

Fixed Income Investor Event

Management Presentation
Zurich, 7 September 2018

Swisscom in a nutshell

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

Stable shareholder structure

- Government owns 51%
- Ownership of >50% required by law
- 1 Government representative in board of directors

Financial profile



Stable since many years

- Net revenue of CHF ~11.6 billion
- EBITDA of CHF ~4.2 billion
- CAPEX CHF <2.4 billion

Free cashflow matters

- Operational excellence a top priority
- Targeted cost savings 2018-2020 of CHF 300 million

Conservative financial behaviour

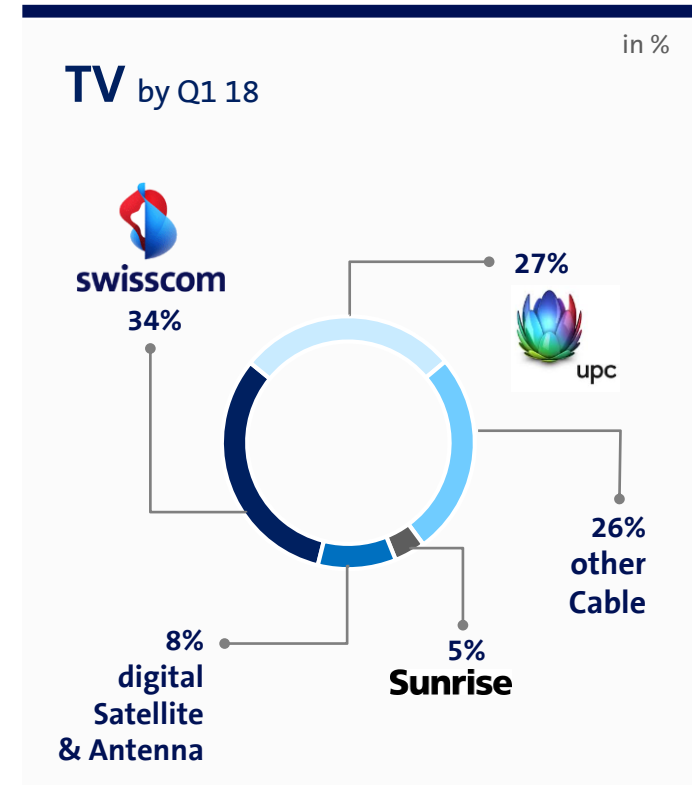
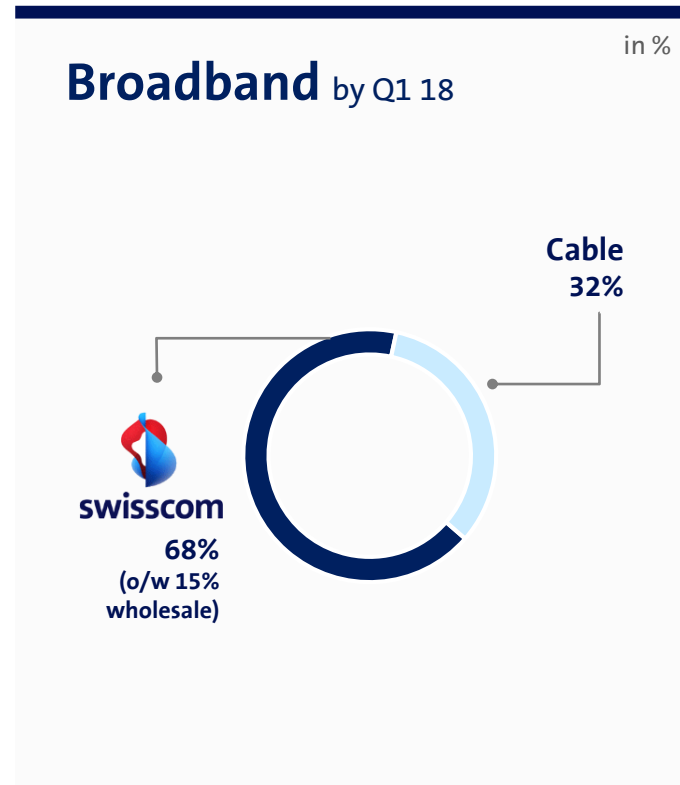
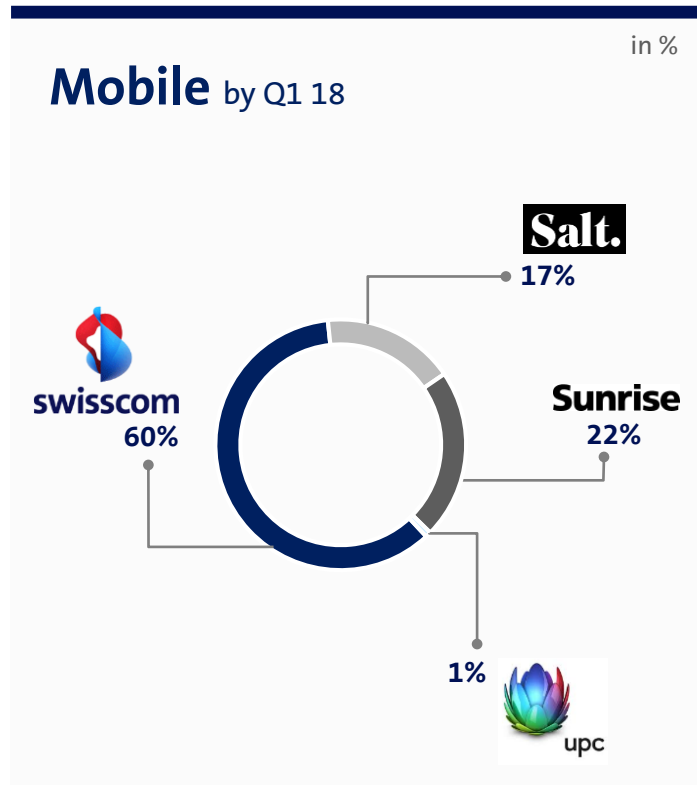
- Net debt to EBITDA of 1.7-1.8x
- A2/A (both stable) ratings
- Among the best-rated EU Telecoms

