

Analyst meeting

Annual results 2002

“back-up slides”

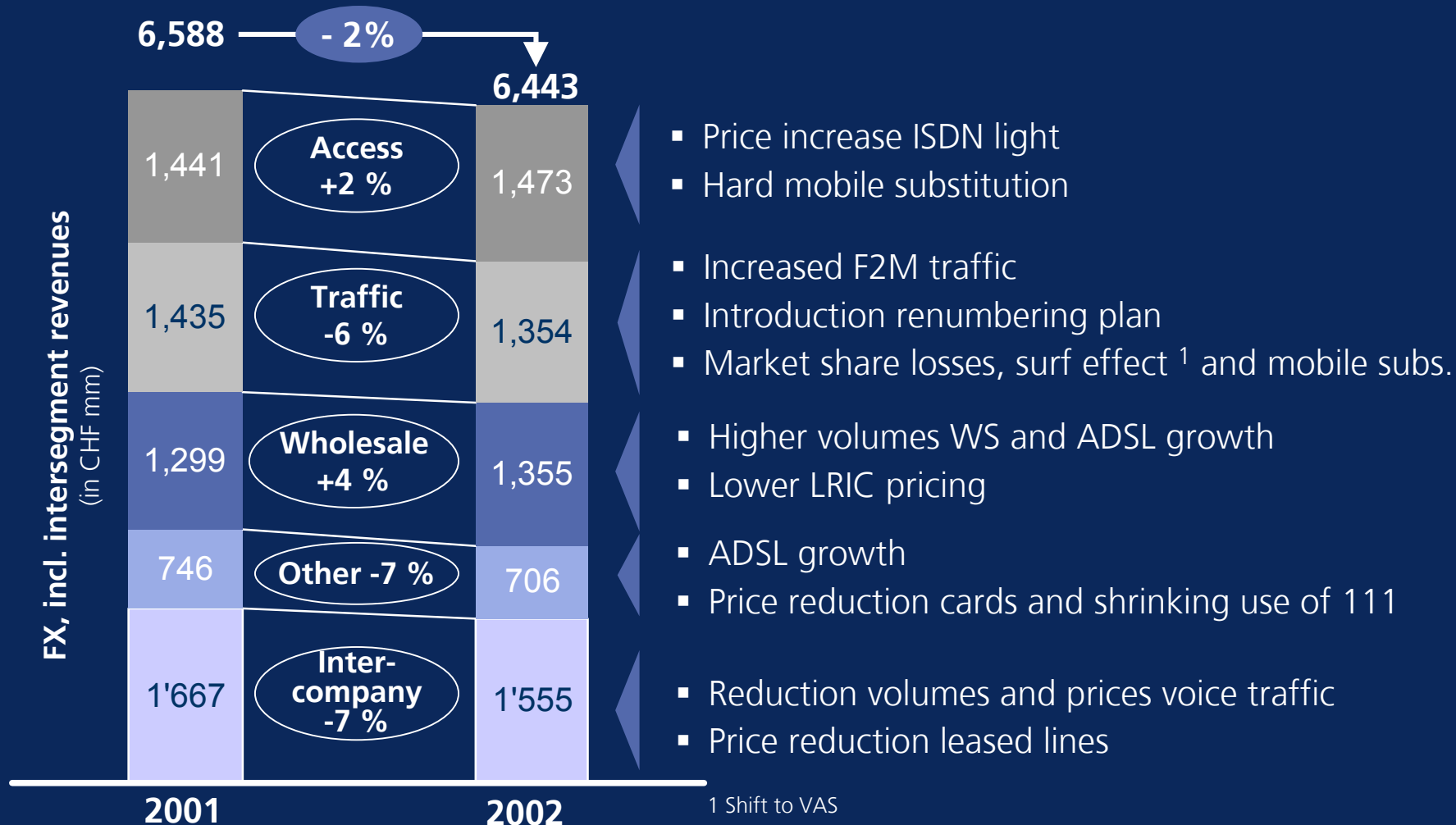
handout at analyst meeting

26 March 2003, Zurich

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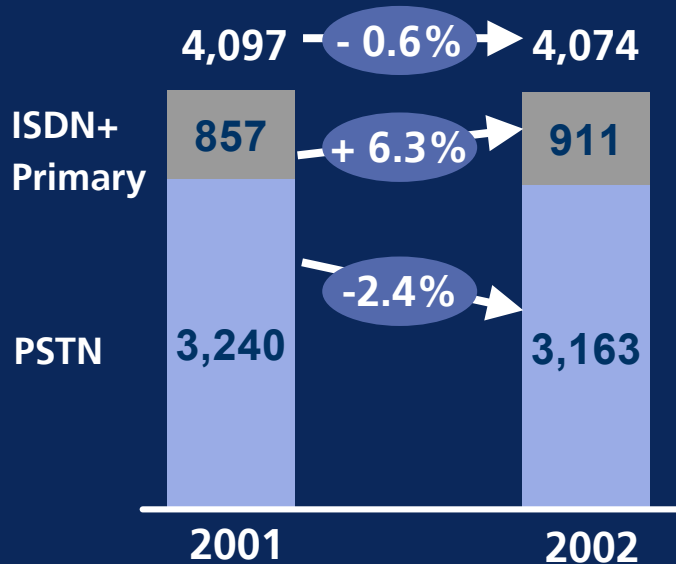
1. Swisscom Fixnet

Stabilized decline in Fixnet revenues



Penetration still very high, but access substitution due to mobile starting to become visible

Access Lines (Voice)



Comments

- Overall penetration still at over 98% households
- Loss of ca. 1.5% access lines due to hard mobile substitution ¹
- Estimated impact 66,000 lines
- ISDN growth less aggressive than in the past due to ADSL increase and first indications of a saturation on the market
- Similar trend in 2003; no discontinuities expected

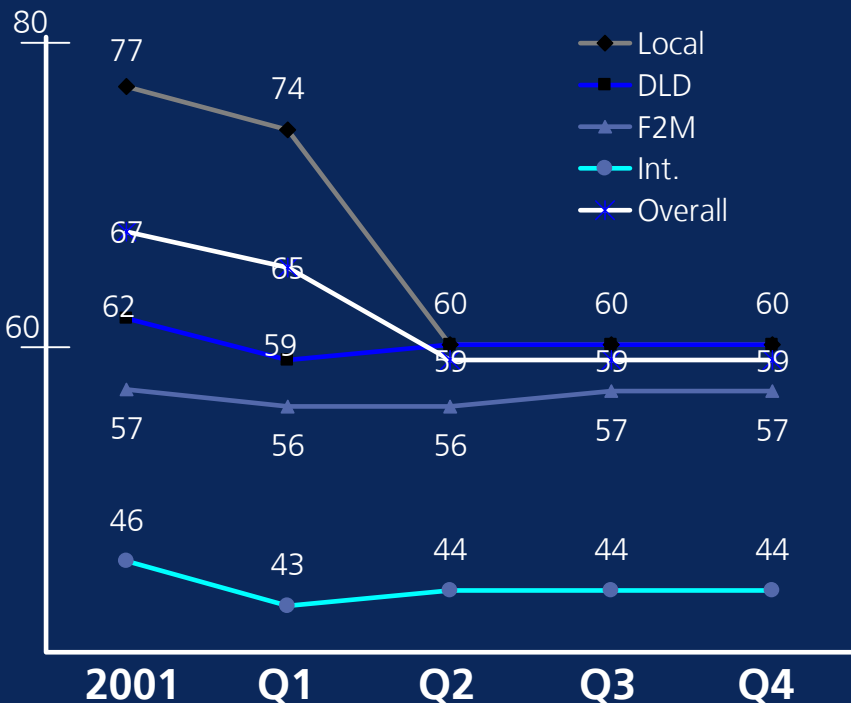
¹ Subscriber cancels access subscription. Estimated overall impact CHF 10mm (access only)

