



# Company presentation

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Berenberg European Conference  
London, 5/6 December 2016



# Swisscom profile

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

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## 1 Profile

## 2 Strategy

## 3 Priorities

## 4 Q3 Update

## 5 Financial policy

## 6 Outlook

- Best network (UBB and LTE)
- Strong market positions in mobile, fixed-line (broadband and TV) and ICT
  - Around 12.5mn RGUs in Switzerland with bundles still growing

**Leading Telco & ICT operator in CH**

**Strong macro-environment**

- Switzerland, a synonym of quality, stability and solidity
- Stable political system
- Quality conscious consumer base generating high ARPUs compared to European average

- Outstanding execution track record on corporate strategy
  - Stable market shares over the last years

**SWISSCOM**



**Leading attacker in Italy through Fastweb**

- Overall more than 2.2mn broadband customers o/w ~650 k UBB connections and > 560 k SIM cards (YE 2015)
- #2 in Italy with growing market shares in consumer (16%) and corporate (27%) by YE 2015

- Stable dividend policy (CHF 22/share since 2011)
- Attractive dividend yield

**Dividend play**

**Conservative financial behaviour**

- A2/A (both stable) rating; among the best-rated European telecoms operators

# Leading telco in Switzerland

Stable market position over many years in Switzerland



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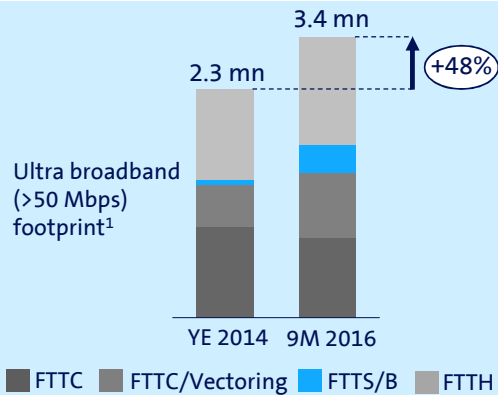
## 3 Priorities

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### Technology leader



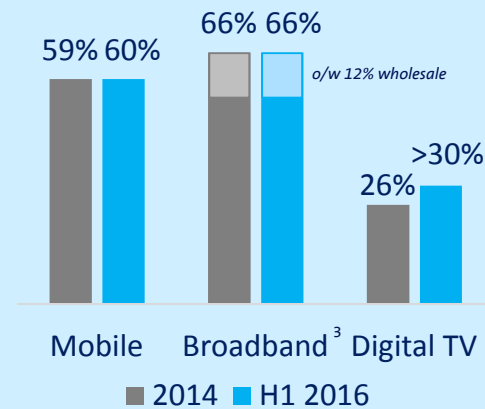
- > >2.3 mn connections with new fibre technologies<sup>2</sup>
- > Goal 2020: 85% homes and businesses with access to >100 Mbps
- > # 1 in Switzerland in quality of mobile networks (connect tests 2009-2015)
- > 4G coverage of 98%

### 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.

### Market leader



- > Stable market shares<sup>4</sup> over the last years
- > Growing TV business translates into growing market shares in Digital TV

1 Consists of 3.6 mn homes and 0.7mn businesses (as of YE 2015), source: Bundesamt für Statistik – bfs

2 New fibre technologies include FTTH, FTTS/B and FTTC/Vectoring

3 Incl. wholesale

4 Swisscom estimates

# Leading attacker in Italy through Fastweb

*Outstanding track record in demanding Italian market*

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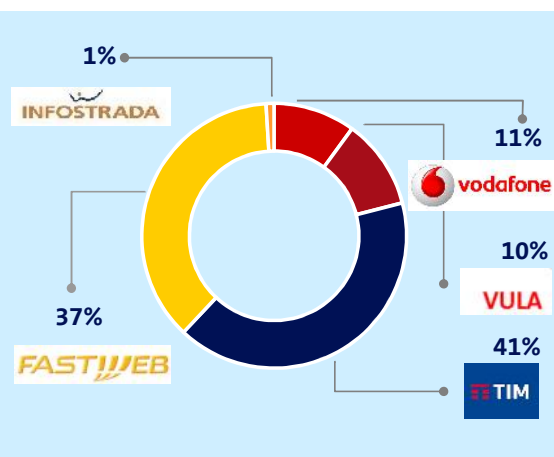
3 Priorities

4 Q3 Update

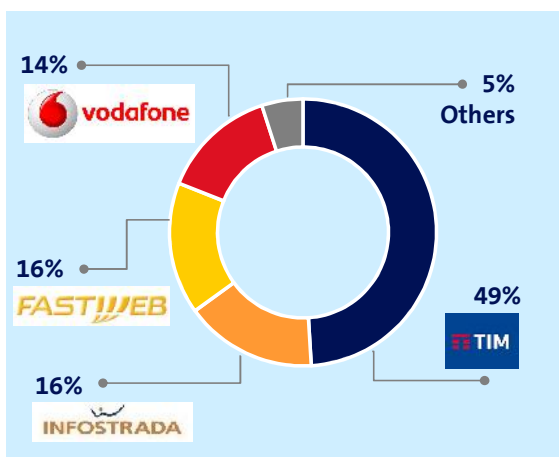
5 Financial policy

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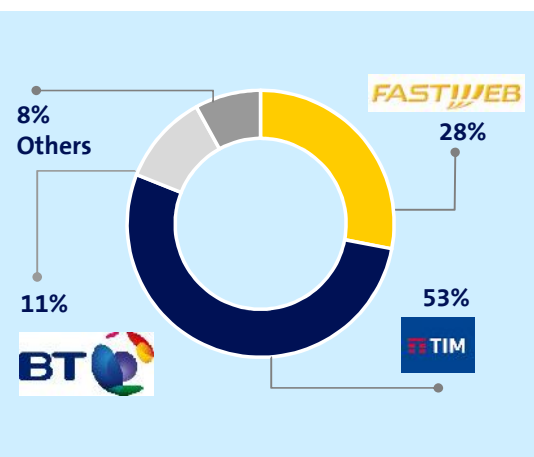
UBB connections by 1H 16<sup>1</sup>



Consumer segment by 1H 16<sup>2</sup>



Corporate segment by 1H 16<sup>2</sup>



- > Overall more than 2.3 mn broadband customers o/w ~710k UBB connections and 565k mobile SIM cards (1H 2016)
- > Fastweb being #2 in Italy with growing market shares in consumer (16%) and corporate (28%)
- > Flawless execution of FTTS roll out which will cover 13mn households / businesses (50% coverage) by YE 2020
- > Strategic action reflected in solid financial performance (revenues up by 3% and EBITDA up by 21% in Q3 16, YoY)

<sup>1</sup> AGCom, companies data, internal estimates

<sup>2</sup> Ernst & Young, 2016 (Consumer M. Share on Active CB, Corporate M. Share on Revenues)

# Swisscom Switzerland

*The main FCF contributor*

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<b>Markets</b> <ul style="list-style-type: none"> <li>Mobile voice and data</li> <li>Fixed voice and broadband</li> <li>ICT</li> </ul>	ENTPRISE CUSTOMERS			<b>Financial results 30.9.2016</b> Revenues: CHF 1,935mn Contribution Margin: CHF 626mn		+
<b>Markets</b> <ul style="list-style-type: none"> <li>Mobile voice and data</li> <li>Fixed voice, broadband and TV</li> </ul>	SMALL & MEDIUM ENTERPRISES			Revenues: CHF 1,020mn Contribution Margin: CHF 677mn		+
<b>Markets</b> <ul style="list-style-type: none"> <li>Mobile voice and data</li> <li>Fixed voice, broadband and TV</li> </ul>	RESIDENTIAL			Revenues: CHF 3,846mn Contribution Margin: CHF 2,194mn		+
<b>Focus products</b> <ul style="list-style-type: none"> <li>Voice</li> <li>Broadband</li> <li>Roaming</li> </ul>	WHOLESALE			Revenues: CHF 738mn Contribution Margin: CHF 298mn		+
<b>Factory</b> <ul style="list-style-type: none"> <li>Mobile networks</li> <li>Fixed networks</li> </ul>	IT, NETWORK & INNOVATION			Contribution Margin: CHF -947mn		=
<b>Swisscom Switzerland</b>				EBITDA: CHF 2,848mn CAPEX: CHF -1,768mn FCF proxy: CHF 1,080mn		

# Group financials

*Stable since years*

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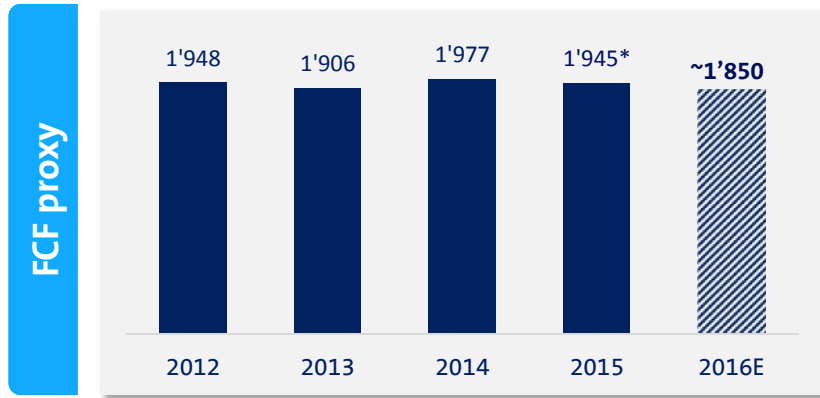
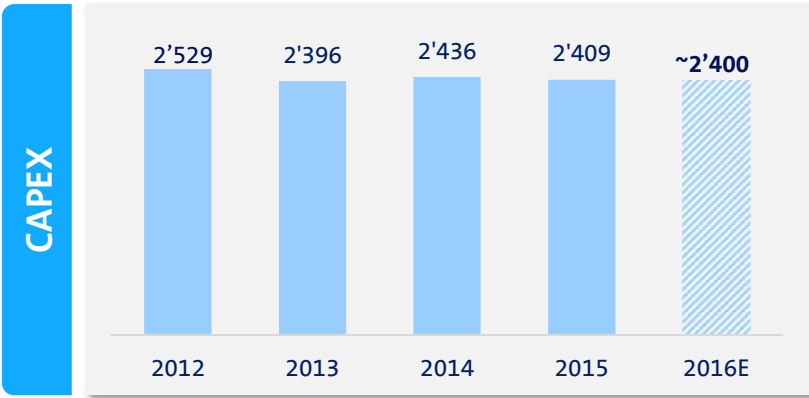
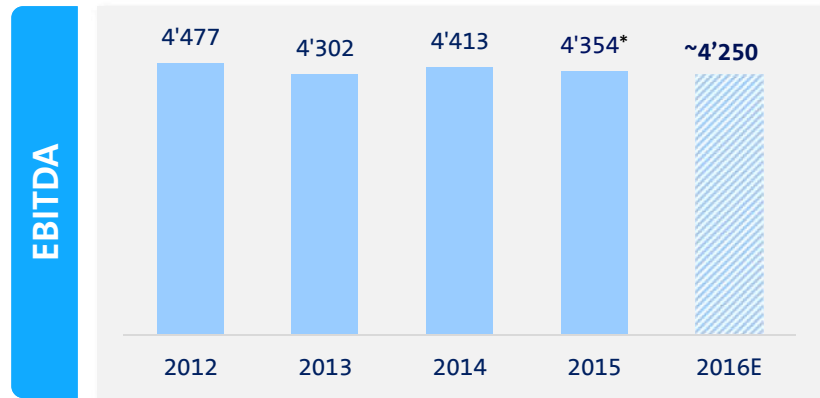
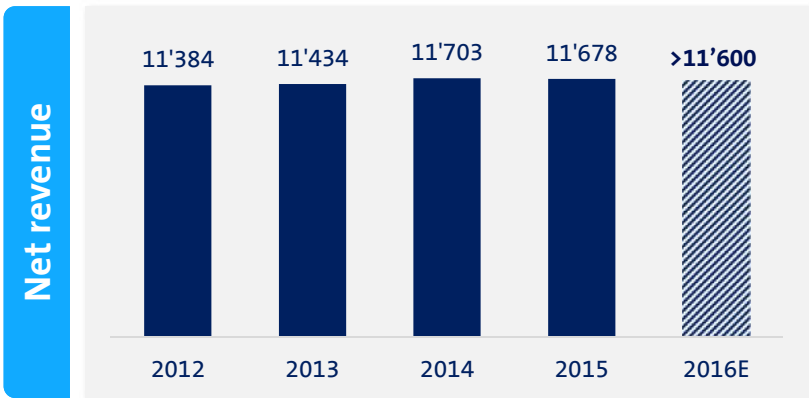
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\* excl. provisions for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)

# Swisscom strategy

*We keep our proven strategic direction*

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The graphic is a stylized landscape with green hills and a blue sky. At the top center is the Swisscom logo and the text "The best in the networked world – everywhere and all the time." Below this, three pillars are shown: 1. "Building the best infrastructure" with icons of a house, a factory, and a car. 2. "Creating the best experiences" with icons of a person, a checkmark, a network wheel, and a group of people. 3. "Realising the best growth opportunities" with icons of a lighthouse, a person on a ladder, and a person with a speech bubble. At the bottom, a blue banner reads "Welcome to the country of possibilities."

swisscom

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

**Building the best infrastructure**

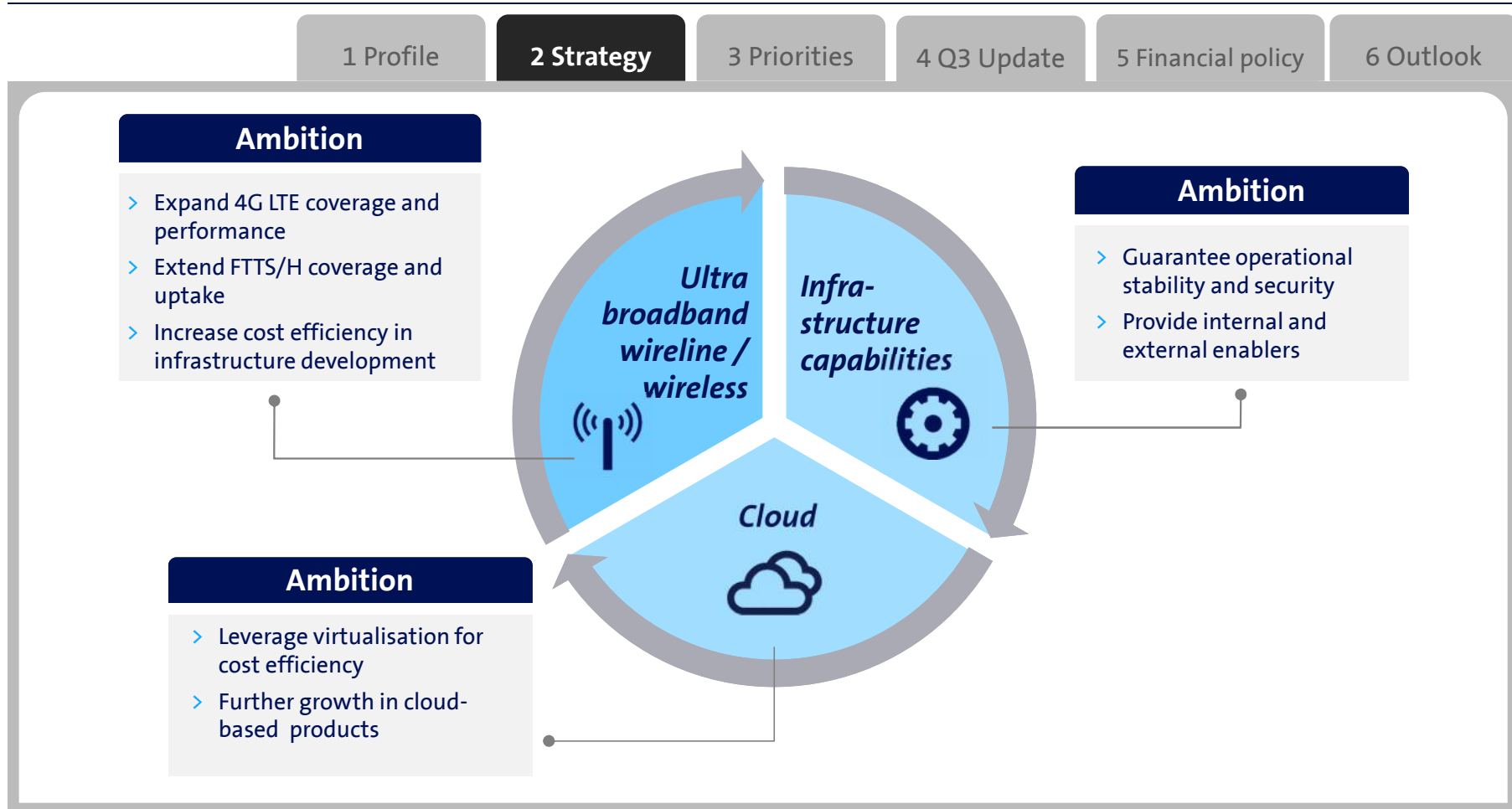
**Creating the best experiences**

**Realising the best growth opportunities**

Welcome to the country of possibilities.

# Best infrastructure

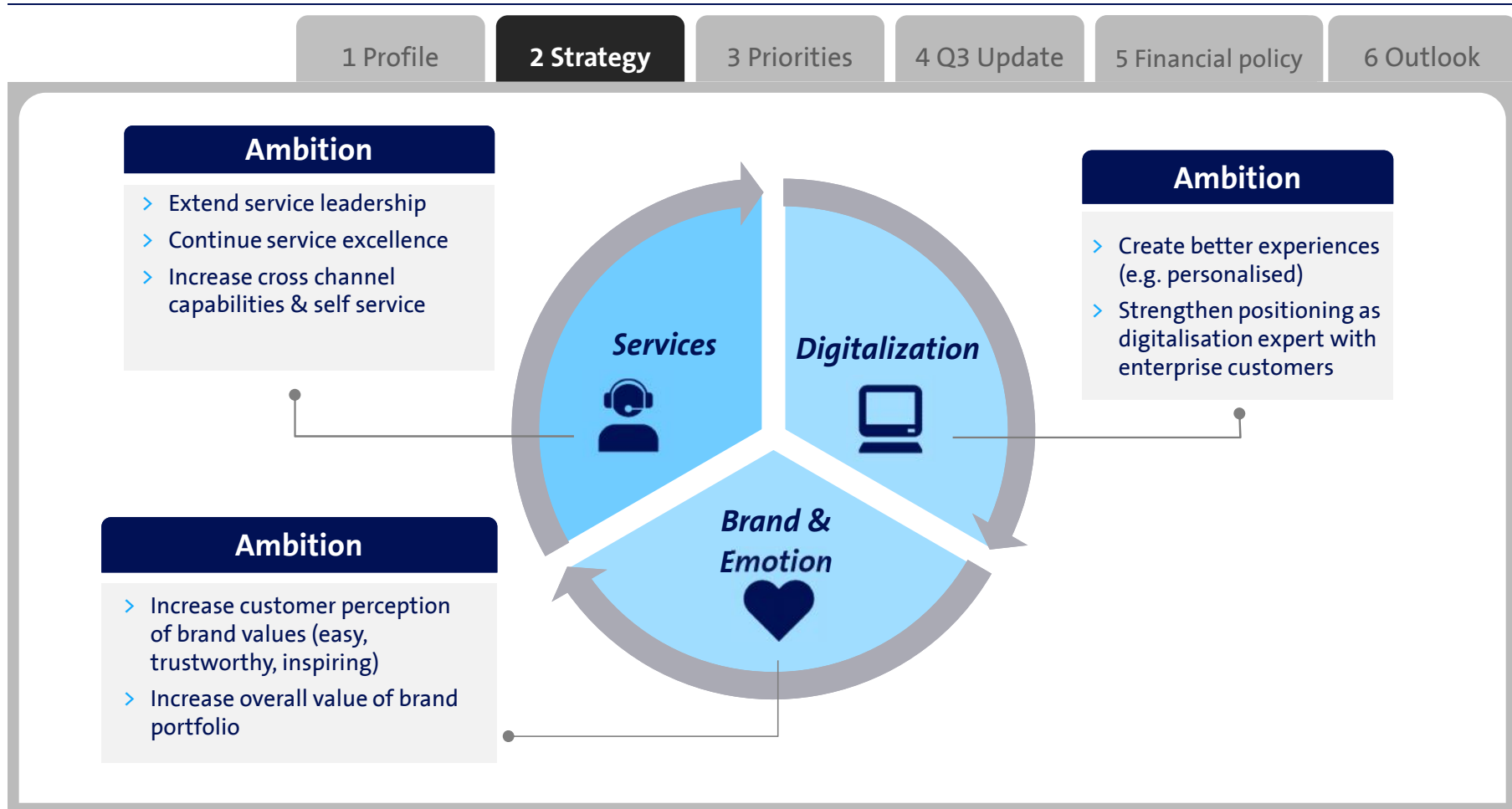
*Building a performant, secure and efficient Swiss infrastructure*





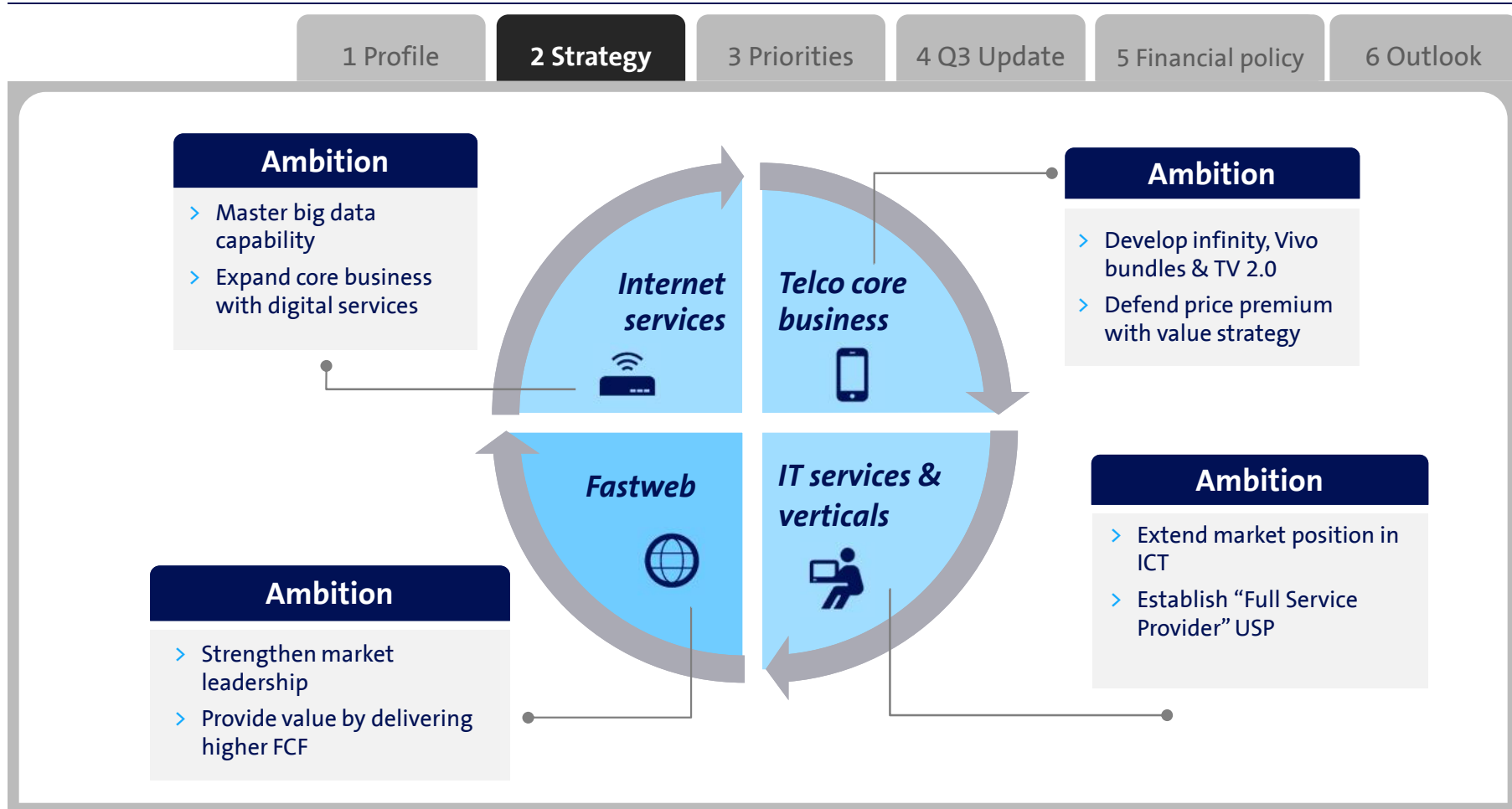
# Best experiences

## *Delivering superior customer experiences*



# Best growth opportunities

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



# Continued focus on our five priorities 2016

*Execution well on track to deliver on our five priorities*

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## Maximise core business

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



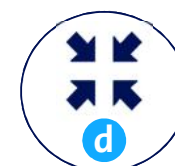
## Operational excellence

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



## Develop Fastweb

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



## Growth focus

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



## Transformation

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

# Maximise core business

*Wireline: solid market performance and ready to defend strong position*

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## Our actions

- > Strong UBB rollout, now with G.fast
- > UHD TV box with voice recognition
- > New M-Budget broadband only
- > Wingo now with 500 Mbps
- > Accelerating All-IP migration



## Where we stand



- > Stable broadband market share
- > Gaining TV market share – leader!
- > Attractive offer for Christmas sale
- > Defending low end market
- > >65% customers on All-IP



UBB extension and excellent offerings key for further success in wireline

# Maximise core business

*Wireless: back to subscriber growth whilst defending prices*

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## Our actions

- > Update of infinity price plans
- > New entry offer launched
- > Tutto benefit extended to household
- > First wave iPhone 7
- > Revised M-Budget portfolio



## Where we stand

- > Back to postpaid subscriber growth
- > Successful Pre2Post upselling
- > Stable prices, no downgrading
- > High retention volumes
- > Prepared to defend leading position



Value for money matters for Swiss customers

# Operational Excellence

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

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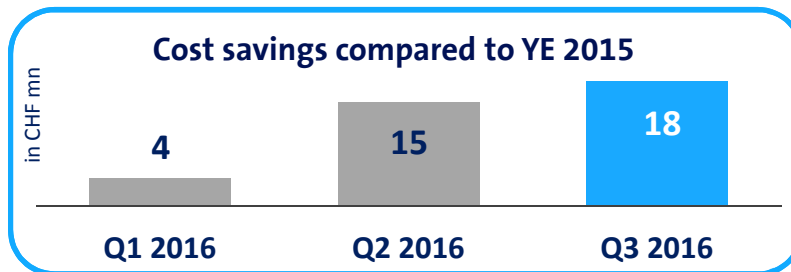
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- > Since YE 15, underlying FTE base of Swisscom Switzerland down by -493<sup>1,2</sup>
- > All-IP transformation increasingly contributes to improve the process excellence
  - > +300k connections migrated in 2016
  - > with 1.4 mn connections >65% completed
- > Operational excellence initiatives with cost reduction of CHF 37 mn YOY



1 FTE situation as per 30.9.2016 for Switzerland (18'551 FTEs, -414 FTEs YTD), Swisscom Switzerland (16'767 FTEs, -432 FTEs YTD)

2 Without M&A effects of +61 FTEs

# Develop Fastweb

## Enhanced FTTH plan secures Fastweb's competitive UBB advantage

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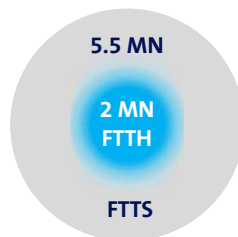
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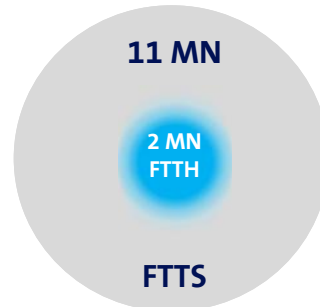
Fastweb strategy further boosted by FTTH deployment  
Continuous infrastructure development as key competitive advantage

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



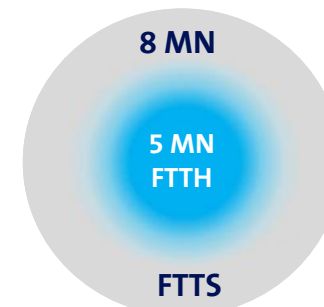
- > FTTS selected to deploy sizeable UBB infrastructure
- > Fastweb becomes Italian co-leader for # of UBB active customers

**FY 2016 - FY 2020**  
FTTS plan for 50% UBB coverage  
(13 mn HHs by 2020)



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

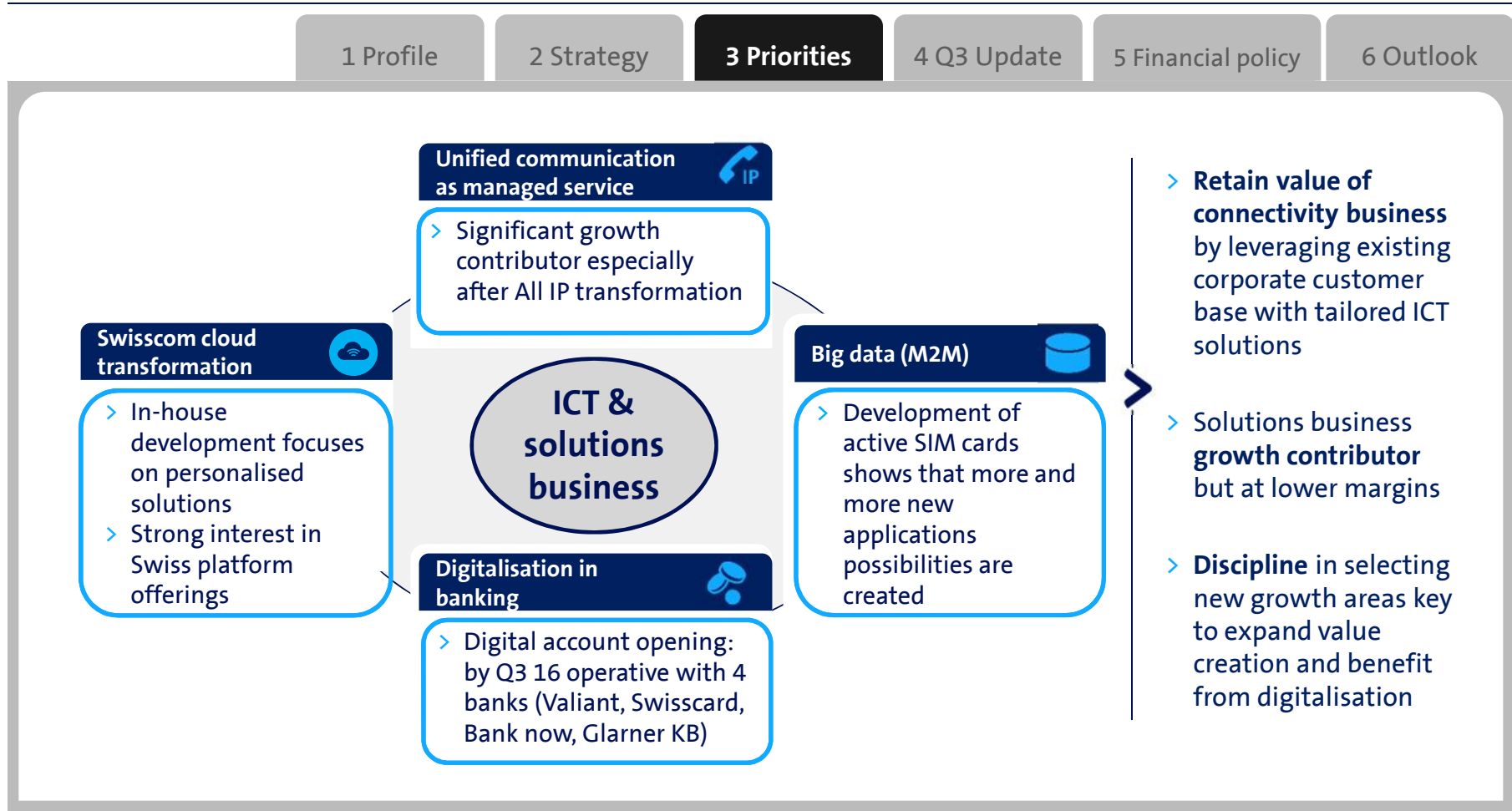
**FY 2016 - FY 2020 (new)**  
FTTH plan for enhanced UBB mix  
(13 mn HHs by 2020)



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

# Growth focus

*ICT and solutions business provide chances for up-selling and differentiation*





# Transformation

9M 2016 with +300k connections migrated to All IP

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## All IP product portfolio



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



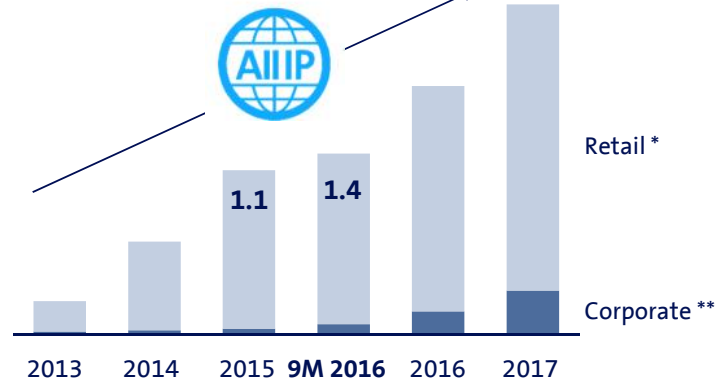
**SME:**  
My KMU Office,  
Smart Business Connect



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

## >65% of transformation completed

# connections in mn



\* Residential Customers and SME  
\*\* Voice channels

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

# Q3 in a nutshell

*Swisscom continues to deliver on its FY targets*

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- > Swisscom with a **solid set of operational performance** in Q3 and an unchanged **leading position in Switzerland** – in all markets



- > **Fastweb** continuously **contributing growth** to Swisscom's profile – operationally and financially

- > Dynamics in Swiss business unbroken – **value for money key for Swisscom customers**
  - Infinity 2.0 drives postpaid growth (Q3 with +17k) successfully
  - Ongoing move to bundles (Q3 with +220k) with unique TV 2.0 and increasing UBB footprint coverage as main catalysts

- > **9m 16 financials** inline with FY expectations – top-line flat, underlying margin slightly lighter

- > **Cost cutting** on track (9m 16 with CHF +37mn), remains a **top priority**

- > **Guidance** for FY 2016 **confirmed**: revenue CHF >11.6 bn, EBITDA CHF ~4.25 bn and CAPEX CHF ~2.4 bn

# Q3 2016 market performance

*Solid market position in Switzerland, growing RGU base in Italy*

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## Mobile Swisscom Switzerland

in k	Q1	Q2	Q3	9m 16	YOY
Postpaid	-9	+19	+17	4,528	+1%
Prepaid	-1	-11	-27	2,085	-2%
<b>Total</b>	<b>-10</b>	<b>+8</b>	<b>-10</b>	<b>6,613</b>	<b>0%</b>
Est. market share service revenue	62%	62%			

## Fixed Swisscom Switzerland

in k	Q1	Q2	Q3	9m 16	YOY
Voice lines	-47	-64	-60	2,458	-8%
Broadband	+10	+10	+7	1,985	+3%
TV	+36	+33	+40	1'440	+13%
<b>Total</b>	<b>-1</b>	<b>-21</b>	<b>-13</b>	<b>5'883</b>	<b>0%</b>

## Mobile Fastweb

in k	Q1	Q2	Q3	9m 16	YOY
<b>Total</b>	<b>+15</b>	<b>+30</b>	<b>+36</b>	<b>601</b>	<b>+23%</b>

## Fixed Fastweb

in k	Q1	Q2	Q3	9m 16	YOY
Broadband	+40	+16	+38	2,295	+6%

Swisscom with 12.5 mn RGUs (YOY stable) in Switzerland,  
Fastweb with 2.9 mn RGUs (+6% YOY) in Italy

# Q3 2016 financials

9m numbers flat, underlying contribution softer (in line with guidance)

1 Profile

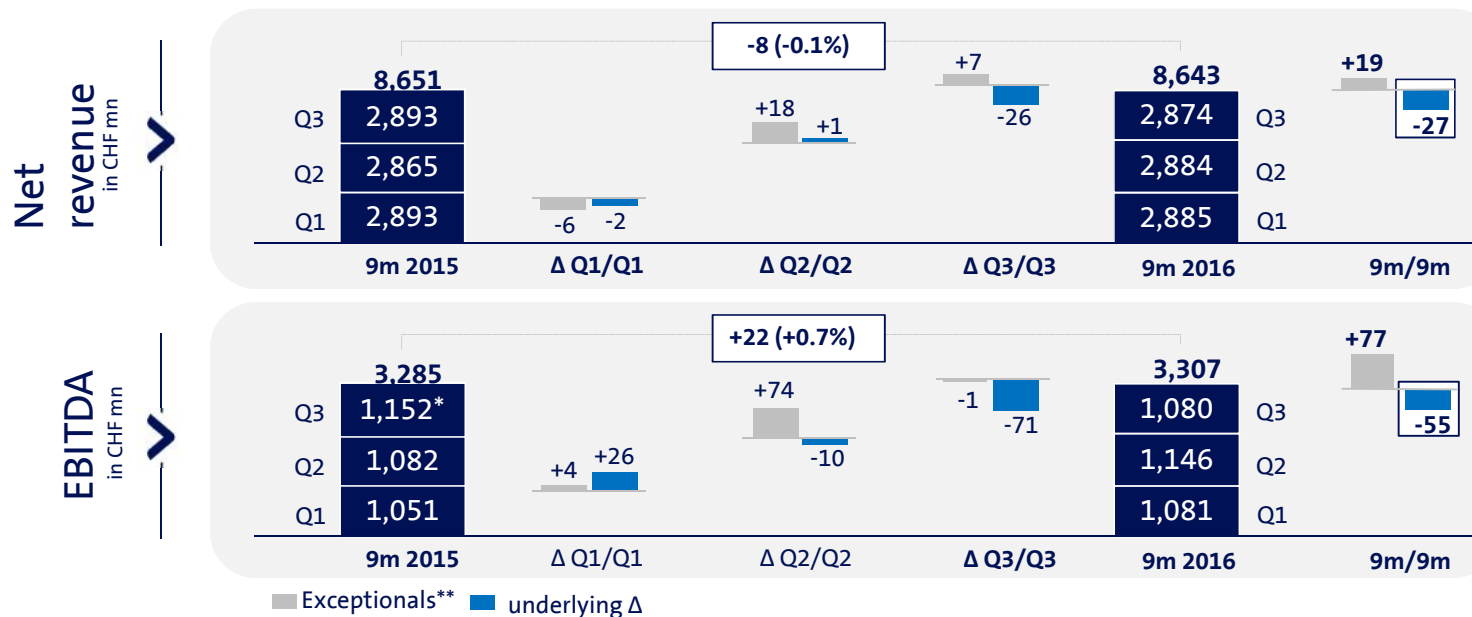
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Q3 margin reflecting lower roaming contribution and higher SAC / SRC

\* excl. impact of CHF 186 million for FeAC sanction

\*\* 9m revenue exceptionals: sale of Hospitality and Alphapay (CHF -29 mn), integration of search.ch (CHF +11 mn), acquisition of Open Web Technology (CHF +8 mn), change exchange rate (CHF +29 mn), 9m 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 +4 mn), change exchange rate (CHF +10 mn)

# Financial policy


*Characterised by a conservative and sustainable approach*

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<b>Leverage / Rating</b>	<b>Shareholder Distribution</b>
<ul style="list-style-type: none"><li>&gt; Preserve a single A Rating with a target leverage ratio (unadjusted) of around 1.8-1.9x EBITDA</li><li>&gt; Target an equity ratio of 30%</li></ul>	<ul style="list-style-type: none"><li>&gt; Dividend per share of CHF 22 if annual financial targets are met</li><li>&gt; Target solid remuneration aligned with cash flow generation and capital allocation</li></ul>
<ul style="list-style-type: none"><li>&gt; Keeping physical liquidity at a minimum</li><li>&gt; Two committed backstop-facilities of CHF 1bn each until August 2020/ March 2022</li><li>&gt; Substantial non-committed money market overdraft facilities in EUR and CHF</li></ul>	<ul style="list-style-type: none"><li>&gt; Active monitoring and managing interest rate and foreign exchange risks</li><li>&gt; Yearly defined risk limits to protect operative cash flow</li><li>&gt; Strict monitoring of counterparty risk</li></ul>
<b>Liquidity Management</b>	<b>Financial Risk Management</b>



# Financial Policy

## Actively managed maturity profile

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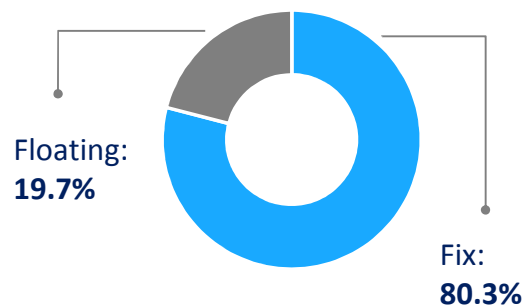
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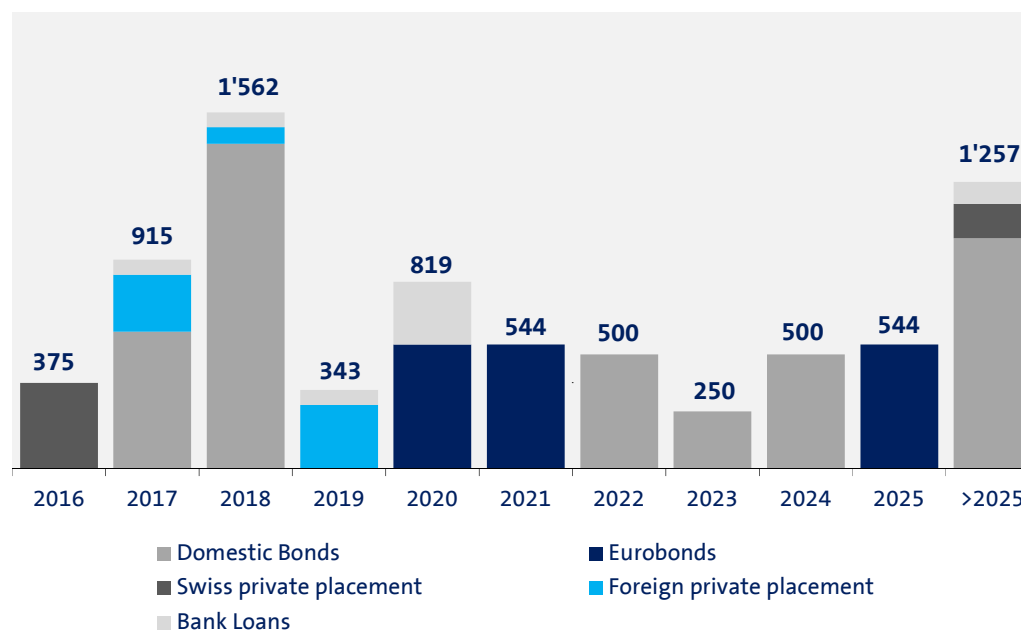
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- > Balanced debt maturity profile in combination with an optimization of our funding cost
- > **1.8%** average interest rate of portfolio (incl. derivatives)
- > Duration: 4.7 years
- > Active management of interest rate risk within well defined risk limits



**Maturity profile after bond settlement as per 30.09.2016 \***



\* excl. short-term money market borrowings

# Financial Policy

## Diversification of funding sources

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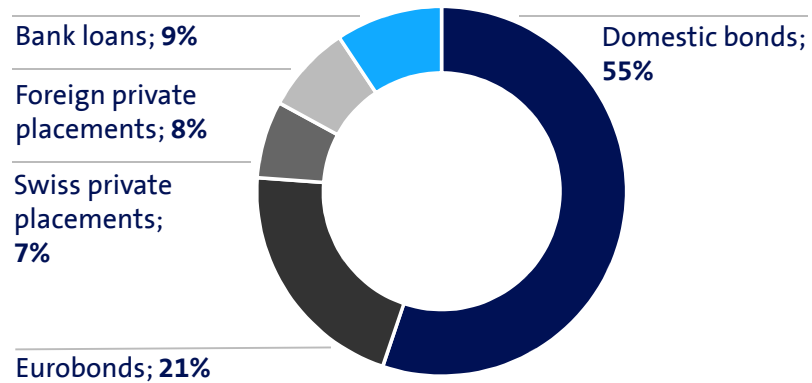
3 Priorities

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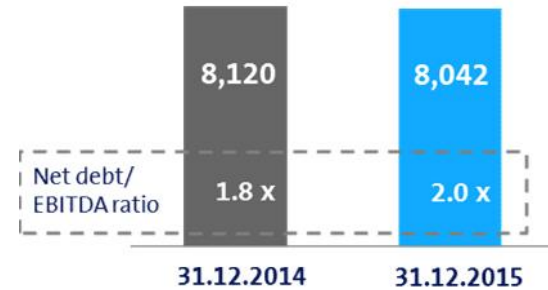
**5 Financial policy**

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### Funding mix as per 30.09.2016 \*



\* excl. short-term money market borrowings



MOODY'S

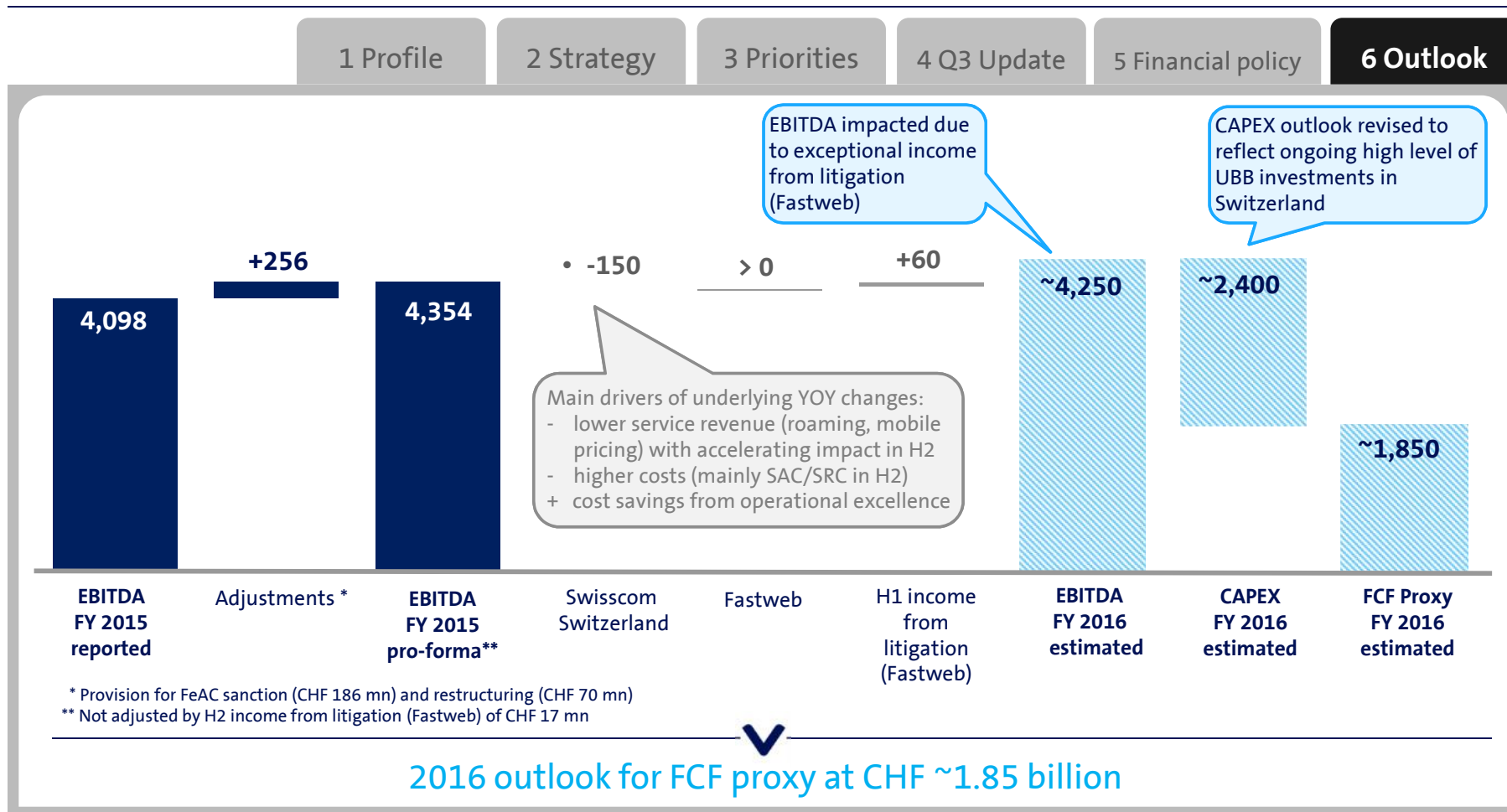
A2  
stable

STANDARD  
& POOR'S

A  
stable

# Guidance 2016

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





# Dividend 2016

*Predictable distribution*

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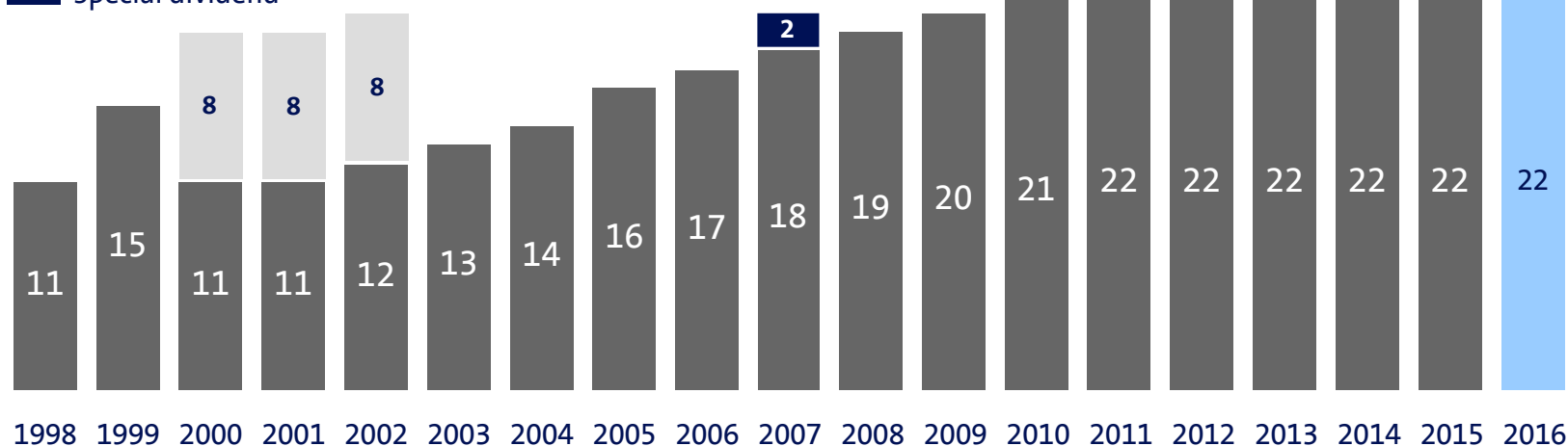
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in CHF per share

■ Par value reduction

■ Special dividend



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

# 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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.”

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