

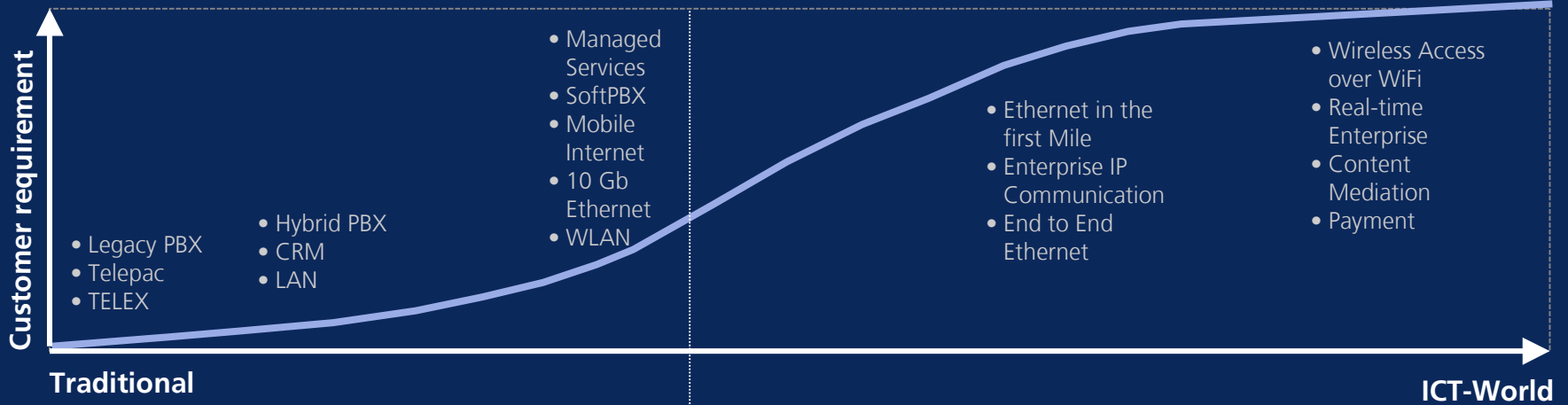
B to B

René Fischer, CEO Swisscom Systems
Hanspeter Quadri, CEO Swisscom Enterprise Solutions

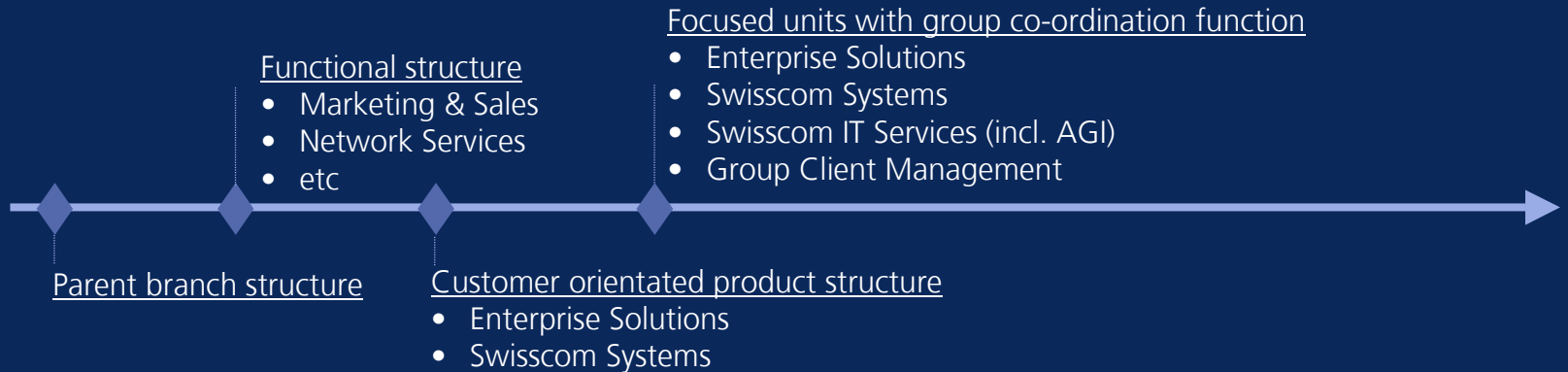
1-2 April 2004
Swisscom Capital Markets Event
Interlaken, Switzerland

Dynamics of B to B

Technological development



Corporate development



Defending the core

- Introduction
- Swisscom's B to B companies

Managing transition

Towards the future

Swisscom for Business Customers

Swisscom Enterprise Solutions

Provider of complex communication solutions for major accounts

- Connectivity services
- Mobility solutions
- Individual solutions for customers' performance improvement

