

Swisscom 9 months results 2007: “Profitable Progress”

7 November 2007

Agenda

Presentation

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- 9M 2007 highlights
- Outlook FY 2007

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Carsten Schloter
CEO

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Progress:

- 9M 2007 results for:
 - group
 - segments

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Ueli Dietiker
CFO

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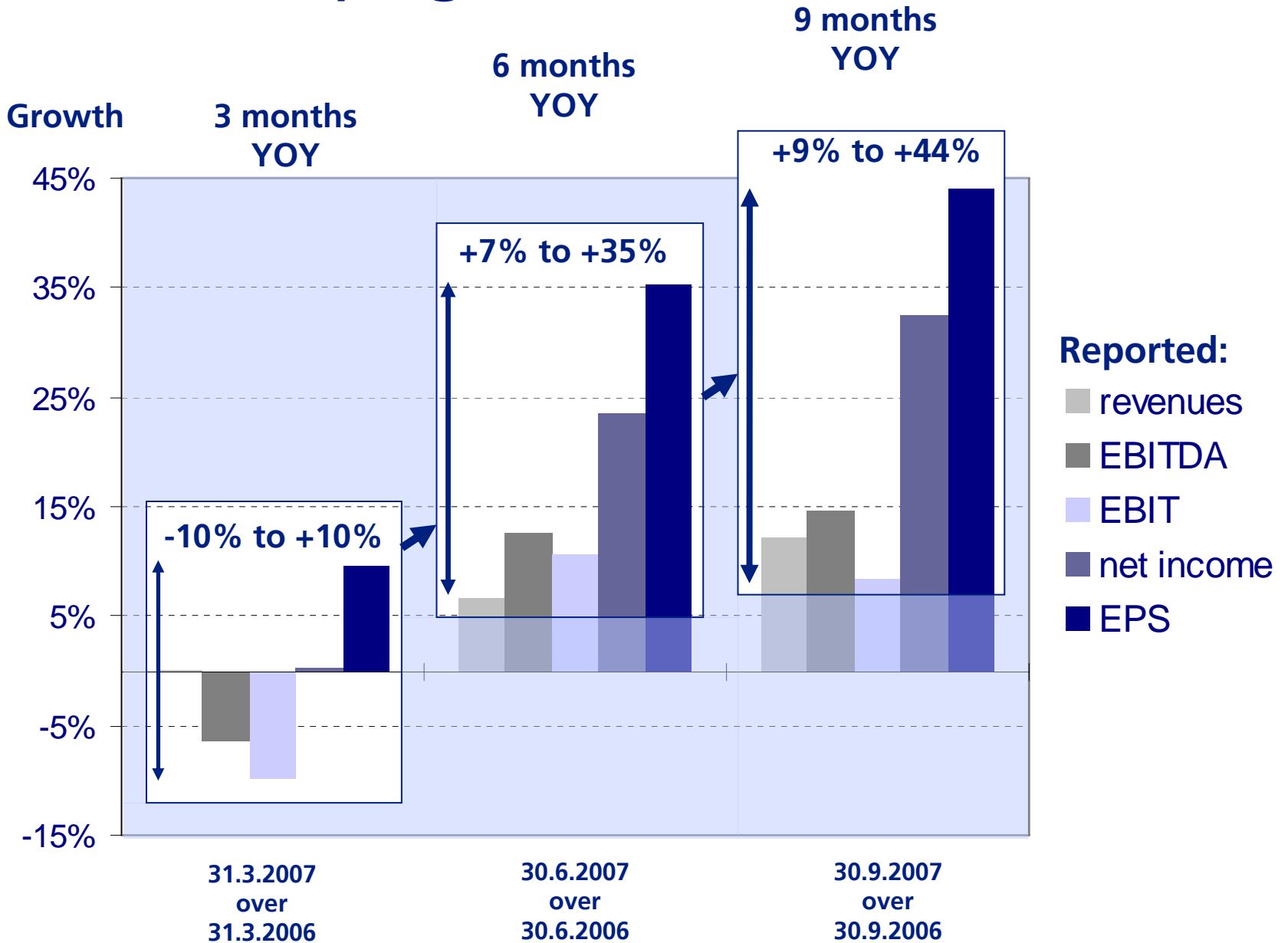
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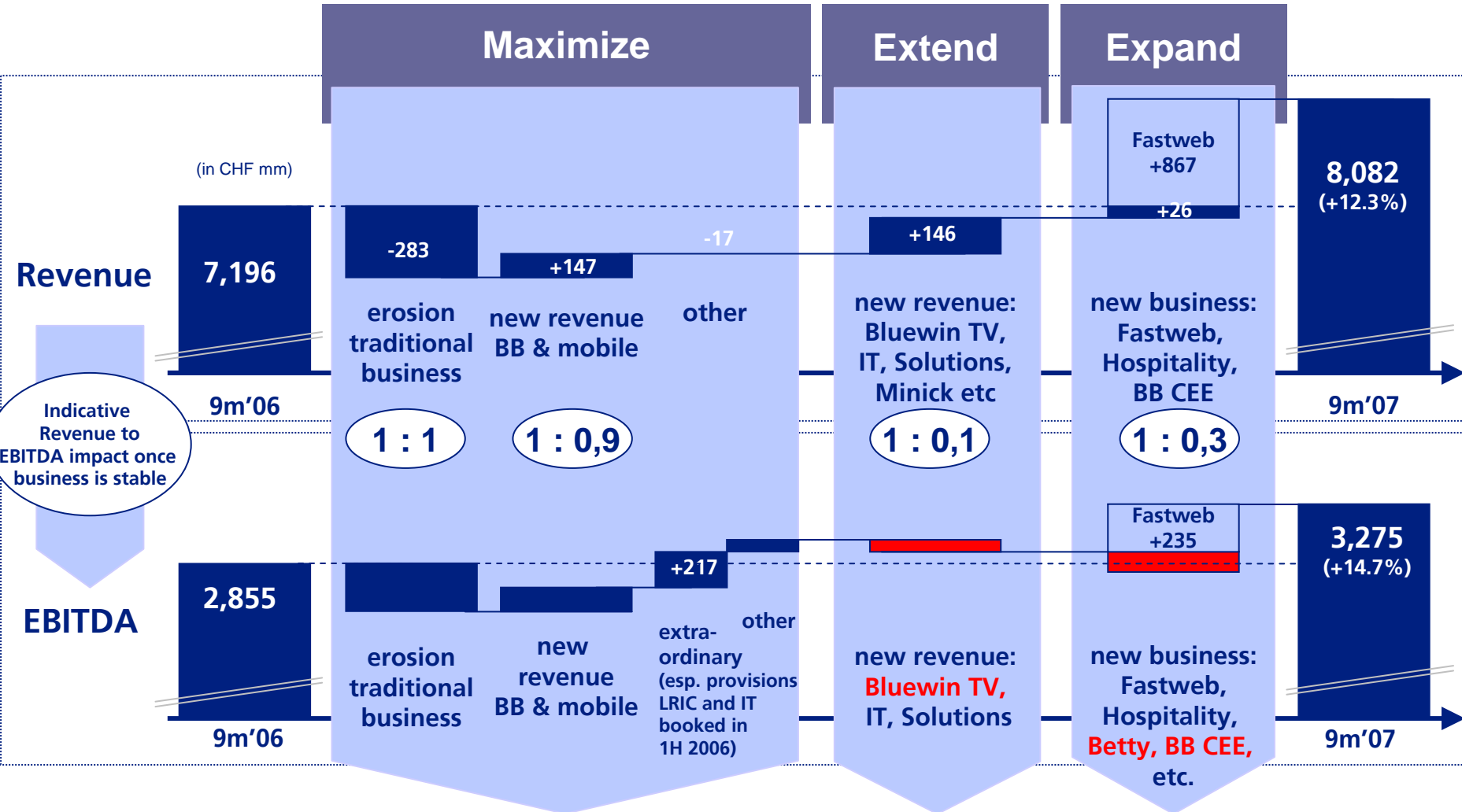
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1 Profitable progress



