

Swisscom Q1 results 2005:

“first quarter – not the l(e)ast”

Not the Last

- **sequential** quarterly trend marginally south – however **strong absolute results** remain firmly in place

Not the Least

- **forward looking** quarterly trend not different – Q1 will be one of strongest quarters in 2005

12 May 2005

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Jens Alder, CEO

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Summary and Outlook

Jens Alder, CEO

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1a. Telecoms trends

“Triple C” – strategic trends:

Increasing Consolidation appetite:

- US “showing the way”, Europe to follow?
- increasing M&A appetite from incumbents and PE
- incumbents all face the same issue: stable home market at best, no scope to buy domestic growth – largely for regulatory reasons

Increasingly Cross border:

- foreign expansion as logical step to grow by acquiring exactly the same, well known, business

Increasing Capital efficiency awareness

- balance sheet strength restored, enabling industrial players to participate in M&A over the next few years
- opportunities to buy into highly free cash flow accretive operations at very low cost of (debt) funding, causing the capital efficiency to be improved substantially

Should “millennium-hype” return, Swisscom would have limited chances to participate in consolidation process

1a. Telecoms trends

Another “Triple C” - market trends:

Increasingly Competitive:

- new entrants such as cable operators in wireline and new GSM licensees in wireless
- alternative operators cause higher customer price awareness

Increasingly Convergent:

- market moves to offer bundled portfolios of voice, data, IT, TV/video, mobile

Increasing Customer awareness

- customer more open to test new services
- alternatives for plain telephony abundant (VoIP, VoC, mobile substitution, email etc) forcing operators to introduce new price plans. More flat, less variable

Incumbents need to reposition in changing market environment

Regulatory update

Unbundling of local loop (ULL):

- **Lower house of parliament** decided (7 Oct 2004) to introduce:
 - full access
 - bitstream access (@DSLAM) for a period of 2 years in a 6 year timeframe
 - access to leased lines and ducts where technically feasible
 - other operators allowed to invoice access
- **Council of States:**
 - preparatory commission prepared a proposal on 15 April 2005 to the Council to follow parliamentary decision with two exceptions:
 - no time limitation on bitstream access– while checking co-investment done by alternative operators
 - competence delegated to Government to expand access regulation, incl. technology neutrality

ULL will not lead to financial impact until well into 2006

Regulatory update

Mobile termination:

- **Competition committee** in process to define its position. Some preliminary observations:
 - EU market dominance definition seems to be applied to Switzerland too
 - Alleged abuse of market dominance categorically contested by Swisscom
 - Commission seems to be focused on ruling European benchmark prices asymmetrical against Swisscom Mobile: this would end up in courts

Final ruling competition committee still under construction, but likely to be contested

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2a. First quarter results, operating results

Introductory remark on restatements and amendments

2004 results have been restated to reflect ...

... organisational changes

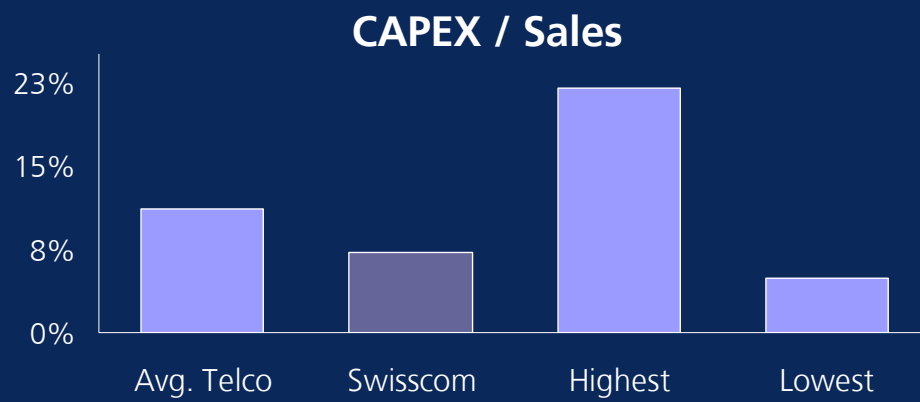
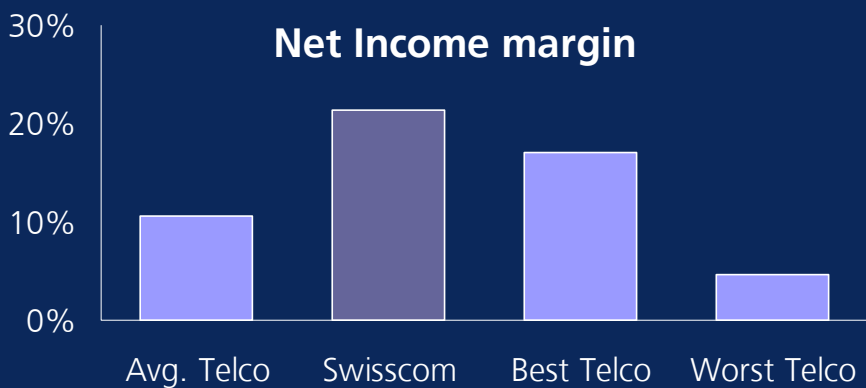
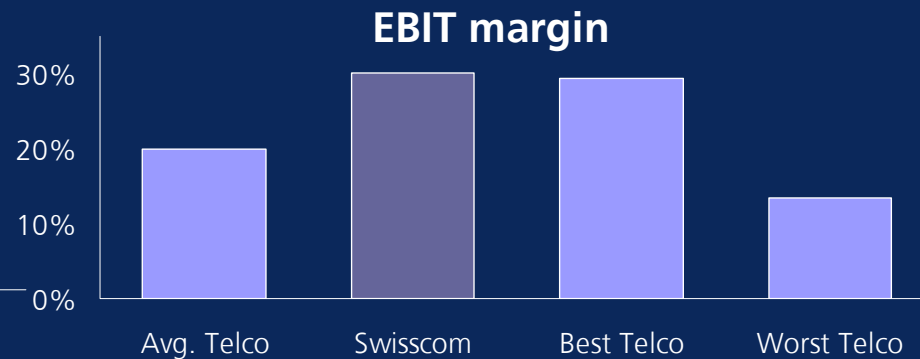
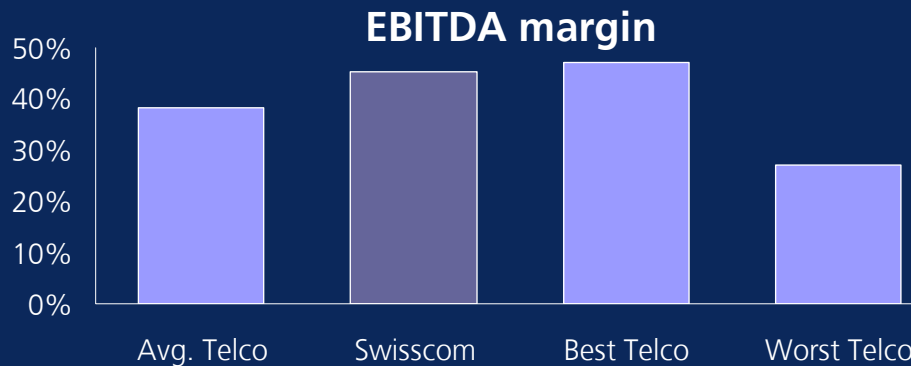
- Merger of Swisscom Systems and Swisscom Enterprise Solutions into Swisscom Solutions leading to a new segmental structure with the following restatements:
 - former segment 'Enterprise Solutions' now replaced by segment 'Solutions'
 - former segment 'Other' now reduced since Swisscom Systems was transferred

... IFRS amendments

- Amendments of IFRS have very limited impact on financials:
 - Only IAS1, IAS 27 and IAS 17 lead to 2004 restatements
 - Full details available from file "facts & figures" with quarterly data as posted on our website

2a. First quarter results, operating results

“Helicopter view”: Swisscom performance among the best



2a. First quarter results, operating results

Swisscom Fixnet

Key financials Fixnet

in CHF mm	Q1 2005	change YOY
Net revenue ¹	1,378	-4.6%
EBITDA	519	-9.7%
EBITDA margin	37.7%	
EBIT	309	-6.9%
CAPEX	78	-25.7%
Number of FTE's	7,389	-3.7%

¹ including intersegment revenue

"Put in Perspective":

Out of the 17 quarters since 1.1.2001:

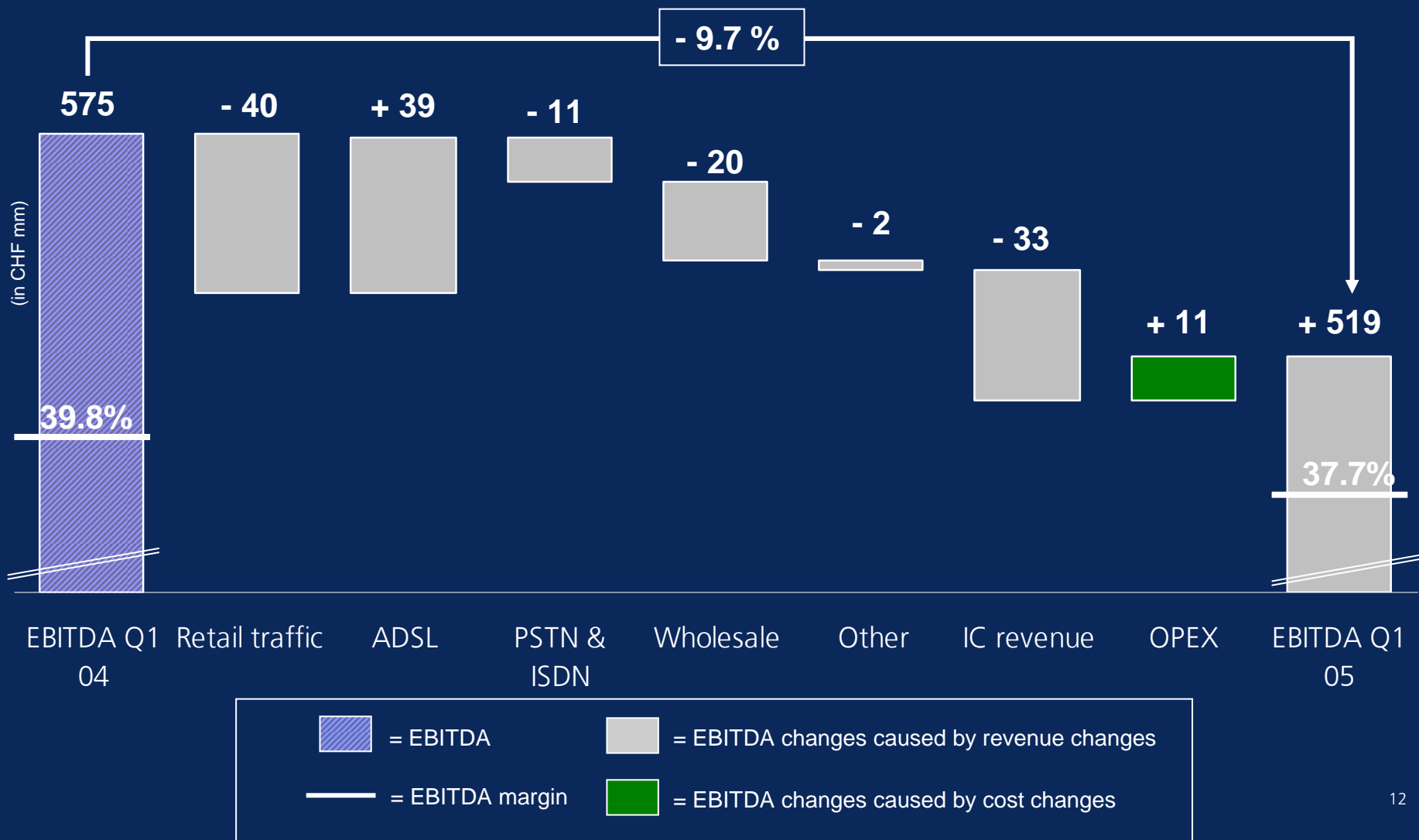
- Q1 **last** year was highest in EBITDA
 - Q1 **this** year is number 8: still > average.
- Results therefore may at first glance look worse than when put into historical perspective

Q1 highlights Fixnet

- **Retail** traffic decline no longer compensated by access increases:
 - traffic revenues down CHF 40 mm
 - access revenues up CHF 28 mm
- **Wholesale** revenues (CHF -20 mm) especially due to lower IC rates
- At 878k **DSL** lines, broadband still growing impressively
- **Cost** contained: -1.3% yoy
- New **products** and **price** plans launched to cope with increasing competitive pressure

2a. First quarter results, operating companies

Swisscom Fixnet - EBITDA and margin



2a. First quarter results, operating results

Swisscom Mobile

Key financials Swisscom Mobile

in CHF mm	Q1 2005	change YoY
Subscribers (thousand)	3,983	3.8%
ARPU (CHF/month)	77	-2.5%
Net revenue ¹	1,040	-3.0%
of which service revs	970	2.0%
EBITDA	509	5.6%
EBITDA margin	48.9%	
EBIT	415	4.5%
CAPEX	69	-1.4%
Number of FTE's	2,478	0.6%

¹ including intersegment revenue

“Put in Perspective”:

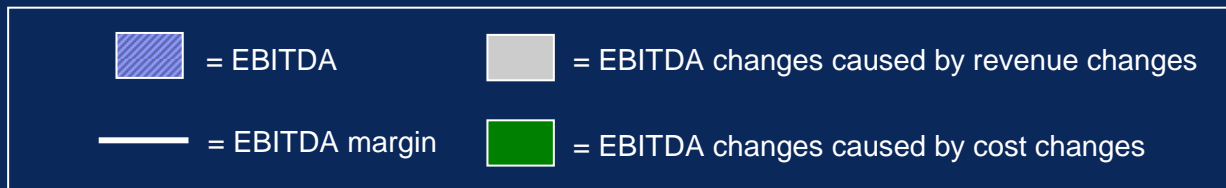
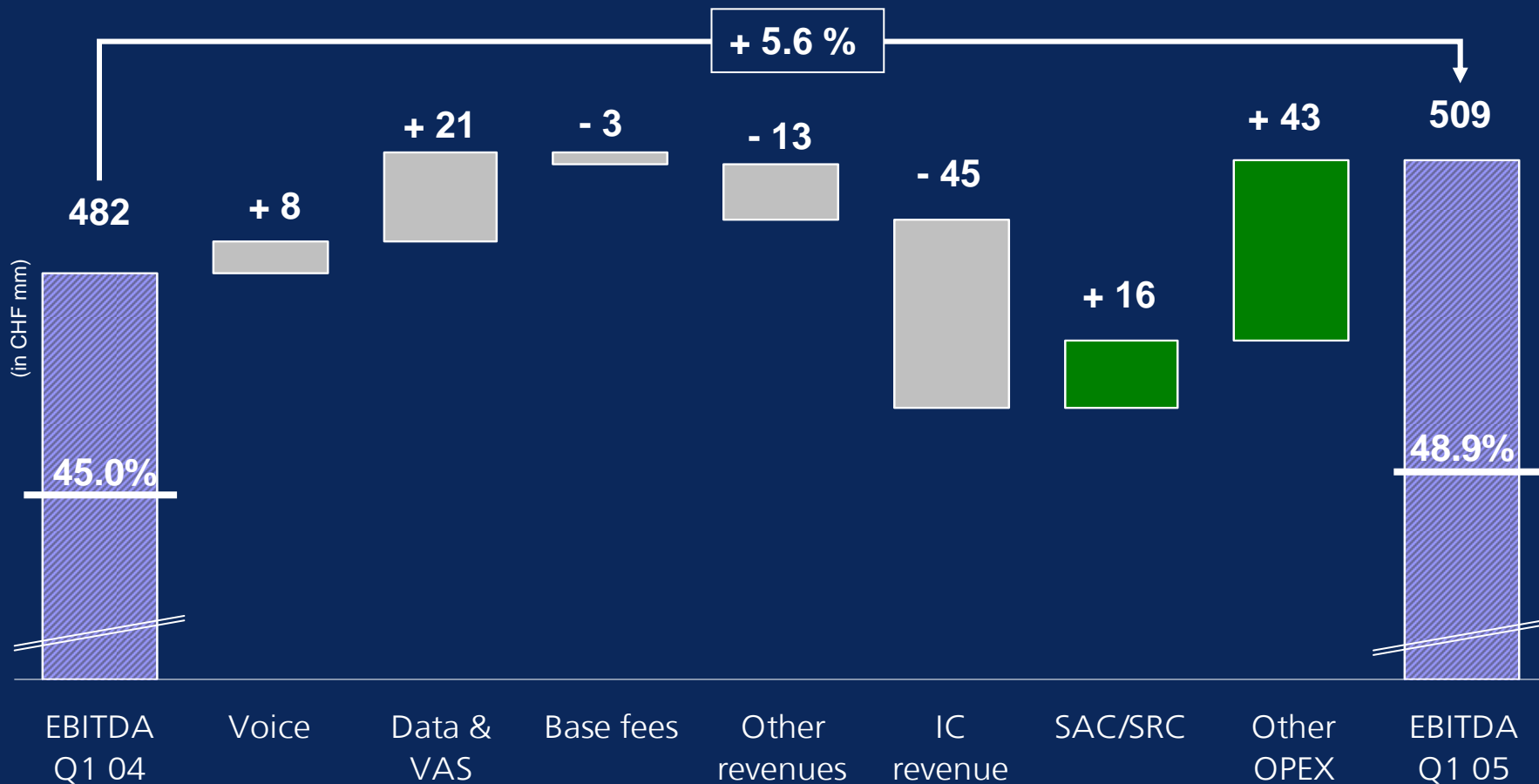
While Q1 results are strong, the AMPU trends are clearly down. In a saturating market, volume stimulation is becoming more important than ever, which is why Swisscom Mobile introduces new pricing

