



Analysts' Meeting April 14, 1999

Agenda

- **Tony Reis** Highlights & Strategy
- **Dominik Koechlin** Competition and Regulation
- **Heinz Karrer** Customer focus
- **Calvin Grieder** Product Houses
- **Jens Alder** Networks and Personnel Reduction
- **Adrian Bult** Millennium
- **David Schnell** Financials
- **Tony Reis** Conclusion

Tony Reis
CEO

Facts of the IPO

- 5 October 1998: listing at SWX and NYSE
- 25.4m shares of which 7.55m newly-issued
- CHF 8.6bn offering including 15% green-shoe
- 34.5% free-float
- CHF 2.4bn net proceeds for Swisscom
- Threefold oversubscription
- Over 80% management and 50% employee participation

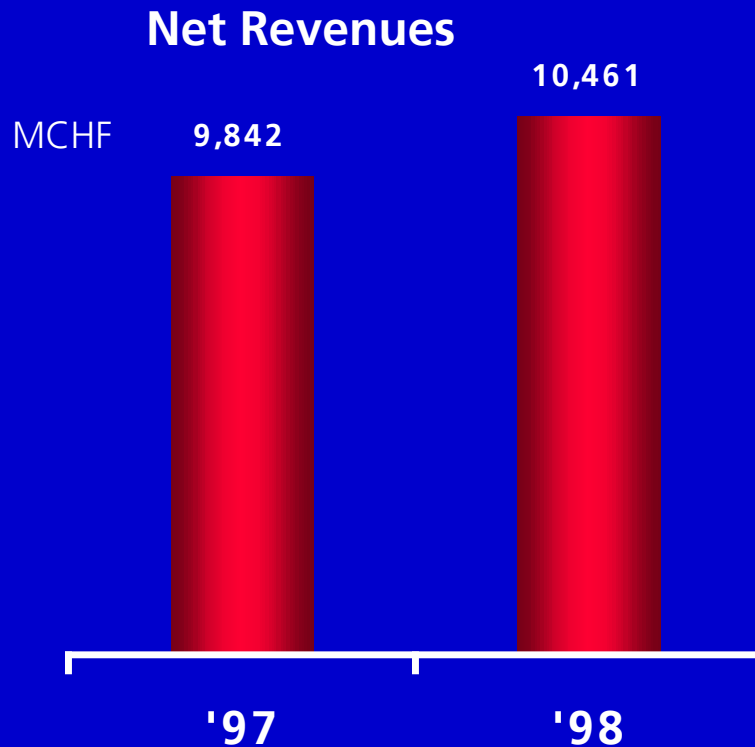
Successful IPO despite difficult market conditions

Main Competitors in Switzerland

	Retail	SMC	LAC	MNC	
diAx					
Sunrise					
Global One / Multilink					Focus: major
Worldcom					medium
Colt					minor
Cable & Wireless					
Equant					
Tele2					
Netnet					
...					
Internet Providers					
Swisscom					

