

# Swisscom: “In time to TIME”

**Mario Rossi, CFO Swisscom AG**

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# Agenda

**A. Industry environment**

**B. Swisscom strategy**

**C. Operational businesses**

**D. Group financials**

**E. Shareholder returns**

**F. Conclusion and Q&A**

# Trends in the telecommunications market

## The classic telephone market is being eroded

- Telephony is becoming a commodity, like electricity  
→ prices are falling
- Competition is getting tougher

## IP provides a basis for convergence

- Convergence means T\_I\_M\_E, - the merging of telecoms, media, IT and entertainment
- Convergence of PC, TV and mobile handset screens
- Convergence between telecoms and IT
- Convergence between fixed and mobile telephony („One phone“)
- Bundled offers: everything from a single source!

## The telecommunications sector is consolidating

- Today firms have asymmetric structures (integrated in their domestic markets, but with international operations only in some markets)
- Success will be based on replicable products, benefits of scale and a unified corporate culture

# Consolidation

## Absolute scale

- by investing abroad, brings added value only when offerings can be replicated in other markets

## Cultural & customer homogeneity

- is required for replication of offering to be possible.
- same offerings in other geographies can only be successful if customers “tick” similarly

## Experience in sector so far

- only pure mobile players successful in consolidation; and only where concentrated on homogenous markets

## Hypothesis

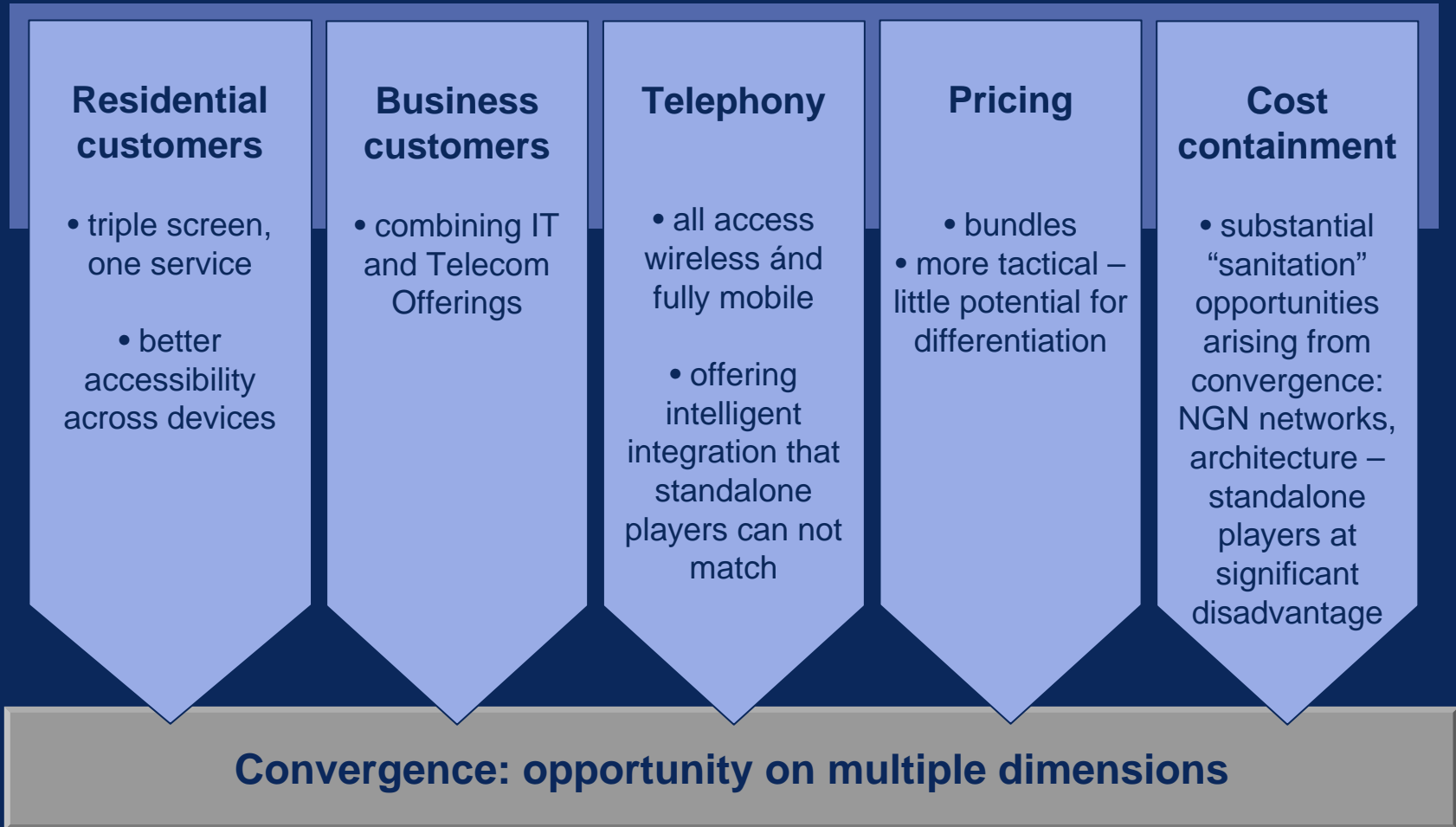
- converged services (coherent combination of mobile and fixed) have a good prospect of also creating value from scale when addressing homogenous markets

