

Results presentation

$$\text{Net}_{Q1'07^{*})} = \sqrt{(\text{Net}_{Q1'06})^2}$$

Same result, different composition

09 May 2007

*) Net income attributable to Swisscom shareholders

Structure of document

Presentation

Background

1

Q1 versus strategy,
Fastweb offer,
Q1 at a glance

slide
3-7

Carsten Schloter
CEO

2

Segmental Results &
Outlook

slide
8-12

Mario Rossi
CFO

3

Q&A

slide
13

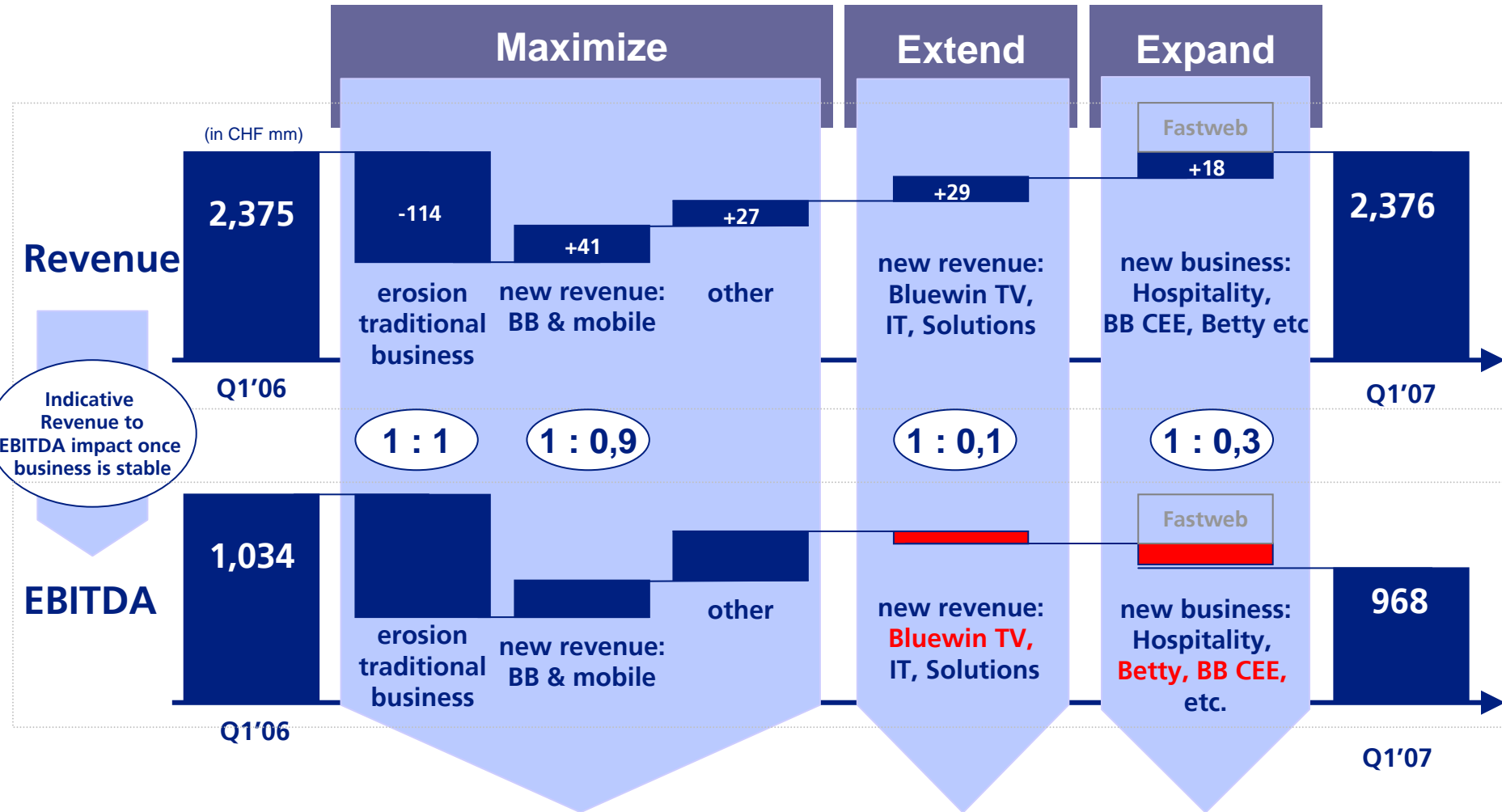
All

4

Supporting
background
information

slide
14-24

1 Q1 YOY versus strategy



Expansion is key to stem cash flow erosion from traditional business

1 Fastweb Offer: current status

Voluntary tender offer @ 47€ for Fastweb:

- Shares from main shareholder (S. Scaglia) tendered
- Unconditional approvals from Swiss Competition Committee received
- Term for competing offer elapsed on 8 May
- Tender offer period open until 15 May (end of business), with communication of results on May 16 earliest
- Acceptance level to determine:
 - Whether or not offer will be completed
 - Whether or not Fastweb (minority) remains listed
 - Extent to which treasury shares may be used for co-funding:
 - Expect use of treasury shares from around 80% acceptance up, and only if size of transaction large enough to make it a (cost-) efficient placing
 - Expect non-used treasury shares to be cancelled after 2008 General Assembly
- Earliest possible consolidation into Swisscom accounts from June 2007
- Further information on cooperation, plans and guidance in 2H 2007

1 Q1 at a glance: highlights

Operational:

- Trends confirmed: traditional business erosion continues. Revenue – however not underlying EBITDA - declines can be compensated with new business
- New businesses (especially Betty and Broadband CEE) at very early stages, yet with significant costs leading to negative Q1 EBITDA contribution of around CHF 17 million
- IPTV launched on 1st of Nov 2006 - 40k orders currently (of which >25k installed and paying subs):
 - The more successful, the more short term EBITDA dilution as customer installation process and costs are still too high – must go back to CHF 500/order before more significant push will take place. As revenues are still limited, EBITDA of TV stood at negative CHF 32 million
 - Substantial staff freed up / hired for installation and customer care: 400 FTE's (>doubling of FTE's YOY)
- Total # FTE up 613 YOY, 221 of which from acquisitions, 392 of which from new activities (TV, SCIS, broadband CEE)
- CAPEX ahead of prior year on back of good progress on VDSL roll out with launch scheduled for 1.7.2007
- ULL introduced with Full Access pricing set at CHF 31 / month
- LRIC ruling for 2000-2003 prices (existing provisions amount to CHF 444mm per 31.3.2007):
 - CHF 101mm was paid in 2006
 - CHF 69mm paid in Q1 2007

Non-operational:

- SPA signed for sale of Antenna Hungaria for CHF 540mm (€ 328mm) including Cash. Net proceeds of CHF 521mm to be used to lower net debt, respectively for limiting amount of treasury shares used for acquisition of Fastweb. Book gain in Q2 or Q3 of CHF 162mm including FX gains of CHF 26mm.

