

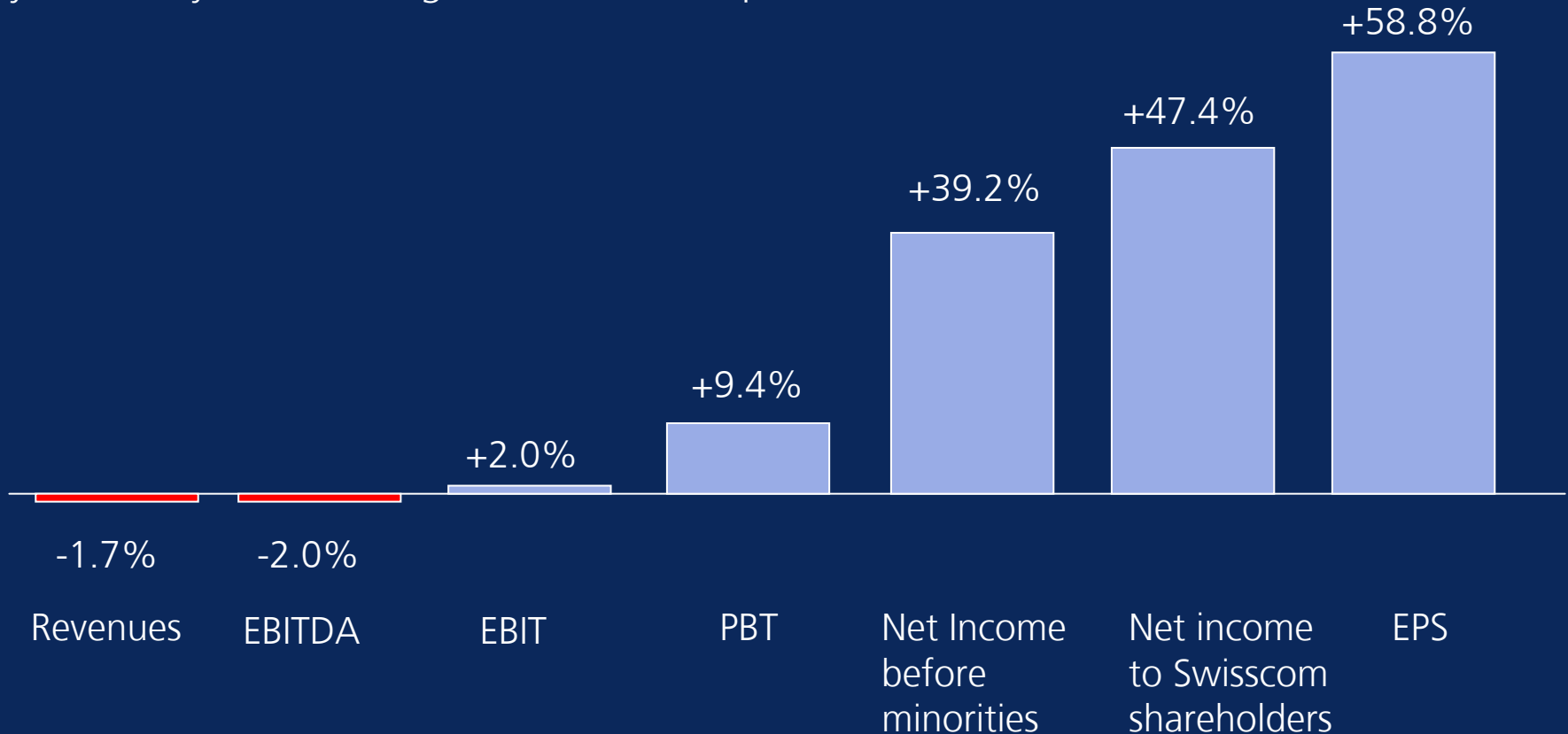
Half Year 2005 Results Presentation:

“Profitable slowdown”

10 August 2005

First half 2005 results in a nutshell: “(very) profitable slowdown”

year-over-year % changes H1 2005 compared to H1 2004



The top-down view: “Bottom’s-up”

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Jens Alder, CEO

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Jens Alder, CEO

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- 3 Goals
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- ULL
- Mobile termination

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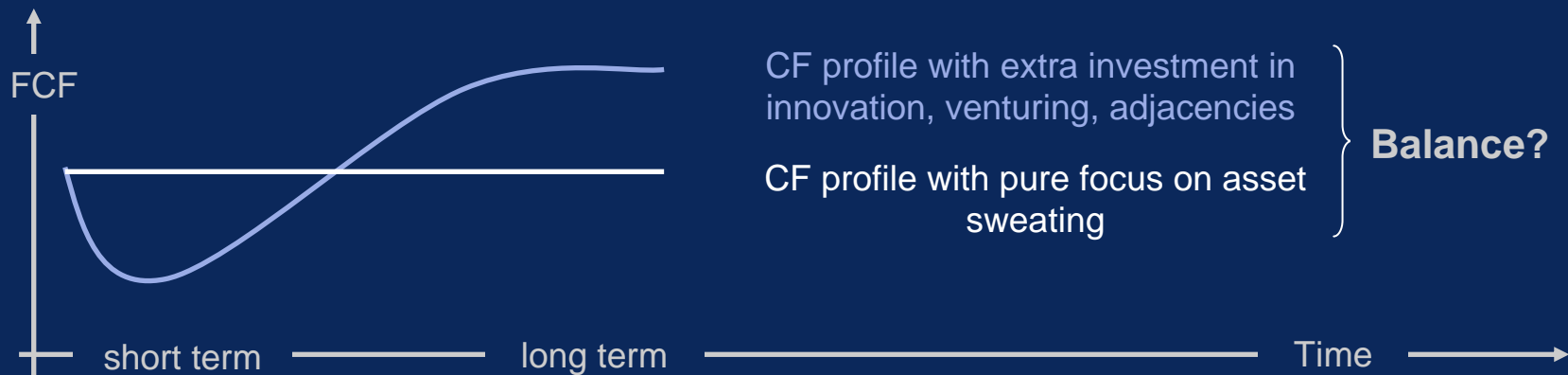
b

Shareholder returns

1a. Corporate philosophy

Goal 1:
Optimize free cash flow

Belief 1:
Swisscom believes balancing short with long term cash flow generation must be a core competence



Optimising free cash flow = constantly exploring the delicate balance between investing and sweating assets

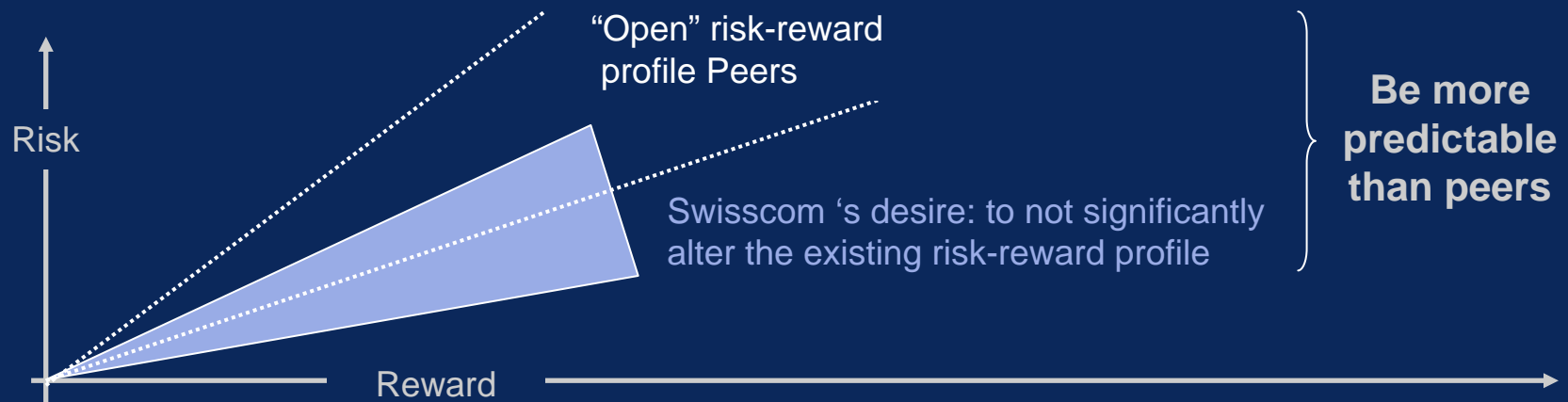
1a. Corporate philosophy

Goal 2:

Create absolute value while securing balanced risk-reward profile

Belief 2:

When thinking “out of the box”, Swisscom believes it should aim to find value-enhancing investment opportunities that fit into the very same box



