

# Investor & Analyst Presentation

## Final(Iy)<sup>\*</sup>

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Zürich, 5 February 2015

<sup>\*</sup> growth in local currency

# Agenda - Final(ly)\*

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Introduction	Bart Morselt, IR	
1. Trends	Martin Vögeli, CSO	3
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3. Commercial performance & plans	Marc Werner, RES	19-29
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\* *Finally growth: Swisscom had returned to growth in 2014, both on top line and on profitability.*

*Final growth?: If the exchange rate is to stay this strong, growth is final: 2015 in Swiss Francs will show a decline chiefly caused by the strengthening of the Franc. Free cash flow will however not be impacted materially (and may start growing again medium term thanks to lower CAPEX from foreign purchases....)*

# 1. Trends

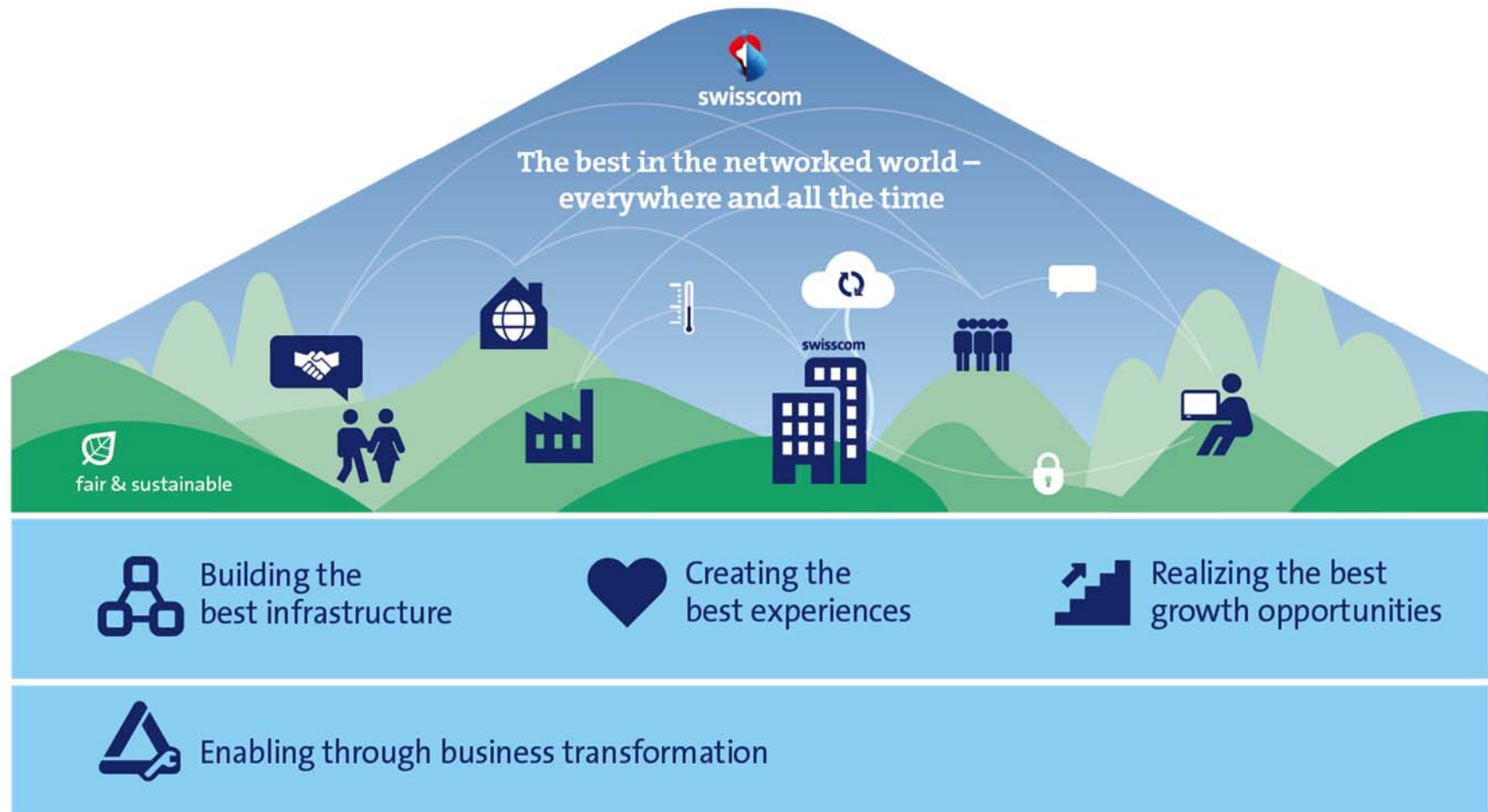
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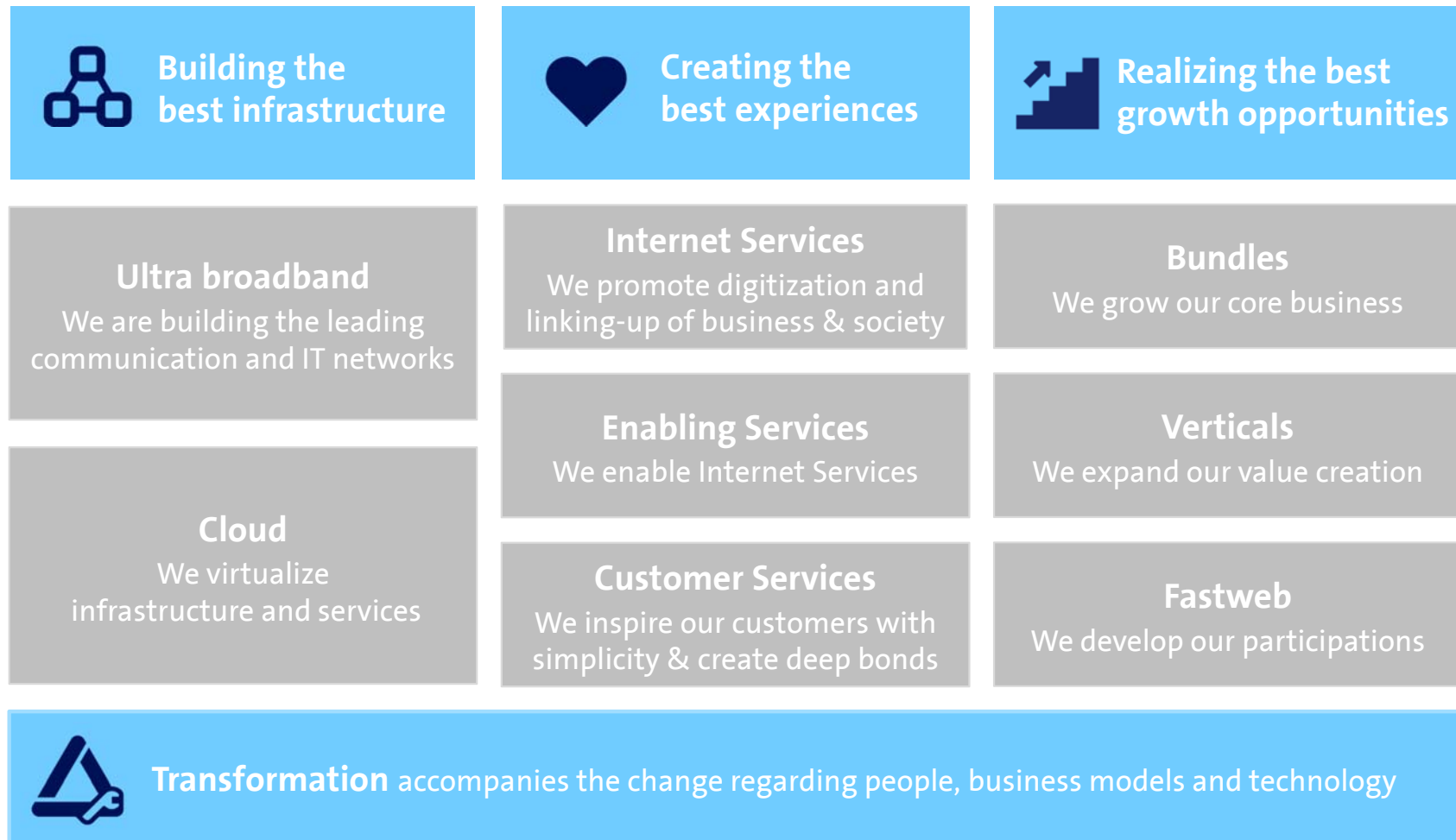
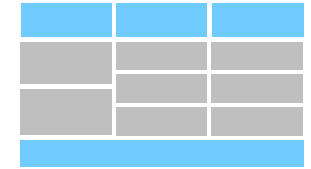
Martin Vögeli  
CSO Swisscom

## 2. Strategy

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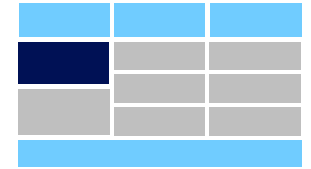
Urs Schaeppi  
CEO Swisscom



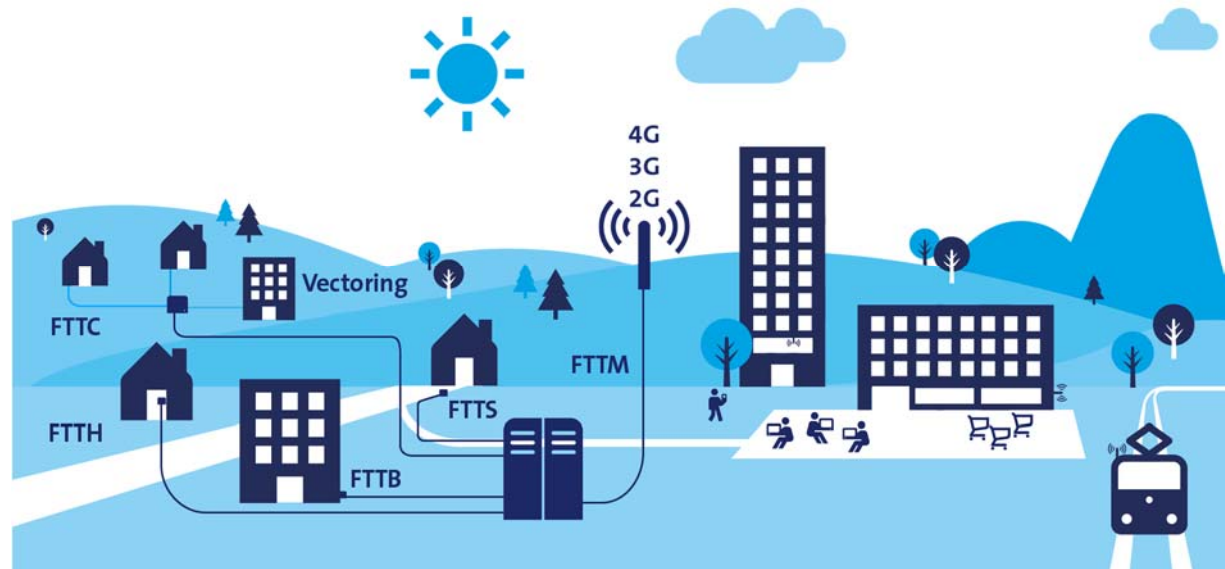


# Best infrastructure - ultra broadband

## Ubiquitous wireless broadband and fiber for Swiss homes and businesses



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### Wireless

- > 4G: 97% of Swiss population
- > 3G: 99% of Swiss population
- > 2G: 99.8% of Swiss population

### Goal 2016:

- > 99% of population have access to download speeds of up to 150 Mbit/s

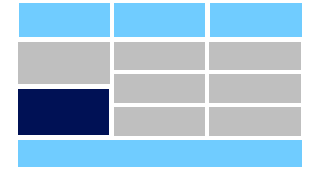
### Wireline

- > Ultra broadband connections: > 1.4 m homes & businesses
- > Swisscom TV > 92% homes & businesses
- > Swisscom TV HD-quality > 88% homes & businesses

**Goal 2020:** 85% UBB coverage (>100 Mbit/s)

# Best infrastructure - Cloud

## Cloud as prime enabler of future services



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### Swisscom Cloud

Shared / Public



Private



Hybrid



including



Scale, security, ...



Support



Location CH,  
International  
Services



### Internal production Cloud

- > Cost efficient
- > Flexible & scalable
- > Fast time to market

### Swisscom Cloud services

- > Cloud Infrastructure IaaS
- > SaaS offers for residential and business customers

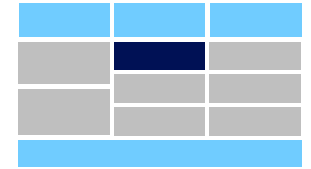
### Cloud platform for partner

- > API's, Application Cloud (PaaS)
- > Ecosystem for developer & partner with (B2)B2C services



# Best Experience - Internet Services

## Swisscom best positioned with comprehensive set of services



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OTT  
Communication

Entertainment

Advertising

«My Digital Life»

Secure relevancy at customers and build up differentiation against OTT's

Expand our positioning in advertising

Build up ecosystem of «My Digital Life»

io



Vidia



TELECLUB

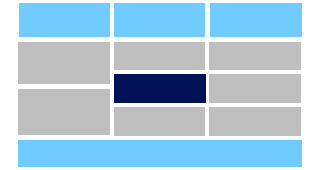
bluwin

local.ch



# Best Experience - Enabling Services

## Enabling Services support the provision of internet services



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Security  
& Identity

Data Insights

Payment  
& Billing

API

Profit from growth of OTT's and the digitization  
of business customers and their processes

Efficiently reuse  
data & functionality  
to Swisscom's core  
assets through API's



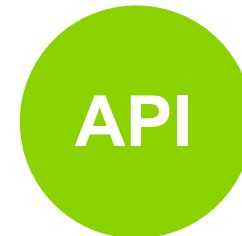
Security



tapit

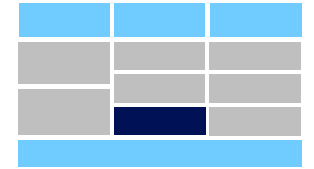


NATEL Pay



# Customer Services

We inspire our customers with simplicity  
and create deep bonds



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## Best People Roadmap

- › Recruiting
- › Dialog mediation
- › Skill development
- › Human Centric Design

## Dynamic and individual customer support

- › Enhancement of My Service
- › New paid premium services
- › *Online First* and *Premium* with additional support elements like 'case manager'

## Redesign core processes

- › In-shop customer support
- › Sales to activation redesign
- › Optimized online experience
- › Integrated online support elements (chat, co-browsing)

Best People  
& Methods



Simple  
Processes

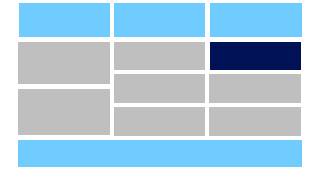


Inspiring new  
customer services



# Exploit growth potential - Bundles

## Bundles will strengthen the core business even more in the future



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### Residential Convergent & Wireline

Consolidate and enhance bundle portfolio



Establish and enhance new Vivo portfolio



Expand advance in TV2.0



Facilitate easier internet access



New telephony experiences

### Residential Wireless

Strengthen the mobile portfolio and realize revenue growth



Secure market share and revenue



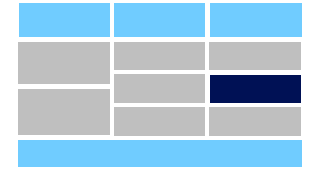
Provide best roaming experience and transfer revenues into flat rates



Develop new revenue segments by exploiting opportunities such as MyDigitalLife and Internet of Things

# Exploit growth potential - Verticals

## Expansion of position in Banking, build-up and growth in eHealth & Energy Services



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### Banking

- > Banking Business Services (BPO)
- > Platform Services
- > Business Platform – Banking-as-a-Service
- > Back Office Solutions
- > Front Solutions

### eHealth

- > Software & Networking
- > Billing & Consulting
- > Operation & Collaboration
- > Fit & healthy

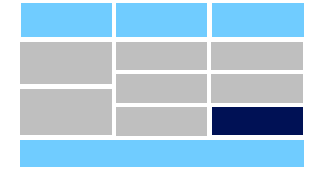


### Energy






- > Storage of energy via heating system
- > Grid balancing energy
- > Home automation

# Exploit growth potential - Participations

## Fastweb well under way



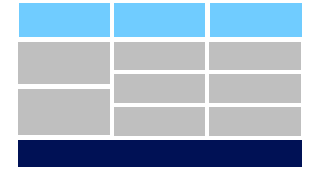
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	Strategy		Achievements
	Maintain Market Leadership	>	First operator after incumbent with strong position in business market
	Maintain Network & Fiber Leadership	>	Large build out of new generation network
	Increase Scale with Partnerships	>	Material growth of customer base with Sky
	Improve overall Service Quality	>	Net promoter score excels with corporate and medium businesses
	Provide value by delivering results	>	Revenue and EBITDA growing

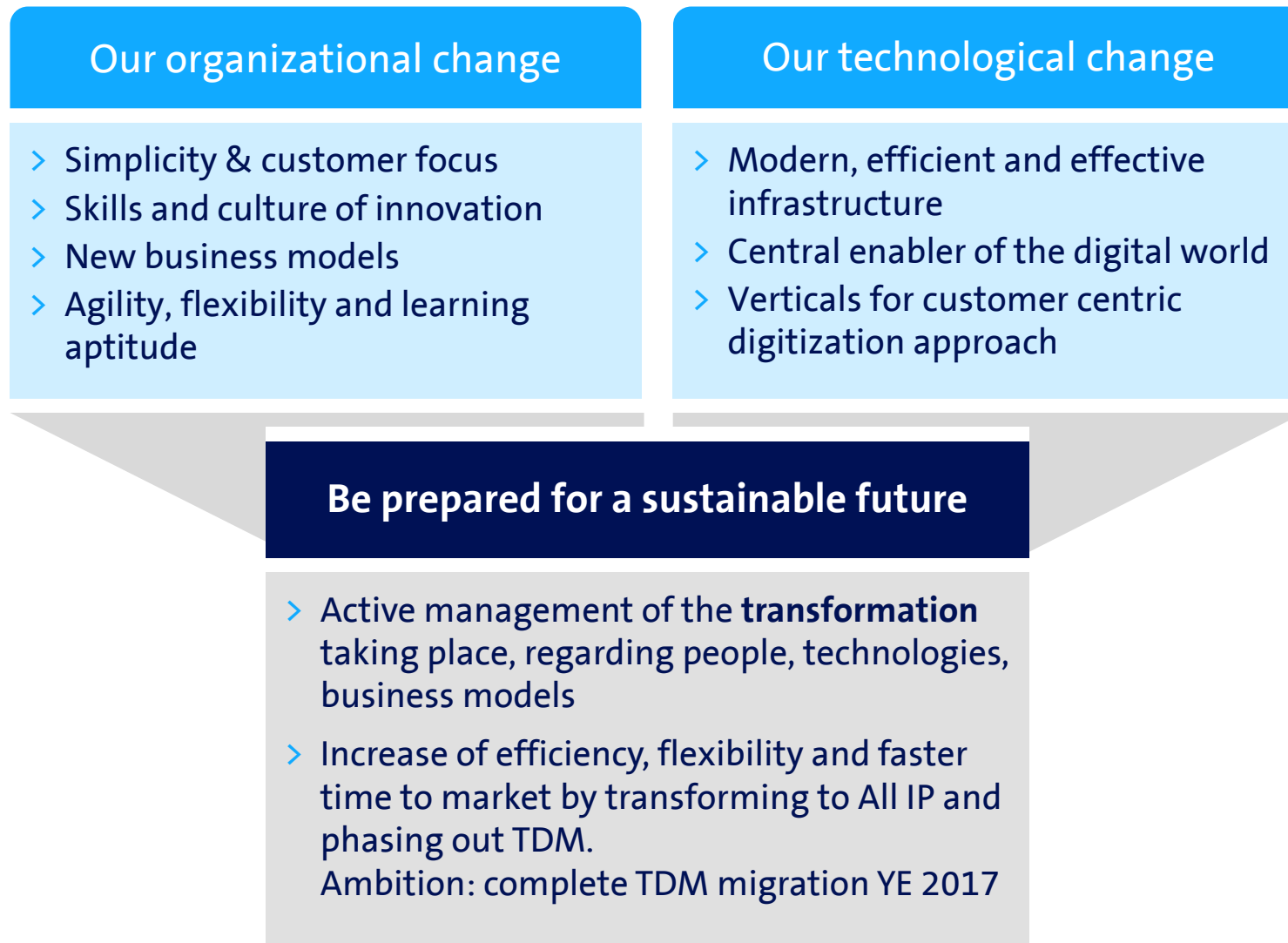


# Transformation

Securing a sustainable future by transforming people, technologies and business models



