

Simply Steady,  
Simply Solid

Simply Swisscom

3<sup>rd</sup> quarter 2002 results presentation

# Agenda

Jens Alder, CEO

**1. Strategy - sustainability**

**2. Strong financial position**

**3. Introduction of key cash drivers:**

**4. Shifting wireline market - trends analysed**

**5. Strong mobile market - shows stability**

Ueli Dietiker, CFO

**6. Group financial performance**

**7. Results by segment**

Jens Alder, CEO

**8. Summary and conclusions**

# 1. Strategy - sustainability

Jens Alder, CEO

# Sustainable Strategy

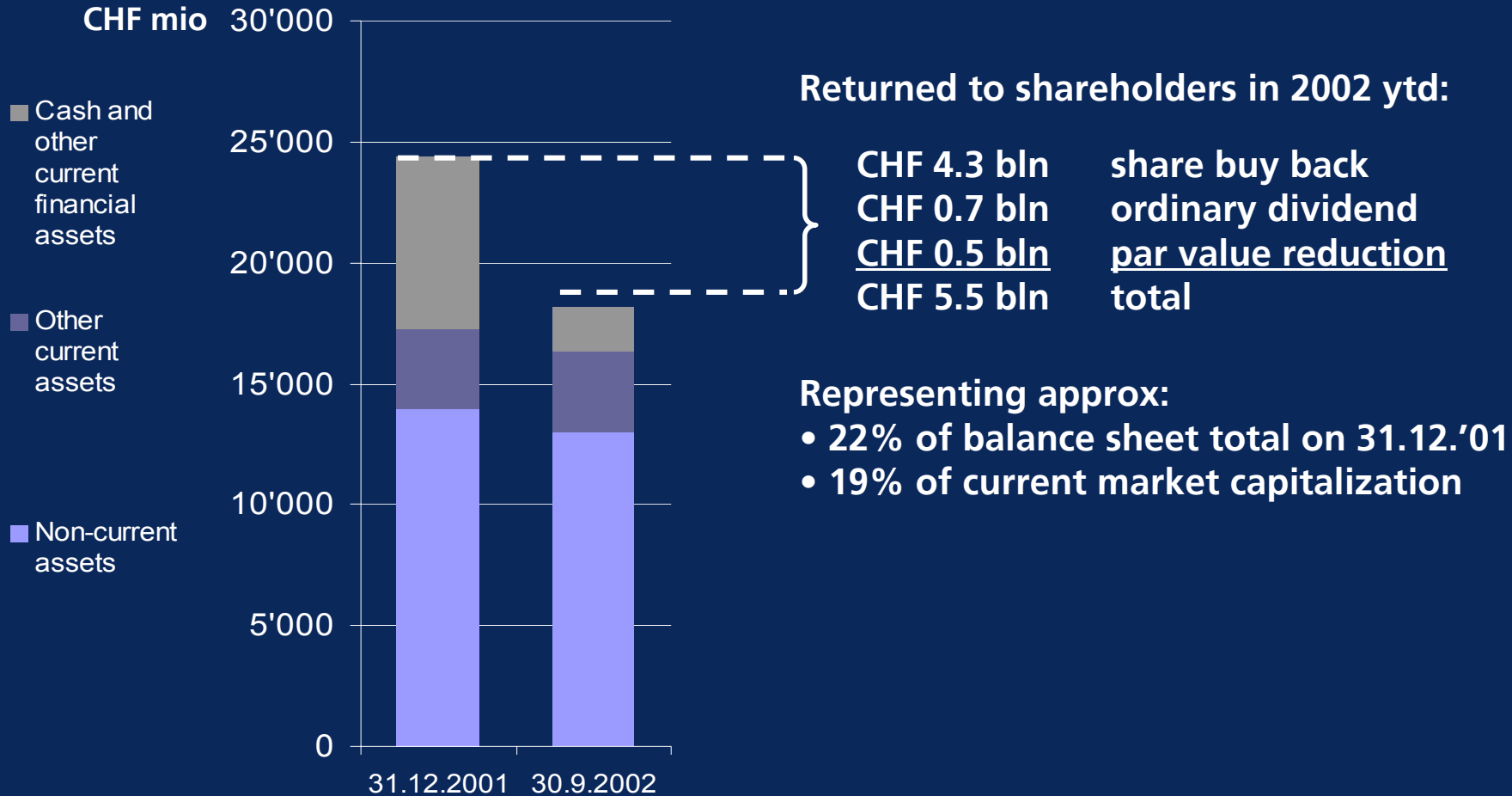
- non-organic growth not a strategic necessity
- acquisitions only if investment criteria satisfied, and if:
  - cashflow (yield) accretive
  - Swisscom is a better investor than its shareholders directly
- Swisscom's own yield is the benchmark
- share buy backs are the alternative

**Strategy unchanged - no news!**

## 2. Strong financial position - “Simply Swisscom”

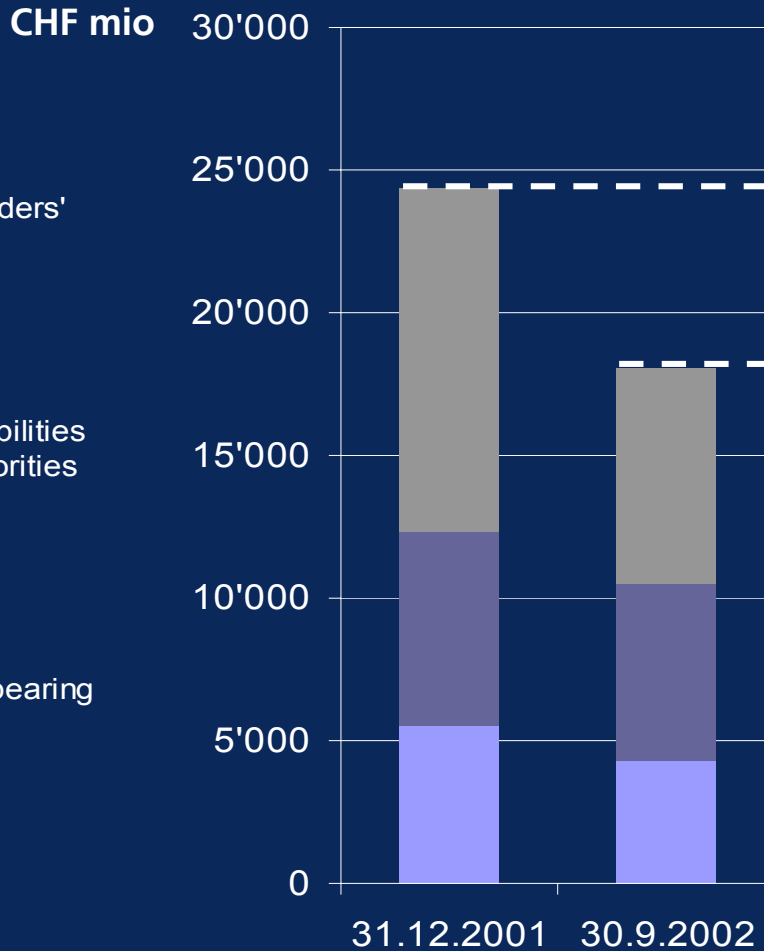
Jens Alder, CEO

# Strong position - balance sheet, assets (IAS)



**Strong balance sheet enabled substantial return of funds**

# Strong position - balance sheet, liabilities (IAS)



After shortening the balance sheet, among others by returning CHF 5.5 bln to shareholders, situation remains solid:

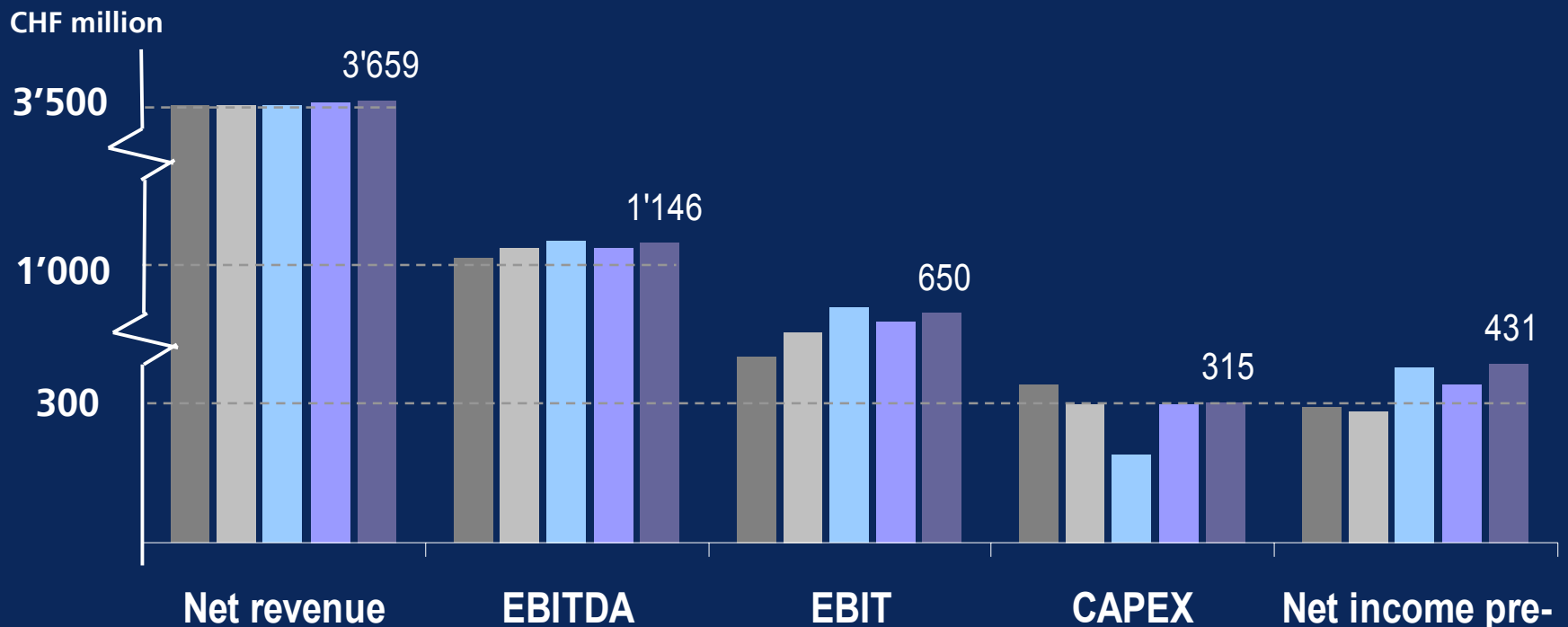
- book leverage of 14.5% (net debt/equity)
- net debt of CHF 1.2 bln only
- net interest coverage (EBITDA/net interest) over first 9 months at 67x

