Swisscom – "delivering the BEST"

2013 analyst and investor presentation
Zürich
6 February 2014

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Agenda “delivering the BEST”

Ch.	Topic	Speaker
	Welcome & Introduction	Bart Morselt, IR
1	BEST strategy Introduction strategic framework	Urs Schaeppi, CEO
2	BEST infrastructure At home On the move Investment Transformation and innovation	Heinz Herren, CTO
3	BEST experiences Commercial performance Experience outlook	Urs Schaeppi, CEO
4	BEST opportunities Highest quality operator in Italy	Alberto Calcagno, CEO Fastweb
5	BEST performance 2013 financial results 2014 outlook	Mario Rossi, CFO
	Q&A	All

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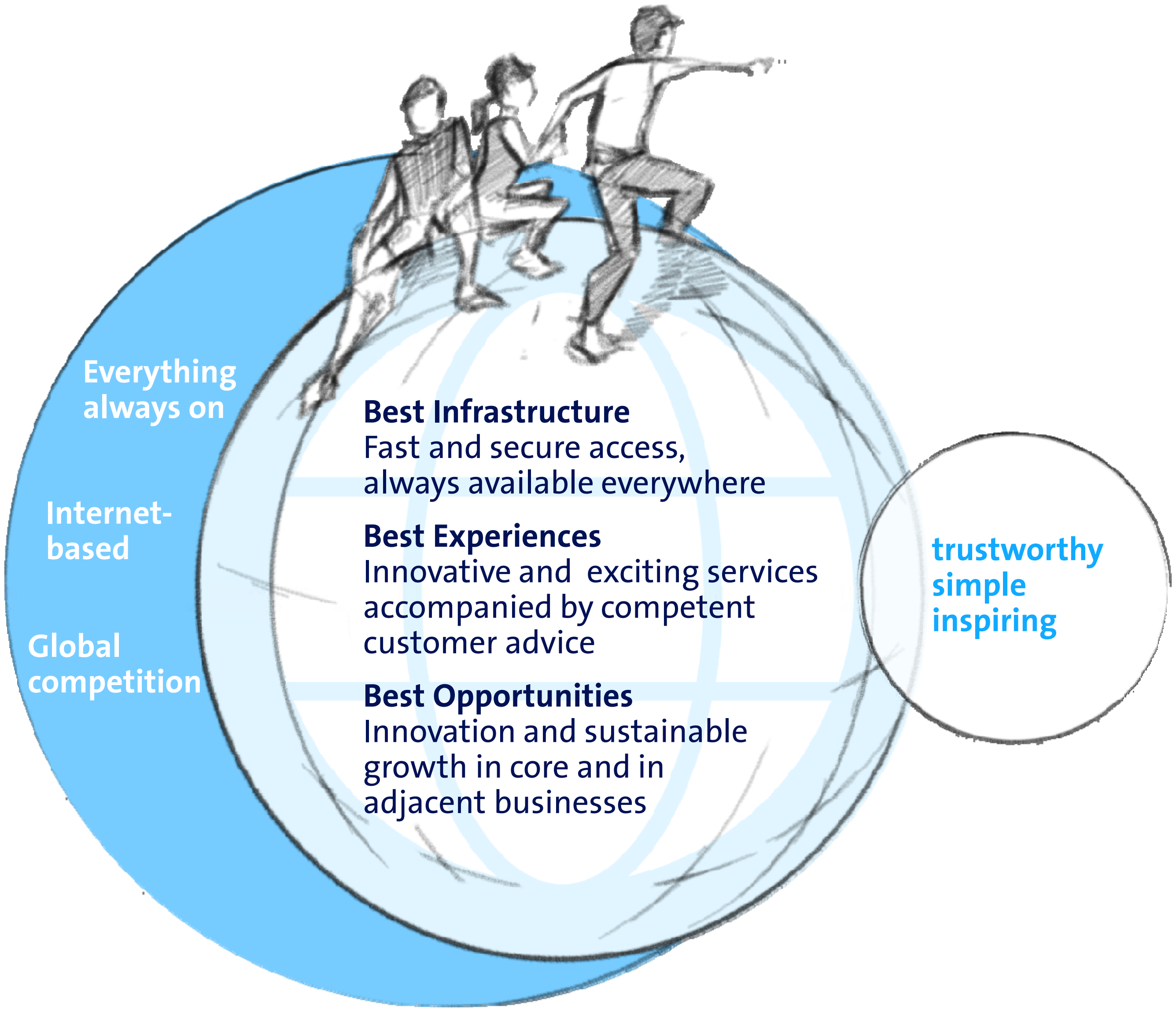
Swisscom 2020: Delivering the best

Trustworthy companion in the digital world



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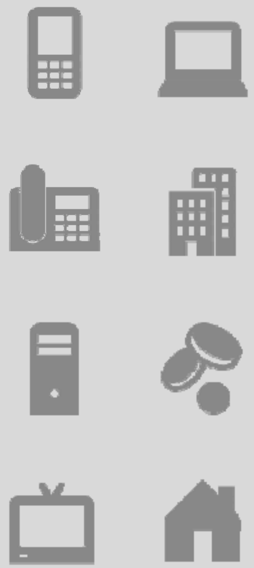
Everything always on

In the future, Swisscom customers will be able to access all their private and business applications and data in realtime on their digital devices

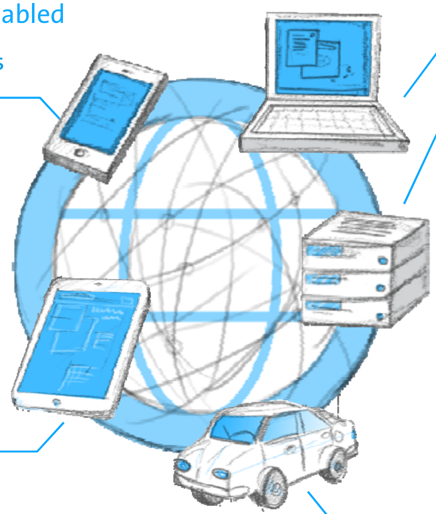
Yesterday
- Unconnected
- Fragmented
- Individual



Trends

62% of all active handsets In Switzerland today are web-enabled (2013 Analysys Mason)

80% of the Swiss population uses the internet several times a week (2013, BFS)



Factor 6
The expected increase in worldwide mobile data volumes between 2013 and 2018 (Analysys Mason)

1 million
people in Switzerland access the Internet on a tablet in 2013 (Net Metrix, 2013)

2 Bn M2M Devices
The number of connected devices worldwide will increase from 100 mio in 2012 to 2Bn in 2021. (Analysys Mason)

Internet based

In the future, all services will be based on the internet protocol which enhances the customer experience and allows faster introduction of new products and services

Yesterday

Multiple local Platforms

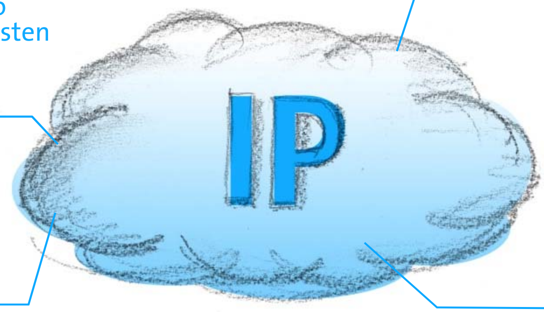
Trends

54%

of Swiss internet users regularly watch video streaming and 35% listen to streaming radio
(Net Metrix, 2013)

100%

Annual growth in mobile transactions in Switzerland.
Transaction value will reach CHF 1.2bn in 2017
(Ovum)



1 million

IP TV customers in CH. Only growing digital TV segment.

36%

Annual growth in the Swiss cloud market
(PAC, Gartner)

Global Competition

Over the last years, new, global competitors have entered the Telco market, driving the availability and usage of free, internet-based communications services

Yesterday

Local operators

- Asset heavy
- Network based

Trends

+ global providers
- Asset light
- Service based

750 Bn min.

global OTT voice traffic in 2013. In 2018, traffic will reach 1.7 Trn minutes
(Ovum)

19 Billion

OTT messages were sent in Switzerland in 2013. In 2018, 69Bn OTT messages will be sent (+ 30% annually)
(Analysis Mason)

43%

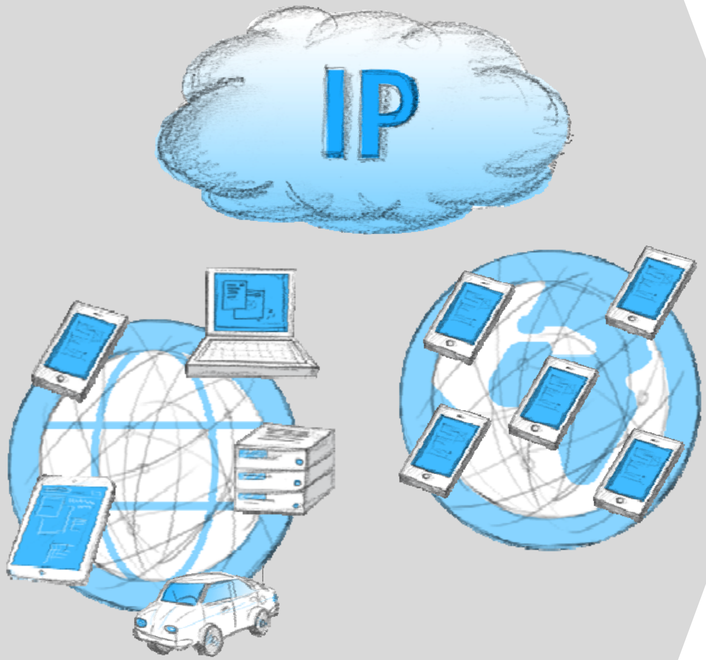
of Swiss smartphones today have an OTT messaging application installed. 13% of smartphones have an OTT voice application installed
(Analysis Mason)

90%

Annual increase in mobile data transported on the Swisscom network over the last three years

These trends are driving the Swisscom strategy

Trends



Implications

Best infrastructure
Best experiences
Best opportunities

Best infrastructure

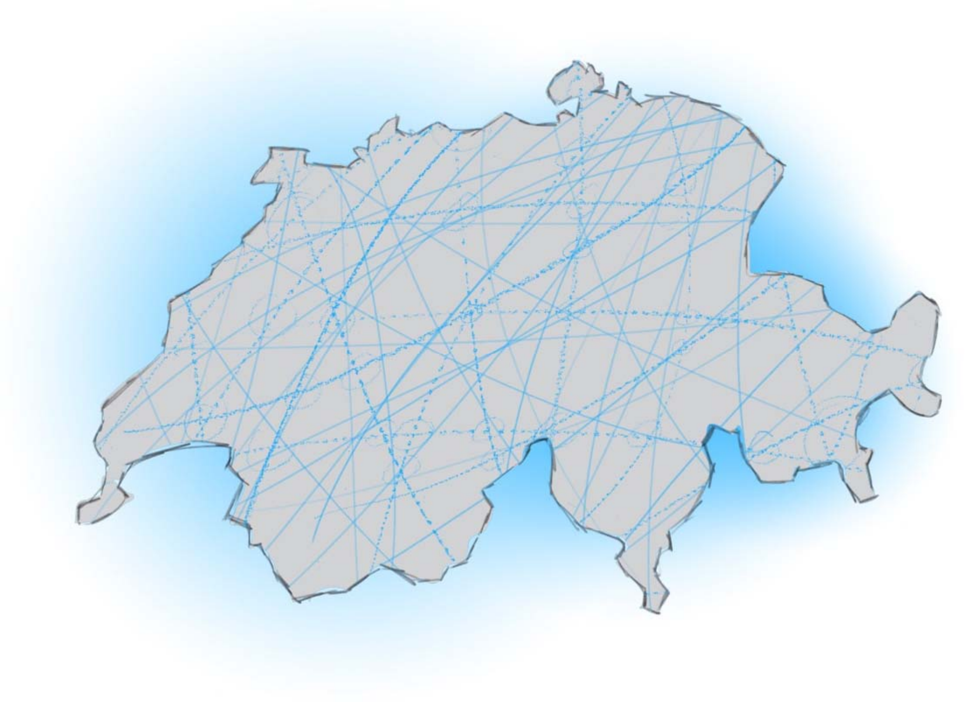
Fast and secure access, always available everywhere

Technological transformation

Major investments in infrastructure e.g. Fiber, LTE and Cloud allow Swisscom to offer its customers the best quality, availability and security

Efficiency improvement

Modern infrastructure – such as the Swisscom Cloud Platform – enable Swisscom to design and offer services cost efficiently and to launch new products faster



Best experiences

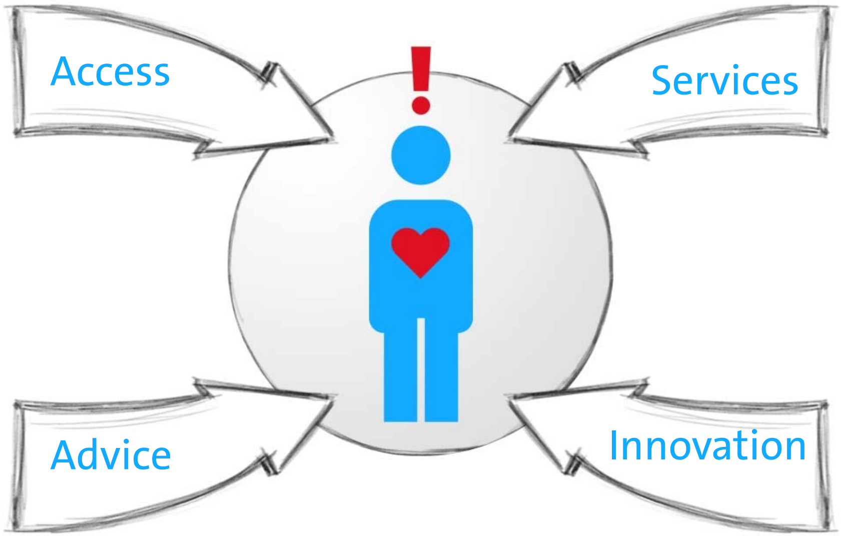
Innovative and exciting services accompanied by competent customer advice

Transition to new business models

Changing customer needs such as „always on" drive demand for innovative and all-inclusive subscription models as well as personalised customer interactions

Differentiation

The combination of best access, optimised customer touch points, competent advice and innovative products allow Swisscom to differentiate itself



Best opportunities

Innovation and sustainable growth in core and adjacent markets

Growth in Switzerland

Swisscom take advantage of the best business opportunities. These allow the company to grow sustainably within and outside the core business

Fastweb growth and cash flow generation

New growth opportunities exist in Italy thanks to significant investments in infrastructure (Fibre), strategic partnerships (e.g. Sky) and the launch of value added services for business customers

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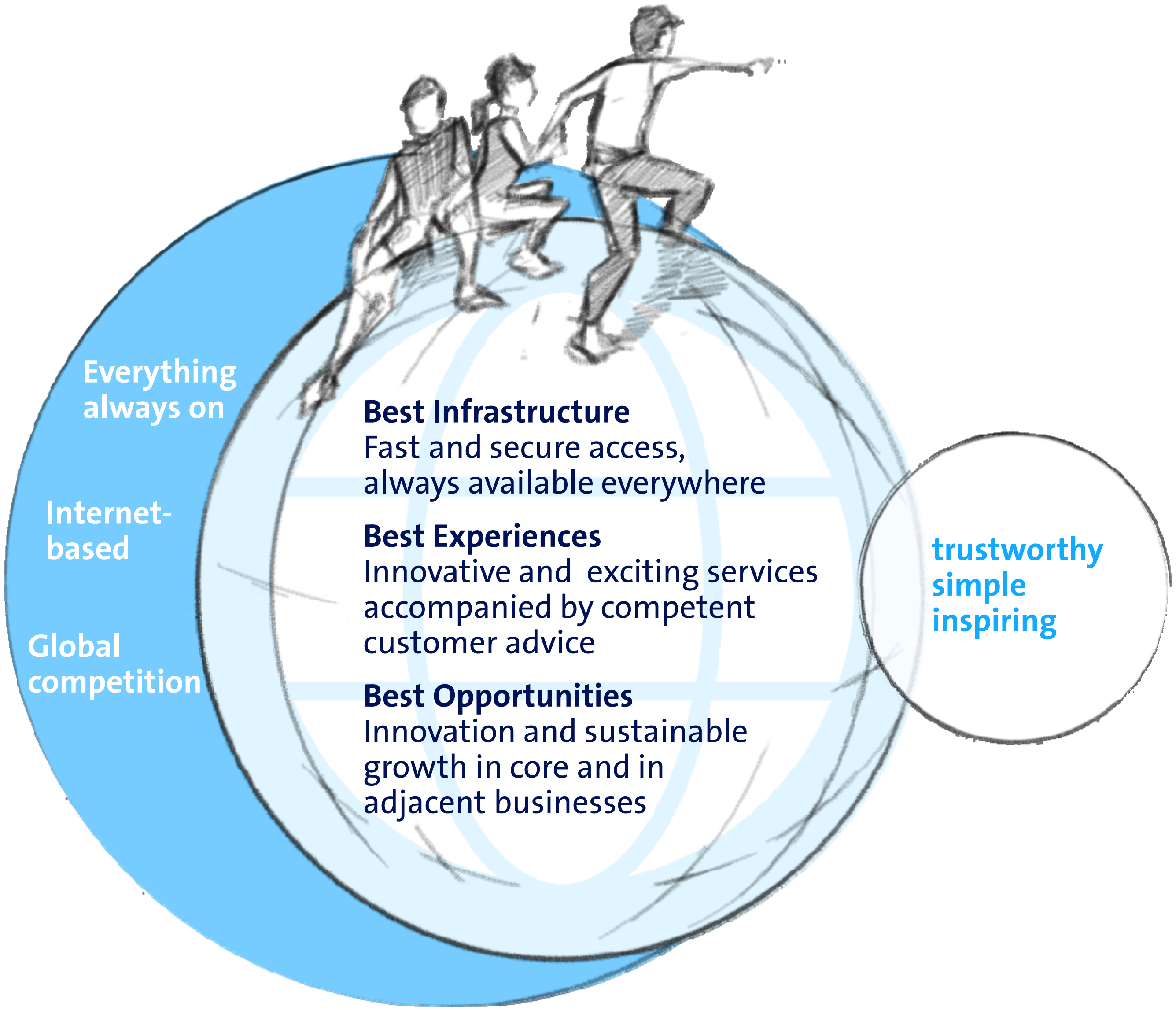

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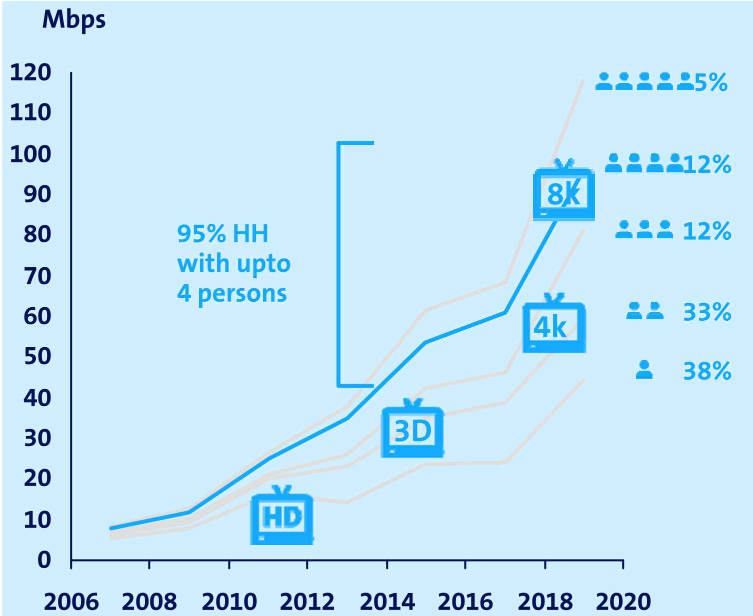
At home: The Future of Wireline Ultra Broadband

Switzerland is already one of the leading broadband nations in Europe. Further growth in demand will accelerate adoption of ultra broadband.