Q1 highlights Swisscom Mobile

- **External** revenues +1,5% and **service** revenues (excl handsets) +2%
- Net **customer growth** of +75k (+42k last yr)
- Blended quarterly **churn** in Q1 down to 1.7% (last year's Q1: 2.9%)
- **EBITDA** (+5,6%) grew mainly resulting from growth in strong margin revenues
- **Volumes** per user on downward trend, therefore Mobile will introduce per June:
 - new aggressive **tariff** plan for retail customers (50 cts/call and CHF 25 monthly subscription fee)
 - lower mobile **termination** rates (-40% to 20 cts/min)
- This investment into volume stimulation will lead to lower revenues and EBITDA in the remainder of 2005: max. CHF 165 mm negative impact ¹³

2a. First quarter results, operating companies

Swisscom Mobile - EBITDA and margin



2a. First quarter results, operating companies

Swisscom Solutions

Key financials Solutions

in CHF mm	Q1 2005	change YOY
Net revenue ¹	314	-11.0%
EBITDA	23	-41.0%
EBITDA margin	7.3%	
EBIT	12	-55.6%
CAPEX	3	-40.0%
Number of FTE's	1,805	-9.4%

¹ including intersegment revenue

"Put in Perspective":

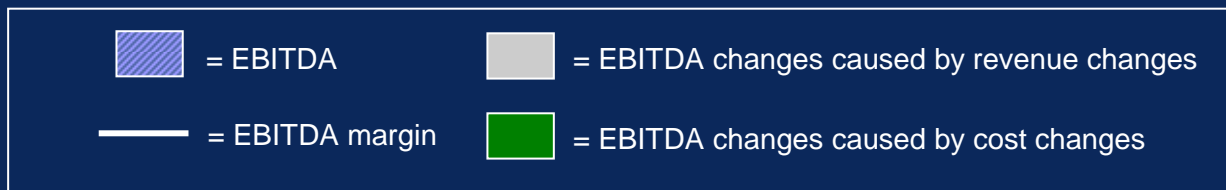
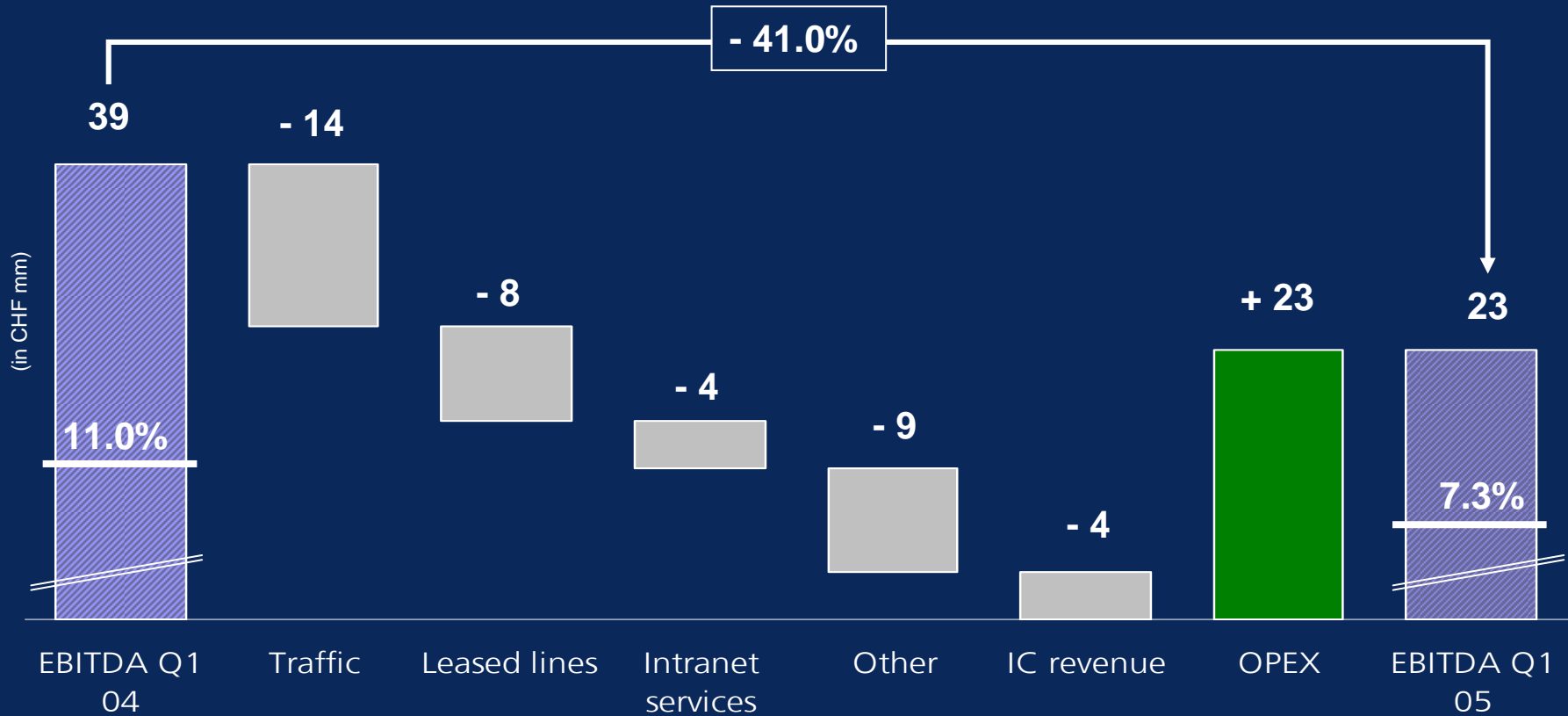
Swisscom Solutions was created per 1.1.2005 from the merger of Swisscom Systems with Enterprise Solutions. This to allow a more focussed approach to customers while eliminating organisational overlaps enabling Solutions a better positioning in a very competitive environment

Q1 highlights Solutions

- **Revenues** with external customers decreased by 11,1% (- CHF 35 mm)
 - Traffic substituted by mobile and increasing competition: - CHF 14 mm
 - Substitution of leased lines by IP offers: - CHF 8 mm
 - remaining decrease largely explained by lower PBX rental income
- Operating **Costs** reduced by 7,3% (decreasing COGS and personnel costs), however not sufficient to compensate for revenue decline

2a. First quarter results, operating companies

Swisscom Solutions - EBITDA and margin



2a. First quarter results, operating results

Segments “Other” and “Corporate”

Segment “Other”:

- **External Revenues** up 13% YOY to CHF 128 mm
 - Swisscom IT Services gained new outsourcing customers, explaining the full increase of CHF 15 mm YOY
- Intra-company revenues down and **cost** largely stable
- **EBITDA** up slightly (+5,4%) to CHF 39 mm

Segment “Corporate”:

- **EBITDA** turning positive (to CHF 5 mm) due to lower net cost of idle workforce

Revenue improvement largely thanks to new outsourcing contracts secured by Swisscom IT

2b. Group results

Snapshot

Key figures Swisscom Group

in CHF mm	31.03.2005	change YOY
Net revenue	2,445	-1.7%
EBITDA	1,092	-2.7%
EBITDA margin	44.7%	
EBIT	735	0.7%
Net Income	613	6.6%
EPS *	8.46	14.8%
CAPEX	176	-12.4%
EFCF	606	31.5%
Net cash	2,540	20.9%
FTE	15,397	-2.3%

* avg. number of outstanding shares: in Q1 2005: 61.464mm

Highlights

- Revenue and EBITDA marginally down
- EBITDA: Mobile's increase of CHF 27 mm does not compensate the wireline decreases (Fixnet: CHF -56 mm, Solutions: CHF -16 mm)
- Net income up by 7%
- EPS growth further stimulated after completion of share buyback 2004 (due to the resulting lower number of shares)
- Quarterly CAPEX to increase
- EFCF again higher – mainly thanks to proceeds from the sale of Infonet

