

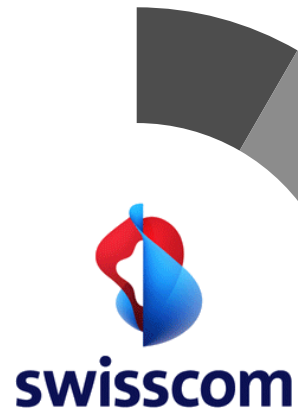


# Company presentation

UBS Best of Switzerland Conference - Wolfsberg  
14 September 2017

# Agenda

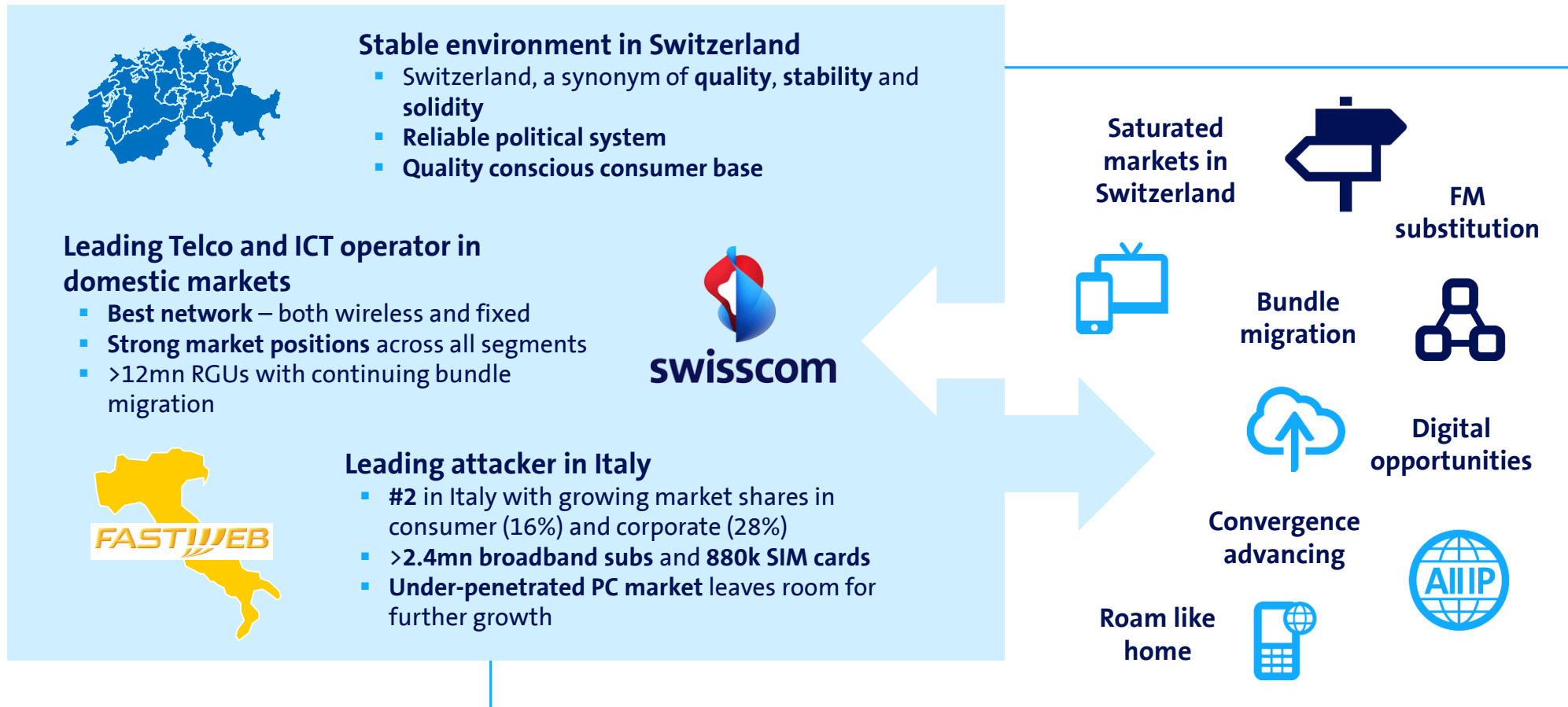
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1. **Our environment** - markets and sector challenges
2. **Our strategy** - delivering the best value proposition
3. **Our execution** - ahead with innovation and continuity
4. **Our position and KPIs** - leading and stable
5. **Our financials** -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



