Swisscom – simply networked

ZKB Swiss Equities Conference
7 November 2019
Agenda

1. Q3 Performance
2. Environment & Trends
3. Strategy
4. Execution
5. Outlook & Summary
Q3 in a nutshell
Solid commercial execution and financially on track to achieve FY guidance

New inOne mobile in vogue
890k subs (Q3 with +320k) since launch (25 Feb) driving FM share further up

Swisscom one of the world’s 1st provider to offer 5G abroad

Successful issue of CHF 125mn bond (coupon 0%, duration 25 years)

Fastweb obtained MNO authorisation in July 2019

Sound Q3 financials: EBITDA of CHF 1'120mn.
In line with consensus and confirming FY guidance

Ookla network test with a clear result: Swisscom #1 for speed and coverage

Cloud partnership with Microsoft.

Cost savings progressing well. Indirect cost down CHF 107mn YoY

New B2B services: 'ExpressRoute', Managed Services 2.0, SAP on Azure
Market performance
Operationally satisfying with positive momentum within challenging market environment

**Swisscom Switzerland** (RGUs in k)

- **Broadband**: 2'027 (only Retail), 53% (market share -0.3pp YoY)
- **TV**: 25, 36% (+1.5pp YoY)
- **Fixed voice**: 1'643, -70 (-0.5pp YoY)
- **Postpaid**: 31, 59% (-1.3pp YoY)

**Fastweb** (RGUs in k)

- **Broadband**: 2'610, 16% (stable YoY)
- **TV**: 32, 17 (+0.5pp YoY)
- **Fixed voice**: -71 (-60 YoY)
- **Postpaid**: -70 (-60 YoY)
- **Mobile**: 1'742 (+0.5pp YoY)

1) as per Q2 2019
Financial performance

EBITDA with stable underlying performance and on track to achieve FY target

### Key figures in CHF mn

<table>
<thead>
<tr>
<th></th>
<th>Q3 19</th>
<th>9m 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>2'793</td>
<td>8'456</td>
</tr>
<tr>
<td>1)</td>
<td>(-91)</td>
<td>(-233)</td>
</tr>
<tr>
<td>EBITDA 1)</td>
<td>1'120</td>
<td>3'360</td>
</tr>
<tr>
<td>2)</td>
<td>(+32)</td>
<td>(+129)</td>
</tr>
<tr>
<td>CAPEX 2)</td>
<td>536</td>
<td>1'833</td>
</tr>
<tr>
<td></td>
<td>(-16)</td>
<td>(+212)</td>
</tr>
<tr>
<td>OpFCF proxy</td>
<td>515</td>
<td>1'321</td>
</tr>
<tr>
<td></td>
<td>(-21)</td>
<td>(-289)</td>
</tr>
<tr>
<td>Net income</td>
<td>401</td>
<td>1'181</td>
</tr>
<tr>
<td></td>
<td>(-25)</td>
<td>(-32)</td>
</tr>
</tbody>
</table>

### Reconciliation of 9m EBITDA and OpFCF proxy in CHF mn

<table>
<thead>
<tr>
<th></th>
<th>Q1/Q1</th>
<th>Q2/Q2</th>
<th>Q3/Q3</th>
<th>9m 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA 9m 18</td>
<td></td>
<td></td>
<td></td>
<td>3'231</td>
</tr>
<tr>
<td>Reconciliation leases</td>
<td>+52</td>
<td>+47</td>
<td>+51</td>
<td>+150</td>
</tr>
<tr>
<td>Swisscom Switzerland</td>
<td>-6</td>
<td>-24</td>
<td>-12</td>
<td></td>
</tr>
<tr>
<td>Fastweb</td>
<td>+11</td>
<td>+14</td>
<td>+13</td>
<td>+1</td>
</tr>
<tr>
<td>Others</td>
<td>+10</td>
<td>+6</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>One-offs 3)</td>
<td>-6</td>
<td>-7</td>
<td>-9</td>
<td>-22</td>
</tr>
<tr>
<td>EBITDA 9m 19</td>
<td>3'360</td>
<td>-206</td>
<td>3'154</td>
<td>-1'637</td>
</tr>
<tr>
<td>Lease expense 4)</td>
<td></td>
<td></td>
<td></td>
<td>-196</td>
</tr>
<tr>
<td>EBITDAaL 9m 19</td>
<td></td>
<td></td>
<td></td>
<td>1'321</td>
</tr>
<tr>
<td>Ordinary CAPEX</td>
<td></td>
<td></td>
<td></td>
<td>3'154</td>
</tr>
<tr>
<td>Spectrum CAPEX</td>
<td></td>
<td></td>
<td></td>
<td>-1'637</td>
</tr>
</tbody>
</table>

