

1st quarter results 2004:
“more sum, fewer parts”

12 May 2004

Agenda

Introduction – Jens Alder, CEO

Swisscom's goals:



Introduction

Swisscom Goals – and how we have delivered

Optimise free cash flow from existing business

Successfully defending strong market position

Focused on operating cost and staff reductions to sustain margins

create yield - now

- solid Q1 results, with performance vs other european telco's among best

Create balanced risk-reward profile

Larger investment only if acquisition criteria satisfied

Smaller investment into innovative "entry-ticket options"

create yield - tomorrow

- sold debitel
- interested in TA
- continued push / scan of venture opportunities

Combine strategic flexibility with attractive yield

Preserving strong balance sheet to optimize strategic flexibility

Returning all equity free cash flow to shareholders. Every year

deliver yield- now & tomorrow

- paid DPS of 13 CHF on 30 April 2004
- sharebuyback launch 24 May 2004

1a. Highlights 1st quarter 2004

Introductory remark on restatement 2003

- **2003 results have been restated to reflect:**
 - sale debitel
 - transfer of ~46,000 business customers from Enterprise Solutions to Fixnet
 - direct interconnection between mobile operators

- **impact:**
 - nil on bottom-line until closing of debitel deal (now reported as „ result from discontinuing operations“)
 - shifts of revenues, costs, staff and minutes of traffic between/within segments

bottom-line impact of restatement nil, however margins improve

1a. Highlights 1st quarter 2004

„More sum, fewer parts“

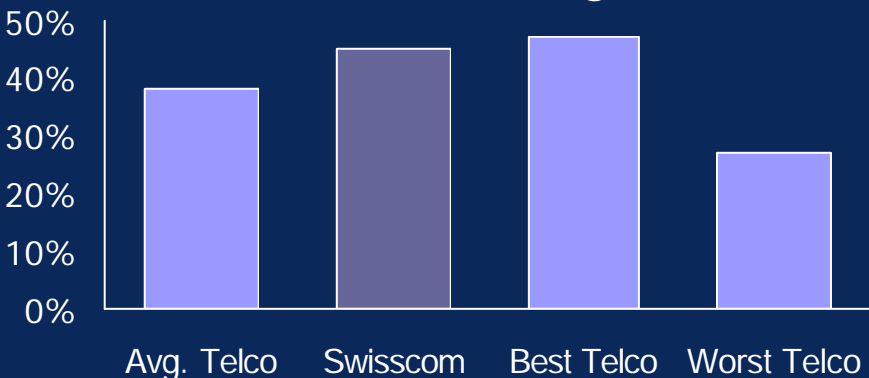
- Group revenues excl debitel: CHF 2,488 mm (+1.2% YOY)
- EBITDA at 31 March: CHF 1,126 mm, representing **45.3%** of sales
- Slightly improved EBIT: **+2.4%** YOY
- Net income up **19.3%** YOY to CHF 488 mm
- Equity Free Cash Flow of CHF 461 mm (**+178 mm** YOY)
- FTE's down 1,249 YOY (**-7.3%**)

Profitability and margins improved

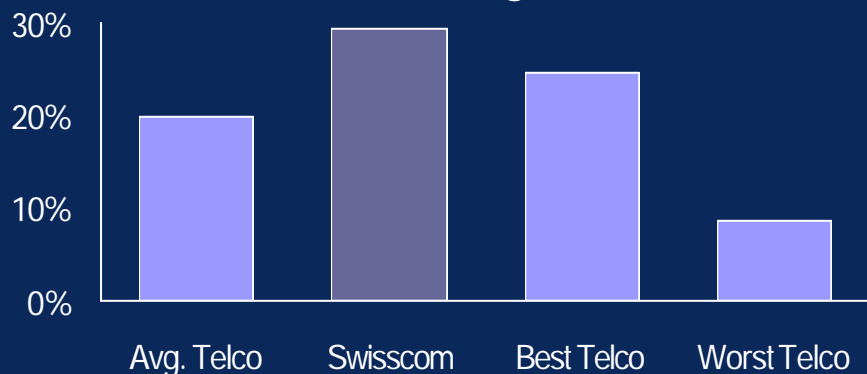
1a. Highlights 1st quarter 2004

Swisscom performance among best

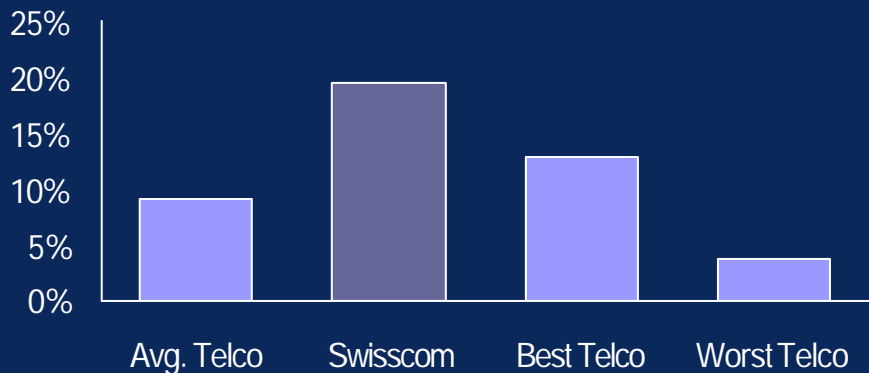
EBITDA margin



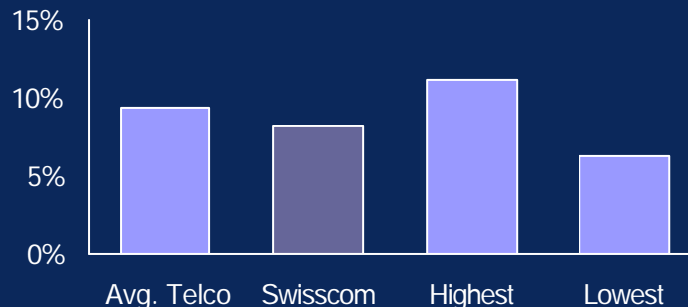
EBIT margin



Net income margin



CAPEX/Sales



1b. Key business developments

Wireline business – improved financial margins

Key financials Fixnet

in CHF mm	Q1 2004	change YOY
Net revenue ¹	1,479	1.2%
EBITDA	575	14.3%
EBITDA margin	38.9%	
EBIT	332	45.0%
CAPEX	105	-13.9%
Number of FTE's	7,673	-4.4%

Key financials Enterprise Solutions

in CHF mm	Q1 2004	change YOY
Net revenue ¹	273	-11.7%
EBITDA	26	360.0%
EBITDA margin	9.5%	
EBIT	22	210.0%
CAPEX	4	100.0%
Number of FTE's	952	-23.6%

