

9 months 2003 results presentation

20 November 2003

Structure of document

Part I

- Conference call presentation:
key messages

Part II

- Supporting background information

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Discussed, under review or executed in 2003

- Telekom Austria – pricing main issue
- debitel – financial investment
- Cesky Telecom – exit by Telsource planned
- Swisscom Eurospot (Public WLAN) - several companies in Europe acquired and integrated

With no strategic or financial necessity to either acquire or divest, Swisscom's non-organic path is opportunity driven

Strong 9 months results

- Stable group revenues
- EBITDA at 30 September up 5.7% YOY to CHF 3,607 mm
- EBIT plus 12% YOY
- Net income up 13.5% YOY, EPS up 17% to CHF 20.75
- Improvements driven by cost reductions
- FTE's down 1,243 YOY (-6%). Further reduction of 655 FTE's in 2004 announced

Robust results – at a high level

Wireline business – improved financial margins

Key financials Fixnet

in CHF mm	Q3 2003	change YOY
Net revenue ¹	4,329	(8.1)%
EBITDA	1,585	8.9%
EBITDA margin	36.6%	
EBIT	772	15.6%
CAPEX	427	4.2%
Number of FTE's	7,774	(4.4)%

Key financials Enterprise Solutions

in CHF mm	Q3 2003	change YOY
Net revenue ¹	1,031	(9.4)%
EBITDA	103	58.5%
EBITDA margin	10.0%	
EBIT	76	81.0%
CAPEX	8	(48.7)%
Number of FTE's	1,145	(22.4)%

¹ including intersegment revenue

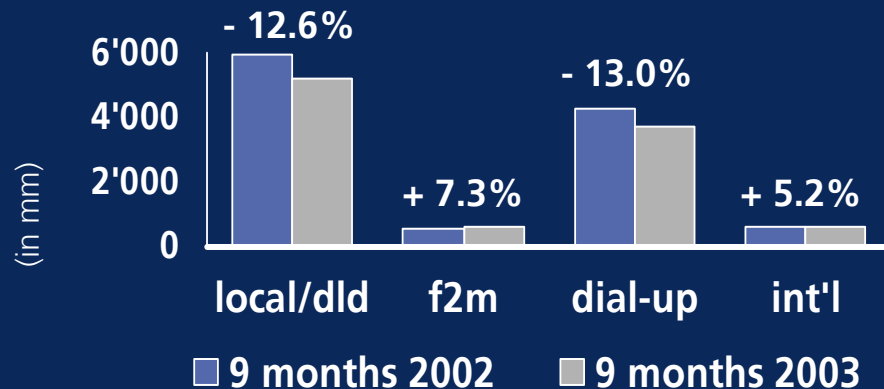
Key achievements Fixnet

- Strong EBITDA-Margin improvement (30.9 to 36.6% YTD)
- Stabilised overall market share and increased international and F2M minutes
- Reduced FTE's by -4.4% and costs by -15.7%
- CAPEX +4.2%, continued investment in future cost (OPEX) reductions (TDM platform reduction)
- Exceeded 383k DSL activations: up 251k YOY

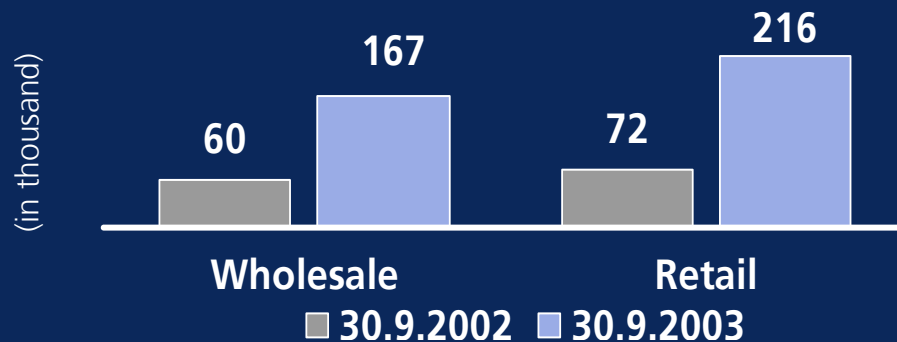
Focus on higher margin revenue and cost control pays off

Wireline business – shifting operations

Retail minutes (Fixnet)



ADSL subscribers



Key observations

- From minutes to access; from variable to recurring revenues
- From narrowband to broadband
- From wireline to wireless:
 - hard substitution especially in 2nd homes
 - soft substitution in minutes transfer to mobile originating
 - substitution partially compensated by increased F2M traffic
- Unlocking latent demand: 60% of customers that upgraded to broadband now pay more for internet access than previously. This clearly points at willingness to pay for better services

Wireless business - stable financial results

Key financials Mobile

in CHF mm	Q3 2003	change YoY
Subscribers (thousand)	3,736	5.5%
ARPU (CHF/month)	82	(4.7)%
Net revenue ¹	3,095	0.7%
EBITDA	1,554	2.5%
EBITDA margin	50.2%	
EBIT	1,320	0.5%
CAPEX	280	17.8%
Number of FTE's	2,435	5.5%

¹ including intersegment revenue

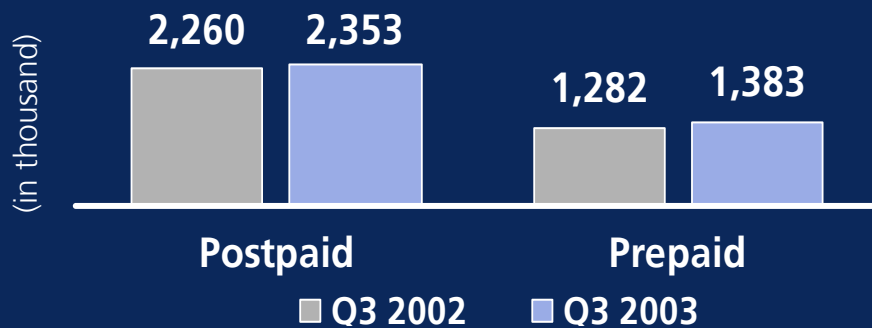
Key achievements Mobile

- Stable revenues at CHF 3,1 bln
- EBITDA margin still > 50%
- Stabilised overall market share at 65%
- CAPEX +18%, mainly resulting from UMTS and WLAN roll out
- Vodafone Live! launched (13.11.2003)

