"The best in the connected world"

Company Presentation at Bank Bellevue Conference
15 January 2016, Flims

Mario Rossi, CFO
Agenda

1. Swisscom at a glance - what connects the story
2. Trends in the connected world
3. Strategy - the best in the connected world
4. 9M 15 results - solid results
5. Q&A session
Swisscom at a glance

What connects the story

Swisscom operates in a strong macro economic environment
- Switzerland stands for quality, stability and solidity
- Stable political system
- Healthy and wealthy Swiss telecom market
- Quality conscious consumer base generating high ARPUs compared to the European average
- Swiss regulatory regime different compared to sector peers who depend (directly) on the decision of EU Commission

Leading telecom & ICT operator in Switzerland
- Strong market position
- Best network
- Outstanding execution track record

Value stock
- Stable dividend policy

The alternative fixed operator in Italy
- Fastest growing BB provider in consumer segment
- Uncontested number 2 in corporate segment (BB only)

Conservative financial behaviour
- A2/A rating: One of the best-rated European telecoms operators

Strong shareholder
- Majority shareholder Swiss Confederation (51%), majority holding protected by law
- Free float (listed at Swiss stock exchange in Zurich) of 49%
Key figures

**Solid financial position**

- **Net revenue**: 2012 > 11.5 bn CHF, 2013 > 11.5 bn CHF, 2014 > 11.5 bn CHF, 2015E > 11.5 bn CHF
- **EBITDA**: 2012 > 4.0 bn CHF, 2013 > 4.0 bn CHF, 2014 > 4.0 bn CHF, 2015E > 4.0 bn CHF
- **CAPEX**: 2012 > 2.3 bn CHF, 2013 > 2.3 bn CHF, 2014 > 2.3 bn CHF, 2015E > 2.3 bn CHF
- **FCF proxy**: 2012 ~ 1.7 bn CHF, 2013 ~ 1.7 bn CHF, 2014 ~ 1.7 bn CHF, 2015E ~ 1.7 bn CHF

*FCF proxy = EBITDA minus CAPEX*
Swisscom successfully defends its outstanding market position

Market share

Source: Q3 2015 Swisscom estimates
Customers base

*Swisscom TV drives bundling*

<table>
<thead>
<tr>
<th>Customers base</th>
<th>Mobile</th>
<th>Wireline</th>
<th>Broadband**</th>
<th>TV</th>
<th>Bundles</th>
</tr>
</thead>
<tbody>
<tr>
<td>in ‘000</td>
<td>6'618  (+119) *</td>
<td>2'659  (-152)</td>
<td>1'937  (+65)</td>
<td>1'275 (+150)</td>
<td>4'066 (+640)</td>
</tr>
</tbody>
</table>

* Number of customers as per 30.9.2015 (YoY)

** Retail customers
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Trends in the connected world

Reliable networks key for increasing data consumption

- People are always online
- Data are always available
- Convergence
- Big Data
- Internet of things
- Mobility
- Digitisation
- Virtualisation
- Security of data
- Business intelligence
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Swisscom strategy

Trustworthy companion in the digital world
Best infrastructure

A mixture of innovative fibre optic technologies provides ultra-fast broadband internet access

- **Fibre-to-the-Home (and business, FTTH)**
  - Since 2008 with 100 Mbps
  - Since 2013 with 1 Gbps

- **Fibre-to-the-Building (FTTB)**
  - Since 2013 with VDSL2 (up to 100 MBps)
  - After 2016 with G.fast (up to 500 MBps)

- **Fibre-optic Copper Vectoring (FTTC)**
  - VDSL2 since 2006, vectoring since early 2014 (up to 100 MBps)

- **Fibre-to-the-Street (FTTS)**
  - Since 2013 with VDSL2 (up to 100 MBps)
  - After 2016 with G.fast (up to 500 MBps)

- **Fibre-to-the-Building (FTTB)**
  - Since 2013 with VDSL2 (up to 100 MBps)
  - After 2016 with G.fast (up to 500 MBps)

- **Micro-Can in Manhole**
  - Approx. 250m
Increasing broadband footprint

*Investments make long-term sense*

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**Fibre to the Home (FTTH)**

