

# Deutsche Bank, Swiss Equities Conference

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# Agenda

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- Profile
- Strategy & achievements
- Customer orientation - new organisation
- Swisscom Switzerland - the stable cash generator
  - Residential, market overview
  - Small & Medium Enterprises, market overview
  - Corporate Accounts, market overview
  - Swisscom Brand & Loyalty
  - Cost efficiency initiatives
- Fastweb - the growth generator
- Outlook & Guidance 2008

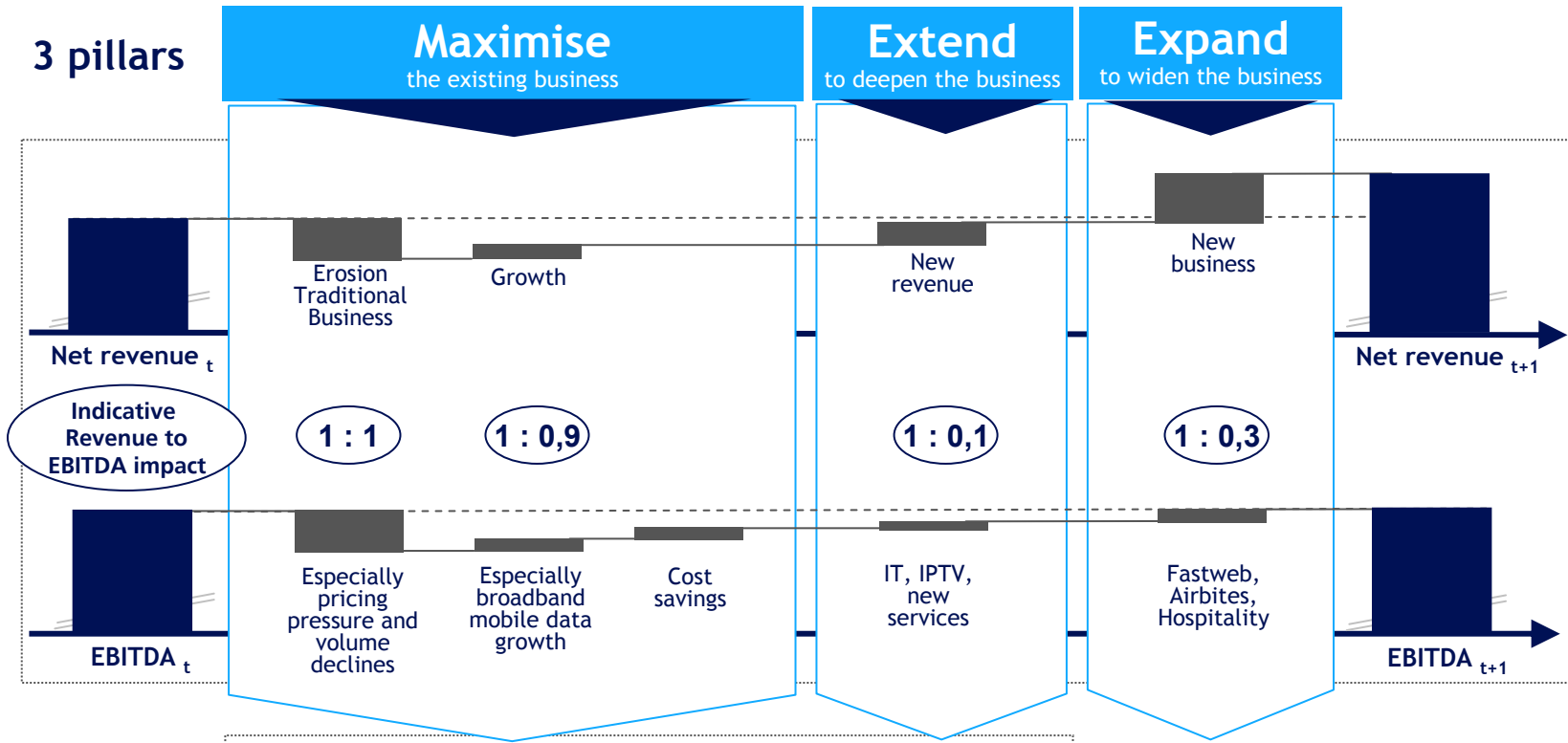
# Profile

Swisscom Group		2007	Change YoY
Net revenue	in CHF bln	11.1	15%
EBITDA	in CHF bln	4.5	19%
CAPEX	in CHF bln	2.0	51%
OpFCF	in CHF bln	2.1	-5%
Net income	in CHF bln	2.1	31%
Earnings Per Share	in CHF/share	39.9	38%
Dividends Per Share	in CHF/share	20 <sup>1)</sup>	18%
Number of employees	FTE's per YE	19'844	16%

<sup>1)</sup> Dividend consists of ordinary payment of CHF 18 and extraordinary dividend of CHF 2 per share, both paid in April 2008

