



Swisscom Presentation

KeplerCheuvreux Swiss Equities Conference

21 March 2019

swisscom





Swisscom in a nutshell

Leading in Switzerland. Attacking in Italy. Healthy financials

Corporate profile

Leading operator in Switzerland

- Strong market position in Telco and ICT
- Best-in-class networks - both in wireless and fixed
- Excellent innovation and customer experience

Alternative operator in Italy through Fastweb

- Service differentiation via own 360° infrastructure
- Growing across all segments

Value focus

- Solid strategy with outstanding track record in execution
- Stable and disciplined management team
- High commitment to long-term value generation

Trustworthy brand

- Winner of several quality and service tests
- Trust with positive impact on willingness to pay

Financial profile

Steady financial performance since many years

- Solid financial year 2018, meeting expectations
- Underlying EBITDA 2018 of CHF 4.26 billion, nearly flattish YOY
- OpFCF proxy 2018 of CHF ~1.8 billion, like-for-like stable

Free cashflow matters

- Operational excellence a top priority
- Targeted cost savings 2016-2020 of CHF 425 million

Conservative behaviour

- Net debt to EBITDA of 1.8x *
- A2/A (both stable) ratings
- Among the best-rated EU Telecoms

Robust dividend

- CHF 22 per share since 2011
- High predictability and sustainability
- Attractive yield in Swiss francs

* excl. IFRS16 implication



Shape the future with proven strategy

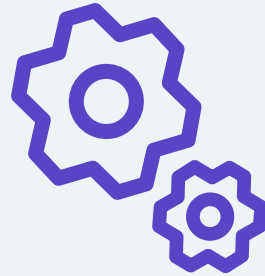
Inspire people. Bundle forces. Enable growth

Best customer experience



- Best infrastructure
- Innovative products
- Best services

Operational excellence



- Efficient operations
- Digital transformation
- Smart investing

New growth



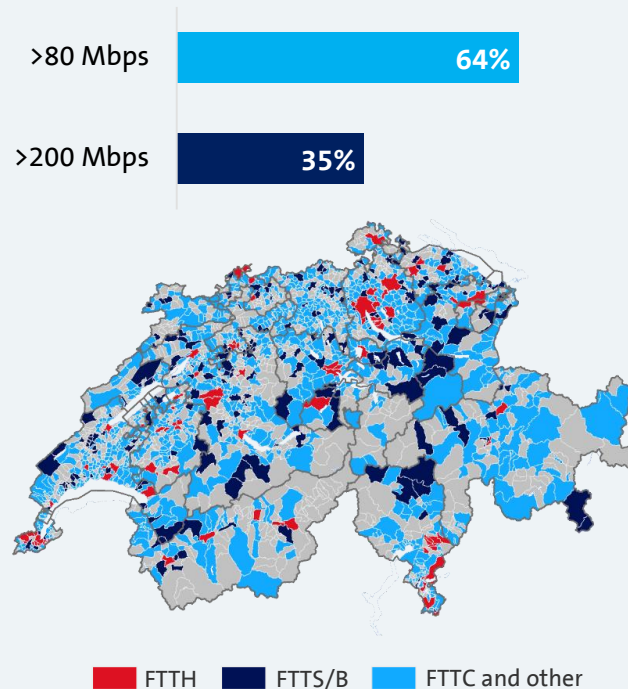
- Extend core business
- Push in adjacent markets
- Approach internet-based business models



