

A woman with long blonde hair, wearing a white business suit, is running on a roller coaster car. The roller coaster track is visible, featuring a large, colorful star-shaped sign. The background is a clear blue sky with some clouds. The overall scene is dynamic and energetic.

# Company Presentation

## Swisscom

“Solid as a Rock”

April 2002



# Highlights & Strategy

# Swisscom 2001 – a cash machine

## Key financials

(in CHF mm)	2001	% change
Net revenue	14,174	0.8%
EBITDA	4,409	9.3%
EBITDA margin	31.1%	8.4%
EBIT <sup>1</sup>	2,235	22.1%
Net Income	4,964	57.3%
CAPEX	1,234	(14.9%)
Net funds	2,899	
Improvement net funds (year on year)	5,790	

## Key achievements

- Clear leadership position in core markets and key products
- Successful internal reorganisation
- Clarified strategic positioning
  - Cleaned portfolio of non-core investments
  - Strategic partnership with Vodafone
  - Continued careful review of strategic opportunities
- Strong and sustainable financial performance
- Exceptional cash generation
- Outstanding share price performance

<sup>1</sup> Before exceptional items

# Balancing growth and value

*A company committed to strong fundamentals and financial discipline*

1

Innovative multi-service focused company

a

**Superior performance**  
in core domestic and mobile service provider businesses

- Market leadership

b

Underline domestic focus by clear, bold moves into **adjacent** and **complementary** businesses

- Broadband push
- IT services

+

2

Disciplined investor in growth options with both offensive and defensive character

c

Limited investments in **international opportunities** with a balanced risk/reward profile

- Data, hosting, IT

d

Build a number of **options** in various phases of development as a hedge

- Mobile service business

# Continue to focus on superior cash flow generation in 2002

- Further strengthen leadership position in fixed-line business
  - Expand existing position
  - Expand customer base
  - Continued focus of Enterprise Solutions as a customer centric organisation
  - Potentially large growth from broadband/ADSL
- Growth from mobile business
  - Drive growth through continued acquisition and retention of high quality customers
  - Stimulate data usage through GPRS
  - Drive profitability at debitel through cost containment and business model extension
- Continue to assess strategic opportunities in data and mobile value-added services while maintaining
  - Strategic expansion as a focused lever for growth
  - Careful, risk-conscious, earnings-driven investment policy
  - Solid balance sheet

# Outlook 2002 – striving for CHF 4.4 bn EBITDA

Indicator	Revenues <sup>1</sup> issues/remarks	EBITDA <sup>1</sup> issues/remarks	Main challenges
Fixnet	0 <ul style="list-style-type: none"> <li>Tariffs</li> <li>LD/local effect</li> </ul>	0 <ul style="list-style-type: none"> <li>Cost control</li> </ul>	<ul style="list-style-type: none"> <li>Slowdown growth internet traffic</li> <li>Unbundling</li> <li>USO</li> </ul>
Mobile	+ <ul style="list-style-type: none"> <li>GPRS</li> </ul>	+ <ul style="list-style-type: none"> <li>SAC</li> <li>% margin will come down slightly</li> </ul>	<ul style="list-style-type: none"> <li>NISV</li> <li>Late arrival UMTS + handsets</li> <li>Potential entrance of MVNOs</li> </ul>
debitel	+ <ul style="list-style-type: none"> <li>Market-pricing</li> <li>Talkline NL</li> </ul>	0 <ul style="list-style-type: none"> <li>Retention cost</li> </ul>	<ul style="list-style-type: none"> <li>Distribution network</li> </ul>
Other	– <ul style="list-style-type: none"> <li>Leased lines</li> <li>Systems/hardware</li> </ul>	–	<ul style="list-style-type: none"> <li>Continued erosion hardware sales</li> </ul>
Total/general	+ <ul style="list-style-type: none"> <li>Low single digit %</li> </ul>	0 <ul style="list-style-type: none"> <li>Similar to 2001</li> </ul>	<ul style="list-style-type: none"> <li>Price pressure</li> <li>Competition</li> <li>Quality of infrastructure</li> <li>Quality of services</li> </ul>

