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Challenges, Answers & Rewards

Helvea Technology Conference
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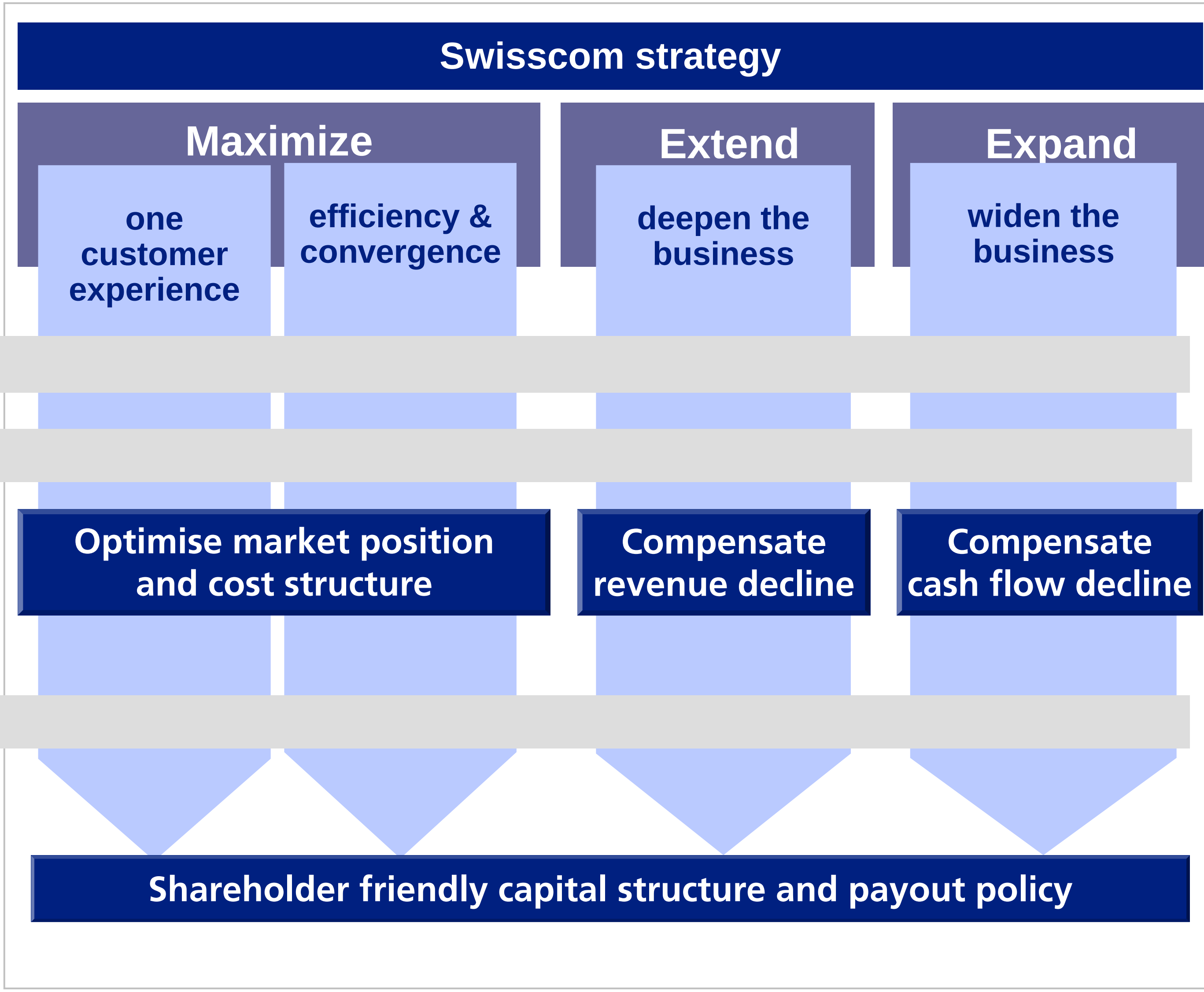
Ueli Dietiker, CFO Swisscom

Agenda

1. The Challenges
2. The Answers
3. The Rewards



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1 Challenge 1 – sustaining a very strong starting base

= Swisscom

= Competitors

Wireline
share of broadband

65% share (1.2mm lines):
- Cable as only infrastructure competitor
- Attractive wholesale offer to other ISP's, VDSL inclusive
- Unique IPTV offering

Wireline
share of lines

>90% share (3.9mm lines):
- No material ULL yet (although introduced per April 2007)
- OLO's on resale of minutes only
- Cable as only infrastructure competitor

100%

<10%

100%

35%

35%

100%

38%

100%

62% share (1.8mm subs):
- Best network (near full coverage of GSM, GPRS, EDGE, UMTS) and > 40% coverage for HSDPA
- M-Budget

65% share (2.8mm subs):
- Best network (near full coverage of GSM, GPRS, EDGE, UMTS) and > 40% coverage for HSDPA
- Unlimited / Liberty