Best ultrafast broadband network in Switzerland

Swisscom continuously invests in UBB extension to increase competitive edge

YE 2018



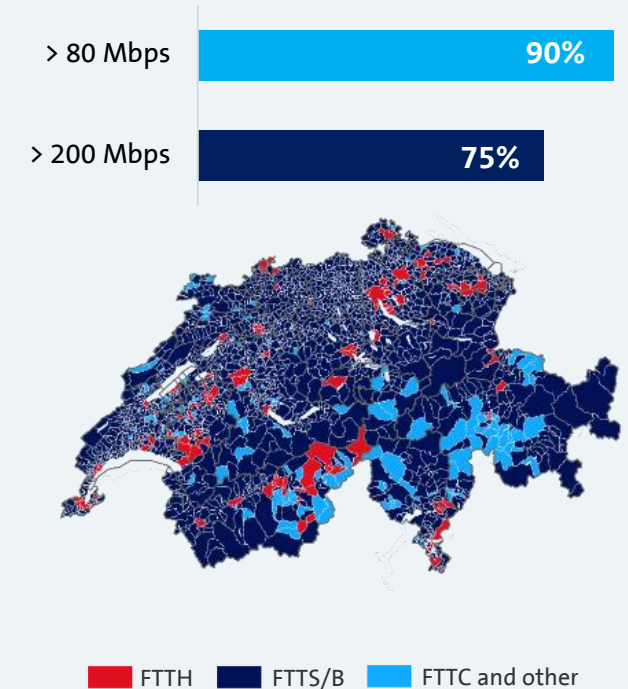
Rollout focus 2019 and beyond

UBB extension via a **hybrid approach**

- **FTTS** enabling much faster rollout, contributing to lower avg. rollout cost
- **G.fast** boosting FTTS bandwidth further
- Awarded by Huawei for **Best Consumer Service** based on G.fast

- Leverage **DSL / 5G Bonding** bringing UBB even to most rural areas
- Be **prepared for the future**
- Upgrade to **10 Gbps** in **FTTH** turf possible

Target 2021





Swisscom making 5G a reality

Additional spectrum successfully acquired to deliver nationwide Gigabit 4G and 5G

Auction 2019: 445 MHz new spectrum allocated



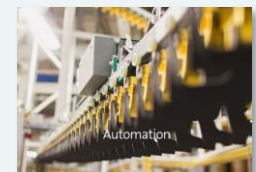
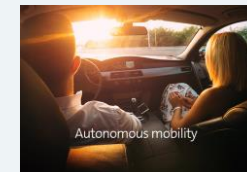
Targets met

- Reasonable price: **CHF 196mn**
- Better allocation than peers: Swisscom with **45% share**
- License expected per Q2 2019. **Validity of 15 years** (YE 2033)

5G opens up a wealth of new possibilities

As soon as possible usage of spectrum for 4G and 5G enabling **new business opportunities**

- IoT
- Pilot Campus Solutions
- Virtual Reality
- Smart Grids
- Autonomous mobility
- eHealth
- Automation



TDD: Time Division Duplex, FDD: Frequency Division Duplex, SDL: Supplementary Downloadlink

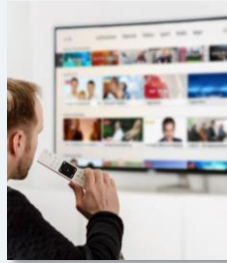


#1 in digital TV innovation and market share in Switzerland

Swisscom with best bouquet of entertainment to penetrate households and leverage subs base with FM bundles

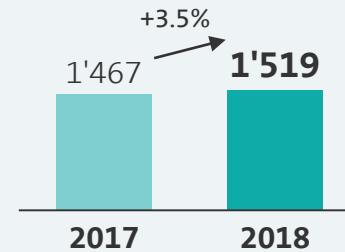
Next TV Entertainment generation

- 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**

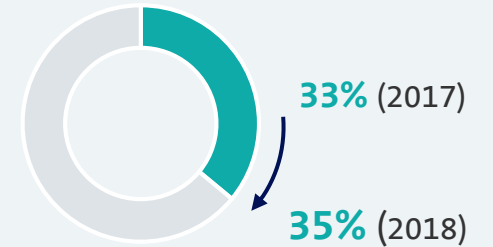


TV leadership extended

customer base (in k)



market share (in %)



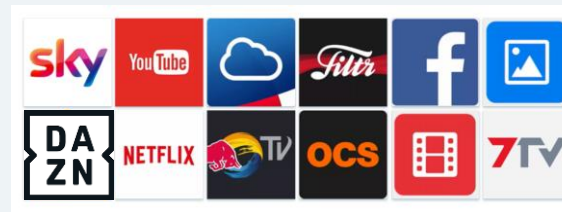
Teleclub

- Sports** as a **differentiator**
- Secured **UEFA Champions** and **Europa League rights** for the next 3 seasons



