



swisscom

FY 2017 results presentation

Analyst meeting in Zurich - 07 February 2018

Agenda

FY 2017 results presentation

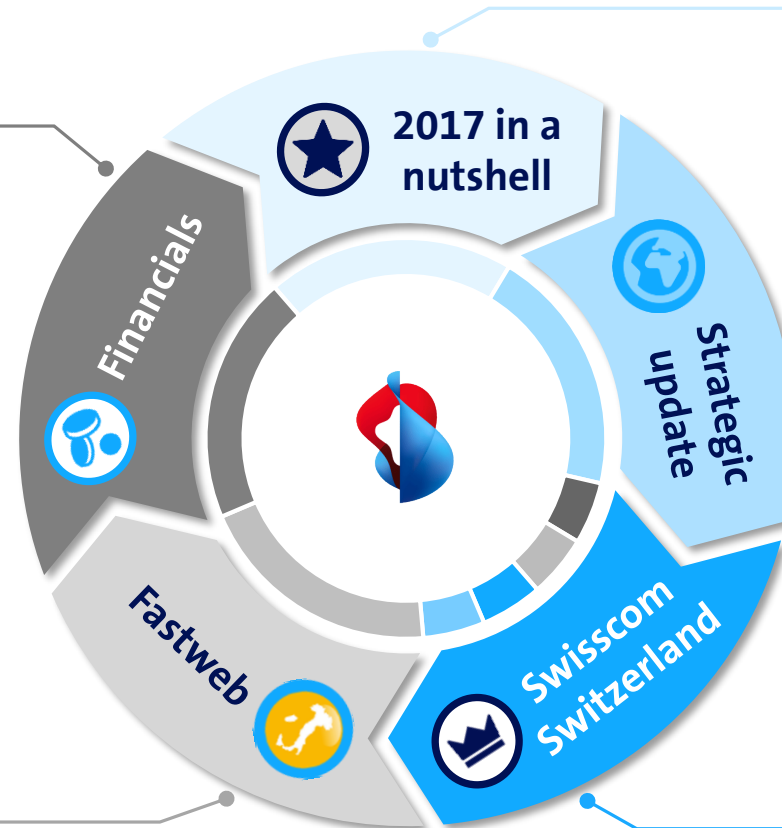
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5. Healthy financials

Mario Rossi, CFO

4. Develop Fastweb

Alberto Calcagno, CEO Fastweb



1. Successful 2017

Urs Schaeppi, CEO

2. Be best-in class

Urs Schaeppi, CEO

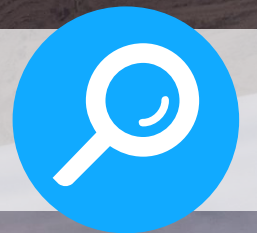
3. Deliver in Switzerland

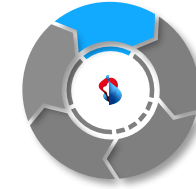
Urs Schaeppi, CEO



2017 in a nutshell

Urs Schaeppi, CEO Swisscom





Successful 2017 with all targets met

Consequent execution of proven strategy leads to another satisfying year for Swisscom

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Financial results in line with guidance.

Revenue CHF 11.662bn
EBITDA CHF 4.295bn
CAPEX CHF 2.378bn



Solid RGU momentum in Switzerland.

Postpaid +90k, TV +49k, BB +22k and ongoing bundle migration (+235k). Fixed voice lines down (-320k), in line with expectations



Strong inOne uptake.

Successful launch of new convergence flagship. 1.34 million subs. inOne penetration continuously increasing



Driving tech-roadmap.

On track for 1 Gbps mobile, All IP close to completion. (N)G.fast rollout and 5G preparations started



Customer-centric innovation at heart.

Launch of mobile call filter, Swisscom TV 3.0, new WiFi box. Top 3 in HSG¹ ranking for most innovative companies in Switzerland

Efficient operations.

Targeted gross savings 2017 achieved. Indirect cost base lowered by CHF -62mn. More potentials identified



Best mobile (data) network.

Secured MVNO deal with upc. Winner of 2017 connect test



New fields of growth.

Growth in core (e.g. cloud leader position) and exploration in new and adjacent fields (e.g. FinTec)

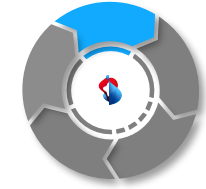


Fastweb with strong performance.

Operationally and financially solid momentum in 2017



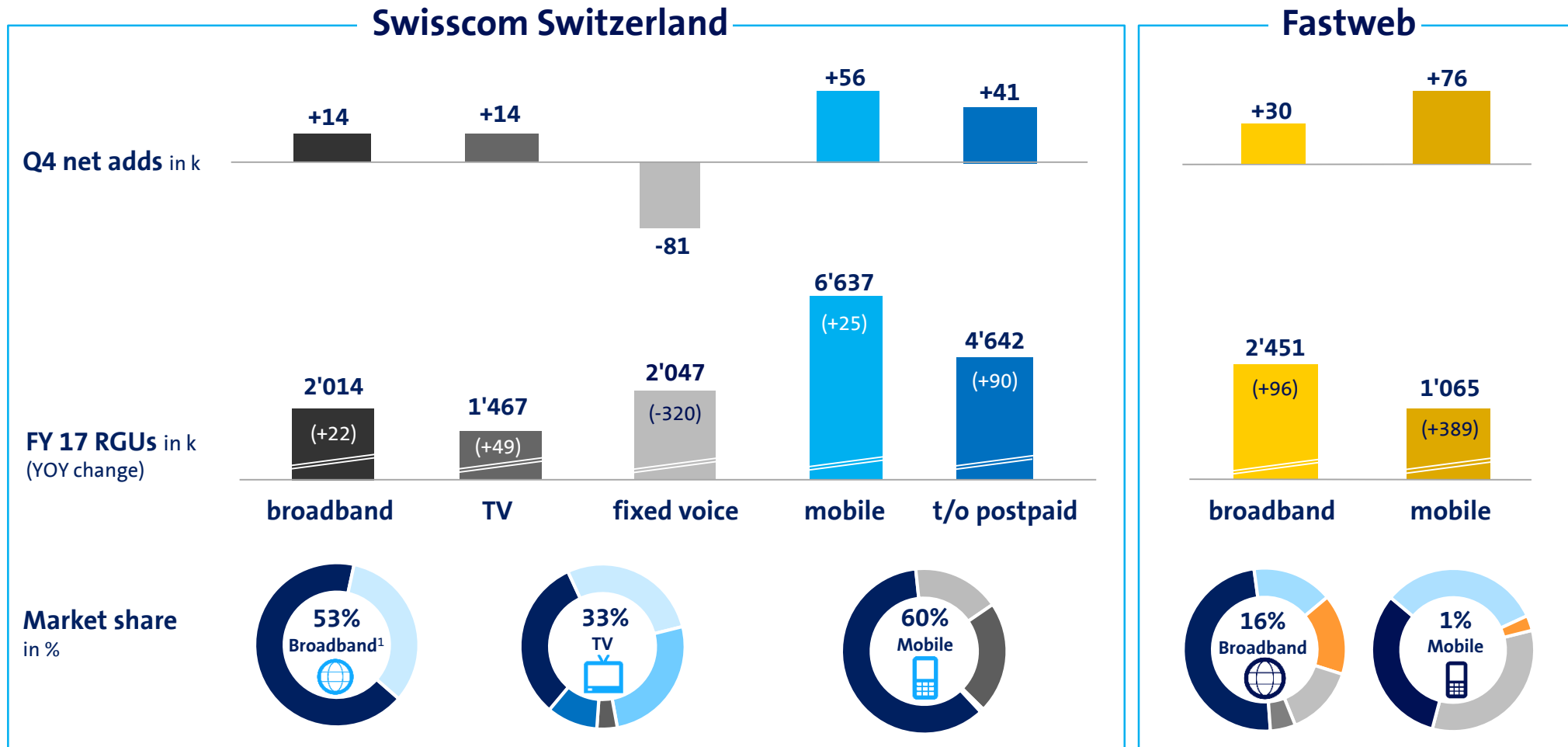
¹ University of St Gallen



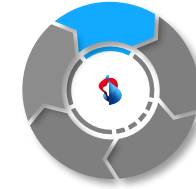
Decent market performance cementing market shares

Overall stable customer base in Switzerland and Fastweb with growing RGU momentum

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1 incl. wholesale subscriptions = 67%



Financially solid and figures 2017 in line with expectations

Underlying EBITDA of Swisscom Switzerland primarily impacted by structural changes

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Net revenue

CHF 11'662mn
+19mn YOY

EBITDA

CHF 4'295mn
+2mn YOY

CAPEX

CHF 2'378mn
-38mn YOY

Net debt

CHF 7'447mn
CHF -399mn YOY

Equity ratio

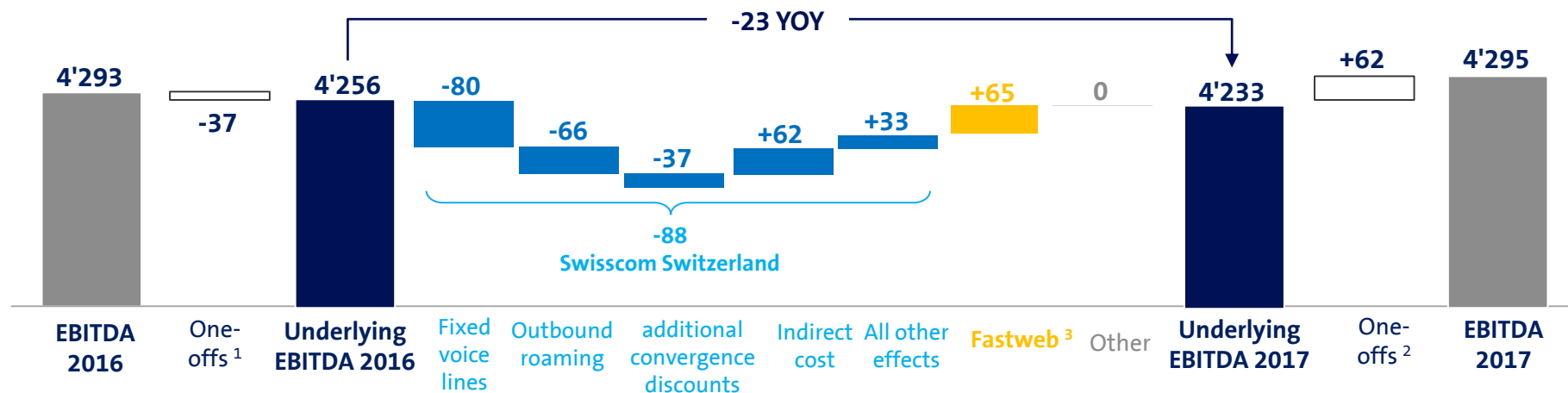
34.7%
+4.3%pts YOY

FTE

20'506
-621 YOY

Underlying EBITDA performance

in CHF mn, YOY in CHF mn



1 one-offs 2016: income from litigations at Fastweb (CHF -60mn, EUR -55mn), provisions for restructuring and other risks (CHF +40mn) and real estate gain (CHF -17 mn)

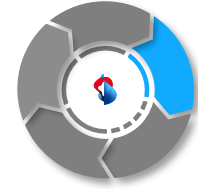
2 one-offs 2017: income from litigations at Fastweb (CHF +102mn, EUR +95mn), provision for restructuring and other risks (CHF -61mn), real estate gain (CHF +4mn) and FX impacts of CHF +17mn

3 CHF/EUR = 1.11



Strategic update

Urs Schaeppi, CEO



Sector trends

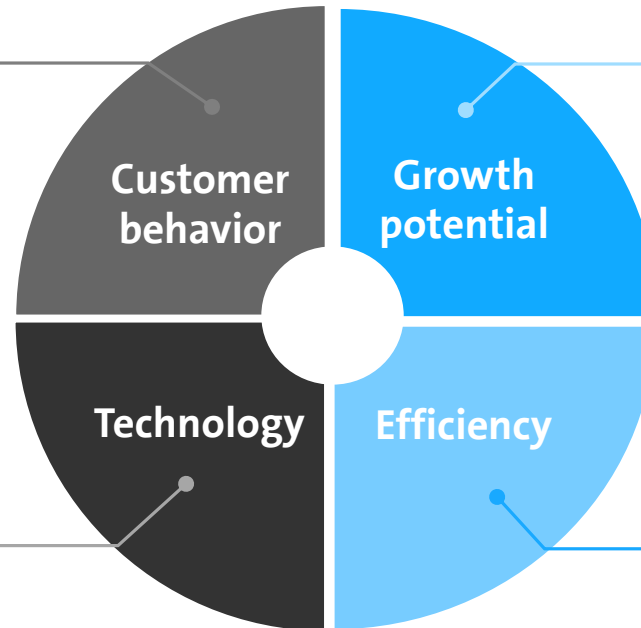
Structural changes and digitalisation impacting life and businesses fundamentally

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Structural changes

leading to a higher focus on customer experience

- > Increased **price/quality** sensitivity
- > **Convergence** with increasing momentum
- > High **CAPEX intensity**, but sector with monetization challenge
- > New technologies accelerate **substitution** and **data increase**
- > Services based on **e-SIM** establish
- > **Big data** reaches productivity



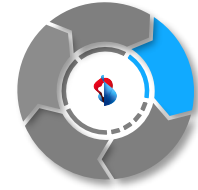
Digitalisation

gaining traction, driving growth and efficiency

- > New **digital opportunities**
- > **Voice and digital assistants** will become more important **user interfaces**
- > **Personalisation** of customer experiences
- > **Automation** of processes and systems



Strategy must focus on customer experience, efficiency momentum and focused (new) growth



Market update

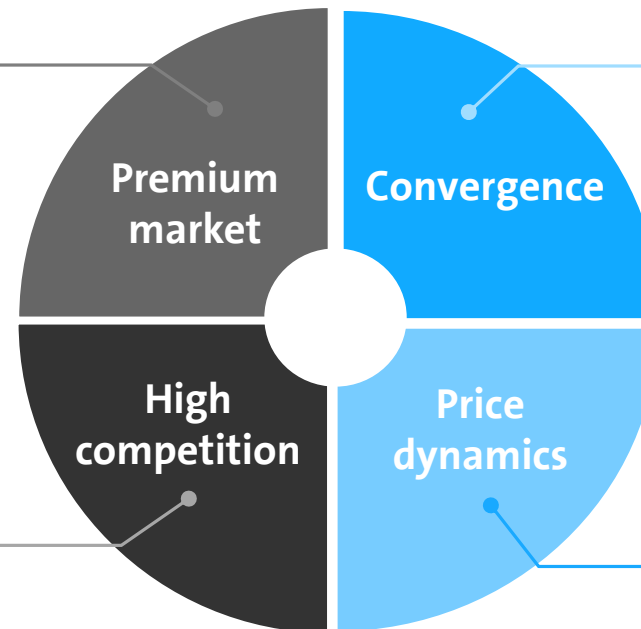
Swisscom leading in all segments in Switzerland and attacking with Fastweb in Italy

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Switzerland
remains focused on quality

Italy
with intensifying competition

- > Customer expectations unchanged: **reliability and quality matters**
- > **Mature markets** drive **convergence** penetration up
- > **Promotions** increase price pressure in B2B/B2C
- > **Global internet companies** penetrate the market



- > **Convergence gains momentum** while stand-alone UBB offerings no longer a key differentiator
- > **B2B with promising outlook:** VAS and cloud are key features for future customer needs
- > **Iliad's expected market entry** increased pressure on prices



Networks and proximity remain a key differentiator in all markets



Unchanged strategic focus

Best-in-class by delivering superior customer experience, efficiency and focused growth

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Swisscom at heart of the digital transformation

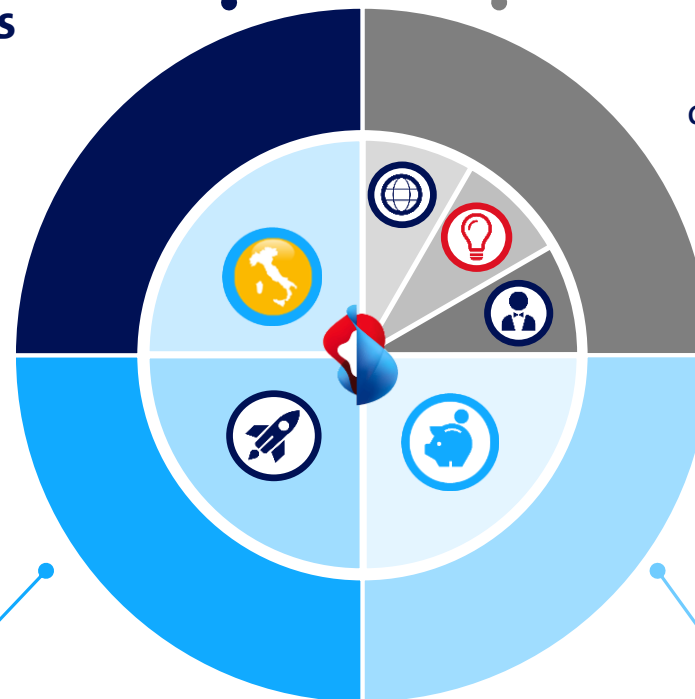
(4) Develop the Italian business

FASTWEB

Regain UBB momentum, scale mobile, increase B2B share of wallet

(3) Adjacent and new business opportunities

Defined focus areas for future growth



(1) Best Customer Experience

Trough coverage and capacity push and outstanding product and service offerings

(2) High operational efficiency

Lean operations through simplification, agility, online-shift and cloud transformation



(1) Best customer experience

It's all about exciting our customers by delivering the best always and everywhere

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World-in-class- infrastructure

- > Push best **coverage, bandwidth and network reliability** to maintain technology leadership
- > Ensure **5G readiness**
- > **Wholesale offerings** fit for growth
- > **Cloud** for B2B/B2C



Innovative products exciting and surprising customers

- > Innovative and **personalized offerings** in a converged world
- > **Smart ICT for SME** market
- > Enable **digital enterprise transformation** in vertical



Convenient, omni-channel services solving problems in minutes

- > **Service champion** for price premium
- > Further drive **transition to online, chatbots and artificial intelligence**
- > **Predictive maintenance** to proactively solve issues



Best customer experience through leading service and outstanding offerings



(2) High operational efficiency

Focus on digital transformation opportunities and value-based rollout

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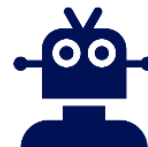
Efficient operations

- > **Process optimisation** driven by org. restructuring and All-IP
- > Increase share of **outsourcing**
- > **Portfolio streamlining** and standardisation
- > **Workforce** improvements
- > **Agile** development (DevOps)



Digital transformation

- > **Virtualisation** of network functionalities
- > **Online-shift** for volume based interactions
- > Increase **process automation**
- > Use of **Artificial Intelligence (AI) and Analytics**



Smart investing

- > Best **allocation of resources** by efficient use of technologies
- > Optimise **network build** by partner consolidation
- > Continue efforts for **CAPEX efficiency**
- > Next generation of **fluid delivery** models



Extra savings' potential identified



(3) New growth opportunities

Push innovative consumer solutions and selectively approach outside core

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Growth in core business

- > Increase share of wallet with smart home and mobile products
- > Approach market with **multi-brands**
- > **Wholesale** push
- > Identify **X-Play opportunities** (e.g. Consumer IoT)



Push in adjacent markets

- > Push **horizontal ICT solutions** through e.g. Amazon Web Services/Azure Hybrid Cloud partnership
- > New **security services** (e.g. threat detection and response)
- > Evaluate **inorganic** activities



Selectively develop new fields of growth in internet-based domains

- > Allow selective growth in **internet-based services**
- > Continue **Fintech** momentum
- > New **Focus fields** (e.g. data insights services, eCommerce)
- > Utilize **open innovation** (e.g. start-up incubation)



Prepare for future growth through global partnerships in adjacent markets and focused approach in internet-based business models



(4) Develop Fastweb

The leading alternative Telco provider in Italy

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Leading alternative BB and UBB provider

- > **360° infrastructure capabilities**
- > Accelerate UBB adoption by **maximising NGN coverage**
- > Strategy to become **convergent player**



Strong boost of mobile volume and customer focus

- > **Scale up mobile and push convergence**
- > Distinctive approach to build **long-lasting customer relations**



Leadership in B2B market

- > **#1 attacker in B2B**
- > Fully exploit **Telco/ICT portfolio**
- > Win **new customers** and increase **share of wallet**



New opportunities in wholesale

- > Leverage **deep fibre capabilities**
- > Increase **high margin revenues**

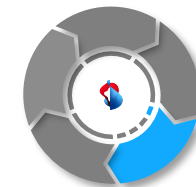


Chasing new opportunities through quality and differentiation



Best-in-class infrastructure

Urs Schaeppi, CEO



2017 in a nutshell

Technology and innovation leadership in all areas

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Best mobile (data) network.

1st in Switzerland with gigabit speed (4G+) and expected pop covering of 30% by YE18



Increasing UBB footprint.



75% with >50 Mbps
55% with >80 Mbps
(+8 p.p. in 2017)
27% with >200 Mbps

Strong cloud proposition and attractive portfolio.



Cloud Study from ISG²:
“In 2017, there’s no way of avoiding Swisscom”



Setting the benchmark.



Swisscom wins the connect test with a new DACH¹ record (973 out of 1000 points)



Positive roll-out impact.

Up to 1.1 pp uplift in additions per month as well as up to 4% ARPU uplift



Building first IoT networks and supporting all standards



Swisscom extends strategic partnership with Ericsson to build 4G+ and 5G

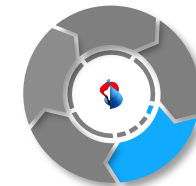
All IP migration on track: 90% completed. Savings kicking-in from 2018 onwards



Operational Efficiency.

Optimised network rollout leading to sustainable cost reductions

1 Germany, Austria and Switzerland, 2 research institute



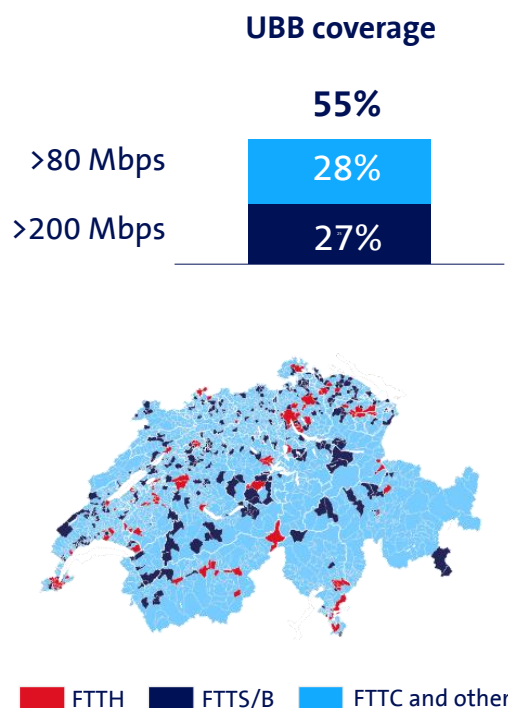
Increasing UBB footprint in Switzerland

Investment-driven technology strategy to maintain leadership in Switzerland

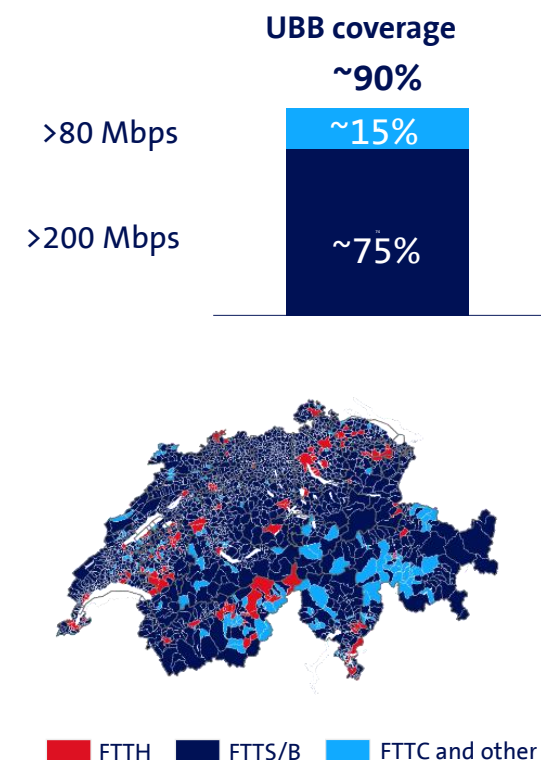
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- > **Broad fibre rollout** leveraging FTTS/G.fast technology
 - up to 500 Mbps on copper
 - 2x faster and 3x cheaper rollout than FTTH
- > **Strong emphasis on cooperation and partnership** with municipalities, construction partners and local fibre players
- > **Early investment in next generation fibre technology** for bandwidths above 1 Gbps (ngPON)

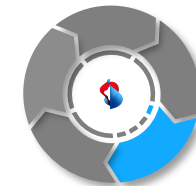
YE 2017



Target 2021



Push ahead broadband expansion with efficient technology use



Building the wireless network of the future

Achieve Gigabit-speeds for large parts in Switzerland by extending 4G capacity and ...

