

Swisscom - “turning points”

Q3 2013 results presentation

7 November 2013

Urs Schaeppi, CEO

Mario Rossi, CFO

Bart Morselt, IR

Agenda “*Turning points*”

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Turning point 1: revenues and EBITDA returning to growth

Turning point 2: market share returning to growth, Infinity driving ARPU uptick

Turning point 3: CEO appointed

Turning point 4: organisational change

Group & Segmental results

Guidance

Q&A

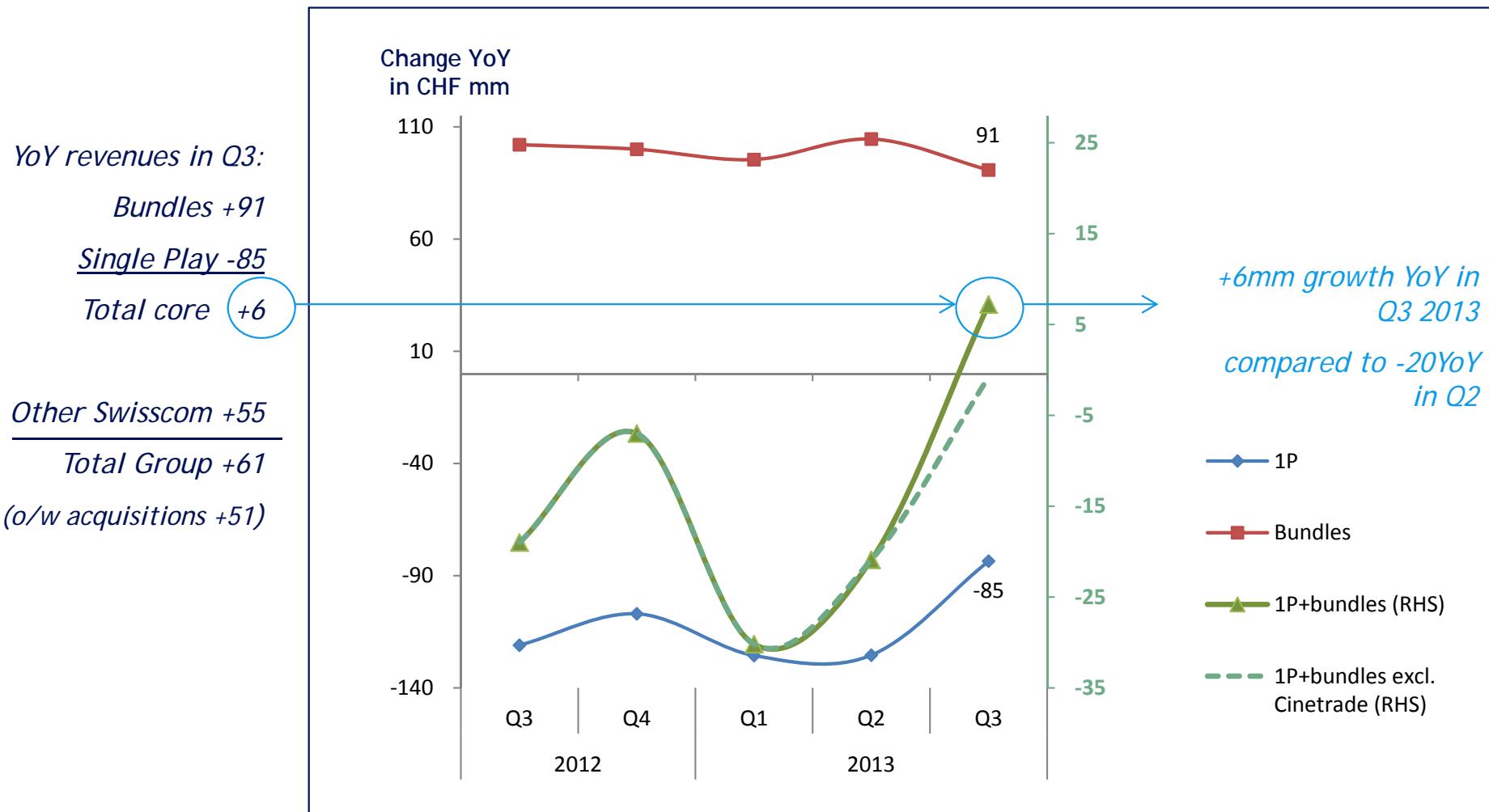
Attachment: *Backup information on TV, RGUs, ARPU, OpFCF, revenue shares, SACs/handsets, bond issuance*



Turning point 1: revenues and EBITDA returning to growth

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- Revenue from Core Business SCS moving into positive territory in Q3 2013 –

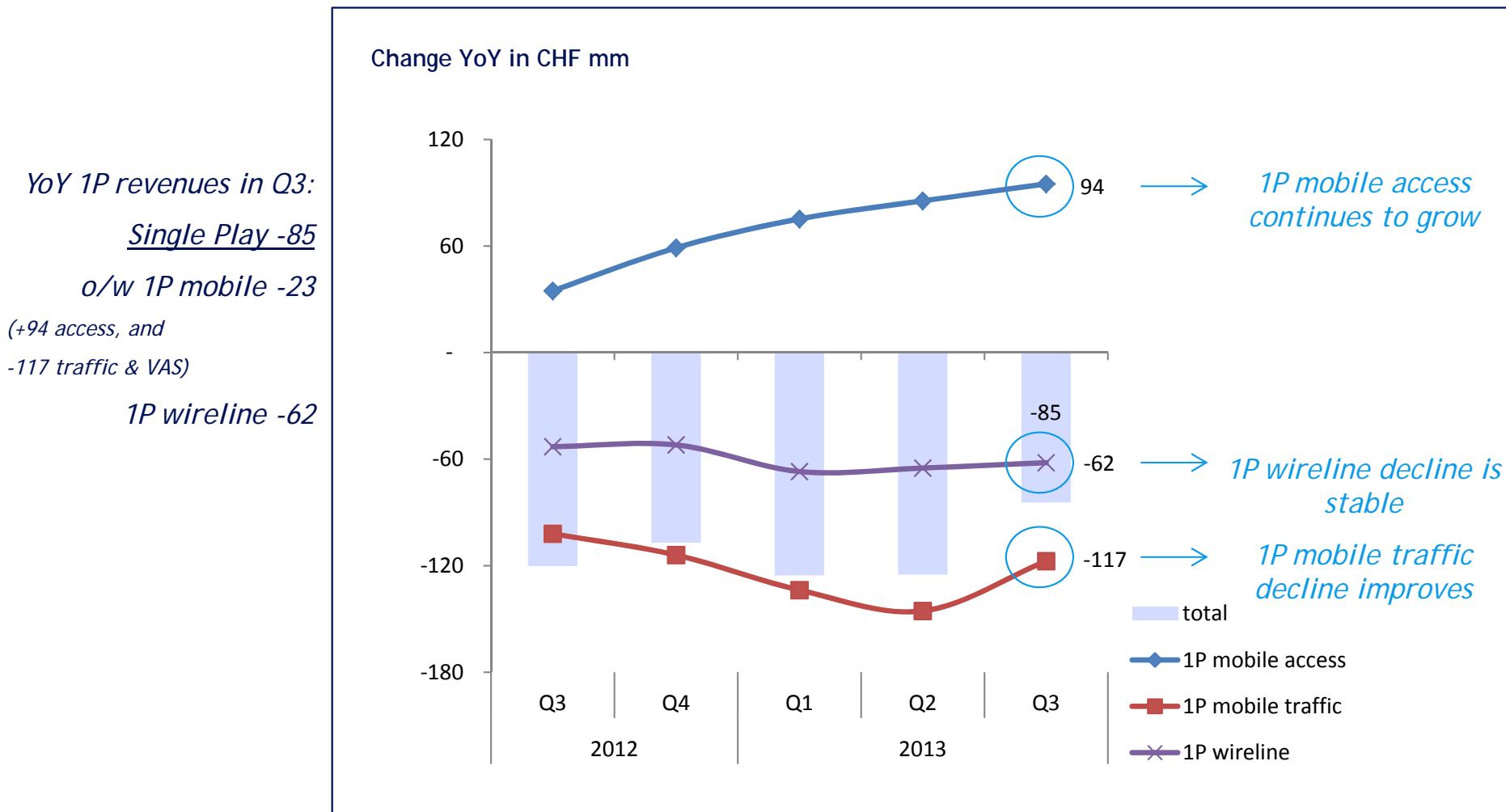


Q3 revenue growth in core business esp. through lower decline in 1P

Turning point 1: revenues and EBITDA returning to growth

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Lower decline in 1P revenue due to wireless improvement