Robust EBITDA, successfully defending market position backed by superior network quality and innovative products

Wireless business - stable at high level

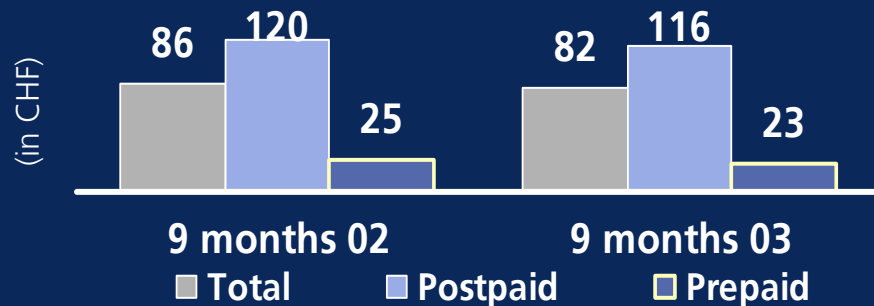
Mobile subscribers



Key observations

- Penetration up to 79.8%
- Churn rate decreased some 2%-points YOY to 11% for first nine months 2003
- AMPU some 3% below Q3 2002
- Right grading, lower usage and price pressure (especially in business segment) cause ARPU to decrease to CHF 82 YTD
- Total SAC and SRC slightly decreasing (- CHF 10mm), clear shift from acquisition to retention costs
- SMS usage 12% higher YOY with 1,350mm messages sent (retail)

ARPU development



Other businesses

- **debitel** - revenues up 12.6% YOY to CHF 3,358mm, backed by 24% YOY increase in postpaid subscribers in Germany. EBITDA margin of 2.4%
- **Swisscom Systems** - restructuring program progressing as planned. 442 FTE's sofar reduced in 2003 to 1,125 FTE's per 30.9.2003
- **Swisscom IT** - restructuring announced, leading to 13% reduction of workforce by end of 2004 (-300 FTE's)
- **SIMAG** (real estate company) restructuring announced, leading to 14% reduction of workforce by end of 2004 (-55 FTE's)

Strong focus on further efficiency improvements

Regulation

LRIC ruling ComCom (6 November 2003) requiring to reduce IC prices by 25-35% retroactively for the years 2000-2003. Swisscom will appeal to Federal Court:

- questionable whether ComCom can rule 2000-2003 prices, as TDC and MCI lodged complaints for 2000 only
- assumptions used by ComCom to calculate effective pricing under LRIC questionable
- Swiss interconnect prices already comparable to EU average
- Swisscom will cut IC prices by up to 13% again in 2004
- Swisscom recorded a provision based on management's best estimate at the time these petitions were filed and believes this provision still presents the best estimate

ULL - No final resolution to be expected until 2005/2006

Coping with regulatory pressure – a core competence

Key figures and financial highlights

Key figures Swisscom Group

in CHF mm	30.09.2003	change YOY
Net revenue	10,827	0.4%
EBITDA	3,607	5.7%
EBIT	2,163	12.0%
Net Income	1,374	13.5%
EPS *	20.75	16.9%
CAPEX	800	(3.1)%
EFCF	1,509	81.8%
Net cash	334	n.m.
FTE	19,519	(6.0)%

* avg. number of outstanding shares as per 30.09.2003: 66.203mm
 avg. number of outstanding shares as per 30.09.2002: 68.217mm

Highlights

- revenues overall flat YOY:
 - increases** from debitel and wireline access charges (esp. DSL)
 - decreases** from
 - sold int'l WS businesses and new accounting method for VAS
 - lower wireline traffic
- EBITDA increased by 6% thanks to cost control, esp. IT, maintenance and staff cost
- Net income up 14% YOY, and EPS up 17% to CHF 20.75 for the first 9 months
- EFCF at 30 Sept 2003 already > FY 2002
- Interest bearing debt (excl lease obligations) repaid

Operational focus pays out

Group capital structure

- Balance sheet strength (net cash of CHF 334 mm per 30.09.03) allows full equity free cash flow (EFCF) to be distributed to shareholders
- Return policy (distribute annual EFCF) introduced to:
 - increase effective returns to shareholders:
 - direct yield (dividends, PVR)
 - indirect yield (share buy backs)
 - keep strategic flexibility intact

Return policy designed to improve yield to shareholders while keeping strong balance sheet ratios

EFCF development and Outlook

Definition of EFCF	30.9.2002	FY 2002	30.9.2003	Outlook FY 2003
+ EBITDA	+ 3,414	+ 4,413	+3,607	+ 4.5
- CAPEX	- 803	- 1,222	- 800	<= 1.3
+/- working cap. Δ	- 418	+ 2	- 44	similar as full yr 2002
- tax (cash)	- 165	- 537	- 32	less than half of full yr 2002
- net interest	- 52	- 78	- 36	similar as 2002
- minorities, affiliates	- 302	- 304	- 392	- 392+120 dividend from CT
<hr/>				
= FCF from ops.	= 1,674	= 2,274	= 2,303	= higher than in 2002
- net acquisitions	- 94	- 92	- 44	???
- debt repayments (net)	- 750	- 1,000	- 750	- 750
<hr/>				
EFCF available to shareholders in t+1	+ 830	+ 1,182	+1,509	Assuming no acquisitions, EFCF in 2003 will be clearly trending up from 2002

Summary and Outlook

- Operationally strong performance
- Core competence is and will be further efficiency improvements
- Coping with regulatory pressure remains at the top of the agenda

- **Outlook** full year
 - Slight **revenue** decrease for the Group
 - **CAPEX** expected to be not more than CHF 1.3 bln
 - Assuming no acquisitions, **EFCF** clearly trending up from 2002
 - **EBITDA** around CHF 4.5 bln, even though:
 - higher net restructuring costs (+ CHF 30 to 40 mm)
 - extra cost of introduction Vodafone Live! and other products
 - Swisscom Eurospot start up cost 2003 (around CHF 30 mm)

Thank you for your attention!