3rd party content

- Favourite apps **at just one click**
- Adding **more and more apps**



eSports

- Swisscom Hero League**; 1st mover in Switzerland
- eSports area in OS3**, news from gaming world and various games

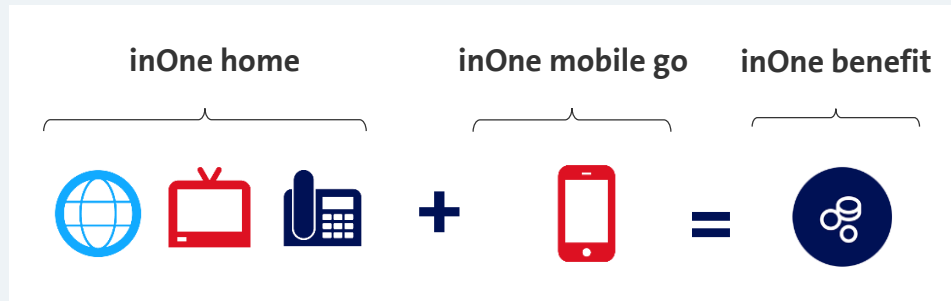




Manage long-term customer value with outstanding core offering

inOne a success story thanks to value-add for Swisscom's customers

Swisscom's convergence flagship



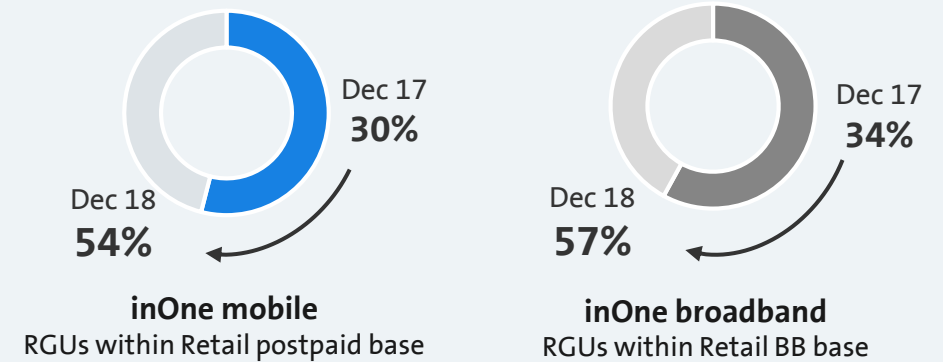
The best for our customers

- Fully customisable
- Value add
- FM bundles offering discounts
- Extendable up to 5 mobile subscriptions

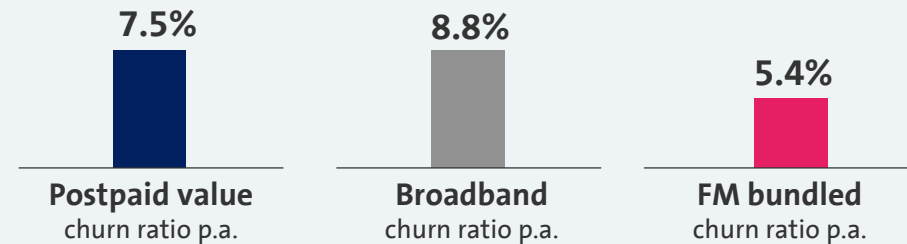


inOne performance

Penetration is growing ...