Swisscom IT Services

Provider of IT solutions focusing on datacenter services

- Operation of data-centers
- Hosting, storage
- IT-Outsourcing

Swisscom Systems

Service specialist for In-house communication solutions

- Service network over Switzerland
- Customer individual solutions
- Outsourcing solutions for voice communication

Focus

Customers

- 5'000 customers
- Swiss Government
- Credit Suisse
- Swiss Post
- UBS

- 107 customers
- Cantonal banks
- Ascom
- CSS

- 100'000 customers
- Nestlé
- Credit Suisse
- Swiss Government
- Coop

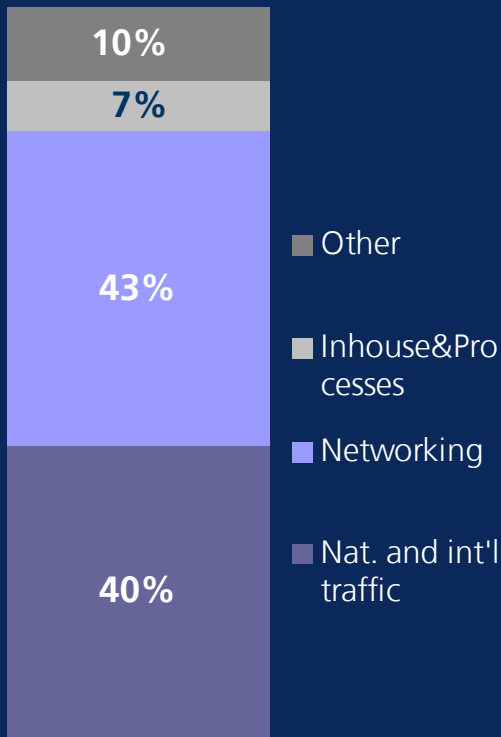
Snapshot

	Swisscom Enterprise Solutions	Swisscom IT Services	Swisscom Systems	
KPI 2003	Revenue, external	1,261	214	345
	EBITDA margin	all in high single digit		
	FTE	1,117	2,268	1,057
	Asset intensity	light	medium	light
Market	Est. market volume 3,100	Est. market volume 6,300	Est. market volume 350	
	- Integrated Access&Traffic - Networking - Inhouse&Processes - Professional Services	- Software&Services	- Project Business - Service Business - Outsourcing	
			Est. market volume 500 - Standard Business	
Competitors	TDC Switzerland (Sunrise) Colt Cablecom	IBM Accenture T-Systems CSC	Nextira One Siemens Ascom > 1,000 small companies	

