



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.**



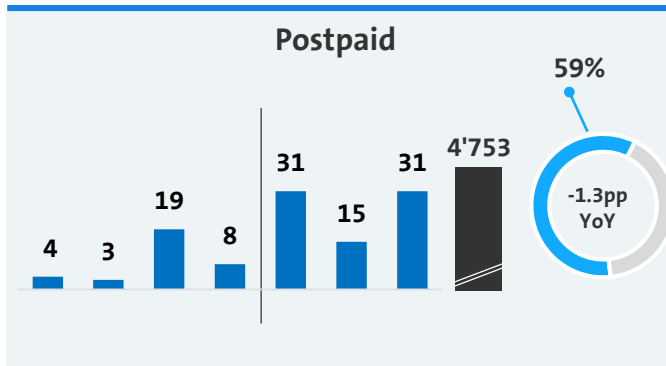
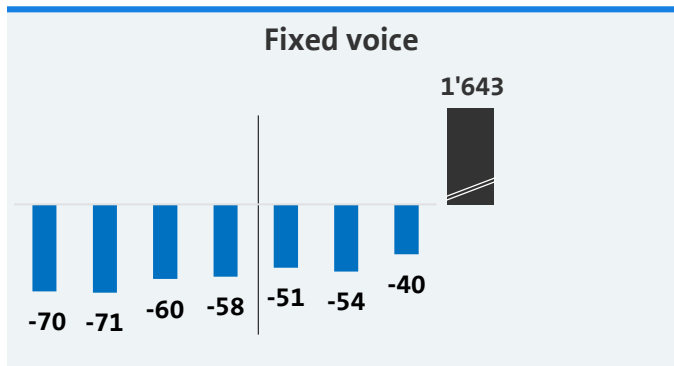
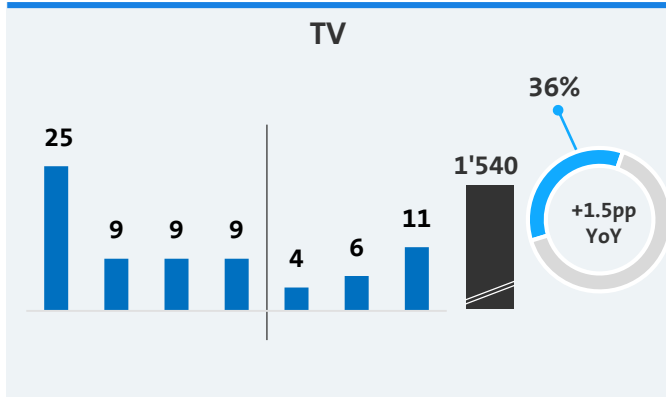
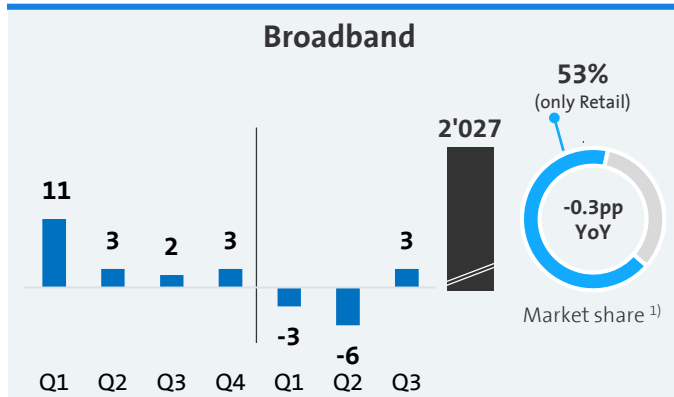
New B2B services:
'ExpressRoute', Managed
Services 2.0, SAP on Azure