<sup>1</sup> Compared to 2001

swisscom | fixnet

# Fixnet 2001 – stable development

## Key financials - Fixnet Retail

(in CHF mm)	2001	% change
Net revenue <sup>1</sup>	5,199	0.7%
EBITDA	1,691	1.5%
EBITDA margin	32.5%	0.6%
EBIT	647	17.2%
CAPEX	571	2.1%

## Key financials - Fixnet Wholesale

(in CHF mm)	2001	% change
Net revenue <sup>1</sup>	2,934	13.9%
EBITDA	152	58.3%
EBITDA margin	5.2%	40.5%
EBIT	143	57.1%
CAPEX	19	(74.7%)

## Key achievements

- Clear leadership position in domestic fixed-line business
- Contained market share erosion to about 72% voice market share without substantially cutting prices, whilst increasing volumes
- Reintegrated bluewin into fixed operations to prepare for broadband
- Developed complementary skills in networking, IT, marketing and content management
- 47% internet access market share

<sup>1</sup> Including intersegment revenue

# Efficient mass market operations in 2002

**Secure the Fixnet business**

**Consolidate Fixnet's business position and customer base for long-term success**

**Cost leadership in the mass business**

**Improve the cost position of Fixnet's core products and services**

**Growth in broadband/ADSL**

**Seize the full broadband growth opportunity (access and services)**

# Fixnet stabilised market share at a high level ...

2001 overall market share: 72%

## Local

Growing competitive offers, Swisscom's cautious pricing and special offers such as ISDN Surfbonus secures market share

Market share  
2000      2001

83% 82%

## Domestic long-distance

Decreasing competition, customer loyalty through attractive "Evening Call" and "Weekend Call" offers

69% 68%

## Fixed-to-mobile

Market growth relented but market share stabilised at a high level

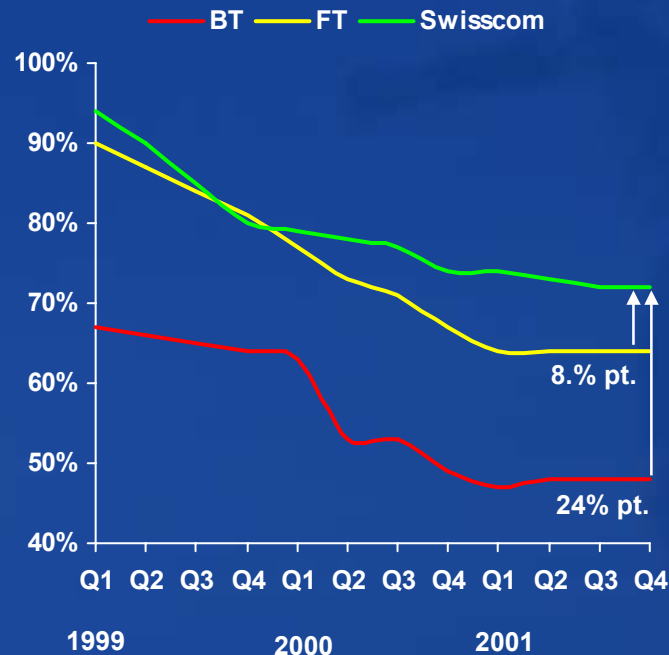
65% 65%

## International

Tariff rebalancing and customer loyalty programs led to first time increase in market share

55% 57%

Fixnet's market share<sup>1</sup> development compares favourably to other European incumbents



Relatively stable market shares expected during 2002

<sup>1</sup> Market share includes Enterprise Solutions traffic

# ... while prices declined less than expected

## Key trends in tariffs

### Local & Domestic long-distance

Local and domestic long-distance will converge in 2002 into a unified tariff with revenue neutral effect