¹ including intersegment revenue

Q1 highlights Wireline

- Traffic **substituted** by access:
 - revenues from traffic down 30 mm
 - revenues from access up 45 mm
- 596k **DSL** lines: up 346k YOY (+138%)
- Significant **cost cuts** Fixnet and Enterprise Solutions together reduced cost by CHF 127 mm (-9.9%)
- Substantial **efficiency** improvement:
 - Fixnet: -4.4% to 7,673 FTE's
 - ES: -23.7% to 952 FTE's
 - total wireline: -644 FTE's (-6.9%)
- Strong **EBITDA-margin** improvement:
 - Fixnet: 38.9% from 34.4%
 - ES: 9.5% from -3.2%

Higher access fees compensate traffic loss, cost control pays off

1b. Key business developments

Mobile – on track to produce similar EBITDA as in '03

Key financials Swisscom Mobile

in CHF mm	Q1 2004	change YoY
Subscribers (thousand)	3,838	5.6%
ARPU (CHF/month)	79	0.0%
Net revenue ¹	1,072	7.1%
EBITDA	482	-7.1%
EBITDA margin	45.0%	
EBIT	397	-9.8%
CAPEX	70	-13.6%
Number of FTE's	2,464	0.5%

¹ including intersegment revenue

Vodafone Fee now booked quarterly – unlike last year (H2)
This leads to higher costs compared to Q1 2003, but not for full year

Q1 highlights Swisscom Mobile

- Revenue increase of CHF 71 mm YOY:
 - data contributing +14 mm (+13% YOY)
 - voice delivers +17 mm (+3.3%)
 - other (esp. handsets): +18 mm (+62%)
 - intracompany +21 mm (+12%)
- Overall market share at 64%
- Successful push of Vodafone Live! with >130k subscribers
- EBITDA margin at 45%, pressured especially by higher SAC's / SRC's (+25 mm YOY to CHF 101mm; representing approximately 10% of sales)
- CAPEX 10mm lower YOY, however with substantial shift towards UMTS/WLAN, now taking >50% of total investments

1b. Key business developments

Segments “Other” and “Corporate”

Segment “Other”:

- **Revenues** down 2% YOY
 - Systems and IT down 13% resp. 16%
 - Billag revenues double after integration of T-Systems’ Card Services
- **Restructuring** efforts have safeguarded margins. Staff down by 503 FTE’s (-12% YOY), despite +137 FTE’ s in Billag and + 60 in Eurospot
- **EBITDA** stable at CHF 50 mm

Segment “Corporate”:

- **EBITDA** turning negative partially due to higher net cost of idle workforce

Further focus on efficiency improvements

Sale debitel to Telco Holding S.à.r.l. (Permira) signed

- 29 April: signed sale of entire 95% stake in debitel, including 2% Swisscom bought from EP recently
- Sales price Euro 640 mm (equity value)
- Proceeds in 2004 Euro 430 mm. Remaining 210 mm locked through interest bearing vendor loan note until 2007/2008
- **EFCF contribution in 2004 approx. CHF 600 mm on net basis**
- Reps/warranties include risks from one of debitel's international subsidiaries. Call option secured to take control and limit risk
- No significant gain or loss from transaction to be expected for 2004
- However, cumulative currency translation adjustments will have (non-cash) impact on the P&L of CHF 222 mm negative in 2004
- Further details in Form 20F on page 46

Closing – and deconsolidation - expected mid 2004

Telekom Austria

- Swisscom confirms its continued interest in a partnership with Telekom Austria
- Swisscom is of the opinion that a deal could make sense:
 - it would represent an option to optimise the capital structure through an industrial deal
 - it would bring an option for further expansion (e.g. Eastern Europe)
 - Telekom Austria would have a competent and stable majority partner with similar strategic views in a consolidating telecommunication environment

Key figures and financial highlights

Key figures Swisscom Group

in CHF mm	31.03.2004	change YOY
Net revenue	2,488	1.2%
EBITDA	1,126	-1.3%
EBITDA margin	45.3%	
EBIT	732	2.4%
Net Income	488	19.3%
EPS *	7.37	19.3%
CAPEX	201	-9.5%
EFCF	461	62.9%
Net cash	1,884	n.m.
FTE	15,759	-7.3%

* avg. number of outstanding shares: 66.203mm

Highlights

- revenues overall flat YOY:
 - increases** from Fixnet (DSL charges) and Mobile (subscriber growth)
 - decreases** from Enterprise Solutions (competition and economic pressure), Other (Systems and IT) and Corporate
- EBITDA margin group at robust 45%
- Net income up 19% YOY due to better operating and financial results
- EFCF at 31 March 2004 almost CHF 0,5 bln
- Net cash of CHF 1,9 bln at 31.3.2004 (before outflow of dividends and SBB)

Stronger bottomline: “more sum, fewer parts”

3a. Group financial position

EFCF development

Definition of EFCF	Q1 03 (in CHF mm)	FY 03 (in CHF mm)	Q1 04 (in CHF mm)
+ EBITDA	+ 1,141	+ 4,504	+ 1,126
- CAPEX	- 222	- 1,165	- 201
+/- working cap. Δ	- 11	+ 174	- 105
- tax (cash)	+ 55	- 56	- 33
- net interest	- 17	- 59	- 31
+ dividends received	+ 0	+ 139	+ 0
- minorities	- 370	- 390	- 355
= FCF from operations	= 576	= 3,147	= 401
- net acquisitions/divestm.	- 43	+ 524	+ 32
- debt repayments (net)	- 250	- 750	+ 28
=			
EFCF available to shareholders in t+1	+ 283	+ 2,921	+ 461

**2004 EFCF will be further increased by expected contribution from sale
debitel (~CHF 600 mm)**

EFCF = dividends + share buyback

- DPS of CHF 13 was paid on 30 April (CHF 861 mm)
- Share buyback of CHF 2 bln to be launched on 24 May 2004.
- Second trading line will be used:
ISIN Number: CH 001 828309 0 - Security Number: 1 828 309
- Full transparency of volumes/prices:
 - real-time on separate ticker codes (SCMNE on Bloomberg, SCMNEVX on Reuters)
 - weekly update of volumes and average prices on www.swisscom.com/ir
- full details of mechanics can be downloaded from our Website (use button: „ capital markets event 2004“ , first presentation in PDF format)

After completion, some 8% accretion (at current prices) will have been delivered

Outlook

- Group **revenue** of approximately CHF 10 bln
- Group **EBITDA** of CHF 4,3 bln
- **CAPEX** of CHF 1,3 bln – including push of EDGE

Guidance unchanged

Thank you for your attention!

