Swisscom

Annual Results Press Conference 2019

07 February 2019

swisscom

Stefan Nünlist

Chief Group Communications & Responsibility

swisscom

Urs Schaeppi

Chief Executive Officer

swisscom

**Review
2018**

Review 2018

House of Swisscom

Advanced CEA

Service: Easypoint

Rating: Best governance

Internet Guard

Fastweb & Tiscali

TV: Football, eSports, 4K
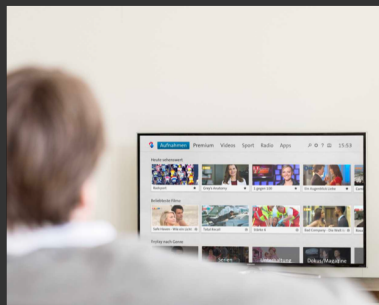
Best network: 5G

Cloud

20 years IPO

InOne Mobile: Multi-device

Our year in 2018

Environment
Saturated markets, high price pressure
and competitive pressure

Market performance
Top product inOne – growth of almost 1 million
customers in 1 year, success with cloud and IT
outsourcing, growth at Fastweb

Infrastructure
Technology leadership consolidated, 5G pilot,
Group-wide investments of over 20%
of revenue

Result
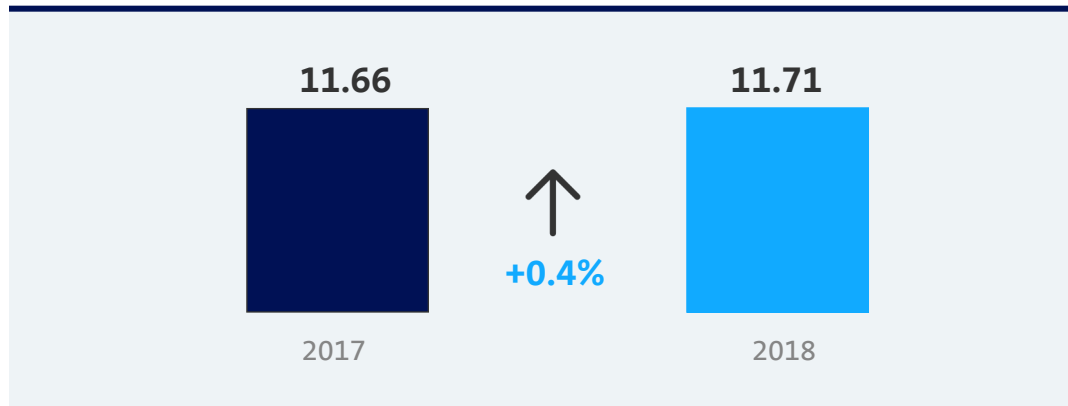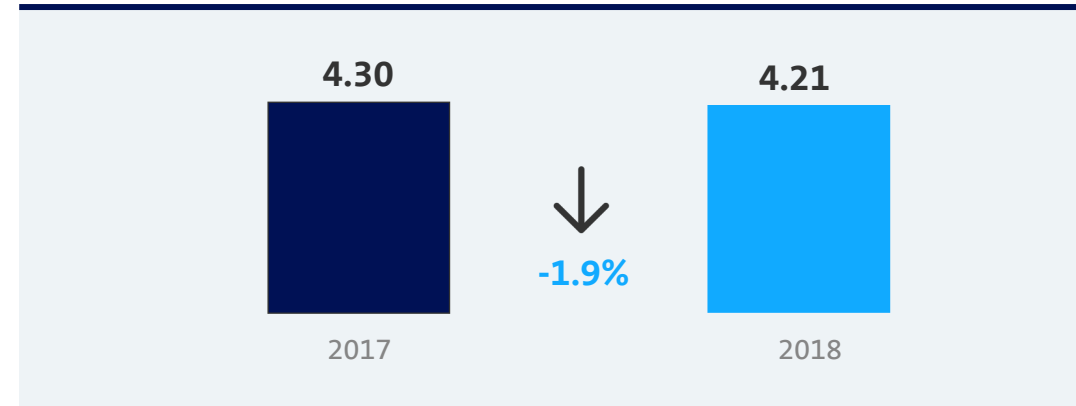Revenue at previous year's level; EBITDA
stable on a comparable basis

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2018 Key figures at a glance
Solid performance despite fierce competition and strong price pressure

Revenue in CHF billion

11.66 — 2017
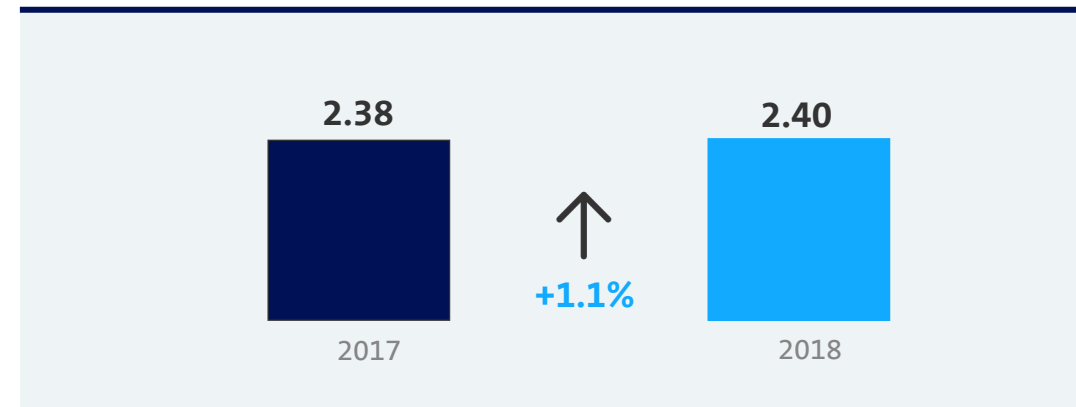↑ +0.4%
11.71 — 2018

EBITDA in CHF billion

4.30 — 2017
↓ -1.9%
4.21 — 2018

Net income in CHF billion

1.57 — 2017
↓ -3.0%
1.52 — 2018
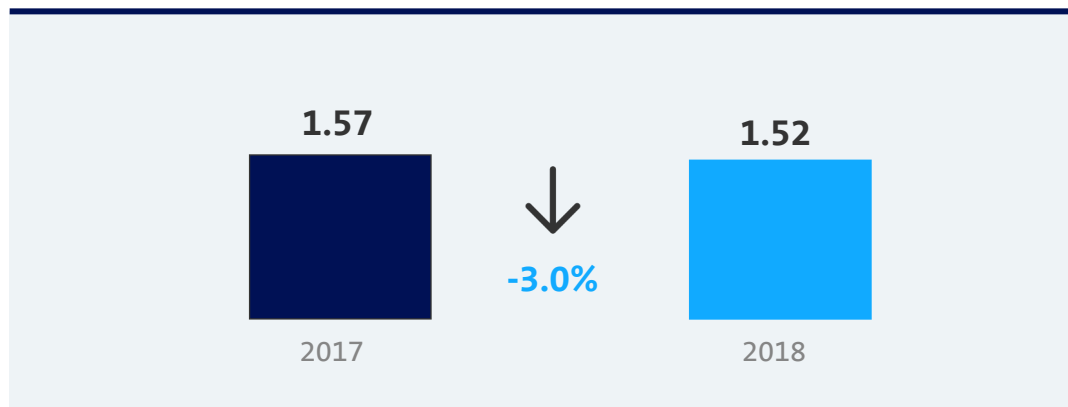
Investments in CHF billion

