Half year 2004

results presentation

13 August 2004

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Structure of document

Part I

- Conference call presentation: key messages

Part II

- Supporting background information

Part I

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Are we still aligned?

Our goals …		… and your “bets”
Optimise free cash flows	1	“Swisscom can sustain FCF from current operations”
Create balanced risk-reward profile	2	“Swisscom has no strategic necessity to acquire, and only does so if FCF accretive”
Combine strategic flexibility with attractive yield	3	“Swisscom provides attractive returns whilst securing sufficient financial strength”

Investing in Swisscom shares: based on 3 “balanced bets”

The balancing act of value creation

Default:

Continued share buy backs

Alternative:

Accretive acquisitions

accre-tion through

stable cash flows / decreasing number of shares

higher cash flows / stable number of shares

offering ~10% yield p.a. (incl. dividends) on current market capitalization through Return Policy

> balance <

Alternative is only viable if free cash flow yield is better than in Default scenario – enabling higher future returns

Swisscom’s balanced value approach:

“rock-solid”

Introductory remark on restatement 03 and Q1 04

- **Reported FY 03 and Q1 04 figures were restated to reflect:**
  - Closing of sale debitel per 8 June
  - direct interconnection between Orange and Swisscom Mobile

- **Impact:**
  - nil on group EBITDA
  - Realisation of currency translation adjustment from sale debitel, impacting net income by CHF 238 mm negative. No cash flow impact
  - shifts of revenues, costs, and minutes of traffic between/within segments Fixnet and Mobile

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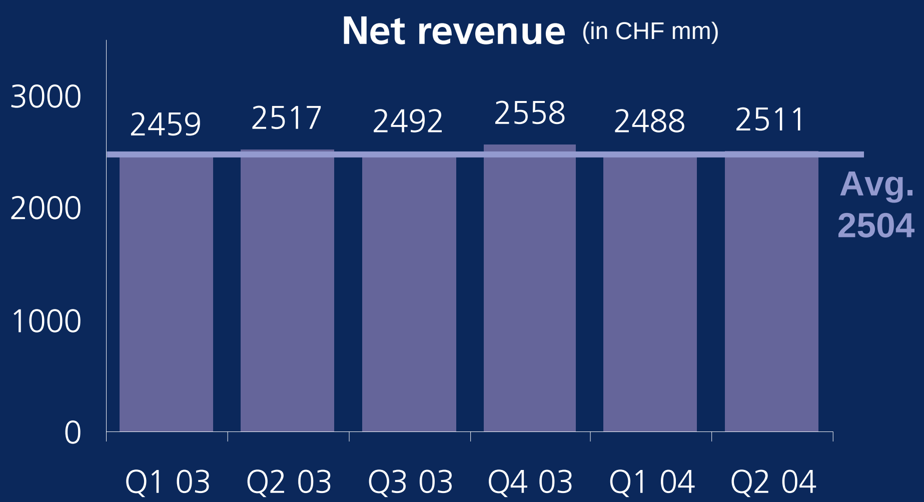
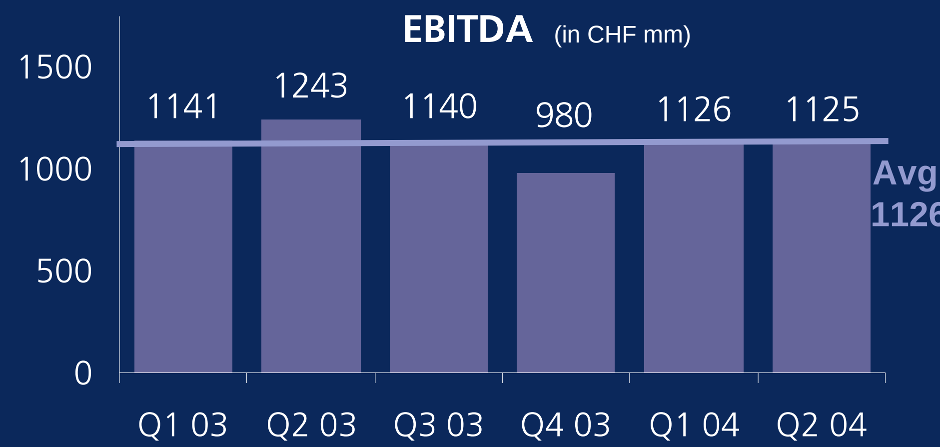
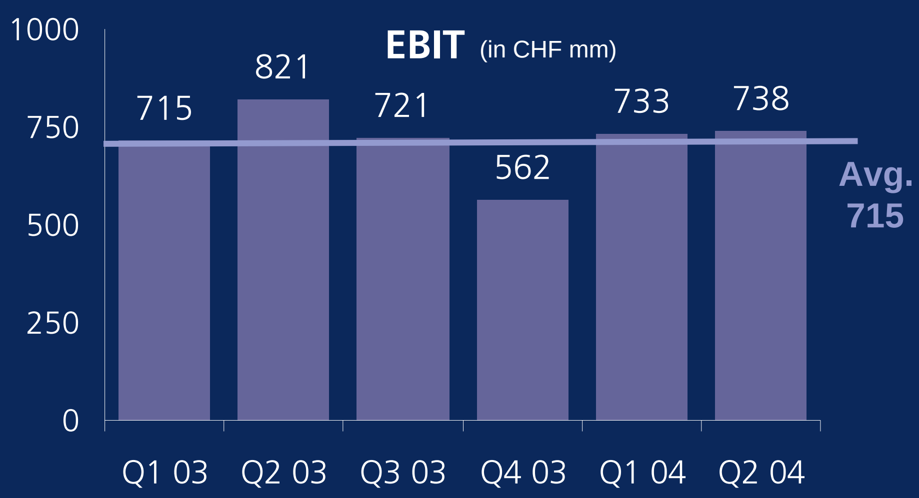
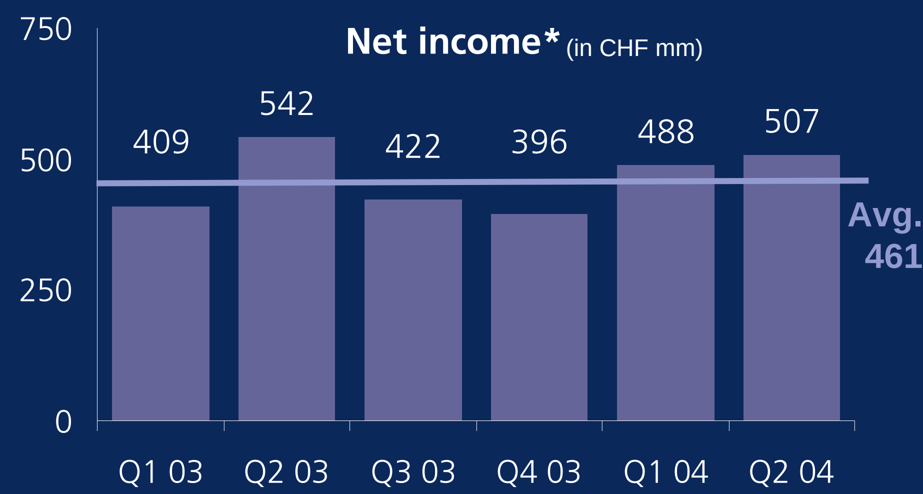
Quarterly results at a glance – robust performance









* Q4 03 excl. debitel impairment, net and Q2 04 excl. debitel CTA

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Key figures – “ups and downs” in balance

Key figures Swisscom Group

in CHF mm	30.06.2004	change YOY
Net revenue	4,999	0.4%
EBITDA	2,251	-5.6%
EBITDA margin	45.0%	
EBIT	1,471	-4.2%
Net Income	757	-20.5%
CAPEX	480	-7.3%
EFCF	1,755	252%
Net cash	2,065	n.m.
FTE	15,721	-4.8%

Ups:

- **Revenue** increases from Fixnet (DSL charges) and Mobile (subscriber growth)
- **EFCF** 2.5x higher than last year, especially due to proceeds from sale debitel and “empty debt maturity profile”
- **Net cash** position of CHF 2,1 bln at 30.6.2004, CHF 500 mm higher than at 31.12.03

Downs:

- **Revenue** from Enterprise Solutions (competition and economic pressure), Other (Systems and IT) and Corporate
- **EBITDA** down YOY, however prior year EBITDA was highest ever since IPO. Margin at robust 45%
- **Net income** down 20.5% YOY, mainly due to one-off CTA of CHF 238 mm

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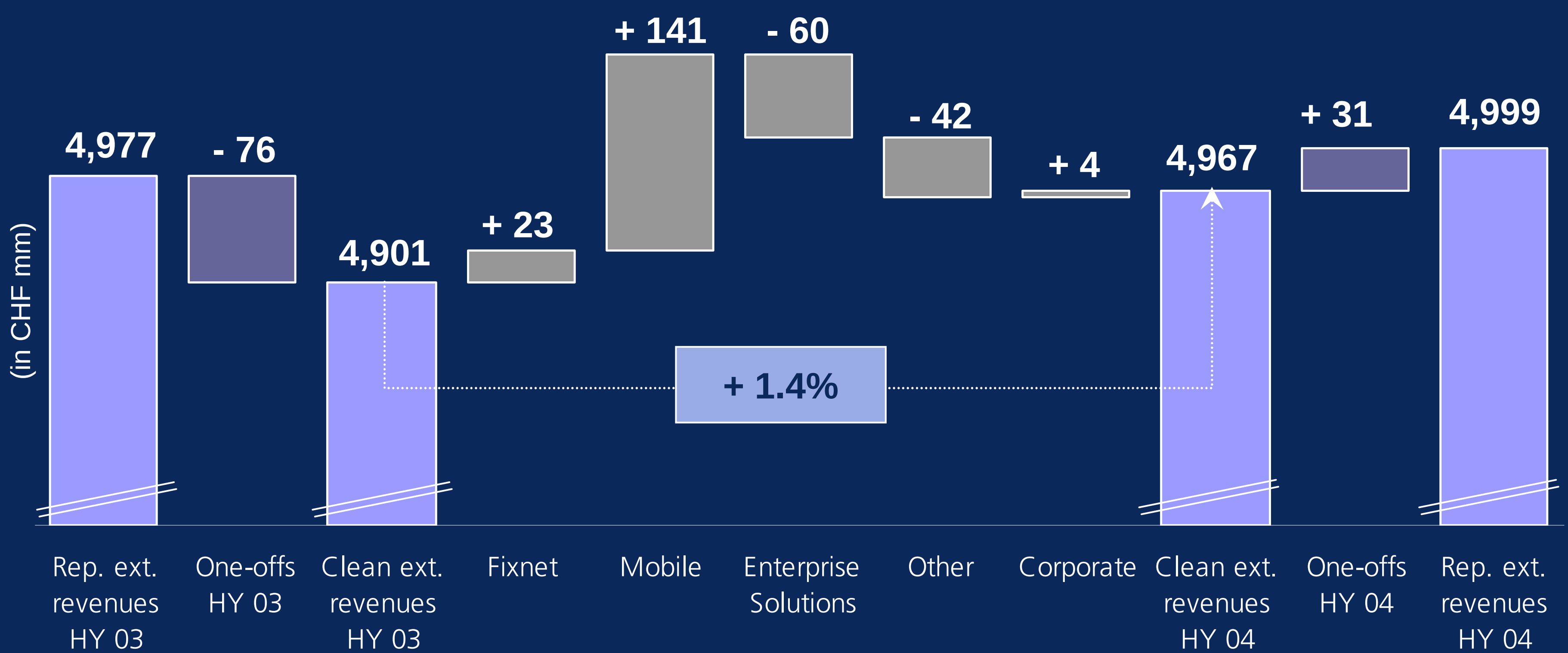
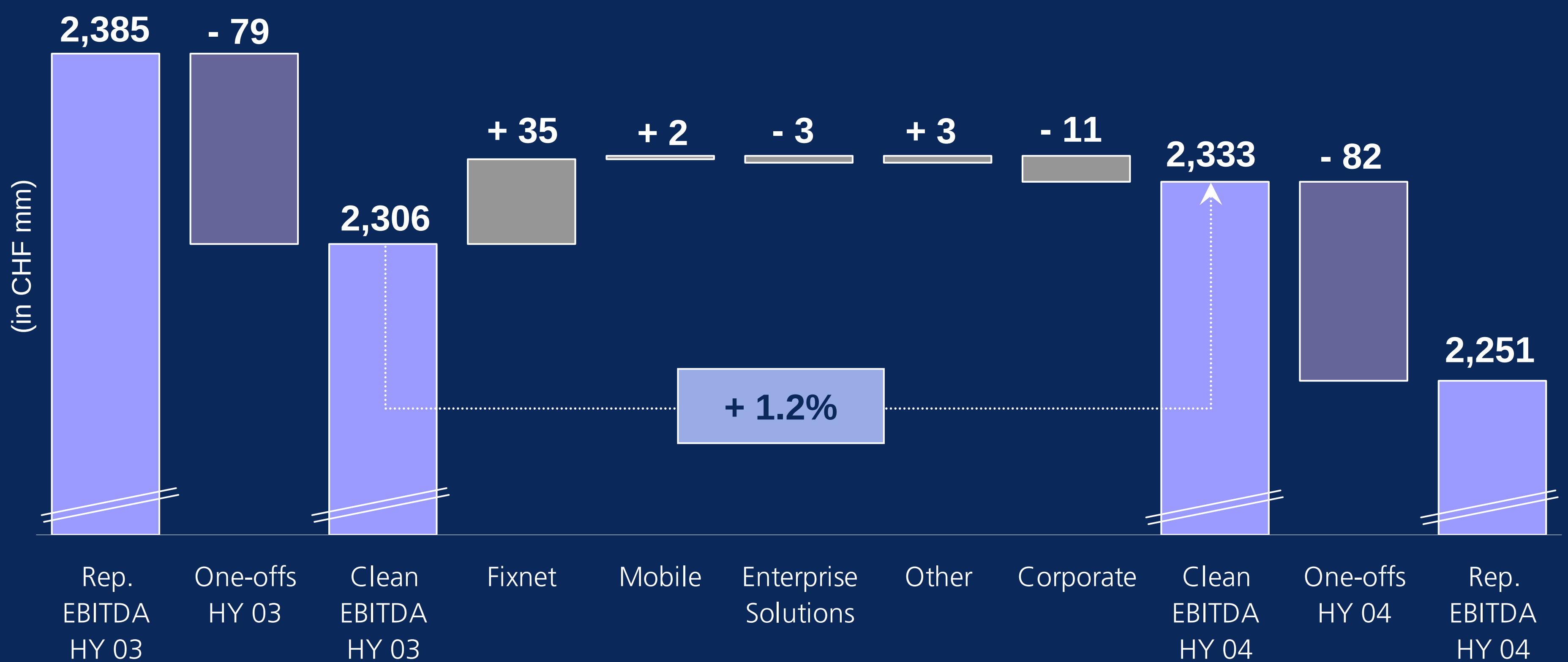
Drivers of group revenues



One-offs HY 03	Fixnet	Mobile	Enterprise Sol.	Other	One-offs HY 04
- TFL sale - national roaming - release of provisions	+ ADSL-push - dial-up traffic - Business lines	+ subs growth + data increase + handset sale	- competition - price pressure - leased lines	- Systems - IT Services	+ Billag card services

Drivers of group EBITDA



One-offs HY 03	Fixnet	Mobile	Enterprise Sol.	Other	One-offs HY 04
+ rest. charges, net - TFL sale - national roaming - release of provisions	+ ADSL-push - COGS (handsets) + less FTE's	+ subs growth + handset sale - COGS (handsets) - SAC and SRC	- price pressure + COGS + less FTE's	+ Systems - Eurospot	- rest. charges, net - quarterly Vod fee + Billag card services

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Wireline business – on track

Key financials Fixnet

in CHF mm	HY 2004	change YOY
Net revenue [1]	2,879	0.3%
EBITDA	1,121	4.0%
EBITDA margin	38.9%	
EBIT	653	22.7%
CAPEX	201	-30.9%
Number of FTE's	7,653	-3.8%

Key financials Enterprise Solutions

in CHF mm	HY 2004	change YOY
Net revenue [1]	564	-8.6%
EBITDA	65	140.7%
EBITDA margin	11.5%	
EBIT	58	625.0%
CAPEX	8	60.0%
Number of FTE's	931	-13.2%

