

Conference call

Half year results

29 August 2000



swisscom
| | | | |

Highlights

- **33.4% growth in net revenues compared with H1 1999**
- **Operating income (EBIT) of 1,116 million CHF for H1 2000 represents a decline of 33.6% compared to the previous year**
- **Strong mobile customer growth in Switzerland and Germany**
- **debitel in good position for an MVNO agreement in Germany**
- **New corporate structure as an enabler for performance improvement, increased transparency and flexibility**

Contents

Strategic directions

Domestic core business

Financials

International

E-Business

Strategic directions

Fixed*)

Full service provider

Growth in:
- Broadband services
- Corporate solutions
- SI&O

Performance improvement

Mobile

Retain market leadership

Grow customer base and value

Build up mobility portal

Pursue UMTS opportunity

International

Leadership in European mobile

Leverage debitel's customer franchise

Develop partnerships

Develop/acquire VAS offering

Selective international expansion

E-Business

Expand leading national position

Develop partnerships

Assume larger role in content business

*) Public Com, Business Com, Wholesale and Carrier Services

International strategy evolution

	Up to 1996	1996 - 1998	1998 onwards
Phase	International portfolio investments	HME/ Heart of Europe	Mobile / VASP
Strategy drivers	<ul style="list-style-type: none"> • Deregulation • Opportunities 	<ul style="list-style-type: none"> • Manageability • Simple returns 	<ul style="list-style-type: none"> • Consolidated revenue growth • Corporate strategic drive • Affordability
Strategy focus	<ul style="list-style-type: none"> • Alliances, minorities • Fixed, mobile, global voice data • No geographic focus 	<ul style="list-style-type: none"> • 50%+ direct investment • Start up's / JV's • Fixed, voice & data infrastructure partners • Surrounding regions 	<ul style="list-style-type: none"> • Transferring acquisitions/ majority control • Mobile/Mobile data • Customer franchise focus • Key Euro/Targets
Investments	<ul style="list-style-type: none"> • Infonet • SPT/CT • Digi • Sterling Cellular • Unisource 	<ul style="list-style-type: none"> • tesion • UTA • ESTEL • Swisscom SpA • Hotspots/SCNA 	<ul style="list-style-type: none"> • debitel
Value creation	<ul style="list-style-type: none"> • Mixed (flattered by UNV breakup) 	<ul style="list-style-type: none"> • Positive 	<ul style="list-style-type: none"> • Positive

Swisscom's strategy has evolved according to environment, corporate needs and constraints

International strategic directions

- **Establish leading position as mobile services provider**
 - Grow mobile customer franchise acquired with debitel
 - Build up platforms and services for 3G
 - Mobile Virtual Network Operator attractive route
 - Strong focus on Germany, Netherlands
- **Maximise value of non-core fixed assets**
 - Where company has critical mass and majority-owned by Swisscom: consider public offering (UTA)
 - Where company is subcritical: bring in partner or divest
 - Infonet, Cesky Telecom remain valuable financial investments

Focus on growth potentials in mobile services

Migration to business holding

Motivation

- Reduce management complexity, move faster
- Operational freedom to individual businesses
- Deal currency
- Increase value transparency
- Attract and retain management talents

Implementation

Holding structure with operationally independent business divisions

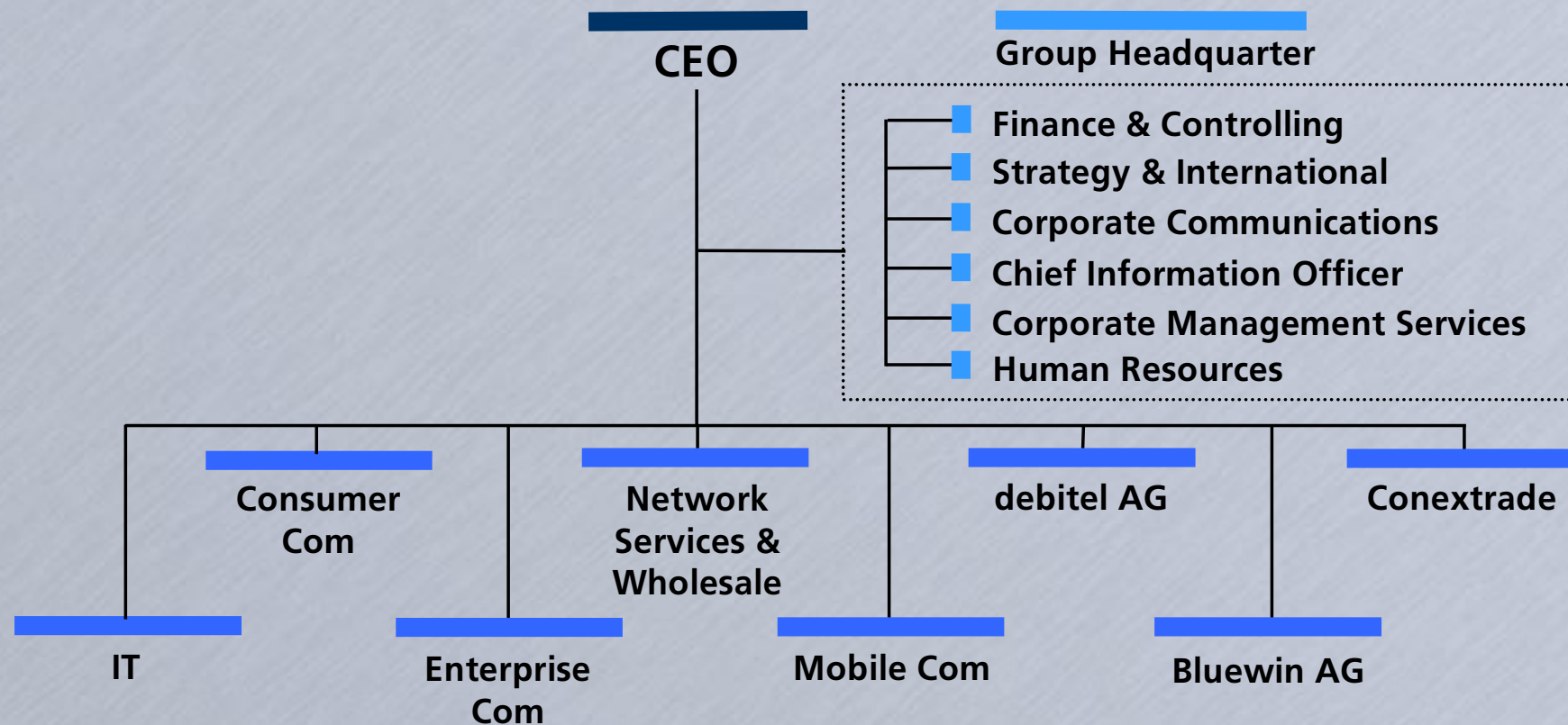
Business divisions gradually as separate companies