Competitive market established

Financial Performance 1998

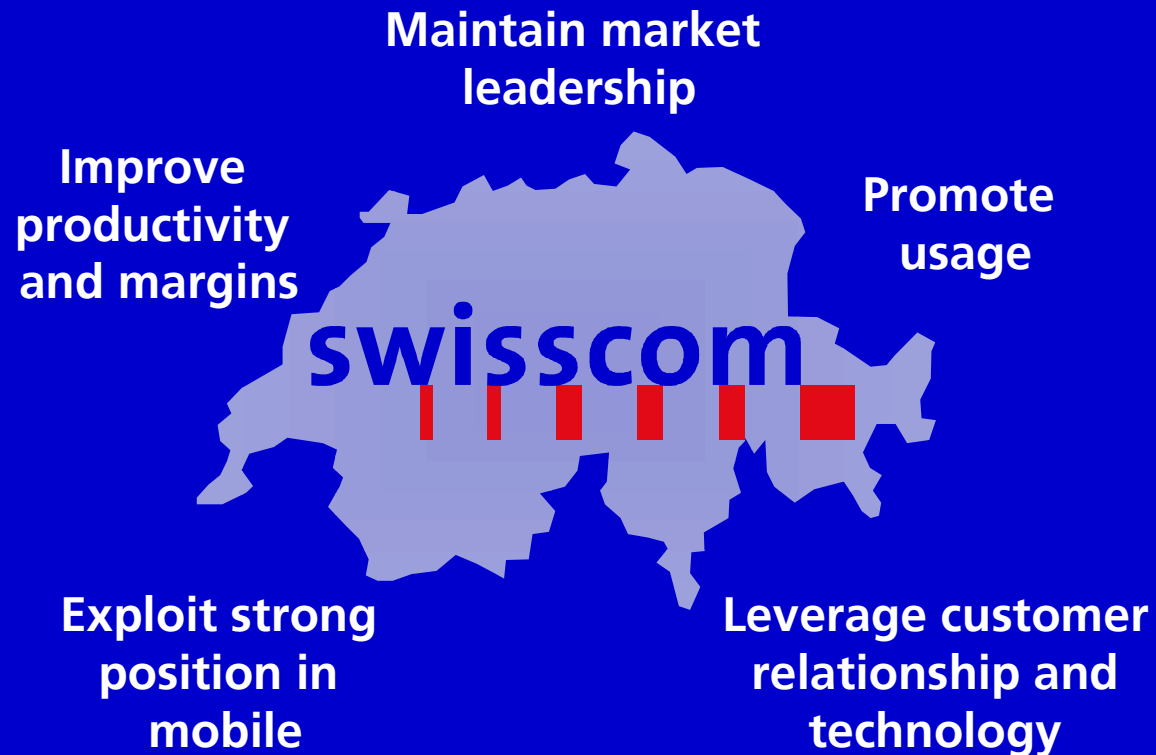


MCHF '98	
EBITDA	4,472 ⁽¹⁾
EBIT	2,851 ⁽¹⁾
NET INCOME	1,555

(1) Excluding restructuring charges

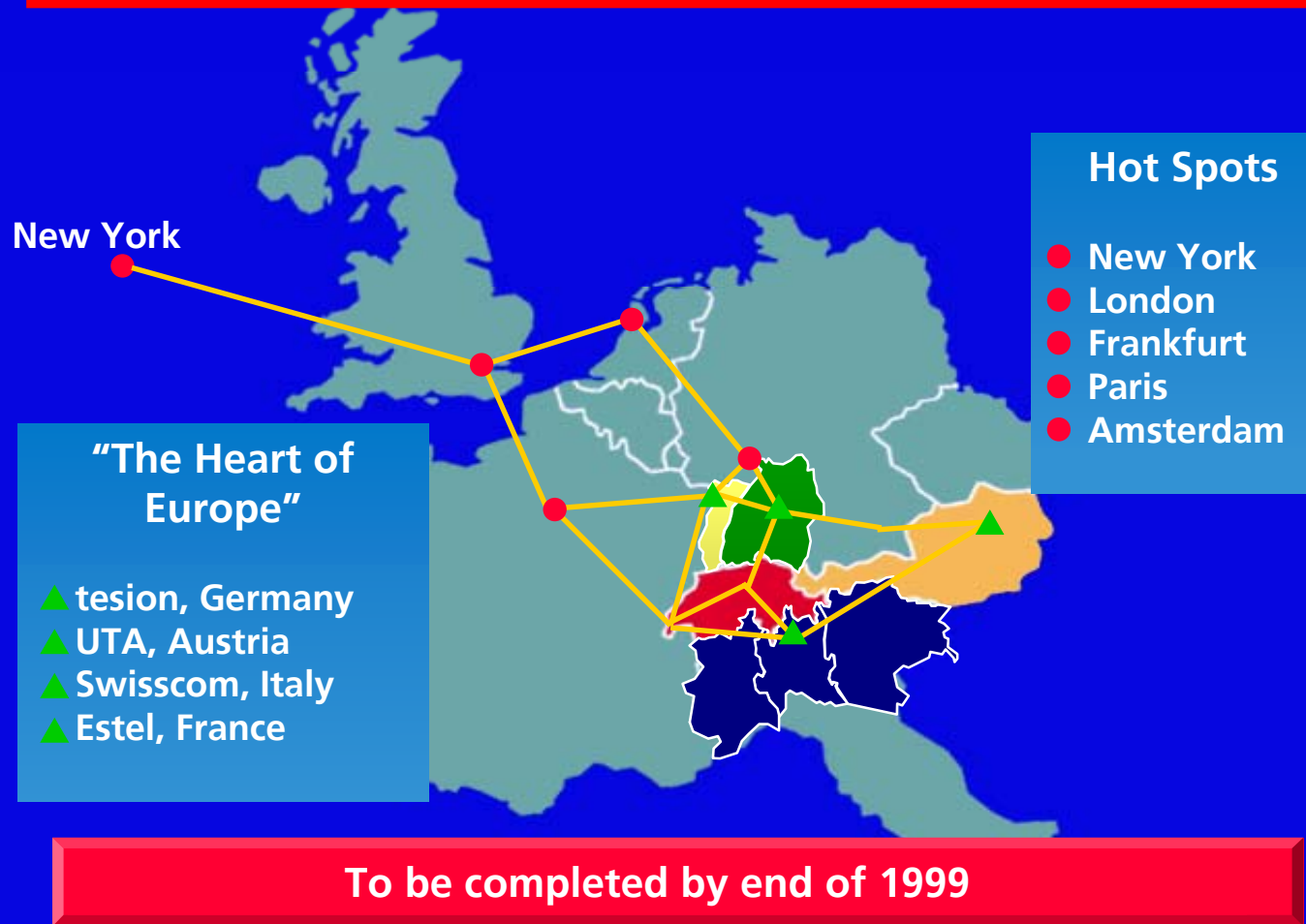
Successful year despite competition

Domestic Market Strategy



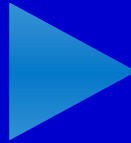
Ready for competition

Connecting the Heart of Europe with Hot Spots



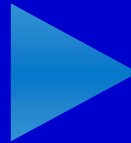
Refocusing International Participations

SPT Telecom, a.s.



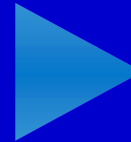
Increase value by management and technology transfer

Digi Swisscom Bhd
Essar Cellphone



Withdrawal from holdings

Unisource



Assessment of various options

Critical evaluation of strategic fit

Repositioning our Services for International Customers

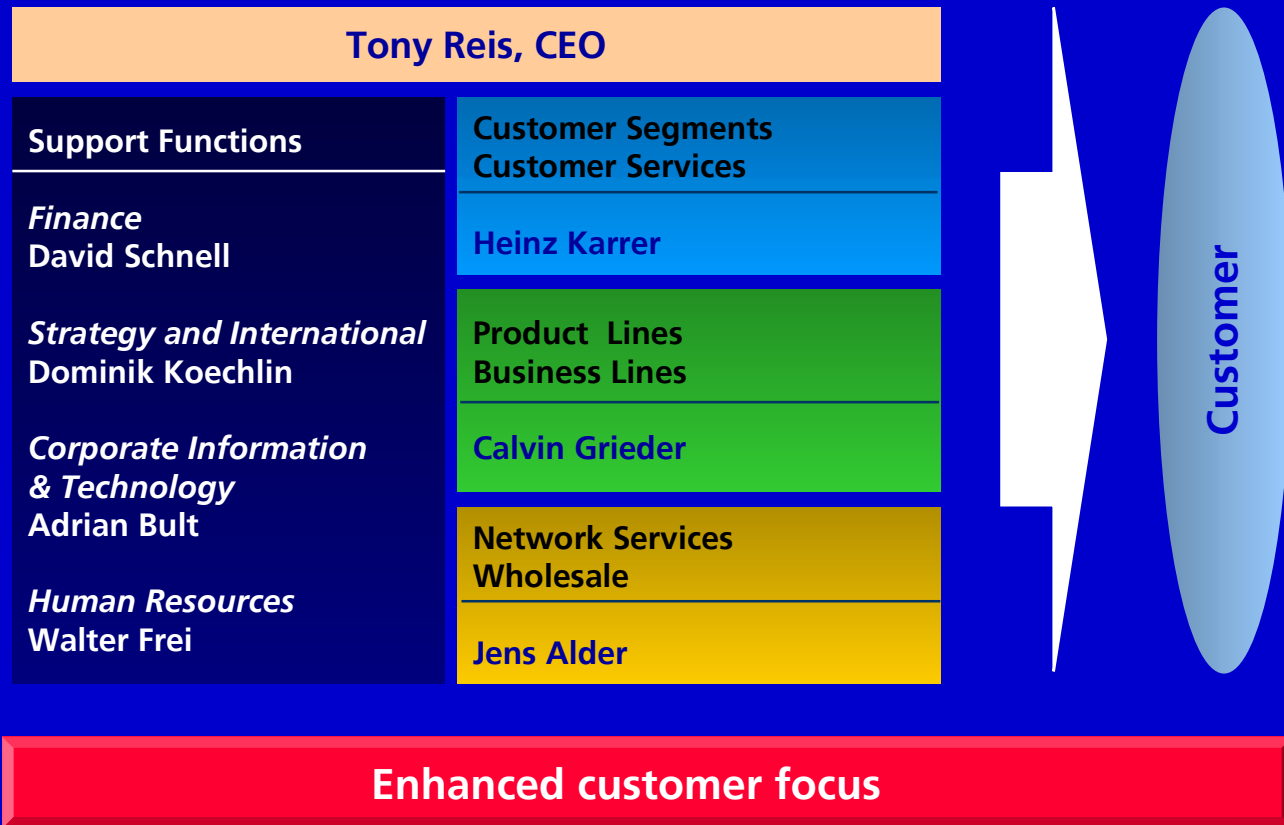
- Continue to serve MNCs, focusing on areas where we can add substantial value
- Supply a full range of services in Switzerland
- Complement services globally in partnerships with leading third parties
- Maintain and extend our leading position in the Swiss corporate market

Committed to better services and a smooth migration

Enhanced Business Model



Leadership by an experienced and incentivized Management Team



Dominik Koechlin
CSO

Regulatory environment

- **First year of experience with the regulatory bodies**
- **In general clear and transparent regulatory environment**
- **Major proceedings with competitors have been settled**
- **Regular contacts with BAKOM**
- **Ongoing regulatory issues are known and being addressed by BAKOM with Swisscom and its competitors**

Clear and transparent regulatory environment

Ongoing regulation: Voice

- **Carrier preselection available for all customers from Q2 1999**
- **Number portability from Q1 2000 despite Millennium**
- **IC prices according to LRIC: Introduction for Q1 2000**
- **Re-numbering: Introduction of closed numbering plan on Q2 2001, despite resistance by consumer and user organizations**

Ongoing Regulation: Mobile

- **Pending implementation of carrier selection (call by call)**
- **Number portability from 2000**
- **UMTS**
 - **Internationally: Starting date within EU: 2002**
 - **Nationally: Bidding process initiated by BAKOM: Q2 2000
License to be issued by ComCom: end 2000**

Carrier Services: Interconnection

- **26 interconnection agreements as at 31st Dec.'98**
- **Settlements of price disputes**
 - 18% price reduction in June '98,
 - 26% reduction in '99
- **Long-run incremental costing (LRIC) project as planned**

Co-operative settlement of natural conflicts of interests

Other regulatory issues

Revision of ordinances related to Telecommunications Act

- EU review 99: revision of directives, first results 2nd half 1999
- Local loop unbundling: imminent international demand
- Internet: sector specific regulation expected soon
- E-Commerce: adaptation of special laws required
- Convergence: trend away from sector specific to competition regulation
- CATV: discussion within EU; legal action against DT in Germany could affect CH