Robust dividend

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

Leading in Switzerland

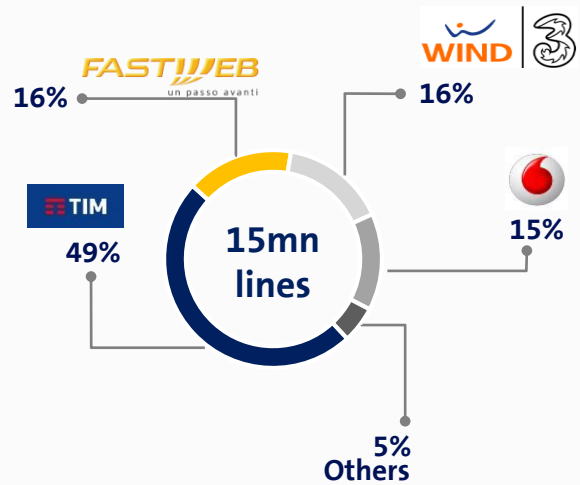
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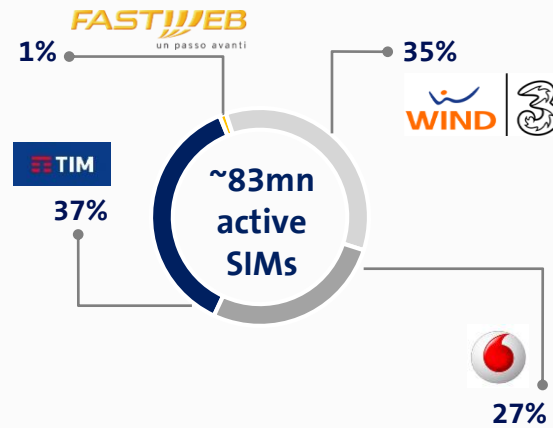
The alternative operator in Italy

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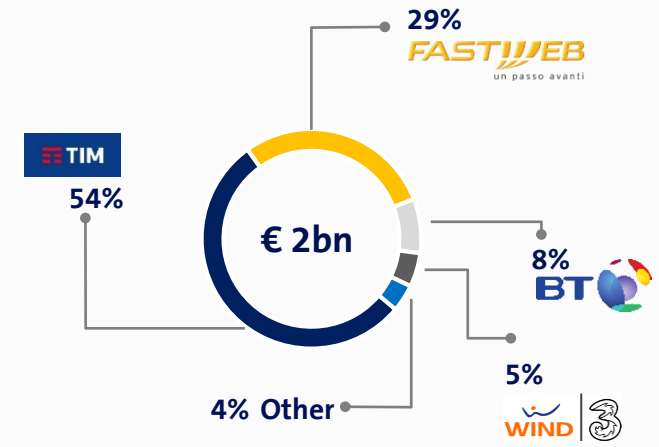
Consumer broadband by YE 17 in %



Consumer mobile by YE 17 in %

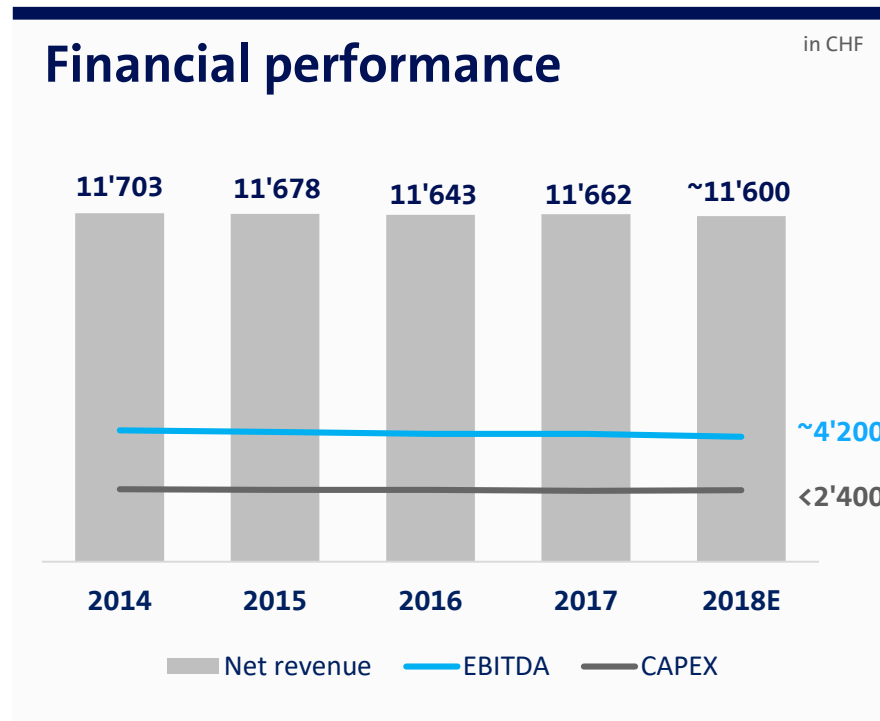


Corporate by YE 17 in %



Steady financial performance since years

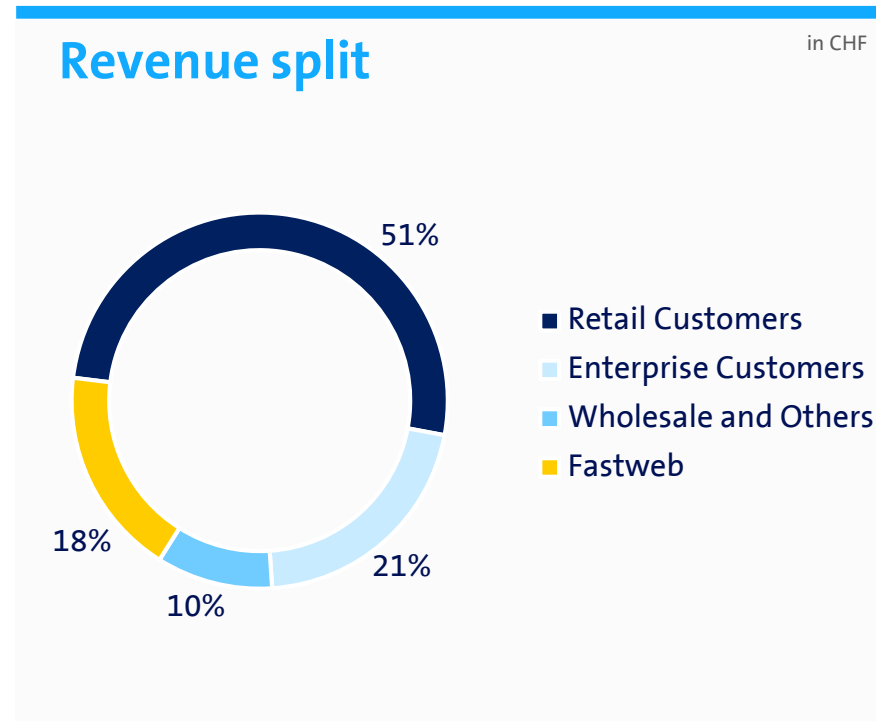
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Top-line steady, but with mixed dynamics