# Our strategy - delivering the best

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

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## Best infrastructure

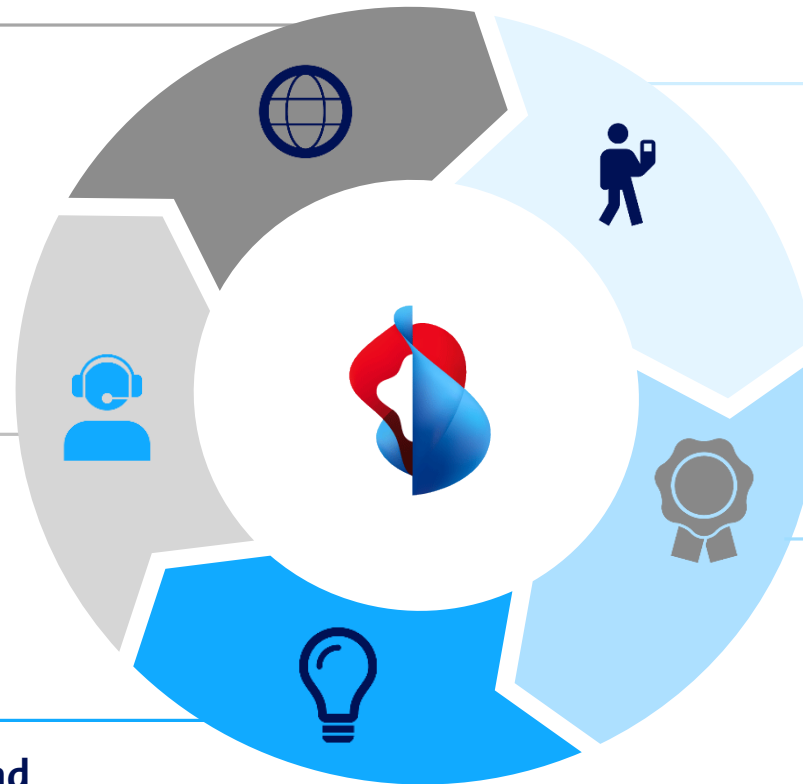
- > 99% of population with 4G and 40% with 4G+ (>100 Mbps); 43% UBB coverage with >100 Mbps
- > Excellent network quality
- > Capacity extension on top of management agenda

## 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



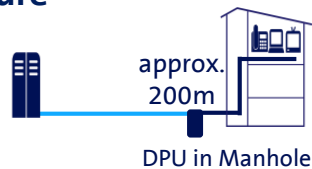
# Our execution - continuously investing in high-speed expansion

*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?

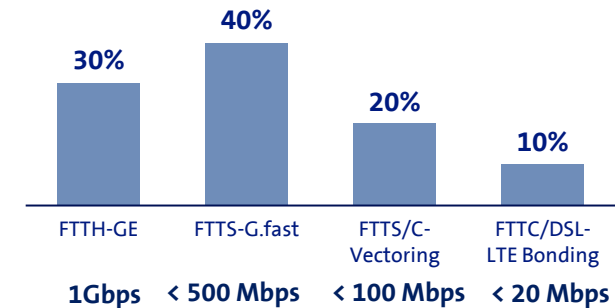
- > Rollout **2x faster** than FTTH
- > Rollout **3x cheaper** than FTTH
- > Reusable fibre infrastructure for future upgrades



## ... with using different technologies ...

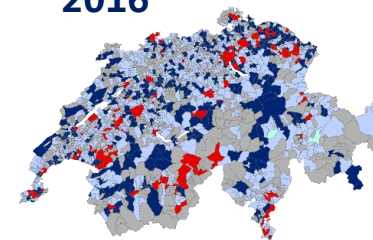
### Target 2021

- > 85%<sup>1</sup> with >100 Mbps (by 2020)
- > >90%<sup>1</sup> with >80 Mbps

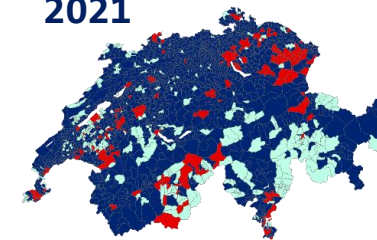


## ... increases UBB availabilities most efficiently

2016



2021



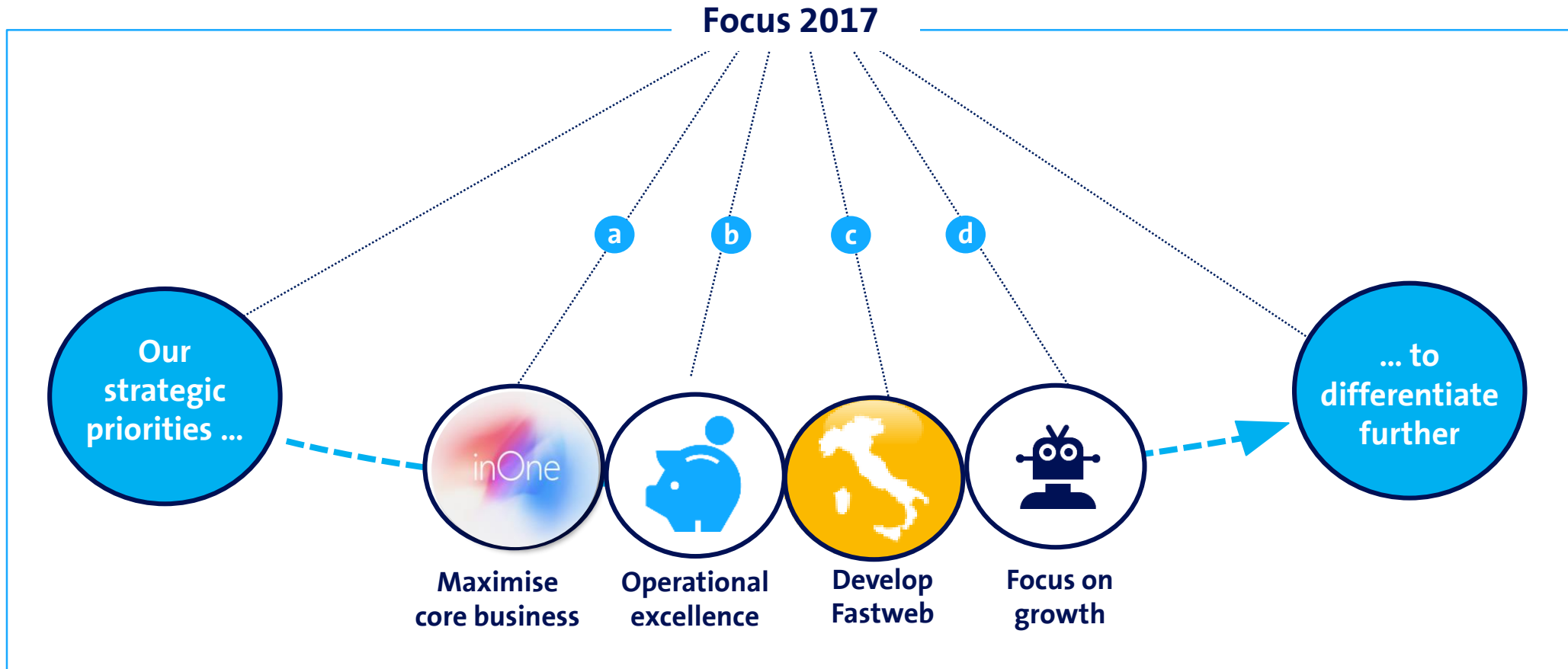
■ FTTH ■ FTTS/B ■ Vectoring ■ DSL-LTE Bonding