1 9M YOY progress versus strategy

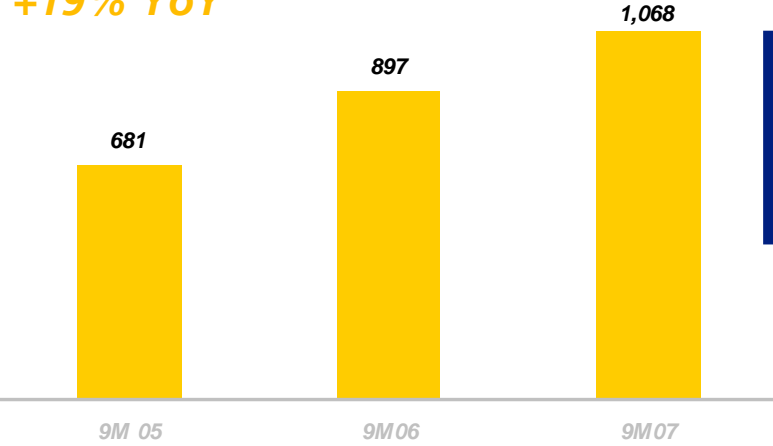


Results progressing strongly

1 Fastweb progress

9M Revenues Fastweb (€mm)

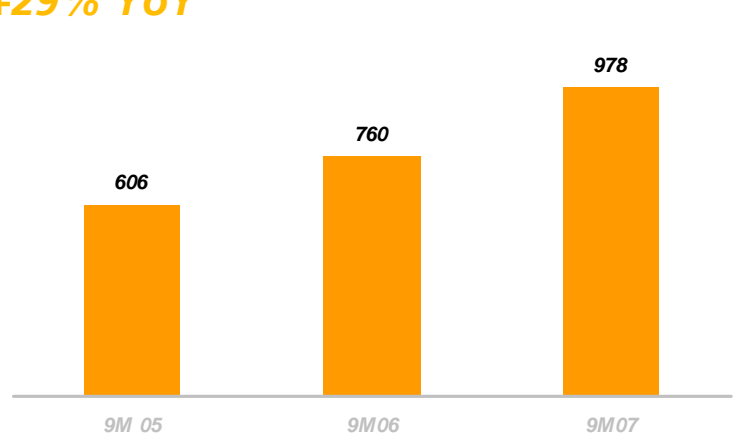
+19% YoY



Swisscom share since 22.5.2007: CHF 867 million

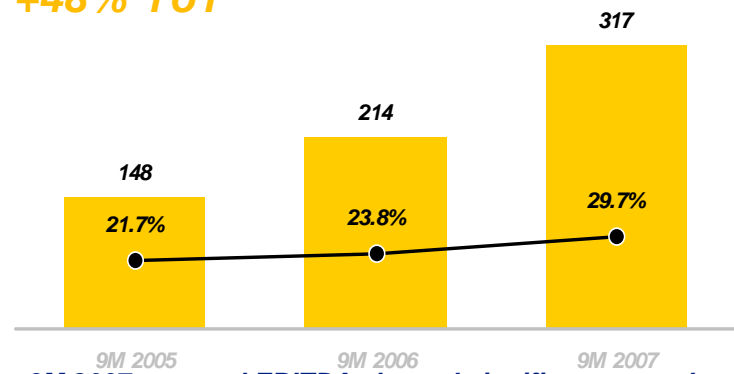
Revenues Fastweb excl. Wholesale

+29% YoY



9M EBITDA Fastweb (€ mm)

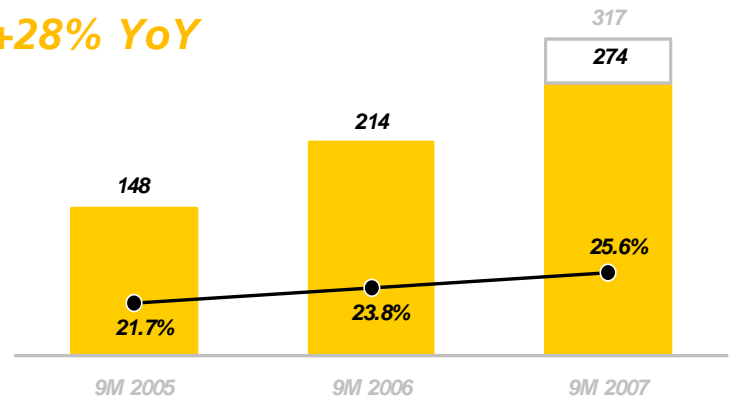
+48% YoY



Swisscom share since 22.5.2007: CHF 235 million

EBITDA Fastweb excl extra-ordinaries

+28% YoY



9M 2007 reported EBITDA showed significant growth, thanks also to €43.5 Mln extraordinary items booked in 2Q