Allow for partnerships with equity stakes and IPO in selected cases

Increased competitiveness, transparency and flexibility

Future group organisation*)

*) conceptual, details may be modified



Swisscom will become holding company by end 2001

Contents

Strategic directions

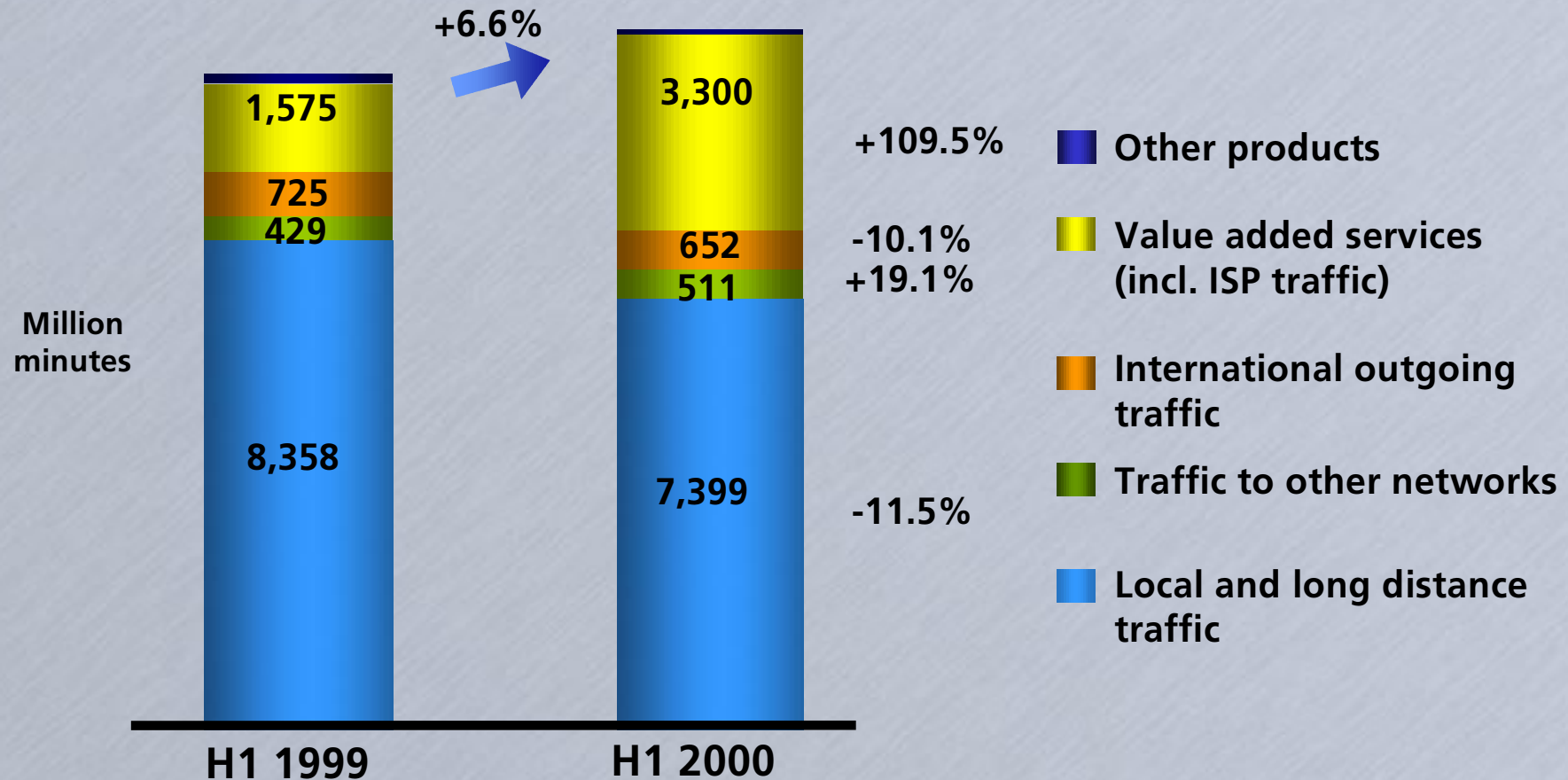
Domestic core business

Financials

International

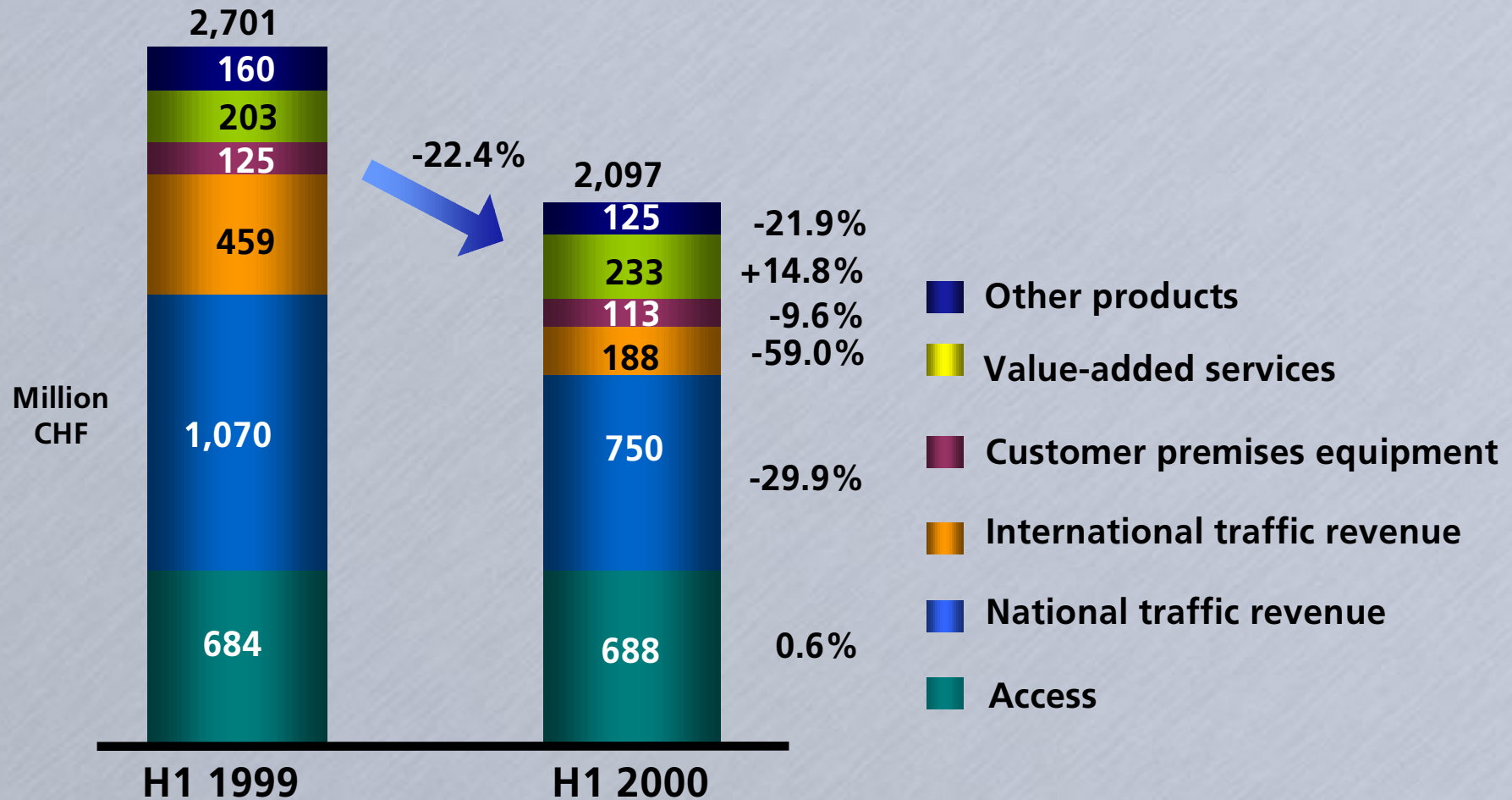
E-Business

Network traffic



ISP traffic compensates for decline in national and international