Switzerland – Leading BB in Europe*

	FTTx/ VDSL Coverage (2012)	FTTH/B Coverage (2012)	Measured Internet Speed (Mbps) (Q2 2013)	Measured vs. Advertised Speed (Q4 2013)
Switzerland	83%	15.5%	11.0	97.5 %
Italy	25%	15%	4.9	64.5 %
France	18.5%	16.5%	5.7	62.0 %
Germany	34.6%	3.6%	7.3	81.9 %
Austria	59.9%	5.9%	8.1	73.6 %

Demand for Speed Will Grow Further



High end TV screen resolution, cloud services, and parallel video streaming shall further fuel broadband demand.

*Status: 10.10.2013, Sources: BCG/Analysis Mason, Akamai, the state of the Internet, Speedtest.net «promised speed index»

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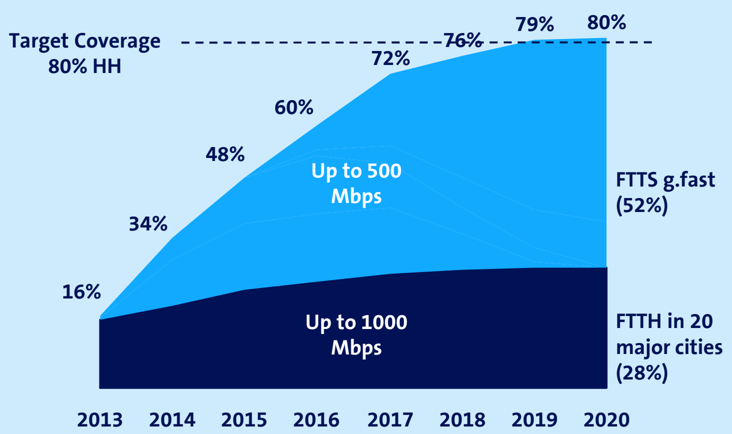
At home: Ubiquitous Wireline Broadband

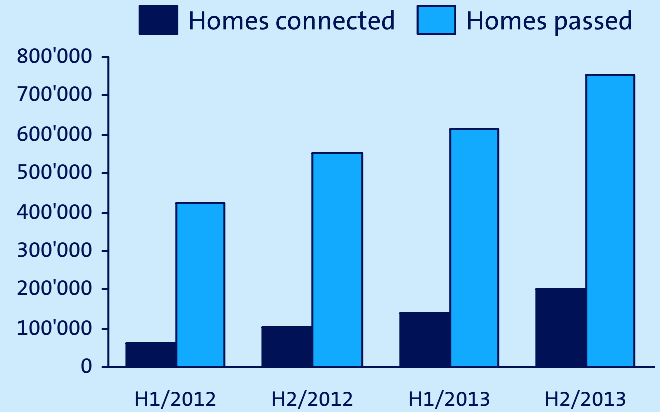
Swisscom has a multi-year commitment to bring ultra broadband closer to the home while closing the digital gaps in rural Switzerland.

FTTx Rollout



Bringing fibre closer to all Swiss homes

FTTH Subscriber Uptake



Note: Approx. 67k Swisscom fibre subscribers out of overall homes connected (31.12.2013)

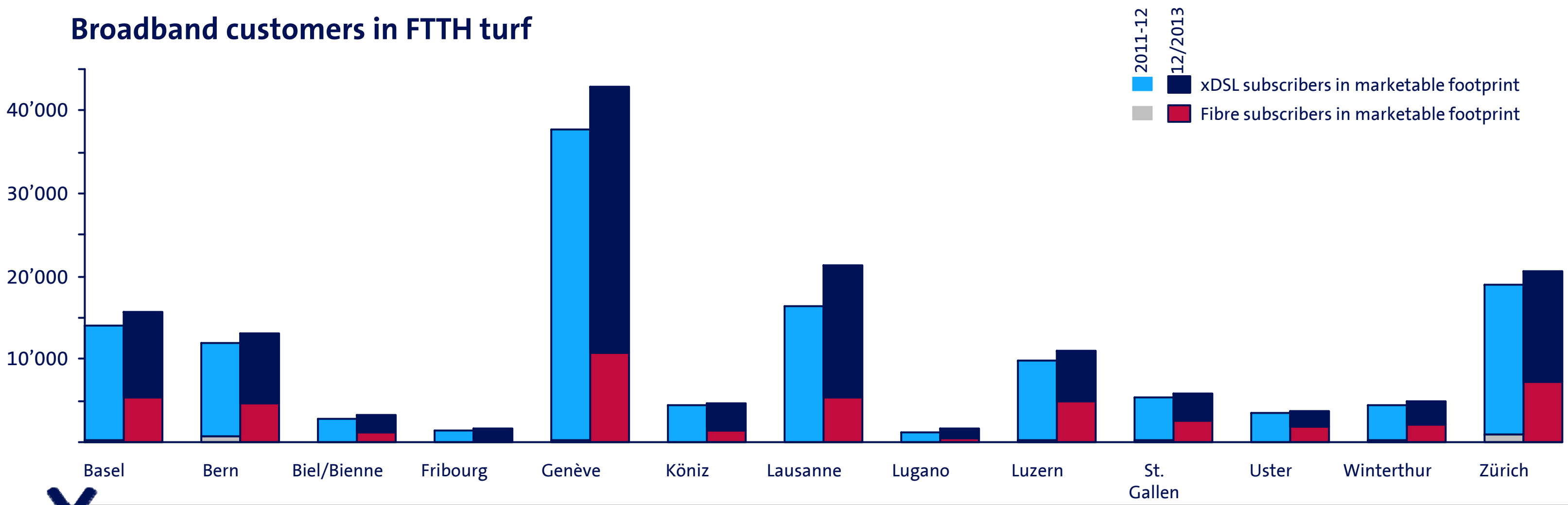
Steady growth in FTTx coverage

Although FTTH ensures future-proofing against bandwidth demand rise, Swisscom optimizes investment with demand for faster ROI.

At home: Ubiquitous Wireline Broadband

Fibre rollout stimulates broadband growth in Switzerland. Swisscom observes strong customer affinity towards high speed FTTH services.

Broadband customers in FTTH turf



Visible FTTH Affinity: Strong inclination of copper based BB customers to migrate to FTTH

Products

- New products benefiting from fiber bandwidths (e.g. TV2014)

Rollout

- Improved coordination for in-building cabling

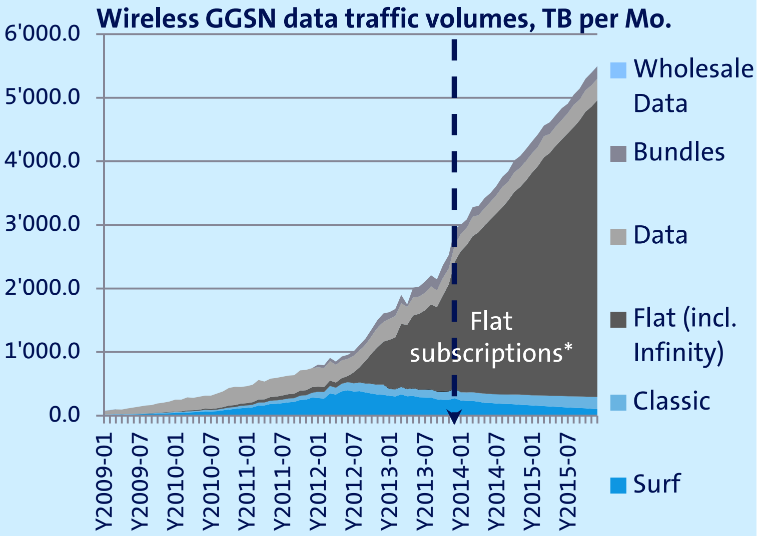
Partnering

- Improved partnering
- Local go to marketing initiatives

On the move: The Future Of Ultra Wireless Broadband

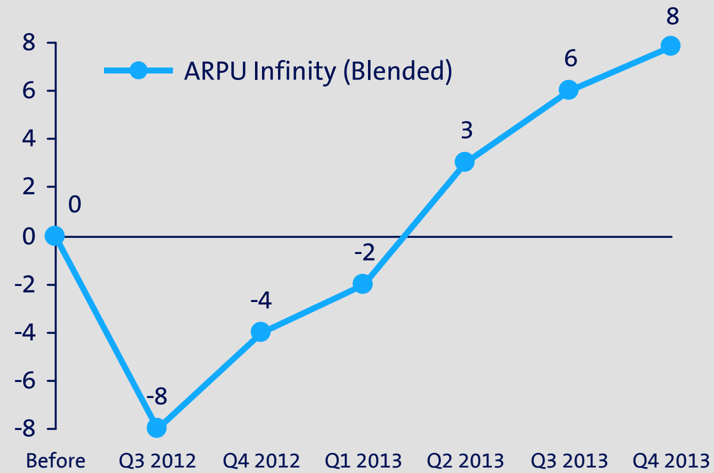
Swisscom aims to delight customers by exceeding customer quality and speed expectation, while positively impacting the overall ARPU.

Demand for data driving takeup...



- Two-fold data volume growth per year
- 200% higher flat rate based data consumption of NATEL® Infinity* subscription plans

...and delight reflected in higher ARPU



- NATEL® Infinity subscription plans help customers balance quality and cost – with positive impact on the overall ARPU**
- Customer surveys underline the very high overall satisfaction of our Infinity subscribers' speed expectations

***Infinity is Swisscom's flagship flat subscription product launched in Jun'12 ;* *ARPU development of customers changing in the given quarter from non-Infinity to Infinity (incl. roaming impact)**

On the move: Ubiquitous Wireless Broadband

Swisscom is committed to continue delighting its customers with the best mobile network in Switzerland in 2014 and beyond.

2G pop. coverage	3G pop. coverage	4G pop. coverage
99.8%	99%	>>90% YE 2014 (presently 85%)

Ubiquitous Mobile Broadband

Coverage

- 15% of subscriber base regularly access mobile data services over the LTE network
- LTE network expansion in record time

Capacity

- More then 95% of the network supports HSPA+ (42 Mbps), or LTE (150 Mbps)
- One of the 1st in Europe to introduce Carrier Aggregation to boost speeds in 2014
- ~2000 WiFi-Hotspots in CH

Quality

- Ranked #1 by Connect technical magazine – since 2009
- Average download speed in cities > 20 Mbps
- High voice call quality

With an LTE expansion in record time, maximization of 3G coverage and network densification, we set ourselves apart from competition

On the move: Best Wireless Network (2014 & beyond)

Equipped with large spectrum resources, excellent infrastructure & high-speed backhaul, Swisscom is well prepared for the future.

Spectrum Resources –after Refarming 2014

- Switzerland is a Top 5 European market with regards to spectrum allocation**
- 42% of spectrum for mobile communications is licensed by Swisscom till 2028
- x4 more spectrum per subscriber compared to the 2nd ranked European operator with most spectrum

Spectrum band	Swisscom spectrum*	Technologies
800	2 x 10 MHz	4G
900	2 x 15 MHz (GSM spectrum refarming in progress)	3G, E
1800	2 x 30 MHz (GSM spectrum refarming in progress)	4G, E
2100	2 x 30 MHz	4G, 3G
2600	2 x 20 + 45 MHz	4G

European incumbents	Total spectrum, MHz	Spectrum per subscriber, KHz
Swisscom	255	40.2
	192	9.9
	172	7.8
	160	4.2
	157	5.0

Multi-mode Basestations

- 96% (100% by E'2014) of the macro sites are multi-mode - capable of 2G, 3G & 4G
- Indoor sites will be modernized in 2014

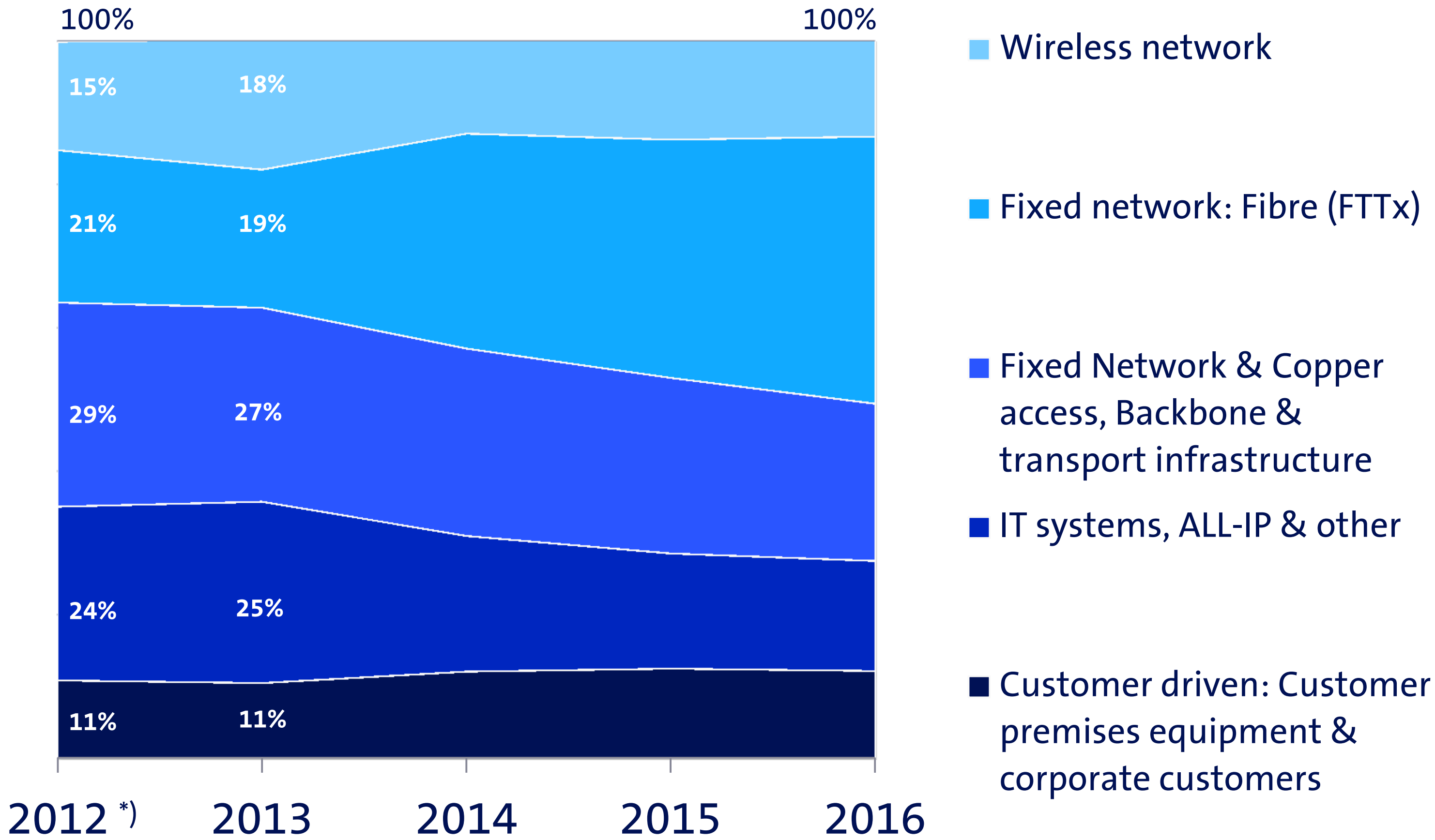
Futureproofing for capacity demands

- 95% 3G sites and 100% 4G-macro sites are connected with 1 Gbps fibre backhaul

*FDD spectrum except for 45 MHz for TDD, spectrum; **source: Valuing the use of spectrum in the EU, GSMA, JUNE 2013

Investment: Towards the best infrastructure

Through sustained investments, Swisscom continues building robust infrastructure capable of serving future customer demands.



*without Capex for mobile frequency licenses in Switzerland

Transformation and Innovation: IP Runs Full-Steam

Swisscom continues migrating customers from the analogue world into the digital IP future.

2013	2014	2015	2016	2017	2018

Customers in Analogue World

The Inevitable

- All analogue services will become digital
- Complete replacement of analogue telephony by VoIP
- Services to be converted to IP

The Transformation

- All-IP program launched to migrate all customers to IP services
- 200k customers successfully transferred to IP (End'2013)
- Necessary replacement products/services are under development

Target 2018

- Fixed network & services converted to IP
- Analogue voice telephony migrated to VoIP platform
- Shortened time to market
- Significantly reduced operational costs

Customers migrated to IP Services

Our Commitment to IP

Transform all copper lines to IP without exceptions (via sales push/customer solutions)

First Tangible Results:

- Launch of new IP services: TV, iO (VOiP service), API and Cloud

Swisscom- Ahead of the curve

- IP is the foundation for Swisscom's Cloud, API strategy, and SDN implementation

Transformation and Innovation: Swisscom's Cloud is for everyone – including ourselves

Swisscom is building a modern, secure & cost-effective Swiss cloud

Better customer value proposition

Residential Customers
- MyDigitalLife: anywhere, anytime, any-device
- Ecosystem around Cloud & APIs (B2B2C)

Enterprise Customers
- Offer IaaS, PaaS and SaaS[1] in CH and abroad
- 22.8% market growth annually in CH until 2017[2]

Value proposition

Data Security
CH jurisdiction

Cost-effective

Scalable

Internal benefits

Networking and IT
- Reduce OPEX by migration to the cloud
- Virtualize the network in the cloud (SDN[3])

Internal Startups
- Build new products & services based on cloud PaaS[1]

Swisscom's cloud is built on leading edge technologies

SaaS[1]
PaaS[1]
IaaS[1]

- Leverage open source technology and leading edge technology partners

openstack CLOUD SOFTWARE · PLUMgrid · servicemesh · apigee

- Highest flexibility beyond the boundaries of local data centers
- SC cloud OS to achieve high flexibility and to reduce license fees

1: Infrastructure as a Service, Platform as a Service and Software as a Service 2: Source: PAC, 2012 3: Software Defined Networking

Transformation and Innovation: into the ICT World

Swisscom turns itself into a full-fledged ICT company with an innovative portfolio of products (hardware and software)

The ICT World: one of Gartner's Top10 Business-Drivers

The ICT world of "Anything is Software defined" and "Programmable Everything" makes Software the main ingredient to successful positioning as a player

Distributed Product Development

A new culture of product management is being set up:

- Business Units develop the products themselves
- Business Units leverage developer communities

Cloud	API	Service-Access Separation	SW-driven Business
Built up on PaaS for agile, scalable, and cost-efficient development & operation of products	Efficiently reuse data & functionality of Swisscom's core assets through APIs	Separate access and service to enable product development in an "OTT manner"	Organisational trans-formation to embrace software culture allows Swisscom to complement core business with software products

Transformation and Innovation – Accelerate into ICT

Innovations further accelerate the transformation into an ICT company, with innovative products around our core business.