- 1'015'000 homes
- Fastest Surf-Speed in Switzerland: 1 Gbit/s

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**Ultra broadband technologies**

- 1.7mm homes* with latest fibre technologies
- >93% coverage with digital TV
- ≈90% coverage with HDTV

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**Mobile broadband**

- >99% coverage 2G
- >99% coverage 3G
- >98% coverage 4G/LTE

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*Homes passed as per Q3 2015: FTTC/Vectoring = 457’000, FTTS/B = 241’000, FTTH = 1’015’000*

**HDTV: high-definition television, provides about five times as many pixels as standard-definition television (SDTV)**
Best infrastructure - cloud

*Cloud as prime enabler of future services*

**Swisscom Cloud**

- Shared / Public
- Private
- Hybrid

- **including**
  - Scale, security, ...
  - Support
  - Location CH, International Services

**Internal production Cloud**

- Cost efficient
- Flexible & scalable
- Fast time to market

**Swisscom Cloud services**

- Cloud Infrastructure IaaS
- SaaS offers for residential and business customers

**Cloud platform for partners**

- API’s, Application Cloud (PaaS)
- Ecosystem for developer & partner with (B2)B2C services
Best (customer) experience

*Key in a market with highly quality conscious consumers*

- **Products & offers**
  - Swisscom TV 2.0
  - Value added services (TV Air, iO, 2\textsuperscript{nd} SIM, ...)
  - Tariff innovations (1\textsuperscript{st} mobile full flat, roaming EU in Infinity included, wireline bundles, 4-play discount)
  - Successful multi-brand strategy

- **Distribution & customer service**
  - Strongest distribution with more than 150 own shops (top locations)
  - Best rated customer service (PC Tipp)
  - Highest customer satisfaction

- **Human-centred design**
  - Customer needs at the heart of all offer and process design
Attractive TV proposition
On track for further growth and becoming market leader

A compelling proposition...
- widest variety of channels and content
- superior picture quality (UHD coming Q2 ‘16)
- exceptional usability (easy content discovery, personal recommendation)
- Multi-screen convergent offering
- Cloud-based recording (up to 7 days replay, live pause, easy recording up to 1’200 hrs)

...combined with a competitive and stable pricing ...

<table>
<thead>
<tr>
<th></th>
<th>Access Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivo M</td>
<td>129.-</td>
</tr>
<tr>
<td>Plus Trio</td>
<td>128.95</td>
</tr>
<tr>
<td>All-in-One Gold</td>
<td>~111.-</td>
</tr>
<tr>
<td>Home</td>
<td>110.-</td>
</tr>
</tbody>
</table>

* Price increase of upc access as of January 2016

...is resulting in a growing TV subs base ...

...and more loyal customers with significantly lower churn rates than non-bundled customers

More than 1.2 million customers are already using Swisscom TV, of which over 1 million customers have a Vivo bundle subscription.
Exploit growth potential - Bundles

*Bundles will strengthen the core business*

<table>
<thead>
<tr>
<th>Residential Convergent &amp; Wireline</th>
<th>Residential Wireless</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidate and enhance bundle portfolio</strong></td>
<td><strong>Strengthen the mobile portfolio and realize revenue growth</strong></td>
</tr>
<tr>
<td><img src="image1.png" alt="Gift Icon" /> Establish and enhance new Vivo portfolio</td>
<td><img src="image2.png" alt="Phone Icon" /> Secure market share and revenue</td>
</tr>
<tr>
<td><img src="image3.png" alt="2.0 Icon" /> Expand advance in TV2.0</td>
<td><img src="image4.png" alt="Luggage Icon" /> Provide best roaming experience and transfer revenues into flat rates</td>
</tr>
<tr>
<td><img src="image5.png" alt="Globe Icon" /> Facilitate easier internet access</td>
<td><img src="image6.png" alt="Eye Icon" /> Develop new revenue segments by exploiting opportunities such as MyDigitalLife and Internet of Things</td>
</tr>
<tr>
<td><img src="image7.png" alt="Phone Icon" /> New telephony experiences</td>
<td></td>
</tr>
</tbody>
</table>
Exploit growth potential - Fastweb