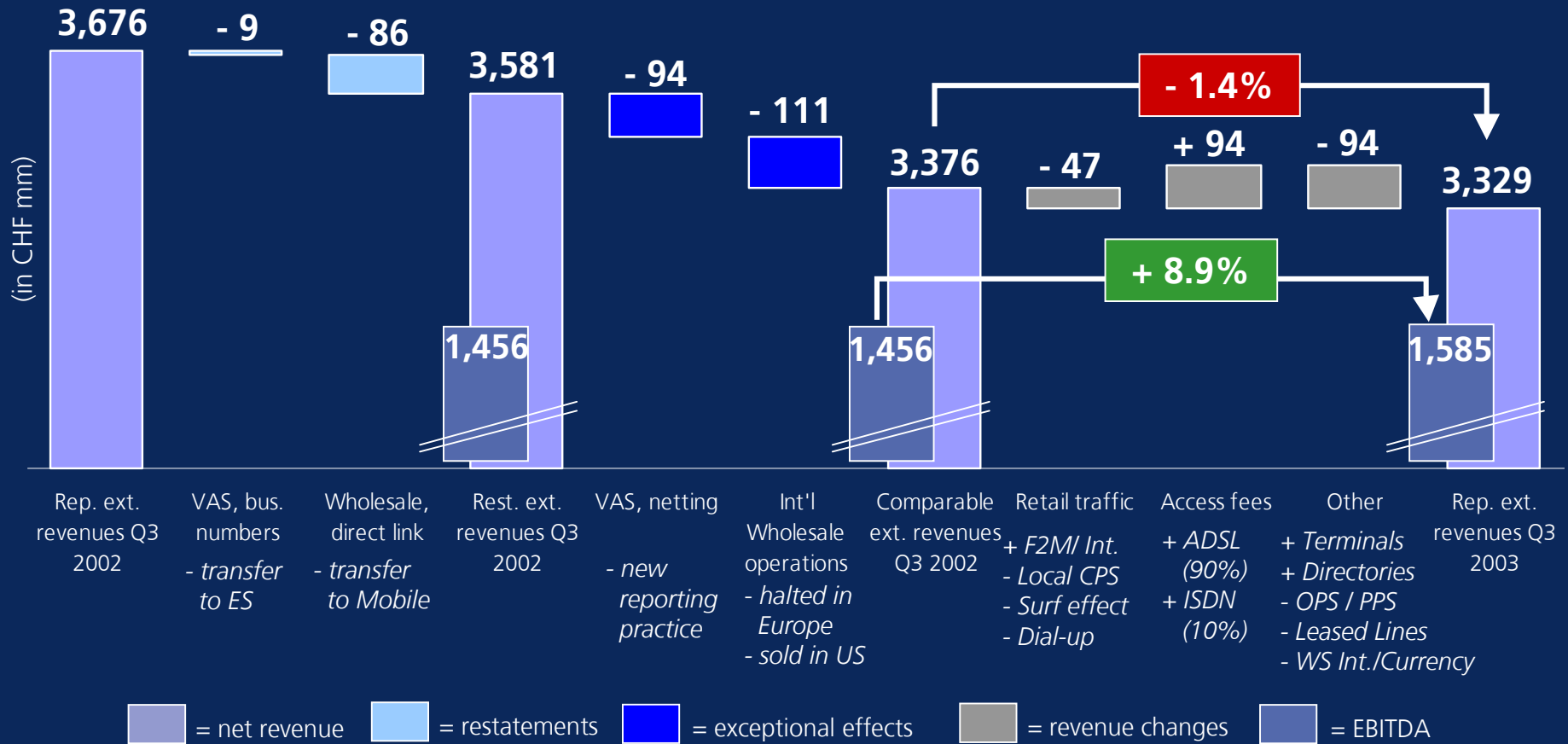
Questions & Answers

Please also refer to separate background slides detailing the presentation of the key messages