Focus Areas

- Messaging, Videoconferencing
- Mobile Payment
- Security, Identity Management
- Cloud infrastructure and applications
- Internal Big Data application
- Infrastructure improvements

Exemplary Innovations

iO: Make calls, chat and more

Vidia: Personal Virtual Meeting Rooms, Cloud based

Tapit: Open platform issuing secure credentials onto Swisscom SIM

Swisscom Innovations

Combine telco assets with OTT approaches and deliver innovative products and capabilities around our core business

Summary

With excellent and future-proof infrastructure we will continue to delight our customers on our way to an integrated ICT company.

We bring fiber closer to all Swiss home

- 34% FTTx household coverage EoY 2014
- Strong inclination of copper based BB customers to migrate to FTTH
- First launched 1 Gbps in Swiss market, well prepared for future bandwidth demand

We continue to delight our wireless customers

- NATEL® Infinity successfully helps customers to get optimum value for budget
- >> 90% LTE population coverage EoY 2014
- Futureproof mobile network based on state-of-the-art infrastructure and large spectrum and backhaul resources

We accelerate into the ICT world

- Most modern and biggest Cloud in Switzerland under construction – as basis for production efficiencies and new revenue streams
- Cloud and network factory as service enabler with access of resources via APIs
- Cultural change: focus on software driven business

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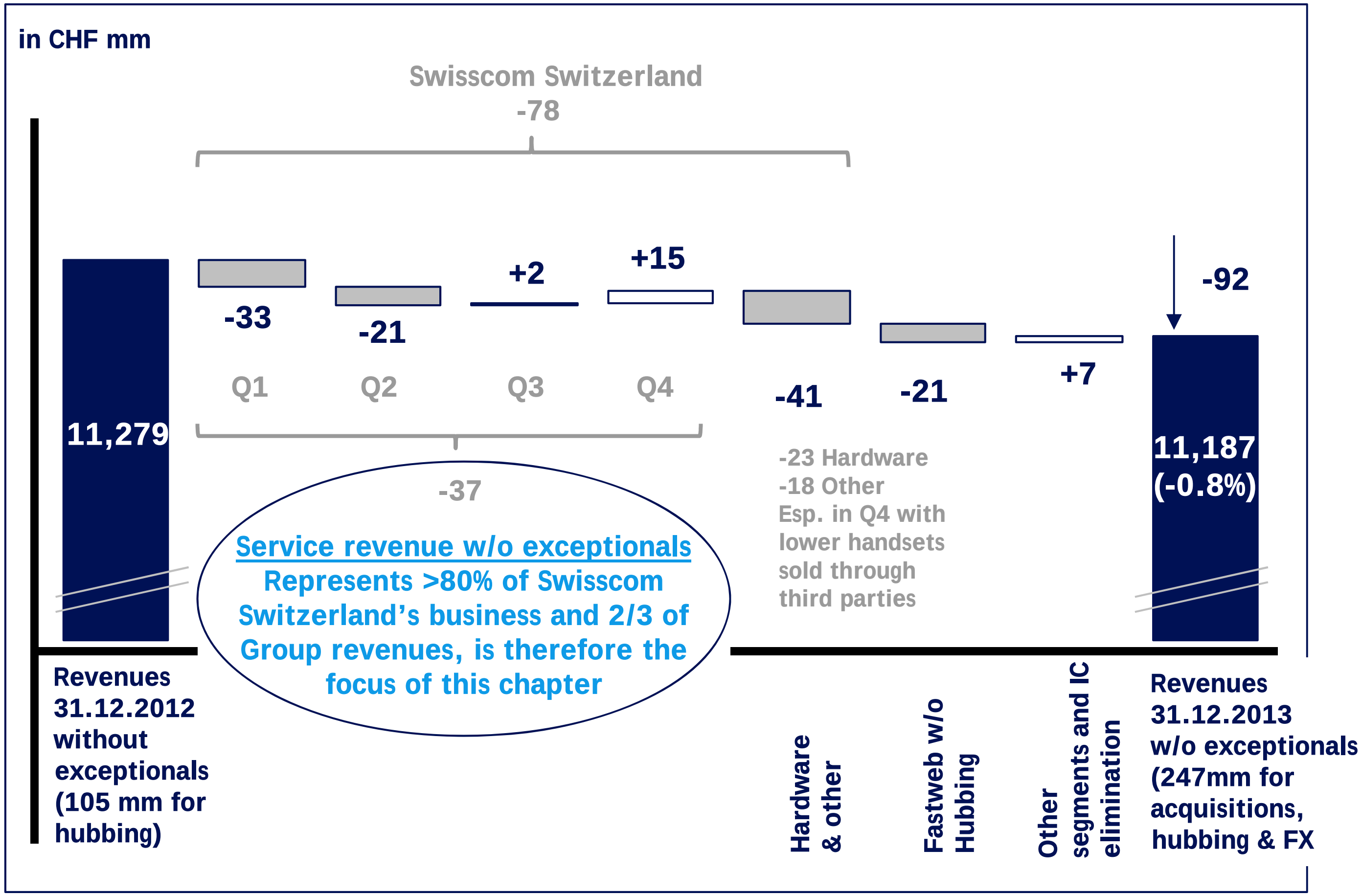
Revenues 2013 (w/o exceptionals)

Without FX, hubbing and M&A effects, revenue went down CHF 92 mm YOY (-0.8%).

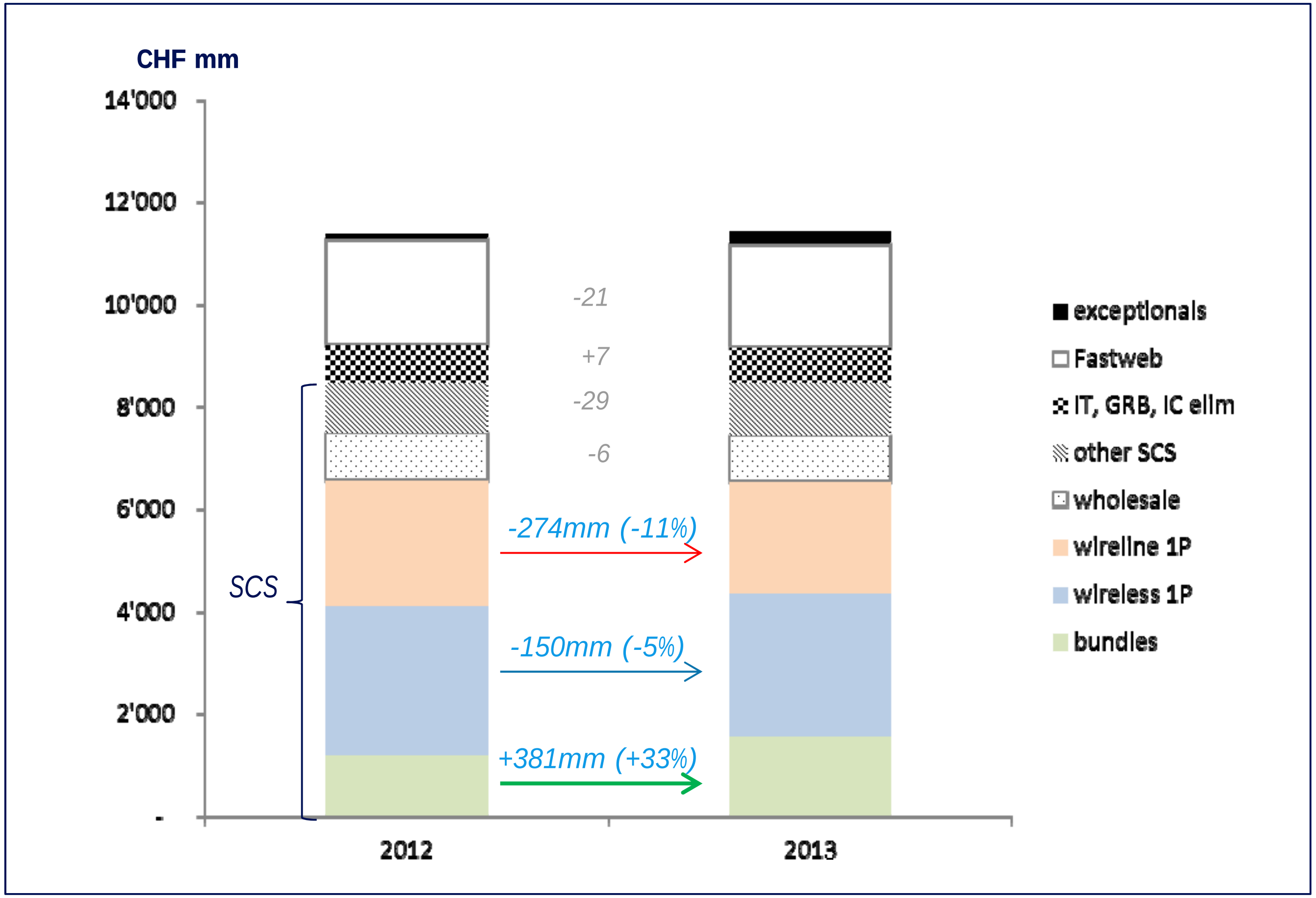
After a declining Service revenue in Q1 and Q2, Q3 marked the turning point, with a continuation of service revenue growth in Q4.



(a) Average exchange rate CHF/€ 2012: 1.2044 vs. 2013: 1.2293, i.e. a strengthening of Euro against Swiss Franc of 2.1%

Overview revenues

85% of dynamics in revenue development are based on service revenue development for 1P and bundles within Swisscom Switzerland



Focus on where the big moves are on the revenue side: 1P and bundles at SCS

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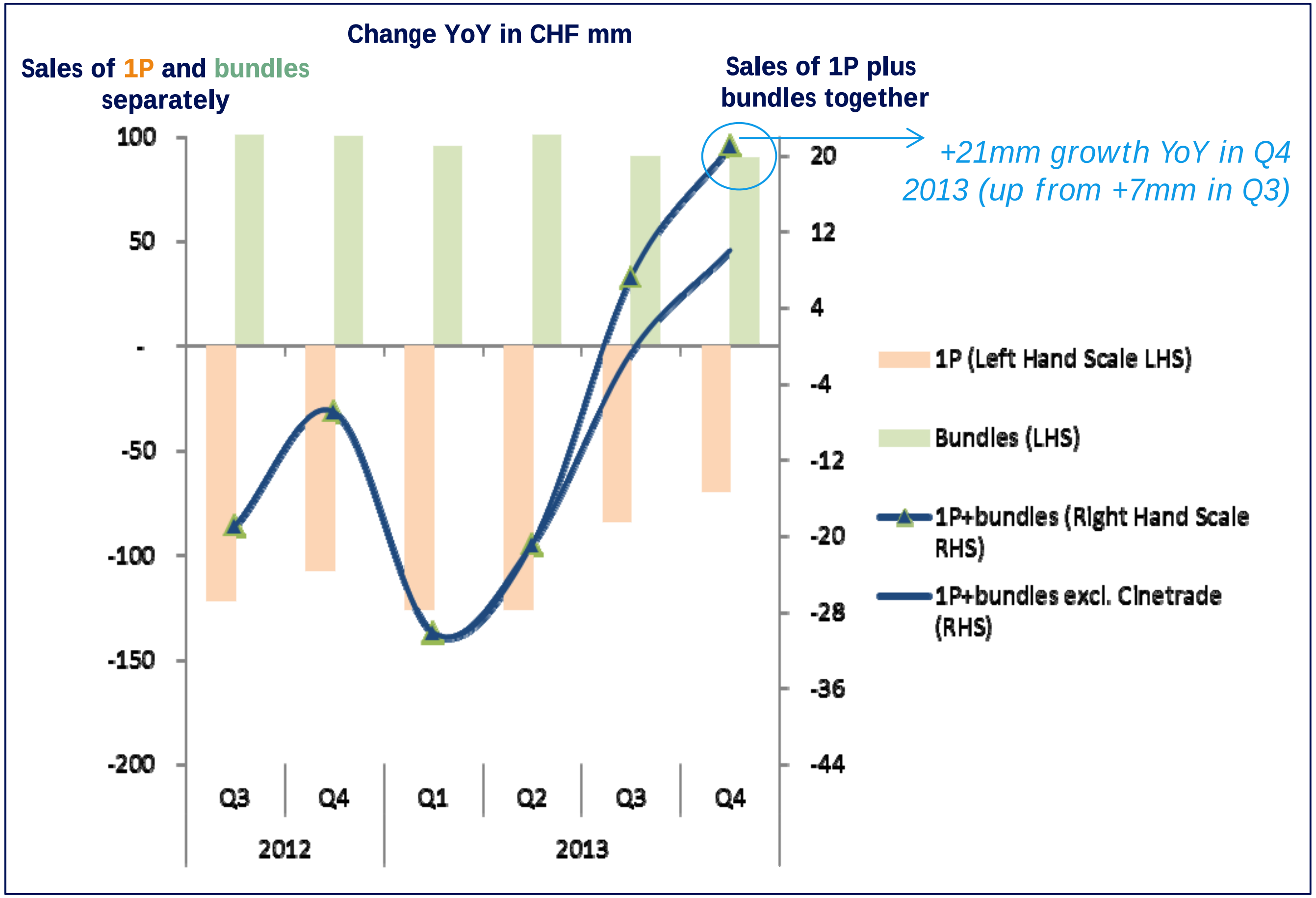
Swiss service revenues – single play and bundles*)

YoY revenues in Q4:

Bundles +90

Single Play -69

Total core +21



Q4 with continued revenue growth in core business esp. through lower decline in 1P

*) service revenues contain slightly more than just 1P and bundle revenues: also some CBU, Wholesale and intercompany revenues are included

Swiss service revenues – single play

YoY 1P revenues in Q4:

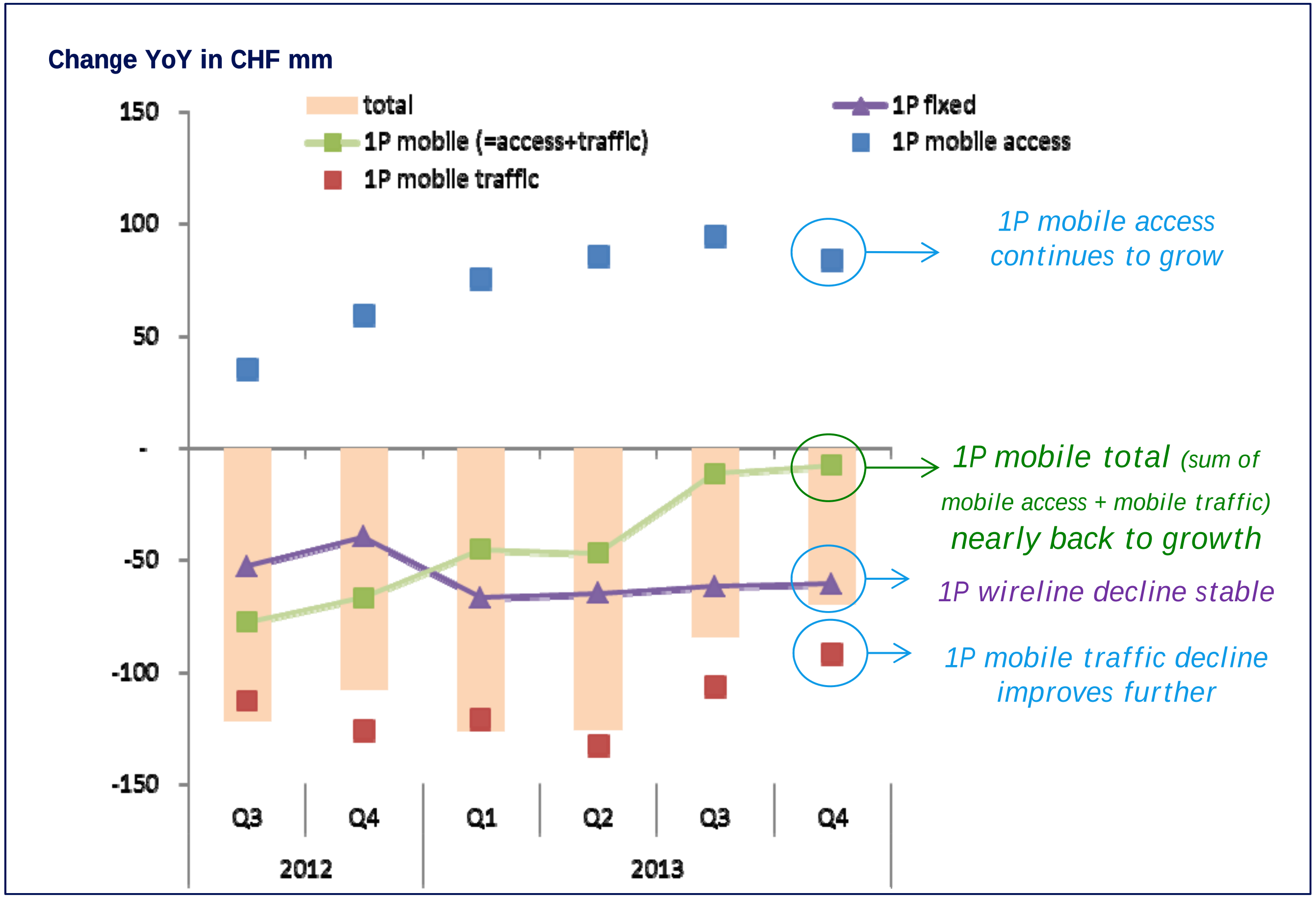
<u>Single Play -69</u>

o/w

1P wireline -61

1P mobile -8

(+84 access, and -92 traffic)



1P improvement largely through trend-change in mobile traffic lost

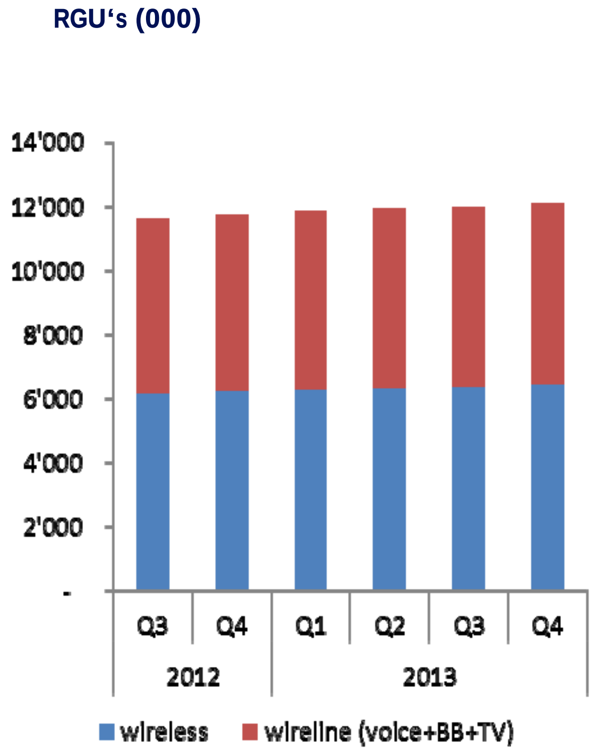
Swiss service revenues – RGU development