2.38 — 2017
↑ +1.1%
2.40 — 2018

inOne bundled offering
Over two million customers

Customer growth since launch in second quarter of 2017

in millions

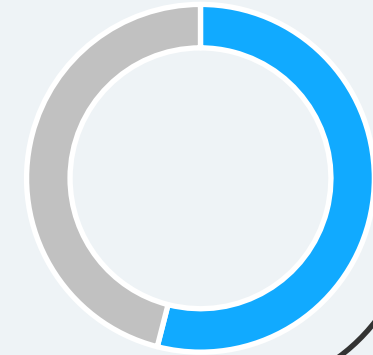|						
0,45	0,94	1,34	1,59	1,89	2,12	2,33
Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
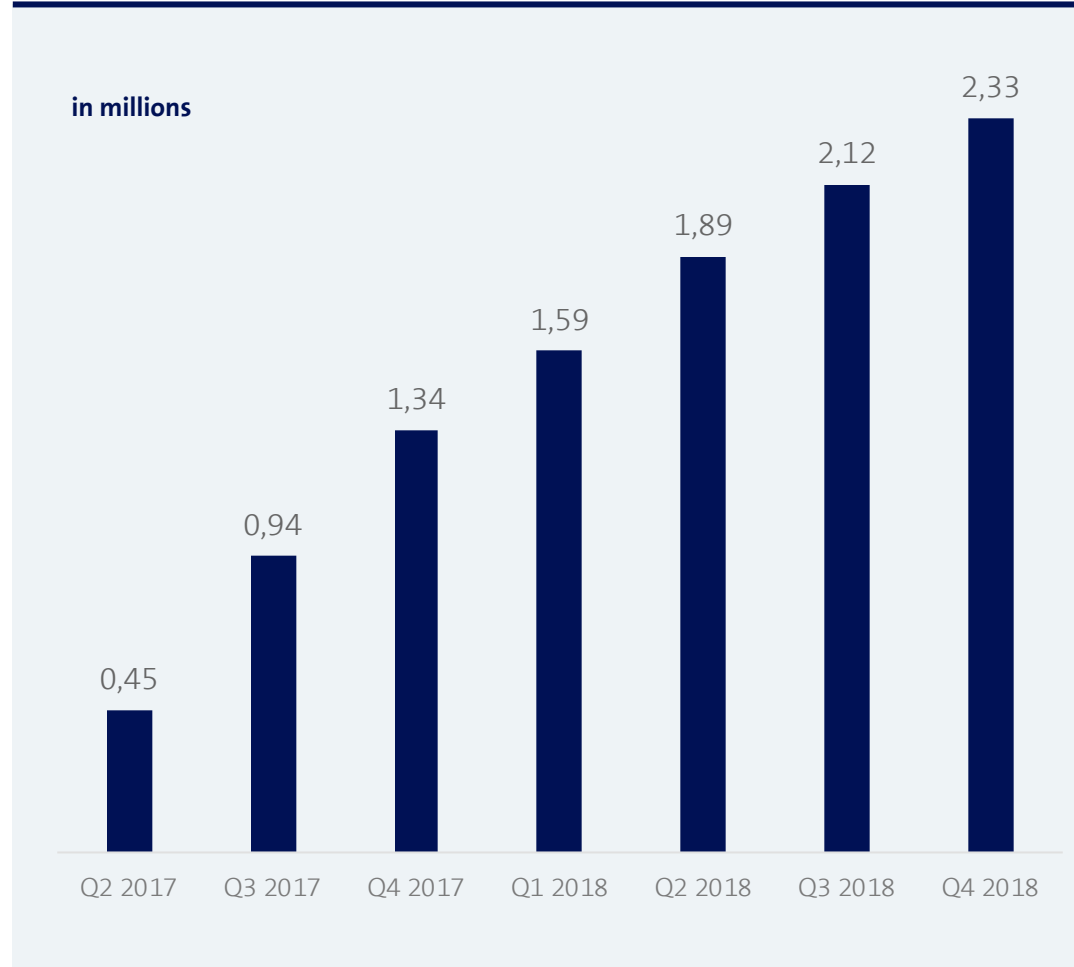
More than half of private customers with subscriptions use inOne

inOne mobile
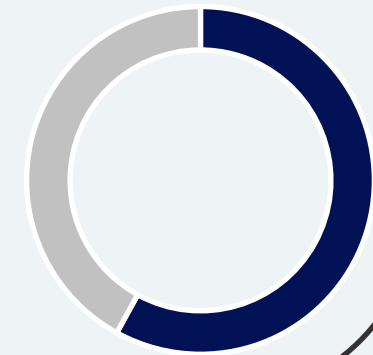Percentage of revenue-generating units Residential Customers

Dec. 18
54%

Dec. 17
30%

inOne broadband
Percentage of revenue-generating units Residential Customers

Dec. 18
57%

Dec. 17
34%

Swisscom TV: Further development and new offers
The most popular television in Switzerland

Best entertainment

- Personal home screen, theme worlds, voice control, own photos of videos via myCloud, etc.)
- Football World Cup for the first time in UHD/HDR
- Growing volume of content

Market leadership expanded

Customers (in thousands)

+3.5%

1,467   1,519

2017   2018

Market share (in %)

33% (2017)

35% (2018)
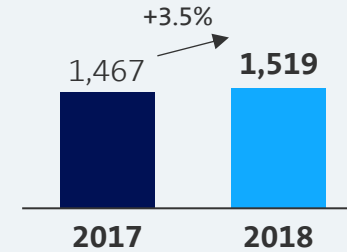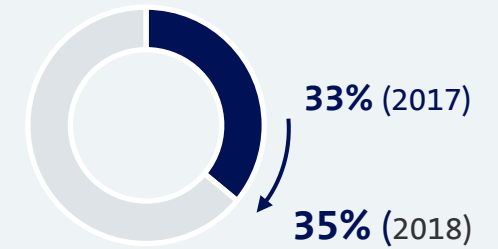
Teleclub

- All UEFA Champions and UEFA matches Europa League

Third-party providers

- Growing number of popular apps
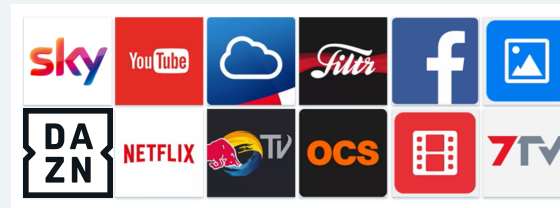
eSports

- eSports theme world on Swisscom TV, new game stations and apps

Digitisation for business customers
Strong position as full service provider

Cloud

Internet of Things

Digital business

Work Smart

Connectivity
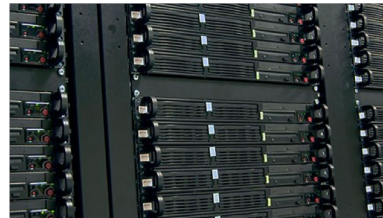
Banking

Security

eHealth

Highlights

SME IT solutions

Cloud

Security

IT outsourcing

Fixed network: Ultra-broadband for all regions
Swisscom is expanding municipalities every day

Status 2018

>80 Mbps **64%**

>200 Mbps **35%**

■ FTTH ■ FTTS/B ■ FTTC and others
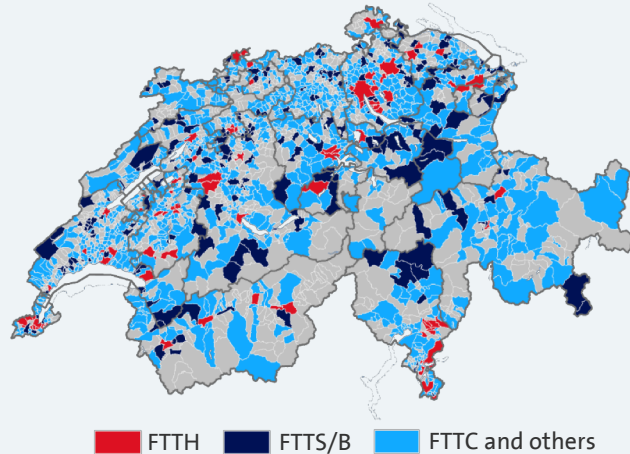
Rollout from 2019 onward

- Ongoing expansion will continue in all regions — each municipality will have ultra-broadband by the end of 2021.

- Increased use of different fibre optic technologies in very rural areas.