Questions & Answers

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

For further information, please contact:

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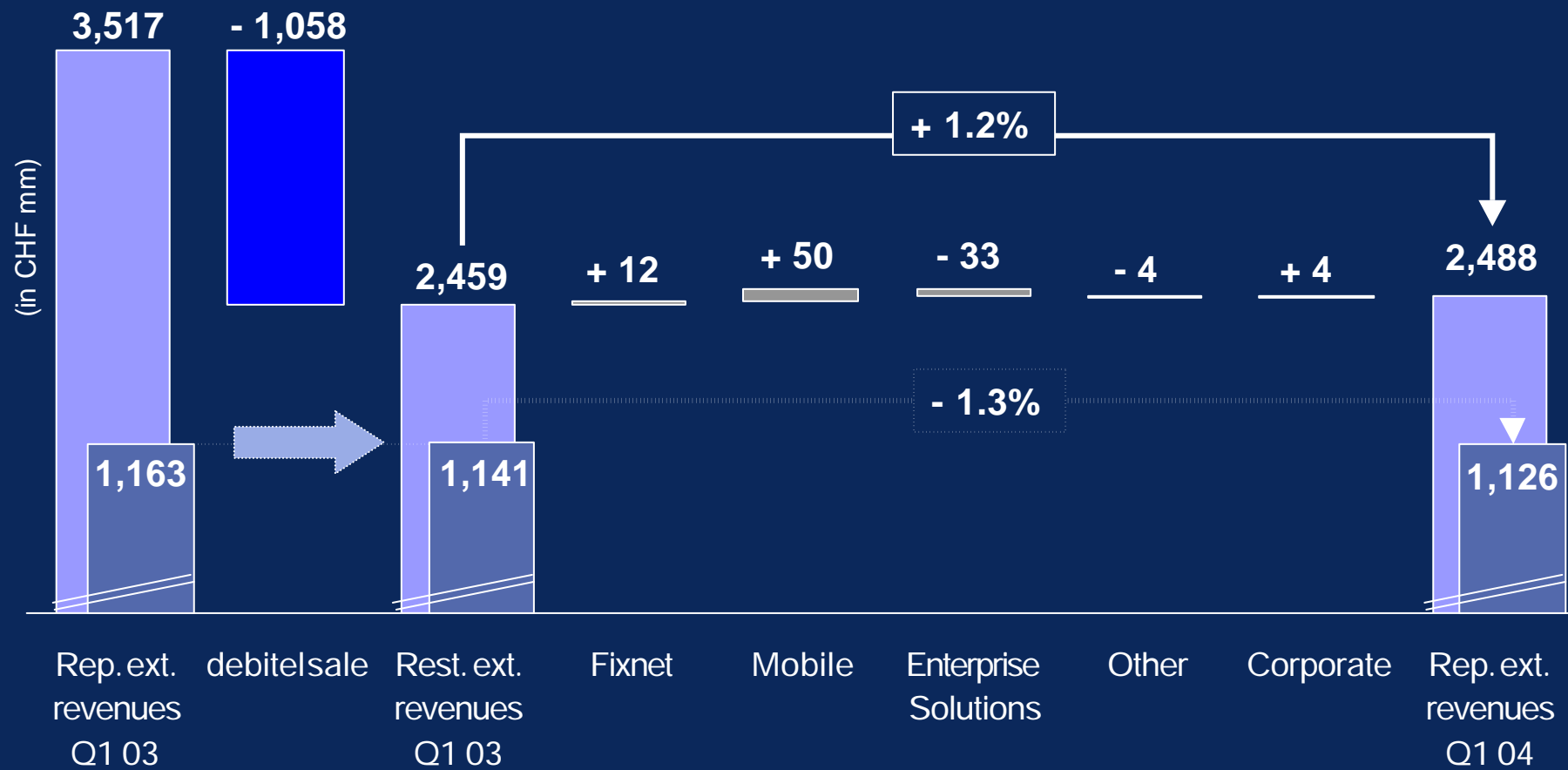
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Supporting background information

