Swisscom
Media Conference

05.03.08, Zurich

swisscom

Swisscom Media Conference

Carsten Schloter, CEO

2007 in brief – making good progress with our strategy

- **Market position consolidated** – strong customer growth
- **Financially stable business,** adjusted for special effects
- **Expansion into Italy** enabling growth
- **New organisation** as the basis for a cohesive customer approach
- **New identity** and strengthening of the Swisscom umbrella brand
- **Record levels of investment** in nationwide networks
- **Successes with corporate customers**
- **Rapid unbundling** of the last mile
- **High costs for new products** such as Bluewin TV, but TV quality markedly improved, Betty TV withdrawn from market
- **Accretion of profits** due to buyback of 25% share in Swisscom Mobile at end of 2006 and the 2006 share buy-back programme

2007: strong customer growth – market position consolidated

Fixed network:

- Total 5.29 million lines (+173,000 or 3.4%),
- of which 1.6 million DSL (+234,000 or 17.1%)

Mobile communications:

- More than 5 million customers (+375,000 or 8.1%), of which 2.2 million Liberty and 360,000 M-Budget Mobile
- Revenue from new data services (excl. SMS) up CHF 73 million to CHF 288 million.

Swisscom IT Services:

- High level of incoming orders: Multi-year contracts signed, with an order volume of some CHF 210 million
- Contract risks purged from the most important projects

Fastweb: Growth in the broadband market via our foothold in Italy

- Fastweb is one of the **fastest growing** telecoms companies in Europe – 2007 growth:

  - Revenue EUR 173 million higher (+14%) at EUR 1,433 million

  - EBITDA EUR 179 million higher (+59%) at EUR 480 million

- **2007 financial targets** largely achieved, but increased investment in the network and slightly lower revenue

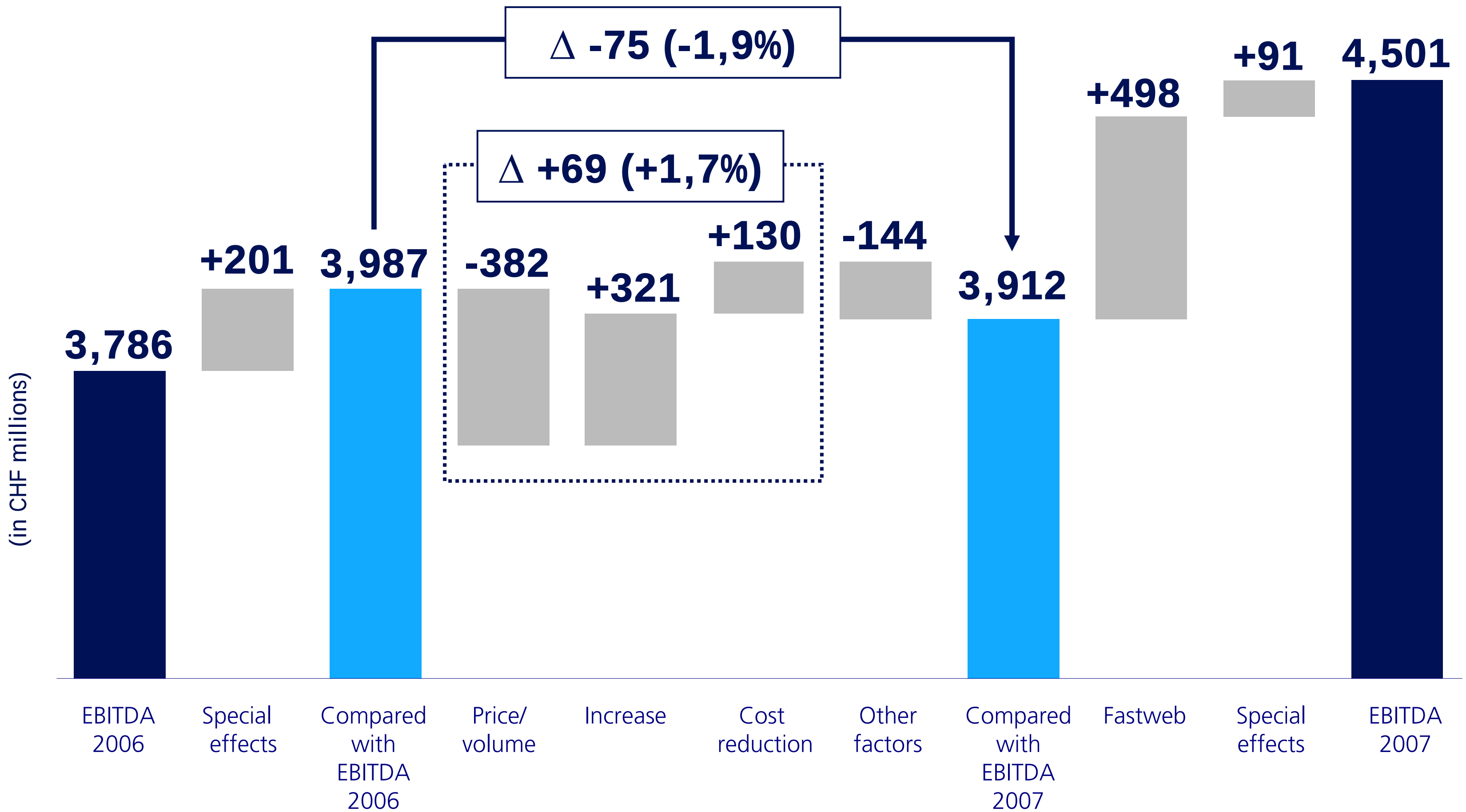
- **Sustainable value** examined and confirmed by the statutory auditors (no impairment)

- **Fastweb's share price** not a significant factor (low volumes, little speculation value, no dividends)

- Guido Garrone, former CTO of Fastweb, brings a wealth of **network know-how** (All-IP) to his new function as Head of NIT at Swisscom Switzerland

- **Positive impact** on free cash flow distribution for Swisscom shareholders from 2008 onwards (basis for 2009 payout)

EBITDA performance



Trends: Key customer requirements in the ICT market over the next few years

Residential customers expect **to enjoy permanent, ultra-user-friendly mobile and fixed access** to
- TV, Internet und personal content (photos, movies etc.)
- via their television, PC and mobile phone

Corporate customers

- expect **maximum system availabity and reliability** for increasingly business-critical applications
- attach ever-greater importance to **web-based solutions,** since storing data and applications locally on PCs is expensive
- Internationally networked corporate customers increasingly want a single contact partner

---

- **Thanks to the increasingly more powerful networks now available, these (in some cases new) requirements can be met**
- **Demand for even higher bandwidths continues to grow**
- **In an increasingly complex ICT world, many customers want a a single contact for all their requirements, if possible locally**

Priorities and new offerings on the market in 2008

Residential customers:

- **simpler** tariffs and bundled offerings
- **expanded** Bluewin TV offering with high definition
- expansion of the **mobile TV network** in accordance with DVB-H standards and launch in time for the European Football Championship

Corporate customers:

- **Expansion** of our international offerings
- Priority on **Unified Communication** with the aim of integrating all applications such as e-mail, voice and data over IP

swisscom

Service gaining in importance – more cohesive approach to customers

- Consistent **service orientation** as a key success factor
- **New identity from March 2008:** Communication with customers by means of a single message from a single source
- Communication and shops: **Delivering a total experience** rather than individual products
- **Simplified billing** in the course of 2008
- From 2009, marked **simplification of contact points**
- **SMEs:** a very important partner network

Billions invested in Switzerland as an ICT centre

- **High level of investment** in the fixed-line network in 2007: CHF 260 per household
- **Total investment** of CHF 7 to 8 billion in mobile and fixed-line networks over the next five years
- **Optical fibre expansion** is accounting for an ever growing proportion of our total investments
- **Broader technology mix** instead of "one single bet", optimally geared to customer requirements and competitiveness
- **Our broadband basic service provision** is globally unique: guaranteeing it will require additional measures for broadband connectivity in 2008
- **Mobile HSPA broadband network:** Expansion of coverage to 90% of the population with bandwidths of up to 7.2 Mbps by mid-2008.

Facts about Switzerland's ICT status: top international ranking

- According to "The Economist", Switzerland has by far the **best telecoms infrastructure** in the world
  Source: "The 2007 e-readiness rankings" from The Economist/IBM
- In terms of **investment per head**, Switzerland is in 5th place worldwide.
  Source: OECD (see slide in Appendix)
- In terms of **broadband usage**, Switzerland is in 3rd place worldwide.
  Source: OECD (see slide in Appendix)
- Swisscom's share of the **broadband end-customer market** is less than 50%
- **Telecom prices** have fallen by an average of 50% since liberalisation
- According to the OECD, telecom prices in Switzerland in all areas (fixed network, mobile and broadband) are **in the bottom third compared to other countries**

Outlook for 2008

- Customers will benefit from **dynamic competition**
- Fastweb has been **fully included in the** financial statements for the first time
- The number of jobs is being affected by **structural changes** in the industry; the effects will be minor:
  - New positions in the customer care sector such as Swisscom Shops, customer service, Bluewin TV
  - Reduction in areas where demand is declining, such as directory enquiry services
- **Financial expectations:** Revenue around CHF 12.3 billion, EBITDA around CHF 4.8 billion, capital expenditure CHF 2.1 to 2.2 billion.

Swisscom
Media Conference

Ueli Dietiker, Chief Financial Officer

Swisscom AG, Medienkonferenz, Zürich, 5. März 2008

swisscom

2007 Annual Results

Key figures

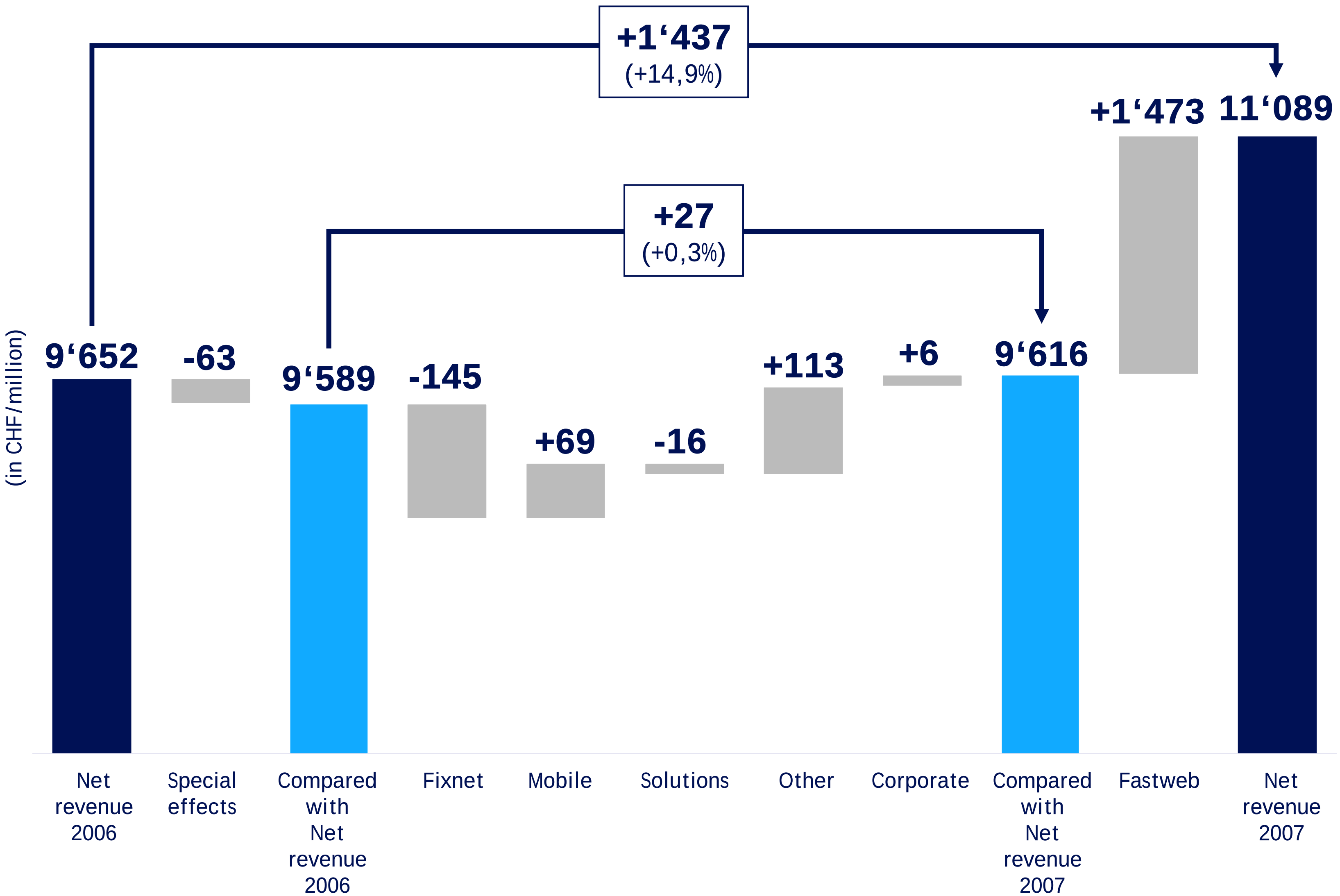
Figures in CHF/millions	**2007**	**Delta**
Net revenue	11‘089	14,9%
EBITDA	4‘501	18,9%
As % of net revenue	40,6	
EBIT	2‘515	7,0%
Net income	2‘071	8,8%
Net earnings of SCM shareholders	2‘068	29,4%
Earnings per share in CHF [1]	39,92	38,1%
CAPEX	2‘025	52,9%
OpFCF	2‘077	-5,9%
Net debt	10'337	136,1%
Employees (FTEs) at 31 December 2007	19‘844	16,3%

