

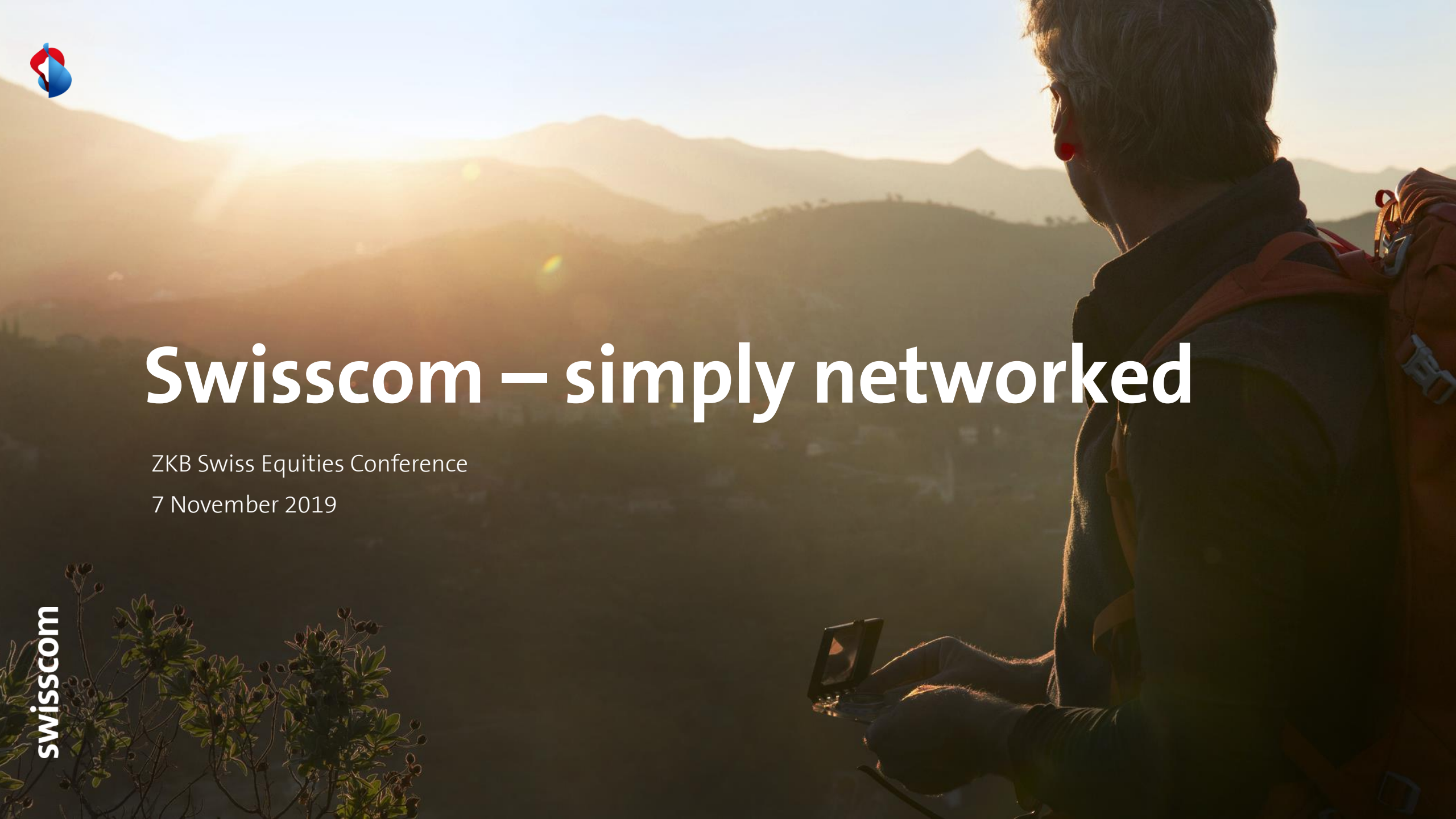


Swisscom – simply networked

ZKB Swiss Equities Conference

7 November 2019

swisscom





Agenda

1. Q3 Performance
2. Environment & Trends
3. Strategy
4. Execution
5. Outlook & Summary





Q3 in a nutshell

Solid commercial execution and financially on track to achieve FY guidance

New inOne mobile in vogue

890k subs (Q3 with +320k) since launch (25 Feb) driving FM share further up



Swisscom one of the world's **1st provider** to offer **5G abroad**



Successful issue of **CHF 125mn bond** (coupon 0%, duration 25 years)



FIBRA | WOW FI | MOBILE
FASTWEB
un passo avanti

Fastweb obtained **MNO authorisation** in July 2019



Sound Q3 financials:
EBITDA of CHF 1'120mn.
In line with consensus and confirming FY guidance

Ookla network test with a clear result: **Swisscom #1** for **speed** and **coverage**



Cost savings progressing well.