## Swisscom vs. other players

- is a pure player with most competences for convergence in-house while not hampered by patchwork of old international exposure to different business models

**Convergence: driver for sensible consolidation**

# Convergence opportunities



# Swisscom today

- We have a network providing **total coverage**.
- We have highly motivated **staff**, recognised **expertise** and **technological competence** in all areas.
- We were the **first in the world** to launch sophisticated products: Prepaid and Unlimited for example.
- We have a **broad range** of products and can offer fixed lines, mobile, IT and IPTV.
- Compared to other providers we are **small and fast**, have sufficient funds and an attractive home market!

**Swisscom today is well positioned**

# Our strategy: 3 pillars, 1 outcome



## Maximise

- Ensure superior customer experience
- Strengthen customer loyalty
- Further drive efficiency
- Change business model to customer segments



## Extend

- Achieve growth in existing core business
- Realize true ICT for B2B
- Extend beyond connectivity for B2C



## Expand

- Achieve growth in related businesses – both at home and abroad
- Attack from inside by replicating own core competences
- Attack on outside by leveraging own core competences

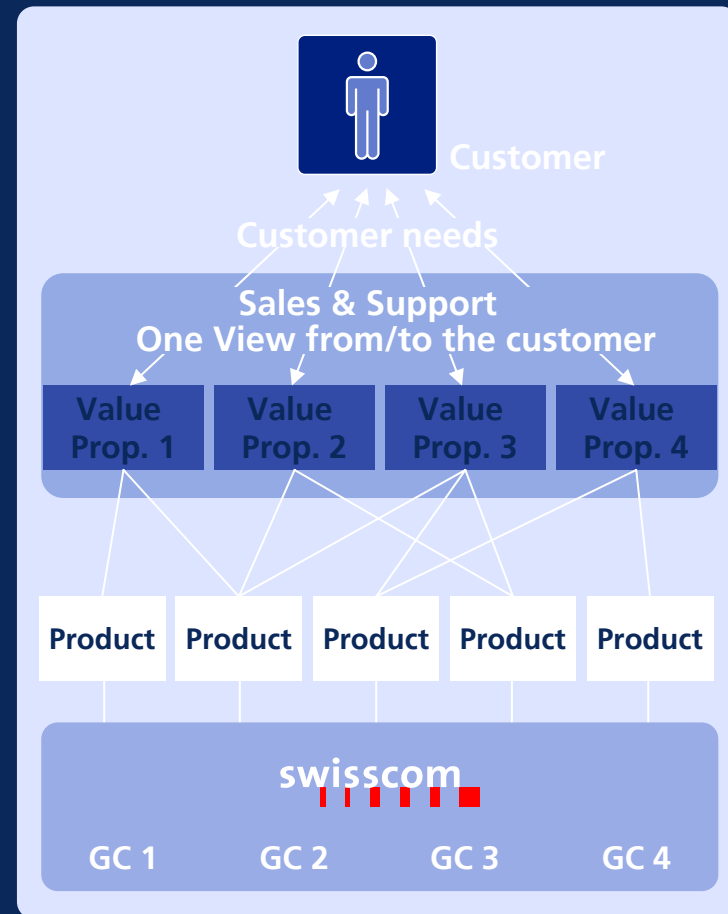
**Best-in class organization  
offering integrated TIME portfolio of services**

