

“S(t)atisfactory”

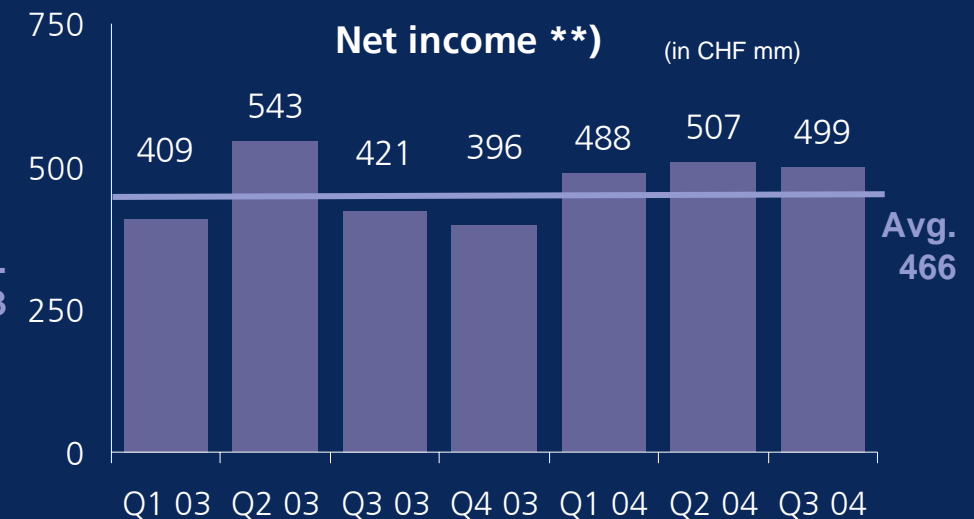
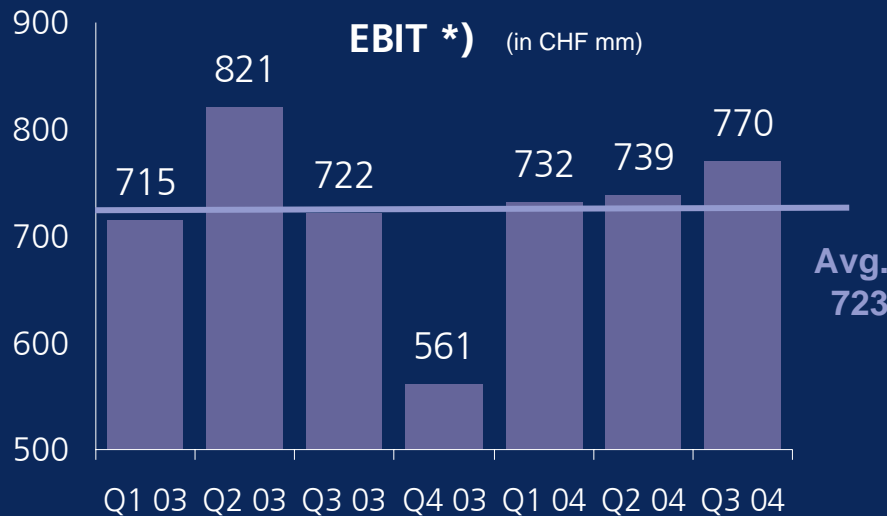
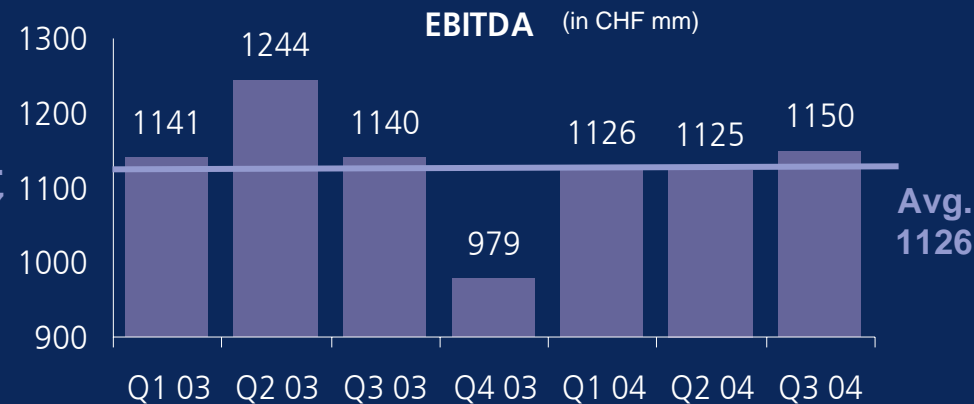
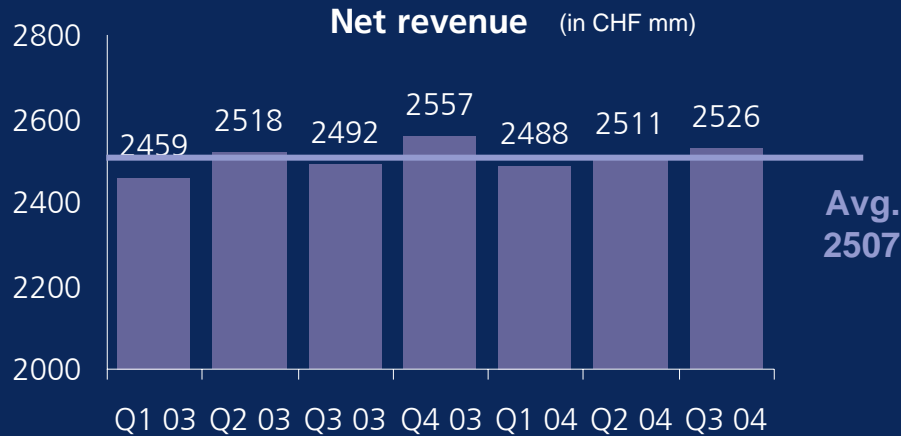
9 Months Results Swisscom:  
“pleasantly stable”

10 November 2004

# Structure of document

<b>Presentation</b>		<b>Slide</b>
<u>Jens Alder, CEO</u>	<b>1. Financial highlights 9 months 2004</b>	<b>3</b>
	<b>2. Business highlights 9 months 2004</b>	<b>5</b>
<u>Ueli Dietiker, CFO</u>	<b>3. Group financial performance</b>	<b>13</b>
<u>Jens Alder, CEO</u>	<b>4. Outlook</b>	<b>17</b>
	<b>Q &amp; A</b>	<b>18</b>
<b>Supporting background information</b>		<b>19-30</b>

# The quarterly trend – pleasantly stable



\*) Q3 04 before impairment sea cable of CHF 150mm

\*\*) Q4 03 excl. debitel impairment, net; Q2 04 excl. debitel CTA; Q3 04 before impairment sea cable (net CHF 118mm after tax)

# Key figures – “ups and downs” in balance

## Key figures Swisscom Group

in CHF mm	30.09.2004	change YOY
Net revenue	7,525	0.7%
EBITDA	3,401	-3.5%
EBITDA margin	45.2%	
EBIT	2,091	-7.4%
Net Income	1,138	-17.2%
CAPEX	775	0.4%
EFCF	2,573	71.0%
Net cash	2,063	647.0%

## Ups:

- **Revenue:** Fixnet (DSL charges) and Mobile (subs growth, data, handsets)
- **EFCF:** more than CHF 1bln higher than last year, especially due to proceeds from sale debitel and “empty debt maturity profile”
- **Net cash** position of CHF 2,1bln, CHF 500mm higher than at 31.12.03

## Downs:

- **Revenue** from Enterprise Solutions (competition and economic pressure), Other (Systems and IT) and Corporate
- **EBITDA** down YOY, however prior year EBITDA was highest ever since IPO. Margin at robust 45%
- **Net income** down 17% YOY, only due to one-off CTA of CHF 238mm and impairment sea-cable of CHF 150mm

# Wireline business – on track

## Key financials Fixnet

in CHF mm	30.09.2004	change YOY
Net revenue <sup>1</sup>	4,284	0.2%
EBITDA	1,663	2.3%
EBITDA margin	38.8%	
EBIT	822	1.1%
CAPEX	293	-31.4%
Number of FTE's	7,620	-3.4%

## Key financials Enterprise Solutions

in CHF mm	30.09.2004	change YOY
Net revenue <sup>1</sup>	846	-6.9%
EBITDA	101	62.9%
EBITDA margin	11.9%	
EBIT	90	157%
CAPEX	11	37.5%
Number of FTE's	911	-11.3%

<sup>1</sup> including intersegment revenue

## Highlights Wireline

- Operational results stronger than expected with flat **EBIT** YOY despite CHF 150mm impairment on sea cable in int'l Carrier Services
- Started trial **TVoDSL**
- Legal completion of **bluewin** integration into Fixnet to be completed in 2005. This completes the gradual process of the past year to bring ISP and operator together, thereby improving position in run up to triple play services
- Prepared merger Swisscom ES with Swisscom Systems into **Swisscom Solutions** from 1.1.2005 onwards
- Announced further **restructuring** in 2005, causing reduction of 240 FTE's at Fixnet and 150 FTE's at Swisscom Solutions
- Launched **new price plans** for wireline customers per November 2004

