

24. SWISSCOM AG

24.1 COMPANY INFORMATION

Exhibit 44 – Swisscom at a glance

Shareholders	Public Company Swiss Government	65.5%
CEO	Jens Alder	
Revenue 2001	Sfr14.2 billion (US\$8.55 billion)	
Headquarters	Bern, Switzerland	
Employees 2001	21,300	

(Source: Paul Budde Communication based on company data)

Swisscom is Switzerland's major telecommunications company that offers a full range of voice and data communication services on fixed-line and mobile networks. Swisscom offers the complete spectrum of data services, from leased lines to integrated solutions for corporate customers. In 1997, the state monopoly Swiss Telecom PTT changed its name to Swisscom, and in 1998 it lost its monopoly with market liberalisation and became a publicly listed company with the government as its major shareholder. Swisscom launched an Initial Public Offering (IPO) in October 1998 on the Swiss and New York Stock Exchanges. As a result, 30% of the company was privatised, with the government retaining 70% in the country's largest privatisation. The sale raised some Sfr7.5 billion, with 33% going to the company and 66% to the government. The 1997 Telecommunications Companies Act (TCA) prescribed that the government must have a majority stake in Swisscom. Plans were under way in 2000 to amend the constitution, and for the Swiss Government to give up its majority holding. This is seen as a necessary measure to place Swisscom in a position where it can form alliances and work with other companies and groups.

Like other former monopolies, Swisscom is under pressure to seek growth abroad as rivals encroach on its traditional voice business. The company's efforts are focused on the growth areas of mobile communications, broadband access, Internet Protocol (IP) services, the Internet and e-commerce. Swisscom's subsidiary Blue Window is the country's largest Internet Service Provider (ISP). In July 1999, the company bought a majority stake in debitel AG, Germany's third-largest wireless operator at the time. Around a third of Swisscom's revenues are generated outside Switzerland, with debitel accounting for a major portion. Swisscom quit its investments in Malaysia and India in 1999 to focus on expanding in countries neighbouring Switzerland.

Swisscom has made moves to cut costs to boost competitiveness. In the second quarter of 2000, the company announced that it would reduce its staff by around 3,000 in the years 2001-2003. In January

2001, an agreement was reached with the employee associations, and Work Link AG was established, a joint venture between Swisscom, employment agency Manpower and the employee associations, to help employees seek new employment.

In December 2000, Swisscom was awarded one of the four Swiss Universal Mobile Telephone Service (UMTS) licences auctioned, for a price of Sfr50 million. In preparation for entering the third-generation mobile communication market, Swisscom formed a strategic partnership with the British Vodafone Group in November 2000, and Vodafone took a 25% equity stake in Swisscom Mobile AG. Swisscom expects to invest over a billion Swiss francs in constructing its Universal Mobile Telecommunications Services (UMTS) network.

See separate report: *Switzerland - Key Statistics and Fixed Telecommunications Markets* at www.budde.com.au.

24.1.1 Company restructure

In 2001, Swisscom was restructuring into seven business divisions. Mobile and Conextrade were split off as separate subsidiaries, and the Swisscom business divisions are as follows:

- **Fixnet** – fixed network national and international services;
- **Mobile** – mobile services;
- **Enterprise Solutions** – services for large-scale businesses, including consulting, planning and project management as well as implementation, service and maintenance;
- **Systems** – Private Branch Exchanges (PBXs) services to the Small-to-Medium Enterprise (SME) market and companies with an extensive network of branch offices, offering products, services, maintenance and financing (with the option of purchase, rental or leasing) and outsourcing;
- **IT Services** - systems engineering and operations, services and customer care; application engineering, user and application services, support functions;
- **Electronic Commerce** – Internet, access, hosting, e-commerce;
- **Wholesale** – carrier services at national and international wholesale level.

24.1.2 Performance

Swisscom continues its dominance of the Swiss telecommunications markets and has maintained its considerable lead in market share across all sectors.

Table 86 – Operating overview – 2001

Service	Customers (thousand)	Market share
Fixed network	5,300	n/a
Mobile	3,168	68%
Internet	715	41%

(Source: Paul Budde Communication, based on company data)

Table 87 – Traffic volume (in billions of minutes) – 1999-2001

Traffic	2001	Annual change
Local area	7.47	-9%
National long-distance	1.97	-2%
Other national	0.72	+9%
Outgoing international	0.78	+6%
From value-added services	8.29	+35%

(Source: Paul Budde Communication, based on company data)

Table 88 – Number of channels (millions) – 1999-2001

Channels	2001	Annual change
PSTN channels	2.94	-3%
ISDN channels	1.22	+27%

(Source: Paul Budde Communication, based on company data)

24.1.3 Year 2001 results

Revenue increased by 0.8% to Sfr14.17 billion. EBITDA increased 9.3% to Sfr4.41 billion. This rise increase in EBITDA came primarily from Mobile.

Operating income increased significantly from Sfr1.83 billion to Sfr5.51 billion, primarily as a result of three exceptional items in 2001. The sale of 25% of Swisscom Mobile Vodafone resulted in a gain of Sfr3.84 billion and the sale of two real estate packages resulted in a gain of Sfr568 million. These gains were partly offset by an impairment of Sfr1.13 billion of goodwill recorded for debitel. Excluding these three exceptional items, EBIT increased by 22%.

In 2001, Swisscom recorded a net profit of Sfr4.96 billion which was up 57% on the previous year.

Table 89 – Revenue for years ending December – 1996-2001

Year	Revenue (Sfr billion)
1996	9.5
1997	9.8
1998	10.4
1999	11.1
2000	14.1
2001	14.2

(Source: Paul Budde Communication, based on company data)

Table 90 – Revenue by segment – 2001

Segment	Proportion	Annual change
Fixnet retail and network	27%	+1%
Fixnet wholesale and carrier	15%	+14%
Enterprise solutions	10%	-3%
Mobile	21%	+14%
debitel	20%	-5%
Other	7%	-2%

(Source: Paul Budde Communication, based on company data)

24.2 SUBSIDIARY COMPANIES

24.2.1 Overview

Exhibit 45 – Major subsidiaries and affiliates – December 2001

Company	Business	Country	Stake
Swisscom Mobile AG	Mobile communications	Switzerland	75%
Bluewin AG	ISP	Switzerland	92%
conextrade	Electronic business-to-business marketplace	Switzerland	100%
Telecom FL	Telecommunications services	Liechtenstein	100%
debitel	Mobile communications	Germany	74%
UTA Telekom AG	Telecommunications service provider	Austria	46%
AUCS	Global telecommunications solutions	Netherlands	33%
Swisscom North America	Communications solutions for US companies	USA	100%

Company	Business	Country	Stake
Infonet Services Corp	International voice and data transmission	USA	18%
Telsource	Holding company	Netherlands	49%
Swisscom IT Services	IT services	Switzerland	71%
Cablex	Network construction	Switzerland	100%

(Source: Paul Budde Communication based on company data)

In August 2000, Swisscom sold its 50% share in tesion Kommunikationsnetze Südwest GmbH to part-owner Energie Baden-Württemberg.

In April 2000, Conextrade started pilot operations and handled its first online transactions.

In April 2001, Swisscom agreed with Electricite de Strasbourg that Estel would be 100% sold to CompleTel.

In June 2001, Swisscom SpA in Italy was sold to Grapes Communications NV.

24.2.2 *Swisscom Mobile AG*

With a 68% market share, Swisscom Mobile is Switzerland's leading provider in the Swiss mobile communications market. Since April 2001, the company has been an independent stock corporation belonging to the Swisscom Group.

In 2001, 25% of Swisscom Mobile's shares were held by the British-based Vodafone Group Plc, with the remainder held by Swisscom.. The partnership is aimed at securing Swisscom Mobile's long-term growth and competitiveness. At the same time, customers benefit from international access to a broad range of products and services.

Swisscom Mobile's headquarters are in Bern. With Customer Care Centres in Bellinzona, Chur, Lausanne and Olten, the company is represented in Switzerland's four language regions.

Swisscom Mobile operates a GSM service in Switzerland, and until June 1999 it also operated an analogue service. The analogue network declined by around 70% annually and closed in June 1999, with its customers being moved onto the GSM network. The GSM network continues to grow, with roaming agreements with some 265 network carriers in more than 120 countries. The NATEL network of Swisscom Mobile is the only mobile network to cover 99% of the populated areas of Switzerland. This is thanks to over 3,000 base stations and over 7,000 radio cells. The company also holds a DCS1800 licence and in 1998 it converged its GSM 900 and 1800 networks to offer greater capacity. In 1996, Swisscom launched its rechargeable Easycard, targeted at the business and tourist sector. Visitors can order the card by e-mail prior to arrival and their number and card are e-mailed back.

The operator offers telephony and value-added services such as voicemail, as well as SMS, Wireless Access Protocol (WAP), General Packet Radio Service (GPRS) and High-speed Circuit Switched Data (HSCSD) services. Prepaid and contract payment plans are available. Swisscom reports that about 60% of its customer base is comprised of prepaid customers.

See separate report: *Switzerland - Wireless Communications and Broadcasting* at www.budde.com.au.

24.2.3 *Bluewin*

Swisscom's ISP Blue Window is the largest ISP in the country. Since May 2000, Bluewin has been operating as an independent company. Bluewin's core activities are Internet access, portals, Internet application services, and since cooperating with Fixnet in October 2001, broadband services.

Bluewin in 2001 had:

- 734,000 active access customers (45% market share);

- 80 million page views (No 1 position);
- 1.3 million registered customers.

24.2.4 Conextrade

Conextrade is Switzerland's leading electronic B2B marketplace and offers a range of services for the exchange of data and documents from a variety of sources. With its online tenders, online auctions, financial solutions, logistics services and efficient catalogue management, Conextrade offers services aimed at optimising the entire procurement process, including comprehensive support for e-commerce strategies. Conextrade has entered into partnerships with leading e-business providers such as Commerce One and SAP.

24.3 INTERNATIONAL OPERATIONS

24.3.1 Heart of Europe strategy

To compensate for its anticipated loss of market share, 10% during 1998 with up to 25% expected, with competition and the threat of slower growth amid price cuts, Swisscom moved into 'home market extension projects' in other European countries. This strategy was dubbed 'Heart of Europe'.

It has footholds in:

- Austria: majority holding in UTA Telekom;
- Czech: 27% share in SPT of the Czech Republic;
- France: 50% share in Estel;
- Germany: joint venture with electricity utility in Baden-Wurtemberg; 74% share in debitel;
- Hungary: Swisscom had an interest in Hungary but sold it in 1999;
- the traffic hubs of London, Paris, Frankfurt and Amsterdam;
- interests in debitel Belgium, Netherlands, France and Slovenia.

Investments in Asia, including interests in India and Malaysia, were sold in May 1999.

24.3.2 debitel

debitel AG, based in Stuttgart, is one of Europe's largest telecommunications carriers. The carrier is a market leader in mobile, fixed-line and Internet convergence products, and has operations in Belgium, Denmark, France, the Netherlands and Slovenia. debitel has a 100% holding in its Internet subsidiary debitel Network Services (dNS). debitel also has holdings in the mobile payment system paybox and in the mobile Internet portal Jamba! debitel has a stake in Dangaard Telecom A/S, a joint venture between the two largest companies in Europe in the purchasing and sales of mobile phones and associated services and logistics. debitel is represented in over 7000 points of sale in Europe. In Germany, debitel attracts over 10,000 new mobile customers every day, while in Europe, the customer base of the debitel group increases by around 15,000 every day. debitel AG has been listed on the stock exchange since the end of March 1999.

In January 2001, Swisscom exercised its option with Daimler Chrysler Services AG to buy the latter's 10% holding in debitel for Sfr 470 million. Then in July 2001 Swisscom acquired Metro Vermögensverwaltung's 10% holding in debitel AG for Sfr 460 million. The acquisitions brings Swisscom's stake in debitel to 94%.