... and impacting customer value positively





Swisscom's B2C portfolio with multi-brands covering max customer clusters

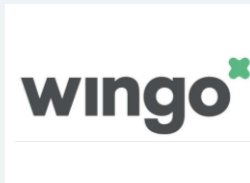
2nd and 3rd brand as price aggressive offerings to attack competitors and defend market shares at today's level

Our brand portfolio further strengthened



Core value brand

- multi-device option greatly simplified
- more speed and roaming
- service differentiation



No frill value brand

- new FM convergence offer
- added 1 GB of roaming a month
- 25.- flat promo to counter yallo/sunrise promos



Low price value

- improved plans with more speed, included roaming-packages and family advantages
- portfolio extension (MINI, MAXI and MEGA)

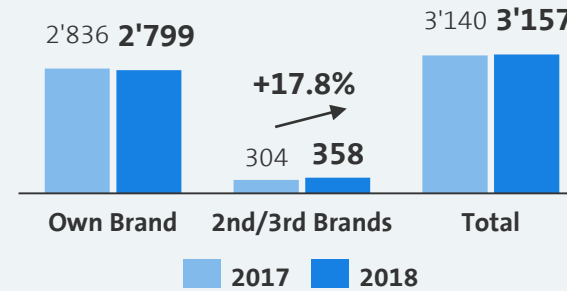


Simplest brand

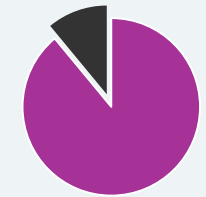
- replacing SimplyMobile brand
- no expiry date for data and packages
- prepaid tariff available as well

2nd and 3rd brands growing

Postpaid value subs (in k)

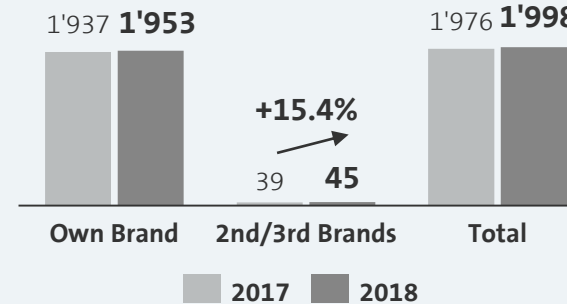


2nd / 3rd Brand **11%**

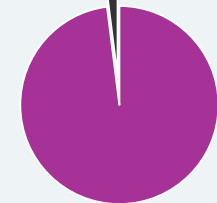


Core Brand **89%**

Broadband subs (in k)