*Fastweb well under way*

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain Market Leadership</td>
<td>First operator after incumbent with strong position in business market</td>
</tr>
<tr>
<td>Maintain Network &amp; Fiber Leadership</td>
<td>Large build out of new generation network</td>
</tr>
<tr>
<td>Increase Scale with Partnerships</td>
<td>Material growth of customer base with Sky</td>
</tr>
<tr>
<td>Improve overall Service Quality</td>
<td>Net promoter score excels with corporate and medium businesses</td>
</tr>
<tr>
<td>Provide value by delivering results</td>
<td>Revenue and EBITDA growing</td>
</tr>
</tbody>
</table>
Exploit growth potential - Verticals

Expansion in Banking, eHealth & Energy Services

Banking
- Banking Business Services (BPO)
- Platform Services
- Business Platform – Banking-as-a-Service
- Back Office Solutions
- Front Solutions

eHealth
- Software & Networking
- Billing & Consulting
- Operation & Collaboration
- Fit & healthy

Energy
- Storage of energy via heating system
- Grid balancing energy
- Home automation
Business Transformation

Securing a sustainable future by transforming people, technologies and business models

Our organizational change

- Simplicity & customer focus
- Skills and culture of innovation
- New business models
- Agility, flexibility and learning aptitude

Our technological change

- Modern, efficient and effective infrastructure
- Central enabler of the digital world
- Verticals for customer centric digitization approach

Be prepared for a sustainable future

- Active management of the transformation taking place, regarding people, technologies, business models
- Increase of efficiency, flexibility and faster time to market by transforming to All IP and phasing out TDM
## Swiss transformation

**Swisscom repositions itself to be optimally prepared for the future**

### Goals

| Ensure the strong and established client focus |
| Generate a stronger focus on operational excellence |
| Further foster the innovative strength of Swisscom |

### Key organisational adaptations

<table>
<thead>
<tr>
<th>Sales &amp; Services (~5900 FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- E2E design responsibility for customer processes and central responsibility for operational marketing activities</td>
</tr>
<tr>
<td>- Market and customer care for RES/SME, field service responsibility also for ENT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Products &amp; Marketing (~450 FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Marketing and product competencies for RES and SME</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise Customers (~4500 FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Reduce complexity and increase agility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Digital Business (~15 FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Standalone OTT-unit for the independent building of business in growth areas and the development of an internet-DNA and a start-up mentality</td>
</tr>
<tr>
<td>- Management of investment companies in digital growth fields</td>
</tr>
</tbody>
</table>
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Revenue dynamics

*Bundling supports top-line development*

<table>
<thead>
<tr>
<th>in CHF mm</th>
<th>w/o exceptionals</th>
<th>+103mm (+1.2%)</th>
<th>( \Sigma )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1:</td>
<td>+91</td>
<td>-65</td>
<td>+27</td>
</tr>
<tr>
<td>Q2:</td>
<td>+77</td>
<td>-66</td>
<td>-7</td>
</tr>
<tr>
<td>Q3:</td>
<td>+74</td>
<td>-61</td>
<td>-5</td>
</tr>
</tbody>
</table>

Swisscom Switzerland
w/o exceptionals +65

Reported Revenues
30.09.2014

- Bundles
- 1P Wireless & Wireline
- Hardware Other
- Fastweb
- Other segments and IC elimination
- Exceptionals

Reported Revenues
30.09.2015

\( +22 \)

8,651 (0.3%)

(a) M&A (CHF +104mm), change exchange rate (CHF -185mm, weakening of Euro against Swiss Franc of 11.9% (9m2014: 1.2157 vs. 9m 2015: 1.0715))
**EBITDA breakdown**

