Swisscom – carrying on

Q2 2013 results presentation
7 August 2013

Urs Schaeppi, interim CEO
Mario Rossi, CFO
Bart Morselt, IR

swisscom

Agenda “*Carrying on*”

1. Farewell to Carsten Schloter (†), former CEO
2. Carrying on with our vision
3. Management structure going forward
4. Group results
5. Segmental results
6. Guidance
7. Q&A

Attachment*: Backup information on TV, RGUs, ARPU, SACs/handsets*

1. Farewell to Carsten Schloter †

A thought leader – and friend – has left us. His vision will live on

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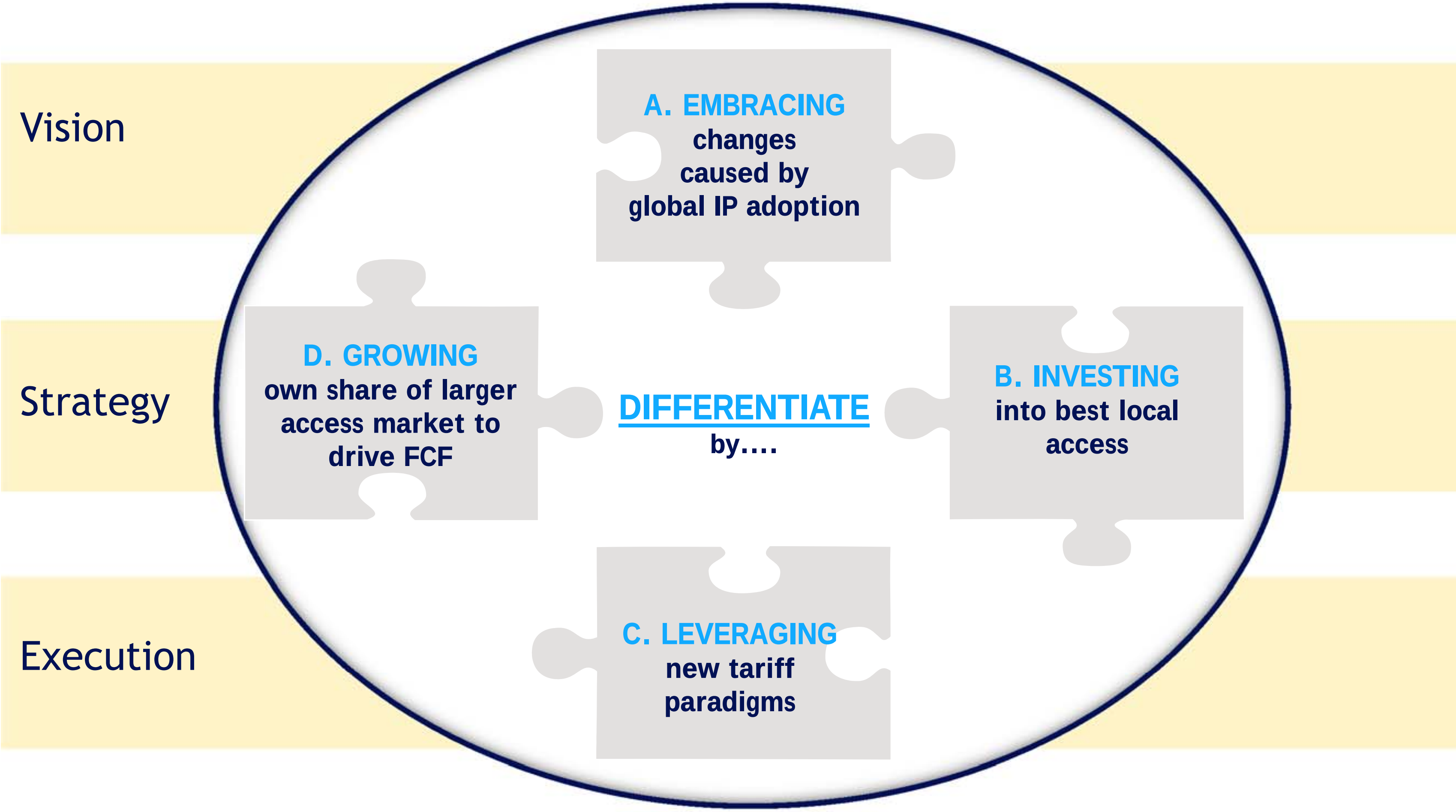
2. Carrying on with our vision



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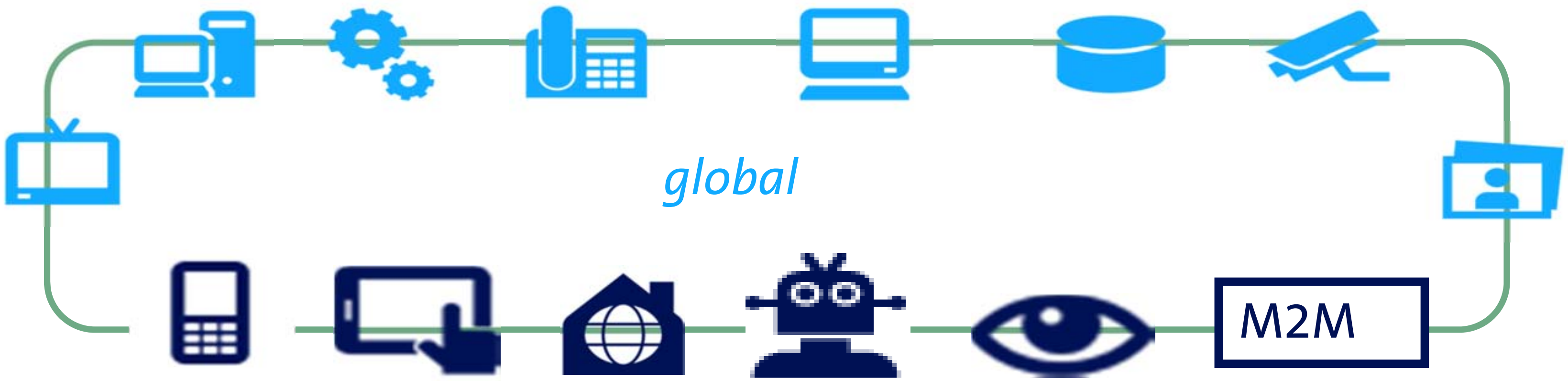
2A. Embracing changes caused by IP adoption

Competition moves from local to global: OTT providers providing many connected “free” alternative communication options to customers



Swisscom now offers iO as one of the alternatives to OTT

320,000 downloads since launch late June 2013.

- **Offering voice and messaging – both onnet and offnet**
- **Nationally and internationally to prevent high roaming charges.**
- **Service open to customers of both Swisscom and competitors (currently 30% of users originate from competitors)**

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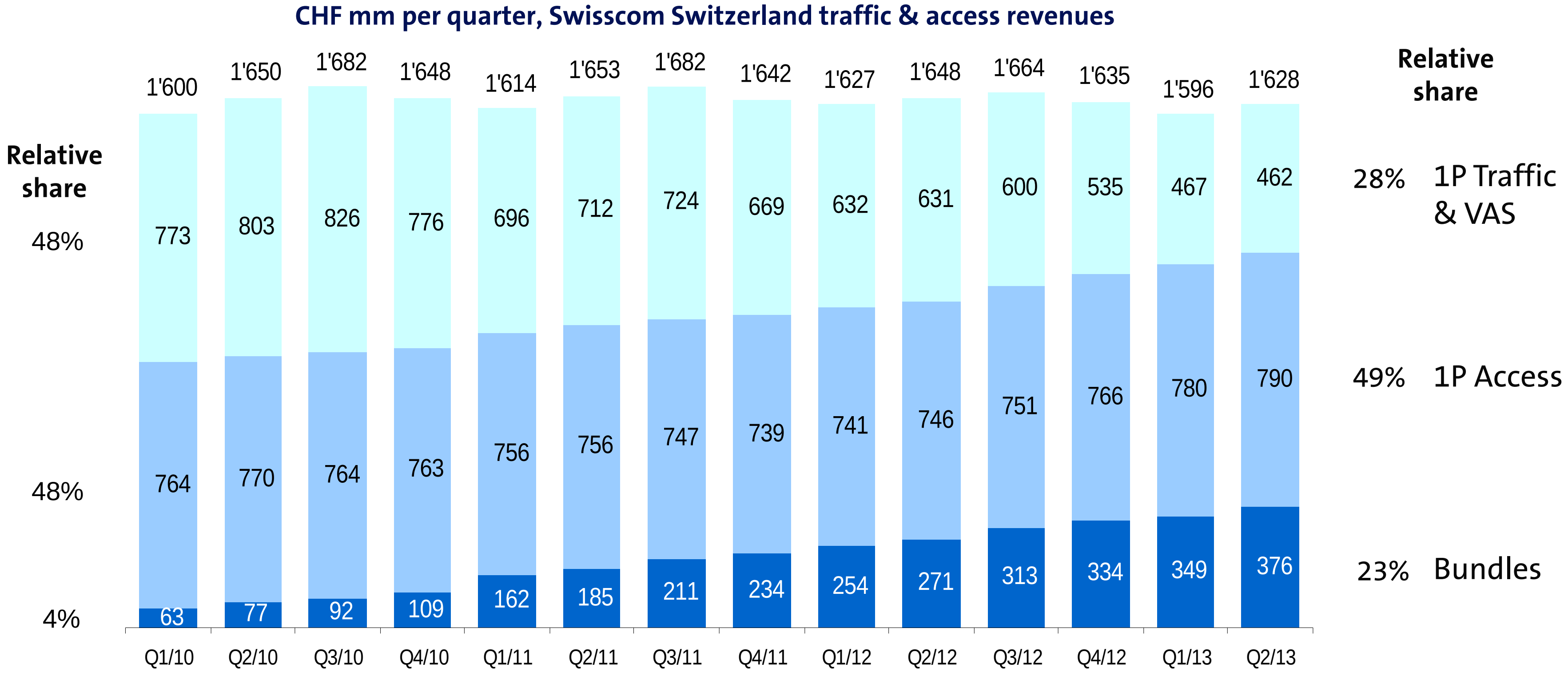
2A. Embracing changes caused by IP adoption

