Swisscom: ‘investing for sustainable returns’

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Agenda

1. Vision

2. Strategy

3. Execution

4. Organisation

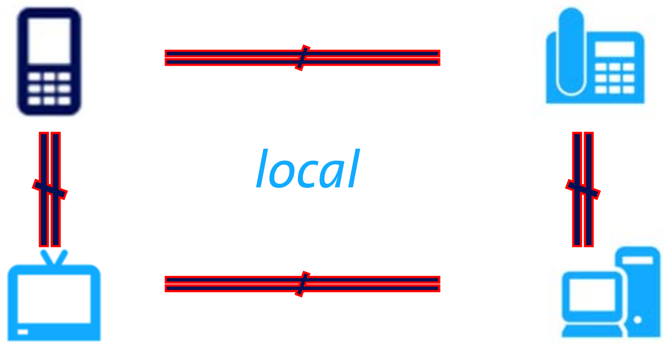
5. Q3 results 2013

Embracing changes by IP adoption

IP makes customer choice and competition global

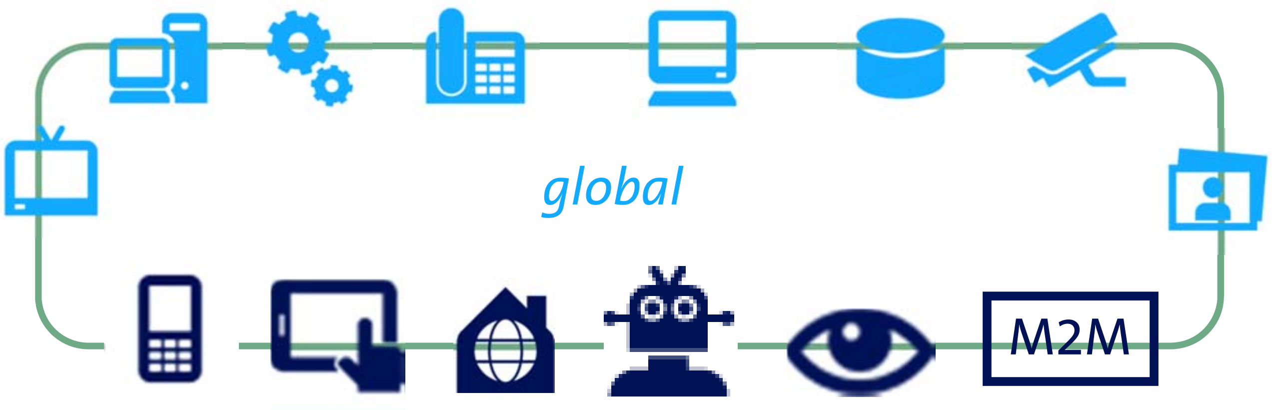
Pre "IP", customers could only use local (domestic) services, offered by local providers

Individual – unconnected – services offered only by local provider: mobile telephony, fixed telephony, early internet (dial up), (analogue) TV



Now that IP is omnipresent, a whole range of alternatives to traditional products becomes available to customers, especially through global "Over The Top" (OTT) providers. This turns local into global competition

Many – connected – services offered by both local and global providers

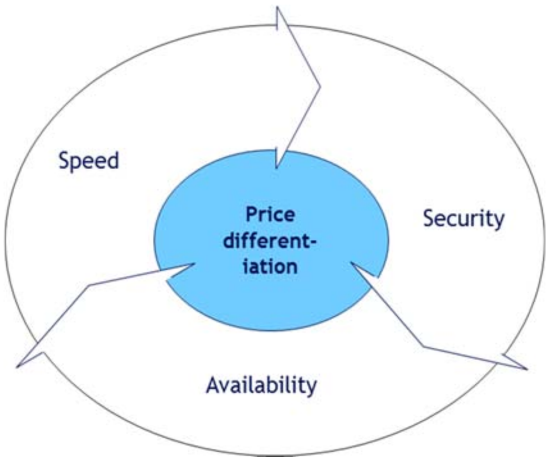


Embracing changes by IP adoption

Global competitors don’t need to invest locally

OTT providers can offer their services globally – by using local internet access at “no cost”

The “only” reason for customers to buy local providers’ products is the quality of access



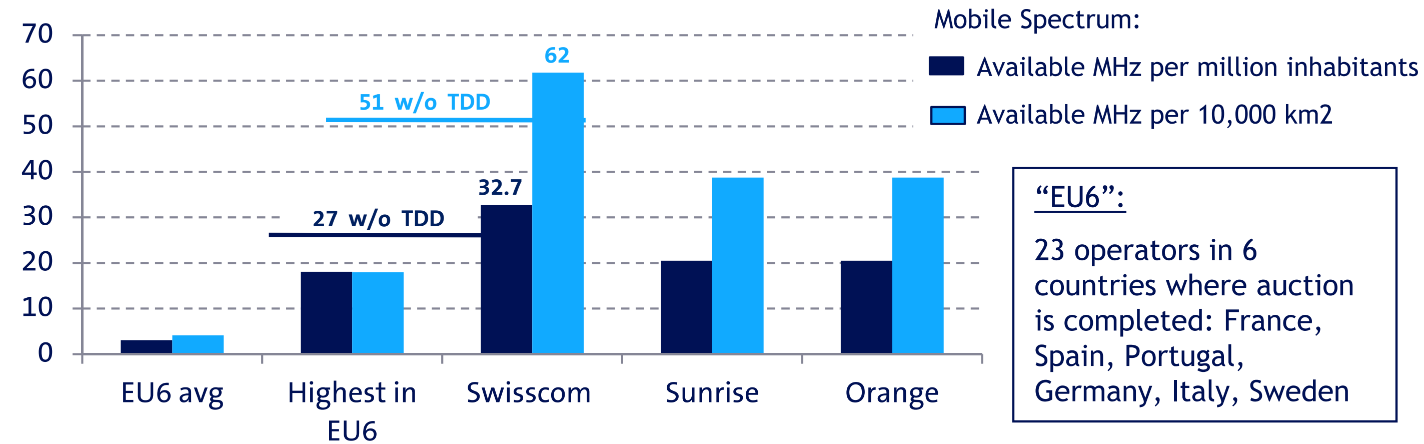
To have first-class experience, the quality of local networks (speed, latency, availability security) will become increasingly important to customers – and the key price differentiation tool

