Swisscom profile

The best in the networked world – everywhere and all the time

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### 1 Profile

- **Best network (UBB and LTE)**
  - Strong market positions in mobile, fixed-line (broadband and TV) and ICT
  - Around 12.5mn RGUs in Switzerland with bundles still growing

### 2 Strategy

- **Leading Telco & ICT operator in CH**
  - Outstanding execution track record on corporate strategy
  - Stable market shares over the last years

- **Strong macro-environment**
  - Switzerland, a synonym of quality, stability and solidity
  - Stable political system
  - Quality conscious consumer base generating high ARPUs compared to European average

### 3 Priorities

- **Leading attacker in Italy through Fastweb**
  - Overall more than 2.2mn broadband customers o/w ~650 k UBB connections and > 560 k SIM cards (YE 2015)
  - #2 in Italy with growing market shares in consumer (16%) and corporate (27%) by YE 2015

- **Dividend play**
  - Stable dividend policy (CHF 22/share since 2011)
  - Attractive dividend yield

- **Conservative financial behaviour**
  - A2/A (both stable) rating; among the best-rated European telecoms operators
Leading telco in Switzerland

Stable market position over many years in Switzerland

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**Technology leader**
- 2.3 mn connections with new fibre technologies²
- Goal 2020: 85% homes and businesses with access to >100 Mbps
- #1 in Switzerland in quality of mobile networks (connect tests 2009-2015)
- 4G coverage of 98%

**Innovation leader**
- High innovation rate
  - Drives Swisscom’s TV success
  - Is key to maintain best experience and to sustain growth
  - New services: MyCloud for personal documents, more speed, etc.
- New remote with voice recognition
- New box: smaller and highly performing

**Market leader**
- 59% 60%
- 66% 66%
- 26% >30%

- Stable market shares⁴ over the last years
- Growing TV business translates into growing market shares in Digital TV

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¹ Consists of 3.0 mn homes and 0.5 mn businesses (as of YE 2015), source: Bundesamt für Statistik – BFS
² New fibre technologies include FTTH, FTTS/B and FTTC/Vectoring
³ Incl. wholesale
⁴ Swisscom estimates
Leading attacker in Italy through Fastweb

Outstanding track record in demanding Italian market

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- UBB connections by 1H 16:
  - Fastweb: 37%
  - Infostrada: 11%
  - Vodafone: 10%
  - TIM: 8%
  - Others: 13%

- Consumer segment by 1H 16:
  - Fastweb: 41%
  - Vodafone: 16%
  - Infostrada: 14%
  - Others: 10%

- Corporate segment by 1H 16:
  - Fastweb: 28%
  - Vodafone: 11%
  - TIM: 53%
  - Others: 8%

- Overall more than 2.3 mn broadband customers o/w ~710k UBB connections and 565k mobile SIM cards (1H 2016)
- Fastweb being #2 in Italy with growing market shares in consumer (16%) and corporate (28%)
- Flawless execution of FTTS roll out which will cover 13mn households / businesses (50% coverage) by YE 2020
- Strategic action reflected in solid financial performance (revenues up by 3% and EBITDA up by 21% in Q3 16, YoY)

1 AGCom, companies data, internal estimates
2 Ernst & Young, 2016 (Consumer M. Share on Active CB, Corporate M. Share on Revenues)
Swisscom Switzerland

The main FCF contributor

## Financial results 30.9.2016

- **Revenues:** CHF 1,935mn
- **Contribution Margin:** CHF 626mn

## Markets
- Mobile voice and data
- Fixed voice and broadband
- ICT

## Markets
- Mobile voice and data
- Fixed voice, broadband and TV

## Markets
- Mobile voice and data
- Fixed voice, broadband and TV

## Focus products
- Voice
- Broadband
- Roaming

## Factory
- Mobile networks
- Fixed networks

---

**ENTPRISE CUSTOMERS**

- Revenues: CHF 1,020mn
- Contribution Margin: CHF 677mn

**SMALL & MEDIUM ENTERPRISES**

- Revenues: CHF 3,846mn
- Contribution Margin: CHF 2,194mn

**RESIDENTIAL**

- Revenues: CHF 738mn
- Contribution Margin: CHF 298mn

**WHOLESALE**

- Revenues: CHF 738mn
- Contribution Margin: CHF -947mn

**IT, NETWORK & INNOVATION**

- EBITDA: CHF 2,848mn
- CAPEX: CHF -1,768mn
- FCF proxy: CHF 1,080mn
Group financials