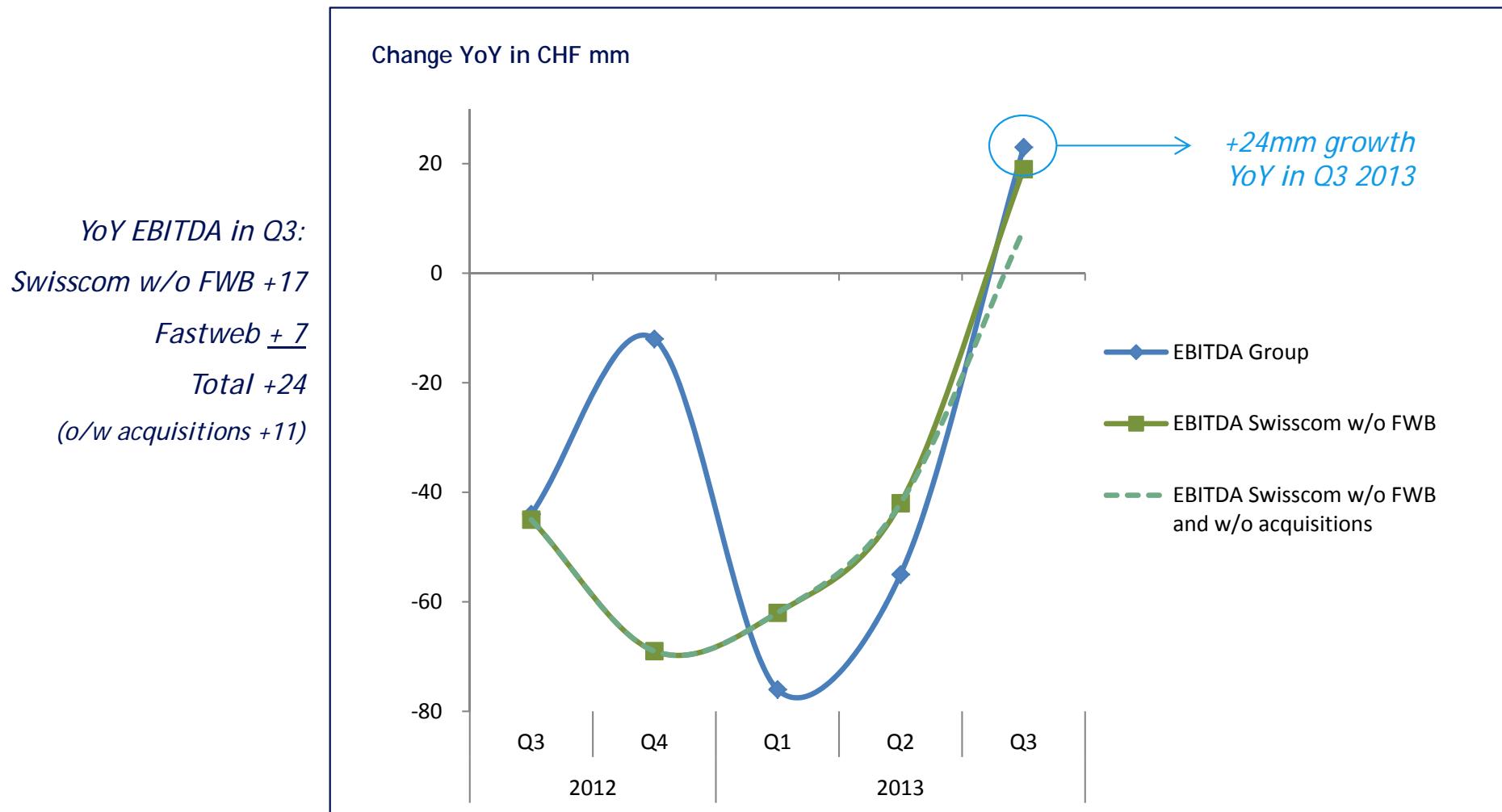


1P improvement largely through trend-change in mobile traffic lost

Turning point 1: revenues and EBITDA returning to growth

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EBITDA growth moving into positive territory in Q3 2013



Q3 EBITDA highest of past 2 years, first time to reverse trend into YoY growth. Largely driven by Swisscom Switzerland, yet also Fastweb

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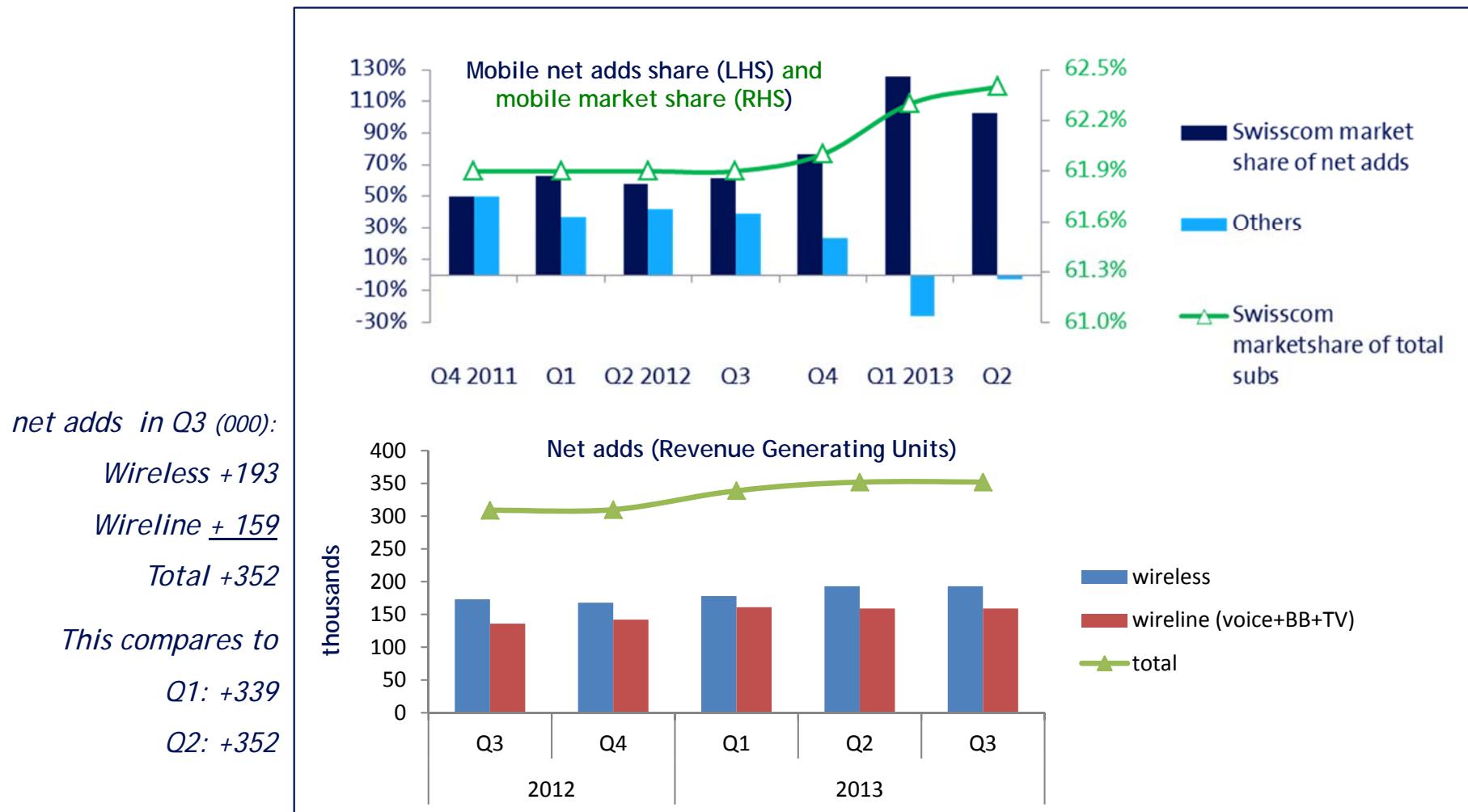
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Turning point 2: market share returning to growth

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Prior quarters already showed positive trend



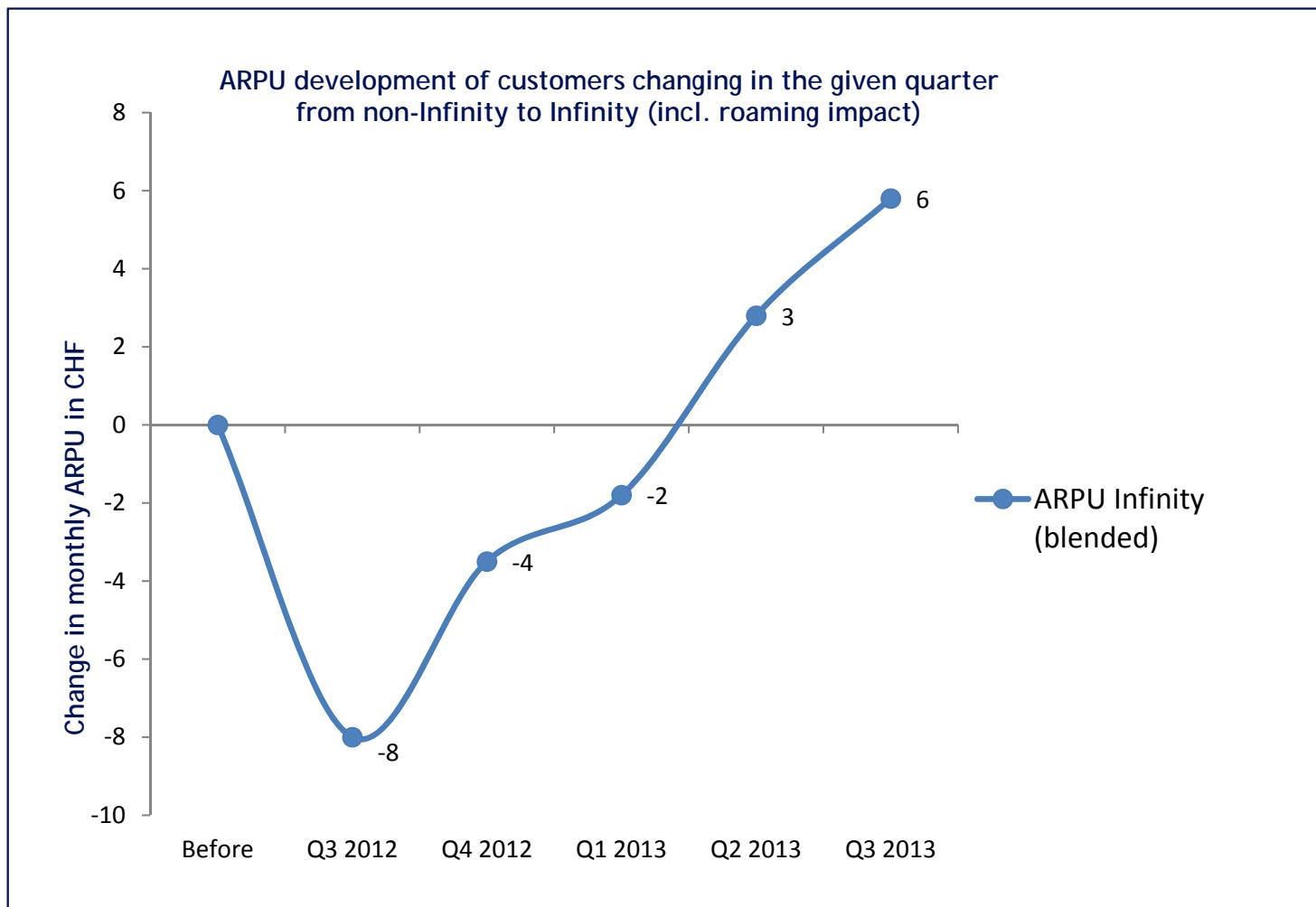
Q3 2013 market share not known yet, but with stable net adds this is likely to be strong(er) again