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

<sup>1</sup> 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

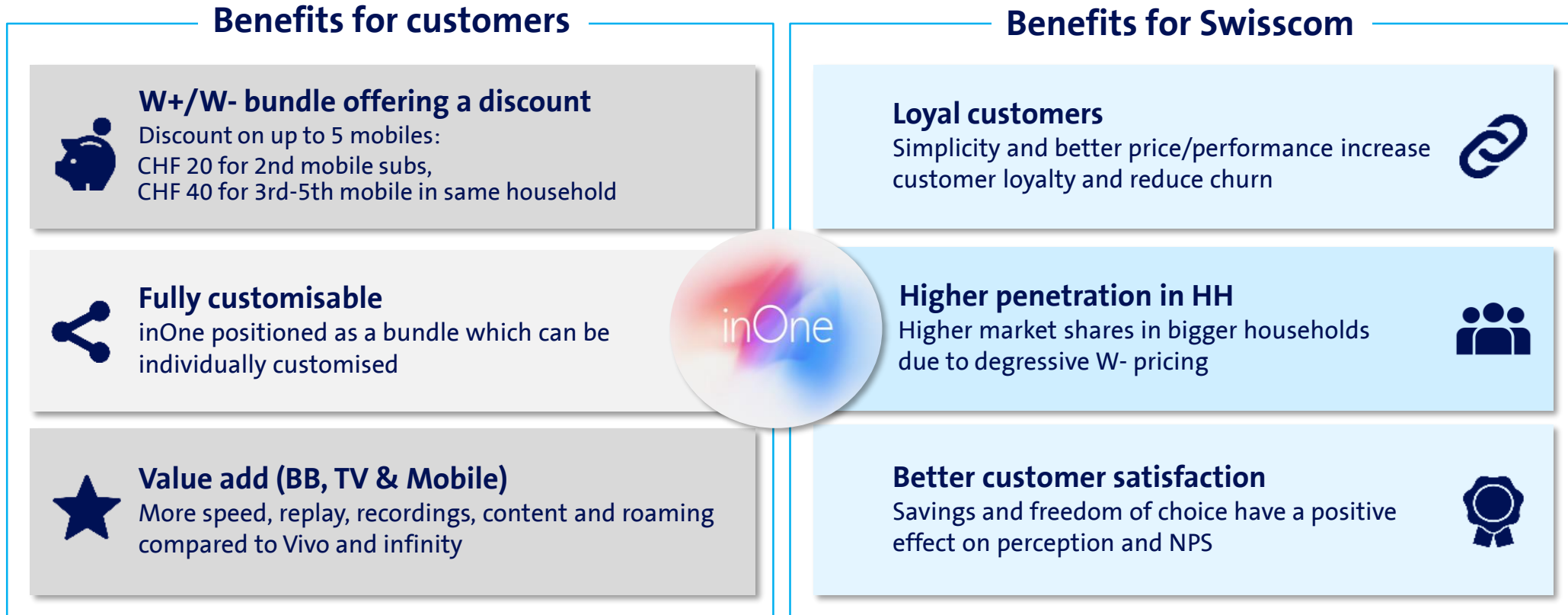
*In order to increase competitiveness and sustain value*



# Our execution - our new price plan inOne

*One subscription covering everything*

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The best for customers and investors

# Our execution - successful inOne launch with promising customer responses

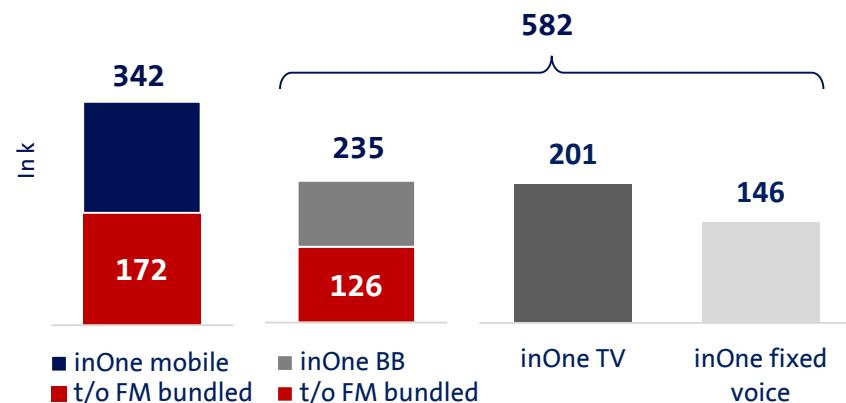
*Still early days but 1<sup>st</sup> results inline with our expectations*