Mobile
Prepaid share

Mobile
Postpaid share

Swisscom has successfully defended its strong base over the past years

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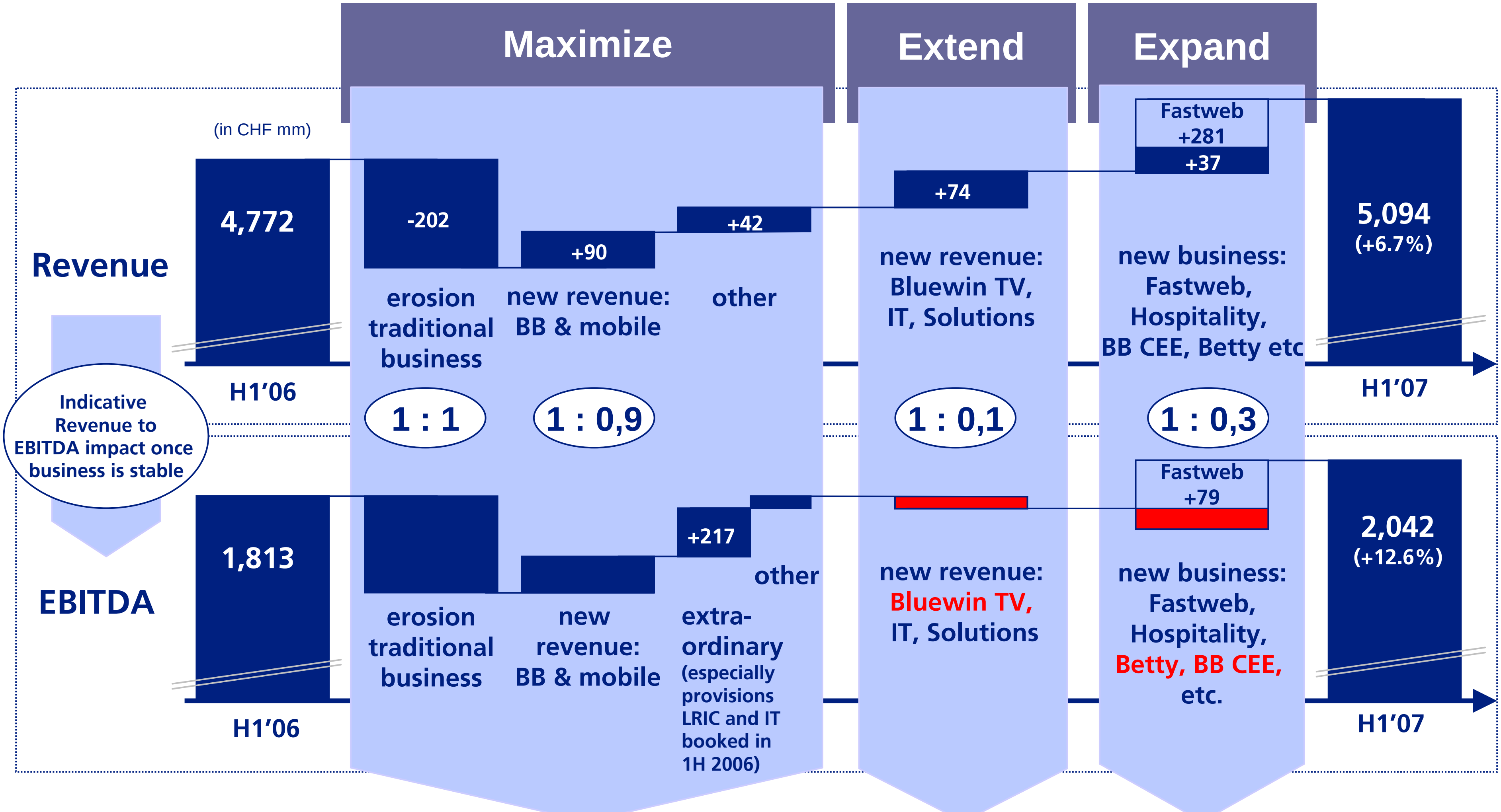
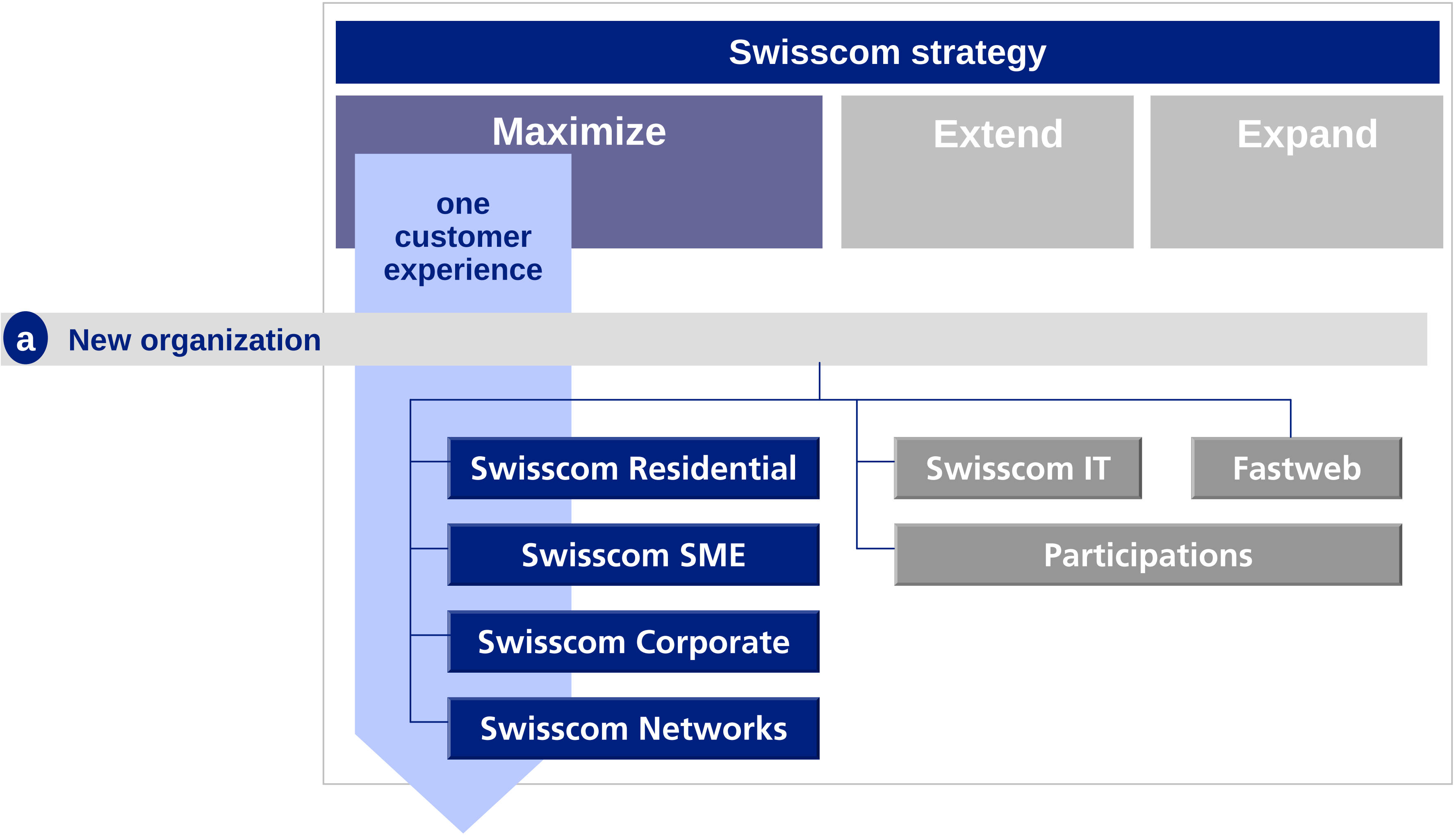
1 Challenge 2: growing profitably