# Time strategy

## Maximise, Extend, Expand



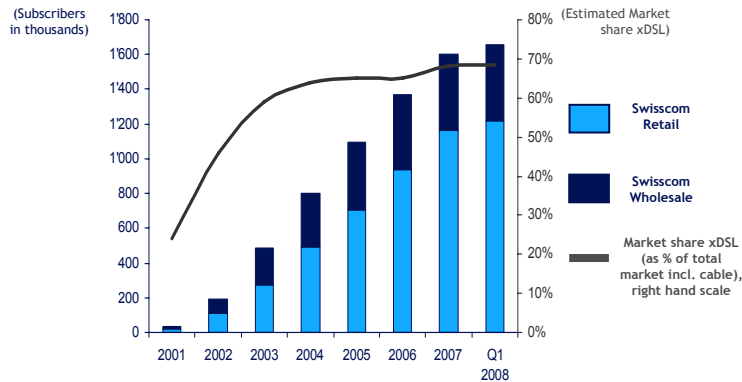
**3 objectives**

1. strengthen competitive position and enlarge value chain in core business in Switzerland
2. harness additional major potential for efficiency
3. pursue growth options outside current core business (clear industrial & strategic logic)

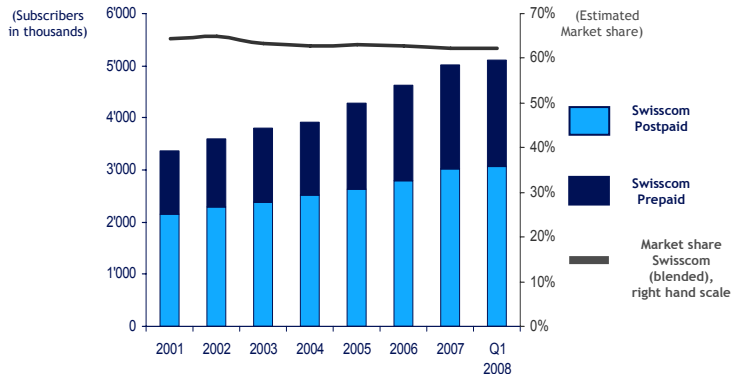
# Pillar „Maximize“ achievements to date and future priorities

## Achievements to date

### Drove broadband market share



### Stabilized mobile market share



## Future priorities

### Create a consistent brand experience and a customer centric service culture

- Be among the 10 most beloved brands in Switzerland

### Maximize access market share

- Deliver superior network performance (bandwidth, in-house networks)

### Differentiate the access through innovation

- Residential: triple screen, digital support
- SME and Large Accounts: Enterprise Communication

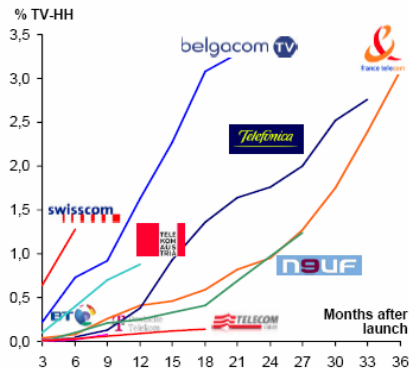
### Realise efficiency gains

- Complexity reduction: product portfolio, transfer pricing
- Synergies from merging Fixnet, Mobile and Solutions
- Technology-driven savings (migration to All-IP)

# Pillar „Extend“ achievements to date and future priorities

## Achievements to date

### Successfully launched IPTV

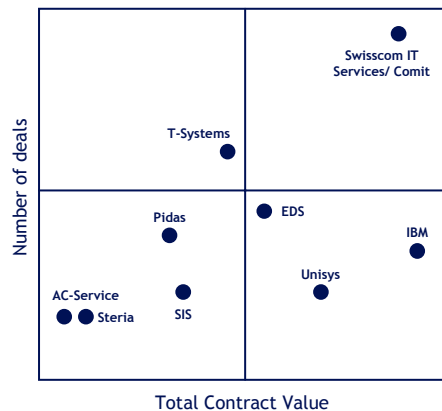


- 64k paying subs until end Q1 2008
- High satisfaction rate re. content / functionality
- Stability of service significantly improved

## Future priorities

- Continue improving **service quality**
- Improve **cost structure** through process improvements
- Broaden **service offer** (e.g. launch HDTV and launch “light version” at lower price)

### Substantial new IT Services deals won in 06/07<sup>(1)</sup>



- #1 in desktops under management (CH)
- #1 in project business in Financial Services (CH)
- #2 in the overall IT Services market (CH)

- Continue delivery **industrialization and automation**
- Increase **global delivery capabilities** with partners
- Extend capabilities for **banks** with **adjacent solutions**

(1) Source: Active Sourcing, deals from 10 million Swiss francs upwards (Q4/05 - Q3/07)

# Pillar „Expand“ achievements to date and future priorities

## Achievements to date

### **FASTWEB**

- Successful tender offer (82% acceptance) in May 07
- Core revenue growth in 2007 of 24%, core EBITDA growth of 33%
- Positive cash flow expected in 2008

### **airbites.net**

- Building fibre-based city carriers in CEE
- 110k BB subscribers, strong organic customer growth
- No. 1 or 2 positions in several Ukraine cities

