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Results First Half 2006

“All IP”

9 August 2006

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Content

Part I: "All IP"

A	B	C	D
IP = all IP networks	IP = Intervention & Politics	IP = Intact Performance	IP = Intact Power
Create single IP network capable of efficiently delivering converged TIME products and services	Range of legal, regulatory and parliamentary cases relevant to Swisscom	Underlying results of largest operations (Mobile and Fixnet) intact on a Like-for-Like basis	Continued balance sheet strength resulting from overall Group Financials
slide 3	slide 4-9	slide 10-18	slide 19-24
Carsten Schloter CEO			Mario Rossi CFO

Part II: supporting background information, slide 26-32

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A

"IP Networks": Enabling execution of TIME strategy – efficiently

Vision:

To enable delivery of TIME portfolio of converged products & services - at lowest cost and fastest time-to-market

One Network

- 1 integrated core network, backbone and backhaul
- combined access networks (fix/ mobile) for voice and broadband data
- unified flexible IT platforms (CRM, billing) with single customer interface

One Organization

1 single organization for network and IT both in fixed and mobile domain:
- Governance
- Development
- Operations

Customer touch points (sales, installation, service) aligned in Group

Shared services rationalized

Started already:

- one governance design (1 strategic unit for convergence topics)
- integration of transmission networks
- coordination of network rollout (civil works)
- one field force for mobile and fixed

Expected results by end of decade

- 1 organization for network and IT (2008)
- 1 network concept implemented, resulting in:
- net cost savings from efficiency improvements:
  - CHF 100mm cumulative until 2010
  - CHF 200mm per annum thereafter

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B

“Intervention & Politics”: both Swisscom and industry under siege in H1 2006

1. Privatization put on hold by Parliament
2. LRIC Ruling enforced by Federal Court
3. ULL introduction decided by Parliament
4. Penalty for Mobile Termination fees threatened by Competition Commission
5. International mobile roaming pricing under pressure by EU regulator

Parliamentary, legal and regulatory intervention cumulated in H1 2006: “_awful interception” with the most significant risks from a legal and regulatory perspective (re-)surfacing in this period

1 Privatization process

Facts	Interpretations

Facts

- Swiss government launched initiative for full privatization late 2005
- Parliament rejected to enter into this discussion:
  - lower house with 99/90 votes on 10 May 2006
  - upper house with 23/21 votes on 7 June 2006
- Effectively government will have to re-launch with conditions better acceptable to parliament

Interpretations

- Key worries from politicians and population center around 3 themes:
  - future owner(s) of Swisscom
  - impact on universal service offered by Swisscom
  - national security
- Next round for privatization (with Swisscom support) unlikely before parliamentary elections (21 Oct 2007)
- Process delayed – not stopped

Privatization not off the agenda – however will unlikely resurface until after parliamentary elections in 2007

2 LRIC ruling

Facts	Interpretations

Facts

- Swiss Federal Court announced on 22 May 2006 that the regulator (ComCom) had rightfully ordered price reductions for interconnection for the period 2000-2003 (in practice this also will apply going forward) – however referred back to ComCom the method of setting usage charges
- Total provisions made per 30.6.2006 (which include provisions for ‘04-’06) of CHF 537mm (this includes interest cost, historically created provisions, and CHF 180mm extra in H1 2006)

Interpretations

- Whereas there is no complete certainty of total impact yet, current <u>interpretation</u> based on assumed required average price reduction of 30% is:
  - EBITDA impact 2006: CHF -180mm
  - CF impact 2006: CHF -300/-350mm (incl. ’06 EBITDA impact mentioned above)
  - CF impact 2007: CHF -200/-250mm
- The likely 2006 EBITDA impact (CHF 180mm) has been accounted for in the segment Fixnet as costs in Q2 2006

Final impact unclear yet – but significant. Current revenues will not be lower, as provisions have and will be set aside

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3 ULL introduction

Facts	Interpretations
▪ Swiss parliament (21 March 2006) decided to revise the Telecommunication Act, and introduce several forms of ULL under the conditions that: – ULL obligation applies only where market dominance is given – ULL applies only to copper (no "technology neutrality") – ULL obligation for bitstream access (BSA) is limited to a period of 4 years	▪ Most likely set into force date: 1 January 2007, with operational start on limited scale in Q1 ▪ Ex-post type regulation will likely lead to price uncertainty for unbundling products over a period of 2-3 years ▪ Bitstream access will not need to be offered as Swisscom is not market dominant in broadband ▪ VDSL unbundling cannot happen where fiber is required (as only twisted copper is regulated under ULL)

ULL from 2007 onwards, however unlikely to include Bitstream Access offers and VDSL

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4 Mobile termination rates

Facts	Interpretations
▪ Competition Commission issued on 7 April a draft-ruling which deems Swisscom Mobile: – to be market dominant on MT and supposedly abusing its position – to pay fines of at least CHF 489mm ▪ Ruling now expected for Q4 2006 (originally foreseen in Summer 2006) ▪ At CHF 0.20/min, Swisscom MT rates are around 1/3 lower than those of competitors ever since Swisscom cut its rate in June 2005. Before that, Swisscom rates were some 10% lower	▪ Case still pending at Competition Commission – however ruling possible in second half of 2006 ▪ Should ruling follow, and be similar to draft of 7 April, Swisscom will contest this through all instances – which will take considerable time ▪ Sofar, Swisscom has not made any provision in its accounts, as the probability of threatened fine becoming reality is considered to be below 50%

With Swisscom’s MT rates significantly lower than those of competitors, it seems odd to argue that Swisscom abuses its position by forcing other operators to keep high prices intact

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5 International roaming prices

Facts	Interpretations
▪ General pressure across Europe on wholesale (and retail) pricing for roaming ▪ Switzerland not part of EU, however commercially fully integrated ▪ Swisscom Mobile generates around 15% of its revenues from international roaming: – >2/3 of which from (low margin) outbound traffic – <1/3 from (higher margin) inbound traffic	▪ Any European regulation will not necessarily apply to Switzerland, however market forces will push pricing effectively in the same direction ▪ With Swisscom Mobile’s traffic pattern, the dependence on (much higher margin) inbound traffic is relatively small ▪ Therefore the margin impact of price cuts is relatively limited – but does exist!