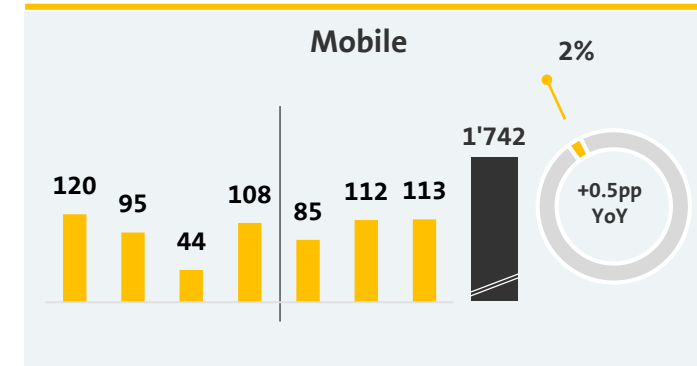
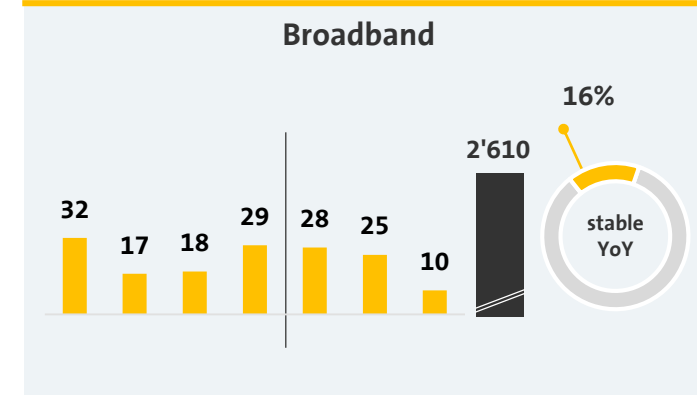
Market performance

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

3'360	-206	3'154	-1'637	-196	1'321
EBITDA 9m 19	Lease expense ⁴⁾	EBITDAaL ⁵⁾ 9m 19	Ordinary CAPEX	Spectrum CAPEX	OpFCF proxy 9m 19

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



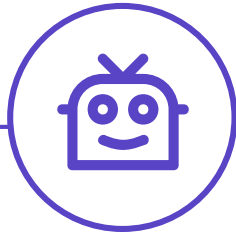
- **CAPEX intense industry**
- **Market volume matters**
- Hard **work first, M&A second**
- **Digital transformation** drives structural changes, new business chances and efficiency opportunities



Trends

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

Innovation



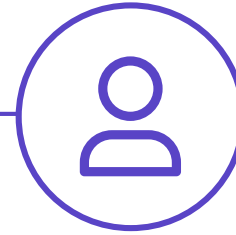
- **Reliable** and **unlimited** interconnection **everywhere**
- Unlock value from data insights for **automation**
- **Security** and **personalised experiences** gaining traction

Markets



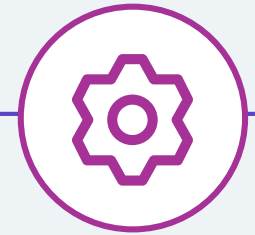
- **Switzerland** a **mature** market with a clear **value focus** but **intensifying competition**
- **Italy** with **high price pressure** and market dynamics

