

Swisscom

Annual Results Press Conference
2018



swisscom



Stefan Nünlist

Chief Group Communications & Responsibility

Urs Schaeppi

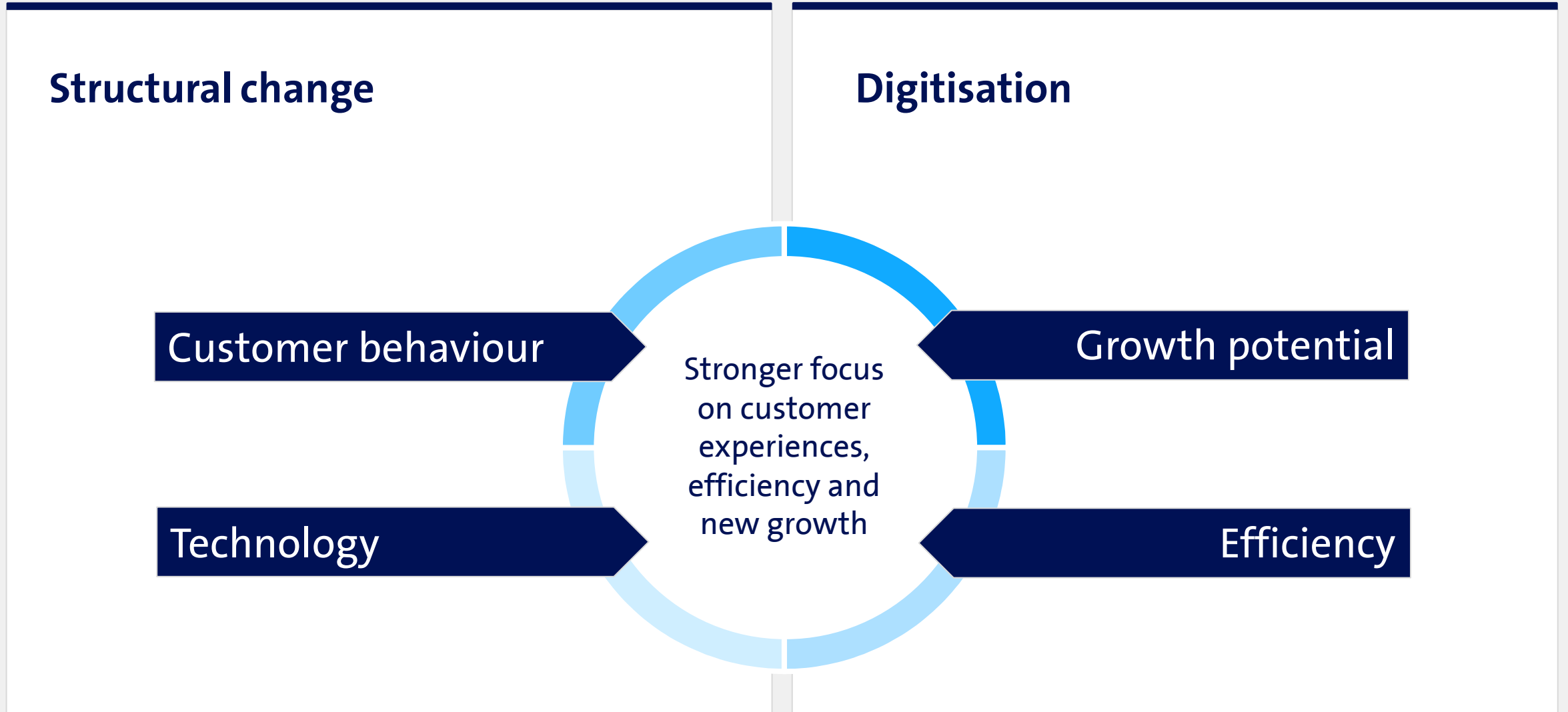
Chief Executive Officer

[Review]



Challenges in the ICT sector

Structural change and digitisation are transforming the world



Swisscom in 2017



Connect test winner



inOne offerings



Swisscom TV 3.0



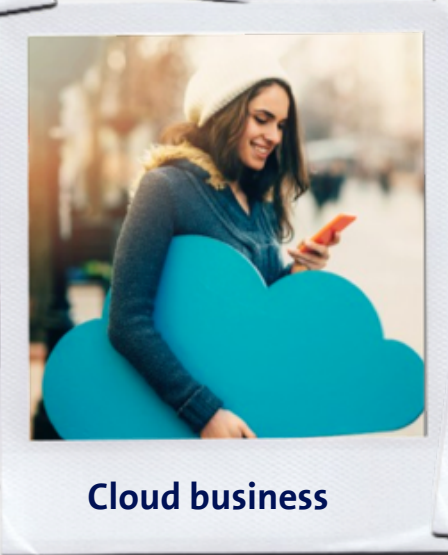
Call filter



Customer data



Broadband expansion



Cloud business



Blockchain



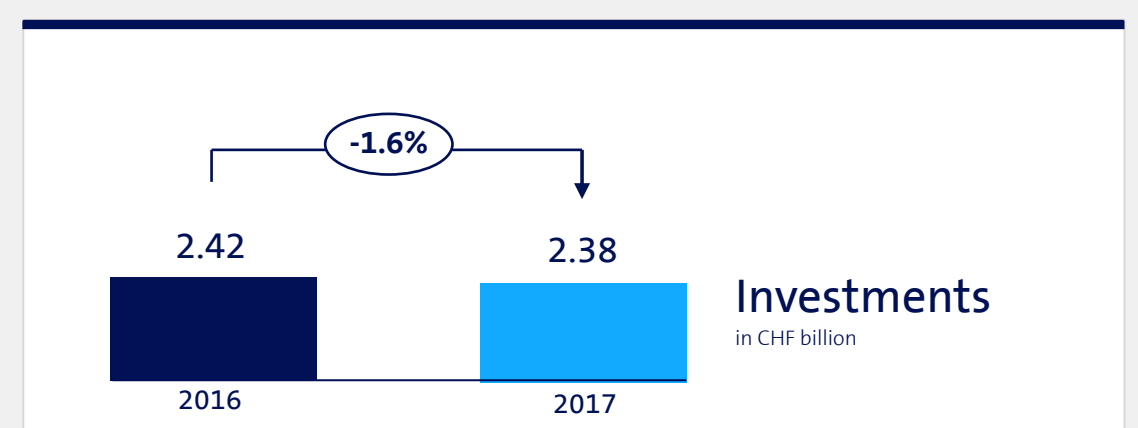
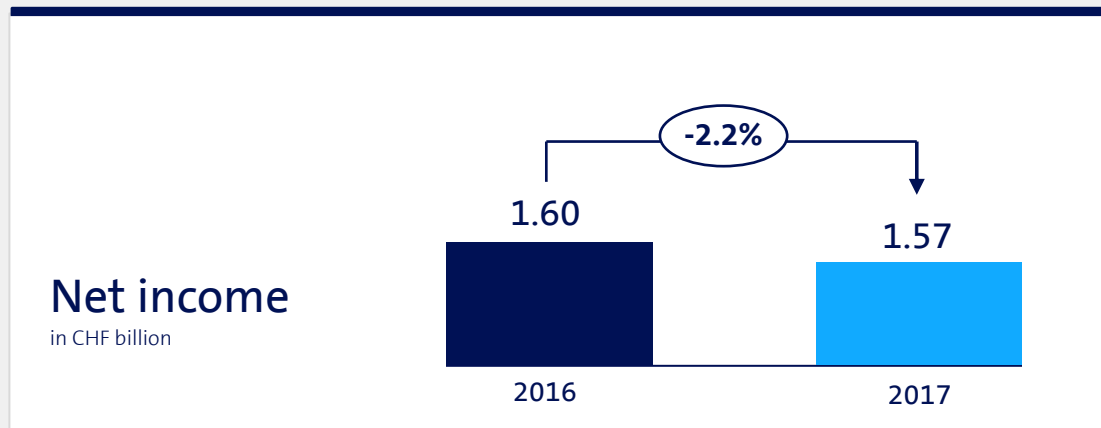
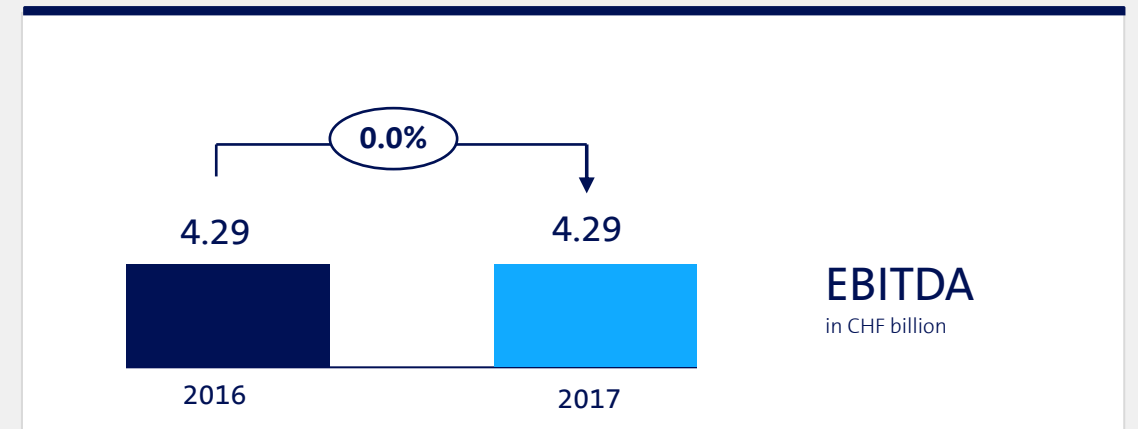
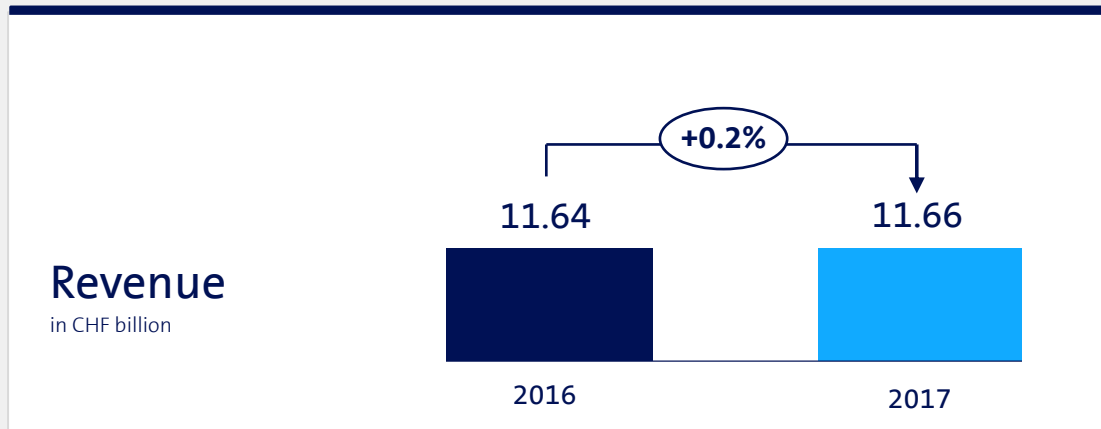
All IP