Expansion is key to stem cash flow erosion from traditional business

2 Answer 1 – organize better



One single face towards the customer

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2 Answer 2 - improve cost base in bigger steps

Swisscom strategy

Maximize	Extend	Expand

efficiency & convergence

b Cost base improvements

Savings 2013 (CHF)

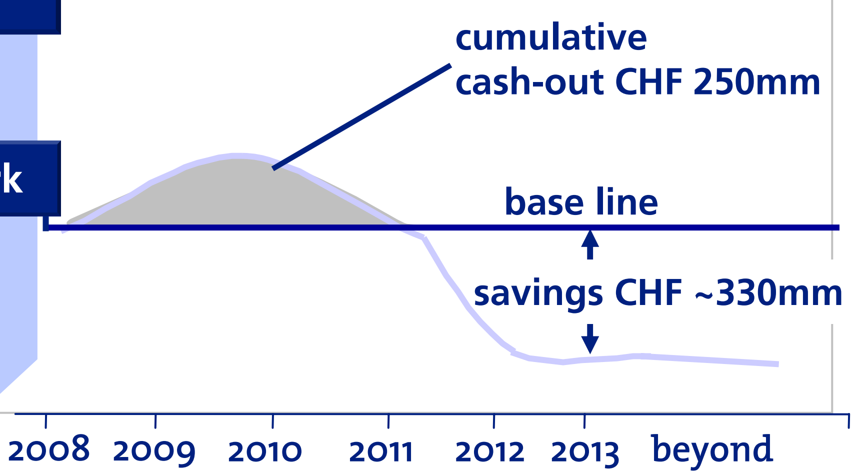
One Overhead for all customer facing units

120mm pa

+

One single All-IP Network

330mm pa



Reducing cost in medium term

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2 Answer 3 - lower costs in smaller steps, an example

Delisting NYSE and deregistration SEC in 2007

Rationale

- **Low trading volume** for Swisscom securities in the US compared with the virt-x in London (well below 5% of overall volume)
- Decision in compliance with the **new SEC rules** for deregistration
- Reduction of both the **costs** and the **complexity** of regulations and reporting obligations
- Commitment to continued high standard of **corporate governance, transparency and reporting**