# Price models introduced as of November 2004

	Basic Access/month	Fr. 25.25.-	PSTN	Fr. 43.00.-	Basic Rate ISDN
+ Additional Access for value bundles/month		Fr. 0.-	Current plan	NEW: „Value Bundles“ *)	
				Fr. 9.80.-	Fr. 9.80.-
				National	International
+ Traffic			<ul style="list-style-type: none"> <li>National calls: 8 cts/min peak and 4 cts/min off-peak, with special offer of CHF 1/hr in the evening and weekend</li> <li>International standard prices with max. of CHF 3/hr in the evening and weekend</li> <li>Global Volume discount</li> </ul>	<b>inclusive:</b> <ul style="list-style-type: none"> <li>½ price for all national traffic around the clock</li> <li>60 min. free of charge</li> <li>max. usage of CHF 100 per month</li> </ul>	<b>inclusive:</b> <ul style="list-style-type: none"> <li>½ price for all international traffic around the clock</li> <li>max. usage of CHF 100 per month</li> </ul>
				Fr. 17.80.-	Combi
					<b>inclusive:</b> <ul style="list-style-type: none"> <li>½ price for national and international traffic around the clock</li> <li>60 min. national free of charge</li> <li>max. usage of CHF 200 per month</li> </ul>
+ Targeted offers		Fr. 0.-	Happy Weekend: free calling in the weekend for customers younger than 27 years		

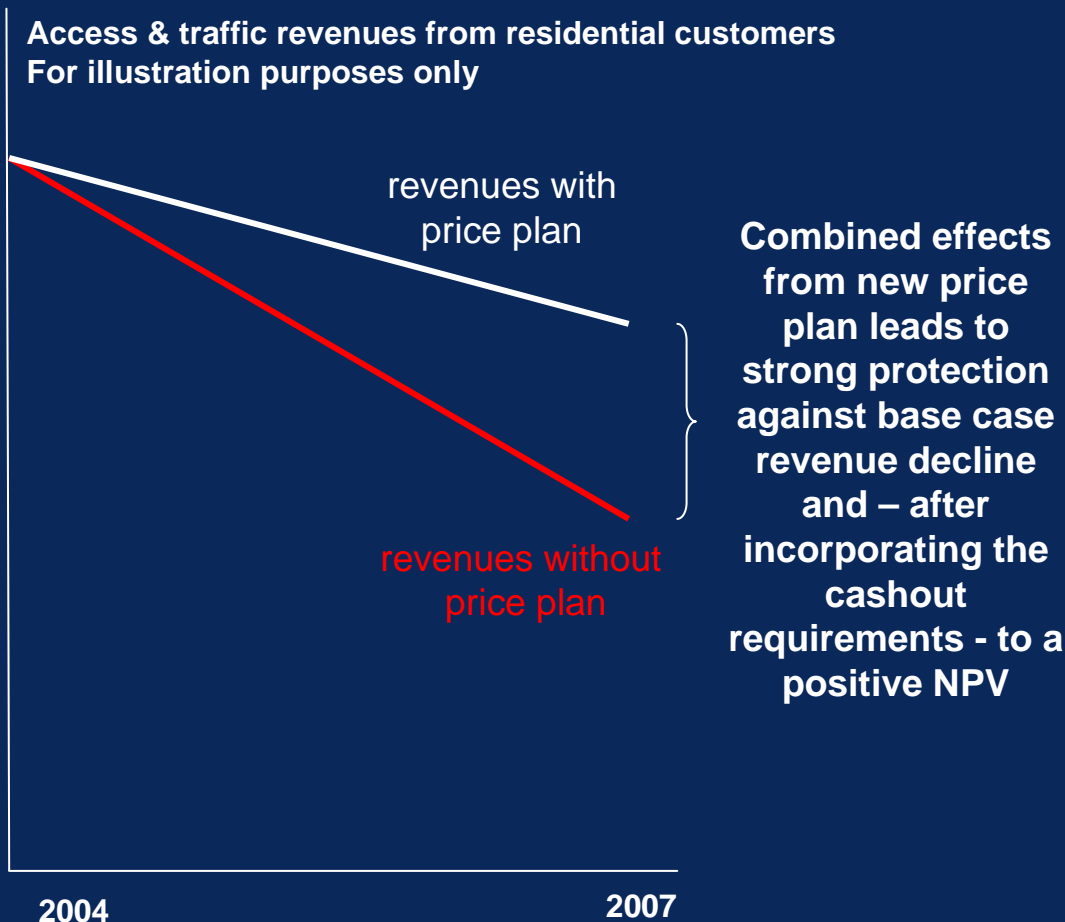
\*) applies only to fixed-to-fixed phone calls

Essentially pricing goes to more fixed fees and less variable charges per minute, thereby addressing especially the higher usage segments

# Impact from new price plans

<b>Negative financial impact from:</b>	Discount @50%
	Free minutes
	Marketing costs

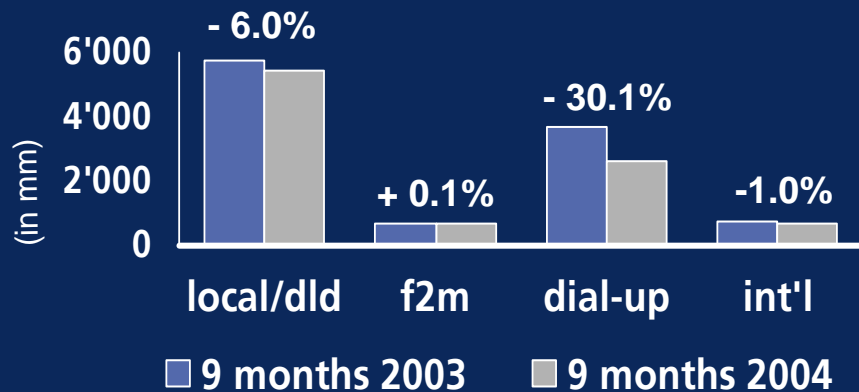
<b>Positive financial impact from:</b>	Extra subscription charges
	Churn reduction
	Win-Back-improvement
	Reduction of the risk of future price cuts
	Price elasticity
Other (eg future upselling new products to retained customers)	



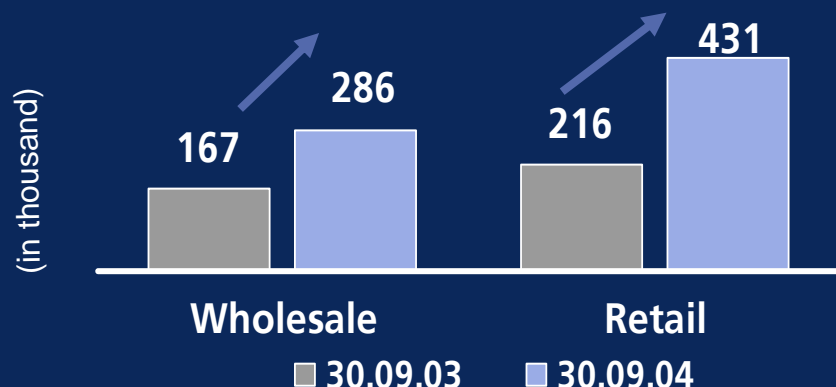
Key element of value creation through new price plans is the anticipated market share development: over a 3 year period we expect to lose ~7%-points less than would have been the case without price plans

## Fixnet – ADSL continues to compensate for traffic decline

### Retail minutes (Fixnet)



### ADSL subscribers



### Key observations

#### From variable to recurring revenues:

- local/dld **traffic** revenues: - 19mm
- dialup **traffic** revenues: - 38mm
- ADSL access revenues: +126mm
- balance: + 69mm

#### Broadband market developing favourably

- total **penetration** of Swiss households around **37%** at 30.9.2004
- **ADSL** mkt. share of total broadband market (i.e. incl. cable): est. **60%**
- **bluewin** market share of total ADSL market: also around 60%

## Update on new Swiss telecommunication law

- **what is it about:** lower house of parliament decided on 7 October 2004 to introduce:
  - full access
  - bitstream (@DSLAM) for a period of 2 years in a 6 year timeframe
  - leased line and access to ducts where technically feasible
  - other operators allowed to invoice access (1 customer, 1 bill)
  - declined by lower house of parliament: technology neutrality (i.e. no extension to e.g. mobile networks)
  
- **how will process continue:**
  - next “hurdle” is the Council of States: expected in Spring or Summer 2005
  - thereafter either fast track with Council confirming current parliamentary proposal and no Referendum: law to be put in force by early 2006.
  - alternatively there may be further delay (Council of States disagrees, reconciliation process between both chambers to be started, referendum being called for). Not predictable when law would be put into force, and what changes might be introduced compared to current proposal

# Mobile business – investing in revenue growth

## Key financials Swisscom Mobile

in CHF mm	30.09.2004	change YoY
Subscribers (thousand)	3,945	5.6%
ARPU (CHF/month)	81	-1.2%
Net revenue <sup>1</sup>	3,260	5.3%
EBITDA	1,500	-3.5%
EBITDA margin	46.0%	
EBIT	1,231	-6.7%
CAPEX	354	26.4%
Number of FTE's	2,506	2.9%