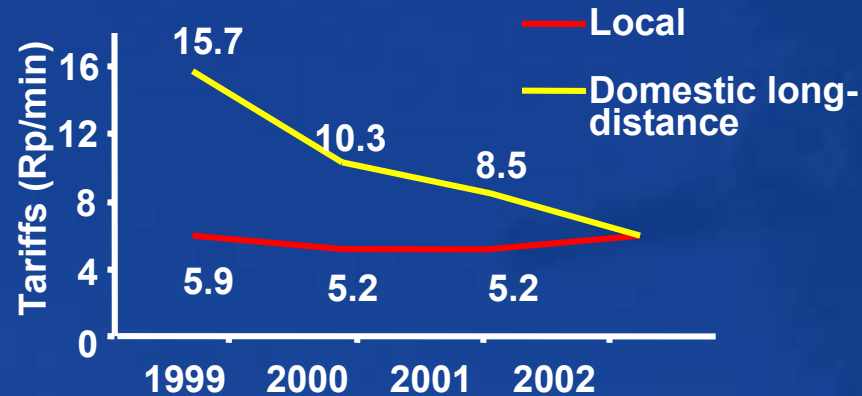
### Fixed-to-mobile

Slight decrease in retail prices: these tend to follow decreasing interconnection prices

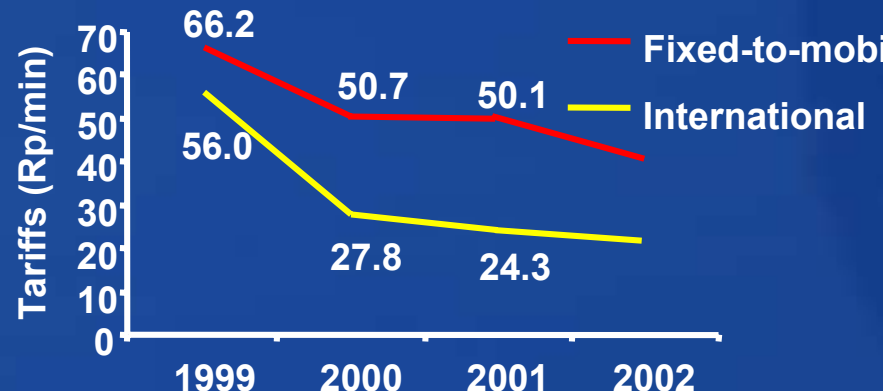
### International

Growing traffic due to low international rates (also compared to most other incumbents) and declining prices result in a stable revenue stream

## Local and domestic long-distance



## Fixed-to-mobile and international



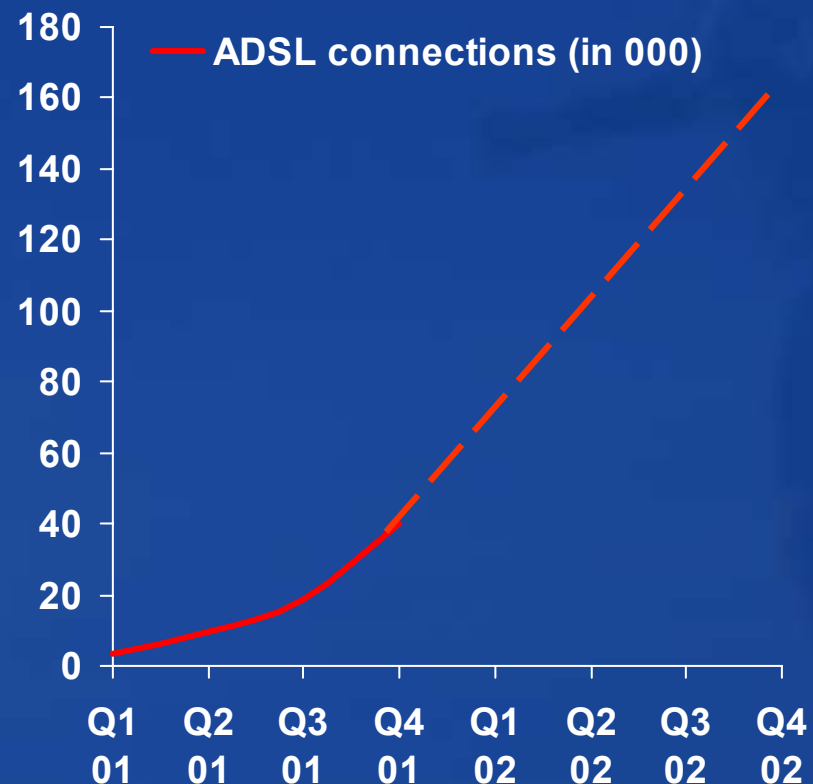
Relatively stable prices expected during 2002