1 Gbps in mobile telephony

Key figures for 2017 at a glance

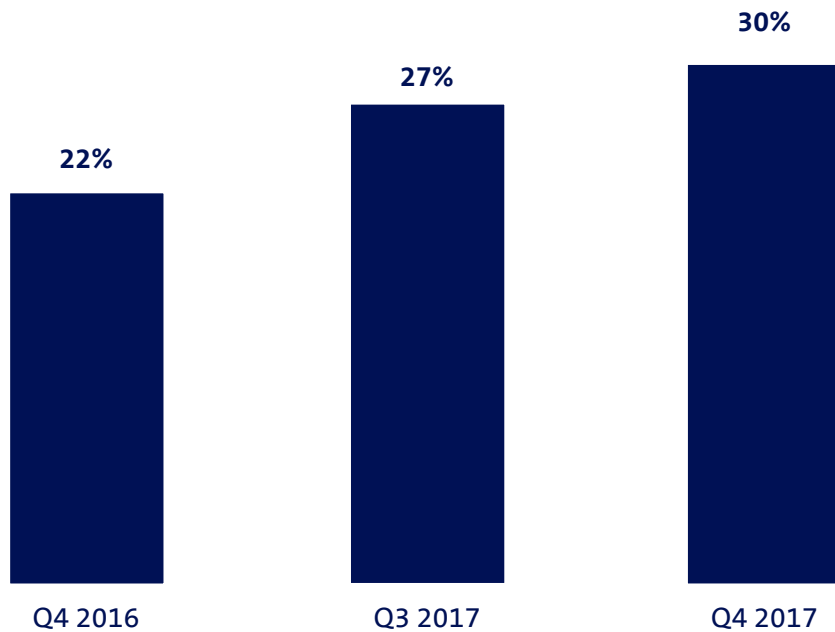
Solid performance despite fierce competition and strong price pressure



Market success

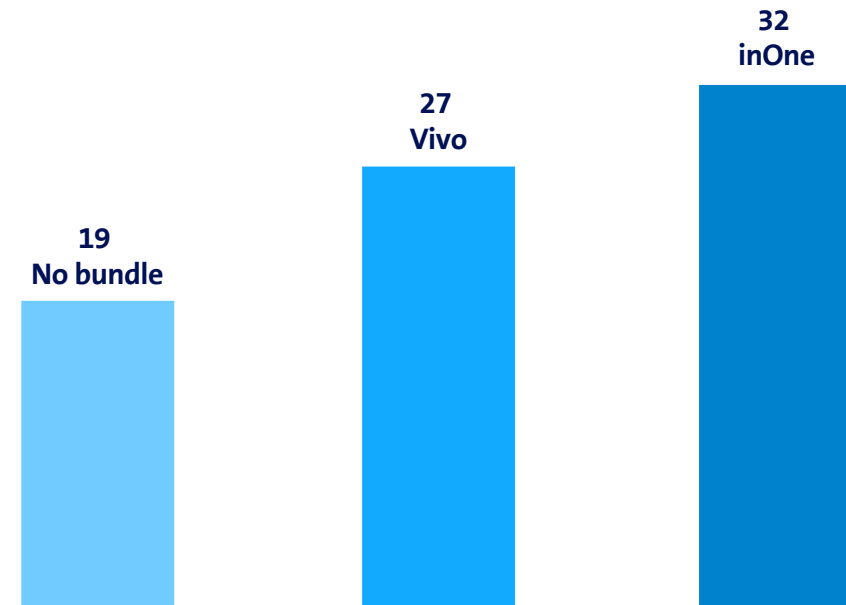
inOne boosts customer satisfaction

Improved market penetration with bundled offerings



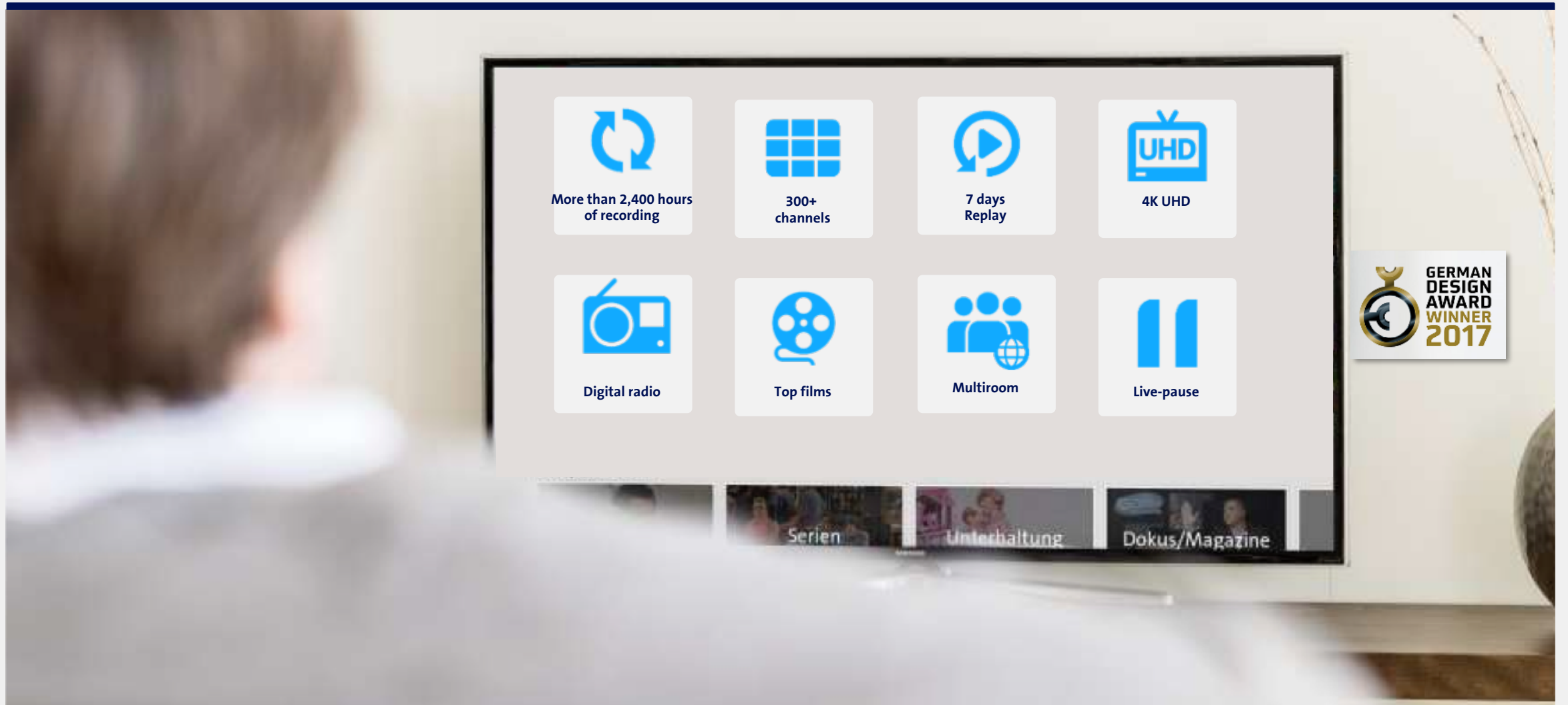
■ Contract-holding customers with bundled offerings

Recommendation rate (NPS) by product



Market success:

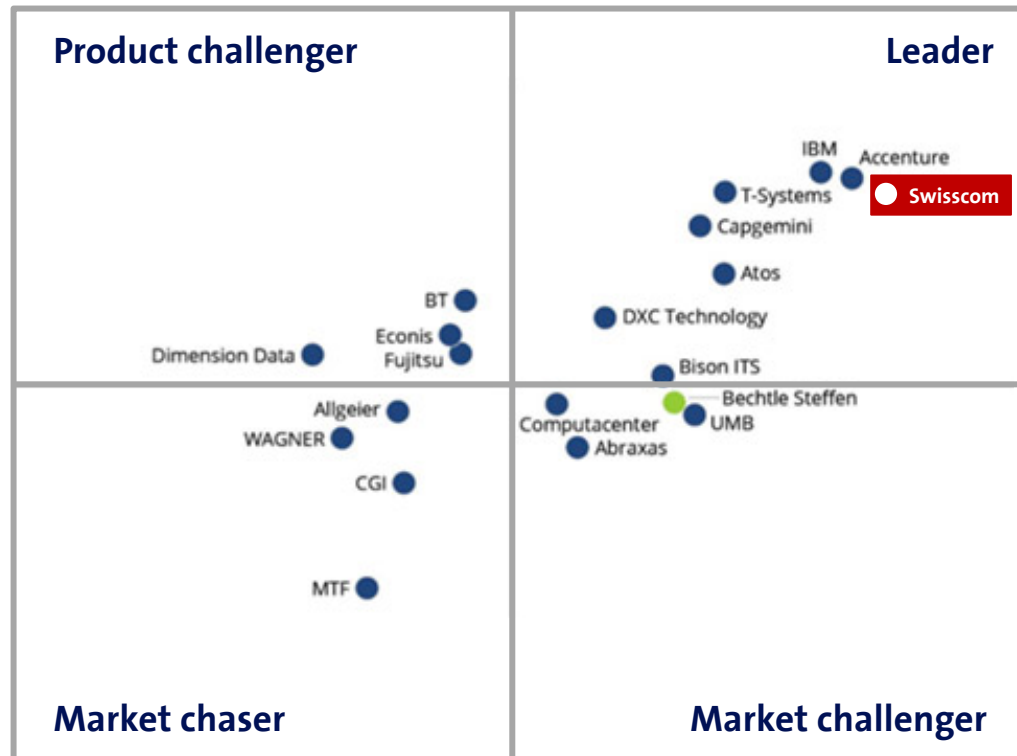
Swisscom TV has a 33% market share



Market success:

Incoming orders from corporate business grow by 7%

Business cloud in the market



Source: ISG 2017

Cloud portfolio



Hybrid services



Local support



Flexible supply management

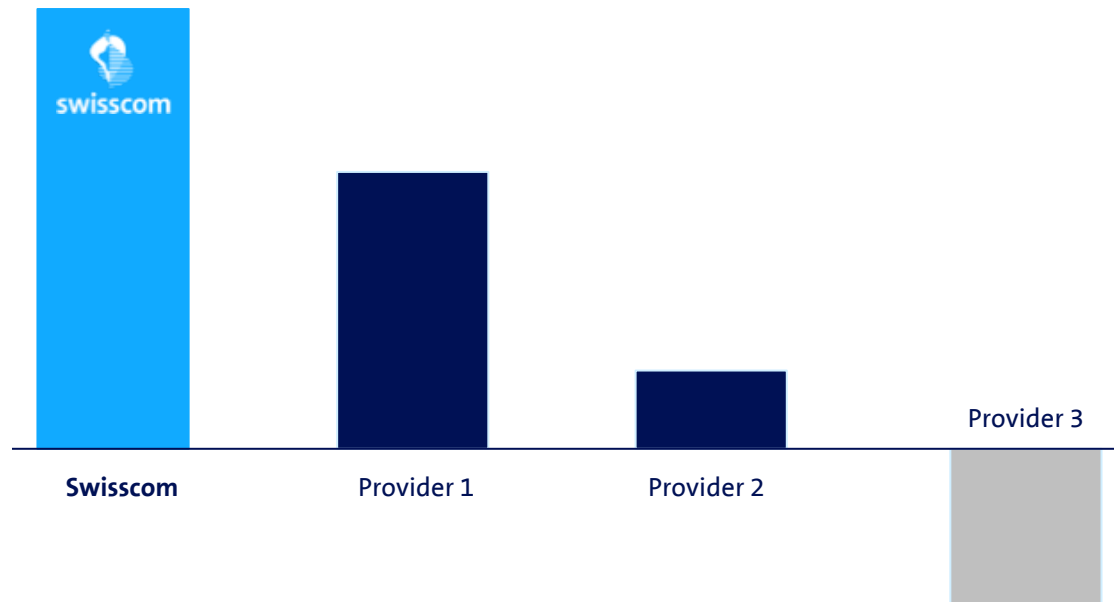


Standardisation and automation

High recommendation rate

Swisscom with high scores

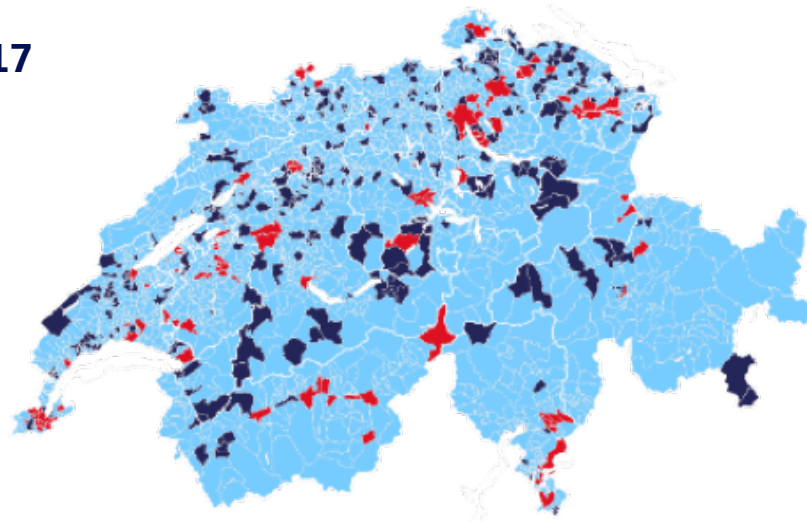
Providers in Switzerland



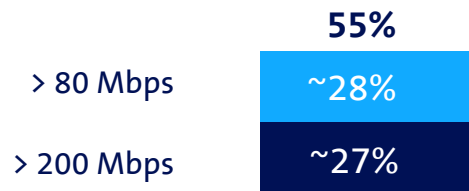
High-performance infrastructure in the fixed network...