### **Hospitality Services**

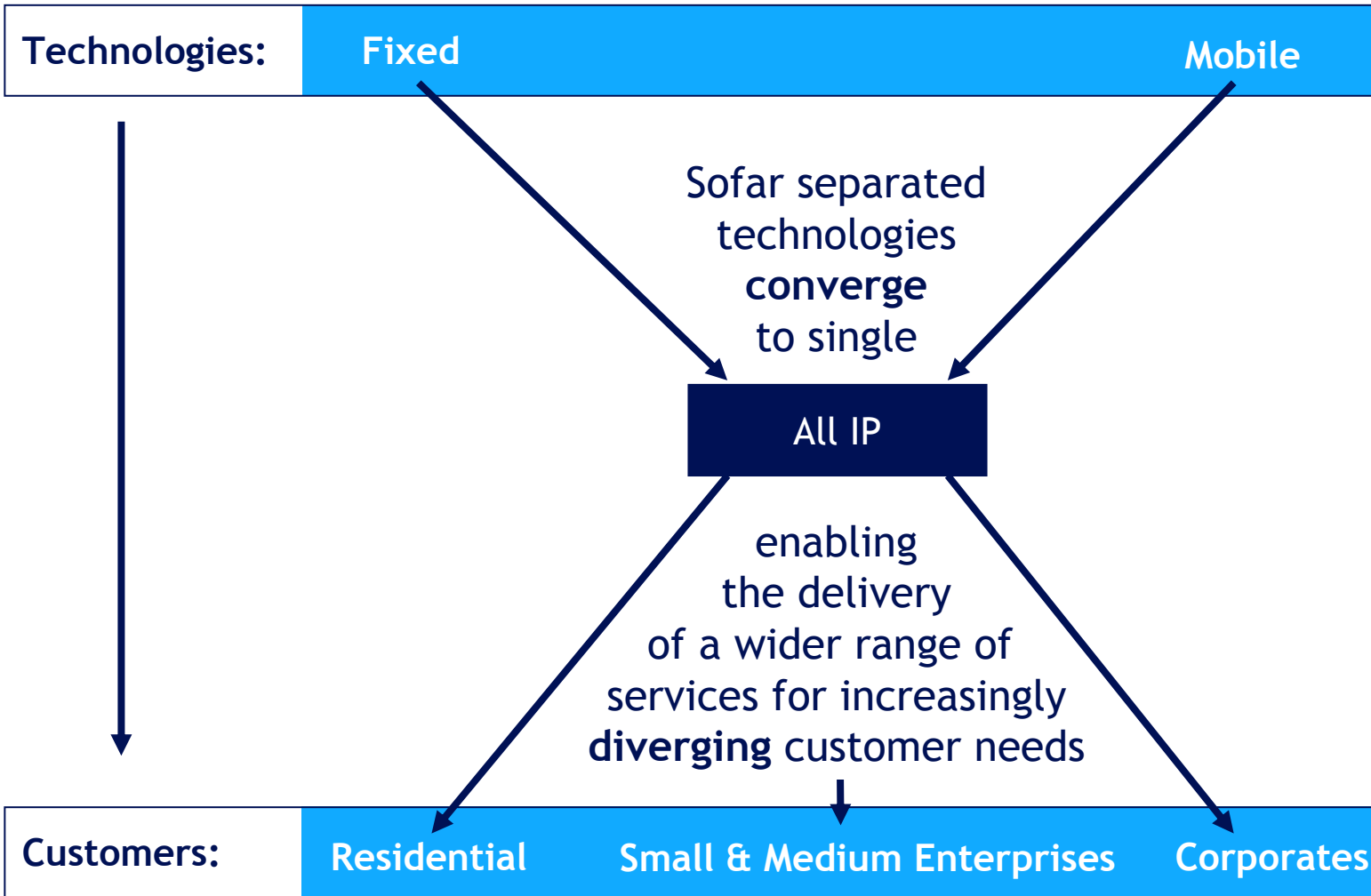
- Networked IP services for hotels and conferences
- ~ 2,400 contracted properties, >200k covered rooms
- Leading position in Europe, foothold in the US

## Future priorities

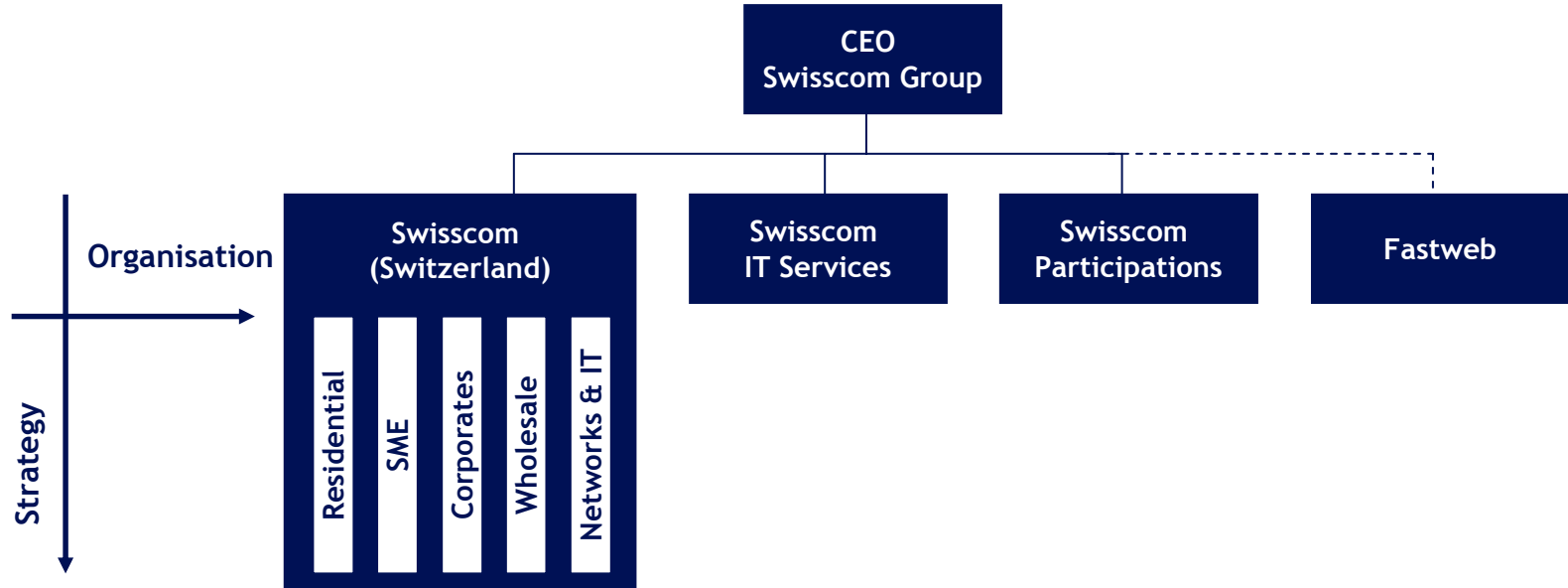
- Further develop market position as **leading attacker**
- Drive **customer, market share growth** in B2C, B2B
- Launch **MVNO** to enhance value
- Drive **organic customer growth**, increase **ARPU**
- Consider **selective M&A** to strengthen position
- Drive **organic growth** (# properties, usage)
- Launch/roll-out **IPTV service, triple play**