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

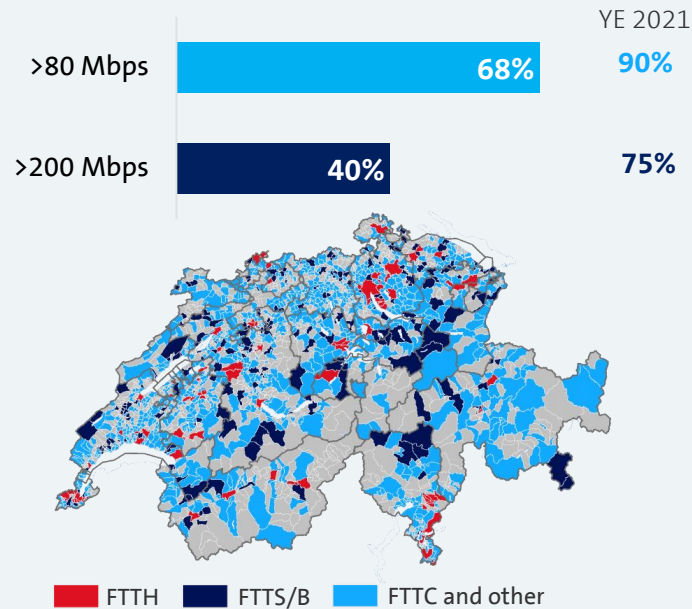




Best network in Switzerland enabling digital future

Continuous investments to maintain competitive edge

UBB status and 2021 targets



- UBB extension via a **hybrid approach**
- **G.fast** boosting FTTS bandwidth further
- **Leverage DSL / 5G Bonding** bringing UBB even to most rural areas
- Upgrade to 10 Gbps in FTTH turf possible

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

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

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**

Decentralised cloud



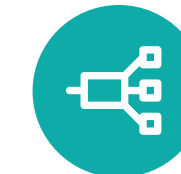
5G enables decentralised, mobile-connected clouds for applications that provide required resources with **greater agility** and **flexibility**

Capacity



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

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

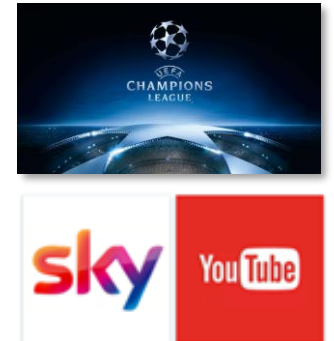
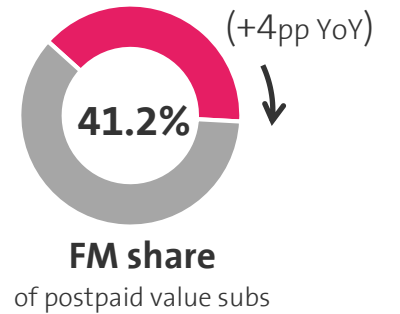
- Ongoing interest in flagship inOne helps **increasing penetration**
- **Positive loyalty effect** thanks to convergance advantage

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





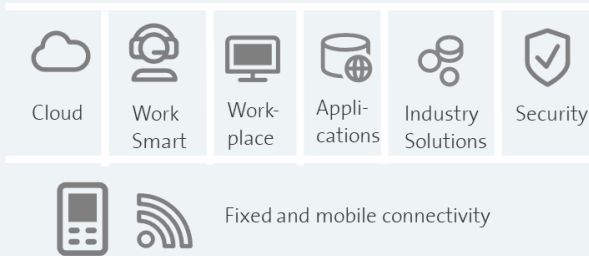
B2B with continuous pressure in connectivity and lighter ICT progress

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**

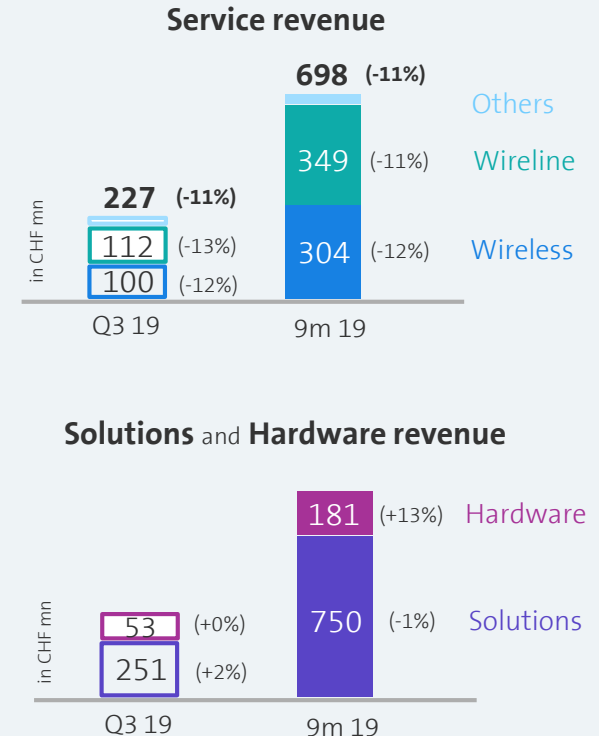


... to manage key (market) challenges ...