For further information, see: *debitel AG, chapter 9, page 61.*

24.3.3 Swisscom SpA Italy

Swisscom SpA is an Italian company based in Milan and wholly-owned by Swisscom AG (Switzerland). The company operates in Lombardia, Triveneto, Piemonte, Valdaosta and Lazio and services are geared towards small and medium-sized enterprises, resellers and ISPs. It provides international and national telephony, Internet connectivity and Value-Added Services (VAS).

In June 2001, Swisscom SpA was sold to Dutch company Grapes Communications NV.

Swisscom's Italian activities have refocused on carrier services conducted by Swisscom Carrier Services SpA.

24.3.4 Swisscom North America

SCNA was established in 1990 to provide increased marketing presence in the United States, Canada, the Caribbean and Mexico, to service existing clients more intensively and to build new business between these regions and Switzerland. In 1997, the company was incorporated as a wholly owned subsidiary of Swisscom. SCNA is a US carrier offering its own branded wholesale, corporate customer communication solutions and managed network products. Its World Link international voice termination service is used for routing voice and fax traffic. Corporate services include international private lines, managed bandwidth, ATM and frame relay as well as Local Area Networks (LAN) interconnects and ISDN gateways. These services are available between North America, Switzerland and the rest of the world.

24.3.5 Network Services International

NSI's core business is the International Direct Dial (IDD). Through its 'Network 2000' and its joint venture company Unisource, it offers a sophisticated PSTN network.

Services available include:

- Switched Transit - Because of its PSTN-Network to the whole world, it regards itself as a potential partner for all Switched Transit requirements;
- Link to all direct telephone routes;
- Hard Patched Transit - Swisscom offers to all carriers in the world Hard Patched Transit on a competitive price level;
- Capacity on different submarine cables through the world;
- ISDN.

24.3.5.1 Studies and finance

Services include:

- Economic calculations;
- Investments;
- Finance-/cost database;
- Network studies.

24.3.5.2 Network planning

Services include:

- Circuit planning for PSTN/ISDN;
- Facility planning cables/satellites;
- Network analysis and optimisations;
- International relationships;
- Projects;

- Introduction of C7 signalisation;
- Introduction of GSM roaming;
- Implementation of new carriers;
- Managing the ISC's Zurich and Geneva;
- Participation in INTELSAT, EUTELSAT, ETM, cable-meetings.

24.3.5.3 Procurement of satellites and cables

Services offered include:

- Procurement of satellites facilities;
- Procurement of cable facilities;
- Marketing of Hard Patched Transit;
- Settlements;
- Hard Patched-/lease contracts.

24.3.5.4 Network performance

Services include:

- Analysing the performance of the PSTN-network;
- Defining quality of service (QoS);
- Traffic statistics;
- Traffic measurements;
- Traffic routings;
- Transit openings in the ISC's;
- Network performance agreements.

24.4 PRODUCTS AND SERVICES

24.4.1 Products

- Telephones;
- Fax machines;
- Mobile phones;
- Pagers;
- Screenphone;
- Payphones;
- Teleguide – electronic telephone directory;
- Directories;
- Videoconferencing;
- Prepaid Cards.

24.4.2 Services

Swisscom's core services include:

- voice;
- international investments (the company joined Unisource and invested in operations in Asia and other countries);
- carrier services;
- data services;
- mobile services;
- Prepaid and contract mobile payment plans;
- SMS;

- WAP;
- GPRS;
- HSCSD.

It also offers:

- ISDN;
- Multimedia;
- Wholesale;
- Real estate services;
- E-commerce services.

24.5 OTHER DEVELOPMENTS

24.5.1 Year 2002

January

- Swisscom agreed to sell its minority shareholding in Austrian-based UTA Telekom to the joint owner Vereinigte Telekom Österreich Beteiligungs (VTÖB).

February

- Swisscom announced plans to buy back 10% of its capital.

May

- Swisscom Fixnet agreed to outsource its non-core physical logistics business to Danzas from July 2002.

June

- Due to falling profitability, several national call centres were shut down.

September

- Swisscom Enterprise Solutions agreed to buy 49.9% of Unit.Net, a provider of specialised online communication services for business customers.

24.6 CONTACT DETAILS

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