Indirect cost down **CHF 107mn YoY**



Cloud partnership with **Microsoft.**



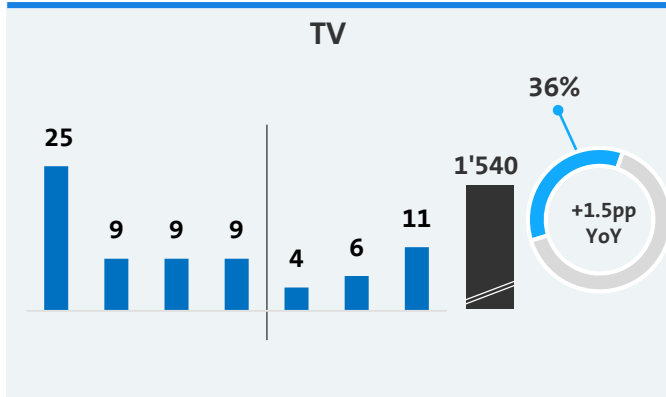
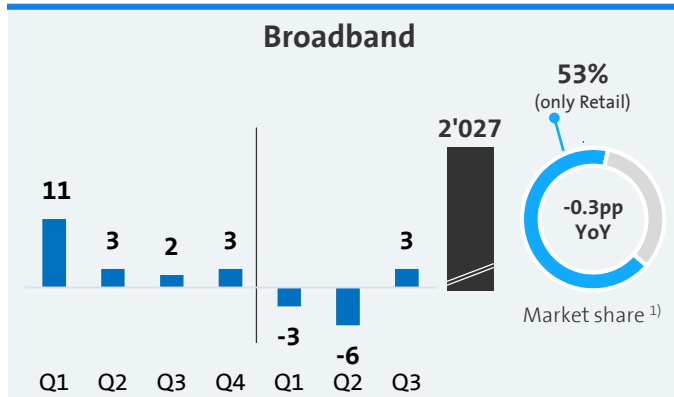
New B2B services: 'ExpressRoute', Managed Services 2.0, SAP on Azure



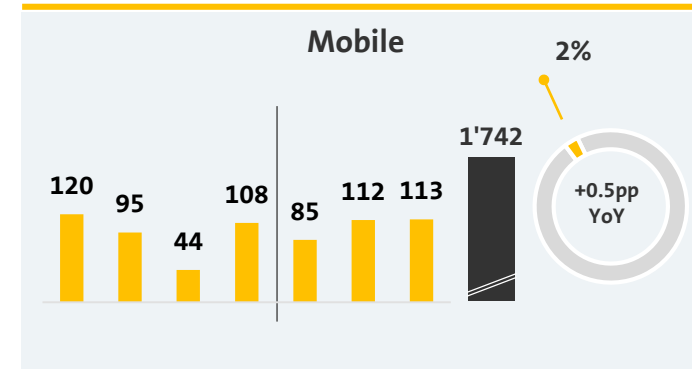
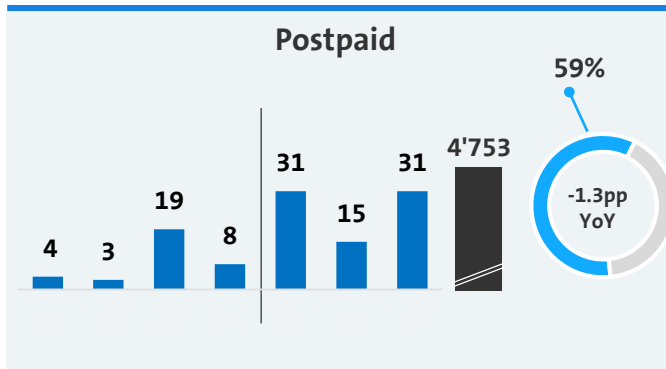
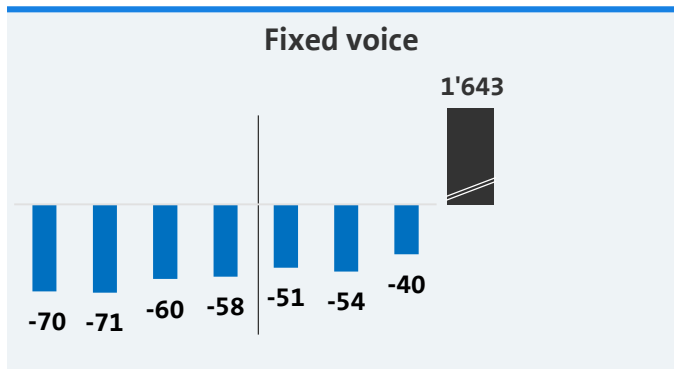
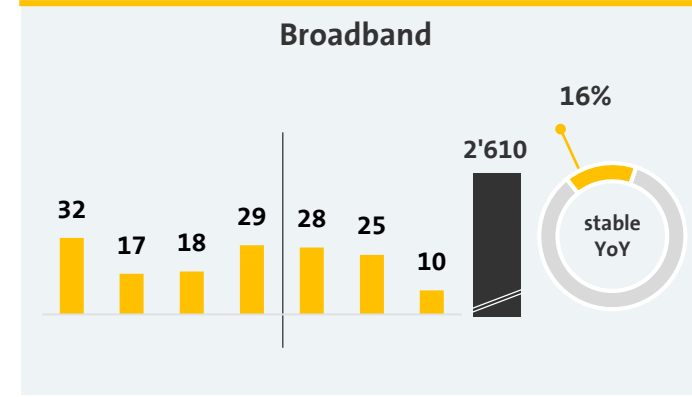
Market performance