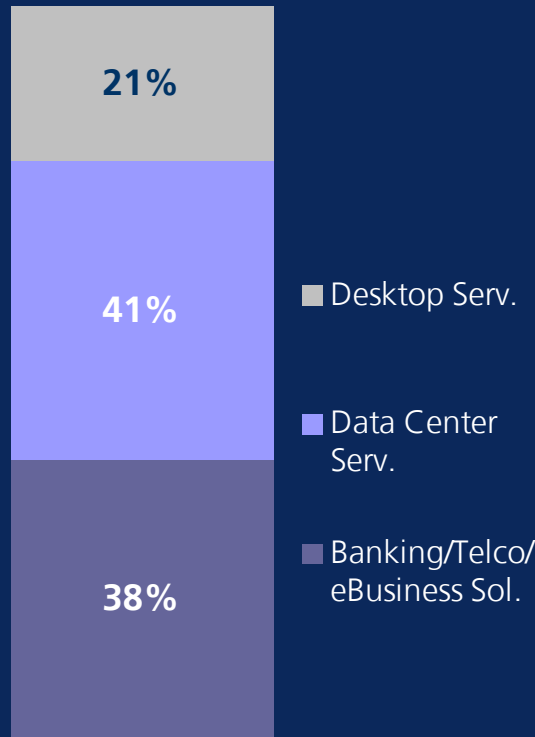
Revenues in CHF mm

Swisscom's B to B revenue composition by YE 2003

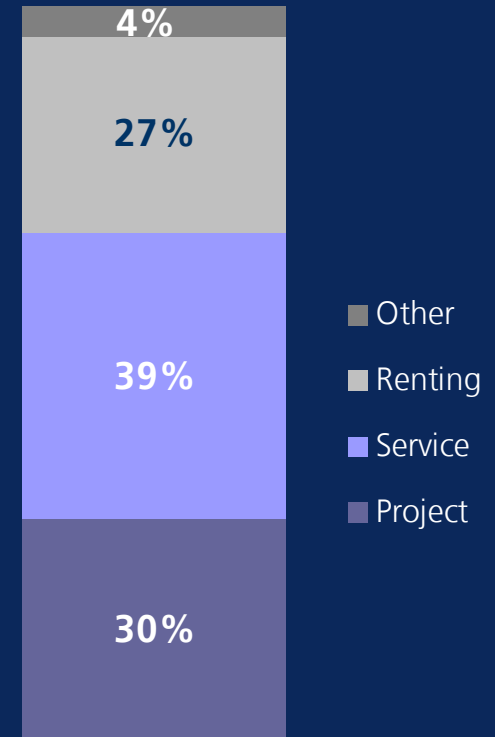
Swisscom Enterprise Solutions



Swisscom IT Services *)



Swisscom Systems



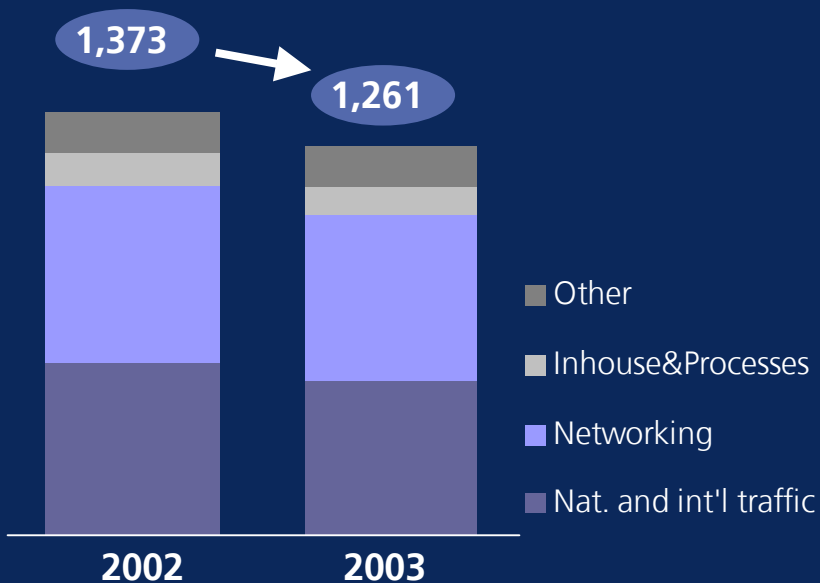
Infrastructure based revenue streams are dominant

*) based on sum of external and internal revenues

Swisscom Enterprise Solutions - Key Issues

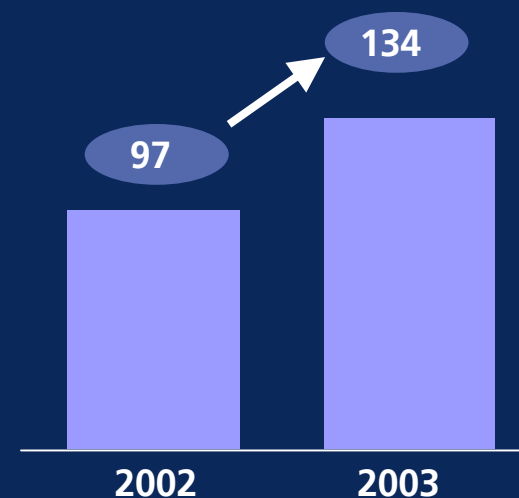
Net Revenue

(in mm CHF)



EBITDA

(in mm CHF)



- ➔
- **Weak Swiss economy**
 - **Price pressure**
 - price erosion
 - market share and volume decline
 - **VoIP starting to impact dial up**

- ➔
- **Rigid cost management**
 - **Process reengineering**
 - **Staff reduction**