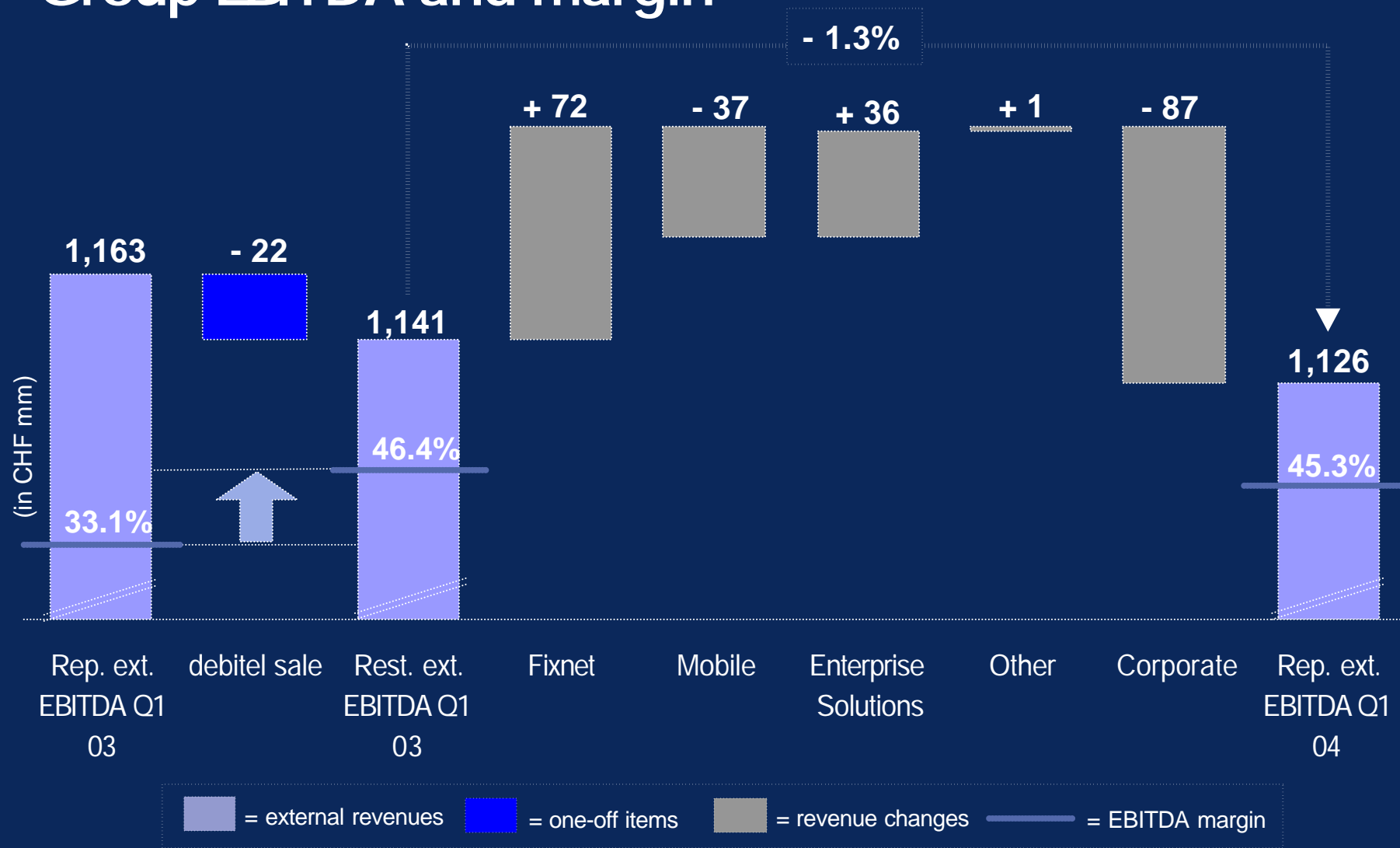
Group revenues and EBITDA



= external revenues
 = one-off items
 = revenue changes
 = EBITDA

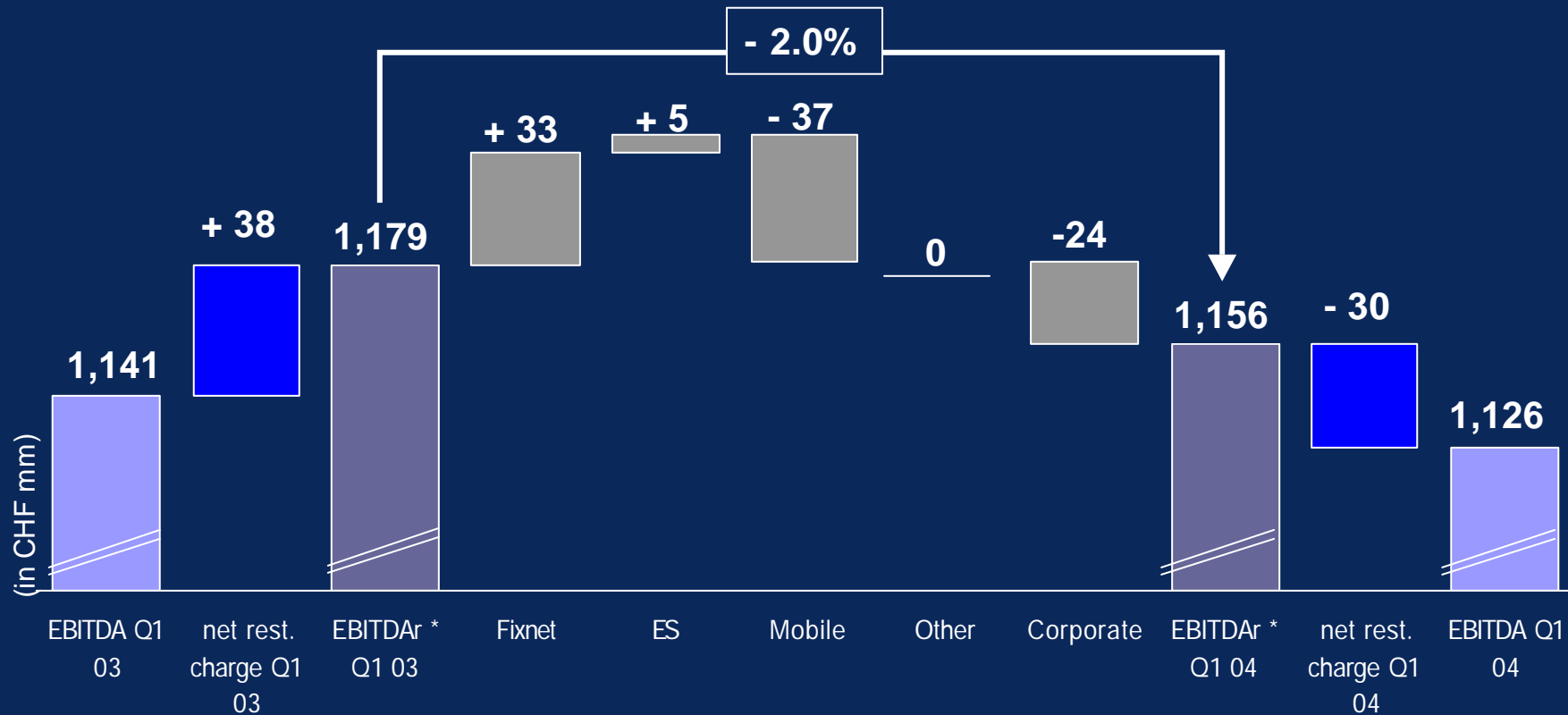
Supporting background information

Group EBITDA and margin



Supporting background information

Group EBITDA and EBITDAr *

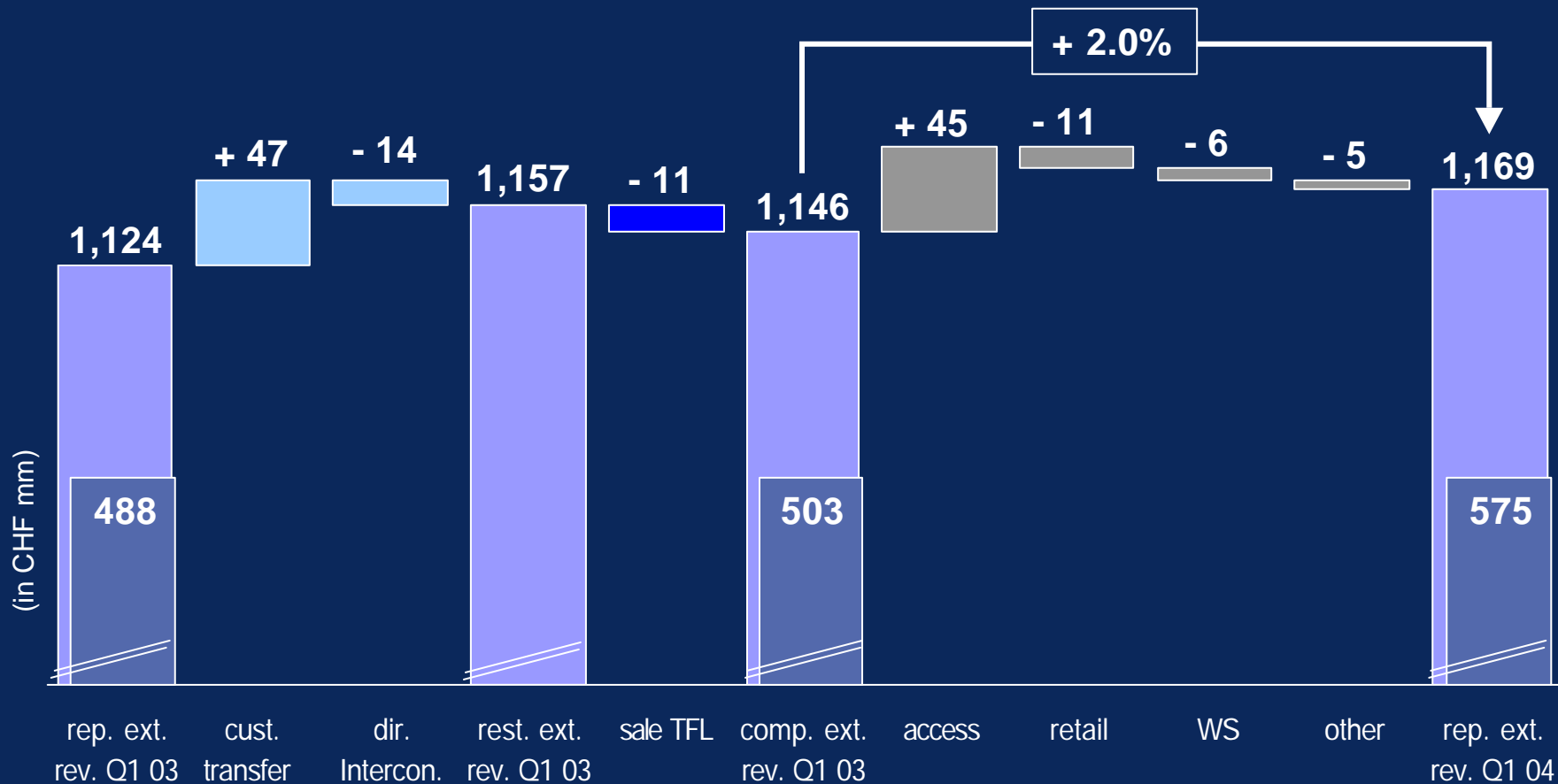


= EBITDA
 = net rest. charges, net
 = EBITDAr*
 = EBITDA changes, excl. termination benefits

