

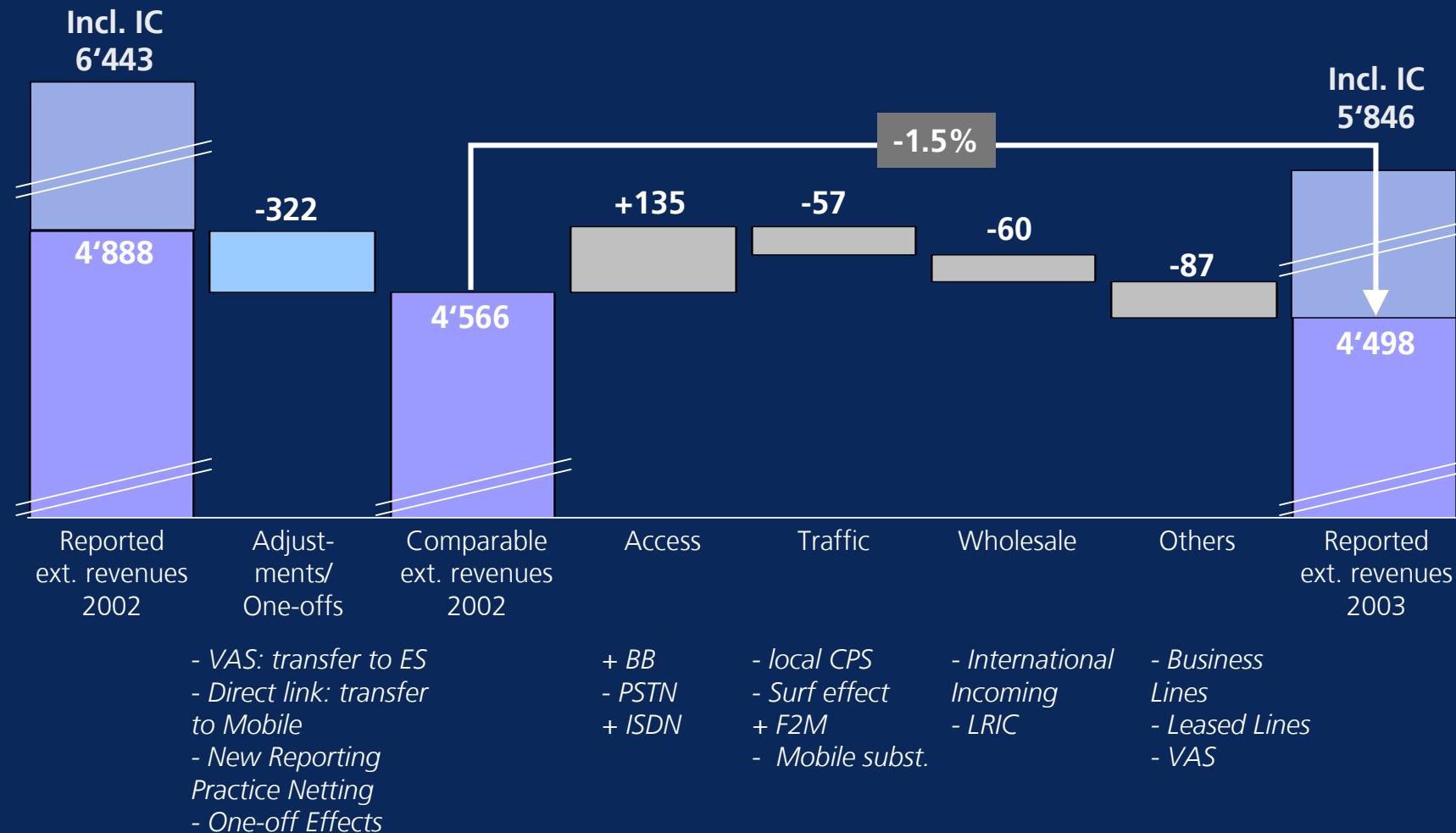
Domestic Wireline business

Adrian Bult
CEO Swisscom Fixnet

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

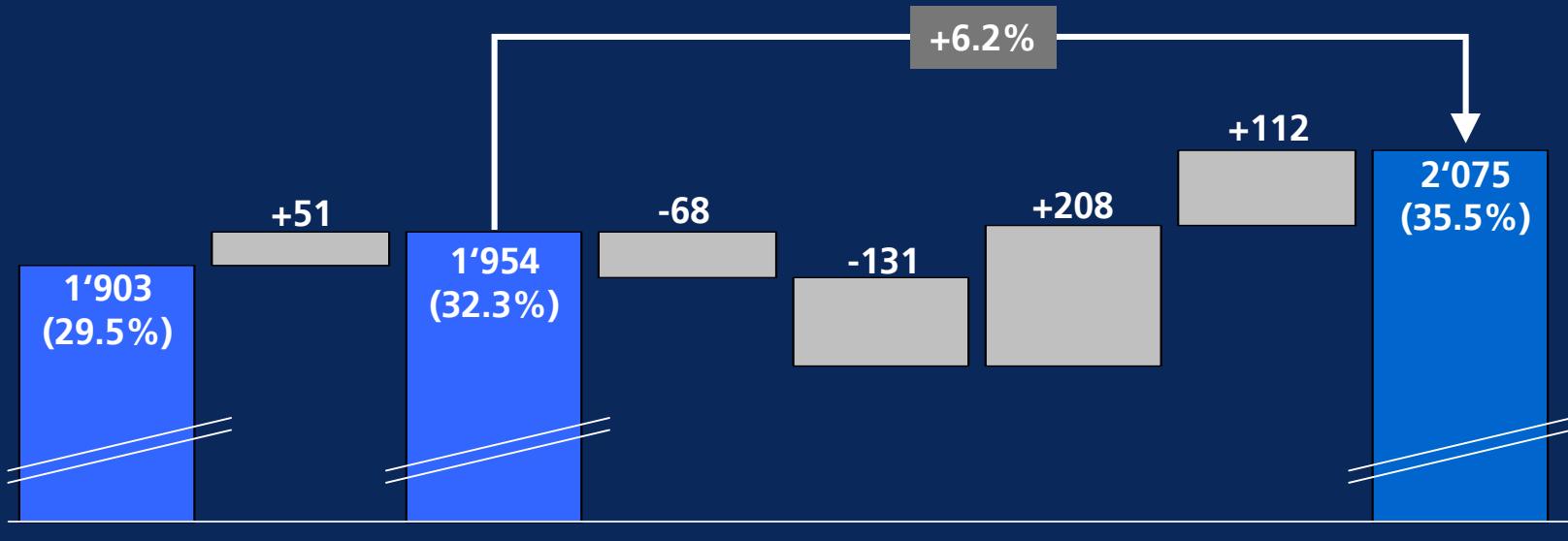
Stabilised TOP-line ...

in mm CHF



... and massively increased Bottom-line

in mm CHF



Reported EBITDA 2002

Effect from Adjustments / One-offs

Comparable EBITDA 2002

Ext. Revenues

Inter-Comp. Revenues

Effect ext. OPEX

Effect Inter-company OPEX

Reported EBITDA 2003

- VAS: transfer to ES
- One-off Effects Sale Telecom FL AG and Payphone

- + Access
- Traffic
- Wholesale
- Others

- Personnel
- G&S purchased
- other operating costs

 = EBITDA (Margin)