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Invest in capacity, performance and functionality to stay on top of European network quality

Stay ahead as technology leader and enable growth in new business areas

Gigabit-4G and IoT

- > Highest Gigabit-4G speeds all over Switzerland
- > Efficient use of spectrum assets (with only 45% share)
- > Seize the opportunity of cellular IoT technologies, complementing LoRa



255MHz
Swisscom

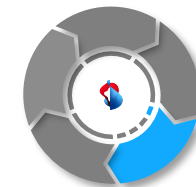


5G

- > Making the network ready for 5G by combining radio, fiber, central office and telco cloud assets
- > Field trials with new use cases - with real customers
- > Secure new spectrum and ease current tight radiation hurdles



... preparing 5G launch - powered by an enforced strategic partnership with Ericsson



New spectrum allocation 2018

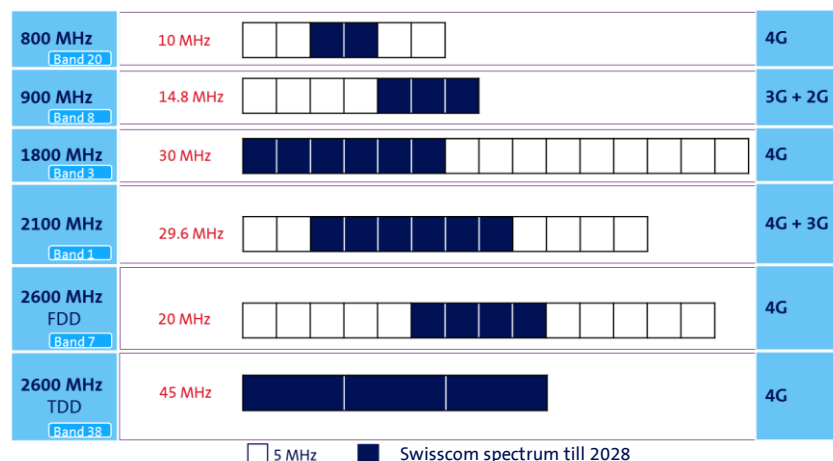
For 5G additional spectrum is going to be available for use in Switzerland in January 2019

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A good starting position

Last auction in 2012 with sufficient resources for 2G, 3G and 4G

Spectrum secured until 2028, licence fee of CHF 360mn paid in 2012



Addition spectrum for 5G

5G spectrum auction **expected in H2 2018**
- available for use already in January 2019

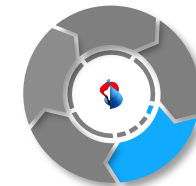
Frequency bands involved are:

- > 700 MHz 2x30 MHz FDD + 15 MHz SDL
- > 1400 MHz 91 MHz SDL
- > 3.5-3.8 GHz 300 MHz TDD

Consultation regarding allocation of new sources launched

Due to **increasing data volumes** transmission capacity needs to be increased

... paving the way towards the 5G leadership



Virtualisation progress

Transformation to virtualized network functions starts to become real

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Virtualization benefits start to materialize

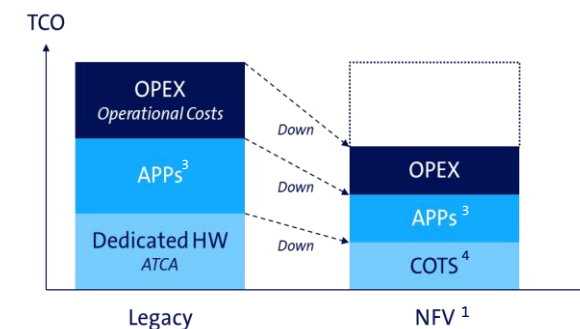
> First **two network functions** running live on the cloud

- > Business Network Services: 3rd party NFV¹ for SMEs
- > Secure enablement server: onboarding within short-time



> **Ambition:** reduce total cost (TCO) of ownership for network functions

- > Reduce T2M
- > Simplify architecture
- > Automated processes



Telco cloud ambitions

- > Migrate critical workloads to the **Telco cloud** in 2018, e.g. mobile core (EPC²)



Enterprise cloud ambitions

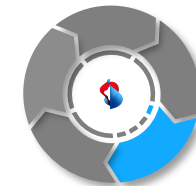
- > 21% of servers migrated to **Enterprise cloud 2.0** by YE 2018



1 Virtual Network Function, 2 Evolved packet core, 3 Application, 4 Commercial off-the-shelf



2018 will see first breakthroughs with heavy workload migrations to the telco cloud



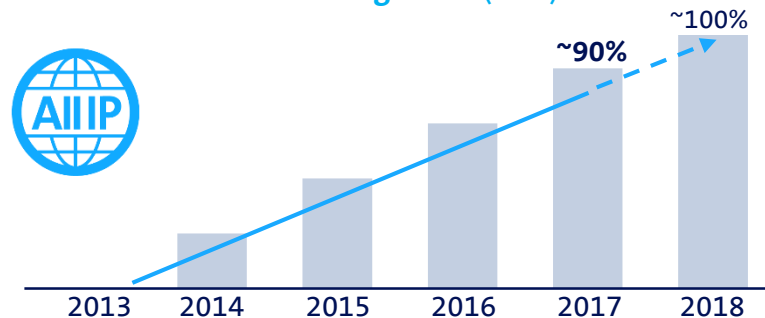
All IP migration update

Continue the transformation towards All IP in fixed, extend to wireless

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Wireline: drive All IP transformation forward and realise savings from 2018 onwards

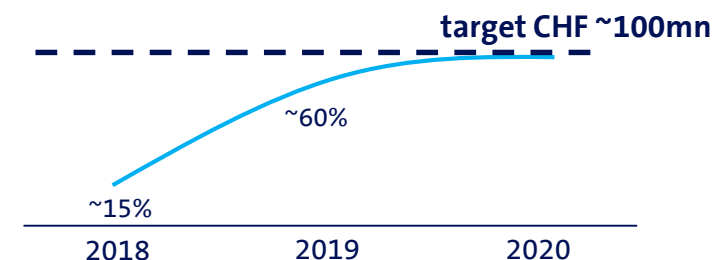
Evolution of customers migration (in %)



All IP migration proceeding as planned

- > Two million customers on All IP
- > ~90% of total migration completed, Residential with highest contribution
- > Area-driven transition to full All IP from 2018 onwards

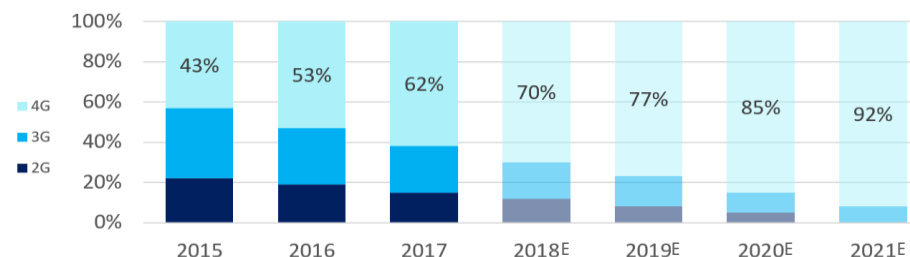
Evolution of expected savings (%)



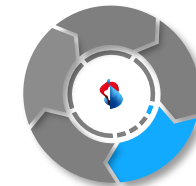
All IP savings kicking-in from 2018 onwards

- > Recurring cash savings of CHF ~100mn until 2020
- > Cost-effective savings achieved through process optimization, product development and TDM phase-out

Wireless: prepare for legacy sunset to harvest power and spectrum savings



- > Declining customer base with legacy technologies allow 2G phase-out end of 2020
- > Free-up spectrum and power to improve 4G network
- > Customer benefits: future-proof devices and improved network perception

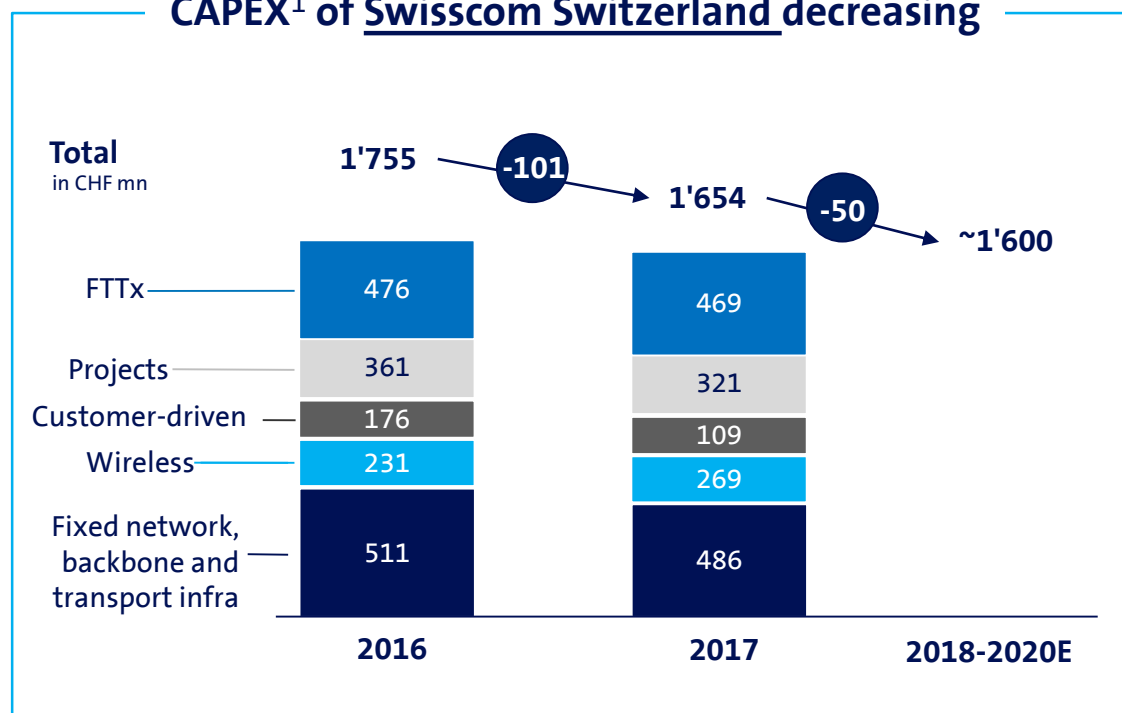


Evolution of our CAPEX envelope

Ultra-broadband push drives fibre investments up, but overall CAPEX declining ...

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CAPEX¹ of Swisscom Switzerland decreasing



¹ excluding fees for new spectrum licences

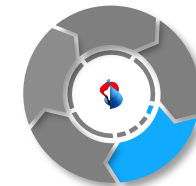
Drivers of Swiss capital expenses*

- > **Fibre investments** steady with CHF ~0.5bn until 2020/21
- > **Projects** with most optimization potential thanks to agility (DevOps) and less need
- > Lower **customer-driven** CAPEX due to B2B demand and TV boxes (being newly sold)
- > **Wireless:** Digest increased 4.5G and future 5G investments without total CAPEX increase
- > Lower CAPEX for **fixed network, backbone and transport infrastructure** thanks to improved broadband rollout and optimised network spends



... driven by lower project and customer-driven expenses

* Licence fees for new spectrum financed extra-ordinary

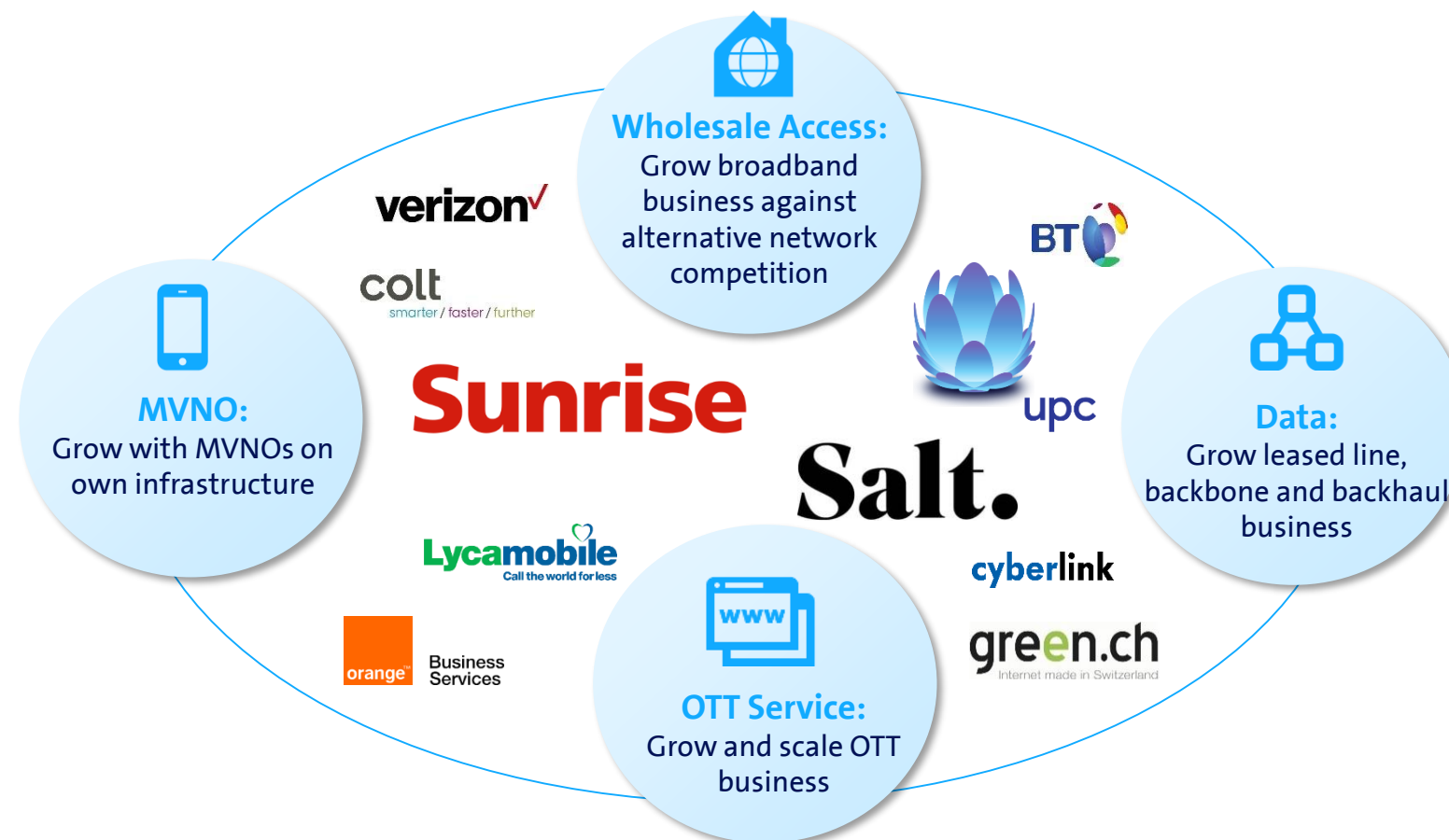


Broad wholesale portfolio enabling attractive infrastructure access

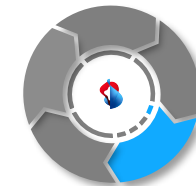
Swisscom offers highly competitive access services to all operators in Switzerland

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- > Wholesale market leader in Switzerland
- > Growing wholesale revenues, keeping value creation on Swisscom network
- > Highly competitive, cutting edge wholesale portfolio
- > Solid level of competition indicates that no further regulation is necessary



Wholesale business continues to offer ample growth opportunities



Regulatory topics in the spotlight

Manage uncertainties to ensure ongoing favourable environment for the Swiss market

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Revision not effective before 2020

Telecom Acts revision

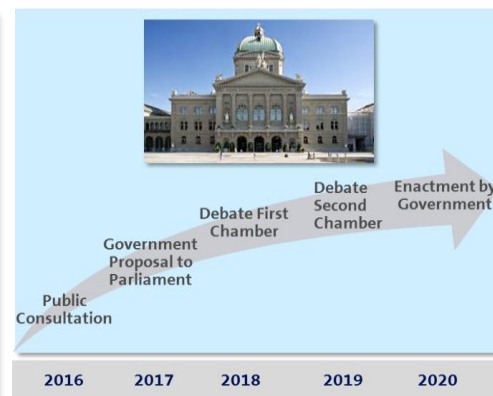
- > Technology neutral access regulation is an ongoing discussion - addressing cable and power companies as well
- > **Not effective before 2020**

Consumer Protection

- > **Swisscom acts proactively on customer concerns**
- > And invests into the protection of minors

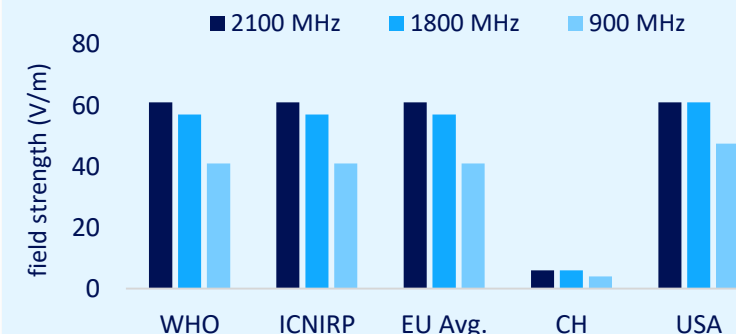
Roaming ahead of regulation

- > **Swisscom follows "Roam like home" approach since 2012**
- > Swisscom's mobile tariffs practically abolish roaming charges for its customers in the EU area



Radio emission limits

> Switzerland with 10x stronger limits



- > **Positive momentum** towards a relaxation of emission rules
- > Swisscom's ambition remains unchanged



No need for fundamental changes - Swisscom with positive outlook

A photograph of an inOne retail store. A large screen in the background displays the 'inOne' logo and a German slogan. In the foreground, a wooden counter holds various items: a chalkboard with handwritten text, a book titled 'iPhone', a container of pens, and several smartphones on display stands. A semi-transparent banner at the bottom contains a person icon and text about a retail experience.

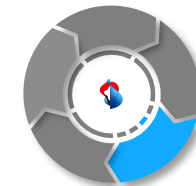
inOne

Am besten kommt alles zusammen
in einem flexiblen Paket.



Best-in-class Retail experience

Urs Schaeppi, CEO



2017 results in a nutshell

Strong market position successfully maintained due to consequent execution of proven strategy

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Commercial highlights

Residential

- > Successful launch of **inOne - FM penetration** steadily increasing
- > **Bundles** with ongoing growth (+228k YOY)
- > **Wireless push** and **new mobile products** (Wingo Fair Flat, SimplyMobile) accelerate **pre2postpaid migration**
- > Next TV generation **EOS 3.0** launched
- > **UBB** performance increased by delivering **value** and superior customer **experience**

SME

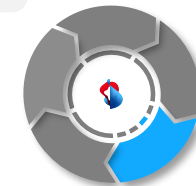
- > New SME portfolio launched: **Smart ICT**
- > **Business Network Solutions** enhanced: virtual trunk and UCC offering

Financial performance

		FY 2016	FY 2017
	Service revenue	CHF 5.52bn	CHF 5.36bn
	o/w bundle revenue	CHF 2.50bn	CHF 2.78bn
	RGUs		
	Postpaid	3'305k	3'376k
	Broadband	1'954k	1'976k
	TV	1'418k	1'467k
	Voice lines	2'134k	1'840k
	Bundles	1'670k	1'898k
	ARPU	CHF 43	CHF 42
	Wireless	CHF 41	CHF 41
	Wireline	CHF 136	CHF 132
	Cost	CHF -2.61bn	CHF -2.54bn
	EBITDA	CHF 3.65bn	CHF 3.51bn



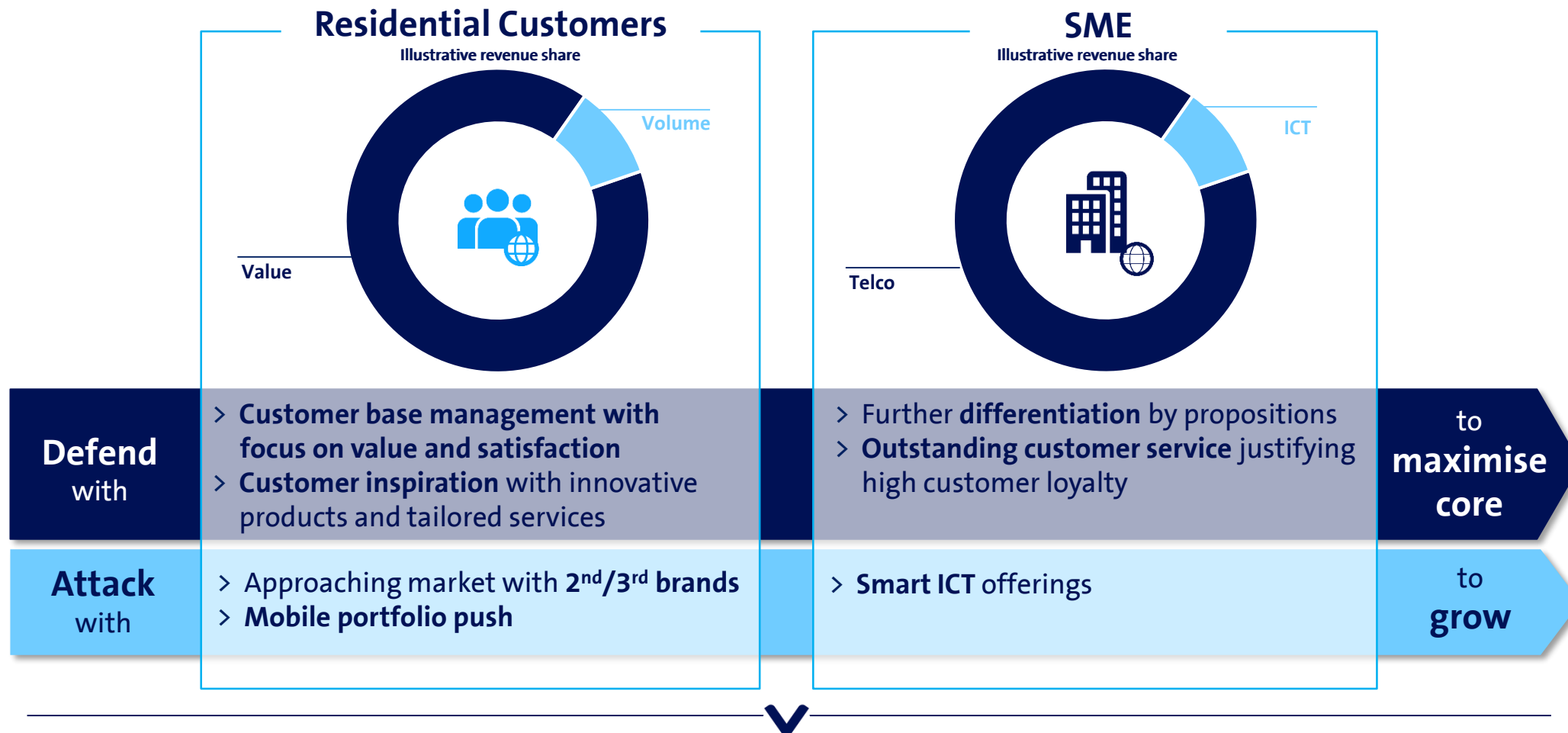
Focus on value and customer base management pays off.
Primarily structural effects explain lower service revenue and EBITDA contributions in 2017



Maximise core in a highly penetrated market as strategic priority

Defend our value position for Residential Customers / SME and grow in adjacent businesses

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It's all about managing the right balance to maintain our leading and stable market shares



Convergence increasingly knocking at Swiss households' doors

inOne our new value proposition to fence customers and defend our leading position

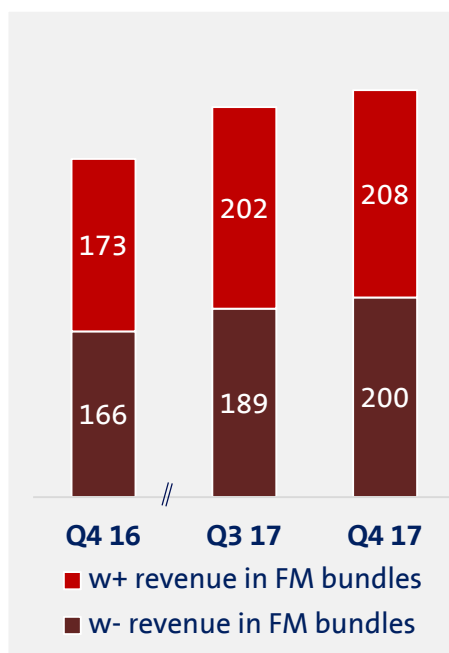
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Convergence gaining importance

FM penetration (in %)



FM revenue (in CHF mn)

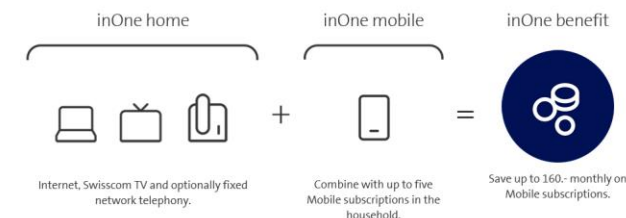


Our new offering - inOne



Save flexibly and easily.

S, M or L: inOne lets you choose what and how much you want. Combine as you like and save every month.



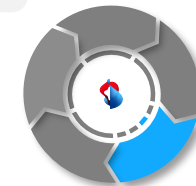
The best for our customers

- > Further price differentiation
- > Fully customisable
- > Value add
- > FM bundles offering discounts
- > Extendable up to 5 mobile subs per HH



Switzerland is moving towards a market where all providers offer everything

* HH = total broadband subscriptions + [total 1P voice subs – total 1P broadband subs]



Positive inOne performance – in line with own expectations

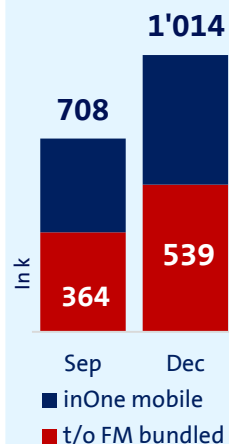
1.3mn customers with 2'658 RGUs thanks to attractive and fully-converged offerings

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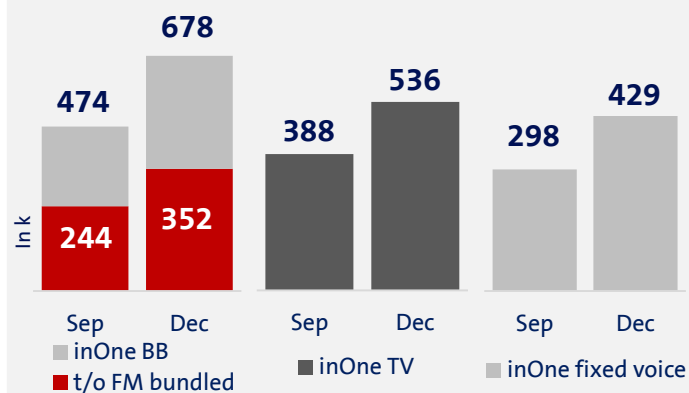
Customer base as of YE 17

- > **1.34 million customers** on inOne price plans
- > **inOne base** sums up to **2'657k RGUs**
 - t/o 1'643k fixed (62% share)
 - >50% of mobile and BB RGUs in FM bundles

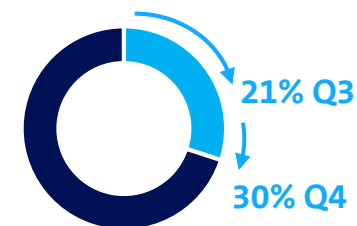
Mobile RGUs



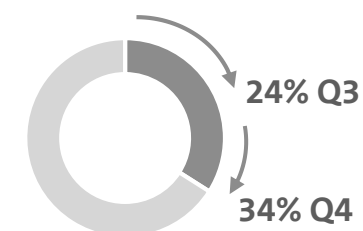
Fixed RGUs



Penetration as per 31 Dec 17



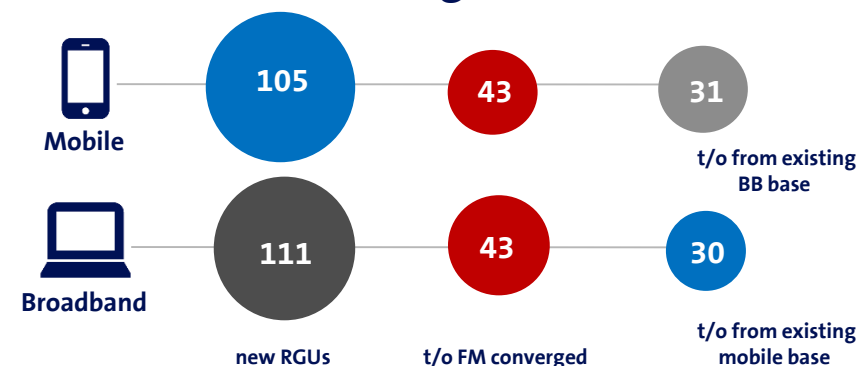
inOne mobile
RGUs within Retail postpaid base



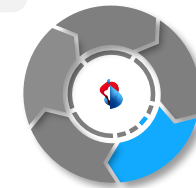
inOne broadband
RGUs within Retail BB base

