H1 2016 results presentation

Conference Call
18 August 2016

swisscom

Agenda

1. Intro-duction
2. H1 overview
3. 2016 priorities
4. H1 operations
5. H1 financials
6. Q&A
7. Backup

Louis Schmid, IR

Urs Schaeppi, CEO

Mario Rossi, CFO

All

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1. Intro-duction
2. **H1 overview**
3. 2016 priorities
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5. H1 financials
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Urs Schaeppi, CEO

H1 2016 highlights

Swisscom continues to deliver on its targets

Sound financial performance: EBITDA up by 4% YOY thanks to exceptional items and cost focus

Positive mobile net adds in Q2 (total +8k, postpaid +19k), Natel infinity 2.0 take-up promising (632k, >1/4 of infinity base) and wireless market share stable (59%)

Fastweb well on track with good operating momentum

Bundles still growing (+208k YOY, +16%) primarily due to unique TV proposition and solid wireline market shares (broadband: 54%, YOY stable, TV: >30%, YOY growing)

Rollout of UBB footprint (3.3mn HHs with >50 Mbps) to deliver the best experience drives CAPEX up

New 2016 guidance: revenue CHF >11.6 bn (unchanged), EBITDA CHF ~4.25 bn (up, reflecting exceptional income from litigation (Fastweb)), CAPEX CHF ~2.4 bn (up, due to ongoing UBB push in Switzerland)

H1 2016 market performance

Satisfying RGU development in Q2

2

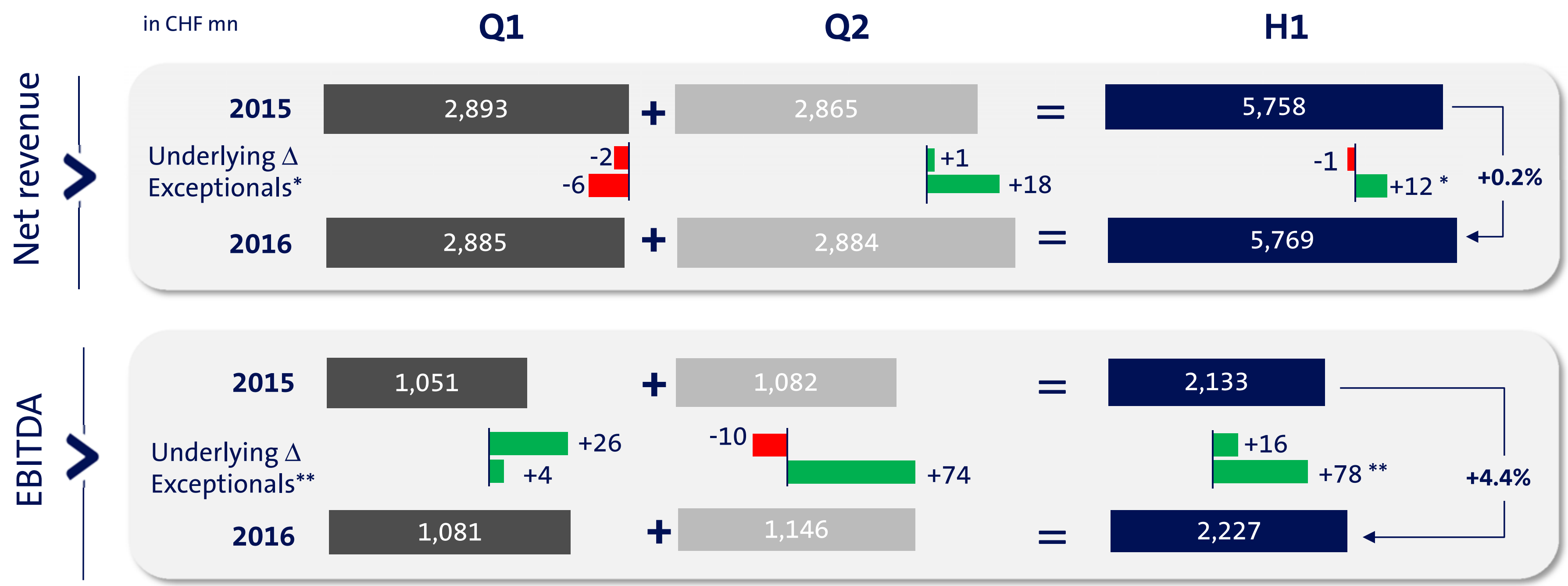
in k

		Q1 net adds	Q2 net adds	H1 RGUs	(YOY in %)
Swisscom Switzerland	Voice lines	-47	-64	2'518	-6.6%
	Broadband	+10	+10	1'978	+2.9%
	TV	+36	+33	1'400	+13.1%
	Mobile	-10	+8	6'623	+0.5%
	∑	-11	-13	12'519	+0.6%
Fastweb	Broadband	+40	+16	2'257	+4.6%
	Mobile	+15	+30	565	+21.0%

Stable RGU base in Switzerland and growing customer base in Italy

H1 2016 financials

Revenue stable, margin improved despite softer underlying Q2



Another quarter with a solid financial performance

* H1 revenue exceptionals: sale of Hospitality and Alphapay (CHF -29 mn), integration of search.ch (CHF +11 mn), acquisition of Open Web Technology (CHF +6 mn), change exchange rate (CHF +24 mn)

** H1 EBITDA exceptionals: integration of search. ch (CHF +2 mn) and acquisition of Open Web Technology (CHF +1 mn), other income from litigation (Fastweb CHF +60 mn), higher gain from sale of real estate (CHF +6 mn), change exchange rate (CHF +8 mn), reconciliation pension cost IAS 19 (CHF +1 mn)

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Urs Schaeppi, CEO

Continued focus on our five priorities 2016

execution well on track to deliver on our five priorities

a Maximise core business

- Defend market shares in Switzerland
- Retain price levels and margins
- Differentiate through quality in services, infrastructure and products

b Operational excellence

- Focus on cost, speed and quality to achieve material cash savings
- Reduction of headcount
- Increase cost efficiency in infrastructure development

c Develop Fastweb

- Provide best customer experience
- Seamless connection everywhere
- Increase scale in core and adjacent businesses

d Growth focus

- Benefit through differentiation and enhancing of core business
- Selective ICT focus and discipline in selecting new growth areas

e Transformation

- Push All IP migration
- Enhance agility
- Shape leadership and products

Maximise core business

Differentiate through quality in infrastructure, services and products

3a

Strategic moves in H1

- 3.3 mn lines with ultra broadband (>50 Mbps) o/w 70% with newest fibre technologies (FTTH, FTTS or Vectoring)
- Goal 2020: 85% homes and businesses with access to >100 Mbps

- 4G coverage of 98%
- Swisscom and Ericsson are getting set for the new mobile generation with their '5G for Switzerland' programme

- New Natel infinity 2.0 subscriptions with no price cuts but more features
  - Higher speeds, more roaming and unlimited cloud storage
  - SIM only offerings
  - Launch of Natel light

- Launch of new UHD TV box, remote with voice recognition
- TV football rights secured
- Additional option from My SME Office: Public broadcast of the TV programme for corporate customers

- Household advantage extended: Up to five people who live together in the same household can now take advantage of the Tutto benefit

Operational Excellence

Cost reduction program on track to achieve CHF 50 mn savings in 2016

3b

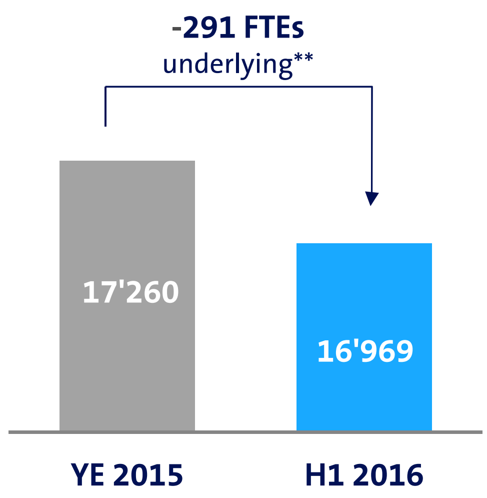
Decreasing costs

- Operational excellence initiatives lead to a reduction of CHF 19mn in H1 for Swisscom Switzerland (YoY)
- Since YE 15, underlying FTE base of Swisscom Switzerland reduced by 291 FTE's **
- Advanced All IP transformation (60% completed) contributing to efficiency gains

Increasing benefits

- Efficiency increases
  - Optimisation of sites: reduction of call centres from 14 to 8
  - Customer support: level of service quality up despite more RGUs
- Streamlined processes
  - Sales to activation process
- Simplification program
  - Leaner portfolio with reliable products and less incidents
  - Service level further improved

FTE Swisscom Switzerland *



* FTE situation as per 30.6.2016 for Switzerland (18'754 FTEs, -211 FTEs YTD), Swisscom Switzerland (16'969 FTEs, -230 FTEs YTD)
** Without M&A effects of +61 FTEs

Enhanced FTTH plan …

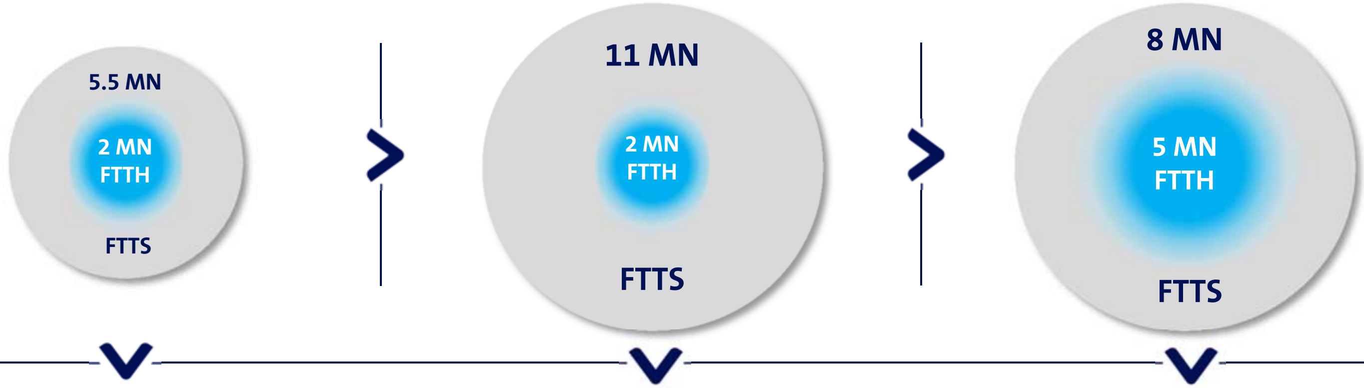
… secures Fastweb's competitive advantage within the wireline UBB market

Fastweb strategy further boosted by FTTH deployment
Continuous infrastructure development as key competitive advantage

FY 2012 - FY 2016
FTTS plan for 30% UBB coverage
(7.5 mn HHs by 2016)

FY 2016 - FY 2020
FTTS plan for <u>50% UBB coverage</u>
(13 mn HHs by 2020)

FY 2016 - FY 2020 (new)
FTTH plan for <u>enhanced UBB mix</u>
(13 mn HHs by 2020)



- FTTS selected to deploy sizeable UBB infrastructure
- Fastweb becomes Italian co-leader for # of UBB active customers

- FTTS confirmed most efficient solution to timely deploy UBB capability homogeneously across Italy
- Continuous improvement of performance (now delivering 200 Mbps with VDSL+)

- Growing UBB demand makes FTTH economics sustainable in most dense cities
- FTTH roll out leverages FTTS footprint with no duplications of investments

Agreement with Telecom Italia

Maximise FTTH roll out efficiency and speed

The agreement optimises roll out CAPEX and is transformational for the Italian UBB landscape