[1] average number of shares in 2007: 51,802 million

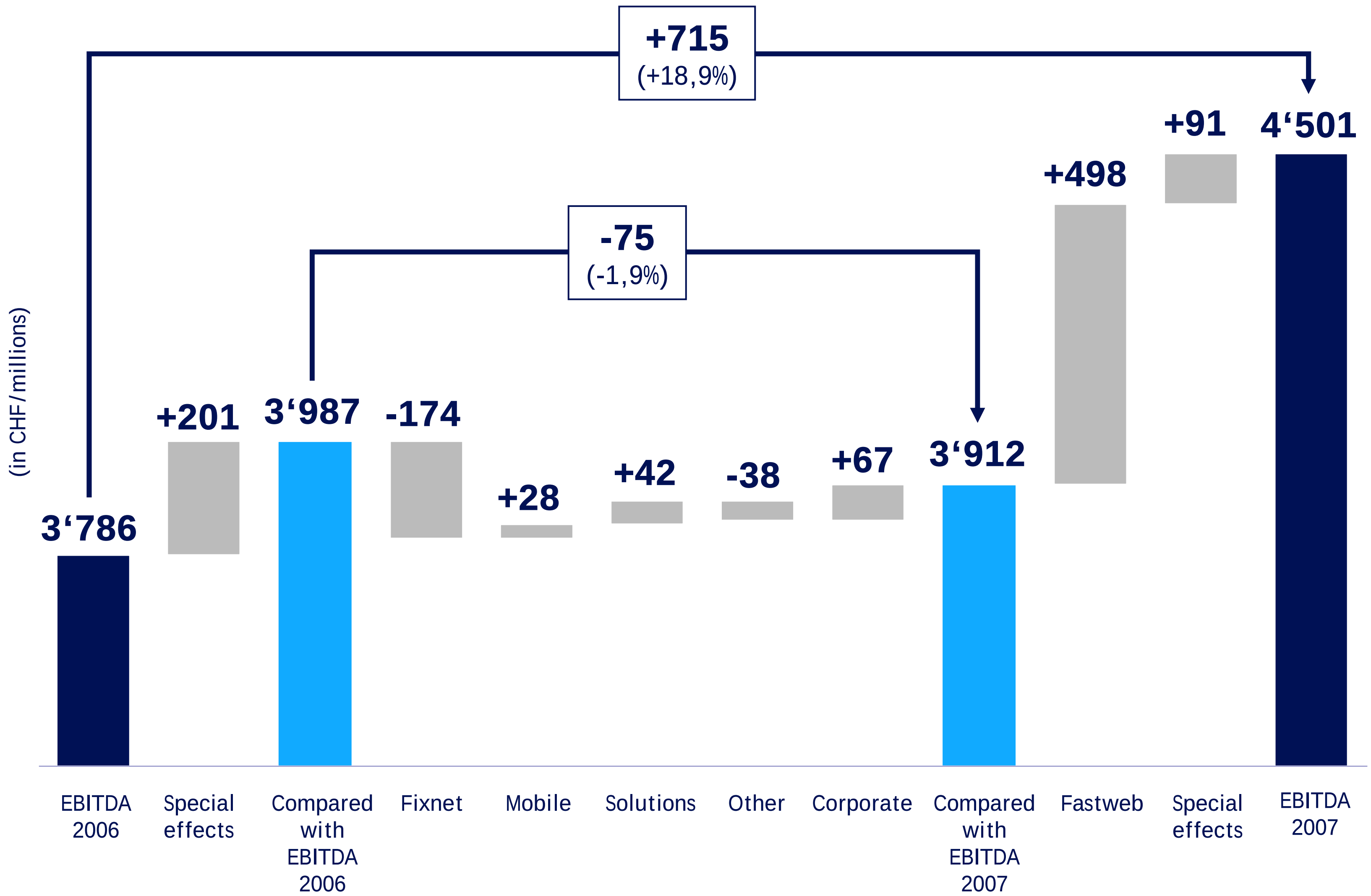
Financial highlights

- First-time inclusion of Fastweb improves key financial figures
- Comparative revenue stable and EBITDA down by CHF 75 million from the previous year
- The repurchase of the 25% share in Swisscom Mobile and the 2006 share buy-back programme raised net earnings per share to CHF 39.92
- Operating free cash flow at CHF 2.1 billion
- Dividend per share:
  - CHF 18 ordinary dividend
  - CHF 2 special dividend
- Capital expenditure higher due to optical cable expansion
- Successful delisting from the New York Stock Exchange