***“Size matters”*: the larger an investment, the better it should fit into the overall profile**

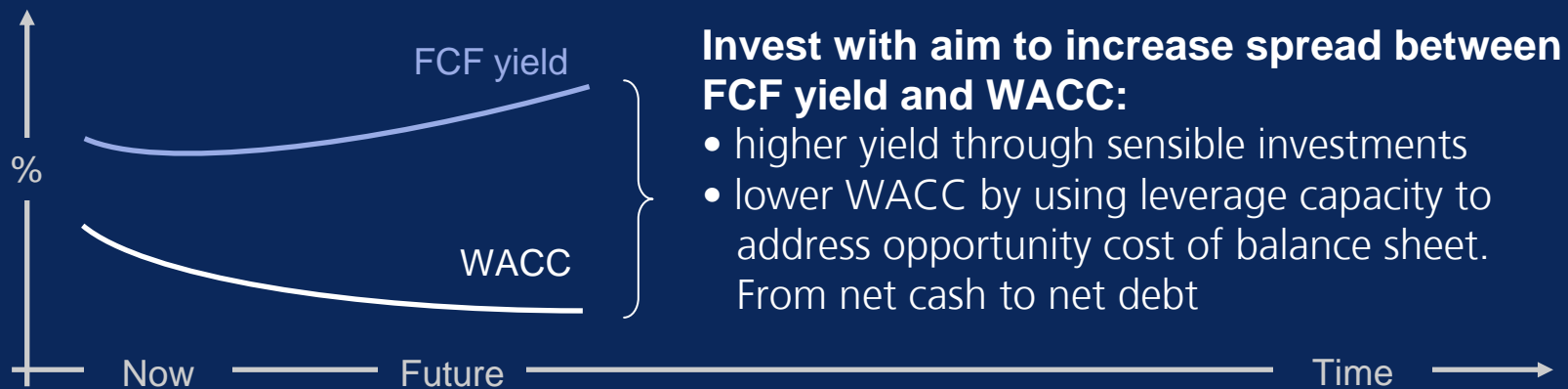
1a. Corporate philosophy

Goal 3:

Combine strategic flexibility with attractive yield

Belief 3:

Swisscom believes it should offer an attractive return yield to shareholders without jeopardizing its strategic flexibility and financial strength



Return surplus funds to shareholders (=Swisscom's return-policy) as long as options to improve spread between FCF yield and WACC cannot be executed

1b. Regulation

ULL:

- National Council and Council of States not in agreement as to how ULL should be implemented
- further process delays hence likely
- implementation of (compromise?) solution not to be expected until 2nd half 2006

Mobile termination:

- draft ruling from competition committee reasons that Swisscom Mobile would have breached the cartel law
- breach of the cartel law can be sanctioned
- Swisscom Mobile is of the clear opinion that it has not breached the law
- a final ruling (to be expected Q3 2005) can be contested in courts
- no provisions taken in books, as sanctions are judged to be not likely

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- Fixnet
- Mobile

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- Fixnet
- Mobile
- Solutions
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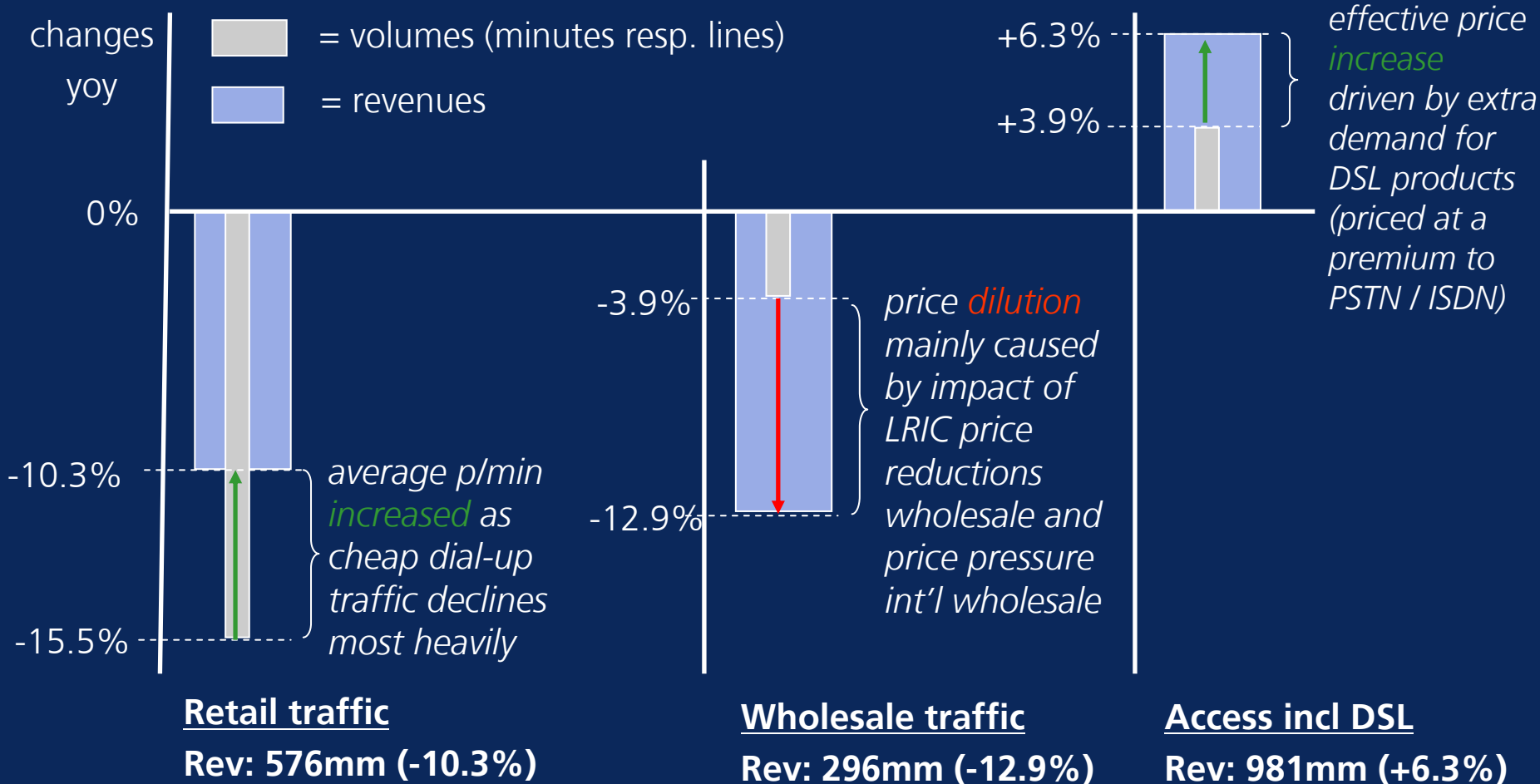
Group
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Shareholder
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2a. Key revenue developments

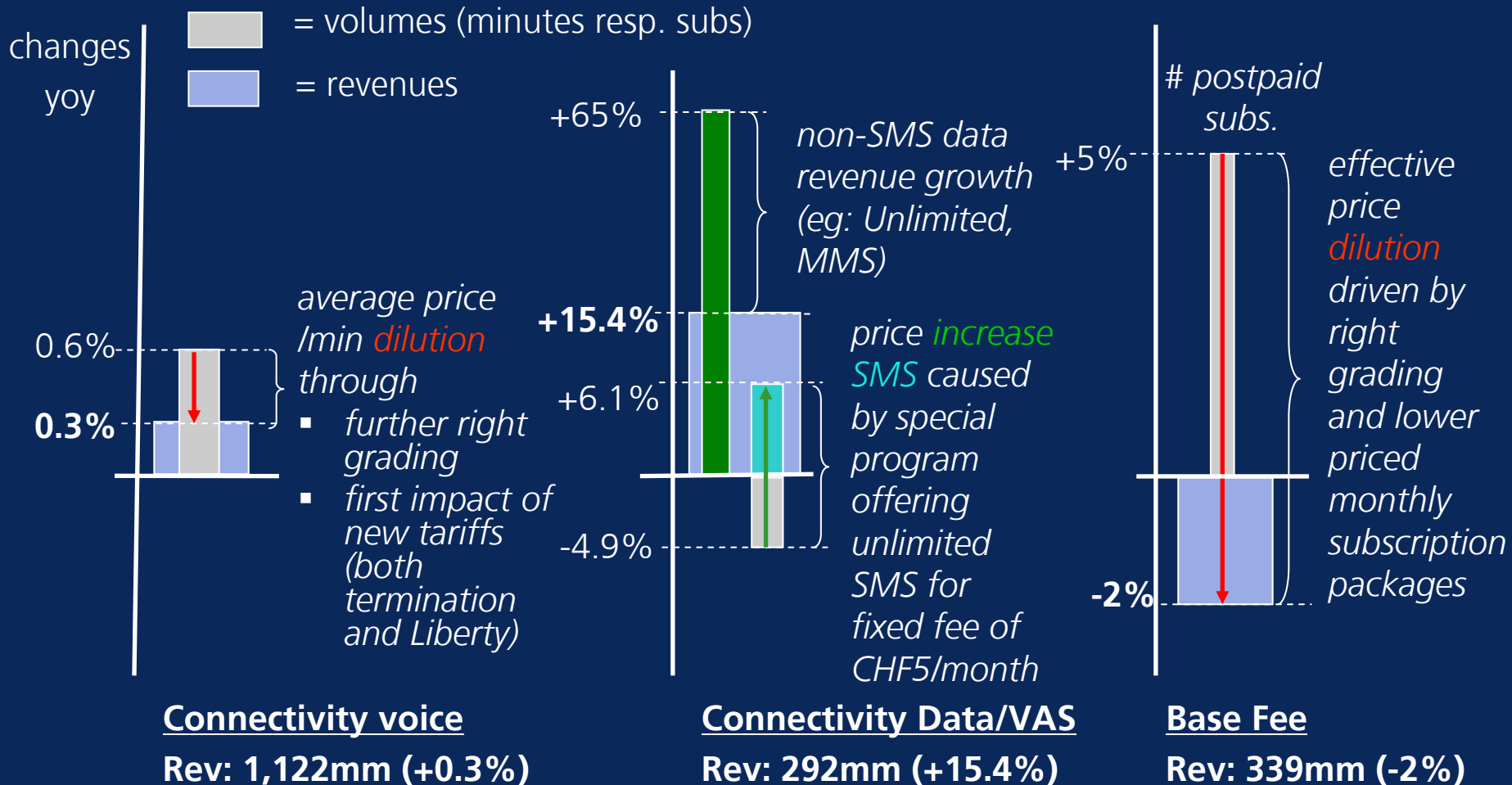
Swisscom Fixnet: volume and price effects