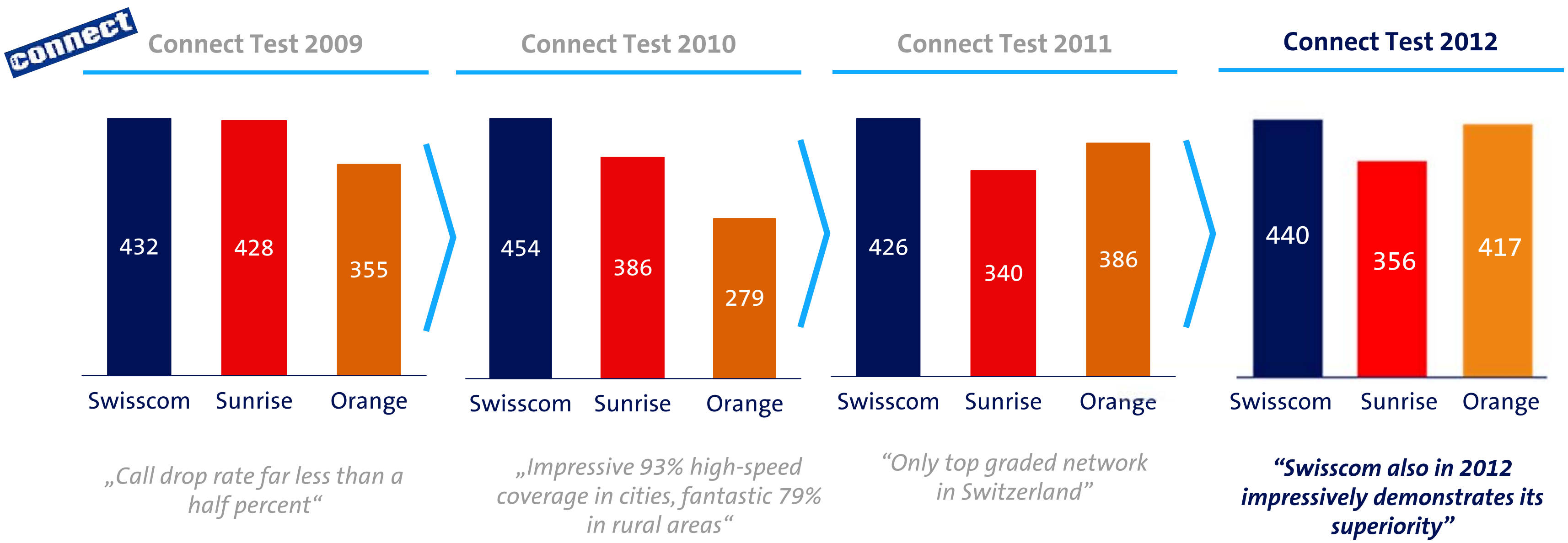
Business model for local telco can no longer rely on usage based charging



Fixed monthly fees now represent 72% of revenues compared to 52% only 3 years ago.
All usage based traffic revenues will disappear over the next 3 to 5 years

2B. Investing into best local access

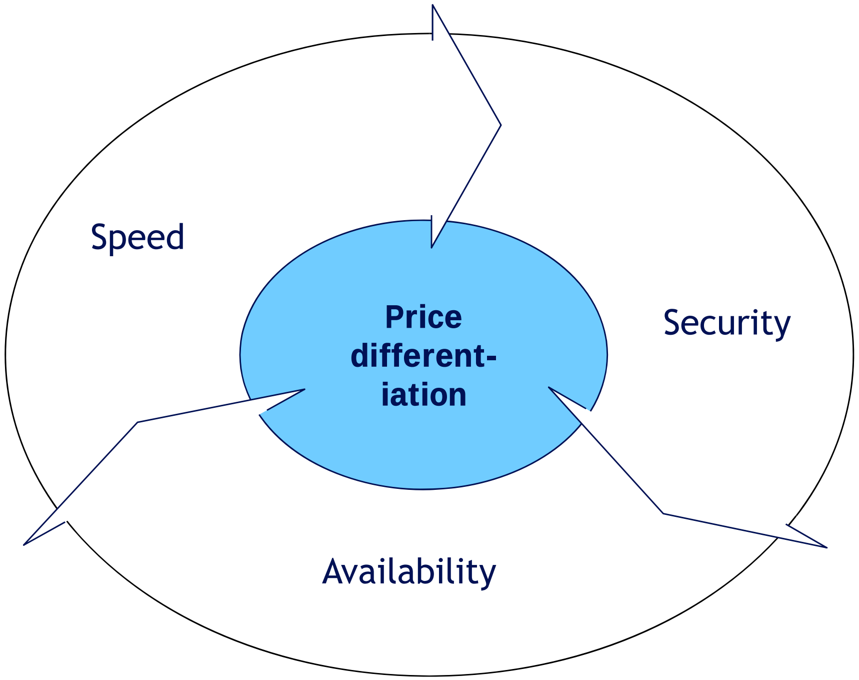
In a world with global OTT competition, only a local provider can make the difference by offering the best local access. Quality of networks will be the key reason why customers want to pay fair monthly fees to local operators



OTT alternatives can be replaced. Networks can not.
Good networks will have much higher sustainable revenue generating potential in the value chain than replaceable (OTT) services or hardware

2C. Leveraging new tariff paradigms

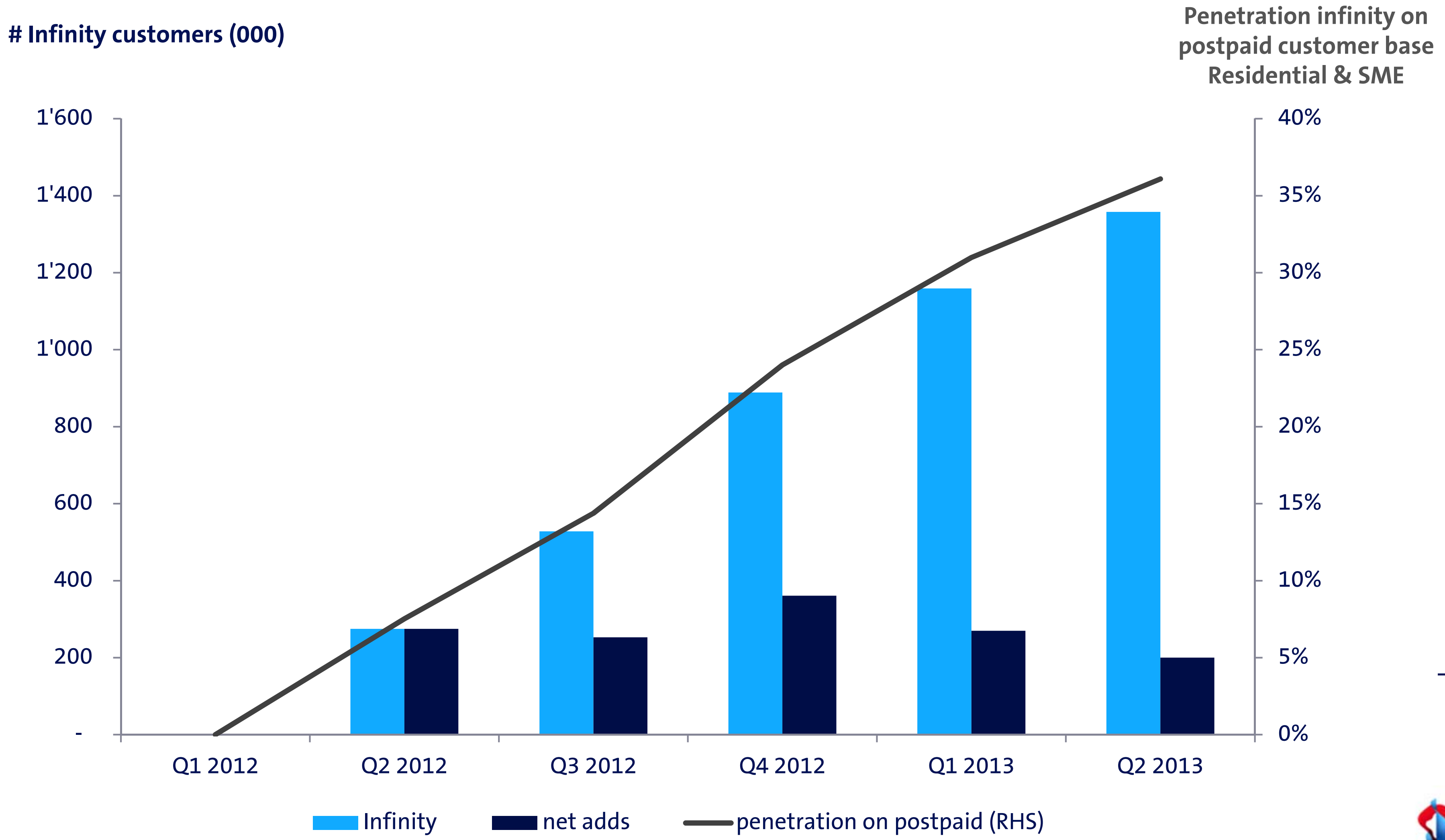
New tariff systems will make Swisscom "invulnerable" against OTT threats.
Customers desire Speed, Availability and Security. Offering the best of these combinations will convince them to pay a fair monthly fee, while moving away all together from usage based fees