- 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

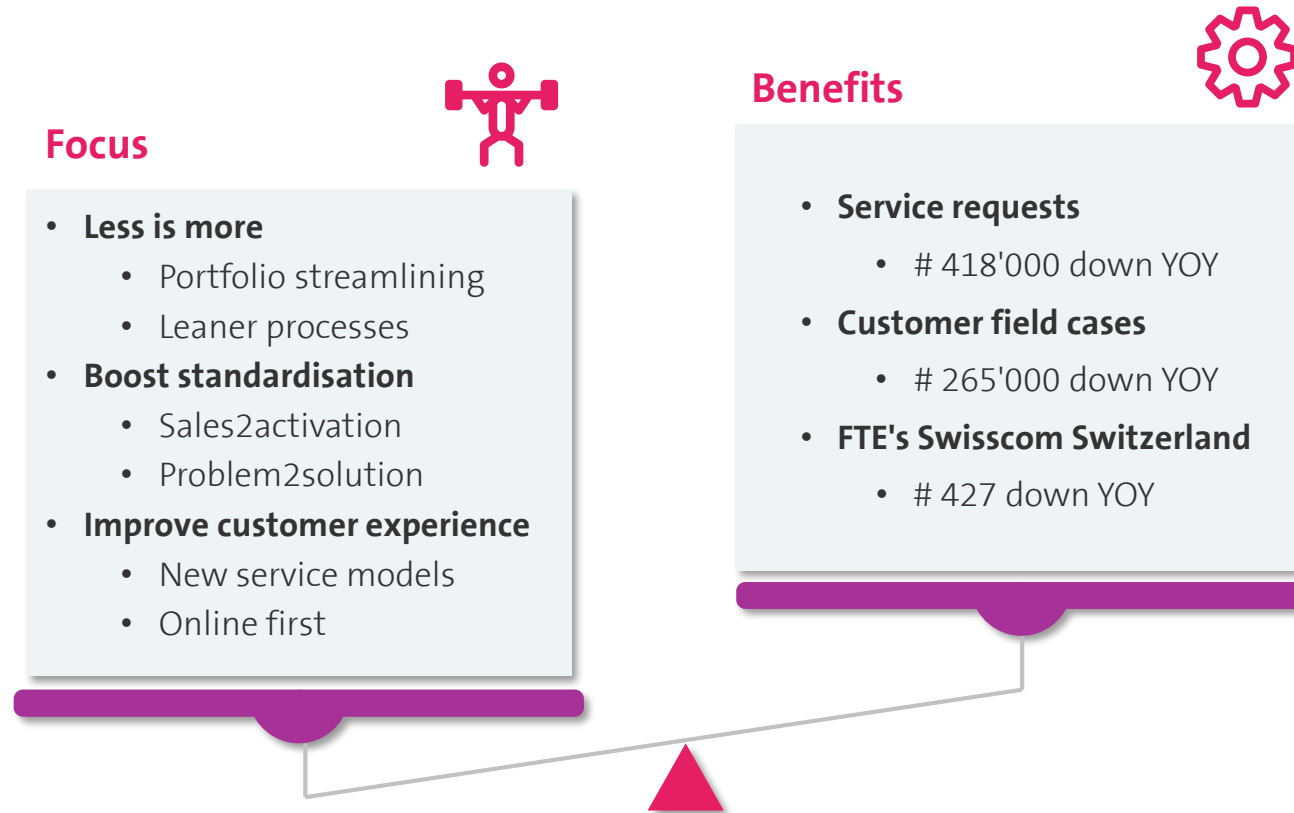
... and top-line contributions





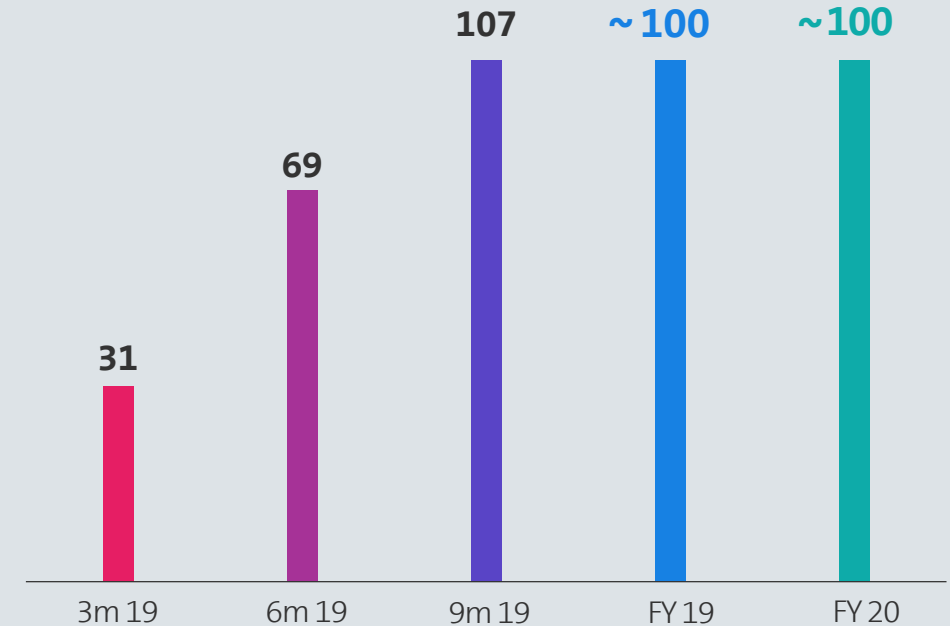
Operational excellence: on track!

