Swisscom presentation

BAML Telecom & Media Conference, London
Urs Schaeppi, CEO
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Agenda

1. Profile
2. Strategy
3. Priorities 2016
4. Q1 at a Glance
5. Outlook
Leading telco in Switzerland

Stable market position over many years in Switzerland

### Market leader

<table>
<thead>
<tr>
<th></th>
<th>Mobile</th>
<th>Broadband</th>
<th>Digital TV</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>59%</td>
<td>66%</td>
<td>26%</td>
</tr>
<tr>
<td>2015</td>
<td>60%</td>
<td>67%</td>
<td>30%</td>
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</tbody>
</table>

- Stable market shares\(^1\) over the last years
- Growing TV business translates into growing market shares in Digital TV

### Technology leader

<table>
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<tr>
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<th>YE 2014</th>
<th>YE 2015</th>
</tr>
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<tbody>
<tr>
<td>Ultra broadband (&gt;50 Mbps) footprint(^2) by YE 2015</td>
<td>2.33 mn</td>
<td>2.86 mn</td>
</tr>
<tr>
<td>Goal 2020: 85% homes and businesses with access to &gt;100 Mbps</td>
<td>4G coverage of 98%</td>
<td></td>
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- New remote with voice recognition
- New box: smaller and highly performing
- 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.

### Innovation leader

1 Swisscom estimates
2 Consists of 3.6 mn homes and 0.7 mn businesses (as of YE 2015), source: Bundesamt für Statistik – bfs
3 New fibre technologies include FTTH, FTTS/B and FTTC/Vectoring
Leading attacker in Italy through Fastweb

Outstanding track record in demanding market environment

- 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*

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.
Best infrastructure

Building a performant, secure and efficient Swiss infrastructure

**Ambition**
- Expand 4G LTE coverage and performance
- Extend FTTS/H coverage and uptake
- Increase cost efficiency in infrastructure development

**Ambition**
- Leverage virtualisation for cost efficiency
- Further growth in cloud-based products

**Ambition**
- Guarantee operational stability and security
- Provide internal and external enablers

**Ultra broadband wireline/wireless**

**Infrastructure capabilities**

**Cloud**
Best experiences

*Delivering superior customer experiences*

**Ambition**
- Extend service leadership
- Continue service excellence
- Increase cross channel capabilities & self service

**Brand & Emotion**
- Create better experiences (e.g. personalised)
- Strengthen positioning as digitalisation expert with enterprise customers
- Increase customer perception of brand values (easy, trustworthy, inspiring)
- Increase overall value of brand portfolio

**Digitalization**
- Services
Best growth opportunities

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

**Ambition**
- Master big data capability
- Expand core business with digital services

**Internet services**

**Telco core business**
- Develop infinity, Vivo bundles & TV 2.0
- Defend price premium with value strategy

**Fastweb**
- Strengthen market leadership
- Provide value by delivering higher FCF

**IT services & verticals**
- Extend market position in ICT
- Establish “Full Service Provider” USP
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’

- **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

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1 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*

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**Switzerland with saturated markets**

- **Swiss penetration 2005-2015**
  - Mobile
  - Broadband
  - TV

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**Portfolio of Swisscom well positioned**

- High Value
  - Best value for the quality sensitive
  - NATEL® infinity 2.0
  - NATEL® light
  - Vivo

- Low Value
  - Best price for the price sensitive
  - Prepaid NATEL® easy
  - Budget

- High Willingness to pay
  - Value for money for the price sensitive
digital native

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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)

- Head-count reduction
- Organisational realignment
- New organisation for One Field Services
- Simplicity
- Streamlining processes
- Sales to activation process
- All-IP benefits
- Increase efficiency
- Reduction of call centres from 14 to 8
- All IP transformation on track 40% completed
- +100k connections migrated to All IP in 1st quarter 2016

By 2020 recurring gross cash savings of CHF > 300 mn p.a.
Status of All IP transformation

1st quarter 2016: +100k connections migrated to All IP

1st phase: launch of migration in 2014
- Official All IP migration start

2nd phase: market driven migration in 2015
- Transformation of special applications* to large EcoSystem
- First portfolio adjustments of PSTN products

3rd phase: pushed migration in 2016-2017
- Voice only transformation
- IP portfolio completed
- Special applications critical

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

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

40% of transformation completed

# connections in mn

Corporate*
Fastweb announced a new investment plan... 
... to cover 50% of population by 2020 with speed up to 200 Mbps

- **Upgrading**
  - From 100 to 200 Mbps across the entire FTTS footprint
  - The largest VDSL+ deployment in Europe

- **Expanding**
  - UBB coverage from 30% (c. 100 cities) to 50% (c. 500 cities) by 2020
  - The largest UBB network by an alternative operator in Europe

- **CAPEX**
  - Approx. EUR 500mn cumulated from 2017 to 2020
  - Entirely self financed
  - No change to 2016 CAPEX guidance

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

13mn HHs and businesses covered with UBB speed up to 200 Mbps by 2020
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

Swissmobile market

Net adds of Swisscom Mobile

Breakdown of Retail* postpaid subs

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

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

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*

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

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

- 40k net adds in 1Q representing a share on market net adds of 41% vs. 37% in 1Q last year
- UBB penetration on total CB at over 30% vs. 24% in 1Q last year

Wireline overall churn

- Wireline churn decreasing 15% YoY

Net revenues per segment

- Growing revenues in all market segments, and particular in consumer (+3%) thanks to decreasing churn

In EUR mn

<table>
<thead>
<tr>
<th>Segment</th>
<th>1Q 2015</th>
<th>1Q 2016</th>
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<tbody>
<tr>
<td>Wholesale</td>
<td>429</td>
<td>440</td>
</tr>
<tr>
<td>Enterprise</td>
<td>168</td>
<td>171</td>
</tr>
<tr>
<td>Consumer</td>
<td>216</td>
<td>223</td>
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+5%  +3%  +2%
Outlook: Guidance 2016 confirmed

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

Upon meeting its 2016 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2017.

A combination of lower revenues (from Retail and Enterprise customers due to price declines) and higher costs (acquisition and retention, marketing for product launches).

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

regarding forward-looking statements

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

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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For further information, please contact:
phone: +41 58 221 6279 or +41 58 221 1279
investor.relations@swisscom.com
www.swisscom.ch/investor