

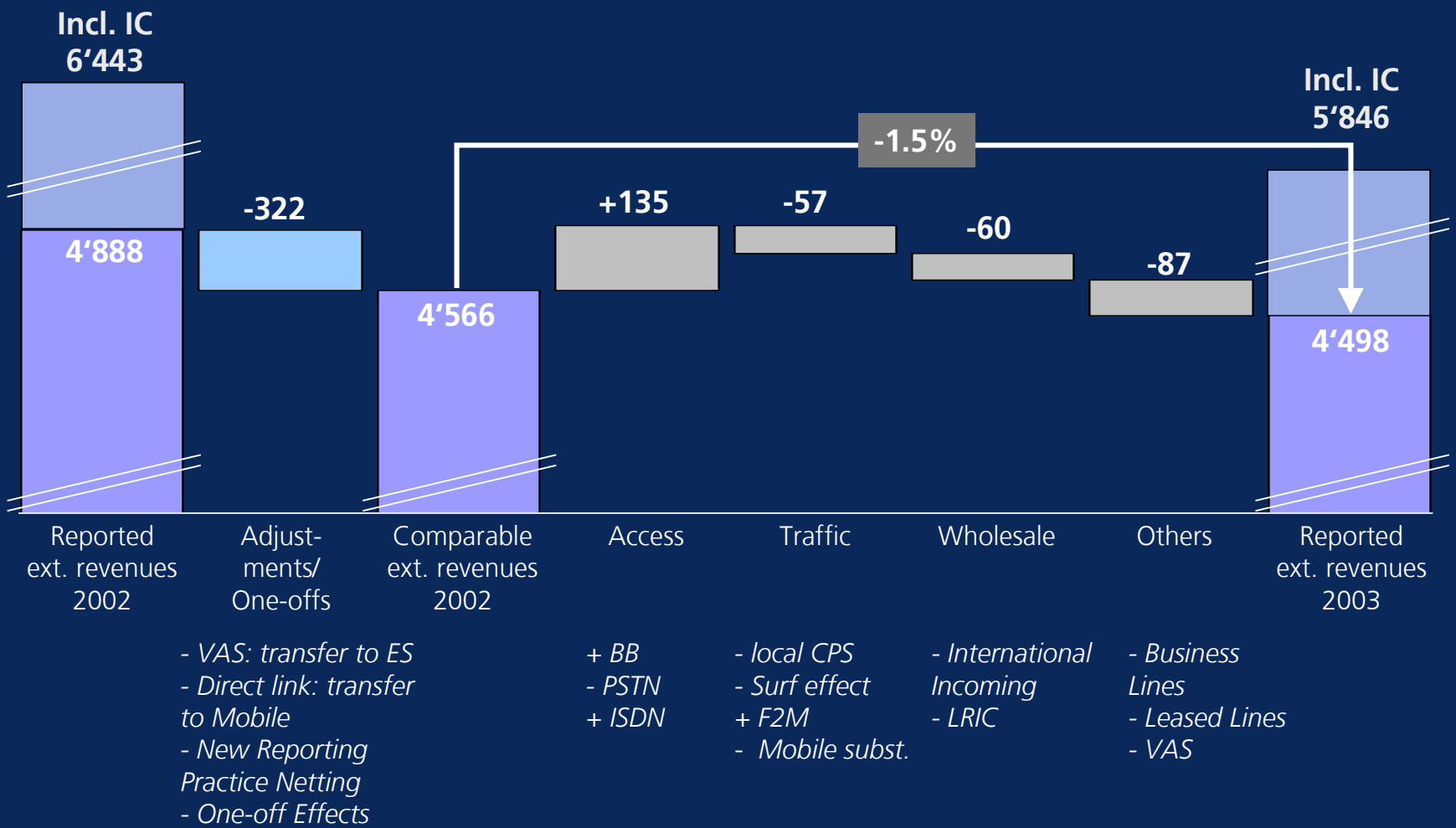
# Domestic Wireline business

**Adrian Bult**  
**CEO Swisscom Fixnet**

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

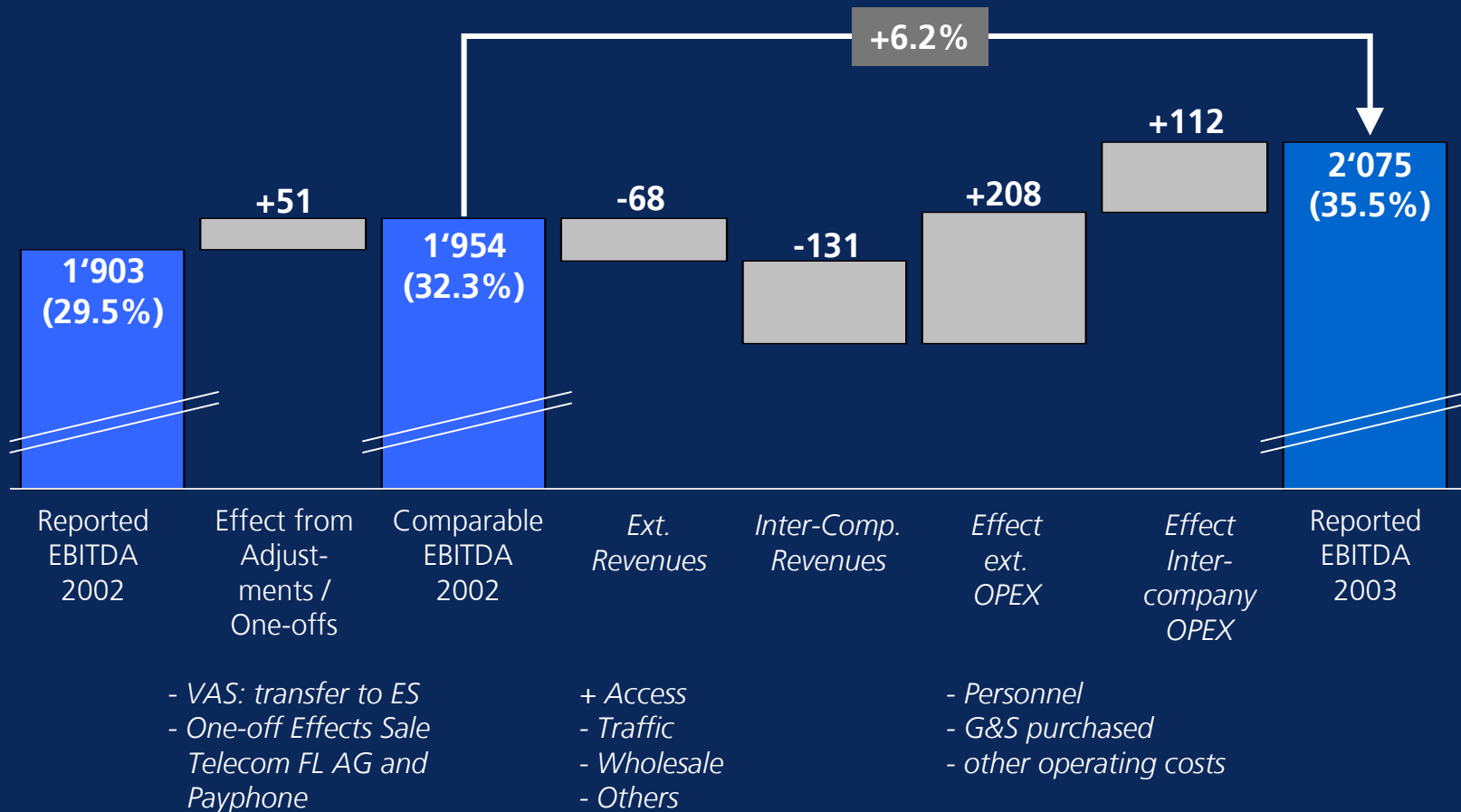
# Stabilised TOP-line ...

in mm CHF



# ... and massively increased Bottom-line

in mm CHF



  = EBITDA (Margin)