In line with EU

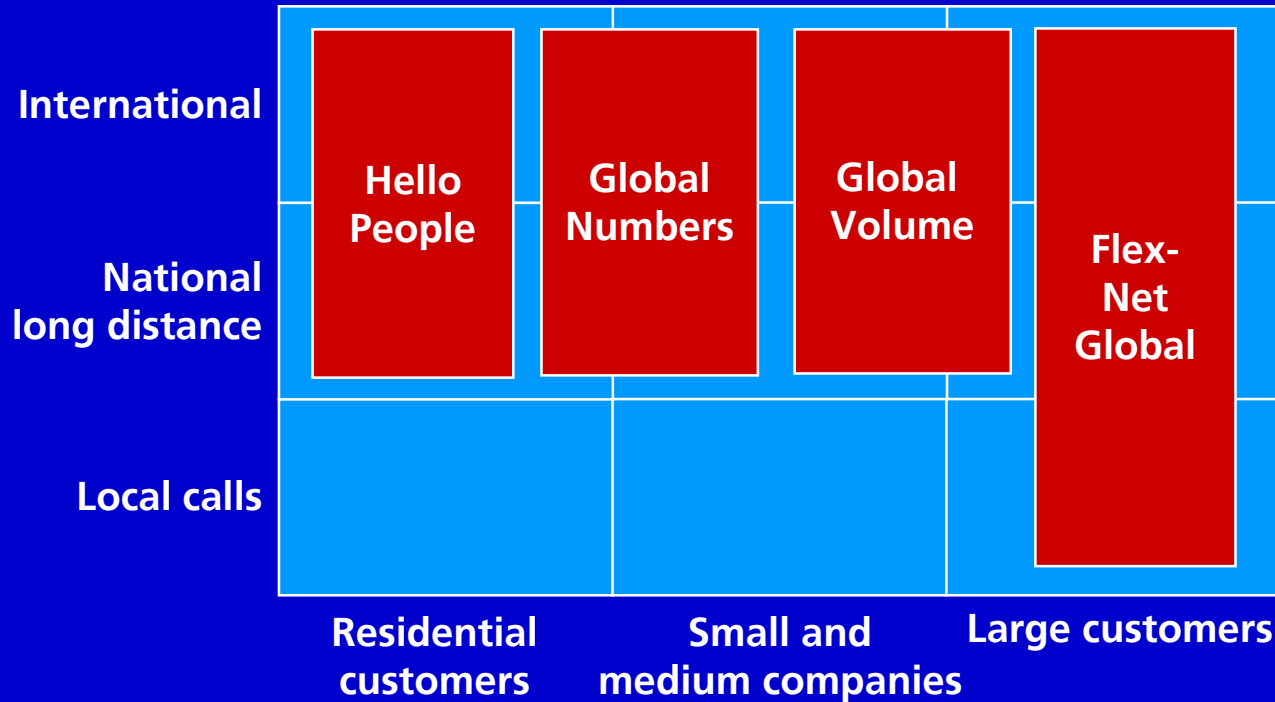
Heinz Karrer
Marketing & Sales

Pricing plans launched in 1998: Voice

International	Hello World	Inter-national Numbers	Favourite Countries	Flex-Net Global
National long distance	Hello Switzerland	National Numbers	National Volume	
Local calls				
	Residential customers	Small and medium companies		Large customers

Enhanced target pricing

Since November 1998



Enhanced target pricing

Pricing: Special offers

CATEGORIES	Volume in minutes	Number of calls	Revenue
Country days Portugal, Italy, Spain	+130%	+40%	+20%
Mother's day	+5%	+5%	-60%
Advent days	+30%	+20%	-30%

Note: All figures are approximations

Increase focus on offers for minorities

Pricing in 1999

Voice

- Accelerated competition

- Cross-border traffic
- Adaptation of national tariff window
- FlexNet VPN
- International tariff reduction

Data/Multimedia

- Change of market environment

- New subscription package (Highway)
- Free e-mail offer (Freemail)
- Free internet access (Freeway)

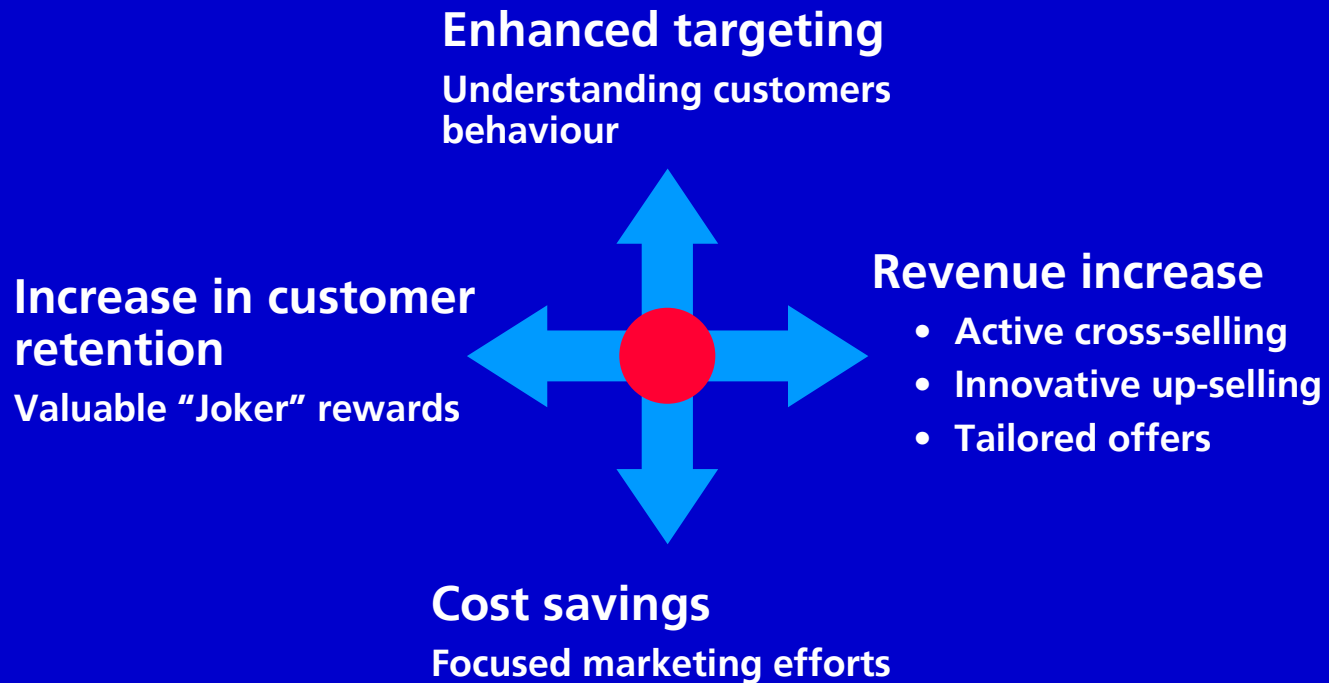
Mobile

- New entrants

- New offer for residential customers
- High volume discounts for business customers

Differentiated pricing in a competitive market

Goals of "Joker"



Powerful marketing tool in mass market

Customer response and reactions



"Joker" successfully launched

Enhanced customer focus

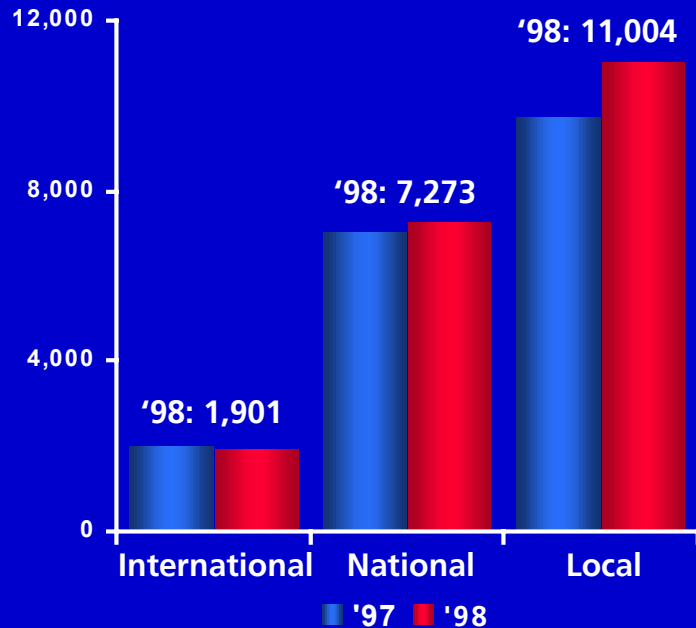
- Innovative pricing
- Target marketing
- Brand development
- Loyalty measures