Target for 2021

> 80 Mbps **90%**

> 200 Mbps **75%**

■ FTTH ■ FTTS/B ■ FTTC and others
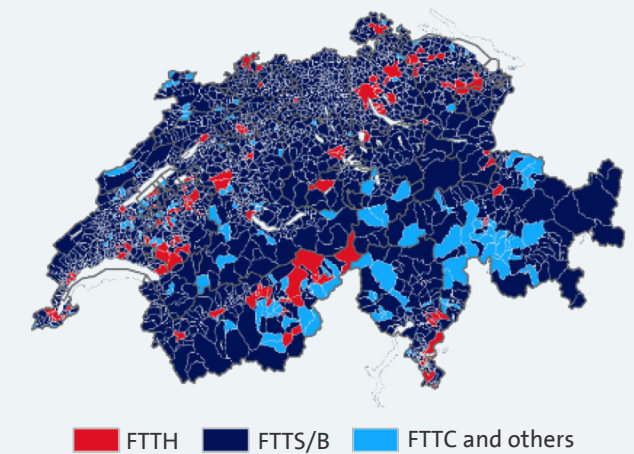
Leading mobile network infrastructure in Switzerland
5G is developing rapidly

Continuous network expansion

- Best coverage and capacity per customer, nationwide
  - 99% with 4G
  - 95% with 4G+
  - Highest network density in Switzerland
  - Winner in several Swiss mobile network tests

Next logical step: 5G

- Swisscom is ideally positioned
  - as a fully integrated network operator
  - >99% of all antennas networked via optical fibres
- Unlimited networking requires more sites and small cells
- 5G applications on test networks at selected locations in 7 Swiss cities
  Planned 5G rollout in 60 cities by the end of 2019

Applications and new business opportunities for 5G
Faster, more efficient, more reliable

- Internet of Things (IoT)
- Pilot Campus Solutions
- Virtual reality
- Intelligent networks
- Autonomous driving
- eHealth
- Automation

Internet of Things

Virtual reality

Smart grids

Autonomous mobility

Automation
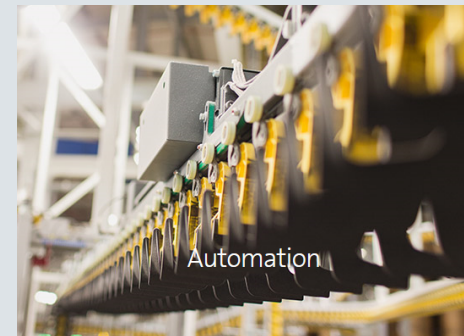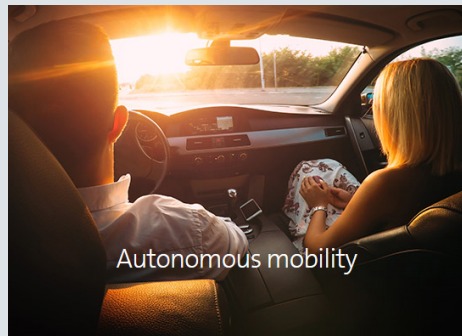
Swisscom Ventures
Supporting the Swiss economy

- Promotion of innovation and forward-looking solutions in the area of information, communication and entertainment technologies

- Invested in around 50 start-ups since 2007

- 23 of which now sold

- 2 of which on the Nasdaq stock exchange (Quantenna, Sequans)

- Helped to create around 1,000 highly qualified jobs in Switzerland

- 2018: Foundation of the Digital Transformation Fund

- Institutional investors provide CHF 150 million, Swisscom an additional CHF 50 million
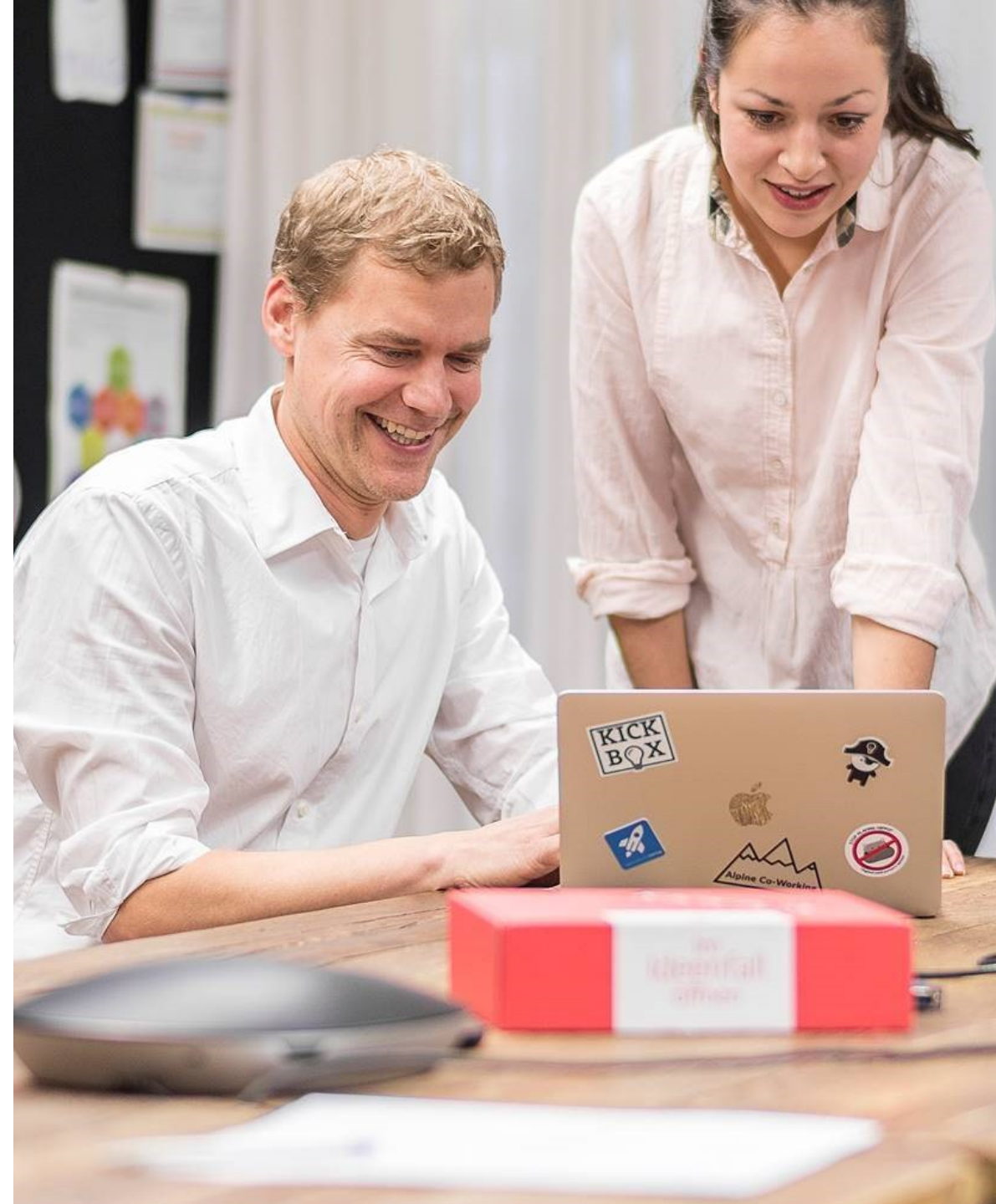
Corporate Responsibility
What we have achieved

More for the people

516,000 people trained in media skills

1,030,000 people in our supply chain with better working conditions.

More for the environment

569,000 t CO_2 savings at our customers thanks to the use of Swisscom products.

100% of our electricity has come from renewable energy sources since 2010.

More for our country

1,111 municipalities with ultra-broadband access

5,233 schools 2018 connected to the Internet for free.

Ratings:

ROBECOSAM
We are Sustainability Investing.