Size of further share buy backs limited by Swiss accounting rules to approx. CHF 3 bln by 2003

Shareholder friendly without over-stretching the balance sheet

# Stable financial performance

■ avg quarter 2000 ■ average quarter 2001 ■ 1st quarter 2002 ■ 2nd quarter 2002 ■ 3rd quarter 2002



\*) Net income calculations before large exceptional items:

2000: before gains from sale of Cablecom/Tesion/D-Plus, cross border lease transaction, gains from discontinuing operations

2001: before gains from sale of 25% stake in Swisscom Mobile to Vodafone, gains from sale of real estate, impairment charge debitel

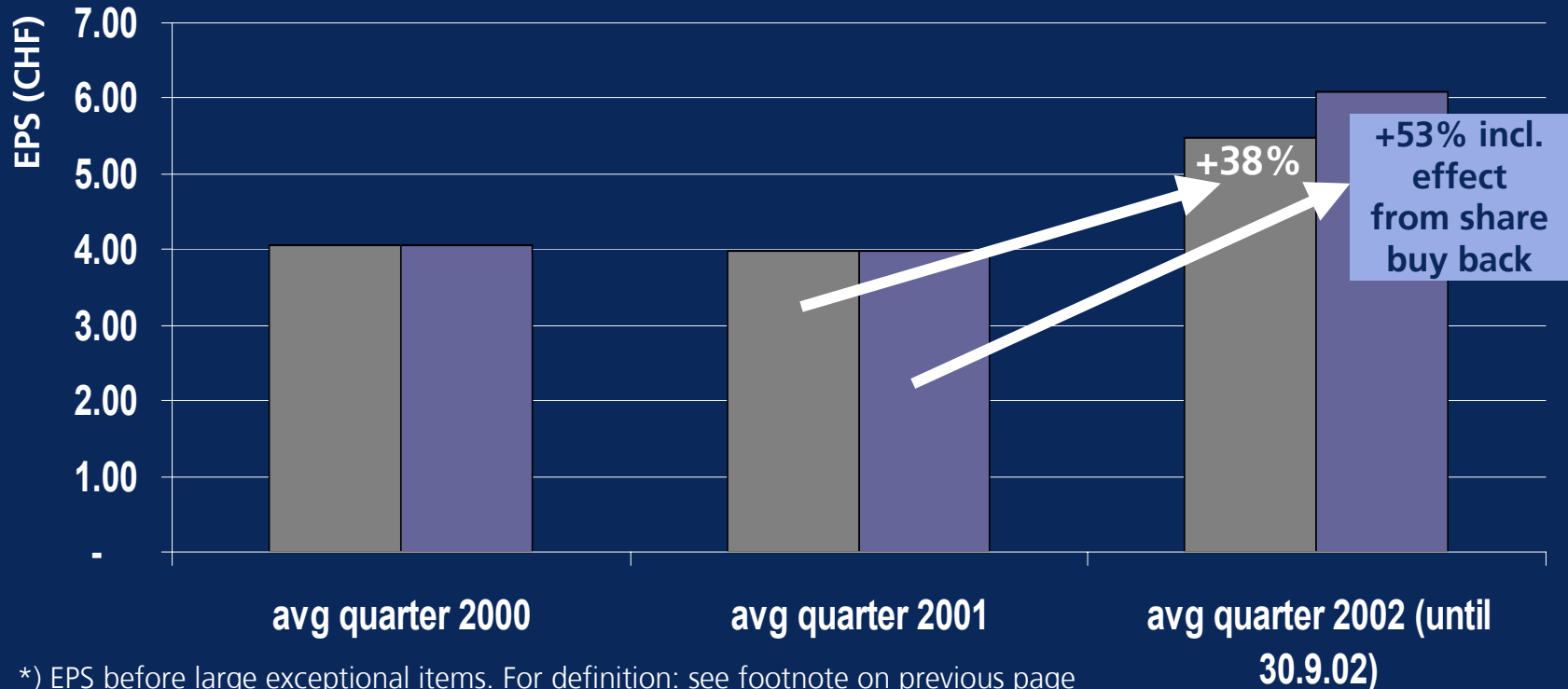
2002: no exceptional items until 30.9.2002

**Stable results, substantial dynamics underneath**

# Quarterly Earnings per Share\*)

■ EPS before share buy back

■ EPS after share buy back



\*) EPS before large exceptional items. For definition: see footnote on previous page

EPS before SBB calculated on 73.55 mio shares; EPS after SBB calculated on 66.2 mio shares (new number of outstanding shares after completion of share buy back)

**Standalone EPS growth strong, further stimulated through first time effect of share buy back creating extra 11% growth per share**

## 3. Introduction of key cash drivers

Jens Alder, CEO

## Key cash drivers at Swisscom:

### Wireline (Swisscom Fixnet and Enterprise Solutions)

#### Key top-line issues:

- total wireline market Switzerland:
  - substitution
  - cannibalisation
- Swisscom's:
  - market shares & pricing in:
    - local
    - dld
    - fixed to mobile
    - international
    - VAS
  - wholesale development

### Wireless (Swisscom Mobile)

#### Key top-line issues:

- total wireless market Switzerland
  - penetration
  - voice and data growth
- Swisscom's:
  - market shares & pricing in
    - postpaid
    - prepaid

**In what follows, we focus on business that can make or break our cash generating capacity: wireline and wireless market trends**

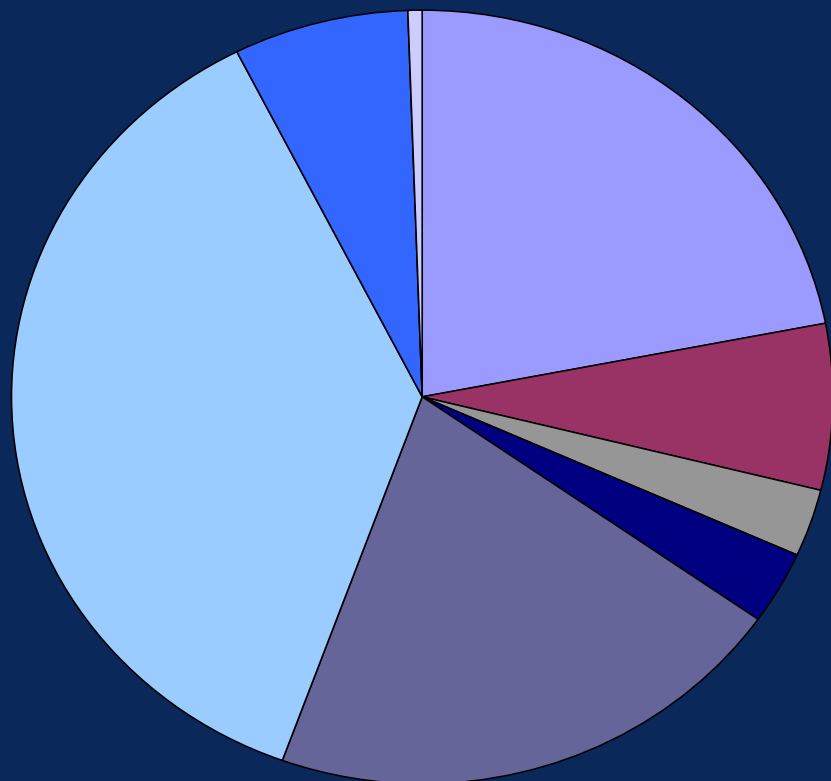
## 4. Wireline market - trends analysed

**“Steady at first sight, shifting underneath”**

Jens Alder, CEO

# Stable wireline volume development....

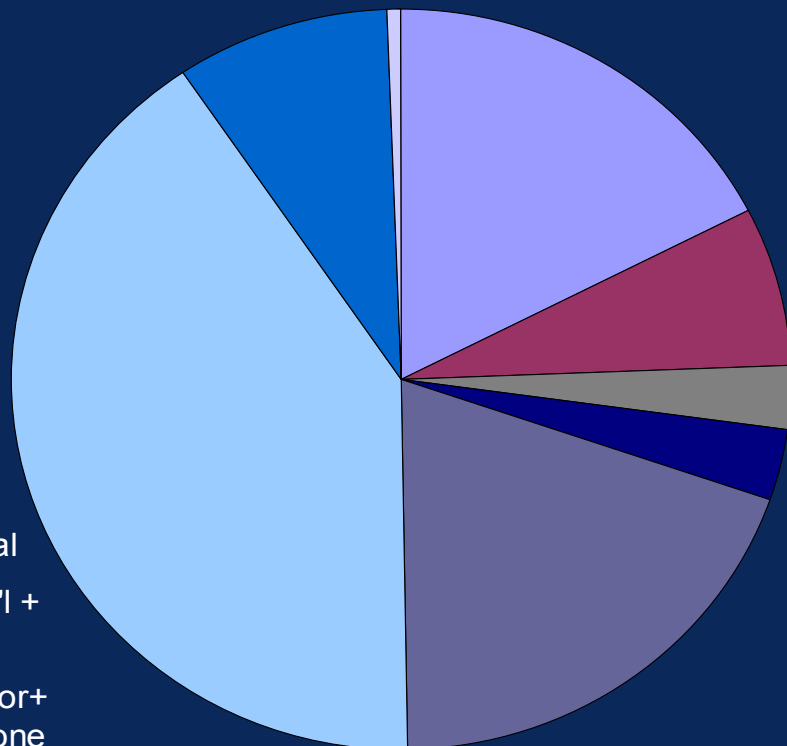
Cumulative 30.9.2001



Total minutes: 33'971 mio

Cumulative 30.9.2002

- local
- dld
- f2m
- int'l
- VAS
- WS National
- WS Int'l + CS
- Operator+ Payphone