2nd / 3rd Brand **2%**



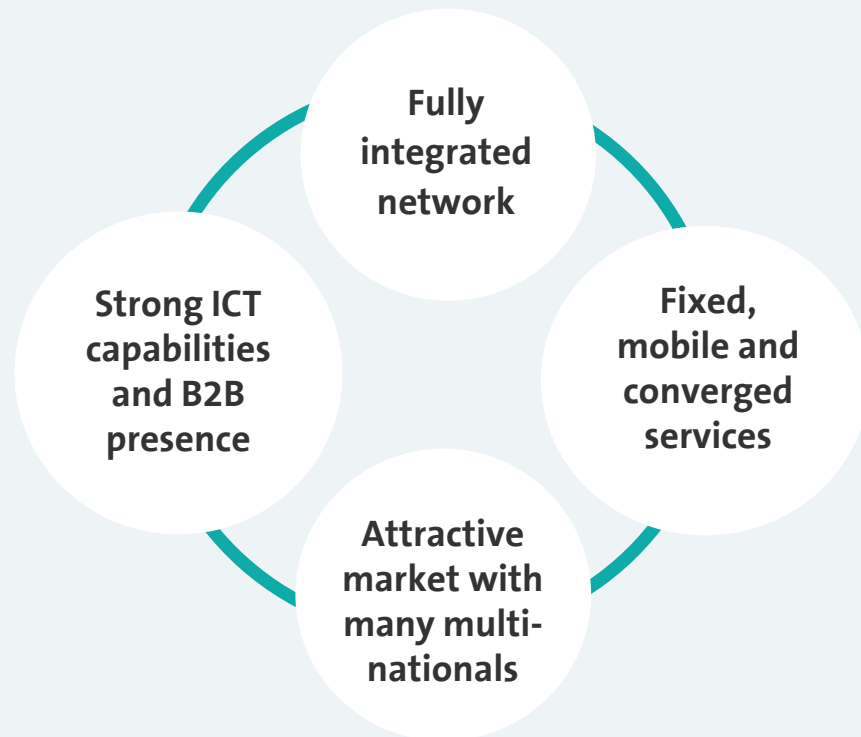
Core Brand **98%**



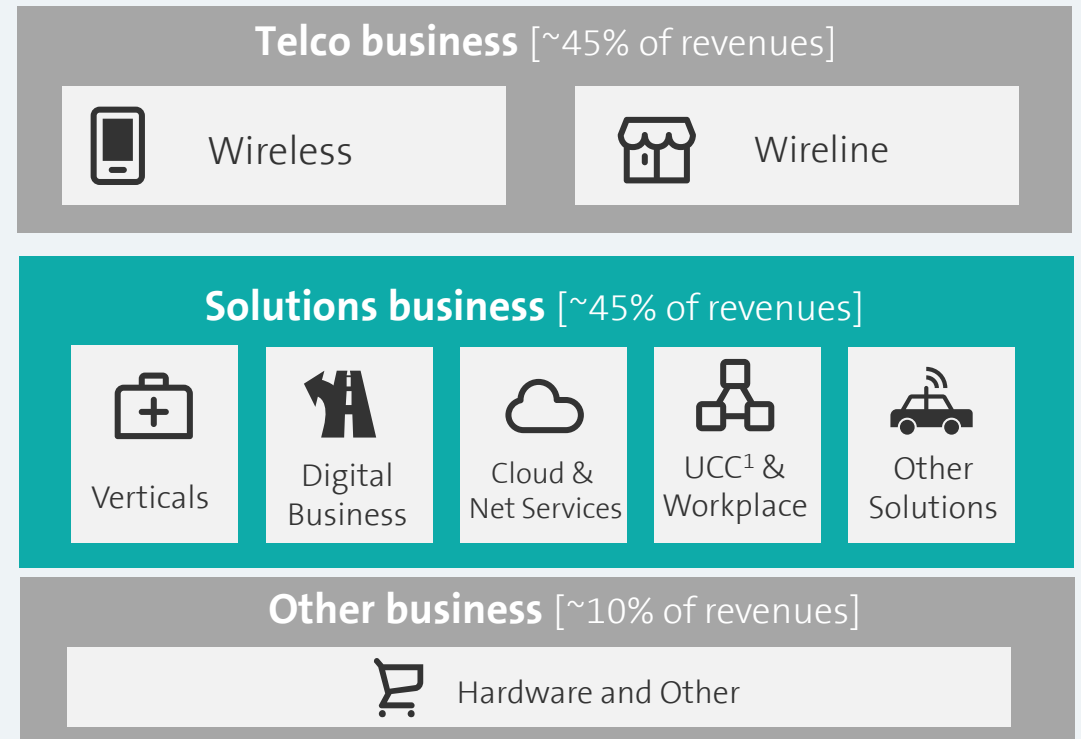
Enterprise Customers - B2B with heterogeneous revenue sources

Diverging dynamics in the B2B space: connectivity business with price pressure, Solutions with positive outlook