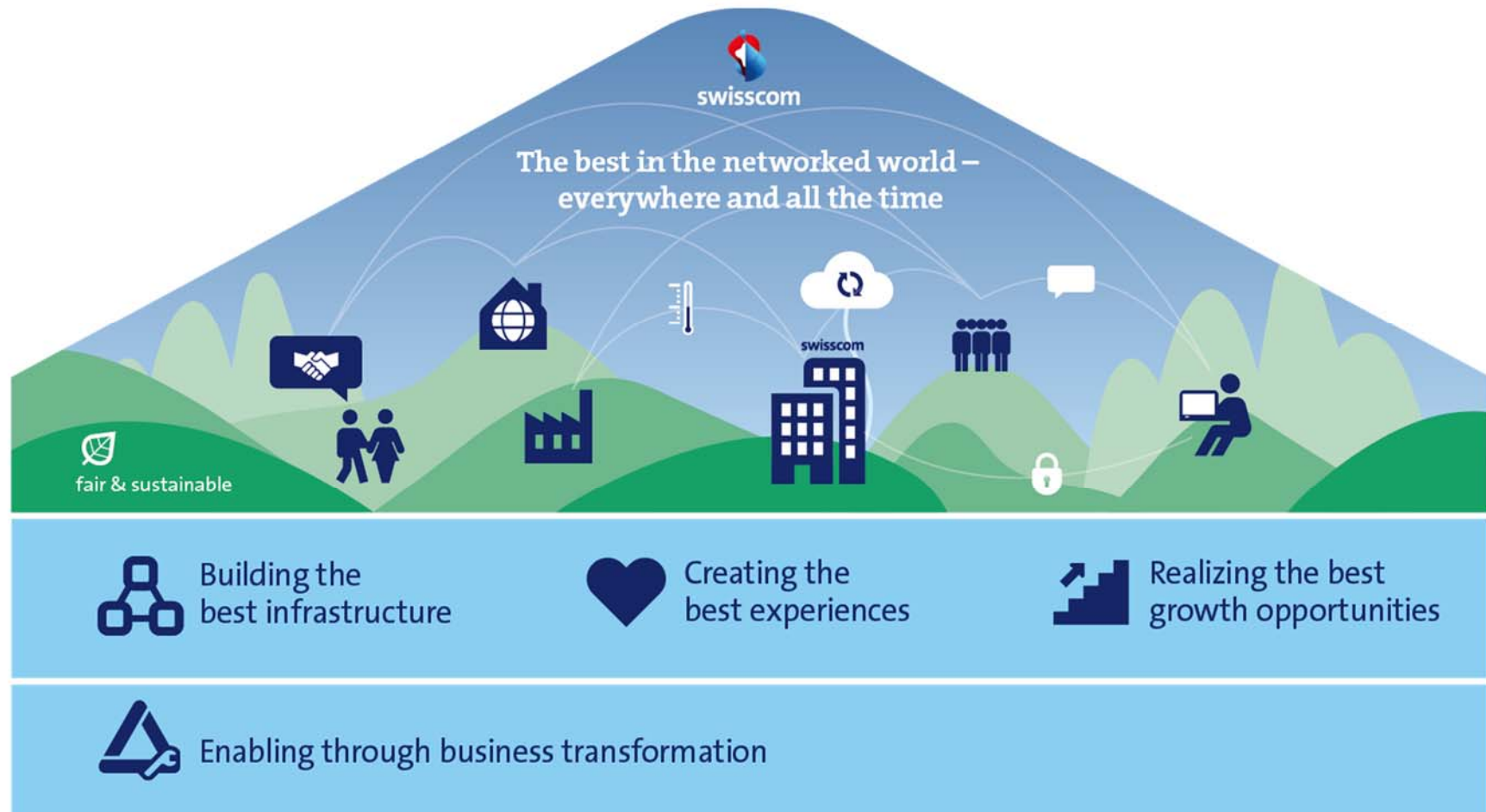
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# Swisscom

## Trustworthy companion in the digital world

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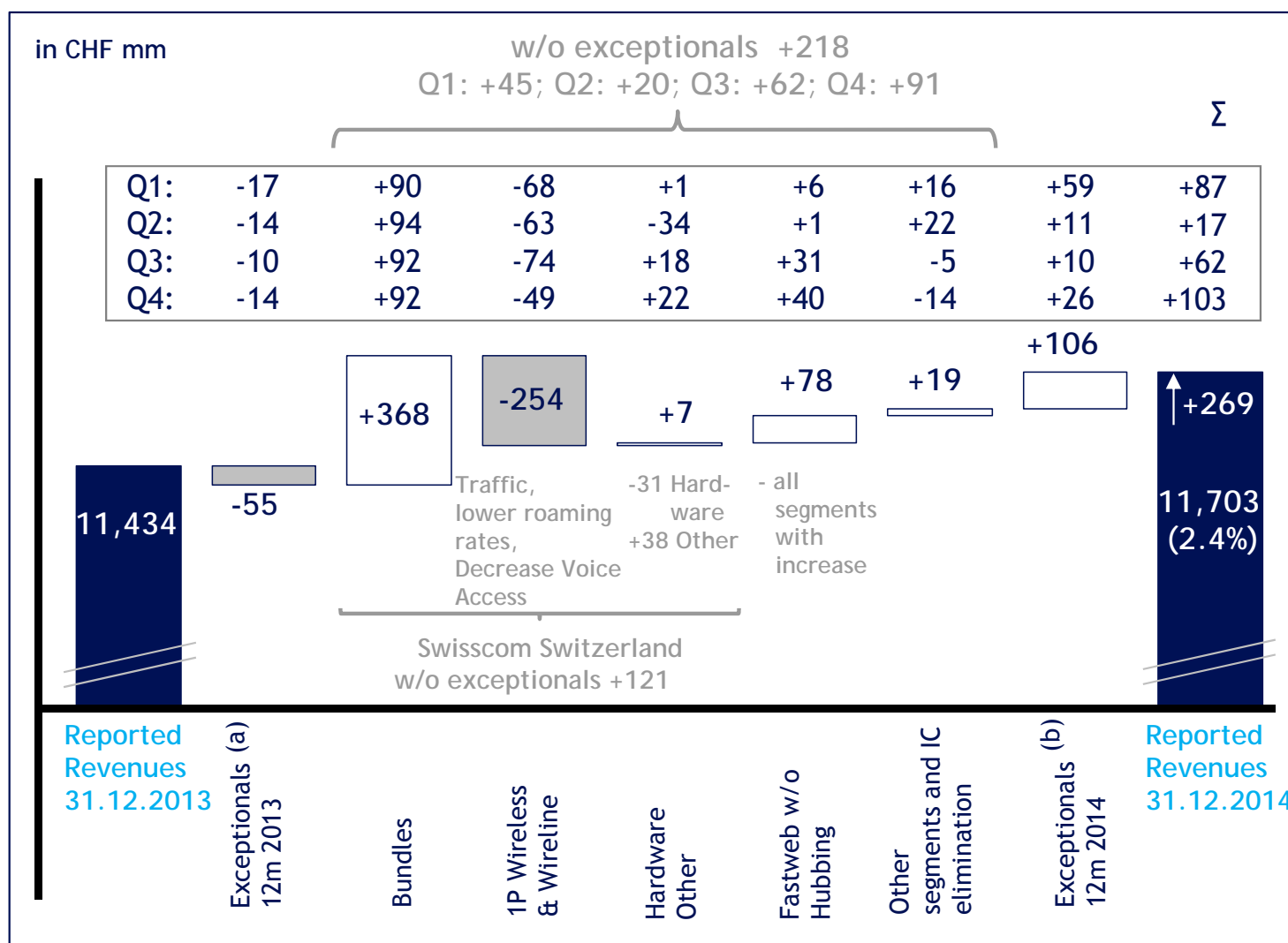


# Revenue dynamics 2014

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*Without FX, hubbing and M&A effects, revenue went up CHF 218mm YOY (1.9%).*

*Underlying top-line of Fastweb went up by CHF 78mm YOY, all segments with increase.*



(a) Hubbing Fastweb (CHF -55mm)

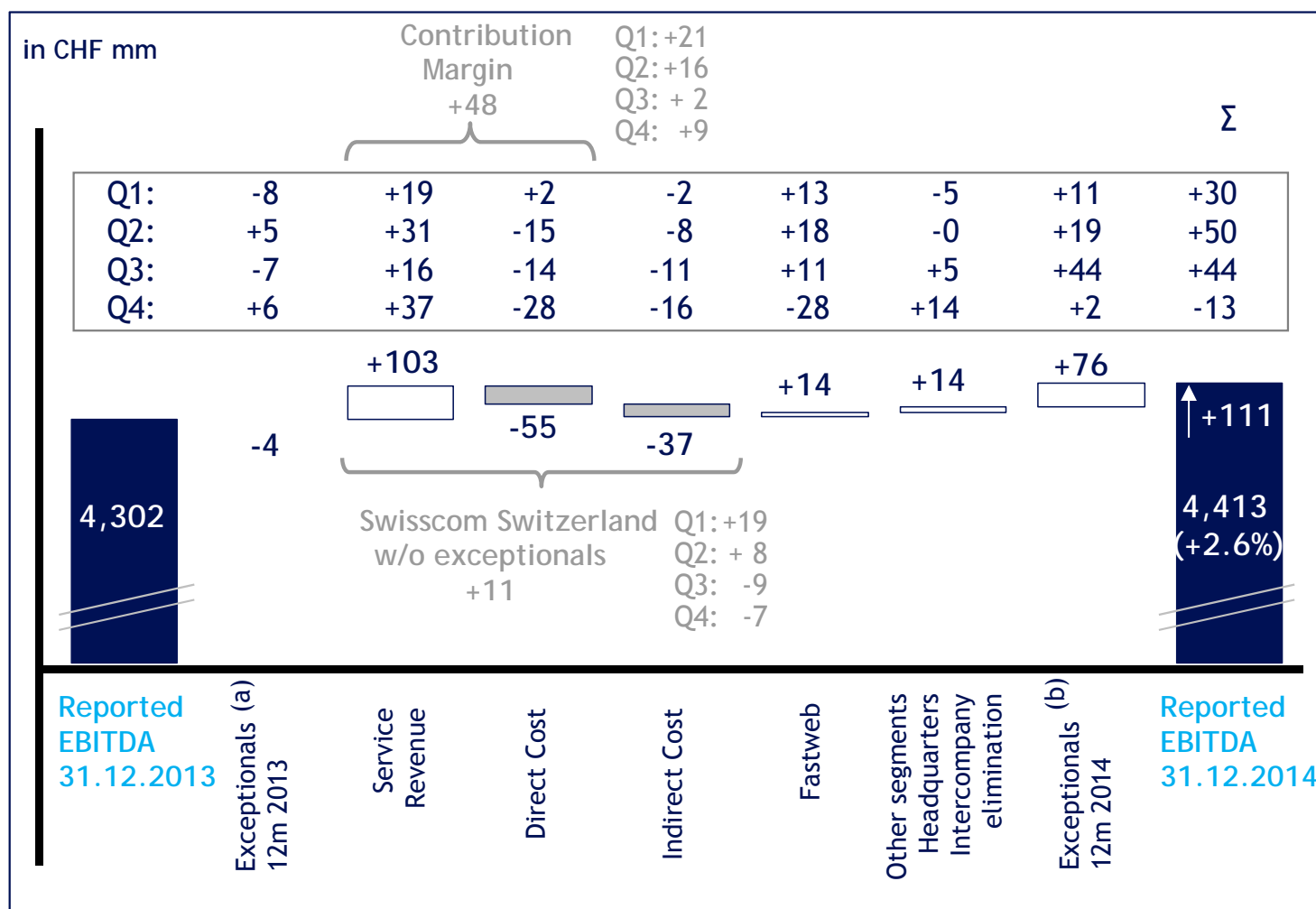
(b) M&A (CHF +100mm), Hubbing Fastweb (CHF +34mm), change exchange rate (CHF -28mm, weakening of Euro against Swiss Franc of 1.4%)

# EBITDA breakdown 2014

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*EBITDA up CHF  
111mm,  
w/o exceptionals up  
CHF 39mm YOY.*

*EBITDA of Swisscom  
Switzerland w/o  
exceptionals  
up CHF 11mm.*



(a) Release of provisions restructuring (CHF -4mm)

(b) M&A (CHF +21mm), additional gain on sale of real estate (+50mm), lower Pension cost (+14mm), change exchange rate (CHF -9mm, weakening of Euro against Swiss Franc of 1.4%).

# 3. Commercial performance & plans

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Marc Werner  
Head of Residential Customers  
Swisscom

# Agenda

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➤ Bundling focus and investment in networks and touch point excellence pay off

➤ Future growth from continued value focus, tariff innovation and cost excellence

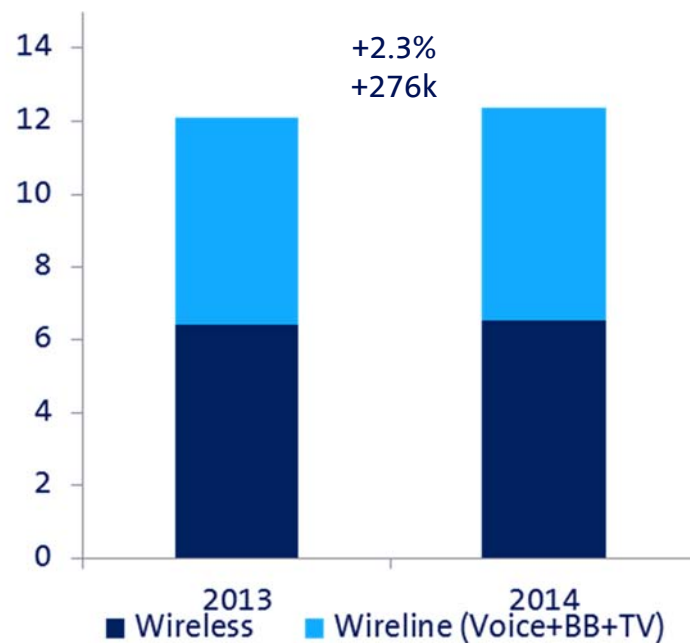
# Bundling focus and investments pays off

## Positive development regarding RGUs and market share continues in 2014

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### Continued RGU Growth (+2.3% YOY)

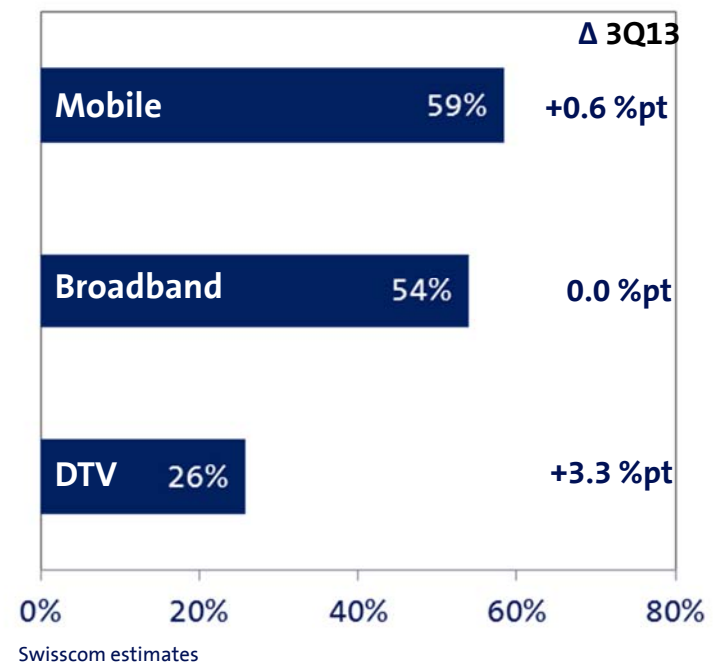
#### Wireless & Wireline RGUs (millions)



- Wireless RGUs increased by 133k (+2.1%)
- Wireline RGUs increased by 143k (+2.5%)

### Growing or stable market shares

#### Swisscom Market Shares 3Q14 (%)



- Market share gains in Mobile and DTV
- Growth in high value postpaid by 146k (+3.5%)

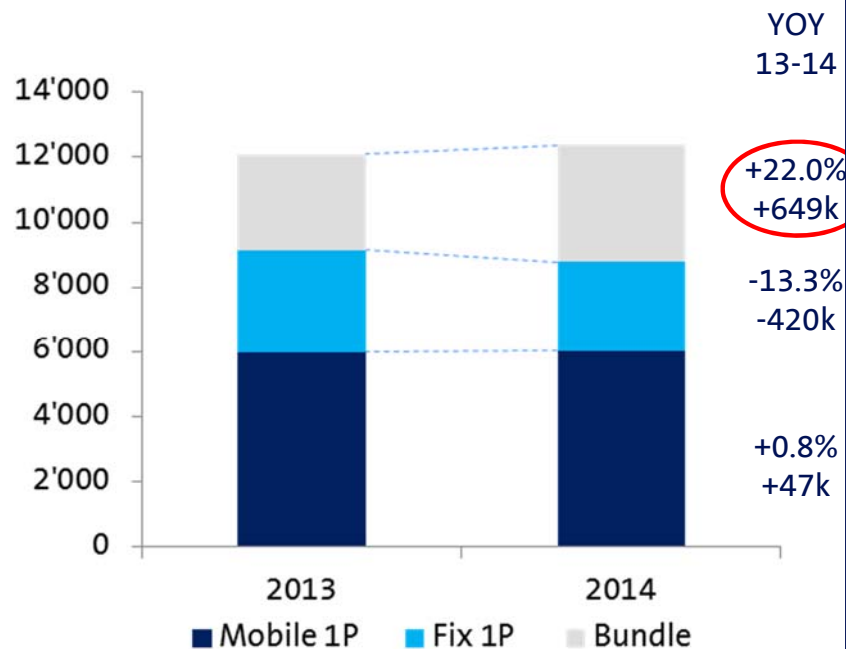
# Bundling pays off

RGU growth driven by strong bundling performance and growth in mobile. TV with high bundle uptake

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## Strong bundle growth

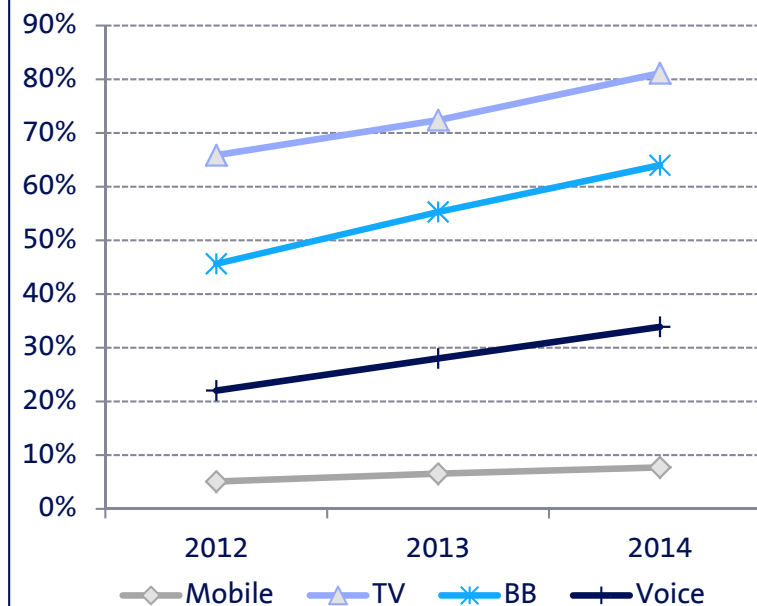
### 1P & bundle uptake (#k RGUs)



- Bundle RGUs now accounting to 3.6m representing 29% of total RGUs (+4.7pp yoy)
- Bundle growth is driven by TV ( approx. 1/3 of bundled RGU growth)

## TV and BB increasingly part of bundles

### Products sold in form of a bundle (%)



- Positive trend of converting our customer base towards bundles continues in 2014
- TV and broadband remain the key drivers for bundle uptake

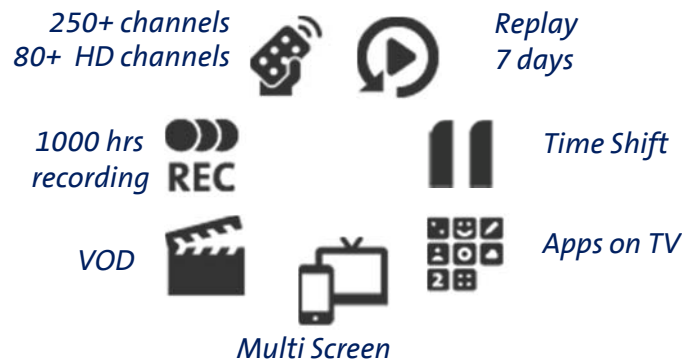
# TV pays off

## New TV propositions sustain RGU growth and increases customer satisfaction

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### New TV proposition launched in 2014

#### Key Features

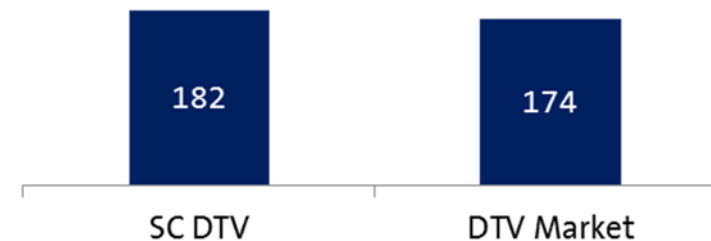


#### Teleclub Play

- „Swiss“ subscription video on demand (SVoD) service catered to local market needs
- Inventory of 5.000+ movies and series including highlight content such as Breaking Bad, Lost combined with premium Swiss content

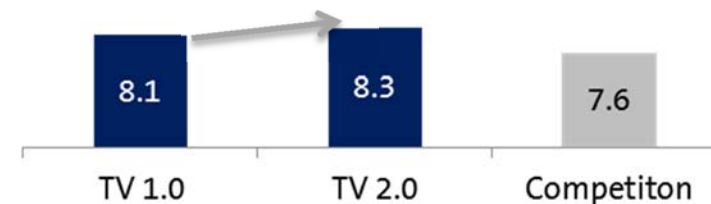
### ...which sustains market performance

#### TV net adds (#k, 3Q13 – 3Q14)



- Swisscom market share net adds >100%
- For paid subscriptions net adds share of 66% (significantly above current market share)

#### Customer Satisfaction (Scale of 1-10 \*)



- TV customer satisfaction further improved after TV 2.0 launch

\*Market survey (29.Sept. - 07. Nov. 2014). TV2.0 results indicative due to lower sample size as TV2.0 has just been launched. Max score is 10

\*\*Basic & Plus customer

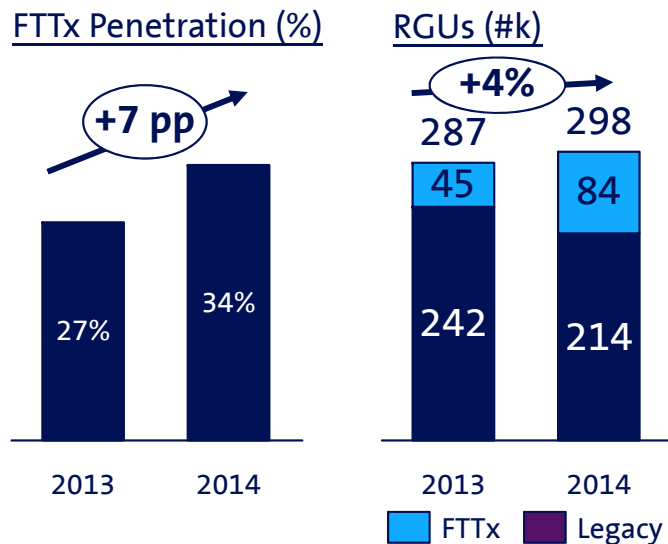
# Networks Investments pay off

## RGU growth and market share gains are made possible by continued investment in network

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### FTTx investments drive growth

