Swisscom profile

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

1 Profile

- Best network (UBB and LTE)
  - Strong market positions in mobile, fixed-line (broadband and TV) and ICT
  - More than 12.5mn RGUs in Switzerland with bundles still growing
- 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
- Leading Telco & ICT operator in CH
  - Outstanding execution track record on corporate strategy
  - Stable market shares over the last years
  - Stable dividend policy (CHF 22/share since 2011)
  - Attractive dividend yield
- 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
- Conservative financial behaviour
  - A2/A (both stable) rating; among the best-rated European telecoms operators

2 Strategy

3 Priorities

4 H1 Update

5 Outlook
Leading telco in Switzerland
Stable market position over many years in Switzerland

1 Profile
2 Strategy
3 Priorities
4 H1 Update
5 Outlook

Technology leader

- Ultra broadband (>50 Mbps) footprint
  - 2.3 mn in YE 2014
  - 3.3 mn in H1 2016
  - +43% growth
- FTTC
- FTTC/Vectoring
- FTTS/B
- FTTH

innovation leader

- 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.

Market leader

- Mobile
- Broadband
- Digital TV
- 59% in YE 2014
- 66% in H1 2016
- +12% wholesale
- >30% growth

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

- 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 13mn households / businesses (50% coverage) by YE 2020
- Strategic action reflected in solid financial performance (revenues up by 2% and EBITDA up by 29% in H1 YoY)

---

1 AGCom, companies data, internal estimates
2 Ernst & Young, 2015 (Consumer M. Share on Active CB, Corporate M. Share on Revenues)
Swisscom Switzerland

The main FCF contributor

### Financial results 30.6.2016

- **Enterprise Customers**
  - Revenues: CHF 1,308mm
  - Contribution Margin: CHF 417mm

- **Small & Medium Enterprises**
  - Revenues: CHF 679mm
  - Contribution Margin: CHF 452mm

- **Residential**
  - Revenues: CHF 2,559mm
  - Contribution Margin: CHF 1,484mm

- **Wholesale**
  - Revenues: CHF 469mm
  - Contribution Margin: CHF 193mm

- **IT, Network & Innovation**
  - Contribution Margin: CHF -634mm

### Summary

- **EBITDA:** CHF 1,912mm
- **CAPEX:** CHF -872mm
- **FCF proxy:** CHF 1,040mm
Group financials

More or less stable since years

1 Profile
2 Strategy
3 Priorities
4 H1 Update
5 Outlook

Net revenue
- 2012: 11'384
- 2013: 11'434
- 2014: 11'703
- 2015: 11'678
- 2016E: >11'600

EBITDA
- 2012: 4'477
- 2013: 4'302
- 2014: 4'413
- 2015: 4'354
- 2016E: ~4'250

CAPEX
- 2012: 2'396
- 2013: 2'436
- 2014: 2'409
- 2015: ~2'400
- 2016E: ~2'400

FCF proxy
- 2012: 1'948
- 2013: 1'906
- 2014: 1'977
- 2015: 1'945
- 2016E: ~1'850

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

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

Ambition

- Leverage virtualisation for cost efficiency
- Further growth in cloud-based products
Best experiences

Delivering superior customer experiences

Ambition

> Extend service leadership
> Continue service excellence
> Increase cross channel capabilities & self service

Ambition

> Create better experiences (e.g. personalised)
> Strengthen positioning as digitalisation expert with enterprise customers

Ambition

> Increase customer perception of brand values (easy, trustworthy, inspiring)
> Increase overall value of brand portfolio

Services

Digitalization

Brand & Emotion
Best growth opportunities

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

1. **Profile**
2. **Strategy**
3. **Priorities**
4. **H1 Update**
5. **Outlook**

### Ambition

- **Internet services**
  - Master big data capability
  - Expand core business with digital 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
**Continued focus on our five priorities 2016**

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

1. **Maximise core business**
   - Defend market shares in Switzerland
   - Retain price levels and margins
   - Differentiate through quality in services, infrastructure and products

2. **Operational excellence**
   - Focus on cost, speed and quality to achieve material cash savings
   - Reduction of headcount
   - Increase cost efficiency in infrastructure development