(1) Source: Active Sourcing, deals from 10 million Swiss francs upwards (Q4/05 - Q3/07)

# From technology to customer orientation

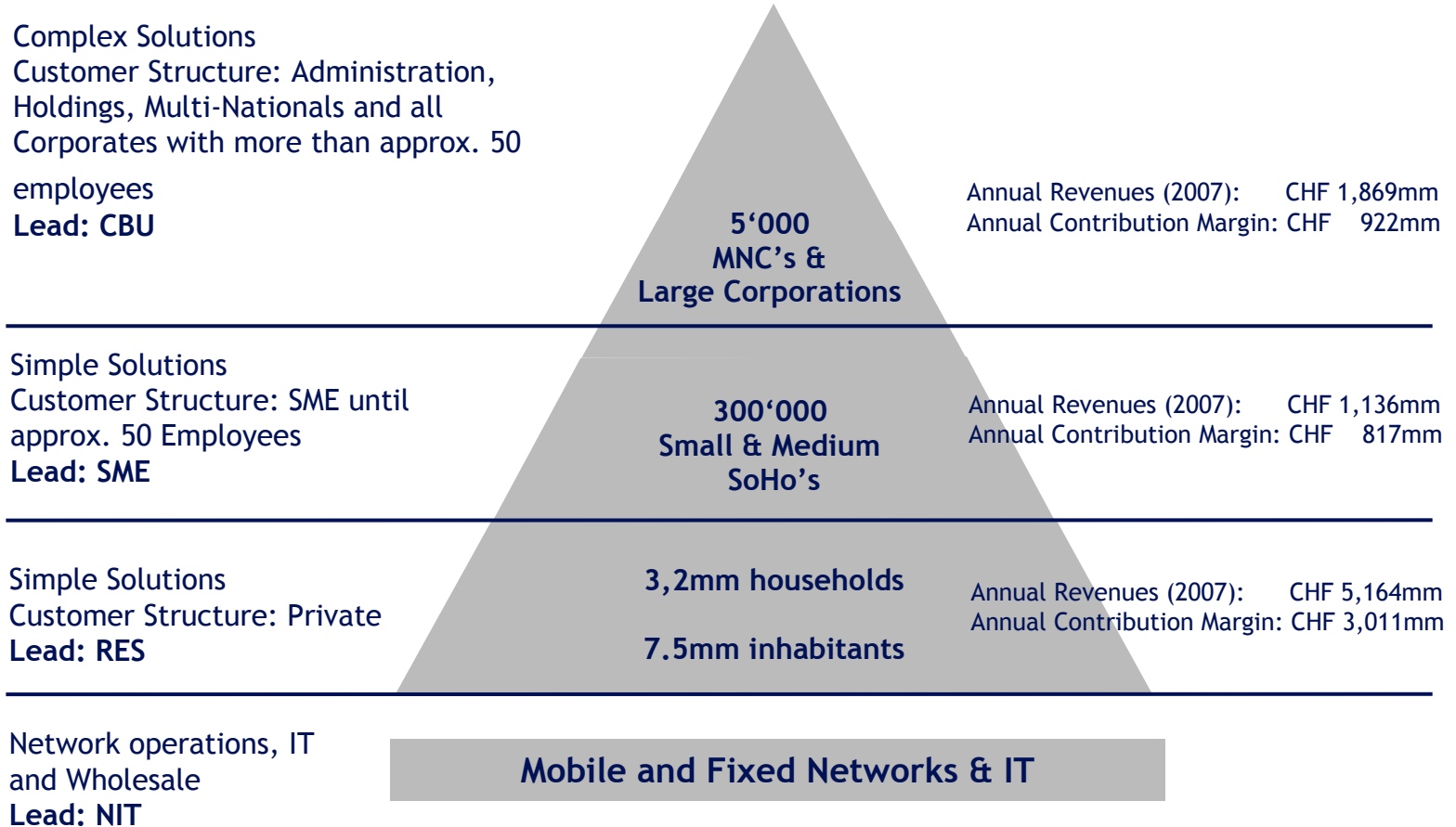


# New organisation aligned with strategy to support shift from technology to customer orientation



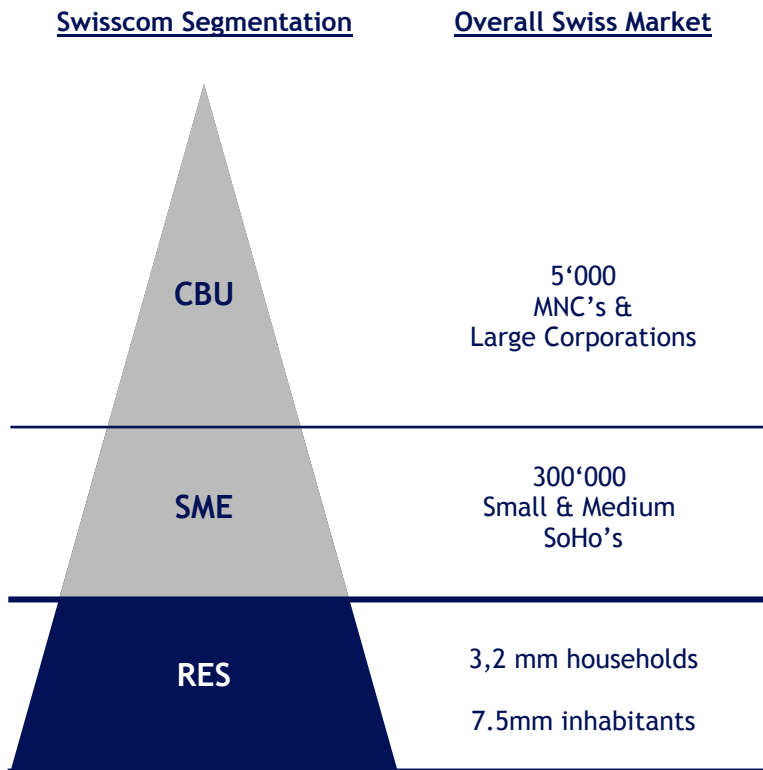
Maximize	✓	✓		
Extend	✓	✓	✓	
Expand			✓	✓

# The various segments of Swisscom Switzerland, introduction



# Residential customer base large, segmented and very loyal

## Market View

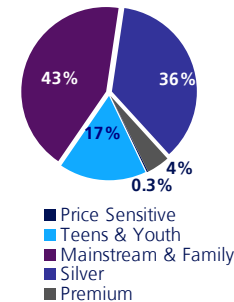


## Details

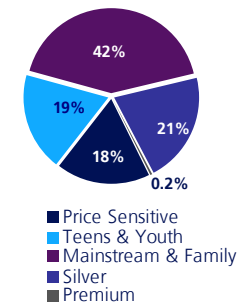
### Swisscom residential customer base (31.3.2008)

- 2,091 k. mobile post-paid customers
- 2,038 k. mobile pre-paid customers
- 2,868 k. fixed voice lines
- 1,050 k. fixed broadband lines