Stabilized traffic market shares

Overall market share stabilized at 59% ¹

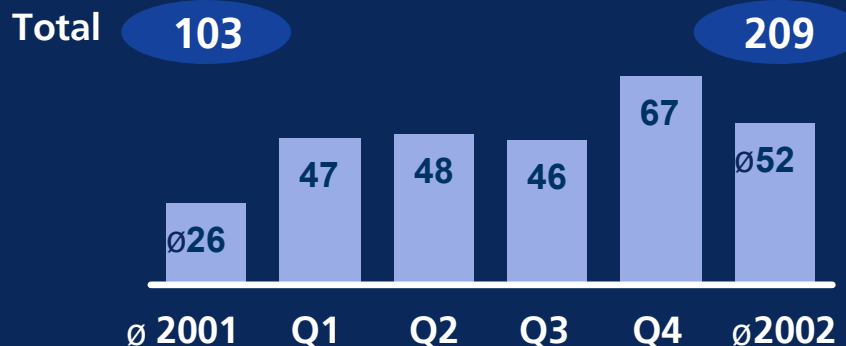
Substantial additional win-backs achieved, net-churn reduced

Market Share (%) of Swisscom Fixnet

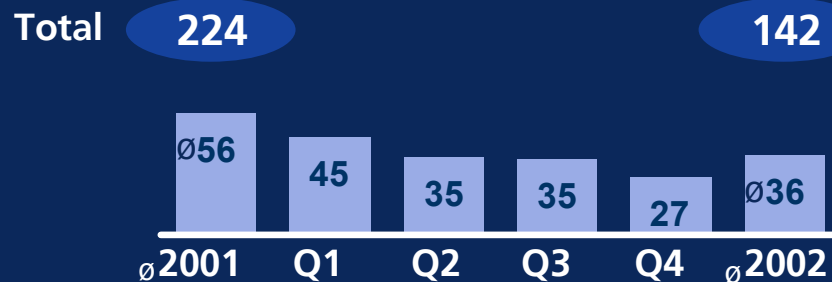


¹ Estimated values

Number of winbacks/quarter (in '000)



Net churn¹/quarter (in '000)



Improved Service to the customer

Substantial improvements in Customer Care

	2001		2002
■ First resolution rate			
– fulfillment	N.A.		90%
– assurance	60%	→	80%
■ Response time high value customers	90 secs ¹⁾	→	<20 sec's for 80%

Customer satisfaction high, stable and comparable to competition

- Residential customers satisfaction index stable at 8.5

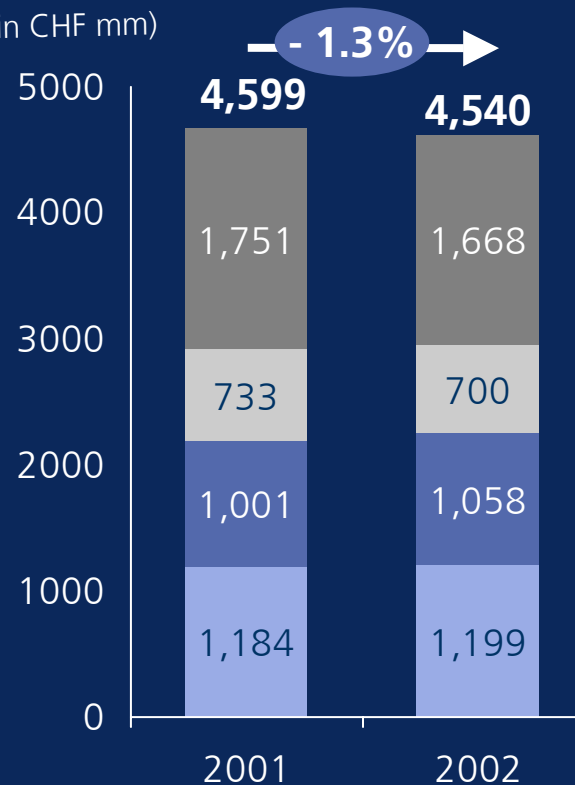


- Trust, brand and quality of service recognized as clear distinction factors
- Still negative price-perception: will be addressed with new marketing campaign

¹⁾ Not discriminated for different segments

Tight OPEX control: OPEX reduced, despite increased restructuring costs

(in CHF mm)



Top changes

Description

Personnel:
+6 %

- Headcount reduction (>600 FTE's)
- Increased restructuring charges (CHF 50mm higher than in 2001)

**Termination to
int. networks**
-2 %

- Reduced mobile termination costs
- Reduced international termination costs

**Other
OPEX:**
-8 %

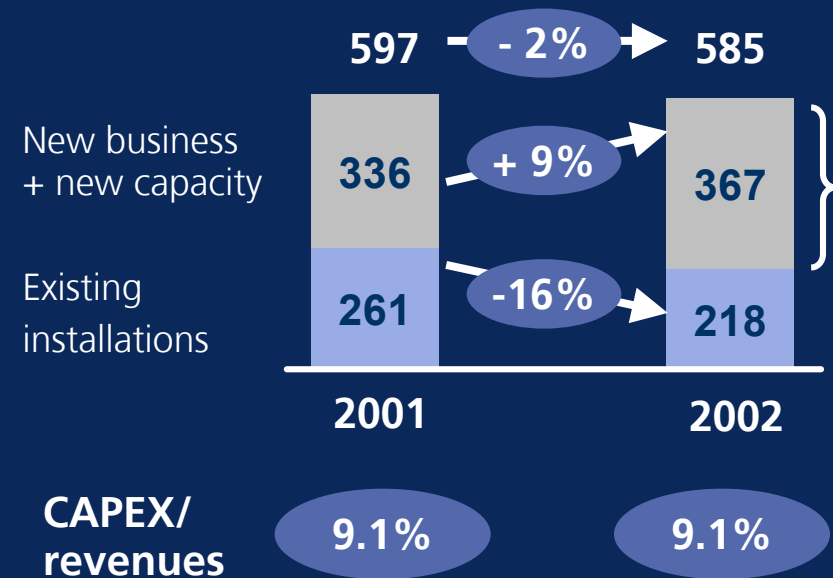
- Reduced network maintenance costs
- Reduced IT-infrastructure costs
- Reduced marketing costs

■ G&S purchased ■ Personnel
■ Other ■ Intercompany

Reduced CAPEX while growing in new businesses

CAPEX

(in CHF mm)