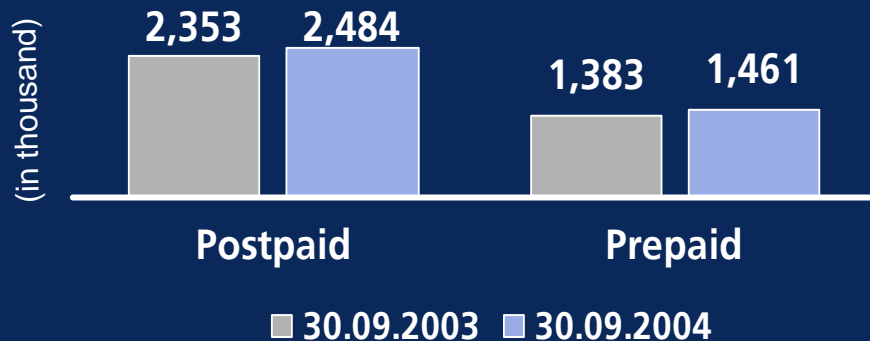
<sup>1</sup> including intersegment revenue

## Q3 highlights Wireless

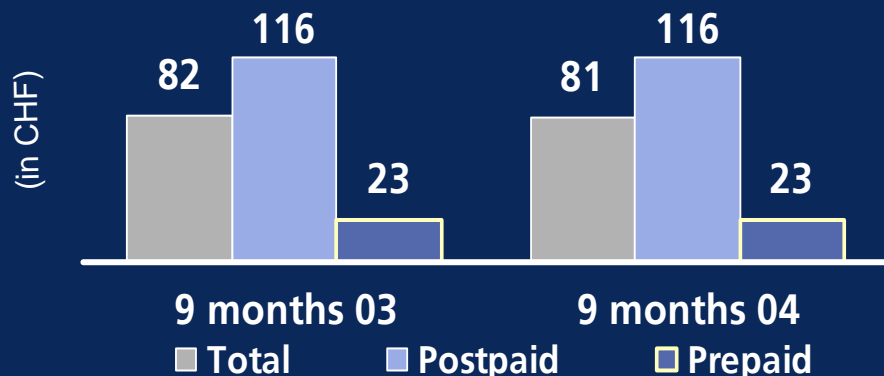
- **Revenue** increase of CHF 165 mm YOY:
  - data contributing +43 mm (+13% YOY)
  - voice delivers +53 mm (+3%)
  - other (esp. handsets): +22 mm (+20%)
  - Intra-company +42 mm (+9%)
- **Normalised EBITDA** (excl. CHF +62mm one-off effects of national roaming and releases of provisions in 2003) went up by CHF 8mm (+0.5% YOY)
- Overall **market share** stable at 64%
- **CAPEX** of CHF 354 mm, up CHF 74 mm because of BB push (EDGE, UMTS, WiFi)
- launched “**unlimited**” (PCMCIA card offering seamless network connectivity, with >1,4k business contracts within 1 month after launch and ARPU > CHF100)
- residential 3G launch in Q4

# Mobile business – KPI's stable at high level

## Mobile subscribers



## ARPU development



## Key observations

- Swiss **penetration** up to 86%
- Postpaid churn** rate well below 1% per month in 2004: only 7% for first 9 months
- AMPU** (119 min.) down 2% YOY
- ARPU** YOY stable
- SMS** usage 11% higher YOY with 1,502mm messages sent (retail)
- Successful push of **Vodafone Live!** with **>340k** subs at end of Sept. Vodafone Live! subs (9% of customer base at 30.9.04) generate higher-than-average ARPU's
- Data ARPU** up 9% YOY and now represents 12% of total ARPU

## Segment “Other”

- **Revenues** down 4.4% YOY
  - Systems and IT Services down 17% resp. 9%
  - Billag revenues double after integration of T-Systems’ Card Services
- **Staff** down by 188 FTE’s (-5% YOY), despite +123 FTE’s in Billag and + 26 FTE’s in Eurospot. Further restructuring announced with 150 FTE’s leaving Swisscom Solutions in 2005 (see also slide 5)

## Segment “Corporate”

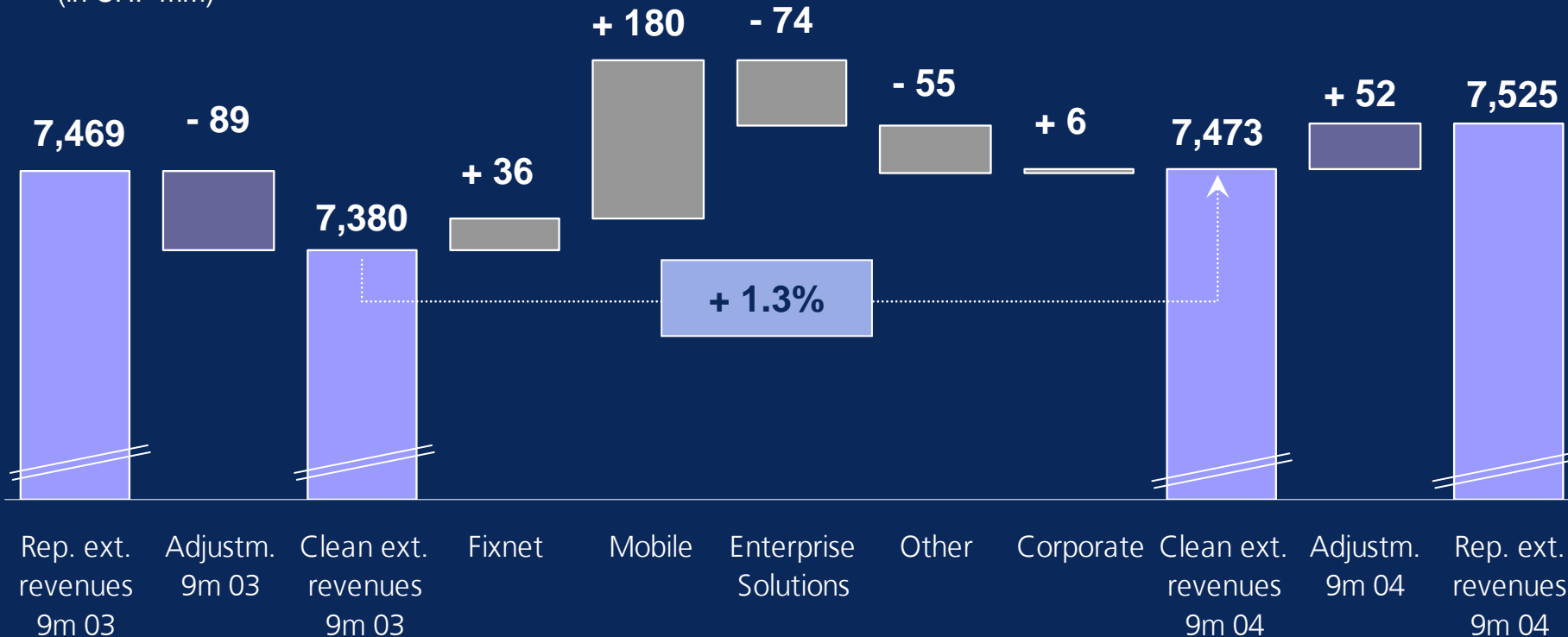
- **EBITDA** turning negative especially due to lack of elimination bookings for restructuring program (CHF 48mm), release of provisions in 2003 of CHF 22 mm, higher net cost of idle workforce (Worklink: CHF +30mm) and lower intracompany revenues

## Non-organic

- Acquired 49% stake in **Cinetrade** with option to increase to 75%, allowing access to best-quality TV content
- Sold 17,7% stake in Infonet Services Corp. to BT for USD 170mm. These proceeds will be added to **EFCF** in 2005. Closing expected in first half 2005.