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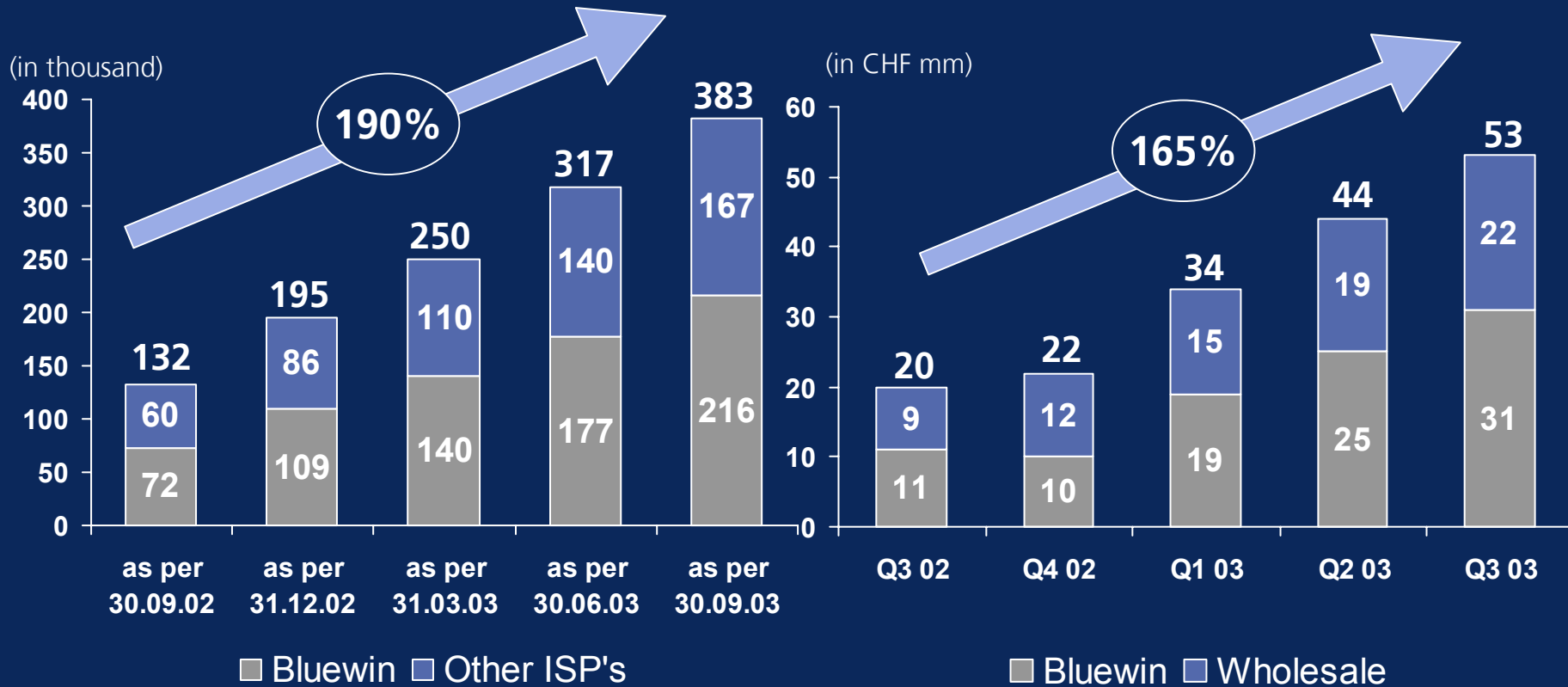
Fixnet revenues and EBITDA