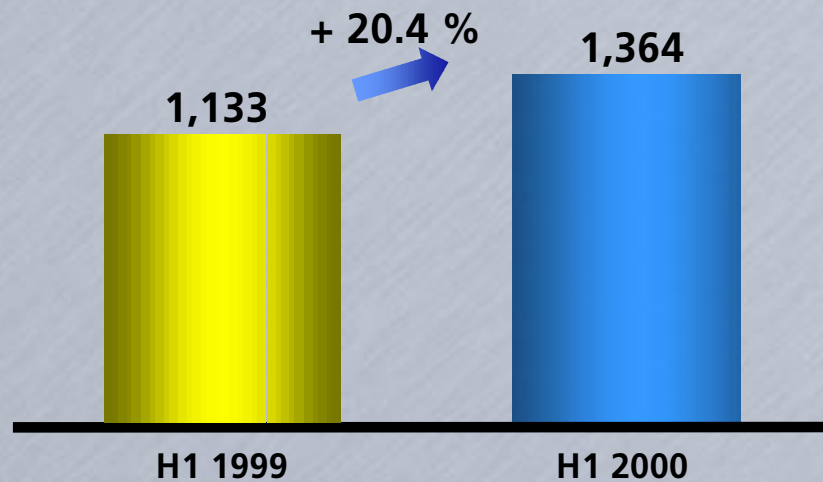
Public Com revenues



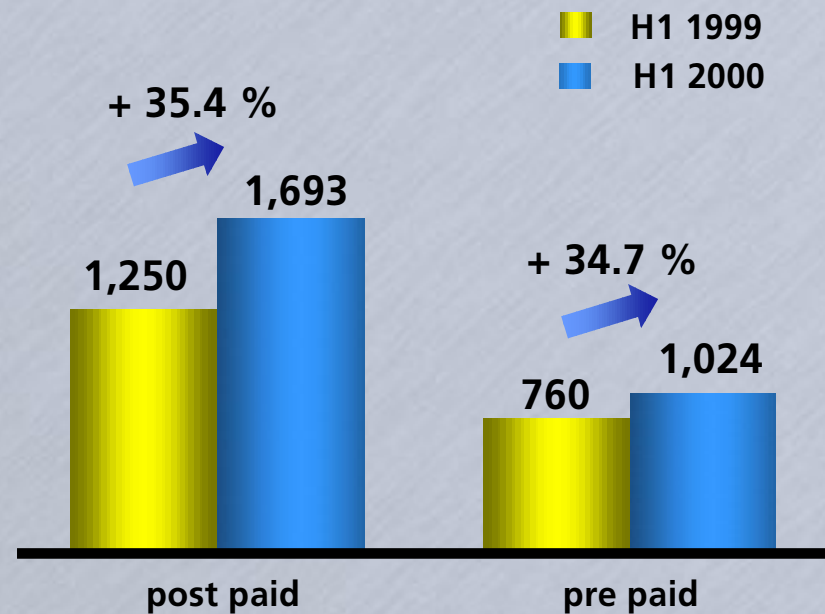
Strong competition and price reductions as of March 2000

Mobile Com development

Revenues
(Million CHF)



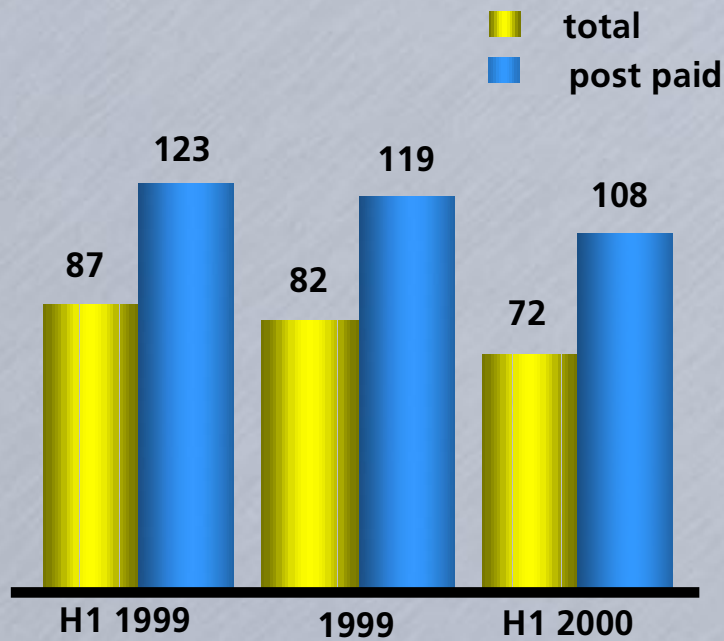
Swisscom subscriber growth
(in thousand)



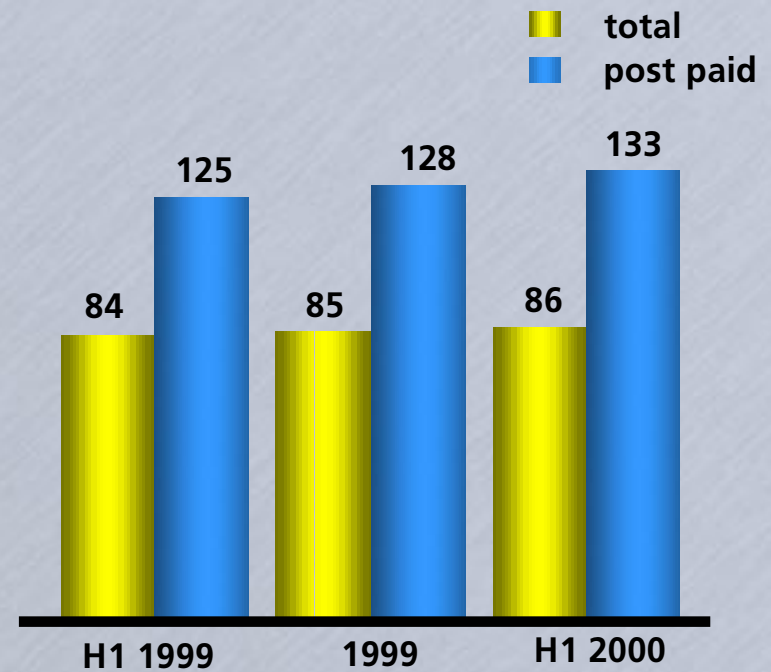
Strong growth in mobile revenues and subscriber base

Mobile Com key figures

ARPU total
(in CHF/month)



AMPU total
(in minutes/month)



ARPU decline due to tariff reductions in '99

Mobile growth opportunities

- **Establish Mobile Internet Joint Venture**
 - Bluewin and Swisscom Mobile intend to form a Joint Venture for mobility portal and m-commerce
- **Innovation**
 - mobile Inter-/Intranet access (NATEL OfficeLink, WAP)
 - m-commerce / ticketing (NATEL Go!, Fleurop)
 - Natel Skyline
 - Location based services
- **New technologies as enablers**
 - GPRS → fast and efficient access to the Internet / portals
 - UMTS → bid for license in November 2000