Total revenues from traffic and access down only 2.7%, as growing access becomes ever more dominant part of revenue composition

2a. Key revenue developments

Swisscom Mobile: volume and price effects



Total external revenues up 1% YOY, especially due to significant growth in data services (non SMS)

2b. Operating results

Segment Swisscom Fixnet

Financials and operational data

	HY 2005	YOY
Net revenue in CHF mm ¹	2,750	-4.5%
EBITDA in CHF mm	1,065	-5.0%
EBITDA margin	38.7%	
EBIT in CHF mm	656	0.5%
CAPEX in CHF mm	210	1.4%
Number of FTE's	7,286	-4.8%
Access lines		
PSTN	2,951,000	-3.4%
ISDN	919,000	-0.9%
ADSL	948,000	44.5%
Traffic in min. mm		
Retail	5,583	-15.5%
Wholesale	9,859	-3.9%

1st half-year highlights

- **Retail** traffic decline (CHF -66 mm) no longer compensated by **access** growth (CHF +58 mm)
- **Wholesale** rev. down (CHF -44 mm) especially due to lower (interconnection) rates and internet dialup migration
- **Broadband** with 948k DSL lines - of which 64% retail - is still growing impressively
- Continuing **cost** containment: OPEX (incl. IC) down CHF 73 mm YOY and without restructuring cost even better (CHF -106 mm YOY)
- New **products** and **price** plans launched to cope with increasing competitive pressure
- Next steps: upgrading network infrastructure with **VDSL** and **SDSL** this summer and launch of **IPTV** in 2006

2b. Operating results

Segment Swisscom Mobile

Financials and operational data

	HY 2005	YoY
Net revenue in CHF mm ¹	2,107	-1.8%
of which service revs	1,949	0.5%
EBITDA in CHF mm	1,001	2.5%
EBITDA margin	47.5%	
EBIT in CHF mm	811	1.8%
CAPEX in CHF mm	133	-33.2%
Number of FTE's	2,466	-1.3%
Subscribers (thousand)	4,044	3.7%
ARPU (CHF/month)	78	-2.5%
AMPU in min.	116	-1.7%
SMS MO in mm	986	-4.9%

1st half-year highlights

- To stimulate **volumes** Swisscom Mobile introduced in June an aggressive **tariff** plan for retail customers (50 cents/call and CHF 25 monthly subscription fee) and lowered mobile **termination** rates (-40% to 20 cents/min).
- This investment impacted rev. and EBITDA in June by CHF -26 mm
- Net **customer growth** of +146k YOY
- Blended **churn** in 1st half 2005 down to 4.0% (1st half 2004: 5.9%)
- **EBITDA** (+2.5%) up mainly resulting from growth in strong margin rev. and increased efforts in cost management
- Number of **FTE's** down for the 1st time in Swisscom Mobile's history

2b. Operating results

Segment Swisscom Solutions

Financials and operational data

	HY 2005	YOY
Net revenue in CHF mm ¹	628	-12.4%
EBITDA in CHF mm	49	-49.5%
EBITDA margin	7.8%	
EBIT in CHF mm	29	-60.3%
CAPEX in CHF mm	7	-58.8%
Number of FTE's	1,820	-8.1%
Traffic in min. mm		
National	996	-6.3%
International	184	1.7%

¹ including inter-company (IC) revenue

1st half-year highlights

- **Revenues** with external customers decreased by 11.7% (CHF -74 mm)
 - Traffic substituted by mobile and increasing competition: CHF -22 mm (-14.4%)
 - Substitution of leased lines by IP offers with lower charges: CHF -18 mm (-19.1%)
 - remaining decrease largely explained by lower PBX rental income
- Operating **Expenses** reduced by 6.6% (decreasing COGS and personnel costs), however not sufficient to compensate for revenue erosion

2b. Operating results

Segments Other and Corporate

Financials and operational data

Segment Other	HY 2005	YoY
Net revenue in CHF mm 1	501	6.6%
EBITDA in CHF mm	91	18.2%
EBITDA margin	18.2%	
EBIT in CHF mm	26	n/m
CAPEX in CHF mm	49	-15.5%
Number of FTE's	2,830	5.2%

Segment Corporate	HY 2005	YoY
Net revenue in CHF mm 1	340	11.8%
EBITDA in CHF mm	-4	86.2%
EBITDA margin	-1.2%	
EBIT in CHF mm	-26	-50.0%
CAPEX in CHF mm	32	n/m
Number of FTE's	905	0.4%

1 including inter-company (IC) revenue

1st half-year highlights

- **Segment Other**
 - Top-line increase thanks to new outsourcing customers at **IT services** (CHF +24 mm) and growth in the int'l WLAN business (CHF +10 mm)
 - **Billag** and **Broadcast** stable operations, while well positioned for the future
 - Billag: acquisition **Medipa**
 - Broadcast: acquisition of 75%+1 stake in **Antenna Hungária**
- **Segment Corporate**
 - Higher IC revenues from the real estate company **SIMAG**
 - **EBITDA** improved by CHF 25 mm

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- P&L
- EFCF
- Pension Fund update
- cancellation of treasury stock completed
- progress 2005 program

3a. Group consolidated results

Swisscom Group - Snapshot

Key financials

in CHF mm	HY 2005	YOY
Net revenue	4,912	-1.7%
EBITDA	2,199	-2.0%
EBITDA margin	44.8%	
EBIT	1,496	2.0%
Net income *	1,297	39.2%
Swisscom net income **	1,116	47.4%
EPS ***	18.21	58.8%
CAPEX	431	-10.2%
EFCF	1,533	-12.6%
Net cash	2,398	13.8%
FTE	15,307	-2.6%

* Net income before minorities

** Net income to Swisscom sh'holders (excl. minority interests)

*** Avg. # of outstanding shares in 1st half-year 2005: 61.284mm

1st half-year highlights

- **Top-line** decline not compensated by cost savings: **EBITDA** down by 2.0%
- Mobile (+2.5%), Other (+18.2%) and Corporate (+86.2%) all delivered higher EBITDA
- **EBITDA margin** for the group nearly constant at 44.8%
- **Net income** grew by 39.2%
- Net income attributable to Swisscom shareholders up by CHF 359 mm
- Share buybacks drive **EPS** growth (58.8%) further (as result from lower # shares)

3a. Group consolidated results

Equity free cash flow

(in CHF mm)

	2004		2005	
	HY	FY	HY	Exceptionals in 2H
+ EBITDA	+ 2,243	+ 4,388	+ 2,199	
- CAPEX	- 480	-1,136	- 431	
+/- Δ working cap. & other ¹⁾	- 175	-61	- 107	- 300
- tax (cash)	- 118	- 239	- 220	[one-off contribution into pension fund, see next slide]
- net interest	- 15	- 22	+ 4	
- minorities	- 360	- 360	- 367	
= FCF from ops.	1,095	2,570	1,078	
- acquisitions / divestments (net)	+ 675	+ 597	+ 455	- 286
- debt repayments (net)	- 15	- 256	0	[acquisition of 75% stake in Antenna Hungária]
= EFCF	1,755	2,911	1,533	

1) Other items: one-off investments into pension funds

3a. Group consolidated results

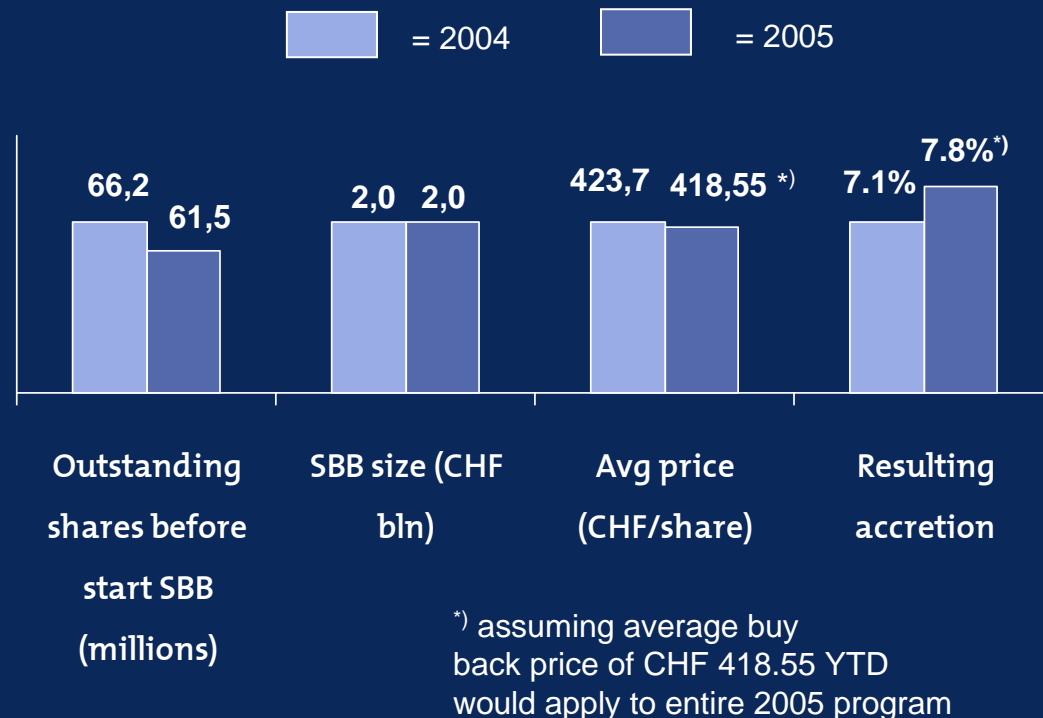
Pension plan under review

- ▶ As indicated previously, comPlan, Swisscom's pension fund is reviewing the pension plan to reflect continuing **structural issues** (low interest rates, increasing life expectancy, early retirement benefits, etc)
- ▶ As a result, comPlan intends to **move all remaining employees** (some 4,300) who are now in the final-salary plan (employees born in 1956 and before) **to the cash-balance plan** (employees born in 1957 and afterwards and employees taken on after 1.1.2002) as per YE 2005
- ▶ The related contribution by Swisscom of around **CHF 300 mm** will impact the EFCF 2005 negatively by the same amount
- ▶ This plan amendment leads to a **lower IFRS under-funding** in the same magnitude and will be instrumental in **reducing future funding risks and cash contributions**
- ▶ **No impact on P&L 2005 but mildly positive on future EBITDA** due to lower annual service costs and expected higher returns on plan assets
- ▶ Plan revision is still **pending approval** by board of trustees (in Q3 2005)