Trend towards lower international roaming rates applies universally. Impact however highly depends on traffic balances

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C

Intact Performance of largest operations (Swisscom Mobile and Fixnet)

Like for Like EBITDA

1 **Group:** Like-for-Like EBITDA*) at CHF 1,959mm (-5.4% YOY)

2 **Fixnet:** Like-for-Like EBITDA before LRIC provision at CHF 1,028mm (-2.8% YOY)

3 **Mobile:** Like-for-Like EBITDA CHF 879mm (flat YOY)

4 **Solutions:** Like-for-Like EBITDA at CHF 37mm (from CHF 48mm year earlier)

5 **Other:** Like-for-Like EBITDA before AH**) at CHF 6mm (from CHF 91mm year earlier)

Corporate: Like-for-Like EBITDA at CHF 25mm (from CHF -4mm year earlier)

Overall Like-for-Like EBITDA of CHF 1,959mm (-5.4% YOY), especially caused by YOY deterioration of Swisscom IT results

*) Like for Like indicates EBITDA comparison before non-repetitive effects (that occurred in 1 year only) and aims to compare true underlying business performance. The fact that there is CHF 12mm difference between the Group number and the sum of the segments is caused by intracompany consolidation effects

**) AH = Antenna Hungary

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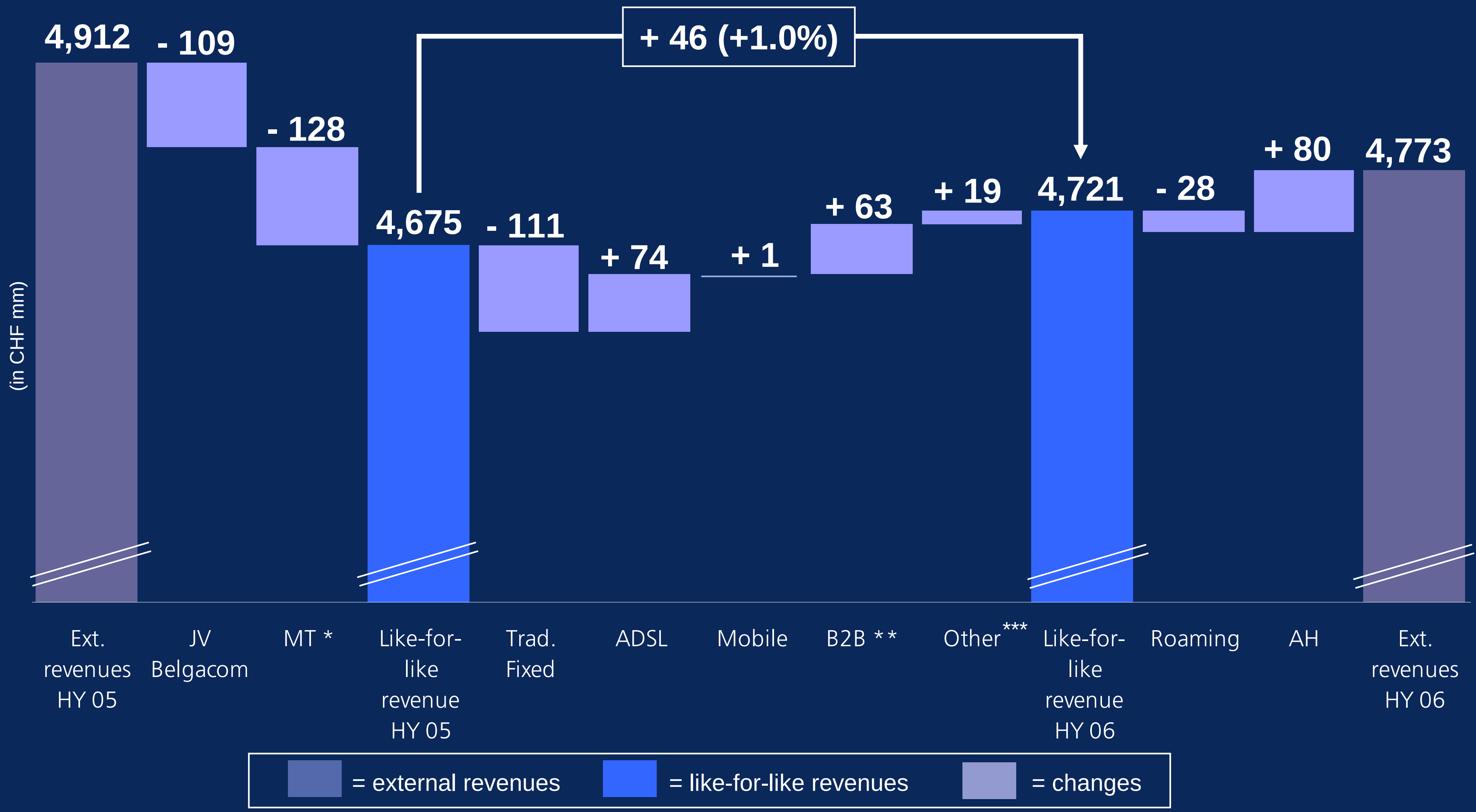
1 Drivers of group revenues



* Of which at Fixnet: CHF -44mm, at Mobile: CHF -74mm, at Solutions: CHF -10mm, ** Project- and Outsourcing Business