Breakdown of gross adds

in k



inOne with positive impact on RGU momentum - turnaround achieved



inOne with positive impact on customer loyalty but at some cost

Convergence advantage and freedom have a positive perception effect

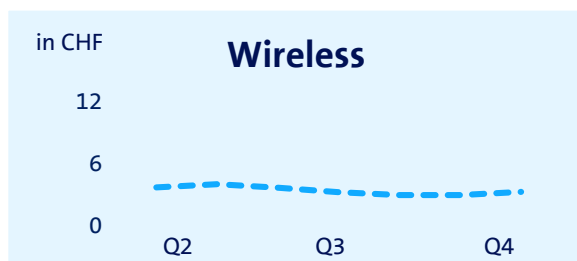
30

Customer perception

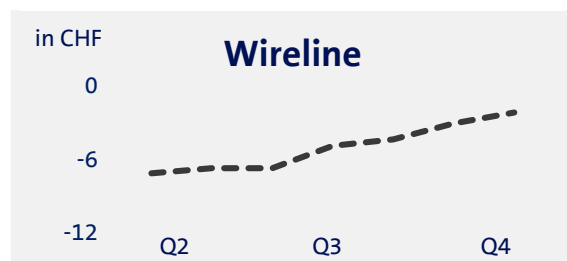
- > Simplicity and better price/performance **increase customer loyalty** and **reduce churn**
- > Savings and freedom of choice have a **positive effect on net promotor score**:
NPS in H2 2017 substantially improved



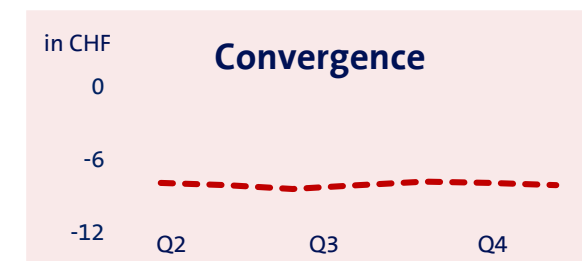
Quarterly ARPU impacts



- > **Mobile (non-bundled)** changeover with light ARPU uplifts



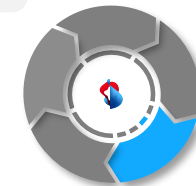
- > **inOne broadband RGUs** with right-grading effects weighing on ARPU, trend in Q4 improving



- > **Converged subscriptions** with slight ARPU dilution, in line with expectations



FM discounts with margin impact per quarter of around CHF 15-20mn



Leading TV platform in Switzerland with 33% market share

Continuous development of our TV proposition leads to strong net adds

31

Swisscom TV Entertainment OS3

- > Ambition to deliver the **best TV experience**
- > Exceptional TV proposition **key to differentiate** and grow further TV market share
- > TV important **driver** for leveraging fixed bundles
- > **3rd generation** of Swisscom TV launched in Q4 2017 with new features: **easy search, personal universe and smart remote**



Content strategy

- > **Ambition to act as TV aggregator**
 - > TV experience equally important than content
- > **Best TV content** in Switzerland with extensive film library
- > Access to **live sport offerings**
 - > Swiss football league
 - > Top European football
 - > NHL / champions hockey league
 - > Sky Sports app



Bouquet of innovative features key



Up to 2400h
recordings



300+
channels



7-day
replay



4K UHD



Digital radio



Top content



Multiroom



Live pause



Strong TV proposition and hub strategy with best content to push BB proposition



Outstanding stickiness and customer loyalty

Foster mobile and smart home products to increase customer experience and sustainability

32

Smart Home Products

- > **New WiFi Router**
 - > WLAN-Box with IBP/S
 - > Launch new repeater
- > **Smart Home**
 - > Expansion of proposition
- > **MyCloud**
 - > Launch new mobile clients
 - > Launch MyCloud Pro
- > **Security**
 - > Internet Guard
 - > Callfilter



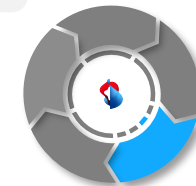
Mobile Products

- > **Multi Device**
 - > Data and voice
 - > Messaging and accessory
 - > National and roaming and extension to IoT
- > **eSIM / RSP ***
 - > Standardization
 - > Better customer experience
 - > Driver for multi device
- > **Advanced Communication (E2018)**
 - > Enriched calling/messaging
 - > Multi number
 - > Convergent communication



Increase share of wallet thanks to innovative products

* Remote SIM Provisioning

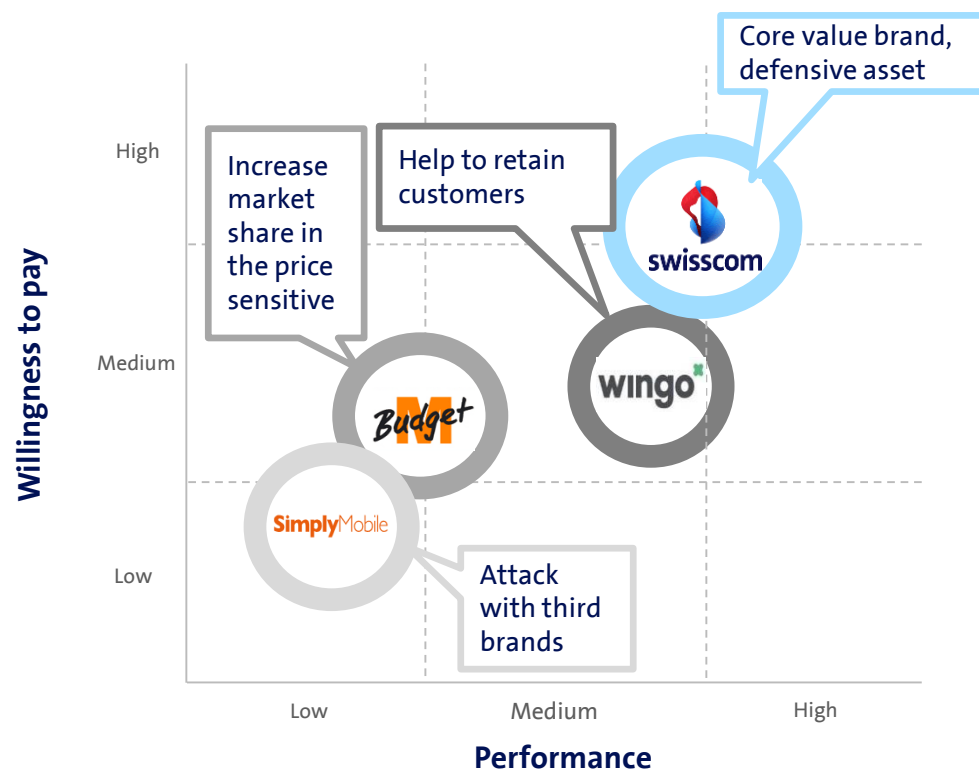


Leverage subs base with differentiation in products and services

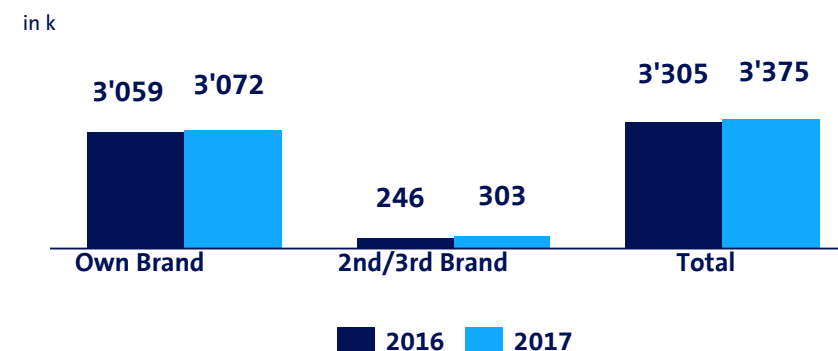
Multi-brands addressing best value for each customer need

33

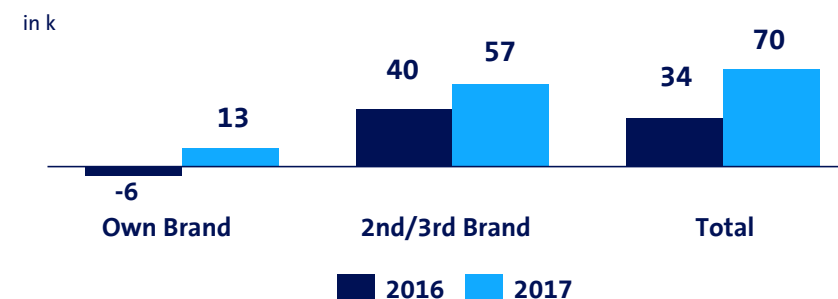
Our brand portfolio



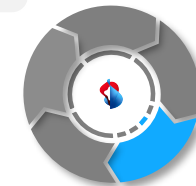
Postpaid subs base increasing ...



... thanks to 2nd/3rd brands



Core brand with stable RGU base and Wingo, M-Budget and SimplyMobile continuously growing



Smart ICT - Outsourcing for SME Customers

All-in-one managed service for IT and communication

34

Smart ICT offering

Launched in Dec 2017

Business Internet Services



- > High-Performance Broadband Internet Access
- > Fail-safe Guarantee

Business Network Solutions



- > Flexible Virtual Networks
- > Managed LAN
- > Managed Security

Business Communication Services



- > Virtual PBX (Hosted)
- > On-Premise PBX (Trunk)
- > Unified Comm. & Collaboration

Business IT Services



- > IT Service Management
- > User Cloud Packages
- > Company Cloud Services
- > User Hardware Packages

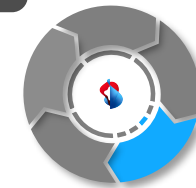


Unique value proposition

- **Comprehensive managed ICT solution**
 - > Internet access with fail-safe guarantee
 - > IP-telephony with collaboration functions
 - > Entire IT setup run in the cloud, also covering hybrid operation scenarios and required hardware devices
 - > Fully managed with personal support
- **Highly modular and scalable design** allowing easy and flexible adaption to customer-specific needs
- **Everything over one network ensures** highly secure, performant and available operations
- **Calculable monthly costs** through fixed prices



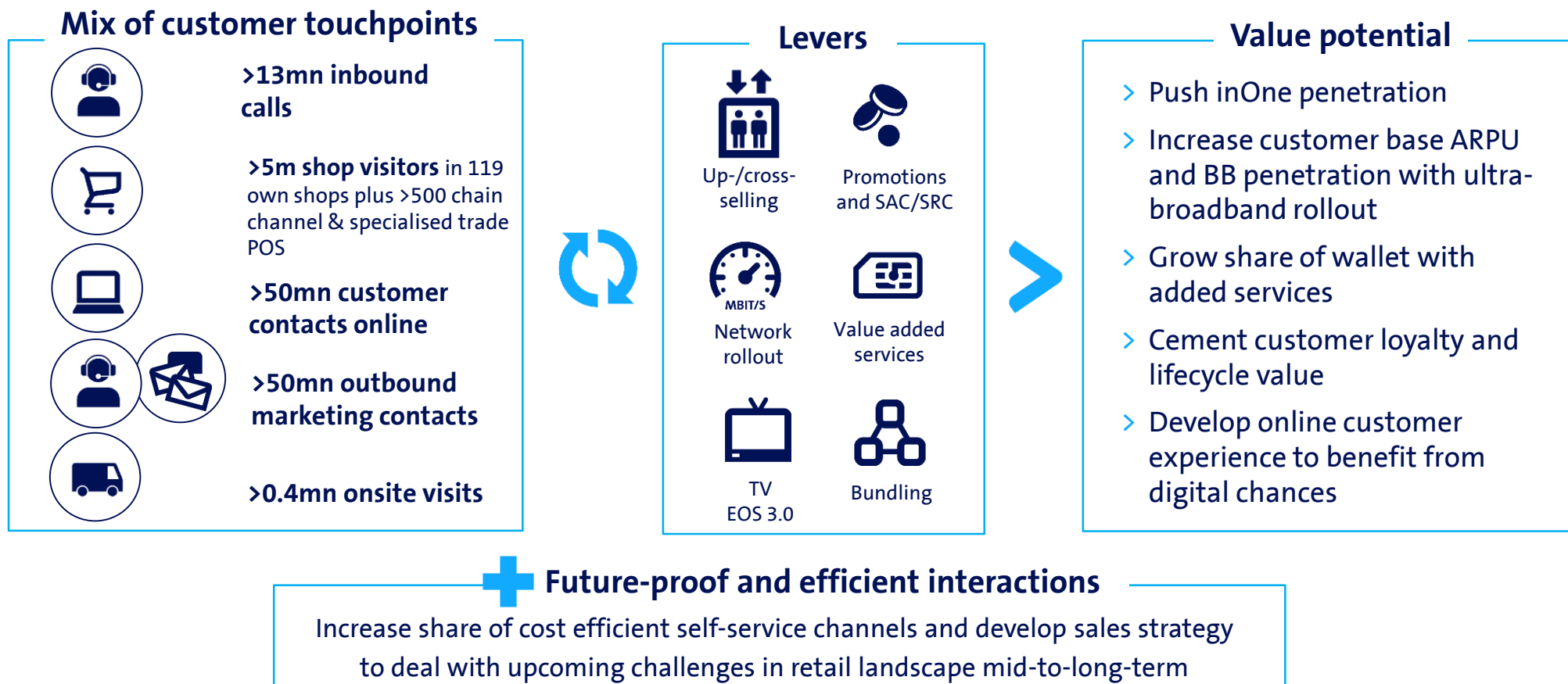
Capturing new growth and securing Swisscom's core business in the SME segment



Develop customer value thanks to unique multi-channel approach

Swisscom's million interactions establish best-in-class customer experiences

35

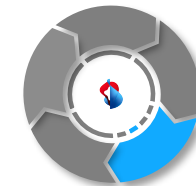


Future-proof and efficient use of multi-channel components enable maximum value delivery

Best-in-class B2B experience

Urs Schaeppi, CEO Swisscom





2017 results in a nutshell

B2B market offering growth opportunities

37

Commercial highlights









Telco business

- > **Mobile**
 - > Win-backs
 - > Innovations in portfolio keep ARPU up
 - > Growth with IoT
- > **Fixed**
 - > Major networking deals won
 - > Growth with low-end SDN¹

Solutions business

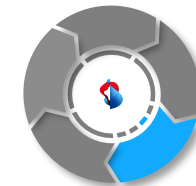
- > **Cloud:** Launch of Enterprise Service Cloud, Hybrid cloud with AWS and Microsoft Azure
- > **Security:** Responding to growing concerns of network attacks with innovative services
- > **Banking:** Digital transformation and incorporation Swisscom Blockchain AG

Performance

		FY 2016	FY 2017
	Order entries	CHF 2.52bn	CHF 2.69bn
	Service revenue	CHF 1.14bn	CHF 1.10bn
	Solutions revenue	CHF 1.07bn	CHF 1.08bn
	EBITDA	CHF 848mn	CHF 832mn
	RGUs		
	Wireless	1'247k	1'267k
	Voice lines	233k	207k
	Mobile ARPU YOY lower due to roaming and price pressure	CHF 35	CHF 32
	Customer satisfaction clearly market leading		



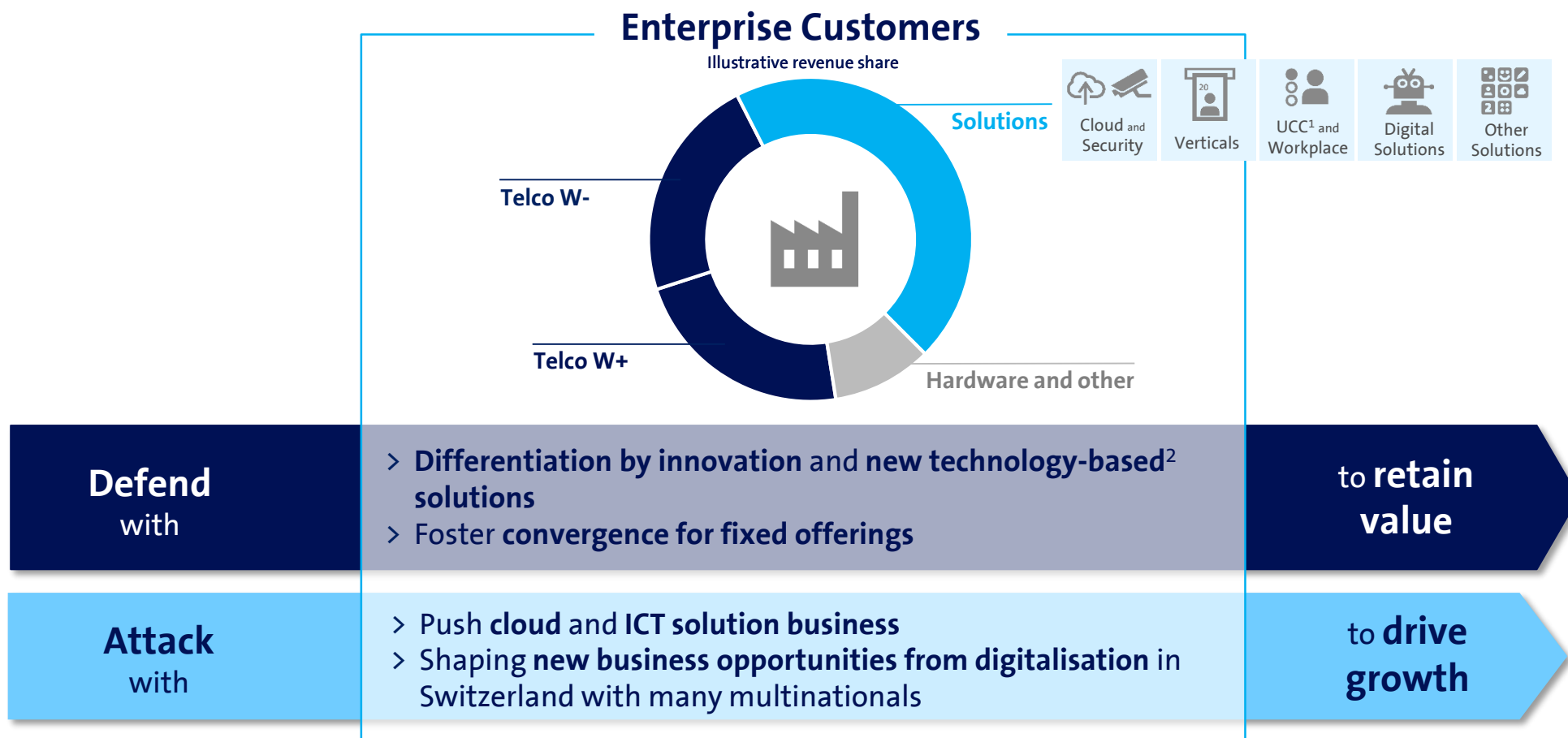
Successful first solutions excel services



Foster Solutions business to realise new sources of growth

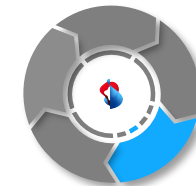
Revenues from Telco and Solutions with diverse contribution trends

38



Lever unique market position to benefit from digital revolution

1 Unified Communications and Collaboration, 2 e.g. SDN, LPN or next mobile generation (5G), blockchain



Wireless connectivity business

Best solutions for business mobiles

39

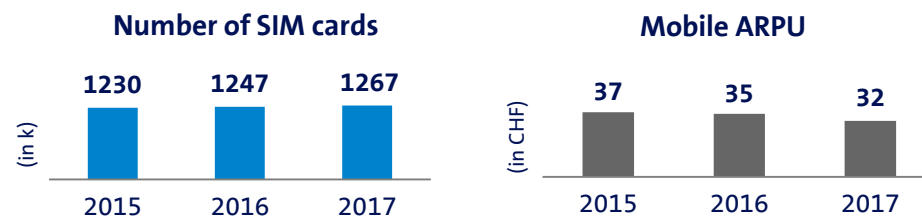
W- portfolio & market dynamics

Differentiation by continuous portfolio innovation

- > Modular design of wireless portfolio
- > Enhancing features: Mobility4Work or Mobile analytics and reporting
- > Multi-device approach
- > Advanced calling

CHF 482mn

Market share conservation at the expense of lower ARPU



Internet of Things

IoT with connectivity focus

- > Revenues growing
- > Exploit potential with industrial partners and national public transport companies
- > Follow Swiss multinationals with global offerings
- > Modular offering for resellers and integrators to further gain load on networks

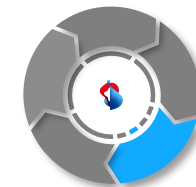


Smart City – way to sustainability



- > Swisscom well positioned
- > Improving city life and sustainability

Defending core business and growing with IoT



Wireline connectivity business

Excellent experience including connectivity and communication services, today and tomorrow

40

W+ portfolio today and in the future

Business Voice

- > TDM and IP access
- > TDM and IP traffic
- > VAS

CHF 200mn

Business Internet

CHF 62mn

Business Networks

- > Enterprise WAN / LAN
- > Enterprise Internet
- > PWLAN
- > Network and Ethernet Services
- > Managed Business Communication
- > Global Business

CHF 278mn

Connecting & communication Business



Reselling Business

Global Business

□ Roll-out completed ■ Available 2018

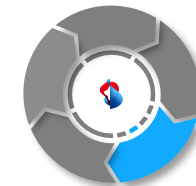
Drivers of network services

- > **IP impacting MPLS**¹
 - > Migration speed to IP increasing
 - > IP products rolled out and customer feedbacks positive
 - > Centralisation and cloud need more bandwidth and highly reliable SLAs²
 - > Thus, phase-out of TDM based services
- > **SDN based services**³
 - > Enhance MPLS services capabilities
 - > High flexibility, reactivity & self-care
 - > Low-end portfolio partially launched
 - > High-end piloted in 2018
- > **Converged services**
 - > Modularity enables fully integrated cloud and security offerings



Swisscom's B2B network services are the base for digital Switzerland

1 Multiprotocol label switching, 2 Service level agreement, 3 Software defined networking



Cloud services contributing growth

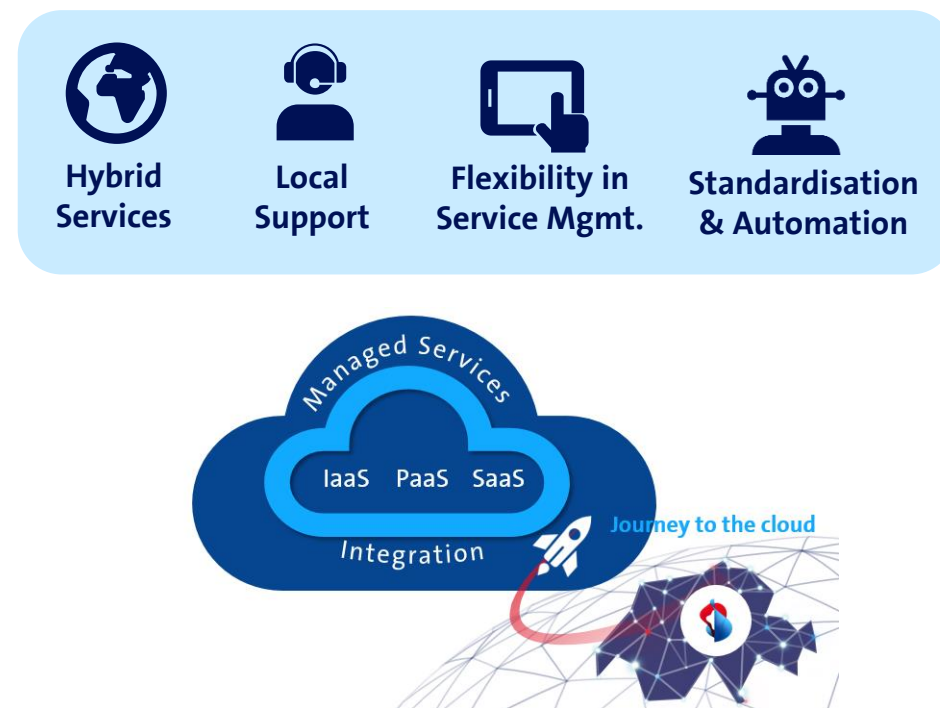
Swisscom's comprehensive cloud offering supported by excellent services

41

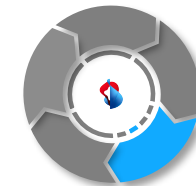
Hybrid cloud strategy

- > **Enterprise service cloud - Swisscom with unique and comprehensive portfolio**
 - > **Platform offering:** Enterprise-grade XaaS platform in combination with global market leaders provides best hybrid cloud package
 - > **Services offering:** State of the art transformation and integration services with 'journey to the cloud' and effective integration services into customer's IT environment
- > **Growing business with sound margins**

Cloud portfolio



Swisscom leading cloud transformation of Swiss business market



Security services gaining traction

Swisscom protects Swiss B2B IT environments from cyber attacks

42

Security offering

- **Cyber attacks of major concern** for companies
 - Number and form of attacks increasing
 - #2 concern of Swiss companies ¹
 - Ongoing shift to managed services
- **Swisscom with comprehensive portfolio** covering all aspects of secure IT operations
 - (Managed) security (network) services
 - Secure digital processes (e.g. Mobile-ID)
- **Growing momentum**
 - New offering 'Threat detection & response' with strong pipeline
 - Further growth envisaged with encryption & anonymization services



Threat detection & response



Security
analytics



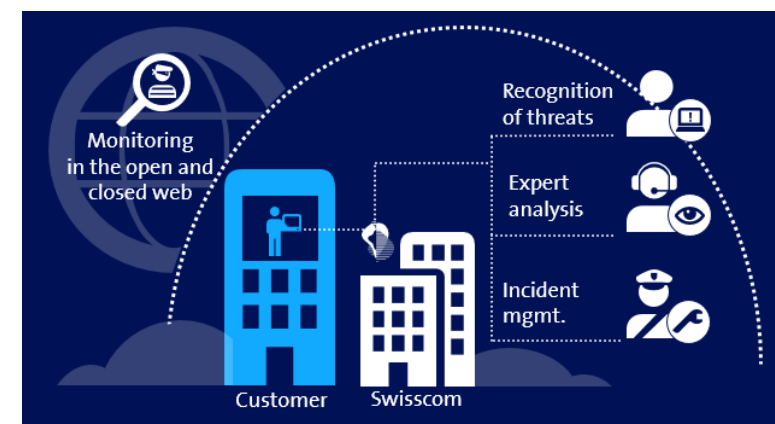
SOC Security
Operations Center



CSIRT ²

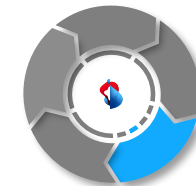


Threat
intelligence



Swisscom with largest IT Security service offering and optimised threat intelligence

¹ MSM Research, ICT-Market Switzerland, Spring report 2017, ² CSIRT Computer Security incident response team



New opportunities on the strength of Banking and FinTec

Swisscom provides digital solutions and outsourcing to the banking industry

43

Banking

- › **Successful and contributing to growth** of Solutions business for many years
- › Further strengthening **its position** in 2017
 - › **New record of contract prolongations** 12/2017
 - › **New businesses** e.g. payment transactions for cantonal banks contributing to growth
- › **Consolidation** in 2018 causes slightly lower revenues
- › **Positive outlook** envisaged with further opportunities in new segments and offerings