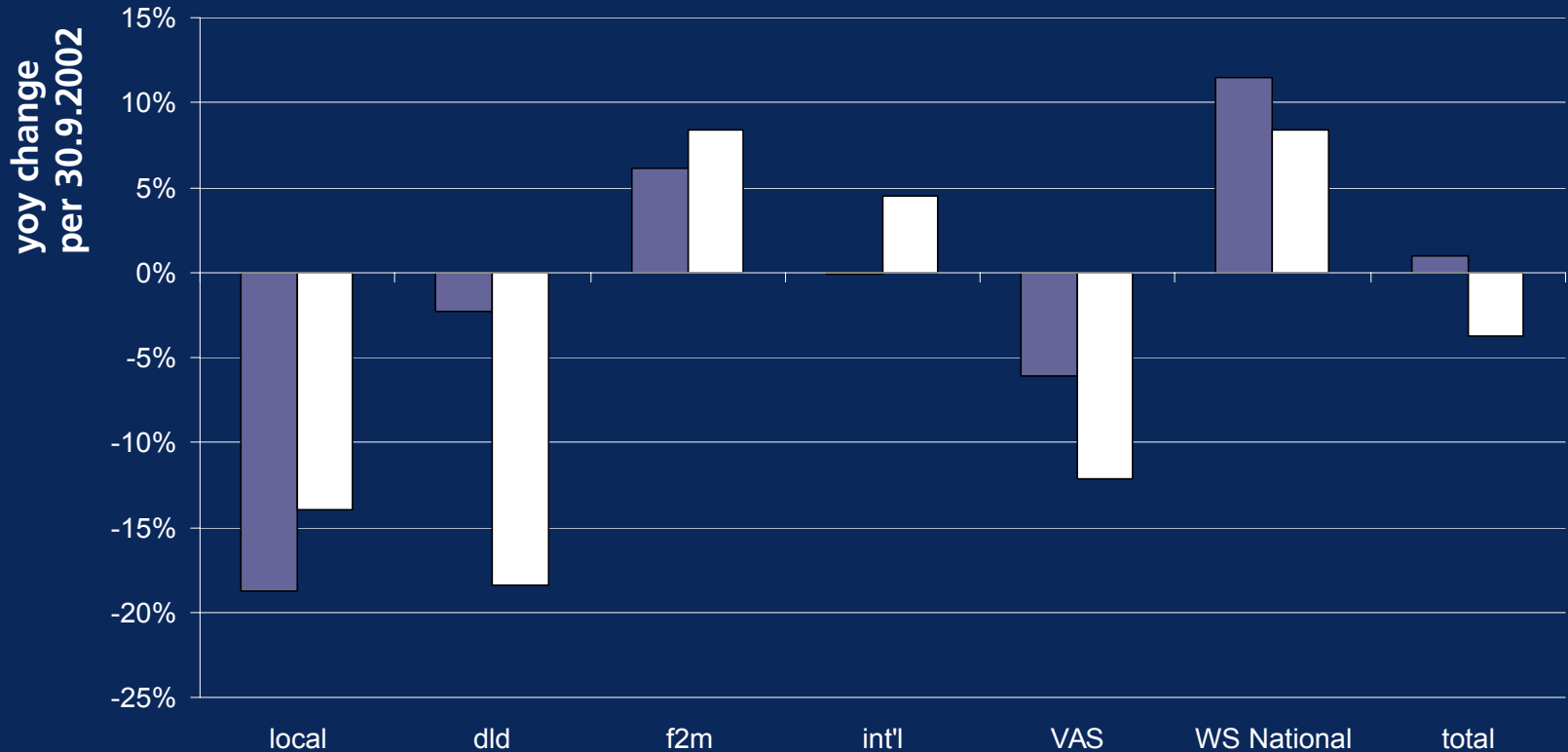


Total minutes 34'289 mio (+0.9% yoy)

.... however composition of minutes substantially different

# Wireline traffic: revenue and volume development not always in line...

■ volumes ■ revenues



**What is causing revenue and volume development to diverge?**

Explained  
in section:

a)

b)

c)

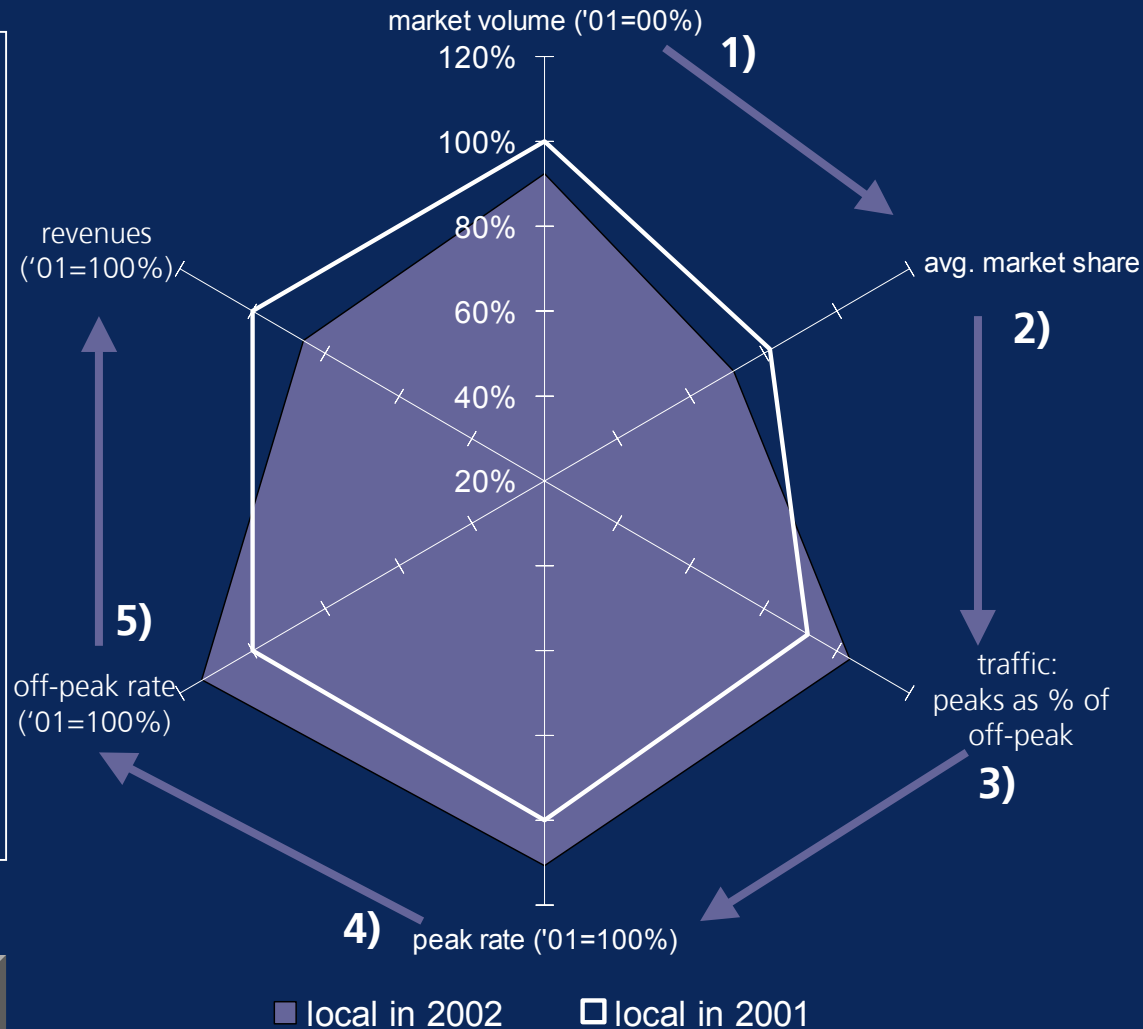
d)

e)

f)