FTTH commercial agreement

- Fastweb to upgrade its existing FTTH infrastructure in six cities (650k HHs)
- Telecom Italia to acquire access to dedicated fiber (GPON) in this footprint

Outcome:

- Net impact of approx. € +40 mn FCF proxy [1] (expected in 2017)

FTTH co-investment agreement

- New entity to develop secondary/vertical segments (fiber to cabinets already implemented)
- Joint Venture to wholesale FTTH lines on a pay per use base
- € 1.2 bn CAPEX for 3.0 mn HHs/20% coverage in 29 cities by 2020

Outcome:

- Investment in 20% equity stake self financed (€ 55 mn in 4 years)
- No change of CAPEX guidance 2016

Rationale

- Significant roll-out synergies
- Fast time-to-market
- Superior performance (beyond 1 Gbps)

Outcome:

- Low double-digit IRR

Implication

- Equity stake in MetroWeb Milan no longer regarded as strategic asset[2]
- Long-term commercial agreements secured

Outcome:

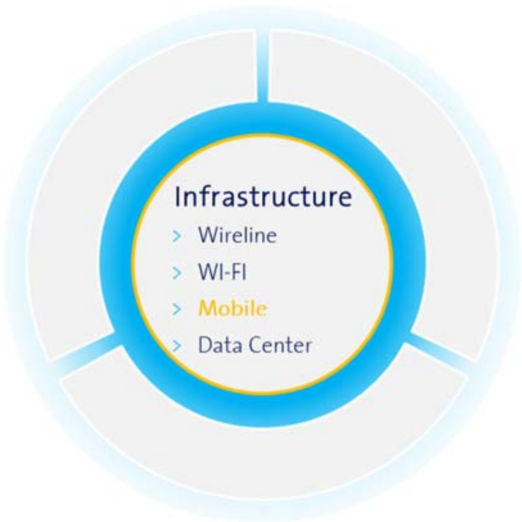
- € 80 mn cash-in to Swisscom (expected by YE 2016)

[1] Net of cost to upgrade existing FTTH infrastructure and IRU renewal
[2] MetroWeb acquisition by Enel Open Fiber still subject to Italian Antitrust approval

Mobile opportunities

Increasing focus on new opportunities in the mobile business

3c



4G

- January launch confirmed on best mobile network

TODAY	DEC 2016	JAN 2017	FEB 2017	DEC 2017
	TECHNICAL RELEASE	COM. LAUNCH	CUST. MIGRATION	H3G SWITCH OFF

- Driver for acceleration in customer acquisition thanks to enhanced mobile capabilities

FASTWEB MOBILE AS IS: BILLING, MKTG & SALES

FASTWEB FULL MVNO: RADIO ACCESS ✔, CORE PLATFORMS ✔, SERVICE PLATFORMS ✔

COVERAGE	MOBILE UBB	F-M CONVERGENCE	INNOVATIVE VAS	WHOLESALE COSTS
Countrywide coverage	LTE service capabilities	Ubiquitous service availability	SIM-based innovative services	Improved conditions from MNO

Fiber

- Deep footprint in 'best' 50% of Italy
- Strategic to 5G infrastructure deployment

Drive the digitalisation process further

Leverage existing corporate customer base with tailored ICT solutions

3d

Cloud

- New cloud architecture: In-house development focuses on personalised solutions
- Cloud Applications: Possibility to use Oracle database flexibly in the Swisscom Cloud

Solutions & Outsourcing

- Develop outsourcing into cloud customers
- SAP implementation
- Core capability for future success in digitalisation projects

Projects

- Support connectivity & project business
- Generate long-lasting customer relationships and stickiness
- Scalable, horizontal solutions to improve margin

- Significant growth contributor
  - New deals won (e.g. dorma+kaba Group, Sanitas, Valiant)
- Solution business provides chances for up-selling and differentiation
- Above market growth in traditional cloud services
- Continued success in dedicated private cloud solutions
- Strong interest in Swiss platform offerings

Transformation starts to deliver...

... H1 2016 with +200k connections migrated to All IP

3e

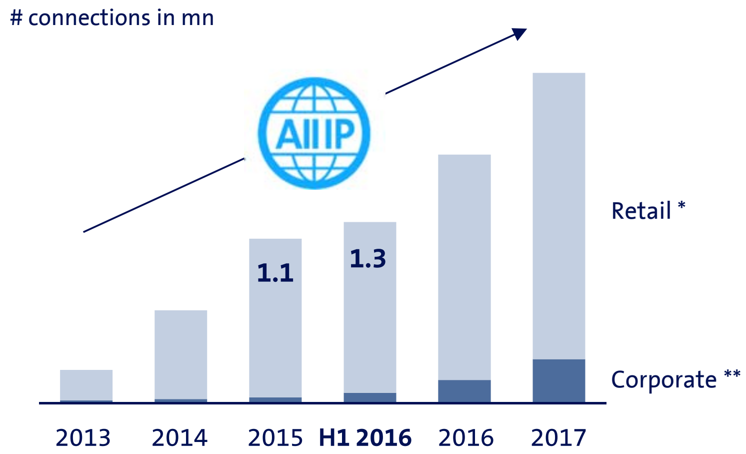
All IP product portfolio

Residential Customers:
Swisscom Line basic and plus, Vivo, Internet

SME:
My KMU Office, Smart Business Connect

Enterprise Customers:
Swisscom Line company, Enterprise SIP, Managed Business Communications

>60% of transformation completed



* Residential Customers and SME
** Voice channels

On track with planned transformation until YE 2017 and to achieve recurring gross cost savings from 2018 onwards

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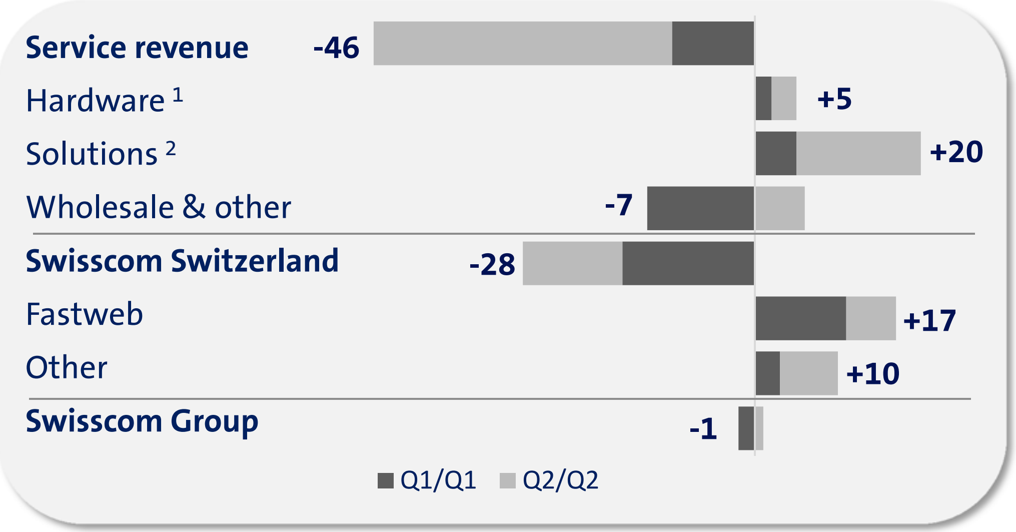
Urs Schaeppi, CEO

Underlying revenue dynamics

Stable top line with mixed picture and continuation of Q1 trends

H1 underlying revenue changes

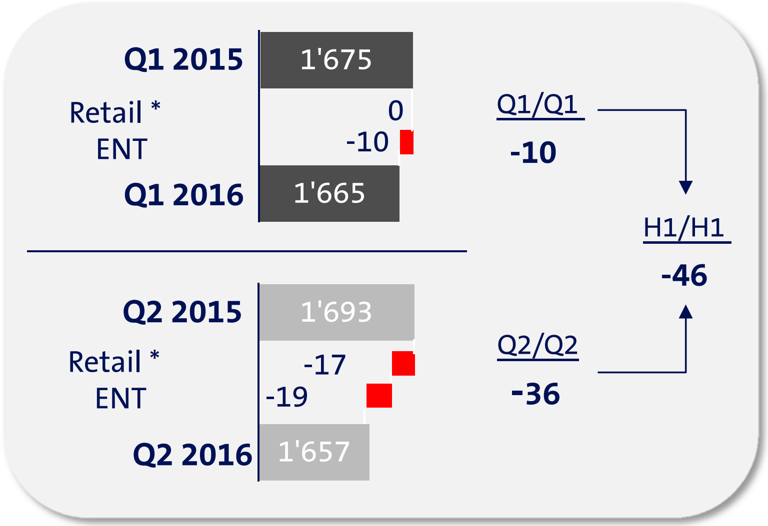
YOY in CHF mn



1 including other revenue of Residential Customers & SME, 2 including other revenue of Enterprise Customers

H1 service revenue changes

YOY in CHF mn



* Residential Customers and SME

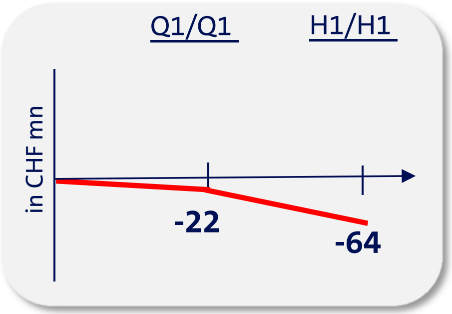
Service revenue of Swisscom Switzerland with accelerating decline in Q2 primarily due to roaming impacts from infinity 2.0 migration

Service revenue trends

Bundles still growing with H1 revenues up CHF +136 million YOY

Mobile Standalone (1P)

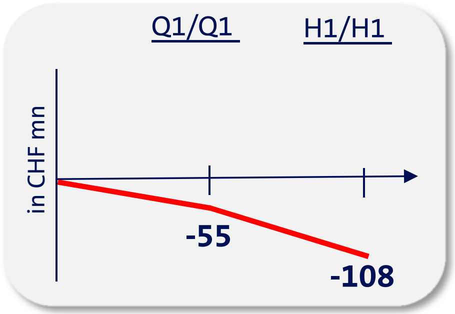
YOY revenue changes



- **PRICE** pressure from roaming (infinity, lower data prices) and corporate clients
- **RGU** base stable in Q2

Fixed Standalone (1P)

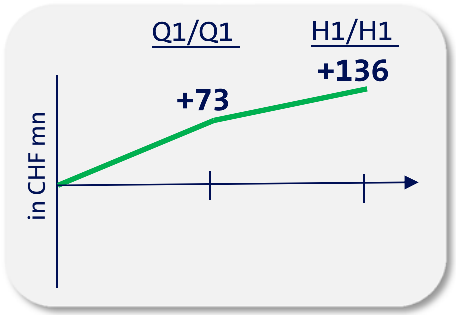
YOY revenue changes



- **PRICE** unchanged on traditional voice and access products
- **RGU** decline in Q2 continues, with voice (only) lines reduction accelerating

Bundles (2-4P)

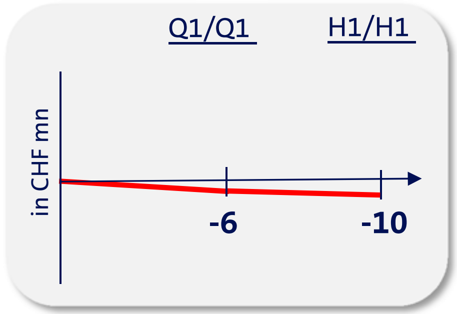
YOY revenue changes



- **PRICE** erosion due to roaming (infinity, data) and loyalty discounts
- **RGU** base still growing

Other

YOY revenue changes



- **Other** influenced by the regulatory driven abolition of air fee surcharges at Enterprise Customers (CHF -10 mn impact in H1)