OTT’s can be easily replaced, local networks cannot. Provided sufficient investment into quality takes place, the local business is far more sustainable

Investing into local networks & services

Quality of networks is key for best user experience

Swisscom has more mobile spectrum (i.e. capacity) available then anyone else

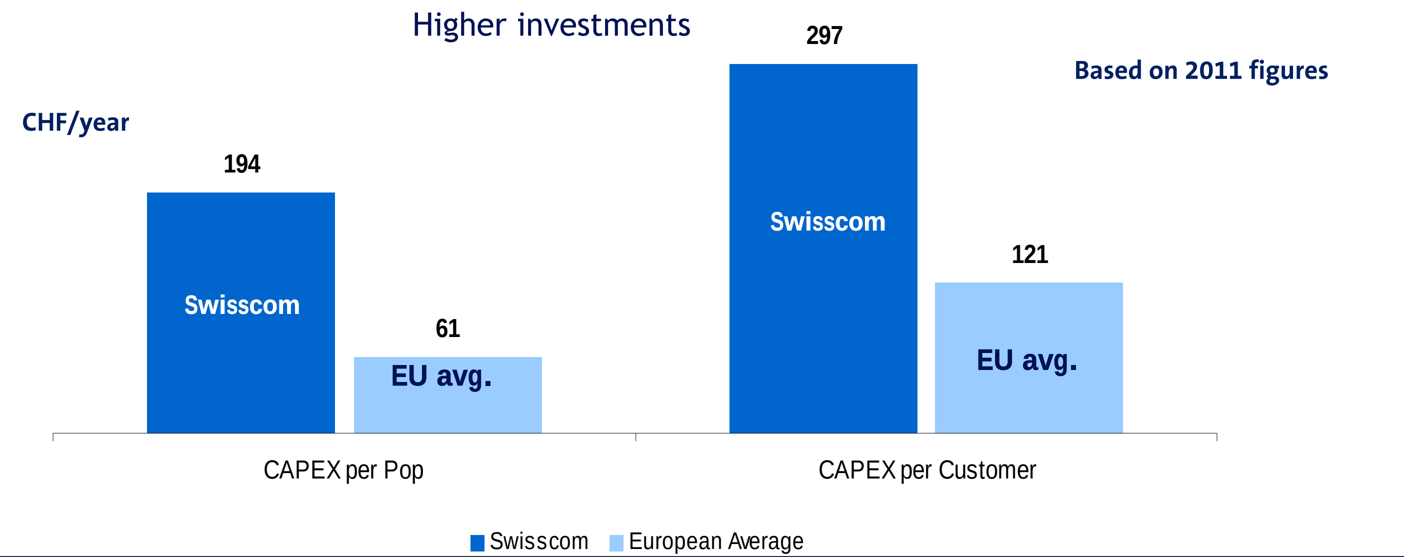


"EU6":

23 operators in 6 countries where auction is completed: France, Spain, Portugal, Germany, Italy, Sweden

With 255 MHz spectrum across all bands (45 of which are TDD), Swisscom has the highest capacity available of all European operators. Both on per POP and km2 basis. This helps in creating the best user experience

Swisscom has invested more than anyone else in (the quality of) its domestic networks



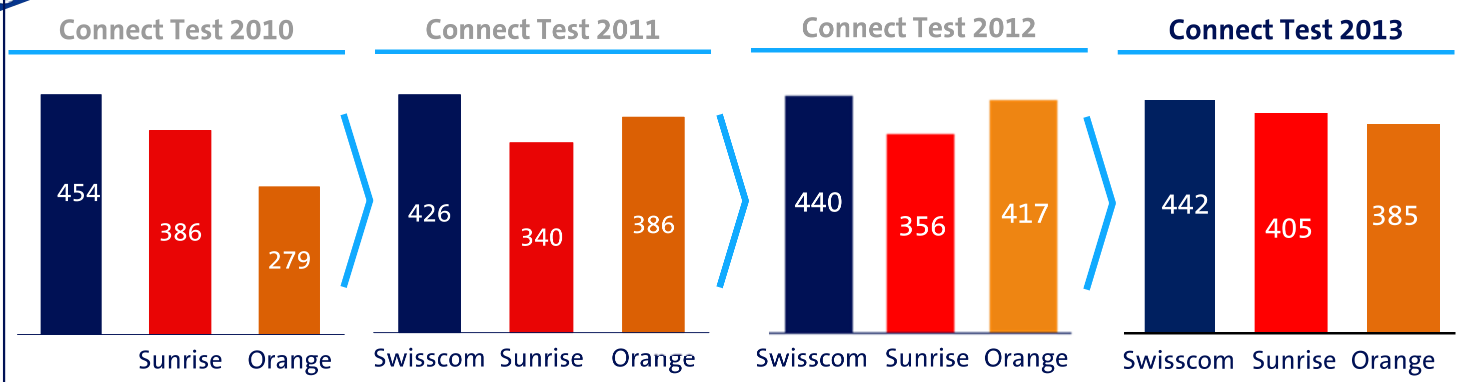
Investing into local networks & services