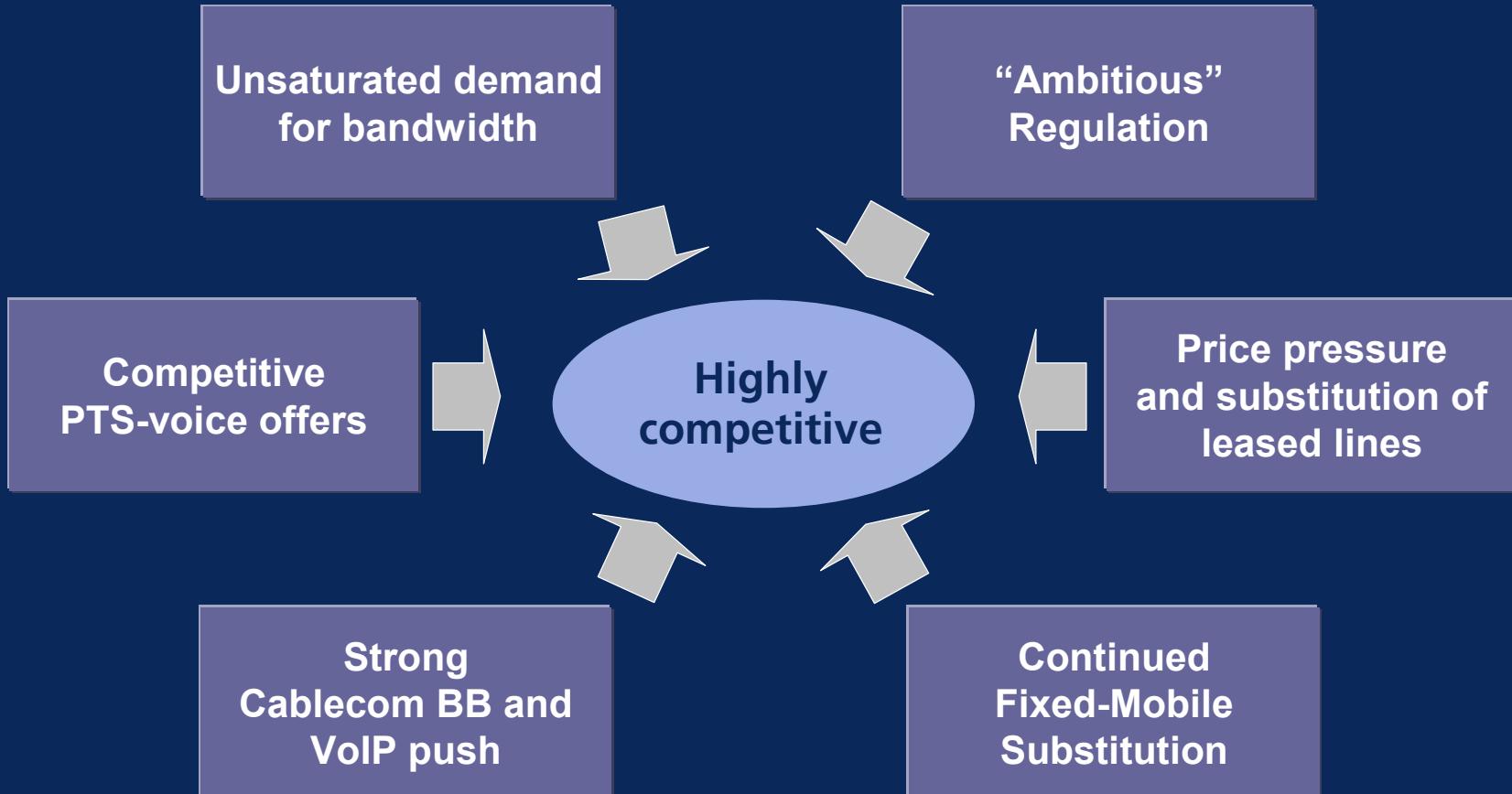
Defending the Core

- Voice development
- Leased line development

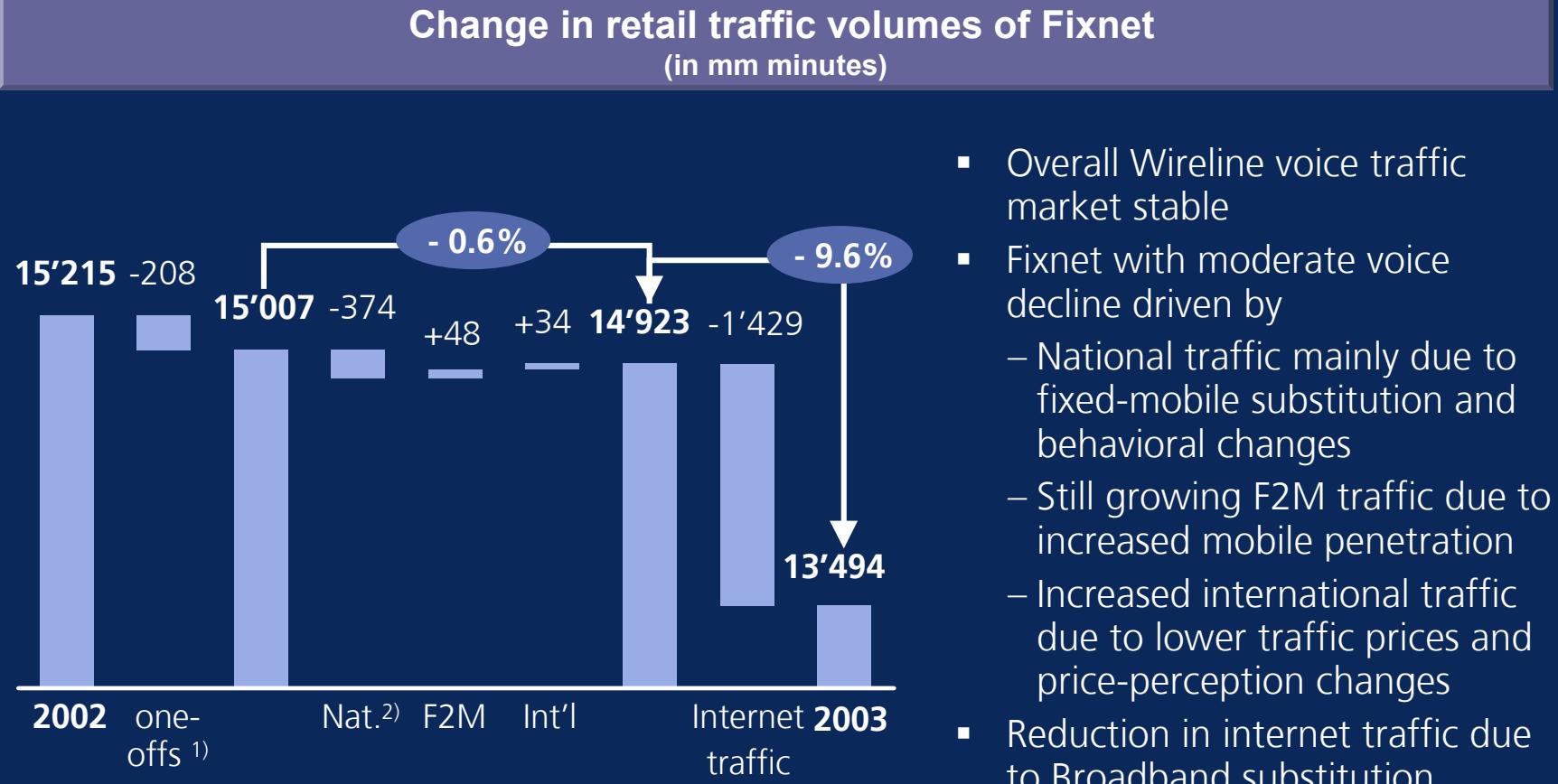
Managing Transition

Towards the future

Dynamic market environment



Retail traffic reduction driven by Broadband push

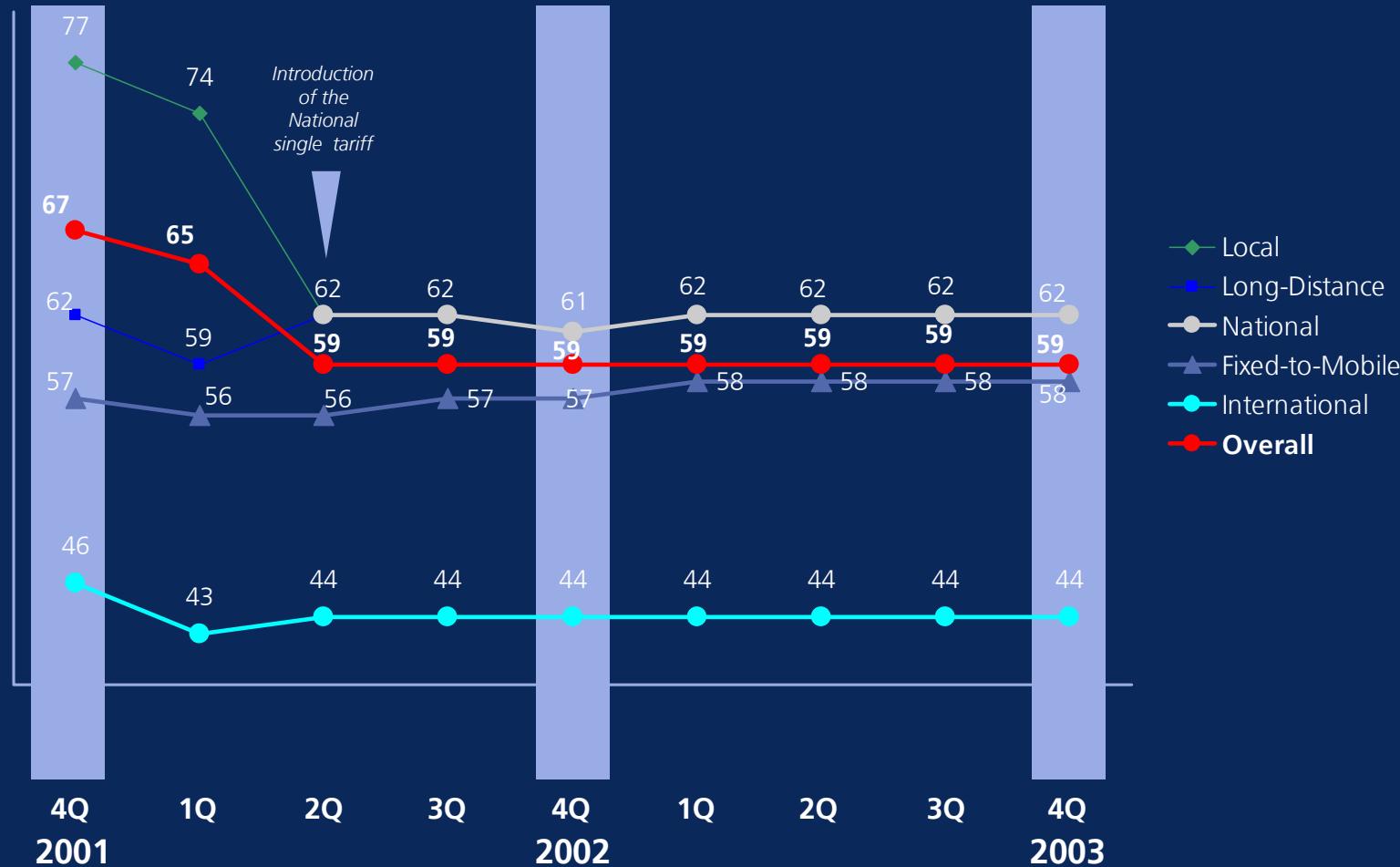


1) Reduction through renumbering (1st quarter)