*** Of which at Eurospot: CHF +13mm, at Accarda: CHF+ 5mm, all other CHF +1mm

C. "all IP" – Intact Performance

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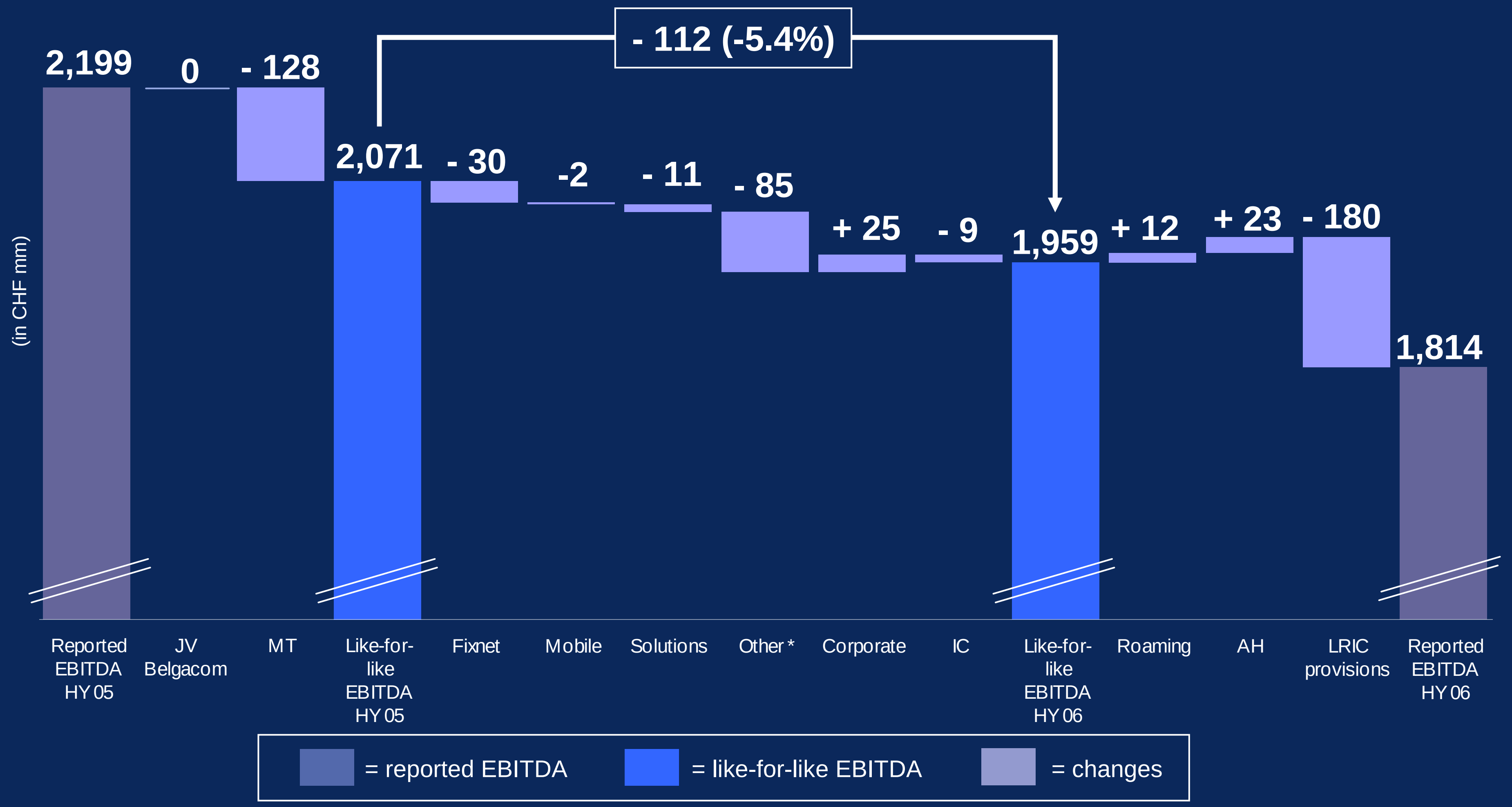
1 Drivers of group EBITDA



• Includes CHF 49mm extra provisions for contractual risks at Swisscom IT Services as well as a similar amount of extra expenses incurred in H1 relating to newly developed business

2 Segment Swisscom Fixnet

Financials and operational data

	6m 2006	YOY
Net revenue in CHF mm [1]	2,533	-7.9%
EBITDA in CHF mm	848	-20.4%
EBITDA margin	33.5%	
EBIT in CHF mm	467	-28.8%
CAPEX in CHF mm	239	13.8%
Number of FTE's	7,066	-3.0%
Access lines		
PSTN	2,911,000	-1.4%
ISDN	878,000	-4.5%
ADSL	1,253,000	32.2%
Traffic in min. mm		
Retail	5,023	-10.0%
Wholesale	8,446	-14.3%

1 including inter-company (IC) revenue

1st half 2006 highlights

- Revenues excluding sale of int'l wholesale activities and impact Mobile Termination only down by CHF -15mm YOY (-0.6%)
- Revenue composition changes further:
  - monthly access now representing 41% of net revenues (from 36%)
  - traffic now represents 30% of net revenues (from 34%)
- Quarterly line loss (FM substitution, cable) not accelerating
- EBITDA margin down to 34% from 39% year earlier – mainly due to extra IC provisions of CHF 180mm. Excl LRIC, margin went up to 40.6%
- CAPEX increase on back of VDSL roll out – coverage target by YE06 of 30% and by YE07 of 70%

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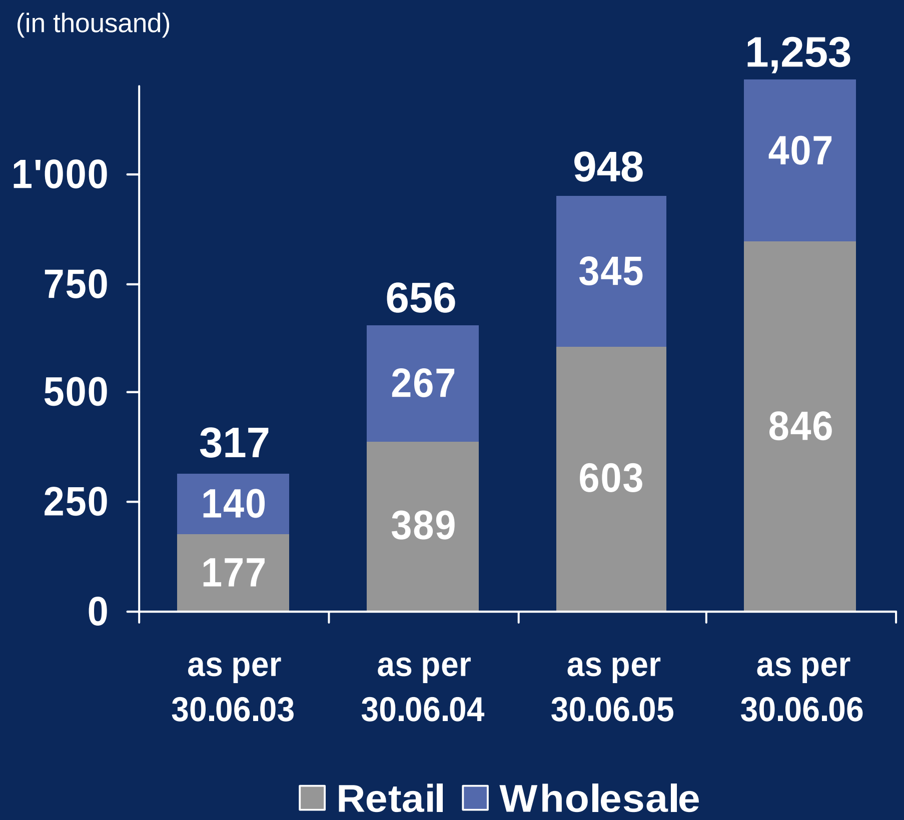
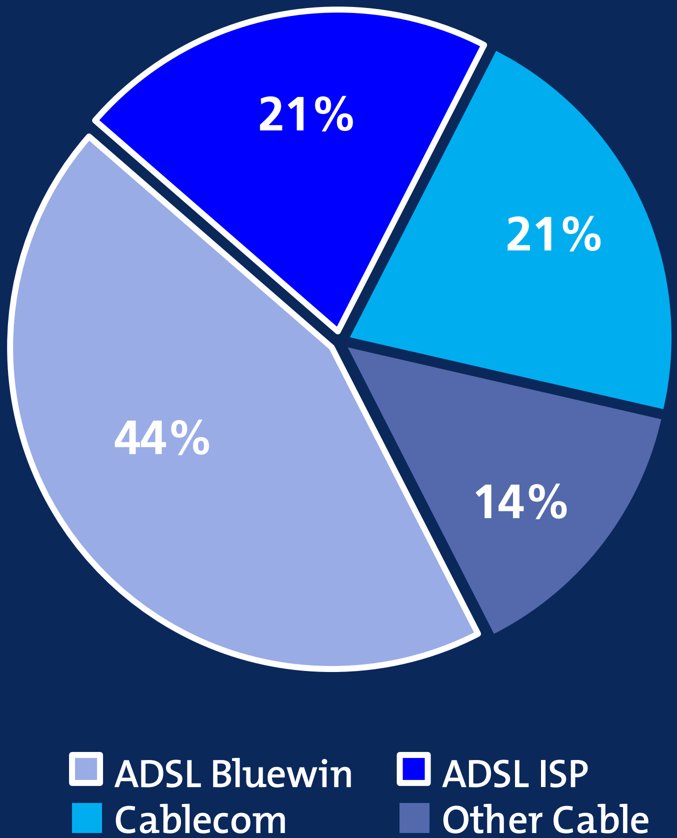
❷ Fixnet – the leading Swiss BB provider