3b. Shareholder returns

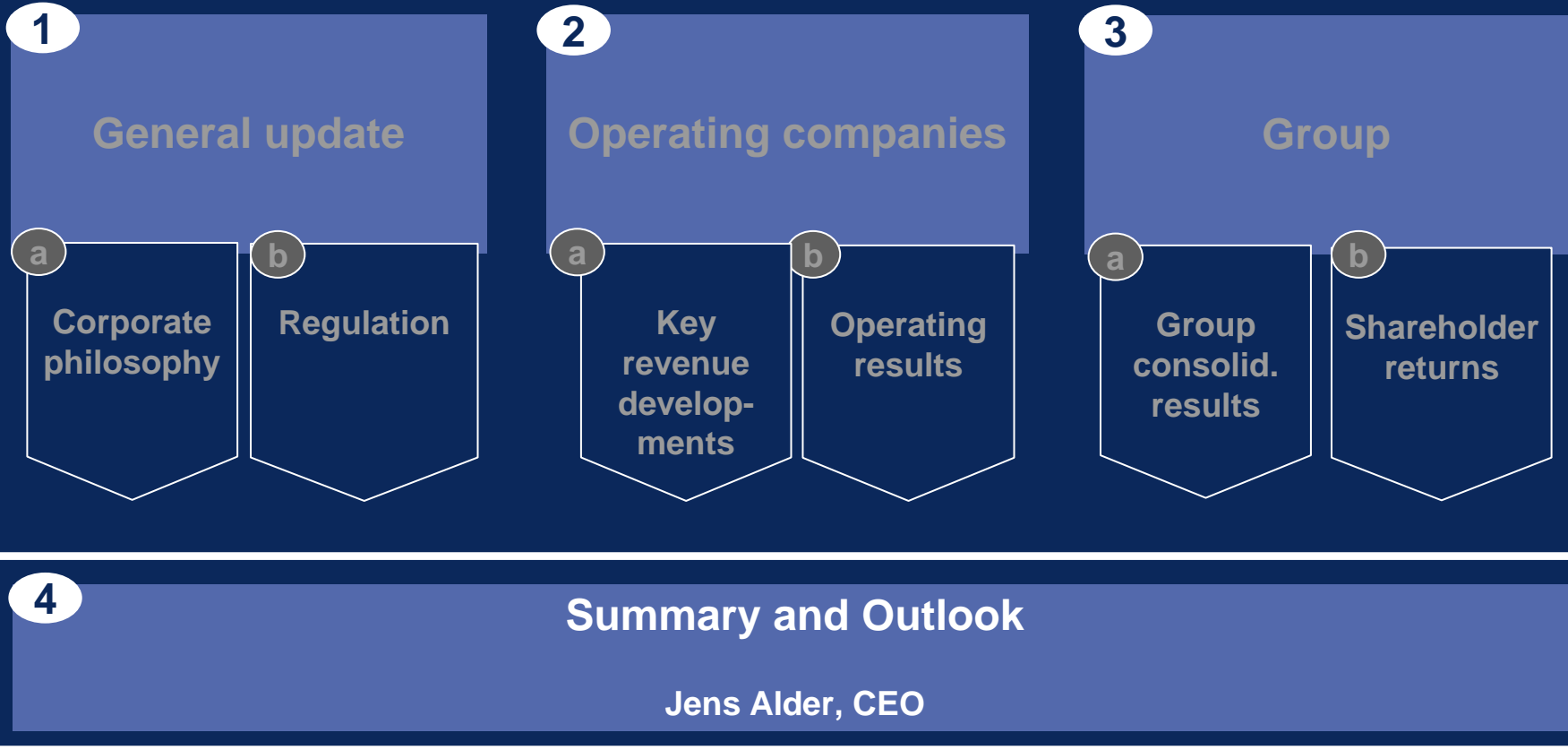
Share buy backs – a continuing story

- Buy back program **2004** (CHF 2 bln) completed at avg. price of CHF 423,70 / share.
- Share cancellation completed in July '05, resulting in 7.1% accretion and new free float of 33,9%
- Buy back program **2005** (CHF 2 bln) commenced on 20 May 2005
- CHF 414 mm completed until 30.6.05 and CHF 717 mm year to date
- Average buy back price 2005 program YTD: CHF 418.55 per share



Share buy back 2005 on track

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4. Summary and Outlook

H1 in summary

- Revenue and EBITDA development Q2 over Q1 constant
- Revenue and EBITDA H1 2005 slightly below last year's interim
- Further down P&L results much stronger due to
 - continued cost control
 - lower D&A
 - good financial results
 - no more loss from discontinued operations (debitel)
- Together with completed share buy back resulting in 59% higher EPS YOY per June 2005

H1 2005: “(very) profitable slowdown”

4. Summary and Outlook

Outlook 2005

	External Revenues	Remarks	EBITDA
Actual results 2004:	10,0		4,4
Swisscom Fixnet	- 0,35	Sale ICS to JV with Belgacom. Traffic revenues (high margin product) declining further	- 0,3
Swisscom Mobile	0	Increase from growth subscriber base compensated by lower termination rates from June with significant EBITDA impact YOY	
Swisscom Solutions	- 0,15	H1 trend to continue throughout the year for both revs and EBITDA	
All other	+ 0,1	--	
Guidance Full year 2005:	9,6		4,1

Outlook 2005 unchanged compared to update given at occasion of first quarter presentation (May '05)

Thank you for your attention!

Questions & Answers

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

For further information, please contact:

phone: +41 31 342 6410

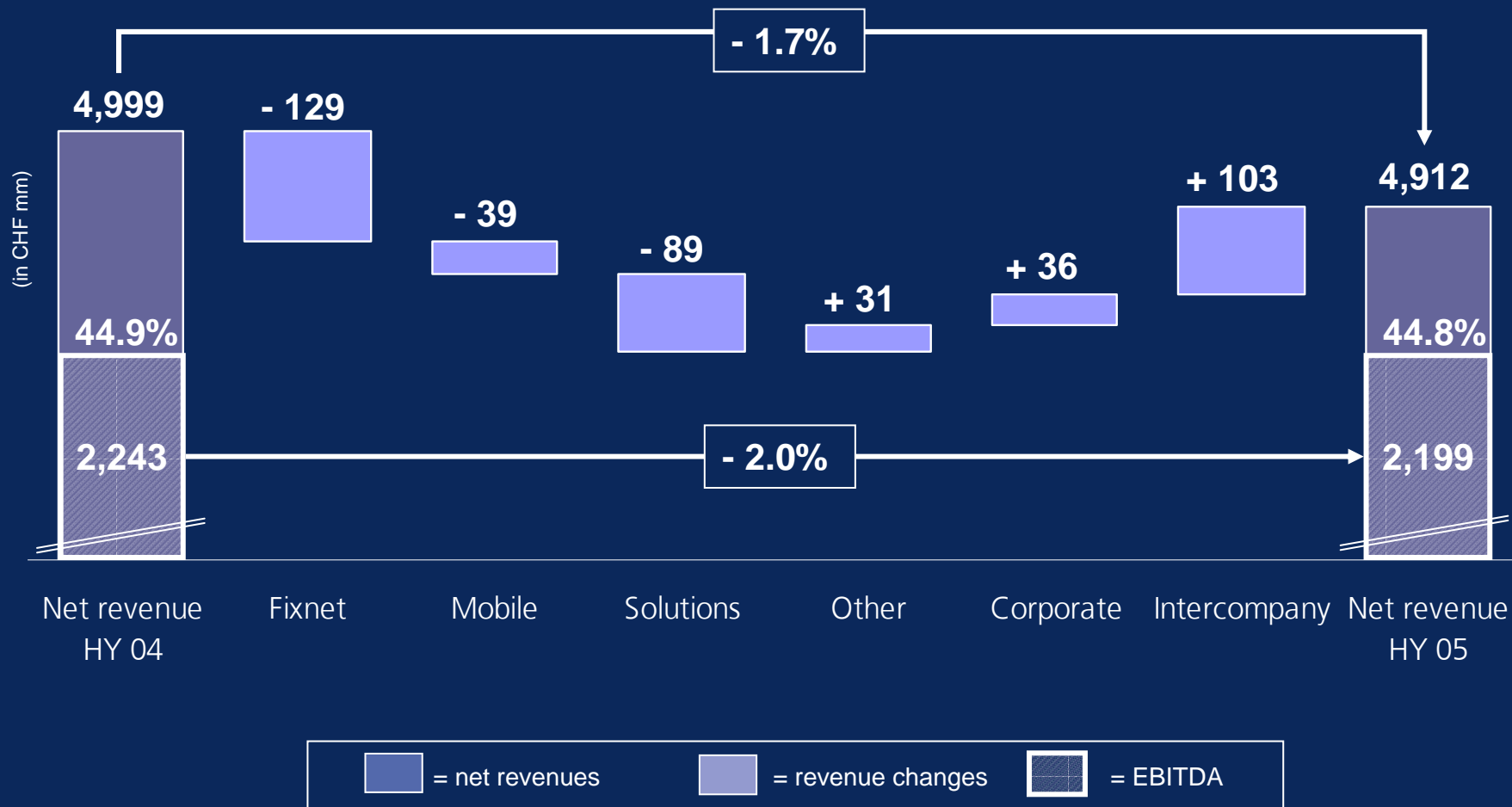
fax : +41 31 342 6411

e-mail: investor.relations@swisscom.com

homepage: www.swisscom.com/ir

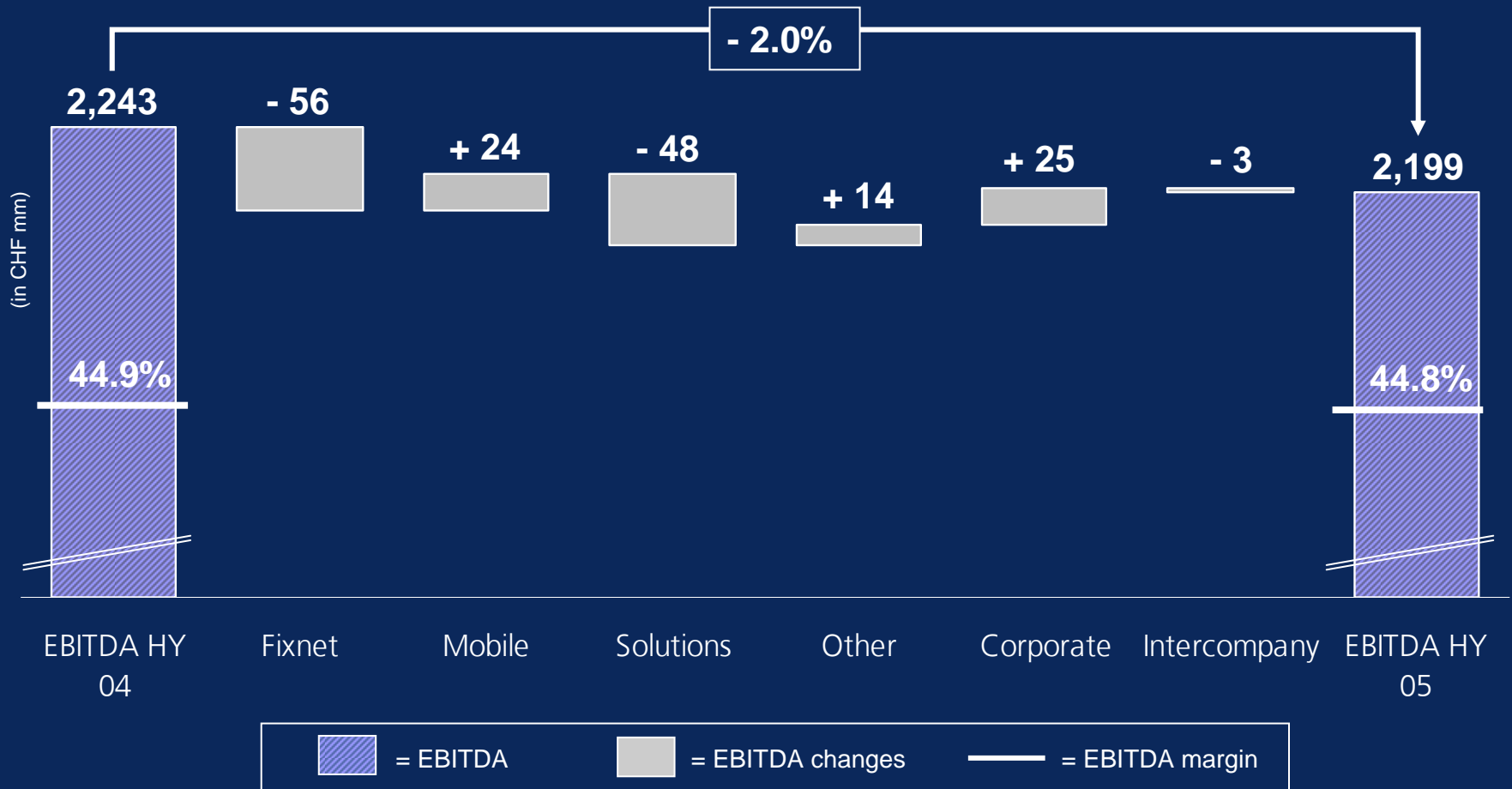
Supporting background information

Group revenues and EBITDA



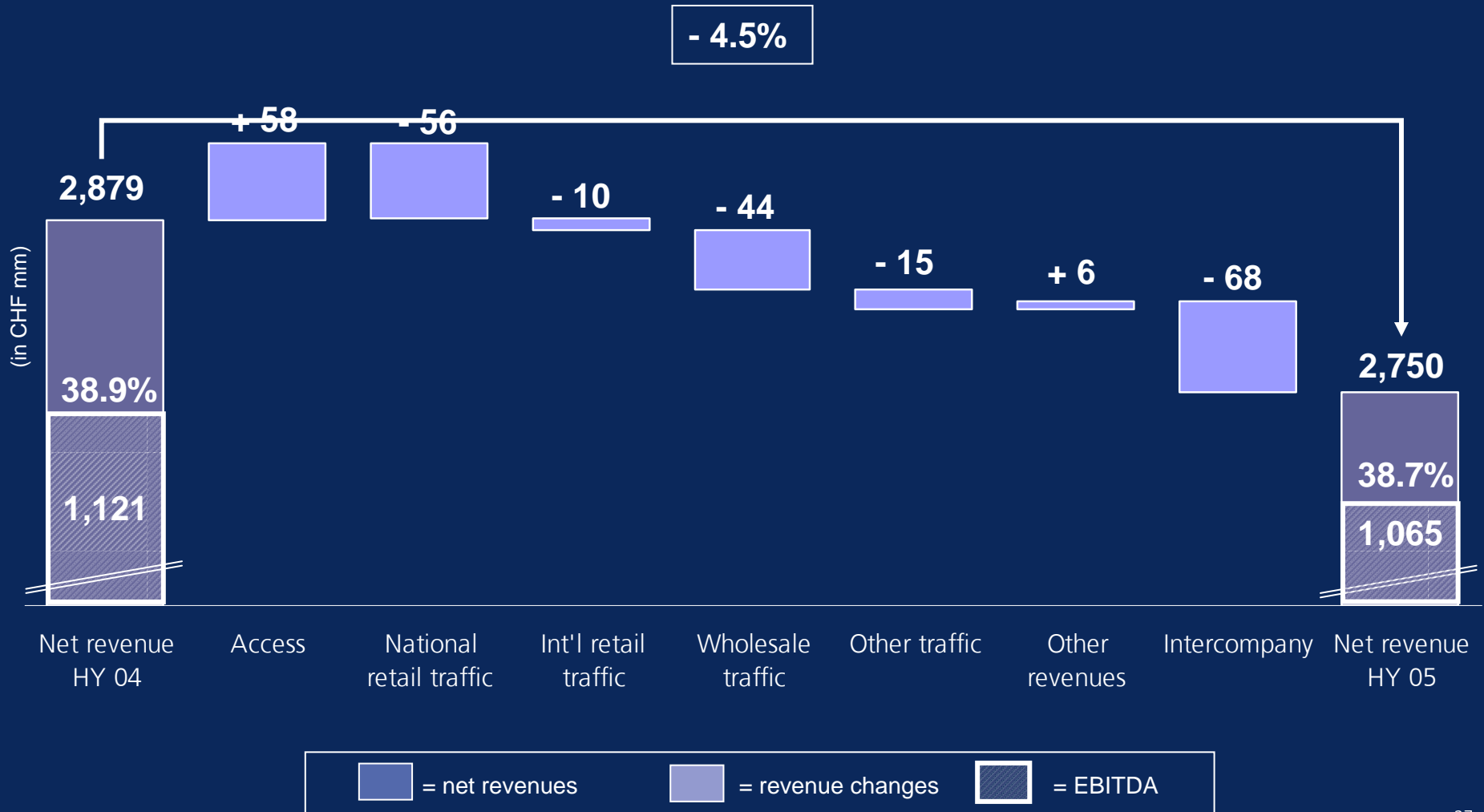
Supporting background information

Group EBITDA and margin



Supporting background information

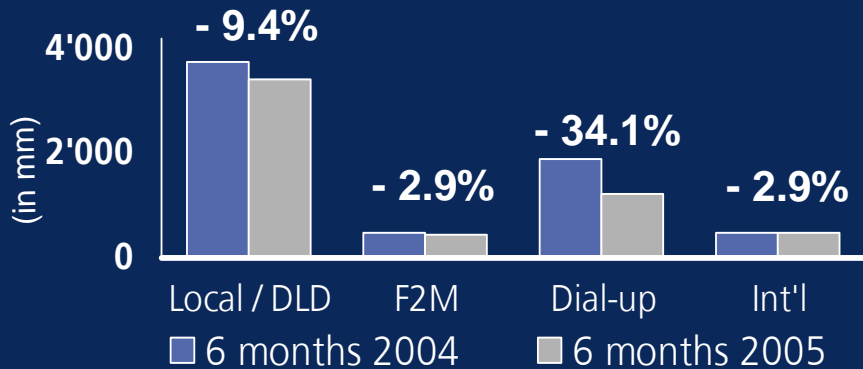
Fixnet revenues and EBITDA



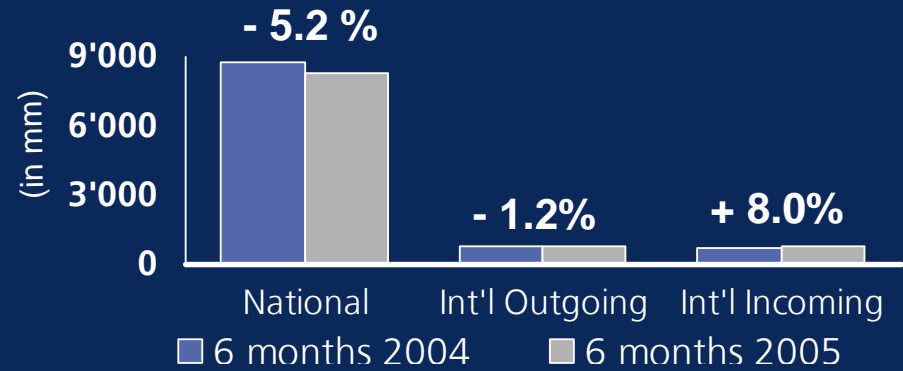