9M 2007 organic EBITDA grew 28% and margin increased almost 2 percentage point vs 9M 2006

1 Bluewin TV, progress: from focus on stability to improvements of cost structure

Status & achieved

- 60k orders by end of Sept
- Customer satisfaction high with regard to content, features and usability; however still significant portion of customer unsatisfied due to remaining technical issues
- Major improvements already achieved, e.g.
 - More than halved the relative call volume during the last six months
 - Fulfillment time reduced by one third
- Cost structure still elevated; first focus on stability

Next steps

- Further increase stability/quality (connectivity, encoders, TV platform)
- Launch next generation encoders improving Audio/video Quality in Q1 2008
- Roadmap defined to reduce upfront cash balance to around CHF 750 in a years time subject to an increasing proportion of new customers through self install. Defined new processes to allow for scalability
 - Pre-qualification of line and self install
 - Differentiated pricing for installs
 - Cheaper settop box
 - Reduction of call volumes/efficiency improvements

1 Regulation, progress

- USO awarded to Swisscom for period 1.1.2008-31.12.2017. Broadband included (however technology neutral)
- ULL activations insignificant so far, complaints on pricing lodged by competition. Pricing uncertainty to stay until well into 2008
- LRIC ruling to be expected in Q4 2007 relating to final pricing for 2004-2006, giving more clarity on need for use of provisions
- Swisscom Broadcast secured exclusive DVB-H license for 10 years
- Reverse IC at Fastweb: accounting procedure fixed by AGCOM, decision on pricing & gliding path imminent
- Investigation illegal win-back activities by TI started by Courts
- Post Swiss parliamentary elections, a potential new initiative for (partial) privatization of Swisscom cannot be expected until H1 2008

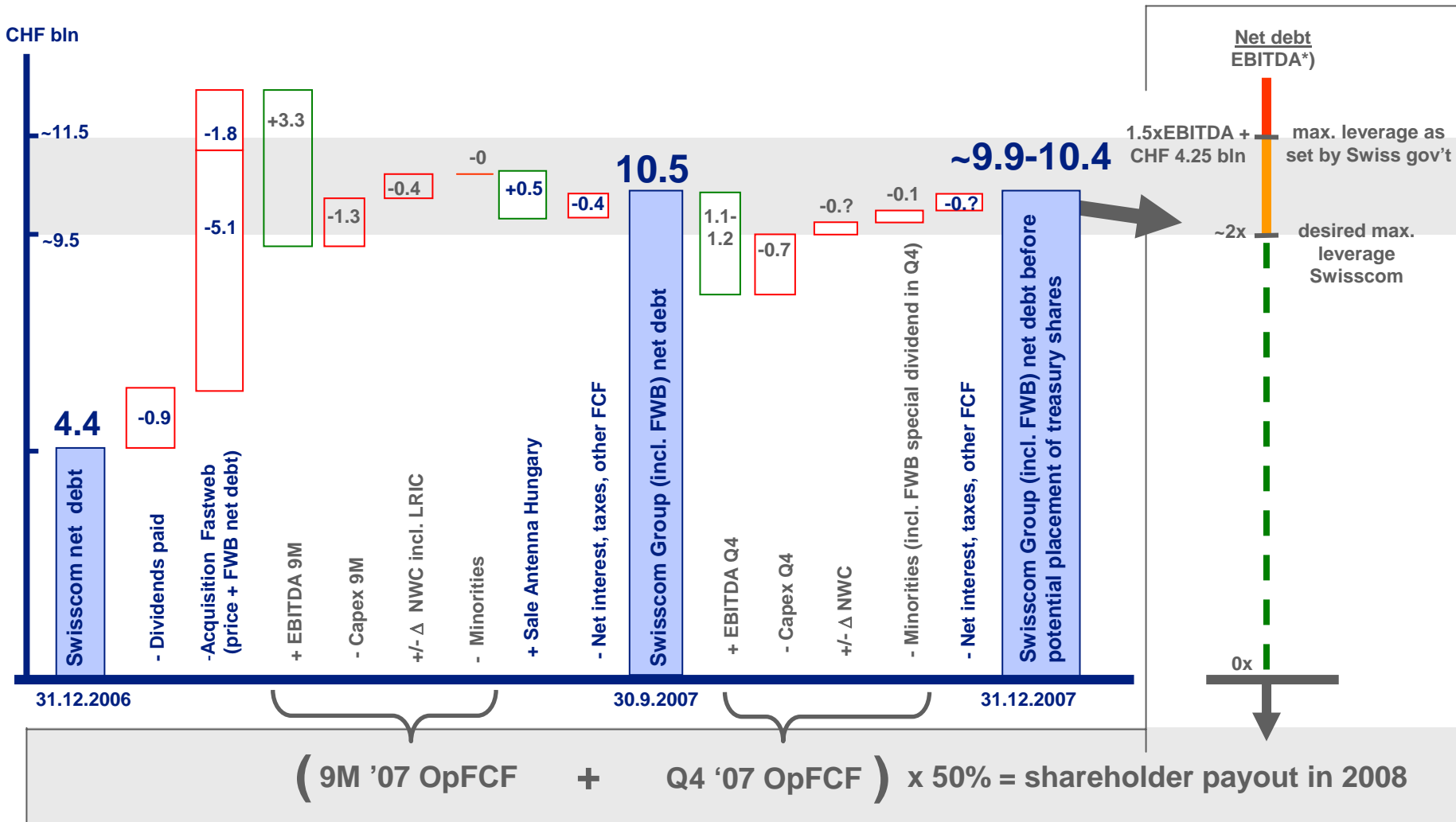
Regulatory items progressing as expected

1 Treasury shares, progress

- Swisscom owns 4,9 million treasury shares (8.67% of outstanding capital)
- Post Fastweb transaction, it had been planned to place around CHF 500 million (i.e. some 1.1 million shares) to co-fund the transaction
- On the other hand, the strategic goals of Swiss government called for an extra-ordinary buyback of CHF 500 million in 2008
- A decision on whether a placement plus buy back would take place, or rather a “netting” of both transactions will be taken in Q1 2008 ahead of the general assembly in April 2008
- No more placement in conjunction with Fastweb transaction in 2007

No placement of treasury shares in 2007 for the co-funding of the Fastweb acquisition

1 Expected net debt by YE '07 progressing to target for desired max. leverage of around 2x EBITDA



* 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)