Operationally satisfying with positive momentum within challenging market environment

Swisscom Switzerland (RGUs in k)



Fastweb (RGUs in k)



1) as per Q2 2019



Financial performance

EBITDA with stable underlying performance and on track to achieve FY target

Key figures in CHF mn

Reported figures (YoY change)	<u>Q3 19</u>	<u>9m 19</u>
Net revenue	2'793 (-91)	8'456 (-233)
EBITDA ¹⁾	1'120 (+32)	3'360 (+129)
CAPEX ²⁾	536 (-16)	1'833 (+212)
OpFCF proxy	515 (-21)	1'321 (-289)
Net income	401 (-25)	1'181 (-32)

Reconciliation of 9m EBITDA and OpFCF proxy in CHF mn

	<u>Q1/Q1</u>	<u>Q2/Q2</u>	<u>Q3/Q3</u>	
EBITDA 9m 18				3'231
Reconciliation leases	+52	+47	+51	+150
Swisscom Switzerland	-6	-24	-12	
Fastweb	+11	+14	+13	+1
Others	+10	+6	-11	
One-offs ³⁾	-6	-7	-9	-22
EBITDA 9m 19				3'360

EBITDA 9m 19	3'360					
		-206				
EBITDAaL ⁵⁾ 9m 19	3'154					
			-1'637			
				-196		
OpFCF proxy 9m 19					1'321	

1) incl. IFRS16 effects, 2) 9m figures incl. spectrum CAPEX for new 5G licenses of CHF 196mn 3) consists of FX impact of CHF -22mn, 4) consists of depreciation right of use assets and interest expense leases, 5) EBITDA after lease expense



Our environment



- Market size
 - **>10 million SIMs**
 - **~5 million homes**
- **Mature markets** drive bundling and convergence up
- **Regulation** investment-friendly
- **Quality matters**



- Market size
 - **>80 million SIMs**
 - **>24 million HHs**
- Fibre investments stimulate **UBB appetite**
- Price-sensitive market dynamics
- **B2B** with **promising** outlook



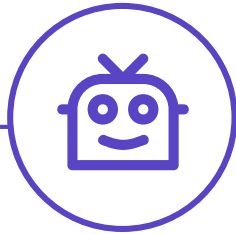
- **CAPEX intense industry**
- **Market volume matters**
- Hard **work first, M&A second**
- **Digital transformation** drives structural changes, new business chances and efficiency opportunities



Trends

Technology innovations effect Swisscom's ecosystem and trigger structural changes in the market

Innovation



- **Reliable** and **unlimited** interconnection **everywhere**
- Unlock value from data insights for **automation**
- **Security** and **personalised experiences** gaining traction

Markets



- **Switzerland** a **mature** market with a clear **value focus** but **intensifying competition**
- **Italy** with **high price pressure** and market dynamics

Customer behaviour



- **Price/quality sensitivity increasing**
- Growing momentum to integrated **convergence** propositions
- **Self-service** demand up

Efficiency focus



- Increasing **cost pressure**
- Digital transformation
- Next generation of fluid delivery models