# Broadband – positioning to compete with cable

## Fixnet is well positioned

- Broadband acceleration cements our market position
- Market stimulation through wholesale offering
- ADSL push continued in 2002, level of 3000 orders per week achieved in January 02
- ULL decision of Swiss Federal Supreme Court supports Swisscom position. However, final decision of Federal Government/Parliament still outstanding

## Swisscom ADSL broadband connections





swisscom | mobile

# Swisscom Mobile 2001 – outstanding performance

## Key financials

(in CHF mm)	2001	% change
Subscribers (mm)	3.4	13.9%
Market share 2001	66.7%	
ARPU (CHF/month)	90	(5.1%)
Net revenue <sup>1</sup>	3,983	14.1%
EBITDA	1,876	26.5%
EBITDA margin	47.1%	10.8%
EBIT	1,585	35.4%
CAPEX	316	(33.5%)

<sup>1</sup> Including intersegment revenue

<sup>2</sup> CHF 83 pre-cleaning of sleeping customers

## Key achievements

- Revenue grows by 14% as Swisscom Mobile market share remains on a high 2/3 of the Swiss market
- Swisscom Mobile's high quality subscriber base with a 64% postpaid share has an ARPU<sup>2</sup> of CHF 90 per month
- Reduced total Subscriber Acquisition Costs (SACs) due to phase out of prepaid subsidies and lower growth
- Successful co-operation with Vodafone Group

# Market shift from gross adds to retention

## Gross adds

(in 000)

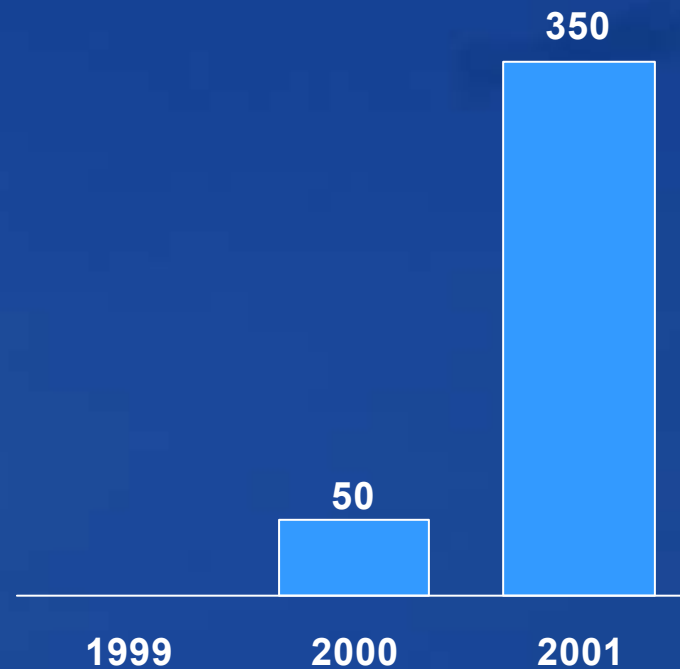
■ Post-paid ■ Pre-paid



## Subscribed retention offers

(in 000)