1 Outlook progress compared to HY1 report

- Group **revenue 2007** of CHF 11,2-11,3 bln – *unchanged from previous guidance*
- Group **EBITDA 2007** of CHF 4,4-4,5 bln – *unchanged*
- Group **CAPEX 2007** of around CHF 2 bln – *from CHF 1,9-2,0 bln*
- **Note:** in Q4 2007, the first PPA (purchase price allocation) will follow for the Fastweb acquisition. No final numbers fixed yet, however PPA will impact Profit Before Tax by around CHF 0.2 bln annually (and lower in 2007, as Fastweb is consolidated from 22 May only). These are non-cash charges and best estimates based on current views

Slightly lower Fastweb outlook compensated for by better Swisscom results

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2 Key financials

Key financials

in CHF mm	30.09.2007	YOY
Net revenue	8,082	12.3%
EBITDA	3,275	14.7%
EBITDA margin	40.5%	
EBIT	1,963	8.5%
Net income *	1,633	10.7%
SCM net income **	1,627	32.4%
EPS ***	31.41	44.3%
CAPEX	1,343	57.6%
SCM OpFCF	1,602	-4.9%
Net debt	10,513	n/m
FTE	19,658	16.5%

* Net income before minorities

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

*** Avg. # of outstanding shares in 1st 9 months 07: 51.802mm

9M 2007 comments

- **Top-line** up by CHF 886mm YOY largely on the back of the 1st-time consolidation of FWB
- **EBITDA** growth of CHF 420 mm YOY mainly thanks to FWB integration, provisions taken in 2006 and cost improvements
- Thanks to a net gain of CHF 72mm from hedging activities related to the FWB deal **net financial expense** increased by only CHF 93mm YOY
- Gain on sale **Antenna Hungary** of CHF 157 mm
- Repurchase of minority stake from Vodafone and lower avg. # of outstanding shares drive **EPS** increase to 44% YOY
- **CAPEX** up due to VDSL rollout and FWB integration
- **OpFCF** for first 9 months at CHF 1,6bln
- **FTE** up by 16.5% due to FWB acquisition

2 Fixnet – segment reporting

Financials and operational data

	30.09.2007	YOY
Net revenue in CHF mm ¹	3,335	-6.1%
EBITDA in CHF mm	1,408	5.6%
EBITDA margin	42.2%	
EBIT in CHF mm	858	11.4%
CAPEX in CHF mm	640	64.1%
Number of FTE's	7,016	6.6%
Access lines (thousands)	30.09.2007	YOY
PSTN	2,871	-0.7%
ISDN	825	-4.8%
Broadband	1,558	19.4%
Traffic in min. mm	30.09.2007	YOY
Retail	6,603	-9.1%
Wholesale	10,963	-10.5%

¹ including inter-company (IC) revenue

9M 2007 highlights

- **Access** revenues with CHF 1,597mm (+3% YOY) represents >55% of total revenues with external customers. BB share of access revenues represents now 35.8% or an increase of 4.3 %-points YOY
- Only 12k **line losses** to cable in Q3 07 of which 75% to Cablecom
- **BB retail market** (bluewin share of total xDSL) share at 72% by end of Sept 07
- 60k **IPTV** subs incl. orders as per 30.09.07
- **Wholesale** revenues down CHF 73mm YOY due to lower transit volume and IC prices
- Despite extra OPEX for IPTV the **EBITDA margin** went up by 4.7 %-points YOY to 42.2% esp. due to LRIC provisions of CHF 180mm booked in Q2 06
- **VDSL** push explains CAPEX increase of 64%

2 Mobile – segment reporting

Financials and operational data

	30.09.2007	YoY
Net revenue in CHF mm ¹	3,025	2.2%
of which service revs	2,746	1.0%
EBITDA in CHF mm	1,411	2.8%
EBITDA margin	46.6%	
EBIT in CHF mm	1,115	2.4%
CAPEX in CHF mm	236	22.3%
Number of FTE's	2,804	-4.4%

	30.09.2007	YoY
Subscribers (thousand)	4,894	7.3%
ARPU (CHF/month)	61	-6.2%
ARPU Data (CHF/month)	12	6.4%
AMPU in min.	129	4.0%
Data SMS in mm	1,670	7.2%

¹ including inter-company (IC) revenue

9M 2007 highlights

- **Top-line** up by CHF 65mm thanks to roaming discounts renegotiated in Q1 06, acquisitions of Minick and Swapcom and growth from subs and data
- **EBITDA** corrected for roaming effect (CHF 12mm in Q1 06) up by CHF 50mm YOY
- **ARPU** driven by right-grading (CHF -0.8), multi-SIM and new subs dilution (CHF -3.5), MT rates cut (CHF -0.9) and new data (CHF +1.0)
- **Subs** base up by 7%. Liberty community with 2,075k subs grew by 47.5% and represents now 42% of total customer base. **Net adds** +118k in Q3 represents highest growth over past 2 years and approx 68% market share of net adds
- **Advanced data** revenues up by CHF 49mm to CHF 209mm and total **data** representing 19% of ARPU
- **SAC and SRC** in first 9 months in 07: CHF 194mm (CHF +12mm YOY)
- Cumulative **churn rate** for 9M 07: 8.2%

2 Solutions – segment reporting

Financials and operational data

	30.09.2007	YOY
Net revenue in CHF mm ¹	890	-0.1%
EBITDA in CHF mm	93	63.2%
EBITDA margin	10.4%	
EBIT in CHF mm	64	88.2%
CAPEX in CHF mm	28	-3.4%
Number of FTE's	2,042	4.4%

Traffic in min. mm	30.09.2007	YOY
National	1,294	-4.2%
International	269	4.3%
Total	1,563	-2.8%

¹ including inter-company (IC) revenue

9M 2007 highlights

- **Net revenue** as per 30.09.07 flat YOY thanks to further acceleration of sales in Q3 07
- Revenue from **connectivity** (CHF -40mm) down YOY due to substitution, competition and pricing pressure
- Revenue from **communication and collaboration** up (CHF +9mm) thanks to improved hard- and software business (CHF +13mm)
- Revenue from **Business Process Optimization** (CHF +5mm) and **Outsourcing** (CHF +28mm) up due to new products in the area of customer interaction management, volume increases and new outsourcing deals
- **Cost** decline as a result of changes in business composition and cost savings which drives EBITDA up to CHF 93mm. The margin stands at 10.4%
- **FTE** increase mainly from sales unit transferred from Swisscom Mobile

2 Fastweb – segment reporting

Financials and operational data

	30.09.2007
Net revenue in CHF mm	867
EBITDA in CHF mm	235
EBITDA margin	27.1%
EBIT in CHF mm	7
CAPEX in CHF mm	277
Number of FTE's	3,062

	30.09.2007
Business	18%
Residential	82%
Total customers	1,251

Residential segment creates 42% of revenues, Business & other 58%

Note: the table above reflects Swisscom's share of Fastweb results for the period 22.5-2007-30.9.2007.