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

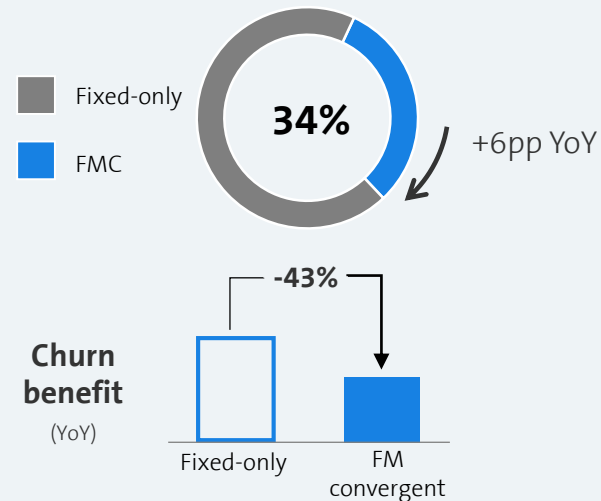


B2C

Overall B2C customer base

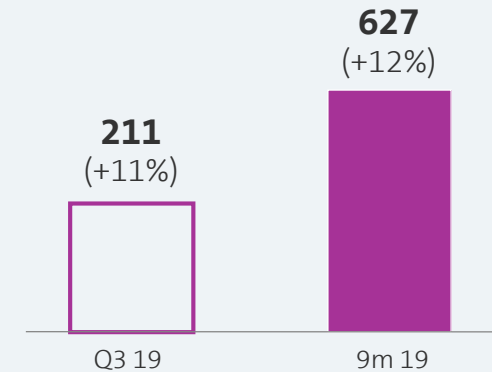
- **4.35mn subscribers** (fixed and mobile)
 - t/o 2.61mn BB subs
 - t/o 1.74mn mobile subs

