Company presentation

CFO lunch presentation - 25 August 2017

Agenda

1. **Our environment** - markets and sector challenges
2. **Our strategy** - delivering the best value proposition
3. **Our execution** - ahead with innovation and continuity
4. **Our position and KPIs** - leading and stable
5. **Our financials** - steady
6. **Your return** - predictable

Our environment - market and sector challenges

Swisscom is at the heart of the digital transformation and well positioned to benefit from it

Stable environment in Switzerland

- Switzerland, a synonym of **quality**, **stability** and **solidity**
- **Reliable political system**
- **Quality conscious consumer base**

Leading Telco and ICT operator in domestic markets

- **Best network** – both wireless and fixed
- **Strong market positions** across all segments
- >12mn RGUs with continuing bundle migration

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Leading attacker in Italy

- **#2** in Italy with growing market shares in consumer (16%) and corporate (28%)
- **>2.4mn broadband subs** and **880k SIM cards**
- **Under-penetrated PC market** leaves room for further growth

Saturated markets in Switzerland

FM substitution

Bundle migration

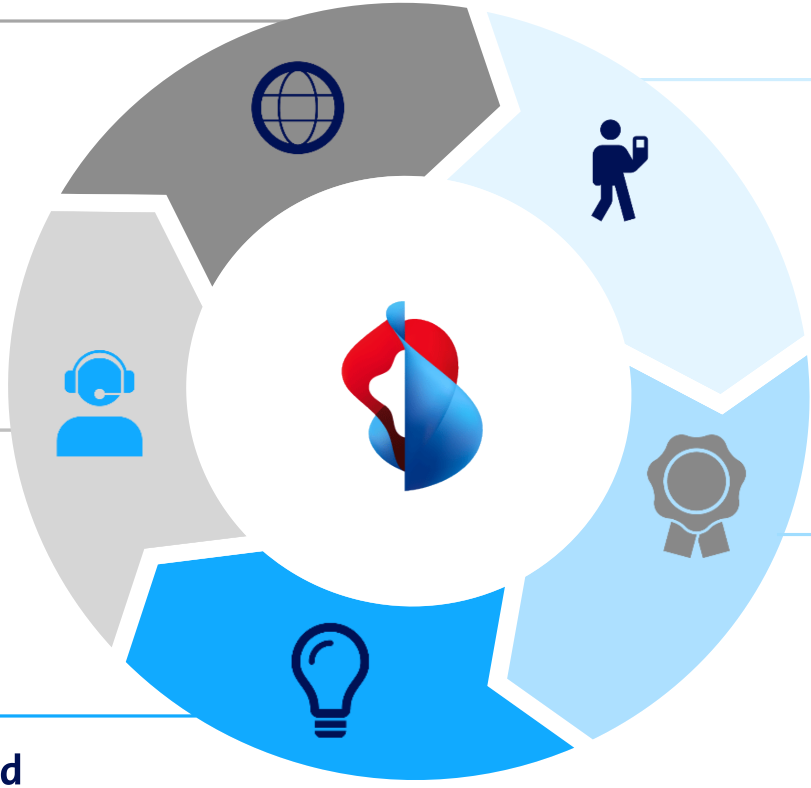
Digital opportunities

Convergence advancing

Roam like home

Our strategy - delivering the best

Distinctive value proposition translates into leading market position in Switzerland since many years



Best infrastructure

- **99%** of population with **4G** and **40%** with **4G+ (>100 Mbps); 43% UBB** coverage with **>100 Mbps**
- **Excellent network quality**
- Capacity extension on top of management agenda

Excellent customer service

- **Personalised** customer **service**
- Since many years outstanding **customer satisfaction**

Innovation leader in Switzerland

- Swisscom ranked **amongst the three most innovative companies** in Switzerland by the **Centre of Innovation** of the **University of St. Gallen (HSG)**
- Heading for **1 Gbps** in the **mobile network**
- Well positioned with **outstanding cloud infrastructure** based on the **Enterprise, Application** and **Telco clouds**

Outstanding product portfolio

- **Converged** offerings – one subscription covers everything
- **Flexibility** and **simplicity** for our customers
- **Multibrand approach** with value offerings, Wingo and M-Budget

Brand awareness

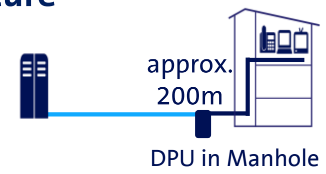
- Swisscom awarded as **most trusted Telco brand**
- Winner of the **CHIP** trade magazine test for the **best net in Switzerland**
- Trust in Swisscom with positive impact on **willingness to pay**

Our execution - continuously investing in high-speed expansion

Boost ultra-broadband uplift with an efficient technology use

Our fibre approach ...

- Switzerland's **unique FTTS architecture**
  - Existing manholes offer potential to be equipped with G.fast



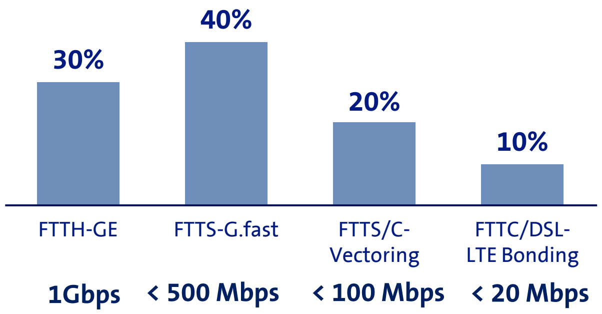
- Swisscom is **the 1st Telco to rollout G.fast**
  - Up to **500 Mbps on copper**
  - With diligent network planning >90% customers profit from G.fast

- **Why FTTS / G.fast?**
  - Rollout **2x faster** than FTTH
  - Rollout **3x cheaper** than FTTH
  - Reusable fibre infrastructure for future upgrades

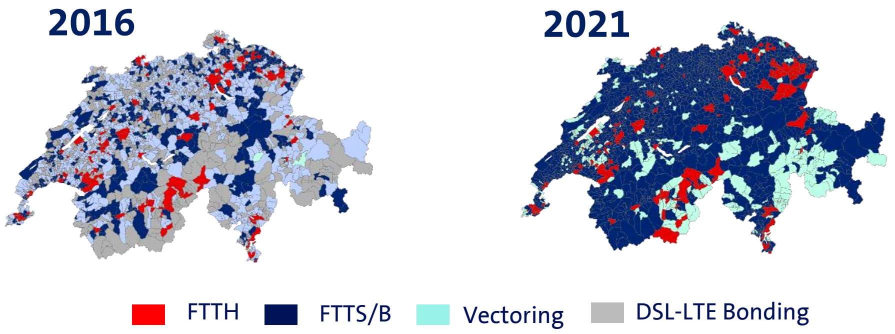
... with using different technologies ...