Our strategy – execution along strategic setting

Inspiring customers – combining strengths – enabling growth

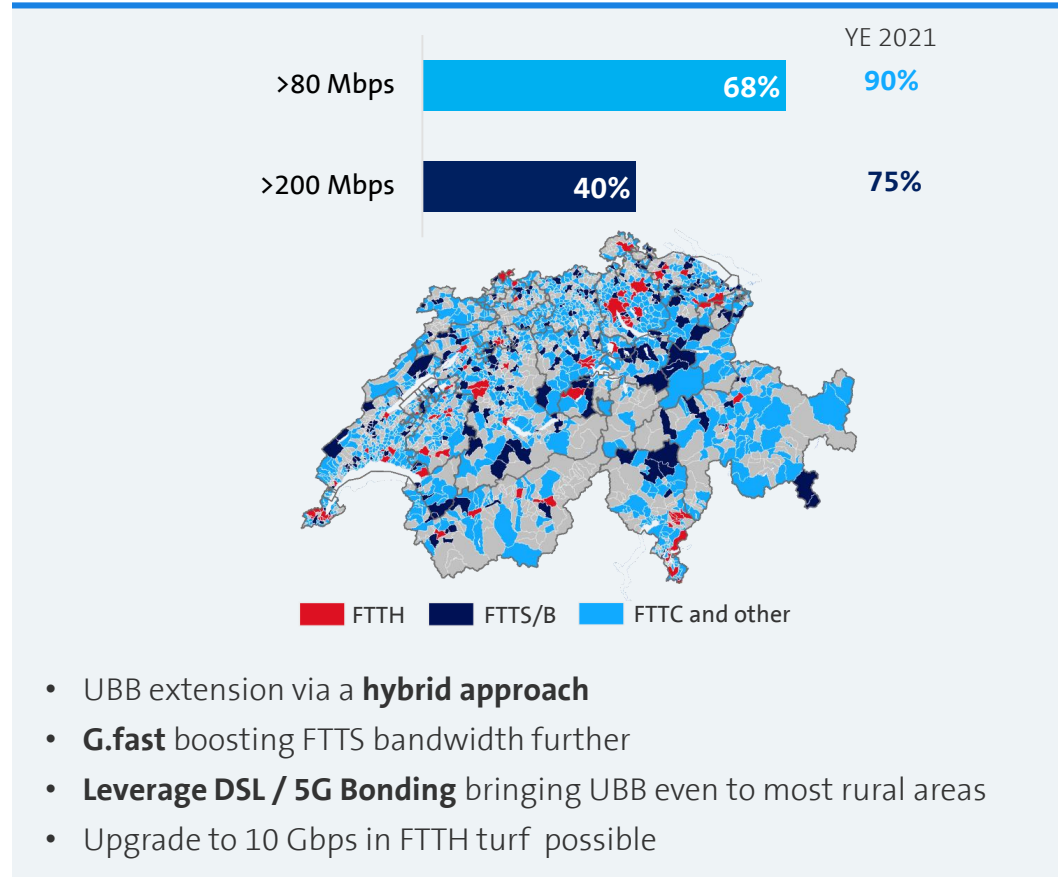




Best network in Switzerland enabling digital future

Continuous investments to maintain competitive edge

UBB status and 2021 targets



Leading w- infrastructure in Switzerland

- 4G with 99% coverage; 4G+ with 95%
- The **densest network (> 8k sites)** in Switzerland, with **indoor** coverage boosted by **>2.5k sites**
- **Auction 2019: 445 MHz new spectrum allocated**



- Reasonable price of **CHF 196mn**
- Better allocation than peers: Swisscom with **45% share**

TDD: Time Division Duplex, FDD: Frequency Division Duplex, SDL: Supplementary Download Link



The benefits of 5G open the way for new possibilities...

...and maintain technology leadership in Switzerland and deliver best value for customers

Surfing speed



5G will make surfing at up to **2 Gbit/s** possible initially, with speeds of up to **10 Gbit/s** following soon

Response time



Response time will fall from the current 25 to 35 milliseconds to just **a few milliseconds**, providing **virtually delay-free communication in real time**

Capacity



5G enables far more devices to **transfer far more data simultaneously**

Efficiency



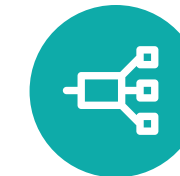
The network is more **sustainable** with 5G: it only takes **0.2 watts** to transfer one single megabyte of data. With 2G it is 5,400 watts

Decentralised cloud



5G enables decentralised, mobile-connected clouds for applications that provide required resources with **greater agility** and **flexibility**

Network slicing



5G can provide individual applications with **flexible network capacities**





B2C with innovative products and services

Empathy and customer enthusiasm with regard to products, communication and touchpoints

inOne stimulating FMC convergence & life time value

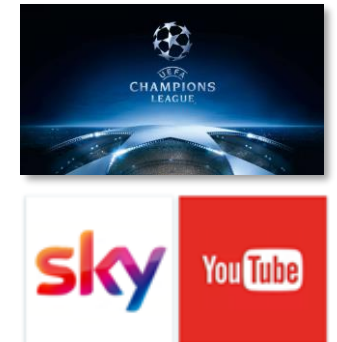
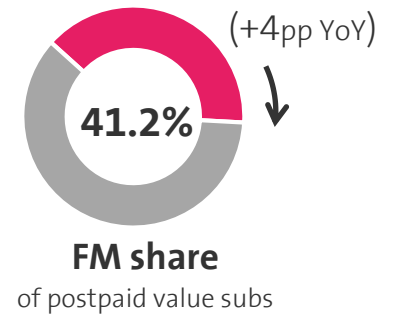
- Ongoing interest in flagship inOne helps **increasing penetration**
- **Positive loyalty effect** thanks to convergange advantage

TV innovation strengthens BB proposition

- 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**

Multi-brands support market share protection

- Multi-brands' portfolio covering maximum **customer clusters**
- **Lever 2nd and 3rd brands** as price aggressive offerings to attack competitors





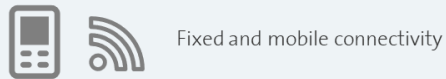
B2B with continuous pressure in connectivity and lighter ICT progress

Unchanged B2B environment and revenue trends

Strong proposition with top ingredients ...