### Post-paid customer segmentation



### Pre-paid customer segmentation



### Market shares 2007

- Mobile voice: 62%
- Mobile data: 55%
- Fixed voice: 65%
- Broadband retail: 50%

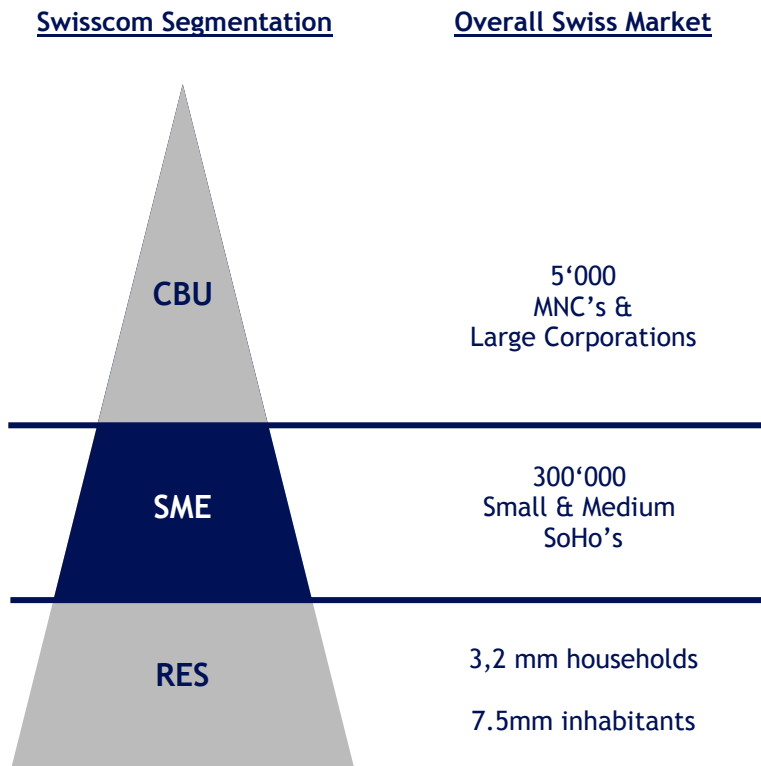
### Churn rates 2007

- Mobile post-paid: 9%
- Mobile pre-paid: 16%
- Fixed voice: 9%
- Broadband retail: 9%

# SME Market - unparalleled position

300,000 small- and medium-sized business customers served in Switzerland

## Market View



## Details

- Total number of companies in Switzerland is approx. 300'000, of which:
  - **88%** have less than 10 employees
  - **97%** have less than 50 employees
  - **86%** have one, and 11% between 2 and 5 locations
- Approx. **1.5 Mio employees (FTE)**, i.e. 48% of the entire workforce\* of Switzerland
- Approx. **22'000 new companies (7% of basis)** p.a.