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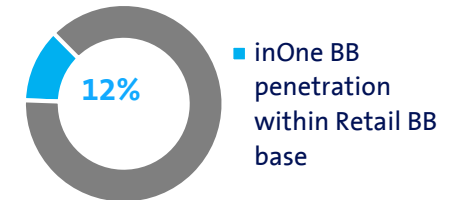
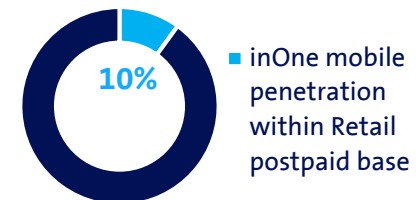
## Customer base

- > 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

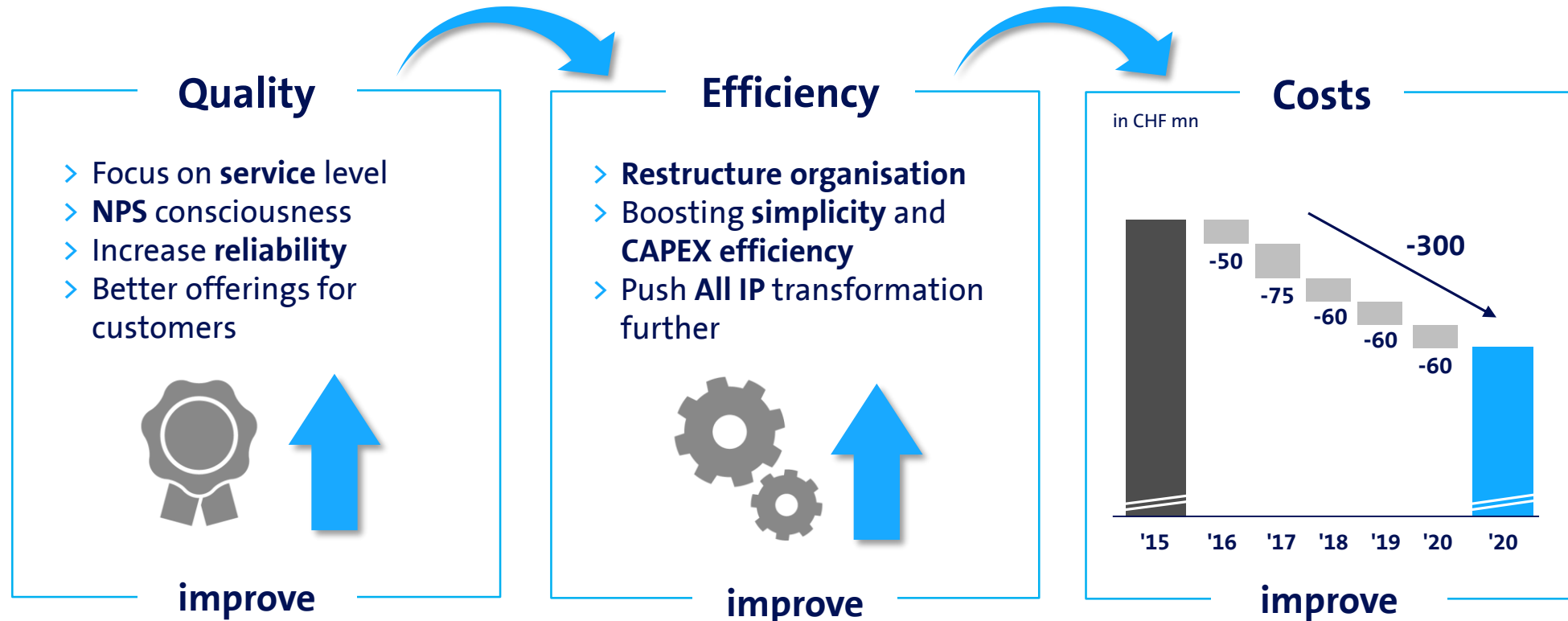


# Our execution - operational excellence with accelerating momentum

*Stabilise profitability by improving all layers*

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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



