

# ***Q3 2015 results***

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Analyst and investor presentation  
05 November 2015

# Agenda

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Welcome and introduction

Louis Schmid, IR

1. Q3 in a nutshell
2. Quality key in Switzerland
3. Strengthening of Swiss position
4. Fastweb performance

Urs Schaeppi, CEO

5. Group financials
6. Guidance 2015

Mario Rossi, CFO

Q&A

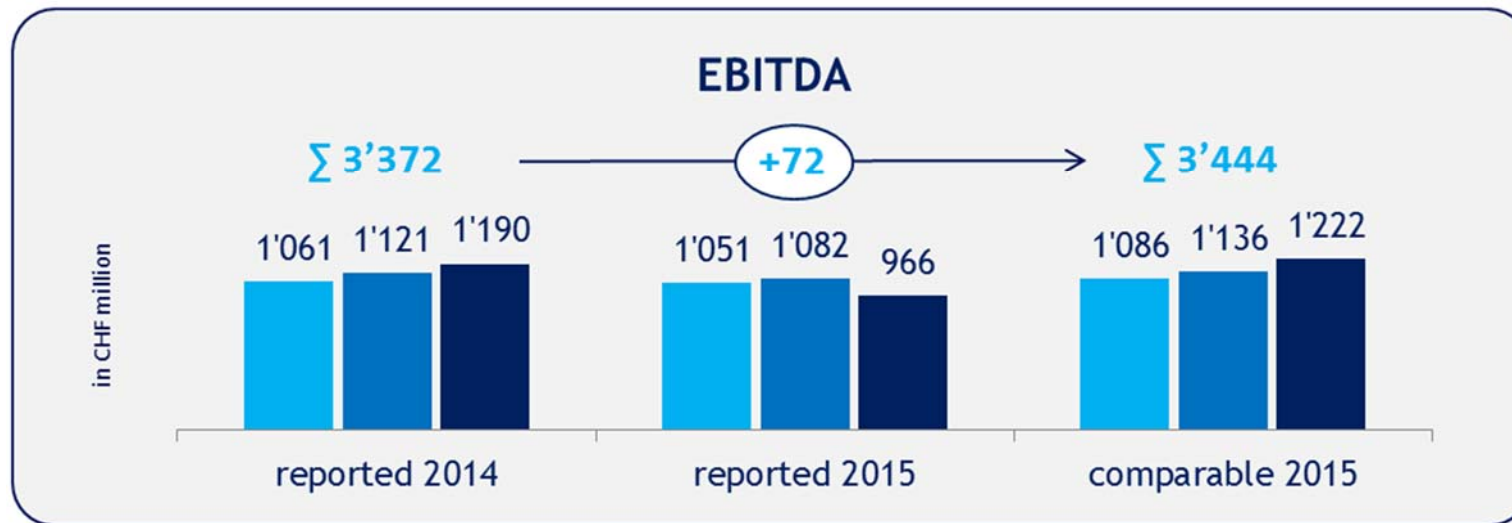
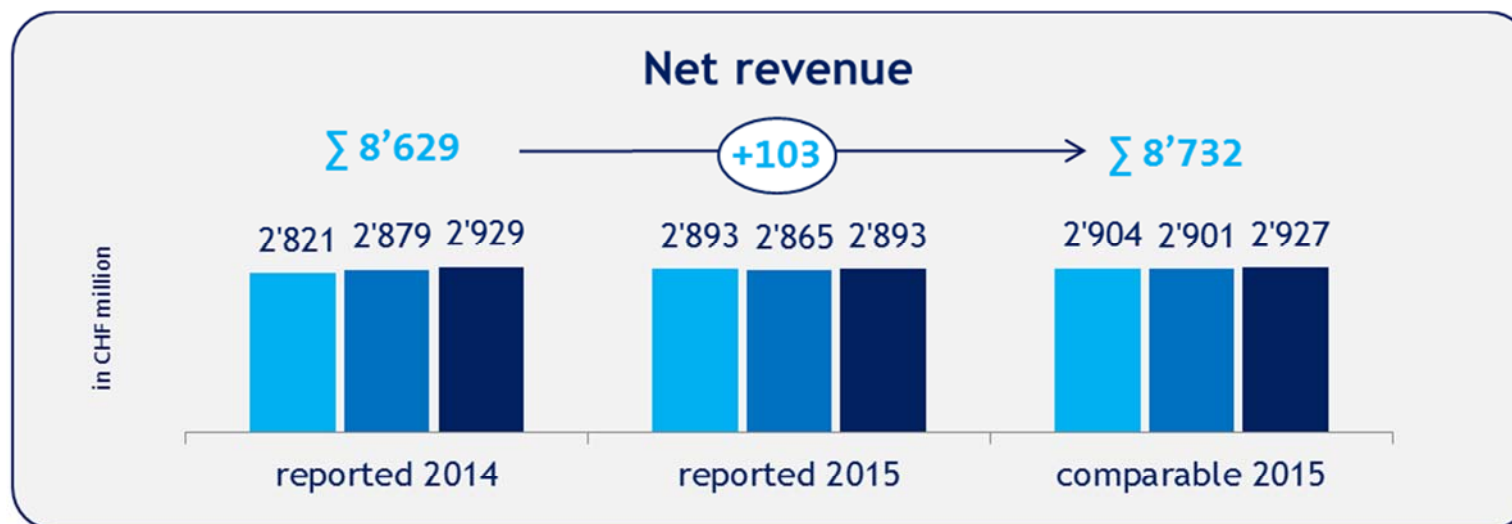
All

Backup

# 1. Q3 key financials

*Solid underlying performance*

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■ Q1 ■ Q2 ■ Q3

# 1. Q3 key financials

*3<sup>rd</sup> quarter in row with underlying EBITDA growth*

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*Underlying Q3 2015 revenue almost flat YOY and underlying 9m 2015 up by CHF +103 million YOY*

Net revenue	Q1	Q2	Q3	9m
reported 2014	2'821	2'879	2'929	8'629
<b>reported 2015</b>	<b>2'893</b>	<b>2'865</b>	<b>2'893</b>	<b>8'651</b>
<b>YoY</b>	<b>72</b>	<b>-14</b>	<b>-36</b>	<b>22</b>
Exchange rate CHF / EUR	55	74	56	185
M&A	-44	-38	-22	-104
<b>comparable 2015</b>	<b>2'904</b>	<b>2'901</b>	<b>2'927</b>	<b>8'732</b>
<b>YoY</b>	<b>83</b>	<b>22</b>	<b>-2</b>	<b>103</b>

*Comparable Q3 2015 EBITDA increased by CHF +32 million YOY, 9m 2015 margin went up YOY by a total of CHF +72 million*

EBITDA	Q1	Q2	Q3	9m
reported 2014	1'061	1'121	1'190	3'372
<b>reported 2015</b>	<b>1'051</b>	<b>1'082</b>	<b>966</b>	<b>3'099</b>
<b>YoY</b>	<b>-10</b>	<b>-39</b>	<b>-224</b>	<b>-273</b>
Exchange rate CHF / EUR	15	24	19	58
M&A	-	-	-	-
Pension cost reconciliation	20	16	14	50
Extraordinary real estate gain		14	37	51
Provision for FeAC* sanction (BBCS**)		-	186	186
<b>comparable 2015</b>	<b>1'086</b>	<b>1'136</b>	<b>1'222</b>	<b>3'444</b>
<b>YoY</b>	<b>25</b>	<b>15</b>	<b>32</b>	<b>72</b>

*CAPEX YOY flat at CHF 1.7 billion as per end of Sept 2015*

CAPEX	Q1	Q2	Q3	9m
reported 2014	519	598	610	1'727
<b>reported 2015</b>	<b>549</b>	<b>593</b>	<b>595</b>	<b>1'737</b>
<b>YoY</b>	<b>30</b>	<b>-5</b>	<b>-15</b>	<b>10</b>

\* FeAC = Federal Administrative Court

\*\* BBCS = Broadband Connectivity Services

# 1. Q3 highlights

*Primarily driven by consumer demand and innovation*

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## Residential Customers

- >1mm subs (thereof +78k net adds in Q3) on our **fixed bundle Vivo**
- **TV** subs base increased to >1.2mm (thereof +36k net adds in Q3), whereof >50% are on Swisscom TV 2.0
- Announcement of a UHD ready set-top box for spring 2016 & improved TV and gaming portfolio (cloud gaming)
- >1.8mm subs (thereof +36k net adds in Q3) on **infinity**. Of those, >0.5mm (thereof +237k net adds in Q3) on infinity plus

## SME

- Strong performance of SME's **bundle** offering **My KMU Office**

## Enterprise Customers

- Different **successful launches**: App Cloud, own UCC solution and in-house mobile service standard (3G/4G access points for voice in-house coverage)
- Strong **acquisition performance**: 9m order intake increased +42% YOY

## Technology

- Announcement of **VoLTE** rollout (in H2 2015), **WiFi** Calling and increasing network capacity in urban areas with **microcells** (from 2016 onwards)

## Regulation

- **Broadband Connectivity Services** up to 2007: FeAC reduces COMCO sanction to CHF 186 mm. Swisscom booked a provision in the same amount and will file an appeal with the Federal Supreme Court

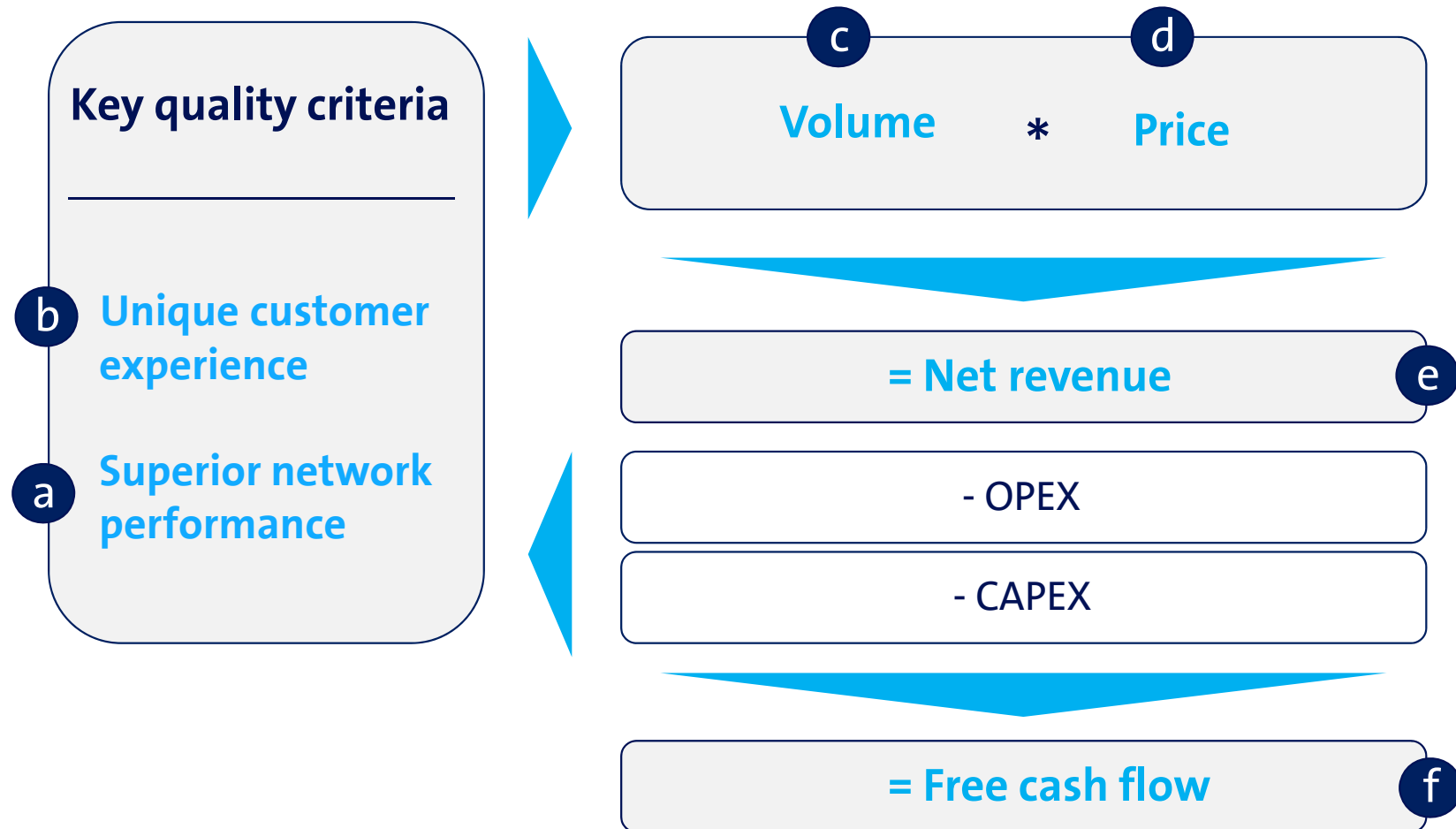
## Financing

- Successful **EURO bond** issuance (€ 500mm)

## 2. Quality matters in Switzerland

*Investing into quality pays off*

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## 2a. Increasing broadband footprint

*High(er) investments make long-term sense ...*

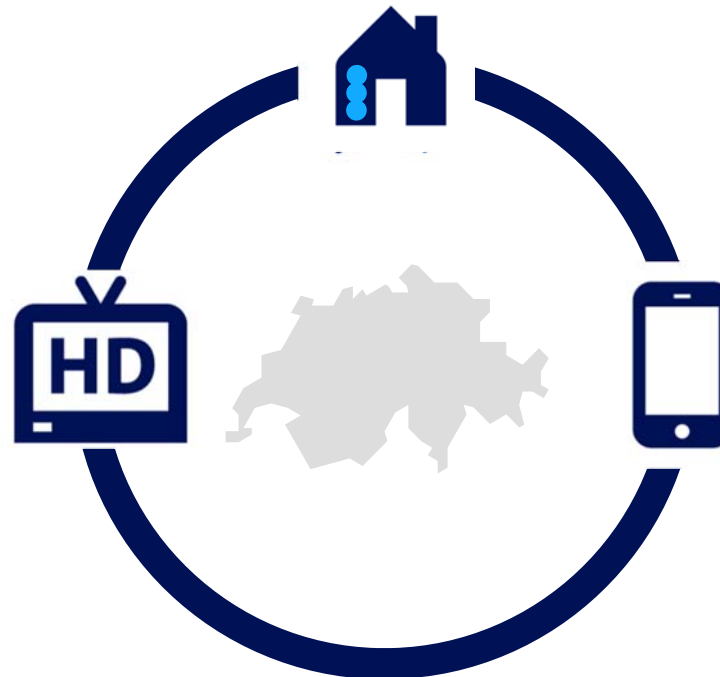
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### Fibre to the Home (FTTH)

- 1'015'000 homes
- Fastest Surf-Speed in Switzerland: 1 Gbit/s

### Ultra broadband technologies

- 1.7mm homes\* with latest fibre technologies
- >93% coverage with digital TV
- ≈90% coverage with HDTV



### Mobile broadband

- >99% coverage 2G
- >99% coverage 3G
- >98% coverage 4G/LTE
- 6<sup>th</sup> consecutive time winner of Connect test

\* Homes passed as per Q3 2015: FTTC/Vectoring = 457'000, FTTS/B = 241'000, FTTH = 1'015'000

\*\* HDTV: high-definition television, provides about five times as many pixels as standard-definition television (SDTV)

## 2b. Superior customer experience ..

*... especially in a market with highly quality conscious consumers*

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### Products & offers

- Strongest TV proposition in Swiss market
  - winning multiple international awards
  - best content in Switzerland (most channels, VoD/SVoD, sports, gaming)
- Value added services (TV Air, iO, 2<sup>nd</sup> SIM, ...)
- Tariff innovations (1<sup>st</sup> mobile full flat, roaming EU in Infinity included, wireline bundles, 4-play discount)
- Successful multi-brand strategy

### Distribution & customer service

- Strongest distribution with more than 150 own shops (top locations)
- Best rated customer service (PC Tipp)
- Highest customer satisfaction

### Human-centred design

- Customer needs at the heart of all offer and process design








## 2b. ... thanks to an attractive TV proposition

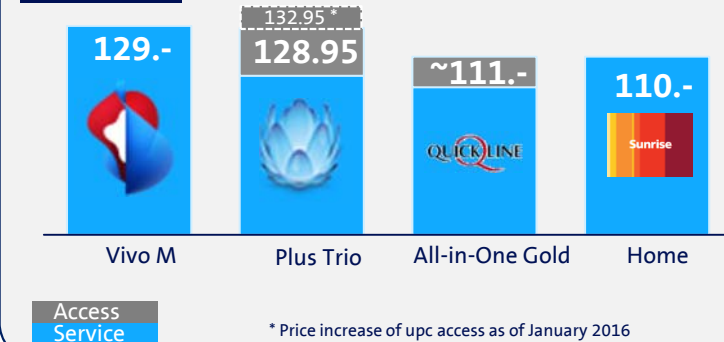
*On track for further growth and becoming market leader*

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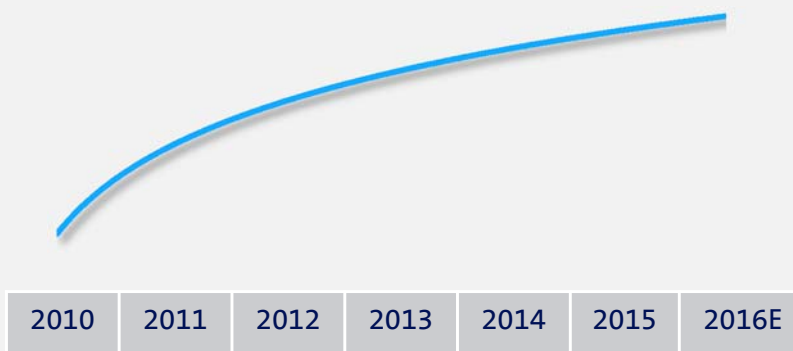
### A compelling proposition...