- Trusted **brand**
- Strong **sales force**
- **The Swiss ICT provider**
- Large **partner network**
- Outstanding **portfolio**

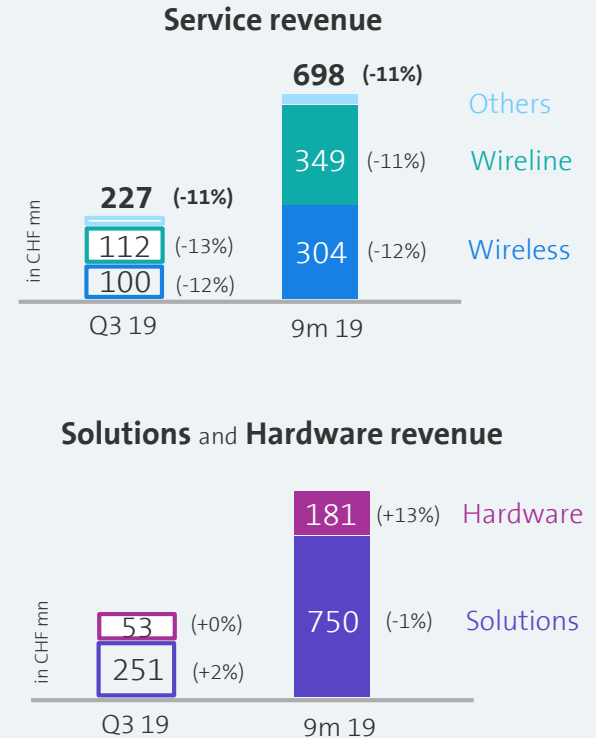


... to manage key (market) challenges ...



- Structural effects from **All IP migration** and **digital consolidations**
- Unchanged high **price pressure** driven by competition and RFPs
- Current mobile **ARPU**s at EU levels
- **Volatility of ICT business** increased due to project characteristics and more global competition
- **Solutions** with somewhat **lower order entry** YoY