ADR program

- Modification to an **OTC trading** under an ADR program Level 1
- Current ADR holders will be able to retain their shares or exchange them for ordinary shares in CHF traded on the virt-x in London

Timetable

- ✓ **August, 21**: Filing of Form 25 with the SEC pertaining to delisting
- ✓ **August, 30**: Last day of trading at NYSE
- ✓ **August, 31:** Delisting from NYSE effective, start of OTC trading
- ✓ **September, 4**: Filing of Form 15F with the SEC pertaining to deregistration
- **December, 4**: Deregistration will be effective

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2 Answer 4 - develop new business

Swisscom strategy

Maximize	Extend	Expand
	deepen the business	widen the business

c Grow

	deepen the business	widen the business
Inorganic	minick, TELECLUB *„Speed up, or secure, development of position"*	FASTWEB un passo avanti *„Tap into growing cash flows and add value"*
Organic	*„Build business for revenue growth"* swisscom IT services	airbites.net *„Grow build-ups, ventures for cash flow"* Hospitality Services by: swisscom

Compensate revenue and cash flow declines from traditional business

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2 Answer 5 - Fastweb acquisition (1)

Maximise	Extend	Expand				
		Highlights of the Fastweb Acquisition:				
		1	2	3	4	5
		fits into strategic framework of Swisscom …	satisfying all investment criteria by …	buying in the most attractive European broadband market …	the best positioned and managed broadband player…	to drive OpFCF growth & synergies from the combi-nation

Goal: reinvigorate growth – topline and bottomline

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2 Answer 5 - Fastweb acquisition (2)

- Growth in the European telecom market seen only in broadband
- Italian broadband market is under-penetrated (around 30% of households, i.e. just half of Switzerland) and of significant size (7x more inhabitants than Switzerland)
- Italy has an attractive regulatory (altnet friendly) and competitive environment (cable is non-existent)
- Fastweb is a state of the art service provider with 13 % market share and a share of net adds over recent quarters of around 20% - growing faster than the market
- Fastweb operates a state of the art infrastructure with well over € 3 bln invested – representing around 80% of acquisition price

Fastweb is preferred acquisition – there was and is no alternative equally attractive

3 Reward 1 – strong set of interim results

Key financials

in CHF mm	30.06.2007	YOY
Net revenue	5,094	6.7%
EBITDA	2,042	12.6%
EBITDA margin	40.1%	
EBIT	1,228	10.6%
Net income *	944	2.6%
SCM net income **	936	23.5%
EPS ***	18.07	35.2%
CAPEX	818	55.5%
OpFCF	978	n/m
Net debt	11,426	n/m
FTE	20,498	22.5%

* Net income before minorities

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

*** Avg. # of outstanding shares in 1st six months 07: 51.802mm

HY 2007 comments

- **Top-line** up by CHF 322mm and **EBITDA** increased by CHF 229mm
- **Net financial expense** increased only by CHF 15mm due to a gain from hedging activities related to the FWB transaction
- **EPS** increased by 35% YOY largely thanks to repurchase of minority stake from Vodafone and lower avg. # of outstanding shares
- **CAPEX** up on the back of VDSL rollout and FWB integration
- **OpFCF** for 1st six months at CHF 978mm
- **FTE** up by 22.5% mainly because of FWB acquisition