Swisscom started the new paradigm in the mobile services field, by offering the infinity tariffs from July 2012. These rates predominantly differentiate on the basis of the speed offered

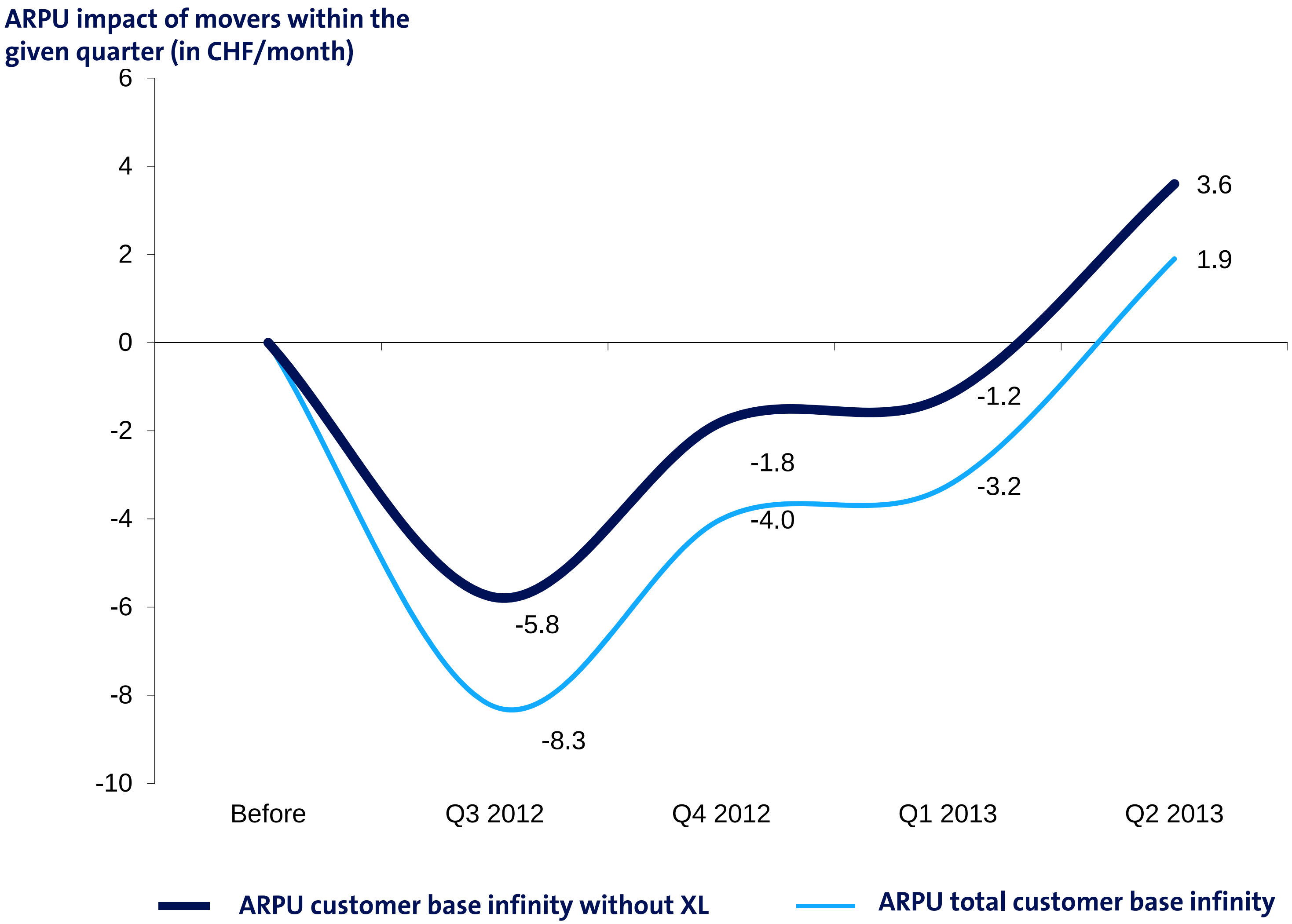
2C. Leveraging new tariff paradigms

Infinity has been a huge success since the introduction 1 year ago



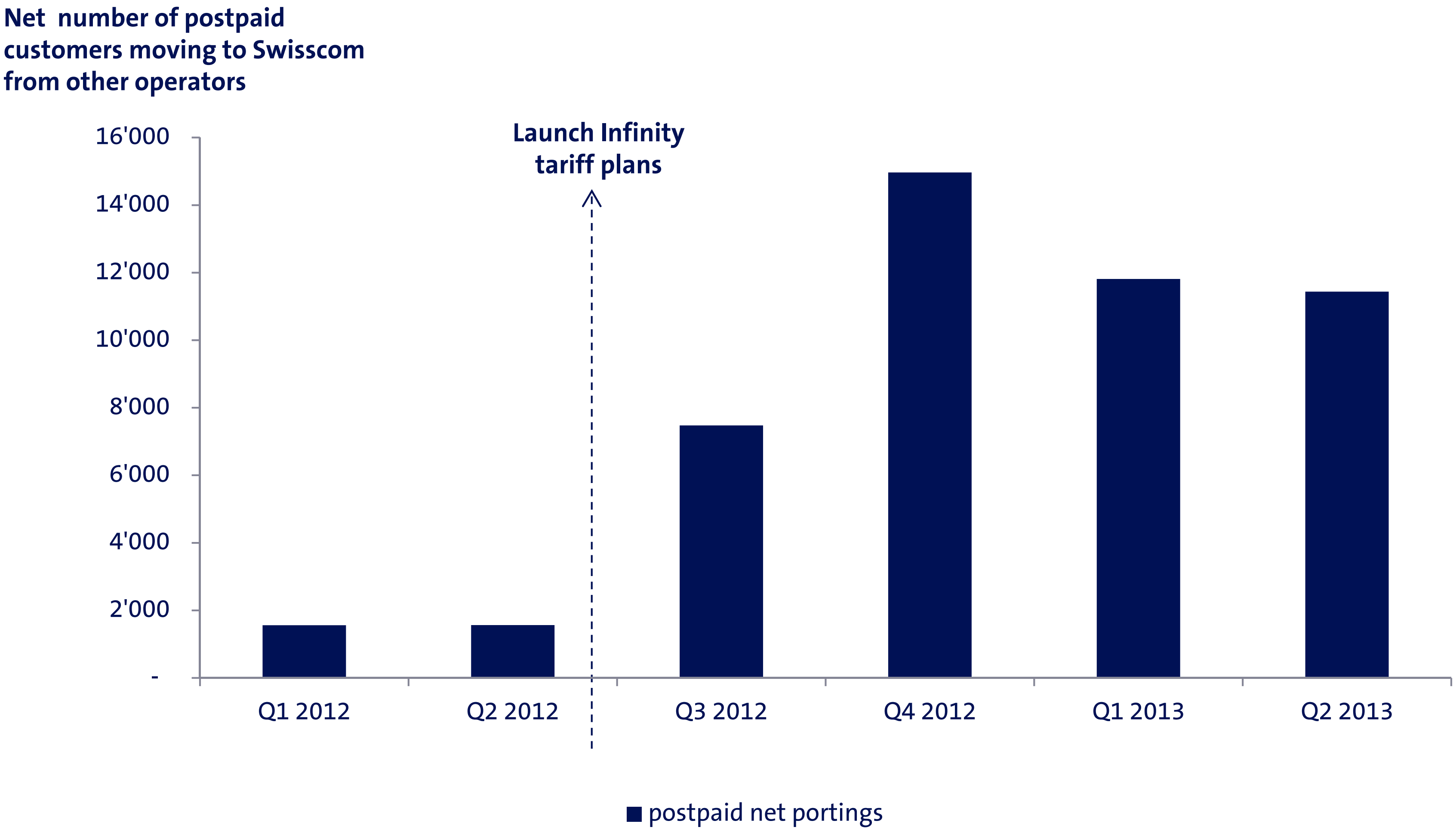
2C. Leveraging new tariff paradigms

The initial ARPU dilution from “rightgraders” has now moved into positive territory.