Investing in the future

- ADSL equipment
- SDH equipment
- High capacity bandwidth for metro services
- Optical cable, transport network
- ISDN

Strong ADSL growth, surpassed the inflection point of maximum cash exposure

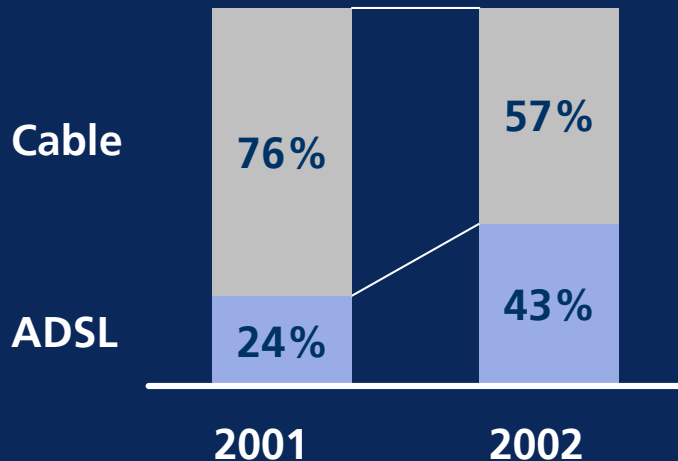
ADSL growing faster than cable

Aggressive growth last months of 2002 to exceed 215 k contracts signed ¹

Market share of registered broadband HH

Number of new ADSL contracts/month (in '000)

100% = 153K → +197% → 455K



Total

40 k

215 k

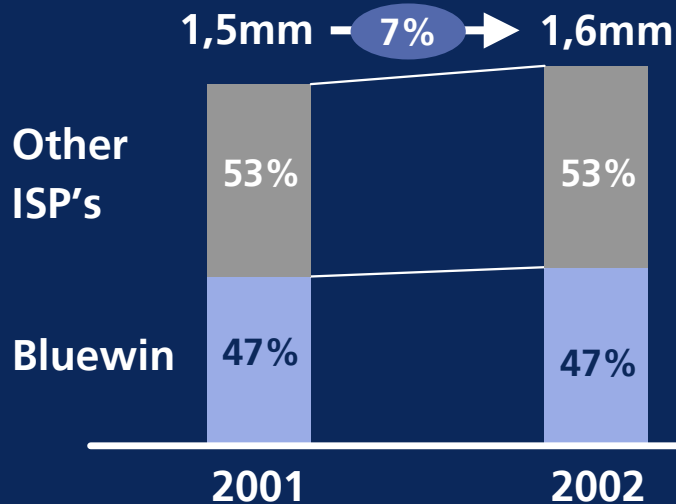


¹ ADSL connections in operation per YE 2002: 195k

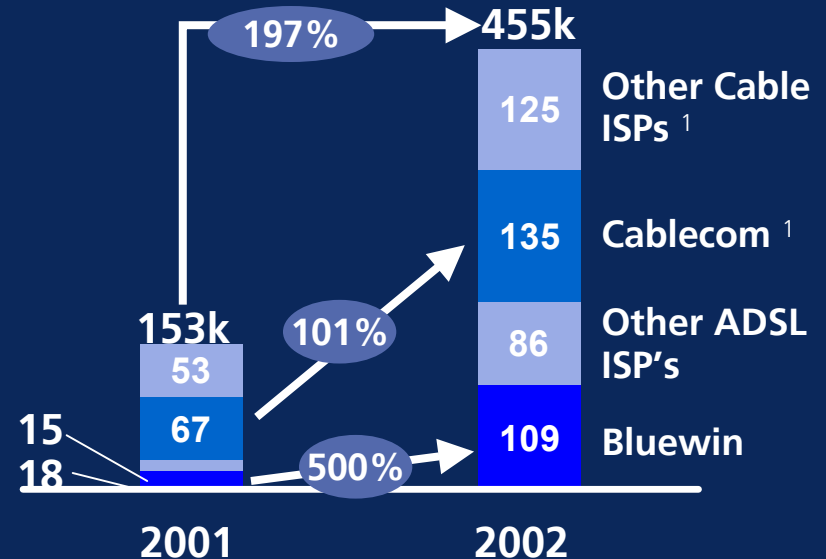
Bluewin secured leadership

Despite aggressive broadband growth sustained narrowband leadership

Narrowband users



Registered broadband HH



Portal Reach ² : re-confirmed market leadership

1st Bluewin.ch 28.9%

2nd Microsoft.com 21.9%

3rd Google.ch 21.4%

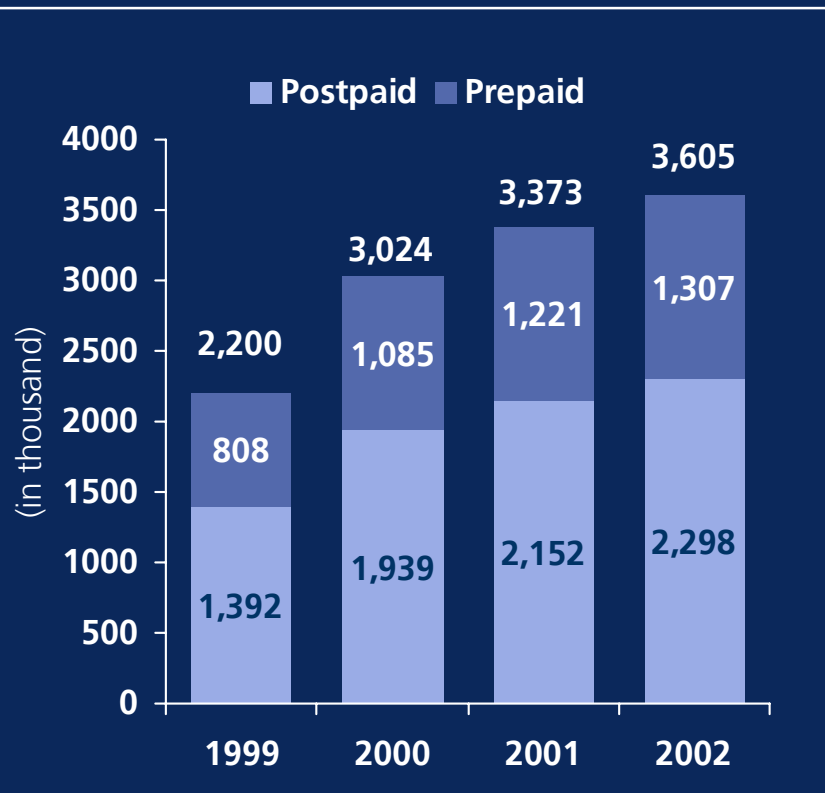
¹ Estimated. Source: Swiss Press, Swisscable report