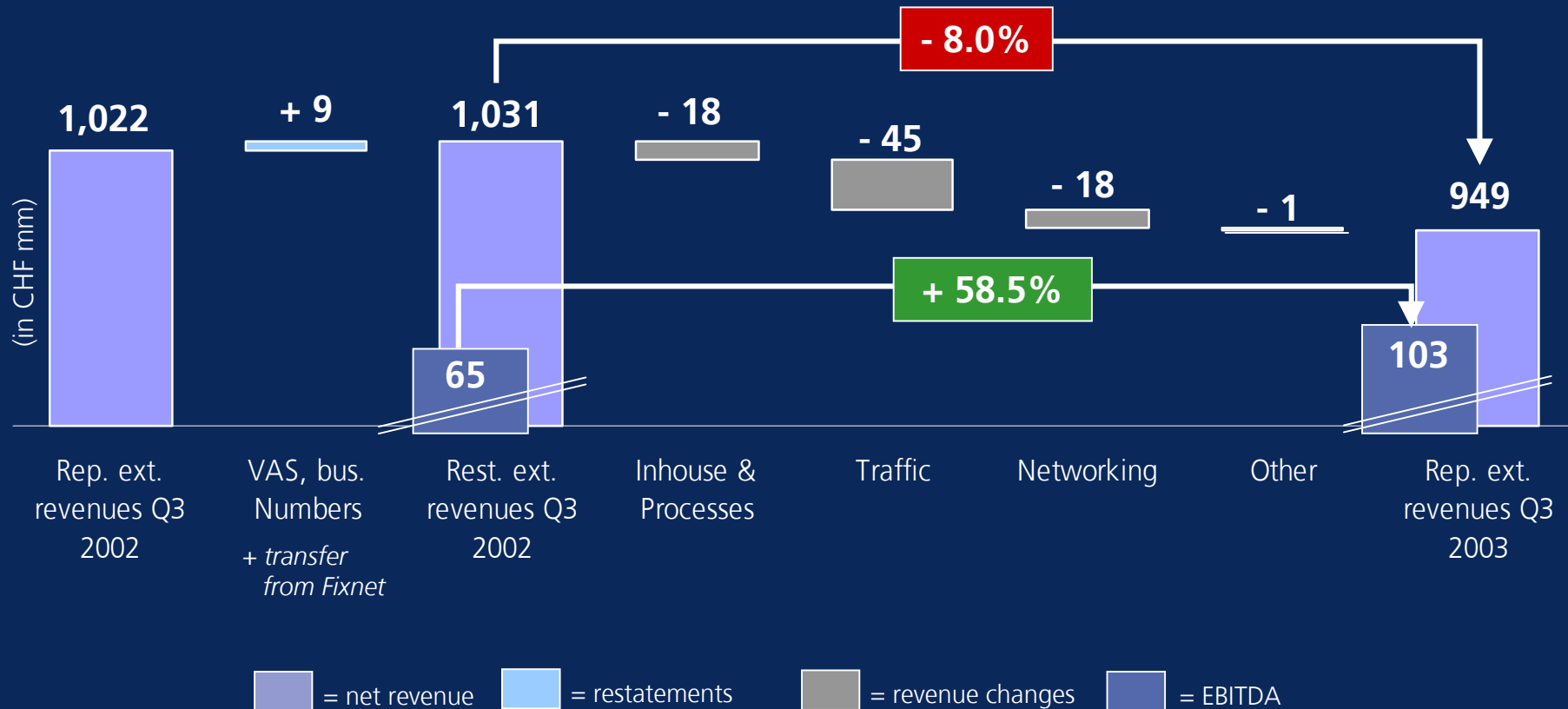
Fixnet leading Swiss broadband provider

ADSL subscribers, cumulative

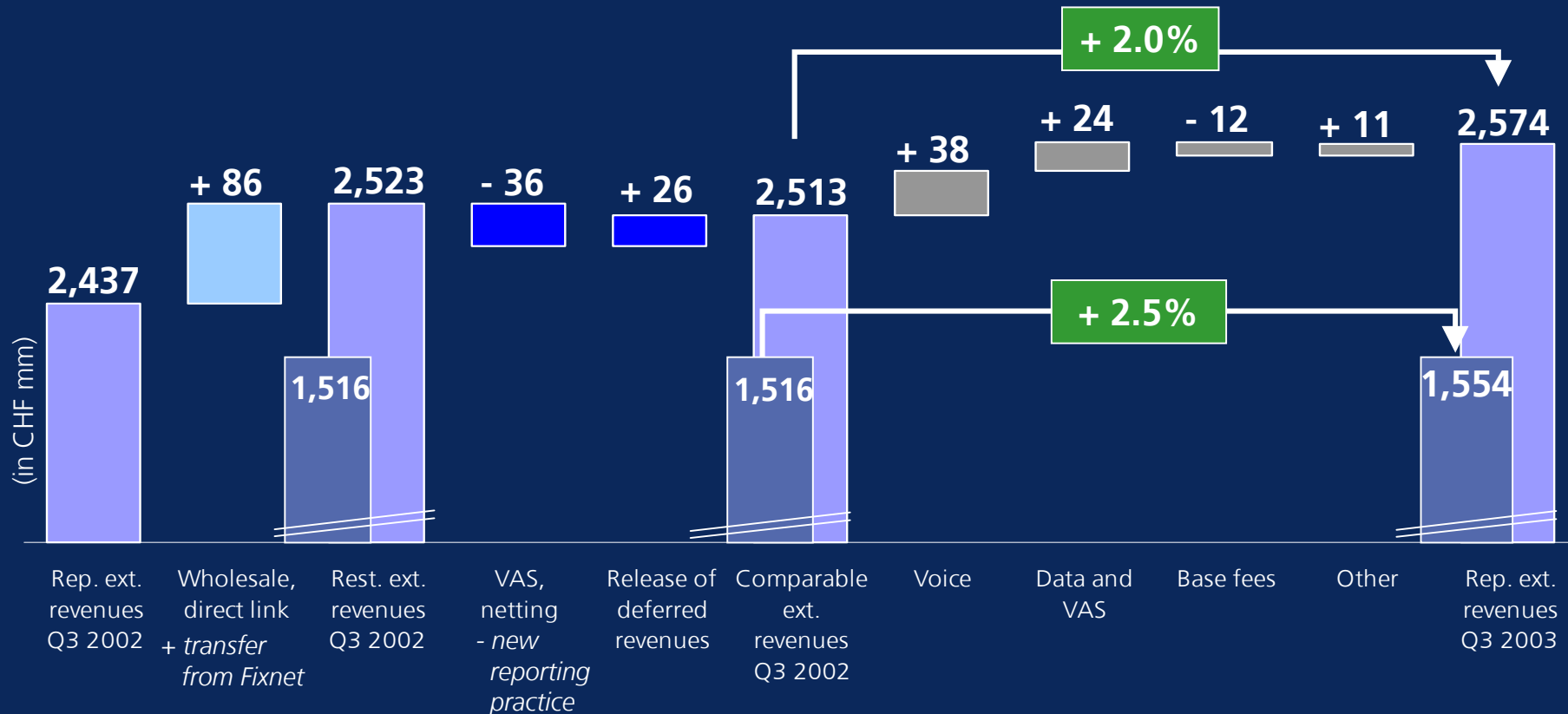
Broadband revenues, per quarter



Enterprise Solutions revenues and EBITDA

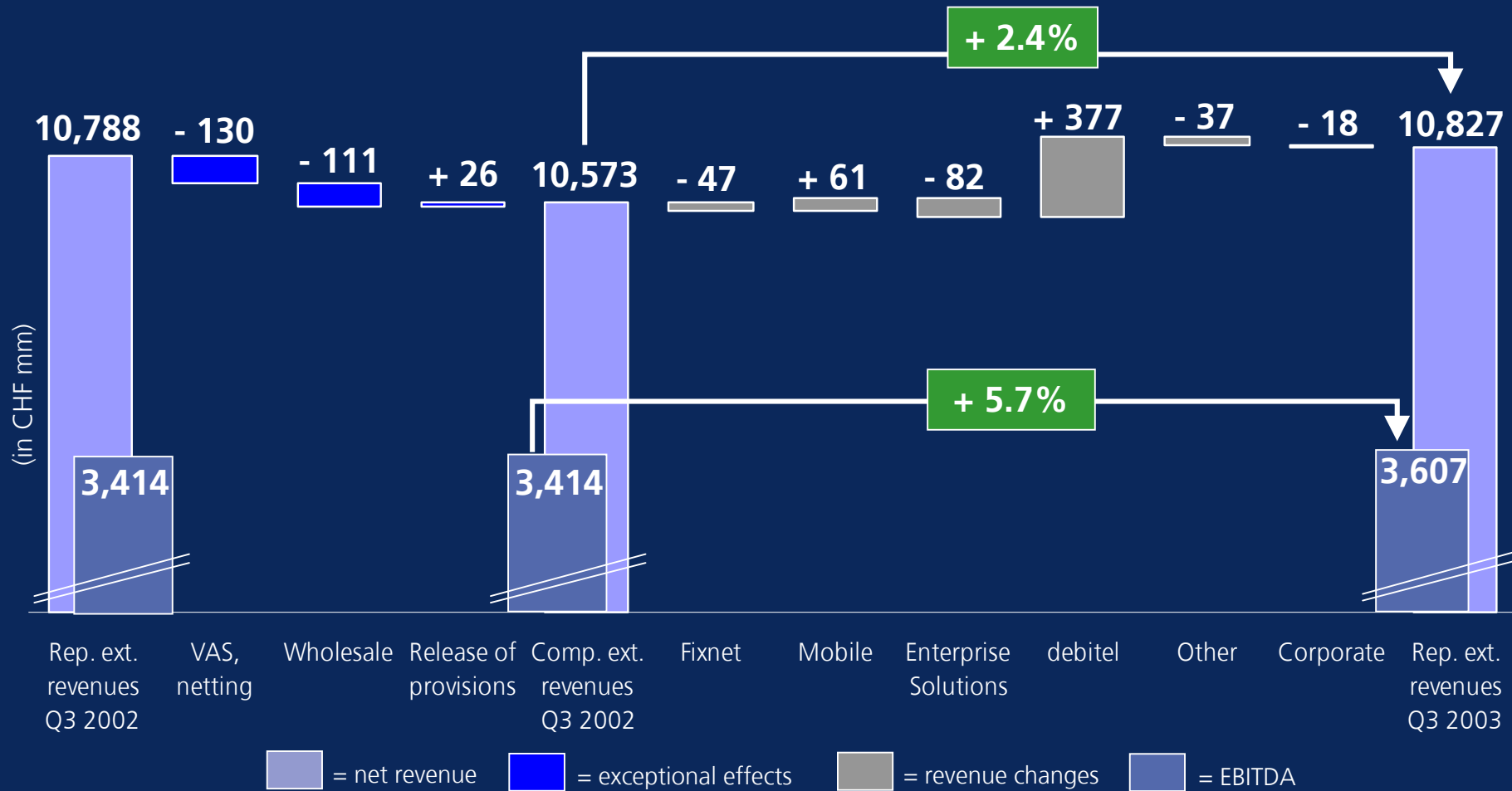