- usage-based revenues down, access-based (bundle) revenues up
- Fastweb with stable contribution thanks to volume growth

CAPEX envelope remains on current level driven by UBB extension



EBITDA more or less flat

- cost management crucial in Switzerland
- Fastweb expected to contribute underlying growth

Stable dividend payment, CHF 22 per share since 2011

Our environment

Switzerland

- A synonym for **quality, stability and solidity**
- Market volume: ~**10mn SIMs** and ~**5mn homes**
- **Strong macroeconomic** conditions
- Mature markets with **penetration >100%** drive bundling and convergence further up
- **Regulation ex-post** and investment-friendly, leading to network competition on fixed and w- infrastructure
- **Reliable political system**

Italy

- **Price-sensitive** market
- Market volume: ~**83mn SIMs** and ~**24mn HHs**
- **Improving economic situation** with GDP up
- Fibre investments stimulate **appetite for more UBB**
- Entrance of new w- operator leading to higher market dynamics and **enforced convergence migration**
- **B2B** with **promising** outlook
- **Unique political framework**

Sector



CAPEX intense industry

- Increasing data appetite and need for bandwidth
- New technologies
- External factors (topography, regulation, etc.)
- Monetisation challenges (irrational behaviour)

Market size matters

- Telco is a fixed cost business
- Market size and share crucial
- Hard work first, M&A second

Digital transformation

- IP drives structural changes
- New businesses chances with growth potential
- Efficiency opportunities