CDP
DRIVING SUSTAINABLE ECONOMIES

FTSE4Good

ecovadis

Change in headcount in Switzerland in 2018

**541
full-time positions**

+864

+311

+133

17,688

-1,586

-59

Connection
rate 88%

RAV¹ -24

-204

17,147

| Dec. 2017 | External hirings | Insourcing | Continued internal employment | Fluctuation | Change in employment level | Social plan | Dec. 2018 |
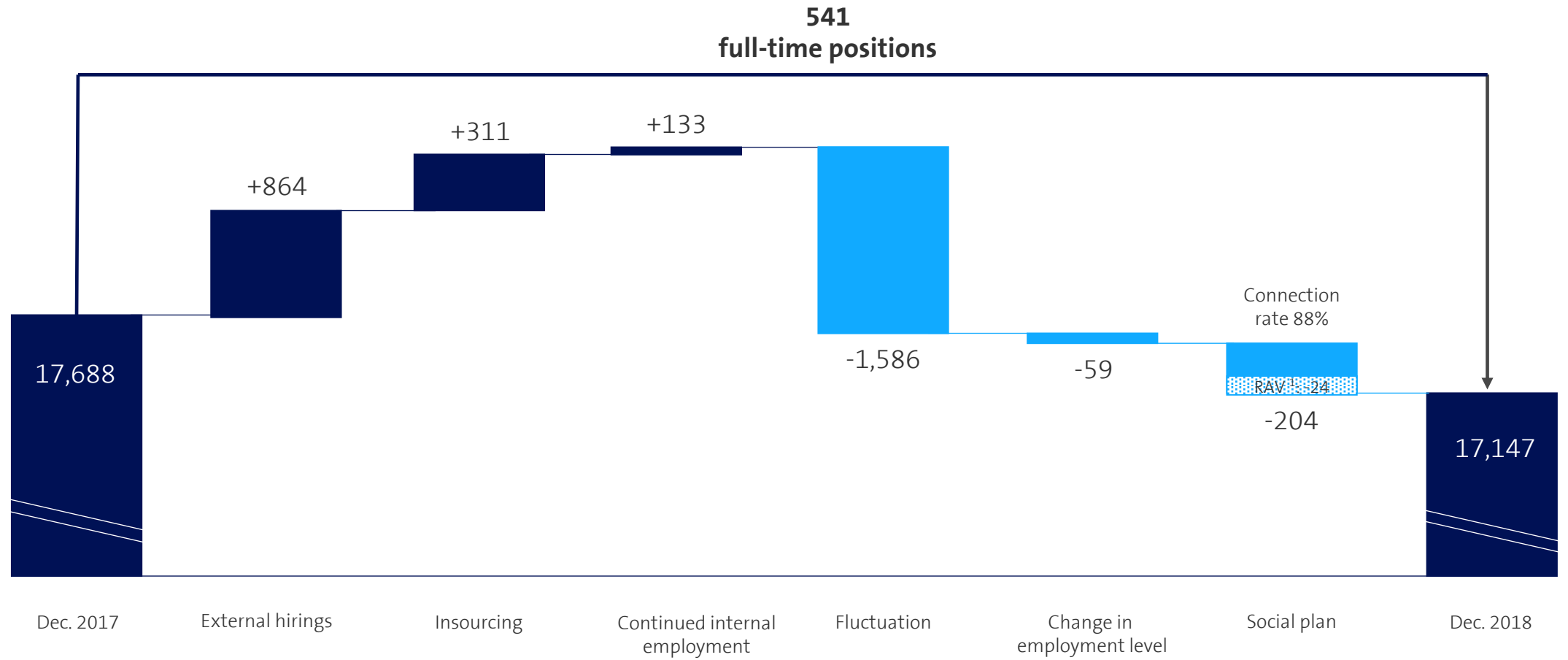
¹ Regional employment centres

Fastweb with strong market performance
Growth in all customer segments

Broadband customers (in thousands)

2,451 (2017)   → **+4%**   **2,547** (2018)
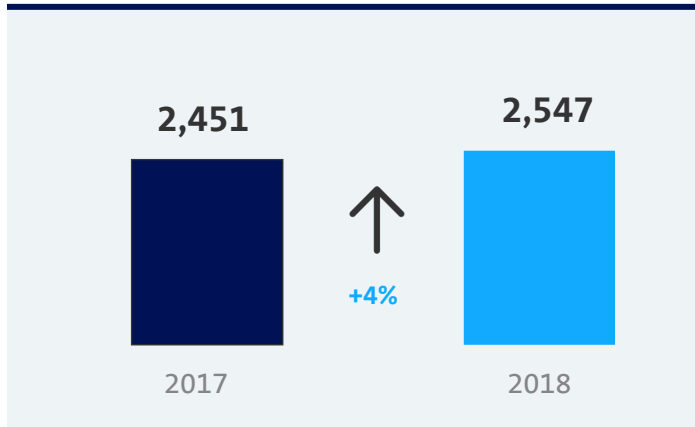
Mobile customers (in thousands)

1,065 (2017)   → **+34%**   **1,432** (2018)
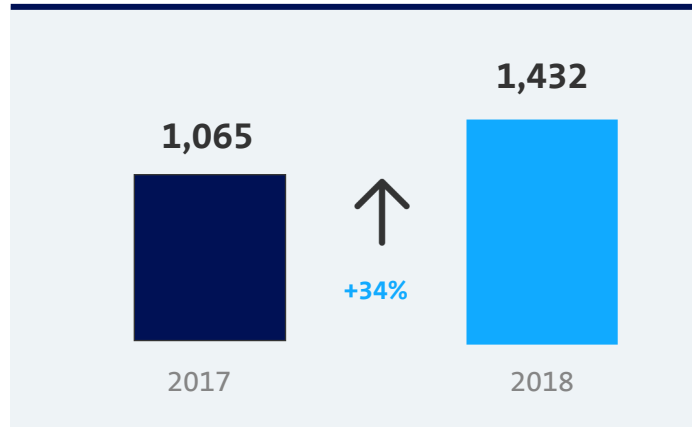
Incoming B2B orders (in EUR millions)

203 (2017)   → **+11%**   **225** (2018)
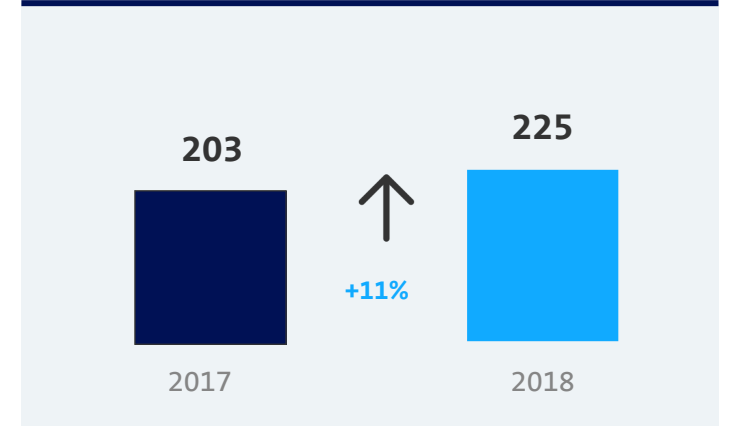
Revenue (in EUR millions)

1,944 (2017)   → **+8%**   **2,104** (2018)
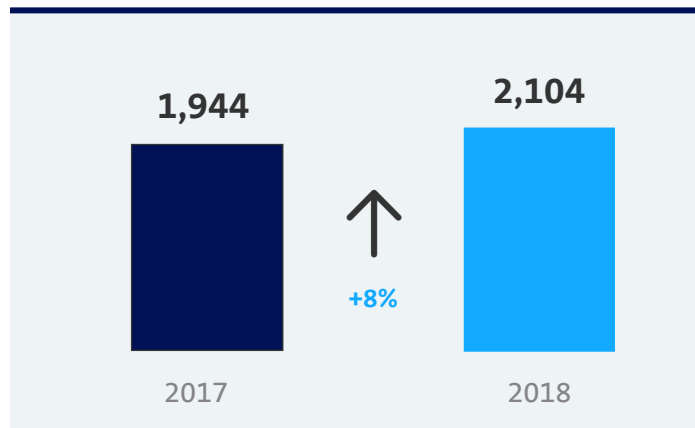
EBITDA (in EUR millions)

2017: **759** / **664**   2018: **674** / **701**   → **+6%**

■ EBITDA reported
■ EBITDA adjusted for one-time effects of legal disputes and first-time application of IFRS15 in 2018

Capital expenditure (in EUR millions)

622 (2017)   → **+6%**   **657** (2018)

Outlook

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Outlook for 2019

Expansion of fixed network

- Completion of the switch to IP for private and public SME customers by the end of the first quarter of 2019

- Further expansion with fibre-optic technologies with the goal of giving all Swiss municipalities access to ultra-broadband by the end of 2021.