■ Post-paid



# Increased focus on customer satisfaction to support profitability

## Trends

- Slower growth of subscriber base expected due to high market penetration of 70%<sup>1</sup> at year-end 2001
- Swisscom market share expected to remain stable
- No shift to pre-paid expected
- No major price decreases but (continued) fierce competition in subscriber acquisition costs
- Churn levels remain low

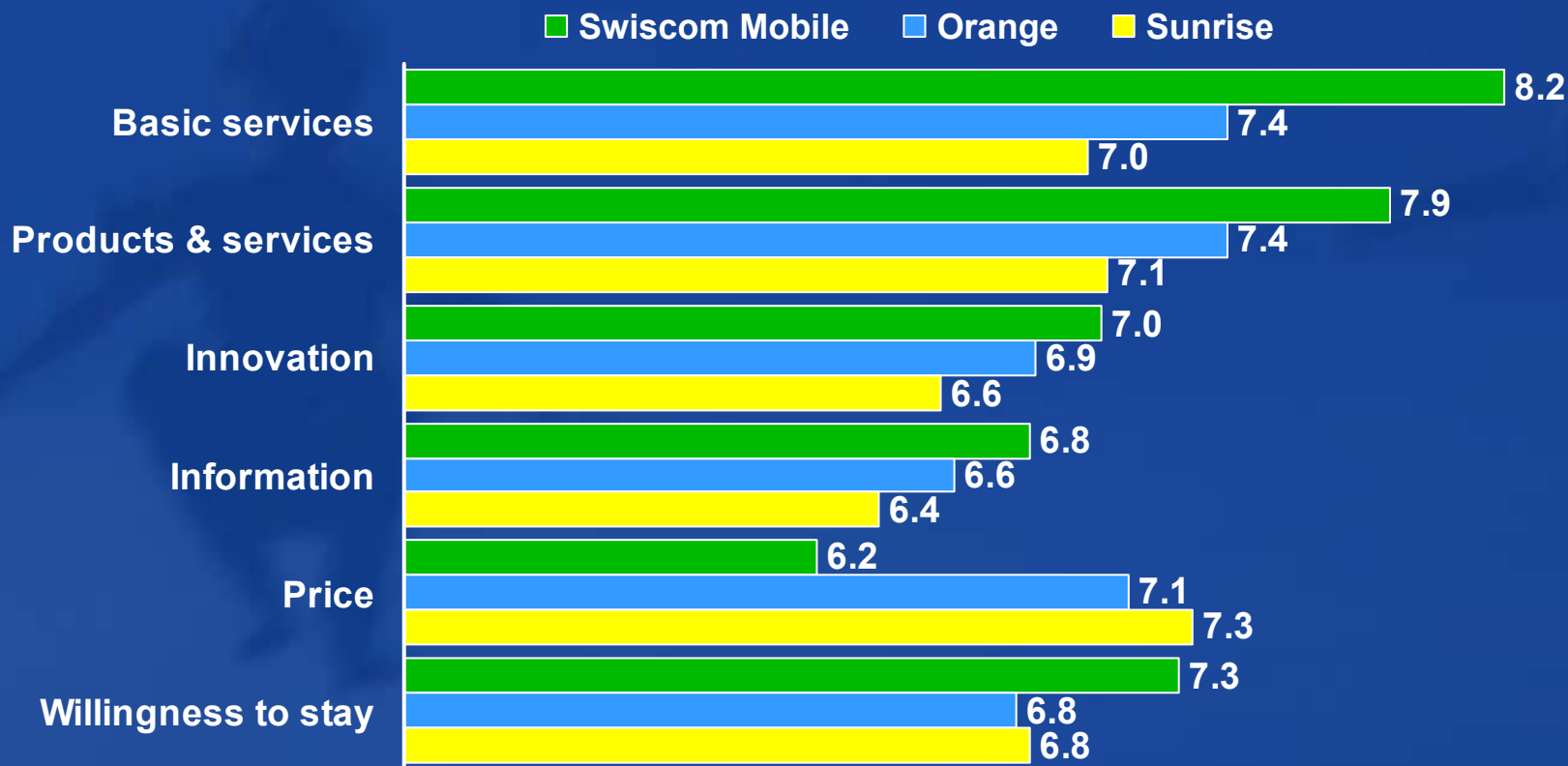
## Strategic initiatives for 2002/03

- Careful roll-out of UMTS network to fulfil licence requirements
- Introduction of enhanced messaging services such as UMS, EMS and MMS
- Build-up of enabling platform layer for third parties