Turning point 2: Infinity driving ARPU uptick

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Q3 shows a strong continuation of the trend

With obvious right graders having moved in the quarters after introduction of the new plans, now customers are moving who value speed and predictability of bill. Within Infinity, the rate of upgraders starts to become higher than the rate of downgraders (around 60/40 in Q3)



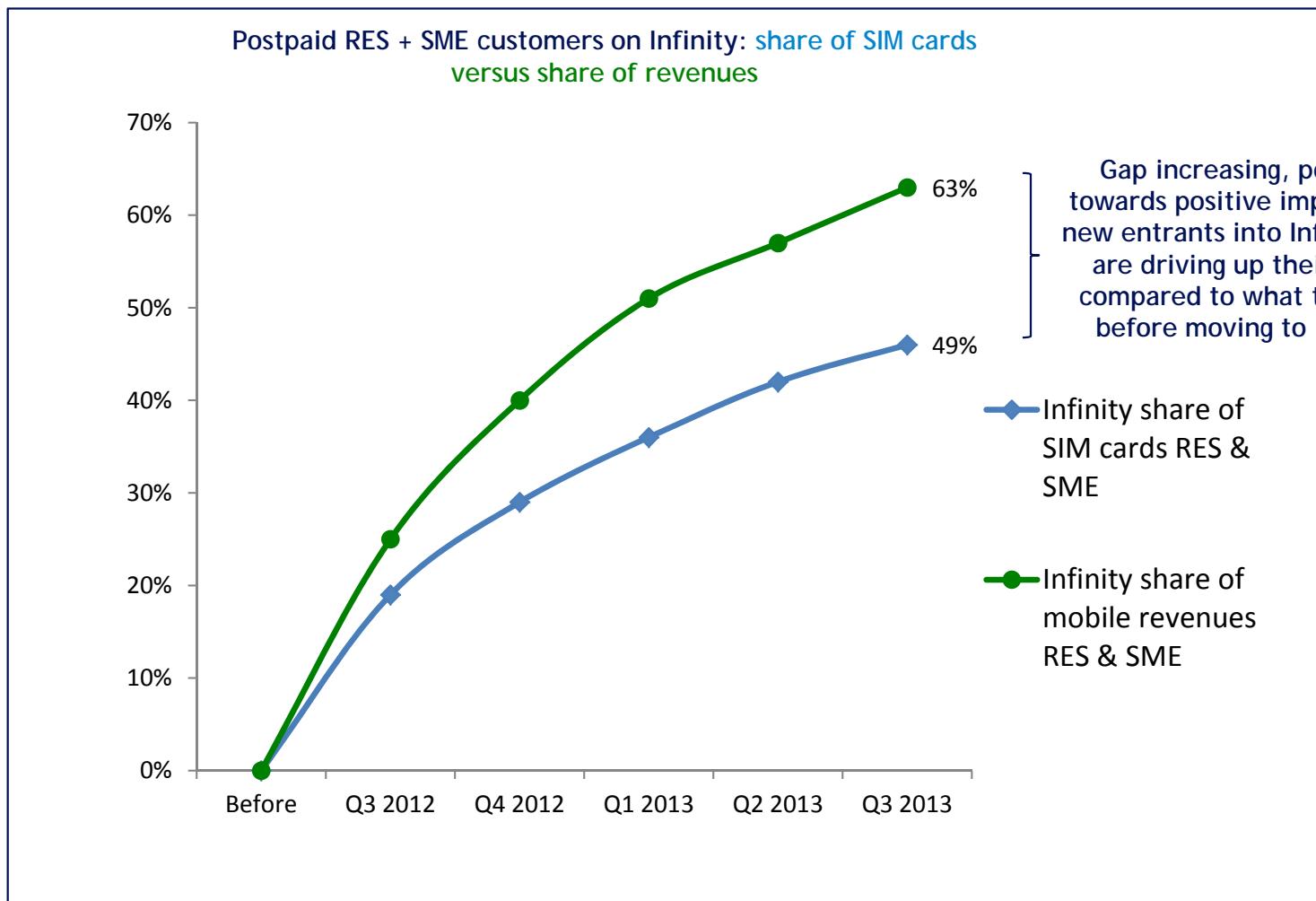
Infinity instrumental to stop long term price erosion going forward

Turning point 2: Infinity driving ARPU uptick

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Infinity customers are higher value customers

Within postpaid, only Residential and SME customers use Infinity (no such rates available for CBU customers). The ARPU of Infinity customers is significantly higher than of postpaid customers who are still on "old" tariff plans



Infinity now represents 49% of postpaid customer base in Residential and SME while delivering 63% of mobile revenues

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Turning point 3: CEO appointment

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— Urs Schäppi appointed to CEO, effective immediately —

- Urs Schäppi following up Carsten Schloter as Group CEO



- 15 years in senior roles within Swisscom, lastly as CEO of Swisscom Switzerland (responsible for 75% of Group revenues, and even more of EBITDA)
- Educational background with degrees in engineering, business economics and marketing
- Unanimous support from Board of Directors
- Driver of organisational change to simplify governance and leadership, and to streamline business with large accounts (s. next chapter)

Experienced inhouse appointment of CEO who co-created the strategy – which will be unchanged going forward

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Turning point 4: Organisational change, creating “Enterprise Customers” unit

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— Merging Swisscom IT Services with the Corporate Business Segment

Streamlining customer interaction to better serve changing needs of large accounts

Background	<ul style="list-style-type: none">• Evolving technology and increasing mobility require new business models and processes to serve the changing needs of large accounts• Traditional telephony is being replaced by IP-based solutions, while need for performance, security and availability of IT and communication services is on the rise• Margin pressure from more competition to be reversed by streamlining operations
Goal	<ul style="list-style-type: none">• Creating a single access to top 6000 large accounts from 1.1.2014• Enable faster introduction of cloud-based services• Improving chances and generating synergies by merging Swisscom IT Services with CBU (e.g. through single account management)• Avoid duplication of network capabilities by moving all Net, IT and outsourcing services into the existing segment of Swisscom Network & IT
Impact	<ul style="list-style-type: none">• With 4,500 staff Swisscom Enterprise Customers is to become the one of the largest integrated ICT powerhouses of Switzerland• During 2014 a moderate reduction of staff is planned. FTE's and costs involved are to be specified early 2014.• Completion of organisational change, and subsequent new reporting structure to be introduced per 1.1.2015 (including 2014 restatement)• No changes planned to SME unit which continues to serve the needs of Small and Medium Enterprises

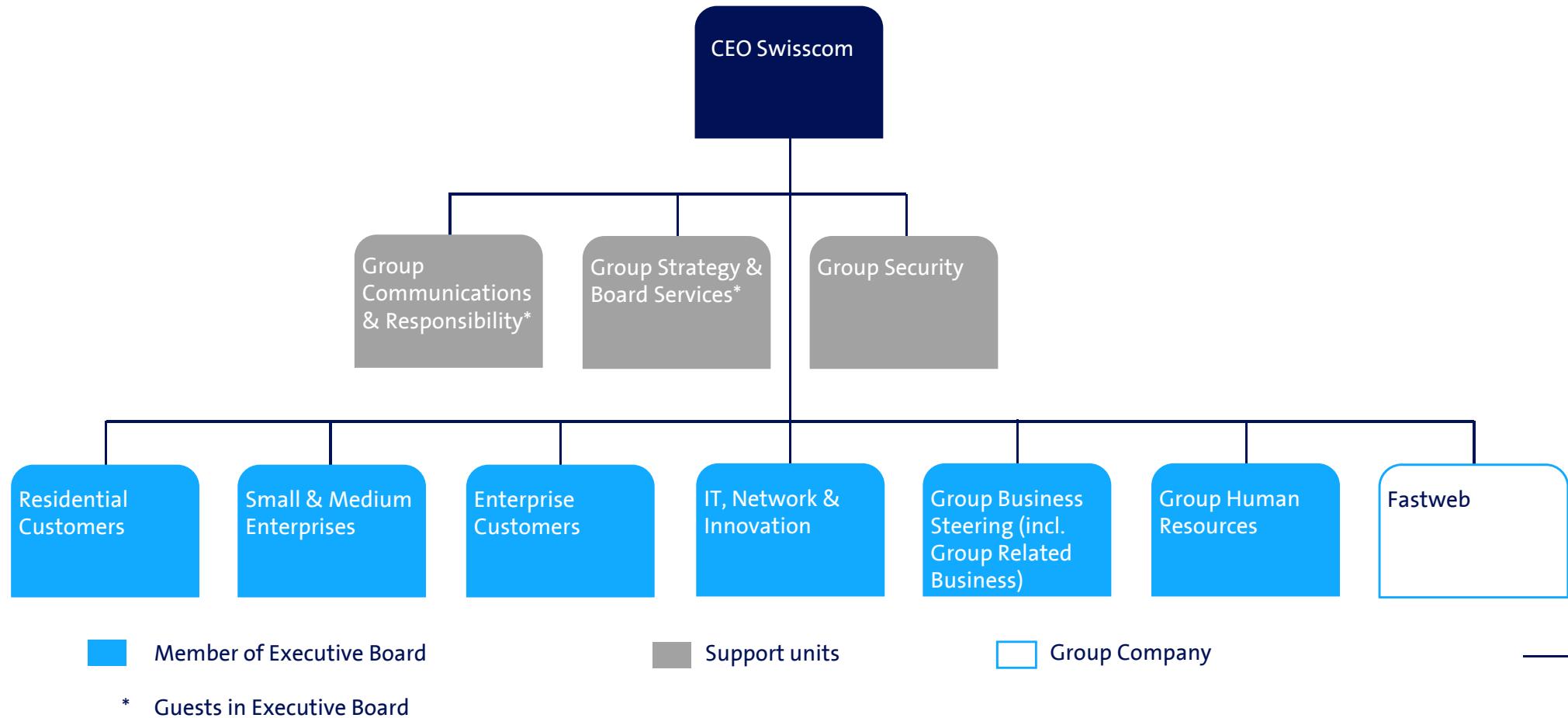
Improve customer services and interaction, while lowering cost



