In Transition

Citigroup's 7th Annual European & Emerging Markets Telecoms Conference
London, 29 March 2007
Agenda

Swisscom strategy

Maximize
- customer experience
- efficiency & convergence

Extend
- deepen the business

Expand
- widen the business

1. Strategy update
2. EBITDA 2006
3. Domestic market dynamics: outlook
4. Unbundling of local loop
5. Cost initiatives
6. Italian BB and Fastweb offer
7. Q&A

Optimise market position and cost structure
Compensate revenue decline
Compensate cash flow decline
1 Strategy update

Maximize
- price and volume erosion
- new revenue: Broadband & mobile

Extend
- new revenue: IT, media

Expand
- new business

Revenue profile
- revenue \( t \) to revenue \( t+1 \)
- 1 : 1
- 1 : 0.9

Cash flow profile
- cash flow \( t \) to cash flow \( t+1 \)
- 1 : 0.1

Revenue to Cash flow

Optimise market position and cost structure
Compensate revenue decline
Compensate cash flow decline
## Helicopter Perspective of EBITDA 2006

### Rep. EBITDA '05

<table>
<thead>
<tr>
<th>Item</th>
<th>EBITDA '05</th>
<th>EBITDA '06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rep. EBITDA '05</td>
<td>4,171</td>
<td>3,787</td>
</tr>
<tr>
<td>MT Comp. EBITDA '05</td>
<td>4,043</td>
<td>4,067</td>
</tr>
<tr>
<td>Price / volume</td>
<td>-250</td>
<td>+140</td>
</tr>
<tr>
<td>BB</td>
<td>+172</td>
<td>-100</td>
</tr>
<tr>
<td>Subs / new data</td>
<td>+200</td>
<td>-238</td>
</tr>
<tr>
<td>Price / Right-grading</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others *</td>
<td></td>
<td>-180</td>
</tr>
<tr>
<td>Comp. EBITDA '06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT one-offs</td>
<td></td>
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<tr>
<td>IC provisions</td>
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<tr>
<td>Rep. EBITDA '06</td>
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MT, IT one-offs and IC provisions affect EBITDA by CHF -0.4bln

*Others consist of effects from roaming adjustments (CHF 68mm), 1st time consolidation of Antenna Hungaria (CHF 43mm), cost savings and other improvements*
## Domestic Market Dynamics

<table>
<thead>
<tr>
<th>Maximize</th>
<th>Extend</th>
<th>Expand</th>
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<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Continuing subscriber growth</td>
<td></td>
<td></td>
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<tr>
<td>• ARPU erosion to slow down</td>
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<td></td>
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<tr>
<td>• advanced data well above EU average</td>
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<td></td>
</tr>
<tr>
<td>• No particular threat from MVNO/no-Frill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Line losses reducing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Broadband growth continues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cable digitalization at early stage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Strong Broadband VDSL value proposition</td>
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<td></td>
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<tr>
<td>• Successful IPTV launch with attractive offer</td>
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<td></td>
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<tr>
<td>• High setup costs for IPTV</td>
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Comparable EBITDA 2007: Mobile up, Fixed down
Unbundling of Local Loop

Maximize

- Ex-post regime
  - LRIC based prices announced
  - Definitive prices not before mid ‘08

- Copper ULL April '07
  - No bit-stream access – legal position stable at least until mid ‘08
  - Only offer for full access, ducts, rebilling and leased lines

- VDSL
  - Fiber/VDSL excluded by law from unbundling
  - Introduce VDSL retail offer
  - Establish superior non-regulated VDSL wholesale offer

Extend

Expand

Outlook 2007: limited line losses from ULL but price pressure expected
5 Cost Initiatives

Maximize

- One all-IP network
- Converged platform and rationalized production
- Real estate
- Shared services
- SAP optimization
- Eliminate duplication (IT, admin)
- Establish one network organization

Extend

Expand

Goal 2013: reduction of annual cost by CHF 450mm

1) Management estimate in CHF million, reduction of annual operating expenses from 2013 compared to 2006
Promising BB Market in Italy

- Market with low BB penetration
- No cable
- Regulatory regime favoring altnets infrastructure build-outs
- High market share and historical high prices from incumbent

Italy is one of the most attractive large scale BB opportunities
# Fastweb Offer

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<tr>
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<td>Strategic rationale</td>
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<td>Financial rationale</td>
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**Strategic rationale**
- Infrastructure build-out almost completed
- Set for growth
- Attractive B2B activities even stronger with Swisscom
- Technological edge to benefit existing core business
- Excellent management and strong brand
- Friendly approach - at € 47 / share

**Financial rationale**
- Fastweb CAGR revenue and EBITDA >>10% p.a.
- ROIC > WACC by 2009

**Goal: Mutual strengthening and reinvigorate growth**
Questions & Answers

Thank you for your attention!
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 behavior of other market participants, the actions of governmental regulators, the outcome of the tender offer for Fastweb, Fastweb’ growth prospects and the prospects of the industry and markets in which it operates, the ability of Swisscom to integrate Fastweb successfully, the costs of the integration, the level of interest rates and the availability of the re-financing opportunities 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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