Ultra-fast broadband coverage to increase significantly

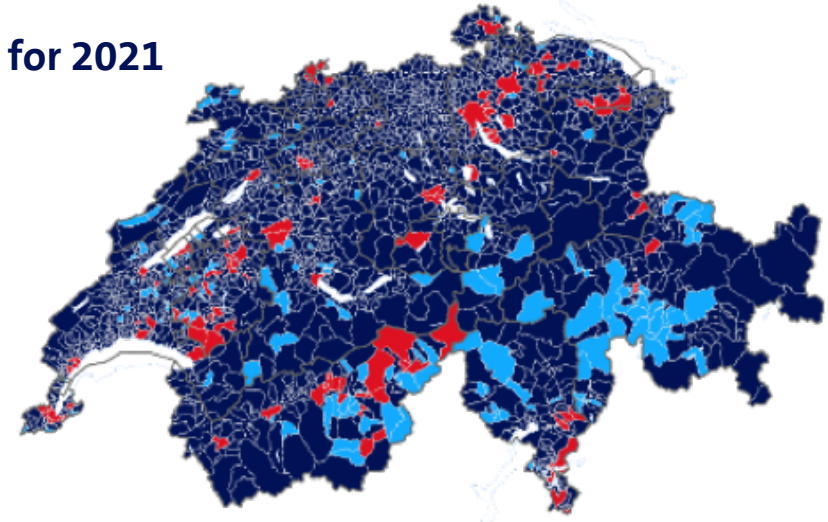
2017



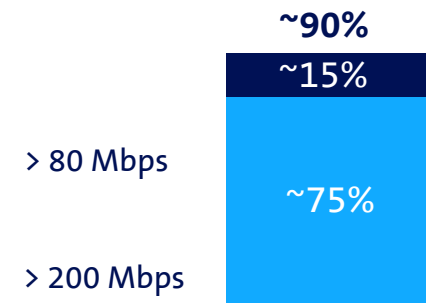
■ FTTH ■ FTTS/B ■ FTTC and others



Target for 2021

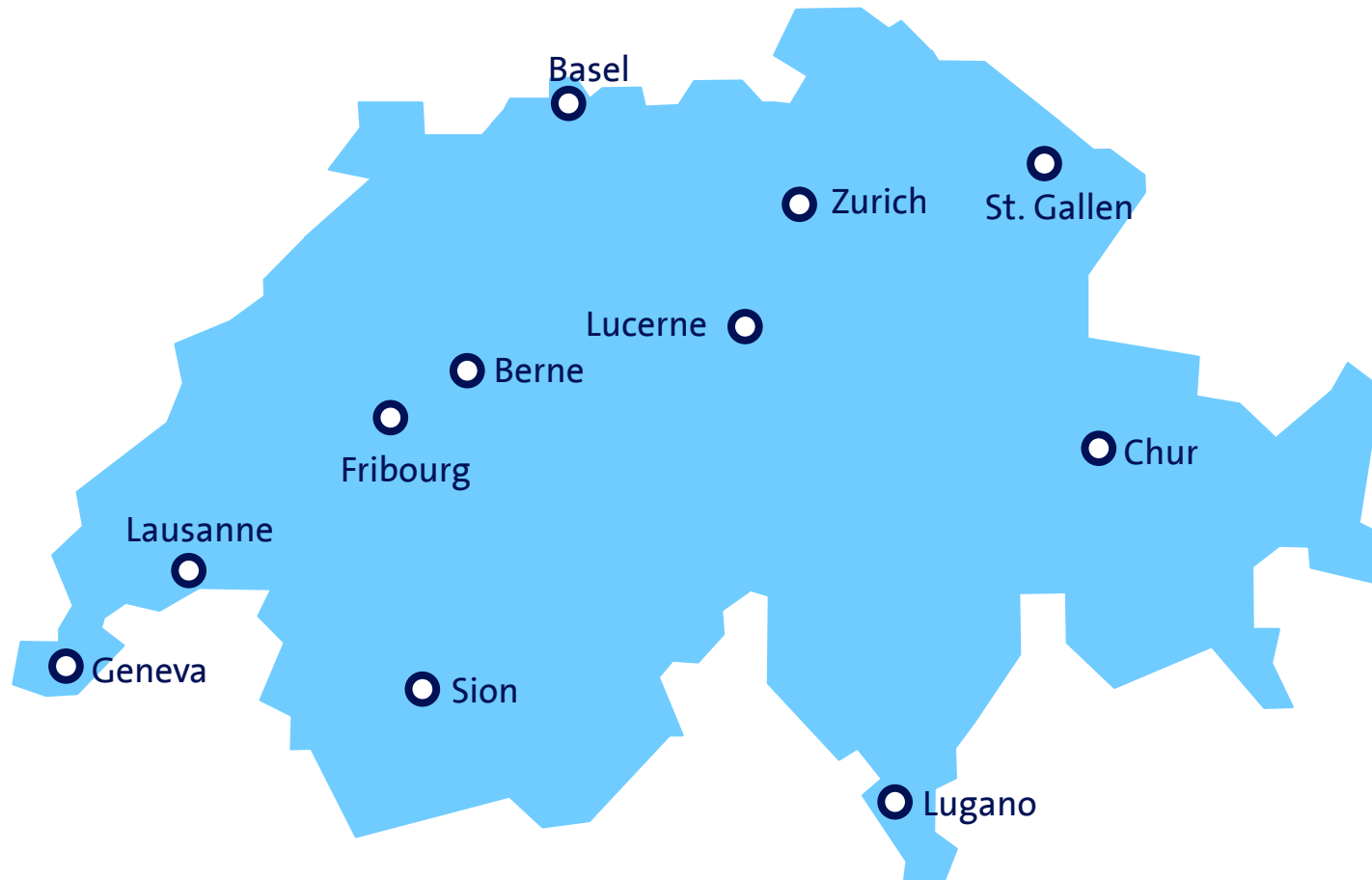


■ FTTH ■ FTTS/B ■ FTTC and others



...and in the mobile network

Surf at speeds of up to 1 Gbps



Cities with areas offering up to 1 Gbps

connect
TESTSIEGER

Swisscom
Mobilfunknetztest Heft 1/2018

www.connect.de/netztest

13 Netzbetreiber getestet, 2 Sieger

CHIP
Testsieger

Mobilfunknetz Schweiz
CHIP 05/2017
Swisscom

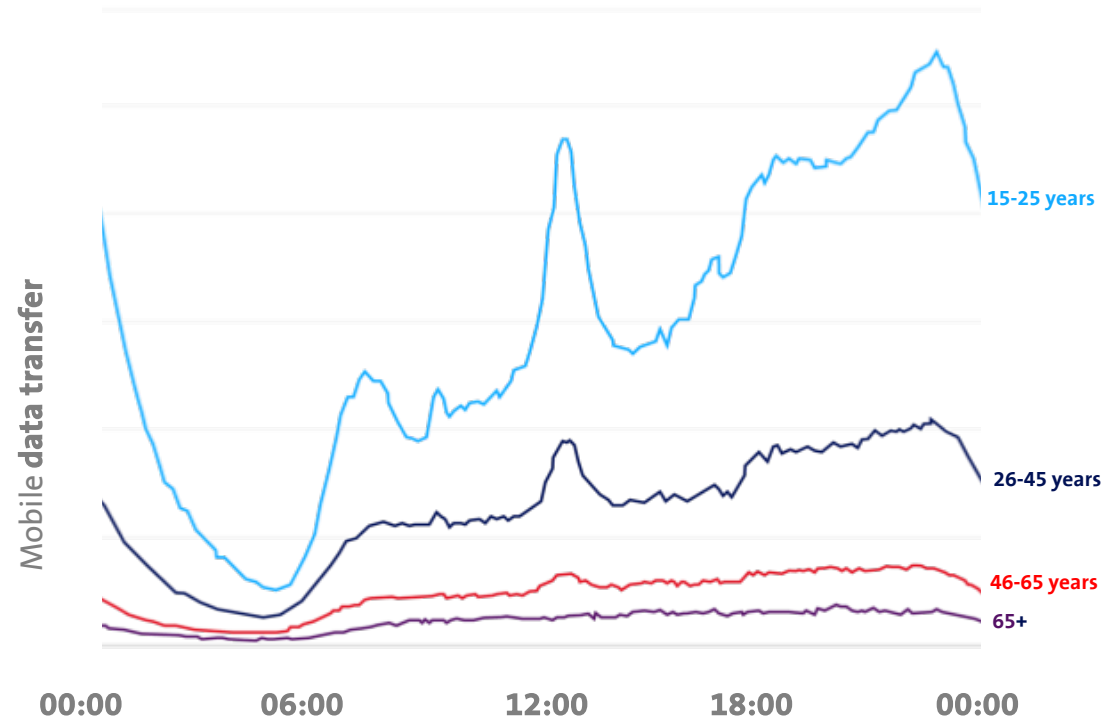
Unabhängige Tests seit 1978

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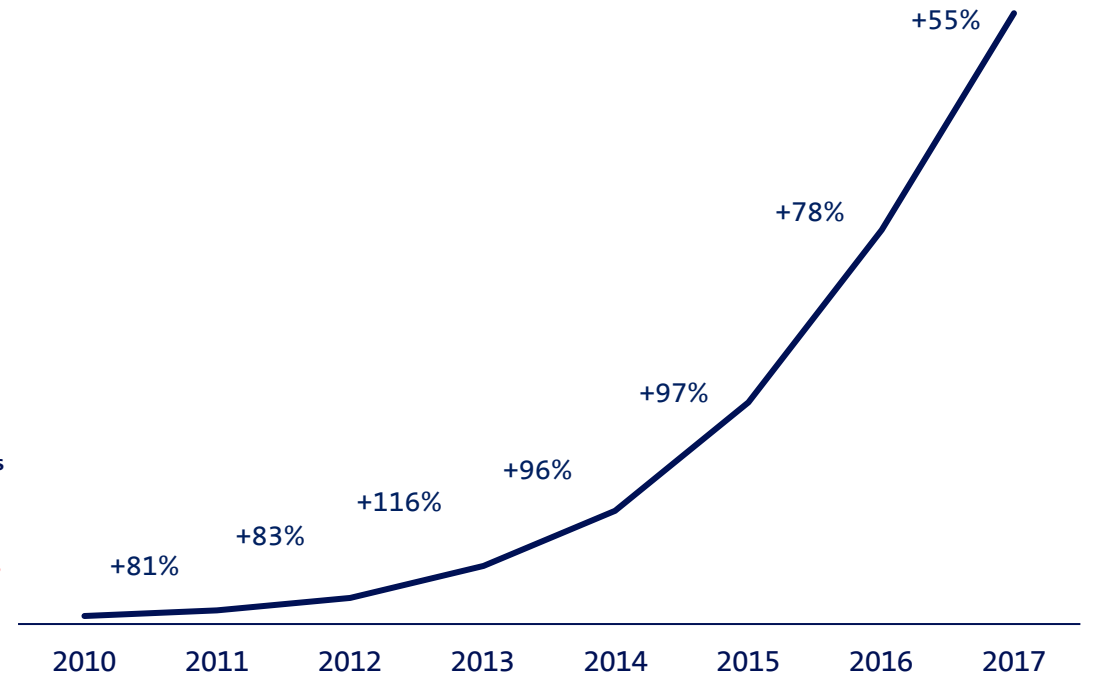
Mobile data transfer

Use of mobile data services shows further strong growth

Data transfer in one day by age group



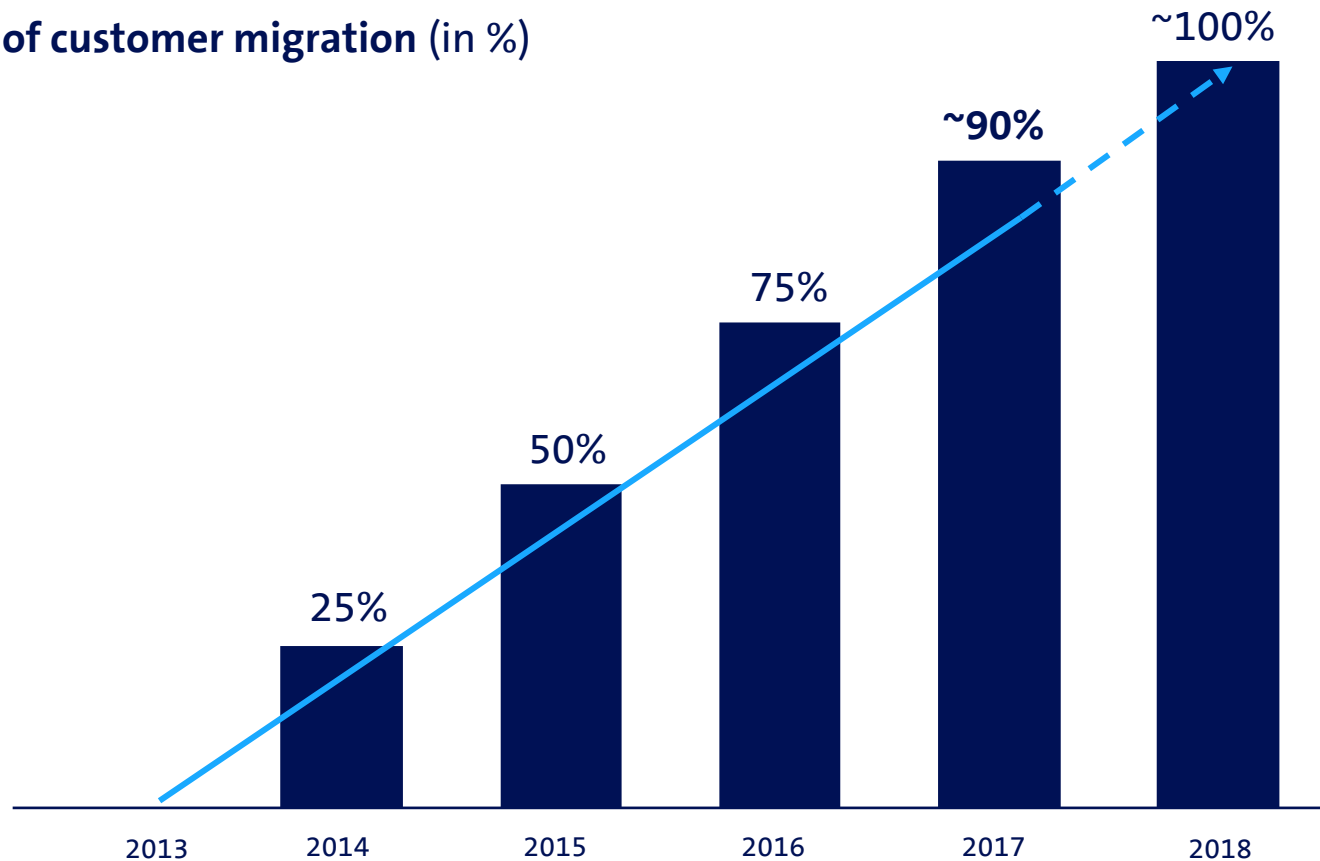
Domestic data volume on mobile devices



Migration to IP technology going according to plan

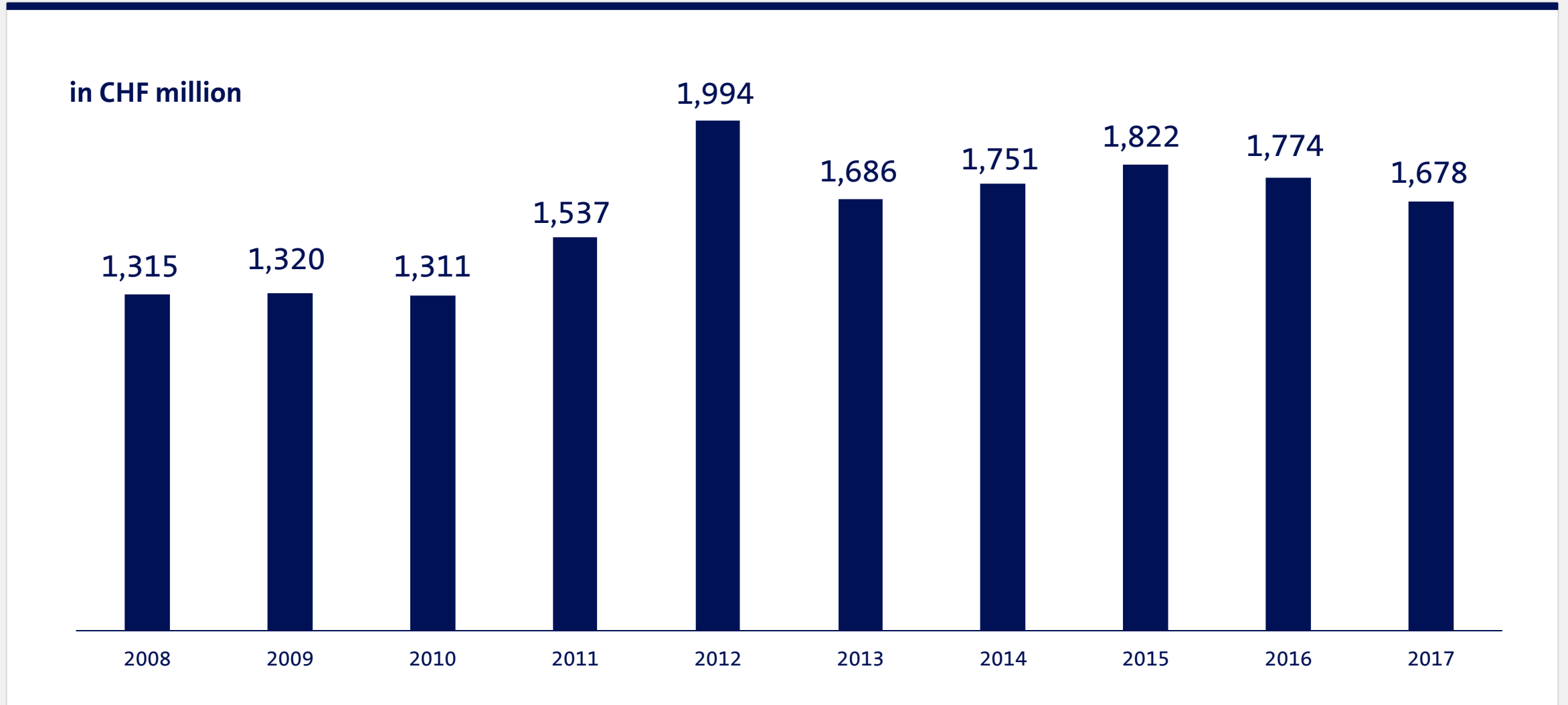
More than 2 million customers are on IP

Development of customer migration (in %)