1 including intersegment revenue

HY highlights Wireline

- Wireline traffic **substituted** by access:
  - Traffic (nat+int'l) down CHF 55 mm
  - Access revenues up CHF 85 mm
- 656k **DSL** lines: up 339k YOY (+107%)
- Significant **cost cuts**: Fixnet and Enterprise Solutions together reduced cost by CHF 124 mm (-5.2%)
- Substantial **efficiency** improvement:
  - Fixnet: -3.8% YOY to 7,653 FTE's
  - ES: -13.2% YOY to 931 FTE's
  - total Wireline: -442 FTE's YOY
- Strong **EBITDA-margin** improvement:
  - Fixnet: 38.9% from 37.6%
  - ES: 11.5% from 4.4%

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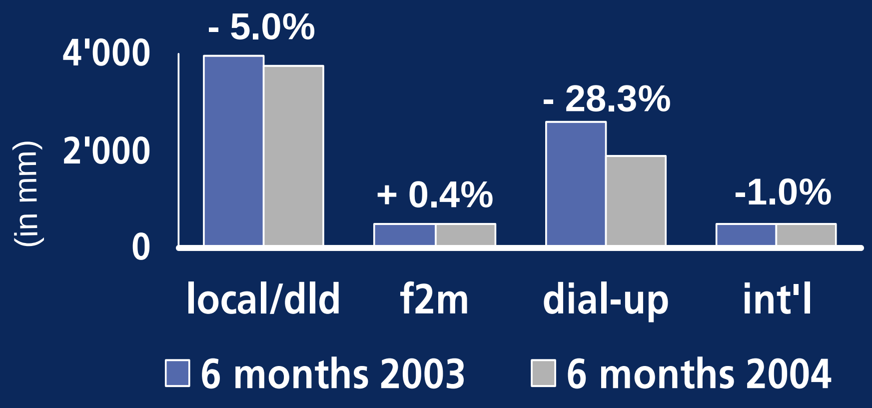
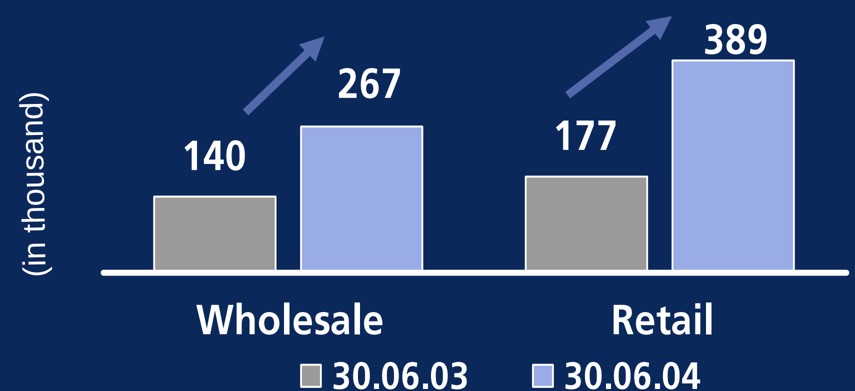
Fixnet – further push of BB operations

Retail minutes (Fixnet)



ADSL subscribers



Key observations

- From minutes to **access**; from variable to **recurring revenues**
- From narrowband to **broadband**
- Unlocking latent demand: **average BB ARPU > dialup ARPU**. This clearly points out willingness to pay for better services (convenience, speed, cost control)
- **ADSL** mkt. share of total broadband market (i.e. incl. cable): 60%
- Fixnet starts **TV-over-DSL** trials and aims to launch a triple play offer in 2005

Mobile business – investing in revenue growth

Key financials Swisscom Mobile

in CHF mm	**HY 2004**	**change YoY**
Subscribers (thousand)	3,898	6.1%
ARPU (CHF/month)	80	0.0%
Net revenue [1]	2,146	5.6%
EBITDA	977	-7.5%
EBITDA margin	45.5%	
EBIT	797	-11.3%
CAPEX	199	8.7%
Number of FTE's	2,498	3.0%

1 including intersegment revenue

HY highlights Swisscom Mobile

- **Revenue** increase of CHF 114 mm YOY:
  - data contributing +29 mm (+13% YOY)
  - voice delivers +40 mm (+4%)
  - other (esp. handsets): +11 mm (+15%)
  - Intra-company +30 mm (+10%)
- Overall **market share** stable at 64%
- Successful push of Vodafone Live! with >**250k** subscribers at end of July
- **EBITDA** margin at 45%, pressured esp. by higher SAC's / SRC's, release of deferred revenues in H1 03, quarterly Vodafone fee bookings - unlike last year (Q4) – and halt of national roaming agreement in H2 03
- **CAPEX** of CHF 199 mm, up CHF 16 mm because of UMTS/WLAN push

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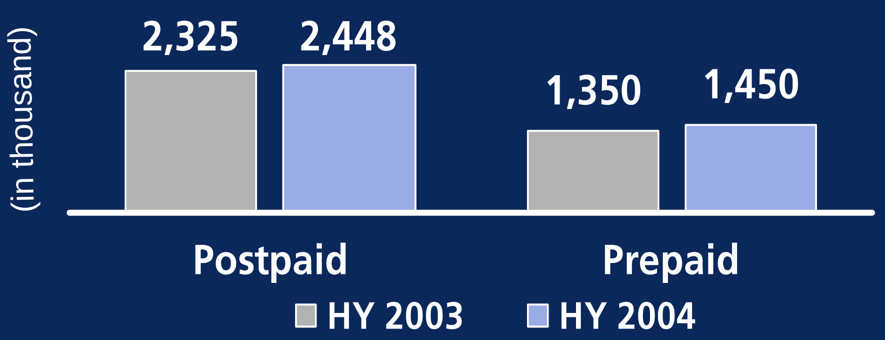
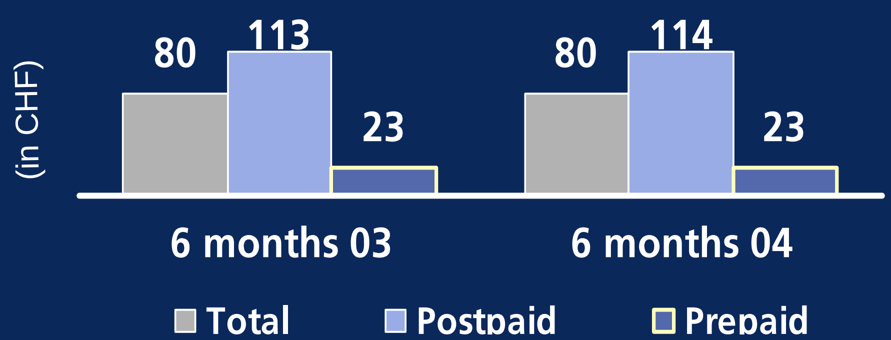
Mobile business – KPI's stable at high level

Mobile subscribers



ARPU development



Key observations

- Swiss **penetration** up to 84%
- **Churn** rate below 1% per month in 2004 - 5.9% for first 6 months
- **AMPU** (118 min.) down 2% YOY
- **ARPU** YOY stable at CHF 80
- **SMS** usage 15% higher YOY with 1,037mm messages sent (retail)
- **Vodafone Live!** customers (6% of customer base at 30.6.04) generate higher-than-average ARPU's
- **Data ARPU** up 10% YOY and represents now 12% of total ARPU

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Other businesses

Segment "Other"

- **Revenues** down 5% YOY
  - Systems and IT Services down 18% resp. 9%
  - Billag revenues double after integration of T-Systems' Card Services
- **Restructuring** efforts have mainly safeguarded margins. Staff down by 334 FTE's (-8% YOY), despite +126 FTE's in Billag and + 38 FTE's in Eurospot
- **EBITDA** stable at CHF 109 mm

Segment "Corporate"

- **EBITDA** turning negative partially due to several one-offs: lack of elimination bookings (difference of CHF 51 mm), higher net cost of idle workforce (difference of CHF 32 mm) and provisions (CHF 22 mm)