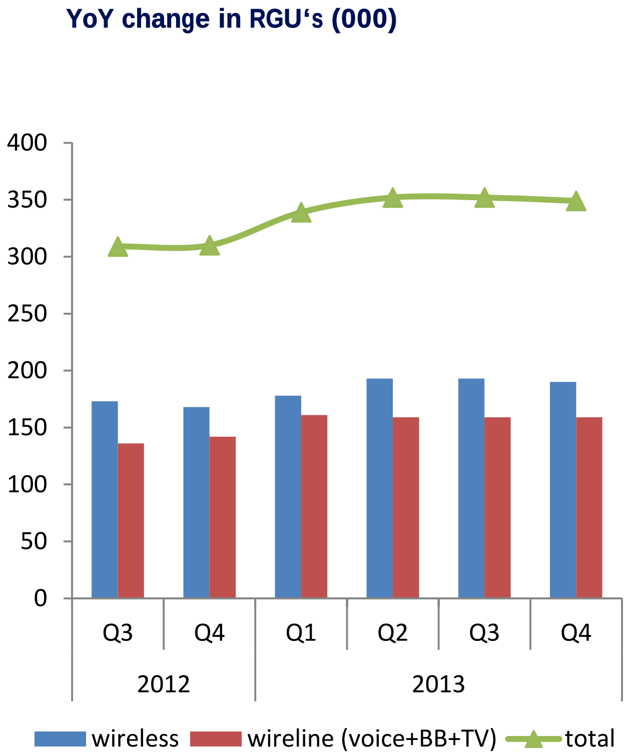
Revenue Generating Units (RGU's) YoY Q4 (compared to Q4 2012):

Wireless +190

Wireline +159

Total: +349





At the base of revenue growth, is a continuation of RGU growth

Swiss service revenues – RGU development

Revenue Generating Units (RGU's) in Q4:

1P -313

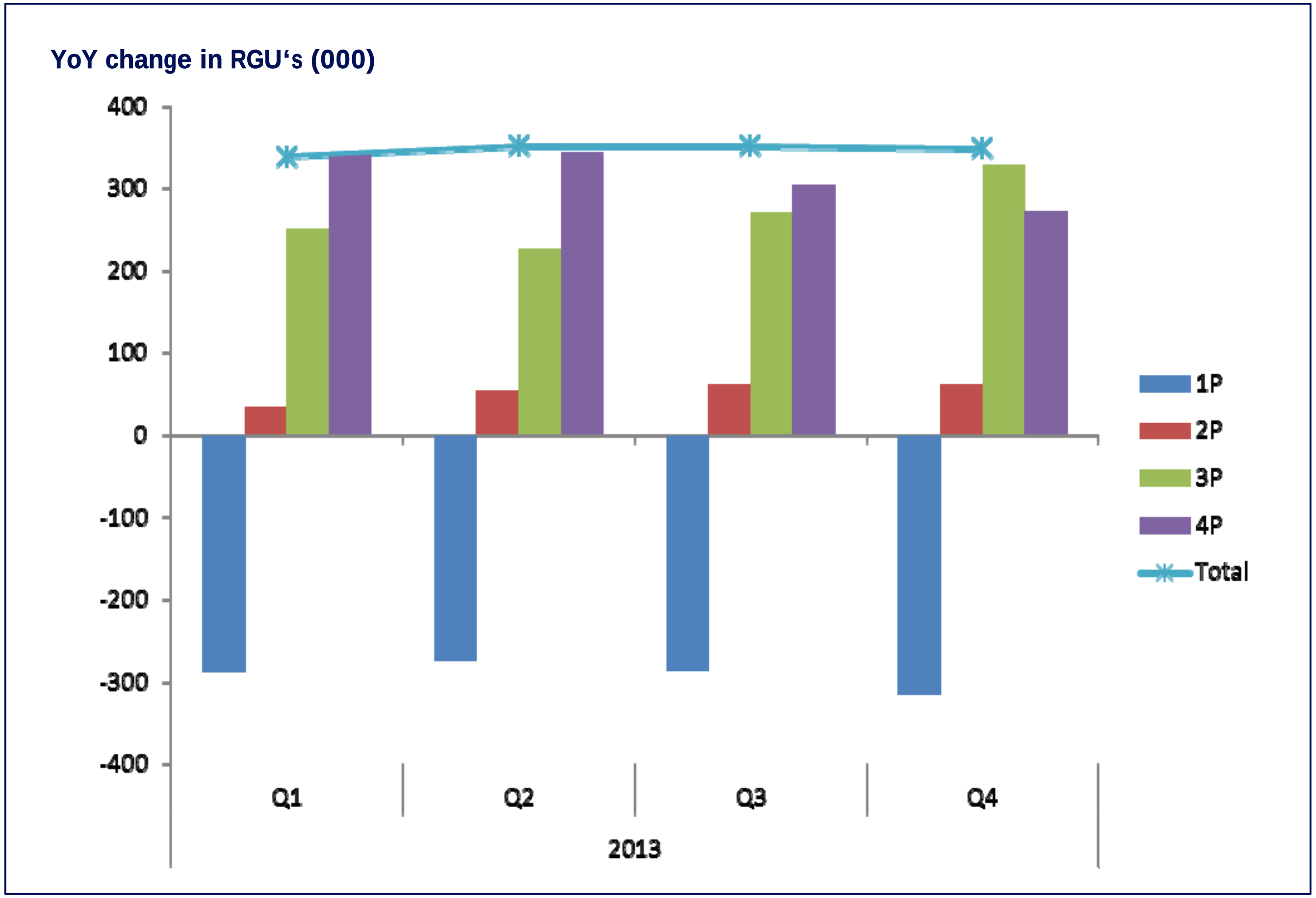
2P +62

3P +348

4P +252

Total +349

(+3% yoy)



RGU growth in bundles higher than 1P decline. Net growth of 3% p.a.

Swiss service revenues – bundle penetration

Percentage of product in a bundle (rather than standalone) on 31.12.2013:

TV 72%

Broadband 55%

Fixed voice 28%

Mobile 7%

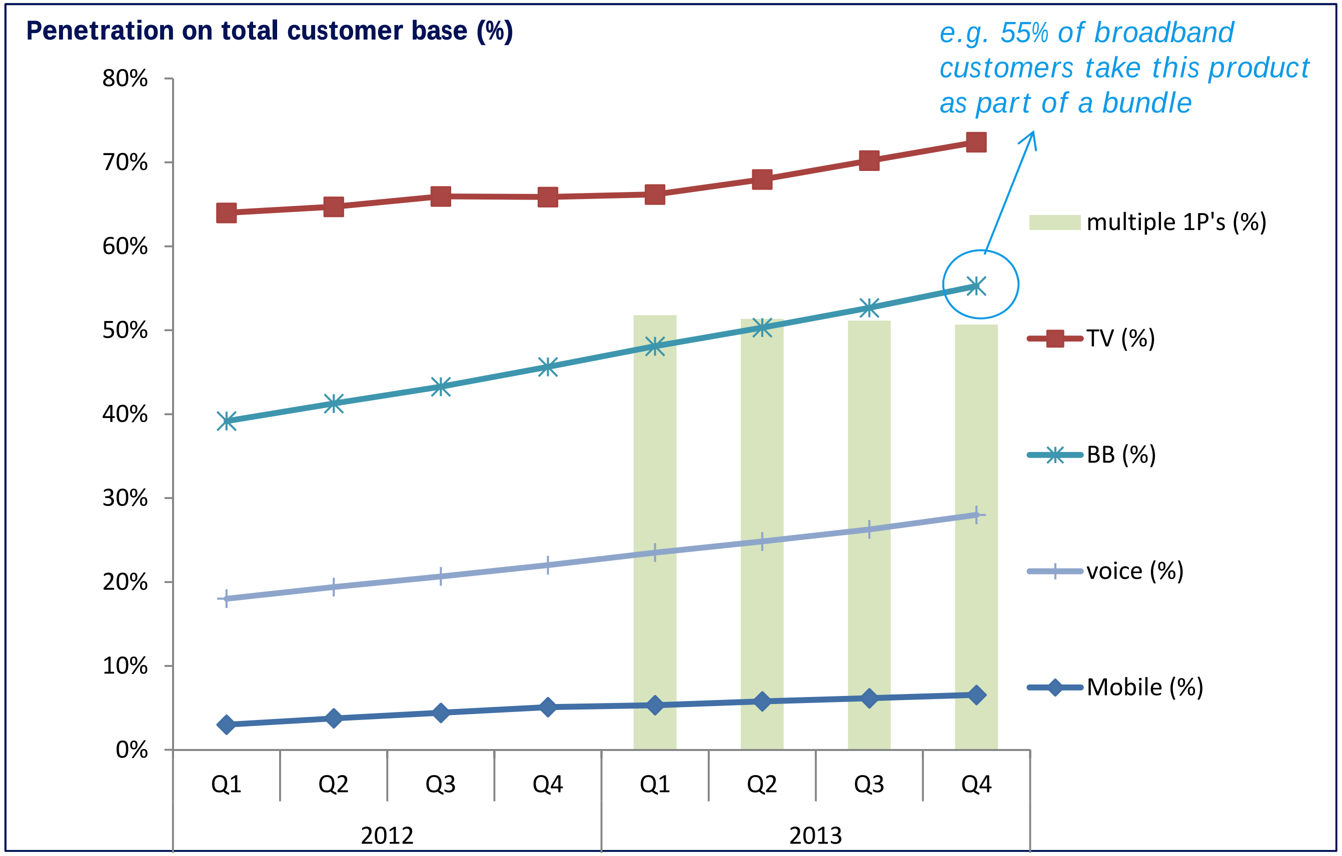
All bundles, weighted Ø: 24%

Multiple 1P customers: 46%

Total: 70%

Truly 1P customers (buying only 1 product): 30%

Total: 100%



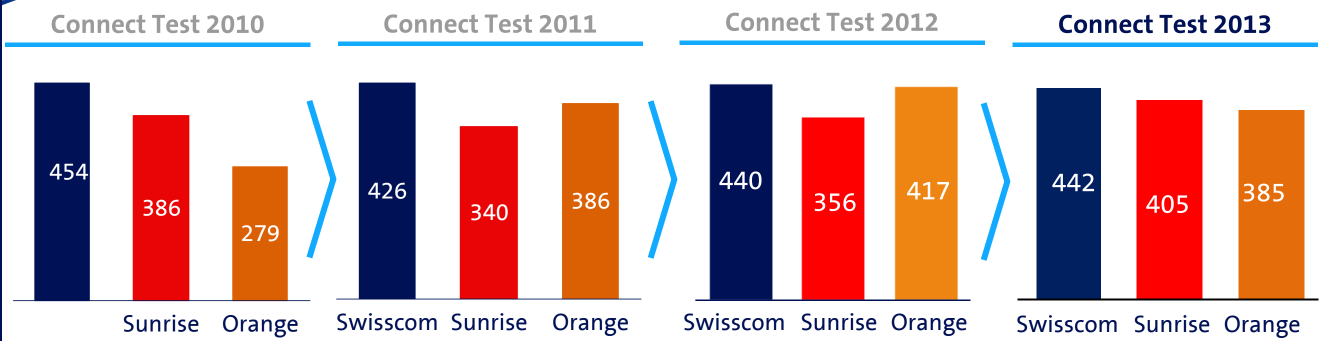
Increasing penetration of bundles is key to make customers more sticky – which lowers churn significantly (!). Target is to both upsell a bundle to customers with only 1 product (30% of customer base), as well as to help customers with multiple products (46% of customer base) migrate to a bundle

Consistent high ratings for network and service quality

Multiple sources confirm Swisscom's strength of network performance internationally

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

Also domestically, the (network) performance is uncontested



"Swisscom also in 2013 impressively demonstrates its superiority"

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2013 - A strong performance above expectations

Leadership in Customers Growth

FASTWEB customer acquisition over performing the market in each segment

Positive EBITDA Evolution

EBITDA growth (505 mm Euro, +1.0% YoY)
EBITDA margin increase (~31.0%, +1.4 p.p. YoY)

FCF Generation

40.0 mm Euro FCF generation excluding extraordinary investments in NGAN

FTTS above plan in terms of roll out, commercial and technical performance

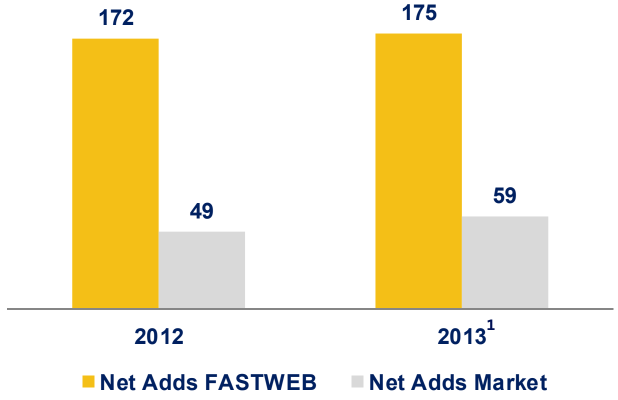
Approximately 60% of target cabinets already installed
Strong sales in newly covered cities with approx. 45k active customers

FASTWEB leadership confirmed in the Consumer…

FASTWEB Outperforming the Market

Broadband Net Adds 2012-2013 (‘000)

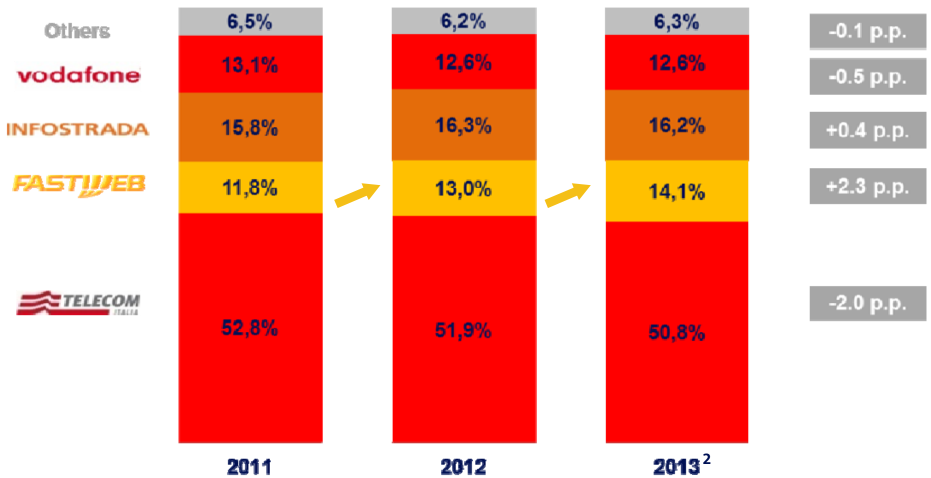
In a competitive broadband market, FASTWEB was leader in broadband customer acquisitions and outperformed the market also in 2013



FASTWEB Market Share Growing

Broadband Lines Market Share

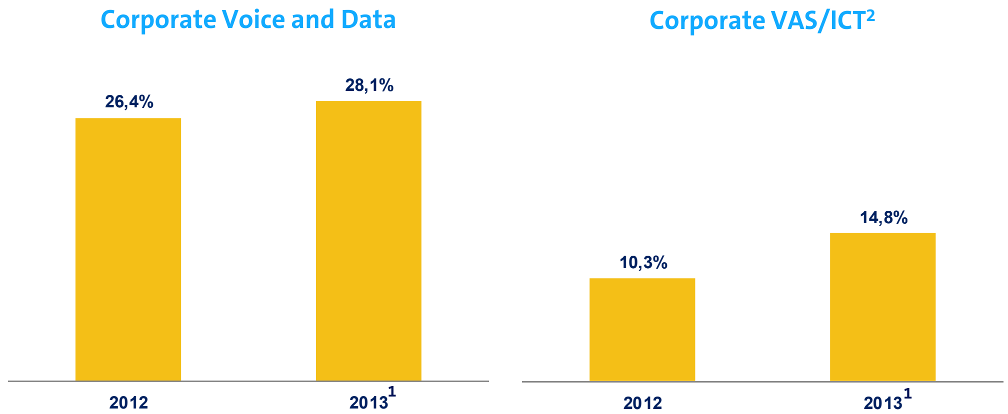
FASTWEB market share increased since 2011 by 2.3 p.p. to 14.1% mainly at the expense of Telecom Italia and Vodafone



[1]Source: Between, internal estimates [2]Market shares as of EoP 3Q 2013

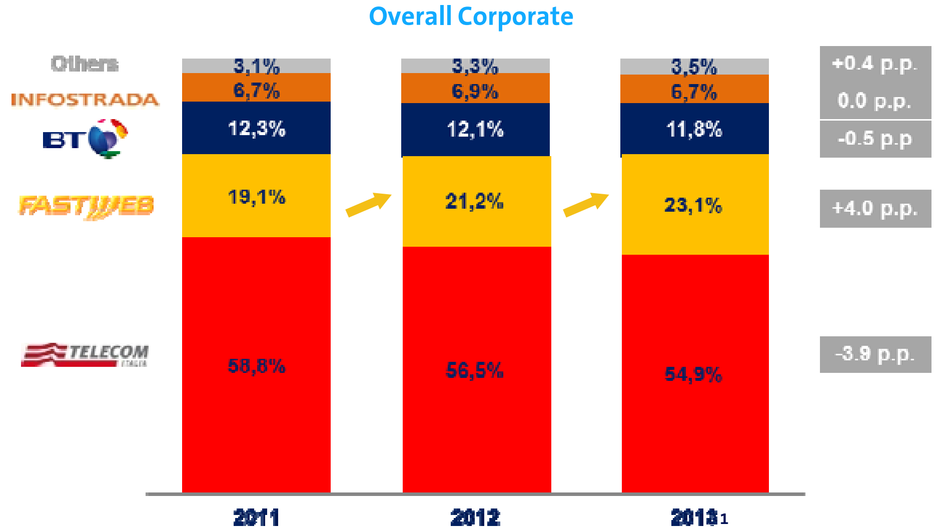
...and in the Corporate market

FASTWEB Market Share Growing in the Corporate Market



In a highly competitive Corporate market, FASTWEB share for core Voice and Data services increased also in 2013

The Company built scale in ICT/VAS[1] with a market share of 14.8% vs. 10.3% one year before



FASTWEB overall Corporate market share grew since 2011 by 4 p.p. to 23.1%, reinforcing the Company position as leading alternative player to Telecom Italia

Source: Between, internal estimates [1]*Internal estimates on FY 2013* [2]*Unified Communication, Managed Services, Datacenter, Security*

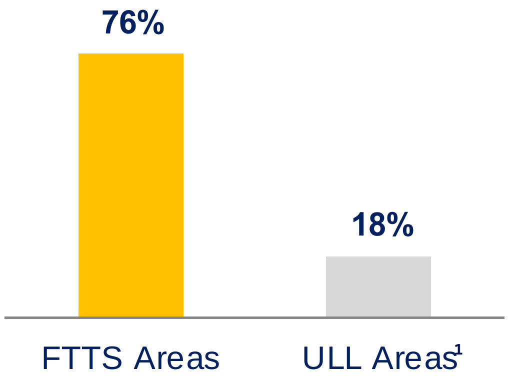
FTTS above plan in terms of roll out, commercial results and technical performance

12 Cities Completed to Date

- Installed approximately 60% of planned cabinets
- 1.7 mm households and business customers covered

Strong Sales in FTTS Areas[1]