2) National fixed to fixed voice traffic. Loss due to hard and soft mobile substitution, change in behavior

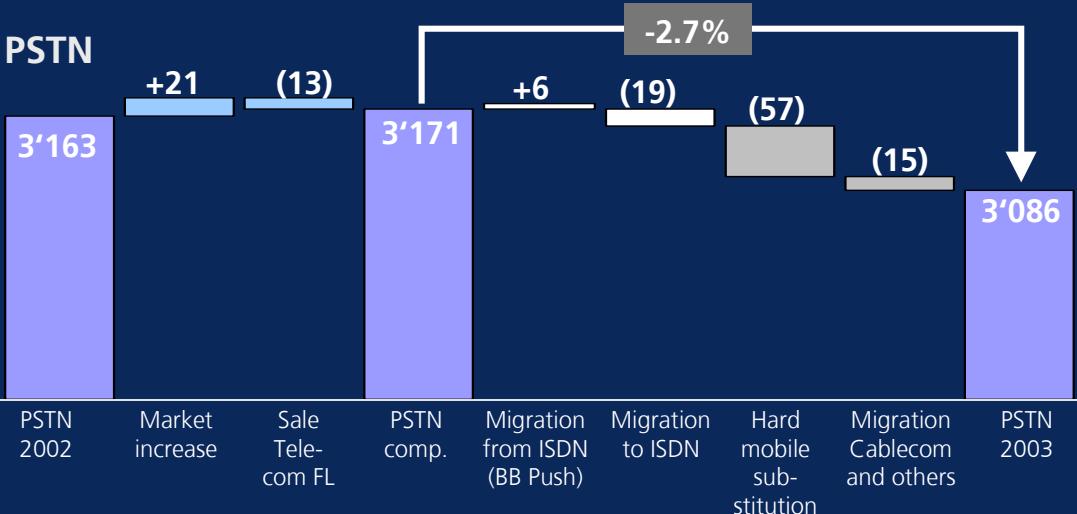
Stabilized market shares in dynamic environment

Overall FX Traffic Market Share (% on minutes, excluding ES), Estimated values



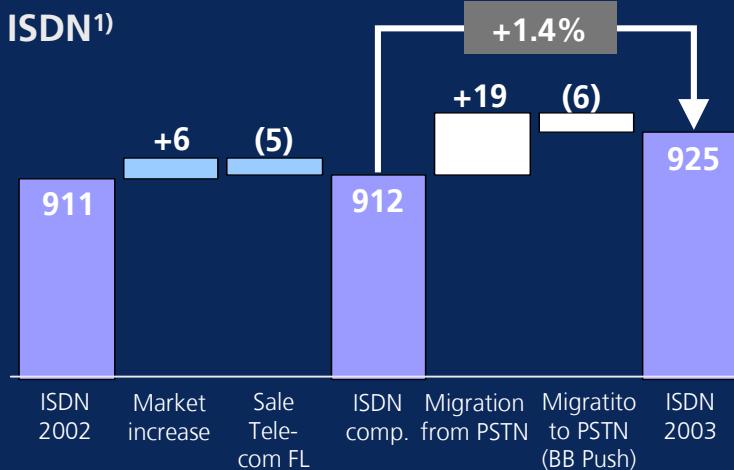
Shift to higher margin ISDN

in 000 Lines



ROUGH ESTIMATES

- Subscribers cancel PSTN access subscription due to
 - Hard mobile substitution
 - Migration to Cablecom's VOC estimated
 - Upgrading to ISDN



- Biggest estimated effect is migration from PSTN due to marketing activities
- Broadband-push effects back migration from ISDN to PSTN

1) Migration from ISDN to Voice over cable yet estimated very small (smaller base, more business customers, VoC does not work with ISDN terminals)

Various voice products launched

Products & Services

- *Voice chat*
- *Fixnet box*
- *eBill & EBPP*
- *Dialer Protection*
- *Extended service assurance*
- *Talk & surf*

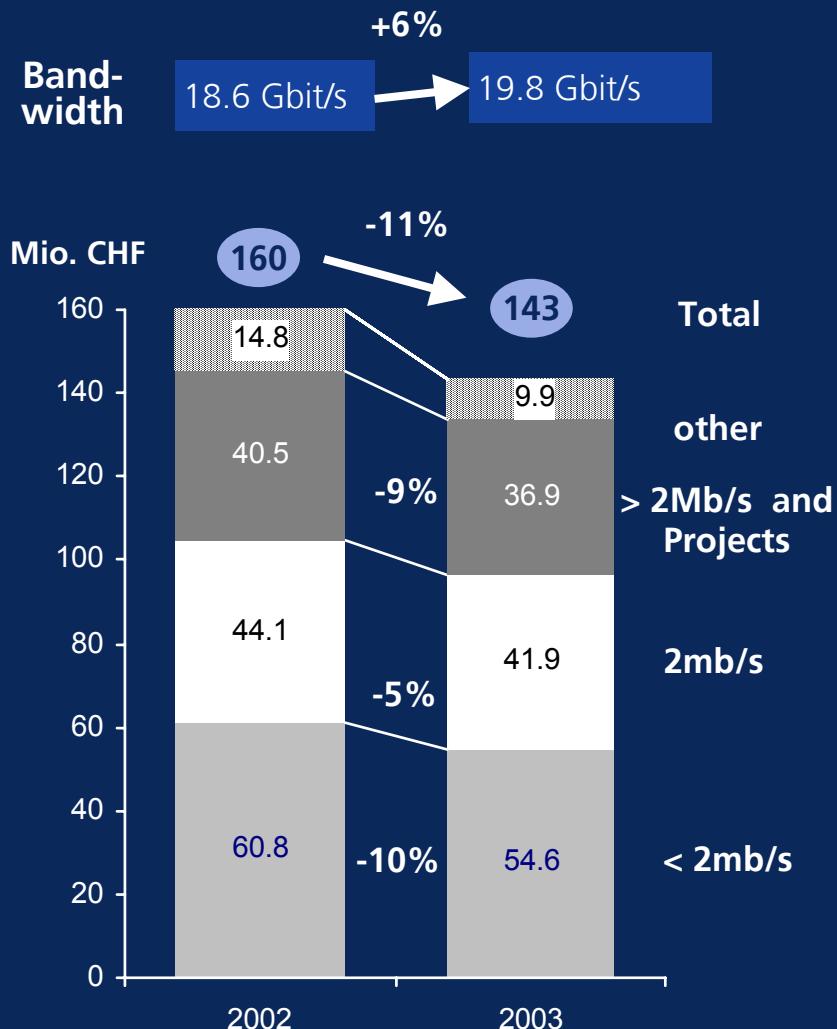
Price plans

- *Happy week-end (< 27 years)*
- *International evening calls*
- *Summer campaign*

Loyalty program

- *Traffic loyalty points on Coop-Super-card*

Pressure on leased lines prices



Growing bandwidth demand

Revenue decline due to strong price declines

- “>2Mb/s and Projects”: strong price pressure partly offset by increasing demand for solutions
- “2Mb/s”: Price reduction partly compensated by increased volume (+12%)
- “<2Mb/s”: reduced volume (-17%) due to move towards LL at higher bandwidth

Planned introduction of higher bandwidth offers

Defending the Core

Managing Transition

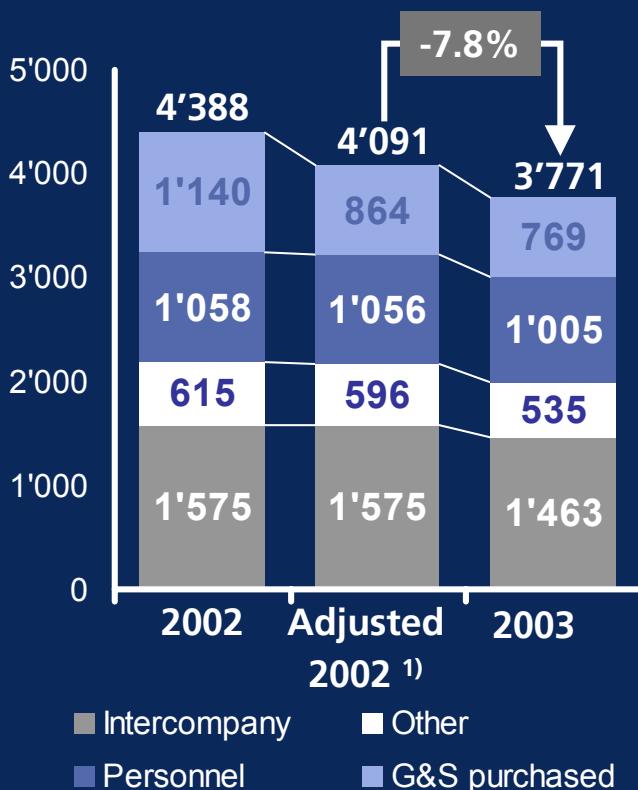
- OPEX & CAPEX management
- Performance improvement
- Customer orientation