3. **Develop Fastweb**
   - Provide best customer experience
   - Seamless connection everywhere
   - Increase scale in core and adjacent businesses

4. **Growth focus**
   - Benefit through differentiation and enhancing of core business
   - Selective ICT focus and discipline in selecting new growth areas

5. **Transformation**
   - Push All IP migration
   - Enhance agility
   - Shape leadership and products
Maximise core business

Differentiate through quality in infrastructure, services and products

1. Profile
2. Strategy
3. Priorities
4. H1 Update
5. Outlook

Strategic moves in H1

- 3.3 mn lines with ultra broadband (>50 Mbps) o/w 70% with newest fibre technologies (FTTH, FTTS or Vectoring)
- Goal 2020: 85% homes and businesses with access to >100 Mbps
- 4G coverage of 98%
- Swisscom and Ericsson are getting set for the new mobile generation with their '5G for Switzerland' programme
- New Natel infinity 2.0 subscriptions with no price cuts but more features
  - Higher speeds, more roaming and unlimited cloud storage
  - SIM only offerings
  - Launch of Natel light
- Launch of new UHD TV box, remote with voice recognition
  - TV football rights secured
  - Additional option from My SME Office: Public broadcast of the TV programme for corporate customers
- Household advantage extended: Up to five people who live together in the same household can now take advantage of the Tutto benefit
Operational Excellence

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

3 Priorities

Decreasing costs

- Operational excellence initiatives lead to a reduction of CHF 19mn in H1 for Swisscom Switzerland (YoY)
- Since YE 15, underlying FTE base of Swisscom Switzerland reduced by 291 FTE's **
- Advanced All IP transformation (60% completed) contributing to efficiency gains

Increasing benefits

- Efficiency increases
  - Optimisation of sites: reduction of call centres from 14 to 8
  - Customer support: level of service quality up despite more RGUs
- Streamlined processes
  - Sales to activation process
- Simplification program
  - Leaner portfolio with reliable products and less incidents
  - Service level further improved

FTE Swisscom Switzerland *

-291 FTEs underlying**

YE 2015: 17'260
H1 2016: 16'969

* FTE situation as per 30.6.2016 for Switzerland (18'754 FTEs, -211 FTEs YTD), Swisscom Switzerland (16'969 FTEs, -230 FTEs YTD)
** Without M&A effects of +61 FTEs
Develop Fastweb
Enhanced FTTH plan secures Fastweb’s competitive UBB advantage

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)

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

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

- FTTS selected to deploy sizeable UBB infrastructure
- Fastweb becomes Italian co-leader for # of UBB active customers
- FTTS confirmed most efficient solution to timely deploy UBB capability homogeneously across Italy
- Continuous improvement of performance (now delivering 200 Mbps with VDSL+)
- Growing UBB demand makes FTTH economics sustainable in most dense cities
- FTTH roll out leverages FTTS footprint with no duplications of investments
Growth focus

Leverage existing corporate customer base with tailored ICT solutions

1 Profile
2 Strategy
3 Priorities
4 H1 Update
5 Outlook

Cloud
- New cloud architecture: In-house development focuses on personalised solutions
- Cloud Applications: Possibility to use Oracle database flexibly in the Swisscom Cloud

Solutions & Outsourcing
- Develop outsourcing into cloud customers
- SAP implementation
- Core capability for future success in digitalisation projects

Projects
- Support connectivity & project business
- Generate long-lasting customer relationships and stickiness
- Scalable, horizontal solutions to improve margin

- Significant growth contributor
  - New deals won (e.g. dorma+kaba Group, Sanitas, Valiant)
  - Solution business provides chances for up-selling and differentiation
  - Above market growth in traditional cloud services
  - Continued success in dedicated private cloud solutions
  - Strong interest in Swiss platform offerings
Transformation

H1 2016 with +200k connections migrated to All IP

>60% of transformation completed

On track with planned transformation until YE 2017
and to achieve recurring gross cost savings from 2018 onwards
H1 2016 highlights
Swisscom continues to deliver on its targets

1 Profile
2 Strategy
3 Priorities
4 H1 Update
5 Outlook

Sound financial performance: EBITDA up by 4% YOY thanks to exceptional items and cost focus