Swisscom IT Services - Key Issues

Net Revenue

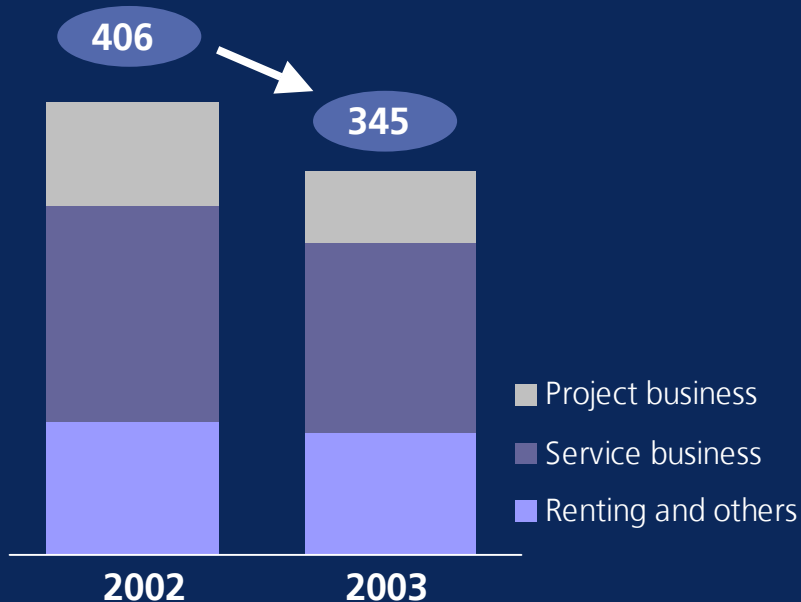
(in mm CHF)



- Internal revenue decline not compensated by external increase
- IT market faces over-capacities and off-shoring
- Continuing restructuring required
- Continuing investments in business knowledge and flexibility
- Further reduction of workforce while upgrading skill set

Swisscom Systems - Key Issues

Net Revenue
(in mm CHF)



- Price pressure in prices of equipment
- Reduced market demand due to poor economic situation
- Continuing rigid cost management required

Swisscom Systems - Key Drivers

Projects

- Quantity of solutions sold
- Installed base (quantity of customers, solution value)
- Average number of ports
- IT-integration level

Service

- Quantity of service contracts
- Average revenue per service contract
- Contract duration
- Customer satisfaction
- Installed base (quantity of customers, technical portfolio)

Renting

- Installed base (quantity of customers and contracts)
- Average revenue
- Contract duration and contract size