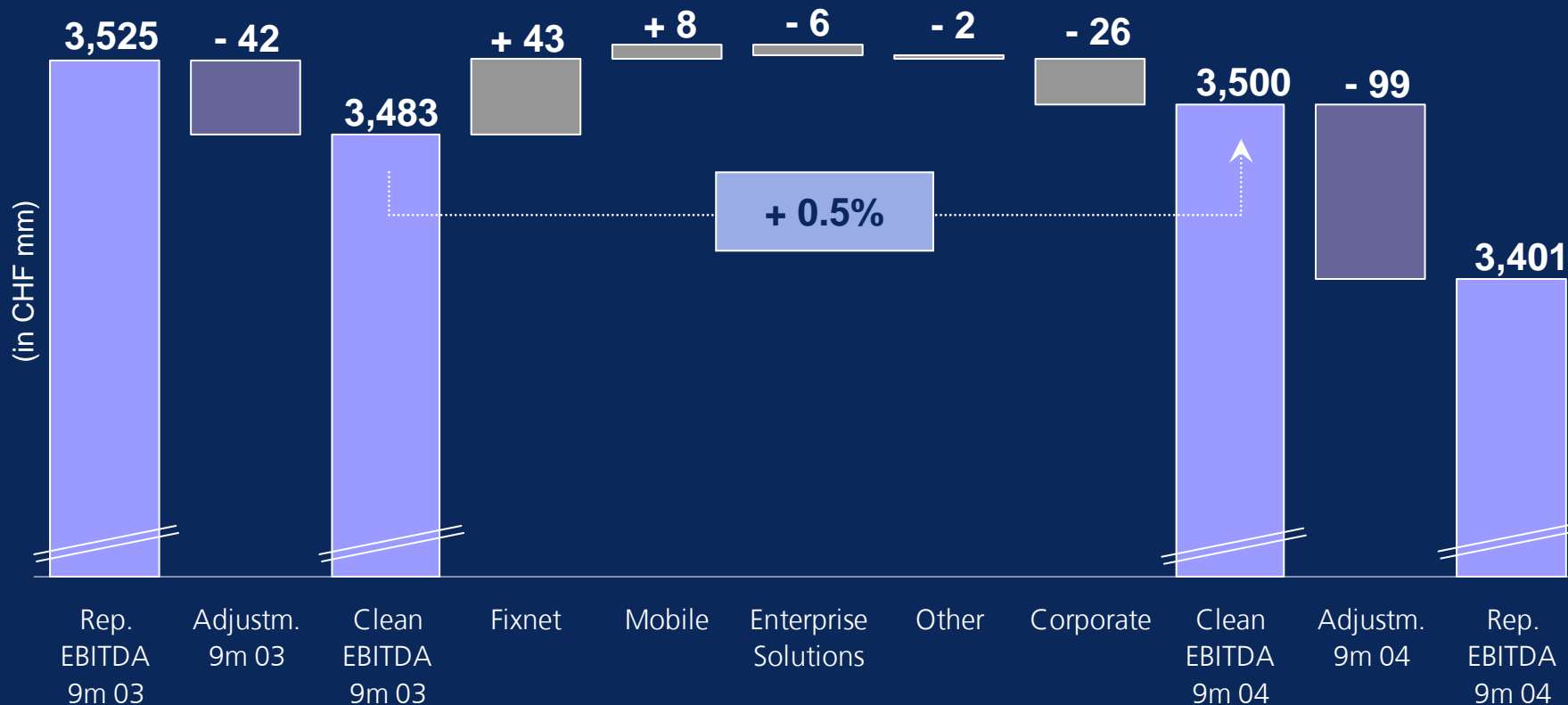
# Drivers of group revenues

(in CHF mm)



<p><b>Adjustm. 9m 03</b></p> <ul style="list-style-type: none"> <li>- TFL sale</li> <li>- national roaming</li> <li>- release of deferred revenues</li> </ul>	<p><b>Fixnet</b></p> <ul style="list-style-type: none"> <li>+ ADSL-push</li> <li>- dial-up traffic</li> <li>- Business lines</li> </ul>	<p><b>Mobile</b></p> <ul style="list-style-type: none"> <li>+ subs growth</li> <li>+ data increase</li> <li>+ handset sale</li> </ul>	<p><b>Enterprise Sol.</b></p> <ul style="list-style-type: none"> <li>- competition</li> <li>- price pressure</li> <li>- leased lines</li> </ul>	<p><b>Other</b></p> <ul style="list-style-type: none"> <li>- Systems</li> <li>- IT Services</li> </ul>	<p><b>Adjustm. 9m 04</b></p> <ul style="list-style-type: none"> <li>+ Billag card services</li> <li>+ release of deferred revenues</li> </ul>
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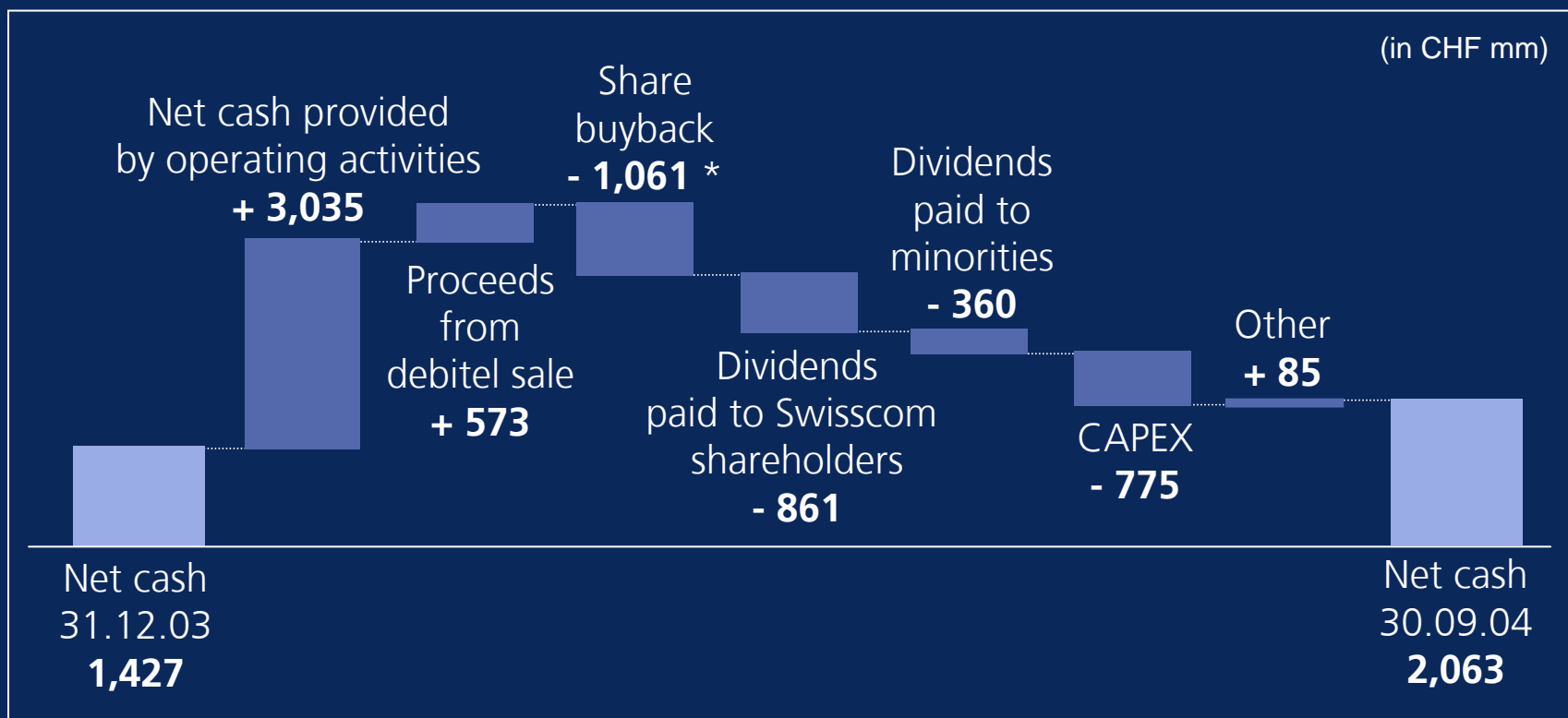
# Drivers of group EBITDA



<p><b>Adjustm. 9m 03</b></p> <ul style="list-style-type: none"> <li>+ rest. charges, net</li> <li>- TFL sale</li> <li>- national roaming</li> <li>- release of provisions</li> </ul>	<p><b>Fixnet</b></p> <ul style="list-style-type: none"> <li>+ ADSL-push</li> <li>- COGS*</li> <li>+ less FTE's</li> </ul>	<p><b>Mobile</b></p> <ul style="list-style-type: none"> <li>+ subs growth</li> <li>+ handset sale</li> <li>- COGS*</li> <li>- SAC and SRC</li> </ul>	<p><b>Enterprise Sol.</b></p> <ul style="list-style-type: none"> <li>- price pressure</li> <li>+ COGS*</li> <li>+ less FTE's</li> </ul>	<p><b>Other</b></p> <ul style="list-style-type: none"> <li>+ Systems</li> <li>- Eurospot</li> </ul>	<p><b>Adjustm. 9m 04</b></p> <ul style="list-style-type: none"> <li>- rest. charges, net</li> <li>- IT Services</li> <li>+ Billag card services</li> </ul>
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\*) COGS = Costs Of Goods Sold and includes items such as cost of handsets sold, interconnection/termination cost, subscriber acquisition cost etc

# Change of net cash



\* related taxes of CHF 177 mm are paid in Q4 2004, causing difference between CHF 1,061 mm in cash flow statement and CHF 1,238 mm in shareholders' equity per 30.9.2004

# EFCF development

Definition of EFCF	30.09.03 (in CHF mm)	31.12.03 (in CHF mm)	30.09.04 (in CHF mm)
+ EBITDA	+ 3,525	+ 4,504	+ 3,401
- CAPEX	- 772	- 1,165	- 775
- Δ working cap. & other	+ 1	+ 297	- 175
- tax (cash)	- 18	- 56	- 164
- net interest	- 38	- 44	- 27
- minorities	- 390	- 390	- 360
= FCF from operations	= 2,308	= 3,146	= 1,900
- net acquisitions / divestments	- 49	+ 517	+ 677
- debt repayments (net)	- 750	- 750	- 4
=			
<b>EFCF available to shareholders in t+1</b>	<b>+ 1,509</b>	<b>+ 2,913</b>	<b>+ 2,573</b>

## Outlook 2004

- Group **revenue** of approximately CHF 10bln
- Group **EBITDA** of at least CHF 4,3bln (*CHF 4,3bln previously*)
- **CAPEX** of CHF 1,2bln (*CHF 1,3bln previously*)