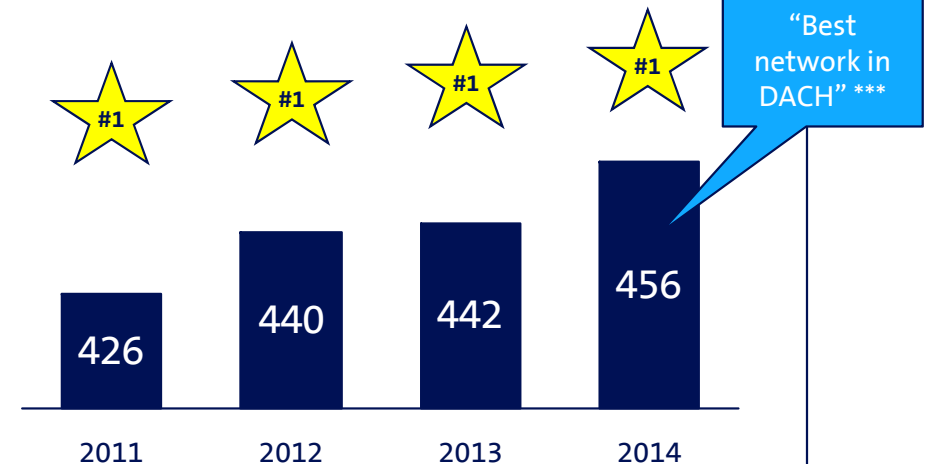
#### FTTx in Top 8 Swiss cities\*



- Strong increase in fiber penetration in cities, more than one third connected already
- In top 8 cities, RGUs continued to grow from 287k to 298k (+4%) driven by strong increase in FTTx subs from 45k to 84k (+87%)

### Continued mobile network excellence

#### Swisscom Connect Network Test (Score\*\*)



- Swisscom 6 x connect test winner in CH; Best network in DACH in 2014 test
- 97% LTE pop coverage; 99% planned for 2016
- LTE-A (300Mbit/s) in summer 2014 and testing 450 Mbit/s

\* FTTx RGUs in Homes Connected FTTx footprint (penetration) by city: Zürich (17%), Basel (49%), Genève (64%), Winterthur (49%), Bern (44%), Lausanne (65%), Luzern (22%), St.Gallen (19%)

\*\* Based on test of telephony and download quality for smartphones and tablets in urban and rural areas as well as on the move

\*\*\* DACH = Germany (D), Austria (A) and Switzerland (CH)



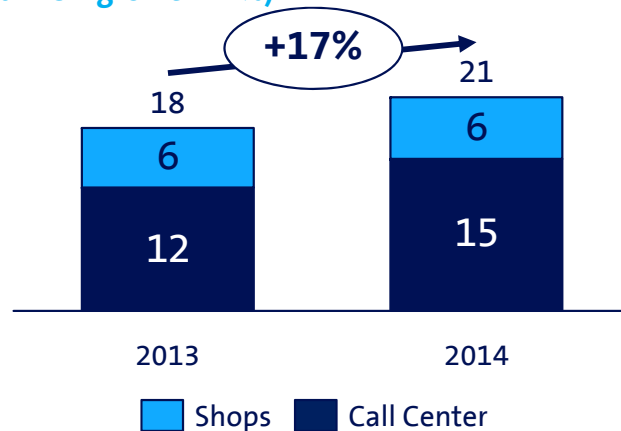
# Touch point excellence pays off

## Successful cross-channel experience is prerequisite for growth and customer satisfaction

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### Customer interactions continue to grow

Customer interaction, # mm contacts  
(and YOY growth in %)



- Increasing volume of cross-channel customer interaction (shop visits, email, call centre, chat) is driven by increasing demand for customized and personal customer advice
- Swisscom's approach is to satisfy customer requirements on the customer's selected and preferred channel to enhance customer satisfaction

### Touchpoint experience drives satisfaction

Customer Satisfaction (Scale of 1-10)\*



- Cross-channel experience for Swisscom not primarily cost saving opportunity but part of customer centricity
- Shop experience with positive impact on overall customer satisfaction and hence retention

\* Survey comparing customer satisfaction of customers who have recently visited a Swisscom shop with that of customers who have not

# Future growth from continued value focus

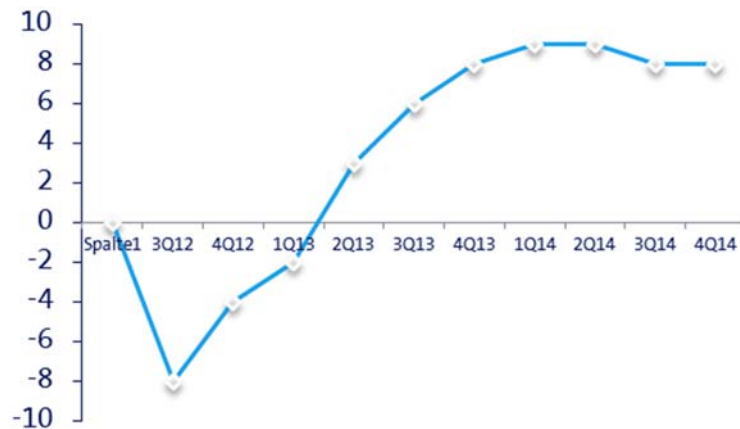
## ARPU growth due to careful proposition evolution.

### Slowing growth will require adjustments

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#### Migration to Infinity drives ARPU

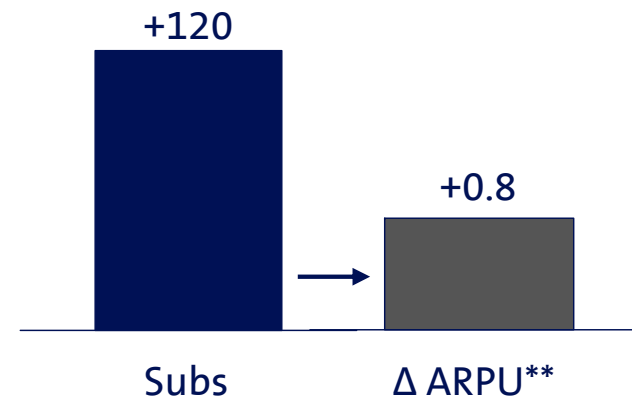
##### $\Delta$ ARPU from Non-Infinity to Infinity (CHF)



- Infinity ARPU continues to grow but at lower scale due to declining migration from Non-Infinity to Infinity.
- Continued focus on upselling within the Infinity base to even further increase non-metered revenues. Started to include roaming revenues

#### Migration to Vivo drives ARPU

##### Migration from Non-Vivo to Vivo (k, CHF)\*



- Positive bundle 3P ARPU development due to portfolio optimization (Vivo), successful TV 2.0 launch and continuous upsell activity
- Between April and September 2014, 120k subs could be migrated from stand-alone and bundles to Vivo
- Overall impact: +0.8 CHF monthly ARPU/Sub
- Next to the overall increase, revenue at risk could be decreased as ARPU growth was mainly driven by  $\Delta$  in access ARPU (+3.1 CHF)

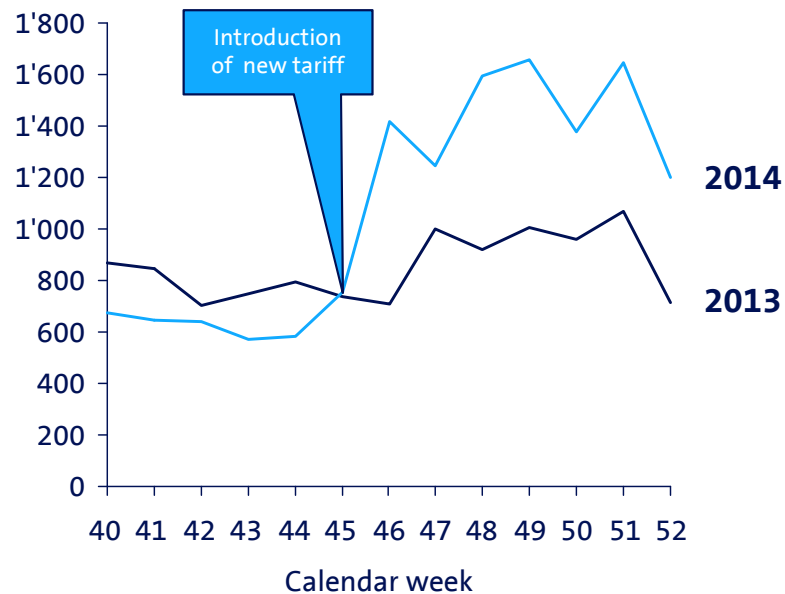
# Future growth from continued value focus

Supported by strong customer satisfaction levels, tariff innovations help to address new customer segments

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## Sales uplift with new tariff plan

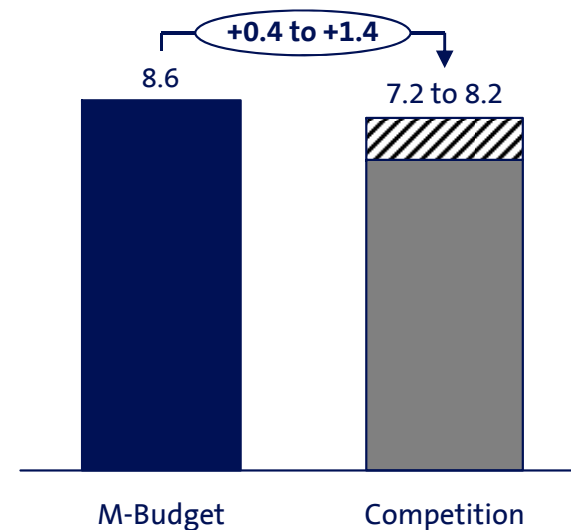
### Weekly M-Budget Postpaid Sales (#)



- With launch of new tariff plan in CW46 massive increase in weekly postpaid sales from 3Q 13 to 3Q 14

## Sales facilitated by high satisfaction

### Customer Satisfaction (Scale of 1-10)



- Customer satisfaction of all main competitors lower than M-Budget; depending on play +0.4 to 1.4 points

\* SIM-only postpaid offer which includes 500 minutes calls to Switzerland (all fixed and wireless networks)/Europe (fixed networks), 1GB of data and 500 SMS ; cancellation period: 60 days

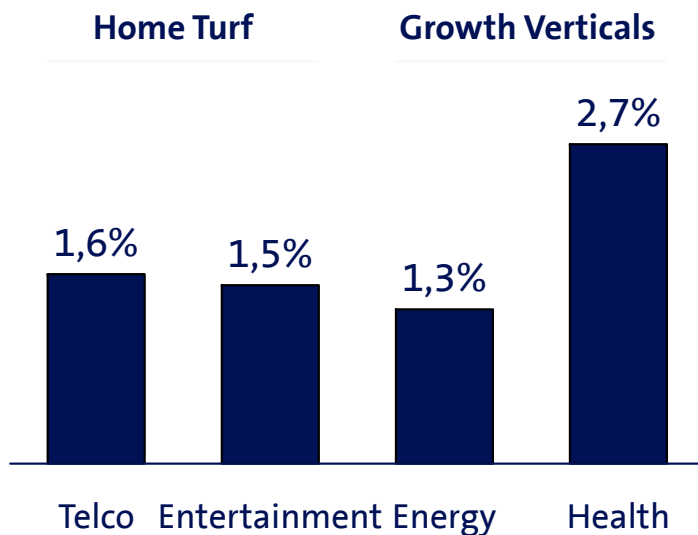
# Future growth from increase in share of wallet

## Continuous drive for innovation in products, processes and networks will drive increase in share of wallet

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### Opportunity to grow share of wallet...

Consumer spending per household  
% of total, 2012\*



\* Source: BFS, Statistisches Lexikon der Schweiz, 2014

### ...with product innovations in home turf and growth verticals

#### Home Turf

ViVo



Teleclub Play



Vidia



Xtra



iO



#### Growth Verticals

DocSafe



Tiko/ Be smart



Tapit



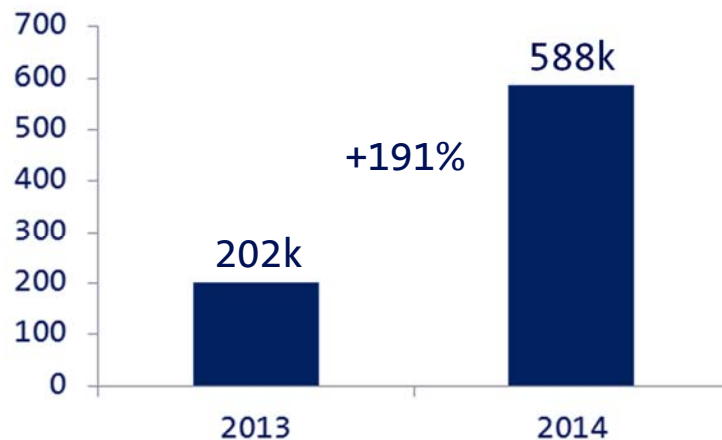
# Future growth from cost excellence

## Continuous customer IP migration to realize cost optimization

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### IP Transformation at accelerated speed

#### IP customers (#k)



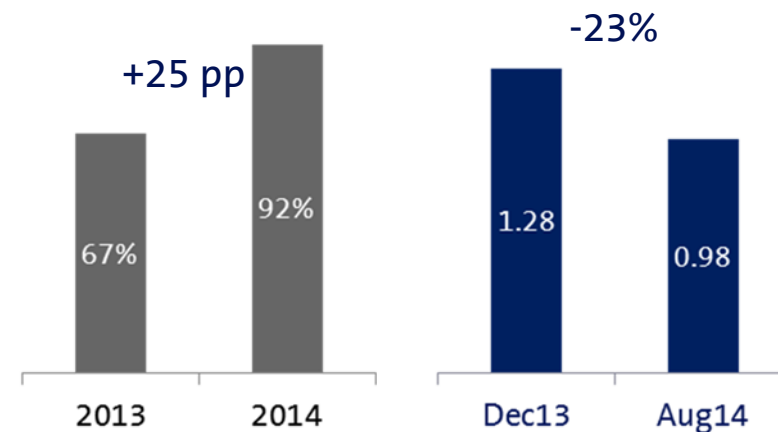
- IP customers have nearly tripled during 2014 with 386k customers successfully migrated during the year
- Run rate expected to increase as new products are exclusively produced on IP

### Examples for successful migration

#### IP Migration KPIs

Production Share on Target  
Portfolio RES (%)

Contacts per Activation RES



- In 2014, almost all (new) products were produced on an IP basis naturally driving customer migration in the future
- Learnings in process handling have led to a significant reduction in CpA (-23% YOY)

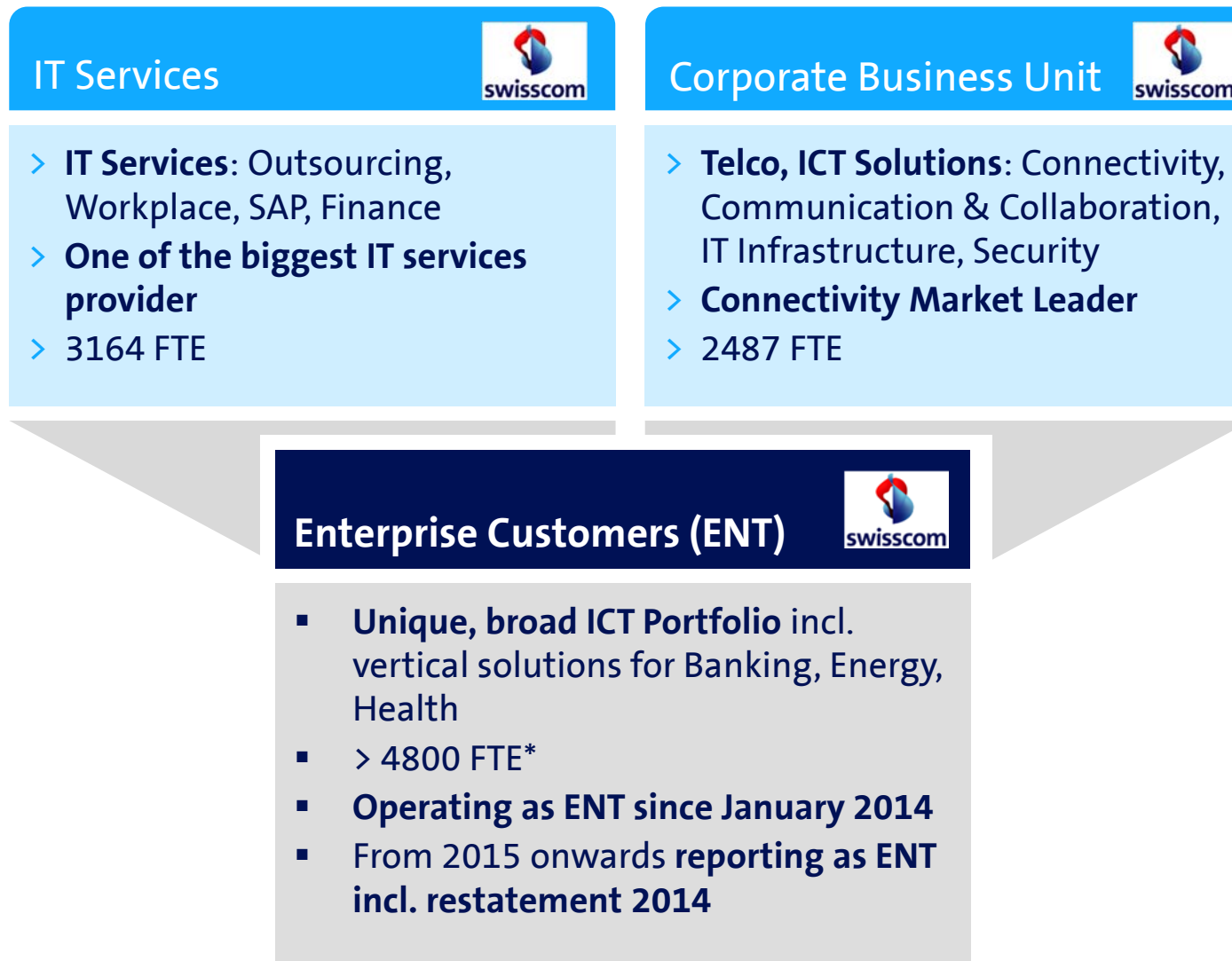
# 4. Merging Telco and IT for large accounts

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Christian Petit  
Head of Enterprise Customers  
Swisscom

# The Enterprise Customer Unit is derived from a merger of IT Services and the Corporate Business Unit of SCS

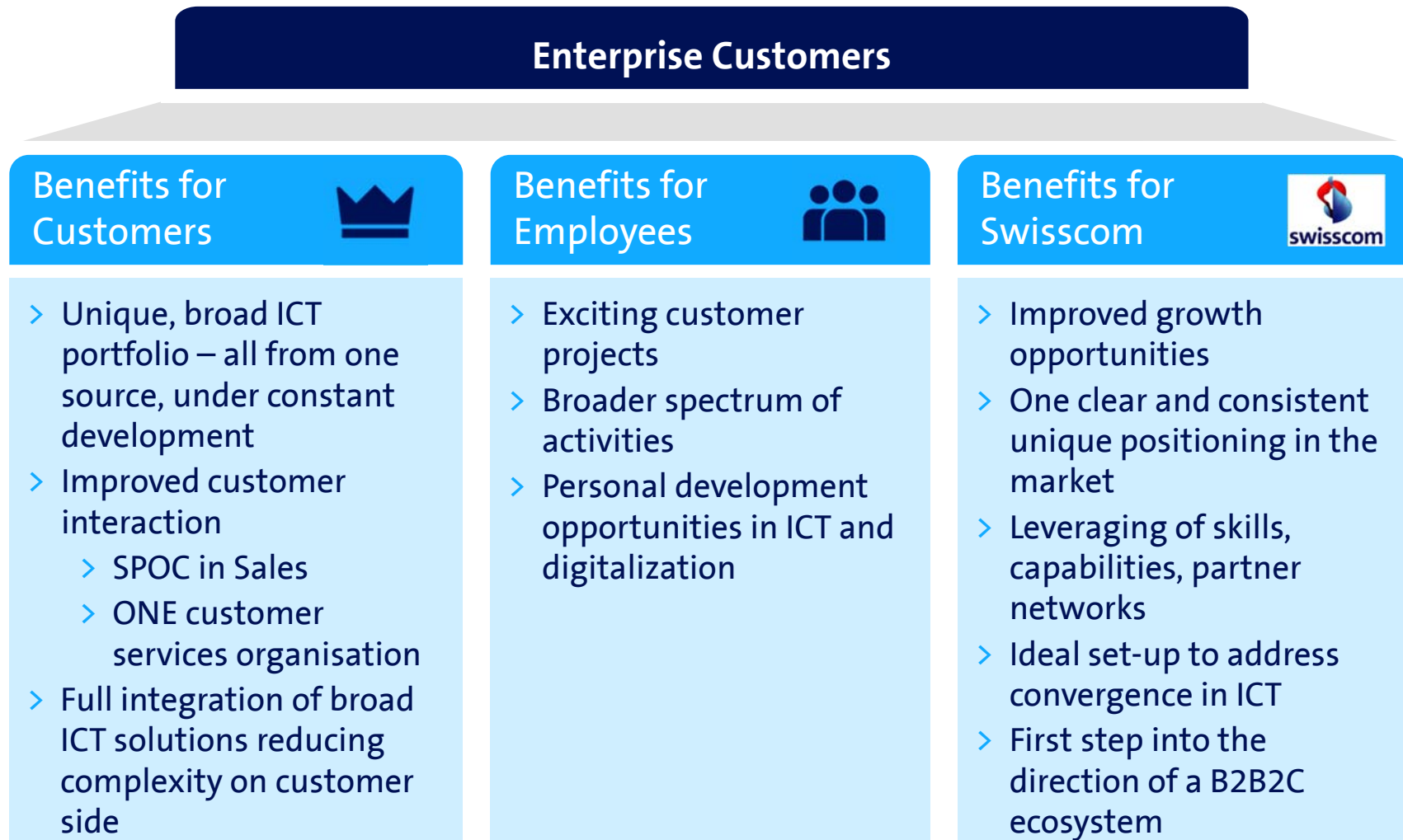
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\* ~800 employees moved to IT, Networks, Innovation (INI) and group functions