Target 2021

- 85%[1] with >100 Mbps (by 2020)
- >90%[1] with >80 Mbps



... increases UBB availabilities most efficiently

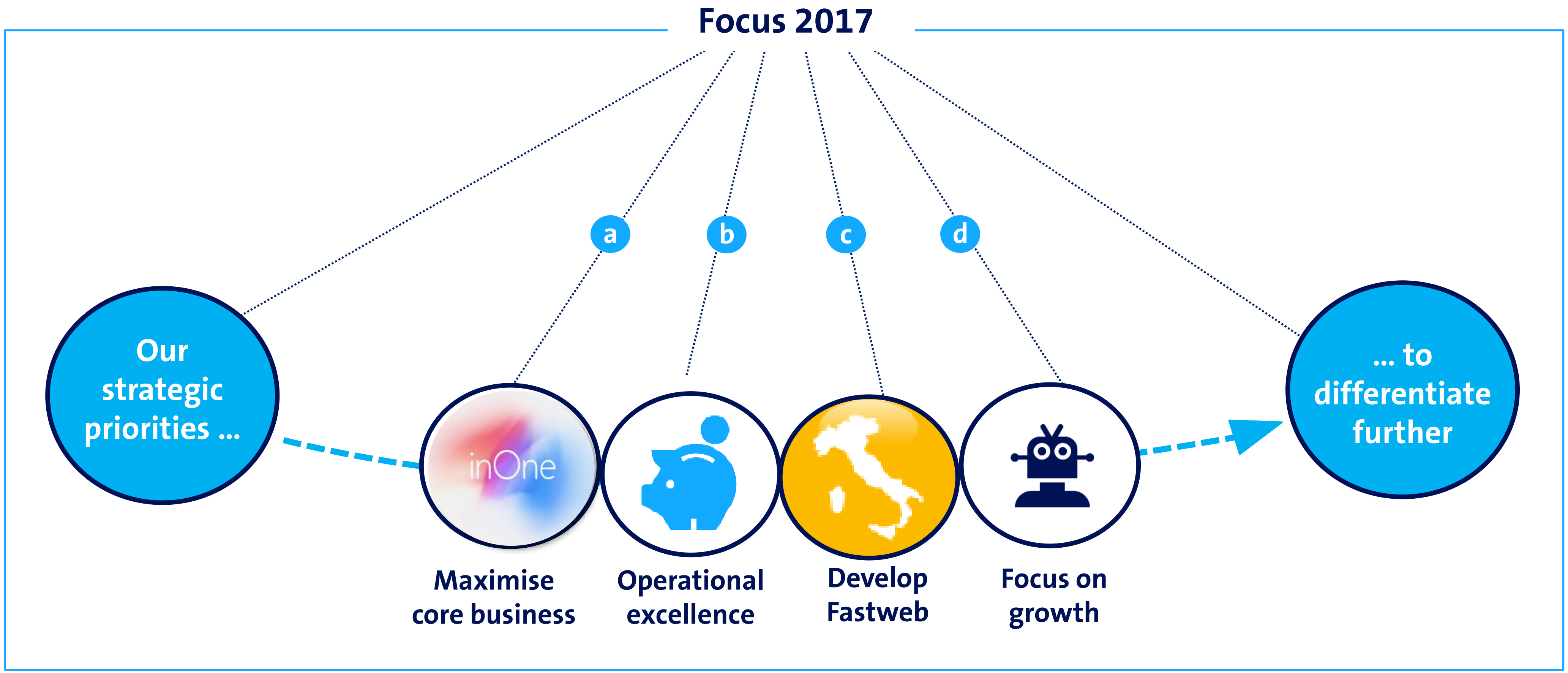


Our infrastructure ensures our unique position in Switzerland – also in the future

[1] Consists of 3.7 mn primary residences, 0.6mn second/vacation homes, 0.7mn businesses. Source: Federal Statistical Office and Swisscom estimates

Our execution - ahead with innovation and continuity

In order to increase competitiveness and sustain value



Our execution - our new price plan inOne

One subscription covering everything

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Benefits for customers

W+/W- bundle offering a discount
Discount on up to 5 mobiles:
CHF 20 for 2nd mobile subs,
CHF 40 for 3rd-5th mobile in same household

Fully customisable
inOne positioned as a bundle which can be individually customised

Value add (BB, TV & Mobile)
More speed, replay, recordings, content and roaming compared to Vivo and infinity

inOne

Benefits for Swisscom

Loyal customers
Simplicity and better price/performance increase customer loyalty and reduce churn

Higher penetration in HH
Higher market shares in bigger households due to degressive W- pricing

Better customer satisfaction
Savings and freedom of choice have a positive effect on perception and NPS

The best for customers and investors

Our execution - successful inOne launch with promising customer responses

Still early days but 1st results inline with our expectations

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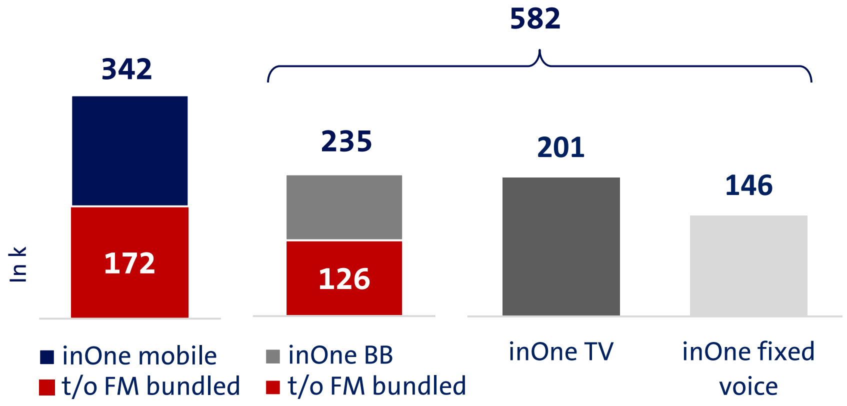
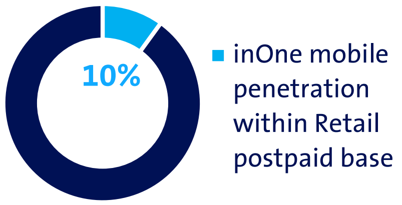
Customer base

