## Agenda “Swiss-common Sense”

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A. Swiss-common Sense - Big Picture

1. Customer demand
   - Single unconnected services (1P)
   - Multiple interconnected services, always-on (bundles)

2. Competition
   - Local
   - Global

3. Technology & Infrastructure
   - Switched
   - IP

4. Business Model
   - Market share will always stay crucial while business moves
     a. Telco
     b. Usage
     c. Single
     a. ICT
     b. Subscription
     c. Bundle
Customers increasingly desire “total connectivity”: everywhere and always-on through multiple devices with no synch issues. Making customers’ digital life easier is going to be a major business case.
2. Swiss-common Sense - Competition

Local

Local operators will always stay important as unique points of physical access to networks (internet). In terms of services offered, they will however get additional competition from asset-light OTT providers.

Global

OTT's can quickly rise - and fall. A customer needs to rely on the quality of local access networks to access OTT services, which can easily be replaced by alternative services.

IP makes competition global - “anyone” can compete by offering smart communication solutions (“apps”) at virtually no cost by using the internet.
3. Swiss-common Sense - Technology & infrastructure

Switched (separate) TDM platforms

PSTN
ISDN
ADSL
VPN

All IP

Migration to all IP platform
- Process to be completed by 2017/2018
- Cost savings to materialise from 2018
- Lower opex (esp. maintenance and energy, and reduced cost for running own systems plus customer services in own cloud))
- Lower capex (real estate and less active equipment in exchanges)
- Cloud services to be offered externally (SaaS, Paas, IaaS) to generate new business esp. in Switzerland and Italy

Shifting focus: moving from a switched to an all-IP world in the Cloud designed to improve service levels at lower costs.
4. Swiss-common Sense - Business model continues to focus on market share!

- **Wireless**
  - Orange: 20%
  - Sunrise: 22%
  - Swisscom: 58% (+0.6pp)
  - Postpaid: 64%
  - Prepaid: 50%

- **Broadband**
  - Cable Operators: 33%
  - Swisscom Wholesale: 13%
  - Swisscom Retail: 54% (+0pp)

- **Digital TV**
  - UPC Cablecom: 32%
  - Antennas: 3%
  - Other Cable: 24%
  - Sunrise: 2%
  - Satellite: 13%
  - Swisscom: 26% (+3.3pp)

Swisscom estimates as per Q3 2014

TV with increasing market share importance and bundling power for Swisscom
4a. Swiss-common Sense - Business model extends

Moving from a few (pure TELCO) to multiple sources of (Telco and ICT) revenues is key to generate future growth.
Less need to charge by unit, as variable cost (e.g. roaming outpayments) evaporate
4b. Swiss-common Sense - Business model migrates

Usage based,
mostly for 1P services

Subscription based,
increasingly for bundles

CHF mm per quarter, Swisscom Switzerland traffic & access revenues

Usage revenues
(1P Traffic & VAS)
10%?
90%?

Subscription revenues (1P access + Bundles)

„10-year“ challenge: replacing over CHF 3 bln annual usage revenues (50% of total access & traffic in Switzerland) with at least the same in subscription revenues
4c. Swiss-common Sense - Business model moves

Mobile moves to all-in pricing

Infinity tariff program:
- Pricing differentiating on speed only
- 61% of postpaid customers (RES, SME) now on Infinity
- Changers to Infinity generating CHF 9/month (10%) higher ARPU
- Best tool to beat competition (both local and global)

Subscription based (price/access or speed, both for 1P and bundles)

Esp. wireline services move to bundling

Introducing new pricing paradigms and attractive bundles to make the threat of free-to-use OTT apps irrelevant to telco operators while increasing contract value
5. Swiss-common Sense - Outcome & Outlook

Outcome of a “common-sense” strategy starts to become visible in results

2014 Group expectations (Δ % YoY):
- Revenues CHF 11.5 bln (+0.6%)
- EBITDA CHF >4.4 bln (+2.3%)
- Capex CHF 2.4 bln (+0%)
- DPS CHF 22/share, representing a >4% yield in CHF
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### B. 9m results 2014 - RGU’s Swisscom Switzerland (SCS)