Turning point 4: Organisational change, creating “Enterprise Customers” unit and “delayering” Swisscom Switzerland

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— Simplifying the previous structure —



All managerial positions to be taken by existing senior Swisscom staff

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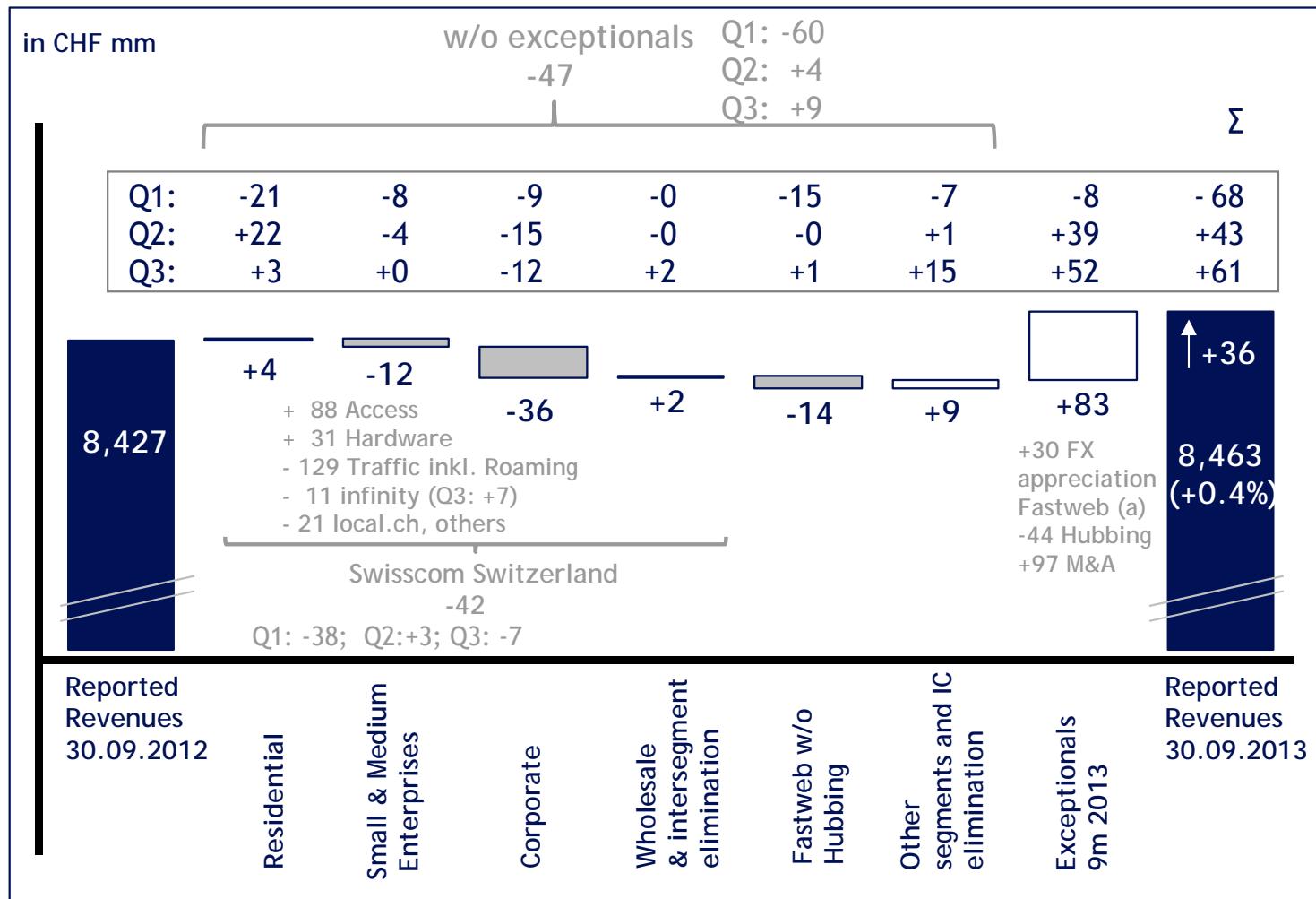
Group results

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Revenues

Without FX, hubbing and M&A effects, revenue went down CHF 47 mm YOY (-0.6%), stable in Q2 and Q3.

Underlying top-line of Fastweb decreased by CHF 14 mm YOY, stable in Q2 and Q3.



(a) Average exchange rate CHF/€ 9m-2012: 1.204 vs. 9m 2013: 1.229, i.e. a strengthening of Euro against Swiss Franc of 2.1%

Group results

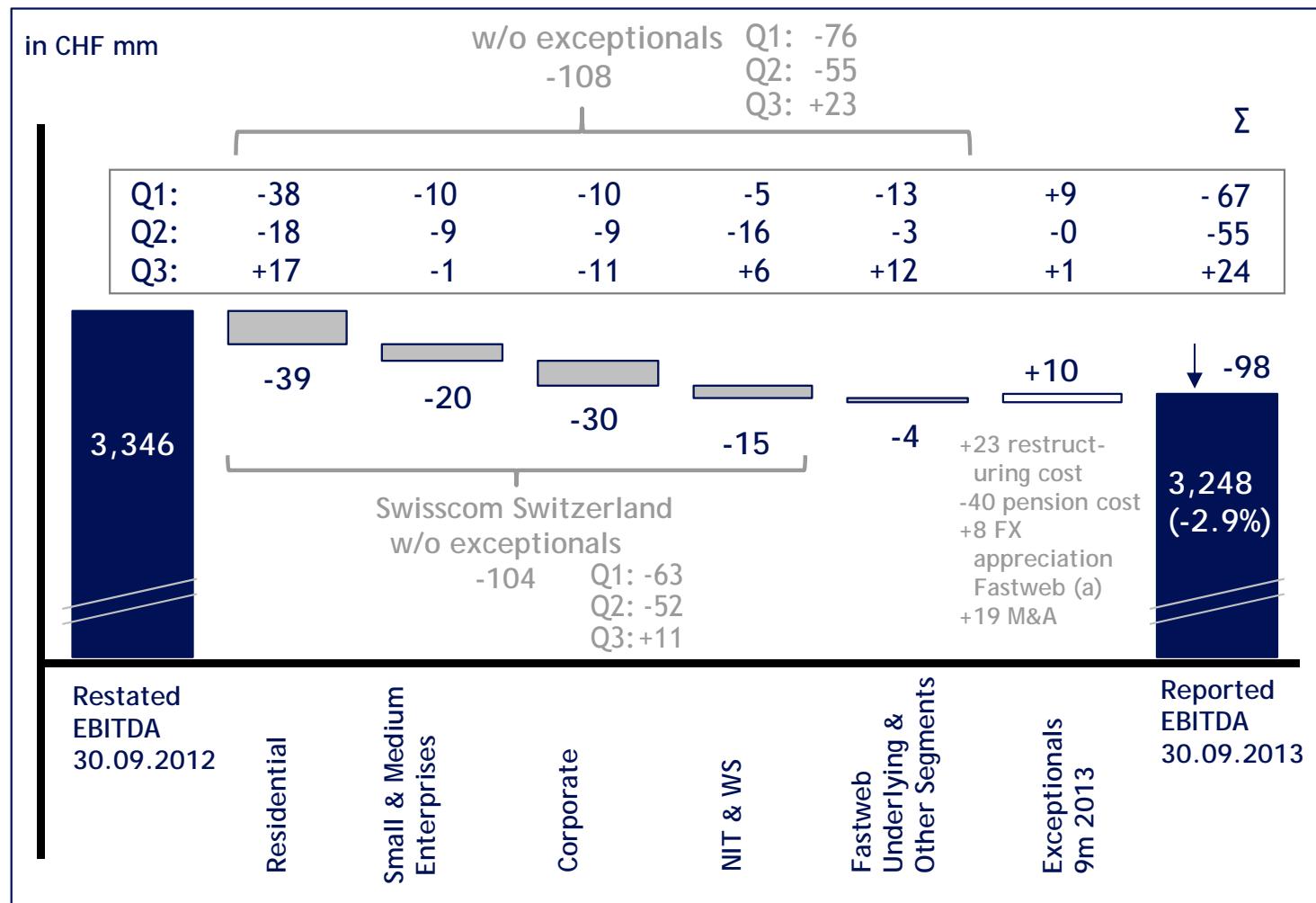
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EBITDA

*EBITDA w/o
exceptionals down
CHF 108 mm.*

*EBITDA of Swisscom
Switzerland w/o
one-offs down
CHF 104 mm, with
trend improving QoQ*

*YoY EBITDA lower
due to lower
revenue, higher
direct cost and
increased repair &
maintenance as well
as IT cost.*