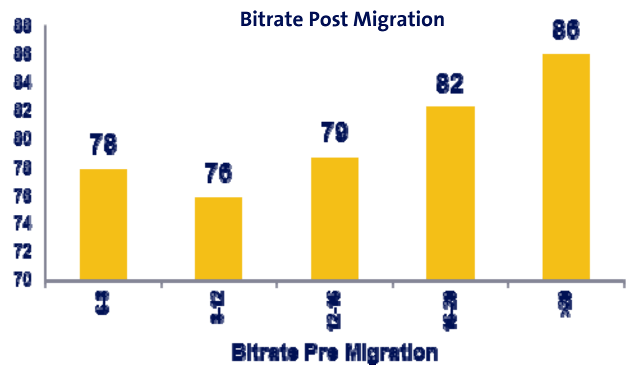
March-December Sales YoY Change (%)



- On a March-December cumulative basis FTTS areas[1] recorded a +76% YoY growth vs. +18% in overall ULL areas
- ~35% of eligible customers already migrated to FTTS
- 50k active FTTS customers[2]

Technical Performance Boost

Download Speeed Before/After Migration



On average, customers migrated from LLU (ADSL2+) to FTTS (VDSL2) experience

- 8x more downstream bandwidth
- 20x more upstream bandwidth

[1]First six cities covered (Monza, Brescia, Verona, Varese , Pisa, Livorno) [2]Including migrations from LLU to FTTS

2014 Strategy - Setting the scene

Global Trends

- Explosive cocktail between customer needs and global opportunities
- Increasing quality coupled with competitive price requests
- Right balance between infrastructure availability and service capability
- Incumbents/gobal players will increase investments in UBB (fixed and mobile)
- Increasing focus on media convergence through direct investing or partnership
- OTT cloud-based services will become market standards

FASTWEB Strategic Priorities

Infrastructure

1 Complete and exploit FTTS

Beyond Infrastructure - Enriching FASTWEB Customer Digital Life

2 Build a convergent proposition

3 Push on Cloud services

1 Complete roll out and exploit FTTS benefits across the entire footprint

FASTWEB NGAN Covering 20% of the Market

- Complete FTTS build out in further 11 cities[1]
- FASTWEB ultra broadband services available to 5.5 mm huoseholds and businesses or 20% of the Italian market (including 2.0 mm in FTTH footprint)

Fully Exploiting FTTS-Driven Benefits

- ~200k active FTTS customers EoP 2014
- COGS reduction thanks to lower SLU vs. LLU fee
- Lower churn/Additional sales/Higher ARPU thanks to infrastructural advantage vs. other OLOs and premium product

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[1]*Roll out in Rome to be completed by 1H 2015*

2 Preparing for a converging world by leveraging FASTWEB assets

Convergence

Media

Fixed/Media converging offer over IP

Mobile

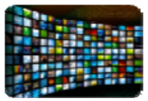
Complete mobile portfolio with prepaid to satisfy customer needs

WiFi

Leverage fixed assets to provide unique services

CDN

On net delivering of OTT contents with diversified QoS



Mobile

Scale up mobile for UBB gaining full control to provide ubiquitous access

Short term

Medium term

Expand beyond fixed line to enhance mobile/entertainment capabilities in order to provide a best in class digital customer experience

3 Push on Corporate B2B Cloud services to fuel growth in adjacent markets

FASTWEB Corporate Service Model Evolution

	Yesterday	Now	Next steps
Services	Housing Private Cloud	IAAS[1] PAAS[2]	CAAS/SAAS[3] Big data platforms IoT[4] platforms Digital society services
How to	Reactive approach Service reselling	Competence center References Internal Cloud platform Security solutions	+ Next-gen Datacenter + Cloud security + Focused partnerships

From a niche player... ...to an essential enabler

Further penetrate the ICT/VAS market by leveraging Cloud and Security as an enabler for new service models

[1] *Infrastructure as a service* [2] *Platform as a service* [3] *Communication as a service/Software as a service* [4] *Internet of things*

Agenda “delivering the BEST”

Ch.	Topic	Speaker
	Welcome & Introduction	Bart Morselt, IR
1	BEST strategy Introduction strategic framework	Urs Schaeppi, CEO
2	BEST infrastructure At home On the move Investment Transformation and innovation	Heinz Herren, CTO
3	BEST experiences Commercial performance Experience outlook	Urs Schaeppi, CEO
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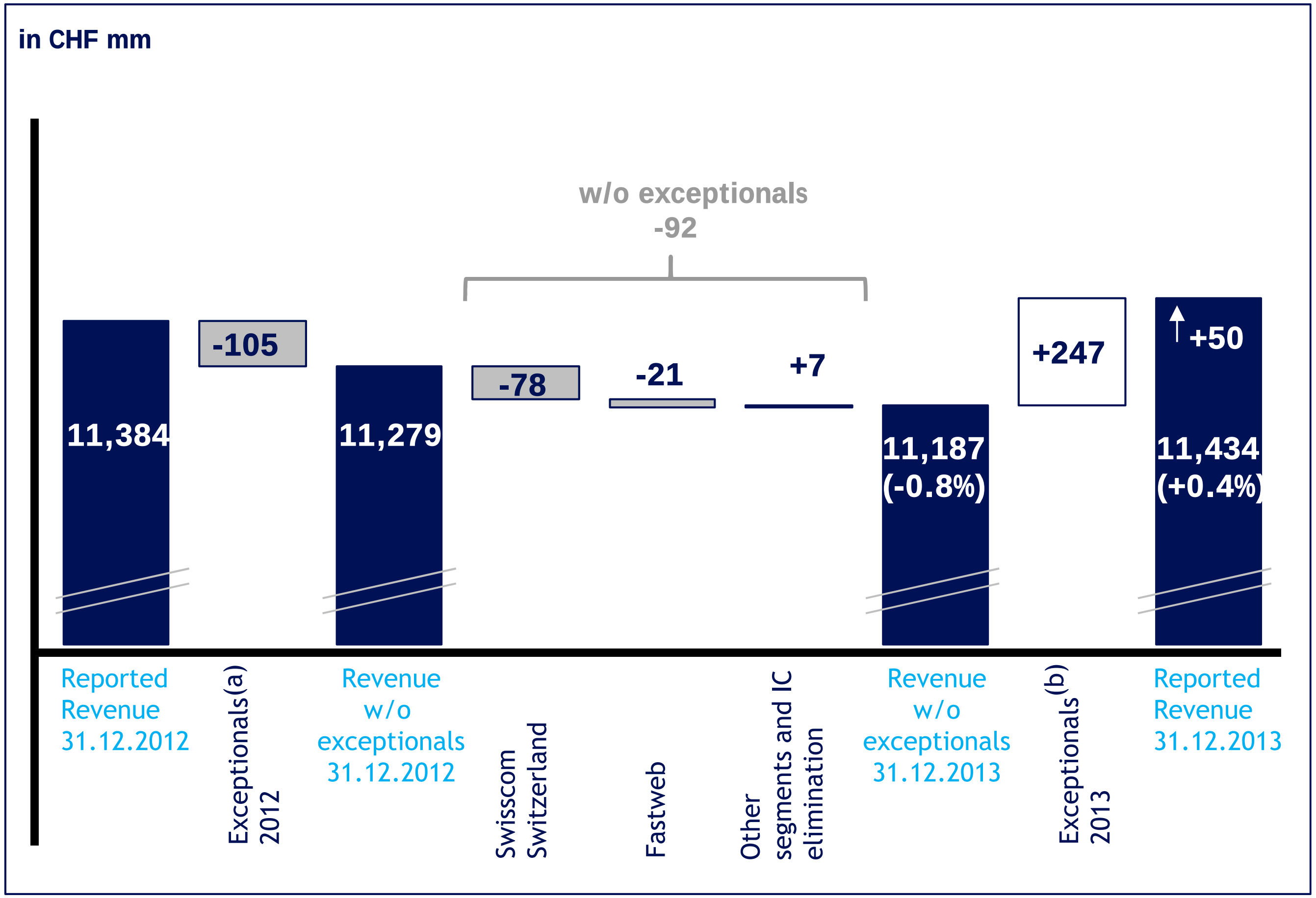
	Q&A	All

Revenue breakdown

Topline increased YOY by CHF 50 mm mainly thanks to acquisitions.

Without FX, hubbing and M&A effects, revenue went down CHF 92 mm YOY (-0.8%).



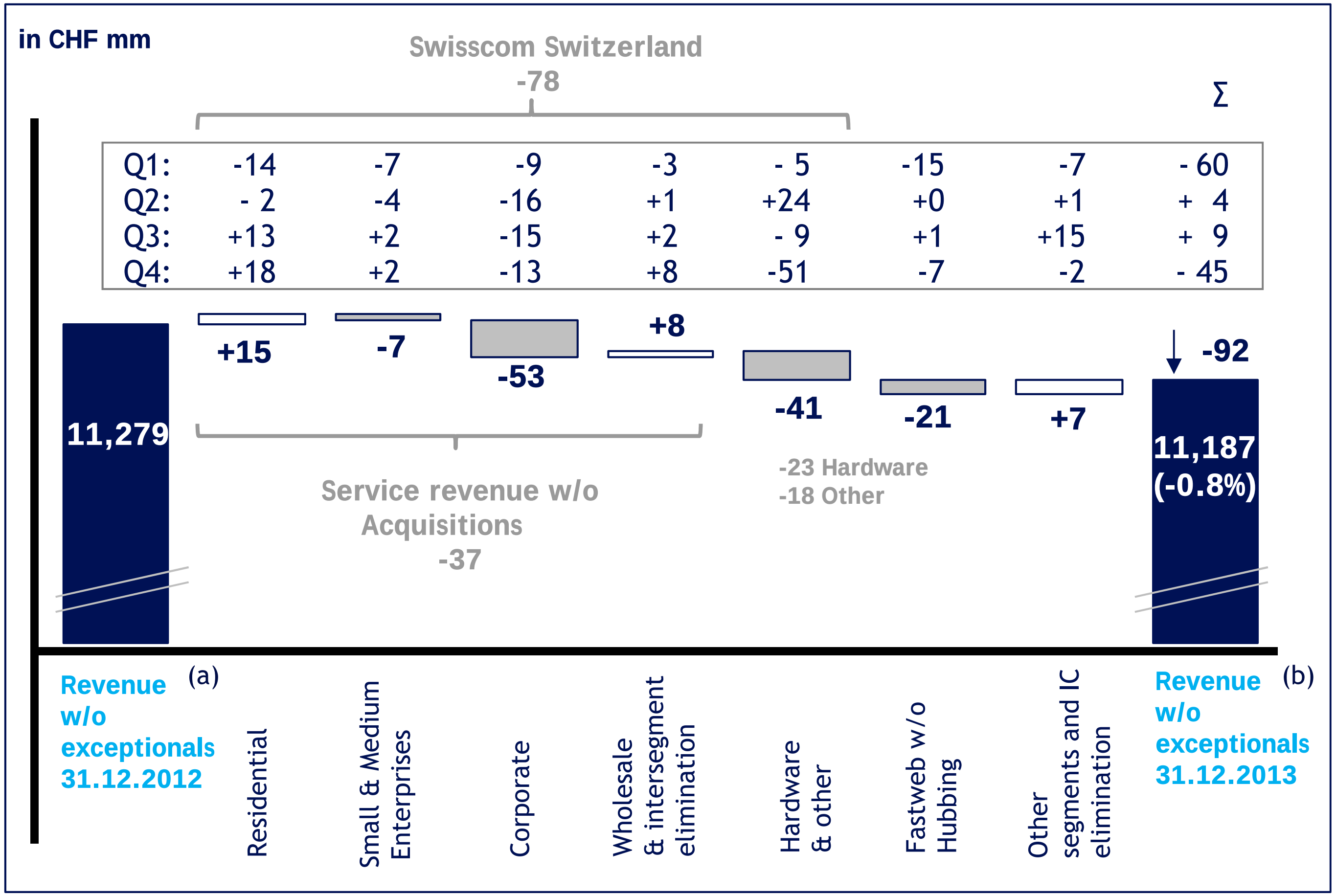
(a) Hubbing Fastweb (CHF -105mm)
(b) Acquisitions (CHF +151mm) , Hubbing Fastweb (CHF +55mm), change exchange rate (CHF +41mm, strengthening of Euro against Swiss Franc of 2.1%)

Revenue (w/o exceptionals) breakdown

Without FX, hubbing and M&A effects, revenue went down CHF 92 mm YOY (-0.8%).

After a declining Service revenue in Q1 and Q2, Q3 marked the turning point for Residential and Small & Medium Enterprises.

Corporate with steady decline due to high price pressure.

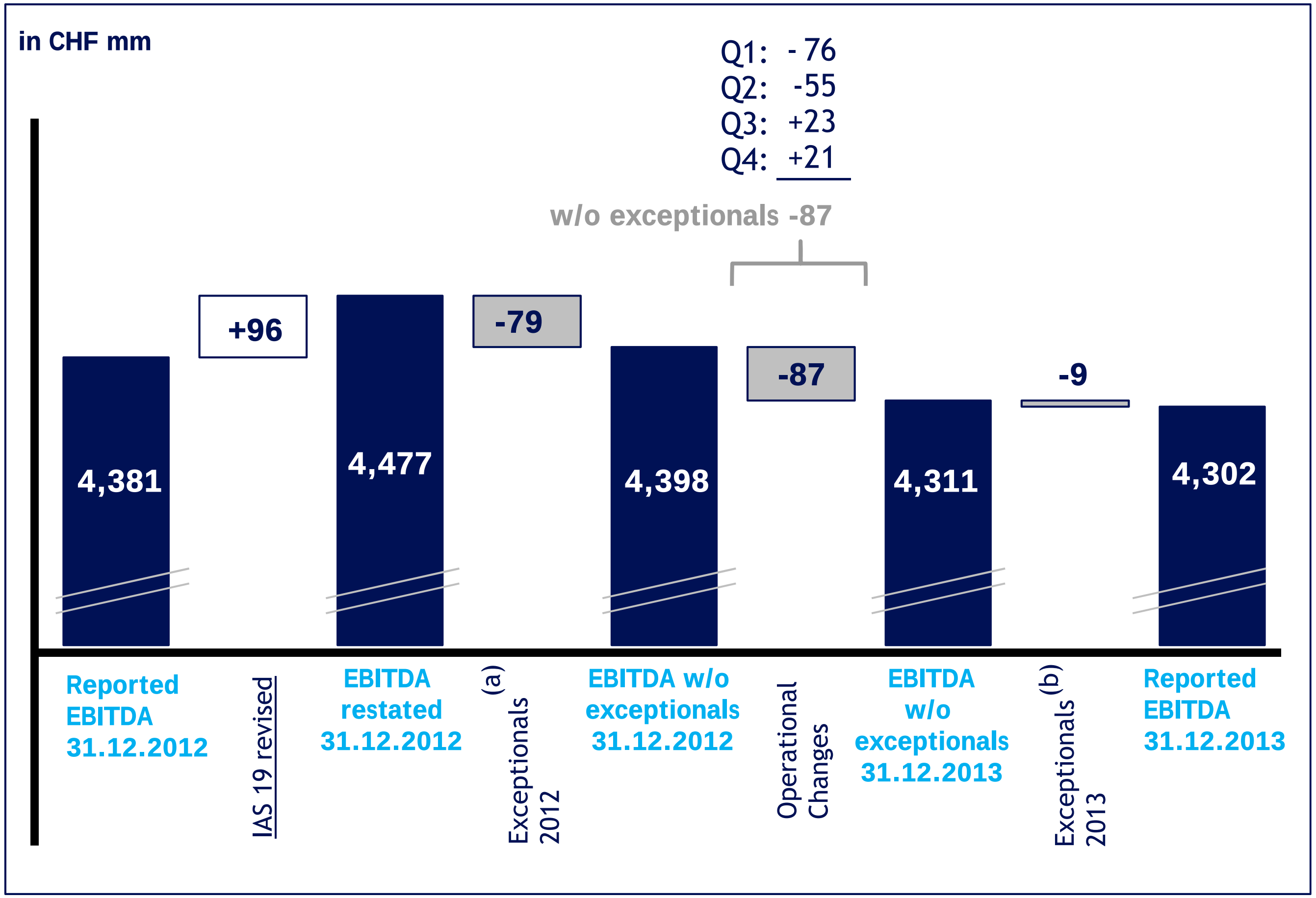


(a) Without Hubbing Fastweb (CHF -105mm)
(b) Without Acquisitions (CHF -151mm) , Hubbing Fastweb (CHF -55mm), change exchange rate (CHF -41mm, strengthening of Euro against Swiss Franc of 2.1%)

EBITDA breakdown

EBITDA w/o exceptionals down CHF 87 mm, with trends improving QoQ

YoY EBITDA lower due to lower revenue, higher direct cost and increased repair & maintenance as well as IT cost.



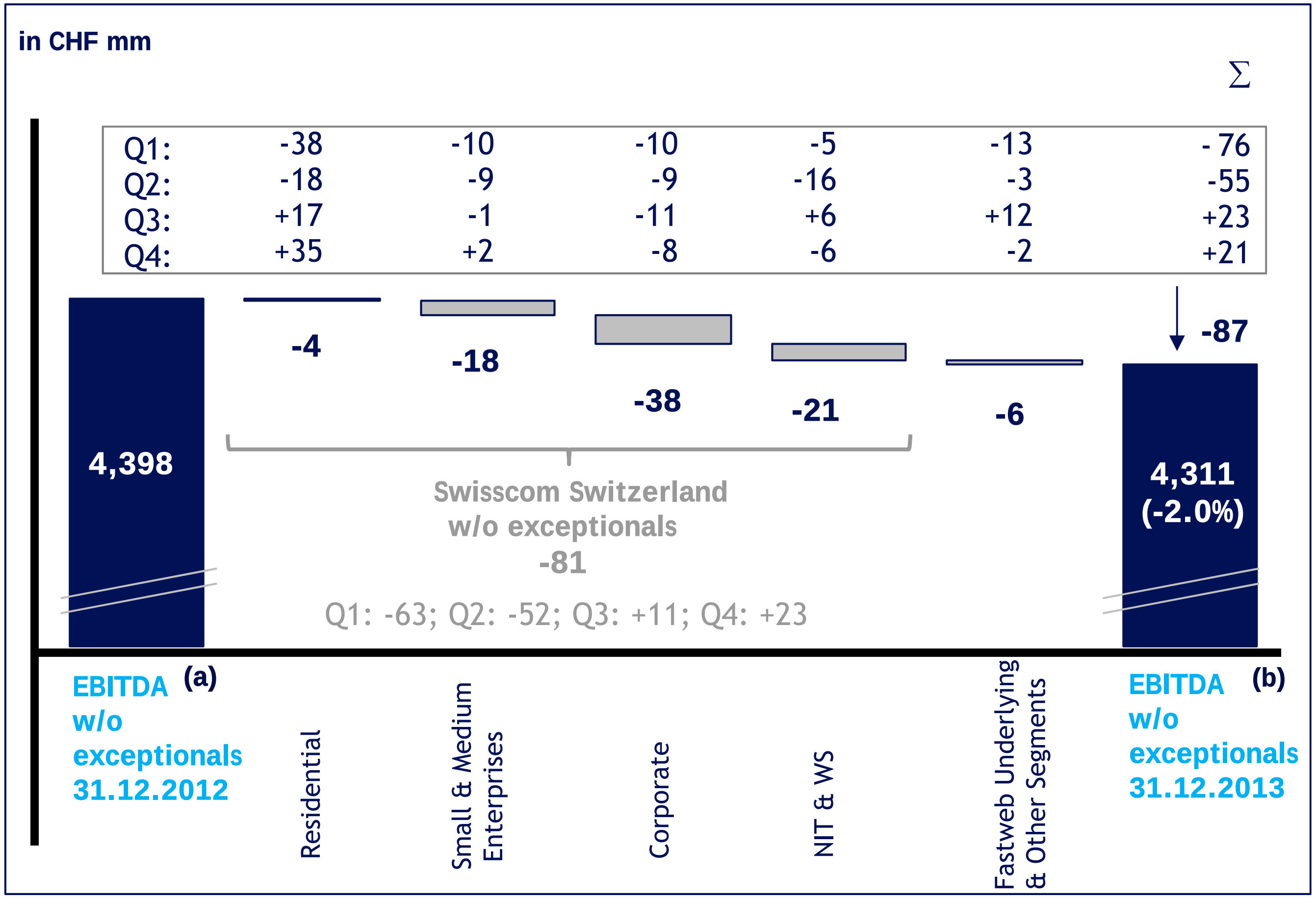
(a) Pension Plan amendment (CHF -157mm), Restructuring (CHF +78mm)
(b) Additional Pension cost (-51mm), Acquisitions (CHF +25mm), Change exchange rate (CHF +13mm, strengthening of Euro against Swiss Franc of 2.1%), Restructuring (+4mm)

EBITDA (w/o exceptionals) breakdown

EBITDA w/o exceptionals down CHF 87 mm.