Calvin Grieder

Product Houses

Voice: Growing volume in 1998

Minutes in millions



International outgoing traffic (incl. payphones)

Volume decrease in 1998 of -2.9% (vs '97)

National long distance traffic (incl. payphones, fixed-to-mobile traffic)

Volume increase in 1998 of +3.4% (vs '97)

Local area traffic (incl. payphones) ⁽¹⁾

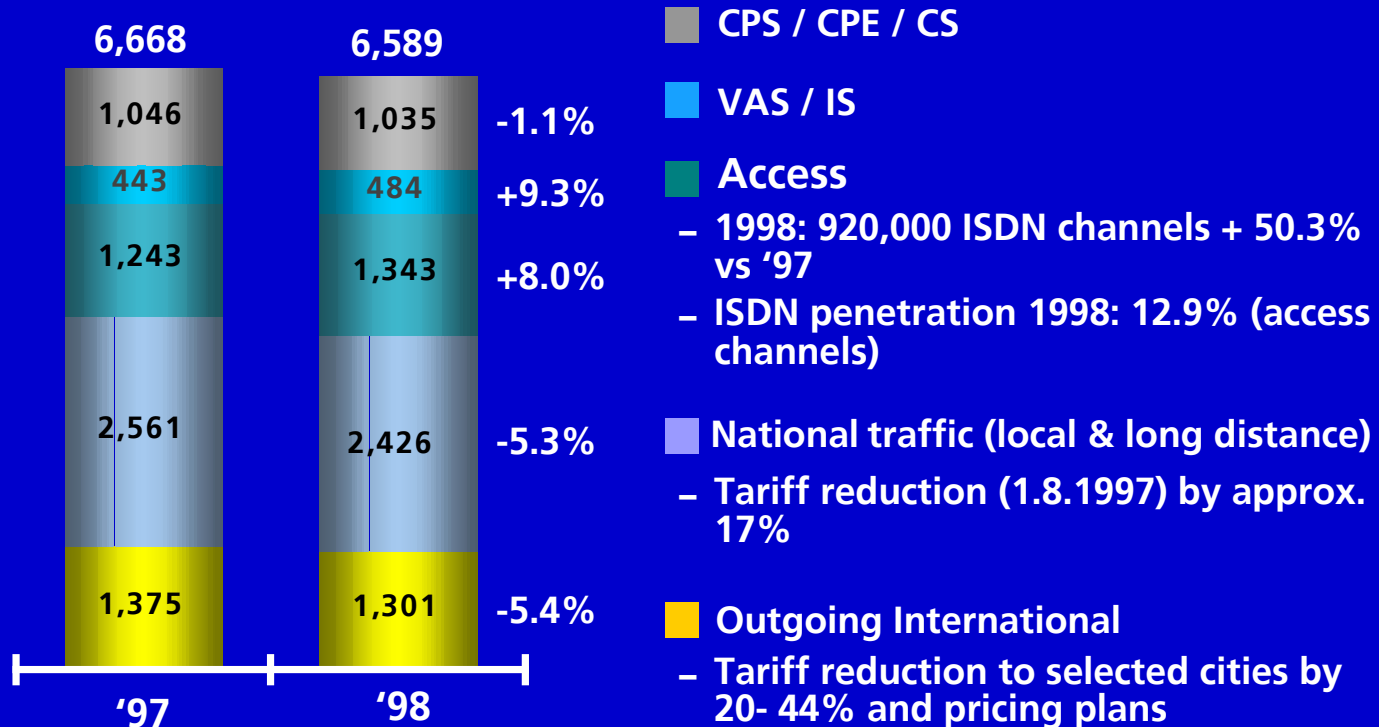
Volume increase in 1998 of +12.9% (vs '97)

(1) Excluding Internet traffic (0840,0842)

Successful defense of market share

Voice: Revenue in 1998

MCHF



Excluding Heart of Europe

Retaining revenue despite falling tariffs

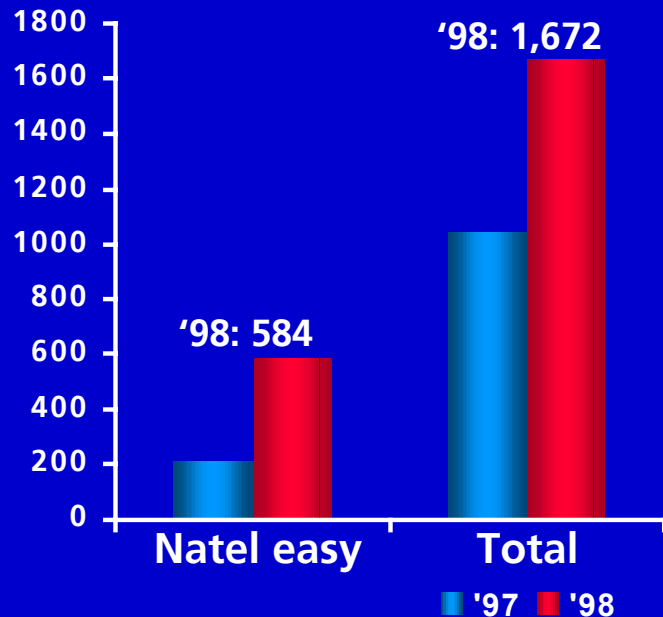
Voice: Activities in 1999

- **Value added services**
 - Dual mode
 - FlexNet VPN
- **Convergence products**
 - Integration of MessageBox in Combox
 - Fixed/mobile combined billing
 - Centrex combined with mobile

Initiatives for new growth opportunities

Mobile subscribers 1998

000s subscribers

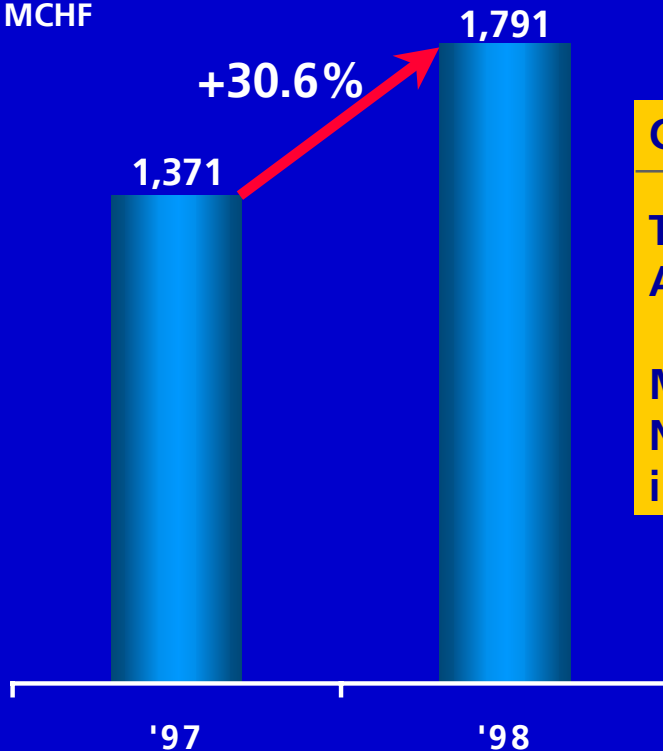


- Increased mobile penetration 1998: 23.4% (1997: 14.7%)
- Total Natel subscriber growth rate of +60.1% in 1998
- Natel easy subscriber growth of +178.5% in 1998
- Strong position in mass market

