Company presentation

Berenberg European Conference
London, 5/6 December 2016
Swisscom profile

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

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

- Leading Telco & ICT operator in CH

- SWISSCOM

- Leading attacker in Italy through Fastweb

- 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

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

- Conservative financial behaviour
  - 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

- A2/A (both stable) rating; among the best-rated European telecoms operators

2 Strategy

3 Priorities

4 Q3 Update

5 Financial policy

6 Outlook
Leading telco in Switzerland

Stable market position over many years in Switzerland

1 Profile  2 Strategy  3 Priorities  4 H1 Update  5 Financial policy  6 Outlook

Technology leader

- Ultra broadband (>50 Mbps) footprint\(^1\)
  - YE 2014: 2.3 mn
  - 9M 2016: 3.4 mn (+48%)

Innovation leader

- New remote with voice recognition
- New box: smaller and highly performing
- 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.

Market leader

- Mobile: 59% 60% 66% 66% o/w 12% wholesale
- Broadband\(^3\): 26% >30%
- Digital TV:
  - 2014: 30%
  - H1 2016: 30%

- Stable market shares\(^4\) over the last years
- Growing TV business translates into growing market shares in Digital TV

1 Consists of 3.6 mn homes and 0.7mn 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

2.3 mn +48%

9M 2016
Leading attacker in Italy through Fastweb

Outstanding track record in demanding Italian market

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- 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

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

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

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

Focus products
- Voice
- Broadband
- Roaming

Factory
- Mobile networks
- Fixed networks

Financial results

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

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

Swisscom Switzerland
Group financials

Stable since years

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Net revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>11'384</td>
<td>11'434</td>
<td>11'703</td>
<td>11'678</td>
<td>&gt;11'600</td>
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</table>

EBITDA

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<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4'477</td>
<td>4'302</td>
<td>4'413</td>
<td>4'354*</td>
<td>~4'250</td>
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CAPEX

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2'529</td>
<td>2'396</td>
<td>2'436</td>
<td>2'409</td>
<td>~2'400</td>
</tr>
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</table>

FCF proxy

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1'948</td>
<td>1'906</td>
<td>1'977</td>
<td>1'945*</td>
<td>~1'850</td>
</tr>
</tbody>
</table>

* excl. provisions for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)
Swisscom strategy
We keep our proven strategic direction
Best infrastructure

*Building a performant, secure and efficient Swiss infrastructure*

1. **Profile**
2. **Strategy**
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### Ambition

**Ultra broadband wireline / wireless**
- Expand 4G LTE coverage and performance
- Extend FTTS/H coverage and uptake
- Increase cost efficiency in infrastructure development

**Infrastructure capabilities**
- Guarantee operational stability and security
- Provide internal and external enablers

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

Delivering superior customer experiences

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
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

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

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

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

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

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*

### 3 Priorities

#### 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

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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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- 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

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<table>
<thead>
<tr>
<th></th>
<th>Cost savings compared to YE 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>in CHF mn</strong></td>
<td></td>
</tr>
<tr>
<td>Q1 2016</td>
<td>4</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>15</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>18</td>
</tr>
</tbody>
</table>

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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)

5.5 MN FTTS
2 MN FTTH

11 MN
5 MN FTTH
2 MN FTTH

8 MN
5 MN FTTH

> 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**

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**3 Priorities**

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

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

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

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

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**4 Q3 Update**

- Retain value of connectivity business by leveraging existing corporate customer base with tailored ICT solutions
- Solutions business growth contributor but at lower margins
- Discipline in selecting new growth areas key to expand value creation and benefit from digitalisation
Transformation

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

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

>65% of transformation completed

# connections in mn

- Retail *
- Corporate **


* Residential Customers and SME
** Voice channels

On track with planned transformation until YE 2017 and to achieve recurring gross cost savings from 2018 onwards
Swisscom continues to deliver on its FY targets

Q3 in a nutshell

> 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

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

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

> Guidance for FY 2016 confirmed: revenue CHF >11.6 bn, EBITDA CHF ~4.25 bn and CAPEX CHF ~2.4 bn

