

Increasing ownership of  
Swisscom Mobile to 100%

*“Swisscomplete”*

19 December 2006

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<p><b>Carsten Schloter, CEO Swisscom</b></p> <p><b>slide 3-4</b></p>	<p><b>Carsten Schloter, CEO Swisscom</b></p> <p><b>slide 5-7</b></p>	<p><b>Mario Rossi CFO Swisscom</b></p> <p><b>slide 8-11</b></p>	<p><b>All</b></p> <p><b>slide 12-13</b></p>

## A. Transaction Highlights

# 1 Terms and Conditions

## Price

- Equity value (EV) of CHF 4.25bln
- **Enterprise Value of CHF 4.05bln**, hence no more dividends payable to Vodafone (Vod's share of 2006 profits included in purchase price)

## Valuation

- Headline **EV multiple** (9.0x expected EBITDA 2007) reflects:
  - Robust multi-year business outlook for Swisscom Mobile, with **2007E EBITDA of CHF 1.8bln** (versus CHF 1.7bln current consensus) - out of total **Group Outlook for 2007 of CHF 3.9bln**
  - Comparatively high cash conversion rate due to **low average Swiss tax rate of 22%** plus **very low Swiss and Swisscom cost of funding**
  - **Cost savings from leaner NGN operations** in medium term now exclusively attributable to Swisscom and ability to **extract more value from convergence**

## Cooperation

- Operational **cooperation** with Vodafone to be continued
  - Renewed and materially unchanged service agreement

## Closing

- Transaction expected to close on 20 December 2006

## Funding

- **Transaction** value of CHF 4.25bln paid in cash and fully debt funded – hence **not impacting Equity Free Cash Flow in 2006**

A. Transaction Highlights

## 2 Compelling Transaction Rationale

### 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

B. Strategic Rationale

# I Full Control

## Ownership

- From 75% to 100%, thereby lifting minority rights

## Governance

- Governance unified and simplified:
  - Board of Directors composition tuned to serve interest of Swisscom Mobile within context of the Swisscom Group
  - Significantly improved flexibility to make organisational changes in the face of convergence
    - Lower coordination costs and more speed

## Other

- Vodafone shall not compete with Swisscom in Switzerland or Liechtenstein for a period of 3 years
- Vodafone guarantees proportional compensation of potential penalties for Mobile Termination case (pending with Swiss Competition Commission)

***Full control and indemnities guaranteed***

## B. Strategic Rationale

## II Ability to extract more value from TIME strategy

### Ability to drive development independently

- **Convergence** products and services roadmap can be further developed and executed without conflict of interest
- Full **flexibility** to “converge” operating companies as and when necessary
- Customer **segmentation** enabled – away from networks approach
- **Organisational development** across operating companies (e.g. Swisscom shops, sales, installation and service approach) more flexible
- **Network** design, technology and operations development (NGN all-IP) can now be aligned and unified with Fixed

### Extract Benefits

- **Eliminate** duplicative network cash out: ~ CHF 100mm cumulative until 2010, and ~ CHF 200mm p.a. thereafter, as announced in August 2006
- **Reduce** indirect cost by establishing shared services for all operating companies
- No “**leakage**” of these savings to minority partner anymore – now all on Swisscom’s account

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

B. Strategic Rationale

## III Continuation of successful operational Cooperation

### Service Agreement renewed

- Renewed service agreement **materially (content, pricing) unchanged** from current
- **Exclusivity** for Switzerland and Liechtenstein in place
- **Duration** of agreement: **minimum 5 years**, with option to renew for multiple periods of 2 years