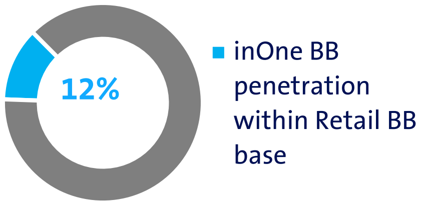
- Majority of total **451k customers** from existing base - switching from infinity, Vivo and older tariff plans
- **inOne base** sums up to **924k RGUs**
  - t/o 342k mobile and 582k fixed
  - 50% of mobile and BB RGUs in FM bundles



Key dynamics

- inOne **penetration** progressing well





- Despite convergence discounts impact on **blended wireless and wireline ARPUs** so far negligible
  - **Mobile** (non-bundled) changeover with light ARPU uplifts
  - inOne **home** with expected right-grading impacts
- **Customer satisfaction** promising
  - **NPS higher** than for Vivo
  - Current **low churn levels** expected to improve further

After two months already almost 1 million RGUs on inOne

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Our execution - operational excellence with accelerating momentum

Stabilise profitability by improving all layers

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Quality

- Focus on **service** level
- **NPS** consciousness
- Increase **reliability**
- Better offerings for customers

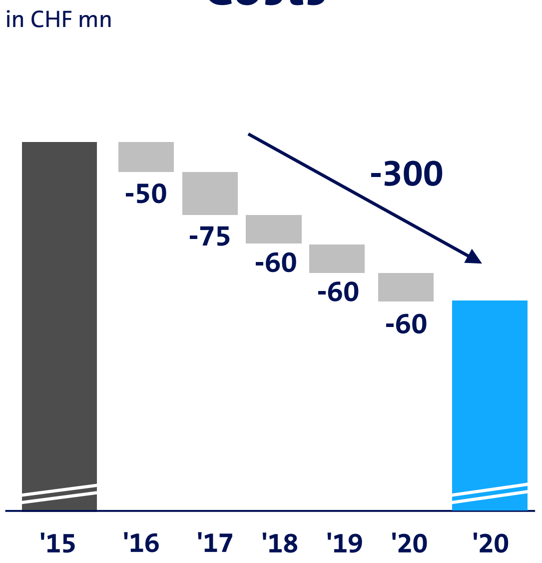
improve

Efficiency

- **Restructure organisation**
- Boosting **simplicity** and **CAPEX efficiency**
- Push **All IP** transformation further

improve

Costs



improve

On track to achieve targeted cost savings of CHF 300mn by 2020

Our execution - unlock further value from the Italian market …

… by expanding Fastweb's competitive advantage as 360° infrastructure player

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Extending and upgrading the best wireline infrastructure in Italy

Extend FTTx footprint to 50% coverage
- FTTH from 2.0 to 5.0mn HHs through **FlashFiber** (o/w 0.6mn already completed per H1 17)
- **FTTS** from 5.5 to 8.0mn HHs

Leverage MVNO access
- Scaling up wireless business in the short-term thanks to **4G**
- **Protect its wireline business** from the likely increase of competitive pressure triggered by Iliad entry

Increase NPS & decrease churn rate
- **Increase scale** in Consumer segment
- Approx. 80% of SIMs sold to Fastweb wireline customers - **competitive mobile offers support also wireline sales**
- **Convergent customers** with **lower churn** than wireline-only

Deployment of 5G-ready infrastructure in wireless
- Fastweb **installed asset** base is instrumental to the potential deployment of a mobile infrastructure based on **small cells**
- Positioning Fastweb as a **premium convergent player**

Our execution - B2B with heterogeneous revenue sources

Swisscom uniquely positioned to benefit from digital revolution

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Our B2B value position

- Operating a **fully integrated network**
- Offering **fixed, mobile and converged services**
- Differentiating with **strong ICT capabilities and B2B presence**
- Marketing in an **attractive market** with many multinationals

Our B2B offerings

with CHF ~2.4bn revenues in 2016

Telco businesses [~45% of revenues]

Wireless | Wireline

Solutions businesses [~45% of revenues]

Verticals | Digital Solutions | Cloud & Net Services | UCC[1] and Workplace | Other Solutions

Other businesses [~10% of revenues]