EBITDA of Swisscom Switzerland w/o exceptionals down CHF 81 mm, with trend improving QoQ

YoY EBITDA lower due to lower revenue, higher direct cost and increased repair & maintenance as well as IT cost.



(a) Without Pension Plan amendment (CHF -157mm), Restructuring (CHF +78mm)
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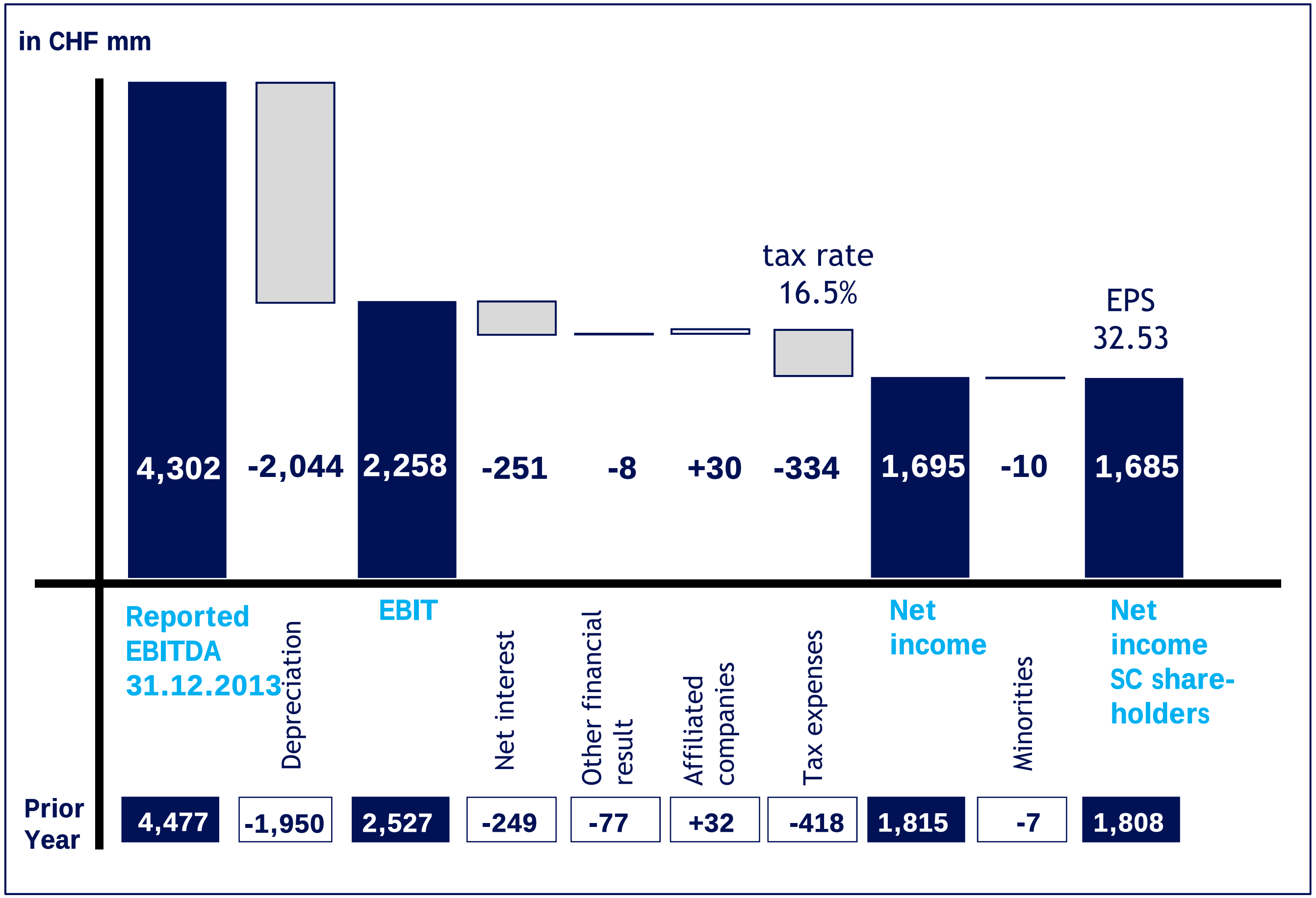
Net result

In 2013, net income of the group amounts to CHF 1,695 mm.

Decrease of net income is mainly driven by lower EBITDA as well as higher depreciation.

Earnings per share equals to CHF 32.53.



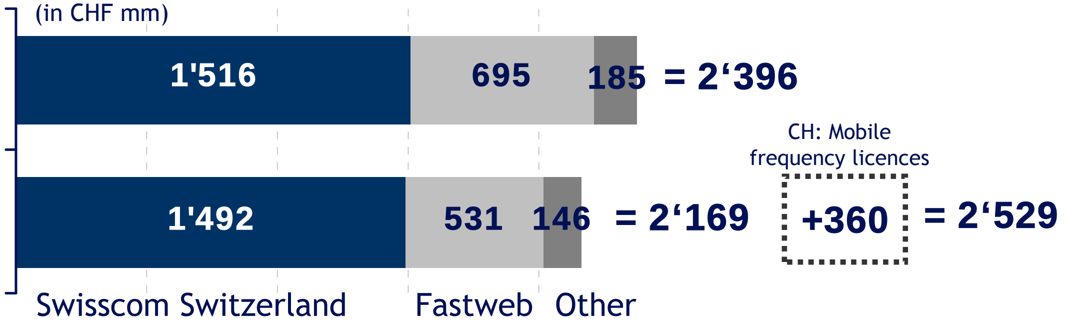
Capital expenditure

Without the one-off investment in 2012 for mobile frequency licenses, CAPEX increased by CHF 227 mm.

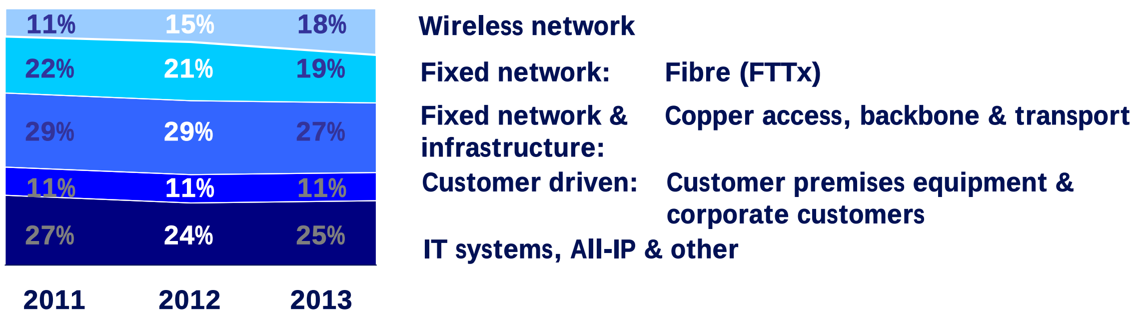
The increase is mainly due to the expansion of Fastwebs fibre-optic network in Italy.

in CHF mm

Increase YoY* (+CHF 227mm) mostly driven by Fastweb



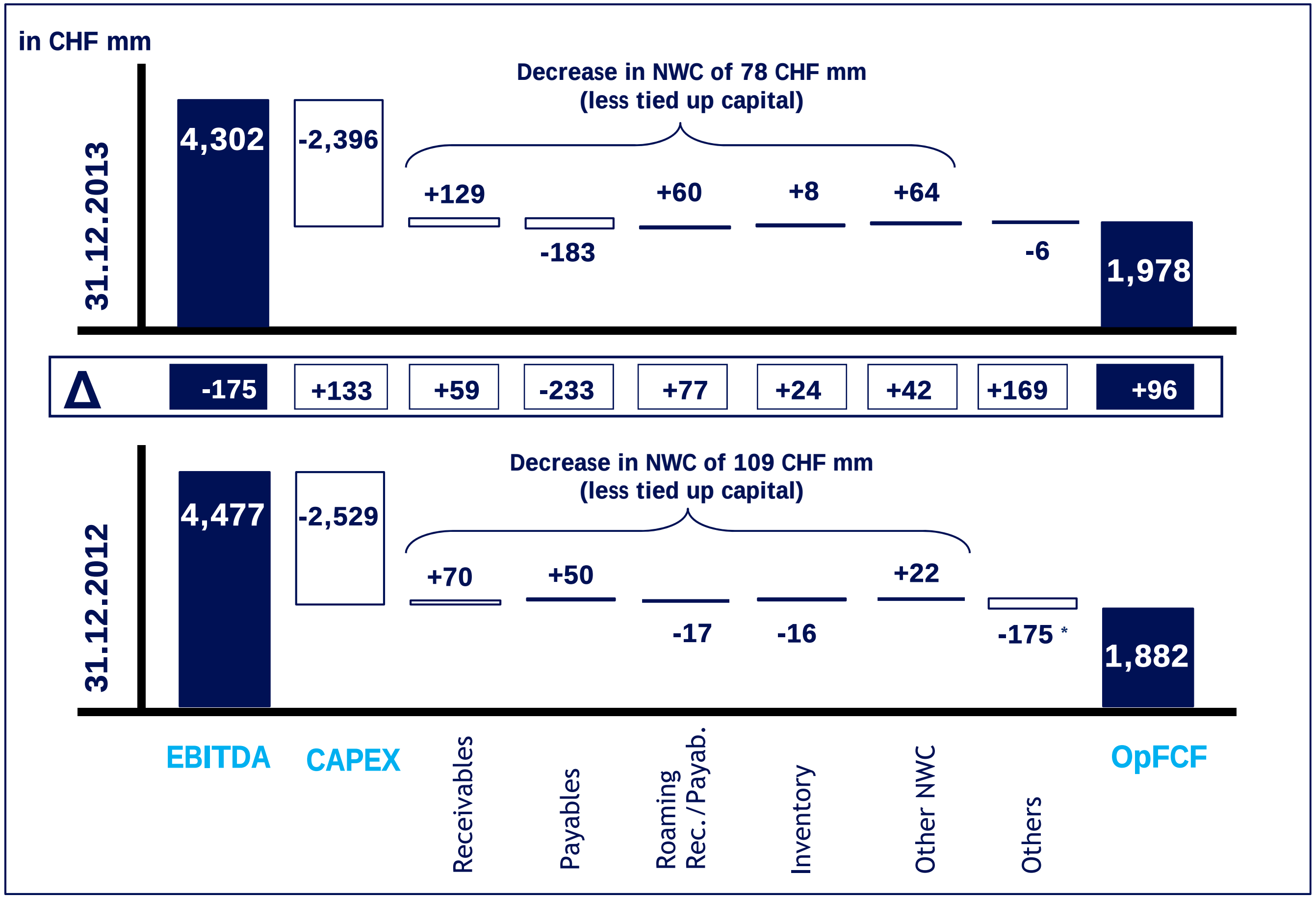
Swisscom Switzerland* with increasing capex in wireless network



* without CAPEX for mobile frequency licences in Switzerland

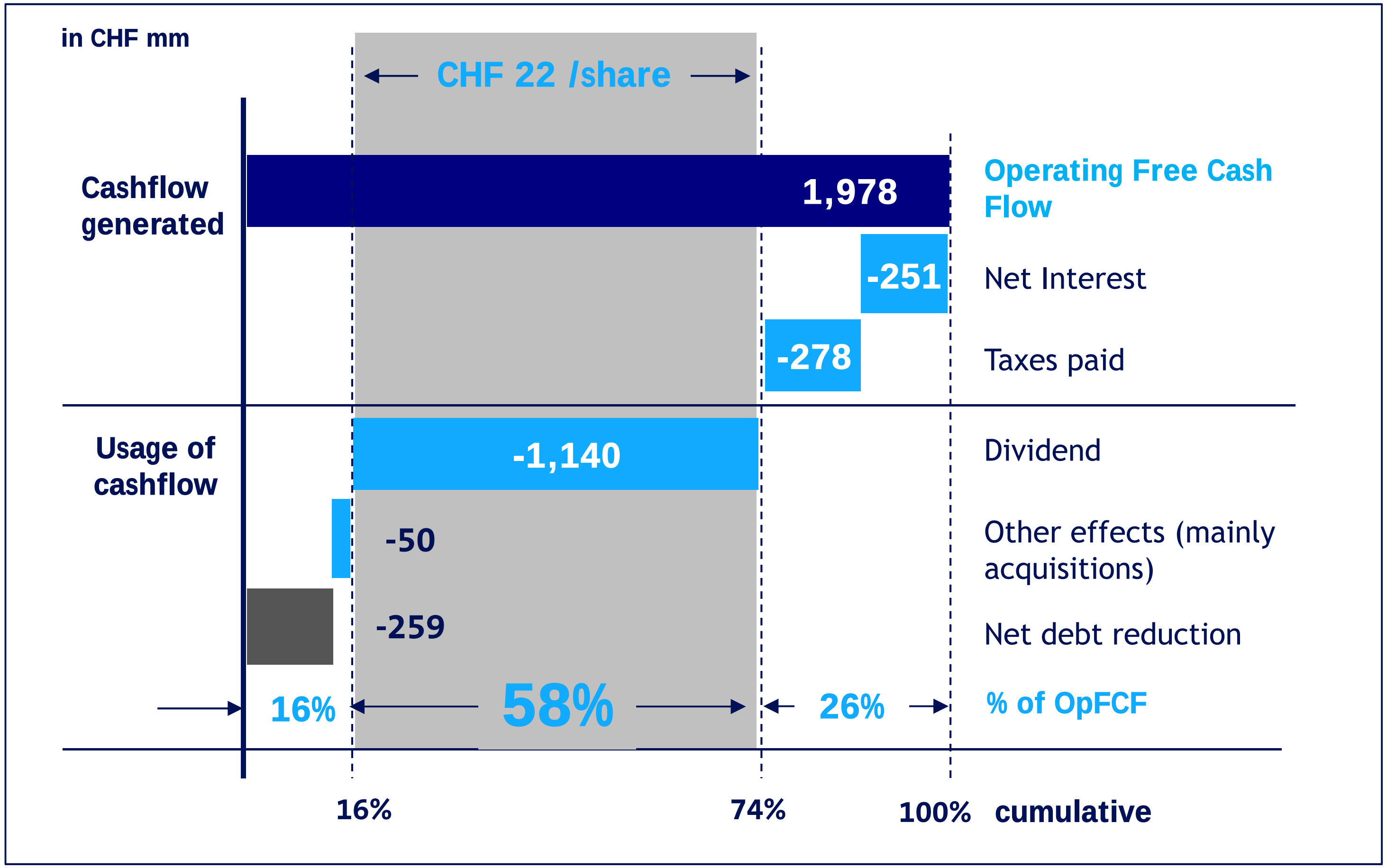
Operating free cashflow

CAPEX down by CHF 133 mm mainly due to the 2012 one-off investment for mobile frequency licenses of CHF 360 mm.



* o/w CHF -157 mm resulting from pension plan amendments

Use of cash flow 2013 – 58% paid to shareholders



Refinancing transactions in 2013

Eurobond

- Amount: EUR 500 Mio.
- Tenor: 7 years
- Coupon: 2%
- Rating: A/A2

- Very attractive pricing obtained as proof of strong credit quality
- Achieved the goal to further diversify the funding sources
- Partial pre-financing of the bond maturing in April 2014

Loan European Investment Bank

- Amount: EUR 300 Mio.
- Term: 7 years
- Repayment: 10 equal tranches beginning 2015
- Interest: Euribor 6M + Spread

- Facility granted to fund part of the rollout of high-speed broadband and VDSL2-based network of Fastweb

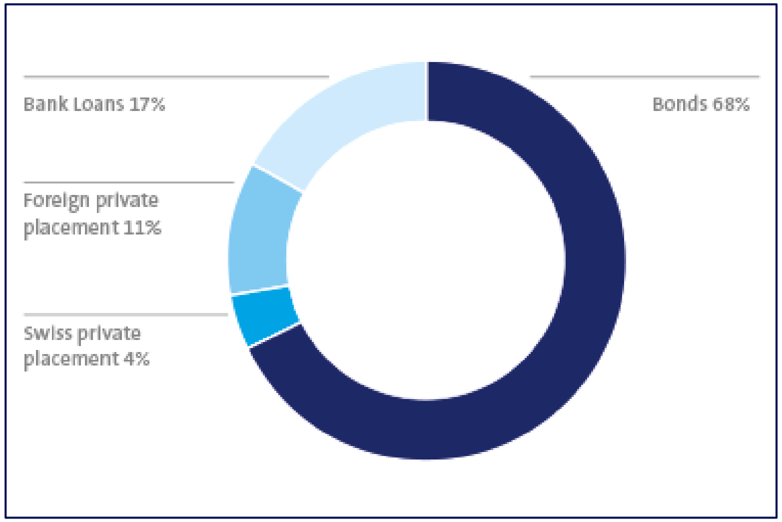
Revolving Credit Facility

- Amount: CHF 2'000 Mio.
- Term: 5 years with the option to extend by one year after 1st and 2nd year
- Structure: Club deal with 8 Banks

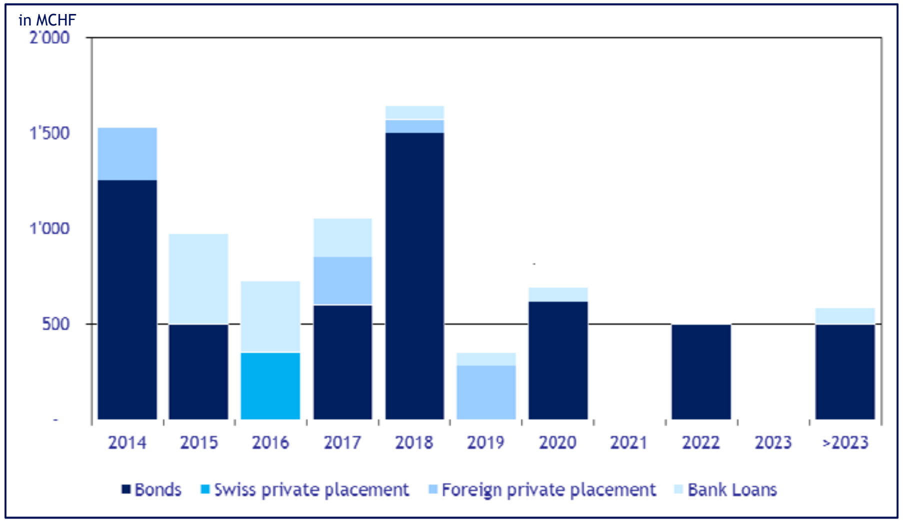
- Undrawn as per 31 December 2013
- Used as backstop facility to secure liquidity and the refinancing capacity for upcoming maturities