5G

- Expansion in 60 cities and municipalities on a selective basis until the end of 2019

inOne...

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inOne mobile go

The flat rate for Switzerland and Europe.

The new subscription offers:

- Unlimited telephony, SMS and data **in Switzerland and Europe**
- Flexible **options**
- **SIMonly** with many extras for the smartphone

The subscription that is suitable for **80% of our customers**.
It offers **a worry-free experience** in Switzerland and the EU.
With an **excellent price/performance ratio.**
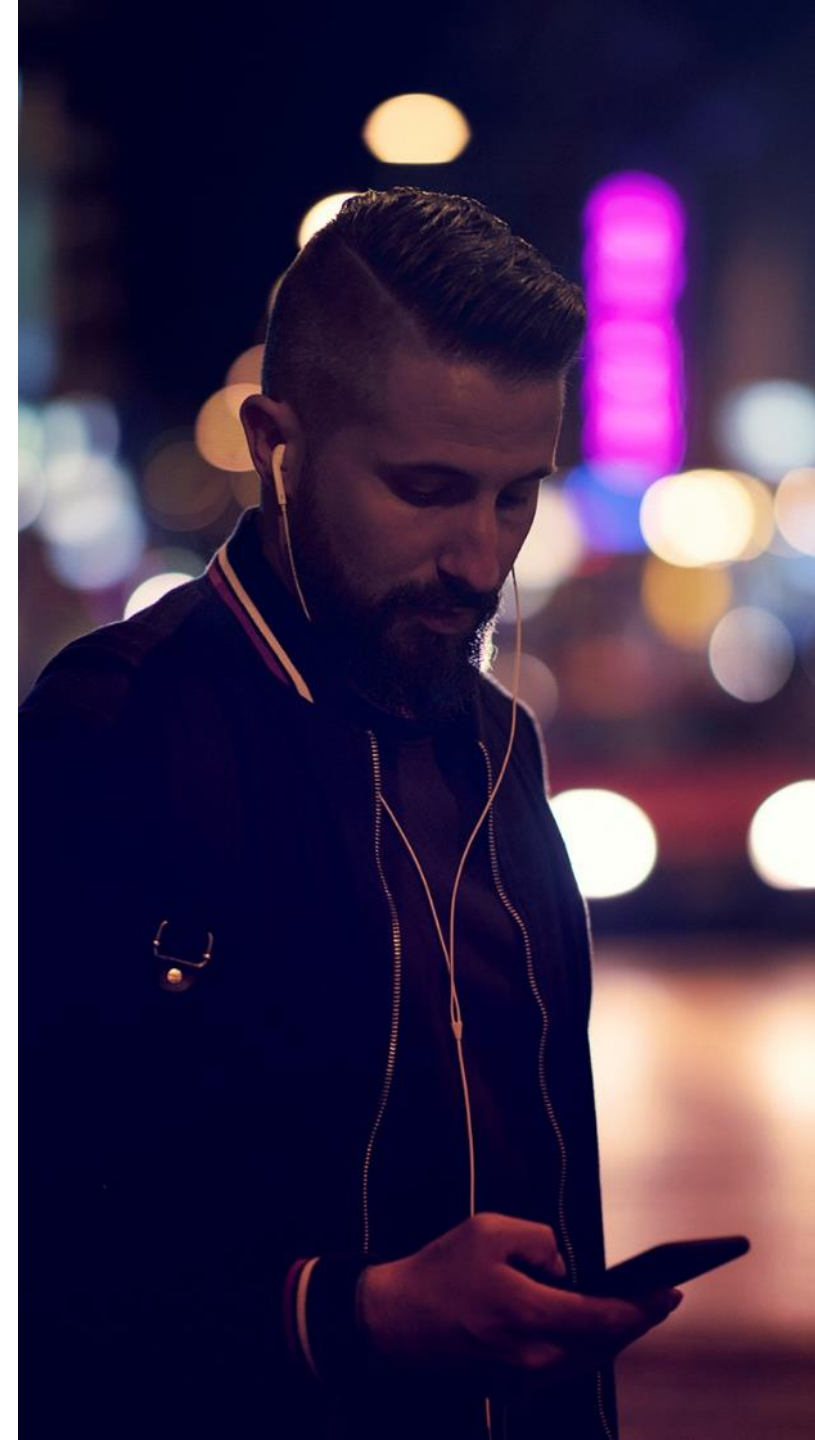
Financial outlook for 2019

in CHF	2018 financial year	Outlook for 2019
Revenue	11,714 million	~ 11.4 billion
EBITDA	4,213 million	> 4.3 billion*
Capital expenditure	2,404 million	~ 2.3 billion

*Switching to the new IFRS 16 accounting standard results in an EBITDA approximately CHF 200 million higher in 2019

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Mario Rossi

Chief Financial Officer

swisscom

Net revenue
Revenue virtually constant (-0.3% below previous year)

(in CHF million)

11,662	Net revenue 2017	
0	non-recurring items 2017	
11,662	Net revenue 2017 excluding non-recurring items	

Swisscom Switzerland -250

-137 Residential Customers
-94 Enterprise Customers
-19 Wholesale, IT, Network & Infrastructure
+182 Fastweb
+31 Other

(-0.3%) **11,625** Net revenue 2018 excluding non-recurring items

+89 non-recurring items 2018*

(+0.4%) **11,714** Net revenue 2018
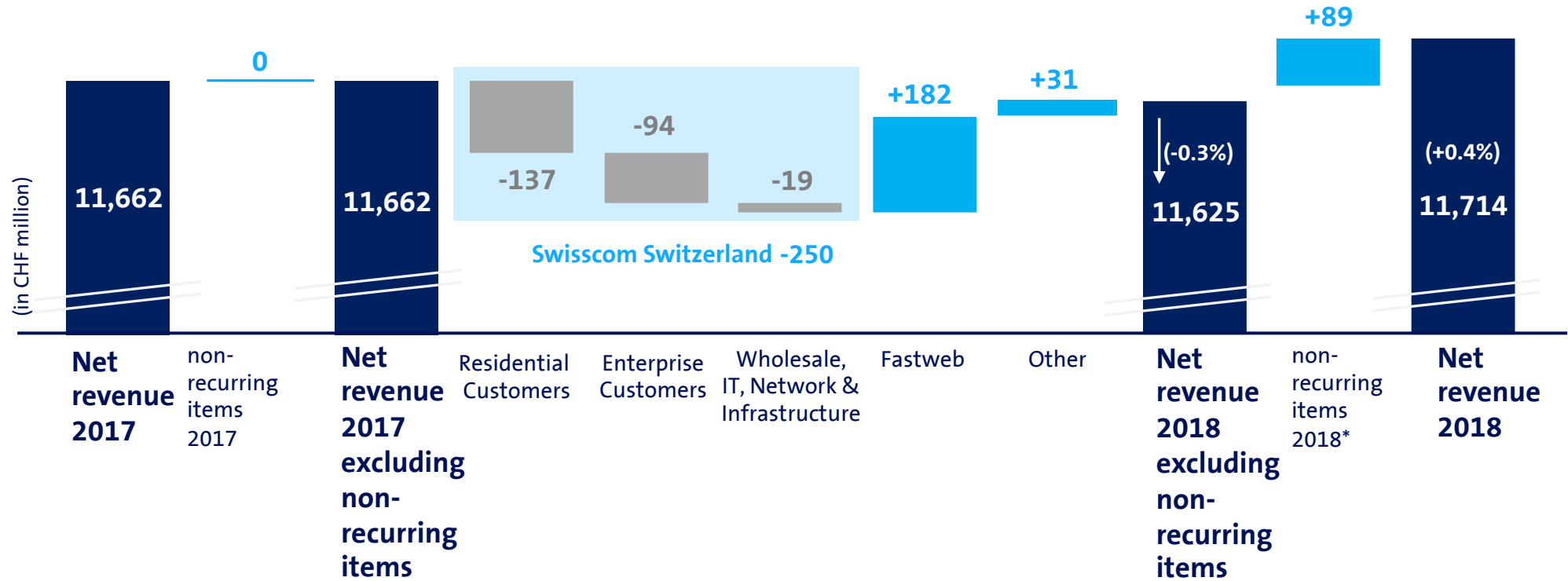
- Non-recurring items 2018: Exchange rate (CHF +84 million), IFRS 15 (CHF +5 million)