# a) local traffic

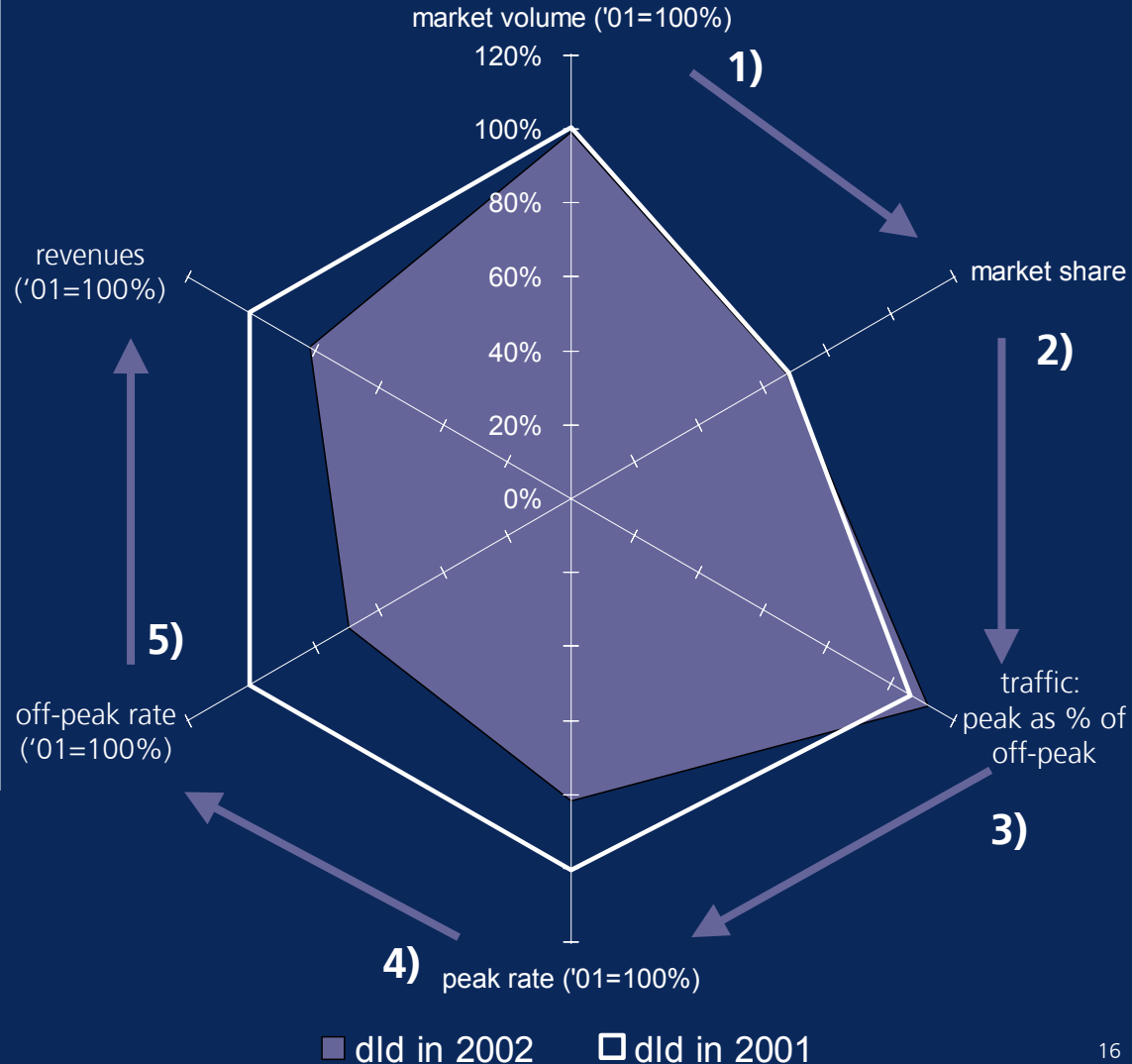
- 1) total market down 7.4% yoy through transfer of other PTS dial-up traffic to VAS and to ADSL, through mobile substitution and through general economic development
- 2) average market share down 10%points yoy (after introduction of local CPS)
- 3) more peak traffic compared to off-peak (after redefinition of peak times in conjunction with introduction of unified tariff on May 1st)
- 4) and 5) peak and off-peak rates increased substantially. Effect softened as tariff increases only implemented as per 1 May 2002



**9 months 2002:**  
**local traffic revenues**  
**CHF 347 mio (-14% yoy)**

# b) domestic long distance (DLD) traffic

- 1) total market down 1.1% yoy, largely due to mobile substitution and general economic development
- 2) average market share down 1% point yoy
- 3) slightly more peak traffic compared to off-peak (after redefinition of peak times in conjunction with introduction of unified tariff).
- 4) and 5) peak and off-peak rates decreased substantially. Effect softened as tariff decreases only implemented as per 1 May 2002