*Outlook slightly improved*

# Thank you for your attention!

## Questions & Answers

*[ Please also refer to separate background slides  
detailing the presentation ]*

**For further information, please contact:**

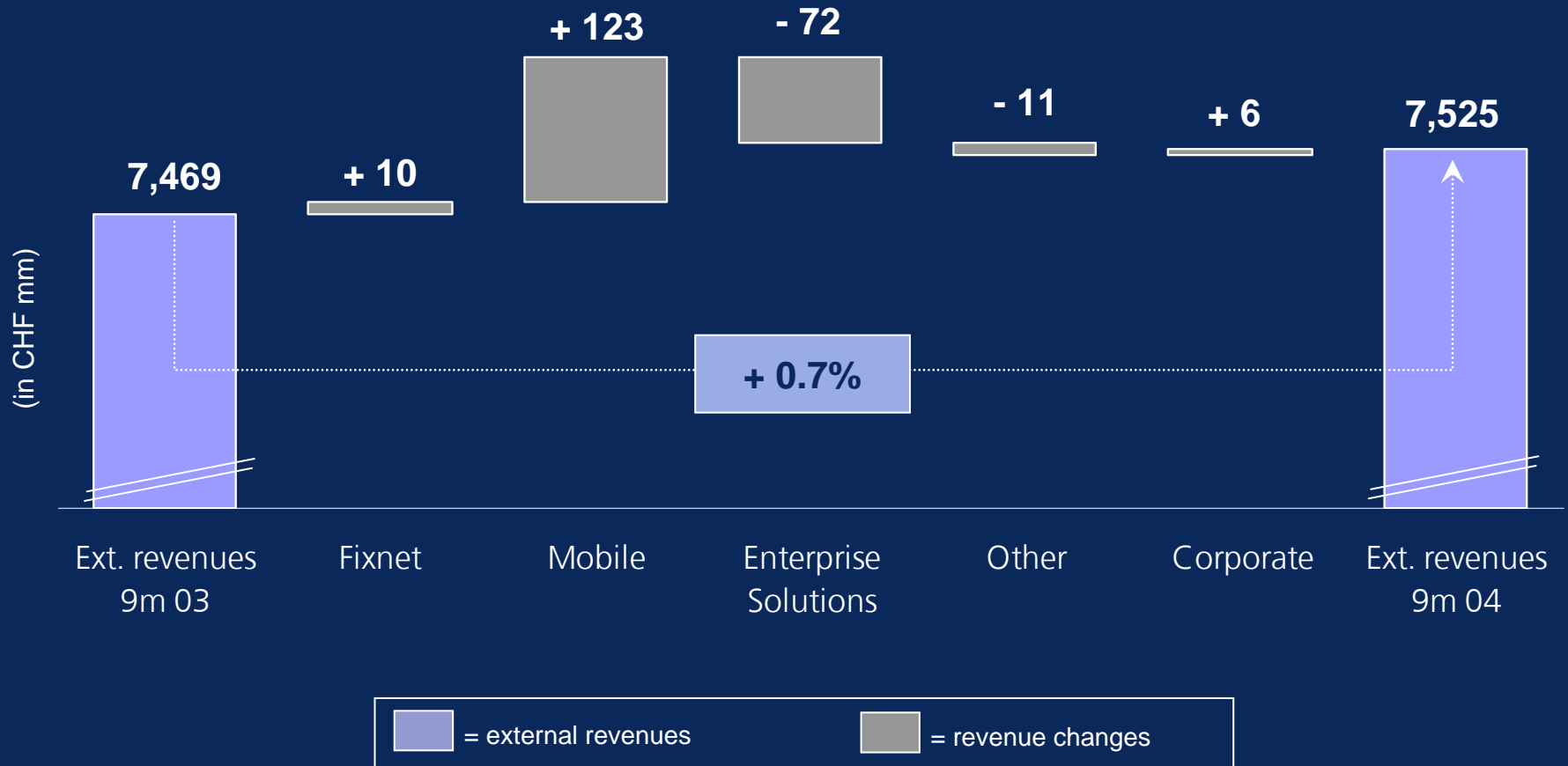
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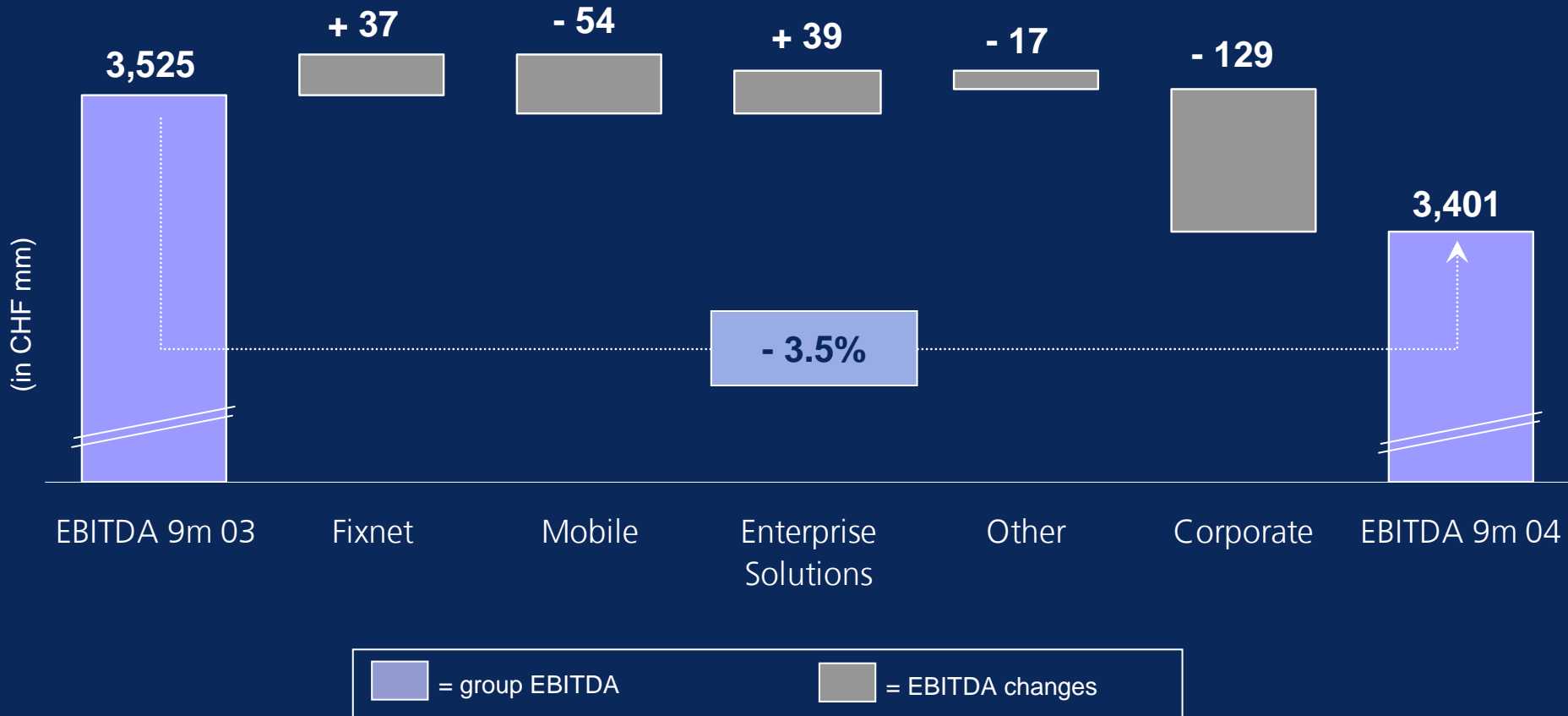
e-mail: [investor.relations@swisscom.com](mailto:investor.relations@swisscom.com)

homepage: [www.swisscom.com/ir](http://www.swisscom.com/ir)