Unique position and potential for mobile in Switzerland

Contents

Strategic directions

Domestic core business

Financials

International

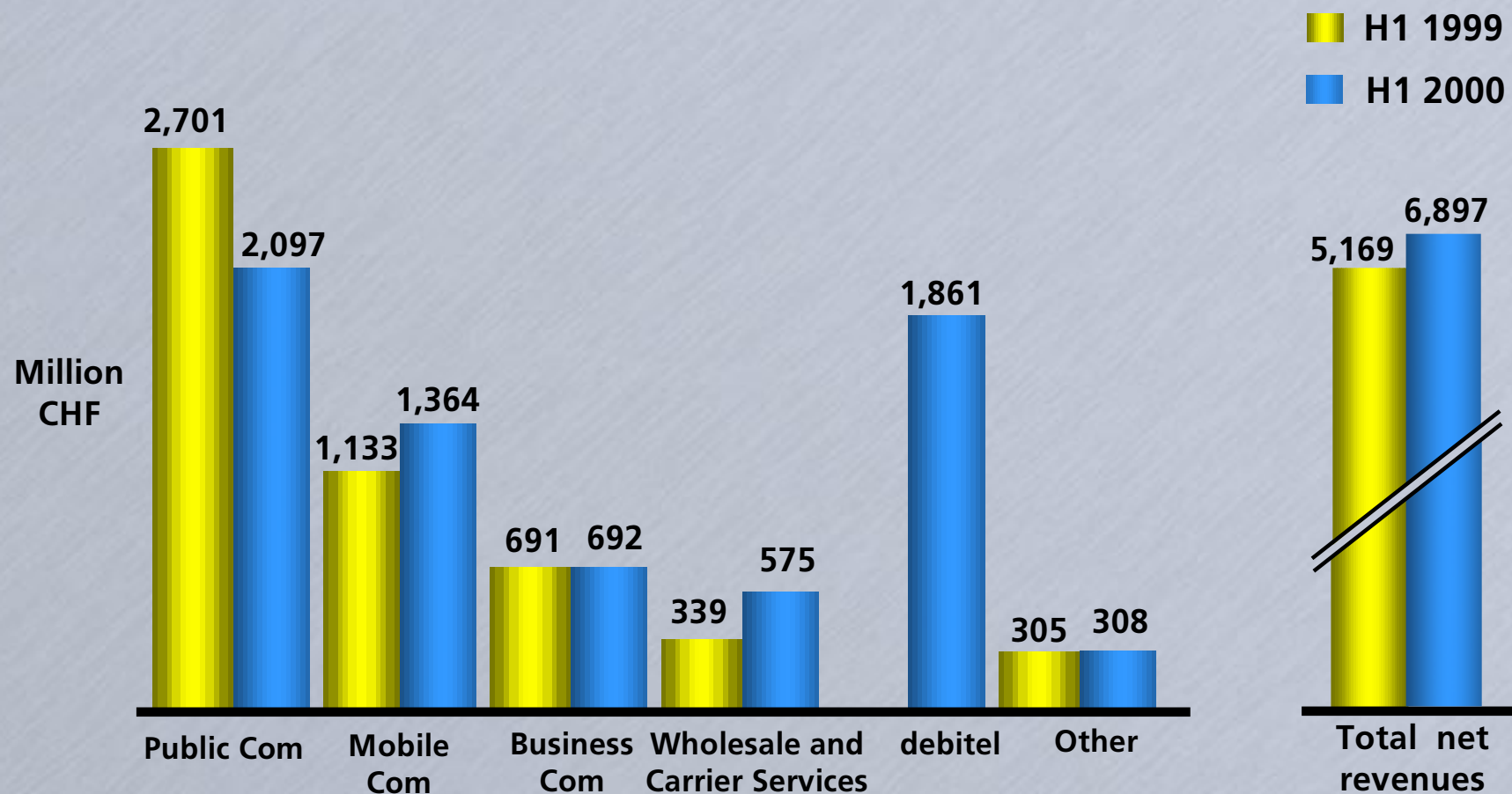
E-Business

Key figures

Million CHF	H1 1999	H1 2000	Δ
Net revenues	5,169	6,897	33.4%
Total operating expenses	2,708	4,812	77.7%
EBITDA	2,497	2,109	-15.5%
as % of net revenues	48.3%	30.6%	
EBIT	1,680	1,116	-33.6%
as % of net revenues	32.5	16.2%	
Net income from continuing operations	1,201	2'351	95.8%
Discontinued operations		69	
Net income	1,201	2,420	101.5%
Earnings per share	16.33	32.90	