All key financials up

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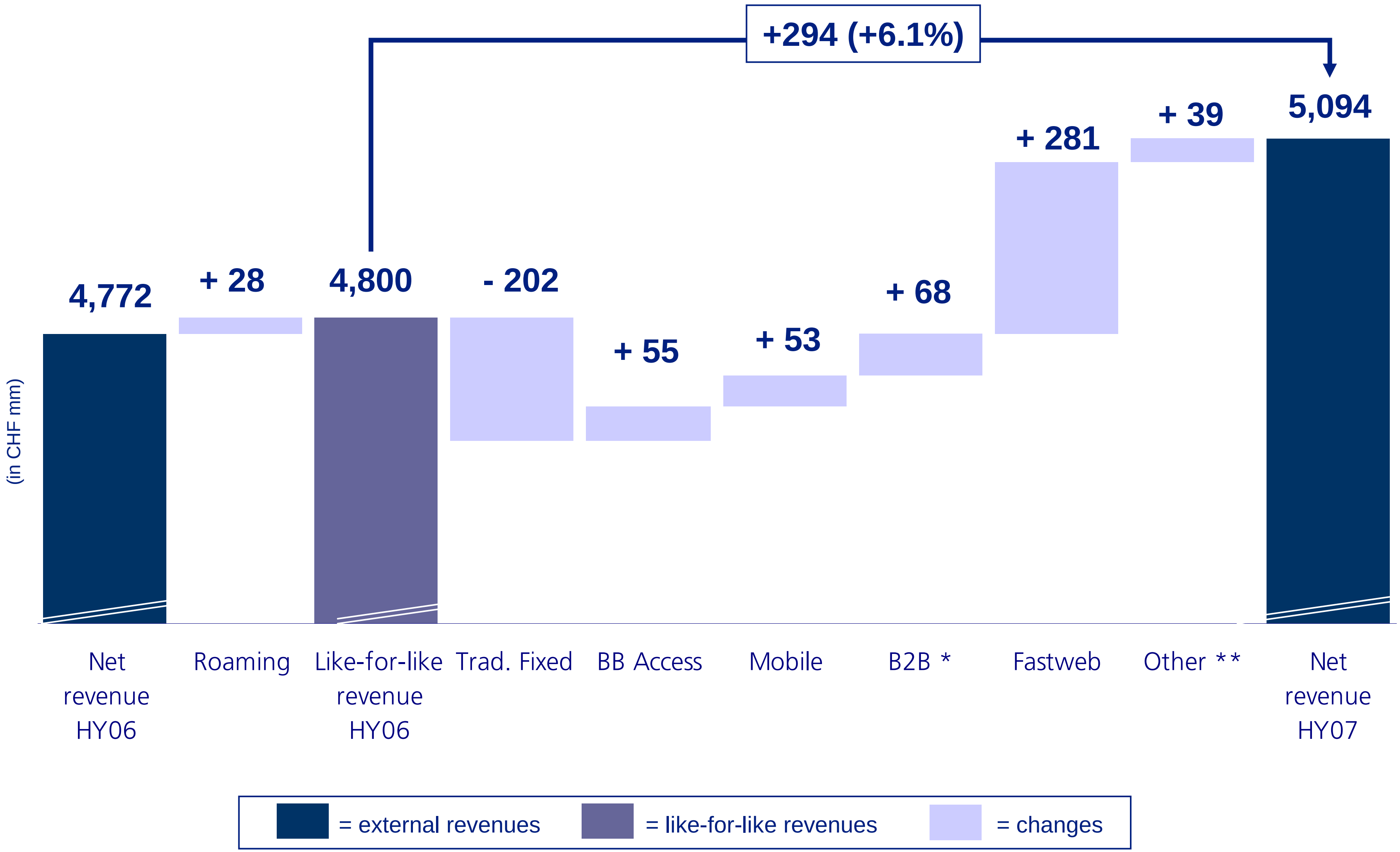
3 Reward 2 - H1 revenues up nearly 300mm CHF



* Project- and Outsourcing Business

** Of which at Accarda: CHF +9mm, Antenna Hungaria: CHF +7mm, SIMAG: CHF +5mm, Broadcast: CHF -8mm, Hospitality Services: CHF +14mm, Airbites CEE: CHF +5mm, all other CHF +7mm

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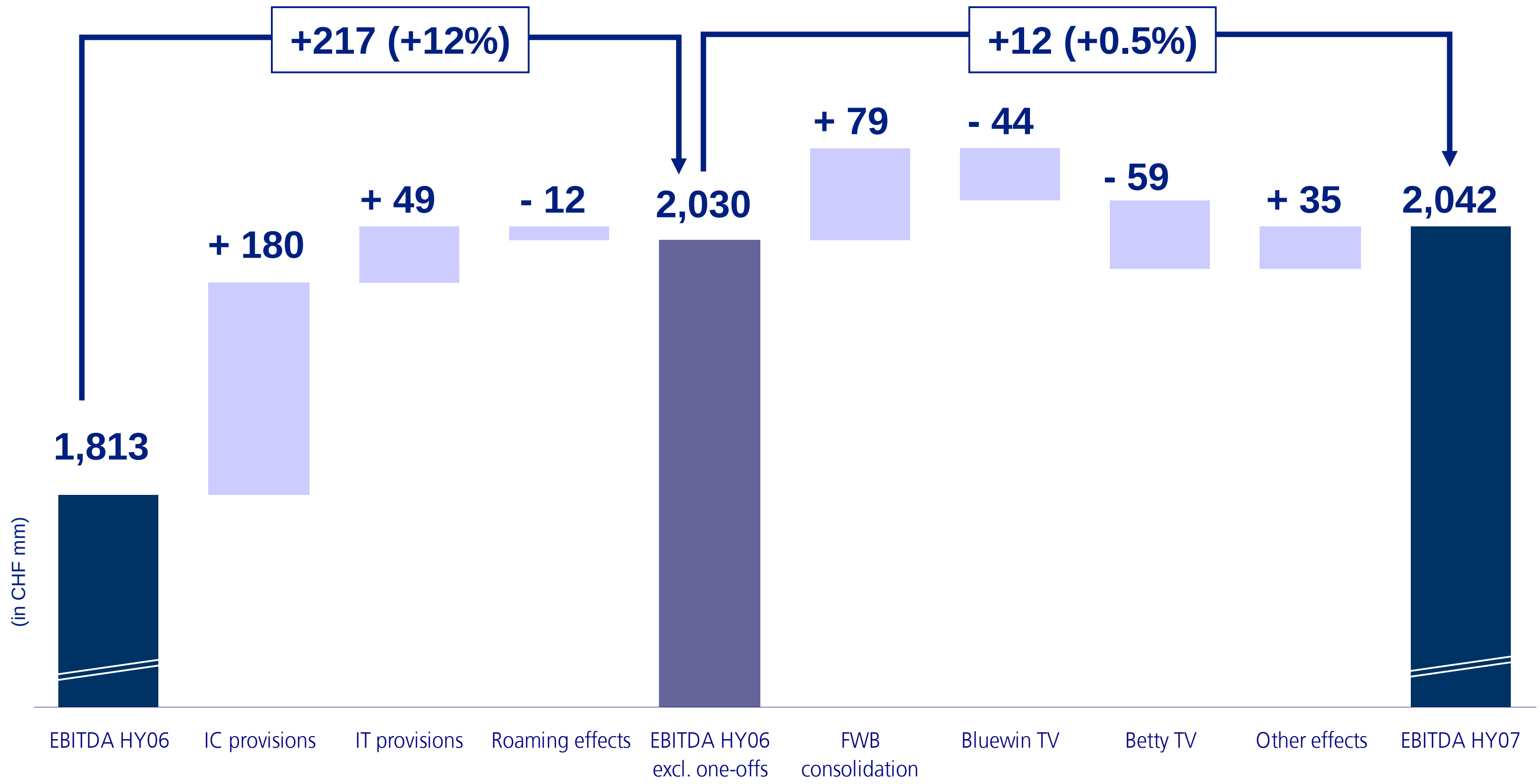
3 Reward 3 - Like for like H1 EBITDA not eroding