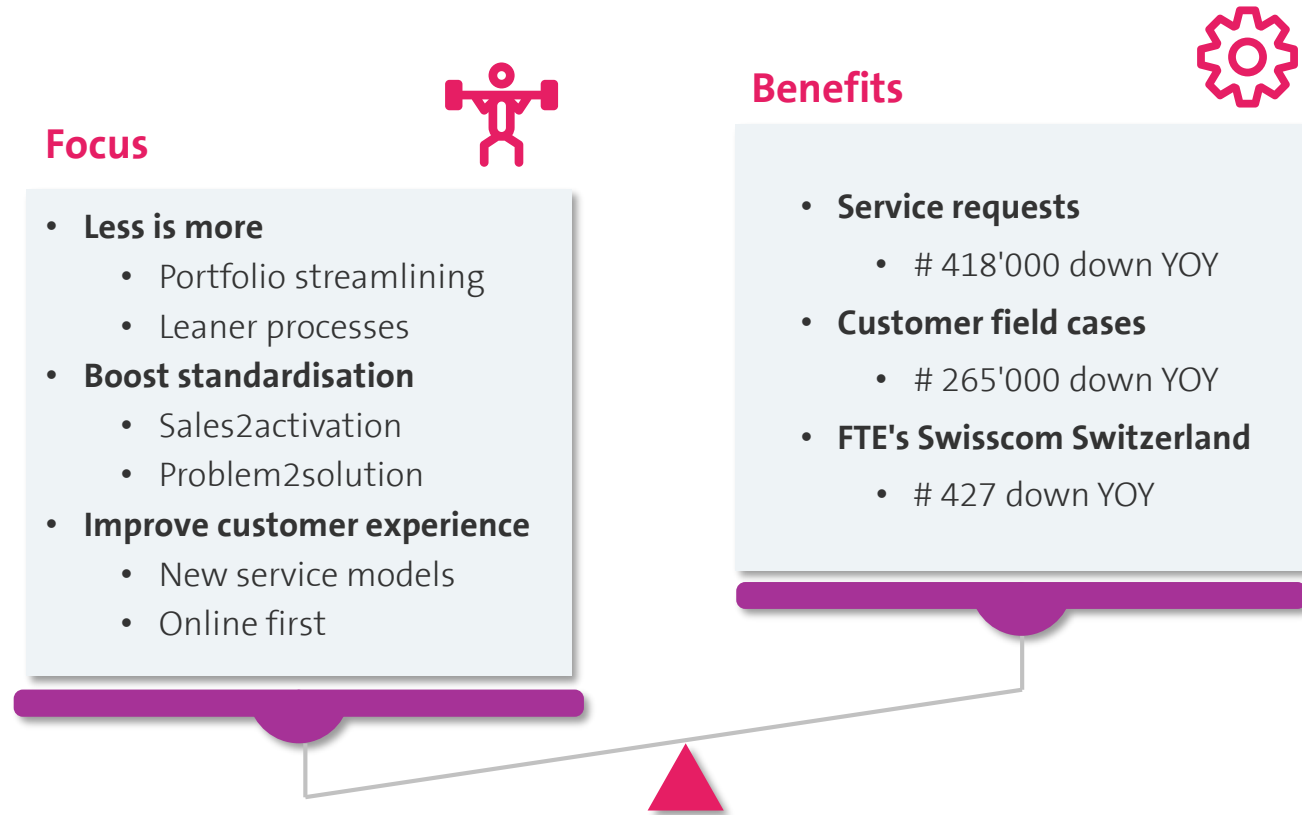
... and top-line contributions





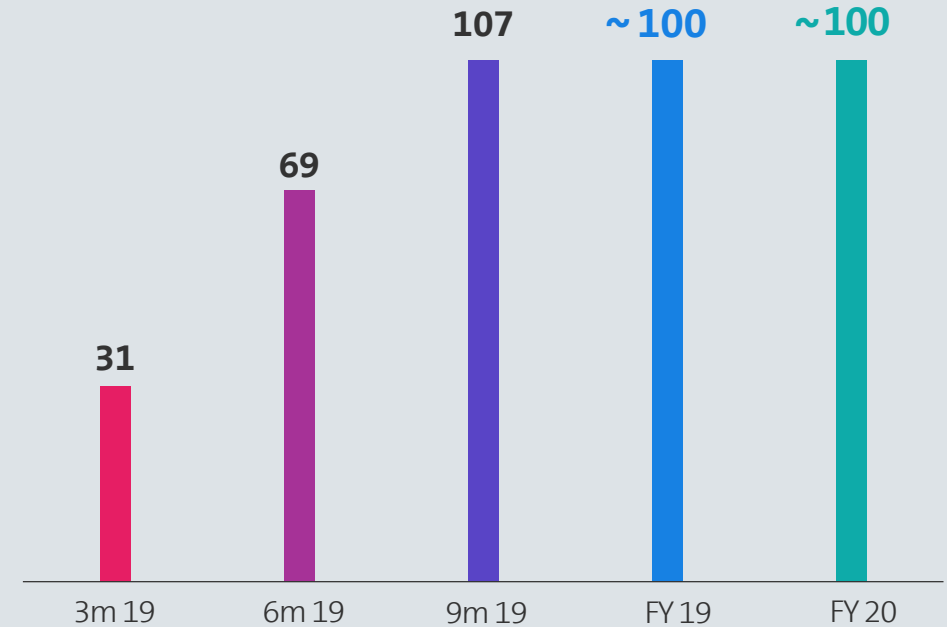
Operational excellence: on track!

Continuous optimisation of cost base and delivering on targets an ongoing key priority



Decreasing indirect cost

(in CHF mn)





Fastweb - a unique growth story in the Italian market

Strong delivery across all market segments

Network

UBB footprint

- Own UBB further strengthened with **FWA footprint**
 - **6.0mn HHs** and >800 mobile sites
 - Network integration already started
- **Own UBB at 30% coverage¹**
 - **Overall UBB** coverage at **80%** including wholesale

5G co-investing with Wind Tre

- Combined **80 MHz 5G** spectrum
- **National** macro sites coverage
- One single physical infrastructure, two virtual slices
- Provision by Wind Tre of 4G **roaming services** to Fastweb