Result of long track record of investments pays off

Multiple sources confirm Swisscom's strength of network performance internationally

- Number 1 in Europe in delivery of average speed *(Akamai study)*
- Number 2 in Europe in delivery of peak speed
- Number 1 in Europe in delivery above 4 and above 10 Mbps
- Best LTE performance in Europe *(Gartner)*
- 4th best on ICT access among 137 countries *(Insead, global innovation index)*
- Number 1 in Switzerland in quality of mobile networks *(Connect tests 2009-2012)*

Also domestically, the (network) performance is uncontested



"Swisscom also in 2013 impressively demonstrates its superiority"

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Investing into local networks & services

Quality in Italy also delivers higher market share of net adds

Quality of Fastweb's network unbeaten in Italy

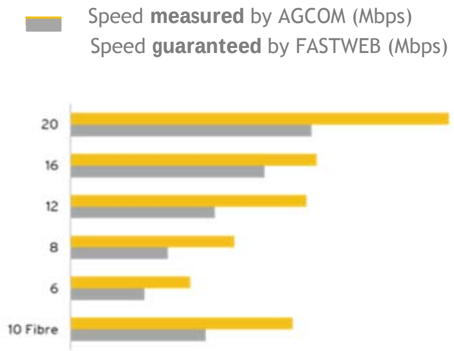
Network KPIs indicate that FASTWEB operates the **most performing** and **reliable infrastructure** in Italy…

+400%

The average Internet traffic of FASTWEB customers increased 5x over the last three years

2x

This was twice the average growth recorded in the market



AGCOM certified that connection speeds on FASTWEB network are the highest and most reliable in Italy

26%

FASTWEB invests over one fourth of its revenues

15%

Average capex/sales ratio of Italian wireline competitors

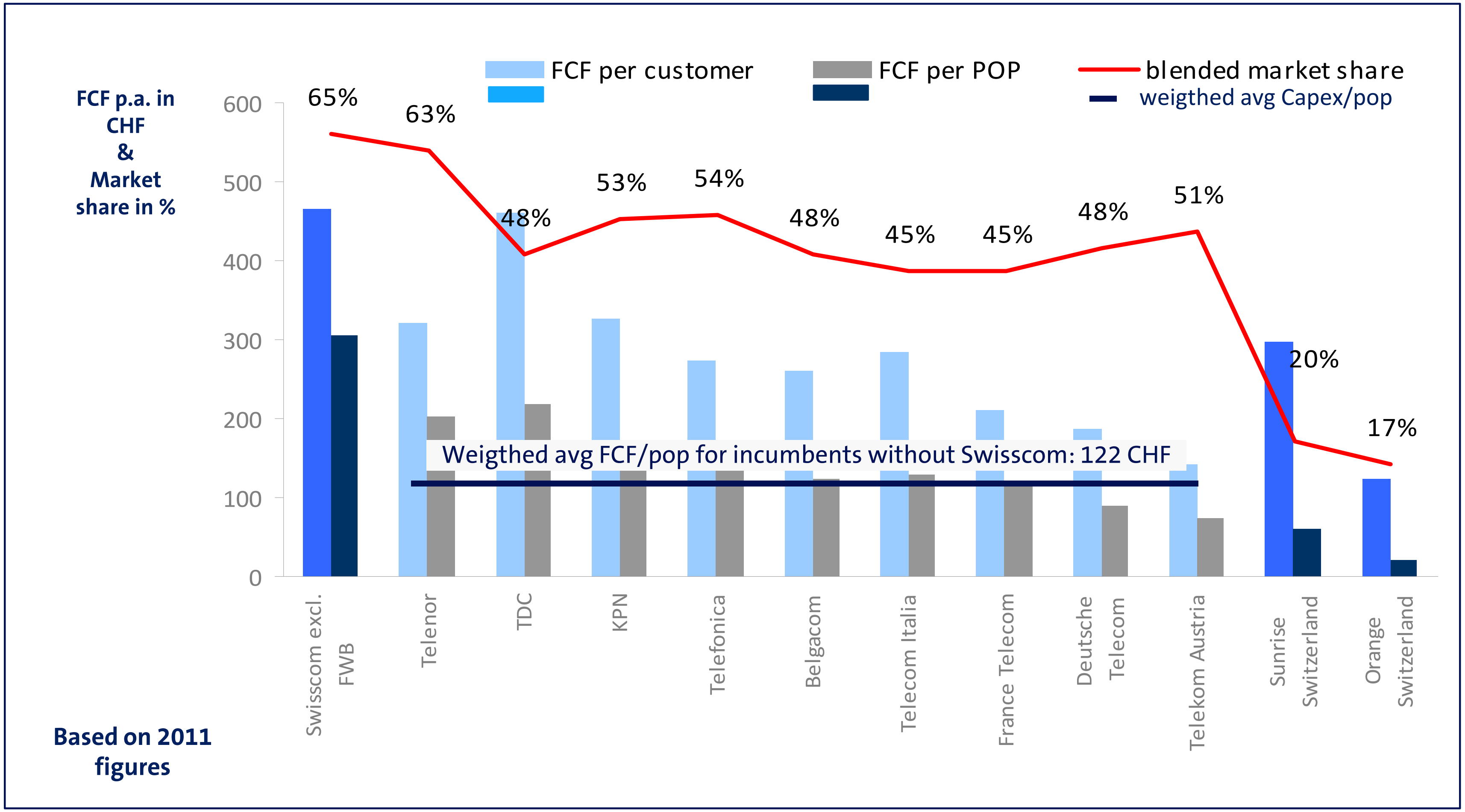
Leading to situation where only Fastweb's customer base is growing