2D. Growing own share of larger access market

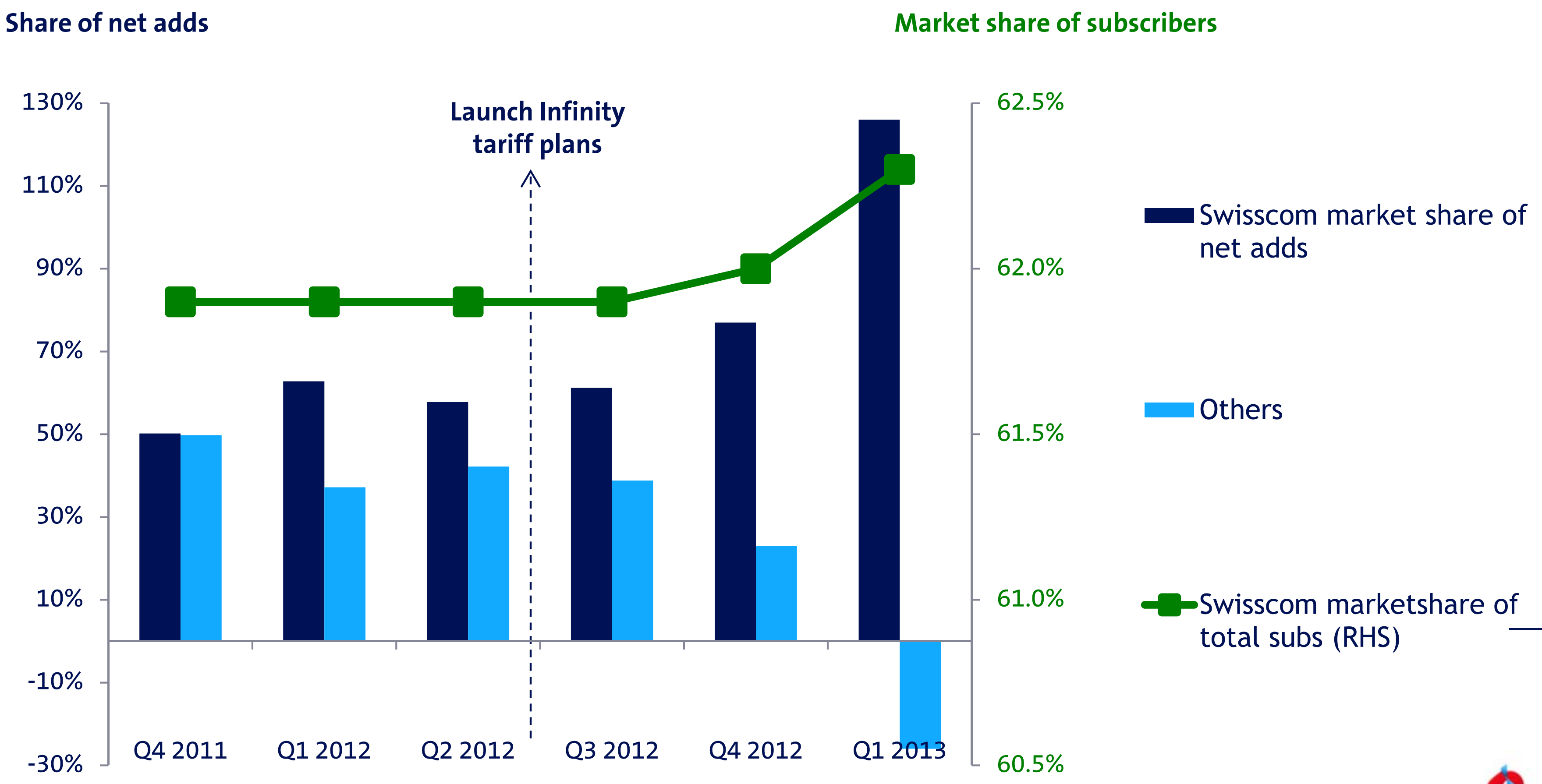
infinity has dramatically improved the balance between in- and outportings



infinity stimulated net portings, which is exceptional for a player with 2/3rd market share, as in theory 2 customers should get lost while winning back 1.

2D. Growing own share of larger access market

By combining new tariff systems with best local access, Swisscom's mobile market share is – from comparably high levels – on the rise again



Conclusion: Swisscom to carry on with vision to ensure future prosperity

How the Vision should generate FCF and prosperity

A. Telecoms is a fixed cost business

- Capital intensive (Capex)
- Low COGS, high fixed Opex

B. Making money in fixed cost business is about scale and share

- Scale: # customers
- Share: position within (larger) market

C. To achieve scale and share requires best products, network & pricing

- Transparent offers reflecting changing customer demand
- Superb network availability

D. To sustain is about

- Willingness and financial ability to (continue to) invest
- Selecting the right investments from both technology and competition perspective at the right time

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3. Management structure going forward

Following principles have been defined for now (on an interim basis):

a) Urs Schaeppi (Swisscom Switzerland CEO) to take over as Group CEO a.i.

b) Fastweb chairmanship taken over by Group CFO Mario Rossi

c) Swisscom IT Services chairmanship to be assumed by Ueli Dietiker (CEO of Group Related Business, and former Group CFO)

d) The Board's nomination committee will decide on definitive filling in of positions before the end of 2013

The Board has also decided to appoint Christian Petit (formerly Head of Residential) as Swisscom's new Head of CBU (Corporate Business) per 1 September, and Marc Werner (formerly Head of customer service in Residential) as his successor for the Residential business per the same date

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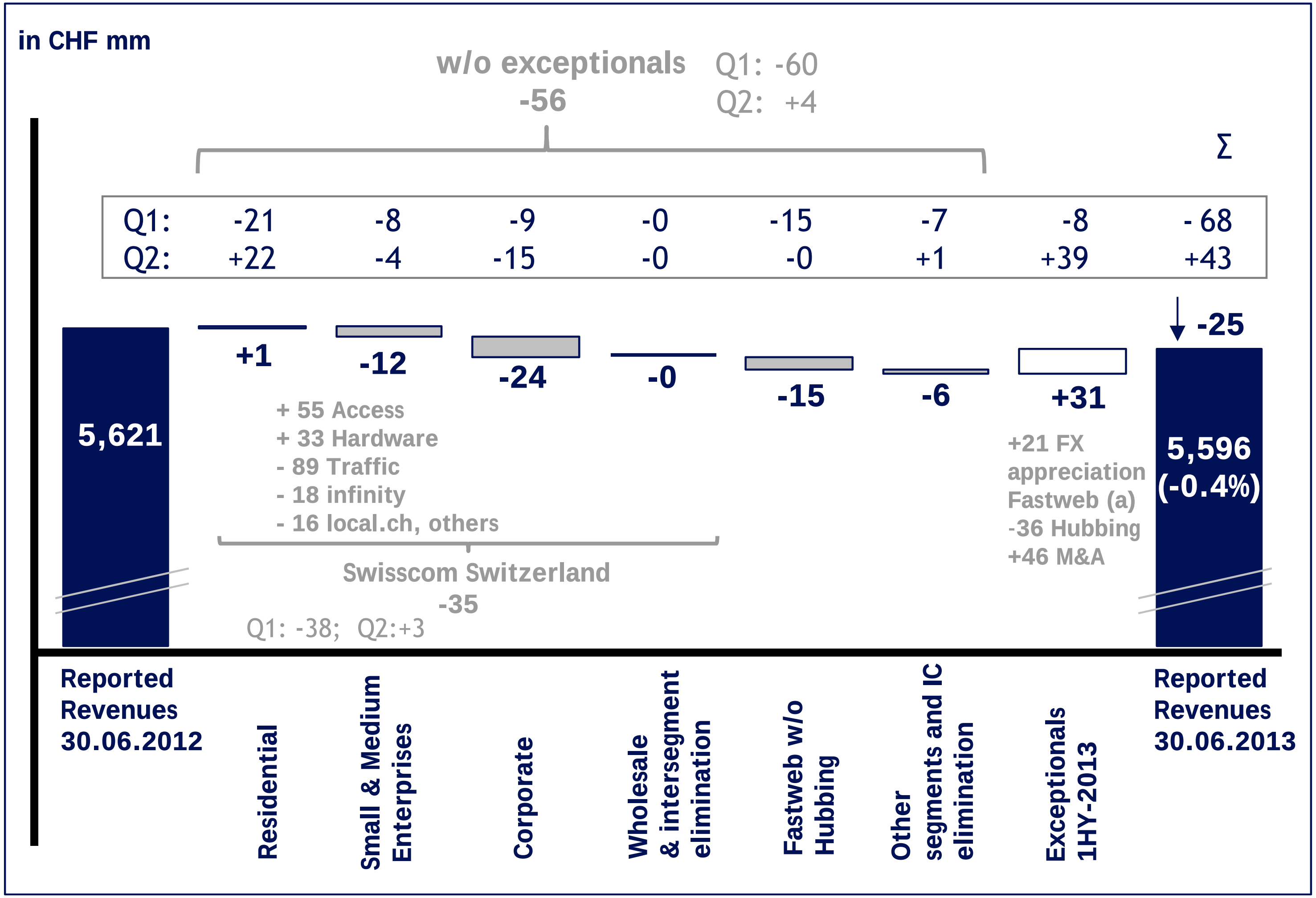
4. Group results