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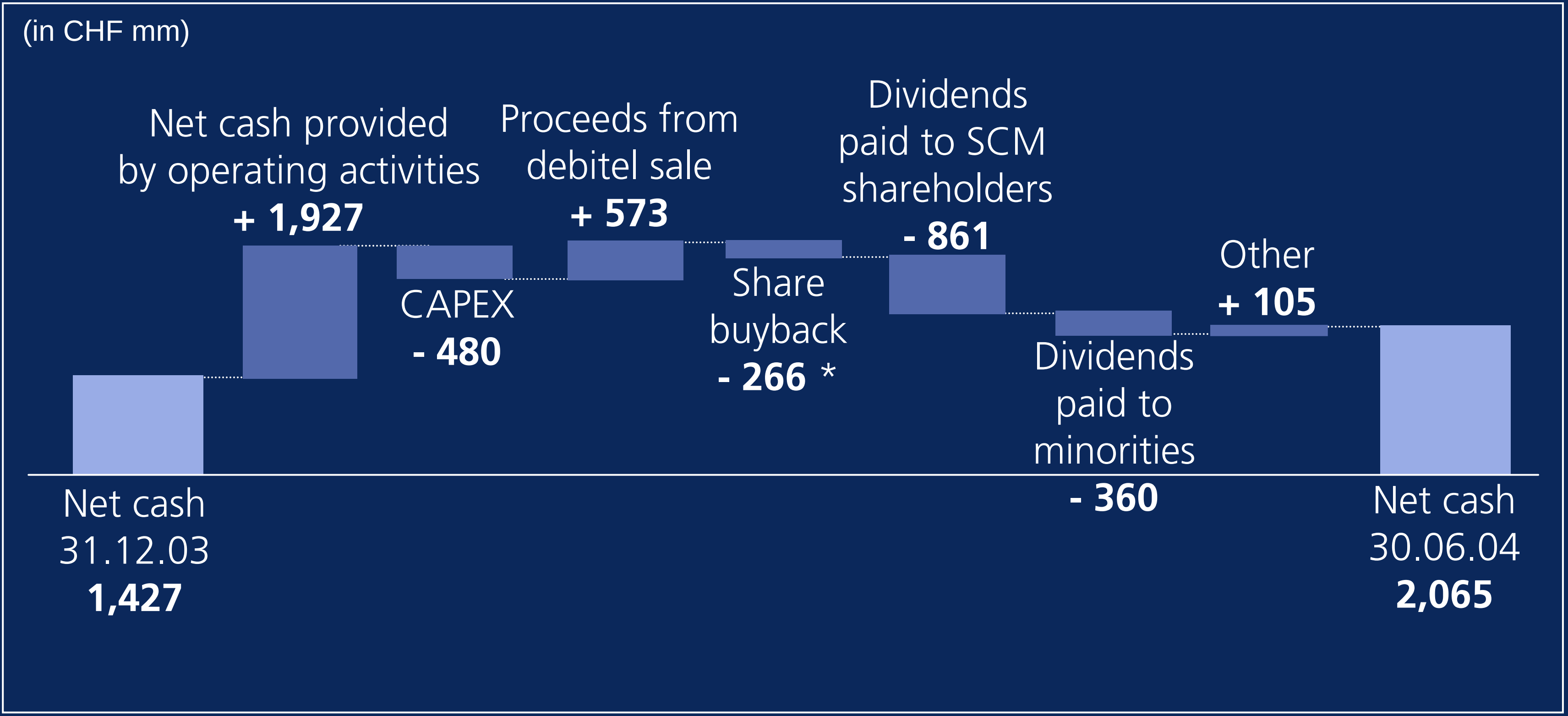
Change of net cash



* related taxes of CHF 142 mm were paid in July, causing difference between CHF 266 mm in cash flow statement and CHF 408 mm in Shareholders' Equity per 30.6.2004

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EFCF development

Definition of EFCF	HY 03 (in CHF mm)	FY 03 (in CHF mm)	HY 04 (in CHF mm)
+ EBITDA	+ 2,385	+ 4,504	+ 2,251
- CAPEX	- 518	- 1,165	- 480
- Δ working cap. & other	- 171	+ 297	- 182
- tax (cash)	+ 8	- 56	- 118
- net interest	- 26	- 44	- 24
- minorities	- 390	- 390	- 360
= FCF from operations	= 1,288	= 3,146	= 1,087
- net acquisitions / divestments	- 40	+ 517	+ 683
- debt repayments (net)	- 750	- 750	- 15
= **EFCF available to shareholders in t+1**	**+ 498**	**+ 2,913**	**+ 1,755**

Outlook

- Group **revenue** of approximately CHF 10 bln
- Group **EBITDA** of CHF 4,3 bln
- **CAPEX** of CHF 1,3 bln

"Ups and downs", however guidance unchanged

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Thank you for your attention!

Questions & Answers

[Please also refer to separate background slides detailing the presentation]