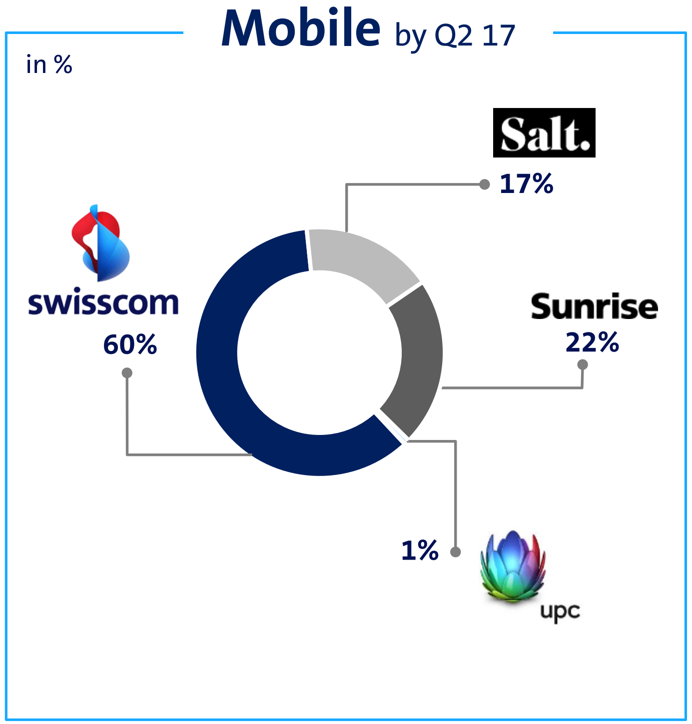
Hardware and Other

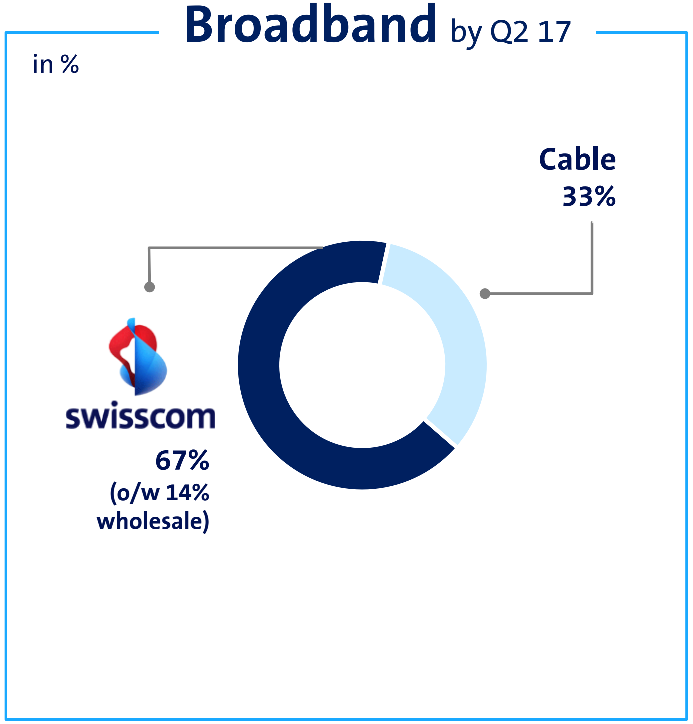
Leverage leading B2B position in Telco business to grow market share in ICT

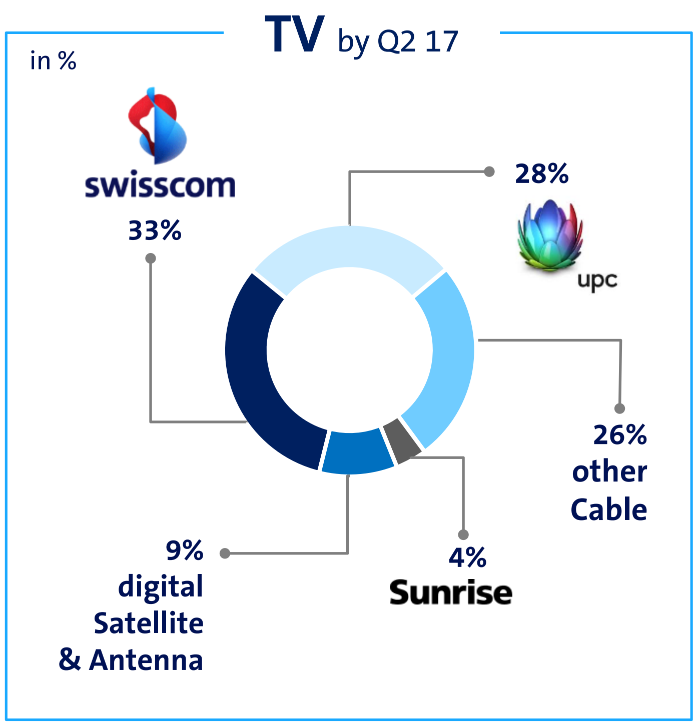
[1] Unified Communication & Collaboration