-  – widest variety of channels and content
-  – superior picture quality (UHD coming Q2 '16)
-  – exceptional usability (easy content discovery, personal recommendation)
-  – Multi-screen convergent offering
-  – Cloud-based recording (up to 7 days replay, live pause, easy recording up to 1'200 hrs)

### ...combined with a competitive and stable pricing ...



### ...is resulting in a growing TV subs base ...



### ...and more loyal customers with significantly lower churn rates than non-bundled customers

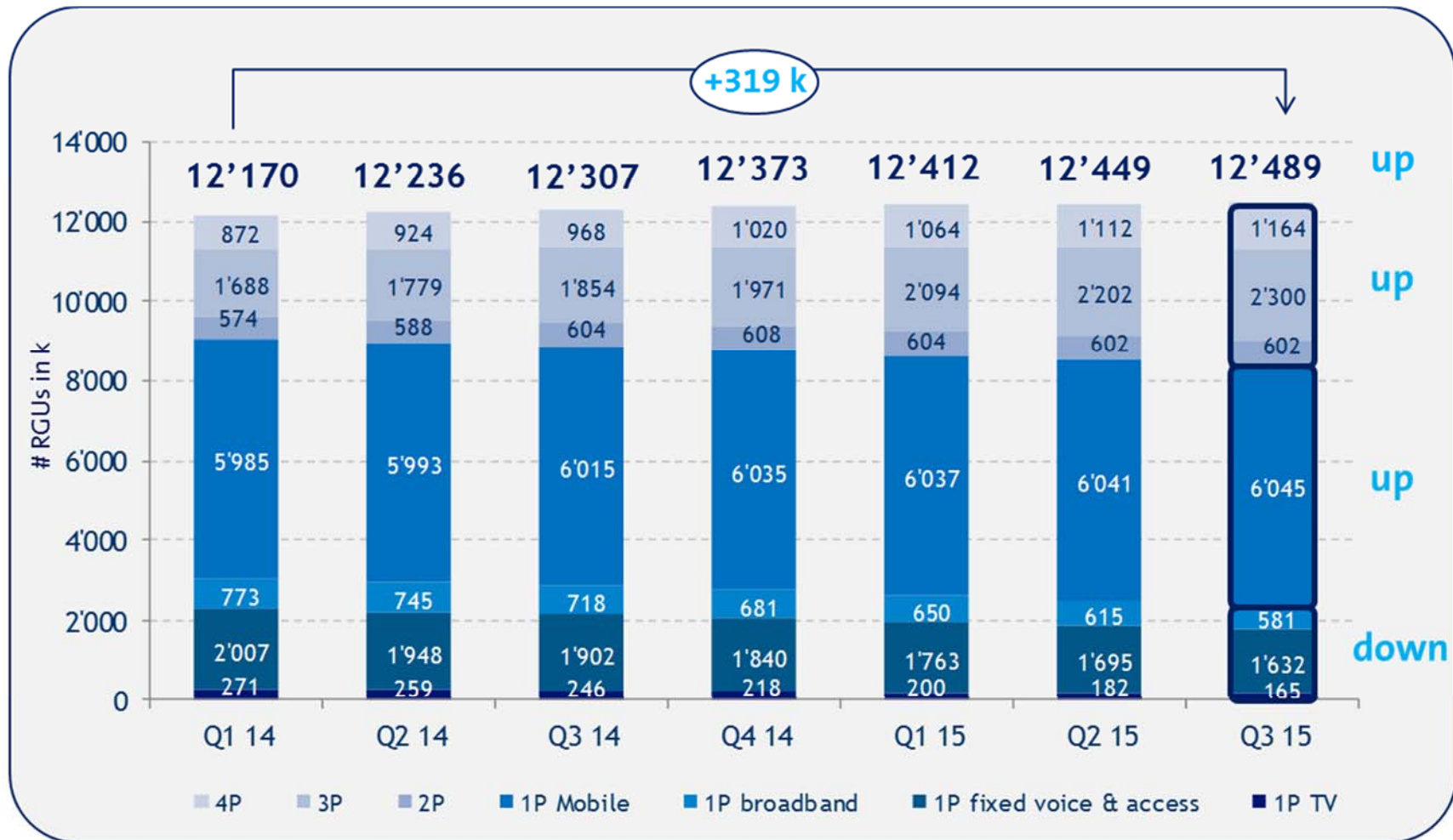


- More than 1.2 million customers are already using Swisscom TV, of which over 1 million customers have a Vivo bundle subscription

## 2c. Leverage quantity

*RGUs up and driving volume which matters in a fixed-cost business*

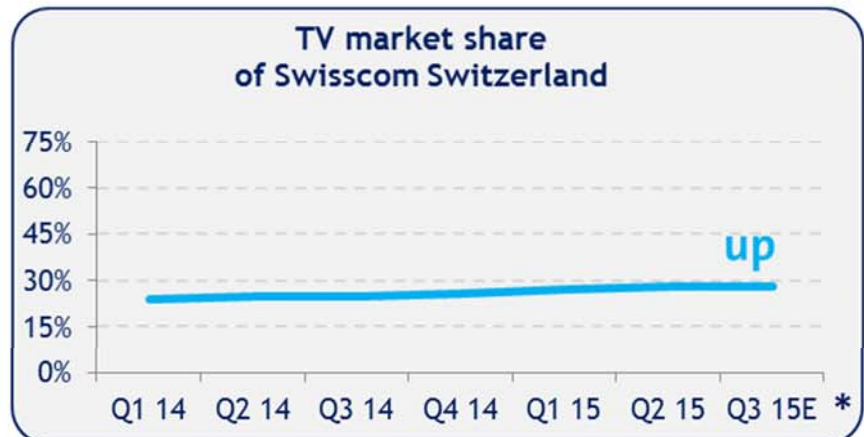
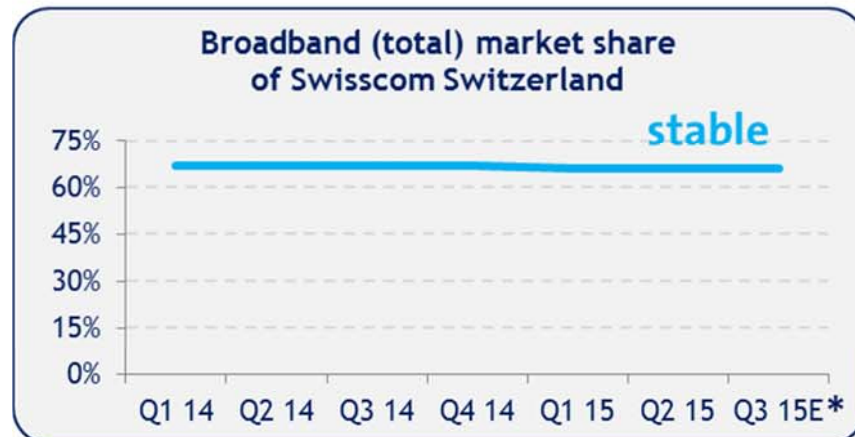
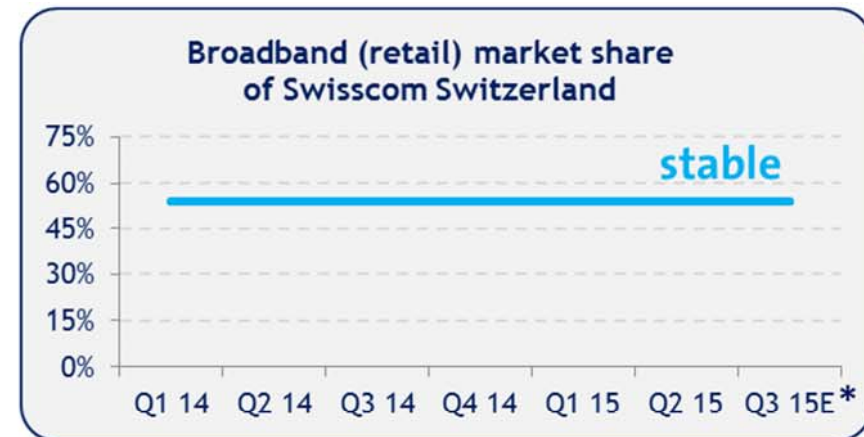
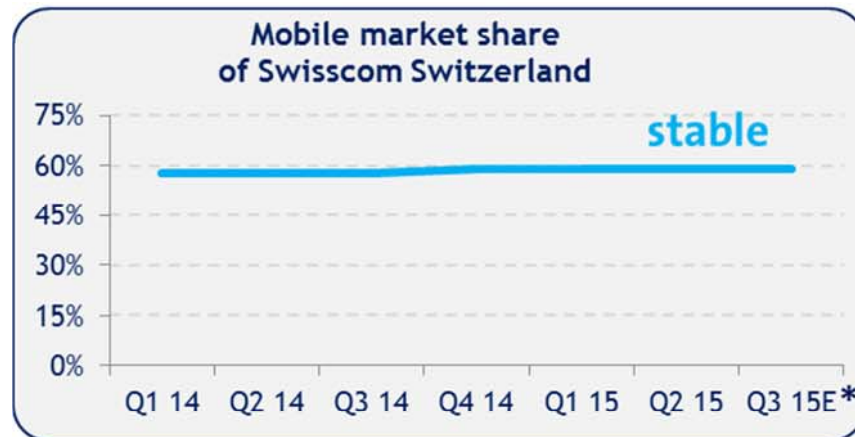
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## 2c. Leverage quantity

*Strong market (share) performance*

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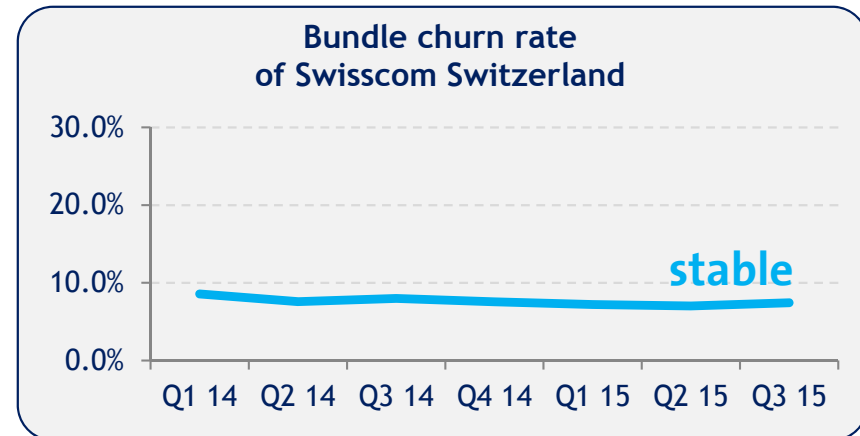
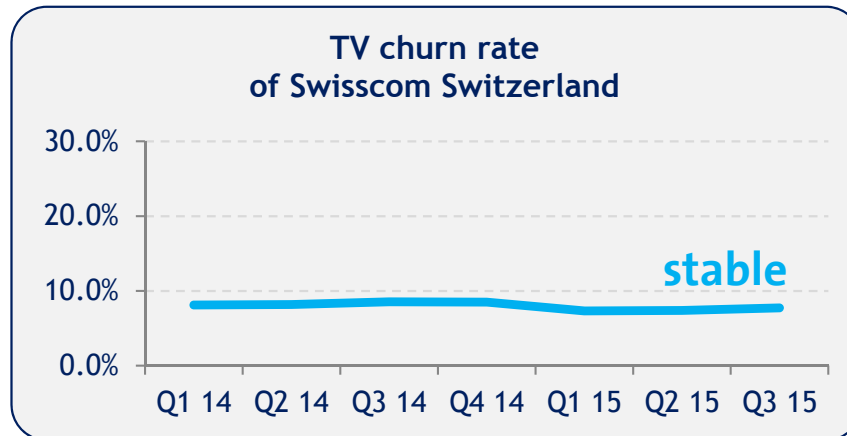
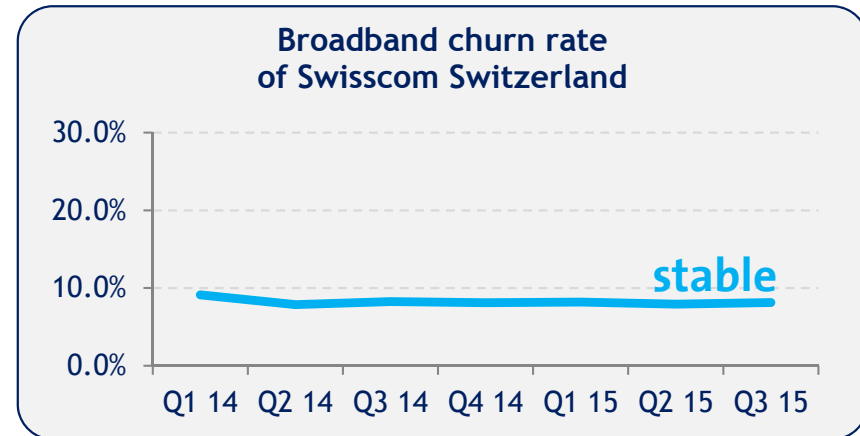
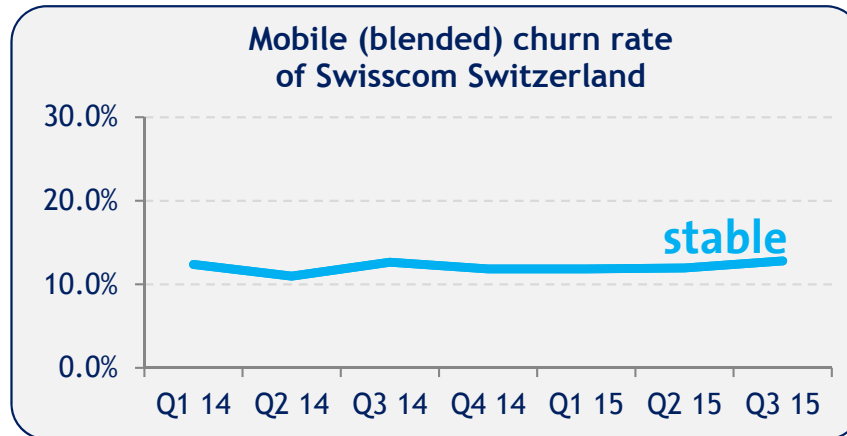


