Company Presentation

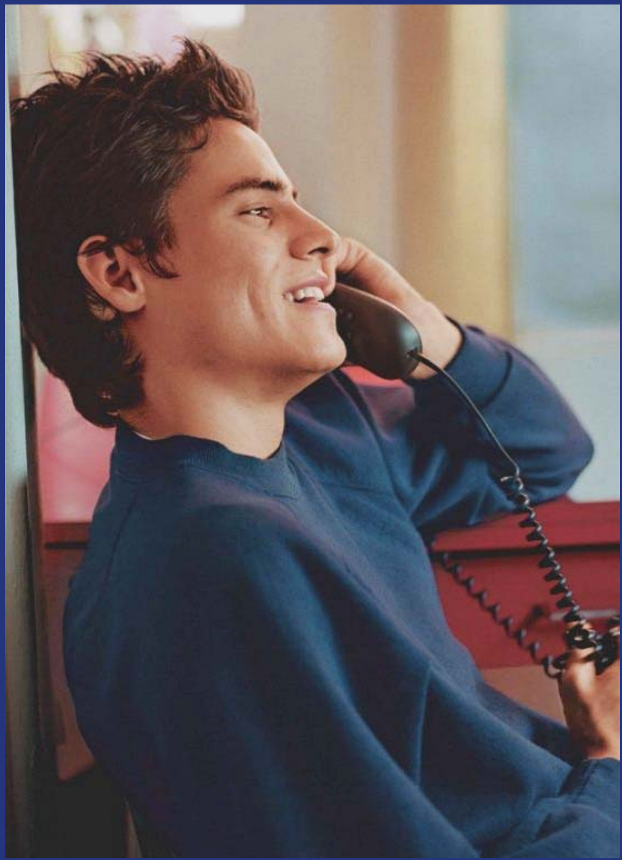
swisscom fixnet

Einfach verbunden.

Christoph Brand

Head of Swisscom Fixnet Wholesale

Basle, 09 December 2003



Agenda Fixnet Wholesale

- **Broadband Development (focus of this presentation)**
- **F2M Substitution**
- **Future positioning of Swisscom Fixnet**
- **Backup**

Broadband - the current battlefield

- The broadband market is distributed now
- Fixnet is aggressively pushing for penetration
- Significant success with respect to customer take up ....
- ... without disturbing the business case
- Broadband access customers are
  - less vulnerable to F2M substitution
  - are the customer basis for future triple play offers from Swisscom Fixnet

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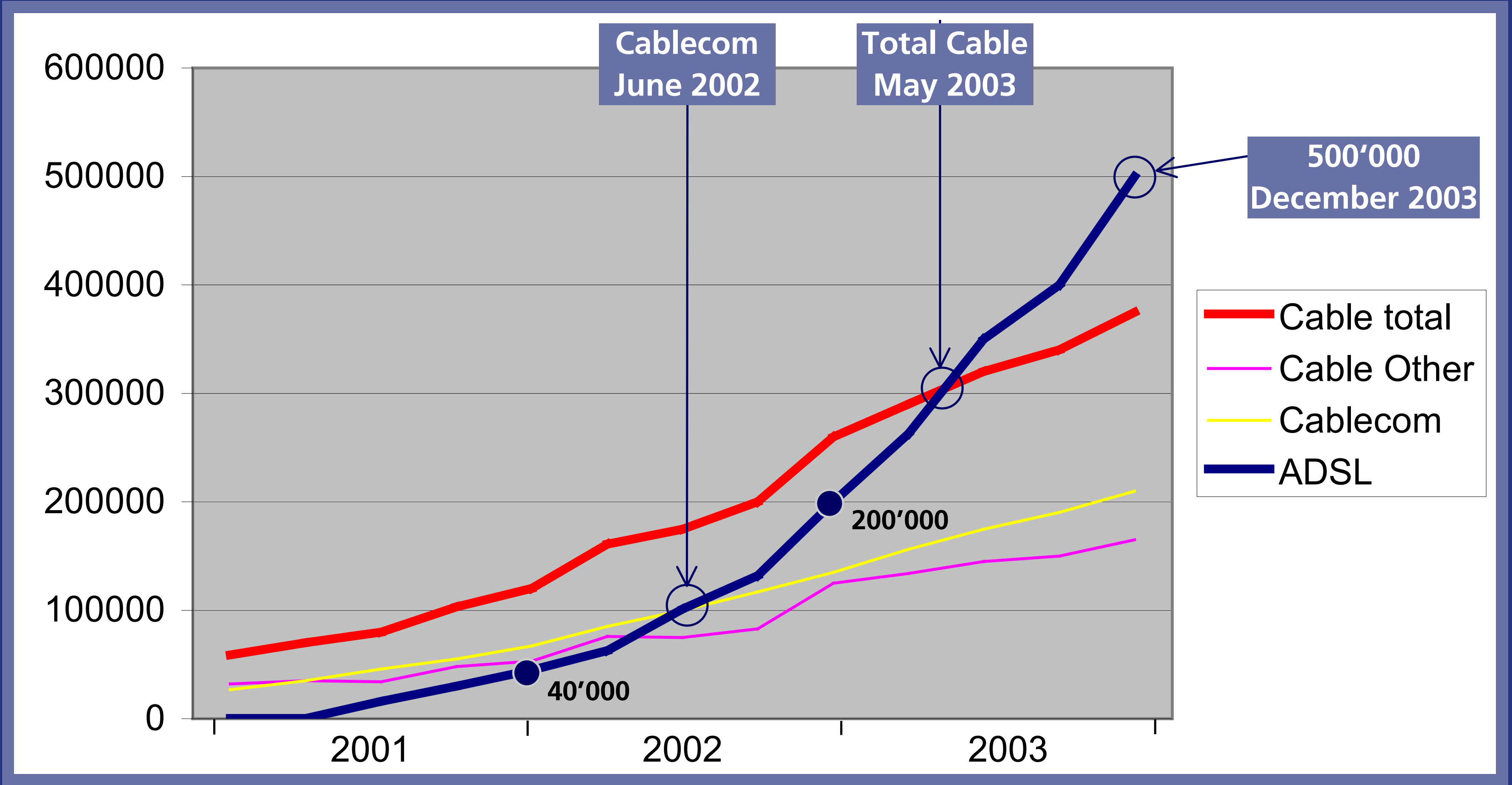
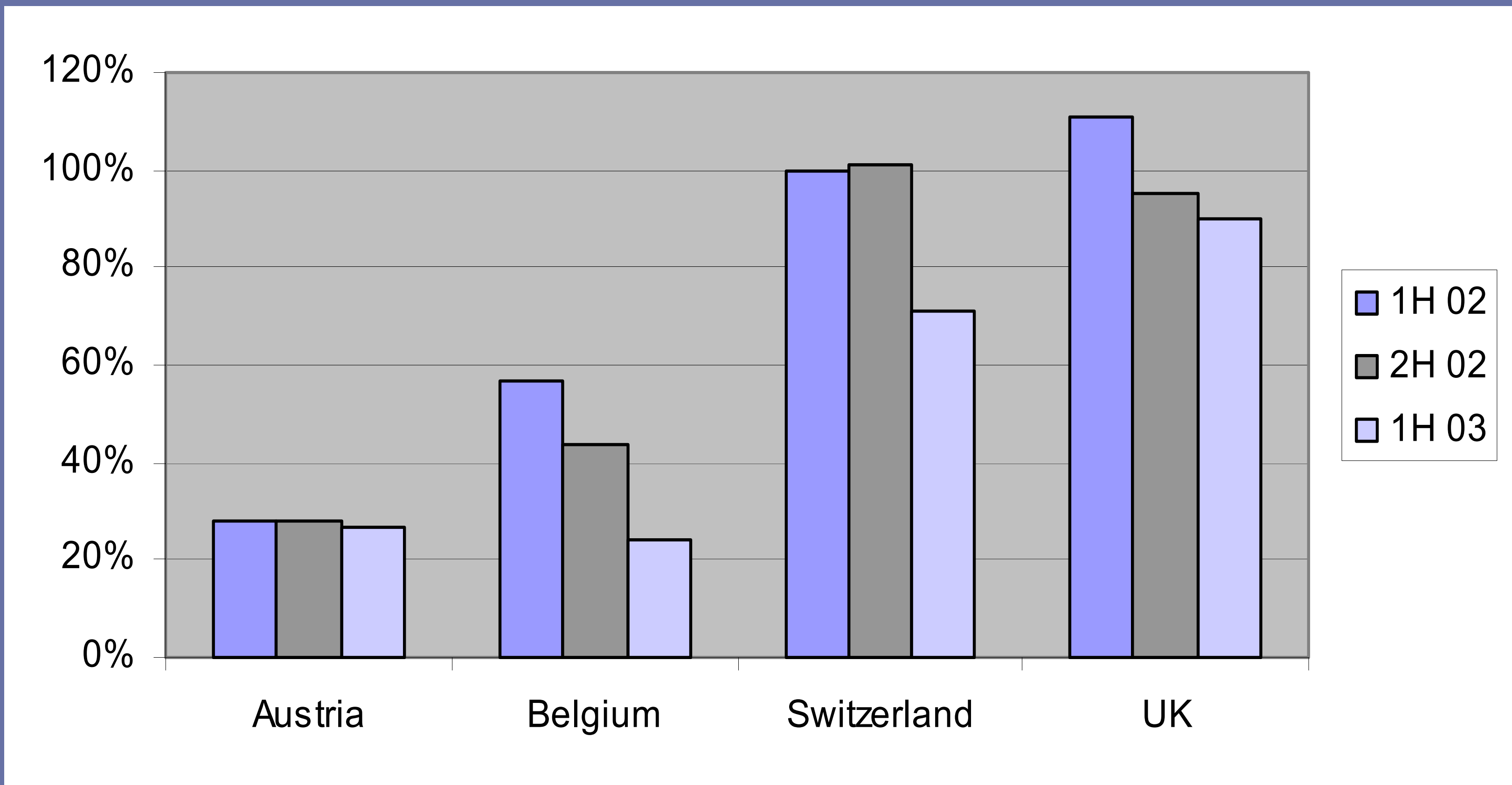
Broadband market Switzerland

December 2003: 58% ADSL / 42% Cable



ADSL growth since beginning of 2002



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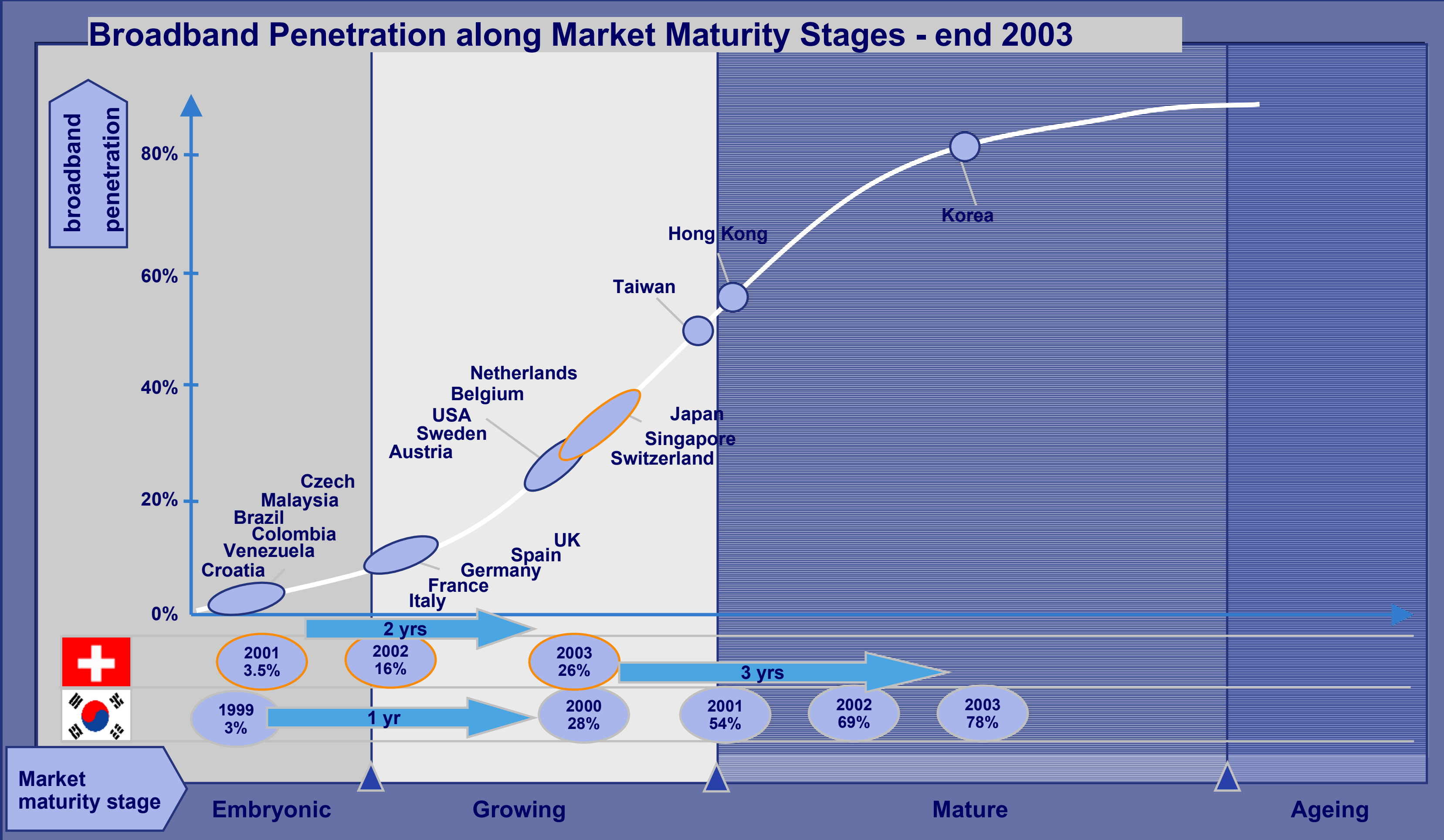
The current broadband market: Switzerland compared to the RoW



Source: ADL Broadband Study

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Financial development ADSL business

Turnover

- Strong growth in 2003 (+150%)
- Continuous aggressive market penetration in 2004 expected
- First saturation in 2005

Sales

- Market growth stronger than anticipated prize drop
- Strong increase of turnover expected

OPEX

- Operation of ADSL has strong economies of scale:
  – OPEX remains stable despite of growths of turnover
  – significant downward trend in unit cost

CAPEX

- Current network architecture sufficient for current service mix
- Considerable drop in equipment prices (from CHF 550 to CHF 100.- per port) leads to lower near term CAPEX
- However, future developments require network upgrade

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Technology pushes services and vice versa

Technology

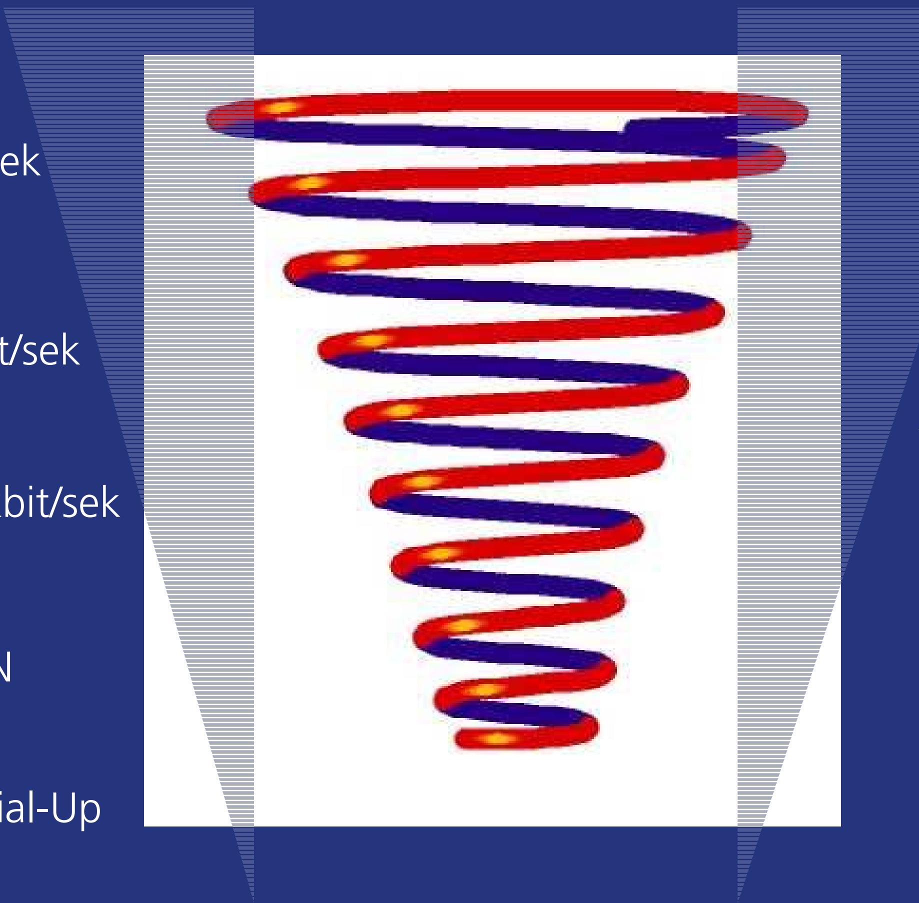
ADSL 2400 kbit/sek

ADSL 600 kbit/sek

ADSL 256 kbit/sek

ISDN

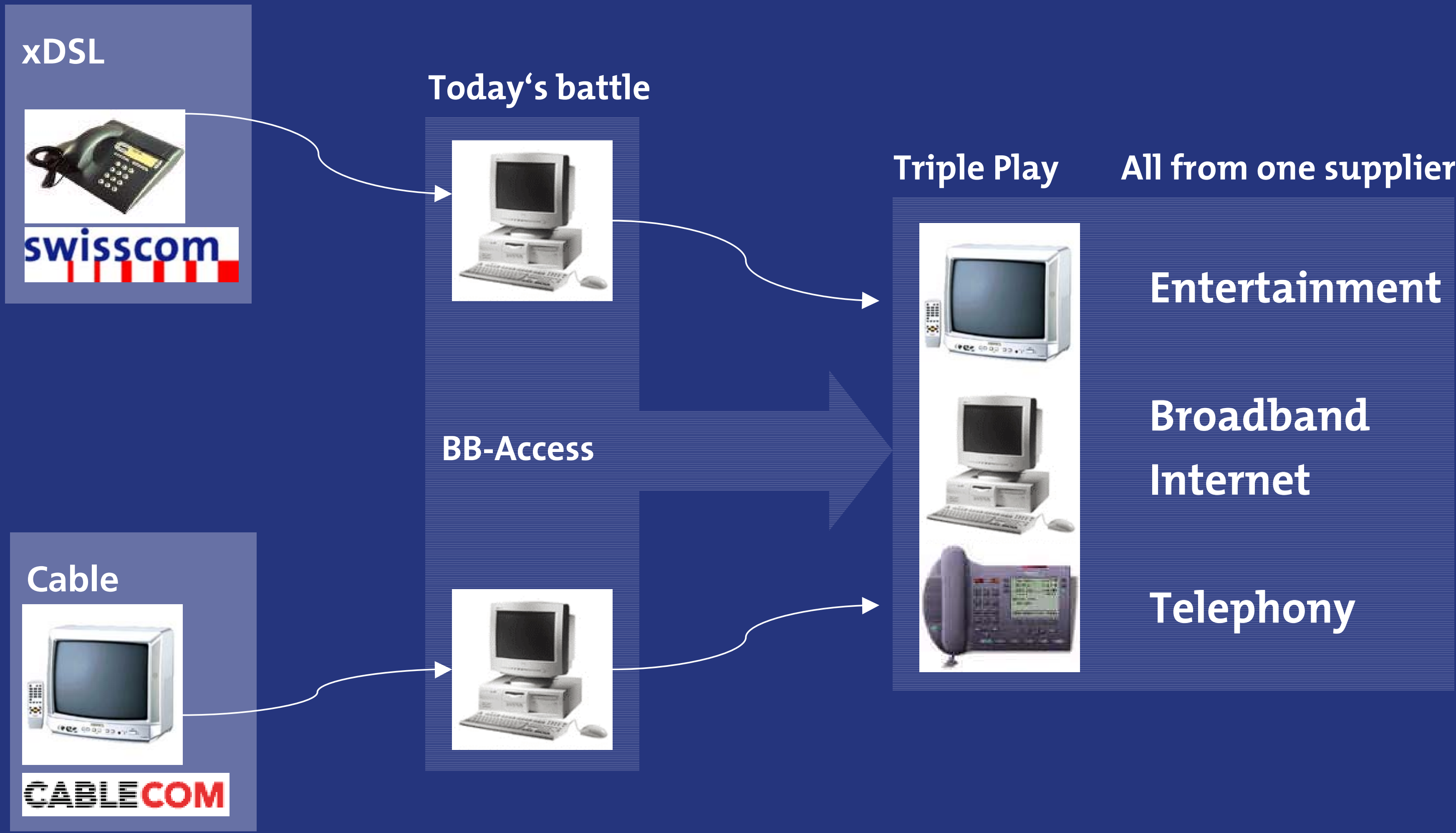
Analog Dial-Up



Services

- IP TV
- Gaming
- Music on demand
- Message based communication

The way to triple play



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ADSL in Switzerland: 4 main reasons for success

Wholesale model for the broadband ADSL business

- Wholesale model was introduced from the beginning and the ADSL technology was pushed by all ISPs (currently 32 ISP's)
- Availability of the ADSL technology in Switzerland is high: high coverage with >95% today
- Erosions in equipment prices (from CHF 550 to CHF 100 per port)

Strong competition in the broadband market

- The competition between the ISPs and against CaTV has generated a lot of investment in the broadband market

Clear market need

- Surf and phone, cost control, high speed access, easy to install and use

Broadband Internet is trendy

- Buying a broadband access is no more a logical economical act

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Distribution

Cybernet
The Communication People.

SOLNET

MAGNET·CH

TELE2

bluewin

NETSTREAM
IT-SERVICES

ECONO phone

green.ch
all internet

worldcom
ADSL Hautes Performances

deep
www.deep.ch

Internet Pipeline Switzerland

profiTEL

ticinocom

sunrise

NetServ

TISCALI
The Internet Communication Company

LAN services

WWS 24
wws24.ch

easynet
Internet for Business

T · · Systems · · ·

DFi
Développeurs de solutions interne

SPIN

AT&T Business

INIT7

abraxas
INFORMATIK AG

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F2M substitution

- Is a significant threat, but fixed operators are by no means without defence
- Attractive broadband offers effectively shield the access
- Combined fixed and mobile products can bring the benefits of both worlds to the customer
- Swisscom is excellently positioned in both areas
- Differentiation between hard substitution (largely line cancellation) and soft substitution (e.g. email use)
- Lost minutes gained back by mobile operators with Swisscom Mobile being main beneficiary

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Swisscom Fixnet positioning in the future

- Introduction ULL (if, when) still uncertain
- ULL would definitely have an impact. However, European experience shows that the effect is often over estimated
- Assuming no ULL (compare latest FCC ruling in the US), Swisscom Fixnet can aggressively invest into broadband infrastructure and service:
  - different versions of Fibre plays (FTTC, FTTP)
  - different versions of TV offerings
- This way Swisscom will migrate from a narrowband infrastructure company to a broadband mediacom provider
- Broadband push is the first step on this path, which we have taken with great success

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Agenda Fixnet Wholesale

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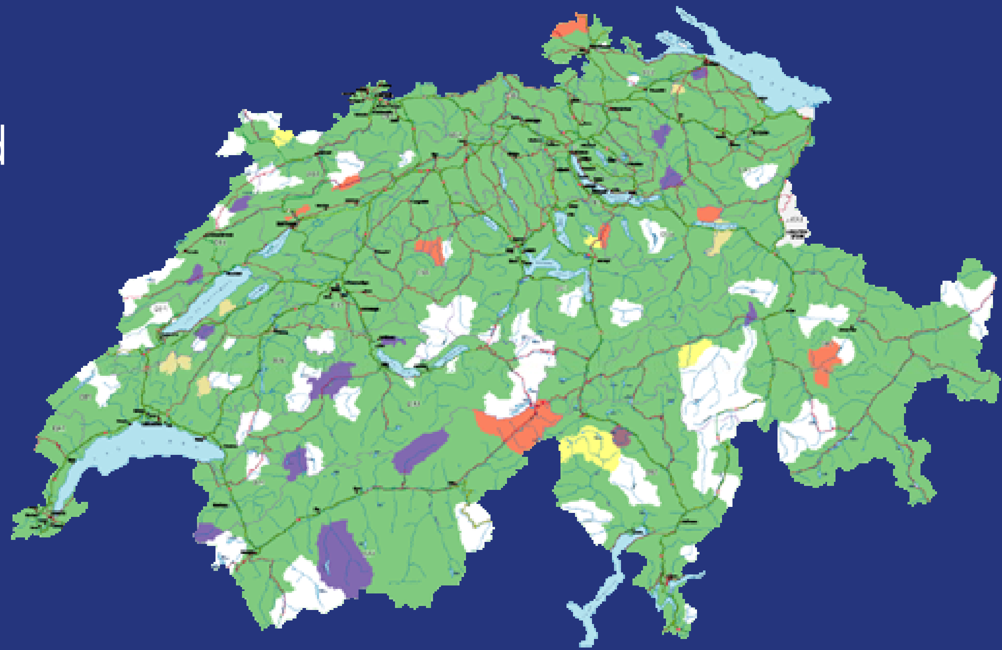
Reasons for success

- High Coverage (new 98.6%)
- Fast Access
- Addressing the Market Demand
  - Speed
  - Cost Controlling
  - Surf + Phone
  - always on
  - easy to install / use
- Capacity, high Security
  Reliability, Quality
- Attractive Prize/Capacity-Combination
- Wholesale - Model



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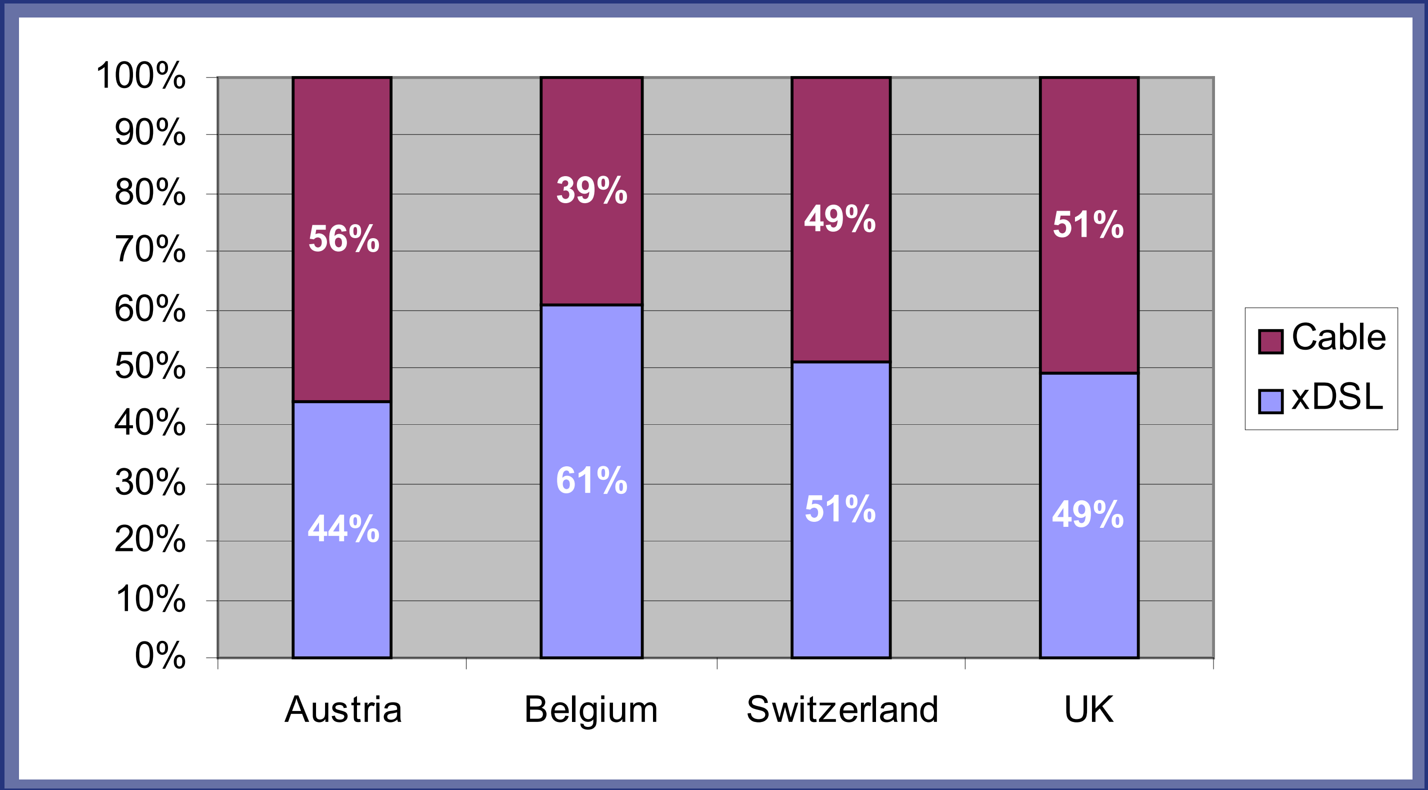
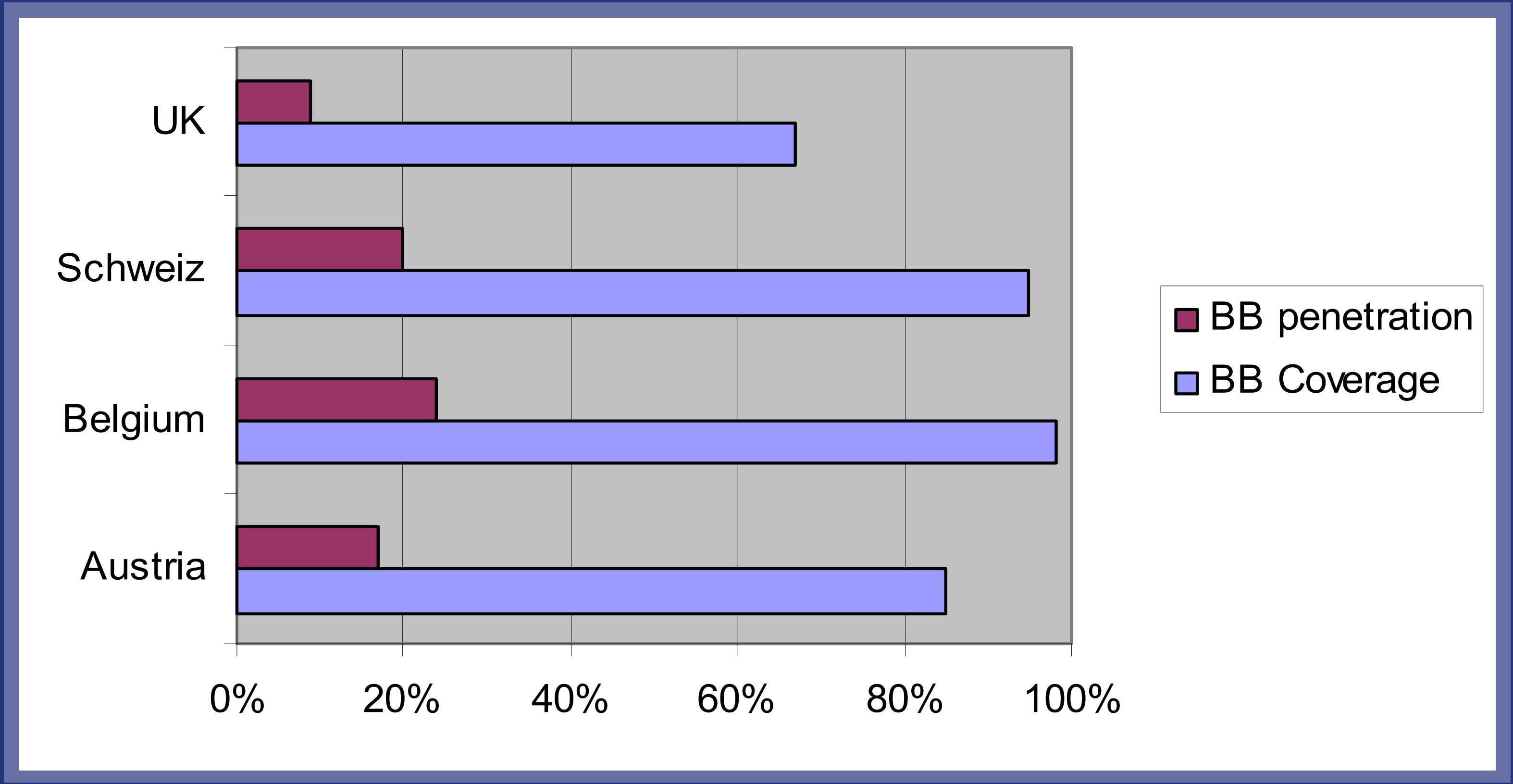
Overview cable internet versus ADSL

Situation June 2003



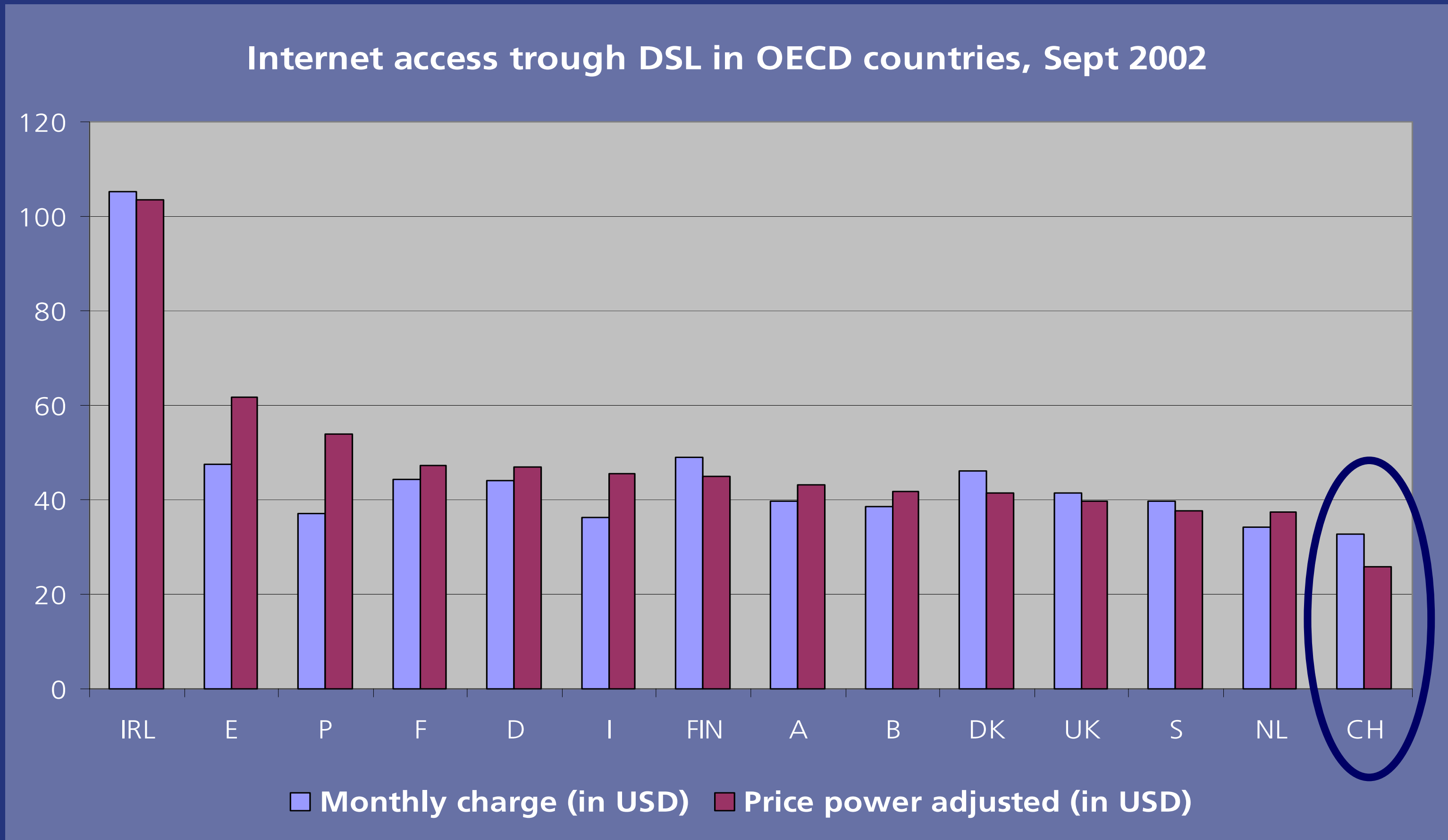
- Competition drives growth
- In Switzerland, ADSL will continue to dominate cable because it reaches more households as cable and benefit from superior financial positions, scale, distribution and brand strength

BB Coverage and BB Penetration
Situation June 2003



- High coverage is key to get a high penetration
- With Rel. 7, ADSL coverage is improved

In the international comparison: Switzerland has low prices in BB
monthly fee for 256kbit/s, incl. VAT



Source: OECD Communication Outlook 2003, Table 6.8

Thank you for your attention!

In the case of further questions, please contact:

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