Our position - leading operator in Switzerland

Swisscom's market shares in Switzerland stable over many years





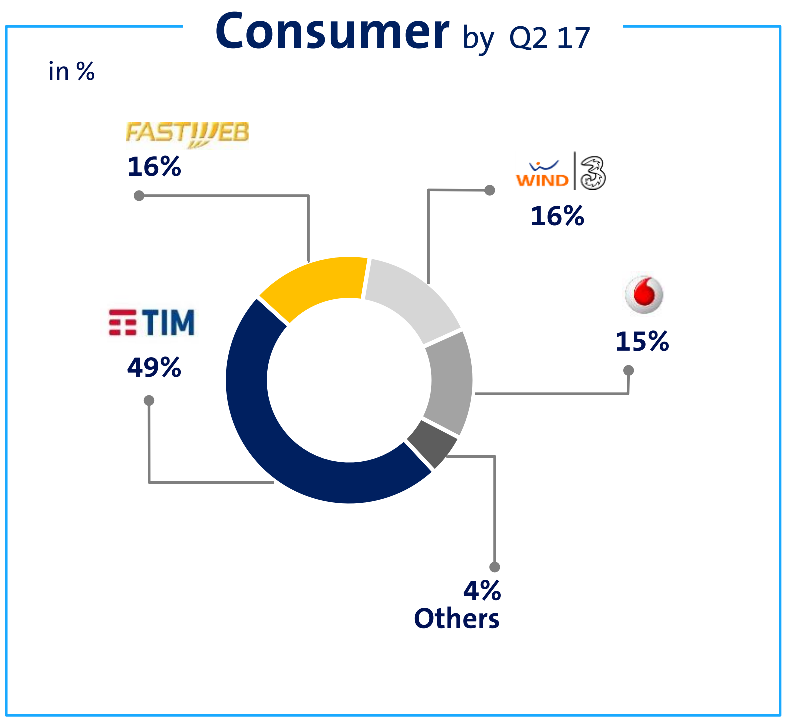


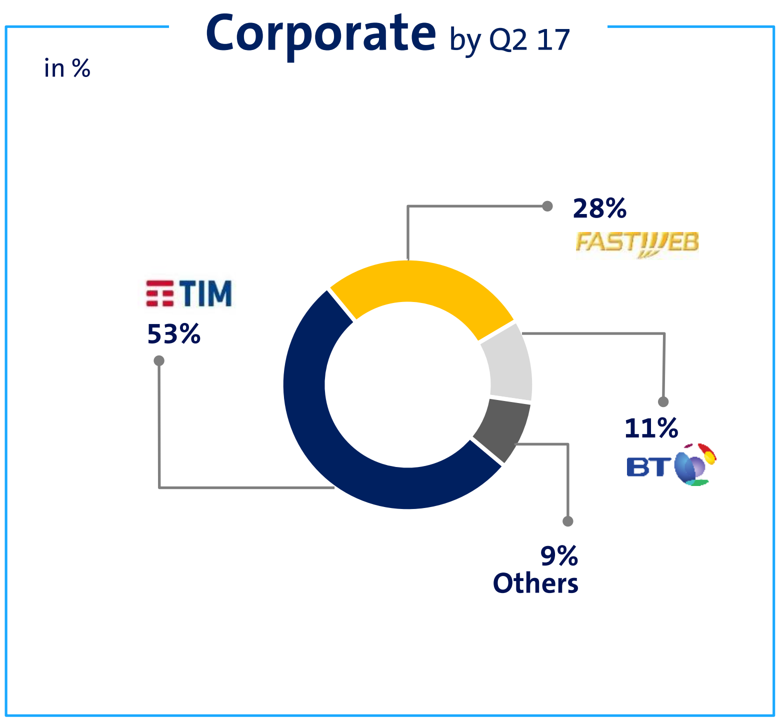
We will continue to defend our strong position, as size matters in a fixed-cost business

Source: Swisscom figures and internal elaborations / estimates based on public company data

Our position - leading attacker in Italy

Fastweb with outstanding track record in demanding wireline market





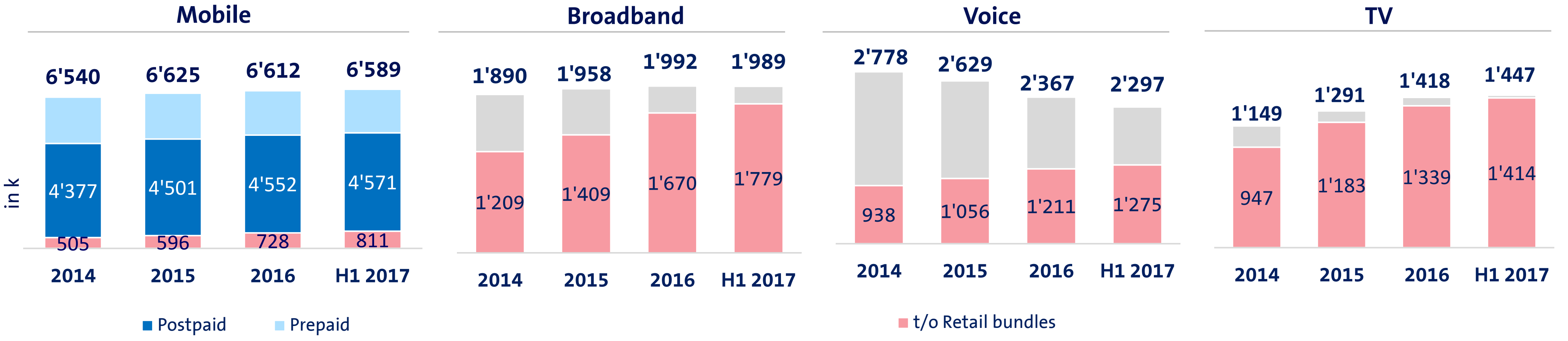
Targeted 50% FTTx coverage by 2020 speeds up growth momentum in all segments

Source: Fastweb figures and internal elaborations / estimates based on public company data, Ernst&Young 2016

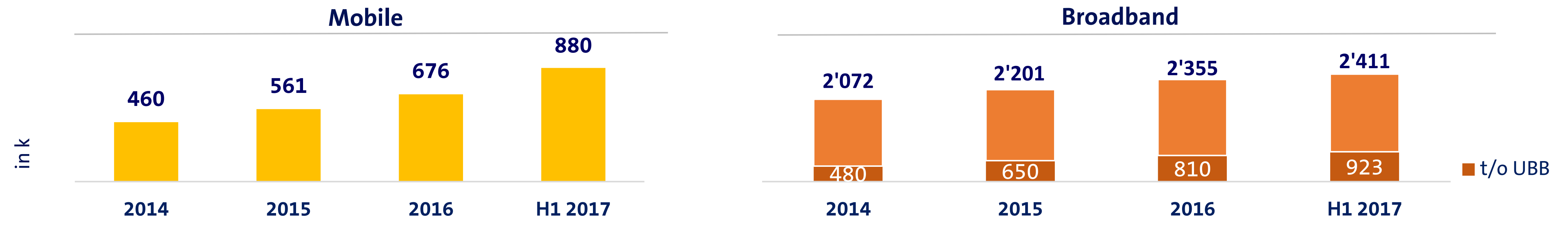
Our KPIs - customer base with unchanged dynamics

Swisscom Switzerland with >12mn RGUs - Fastweb with growing subs base in BB and mobile