Towards the future

Tight OPEX control

Operating Expense

in mm CHF



Top changes

G&S purchased:
-11.0 %

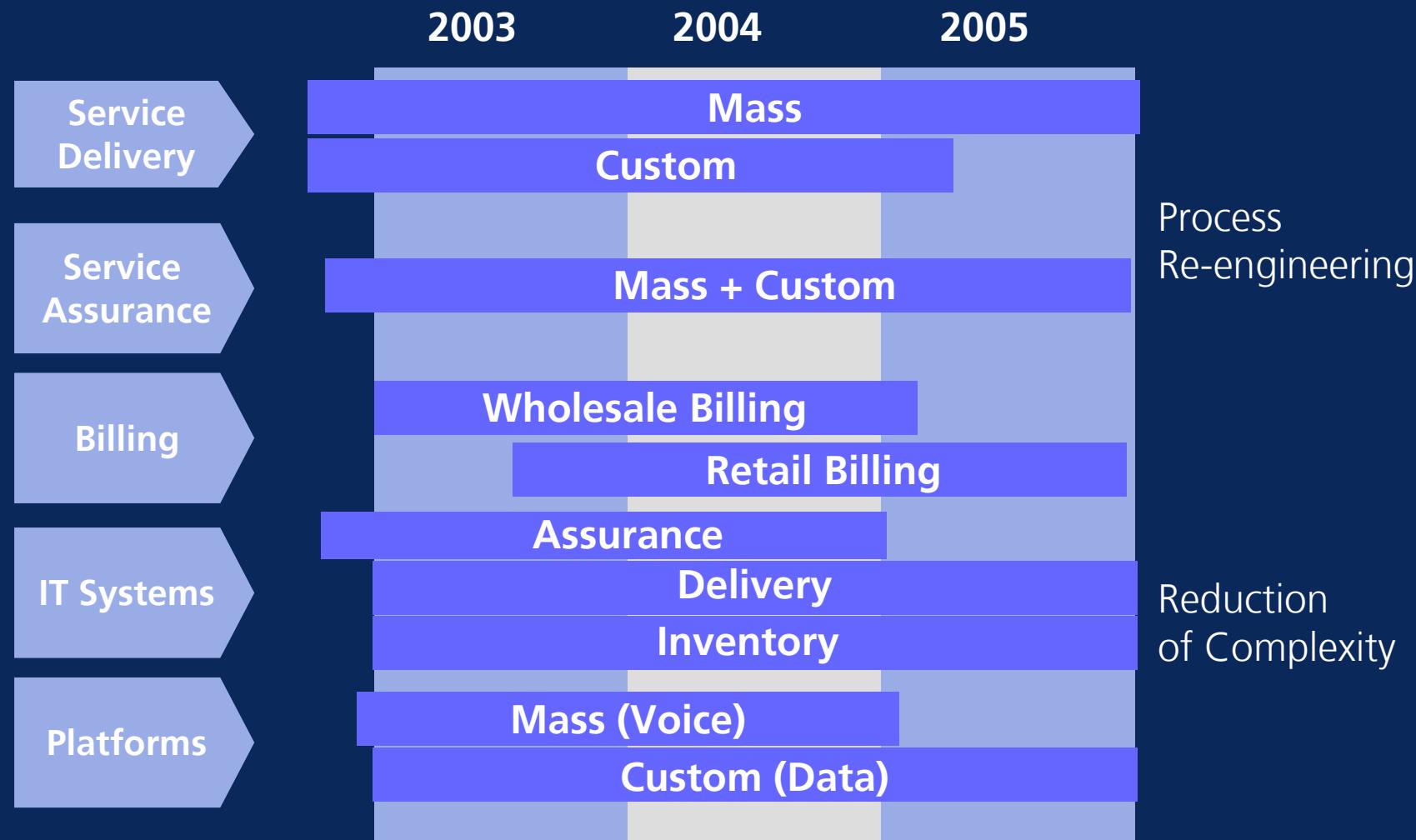
Personnel:
-4.8 %

other op. cost
-10.2 %

Description

- Reduced international Termination costs and favorable exchange rates
- Reduced restructuring charges
- Headcount reduction overcompensates salary increase
- Lower purchase prices for maintenance contracts and network material
- Reduced marketing costs
- Reduced loss on disposal of assets

Re-Engineering showing impact



CAPEX in line with future network development

Trends and Drivers

- Traditional Voice (PSTN/ISDN) slowly declining but remain key
- Increasing Bandwidth requirements for Data Services and Access
- Requirement to reduce network cost and optimize CAPEX

Focused investment policy

New Business / New Capacity

“Strategic Growth”

E.g. the broadband platform

Policy: Proactive development

“Continued Operations”

E.g. the SDH platform

Policy: No enhancement of functionality and tight capacity management

Secure Old Business / Maintain existing Installations

“Phase-Out”

E.g. Frame Relay, X25 platform

Policy: Phase-out whenever economically viable, reduce CAPEX to nearly zero

“Extending Lifetime”

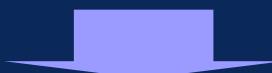
E.g. the TDM (voice) platform

Policy: Renovation due to planned operation at least until 2010

Extending lifetime of TDM Platform

Outlook until 2010

- TDM Voice remains Core business for some years
- Separate development of NGN architecture, no “merge” with traditional platforms planned before approximately 2010
- Reduce Network complexity to enable further cost reduction



Ensure operation at least until 2010

- Introduce a new basic software release necessary for Lawful interception as required by law
- Replace hardware at end of lifecycle or due to software upgrade

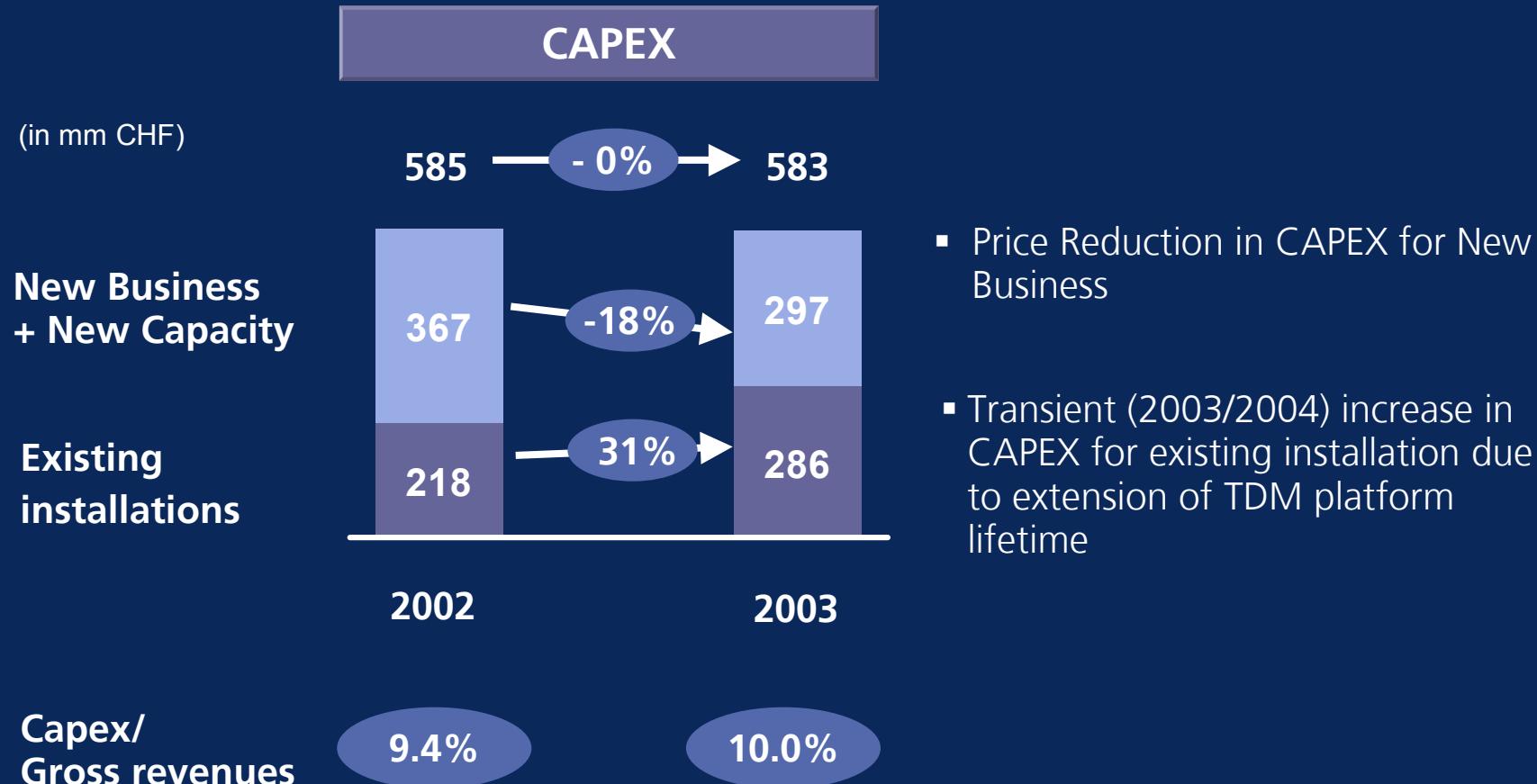
Reduce Network complexity

- Phase out one of today's three voice platforms in order to reduce future investments and save OPEX
- Reduce the number of Local Exchanges from 200 to nearly 100