1 Q1 at a glance: key financials

Key financials

in CHF mm	31.03.2007	YOY
Net revenue	2,376	0.0%
EBITDA	968	-6.4%
EBITDA margin	40.7%	
EBIT	619	-9.8%
Net income *	467	-14.2%
SCM net income **	461	0.2%
EPS ***	8.9	9.7%
CAPEX	315	34.0%
OpFCF	613	-18.3%
Net debt	4,081	n/m
FTE	17,157	3.7%

* Net income before minorities

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

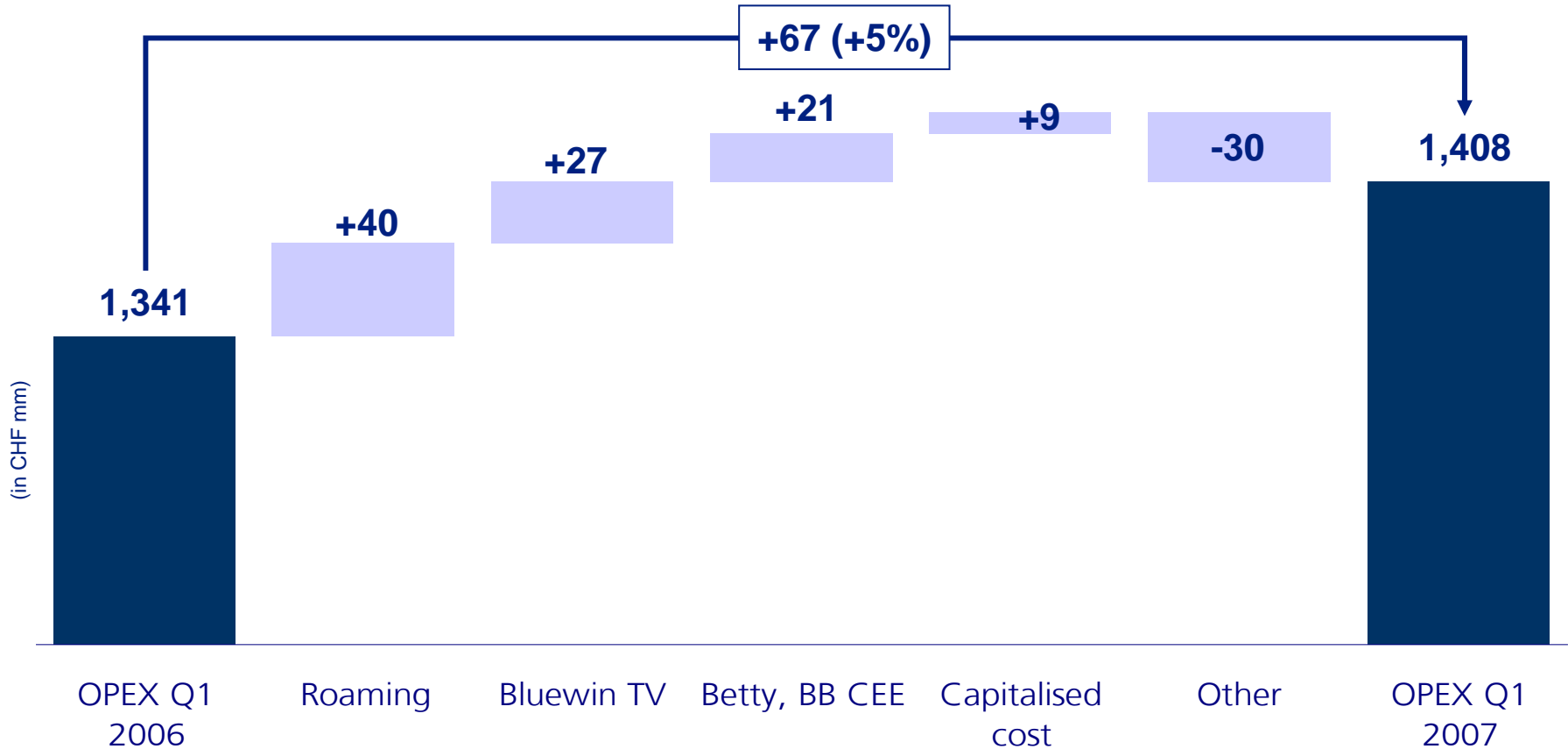
*** Avg. # of outstanding shares in 1st 3 months 07: 51.802mm

Q1 2007 comments

- **Top-line** flat YOY but **EBITDA** down due to new businesses with lower margins and product launches demanding higher OPEX
- **Net financial expense** increased by CHF 31mm as a result of higher loans for the repurchase of 25% of Swisscom Mobile
- **Net debt** at just over 1 x EBITDA
- **Net Income** attributable to shareholders stable YOY largely thanks to buyback minority stake from Vodafone
- **FTE** up by 3.7% because of business acquisitions and increased customer service / installation capacity for Bluewin TV

Same net income for shareholders, different composition

1 Q1 at a glance: OPEX



Cost increase almost entirely attributable to one-off lower cost in Q1 2006 for retroactive reduction of roaming tariffs, higher cost for IPTV and startups

2 Fixnet – segment reporting

Financials and operational data

	Q1 2007	YOY
Net revenue in CHF mm ¹	1,126	-7.2%
EBITDA in CHF mm	477	-8.8%
EBITDA margin	42.4%	
EBIT in CHF mm	285	-13.9%
CAPEX in CHF mm	194	65.8%
Number of FTE's	6,750	3.2%
Access lines (thousands)	Q1 2007	YOY
PSTN	2,884	-1.3%
ISDN	843	-5.1%
Broadband	1,434	20.6%
Traffic in min. mm	Q1 2007	YOY
Retail	2,368	-10.5%
Wholesale	3,918	-10.8%