# Rational for the merger: Customers, Employees, and Swisscom are profiting

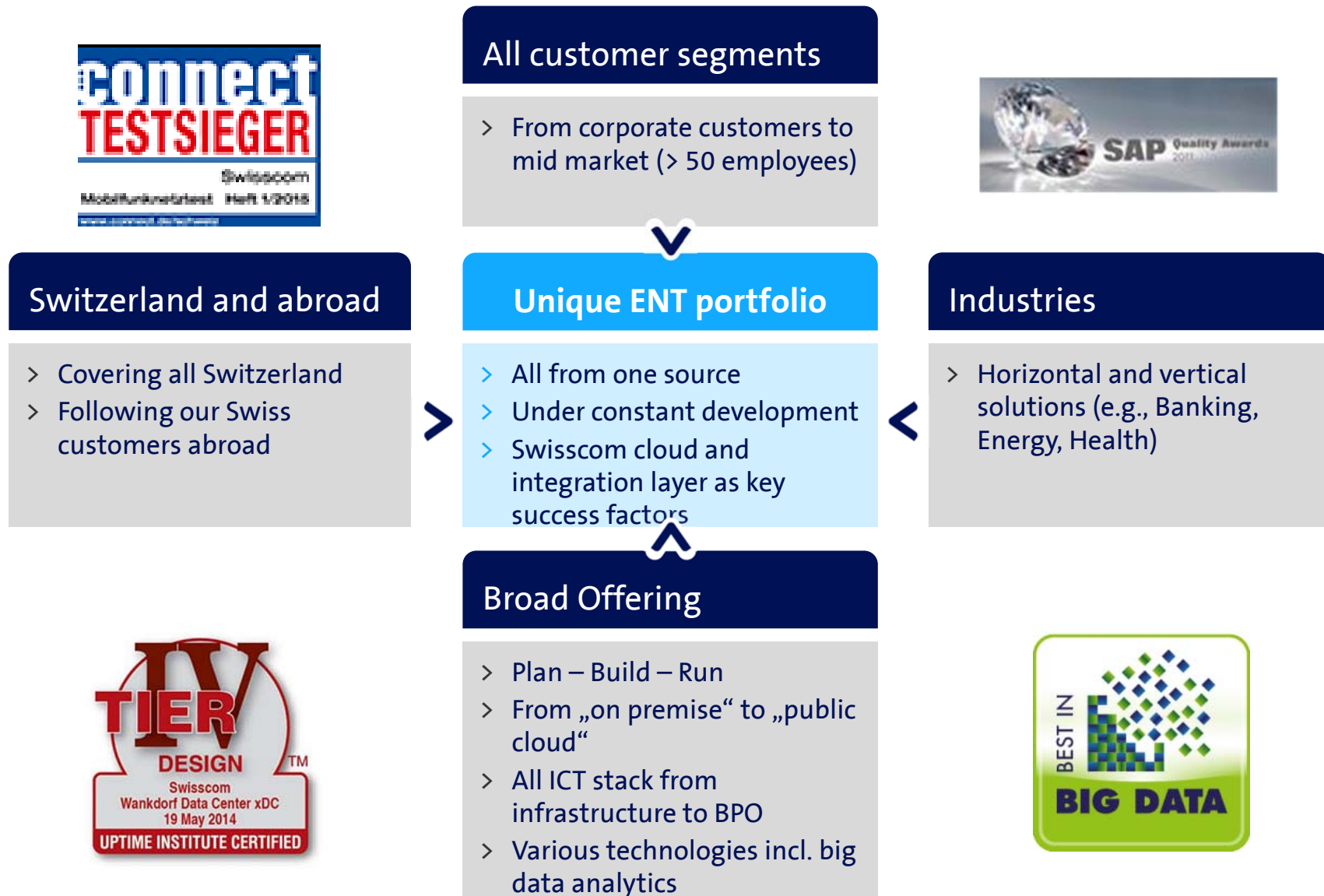
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# ENT offers an incomparable broad ICT portfolio

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Note: Example shown – Connect network test 2014, first Tier IV certification in CH, Big data award of Computer Woche 2014, Gold SAP Quality Award für Rapid Development 2014

# Dedicated Solution Centers bring the ICT portfolio to the ENT customer

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## Marketing & Sales

ONE face to the customer

Wireline Networks & Bundles	Mobility	Cloud & Data Center	Workspace & Collaboration	Business Process Solutions & Services	Banking	Business Development
<ul style="list-style-type: none"> <li>• Wireline voice and data access solutions</li> <li>• Business networks and global connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile access</li> <li>• MDM, MAM &amp; MCM</li> <li>• Development, implementation &amp; operation of mobile applications</li> </ul>	<ul style="list-style-type: none"> <li>• Cloud, data center and on premise infrastructure services</li> <li>• Outsourcing services</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise communication &amp; collaboration solutions</li> <li>• Managed workplace &amp; document solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Design, implementation &amp; operation of business process solutions</li> <li>• SAP (a.o.) business applications</li> </ul>	<ul style="list-style-type: none"> <li>• Design, integration and operation of standard and customer spec. solutions</li> <li>• IT infrastr. and BPO services</li> </ul>	<ul style="list-style-type: none"> <li>• Energy &amp; Healthcare Solutions</li> <li>• M2M, Big Data</li> <li>• Security</li> <li>• eBilling platform Conextrade</li> </ul>
<ul style="list-style-type: none"> <li>• ~215k voice access lines</li> <li>• Strong market share</li> </ul>	<ul style="list-style-type: none"> <li>• Strong market share</li> <li>• ~600 Roaming partners</li> </ul>	<ul style="list-style-type: none"> <li>• ~ 11.5k servers</li> <li>• Power usage effectiveness of 1.2 in tier IV DC</li> </ul>	<ul style="list-style-type: none"> <li>• ~ 117k managed workplaces</li> <li>• ~50k UCC users</li> </ul>	<ul style="list-style-type: none"> <li>• 170 customers</li> <li>• ~28k SAP users</li> </ul>	<ul style="list-style-type: none"> <li>• Almost 200 customers</li> <li>• BSP &amp; BPO Services for 51 banks</li> </ul>	<ul style="list-style-type: none"> <li>• 120 M2M customers</li> <li>• Mobility Big Data</li> <li>• Mobile ID</li> </ul>

## Customer Service

ONE customer service organisation

# In a divers competitive landscape, ENT is uniquely positioned

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## Broad range of customers

- Serving ~5.500 customers (all enterprise customers in CH) from all industries, mostly Banking, Manufacturing, Transportation, Services
- From 50 employees up to several `000 employees
- Some recent deals



## Broad competition landscape

- From large international to small local players
- Connectivity, Communication and Collaboration: Increasing competition of OTTs



- IT Services and System Integration: Very fragmented, specialized market. International Cloud provider

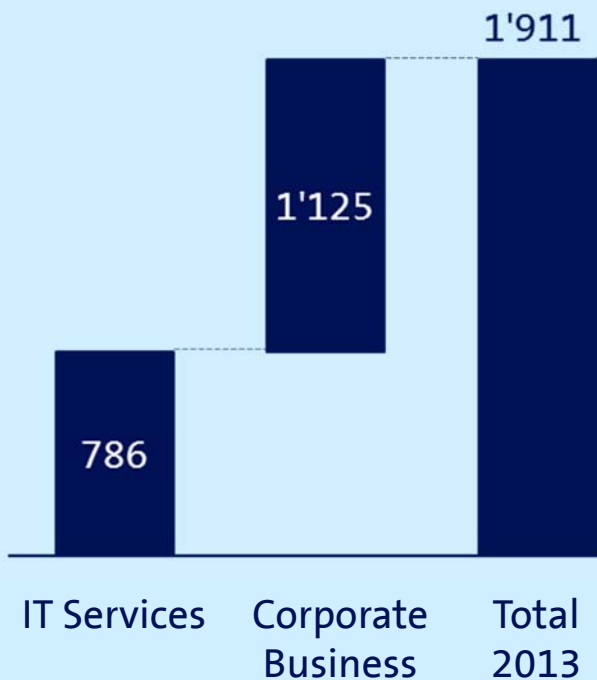


# Growth case ENT: Significant business success already in the year of the migration

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## Order entry development 2013, 2014

Order entry 2013, mCHF



2014



- > Significant increase in order entry despite the post merger integration
- > Successful cross-selling to former ITS and CBU customers
- > Further positive development planned

# The various types of business of ENT need different steering and optimization. Synergies are limited

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## Business type specific steering

- Commitment to various types of business
- Different characteristics and improvement levers. Business type specific steering established
- Bundling towards customer interface ensured
- Improvement measures in each business type in implementation, synergies limited
- Swisscom Cloud as the key enabler for standardized service production

Examples	Platform-based mass business	Customized business
Operations business	<ul style="list-style-type: none"> <li>• LAN-Interconnect</li> <li>• Managed Communication &amp; Collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Midrange hosting</li> <li>• BPO Services</li> <li>• Managed housing</li> </ul>
Project business	<ul style="list-style-type: none"> <li>• Outsourcing transition</li> <li>• SAP implementation</li> </ul>	
Product sales/reselling	<ul style="list-style-type: none"> <li>• Licence packages</li> <li>• Devices (iPads, Desktops, ...)</li> </ul>	
Indicative margin*	40 -50 %	10 -15 %

\* Without network cost

# The recent acquisition of Veltigroup adds additional ICT capabilities to Enterprise Customers

38

## Acquisition of Veltigroup

- As a result Enterprise Customers with two strong pillars
  - On premise individual solution business (Veltigroup)
  - Managed Service business from the cloud (Swisscom)
- Increasing market presence in French speaking part of CH
- Swisscom to become more agile and better positioned to serve the needs of business customers with up to 2000 IT users -> growing IT revenues in the mid market segment

### swisscom

Press release

Swisscom expands ICT competence with the acquisition of Veltigroup

Swisscom is expanding its ICT portfolio for business customers and its presence in western Switzerland through the acquisition of Veltigroup and its companies LAN expert, insentia and ITS. Veltigroup is domiciled in Lausanne and is a leading ICT service provider in western Switzerland. Veltigroup has around 480 employees in Switzerland and offers companies a comprehensive ICT range, from infrastructure to end-client services and solutions. The parties have agreed not to disclose details of the purchase price.



### Veltigroup's overview

100%  
ICT needs covered



450+  
ICT professionals



All over  
Switzerland



Consulting



ICT specialized companies

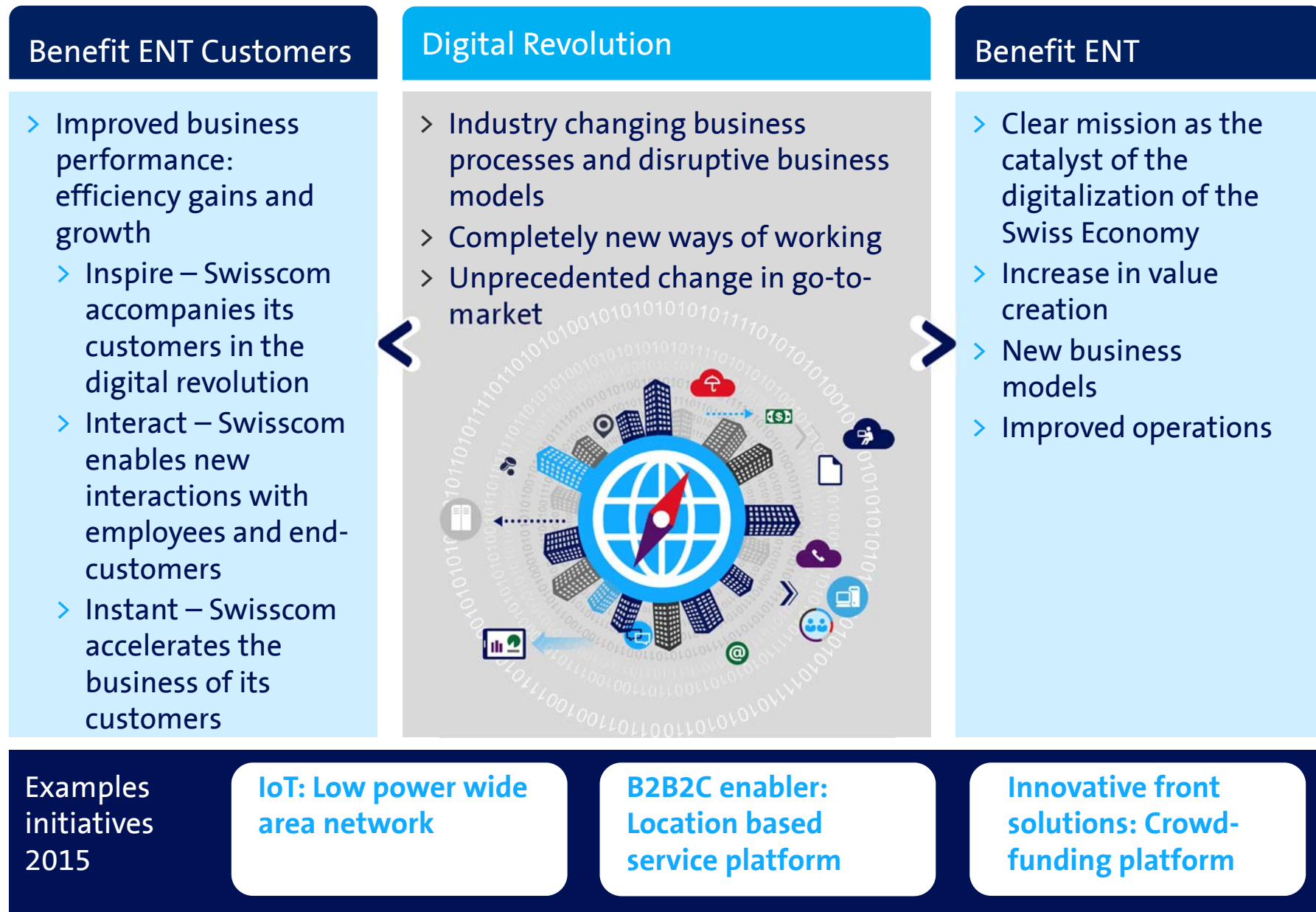


Cloud services



# Going forward ENT customers and ENT will profit from the digital revolution

39





# 5. Fastweb

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Alberto Calcagno  
CEO Fastweb



# FASTWEB strengthened its leadership in 2014 - Highlights

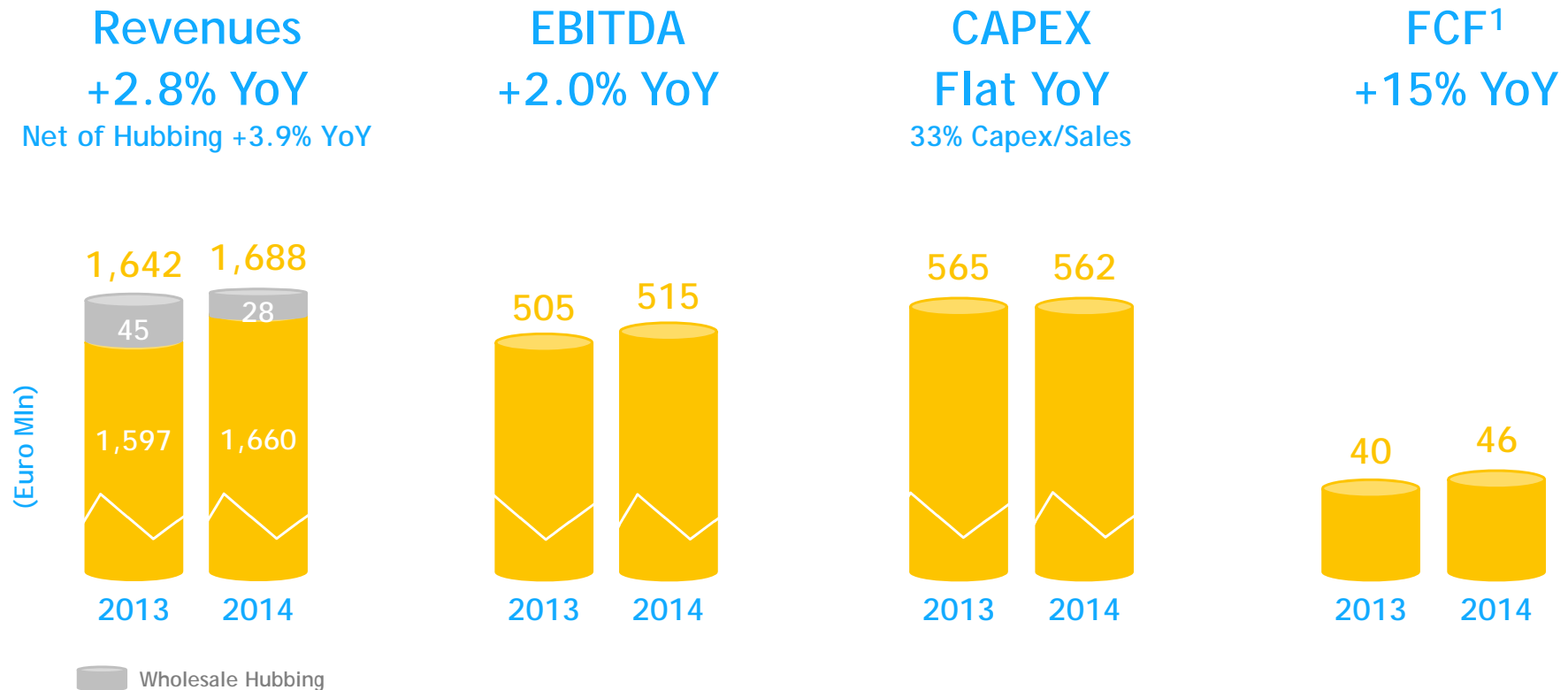
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41

- 1 Only Italian wireline operator with growing revenues/EBITDA/FCF
- 2 Broadband net adds market leader for the third consecutive year
- 3 Only player constantly increasing market share in the Corporate segment
- 4 Leading Italian fiber operator with 70% market share in UBB connections
- 5 Enhancing UBB leadership through extended NGAN roll out and performance boost
- 6 Leading in innovation with the deployment of distinctive assets and services

# Only wireline operator in Italy with growing revenues, EBITDA and FCF

42



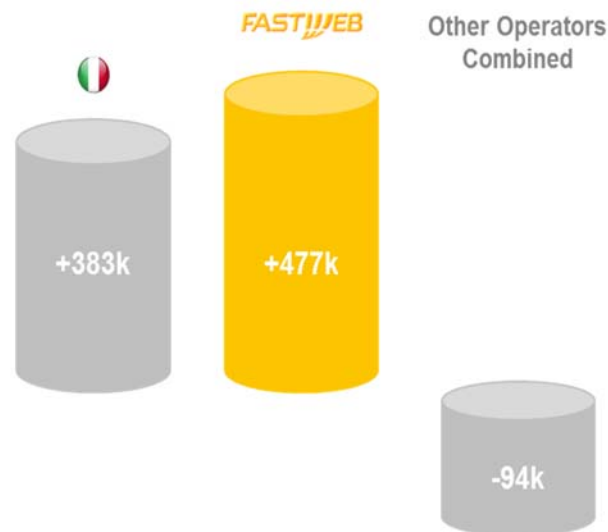
FASTWEB performance stands out in a market where integrated operators suffer high single digit revenues and EBITDA decline in wireline

<sup>1</sup>Excluding extraordinary investments in NGAN

# Driving broadband customers growth in the Italian market over the last three years

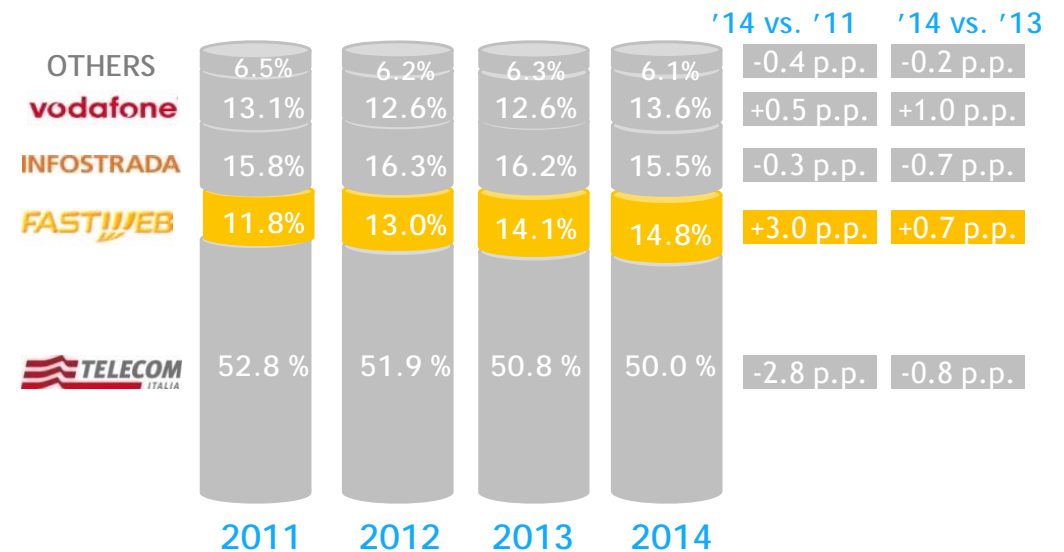
43

## 2012-2014 Cumulated Net Adds



- Leader in broadband customer acquisitions in each of the last three years
- FASTWEB new connections equalling 1.2x overall market net adds, making a decisive contribution to the market (limited) growth

## Broadband Lines Market Share



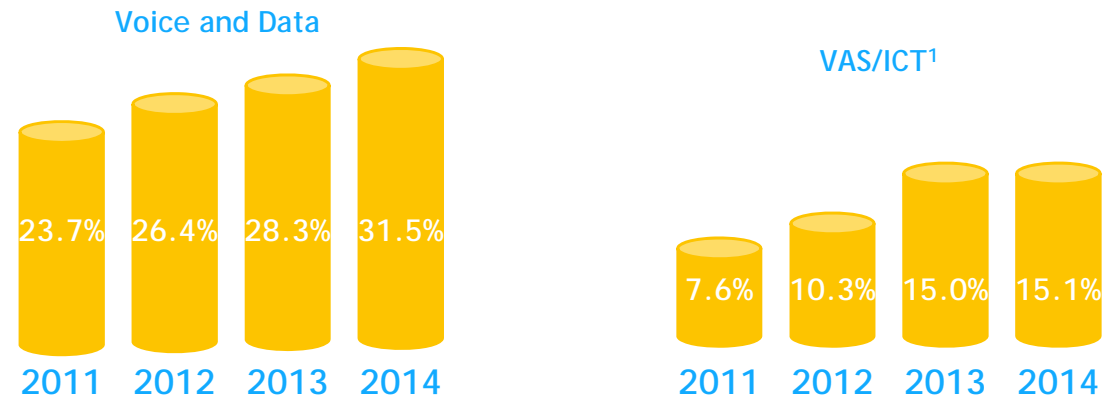
- Over 2.0mm broadband customers at the end of 2014
- FASTWEB market share increasing 3.0 p.p. since 2011 and 0.7 p.p. in 2014 to almost 15.0%, mainly at the expense of Telecom Italia and Infostrada (Wind)