9700 km
connecting wire need
to be replaced

1 Mio subscribers
have to be switched
over

Wise CAPEX Management



Save and improve

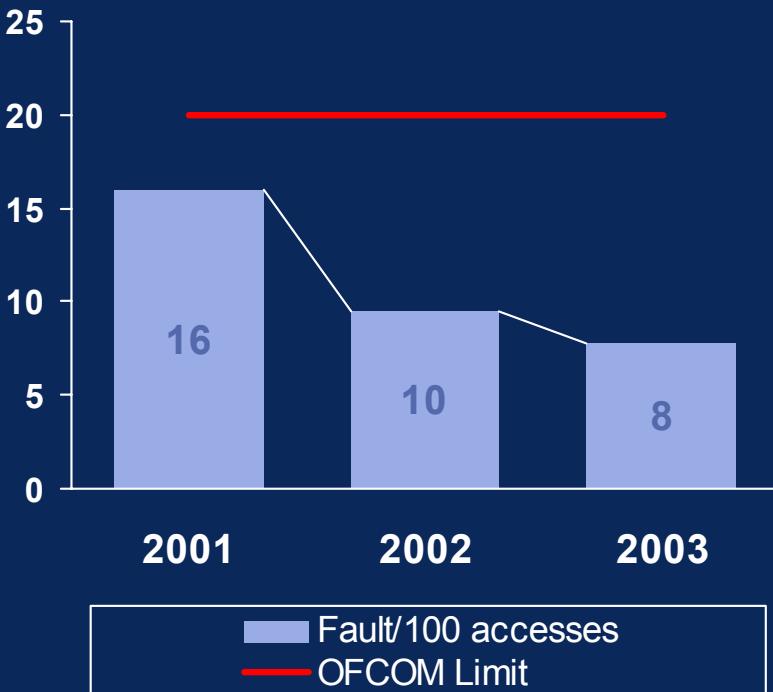
Trouble Tickets ADSL

Tickets/1000 ADSL



Faults per 100 Access lines

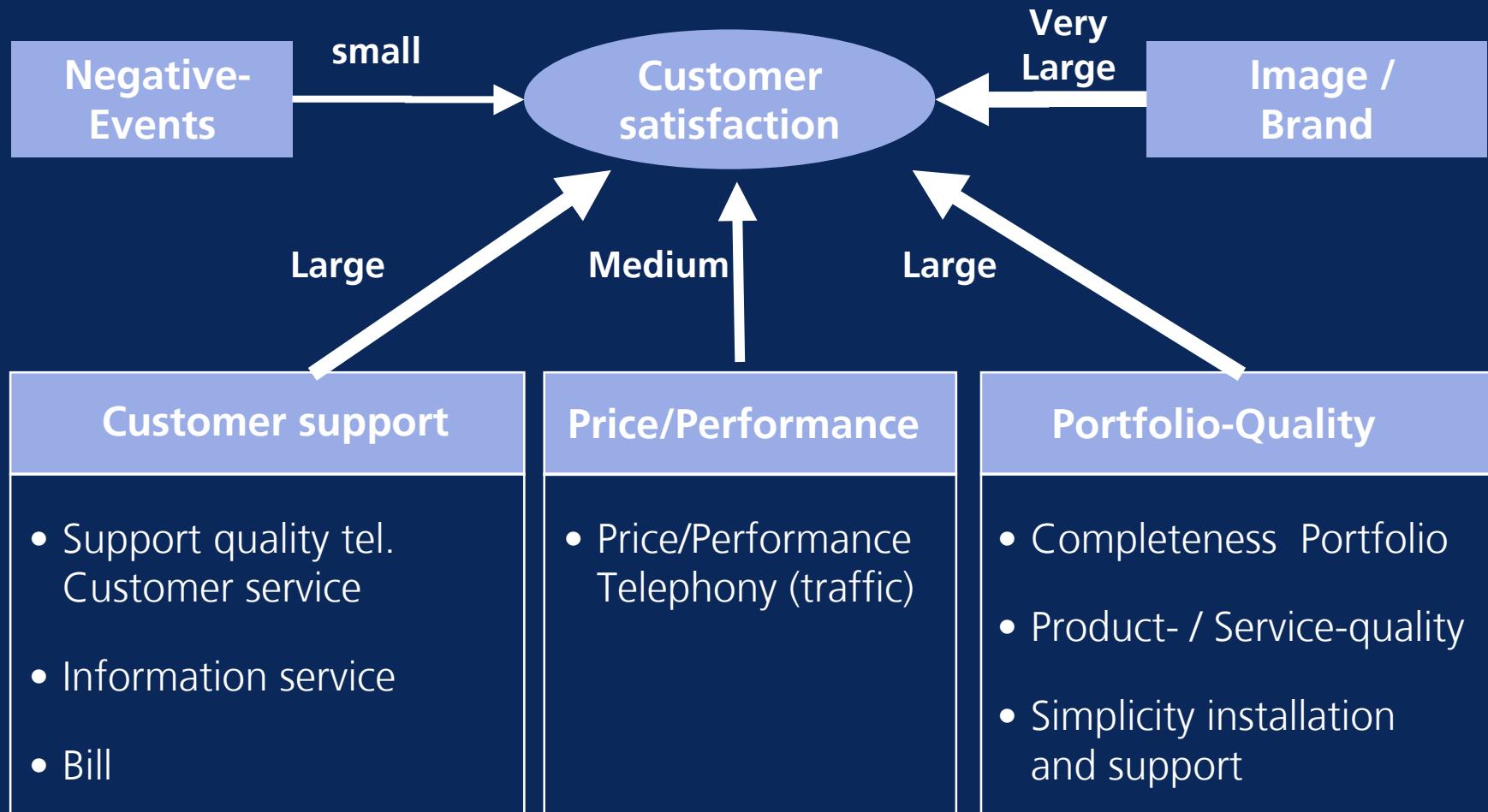
Tickets/month



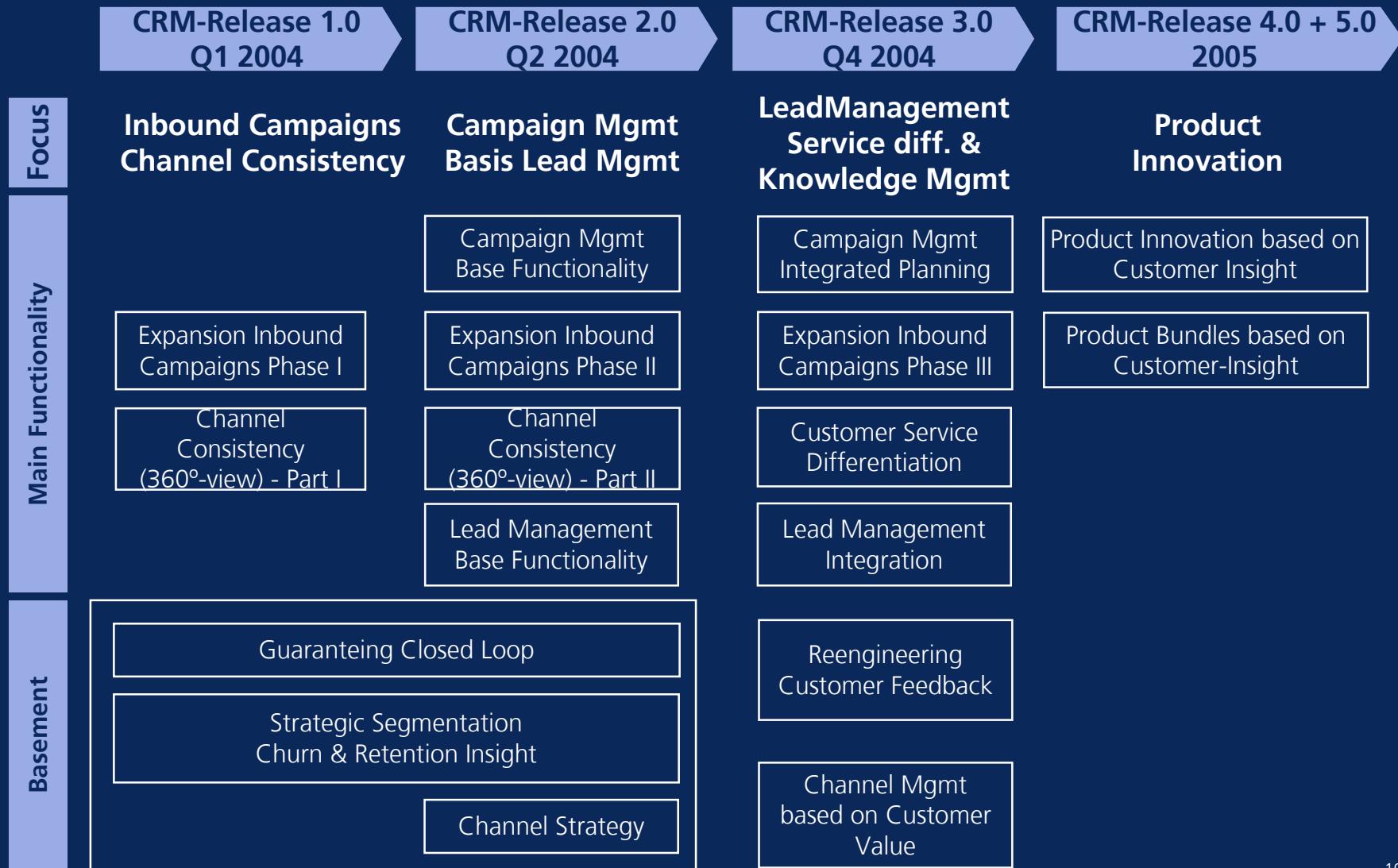
■ per 1000 ADSL ▲ Tickets/month

■ Fault/100 accesses
— OFCOM Limit

Increased importance of customer interaction



Large CRM program initialized



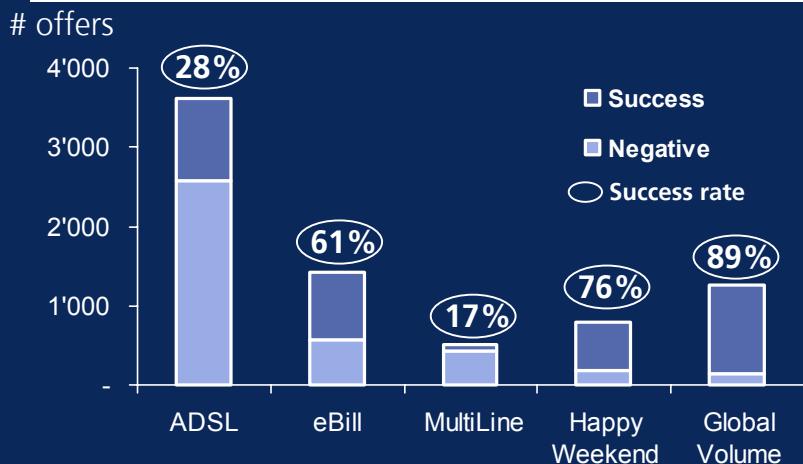
First promising results achieved

- Starting in September 2003 inbound offers were created, offering new or additional products and services to (existing) customers calling into the CuC
- Based on calculated customer affinity an offer is chosen by the agent and proposed to the customer