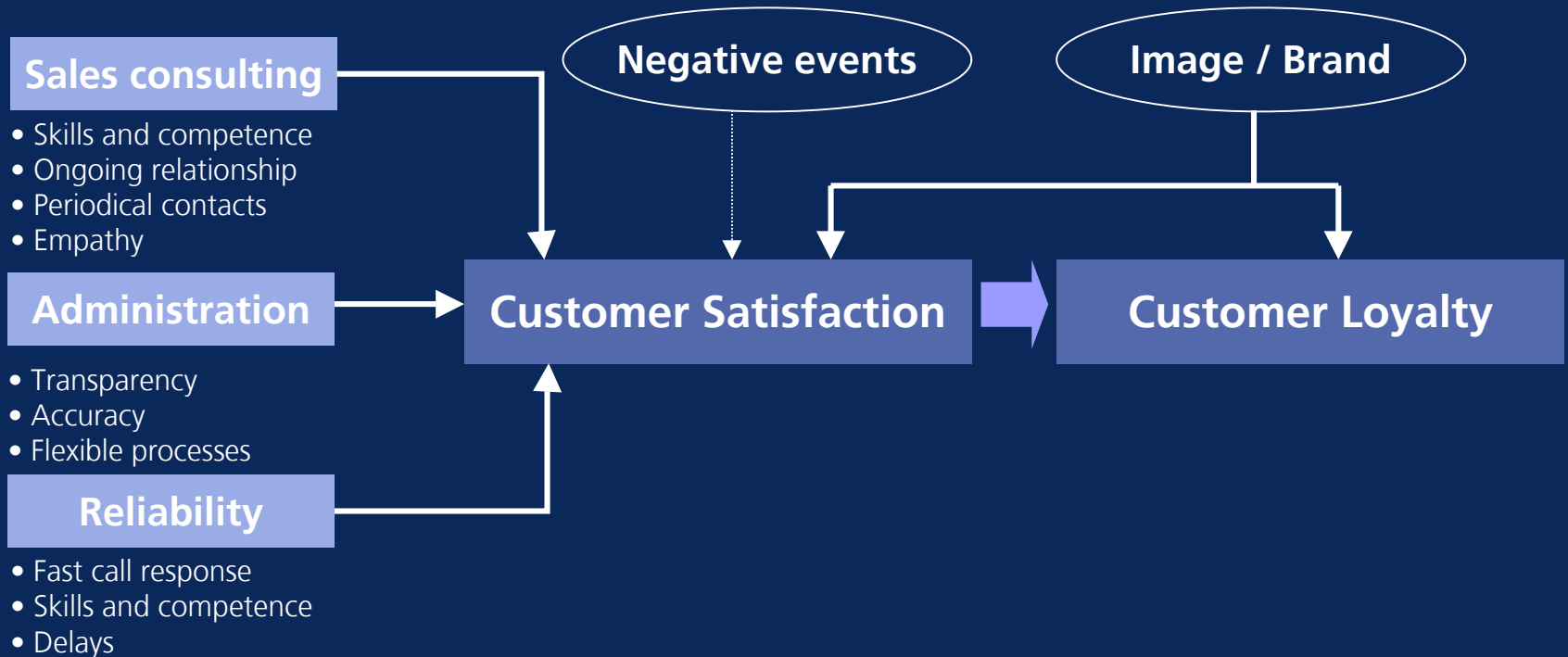
Defending the Core

Managing Transition

- Customer orientation
- Employees as key asset
- Value chain

Towards the future

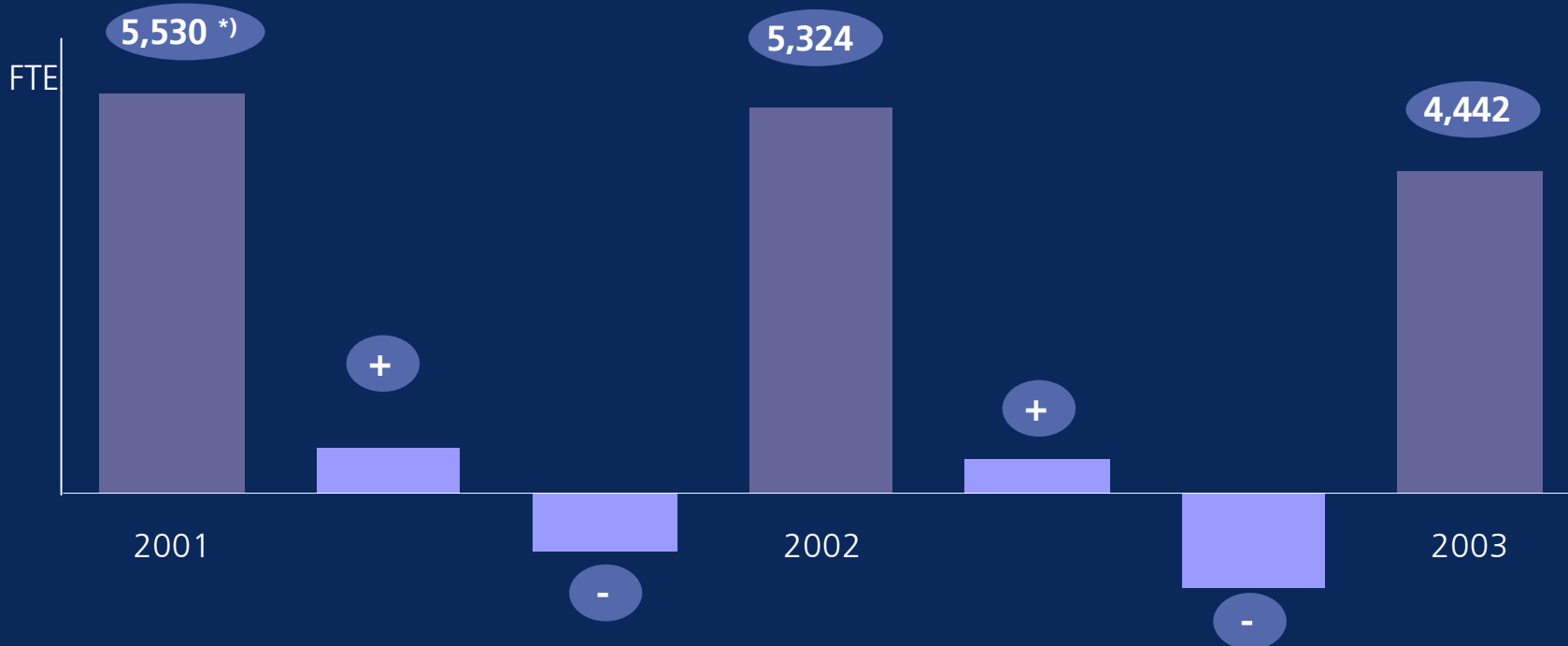
Customer Satisfaction



- **Drivers differ from retail business**
- **Increasing demand for individual solutions**
- **Service quality needs to be improved continuously**

Customer satisfaction as key management focus

Total FTE's down, however hiring some 10% p.a. new employees with higher avg. skill set



