

Presentation Swisscom

at the 4th annual
Swiss Equities Conference
Deutsche Bank

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21 May 2003, Bürgenstock, Switzerland

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Who is Swisscom?

1. leading telco in CH

- ... successfully defending strong market position
 - ... distinguishing from competition on high quality and reliability
 - ... focussed on operating cost and staff reductions to sustain margins
- ⇒ **with ultimate aim of optimising free cash from core business**

2. intelligent investor

- ... smaller investments into innovative “entry-ticket options” (e.g. European WLAN)
 - ... larger investments only if stringent investment criteria are satisfied
- ⇒ **with ultimate aim of creating a balanced risk-reward growth path**

3. sensible balance sheet management

- ... preserving strong balance sheet to optimise strategic flexibility
 - ... returning all equity free cash flow to shareholders - every year
- ⇒ **aiming to combine strategic flexibility with generous yield for investors**

Swisscom introduces new Return Policy to shareholders

from “dividend policy”

paying approx. half of adjusted net income + opportunistic return of funds through share buy back

to “return policy”

returning the full annual equity free cash flow (EFCF) to shareholders, through:

- dividends
- par value reduction
- share buy backs

Rationale for new Return Policy:

- Effectively offers better yield than dividends only can do
- Fully reflects corporate strategy (“who we are”)
- Builds on strong business outlook
- Makes us (even) more predictable

New Return Policy - reflects who we are

Strategy: who we are	Implication: how we run the business	Return policy (definition of EFCF)	2002
<p>1</p> <p>Leading multi service telco in Switzerland</p> <p style="text-align: center;">+</p>	<p>Optimise cash flow from current business</p> <p style="text-align: center;">+</p>	<p>+ EBITDA</p> <p>- CAPEX</p> <p>+/- working cap. Δ</p> <p>- tax (cash)</p> <p>- net interest</p> <p>- minorities</p> <p style="text-align: center;">+</p>	<p>+ 4,413</p> <p>- 1,222</p> <p>+ 2</p> <p>- 537</p> <p>- 78</p> <p>- 304</p>
<p>2</p> <p>Intelligent investor in Europe</p> <p style="text-align: center;">+</p>	<ul style="list-style-type: none"> Substantial investment in close-to-core businesses only if investment criteria are satisfied Multiple smaller investments into new growth opportunities <p style="text-align: center;">+</p>	<p>- acquisitions</p> <p>+ divestments</p> <p style="text-align: center;">+</p>	<p>- 92</p> <p>+ 0</p>
<p>3</p> <p>Sensible balance sheet management</p> <p style="text-align: center;">=</p>	<p>Retain strong balance sheet and financial flexibility</p> <p style="text-align: center;">=</p>	<p>- debt repayments (net)</p> <p style="text-align: center;">=</p>	<p>- 1,000</p>
<p>4</p> <p style="text-align: center;">Swisscom</p>		<p>EFCF available to shareholders in t+1</p>	<p>+ 1,182</p>

New Return Policy - builds on strong outlook

Return Policy	2002	Q1 2003 results	Outlook 2003 (compared to 2002)
+ EBITDA	+ 4,413	+ 1,163	+ 4.4
- CAPEX	- 1,222	- 228	similar
+/- working cap. Δ	+ 2	+ 14	+ positive
- tax (cash)	- 537	+ 46	- lower
- net interest	- 78	- 16	- similar
- minorities	- 304	- 370/4	- higher
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= FCF from ops.	= 2,274	= 886	= higher
- acquisitions	- 92	- 48	- ???
+ divestments	+ 0	+ 0	+ ???
- debt repayments (net)	- 1,000	- 250	- 750
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=	=	=	=
EFCF available to shareholders in t+1	+ 1,182	+ 588	= ???

Update on the “quest for acquisitions”

Criteria	Explanation
sustainability	Focus on sustainable cash flow generation and accretion to group cash flows
strategic fit	Potential synergies, and ability to exploit these through control
management	Availability of experienced management team
price	Attractive valuation
size/risk	No major shift in existing risk profile



Rationale
<p>What is the uniqueness of the constellation? what makes Swisscom a better investor than a financial investor directly:</p> <ul style="list-style-type: none"> – we may be the only acceptable buyer for a majority stake – we can sweat the asset better thanks to our experience – we can extract some synergies with current operations – we may improve the position of the combination in the run-up to potential further industry consolidation

In summary

Your 3 “bets” when investing in Swisscom

1. leading telco in CH

Swisscom is able to sustain strong annual equity free cash flows - through continued strong operational performance

2. intelligent investor

Swisscom doesn't have a long term strategic (scale) problem if it doesn't acquire, and only acquires if this is value accretive

3. sensible balance sheet mngt

Swisscom will return all equity free cash flow to shareholders while preserving a strong balance sheet