¹ including inter-company (IC) revenue

Q1 2007 highlights

- **Access** revenues with CHF 528mm (+3.1% YOY) now represents 54% of total revenues with external customers. Growth yet not sufficient to compensate **traditional business** erosion
- **Wholesale** revenues down -35.7% YOY due to lower transit volume and IC prices
- 20k **line losses** in Q1 2007 YTD, of which approx. 15k to cable (incl. Cablecom)
- **Broadband** retail market share for DSL growing further (~70% by end of March '07)
- **EBITDA** down by CHF 46mm esp. due to costs for IPTV rollout (customer care, field force, advertising)

2 Mobile – segment reporting

Financials and operational data

	Q1 2007	YoY
Net revenue in CHF mm ¹	974	2.1%
of which service revs	875	-0.2%
EBITDA in CHF mm	452	-2.2%
EBITDA margin	46.4%	
EBIT in CHF mm	366	-0.8%
CAPEX in CHF mm	66	40.4%
Number of FTE's	2,773	-5.4%

	Q1 2007	YoY
Subscribers (thousand)	4,707	7.7%
ARPU (CHF/month)	59	-9.2%
AMPU in min.	127	5.8%
Data SMS in mm	559	7.3%

¹ including inter-company (IC) revenue

Q1 2007 highlights

- **Top-line** up thanks to renegotiated roaming agreements and acquisition of Minick and Swapcom after Q1 2006
- **EBITDA** corrected for roaming effect (CHF 12mm in Q1 2006) flat YOY
- Liberty community with 1,760k subscribers representing 37% of total **customer** base. Swisscom subscriber base up by 7.7%
- **ARPU** decrease driven by right-grading, multi-SIM, dilution by new customers and MT rates cut
- **Advanced data** revenues up by CHF 10mm to CHF 61mm and total **data** representing 18.5% of ARPU
- **SAC and SRC** in Q1 2007: CHF 60mm (CHF +5mm)
- Annualised **prepaid churn rate** for Q1 2007 of 12.8% and for **postpaid churn rate** of 7.7%

2 Solutions – segment reporting

Financials and operational data

	Q1 2007	YOY
Net revenue in CHF mm ¹	286	-2.4%
EBITDA in CHF mm	18	0.0%
EBITDA margin	6.3%	
EBIT in CHF mm	10	-9.1%
CAPEX in CHF mm	8	14.3%
Number of FTE's	1,993	3.7%

Traffic in min. mm	Q1 2007	YOY
National	441	-8.1%
International	88	-2.2%
Total	529	-7.2%

¹ including inter-company (IC) revenue

Q1 2007 highlights

- Revenue from **connectivity** (CHF –17mm) and **PBX** (CHF -6mm) down YOY due to continued substitution, competitive and pricing pressure
- Revenue from **communication and collaboration** up (CHF +6mm) thanks to 1st time consolidation of Siemens Enterprise Networks CH as per end of February 2006
- Revenue from **Business Process Optimization** (CHF +3mm) and **Outsourcing** (CHF +5mm) up due to new products in the area of customer interaction management, volume increases and new outsourcing deals
- Cost** decline of CHF 7mm YOY enough to stabilise EBITDA at CHF 18mm. The margin stood at 6.3%
- Increase of 71 **FTE** from sales unit transferred from Mobile to Solutions

2 Other and Corporate – segment reporting

Financials and operational data

<u>Segment Other</u>	<u>Q1 2007</u>	<u>YoY</u>
Net revenue in CHF mm ¹	344	8.9%
EBITDA in CHF mm	20	-44.4%
EBITDA margin	5.8%	
EBIT in CHF mm	-30	n/m
CAPEX in CHF mm	37	19.4%
Number of FTE's	4,654	9.3%

<u>Segment Corporate</u>	<u>Q1 2007</u>	<u>YoY</u>
Net revenue in CHF mm ¹	158	-3.7%
EBITDA in CHF mm	10	n/m
EBITDA margin	6.3%	
EBIT in CHF mm	-5	-54.5%
CAPEX in CHF mm	12	-67.6%
Number of FTE's	987	10.9%

¹ including inter-company (IC) revenue

Q1 2007 highlights

Segment Other

- **Revenue** and **FTE** increase largely due to:
 - integration of Core Communications Corp. into Swisscom Hospitality Services
 - newly won outsourcing business at Swisscom IT Services
 - new other businesses in development
- **EBITDA** down CHF 16mm YOY despite revenue growth of 8.9% exclusively due to higher costs to develop new business areas (Betty, BB CEE)

Segment Corporate

- **EBITDA** up by CHF 9mm YOY mainly thanks to net cost savings and book gains from real estate sales
- **FTE's** up due to transfer of HR and technical staff

2 Swisscom outlook^{*)} FY 2007 confirmed

- Group **revenue** of around CHF 9,7bln
- Group **EBITDA** of around CHF 3,9bln
- **CAPEX** of around CHF 1,4bln

^{*)} Outlook excluding a potential Fastweb consolidation from June 2007

Outlook for Swisscom unchanged

3 Questions & Answers

Thank you for your attention!

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

For further information, please contact:

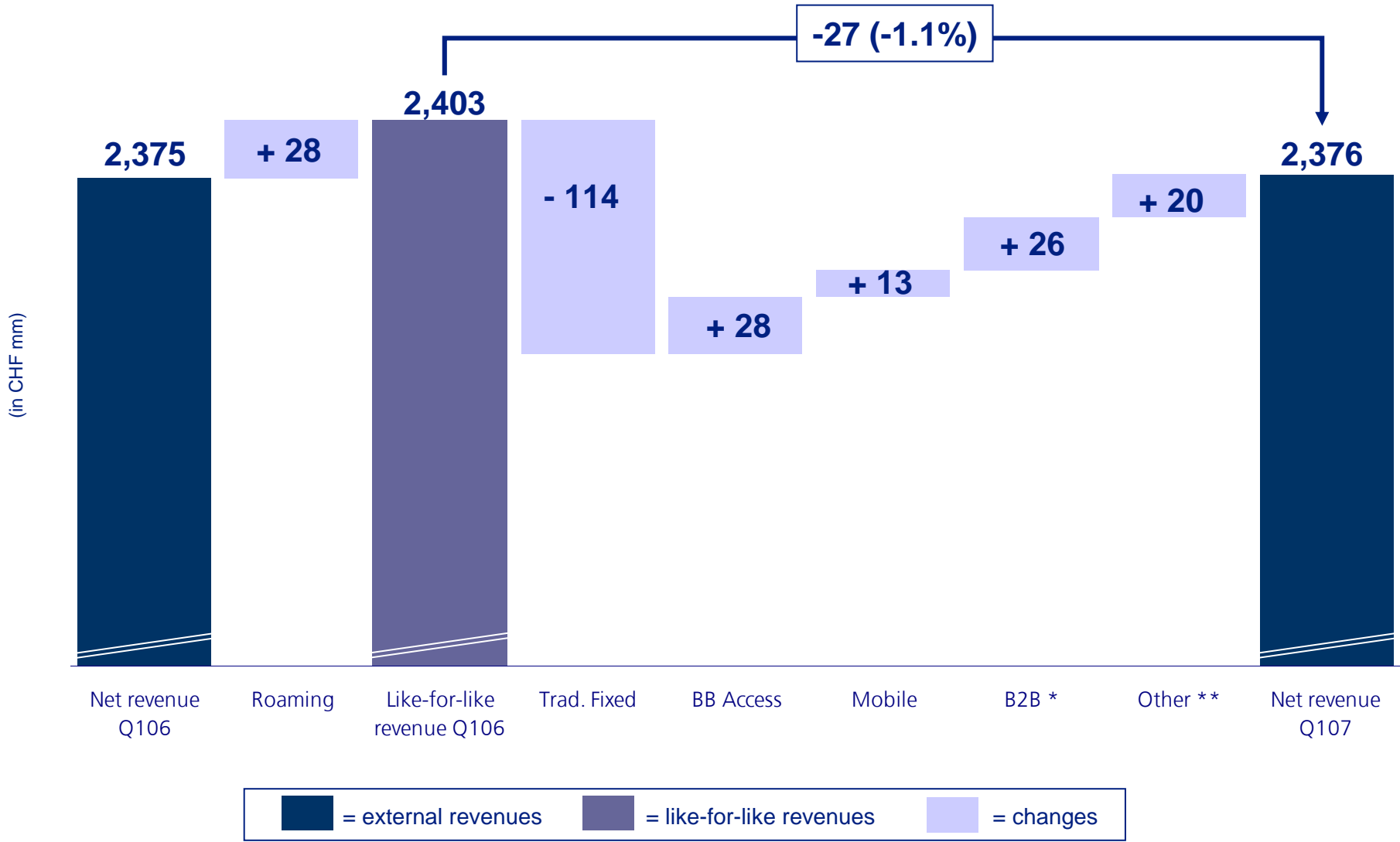
phone: +41 31 342 6410

fax: +41 31 342 6411

<mailto:investor.relations@swisscom.com>

www.swisscom.com/ir

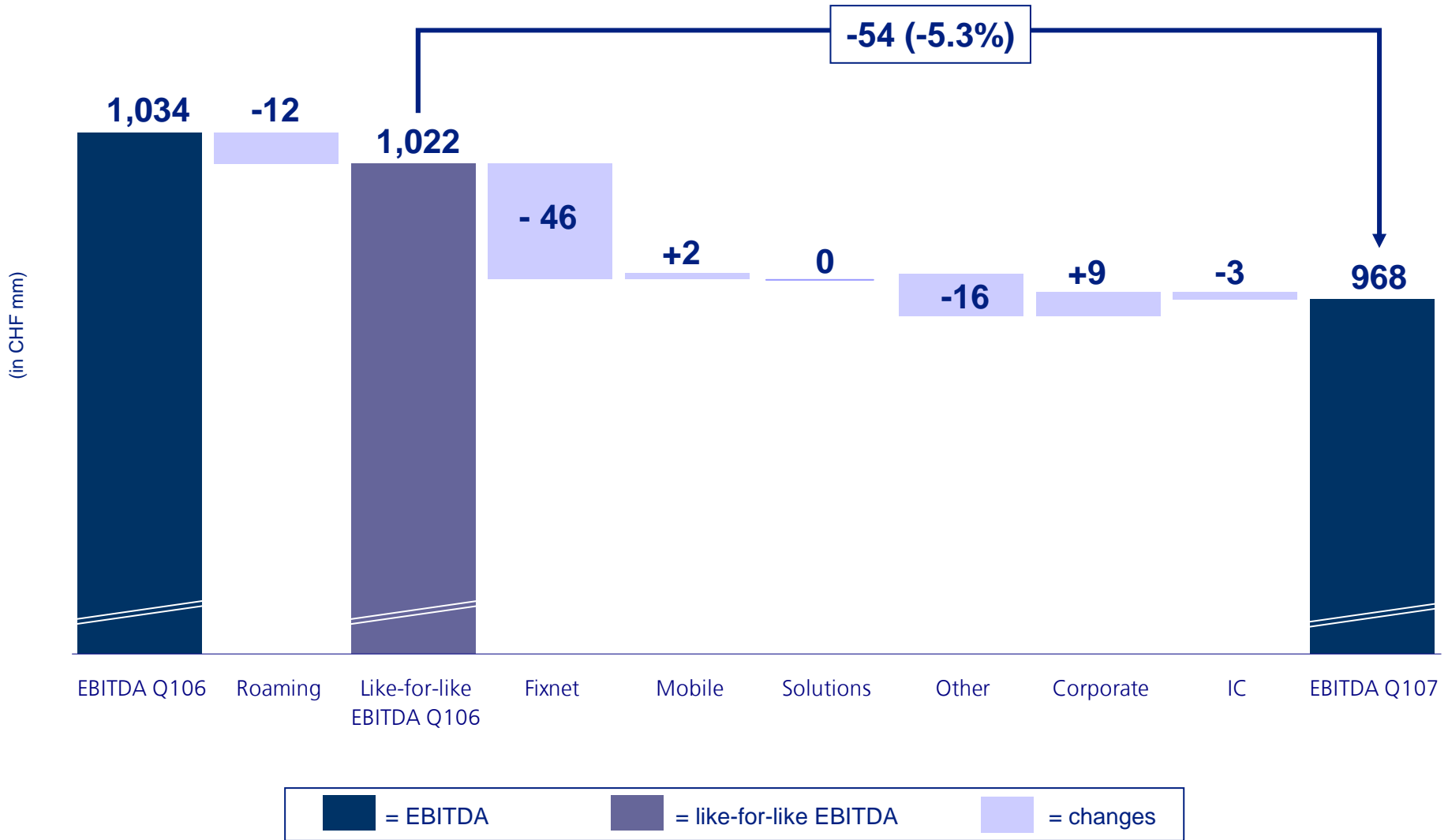
4 Drivers of group revenue



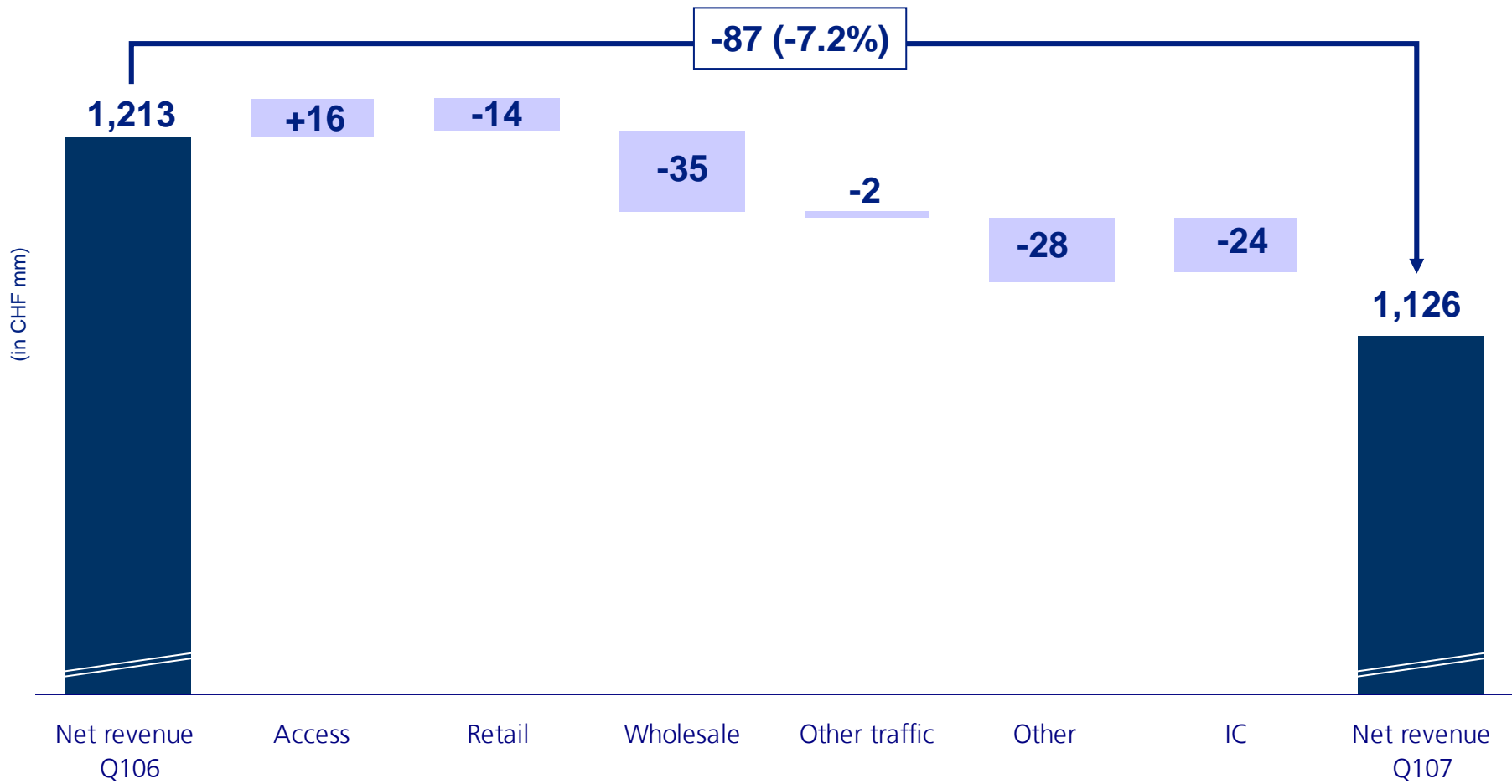
* Project- and Outsourcing Business