EBITDA excluding 2006 one-offs flat YOY thanks to Fastweb integration

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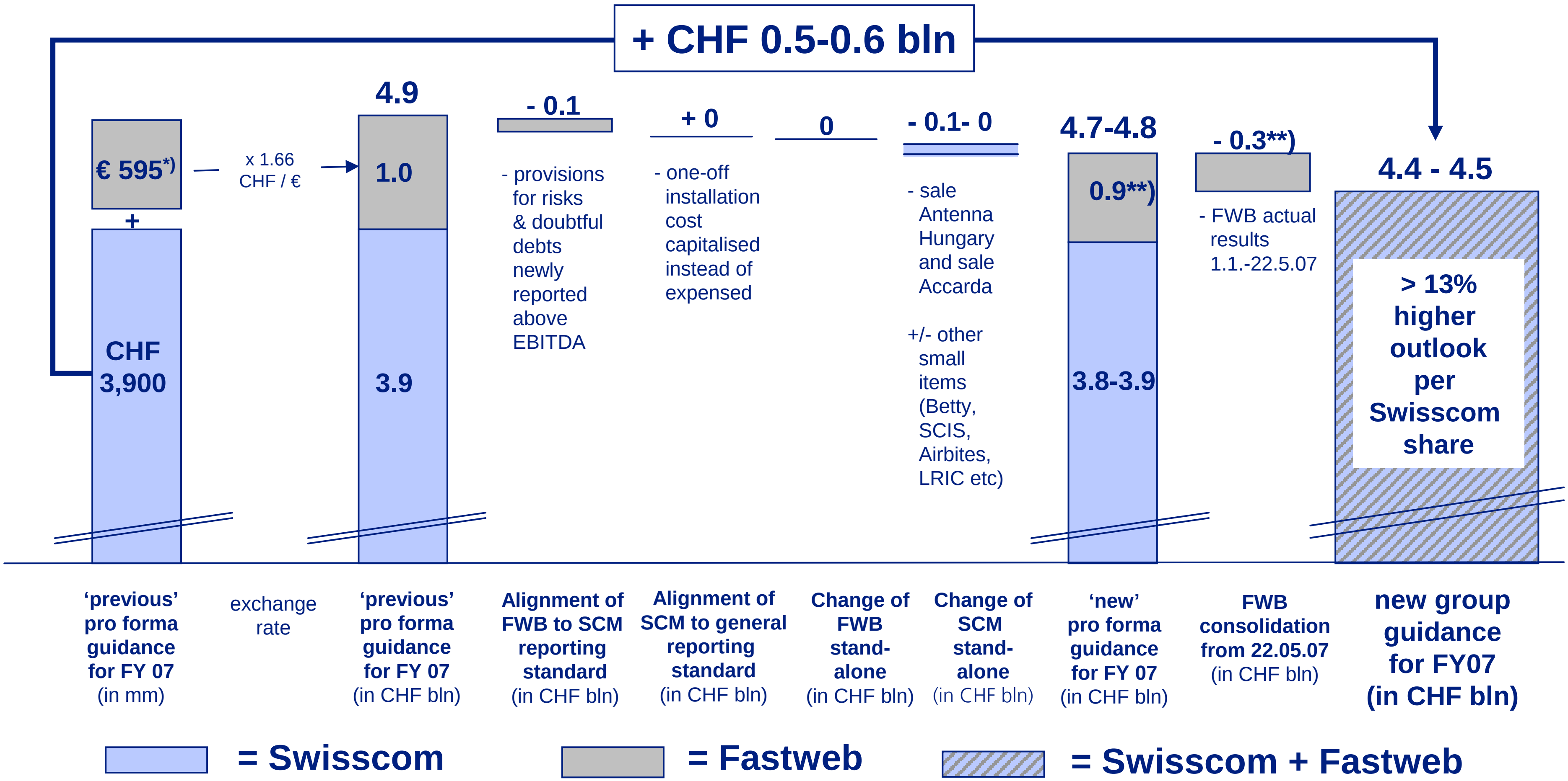
3 Reward 4 - EBITDA for FY 2007 strongly up