#### Swisscom Switzerland

<table>
<thead>
<tr>
<th>Bundles</th>
<th>Access Lines/Subs/Products (000)</th>
<th>Fixed Voice &amp; Access</th>
<th>Broadband</th>
<th>Mobile</th>
<th>Number of products in Bundle</th>
<th>Sum</th>
<th>Δ</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>TV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1P</td>
<td>Single Play</td>
<td>246 (-35)</td>
<td>1,902 (-240)</td>
<td>718 (-125)</td>
<td>6,015 (+59)</td>
<td>1</td>
<td>8,881 (-341) (-3.7%)</td>
</tr>
<tr>
<td></td>
<td>2Play</td>
<td></td>
<td>302 (+32)</td>
<td></td>
<td></td>
<td>2</td>
<td>604 (+64) (+11.9%)</td>
</tr>
<tr>
<td></td>
<td>3Play</td>
<td>609 (+130)</td>
<td>and 27 additional Mobile Subs</td>
<td></td>
<td></td>
<td>3</td>
<td>1,854 (+397) (+27%)</td>
</tr>
<tr>
<td></td>
<td>4Play</td>
<td>242 (+53)</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>968 (+212) (+28%)</td>
</tr>
<tr>
<td></td>
<td>Revenue Generating Units</td>
<td>1,125 (+182)</td>
<td>2,811 (-94)</td>
<td>1,872 (+91)</td>
<td>6,499 (+153)</td>
<td>12,307 (+332) (+3%)</td>
<td></td>
</tr>
</tbody>
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### B. 9m results 2014 - ARPU Swisscom Switzerland (SCS)

#### Swisscom Switzerland
YTD, (Change to 30.09.2013 in brackets)

<table>
<thead>
<tr>
<th>Bundles</th>
<th>1P</th>
<th>Single Play</th>
<th>Number of products in Bundle</th>
<th>Weighted average per underlying product</th>
</tr>
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<tr>
<td>1P</td>
<td><strong>Single Play</strong></td>
<td><strong>Mobile</strong></td>
<td><strong>Fixed Voice &amp; Access</strong></td>
<td><strong>Broadband</strong></td>
</tr>
<tr>
<td><strong>1P</strong></td>
<td>16 (+0)</td>
<td>39 (-1)</td>
<td>51 (-1)</td>
<td>36 (-1)</td>
</tr>
<tr>
<td><strong>2Play</strong></td>
<td>2</td>
<td>1</td>
<td>55 (-1)</td>
<td></td>
</tr>
<tr>
<td><strong>3Play</strong></td>
<td>3</td>
<td>1</td>
<td>46 (+1)</td>
<td></td>
</tr>
<tr>
<td><strong>4Play</strong></td>
<td>4</td>
<td>1</td>
<td>52 (-2)</td>
<td></td>
</tr>
</tbody>
</table>

1) ARPU Base Fee  
2) ARPU excl. Business Networks  
3) ARPU excl. Mobile Termination
B. 9m results 2014 - Net revenue bundle + 1P SCS

Net revenues (CHF mm)
YTD, (Change to 30.09.2013 in brackets)

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<td>1P</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Single Play</td>
<td>67 (+5)</td>
<td>901 (-136)</td>
<td>524 (-53)</td>
<td>2,080 (-9)</td>
<td>3,572</td>
<td>(-193) (-5.1%)</td>
</tr>
<tr>
<td>2Play</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>277 (+9)</td>
<td></td>
<td></td>
<td></td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>3Play</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>714 (+176)</td>
<td></td>
<td></td>
<td></td>
<td>714</td>
<td>(+276) (+24.4%)</td>
</tr>
<tr>
<td>4Play</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>414 (+91)</td>
<td></td>
<td></td>
<td></td>
<td>414</td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenue Bundle + 1P</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>4,977</strong></td>
<td><strong>(+83) (+1.7%)</strong></td>
</tr>
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</table>

1) includes impact from acquisition Cinetrade.
2) including revenues for business networks/internet which are not included in retail broadband ARPU
B. 9m results 2014 - Group revenue breakdown

Without FX, hubbing and M&A effects, revenue went up CHF 127mm YOY (1.5%).

Underlying top-line of Fastweb went up by CHF 38mm YOY, all segments with increase.

(a) Hubbing Fastweb (CHF -41mm)
(b) Acquisitions (CHF +72mm), Hubbing Fastweb (CHF +24mm), change exchange rate (CHF -16mm, weakening of Euro against Swiss Franc of 1.1%)
B. 9m results 2014 - Group EBITDA breakdown

EBITDA w/o exceptionals up CHF 60mm YOY.

EBITDA of Swisscom Switzerland w/o exceptionals up CHF 18mm.

(a) Without release of provisions restructuring (CHF +10mm)
(b) Without M&A (+15mm), additional gain on sale of real estate (+50mm), lower pension cost (+14mm), change exchange rate (CHF -5mm, weakening of Euro against Swiss Franc of 1.1%)
B. 9m results 2014 - Group net result

In the first nine months 2014, net income of the group amounts to CHF 1,349 mm.

Earnings per share equals to CHF 25.85.
Due to our rating and the favourable interest environment, Swisscom benefits from very attractive funding conditions.
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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.

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