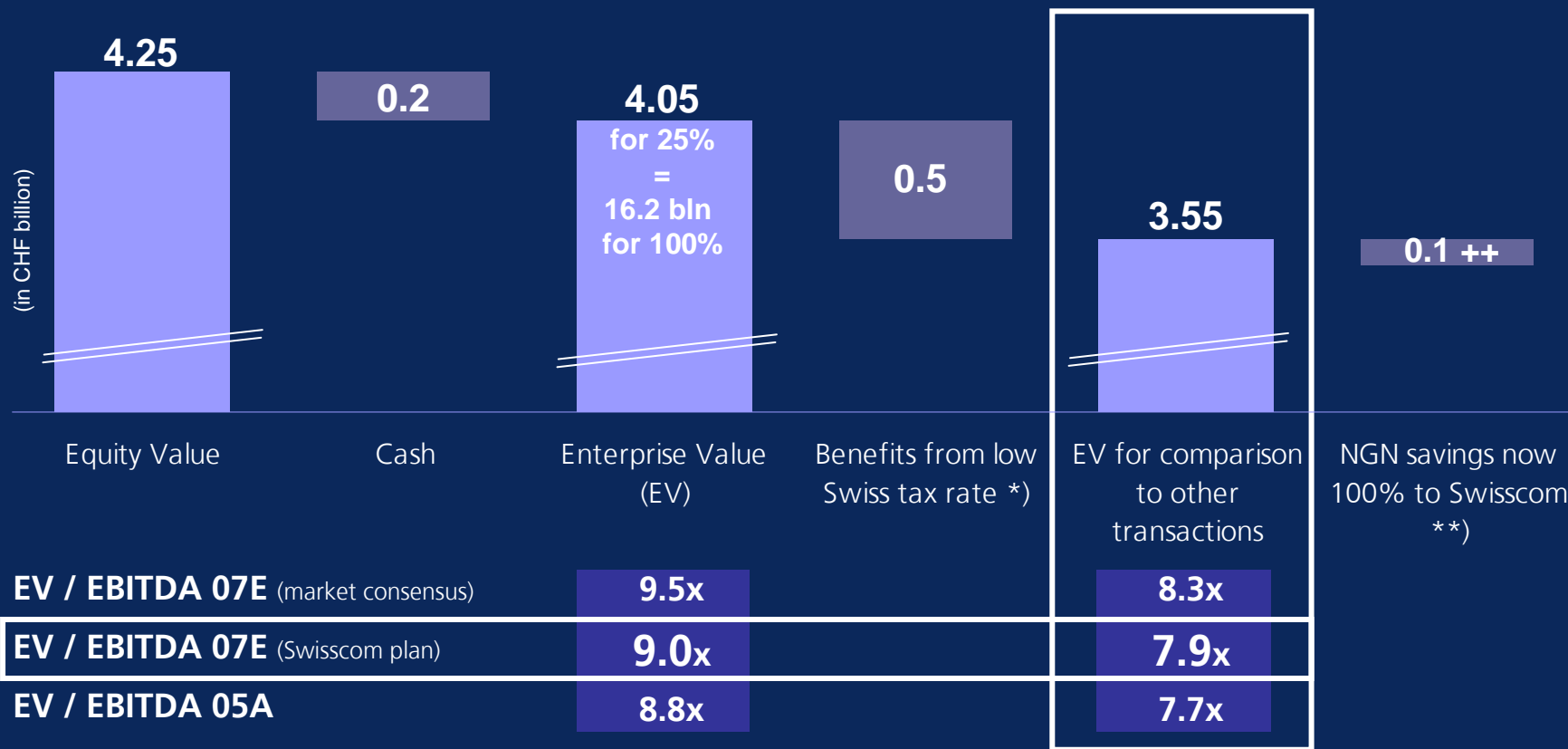
### Access to Vodafone Programs materially unchanged

- **Purchasing** (both end-user equipment and network equipment) delivering significant economies of scale
- **Timely access** to exclusive VF-Live! handsets and services (e.g. full music download, BlackBerry services)
- **Participating** in Vodafone's **global account management**
- **Use** of Vodafone resources for **supply/chain management**, thus saving on own cost
- **Participating in** and access to **benchmarking** information

*Renewed service agreement ensures continuation of successful operational cooperation under similar conditions*