Earnings Per Share up by 15%

2b. Group results

EFCF development

Definition of EFCF	Q1 04 (in CHF mm)	Q1 05 (in CHF mm)
+ EBITDA	+ 1,122	+ 1,092
- CAPEX	- 201	- 176
+/- working cap. Δ	- 124	- 111
- tax (cash)	- 33	- 109
- net interest	- 8	+ 1
- minorities	- 355	- 357
<hr/>	<hr/>	<hr/>
= FCF from operations	= 401	= 340
- net acquisitions/divestm.	+ 32	+ 266
- debt repayments (net)	+ 28	+ 0
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EFCF (Equity Free Cash Flow)	+ 461	+ 606

Q1 2005 EFCF further up thanks to cash-in from Infonet sale

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Shareholder returns

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Dividends

- DPS
- payout ratio

b

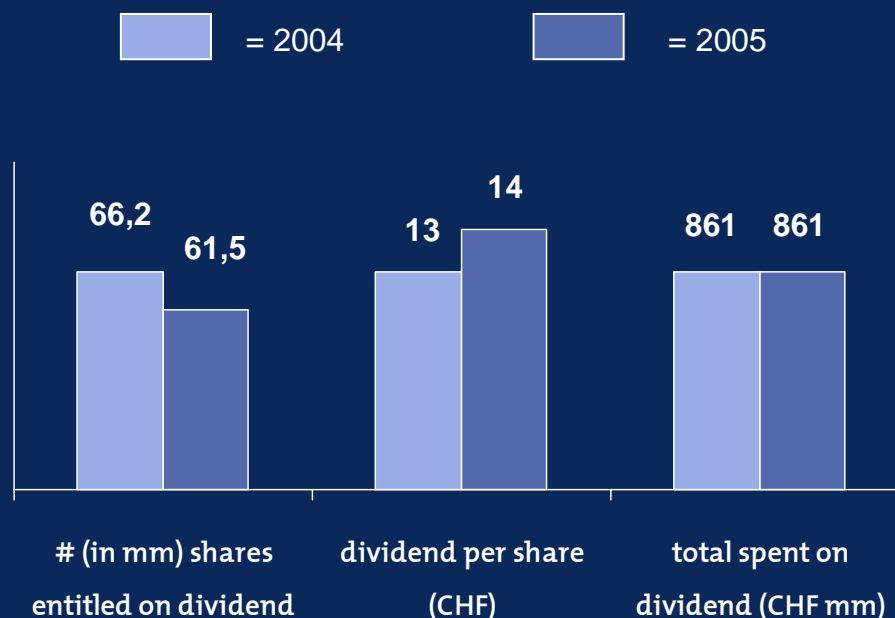
Share buy back

- 2004 program
- 2005 program

3a. Dividends

Same dividends as in 2004, however higher DPS

- DPS of CHF 14 was paid on 29 April 2005 (CHF 861 mm)
- Payout ratio of 57%
- Total amount spent on dividends in 2005 (CHF 861 mm) at par with 2004 payment, however increase of CHF 1/share (+7.7%) due to accretion from completion of 2004 share buy back program

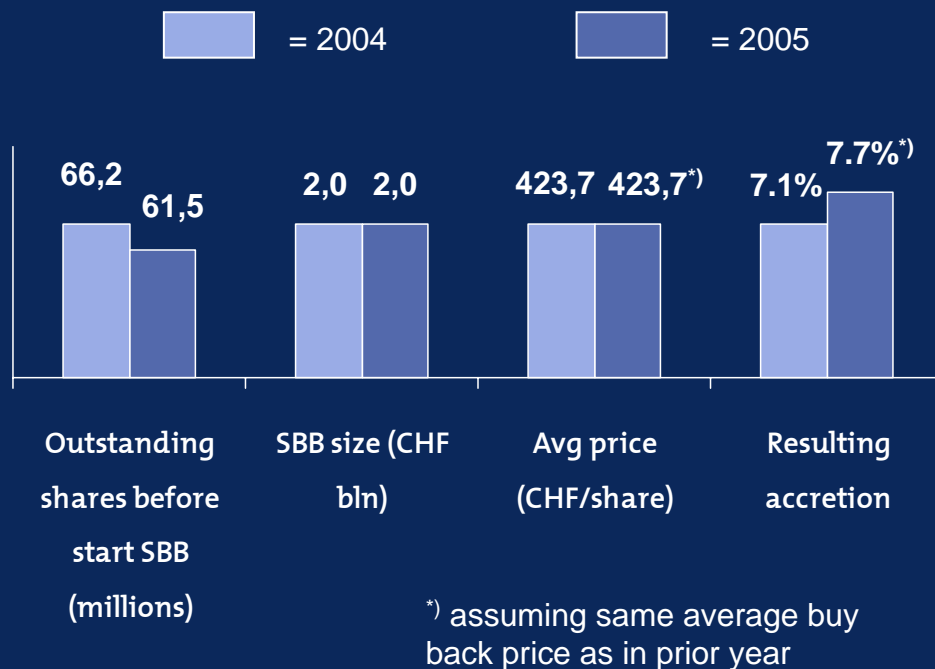


Dividend yield of around 3.4% on ex-dividend price

3b. Share buy back

Share buy backs – a continuing story

- Buy back program 2004 (CHF 2 bln) completed at avg price of CHF 424 / share. Assembly approved cancellation (will take place July '05 latest)
- Buy back program 2005 (CHF 2 bln) to be started 23 May latest
- Second trading line will be used:
 ISIN Number: CH 002 146428 1
 Security Number: 2 146 428
- Full transparency of volumes/prices:
 - real-time on separate ticker codes (SCMNE)
 - weekly update of volumes and average prices on www.swisscom.com/ir
- Full details of mechanics can be downloaded from our Website



After completion, again some 7 to 8% accretion (at current prices) will have been delivered

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- 2005 program

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Summary and Outlook

Jens Alder, CEO

4. Summary and Outlook

In summary

- Strong **absolute** results in Q1 2005
- Top-line and operating profitability however slowly **eroding**
- Driven by both **Strategic** and **Market** trends:
 - organic and non-organic expansion of telco players leading to increased competition in all markets and segments
 - customer awareness forcing all players to make offers ever more compelling and attractive

Sustainability of results increasingly a function of investments into compelling offers to customers

4. Summary and Outlook

Outlook 2005

	External Revenues	Remarks	EBITDA
Actual results 2004:	10,0		4,4
Swisscom Fixnet	- 0,35	Sale ICS to JV with Belgacom. Traffic revenues (high margin product) declining further	- 0,3
Swisscom Mobile	0	Increase from growth subscriber base compensated by lower termination rates from June with significant EBITDA impact YOY	
Swisscom Solutions	- 0,15	Q1 trend to continue throughout the year for both revs and EBITDA	
All other	+ 0,1	--	
Guidance Full year 2005:	9,6		4,1

Reality on Outlook is: “first quarter – not the l(e)ast”

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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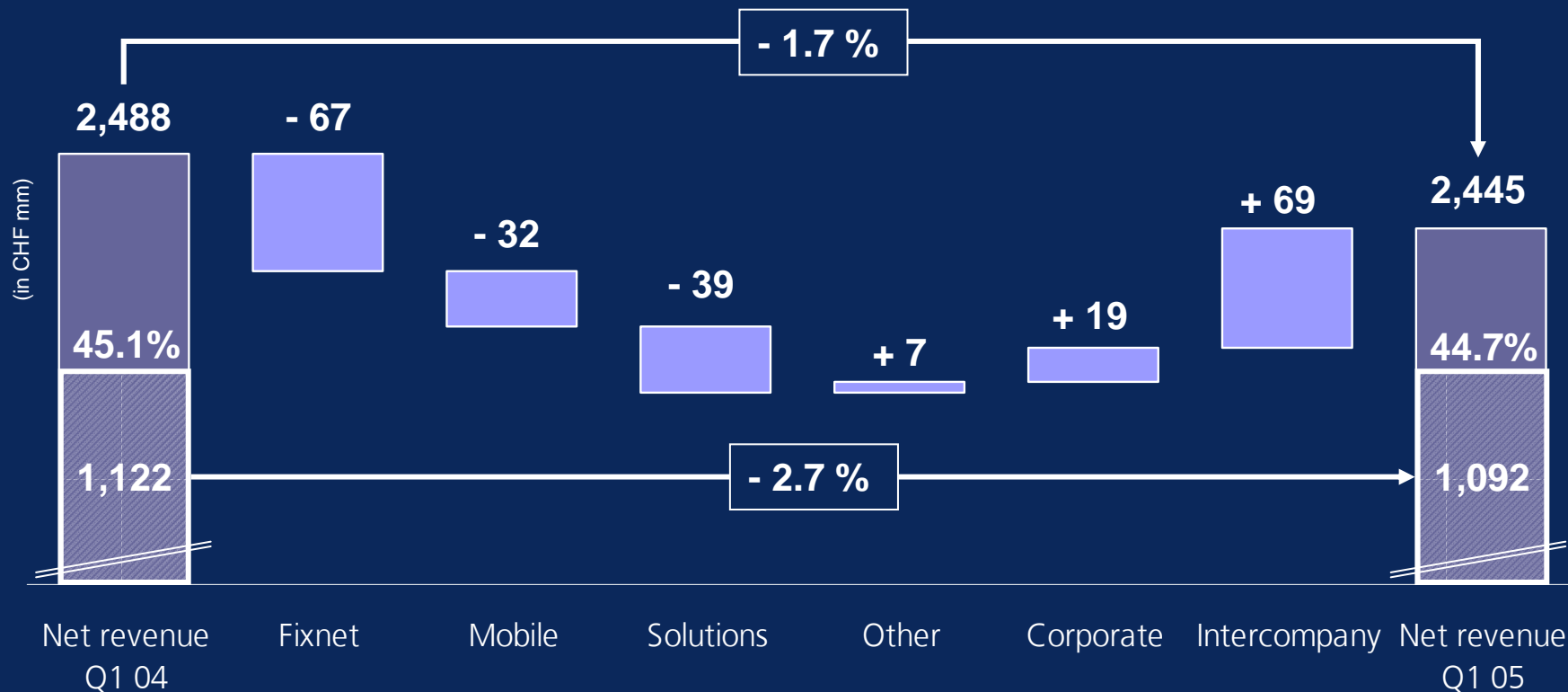
fax : +41 31 342 6411