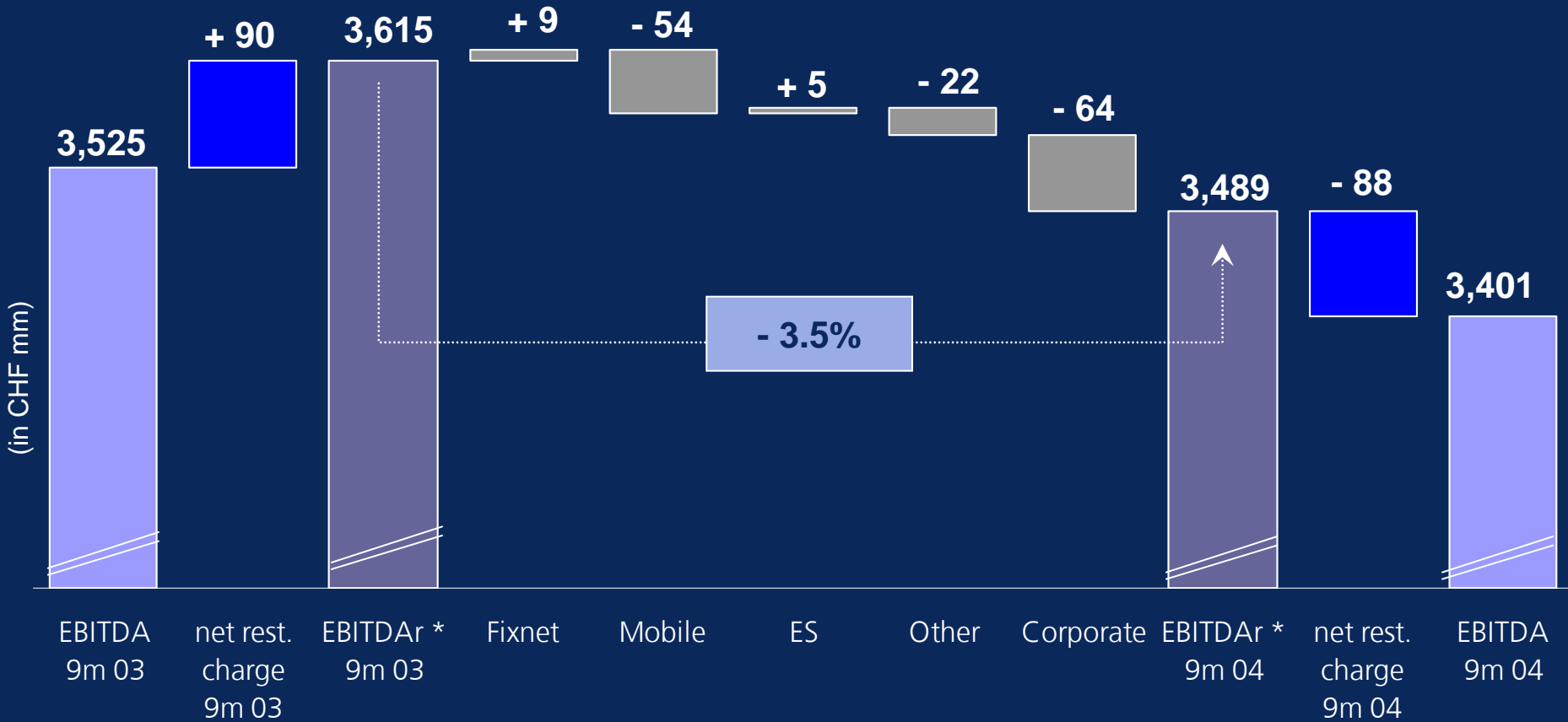
# Overview of group revenue changes



# Overview of group EBITDA changes



# Group EBITDA and EBITDAr \*

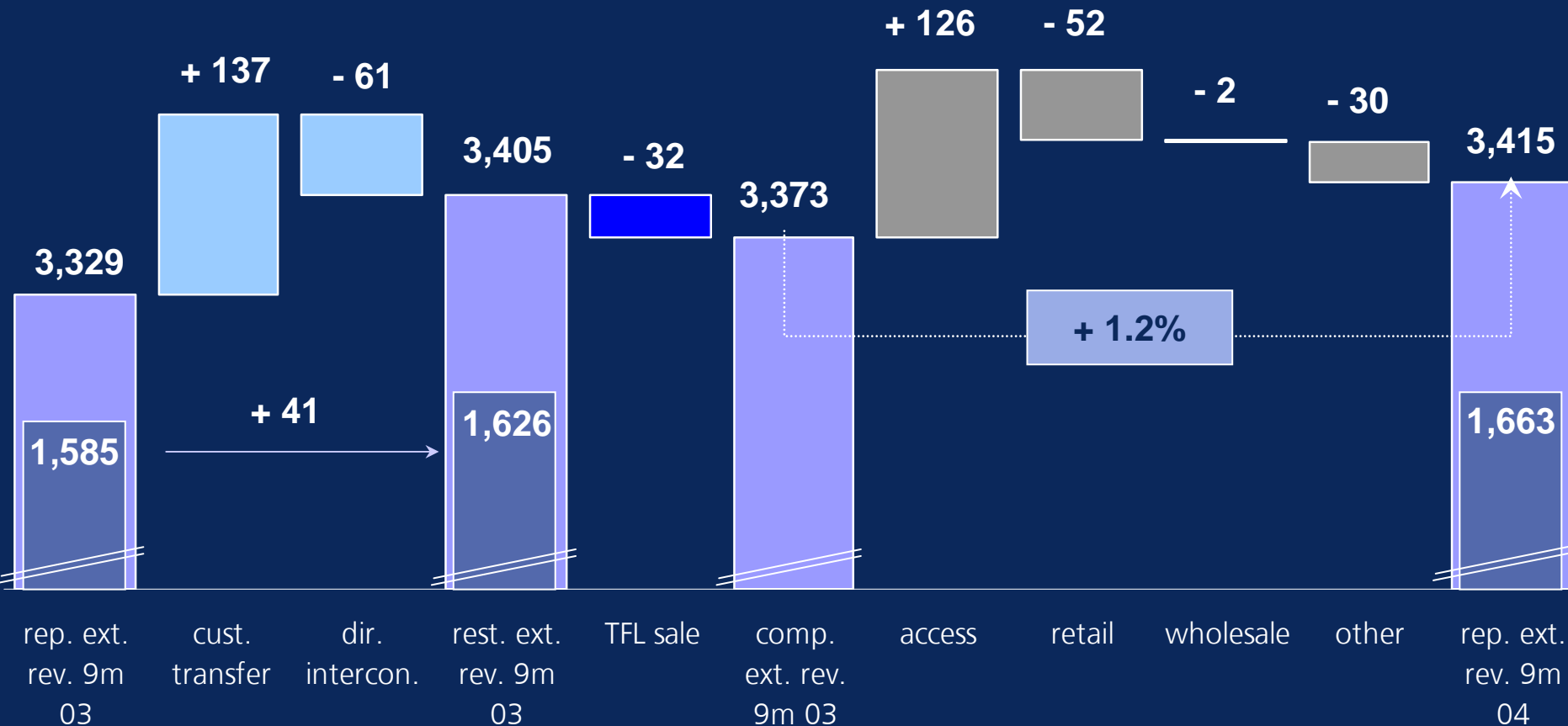


= EBITDA
  = net rest. charges, net
  = EBITDAr\*
  = EBITDA changes, excl. termination benefits

\* EBITDAr = EBITDA before restructuring charges

# Fixnet revenues and EBITDA

(in CHF mm)



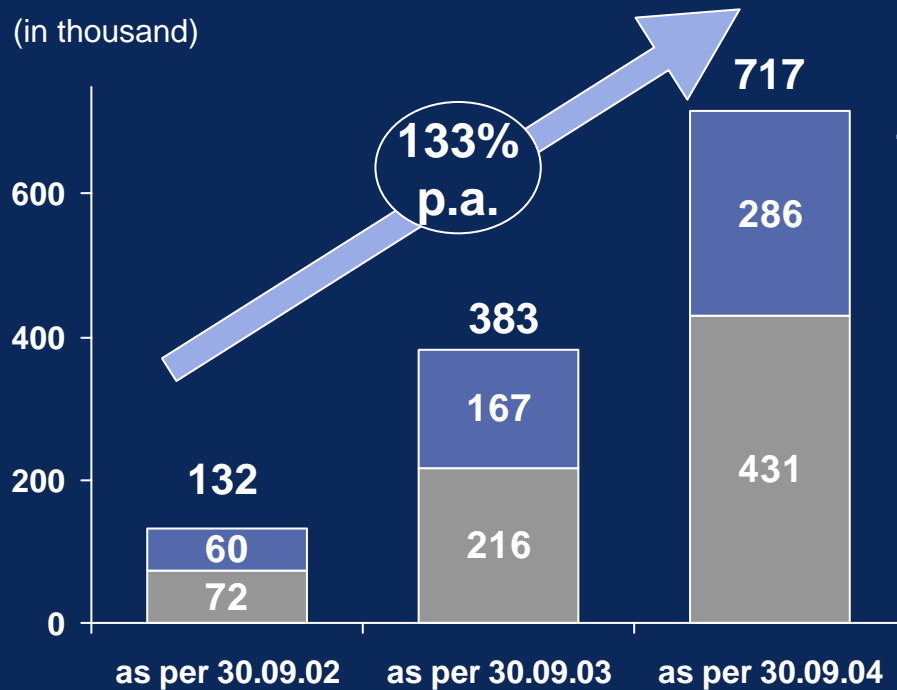
= external revenues
  = restatements
  = adjustments
  = revenue changes
  = EBITDA