Revenues

Without FX, hubbing and M&A effects, revenue went down CHF 56 mm YOY (-1%).

Underlying top-line of Fastweb decreased by CHF 15 mm YOY, due to lower revenues in other wholesale business.



(a) Average exchange rate CHF/€ 1HY-2012: 1.204 vs. 1HY 2013: 1.229, i.e. a strengthening of Euro against Swiss Franc of 2.1%

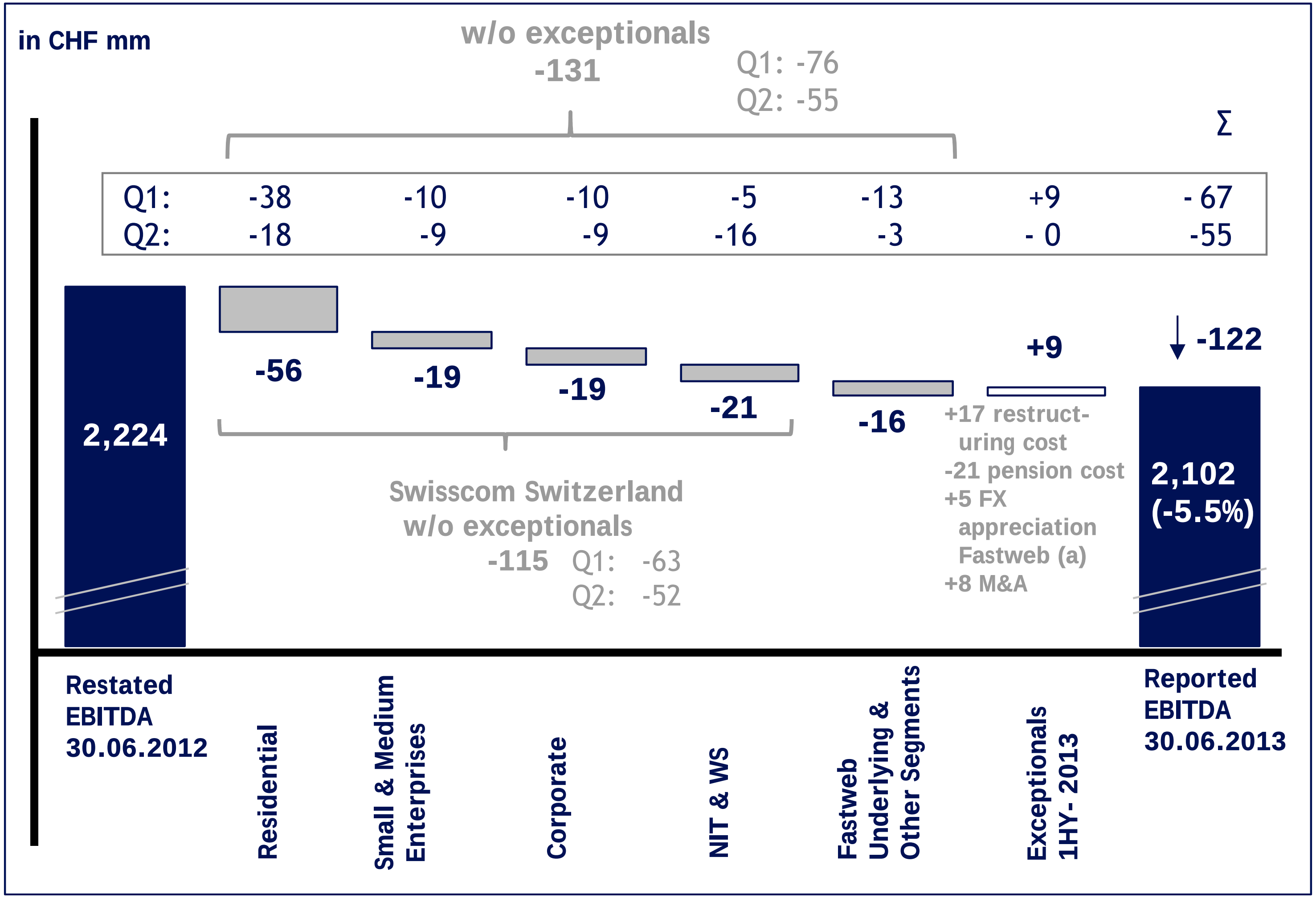
4. Group results

EBITDA

EBITDA w/o exceptionals down CHF 131 mm.

EBITDA of Swisscom Switzerland w/o one-offs down CHF 115 mm, with trend improving QoQ

YoY EBITDA lower due to higher direct cost (SACs, hardware cost) and increased repair & maintenance as well as IT cost.



(a) Average exchange rate CHF/€ 1HY-2012: 1.204 vs. 1HY 2013: 1.229, i.e. a strengthening of Euro against Swiss Franc of 2.1%

4. Group results

Focus Revenue/OPEX/EBITDA Swisscom Switzerland

Higher indirect cost (repair & maintenance as well as IT cost) and more outlays for SAC/SRC are key drivers for a faster reduction of EBITDA than of revenues

30.06.2013 vs 30.06.2012 (w/o exceptionals)
in CHF mm

	Revenue	OPEX	EBITDA
Access	+55	-7	+48
Traffic	-89	+2	-87
infinity	-18	-9	-27
SAC/SRC		-15	-15
Hardware Sales & other	+17	-30	-13
Indirect cost		-21	-21
Total	**-35**	**-80**	**-115**