\* Swisscom estimates

## 2c. Leverage quantity

*Stable churn rates (at relatively low levels) thanks to satisfied consumers and high loyalty*

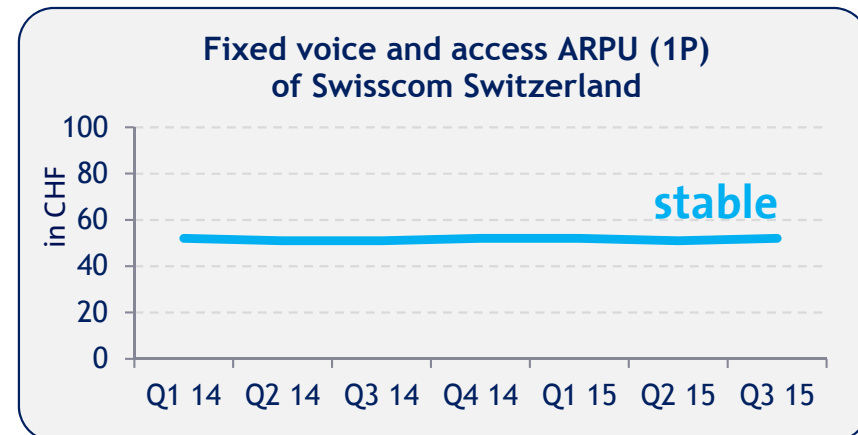
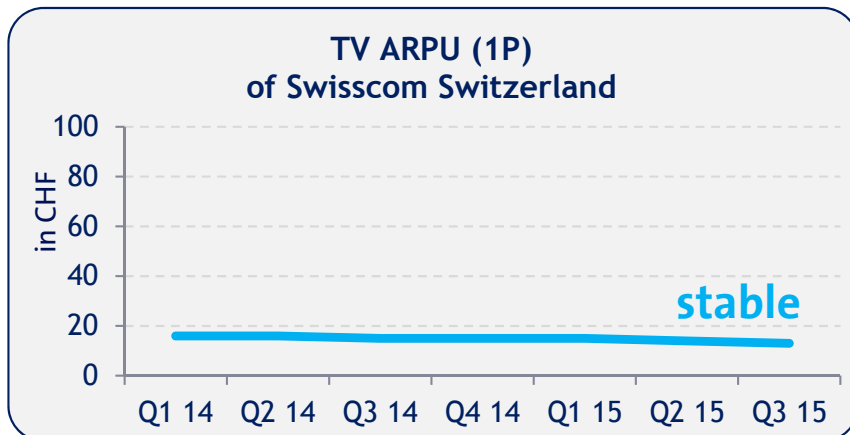
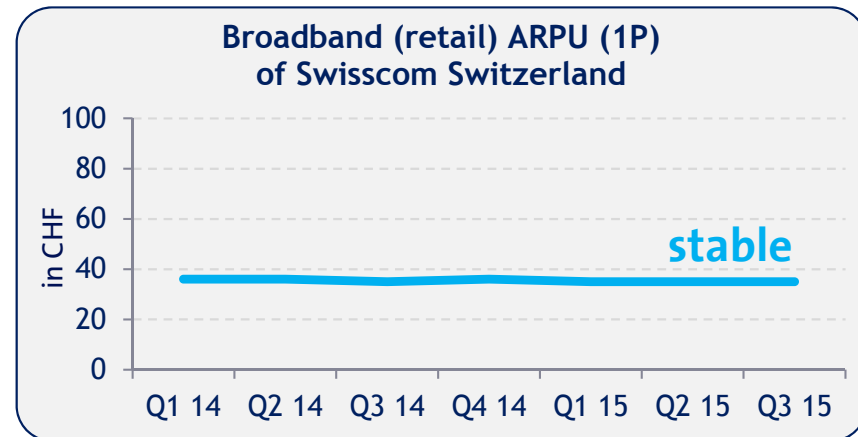
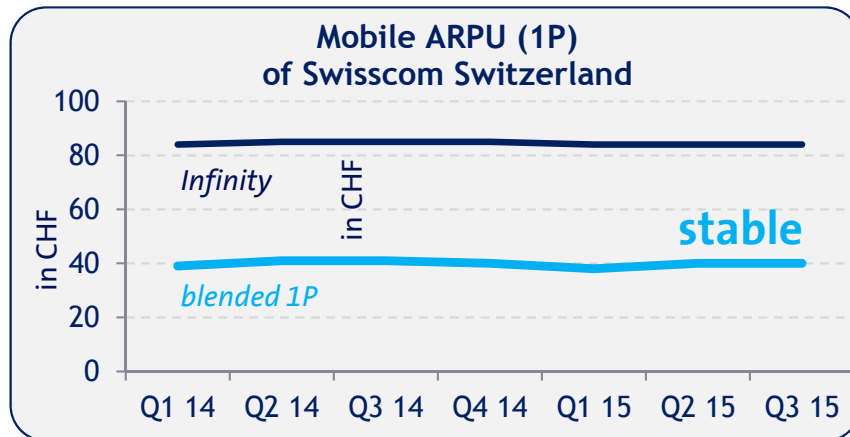
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## 2d. Monetise quality

*Stable ARPU reflecting readiness of Swiss customers to pay for premium offerings*

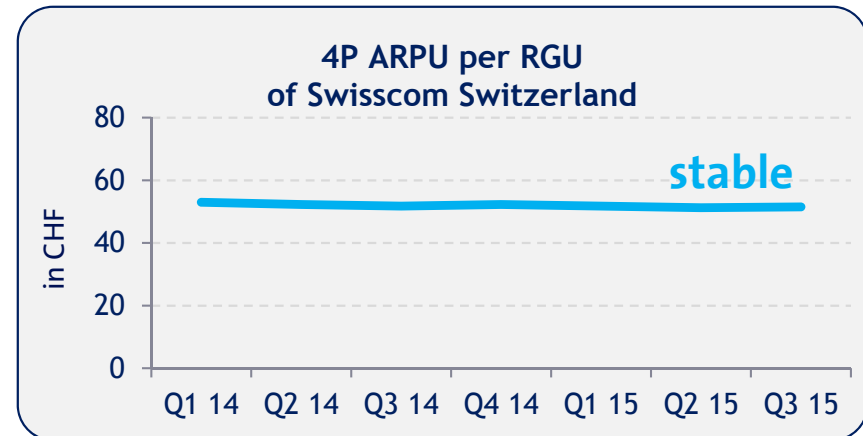
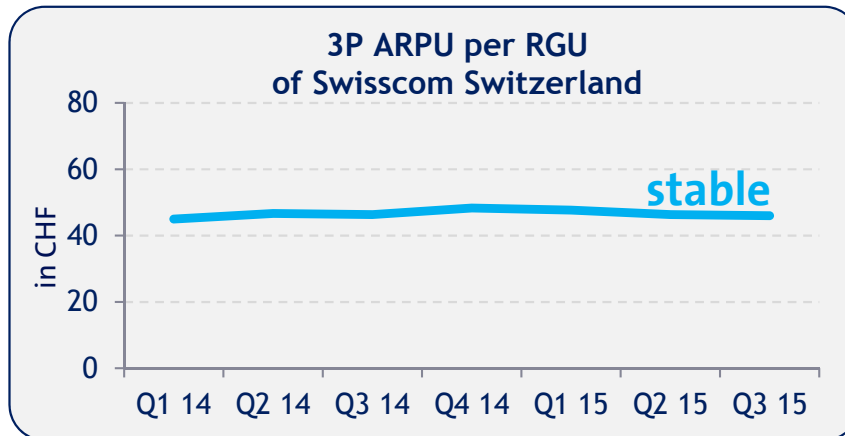
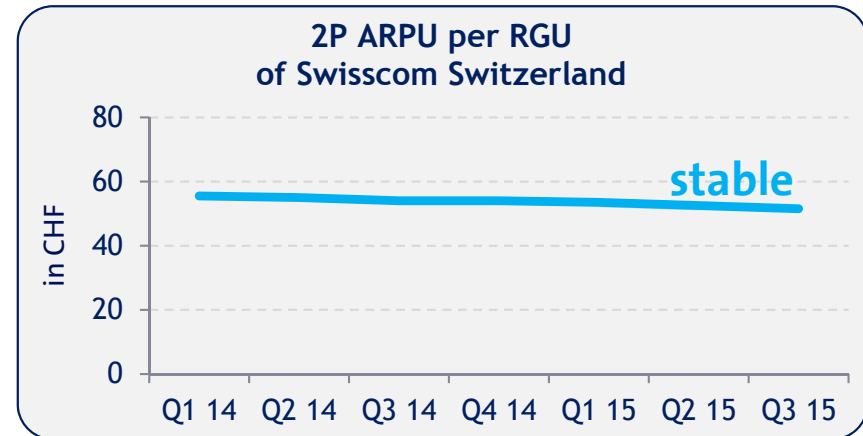
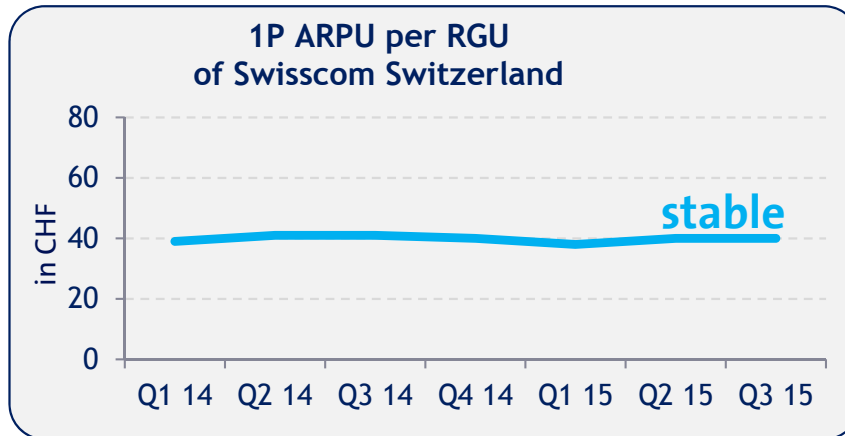
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## 2d. Monetise quality

*Bundling delivers high ARPU and makes Swisscom's value strategy more sustainable*

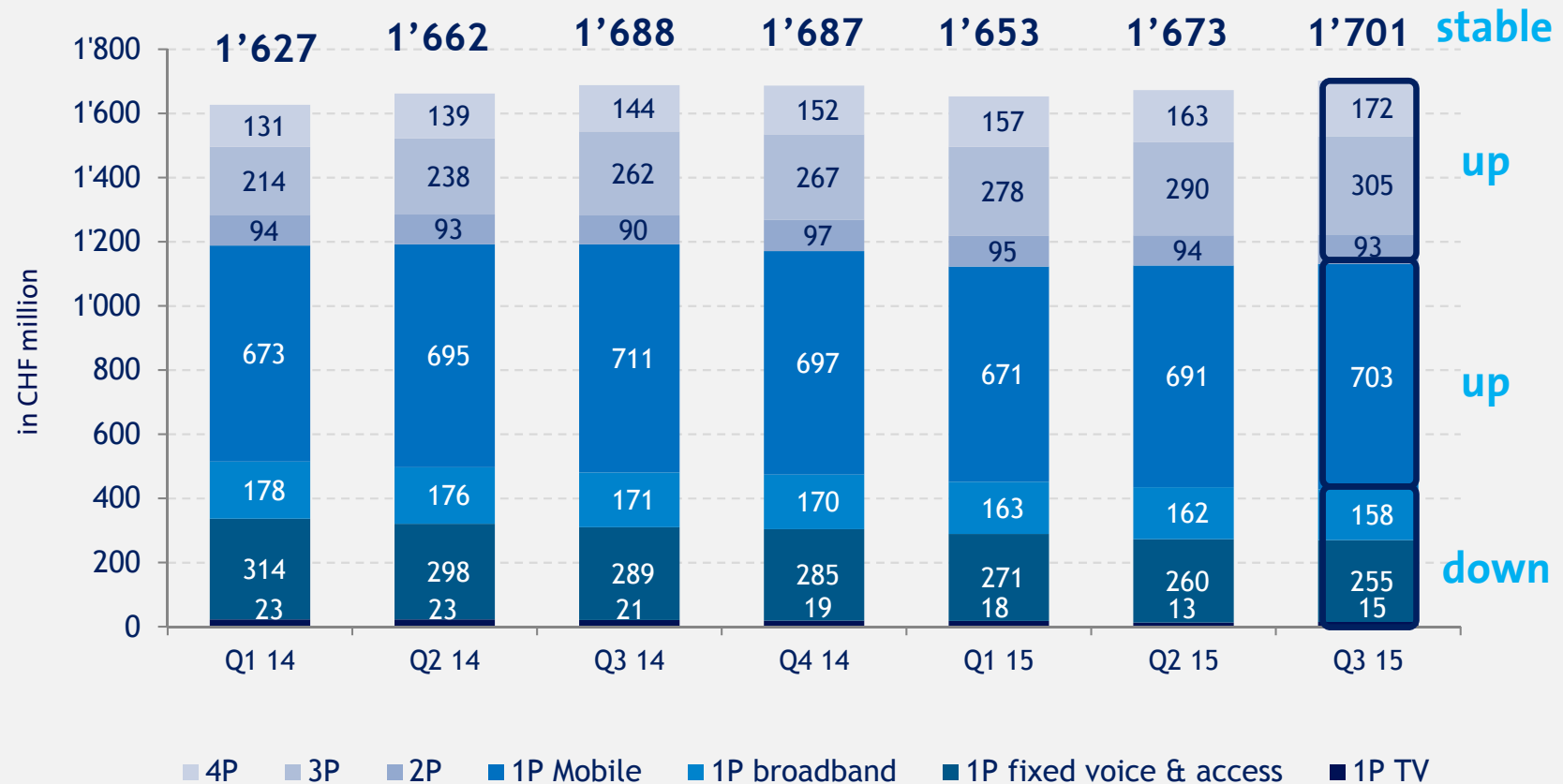
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## 2e. Swiss 1P and bundle revenue

*Revenue slightly improved thanks to solid volume trends and sustainable price levels*