** Of which at Hospitality Services: CHF +7mm, at Accarda: CHF+ 3mm, Airbites CEE: CHF +2mm, all other CHF +8mm

4 Group EBITDA development



4 Fixnet revenues



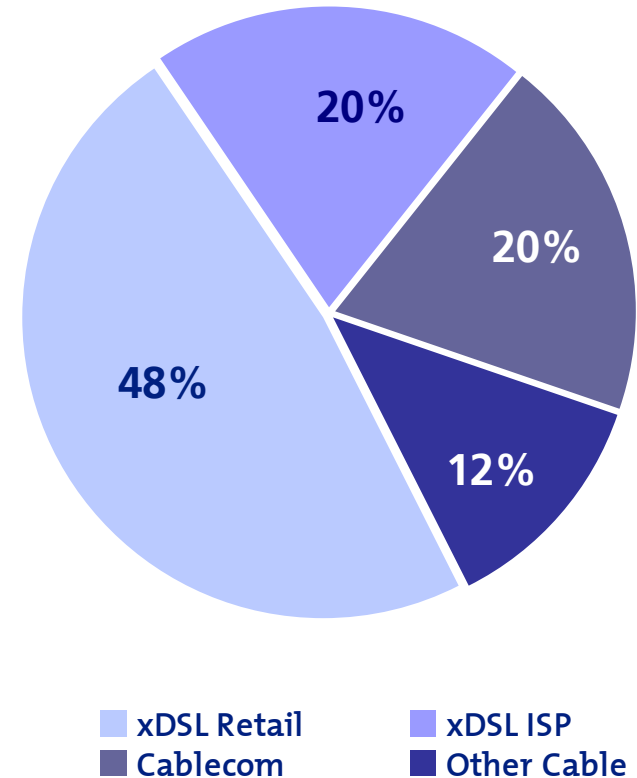
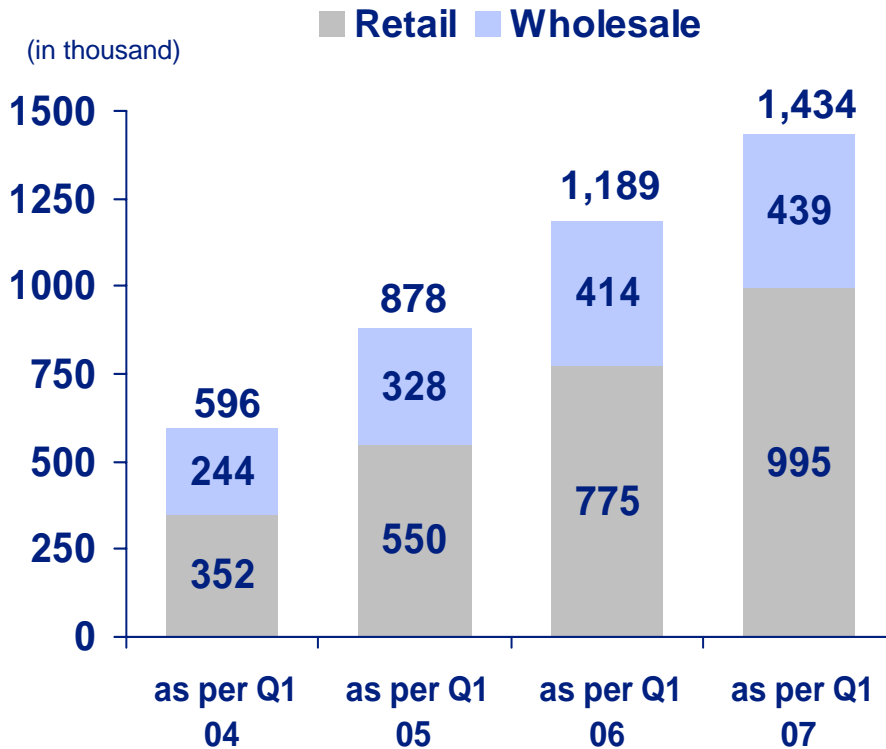
= Net revenue *)
 = changes