Taking advantage of the booming market

Mobile revenue 1998

MCHF

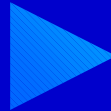


CHF	'97	'98	change
Total monthly ARPU	120	97	-19.2 %
Monthly ARPU Natel swiss and international	128	121	-5.5 %

Exploit strong position in mobile

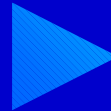
Mobile opportunities

Strong position in mass market with prepaid technology



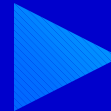
- Migration rate Natel easy to Natel swiss/int'l: 25%

Attractive value added services



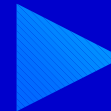
- SMS +556% (2.99 vs 2.98)
- Java compatible SIM-card

International mobile solutions



- International service provision
- 165 roaming agmts ('98): +45

Investing in network



- Secure capacity
- Expand coverage

Future growth despite competition

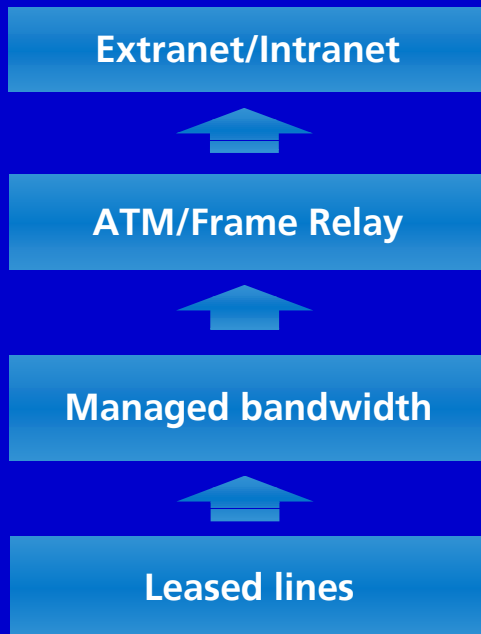
Data and Multimedia: Refocus and rebuild

MCHF

REVENUES			
	'97	'98	change
Managed Network Services	706	680	-3.7%
Corporate Communications Solutions	65	110	+69.2%
Multimedia and content	53	111	+109.4%
Total	824	901	+9.3%

Growth through higher value services

Development to higher bandwidth

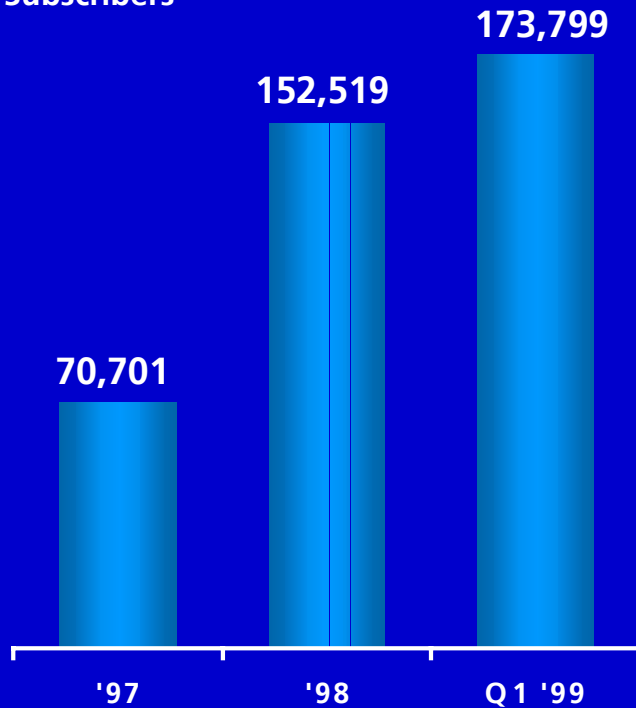


- Next generation IP platform to be fully operational by year-end
- Total number of ports more than doubled to 3,914 in '98
- Number of national managed leased lines increased by +47.4% to 6,535 in '98
- Increasing competition

Successful shift to higher value services

The Blue Window: Continuous strong growth

Subscribers



- "Freemail"
- "Freeway"
- "Highway"
- E-commerce

We remain the market leader

Jens Alder
Networks and Wholesale

Network Services: Market-driven Capex

Clear Capex Responsibilities

- New organization with clear capex responsibilities
- Service delivery including network expansion
- Capability building and resource allocation
- Tight investment portfolio management 1999

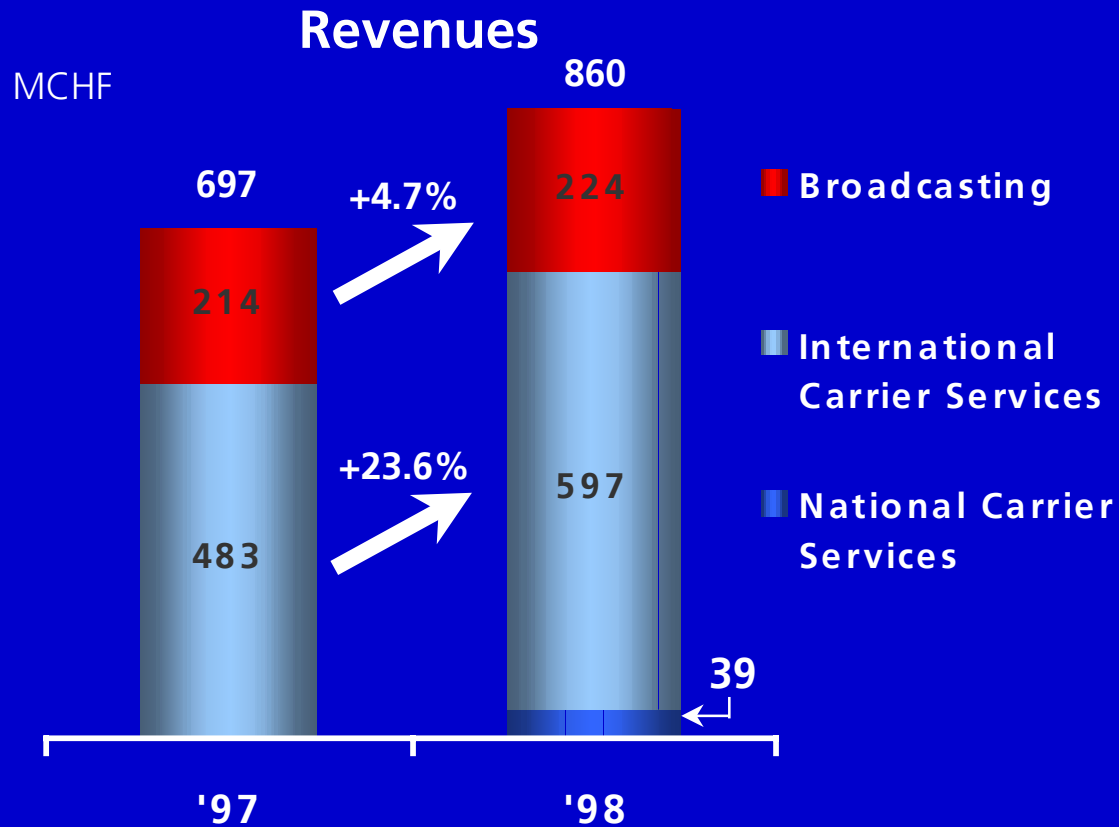
Success in reducing Capex

- 1998 investments 547 MCHF from a budget of 952 MCHF
- 781 MCHF investments planned for 1999

Next generation IP networks

- Heavy investment in the rollout of a broadband IP network starting in 1999

Carrier Services



Wholesale

- **New Wholesale unit operational**
- **Consolidation of national and international activities**
 - national interconnection
 - international hubbing and transit
- **Switchless Wholesale build-up on plan**