Strategic focus on maximising cashflow

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Best customer experience



- Best service
- Best infrastructure
- Innovative products

Operational excellence



- Efficient operations
- Digital transformation
- Smart investing

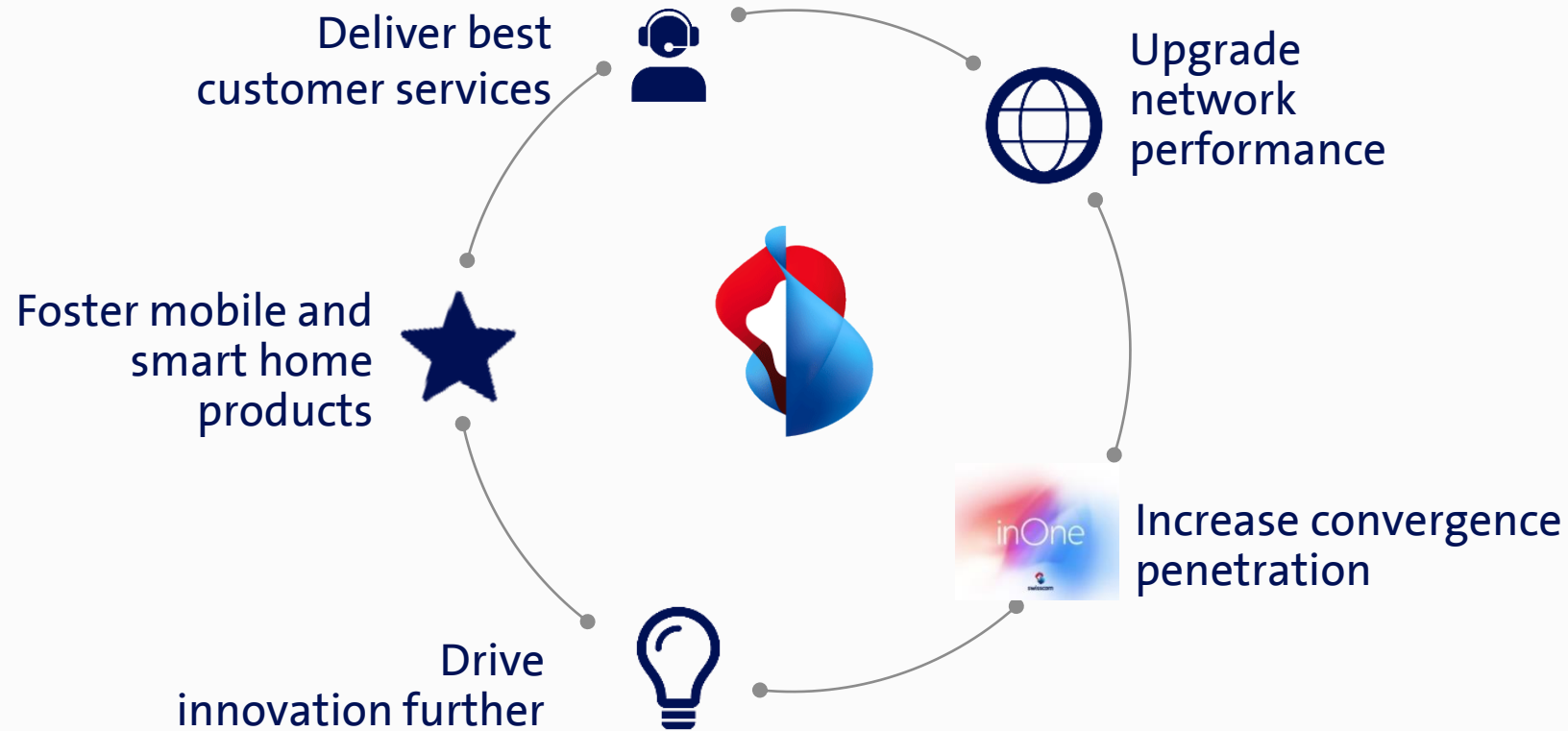
Future growth



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

Priorities to keep leadership in customer inspiration

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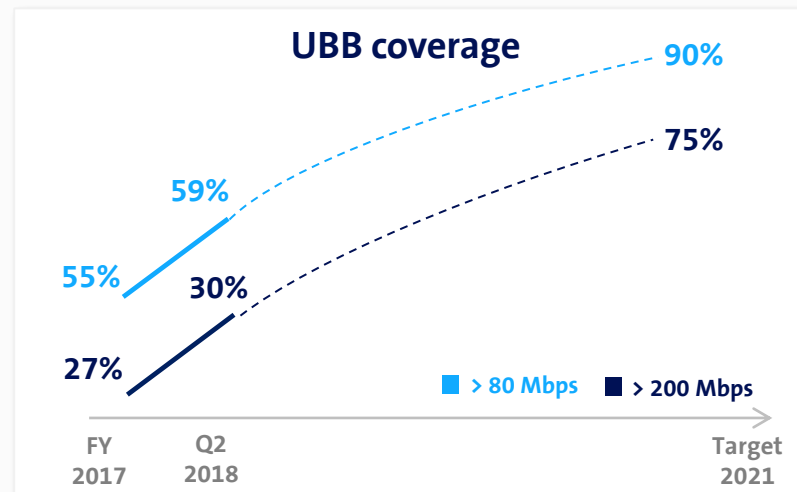


Best coverage, bandwidth and network reliability

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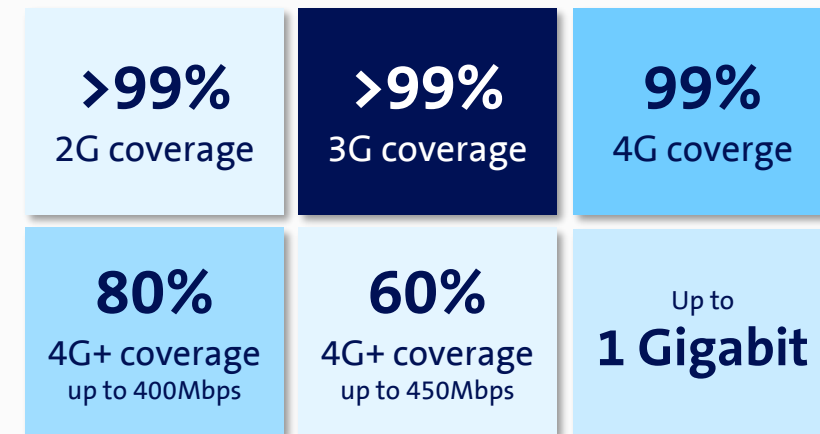
W+ network update

- Technology mix key in bandwidth expansion



- Currently ~3.37mn fibre connections o/w 1.39mn FTTH, enabling strong HD (>96%) and UHD (>83%) coverage for Swisscom TV

W- network update



- Extending technical lead of Switzerland's best network to offer the best experience with high-definition videos, gaming, virtual reality and lightning-fast surfing

inOne our new value proposition

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inOne home

Highspeed Internet, Digital TV & telephony



- Benefit from **Switzerland's largest broadband network** with ultra-fast Internet, Swisscom TV and unlimited fixed network telephony
- Highspeed Internet up to **1 Gbit/s**
- Swisscom TV in **4K**, > 300 channels, 7 days of reply, recordings, smart remote, personalised universe
- Telephony in **HD voice**, **spam filter**



inOne mobile

Safe flexible and easy

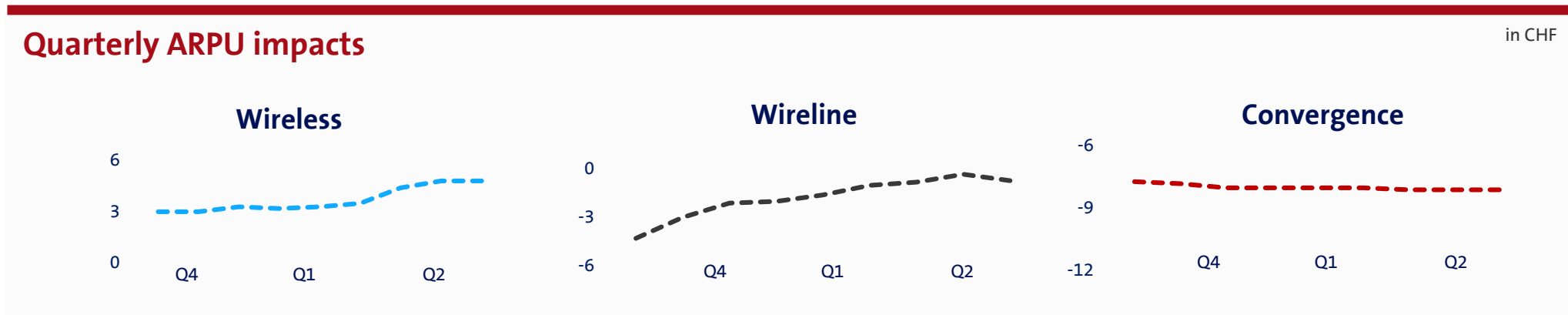
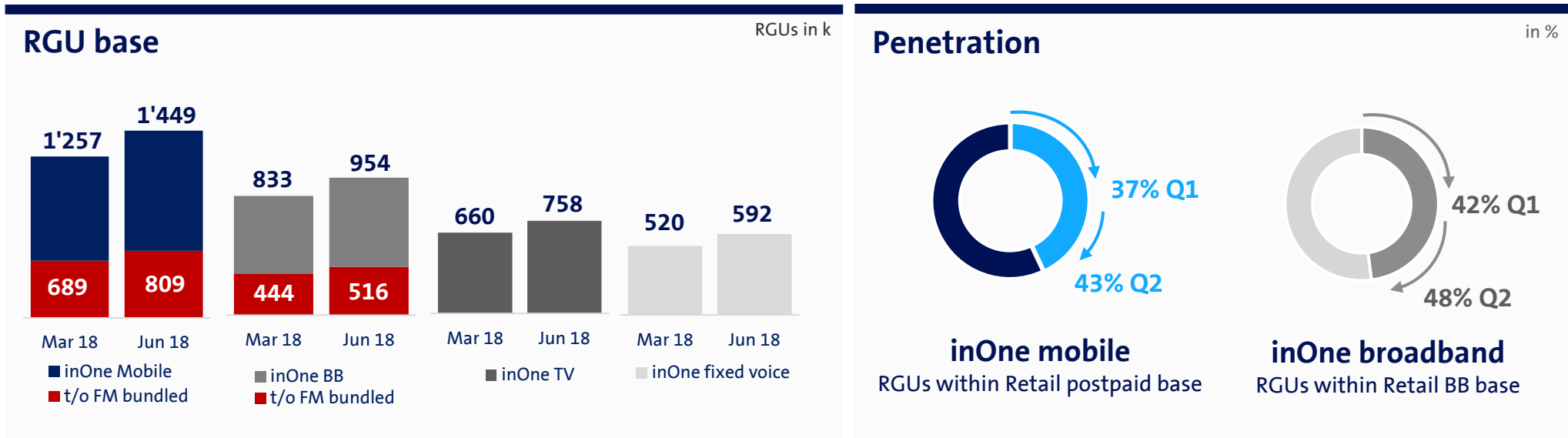