ADSL subscribers, cumulative



DSL market share around 2/3 (as per 30.06.06)



Source: Swisscom Fixnet estimates

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3 Segment Swisscom Mobile

Financials and operational data

	6m 2006	YoY
Net revenue in CHF mm [1]	1,960	-7.0%
of which service revs	1,787	-8.3%
EBITDA in CHF mm	891	-11.0%
EBITDA margin	45.5%	
EBIT in CHF mm	704	-13.2%
CAPEX in CHF mm	111	-16.5%
Number of FTE's	2,404	-2.5%
Subscribers (thousand)	4,469	10.5%
ARPU (CHF/month)	65	-16.7%
AMPU in min.	122	5.2%
SMS MO in mm	1,032	4.7%

1 including inter-company (IC) revenue

1st half 2006 highlights

- Revenues excluding 40% reduction of MT fees (1.6.2005) and renegotiated roaming agreements flat YOY
- EBITDA corrected for same effects also flat
- Advanced data revenues up by CHF 22mm to CHF 101mm
- Swisscom subscriber base up 11% - with market share of net adds in Q2 at 76%:
  - Swisscom +99k net adds
  - Orange + 16k
  - Sunrise +16k
- Average monthly churn rate for first 6 months at continued low level of 0.8%

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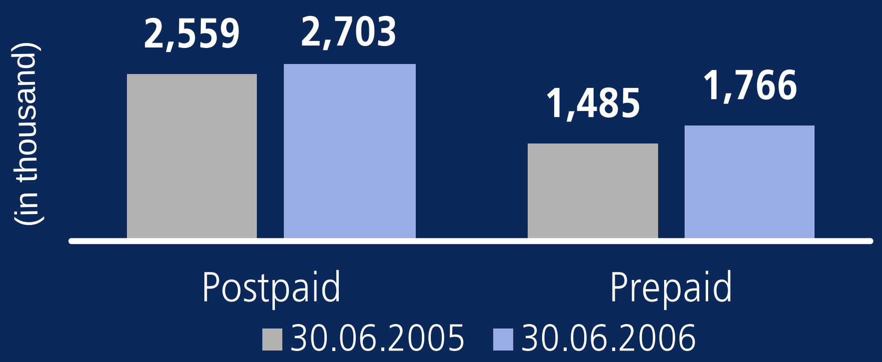
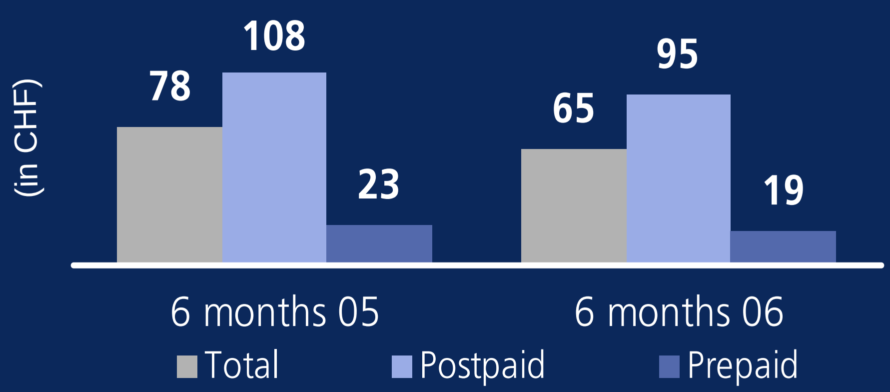
3 Mobile – operational snapshot

Mobile subscribers



ARPU development



Key observations

- Total customer base up by 425k (+10.5%) to 4,469k of which:
  - 1,191k (or 27% of total) now on Liberty
  - >200k on M-Budget
- Postpaid:
  - +6% customers
  - -12% ARPU
  - effective price decline esp. through Liberty higher than call rate elasticity
- Prepaid:
  - +19% customers
  - -17% ARPU
  - effective price decline compensated by higher number of customers (esp. M-Budget)

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4 Segment Swisscom Solutions

Financials and operational data

	6m 2006	YOY
Net revenue in CHF mm 1	587	-6.5%
EBITDA in CHF mm	37	-24.5%
EBITDA margin	6.3%	
EBIT in CHF mm	22	-24.1%
CAPEX in CHF mm	19	171.4%
Number of FTE's	1,954	7.4%

Traffic in min. mm		
National	925	-7.1%
International	175	-4.9%
Total	1,100	-6.8%

1 including inter-company (IC) revenue

1st half 2006 highlights

- Revenue decline significant on traffic (-21% YOY), caused by lower MT rates, continued substitution, competitive and pricing pressure
- Revenue increase from system integration business not sufficient to absorb other revenue declines
- Cost savings of CHF 29mm YOY not sufficient to safeguard EBITDA margin at last year’s 7.8%
- FTE increase caused by first time integration of Siemens Enterprise Networks (+125 FTEs) per 28.2.2006

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5 Segments Other and Corporate

Financials and operational data

Segment Other	6m 2006	YoY
Net revenue in CHF mm [1]	638	27.3%
EBITDA in CHF mm	29	-68.1%
EBITDA margin	4.5%	
EBIT in CHF mm	-67	n/m
CAPEX in CHF mm	87	77,6%
Number of FTE's	4,437	56.8%