* EBITDAr = EBITDA before restructuring charges

Supporting background information

Fixnet revenues and EBITDA

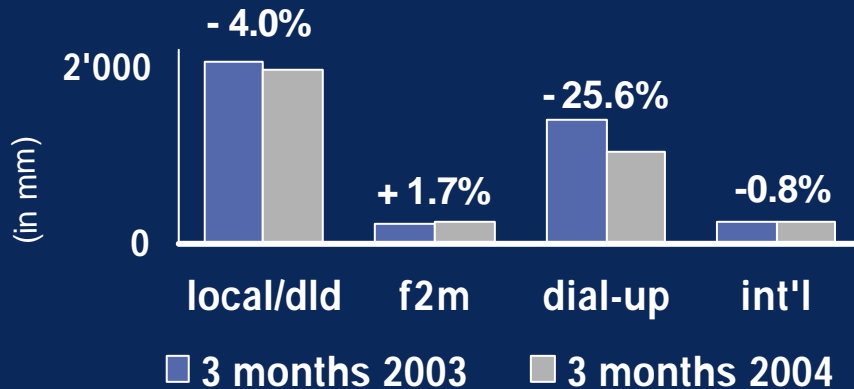


= external revenues
 = restatements
 = exceptional effects
 = revenue changes
 = EBITDA

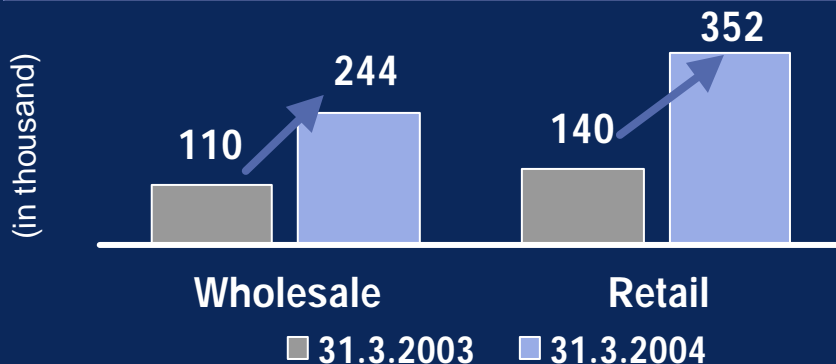
Supporting background information

Fixnet – shifting operations

Retail minutes (Fixnet)



ADSL subscribers



Key observations

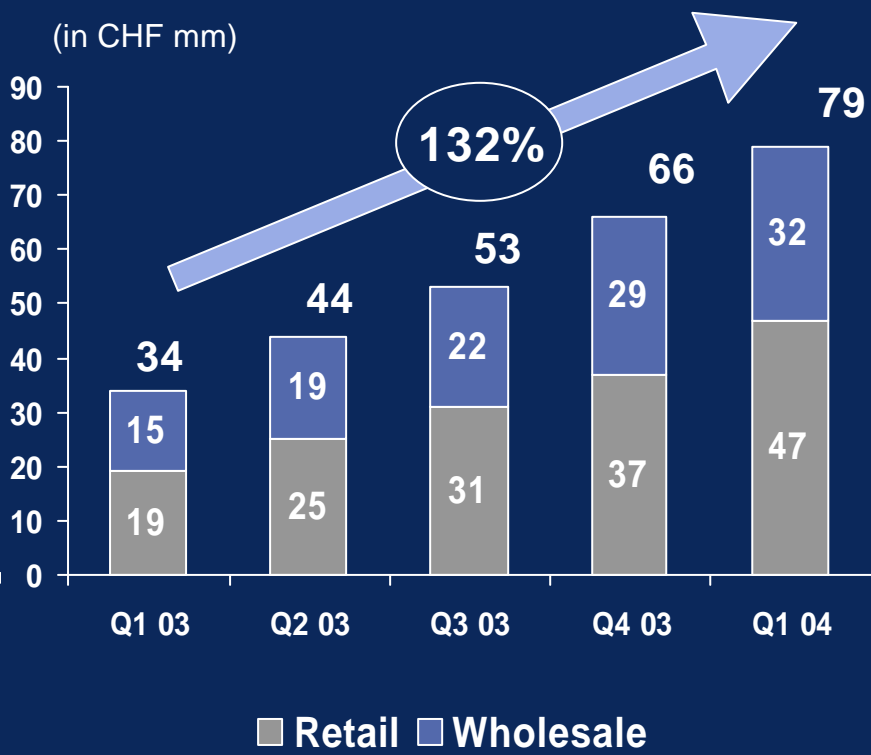