² Nielsen/Netrating, December 2002

2. Swisscom Mobile

Strong operational performance 2002

Subscriber development



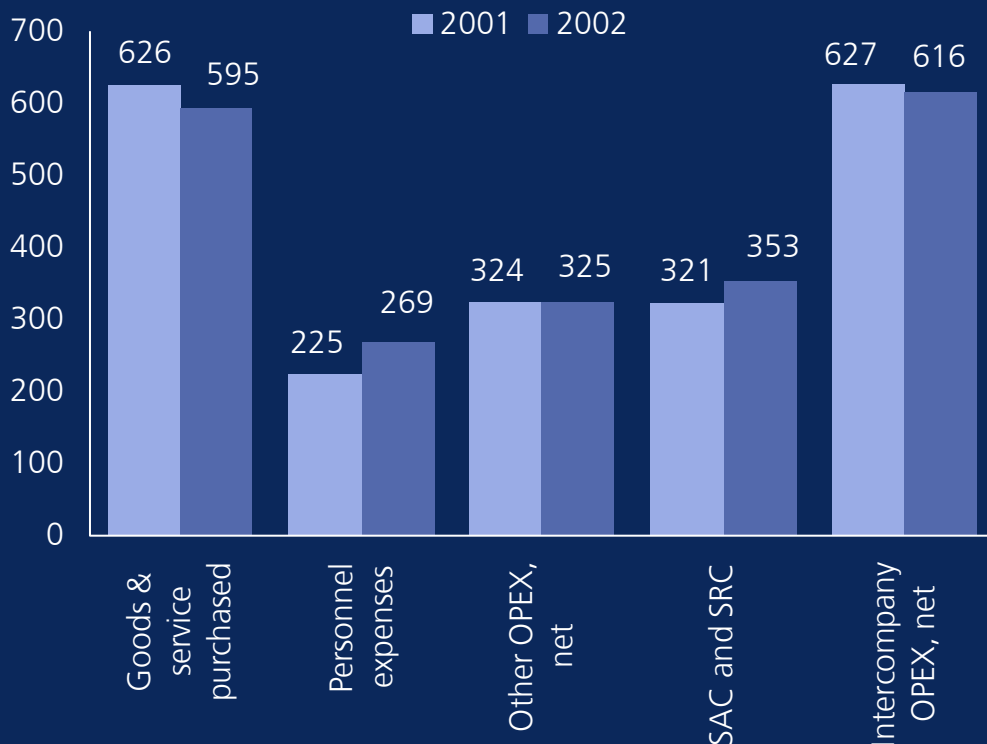
Comments

- Market penetration in Switzerland reaches 77.5% at year-end
- Market gross adds reduced to 1.6mm, of which Swisscom Mobile achieves over 50%
- Swisscom Mobile's successful retention program leads to a low churn of 17% churn p.a. (15% on postpaid, 20% on prepaid)
- Market share remain almost constant with Swisscom Mobile at 65% and competitors at about the same share

High management attention to improve cost efficiencies

Breakdown of costs

(in CHF mm)



Comments

- Network and interconnection cost stable although traffic increased
- SAC at CHF 212mm reduced by 15%, SRC doubled to CHF 141mm
- Total COGS down to 34% of revenue (35% in 2001)
- Further investment in staff to 2,359 FTE's to push new business opportunities (UMTS, WLAN, Mobile Solutions)
- Other OPEX stable

Strict customer focus to provide superior quality

■ USP network quality:

- We offer to our customers all state-of-the-art technologies on mobile communication such as GSM, GPRS, UMTS, WLAN at the best coverage within Switzerland and abroad.



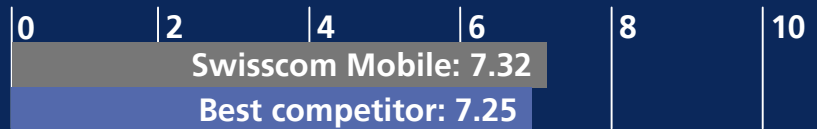
■ USP customer service:

- We offer to our customers at all touch points such as shops, call centers and communication a superior service with an emotional touch.



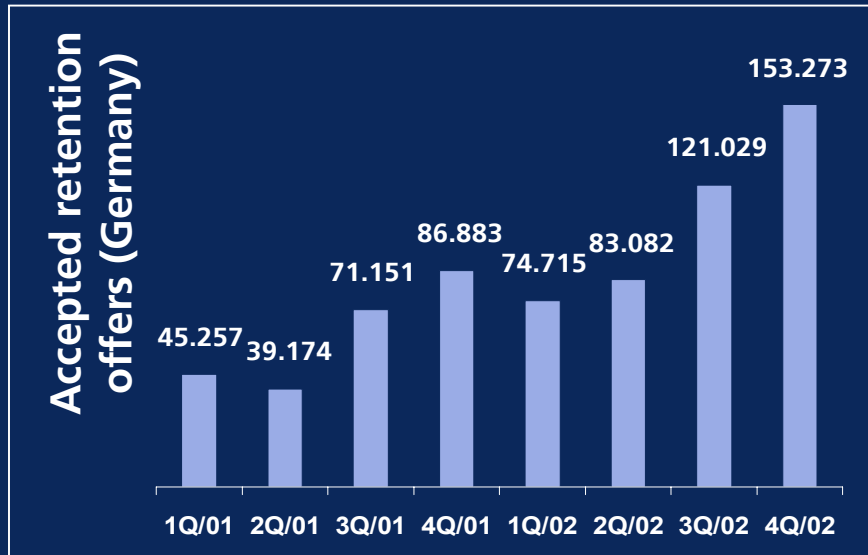
■ USP products:

- We offer for customers the broadest range of products fitting to their needs both on business and leisure. We are the leader in innovation on messaging services and mobile solutions.



