

# Presentation Swisscom

Bank Vontobel Summer Conference

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# Cautionary statement regarding forward-looking statements

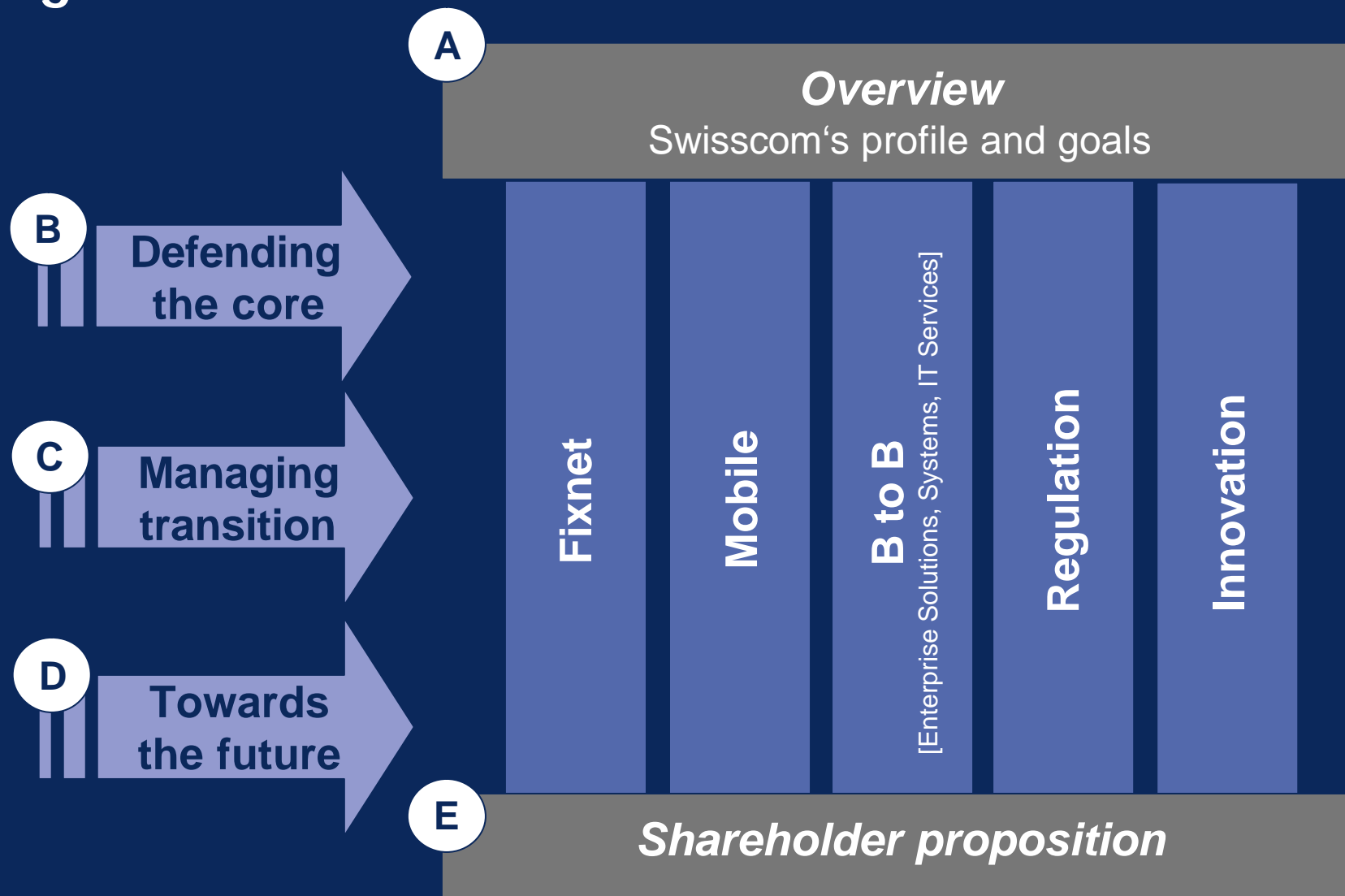
"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

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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# Agenda



# A Our profile

## *Swisscom – our goals*

**Optimise free cash flow from existing business**

**Successfully defending strong market position**

**Focused on operating cost and staff reductions to sustain margins**

**create yield - now**

**Create balanced risk-reward profile**

**Larger investment only if acquisition criteria satisfied**

**Smaller investment into innovative “entry-ticket options”**

**create yield - tomorrow**

**Combine strategic flexibility with attractive yield**

**Preserving strong balance sheet to optimize strategic flexibility**

**Returning all equity free cash flow to shareholders. Every year**

**deliver yield- now & tomorrow**

## B Defending the core

### Trends

### Actions

Commoditisation & competition

- Improve customer satisfaction
- proactively make retention offers
- Introduce price plans, loyalty programs, new services

Fixed to Mobile Substitution

- Stimulate mobile termination
- Prepare fixed-mobile convergence

Dial-up cannibalisation

- Push broadband
- Move towards triple play

## B Defending the core (cont.)

### Trends

### Actions

Disruptive technologies

- Pioneer new developments
  - invest in innovations, R&D
  - introduce new technologies such as P-WLAN, UMTS, VoIP early
  - don't bet on 1 horse (technology)

Manage regulation  
[ULL, IC, F2M term.]