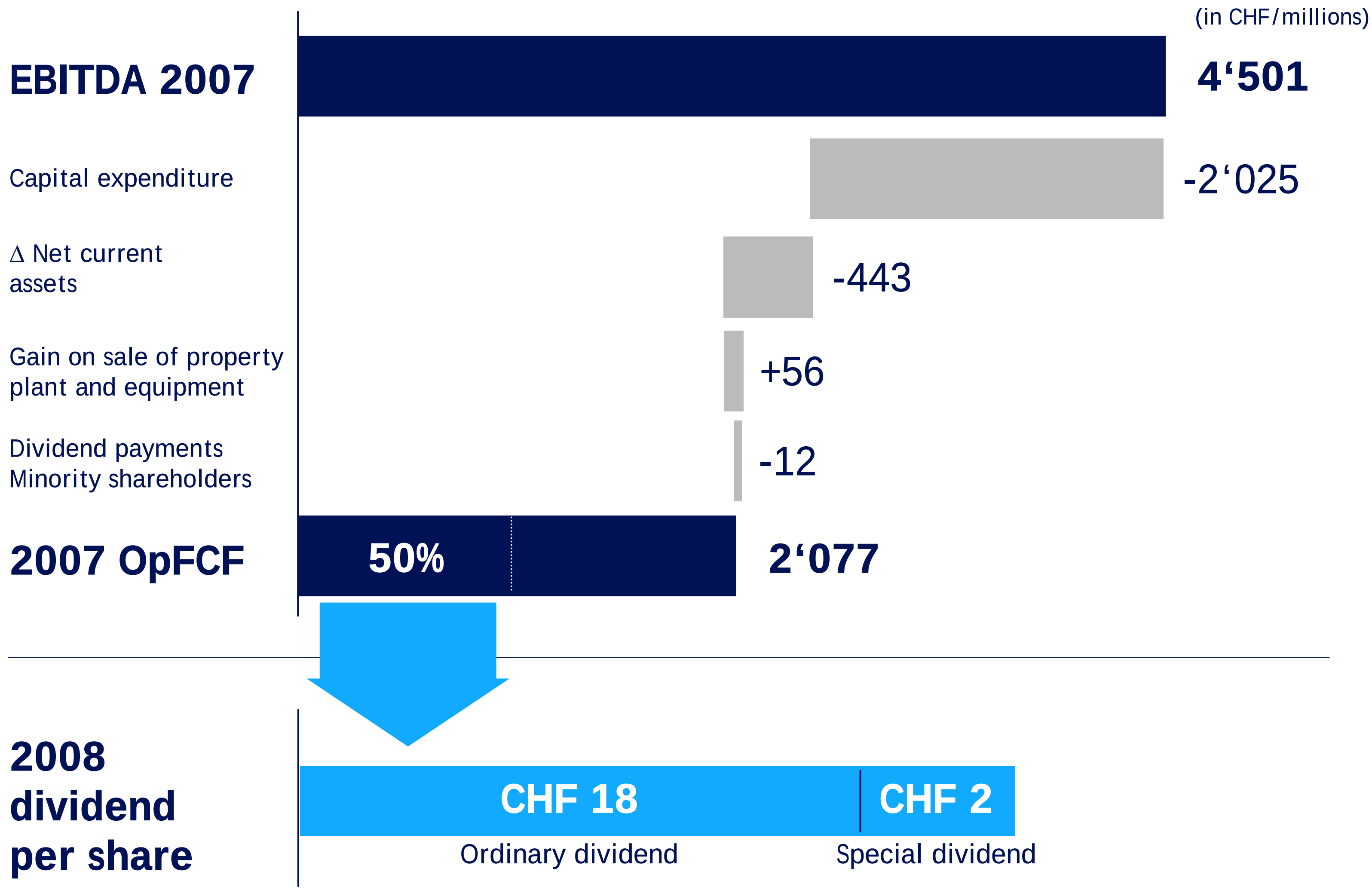
Revenue performance



EBITDA performance



2007 operating free cash flow (OpFCF) and 2008 dividend



Reporting structure and 2008 outlook

2007 segments

Swisscom

- Fixnet
- Mobile
- Solutions
- Fastweb
- Other
- Corporate

2008 segments

Swisscom

- Swisscom Switzerland
  - RES
  - SME
  - CBU
  - Whole-sale
  - NIT
- Fastweb
- Other
- Group Headquarters

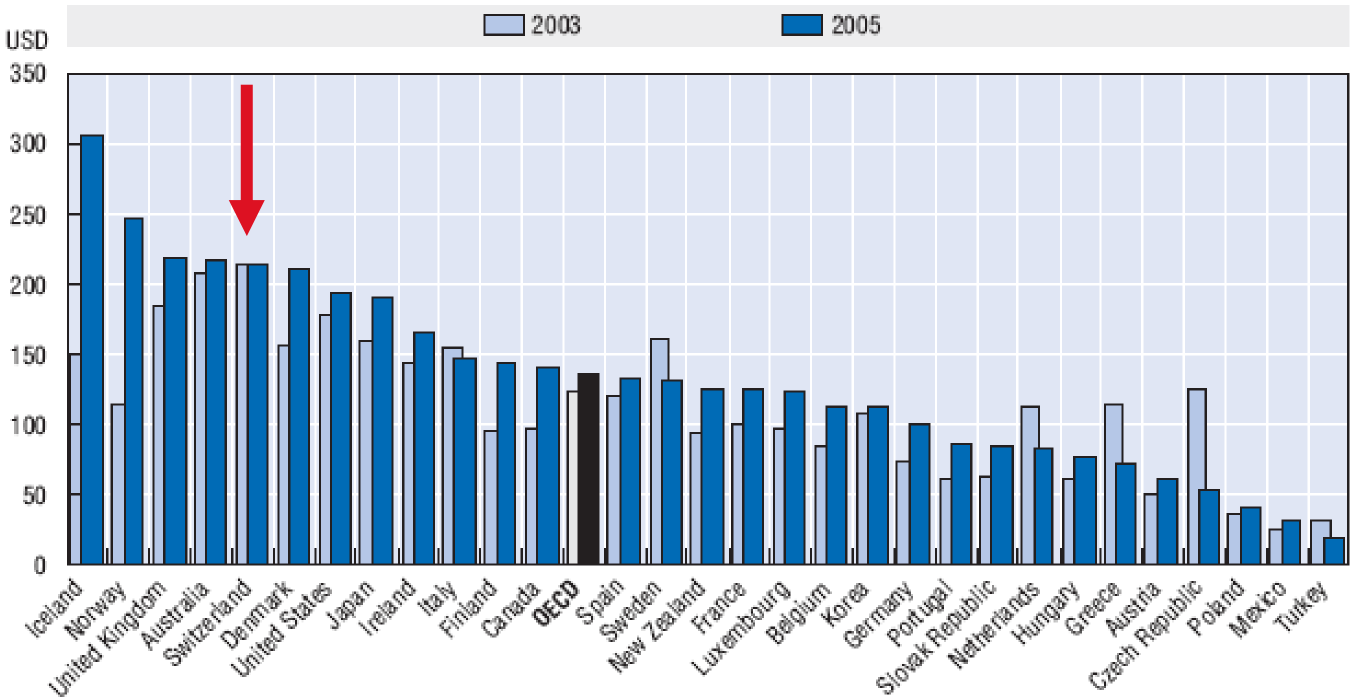
Outlook for 2008

(in CHF billions)	Net revenue	EBITDA	CAPEX	OpFCF
Swisscom	~ 12,3	~ 4,8	2,1-2,2	2,4-2,5
Swisscom Switzerland	marginal decline	marginal decline	stable	
(in EUR millions)				
Fastweb	~ 1'640	~530	~ 425	

Annex

Is enough being invested in the Swiss telecoms infrastructure?

Figure 4.15. **Public telecommunications investment per capita, USD**



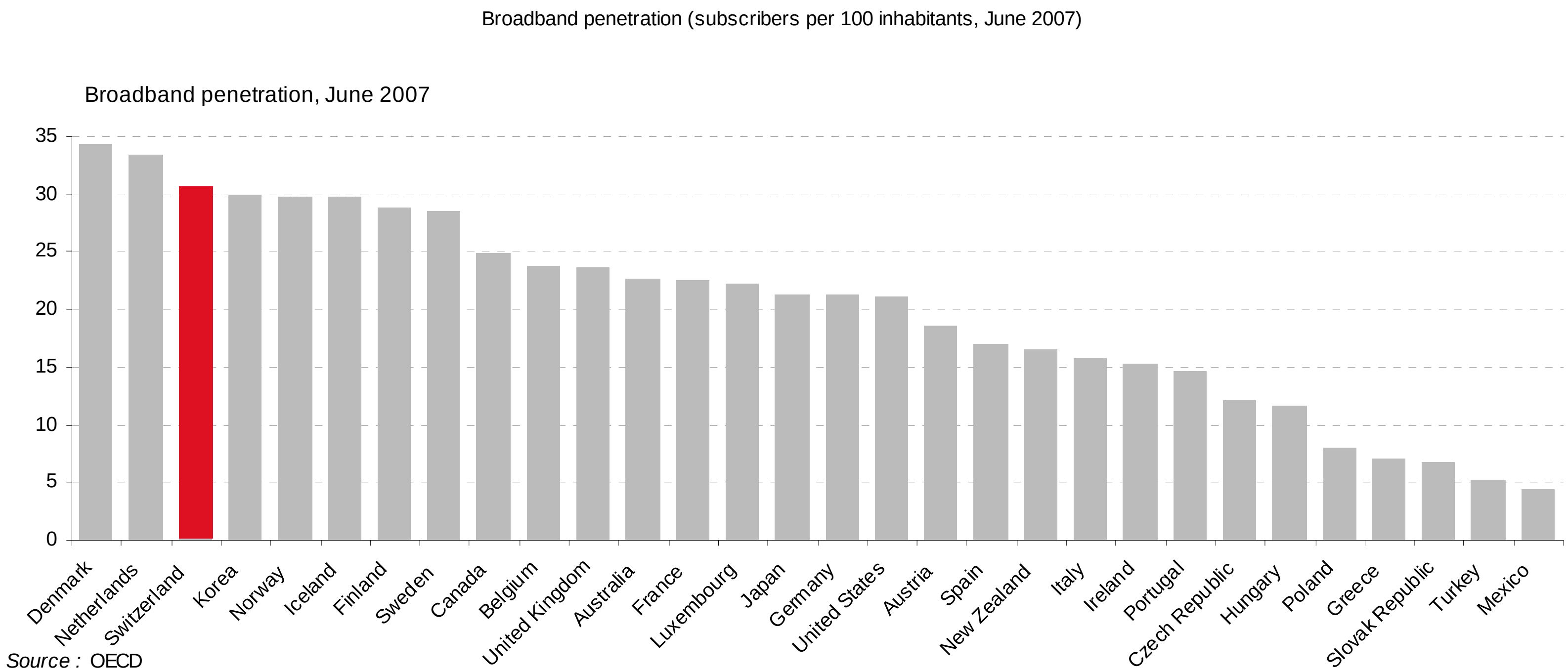
Note: Investment data contains estimates from Table 4.12.