e-mail: investor.relations@swisscom.com

homepage: www.swisscom.com/ir

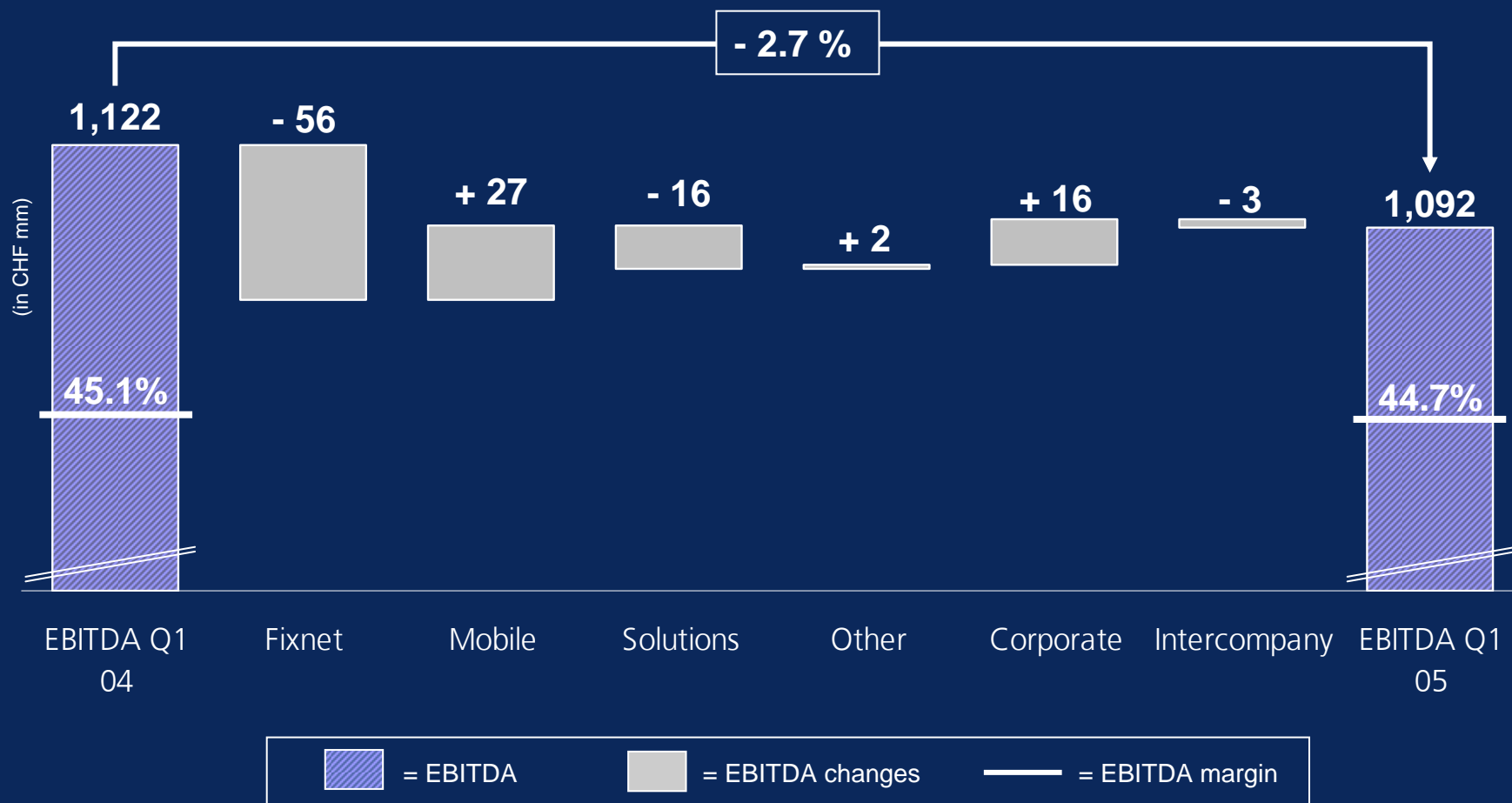
Supporting background information

Group revenues and EBITDA



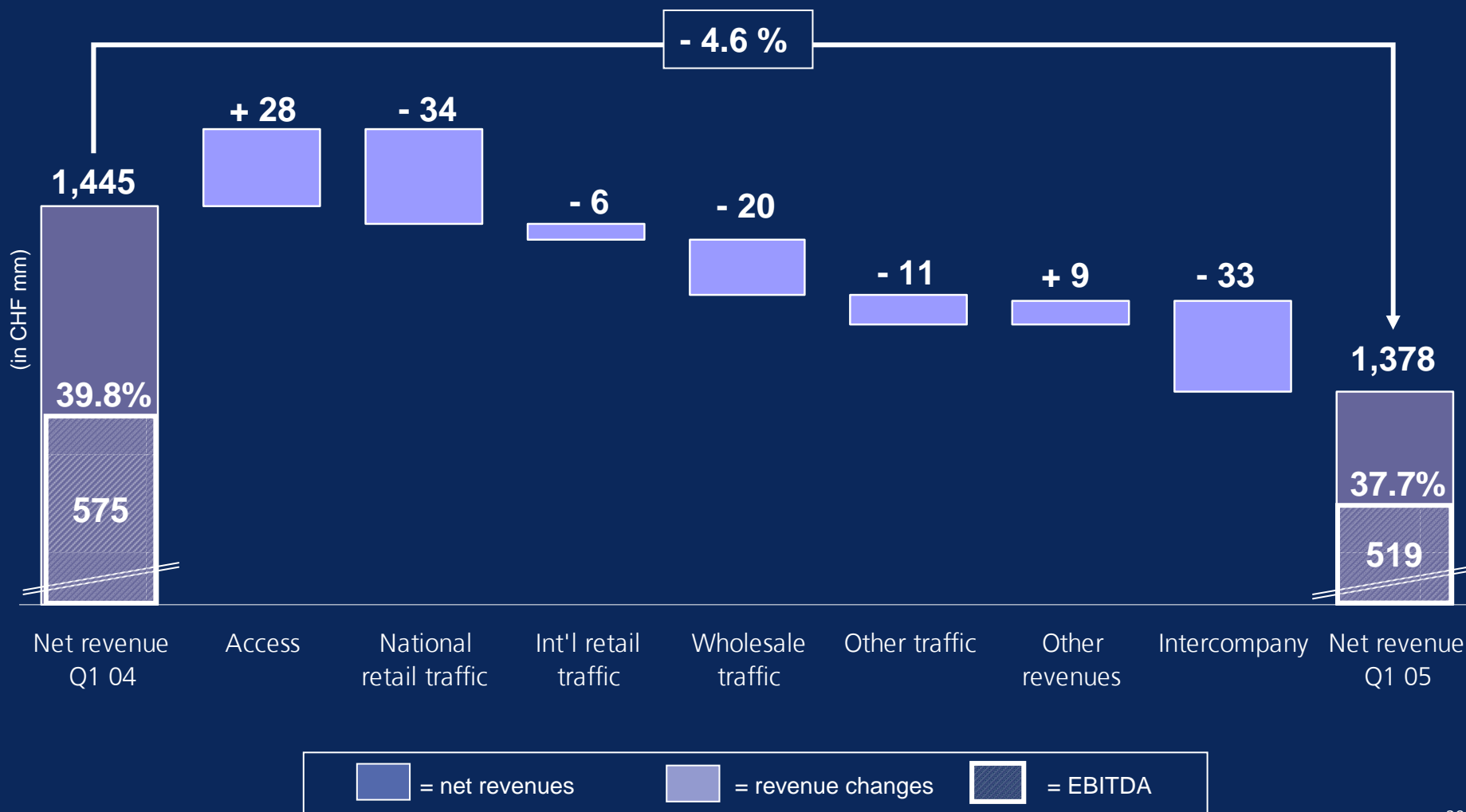
Supporting background information

Group EBITDA and margin



Supporting background information

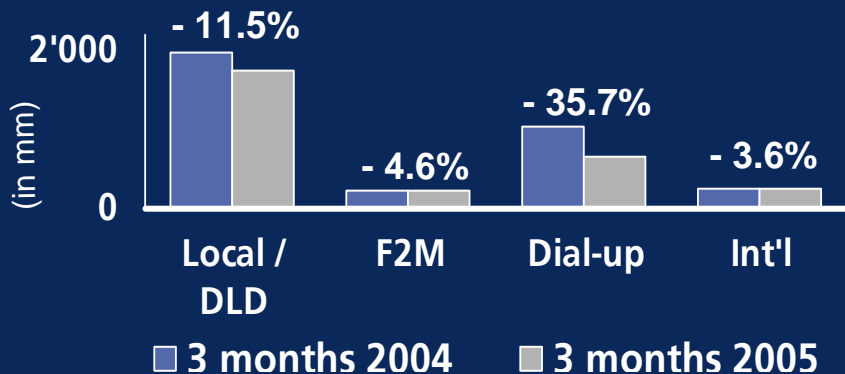
Fixnet revenues and EBITDA



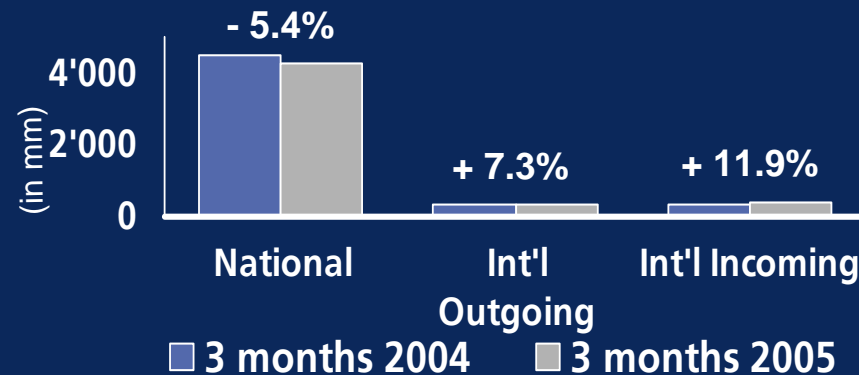