Financing situation as per YE 2013

Financing mix



Maturity profile



- Average cost of debt 2.4 %
- Average duration 3.6 years
- Ratio fixed to floating financing 88.4 % fixed / 11.6% floating

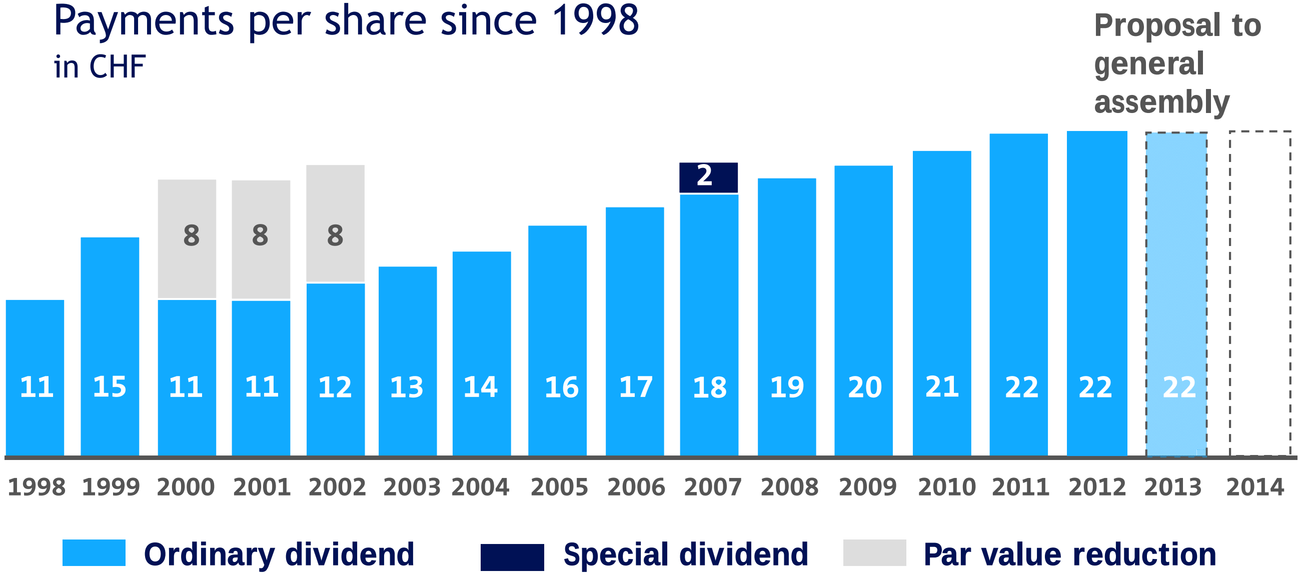
Dividends

2014 for 2013: proposal to general assembly to again pay CHF 22 / share

Dividend time table:
Record date 7 April
Ex div 9 April
Payment 14 April

Payments per share since 1998

in CHF



- The next few years CAPEX level remains high due to networks rollout (broadband networks)
- 2014 for 2013: proposal to general assembly (7 April 2014) to again pay CHF 22 per share
- Upon meeting its 2014 guidance, Swisscom plans to again propose a dividend of CHF 22 per share to the general assembly in 2015

Outlook 2014 – returning to modest growth

CHF bln	2013	2014 E*)	Splits into:
Revenues	11.434	~11.5	~ CHF 9.45 bln for Swisscom w/o Fastweb + ~ € 1.65 bln for Fastweb
EBITDA	4.302	~4.35	> CHF 3.7 bln for Swisscom w/o Fastweb + > € 0.5 bln for Fastweb
CAPEX	2.396	2.4	~ CHF 1.75 bln for Swisscom w/o Fastweb + ~ € 0.55 bln for Fastweb

Revenues 2014

- Continuation of moderate service revenue growth
- Further stagnation in corporate market (price pressure)
- Acquisitions of 2013 will bring additional revenue of ~CHF 80 mm in 2014

EBITDA 2014

- Without any potential restructuring and integration cost, modest growth of EBITDA expected, both for Fastweb and Swisscom

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

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Attachments

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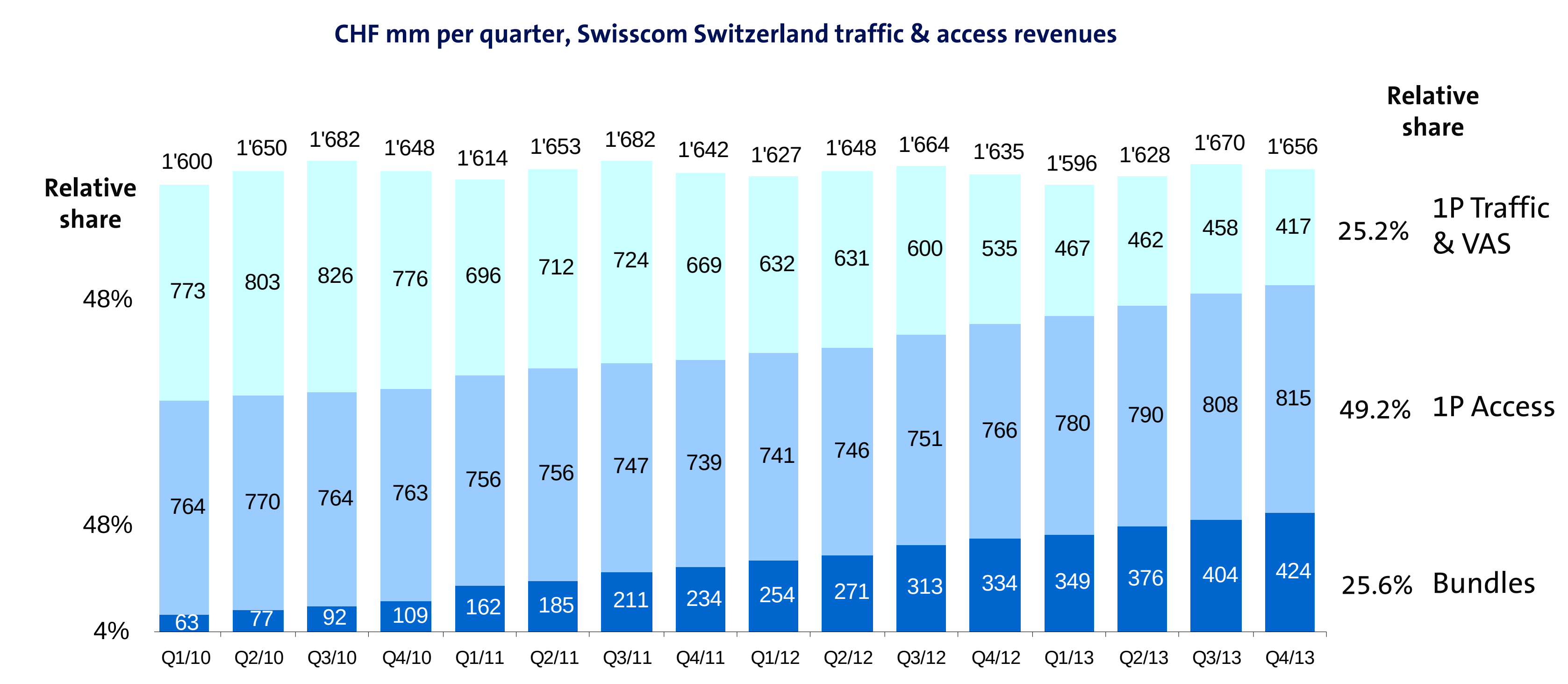
Bundles replacing 1P

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



Fixed monthly fees now represent 75% of revenues compared to 52% only 3 years ago.

RGU’s

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

YTD, (Change to 31.12.2012 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
1P	Single Play	276 (+6)	2,073 (-277)	810 (-129)	5,988 (+87)	1	9,147	(-313) (-3.3%)
Bundles	2Play		279 (+31)			2	558	(+62) (+12.5%)
	3Play		517 (+114)	and 21 additional Mobile Subs		3	1,572	(+348) (+29%)
	4Play		205 (+68)			4	820	(+252) (+44%)
Revenue Generating Units		1,000 (+209) (+26%)	2,879 (-134) (-4.4%)	1,811 (+84) (+4.9%)	6,407 (+190) (+3.1%)		12,097	**(+349)** (+3%)

Number of revenue generating units up by +3% YOY.

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ARPU

YTD, (Change to 31.12.2012 in brackets)

		TV (incl. VOD and Pay per View)	Fixed Voice & Access	Broadband [1)]	Mobile [2)]	Number of products in Bundle	Weighted average per underlying product [1,2)]
1P	Single Play	20 (-6)	52 (-1)	36 (-2)	39 (-3)	1	42 (-2)
Bundles	2Play	112 (-2)				2	56 (-1)
	3Play	136 (+3)				3	45 (+1)
	4Play	215 (-17)				4	54 (-4)
Total weighted average		46 (-1)					46 (-1)

Move to bundles implies up-scaling to higher ARPU's .

1) ARPU excl. Business Networks
2) ARPU excl. Mobile Termination

Revenues (RGU x ARPU)

Net revenues (CHF mm)

YTD, (Change to prior year in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
1P	Single Play	93 (+17)	1,362 (-194)	760 (-78)[1)]	2,782 (-150)	4,997	(-405) (-7.5%)
Bundles	2Play	358 (+30)				358	(+381) (+32.5%)
	3Play	746 (+159)				746	
	4Play	449 (+192)				449	
Net Revenue Bundle + 1P						6,550	(-24) (-0.4%)

Bundle revenues increased by CHF 381 mm (+32.5%) YOY.

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

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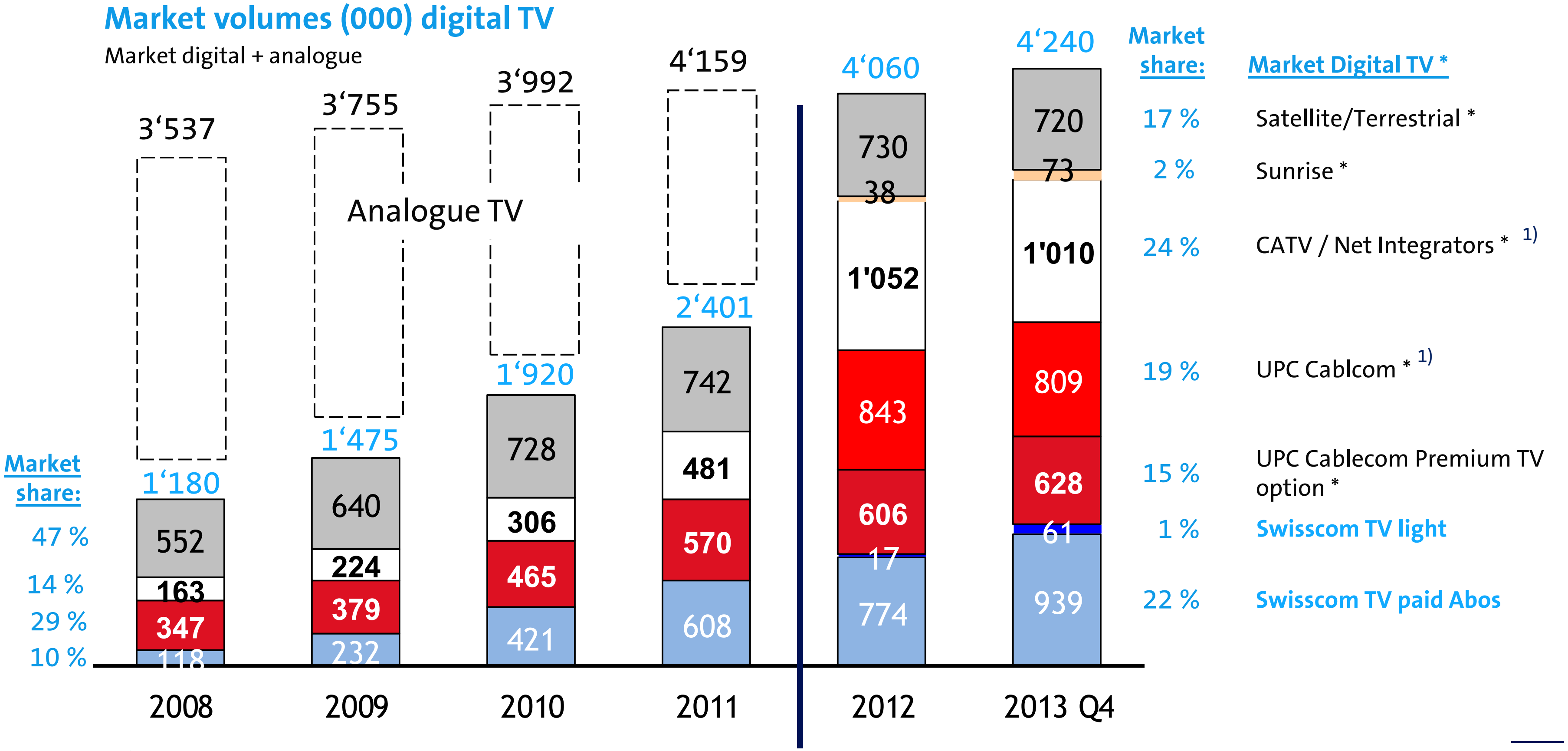
TV market Switzerland



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 2013

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

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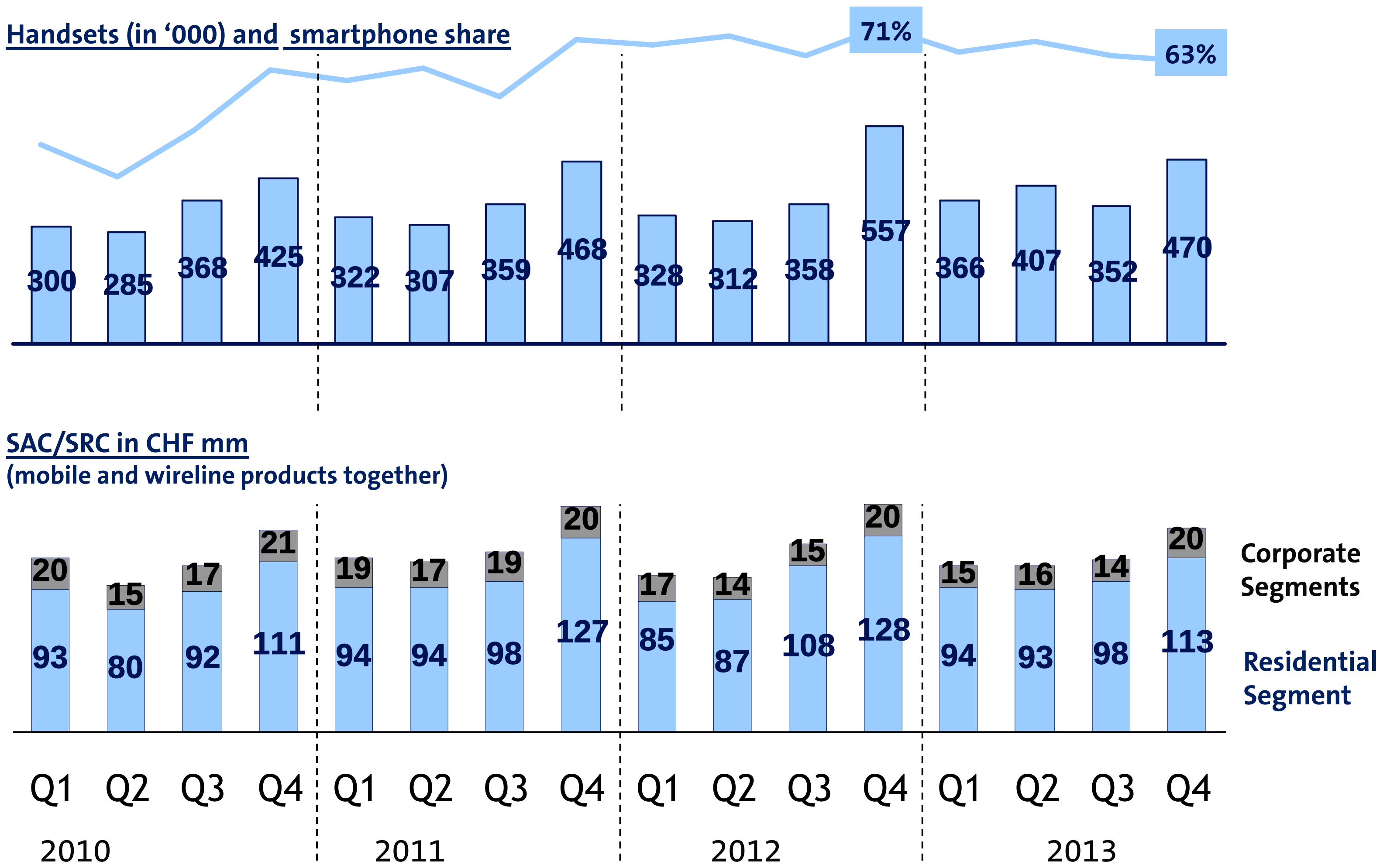
Handsets & SACs



Volume of sold handsets in Q4 2013 lower than in 2012, but same level as in 2011.

Group revenue

Without FX, hubbing and M&A effects, revenue went down CHF 92 mm YOY (-0.8%).