Swisscom with unique value proposition



B2B offerings with CHF ~2.3bn revenues in 2018



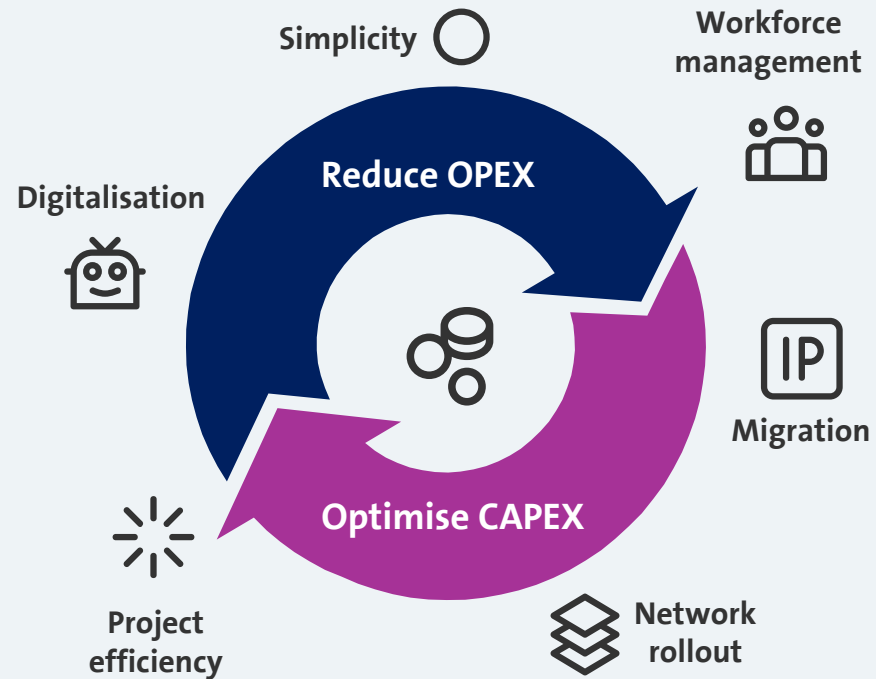
1 Unified Communication & Collaboration



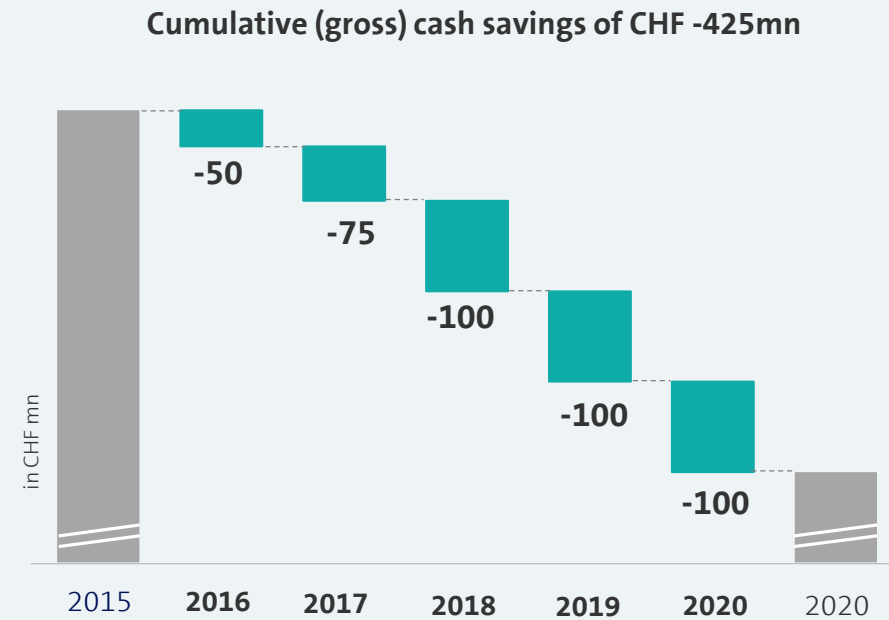
Operational excellence a key management priority

Constant focus identifying new cost saving potentials primarily in core

A list of initiatives ...



... to realise cost savings until 2020





Growth in core by inspiring with new B2C services

Value enrichment through top-line contribution and higher customer loyalty

Digital Products & Services

Strengthen our offerings with **more value** to realise up- and cross-selling

Multi-devices



Next Entertainment generation



Swisscom Internet Box and Home App



Value-Added Services

Increase customer stickiness by tapping **new business opportunities**

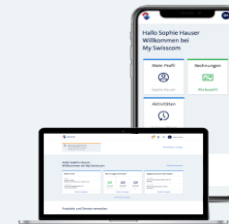
My Service: personal expert for your technical issues

Internet Security: total protection for all devices



Mobile insurance against damage

My Cloud: the Swiss storage portal for B2C customers



Smart Work

IT workstation from the cloud enriched **with artificial intelligence**

- Zero IT-touch setup
- Operated by Swisscom
- Butler for support & help
- Baseline security
- Web-shop for hardware
- Service management dashboard
- Software kiosk



All IP migration with upselling opportunities



Realize long-term lock-in effect



Several growth catalysts in the B2B space

Swisscom to capitalise on major growth opportunities

IoT Business

- **Key Opportunities** for IoT Business are locally delivered, globally available and scaling platforms and professional services
- Swisscom focuses on **enabling businesses**



Deliver global scaling solutions



Data Management & Analytics



Connectivity & Device Management

- YE 2018 figures an excellent base to **scale further**

>500
customers

+20-25k
things/week

1mn (+250k)
connected devices

Cloud, Data Centre and Security Solutions

As **leading ICT provider** in Switzerland we ...