# Paradigm change from product to customer focus

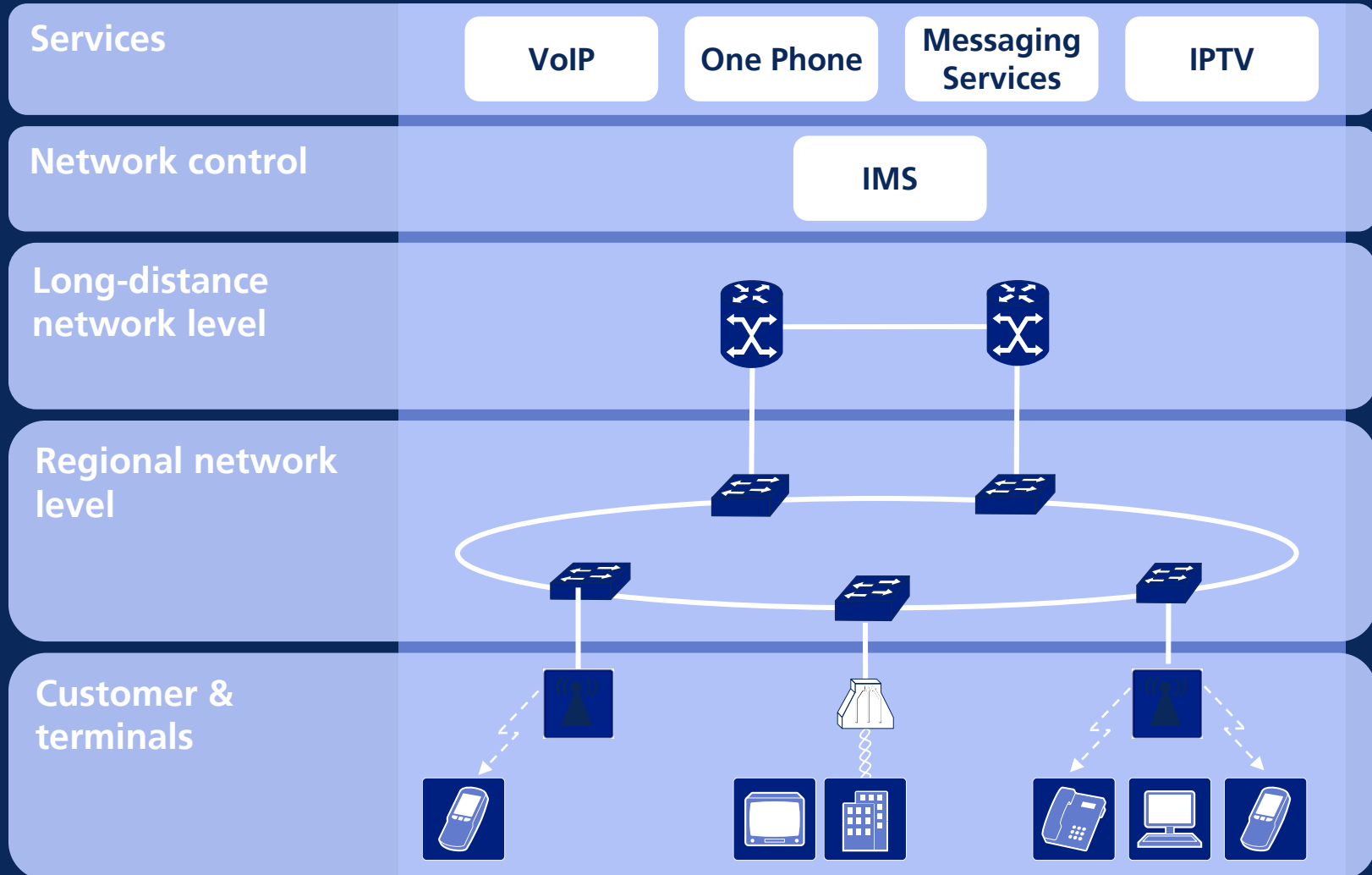
## Today



## Tomorrow from 1.1.2007



# The network of the future: ALL IP



# Increasing ownership of Swisscom Mobile to 100% successfully completed in December 2006

## Strategic Rationale

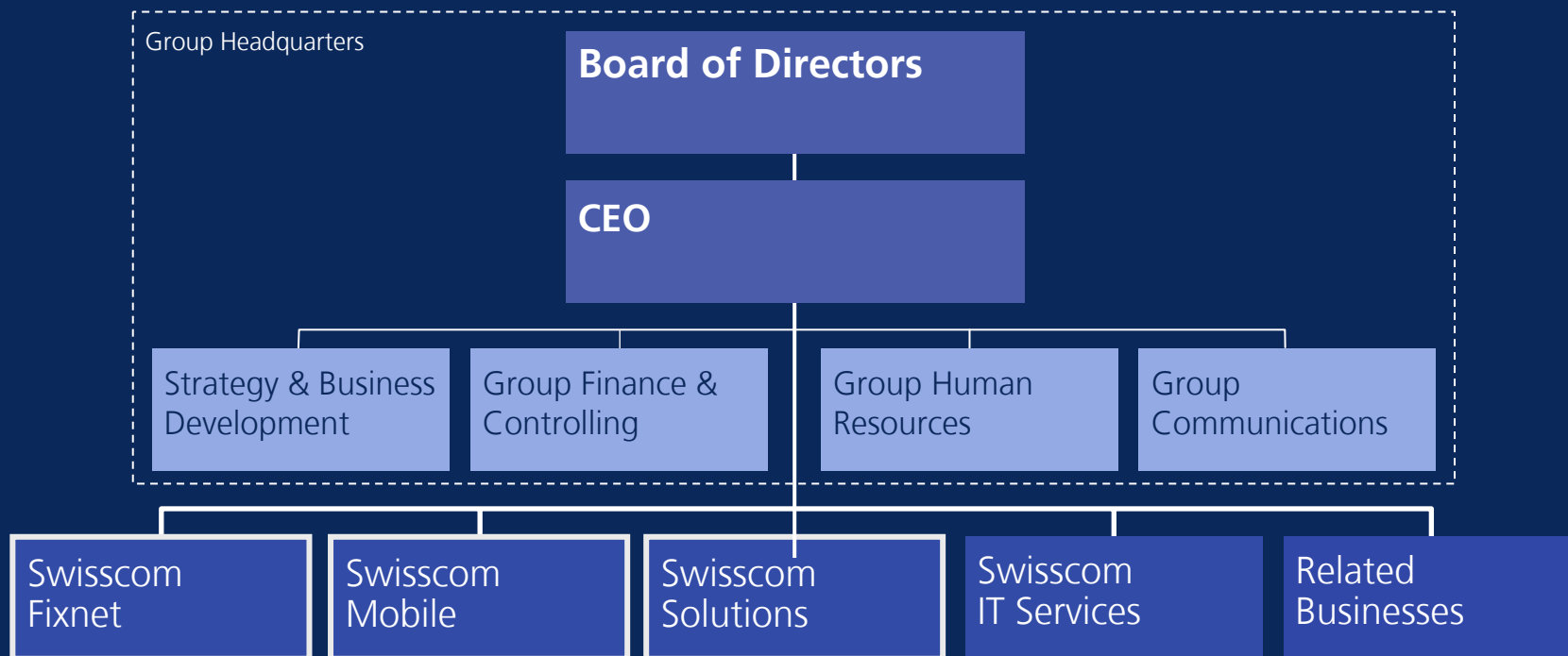
- I. Full control of a core asset through 100% ownership and governance
- II. Ability to independently execute TIME strategy and hence extract more value from convergence
- III. Secure full benefits of continued operational cooperation with Vodafone