Supporting background information

Fixnet – snapshot

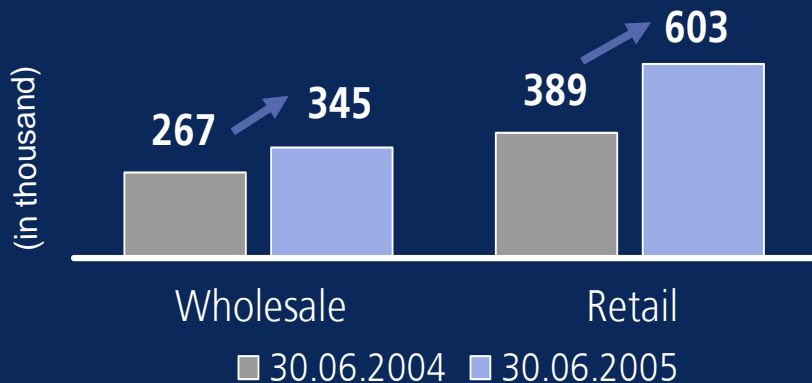
Retail minutes



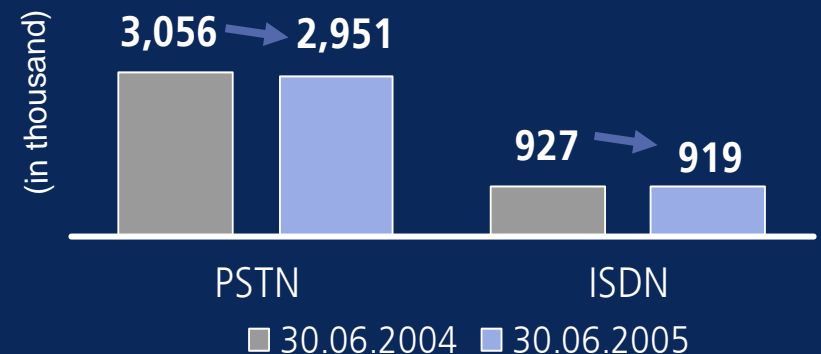
Wholesale minutes



ADSL subscribers



PSTN and ISDN access lines



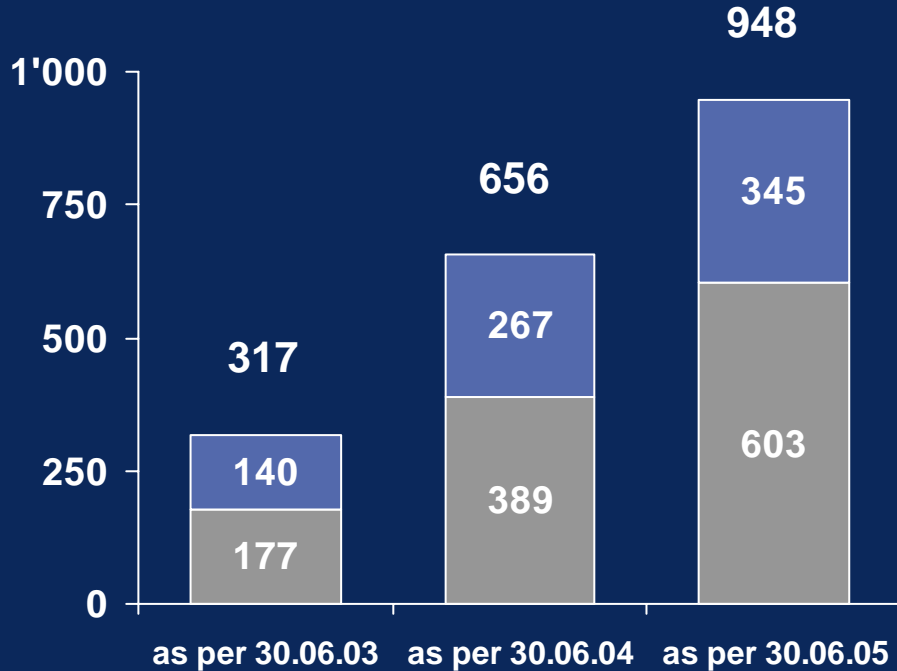
Supporting background information

Fixnet leading Swiss broadband provider

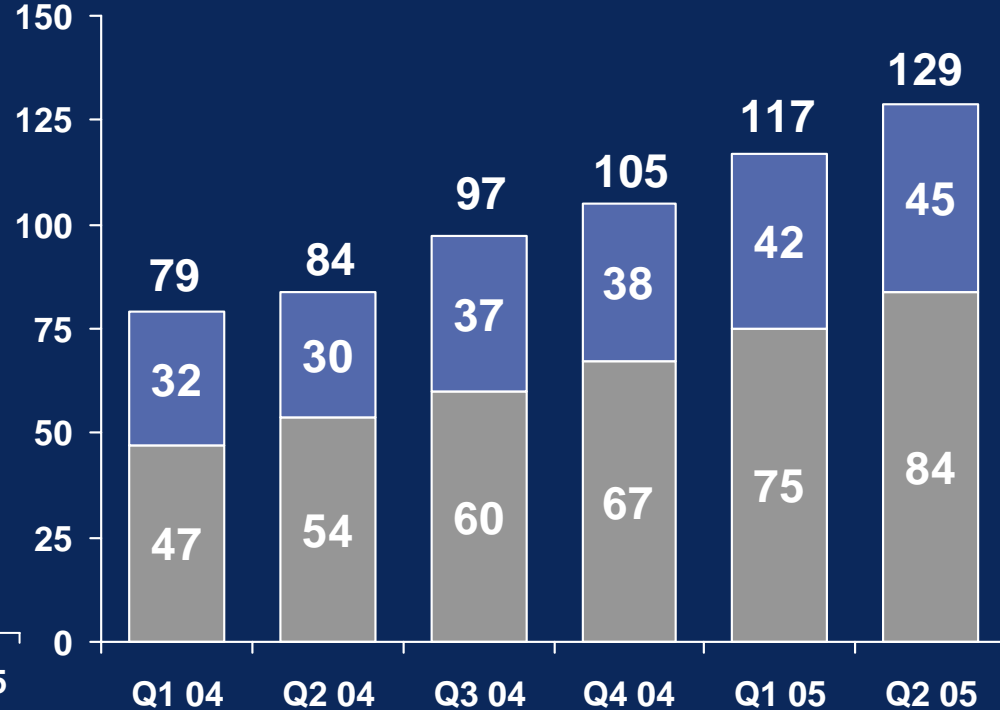
ADSL subscribers, cumulative

Broadband revenues, per quarter

(in thousand)



(in CHF mm)