	2001	2002	2003
Average Wage	95.6	99.4	104.5
Average Age	39.0	39.6	39.3
Training Cost	4.9	12.5	9.4



Average Wage
Average Age
Training Cost

*) 2001 incl. pro-forma 493 AGI employees (consolidated in external accounts only as of 31.12.2002)

Implications of voice data convergence

Convergence of In-house voice / data

- Convergence of platforms
- Centralized purchasing departments

- **Cannibalization**
VoIP cannibalizing traditional voice traffic
- **Business volume**
Importance of substantial business with system integration, network operations and maintenance

Change in industrial structure

- Entrance of new players
- Move to soft-PBX and data networks

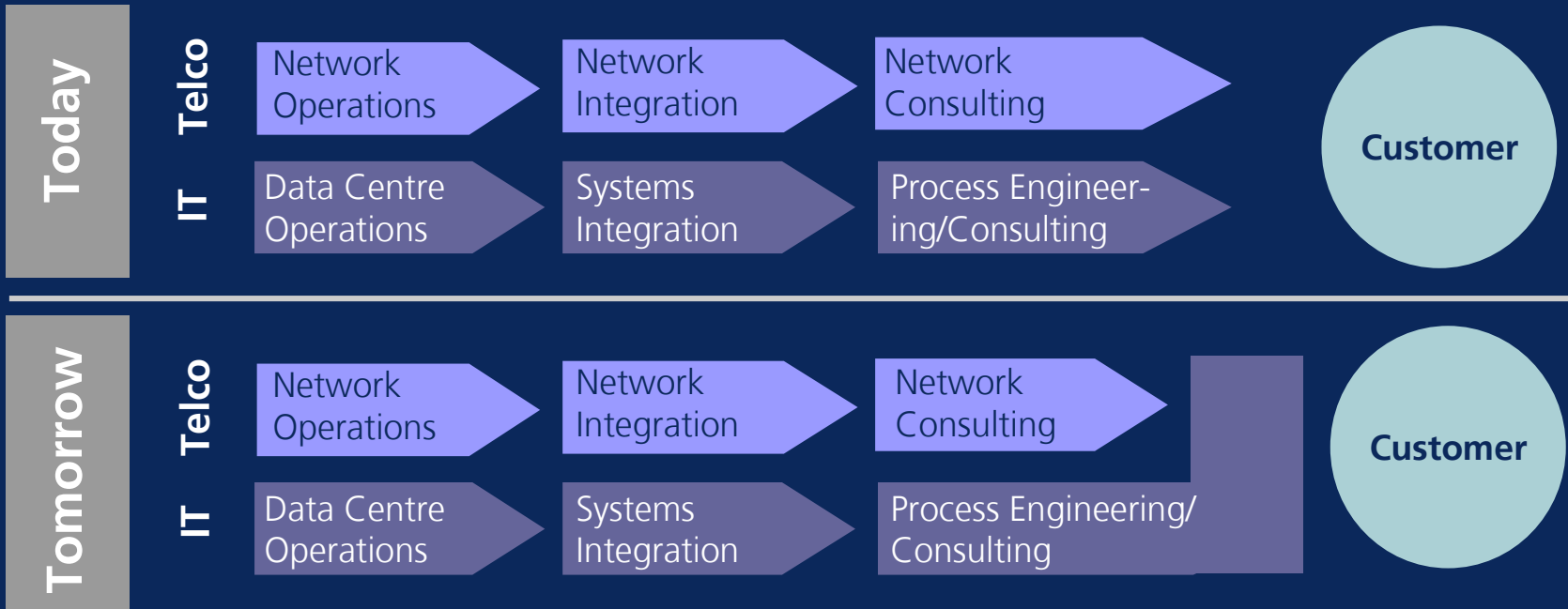
- **Networking**
Building up strategic partnerships

