Swisscom, company presentation

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Swisscom profile

• Incumbent telecom operator in Switzerland, alternative operator in Italy

• 2011 key numbers:
  • CHF 11.5 bln (~1 trillion Yen) revenues,
  • CHF 4.6 bln EBITDA,
  • CHF 2 bln Capex
  • 20,000 FTE’s

• Majority shareholder Swiss government (56.9%), free float listed in Zürich with ADR traded (OTC) in New York. Market capitalization CHF 18 bln (~1.6 trillion Yen)

• Robust dividend history and policy, offering one of the best dividend yields in the Swiss market
Swisscom strategy: 3 pillars, 1 outcome

Maximize
- the existing business
  - by improving and fortifying market position

Extend
- to deepen the business
  - by driving cost down, focusing on valuable business

Expand
- to widen the business
  - by moving into increasingly cash generative business

Use proceeds to optimize payouts to shareholders while securing efficient capital structure
Organisation: aligned with strategy

CEO
Swisscom Group

Swisscom (Switzerland)
- Residential
- SME
- Corporates
- Wholesale
- Networks & IT

Swisscom IT Services

Swisscom Participations

Fastweb

Maximize
- ✓
- ✓

Extend
- ✓
- ✓
- ✓

Expand
- ✓
- ✓
Swisscom Group: challenges 2011 and beyond

**Market Performance**
- Highest customer satisfaction
- Very strong mobile data growth and new TV subscribers
- Fastweb meager in mass business and strong in Executive Segment

**Performance & Priorities**
- Continued cost control
- Continued investment into USP “Best Network”
- Fastweb: initiate measures to restore FCF growth medium term

**Special Issues**
- Regulatory cases & spectrum auction
- Be prepared for inner market consolidation (Switzerland & Italy)
- Fastweb: minority buyout in Q1 2011 to create more flexibility

Well prepared to face challenges 2011 and beyond
Performance: quarterly results

Solid quarterly results with normal seasonal patterns
Swisscom Switzerland: The cash generator

### Financial results 9 months 2011

- **Revenues**: CHF 1,384mm
- **Contribution Margin**: CHF 726mm

- **Revenues**: CHF 881mm
  - **Contribution Margin**: CHF 657mm

- **Revenues**: CHF 3,825mm
  - **Contribution Margin**: CHF 2,261mm

### Market shares, approx.

- **Mobile voice**: 75%
- **Mobile data**: 85%
- **Fixed voice**: 70%
- **Broadband**: 45%

- **Mobile voice**: 80%
- **Mobile data**: 80%
- **Fixed voice**: 85%
- **Broadband**: 65%

- **Mobile voice**: 60%
- **Mobile data**: 55%
- **Fixed voice**: 65%
- **Broadband retail**: 55%
- **Digital TV**: 25%

- **Mobile voice**: 80%
- **Mobile data**: 80%
- **Fixed voice**: 85%
- **Broadband**: 65%
- **Digital TV**: 25%

### Focus products

- **Voice**
- **Broadband**
- **Roaming**

### Factory

- **Mobile networks**
- **Fixed networks**

### Swisscom Switzerland

- **EBITDA**: CHF 2,913 mm
- **CAPEX**: CHF 784 mm
- **FCF proxy**: CHF 2,129 mm
- Sunrise over latest quarters winning market share at the expense of Orange.

- Swisscom also gaining market share with high net adds share of 71.2%, especially strong in business customers segment.
- Overall market growth in Q2 at a par with prior year quarter
- UPC Cablecom recovering from historical lows over prior years with net adds share of 7k or 19.5%.
- Other cable operators growing again, with 33% share of net adds
Digital TV market Switzerland

Subscribers digital TV Segment

Market share digital TV Segment

- Net adds Volume TV in Q2 2011 with +143k the highest ever, of which Swisscom TV took +43 tsd (30.0%)

- 5 years after launch, Swisscom TV overtook Cablecom as the market leader in Digital TV
## Market Performance: domestic share and size matter

### FCF proxy (EBITDA - CAPEX) per head of population in CHF *

<table>
<thead>
<tr>
<th>Company</th>
<th>FCF proxy (CHF)</th>
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<tbody>
<tr>
<td>Average</td>
<td>151</td>
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<tr>
<td>Swisscom excl. FWB</td>
<td>345</td>
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<tr>
<td>Telenor</td>
<td>256</td>
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<td>Belgacom</td>
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<td>France Telecom</td>
<td>147</td>
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</tbody>
</table>

*) only domestic FCF proxy for each of the incumbents, no foreign operations. Source: own and broker research (February 2011)

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Economies of scale and high market share are important:
Swisscom more than twice as profitable as its European peers
Fastweb: priorities

1. Improve Go to Market and Ignite Growth
   (Sky Partnership + Inbound Channels + Microbusiness Segment)
   FASTWEB targets a market share of Broadband net adds of approx. 15% in 2011

2. Improve efficiency and reduce cash costs
   (Reduce technological costs + Reduce the overall bad debt level)
   FASTWEB targets cumulated net savings of approx. €100 mm in 2011-2013
Wireline network: fibre strategy

Since rolling-out FTTH is time-consuming, a mixed FTTC/FTTH strategy is pursued to meet medium term demand and cope with cable competition.
Wireless network: mobile spectrum

Spectrum auction
- New 800 Mhz and 2600 Mhz spectrum
- Existing and new spectrum auctioned (all licenses with end-date 2028)
- Combinatorial Clock Auction design

Spectrum strategy
Swisscom will apply for spectrum auction to...
- ensure continuity
- increase both capacity & coverage most efficiently
- allow introduction of new technologies

All existing and new mobile spectrum to be auctioned (likely to take place in Q1 2012); Swisscom will need to ensure both continuity and capacity for future bandwidth demand
Main regulatory cases

- **LRIC/ULL**: Federal Administrative Court overruled ComCom: telecoms regulator cannot impose price cuts where competitors had not contested these. One possible civil complaint may be lodged (from an operator with whom Swisscom has not reached an agreement yet), therefore provision not to be fully released yet.
- **Leased Lines**: Appeal against ComCom’s ruling that Swisscom has to resell lines at cost wherever there are not at least 2 providers. Case has been fully provisioned for, however should ruling be negative, then a price cut would extend itself into the future.
- **Mobile Termination Rates**: Federal Administrative Court has quashed the decision of the Competition Commission to impose a CHF 333 mm fine. Case still under courts.
- **ADSL**: Competition Commission claims Swisscom has abused its market dominance in setting too high wholesale prices. Decision by Federal Administrative Court only after decision on MTR case.

2011 sofar a year in which regulatory cases have developed favourably for Swisscom
Payout: dividend development - pledge to always pay at least the same dividend as the preceding year

- + 8 CHF per share par value reduction
- + share buy back (10% of capital)
- + share buy back (7.1% of capital)
- + share buy back (7.8% of capital)
- + 2 CHF extraordinary DPS
- + cancellation of all remaining treasury shares (3.1% of capital)

of which CHF 9 from paid-in capital (being the maximum available), which is tax free income to Swiss private holders.

For institutions the initial payment net of withholding tax is higher (CHF 16.80 instead of CHF 13.65 which normally would have been paid out)
Q&A
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