# The only player constantly increasing market share in the Corporate segment

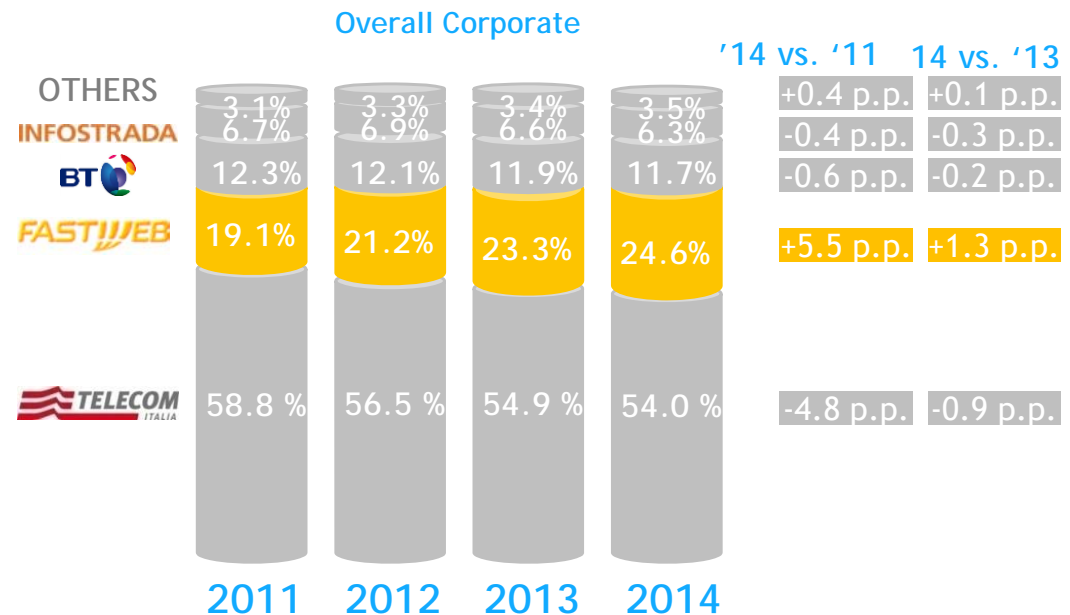
44

## FASTWEB Corporate Market Share Evolution

In a highly competitive market, FASTWEB share of Corporate voice and data increased well over 30% at the end of 2014, while it was flat for ICT/VAS<sup>1</sup>



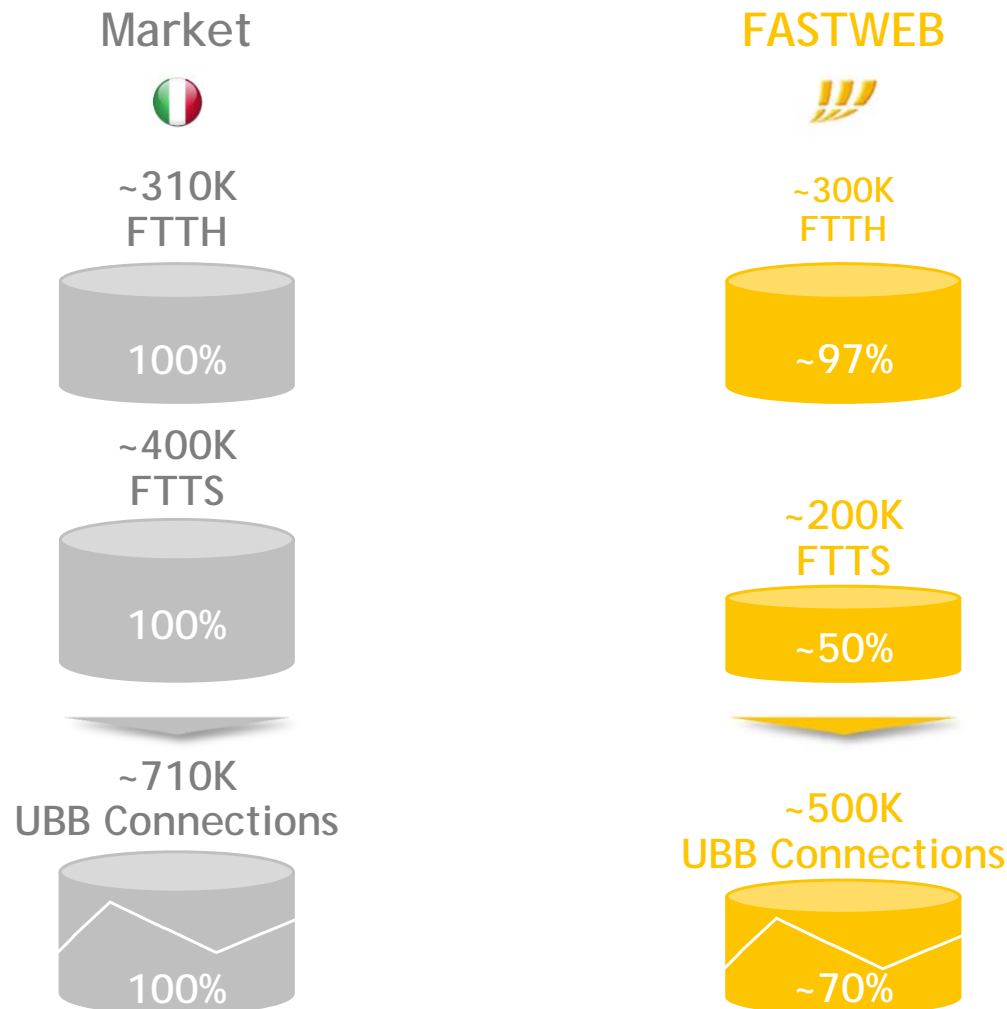
FASTWEB overall market share in the Corporate segment reached almost 25% at the end of 2014. Over the last three years the increase was equal to 5.5 p.p.



# The leading Italian fiber operator with 70% market share in UBB connections

45

## # of Ultra Broadband Lines (EoP 2014)

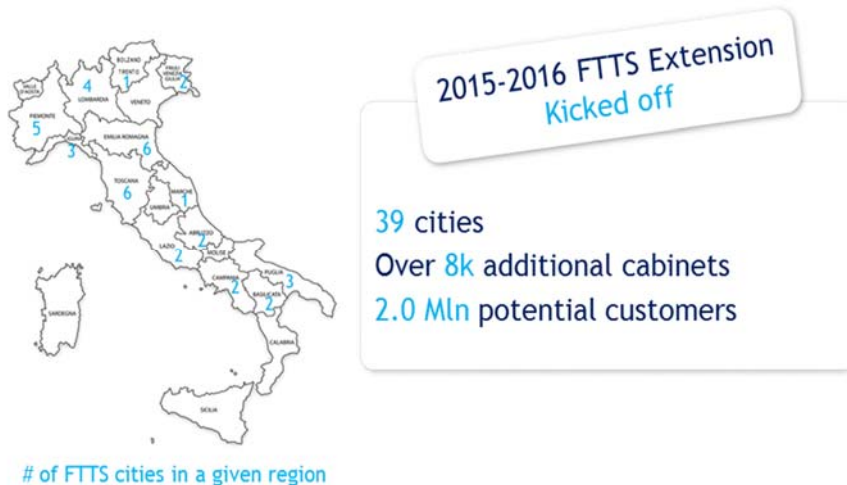
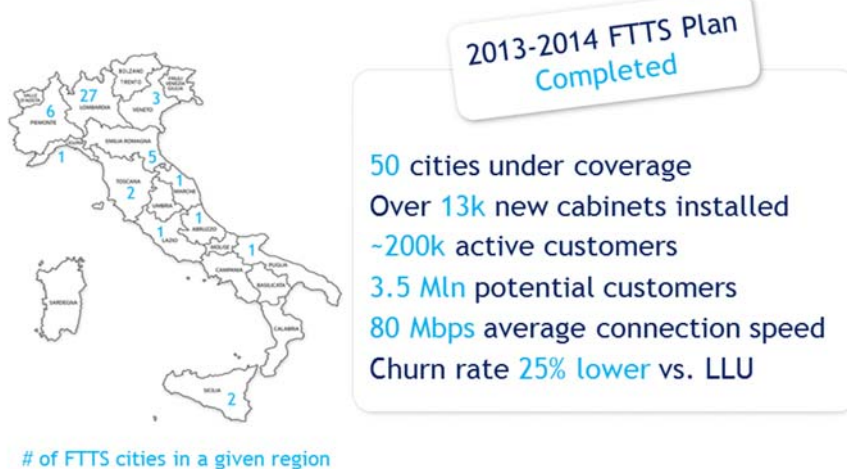


With approximately 500k active fiber connections delivering speed up to 100 Mbps, FASTWEB share of the Italian Ultra Broadband market was equal to 70% at the end of 2014

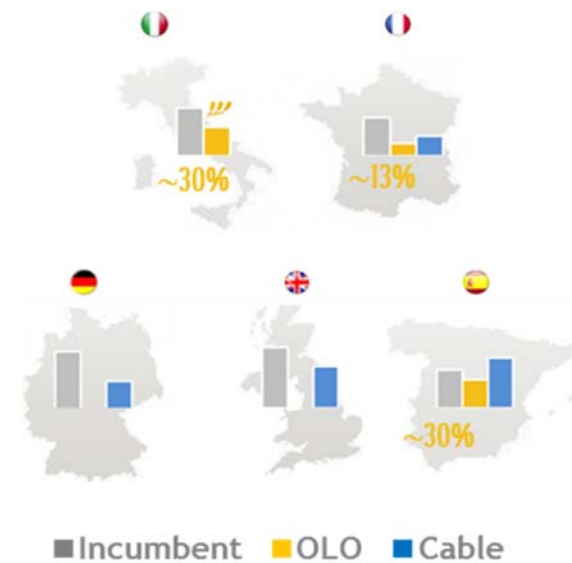
# Enhancing future UBB leadership through successfully rolling out NGAN infrastructure in almost 100 cities...

46

## FASTWEB FTTS Roll out Plans



## Estimated UBB Coverage EoP 2016 (% HHs)<sup>1</sup>



With ~30% coverage by EoP 2016, FASTWEB UBB infrastructure will be the largest wireline NGAN built by a Telco OLO in Europe

<sup>1</sup>Source - Cullen International April 2014 - Based on the plans announced/in execution by operators

# ...and pushing bandwidth well above 100 Mbps through Vectoring, V+ and G.fast deployment

47

Thanks to SLU average length in Italy shorter than in other EU countries, NGAN upgrade to Vectoring, V+ and G.fast will grant connections speed significantly >100 Mbps by 2016



Sub loop average length ~250 m  
~51% of lines are <250 m

## Vectoring field test results (Mbps)

VDSL w/o Vectoring  
~75 Mbps average

VDSL with Vectoring  
~100 Mbps on average

1.3x average bandwidth

## V+ prelim. field test results (Mbps)

VDSL w/o Vectoring  
~75 Mbps average

VDSL with V+  
~180/200 Mbps on average

2.4x average bandwidth

## G.fast prelim. field test results

VDSL w/o Vectoring  
~80 Mbps average

VDSL with G.fast  
~320 Mbps on average

4.0x average bandwidth on SLU <250 m

90/95% potential coverage with  $\geq 100$  Mbps

# Leading in innovation with the deployment of distinctive assets and services

48

## Beyond infrastructure...

...extending product portfolio by leveraging FASTWEB innovation capabilities to provide services that increase share of wallet/customer stickiness

### New Tier IV Data Centre Strong enabler of FASTWEB ICT portfolio



- Completed Dec 2014
- First and only Tier IV-certified DC in Italy
- ICT/Housing services available from January
- Triggering strong pipeline of contracts under negotiation

### WoW FI A unique service to improve customer XP



- Customer modems become access points enabling city-wide shared WI FI network
- Launched in two cities
- 20% penetration after one month/23MB daily usage per customer



# 6. Group results & outlook

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Mario Rossi  
CFO Swisscom

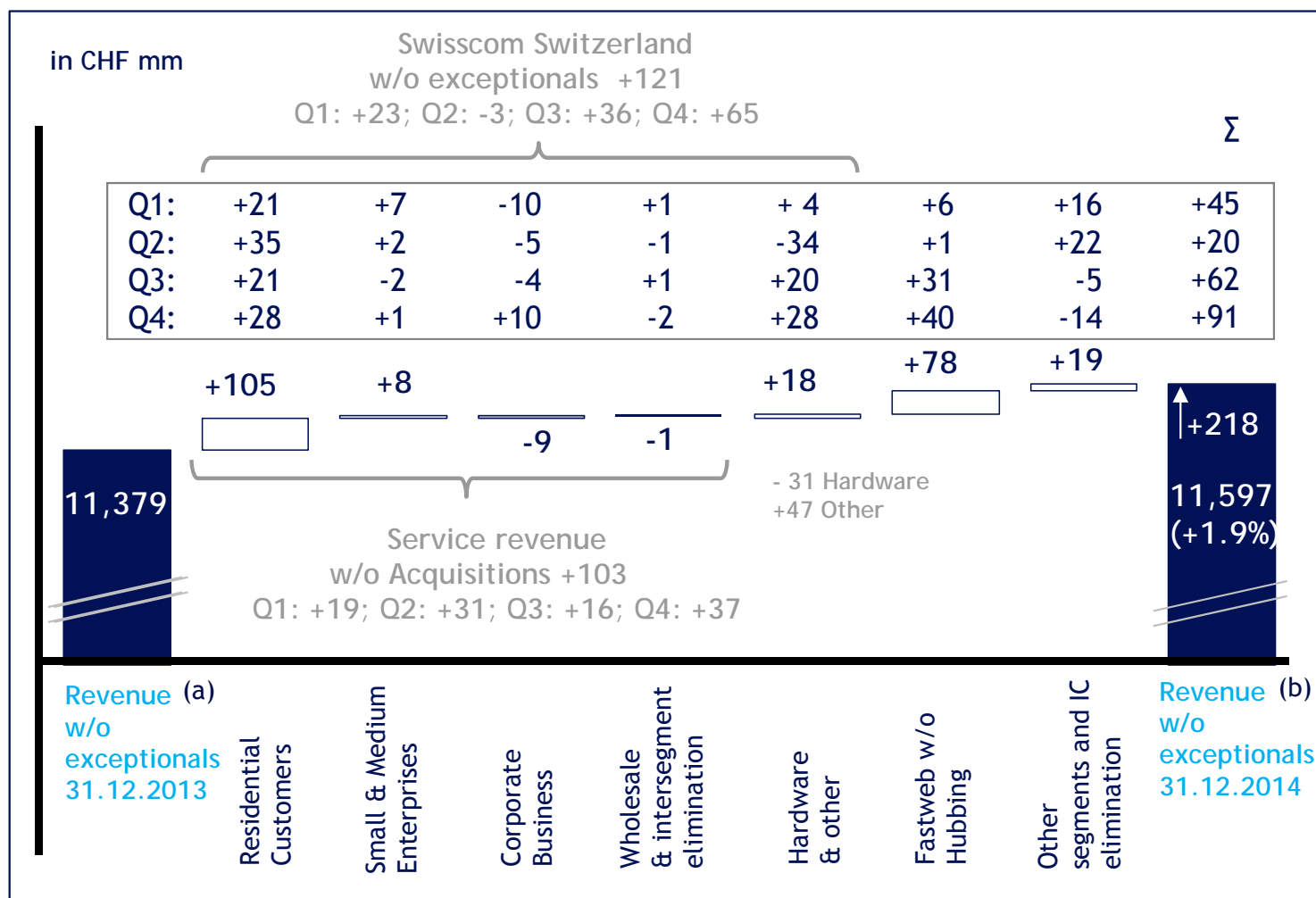
# Revenue (w/o exceptionals) breakdown by segments

50

Top-line increased by CHF 218mm.  
Each quarter with positive contributions.

Underlying Service Revenue of Swisscom Switzerland up by CHF 103mm.

Fastweb underlying revenue up CHF 78mm.



(a) Without Hubbing Fastweb (CHF 55mm)

- (b) Without M&A (CHF 100mm), Hubbing Fastweb (CHF 34mm), change exchange rate (CHF -28mm, weakening of Euro against Swiss Franc of 1.4% (2013: 1.2293 vs. 2014: 1.2127))

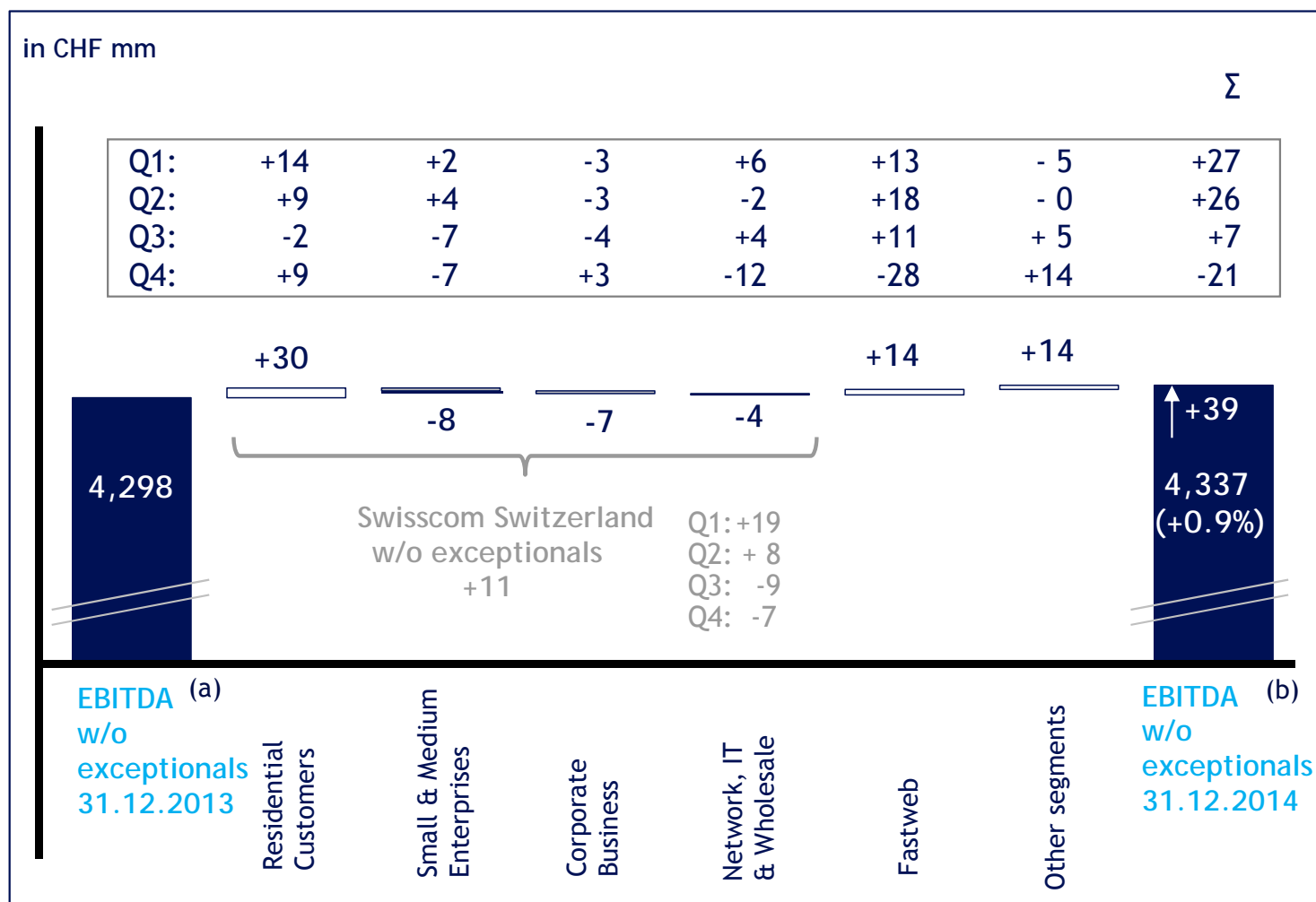
# EBITDA (w/o exceptionals) breakdown by segments

51

EBITDA of Swisscom Switzerland w/o exceptionals up CHF 11mm.

EBITDA of Fastweb up CHF 14mm YOY.

Fastweb's Q4 EBITDA contribution lower due to booking of EUR 28mm in Q4 2013 for the FY 2013 of lower ULL fees.



(a) Without release of provisions restructuring (CHF +4mm)

(b) Without M&A (CHF +21mm), additional gain on sale of real estate (+50mm), lower Pension cost (+14mm), change exchange rate (CHF -9mm, weakening of Euro against Swiss Franc of 1.4% (2013: 1.2293 vs. 2014: 1.2127)).