Mobile revenues and EBITDA

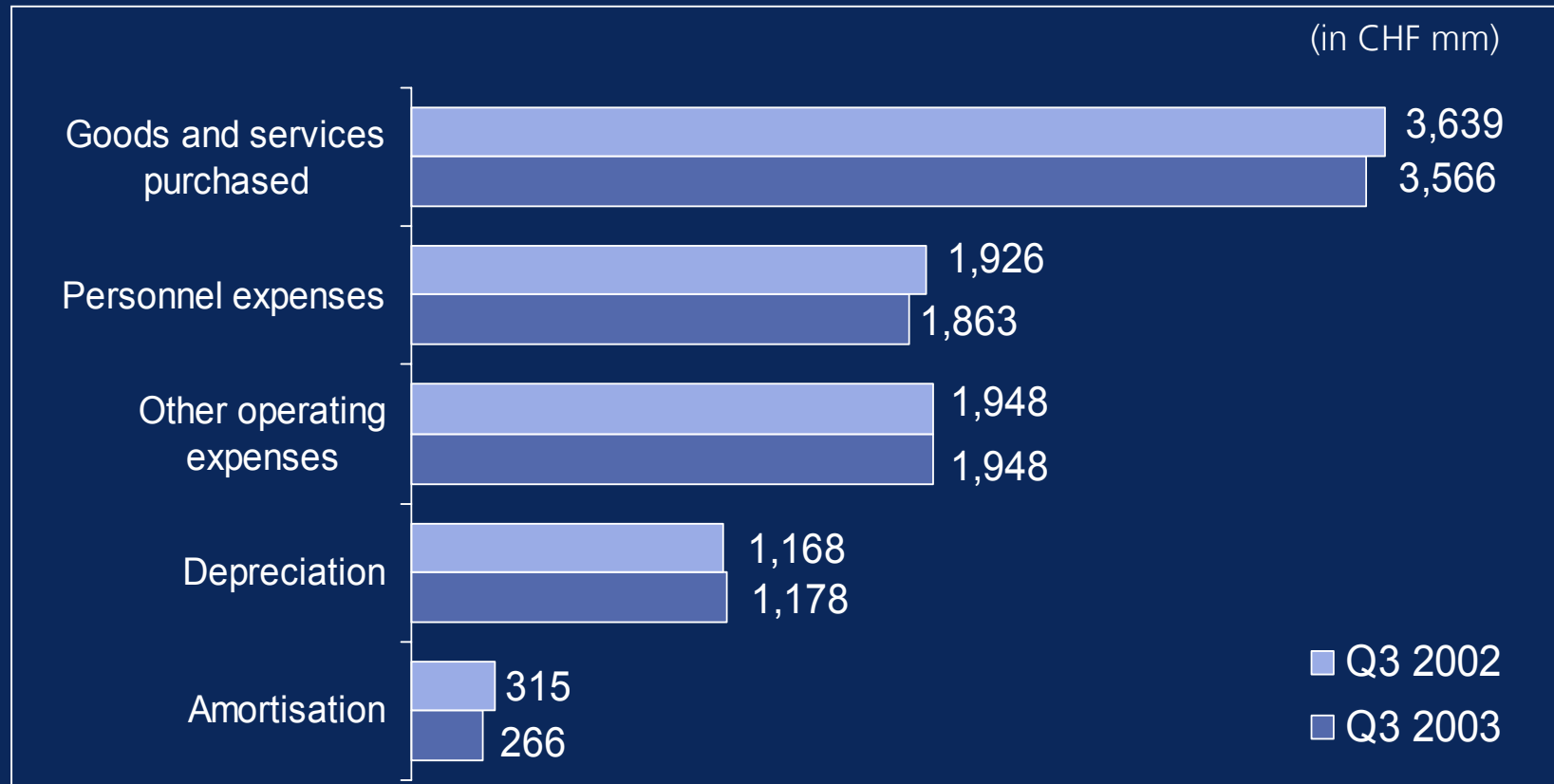


= net revenue
 = restatements
 = exceptional effects
 = revenue changes
 = EBITDA

Group revenues and EBITDA



Group OPEX overview



Overview of restructuring charges (I)