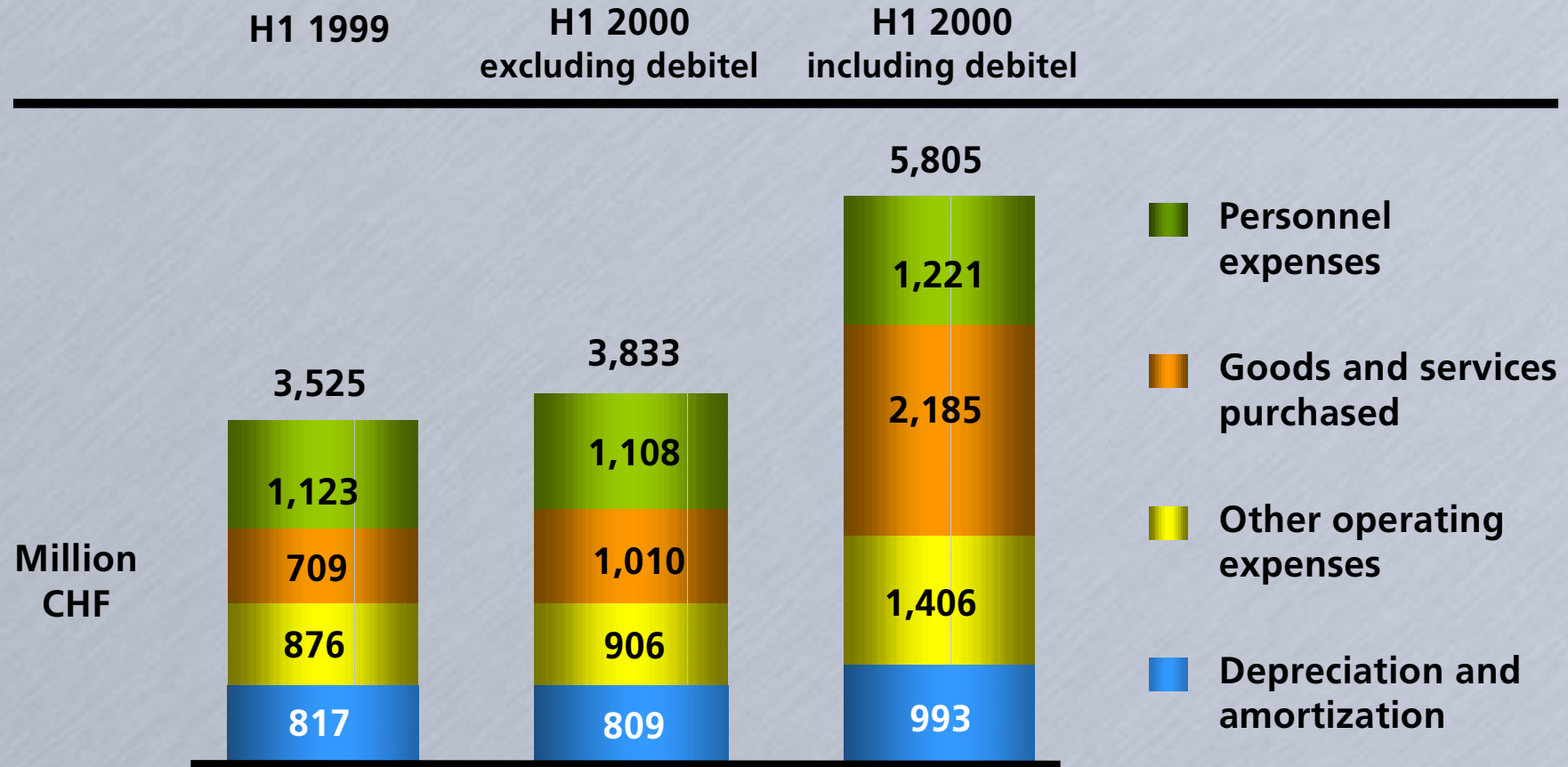
Improvement in net income due to extraordinary transactions

Net revenues



Strong revenue growth by mobile and first consolidation of debitel

Cost analysis



Cost management will remain top priority

Capital expenditure

Million CHF	H1 1999	H1 2000	Δ
Fixed-line networks	182	174	-4.40%
Mobile networks	89	77	-13.48%
Buildings	4	4	
Other	155	132	-14.84%
Total	430	387	-10.00%

Clear focus on new technologies

Net income

Million CHF	H1 1999	H1 2000
Operating income (EBIT)	1,680	1,116
Financial expense	-124	-133
Financial income	28	158
Income tax expense	-379	-323
Income before equity in net (loss) income of affiliated companies and minority interest	1,205	818
Equity in net (loss) income of affiliated companies	-4	1,540
Minority interest in loss of consolidated subsidiaries		-7
Net income from continuing operations	1,201	2,351
Discontinued operations		69
Net income	1,201	2,420

Divestitures successfully executed

Financing structure

Million CHF	1999	H1 2000
Short-term debt	4,049	3,526
Long-term debt	3,073	2,322
Finance lease obligations	637	610
Interest-bearing debt	7,759	6,458
Less: cash, cash equivalents and securities available for sale	-1,276	-1,376
Net debt (excluding pension liability)	6,483	5,082
Pension liability	2,248	1,993
Incl. curtailment benefits	575	107
Total shareholders' equity	6,685	7,989
Book leverage (excluding pension liability)	97.0%	63.6%
Equity ratio	32.0%	37.5%