*) incl. IC

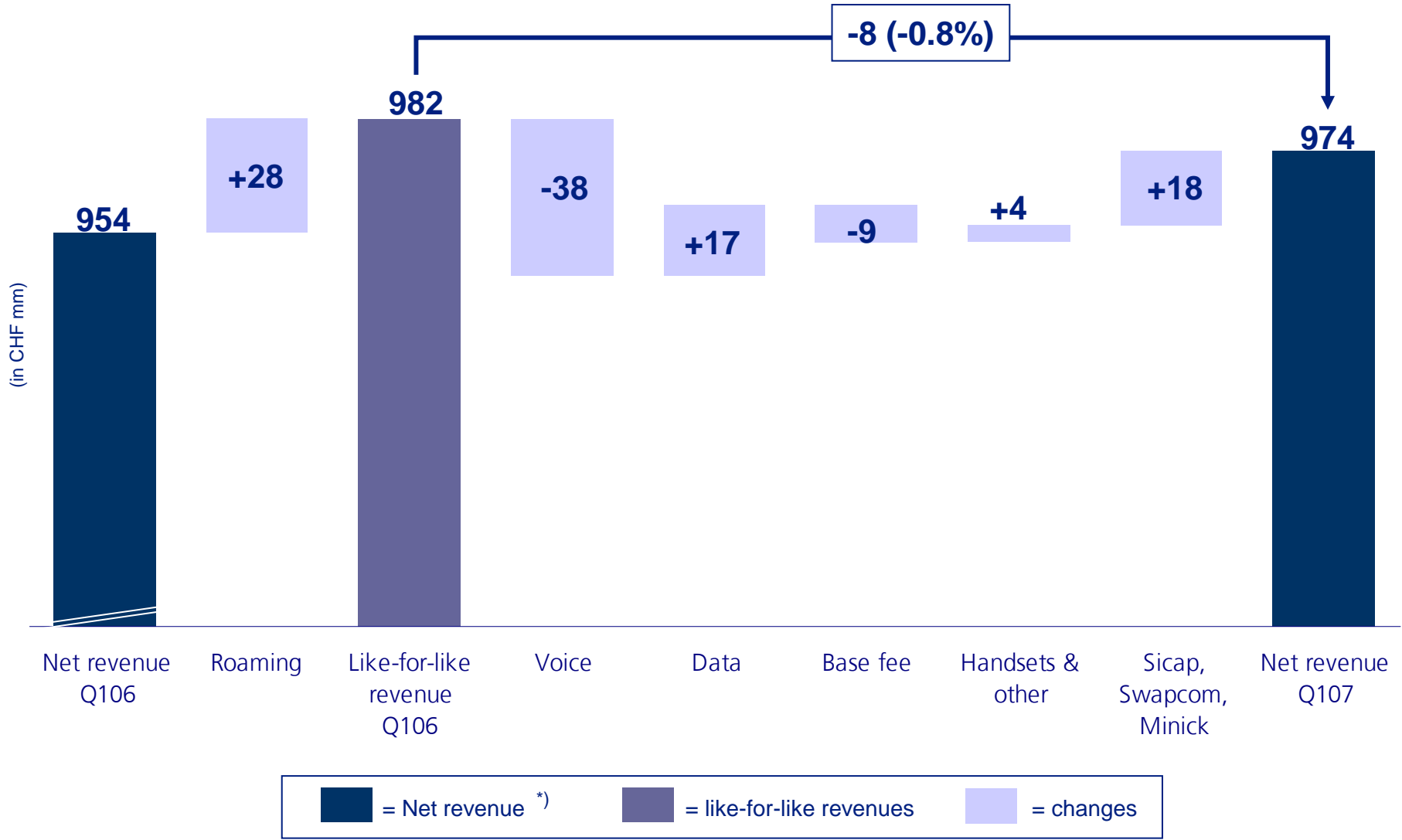
4 Fixnet – the leading Swiss BB provider

ADSL subscribers, cumulative

xDSL market share at 68%
(as per 31.03.2007)