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Operating income
EBITDA on a comparable basis -0.8% down on previous year

(in CHF million)

EBITDA 2017	non-recurring items 2017*	EBITDA 2017 excluding non-recurring items	Residential Customers	Enterprise Customers	Wholesale, IT, Network & Infrastructure	Fastweb	Other	EBITDA 2018 excluding non-recurring items	non-recurring items 2018*	EBITDA 2018
4,295	-45	4,250	-97	-67	+27	+41	+62	4,216 ↓ (-0.8%)	-3	4,213 (-1.9%)

Swisscom Switzerland -137
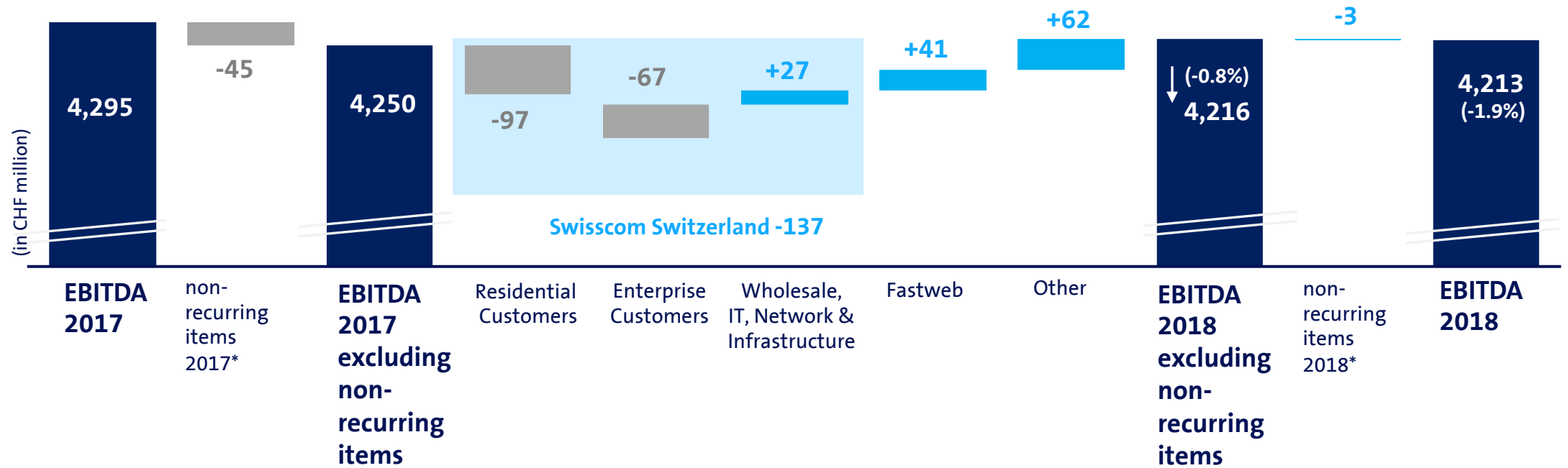
- Non-recurring items 2017: Income from legal disputes (Fastweb, CHF -102 million), provisions (CHF +61 million), gain from the sale of real estate (CHF -4 million)
- Non-recurring items 2018: Exchange rate (CHF +24 million), gain from the sale of real estate (CHF +16 million), IFRS 15 (CHF -43 million)

Cost management
Potential savings primarily in core business

Operation

- Simplification and standardisation
- All IP and cloud migration
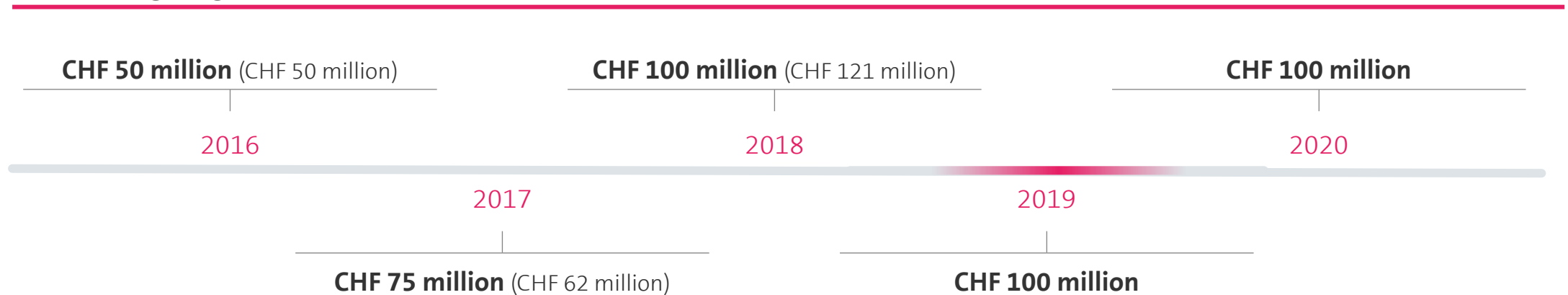- Agile organisation

Digitisation

- Switch to online
- Automation
- Network virtualisation

Investment

- Technology mix
- Partnerships
- Innovations

Cost saving targets (already achieved)

CHF 50 million (CHF 50 million)

CHF 100 million (CHF 121 million)

CHF 100 million

2016

2018

2020

2017

2019

CHF 75 million (CHF 62 million)

CHF 100 million

Income statement
Net income of CHF 1.52 billion

in CHF million

Tax rate 20.6%

Earnings per share CHF 29.48 CHF

	EBITDA 2018	Depreci-ation	EBIT	Net interest	Other financial result	Partici-pations	Tax expenses	Net income	Minorities	Net income of Swisscom shareholders
2018	4,213	-2,144	2,069	-128	-30	+5	-395	1,521	+6	1,527
2017	4,295	-2,164	2,131	-149	-11	-11	-392	1,568	+2	1,570
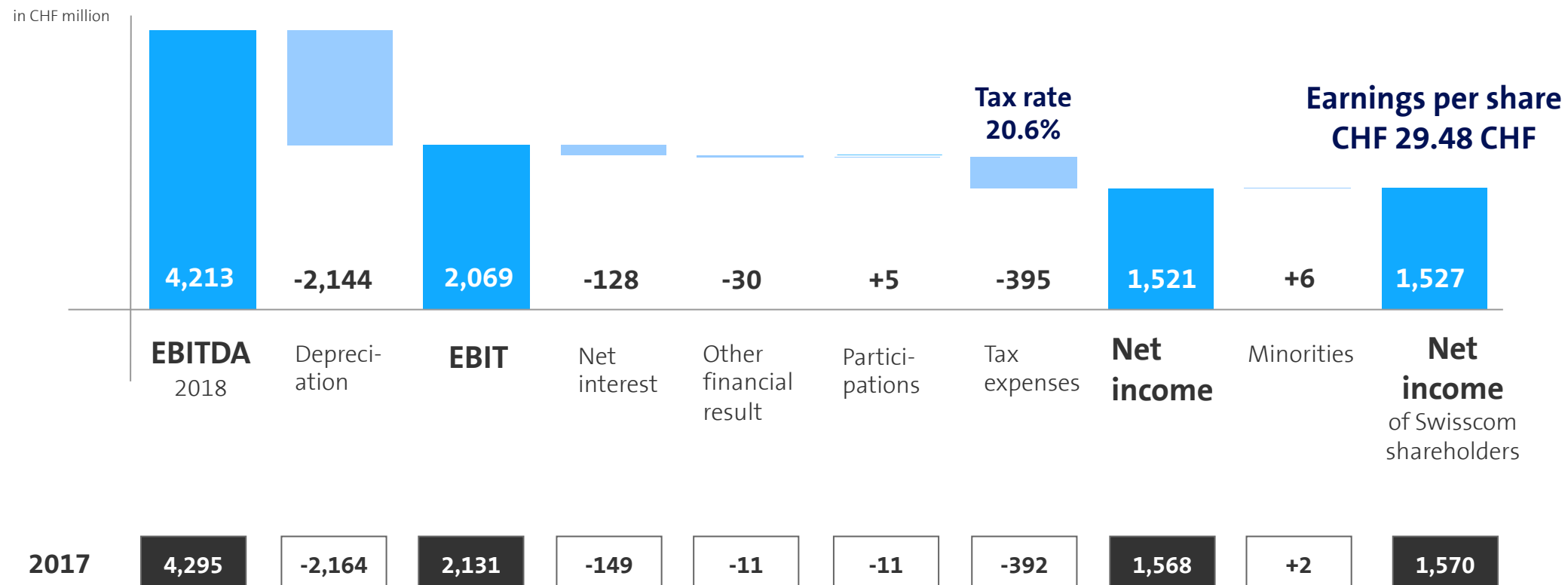
Capital expenditure
CHF 2.4 billion invested, or one fifth of net revenue