- **Unlimited** calls, SMS/MMS and surfing in CH
- **Roaming**: Worldwide SMS and 100 MB data included each year
- **Multi Device**
- **Unlimited online storage** in Switzerland for photos, videos and other data
- Up to 40.– **discount** per month on your mobile subscription with the inOne benefit



inOne performance as of 30 June 2018

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TV leadership thanks to continuous innovation

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Best platform

- 7 days replay on all channels
- 1200h cloud recording
- 4K/HDR
- Smart remote

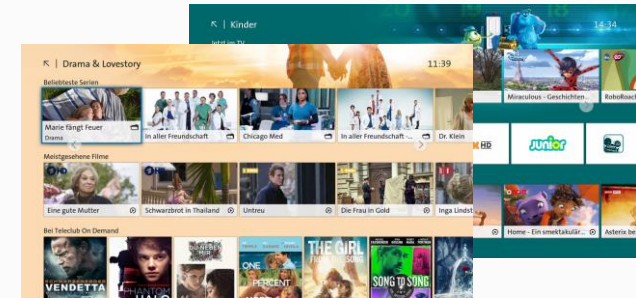


New remote with voice recognition

New box: smaller and highly performing

Best customer experience

- 3rd Generation UI
- Personal universe
- Easy search
- TV on demand (linear)



Best content

- More than 300 channels
- Own pay tv offering
- Exclusive sport rights
- Netflix and sky access



Launch of new products increasing share of wallet

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Smart home products

New WiFi Router

- WLAN-Box with IBP/S
- Launch new repeater



Smart Home

- Expansion of proposition



MyCloud

- Launch new mobile clients
- Launch MyCloud Pro



Security

- Internet Guard
- Callfilter



Mobile products

Multi Device

- Data and voice
- Messaging and accessory
- National and roaming and extension to IoT



eSIM / RSP*

- Standardization
- Better customer experience
- Driver for multi device



Advanced Communication

- Enriched calling and messaging
- Multi number
- Convergent communication



* Remote SIM Provisioning

Best service enabling maximum value delivery

We're always there for our customers

We create the best customer experience

- Our channel strategy optimises the organisation of activities for the customer and improves the customer experience
- We ensure the right mix of online and offline channels to meet our customers' current needs
- Inspiring sales and services
- Employees can make decisions for the best possible customer experience
- Every customer contact should be an experience

We are reliable

- We keep our promises during every customer contact, and we inform customers clearly if this is not possible



H1 highlights

H1 financials as expected.

Revenue CHF 5.81bn,
EBITDA CHF 2.14bn,
Net income CHF 0.79bn,
FCF proxy CHF 1.07bn



inOne success continues.

1.89mn customers
(+550k in H1) with
3.75mn subs,
penetration further up
and cementing churn at 5%



>1.5mn TV subs and
steady RGU momentum.

Postpaid +3k (175k Retail retentions),
BB +3k, TV +9k, Retail bundles +16k,
voice line trend improving

Spectrum auction takes place in January 2019



Network expansion
with 5G technology
enforces Swisscom's USP

Enhanced customer excellence.



Launch of new advise
and shopping concept;
introduction of
internet guard service
and multi-device option

B2B with diverging dynamics.

Workplace management
with key wins;
banking facing some
headwinds;
outlook positive



Appealing Fastweb performance.

+95k mobile net adds,
+17k BB net adds.
Underlying EBITDA in €
up by +5% YoY



Consequent cost control

with indirect cost savings
of CHF -56mn in H1.
FTE base further down
(-570 YTD)



FY 2018 outlook reiterated.

Revenue CHF ~11.6bn
EBITDA CHF ~4.2bn
CAPEX CHF <2.4bn

Market performance

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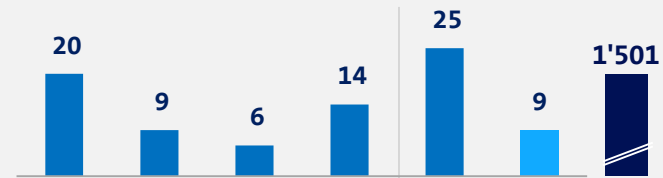
Swisscom Switzerland