Segment Corporate	6m 2006	YoY
Net revenue in CHF mm [1]	329	-3.2%
EBITDA in CHF mm	21	n/m
EBITDA margin	6.4%	
EBIT in CHF mm	-5	n/m
CAPEX in CHF mm	73	n/m
Number of FTE's	879	-2.9%

1 including inter-company (IC) revenue

1st quarter 2006 highlights

Segment Other

- Revenue increase largely due to integration of Antenna Hungaria (AH) , Comit and newly won contracts at Swisscom IT Services
- EBITDA down CHF 62mm despite good margin from Antenna Hungary consolidation, as in connection with a small number of projects, Swisscom IT:
  - booked CHF 49mm provisions in H1 for newly developed business going forward
  - incurred a similar amount of extra expenses in H1 2006
  - has taken measures to ensure that the extra costs above will not occur again
- Number of FTEs up by 57% mostly through inclusion of AH (+817) and Comit (+220)

Segment Corporate

- EBITDA up by CHF 25mm thanks to net cost savings and gains from real estate sales of SIMAG

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D “Intact Power”: solid capital structure

1. Key group financials and highlights
2. Net cash changes since YE 2005
3. Capital Structure
4. EFCF breakdown
5. Outlook 2006

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1 Swisscom Group – snapshot

Key financials as per 30.06.2006

in CHF mm	31.03.2006	YOY
Net revenue	4,773	-2.8%
EBITDA	1,814	-17.5%
EBITDA margin	38.0%	
EBIT	1,111	-25.7%
Net income *	921	-29.0%
SCM net income **	759	-32.0%
EPS ***	13.38	-26.5%
CAPEX	526	22.0%
EFCF	476	-68.9%
Net cash	1,202	-55.0%
FTE	16,739	9.4%

* Net income before minorities

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

*** Avg. # of outstanding shares in 1st half 06: 56,72mm

HY 2006 highlights

- Net income decline higher than EBITDA especially as
  - no longer financial income from vendor loan debitel and
  - negative foreign exchange results
- EPS decline lower than net income thanks to lower number of shares post buyback
- CAPEX trending up due to VDSL rollout
- Lower EFCF mainly because of lower operating results, increased net investments and no proceeds from asset sales (last year extra proceeds from sale of Infonet and Intelsat and early vendor loan repayment for debitel)

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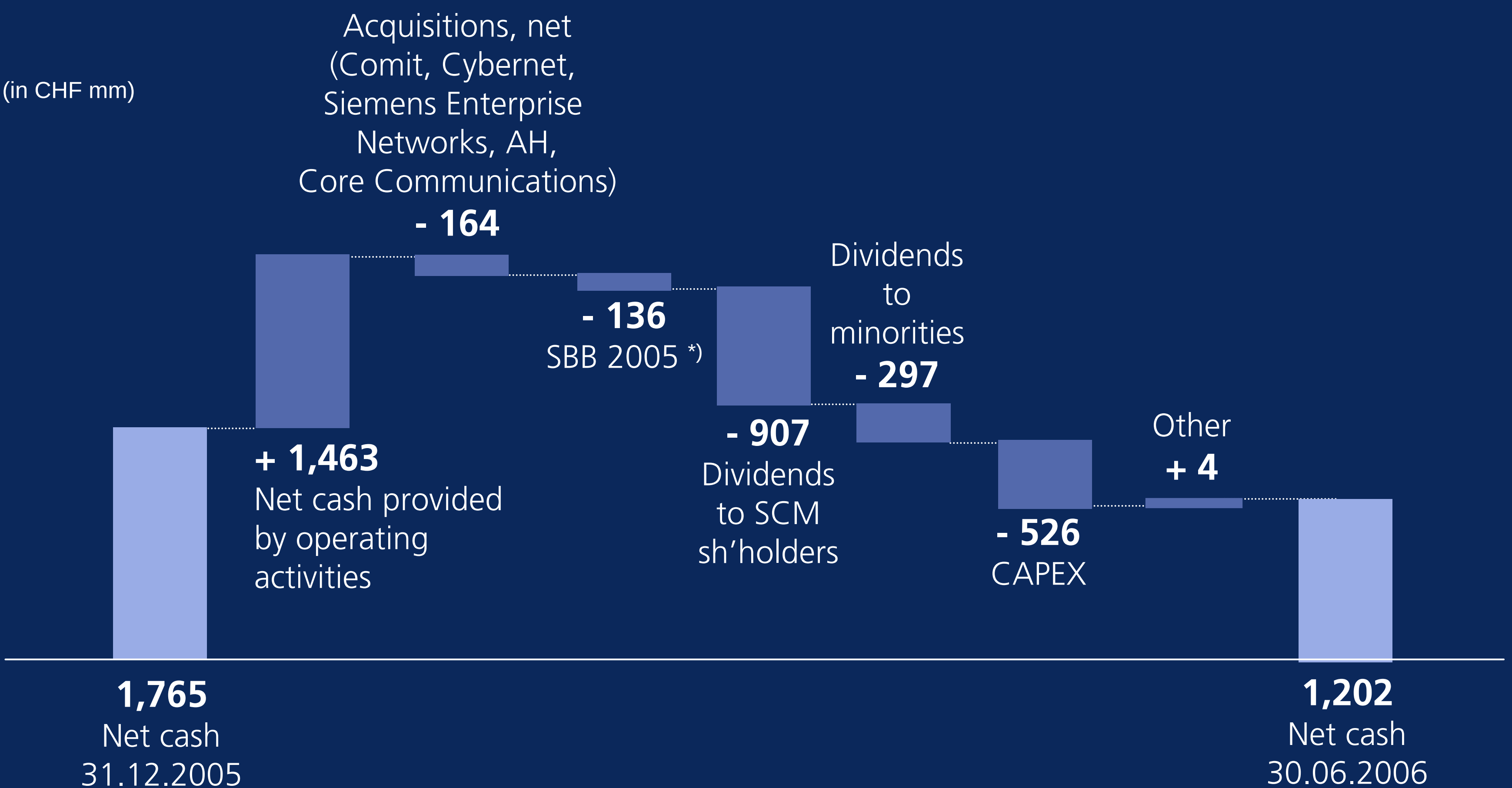
2 Change of net cash

(in CHF mm)



*) withholding taxes for share buyback program 2005, paid for in 2006

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3 Group capital structure

(in CHF mm)	31.12.05	30.06.06
Short term debt	173	196
Long term debt (cross border tax lease and Antenna Hungaria)	1,478	1,421
Long term net finance lease obligation	652	608
Liabilities from collecting activities (Accarda Group)	154	118
Total debt	**2,457**	**2,343**
Less: financial assets from lease-and-leaseback transactions	- 1,125	- 1,089
Less: cash, cash equivalents and current financial assets	- 2,707	- 2,089
Less: other receivables from collecting activities (Accarda Group)	- 390	- 367
Net cash	**1,765**	**1,202**
Total equity	6,624	6,236
Balance sheet total	13,409	12,816
Book leverage [1]	**-26.6%**	**-19.3%**
Equity ratio [2]	**49.4%**	**48.7%**