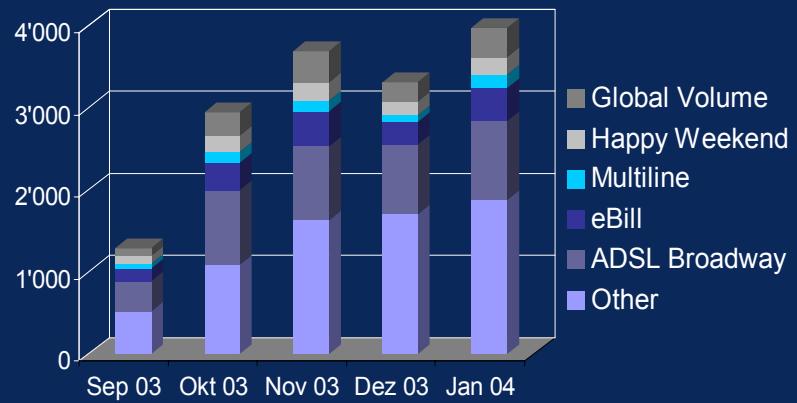
Training of agents and proposed offers



Offers and customer reaction (Oct 2003 - Jan2004)



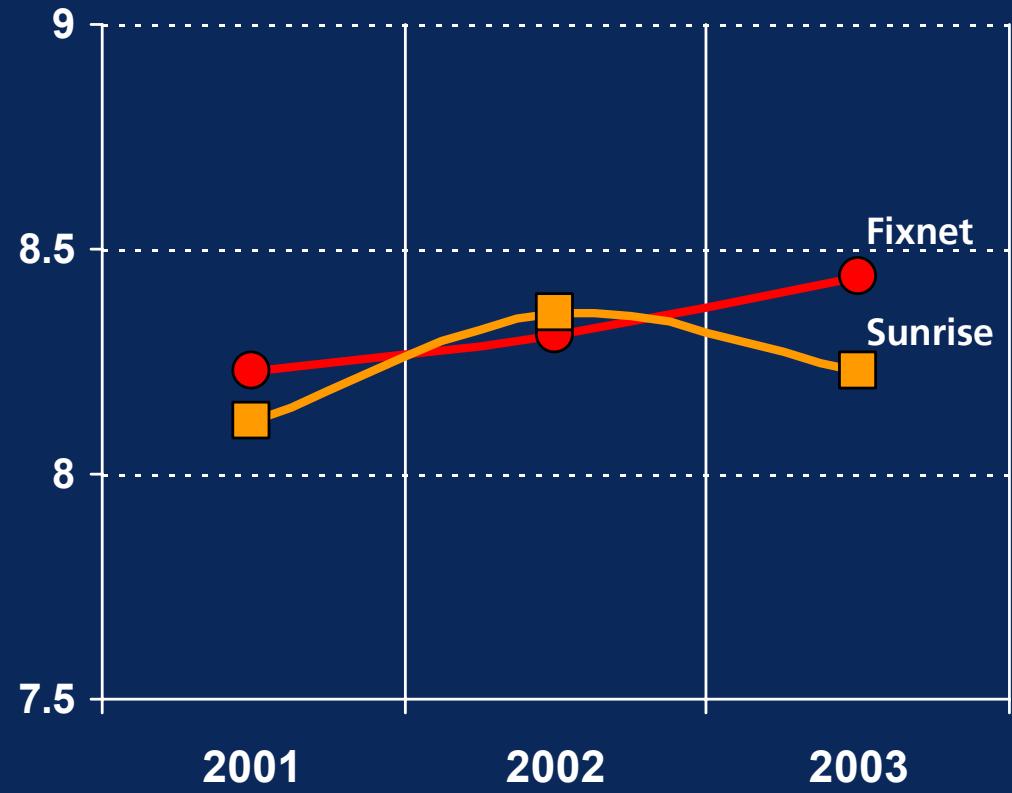
Distribution of proposed offers



Success already visible

Customer satisfaction improved

(weighted average)¹⁾



Net-churn significantly reduced

Number of winbacks / quarter (in '000)



Net churn /year (in '000) estimated



1) Weighted average calculated from residential, SME, operator services and internet customer satisfaction ratings

Defending the Core

Managing Transition

Towards the future

- Internet access development
- Broadband service pipe-line
- Wrap-up

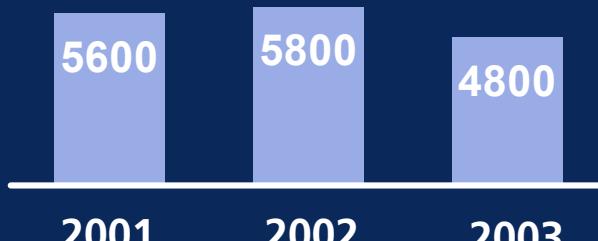
Growing number of overall internet users

Dial-up development Bluewin

Customers (in 000)

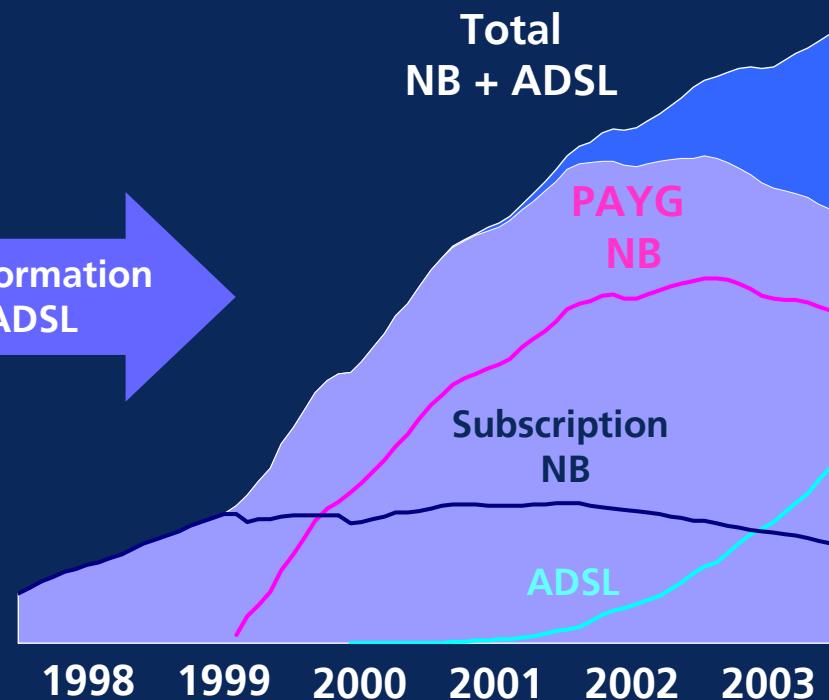


Traffic (in mm minutes)