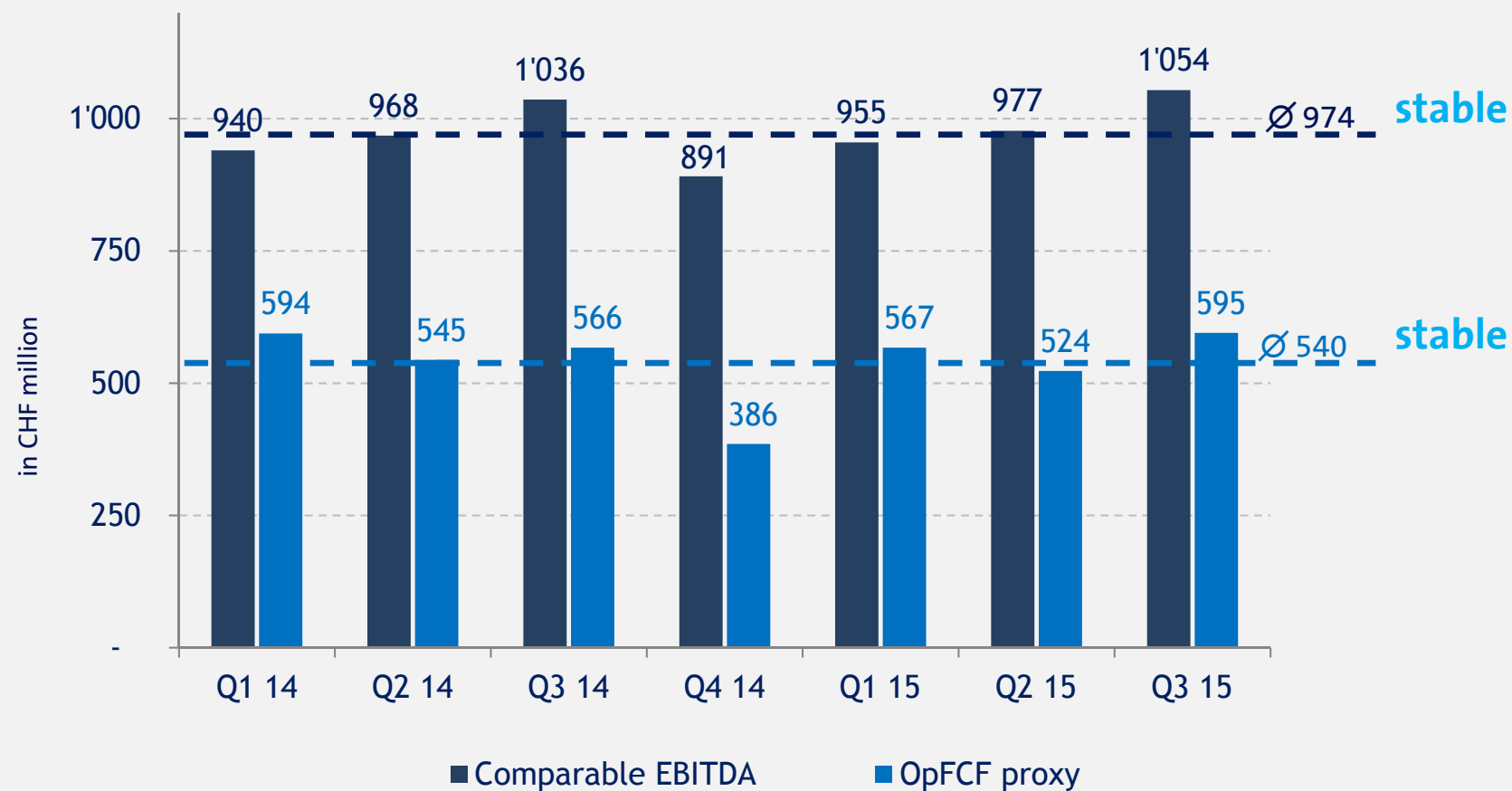
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## 2f. FCF generation Swisscom Switzerland

*Successful monetisation (Ø CHF ~0.5bln/quarter) is a function of high investments (OPEX and CAPEX)*

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### 3. Strengthening of Swiss position

*Swisscom is going to reposition itself to prepare optimally for the future*

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#### Overview goals

Targeted adaptation of the organisation aiming to ...

- **ensure the strong and established client focus**
- **generate a stronger focus on operational excellence**
- **further foster the innovative strength of Swisscom**

... in order to strengthen the competitiveness and to prepare Swisscom for the challenges of the future

#### Key organisational adaptations

##### Sales & Services (~5900 FTE)

- E2E design responsibility for customer processes and central responsibility for operational marketing activities
- Market and customer care for RES/SME, field service responsibility also for ENT

##### Products & Marketing (~450 FTE)

- Marketing and product competencies for RES and SME

##### Enterprise Customers (~4500 FTE)

- Reduce complexity and increase agility

##### Digital Business (~15 FTE)

- Standalone OTT-unit for the independent building of business in growth areas and the development of an internet-DNA and a start-up mentality
- Management of investment companies in digital growth fields

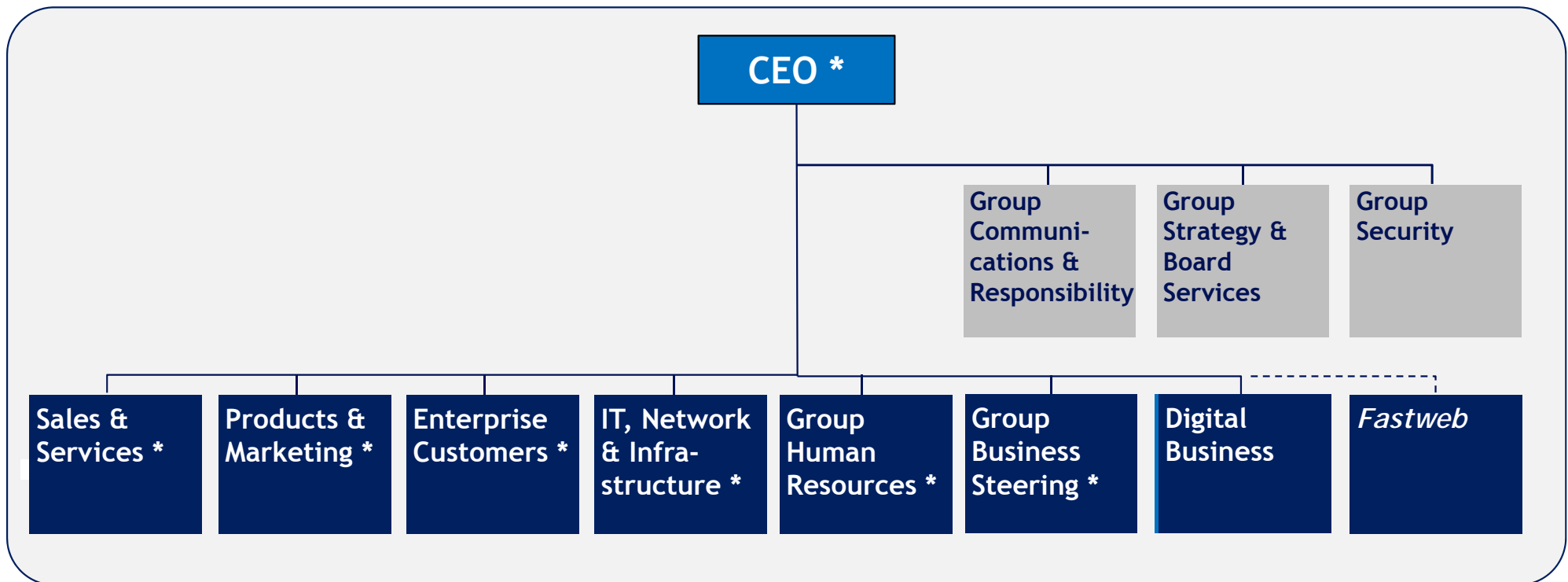
The new organizational structure will be in place as of 1st January 2016.  
During 2016 a moderate reduction of staff is planned. Further details about FTE's and costs involved are to be specified. Completion of organizational change, and subsequent new reporting structure to be introduced by 1.1.2017 (incl. 2016 restatement)

### 3. Realigned organisational setup in Switzerland

*Merge RES and SME: consolidate Sales & Service functions and synchronise/harmonise Products & Marketing*

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#### Overview high-level adaptations and target organisation



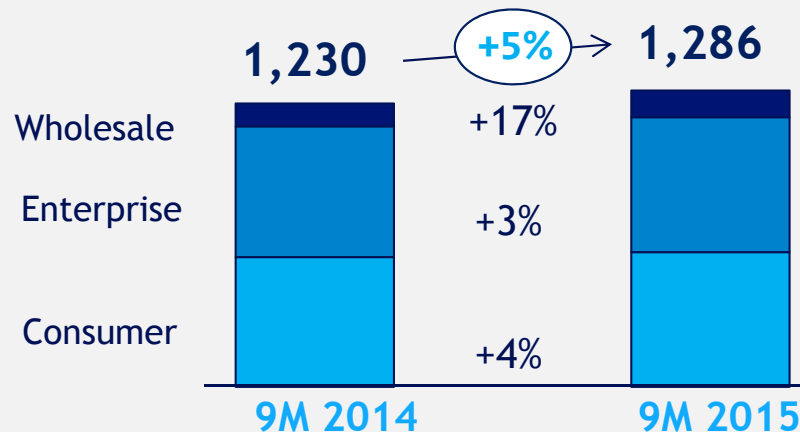
\* Executive Board

## 4. Fastweb - revenue and net adds

*Strong 9m performance*

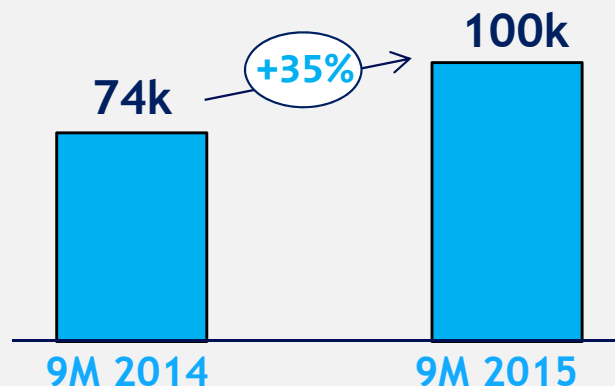
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Fastweb revenues evolution (€ million)



- Significant revenue growth in all business segments
  - Consumer +4%
  - Enterprise +3%
  - Wholesale +17%

Fastweb broadband net adds evolution

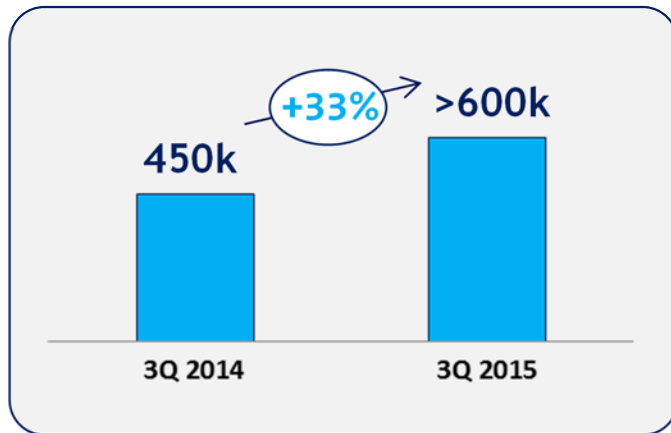


- In the first 9m 2015 Fastweb net adds grew 35% YOY to 100k
- Net adds market co-leader also in Q3 2015

## 4. Fastweb - broadband performance

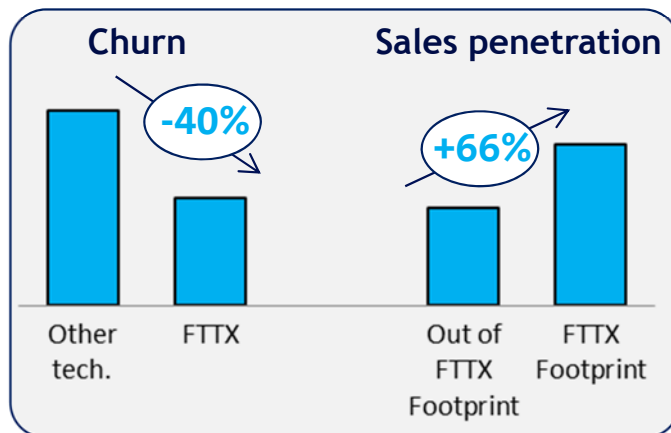
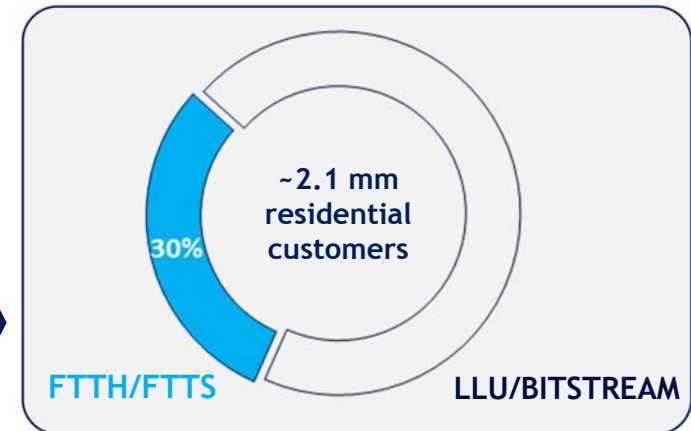
*Gaining further traction in UBB areas*

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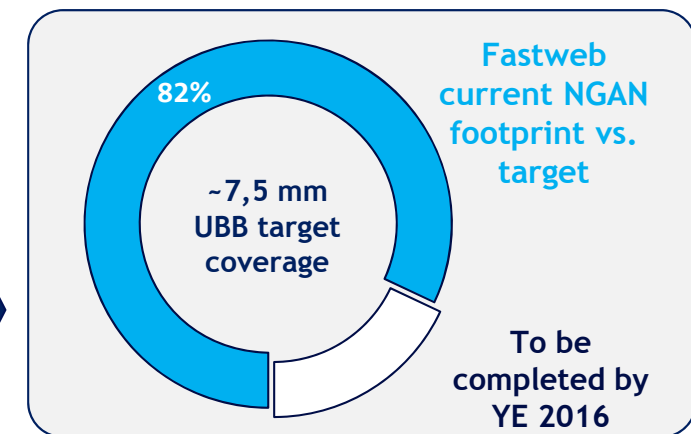
FTTx customer base grew 33% YoY to over 600k ...

... representing almost 30% of Fastweb active customers ...



... thanks to increased sales penetration and lower churn ...

... over an UBB coverage now at 6.2 million HHs and businesses at the end of Q3 (+7% vs. 2Q)



## 4. Fastweb - free cash flow generation

*On track to deliver positive FCF in 2015*

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Quarterly figures (€ million)

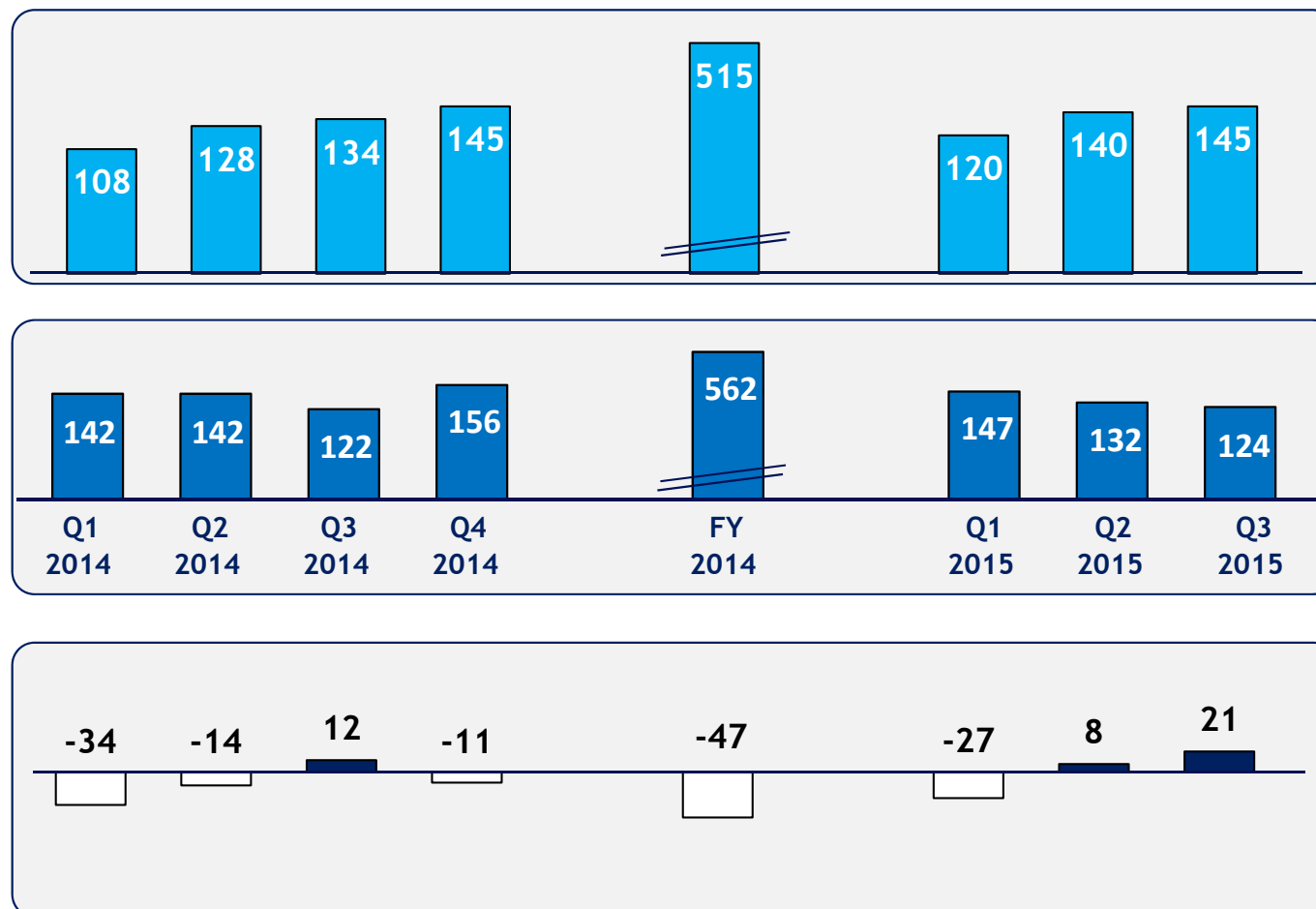
EBITDA

./.