- Use all legal options to cope with threat
- Continue lobbying

## C Managing transition

### Focus

### Implications

OPEX management

- Continuous restructuring and process re-engineering
- Continuing efficiency improvements (e.g. staff reductions)
- Shift from back-office to front-office
- CRM improvements

CAPEX management

- Shift from maintenance to new technologies / broadband
- Improve efficiency of existing platforms (e.g. by phasing out)

## D Towards the future

### Area

### Characteristics

Behaviour in 5-10 years

- Communication without restraints
- Conscious and unconscious
- Blurred borders private-business life

Applications

- Voice, text, moving images
- Up-/download multimedia content
- Entertainment (gaming, music, video, TV)

Networks

- Broadband
- Wireless access
- IP based
- high geographical coverage
- interconnectivity across networks



## D Towards the future (cont.)

### Area

### Characteristics

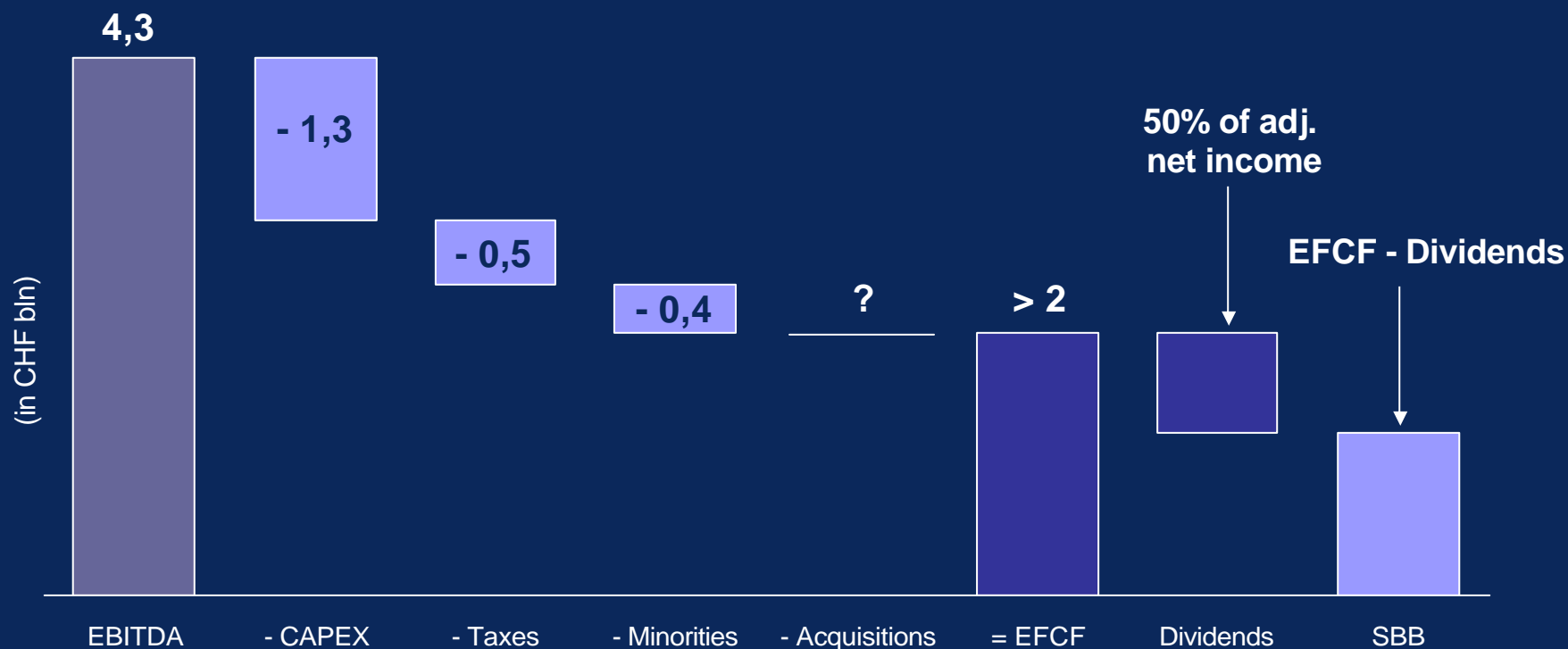
#### Services

- Communication, internet, multimedia for private and business use
- Personal data available on all end user equipment
- Cost transparency

#### Security

- Secure against abuse, Spam, viruses, etc.
- Secure against loss of personal data

# E Shareholder proposition: A not unlikely scenario for the next 3 years <sup>\*)</sup> ...



**EFCF of CHF > 2 bln available for distribution to shareholders represents at (current) market cap. a yield of approx. 8%**

<sup>\*)</sup> Numbers mentioned are illustrative, and are not meant to be „formal guidance“

# Corporate „dilemma“

Invest or return ?

- Current balance sheet underleveraged
- No strategic necessity to acquire
- Any foreign investment must be financially attractive ...
- ... while keeping risk profile intact

## In conclusion

- Be transparent, predictable and produce attractive returns to shareholders
- Swisscom stock is a yield play, delivering approx. 8% of (current) market cap. to shareholders
- Crossroad: either lever up with aim to increase yield, or continue return policy (with aim to combine strategic flexibility with attractive yield)
- Focus on ...
  - defending the core
  - managing transition
  - developing the future

# Thank you for your attention!

## Questions & Answers

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