9M 2007 highlights

- **Subs** base: 1,251k at 30.09.07 (+31% YOY)
- **Broadband net adds** market share at around 20% in Q3 07, in line with 06 performance
- **Residential ARPU** in Q3 stable at € 733. No cannibalization of new offers on customer base
- **Network expansion** ahead of plan: 190k new potential subs reached as per end of Sept 07 vs. 50k planned. FY 07 target of 50% coverage of Italian households confirmed
- Fastweb confident of introducing **MVNO** partnership in the course of 2008, thus contributing to improved product portfolio (quadruple play) and further stimulus in customer base

2 Other and Corporate – segment reporting

Financials and operational data

<u>Segment Other</u>	<u>30.09.2007</u>	<u>YoY</u>
Net revenue in CHF mm ¹	1,013	4.8%
EBITDA in CHF mm	76	-6.2%
EBITDA margin	7.5%	
EBIT in CHF mm	-95	58.3%
CAPEX in CHF mm	133	-0.7%
Number of FTE's	3,767	-16.3%

<u>Segment Corporate</u>	<u>30.09.2007</u>	<u>YoY</u>
Net revenue in CHF mm ¹	477	-2.3%
EBITDA in CHF mm	78	160.0%
EBITDA margin	16.4%	
EBIT in CHF mm	32	n/m
CAPEX in CHF mm	39	-65.5%
Number of FTE's	967	6.6%

¹ including inter-company (IC) revenue

9M 2007 highlights

Segment Other

- Swisscom announced in Q2 07 the sale of **Antenna Hungária**) and **Accarda** (both deals closed in July '07)
- Despite these sales **revenue** grew by 5% largely thanks to Hospitality Services (CHF +18mm) and newly won outsourcing business at Swisscom IT Services (CHF +64mm)
- EBITDA** down CHF 5mm YOY (despite IT provisions booked in Q2 06) mainly due to higher OPEX and extra costs for Betty TV (CHF +65mm)

Segment Corporate

- EBITDA** up by CHF 48mm YOY mainly thanks to net cost savings and a book gain from real estate sales
- FTE's** up due to transfer of HR shared services staff

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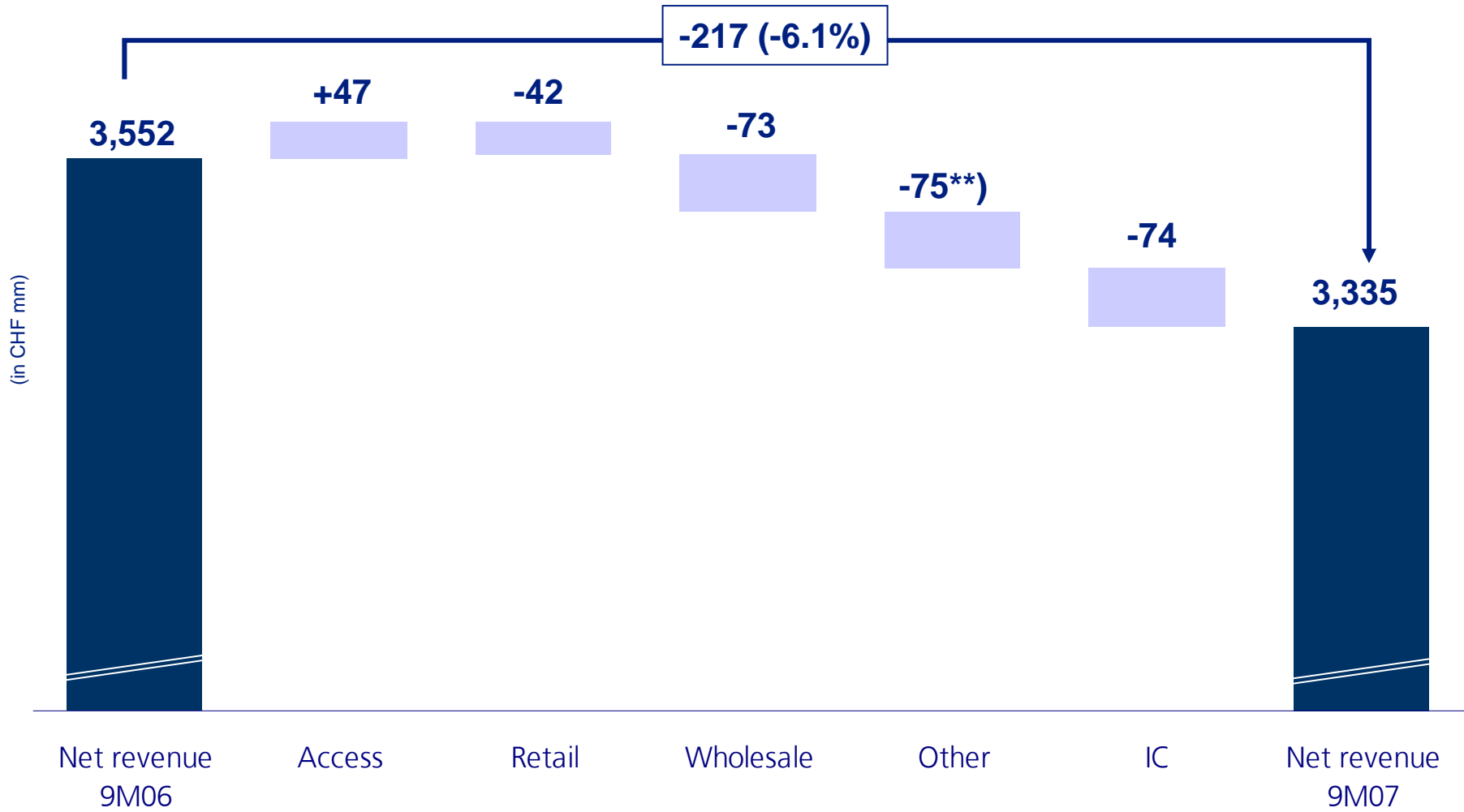
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4 Fixnet revenue