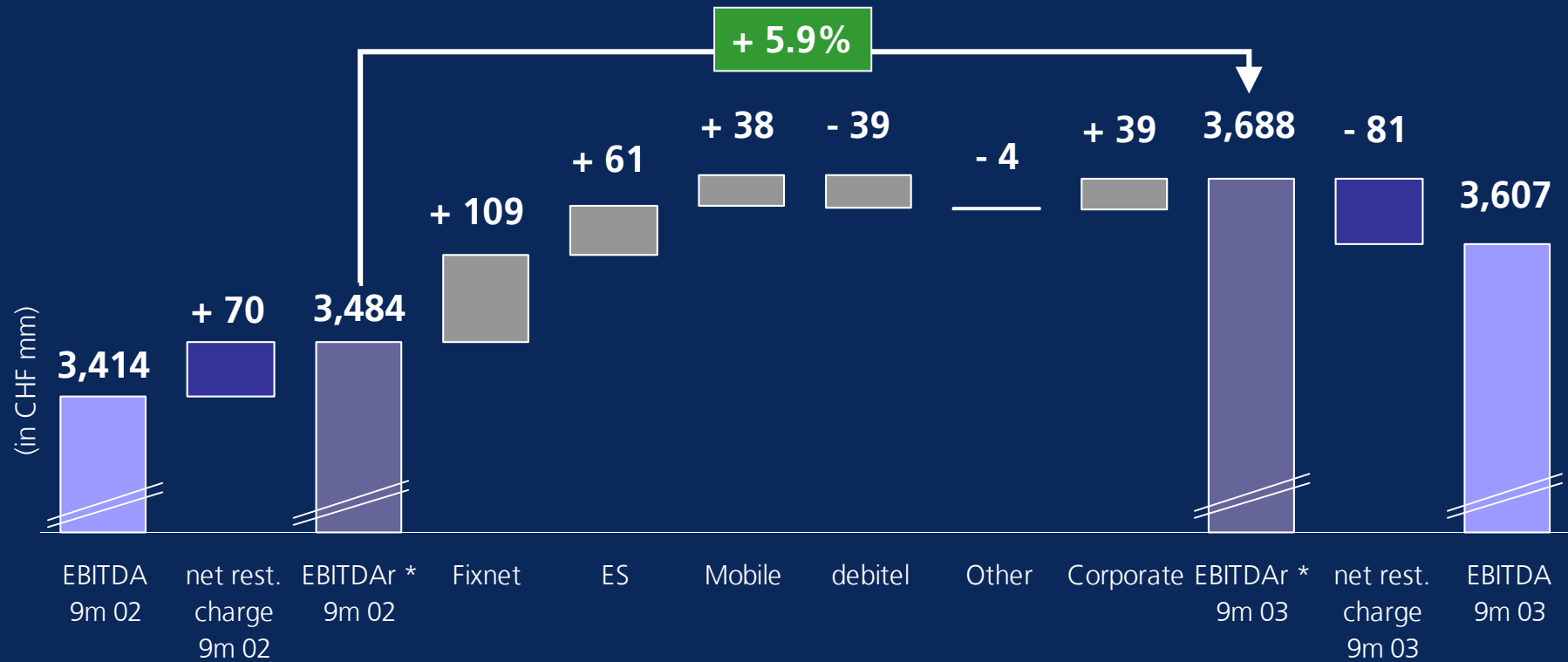
(in CHF mm)	30.09.2002			30.09.2003		
	EBITDA	rest. charge	EBITDAr *	EBITDA	rest. charge	EBITDAr *
Fixnet	1,456	73	1,529	1'585	53	1,638
Enterprise Solutions	65	9	74	103	32	135
Mobile	1,516	0	1'516	1'554	0	1,554
debitel	121	0	121	82	0	82
Other	172	16	190	180	4	184
Corporate, net	84	-28	56	103	-8	95
<i>Group Headquarters</i>		6			7	
<i>Cost of the partially retired</i>		5			7	
<i>Work_Link, elimination</i>		-45			-58	
<i>Work_Link, personnel exp.</i>		17			36	
<i>Revaluation of provision</i>		-11			0	
Group	3,414	70	3,484	3,607	81	3,688

* EBITDAr = EBITDA before restructuring charges

Overview of restructuring charges (II)

	2002						2003			
	Q1	Q2	Q3	Q3 cum	Q4	FY	Q1	Q2	Q3	Q3 cum
(in CHF mm)										
Fixnet	2	60	11	73	12	85	42	6	5	53
Enterprise Solutions	2	7	0	9	1	10	31	1	0	32
Mobile	0	0	0	0	0	0	0	0	0	0
debitel	0	0	0	0	0	0	0	0	0	0
Other	1	3	12	16	86	102	1	3	0	4
Corporate, net	-12	-14	-2	-28	-46	-74	-35	4	23	-8
<i>Group Headquarters</i>	0	6	0	6	1	7	2	0	5	7
<i>Cost of the partially retired</i>	1	2	2	5	2	7	2	2	3	7
<i>Work_Link, elimination</i>	-1	-27	-17	-45	-50	-95	-39	-5	-14	-58
<i>Work_Link, personnel exp.</i>	5	5	7	17	7	24	9	10	17	36
<i>Revaluation of provision</i>	-17	0	6	-11	-6	-17	-9	-3	12	0
Group	-7	56	21	70	53	123	39	14	28	81

Group EBITDA



= EBITDA
 = termination benefits, net
 = EBITDAr*
 = EBITDA changes, excl. termination benefits