Q2 2013 net adds by operator ('000)

Different markets, similar approach: rolling out Fibre To The Street (FFTS) aggressively to stay ahead of competition, and grow market share

Making money in a fixed cost business is about scale & share

Blended market share and FCF correlate, also internationally



Providers with high market share also create highest FCF per customer and per POP

Leveraging new tariff paradigms

IP has changed what and how operators can charge for usage

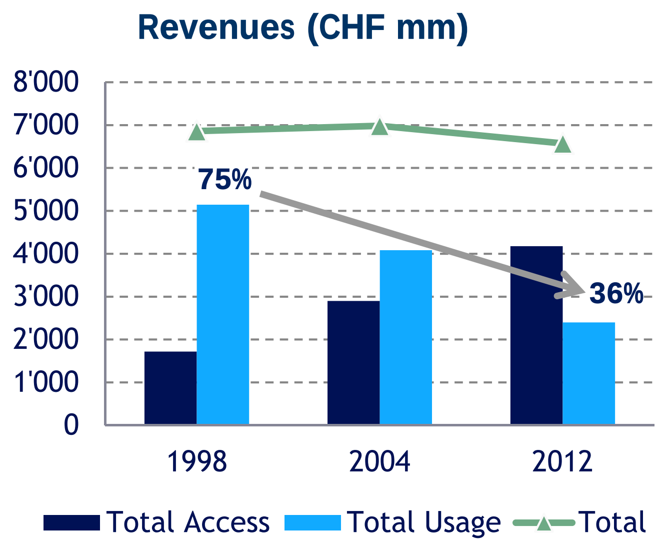
In the "old" switched "TDM" world (1998):

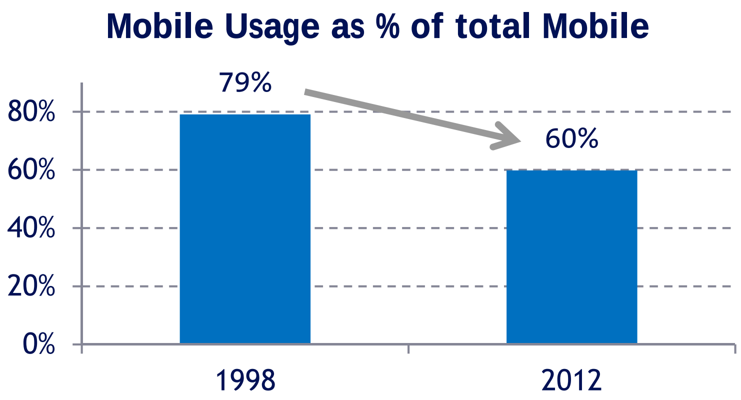
- CHF 5.1 bln out of total 6.9 bln revenues were usage based: 75%
  - for Mobile this was 79%
  - for Fixed this was 74%

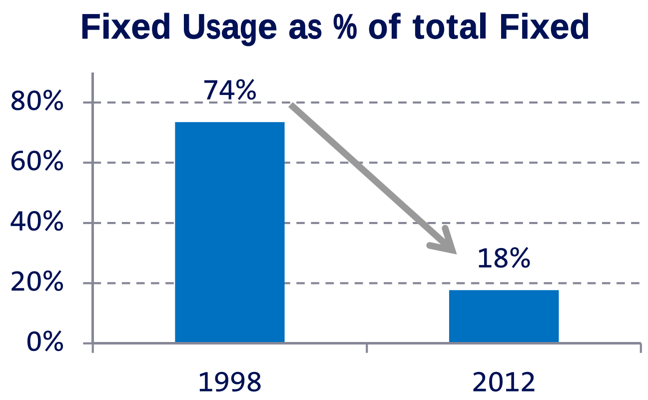
In the "transitional phase" now (2012):

- CHF 2.4 bln out of total 6.6 bln are usage based: 36%
  - for Mobile this is 60%
  - for Fixed this is 18%