Stable since years

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Net revenue

- 2012: 11'384
- 2013: 11'434
- 2014: 11'703
- 2015: 11'678
- 2016E: >11'600

EBITDA

- 2012: 4'477
- 2013: 4'302
- 2014: 4'413
- 2015: 4'354*
- 2016E: ~4'250

CAPEX

- 2012: 2'529
- 2013: 2'396
- 2014: 2'436
- 2015: 2'409
- 2016E: ~2'400

FCF proxy

- 2012: 1'948
- 2013: 1'906
- 2014: 1'977
- 2015: 1'945*
- 2016E: ~1'850

* excl. provisions for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)
Swisscom strategy

We keep our proven strategic direction

The best in the networked world – everywhere and all the time.

Building the best infrastructure
Creating the best experiences
Realising the best growth opportunities

Welcome to the country of possibilities.
Best infrastructure

Building a performant, secure and efficient Swiss infrastructure

Ambition

- Expand 4G LTE coverage and performance
- Extend FTTS/H coverage and uptake
- Increase cost efficiency in infrastructure development

Ambition

- Guarantee operational stability and security
- Provide internal and external enablers

Ambition

- Leverage virtualisation for cost efficiency
- Further growth in cloud-based products
Best experiences

Delivering superior customer experiences

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Ambition

- Extend service leadership
- Continue service excellence
- Increase cross channel capabilities & self service

Ambition

- Create better experiences (e.g. personalised)
- Strengthen positioning as digitalisation expert with enterprise customers

Ambition

- Increase customer perception of brand values (easy, trustworthy, inspiring)
- Increase overall value of brand portfolio

Services

Digitalization

Brand & Emotion
Best growth opportunities

*Exploit growth potential in core business, ICT and Fastweb*

**Ambition**
- Master big data capability
- Expand core business with digital services

**Ambition**
- Develop infinity, Vivo bundles & TV 2.0
- Defend price premium with value strategy

**Ambition**
- Strengthen market leadership
- Provide value by delivering higher FCF

**Ambition**
- Extend market position in ICT
- Establish “Full Service Provider” USP
Continued focus on our five priorities 2016

Execution well on track to deliver on our five priorities

1. Maximise core business
   - Defend market shares in Switzerland
   - Retain price levels and margins
   - Differentiate through quality in services, infrastructure and products

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

3. Develop Fastweb
   - Provide best customer experience
   - Seamless connection everywhere
   - Increase scale in core and adjacent businesses

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

5. Transformation
   - Push All IP migration
   - Enhance agility
   - Shape leadership and products
Maximise core business

Wireline: solid market performance and ready to defend strong position

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Our actions

- Strong UBB rollout, now with G.fast
- UHD TV box with voice recognition
- New M-Budget broadband only
- Wingo now with 500 Mpbs
- Accelerating All-IP migration

Where we stand

- Stable broadband market share
- Gaining TV market share – leader!
- Attractive offer for Christmas sale
- Defending low end market
- >65% customers on All-IP

UBB extension and excellent offerings key for further success in wireline
Maximise core business

*Wireless: back to subscriber growth whilst defending prices*

**Our actions**

- Update of infinity price plans
- New entry offer launched
- Tutto benefit extended to household
- First wave iPhone 7
- Revised M-Budget portfolio

**Where we stand**

- Back to postpaid subscriber growth
- Successful Pre2Post upselling
- Stable prices, no downgrading
- High retention volumes
- Prepared to defend leading position

Value for money matters for Swiss customers
Operational Excellence

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

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Simplicity

All-IP benefits

Headcount reduction

Process excellence

> Since YE 15, underlying FTE base of Swisscom Switzerland down by -493
> All-IP transformation increasingly contributes to improve the process excellence
  > +300k connections migrated in 2016
  > with 1.4 mn connections >65% completed
> Operational excellence initiatives with cost reduction of CHF 37 mn YOY