RGUs in k

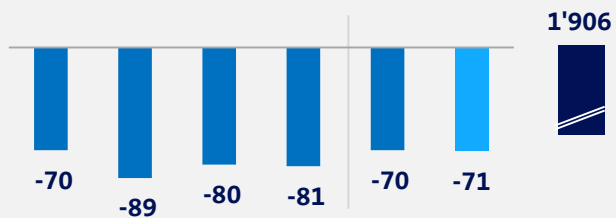
Broadband



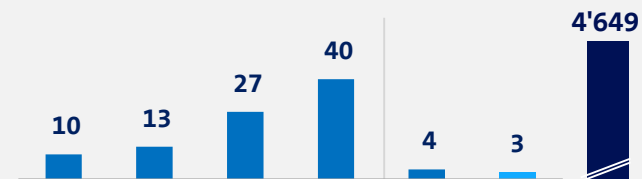
TV



Fixed voice



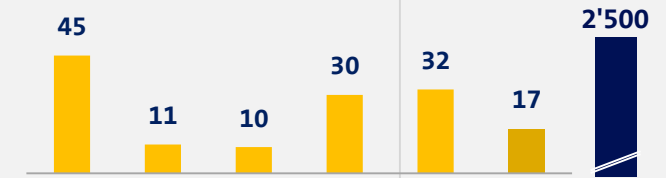
Postpaid



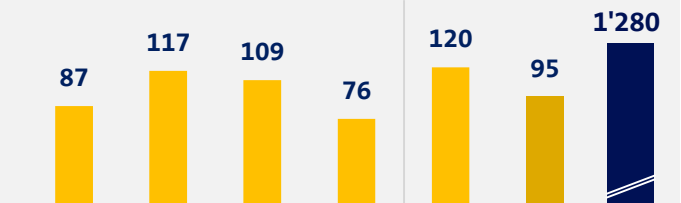
Fastweb

RGUs in k

Broadband

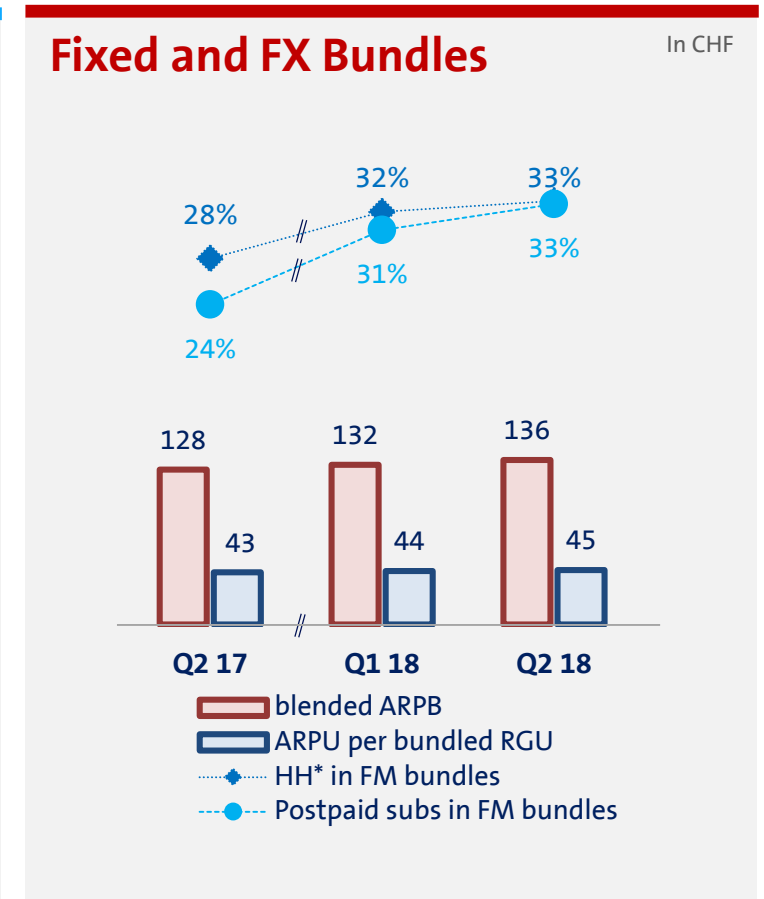
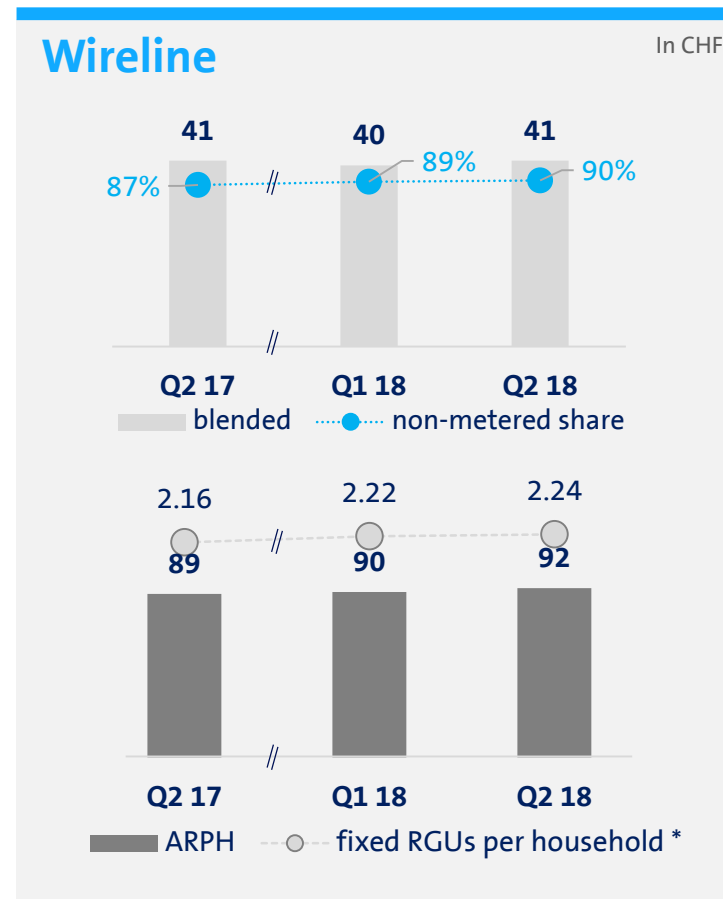
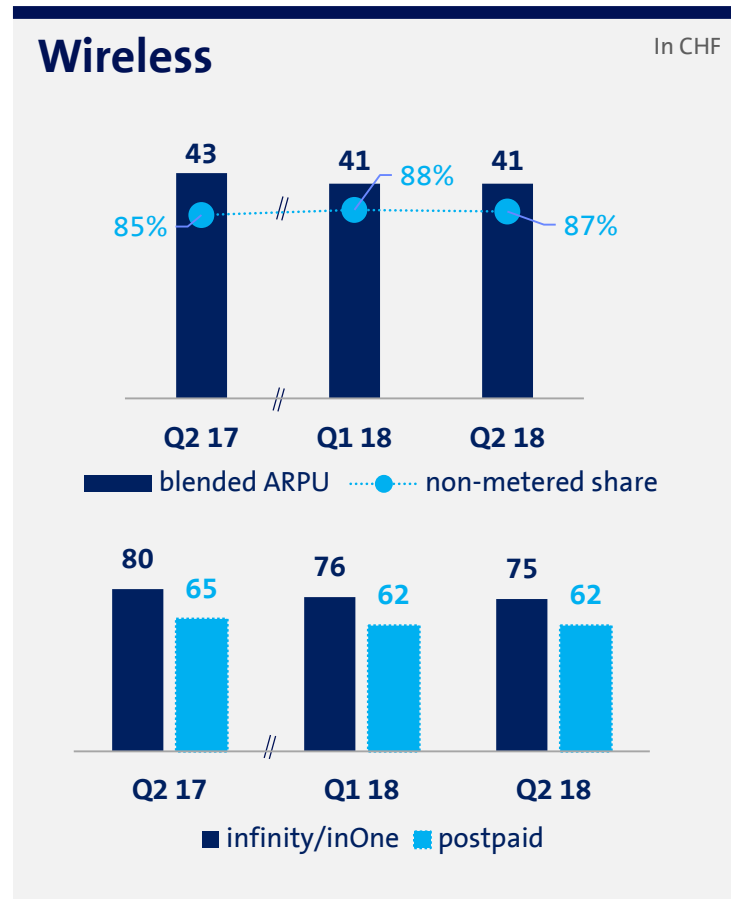