Standard Products



E-foresight



ICT Solutions



Consulting



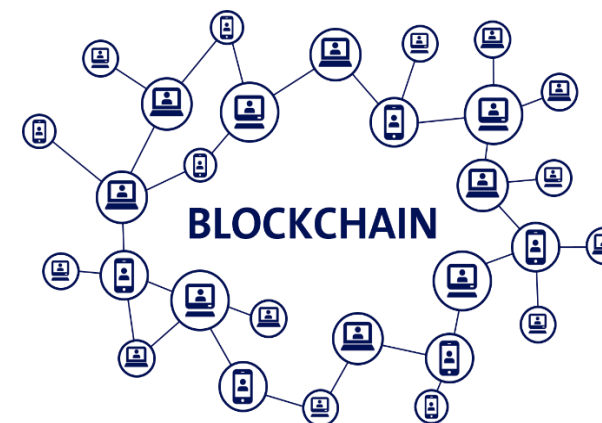
BPO



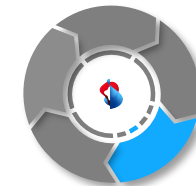
Business
IT Services

Shape blockchain activities

- › Swisscom steps up blockchain activities and establishes **new subsidiary**
- › Push blockchain **applications** in and for Switzerland
- › **Decentralised, networked collaboration** in the fields of healthcare, insurance and banking



Swisscom well positioned with deep industry expertise, strong relations and trustworthiness



Growth chances with digital solutions

Digitalisation as key driver of new business opportunities

44

Acting on different layers of digitalisation



New
business models



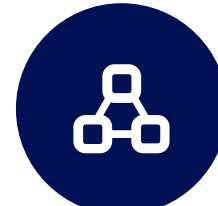
Swisscom Mobility Insights provides anonymised data and allows for better targeted marketing campaigns



Improved
customer experiences



Artificial Intelligence triages incoming e-mails from customers resulting in better response times and higher customer satisfaction



Digitised
business processes



Digital Interaction in health makes access to health services more efficient and improves customer experience



New working
opportunities



New digital tools make collaboration easier, **new workspaces** provide a working environment independent of time and space

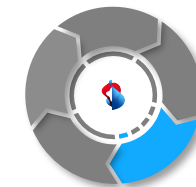


Swisscom at the forefront of digital solutions for Swiss B2B customers

Operational excellence

Urs Schaeppi, CEO Swisscom

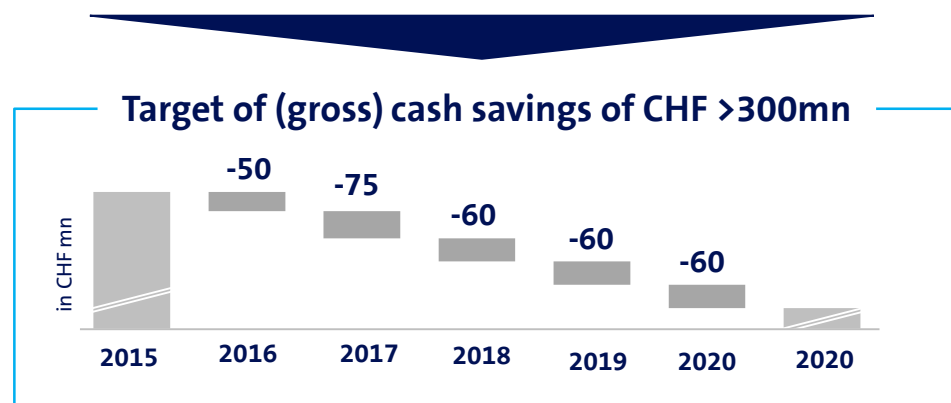




Cost program and 2017 results in a nutshell

Cost focus a key priority to maintain Swiss margins stable

46



Deliverables 2017



Many efficiency and simplicity initiatives initialised and running



All IP transformation well progressing and increasingly contributing to reduce costs



FTE base of Swisscom Switzerland further declining: -719¹ (-4.5%) since YE 2016



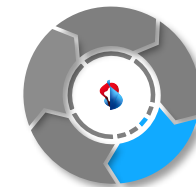
Targeted gross savings of CHF 75mn achieved.
Indirect cost down by CHF -62mn YoY



Further cornerstone achieved to accomplish targeted cost savings of program 2016-2020

¹ FTE situation as per 31.12.2017 for Switzerland (17'688 FTEs, -684 FTEs YoY), Swisscom Switzerland (15'157 FTEs, -719 FTEs YoY)

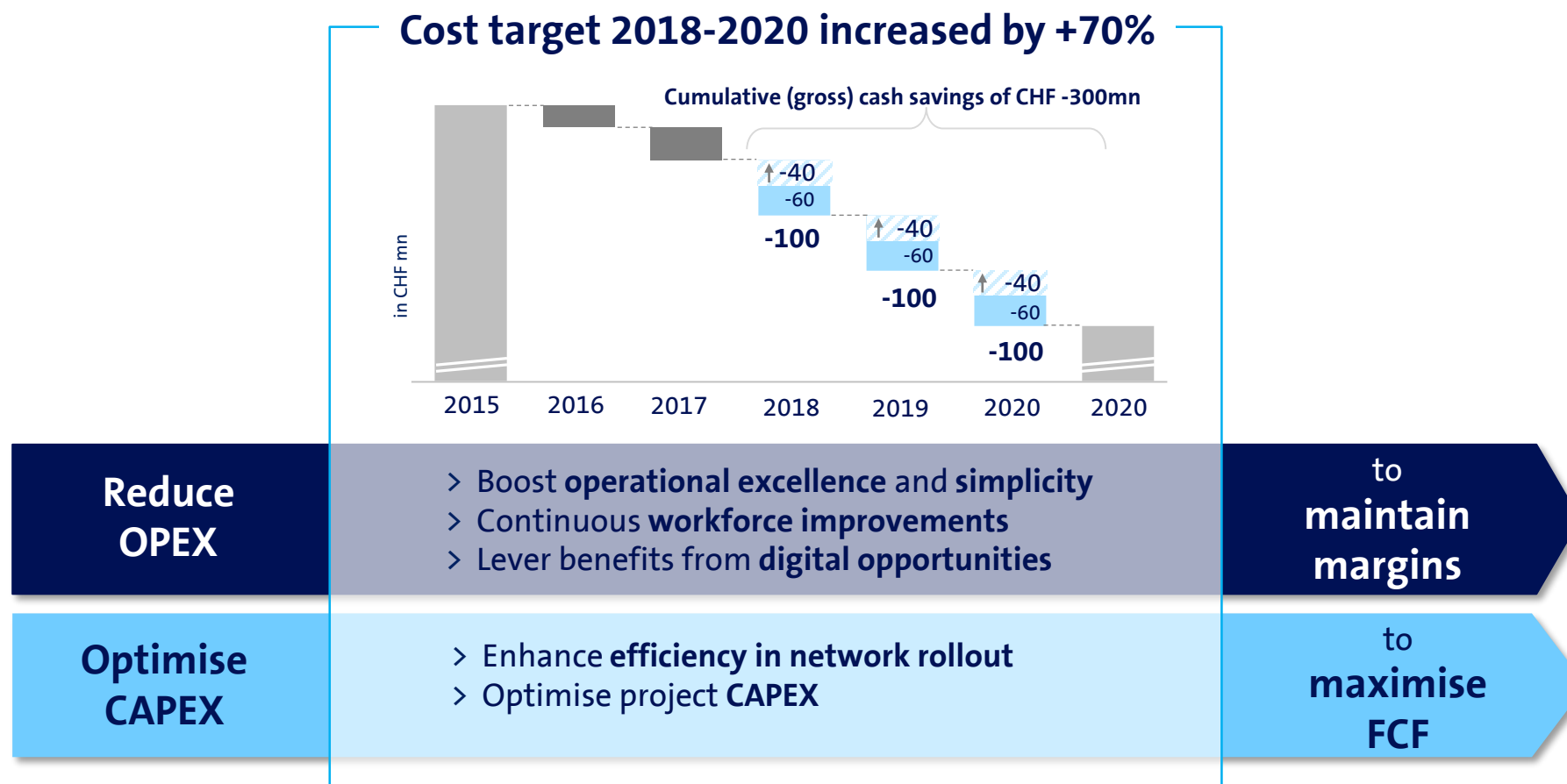
Operational excellence initiatives on track



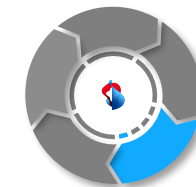
Push strategic cost reductions to the next level

Accelerate cost reductions to sustain leadership and capture the maximum benefits

47



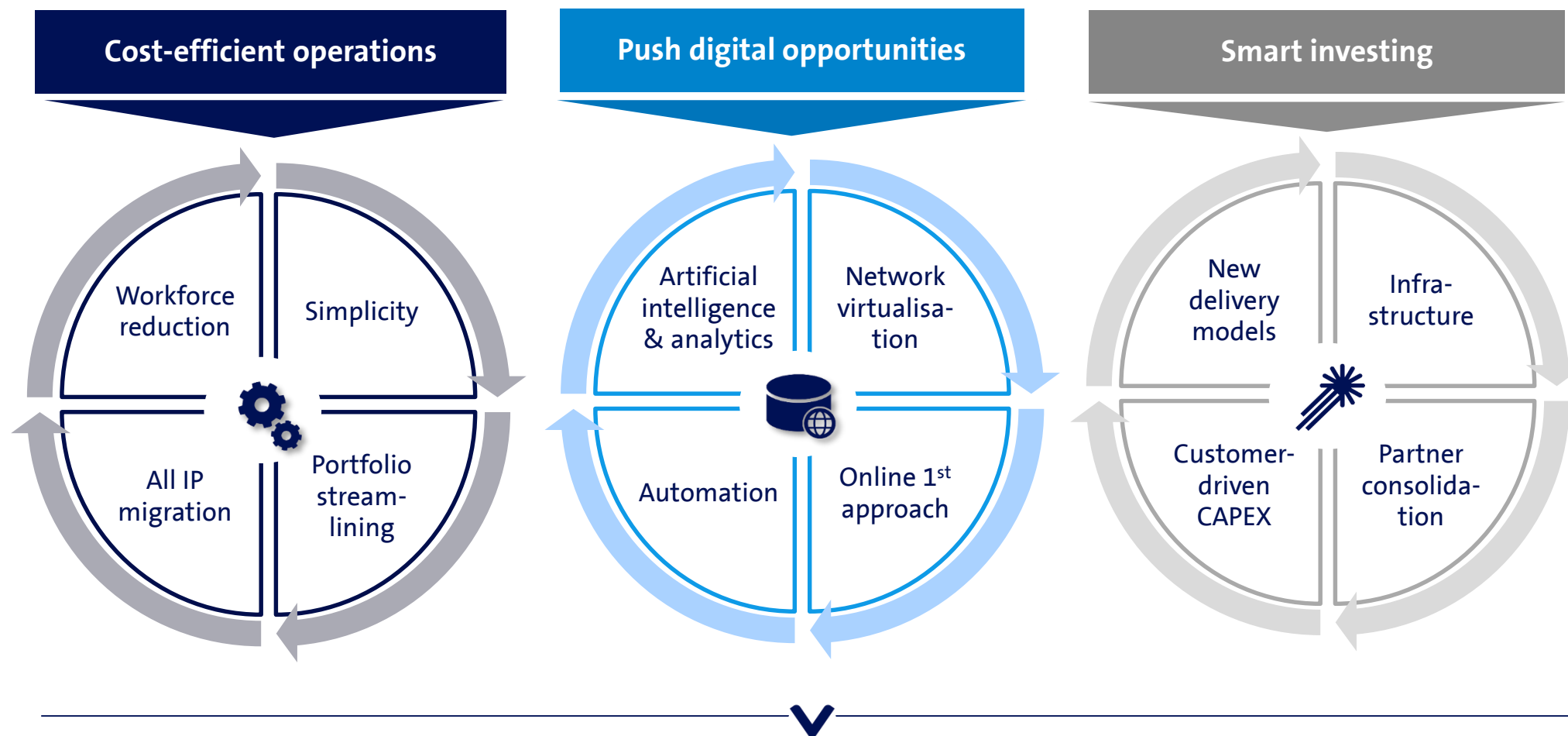
Extra savings of CHF -120mn lead to a new cost reduction target of CHF -300mn for 2018-2020



Different pillars contributing to future cost reduction accelerations

Enhance simplification, use digital opportunities and optimise network rollout and projects

48



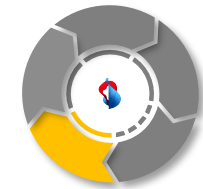
Reinforce efforts to tap the potential of further cost cutting



Develop Fastweb

Alberto Calcagno

FASTWEB
un passo avanti



2017 in a nutshell

Leading alternative wireline player positioning strengthened

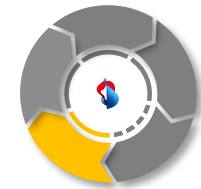
50



- (1) **Extended NGN infrastructure** to 8mn HHs, by far the **second largest UBB network** in the country
- (2) **Increased UBB adoption** with over 1.0mn lines and 43% penetration on wireline customer base
- (3) **Successfully exploited 4G services** doubling mobile customers and **awarded 5G trials** in line with strategy to become a convergent player
- (4) Launched the '**Italian Uncarrier**' strategy to further differentiate in mobile and wireline
- (5) Over 1.0 p.p. market share **increase in Corporate market** vs. 2016 and **31% order book growth**
- (6) Further consolidating as **#2 operator** in a highly fragmented **wholesale market**



Making further steps to become the leading independent convergent player in Italy








Steady EBITDA growth ...

Another positive year with customers and margins growing for the 18th consecutive quarter

51

FY 2017 financial and operational KPIs

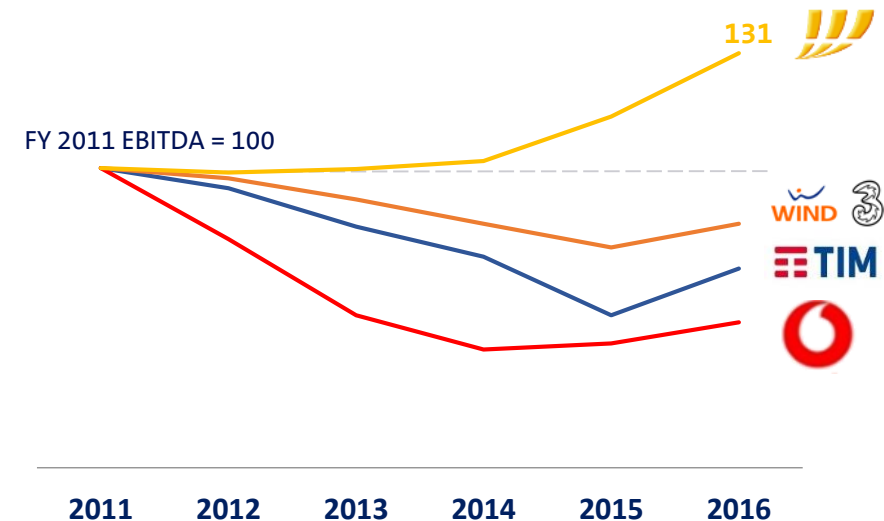
		FY 2017	Change YoY
	Revenues in €	1.94bn	+8%
	EBITDA in € *	0.76bn	+15%
	FCF in € **	133mn	+36%
	BB subs	2.5mn	+4%
	Mobile subs	1.1mn	+58%

* including income from litigations of EUR 95mn

** excluding extraordinary cash outs for financial investments (acquisition of Tiscali branch and participation in FlashFiber)

EBITDA by operator

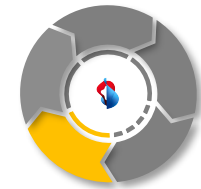
(Wireline and Mobile, 2011-2016)¹



¹ Source: Internal elaboration of public data; Vodafone FY ending 31 March of the following year



2017 confirmed past years performance

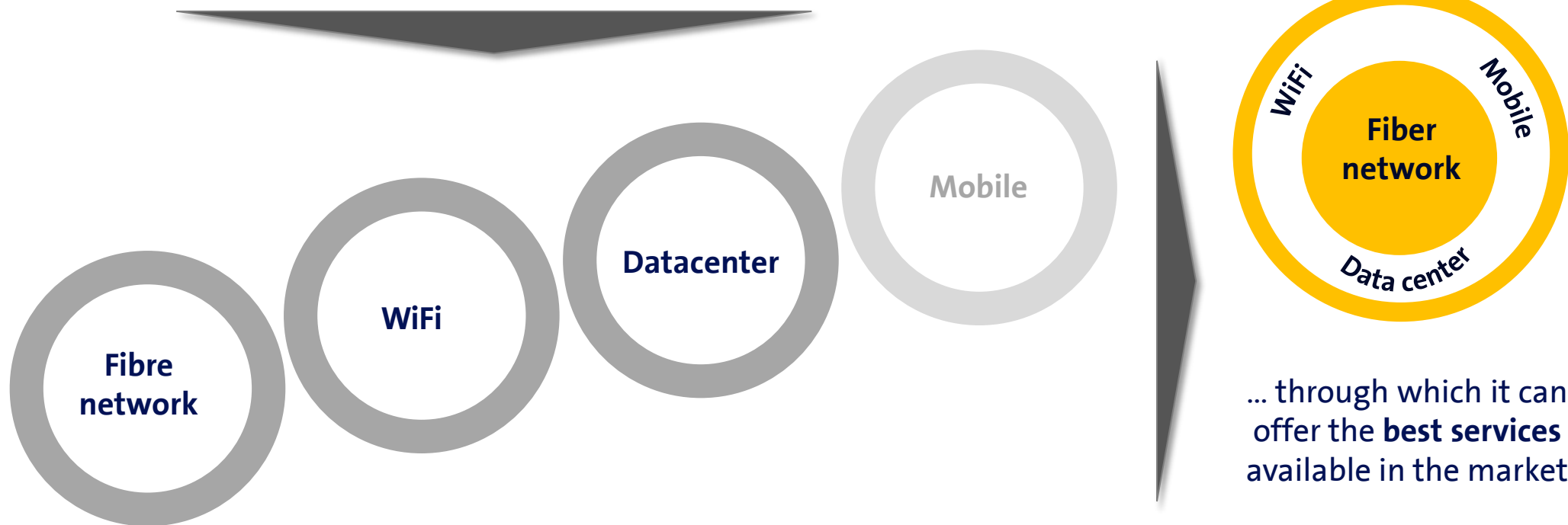


... thanks to a unique positioning

Leveraging the best 360° infrastructure available in Italy

52

Fastweb has built a clear competitive advantage by developing **four points of excellence** ...



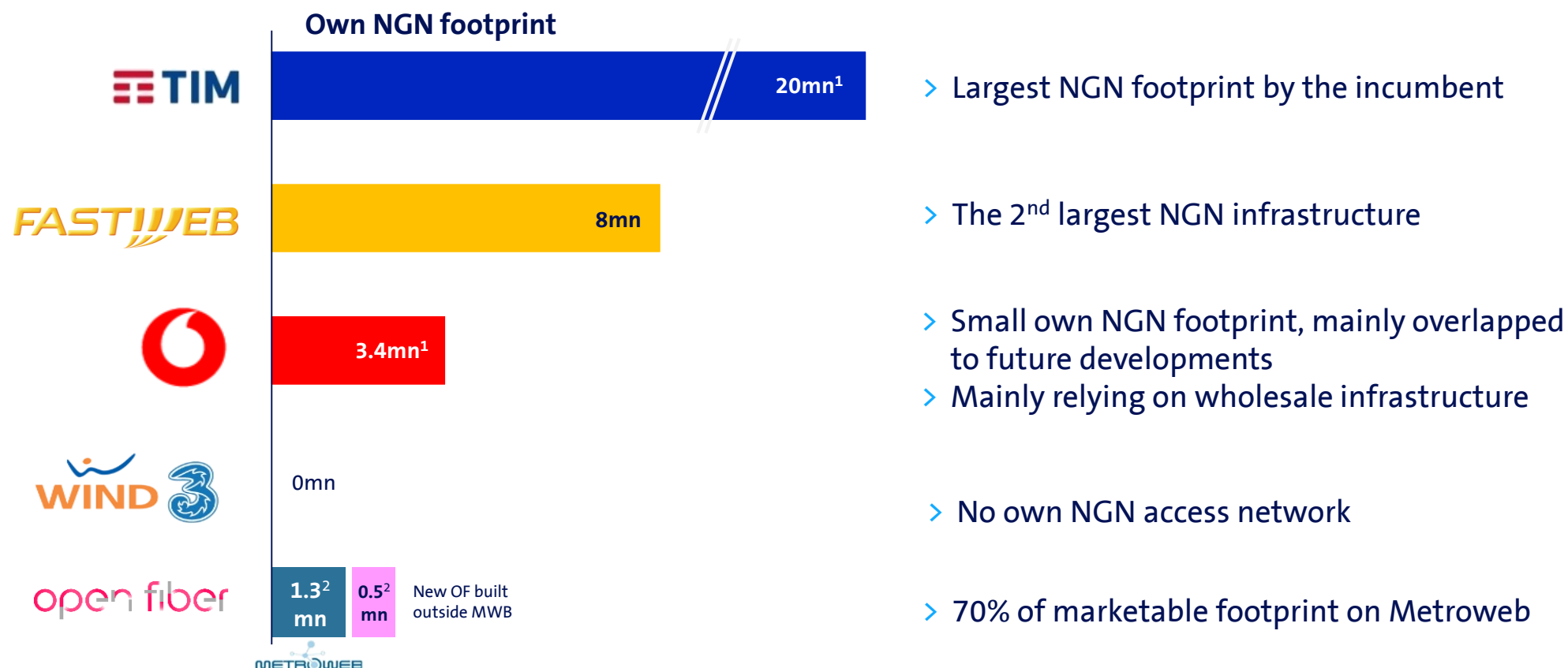
Maximising customer satisfaction by extending and upgrading our infrastructure



By far the largest alternative NGN footprint ...

Fastweb leadership on NGN infrastructure confirmed in 2017

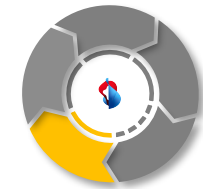
53



¹Disclosed 30th Sep 2017; ²Disclosed 30th Sep 2017, marketable



Fastweb is the largest alternative NGN operator

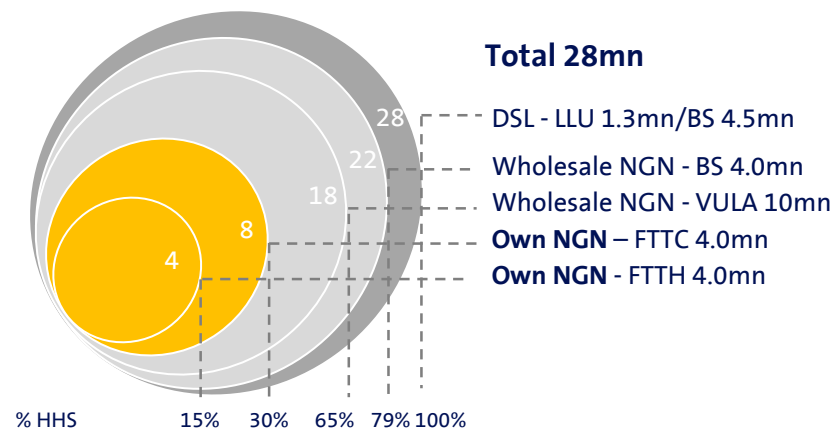


... coupled to a coherent UBB coverage strategy ...

Focus in 2018 will be to upgrade existing footprint in order to further accelerate UBB adoption

54

Overall footprint (mn HHs, exp'd as of Dec 18)



FTTH footprint (exp'd Dec 18)



1 Gbps

2mn HHs own built in top seven cities

(Milan, Rome, Bari, Bologna, Naples, Genoa, Turin)

>2mn HHs in 29 cities through JV with TIM

(3.0mn coverage at roll out completion in 2019)

FTTC footprint (exp'd Dec 18)



200 Mbps

4mn HHs own built in high density 100 cities

Optimised NGN approach



- > Acceleration of UBB coverage by the end of 2018
 - ~80% overall coverage
 - o/w >30% own footprint



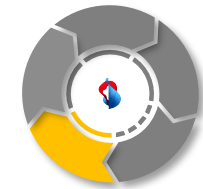
- > FTTH roll-out will continue ...
- > ... coupled to Wholesale NGN to reach largest UBB potential



- > Enabling also accelerated customer migration to UBB (270k approx. 15% of consumer customer base)



Accelerated customers migration to deliver best connection everywhere



... and combined with future opportunities in mobile

Leverage existing asset base to become a convergent player based on 5G

55

Fastweb has all ingredients for 5G hybrid 'fixed/mobile' infrastructure

> Fibre to provide backhauling

45'000 km in approx. 1'000 municipalities



> FTTS cabinets to host and power small cells equipment

Over 22'000 street cabinets today



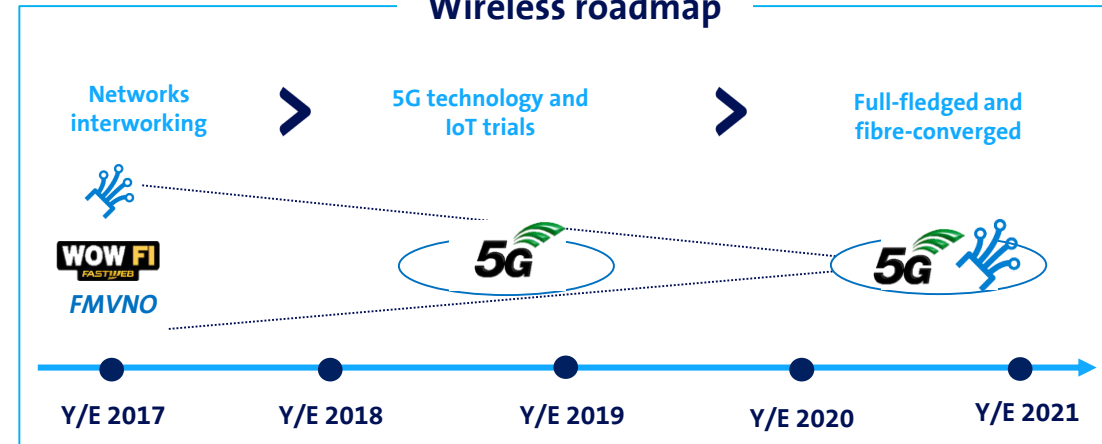
> Spectrum

40 MHz @3.5 GHz (through deal signed last December with Tiscali)

100 MHz @3.7-3.8 GHz over Bari/Matera (5G MISE Trial¹)



Wireless roadmap

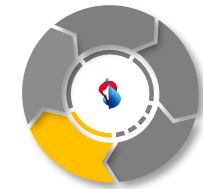


Trial cities



5G is an opportunity for Fastweb to position as a convergent player

¹National experimentation supported by Italian Government

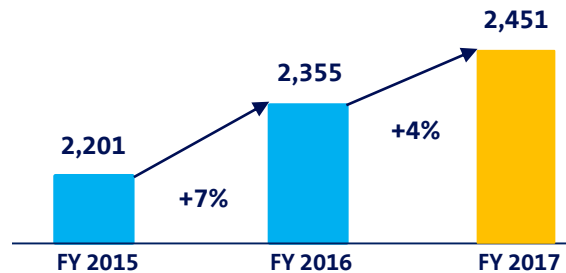


Consumer - the leading alternative operator in BB and UBB ...