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

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4 EFCF breakdown

(in CHF mm)

	HY 2005	FY 2005	HY 2006	FY 2006 Outlook
+ Operating EBITDA	**+ 2,199**	**+ 4,171**	**+ 1,994**	+ 4,0 bln
- additional provisions for LRIC Ruling	0	0	- 180	-0,18 bln
- lower results at Swisscom IT Services				- 0,1 bln
= Reported EBITDA	**+ 2,199**	**+ 4,171**	**+ 1,814**	**+ 3,7 bln**
- CAPEX	- 431	- 1,087	- 526	**- 1,3 bln**
+/- Δ working cap. and other	- 107	- 189	+ 7	- ? bln
- tax (cash)	- 220	- 544	- 344	- 0,5 bln
- net interest	+ 4	- 6	- 14	
- minorities	- 367	- 367	- 297	- 0,3 bln
- repayment provisioned LRIC charges	0	0	0	-0,1/-0,2bln
= FCF from operations	**+ 1,078**	**1,978**	**+ 640**	~1,4 - ? bln
- acquisitions / divestments (net)	+ 455	+ 225	- 164	- 0,2 - ? bln
- debt issuance/repayments (net)	0	0	0	- ? bln
= EFCF	**+ 1,533**	**2,203**	**+ 476**	~1,2 - ? bln

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5 Outlook 2006 and share buy back 2006

(in CHF mm)	External Revenues	EBITDA	CAPEX	Extraordinary effects included:
Actual results 2005:	9,7	4,2	1,1	
Swisscom Fixnet	-	-	+	CHF -150mm revs from sale ICS per 1.7.05 and -180mm extra provisions for LRIC
Swisscom Mobile	-	-	=	CHF -120mm revs and EBITDA from reduction MT prices per 1.6.05
Swisscom Solutions	-	-	+	
Swisscom IT Services	+	-	+	CHF -49mm provisions and similar amount of expenses incurred in H1 for newly developed business
All other	+	+	=	esp. consolidation Antenna Hungary from Nov '05
Guidance Full year 2006:	9,5	3,7	1,3	

Share buy back '06 (CHF 2,25bln) to be launched shortly (Q3)

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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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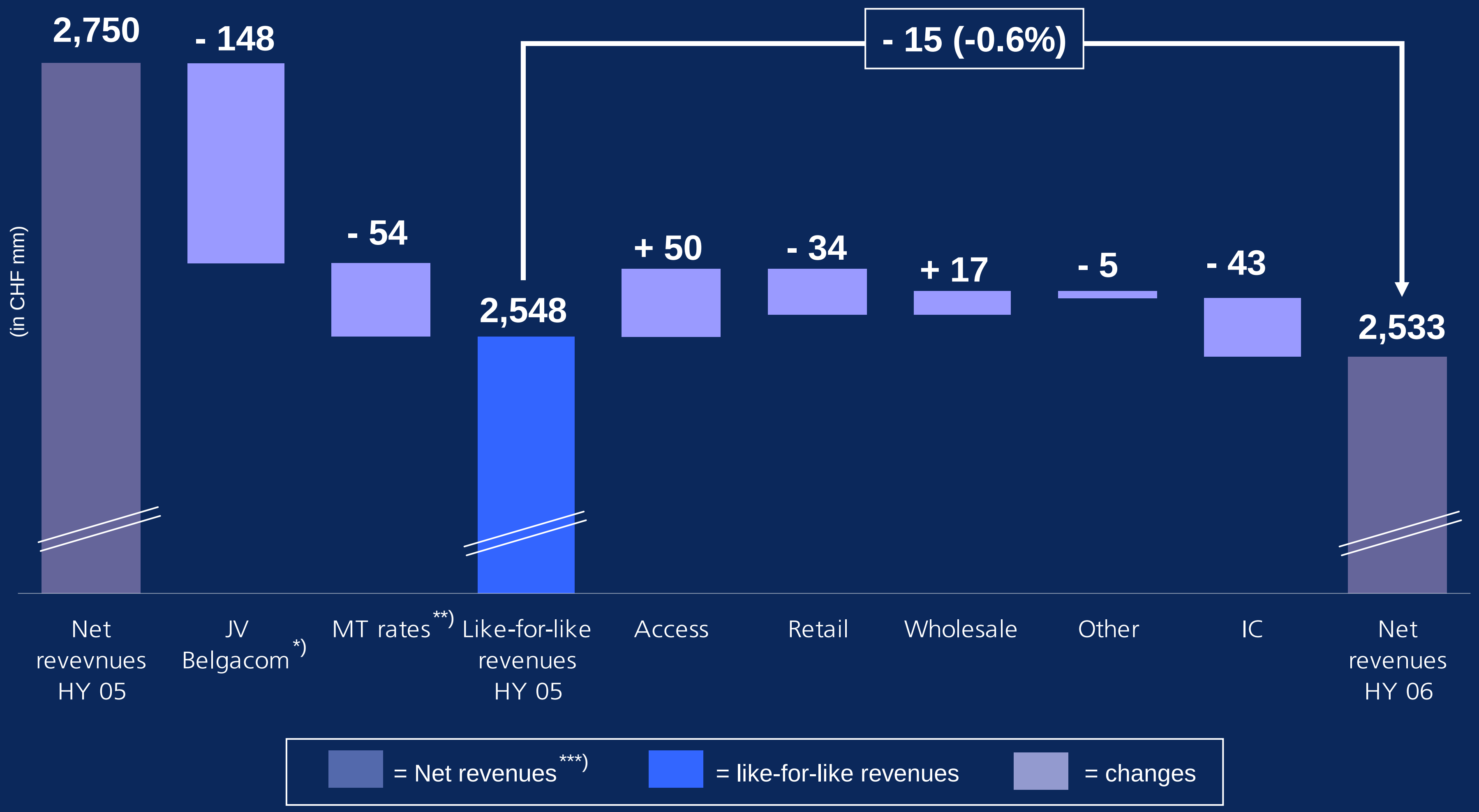
Fixnet revenues



*) of which ext. revenue: CHF -109mm; **) of which ext. revenue: CHF -44mm; ***) incl. IC