Swisscom Switzerland



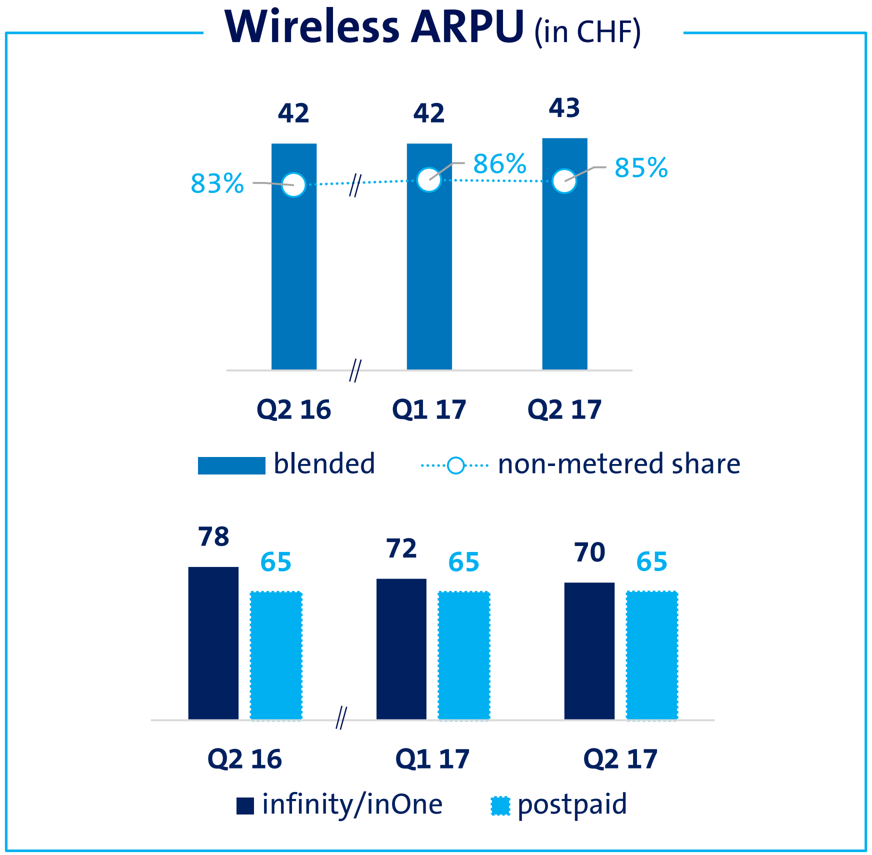
Fastweb

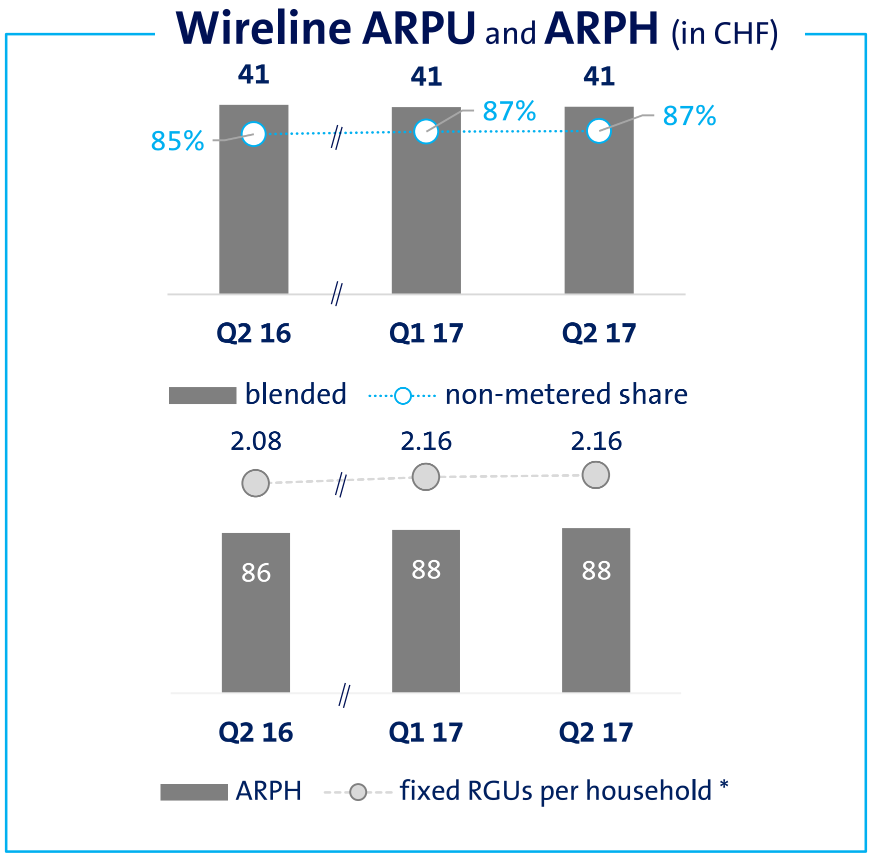


Ongoing successful bundle migration in Switzerland and volume momentum in Italy

Our KPIs - ARPUs of Swisscom Switzerland with stable development

Blended ARPUs flat thanks to value focus and continued bundle migration





'Best' strategy and yield management pays off

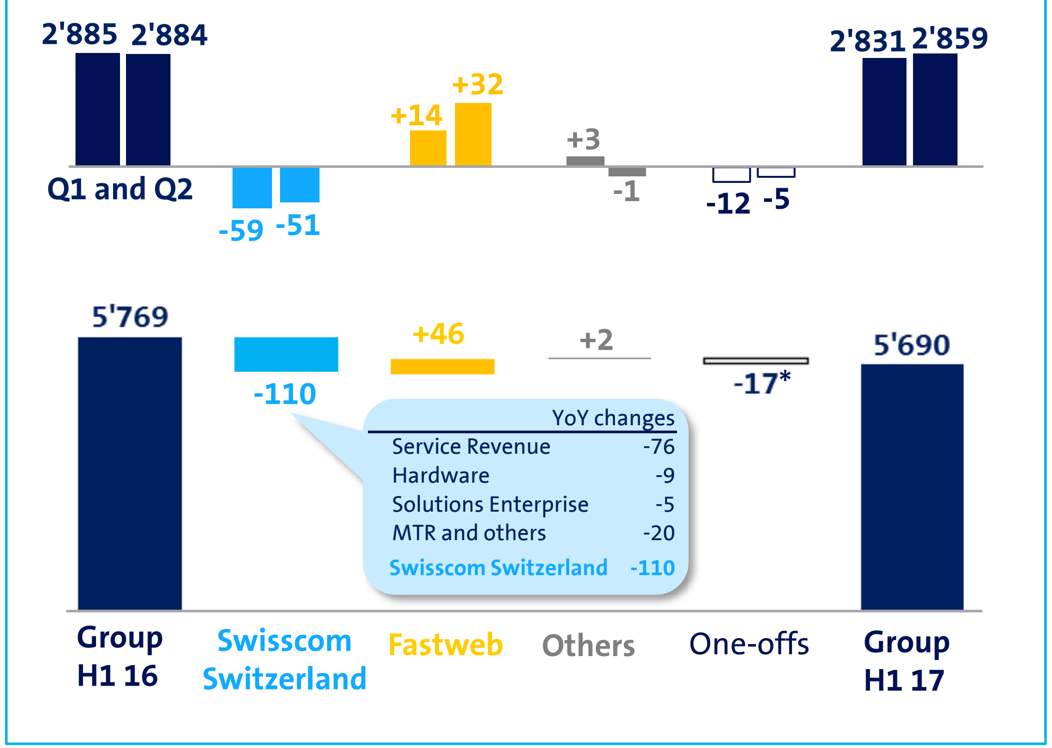
* HH = total broadband subscriptions + [total 1P voice subs – total 1P broadband subs]