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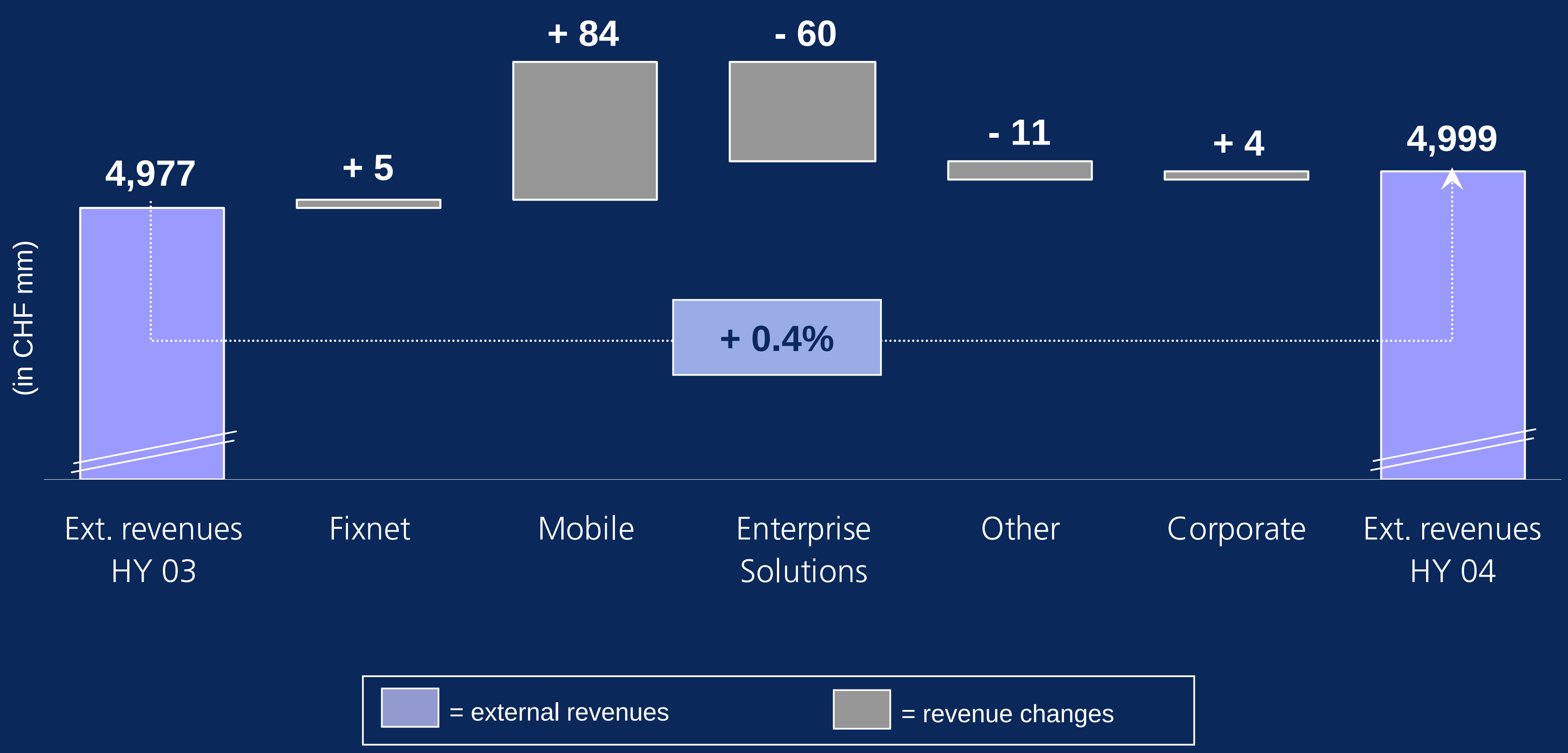
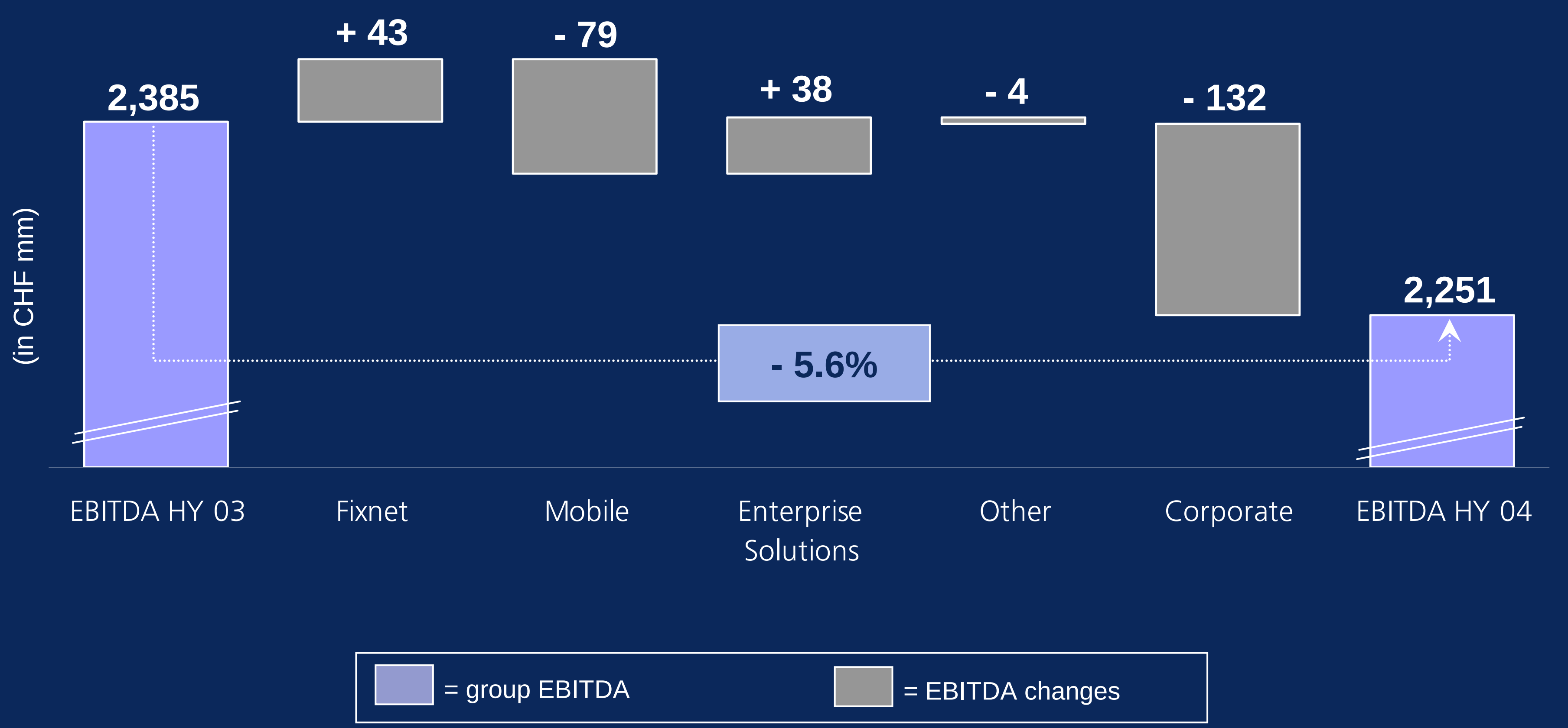
Overview of group revenue changes



Overview of group EBITDA changes



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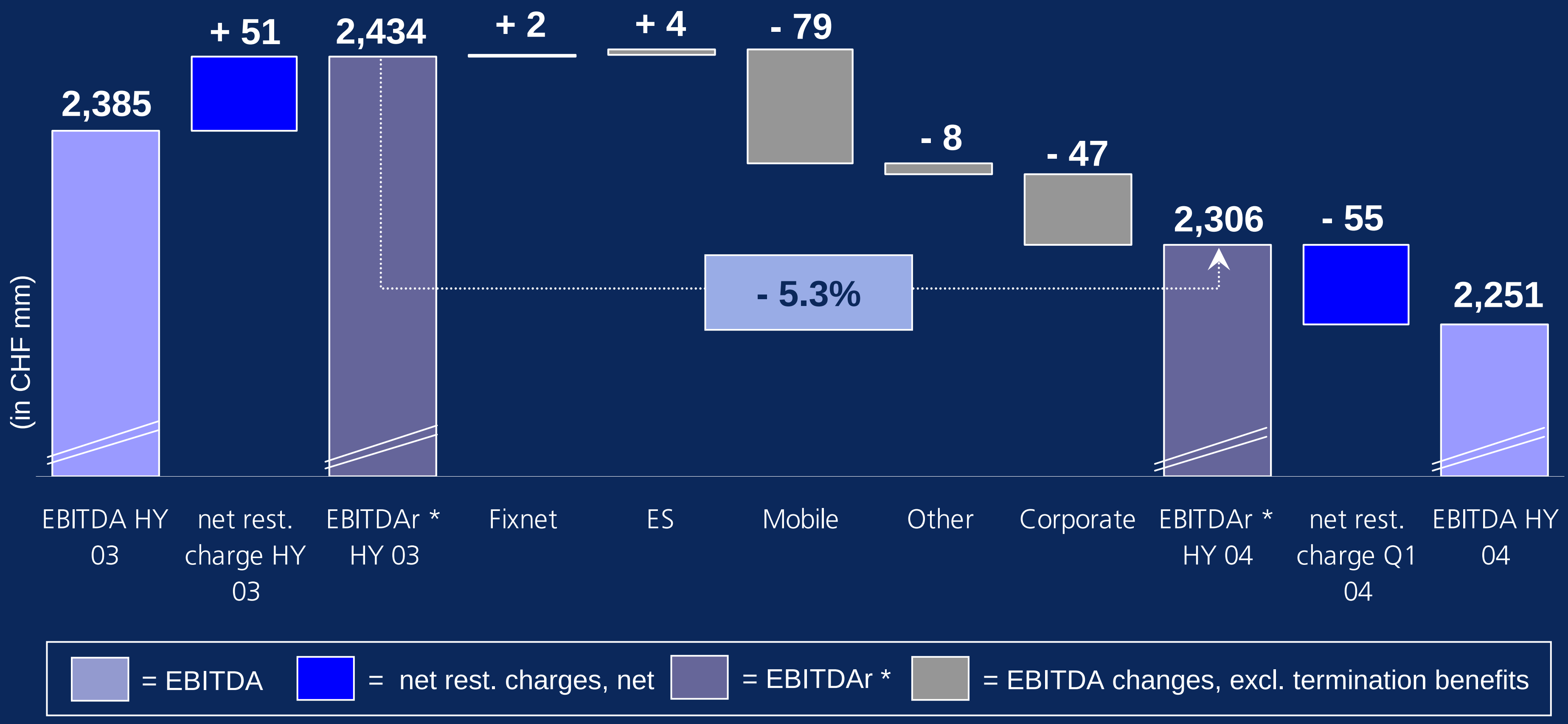
Group EBITDA and EBITDAr *