Roaming impacts H1 service revenue with CHF -42 million YOY,
fully in line with expectation subs migrating to 'roam like home' price plans

Overview of wireless KPIs

Solid wireless performance with positive net adds in Q2

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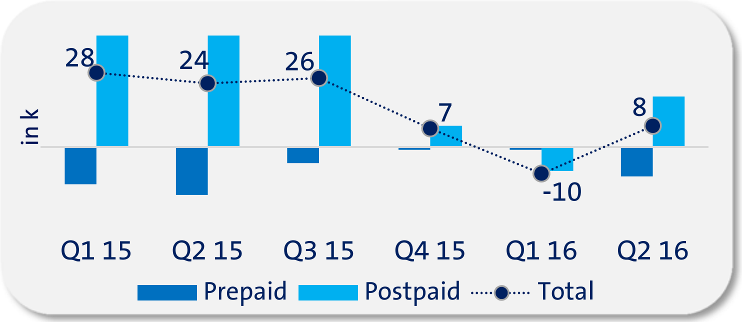
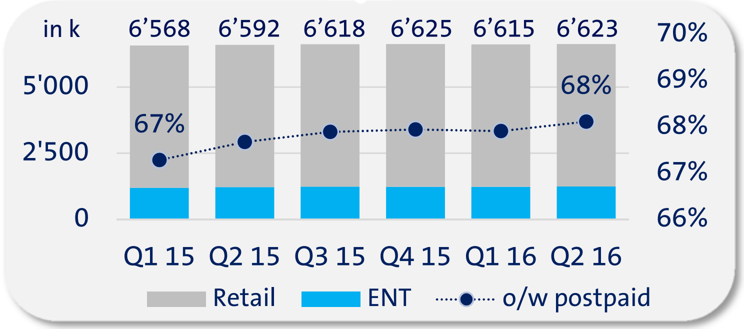
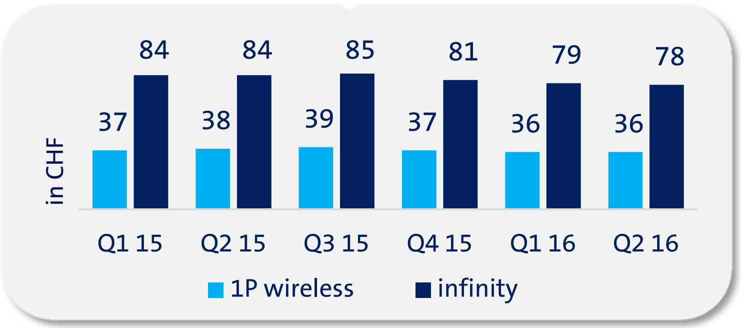
Mobile net adds



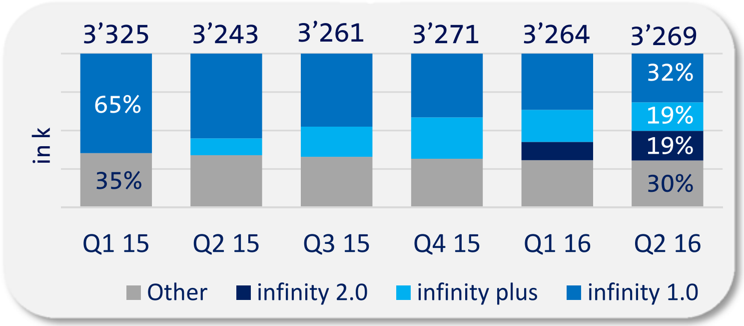
Mobile RGUs



Wireless ARPU (1P)



Mix of Retail postpaid subs



ARPUs diluting as >50% of Natel infinity customer base with a 'plus' or '2.0' subscription

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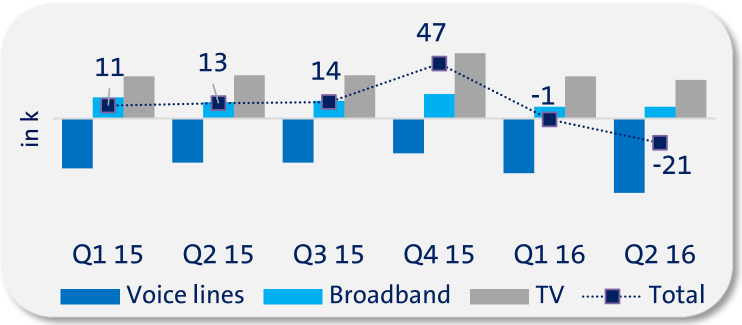
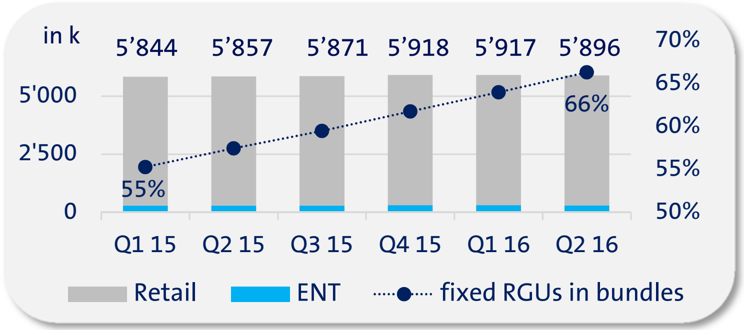
Overview of wireline KPIs

Overall wireline RGU base stable but with mixed dynamics

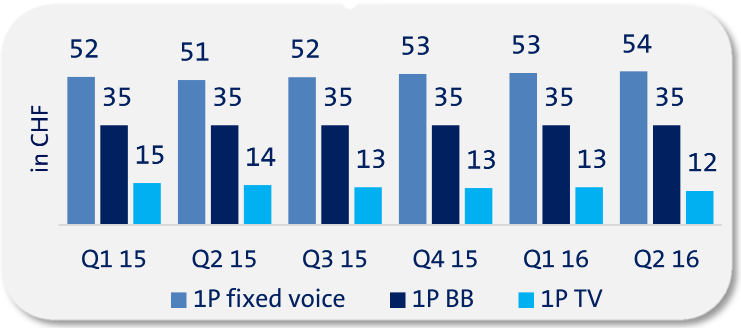
Fixed net adds



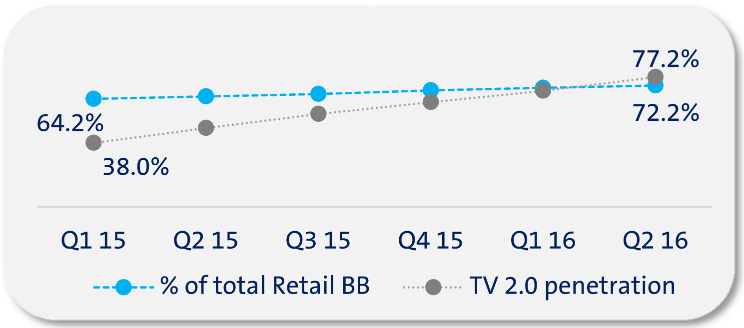
Fixed RGUs



Wireline ARPU (1P)



TV penetration

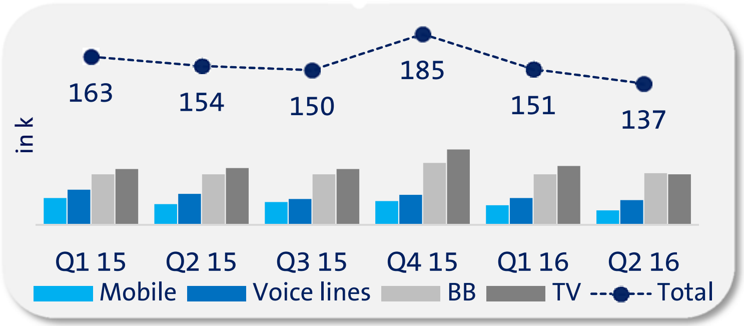


Unchanged ARPUs, but RGU base decline continues with voice lines losses accelerating

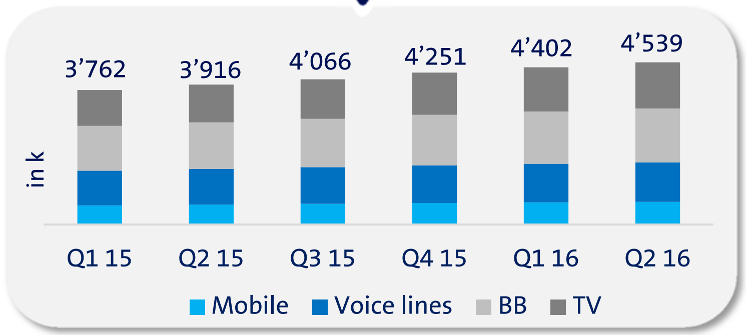
Overview of bundle KPIs

Attractive Vivo offerings drive bundle growth further

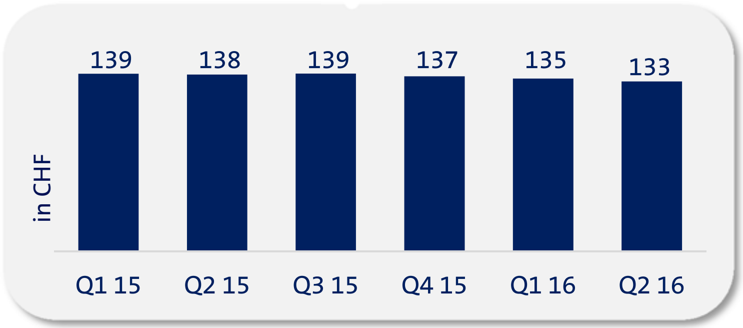
Bundle net adds



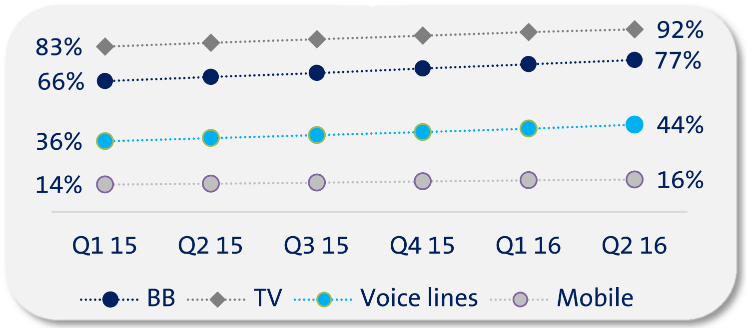
Bundle RGUs



Bundles ARPU (blended)