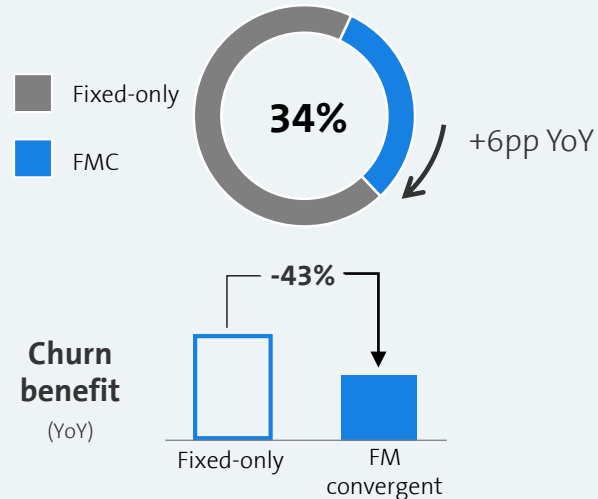


B2C

Overall B2C customer base

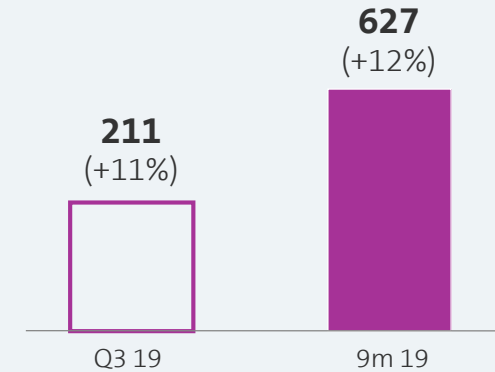
- **4.35mm subscribers** (fixed and mobile)
 - t/o 2.61mn BB subs
 - t/o 1.74mn mobile subs

FMC penetration over fixed customer base



B2B

- Revenues up YoY, thanks to **successful PA business** and **VAS growth**



- **Market share** growing to ~ **31%**
- Focus on **service quality** and **customer satisfaction** driving further growth

¹) Excluding 6mn FWA coverage acquired from Tiscali that is accounted in the footprint evolution to 2024



Guidance FY 2019

CAPEX guidance including spectrum costs of CHF 196mn, guidance on track

in bn	Swisscom Group without Fastweb	Fastweb ¹⁾	Swisscom Group
Revenue	CHF ~9.0	EUR >2.1	CHF ~11.4
EBITDA ²⁾	CHF <3.6	EUR >0.7	CHF >4.3
CAPEX (incl. extra cost of CHF 196mn for spectrum in Switzerland)	CHF ~1.8	EUR ~0.6	CHF ~2.5

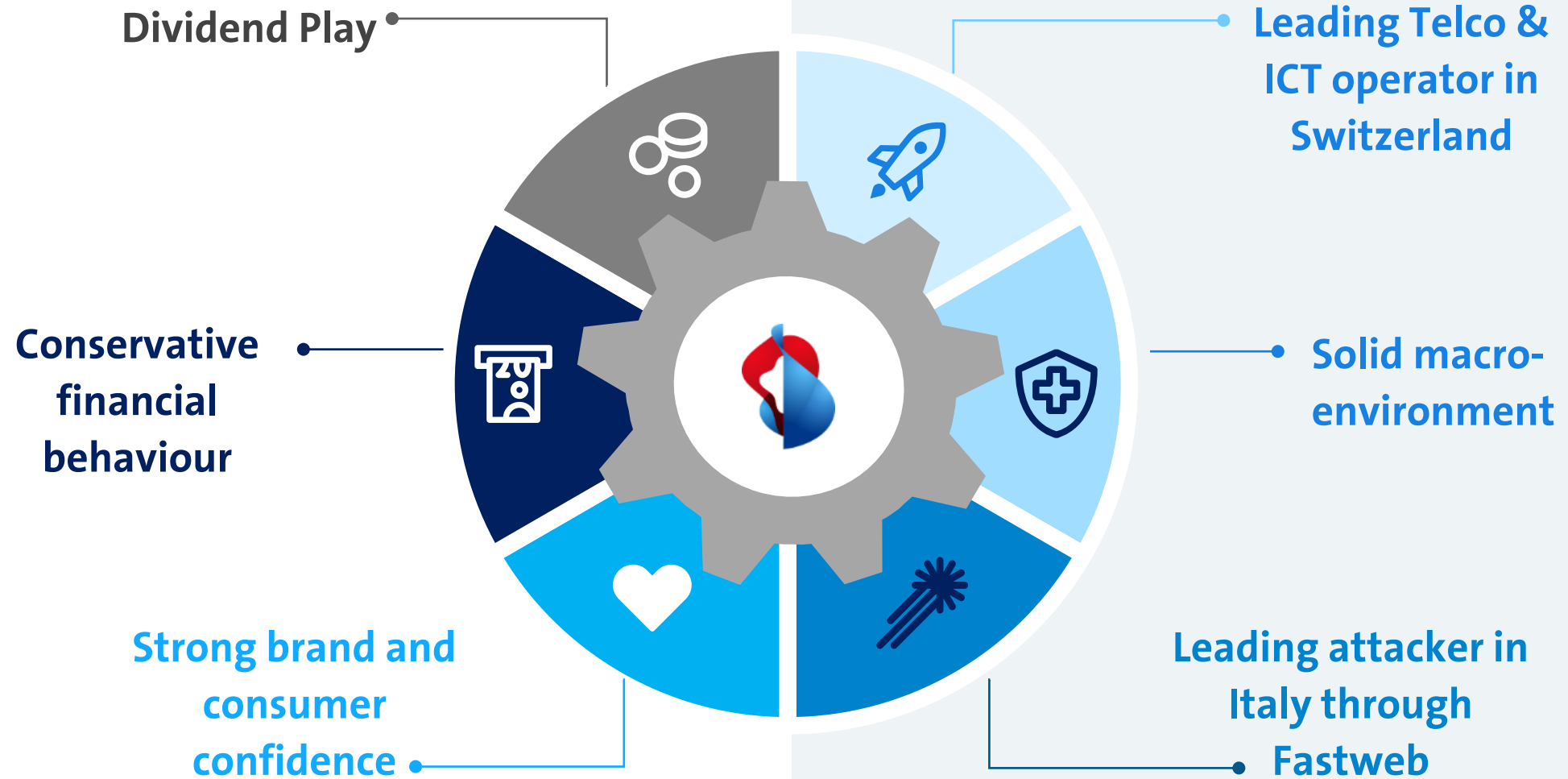
1) for consolidation purposes: 1.13 CHF/EUR,