Our financials - H1 performance

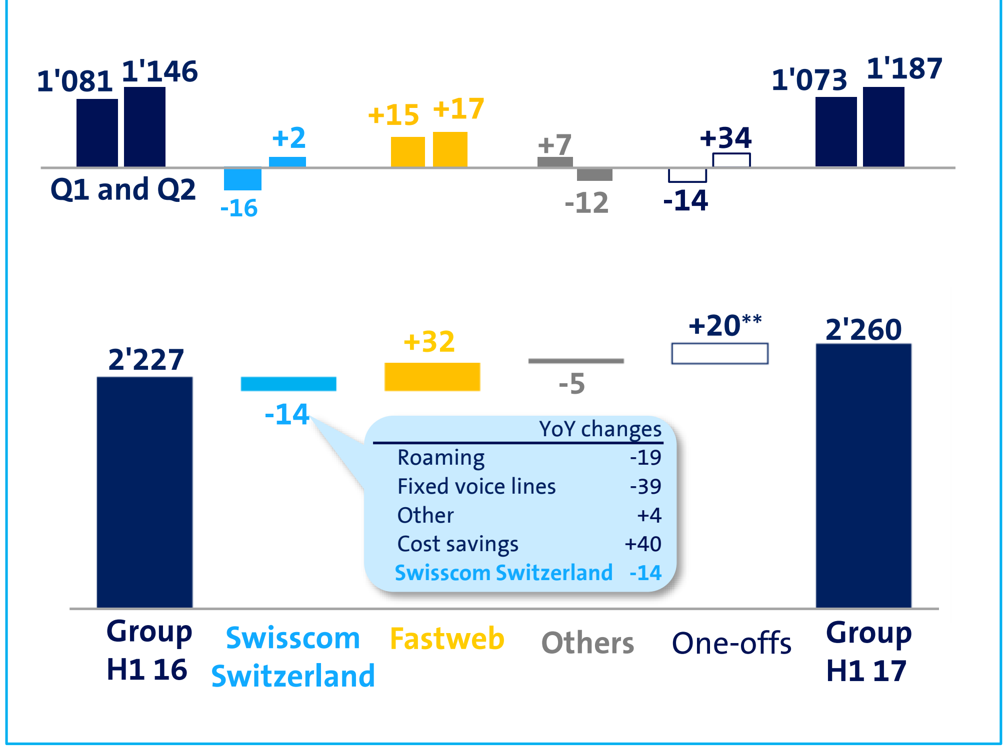
Underlying YoY changes in line with expectations - cost savings 2017 of CHF 75mn on track

in CHF mn

Net revenue



EBITDA



Solid financial results despite high competition and price pressure

* Currency impact of CHF -17mn

** Currency impact of CHF -7mn, other income from litigations at Fastweb of CHF 102mn in Q2 17 and of CHF 60mn in Q2 16, gain from sale of real estate of CHF 15mn in 2016

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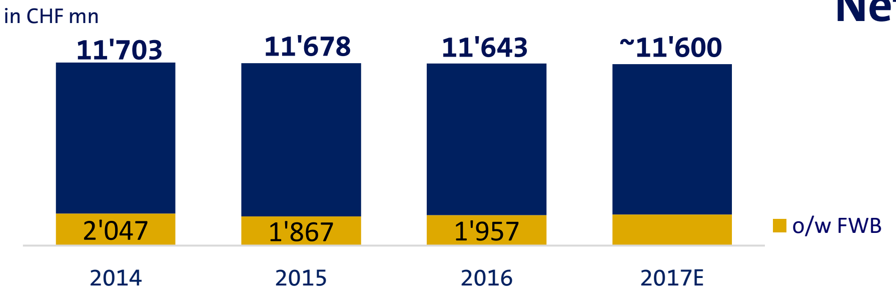
Our financials - steady since multiple years

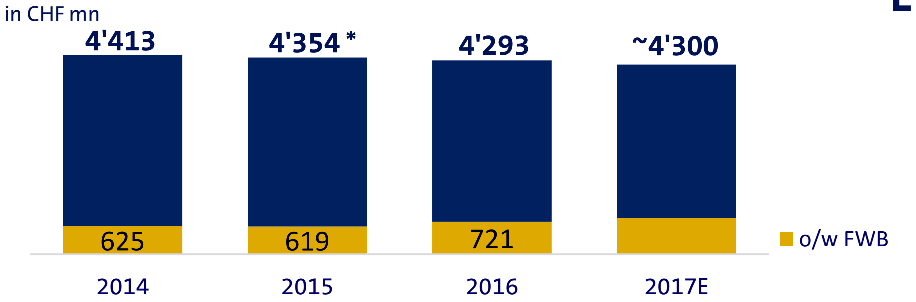
2017 guidance: net revenue CHF ~11.6bn, EBITDA CHF ~4.3bn, CAPEX CHF ~2.4bln

Net revenue



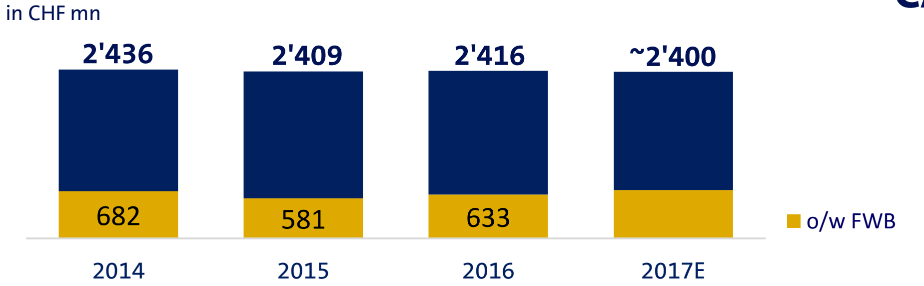
- Overall flat, but with mixed dynamics: usage-based revenues down, access-based / bundle revenues up
- Fastweb with stable contribution thanks to volume growth

EBITDA



- Cost management crucial in Switzerland due to saturated market conditions and structural forces (roam like home, FM substitution)
- Fastweb expected to contribute growth

CAPEX



- CAPEX envelope remains on current level driven by ongoing UBB extension
- By 2020, Swisscom Switzerland targets >85% with >100 Mbps and Fastweb 50% with >200 Mbps

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

Financial policy (1/2)