With proliferation of IP based services, this trend will continue going forward





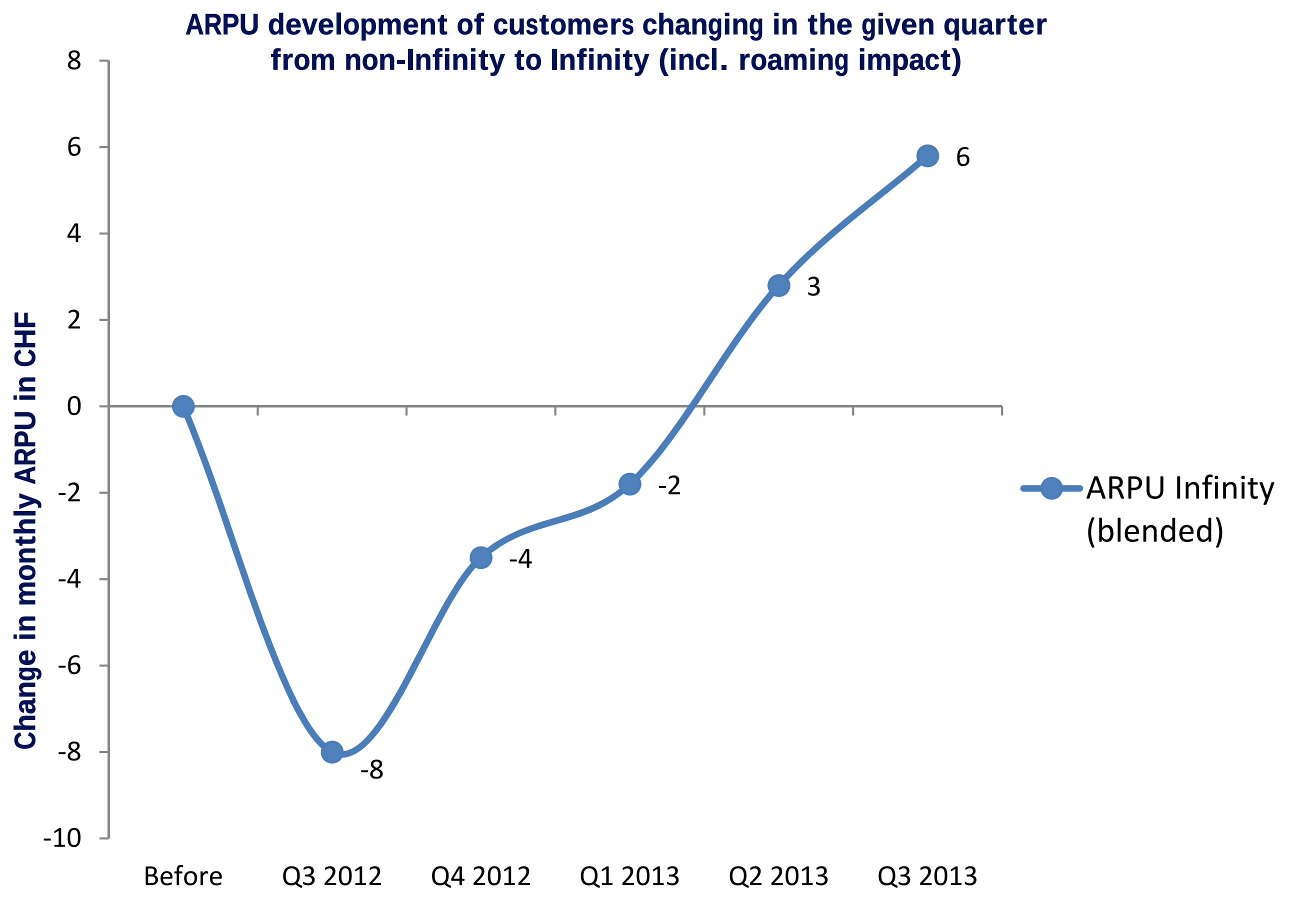


To "survive" operators will have to stop charging on the base of usage – and move to fixed monthly fees

Infinity driving ARPU uptick

Strong continuation of positive ARPU trend

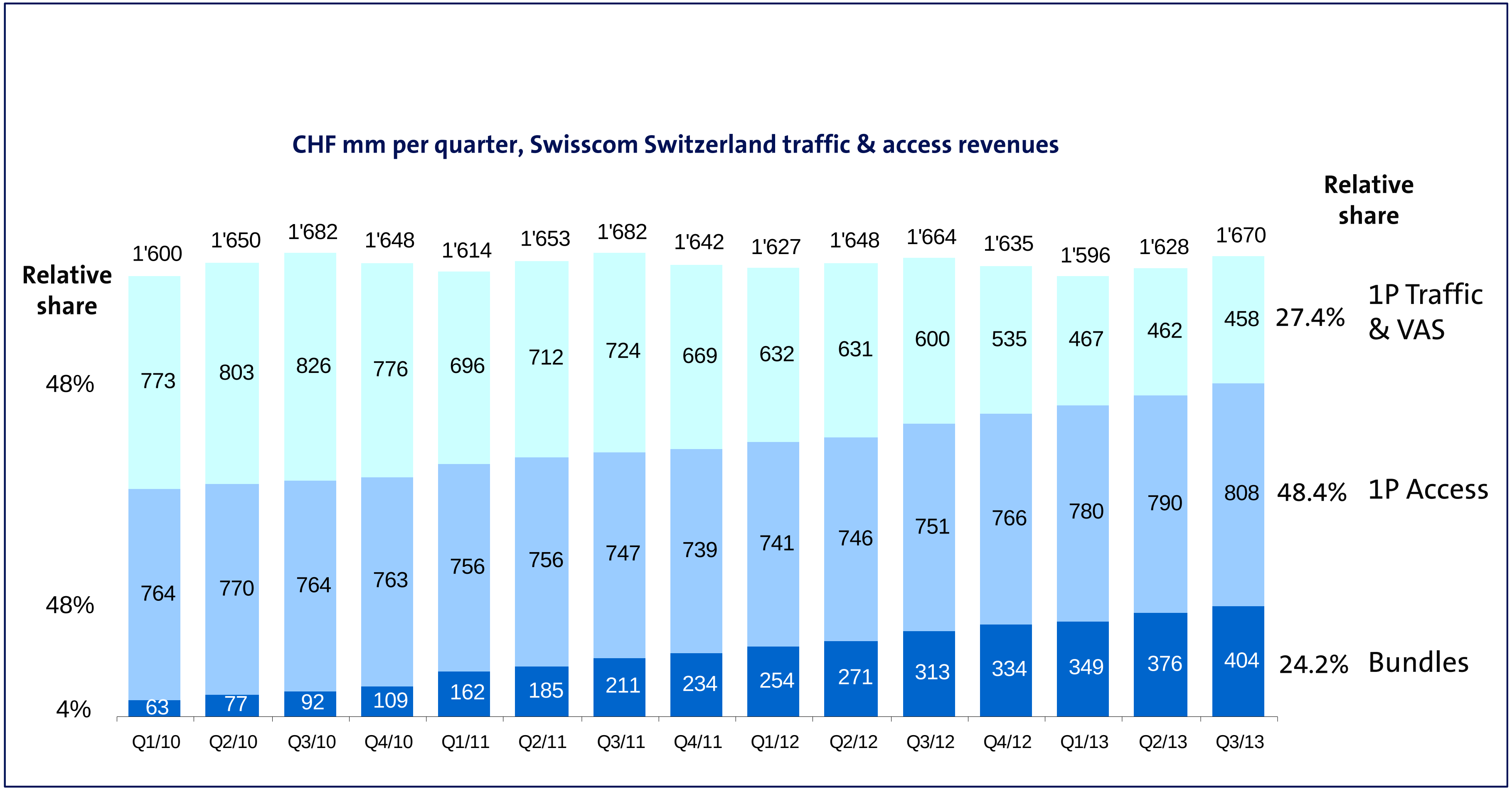
With obvious right graders having moved in the quarters after introduction of the new plans, now customers are moving who value speed and predictability of bill. Within Infinity, the rate of upgraders starts to become higher than the rate of downgraders (around 60/40 in Q3)