StatLink http://dx.doi.org/10.1787/001262566612

Source: OECD Communications Outlook 2007, pg. 108

- Switzerland is among the world leaders in terms of investment per head.

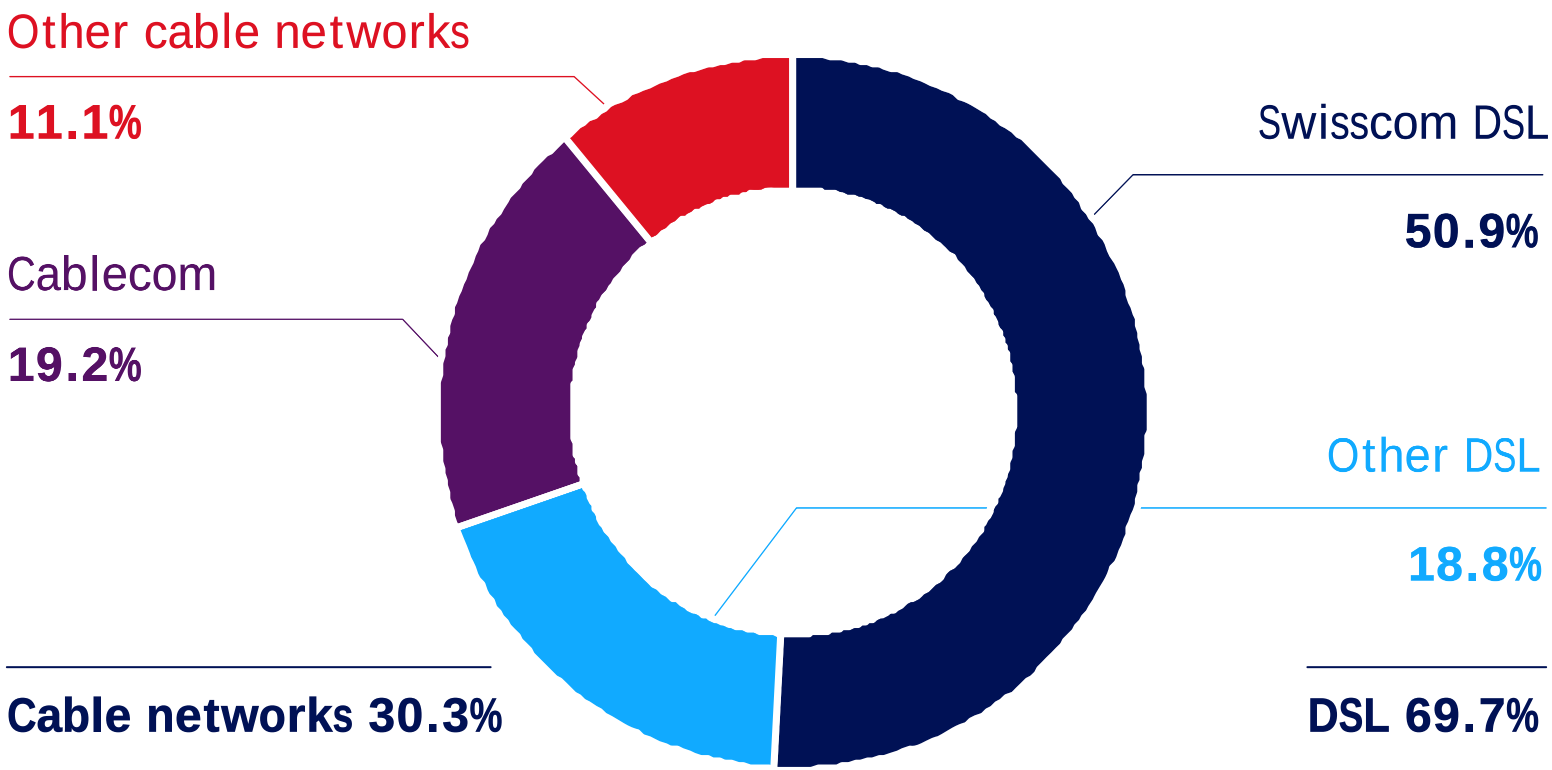
How does Switzerland compare internationally in terms of broadband usage?



Source: OECD (http://www.oecd.org/sti/ict/broadband)

- According to the OECD, Switzerland ranks third in terms of broadband usage.

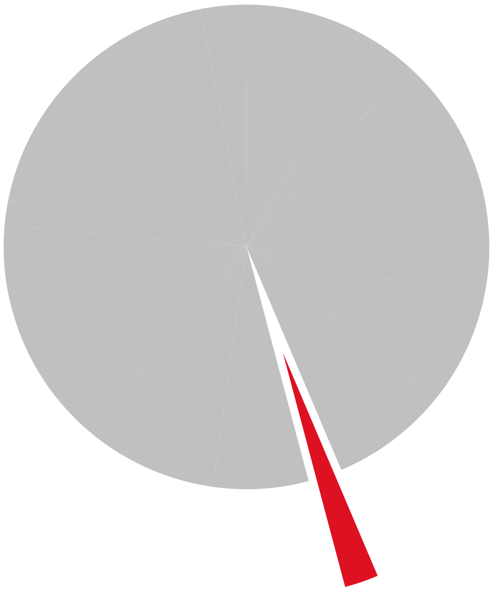
What does the Swiss broadband market look like?



Source: Dataxis; as at: June 2007

- Competition between cable network operators and DSL providers works

Household spending: where's the pinch?