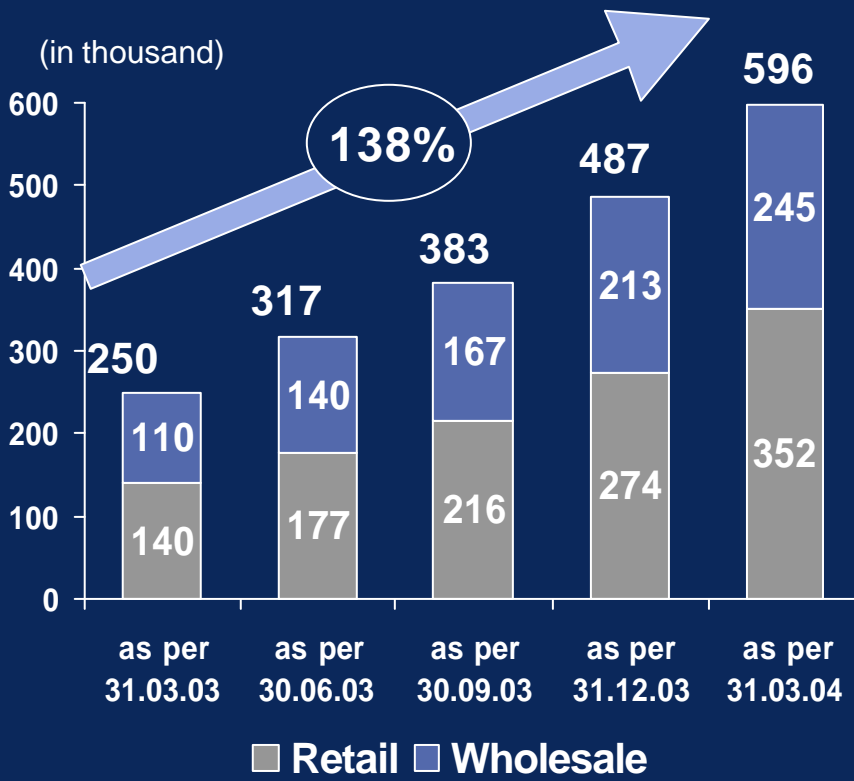
- From minutes to access; from variable to recurring revenues
- From narrowband to broadband
- Unlocking latent demand: ~60% of customers that upgraded to broadband now pay more for internet access than previously. This clearly points at willingness to pay for better services:
 - convenience
 - speed
 - cost control
- ADSL now > 60% of total broadband market (i.e. incl. cable)