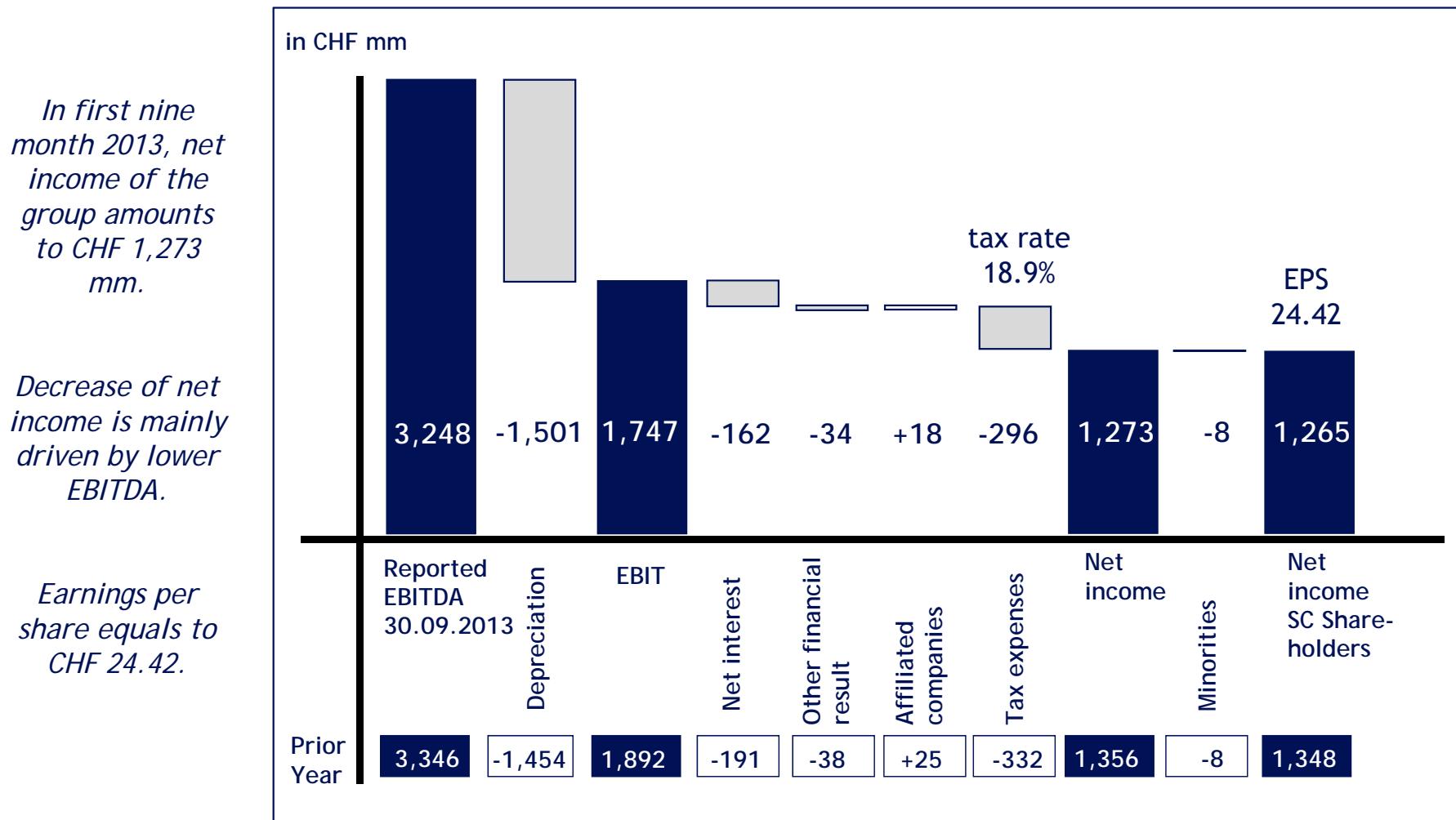


(a) Average exchange rate CHF/€ 9m-2012: 1.204 vs. 9m 2013: 1.229, i.e. a strengthening of Euro against Swiss Franc of 2.1%

Group results

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Net Result



Segmental results

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Residential

Top line up due to one off effect (acquisition). Adjusted, top line is on prior year level, lower handset revenue (low margin) compensates decrease in Service revenue.

Lower Service revenue and higher direct costs explain CM 2 decrease of 1.2%.

The success of the infinity price plans led to a higher # of mobile postpaid subs. ARPU decrease has stopped in Q3.

of TV subs up by 29%.

	Q3/13	Q3oQ3	30.09.2013	YoY
Net revenue in MCHF ¹⁾	1'293	1.9%	3'813	1.2%
Direct costs in MCHF	-304	-3.5%	-937	7.0%
Indirect costs in MCHF ²⁾	-230	5.0%	-676	1.7%
Contribution margin 2 in MCHF	759	3.3%	2'200	-1.2%
Contribution margin 2 in %	58.7%		57.7%	
CAPEX in MCHF	47	42.4%	130	31.3%
FTE's	+99		4'793	9.9%
Voice lines in '000 ³⁾	-29		2'144	-5.7%
BB lines in '000 ³⁾	+9		1'535	3.4%
Wireless customers prepaid in '000	-7		2'173	-1.7%
Wireless customers postpaid in '000 ³⁾	+27		2'502	4.9%
Blended wireless ARPU MO in CHF	36	0.0%	34	-5.6%
TV subs in '000 ³⁾	+39		912	29.4%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3) sum of single play and bundles

Segmental results

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Small & Medium Enterprises

Lower revenue due to price erosion effects in wireless as well as continuous decrease of wireline telephony.

Growth in BB lines excellent.

Wireless ARPU decreased due to right-grading effects of infinity customers, effect slowing down in Q3.

	Q3/13	Q3oQ3	30.09.2013	YoY
Net revenue in MCHF ¹⁾	291	0.0%	860	-1.4%
Direct costs in MCHF	-36	-2.7%	-111	5.7%
Indirect costs in MCHF ²⁾	-33	6.5%	-98	2.1%
Contribution margin 2 in MCHF	222	-0.4%	651	-3.0%
Contribution margin 2 in %	76.3%		75.7%	
CAPEX in MCHF	4	0.0%	10	0.0%
FTE's	+18		753	10.4%
Voice lines in '000 ³⁾	-1		517	-0.2%
BB lines in '000 ³⁾	+5		210	10.5%
Wireless customers in '000 ³⁾	+6		577	6.3%
Blended wireless ARPU MO in CHF	74	-7.5%	73	-9.9%

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

Segmental results

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Corporate

*Price erosion
leads to lower
top line of 2.6%
YOY).*

*# of wireless
subs up by 7.7%
YOY; around a
third is M2M
(app) driven.*

	Q3/13	Q3oQ3	30.09.2013	YoY
Net revenue in MCHF ¹⁾	443	-2.6%	1'325	-2.6%
Direct costs in MCHF	-98	0.0%	-290	-2.0%
Indirect costs in MCHF ²⁾	-114	-0.9%	-358	0.0%
Contribution margin 2 in MCHF	231	-4.5%	677	-4.2%
<i>Contribution margin 2 in %</i>	<i>52.1%</i>		<i>51.1%</i>	
CAPEX in MCHF	23	27.8%	64	10.3%
FTE's	+29		2'433	2.6%
Voice lines in '000	-1		244	0.8%
BB lines in '000	+0		36	5.9%
Wireless customers in '000	+13		1'094	7.7%
Blended wireless ARPU MO in CHF	44	-15.4%	45	-15.1%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

Segmental results

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Wholesale

*CM2 up by 4.7%
(CHF +13 mm
YOY) due to shift
in revenue mix.*

	Q3/13	Q3oQ3	30.09.2013	YoY
Revenue from external customers in MCHF	148	-2.0%	443	-1.8%
Intersegment revenue in MCHF	98	-1.0%	284	1.8%
Net revenue in MCHF	246	-1.6%	727	-0.4%
Direct costs in MCHF	-144	-4.0%	-425	-2.7%
Indirect costs in MCHF ¹⁾	-5	-28.6%	-13	-23.5%
Contribution margin 2 in MCHF	97	4.3%	289	4.7%
<i>Contribution margin 2 in %</i>	<i>39.4%</i>		<i>39.8%</i>	
CAPEX in MCHF	-	nm	-	nm
FTE's	-2		109	-4.4%
Full access lines in '000	-12		268	-13.5%
BB (wholesale) lines in '000	+7		208	14.9%

1) incl. capitalised costs and other income

Segmental results

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Networks and support functions

Lower personnel expenses (CHF -6 mm YOY) driven by lower restructuring cost.

Higher Repair & maintenance as well as IT costs led to an CM2 decrease by CHF by CHF -15 mm YOY.

CAPEX of CHF 795 mm down -32.5% YOY, due to spectrum licence in 2012 of CHF 360 mm.

	Q3/13	Q3oQ3	30.09.2013	YoY
Personnel expenses in MCHF	-164	1.9%	-524	-1.1%
Rent in MCHF	-46	0.0%	-138	0.0%
Maintenance in MCHF	-50	8.7%	-142	6.8%
IT expenses in MCHF	-79	8.2%	-231	6.0%
Other OPEX in MCHF	-70	-11.4%	-206	-1.4%
Indirect costs in MCHF	-409	1.0%	-1'241	1.1%
Capitalised costs and other income in MCHF	46	2.2%	136	-1.4%
Contribution margin 2 in MCHF	-363	0.8%	-1'105	1.4%
Depreciation, amortisation and impairment in MCHF	-230	1.8%	-685	3.8%
Segment result in MCHF	-593	1.2%	-1'790	2.3%
CAPEX in MCHF	287	-53.9%	795	-32.5%
FTE's	+25		4'425	1.6%

Segmental results

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FASTWEB

W/o low margin wholesale hubbing and seasonal effects, net revenues are about in line YOY.

EBITDA decrease YOY resulting from Q1, mostly driven by higher growth-related costs in 2013.

CAPEX increase due to FTTS roll out.

of BB customers up by 12% YOY.

	Q3/13	Q3oQ3	30.09.2013	YoY
Consumer revenue in MEUR	186	3.9%	558	2.8%
Enterprise revenue in MEUR	188	-2.6%	559	-2.3%
Wholesale revenue in MEUR ¹⁾	29	-19.4%	96	-34.2%
Net revenue in MEUR ¹⁾	403	-1.2%	1'213	-3.8%
of which net revenue excl. hubbing in MEUR	394	0.3%	1'179	-1.0%
OPEX in MEUR ²⁾	-277	-3.1%	-877	-3.2%
EBITDA in MEUR	126	3.3%	336	-5.4%
<i>EBITDA margin in %</i>	<i>31.3%</i>		<i>27.7%</i>	
CAPEX in MEUR	137	39.8%	393	20.6%
OpFCF Proxy in MEUR	-11	n.m.	-57	n.m.
FTE's	-9		2'370	-18.6%
In consolidated Swisscom accounts				
EBITDA in MCHF	155	4.7%	413	-3.5%
CAPEX in MCHF	168	42.4%	483	22.9%
BB customers in '000	+25		1'911	12.1%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

Segmental results

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Other

Swisscom IT services external revenue up due to one off effect (acquisition)

Construction services led to higher revenue at Group Related Business.

EBITDA up YOY mainly due to cost savings. EBITDA increased by 10.2%.