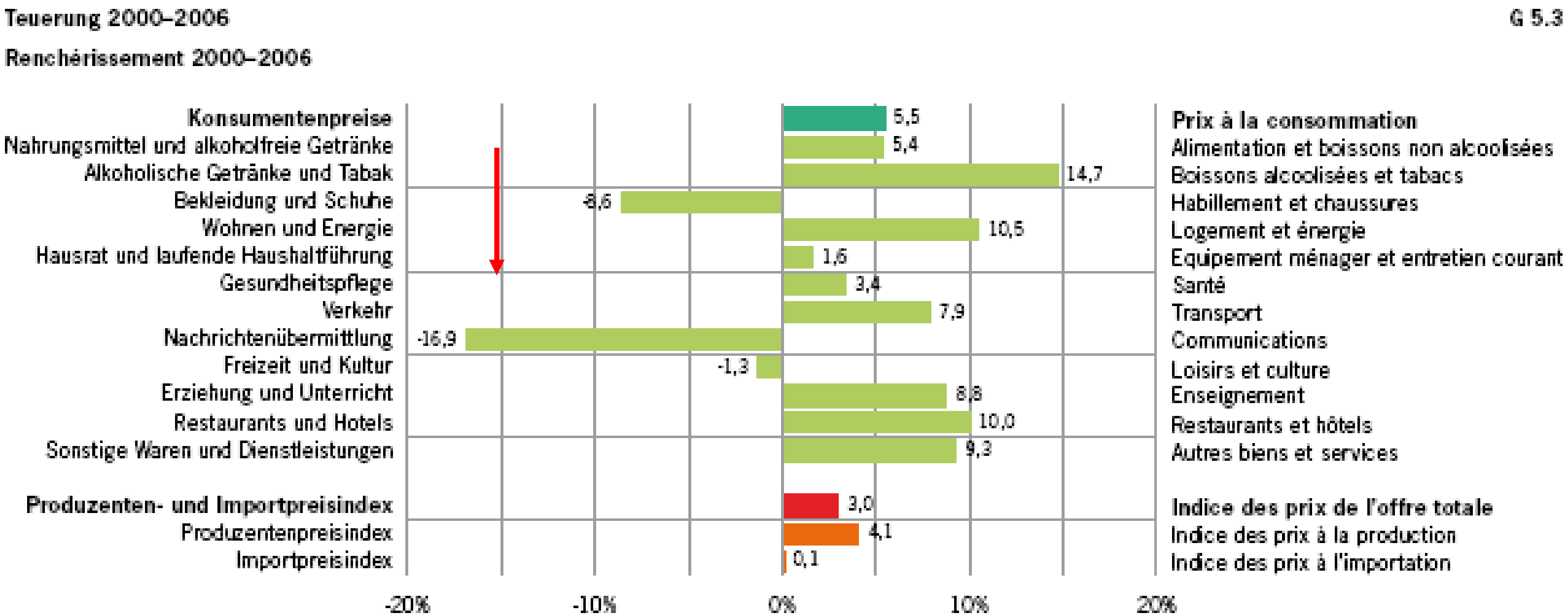


Home and energy	16.9%
Taxes and charges	13.7%
Social insurance contributions by employees	9.8%
Transport	7.8%
Foodstuffs and soft drinks	7.7%
Socialising, leisure and culture	6.4%
Pubs and restaurants	6.1%
Health insurance - basic	5.6%
Other personal and domestic insurances	5.1%
Healthcare	4.0%
Setting up home and ongoing running costs	3.2%
Donations and other outgoings	3.1%
Clothing and footwear	2.9%
Other goods and services	2.7%
Telecommunications	**2.1%**
Health ins. - accident ins. and supplementary ins.	1.7%
Alcohol and tobacco	1.2%

Source: BFS press release

- Spending on telecoms accounts for only 2% of household expenditure.

How does the price trend by branch look in Switzerland?

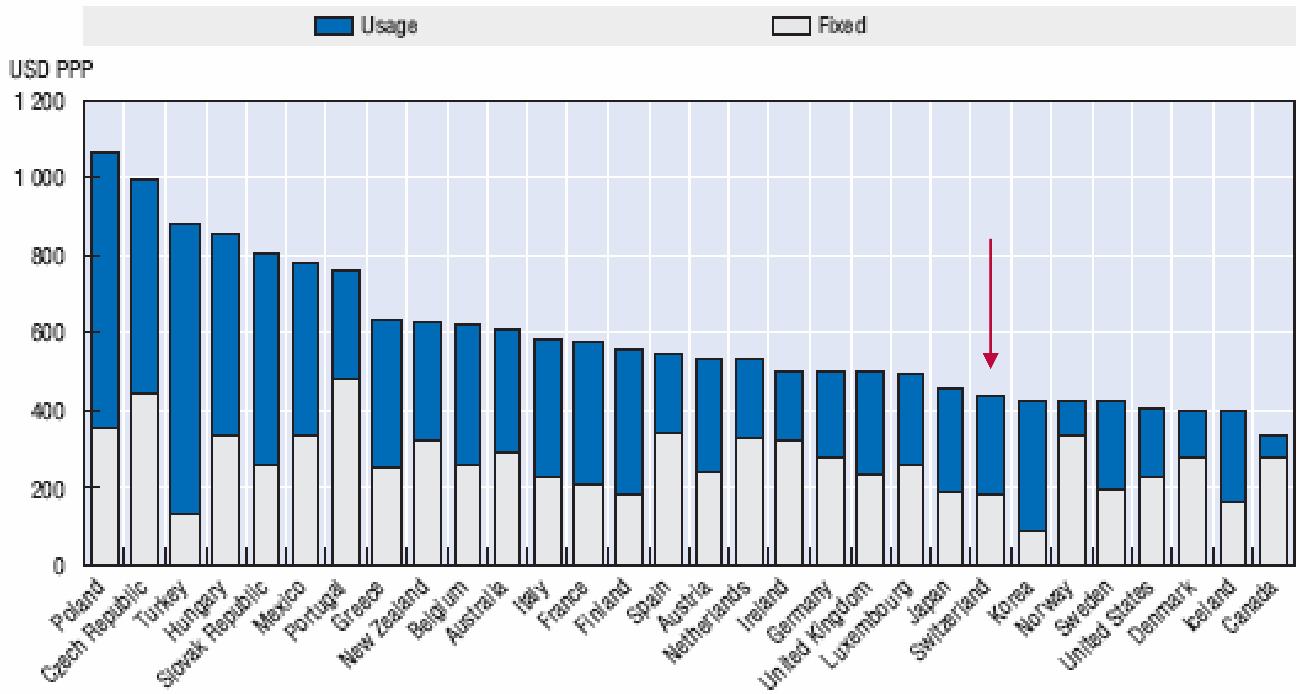


Source: Federal Office for Statistics. Panorama. Chapter 5. February 2007, pg. 3.

- Telecom prices are down by 17% since 2000 - the sharpest fall of all sectors.

How much do average users pay for fixed-line telephony in comparison with other countries?