Overall internet customer development BW

Transformation to ADSL



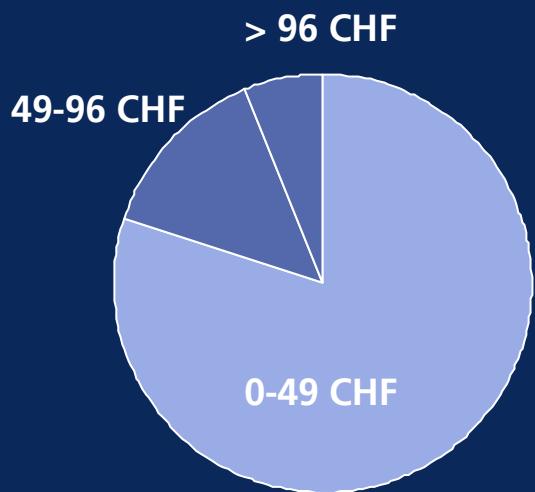
Dial-up remains an important source for BB growth

Up-selling with ADSL achieved: avg. ARPU up 8-10 CHF

ECONOMICS OF HOURS SPENT PER DIAL-UP SUBSCRIBER PRIOR TO CHANGE TO DSL¹⁾

ARPU of BW Freeway users before changing to BW ADSL

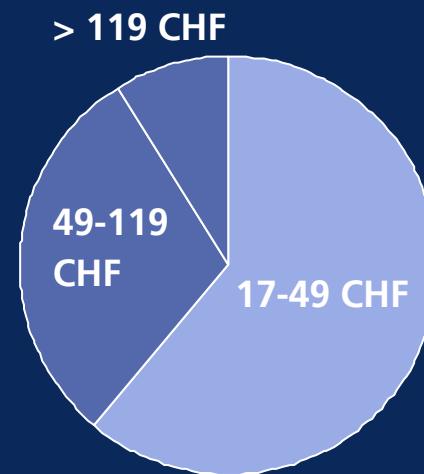
in % of all migrated BW Freeway users



Avg. ARPU
pre switch to
ADSL
32 CHF

ARPU of BW Highway users before change to BW ADSL

in % of all migrated BW Highway users



Avg. ARPU
pre switch to
ADSL
57 CHF

➡ ***Customers strongly value convenience, cost control and speed***

Aggressive Swiss broadband growth...

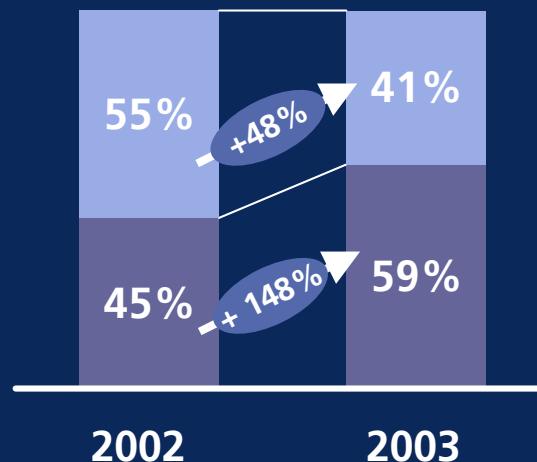
Development BB subscribers

Market Share (in %)

100% = 455K - + 88% → 857K

Cable

ADSL



Monthly development of ADSL subscribers

Number of average new ADSL orders/month (in '000)

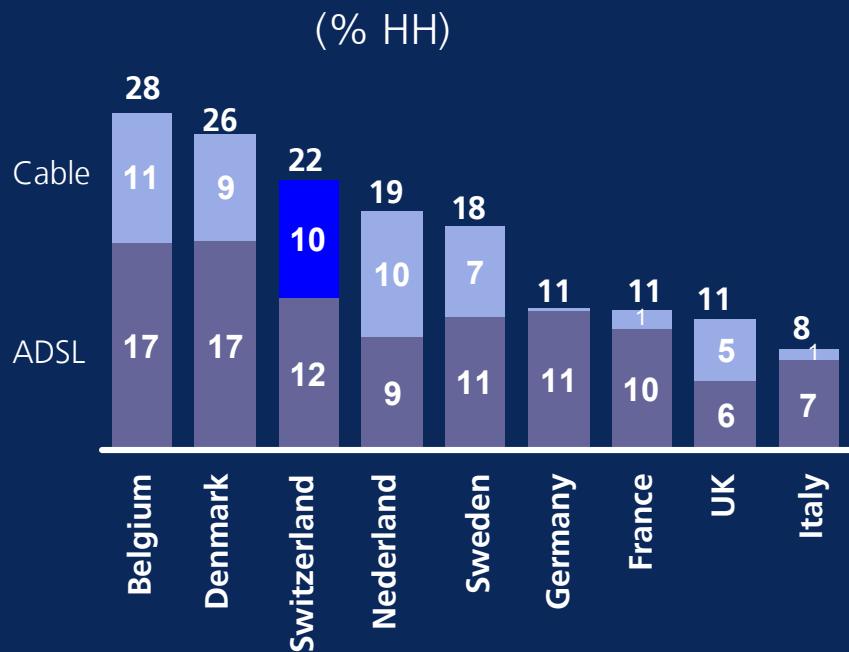
Total cumulated 531 k



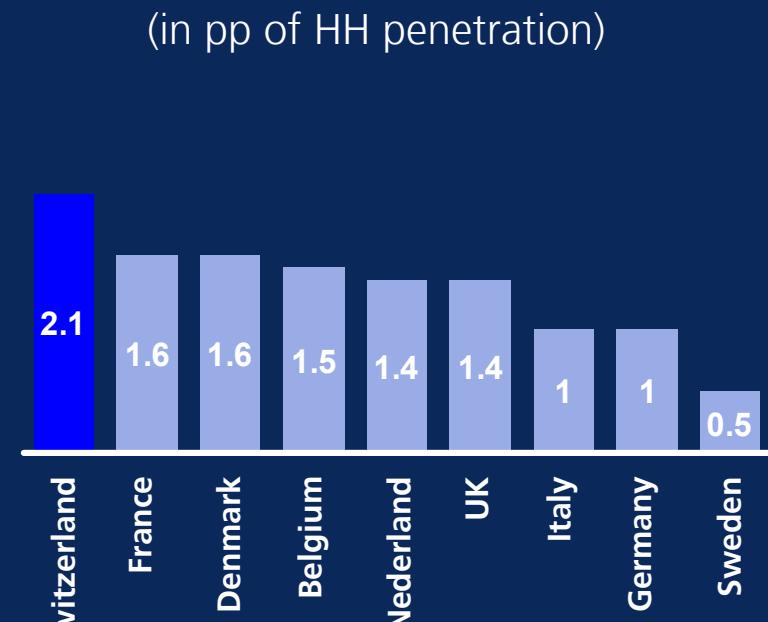
→ ***ADSL growing much faster than Cable***

...outperforming subscriber numbers elsewhere

BB penetration Q3 2003



ADSL penetration increase Q2 to Q3



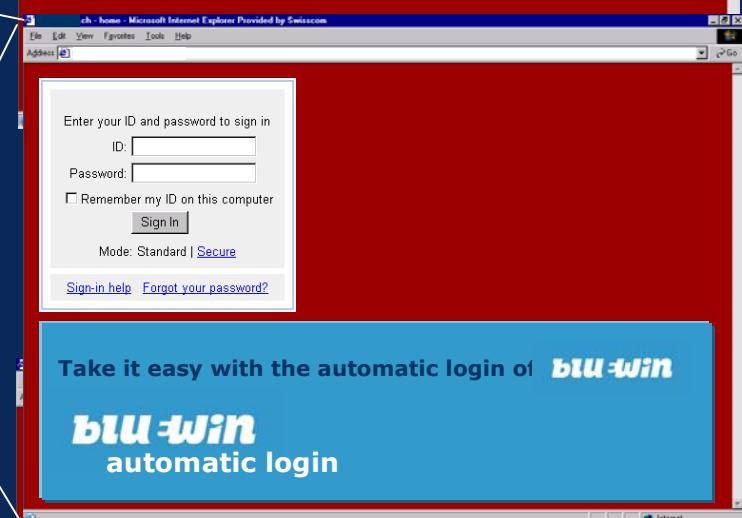
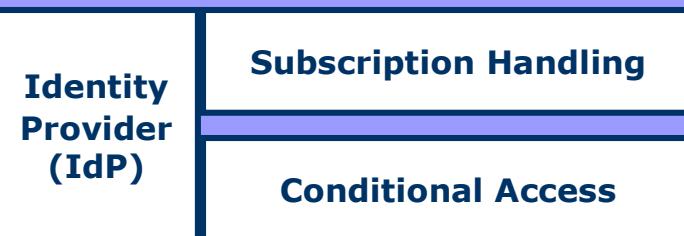
*... and in Q4 ADSL penetration is up to 16%
9% higher than in Q4 2002*