Penetration within bundles



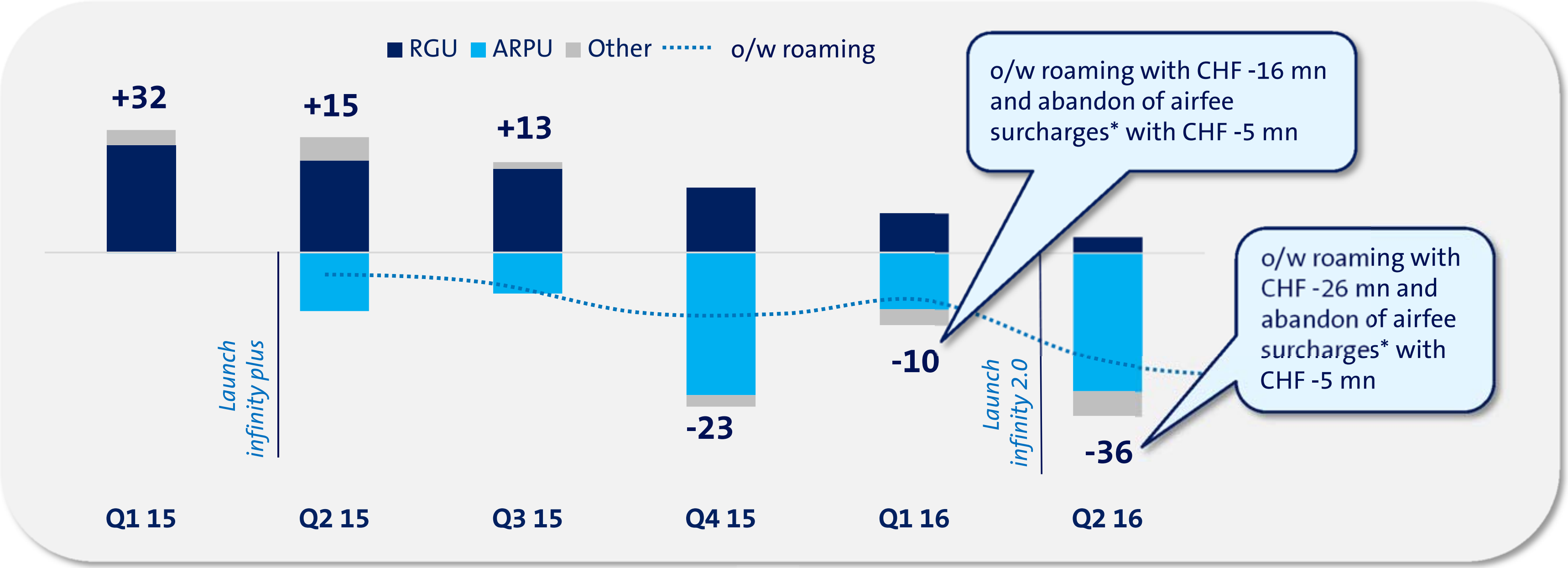
ARPU declining due to roaming, opting out of fixed voice lines and loyalty discounts

Summary of service revenue dynamics

Softer top-line performance primarily driven by roaming

Service revenue changes

YOY in CHF mm



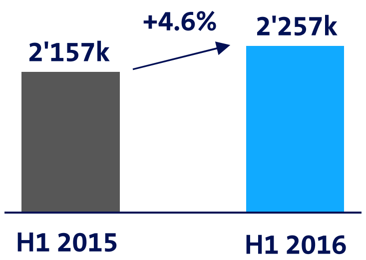
Continuing migration to Natel infinity 2.0 price plans will impact H2 ARPU again

* Regulatory driven abandon of airfee surcharges by July 2015

Fastweb with strong operating momentum

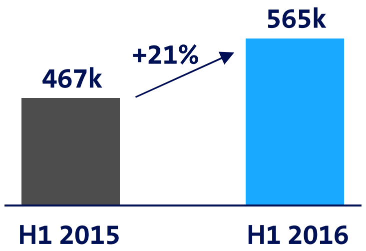
Growing customer base and revenues in all segments

Wireline customer base



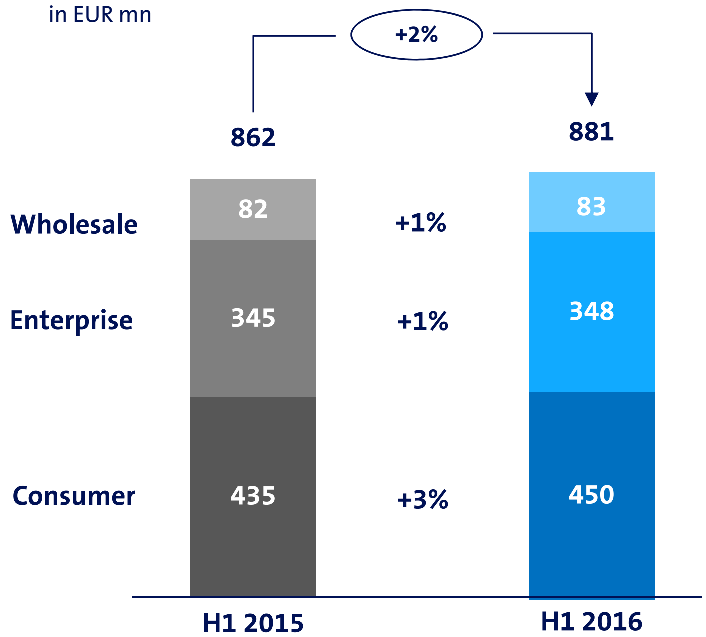
- UBB penetration on total CB at 32% vs. 27% in H1 last year

Mobile[1] customer base



- Active growth at roughly 100k, thanks to strong commercial performance (YOY)

Net revenue

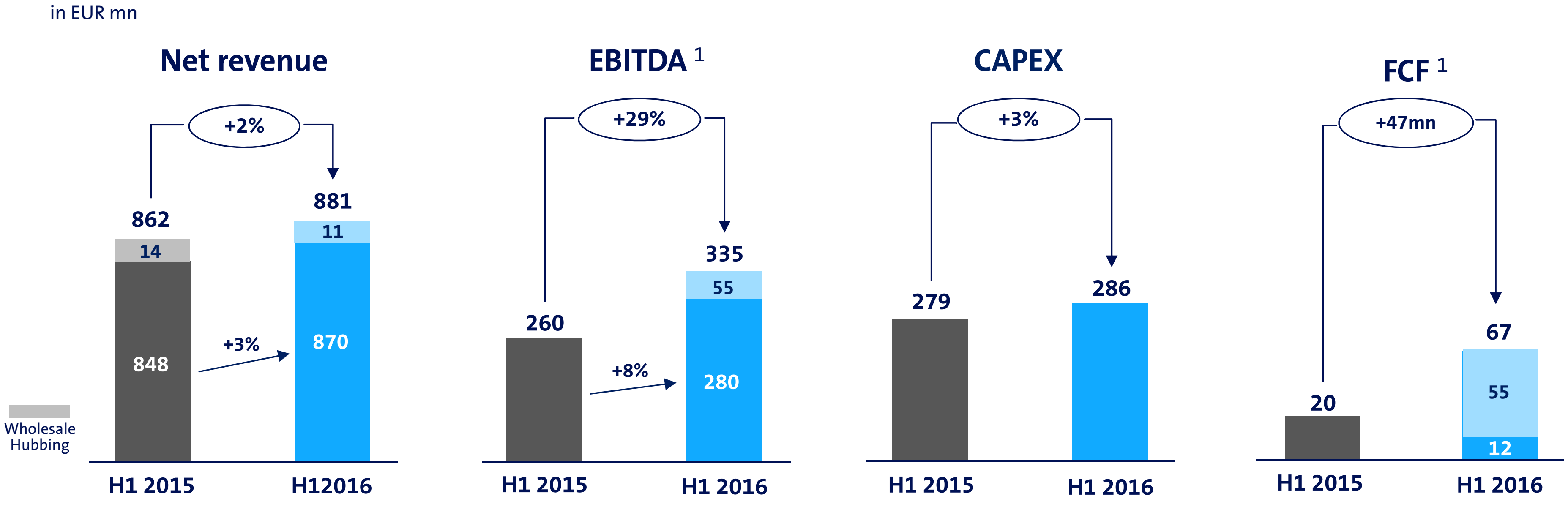


- Growing revenues in all market segments, especially in consumer (+3%) thanks to growing wireline and mobile customer base

[1] Active SIMs excluding non-talking/suspended SIMs (would be 507k in H1 2015 and 597k in H1 2016 including non talking/suspended SIMs

Fastweb with solid H1 financial performance

Growing revenues, strong EBITDA evolution and FCF generation



- Strong operating momentum leads to growing revenue across all segments
- 8% ordinary EBITDA growth further boosted by extraordinary items
- Slightly higher CAPEX driven by FTTS investments

[1] Including other income from litigation EUR 55 mn

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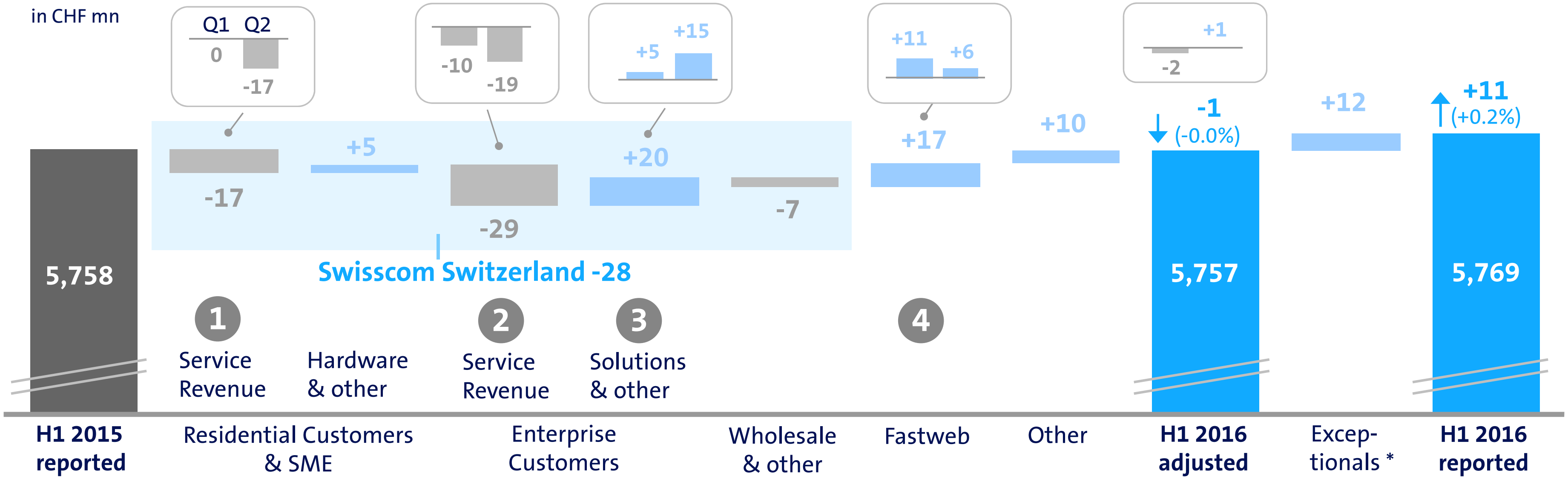
Mario Rossi, CFO

Revenue breakdown by segments

Swisscom Switzerland with price pressure in wireless business, Fastweb up



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- Roaming with increased impact in Q2
- Positive impact from RGU wireline less strong in Q2
- RGU wireless flat due to signs of market saturation