Figure 7.6. **OECD residential fixed-line basket: Medium usage, August 2006**



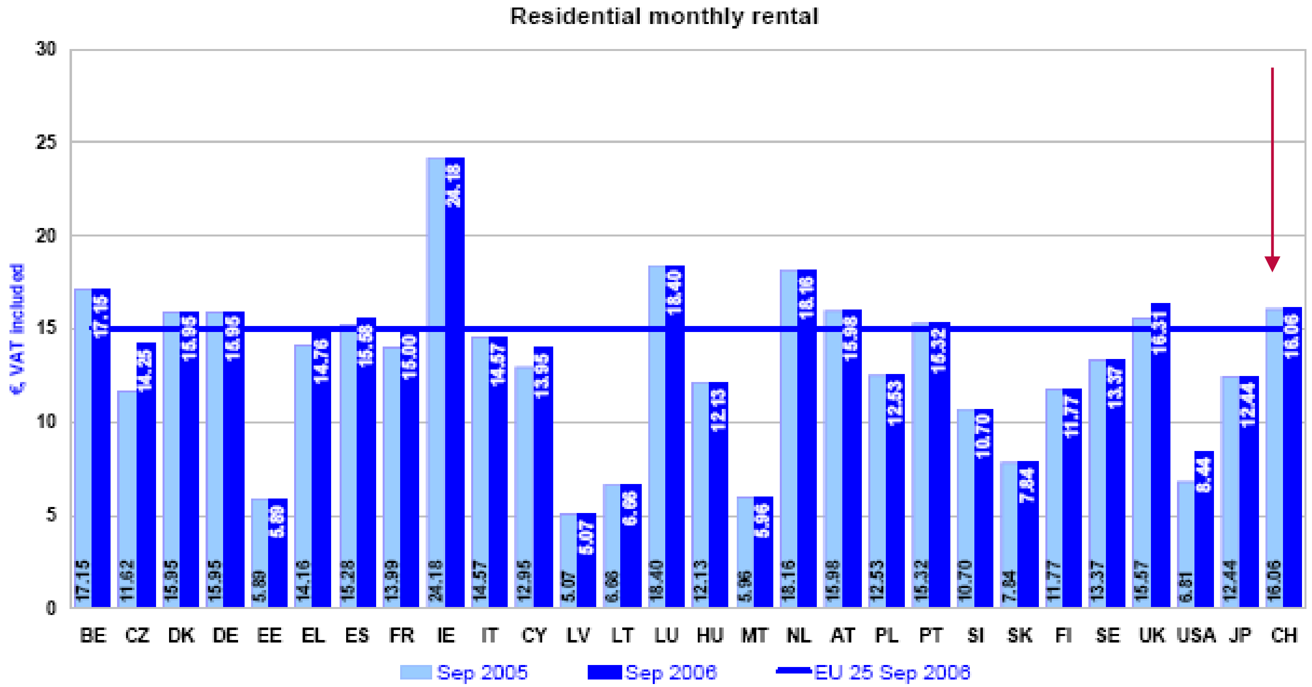
Note: Discounts, if available, are subtracted from the usage charges.

StatLink http://dx.doi.org/10.1787/002168401477

- Swiss fixed-line telephony is among the cheapest in the world for average (as well as occasional and frequent) users.

How do fixed-line connection charges compare (CHF 25.25)?

Figure 81



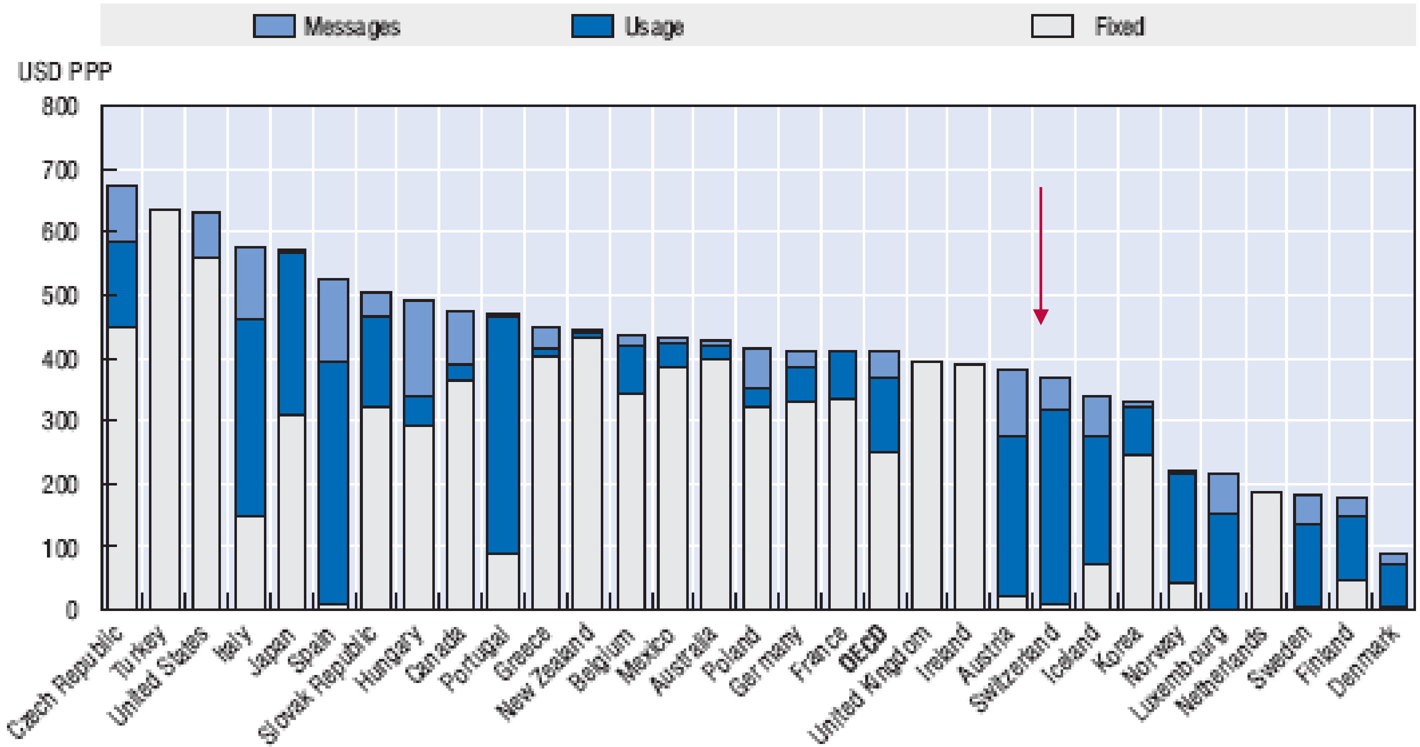
Source for Switzerland: OFCOM Switzerland.

Source: Bakom, extract including Switzerland, from the 12th EU Implementation Report. July 2007, pg. 94.

- The monthly fixed-line rental is slightly above the EU average, but when adjusted for purchase price parity, it is in the lower third.

How much do average users pay for mobile telephony in comparison with other countries?