Infinity instrumental to stop long term price erosion going forward

Offering smart bundles

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.
All usage based traffic revenues will disappear over the next 3 to 5 years
Bundles will become increasingly important to generate higher customer life time value

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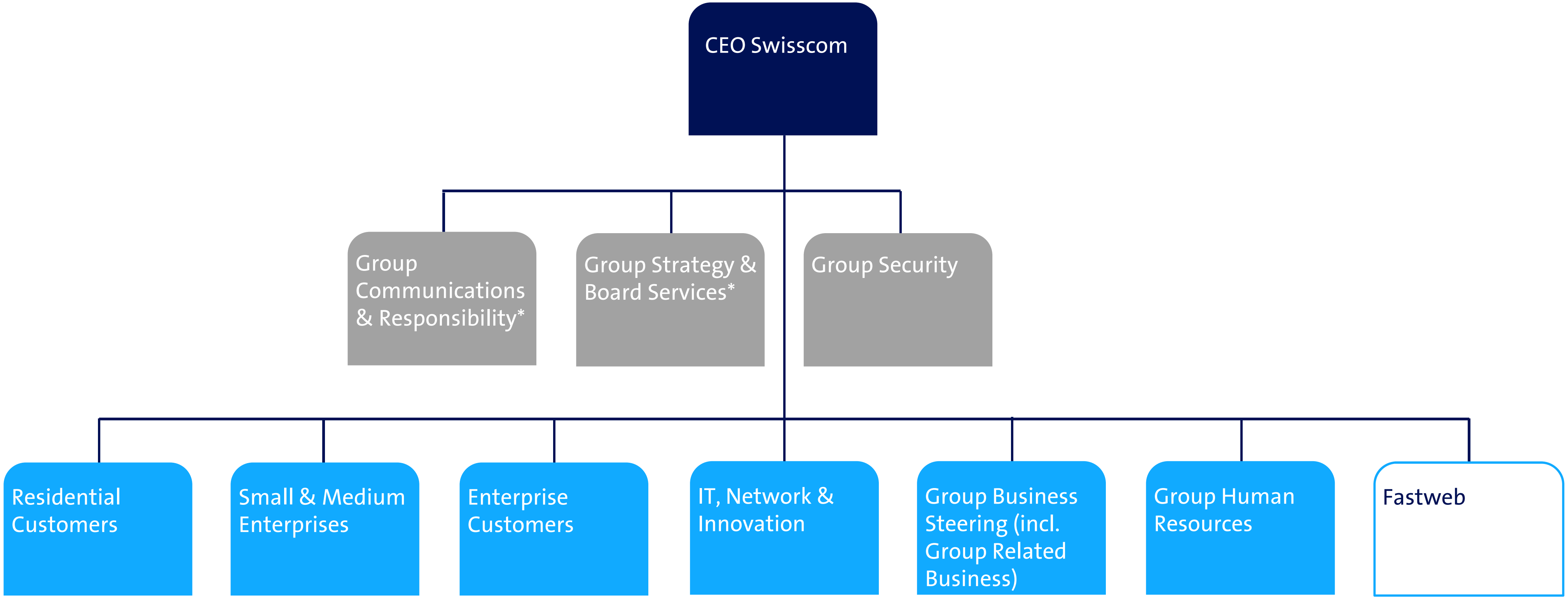
Organisational change, creating “Enterprise Customers” unit and “delayering” Swisscom Switzerland

