Swisscom - company presentation

25th Vontobel Summer Conference 2017
Agenda

1. **Our environment** - markets and sector challenges
2. **Our strategy** - delivering the best
3. **Our execution** - ahead with innovation and continuity
4. **Our position and KPIs** - leading and stable
5. **Our financials** - steady
6. **Your return** - predictable
Our environment - market and sector challenges

Swisscom is at the heart of the digital transformation and well positioned to benefit from it

Stable environment in Switzerland
- Switzerland, a synonym of quality, stability and solidity
- Reliable political system
- Quality conscious consumer base

Leading Telco and ICT operator in domestic markets
- Best network – both wireless and fixed
- Strong market positions across all segments
- >12mn RGUs with continuing bundle migration

Leading attacker in Italy
- #2 in Italy with growing market shares in consumer (16%) and corporate (28%)
- >2.4mn broadband subs and >760k SIM cards
- Under-penetrated PC market leaves room for further growth

Saturated markets in Switzerland
- Switzerland, a synonym of quality, stability and solidity
- Reliable political system
- Quality conscious consumer base

FM substitution
Bundle migration
Digital opportunities
Convergence advancing
Roam like home
Our strategy - delivering the best

Outstanding track record

The best in the networked world — everywhere and all the time.

Building the best infrastructure
Creating the best experiences
Realising the best growth opportunities

Welcome to the country of possibilities.
Our execution - continuously investing in high-speed expansion

Boost ultra-broadband uplift with an efficient technology use

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### Our fibre approach ...

- Switzerland’s unique FTTS architecture
  - Existing manholes offer potential to be equipped with G.fast

- Swisscom is the 1st Telco to roll out G.fast
  - Up to 500 Mbps on copper
  - With diligent network planning >90% customers profit from G.fast

- Why FTTS / G.fast?
  - Rollout 2x faster than FTTH
  - Rollout 3x cheaper than FTTH
  - Reusable fibre infrastructure for future upgrades

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### ... with using different technologies ...

**Target 2021**

- 85%¹ with >100 Mbps (by 2020)
- >90%³ with >80 Mbps

<table>
<thead>
<tr>
<th>1Gbps</th>
<th>&lt; 500 Mbps</th>
<th>&lt; 100 Mbps</th>
<th>&lt; 20 Mbps</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>40%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

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### ... increases UBB availabilities most efficiently

- 2016
  - FTTH
  - FTTS/B Vectoring
  - DSL-LTE Bonding

- 2021
  - FTTH
  - FTTS/B Vectoring
  - DSL-LTE Bonding

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Our infrastructure ensures our unique position in Switzerland – also in the future

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¹ Consists of 3.7 mn primary residences, 0.6 mn second/vacation homes, 0.7 mn businesses. Source: Federal Statistical Office and Swisscom estimates
Our execution - ahead with innovation and continuity

In order to increase competitiveness and sustain value

Focus 2017

Our strategic priorities...

Maximise core business
Operational excellence
Develop Fastweb
Focus on growth

... to differentiate further
### Market situation

- Fixed and mobile markets in Switzerland are mature
- Switzerland is moving towards an "everybody-offers-everything-market"
- Customer base management gaining importance

### Swisscom's position

- Keeping value focus
- Maintaining price levels
- 2.4mn or >70% of our Retail Customers with an infinity subscription
- Driving pricing differentiation to the next level

### Customer behaviour

- Subs increasingly desiring more flexibility and value - always-on and fully connected
- Subs requiring a convenient, unlimited and speed-based price plan from one single source for - both fixed and mobile - voice, data and TV services

### Current FM offering

- Simply combining our flagship offerings Vivo and infinity and offering bundle discounts
- Around 700k Retail Customers are using our loyalty advantages today
Our execution - inOne