CAPEX  
(NGAN investment  
included)

=

FCF  
proxy



FCF proxy positive also in Q3

# Agenda

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Louis Schmid, IR

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4. Fastweb results

Urs Schaeppi, CEO

5. Group financials
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Mario Rossi, CFO

Q&A

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## 5. Revenue dynamics

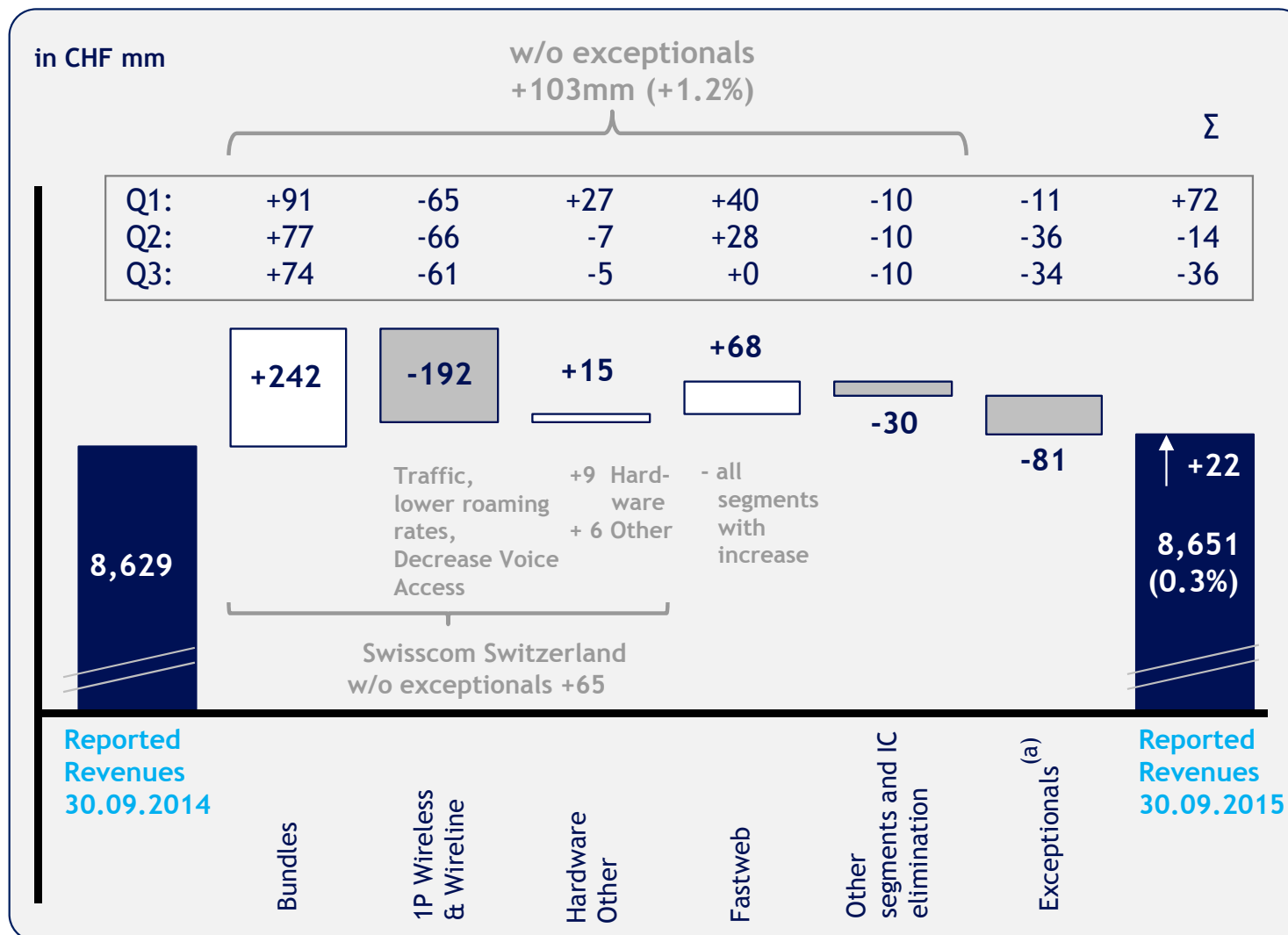
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Without FX and M&A effects, revenue went up CHF +103mm YOY (+1.2%)

Exceptionals: M&A is overcompensated by the currency effect

Swisscom Switzerland: revenue increase of bundles overcompensates 1P revenue decrease

Underlying top-line of Fastweb went up by CHF +68mm YOY, all segments with increase



(a) M&A (CHF +104mm), change exchange rate (CHF -185mm, weakening of Euro against Swiss Franc of 11.9% (9m2014: 1.2157 vs. 9m 2015: 1.0715))

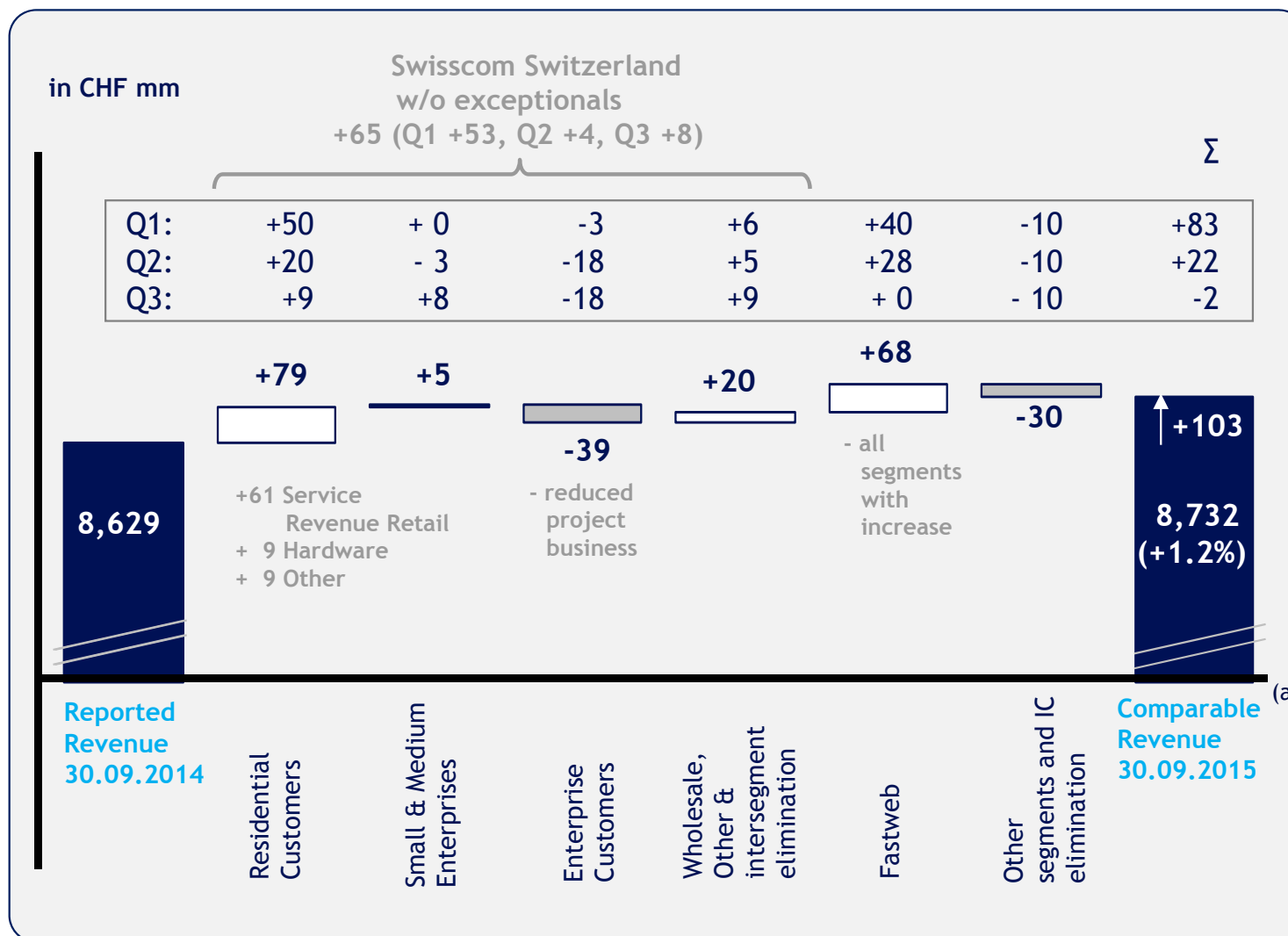
## 5. Comparable revenue breakdown by segments

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Top-line w/o  
exceptionals  
increased by CHF  
+103mm

Top-line of  
Swisscom  
Switzerland up  
by CHF +65mm  
driven by  
Residential,  
especially Service  
Revenue Retail

Fastweb underlying  
revenue up  
CHF +68mm,  
revenue increase in  
all segments.  
Lower one-off  
revenues in Q3



(a) Without M&A (CHF +104mm), change exchange rate (CHF -185mm, weakening of Euro against Swiss Franc of 11.9% (9m2014: 1.2157 vs. 9m 2015: 1.0715))



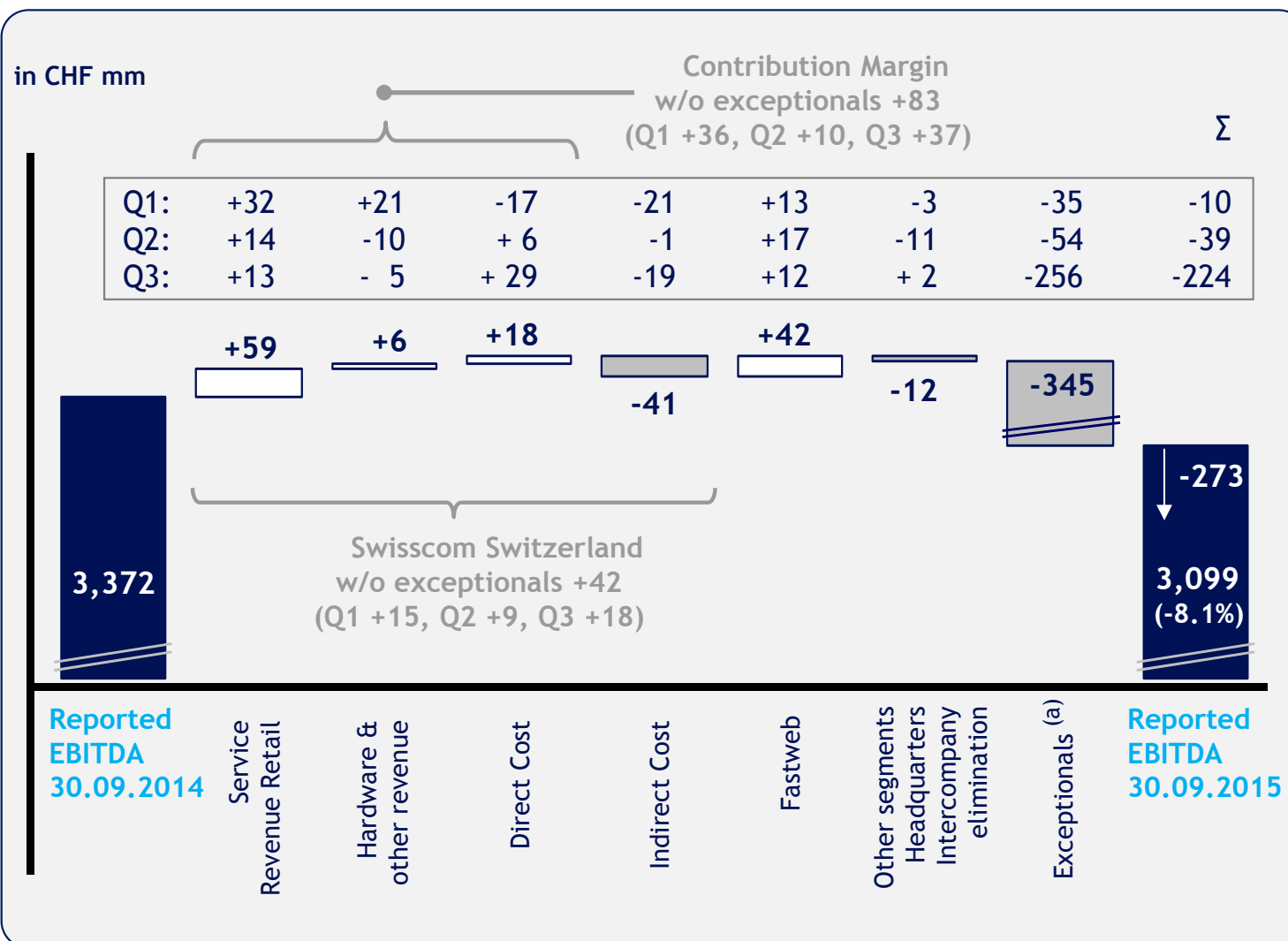
## 5. EBITDA breakdown

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EBITDA down  
CHF -273mm,  
like-for-like up  
CHF +72mm YOY

Exceptional items  
(provision for FeAC  
sanction, higher  
pension cost, gain on  
sale of real estate  
and currency)  
impacted EBITDA by  
CHF -345mm

EBITDA of Swisscom  
Switzerland w/o  
exceptionals  
up CHF +42mm.  
Increase in Q3 also  
due to lower direct  
cost (SAC)



(a) Provision for FeAC sanction(BBCS, -186mm), higher pension cost reconciliation IAS19 (-50mm), lower gain on sale of real estate (-51mm), change exchange rate (CHF -58mm, weakening of Euro against Swiss Franc of 11.9%).