2 Price pressure in the wireless business intensified, air fee abandoned in July 2015

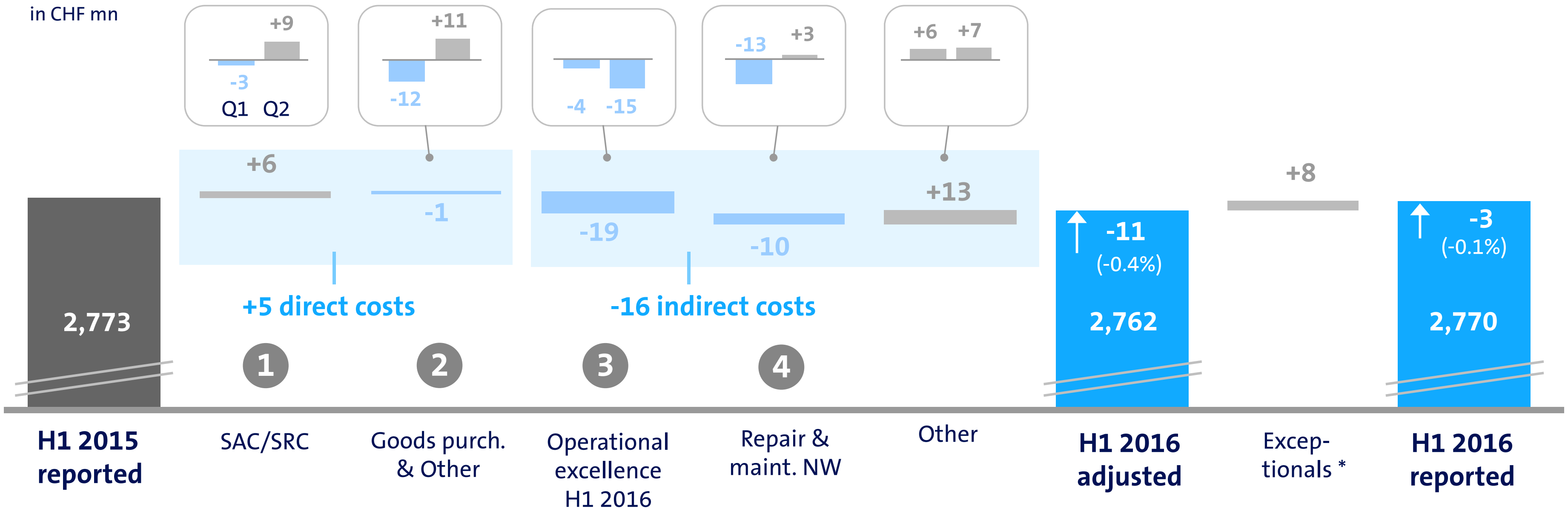
3 Solutions and project business with growth also in Q2

4 Fastweb with top-line increase in all segments, strong increase in Consumer (+3% YoY)

* Sale of Hospitality and Alphapay (CHF -29 mn), integration of search.ch (CHF +11 mn), acquisition of Open Web Technology (CHF +6 mn), change exchange rate (CHF +24 mn)

OPEX of Swisscom Switzerland

Operational excellence initiatives with first impacts to lower OPEX Switzerland

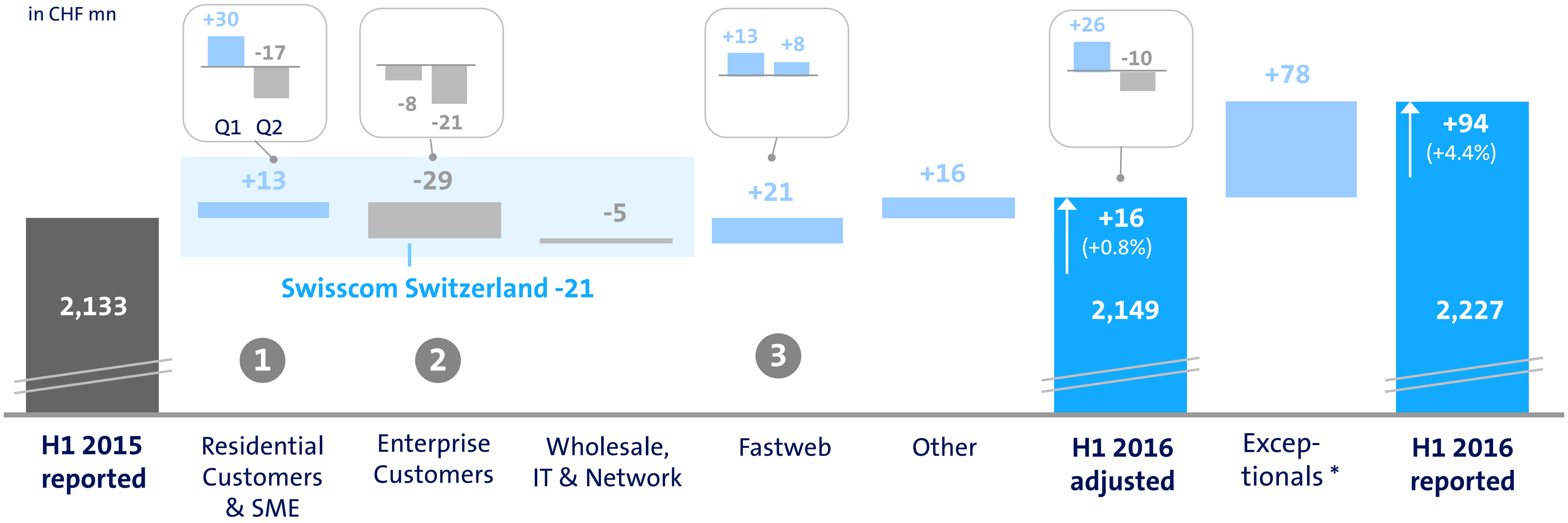


1. SAC/SRC costs increased in Q2 as the UHD TV are subsidised when sold to the customer and retention volumes for wireless customers further increased YOY
2. Higher outpayments for roaming (data volumes more than doubled) and international traffic compensate lower costs for goods and services purchased
3. ‘Operational excellence’ leads to an underlying reduction of FTEs of -291 in H1 2016; on track to achieve gross cash savings of CHF 50mn in 2016
4. Less incidents in the access network lead to a cost reduction for repair & maintenance, mainly in Q1

* Integration of search. ch (CHF +9 mn), acquisition of Open Web Technology (CHF +5 mn), higher gain from sale of real estate (CHF -6 mn)

EBITDA breakdown by segments

Cost saving initiatives compensate decline in service revenue business



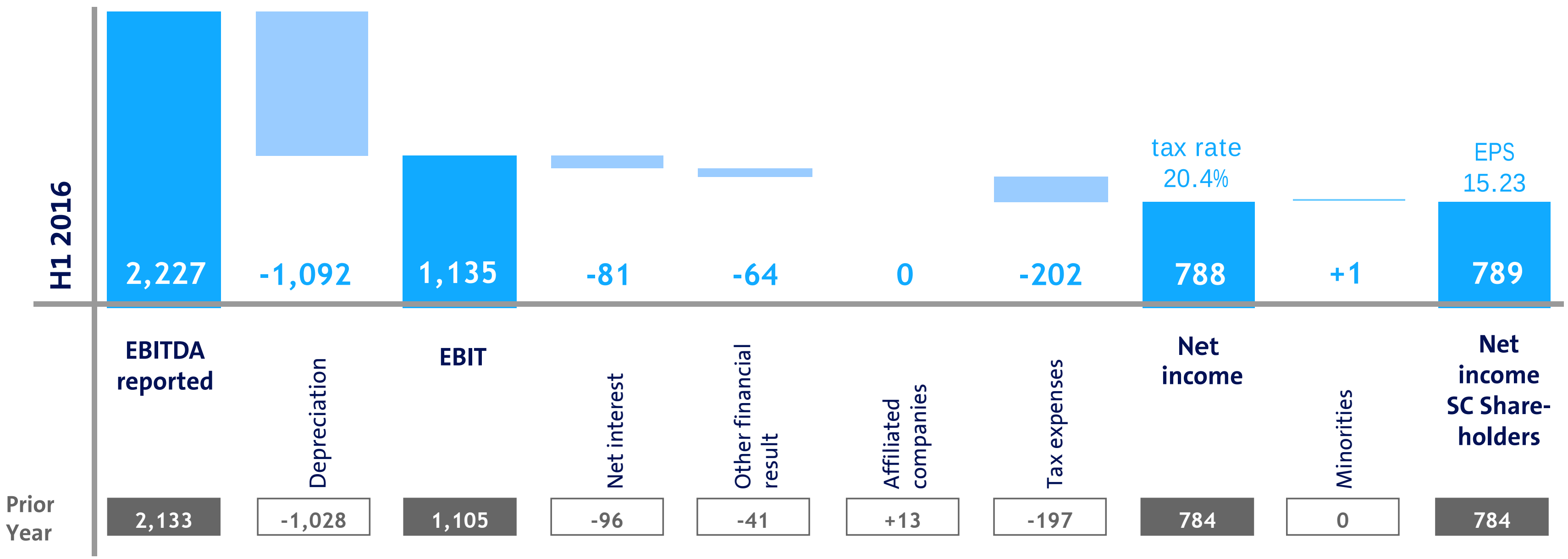
1. Decrease in service revenue impacts EBITDA, lower indirect costs compensate this decline
2. Increasing price pressure in the wireless business leads to a decrease in EBITDA
3. Fastweb with a strong half year driven by solid growth in the consumer segment, customer base broadband increased to 2.26mn, strong position in the enterprise market maintained

* Integration of search. ch (CHF +2 mn) and acquisition of Open Web Technology (CHF +1 mn), other income from litigation (Fastweb CHF +60 mn), higher gain from sale of real estate (CHF +6 mn), change exchange rate (CHF +8 mn), reconciliation pension cost IAS 19 (CHF +1 mn)

Net income

Bottom-line with EPS of CHF 15 unchanged YOY

in CHF mn



- EBIT up by +2.7% YoY, higher EBITDA partly compensated by higher depreciation driven by high investment level of the previous year
- Fair value adjustments of interest hedging and a gain from sale of a subsidiary in prior year led to lower other financial result

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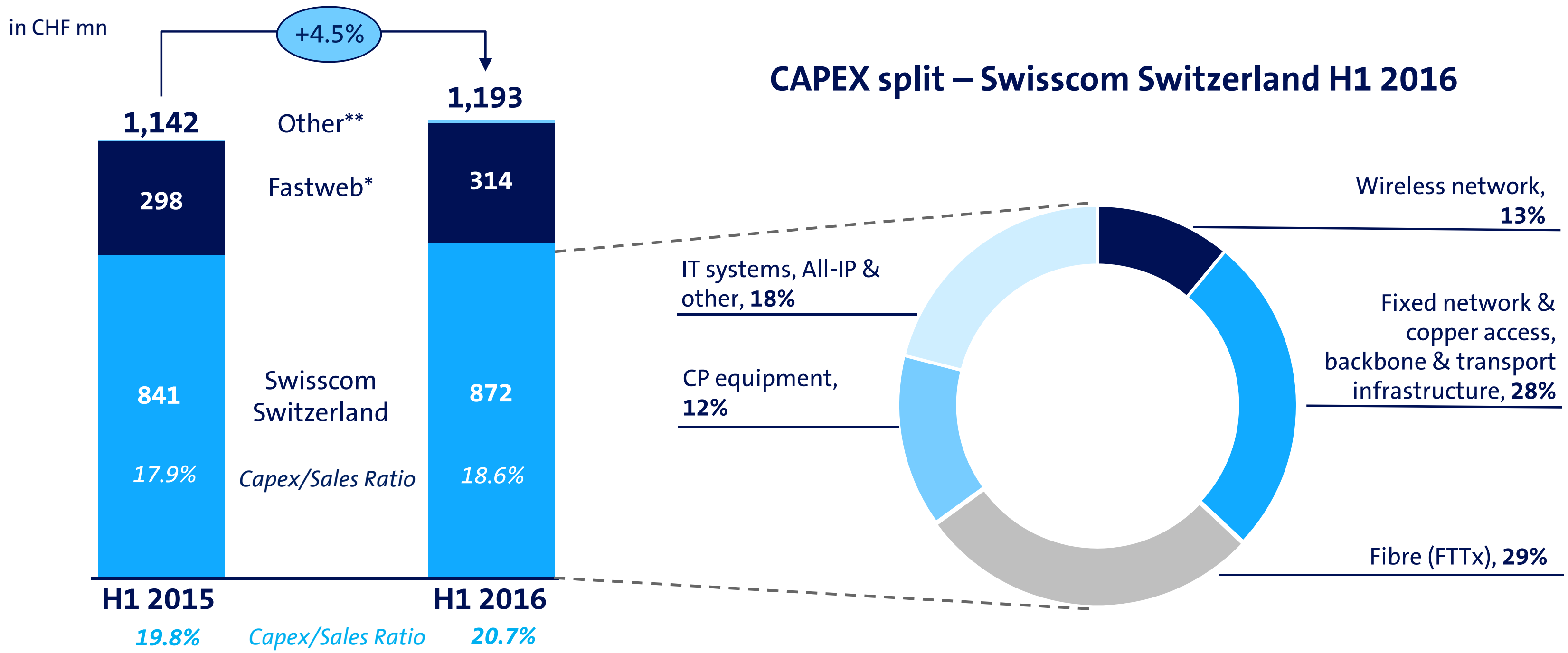
Capital expenditures