1) incl. IFRS16 effects, 2) 9m figures incl. spectrum CAPEX for new 5G licenses of CHF 196mn 3) consists of FX impact of CHF -22mn, 4) consists of depreciation right of use assets and interest expense leases, 5) EBITDA after lease expense
Our environment

**Switzerland**
- Market size
  - >10 million SIMs
  - ~5 million homes
- Mature markets drive bundling and convergence up
- Regulation investment-friendly
- Quality matters

**Italy**
- Market size
  - >80 million SIMs
  - >24 million HHs
- Fibre investments stimulate UBB appetite
- Price-sensitive market dynamics
- B2B with promising outlook

**Sector**
- CAPEX intense industry
- Market volume matters
- Hard work first, M&A second
- Digital transformation drives structural changes, new business chances and efficiency opportunities
Trends
Technology innovations effect Swisscom’s ecosystem and trigger structural changes in the market

**Innovation**
- Reliable and unlimited interconnection everywhere
- Unlock value from data insights for automation
- Security and personalised experiences gaining traction

**Markets**
- Switzerland a mature market with a clear value focus but intensifying competition
- Italy with high price pressure and market dynamics

**Customer behaviour**
- Price/quality sensitivity increasing
- Growing momentum to integrated convergence propositions
- Self-service demand up

**Efficiency focus**
- Increasing cost pressure
- Digital transformation
- Next generation of fluid delivery models
Our strategy — execution along strategic setting
Inspiring customers — combining strengths — enabling growth

Operational excellence
- Efficient operations
- Digital transformation
- Smart investments

The best customer experience
- Innovative products
- Best service
- Best infrastructure

New growth
- Growth in core business
- Expanding our business into adjacent markets
- Internet- and blockchain-based business models
Best network in Switzerland enabling digital future
Continuous investments to maintain competitive edge

**UBB status and 2021 targets**

<table>
<thead>
<tr>
<th>Speed</th>
<th>YE 2021</th>
<th>YE 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;80 Mbps</td>
<td>68%</td>
<td>90%</td>
</tr>
<tr>
<td>&gt;200 Mbps</td>
<td>40%</td>
<td>75%</td>
</tr>
</tbody>
</table>

- UBB extension via a hybrid approach
- **G.fast** boosting FTTS bandwidth further
- **Leverage DSL / 5G Bonding** bringing UBB even to most rural areas
- Upgrade to 10 Gbps in FTTH turf possible

**Leading w- infrastructure in Switzerland**

- 4G with 99% coverage; 4G+ with 95%
- The densest network (> 8k sites) in Switzerland, with indoor coverage boosted by >2.5k sites
- **Auction 2019**: 445 MHz new spectrum allocated

<table>
<thead>
<tr>
<th>Frequency Band</th>
<th>Total available</th>
<th>t/o Swisscom acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>3500 TDD</td>
<td>300</td>
<td>1 x 120</td>
</tr>
<tr>
<td>2600 FDD</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>1400 Side bands</td>
<td>50</td>
<td>1 x 25</td>
</tr>
<tr>
<td>1400 Core bands</td>
<td>40</td>
<td>1 x 25</td>
</tr>
<tr>
<td>700 SDL</td>
<td>15 x 15</td>
<td>-</td>
</tr>
<tr>
<td>700 FDD</td>
<td>60 x 2 x 30</td>
<td>2 x 15</td>
</tr>
</tbody>
</table>

**4G** with 99% coverage; **4G+** with 95%

- **Reasonable price of CHF 196mn**
- **Better allocation than peers**: Swisscom with 45% share

TDD: Time Division Duplex, FDD: Frequency Division Duplex, SDL: Supplementary Download Link
The benefits of 5G open the way for new possibilities...
...and maintain technology leadership in Switzerland and deliver best value for customers

**Surfing speed**
5G will make surfing at up to 2 Gbit/s possible initially, with speeds of up to 10 Gbit/s following soon

**Response time**
Response time will fall from the current 25 to 35 milliseconds to just a few milliseconds, providing virtually delay-free communication in real time

**Capacity**
5G enables far more devices to transfer far more data simultaneously

**Efficiency**
The network is more sustainable with 5G: it only takes 0.2 watts to transfer one single megabyte of data. With 2G it is 5,400 watts

**Decentralised cloud**
5G enables decentralised, mobile-connected clouds for applications that provide required resources with greater agility and flexibility

**Network slicing**
5G can provide individual applications with flexible network capacities
B2C with innovative products and services
Empathy and customer enthusiasm with regard to products, communication and touchpoints

- Ongoing interest in flagship inOne helps increasing penetration
- Positive loyalty effect thanks to convergence advantage
- Swisscom TV with new features and customer-specific offers
  - configurable home screen
  - program suggestions
  - own content from myCloud
- Increase TV relevance through more and new content
- Multi-brands' portfolio covering maximum customer clusters
- Lever 2nd and 3rd brands as price aggressive offerings to attack competitors

FM share of postpaid value subs
41.2% (+4 pp YoY)
B2B with continuous pressure in connectivity and lighter ICT progress
Unchanged B2B environment and revenue trends

Strong proposition with top ingredients ...