## 5. Comparable EBITDA breakdown by segments

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EBITDA of Swisscom  
Switzerland w/o  
exceptionals  
up CHF +42mm

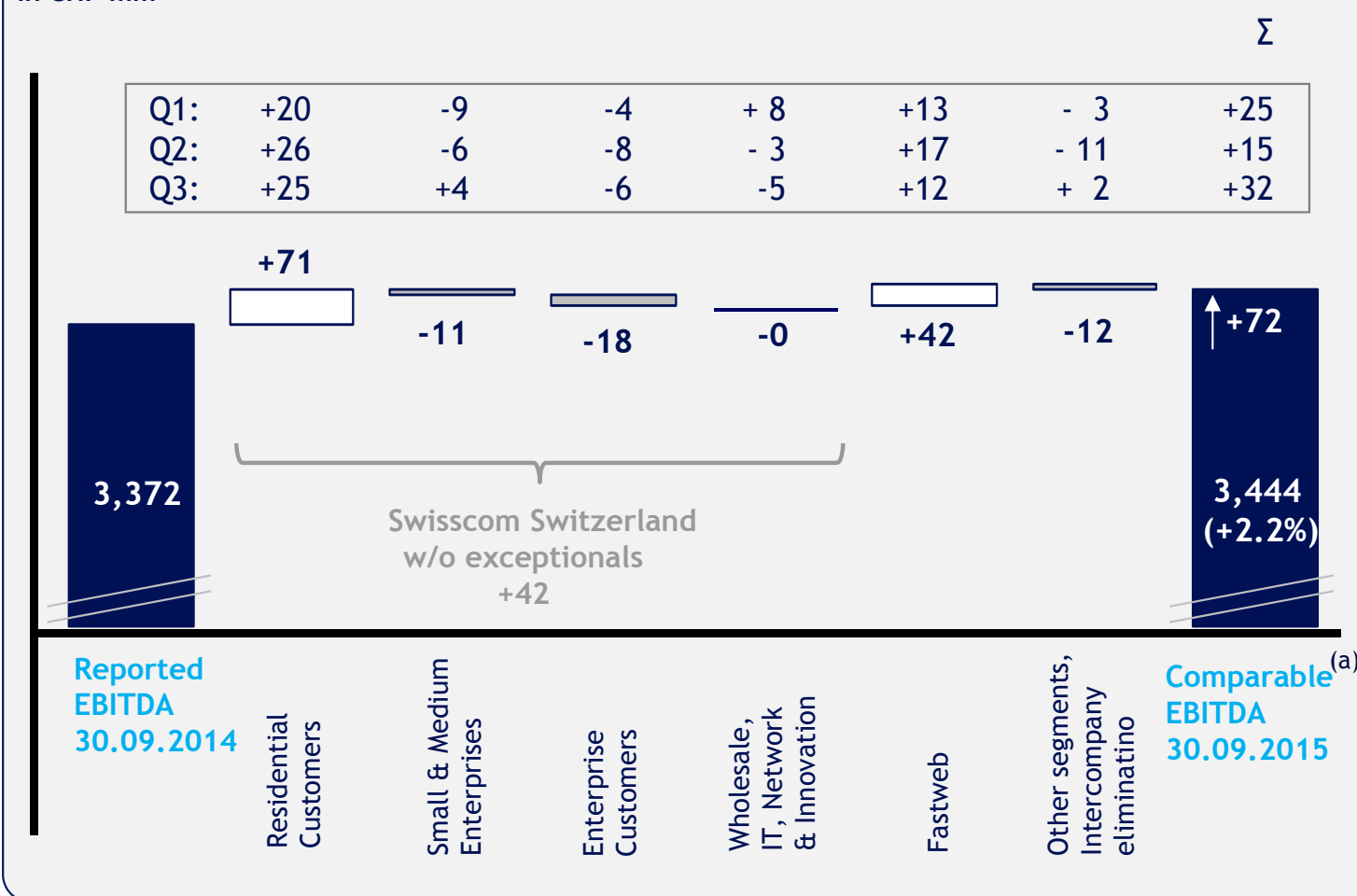
Residential Customers with  
a higher contribution YOY  
driven by the increase in  
Service Revenue Retail and  
lower SAC

EBITDA of SME down YOY  
as a result of higher cost  
for customer retention and  
indirect cost

ENT with lower  
contribution YOY due to  
lower volumes and margins  
in the project business

EBITDA of Fastweb up CHF  
+42mm YOY, driven by  
higher revenues

in CHF mm



(a) Without Provision for FeAC sanction (BBCS, -186mm), higher Pension cost reconciliation (-50mm), lower gain on sale of real estate (-51mm), change exchange rate (CHF -58mm, weakening of Euro against Swiss Franc of 11.9%).

## 5. Net result

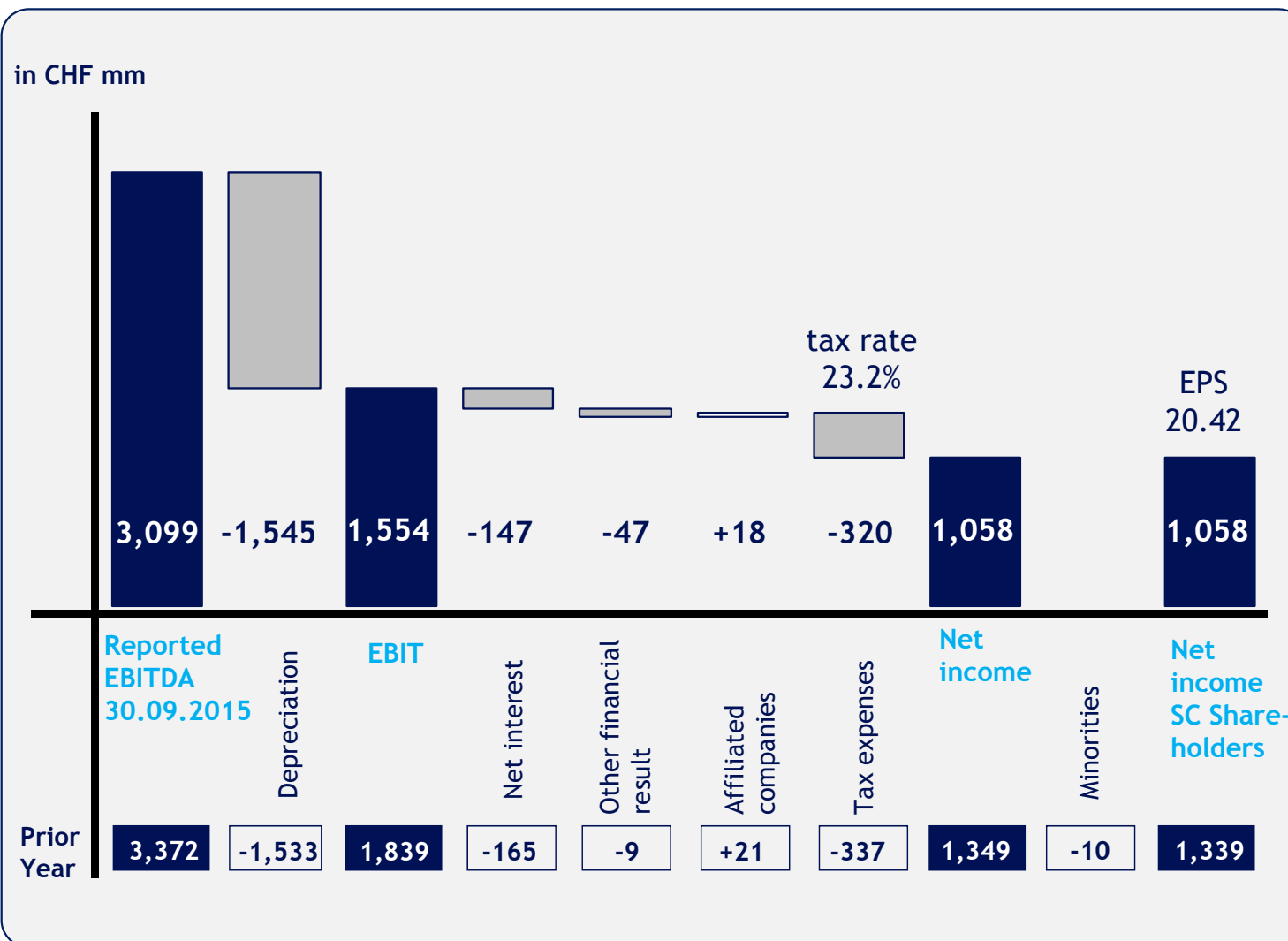
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Net income of CHF 1,058 mm down by CHF -291 mm YOY primarily as a result of lower EBITDA

EBITDA down due to exceptionals such as the provision for the FeAC sanction (CHF 186 mm)

Tax rate of 23.2% above long-term rate as the provision is recognised without positive tax effect

Earnings per share equals to CHF 20.42



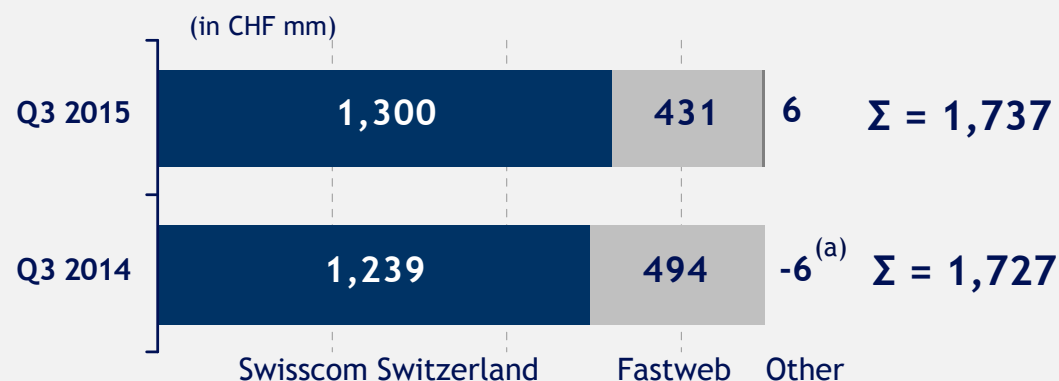
## 5. Capital expenditure

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*Expansion of UBB footprint led to higher CAPEX at Swisscom Switzerland of CHF +61 mm YOY*

*Fastweb with lower CAPEX of CHF -63 mm YOY, mainly driven by the lower Euro exchange rate*

### YOY Increase (CHF +10 mm) driven by expansion of Swiss fibre network



### Swisscom Switzerland - CAPEX split

13%	11%	Wireless network
25%	26%	Fixed network: Fibre (FTTx)
27%	28%	Fixed network & Copper access, backbone & transport infrastructure
13%	14%	Customer driven: Customer premises equipment & corporate customers
22%	21%	IT systems, All-IP & other
2014	Q3 2015	

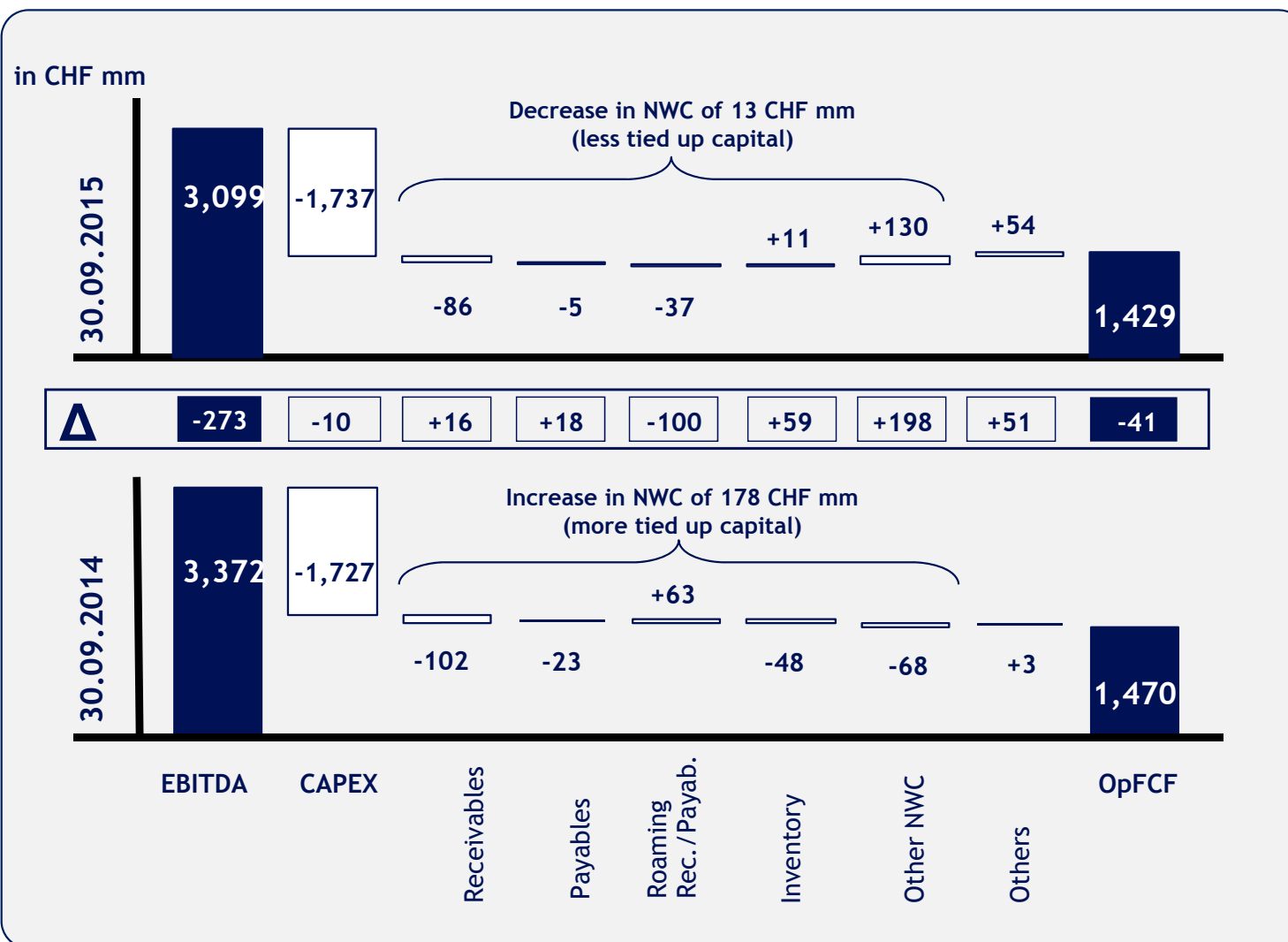
(a) Negative due to elimination of intercompany profit.