4 Mobile revenues

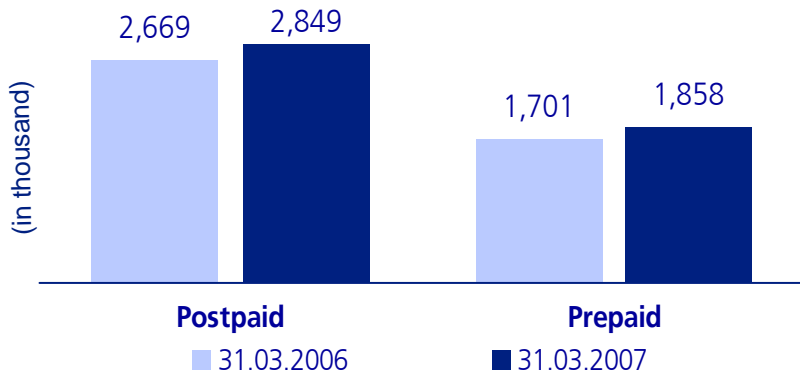


= Net revenue *)
 = like-for-like revenues
 = changes

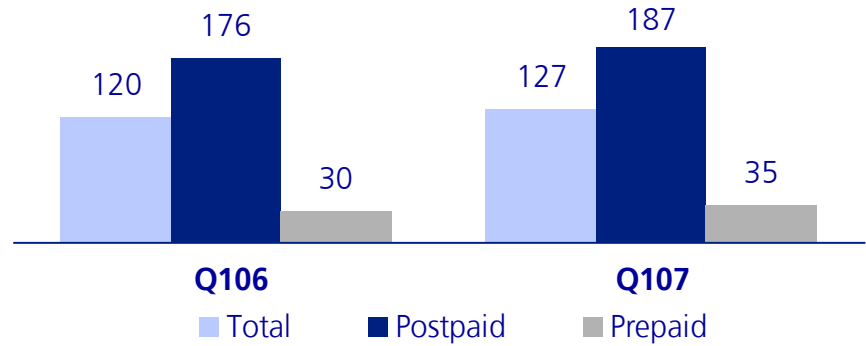
*) incl. IC

4 Mobile – operational snapshot

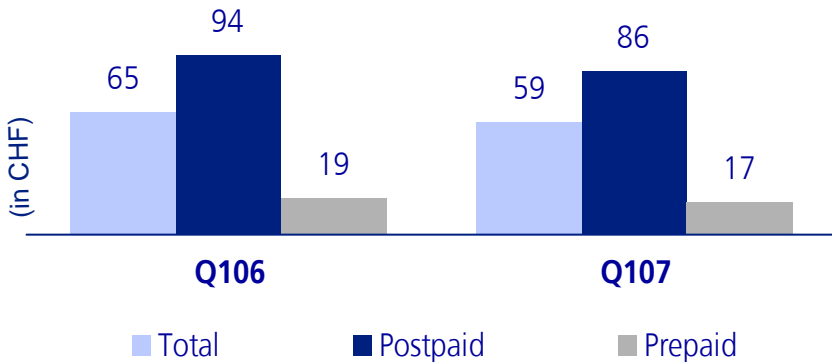
Mobile subscribers



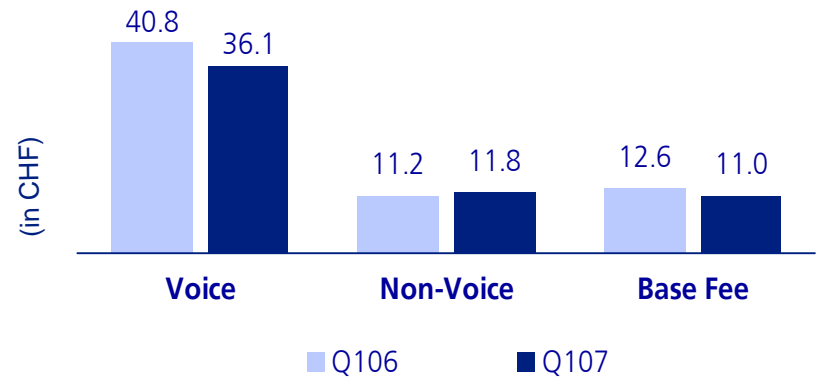
AMPU



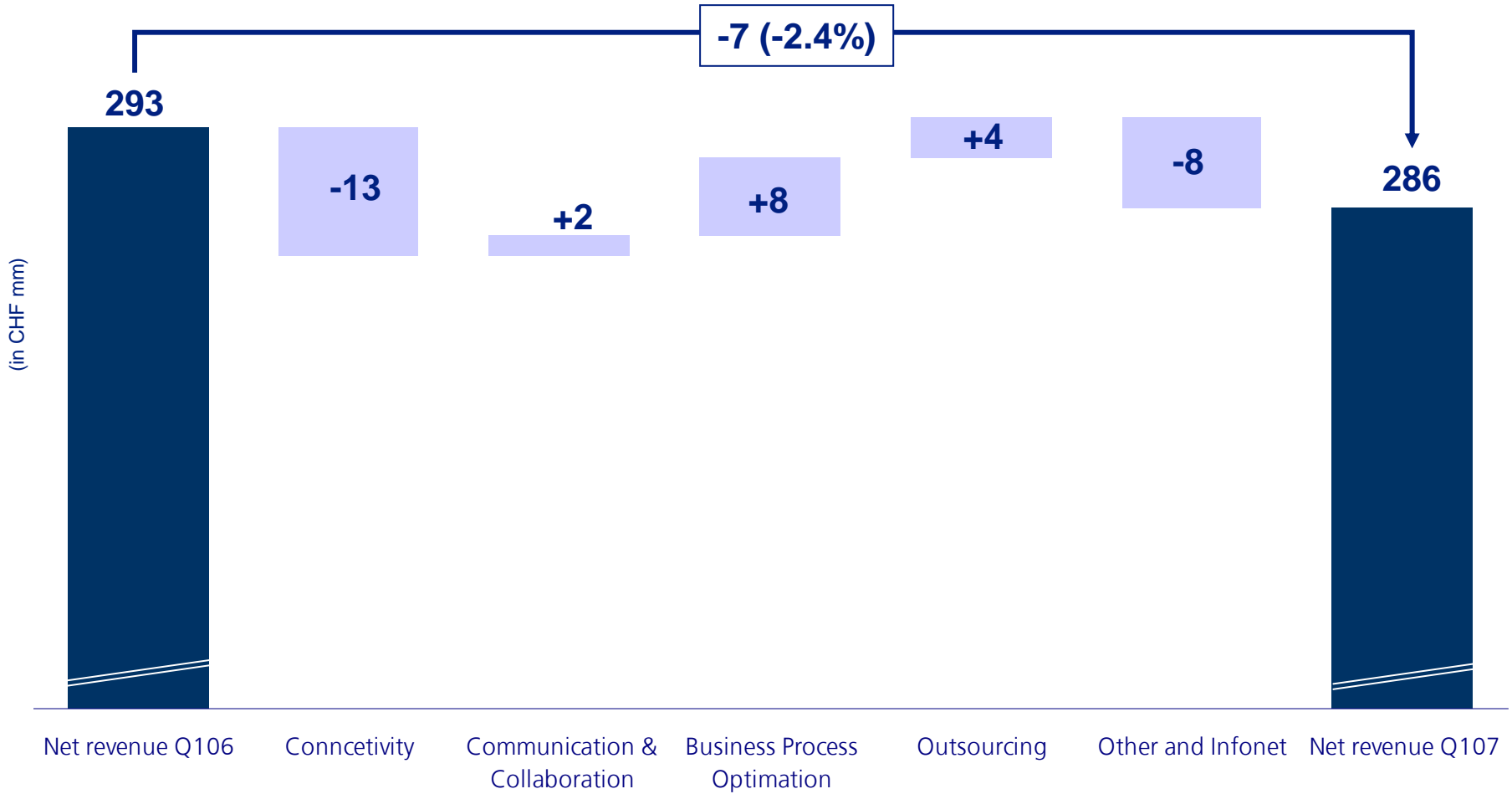
ARPU development



ARPU components



4 Solutions revenues



= Net revenue *)
 = changes

*) incl. IC

4 Group P&L overview

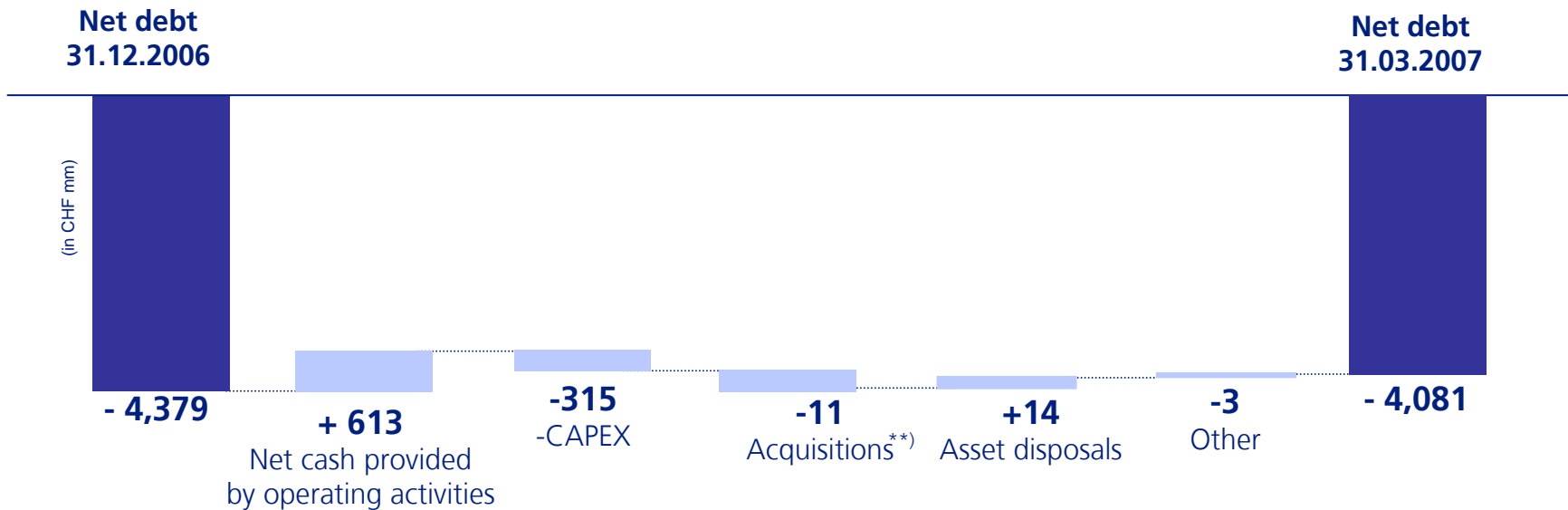
(in CHF mm)	31.03.2006	31.03.2007	YOY
EBITDA	1,034	968	-6.4%
Depreciation and amortisation	-348	-349	0.3%
EBIT	686	619	-9.8%
Net financial result	-10	-41	n/m
Equity in net income of affiliated companies	-1	4	n/m
Income tax expense	-131	-115	-12.2%
Net income	544	467	-14.2%
Attributable to minority interest holders	84	6	-92.9%
Attributable to equity holders of Swisscom AG	460	461	0.2%
Avg. number of shares outstanding (in thousands)	56.716	51.802	-8.7%
EPS (in CHF)	8.11	8.90	9.7%

4 Group capital structure

(in CHF mm)	31.12.2006	31.03.2007
Short term debt	1,568	1,599
Long term debt	4,421	4,377
Long term net finance lease obligation	594	557
Liabilities from collecting activities (Accarda Group)	128	96
Total debt	6,711	6,629
less: financial assets from lease-and-leaseback transactions	-1,125	-1,082
less: cash, cash equivalents, current financial assets and derivative financial investments	-822	-1,100
less: other receivables from collecting activities (Accarda Group)	-385	-366
