

# Swisscom presentation

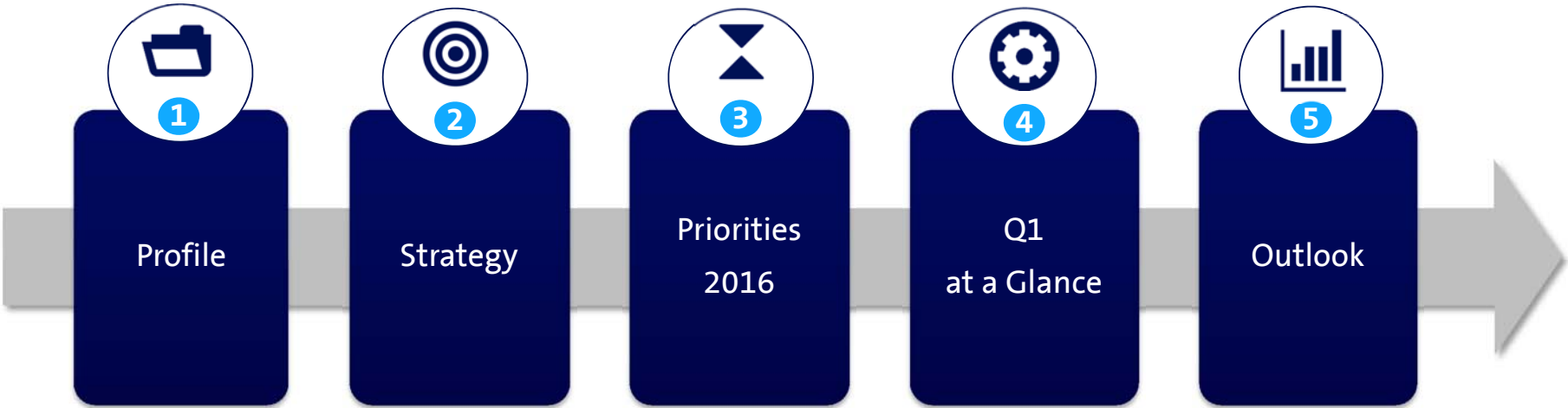
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Berenberg TMT Conference in Zürich  
01 June 2016



# Agenda

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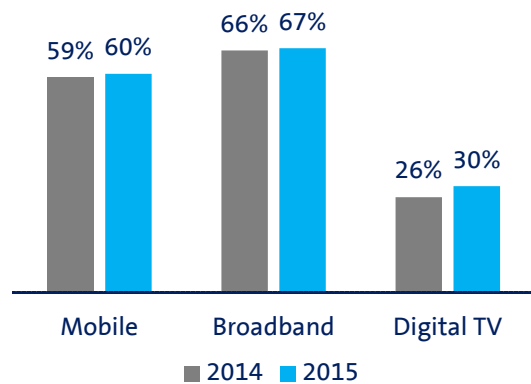


# Leading telco in Switzerland

*Stable market position over many years in Switzerland*

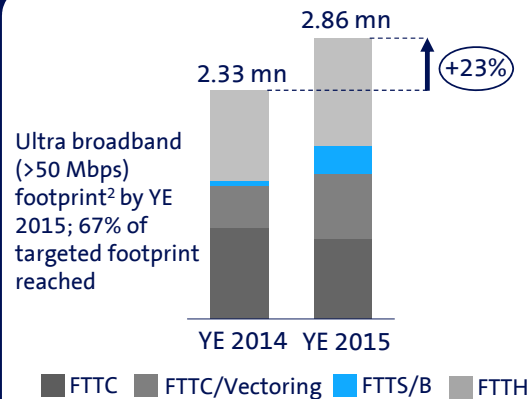


## Market leader



- > Stable market shares<sup>1</sup> over the last years
- > Growing TV business translates into growing market shares in Digital TV

## Technology leader



- > >2 mn connections with new fibre technologies<sup>3</sup>
- > 1.1 mn connections with >100 Mbps
- > Goal 2020: 85% homes and businesses with access to >100 Mbps
- > 4G coverage of 98%

## Innovation leader



- > High innovation rate
  - > Drives Swisscom's TV success
  - > Is key to maintain best experience and to sustain growth
- > New services: MyCloud for personal documents, more speed, etc.

<sup>1</sup> Swisscom estimates

<sup>2</sup> Consists of 3.6 mn homes and 0.7mn businesses (as of YE 2015), source: Bundesamt für Statistik – bfs

<sup>3</sup> New fibre technologies include FTTH, FTTS/B and FTTC/Vectoring

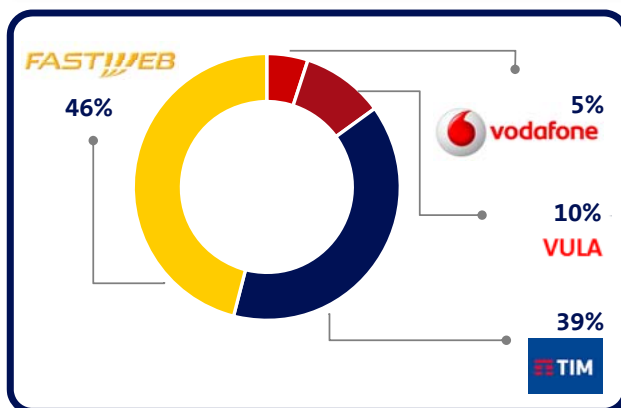
# Leading attacker in Italy through Fastweb

## Outstanding track record in demanding market environment

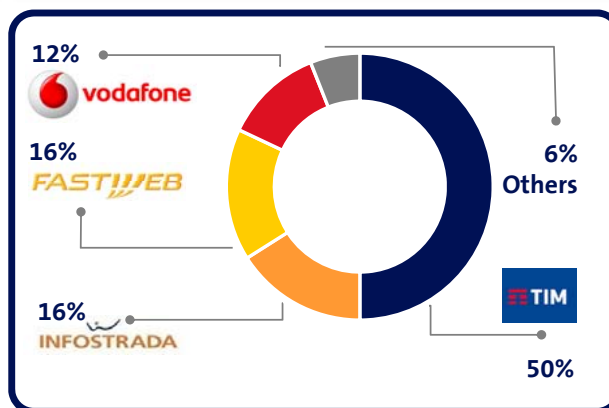


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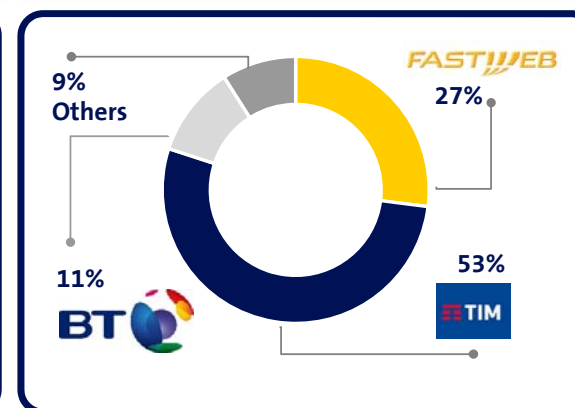
### UBB connections by YE 15<sup>1</sup>



### Consumer segment by YE 15<sup>2</sup>



### Corporate segment by YE 15<sup>2</sup>



- > Overall more than 2.2 mn broadband customers o/w ~650k UBB connections and >560k mobile SIM cards
- > Fastweb being #2 in Italy with growing market shares in consumer (16%) and corporate (27%)
- > Flawless execution of FTTS roll out which will cover 7.5mn households / businesses by YE 2016
- > Strategic action reflected in solid financial performance (revenues up by 3% and EBITDA up by 9% in Q1 YoY)

1 AGCom, companies data, internal estimates

2. Ernst & Young, 2015 (Consumer M. Share on Active CB, Corporate M. Share on Revenues)

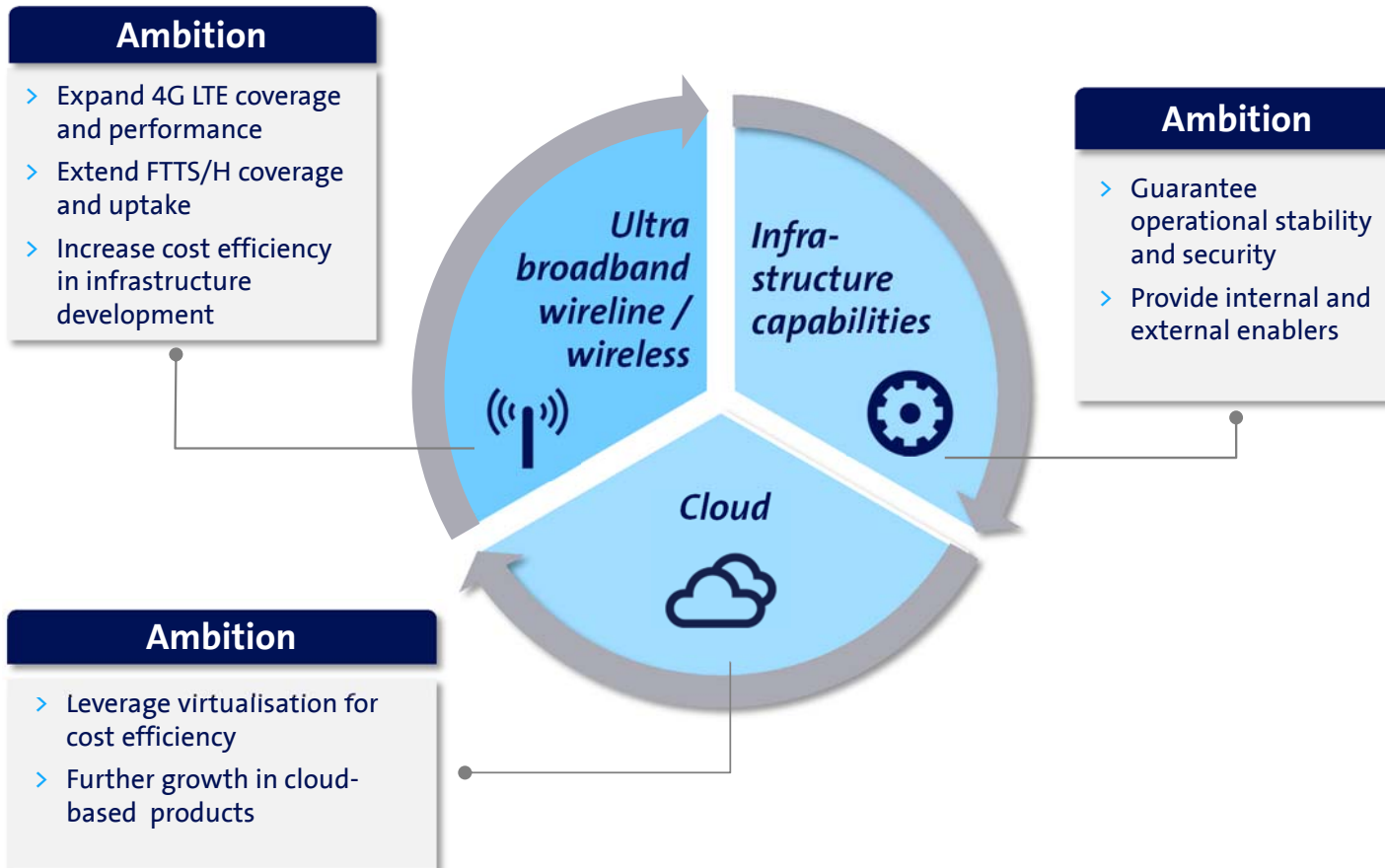
# Swisscom strategy

*We keep our proven strategic direction*



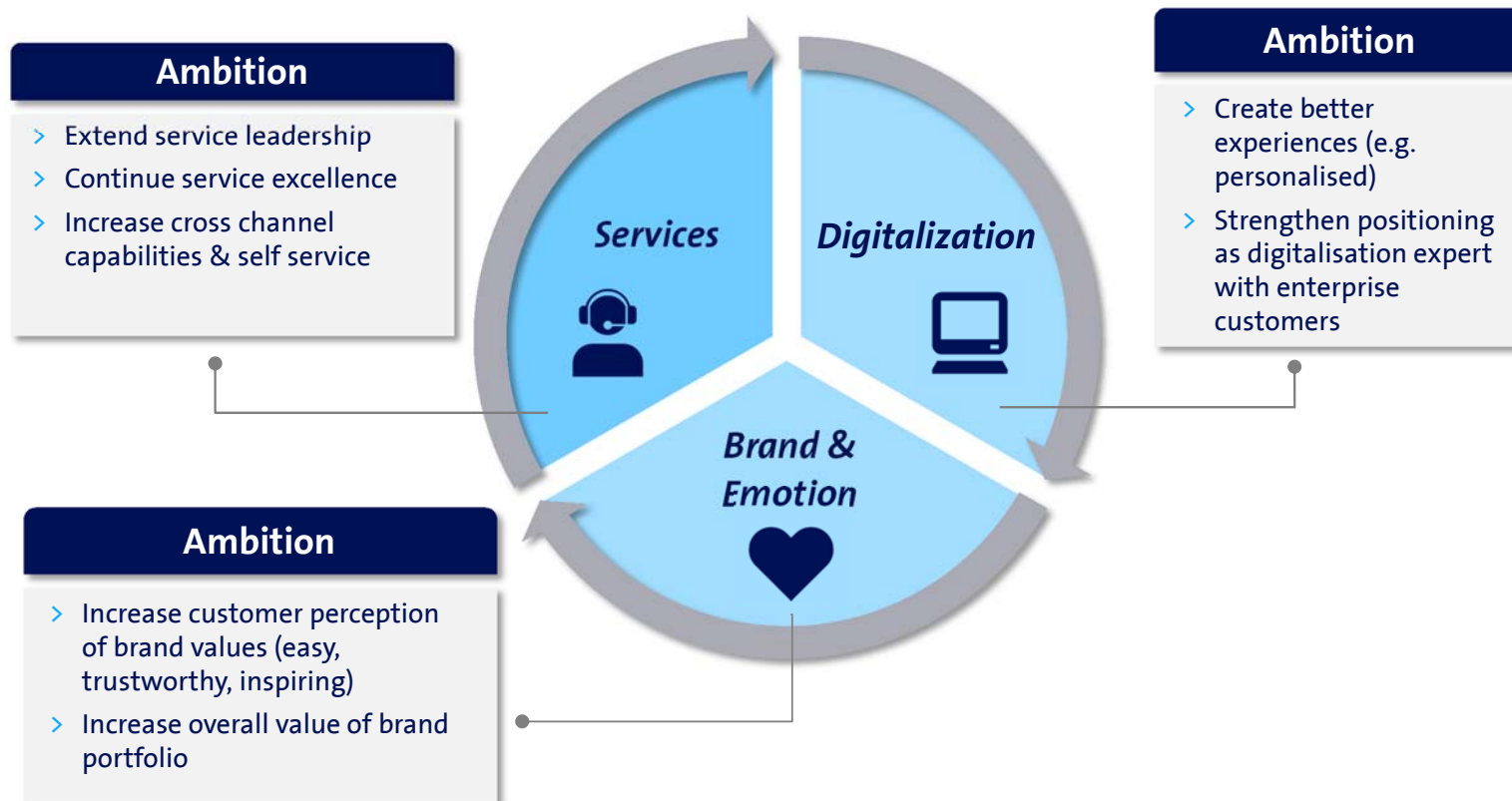
# Best infrastructure

## *Building a performant, secure and efficient Swiss infrastructure*



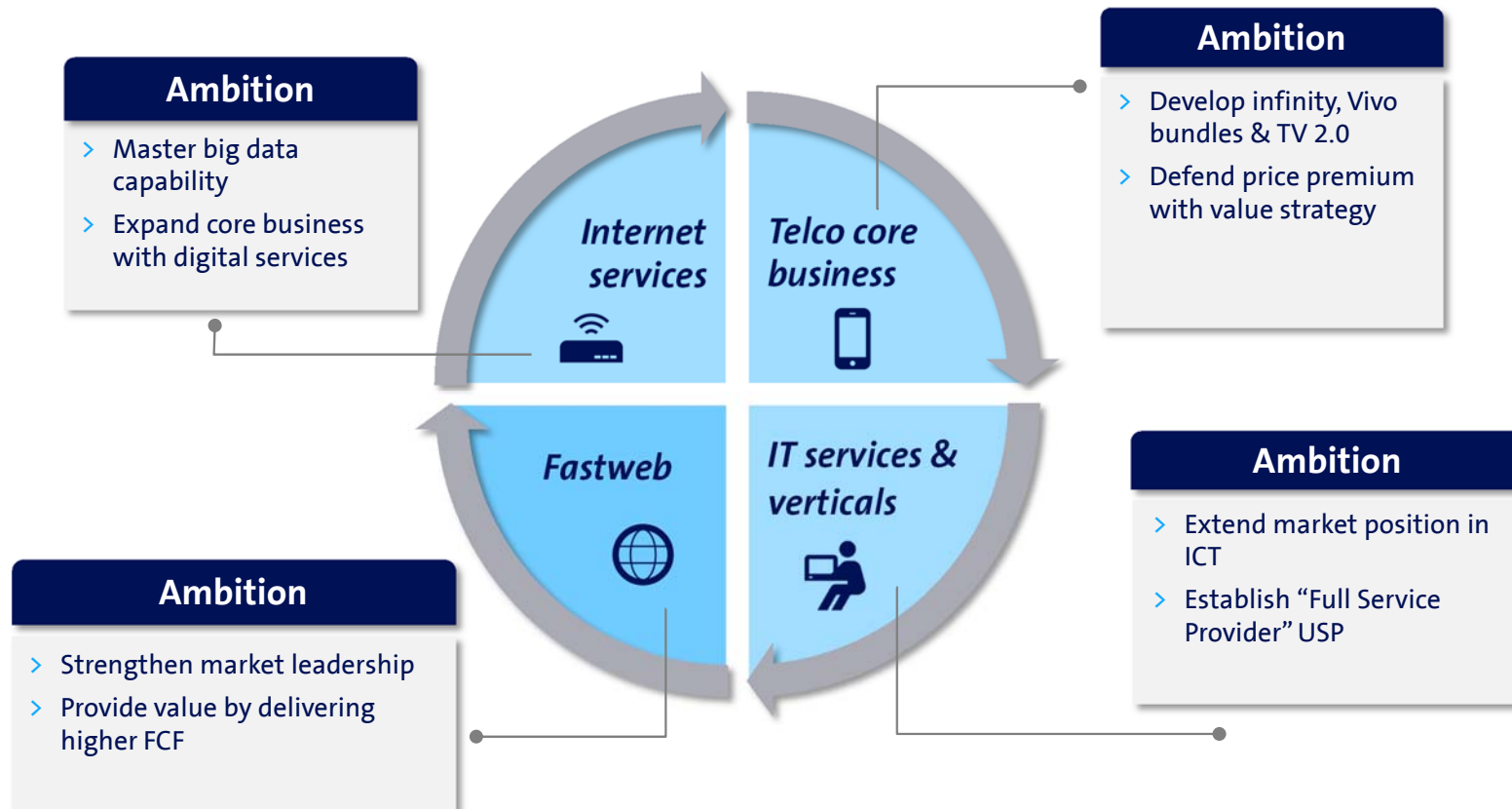
# Best experiences

## *Delivering superior customer experiences*



# Best growth opportunities

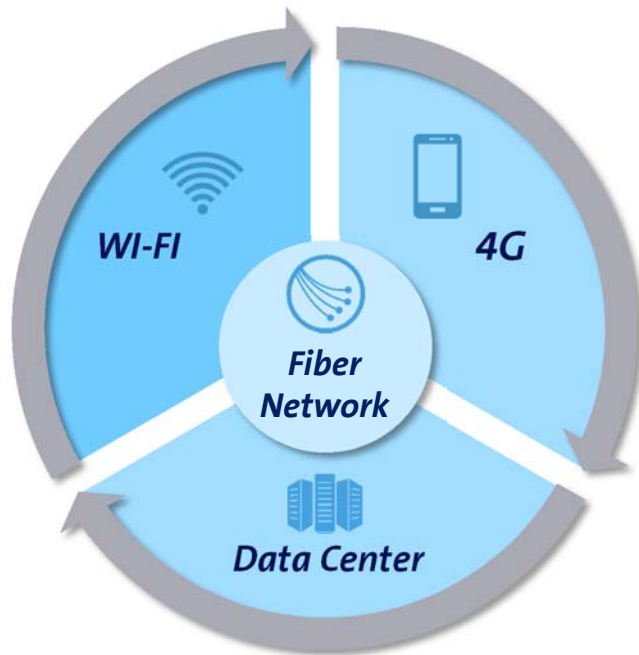
## Exploit growth potential in core business, ICT and Fastweb





Fastweb is a leading infrastructure company...

...with a distinctive market positioning based on four differentiating pillars



- > **Largest alternative UBB network in Italy** with 30% population coverage by the end of 2016
- > **Best network: #1** in the 'Netflix ISP Speed Index'<sup>1</sup>



- > **Largest WI-FI community in the country** with 1.7 million users and 800 cities covered by the end of 2016
- > 1GB/month average traffic per user



- > **Most advanced Data Center** operated by an Italian Telco player
- > More than **1,000 business customers hosted** and **10% market share in Cloud services** (Telco players only)



- > **#1 MVNO** for post-paid customers in Italy
- > Best-in-class mobile service with **access to TIM 4G services** by the end of 2016

<sup>1</sup> Source: Netflix (average speed of Netflix customers while watching streaming contents in prime time)

# Continued focus on our five priorities 2016...

*...for a solid performance and sustainable shareholder return*



## Maximise core business

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



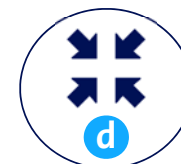
## Operational excellence

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



## Transformation

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



## Growth focus

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



## Develop Fastweb

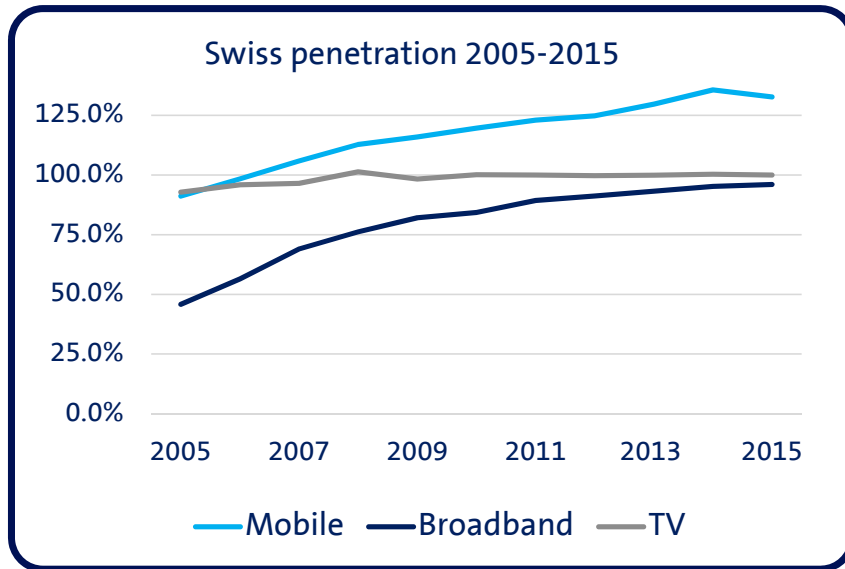
- > Provide best customer experience
- > Seamless connection everywhere
- > Increase scale in core and adjacent businesses

# Maximise core business

Tailored top-quality products key to serve broad range of customer needs



## Switzerland with saturated markets



## Portfolio of Swisscom well positioned



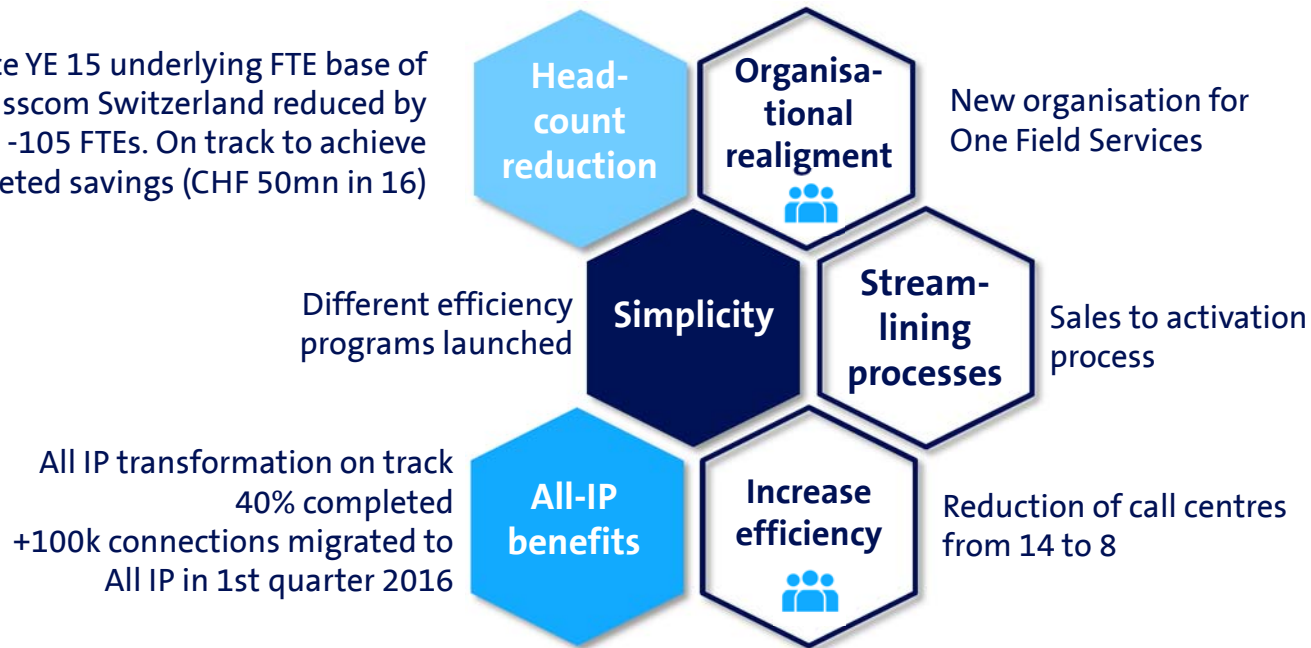
Retain strong market position in high value segments and stimulate demand in lower value segments

# Operational Excellence

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



Since YE 15 underlying FTE base of Swisscom Switzerland reduced by -105 FTEs. On track to achieve targeted savings (CHF 50mn in 16)

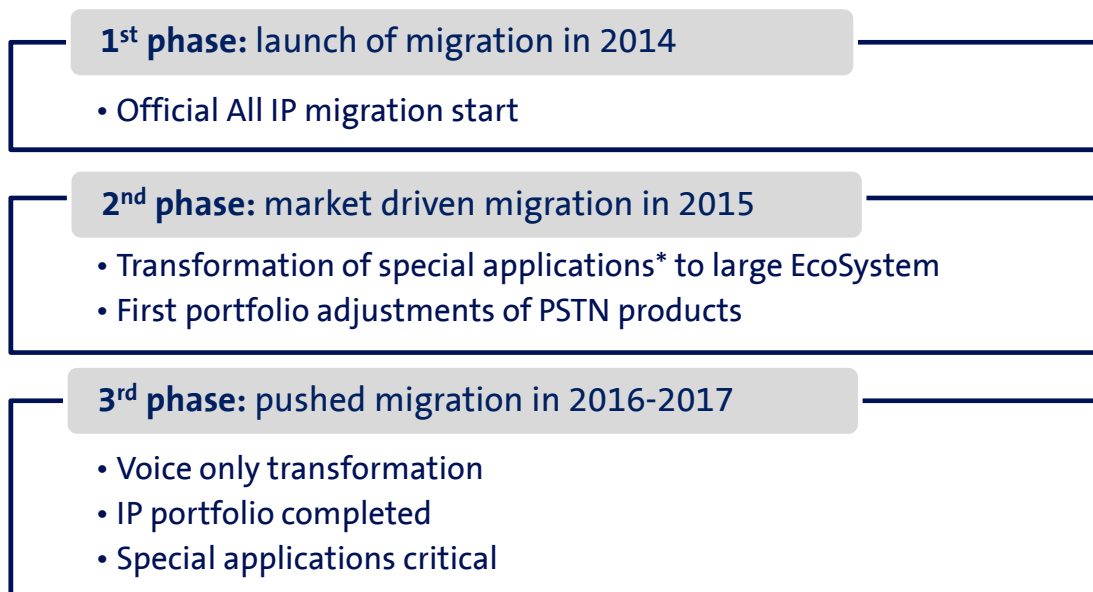


Cost focus shows first effects in Q1. Indirect costs of Swisscom Switzerland down (CHF -11 mn YOY)

By 2020 recurring gross cash savings of CHF > 300 mn p.a.

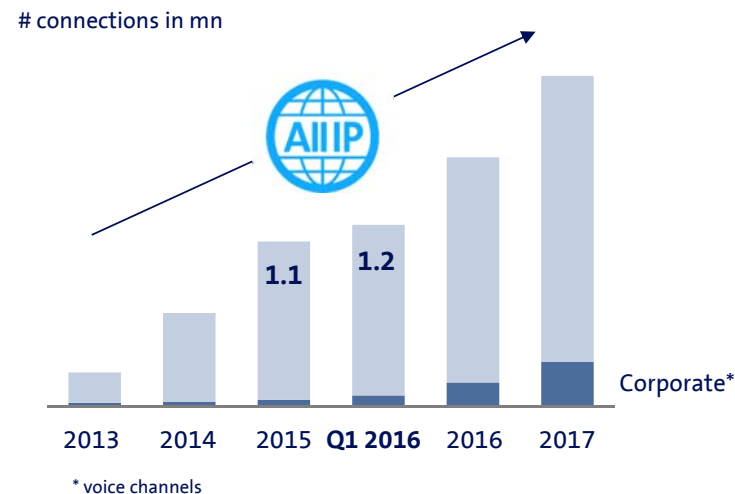
# Status of All IP transformation

*1<sup>st</sup> quarter 2016: +100k connections migrated to All IP*



\* special applications: elevator telephony, alarming systems, modem applications

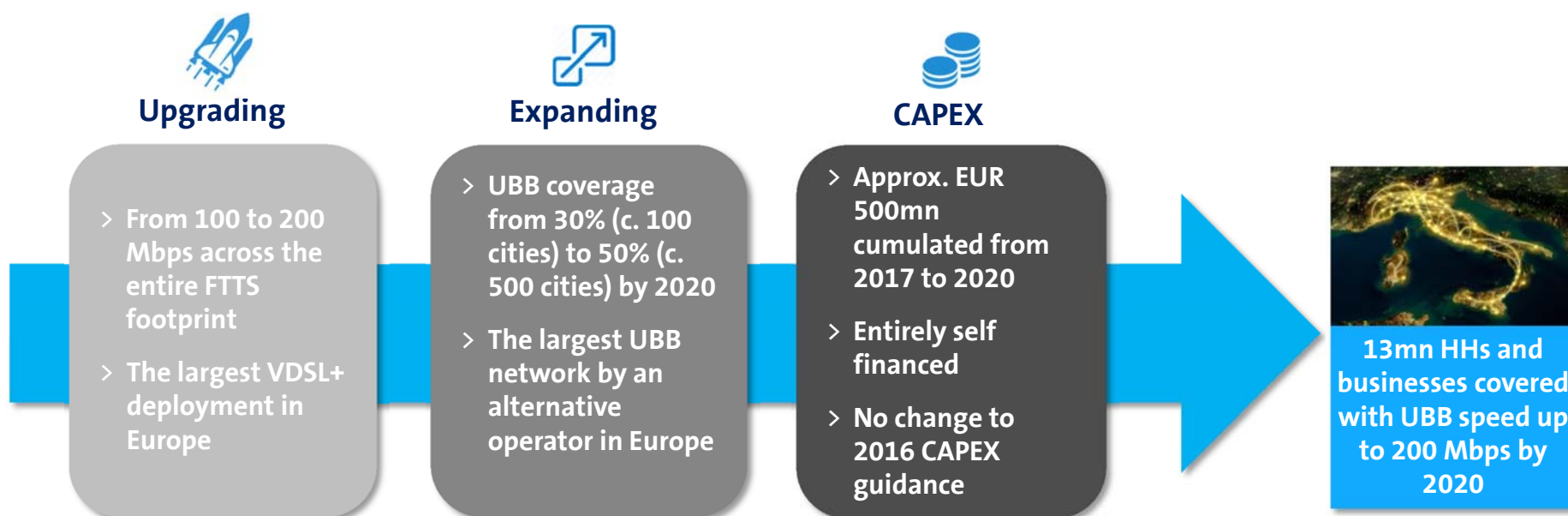
**40% of transformation completed**



All IP project key to achieve recurring cash savings target from 2018 onwards

## Fastweb announced a new investment plan...

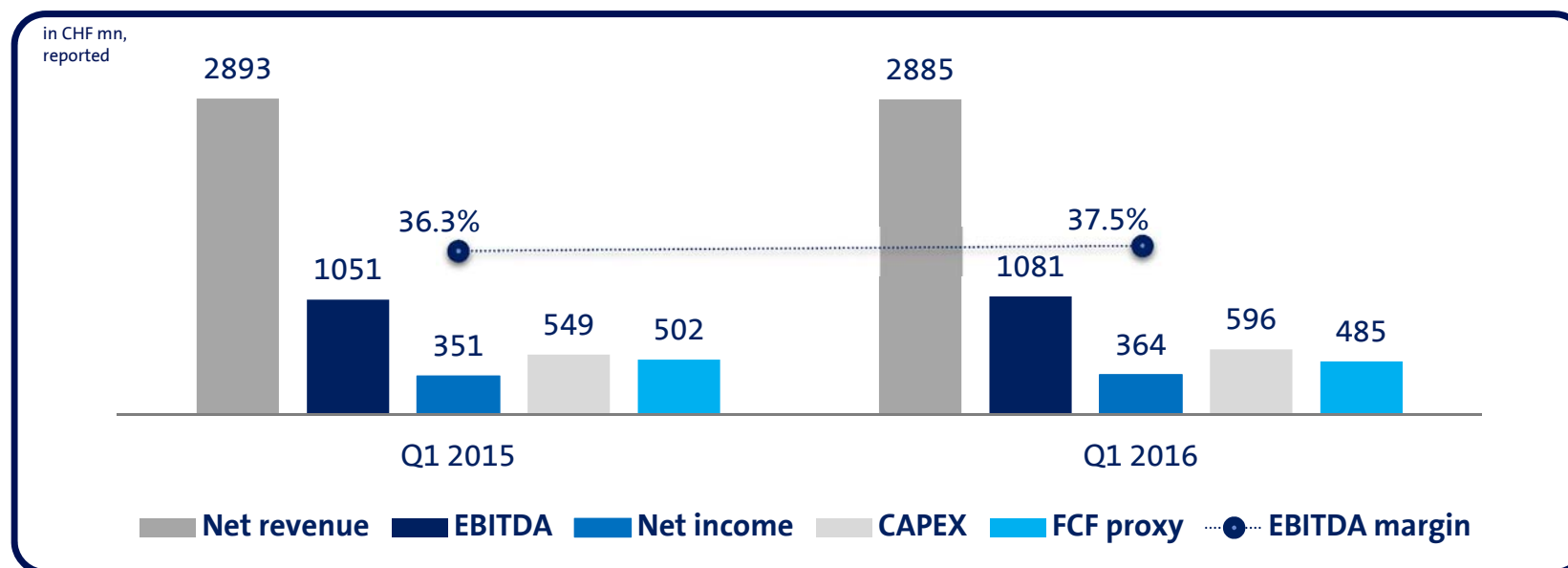
... to cover 50% of population by 2020 with speed up to 200 Mbps



Ambition is to extend the competitive advantage achieved in current UBB footprint to new areas

# Q1 performance in a nutshell

## *Financially solid*



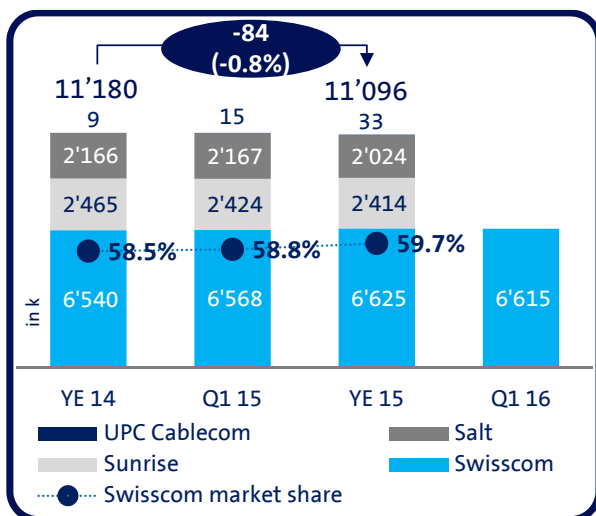
Financial results on track to achieve FY guidance:  
Q1 delivered 25% of revenue and 26% of FCF proxy (EBITDA minus CAPEX)

# Swisscom Switzerland: Wireless with weaker volume trends

## Swisscom with a solid performance in a saturated market

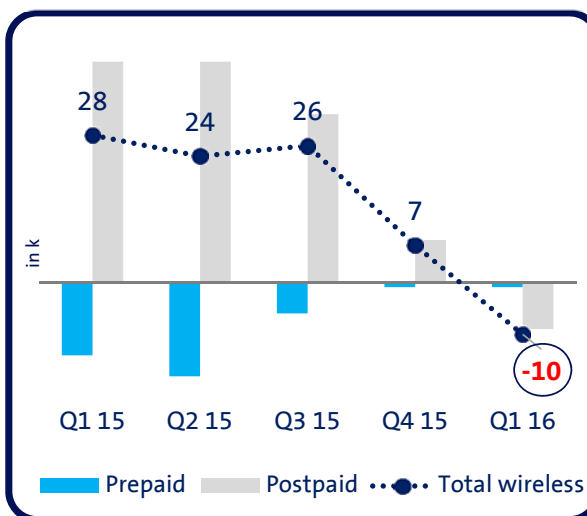


Swiss mobile market



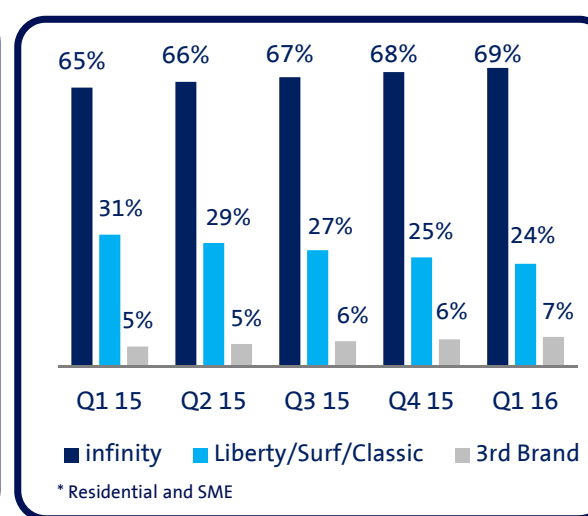
- > Last year the Swiss mobile market declined by -84k RGUs
- > Swisscom with +85k RGUs in 2015 grew its **market share** by +1.2%-points

Net adds of Swisscom Mobile



- > Wireless with a nearly unchanged **RGU base** (-0.15% since YE 15)
- > Last quarters also influenced by **Swiss Post** migration

Breakdown of Retail\* postpaid subs



- > **infinity** share increased by +4%-points YOY, with 69% of postpaid Retail share by far the strongest product in the Swisscom portfolio



Swisscom's wireless position remains strong!

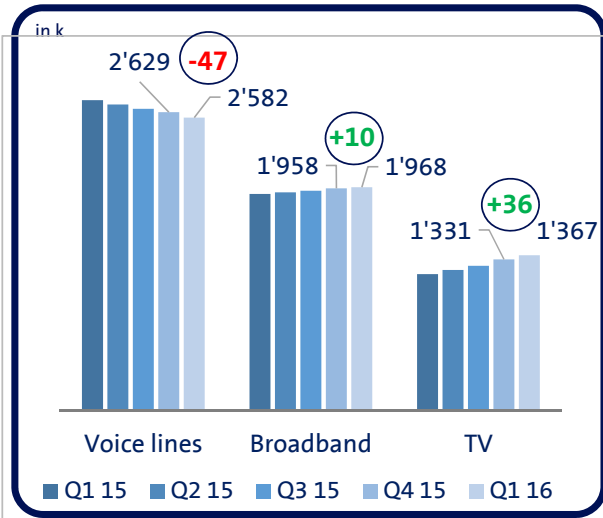


# Swisscom Switzerland: Steady volume dynamics in fixed

*Growth in Broadband, TV and bundles continues and compensates voice line losses*

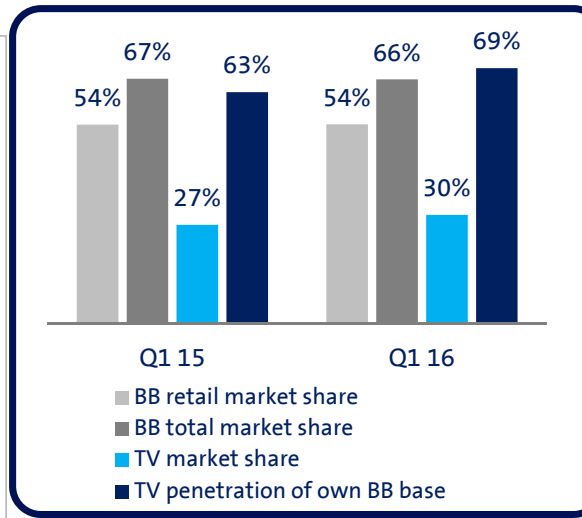


## Wireline RGUs Swisscom Switzerland



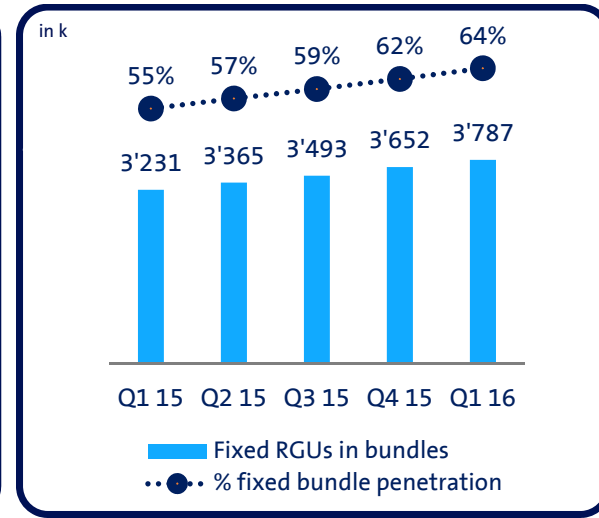
- > Voice line losses driven by **mobile substitution** and **CPS migration**
- > Around 500k Residential customers are **voice only** subscribers

## Market shares and TV penetration



- > Swisscom **#1 TV provider** in Switzerland with solid growth in Q1 2016 (+36k) and a market share of 30%

## Bundle penetration of fixed RGUs



- > Continuous bundle migration reflects **strong value proposition** (increasing UBB footprint and outstanding Swisscom TV 2.0 offering)



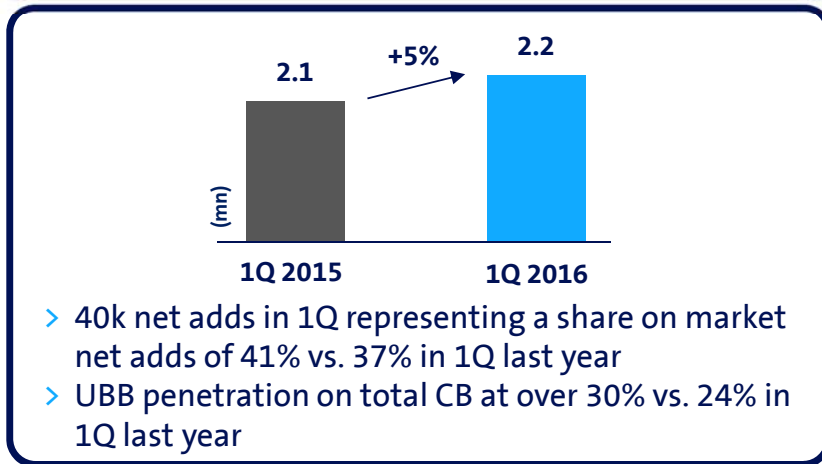
Swisscom Switzerland with 5.9 million RGUs in wireline.  
TV being most successful and stimulating migration to bundles further

# Fastweb: Solid broadband performance

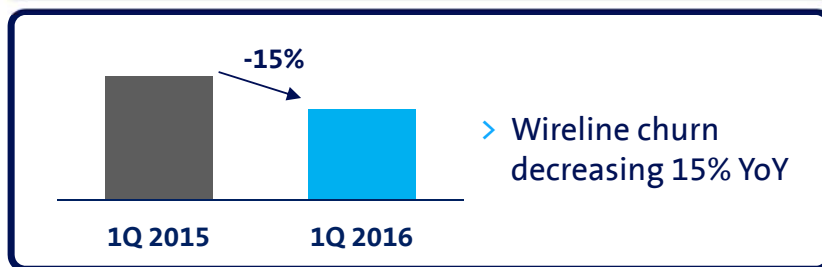
*CB growth driven by UBB take up and churn reduction, positive revenue trend*



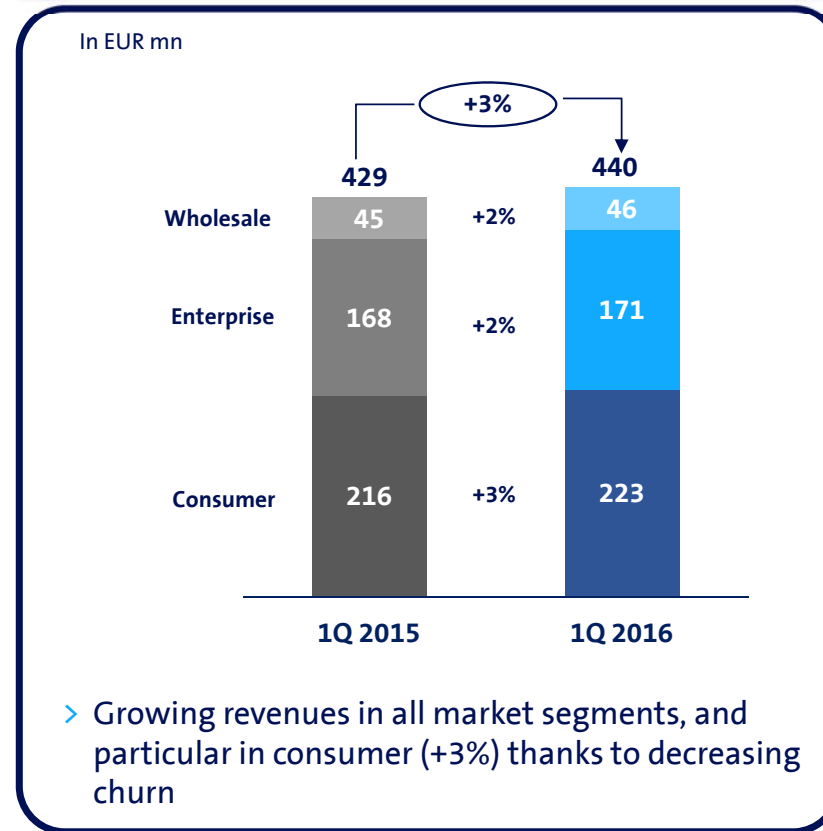
## Customer Base Wireline



## Wireline overall churn



## Net revenues per segment

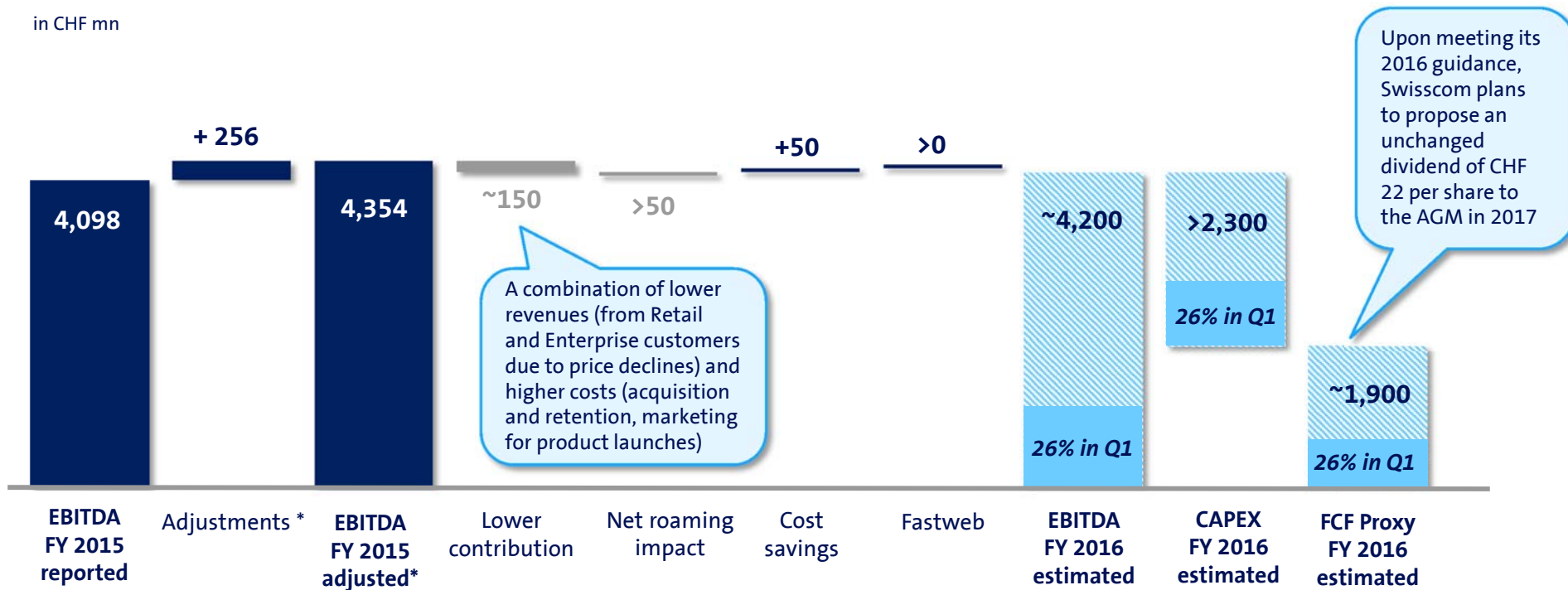


# Outlook: Guidance 2016 confirmed

Net revenue CHF >11.6 billion, EBITDA CHF ~4.2 billion, CAPEX CHF >2.3 billion



in CHF mn



\* Provision for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)

# Cautionary statement

## *regarding forward-looking statements*

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

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

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