* EBITDAr = EBITDA before restructuring charges

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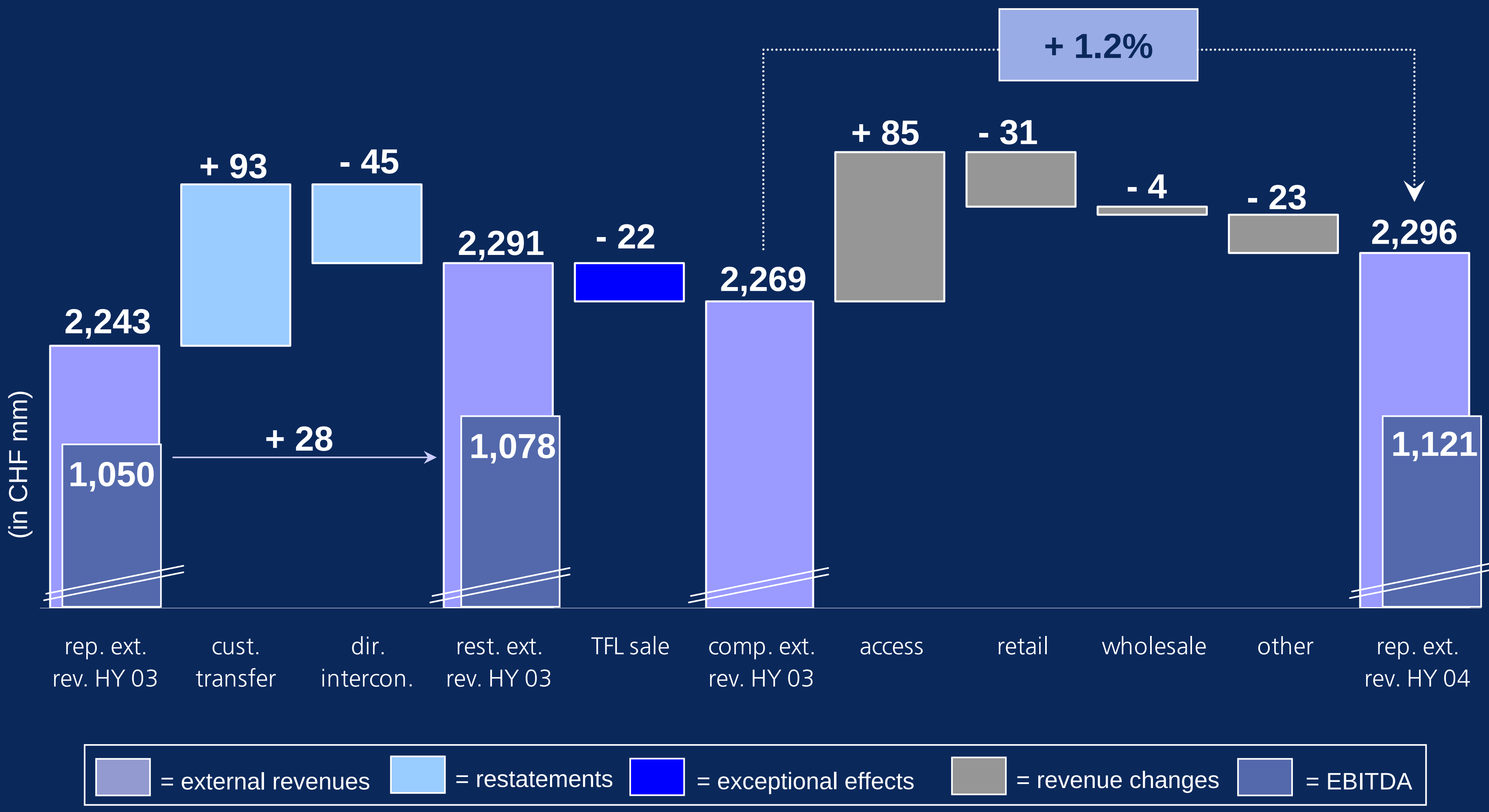
Fixnet revenues and EBITDA



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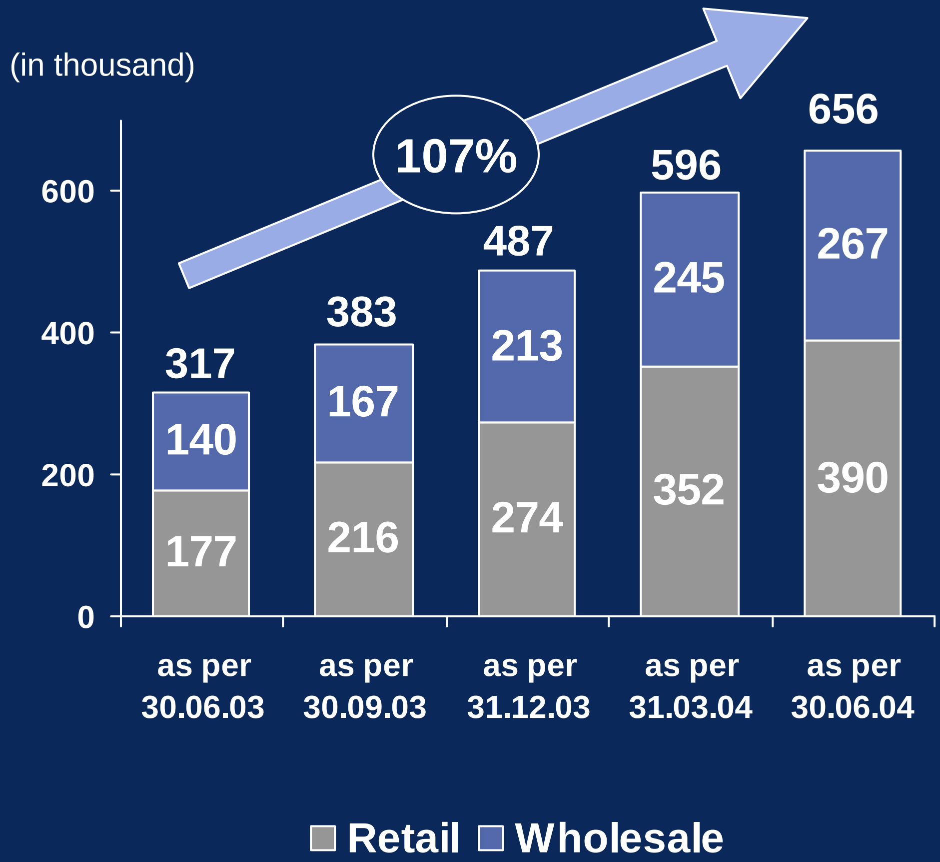
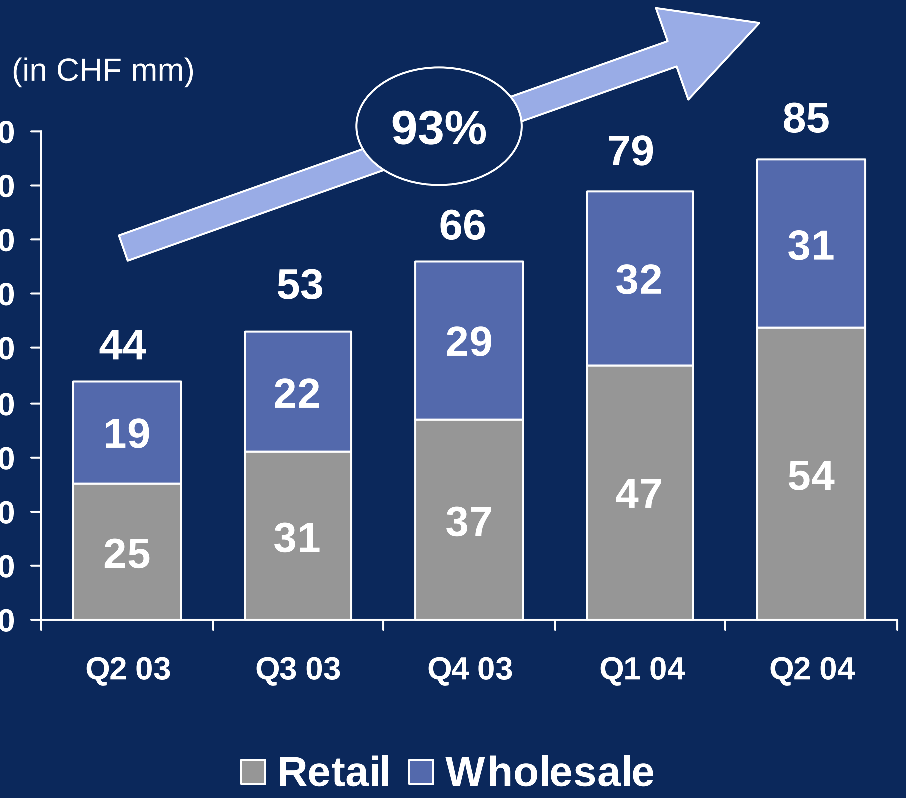
Fixnet leading Swiss broadband provider