Supporting background information

Fixnet – snapshot

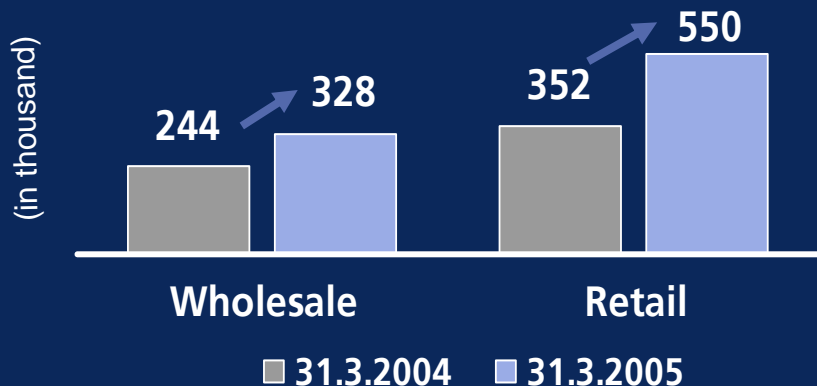
Retail minutes



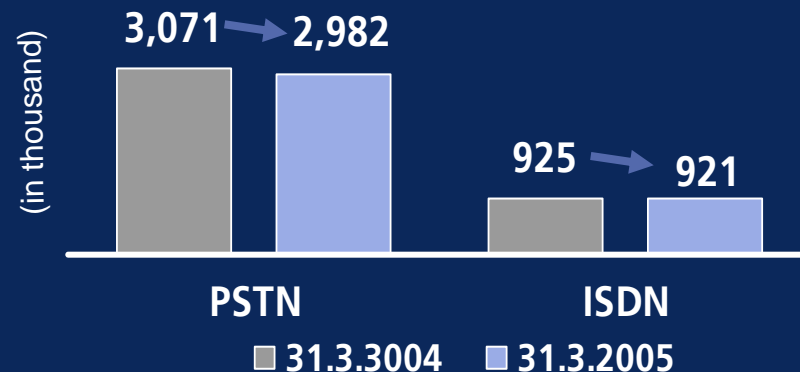
Wholesale minutes



ADSL subscribers



PSTN and ISDN accesses



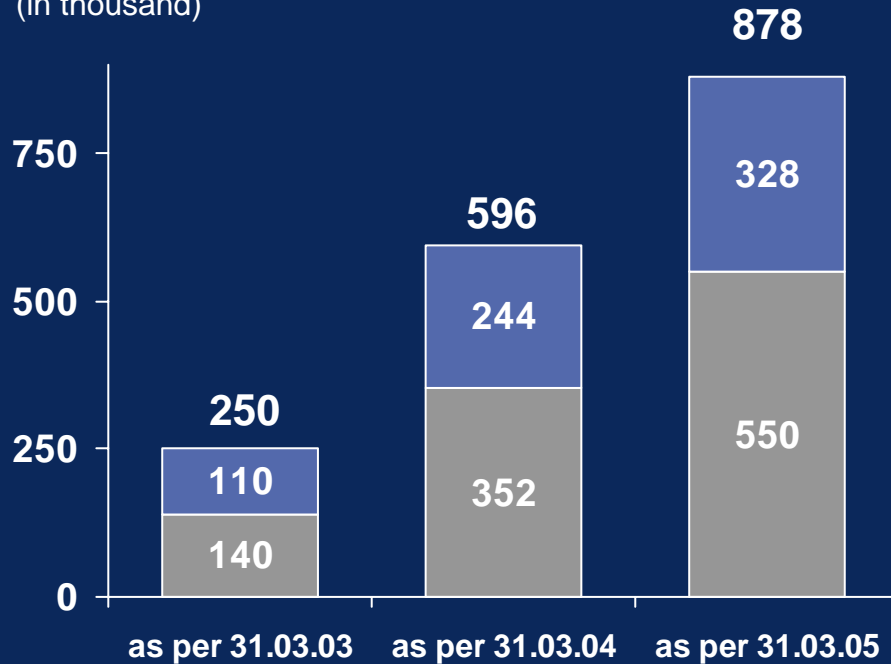
Supporting background information

Fixnet leading Swiss broadband provider

ADSL subscribers, cumulative

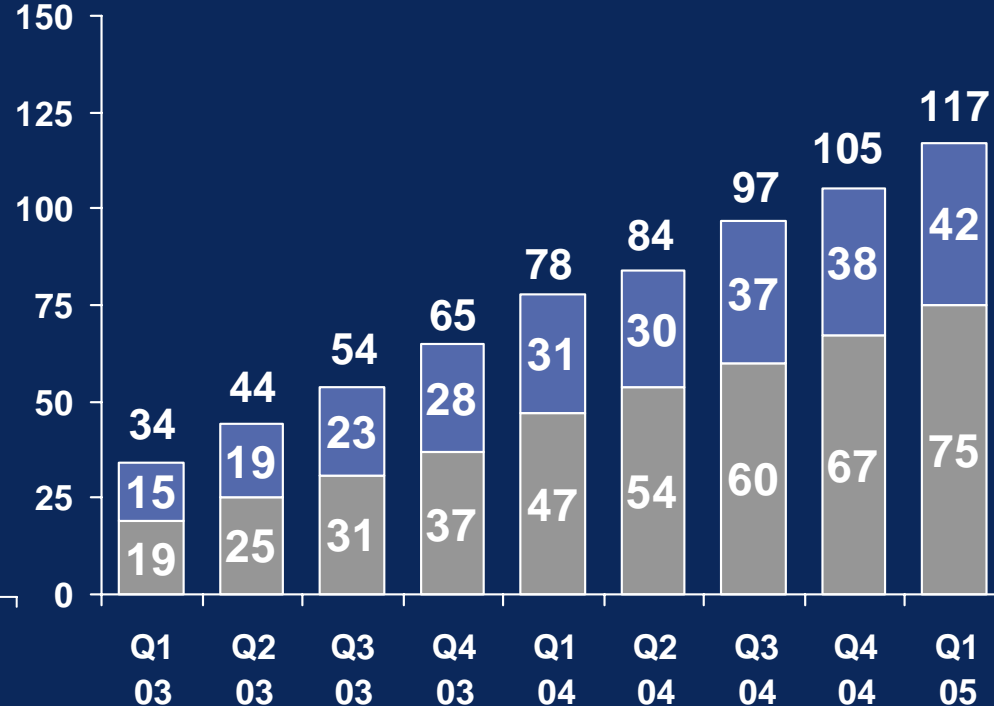
Broadband revenues, per quarter

(in thousand)