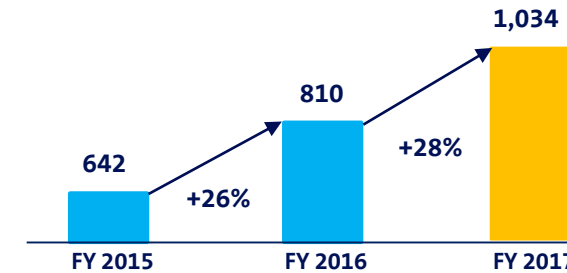
Steady growth of UBB customer base leading to the highest UBB penetration in the market

56

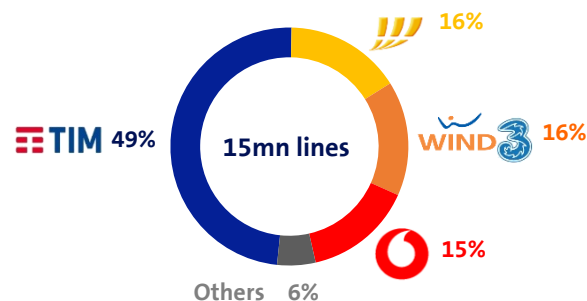
Broadband subscribers (in k)



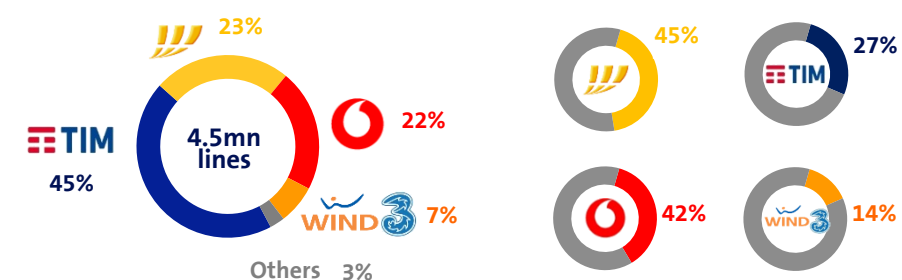
Ultra Broadband subscribers (in k)



Broadband lines market share % (YE 2017)¹

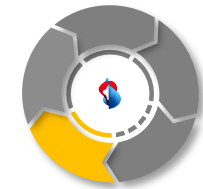


Ultra broadband market share¹ and penetration² over customer base % (YE 2017)



The highest Ultra Broadband penetration over wireline CB

¹Source of market data: Fastweb elaboration over public information and Ernst&Young, 2017 ²Fastweb only consumer customers

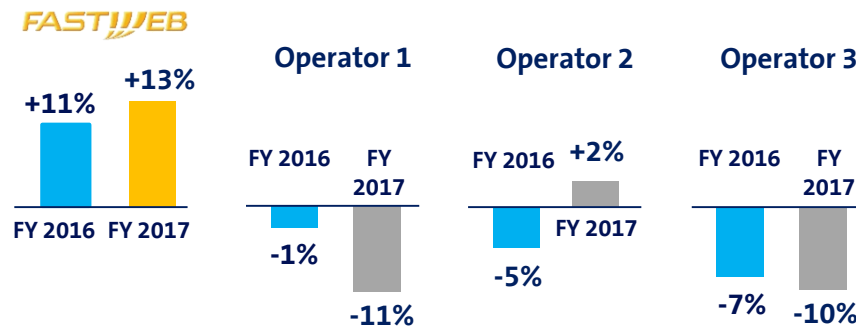


... with the highest NPS and a strong portfolio of partners to build scale

New partnership with ENI to be launched in 2018

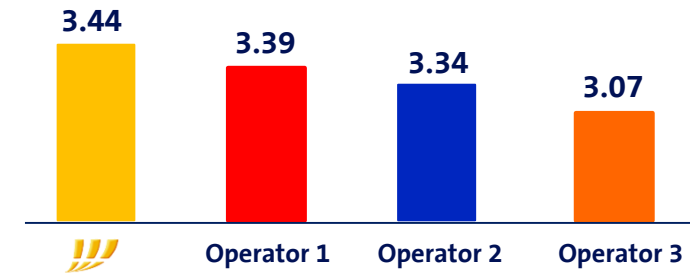
57

Wireline NPS (Dec 2017)¹



> The highest NPS in the consumer market

Netflix ISP Index (Mbps, Dec 2017)

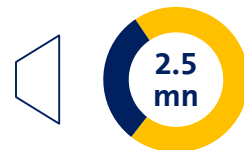


> The best performing wireline network

No. of TV customers (YE 2017)



500,000
customers



20% of Fastweb CB

sky | FASTWEB

New partnership with Eni Gas e Luce

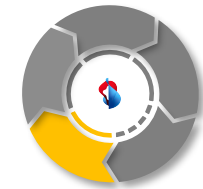


Concept: discounted offer (fixed, mobile, gas, power) for prospects and customer base

Market: consumer segment (families and small businesses)

New ENI partnership to replicate the success of Sky/Fastweb collaboration

¹Source: external independent survey

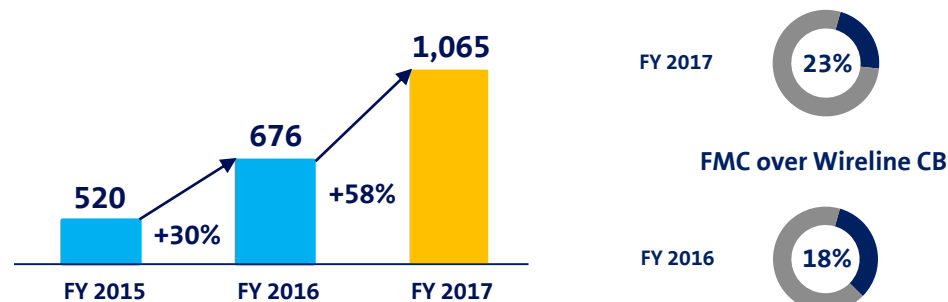


Mobile - Strong boost of volumes coupled to top NPS ...

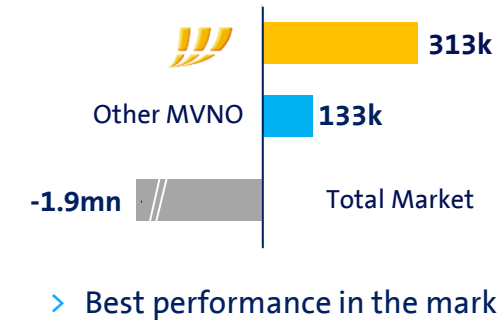
4G services and transparency of commercial offer drive strong performance

58

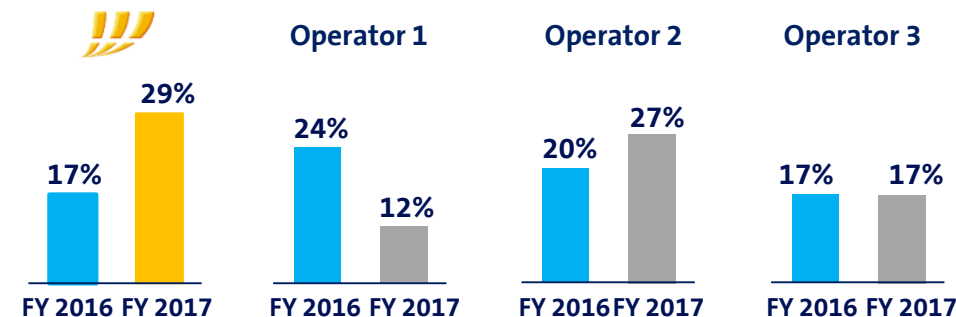
Mobile active customers (in k)



Market mobile net adds 9M 2017¹

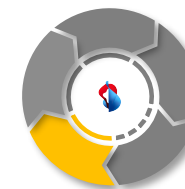


Mobile NPS benchmark (Dec 2017)²



On track to further scale up FMC customer base

¹Source: Ernst&Young, 2017 ²Source: external independent survey on customers buying mobile and wireline services from the same provider



... also thanks to a distinctive commercial approach

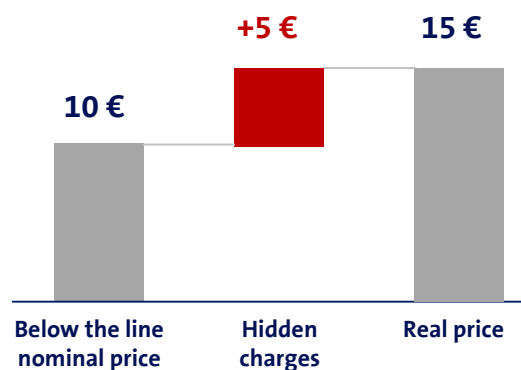
Building long-lasting customer relations based on clear value drivers

59

Italian mobile market

While mobile prices have been cut significantly in recent quarters (from 20% to 40%), non-transparent costs are billed daily, weekly or monthly on top to nominal prices

Voice Mail, Call me back SMS, Entry/Exit fee, Base plan fee, Int'l calls, Change plan, Credit check, ...



Our approach of being the 'Italian Uncarrier'

#NienteComePrima

Building long-lasting customer relations based on clear value drivers

Transparency

Fairness

Simplicity

#1 No hidden charges

Launched May 2017

#2 End of promos

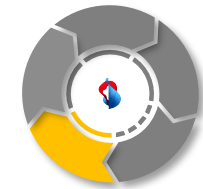
Launched Aug 2017

#3 Always best offer

Launched Nov 2017



Additional way to distinctively position Fastweb in the market both in mobile and wireline



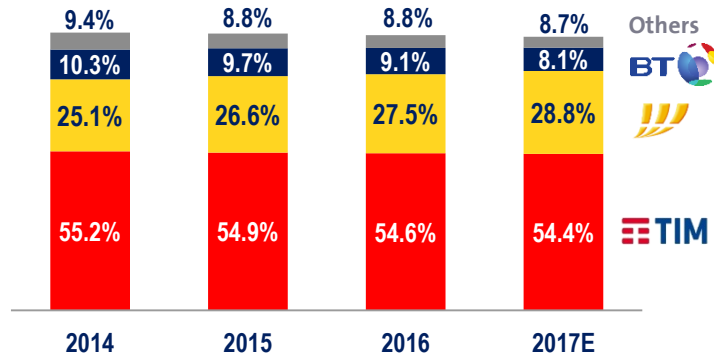
Consolidate B2B leadership

Focus on service quality and customer satisfaction driving further growth

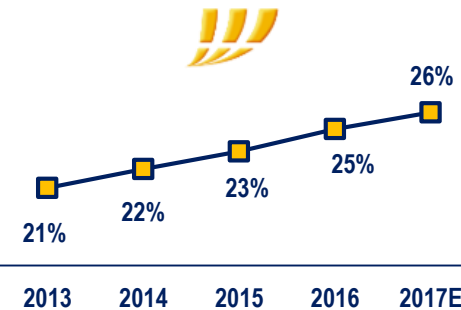
60

Market shares on revenues

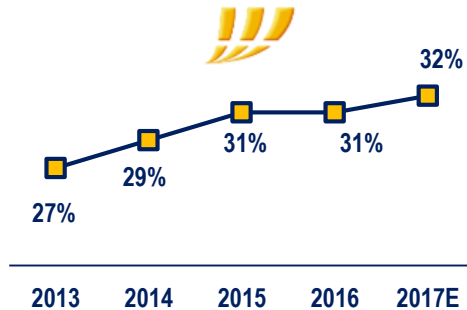
Overall Corporate¹



Private sector¹

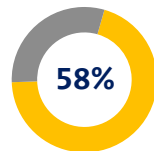


Public sector¹



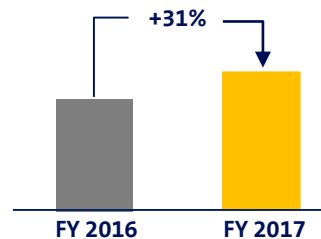
Corporate KPIs

NPS 2017



- > Customer experience stable on excellent levels

Order book



Pillars of our commercial strategy



- > Exploit all main framework agreements currently held by Fastweb²



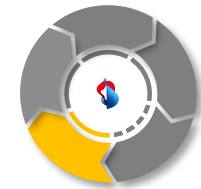
- > Increase **commercial push** to win new top customers



- > Increase share of wallet, leveraging on **cloud** and **ICT VAS**

Consolidate penetration in PA and increase overall share of wallet on customer base

¹ Source: Ernst&Young, 2017 ² SPC Connectivity, SPC Cloud Security, Consip Voice, SGM (Management & Maintenance Services IP), CT7 (PBX), Video-surveillance



Strategic ambitions in a nutshell

Steadily increasing market shares

61

Consumer



- > Scale up mobile and push convergence
- > Further accelerate UBB adoption to increase customer stickiness
- > Leverage partnerships

Corporate



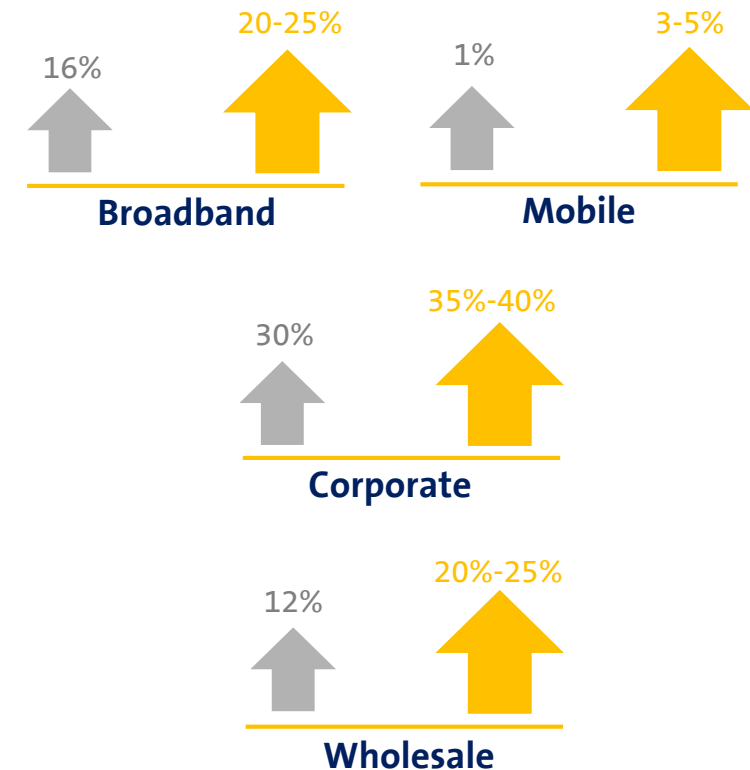
- > Growth by increasing share of wallet and increasing market share on core connectivity services

Wholesale



- > Strong opportunity to provide BTS fiber connections

5 years market share ambitions

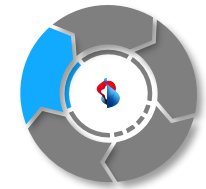


Become the leading independent convergent player

Financial results 2017 and outlook

Mario Rossi, CFO Swisscom

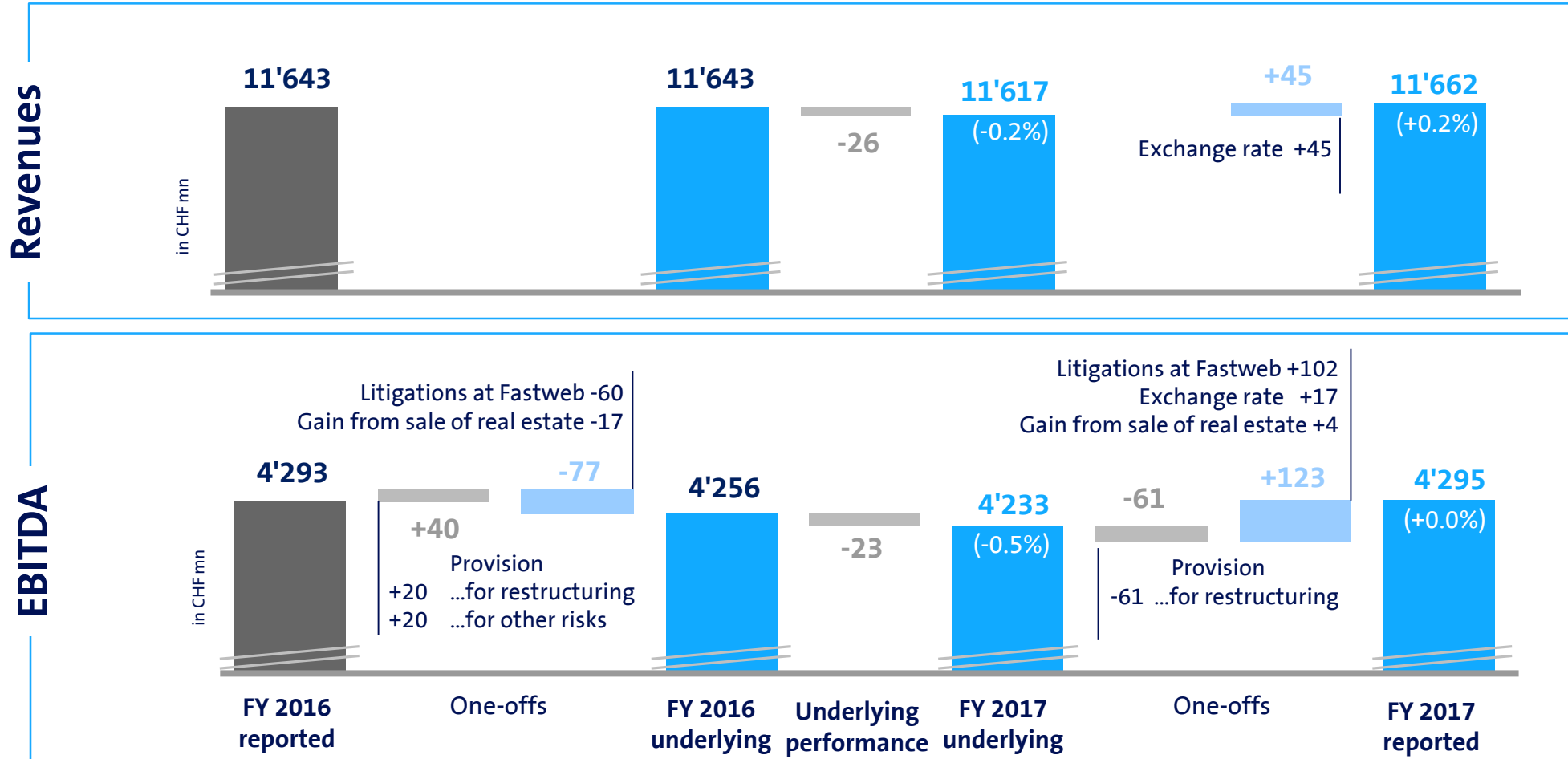


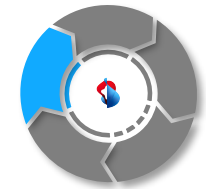


Reconciliation of key financials

Resilient financial performance in line with expectations

63

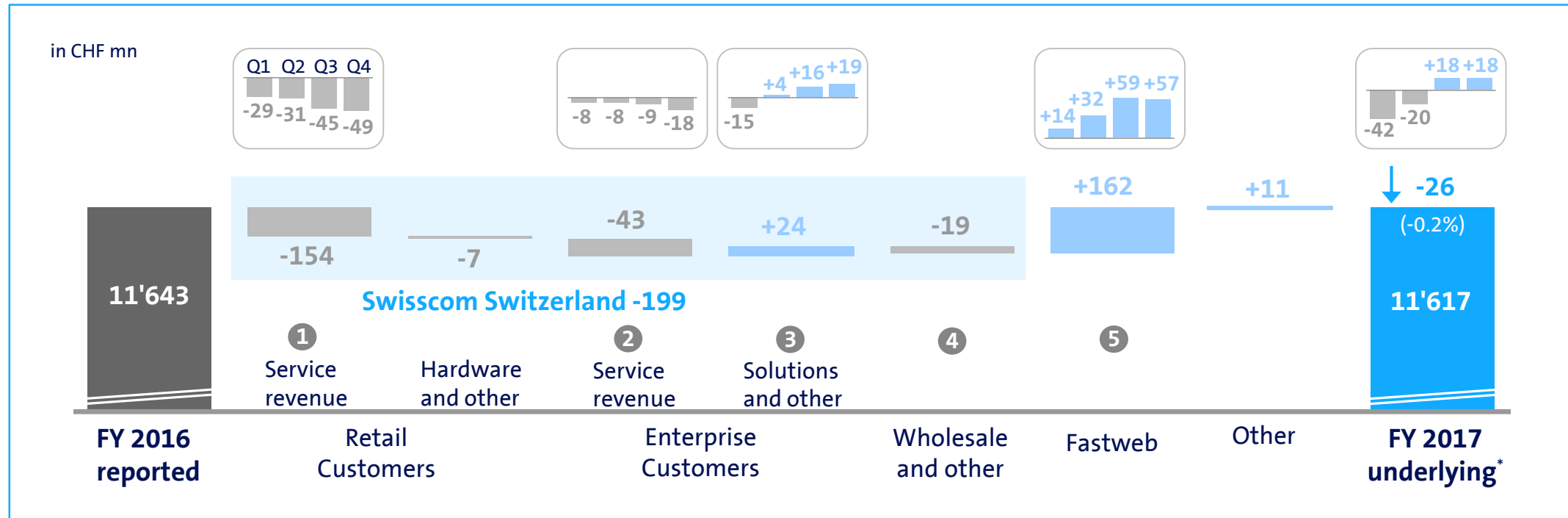




Revenue breakdown by segments

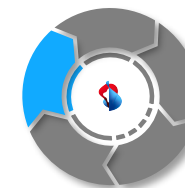
Price pressure weights on revenues in the Retail segment, Fastweb up

64



- ① Lower voice access lines
TV, BB and wireless RGUs affected by market saturation
Impacted by roaming, discounts and promotion
- ② Price pressure in wireless and wireline business
- ③ Solutions and hardware sales with revenue increase in Q3 and Q4
- ④ Lower revenue from decrease of MTR rates partly compensated by higher inbound roaming
- ⑤ Fastweb with strong growth in Q3 and Q4 mainly due to impacts from 4-weeks billing and TIM cooperation

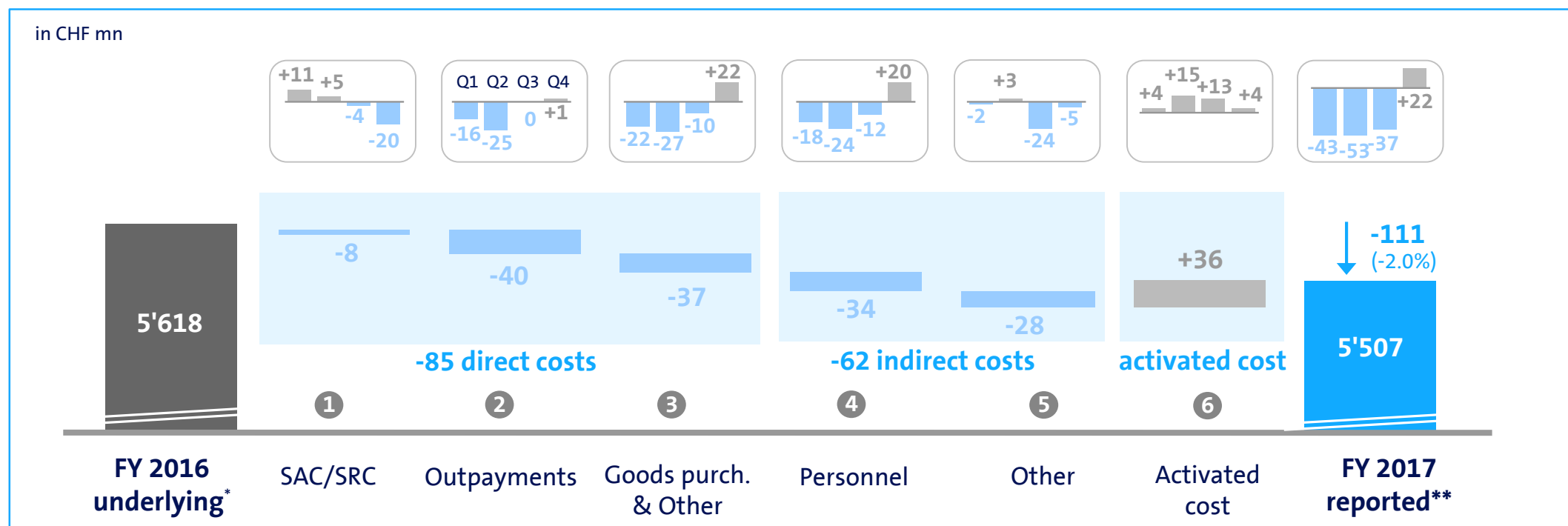
* At constant currency rate, excluding change exchange rate (CHF 45mn)



OPEX of Swisscom Switzerland

Delivering on cost transformation and reducing further indirect cost base

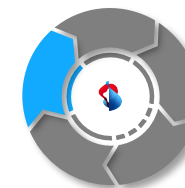
65



- ① SAC/SRC decreased as retention volume for wireless customers decreased
- ② Outpayments down primarily due to lower MTR tariffs and international voice termination, Q3 and Q4 flat as lower MTR compensated by higher roaming cost
- ③ Decrease driven by lower hardware
- ④ Operational excellence leads to a FTE reduction at Swisscom Switzerland of -719 YoY. Higher extra pension cost in Q4, compensated on group level.
- ⑤ Q3 and Q4 with seasonal effects (higher marketing and IT cost) and one-off items
- ⑥ Less activated cost alongside with lower CAPEX

* 2016 Excluding gain from sale of real estate (CHF 17mn), provisions for restructuring (CHF -20mn) and for other risks (CHF -20mn)

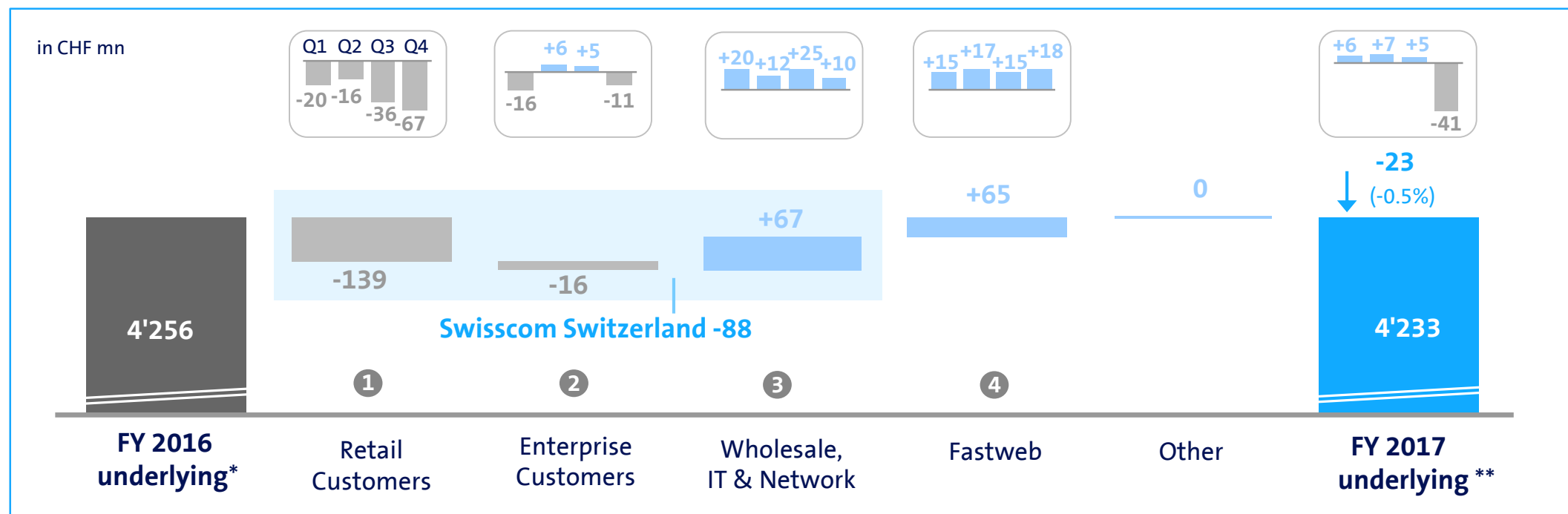
** 2017 Excluding gain from sale of real estate (CHF 4mn) and provisions for restructuring (CHF -61mn)