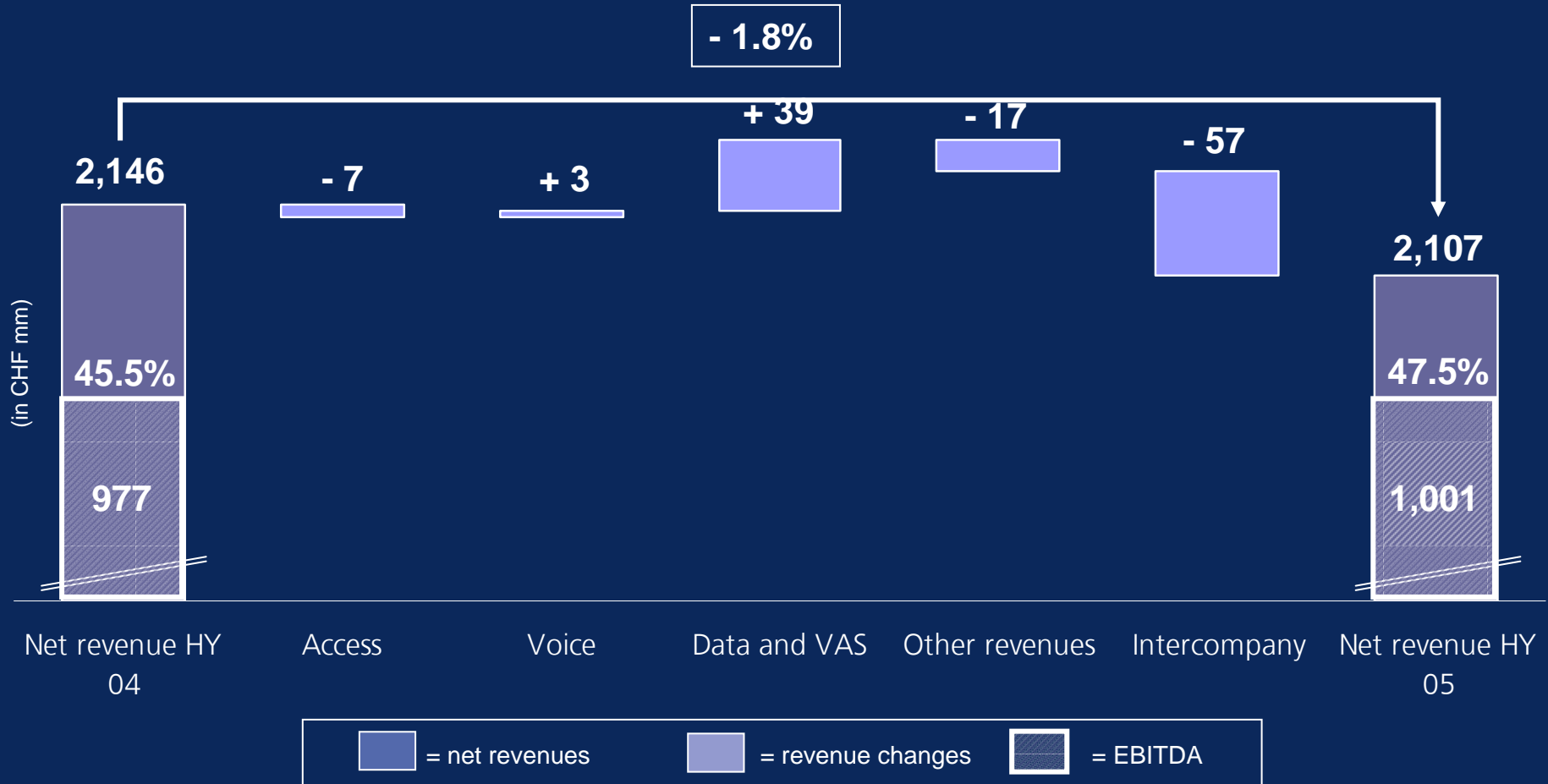


■ Retail ■ Wholesale

■ Retail ■ Wholesale

Supporting background information

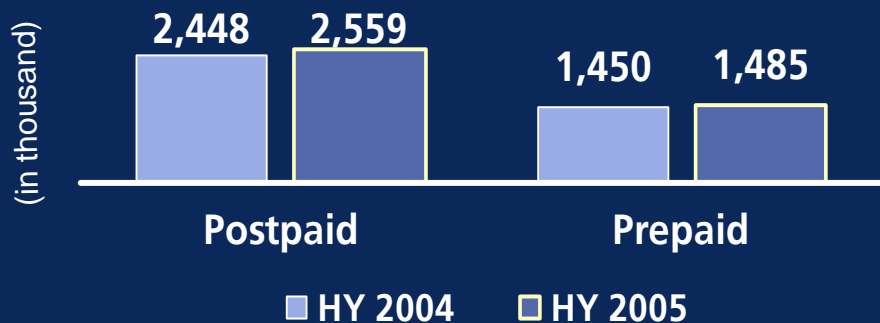
Mobile revenues and EBITDA



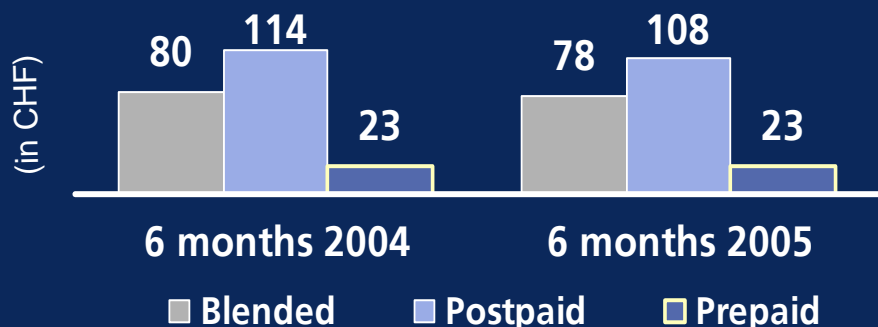
Supporting background information

Mobile – snapshot

Mobile subscribers



ARPU development

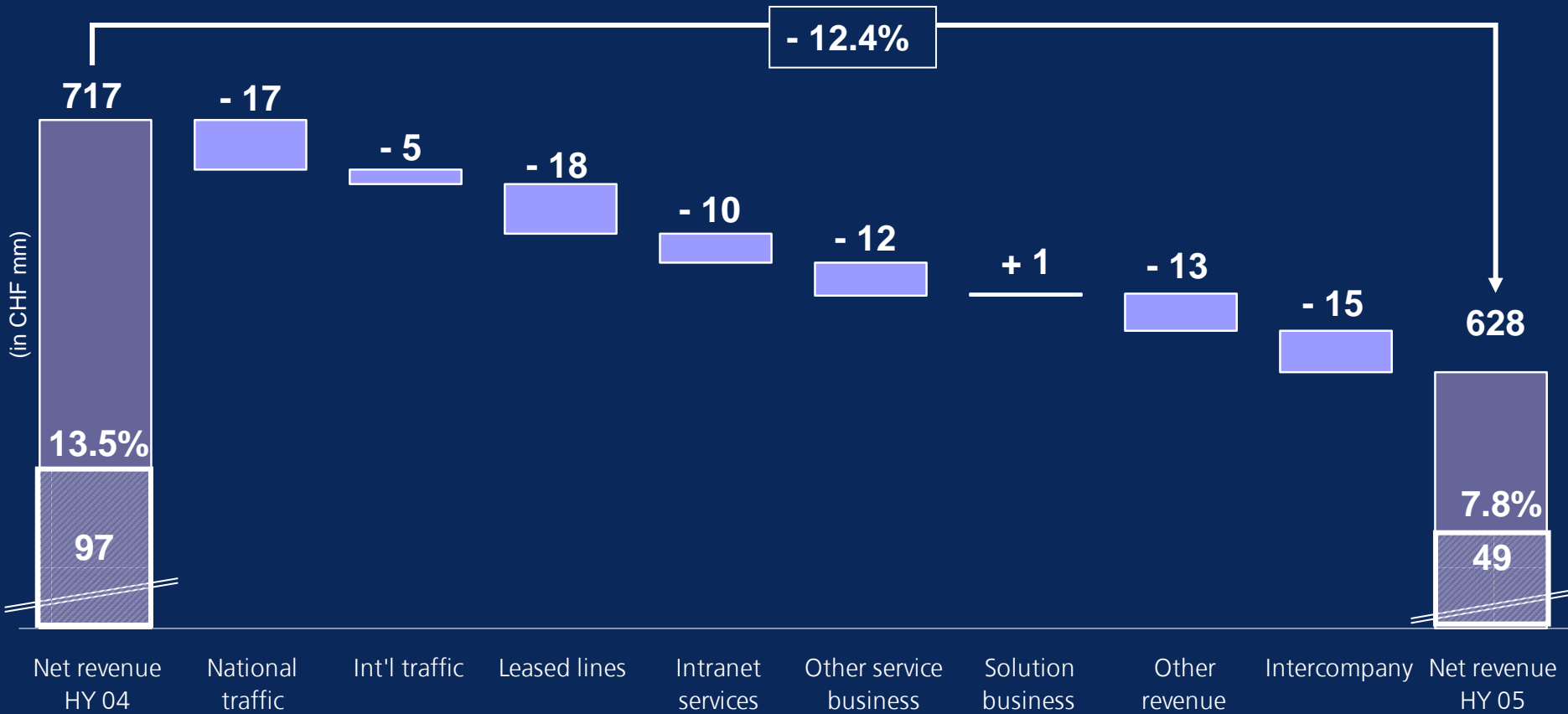


Key observations

- Swisscom Mobile with 4 million customers of which 15% Vodafone Live! customers
- Overall market share of >60%
- Penetration up to 90% as per end of June 2005
- AMPU (116 min.) down by 2 min. compared to HY 2004
- ARPU at CHF 78, 14% of which is from data products
- Acquisition and retention costs in 1st half down by 6% YOY to CHF 186 mm