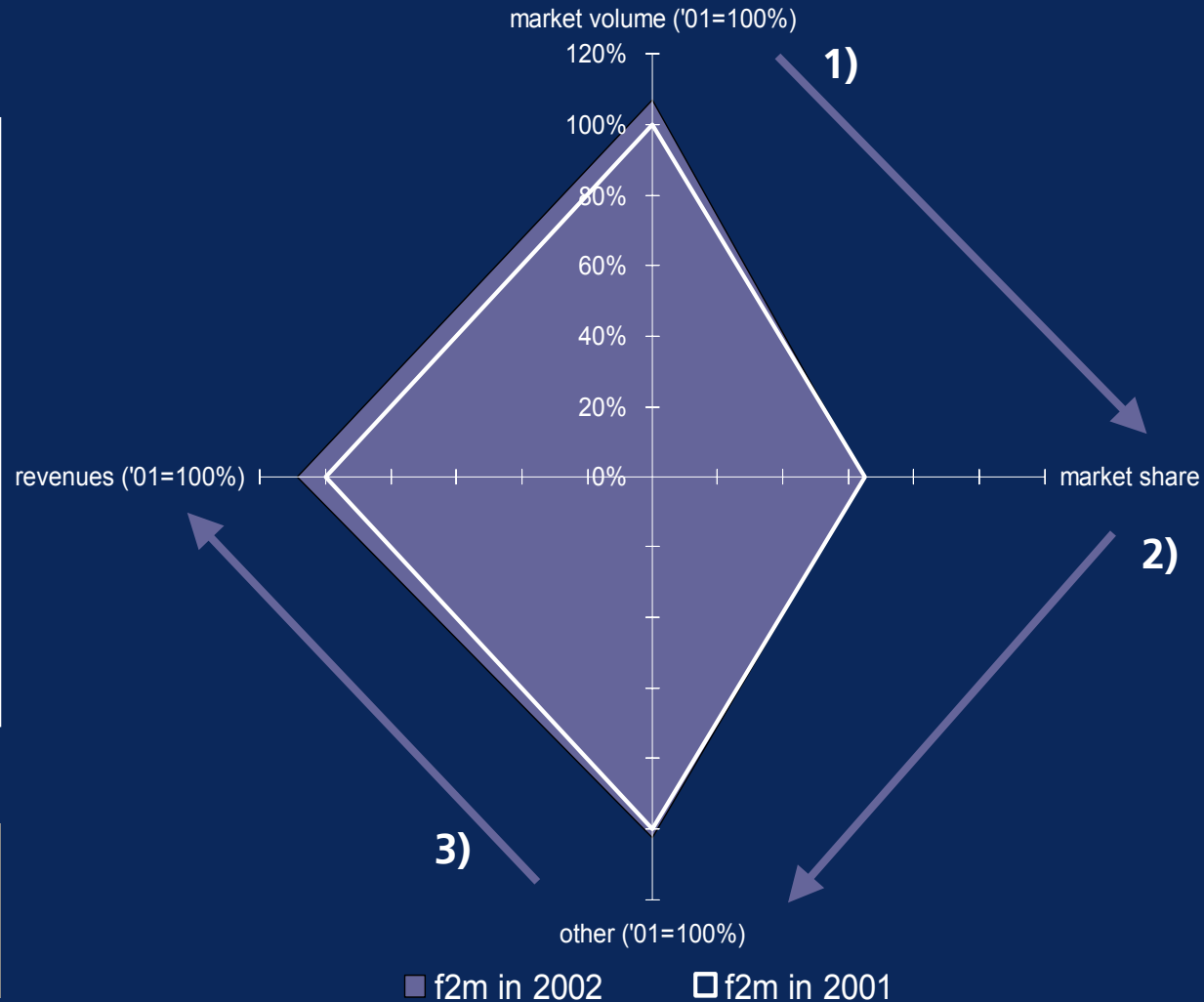


**9 months 2002:**  
**DLD traffic revenues**  
**CHF 177 mio (-18.4% yoy)**

# c) fixed to mobile (f2m) traffic

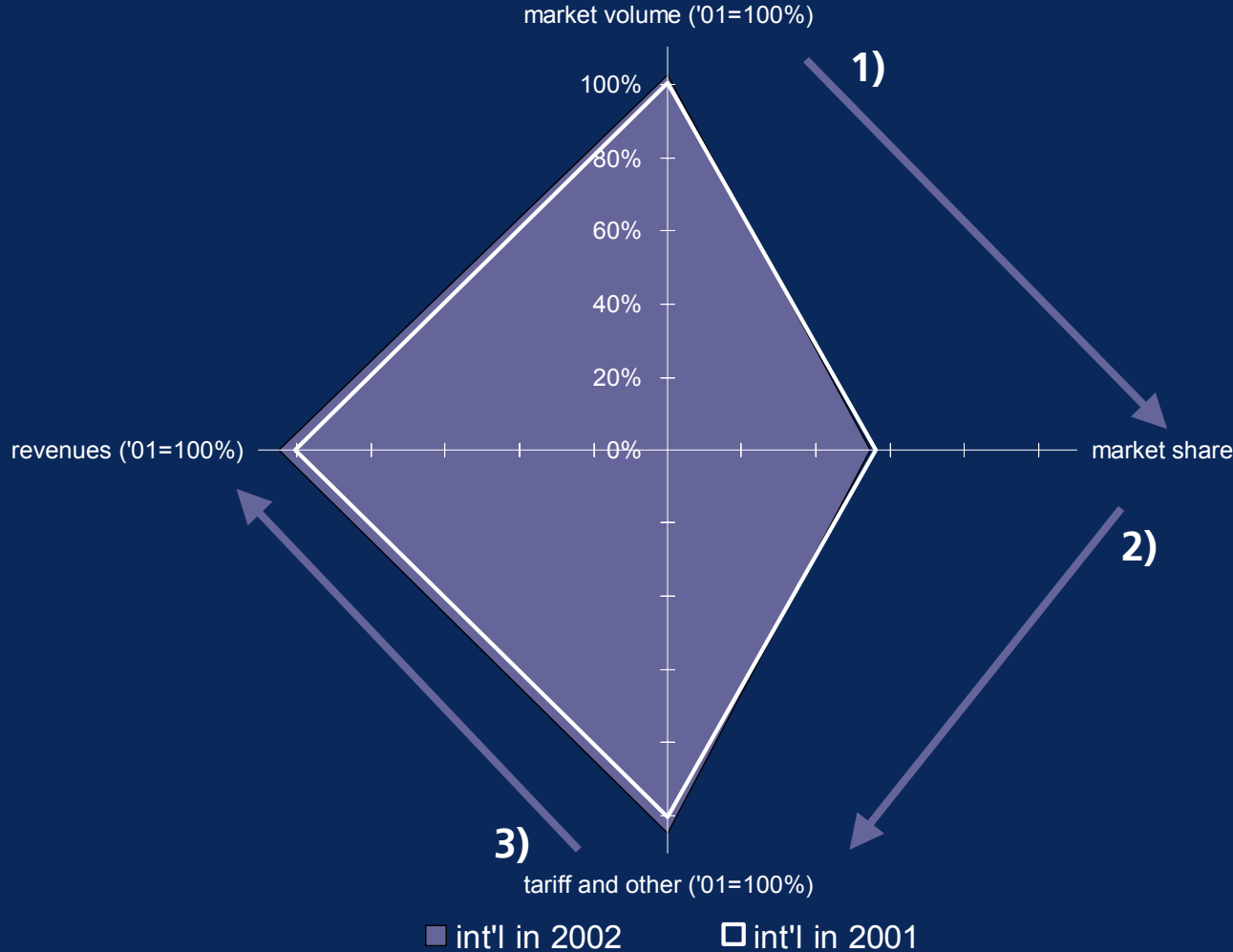
- 1) total market volume up 6.9% yoy
- 2) average market share down 0.5% point yoy
- 3) all other effects drive revenues another 2%

**9 months 2002:**  
**f2m traffic revenues**  
**CHF 450 mio (+8.4% yoy)**



# d) international traffic

- 1) total market up 2.3% yoy
- 2) average market share down 1.3%point
- 3) tariffs largely stable, net effect positive due to changes in traffic to different tariff zones / countries

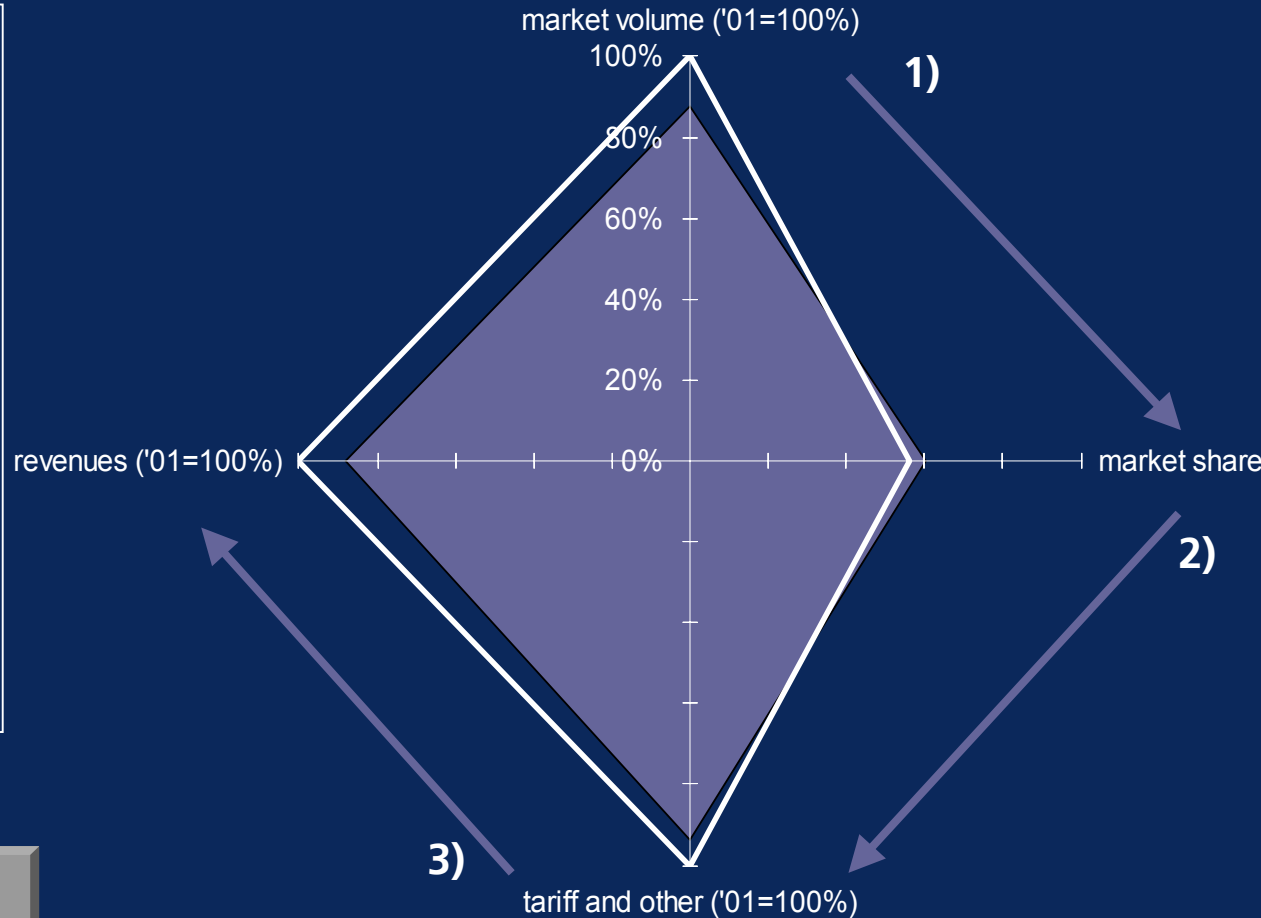


**9 months 2002:**  
**Int'l traffic revenues**  
**CHF 232 mio (+4.5%)**



# e) value added services (VAS)

- 1) total market down 12% mostly through cannibalization by broadband and cable
- 2) market share up 4% points to 60%
- 3) tariffs largely stable, effective rate lower through changed composition of minutes streams (0840/0800/0900 numbers)