## 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

## 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



## 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

## 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<sup>1</sup> and Workplace



Other Solutions

### Other businesses [~10% of revenues]



Hardware and Other

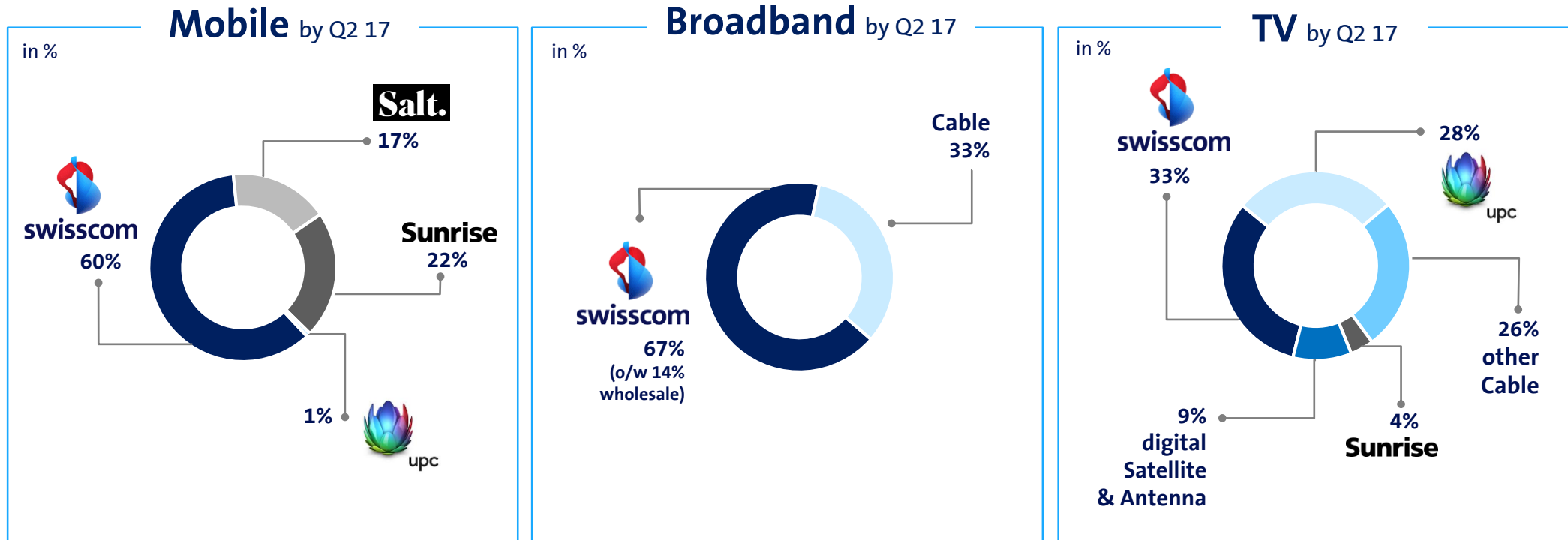


Leverage leading B2B position in Telco business to grow market share in ICT

<sup>1</sup> Unified Communication & Collaboration

# Our position - leading operator in Switzerland

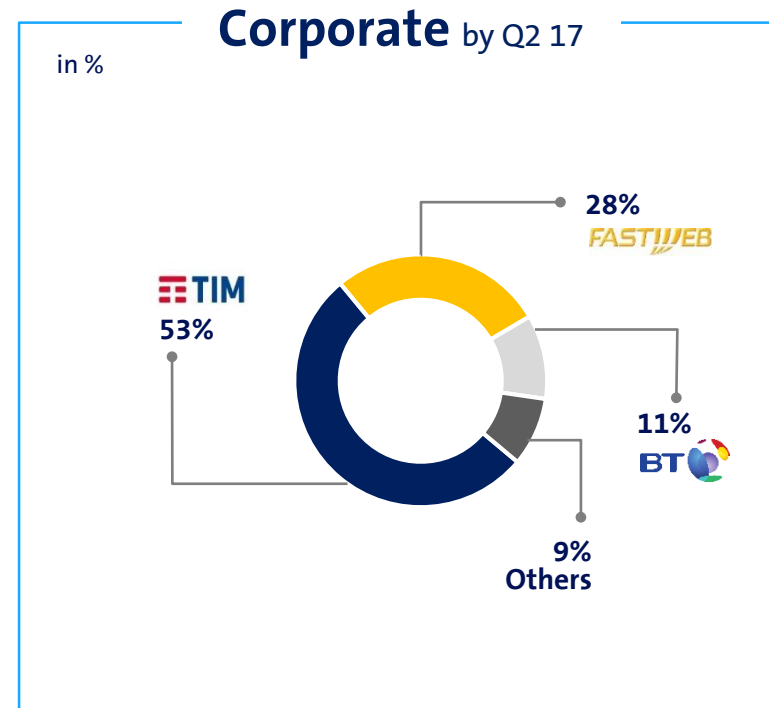
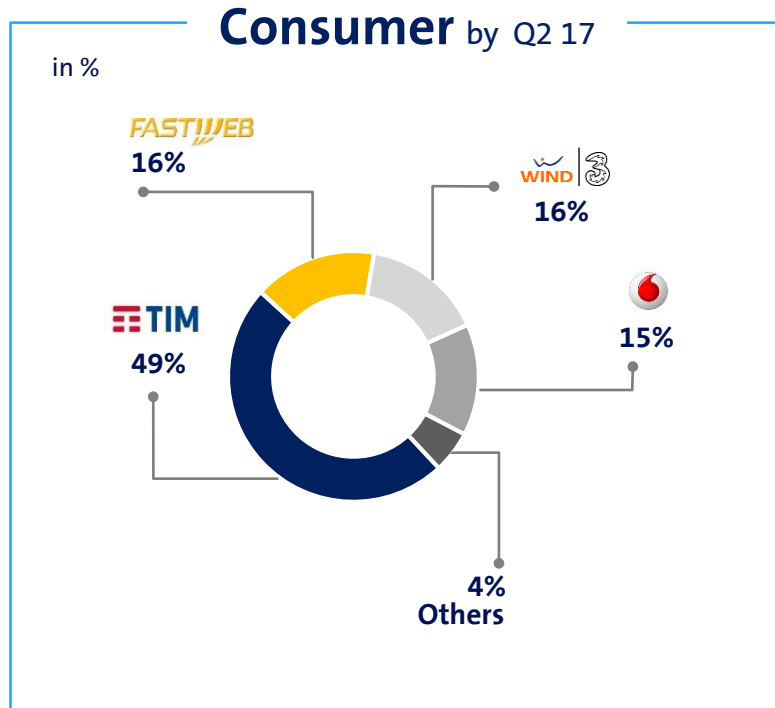
*Swisscom's market shares in Switzerland stable over many years*