Positive mobile net adds in Q2 (total +8k, postpaid +19k), Natel infinity 2.0 take-up promising (632k, >1/4 of infinity base) and wireless market share stable (59%)

Bundles still growing (+208k YOY, +16%) primarily due to unique TV proposition and solid wireline market shares (broadband: 54%, YOY stable, TV: >30%, YOY growing)

New 2016 guidance: revenue CHF >11.6 bn (unchanged), EBITDA CHF ~4.25 bn (up, reflecting exceptional income from litigation (Fastweb)), CAPEX CHF ~2.4 bn (up, due to ongoing UBB push in Switzerland)

Fastweb well on track with good operating momentum

Rollout of UBB footprint (3.3mn HHs with >50 Mbps) to deliver the best experience drives CAPEX up
## H1 2016 market performance

*Satisfying RGU development in Q2*

### 1. Profile
- **Swisscom Switzerland**
  - **Voice lines**: -47
  - **Broadband**: +10
  - **TV**: +36
  - **Mobile**: -10
  - **Σ**: -11
  - **Q1 net adds**: -64
  - **Q2 net adds**: +10
  - **H1 RGUs (YOY in %)**: -6.6%

- **Fastweb**
  - **Broadband**: +40
  - **Mobile**: +15
  - **H1 RGUs (YOY in %)**: +4.6%

### 2. Strategy
- **Swisscom Switzerland**:
  - **Q1 net adds**: 2'518
  - **Q2 net adds**: 1'978
  - **H1 RGUs**: 1'400

- **Fastweb**:
  - **Q1 net adds**: 12'519
  - **Q2 net adds**: 6'623
  - **H1 RGUs**: 5'657

### 3. Priorities
- **Stable RGU base in Switzerland and growing customer base in Italy**
H1 2016 financials

Revenue stable, margin improved despite softer underlying Q2

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2,893</td>
<td>2,865</td>
<td>5,758</td>
</tr>
<tr>
<td>Underlying Δ</td>
<td>-2</td>
<td>+1</td>
<td>+18</td>
</tr>
<tr>
<td>Exceptionals*</td>
<td>-6</td>
<td>+18</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2,885</td>
<td>2,884</td>
<td>5,769</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,051</td>
<td>1,082</td>
<td>2,133</td>
</tr>
<tr>
<td>Underlying Δ</td>
<td>+26</td>
<td>-10</td>
<td>+16</td>
</tr>
<tr>
<td>Exceptionals**</td>
<td>+4</td>
<td>+74</td>
<td>+78</td>
</tr>
</tbody>
</table>

Another quarter with a solid financial performance

* H1 revenue exceptionals: sale of Hospitality and Alphapay (CHF -29 mn), integration of search.ch (CHF +11 mn), acquisition of Open Web Technology (CHF +6 mn), change exchange rate (CHF +24 mn)
** H1 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 +6 mn), change exchange rate (CHF +8 mn), reconciliation pension cost IAS 19 (CHF +1 mn)
## Guidance 2016

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

<table>
<thead>
<tr>
<th>EBITDA FY 2015 reported</th>
<th>Adjustments *</th>
<th>EBITDA FY 2015 pro-forma**</th>
<th>Swisscom Switzerland</th>
<th>Fastweb</th>
<th>H1 income from litigation (Fastweb)</th>
<th>EBITDA FY 2016 estimated</th>
<th>CAPEX FY 2016 estimated</th>
<th>FCF Proxy FY 2016 estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,098</td>
<td>+256</td>
<td>4,354</td>
<td>~ -150</td>
<td>&gt; 0</td>
<td>+60</td>
<td>~4,250</td>
<td>~2,400</td>
<td>~1,850</td>
</tr>
</tbody>
</table>

* Main drivers of underlying YOY changes:
  - lower service revenue (roaming, mobile pricing) with accelerating impact in H2
  - higher costs (mainly SAC/SRC in H2)
  + cost savings from operational excellence

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

** Not adjusted by H2 income from litigation (Fastweb) of CHF 17 mn

2016 outlook for FCF proxy at CHF ~1.85 billion
Upon meeting its 2016 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2017.
“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.”

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