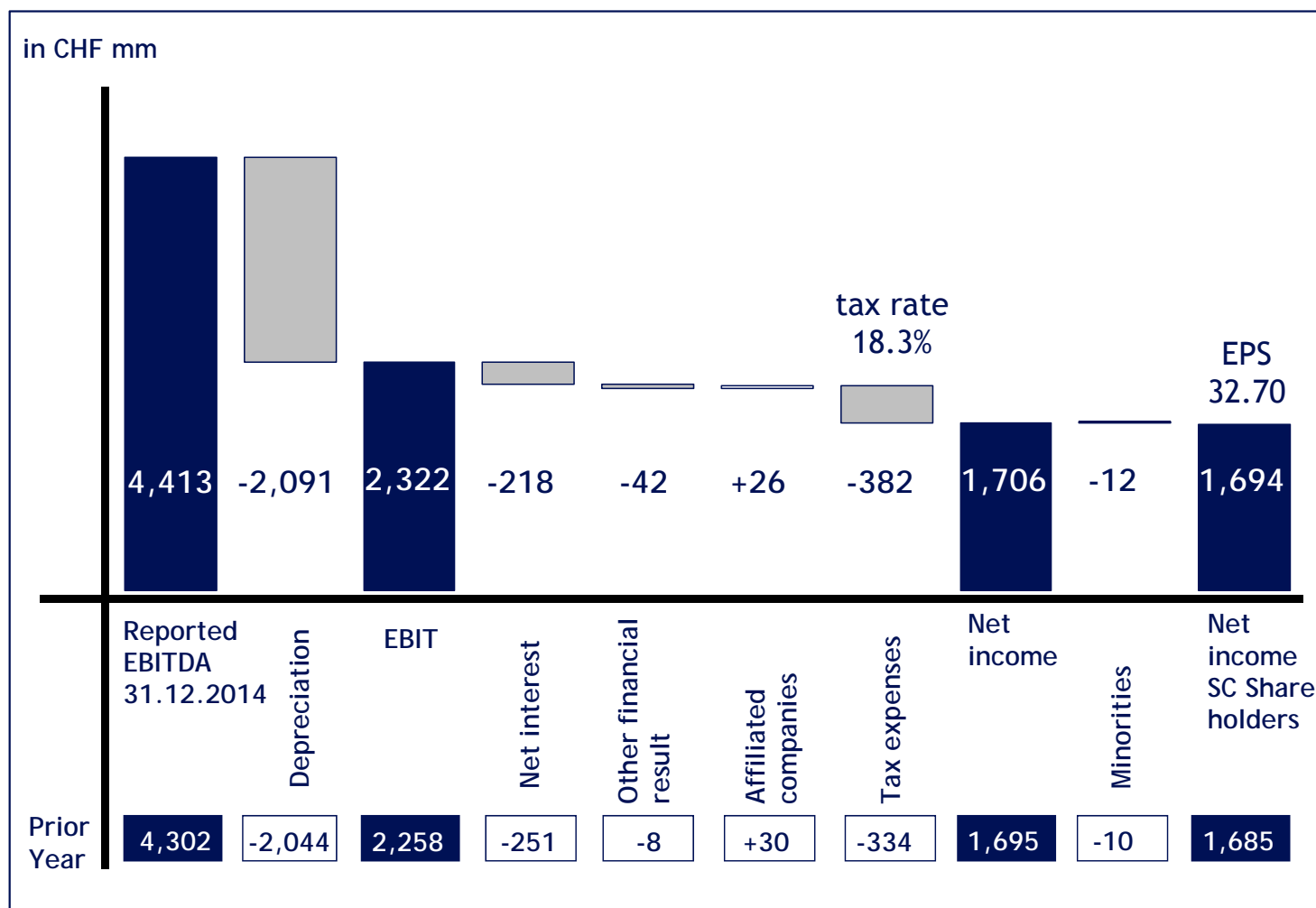
# Net result

52

*Solid net income of CHF 1.7 bln mainly thanks to higher EBITDA.*

*Net interest came down, but valuation of interest derivatives negatively impacted the other financial result.*

*Earnings per share equals to CHF 32.70.*



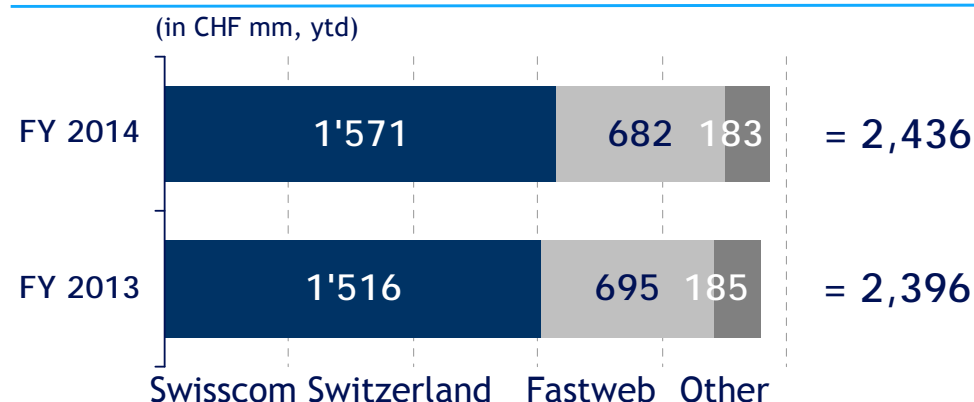
# Capital expenditure

53

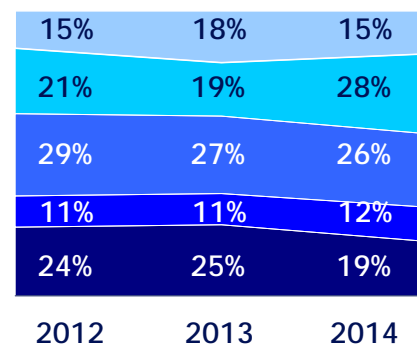
*Ongoing rollout of fibre optic network leads to higher CAPEX at Swisscom Switzerland (CHF +55mm).*

*Fastweb with CHF -13mm lower CAPEX in 2014.*

## Increase YoY (CHF +40mm) driven by expansion of Swiss fibre network



## Swisscom Switzerland with increasing capex in fibre network



Wireless network

Fixed network: Fibre (FTTx)

Fixed network & Copper access, backbone & transport infrastructure:

Customer driven: Customer premises equipment & corporate customers

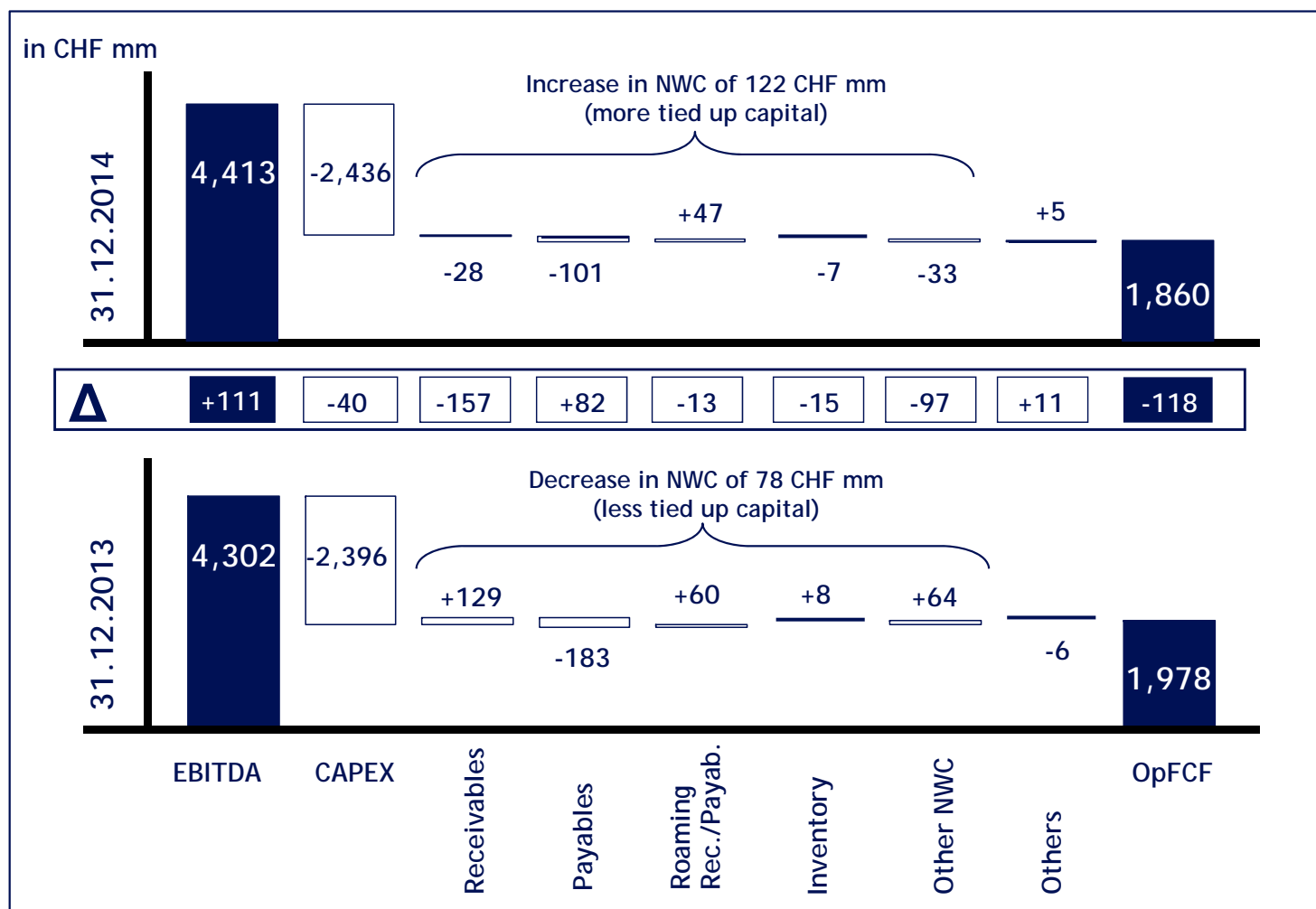
IT systems, All-IP & other

# Operating free cash flow

54

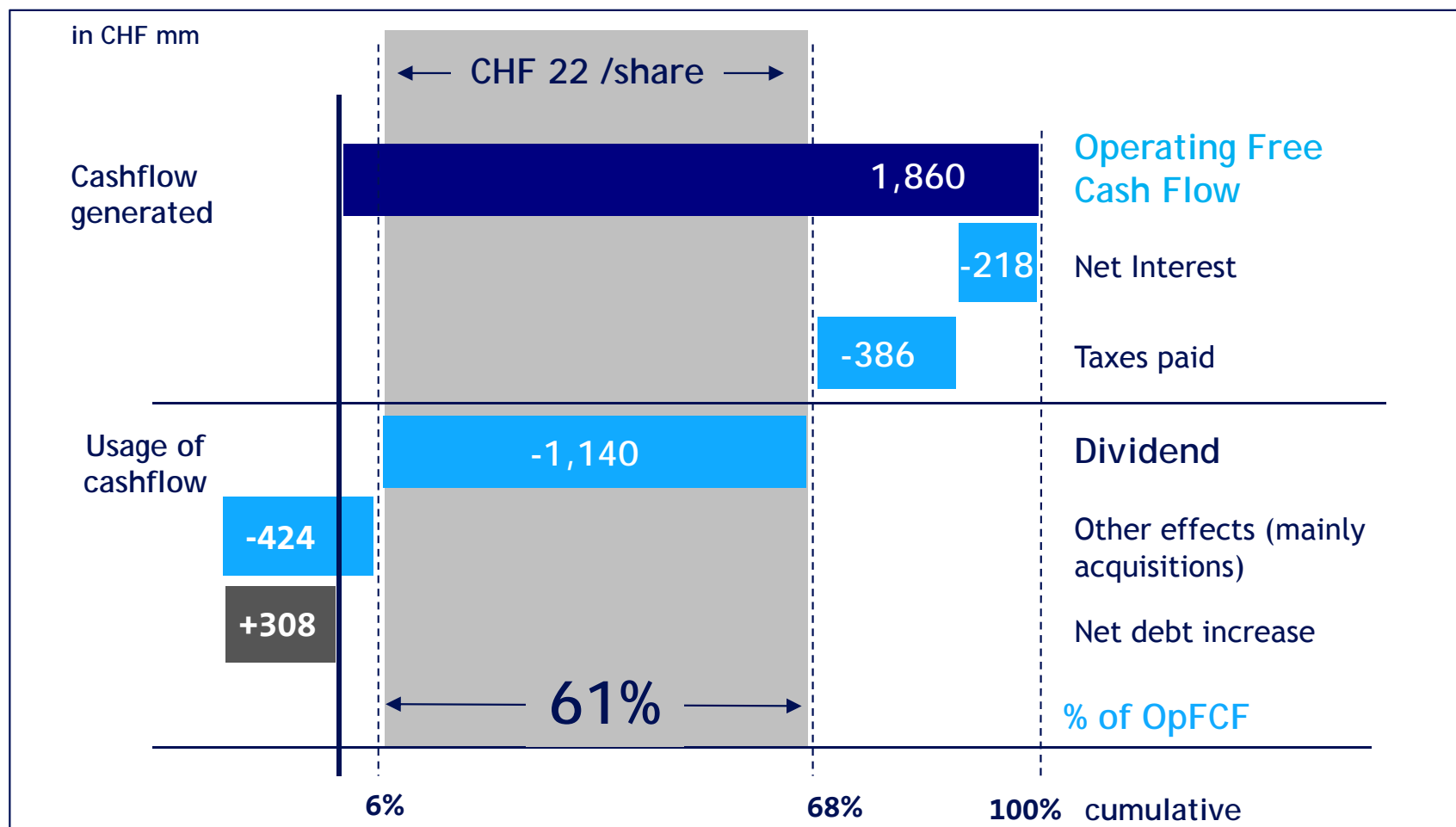
*Higher EBITDA is overcompensated by the negative contribution in change of NWC leading to a lower OpFCF of CHF -118 mm.*

*Higher capital expenditures of CHF -40 million mainly for the Swiss fibre-optic network.*



# Use of cash flow 2014 - 61% paid to shareholders

55



Net debt up mainly due the acquisition of PubliGroupe,  
however net debt/EBITDA remained stable at 1.8x

# Refinancing transactions in 2014

56

## Eurobond

- Amount: EUR 500 Mio.
- Term: 7.5 years
- Coupon: 1.875%
- Rating: A/A2

- Attractive pricing obtained as proof of strong credit quality
- Further diversification of the funding sources

## Domestic Bond

- Amount: CHF 200 Mio.
- Term: 12 years
- Coupon: 1.5%

- Opportunistic transaction to take advantage from the very attractive market environment

## Domestic Bond

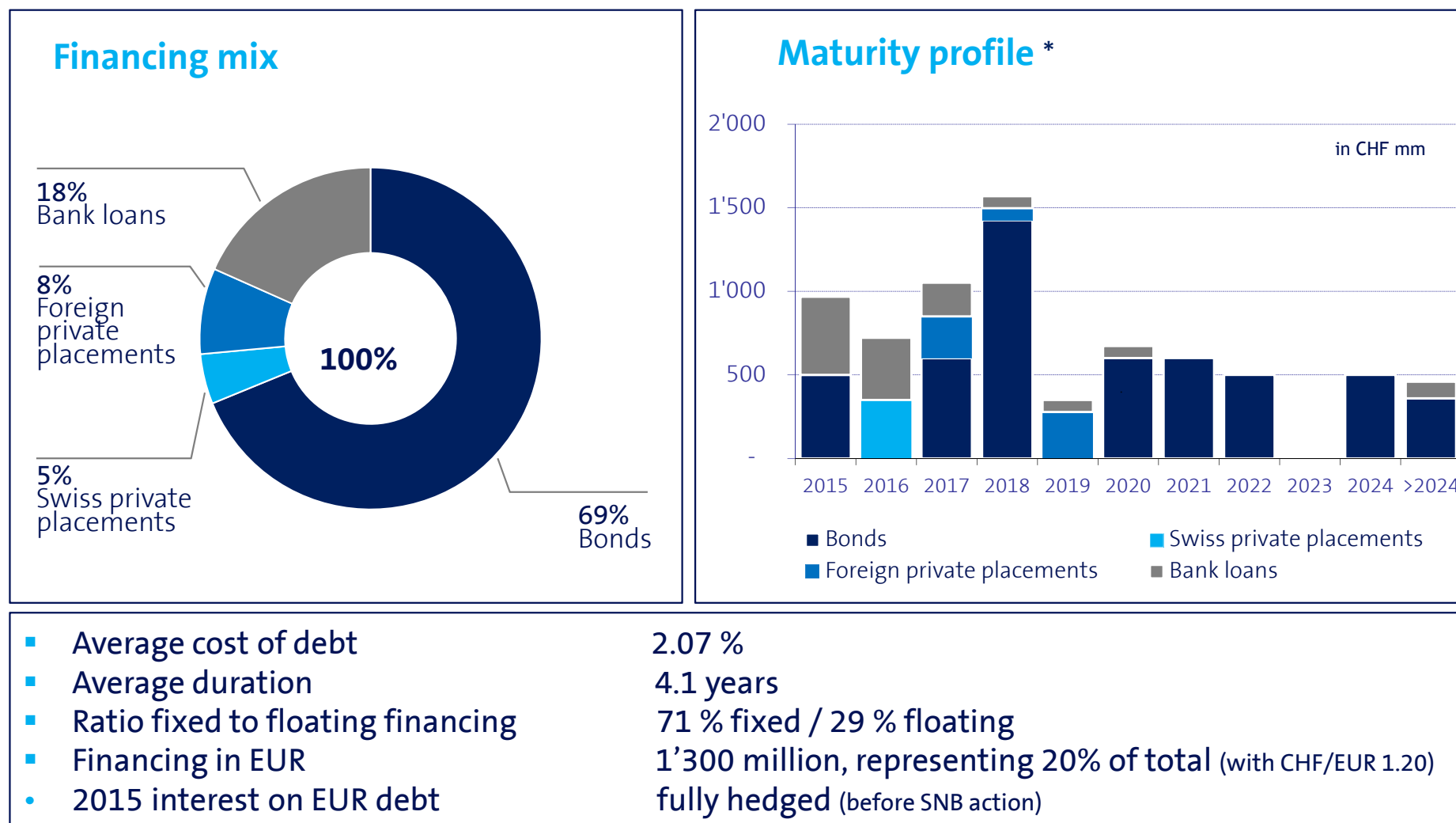
- Amount: CHF 160 Mio.
- Term: 15 years
- Coupon: 1.5%

- Opportunistic transaction to take advantage from the very attractive market environment
- Maturity stretched to the limit for corporate issuers



# Financing situation as per YE 2014

57

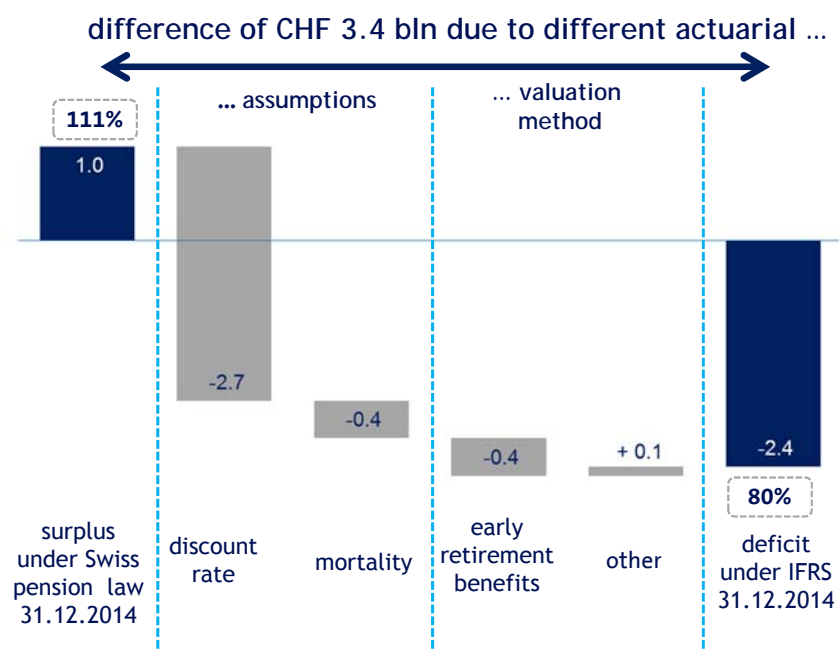


\* w/o financial lease and short-term financing

# Pension plan situation as per 31.12.2014

58

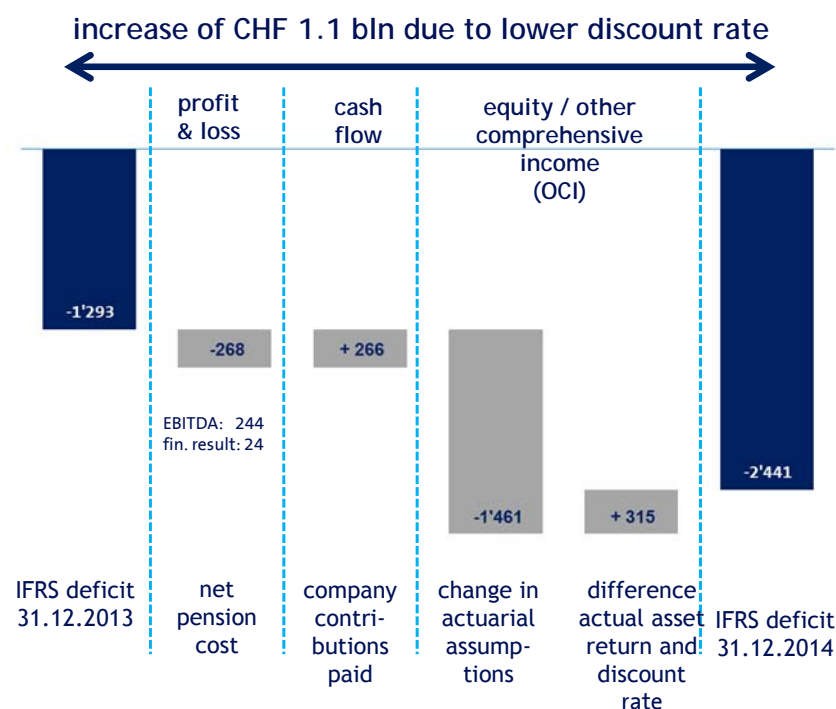
## Valuation differences between Swiss pension law and IFRS



- Funding requirements are based on the actuarial valuation in accordance with Swiss pension law, IFRS not relevant
- Coverage ratio under Swiss pension law: 111%
- Main actuarial assumptions:

	Swiss pension law	IFRS
Discount rate	2,75% based on expected long-term asset return	1.13% based on yield corporate bonds AA-rated
Mortality	Periodical tables	Generational tables

## Reconciliation IFRS deficit 2013 → 2014



- Company contributions almost equal to pension cost
- Actuarial loss of CHF 1.46 bln resulting from an decrease of the discount rate assumption from 2,3% to 1,13%
- Return 2014 on pension plan assets of 6.96% significantly higher than discount rate - difference of CHF 315mm recognized in equity (OCI)

# Guidance 2015 - FX impacting revenues, EBITDA and CAPEX. FCF Proxy\*\* 2015 of CHF ~1.9 billion

59

in bln CHF	2014 results reported (CHF 1.21/EUR)	FX impact	2014 results pro-forma (CHF 1.00/EUR)	Expected change for 2015 Swisscom w/o Fastweb	Expected change for 2015 Fastweb	2015 outlook (CHF 1.00/EUR)
<b>Net revenue</b>	<b>11.703</b>	-0.4	<b>11.331</b>	+0.1	0	<b>&gt;11.4</b>
<b>EBITDA</b>	<b>4.413</b>	-0.1	<b>4.315</b>	-0.1 *	>0	<b>~4.2</b>
<b>CAPEX</b>	<b>2.436</b>	-0.1	<b>2.313</b>	0	<0	<b>2.3</b>