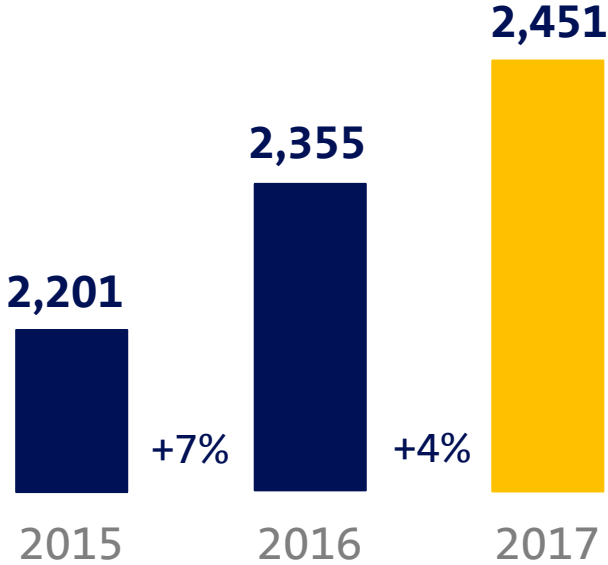
Investments still at a high level

Investment in Switzerland has been stable for years

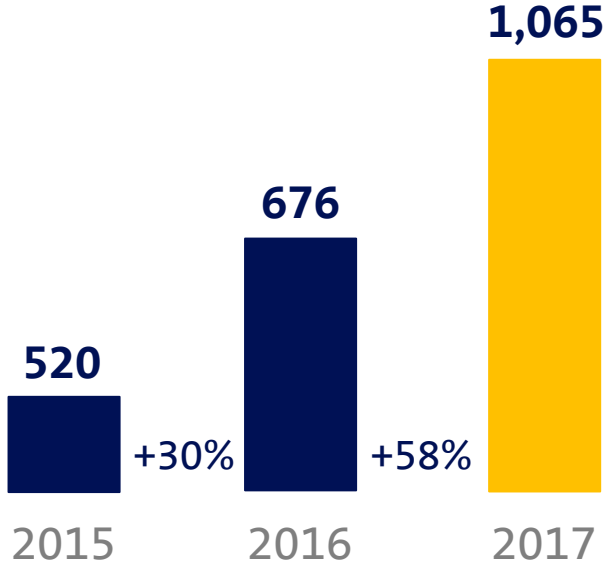


Fastweb is a strong market performer

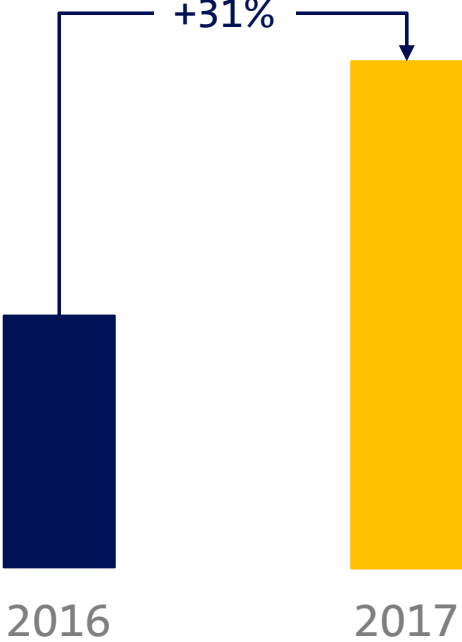
Broadband customers (in thousands)



Mobile customers (in thousands)



Incoming B2B orders



[Outlook]



Our strategy

Pool our strengths, generate growth

**Shaping the future as the market leader.
Together, we inspire people in today's networked world.**

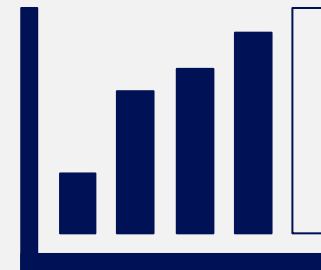
**The best customer
experience**



Operational excellence



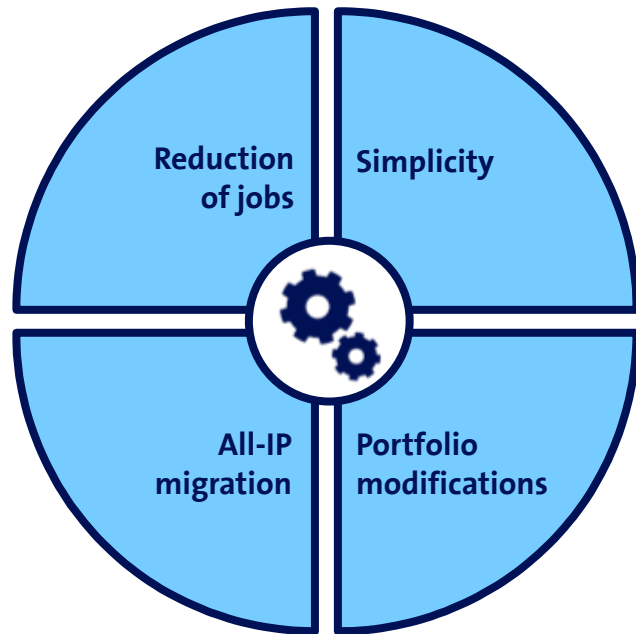
New growth



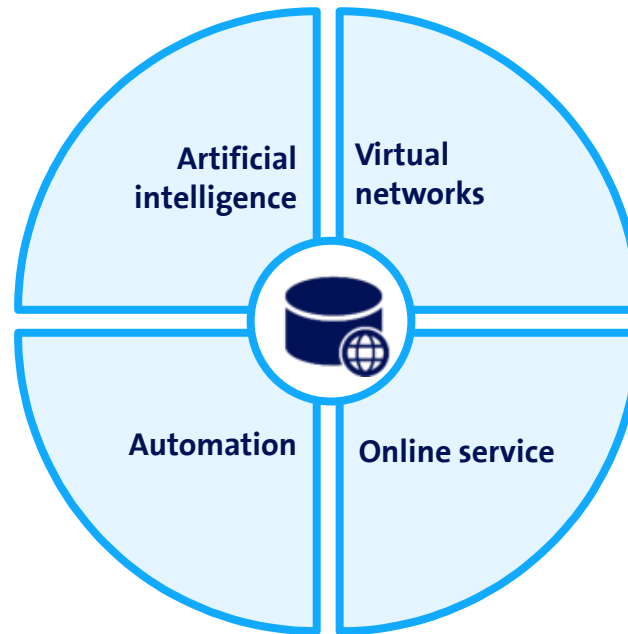
Transformation of Swisscom proceeding at a fast pace

Annual cost basis in Switzerland will decrease by CHF 300 million by 2020

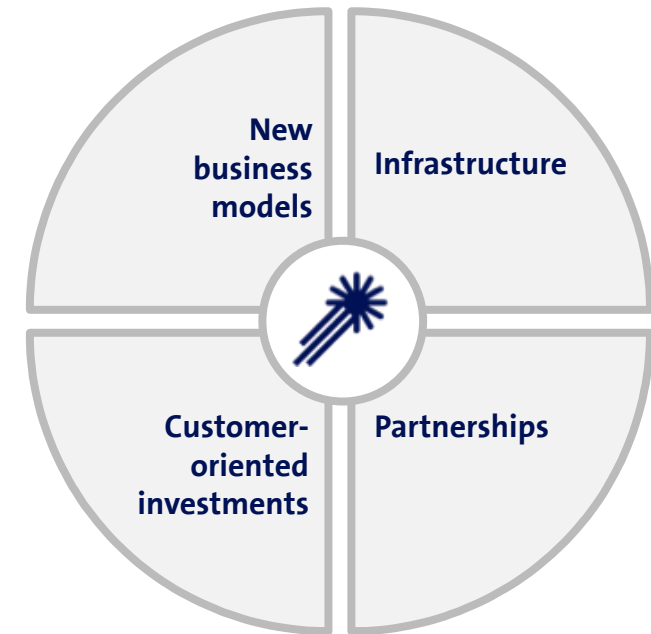
Efficient operation



Making use of digital opportunities



Smart investing



The Telecommunications Act as of today

A success story that does not need revising

State-of-the-art networks

- > Ranked **second** worldwide in broadband coverage
- > **99%** have at least 30 Mbps
- > **Exponential growth** in bandwidth

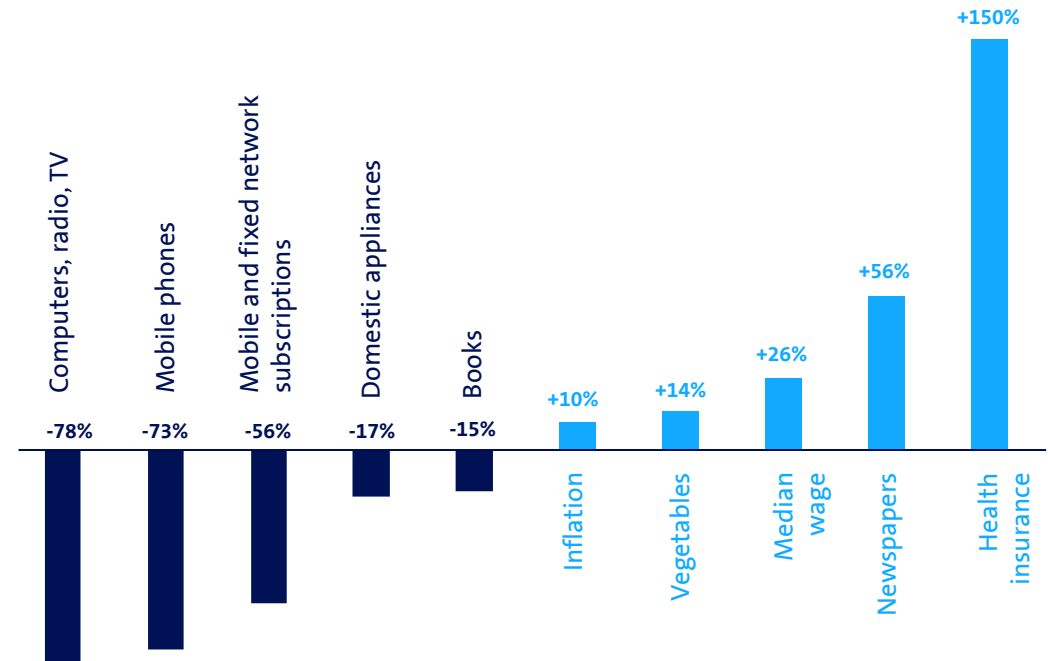
Prices falling since 2007

- > Fixed network: **-34%**
- > Mobile: **-83%**
- > Mobile and fixed network subscriptions: **-56%**