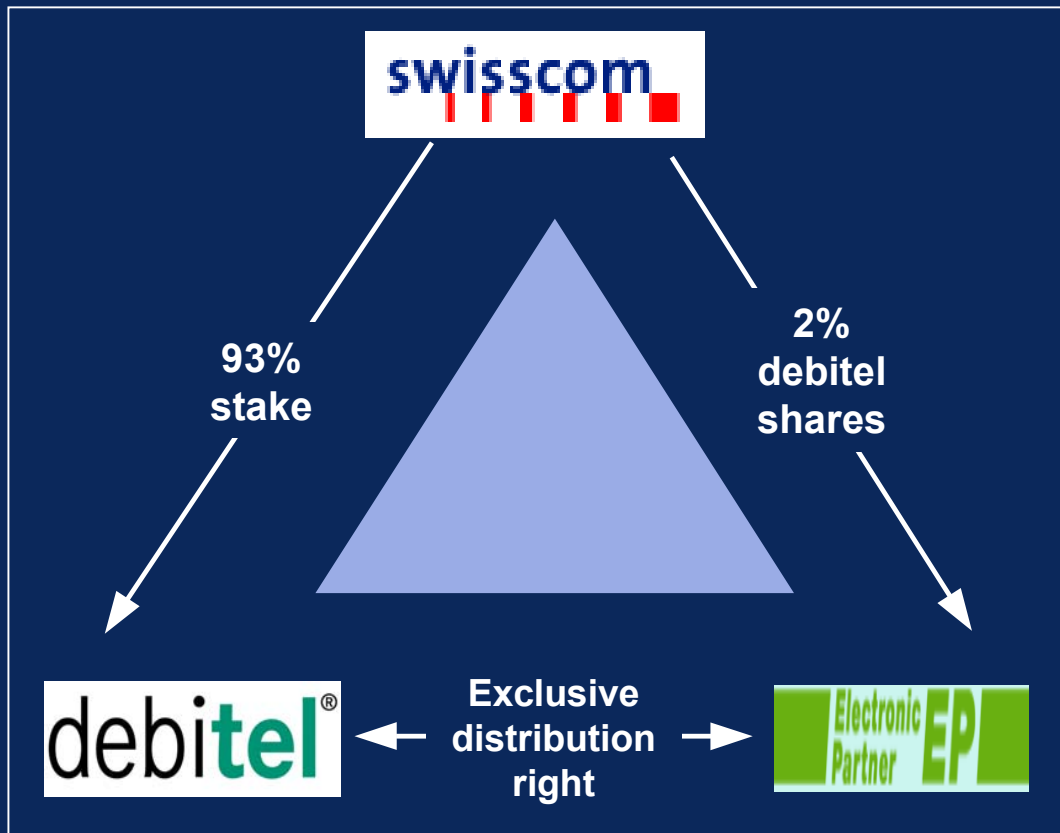
3. debitel

debitel operational performance 2002



- Customer growth despite deactivation of sleeping customers (Germany: 1.4mm, international: 0.3mm) and saturated markets
- International contribution increased from 28% (2001) to 30% (2002)
- 17% revenue increase from debitel international mainly caused by acquisitions made in France and The Netherlands
- Further improvement of successful customer retention measures
- Proven first class service: awarded as no. 1 by customers and sales channels

Strengthening of distribution power through attractive distribution program



- Extension of the exclusive distribution contract with EP: for five more years (Germany); EP: took a 2%-stake in debitel; retention programme open for further sales partners
- Co-operation with additional sales channels such as Ringfoto (Germany)
- Acquisition of Videlec and Télécom Option (France), Tiscali (Denmark)

Current status - ESP implementation

- Implementation of ESP model in Germany on track
 - First company to offer content billing
 - Specified access to network operators' infrastructure ensured by ESP-contracts
 - Advanced product and service development of Jamba!
 - Technical ability of hosting platforms such as portal platform
- Roll out of ESP-model in Slovenia and the Netherlands
 - ESP contract with KPN mobile and extended cooperation agreement with O2 (The Netherlands)
 - extended Cooperation agreement with Mobitel (Slovenia)

ESP model - general conditions for further implementation

Secure debitel's positioning regarding the German regulatory framework for UMTS

- debitel is actively involved to review German telecommunication law
- Ability of billing various services and contents
 - implementation of new billing system to cover various tariffs and products on the way
- Ability to design products and mobile value added services and to extend service offerings
 - develop "answer" to network operators portal strategy in line with ESP-strategy
 - launch of own MMS-services

Product / service development

- Extension of debitel mobile service offerings:
 - Multi-Media Messaging Services (MMS)
 - in addition to own portal (Jamba!) access to network operator portals such as i-Mode, Vodafone Life!
 - launch of "partner card" (2 SIM-cards, 1 monthly fee) across different networks
 - innovative tariffs such as "debitel Automatic in Denmark" (monthly fee will automatically decreased according to usage)
- Content billing for Jamba!/debitel and third parties (e.g. Club Nokia, Microsoft Network Online)
- Further service developments follow ESP strategy

Strategic direction 2003

- Further consolidation of the telecommunication market, especially in Germany - will be closely examined by debitel
- Additional expansion to be evaluated
- Target setting 2003 and onwards:

- ① Ongoing transformation of the service provider model into the enhanced service provider 'ESP' model
 - further strengthening and expansion of **core business**
 - ongoing implementation **ESP strategy**
- ② Improvement and sustainable profitability of non-German businesses



*Improve **EBIT** margin in the medium term*

4. Other

Operational performance 2002

Swisscom Systems

- Operational performance
 - approx. 3,000 PBX sold and 90,000 rent and maintain contracts
- Market development
 - Swisscom Systems suffered from a declining demand for network and telephony equipment caused by the deteriorating economic situation, which has led many customers to postpone new investments in telecommunications equipment.

Swisscom IT Services

- Completed PMI process below assumed costs
- Market growth below expectations generated high price pressure
- Above market growth of external revenue although missing external revenue target
- EBIT target exceeded
- Adjusted resources according to weak market demand
- Further cost improvement measures identified through benchmarks

Product-/service development

Swisscom Systems

- Successfully introduced IP-based systems and system extensions of major suppliers (Siemens, Nortel, Ascom) to serve those customers who need a VoIP or integrated Voice/VoIP infrastructure
- The product line of Alcatel was introduced to the portfolio as an alternative to Ascom in the small customer segment
- With the purchase of a CTI / Unified Messaging solution for MS Outlook Swisscom Systems can offer an add-on solution to its customers in the strategically important overlap between desktop computing and telephony

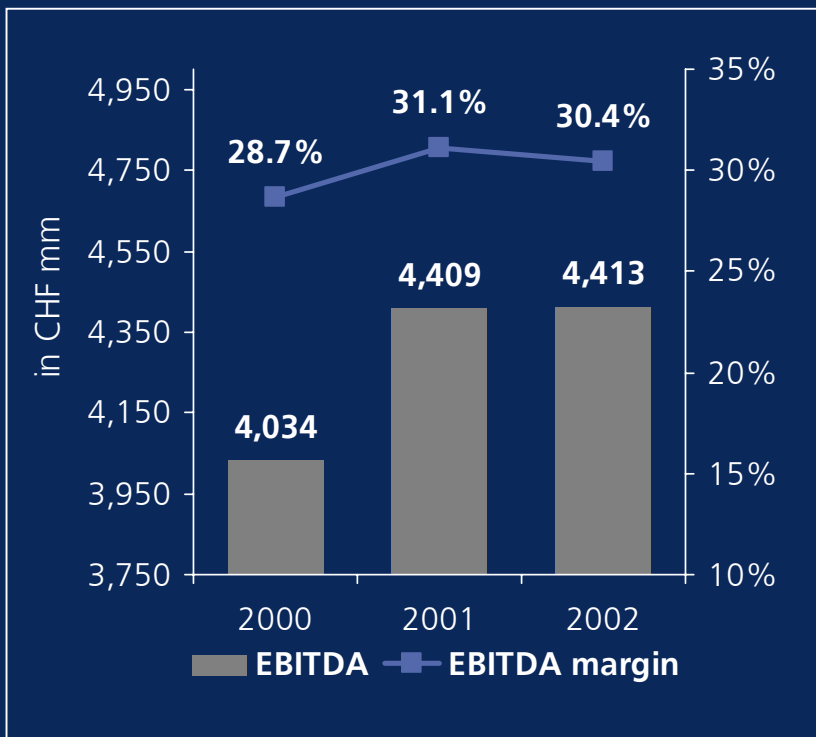
Swisscom IT Services

- Redefined existing solution sets to meet market requirements and demand
- Defined portfolio across 3 key trends in the Swiss market:
 - business integration
 - business mobility
 - IT - outsourcing
- Focusing industry verticals: financial services, telecom
- Assessing opportunities in new industry verticals: healthcare, insurance, government