"more outlook / share" compared to guidance pre-Fastweb acquisition

*) Represents Fastweb's original FY 07 guidance of +40% compared to 2006 (1.4 x € 425mm = € 595mm) under the "old" definition of EBITDA

**) FY guidance and actual results until 22.5.2007 include a net of € 43.5mm EBITDA for the arbitration case with TI and the cost incurred by FWB relating to the public tender offer by Swisscom. This is non-recurring EBITDA and should be excluded when thinking about the underlying operating performance. The FY guidance for Fastweb assumes that a ruling on the reverse IC case will take place in 2007. Should this not happen, Fastweb will continue to build provisions which then would impact EBITDA by some € 60mm (CHF 100mm) negatively compared to current guidance.

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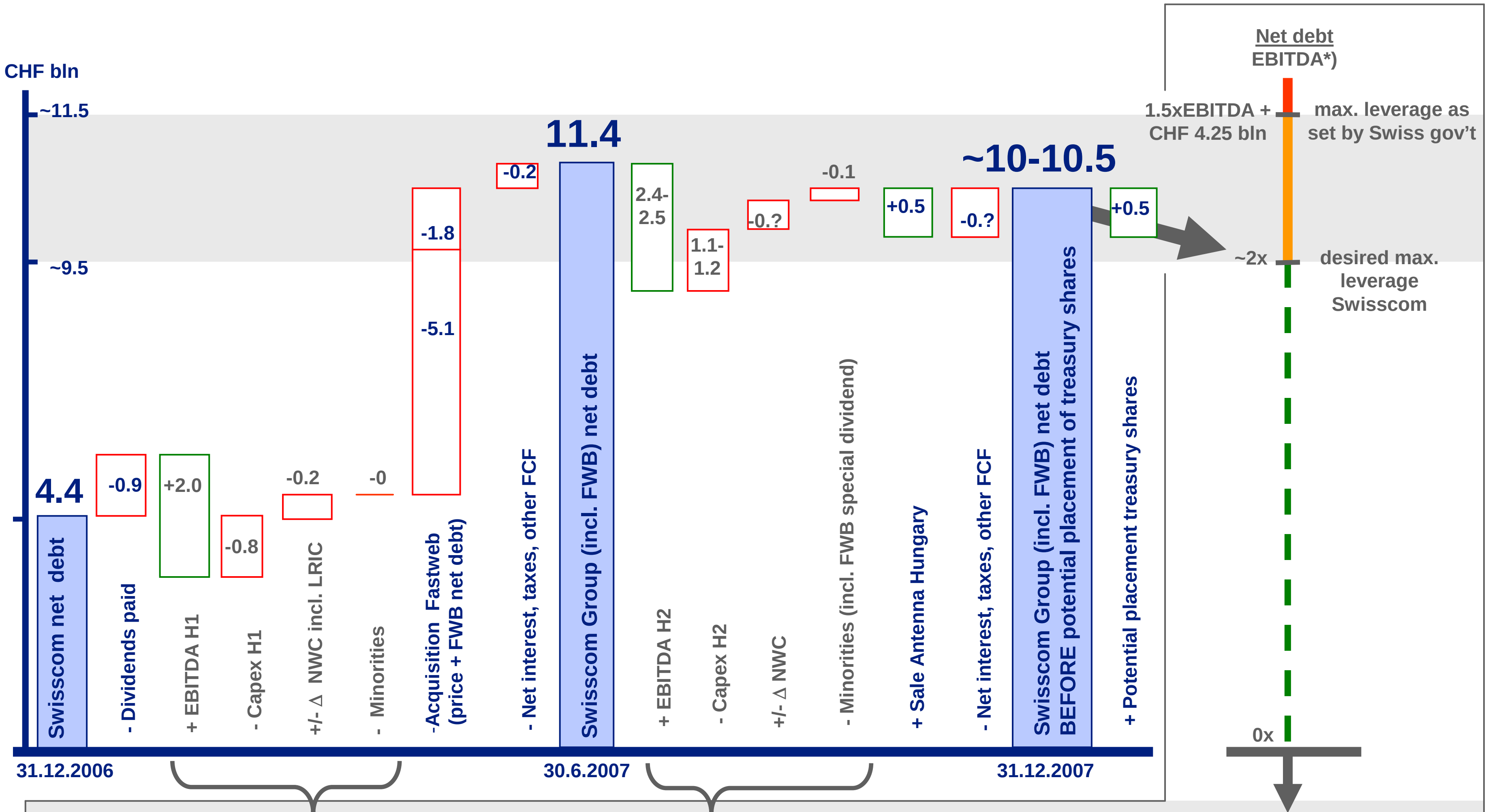
3 Reward 5 - leverage far more efficient