Building enabling services

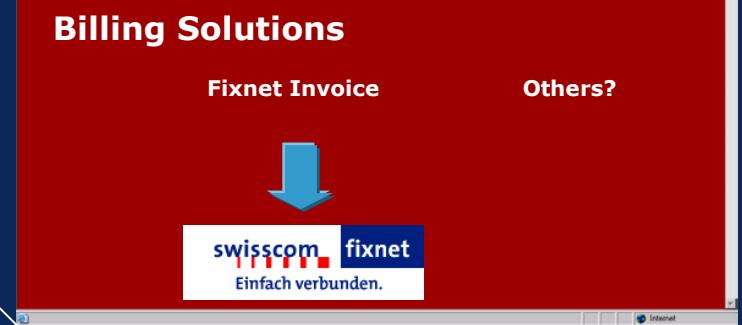
Delivery



Identity



Billing & Payment



Delivering games on demand

Game-On

Sie sind als **vip.pm** angemeldet

[Abmelden](#)

Beliebteste Games

1. Beach Life
2. Racing_Simulation_3
3. Silent Hunter II
4. Frontline Attack
5. Tomb Raider 6 - Angel Of Darkness
6. Die Siedler IV - Gold Edition
7. Rayman III - Hoodlum Havoc
8. Commandos 2 - Men of Courage
9. Autos Bauen Mit Willy Werkel
10. Splinter Cell

Startseite | **Games** | **Mein Konto** | **Meine Games** | **Über Game-On** | **Shop** | **Hilfe**

Neueste Spiele



Oscar fliegt in die Berge
Dieses Mal fliegt Oscars Jahreszeitenballon Richtung Bergwelt. Er ...



Rayman M
Auf in den Wettkampf! Das einzigartige Rayman Multiplayer-Spiel kann beginnen.

Demnächst bei Game-On





Was ist Game-On?

Spielen Sie Ihre Lieblingsgames übers Internet. Sie können die Spiele entweder einzeln oder besonders günstig über ein Monatsabo mieten. [Weitere Informationen](#)

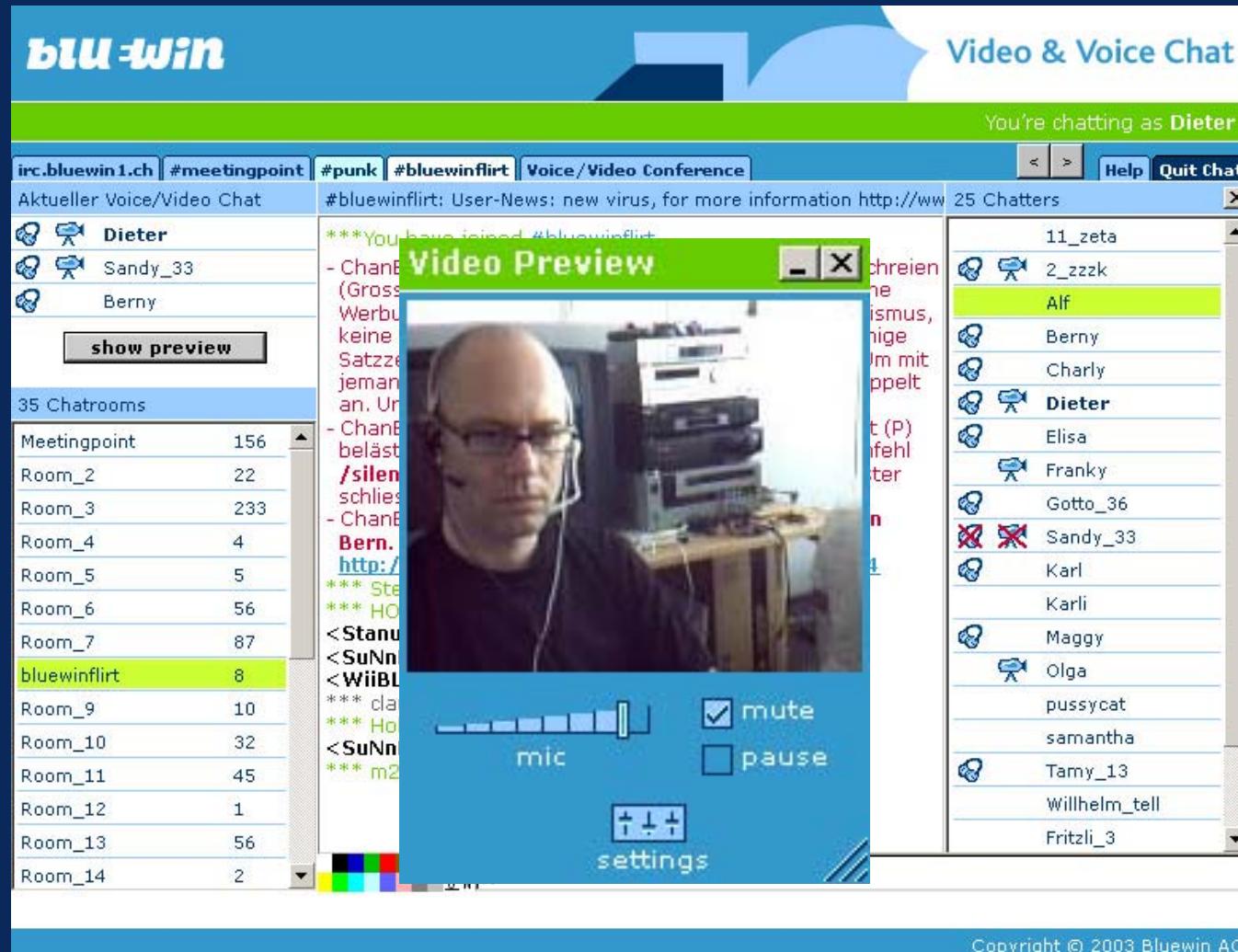
- [Kann ich Game-On benutzen?](#)
- [Die Preisübersicht](#)
- [Zu den meist gestellten Fragen](#)

So einfach geht's



- Launched in Dec 03
- Offering for the first time real games on demand
- The platform supports various control features, defining usage by account for
 - What
 - How long and
 - When
- Easy billing (Swisscom bill)
- Platform allows to go beyond games into other hosting models/ applications

Introducing Video & VoiceChat



- Delivering private Video and Voice chat
- Voice and video conferencing allowing sessions with up to 6 users
- Service accessible to all Bluewin DSL customers
- Easy billing (Swisscom bill, flat rate)

Extending value chain through content aggregation



The screenshot shows a web browser window with the blu-win website. The top navigation bar includes links for Spielfilme, Kinder, Kurzfilme, Serien, Doku, Musik, Music Clips, Erotik, TV, and a search bar. The main content area is titled 'NEWS' and features an article about 'MusicStar auf Stream-it: Finalsendungen vom 4. Januar bis 21. Februar 2004'. It includes a large image of the 'MUSIC STAR' logo, a link to the 'Offizielle Seite von MusicStar', and a description of the final shows. Below this, there are two smaller video thumbnail images: one of a man singing and another of a woman singing.

Delivering an offer along the entire content value chain

- Deliver cross-media information and advertising
- Integrate interactive elements (chats, VOD, Voting, advertisement)
- Measure the success of campaigns across multiple media platforms

Doing a TV-Trial to build capabilities



Current TV Experience

14:40

Do 2.19 14:30 15:00 15:30

SF1 524	SF1	SF1
Onyx.tv 525	ONYX.TV	ONYX.TV
Fox Kids 526	FOX KIDS	FOX KIDS
KIKA 527	KIKA	KIKA
Eurosport 528	EUROSPORT	EUROSPORT
Cen 5 529	CEN 5	CEN 5
VOD500 500	APOLLO13	

 SF1 524
SF1
Live 12

14:15 - 15:30

 fashiontv
fashion week
Paris Haute Couture, Jan. 2001

Viva 513
VIVA
Live 2

14:15 - 15:30

program info

Starts in 45 minutes

Record this show

Record series

Other showings

Fashion 518

FASHION

Live 7



Broad set of strategic moves moving forward

○ No focus

● Main focus

	Concrete measures	Short Term	Mid Term
Customer orientation	• CRM FX	●	●
Secure business	• Price plans voice • Adjust data portfolio to higher bandwidths	●	○
Cost reduction	• Reduction of complexity • Efficiency improvements	○	○
Grow Beyond	• BB push (access & services) • Fixed-mobile offerings	●	●

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.

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