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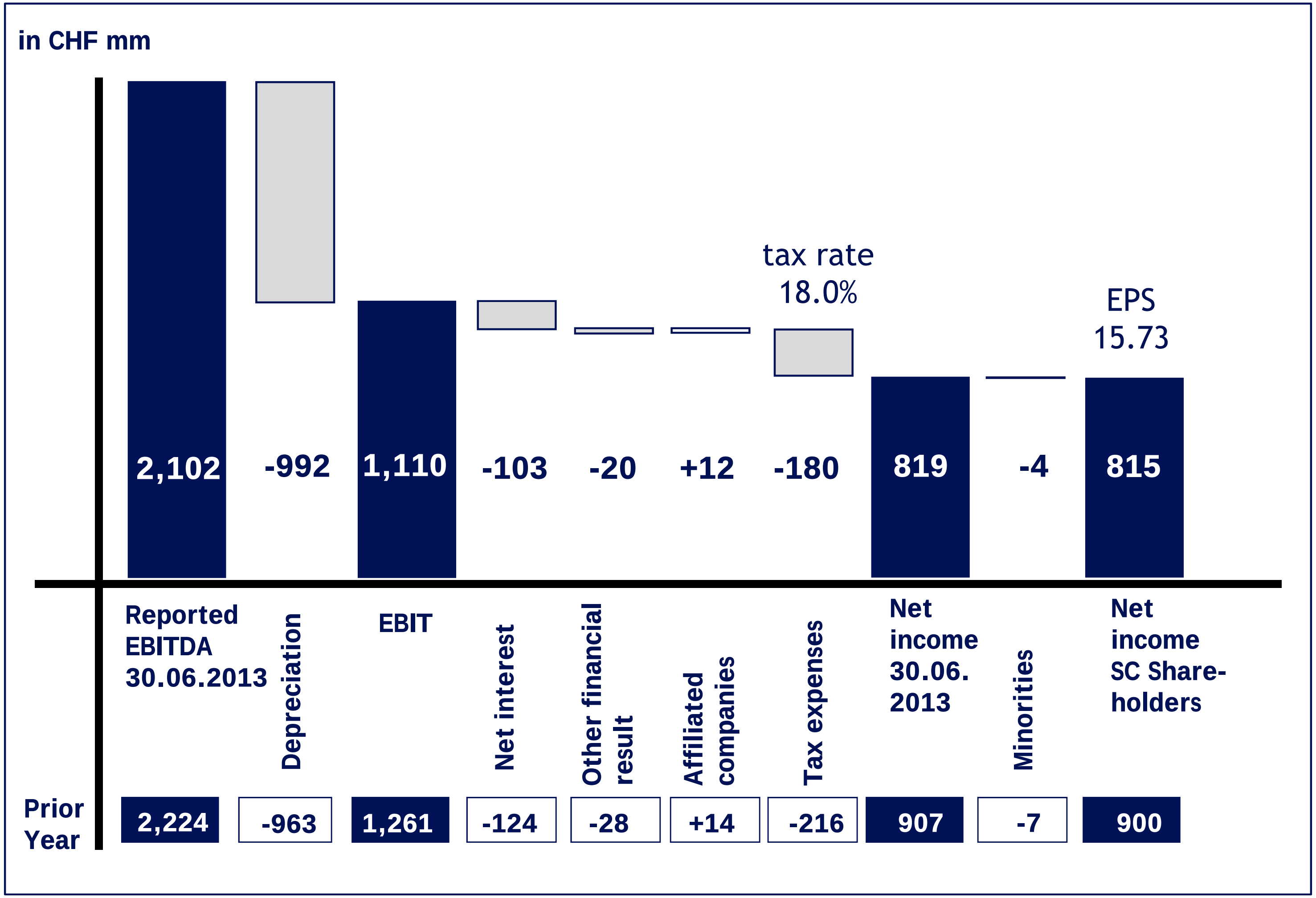
4. Group results

Net Result

In first half year 2013, net income of the group amounts to CHF 819 mm.

Decrease of net income is mainly driven by lower EBITDA.

Earnings per share equals to CHF 15.73.

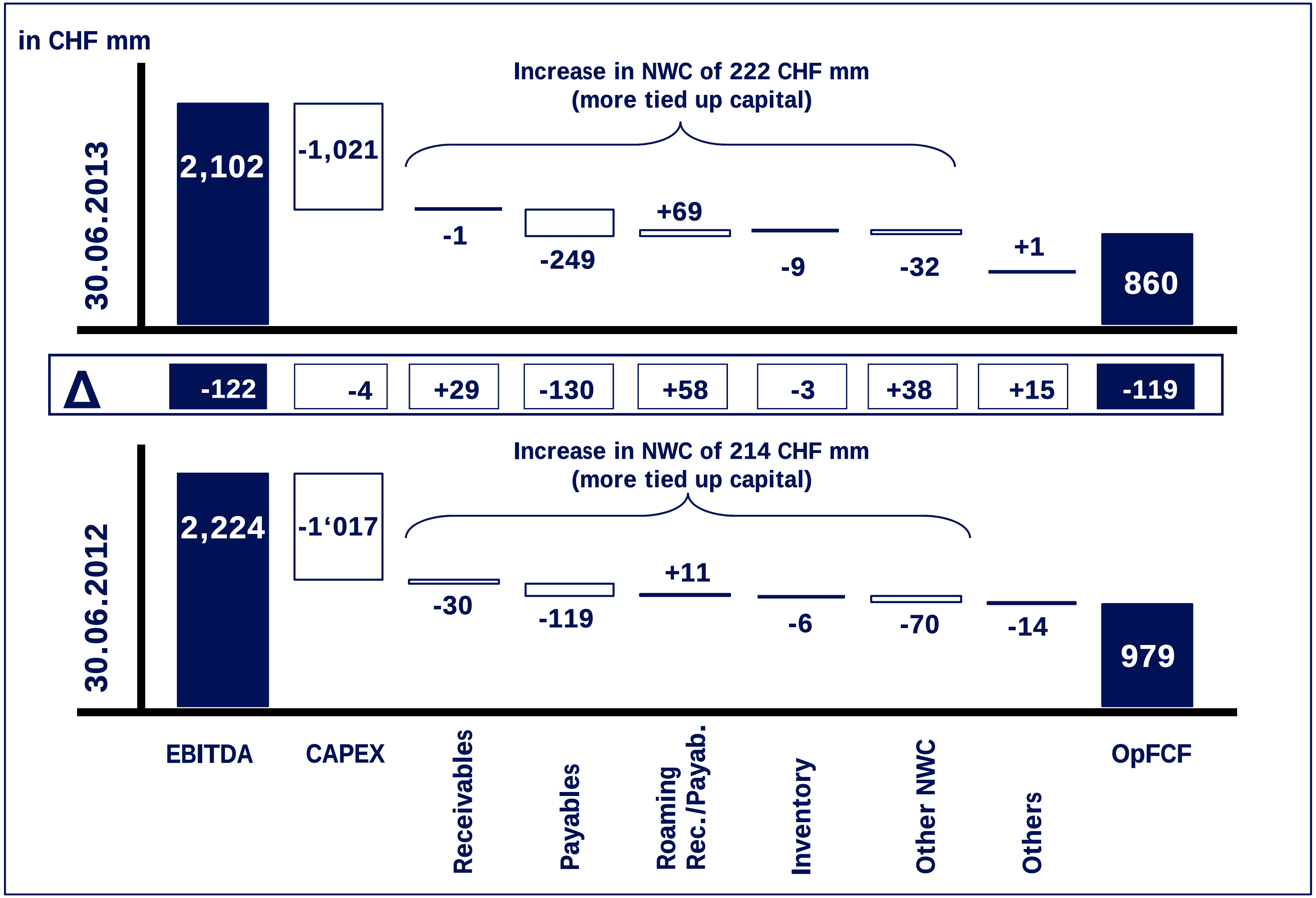


4. Group results

OpFCF

Lower EBITDA led to lower OpFCF of CHF -119 mm.

CAPEX as well as the change in net working capital are on previous year level.



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5. Segmental results

Residential

Top line up due to one off effect (acquisition).

Higher direct costs explains CM 2 decrease of CHF -51 mm (CHF -15 mm SACs, CHF -35 mm sold handsets).

The success of the infinity price plans led to a higher # of mobile postpaid subs.

# of TV subs up by +30%.

	Q2/13	Q2oQ2	30.06.2013	YoY
Net revenue in MCHF [1)]	**1'289**	**3.4%**	**2'520**	**0.8%**
Direct costs in MCHF	-329	18.3%	-633	12.8%
Indirect costs in MCHF [2)]	-229	1.8%	-446	0.0%
Contribution margin 2 in MCHF	**731**	**-1.7%**	**1'441**	**-3.4%**
Contribution margin 2 in %	*56.7%*		*57.2%*	
CAPEX in MCHF	41	13.9%	83	25.8%
FTE's	+288		4'694	5.9%
Voice lines in '000 [3)]	-32		2'173	-5.5%
BB lines in '000 [3)]	+11		1'526	3.6%
Wireless customers prepaid in '000	-16		2'180	-2.3%
Wireless customers postpaid in '000 [3)]	+24		2'475	5.1%
Blended wireless ARPU MO in CHF	34	-5.6%	33	-8.3%
TV subs in '000 [3)]	+41		873	29.9%

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

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5. Segmental results

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.

	Q2/13	Q2oQ2	30.06.2013	YoY
Net revenue in MCHF [1)]	**289**	**-1.4%**	**569**	**-2.1%**
Direct costs in MCHF	-39	14.7%	-75	10.3%
Indirect costs in MCHF [2)]	-34	0.0%	-65	0.0%
Contribution margin 2 in MCHF	**216**	**-4.0%**	**429**	**-4.2%**
Contribution margin 2 in %	*74.7%*		*75.4%*	
CAPEX in MCHF	4	33.3%	6	0.0%
FTE's	+43		735	8.2%
Voice lines in '000 [3)]	-1		518	0.0%
BB lines in '000 [3)]	+4		205	9.6%
Wireless customers in '000 [3)]	+8		571	6.5%
Blended wireless ARPU MO in CHF	74	-10.8%	72	-12.2%

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

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5. Segmental results

Corporate

Wireless with a mixed revenue result: access up (CHF +28 mm YOY) and wireless traffic voice down (CHF -35 mm YOY).