## 5. Operating free cash flow

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Operating free cash flow as per 30 Sept 2015 of CHF 1'429mm (CHF -41mm YOY)

The provision for the FeAC sanction (CHF 186 mm) with no OpFCF impact



## 5. Refinancing

### *Successful Eurobond issuance*

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#### Bond details

Amount

Tenor

Spread

**1.75%, 2015 - 2025**

EUR 500 million

10 years

80 bps

Ratings

Issuer

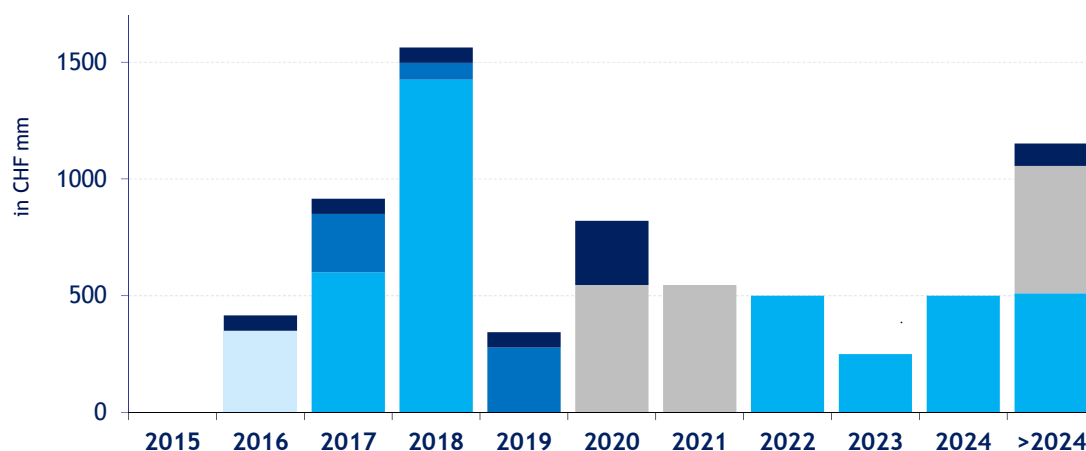
Use of proceeds

A/A2

Swisscom AG

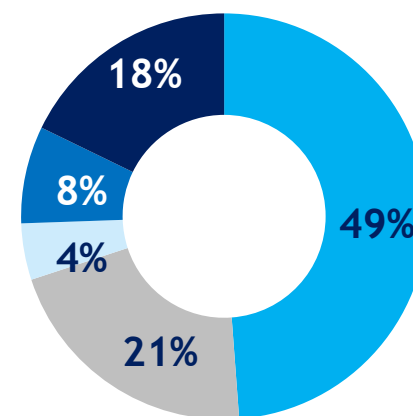
general corporate purposes

### Maturity profile and financing structure after Eurobond settlement



Short-term money market borrowings are not included

■ Domestic Bonds ■ Eurobonds ■ Swiss private placement ■ Foreign private placement ■ Bank loans



## 6. Outlook 2015

*Guidance confirmed*

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Underlying guidance unchanged - EBITDA amendment due to the provision for the FeAC\* sanction (BBCS\*\*) of CHF 186 million already communicated on 06 Oct 2015

in CHF billion	2014 results reported (CHF 1.21/EUR)	FX impact	Expected change for 2015 Swisscom w/o Fastweb	Expected change for 2015 Fastweb	Provision for FeAC sanction (BBCS)	2015 outlook (CHF 1.05/EUR)
<b>Net revenue</b>	<b>11.703</b>	-0.3	+0.1	0	-	<b>&gt;11.5</b>
<b>EBITDA</b>	<b>4.413</b>	-0.1	-0.1 ***	>0	-0.2	<b>&gt;4.0</b>
<b>CAPEX</b>	<b>2.436</b>	-0.1	0	<0	-	<b>&gt;2.3</b>

\* Federal Administrative Court

\*\* Broadband Connectivity Services

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

# Agenda

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3. Strengthening of Swiss position
4. Fastweb results

Urs Schaeppi, CEO

5. Group financials
6. Guidance 2015

Mario Rossi, CFO

Q&A

All

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2. Quality key in Switzerland
3. Strengthening of Swiss position
4. Fastweb results

Urs Schaeppi, CEO

5. Group financials
6. Guidance 2015

Mario Rossi, CFO

Q&A

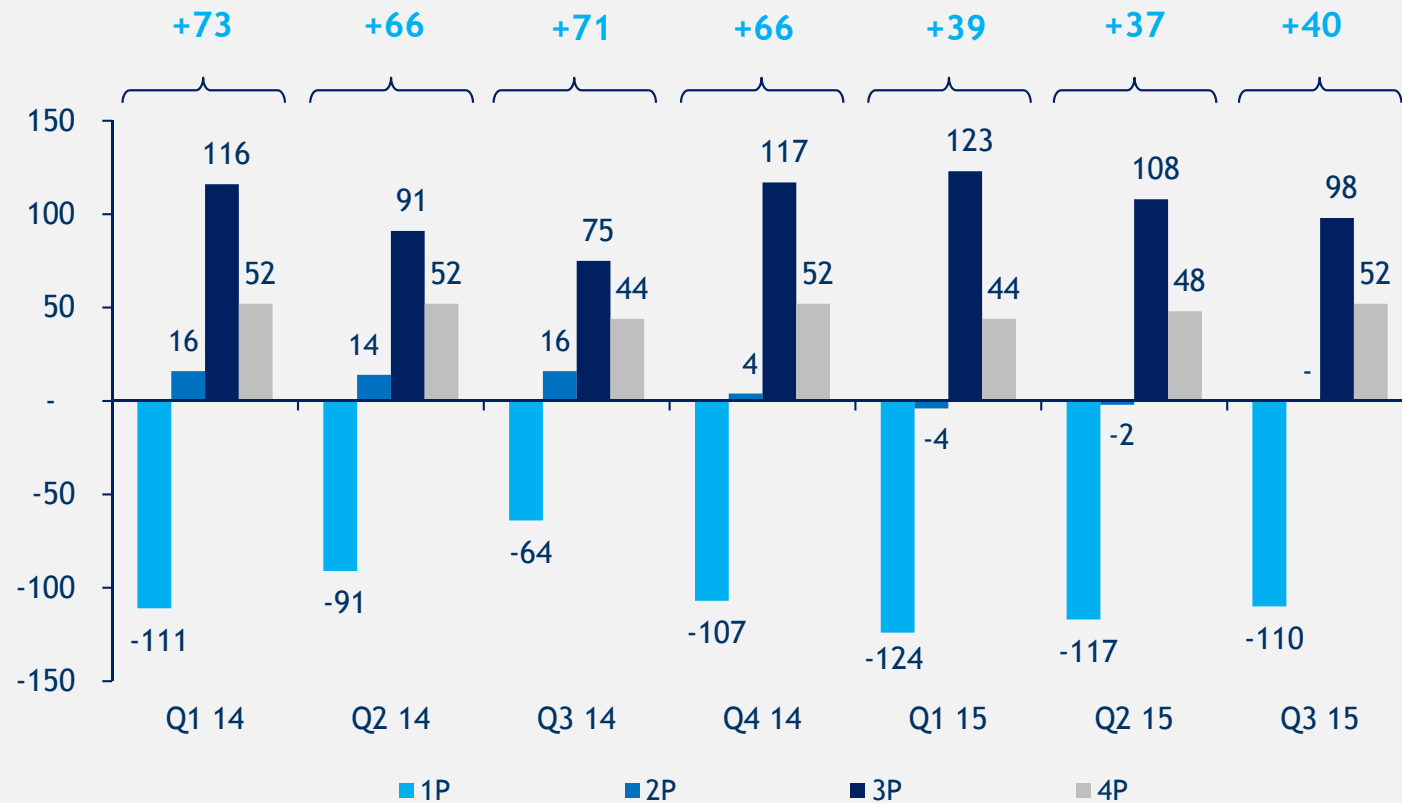
All

Backup

# RGU dynamics

34

Net adds of RGUs by products (in '000)



+40k RGUs in Q3 2015 with 3P and 4P over-compensating 1P losses

1P losses in 2015 accelerating


Net adds of RGUs in 2015 on a lower level

# RGU's

35

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

YTD, (Change to 30.09.2014 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
<b>1P</b>  <b>Bundles</b>	Single Play	165 (-81)	1,632 (-270)	581 (-137)	6,045 (+30)	1	8,423	(-458) (-5.2%)
	2Play	301 (-1)				2	602	(-2) (-0.3%)
	3Play <sup>1)</sup>	741 (+132)				3	2,300 <sup>2)</sup>	(+446) (+25%)
	4Play	291 (+49)				4	1'164	(+196) (+20%)
	<b>Revenue Generating Units</b>	1,275 (+150) (+13%)	2,659 (-152) (-5.4%)	1,937 (+65) (+3.5%)	6,618 (+119) (+1.8%)		12,489	(+182) (+1.5%)


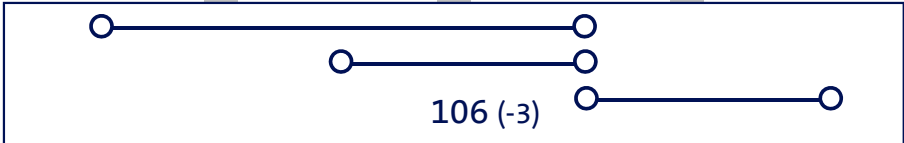
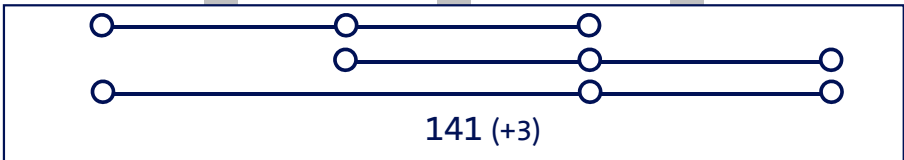

<sup>1)</sup> including n-play (Business) Bundles

<sup>2)</sup> o/w additional 27k Mobile Subs and 50k in Business Bundles

# ARPU

36

YTD, (Change to 30.09.2014 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	14 (-2)	52 (+0)	36 (-0)	38 (-1)	1	40 (-1)
	2Play					2	53 (-2)
	3Play					3	47 (+1)
	4Play					4	52 (-1)
	<b>Total weighted average</b>	45 (-0)					45 (-0)

1) ARPU Base Fee

2) ARPU excl. Business Networks

3) ARPU excl. Mobile Termination

# Revenues (RGU x ARPU)

37

## Net revenues (CHF mm)

YTD, (Change to 30.09.2014 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
<b>1P</b>  <b>Bundles</b>	Single Play	46 (-21)	786 (-115)	483 (-42) <sup>1)</sup>	2'065 (-14)	3,380	(-192) (-5.4%)
	2Play	282 (+5)				282	(+242) (+17.2%)
	3Play	873 (+159)				873 <sup>2)</sup>	
	4Play	492 (+78)				492	
<b>Net Revenue Bundle + 1P</b>						5,027	(+50) (+1.0%)

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

2) o/w CHF 19mm Business Bundles

# TV market Switzerland

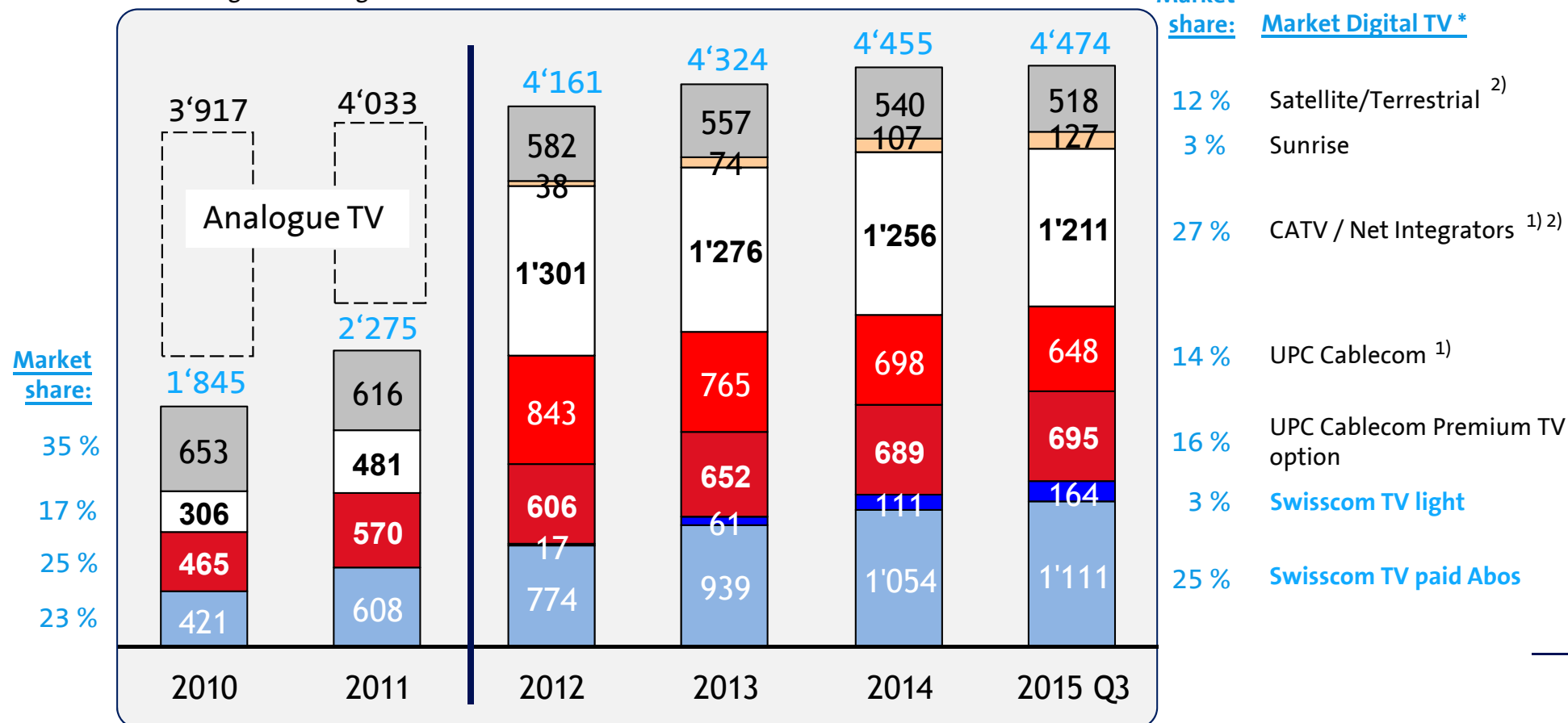
38

## Market volumes (000) digital TV

Market digital + analogue

Market share:

Market Digital TV \*



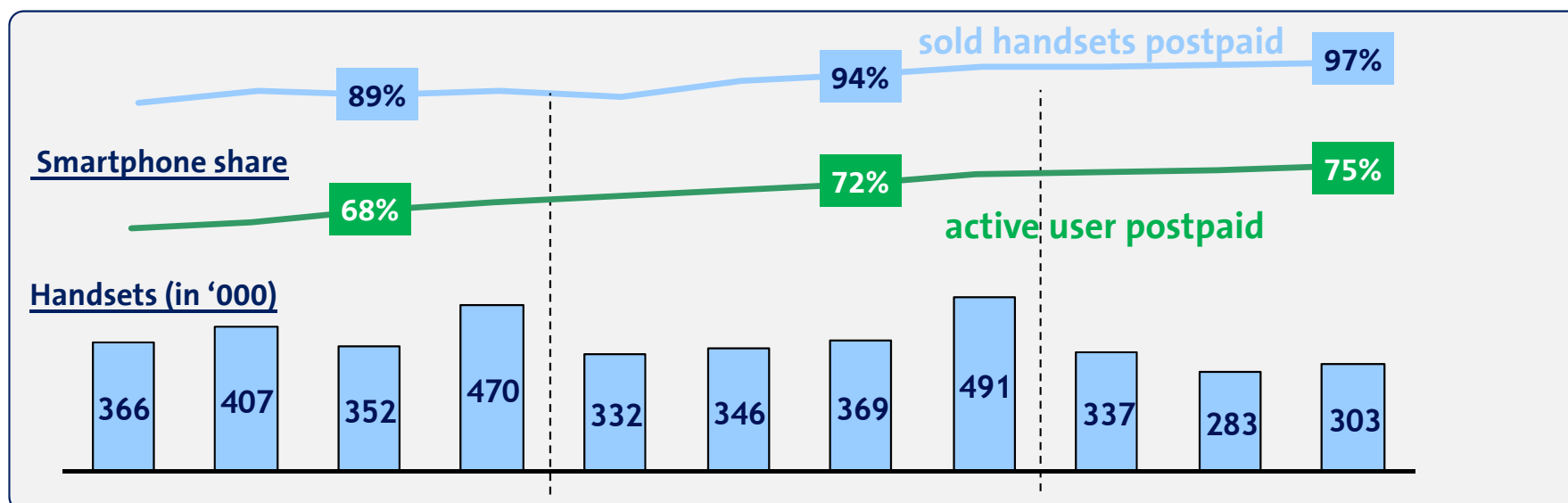
1) Migration to digital largely driven by analogue customers who have been transferred technically, but have not subscribed to a digital product yet: these are potential customers for Swisscom