Supporting background information

Fixnet leading Swiss broadband provider

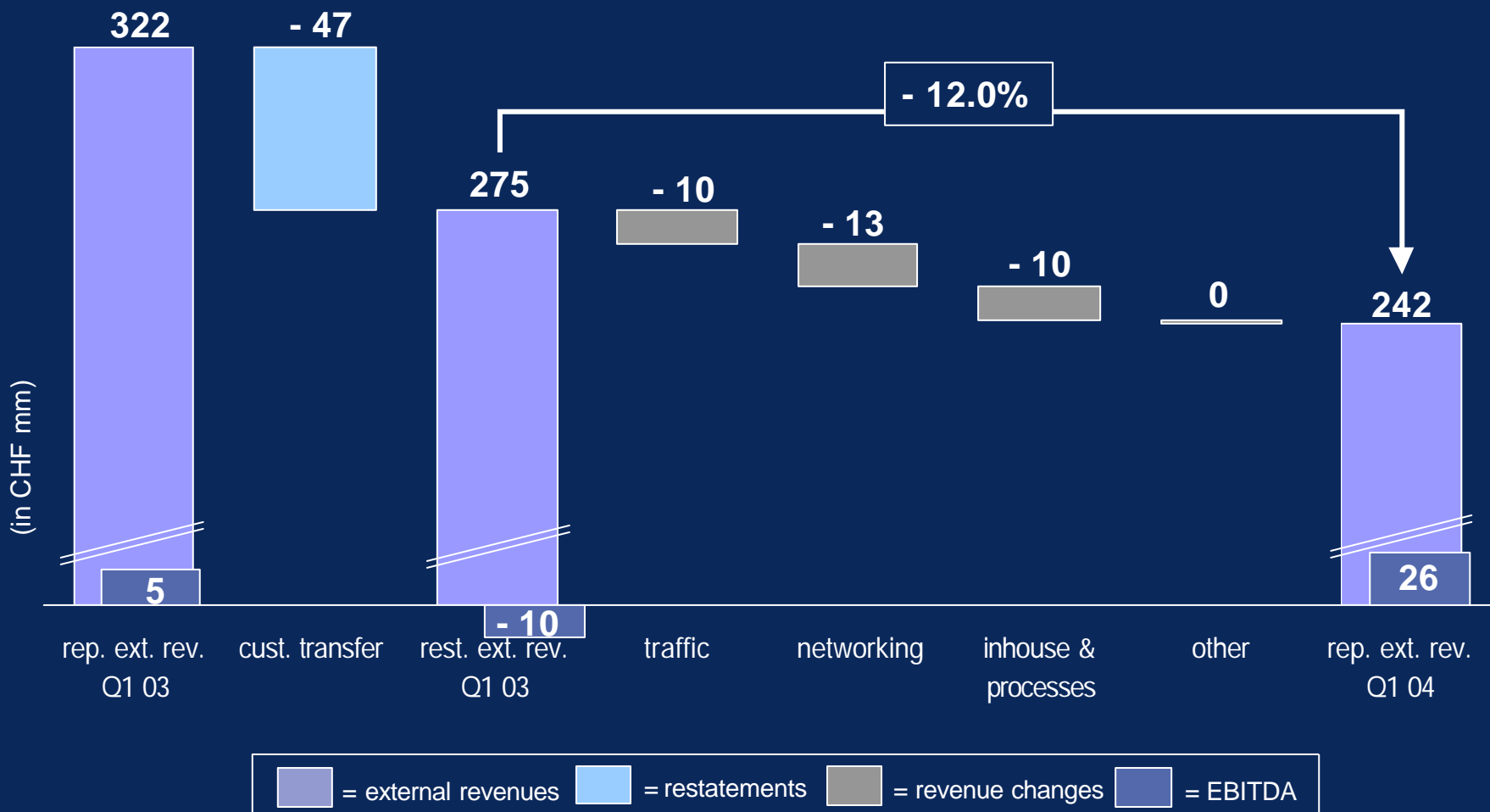
ADSL subscribers, cumulative

Broadband revenues, per quarter



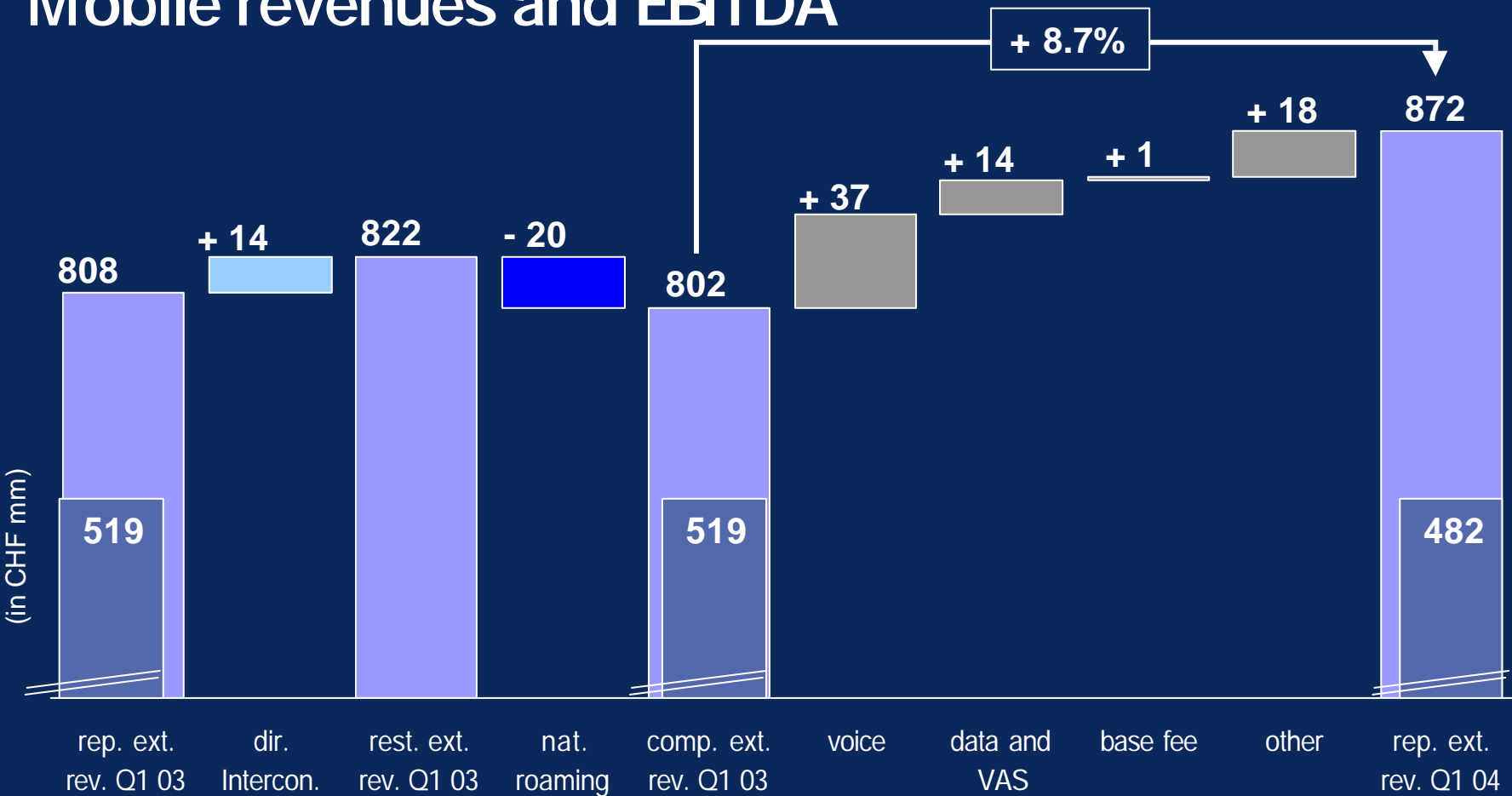
Supporting background information

Enterprise Solutions revenues and EBITDA



Supporting background information

Mobile revenues and EBITDA

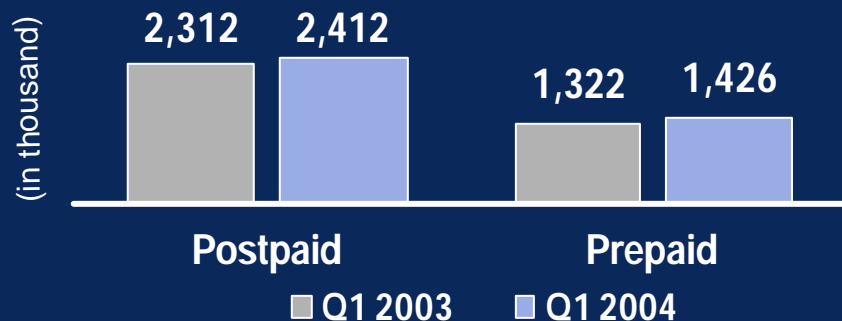


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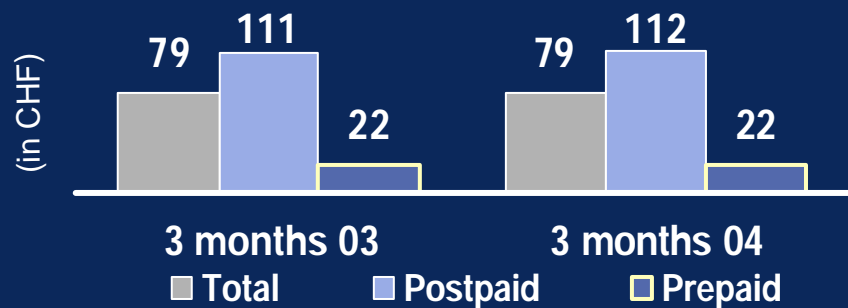
Supporting background information