New focus on growth business

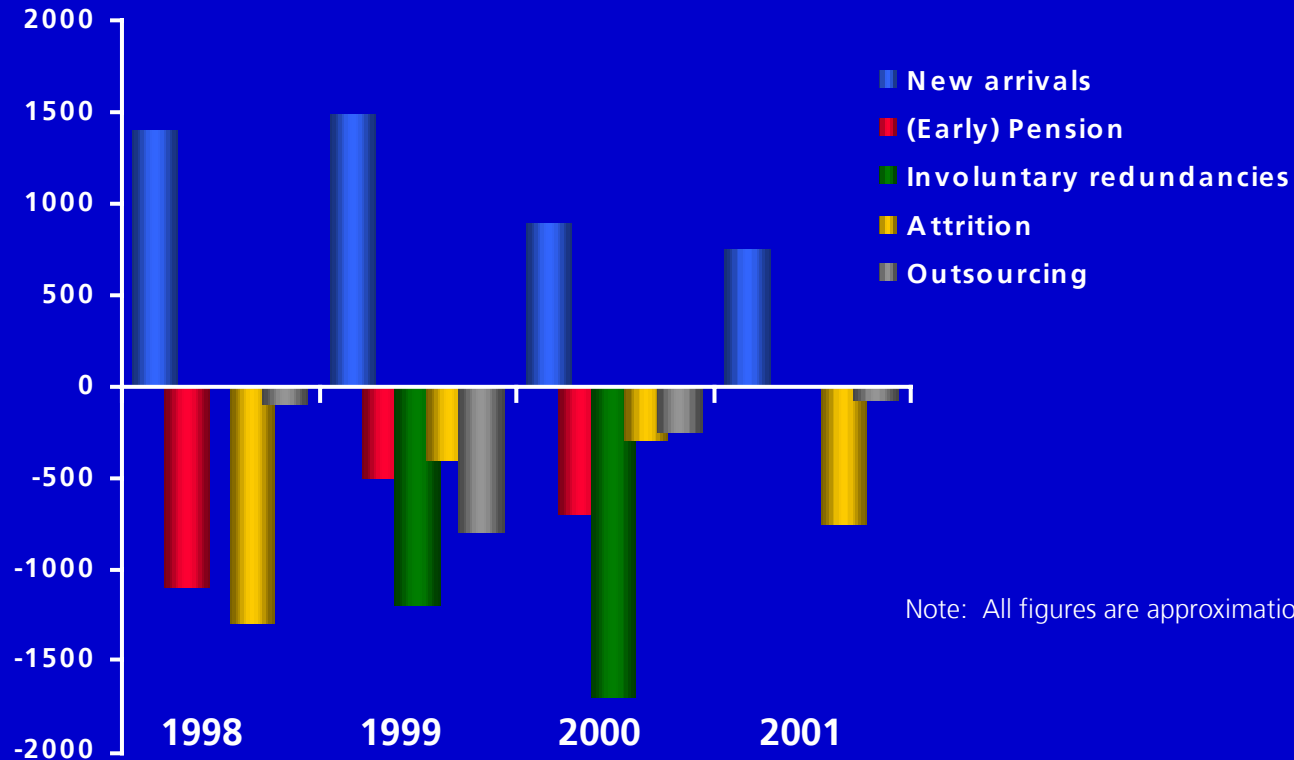
Swisscom Personnel Reduction

Action taken:

- First involuntary redundancies end 1998
- Several rationalization projects underway
- Creation of project "Perspektiv"
 - Goal: Reduce personnel costs and minimize involuntary redundancies
 - Vision: Create new perspectives for redundant personnel
 - Significant restructuring charges expected in 1999

Realistic, balanced package under negotiation

Swisscom Personnel Reduction



Note: All figures are approximations

Committed programme to reduce headcount by > 4000

Adrian Bult
CIO

Analysts'-Meeting 14.4.99

Millennium

The logo for 2000.k. swisscom is displayed on a black rectangular background. The text "2000.k." is in a large, bold, sans-serif font, with the "2000" in white and the ".k." in red. Below it, the word "swisscom" is in a smaller, white, sans-serif font. Underneath "swisscom", there are several red vertical bars of varying heights, resembling a stylized barcode or a digital signal.

2000.k.
swisscom

Initial situation

Supplier portfolio

- 2000 "objects"
- 950 products
- 120 services



Products and services



Support and Information systems



Networks



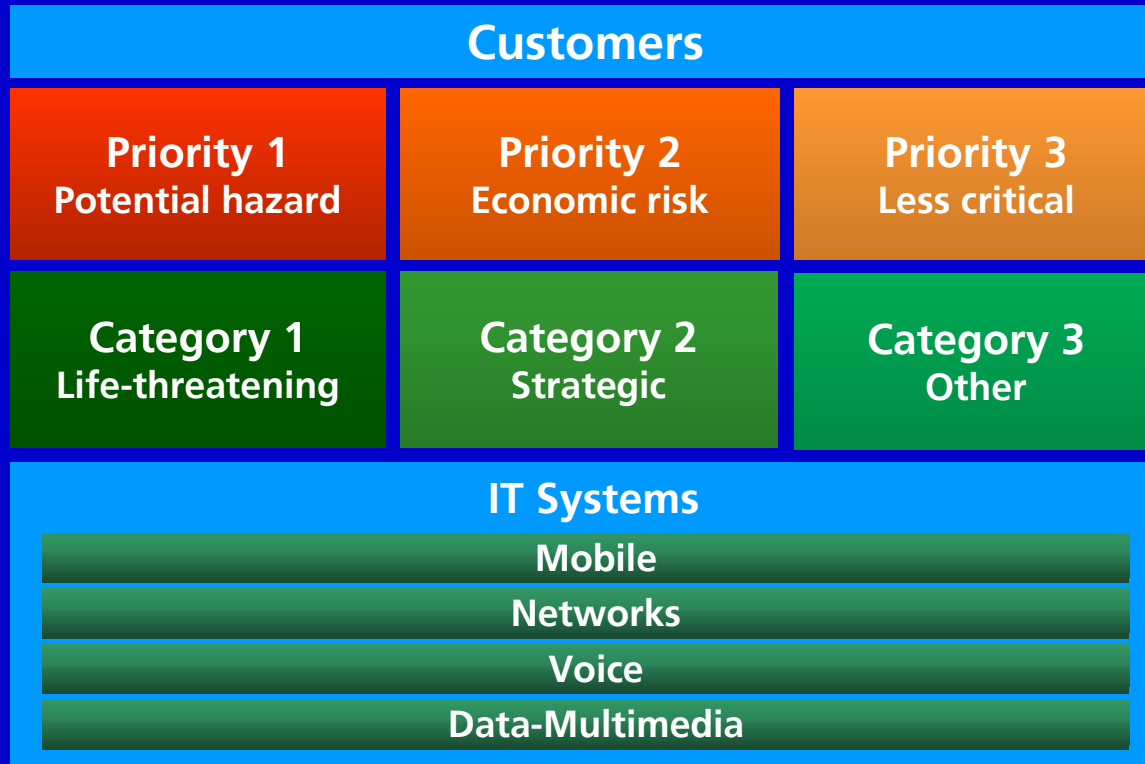
Infrastructure

Market / customers

- >3,000,000 customers
- >65,000 SMC customers
- >2,750 major customers
- >4,500 "blue light" customers