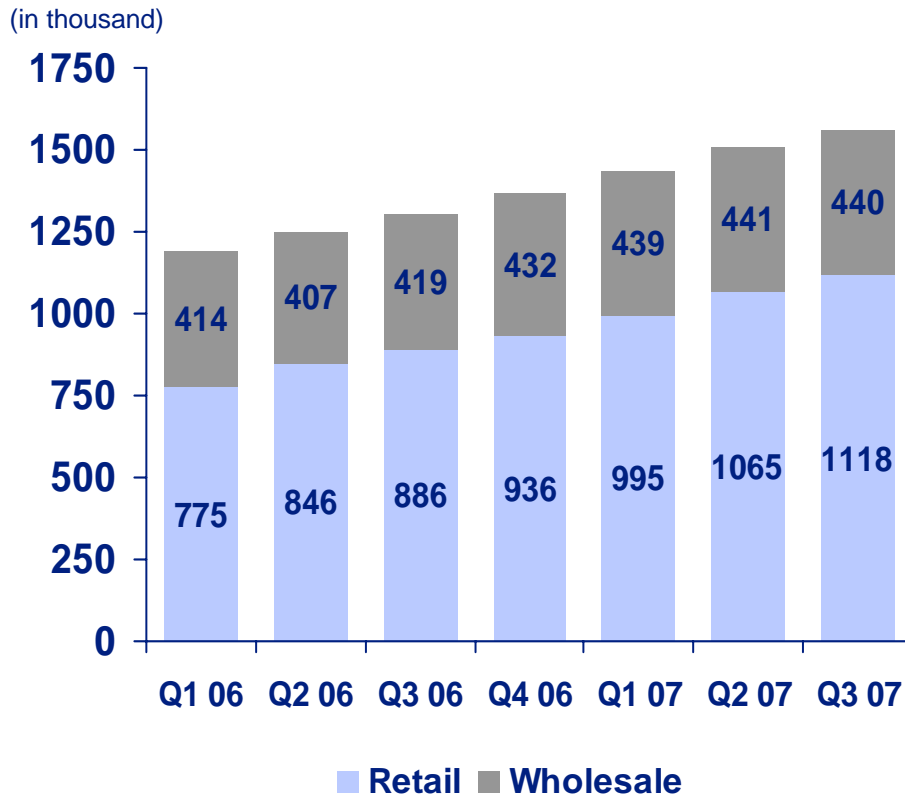
= Net revenue *)
 = changes

*) incl. Intra Company

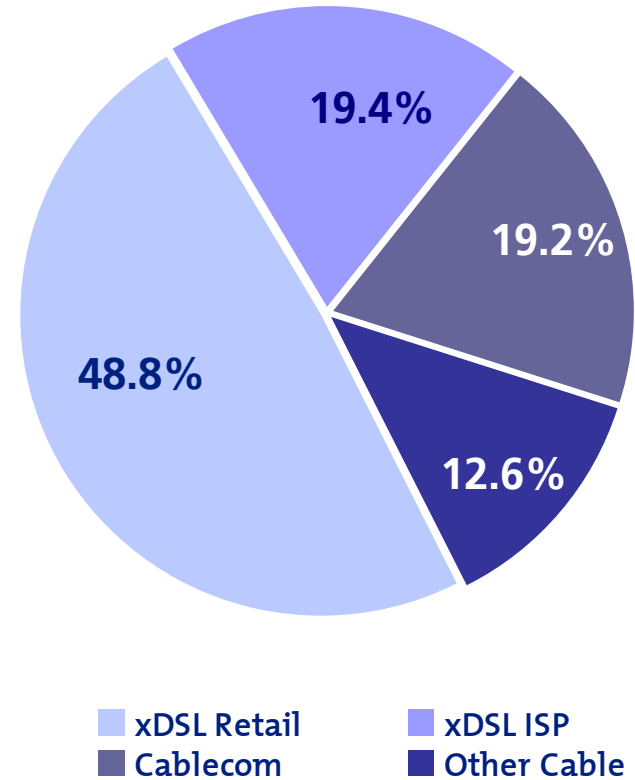
***) especially lower CPE and lower leased lines revenues