	Q3/13	Q3oQ3	30.09.2013	YoY
Swisscom IT Services in MCHF	156	31.1%	443	14.5%
Group Related Business in MCHF	87	10.1%	240	8.6%
Hospitality Services in MCHF	14	-6.7%	41	-12.8%
Other in MCHF	9	0.0%	26	-7.1%
External revenue in MCHF	266	19.8%	750	9.8%
Net revenue in MCHF ¹⁾	460	10.8%	1'326	4.7%
OPEX in MCHF ²⁾	-382	10.7%	-1'089	3.5%
EBITDA in MCHF	78	11.4%	237	10.2%
EBITDA margin in %	17.0%		17.9%	
CAPEX in MCHF	56	24.4%	132	1.5%
FTE's	+189		4'991	12.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

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Guidance

No change to previous guidance

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CHF bln	2012 A	2013 E*)	Splits into:
Revenues	11.384	>11.4	~ CHF 9.5 bln for Swisscom w/o Fastweb + € 1.6 bln for Fastweb (constant yoy without hubbing)
EBITDA	4.477	>4.25	CHF 3.64 bln for Swisscom w/o Fastweb + € 0.5 bln for Fastweb (constant yoy)
CAPEX (without spectrum)	2.169	~2.4	CHF 1.75 bln for Swisscom w/o Fastweb + € 0.55 bln for Fastweb

Revenues:

9 month results compared to FY guidance, imply a “to-do” of at least CHF 2,937mm for Q4. This compares to CHF 2,957mm in Q4 2012, and should be doable

EBITDA:

9 month results compared to FY guidance, imply a “to-do” of at least CHF 1 bln for Q4. This compares to CHF 1,131 mm in Q4 2012 (reported) and CHF 1,039 mm (w/o exceptionals), and should also be doable

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

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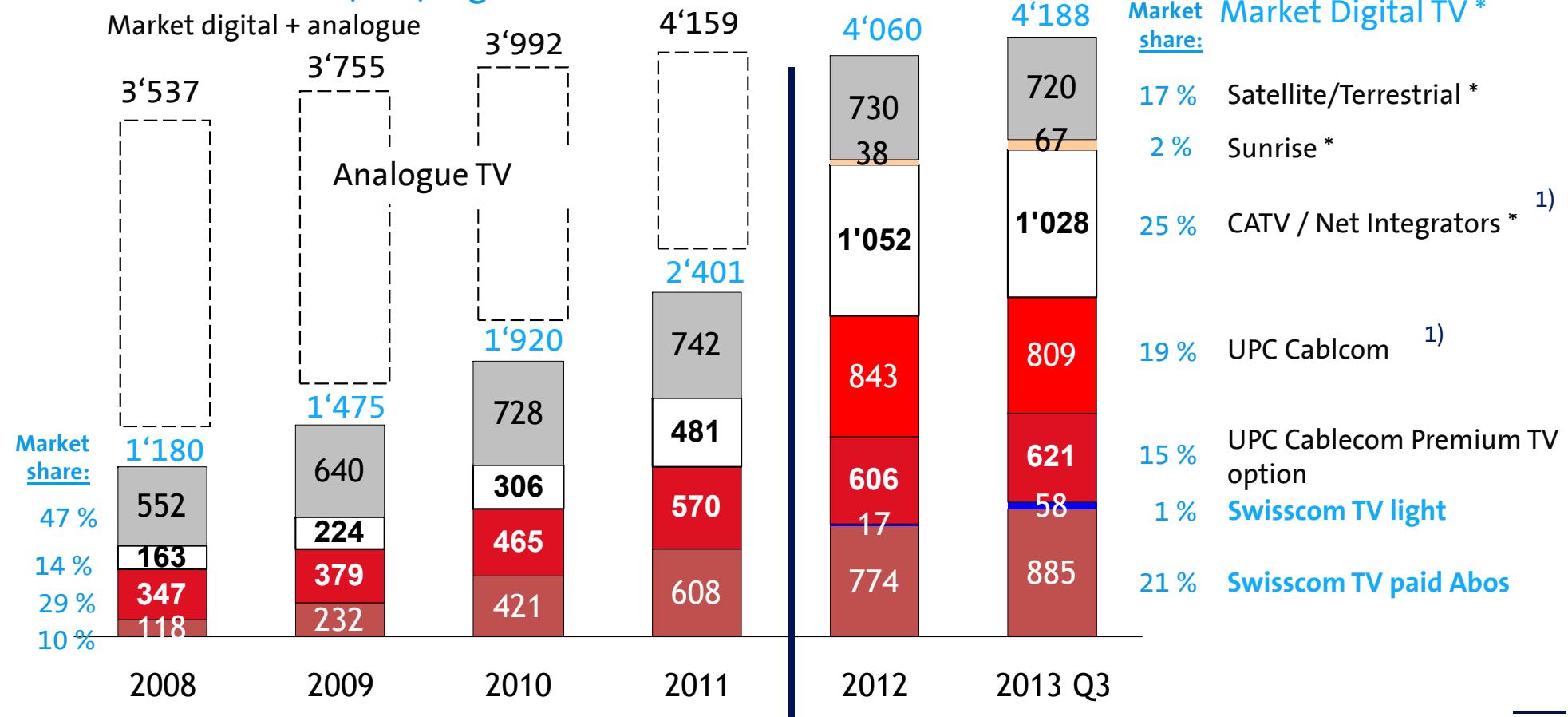
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Attachm. TV market Switzerland

30

Market volumes (000) digital TV



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 still potential customers for Swisscom