# Fixnet leading Swiss broadband provider

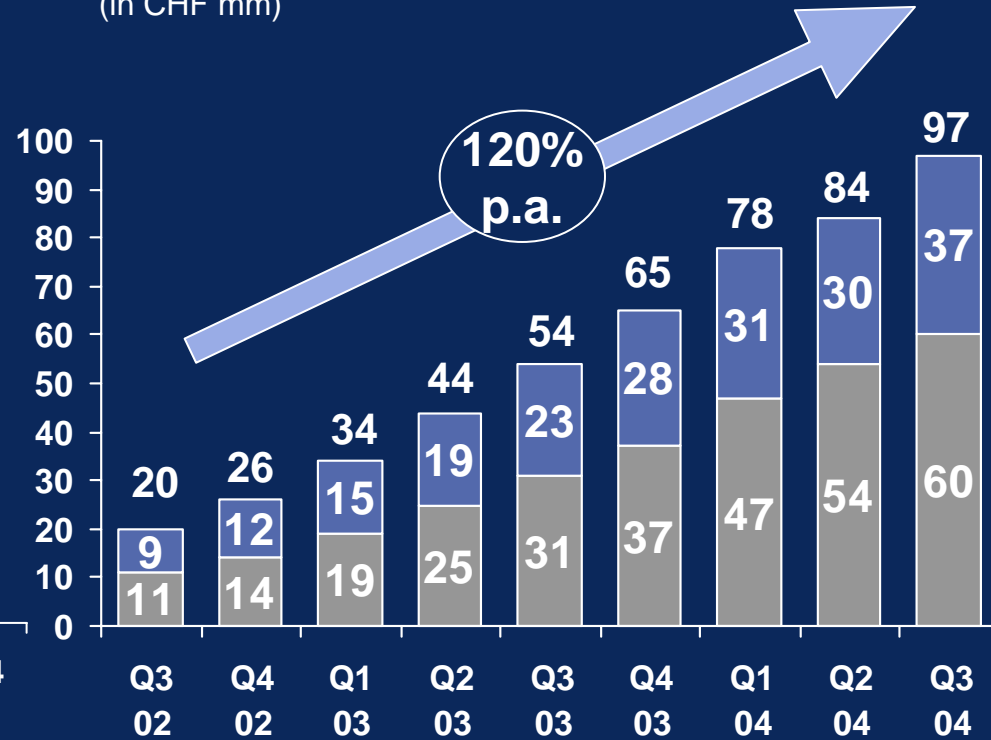
ADSL subscribers, cumulative

Broadband revenues, per quarter

(in thousand)



(in CHF mm)

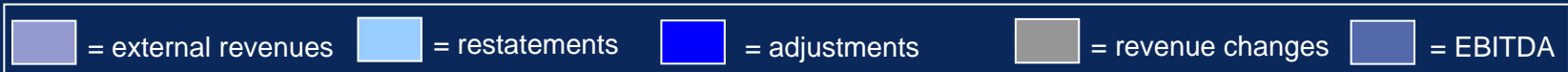
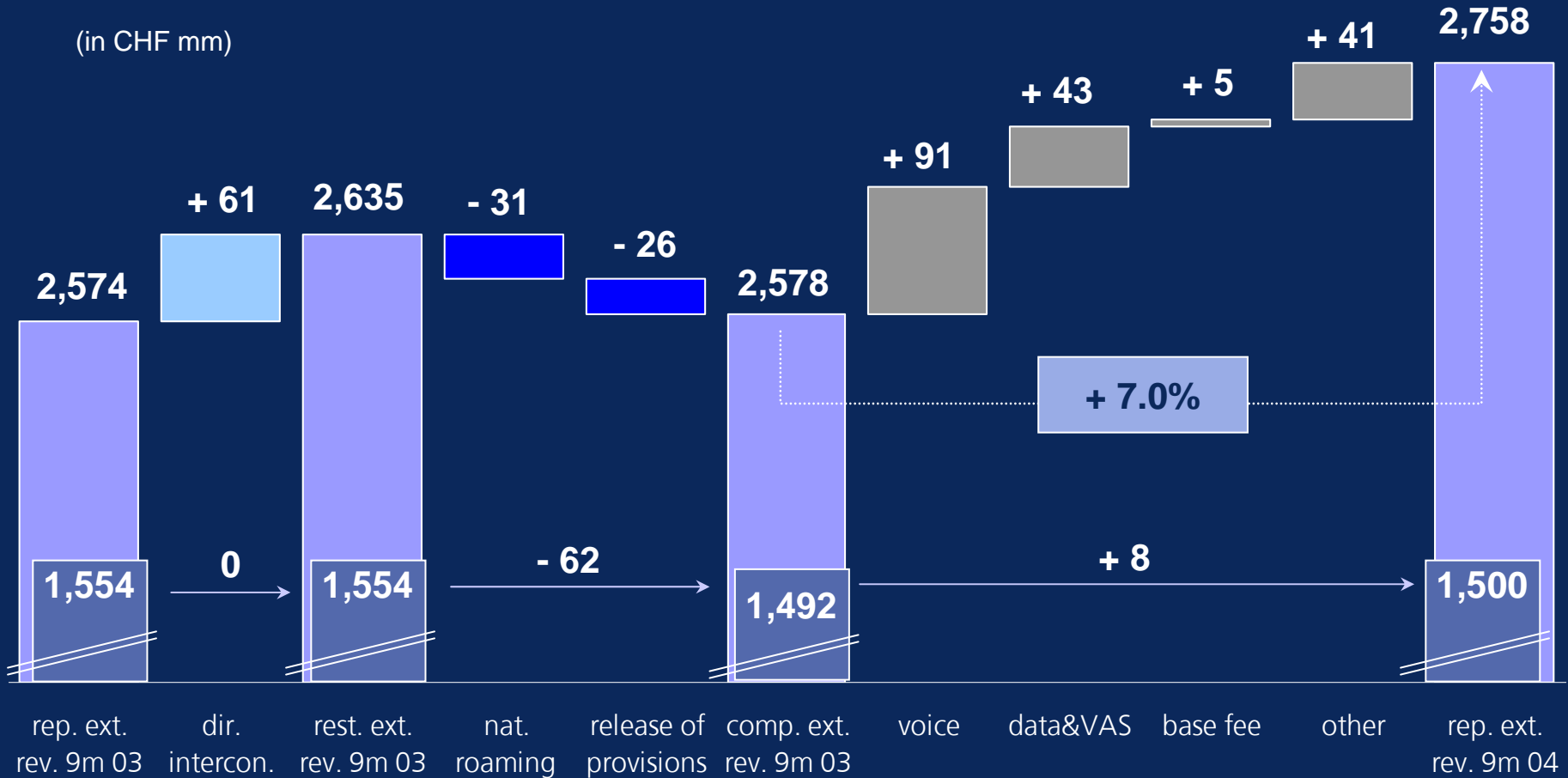