- deliver **local and global Cloud Services** with local expertise, secure, integrated and managed services
- **implement hybrid Cloud solutions**
- stimulate the market with **Security Services**, threat detection & response, data leakage prevention, 7x24 Security Operation Centre services

5G Campus Network Solution

- **Connecting things** over a powerful, secure and stable **5G network slice**
- In combination with **edge computing** permitting **close to real-time data processing**



Fastweb with positive outlook thanks to new growth opportunities

All segments expected to contribute to top-line and EBITDA development in 2019

Business focus



5G convergent operator in Italy



Further strengthen Corporate leadership

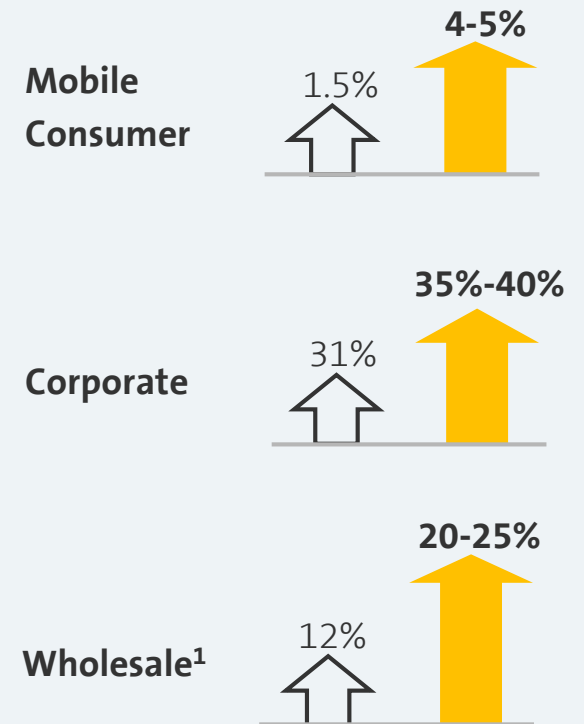


Leading wholesale operator in UBB

Key levers

- **5G** commercial launch in late 2019/early 2020
- Achieve a **MNO-like** mobile cost structure
- Increase **share of wallet** thanks to ICT VAS and software-defined services
- **Mobility and convergence** in the mid-term
- Fully exploit **BTS fibre** opportunity
- Provide wholesale **UBB access** to new fixed light-infrastructure players

Market share targets (by 2022)



¹ Wholesale perimeter includes non regulated services: data, BTS fibre connections, voice



2019 tendencies and FY guidance

Net revenue of CHF ~11.4bn, EBITDA CHF >4.3bn and CAPEX CHF ~2.3bn

Key EBITDA changes YOY

Voice line losses -	Convergence discounts --	B2B --
Cost cutting ++	Fastweb +	IFRS16 +200mn

2019 guidance

CHF ~11'400mn Revenue	CHF >4'300mn EBITDA	CHF ~2'300mn CAPEX*
-----------------------------	---------------------------	---------------------------

- Swisscom plans to propose again a **dividend of CHF 22/share**, upon meeting its 2019 targets

* excl. cost for additional (5G) spectrum in Switzerland



Our credo of maximum value generation

Approach OPEX and CAPEX efficiently to deliver dividend promise while keeping current leverage level

Stabilise top-line
key for management

Committed to
healthy
financial profile

Reliable
cashflows
enabling
solid
shareholder
remuneration
every year

Cost management
a top priority

Smart investing
with
stable CAPEX envelope



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.
- 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."