Mobile



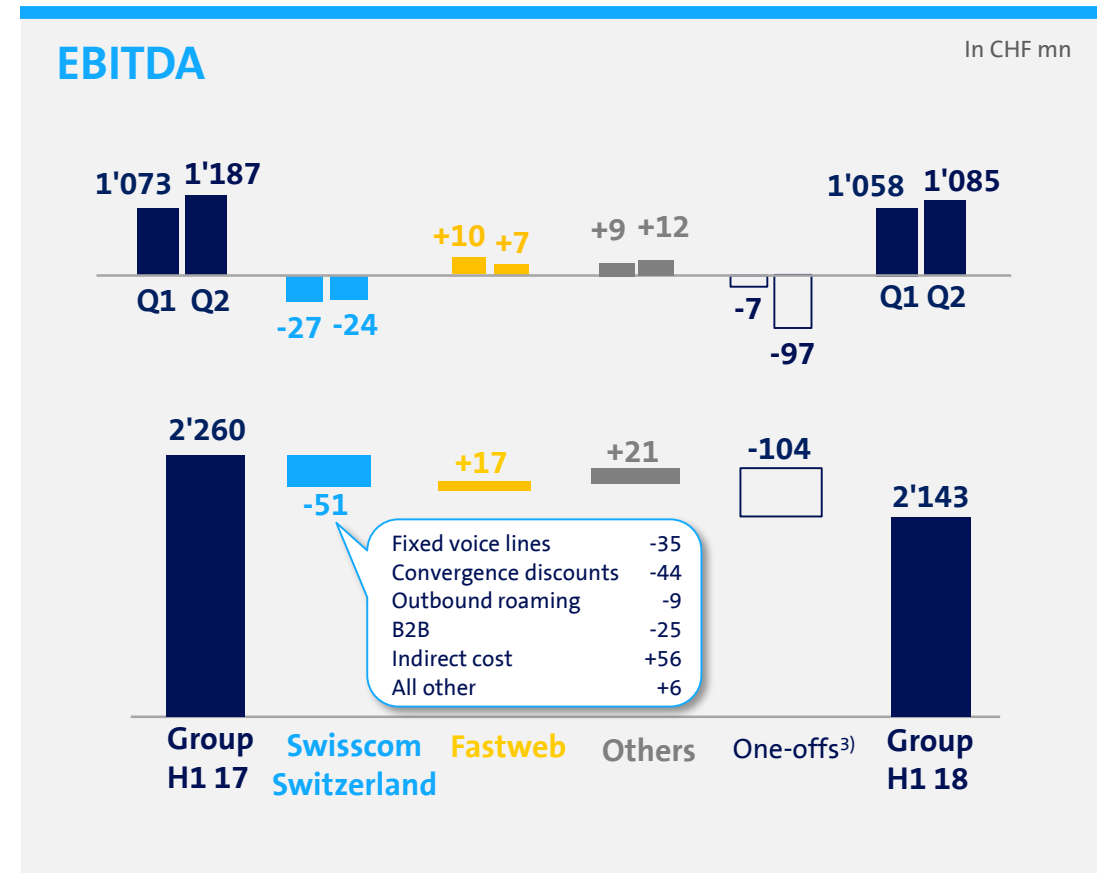
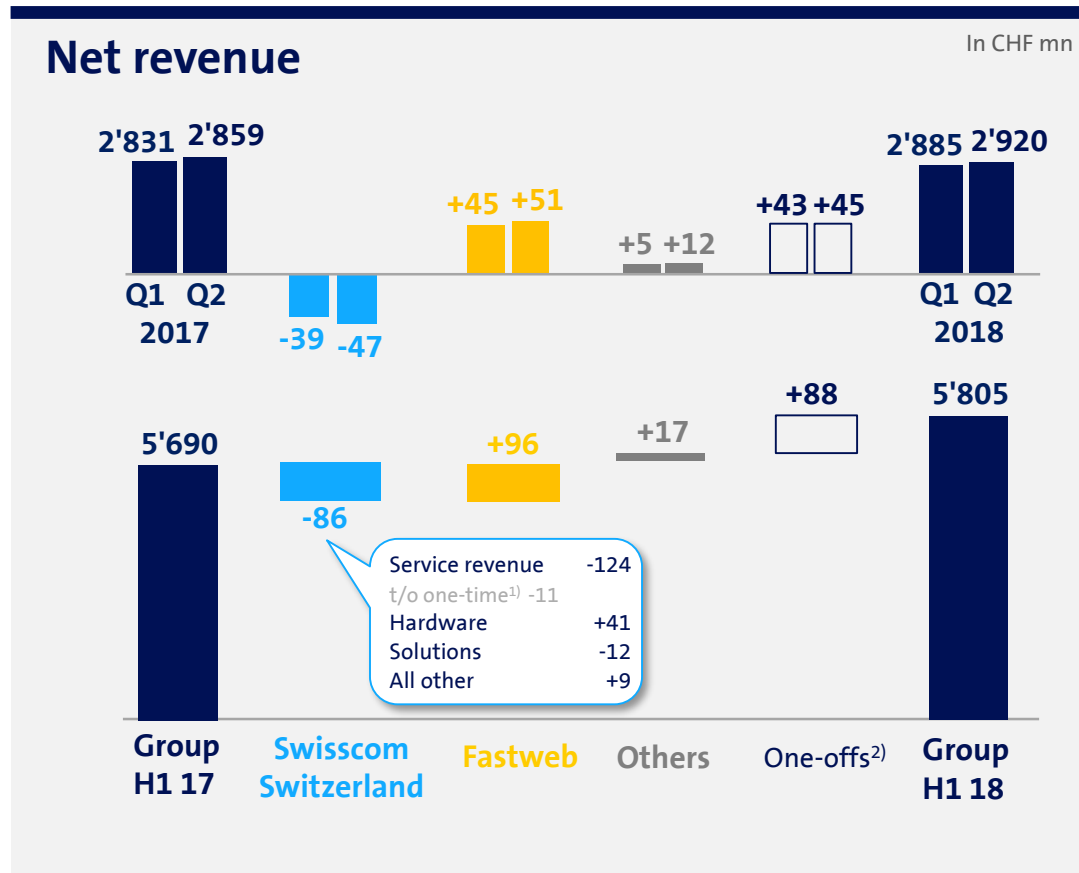
Operational performance of Retail Customers