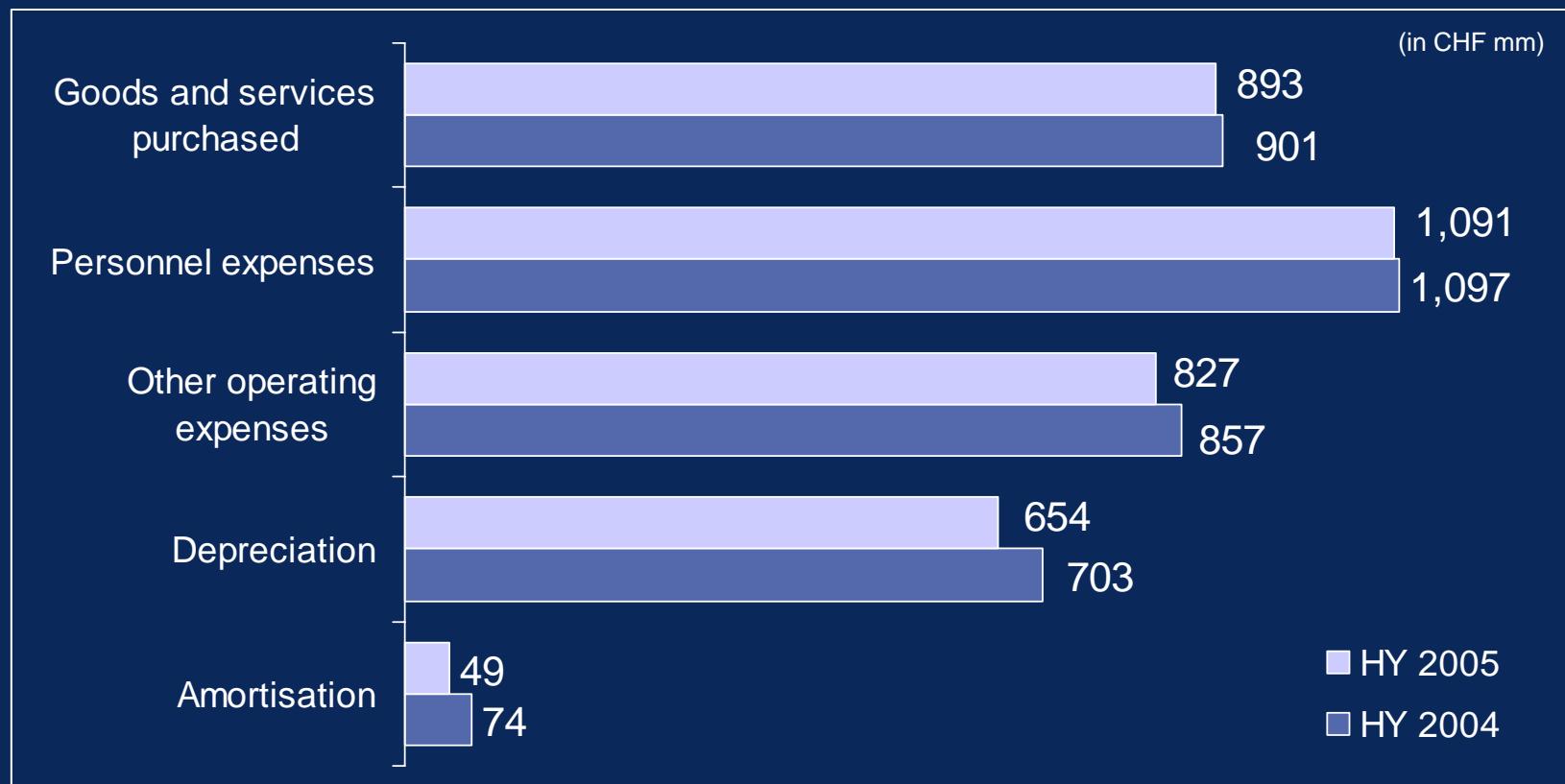
Supporting background information

Solutions revenues and EBITDA



Supporting background information

Group OPEX overview



Supporting background information

Group P&L overview

(in CHF mm)	30.06.2004	30.06.2005	YOY
EBITDA	2,243	2,199	-2.0%
Depreciation	-703	-654	-7.0%
Amortisation	-74	-49	-33.8%
EBIT	1'466	1'496	2.0%
Net financial result	-18	90	n/m
Equity in net income of affiliated companies	7	6	-14.3%
Income tax expense	-282	-295	4.6%
Discontinued operations (debitel)	-241	-	n/m
Net income	932	1'297	39.2%
Attributable to minority interest holders	175	181	3.4%
Attributable to equity holders of Swisscom AG	757	1'116	47.4%
Avg. number of shares outstanding (in thousands)	66.000	61.284	-7.1%
EPS (in CHF)	11.47	18.21	58.8%

Supporting background information

Group CF overview

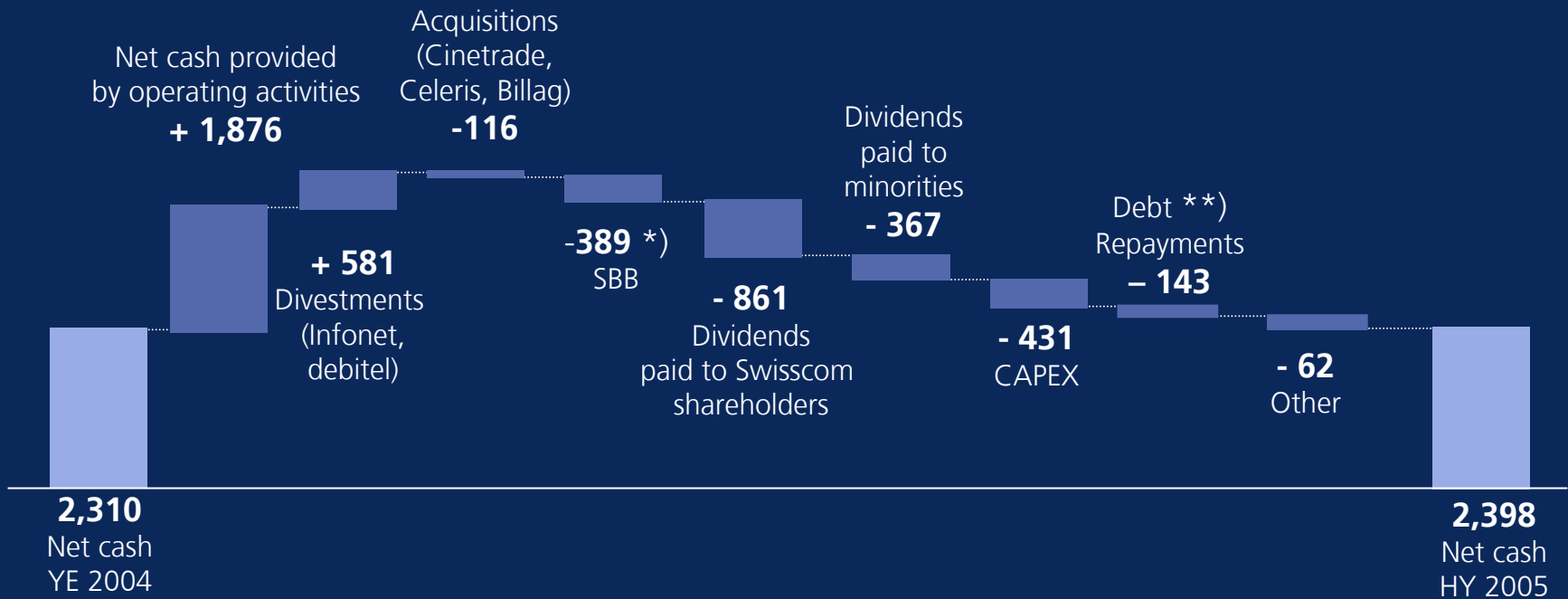
(in CHF mm)	30.06.2004	30.06.2005
EBITDA	2,243	2,199
Income taxes paid	- 118	- 220
Net interest	- 15	+ 4
Change in net operating assets and other cash flows from operating activities	- 175	- 107
Net cash provided by operating activities	1,935	1,876
CAPEX	- 480	- 431
Net divestments / (investments) in affiliates/subsidiaries	+ 590	+ 465
Purchase of current financial assets, net	- 151	- 605
Other cash flows from investing activities, net	+ 99	+ 5
Net cash from investing activities	58	- 566
Repayment of debt	- 73	- 143
Share buyback and treasury stock *)	- 280	- 404
Dividends paid to Swisscom shareholders	- 861	- 861
Dividends paid to minority interests	- 360	- 367
Net cash used in financing activities	- 1,574	- 1,775
Net increase in cash and cash equivalents	+ 419	- 465
Cash and cash equivalents at end of the period	3,513	1,925

*) Consists of: withholding taxes for share buyback program 2004 of CHF 119 mm, employee-stock programs of CHF 15 mm and net cash-out of CHF 270 mm for 996k shares bought back in Q2 2005 (related taxes of CHF 144 mm are paid in Q3 2005)

Supporting background information

Change of net cash

(in CHF mm)



*) Consists of: withholding taxes for share buyback program 2004 of CHF 119 mm and net cash-out of CHF 270 mm for 996k shares bought back in Q2 2005 (related taxes of CHF 144 mm are paid in Q3 2005)

***) Not considered in EFCF as represents the repayment of a loan that was transferred as part of the acquisition of Card-services in 2004

Supporting background information

Group capital structure

(in CHF mm)	31.12.04	30.06.05
Short term debt	382	214
Long term debt (cross border tax lease)	1,253	1,462
Long term net finance lease obligation	679	659
Total debt	2,314	2,335
Less: financial assets from lease-and-leaseback transactions	-952	- 1,114
Less: cash, cash equivalents and current financial assets	-3,672	- 3,619
Net cash	2,310	2,398
Total equity	7,454	7,114
Balance sheet total	14,232	13,914
Book leverage ¹	-30.1%	-33.7%
Equity ratio ²	52.4%	51.1%

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

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 past and future filings and reports filed with the U.S. Securities and Exchange Commission and posted on our websites.

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