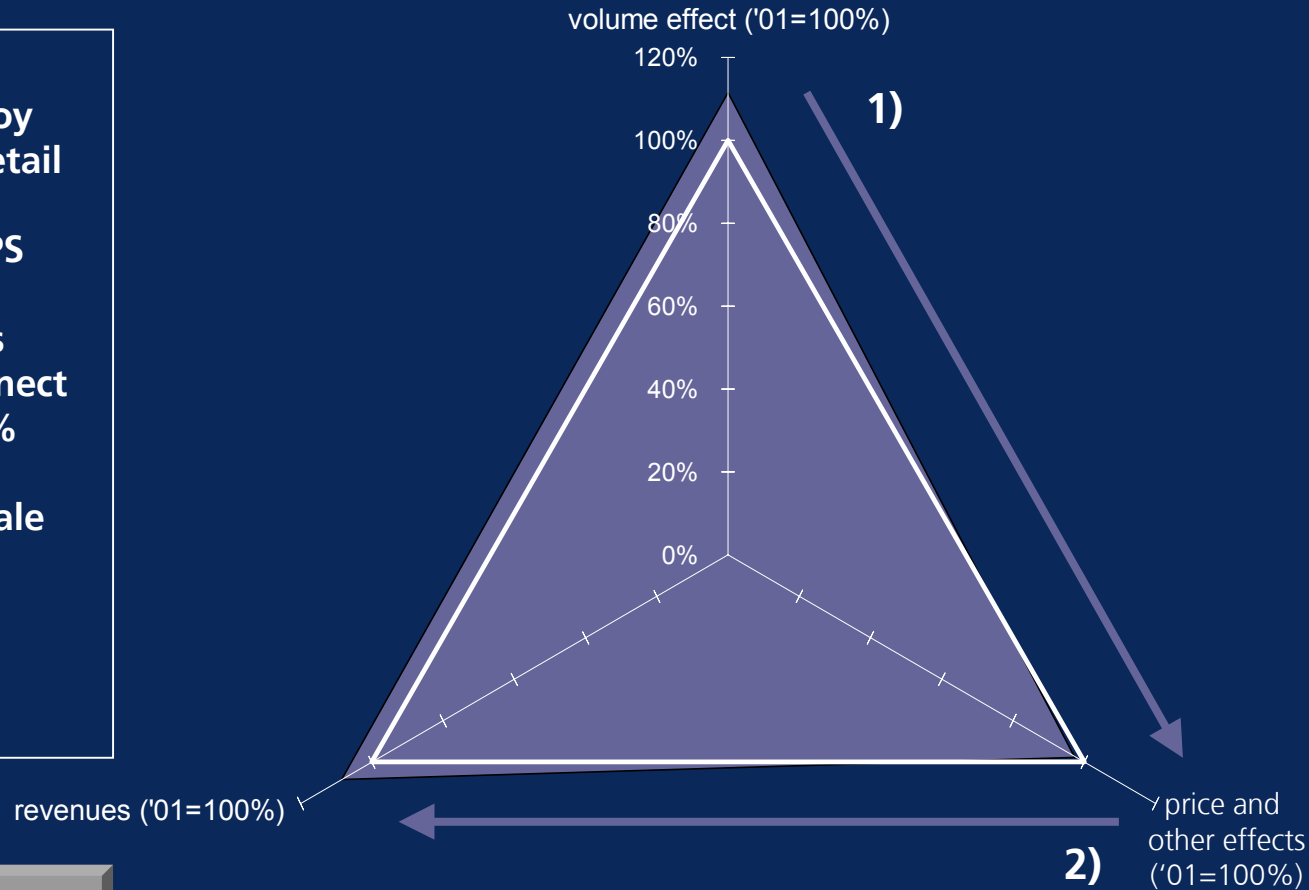


■ VAS in 2002 □ VAS in 2001

**9 months 2002:**  
**VAS traffic revenues**  
**CHF 282 mio (-12.1% yoy)**

# f) wholesale National traffic (regulated)

- 1) total volume up 11% yoy mostly due to loss of retail market share after introduction of local CPS
- 2) prices down 6% yoy, as based on LRIC interconnect regime, net effect -2.7% due to shifting composition of wholesale traffic



**9 months 2002:**  
**Wholesale National**  
**(regulated) traffic revenues**  
**CHF 400 mio(+ 8.4% yoy)**

■ WS in 2002

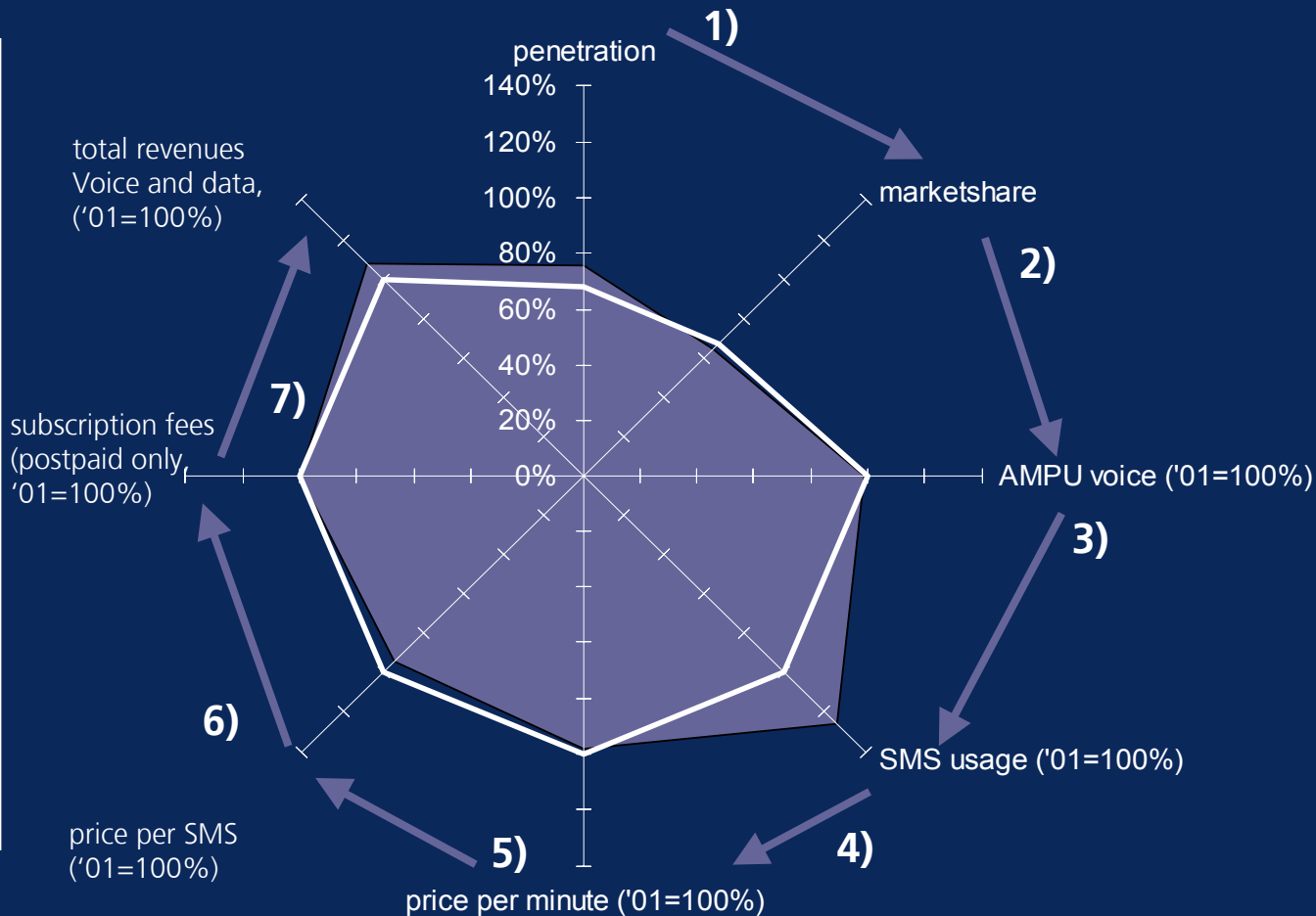
□ WS in 2001

## 5. Wireless market - shows stability “Simply strong”

Jens Alder, CEO

## 5. Wireless market - shows stability

- 1) Swiss penetration up to 75.5% from 67.9% year earlier
- 2) market share down 2% points yoy to 64.4%
- 3) AMPU voice almost flat at 128 mins
- 4) SMS per active user up 26% yoy
- 5) avg price per minute voice flat yoy
- 6) price per SMS down 6% yoy
- 7) average subscription fee (contract customers) unchanged yoy



### 9 months 2002:

Mobile data revenues up 27% yoy  
 Mobile voice revenues up 4.6% yoy  
 Total traffic revenues up 7.1% yoy

## 6. Group financial performance <sup>\*)</sup>

Ueli Dietiker, CFO

<sup>\*)</sup> All results in this presentation are under IAS and unaudited.  
2001 results have been restated to reflect the new segment reporting structure as introduced in 2002.

# Group key figures

| (in CHF million)  | 30.09.2001 | 30.09.2002 | Δ      |
|---|------------|------------|--------|
| Net revenue   | 10,572     | 10,788     | 2.0%   |
| EBITDA  | 3,443      | 3,414      | (0.8)% |
| <i>as % of net revenue</i>  | 32.6%      | 31.6%      |        |
| EBIT before exceptional items <sup>1</sup>                                | 1,845      | 1,931      | 4.7%   |
| <i>as % of net revenue</i>  | 17.5%      | 17.9%      |        |
| EBIT  | 6,237      | 1,931      | n.m.   |
| Net income  | 5,753      | 1,211      | n.m.   |
| EPS (in CHF, on <u>average</u> number of outstanding shares) <sup>2</sup> | 78.22      | 17.75      |        |

**Record revenues, flat EBITDA**  
**EBIT increase especially due to lower amortization of goodwill**

<sup>1</sup> Exceptional items in Q3 2001: gain on sale of real estate CHF 555 million and gain on partial sale of Swisscom Mobile CHF 3,837 million

<sup>2</sup> Average number of outstanding shares: 73.550 million for period until 30.9.2001; 68.217 million for period until 30.9.2002

# Group net income

| (in CHF million)   | 30.09.2001 | 30.09.2002 |
|--|------------|------------|
| EBIT including exceptional items <sup>1</sup>  | 6,237      | 1,931      |
| Net financial result   | 28         | (85)       |
| Income before income taxes, equity in net income of affiliated companies and minority interest | 6,265      | 1,846      |
| Income tax expense   | (363)      | (508)      |
| Equity in net income of affiliated companies   | 12         | 106        |
| Minority interests   | (161)      | (233)      |
| Net income   | 5,753      | 1,211      |