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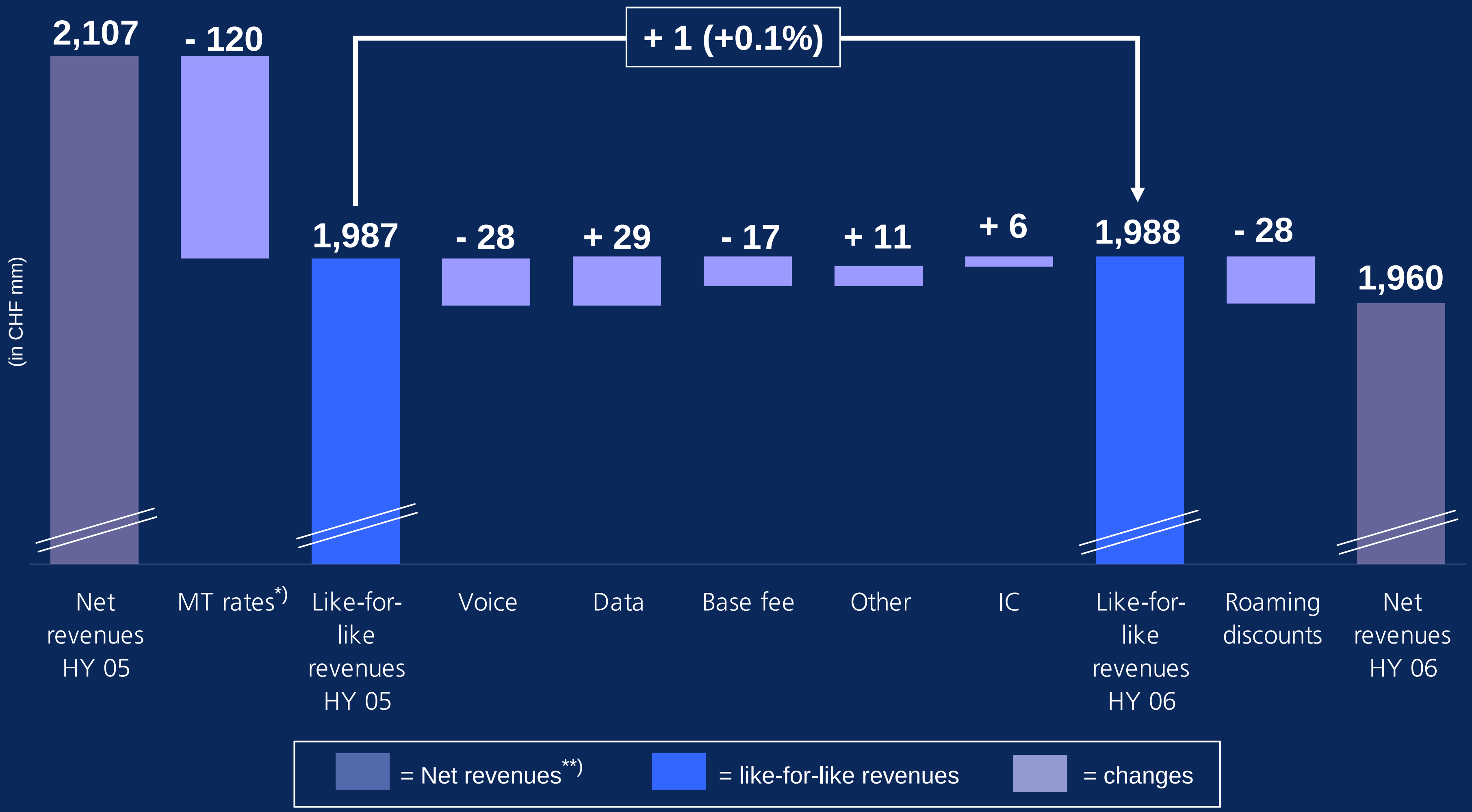
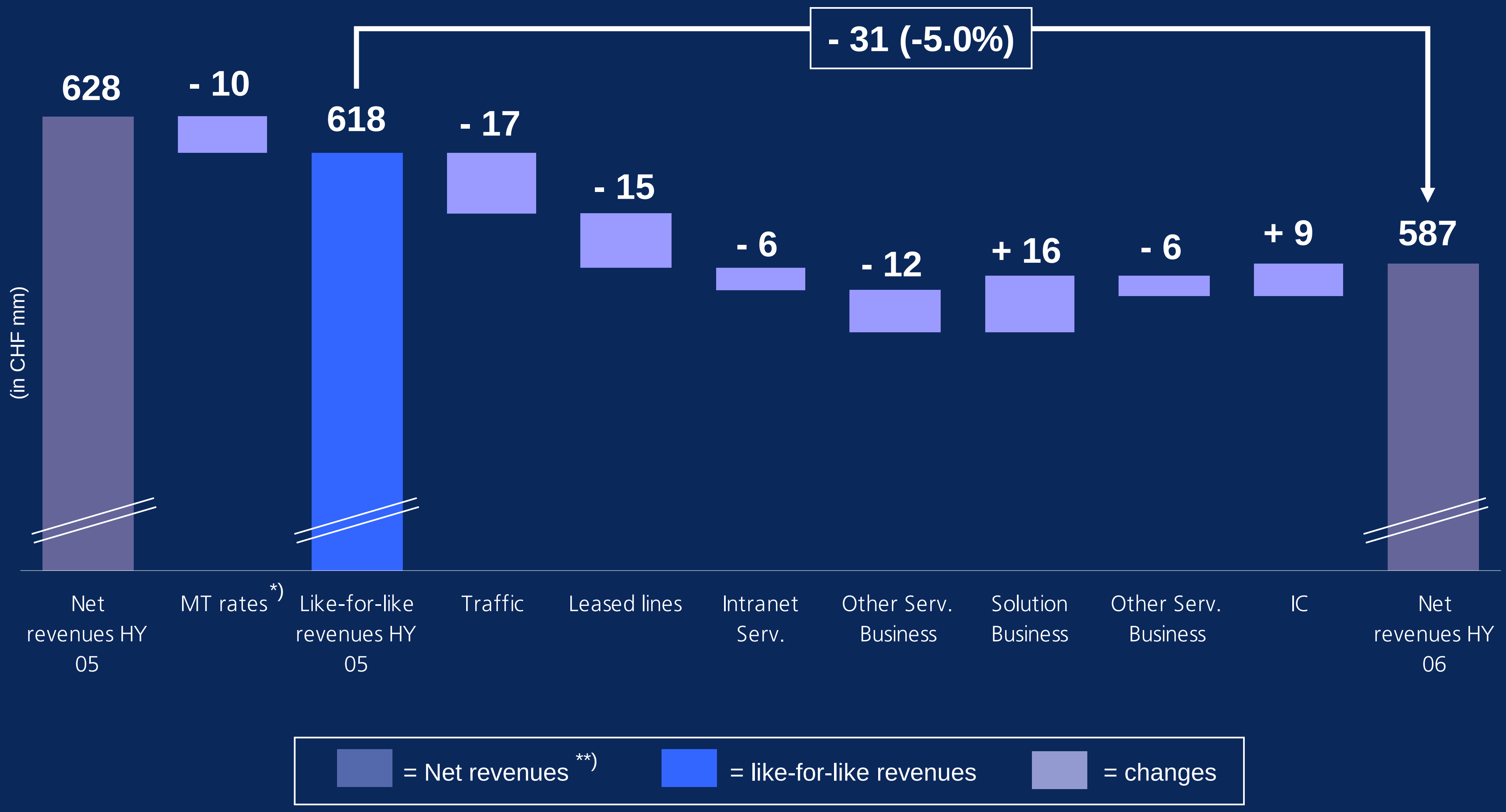
Mobile revenues