+1.1%

2,378 → 2,404

in CHF million

	Capital expenditure 2017	Capital expenditure 2018
Other		
Fastweb*	692	757
Swisscom Switzerland	1,654	1,620

CHF 1,620 million

- Mobile network: **19%**
- IT systems, All-IP & other: **20%**
- Fixed network, Copper Access network, base network & transport network: **31%**
- Fibre (FTTx): **30%**
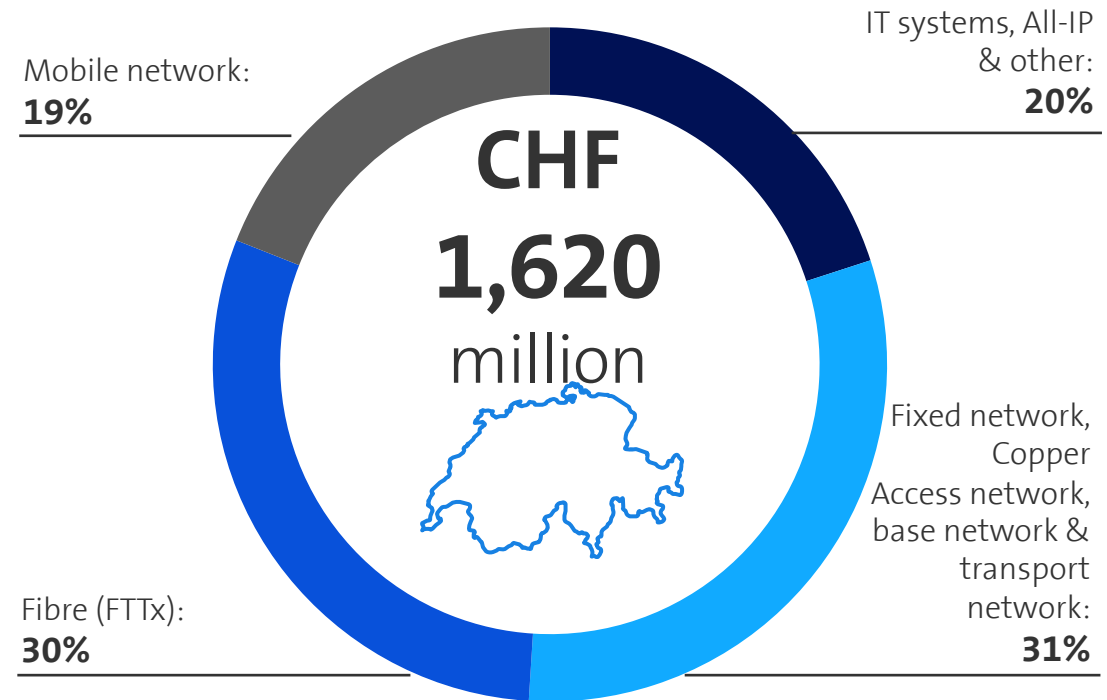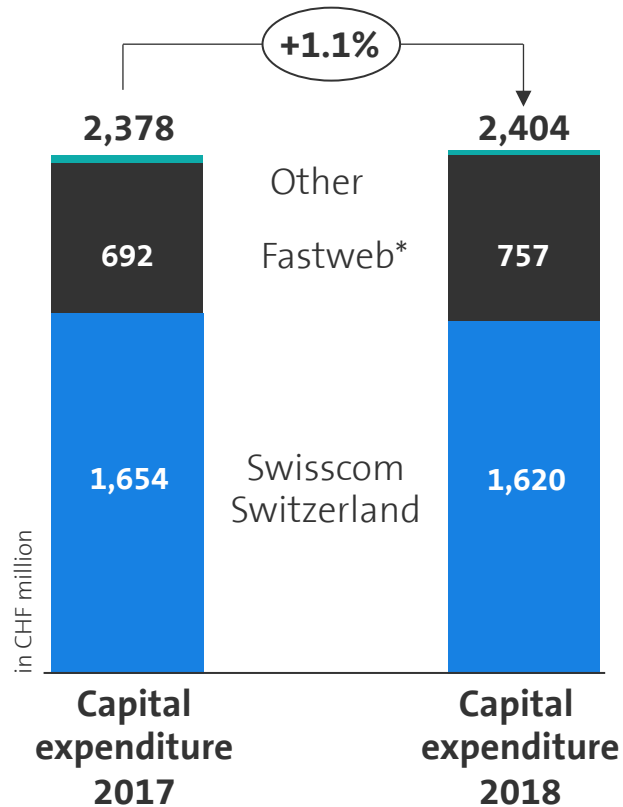
- Capital expenditure in Switzerland driven by fibre optic expansion and modernisation of mobile network
- Fastweb capital expenditure higher than previous year due to acquisition of mobile frequencies (EUR 64 million)

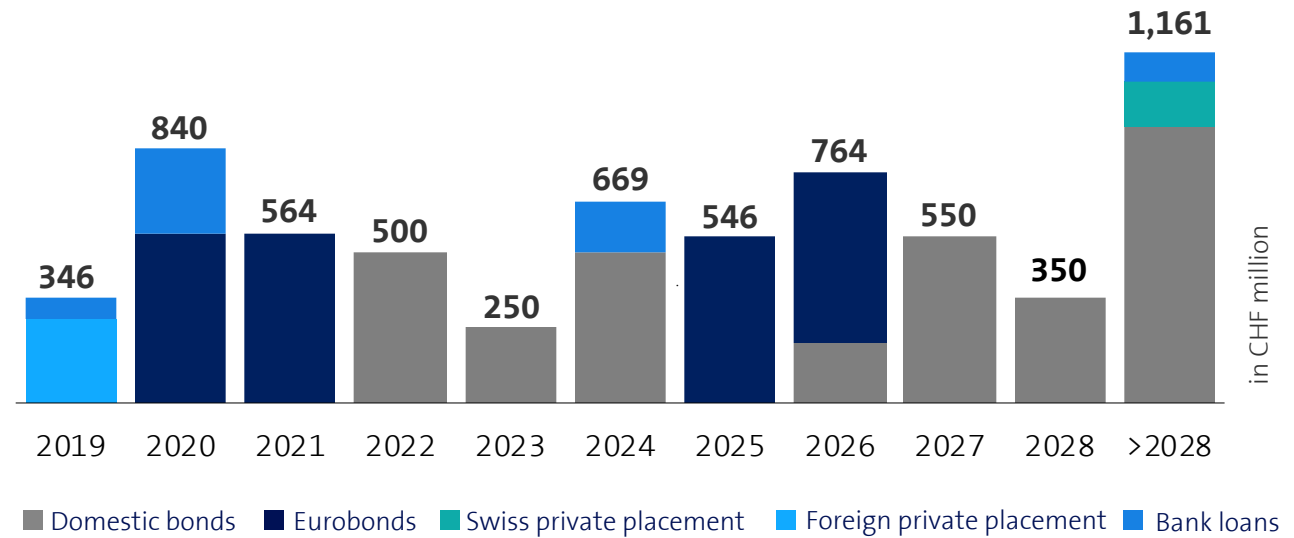* In local currency in 2018: EUR 657 million, in 2017: EUR 622 million

Maturity profile of financial liability as at 31.12.2018
Financing costs further optimised

Average financing costs: **1%**

Average term of fixed-interest rate:
**5.4 years**

Breakdown:
fixed **74%**
variable: **26%**

in CHF million

Year	Value
2019	346
2020	840
2021	564
2022	500
2023	250
2024	669
2025	546
2026	764
2027	550
2028	350
>2028	1,161