## Absence of exceptional items lowers net income in 2002

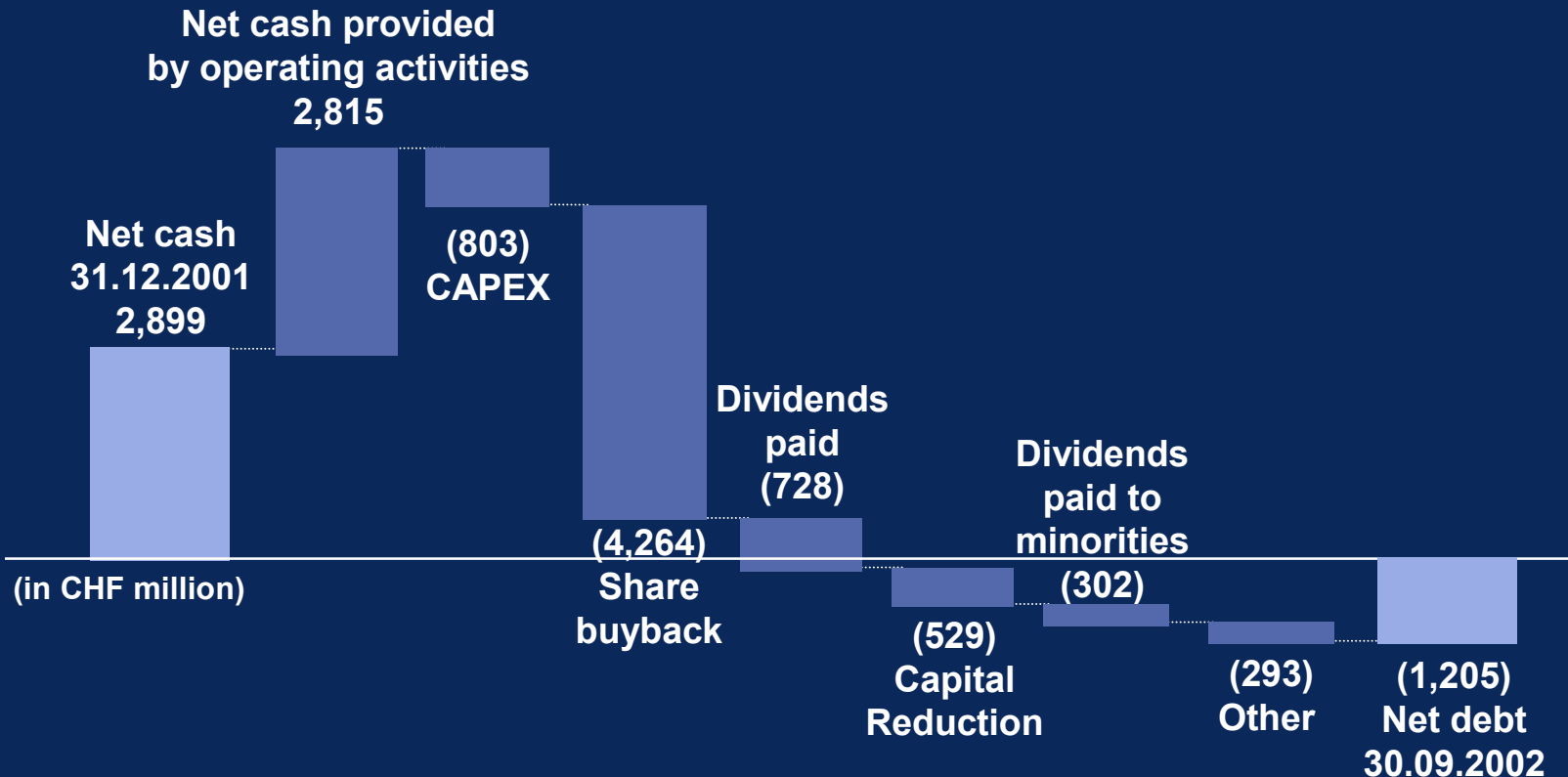
<sup>1</sup> Exceptional items in Q3 2001: gain on sale of real estate CHF 555 million and gain on partial sale of Swisscom Mobile CHF 3,837 million.  
No exceptional items in 2002 ytd

# Group cash flow

| (in CHF million)   | 30.09.2001     | 30.09.2002     |
|--|----------------|----------------|
| <b>EBITDA</b>  | <b>3,443</b>   | <b>3,414</b>   |
| Change in net operating assets and other cash flows<br>from operating activities | (618)          | (599)          |
| <b>Net cash provided by operating activities</b>                                 | <b>2,825</b>   | <b>2,815</b>   |
| Capital expenditures   | (776)          | (803)          |
| Proceeds from sale of real estate  | 1,713          | -              |
| Proceeds from partial sale of Swisscom Mobile AG                                 | 4,282          | -              |
| Investments in subsidiaries and affiliated companies                             | (918)          | (133)          |
| Proceeds from sale of affiliated companies                                       | -              | 39             |
| Purchase (sale) of current financial assets, net                                 | (1,515)        | 2,627          |
| Other cash flows from investing activities, net                                  | (3)            | (36)           |
| <b>Net cash from investing activities</b>  | <b>2,783</b>   | <b>1,694</b>   |
| <b>Net cash used in financing activities</b>                                     | <b>(2,669)</b> | <b>(7,033)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      | <b>2,939</b>   | <b>(2,524)</b> |
| <b>Cash and cash equivalents at end of the period</b>                            | <b>5,199</b>   | <b>1,262</b>   |

**Cash CHF 3.9 bln lower esp. due to CHF 5.5 bln returned to shareholders**

# Net cash/(debt) development



Net debt only modest after returning CHF 5.5 bln to shareholders

# Group capital structure

| (in CHF million)   | 31.12.2001     | 30.09.2002   |
|--|----------------|--------------|
| Short term debt  | 1,757          | 1,409        |
| Long term debt   | 2,413          | 1,640        |
| <b>Interest bearing debt excl. finance lease</b>             | <b>4,170</b>   | <b>3,049</b> |
| Long term net finance lease obligation                       | 1,330          | 1,219        |
| Less: financial assets from lease-and-leaseback transactions | (1,295)        | (1,224)      |
| Less: cash, cash equivalents and securities                  | (7,104)        | (1,838)      |
| <b>Net debt (net cash)</b>                                   | <b>(2,899)</b> | <b>1,205</b> |
| Shareholders' equity   | 12,069         | 7,660        |
| Balance sheet total  | 24,349         | 18,164       |
| <b>Book leverage <sup>1</sup></b>                            | <b>(24.0)%</b> | <b>15.7%</b> |
| <b>Equity ratio <sup>2</sup></b>                             | <b>49.6%</b>   | <b>42.2%</b> |

**Balance sheet still offers sufficient leverage capacity**

<sup>1</sup> Book leverage = Net debt / Shareholders' equity

<sup>2</sup> Equity ratio = Shareholders' equity / Total assets

## 7. Results by segment <sup>\*)</sup>

Ueli Dietiker, CFO

<sup>\*)</sup> All results in this presentation are under IAS and unaudited.  
2001 results have been restated to reflect the new segment reporting structure as introduced in 2002.

# Fixnet - financial performance

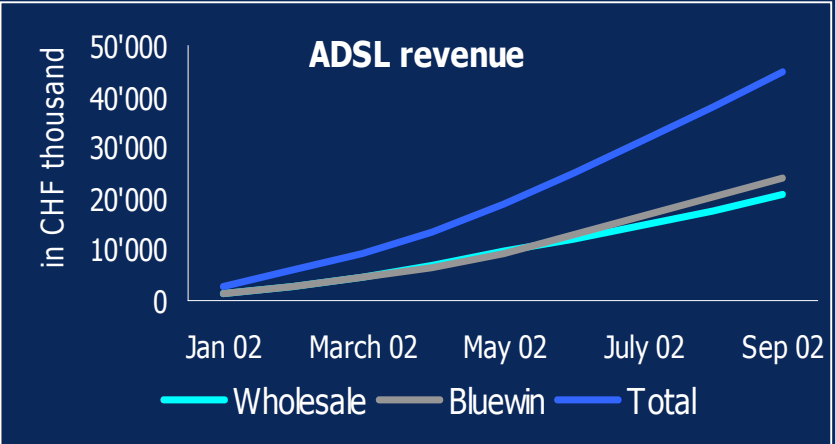
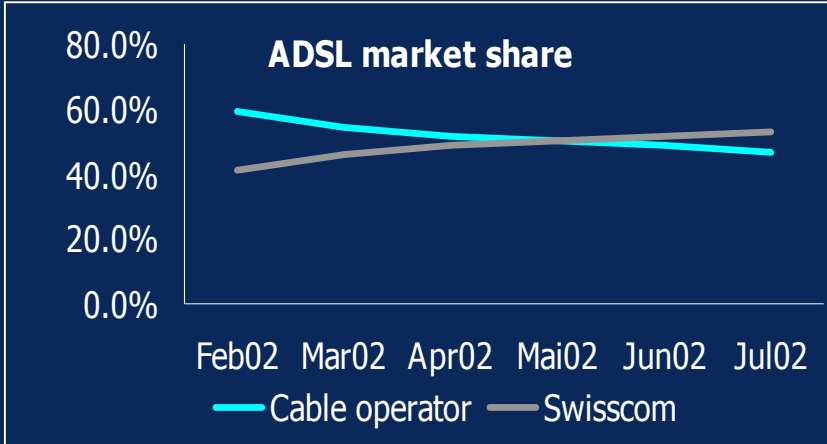
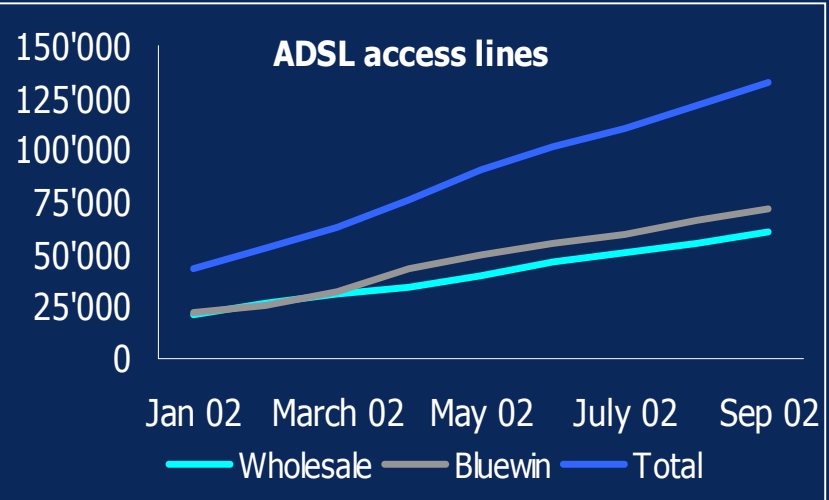
| (in CHF million)           | 31.12.2001 | 30.09.2001 | 30.09.2002 | Δ      |
|----------------------------|------------|------------|------------|--------|
| External net revenue       | 4,921      | 3,668      | 3,676      | 0.2%   |
| Net revenue                | 6,588      | 4,904      | 4,843      | (1.2)% |
| EBITDA                     | 1,989      | 1,526      | 1,483      | (2.8)% |
| <i>as % of net revenue</i> | 30.2%      | 31.1%      | 30.6%      |        |
| EBIT <sup>1</sup>          | 910        | 736        | 698        | (5.4)% |
| <i>as % of net revenue</i> | 13.9%      | 15.0%      | 14.4%      |        |
| Capital expenditures       | 597        | 412        | 410        | (0.5)% |
| Number of FTE employees    | 8,639      | 8,558      | 8,130      | (5.0)% |