(H1 OpFCF + H2 OpFCF) x 50% = shareholder payout in 2008

Payout forms: dividends (in minimum CHF 17/share) and topped up to 50% of OpFCF with share buy backs

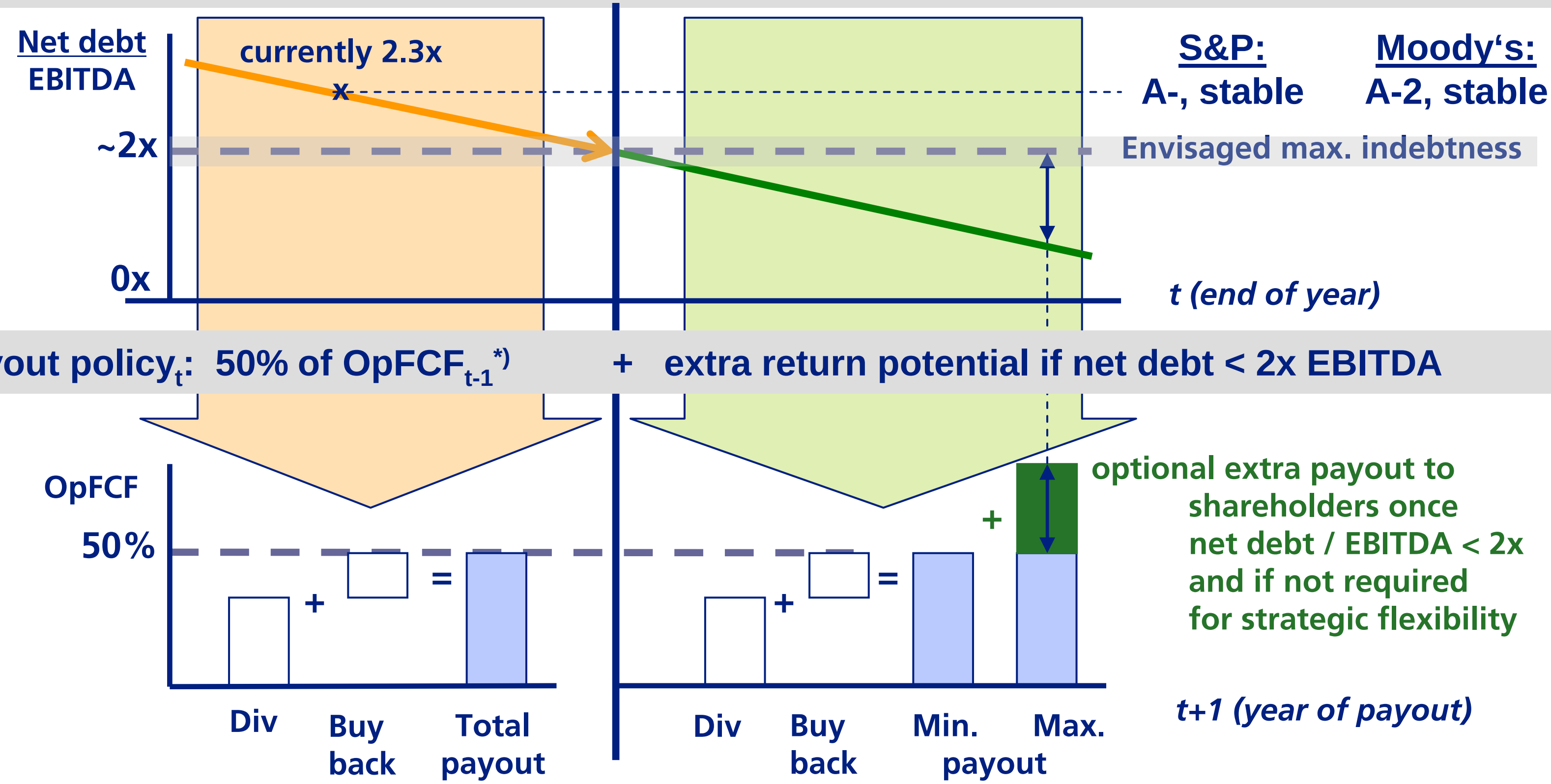
*) EBITDA based on FY pro-forma integration of Fastweb and pro-forma 2007 guidance of CHF 4.7-4.8 bln for the Group (again assuming FY integration FWB)

3 Reward 6 - attractive payout policy

Swisscom financial policy

a Capital structure: limit net debt / EBITDA at max. 2x

b Payout policy$_t$: 50% of OpFCF$_{t-1}$*) + extra return potential if net debt < 2x EBITDA



Attractive payout policy with cash dividend proportion of total payout to be at least the prior year’s DPS (starting from CHF 17/share paid in ’07 for ’06)

*) OpFCF = EBITDA – Capex +/- ΔNWC – Dividends paid to Minorities

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Thank you for your attention!

Questions & Answers

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For further information, please contact:
Swisscom Investor Relations
phone: +41 31 342 6410
fax: +41 31 342 6411
mailto:investor.relations@swisscom.com
www.swisscom.com/ir