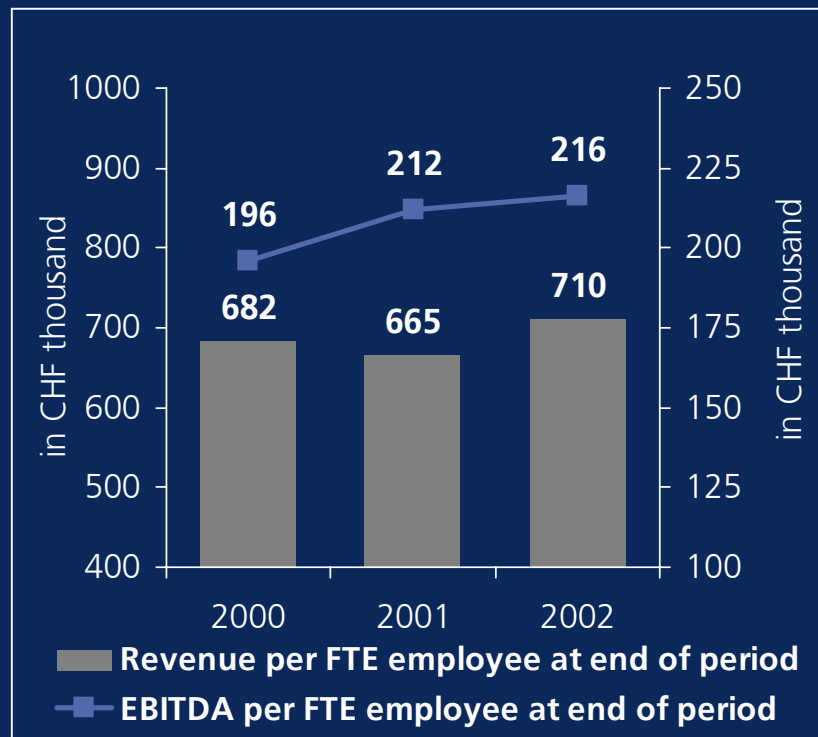
5. Group Financials

Solid operating performance ...

EBITDA and margins



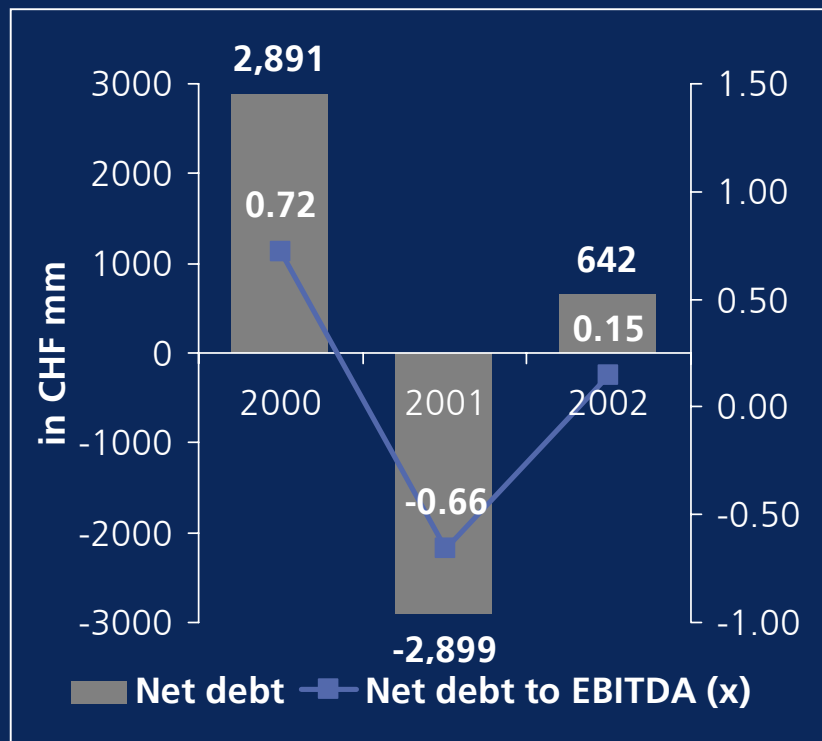
Per employee ratios ¹



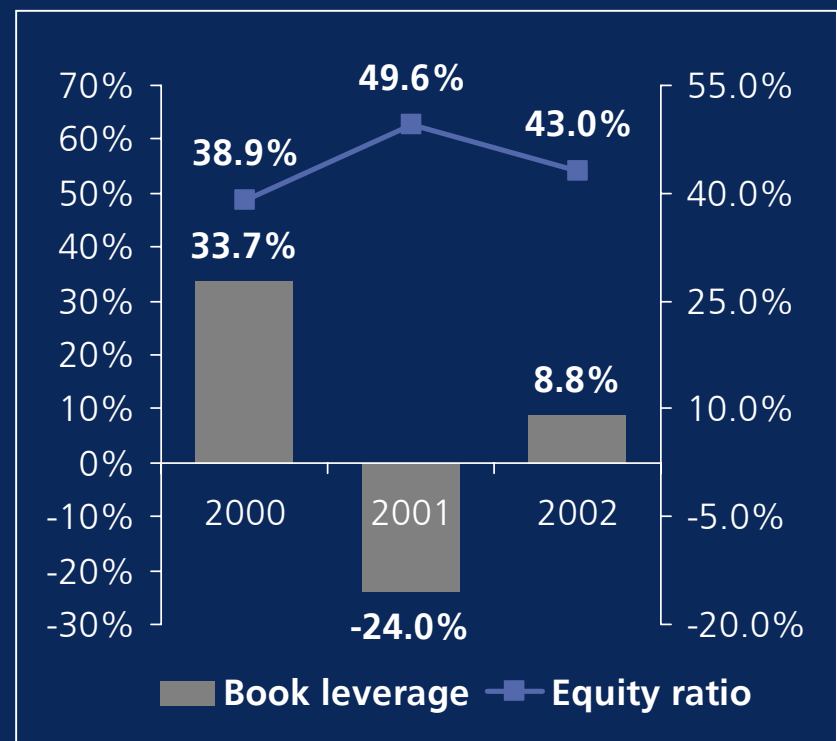
¹ FTE employee numbers at end of period: 20,604 (2000), 20,835 (2001) and 20,471 (2002)