IP-based managed services

- Move to unified IP-based platform

- **Different value chain**
Urge to move up the value chain

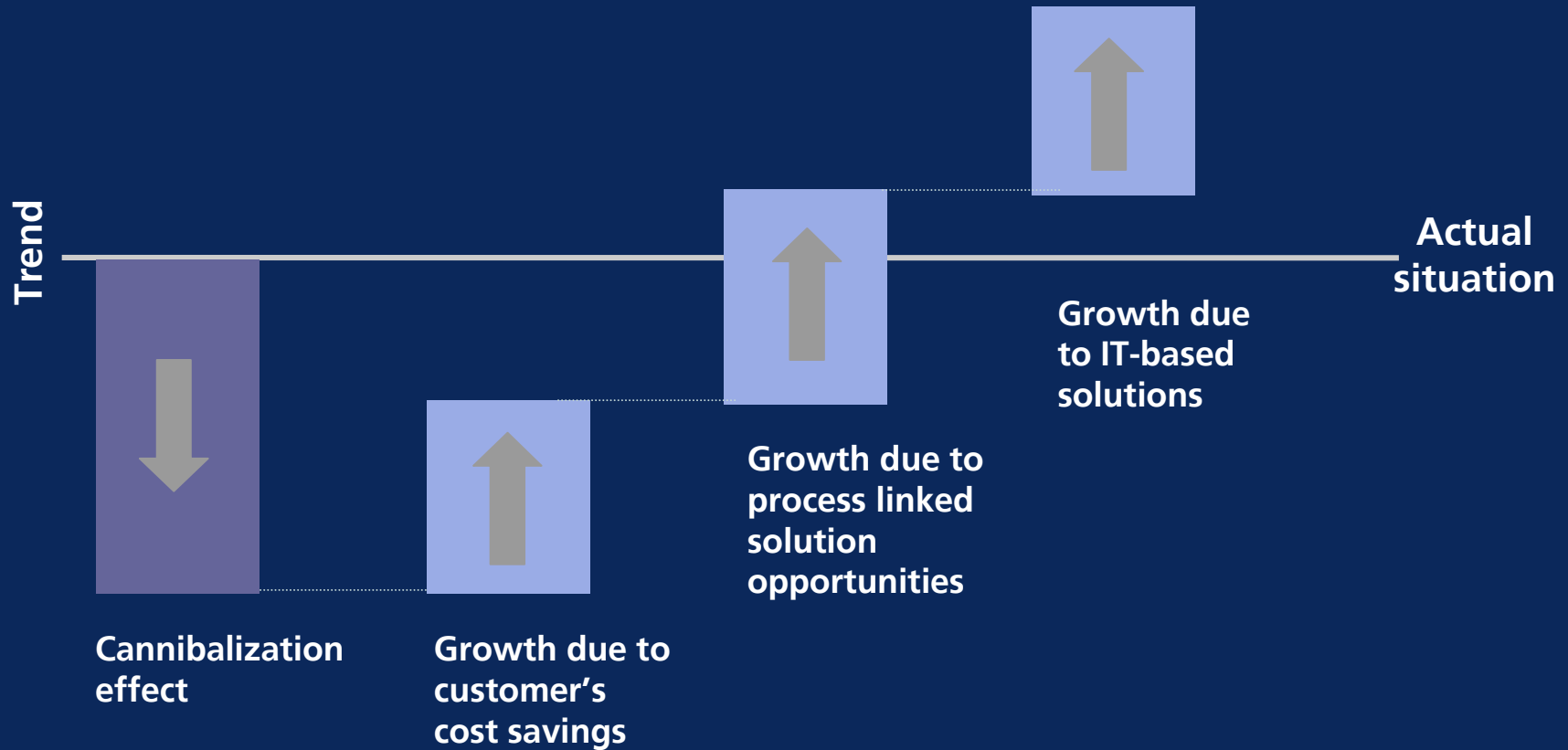
Changing value chain



- Threat from potential split-approach
- Competition between business sectors

Moving-up the value chain

VoIP based unified communication solution



Defending the Core

Managing Transition

Towards the future

- Outsourcing
- Voice over IP
- Information Communication Technology

The need for outsourcing solutions ...

Technological changes urge our customers to

- invest in education and training
- invest in hardware and software

No clear
competitive advantage
predictable

Importance
of security increasing
dramatically

Network operation
and development
not a core competence

Outsourcing of standardized voice services

... is increasing (infrastructure, operation, development)

Business Value

- Minimize investment risk
- Cost reduction
- Operating leverage

Service Level

- Follows the customer needs
- Measurable
- Based on incentives

Customer Satisfaction

- Reliable partner with skills and competencies
- Ongoing fulfillment in future secured

▪ Swisscom's companies well positioned

▪ Offered services

- Full infrastructure outsourcing
- Application outsourcing
- Full communication outsourcing
- Managed network service

As networks will be managed increasingly by external providers (e.g. Swisscom) bundles with other services are possible

Credit Suisse: an example

CREDIT SUISSE

- Dated infrastructure
- Heterogeneous technology
- Levels of service not satisfactory
- Involvement of many providers

51,000 work places

swisscom

- SLA with guaranteed reliability
- Standardized voice services
 - desktop terminals
 - move, add, change services
- Service desk for Credit Suisse branches
- Clearing of data

Business Value

- Cost reduction
- Simplification of internal processes
- Service reliability

Customer Satisfaction

- Transparency
- Flexibility with respect to number of ports

As enterprises seek to gain a competitive edge by speeding up their work processes...