### Swisscom SME customer base (31.3.2008)

- 380 k. mobile post-paid customers
- 509 k. fixed voice lines
- 148 k. fixed broadband lines

### Swisscom market shares 2007 in SME segment

- Mobile voice: 83%
- Mobile data: 83%
- Fixed voice: 84%
- Broadband: 63%

\* Excluding the public sector

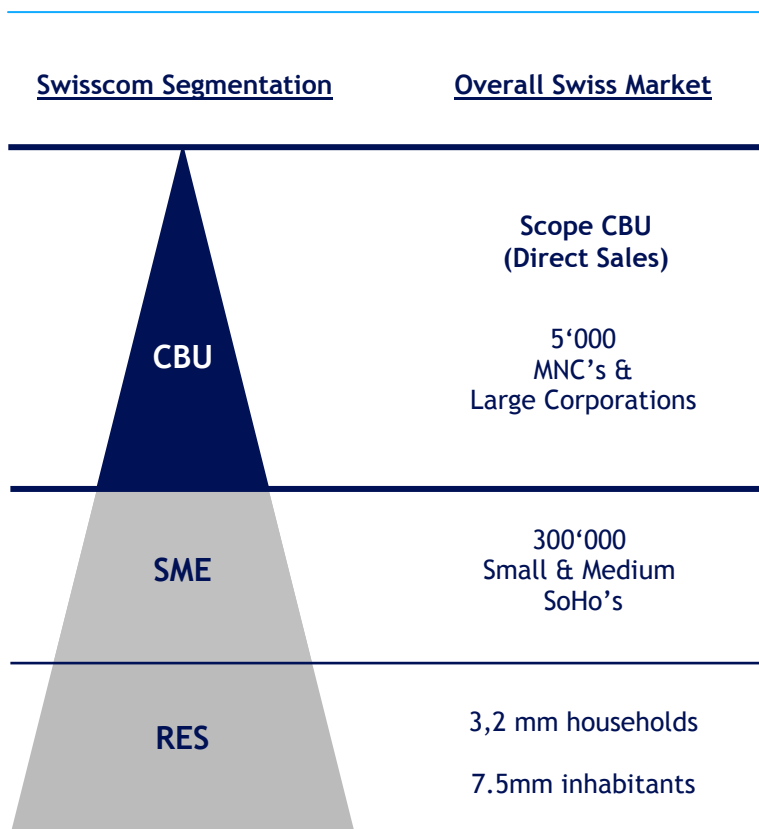
Sources:

- 1) Federal Statistical Office, Labor Market Indicators 2005" (published Feb 2007),
- 2) Market Share Measurement - Swisscom study and analysis 2007

# Corporate Market - leading full-service-provider

Focus on 5000 largest corporations in Switzerland

## Market Segmentation



## Details

### Corporate Customers

- Corporations: 5'000 largest.
- Locations: ~ 50'000.
- End-users: ~ 1.6 million.
- All industries

### Efficient G2M approach

- Group client management (Potential ≥ CHF 1mm)
- Key account management (Potential ≥ CHF 250k)
- Account management (Potential > CHF 50k)

### Swisscom Corporate customer base (31.3.2008)

- 591 k. mobile post-paid customers
- 288 k. fixed voice lines
- 18 k. fixed broadband lines

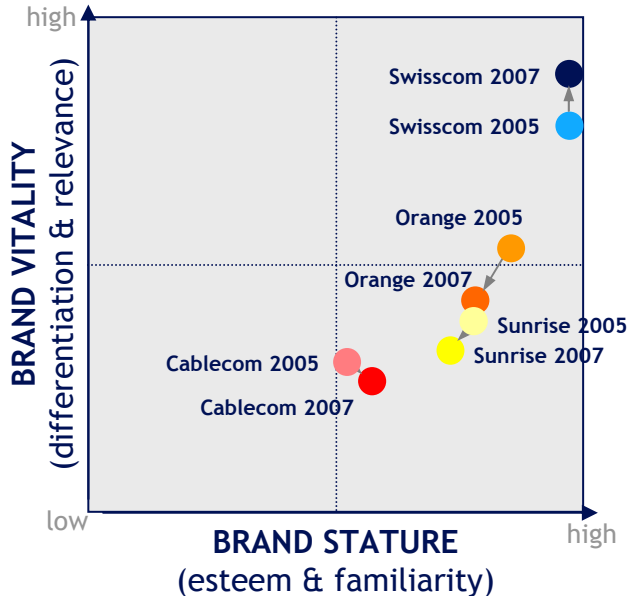
### Swisscom market shares 2007 in Corporate segment