\* Higher cost due to all IP transition, lower income from real estate sales, higher pension fund expenses (under IFRS)

\*\* FCF Proxy = EBITDA minus CAPEX

**FCF Proxy\*\* not impacted by exchange rate movements**

# Guidance 2015 - detailed explanation

60

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**Revenues 2015: over CHF 11.4 bln** (Switzerland up, Italy down in Swiss Francs). Would be CHF 11.8 bln on a constant currency basis (CHF 100 mm growth YOY)

- Swisscom without Fastweb is expected to report CHF 100mm revenue growth assuming no acceleration in price declines
- Fastweb flat in Euros, however up to CHF 400 mm lower in consolidation if exchange rate continues to be around 1.00 CHF/€ (17% appreciation compared to average rate of 1.21 CHF/€ in 2014)

**EBITDA 2015: around CHF 4.2 bln** (down by CHF ~200mm year on year on reported basis, however nearly flat on a constant currency basis and without one off items of CHF >100mm (esp. higher income from sale of real estate in 2014))

- Swisscom without Fastweb is expected to report slightly lower EBITDA. Operational profitability will be at least stable assuming no acceleration of price declines, however higher cost for the All IP transition, lower income from the sale of real estate as well as higher cost for pension contributions caused by low interest rates, will lead to a small year on year decline of reported EBITDA. The contribution of acquisitions and synergies is too small yet to compensate for this
- Fastweb is expected to report higher EBITDA in Euros, most of which comes through lower cost (usage and pricing) for regulated products from other operators as Fastweb continues to migrate more customers to own infrastructure. However, if the 17% currency appreciation is to hold throughout the year, Fastweb is likely to report CHF 100 mm lower EBITDA compared to 2014

**CAPEX 2015: CHF 2.3 bln** (down CHF 100 YOY)

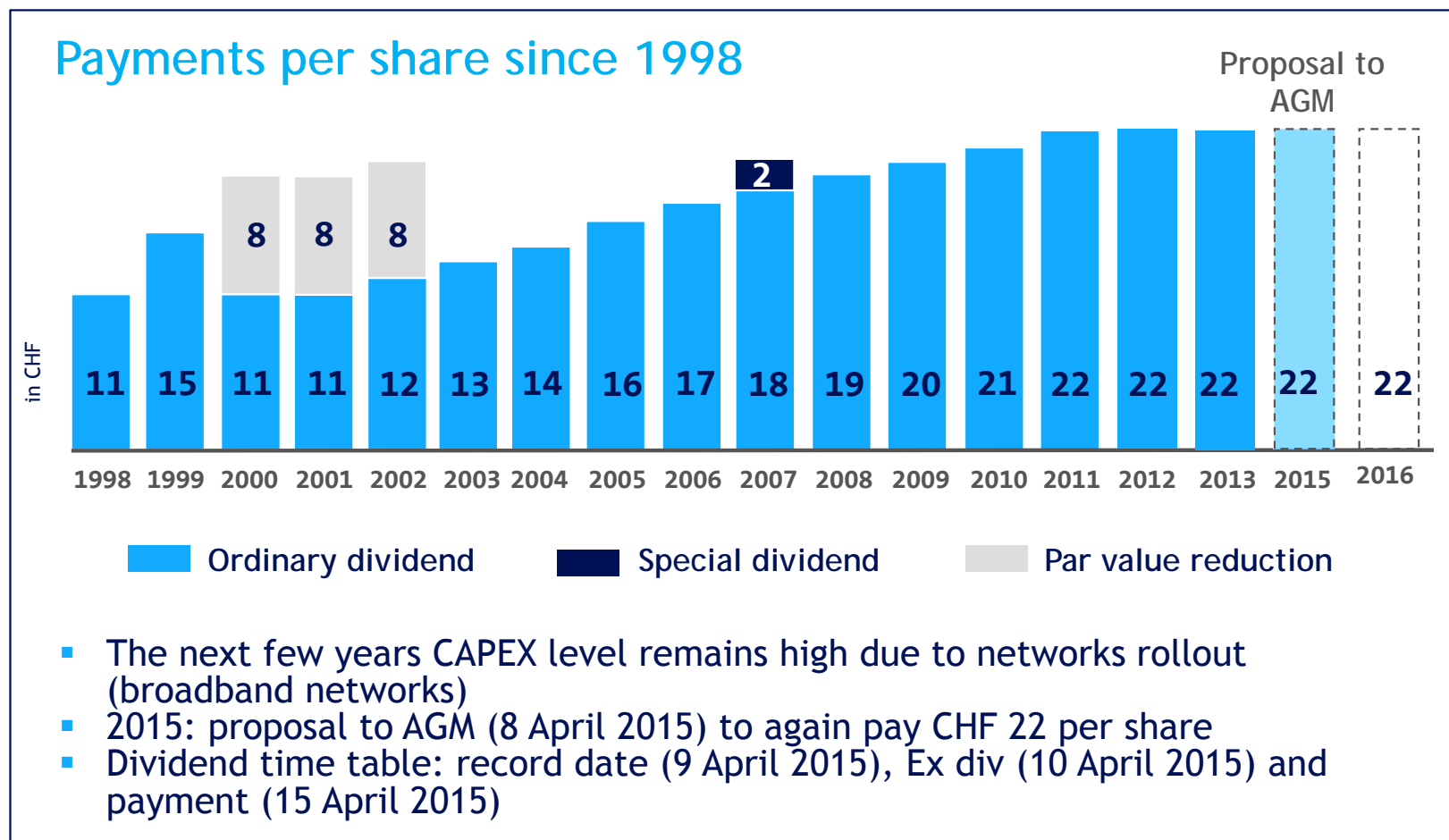
- Unchanged investments in Switzerland (ultra broadband push and IT banking platform investments)
- At Fastweb the volume of capital expenditure reached its peak in 2014, and in local currency terms will decline slightly in 2015, corresponding to a currency-related reduction of CHF 100 million

**FCP Proxy 2015: CHF ~1.9 bln** (down by CHF 100 mm YoY), with the currency effect having no impact as EBITDA decline caused by FX is compensated for by lower CAPEX in Italy

**Dividend 2015: CHF 22 per share** if the targets above are met, payable in 2016 after AGM

# Dividends

61



Upon meeting its 2015 guidance, Swisscom plans to again propose a dividend of CHF 22 per share to the general assembly in 2016

# Recent currency changes and its impacts on 2014 financials

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62

Estimated impacts of an EUR exchange rate of CHF 1.00 on the **key financials 2014**:

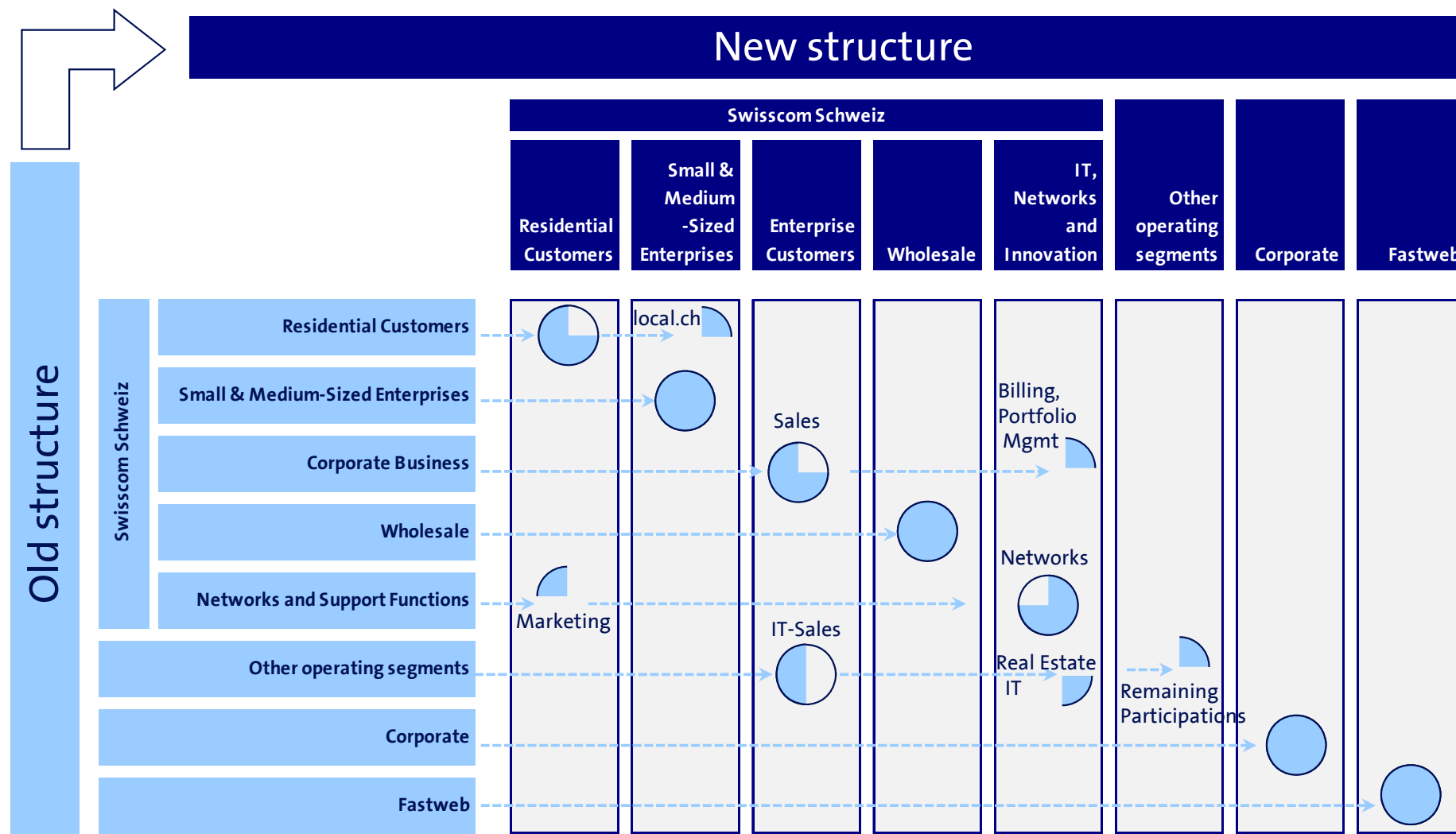
- **Profit and loss statement**
  - Net revenue (CHF 11.7 billion) with a decline of around CHF 400 million
  - EBITDA (CHF 4.4 billion) with a decrease of around CHF 100 million
  - Net income (CHF 1.7 billion) unchanged
- **Cash flow statement**
  - CAPEX (CHF 2.4 billion) around CHF 100 million lower
  - FCF proxy unchanged
- **Balance sheet (B/S)**
  - Equity of CHF 5.5 billion and net debt of CHF 8.1 billion decreases by CHF 300 million each
  - No impact on equity ratio of 26%
  - Net debt/EBITDA with 1,8 stable

Recent FX movements with no impact on net income, FCF and B/S ratios

# Outlook 2015 - new segment reporting as from Q1-2015

Prior to Q1-2015 reporting, restated figures for 2014 Q1..Q4 will be published

63



Cake slices indicate a shift in revenue/ EBITDA / FTE

# Attachments

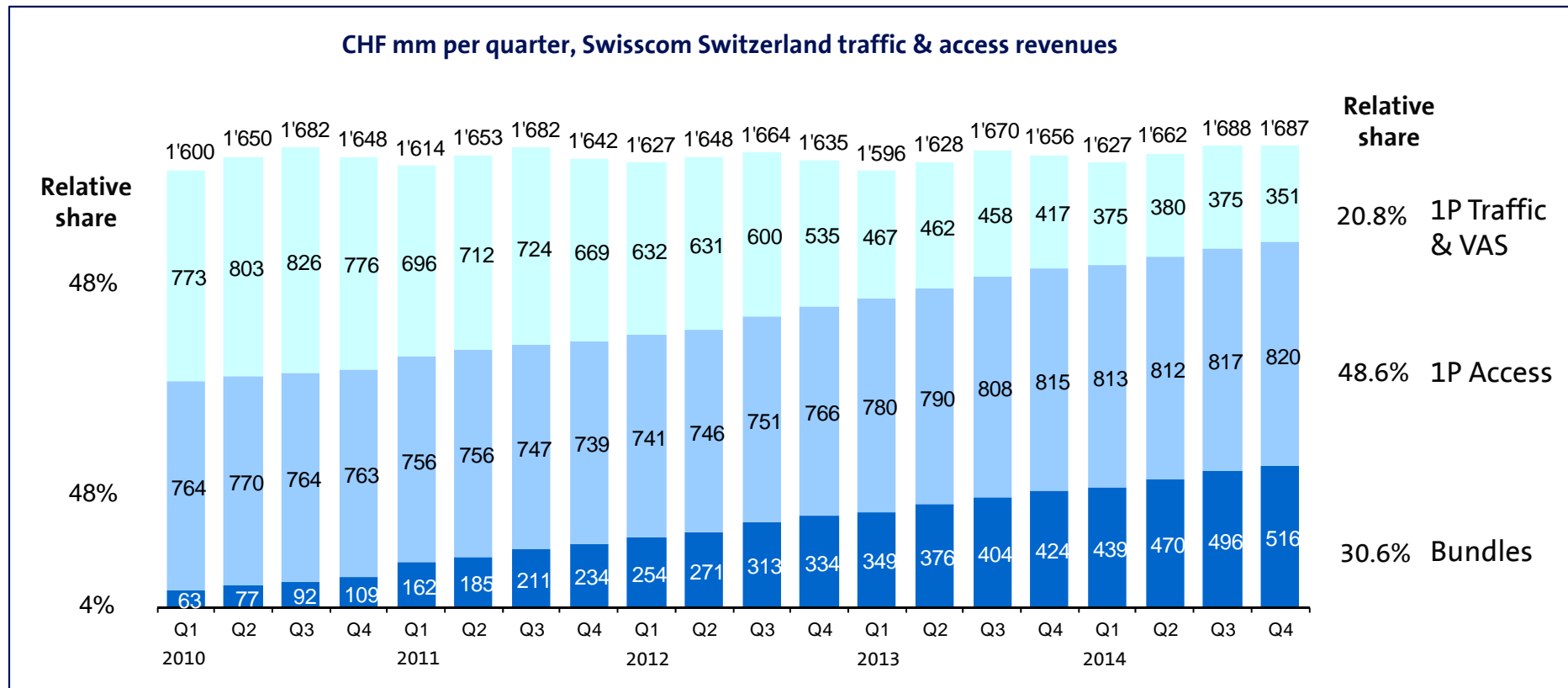
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# Bundles replacing 1P

65

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



Bundles & Access revenues now represent 79% of revenues compared to 52% 4 years ago.

# RGU's

66

Swisscom Switzerland

Access Lines/Subs/Products (000)

YTD, (Change to 31.12.2013 in brackets)


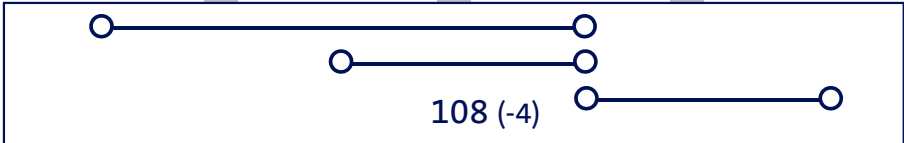
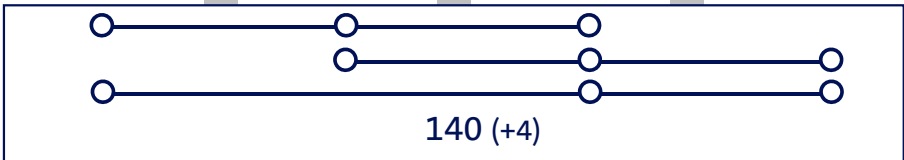

	TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
<b>1P</b>							
Single Play	218 (-58)	1,840 (-233)	681 (-129)	6,035 (+47)	1	8,774	(-373) (-4.1%)
Bundles					2	608	(+50) (+9.0%)
					3	1,971	(+399) (+25%)
					4	1'020	(+200) (+24%)
Revenue Generating Units	1,165 (+165) (+17%)	2,778 (-101) (-3.5%)	1,890 (+79) (+4.4%)	6,540 (+133) (+2.1%)		12,373	(+276) (+2%)

Number of revenue generating units up by +2.3% YOY.

# ARPU

67

YTD, (Change to 31.12.2013 in brackets)

		TV <sup>1)</sup>	Fixed Voice & Access	Broadband <sup>2)</sup>	Mobile <sup>3)</sup>	Number of products in Bundle	Weighted average per underlying product <sup>1,2)</sup>
<b>1P</b> 	Single Play	16 (+0)	51 (-1)	36 (+0)	39 (-0)	1	41 (-1)
	2Play					2	54 (-2)
	3Play					3	47 (+1)
	4Play					4	52 (-2)
	Total weighted average	45 (-0)					45 (-0)

Move to bundles implies up-scaling to higher ARPUs

1) ARPU Base Fee

2) ARPU excl. Business Networks


3) ARPU excl. Mobile Termination

# Revenues (RGU x ARPU)

68

## Net revenues (CHF mm)

YTD, (Change to 31.12.2013 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
<b>1P</b> 	Single Play	86 (-7) <sup>1)</sup>	1'186 (-176)	695 (-65) <sup>2)</sup>	2,776 (-6)	4,743	(-254) (-5.1%)
	2Play	374 (+16)				374	(+368) (+23.7%)
	3Play	980 (+234)				980	
	4Play	566 (+117)				566	
	<b>Net Revenue Bundle + 1P</b>					6,663	(+114) (+1.7%)

1) includes impact from acquisition Cinetrade.

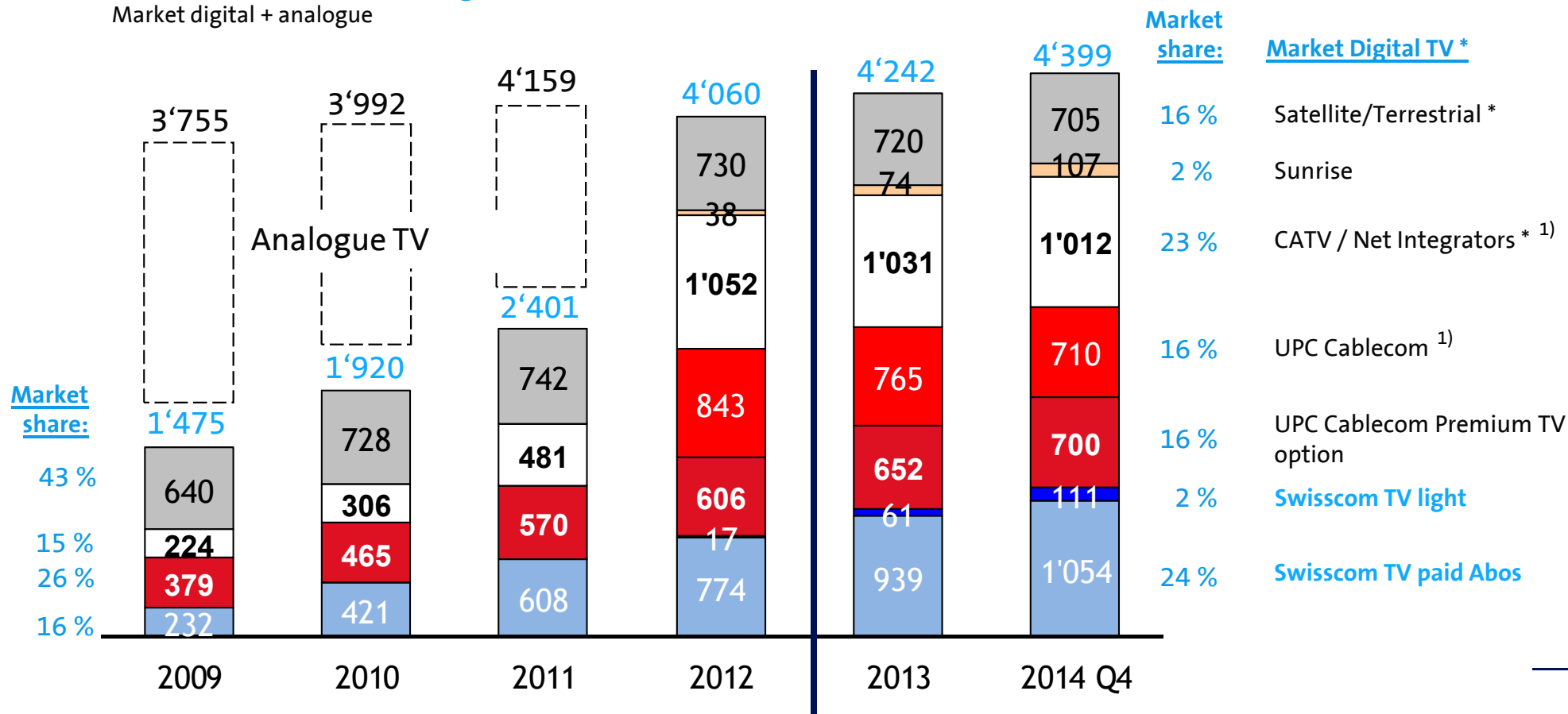
2) including revenues for business networks/internet which are not included in retail broadband ARPU

# TV market Switzerland

69

## Market volumes (000) digital TV

Market digital + analogue

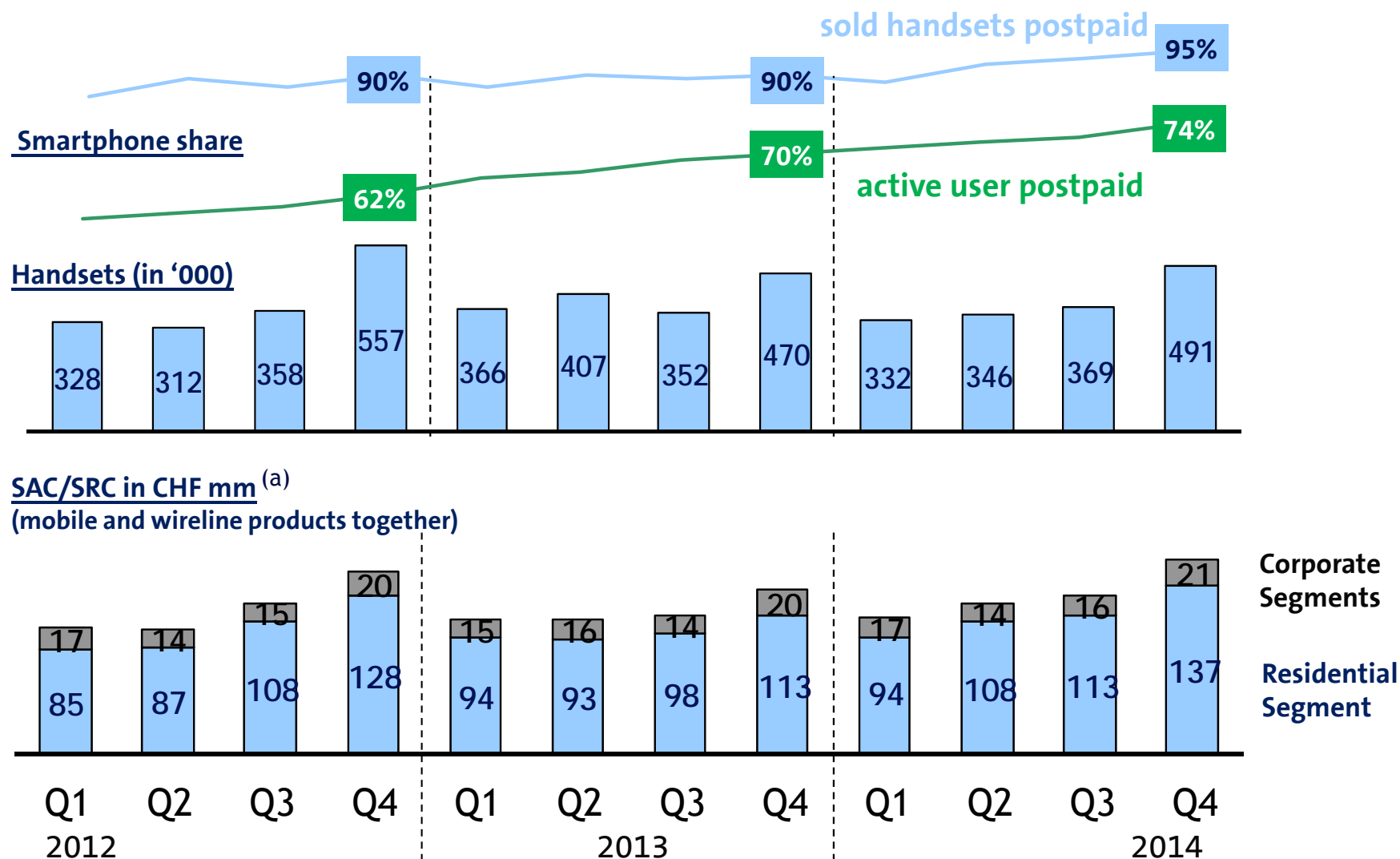


1) Migration to digital largely driven by analogue customers who have been transferred technically, but have not subscribed to a digital product yet: these are potential customers for Swisscom

\* Estimates for Q4 2014

# Handsets & SACs

70




Active Postpaid User with a steady increase of its smartphone share.