Offering solutions for the customer

Categories and priorities



Segmentation to meet customer needs

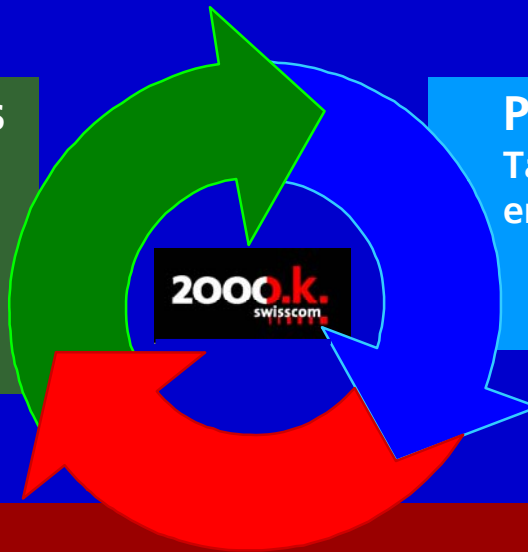
Implementation

Proactive measures

Target: Recognize and eliminate existing Y2K problems

Prevention

Target: Offer stable environment

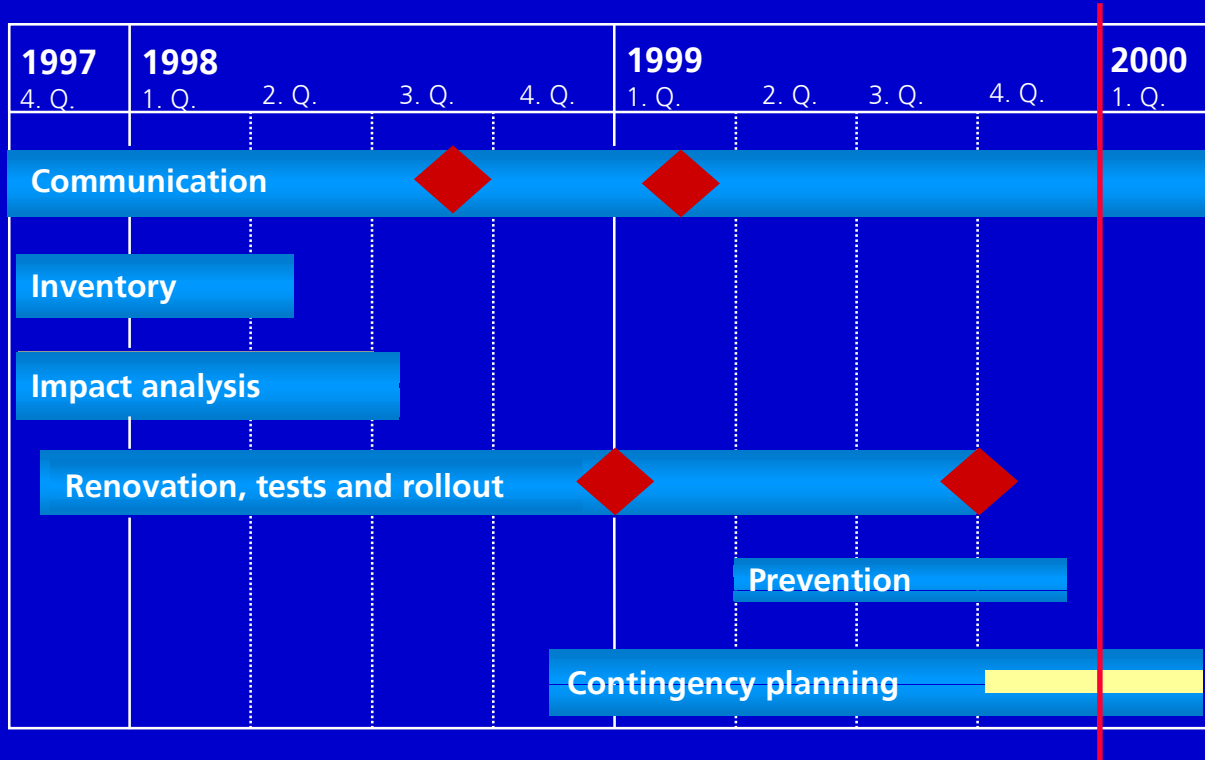


Contingency planning

Target: Be prepared to deal with unforeseen challenges

Ongoing planning and implementation

Time schedule



Ready to face the challenge

Expenses

	Actual 1998	Estimated 1999 / 2000	Total
Millennium Expenses MCHF	53	197	250

Lower expenses than anticipated

- Conservative assumptions originally
- Y2K compliance guarantees by major suppliers
- New Network systems releases
- Migration of services Y2K compliant platforms

Significant expenses planned for 1999

- Renovation of customer equipment
- Workplace 2000
- Cluster-test of backbone network
- Contingency planning

Focus on quality and execution

Next steps

- **Test of contingency organization**
- **Ongoing Y2K-compliance requests**
- **Cluster-test of basis-network**
- **Test of Swisscom public switched telephone network**
- **Proactive information and support of customers with life-saving tasks, major and large accounts**
- **Network tests with other international carriers**

David J. Schnell
CFO

Key figures

MCHF	1997	1998	98/97
Net revenues	9,842	10,461	6.3%
Operating expenses ⁽¹⁾	6,340	6,098	-3.8%
EBITDA ⁽¹⁾	3,779	4,472	18.3%
as % of net revenues	38.4%	42.7%	
EBIT ⁽¹⁾	2,040	2,851	39.8%
as % of net revenues	20.7%	27.3%	
Net (loss) income from continuing operations	(304)	2,074	
Loss from discontinued operations	(111)	(519)	
Net (loss) income	(415)	1,555	
(Loss) earnings per share	(6.29)	22.91	

(1) before restructuring charges (1997: CHF 1'726; 1998: CHF-50)

Strong improvement in results

Net revenues

MCHF	1997	1998	98/97
Access	1,243	1,343	8.0%
National traffic revenue	2,561	2,426	-5.3%
Outgoing international traffic revenue	1,375	1,301	-5.4%
Value-added and information services	443	484	9.3%
Customer premises equipment	1,046	1,035	-1.1%
Fixed-line voice telephony	6,668	6,589	-1.2%
Mobile telecommunication services	1,371	1,791	30.6%
Data and multimedia services	824	901	9.3%
Carrier Services	697	860	23.4%
Other revenues	282	320	13.5%
Total net revenues	9,842	10,461	6.3%

Despite competition strong revenue growth

Goods and services purchased

MCHF	1997	1998	98/97
Raw material and supplies	300	165	-45.0%
Customer premises equipment for resale	392	329	-16.1%
International traffic fees	673	713	5.9%
Services purchased	301	382	26.9%
Total goods and services purchased	1,666	1,589	-4.6%
as % of net revenues	16.9%	15.2%	

Tougher purchasing policy implemented

Personnel expenses

MCHF	1997	1998	98/97
Salaries and wages	1,877	2,017	7.5%
Social security expenses and pension cost	426	436	2.3%
Other personnel expenses	281	104	-63.0%
Total personnel expenses	2,584	2,557	-1.0%
as % of net revenues	26.3%	24.4%	
Average number of FTEs	22,145	22,069	-0.3%
Number of FTEs at end of period	22,170	21,946	-1.0%

Committed to reduce personnel

Analysts'-Meeting 14.4.99

Other operating expenses

MCHF	1997	1998	98/97
Rent	137	132	-3.6%
Repairs and maintenance	577	286	-50.4%
Loss on disposal of fixed assets (net)	227	41	-81.9%
Energy	81	82	1.2%
Insurance	29	15	-48.3%
EDP	460	323	-29.8%
Advertising and promotion	88	226	156.8%
General and administration	176	219	24.4%
Stamp tax on incorporation	-	221	
Miscellaneous operating expenses	315	407	29.2%
Total other operating expenses	2,090	1,952	-6.6%
as % of net revenues	21.2%	18.7%	

Net income from continuing operations

MCHF	1997	1998
EBITDA	3,779	4,472
Depreciation and amortization	1,739	1,621
Restructuring charges	1,726	(50)
Operating income (EBIT)	314	2,901
Financial expense	(428)	(407)
Financial income	25	93
(Loss) income before income taxes and equity in net loss of affiliated companies	(89)	2,587
Income tax expense	(1)	(319)
(Loss) income before equity in net loss of affiliated companies	(90)	2,268
Equity in net loss of affiliated companies	(214)	(212)
Minority interest	-	18
Net (loss) income from continuing operations	(304)	2,074

Investments in affiliated companies

MCHF	1997	1998
Share in net loss ⁽¹⁾	(168)	(208)
Goodwill amortization ⁽¹⁾	(46)	(4)
Equity in net loss from affiliates ⁽¹⁾	(214)	(212)
<u>Balance Sheet</u>		
Equity in affiliates	935	744 ⁽¹⁾
Goodwill	237	5 ⁽¹⁾
Total investments in affiliates	1,172	749 ⁽¹⁾