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Q3 2016 market performance

Solid market position in Switzerland, growing RGU base in Italy

<table>
<thead>
<tr>
<th></th>
<th>Mobile Swisscom Switzerland</th>
<th>Fixed Swisscom Switzerland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td>-9</td>
<td>-47</td>
</tr>
<tr>
<td><strong>Q2</strong></td>
<td>+19</td>
<td>-64</td>
</tr>
<tr>
<td><strong>Q3</strong></td>
<td>+17</td>
<td>-60</td>
</tr>
<tr>
<td><strong>9m 16</strong></td>
<td>4,528</td>
<td>2,458</td>
</tr>
<tr>
<td><strong>YOY</strong></td>
<td>+1%</td>
<td>-8%</td>
</tr>
<tr>
<td><strong>Postpaid</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prepaid</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Est. market share service revenue</strong></td>
<td>62%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Q1</strong></td>
<td>+8</td>
<td>+36</td>
</tr>
<tr>
<td><strong>Q2</strong></td>
<td>+11</td>
<td>+33</td>
</tr>
<tr>
<td><strong>Q3</strong></td>
<td>+27</td>
<td>+40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+8</td>
<td>+85</td>
</tr>
<tr>
<td><strong>9m 16</strong></td>
<td>6,613</td>
<td>1,440</td>
</tr>
<tr>
<td><strong>YOY</strong></td>
<td>0%</td>
<td>+13%</td>
</tr>
</tbody>
</table>

Mobile Fastweb

<table>
<thead>
<tr>
<th></th>
<th>Fixed Fastweb</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong></td>
<td>+40</td>
</tr>
<tr>
<td><strong>Q2</strong></td>
<td>+16</td>
</tr>
<tr>
<td><strong>Q3</strong></td>
<td>+38</td>
</tr>
<tr>
<td><strong>9m 16</strong></td>
<td>2,295</td>
</tr>
<tr>
<td><strong>YOY</strong></td>
<td>+6%</td>
</tr>
</tbody>
</table>

Swisscom with 12.5 mn RGUs (Y.O.Y stable) in Switzerland, Fastweb with 2.9 mn RGUs (+6% Y.O.Y) in Italy
### Q3 2016 financials

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

<table>
<thead>
<tr>
<th>Net revenue (CHF mn)</th>
<th>9m 2015</th>
<th>Δ Q1/Q1</th>
<th>Δ Q2/Q2</th>
<th>Δ Q3/Q3</th>
<th>9m 2016</th>
<th>9m/9m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>8,651</td>
<td>-8</td>
<td>+18</td>
<td>+7</td>
<td>8,643</td>
<td>+19</td>
</tr>
<tr>
<td>Q2</td>
<td>2,893</td>
<td>-2</td>
<td>-6</td>
<td>-26</td>
<td>2,874</td>
<td>-27</td>
</tr>
<tr>
<td>Q1</td>
<td>2,865</td>
<td>-2</td>
<td>-15</td>
<td>-10</td>
<td>2,884</td>
<td>-16</td>
</tr>
<tr>
<td>9m 2015</td>
<td>2,893</td>
<td>-2</td>
<td>-12</td>
<td>-26</td>
<td>2,885</td>
<td>-18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA (CHF mn)</th>
<th>9m 2015</th>
<th>Δ Q1/Q1</th>
<th>Δ Q2/Q2</th>
<th>Δ Q3/Q3</th>
<th>9m 2016</th>
<th>9m/9m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>3,285</td>
<td>+22</td>
<td>+74</td>
<td>-1</td>
<td>3,307</td>
<td>+77</td>
</tr>
<tr>
<td>Q2</td>
<td>1,152*</td>
<td>+4</td>
<td>+26</td>
<td>-10</td>
<td>1,080</td>
<td>-55</td>
</tr>
<tr>
<td>Q1</td>
<td>1,082</td>
<td>+4</td>
<td>+26</td>
<td>-10</td>
<td>1,081</td>
<td>-55</td>
</tr>
<tr>
<td>9m 2015</td>
<td>1,051</td>
<td>+4</td>
<td>+26</td>
<td>-10</td>
<td>1,081</td>
<td>-55</td>
</tr>
</tbody>
</table>

Q3 margin reflecting lower roaming contribution and higher SAC / SRC

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* 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 *

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Bonds</th>
<th>Eurobonds</th>
<th>Swiss private placement</th>
<th>Foreign private placement</th>
<th>Bank Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>375</td>
<td>915</td>
<td>1'562</td>
<td>819</td>
<td>343</td>
</tr>
<tr>
<td>2017</td>
<td>500</td>
<td>544</td>
<td>500</td>
<td>500</td>
<td>250</td>
</tr>
<tr>
<td>2018</td>
<td>1'257</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
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<tr>
<td>2021</td>
<td></td>
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<td>2024</td>
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<tr>
<td>2025</td>
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<tr>
<td>&gt;2025</td>
<td></td>
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</tbody>
</table>

* excl. short-term money market borrowings

Floating: **19.7%**
Fix: **80.3%**
Financial Policy

Diversification of funding sources

Funding mix as per 30.09.2016 *

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

* 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

2016 outlook for FCF proxy at CHF ~1.85 billion
Upon meeting its 2016 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2017.
"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.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.”

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