EBITDA breakdown by segments

Cost saving only partly compensate for top-line erosion, Fastweb solid

66

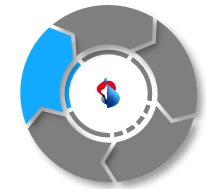


- ① Lower costs partly compensate lower service revenue. However decrease accelerated in Q3 and Q4 due to bundle discounts and promotions
- ② Price pressure in Telco services partly compensated by Solutions business and cost reduction, which led to a lower EBITDA (with better results in Q2-Q3)

- ③ Increase is supported by higher inbound roaming revenue
- ④ Fastweb with an increase, supported by higher customer base, retroactive change in regulated prices and impact from 4-weeks billing

* 2016 Excluding gain from sale of real estate (CHF 17mn), other income from litigations at Fastweb (CHF 60mn), provisions for restructuring (CHF -20mn) and for other risks (CHF -20mn)

** 2017 At constant currency rate, excluding gain from sale of real estate (CHF 4mn), provision for restructuring (CHF -61mn) and other income from litigations at Fastweb (CHF 102mn)



Underlying EBITDA changes of Swisscom Switzerland

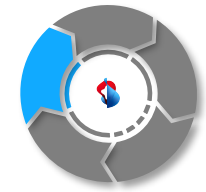
Primarily structural-driven changes impact the domestic margin evolution

67

	YOY impact	Quarterly evolution in CHF mn	FY impact in CHF mn	Outlook
		Q1 Q2 Q3 Q4		
Fixed voice lines	→	-19 -20 -19 -22	-80	→
Outbound roaming	↘	-11 -8 -23 -24	-66	→
Convergence discounts	↗	-4 -6 -11 -16	-37	↗
Indirect cost savings	↗	+20 +21 +36 -15	+62	↗
All other effects			+33	
Underlying EBITDA Δ of Swisscom Switzerland			Σ -88	



Overall unchanged tendencies for 2018 expected

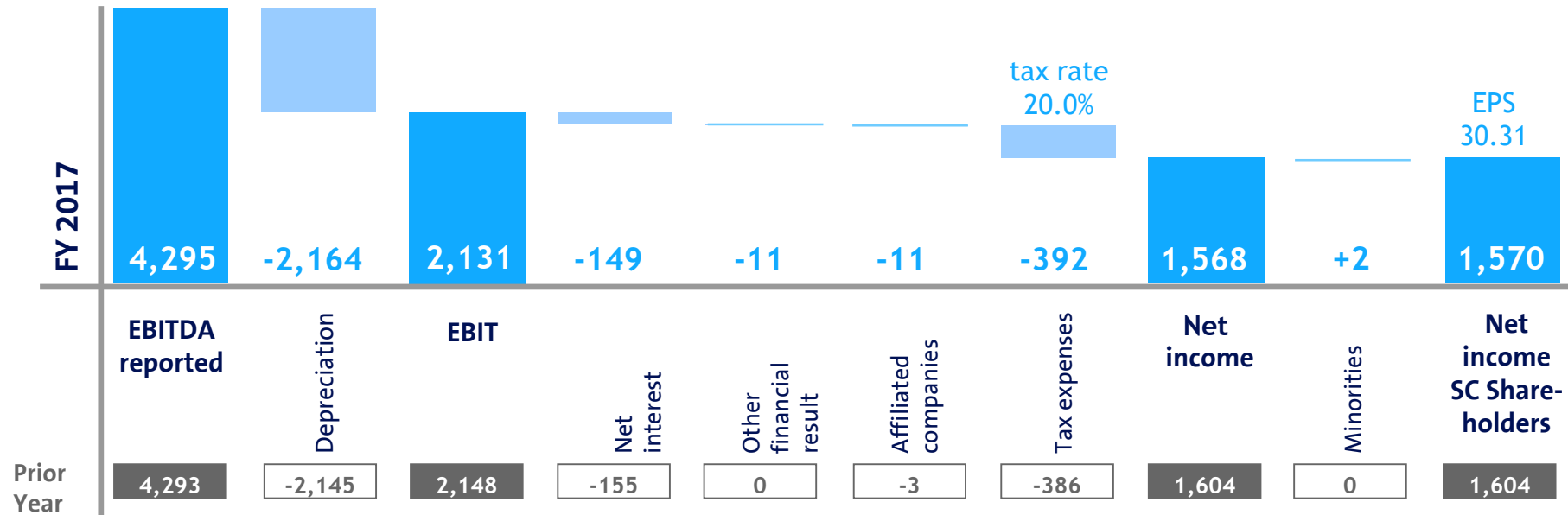


Net income

Overall sound bottom-line

68

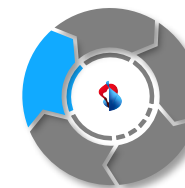
in CHF mn



> Long-term tax rate expected to be around 21%



Stable earnings per share of around CHF 30



IFRS 15 – the new revenue recognition accounting standard

Considerations and implications for Swisscom

69

Key points



> In general

- > IFRS 15 standard **effective from 1st Jan 2018**
 - > Handset subsidies allocated to hardware revenue (impacting service revenue)
 - > New rule only applies to own channels
- > Changes primarily impact the segments **Retail Customers** and **Fastweb**
- > **No** underlying **cashflow** effect

> Swisscom's approach from Q1 2018 onwards

- > Service and hardware **revenues reporting** and **ARPU** methodology remain according to **IAS 18** due to business reasoning and predictability
- > In addition **ARPU**s under **IFRS 15** available
- > **2017** figures will **not** be **restated**

Financial implications

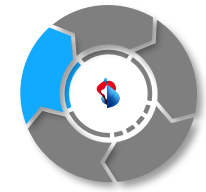


	Equity capital <i>as of 01.01.2018</i>	EBITDA <i>2018</i>
in CHF mn		
Total impact	~400	-50
	ARPU Wireless ¹⁾	ARPU Wireline ¹⁾
in CHF		
IAS 18	43	41
IFRS 15	~40	~40-41

1) ARPU Retail Customers



Implementation of IFRS 15 with limited impacts on Swisscom's accounts

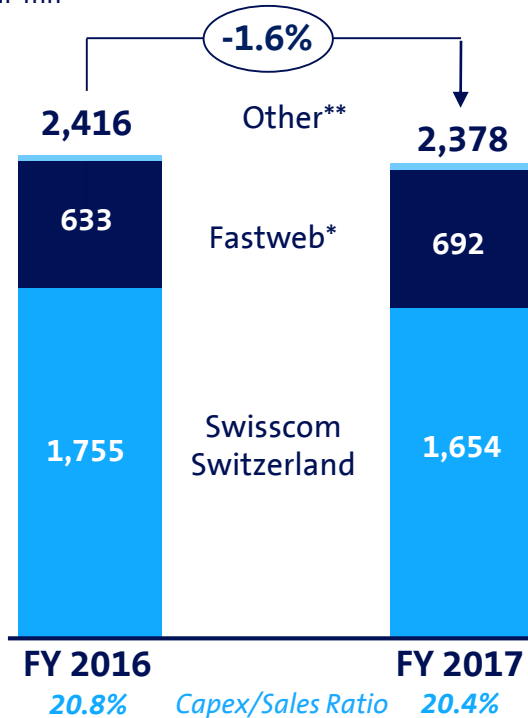


Capital expenditure

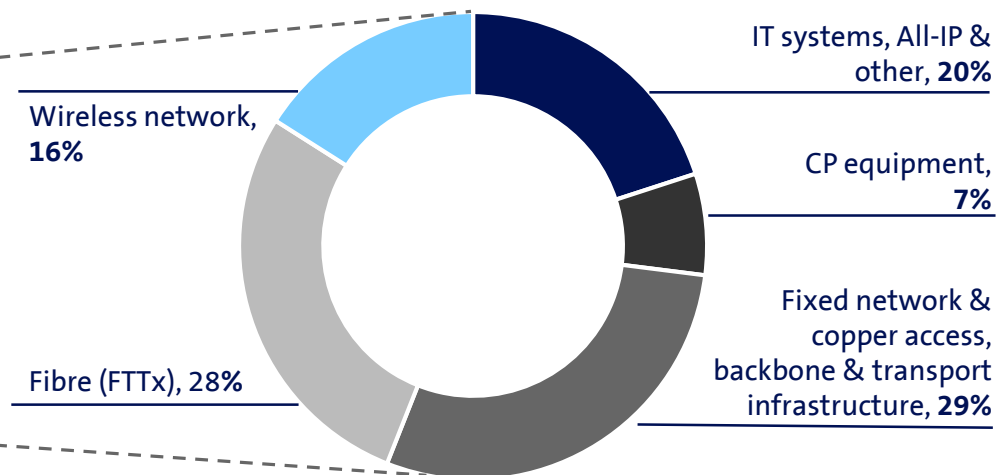
Investing to maintain fixed and mobile network leadership

70

in CHF mn

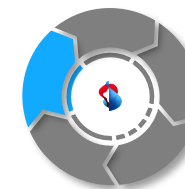


CAPEX split – Swisscom Switzerland 2017



- FTTx investment pace in Switzerland remains on a high level
- Swisscom Switzerland down by CHF -101mn YOY driven by lower customer driven CAPEX as well as less project volume
- In local currency Fastweb up by 7.1% due to higher customer driven CAPEX

* In local currency FY 2017: EUR 622mn, FY 2016: EUR 581mn, ** FY 2017 CHF 32mn, FY 2016 CHF 28mn

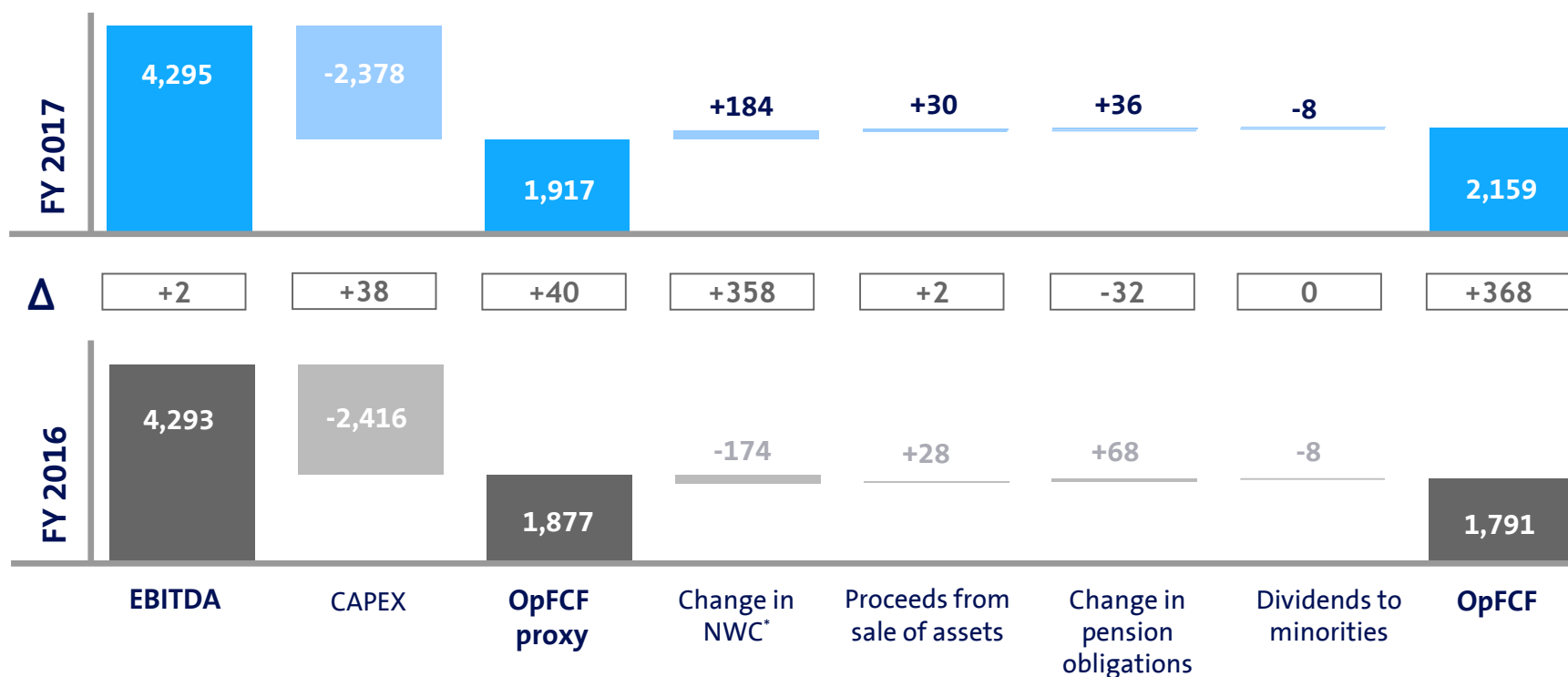


Operating free cash flow

Increase in cash from operating activities partly due to extraordinary item

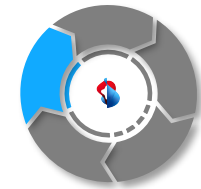
71

in CHF mn



- Prepayment of FeAC** sanction (CHF 186mn) in Q1 2016 led to higher net working capital compared to YE 2015
- Lower net working capital compared to YE 2016 mainly as a result of decreasing trade receivables
- In 2017 lower positive change in pension obligations due to an expected extraordinary payment (CHF 50mn)

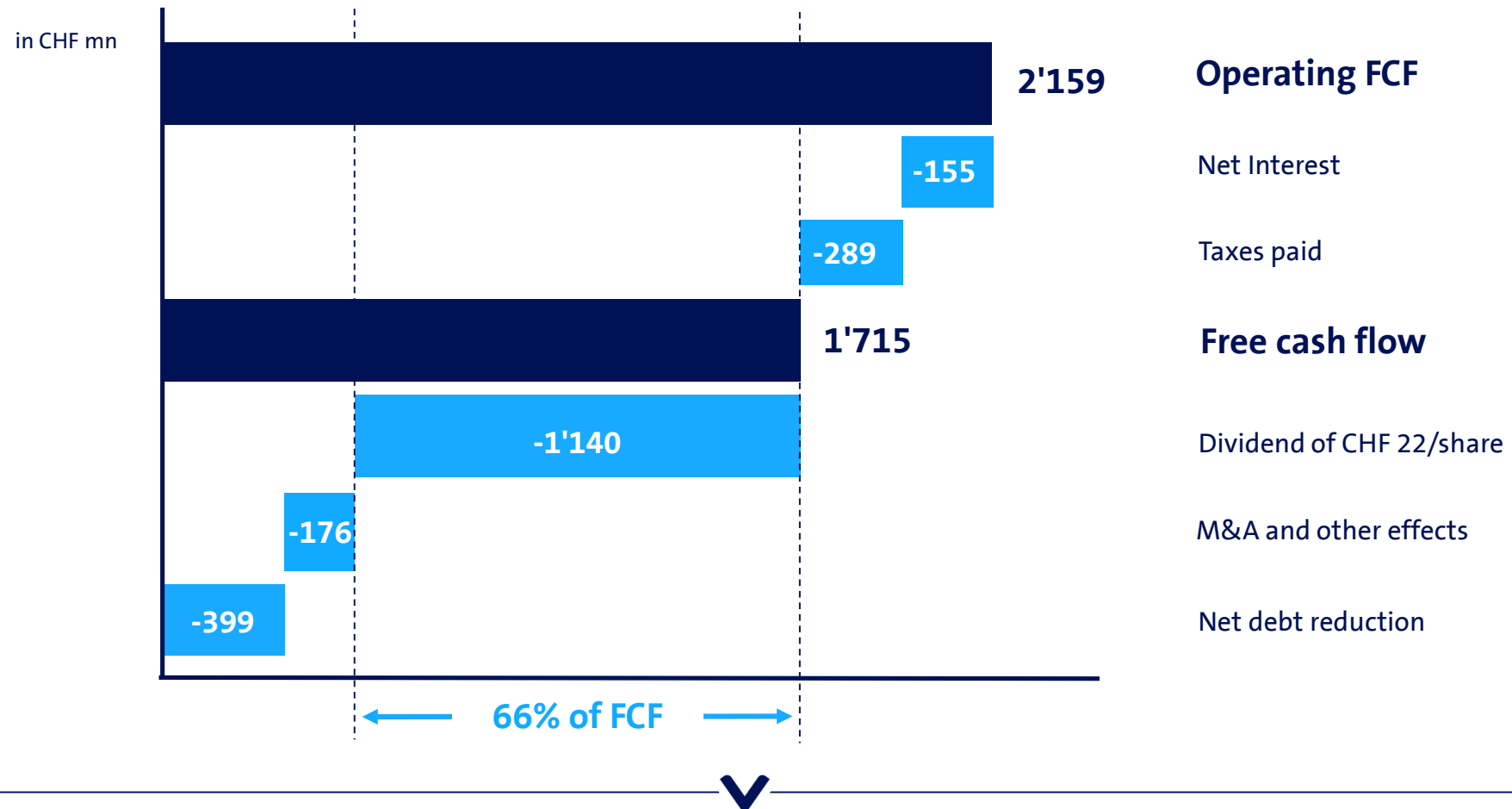
* Change in net working capital and other cash flow from operating activities, ** Federal Administrative Court



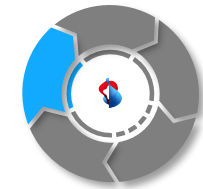
Use of 2017 free cash flow

Two thirds of free cash flow used for shareholder payments

72



Net debt reduction of CHF 399mn leads to a net debt/EBITDA ratio of 1.7x



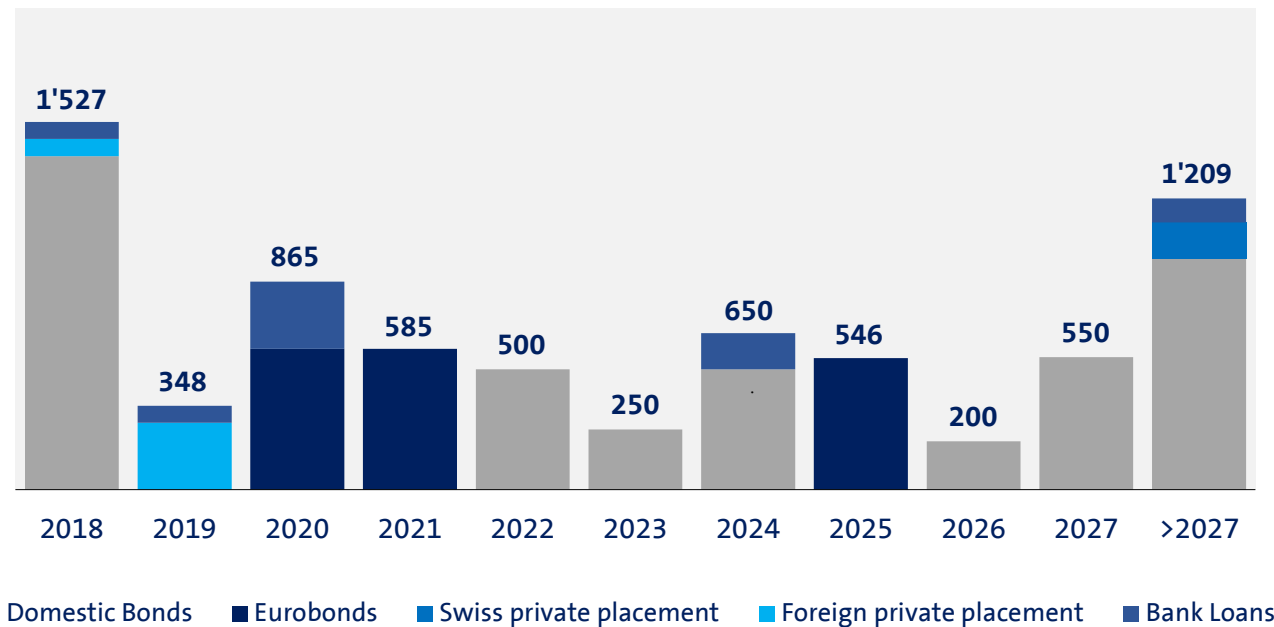
Smooth maturity profile

Further improvement of financing costs expected in 2018

73

Maturity profile as per 31.12.2017*

in CHF mn

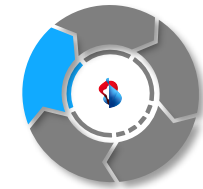


- > Several refinancing transactions lower our interest expense in **2018** by **CHF 25mn**, with full impact in **2019** in the range of another **CHF 25mn**
- > **Duration** increased to **5.3 years**
- > Average interest rate of portfolio (incl. derivatives) of **1.7%**
- > Active management of interest rate risk within well defined risk limits: **84% fix, 16% floating**
- > Refinancing need for 2018 of approx. **CHF 1bn**
- > Sources for refinancing: **Euro** and **domestic capital markets**

* excl. short-term money market borrowings



Financial policy characterised by sustainable and conservative approach



Shareholder distribution for the fiscal year 2017

Reliable dividend payments in harmony with cash flow and capital allocation

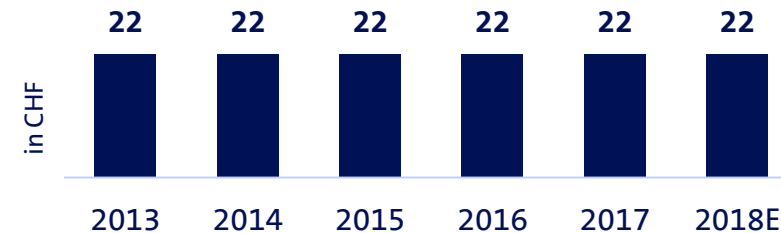
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Dividend policy



- > Swisscom targets a **solid shareholder distribution** aligned with **cash flow generation** and **capital allocation**
- > Committed to preserve a **solid single A Rating** and a targeted **equity ratio** of around **30%** and an (unadjusted) **net debt/EBITDA ratio** of around **1.9x**

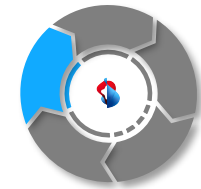
Payments per share



- > **Since 2011**, Swisscom paid-out a **stable** shareholder remuneration of CHF 22/share
- > Dividend **proposal to AGM** (4 April 2018): **CHF 22 per share** for the fiscal year 2017
- > **Time table 2018**: 5 April last trading date with entitlement to dividend, 6 April ex-date, 10 April payment date



Swisscom's dividend approach: stable and predictable



Guidance

Net revenue of CHF ~11.6bn, EBITDA ~4.2bn and CAPEX <2.4bn

75

in CHF mn	2017 reported	Adjustments	2017 pro forma	Expected YOY change Swisscom w/o Fastweb	Expected YOY change Fastweb	IFRS 15 impact	2018 outlook **	Splits into:
Revenue	11'662			< 0	> 0	-10	~ 11'600	~ CHF 9.2bn for Swisscom w/o Fastweb + > € 2.0bn for Fastweb
EBITDA	4'295	- 41*	4'254	< 0	> 0	- 50	~ 4'200	~ CHF 3.4bn for Swisscom w/o Fastweb + ~ € 0.7bn for Fastweb
CAPEX	2'378			< 0	> 0	-	< 2'400	> CHF 1.6bn for Swisscom w/o Fastweb + ~ € 0.6bn for Fastweb

Fixed voice lines -
 Outbound roaming -
 Convergence discounts --
 B2B price pressure -
 Operational excellence ++

Industrial performance +
 FX effect +

* Consists of income from litigations at Fastweb (CHF 102mn) and provisions for restructuring (CHF -61mn)

** For consolidation purposes, CHF/EUR of 1.16 has been used (vs. 1.11 for fiscal year 2017)

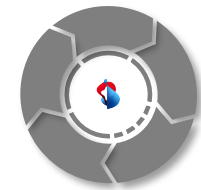


Upon meeting its 2018 targets, Swisscom plans to propose again a dividend of CHF 22/share



Appendix

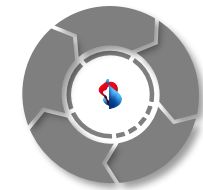




Key financials - reported vs. underlying

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in CHF mn	2016				2017				Change Q/Q			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue, reported	2'885	2'884	2'874	3'000	2'831	2'859	2'914	3'058	-54	-25	+40	+58
o/w currency effect					-12	-5	+22	+40	-12	-5	+22	+40
Revenue, underlying change									-42	-20	+18	+18
EBITDA, reported	1'081	1'146	1'080	986	1'073	1'187	1'094	941	-8	+41	+14	-45
o/w provision for other risks				-20								+20
Gain from sale of real estate	10	5	1	1				4	-10	-5	-1	+3
Restructuring				-20				-61				-41
Other income from litigations (Fastweb)		60				102				+42		
Currency effect					-4	-3	+10	+14	-4	-3	+10	+14
EBITDA, underlying change									+6	+7	+5	-41



Retail Customers - segment reporting

78

Net revenue decreased driven by lower service revenue.

Service revenue decreased (-2.8%) due to lower access lines, lower roaming revenue (price decrease data packages, inclusion additional voice and data volumes in inOne price plans), higher discount volumes (inOne) and the abundance of TV activation fees.

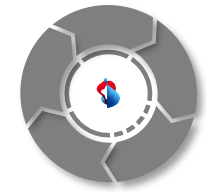
Contribution margin 2 decreased by 3.8%. Lower service revenue and higher cost for roaming, lower indirect cost (mainly personnel) partly compensate.