(a) excluding intercompany SAC/SRC

# Wholesale Access Portfolio

Layer 1 copper/fibre and layer 3 broadband services available at standard prices and contingent model based pricing available on request

71

Access Portfolio Swisscom Wholesale		Contingent Model
Unbundled Access Line TAL, Layer 1, Copper *	CHF 12.20 / month	<p>Pre-invest of Sunrise (CHF 74mm)</p>  <p>reduced standard prices (according to pre-invest)</p>
Access Line Optical ALO, Layer 1, Fibre *	CHF 34.00 / month	
Broadband Connectivity Service BBCS, Layer 3, 15/3 Mbit/s	CHF 29.00 / month	
Broadband Connectivity Service BBCS, Layer 3, 40/8 Mbit/s	CHF 34.00 / month	
Broadband Connectivity Service BBCS, Layer 3, 100/20 Mbit/s	CHF 52.00 / month	

\* Extra investments (e.g. backhauling, collocation) required by OLO

Contingent model based pricing is available  
to any wholesale partner who is willing to pre- invest

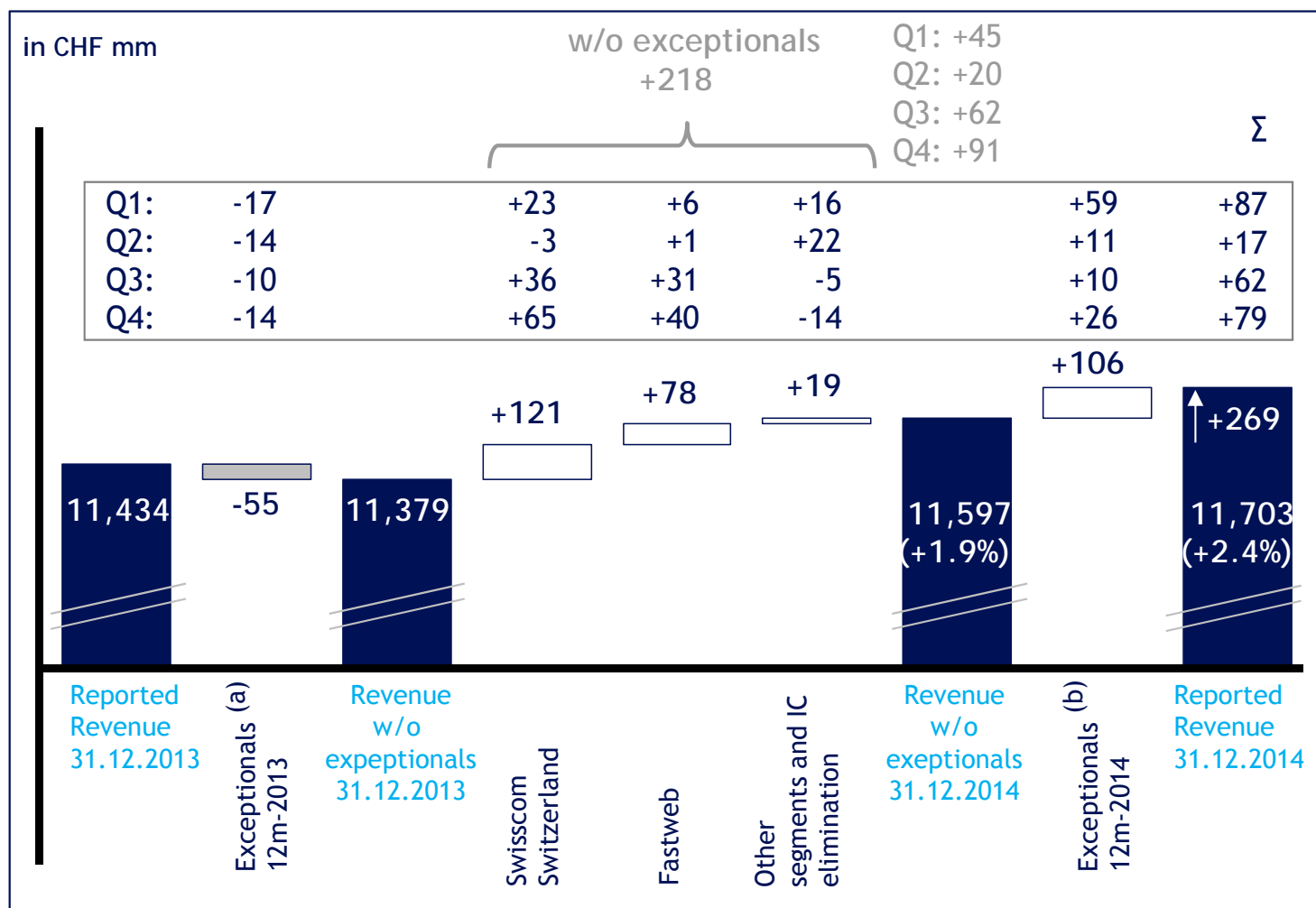
# Group results

## Revenues, exceptionals

72

Without M&A, hubbing and FX effects, revenue went up CHF 218mm YOY (+1.9%)

Underlying top-line of Fastweb (w/o hubbing and FX) went up by CHF 78 mm YOY. All segments with increase



(a) Hubbing Fastweb (CHF -55mm)

(b) Acquisitions (CHF +100mm), Hubbing Fastweb (CHF +34mm), change exchange rate (CHF -28mm, weakening of Euro against Swiss Franc of 1.4%)

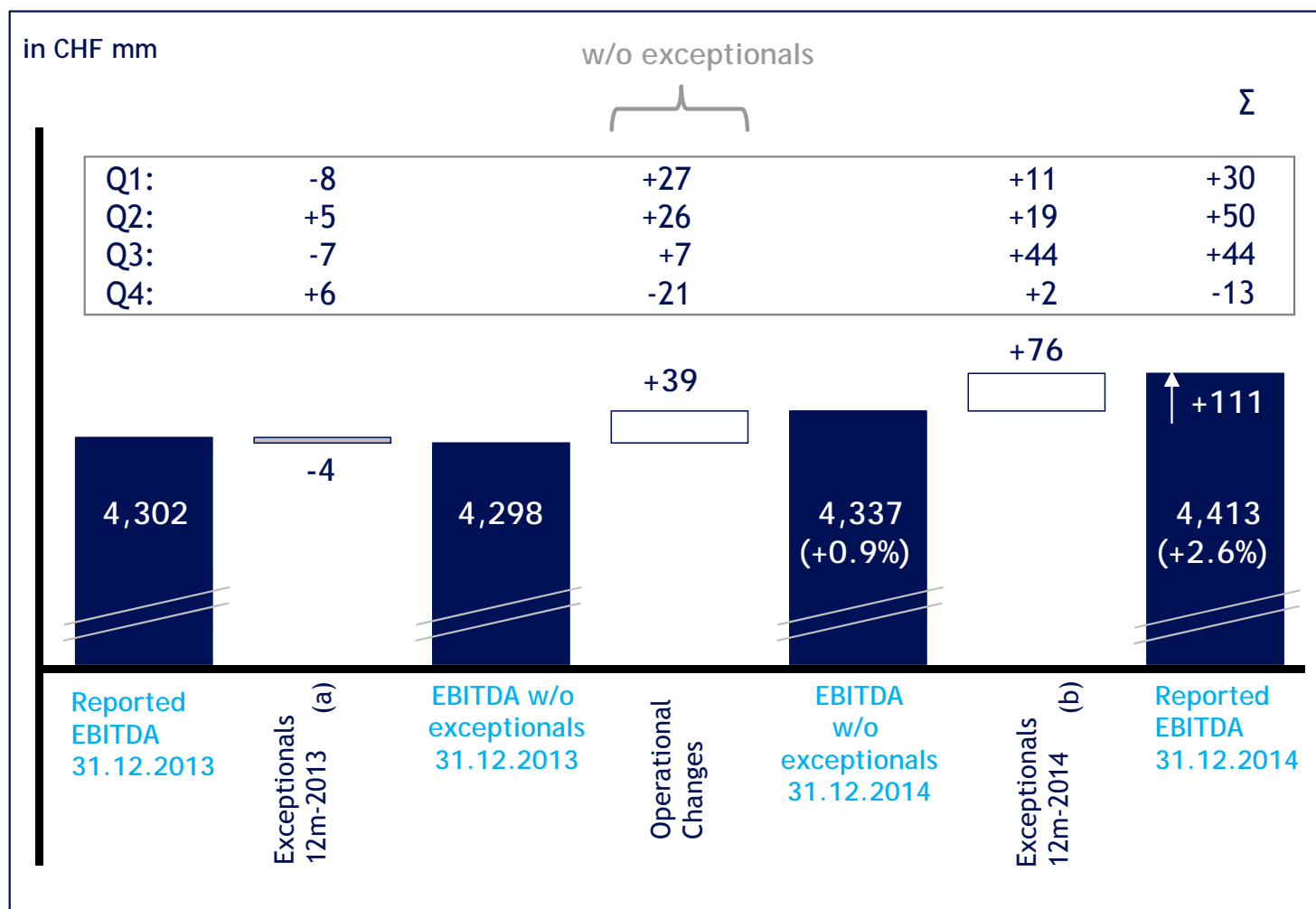


# Group results

## EBITDA, exceptionals

73

*EBITDA w/o  
exceptionals up  
CHF 39mm YOY.*



(a) Release of provisions restructuring (CHF -4mm)

(b) M&A (CHF +21mm), additional gain on sale of real estate (+50mm), lower Pension cost (+14mm), change exchange rate (CHF -9mm, weakening of Euro against Swiss Franc of 1.4%)

# Reported vs. normalised EBITDA

74

## EBITDA development YOY (in CHF mm)

	Q1	Q2	Q3	Q4	12m
Swisscom Switzerland	17	14	-7	5	29
Fastweb	13	16	8	-32	5
o/w effect of lower regulated costs	8	9	8	-15	10
All other	0	20	43	14	77
<b>Reported EBITDA</b>	<b>30</b>	<b>50</b>	<b>44</b>	<b>-13</b>	<b>111</b>
o/w					
M&A impact	9	2	4	6	21
Real estate gain	0	11	39	0	50
Currency effect	0	-2	-3	-4	-9
Pension & restructuring cost	-6	13	-3	6	10
<b>Normalised EBITDA</b>	<b>27</b>	<b>26</b>	<b>7</b>	<b>-21</b>	<b>39</b>
i.e. exceptional income YoY	3	24	37	8	72

# Segment 'Residential'

75

*Top line impacted by one off effect (acquisitions). Higher service revenue and revenue devices.*

*CM 2 increased by 1.8%, driven by higher margin (due to service revenue) and one-off (acquisitions).*

*FTE increased 11.8%, adjusted +1.6% YOY*

*Mobile postpaid subs increase alongside with the increase in infinity subs .*

	Q4/14	Q4oQ4	31.12.2014	YoY
Net revenue in MCHF <sup>1)</sup>	1'419	6.5%	5'326	3.5%
Direct costs in MCHF	-424	12.8%	-1'379	5.0%
Indirect costs in MCHF <sup>2)</sup>	-278	7.8%	-996	6.6%
Contribution margin 2 in MCHF	717	2.7%	2'951	1.8%
Contribution margin 2 in %	50.5%		55.4%	
CAPEX in MCHF	55	-20.3%	172	-13.6%
FTE's	+4		5'313	11.8%
Voice lines in '000 <sup>3)</sup>	-32		2'014	-4.9%
BB lines in '000 <sup>3)</sup>	+14		1'623	4.1%
Wireless customers prepaid in '000	-2		2'163	-0.6%
Wireless customers postpaid in '000 <sup>3)</sup>	+17		2'609	3.0%
Blended wireless ARPU MO in CHF	34	0.0%	35	2.9%
TV subs in '000 <sup>3)</sup>	+39		1'126	16.4%

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

# Segment 'Small & Medium Enterprises'

76

*Net revenue up by 0.7% driven by higher bundle revenues.*

*Contribution margin 2 decreased by 0.9% year on year. Impacted by higher retention costs.*

*BB lines up by 6.5%.*

	Q4/14	Q4oQ4	31.12.2014	YoY
Net revenue in MCHF <sup>1)</sup>	292	0.3%	1'159	0.7%
Direct costs in MCHF	-48	20.0%	-161	6.6%
Indirect costs in MCHF <sup>2)</sup>	-38	0.0%	-142	4.4%
Contribution margin 2 in MCHF	206	-3.3%	856	-0.9%
Contribution margin 2 in %	70.5%		73.9%	
CAPEX in MCHF	8	14.3%	25	47.1%
FTE's	+11		775	2.4%
Voice lines in '000 <sup>3)</sup>	-2		509	-1.5%
BB lines in '000 <sup>3)</sup>	+4		229	6.5%
Wireless customers in '000 <sup>3)</sup>	+2		595	2.1%
Blended wireless ARPU MO in CHF	70	-2.8%	71	-1.4%
1) incl. intersegment revenues				
2) incl. capitalised costs and other income				
3) sum of single play and bundles				

# Segment 'Corporate'

77

*On revenue level, ongoing price erosion could be compensated by a wireless data volume increase and other items.*

*# of wireless subs up by 5.3% YOY*

	Q4/14	Q4oQ4	31.12.2014	YoY
Net revenue in MCHF <sup>1)</sup>	463	0.2%	1'788	0.1%
Direct costs in MCHF	-103	-4.6%	-396	-0.5%
Indirect costs in MCHF <sup>2)</sup>	-127	2.4%	-492	2.1%
Contribution margin 2 in MCHF	233	1.3%	900	-0.8%
Contribution margin 2 in %	50.3%		50.3%	
CAPEX in MCHF	26	-7.1%	83	-9.8%
FTE's	+15		2'487	1.9%
Voice lines in '000	+1		255	4.1%
BB lines in '000	+0		38	2.7%
Wireless customers in '000	+24		1'173	5.3%
Blended wireless ARPU MO in CHF	39	-9.3%	40	-9.1%
1) incl. intersegment revenues				
2) incl. capitalised costs and other income				

# Segment 'Wholesale'

78

*Revenue from external customers down 3.1% driven by lower termination and inbound roaming rates.*

	Q4/14	Q4oQ4	31.12.2014	YoY
Revenue from external customers in MCHF	142	-2.1%	570	-3.1%
Intersegment revenue in MCHF	91	-3.2%	359	-5.0%
Net revenue in MCHF	233	-2.5%	929	-3.8%
Direct costs in MCHF	-132	-5.0%	-529	-6.2%
Indirect costs in MCHF <sup>1)</sup>	-5	0.0%	-19	5.6%
Contribution margin 2 in MCHF	96	1.1%	381	-0.8%
<i>Contribution margin 2 in %</i>	<i>41.2%</i>		<i>41.0%</i>	
CAPEX in MCHF	-	nm	-	nm
FTE's	+1		111	3.7%
Full access lines in '000	-24		180	-29.7%
BB (wholesale) lines in '000	+21		262	21.9%
1) incl. capitalised costs and other income				

# Segment 'Networks and support functions'

79

*Overall, CM2 nearly  
on prior year level.*

*CAPEX of CHF  
907mm up  
6.9% YOY, due to  
further rollout of  
broadband  
networks.*

	Q4/14	Q4oQ4	31.12.2014	YoY
Personnel expenses in MCHF	-196	4.3%	-733	2.9%
Rent in MCHF	-47	-4.1%	-185	-1.1%
Maintenance in MCHF	-53	-3.6%	-193	-2.0%
IT expenses in MCHF	-82	10.8%	-313	2.6%
Other OPEX in MCHF	-85	-1.2%	-279	-4.5%
Indirect costs in MCHF	-463	2.4%	-1'703	0.6%
Capitalised costs and other income in MCHF	50	-2.0%	191	2.1%
Contribution margin 2 in MCHF	-413	3.0%	-1'512	0.4%
Depreciation, amortisation and impairment in MCHF	-247	6.5%	-971	5.9%
Segment result in MCHF	-660	4.3%	-2'483	2.5%
CAPEX in MCHF	384	-7.0%	1'291	6.9%
FTE's	+39		4'599	4.4%

# Segment 'Fastweb'

80

*W/o low margin  
wholesale hubbing  
net revenues  
increased 3.9% YOY.*

*All segments report  
an increase in  
revenue.*

*EBITDA of EUR 515  
million up 2.0% YOY.*

*# of BB customers up  
by 6.7% YOY reaching  
2,07 million  
customers.*

	Q4/14	Q4oQ4	31.12.2014	YoY
Consumer revenue in MEUR	190	2.2%	753	1.2%
Enterprise revenue in MEUR	222	4.7%	789	2.3%
Wholesale revenue in MEUR <sup>1)</sup>	46	48.4%	146	15.0%
Net revenue in MEUR <sup>1)</sup>	458	6.8%	1'688	2.8%
of which net revenue excl. hubbing in MEUR	451	7.9%	1'660	3.9%
OPEX in MEUR <sup>2)</sup>	-313	20.4%	-1'173	3.2%
EBITDA in MEUR	145	-14.2%	515	2.0%
EBITDA margin in %	31.7%		30.5%	
CAPEX in MEUR	156	-9.3%	562	-0.5%
OpFCF Proxy in MEUR	-11	n.m.	-47	-21.7%
FTE's	+13		2'391	1.2%
BB customers in '000	+56		2'072	6.7%
In consolidated Swisscom accounts				
EBITDA in MCHF	175	-15.5%	625	0.8%
CAPEX in MCHF	188	-11.3%	682	-1.9%
1) incl. revenues to Swisscom companies				
2) incl. capitalised costs and other income				



# Segment 'Other'

81

*Swisscom IT Services external revenue up mainly due to one off (acquisition).*

*OPEX up by 0.8% mainly driven by one off (acquisition) partly compensated by an additional gain on sale of real estate.*

*EBITDA up by 19.1% YOY driven by an additional gain on sale of real estate.*

	Q4/14	Q4oQ4	31.12.2014	YoY
Swisscom IT Services in MCHF	161	-4.7%	650	6.2%
Group Related Business in MCHF	84	-5.6%	329	0.0%
Hospitality Services in MCHF	14	-6.7%	64	14.3%
Other in MCHF	19	111.1%	45	28.6%
External revenue in MCHF	278	-1.4%	1'088	5.4%
Net revenue in MCHF <sup>1)</sup>	489	-0.8%	1'889	3.8%
OPEX in MCHF <sup>2)</sup>	-420	-1.6%	-1'528	0.8%
EBITDA in MCHF	69	4.5%	361	19.1%
EBITDA margin in %	14.1%		19.1%	
CAPEX in MCHF	56	-11.1%	211	8.2%
FTE's	-32		5'132	3.4%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

# Reported pension plan costs and outlook

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in CHF mio	2013 reported	2014 reported	Δ	2015 estimated
Operating pension cost (EBITDA)	258	244	70	314
Net interest (financial result)	37	24	2	26
<b>Total pension cost (P&amp;L)</b>	<b>295</b>	<b>268</b>		<b>340</b>
Total company contributions (cash payments)	276	266	-20	246
Pension cost less cash payments (cash flow statement)	19	2	92	94

- **Operating pension cost (service cost):**
  - Costs recognized in EBITDA measured in accordance with IFRS actuarial valuation method
  - Costs are highly sensitive to changes of discount rate assumption
  - Significant increase of cost are expected in 2015 due to lower discount rate (= yields of AA-rated corporate bonds).
- **Cash payments:**
  - Cash contributions are not based on IFRS actuarial valuation method
  - Contributions in 2015 likely to decrease due to a lower number of early-retirements

# 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.

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