## Financial Rationale

- I. Fair Valuation
- II. Accretive to earnings and cash flow from the outset
- III. Improve capital structure efficiency while keeping financial flexibility post transaction fully intact
- IV. Increased distribution potential to shareholders thanks to 100% debt financing with no amortisation planned

**“Swisscomplete” as prerequisite to enhance value of convergence**

# Group structure



## Swisscom Fixnet

## Segment financials and data

|                                    | 9m 2006             | YOY        |
|------------------------------------|---------------------|------------|
| Net revenue in CHF mm <sup>1</sup> | 3,753               | -6.5%      |
| EBITDA in CHF mm                   | 1,337 <sup>*)</sup> | -16.1%     |
| EBITDA margin                      | 35.6%               |            |
| EBIT in CHF mm                     | 771                 | -22.2%     |
| CAPEX in CHF mm                    | 396                 | 18.9%      |
| Number of FTE's                    | 7,110               | -1.2%      |
| <b>Access lines</b>                | <b>9m 2006</b>      | <b>YOY</b> |
| PSTN                               | 2,892,000           | -1.3%      |
| ISDN                               | 867,000             | -4.8%      |
| ADSL                               | 1,305,000           | 29.2%      |
| <b>Traffic in min. mm</b>          | <b>9m 2006</b>      | <b>YOY</b> |
| Retail                             | 7,267               | -10.2%     |
| Wholesale                          | 12.253              | -12.2%     |

<sup>1</sup> including inter-company (IC) revenue

<sup>\*)</sup> incl. CHF 180mm extraordinary charge for LRIC ruling

## Overview

- Fixed-line telephony, network infrastructure and resale of network services
- Market leader with >1.3mm ADSL and >2.8mm analog lines
- Basic service provision: services for the information society
- With 2/3 broadband market share, being the leading BB provider in Switzerland
- 2007: expansion of broadband network through further VDSL rollout
- ULL (excl. VDSL) to be introduced in 2007

# IPTV with Basic Offer, Live Sport, Video on Demand ...

## Bluewin TV Plus

### Ein **Starkes** Grundangebot

Nur **CHF 29.-** pro Monat

Mit Bluewin TV empfangen Sie über 100 TV-Sender und über 70 Radio-Sender.

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Ein frei wählbares Sprachpaket inklusive - Deutsch+, Français+ oder Italiano+.