- Establishing mobile data solutions for corporate customers (“mobile office”) and third party business for content and solution providers
- Public Wireless LAN solutions
- Champion in customer orientation

<sup>1</sup> Based on restated customer number

# Strong customer satisfaction level

## Customer satisfaction

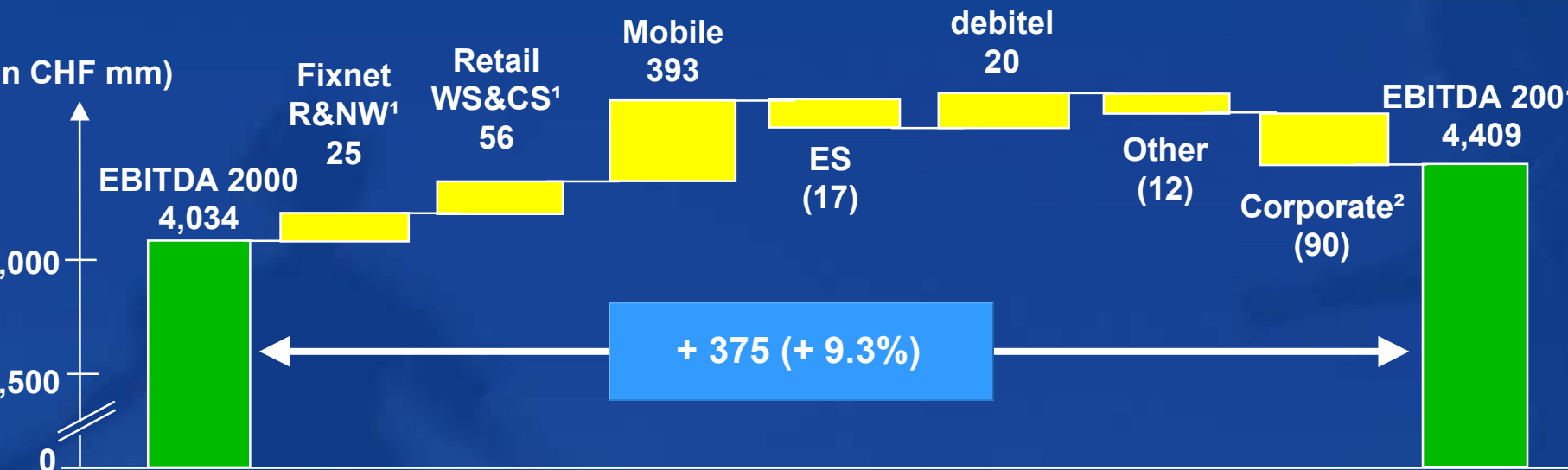


Ahead of competition in most respects, justifying a price premium



# Financials 2001

# Group EBITDA development



	Fixnet R&NW <sup>1</sup>	Fixnet WS&CS <sup>1</sup>	Mobile	ES	debitel	Other	Corporate <sup>2</sup>	Total EBITDA
2000	1,666	96	1,483	264	167	154	204	4,034
2001	1,691	152	1,876	247	187	142	114	4,409
%	+ 1.5%	+ 58.3%	+ 26.5%	- 6.4%	+ 12.0%	- 7.8%	- 44.1%	+ 9.3%