An explosion of offers

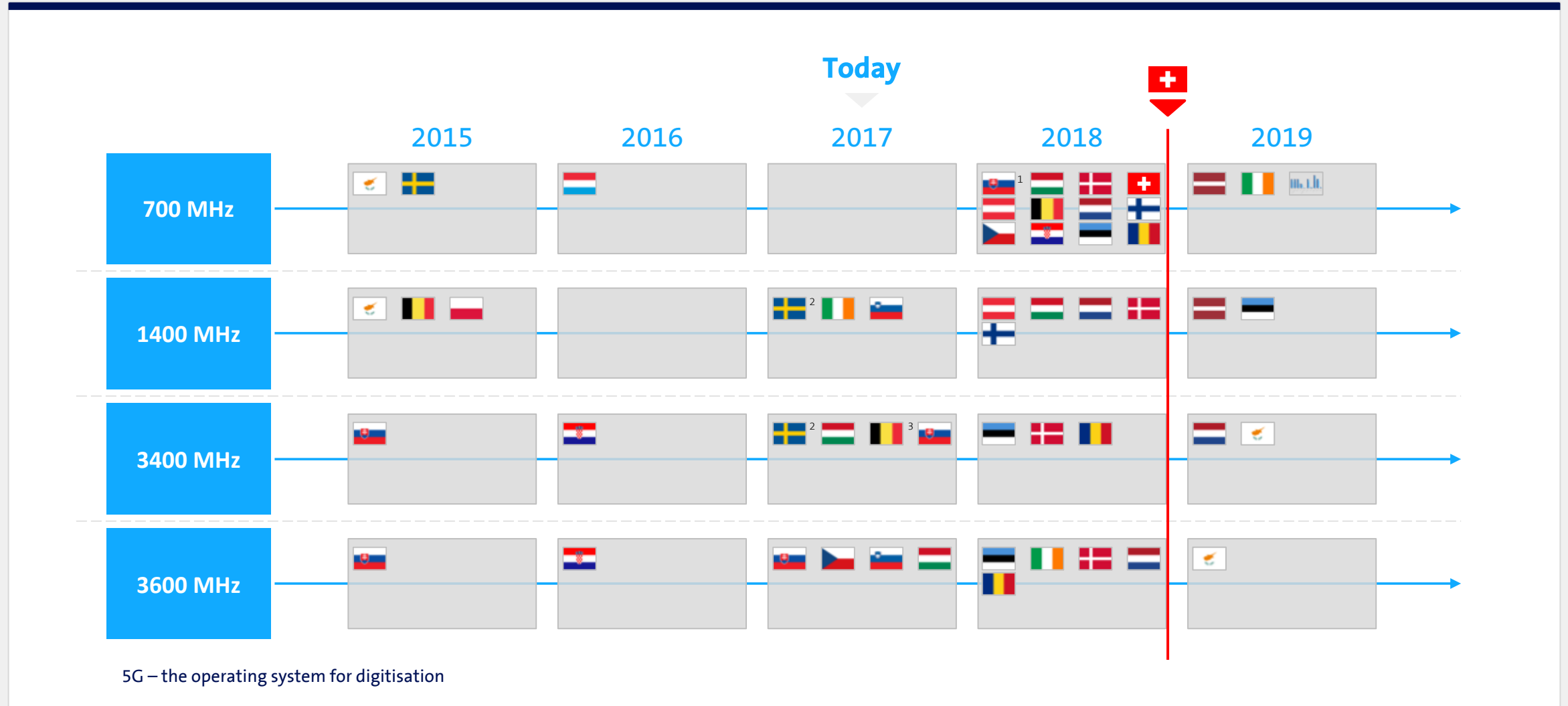
- > **200+** providers of fixed network, TV, Internet and mobile services
- > **Free offers** such as WhatsApp, Zattoo etc.
- > Ranked **first** (OECD) in broadband use

Price developments over the past 20 years



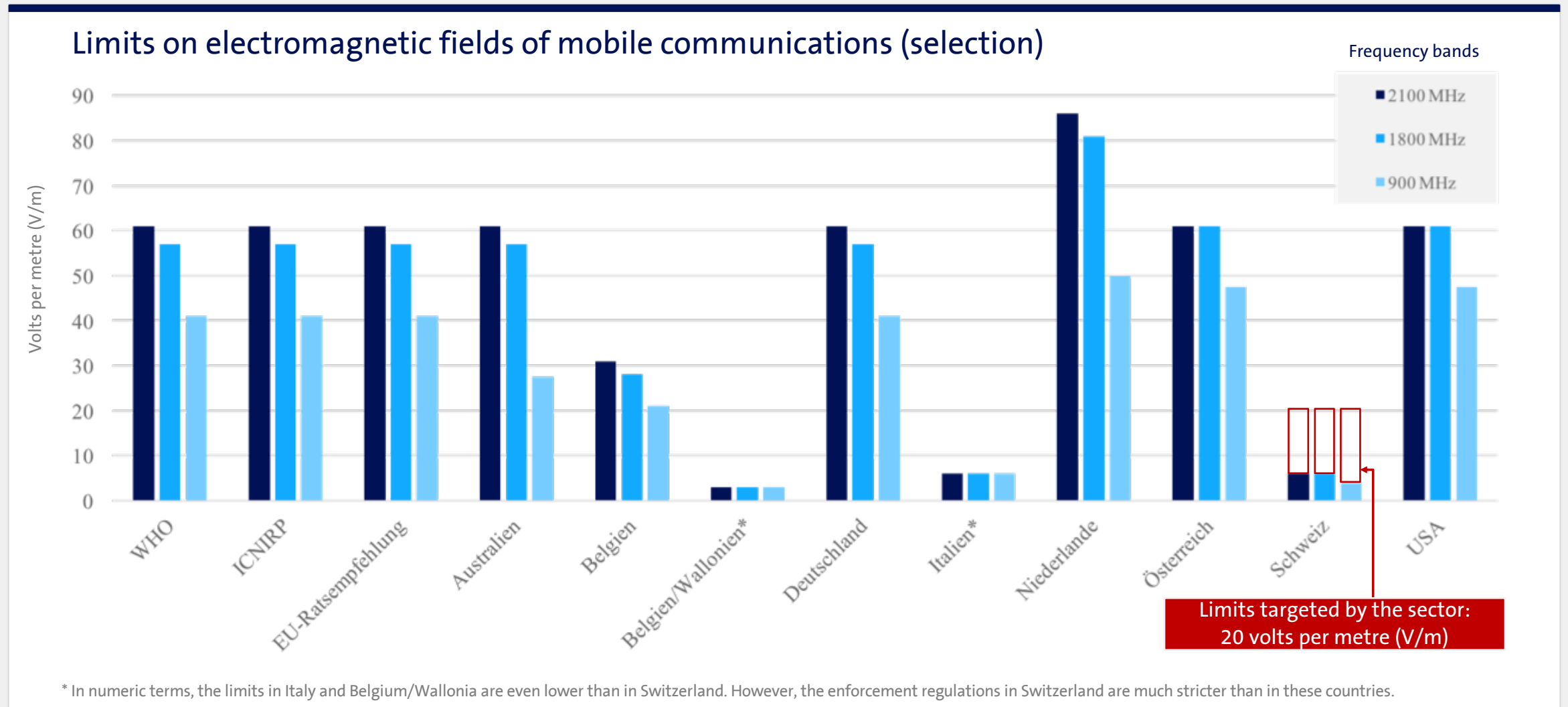
Expanding the mobile network

Other countries have already allocated their frequencies



Expanding the mobile network

Higher limits are necessary



Financial outlook for 2018

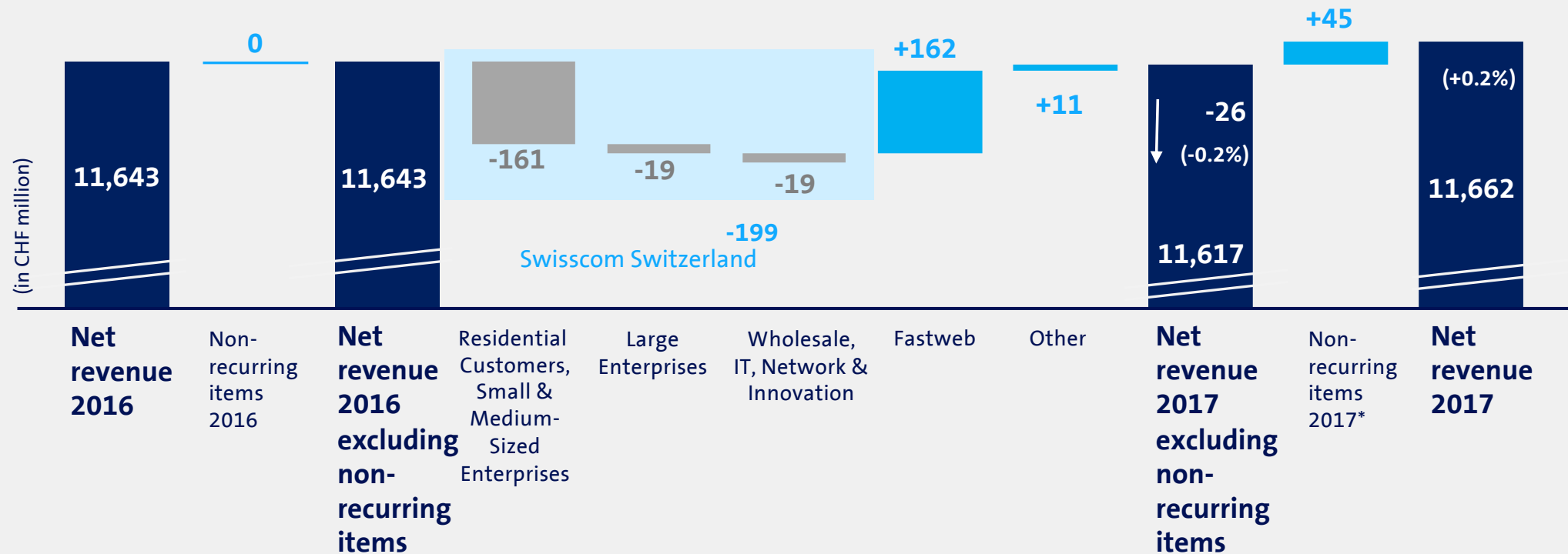
in CHF billion	2017 financial statement	Outlook for 2018
Revenue	11.662	~ 11.6
EBITDA	4.295	~ 4.2
Investment	2.378	~ 2.4