**Well on track to deliver promised 500 job cuts in 2002 -  
without associated restructuring costs EBITDA would have increased**

<sup>1</sup> EBIT before amortisation of goodwill

# ADSL overview

- ADSL strategy of fast roll out is meant to defend voice and data market share against inroads from cable operators
- ADSL is not a revenue booster, but a revenue protector
- business model: Fixnet Wholesale sells to some 20 ISP's, one of which is Bluewin
- Bluewin is leading ADSL retailer in CH



**ADSL cannibalizes dial-up traffic, however better to cannibalize own traffic than competition taking away data (and voice) minutes**

# Mobile - financial performance

| (in CHF million)           | 31.12.2001   | 30.09.2001   | 30.09.2002   | Δ     |
|----------------------------|--------------|--------------|--------------|-------|
| External net revenue       | 3,127        | 2,327        | 2,437        | 4.7%  |
| Net revenue                | 3,983        | 2,973        | 3,071        | 3.3%  |
| EBITDA                     | 1,876        | 1,406        | 1,513        | 7.6%  |
| <i>as % of net revenue</i> | <i>47.1%</i> | <i>47.3%</i> | <i>49.3%</i> |       |
| EBIT                       | 1,585        | 1,193        | 1,310        | 9.8%  |
| <i>as % of net revenue</i> | <i>39.8%</i> | <i>40.1%</i> | <i>42.7%</i> |       |
| Capital expenditures       | 315          | 170          | 238          | 40.0% |
| Number of FTE employees    | 2,121        | 2,026        | 2,307        | 13.9% |

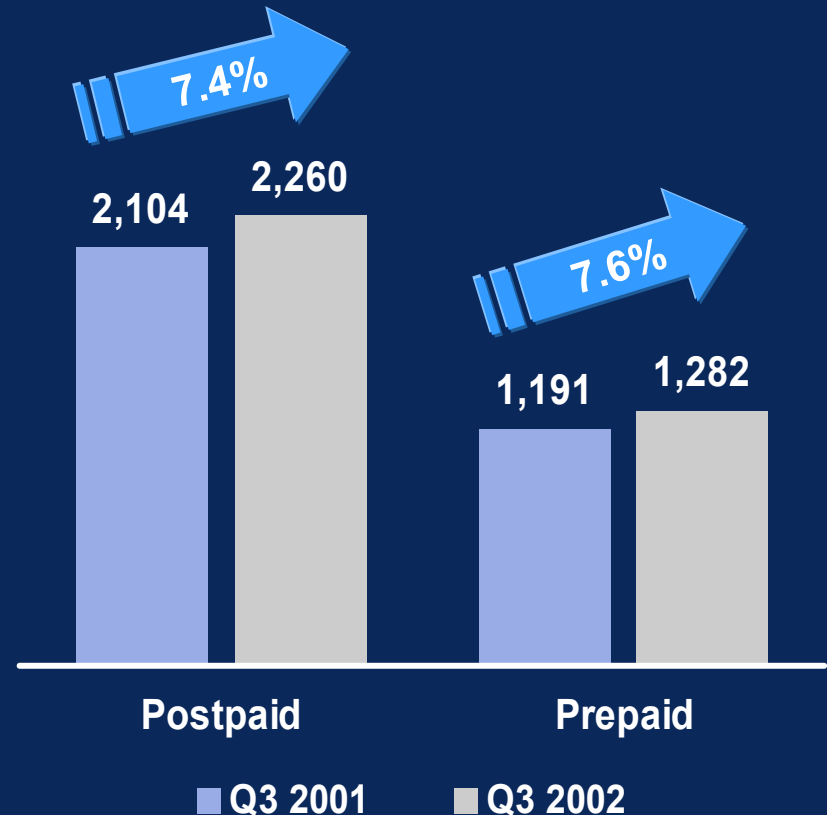
**Swisscom Mobile - solid performance**  
**EBITDA margin close to 50% and EBIT increase of almost 10%**

# Mobile - a snapshot by 30 September 2002

## Key facts

- 3.54 million subs of which 64% postpaid
- Average monthly churn on a low level of 1.4%
- Acquisition costs per new postpaid subscriber close to CHF 300 at 30 September 2002
- 373,000 subscriber retention offers (increase of 66.5% yoy)
- Retention costs per postpaid subscriber up to approx. CHF 240 at 30 September 2002
- ARPU of CHF 87 (+2% compared to half year 2002)
  - postpaid ARPU of CHF 122
  - prepaid ARPU of CHF 25
- Data share in ARPU of 9%

## Subscriber development



# Enterprise Solutions - financial performance

| (in CHF million)           | 31.12.2001 | 30.09.2001 | 30.09.2002 | Δ       |
|----------------------------|------------|------------|------------|---------|
| External net revenue       | 1,486      | 1,107      | 1,022      | (7.7)%  |
| Net revenue                | 1,585      | 1,181      | 1,085      | (8.1)%  |
| EBITDA                     | 114        | 96         | 41         | (57.3)% |
| <i>as % of net revenue</i> | 7.2%       | 8.1%       | 3.8%       |         |
| EBIT                       | 81         | 73         | 18         | (75.3)% |
| <i>as % of net revenue</i> | 5.0%       | 6.2%       | 1.7%       |         |
| Capital expenditures       | 29         | 19         | 17         | (10.5)% |
| Number of FTE employees    | 1,558      | 1,543      | 1,475      | (4.4)%  |

**ES revenues suffer from weak demand from business segment, realised cost cuts not sufficient to compensate margin pressure**

## debitel - financial performance

| (in CHF million)           | 31.12.2001 | 30.09.2001 | 30.09.2002 | Δ       |
|----------------------------|------------|------------|------------|---------|
| External net revenue       | 3,808      | 2,852      | 2,981      | 4.5%    |
| Net revenue                | 3,808      | 2,852      | 2,981      | 4.5%    |
| EBITDA                     | 187        | 142        | 121        | (14.8)% |
| <i>as % of net revenue</i> | 4.9%       | 5.0%       | 4.1%       |         |
| EBIT <sup>1</sup>          | 136        | 106        | 77         | (27.4)% |
| <i>as % of net revenue</i> | 3.6%       | 3.7%       | 2.6%       |         |
| Capital expenditures       | 66         | 42         | 71         | 69.0%   |
| Number of FTE employees    | 3,544      | 3,368      | 3,380      | 0.4%    |

**Despite revenue growth, EBITDA dropped mainly due to positive one-off effects in 2001 and integration costs in 2002**

<sup>1</sup> EBIT before amortisation of goodwill

# Other - financial performance

| (in CHF million)                     | 31.12.2001 | 30.09.2001 | 30.09.2002 | Δ      |
|--------------------------------------|------------|------------|------------|--------|
| External net revenue                 | 742        | 547        | 606        | 10.8%  |
| Net revenue                          | 1,403      | 1,032      | 1,070      | 3.7%   |
| EBITDA                               | 136        | 126        | 172        | 36.5%  |
| <i>as % of net revenue</i>           | 9.7%       | 12.2%      | 16.1%      |        |
| EBIT <sup>1</sup>                    | (92)       | (44)       | 12         | n.m.   |
| <i>as % of net revenue</i>           | n.m.       | n.m.       | n.m.       |        |
| Capital expenditures                 | 173        | 80         | 76         | (5.0)% |
| Number of FTE employees <sup>2</sup> | 4,417      | 3,984      | 4'433      | 11.3%  |

**Swisscom IT performance overcompensates worse results  
at Swisscom Systems**

<sup>1</sup> EBIT before amortisation of goodwill

<sup>2</sup> first time consolidation of 493 employees of AGI as per year end 2001



# Corporate - financial performance

| (CHF million)              | 31.12.2001 | 30.09.2001 | 30.09.2002 | Δ       |
|----------------------------|------------|------------|------------|---------|
| External net revenue       | 91         | 71         | 66         | (7.0)%  |
| Net revenue                | 767        | 568        | 536        | (5.6)%  |
| EBITDA                     | 109        | 147        | 84         | (42.9)% |
| <i>as % of net revenue</i> | 14.2%      | 25.9%      | 15.7%      |         |
| EBIT <sup>1</sup>          | 6          | 70         | 42         | (41.4)% |
| <i>as % of net revenue</i> | 0.7%       | 12.3%      | 7.6%       |         |
| Capital expenditures       | 54         | 53         | 18         | (66.0)% |
| Number of FTE employees    | 1,049      | 1,038      | 1,038      | -       |

**Sale of real estate in 2001 decreases profitability in 2002  
(less rental income)**

## 8. Summary and conclusions

Jens Alder, CEO

## Summary and conclusions

- shareholder friendly, transparent
- strategic course satisfactory and sustainable
- solid performance, but dynamics underneath
- some regulatory and cartel-law issues to be dealt with
- stable outlook 2002, guidance unchanged

**Simply Steady, Simply Solid**  
**Simply Swisscom**

# Thank you for your attention!

## Questions & Answers

For further information, please contact:  
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"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. Security and Exchange Commission and posted on our websites.

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