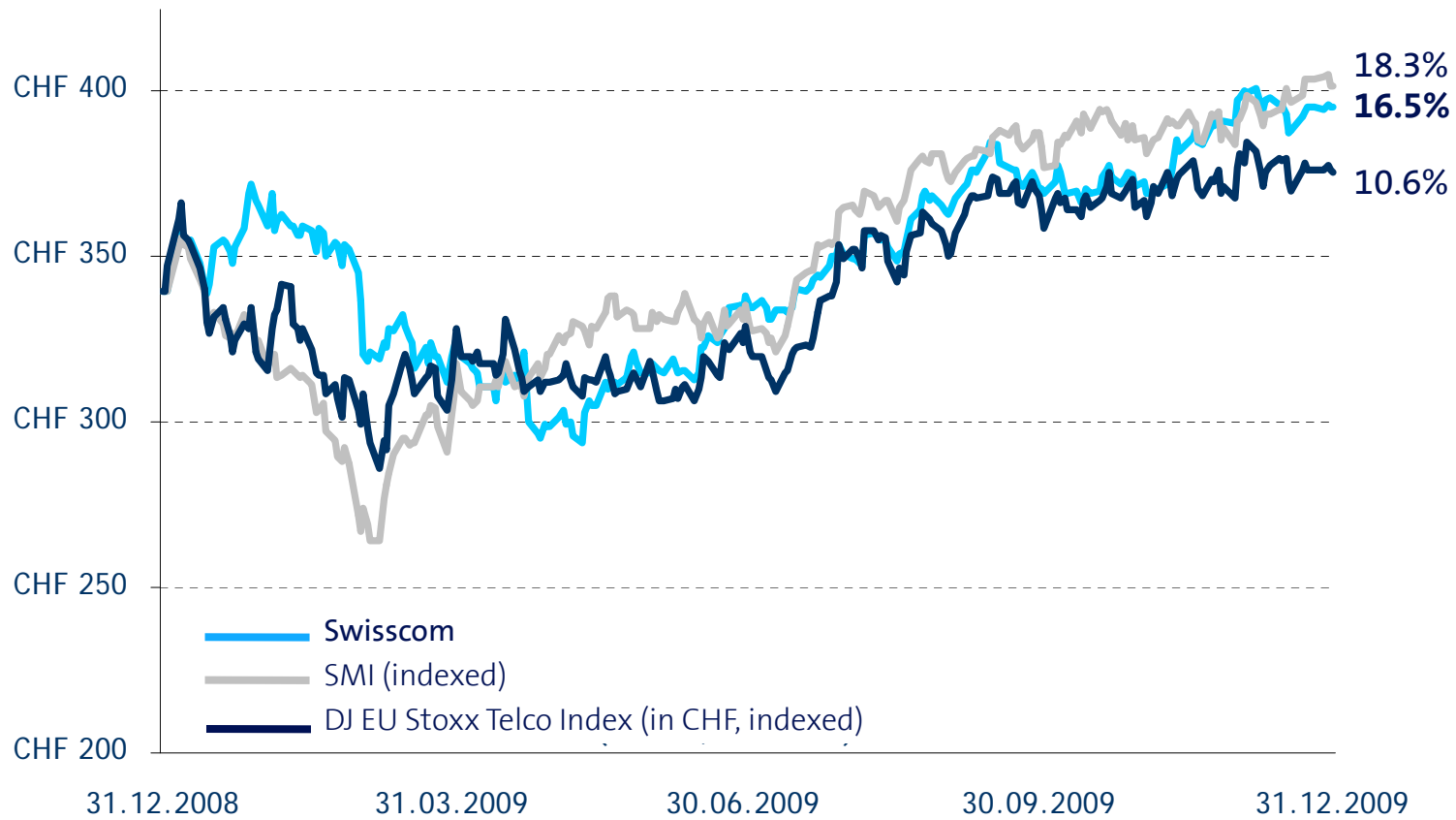
- Other interest-bearing liabilities
- Finance leases
- Net debt from CBL lease transactions
- Private placements
- Bonds
- Bank loans

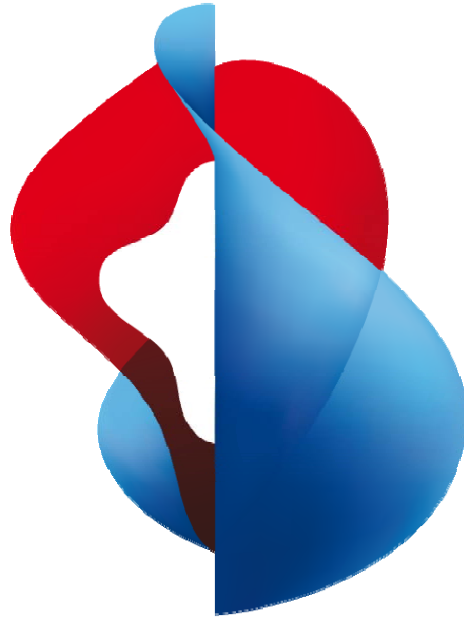
Maturity profile 31.12.2009



Turbulent stock market conditions

Swisscom share price up 16.5% in 2009





swisscom



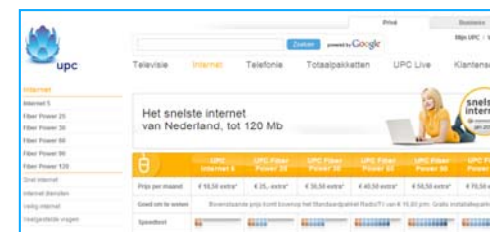
Appendix

Marketing/branding: Two strong brands set to have a strong presence in Switzerland in future

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- Both UPC/Liberty Global and Orange will be able to take advantage of their size in terms of their product portfolios, communications and branding
- **UPC/Liberty Global** harmonises its marketing activity for most companies
 - UPC branding , CI/CD
 - UPC portfolio (e.g. "fibre power“)
- **Orange** is primarily pursuing a monobrand strategy
 - Premium brand with a consistent, global corporate identity and corporate design
 - Emotional and international communication

Netherlands



Slovakia