**Decreased competitive pressure and ongoing cost management led to an EBITDA improvement of 9%**

<sup>1</sup> Fixnet R&NW = Fixnet Retail and Network, Fixnet WS&CS = Fixnet Wholesale and Carrier Services

<sup>2</sup> Corporate represents not allocated corporate EBITDA

# Net income

(in CHF mm)	2000	2001
EBIT excluding exceptional items	1,831	2,235
Exceptional items <sup>1</sup>		3,275
<b>EBIT including exceptional items</b>	<b>1,831</b>	<b>5,510</b>
Net financial result	161	(355)
<b>Income before income taxes, equity in net of affiliated companies and minority interest</b>	<b>1,992</b>	<b>5,155</b>
Income tax (expense) benefit	(640)	15
Equity in net income of affiliated companies	1,749	32
Minority interest	(14)	(238)
Discontinuing operations	69	
<b>Net income</b>	<b>3,156</b>	<b>4,964</b>
<b>Adjusted net income 2001<sup>2</sup></b>		<b>1,174</b>

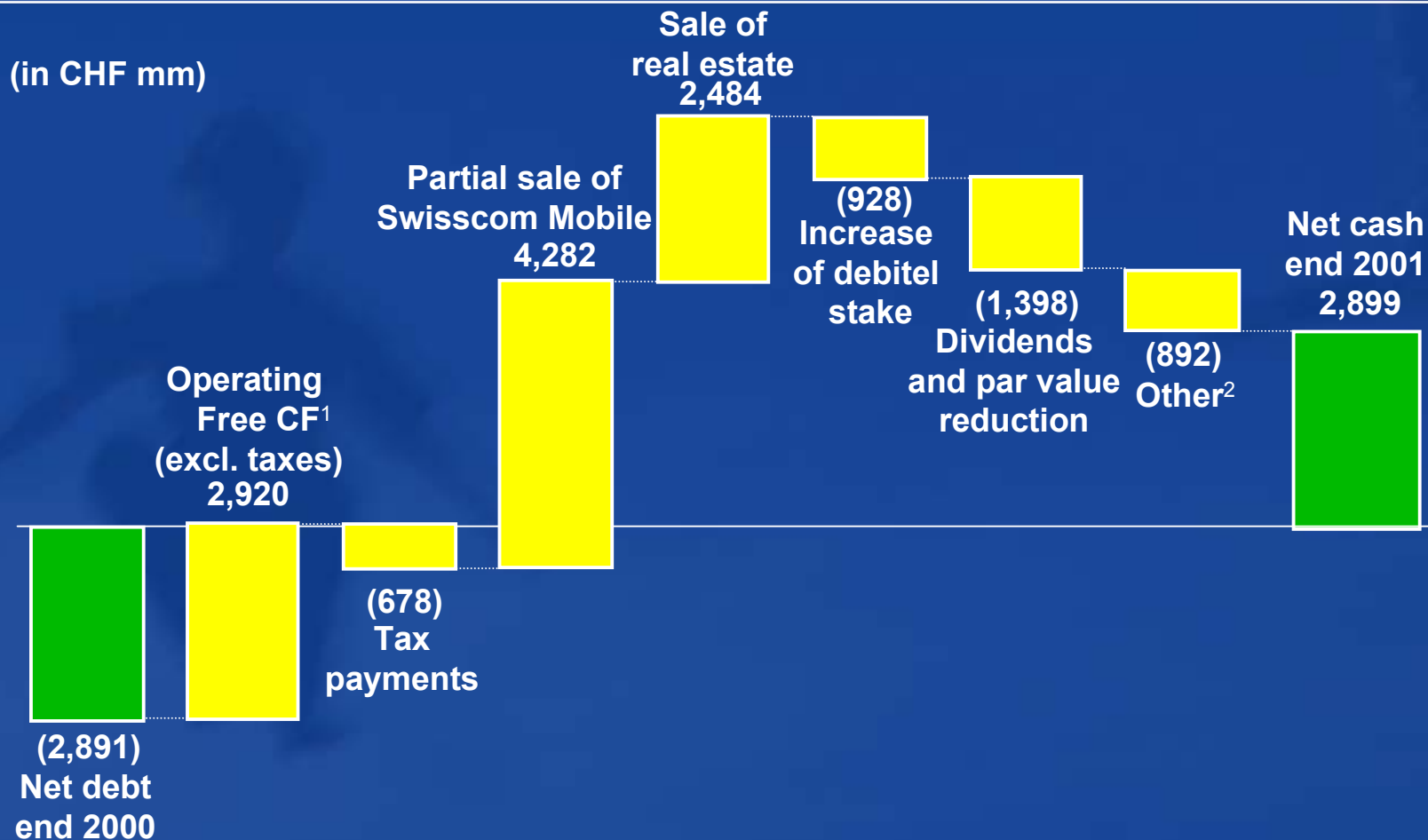
**Increase of net income substantially driven by extraordinary effects**