# of wireless subs up by 9% YOY; around a third is M2M (app) driven.

	Q2/13	Q2oQ2	30.06.2013	YoY
Net revenue in MCHF [1)]	**443**	**-3.3%**	**882**	**-2.6%**
Direct costs in MCHF	-95	-5.9%	-192	-3.0%
Indirect costs in MCHF [2)]	-122	0.0%	-244	0.4%
Contribution margin 2 in MCHF	**226**	**-3.8%**	**446**	**-4.1%**
Contribution margin 2 in %	*51.0%*		*50.6%*	
CAPEX in MCHF	25	19.0%	41	2.5%
FTE's	+17		2'404	1.1%
Voice lines in '000	-1		245	1.7%
BB lines in '000	+1		36	5.9%
Wireless customers in '000	+21		1'081	9.0%
Blended wireless ARPU MO in CHF	46	-14.8%	46	-13.2%

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

5. Segmental results

Wholesale

CM2 up by 4.9% (CHF +9 mm YOY) thanks to high inbound roaming volumes

	Q2/13	Q2oQ2	30.06.2013	YoY
Revenue from external customers in MCHF	146	-0.7%	295	-1.7%
Intersegment revenue in MCHF	98	6.5%	186	3.3%
Net revenue in MCHF	**244**	**2.1%**	**481**	**0.2%**
Direct costs in MCHF	-146	0.0%	-281	-2.1%
Indirect costs in MCHF 1)	-2	-50.0%	-8	-20.0%
Contribution margin 2 in MCHF	**96**	**7.9%**	**192**	**4.9%**
Contribution margin 2 in %	*39.3%*		*39.9%*	
CAPEX in MCHF	-	nm	-	nm
FTE's	+2		111	-0.9%
Full access lines in '000	-10		280	-11.7%
BB (wholesale) lines in '000	+5		201	14.2%

1) incl. capitalised costs and other income

5. Segmental results

Networks and support functions

Lower personnel expenses (CHF -9 mm YOY) driven by lower restructuring cost.

Higher Repair& maintenance as well as IT costs led to an CM2 decrease by CHF by CHF -12 mm YOY.

CAPEX of CHF 508 mm down -8.3% YOY, not reaching the high level of prior year.

	Q2/13	Q2oQ2	30.06.2013	YoY
Personnel expenses in MCHF	-183	2.2%	-360	-2.4%
Rent in MCHF	-46	2.2%	-92	0.0%
Maintenance in MCHF	-50	6.4%	-92	5.7%
IT expenses in MCHF	-78	5.4%	-152	4.8%
Other OPEX in MCHF	-68	15.3%	-136	4.6%
Indirect costs in MCHF	-425	5.2%	-832	1.1%
Capitalised costs and other income in MCHF	45	-2.2%	90	-3.2%
Contribution margin 2 in MCHF	**-380**	**6.1%**	**-742**	**1.6%**
Depreciation, amortisation and impairment in MCHF	-231	6.5%	-455	4.8%
Segment result in MCHF	**-611**	6.3%	**-1'197**	2.8%
CAPEX in MCHF	283	5.2%	508	-8.3%
FTE's	-24		4'400	2.0%

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5. Segmental results

FASTWEB

Volume market (Consumer)

- *The overall Italian market performance in Q2 (-31k net adds) has decreased due to seasonality effects vs Q1 2013 (+80k net adds)*
- *Preliminary Q2 results confirm Fastwebs' leadership with 26k net adds (+37% YoY)*
- *Customer base growth +13% YoY mainly driven by Home Pack and SHP sales performances*

Q2 2013 closing net adds by operator ('000)

Value market (Executive/Wholesale)

- *Overall orderbook lower than PY (51.5 MEUR vs 63.2 MEUR), due to 13.4 MEUR of one-off deals of Q2 2012*
- *Good performance on the win rate of corporate negotiations at 64% (by value)*
- *Main contracts signed in Q2 2013 were Unicredit (0.8 MEUR), Italian Police Force (2.2 MEUR), Miroglio (2.4 MEUR)*
- *Order intake on ICT VAS services (Managed Services, Cloud, Housing, Security) was 8 MEUR with leads in the range of 9 MEUR*

Q2 commercial performance was solid across all market segments

Source: Internal analysis based on Between preliminary estimate - July 2013

5. Segmental results

FASTWEB

Continuously improving commercial performance in the volume market …

26k net adds vs. 19k in 2Q 2012 (37% YoY growth) indicate that FASTWEB go-to-market strategy is paying off

…is supporting BU consumer revenue increase

BU Consumer revenues are up by 8 MEUR YoY, suggesting that the turnaround is gaining momentum

In the value segment performance remains stable…

BU Enterprise order book lower than PY due to two single one off contracts acquired in 2012 (Terna and Ministero della Pubblica Istruzione). Revenues are up by 1 MEUR, with material traffic reduction offset by an increase in recurring fees and marginality.

EBITDA is in line

Excluding higher costs related to growth (10.8 MEUR additional SAC), EBITDA is in line.

Capex decrease

Excluding FTTS roll out (30 MEUR), Capex are down by 16 MEUR YoY despite 6 MEUR incremental investments due to higher commercial performance (+45k activation YoY).

Q2 results were mostly in line with expectations

5. Segmental results

FASTWEB

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

EBITDA decrease YOY fully driven by higher growth-related costs in 2013.

W/o FTTS roll out, CAPEX decrease for MEUR 16 YOY.

# of BB customers up by 12.8 % YOY.

	Q2/13	Q2oQ2	30.06.2013	YoY
Consumer revenue in MEUR	186	2.2%	372	2.2%
Enterprise revenue in MEUR	193	-1.5%	371	-2.1%
Wholesale revenue in MEUR [1)]	33	-36.5%	67	-39.1%
Net revenue in MEUR [1)]	**412**	**-4.2%**	**810**	**-5.0%**
of which net revenue excl. hubbing in MEUR	401	-0.2%	785	-1.6%
OPEX in MEUR [2)]	-299	-2.3%	-600	-3.2%
EBITDA in MEUR	**113**	**-8.9%**	**210**	**-9.9%**
EBITDA margin in %	*27.4%*		*25.9%*	
CAPEX in MEUR	130	12.1%	256	12.3%
OpFCF Proxy in MEUR	-17	n.m.	-46	n.m.
FTE's	-10		2'379	-21.5%
In consolidated Swisscom accounts				
EBITDA in MCHF	139	-6.7%	258	-7.9%
CAPEX in MCHF	160	14.3%	315	14.5%
BB customers in '000	+26		1'887	12.8%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

5. Segmental results

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 9.7%.

	Q2/13	Q2oQ2	30.06.2013	YoY
Swisscom IT Services in MCHF	158	21.5%	287	7.1%
Group Related Business in MCHF	79	3.9%	153	7.7%
Hospitality Services in MCHF	16	-5.9%	27	-15.6%
Other in MCHF	8	-11.1%	17	-10.5%
External revenue in MCHF	261	12.5%	484	5.0%
Net revenue in MCHF 1)	**454**	**6.8%**	**866**	**1.6%**
OPEX in MCHF 2)	-368	5.1%	-707	0.0%
EBITDA in MCHF	**86**	**14.7%**	**159**	**9.7%**
EBITDA margin in %	*18.9%*		*18.4%*	
CAPEX in MCHF	38	-22.4%	76	-10.6%
FTE's	+297		4'802	6.5%

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

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6. Guidance

Revenue guidance is increased from ~11.3 bln CHF to > 11.4 bln CHF, on the back of around CHF 150 mm extra revenues from recent acquisitions. Effect on EBITDA from these in 2013 will still be marginal (esp. due to PMI cost), therefore no change to EBITDA guidance (nor in Capex)

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 restated**)	>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:

1. The increase to a majority stake of Cinetrade (in the segment Residential) and the acquisition of Entris (in the Segment Other under IT Services) will add some CHF 150 mm to revenues in 2013, bringing up original guidance of around CHF 11.3 bln to newly over CHF 11.4 bln
2. No significant changes in core revenues (without before mentioned acquisitions) expected compared to previous guidance

CAPEX 2013, unchanged:

1. CHF 0.1 bln higher compared to 2012 at Swisscom w/o Fastweb, partly to catch up with the CHF 50 million lower than expected investments in 2012
2. € 0.1 bln higher compared to 2012 at Fastweb exclusively due to roll out of fibre technology