CAPEX up by +4.5% YoY due to further UBB extension in Switzerland and Italy

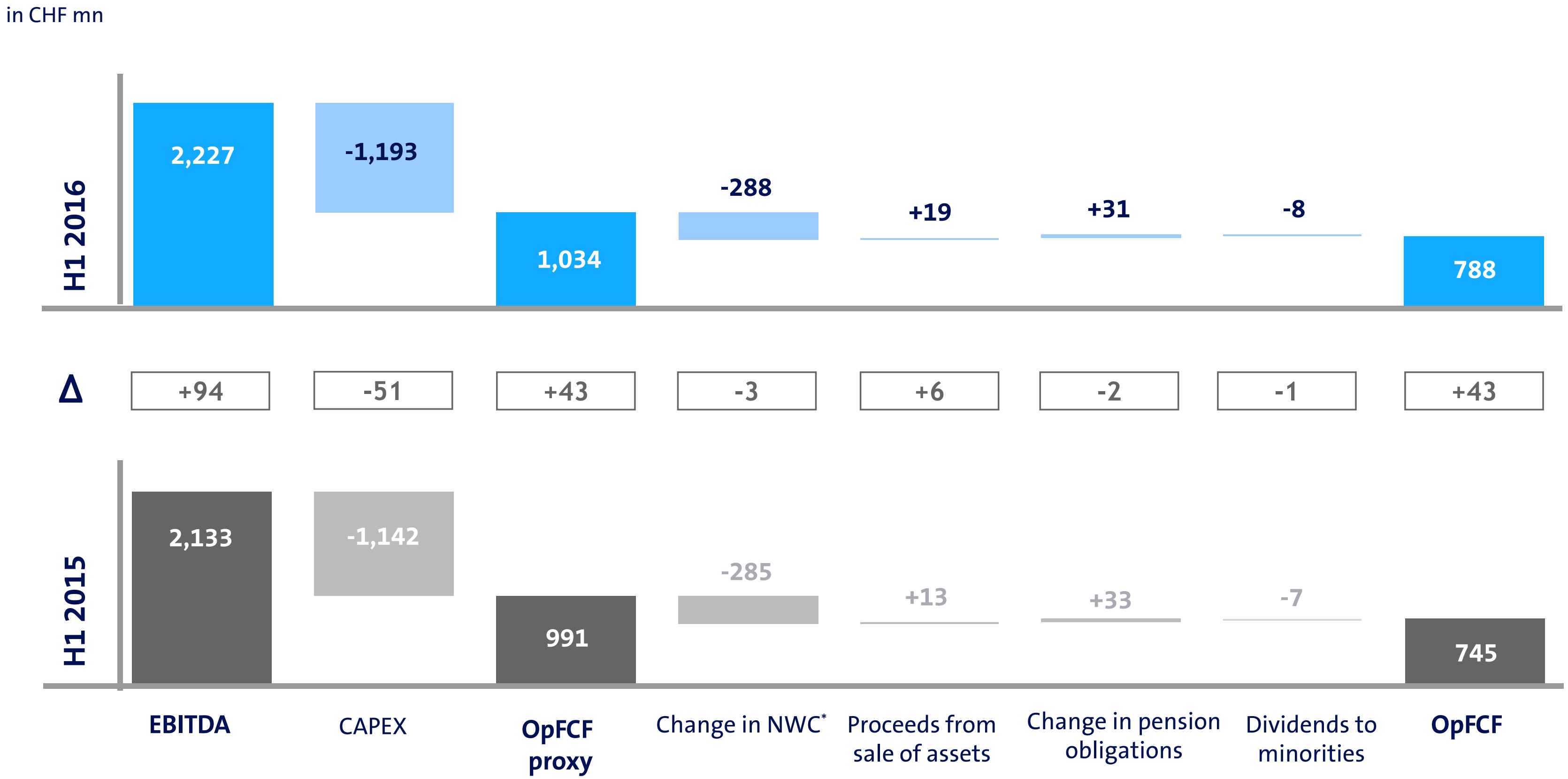


- Swisscom Switzerland with higher CAPEX driven by continued UBB extension
- Fastweb CAPEX in local currency up by +2.5% YoY mainly driven by the fibre rollout

* in local currency in H1 2015: EUR 279 mn, in H1 2016: EUR 286 mn
** in H1 2015 CHF 3 mn, in H1 2016 CHF 7 mn

Operating free cash flow

OpFCF up by CHF 43 million due to higher EBITDA



* Change in net working capital and other cash flow from operating activities

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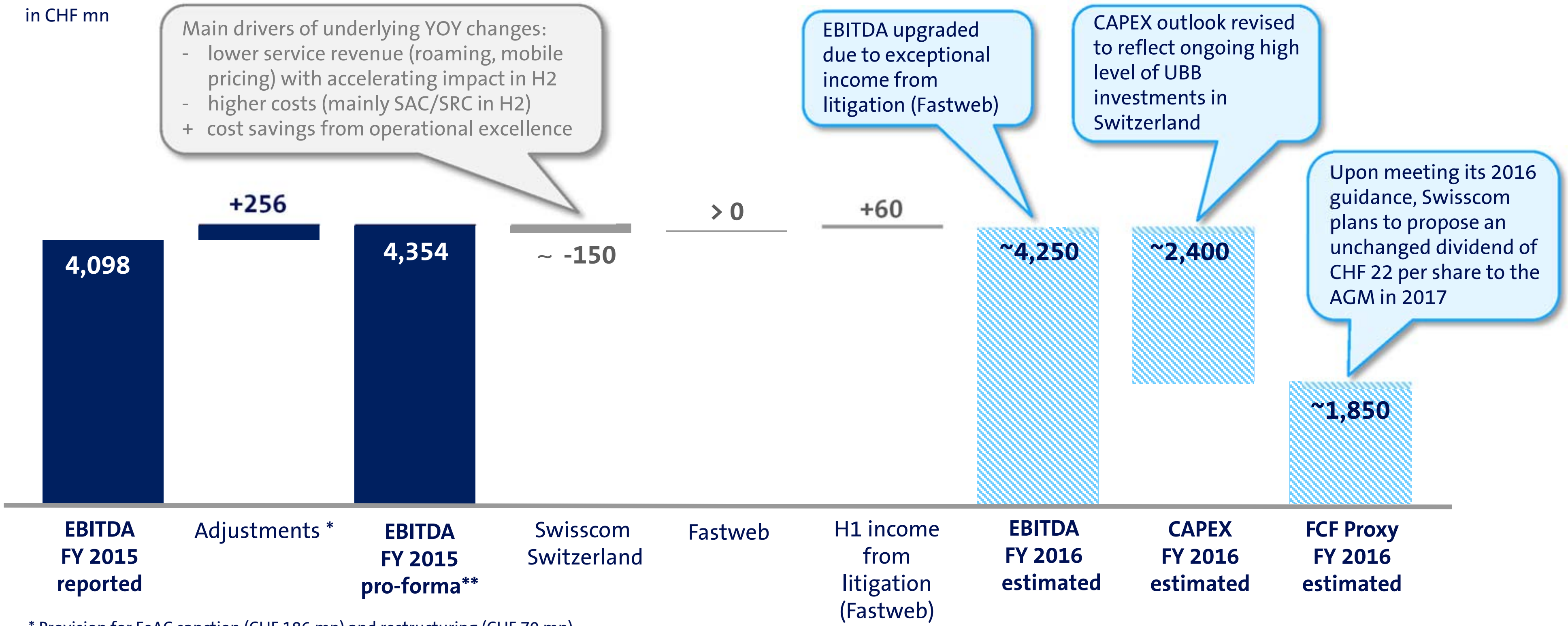
Outlook for 2016 EBITDA and CAPEX increased

Net revenue CHF >11.6 billion, EBITDA CHF ~4.25 billion, CAPEX CHF ~2.4 billion



* Provision for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)
** Not adjusted by H2 income from litigation (Fastweb) of CHF 17 mn

2016 outlook for FCF proxy at CHF ~1.85 billion

Agenda

1 Intro-duction
2 H1 overview
3 2016 priorities
4 H1 operations
5 H1 financials
6 Q&A
7 Backup

All

Agenda

1. Intro-duction
2. H1 overview
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5. H1 financials
6. Q&A
7. Backup

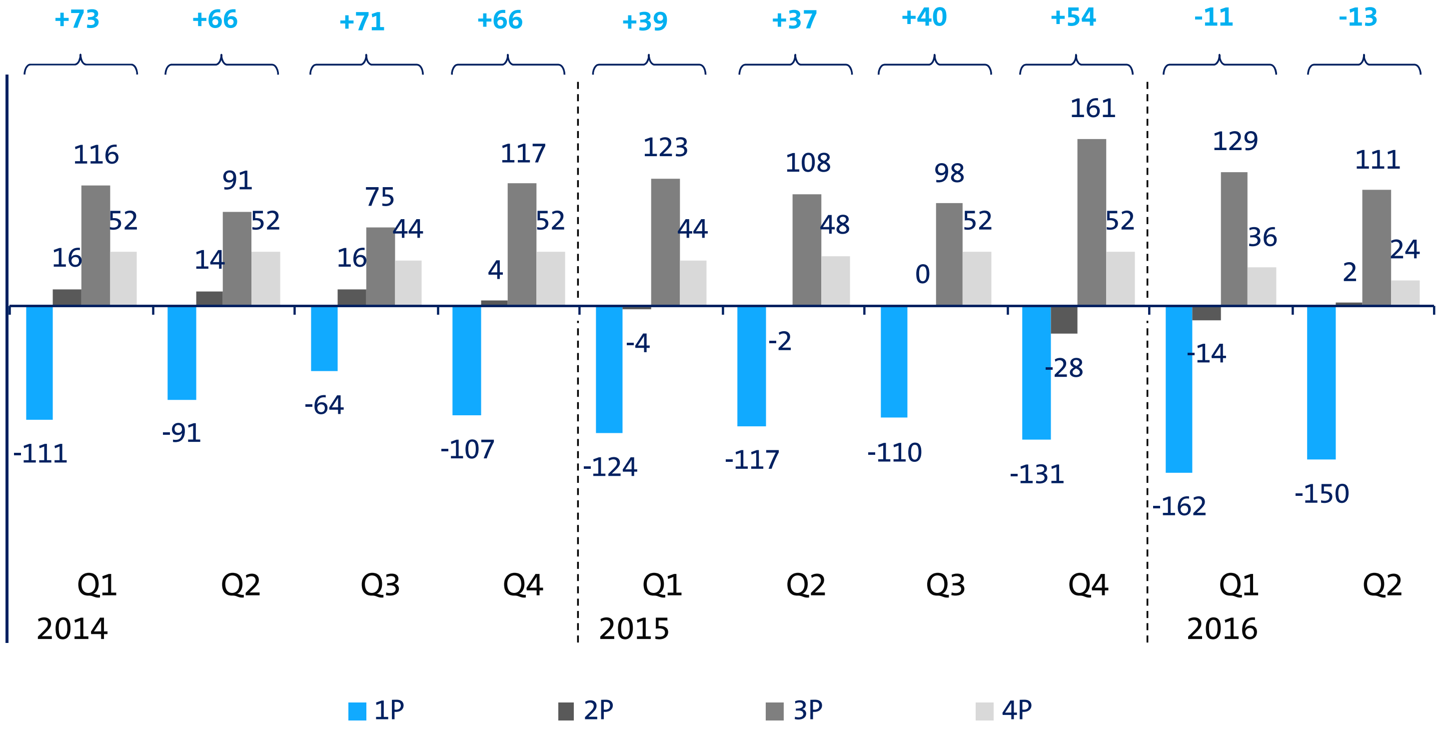
RGU dynamics

-13k RGUs in Q2 2016 mainly resulting from1P wireless losses

1P losses above average

Market saturation leads to lower net adds

Net adds of RGUs by products (in k)