Characterised by a conservative and sustainable approach

Leverage / Rating

- Preserve a single A Rating with a target leverage ratio (unadjusted) of around 1.8-1.9x EBITDA
- Target an equity ratio of 30%
- Moody's A2/stable and S&P's A stable rating confirmed

Shareholder Distribution

- Predictable dividend per share if annual financial targets are met
- Target remuneration aligned with cash flow generation and capital allocation

Liquidity Management

- Keeping physical liquidity at a minimum
- Two committed backstop-facilities of CHF 1bn each until August 2020/ March 2022
- Substantial non-committed money market overdraft facilities in EUR and CHF

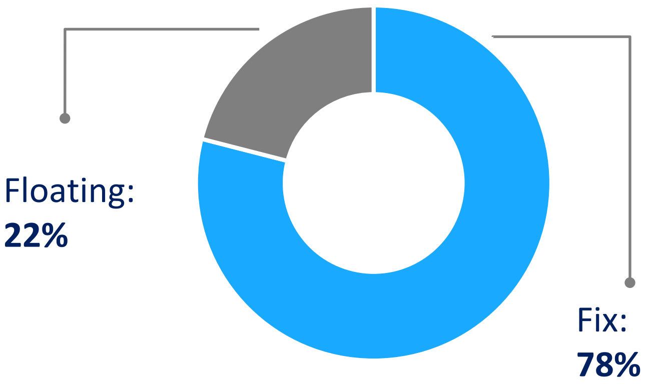
Financial Risk Management

- Active monitoring and managing interest rate and foreign exchange risks
- Yearly defined risk limits to protect operative cash flow
- Strict monitoring of counterparty risk

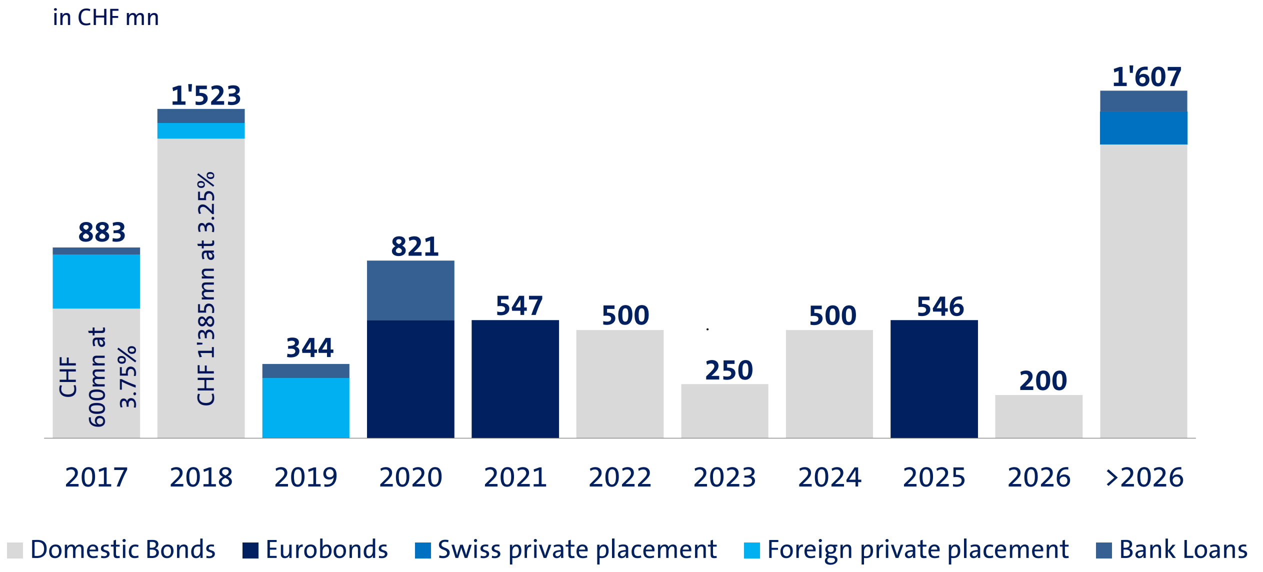
Financial policy (2/2)

Actively managed maturity profile

- Balanced debt maturity profile in combination with an optimisation of our funding cost
- **1.7%** average interest rate of portfolio (incl. derivatives)
- **Duration: 4.5 years**
- Active management of interest rate risk within well defined risk limits



Maturity profile after bond settlement as per 30.06.2017 *



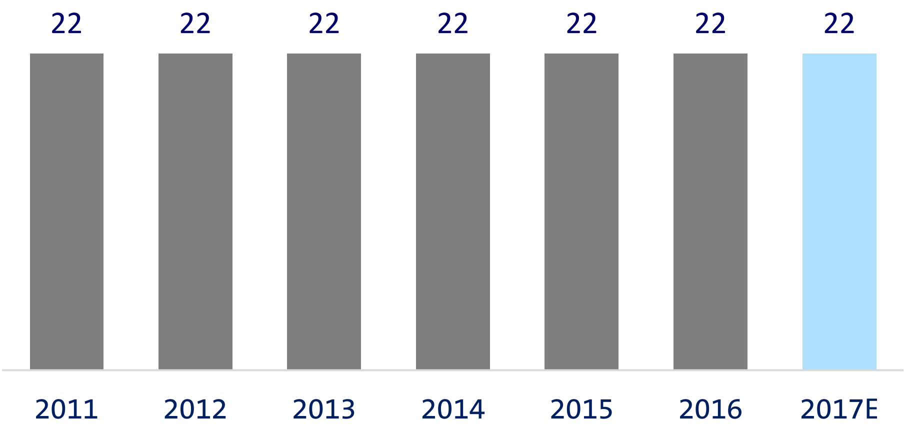
* excl. short-term money market borrowings

Your return - predictable

Dividend of CHF 22/share upon meeting guidance

Dividend/share

in CHF



Dividend policy

- Swisscom targets a **predictable remuneration aligned with cash flow generation and capital allocation**
- **Comfortable with current pay-out ratio** as primarily high CAPEX limits excess cash
- Swisscom committed to preserve a **solid single A Rating** and an **equity ratio of ~30%**

Upon meeting its 2017 guidance, Swisscom plans to propose an unchanged dividend of CHF 22 per share to the AGM in 2018

Cautionary statement

Regarding forward-looking statements

- "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.
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