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

# Our position - leading attacker in Italy

*Fastweb with outstanding track record in demanding wireline market*

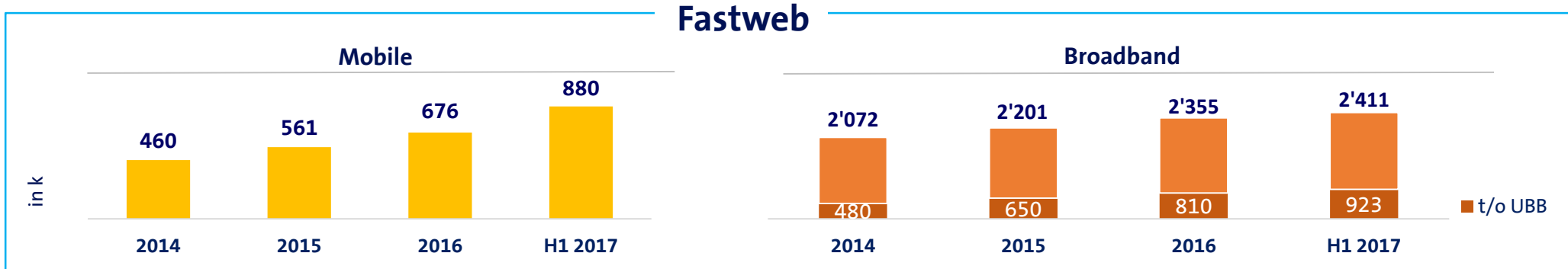
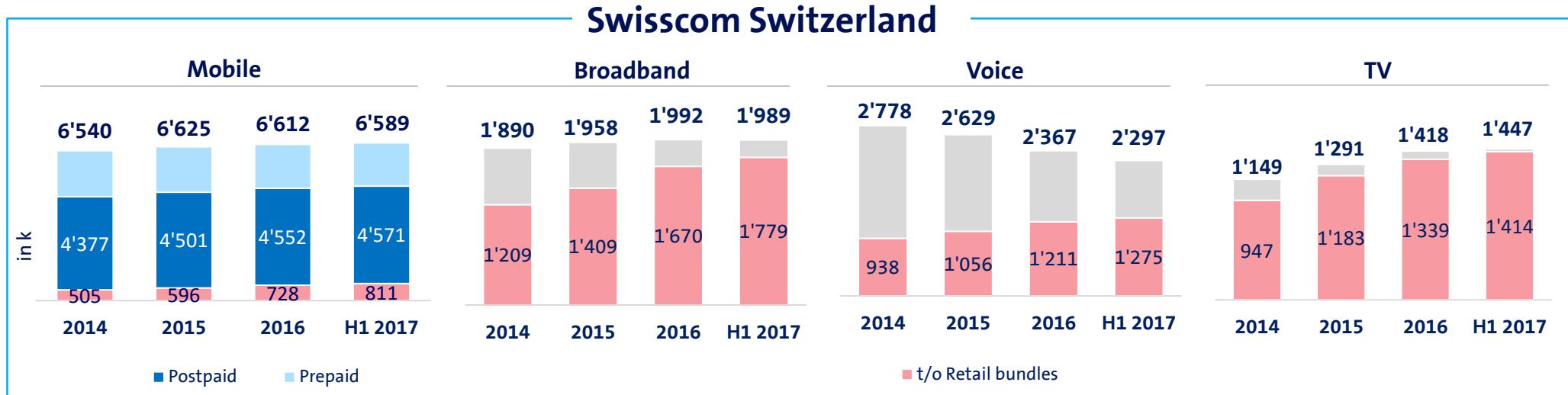