RGUs

Swisscom Switzerland **Access Lines/Subs/Products (in k)**

YTD, (Change to 30.06.2015 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Number of products in Bundle	Sum	Δ
1P	Single Play	111 (-71)	1,412 (-283)	463 (-152)	5,994 (-47)	1	7,980	(-553) (-6.5%)
Bundles	2Play	281 (-20)				2	562	(-40) (-6.6%)
	3Play 1)	915 (+187)				3	2,701 2)	(+499) (+23%)
	4Play	319 (+41)				4	1’276	(+164) (+15%)
Revenue Generating Units		1,400 (+162) (+13%)	2,518 (-179) (-6.6%)	1,978 (+56) (+2.9%)	6,623 (+31) (+0.5%)		12,519	(+70) (+0.6%)

1) including n-play (Business) Bundles
2) o/w additional 23k Mobile Subs and 110k in Business Bundles

ARPU

YTD, (Change to 30.06.2015 in brackets)

		TV [1]	Fixed Voice & Access	Broadband [2]	Mobile [3]	Number of products in Bundle	Weighted average per underlying product [1,2]
1P	Single Play	13 (-1)	54 (+2)	35 (-1)	36 (-1)	1	39 (-1)
Bundles	2Play	98 (-9)				2	49 (-4)
	3Play	132 (-9)				3	44 (-3)
	4Play	195 (-11)				4	49 (-3)
Total weighted average		44 (-1)					44 (-1)

1) ARPU Base Fee 2) ARPU excl. Business Networks 3) ARPU excl. Mobile Termination

Revenues (RGU x ARPU)

Net revenues (CHF mn)

YTD, (Change to 30.06.2015 in brackets)

		TV	Fixed Voice & Access	Broadband	Mobile	Sum	Δ
1P	Single Play	25 (-6)	462 (-69)	292 (-33) [1]	1,298 (-64)	2,077	(-172) (-7.6%)
Bundles	2Play	162 (-27)				162	(+136) (+12.6%)
	3Play	692 (+124)				692 [2]	
	4Play	359 (+39)				359	
Net Revenue Bundle + 1P						3,290	(-36) (-1.1%)

1) including revenues for business networks/internet which are not included in retail broadband ARPU
2) o/w CHF 57mn Business Bundles

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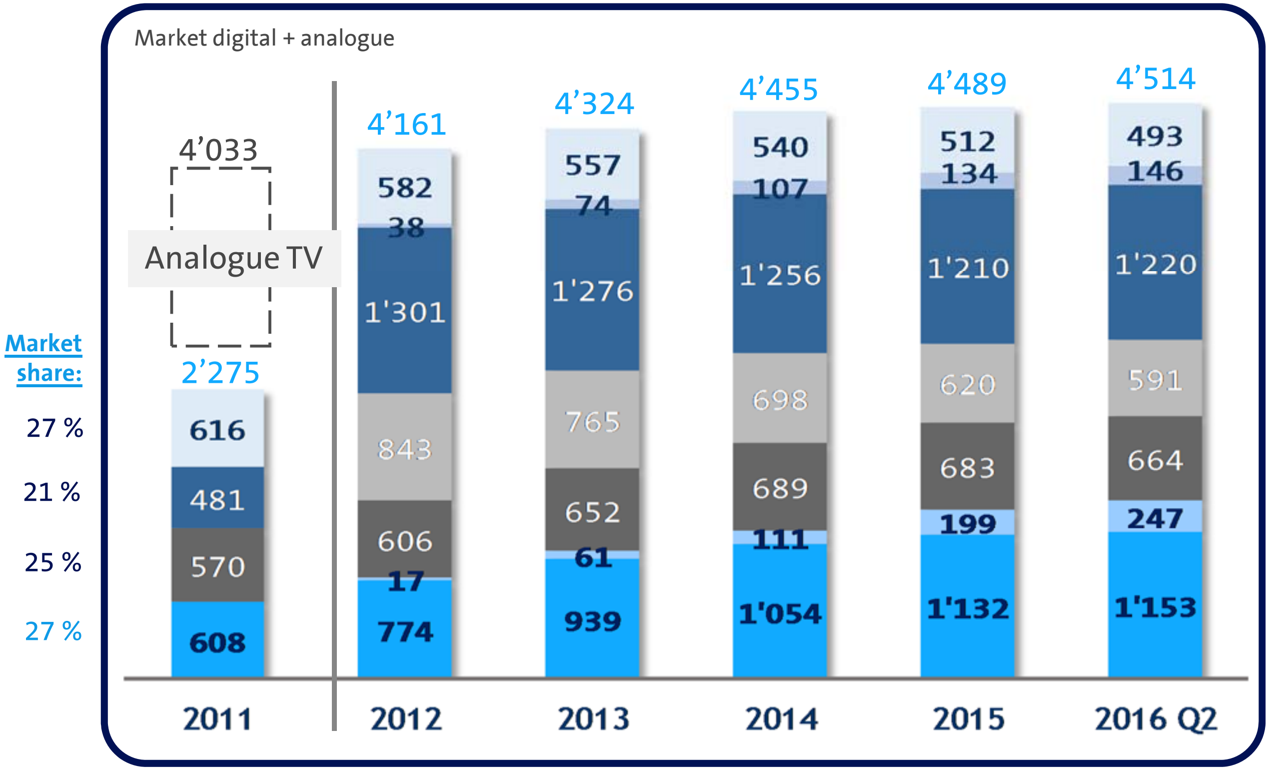
TV market Switzerland

Market volumes (in k)



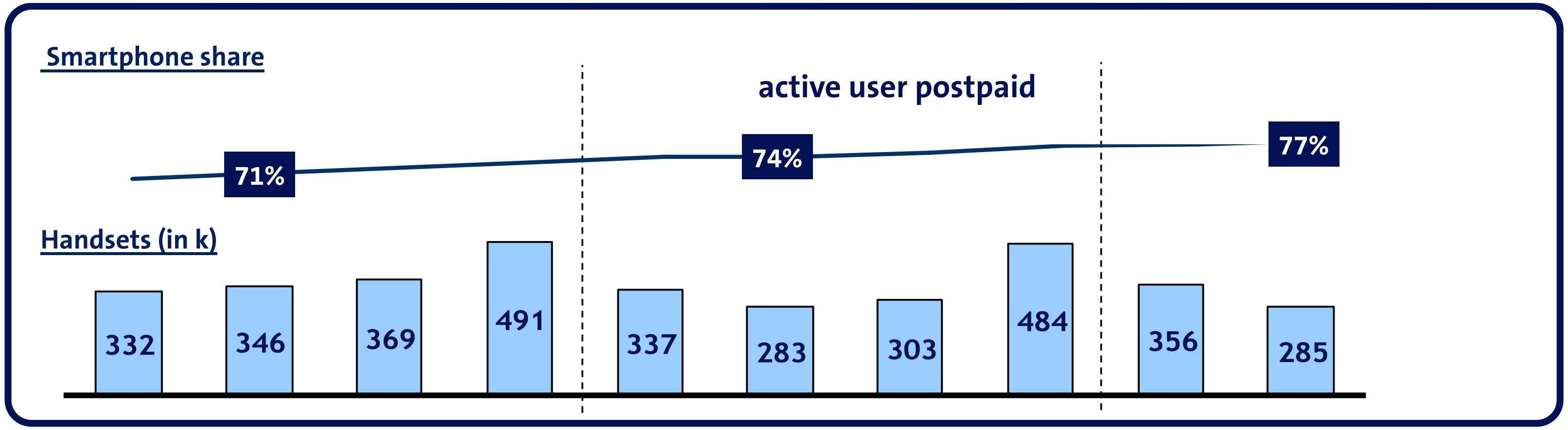
Market share:	Market IPTV *
11 %	Satellite/Terrestrial 2)
3 %	Sunrise
27 %	CATV / Net Integrators 1) 2)
13 %	UPC Cablecom 1)
15 %	UPC Cablecom Premium TV option
5 %	Swisscom TV light
26 %	Swisscom TV paid Abos

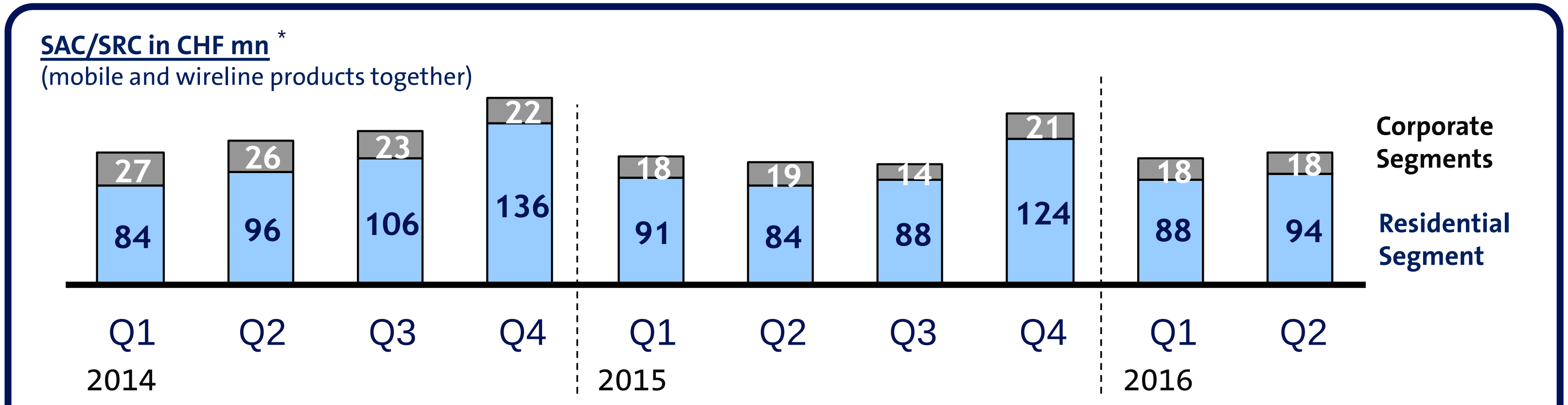
1) Migration to digital largely driven by analogue customers who have been transferred technically, but have not subscribed to a digital product yet: these are potential customers for Swisscom

2) Time series modified

* Estimates for Q2 2016

Handsets & SAC/SRCs





*excluding intercompany SAC/SRC

Reported vs. comparable revenue and EBITDA

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in CHF mn	2015				2016		Change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q1/Q1	Q2/Q2
Revenue, reported	**2’893**	**2’865**	**2’893**	**3’027**	**2’885**	**2’884**	**-8**	**+19**
o/w M&A impact					-8	-4	-8	-4
Currency effect					2	22	+2	+22
Revenue, comparable change							**-2**	**+1**
EBITDA, reported change	**1’051**	**1’082**	**966**	**999**	**1’081**	**1’146**	**+30**	**+64**
o/w Provision for FeAC sanction			-186					
M&A impact					3	0	+3	+0
Reconciliation pension cost IAS 19					-1	2	-1	+2
Gain from sale of real estate	9	0	3	14	10	5	+1	+5
Restructuring				-70			+0	+0
Other income from litigations (Fastweb)				17		60	+0	+60
Currency effect					1	7	+1	+7
EBITDA, comparable change							**+26**	**-10**

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Segment 'Residential'

Net revenue decreased driven by a lower service revenue Retail.