4 Fixnet – the leading Swiss BB provider

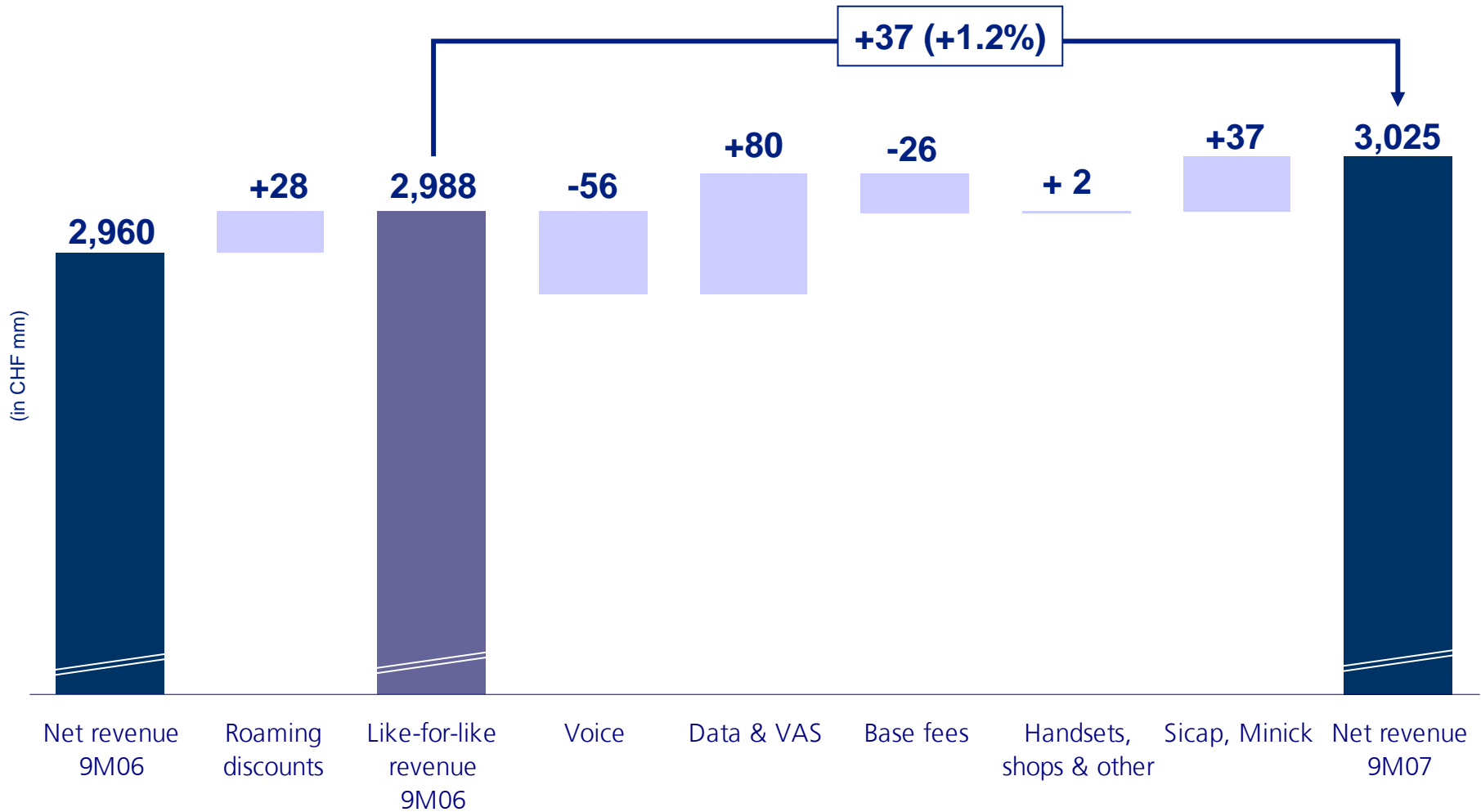
ADSL subscribers, cumulative



Broadband market share at 68.2%
(as per 30.09.2007)