... and ongoing healthy balance sheet

Net debt and net debt/EBITDA



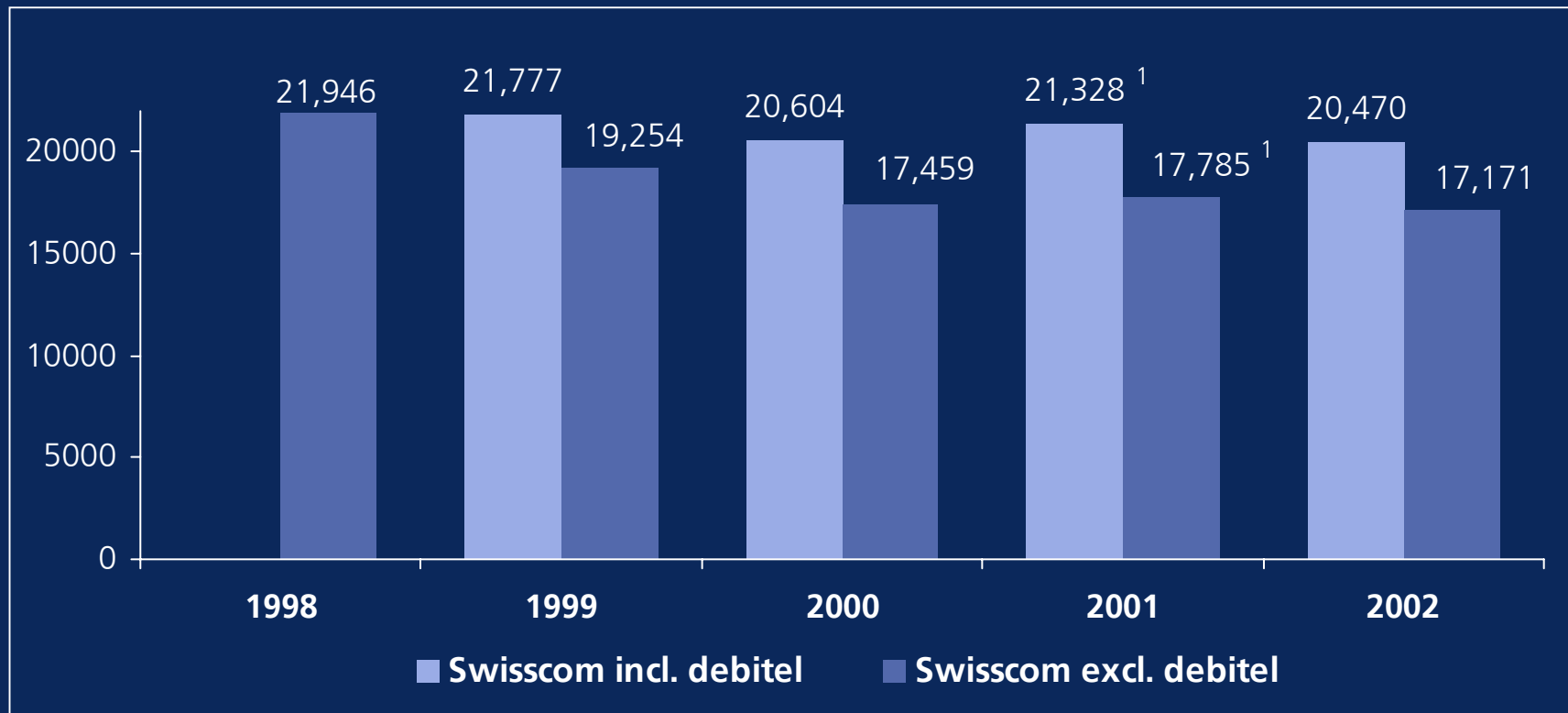
Book leverage and equity ratio



Book leverage = net debt / shareholders' equity

Equity ratio = shareholders' equity / total assets

Headcount development

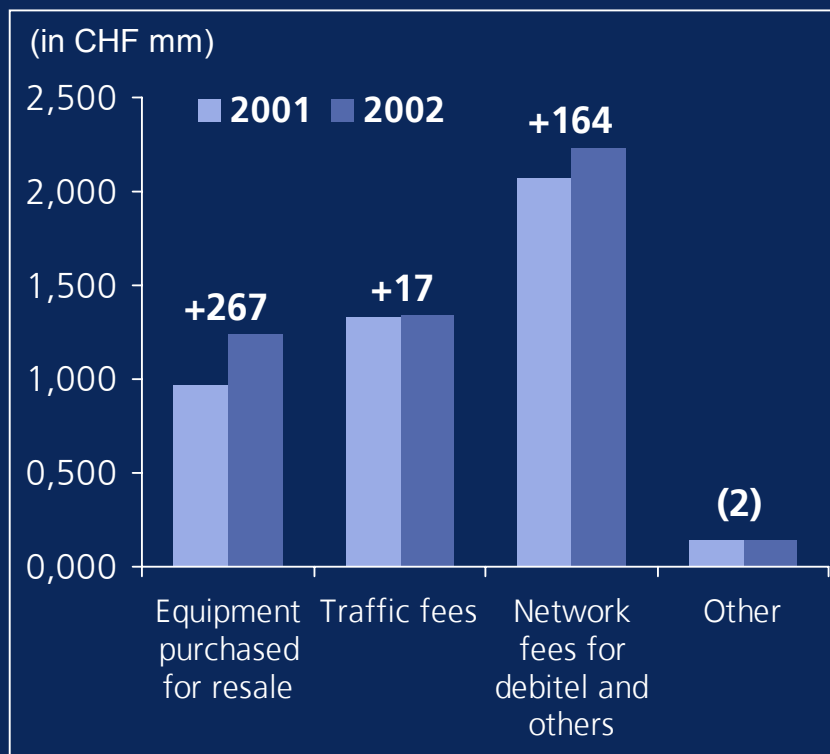


* All numbers exclude employees of WorkLink

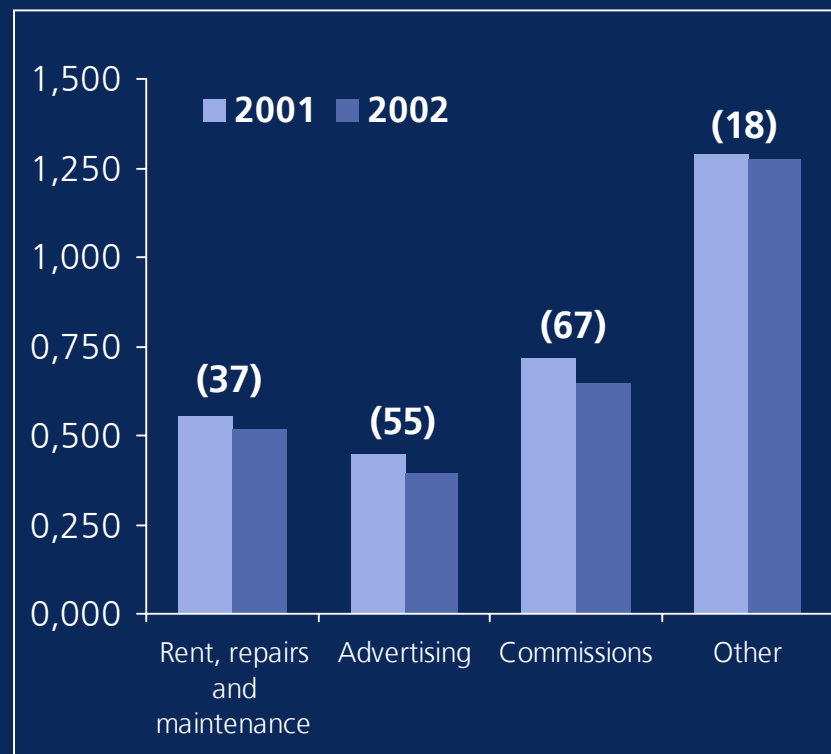
¹ The number of FTE employees at the year end 2001 includes 493 employees of AGI which were integrated as per 31.12.2001