Solid base for Swiss UMTS auction

Contents

Strategic directions

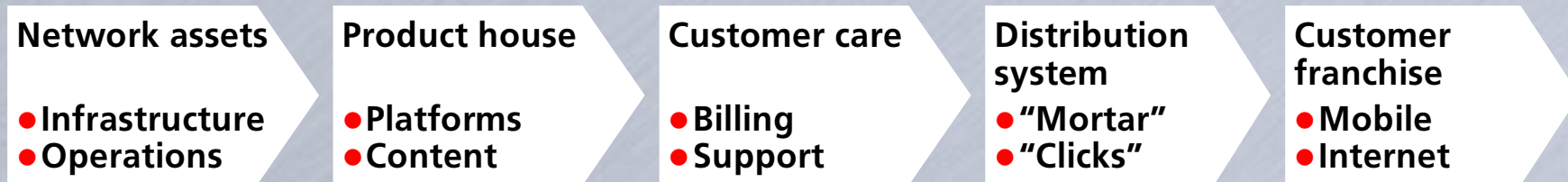
Domestic core business

Financials

International

E-Business

Swisscom/debitel's approach to 3G mobile



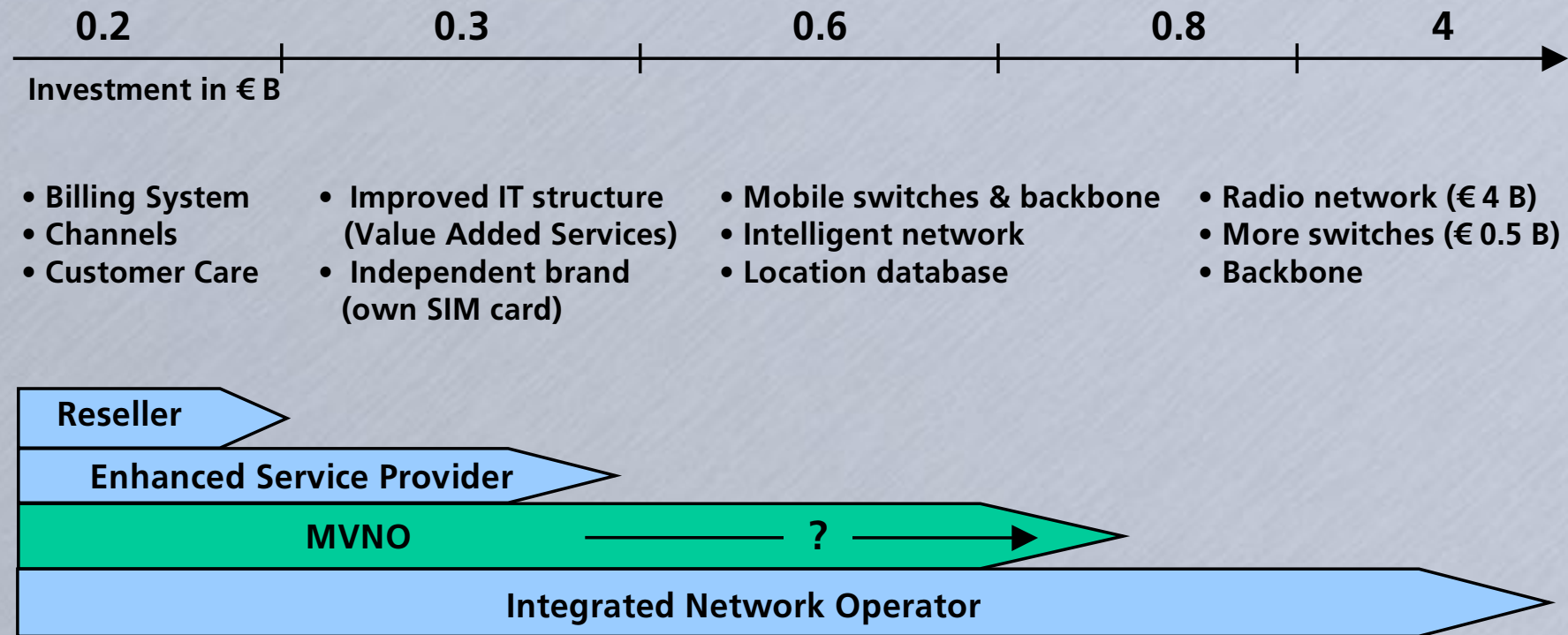
Building from customer franchise requires economic pragmatism

German UMTS

- **Swisscom/debitel withdrew from the German UMTS auction**
 - decision based on sound economic rationale
- **debitel seeks to realize significant future growth potential as a provider of mobile multimedia services**
 - attractive route is Mobile Virtual Network Operator (MVNO)
 - leverages leading customer position
- **debitel excellent positioned in 6 license outcome**
 - debitel customer franchise increasingly valuable
 - further options to partner for 3G business

Significant future growth potential in Germany

UMTS business models



MVNO requires investments in "intelligent infrastructure elements"

debitel position to obtain MVNO

- **Largest network independent customer base**
 - 3rd largest customer franchise in German market (incl. MNO's)
- **Largest indirect mass distribution system with 7000 contracted outlets**
- **Excellent customer care engine and state-of-the-art churn management**
- **Swisscom fully supportive of strategy to obtain MVNO**
 - technical implementation and funding
 - joint product creation for large combined customer base
 - Swisscom's major shareholder is fully supportive of the strategy and its strategic and financial implications

Excellent position for negotiations with UMTS license holders

International investments

- International mobile strategy does not require local fixed line operators. Therefore, existing participations outside home market considered financial investments
 - if critical mass - seek value-maximisation options, incl. partnering
 - no critical mass - Swisscom will merge or divest
- tesion and Estel: non-critical mass, therefore sale to partner or highest bidder
- Swisscom SpA: value options being examined, including partnering to further develop the company
- UTA: as Austria's no.2 fixed line and internet company, clearly has critical mass, shareholders considering an IPO