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

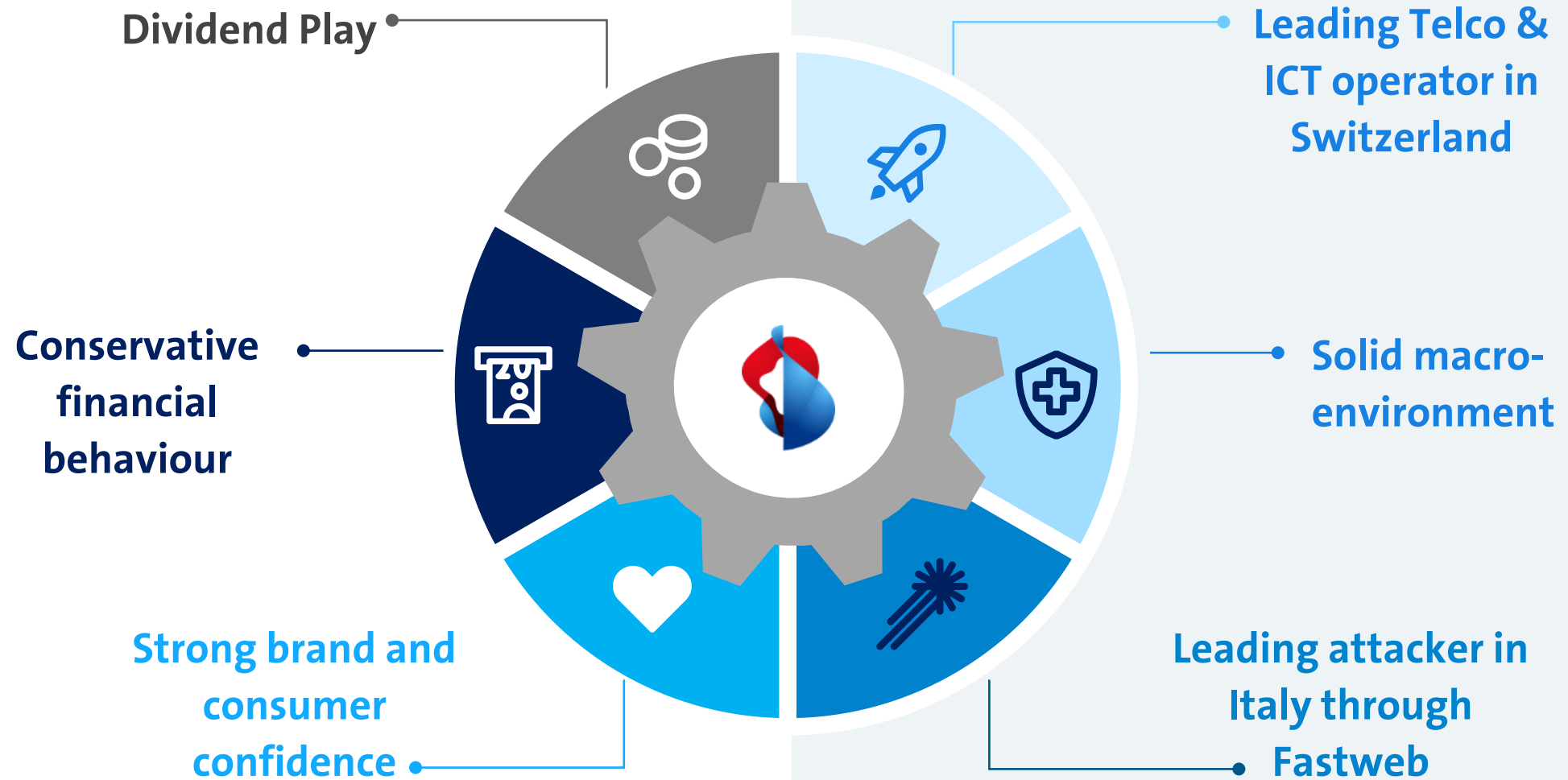
1) for consolidation purposes: 1.13 CHF/EUR,