■ Retail ■ Wholesale

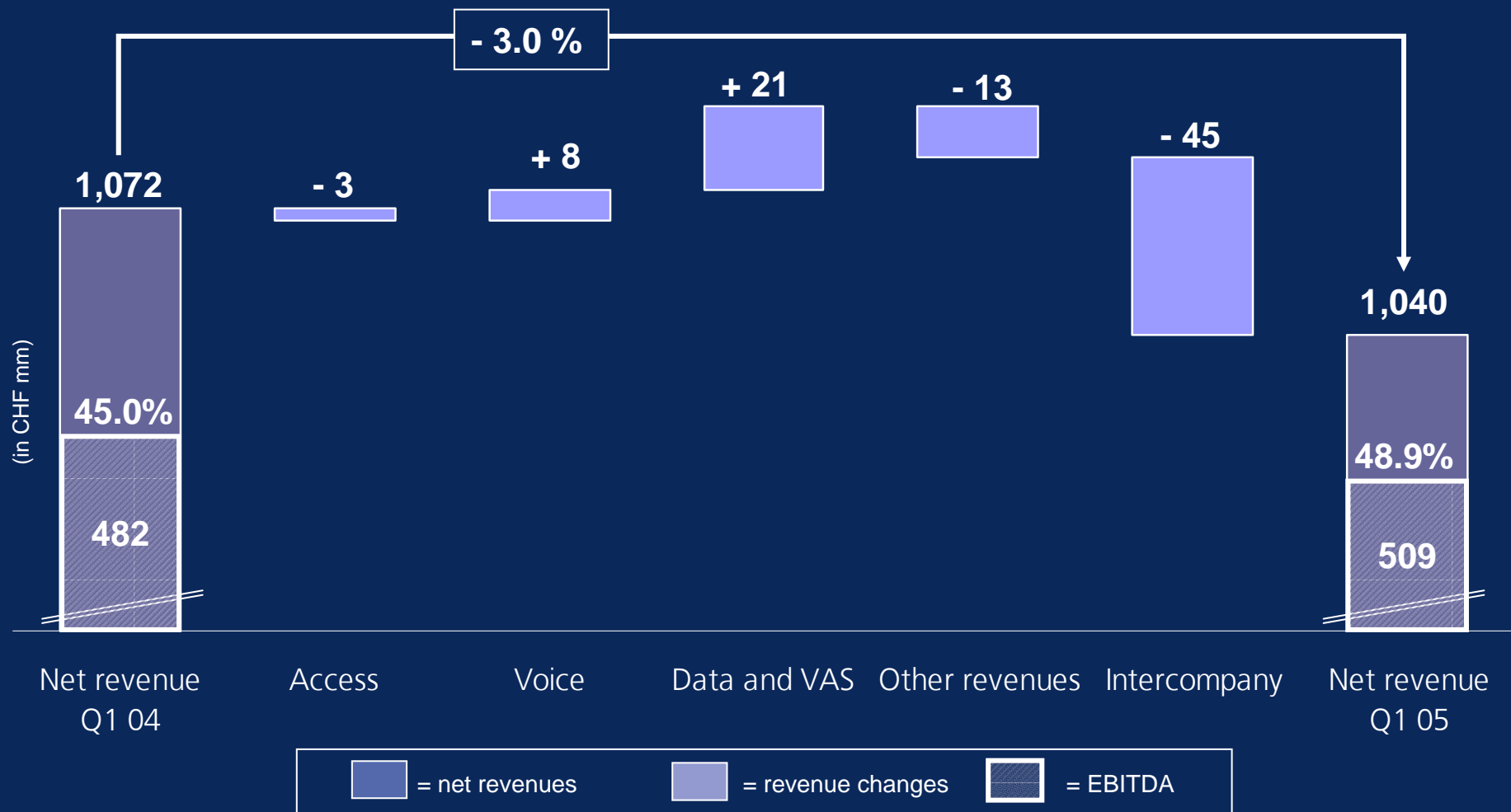
(in CHF mm)