Service revenue decreased (CHF -10mn) due to lower roaming revenue (price decrease data packages, inclusion voice and data volumes in infinity price plans) partly compensated by a higher RGU base.

Contribution margin 2 increased by 0.8%. Lower indirect cost (marketing cost, handling of incidents in the access network, customer care) compensated higher SAC and revenue decrease.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Net revenue in MCHF 1)	**1'272**	**-0.9%**	**2'559**	**-0.6%**
Direct costs in MCHF	-305	7.0%	-600	0.7%
Indirect costs in MCHF 2)	-238	-7.0%	-475	-6.1%
Contribution margin 2 in MCHF	**729**	**-1.8%**	**1'484**	**0.8%**
Contribution margin 2 in %	*57.3%*		*58.0%*	
CAPEX in MCHF	40	-7.0%	71	-11.3%
FTE's	-68		4'706	-3.9%
Broadband lines in '000 3)	+7		1'694	2.7%
Voice lines in '000 3)	-50		1'785	-8.3%
Wireless customers Prepaid in '000	-11		2'112	-0.9%
Wireless customers Postpaid in '000 3)	+5		2'663	0.8%
Blended wireless ARPU MO in CHF	34	-2.9%	33	-2.9%
TV subs in '000 3)	+31		1'349	12.9%

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

Segment ‘Small & Medium Enterprises’

Net revenue up by 1.8%, higher revenue from localsearch.ch partly compensated by lower service revenue (CHF -7 mn). Impact from higher subscriber base over-compensated by lower ARPU (price decrease roaming data packages, inclusion roaming volumes in infinity price plans).

Contribution margin 2 increased by 0.7%, revenue driven.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Net revenue in MCHF [1]	**343**	**0.9%**	**679**	**1.8%**
Direct costs in MCHF	-45	7.1%	-85	1.2%
Indirect costs in MCHF [2]	-70	6.1%	-142	6.0%
Contribution margin 2 in MCHF	**228**	**-1.7%**	**452**	**0.7%**
Contribution margin 2 in %	*66.5%*		*66.6%*	
CAPEX in MCHF	11	-15.4%	21	-8.7%
FTE's	+3		1'619	3.8%
Broadband lines in '000 [3]	+3		246	4.7%
Voice lines in '000 [3]	-9		475	-5.2%
Wireless customers in '000 [3]	+0		606	0.7%
Blended wireless ARPU MO in CHF	64	-7.2%	64	-7.2%

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

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Segment ‘Enterprise Customers’

Net revenue nearly flat, decrease in service revenue compensated by higher solutions revenue.

Service revenue (CHF -29 mn) impacted by price pressure in wireless revenue and the abolition of air-fee surcharges in the VAT business.

Contribution margin 2 decreased by 6.3% due to lower service revenue .

FTEs up due to the acquisition of Open Web Technology (in Q1-16) and new services such as Cloud services.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Net revenue in MCHF 1)	**652**	**0.3%**	**1'308**	**0.1%**
Direct costs in MCHF	-144	0.7%	-287	1.1%
Indirect costs in MCHF 2)	-303	7.8%	-604	4.5%
Contribution margin 2 in MCHF	**205**	**-9.3%**	**417**	**-6.3%**
Contribution margin 2 in %	*31.4%*		*31.9%*	
CAPEX in MCHF	41	-8.9%	80	-1.2%
FTE's	-72		5'431	2.1%
Broadband lines in '000	+0		38	0.0%
Voice lines in '000	-5		258	3.2%
Wireless customers in '000	+14		1'242	2.0%
Blended wireless ARPU MO in CHF	35	-2.8%	35	-2.8%

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

Segment 'Wholesale'

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Revenue from external customers flat YoY. Lower tariffs on inbound roaming compensated by inbound roaming volumes.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Revenue from external customers in MCHF	148	5.7%	287	-0.3%
Intersegment revenue in MCHF	101	7.4%	182	3.4%
Net revenue in MCHF	**249**	**6.4%**	**469**	**1.1%**
Direct costs in MCHF	-144	5.9%	-267	2.7%
Indirect costs in MCHF [1)]	-5	n.m.	-9	n.m.
Contribution margin 2 in MCHF	**100**	**n.m.**	**193**	**0.0%**
Contribution margin 2 in %	*40.2%*		*41.2%*	
CAPEX in MCHF	-		-	
FTE's	-1		91	-16.5%
Full access lines in '000	+5		125	-16.7%
BB (wholesale) lines in '000	+13		342	17.5%

1) incl. capitalised costs and other income

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Segment 'IT, Network and Innovation'

Net revenue includes also rent of real estate (down CHF -6 mn).

Reduced maintenance as incidents in the cable network decreased.

Indirect cost flat, lower revenues from rent compensated by higher gain from sale of real estate, contribution margin slightly improved.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Net revenue in MCHF	**31**	**0.0%**	**61**	**-6.2%**
Direct costs in MCHF	-	-	-	-
Personnel expenses in MCHF	-209	-5.0%	-431	-1.6%
Rent in MCHF	-49	0.0%	-97	-1.0%
Maintenance in MCHF	-43	4.9%	-82	-1.2%
IT expenses in MCHF	-57	0.0%	-115	1.8%
Other OPEX in MCHF	-88	6.0%	-174	5.5%
Indirect costs in MCHF	-446	-0.9%	-899	0.2%
Capitalised costs and other income in MCHF	99	3.1%	204	3.6%
Contribution margin 2 in MCHF	**-316**	**-2.2%**	**-634**	**-0.2%**
Depreciation, amortisation and impairment in MCHF	-299	8.3%	-590	8.7%
Segment result in MCHF	**-615**	2.7%	**-1'224**	3.9%
CAPEX in MCHF	356	0.8%	701	6.5%
FTE's	-48		5'122	-1.0%

Segment 'Fastweb'

Net revenues increased 2.2% YoY, consumer and enterprise segment report an increase in revenue.

Consumer revenue up 3.4%, decrease of ARPU (-3%) overcompensated by an increase in customer base (+4.6%, reaching 2.26 million customers).

Strong position in the Enterprise market confirmed, revenue up.

EBITDA up by 28.8% YOY, includes an income from a settlement of a legal dispute of EUR 55 million. On a comparable basis, EBITDA up by +7.7%, revenue driven.

	Q2 2016	Q2/Q2	30.06.2016	YoY
Consumer revenue in MEUR	227	3.7%	450	3.4%
Enterprise revenue in MEUR	177	0.0%	348	0.9%
Wholesale revenue in MEUR [1]	37	0.0%	83	1.2%
Net revenue in MEUR [1]	**441**	**1.8%**	**881**	**2.2%**
OPEX in MEUR [2]	-237	-19.1%	-546	-9.3%
EBITDA in MEUR	**204**	**45.7%**	**335**	**28.8%**
EBITDA margin in %	*46.3%*		*38.0%*	
CAPEX in MEUR	132	0.0%	286	2.5%
OpFCF Proxy in MEUR	72	n.m.	49	n.m.
FTE's	+15		2'422	1.9%
BB customers in '000	+16		2'257	4.6%
In consolidated Swisscom accounts				
EBITDA in MCHF	223	50.7%	367	32.0%
CAPEX in MCHF	145	5.1%	314	5.4%

1) incl. revenues to Swisscom companies
2) incl. capitalised costs and other income

Segment 'Other'

Net revenue down by 8.3% YoY due to the sale in 2015 of Hospitality and Alphapay.

EBITDA up by CHF 14 mn YoY. In 2015 Cablex recorded high cost in construction projects.

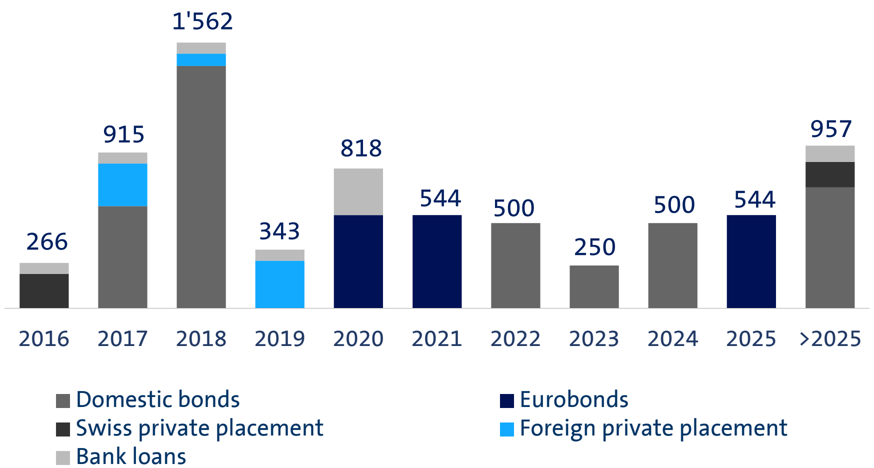
	Q2 2016	Q2/Q2	30.06.2016	YoY
External revenue in MCHF	81	-6.9%	157	-11.3%
Net revenue in MCHF [1)]	**146**	**-6.4%**	**275**	**-8.3%**
OPEX in MCHF [2)]	-119	-13.1%	-226	-14.7%
EBITDA in MCHF	**27**	**42.1%**	**49**	**40.0%**
EBITDA margin in %	*18.5%*		*17.8%*	
CAPEX in MCHF	11	83.3%	17	41.7%
FTE's	-26		1'743	1.2%

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

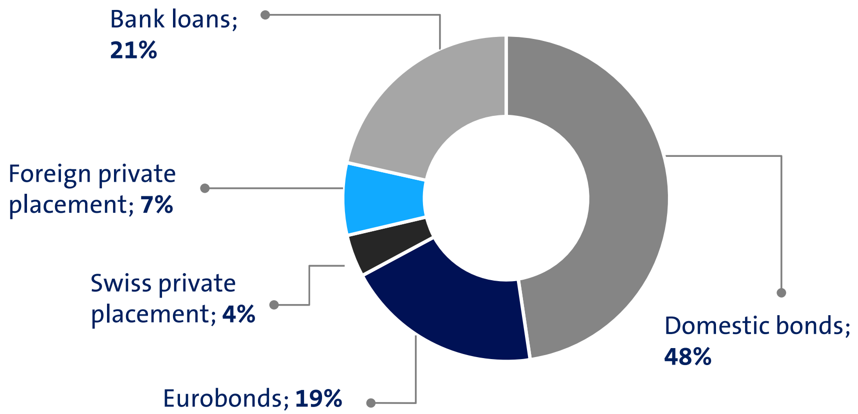
Debt portfolio

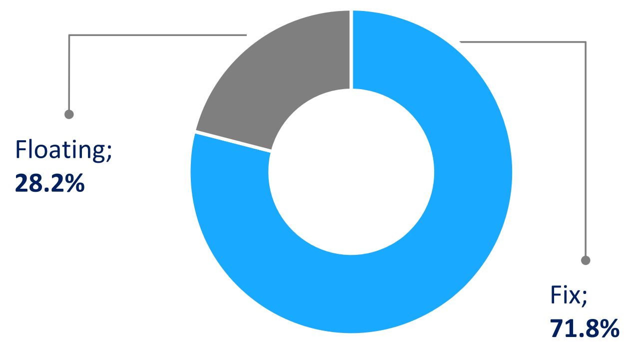
Financing costs further optimised

in CHF mn



* Short-term money market borrowings are not included in the above maturity profile





- Financing costs further optimized: 1.6% avg. interest rate of portfolio (incl. derivatives)

Cautionary statement

regarding forward-looking statements

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