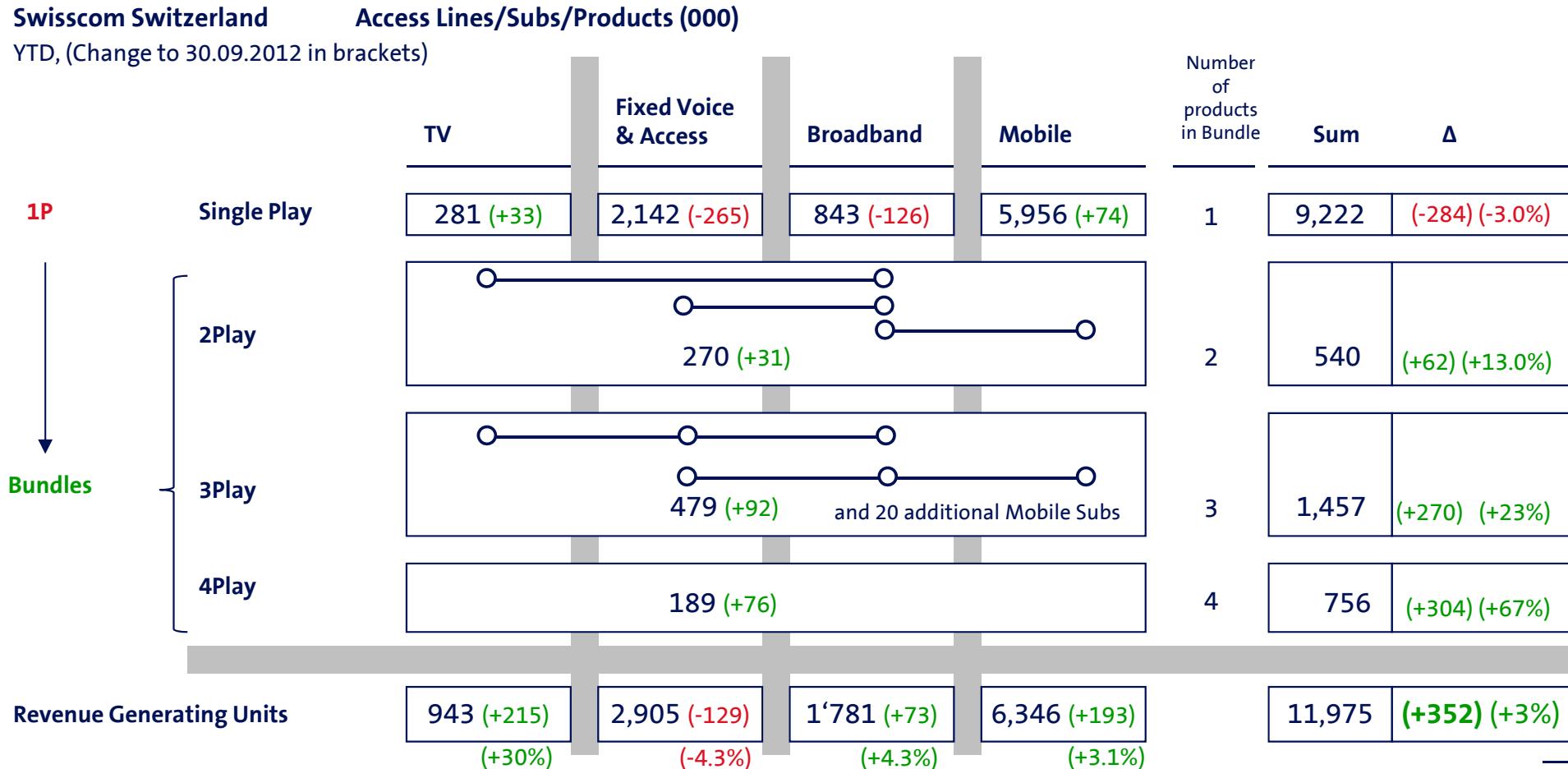
* Estimates for 2013 Q3

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



Attachm. RGU's

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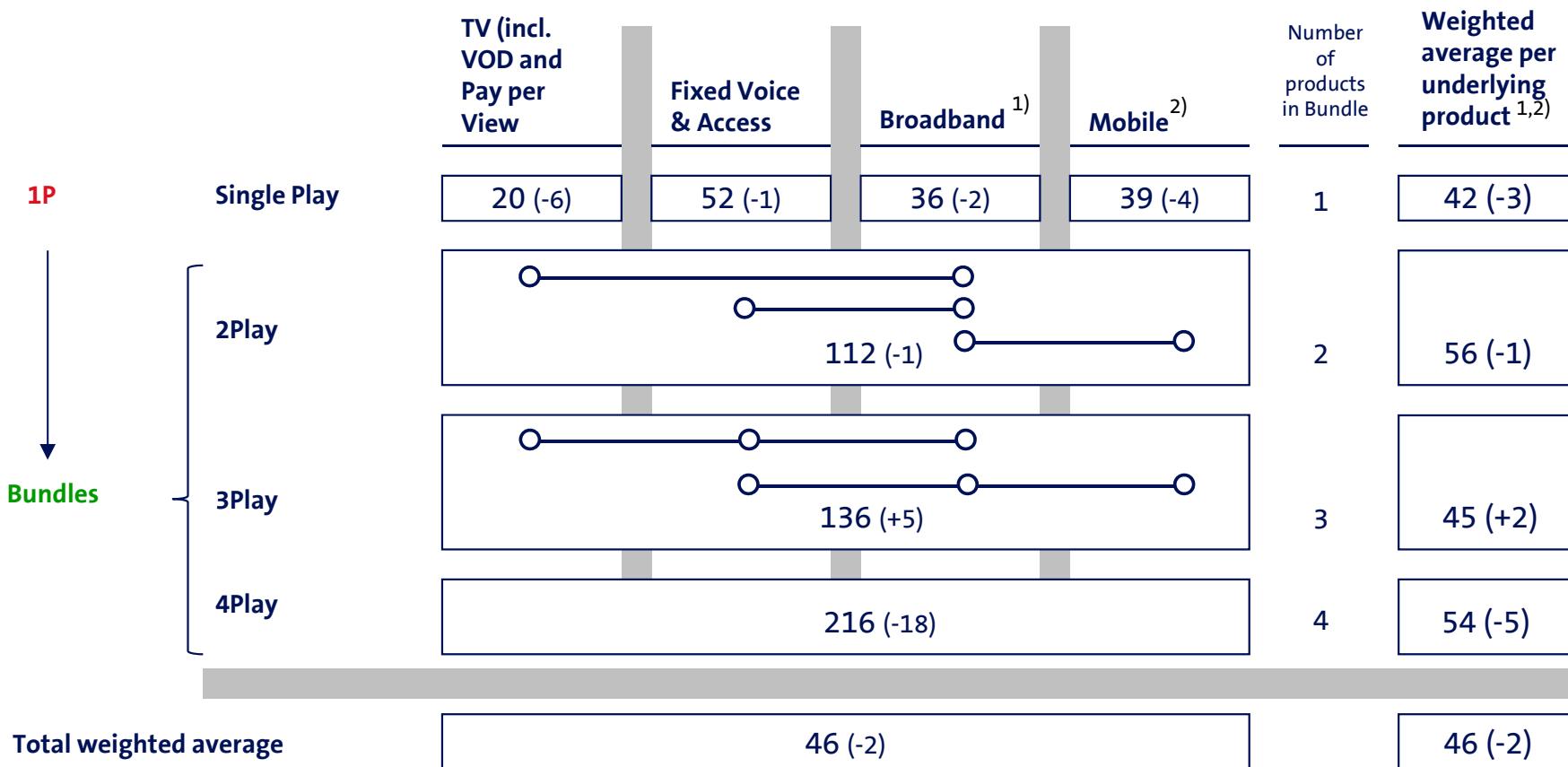


Number of Revenue Generating Units growth 3% yoy

Attachm. ARPU

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YTD, (Change to 30.09.2012 in brackets)



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

1) ARPU excl. Business Networks

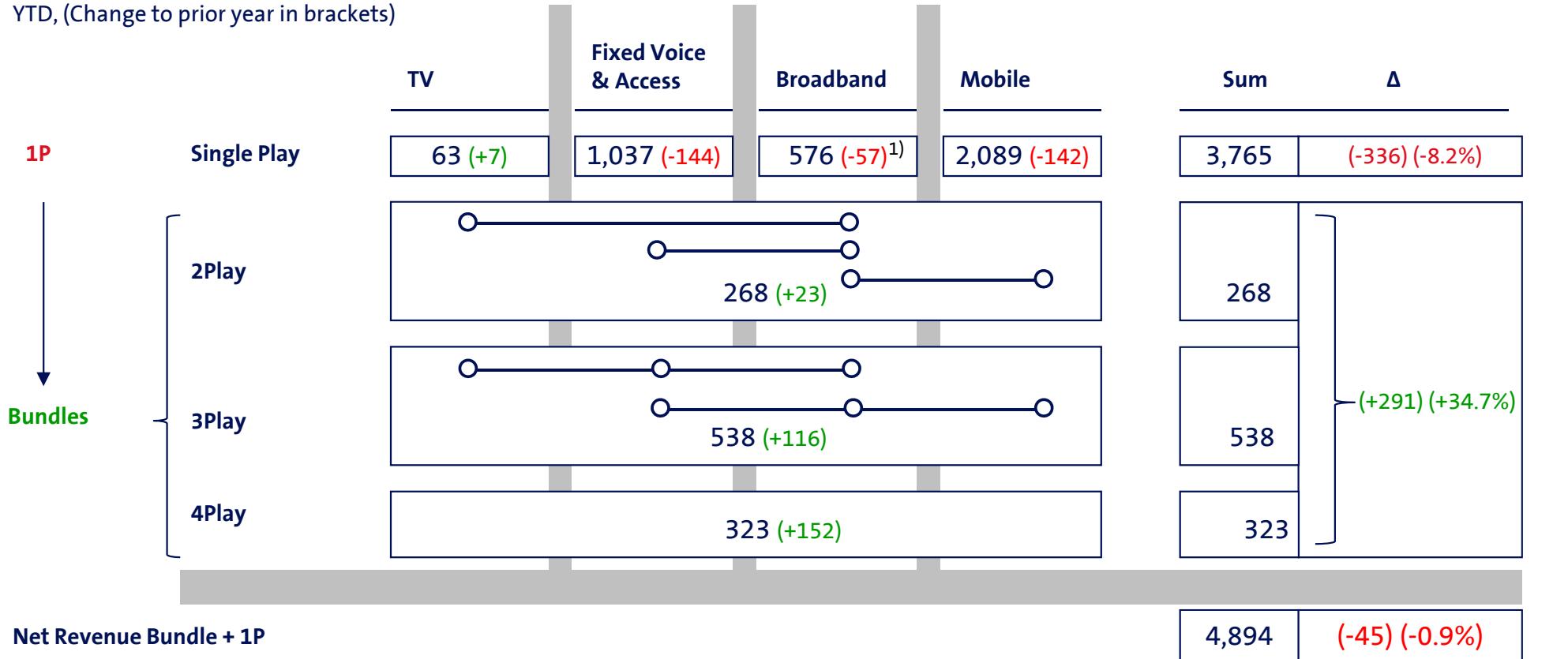
2) ARPU excl. Mobile Termination

Attachm. Revenues (RGU x ARPU)

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Net revenues (CHF mm)

YTD, (Change to prior year in brackets)



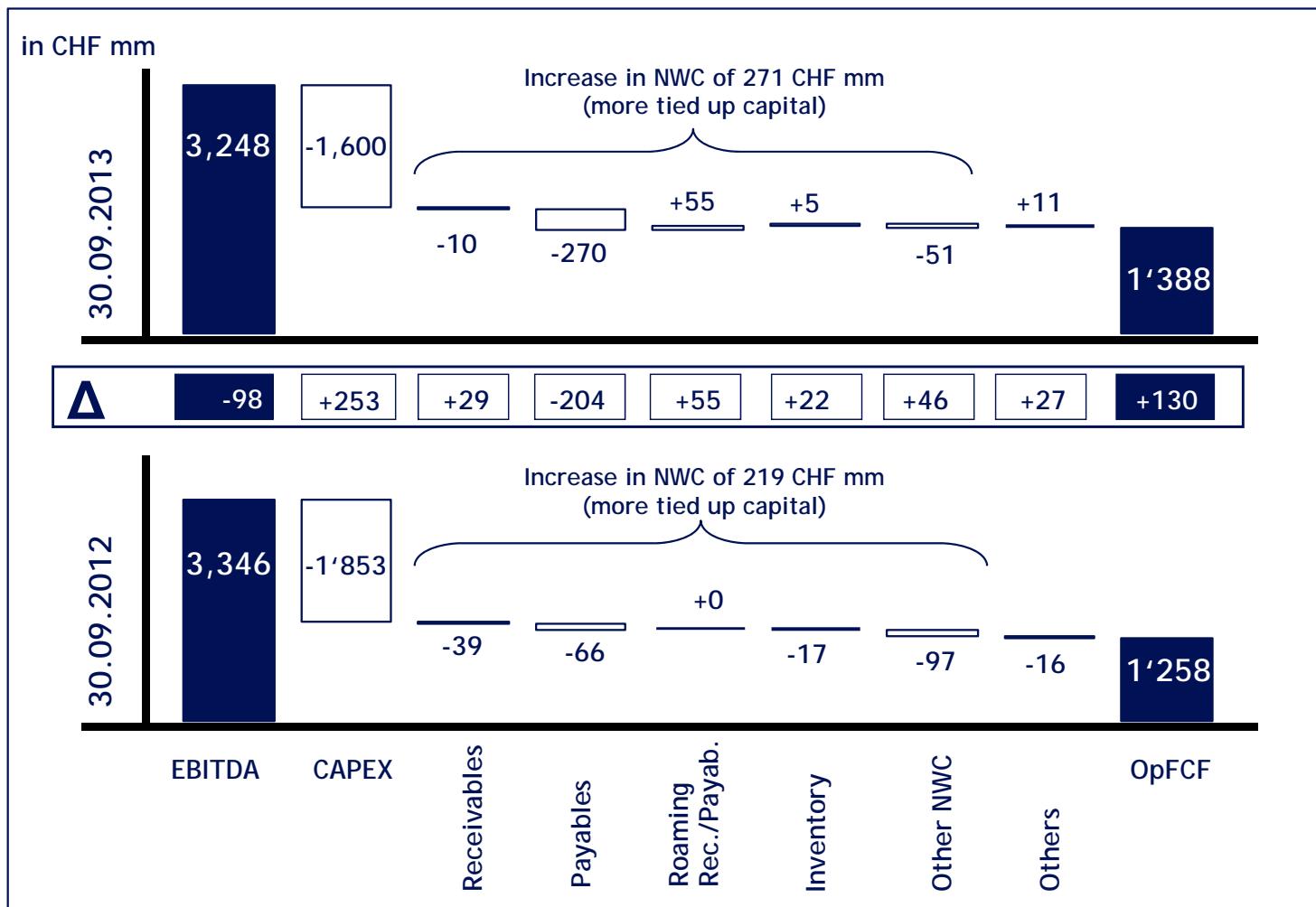
1) Incl. revenues for business networks/internet of CHF 284 mm which are not included in Retail Broadband ARPU