*Underlying EBITDA up YOY by CHF +72 million*

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### Contribution Margin

<table>
<thead>
<tr>
<th>Contribution Margin w/o exceptionals +83 (Q1 +36, Q2 +10, Q3 +37)</th>
<th>Σ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1: +32</td>
<td>+21</td>
</tr>
<tr>
<td>Q2: +14</td>
<td>-10</td>
</tr>
<tr>
<td>Q3: +13</td>
<td>-5</td>
</tr>
<tr>
<td>+29</td>
<td>+19</td>
</tr>
<tr>
<td>-17</td>
<td>-21</td>
</tr>
<tr>
<td>-21</td>
<td>+13</td>
</tr>
<tr>
<td>-3</td>
<td>-35</td>
</tr>
<tr>
<td>-35</td>
<td>+17</td>
</tr>
<tr>
<td>-41</td>
<td>+12</td>
</tr>
<tr>
<td>+18</td>
<td>-11</td>
</tr>
<tr>
<td>-12</td>
<td>+2</td>
</tr>
<tr>
<td>-345</td>
<td>-54</td>
</tr>
<tr>
<td>-39</td>
<td>-256</td>
</tr>
<tr>
<td>-10</td>
<td>-224</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Switzerland w/o exceptionals +42 (Q1 +15, Q2 +9, Q3 +18)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Swisscom Switzerland</td>
<td>3,099</td>
</tr>
<tr>
<td>(-8.1%)</td>
<td>-273</td>
</tr>
</tbody>
</table>

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### EBITDA Breakdown

<table>
<thead>
<tr>
<th>Reported EBITDA 30.09.2014</th>
<th>Service Revenue</th>
<th>Hardware &amp; other revenue</th>
<th>Direct Cost</th>
<th>Indirect Cost</th>
<th>Fastweb</th>
<th>Other segments</th>
<th>Headquarters elimination</th>
<th>Exceptionals (a)</th>
<th>Reported EBITDA 30.09.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service Revenue</td>
<td>Hardware &amp; other revenue</td>
<td>3,372</td>
<td></td>
<td></td>
<td></td>
<td>3,099 (-8.1%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(a) Provision for FeAC sanction (BBCS, -186mm), higher pension cost reconciliation IAS19 (-50mm), lower gain on sale of real estate (-51mm), change exchange rate (CHF -58mm, weakening of Euro against Swiss Franc of 11.9%).
**Net income**

*Impacted by FeAC sanction of CHF 186 million*

<table>
<thead>
<tr>
<th>Prior Year</th>
<th>Reported EBITDA 30.09.2015</th>
<th>Depreciation</th>
<th>EBIT</th>
<th>Net interest</th>
<th>Other financial result</th>
<th>Affiliated companies</th>
<th>Tax expenses</th>
<th>Net income</th>
<th>Net income SC Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,372</td>
<td>-1,533</td>
<td>1,839</td>
<td>-165</td>
<td>-9</td>
<td>+21</td>
<td>-337</td>
<td>1,349</td>
<td>1,339</td>
</tr>
<tr>
<td>Current Year</td>
<td>3,099</td>
<td>-1,545</td>
<td>1,554</td>
<td>-147</td>
<td>-47</td>
<td>+18</td>
<td>-320</td>
<td>1,058</td>
<td>1,058</td>
</tr>
</tbody>
</table>

**Tax rate:** 23.2%

**EPS:** 20.42
CAPEX and OpFCF – 9m development 2015

Stable compared to previous year

in CHF mm

Q3 2015

Swisscom Switzerland: 1,300
Fastweb: 431
Other: 6
Σ = 1,737

Q3 2014

Swisscom Switzerland: 1,239
Fastweb: 494
Other: -6 (a)
Σ = 1,727

in CHF mm

30.09.2015

EBITDA: 3,099
CAPEX: -1,737
Change in NWC: +13
Others: +54
OpFCF: 1,429

30.09.2014

EBITDA: 3,372
CAPEX: -1,727
Change in NWC: -178
Others: +3
OpFCF: 1,470

Σ = 1,727

(a)
Maturity profile as per 30 September 2015

Financing costs further optimised

- Balanced debt maturity profile
- 1.85% avg. interest rate of portfolio (incl. derivatives)
- Active management of interest rate risk within well defined risk limits
  - ~ 75% fix
  - ~ 25% floating
- Diversified funding mix
  - Strong home bias
  - Focus on capital markets (goal 2/3 domestic, 1/3 Eurobond)
- S&P’s rating: A
- Moody’s rating: A2
Dividends

Steady distributions

in CHF per share

- Par value reduction
- Special dividend

- 2015: proposal to AGM (06 April 2016) to pay CHF 22 per share
- Dividend time table: record date (07 April 2016), ex div (08 April 2016) and payment (12 April 2016)
Many thanks for your attention
Q&A session
'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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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