*One subscription covering everything - what are our ambitions?*

- New value proposition to “fence” customers and defend leading position in the broadband and mobile market in Switzerland
- Retain high value customer base and accelerate cross- and up-selling
- Increase share of wallet
- The offerings flexibility helps in cementing outstanding NPS level
- Maintain churn at current low level
- Realise price increases for standalone inOne offerings but with a much higher value
- More for more
- In HHs with a Swisscom BB connection >1 million people are served by other mobile operators
- Grow customer base and household penetration
Our execution - operational excellence with accelerating momentum

Focus on service level
NPS consciousness
Increase reliability
Better offerings for customers

Restructure organisation
Boosting simplicity and CAPEX efficiency
Push All IP transformation further

On track to achieve targeted cost savings of CHF 300mn by 2020
Our execution - unlock further value from the Italian market ...

... by expanding Fastweb’s competitive advantage as 360° infrastructure player

- Extending and upgrading the best wireline infrastructure in Italy
  - Extend FTTx footprint to 50% coverage
    - FTTH from 2.0 to 5.0mn HHs through FlashFiber (o/w 0.2 mn already completed per YE 16)
    - FTTS from 5.5 to 8.0mn HHs

- Leverage MVNO access
  - Scaling up wireless business in the short-term thanks to 4G
  - Protect its wireline business from the likely increase of competitive pressure triggered by Iliad entry

- Increase NPS & decrease churn rate
  - Increase scale in Consumer segment
  - Competitive mobile offers support also wireline sales: 9% of new customers buying mobile and wireline
  - Convergent customers with 3p.p. lower churn than wireline-only

- Deployment of 5G-ready infrastructure in wireless
  - Fastweb installed asset base is instrumental to the potential deployment of a mobile infrastructure based on small cells
  - Positioning Fastweb as a premium convergent player
Our execution - B2B with heterogeneous revenue sources

Swisscom uniquely positioned to benefit from digital revolution

Our B2B value position

- Operating a fully integrated network
- Offering fixed, mobile and converged services
- Differentiating with strong ICT capabilities and B2B presence
- Marketing in an attractive market with many multinationals

Our B2B offerings

with CHF ~2.4bn revenues in 2016

**Telco businesses** [~45% of revenues]
- Wireless
- Wireline

**Solutions businesses** [~45% of revenues]
- Verticals
- Digital Solutions
- Cloud & Net Services
- UCC\(^1\) and Workplace
- Other Solutions

**Other businesses** [~10% of revenues]
- Hardware and Other

Leverage leading B2B position in Telco business to grow market share in ICT

\(^1\) Unified Communication & Collaboration
Our position - leading operator in Switzerland

Swisscom’s market shares in Switzerland stable over many years

We will continue to defend our strong position, as size matters in a fixed-cost business

Source: Swisscom figures and internal elaborations / estimates based on public company data
Our position - leading attacker in Italy

*Fastweb with outstanding track record in demanding wireline market*

Targeted 50% FTTx coverage by 2020 speeds up growth momentum in all segments

Source: Fastweb figures and internal elaborations / estimates based on public company data, Ernst & Young 2016
Our KPIs - customer base with unchanged dynamics

Swisscom Switzerland with >12mn RGUs - Fastweb with growing subs base in BB and mobile

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### Swisscom Switzerland

**Mobile**

- 2014: 6'540k Postpaid, 4'377k Prepaid
- 2015: 6'625k Postpaid, 4'501k Prepaid
- 2016: 6'612k Postpaid, 4'552k Prepaid
- Q1 2017: 6'601k Postpaid, 4'562k Prepaid

**Broadband**

- 2014: 1'890k Postpaid, 1'209k Prepaid
- 2015: 1'958k Postpaid, 1'409k Prepaid
- 2016: 1'992k Postpaid, 1'670k Prepaid
- Q1 2017: 1'988k Postpaid, 1'733k Prepaid

**Voice**

- 2014: 2'778k Postpaid, 938k Prepaid
- 2015: 2'629k Postpaid, 1'056k Prepaid
- 2016: 2'367k Postpaid, 1'211k Prepaid
- Q1 2017: 2'297k Postpaid, 1'255k Prepaid