C. Financial Rationale

# I Valuation (25%) and Multiples (100%)



**EBITDA Multiple corrected for tax rate difference with EU at 7.9x**

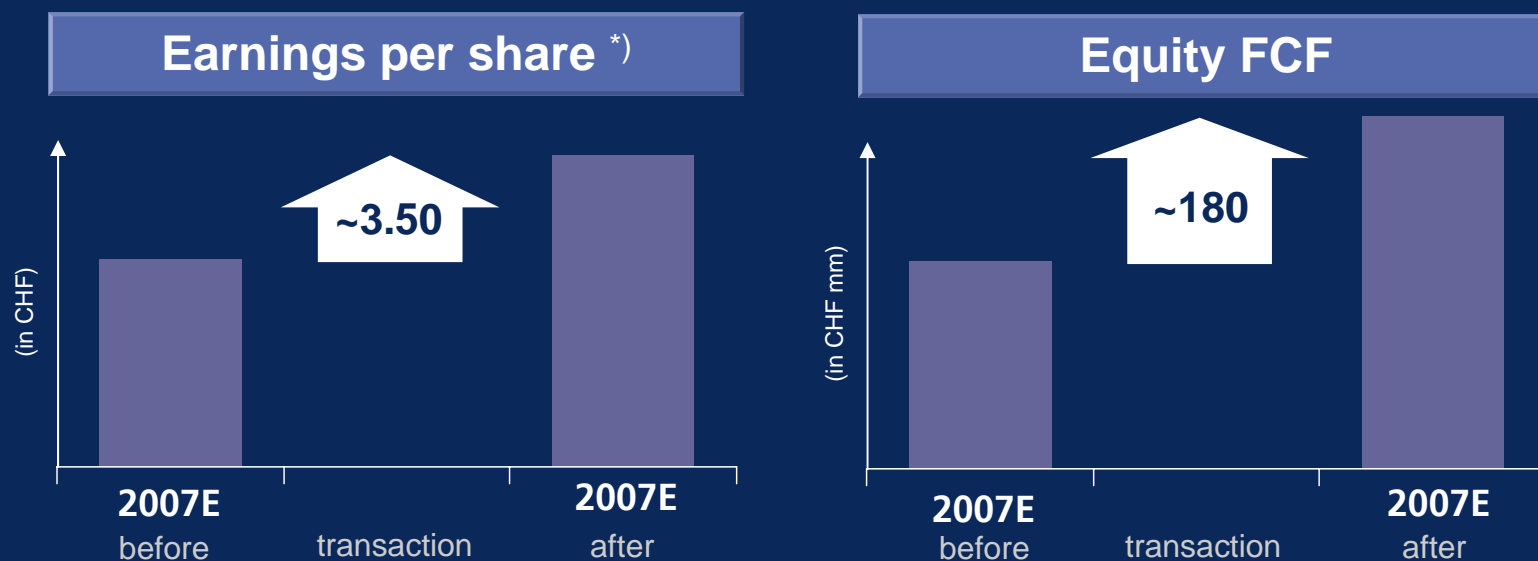
\*) The corporate tax rate in Switzerland is ~22% (~12% below EU avg. of 34%). A company with EV of CHF 16.2bln taxed at 34% EU rate would need an EBITDA of CHF 2.055 bln to generate the same after tax cash earnings as Swisscom Mobile does with CHF 1.8bln EBITDA and depreciation of CHF 400 million. At CHF 2.055 bln EBITDA, the corresponding multiple is hence  $16.2 / 2.055 = 7.9x$ . Assuming this EU company would not have CHF 2.055 bln, but also (like Swisscom Mobile) CHF 1.8 bln in EBITDA, the corresponding EV for a 25% stake would hence be  $25\% \text{ of } 1.8 \times 7.9 = \text{CHF } 3.55 \text{ bln EV}$ . The advantage from the lower tax rate in Switzerland is therefore  $\text{CHF } 4.05\text{bln} - \text{CHF } 3.55\text{bln} = \text{CHF } 0.5 \text{ bln}$

\*\*\*) No leakage of annual NGN cash savings of CHF 200mm after 2010 with estimated PV of > CHF 0.1bln based on assumed 50/50 split between Fixed and Mobile, and taking 25% of Mobile's share of these savings

## C. Financial Rationale

# II Positive financial Impact from the Outset

- Financially appealing transaction
  - No further dividend leakage: ~CHF 280mm p.a.
  - Attractive financing conditions thanks to low Swiss cost of debt to fund purchase – ~CHF 100mm p.a. after tax (based on current interest rate environment)
- Financially accretive to Swisscom therefore leading to increased distribution potential of (all other things being equal) ~CHF 180mm p.a. as no amortization is planned