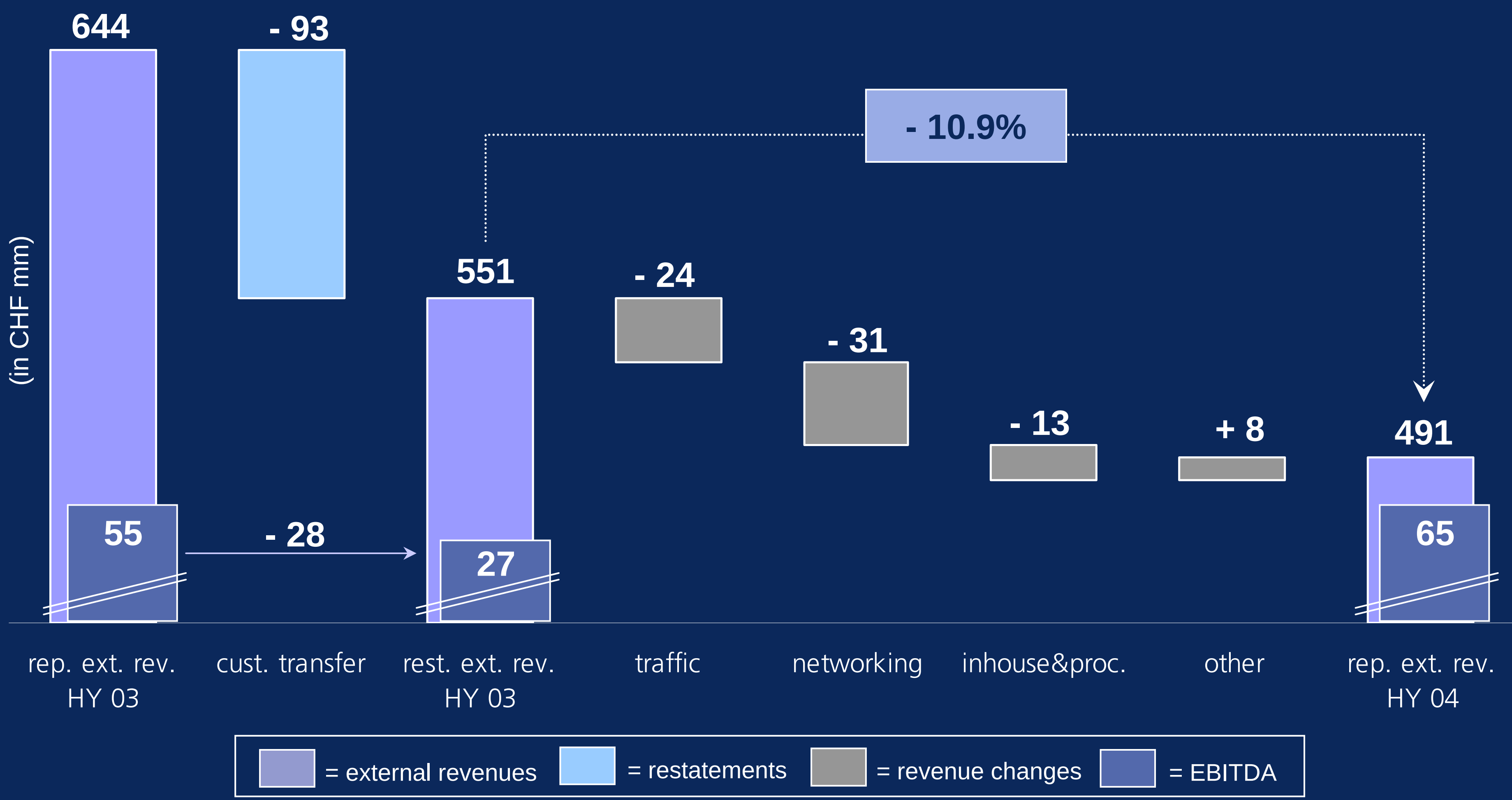
ADSL subscribers, cumulative



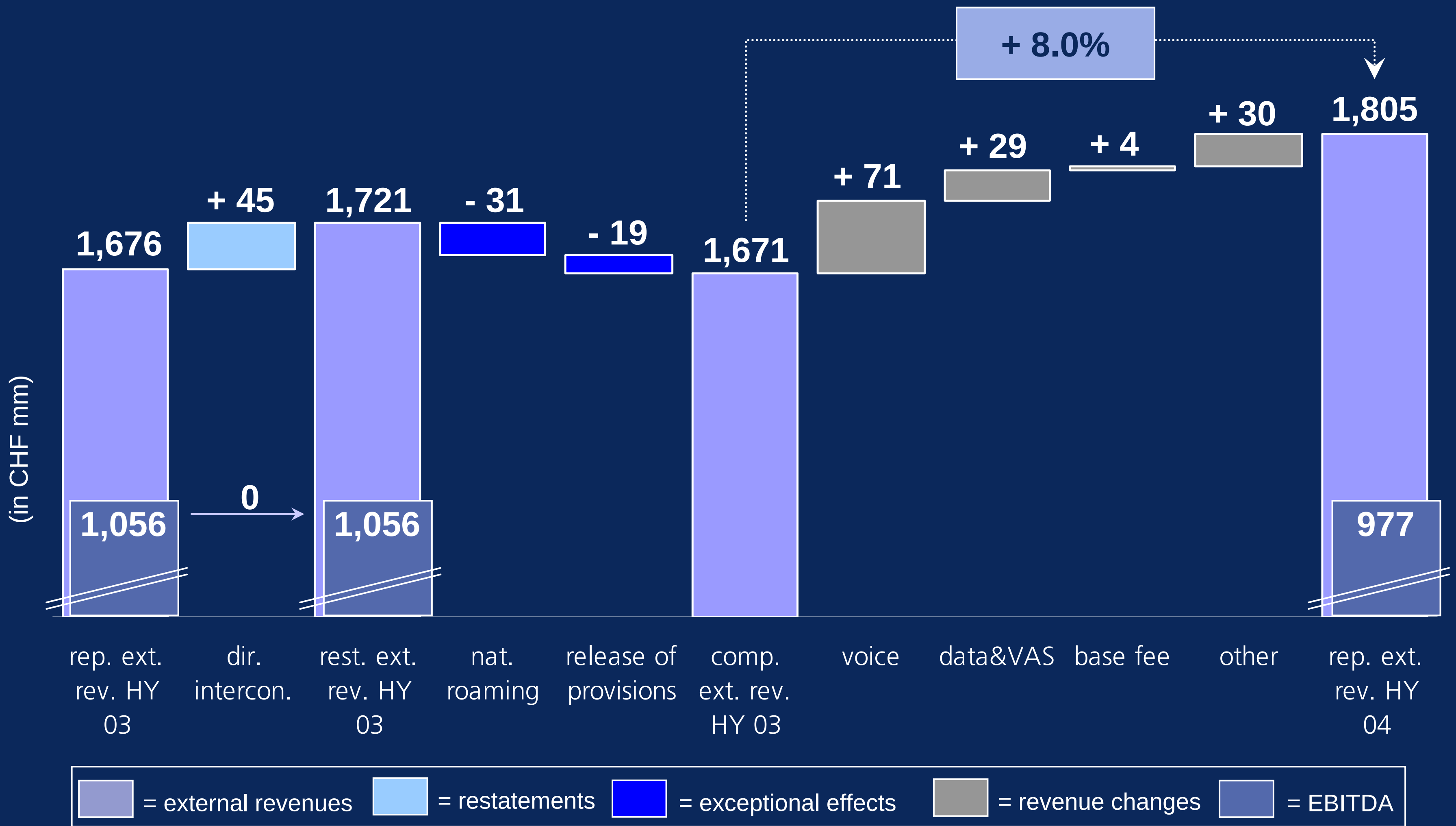
Broadband revenues, per quarter



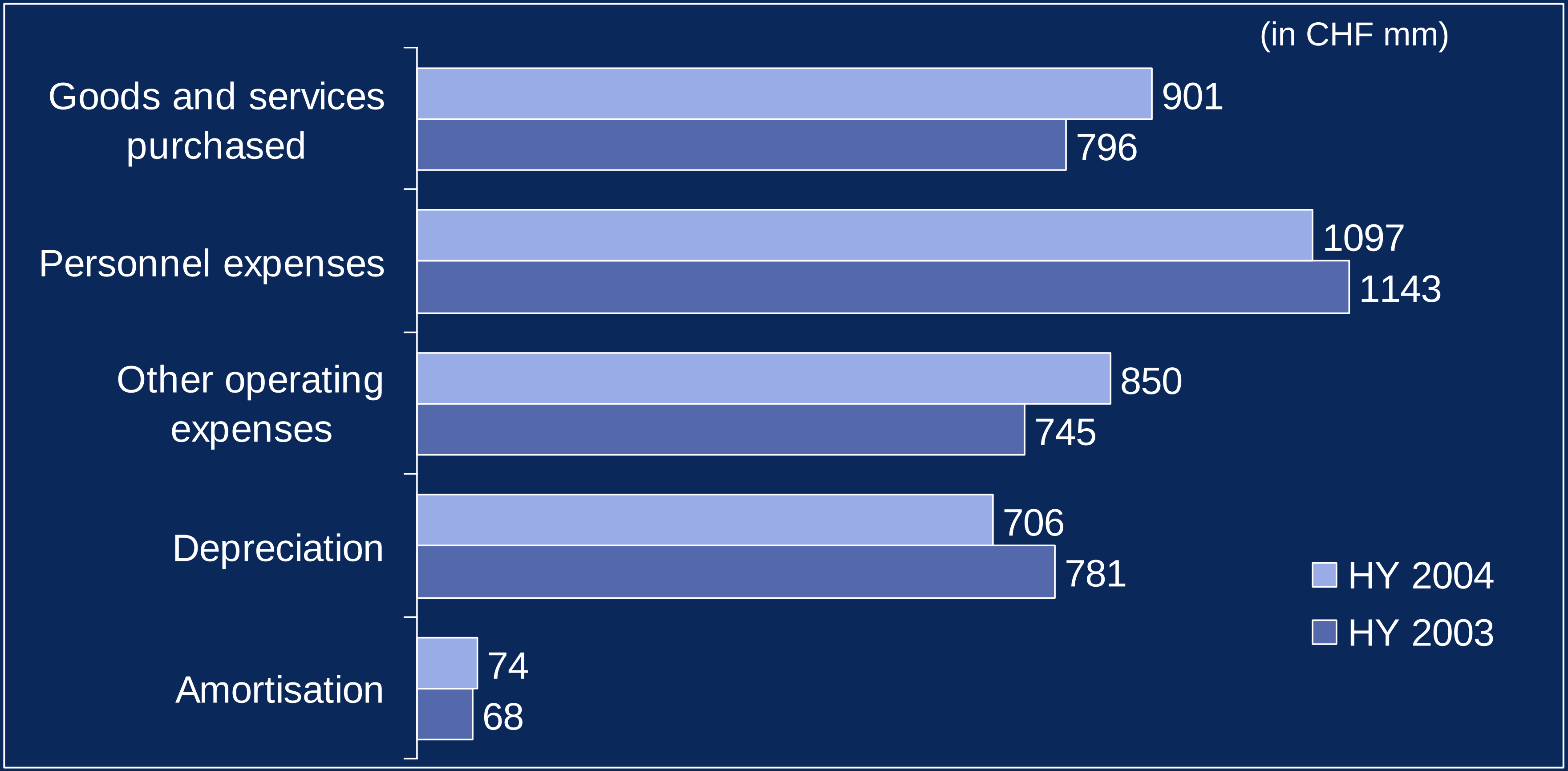
Enterprise Solutions revenues and EBITDA



Mobile revenues and EBITDA



Group OPEX overview



Costs related to workforce reduction

(in CHF mm)	Q1 03	Q2 03	HY 03	Q3 03	Q4 03	FY 03	Q1 04	Q2 04	HY 04
Fixnet	**42**	**6**	**48**	**5**	**10**	**63**	**4**	**3**	**7**
Enterprise Solutions	**31**	**1**	**32**	**-**	**9**	**41**	**(1)**	**(1)**	**(2)**
Mobile	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Swisscom IT Services AG	*1*	*3*	*4*	*-*	*44*	*48*	*-*	*-*	*-*
Swisscom Systems AG	*-*	*-*	*-*	*-*		*-*	*-*	*-*	*-*
Other	**1**	**3**	**4**	**-**	**44**	**48**	**-**	**-**	**-**
Termination benefits excl. Corporate	**74**	**10**	**84**	**5**	**63**	**152**	**3**	**2**	**5**
Corporate excl. elimination	*4*	*2*	*6*	*8*	*28*	*42*	*-*	*-*	*-*
Elimination	*-48*	*-8*	*-56*	*-2*	*-48*	*-106*	*-*	*1*	*1*
Corporate	**(44)**	**(6)**	**(50)**	**6**	**(20)**	**(64)**	**-**	**1**	**1**
Group termination benefits	**30**	**4**	**34**	**11**	**43**	**88**	**3**	**3**	**6**
Work_Link / EMC, total exp., net	*7*	*10*	*17*	*19*	*31*	*67*	*27*	*22*	*49*
Group expenses of job-cut measures	**37**	**14**	**51**	**30**	**74**	**155**	**30**	**25**	**55**

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Group P&L overview

(in CHF mm)	30.06.2003	30.06.2004	change YOY
EBITDA	**2,385**	**2,251**	**-5.6%**
Depreciation	-781	-706	-9.6%
Amortisation of intangible assets	-48	-50	4.2%
Amortisation of goodwill	-20	-24	20.0%
EBIT	**1'536**	**1'471**	**-4.2%**
Net financial result	-22	-23	4.5%
Income tax expense	-295	-282	-4.4%
Equity in net income of affiliated companies	12	7	-41.7%
Minority interest	-202	-175	-13.4%
Discontinuing operations	-77	-241	213.0%
Net income	**952**	**757**	**-20.5%**
EPS (in CHF)	**14.38**	**11.47**	**-20.2%**

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Group CF overview

(in CHF mm)	30.06.2003	31.03.2004
EBITDA	**2,385**	**2,251**
Change in net operating assets & other	-171	-182
Income taxes paid	8	-118
Net interest paid	-26	-24