■ Retail ■ Wholesale

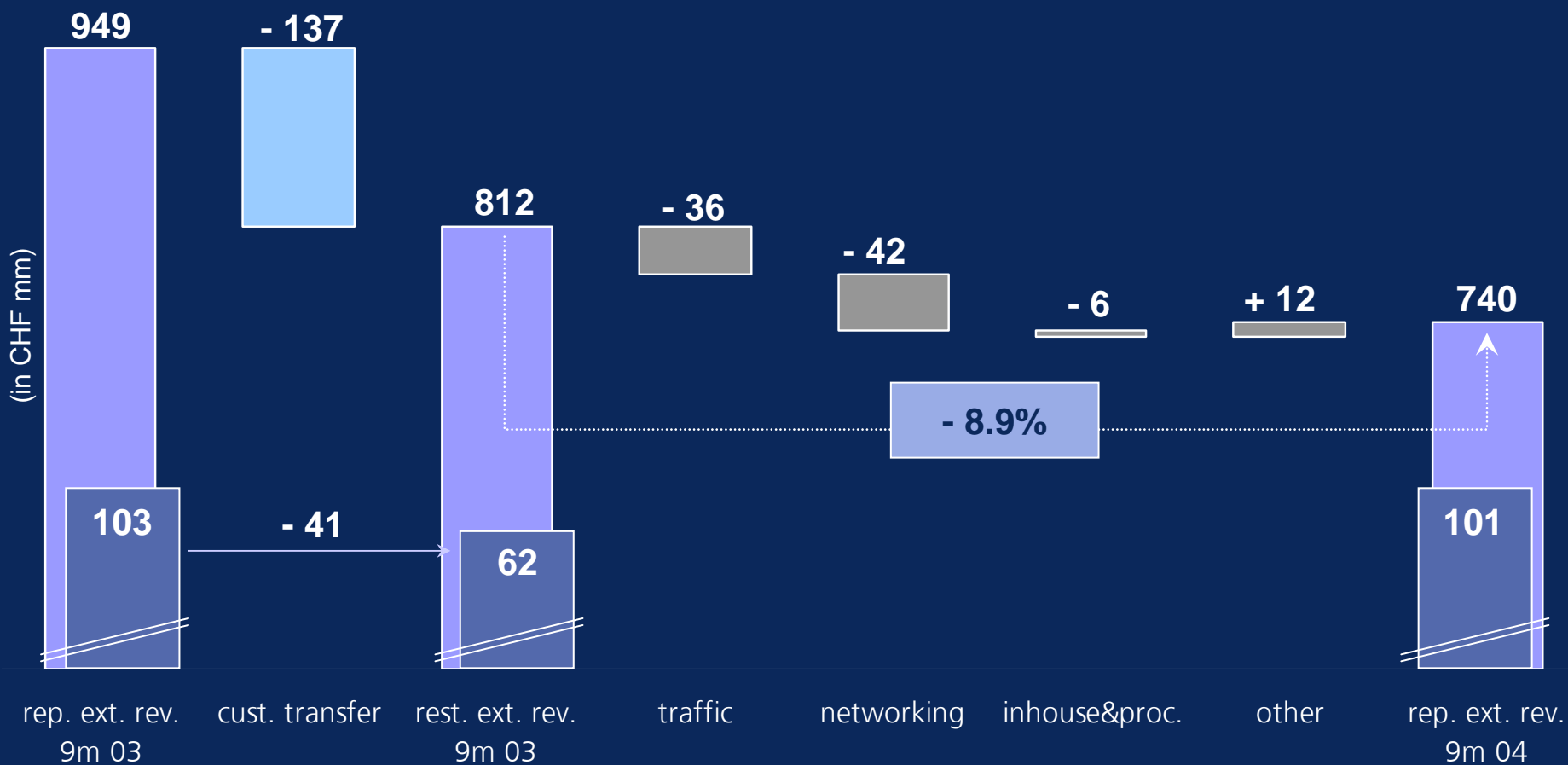
■ Retail ■ Wholesale

# Mobile revenues and EBITDA

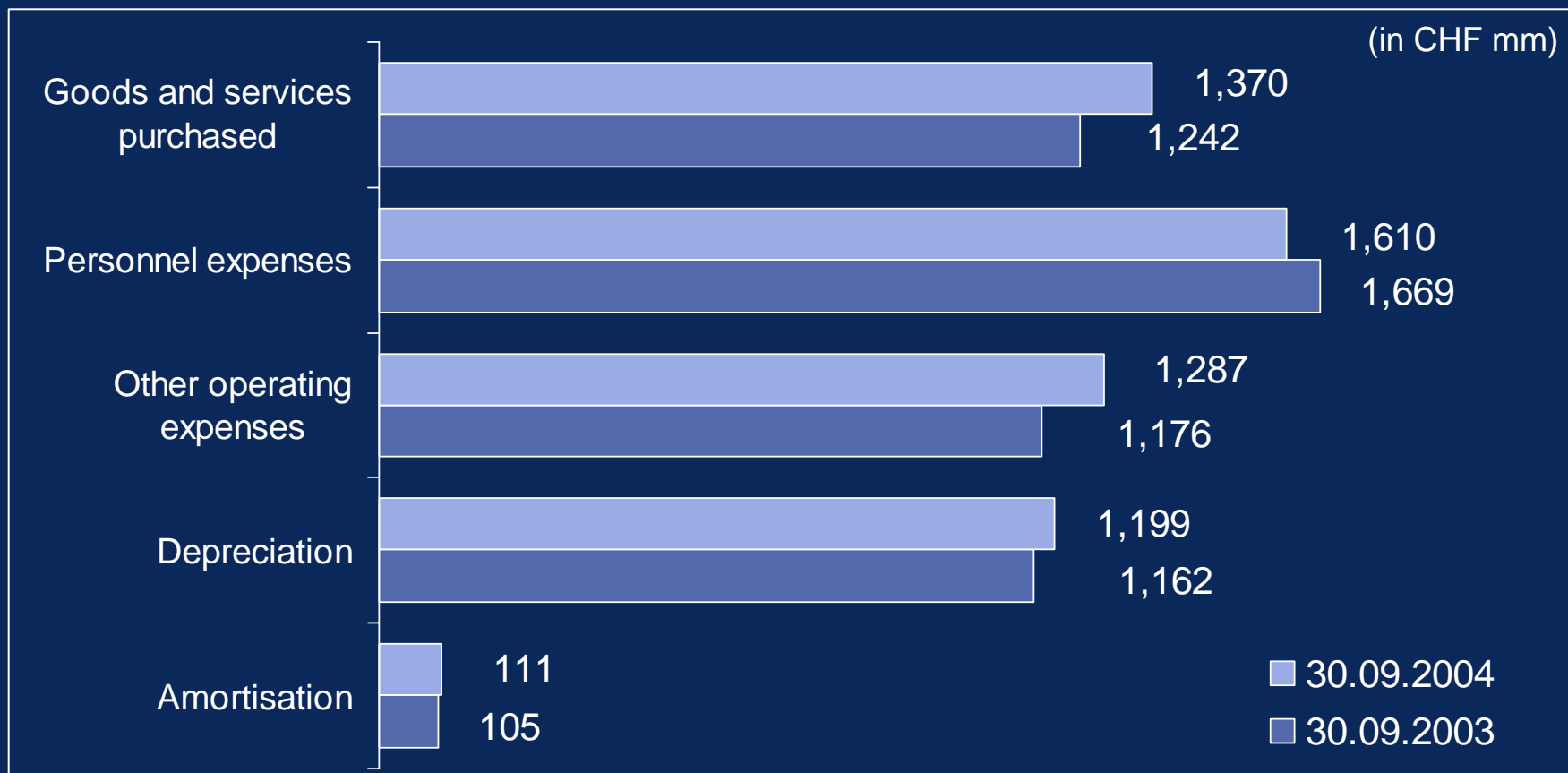
(in CHF mm)



# Enterprise Solutions revenues and EBITDA



# Group OPEX overview



# Costs related to workforce reduction

(in CHF mm)	2003					2004		
	30.06.	Q3	30.09.	Q4	FY	30.06.	Q3	30.09.
<b>Fixnet</b>	48	5	53	10	63	7	18	25
<b>Enterprise Solutions</b>	32	-	32	9	41	(2)	-	(2)
<b>Mobile</b>	-	-	-	-	-	-	-	-
<i>Swisscom IT Services AG</i>	4	-	4	44	48	-	(1)	(1)
<i>Swisscom Systems AG</i>	-	-	-	-	-	-	-	-
<b>Other</b>	4	-	4	44	48	-	(1)	(1)
<b>Termination benefits excl. Corporate</b>	<b>84</b>	<b>5</b>	<b>89</b>	<b>63</b>	<b>152</b>	<b>5</b>	<b>17</b>	<b>22</b>
<i>Corporate excl. elimination</i>	6	8	14	28	42	-	1	1
<i>Elimination</i>	-56	-2	-58	-48	-106	1	-11	-10
<b>Corporate</b>	<b>(50)</b>	<b>6</b>	<b>(44)</b>	<b>(20)</b>	<b>(64)</b>	<b>1</b>	<b>(10)</b>	<b>(9)</b>
<b>Group termination benefits</b>	<b>34</b>	<b>11</b>	<b>45</b>	<b>43</b>	<b>88</b>	<b>6</b>	<b>7</b>	<b>13</b>
<i>Work_Link / EMC, total exp., net</i>	17	28	45	22	67	49	26	75
<b>Group expenses of job-cut measures</b>	<b>51</b>	<b>39</b>	<b>90</b>	<b>65</b>	<b>155</b>	<b>55</b>	<b>33</b>	<b>88</b>

# Group P&L overview

(in CHF mm)	30.09.2003	30.09.2004	delta YOY
<b>EBITDA</b>	<b>3,525</b>	<b>3,401</b>	<b>-3.5%</b>
Depreciation	-1'162	-1'199	-3.2%
Amortisation of intangible assets	-75	-74	1.3%
Amortisation of goodwill	-30	-37	-23.3%
<b>EBIT</b>	<b>2'258</b>	<b>2'091</b>	<b>-7.4%</b>
Net financial result	-65	-33	49.2%
Income tax expense	-439	-423	3.6%
Equity in net income of affiliated companies	25	9	-64.0%
Minority interest	-292	-265	9.2%
Discontinuing operations	-113	-241	-113.3%
<b>Net income</b>	<b>1'374</b>	<b>1'138</b>	<b>-17.2%</b>
Avg. number of outstanding shares (IAS, in mm)	66.203	65.459	-1.1%
<b>EPS (in CHF)</b>	<b>20.75</b>	<b>17.39</b>	<b>-16.2%</b>

# Group CF overview

(in CHF mm)	30.09.2003	30.09.2004
<b>EBITDA</b>	<b>3,525</b>	<b>3,401</b>
Change in net operating assets & other	1	-175
Income taxes paid	-38	-27
Net interest paid	-18	-164
<b>Net cash provided by operating activities</b>	<b>3,470</b>	<b>3,035</b>
CAPEX	-772	-775
Proceeds from debitel sale		573
Other cash flows from investing activities, net	-43	-287
<b>Net cash from investing activities</b>	<b>-815</b>	<b>-489</b>
Repayment of debt, net	-848	-78
PVR / share buyback	-530	-1,061
Dividends paid to SCM shareholders	-794	-861
Dividends paid to minority interests	-390	-360
<b>Net cash used in financing activities</b>	<b>-2,562</b>	<b>-2,360</b>
<b>Net decrease in cash and cash equivalents</b>	<b>93</b>	<b>186</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,666</b>	<b>3,280</b>

# Group capital structure

(in CHF mm)	31.12.2003	30.09.2004
Short term debt	515	482
Long term debt (esp. cross border tax lease)	1,293	1,380
Long term net finance lease obligation	1,131	1,066
<b>Total debt</b>	<b>2,939</b>	<b>2,928</b>
Less: financial assets from lease-and-leaseback transactions	-1,011	-1,079
Less: cash, cash equivalents and securities	-3,355	-3,912
<b>Net cash</b>	<b>1,427</b>	<b>2,063</b>
Shareholders' equity	7,669	6,915
Balance sheet total	16,540	15,091
<b>Book leverage <sup>1</sup></b>	<b>-18.6%</b>	<b>-29.8%</b>
<b>Equity ratio <sup>2</sup></b>	<b>46.4%</b>	<b>45.8%</b>

<sup>1</sup> Book leverage = net debt / shareholders' equity, <sup>2</sup> 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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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