Mobile business – KPI's stable at high level

Mobile subscribers



ARPU development

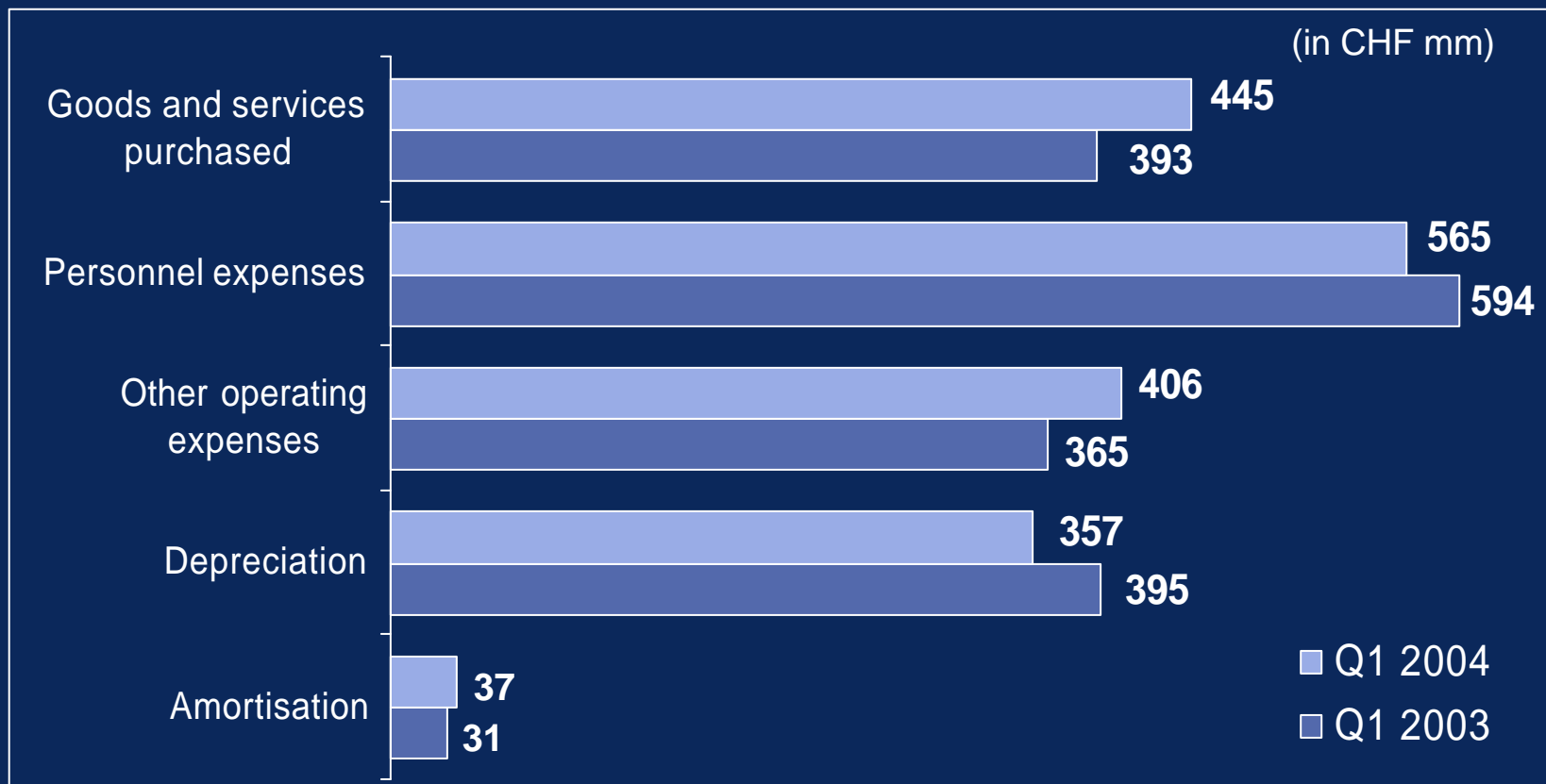


Key observations

- Penetration up to 82.8%
- Churn rate further decreased to below 1% per month - 2.9% for first 3 months
- AMPU (115 min.) similar to Q1 2003
- ARPU YOY stable at CHF 79
- SMS usage 26% higher YOY with 574mm messages sent (retail), boosted by special promotions
- Vodafone Live! customers (>3% of customer base within 5 months) generate higher-than-average ARPU's

Supporting background information

Group OPEX overview



Supporting background information

Costs related to workforce reduction

(in CHF mm)	Q1 03	Q2 03	Q3 03	Q4 03	FY 03	Q1 04
Fixnet	42	6	5	10	63	3
Enterprise Solutions	31	1	-	9	41	-
Mobile	-	-	-	-	-	-
Other	1	3	-	44	48	-
<i>Swisscom IT Services AG</i>	1	3	-	44	48	-
<i>Swisscom Systems AG</i>	-	-	-	-	-	-
Corporate	-37	2	42	-4	3	27
<i>GHQ and SIMAG</i>	4	2	8	28	42	-
<i>Elimination</i>	-48	-8	-2	-48	-106	-
<i>WORK_LINK, total exp., net</i>	7	8	36	16	67	27
Group	37	12	47	59	155	30

Supporting background information

Group P&L overview

(in CHF mm)	31.03.2003	31.03.2004	change YOY
EBITDA	1,141	1,126	-1.3%
Depreciation	-395	-357	-9.6%
Amortisation of intangible assets	-24	-24	0.0%
Amortisation of goodwill	-7	-13	85.7%
EBIT	715	732	2.4%
Net financial result	-39	1	n/m
Income tax expense	-140	-145	3.6%
Equity in net income of affiliated companies	5	2	-60.0%
Minority interest	-95	-87	-8.4%
Discontinuing operations	-37	-15	-59.5%
Net income	409	488	19.3%
Avg. number of shares outstanding (in thousands)	66,203	66,203	
EPS (in CHF)	6.18	7.37	19.3%

Supporting background information

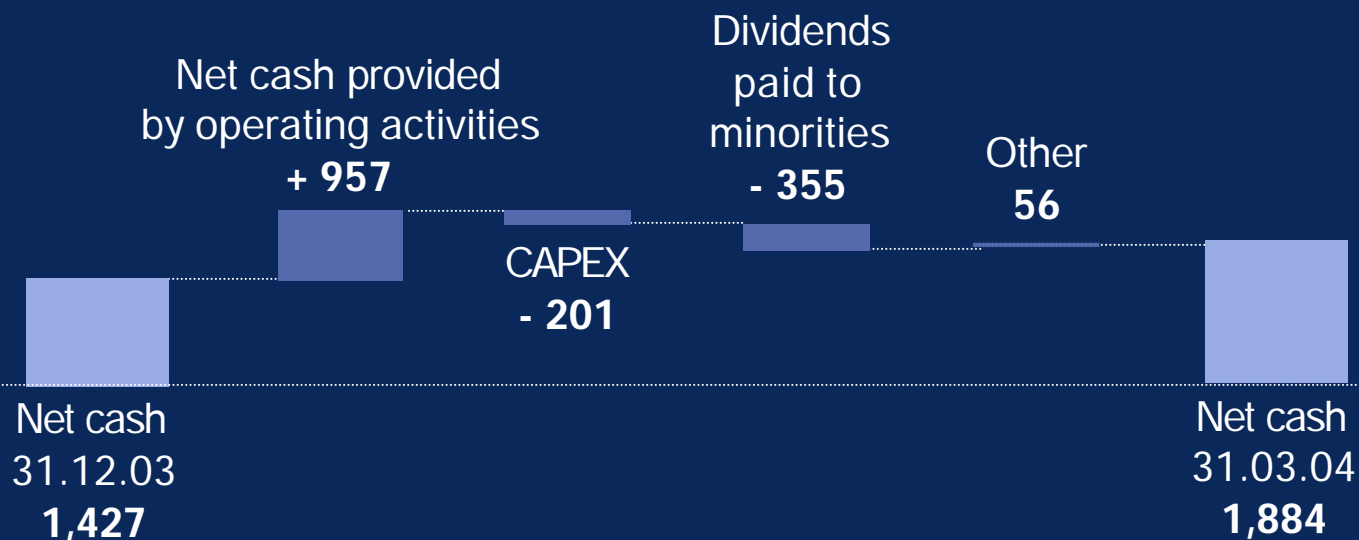
Group CF overview

(in CHF mm)	31.03.2003	31.03.2004
EBITDA	1,141	1,126
Change in net operating assets	-10	-120
Income taxes paid	55	-33
Net interest paid	-17	-31
Other cash flows from operating activities	-1	15
Net cash provided by operating activities	1,168	957
CAPEX	-222	-201
Investments in subsidiaries and affiliated companies	-48	17
Purchase and sale of current financial assets, net	-1	-131
Other cash flows from investing activities, net	5	16
Net cash from investing activities	-266	-299
Repayment of debt, net	-337	-28
Dividends paid to minority interests	-370	-355
Other cash flows used in financing activities, net		-1
Net cash used in financing activities	-707	-384
Net decrease in cash and cash equivalents	195	274
Cash and cash equivalents at end of the period	1,882	3,376

Supporting background information

Change of net cash

(in CHF mm)



Supporting background information

Group capital structure

(in CHF mm)	31.12.2003	31.03.2004
Short term debt	515	542
Long term debt (esp. cross border tax lease)	1,293	1,336
Long term net finance lease obligation	1,131	1,080
Total debt	2,939	2,958
Less: financial assets from lease-and-leaseback transactions	-1,011	-1,057
Less: cash, cash equivalents and securities	-3,355	-3,785
Net cash	1,427	1,884
Shareholders' equity	7,669	8,184
Balance sheet total	16,540	16,994
Book leverage ¹	-18.6%	-23.0%
Equity ratio ²	46.4%	48.2%

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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