Cost breakdown

Goods and services purchased



Other operating expenses



Impairment of debitel goodwill, under IAS

(in CHF mm)	Goodwill
Book value of debitel as per 31.12.2001, € 18	2,084
Amortisation of goodwill	(265)
Impairment of goodwill	(702)
Other adjustments, net	(64)
Book value of debitel [93%] as per 31.12.2002, € 10	1,053
Future amortisation p.a.	156

Drivers of financial result

Financial expense 2002

(in CHF mm)

Interest on debt and finance lease	246
PV adjustment on accrued liabilities	25
Impairment charge on Infonet	111
Impairment charge on Swiss	41
Currency losses	71
Other	23

Total financial expense	517
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Financial income 2002

(in CHF mm)

Interest	168
Dividends	8
Gain on CB tax lease transactions	28
Other	2

Total financial income	206
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Overview of income tax payments

	1998	1999	2000	2001	2002
<u>P+L Statement</u>					
Current income tax expense	409	317	439	499	123
Deferred income tax (benefit) expense	(90)	218	201	(514)	238
Total income tax expense	319	535	640	(15)	361
<u>CF Statement</u>					
Income taxes paid	26	135	398	678	537
<u>Balance Sheet</u>					
Current tax liabilities, net	225	457	519	359	-57
<i>Difference between current and paid income taxes</i>	<i>383</i>	<i>182</i>	<i>41</i>	<i>-179</i>	<i>-414</i>

Tax calculation 2002

(in CHF mm)	EBT ¹	Income tax expense			Tax rate
		current	deferred	total	
reported numbers	1,395	123	238	361	25.9%
Result of the transition from a parent company to a holding company, net			(115)	(115)	
Impairment of debitel goodwill	702	127	80	207	
adjusted numbers	2,097	240	213	453	21.6%

¹ EBT = earnings before taxes

Group cash flow statement (I)

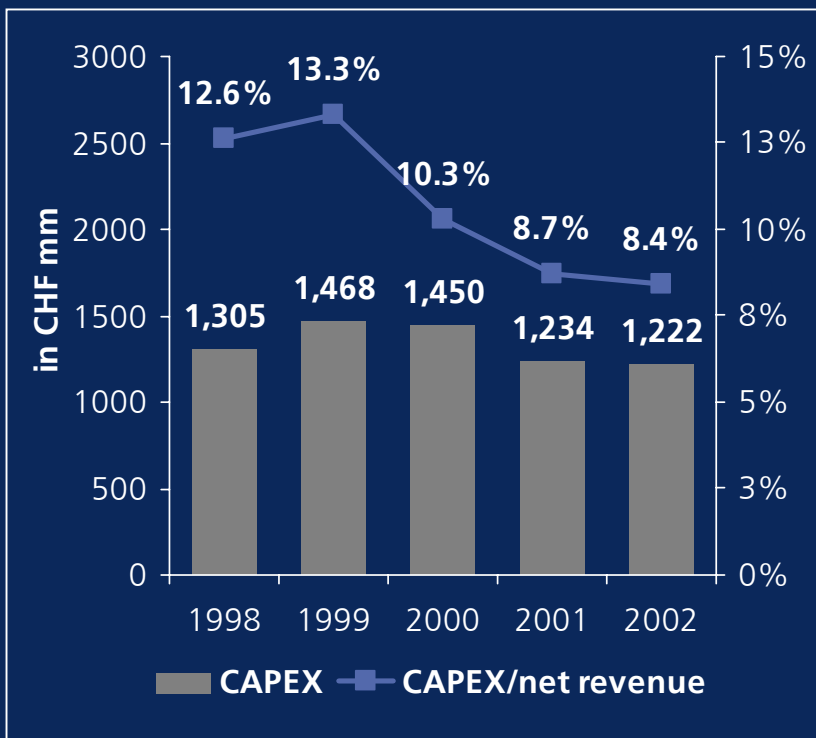
(in CHF mm)	2001	2002
EBITDA	4,409	4,413
Change in working capital, net	275	2
Payments for early retirements	(225)	(43)
Special contribution to pension fund	(440)	
Net interests	48	(78)
Income taxes paid	(678)	(537)
Gain from cross-border tax lease transactions		28
Net cash provided by operating activities	3,389	3,785

Group cash flow statement (II)

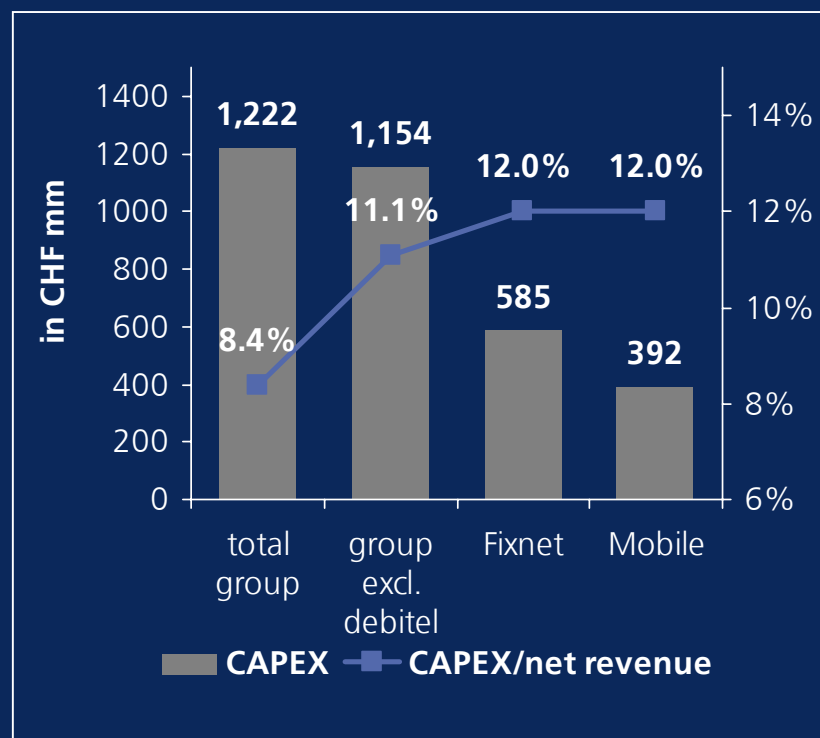
(in CHF mm)	2001	2002
Net cash provided by operating activities	3,389	3,785
CAPEX	(1,234)	(1,222)
Proceeds from sale of real estate	1,734	
Proceeds from partial sale of Swisscom Mobile	4,282	
Proceeds from sale of affiliated companies	73	42
Investments, net	(894)	(92)
Purchase (sale) of current financial assets, net	(3,059)	2,896
Other cash flows from investing activities, net	(53)	(52)
Net cash from investing activities	849	1,572
Net cash used in financing activities	(2,709)	(7,454)
Net increase (decrease) in cash and cash equivalents	1,529	(2,097)
Cash and cash equivalents at the end of the perios	3,788	1,682

CAPEX analysis

Group CAPEX development



Capital expenditures 2002



Change of net debts