4 Mobile revenue

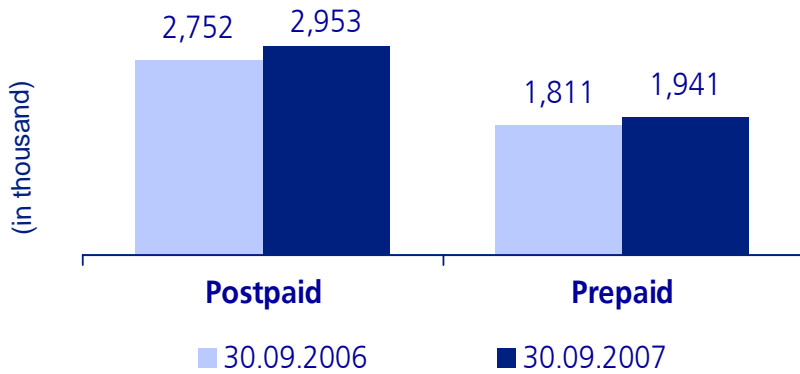


= Net revenue *)
 = like-for-like revenues
 = changes

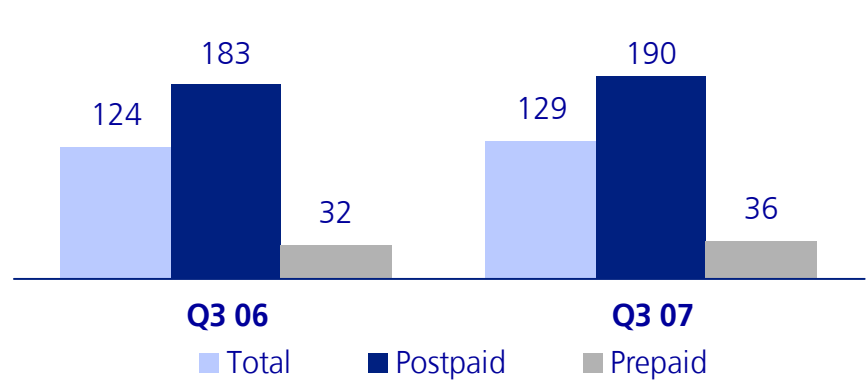
*) incl. IC

4 Mobile – operational snapshot

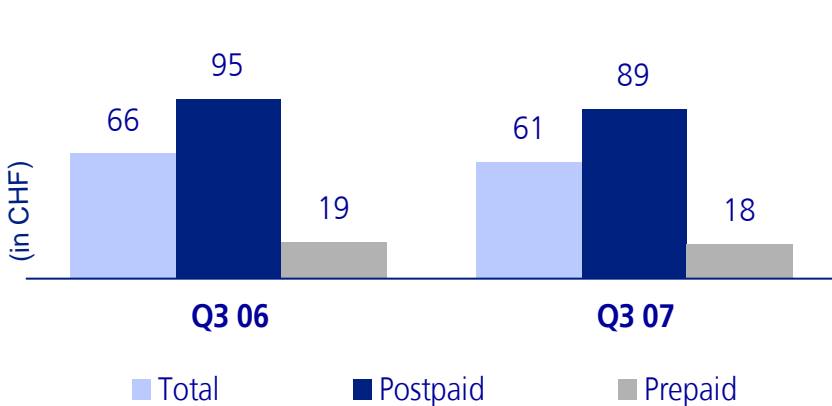
Mobile subscribers



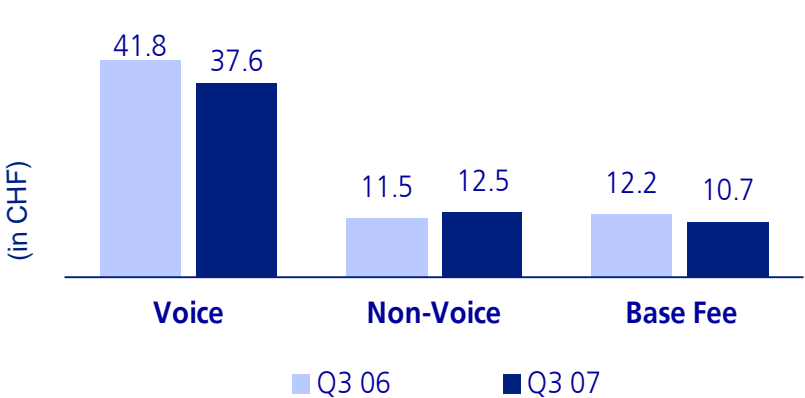
AMPU



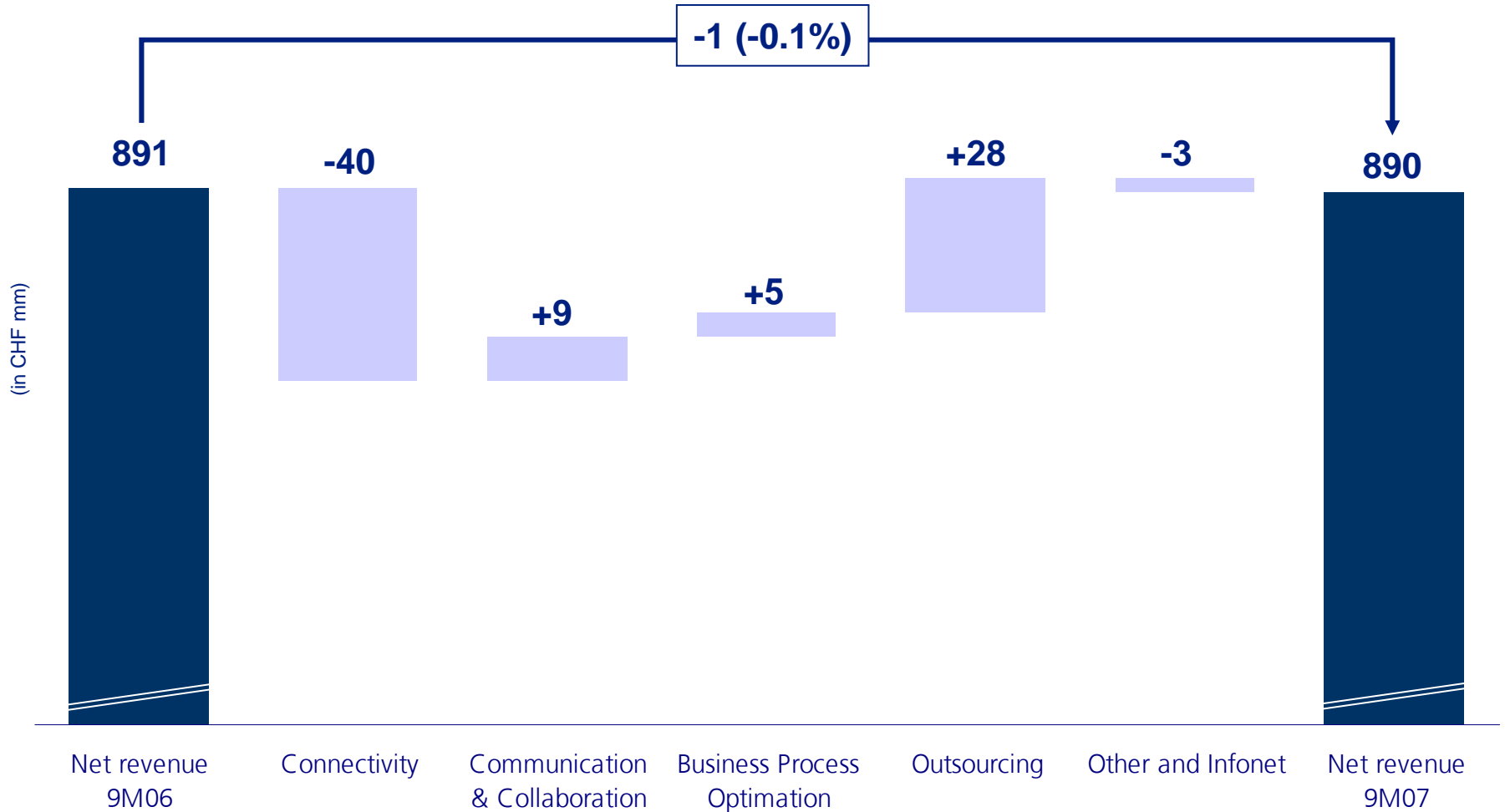
ARPU development



ARPU components



4 Solutions revenue



= Net revenue *)
 = changes

*) incl. IC

4 Group P&L overview

(in CHF mm)	30.09.2006	30.09.2007	YOY
EBITDA	2,855	3,275	14.7%
Depreciation and amortisation	-1'046	-1'312	25.4%
EBIT	1,809	1,963	8.5%
Gain on sale Antenna Hungary	0	157	n/m
Net financial result	-33	-126	281.8%
Equity in net income of affiliated companies	17	22	29.4%
Income tax expense	-350	-383	9.4%
Income from discontinued operations	32	-	n/m
Net income	1'475	1'633	10.7%
Attributable to minority interest holders	246	6	-97.6%
Attributable to equity holders of Swisscom AG	1'229	1'627	32.4%
Avg. number of shares outstanding (in thousands)	56.465	51.802	-8.3%
EPS (in CHF)	21.77	31.41	44.3%

4 Group capital structure

(in CHF mm)	31.12.2006	30.09.2007
Short term debt	1,568	2,776
Long term debt	4,421	8,234
Bonds	0	917
Long term net finance lease obligation	594	571
Liabilities from collecting activities (Accarda Group)	128	25
Total debt	6,711	12,523
less: financial assets from lease-and-leaseback transactions	-1,125	-1,084
less: cash, cash equivalents, current financial assets and derivative financial investments	-822	-916
less: other receivables from collecting activities (Accarda Group)	-385	-10
Net debt	4,379	10,513
Total equity	4,480	5,542
Balance sheet total	15,603	23,718
Book leverage ¹	97.7%	189.7%
Equity ratio ²	28.7%	23.4%

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

4 Group CF overview

(in CHF mm)	30.09.2006	30.09.2007
EBITDA	2,855	3,275
Income taxes paid	-429	-354
Net interest paid	-4	-138
Change in net operating assets and other cash flows from operating activities	-59	-265
Net cash provided by operating activities	2,363	2,518
CAPEX	-852	-1,343
Net divestments / (investments) in affiliates/subsidiaries	-175	-4,189
Purchase of current financial assets, net	1,533	-18
Net cash used in investing activities	506	-5,550
(Repayment) / Issuance of debt	-43	4,012
Share buyback, treasury stock and mgmt incentive plan	-1,593	-9
Dividends paid to SCM sh'holders	-907	-881
Dividends paid to minority interests	-297	-12
Net cash used in financing activities	-2,840	3,110
Net change in cash and cash equivalents	29	78
Cash and cash equivalents at end of the period	1,052	753

*) including CHF -157mm for gain on sale Antenna Hungary

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 and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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