Net cash provided by operating activities	**2,196**	**1,927**
CAPEX	-518	-480
Proceeds from debitel sale		573
Other cash flows from investing activities, net	-45	-35
Net cash from investing activities	**-563**	**58**
Repayment of debt, net	-840	-79
Share buyback		-266
Dividends paid to SCM shareholders	-794	-861
Dividends paid to minority interests	-390	-360
Net cash used in financing activities	**-2,025**	**-1,566**
Net decrease in cash and cash equivalents	**-392**	**419**
Cash and cash equivalents at end of the period	**1,138**	**3,513**

Group capital structure

(in CHF mm)	31.12.2003	30.06.2004
Short term debt	515	473
Long term debt (esp. cross border tax lease)	1,293	1,359
Long term net finance lease obligation	1,131	1,067
Total debt	**2,939**	**2,899**
Less: financial assets from lease-and-leaseback transactions	-1,011	-1,064
Less: cash, cash equivalents and securities	-3,355	-3,900
Net cash	**1,427**	**2,065**
Shareholders' equity	7,669	7,368
Balance sheet total	16,540	15,414
Book leverage [1]	**-18.6%**	**-28.0%**
Equity ratio [2]	**46.4%**	**47.8%**

[1] Book leverage = net debt / shareholders' equity, [2] Equity ratio = shareholders' equity / total assets

Closing of debitel sale (to Permira) effective

- 29 April: signed sale of entire 95% stake in debitel, including 2% Swisscom bought from EP recently
- Closing took place on 8 June 2004
- Sales price Euro 640 mm (equity value)
- Proceeds in 2004 Euro 430 mm. Remaining 210 mm locked through interest bearing vendor loan note until 2011/2012
- **EFCF contribution in H1 2004 CHF 573 mm on net basis. Deferred proceeds of CHF 45 mm to be expected in second half of 2004**
- Reps/warranties include risks from one of debitel's international subsidiaries. Provisions of CHF 23mm booked. Call option secured to take control and limit risk
- P&L effect 2004: CHF 8 mm book loss from transaction plus cumulative currency translation adjustments with a (non-cash) impact on the P&L of CHF -238 mm

Closing – and deconsolidation – as per 8 June 2004

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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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