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

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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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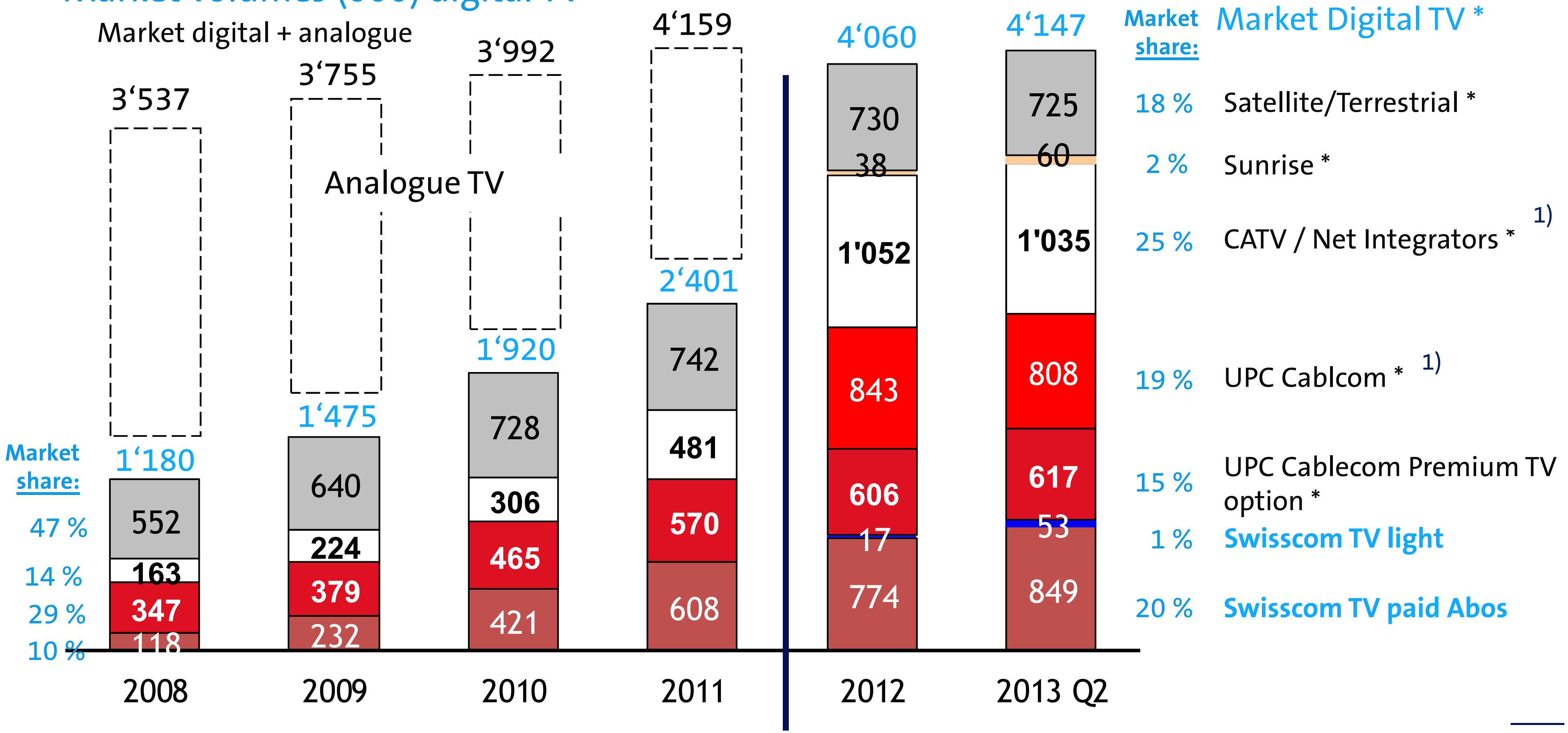
Attachm. TV market Switzerland

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 Q2

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

Attachm. RGU’s

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

YTD, (Change to 30.06.2012 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
1P	Single Play	289 (+44)	2,207 (-258)	878 (-117)	5,943 (+58)	1	9,317	(-273) (-2.8%)
Bundles	2Play	264 (+27)				2	528	(+54) (+11.4%)
	3Play	451 (+77)		and 18 additional Mobile Subs		3	1,371	(+227) (+20%)
	4Play	174 (+86)				4	696	(+344) (+98%)
	Revenue Generating Units	902 (+208) (+30%)	2,936 (-122) (-4.0%)	1‘767 (+73) (+4.3%)	6,307 (+193) (+3.2%)		11,912	**(+352)** (+3%)

Number of Revenue Generating Units growth 3% yoy

swisscom

Attachm. ARPU

YTD, (Change to 30.06.2012 in brackets)

		TV (incl. VOD and Pay per View)	Fixed Voice & Access	Broadband [1]	Mobile [2]	Number of products in Bundle	Weighted average per underlying product [1,2]
1P	Single Play	22 (-5)	52 (-1)	37 (-1)	39 (-4)	1	41 (-3)
Bundles	2Play	113 (+3)				2	56 (+2)
	3Play	135 (+5)				3	45 (+2)
	4Play	215 (-11)				4	54 (-3)
Total weighted average		45 (-2)					45 (-2)

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)

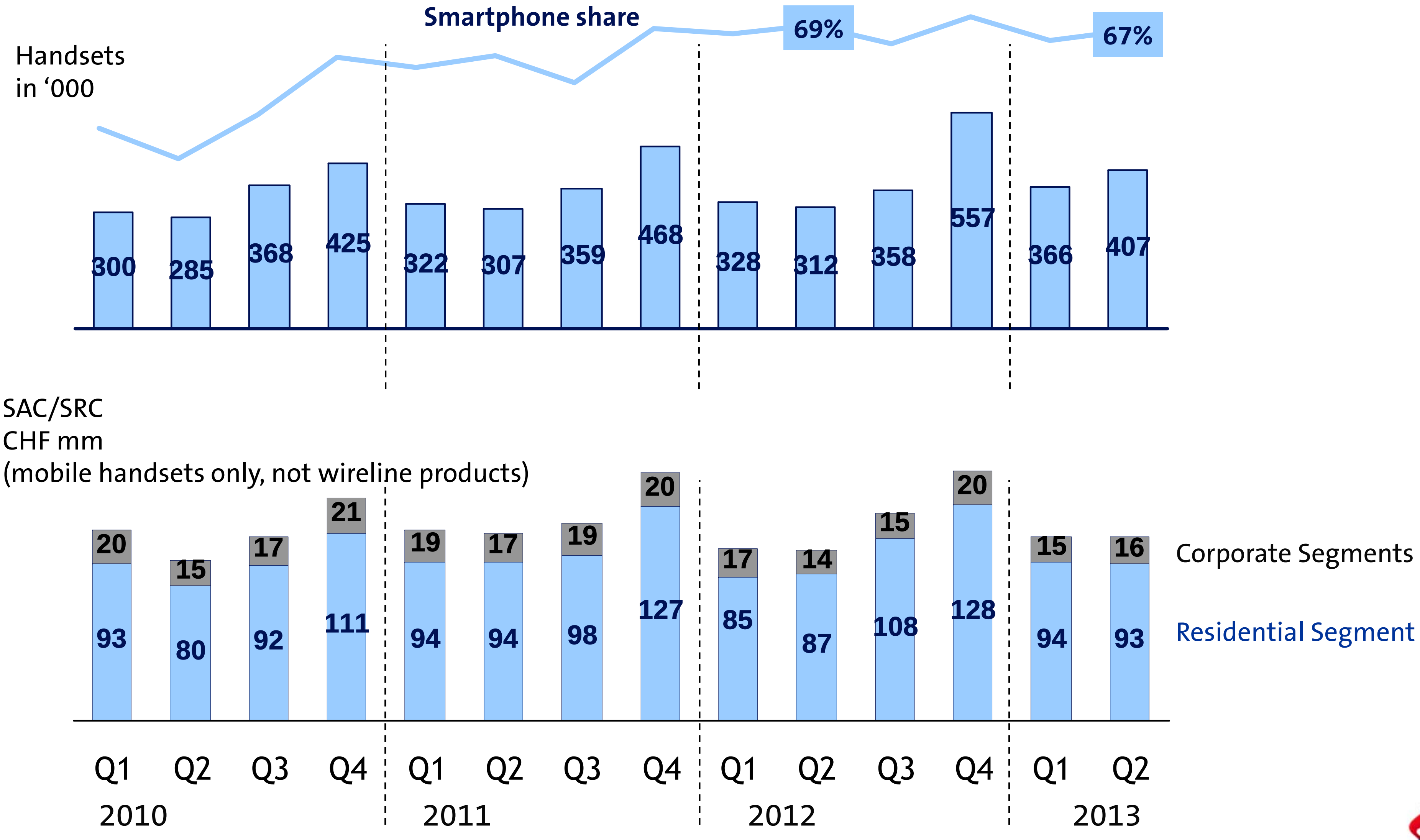
Net revenues (CHF mm)

YTD, (Change to prior year in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
1P	Single Play	37 (+0)	704 (-97)	389 (-35)[1]	1,369 (-119)	2,499	(-251) (-9.1%)
Bundles	2Play	176 (+18)				176	(+200) (+38%)
	3Play	347 (+77)				347	
	4Play	202 (+105)				202	
Net Revenue Bundle + 1P						3,224	(-51) (-1.6%)

1) Incl. revenues for business networks/internet of CHF 189 mm which are not inkluded in Retail Broadband ARPU

Attachm. Handsets & SACs



Higher volume of sold handsets in Q2 2013 compared to previous years Q2.