... they should review their unified communications and VoIP-initiatives

Unified
Communications

VoIP and
applications

Provide tools to
optimize these business
processes involving human
interaction

Provide enterprises
with new and easier ways to
integrate processes that
require live voice

VoIP helps enterprises to leverage unified communications

Key questions

- Which voice applications and technologies will be used?
- What migration strategy?

Key strategic assumptions

- Ability to allow multiple software applications
- Components and methods designed to support unified communications

Communications-intensive workflows and work processes are ubiquitous ...

Every enterprise has a multitude of human communication processes

Today

- **Separate, incompatible communications silos**
- **Completely separate networks and devices**

Tomorrow

- **Integration of a wide range of communication options with business processes**
- **Shift of focus to**
 - **contact management**
 - **control functions**

VoIP provides new methods to integrate voice communications with applications

Circuit switched telephony

- **Applications tightly coupled with telephony infrastructure**
 - functionality as software within the PBX
 - link application with switch via computer-telephony (CTI)
 - separate platform with its own parts
- **Expensive, limited number of applications supported**

VoIP environment

- **Applications**
 - control TCP/IP-protocols, acting as the communication end point
 - interact with soft switch at a distance using protocol
- **VoIP integrates with applications**
- **Highest value of VoIP-architectures will lie in ability to allow multiple software applications to leverage common voice infrastructure**


Combine unified communications and VoIP to achieve real-time enterprise objectives

Long-term goal of standard-based unified communications

- Reducing barriers to integrate communication functions with applications

VoIP and unified communication architectures and products are at an early stage and have limitations

- not been widely deployed
- limited ability to scale
- usage of proprietary extensions

 **Enterprises should review their work processes to identify where delays exist and consider how these emerging technologies can be of assistance**

Swisscom with its strategic partnerships is well positioned

Magic Quadrant for Corporate Telephony in EMEA, 2003



Source: Gardner Research (August 2003)



In partnership with the leaders Swisscom aims to



- participate in the future development as early as possible
- fully cover IT function as service integrator

City of Biel

- Successful implementation of VoIP with Phone-Connex netphone
 - Integration of 40 branches and 750 users
 - Further development: Outlook-integration and fax server
- Voice, mail and fax are managed by one person and one single application**

Cornèr Bank

- Successful function as service integrator
- Integration of Nortel Meridian 1 solution including embedded customer database and Blue Pumpkin workforce management tool

Enhanced opportunities regarding data mining and marketing analysis as well as reduced cost

Enhance profitability with ICT ...

Future customers' needs

- New working models
- Increased mobility with full data access
- Strong demand to enhance employee productivity
- Concentration of overall communication responsibility
- Unlimited scalability
- Clear payback opportunities of investments

Future solutions

- Broad distribution of video conferencing solutions with embedded data access
- Data and voice communication based on PDA's, notebooks, mobile phones by Wireless-LAN, W-LAN (Hotspots), WI-FI and satellites
- Full computer integration: PC-based voice communication including Outlook information, voice mail, fax. Most probably, GSM and WI-FI phones
- Secure, easy manageable data access with increased level of Systems stability

... based on qualified consulting and services ...

Swisscom's solutions base on proven methods, techniques and well-trained employees, to fully match our customers' needs in any direction

- Quality
- Time frame
- Budget

Individual solutions enhance our customer's efficiency and productivity based on

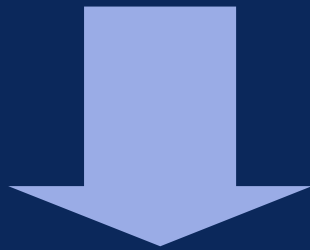
- Decreasing cost of ownership
- increased mobility with full data access
- increased security

... delivered by THE provider in Switzerland

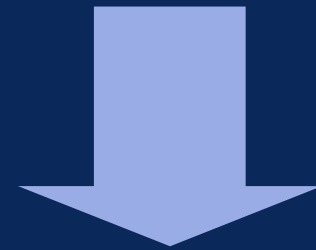
swisscom



swisscom
enterprise solutions



swisscom
systems



swisscom
IT services

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 SWX Swiss Exchange and 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.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise."