Strategic partnership: Fastweb - WindTre

Analysts and investors presentation
June 2019
Agenda

1. Introduction
   Urs Schaeppi, CEO Swisscom

2. Agreement
   Alberto Calcagno, CEO Fastweb

3. Implications
   Alberto Calcagno, CEO Fastweb

Q&A
   All
Strong network access key to differentiate and be sustainably competitive
Fastweb constantly improving its value proposition

Fastweb’s infrastructure-based approach to keep leadership as UBB alternative network operator in Italy
• Hybrid strategy by benefiting from different access technologies
• Extended 60% UBB Coverage by using own infrastructure
• Residual coverage (2nd tier cities and white areas) exploited leveraging third parties UBB wholesale offerings

UBB Infrastructure network leader in Italy

Network initiatives
• Extend FTTH coverage (+1mn to 5mn HHs) within 8mn HHs FTTx footprint
• Deploy c. 8mn HHs FWA footprint by 2024 (on 26 GHz spectrum)
• Deploy a nationwide 5G Network (90% Coverage by 2026) through the co-investment partnership with WindTre

Strategic importance of WindTre deal
Being an integrated network operator crucial in a fixed-mobile convergent (FMC) market to
• Deliver best customer experience
• Be convergent leader
• Increase FCF contribution
Agreement (1/2)

Principles

Background

- In December 2016 Fastweb announced **strategy to become a premium FMC player based on 5G** with the goal to provide best of breed seamless ultra-broadband services indoor and outdoor to every customer-segment
- Since then Fastweb has made coherent steps
  - Initial leasing of Tiscali’s 40 MHz at 3.5 GHz spectrum in December 2016
  - 5G trials in Bari/Matera, Rome, Genoa launched in 2017
  - Acquisition of 200 MHz at 26 GHz spectrum in auction in September 2018
  - Acquisition of full ownership of Tiscali’s spectrum in November 2018
- **The strategic collaboration with WindTre represents the final step of our convergent infrastructure strategy**

Perimeter

- Four industrial streams optimizing the use of both Fastweb’s and WindTre’s assets
  - **5G co-investment**: 5G network deployment
  - **Mobile Wholesale**: Provision by WindTre of roaming services to Fastweb
  - **Backhauling**: Provision by Fastweb of dark fiber connections to WindTre’s mobile base stations (BTS)
  - **Wireline Wholesale**: Provision by Fastweb of wireline ultrabroadband (UBB) services to WindTre

Status

- **Binding contracts signed**
- Subject to approval by competent authorities (expected in Q4 2019)
**Agreement (2/2)**

5G co-investment will enable Fastweb to achieve MNO-like cost structure

<table>
<thead>
<tr>
<th>5G co-investment</th>
<th>Description</th>
<th>Fastweb’s benefits</th>
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<tbody>
<tr>
<td></td>
<td>• Co-investment in a 5G network</td>
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<td></td>
<td>• Single physical infrastructure based on</td>
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<td></td>
<td>– Combined 5G spectrum of 80 MHz</td>
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<td>– National macro sites coverage</td>
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<td>– Small cells layer for densification</td>
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<td></td>
<td>• Fastweb to operate through a virtual slice</td>
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<td>• Incremental investment/running cost split according to a cost-sharing mechanism</td>
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<td></td>
<td>• 90% population coverage by 2026</td>
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<td>Mobile wholesale</td>
<td>• National roaming services on WindTre’s 4G network (plus legacy technologies)</td>
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<tr>
<td>Backhauling</td>
<td>• Fastweb to provide fiber connections to WindTre’s mobile BTS in selected areas</td>
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<tr>
<td>Wireline wholesale</td>
<td>• Fastweb to provide wholesale access to its FTTx footprint</td>
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**Fastweb’s benefits**

- **Fast(er) deployment** of a nation-wide 5G coverage
- **Lower network cost** (both OPEX and CAPEX)
- **Similar cost structure as MNOs** thanks to progressive traffic offloading under 5G coverage
- Network-configuration and service **independence**
- **Features parity** vis-a-vis integrated players
- **Competitive terms**
- ‘Enhanced roaming’ for **seamless 4G/5G handover**
- **Benefiting from WindTre new network**
- **New revenue stream**
- Enabling **5G performance** in terms of capacity and latency
- **New revenue stream**
- Tangible step to become a **leading wholesale player**
### Financial implications

Fastweb’s growing contribution to Swisscom’s FCF fully confirmed

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<thead>
<tr>
<th>5G co-investment and mobile wholesale</th>
<th>Driver</th>
<th>EBITDA</th>
<th>CAPEX</th>
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<tbody>
<tr>
<td></td>
<td>• Higher mobile CAPEX</td>
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<td>⚫⚫⚫⚫</td>
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<tr>
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<td>• Lower roaming costs</td>
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<table>
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<th>Driver</th>
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<tr>
<td></td>
<td>• Higher dark fiber revenues</td>
<td></td>
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<tr>
<td></td>
<td>• Slightly higher fiber CAPEX</td>
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<th>Driver</th>
<th>EBITDA</th>
<th>CAPEX</th>
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<tbody>
<tr>
<td></td>
<td>• Higher wholesale UBB revenues</td>
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- Transaction FCF value-accretive from 2020 onwards
- Future Fastweb's CAPEX envelope of EUR ~0.6bn expected to remain stable, allocation switching from fiber access to 5G
- Swisscom’s FY guidance 2019 unchanged
Questions & Answers