Simplifying the previous structure



Member of Executive Board
Support units
Group Company

* Guests in Executive Board

All managerial positions to be taken by existing senior Swisscom staff

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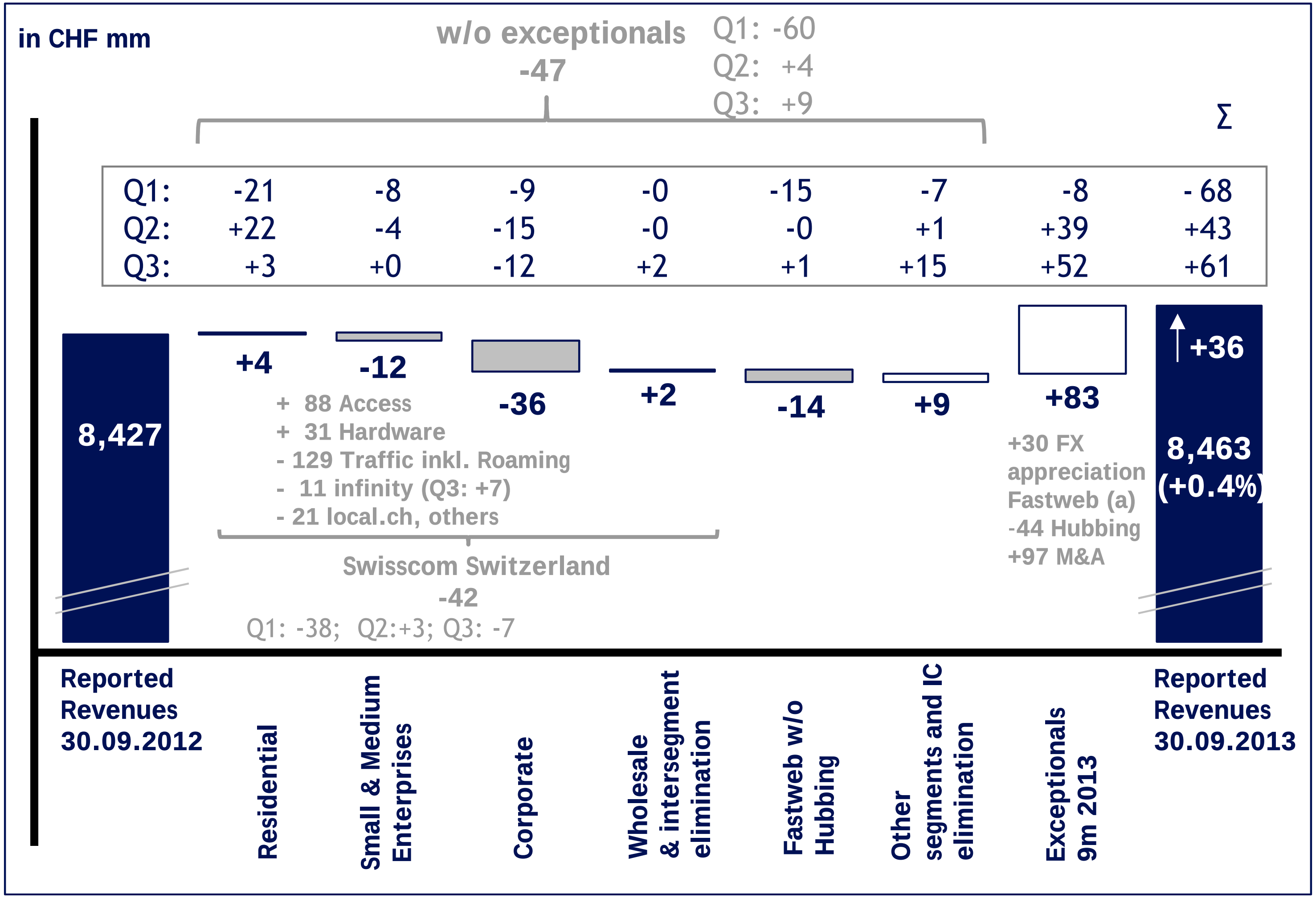
Group results