Mario Rossi

Chief Financial Officer

Net revenue

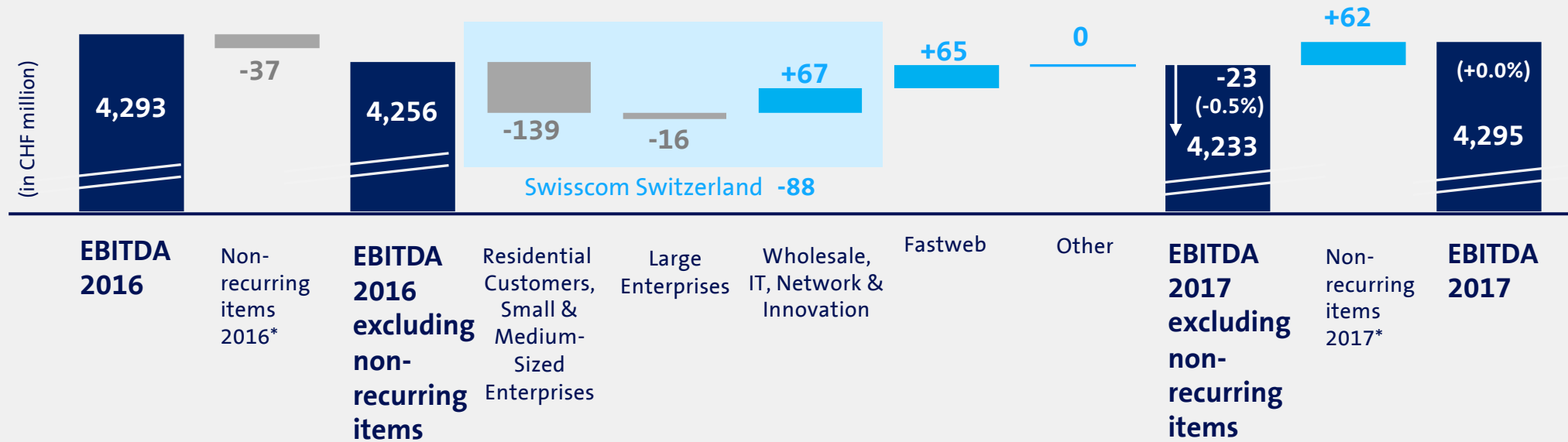
Adjusted CHF -26 million (-0.2%) below previous year



- Non-recurring items 2017: Exchange rate (CHF +45 million)

Operating income

EBITDA excluding non-recurring items of CHF 4.23 billion (-0.5%)

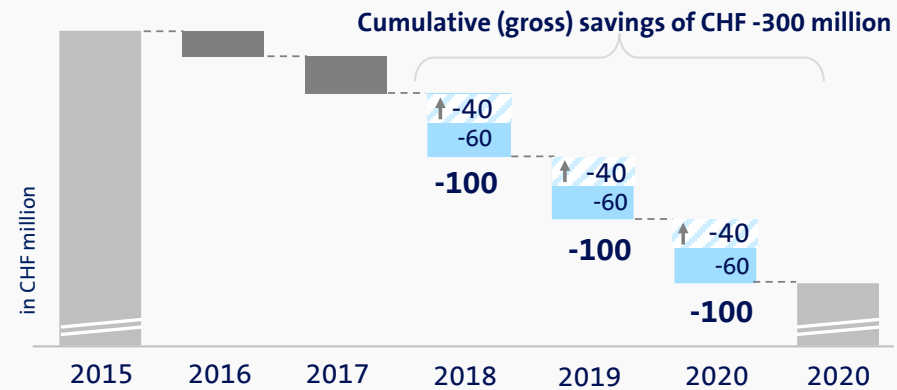


- Non-recurring items 2016: Income from legal proceedings (Fastweb, CHF -60 million), provisions (CHF +40 million), lower gains from the sale of real estate (CHF -17 million)
- Non-recurring items 2017: Income from legal proceedings (Fastweb, CHF +102 million), provisions (CHF -61 million), exchange rate (CHF +17 million), gains from the sale of real estate (CHF +4 million)

Cost management

New cost targets for 2018 to 2020

Cost targets for 2018 to 2020 approx. +70% higher



**Reduce
OPEX**

- > Push **operational excellence** and **simplicity**
- > Improve **labour resources**
- > Exploit advantages of **digital transformation**

**to ensure
EBITDA**

**Optimise
CAPEX**

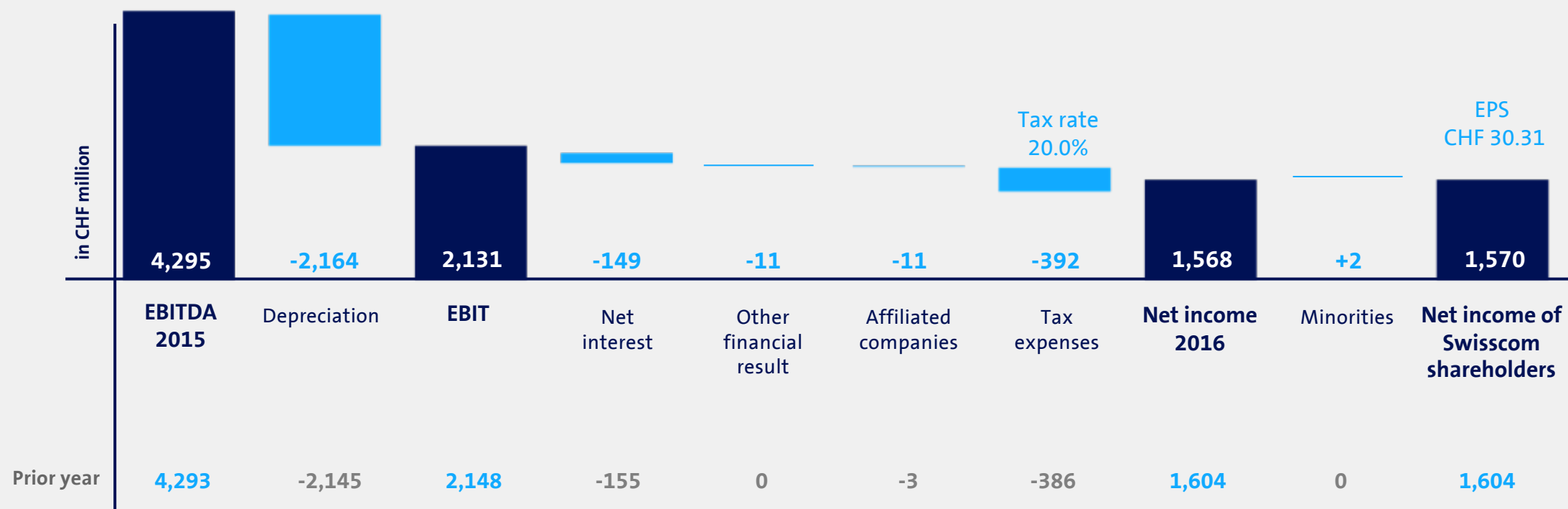
- > Increase **efficiency of network expansion**
- > Optimise **CAPEX project**