**TV**

- 2014: 1'149k Postpaid, 947k Prepaid
- 2015: 1'291k Postpaid, 1'183k Prepaid
- 2016: 1'418k Postpaid, 1'339k Prepaid
- Q1 2017: 1'438k Postpaid, 1'383k Prepaid

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### Fastweb

**Mobile**

- 2014: 460k
- 2015: 561k
- 2016: 676k
- Q1 2017: 763k

**Broadband**

- 2014: 2'072k
- 2015: 2'201k
- 2016: 2'355k
- Q1 2017: 2'400k

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Ongoing successful bundle migration in Switzerland and volume momentum in Italy
Our KPIs - ARPU of Swisscom Switzerland with stable development

Blended ARPU flat thanks to value focus and continued bundle migration

Wireless ARPU (in CHF)

Q1 16: 41.7
Q4 16: 43.1
Q1 17: 42.1

- Blended
- Non-metered share

Q1 16: 83%
Q4 16: 84%
Q1 17: 86%

Wireline ARPU and ARPH (in CHF)

Q1 16: 42.2
Q4 16: 40.9
Q1 17: 40.9

- Blended
- Non-metered share

Q1 16: 84%
Q4 16: 86%
Q1 17: 87%

Wireless ARPU

Q1 16: 79
Q4 16: 75
Q1 17: 72

- Infinity
- Postpaid

Wireline ARPU and ARPH

Q1 16: 2.08
Q4 16: 2.15
Q1 17: 2.16

- ARPH
- Fixed RGUs per household

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

'Best' strategy and yield management pays off
Our financials - steady since multiple years

2017 guidance: net revenue CHF ~11.6bn, EBITDA CHF ~4.2bn, CAPEX CHF ~2.4bln

**Net revenue**
- Overall flat, but with mixed dynamics: usage-based revenues down, access-based / bundle revenues up
- Fastweb with stable contribution thanks to volume growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Net revenue o/w FWB (in CHF mn)</th>
<th>Net revenue (in CHF mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2'047</td>
<td>11'703</td>
</tr>
<tr>
<td>2015</td>
<td>1'867</td>
<td>11'678</td>
</tr>
<tr>
<td>2016</td>
<td>1'957</td>
<td>11'643</td>
</tr>
<tr>
<td>2017E</td>
<td>~2'400</td>
<td>~11'600</td>
</tr>
</tbody>
</table>

**EBITDA**
- Cost management crucial in Switzerland due to saturated market conditions and structural forces (roam like home, FM substitution)
- Fastweb expected to contribute growth

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA o/w FWB (in CHF mn)</th>
<th>EBITDA (in CHF mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>625</td>
<td>4'413</td>
</tr>
<tr>
<td>2015</td>
<td>619</td>
<td>4'354 *</td>
</tr>
<tr>
<td>2016</td>
<td>721</td>
<td>4'293</td>
</tr>
<tr>
<td>2017E</td>
<td>~4'200</td>
<td>~4'200</td>
</tr>
</tbody>
</table>

**CAPEX**
- CAPEX envelope remains on current level driven by ongoing UBB extension
- By 2020, Swisscom Switzerland targets >85% with >100 Mbps and Fastweb 50% with >200 Mbps

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX o/w FWB (in CHF mn)</th>
<th>CAPEX (in CHF mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>682</td>
<td>2'436</td>
</tr>
<tr>
<td>2015</td>
<td>581</td>
<td>2'409</td>
</tr>
<tr>
<td>2016</td>
<td>633</td>
<td>2'416</td>
</tr>
<tr>
<td>2017E</td>
<td>~2'400</td>
<td>~2'400</td>
</tr>
</tbody>
</table>

* excl. provisions for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)
## Our financials - Q1 performance

*Underlying YoY changes in line with expectations - cost savings 2017 of CHF 75mn on track*

### Net revenue

<table>
<thead>
<tr>
<th></th>
<th>Group Q1 2016</th>
<th>Group Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in CHF mn</td>
<td>in CHF mn</td>
</tr>
<tr>
<td>Swisscom Switzerland</td>
<td>2'885</td>
<td>2'831</td>
</tr>
<tr>
<td>Fastweb</td>
<td>-59</td>
<td>-12</td>
</tr>
<tr>
<td>One offs</td>
<td>+14</td>
<td>+3</td>
</tr>
<tr>
<td>Other</td>
<td>+3</td>
<td>-54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2'885</strong></td>
<td><strong>2'831</strong></td>
</tr>
</tbody>
</table>

### YoY changes
- Service Revenue: -37
- Hardware: -10
- Solutions Enterprise: -7
- Other: -5
- Swisscom Switzerland: -59

### EBITDA

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<th>Group Q1 2016</th>
<th>Group Q1 2017</th>
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<tr>
<td></td>
<td>in CHF mn</td>
<td>in CHF mn</td>
</tr>
<tr>
<td>Swisscom Switzerland</td>
<td>1'081</td>
<td>1'073</td>
</tr>
<tr>
<td>Roaming</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Fixed voice lines</td>
<td>-19</td>
<td></td>
</tr>
<tr>
<td>Other price pressure</td>
<td>-6</td>
<td></td>
</tr>
<tr>
<td>Cost savings</td>
<td>+20</td>
<td></td>
</tr>
<tr>
<td>One offs</td>
<td>+15</td>
<td>+7</td>
</tr>
<tr>
<td>Other</td>
<td>-8</td>
<td>-14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1'073</strong></td>
<td><strong>1'073</strong></td>
</tr>
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</table>

### Q1 financials of Swisscom Switzerland impacted by price adjustments (MTR, roaming) and structural changes (fixed voice lines)

* Currency impact of CHF -12mn, ** Real estate gain of CHF -10mn in Q1 16 and currency impact of CHF -4mn
Upon meeting its 2017 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2018.

Dividend/share


Dividend policy

- Swisscom targets a solid remuneration aligned with cash flow generation and capital allocation
- Dividend amounts to 87% of FCF
- Comfortable with current pay-out ratio as primarily high CAPEX limits excess cash
- Swisscom committed to preserve a solid single A Rating and an equity ratio of ~30%
## Wrap-up

*The best in the networked world – everywhere and all the time*

<table>
<thead>
<tr>
<th>Best infrastructure</th>
<th>Best experiences</th>
<th>Best growth opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Best' strategy pays off: CHIP test won for the best net in Switzerland</td>
<td>Highest NPS among competitors in Switzerland</td>
<td>Continuing bundle migration and increase share of wallet</td>
</tr>
<tr>
<td>Enhance technology and innovation leadership: only VoLTE provider in Switzerland 5G pioneer partnership with Ericsson</td>
<td>Launch of several innovative price plans for best value and yield management</td>
<td>Network infrastructure and IT from one single source enabling opportunities in the cloud business</td>
</tr>
<tr>
<td>&gt;40% of population with 4G+, &gt;40% coverage with &gt;100 Mbps</td>
<td>Delivering the best TV proposition with unique features</td>
<td>Fastweb with strong operating momentum, mobile taking off and tight cost control</td>
</tr>
<tr>
<td>Pushing digitalisation to the next level with ALL IP migration proceeding as planned</td>
<td>Swisscom has the most attractive roaming service in the Swiss market allowing worry-free usage abroad</td>
<td>Expanding value creation with business propositions in Banking and Health</td>
</tr>
</tbody>
</table>

'Best' strategy pays off: CHIP test won for the best net in Switzerland

- Highest NPS among competitors in Switzerland
- Launch of several innovative price plans for best value and yield management
- Delivering the best TV proposition with unique features
- Swisscom has the most attractive roaming service in the Swiss market allowing worry-free usage abroad

Fastweb with strong operating momentum, mobile taking off and tight cost control

Network infrastructure and IT from one single source enabling opportunities in the cloud business
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