

# Q1: “Swisscom Smileys”

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Q1 2014 analyst and investor presentation  
Conference call  
7 May 2014



# Agenda "Swisscom Smileys"

Ch.	Topic	Speaker
	Welcome & Introduction	Bart Morselt, IR
1	Smileys <ul style="list-style-type: none"><li>• Highlights Q1 '14 over Q1 '13</li><li>• Volume trends</li><li>• ARPU trends</li><li>• Revenue trends (=Volume x ARPU)</li><li>• Gross margin trends</li></ul>	Urs Schaeppi, CEO
2	Group results P&L Refinancing Outlook	Mario Rossi, CFO
3	Q&A	All
4	Attachments	

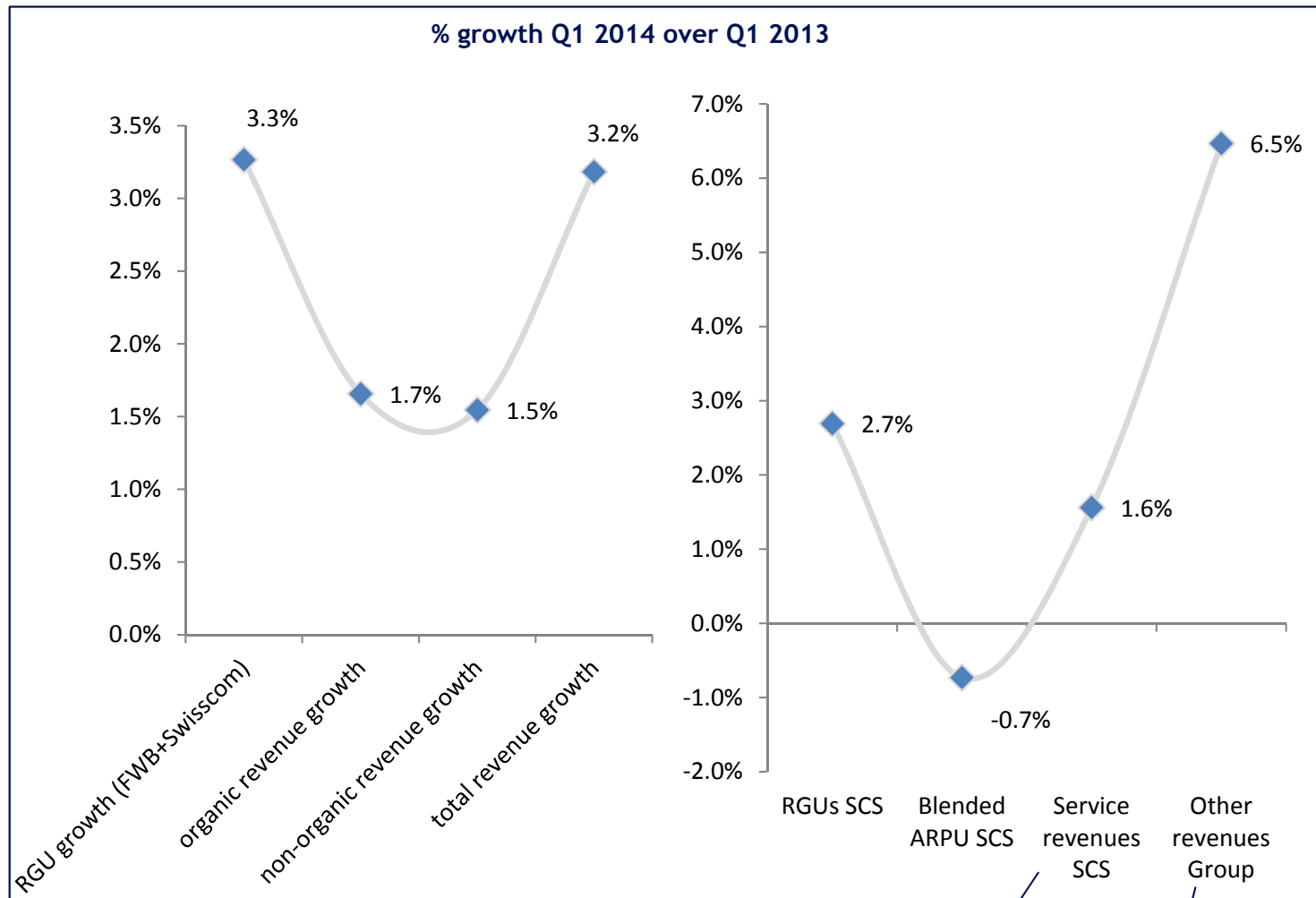
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# Smiley 1 - Highlights: Revenue Q1

Revenue growth of 3.2% (+CHF 87mm) driven 50/50 by organic and non-organic growth. Total RGUs including Fastweb up 3.3% (SCS +2.7%, FWB +6.6%)

Key driver of growth in service revenues  
Switzerland remains the increasing number of products (RGUs) sold (+2.7% in Switzerland). Other revenues esp. up due to better performance at Swisscom IT Services



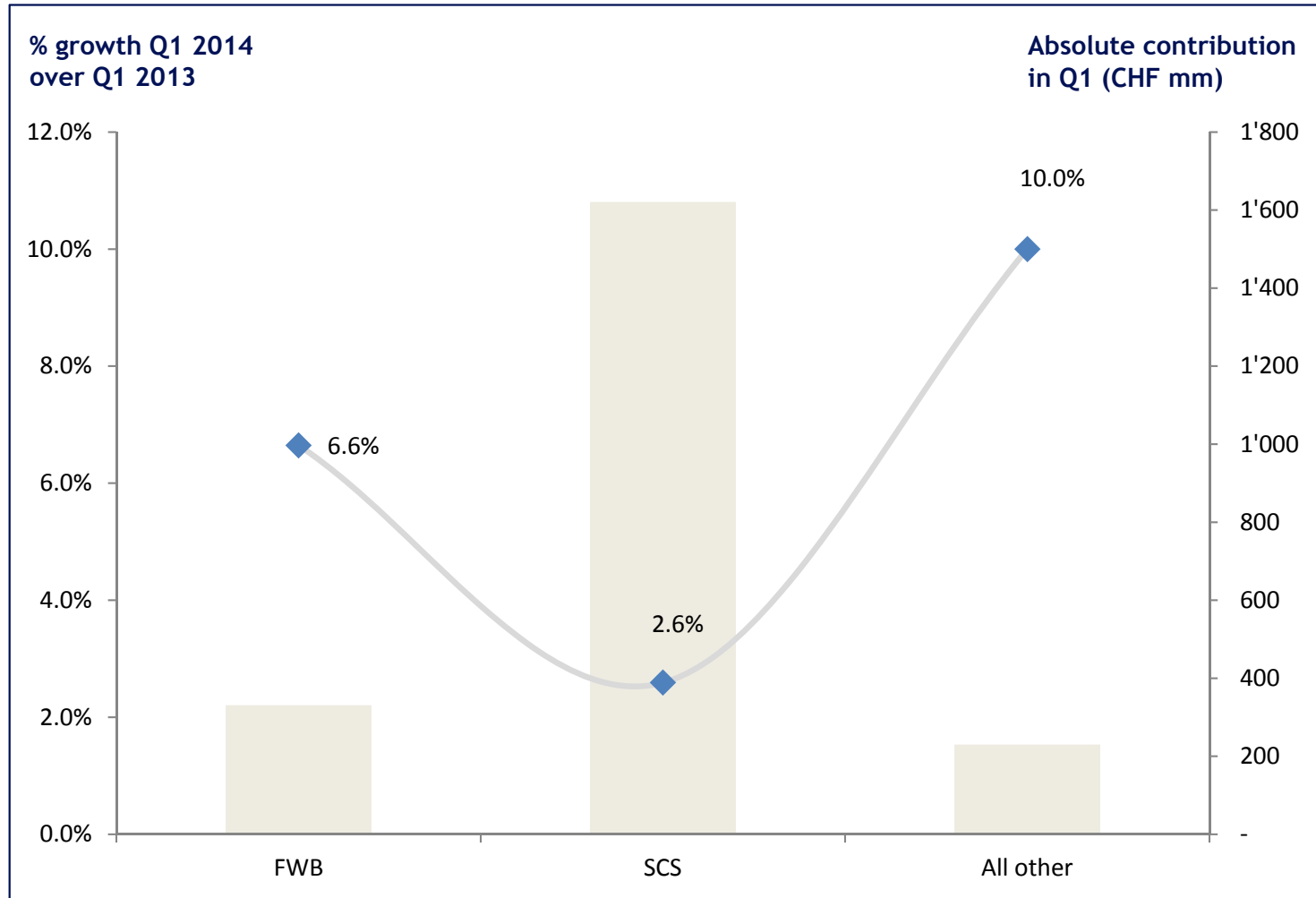
2/3 of all revenues

1/3 of all revenues



# Smiley 2 - Highlights: Gross profitability Q1

*Gross profitability  
(Revenues minus  
Costs of Goods  
Sold) up in all key  
segments*



# Smiley 3 - Highlights: Launch Swisscom TV 2.0

*TV 2.0 is a major step to rejuvenate long term growth - both for TV and for bundles that include internet access*



# Highlights: Swiss market events after Q1 (April)

7

*Both Sunrise and Cablecom have recently launched new mobile tariff plans*

- Sunrise launched new mobile tariff plans in April 2014. Core is the possibility for customers to subscribe "sim-only", i.e. without handset
- The total cost of ownership (TCO) for Sunrise customers is largely unchanged (compared to their previous plans), therefore no imminent pressure to react from Swisscom's side
- Cablecom launched 3 mobile plans as of 28 April on the network of Orange, with no 4G access. These plans can be bought only in a bundle with their fixed line products, and are therefore limited to the current customer base. The headline prices of the mobile offer will appeal to the lower segment, however also here the TCO will be determined by the total bundle price
- There is no flat rate tariff from Cablecom Mobile, therefore not comparable to Swisscom's Infinity rates - we can "wait and see"
- On 24 April, Swisscom made non-binding offer for local.ch - the directories and yellow pages business it now co-owns with Publigroup. CHF 230 million was offered, in essence to get 100% access to the financials of the local business (CHF 200mm revenues, 60 mm EBITDA)
- Swisscom IT won a large contract to operate and maintain the technical solutions and do all transactional payment services for ZKB (largest cantonal bank) from 2016 onwards

*Swisscom made non-binding offer for local.ch*

*Major win in banking*

# Agenda "Swisscom Smileys"

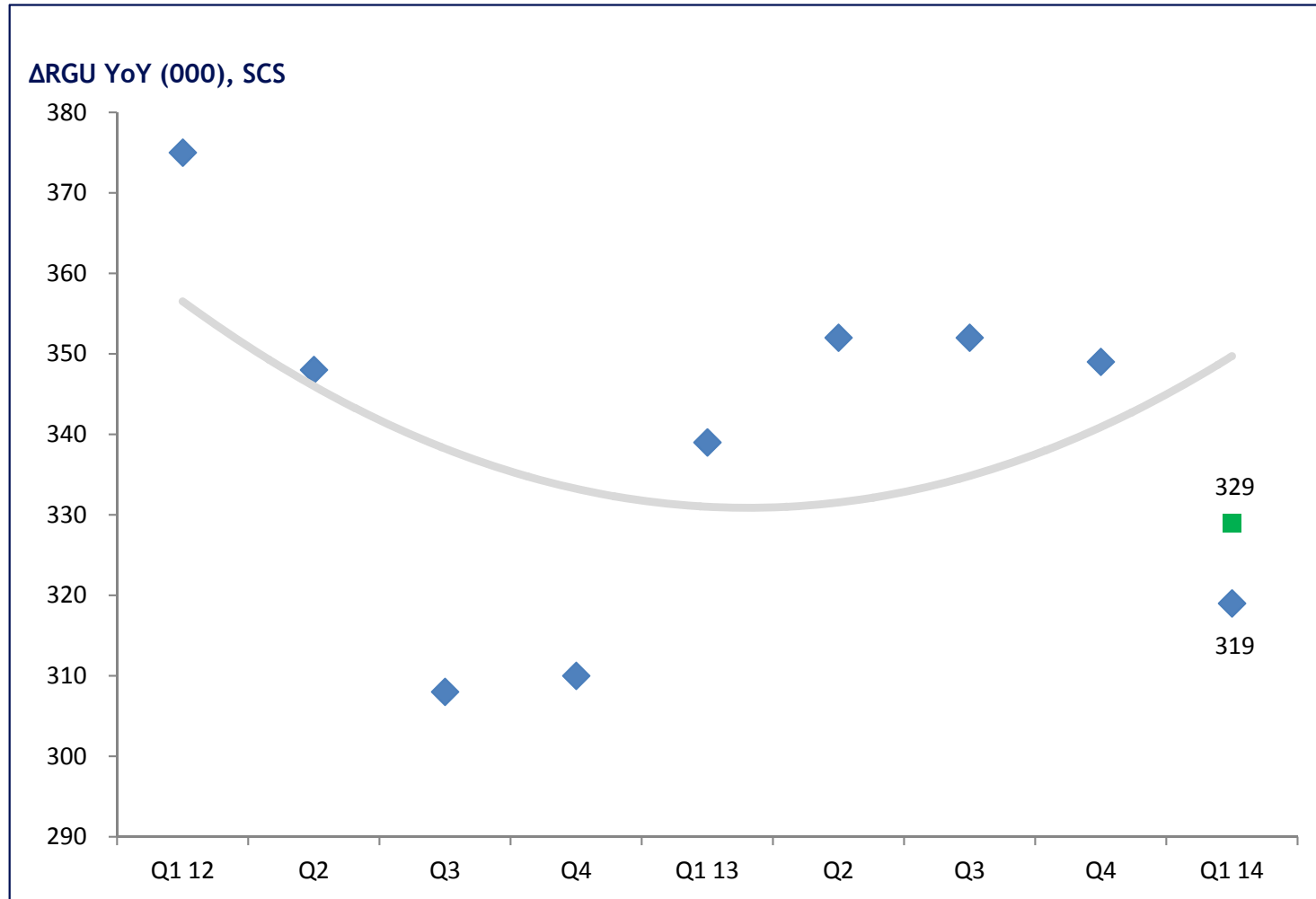
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# Smiley 4 - Volume: Revenue Generating Units (RGU)

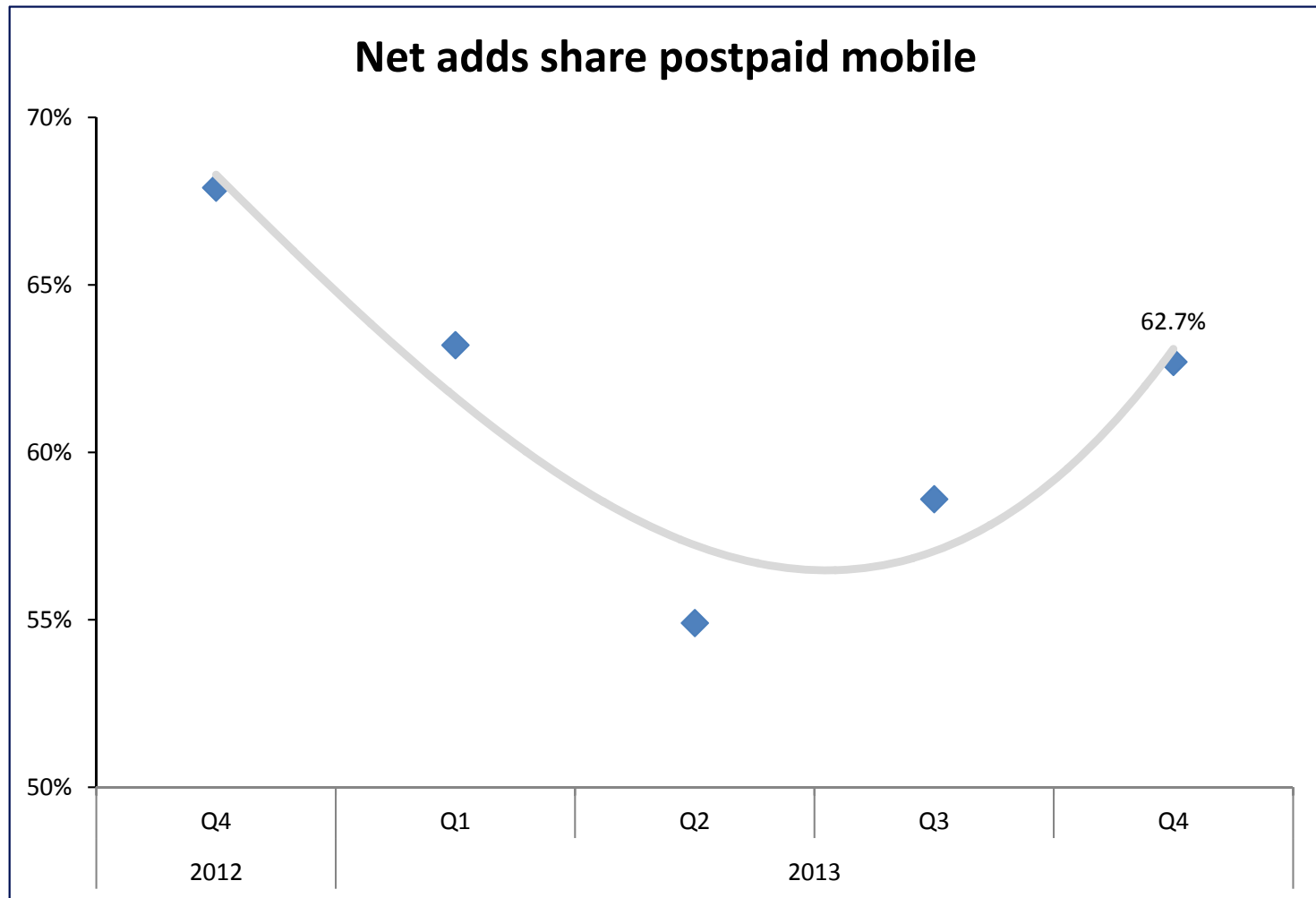
All quarters recorded growth compared to the same prior year's quarter. Swisscom Switzerland now nearly has 12.2 million RGUs (up from 11.5mm in Q1 2012), growing by just under 3% annualised

Q1 2014 somewhat muted as 10k Pager SIM cards (with hardly any revenues) were cancelled by a single account. Without this, Net Adds would have been 329k



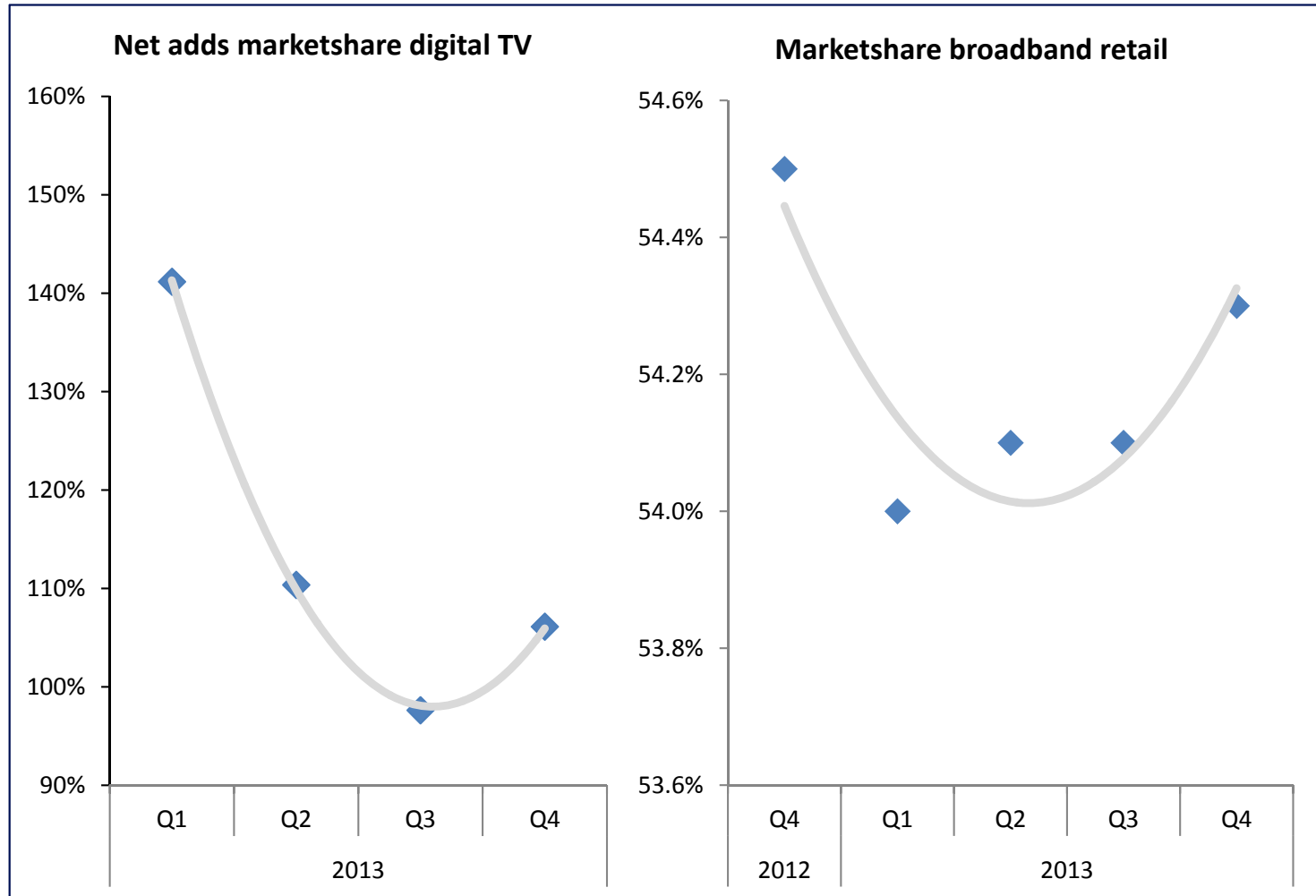
# Smiley 5 - Volume: Market strength in mobile postpaid

*Share of net adds postpaid mobile moving in right direction*



# Smiley 6 - Volume: Market strength in TV and broadband

*TV net adds share again over 100%*  
*Broadband retail market share back to growth*

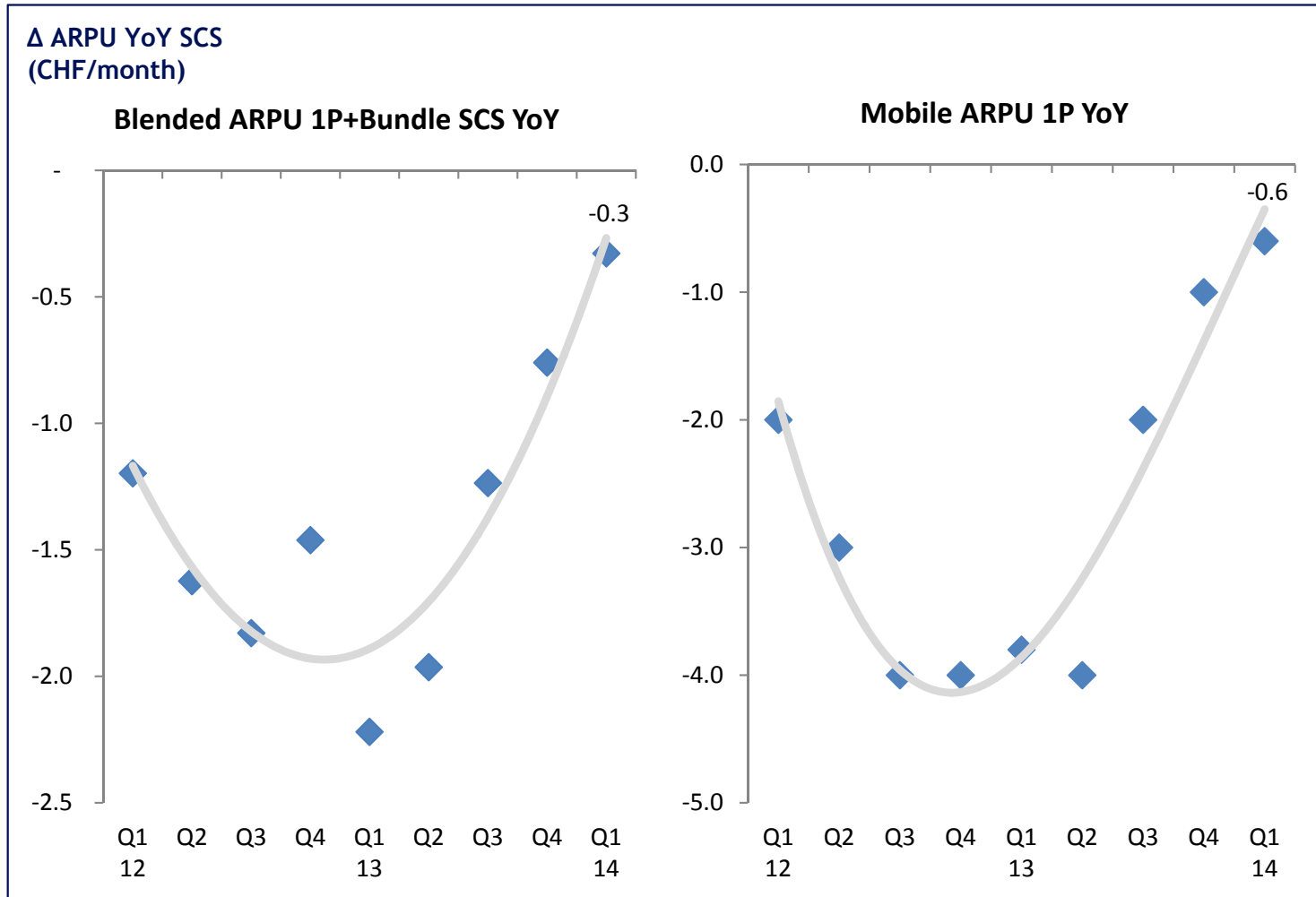


# Smiley 7 - ARPU

*Blended ARPU \*) clearly recovering. Absolute value now stands at just under 45 CHF/month per RGU*

*Key driver of the improvement is the better mobile 1P performance (largely attributable to the Infinity tariff plan)*

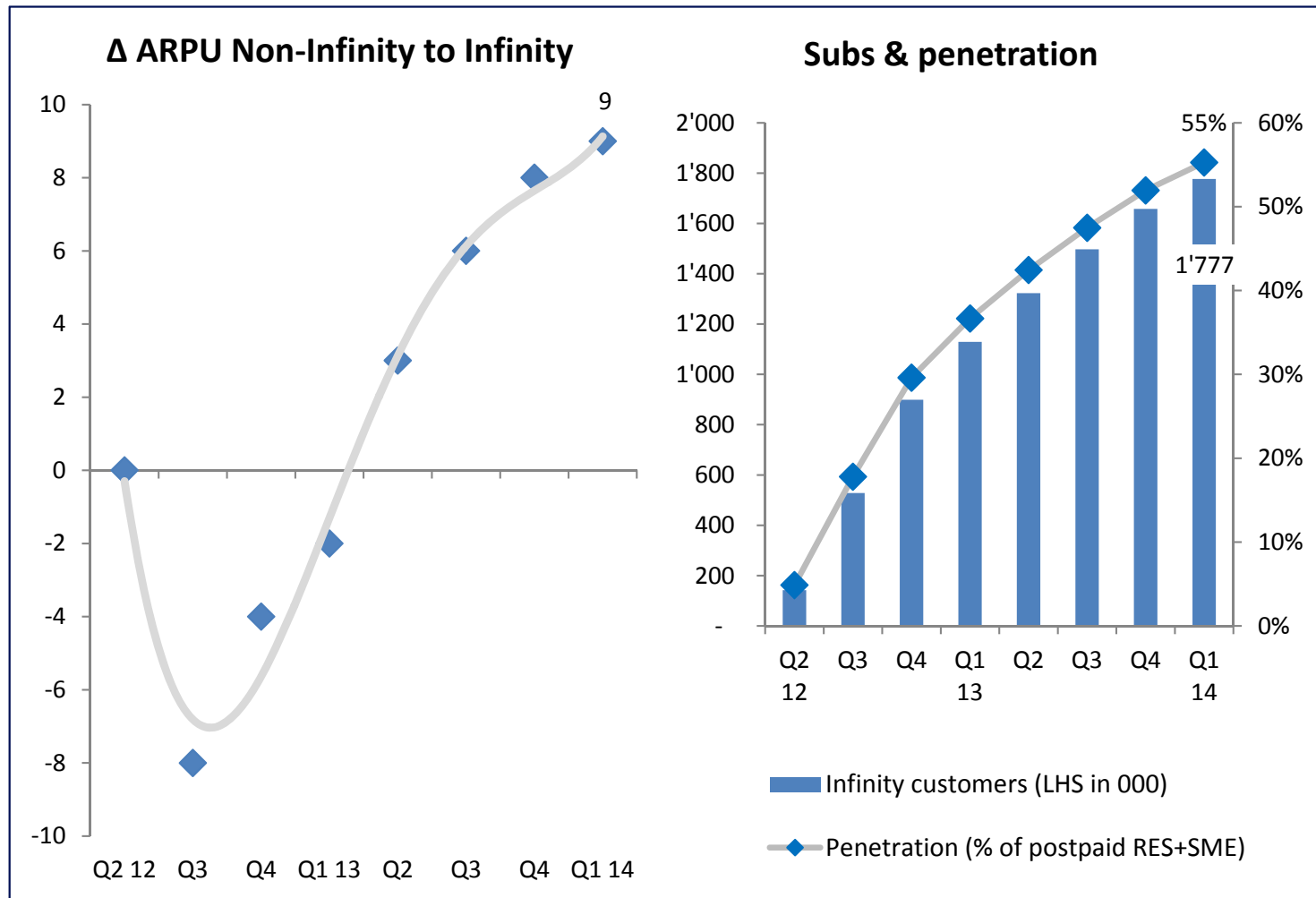
*\*) blended ARPU is the volume weighted average for each and every of the 12.2 million 1P products, 2P, 3P and 4P bundles*



# Smiley 8 - ARPU: Infinity migration effect

*Extra ARPU of migrators to Infinity tariff plans continues to tick up, in Q1 stood at CHF 9/month*

*With nearly 1.8mm customers on infinity, the penetration on the postpaid residential and SME base stands at 55%*



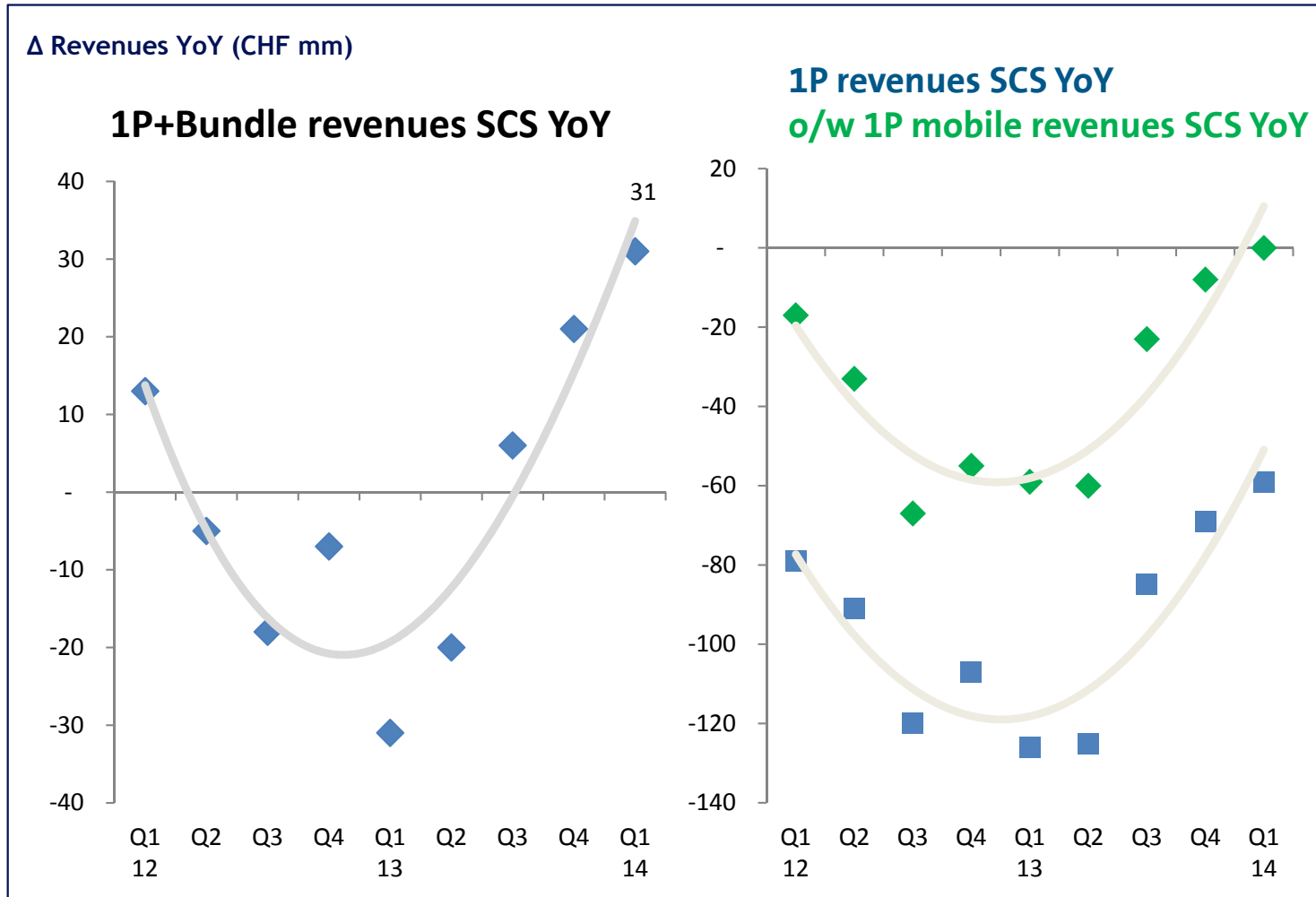
# Smiley 9 - (Service) revenues (RGUxARPU)

Core revenues SCS up due to continued bundles growth and less decline in 1P shrinkage.

Q1 YoY:  
 Bundles +90  
 1P\*) -59  
 Net: +31

Lower 1P revenues decline fully driven by better 1P mobile performance

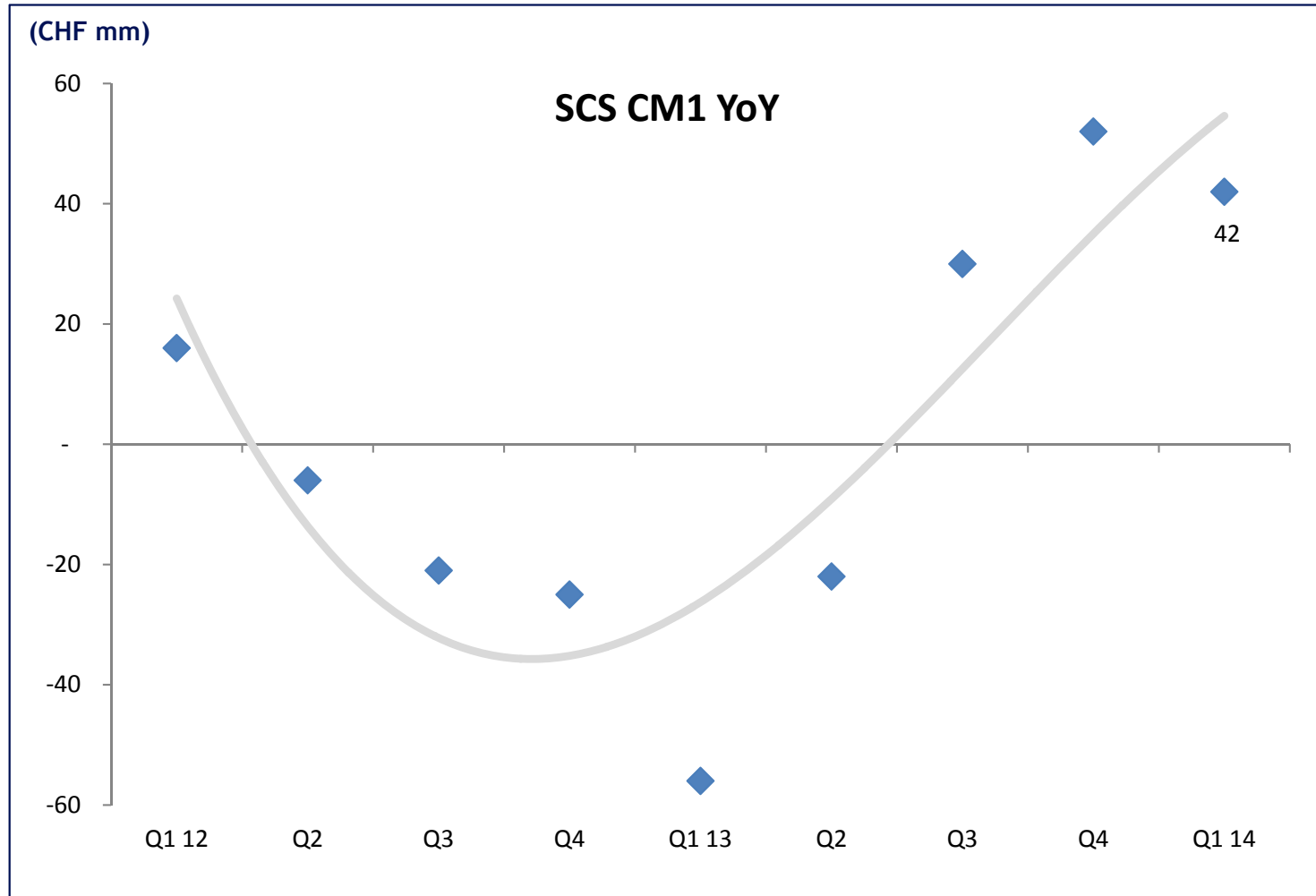
\*) in 1P CHF 9mm positive contribution from Cinetrade acquisition. Without this, 1P revenues have come down by CHF 68mm



# Smiley 10 - Gross profitability (CM1) trending up

*In a fixed cost business, higher (service) revenues contribute to higher Contribution Margin*

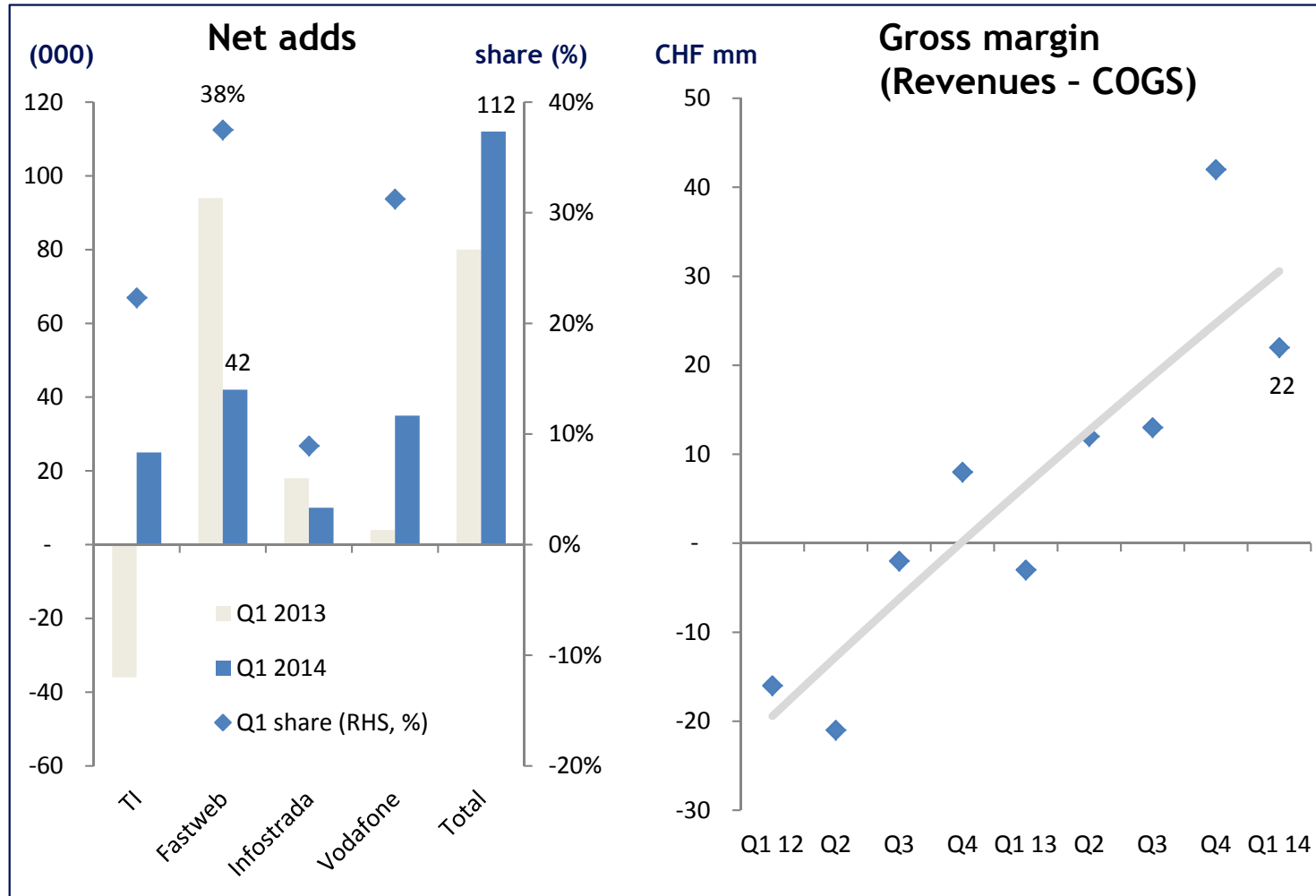
*Contribution Margin equals Revenues minus direct cost (Cost of Goods Sold)*



# Smiley 11 - Fastweb with reassuring results

*Market growth  
Broadband Italy  
improving to  
112,000 (compared  
to 80,000 in Q1 last  
year). Share of  
Fastweb at 38% in  
Q1 (42,000 net  
adds) well above  
overall market  
share*

*Gross margin  
(Revenues minus  
COGS) improving  
strongly, partially  
due to lower cost  
for LLU*





# Agenda "Swisscom Smileys"

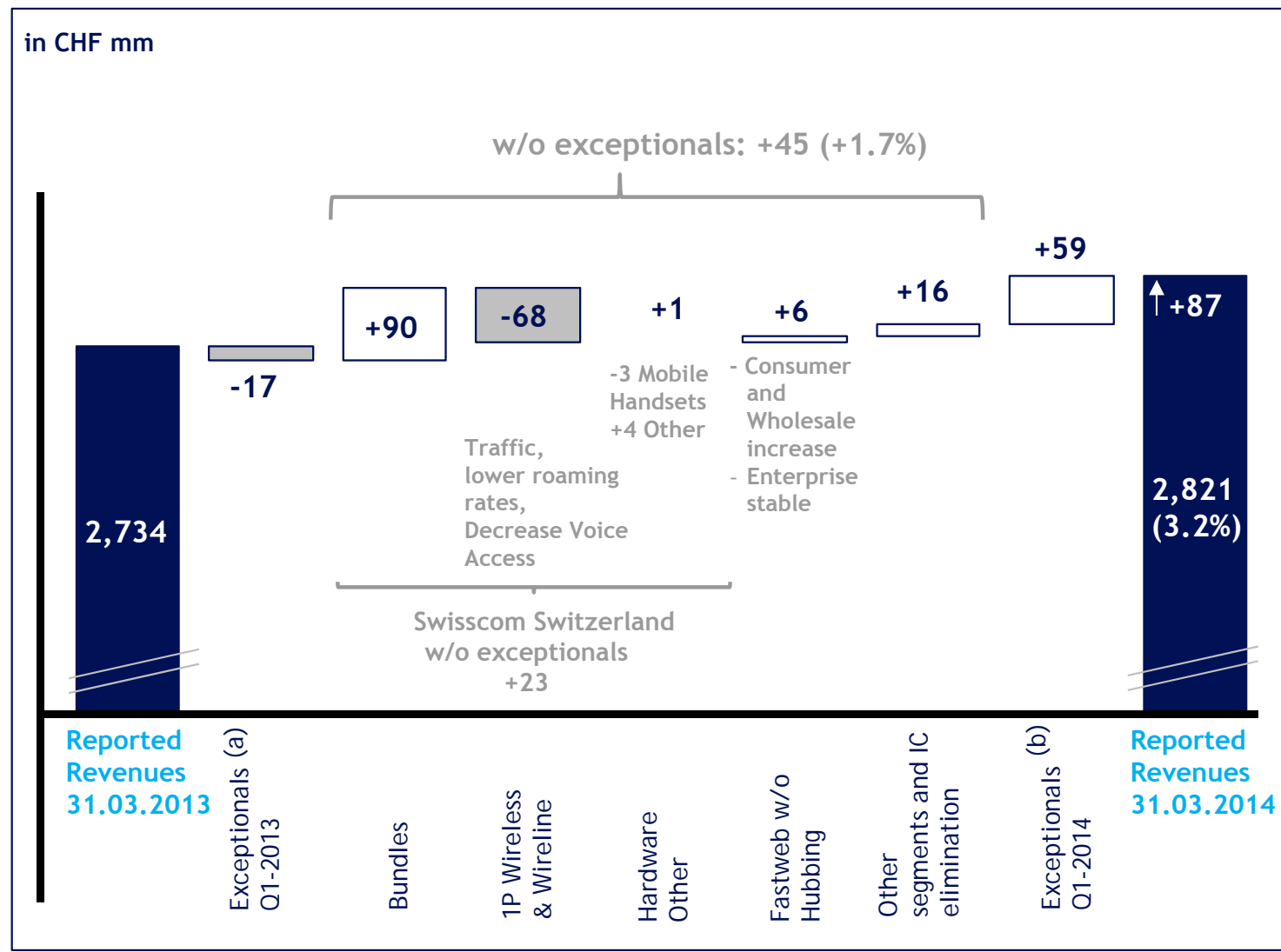
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# Group results

## Revenue breakdown

Without FX, hubbing and M&A effects, revenue went up CHF 45mm YOY (1.7%).

Underlying top-line of Fastweb went up by CHF 6mm YOY, Consumer segment and Wholesale with increase, Enterprise stable.



(a) Hubbing Fastweb (CHF -17mm)

(b) Acquisitions (CHF +52mm), Hubbing Fastweb (CHF +9mm), change exchange rate (CHF -2mm, weakening of Euro against Swiss Franc of 0.5%)

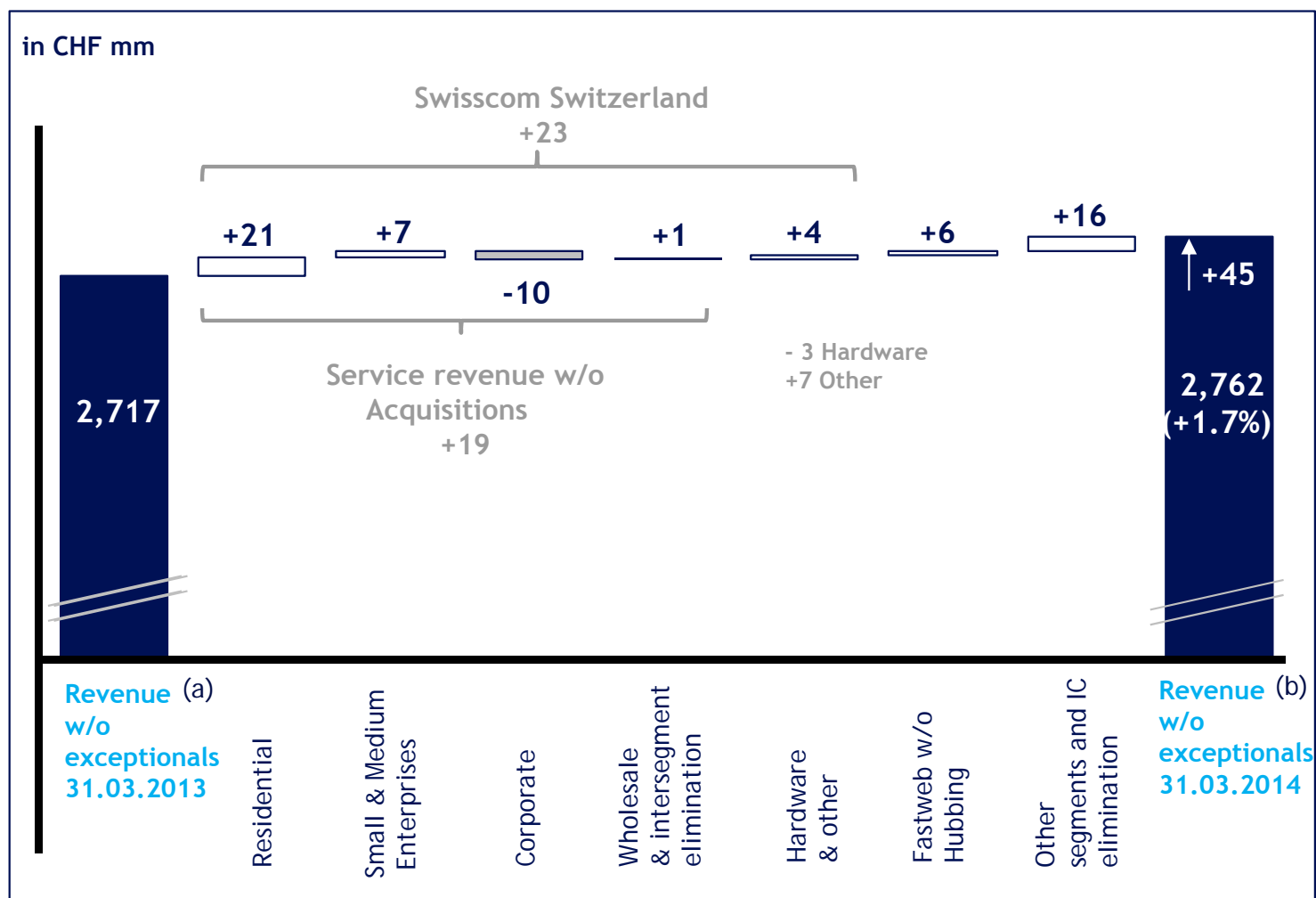


# Group results

## Revenue breakdown by segments

*Underlying Revenue of Swisscom Switzerland up CHF 23mm driven by increase in service revenue.*

*Fastweb underlying revenue up CHF 6mm.*



(a) Without Hubbing Fastweb (CHF -17mm)

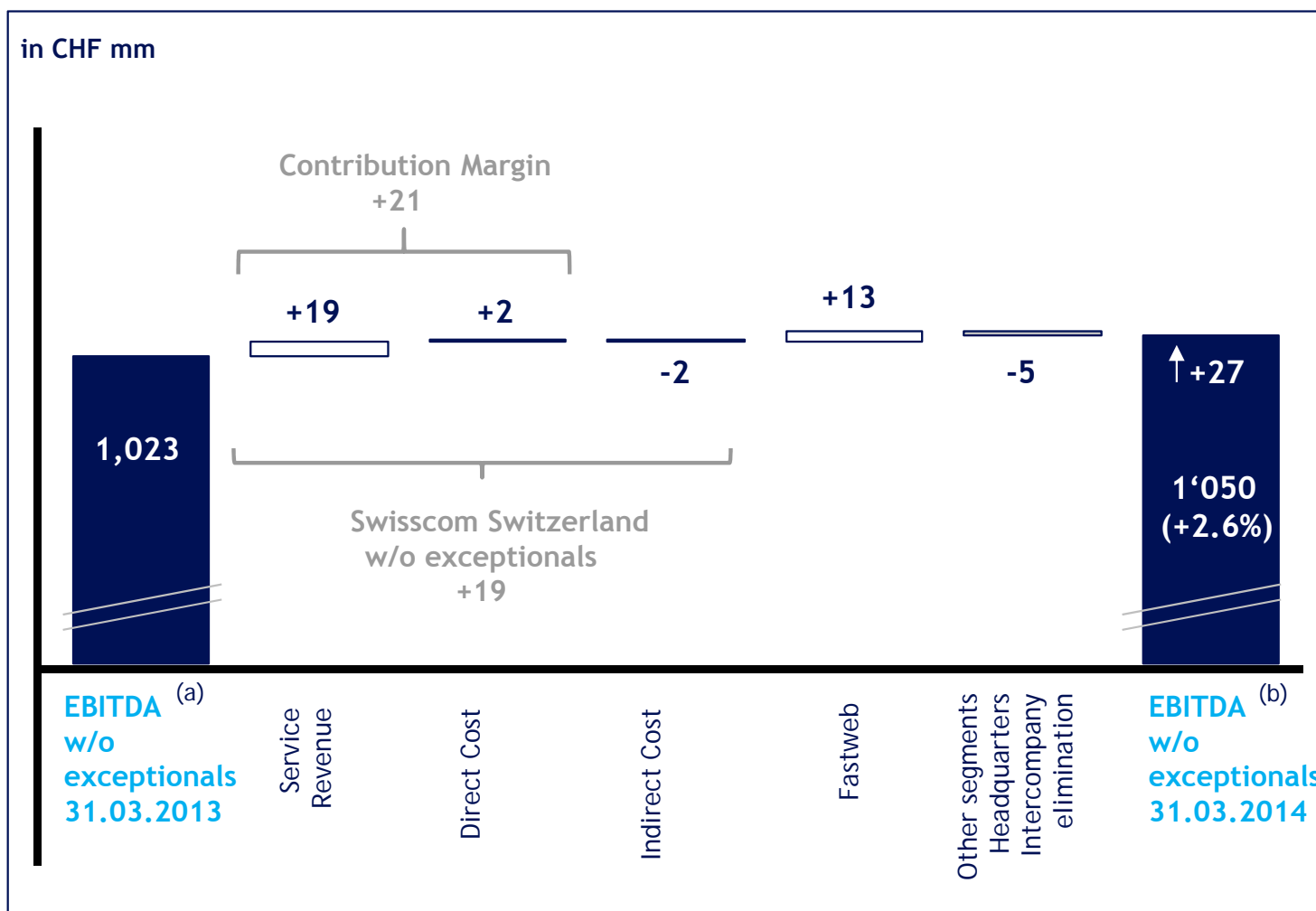
(b) Without Acquisitions (CHF -52mm) , Hubbing Fastweb (CHF -9mm), change exchange rate (CHF +2mm, weakening of Euro against Swiss Franc of 0.5%)

# Group results

## EBITDA breakdown

*EBITDA w/o  
exceptionals up  
CHF 27mm YOY.*

*EBITDA of Swisscom  
Switzerland w/o  
exceptionals up  
CHF 19mm.*



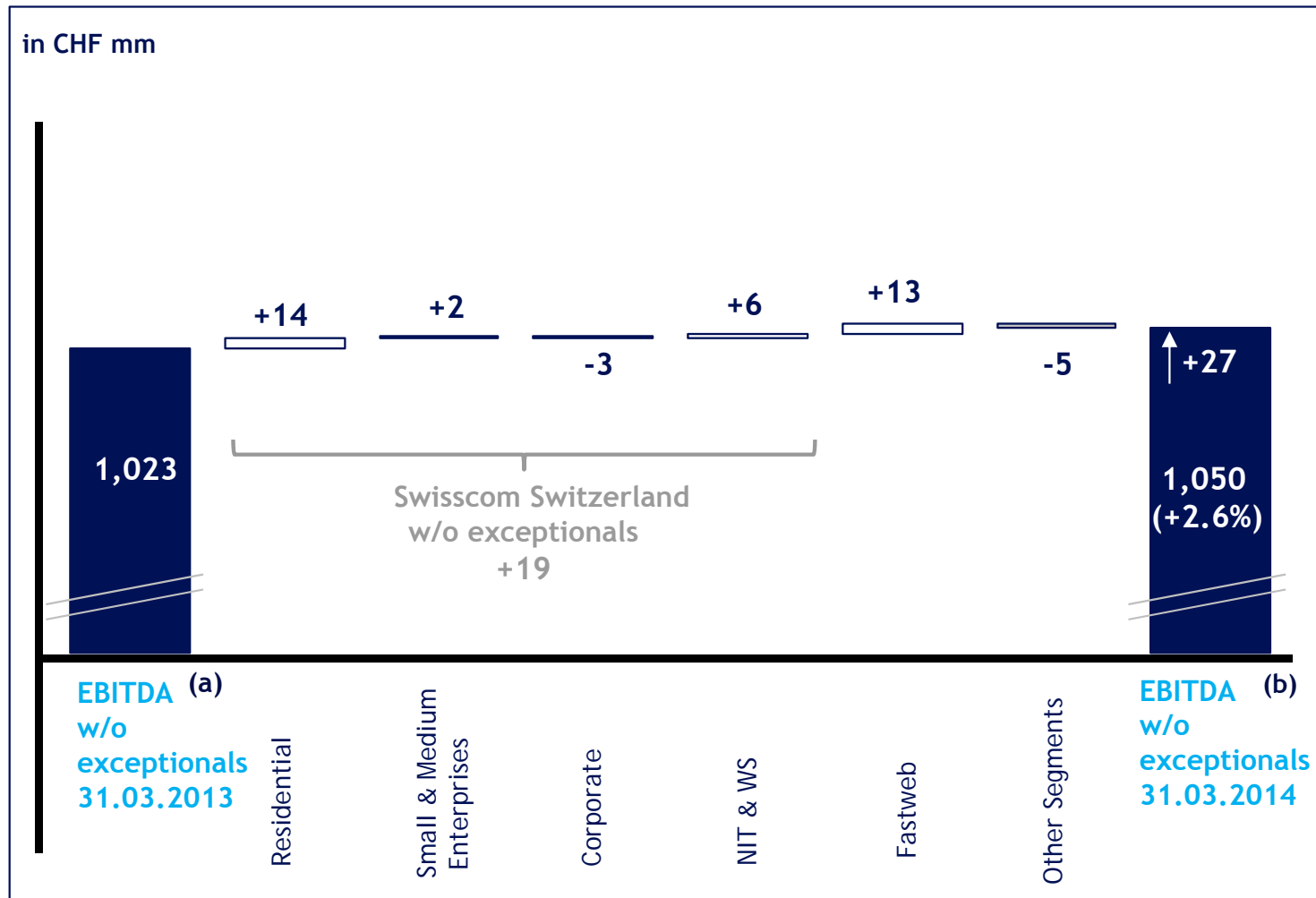
(a) Without release of provisions (CHF +8mm)  
 (b) Without lower Pension cost (+2mm), M&A (+9mm)

# Group results

## EBITDA breakdown by segments

*EBITDA of Swisscom Switzerland w/o exceptionals up CHF 19mm.*

*EBITDA of Fastweb up CHF 13mm.*



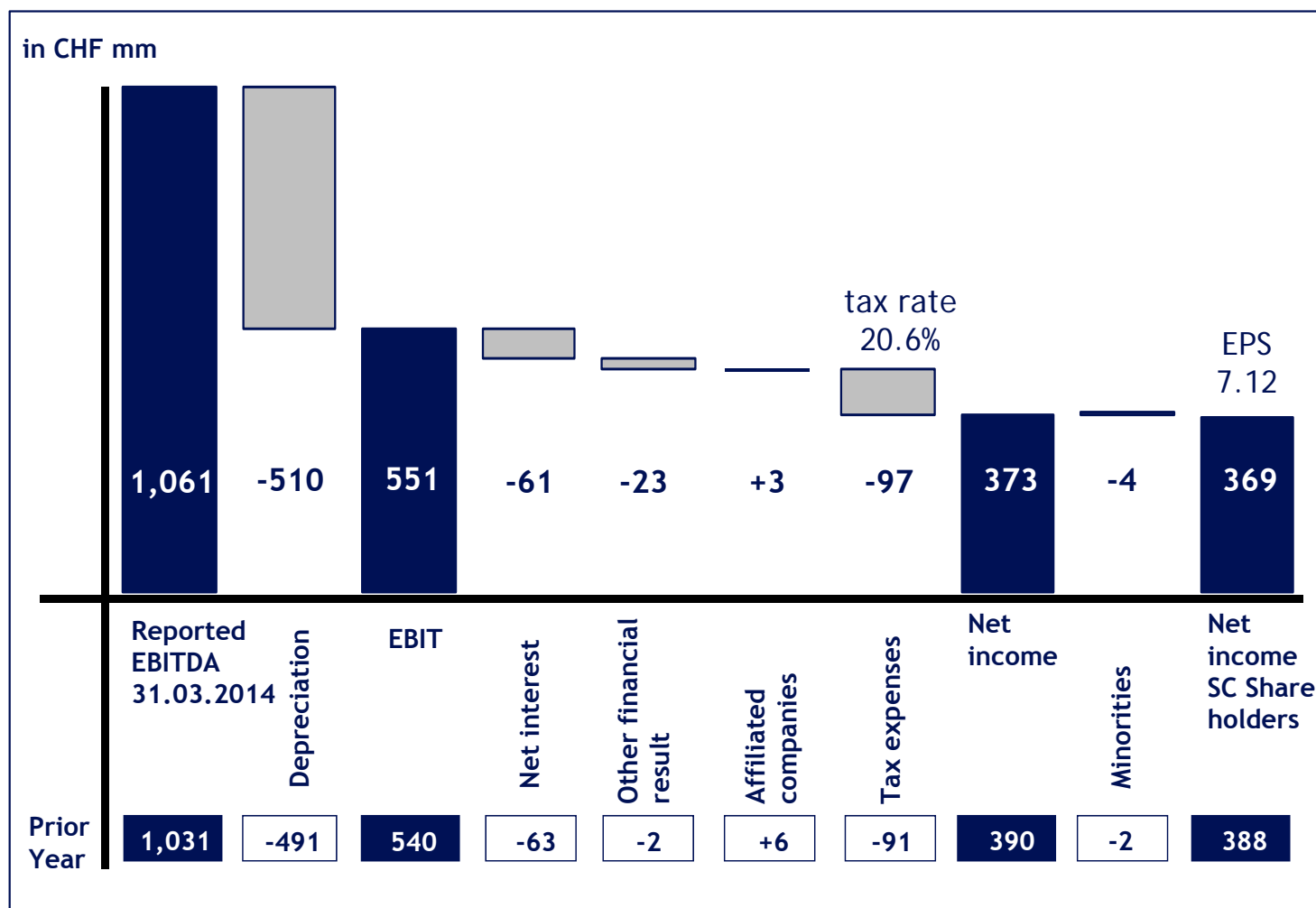
(a) Without release of provisions (CHF +8mm)  
 (b) Without lower Pension cost (+2mm), M&A (+9mm)

# Group results

## Net Result

*In Q1 2014, net income of the group amounts to CHF 373mm.*

*Earnings per share equals to CHF 7.12.*

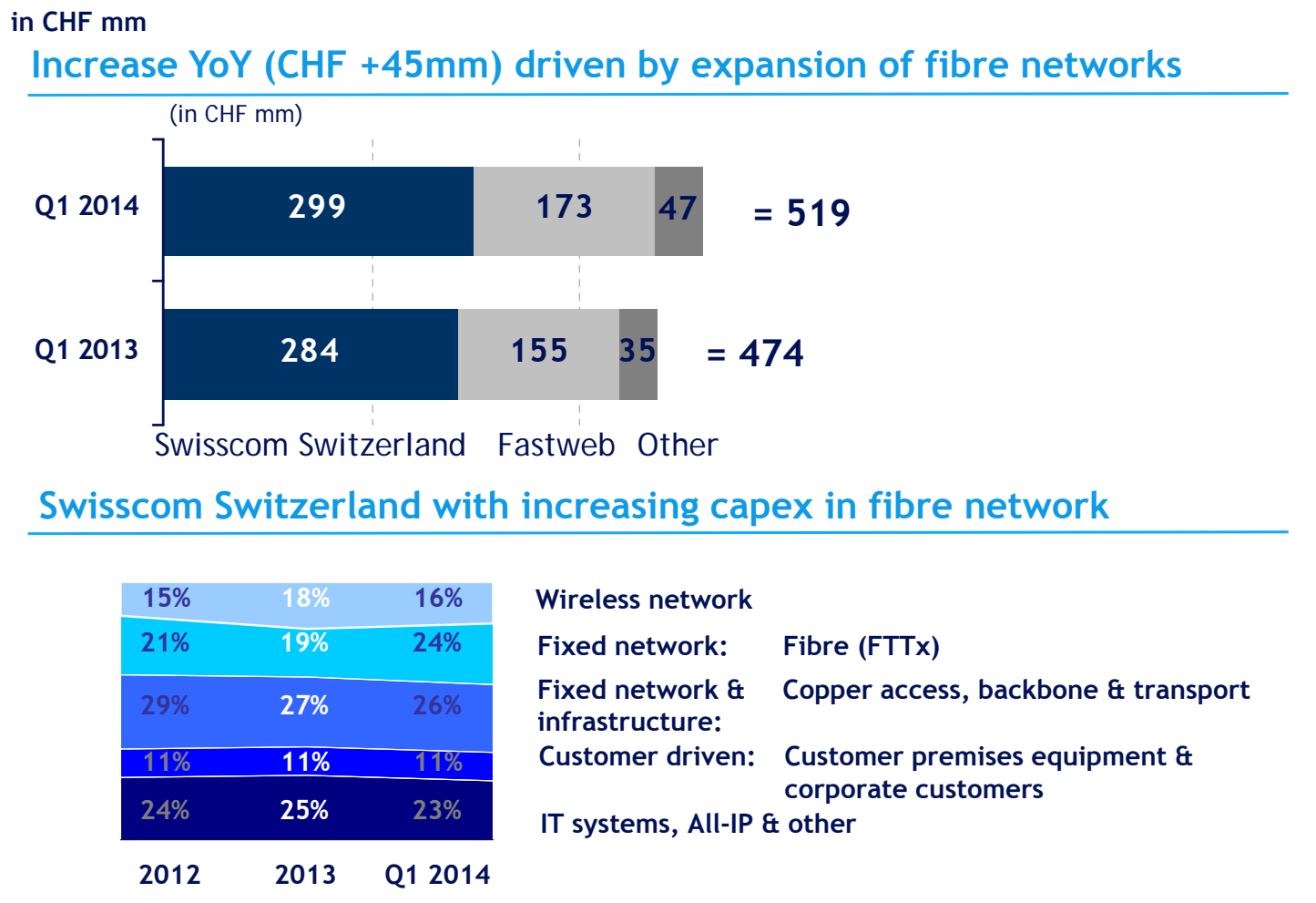


# Group results

## CAPEX

*Ongoing FTTx rollout leads to higher CAPEX at Swisscom Switzerland.*

*CAPEX increase at Fastweb is mainly due to the expansion of the fibre-optic network.*

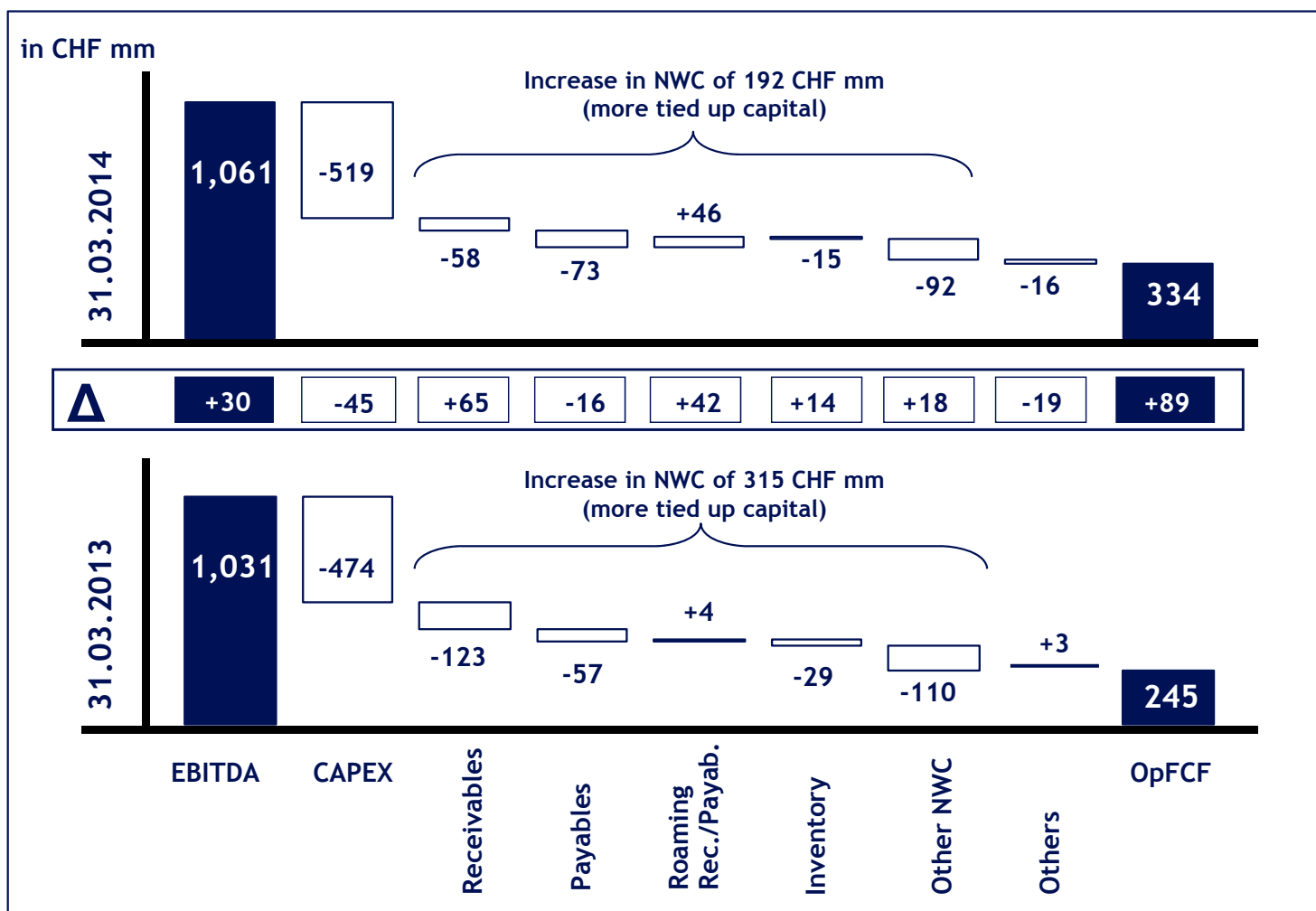


# Group results

## OpFCF

Positive contribution in change of NWC and higher EBITDA led to higher OpFCF of CHF +89 mm.

Lower increase of receivables than in previous year impacting the change in OpFCF by CHF +65 million.





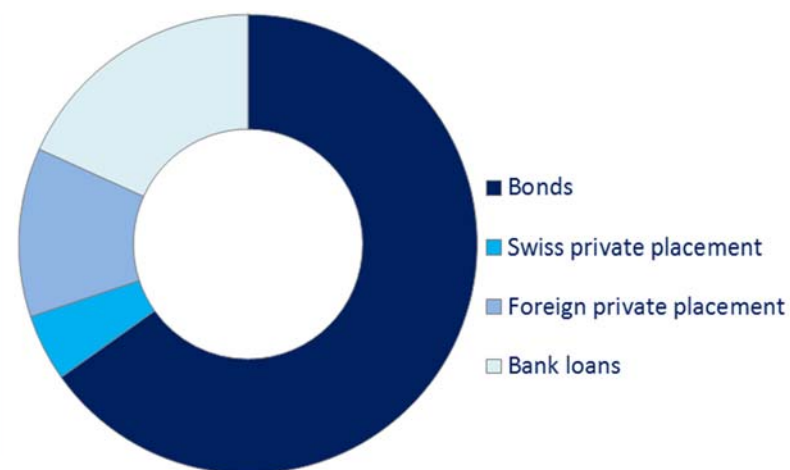
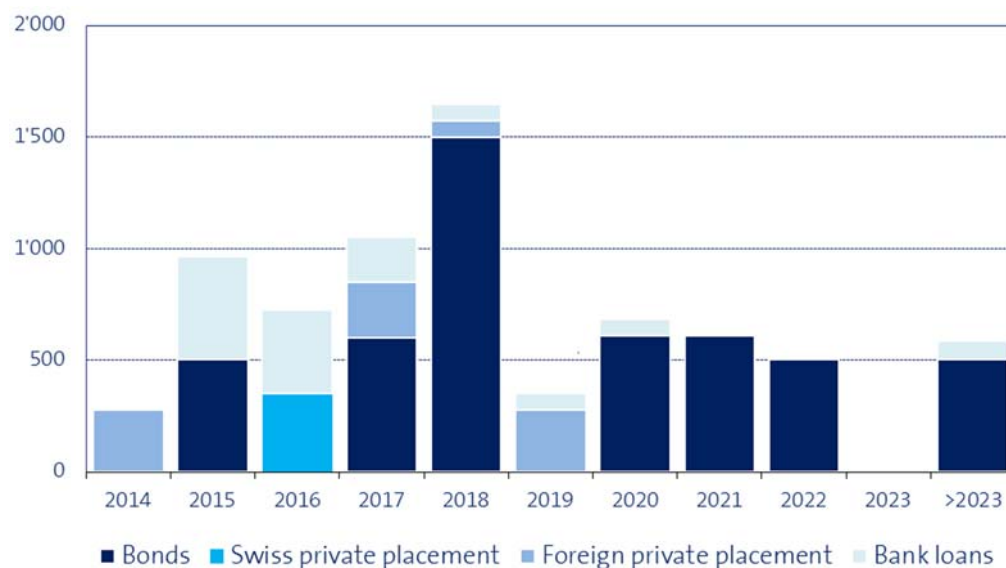
# Successful EURO bond issuance in April 2014

## Debt maturity profile

### Bond Details:

Amount: EUR 500 Mio.  
Tenor: 7.5 Y (8 April 2014 – 8 September 2021)  
Coupon: 1.875%  
Spread: EUR M/S +58 bps  
Rating: A/A2  
Issuer: Swisscom AG issuing via Lunar Funding V PLC  
Use of proceeds: Partial refinancing of CHF 1'250 Mio. Swiss domestic bond matured 8 April 2014

### Maturity profile after Bond settlement:



# Outlook 2014 - confirmed

CHF bln	2013	2014 E*)	Splits into:
Revenues	11.434	~11.5	~ CHF 9.45 bln for Swisscom w/o Fastweb + ~ € 1.65 bln for Fastweb
EBITDA	4.302	~4.35	> CHF 3.7 bln for Swisscom w/o Fastweb + > € 0.5 bln for Fastweb
CAPEX	2.396	2.4	~ CHF 1.75 bln for Swisscom w/o Fastweb + ~ € 0.55 bln for Fastweb

## Revenues 2014

- Continuation of moderate service revenue growth
- Further stagnation in corporate market (price pressure)
- Acquisitions of 2013 will bring additional revenue of ~CHF 80 mm in 2014

## EBITDA 2014

- Without any potential restructuring and integration cost, modest growth of EBITDA expected, both for Fastweb and Swisscom

\*) For consolidation purposes, CHF 1.23/€ has been used

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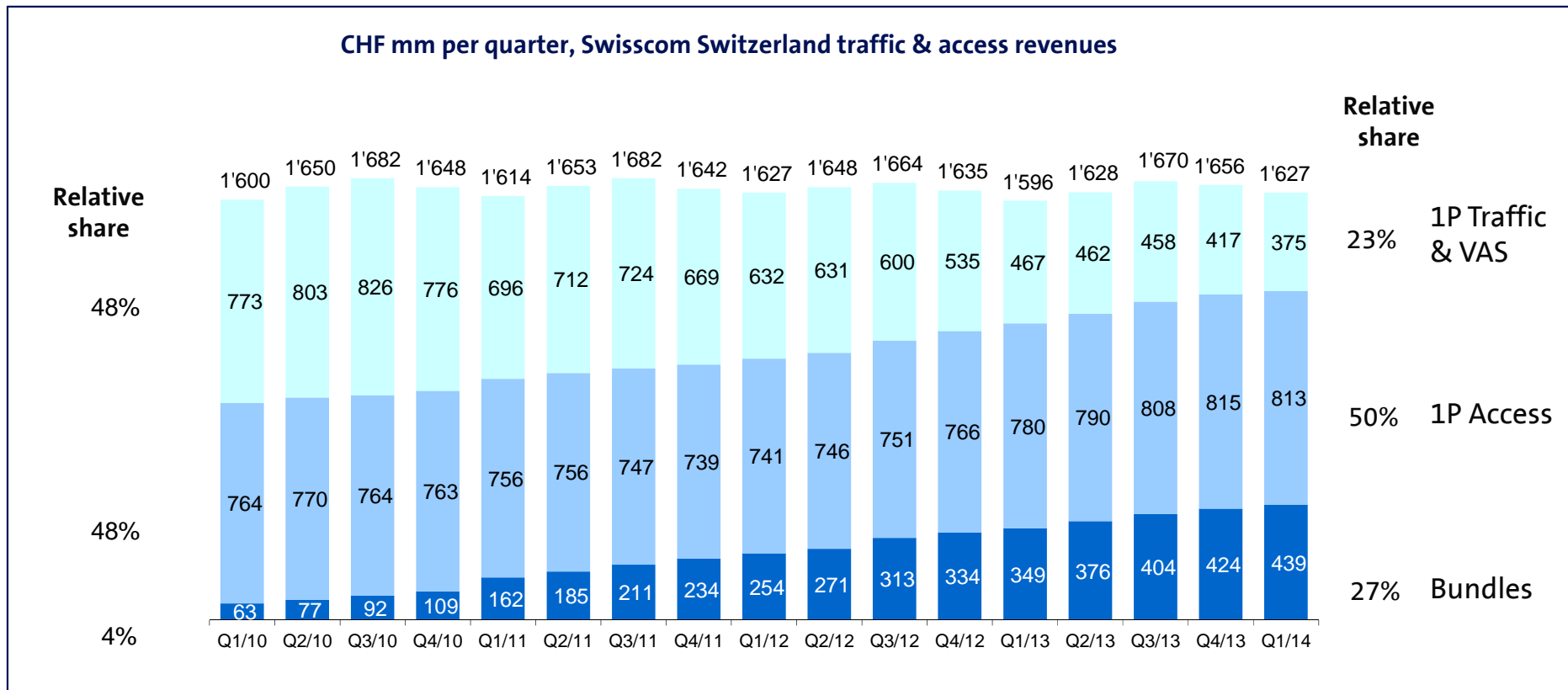
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## 4. Attachments

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# Bundles replacing 1P

## Business model for local telco can no longer rely on usage based charging



Fixed monthly fees now represent 77% of revenues compared to 52% 4 years ago.

# RGU's

## Swisscom Switzerland

## Access Lines/Subs/Products (000)

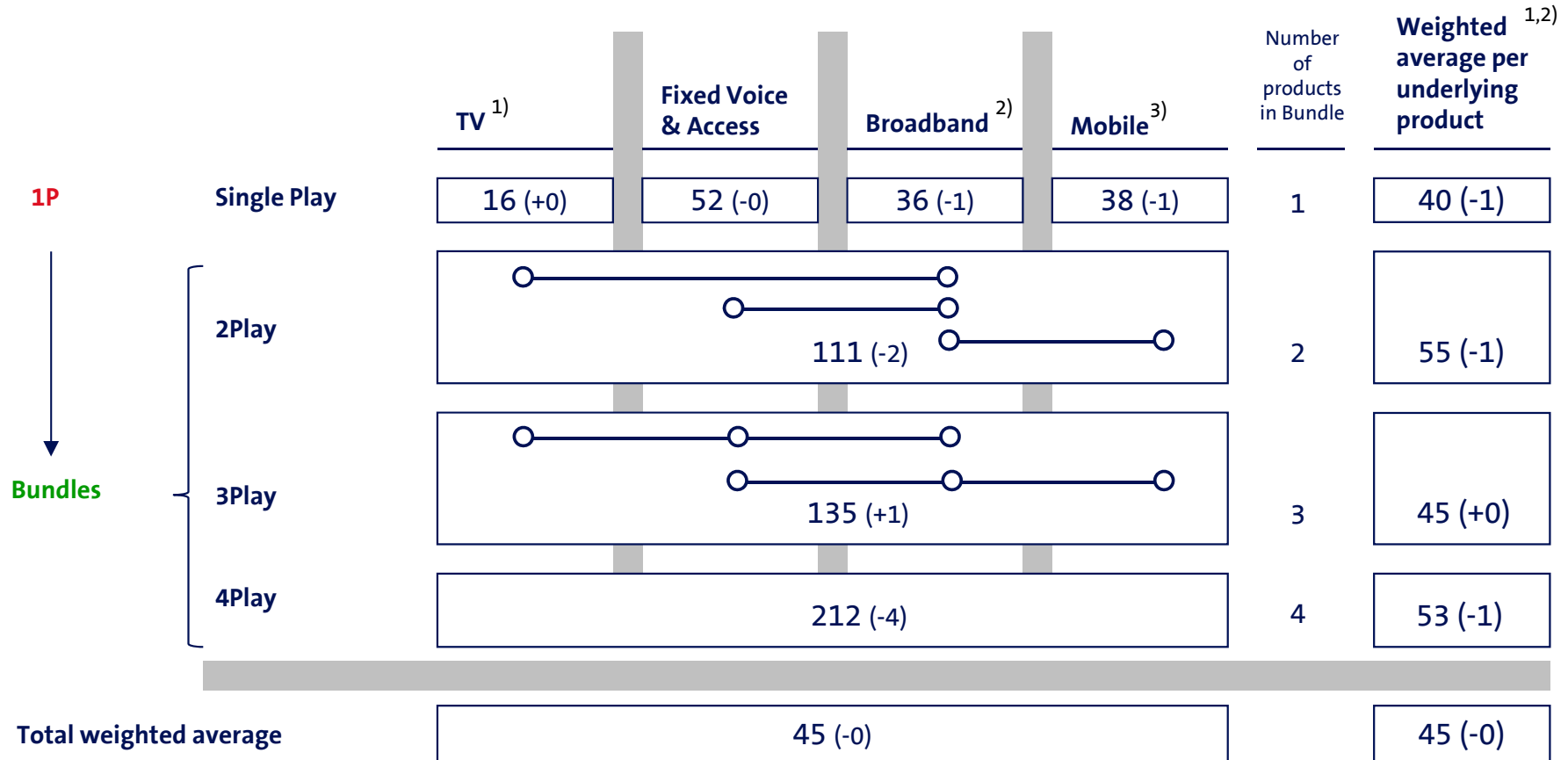
YTD, (Change to 31.03.2013 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
<p><b>1P</b></p> <p>↓</p> <p><b>Bundles</b></p>	Single Play	271 (-20)	2,007 (-265)	773 (-136)	5,985 (+48)	1	9,036	(-373) (-4.0%)
	2Play					2	574	(+60) (+11.7%)
	3Play					3	1,688	(+388) (+30%)
	4Play					4	872	(+244) (+39%)
	Revenue Generating Units	1,052 (+192) (+22%)	2,856 (-114) (-3.8%)	1,833 (+82) (+4.7%)	6,429 (+159) (+2.5%)		12,170	(+319) (+3%)

Number of revenue generating units up by +2.7% YOY.

# ARPU

YTD, (Change to 31.03.2013 in brackets)



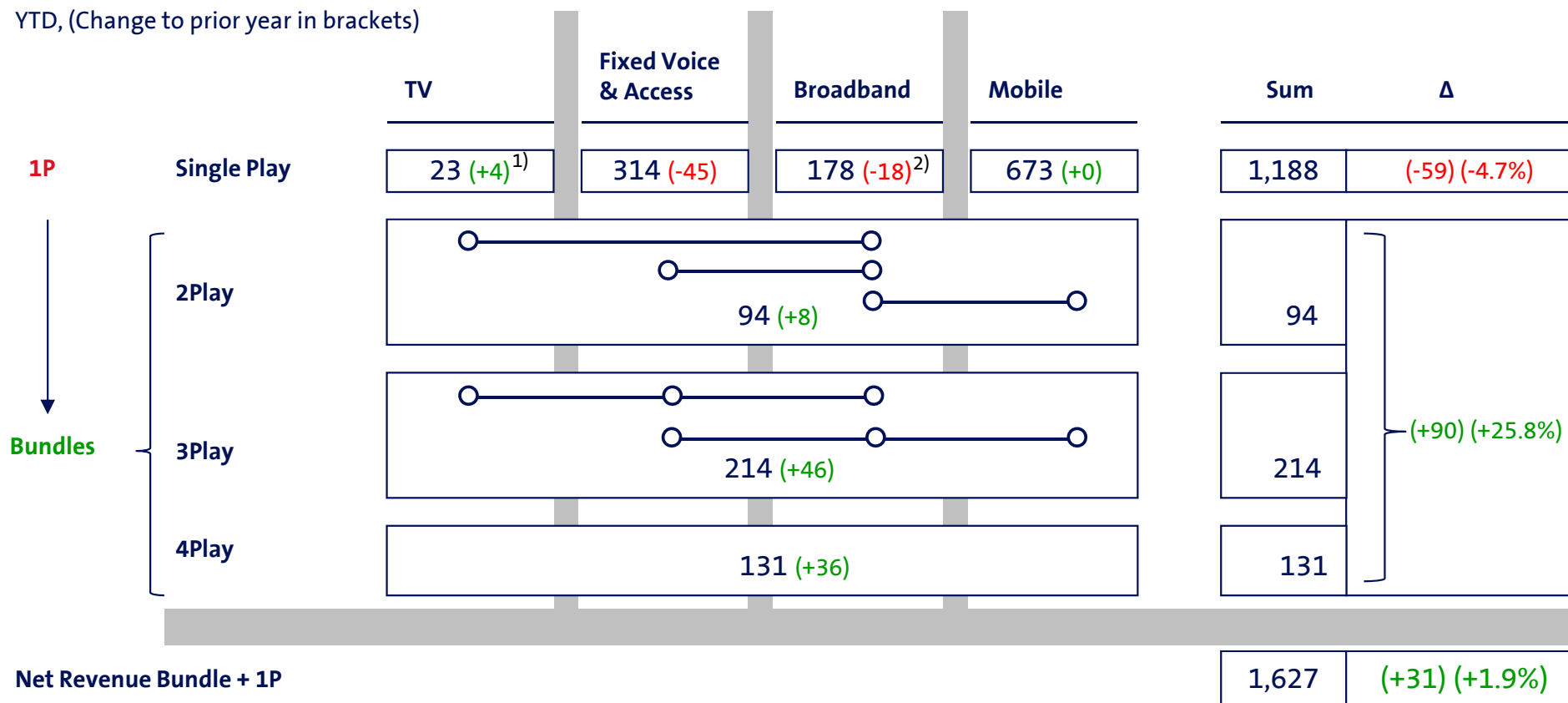
Move to bundles implies up-scaling to higher ARPU's .

- 1) ARPU Base Fee
- 2) ARPU excl. Business Networks
- 3) ARPU excl. Mobile Termination

# Revenues (RGU x ARPU)

## Net revenues (CHF mm)

YTD, (Change to prior year in brackets)



1) includes impact from acquisition Cinetrade.

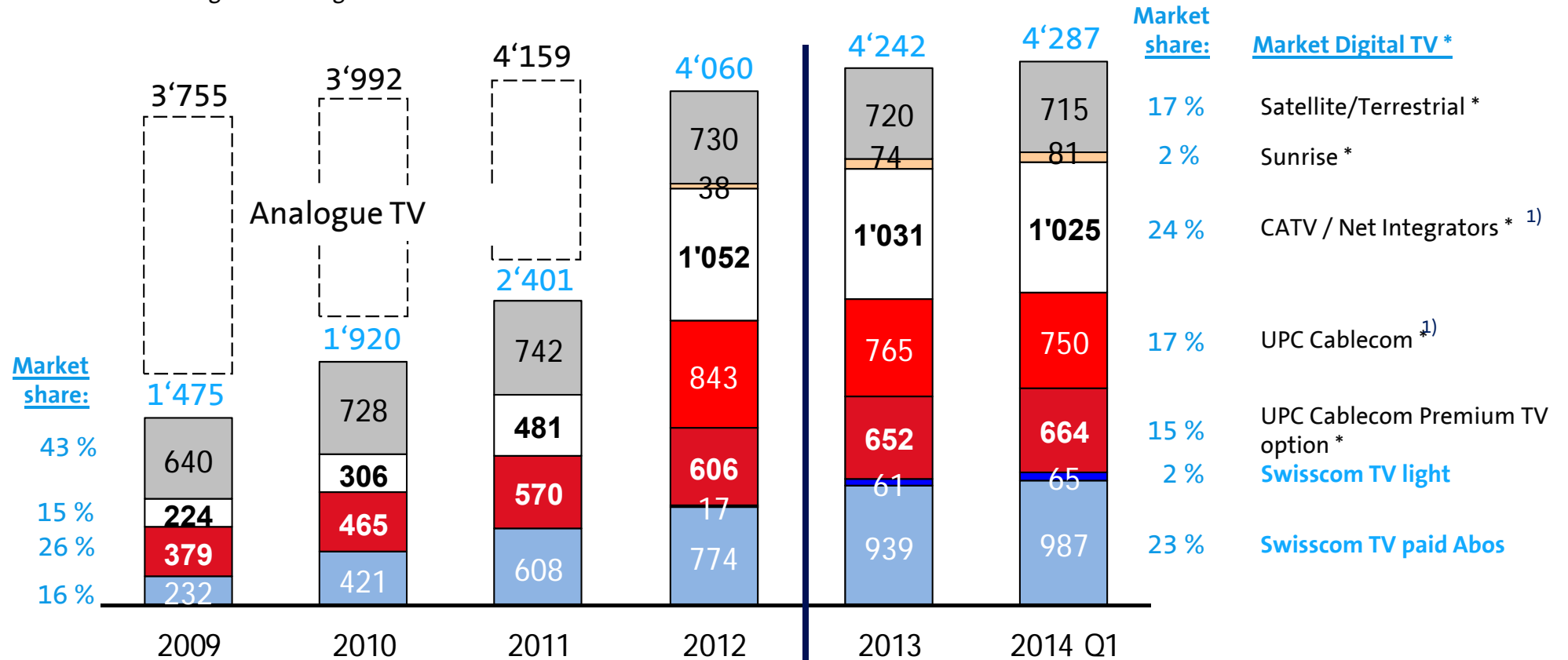
2) including revenues for business networks/internet which are not included in retail broadband ARPU



# TV market Switzerland

## Market volumes (000) digital TV

Market digital + analogue



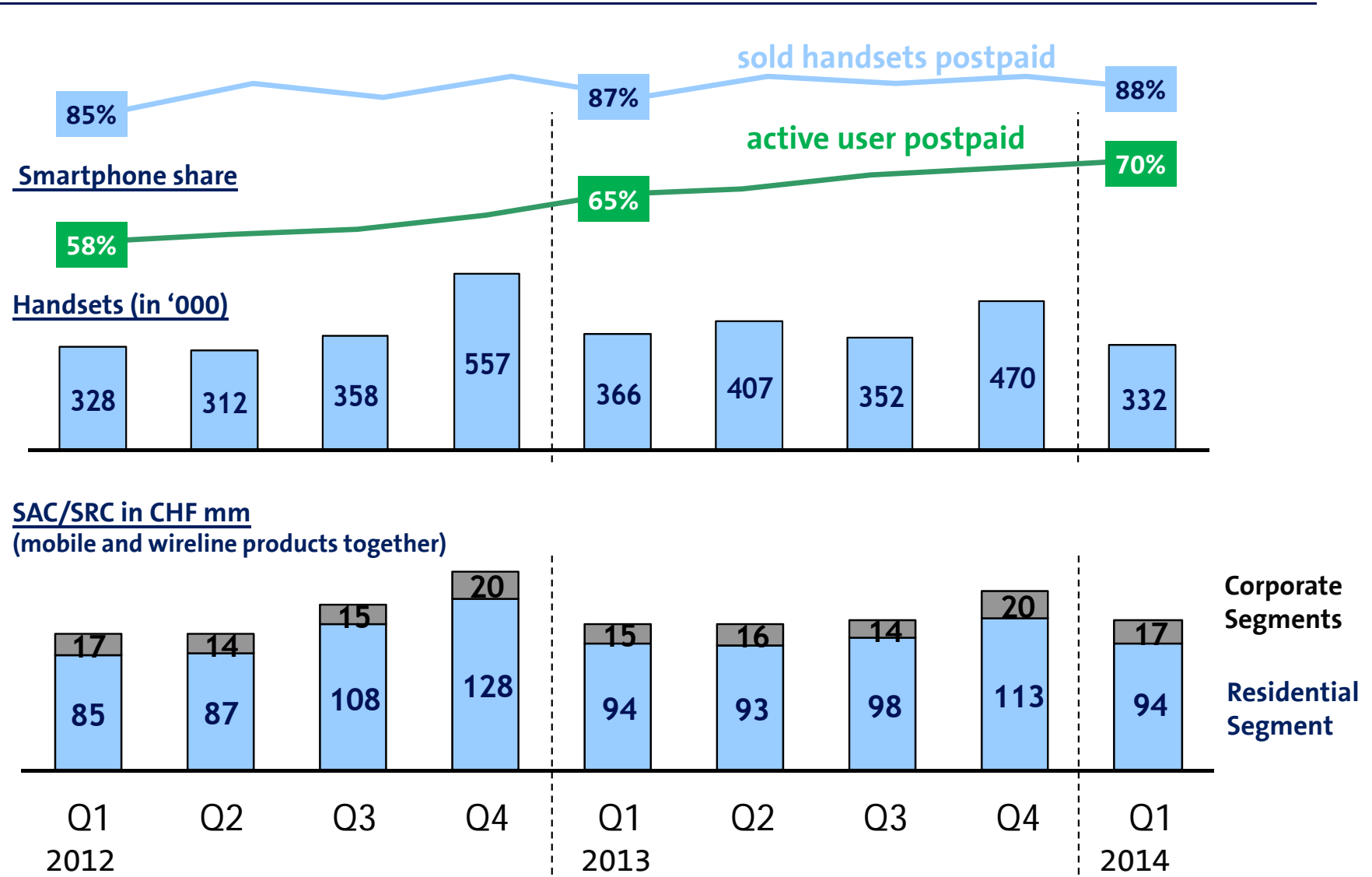
1) Migration to digital largely driven by analogue customers who have been transferred technically, but have not subscribed to a digital product yet: these are potential customers for Swisscom

\* Estimates for Q1 2014

Cable customers who are being migrated to digital continue to be potential customers for Swisscom's IPTV solution



# Handsets & SACs



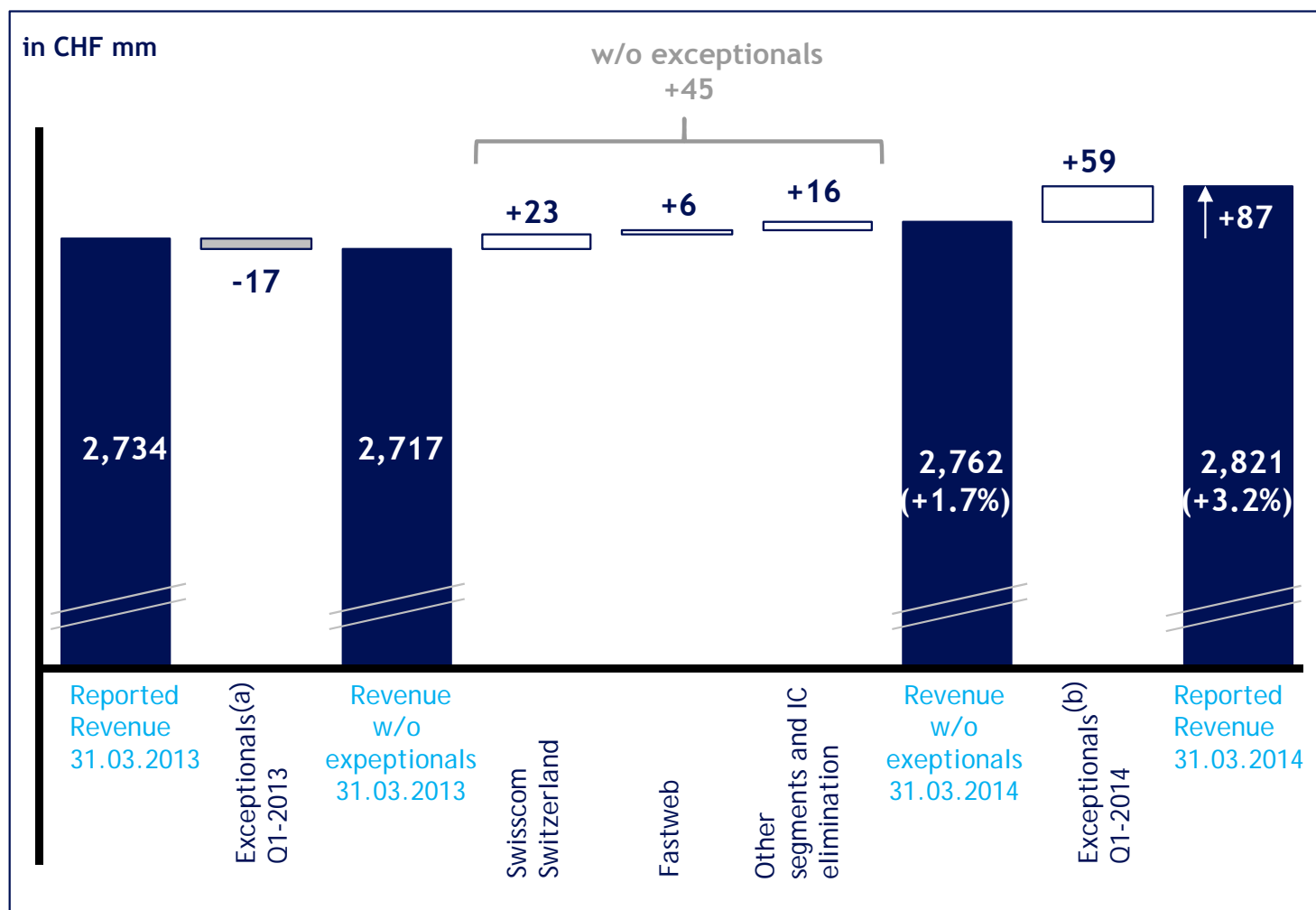
Volume of sold handsets in Q1 2014 lower than in 2013, but same level as in 2012.

# Group results

## Revenues, exceptionals

Without M&A, hubbing and FX effects, revenue went up CHF 45 mm YOY (+1.7%).

Underlying top-line of Fastweb (w/o hubbing and FX) went up by CHF 6 mm YOY. Consumer and wholesale segment with increase, Enterprise stable.



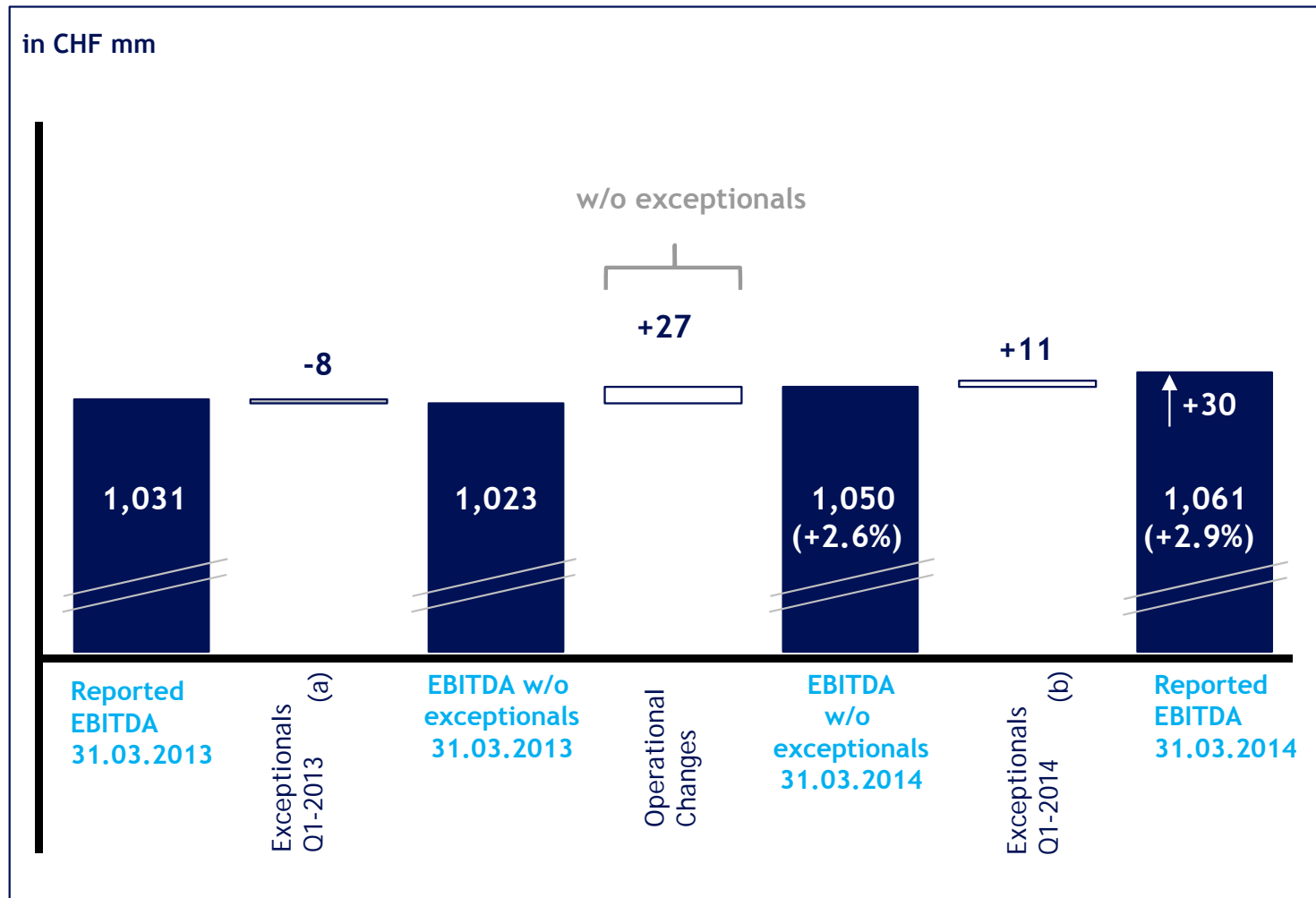
(a) Hubbing Fastweb (CHF -17mm)

(b) Acquisitions (CHF +52mm), Hubbing Fastweb (CHF +9mm), change exchange rate (CHF -2mm), weakening of Euro against Swiss Franc of 0.5%

# Group results

## EBITDA, exceptionals

*EBITDA w/o exceptionals up CHF 27mm YOY.*



- (a) Release of Accruals (CHF -8mm)
- (b) Acquisitions (CHF +9mm), Reduced Pension Cost (+2mm)

# Segment 'Residential'

*Top line impacted by one off effect (acquisition). Adjusted, top line is +1.5% above prior year driven by higher service revenue.*

*CM 2 increase of 2.8%, driven by higher margin (due to service revenue) and one-off (acquisition).*

*Mobile postpaid subs increase alongside with the increase in infinity subs .*

*# of TV subs up by 22.2% YOY.*

	31.03.2014	YoY
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>1'274</b>	<b>3.5%</b>
Direct costs in MCHF	-306	0.7%
Indirect costs in MCHF <sup>2)</sup>	-238	9.7%
<b>Contribution margin 2 in MCHF</b>	<b>730</b>	<b>2.8%</b>
<i>Contribution margin 2 in %</i>	<i>57.3%</i>	
CAPEX in MCHF	37	-11.9%
FTE's	4'779	8.5%
Voice lines in '000 <sup>3)</sup>	2'097	-4.9%
BB lines in '000 <sup>3)</sup>	1'578	4.2%
Wireless customers prepaid in '000	2'173	-1.0%
Wireless customers postpaid in '000 <sup>3)</sup>	2'551	4.1%
Blended wireless ARPU MO in CHF	33	0.0%
TV subs in '000 <sup>3)</sup>	1'017	22.2%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3) sum of single play and bundles

# Segment 'Small & Medium Enterprises'

*The decrease of single play revenues (especially wireline telephony) was over-compensated by higher bundle revenues.*

*Growth in BB lines excellent.*

*Wireless ARPU decrease in the past quarters could be stopped in Q1-2014.*

	31.03.2014	YoY
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>287</b>	<b>2.5%</b>
Direct costs in MCHF	-37	2.8%
Indirect costs in MCHF <sup>2)</sup>	-35	12.9%
<b>Contribution margin 2 in MCHF</b>	<b>215</b>	<b>0.9%</b>
<i>Contribution margin 2 in %</i>	<i>74.9%</i>	
CAPEX in MCHF	5	150.0%
FTE's	761	10.0%
Voice lines in '000 <sup>3)</sup>	515	-0.8%
BB lines in '000 <sup>3)</sup>	218	8.5%
Wireless customers in '000 <sup>3)</sup>	588	4.4%
Blended wireless ARPU MO in CHF	70	0.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3) sum of single play and bundles

# Segment 'Corporate'

*Ongoing price erosion leads to lower top line of 0.7% YOY).*

*# of wireless subs up by 5.4% YOY*

	<b>31.03.2014</b>	<b>YoY</b>
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>436</b>	<b>-0.7%</b>
Direct costs in MCHF	-98	1.0%
Indirect costs in MCHF <sup>2)</sup>	-121	-0.8%
<b>Contribution margin 2 in MCHF</b>	<b>217</b>	<b>-1.4%</b>
<i>Contribution margin 2 in %</i>	<i>49.8%</i>	
CAPEX in MCHF	17	6.3%
FTE's	2'424	1.6%
Voice lines in '000	244	-0.8%
BB lines in '000	37	5.7%
Wireless customers in '000	1'117	5.4%
Blended wireless ARPU MO in CHF	40	-11.1%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

# Segment 'Wholesale'

*Revenue from external customers down 2.7% driven by lower termination and inbound roaming rates.*

	<b>31.03.2014</b>	<b>YoY</b>
Revenue from external customers in MCHF	145	-2.7%
Intersegment revenue in MCHF	84	-4.5%
<b>Net revenue in MCHF</b>	<b>229</b>	<b>-3.4%</b>
Direct costs in MCHF	-128	-5.2%
Indirect costs in MCHF <sup>1)</sup>	-6	0.0%
<b>Contribution margin 2 in MCHF</b>	<b>95</b>	<b>-1.0%</b>
<i>Contribution margin 2 in %</i>	<i>41.5%</i>	
CAPEX in MCHF	-	nm
FTE's	111	1.8%
Full access lines in '000	241	-16.9%
BB (wholesale) lines in '000	221	12.8%

1) incl. capitalised costs and other income



# Segment 'Networks and support functions'

*Higher personnel expenses (CHF 4mm YOY) driven by release of a restructuring provision a year ago.*

*Overall, CM2 declined by CHF 0.6% YOY.*

*CAPEX of CHF 241mm up 7.1% YOY, due to further rollout of broadband networks.*

	<b>31.03.2014</b>	<b>YoY</b>
Personnel expenses in MCHF	-181	2.3%
Rent in MCHF	-46	0.0%
Maintenance in MCHF	-44	4.8%
IT expenses in MCHF	-75	1.4%
Other OPEX in MCHF	-65	-4.4%
Indirect costs in MCHF	-411	1.0%
Capitalised costs and other income in MCHF	47	4.4%
<b>Contribution margin 2 in MCHF</b>	<b>-364</b>	<b>0.6%</b>
Depreciation, amortisation and impairment in MCHF	-236	5.4%
<b>Segment result in MCHF</b>	<b>-600</b>	<b>2.4%</b>
CAPEX in MCHF	241	7.1%
FTE's	4'447	0.5%

# Segment 'Fastweb'

*W/o low margin  
wholesale hubbing net  
revenues increased  
1.3% YOY.*

*That revenue increase  
was driven by  
Consumer and  
Wholesale.*

*EBITDA of EUR 108  
million up 11.3% YOY*

*CAPEX increase due to  
FTTS roll out.*

*# of BB customers up  
by 6.6% YOY.*

	31.03.2014	YoY
Consumer revenue in MEUR	188	1.1%
Enterprise revenue in MEUR	177	-0.6%
Wholesale revenue in MEUR <sup>1)</sup>	31	-8.8%
<b>Net revenue in MEUR <sup>1)</sup></b>	<b>396</b>	<b>-0.5%</b>
of which net revenue excl. hubbing in MEUR	389	1.3%
OPEX in MEUR <sup>2)</sup>	-288	-4.3%
<b>EBITDA in MEUR</b>	<b>108</b>	<b>11.3%</b>
<i>EBITDA margin in %</i>	<i>27.3%</i>	
CAPEX in MEUR	142	12.7%
OpFCF Proxy in MEUR	-34	17.2%
FTE's	2'362	-1.1%
BB customers in '000	1'984	6.6%
<b>In consolidated Swisscom accounts</b>		
EBITDA in MCHF	132	10.9%
CAPEX in MCHF	173	11.6%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

# Segment 'Other'

Swisscom IT Services external revenue up due to one off (acquisition).

OPEX up by 12.7% mainly driven by one off (acquisition) at Swisscom IT Services.

EBITDA down by 6.8% YOY.

	31.03.2014	YoY
Swisscom IT Services in MCHF	164	27.1%
Group Related Business in MCHF	76	2.7%
Hospitality Services in MCHF	16	45.5%
Other in MCHF	8	-11.1%
External revenue in MCHF	264	18.4%
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>450</b>	<b>9.2%</b>
OPEX in MCHF <sup>2)</sup>	-382	12.7%
<b>EBITDA in MCHF</b>	<b>68</b>	<b>-6.8%</b>
<i>EBITDA margin in %</i>	<i>15.1%</i>	
CAPEX in MCHF	52	36.8%
FTE's	4'883	8.4%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

# Cautionary statement regarding forward-looking statements

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"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 and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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