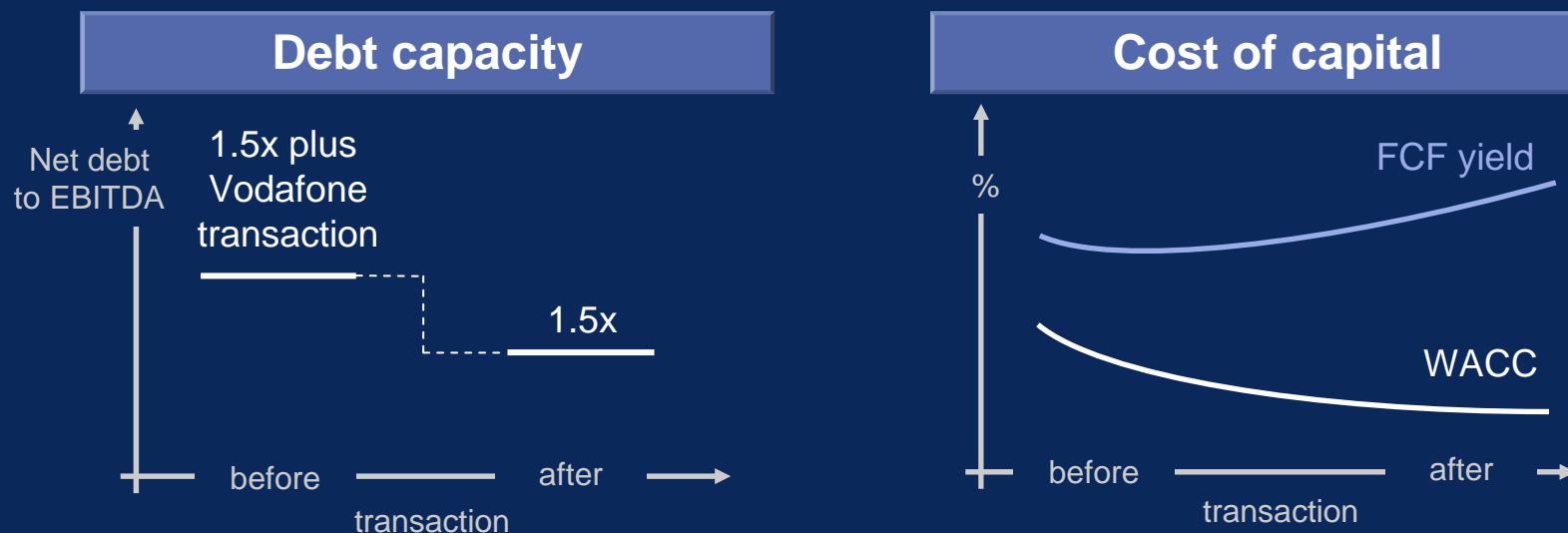
\*) Number of outstanding shares as per 31.12.2006 excl. treasury shares of 51.8 mm

## C. Financial Rationale

## III Increased Leverage - Maintained Flexibility

### Post transaction:

- 2006E net debt of CHF 4.5bln representing leverage of 1.2x2006E EBITDA
- Equity ratio (in % of total assets) expected: ~30% as per 31.12.2006
- CHF 3.7bln of purchase price considered as goodwill
- Future additional debt capacity (1.5x Net debt/EBITDA) intact, as transaction was explicitly carved out by Government from limits it had set in the strategic goals '06-'09



***Financial flexibility post transaction intact while improving spread between FCF yield and WACC***

## IV Financing Structure and Shareholder Returns

### Debt structure

- Syndicated loan facility (CHF) to be (partially) refinanced
- Attractive conditions with CHF Libor<sup>\*)</sup> + 16bps based on strong creditworthiness and silent rating
- No amortization planned

### Shareholder remuneration

- Distribution policy (100% EFCF<sub>t</sub> in form of dividends and share buybacks paid in t+1) intact
- Transaction neutral to shareholder payments in 2007 for distribution of 2006 EFCF
- Increased earnings and cash flow going forward (all other things being equal)
- Resulting in CHF ~180mm higher annual shareholder distribution

***Increased scope for shareholder distribution***

\*) Historical CHF Libor has consistently been below 3% p.a. for a range of maturities.

## I Conclusion

### Strategically sensible....

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

### ...and financially attractive

- I. Fair price based on robust outlook, low taxes and future benefits from NGN cost savings accruing exclusively to Swisscom
- II. Accretive to earnings and cash flow from the outset
- III. Improves capital structure efficiency and keeps financial flexibility post transaction fully intact
- IV. Increases distribution potential to shareholders thanks to 100% debt financing with no amortisation planned

***More benefits – full control:  
Swisscomplete***

## II Questions & Answers

## 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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