Cost savings compared to YE 2015

- Q1 2016: 4
- Q2 2016: 15
- Q3 2016: 18

1 FTE situation as per 30.9.2016 for Switzerland (18'551 FTEs, -414 FTEs YTD), Swisscom Switzerland (16'767 FTEs, -432 FTEs YTD)
2 Without M&A effects of +61 FTEs
Develop Fastweb
Enhanced FTTH plan secures Fastweb’s competitive UBB advantage

Fastweb strategy further boosted by FTTH deployment
Continuous infrastructure development as key competitive advantage

FY 2012 - FY 2016
FTTS plan for 30% UBB coverage
(7.5 mn HHs by 2016)

FY 2016 - FY 2020
FTTS plan for 50% UBB coverage
(13 mn HHs by 2020)

FY 2016 - FY 2020 (new)
FTTH plan for enhanced UBB mix
(13 mn HHs by 2020)

- FTTS selected to deploy sizeable UBB infrastructure
- Fastweb becomes Italian co-leader for # of UBB active customers
- FTTS confirmed most efficient solution to timely deploy UBB capability homogeneously across Italy
- Continuous improvement of performance (now delivering 200 Mbps with VDSL+)
- Growing UBB demand makes FTTH economics sustainable in most dense cities
- FTTH roll out leverages FTTS footprint with no duplications of investments
Growth focus

**ICT and solutions business provide chances for up-selling and differentiation**

- **Unified communication as managed service**
  - Significant growth contributor especially after All IP transformation

- **Swisscom cloud transformation**
  - In-house development focuses on personalised solutions
  - Strong interest in Swiss platform offerings

- **Big data (M2M)**
  - Development of active SIM cards shows that more and more new applications possibilities are created

- **Digitalisation in banking**
  - Digital account opening: by Q3 16 operative with 4 banks (Valiant, Swisscard, Bank now, Glarner KB)

- **Discipline** in selecting new growth areas key to expand value creation and benefit from digitalisation

- **Retain value of connectivity business** by leveraging existing corporate customer base with tailored ICT solutions

- **Solutions business growth contributor** but at lower margins
Transformation

9M 2016 with +300k connections migrated to All IP

1. On track with planned transformation until YE 2017 and to achieve recurring gross cost savings from 2018 onwards

2. >65% of transformation completed

3. All IP product portfolio
   - Residential Customers: Swisscom Line basic and plus, Vivo, Internet
   - SME: My KMU Office, Smart Business Connect
   - Enterprise Customers: Swisscom Line company, Enterprise SIP, Managed Business Communications

4. # connections in mn
   - 2013: 1.1
   - 2014: 1.4
   - 2015: 1.1
   - 9M 2016: 1.4
   - 2016: 1.4
   - 2017: 1.4

5. Categories:
   - Retail *
   - Corporate **

6. Notes:
   - *: Residential Customers and SME
   - **: Voice channels
**Q3 in a nutshell**

*Swisscom continues to deliver on its FY targets*

- Swisscom with a **solid set of operational performance** in Q3 and an unchanged **leading position in Switzerland** – in all markets

- Dynamics in Swiss business unbroken – **value for money key for Swisscom customers**
  - Infinity 2.0 drives postpaid growth (Q3 with +17k) successfully
  - Ongoing move to bundles (Q3 with +220k) with unique TV 2.0 and increasing UBB footprint coverage as main catalysts

- **Fastweb** continuously contributing growth to Swisscom’s profile – operationally and financially

- **9m 16 financials** inline with FY expectations – top-line flat, underlying margin slightly lighter

- **Cost cutting** on track (9m 16 with CHF +37mn), remains a **top priority**

- Guidance for FY 2016 confirmed: revenue CHF >11.6 bn, EBITDA CHF ~4.25 bn and CAPEX CHF ~2.4 bn
Q3 2016 market performance
Solid market position in Switzerland, growing RGU base in Italy

<table>
<thead>
<tr>
<th>Mobile Swisscom Switzerland</th>
<th>Fixed Swisscom Switzerland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td><strong>Q2</strong></td>
</tr>
<tr>
<td>Postpaid</td>
<td>-9</td>
</tr>
<tr>
<td>Prepaid</td>
<td>-1</td>
</tr>
<tr>
<td>Total</td>
<td>-10</td>
</tr>
</tbody>
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**Est. market share service revenue**
- Postpaid: 62% (Q1), 62% (Q2), 62% (Q3)
- Prepaid: -10% (Q1), 0% (Q2), -10% (Q3)