(1) Excluding Sterling Cellular and Digi

Losses to decrease in the future

Divestiture of Sterling Cellular and Digi

MCHF

Actual losses and write off of remaining equity and goodwill	(344)
Additional loss in connection with discontinuation of operations	(180)
Realization of cumulative translation adjustments	(116)
Tax benefit	121
Total loss from discontinued operations	(519)

Focus on the "Heart of Europe"

Capital expenditures

MCHF	1997	1998	98/97
Capital expenditures			
Fixed-line networks	1,246	547	-56.1%
Mobile networks	248	276	11.3%
Buildings	334	118	-64.7%
Other	546	364	-33.3%
Total	2,374	1,305	-45.0%

Strictly market-driven capital expenditures

Consolidated cash flow

MCHF	1997	1998
Net cash provided by operating activities	1,335 ⁽¹⁾	3,574 ⁽²⁾
Capital expenditures	(2,374)	(1,305)
Purchases of subsidiaries and investments in affiliated companies	(219)	(170)
Other investing activities	116	136
Net cash used in investing activities	(2,477)	(1,339)
Free Cash-Flow	(1,142)	2,235
Net cash provided by (used in) financing activities	713	(732) ⁽³⁾
Net (decrease) increase in cash and cash equivalents	(429)	1,503
Cash and cash equivalents at end of period	256	1,759

(1) including special contribution to pension fund of MCHF 2,100

(2) including special contribution to pension fund of MCHF 589

(3) including net proceeds of MCHF 2,433 from the IPO

Financing structure

MCHF	12/'97	12/'98
Short-term debt	1,178	1,225
Long-term debt	6,200	4,245
Finance leases	449	556
Interest bearing debt	7,827	6,026
less: cash, cash equivalents and securities	307	1,787
Net debt excluding pension liability	7,520	4,239
Pension liability	2,227	1,851
incl. curtailment benefits	1,206	768

Dividend and number of shares

Dividend

Gross dividend per share for 1998	CHF 11
Payment date of 1998 dividend	4 June 1999
Future target payout ratio	approx. 50% of net income

Number of shares

Number of shares at 31.12.98	73,550,000
Average number of shares	67,887,500
Nominal value	CHF 25

Tony Reis
CEO

Conclusion

- **Maintain market leadership**
- **Marketing of new products and services based on our technological know-how and existing customer relations**
- **Reducing costs and raising productivity**
- **Focussing international strategy**
- **Quick implementation of enhanced business model**

Backup Slides

Voice: Access services

	'97	'98	change
Access revenue (MCHF)	1,243	1,343	+8.0%
Access channels ⁽¹⁾ (in thousands)			
PSTN ⁽²⁾	4,076	3,883	-4.7%
ISDN ⁽³⁾			
Basic access channels	402	650	+61.7%
Primary access channels	210	270	+28.6%
Total ISDN	612	920	+50.3%
Total access channels	4,688	4,803	+2.5%
Residential	3,483	3,758	+7.9%
Business	1,205	1,045	-13.3%
Total access channels	4,688	4,803	+2.5%
Penetration ^{(1) (4)}			
PSTN lines	57.3	54.3	-5.2%
ISDN channels	8.6	12.9	+50.0%
Total penetration rate	65.9	67.2	+2.0%

(1) Based on lines in service, including courtesy, service lines and payphones

(2) Each PSTN line provides one access channel

(3) ISDN lines expressed in equivalent numbers of access channels. A basic ISDN line provides two access channels and primary ISDN line provides 30 access channels

(4) Number of lines of channels per 100 inhabitants

Voice: National traffic revenue

(MCHF)	'97	'98	change
Local area	833	649	-22.1 %
National long distance ⁽¹⁾	1,559	1,625	+4.2 %
Public payphones ⁽²⁾	169	152	-10.1 %
Total National	2,561	2,426	-5.3 %

(1) Includes traffic to other networks (fixed-to-mobile calls and calls from the fixed network to private user network and certain data services). Does not include calls to Swisscom's toll-free, cost-shared and premium rate telephone number services for business customers or to Swisscom's information services

(2) Revenue from calls made from Swisscom-operated public payphones, whether local, national long distance or international

Voice: Outgoing international traffic by destination ⁽¹⁾

		'97	'98	change
Germany	477	511	+7.1%	
France	344	357	+3.8%	
Italy	292	273	-6.5%	
United Kingdom	119	122	+2.5%	
Austria	88	105	+19.3%	
United States	97	99	+2.1%	
Portugal	72	71	-1.4%	
Spain	71	71		
Yugoslavia	50	58	+16.0%	
Netherlands	52	55	+5.8%	
Rest of the world	502	536	+6.8%	
Total outgoing international traffic		2,164	2,258	+4.3%

(1) Minutes of outgoing international traffic as determined for international settlement purposes. Includes outgoing international traffic originating from Switzerland from mobile telephones.

Voice: Value-added and information services

REVENUES

	'97	'98	change
(MCHF)			
Voice value-added services	275	300	+9.1%
Information services	168	184	+9.5%
Total	443	484	+9.3%

(millions of minutes)

Business Numbers traffic ⁽¹⁾	569	1,492	+162.2%
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(1) Management estimates

Voice revenue: CPS/CPE/CS

(MCHF)	'97	'98	change
Sales	249	273	+9.6%
Rental and customer services	797	762	-4.4%
Total	1,046	1,035	-1.1%

Mobile telecommunications revenue

(MCHF)

	'97	'98	change
Digital mobile telephony	1,028	1,616	+57.2%
Analog mobile telephony	292	124	-57.5%
Paging, satellite and other mobile telecommunications services	51	51	
Total revenue	1,371	1,791	+30.6%

Mobile customers

	'97	'98	change
Natel D international	244,400	397,868	+62.8%
Natel D swiss ⁽¹⁾	437,076	648,830	+48.4%
Natel D easy	209,745	584,133	+178.5%
Natel D	891,221	1,630,831	+83.0%
Natel C	153,158	41,469	-72.9%
Total mobile customers	1,044,379	1,672,300	+60.1%
Mobile penetration ⁽²⁾	14.7	23.4	

(1) Includes Natel city for 1997, which was phased out in that year
 (2) Number of mobile customers per 100 habitants

Data and multimedia: Managed network services

(MCHF)	'97	'98	change
Revenue:			
Leased lines, including managed leased lines	493	487	-1.2%
Data transmission and other	213	193	-9.4%
Total managed network services	706	680	-3.7%
	'97	'98	change
Number of leased lines (period end):			
National leased lines	36,326	39,291	+8.2%
International leased lines ⁽¹⁾	1,570	1,408	-10.3%
Managed leased lines	4,434	6,535	47.4%
Total leased lines	42,330	47,234	11.6%
(1) Includes international leased lines offered through Swisscom's carrier services business.			

Carrier Services: Incoming international traffic by point of origination ⁽¹⁾

	'97	'98	change
Germany	418	435	+4.1%
France	284	269	-5.3%
Italy	195	205	+5.1%
United States	196	187	-4.6%
United Kingdom	131	131	
Austria	64	75	+17.2%
Spain	48	46	-4.2%
Netherlands	42	52	+23.8%
Portugal	19	22	+15.8%
Yugoslavia	19	19	
Rest of the world	307	339	+10..4%
Incoming international traffic	1,723	1,779	+3.3%

(1) Minutes of incoming traffic terminated in Switzerland as determined for international settlement purposes

Tax calculation

MCHF	1998
Income before income taxes and equity in net loss of affiliated companies	2,587
Weighted average statutory tax rate	25%
Income tax expense at the weighted average statutory tax rate	647
Reduction in income taxes resulting from:	
Deferred tax asset recorded on incorporation	(230)
Other	(98)
Income tax expense	319

Effective tax rate of 12.3%