Net cash (debt)	-4,379	-4,081
Total equity	4,503	4,967
Balance sheet total	15,597	15,862
Book leverage ¹	97.20%	82.20%
Equity ratio ²	28.90%	31.30%

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

4 Change of net debt^{*)}



YE book leverage of 82.2% and YE equity ratio of 31.3%

*) Definition of net debt (net cash): total debt and liabilities from collecting activities (Accarda Group) less cash and cash equivalents, current financial assets, receivables from collecting activities (Accarda Group), financial assets from cross-border tax lease transactions and non-current derivative financial instruments

***) payments of deferred purchase price for Swapcom, Minick, coComment, other

4 Group CF overview

(in CHF mm)	31.03.2006	31.03.2007
EBITDA	1,034	968
Income taxes paid	-150	-100
Net interest	-8	-31
Change in net operating assets and other cash flows from operating activities	-126	-224
Net cash provided by operating activities	750	613
CAPEX	-235	-315
Net divestments / (investments) in affiliates/subsidiaries	-146	3
Purchase of current financial assets, net	618	-89
Net cash from investing activities	237	-401
Repayment of debt	-30	-45
Share buyback, treasury stock and mgmt incentive plan	-153	-10
Dividends paid to minority interests	-285	0
Net cash used in financing activities	-468	-55
Net change in cash and cash equivalents	519	157
Cash and cash equivalents at end of the period	1,543	830

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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise."