Q1 2016 results presentation

Conference Call
3 May 2016

swisscom

Agenda

1. Intro-duction
2. Q1 summary
3. Priorities 2016
4. Q1 operations
5. Q1 financials
6. Q&A
7. Backup

Louis Schmid, IR

Urs Schaeppi, CEO

Mario Rossi, CFO

All

Agenda

1. Intro-duction
2. **Q1 summary**
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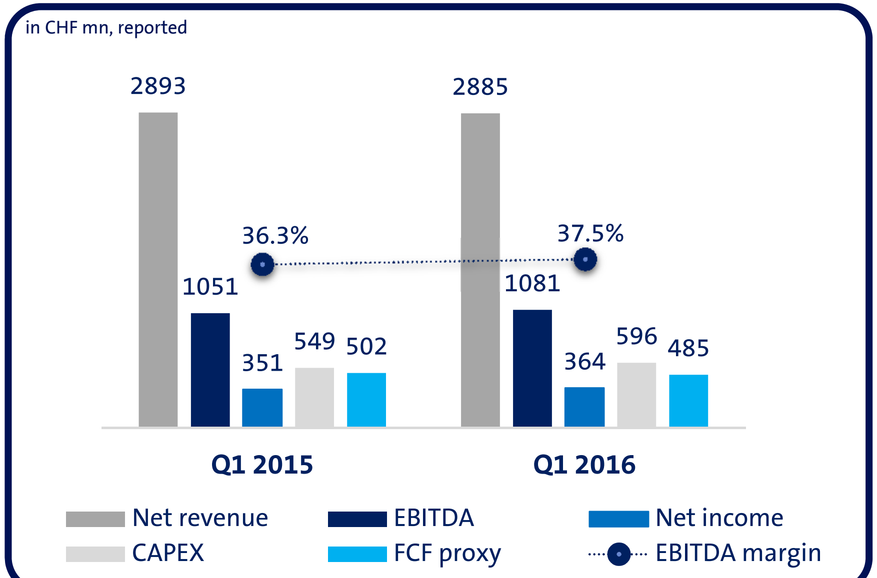
Urs Schaeppi, CEO

Q1 performance in a nutshell

Financially solid

Q1 key figures



YoY comments

- **Group revenue** almost stable (-8mn YoY)
  - Pleasant performance from Solutions Revenue +15mn and Fastweb +13mn
  - Lower contributions from Service Revenue -10mn and Hardware -8mn
- **EBITDA** increased by +30mn YoY (margin +1.2 %pts)
  - Cost discipline drives underlying OPEX in Switzerland down
  - YOY contribution of Fastweb up by +14mn
- **Net income** up by +13mn YOY, despite higher depreciation
- **CAPEX** up YoY, driven by FTTS rollout (ahead of plan)

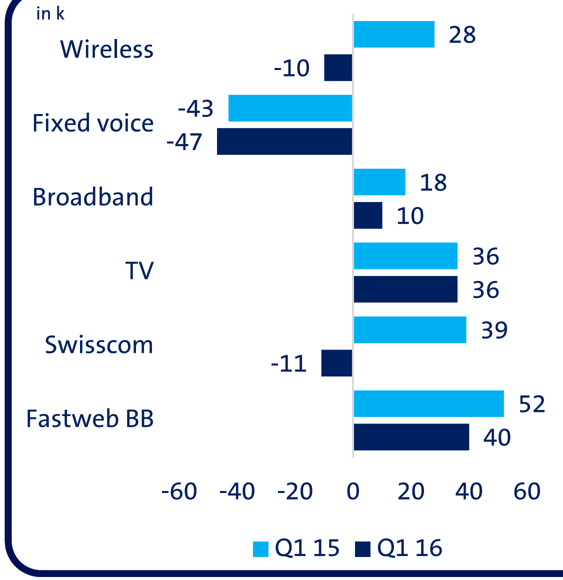
Financial results on track to achieve FY guidance:
Q1 delivered 25% of revenue and 26% of FCF proxy (EBITDA minus CAPEX)

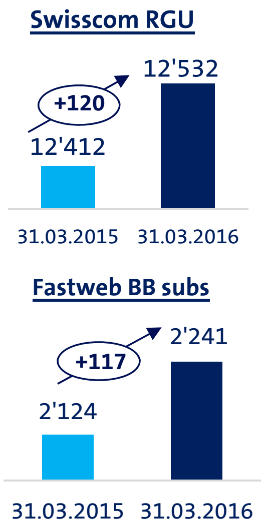
Q1 performance in a nutshell

Operationally decent

2

Q1 net adds and customer base





YoY comments

- RGU base in **Switzerland** at 12.5 mn (+120k YoY)
  - **Broadband and TV** with solid growth in Q1, nearly sufficient to compensate the accelerated fixed line losses
  - High penetration and increased competition in **wireless** led to lower Q1 volume, strong portfolio with top-quality products key to retain strong market share of 60%
  - **Bundle** penetration further increased, mainly driven by UBB rollout and outstanding TV offering
- **Fastweb** with 2.2 mn broadband subs (+117k YoY)
  - Q1 net adds of +40k YoY

Swiss RGU base successfully defended in an increasing competitive environment. Fastweb with good momentum

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Urs Schaeppi, CEO

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Continued focus on our five priorities 2016…

… for a solid performance and sustainable shareholder return

3

a Maximise core business

- Defend market shares in Switzerland
- Retain price levels and margins
- Differentiate through quality in services, infrastructure and products

b Operational excellence

- Focus on cost, speed and quality to achieve material cash savings
- Reduction of headcount
- Increase cost efficiency in infrastructure development

c Develop Fastweb

- Provide best customer experience
- Seamless connection everywhere
- Increase scale in core and adjacent businesses

d Growth focus

- Benefit through differentiation and enhancing of core business
- Selective ICT focus and discipline in selecting new growth areas

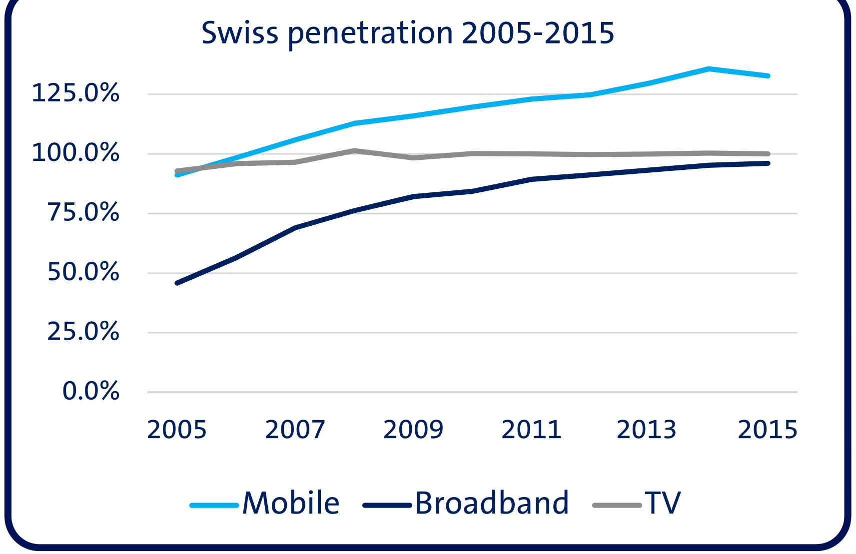
e Transformation

- Push All IP migration
- Enhance agility
- Shape leadership and products

Maximise core business

Tailored top-quality products key to serve broad range of customer needs

Switzerland with saturated markets



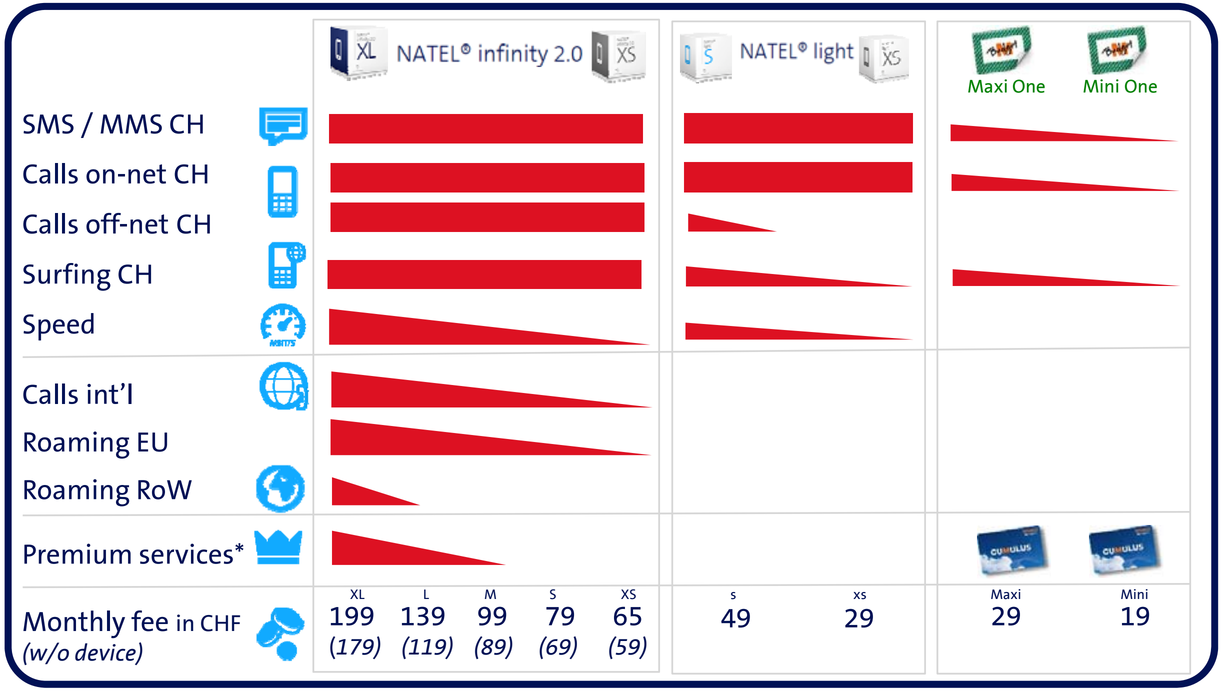
Portfolio of Swisscom well positioned

Retain strong market position in high value segments and stimulate demand in lower value segments

Maximise core business

Swisscom mobile portfolio further amended to stay ahead

3a



* MyCloud, TV Air, device replacement, 2nd data card

Continuing Value Strategy

- **Natel infinity 2.0**
  - additional value and new features embedded: more speed, more roaming, cloud storage and TV Air
  - tariff plans adjusted: more for more (except M pricing unchanged)
  - SIM only option newly available
  - bundling with fixed possible
- **Natel light**
  - improved offering in the lower postpaid segments
- **M-Budget with new 'One' offerings**
  - enhanced with a lower-end postpaid product 'Mini One'
  - loyalty program newly integrated

Early indicators of new product launches promising

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Maximise core business

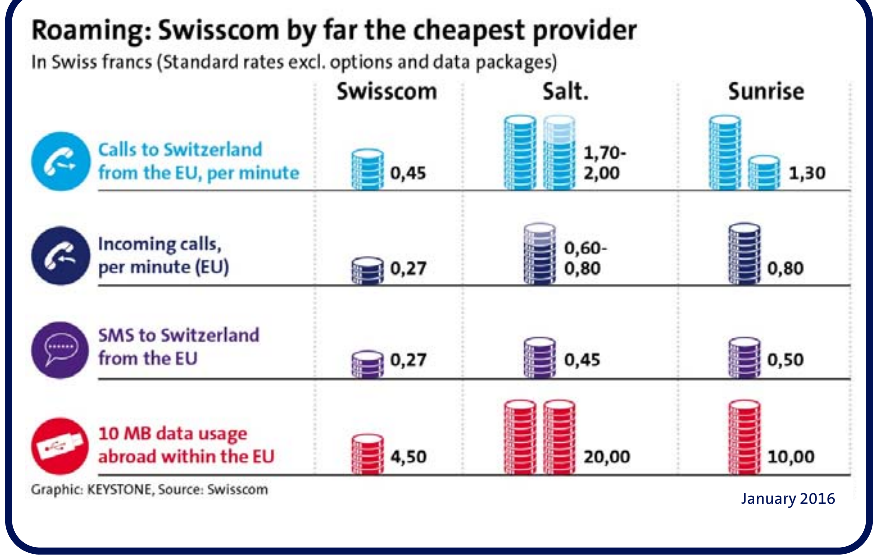
Data roaming prices of Swisscom by far the most affordable

3a

Swisscom cut prices for data roaming again ...

- infinity price plans enhanced with **EU roaming** during Q2 last year. At end of March 2016, **1.1 mn subscribers already on infinity plus or 2.0** (~half of infinity customer base)
- **New prices for EU data packages ...** down -20%; 200 MB data for CHF 15 and the 1 GB package for CHF 39
- **... and new prices for mobile surfing outside EU** 200 MB now for CHF 19
- Swisscom has the most attractive roaming service in the Swiss market **allowing worry-free usage abroad**

... and increased price gaps to competitors further



Adhere to managing downward-trend and simultaneously increasing customer experience

Maximise core business

High innovation rate drives Swisscom's TV success

3a

Our ambition: deliver the best TV experience

launch Bluewin TV
launch TV Air
IPTV leader
1 million TV subs
launch Teleclub Play
launch HBB TV

'06 '09 '10 '11 '12 '13 '14 '15 '16
year

launch Swisscom TV
intro replay
launch Swisscom 2.0
launch UHD TV and voice recognition

The new generation: again a step forward

Exceptional TV proposition key to differentiate, grow TV market share and leverage fixed bundling

Operational Excellence

Cost reduction program on track to achieve CHF 50 mn savings in 2016

Head-count reduction
Since YE 15 underlying FTE base of Swisscom Switzerland reduced by -105 FTEs. On track to achieve targeted savings (CHF 50mn in 16)

Organisa-tional realigment
New organisation for One Field Services

Simplicity
Different efficiency programs launched

Stream-lining processes
Sales to activation process

All-IP benefits
All IP transformation on track 40% completed
+100k connections migrated to All IP in 1st quarter 2016

Increase efficiency
Reduction of call centres from 14 to 8

Cost focus shows first effects in Q1.
Indirect costs of Swisscom Switzerland down
(CHF -11 mn YOY)

Fastweb announced a new investment plan…

… to cover 50% of population by 2020 with speed up to 200 Mbps

3c

Upgrading

- From 100 to 200 Mbps across the entire FTTS footprint
- The largest VDSL+ deployment in Europe

Expanding

- UBB coverage from 30% (c. 100 cities) to 50% (c. 500 cities) by 2020
- The largest UBB network by an alternative operator in Europe

CAPEX

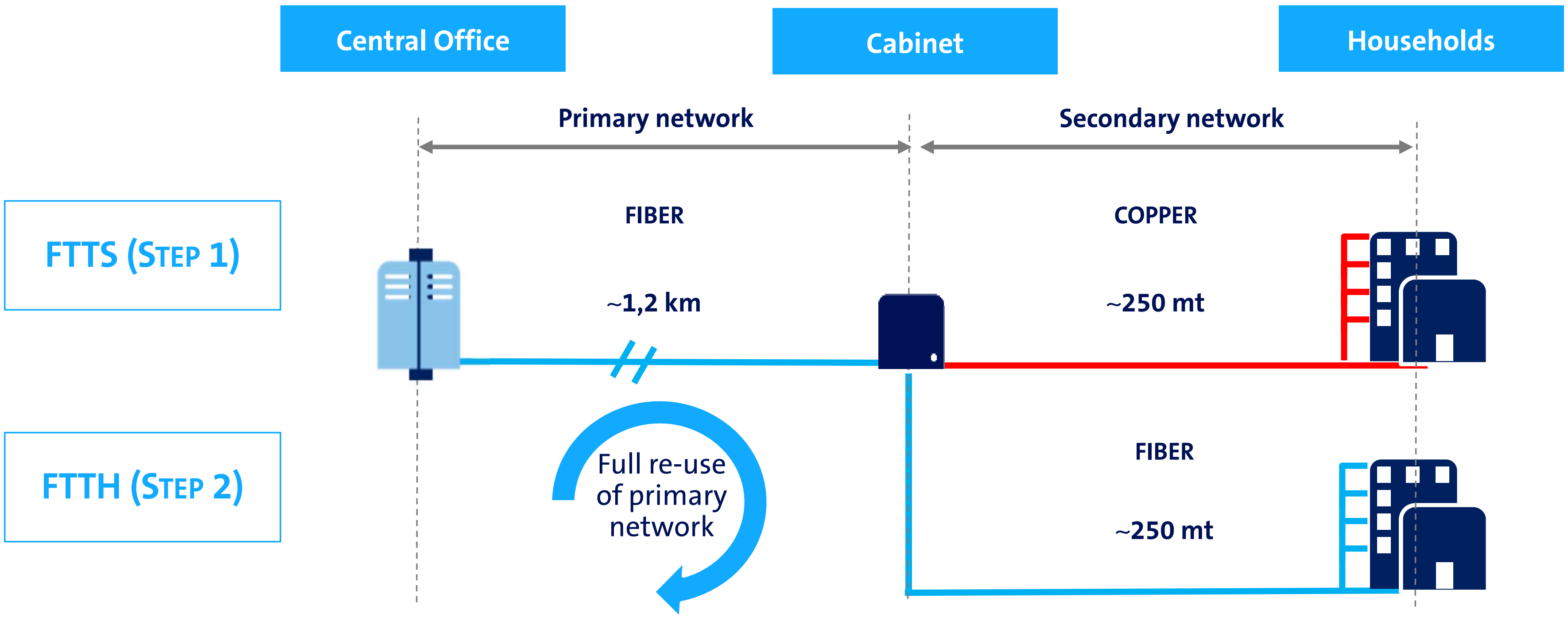
- Approx. EUR 500mn cumulated from 2017 to 2020
- Entirely self financed
- No change to 2016 CAPEX guidance

13mn HHs and businesses covered with UBB speed up to 200 Mbps by 2020

Ambition is to extend the competitive advantage achieved in current UBB footprint to new areas

... and is compatible with future FTTH infrastructure availability

... in case economic conditions are favourable

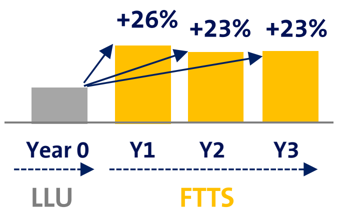


Fastweb FTTS network can easily interconnect with FTTH infrastructure

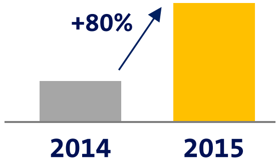
The new plan of Fastweb has a compelling investment rationale

Proven by the outstanding track record achieved to date

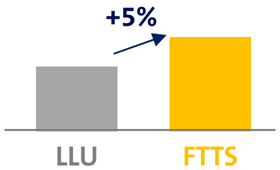
LLU vs. FTTS sales penetration



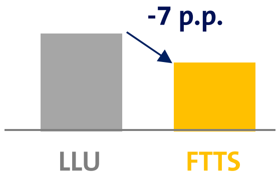
FTTS customer base



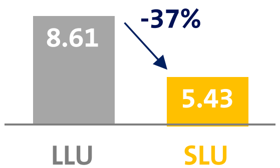
FTTS ARPU

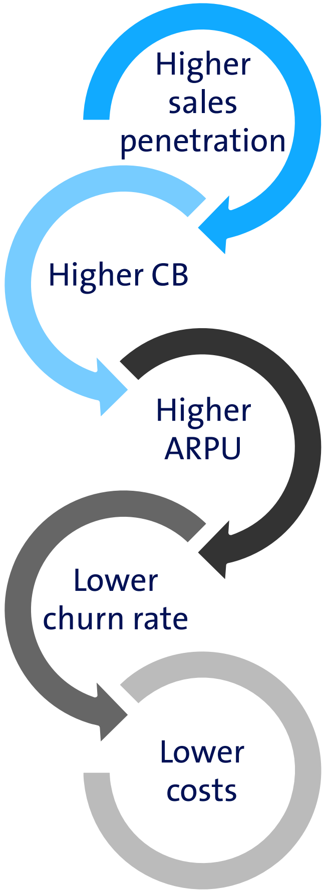


FTTS Churn



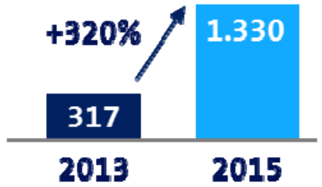
Technology costs
(Euro/month)



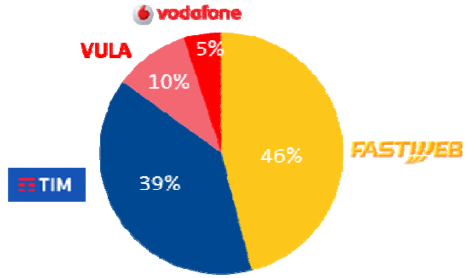


Italian UBB Connections (in k)

Growth



2015 Market Shares[1]



In a growing UBB market, Fastweb is leader with 46% share of Italian UBB connections

Success beyond expectation leads to acceleration of further expansion

[1]AGCom, companies data, internal estimates

Status of All IP transformation

1st quarter 2016: +100k connections migrated to All IP

1st phase: launch of migration in 2014

- Official All IP migration start

2nd phase: market driven migration in 2015

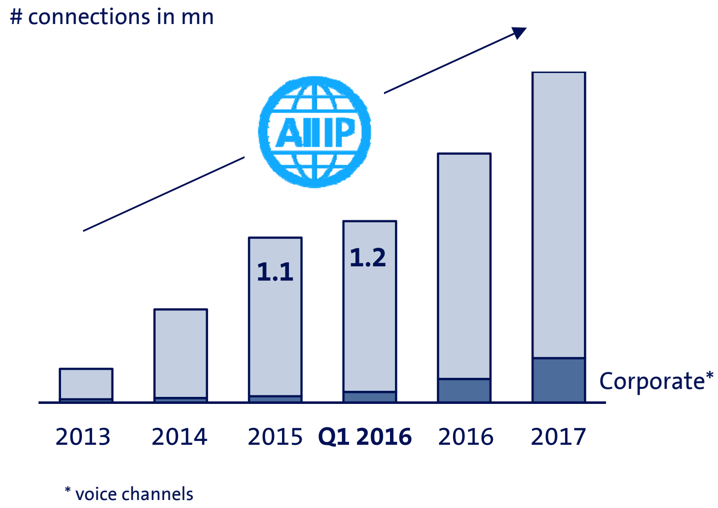
- Transformation of special applications* to large EcoSystem
- First portfolio adjustments of PSTN products

3rd phase: pushed migration in 2016-2017

- Voice only transformation
- IP portfolio completed
- Special applications critical

* special applications: elevator telephony, alarming systems, modem applications

40% of transformation completed



All IP project key to achieve recurring cash savings target from 2018 onwards

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Urs Schaeppi, CEO

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Q1 operations with ups and downs ...

... but revenue with CHF 2.9 bn stable YOY - both composition and total

A balanced 'bouquet' of business drivers

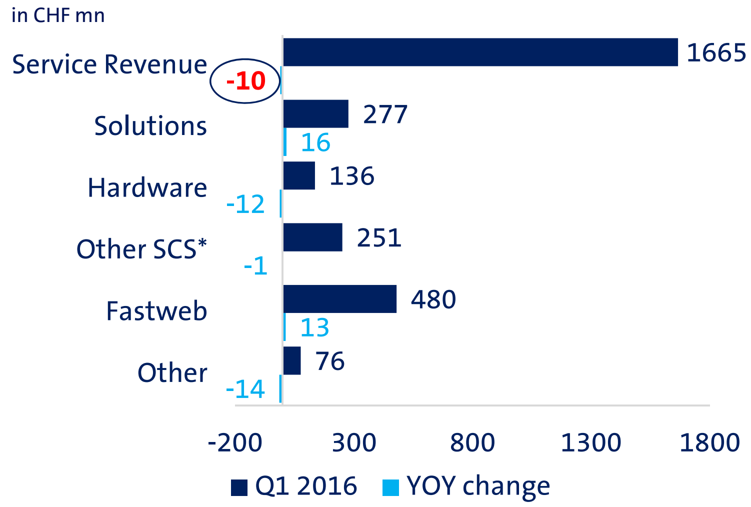
Ups

- Growing **TV** business also drives **bundling** penetration further
- **Solution** business with growth
- **Fastweb** on track and with growth

Downs

- **Fixed voice line** losses ongoing
- **Mobile RGUs** slightly declining
- Roaming and corporate **mobile prices** dilute ARPUs

Q1 revenue of CHF 2'885 mn (-0.3% YOY)



* other Swisscom Switzerland incl. wholesale

Service revenue with ~60% top-line contribution key to retain

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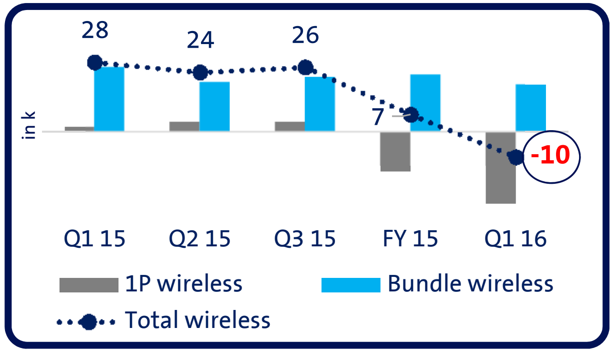
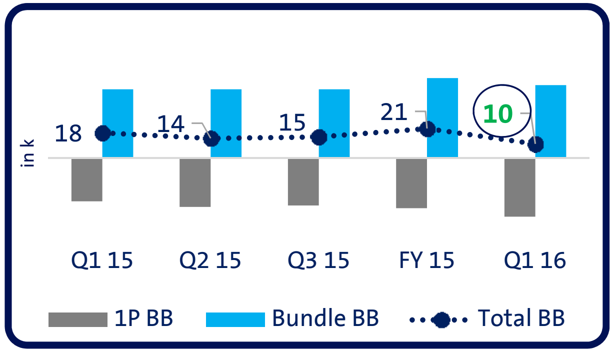
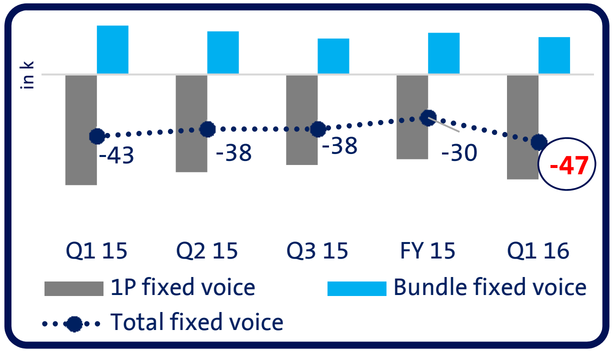
Net adds with diverging trends in Switzerland

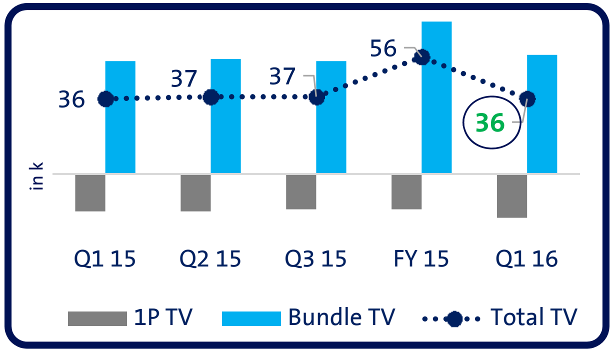
Bundling with growth across all products, wireless with -10k in Q1 2016

Net adds of Swisscom Switzerland

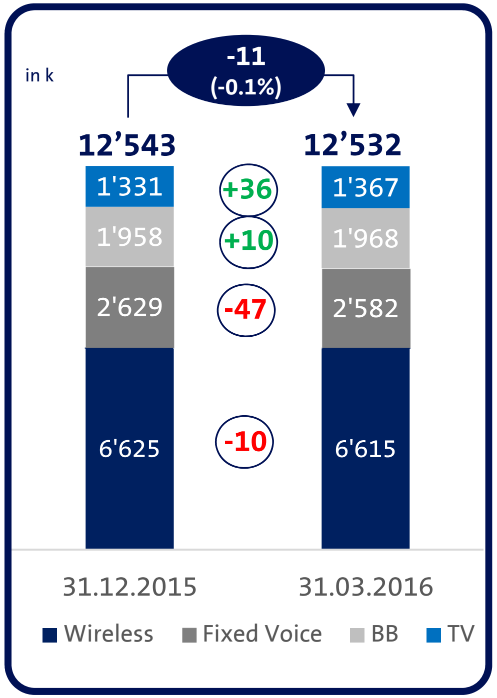








RGUs Swisscom Switzerland



Swisscom Switzerland with +120k RGUs over last 12 months.
Q1 2016 with a contribution of -11k

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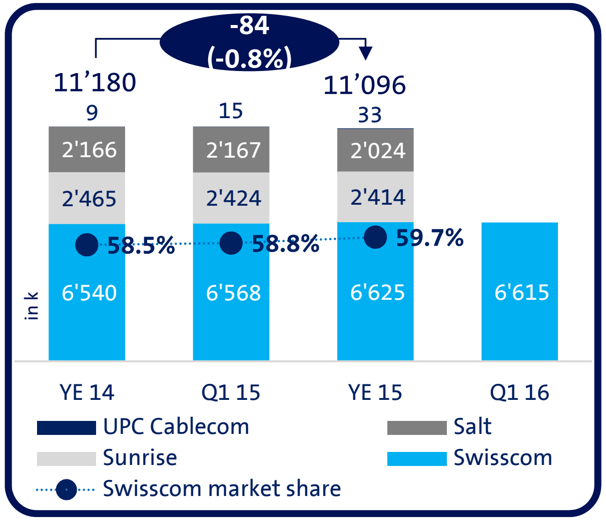
Wireless with weaker volume trends

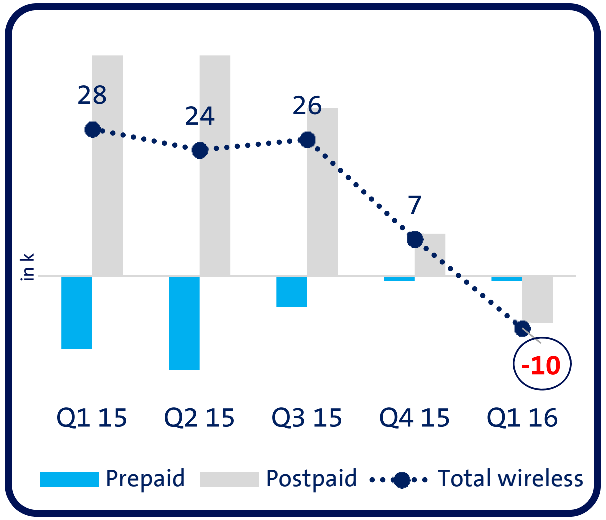
Swisscom with a solid performance in a saturated market

Swiss mobile market



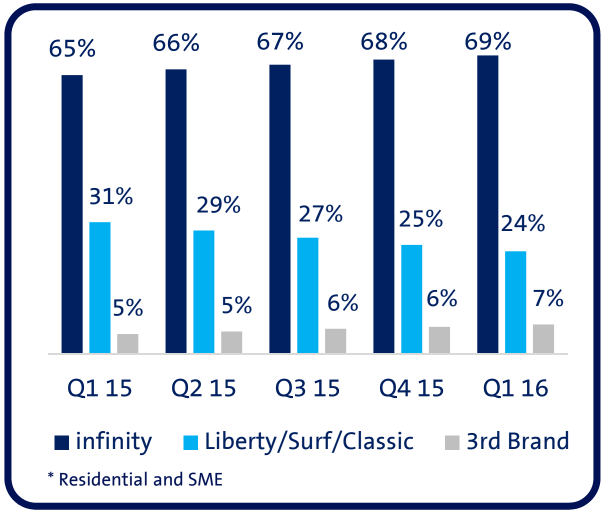
- Last year the Swiss mobile market declined by -84k RGUs
- Swisscom with +85k RGUs in 2015 grew its **market share** by +1.2%-points

Net adds of Swisscom Mobile



- Wireless with a nearly unchanged **RGU base** (-0.15% since YE 15)
- Last quarters also influenced by **Swiss Post** migration

Breakdown of Retail* postpaid subs



* Residential and SME

- **infinity** share increased by +4%-points YOY, with 69% of postpaid Retail share by far the strongest product in the Swisscom portfolio

Swisscom's wireless position remains strong!

Steady volume dynamics in Fixed

Growth in Broadband, TV and bundles continues and compensates voice line losses

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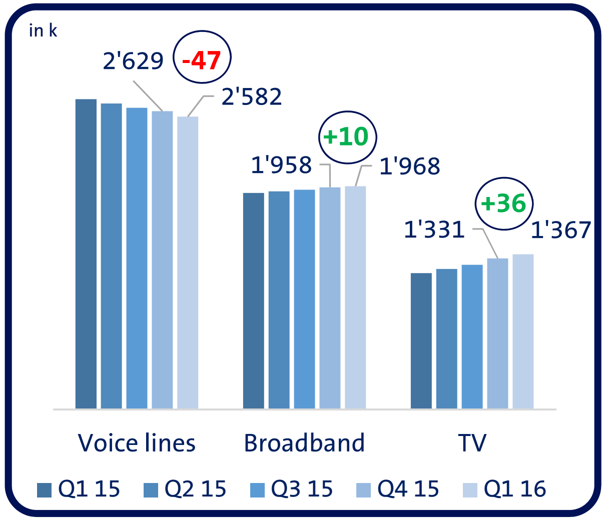
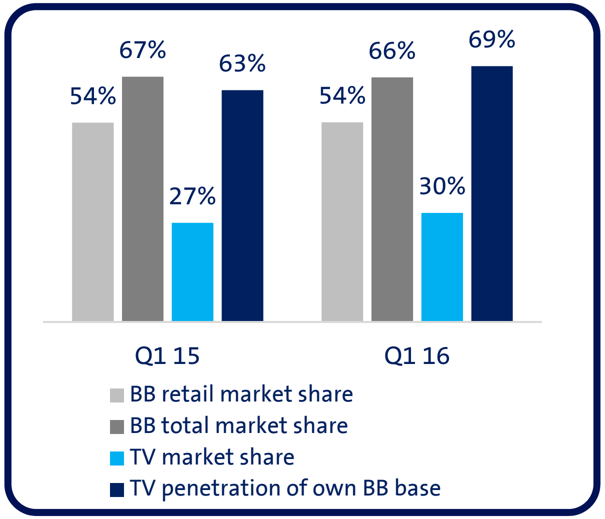
Wireline RGUs Swisscom Switzerland



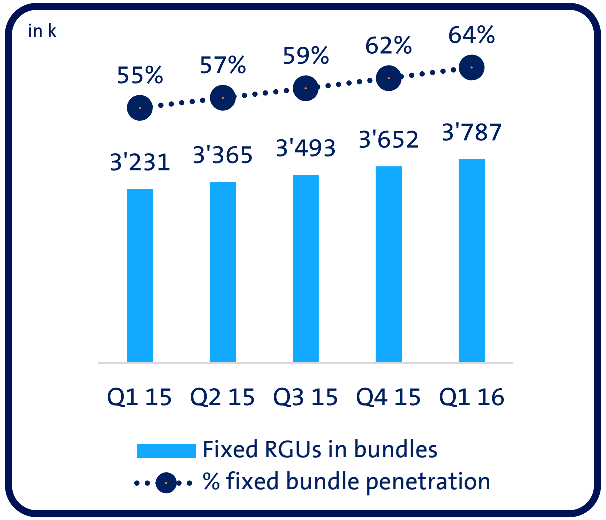
- Voice line losses driven by **mobile substitution** and **CPS migration**
- Around 500k Residential customers are **voice only** subscribers

Market shares and TV penetration



- Swisscom **#1 TV provider** in Switzerland with solid growth in Q1 2016 (+36k) and a market share of 30%

Bundle penetration of fixed RGUs



- Continuous bundle migration reflects **strong value proposition** (increasing UBB footprint and outstanding Swisscom TV 2.0 offering)

Swisscom Switzerland with 5.9 million RGUs in wireline.
TV being most successful and stimulating migration to bundles further

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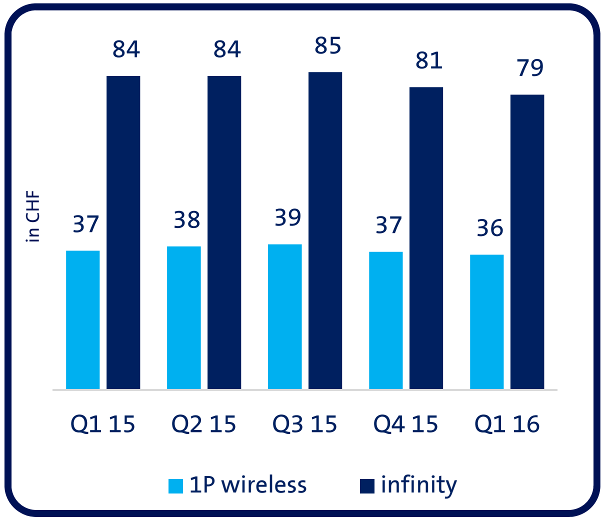
Overview of ARPUs by 1P and bundles

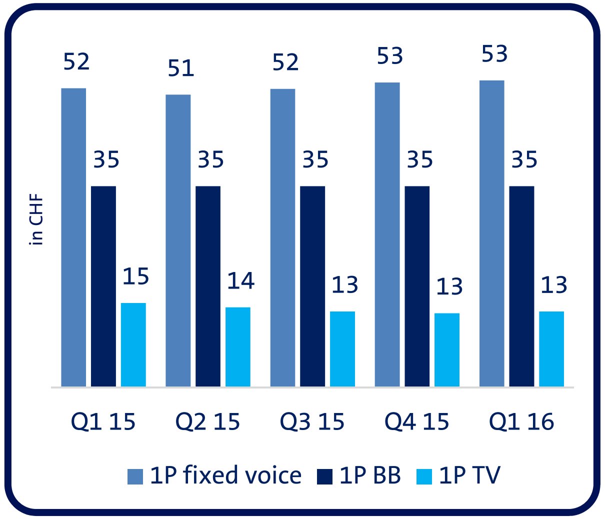
ARPU infinity impacted by EU roaming enhancement introduced last year

1P wireless ARPU



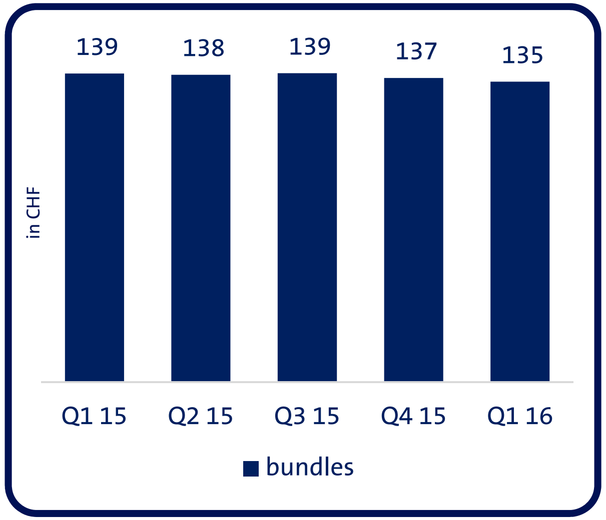
- Mobile ARPU declining due to **roaming** (infinity, lower data prices), **bundle migration** and **price pressure** at Enterprise Customers

1P wireline ARPU



- **ARPU** of 1P **fixed voice** and **broadband** stable

Bundles ARPU (blended)



- **Bundles ARPU at CHF 135** (-3% YOY due to **roaming**, opt out of **fixed voice lines** and **TV light** growth)

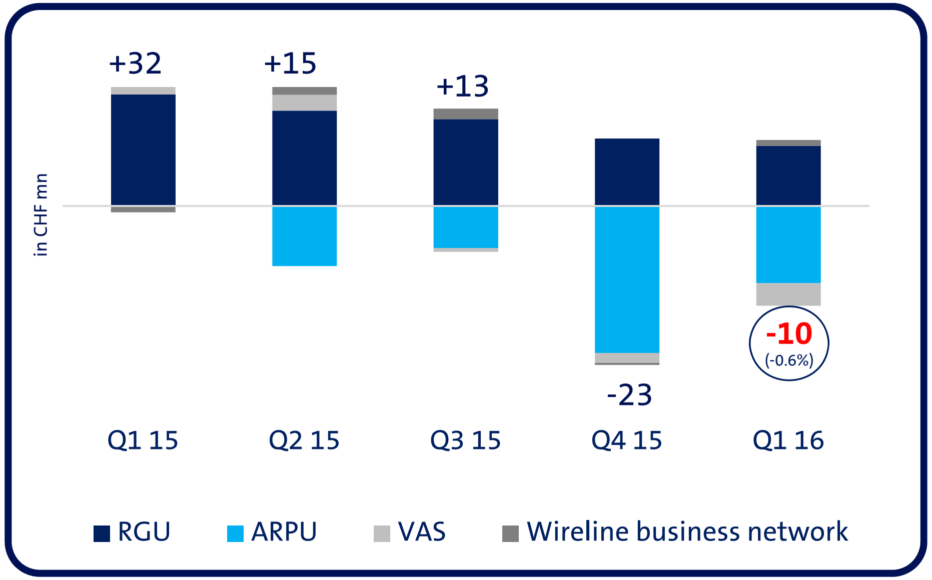
Lower contribution from roaming impacts ARPU of 1P wireless and bundles

Changes of service revenue Swisscom Switzerland

1P wireless ARPU with highest impact on YOY changes

YOY service revenue effects by 1P and bundles

YOY service revenue effects for Swisscom Switzerland



Service revenue in Q1 2016 nearly unchanged YOY (-0.6%), with diverging contributions from ARPU (CHF -20 mn), VAS* (CHF -6 mn) and RGU (CHF +15 mn)

* YOY decline mainly driven by the abolition of air fee surcharges at Enterprise Customers

Fastweb performance 1Q 2016

CB growth driven by UBB take up and churn reduction, positive revenue trend

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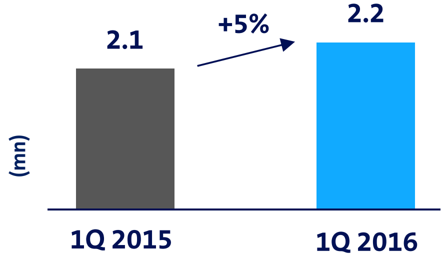
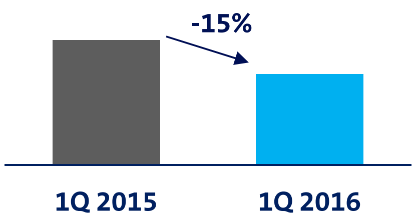
Customer Base Wireline



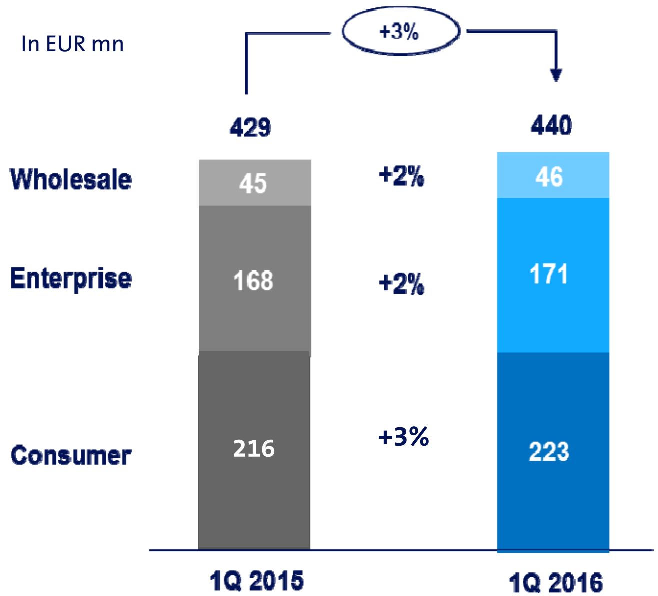
- 40k net adds in 1Q representing a share on market net adds of 41% vs. 37% in 1Q last year
- UBB penetration on total CB at over 30% vs. 24% in 1Q last year

Wireline overall churn



- Wireline churn decreasing 15% YoY

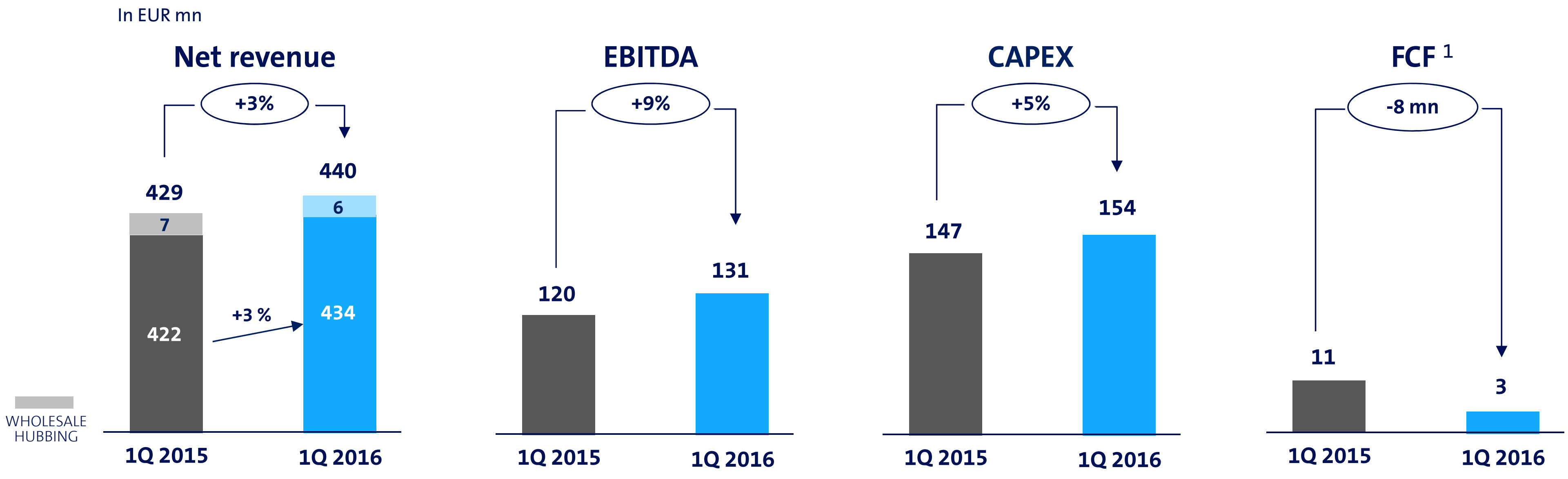
Net revenues per segment



- Growing revenues in all market segments, and particular in consumer (+3%) thanks to decreasing churn

Strategic actions reflected in solid first quarter financial performance ...

... paving the way for another year of robust growth



- Growing revenues in all market segments
- Strong increase in EBITDA driven by recurring margin and lower SAC (Subscriber Acquisition Costs)
- Increasing CAPEX incl. FTTS investments
- Positive FCF, with gap vs. first quarter 2015 due to different phasing of cash-out

[1] including financing activities

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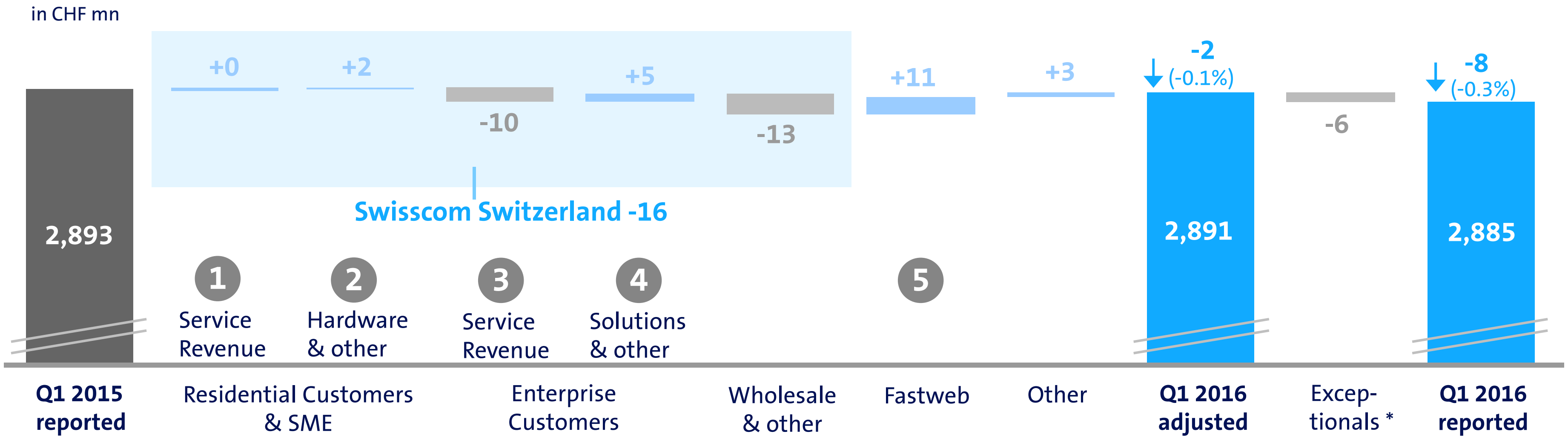
Mario Rossi, CFO

Revenue breakdown by segments

Swisscom Switzerland with price pressure in wireless business, Fastweb growths

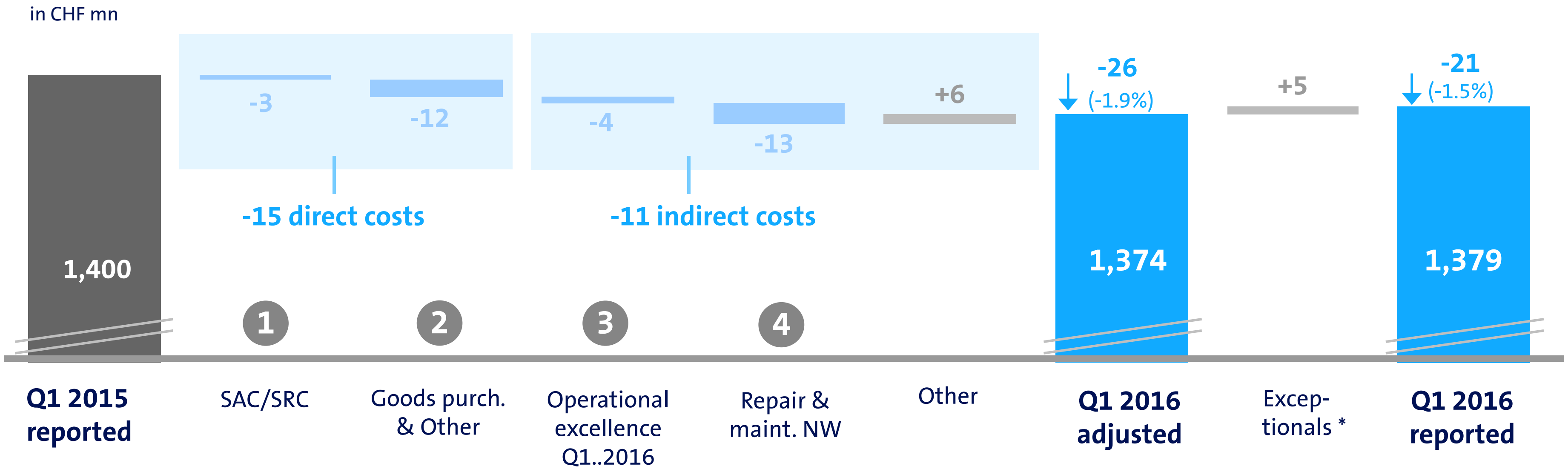


1. Roaming weighs on service revenues, RGU wireline, RGU wireless flat due to signs of market saturation
2. Lower hardware sales are driven by lower wireless acquisition volumes and lower avg. prices per handset
3. Price pressure in the wireless business continued, air fee abandoned
4. Solutions and project business back to growth
5. Fastweb with top-line increase in all segments, strong increase in Consumer (+3% YoY)

* Sale of Hospitality and Alphapay (CHF -17 mn), integration of search.ch (CHF +6 mn), acquisition of OWT (CHF +3 mn), change exchange rate (CHF +2 mn)

OPEX of Swisscom Switzerland

Operational excellence initiatives with first impacts to lower OPEX Switzerland

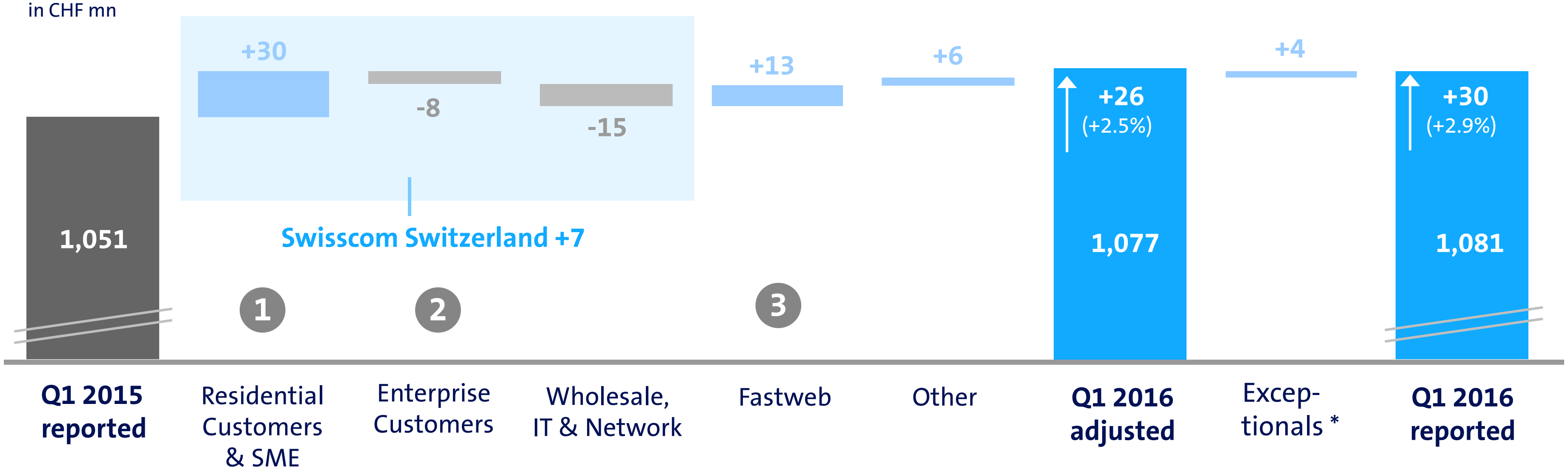


1. Reduced wireless customer acquisition volumes lead to lower SAC/SRC costs; nevertheless the retention volume increased YOY
2. Lower costs for goods purchased due to lower average purchase prices for mobile handsets
3. 'Operational excellence' leads to an underlying reduction of 105 FTEs; on track to achieve gross cash savings of CHF 50mn in 2016
4. Less incidents in the access network lead to a cost reduction for repair & maintenance

* Integration of search. ch (CHF +4 mn), acquisition of OWT (CHF +2 mn), higher gain from sale of real estate (CHF -1 mn)

EBITDA breakdown by segments

Cost saving initiatives compensate decline in service revenue business

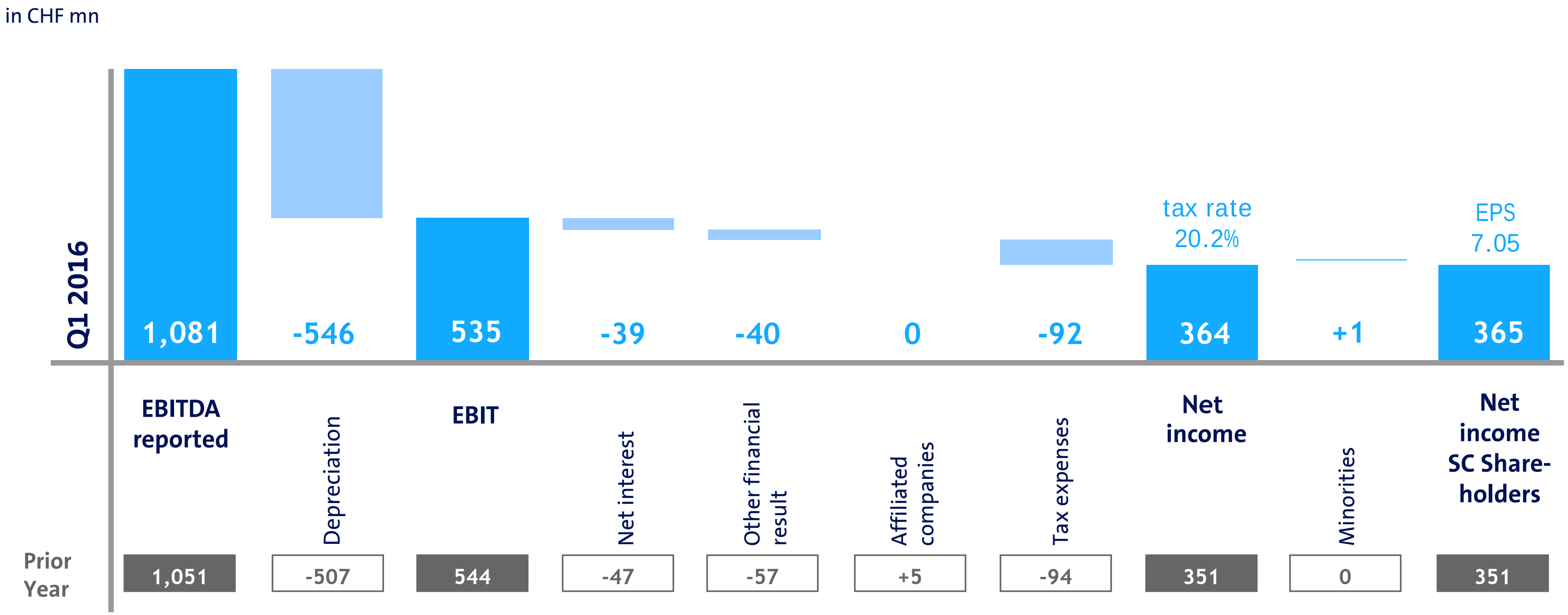


1. Lower SAC/SRC and lower indirect costs lead to EBITDA increase
2. Ongoing price pressure in the wireless business leads to a decrease in EBITDA
3. Fastweb with another strong quarter driven by solid growth in the consumer segment, customer base broadband increased to 2.24mn, strong position in the enterprise market maintained

* Integration of search. ch (CHF +2 mn) and acquisition of OWT (CHF +1 mn), higher gain from sale of real estate (CHF +1 mn), pension IAS 19 (CHF -1 mn), change exchange rate (CHF +1 mn)

Net income

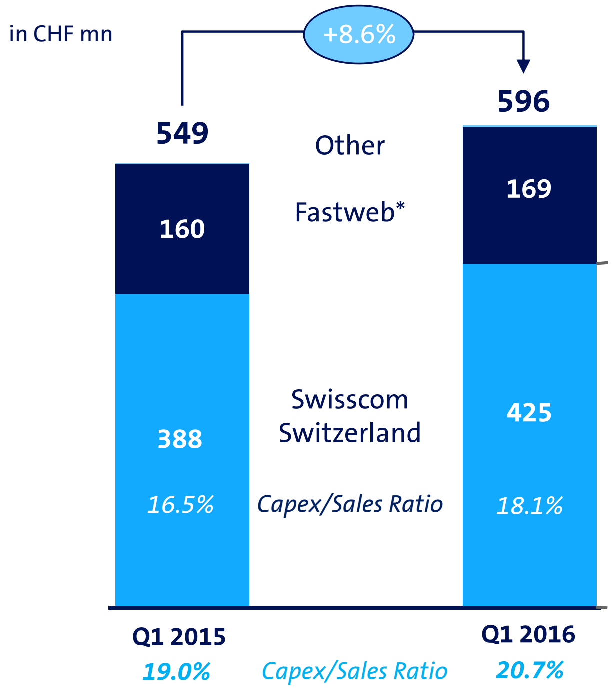
Higher EBITDA as well as a better other financial result improves bottom-line

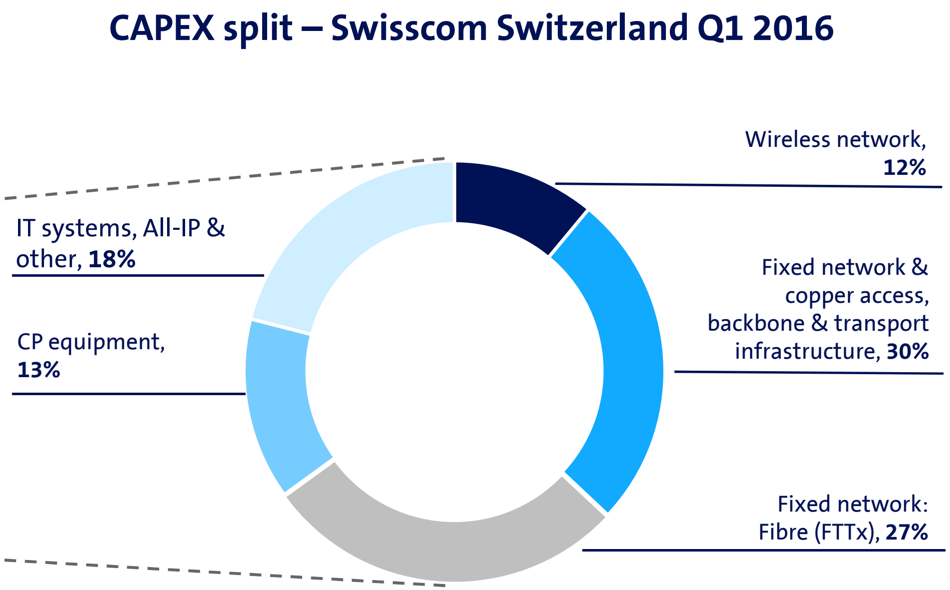


- EBIT down by -1.7% YoY, higher depreciation driven by high investment level of the prior year partly compensated by higher EBITDA
- Better other financial result due to higher foreign exchange losses in prior year

Capital expenditures

CAPEX up by +8.6% YoY due to further UBB extension in Switzerland and Italy



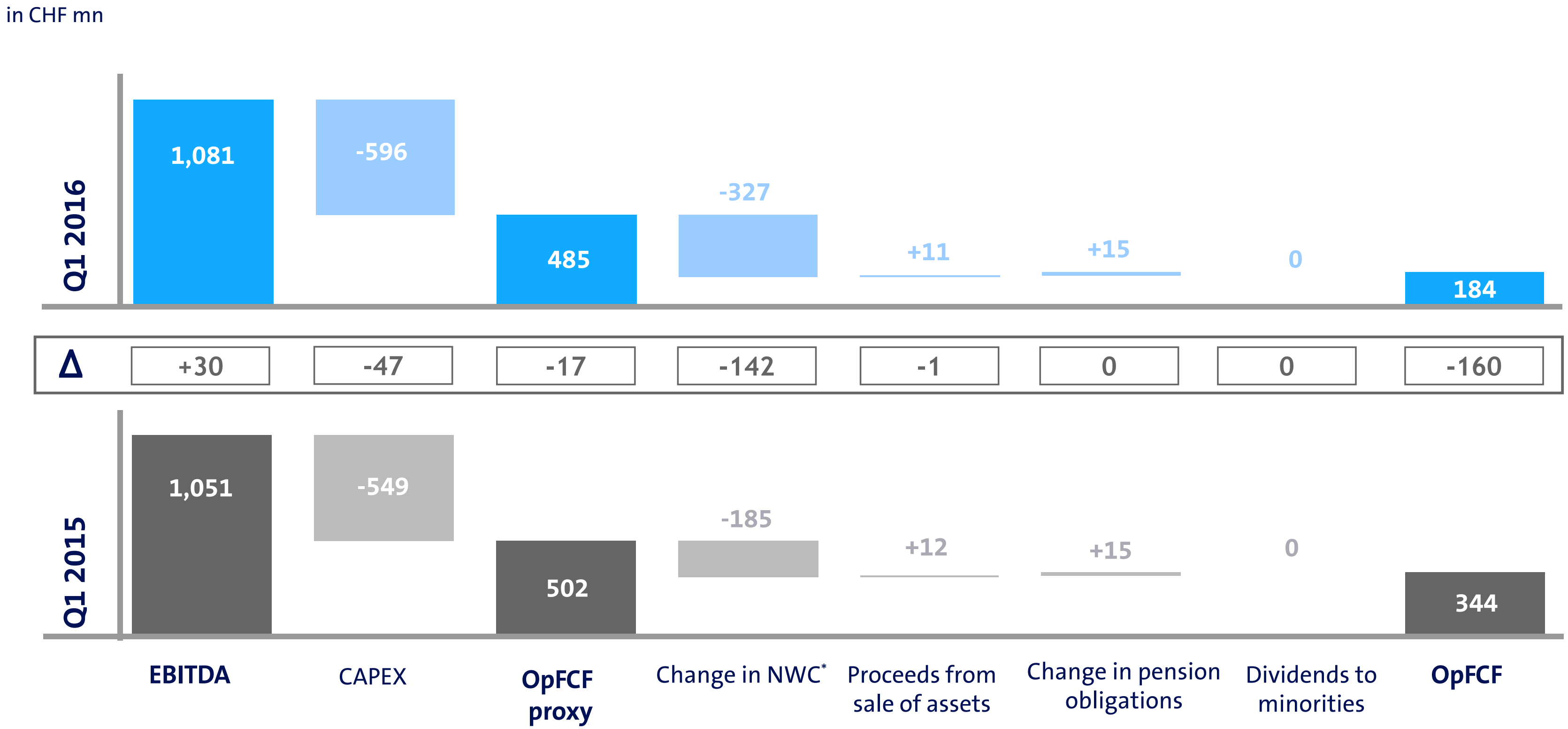


- Swisscom Switzerland with higher CAPEX driven by continued UBB extension (ahead of plan)
- Fastweb CAPEX in local currency up by +4.8% YoY primarily driven by customer growth

* in local currency in Q1 2015: EUR 147 mn, in Q1 2016: EUR 154 mn

Operating free cash flow

OpFCF down to CHF 184 million due to prepayment of the FeAC sanction



- Prepayment of FeAC sanction (CHF 186mn) in Q1 2016 led to higher net working capital compared to YE 15

* Change in net working capital and other cash flow from operating activities

Successful CHF bond issuance & renewal of backstop facilities

Further diversification achieved

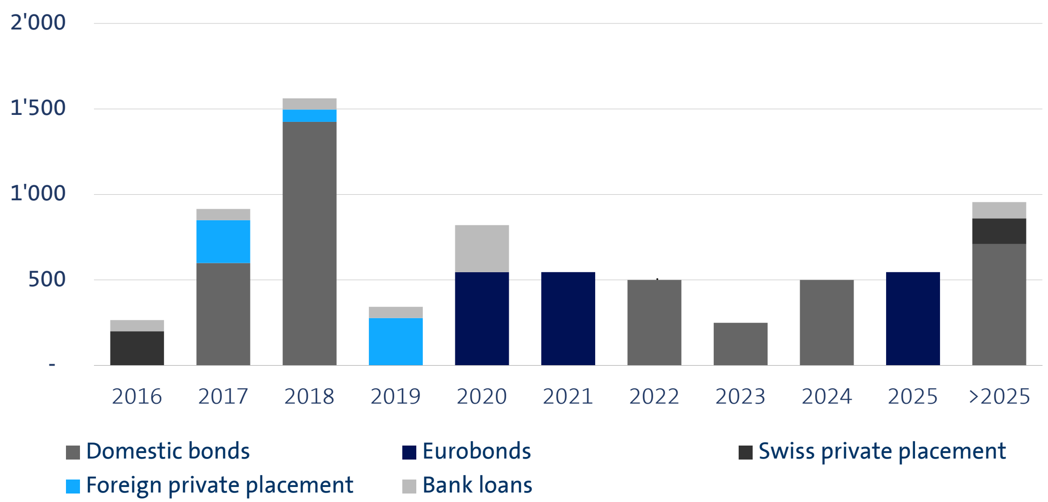
Terms and conditions of new CHF bond

Instrument rating:	A2 by Moody's, A by S&P
Status:	Senior unsecured debt
Amount:	CHF 200 million
Coupon:	**0.375%**
Settlement Date:	31.03.2016
First Coupon Date:	31.03.2017
Maturity:	31.03.2028

Backstop facilities and private placement

- Successful renewal of backstop facility of CHF 1bn
- In total CHF 2bn unused committed credit lines
- Swiss private placement in the amount of CHF 150mn renewed (with maturity in 2031)

Maturity profile after bond settlement as per 31.03.2016 *



- Rating agencies confirmed Swisscom's A (S&P) and A2 (Moody's) rating
- Financing costs further optimized: **1.9%** avg. interest rate of portfolio (incl. derivatives)
- Active management of interest rate risk within well-defined risk limits: ~79% fix/~21% floating

* Short-term money market borrowings are not included in the above maturity profile

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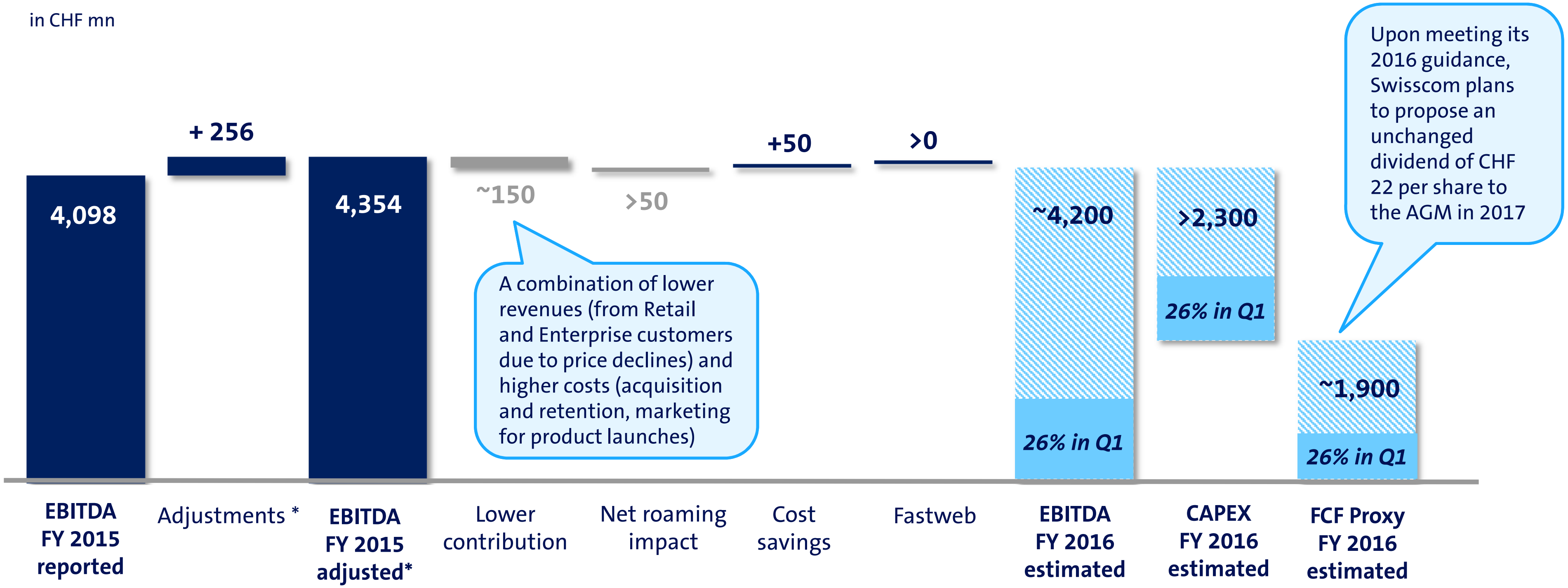
Outlook: Guidance 2016 confirmed

Net revenue CHF >11.6 billion, EBITDA CHF ~4.2 billion, CAPEX CHF >2.3 billion



* Provision for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)

Agenda

1. Intro-duction
2. Q1 summary
3. Priorities 2016
4. Q1 operations
5. Q1 financials
6. Q&A
7. Backup

All

Agenda

1. Intro-duction
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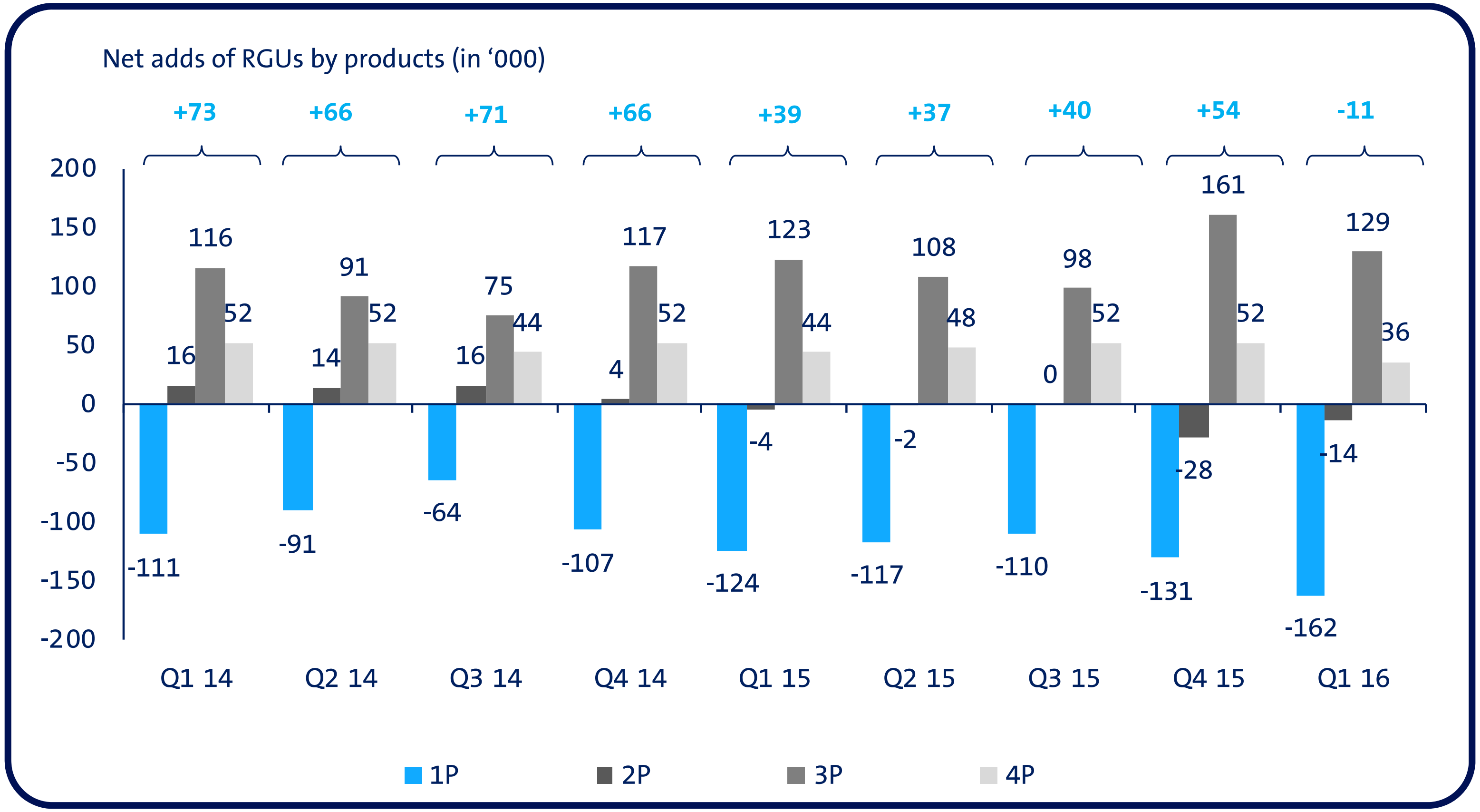
RGU dynamics

-11k RGUs in Q1 2016 mainly resulting from1P wireless losses

1P losses accelerating

Market saturation leads to lower Net Adds



RGUs

7

Swisscom Switzerland **Access Lines/Subs/Products (000)**

YTD, (Change to 31.03.2015 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
1P	Single Play	127 (-73)	1,500 (-263)	503 (-147)	6,000 (-37)	1	8,130	(-520) (-6.0%)
Bundles	2Play	280 (-22)				2	560	(-44) (-7.3%)
	3Play 1)	826 (+146)				3	2,590 2)	(+496) (+24%)
	4Play	313 (+47)				4	1'252	(+188) (+18%)
Revenue Generating Units		1,367 (+166) (+14%)	2,582 (-153) (-5.6%)	1,968 (+60) (+3.1%)	6,615 (+47) (+0.7%)		12,532	**(+120)** (+1.0%)

1) including n-play (Business) Bundles

2) o/w additional 25k Mobile Subs and 87k in Business Bundles

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ARPU

YTD, (Change to 31.03.2015 in brackets)

		TV [1]	Fixed Voice & Access	Broadband [2]	Mobile [3]	Number of products in Bundle	Weighted average per underlying product [1,2]
1P	Single Play	13 (-1)	53 (+2)	35 (-0)	36 (-1)	1	39 (-1)
Bundles	2Play	100 (-7)				2	50 (-4)
	3Play	134 (-9)				3	45 (-3)
	4Play	197 (-10)				4	49 (-2)
Total weighted average		44 (-1)					44 (-1)

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

Revenues (RGU x ARPU)

Net revenues (CHF mn)

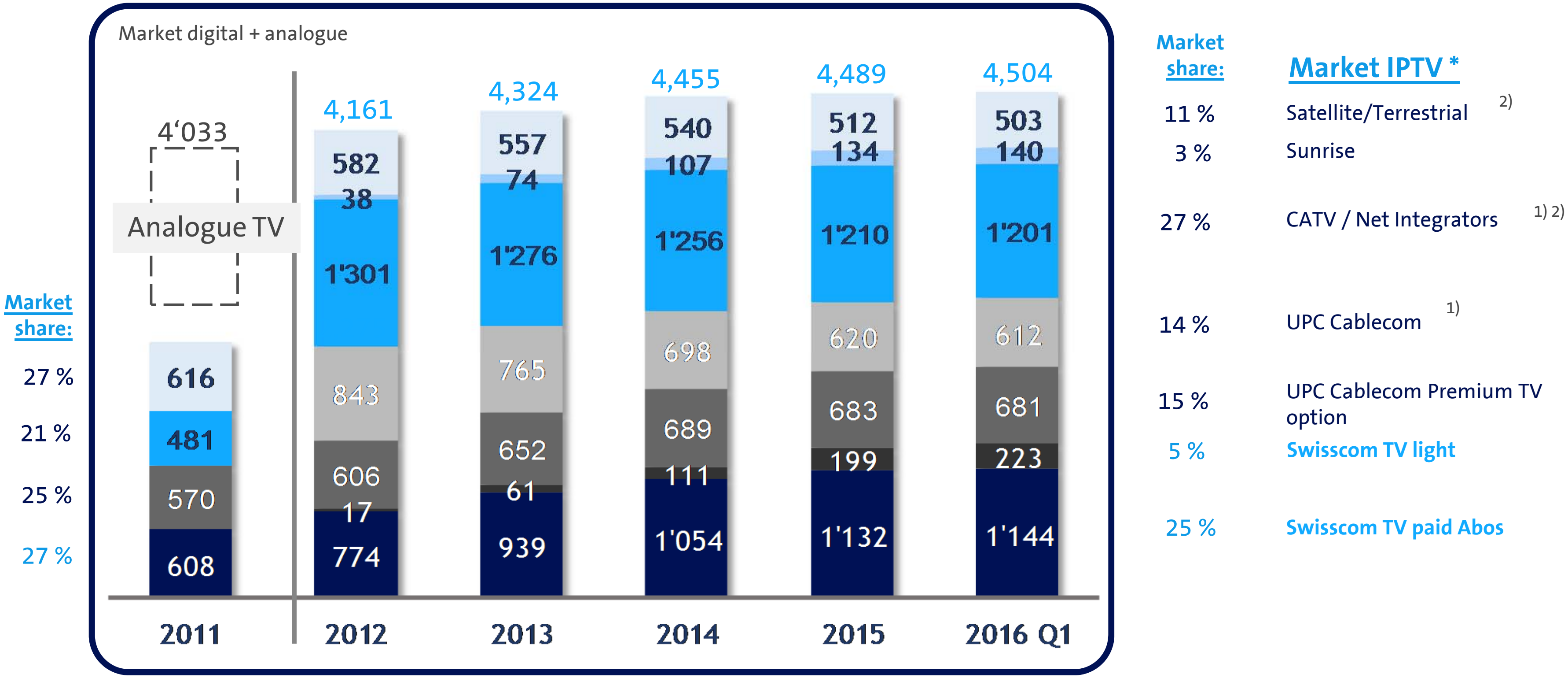
YTD, (Change to 31.03.2015 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
1P	Single Play	13 (-5)	237 (-34)	147 (-16) [1]	649 (-22)	1,046	(-77) (-6.9%)
Bundles	2Play	82 (-13)				82	(+73) (+13.8%)
	3Play	341 (+63)				341 [2]	
	4Play	180 (+23)				180	
Net Revenue Bundle + 1P						1,649	(-4) (-0.2%)

1) including revenues for business networks/internet which are not included in retail broadband ARPU
2) o/w CHF 26mn Business Bundles

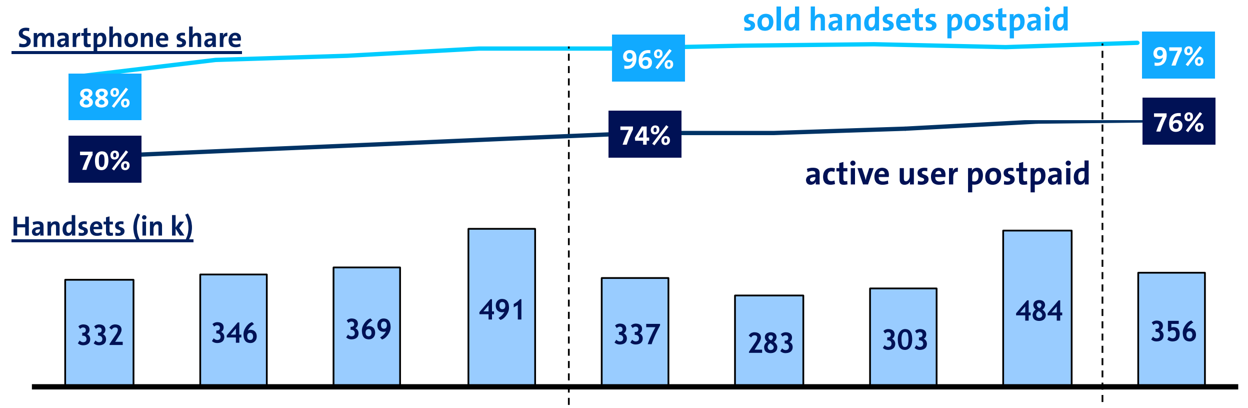
TV market Switzerland

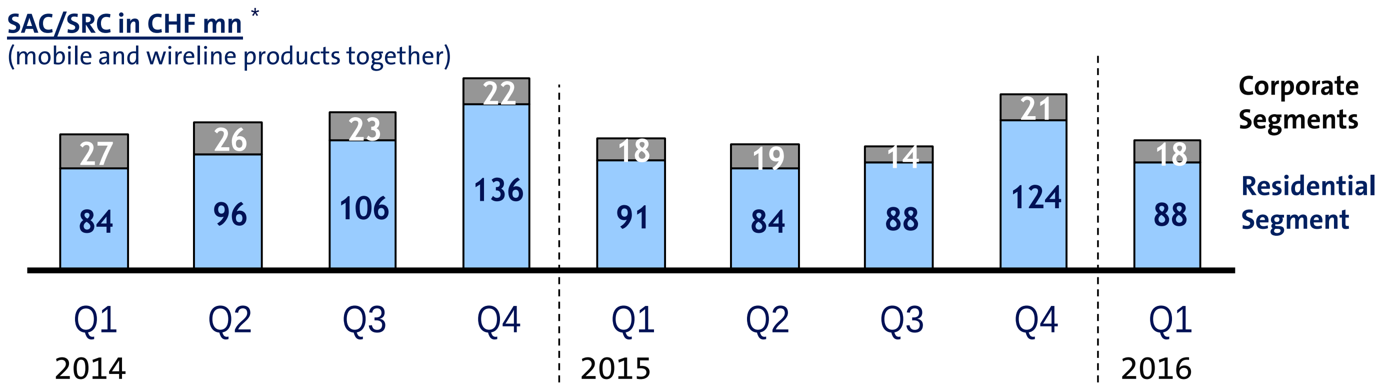
Market volumes (in k)



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
2) Time series modified
* Estimates for Q1 2016

Handsets & SAC/SRCs





*excluding intercompany SAC/SRC

Reported vs. comparable revenue and EBITDA

in CHF mn	2015				2016	Change
	Q1	Q2	Q3	Q4	Q1	Q1/Q1
Revenue, reported	**2'893**	**2'865**	**2'893**	**3'027**	**2'885**	**-8**
o/w M&A impact					-8	-8
Currency effect					2	+2
Revenue, comparable change						**-2**
EBITDA, reported change	**1'051**	**1'082**	**966**	**999**	**1'081**	**+30**
o/w Provision for FeAC sanction			-186			
M&A impact					3	+3
Pension reconciliation IAS 19					-1	-1
Gain from sale of real estate	9	0	3	14	10	+1
Restructuring				-70		+0
Other income from litigations (Fastweb)				17		+0
Currency effect					1	+1
EBITDA, comparable change						**+26**

Segment ‘Residential’

Net revenue nearly flat, higher service revenue Retail compensated by lower hardware revenue.

Service revenue increase (CHF +3 mn) due to higher subscriber base partly compensated by lower roaming revenue (price decrease data packages, inclusion traffic in infinity price plans).

Contribution margin 2 increased by 3.4%, driven by lower cost (SAC, marketing cost, handling of incidents in the access network)

	31.03.2016	YoY
Net revenue in MCHF [1)]	**1'287**	**-0.3%**
Direct costs in MCHF	-295	-5.1%
Indirect costs in MCHF [2)]	-237	-5.2%
Contribution margin 2 in MCHF	**755**	**3.4%**
Contribution margin 2 in %	*58.7%*	
CAPEX in MCHF	31	-16.2%
FTE's	4'774	-2.1%
Broadband lines in '000 [3)]	1'687	3.0%
Voice lines in '000 [3)]	1'835	-7.3%
Wireless customers Prepaid in '000	2'123	-1.2%
Wireless customers Postpaid in '000 [3)]	2'658	1.2%
Blended wireless ARPU MO in CHF	33	-2.9%
TV subs in '000 [3)]	1'318	13.6%

1) incl. intersegment revenues
2) incl. capitalised costs and other income
3) sum of single play and bundles

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Segment 'Small & Medium Enterprises'

Net revenue up by 2.8%, higher revenue from localsearch.ch partly compensated by lower service revenue (CHF -3 mn). Impact from higher subscriber base over-compensated by lower ARPU (price decrease roaming data packages, inclusion roaming volumes in infinity price plans).

Contribution margin 2 increased by 3.2%, revenue driven.

	31.03.2016	YoY
Net revenue in MCHF [1)]	**336**	**2.8%**
Direct costs in MCHF	-40	-4.8%
Indirect costs in MCHF [2)]	-72	5.9%
Contribution margin 2 in MCHF	**224**	**3.2%**
Contribution margin 2 in %	*66.7%*	
CAPEX in MCHF	10	0.0%
FTE's	1'616	5.1%
Broadband lines in '000 [3)]	243	4.7%
Voice lines in '000 [3)]	484	-4.3%
Wireless customers in '000 [3)]	606	1.3%
Blended wireless ARPU MO in CHF	64	-5.9%

1) incl. intersegment revenues
2) incl. capitalised costs and other income
3) sum of single play and bundles

Segment ‘Enterprise Customers’

Net revenue nearly flat, decrease in service revenue compensated by higher solutions revenue.

Service revenue (CHF -10 mn) impacted by price pressure in the wireless revenue and the abolition of air-fee surcharges in the VAT business.

Contribution margin 2 decreased by 3.2% due to lower service revenue .

FTE’s up due to the acquisition of Open Web Technology (in Q1-16) and new services such as Cloud services.

	31.03.2016	YoY
Net revenue in MCHF [1]	**656**	**-0.2%**
Direct costs in MCHF	-143	1.4%
Indirect costs in MCHF [2]	-301	1.3%
Contribution margin 2 in MCHF	**212**	**-3.2%**
Contribution margin 2 in %	*32.3%*	
CAPEX in MCHF	39	8.3%
FTE's	5'503	3.7%
Broadband lines in '000	38	0.0%
Voice lines in '000	263	5.2%
Wireless customers in '000	1'228	2.8%
Blended wireless ARPU MO in CHF	35	0.0%

1) incl. intersegment revenues
2) incl. capitalised costs and other income

Segment 'Wholesale'

Revenue from external customers down 6.1% due to lower tariffs on inbound roaming.

Lower revenue leads also to a lower contribution margin 2.

	31.03.2016	YoY
Revenue from external customers in MCHF	139	-6.1%
Intersegment revenue in MCHF	81	-1.2%
Net revenue in MCHF	**220**	**-4.3%**
Direct costs in MCHF	-123	-0.8%
Indirect costs in MCHF 1)	-4	n.m.
Contribution margin 2 in MCHF	**93**	**-7.9%**
Contribution margin 2 in %	*42.3%*	
CAPEX in MCHF	-	
FTE's	92	-18.6%
Full access lines in '000	120	-25.9%
BB (wholesale) lines in '000	329	18.3%

1) incl. capitalised costs and other income

Segment 'IT, Network and Innovation'

The segment includes also revenues from rent of real estate (down CHF -4 mn).

Reduced maintenance as incidents in the cable network decreased.

Higher indirect cost nearly compensated by higher capitalised cost, contribution margin 2 down by CHF -6 mn.

	31.03.2016	YoY
Net revenue in MCHF	**30**	**-11.8%**
Direct costs in MCHF	-	-
Personnel expenses in MCHF	-222	1.8%
Rent in MCHF	-48	-2.0%
Maintenance in MCHF	-39	-7.1%
IT expenses in MCHF	-58	3.6%
Other OPEX in MCHF	-86	4.9%
Indirect costs in MCHF	-453	1.3%
Capitalised costs and other income in MCHF	105	4.0%
Contribution margin 2 in MCHF	**-318**	**1.9%**
Depreciation, amortisation and impairment in MCHF	-291	9.0%
Segment result in MCHF	**-609**	5.2%
CAPEX in MCHF	345	13.1%
FTE's	5'170	0.8%

Segment ‘Fastweb’

Net revenues increased 2.6% YoY, all segments report an increase in revenue.

Consumer revenue up 3.2%, decrease of ARPU (-3%) overcompensated by an increase in customer base (+5.5%, reaching 2.2 million customers).

Strong position in the Enterprise market confirmed, revenue up.

EBITDA up by 9.2% YOY, revenue driven.

	31.03.2016	YoY
Consumer revenue in MEUR	223	3.2%
Enterprise revenue in MEUR	171	1.8%
Wholesale revenue in MEUR 1)	46	2.2%
Net revenue in MEUR 1)	**440**	**2.6%**
OPEX in MEUR 2)	-309	0.0%
EBITDA in MEUR	**131**	**9.2%**
EBITDA margin in %	*29.8%*	
CAPEX in MEUR	154	4.8%
OpFCF Proxy in MEUR	-23	n.m.
FTE's	2'407	1.4%
BB customers in '000	2'241	5.5%
In consolidated Swisscom accounts		
EBITDA in MCHF	144	10.8%
CAPEX in MCHF	169	5.6%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

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Segment ‘Other’

Net revenue down by 10.4% YoY due to lower revenue out of the sale of companies partly compensated by higher revenue out of construction activities

EBITDA up by CHF 6 mn YoY.

	31.03.2016	YoY
External revenue in MCHF	76	-15.6%
Net revenue in MCHF [1]	**129**	**-10.4%**
OPEX in MCHF [2]	-107	-16.4%
EBITDA in MCHF	**22**	**37.5%**
EBITDA margin in %	*17.1%*	
CAPEX in MCHF	6	0.0%
FTE's	1'769	-8.8%

1) incl. intersegment revenues
2) incl. capitalised costs and other income

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 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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For further information, please contact:
phone: +41 58 221 6279 or +41 58 221 1279
investor.relations@swisscom.com
www.swisscom.ch/investor

swisscom