Attachm. Group results

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OpFCF

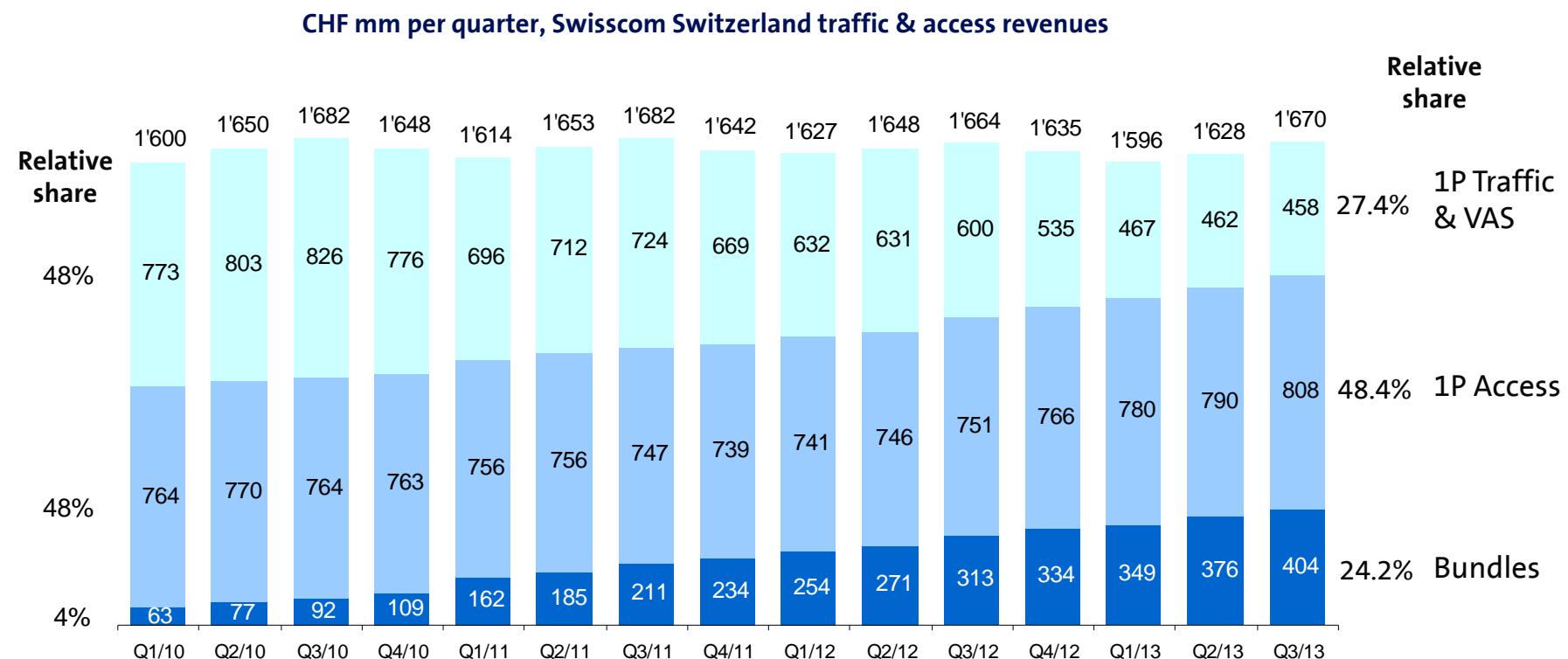
OpFCF higher of CHF +130mm, mainly due to lower Capex.



Attachm. Bundles replacing 1P

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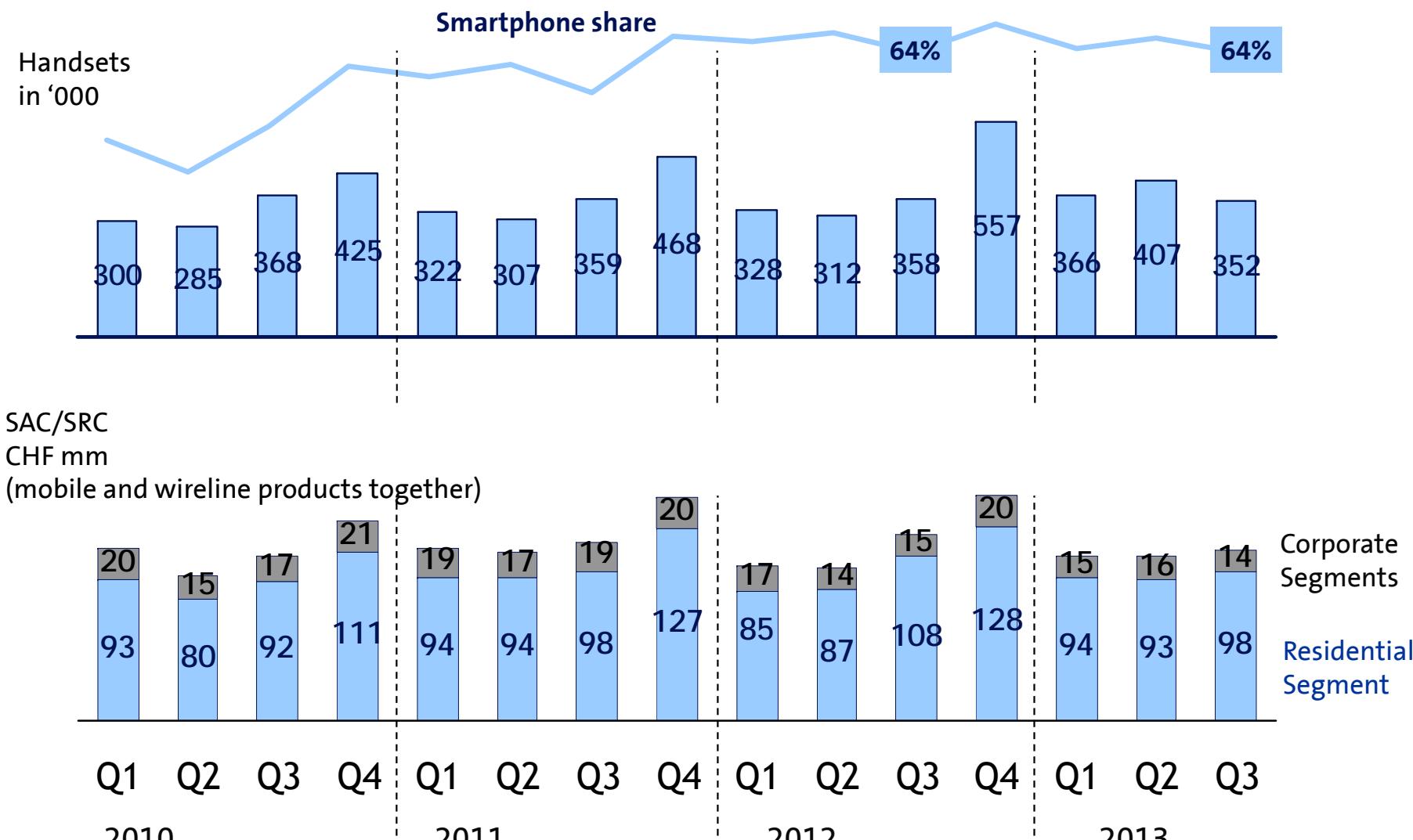
Business model for local telco can no longer rely on usage based charging



Fixed monthly fees now represent 73% of revenues compared to 52% only 3 years ago.

Attachm. Handsets & SACs

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Volume of sold handsets in Q3 2013 nearly on level of previous years Q3.

Attachm. Successful EURO bond issuance

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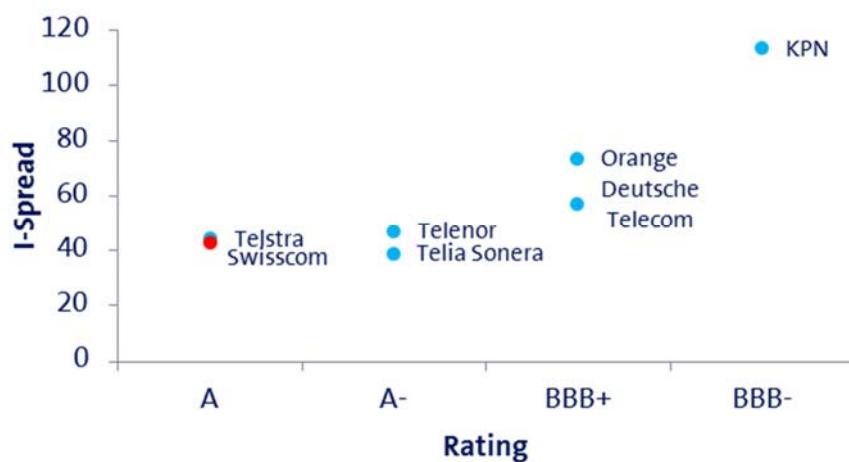
Bond Details:

Amount: EUR 500 Mio.
Tenor: 7 years
Coupon: 2%
Spread: EUR M/S +40 bps
Rating: A/A2
Issuer: Swisscom AG issuing via Lunar Funding V PLC, an Irish repackaging vehicle

Swisscom's Current maturity profile:



Bond trading at low spreads compared to peers:



Source: Bloomberg I-Spreads for Bonds maturing in year 2020; Data as per Oct. 25, 2013

- Successful 3-day investor road show across Europe with very positive feedbacks received
- Orderbook size amounted to EUR 2.3bn (more than 4-times oversubscribed)
- Very attractive pricing obtained as proof of strong credit quality
- Achieved the goal to further diversify the funding sources, a step towards a further smoothening of our maturity profile

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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