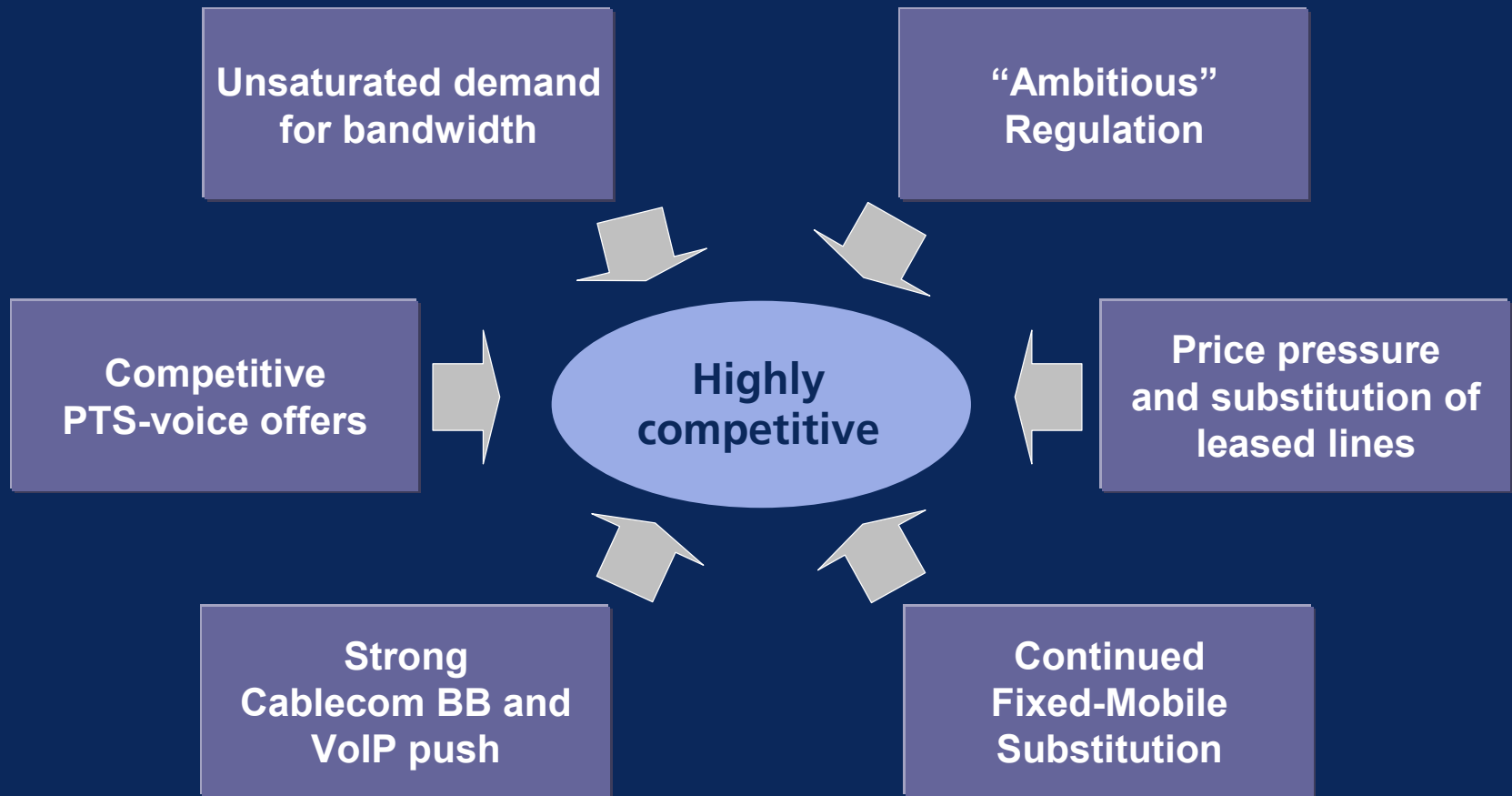
## Defending the Core

- Voice development
- Leased line development

## Managing Transition

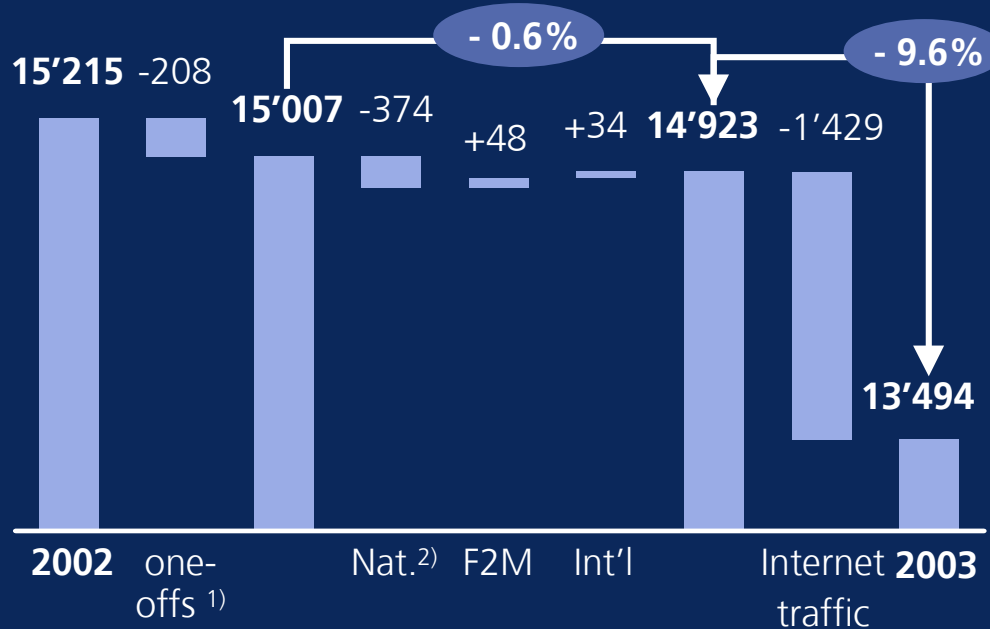
**Towards the future**

# Dynamic market environment



# Retail traffic reduction driven by Broadband push

## Change in retail traffic volumes of Fixnet (in mm minutes)



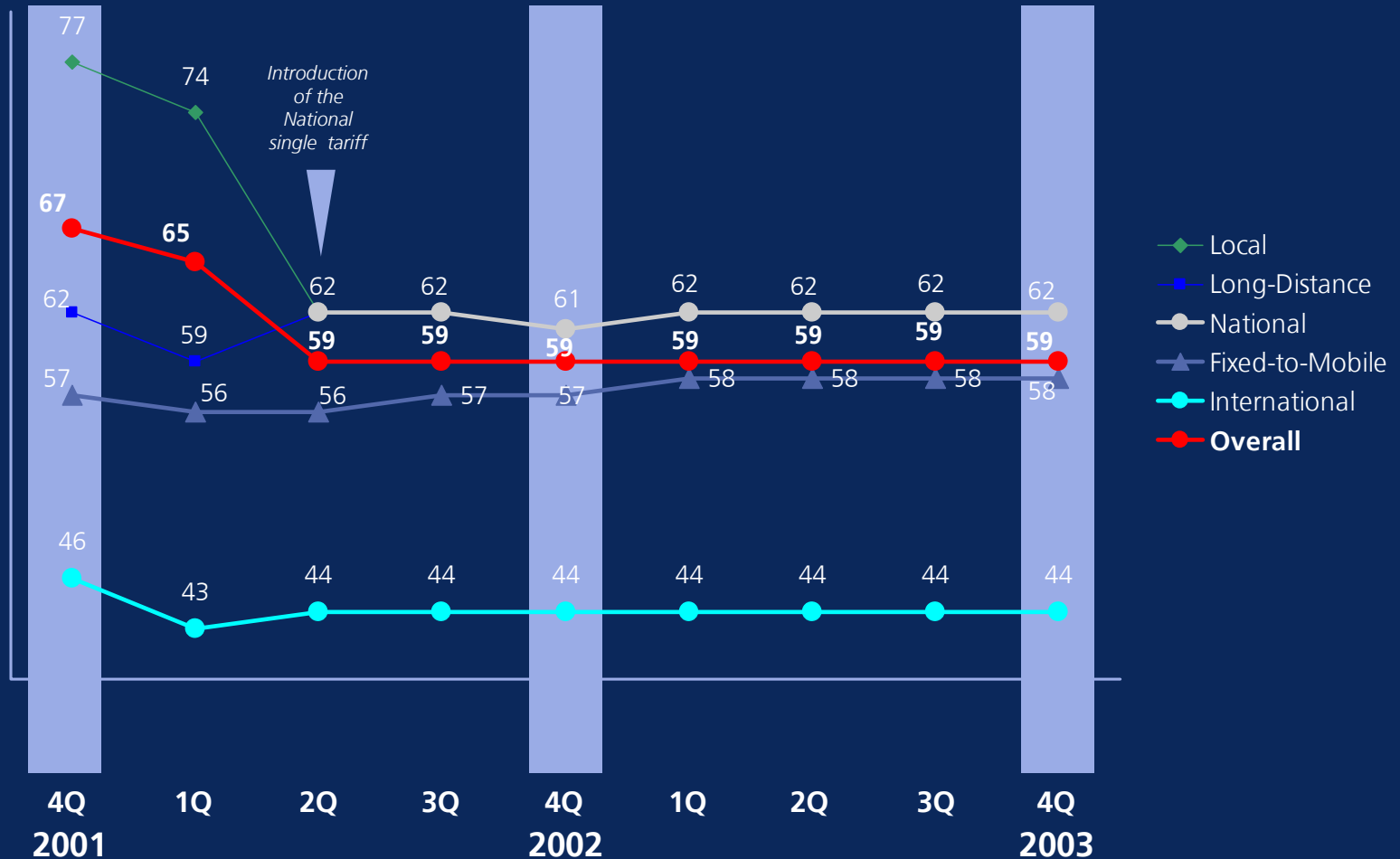
- Overall Wireline voice traffic market stable
- Fixnet with moderate voice decline driven by
  - National traffic mainly due to fixed-mobile substitution and behavioral changes
  - Still growing F2M traffic due to increased mobile penetration
  - Increased international traffic due to lower traffic prices and price-perception changes
- Reduction in internet traffic due to Broadband substitution