Figure 7.11. OECD mobile medium user basket, August 2006, VAT included



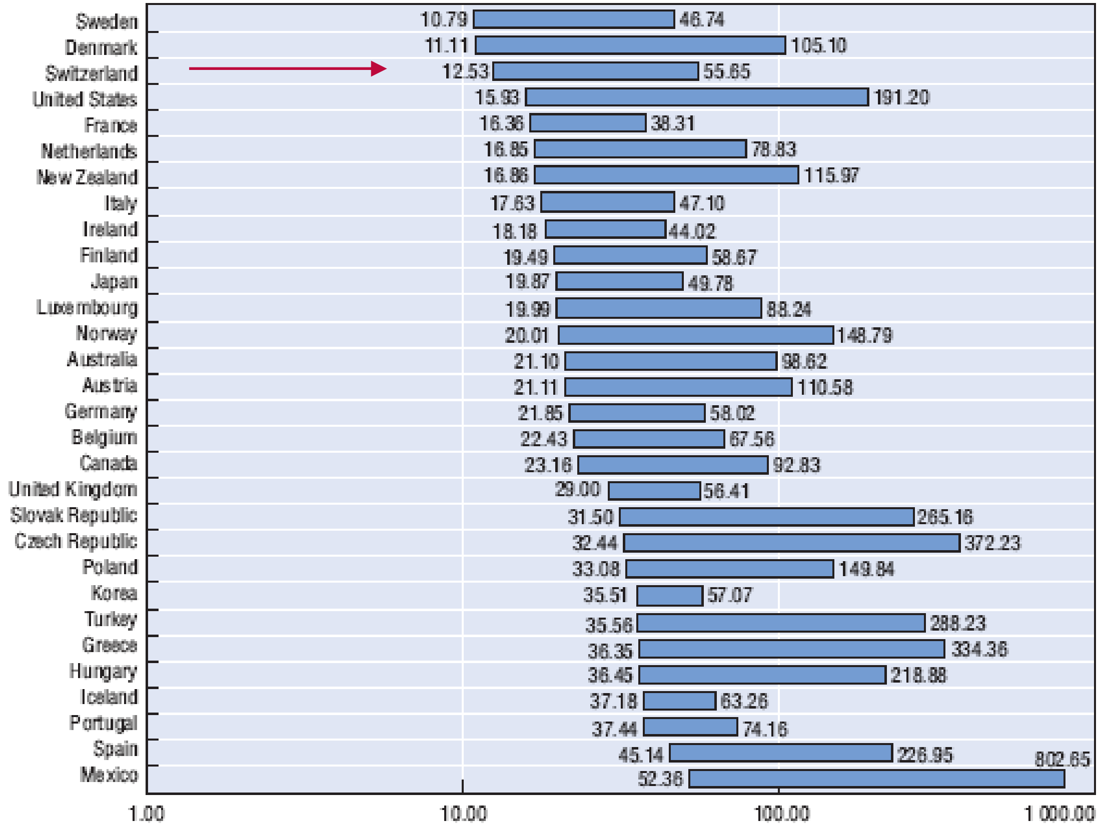
Note: Prepaid plans are excluded.

StatLink http://dx.doi.org/10.1787/002400356513

- Switzerland is in the middle compared with other countries.

What is price band for monthly fees for ADSL usage in Switzerland?

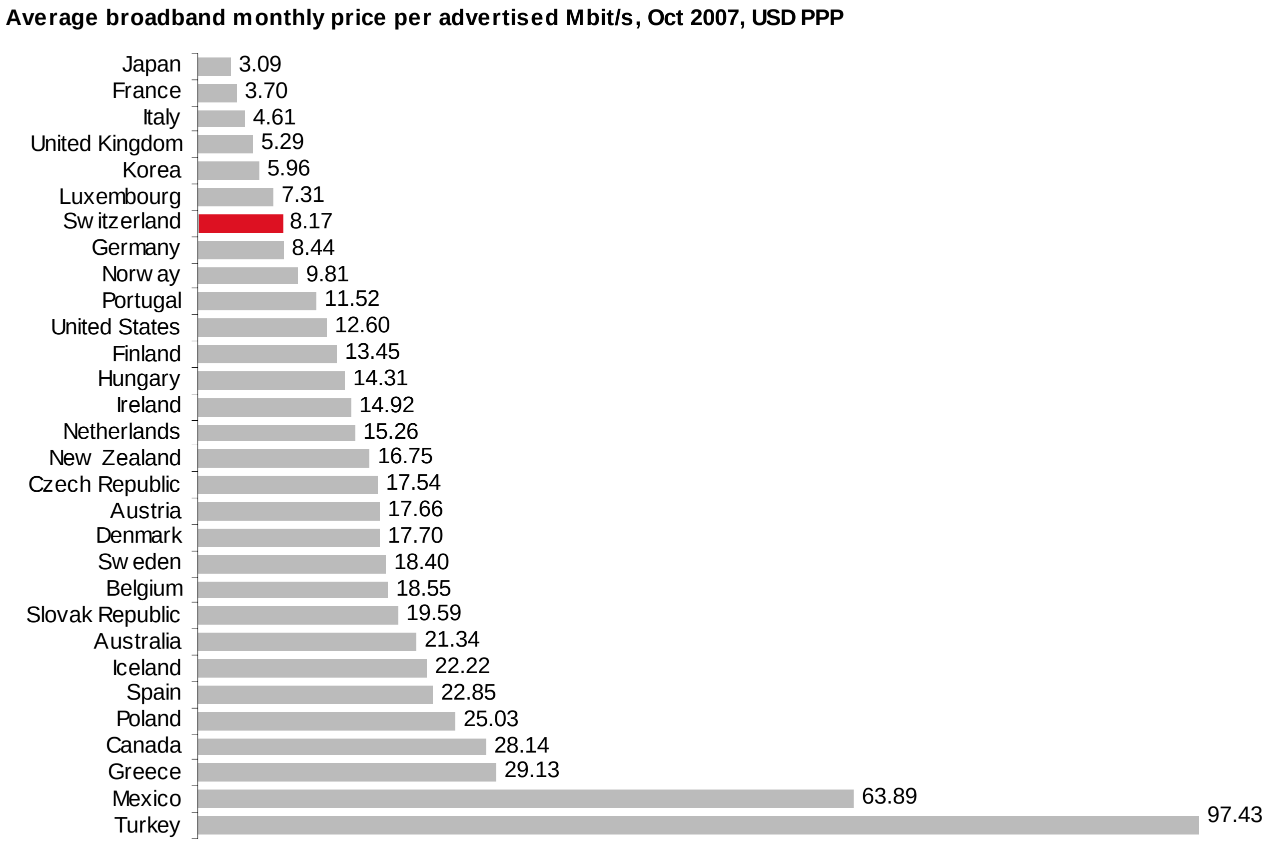
Figure 7.16. **Range of broadband prices for a monthly subscription, October 2006**



StatLink http://dx.doi.org/10.1787/002544377824

- According to the OECD study, Switzerland is in the lower third compared with other countries.

How high are Swiss broadband prices per Mbps compared with other countries?



Source: OECD (http://www.oecd.org/sti/ict/broadband)

- Switzerland is in the cheapest quartile for broadband charges/Mbps.