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



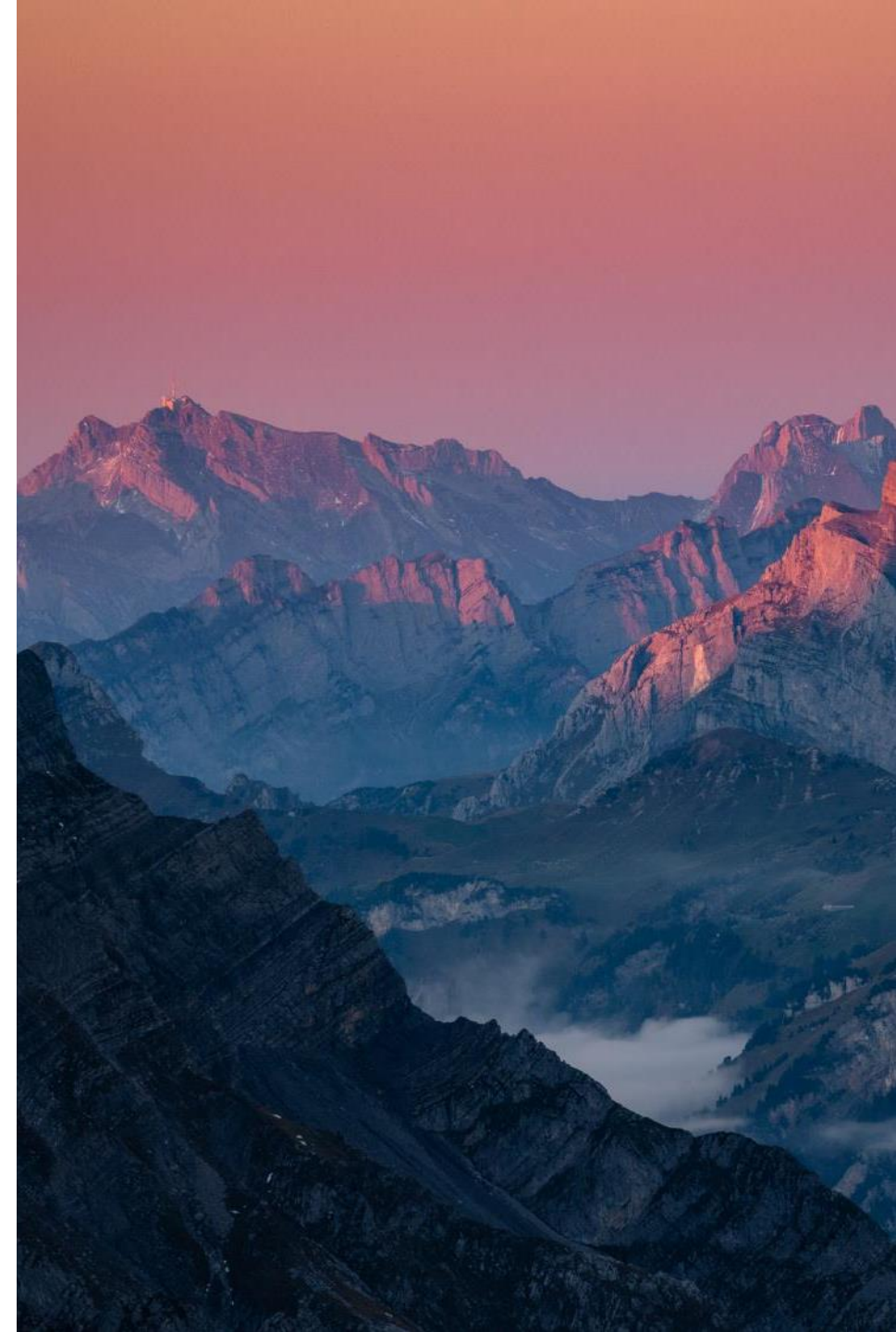
Investor contact



Louis Schmid
Head Investor Relations
louis.schmid@swisscom.com
+41 58 221 62 79



Tamara Andenmatten
Investor Relations Manager
tamara.andenmatten@swisscom.com
+41 58 221 12 79





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."