### Bluewin TV-Box und **monatliches** Bluewin TV-Magazin

Über **100 Stunden** Aufnahmekapazität

### Live Sport - Mehr Liveübertragungen gibts nirgends

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Nur **CHF 1.-** pro Event

### Video on Demand - 500 Top-Filme auf Abruf

Ab **CHF 3.50** pro Film

# ... Pay TV and Home Installation Service

**Ab CHF 29.90 pro Monat**

**DAS BESTE. ZUERST.  
Bis zu 30 Kanäle.**

- TELECLUB BASIC
- TELECLUB MOVIE
- TELECLUB FAMILY
- TELECLUB SPORT

**Nur CHF 30.-\* statt CHF 48.-**

**CANAL+ CINEMA**   **CANAL+ SPORT**   **CANAL+ DECALE**   **CANAL+ HI-TECH**

\* bis 31.12.2006

**Einmalig CHF 95.-**

**Bluewin TV HEIMINSTALLATION**

# Swisscom Mobile

## Segment financials and data

|                                    | 9m 2006 | YoY    |
|------------------------------------|---------|--------|
| Net revenue in CHF mm <sup>1</sup> | 2,992   | -5.3%  |
| of which service revs              | 2,720   | -6.8%  |
| EBITDA in CHF mm                   | 1,372   | -5.1%  |
| EBITDA margin                      | 45.9%   |        |
| EBIT in CHF mm                     | 1,091   | -6.3%  |
| CAPEX in CHF mm                    | 187     | -2.6%  |
| Number of FTE's                    | 2,404   | -1.5%  |
| Subscribers (thousand)             | 4,563   | 9.3%   |
| ARPU (CHF/month)                   | 65      | -14.5% |
| AMPU in min.                       | 124     | 4.2%   |
| SMS MO in mm                       | 1,558   | 5.8%   |

<sup>1</sup> including inter-company (IC) revenue

## Overview

- Swiss market leader with 4.6mm mobile subs and mkt. share of 2/3
- Vodafone: Swisscom repurchased 25% stake of Swisscom Mobile from Vodafone and kept operational partnership in place
- Nationwide GSM network
- UMTS, EDGE and HSDPA: high-speed data connections
- Mobile Unlimited: award-winning business customer application
- Liberty: transparent price models stimulate usage
- Ongoing growth from advanced data
- # SMS per active user at 59.8
- Low churn rate: for first 9 months at 7.3%

## Swisscom Solutions

## Segment financials and data

|                                    | 9m 2006        | YOY        |
|------------------------------------|----------------|------------|
| Net revenue in CHF mm <sup>1</sup> | 888            | -5.5%      |
| EBITDA in CHF mm                   | 54             | -25.0%     |
| EBITDA margin                      | 6.1%           |            |
| EBIT in CHF mm                     | 31             | -27.9%     |
| CAPEX in CHF mm                    | 29             | 141.7%     |
| Number of FTE's                    | 1,956          | 7.5%       |
| <b>Traffic in min. mm</b>          | <b>9m 2006</b> | <b>YOY</b> |
| National                           | 1,351          | -7.5%      |
| International                      | 258            | -4.4%      |
| Total                              | 1,609          | -7.0%      |

<sup>1</sup> including inter-company (IC) revenue

## Overview

- Solutions for business customers
- Portfolio of solution services:
  - Consulting
  - System integration
  - Operation and hosting
  - Prevention and intervention
  - Service providing
  - Outsourcing
- Complex communications systems for 4,600 customers
- Market leader in ICT security
- Market position strengthened through international partnerships

## Swisscom in figures as per 30.09.2006

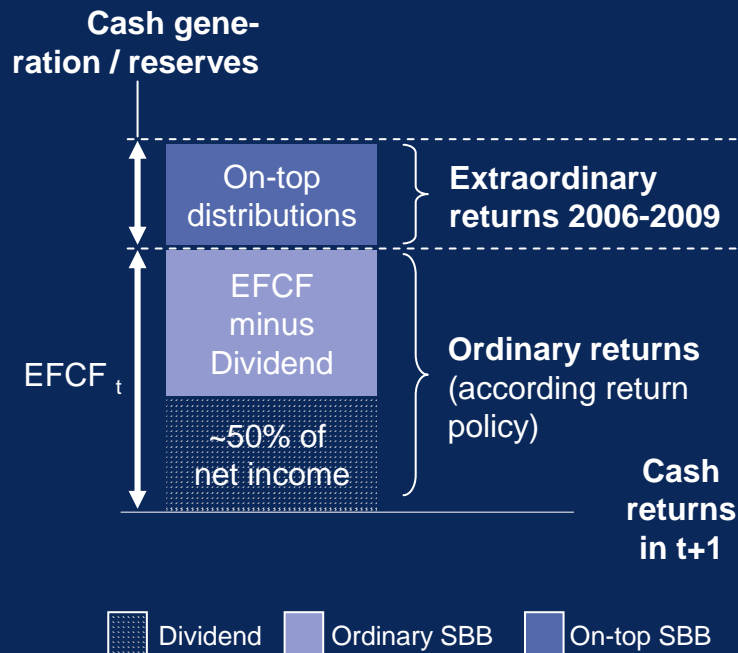
|                              |             | YoY     |
|------------------------------|-------------|---------|
| Net revenue                  | CHF 7,196mm | - 1.4%  |
| EBITDA                       | CHF 2,855mm | - 12.7% |
| Net income                   | CHF 1,229mm | - 25.5% |
| Net earnings per share (EPS) | CHF 21.77   | - 20.0% |
| CAPEX                        | CHF 852mm   | + 27.7% |
| Equity Free Cash Flow        | CHF 1,021mm | - 56.8% |
| Net cash                     | CHF 333mm   |         |
| Book leverage                | -7.2%       |         |
| Equity ratio                 | 38.0%       |         |