<table>
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<th>Mobile Fastweb</th>
<th>Fixed Fastweb</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td><strong>Q2</strong></td>
</tr>
<tr>
<td>Total</td>
<td>+15</td>
</tr>
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Swisscom with 12.5 mn RGUs (YOY stable) in Switzerland,
Fastweb with 2.9 mn RGUs (+6% YOY) in Italy
Q3 2016 financials

9m numbers flat, underlying contribution softer (in line with guidance)

Q3 margin reflecting lower roaming contribution and higher SAC / SRC

* excl. impact of CHF 186 million for FeAC sanction
** 9m revenue exceptionals: sale of Hospitality and Alphapay (CHF -29 mn), integration of search.ch (CHF +11 mn), acquisition of Open Web Technology (CHF +8 mn), change exchange rate (CHF +29 mn), 9m EBITDA exceptionals: integration of search.ch (CHF +2 mn) and acquisition of Open Web Technology (CHF +1 mn), other income from litigation (Fastweb CHF +60 mn), higher gain from sale of real estate (CHF +4 mn), change exchange rate (CHF +10 mn)
Financial policy

Characterised by a conservative and sustainable approach

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### Leverage / Rating

- Preserve a single A Rating with a target leverage ratio (unadjusted) of around 1.8-1.9x EBITDA
- Target an equity ratio of 30%

### Shareholder Distribution

- Dividend per share of CHF 22 if annual financial targets are met
- Target solid remuneration aligned with cash flow generation and capital allocation

### Liquidity Management

- Keeping physical liquidity at a minimum
- Two committed backstop-facilities of CHF 1bn each until August 2020/ March 2022
- Substantial non-committed money market overdraft facilities in EUR and CHF

### Financial Risk Management

- Active monitoring and managing interest rate and foreign exchange risks
- Yearly defined risk limits to protect operative cash flow
- Strict monitoring of counterparty risk
Financial Policy

Actively managed maturity profile

- Balanced debt maturity profile in combination with an optimization of our funding cost
- 1.8% average interest rate of portfolio (incl. derivatives)
- Duration: 4.7 years
- Active management of interest rate risk within well defined risk limits

Maturity profile after bond settlement as per 30.09.2016 *

* excl. short-term money market borrowings
Financial Policy

Diversification of funding sources

Funding mix as per 30.09.2016 *

- Domestic bonds: 55%
- Eurobonds: 21%
- Swiss private placements: 7%
- Foreign private placements: 8%
- Bank loans: 9%

Net debt/EBITDA ratio:
- 31.12.2014: 1.8 x
- 31.12.2015: 2.0 x

* excl. short-term money market borrowings

Moody’s: A2 stable

Standard & Poor’s: A stable
**Guidance 2016**

*Net revenue CHF >11.6 bn, EBITDA CHF ~4.25 bn, CAPEX CHF ~2.4 bn*

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<th>EBITDA FY 2015 reported</th>
<th>Adjustments *</th>
<th>EBITDA FY 2015 pro-forma**</th>
<th>Swisscom Switzerland</th>
<th>Fastweb</th>
<th>H1 income from litigation (Fastweb)</th>
<th>EBITDA FY 2016 estimated</th>
<th>CAPEX FY 2016 estimated</th>
<th>FCF Proxy FY 2016 estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,098</td>
<td>+256</td>
<td>4,354</td>
<td>~ -150</td>
<td>&gt; 0</td>
<td>+60</td>
<td>~4,250</td>
<td>~2,400</td>
<td>~1,850</td>
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- **EBITDA impacted due to exceptional income from litigation (Fastweb)**
- **CAPEX outlook revised to reflect ongoing high level of UBB investments in Switzerland**
- **Main drivers of underlying YOY changes:**
  - lower service revenue (roaming, mobile pricing) with accelerating impact in H2
  - higher costs (mainly SAC/SRC in H2)
  - cost savings from operational excellence

* Provision for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)
** Not adjusted by H2 income from litigation (Fastweb) of CHF 17 mn

2016 outlook for FCF proxy at CHF ~1.85 billion
Dividend 2016

Predictable distribution

Upon meeting its 2016 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2017.
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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