	Q4 2017	Q4/Q4	31.12.2017	YoY
Net revenue in MCHF ¹⁾	1'536	-3.3%	6'053	-3.4%
Direct costs in MCHF	-421	2.4%	-1'397	-2.1%
Indirect costs in MCHF ²⁾	-315	1.6%	-1'144	-3.6%
Contribution margin 2 in MCHF	800	-7.7%	3'512	-3.8%
<i>Contribution margin 2 in %</i>	<i>52.1%</i>		<i>58.0%</i>	
CAPEX in MCHF	66	46.7%	186	-0.5%
FTE's	-93		5'638	-7.0%
 Broadband lines in '000 ³⁾	 +14		 1'976	 1.1%
Voice lines in '000 ³⁾	-71		1'840	-13.8%
Wireless customers Prepaid in '000	+15		1'995	-3.2%
Wireless customers Postpaid in '000 ³⁾	+42		3'375	2.1%
Blended wireless ARPU MO in CHF	35	-7.9%	37	0.0%
TV subs in '000 ³⁾	+14		1'467	3.5%

1) incl. intersegment revenues

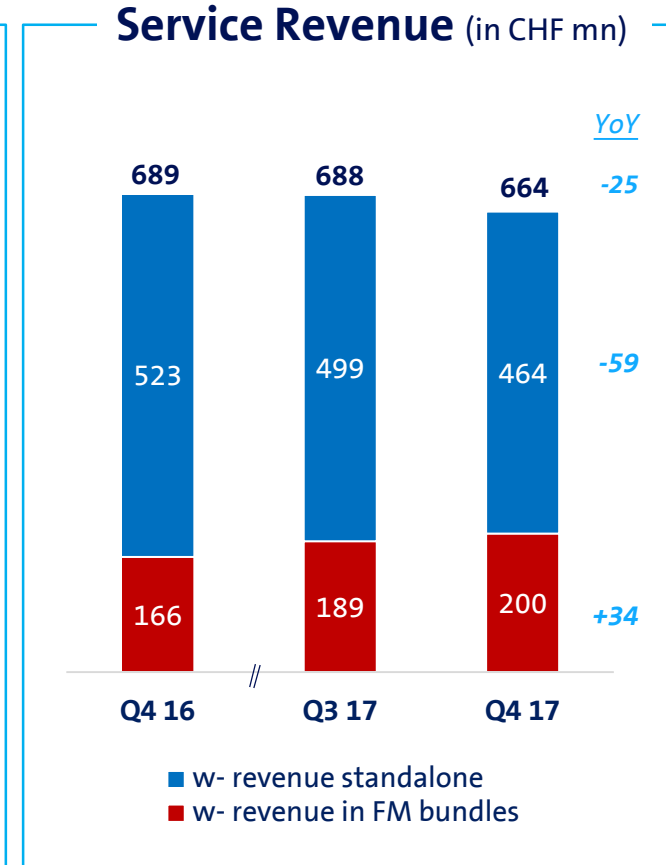
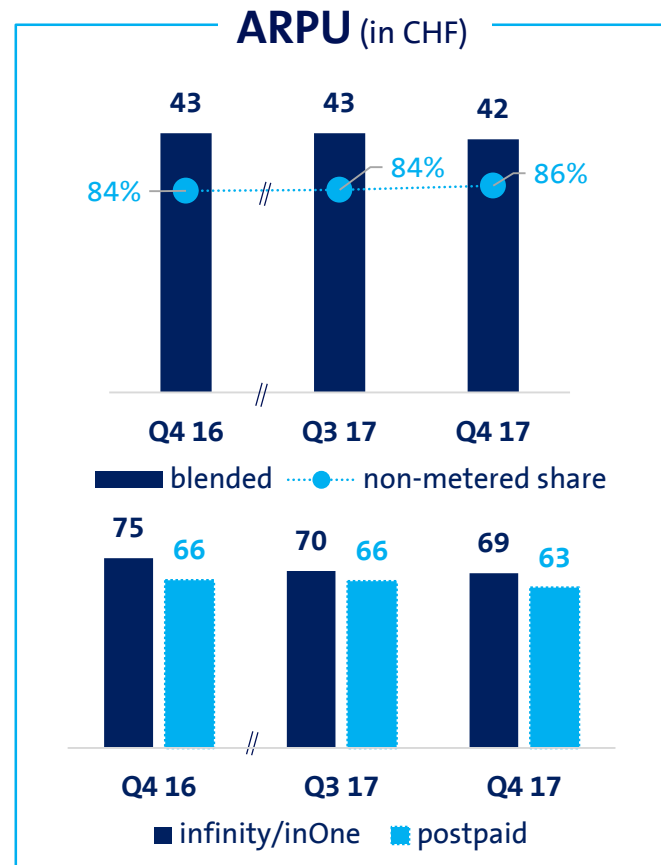
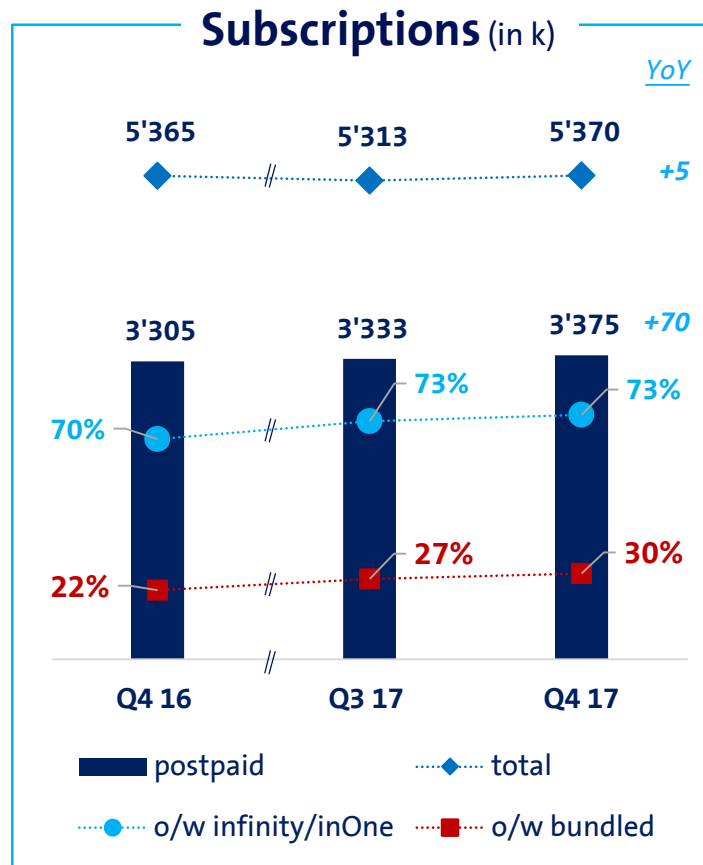
2) incl. capitalised costs and other income

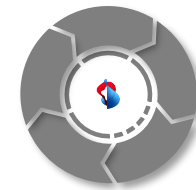
3) sum of single play and bundles



Retail Customers - wireless performance

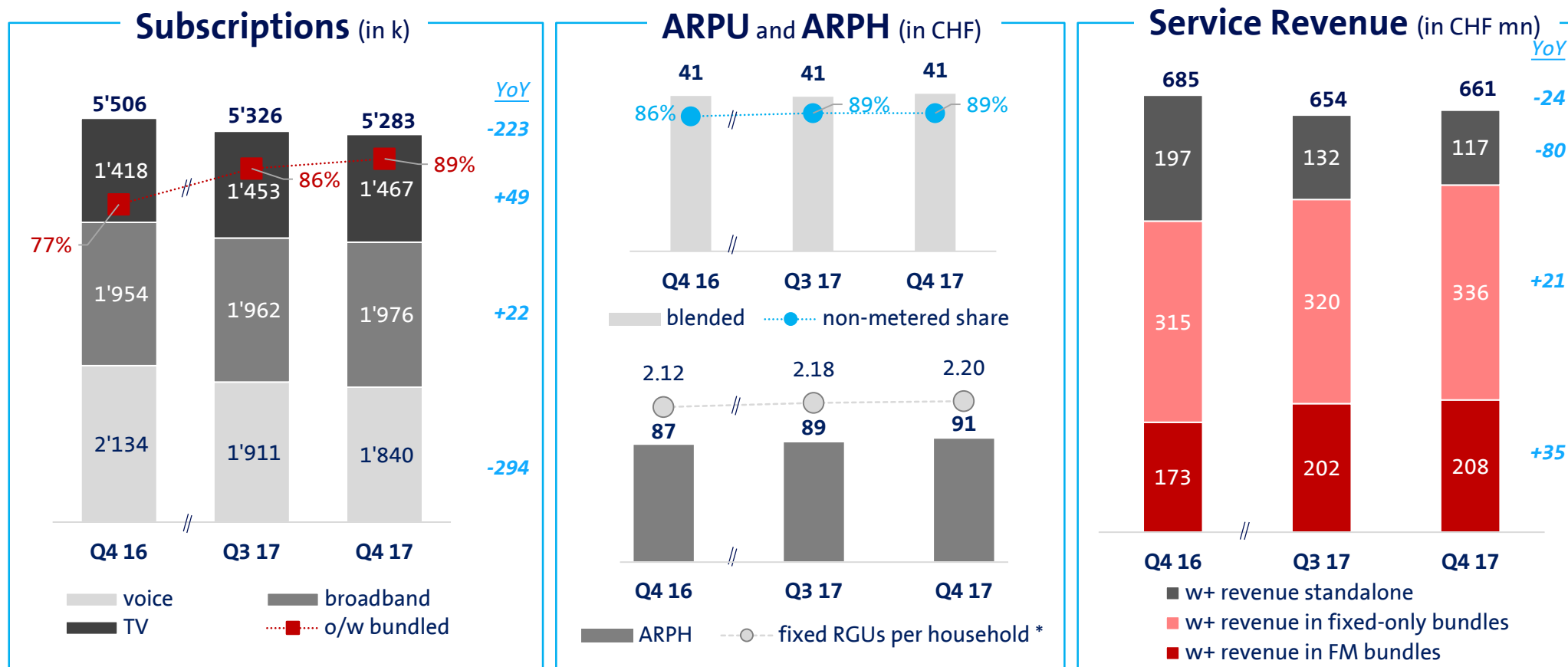
79



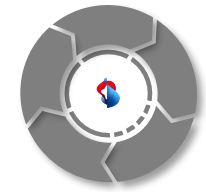


Retail Customers - wireline performance

80



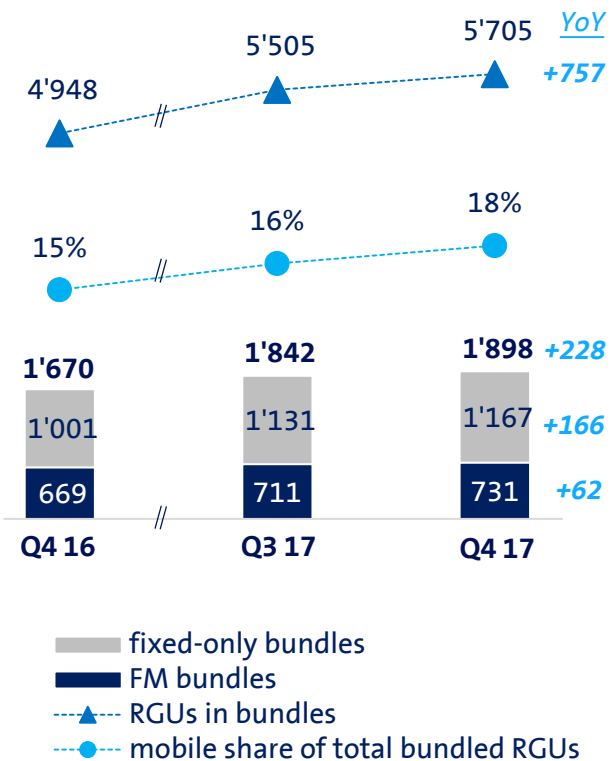
* HH = total broadband subscriptions + [total 1P voice subs – total 1P broadband subs]



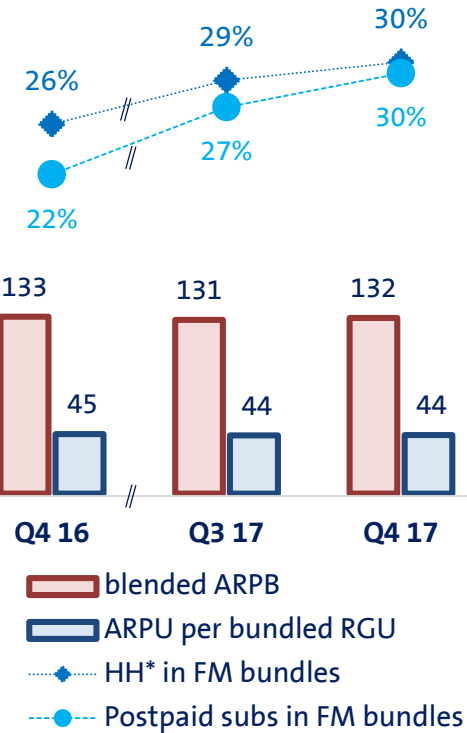
Retail Customers - convergence performance

81

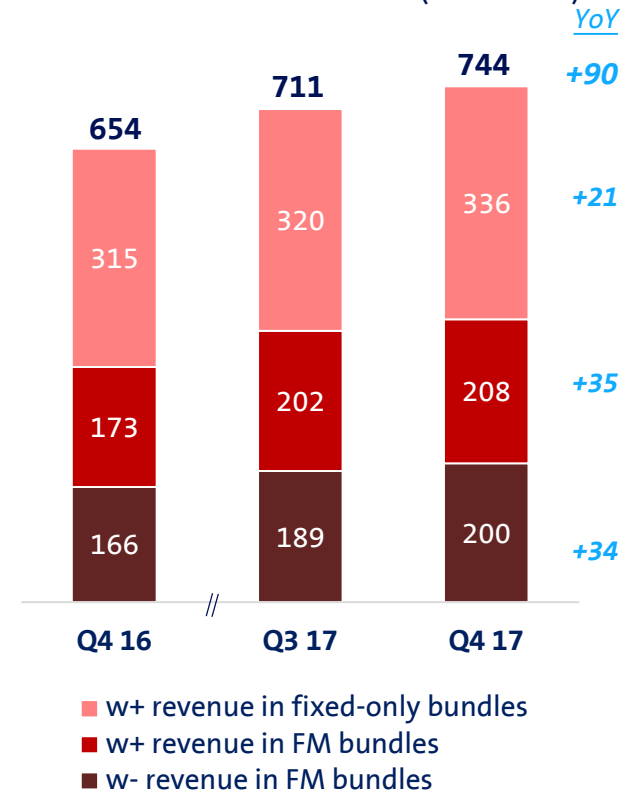
Subscriptions and Bundles (in k)



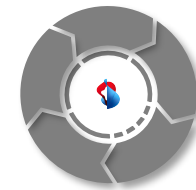
ARPB/U (in CHF) and FM penetration (in %)



Service Revenue (in CHF mn)



* HH = total broadband subscriptions + [total 1P voice subs – total 1P broadband subs]

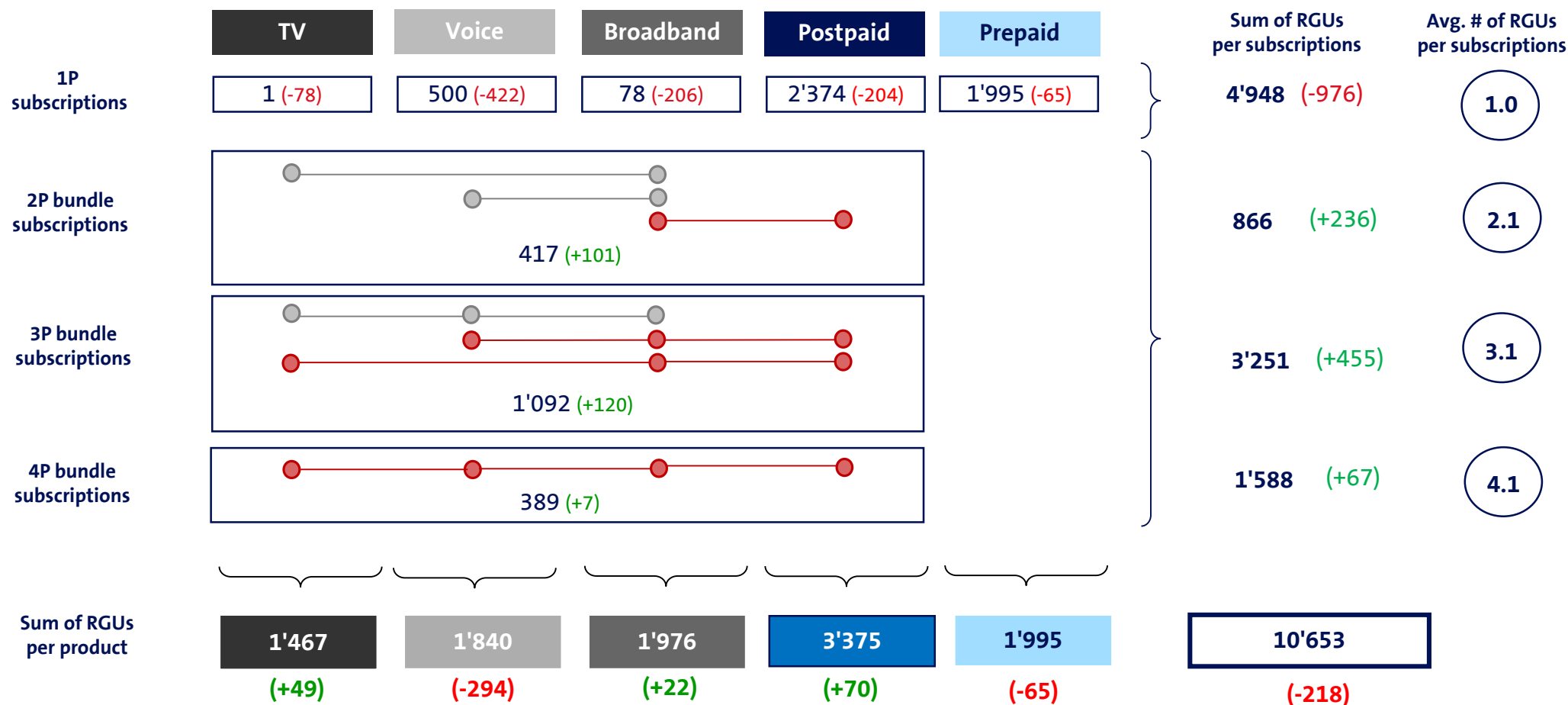


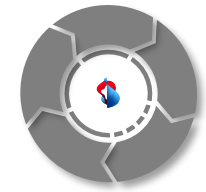
Retail Customers - RGUs and 1P-4P bundle subscriptions as per YE 2017

82

Retail Customers

In k, YTD (change to 31.12.2016 in brackets)



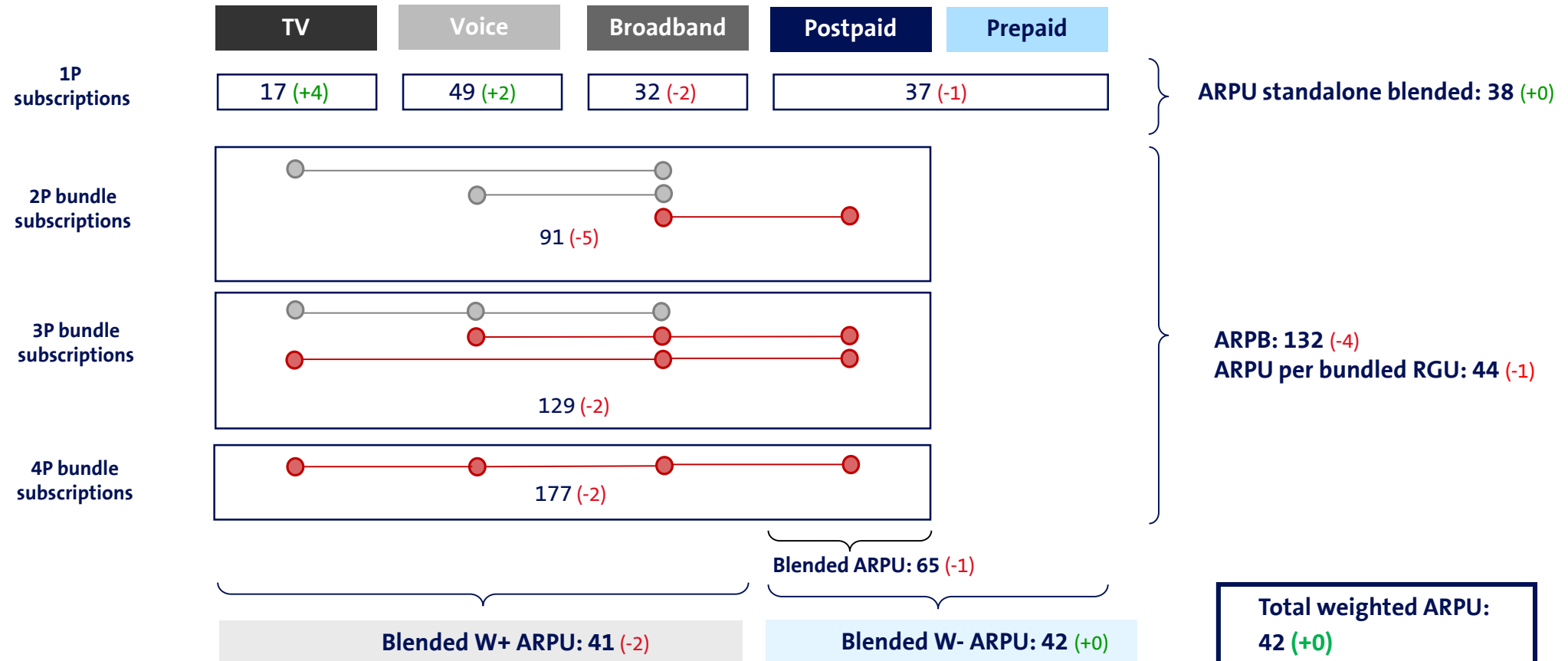


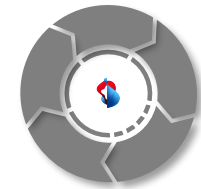
Retail Customers - FY 2017 ARPUs

83

Retail Customers

In CHF YTD, (Change to 31.12.2016 in brackets)



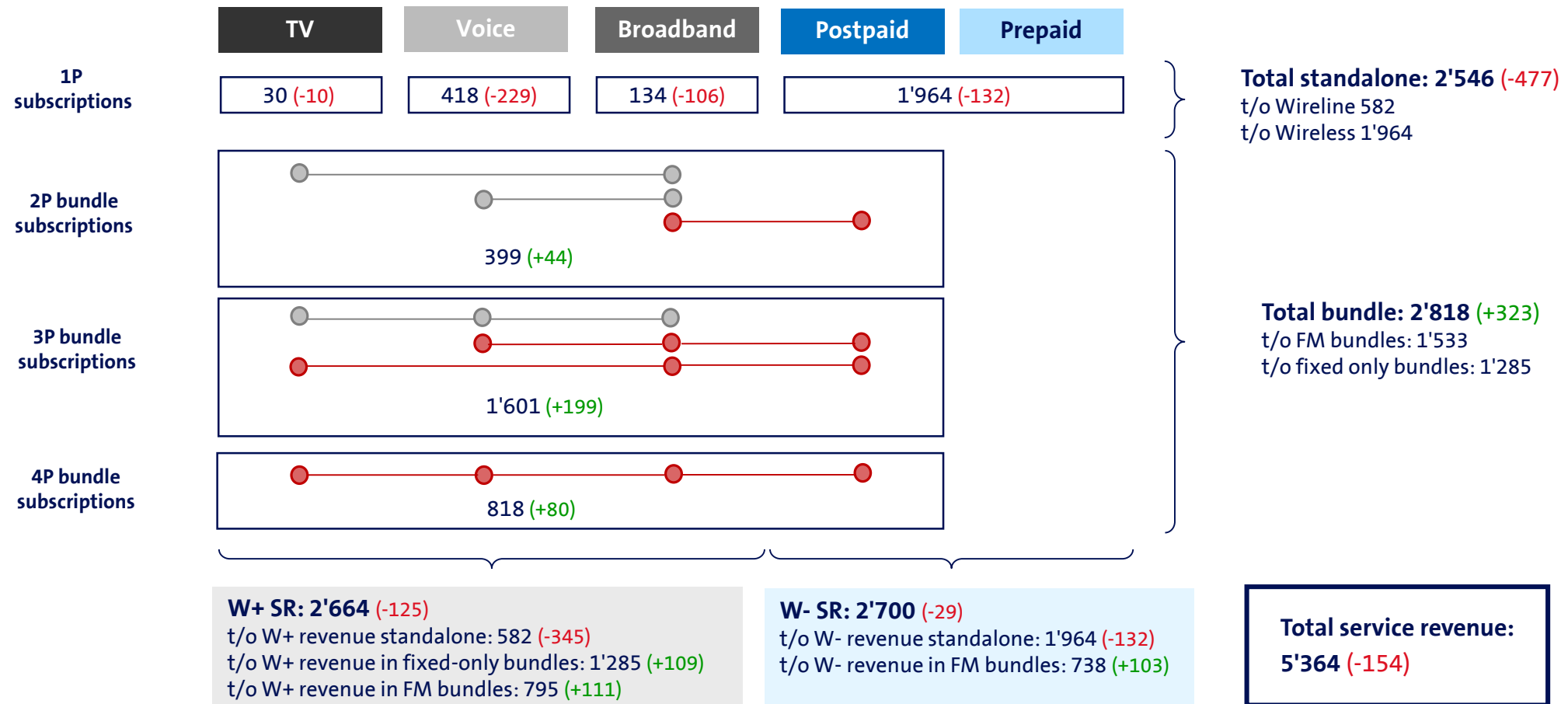


Retail Customers - FY 2017 service revenue

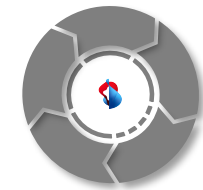
84

Retail Customers

In CHF mn YTD, (Change to 31.12.2016 in brackets)



SR = Service Revenue



Enterprise Customers - segment reporting

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Net revenue down -1.3%, decrease in service revenue (-3.8%) due to price erosion and reduced access volumes, solutions revenue partly compensate.

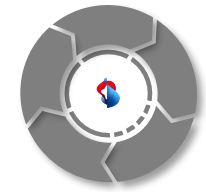
Solutions revenue up +1.1%, higher revenue for Verticals and Cloud services mostly compensated by lower revenue for UCC and Workplace business with customer- and project-driven patterns.

Contribution margin 2 decreased by -1.9%, lower cost partly compensate lower service revenue.