- Trusted brand
- Strong sales force
- The Swiss ICT provider
- Large partner network
- Outstanding portfolio

... to manage key (market) challenges ...

- Structural effects from All IP migration and digital consolidations
- Unchanged high price pressure driven by competition and RFPs
- Current mobile ARPs at EU levels
- Volatility of ICT business increased due to project characteristics and more global competition
- Solutions with somewhat lower order entry YoY

... and top-line contributions

<table>
<thead>
<tr>
<th>Service revenue</th>
<th>Solutions and Hardware revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 19</td>
<td>9m 19</td>
</tr>
<tr>
<td>Solutions</td>
<td>Hardware</td>
</tr>
<tr>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>698</td>
<td>181</td>
</tr>
<tr>
<td>(-11%)</td>
<td>(+13%)</td>
</tr>
<tr>
<td>112</td>
<td>100</td>
</tr>
<tr>
<td>(-13%)</td>
<td>(-12%)</td>
</tr>
</tbody>
</table>
Operational excellence: on track!
Continuous optimisation of cost base and delivering on targets an ongoing key priority

Focus
- **Less is more**
  - Portfolio streamlining
  - Leaner processes
- **Boost standardisation**
  - Sales2activation
  - Problem2solution
- **Improve customer experience**
  - New service models
  - Online first

Benefits
- **Service requests**
  - # 418'000 down YOY
- **Customer field cases**
  - # 265'000 down YOY
- **FTE's Swisscom Switzerland**
  - # 427 down YOY

Decreasing indirect cost
(in CHF mn)

<table>
<thead>
<tr>
<th></th>
<th>3m 19</th>
<th>6m 19</th>
<th>9m 19</th>
<th>FY 19</th>
<th>FY 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>69</td>
<td>107</td>
<td>~100</td>
<td>~100</td>
<td></td>
</tr>
</tbody>
</table>
Fastweb - a unique growth story in the Italian market
Strong delivery across all market segments

**Network**

**UBB footprint**
- Own UBB further strengthened with **FWA footprint**
  - 6.0mm HHs and >800 mobile sites
  - Network integration already started
- Own UBB at 30% coverage\(^1\)
  - Overall UBB coverage at 80% including wholesale

**5G co-investing with Wind Tre**
- Combined 80 MHz 5G spectrum
- **National** macro sites coverage
- One single physical infrastructure, two virtual slices
- Provision by Wind Tre of 4G roaming services to Fastweb

\(^1\) Excluding 6mn FWA coverage acquired from Tiscali that is accounted in the footprint evolution to 2024

**B2C**

**Overall B2C customer base**
- **4.35mm subscribers** (fixed and mobile)
  - t/o 2.61mn BB subs
  - t/o 1.74mn mobile subs

**FMC penetration over fixed customer base**
- 34% penetration
- +6pp YoY
- -43% churn benefit (YoY)

**B2B**

- **Revenues up YoY, thanks to successful PA business and VAS growth**
- Market share growing to ~ 31%
- Focus on **service quality** and **customer satisfaction** driving further growth

**5G co-investing with Wind Tre**
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4.35mm subscribers (fixed and mobile)
### Guidance FY 2019

CAPEX guidance including spectrum costs of CHF 196mn, guidance on track

Upon meeting its targets, Swisscom plans to propose again a dividend of CHF 22/share (payable in 2020)

<table>
<thead>
<tr>
<th>in bn</th>
<th>Swisscom Group without Fastweb</th>
<th>Fastweb ¹)</th>
<th>Swisscom Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>CHF ~9.0</td>
<td>EUR &gt;2.1</td>
<td>CHF ~11.4</td>
</tr>
<tr>
<td>**EBITDA ²)</td>
<td>CHF &lt;3.6</td>
<td>EUR &gt;0.7</td>
<td>CHF &gt;4.3</td>
</tr>
<tr>
<td><strong>CAPEX</strong> (incl. extra cost of CHF 196mn for spectrum in Switzerland)</td>
<td>CHF ~1.8</td>
<td>EUR ~0.6</td>
<td>CHF ~2.5</td>
</tr>
</tbody>
</table>

1) for consolidation purposes: 1.13 CHF/EUR, 2) incl. IFRS16 impact of CHF ~200mn (t/o Fastweb with CHF ~20mn)
Swisscom’s Value Story

- Leading Telco & ICT operator in Switzerland
- Solid macro-environment
- Leading attacker in Italy through Fastweb
- Dividend Play
- Conservative financial behaviour
- Strong brand and consumer confidence
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