2) Time series modified

\* Estimates for Q3 2015

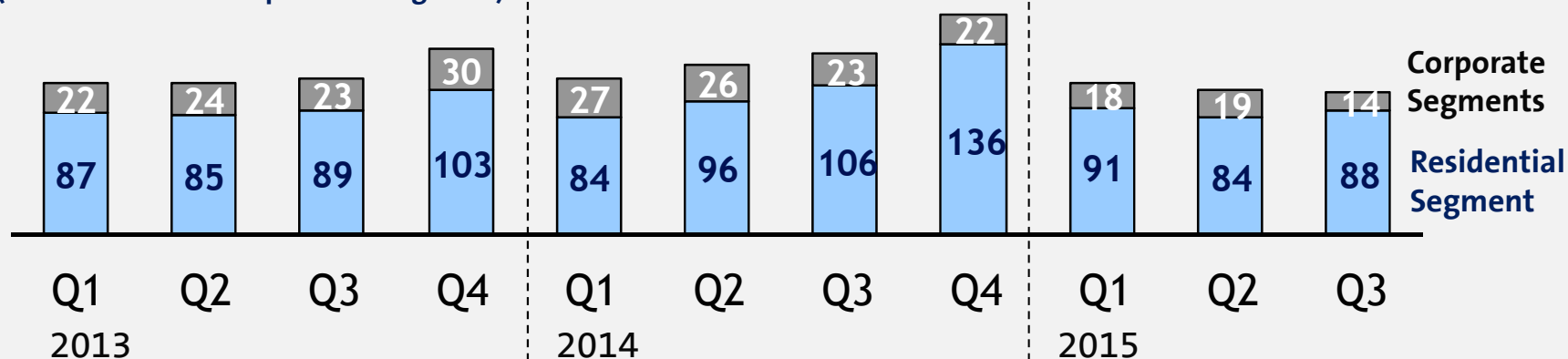
# Handsets & SACs

39



**SAC/SRC in CHF mm** (a)

(mobile and wireline products together)



(a) excluding intercompany SAC/SRC

# Segment 'Residential'

40

*Net revenue up by 2.1% YOY, driven by the higher Service Revenue Retail (increase in subs)*

*Contribution margin 2 increased by 3.3%, driven by higher Service Revenue Retail and lower SAC (direct cost)*

*Mobile postpaid subs increase thanks to infinity*

	Q3/15	Q3oQ3	30.09.2015	YoY
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>1'303</b>	<b>0.7%</b>	<b>3'877</b>	<b>2.1%</b>
Direct costs in MCHF	-298	-6.3%	-894	-1.0%
Indirect costs in MCHF <sup>2)</sup>	-249	1.6%	-755	2.3%
<b>Contribution margin 2 in MCHF</b>	<b>756</b>	<b>3.4%</b>	<b>2'228</b>	<b>3.3%</b>
<i>Contribution margin 2 in %</i>	<i>58.0%</i>		<i>57.5%</i>	
<b>CAPEX in MCHF</b>	<b>48</b>	<b>29.7%</b>	<b>128</b>	<b>17.4%</b>
<b>FTE's</b>	<b>-7</b>		<b>4'891</b>	<b>0.3%</b>
<b>Broadband lines in '000 <sup>3)</sup></b>	<b>+13</b>		<b>1'662</b>	<b>3.3%</b>
<b>Voice lines in '000 <sup>3)</sup></b>	<b>-34</b>		<b>1'912</b>	<b>-6.5%</b>
<b>Wireless customers Prepaid in '000</b>	<b>-6</b>		<b>2'125</b>	<b>-1.8%</b>
<b>Wireless customers Postpaid in '000 <sup>3)</sup></b>	<b>+15</b>		<b>2'656</b>	<b>2.5%</b>
<b>Blended wireless ARPU MO in CHF</b>	<b>36</b>	<b>0.0%</b>	<b>35</b>	<b>0.0%</b>
<b>TV subs in '000 <sup>3)</sup></b>	<b>+36</b>		<b>1'231</b>	<b>13.2%</b>

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3) sum of single play and bundles



# Segment 'Small & Medium Enterprises'

41

*The acquisition of 'yellow pages' (part of the PubliGroupe transaction in Sept 2014) and the integration of search.ch (in July 2015) led to an increase of net revenue, cost and FTE*

*EBITDA evolution in Q3 15 better than in previous quarters thanks to lower service revenue declines and SAC in Q3*

*Broadband lines up by 5.3%*

	Q3/15	Q3oQ3	30.09.2015	YoY
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>353</b>	<b>6.0%</b>	<b>1'020</b>	<b>3.8%</b>
Direct costs in MCHF	-44	-13.7%	-128	-14.1%
Indirect costs in MCHF <sup>2)</sup>	-70	42.9%	-204	43.7%
<b>Contribution margin 2 in MCHF</b>	<b>239</b>	<b>2.6%</b>	<b>688</b>	<b>-0.6%</b>
<i>Contribution margin 2 in %</i>	<i>67.7%</i>		<i>67.5%</i>	
<b>CAPEX in MCHF</b>	<b>13</b>	<b>62.5%</b>	<b>36</b>	<b>44.0%</b>
<b>FTE's</b>	<b>+54</b>		<b>1'613</b>	<b>5.4%</b>
<b>Broadband lines in '000 <sup>3)</sup></b>	<b>+2</b>		<b>237</b>	<b>5.3%</b>
<b>Voice lines in '000 <sup>3)</sup></b>	<b>-4</b>		<b>497</b>	<b>-2.7%</b>
<b>Wireless customers in '000 <sup>3)</sup></b>	<b>+3</b>		<b>605</b>	<b>2.0%</b>
<b>Blended wireless ARPU MO in CHF</b>	<b>69</b>	<b>-1.4%</b>	<b>69</b>	<b>-2.8%</b>

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3) sum of single play and bundles

# Segment 'Enterprise Customers'

42

*Topline, cost and FTE increased primarily due to the acquisition of Veltigroup*

*Lower EBITDA contribution YOY due to lower volumes and margins in the project business*

*# of wireless subs up by 7.2% YOY*

	Q3/15	Q3oQ3	30.09.2015	YoY
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>643</b>	<b>0.8%</b>	<b>1'950</b>	<b>2.3%</b>
Direct costs in MCHF	-131	0.0%	-415	3.0%
Indirect costs in MCHF <sup>2)</sup>	-275	4.2%	-853	6.0%
<b>Contribution margin 2 in MCHF</b>	<b>237</b>	<b>-2.5%</b>	<b>682</b>	<b>-2.4%</b>
<i>Contribution margin 2 in %</i>	<i>36.9%</i>		<i>35.0%</i>	
<b>CAPEX in MCHF</b>	<b>39</b>	<b>-20.4%</b>	<b>120</b>	<b>-1.6%</b>
<b>FTE's</b>	<b>+34</b>		<b>5'354</b>	<b>11.4%</b>
 Broadband lines in '000	 +0		 38	 0.0%
Voice lines in '000	+0		250	-1.6%
Wireless customers in '000	+14		1'232	7.2%
<b>Blended wireless ARPU MO in CHF</b>	<b>38</b>	<b>-5.0%</b>	<b>38</b>	<b>-5.0%</b>

1) incl. intersegment revenues

2) incl. capitalised costs and other income

# Segment 'Wholesale'

43

*Revenue from external customers up 1.2%*

*Lower mobile termination fees and prices for ULL products compensated by higher inbound roaming revenue*

*The provision for the FeAC sanction of CHF 186mm impacting indirect cost and contribution margin 2*

	Q3/15	Q3oQ3	30.09.2015	YoY
Revenue from external customers in MCHF	145	0.7%	433	1.2%
Intersegment revenue in MCHF	105	10.5%	281	4.9%
<b>Net revenue in MCHF</b>	<b>250</b>	<b>4.6%</b>	<b>714</b>	<b>2.6%</b>
Direct costs in MCHF	-145	6.6%	-405	2.0%
Indirect costs in MCHF <sup>1)</sup>	-191	n.m.	-202	n.m.
<b>Contribution margin 2 in MCHF</b>	<b>-86</b>	<b>n.m.</b>	<b>107</b>	<b>-62.5%</b>
Contribution margin 2 w/o FeAC sanction	100	2.0%	293	2.8%
<i>Contribution margin 2 in %</i>	<i>-34.4%</i>		<i>15.0%</i>	
<b>CAPEX in MCHF</b>	<b>-</b>		<b>-</b>	
<b>FTE's</b>	<b>-3</b>		<b>106</b>	<b>-3.6%</b>
Full access lines in '000	-11		139	-31.9%
<b>BB (wholesale) lines in '000</b>	<b>+10</b>		<b>301</b>	<b>24.9%</b>

1) incl. capitalised costs and other income

# Segment 'IT, Network and Innovation'

44

*Lower gain on sale  
of real estate leads  
to lower CM2*

*CAPEX of CHF  
1'016mm up  
3.5% YOY, due to  
further rollout of  
broadband  
networks*

	Q3/15	Q3oQ3	30.09.2015	YoY
<b>Net revenue in MCHF</b>	<b>32</b>	<b>6.7%</b>	<b>97</b>	<b>4.3%</b>
Direct costs in MCHF	-	-	-	-
Personnel expenses in MCHF	-200	2.0%	-638	4.8%
Rent in MCHF	-49	0.0%	-147	5.0%
Maintenance in MCHF	-47	-6.0%	-130	-9.7%
IT expenses in MCHF	-55	1.9%	-168	6.3%
Other OPEX in MCHF	-89	17.1%	-254	9.5%
Indirect costs in MCHF	-440	3.5%	-1'337	4.2%
Capitalised costs and other income in MCHF	96	-23.2%	293	-2.3%
<b>Contribution margin 2 in MCHF</b>	<b>-312</b>	<b>15.6%</b>	<b>-947</b>	<b>6.4%</b>
Depreciation, amortisation and impairment in MCHF	-279	4.5%	-822	4.8%
<b>Segment result in MCHF</b>	<b>-591</b>	<b>10.1%</b>	<b>-1'769</b>	<b>5.7%</b>
CAPEX in MCHF	358	-4.5%	1'016	3.5%
FTE's	+36		5'212	3.2%

# Segment 'Fastweb'

45

*Net revenues increased 4.6% YOY*

*All segments report an increase in revenue*

*EBITDA of EUR 405 million up by 9.5% YOY*

*Number of Broadband customers up by 7.7% YOY reaching 2,17 million customers*

	Q3/15	Q3oQ3	30.09.2015	YoY
Consumer revenue in MEUR	196	4.8%	585	3.9%
Enterprise revenue in MEUR	193	-4.5%	584	3.0%
Wholesale revenue in MEUR <sup>1)</sup>	35	0.0%	117	17.0%
<b>Net revenue in MEUR <sup>1)</sup></b>	<b>424</b>	<b>0.0%</b>	<b>1'286</b>	<b>4.6%</b>
OPEX in MEUR <sup>2)</sup>	-279	-3.8%	-881	2.4%
<b>EBITDA in MEUR</b>	<b>145</b>	<b>8.2%</b>	<b>405</b>	<b>9.5%</b>
<i>EBITDA margin in %</i>	34.2%		31.5%	
CAPEX in MEUR	124	1.6%	403	-0.7%
OpFCF Proxy in MEUR	21	n.m.	2	-105.6%
FTE's	+4		2'381	0.1%
BB customers in '000	+15		2'172	7.7%
<b>In consolidated Swisscom accounts</b>				
EBITDA in MCHF	156	-4.3%	434	-3.6%
CAPEX in MCHF	133	-10.1%	431	-12.8%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

# Segment 'Other'

46

*Net revenue down by  
7.2% YOY due to  
lower revenue out of  
construction  
activities and the  
sale of companies*

*EBITDA down by  
31.4% YOY*

	Q3/15	Q3oQ3	30.09.2015	YoY
External revenue in MCHF	80	-21.6%	257	-14.0%
<b>Net revenue in MCHF <sup>1)</sup></b>	<b>149</b>	<b>-13.4%</b>	<b>449</b>	<b>-7.2%</b>
OPEX in MCHF <sup>2)</sup>	-125	-11.3%	-390	-2.0%
<b>EBITDA in MCHF</b>	<b>24</b>	<b>-22.6%</b>	<b>59</b>	<b>-31.4%</b>
<i>EBITDA margin in %</i>	<i>16.1%</i>		<i>13.1%</i>	
CAPEX in MCHF	8	700.0%	20	33.3%
FTE's	+3		1'725	-13.5%

1) incl. intersegment revenues

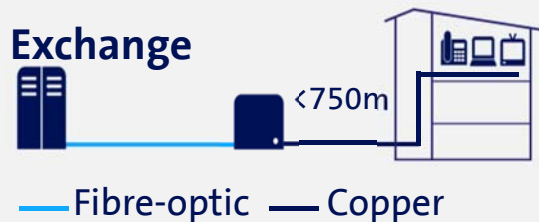
2) incl. capitalised costs and other income

# Innovative fibre technologies

*Thanks to a mixture of access technologies, Swisscom can offer its customers multimedia services throughout Switzerland*

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- > Swisscom is bringing fibre-optic cabling ever closer to its customers throughout Switzerland
- > A mixture of innovative fibre-optic technologies provides ultra-fast broadband internet access, even outside major urban centers



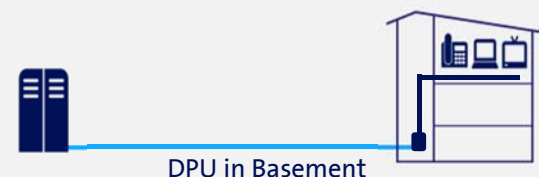
## Vectoring (FTTC)

- > VDSL2 since 2006, vectoring since early 2014



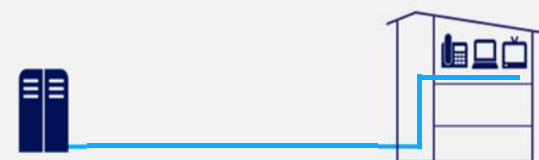
## Fibre-to-the-Street (FTTS)

- > Since 2013 with VDSL2
- > After 2016 with G.fast



## Fibre-to-the-Building (FTTB)

- > Since 2013 with VDSL2
- > After 2016 with G.fast



## Fibre-to-the-Home (and business, FTTH)

- > Since 2008 with 100 Mbps
- > Since 2013 with 1 Gbps

# Regulatory update

## *Decision of the Federal Administrative Court on Broadband Internet*

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- The Competition Commission (COMCO) Secretariat started in October 2005 an investigation against Swisscom for alleged improper Broadband Connectivity Service (BBCS) pricing up to December 2007
- In October 2009, COMCO concluded that Swisscom held a market dominant position in the BBCS market and that it had abused this position applying a so-called margin squeeze with its competitors, not allowing them to conduct profitable operation of the broadband Internet business. Based on this the COMCO issued a decree with a fine of CHF 219 million. Swisscom contested this decree with the Federal Administrative Court
- On 6 October 2015 the Federal Administrative Court issued a decree with a fine of CHF 186 million confirming in principle the reasoning of the COMCO but reducing the fine. Swisscom has made a provision for the CHF 186 million
- Swisscom regrets the decree and maintains that the fine is unjustified and has no adequate legal foundation given e.g. that there was no obligation to offer BBCS, the investigation refers to the first few years following the launch of ADSL, initial losses are common with new businesses and the retail business was profitable in the long run

### Next steps

- The Federal Administrative Court decree will be contested with the Swiss Federal Court. Swisscom expects the proceeding to take around 2 years till a final sentence is reached



# Cautionary statement regarding forward-looking statements

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"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise."

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