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

Key financial results



1) One-time customer-fidelity effects in Q1 2018 impacting Retail Customers with CHF -9mn and Enterprise Customers with CHF -2mn, 2) Consists of currency impacts (CHF +90mn) and IFRS15 adjustments in 2018 (CHF -2mn), 3) Consists of other income from litigations at Fastweb in 2017 (CHF -102mn), currency impacts (CHF +28mn), gain of sale of real estate (CHF +3mn) and IFRS15 adjustments in 2018 (CHF -33mn)

Financial policy

Leverage/Rating



- Preserve a **single A Rating**
- Target leverage ratio (unadjusted) of around **1.8-1.9x EBITDA**
- Targeted equity ratio of **30%**

Shareholder distribution



- Dividend per share of **CHF 22** if annual financial targets are met
- Target **solid 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



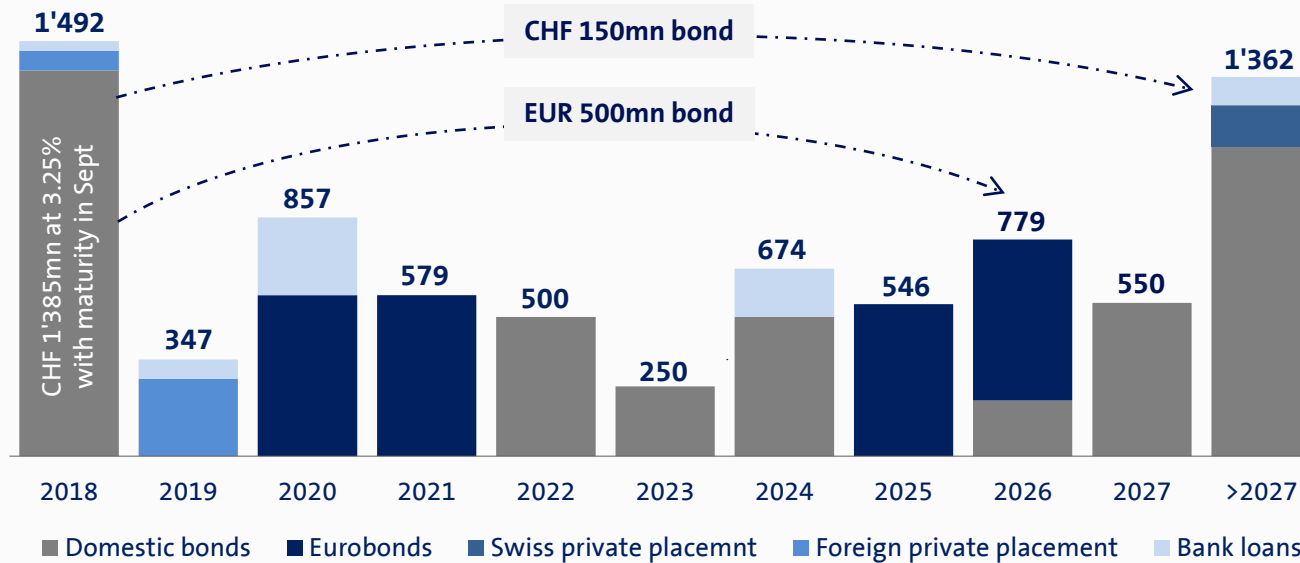
- **Active monitoring** and **managing** interest rate and foreign exchange risks
- Yearly defined **risk limits** to protect operative cash flow
- **Strict monitoring** of counterparty risk

Maturity profile

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as per 30.06.2018 *

in CHF mn



* excl. short-term money market borrowings

- Successful domestic and Eurobond transactions YTD
 - CHF 150mn with a coupon of 1% and maturity in 2035
 - EUR 500mn with a coupon of 1.125% and maturity in 2026
- Debt portfolio actively managed
 - Duration of 4.6 years
 - Avg. interest rate of 1.5%
 - 83% fix, 17% floating

2018 tendencies and guidance

Underlying 2018 EBITDA changes

in CHF mn



2018 guidance

in CHF mn



- Swisscom plans to propose again a dividend of CHF 22/share, upon meeting its 2018 targets

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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