* EBITDAr = EBITDA before restructuring charges

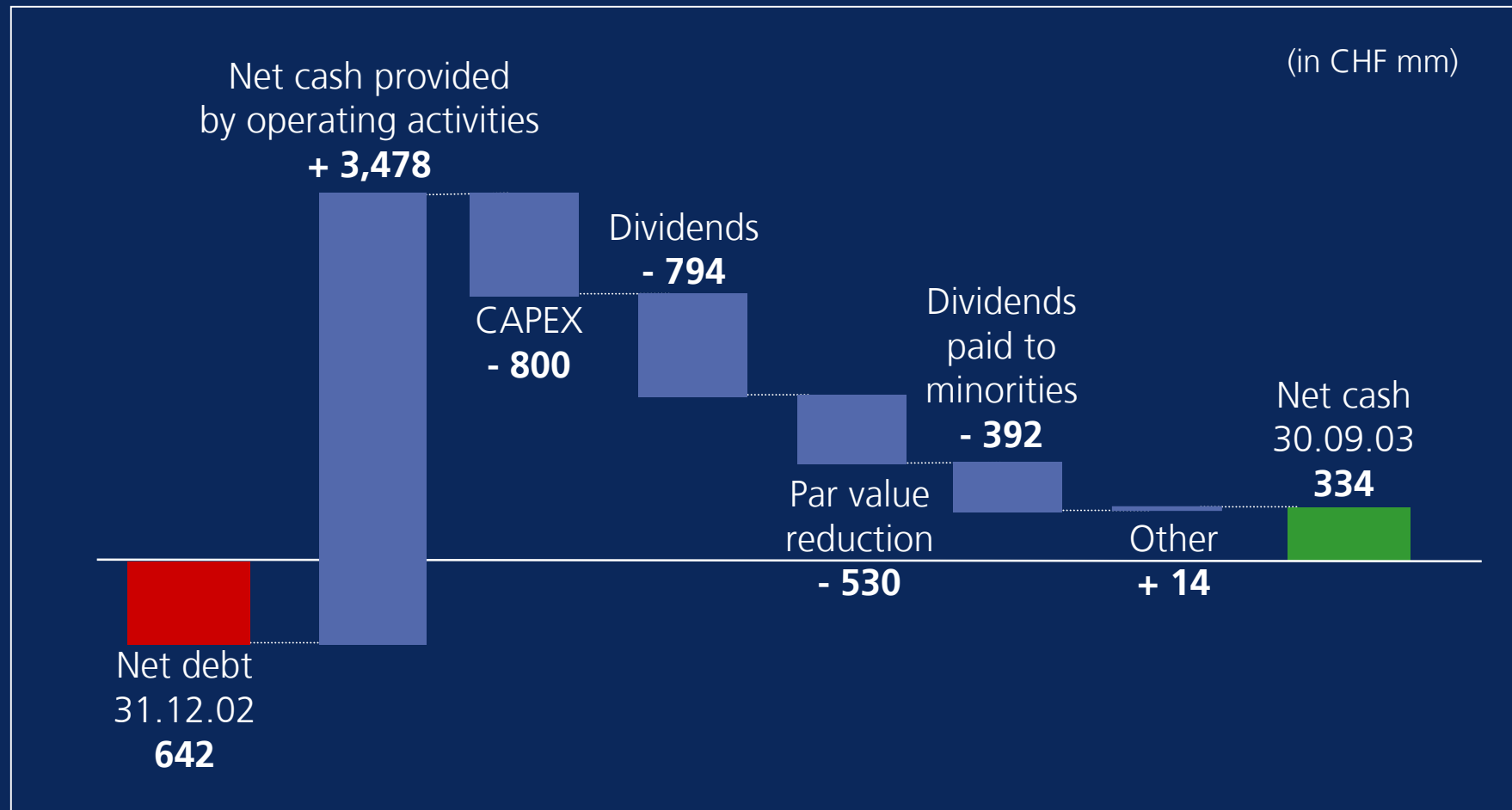
Group P&L overview

(in CHF mm)	30.09.2002	30.09.2003	change YOY
EBITDA	3,414	3,607	5.7%
Depreciation	1,168	1,178	0.9%
Amortisation of intangible assets	89	108	21.3%
Amortisation of goodwill	226	158	-30.1%
EBIT	1,931	2,163	12.0%
Net financial result	(85)	(63)	-25.9%
Income tax expense	(508)	(454)	-10.6%
Equity in net income of affiliated companies	106	23	-78.3%
Minority interest	(233)	(295)	26.6%
Net income	1,211	1,374	13.5%
Avg. number of shares outstanding (in thousands)	68,217	66,203	-3.0%
EPS (in CHF)	17.75	20.75	16.9%

Group CF overview

(in CHF mm)	30.09.2002	30.09.2003
EBITDA	3,414	3,607
Change in net operating assets	(313)	(44)
Tax payments	(165)	(32)
Other cash flows from operating activities	(121)	(53)
Net cash provided by operating activities	2,815	3,478
CAPEX	(803)	(800)
Investments in subsidiaries and affiliated companies	(133)	(57)
Purchase and sale of current financial assets, net	2,627	5
Other cash flows from investing activities, net	3	30
Net cash from investing activities	1,694	(822)
Repayment of debt, net	(1,210)	(855)
Share buyback and par value reduction	(4,793)	(530)
Dividends paid	(728)	(794)
Dividends paid to minority interests	(302)	(392)
Net cash used in financing activities	(7,033)	(2,571)
Net decrease in cash and cash equivalents	(2,524)	85
Cash and cash equivalents at end of the period	1,262	1,791

Change of net debt /net cash



Group capital structure

(in CHF mm)	31.12.2002	30.09.2003
Short term debt	1,016	237
Long term debt (esp. cross border tax lease)	1,505	1,426
Long term net finance lease obligation	1,192	1,161
Total debt	3,713	2,824
Less: financial assets from lease-and-leaseback transactions	(1,104)	(1,117)
Less: cash, cash equivalents and securities	(1,967)	(2,041)
Net debt / (net cash)	642	(334)
Shareholders' equity	7,299	7,505
Balance sheet total	16,958	16,079
Book leverage ¹	8.8%	(4.5)%
Equity ratio ²	43.0%	46.7%

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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