**Outlook 06: revenue CHF 9.5bln, EBITDA CHF 3.7bln, CAPEX 1.3bln**

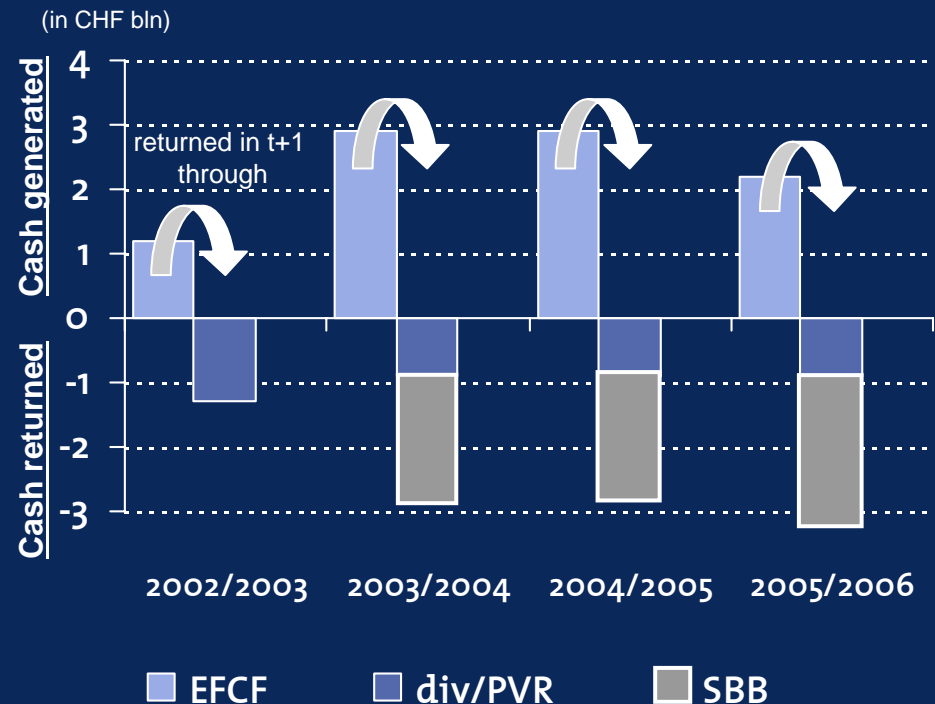
**Outlook 2007: revenue flat YOY, EBITDA CHF 3.9bln**

# Unique return policy since 2003

## Shareholder distribution



## 4-years overview of shareholder returns



Swisscom has consistently delivered high direct (dividends) and indirect (buybacks) accretion yield to investors

# Swisscom's investment case: create value from TIME

## Maximizing value in core business

- use convergence as a powerful lever for differentiation
- migrate to a customer segment focused organization and 1 all-IP network to improve substantially existing cost structure
- take benefit of regulatory environment which honors investments in new technologies

## Option & value creation by using leverage potential

- acquisitions
- build ups
- buy backs

**Thank you for your attention !**

# 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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**For further information, please contact:**

phone: +41 31 342 6410

fax: +41 31 342 6411

<mailto:investor.relations@swisscom.com>

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