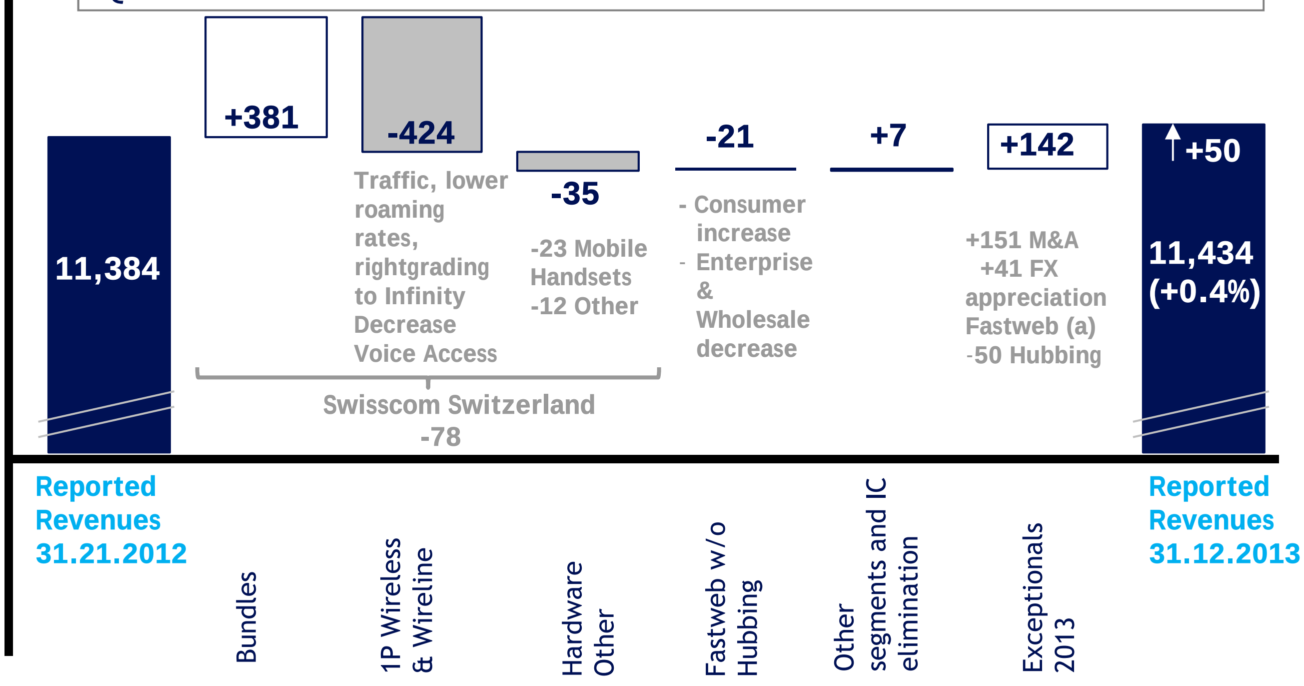
Underlying top-line of Fastweb went down by CHF 21 mm YOY, consumer segment with increase, decrease in Enterprise and Wholesale.

in CHF mm

w/o exceptionals: -92 (-0.8%)

Q1: -60; Q2: +4; Q3: + 9; Q4: -45

							Σ
Q1:	+95	-126	-7	-15	-7	-8	- 68
Q2:	+105	-125	+23	-0	+1	+39	+43
Q3:	+91	-93	-5	+1	+15	+52	+61
Q4:	+90	-80	-46	-7	-2	+59	+14

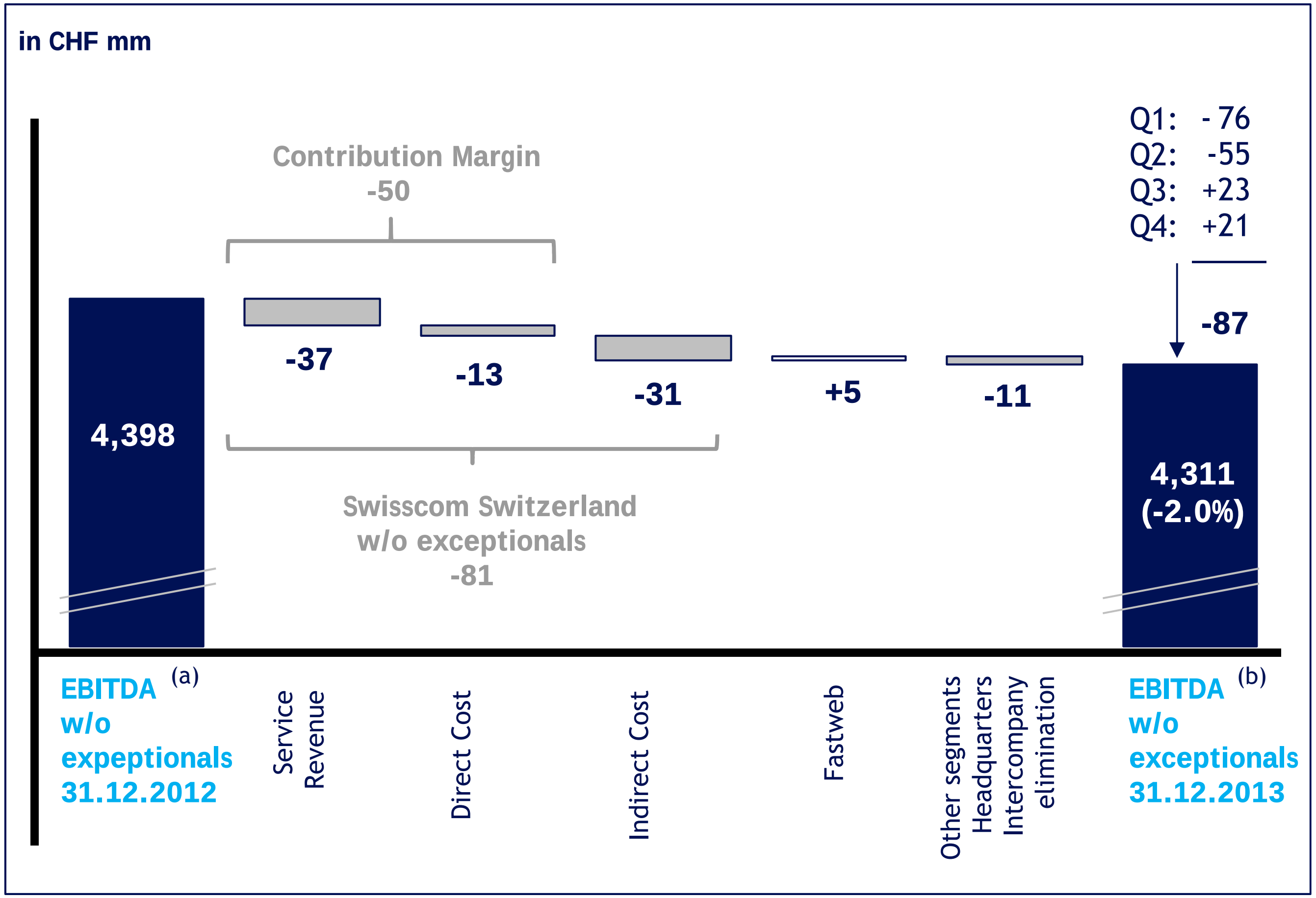


(a) Average exchange rate CHF/€ 2012: 1.2044 vs. 2013: 1.2293, i.e. a strengthening of Euro against Swiss Franc of 2.1%

Group EBITDA

EBITDA w/o exceptionals down CHF 87 mm YOY, in Q3 and Q4 above prior year.

EBITDA of Swisscom Switzerland w/o exceptionals down CHF 81 mm.



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(b) Without additional Pension cost (-51mm), Acquisitions (CHF +25mm), change exchange rate (CHF +13mm, strengthening of Euro against Swiss Franc of 2.1%), change in accruals (+4mm)

Segment 'Residential'

Top line up due to one off effect (acquisition). Adjusted, top line is below prior year level driven by lower handset revenue (low margin).

CM 2 increase of 0.4%, adjusted by one off effect (acquisition), CM2 is on prior year level.

The success of the infinity price plans led to a higher # of mobile postpaid subs. ARPU decrease stopped in Q3 and increased since.

# of TV subs up by 26.2%.

	Q4/13	Q4oQ4	31.12.2013	YoY
Net revenue in MCHF [1)]	**1'332**	**-1.0%**	**5'145**	**0.6%**
Direct costs in MCHF	-376	-14.0%	-1'313	0.0%
Indirect costs in MCHF [2)]	-258	3.6%	-934	2.2%
Contribution margin 2 in MCHF	**698**	**5.9%**	**2'898**	**0.4%**
Contribution margin 2 in %	*52.4%*		*56.3%*	
CAPEX in MCHF	69	9.5%	199	22.8%
FTE's	-39		4'754	10.1%
Voice lines in '000 [3)]	-27		2'117	-5.7%
BB lines in '000 [3)]	+24		1'559	4.1%
Wireless customers prepaid in '000	+3		2'176	-1.0%
Wireless customers postpaid in '000 [3)]	+32		2'534	4.5%
Blended wireless ARPU MO in CHF	34	0.0%	34	-2.9%
TV subs in '000 [3)]	+55		967	26.2%

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

Segment 'Small & Medium Enterprises'

Lower revenue due to price erosion effects in wireless as well as continuous decrease of wireline telephony.

Growth in BB lines excellent.

Wireless ARPU decreased due to right-grading effects of infinity customers, effect slowing down since Q3.

	Q4/13	Q4oQ4	31.12.2013	YoY
Net revenue in MCHF [1)]	**291**	**0.7%**	**1'151**	**-0.9%**
Direct costs in MCHF	-40	-2.4%	-151	3.4%
Indirect costs in MCHF [2)]	-38	2.7%	-136	2.3%
Contribution margin 2 in MCHF	**213**	**0.9%**	**864**	**-2.0%**
Contribution margin 2 in %	*73.2%*		*75.1%*	
CAPEX in MCHF	7	0.0%	17	0.0%
FTE's	+4		757	11.2%
Voice lines in '000 [3)]	+0		517	-0.6%
BB lines in '000 [3)]	+5		215	9.7%
Wireless customers in '000 [3)]	+6		583	4.7%
Blended wireless ARPU MO in CHF	72	-2.7%	72	-8.9%

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

Segment ‘Corporate’

Price erosion leads to lower top line of 2.6% YOY).

# of wireless subs up by 7.4% YOY

	Q4/13	Q4oQ4	31.12.2013	YoY
Net revenue in MCHF [1)]	**462**	**-2.5%**	**1'787**	**-2.6%**
Direct costs in MCHF	-108	-0.9%	-398	-1.7%
Indirect costs in MCHF [2)]	-124	-2.4%	-482	-0.6%
Contribution margin 2 in MCHF	**230**	**-3.4%**	**907**	**-4.0%**
Contribution margin 2 in %	*49.8%*		*50.8%*	
CAPEX in MCHF	28	-6.7%	92	4.5%
FTE's	+8		2'441	3.4%
Voice lines in '000	+1		245	-1.2%
BB lines in '000	+1		37	8.8%
Wireless customers in '000	+20		1'114	7.4%
Blended wireless ARPU MO in CHF	43	-10.4%	44	-15.4%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

Segment 'Wholesale'

CM2 up by 4.6% (CHF +17 mm YOY) due to shift in revenue mix.

	Q4/13	Q4oQ4	31.12.2013	YoY
Revenue from external customers in MCHF	145	1.4%	588	-1.0%
Intersegment revenue in MCHF	94	1.1%	378	1.6%
Net revenue in MCHF	**239**	**1.3%**	**966**	**0.0%**
Direct costs in MCHF	-139	-3.5%	-564	-2.9%
Indirect costs in MCHF 1)	-5	400.0%	-18	0.0%
Contribution margin 2 in MCHF	**95**	**4.4%**	**384**	**4.6%**
Contribution margin 2 in %	*39.7%*		*39.8%*	
CAPEX in MCHF	-	nm	-	nm
FTE's	-2		107	-7.8%
Full access lines in '000	-12		256	-14.7%
BB (wholesale) lines in '000	+7		215	15.6%

1) incl. capitalised costs and other income

Segment ‘Networks and support functions’

Lower personnel expenses (CHF -46 mm YOY) driven by lower restructuring cost.

Lower personnel cost partly compensated by higher repair & maintenance and IT cost, CM2 improve by CHF 17 mm YOY.

CAPEX of CHF 1’208mm down 23.8% YOY, due to spectrum license in 2012 of CHF 360 mm.

	Q4/13	Q4oQ4	31.12.2013	YoY
Personnel expenses in MCHF	-188	-17.5%	-712	-6.1%
Rent in MCHF	-49	8.9%	-187	2.2%
Maintenance in MCHF	-55	5.8%	-197	6.5%
IT expenses in MCHF	-74	-3.9%	-305	3.4%
Other OPEX in MCHF	-86	6.2%	-292	0.7%
Indirect costs in MCHF	-452	-6.4%	-1'693	-1.1%
Capitalised costs and other income in MCHF	51	2.0%	187	-0.5%
Contribution margin 2 in MCHF	**-401**	**-7.4%**	**-1'506**	**-1.1%**
Depreciation, amortisation and impairment in MCHF	-232	2.7%	-917	3.5%
Segment result in MCHF	**-633**	-3.9%	**-2'423**	0.6%
CAPEX in MCHF	413	1.2%	1'208	-23.8%
FTE's	-21		4'404	0.3%

Segment ‘Fastweb’

W/o low margin wholesale hubbing net revenues decreased 1.0% YOY.

The revenue increase in Consumer was overcompensated by a decrease in Enterprise and Wholesale.

EBITDA with EUR 505 million up 1% YOY

CAPEX increase due to FTTS roll out.

# of BB customers up by 9.9% YOY.

	Q4/13	Q4oQ4	31.12.2013	YoY
Consumer revenue in MEUR	186	2.8%	744	2.8%
Enterprise revenue in MEUR	212	-3.2%	771	-2.5%
Wholesale revenue in MEUR [1)]	31	-20.5%	127	-31.4%
Net revenue in MEUR [1)]	**429**	**-2.3%**	**1'642**	**-3.4%**
of which net revenue excl. hubbing in MEUR	418	-1.2%	1'597	-1.0%
OPEX in MEUR [2)]	-260	-11.6%	-1'137	-5.3%
EBITDA in MEUR	**169**	**16.6%**	**505**	**1.0%**
EBITDA margin in %	*39.4%*		*30.8%*	
CAPEX in MEUR	172	49.6%	565	28.1%
OpFCF Proxy in MEUR	-3	n.m.	-60	n.m.
FTE's	-7		2'363	-18.3%
BB customers in '000	+31		1'942	9.9%
In consolidated Swisscom accounts				
EBITDA in MCHF	207	19.0%	620	3.0%
CAPEX in MCHF	212	53.6%	695	30.9%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income

Segment 'Other'

Swisscom IT services external revenue up due to one off effect (acquisition)

Construction services led to higher revenue at Group Related Business.

EBITDA up by 10.6% YOY mostly thanks to the ITS performance.

	Q4/13	Q4oQ4	31.12.2013	YoY
Swisscom IT Services in MCHF	169	26.1%	612	17.5%
Group Related Business in MCHF	89	2.3%	329	6.8%
Hospitality Services in MCHF	15	-31.8%	56	-18.8%
Other in MCHF	9	-10.0%	35	-7.9%
External revenue in MCHF	282	11.5%	1'032	10.3%
Net revenue in MCHF [1)]	**493**	**6.9%**	**1'819**	**5.3%**
OPEX in MCHF [2)]	-427	6.2%	-1'516	4.3%
EBITDA in MCHF	**66**	**11.9%**	**303**	**10.6%**
EBITDA margin in %	*13.4%*		*16.7%*	
CAPEX in MCHF	63	70.3%	195	16.8%
FTE's	-27		4'964	12.3%

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

Pension costs impacting EBITDA

in CHF mio	2012 reported	Δ	2012 restated	Δ	2013 reported
Service cost (recurring)	208		207	51	258
Plan amendments	-55		-157		-
Net interest	-7		-		-
Operating pension cost (EBITDA)	**146**	-96	**50**	208	**258**
Net interest (financial result)	-		30		37
Total pension cost (P&L)	**146**		**80**		**295**
Recurring company contributions	217		217		225
Early retirements and other non-recurring payments	13		13		53
Total company contributions (cash payments)	**230**		**230**	48	**278**
Pension cost less cash payments (cash flow statement)	**-84**		**-180**	200	**20**

- **Service cost:** highly sensitive to changes of discount rate, increase of CHF 51 million in 2013 due to lower discount rate and change of mortality table.
- **Plan amendments:** under the old standard (IAS 19), the unvested changes of the future benefit obligation due to plan amendments were spread over the average remaining service period of the employees. The revised standard (IAS 19R) requires the immediate recognition in the P&L. The trustees of the Swisscom pension plan decided in December 2012 various amendments of the pension plan, which reduce the future benefit obligation by CHF 157 million. This amount was recognized in the restated numbers 2012.
- **Net interest:** Swisscom splits the pension cost and presents the net interest portion in the financial result below EBITDA.
- **Cash payments:** recurring contributions increased 2013 and will further increase in 2014 due to acquisitions. Higher number of early-retirements led to an increase of non-recurring payments.

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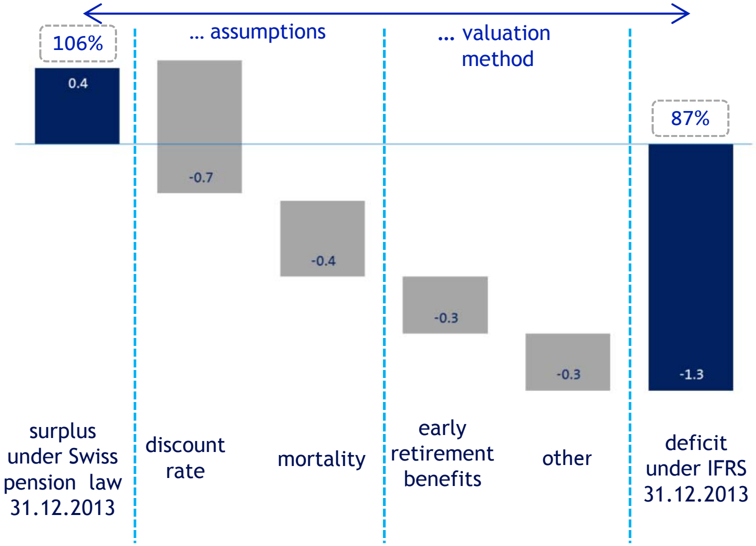
Pension plan deficit

valuation differences between Swiss pension law and IFRS

difference of CHF 1.7 billion due to different actuarial ...

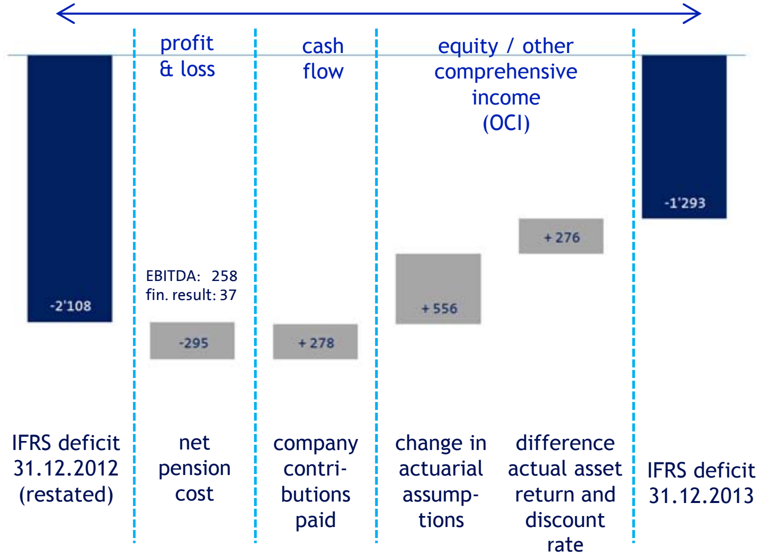


- Funding requirements are based on the actuarial valuation in accordance with Swiss pension law, IFRS not relevant
- Coverage ratio under Swiss pension law: 106%
- Main actuarial assumptions:

	Swiss pension law	IFRS
discount rate	2,75% based on expected long-term asset return	2.3% based on yield corporate bonds AA-rated
mortality	periodical tables	generational tables

reconciliation IFRS deficit 2012 → 2013

decrease of CHF 0.8 billion due to discount rate and performance



- Company contributions slightly higher than pension cost due to payments for early retirements and a plan amendment
- Actuarial gain of CHF 556 million resulting from an increase of the discount rate assumption from 1,9% to 2,3%
- Actual return on pension plan assets of 5.5% significantly higher than discount rate - difference of CHF 276 million recognized in equity (OCI)

Cautionary statement regarding forward-looking statements

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

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