Targeted 50% FTTx coverage by 2020 speeds up growth momentum in all segments



# Our KPIs - customer base with unchanged dynamics

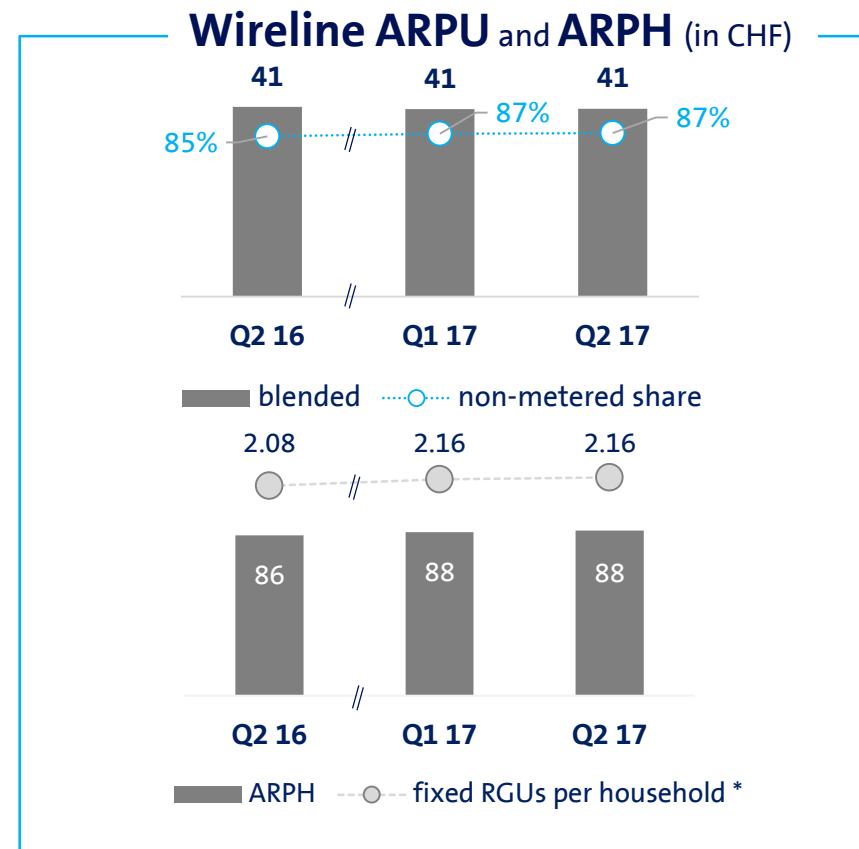
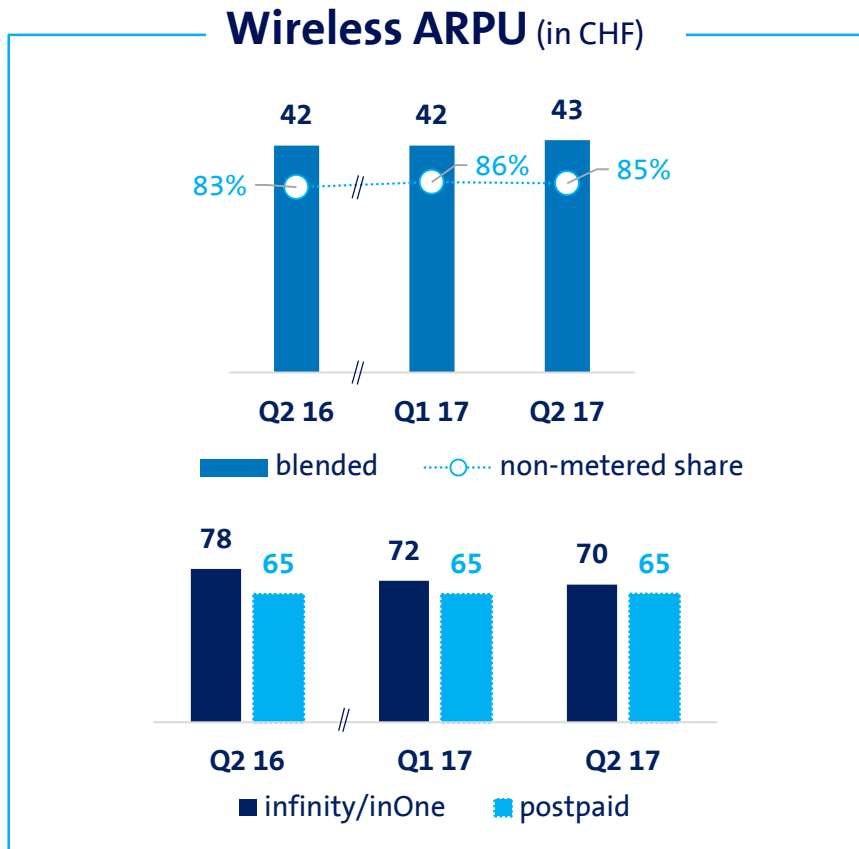
Swisscom Switzerland with >12mn RGUs - Fastweb with growing subs base in BB and mobile



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*



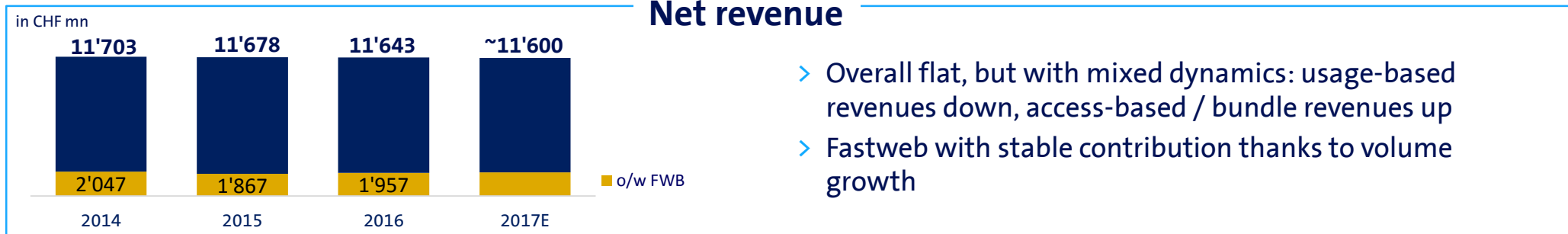
'Best' strategy and yield management pays off