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

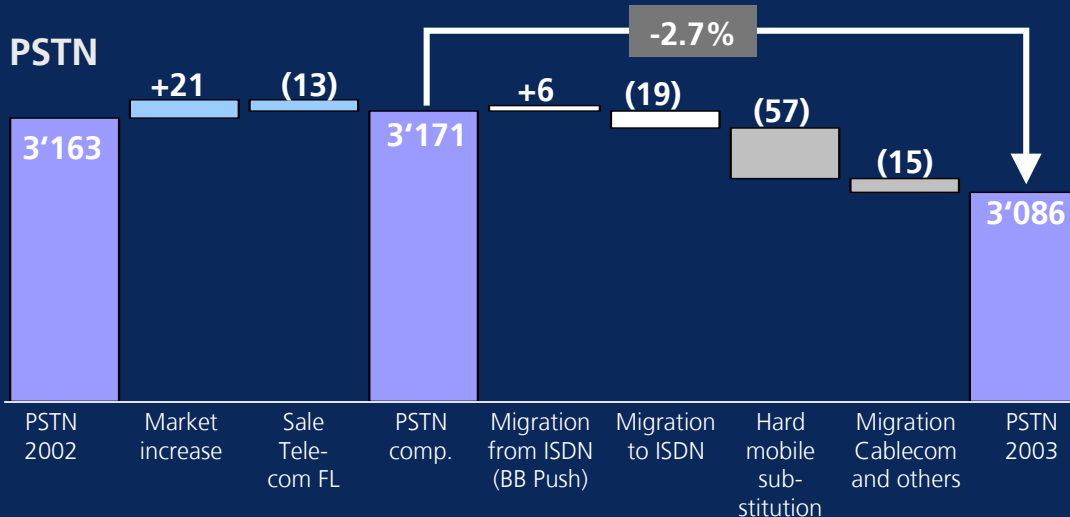


# Shift to higher margin ISDN

in 000 Lines

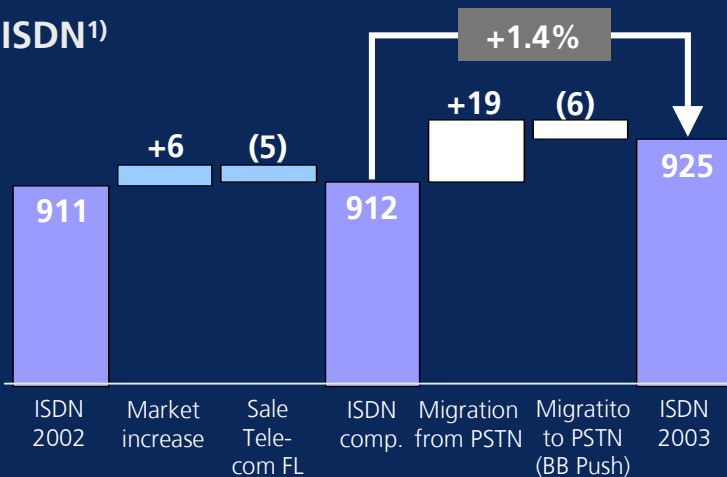
ROUGH ESTIMATES

## PSTN



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

## ISDN<sup>1)</sup>



- 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*

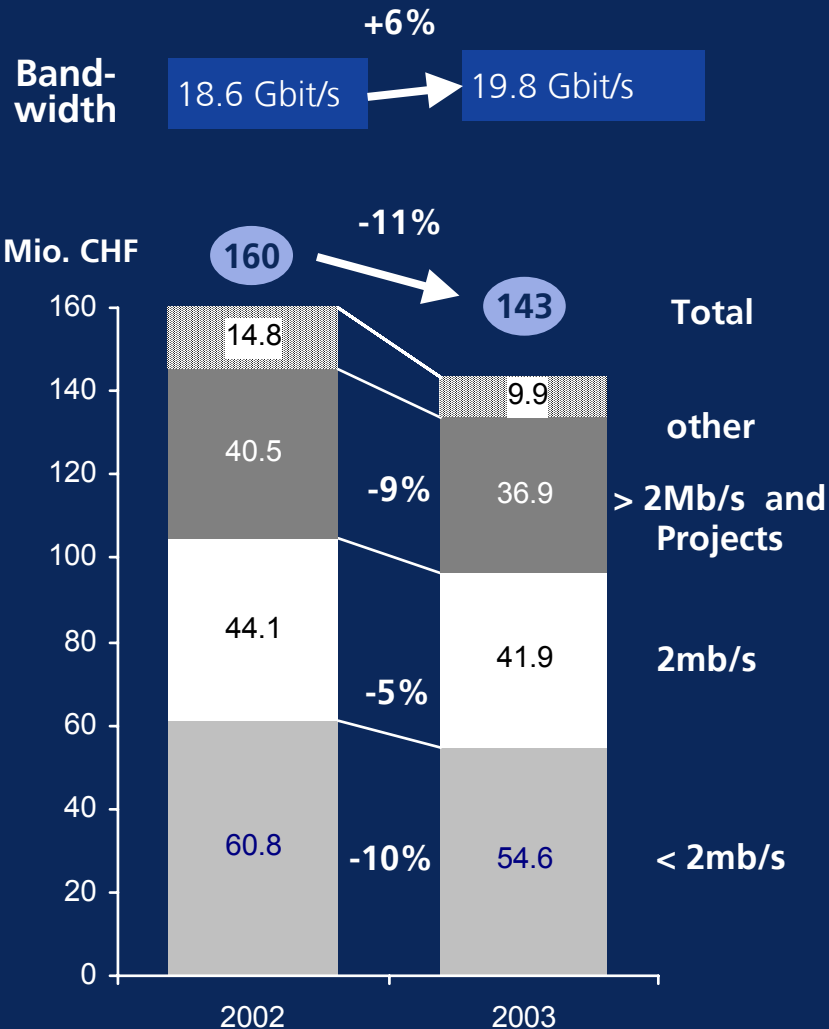
## Price plans

- *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

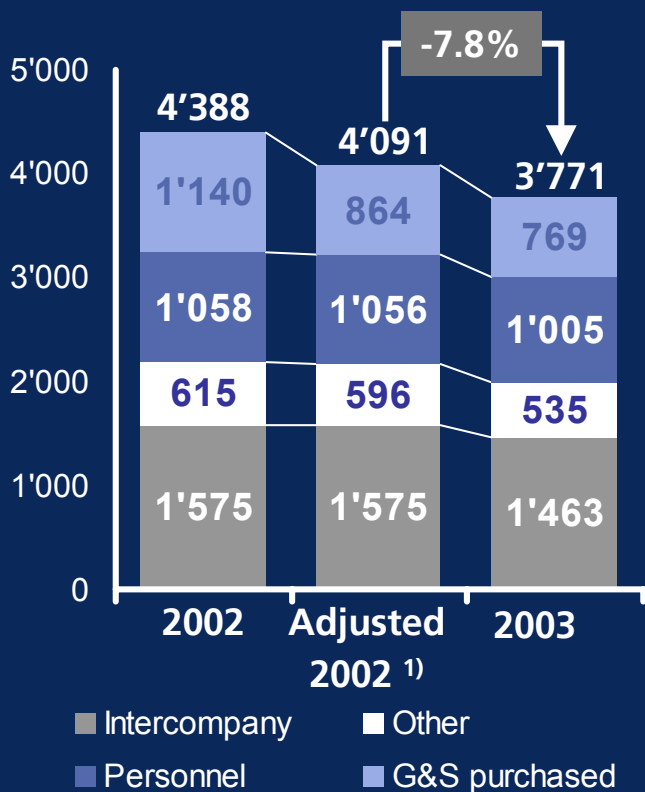
- OPEX & CAPEX management
- Performance improvement
- Customer orientation

## Towards the future

# Tight OPEX control

## Operating Expense

in mm CHF



## Top changes

**G&S purchased:**  
-11.0 %

**Personnel:**  
-4.8 %

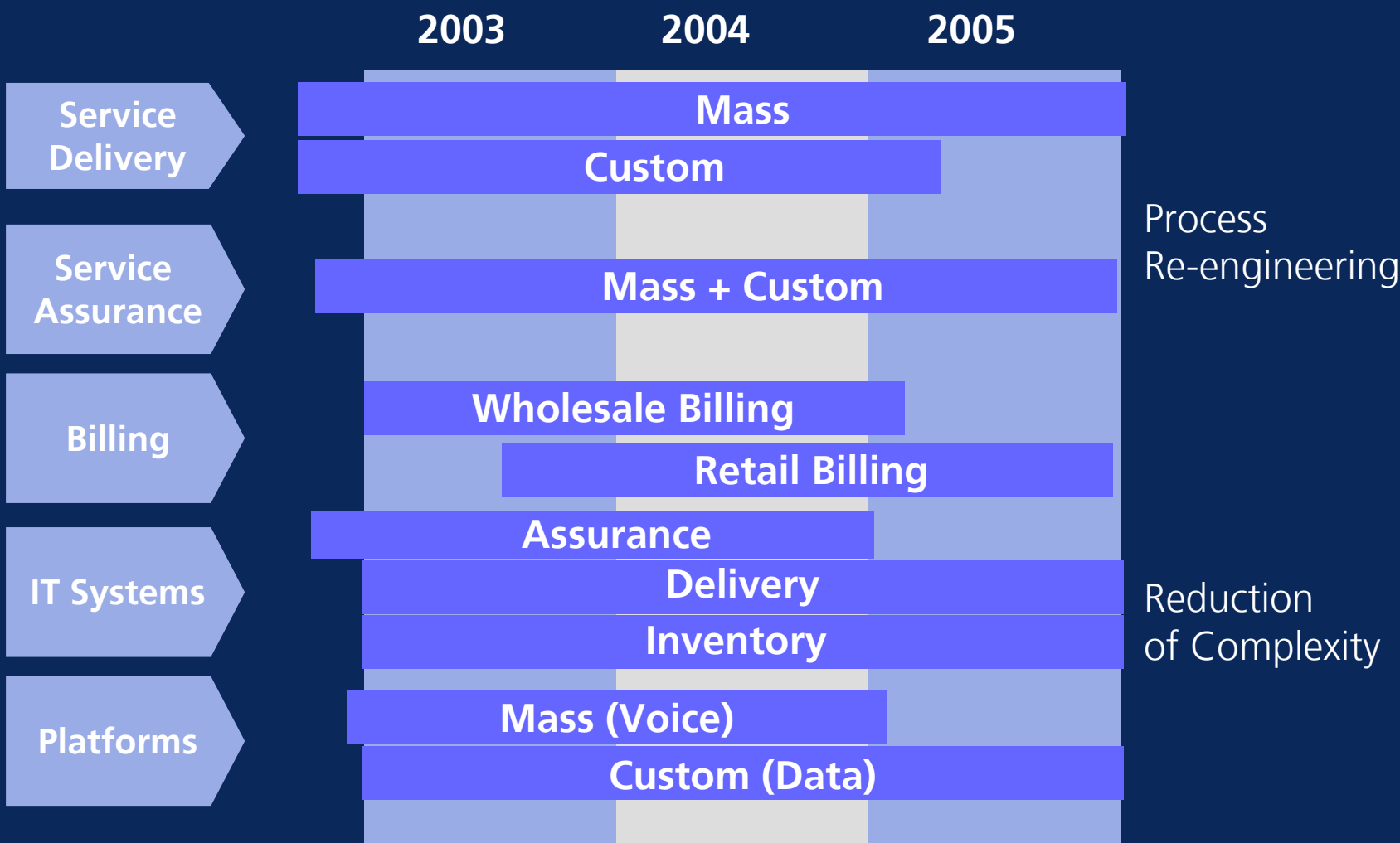
**other op. cost**  
-10.2 %

## 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

<sup>1)</sup> 2002 adjusted by Netting VAS, close of international outlets and Sale of Telecom FL AG

# 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



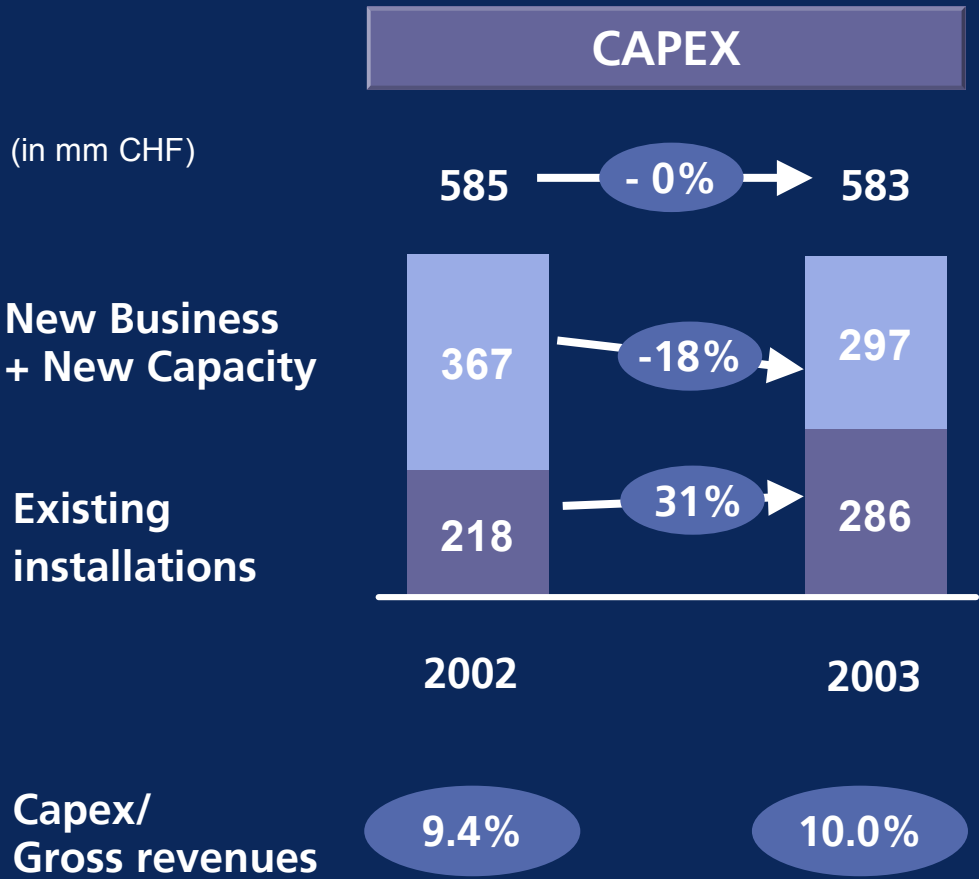
### Reduce Network complexity

- 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

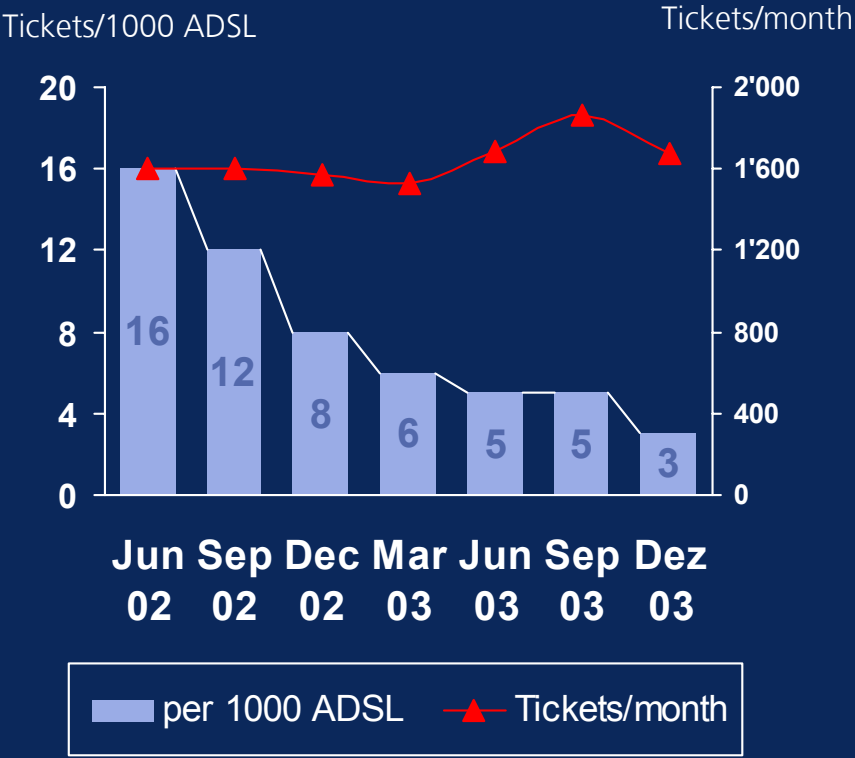


- Price Reduction in CAPEX for New Business
- Transient (2003/2004) increase in CAPEX for existing installation due to extension of TDM platform lifetime

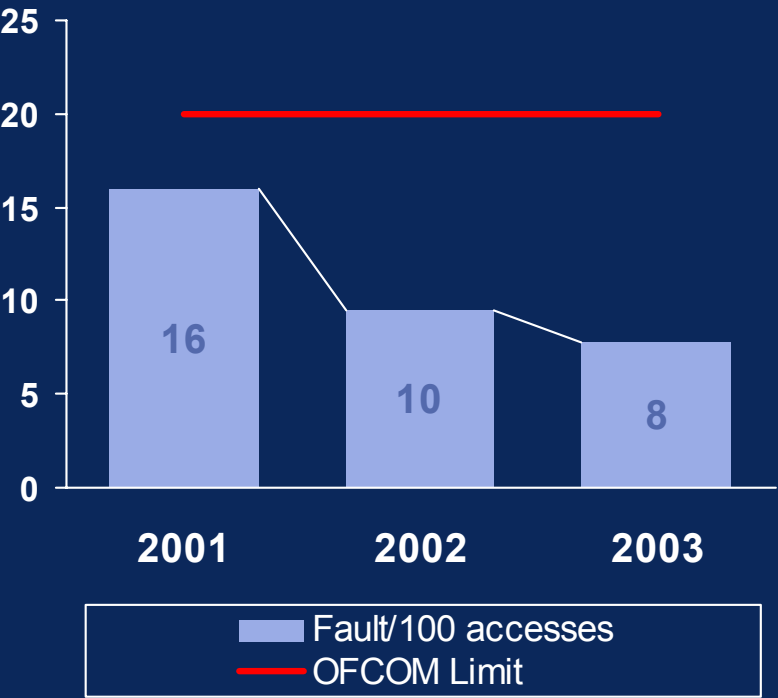


# Save and improve

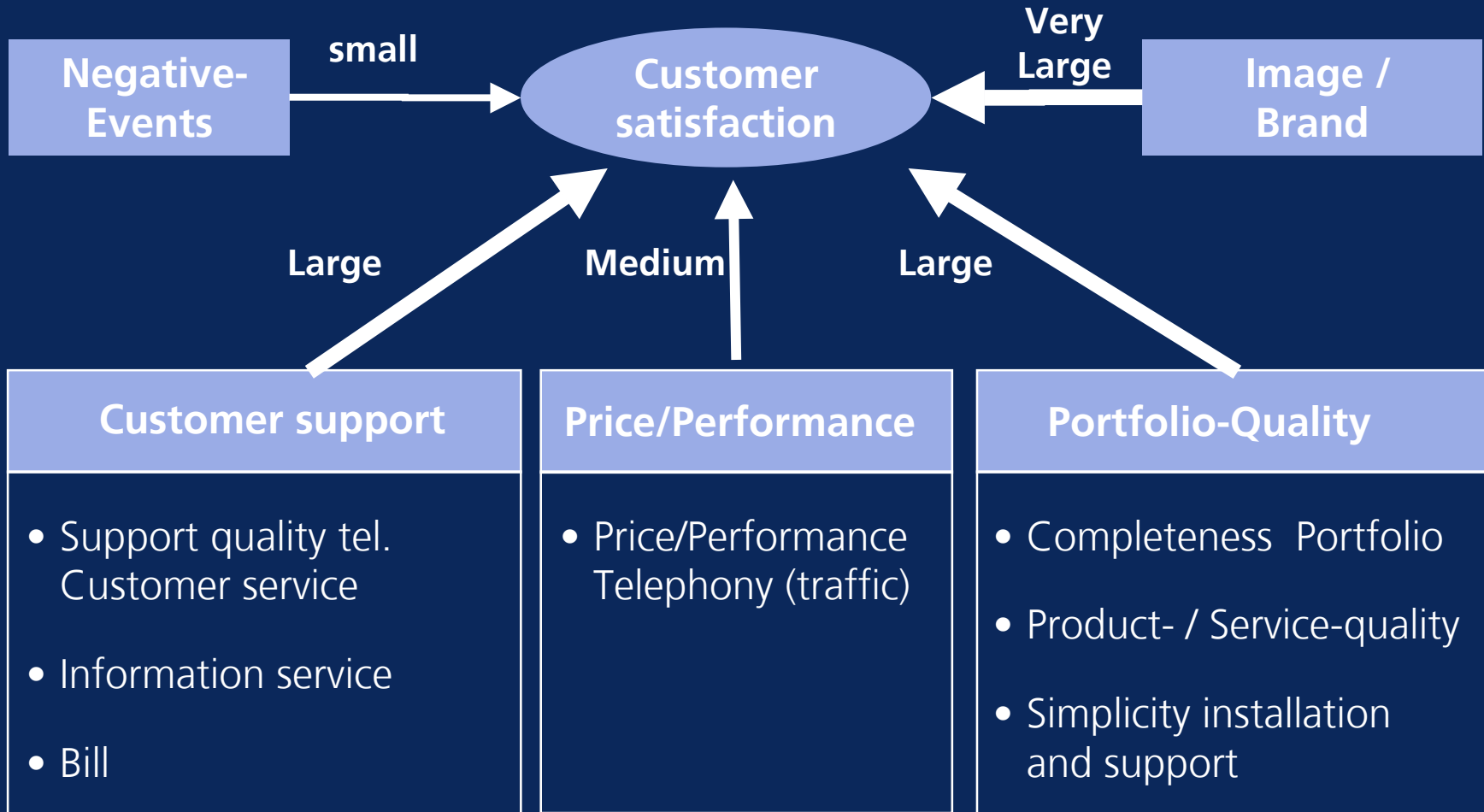
Trouble Tickets ADSL



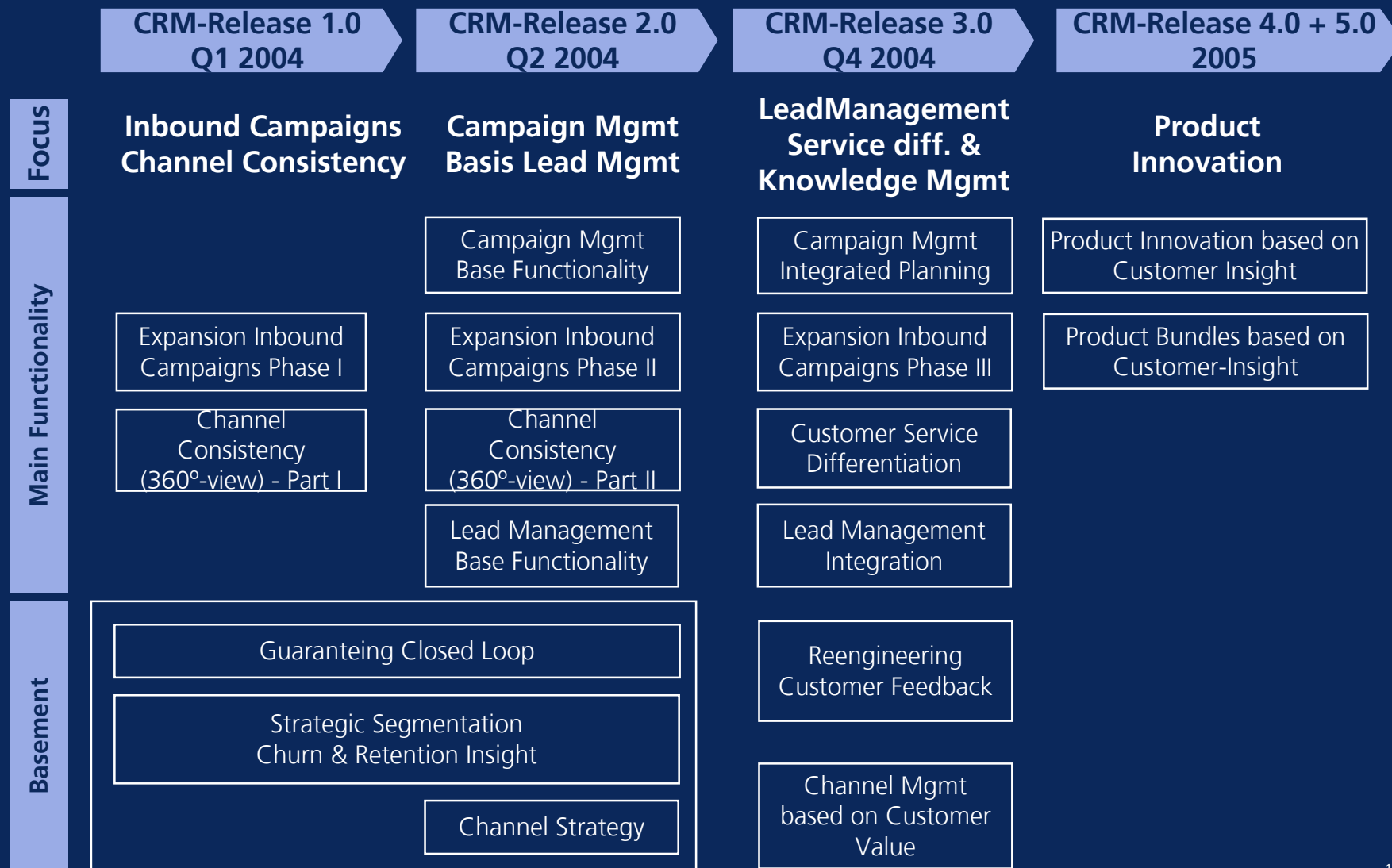
Faults per 100 Access lines



# Increased importance of customer interaction



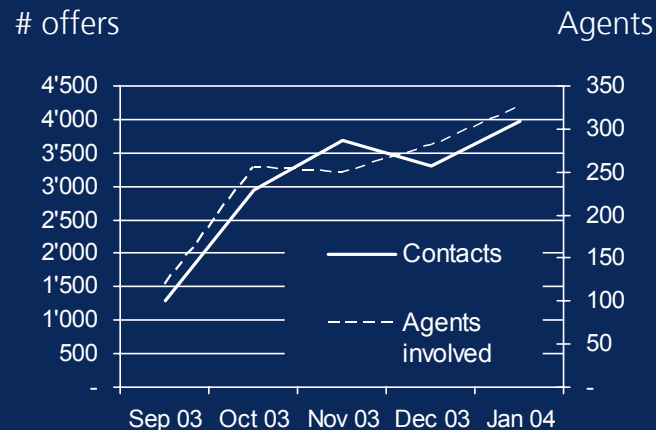
# Large CRM program initialized



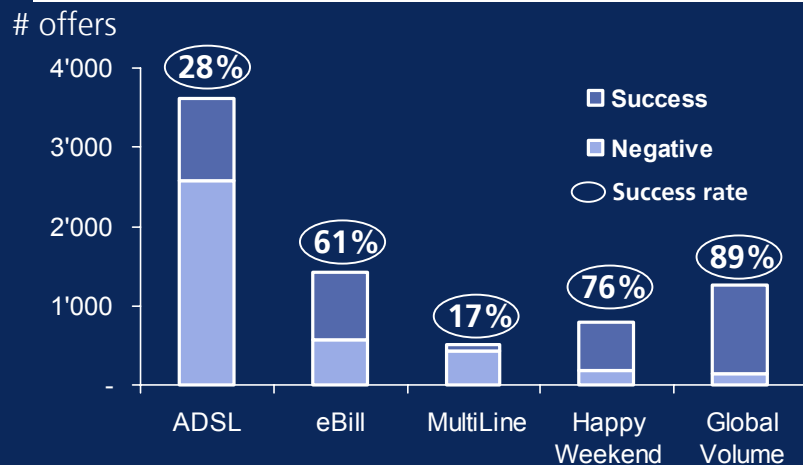
# First promising results achieved

- 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

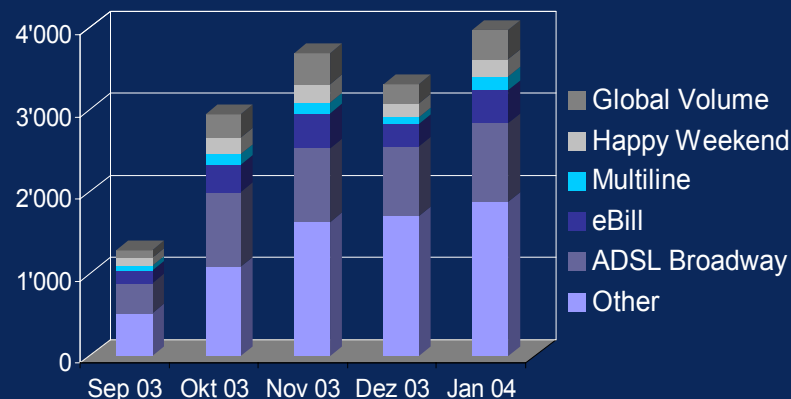
## Training of agents and proposed offers



## Offers and customer reaction (Oct 2003 - Jan2004)

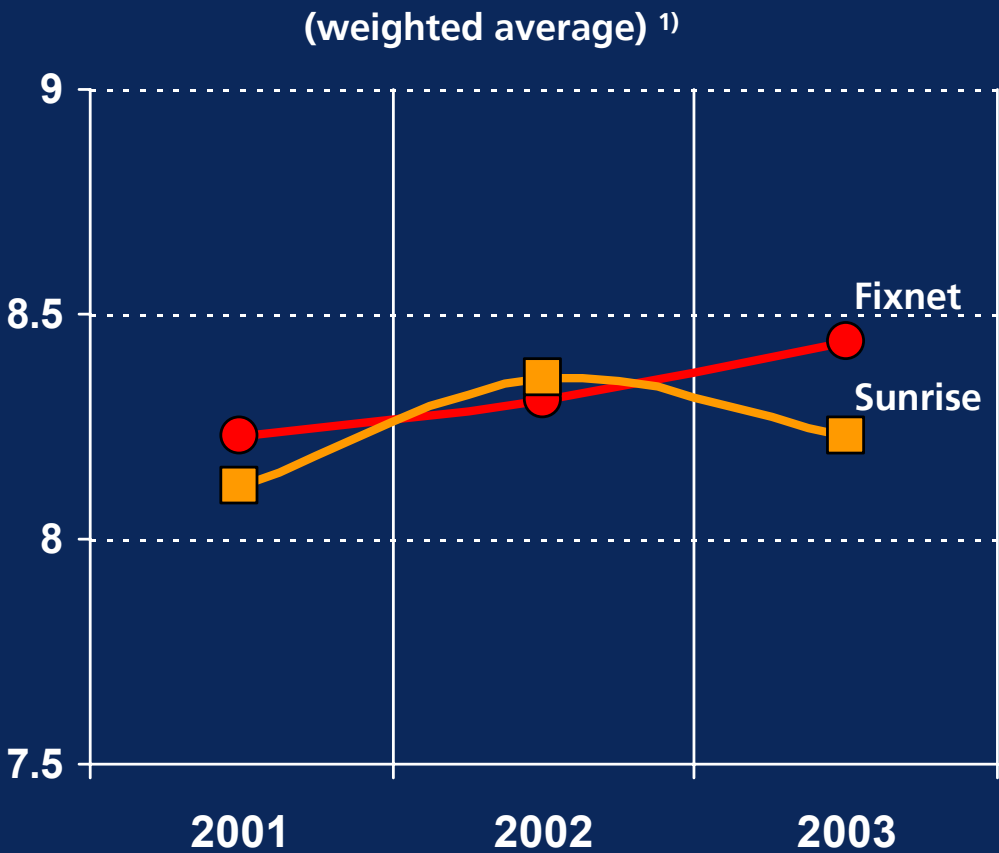


## Distribution of proposed offers



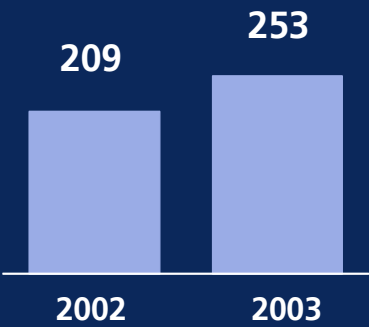
# Success already visible

Customer satisfaction improved

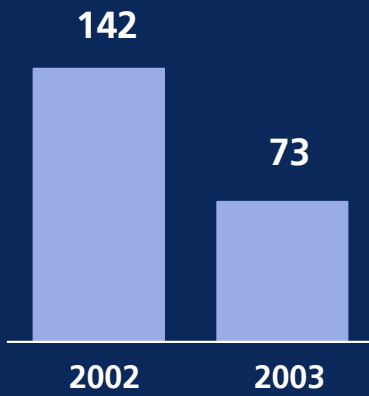


Net-churn significantly reduced

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

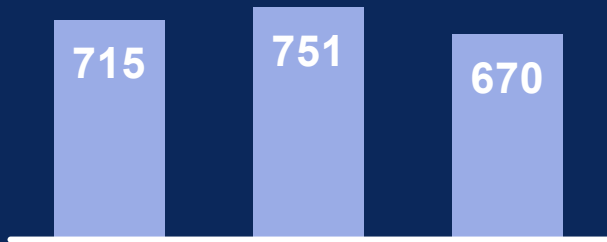
### Towards the future

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

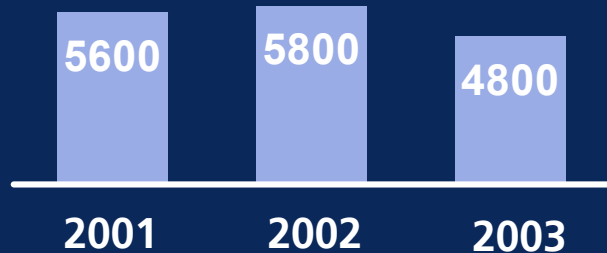
# Growing number of overall internet users

## Dial-up development Bluewin

Customers (in 000)

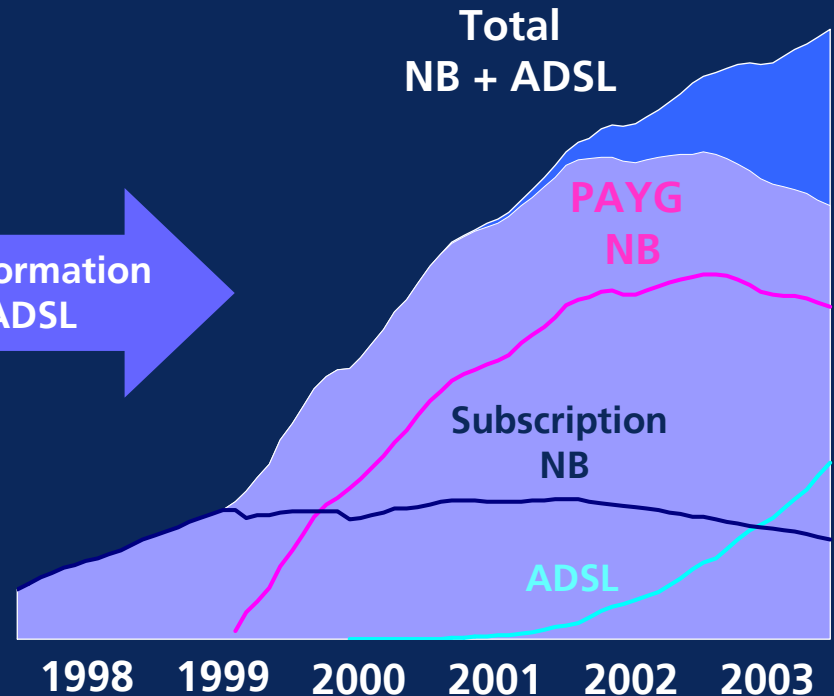


Traffic (in mm minutes)



## 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

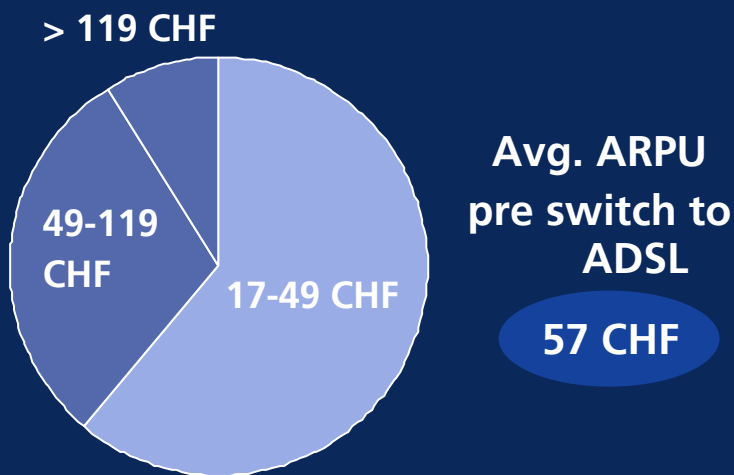
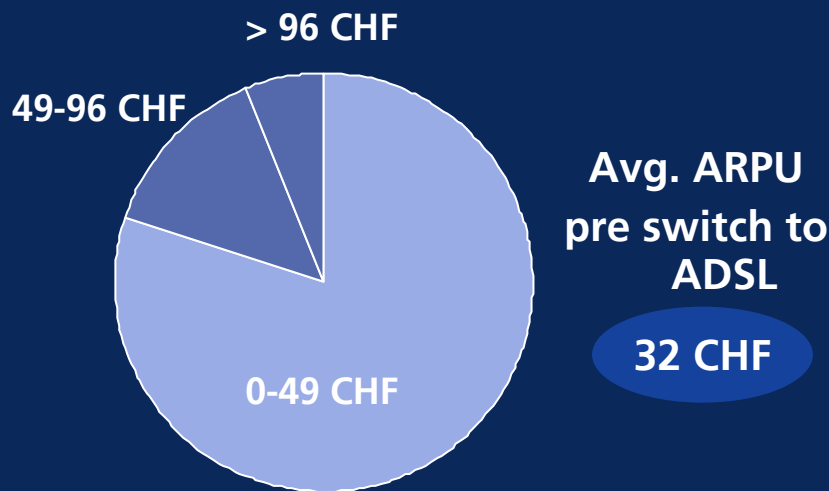
ECCONOMICS OF HOURS SPENT PER DIAL-UP SUBSCRIBER PRIOR TO CHANGE TO DSL<sup>1)</sup>

ARPU of BW Freeway  
users before changing to BW ADSL

ARPU of BW Highway  
users before change to BW ADSL

in % of all migrated BW Freeway users

in % of all migrated BW Highway users



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

<sup>1)</sup> DSL Migration bluewin from January to October 2003; Online-Usage during month before up-migration to DSL

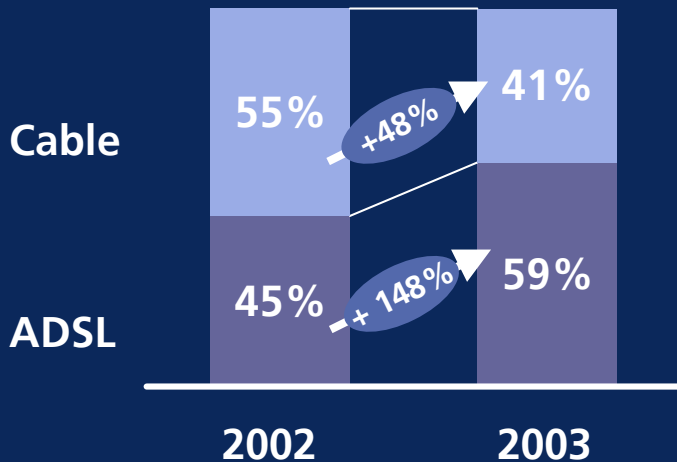


# Aggressive Swiss broadband growth...

## Development BB subscribers

Market Share (in %)

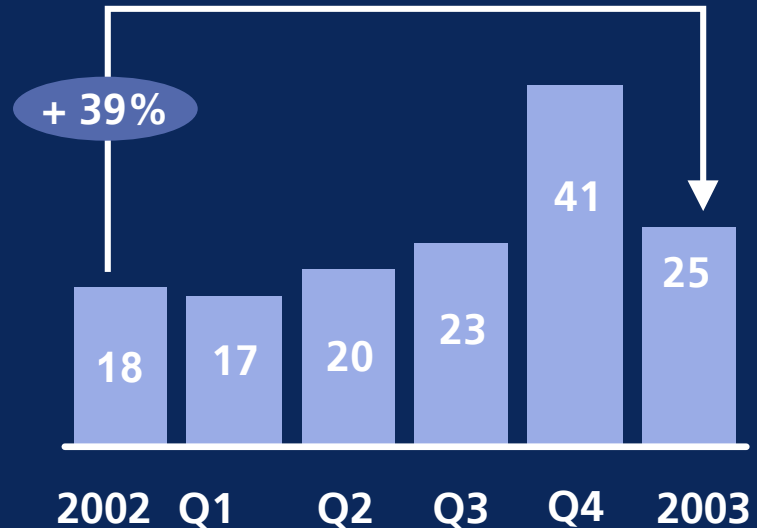
100% = 455K → + 88% → 857K



## Monthly development of ADSL subscribers

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

Total cumulated 531 k

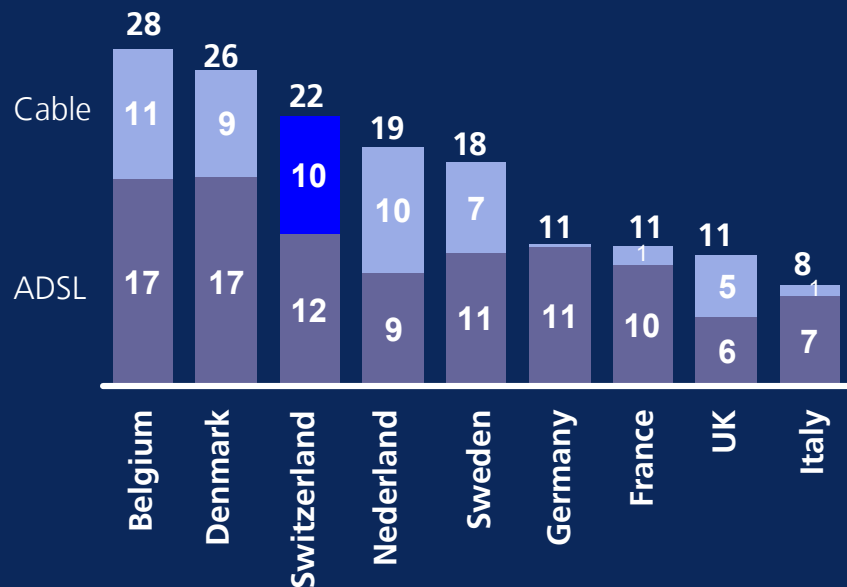


➔ **ADSL growing much faster than Cable**

# ...outperforming subscriber numbers elsewhere

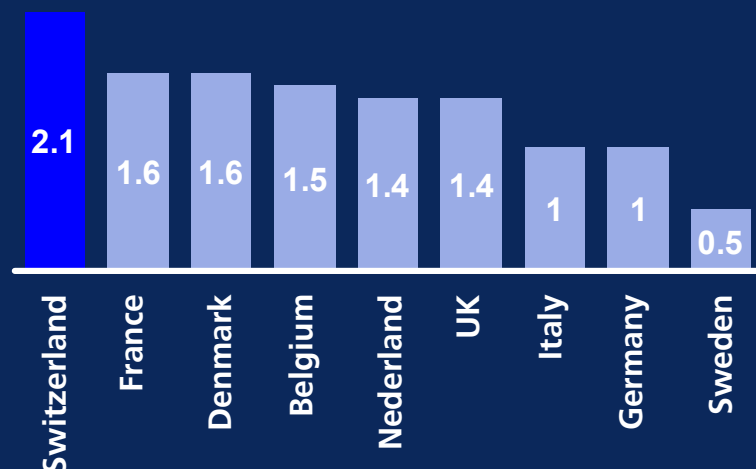
BB penetration Q3 2003

(% HH)



ADSL penetration increase Q2 to Q3

(in pp of HH penetration)



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

## Building enabling services

### Delivery

#### Transport

- Bandwidth
- Streaming
- Push Services

#### Hosting

#### Protection & Security

- Encoding
- DRM

### Identity

#### Identity Provider (IdP)

#### Subscription Handling

#### Conditional Access

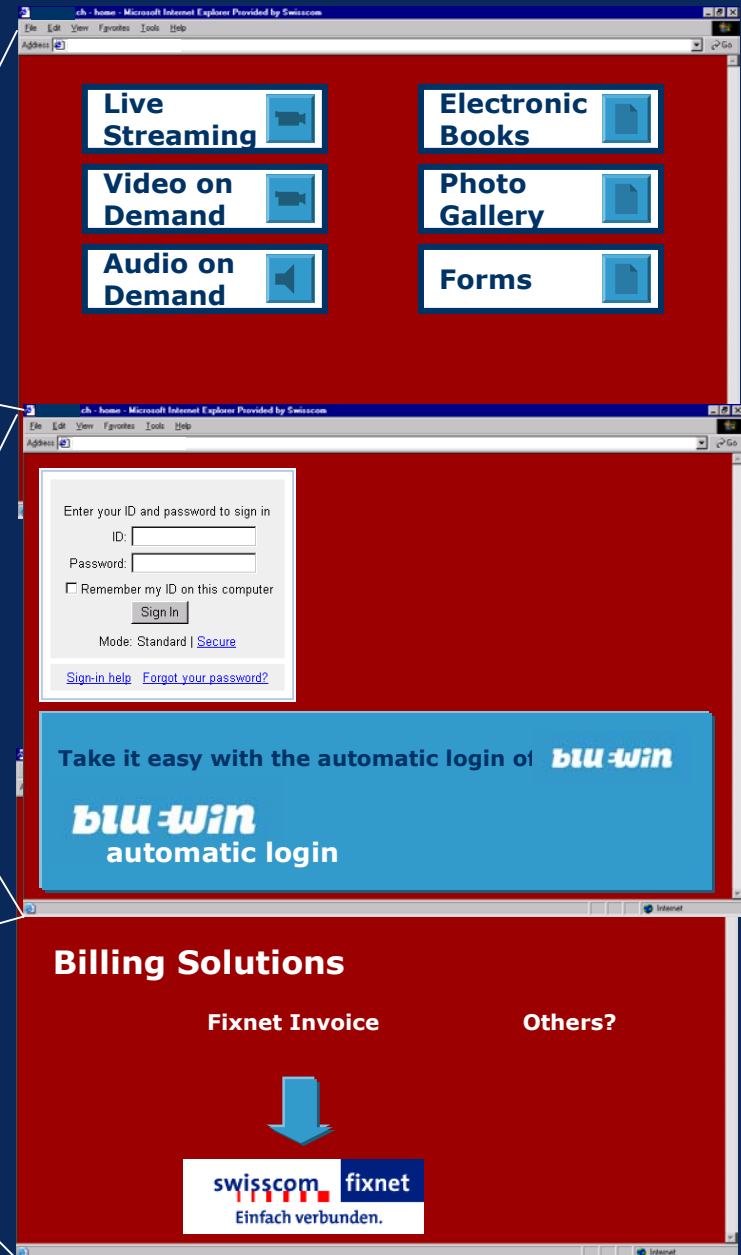
### Billing & Payment

#### Billing

#### Payment

#### Pre-

#### Post-



# Delivering games on demand

**Game-On**

Sie sind als **vip.pm** angemeldet


[Startseite](#)
[Games](#)
[Mein Konto](#)
[Meine Games](#)
[Über Game-On](#)
[Shop](#)
[Hilfe](#)

**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](#)

**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**







**Ghost Recon Island Thunder**  
Kuba, 2009: Castro ist tot und die ersten freien Wahlen seit Jah ...



**TKKG - Der Fälscherbande auf der Spur**  
Geldfälscher, Banken und Blüten halten TKKG diesmal i ...




**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

**bluwin** Video & Voice Chat

You're chatting as **Dieter**

irc.bluewin1.ch #meetingpoint #punk #bluewinflirt **Voice/Video Conference** Help Quit Chat

Aktueller Voice/Video Chat #bluewinflirt: User-News: new virus, for more information <http://www...>

25 Chatters

- 11\_zeta
- 2\_zzzk
- Alf**
- Berny
- Charly
- Dieter**
- Elisa
- Franky
- Gotto\_36
- ~~Sandy\_33~~
- Karl
- Karli
- Maggy
- Olga
- pussycat
- samantha
- Tamy\_13
- Willhelm\_tell
- Fritzli\_3

35 Chatrooms

Chatroom	Users
Meetingpoint	156
Room_2	22
Room_3	233
Room_4	4
Room_5	5
Room_6	56
Room_7	87
<b>bluewinflirt</b>	<b>8</b>
Room_9	10
Room_10	32
Room_11	45
Room_12	1
Room_13	56
Room_14	2

**Video Preview**

mic ☒ mute ☐ pause

settings

Copyright © 2003 Bluewin AG

- 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 the Stream-it website interface. At the top, there's a navigation bar with 'bluwin' and 'Stream-it' logos, and language options 'Français' and 'Deutsch'. Below this is a menu with categories: Spielfilme, Kinder, Kurzfilme, Serien, Doku, Musik, Music Clips, Erotik, and TV. A search bar labeled 'Titelsuche' is on the right. On the left, a sidebar lists 'Music Star', 'AVD Session', 'Konzerte', and 'Doku'. The main content area features a 'news' section with the headline 'MusicStar auf Stream-it: Finalsendungen vom 4. Januar bis 21. Februar 2004'. It includes a large 'MUSIC STAR' logo and text about the event, mentioning artists like Carmen (Sevelen), Mario (Rabius), and Piero (Laufen). There are links to 'MusicStar Room!' and 'Registrieren'. Below this, there's a section for the 'Finalsendung vom 21. Februar 2004' featuring Piero's song 'Baila (Sexy Thing)' and a photo of him performing. Another photo of a performer is visible on the right.

## 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

2Q 2003

Today

3/4Q 2004H

tbd

Living room  
long time  
vision

1. TV Trial  
2. Market  
Observations  
Market tracking

Verified  
TV Vision

Strategy  
approval

Mass  
rollout

## Scope of trial

- Testing technology feasibility and usability
  - Zapping Delay, Overall Delay
  - Ease of Use
  - Network capabilities & readiness
- Testing the market acceptance of Swisscom/Bluewin being a TV/Entertainment provider
- Identify USP in TV/Entertainment offering



# 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

fashion week

Paris Haute Couture, Jan. 2001

Starts in 45 minutes

Fashion 518

FASHION

Record this show

Live 7

Record series

Other showings



# 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.

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."