*) of which ext. revenue: CHF -74mm; **) incl. IC

Solutions revenues



*) of which ext. revenue: CHF -10mm; **) incl. IC

Part II **Supporting background information**

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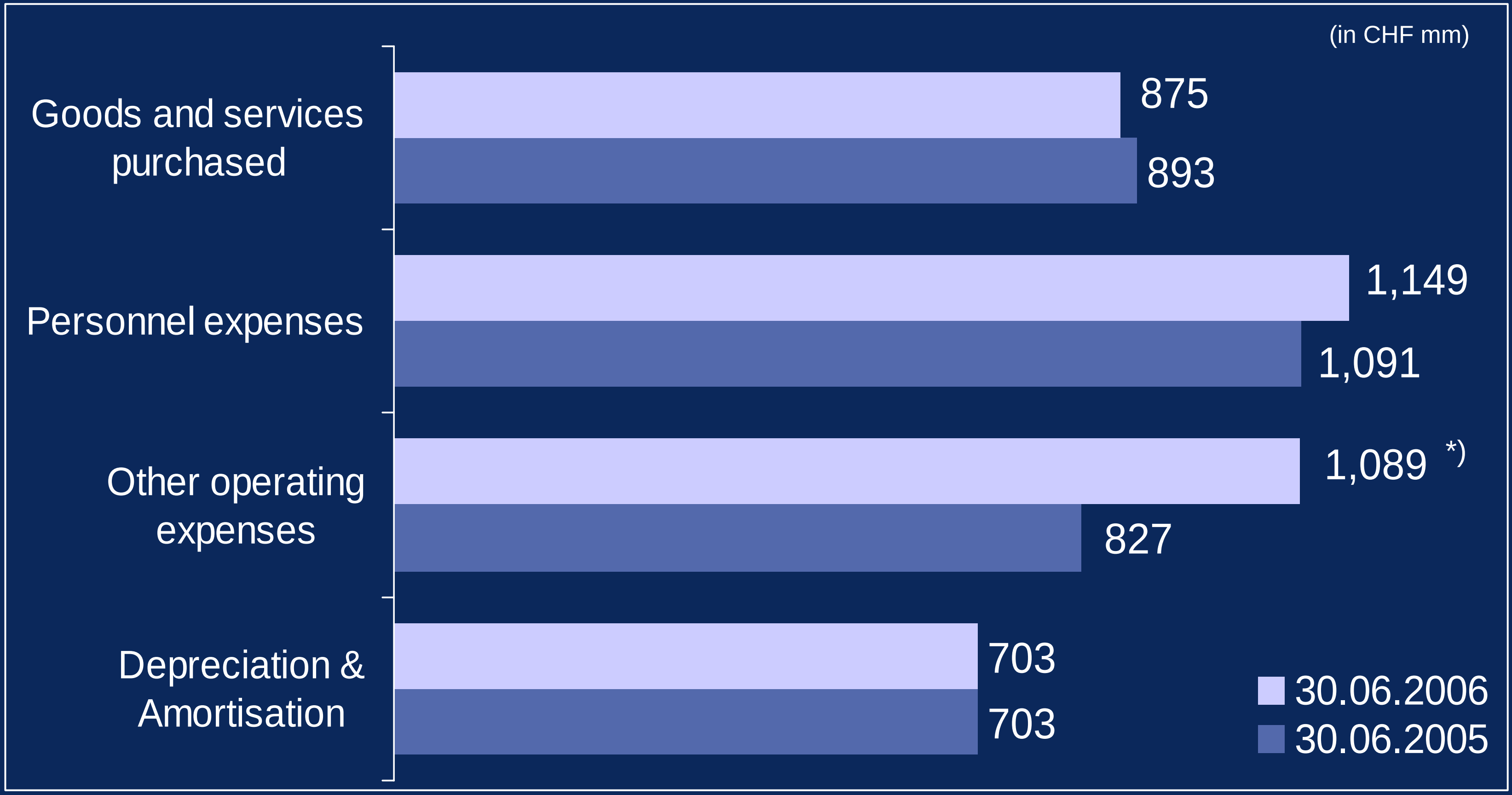
Group OPEX overview



*) includes CHF 180 mm additional provision for LRIC ruling

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Group P&L overview

(in CHF mm)	30.06.2005	30.06.2006	YOY
EBITDA	**2,199**	**1,814**	**-17.5%**
Depreciation and amortisation	-703	-703	0.0%
EBIT	**1'496**	**1'111**	**-25.7%**
Net financial result	31	-22	n/m
Equity in net income of affiliated companies	6	13	116.7%
Income tax expense	-295	-213	-27.8%
Discontinued operations (debitel)	59	32	-45.8%
Net income	**1'297**	**921**	**-29.0%**
Attributable to minority interest holders	181	162	-10.5%
Attributable to equity holders of Swisscom AG	1'116	759	-32.0%
Avg. number of shares outstanding (in thousands)	61.284	56.716	-7.5%
EPS (in CHF)	**18.21**	**13.38**	**-26.5%**

Group CF overview

(in CHF mm)	30.06.2005	30.06.2006
EBITDA	**2,199**	**1,814**
Income taxes paid	- 220	- 344
Net interest	+ 4	- 14
Change in net operating assets and other cash flows from operating activities	- 107	+ 7
Net cash provided by operating activities	**+ 1,876**	**+ 1,463**
CAPEX	- 431	- 526
Net divestments / (investments) in affiliates/subsidiaries	+ 242	- 146
Purchase of current financial assets, net	- 377	+ 1,531
Net cash from investing activities	**- 566**	**+ 859**
Repayment of debt	-143	-37
Share buyback and treasury stock	- 404	- 153
Dividends paid to Swisscom shareholders	- 861	- 907
Dividends paid to minority interests	- 367	-297
Net cash used in financing activities	**- 1,775**	**- 1,394**
Net change in cash and cash equivalents	**- 465**	**+ 928**
Cash and cash equivalents at end of the period	**1,925**	**1,950**

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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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