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%

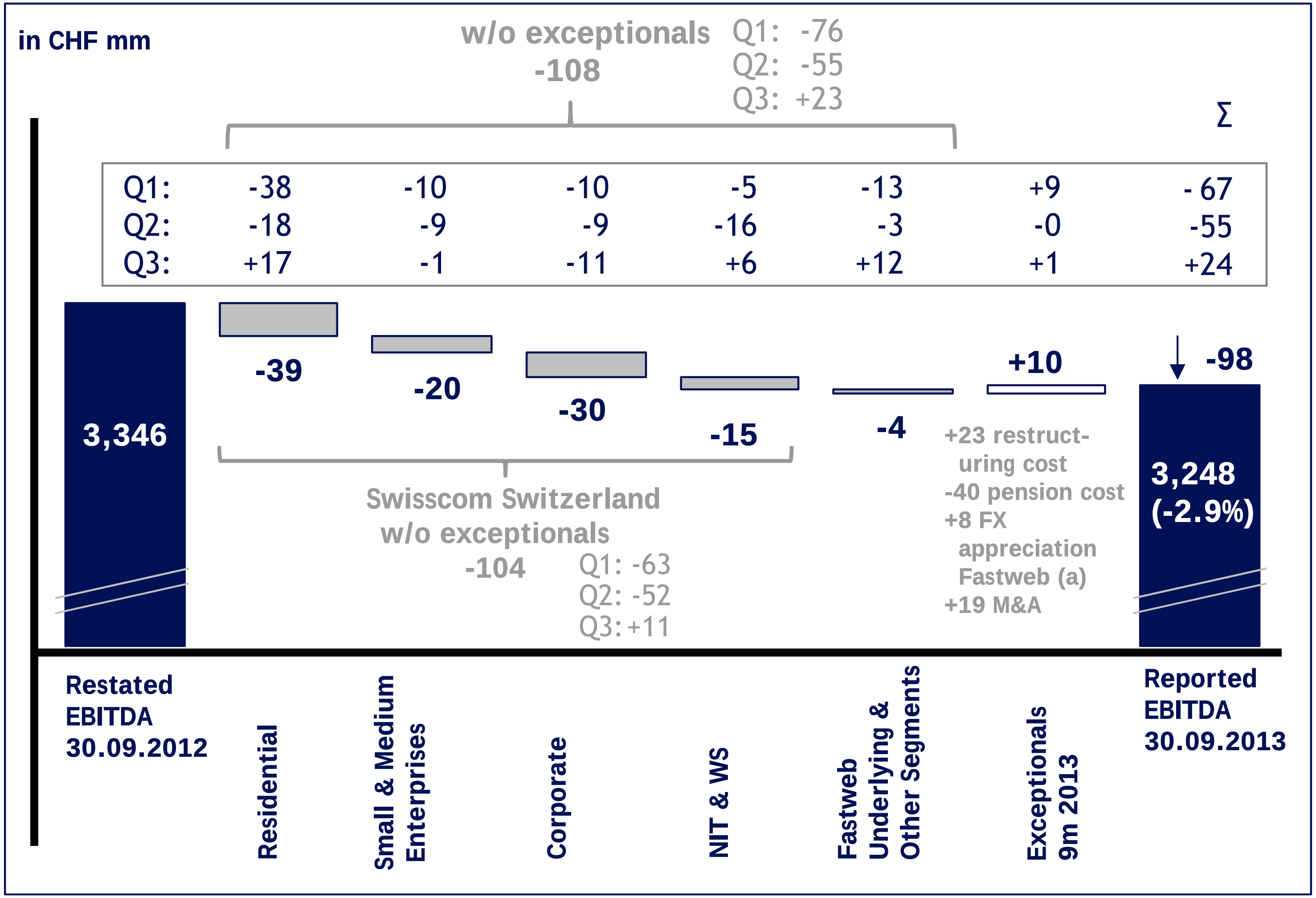
Group results

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%

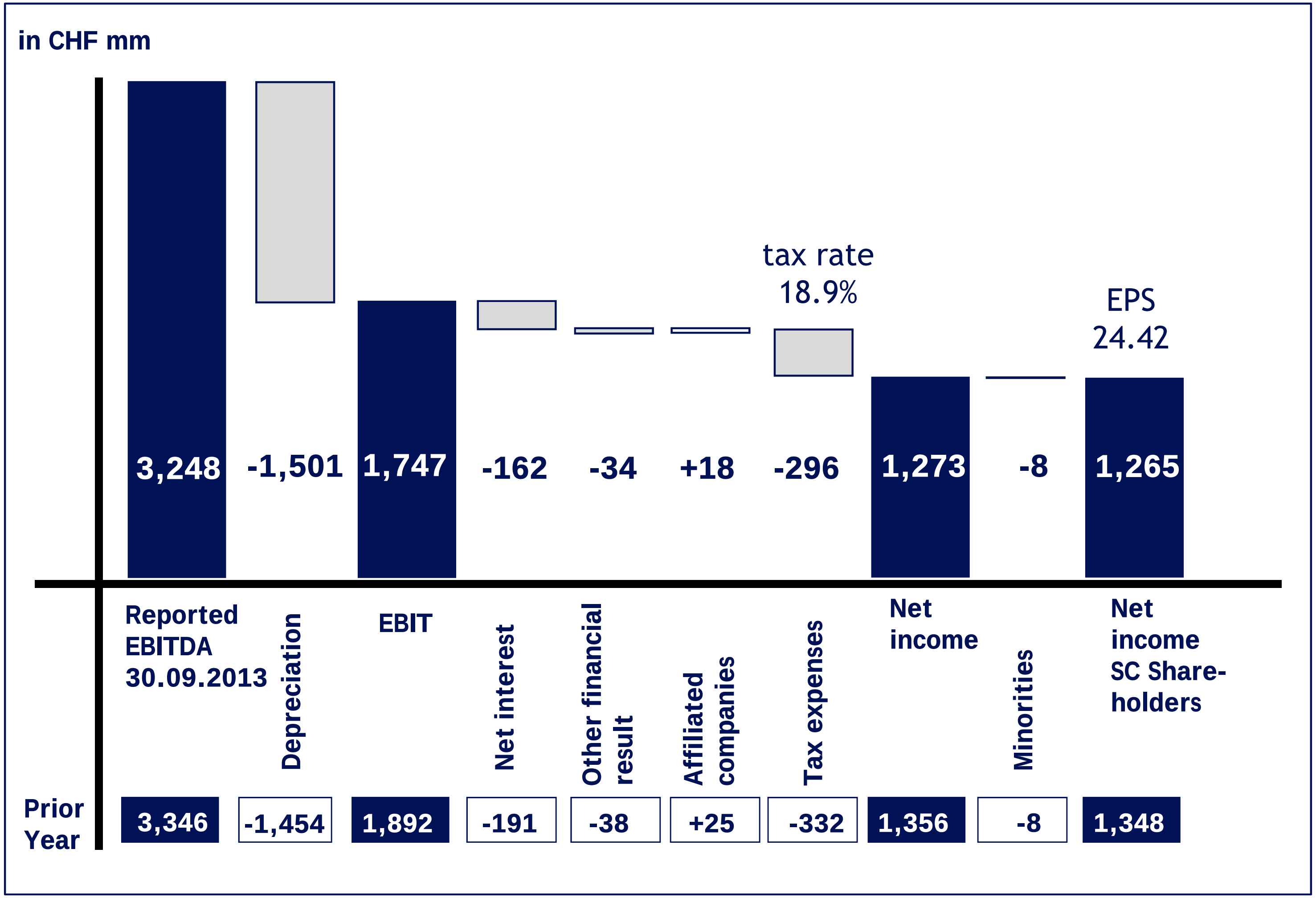
Group results

Net Result

In first nine month 2013, net income of the group amounts to CHF 1,273 mm.

Decrease of net income is mainly driven by lower EBITDA.

Earnings per share equals to CHF 24.42.



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Guidance

No change to previous guidance

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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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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