■ Domestic bonds ■ Eurobonds ■ Swiss private placement ■ Foreign private placement ■ Bank loans

Short-term money market borrowings are not shown in the maturity profile

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28

Around CHF 32 billion has been distributed to shareholders since the IPO

In CHF per share
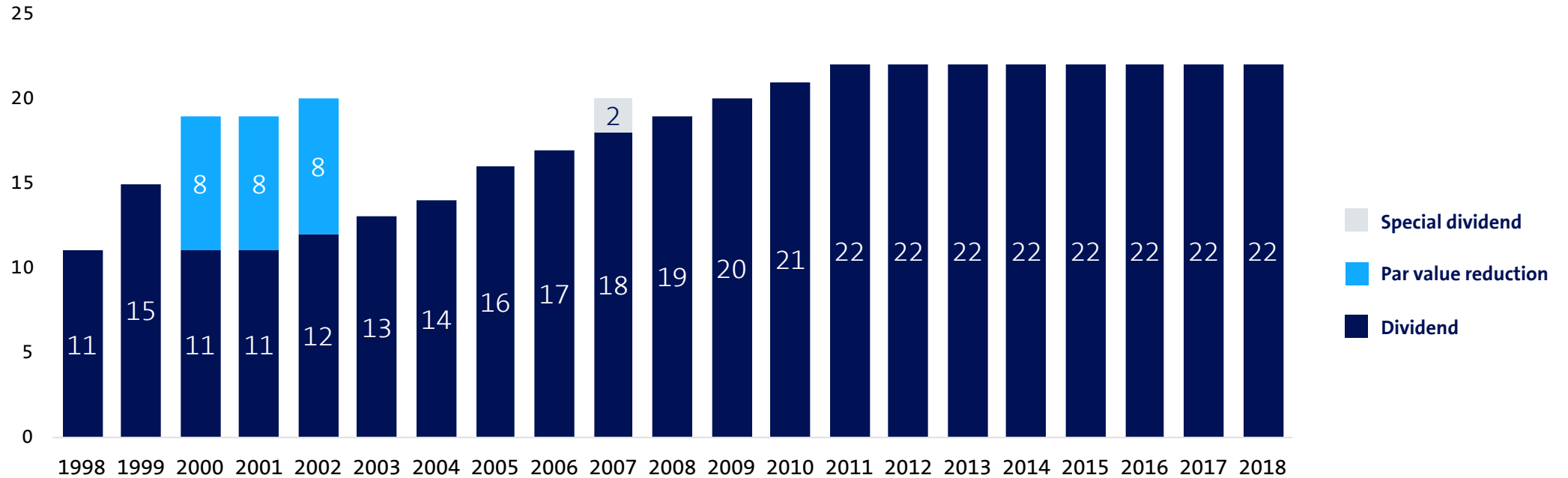
- AGM 2018: **Dividend** of **CHF 22 per share**
- Swisscom pursues a policy of **stable dividend payments** that are commensurate with **cash flow** and **capital allocation**
- Swisscom strives to maintain a **solid A rating**, an **equity ratio** of **~30%** and a **net debt/EBITDA ratio** of **1.9x** (without taking IFRS 16 into account)

Philippe Vuilleumier

Head of Group Security

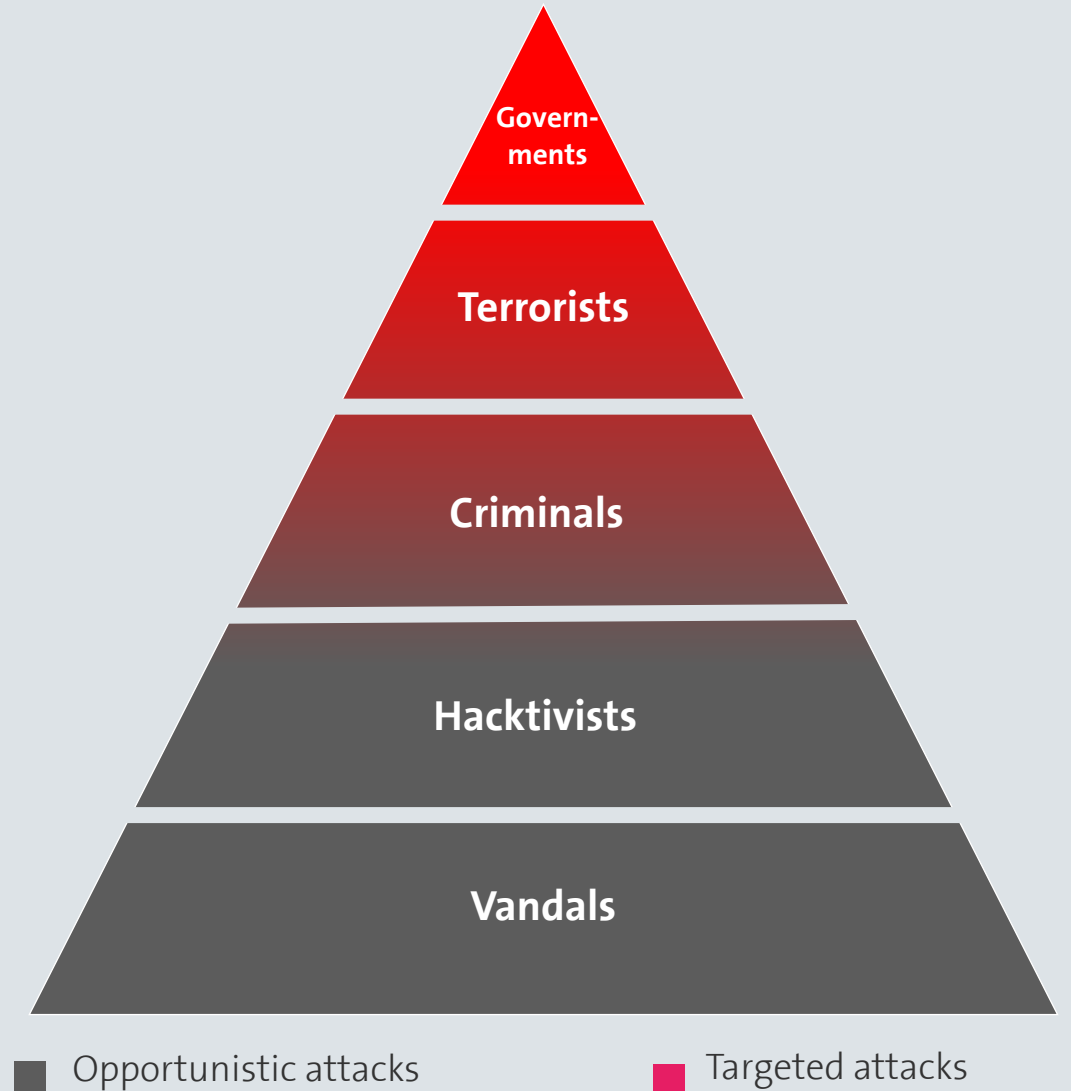swisscom

The threat landscape

Per month

8,750,000 million attempts to access
 harmful websites were blocked

2,100,000 attempts to access
Swisscom infrastructure were blocked

2,500 customers
contacted due to **misused accounts**

2,200 computers
of residential customers were taken offline as a
preventative measure due to a malware infection

1,300 residential customers
were informed that their computers were
infected with **malware**

Govern-
ments

Terrorists

Criminals

Hacktivists

Vandals

■ Opportunistic attacks   ■ Targeted attacks

Our answers to threats

- **Security as a competitive advantage**
  Secure infrastructure, secure products

- **Detection and intervention**
  Red Team & Bug Bounty programme

- **Attacks can be successful ("Assume Breach")**
  Architecture, crisis organisation,

- **Live and further develop good practices**
  Governance, Risk Management, Training &
  Awareness, ISO27001

Implementing good practices
Using the example of our network
infrastructure

- No outsourcing of network operation as a
  fundamental decision

- Proven multi-vendor strategy

- Technical and process/organisational solutions
  such as network zones, access concepts, second
  factor for access

Your questions