■ Retail ■ Wholesale

Supporting background information

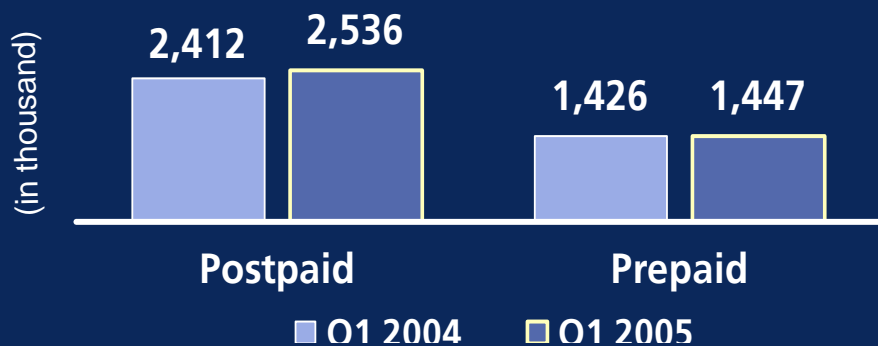
Mobile revenues and EBITDA



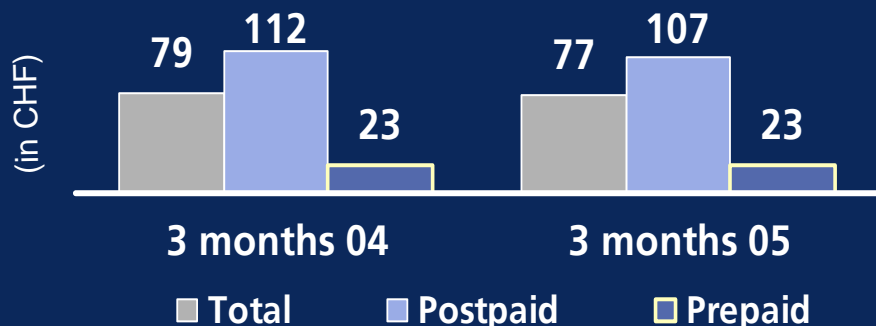
Supporting background information

Mobile – snapshot

Mobile subscribers



ARPU development

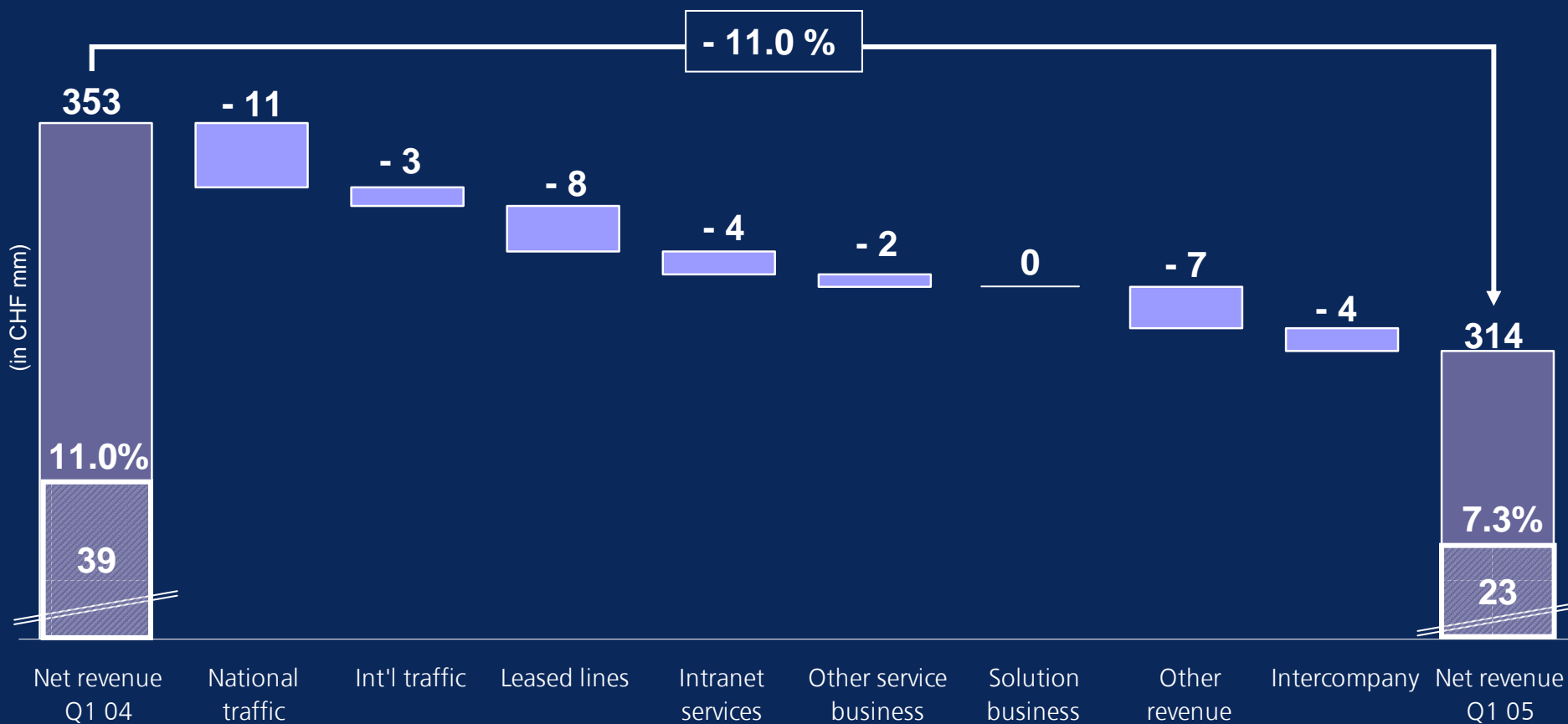


Key observations

- Swisscom Mobile with 4 million customers of which 13% Vodafone Live! customers
- Overall market share of >60%
- Penetration up to 88% as per end of 1st quarter 2005
- AMPU (112 min.) down by 4 min. compared to Q1 2004
- ARPU at CHF 77, 14% of which is from data products
- Acquisition and retention costs of 1st 3 months down by 16% YOY to CHF 85 mm

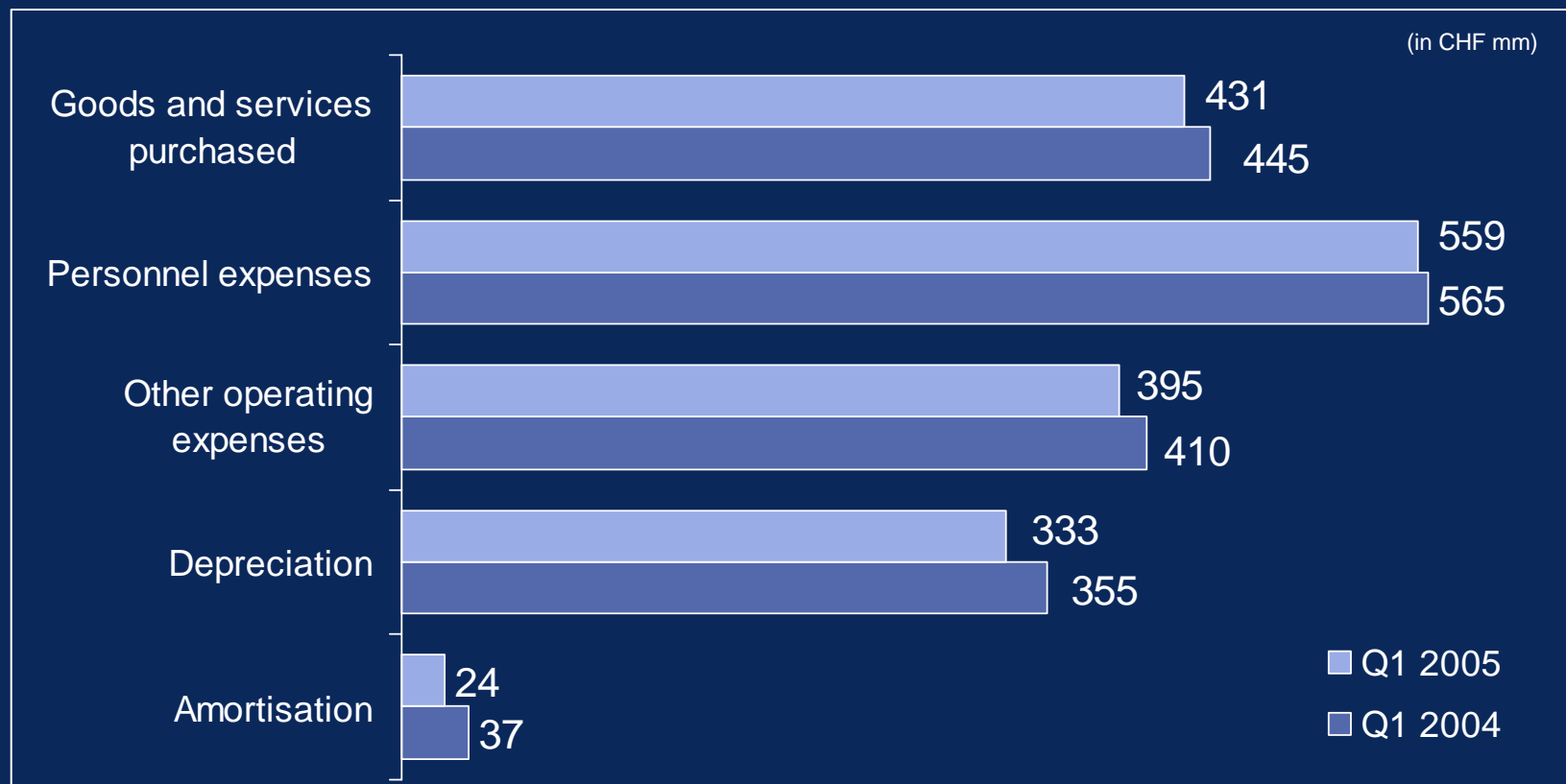
Supporting background information

Solutions revenues and EBITDA



Supporting background information

Group OPEX overview



Supporting background information

Group P&L overview

(in CHF mm)	31.03.2004	31.03.2005	change YOY
EBITDA	1,122	1,092	-2.7%
Depreciation	-355	-333	-6.2%
Amortisation of intangible assets	-37	-24	-35.1%
EBIT	730	735	0.7%
Net financial result	3	26	766.7%
Equity in net income of affiliated companies	2	-1	n/m
Income tax expense	-145	-147	1.4%
Discontinued operations (debitel)	-15	-	nm
Net income	575	613	6.6%
Attributable to minority interest holders	87	93	6.9%
Attributable to equity holders of Swisscom AG	488	520	6.6%
Avg. number of shares outstanding (in thousands)	66.200	61.464	-7.2%
EPS (in CHF)	7.37	8.46	14.8%

Supporting background information

Group CF overview

(in CHF mm)	31.03.2004	31.03.2005
EBITDA	1,122	1,092
Income taxes paid	-33	-109
Net interest	-8	1
Change in net operating assets and other cash flows from operating activities	-124	-111
Net cash provided by operating activities	957	873
CAPEX	-201	-176
Disposal of available for-sale investments	17	230
Purchase and sale of current financial assets, net	-131	597
Other cash flows from investing activities, net	16	36
Net cash from investing activities	-299	687
Repayment of debt (in 2005 purely leasing liabilities)	-28	-119
Withholding taxes from share buyback 2004		-119
Dividends paid to minority interests	-355	-357
Other cash flows used in financing activities, net	-1	-45
Net cash used in financing activities	-384	-640
Net increase in cash and cash equivalents	274	920
Cash and cash equivalents at end of the period	3,376	3,307

Supporting background information

Group capital structure

(in CHF mm)	31.12.04	31.03.05
Short term debt	382	257
Long term debt (esp. cross border tax lease)	1,253	1,277
Long term net finance lease obligation	679	719
Total debt	2,314	2,253
Less: financial assets from lease-and-leaseback transactions	-952	-1,018
Less: cash, cash equivalents and securities	-3,672	-3,775
Net cash	2,310	2,540
Total equity	7,454	7,655
Balance sheet total	14,232	14,231
Book leverage ¹	-28.2%	-33.2%
Equity ratio ²	52.4%	53.4%

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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