- Mobile voice: 78%
- Mobile data: 88%
- Fixed voice: 70%
- Broadband: 43%

# Swisscom Switzerland - Strong brand and customer loyalty

## Swisscom brand

### Brandasset™ Valuator\*



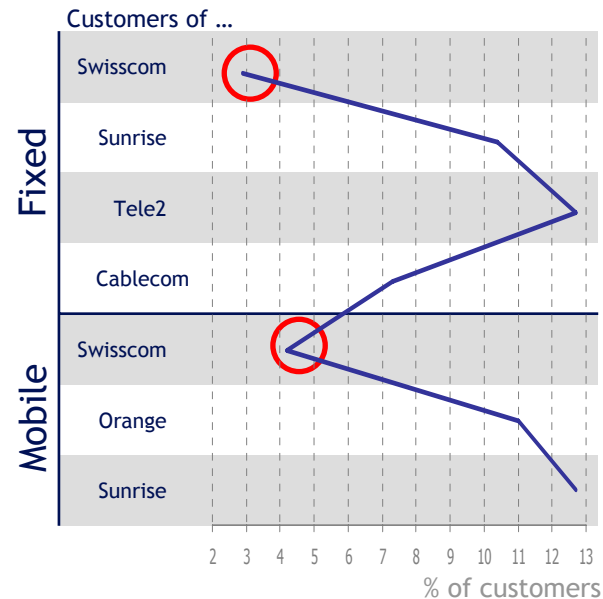
### Swisscom brand awareness

- unaided: 88.1%
- aided: 96.9%

\*Source: Advico Young & Rubicam, Brandasset™ Valuator, Oct. 2007

## Customer loyalty

### Intention to change operator\*\*

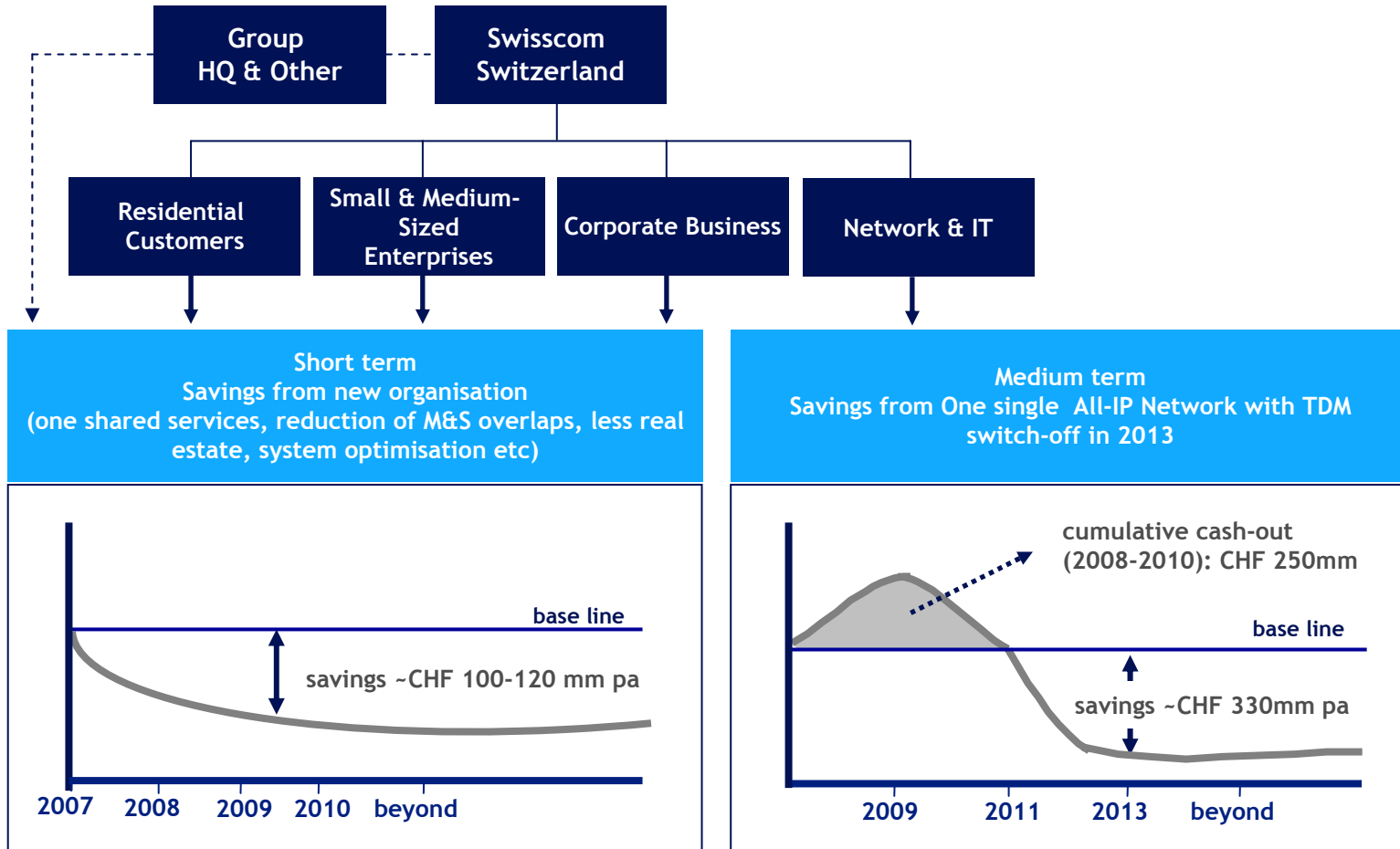


### Customers willingness to

- re-elect Swisscom: 9 out of 10
- recommend Swisscom: 8.6 out of 10

\*\*Source: IHA-GfK "Switcher-Studie", Dec. 2007

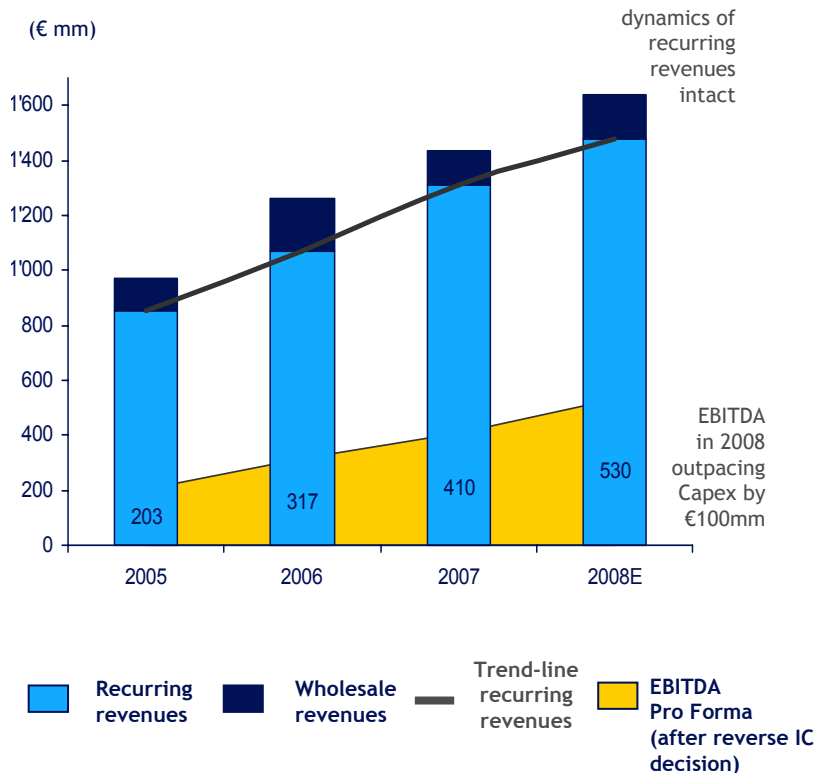
# Swisscom Switzerland - Cost efficiency initiatives:



# Fastweb - the growth generator

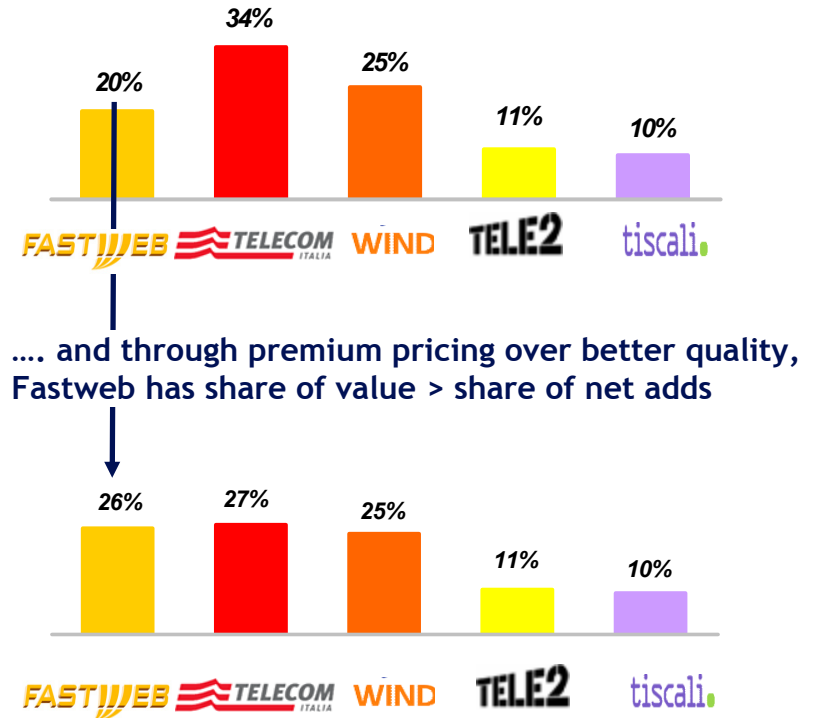
## Focus on top line growth at Fastweb

### Recurring business Fastweb with end-users (i.e. excluding proceeds from Wholesale)



## Supported by Fastweb's success in picking up high share of net broadband adds

### Fastweb's share of net adds Q1 2008 >> its market share of ~13% ...



# Outlook & Guidance 2008

			2006	2007	2008
<b>Swisscom Switzerland</b>	<b>Net revenue</b>	in CHF mm	8'776	8'693	slightly down