2) incl. IFRS16 impact of CHF ~200mn (t/o Fastweb with CHF ~20mn)

Upon meeting its targets, Swisscom plans to propose again a dividend of CHF 22/share (payable in 2020)



Swisscom's Value Story





Q&A





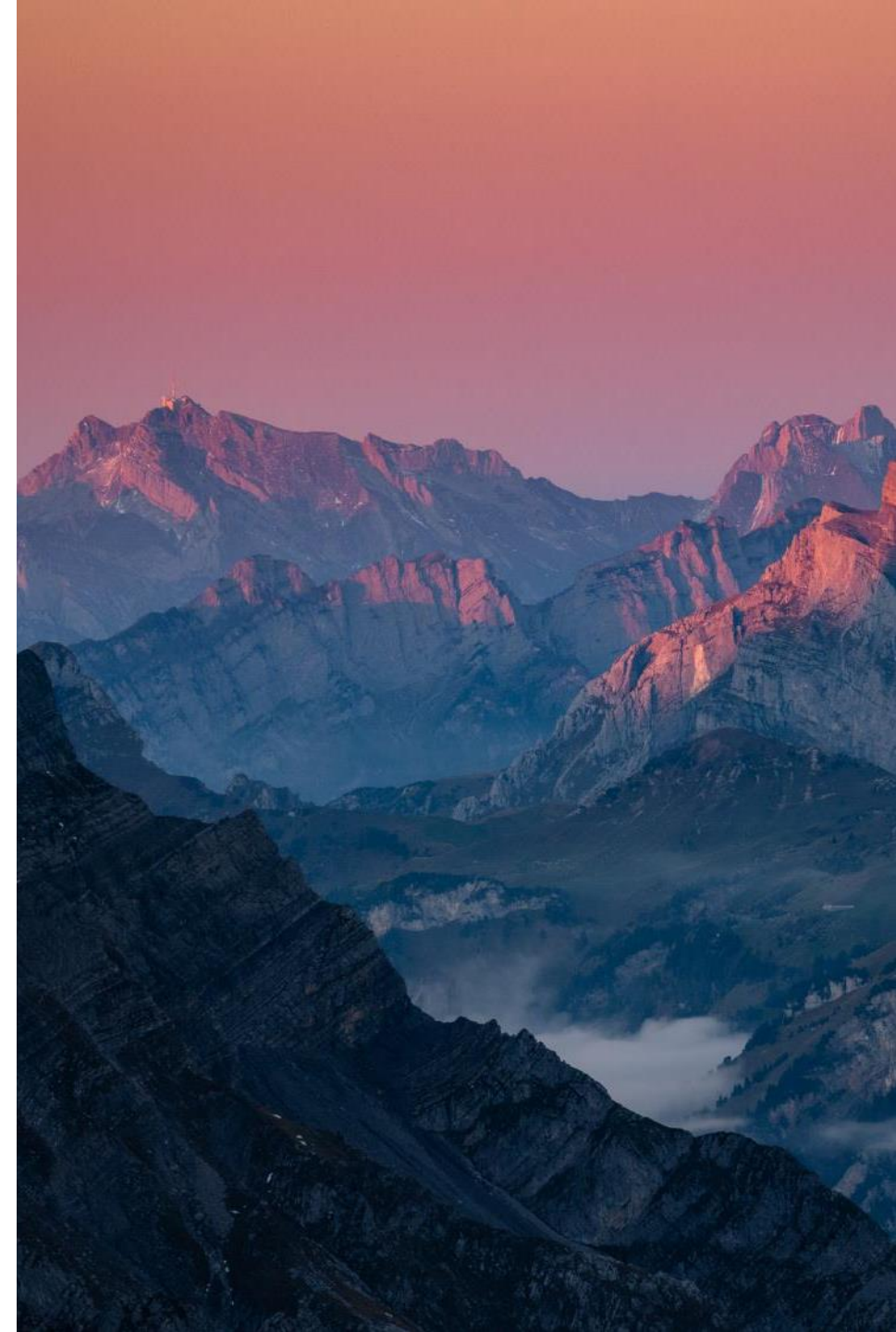
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