Substantial value created from HME strategy

Contents

Strategic directions

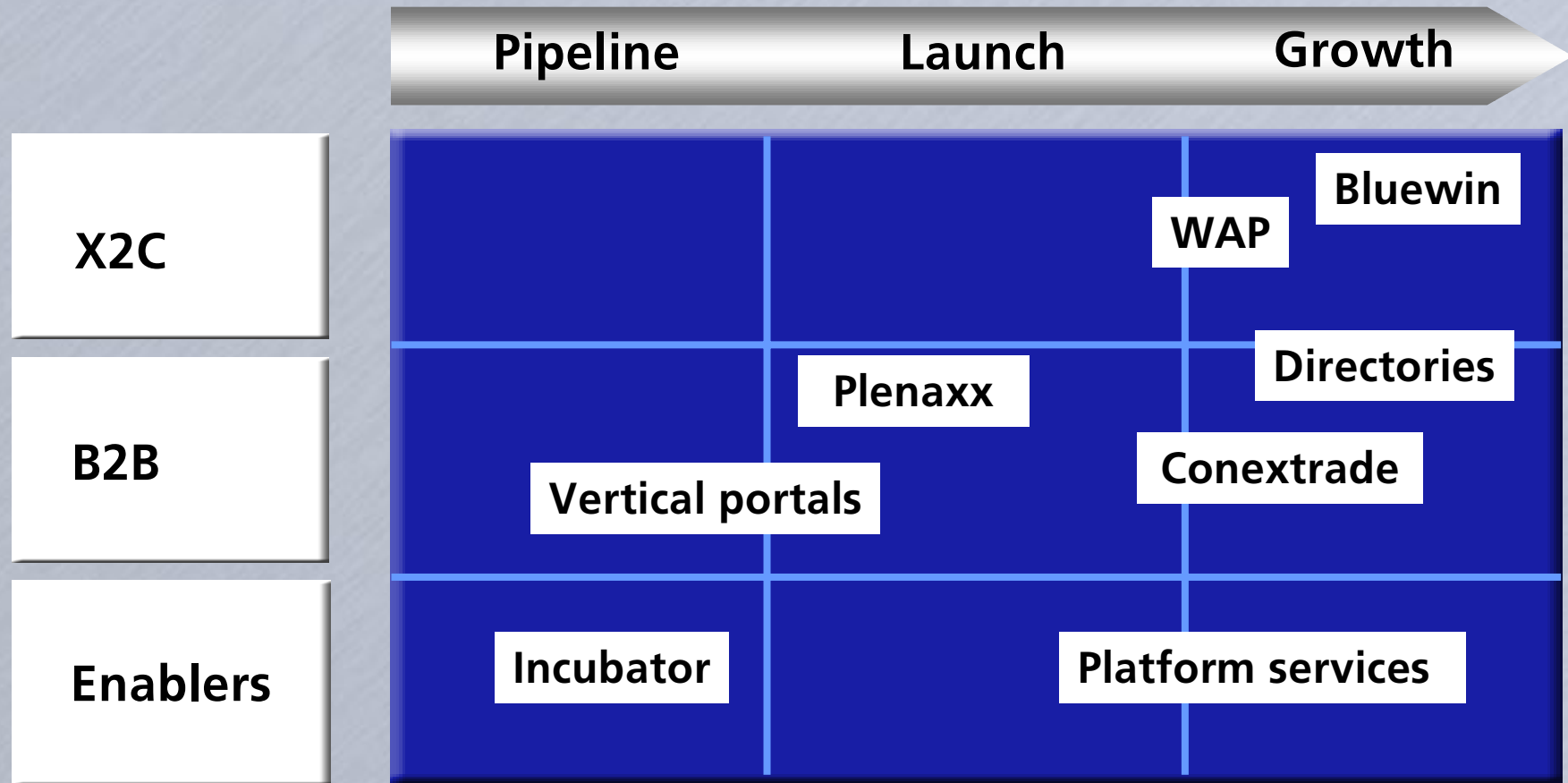
Domestic core business

Financials

International

E-Business

E-Business: overview



Swisscom is shaping the e-business market

Status

- Contract with Commerce One
- E-Marketplace with supplier content online
- Internal e-procurement pilot operational
- First partner deals signed
- Founding member of Global Trading Web Association

Outlook

- Move into vertical portals
- Develop VAS on top of transactions
- Create international options in line with Swisscom strategy

Become clear market leader in Swiss B2B market

B2B **plena**xx.

Status

- Company established
- Partners:
 - UBS banking
 - Mobiliar insurance
 - Valora logistics
 - SGV industry federation SME
- Business model confirmed, target customers show overwhelming interest in pilot

Outlook

- Pilot: August 2000
- On-line: October 2000
- Finalize core services: Collaboration and communication
- Develop future services: Transactions, applications and others

The major initiative in the Swiss SME-market

X2C **bluwin**

Status

- **Continued strong growth in revenues and subscriber numbers**
 - Overall H1 revenues of CHF 55.5 million: up 117% from H1 1999
 - H1 access revenues of CHF 53 million ¹ (+118%)
 - H1 advertising and e-commerce revenues of CHF 1.8 million (+125%) ²
 - Registered subscribers (June 2000): 515'000 (+60% since December 1999)
 - Active subscribers (June 2000): 427'000 (accessed last 40 days)
- **Transfer of online business services from Swisscom with revenues of CHF 2.8 million ³**
- **Successful development of brand**

Outlook

- **Focus on further strengthening of Bluewin portal**
 - Successful integration of TA Media content and winner platform
 - Launch of finance portal with partners Credit Suisse, TA Media
 - Additional content and e-commerce partnerships in preparation
- **Rollout of broadband offering starting October 2000**
- **Preparation on track for IPO in Q4 2000**

Stay clear market leader in Switzerland

¹ Access revenues are not directly comparable due to interconnect agreement since January 2000

² All advertising and e-commerce revenues are shown on a net basis

³ Not yet included in overall revenues

Highlights

- **33.4% growth in net revenues compared with H1 1999**
- **Operating income (EBIT) of 1,116 million CHF for H1 2000 represents a decline of 33.6% compared to the previous year**
- **Strong mobile customer growth in Switzerland and Germany**
- **debitel in good position for an MVNO agreement in Germany**
- **New corporate structure as an enabler for performance improvement, increased transparency and flexibility**

*Thank you
for your attention*



swisscom
| | | | |