<sup>1</sup> Exceptional items in 2001 (impairment of goodwill CHF 1,130 mm, gain on sale of real estate CHF 568 mm and the gain on partial sale of Swisscom Mobile CHF 3,837 mm)

<sup>2</sup> Adjusted net income for items detailed in Note1 and tax effect of CHF 515 mm

# Net cash/(debt) development

(in CHF mm)



**Strong net cash position achieved**

<sup>1</sup> Net cash provided by operating activities (excluding taxes) less CAPEX

<sup>2</sup> Other: finance lease obligation real estate of CHF(746) mm and other items of CHF(146) mm

# Share buy-back 2002 – a logical consequence

## Rationale

- Consistent with excess cash position and review of strategic alternatives
- Improve capital structure
- Retain sufficient flexibility to continue strategic review process

## Impact on Swisscom

- Option trading (22<sup>nd</sup> February-7<sup>th</sup> March 2002) and exercising succeeded: Swisscom bought 9.99% (7.349 mm shares) back for CHF 4.26 bn
- Government participated over-proportionally
  - Government stake now at 62.7%
  - Free float increased to 37.3% (+2.8%points)
- Innovative structure and high strike price lead to a prompt and smooth execution
- Ongoing ability for additional share buy-back or strategic investments

**Share buy-back was a success, further differentiating Swisscom from its peers, enhancing EPS by around 8%**

# Total cash paid out to shareholders

Financial year	1999	2000	2001
Pay-out year	2000	2001	2002
Gross dividend (in CHF per share)	15.0	11.0	11.0
Par value reduction (in CHF per share)		8.0	8.0
Share buy-back - approx. put option value (in CHF per share)			8.0
<b>Total cash paid out to shareholders (in CHF per share)</b>	<b>15.0</b>	<b>19.0</b>	<b>27.0</b>
<b>Total cash paid out to shareholders (in CHF mm)</b>	<b>1,103</b>	<b>1,397</b>	<b>1,846</b>
Nominal value before par value reduction (in CHF per share)	25.0	25.0	17.0
Nominal value after par value reduction (in CHF per share)		17.0	<b>9.0</b>
Number of shares before share buy-back (in mm)	73.55	73.55	73.55
Number of shares after share buy-back (in mm)			<b>66.20</b>
Swiss Confederation's stake before share buy-back	65.5%	65.5%	65.5%
Swiss Confederation's stake after share buy-back			<b>62.7%</b>

# Company Presentation Swisscom

A woman with blonde hair, wearing a white business suit, is running on a roller coaster track at night. She is smiling and looking to the right. The background features a large, illuminated star-shaped sign with colorful lights and a tall, dark tower with a circular top. The sky is dark blue with some clouds. The overall scene is dynamic and energetic.

Thank you for your attention

April 2002