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

# Our financials - steady since multiple years

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

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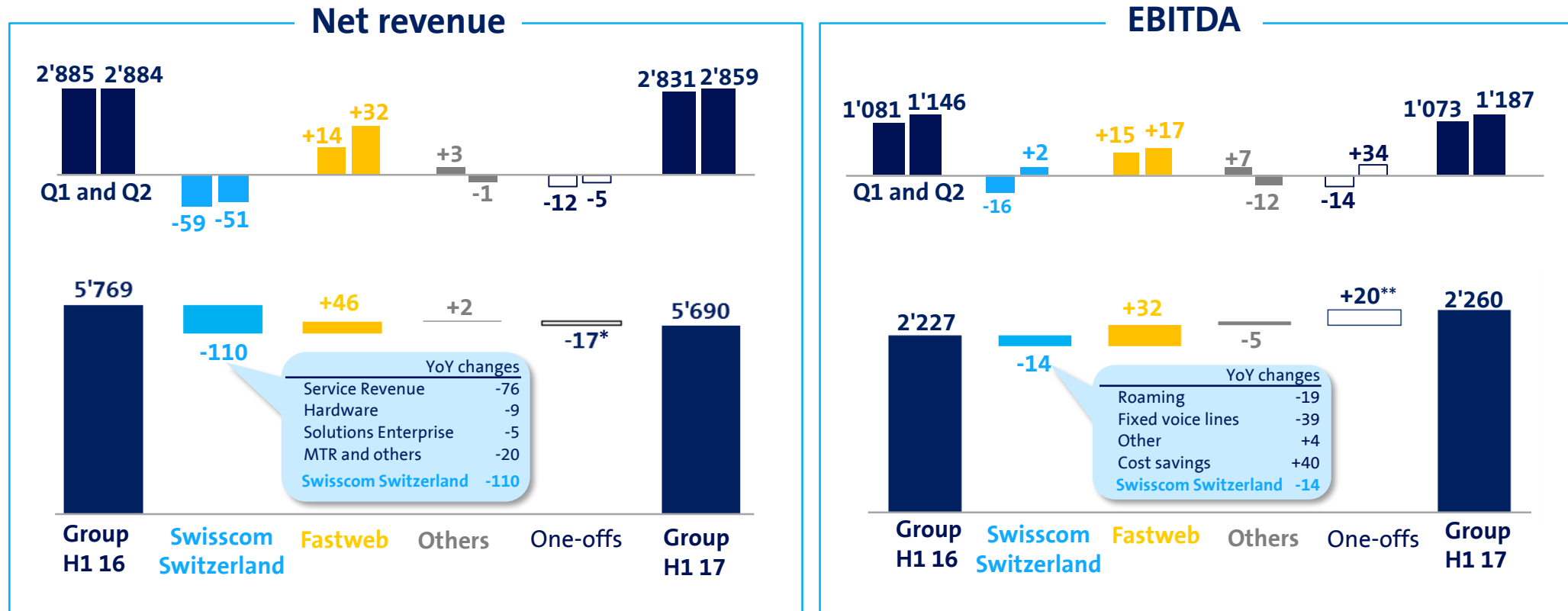


\* excl. provisions for FeAC sanction (CHF 186 mn) and restructuring (CHF 70 mn)

# Our financials - H1 performance

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

in CHF mn



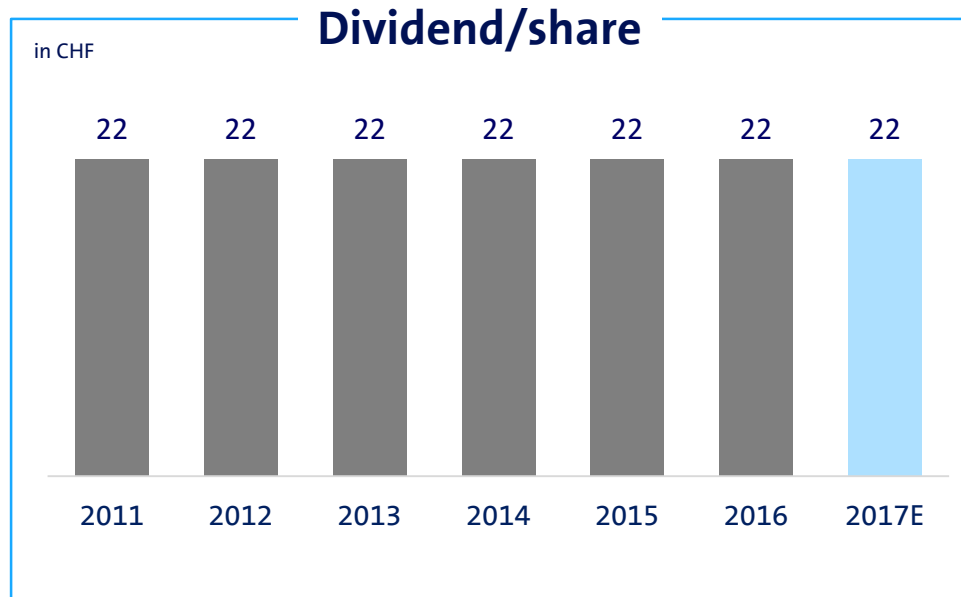
Solid financial results despite high competition and price pressure

\* 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

# Your return - predictable

*Dividend of CHF 22/share upon meeting guidance*



### 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*

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- > “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.
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