	Q4 2017	Q4/Q4	31.12.2017	YoY
Net revenue in MCHF ¹⁾	657	-0.3%	2'508	-1.3%
Direct costs in MCHF	-202	-2.9%	-728	-5.7%
Indirect costs in MCHF ²⁾	-253	6.3%	-948	3.0%
Contribution margin 2 in MCHF	202	-5.2%	832	-1.9%
<i>Contribution margin 2 in %</i>	<i>30.7%</i>		<i>33.2%</i>	
CAPEX in MCHF	21	-34.4%	72	-42.9%
FTE's	-17		4'605	-1.0%
Broadband lines in '000	+0		38	0.0%
Voice lines in '000	-10		207	-11.2%
Wireless customers in '000	-1		1'267	1.6%
Blended wireless ARPU MO in CHF	32	-11.1%	32	-8.6%

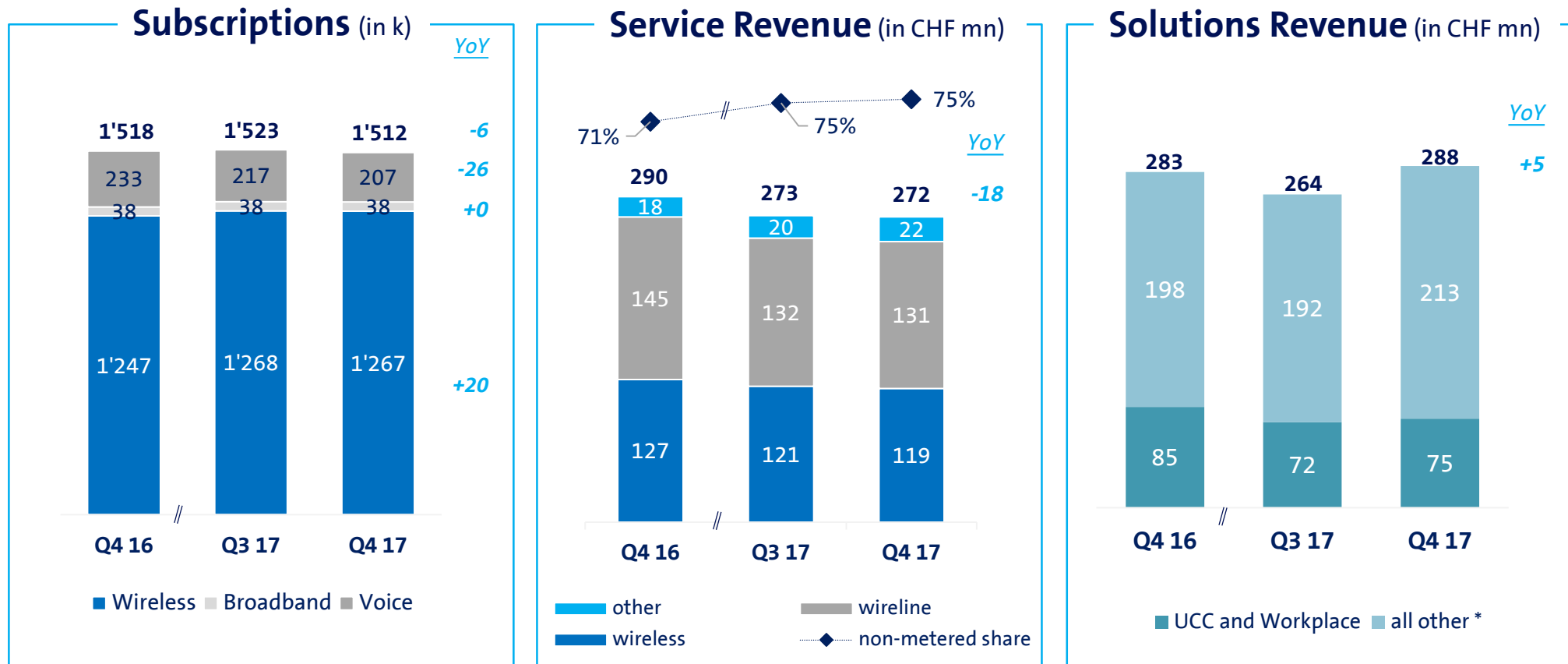
1) incl. intersegment revenues

2) incl. capitalised costs and other income

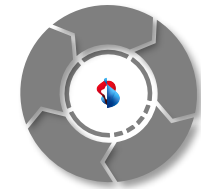


Enterprise Customers - subs and revenue performance

86



* Consists of revenues from vertical businesses, digital solutions, cloud and network services and other solutions



Wholesale - segment reporting

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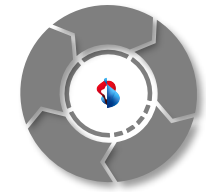
Revenue from external customers down 2.2%. Lower revenue from lower mobile termination fees partly compensated by higher inbound roaming volumes.

Intersegment revenue down as lower outpayments (lower termination fees) are invoiced to the customer units.

Higher inbound roaming volumes and revenue positively impact Contribution Margin 2 (up 17.7%).

	Q4 2017	Q4/Q4	31.12.2017	YoY
External revenue in MCHF	148	-4.5%	578	-2.2%
Intersegment revenue in MCHF	98	5.4%	366	-5.7%
Net revenue in MCHF	246	-0.8%	944	-3.6%
Direct costs in MCHF	-124	-7.5%	-478	-14.9%
Indirect costs in MCHF ¹⁾	-6	n.m.	-20	n.m.
Contribution margin 2 in MCHF	116	30.3%	446	17.7%
Contribution margin 2 in %	47.2%		47.2%	
CAPEX in MCHF	-		-	
FTE's	+1		88	0.0%
Full access lines in '000	-7		107	-16.4%
BB (wholesale) lines in '000	+16		435	19.5%

1) incl. capitalised costs and other income



Wholesale - access portfolio

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Solution Business

Carrier Line Service Basic und Premium

- > Dedicated high-quality Point-to-Point Data Transmission, 2M to 100G symmetric

Carrier Ethernet Service Basic und Premium

- > Layer 2 Service for low-cost and flexible Ethernet connections, 2M to 10G symmetric

Low End Copper and Low End Fiber

- > cost-efficient low-end-access, 2M to 1G symmetric

Mass Market

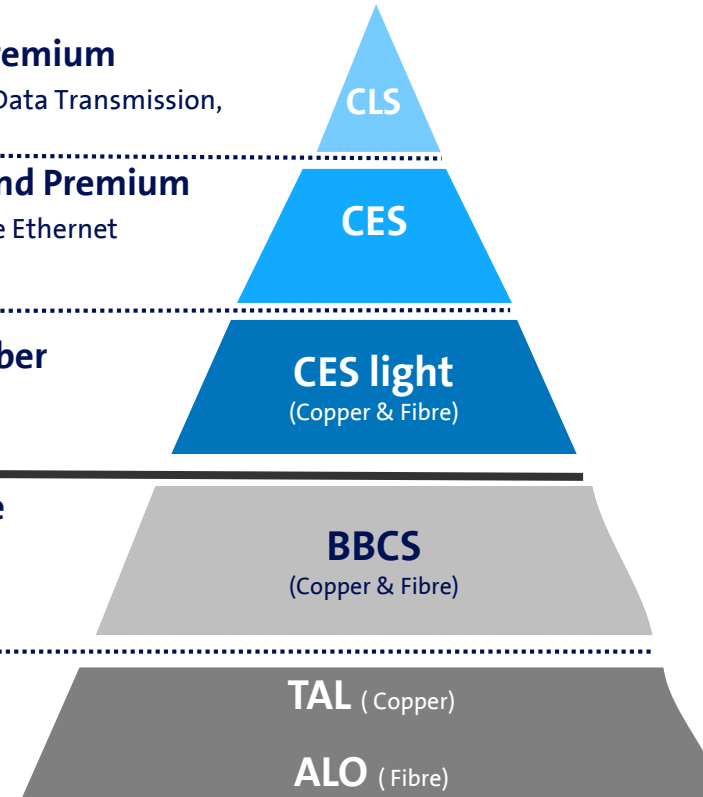
Broadband Connectivity Service

- > Swiss-wide broadband access, 2M to 1G

Unbundled Line (TAL)

Access Line Optical (ALO)

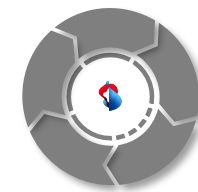
- > Layer 1 line rental



Monthly mass market prices ¹

Broadband Connectivity Service BBCS, Layer 3, 15/3 Mbit/s	CHF 23
Broadband Connectivity Service BBCS, Layer 3, 40/8 Mbit/s	CHF 24
Broadband Connectivity Service BBCS, Layer 3, 100/20 Mbit/s	CHF 27
Unbundled Access Line TAL, Layer 1, Copper*	CHF 12.70
Access Line Optical ALO, Layer 1, Fibre*	CHF 29

¹ From 1st March 2018 onwards



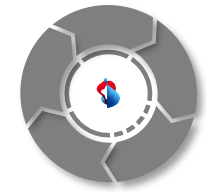
IT, Network and Infrastructure - segment reporting

89

2017 and prior year include provisions for restructuring and other one-off-items. On a comparable basis, Contribution margin 2 improved by 1.6%.

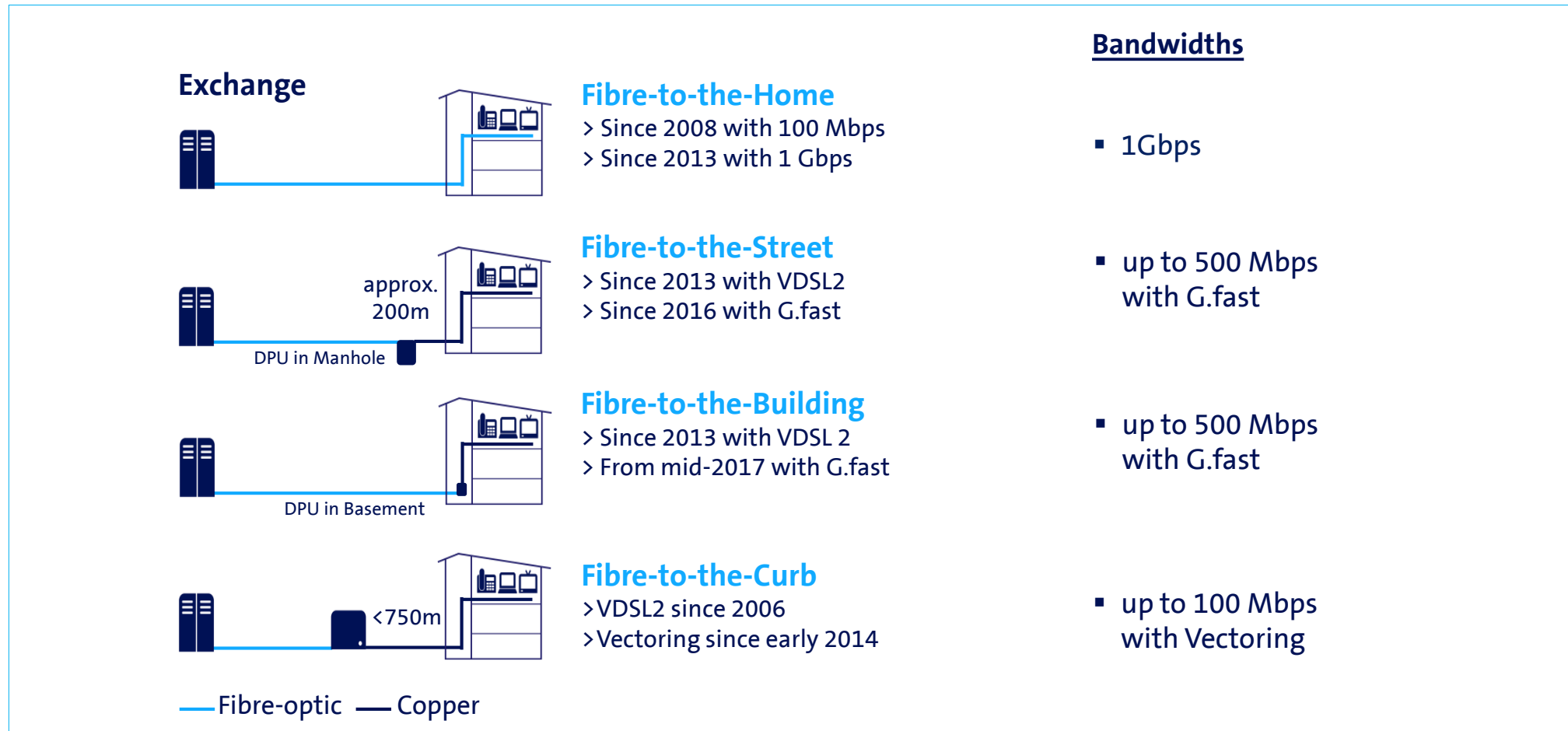
Capitalised costs and other income down due to lower activated costs (alongside with lower CAPEX).

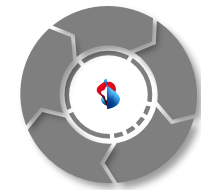
	Q4 2017	Q4/Q4	31.12.2017	YoY
Net revenue in MCHF	42	0.0%	167	-3.5%
Direct costs in MCHF	-3	-	-12	-
Personnel expenses in MCHF	-265	22.1%	-875	3.4%
Rent in MCHF	-55	12.2%	-207	5.1%
Maintenance in MCHF	-52	0.0%	-186	0.5%
IT expenses in MCHF	-58	9.4%	-204	8.5%
Other OPEX in MCHF	-130	-6.5%	-438	-10.6%
Indirect costs in MCHF	-560	9.8%	-1'910	0.2%
Capitalised costs and other income in MCHF	141	17.5%	465	-3.7%
Contribution margin 2 in MCHF	-380	8.6%	-1'290	2.2%
Depreciation, amortisation and impairment in MCHF	-317	0.0%	-1'275	3.7%
Segment result in MCHF	-697	4.5%	-2'565	3.0%
CAPEX in MCHF	484	22.5%	1'396	-3.2%
FTE's	-41		4'826	-4.9%



Network - overview of fixed infrastructure

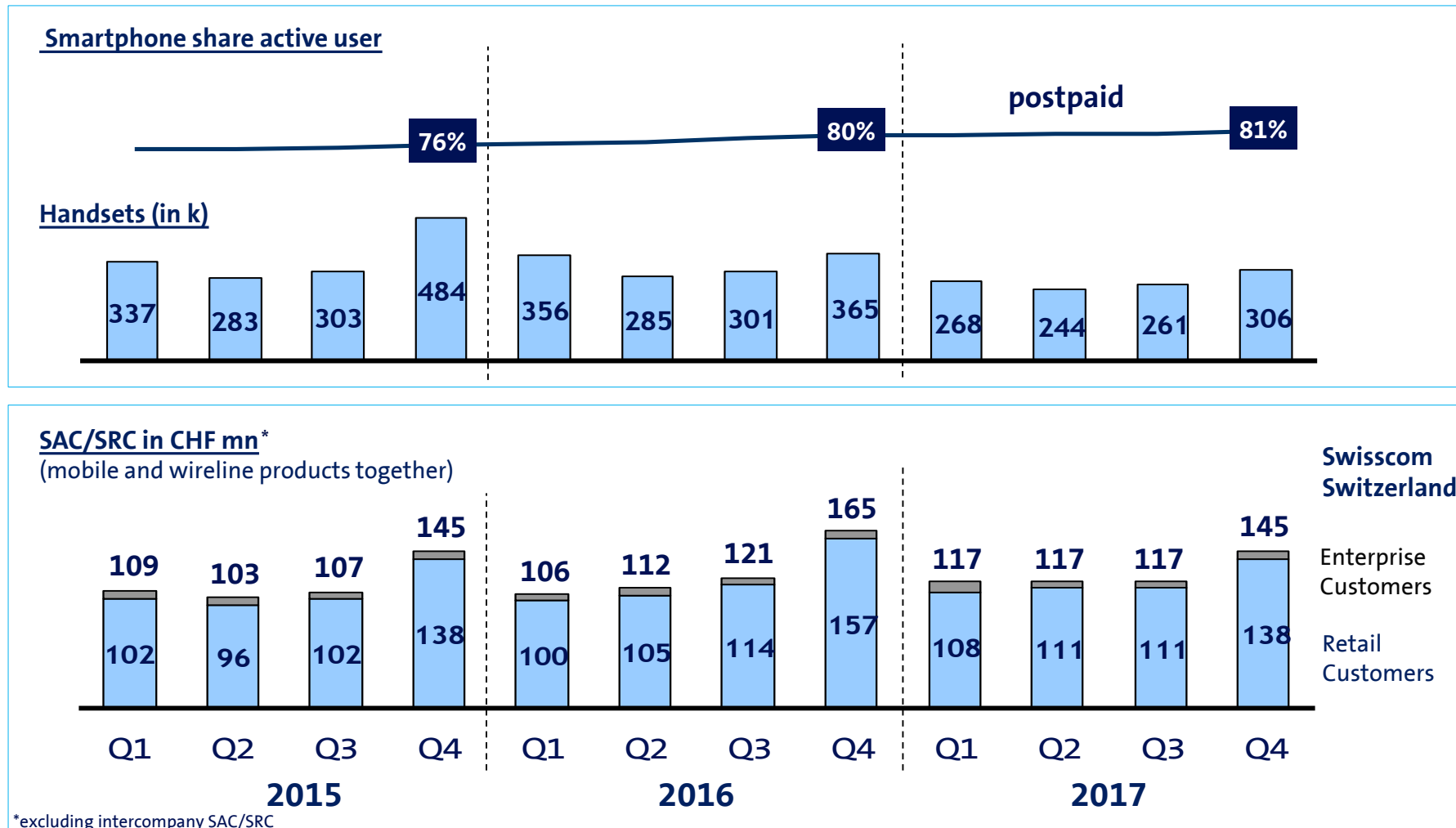
90

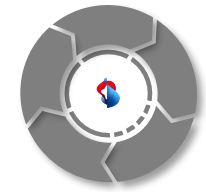




Swisscom Switzerland - overview of sold handsets and SAC / SRC

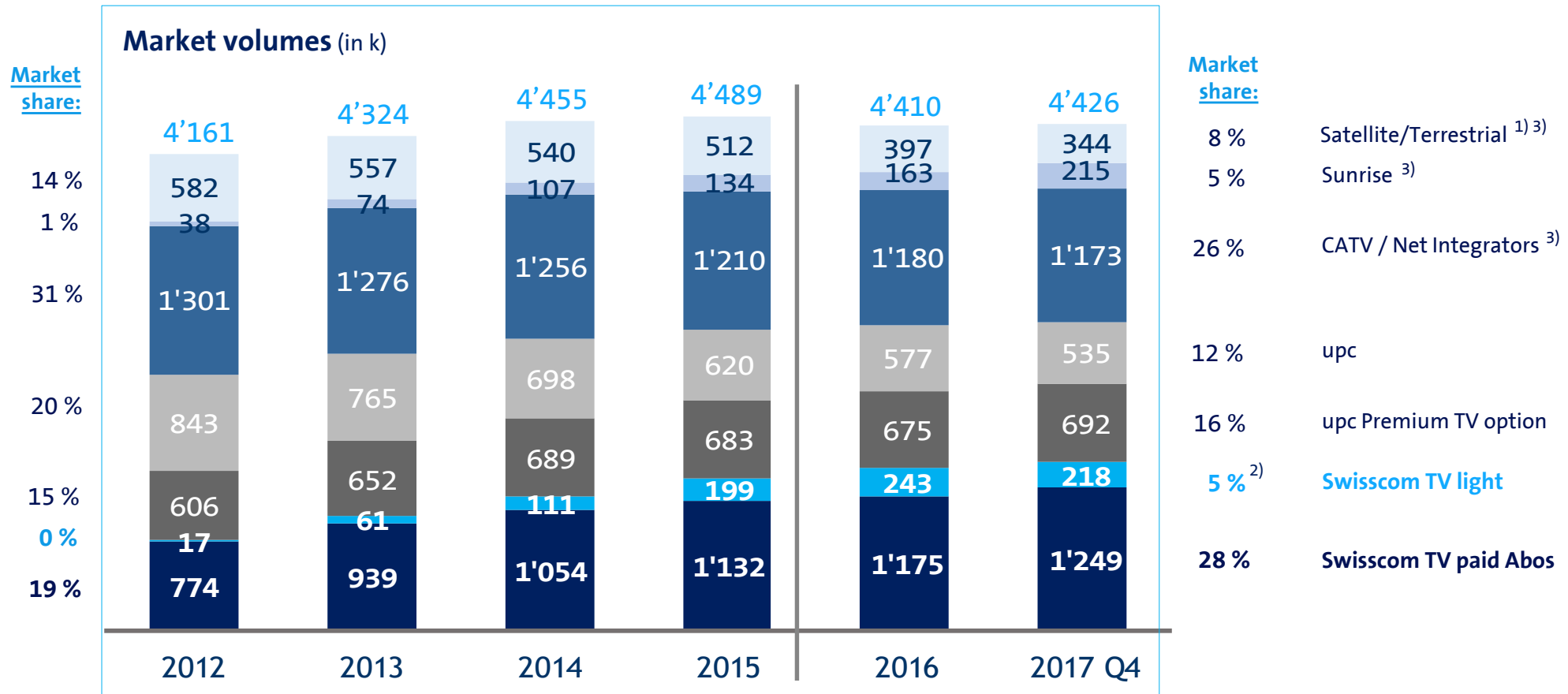
91





Swisscom Switzerland - overview of TV market in Switzerland

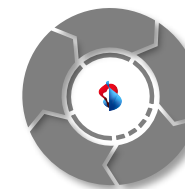
92



1) Time series modified

2) Figures (2016 and Q4 2017) and Market share exclude non-active TV light customers

3) Estimates for Q4 2017



Fastweb - segment reporting

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Consumer revenue up by 8.8% YOY. Price pressure due to competition overcompensated by the increase in customer base and introduction of 4 weeks billing cycle.

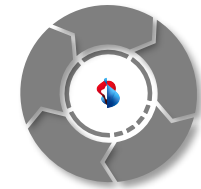
EBITDA up by 14.8 YOY, including an income from a settlement of a legal dispute of EUR 95mn (EUR 55mn in previous year).

On a comparable basis EBITDA up by +9.6%, driven by the revenue increase and retroactive lower prices for purchased wholesale products.

	Q4 2017	Q4/Q4	31.12.2017	YoY
Consumer revenue in MEUR	263	13.9%	986	8.8%
Enterprise revenue in MEUR	192	1.6%	710	0.6%
Wholesale revenue in MEUR ¹⁾	75	31.6%	248	35.5%
Net revenue in MEUR ¹⁾	530	11.1%	1'944	8.3%
OPEX in MEUR ²⁾	-344	12.4%	-1'185	4.5%
EBITDA in MEUR	186	8.8%	759	14.8%
EBITDA margin in %	35.1%		39.0%	
CAPEX in MEUR	181	19.9%	622	7.1%
FTE's	-5		2'504	1.5%
BB customers in '000	+30		2'451	4.1%
Wireless customers in '000	+76		1'065	57.5%
In consolidated Swisscom accounts				
EBITDA in MCHF	217	17.3%	845	17.2%
CAPEX in MCHF	208	27.6%	692	9.3%

1) incl. revenues to Swisscom companies

2) incl. capitalised costs and other income



Other - segment reporting

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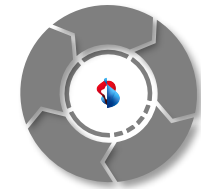
*Net revenue up by 7.7%
YoY due to higher revenue
at Cablex for construction
services for Swisscom
Switzerland.*

*EBITDA increase revenue
driven.*

	Q4 2017	Q4/Q4	31.12.2017	YoY
External revenue in MCHF	146	5.0%	529	1.9%
Net revenue in MCHF ¹⁾	238	5.8%	850	7.7%
OPEX in MCHF ²⁾	-187	-0.5%	-670	7.2%
EBITDA in MCHF	51	37.8%	180	9.8%
<i>EBITDA margin in %</i>	21.4%		21.2%	
CAPEX in MCHF	19	0.0%	58	18.4%
FTE's	-37		2'580	3.5%

1) incl. intersegment revenues

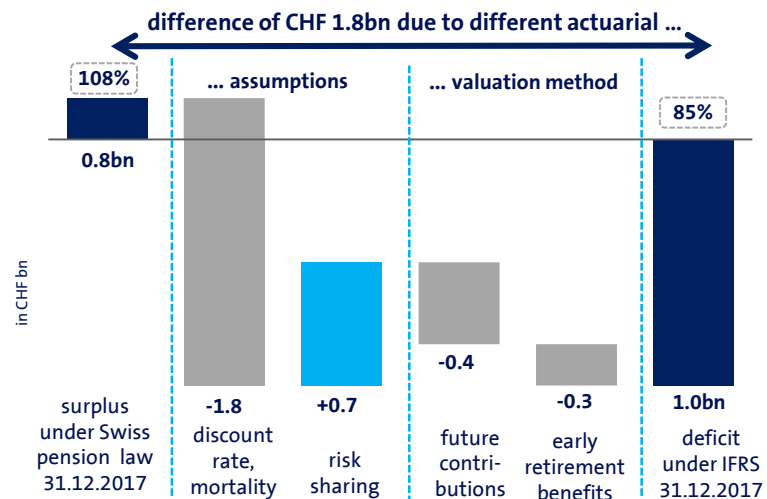
2) incl. capitalised costs and other income



Pension plan - situation as per 31.12.2017

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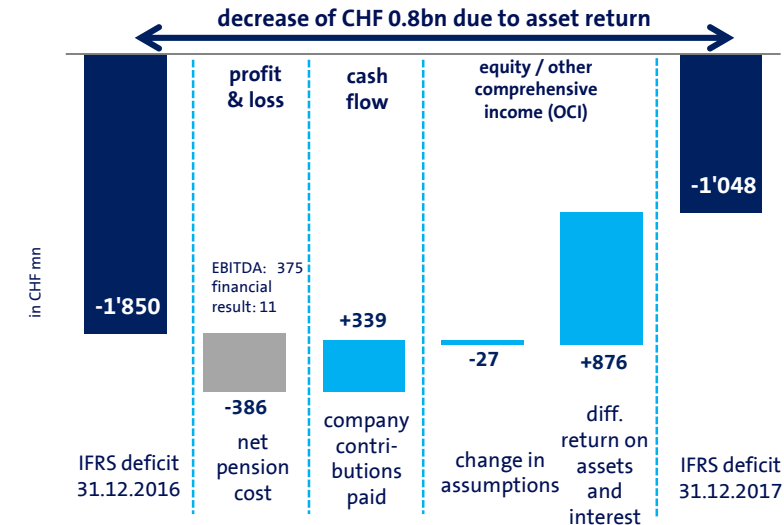
Valuation differences between Swiss pension law and IFRS



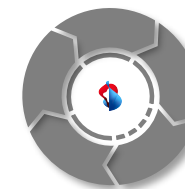
- > Funding requirements are based on the actuarial valuation in accordance with Swiss pension law, IFRS not relevant
- > Coverage ratio under Swiss pension law: 108%
- > Main actuarial assumptions:

	Swiss pension law	IFRS
Discount rate	2,00% based on expected long-term asset return	0.69% based on yield corporate bonds AA-rated
Mortality	Periodical tables	Generational tables

Reconciliation IFRS deficit 2016 -> 2017



- > Net pension cost significantly higher than cash contributions
- > decrease of pension deficit (IFRS) resulting mainly from return on asset (9.5%)



Pension plan - reported costs and outlook

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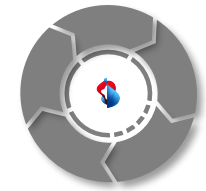
in CHF mn	2016 reported	2017 reported	Change 18/17	2018 estimated
Operating pension cost (EBITDA)	338	375	-16	359
Net interest (financial result)	25	11	-2	9
Total pension cost (P&L)	363	386	-18	368
Company contributions (cash payments)	271	339	-52	287
Operating pension cost less cash payments	67	36	36	72

Operating pension cost

- > Costs recognized in EBITDA measured in accordance with IFRS
- > Costs are highly sensitive to changes of discount rate assumption

Cash payments

- > Cash contributions are not based on IFRS actuarial valuation method
- > Contributions are lower than IFRS pension cost
- > Special contribution of CHF 50mn paid in 2017 related to plan amendments



Refinancing - overview of 2017 transactions

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Instrument rating	A2 by Moody's, A by S&P	A2 by Moody's, A by S&P
Status	Senior unsecured debt	Senior unsecured debt
Amount	CHF 350mn	CHF 150mn
Coupon	0.375%	0.750%
All in costs	0.355%	0.722%
First coupon date	31.05.2018	24.11.2018
Maturity	31.05.2027	24.11.2033

Cautionary statement

Regarding forward-looking statements

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- “This communication contains 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.
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