	<b>EBITDA</b>	in CHF mm	3'729	3'898	slightly down
	<b>CAPEX</b>	in CHF mm	978	1'241	flat
<b>Fastweb</b> (FY pro forma adj. for extras)	<b>Net revenue</b>	in EUR mm	1,251	1,433	~ 1,640
	<b>EBITDA</b>	in EUR mm	317	410	~ 530
	<b>CAPEX</b>	in EUR mm	529	541	~ 425
<b>Swisscom Group<sup>1)</sup></b>	<b>Net revenue</b>	in CHF bln	9.7	11.1	~ 12.3
	<b>EBITDA</b>	in CHF bln	3.8	4.5	~ 4.8
	<b>CAPEX<sup>2)</sup></b>	in CHF bln	1.3	2.0 <sup>2)</sup>	2.1-2.2
	<b>Δ NWC</b>	in CHF bln	0.0	-0.4	~ -0.2
	<b>OpFCF<sup>3)</sup></b>	in CHF bln	2.2	2.1	~2.4-2.5

1) Swisscom Group includes the segment 'Other' and Group Headquarters for which no separate guidance is provided

2) Capex 2007 ProForma for a FY of Fastweb was CHF 2.35bln. 2008 expenditure will on a comparable basis hence come down by CHF 150-250mm

3) Attributable to Swisscom shareholders

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# Q&A

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# Cautionary statement regarding forward-looking statements

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"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.

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