**to maximise
FCF**

New cost savings target for 2018 to 2020 of CHF -300 million

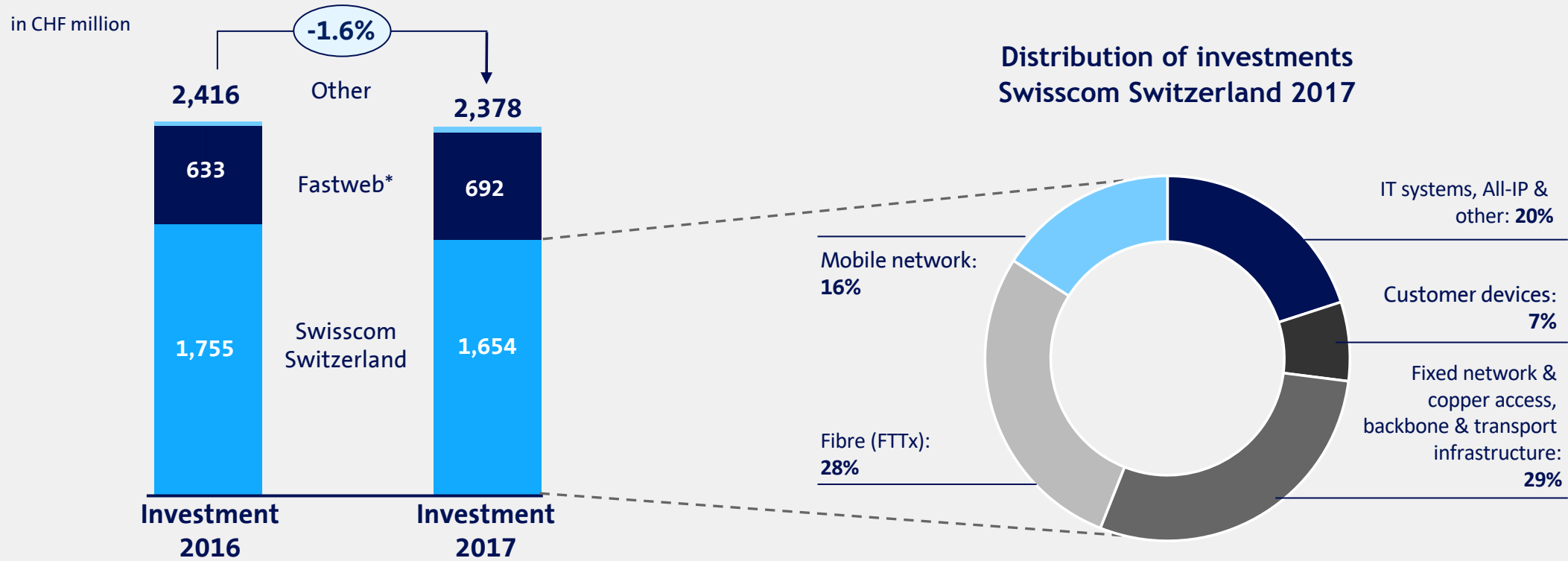
Income statement

Net income of CHF 1.57 billion



Investment

CHF 2.4 billion invested, or one fifth of net revenue

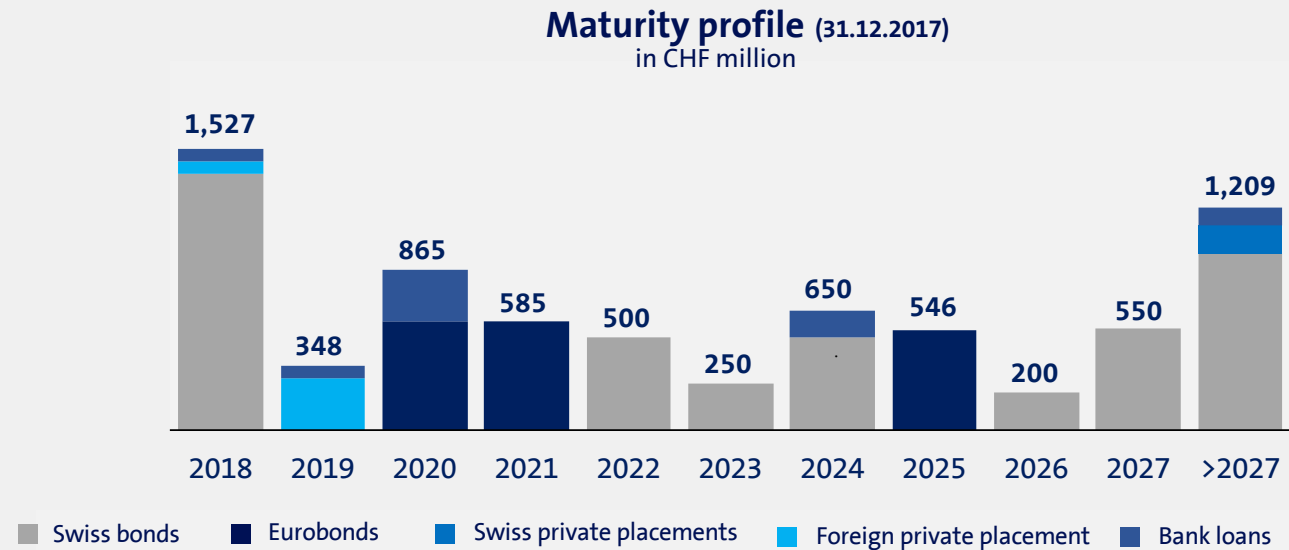
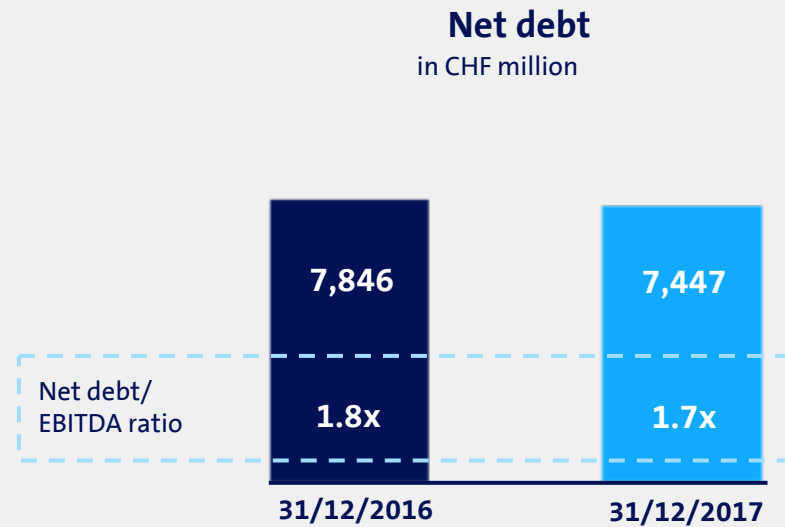


- > Further optical fibre expansion in Switzerland
- > Swisscom Switzerland lower by CHF -101 million year-on-year due to less customer-driven investment and less project volume
- > In local currency, Fastweb higher by 7.1% due to customer-driven investments

* In local currency in 2016: EUR 581 million, in 2017: CHF 622 million

Net debt and maturity profile as at 31 Dec. 2015

Financing costs further improved



Short-term money market borrowings are not shown in the maturity profile

- › Average financing costs 1.7%
- › Average term of fixed-interest rate 5.3 years
- › Breakdown of fixed/variable components 84% / 16%

Dividends

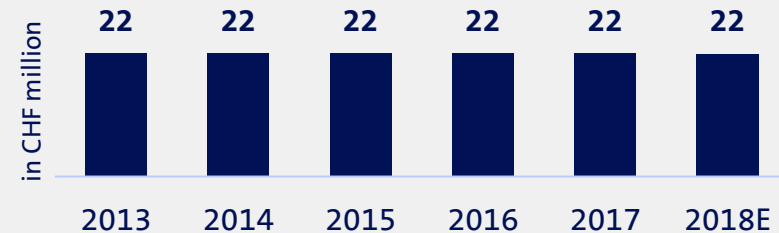
Commensurate with cash flow and capital allocation

Dividend policy



- > Swisscom pursues a policy of **stable dividend payments** that are commensurate with **cash flow** and **capital allocation**
- > Swisscom strives to maintain a **solid A rating**, an **equity ratio** of ~30% and a **net debt/EBITDA ratio** of **1.9x**

Dividend trend



- > Dividends stable since **2011**
- > **AGM proposal** (4 April 2018): dividend of **CHF 22 per share**
- > **Deadlines in 2018**: final trading day with dividend entitlement; 6 April 2017: first trading day without dividend entitlement; 10 April 2017: dividend payment



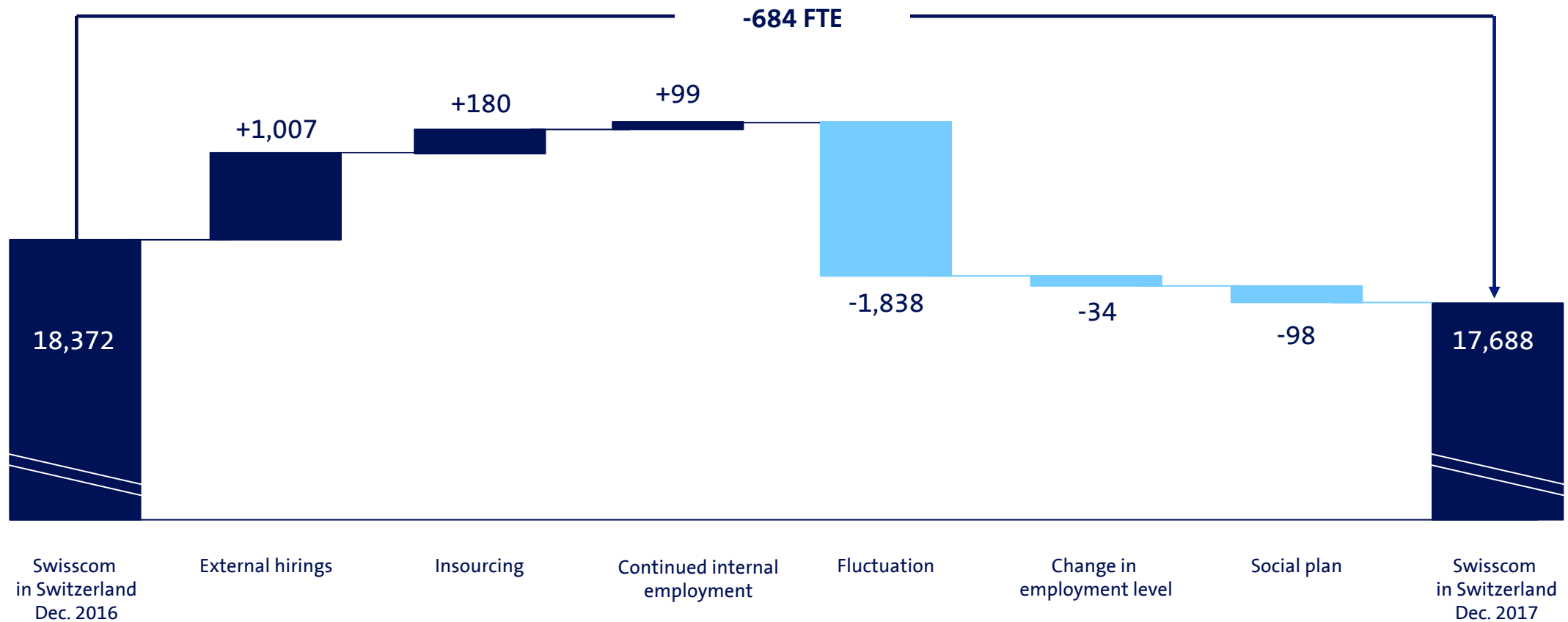
Swisscom has stable, sustainable performance

Hans Werner

Chief Personnel Officer

Headcount development

Review 2017



Headcount development

Support measures for employees affected by reductions

- › Investment in training and education
- › Employability measures
- › Progress meetings/career reflections
- › Continued employment within Swisscom

- › Social plan providing above-average benefits for CEA employees
- › New placement for management staff (coaching and continued payment of salary)



Philippe Vuilleumier

Head of Group Security

What happened?

Interaction between customer – partner – Swisscom



What happened?

Interaction between customer – partner – Swisscom



Swisscom tightens security measures

Security measures & customer information

Tougher security measures:

- > Stricter monitoring of access by partner companies for unusual activities
- > Automatic alarm in the event of unusual activities and quick blocking of access of the partner company in question
- > Technical prevention of automated queries in large volumes
- > Introduction of two-factor authentication for all necessary data access of sales partners

Customer information:

- > Mobile customers can request information by sending an SMS with the relevant keyword to 444
- > Fixed network and corporate customers: written notification
- > Web page: www.swisscom.ch/kundenangaben

Following these rules is still important, however:

- > Activate call filter
- > Never reveal passwords to callers
- > Never return calls to unknown foreign numbers (“ping calls”)

Swisscom tightens security measures

Pro memoria: an overview of the facts

- › The login and password of one of the 3,500 Swisscom sales partners were hijacked and used to gain access to information on 800,000 customers.
- › This was not a hacker attack, but a case of misuse of the legally issued login data of a sales partner.
- › The customer information affected included customers' phone numbers, first and last names, addresses and dates of birth.
- › Highly sensitive data such as passwords, call information and payment details were not affected. This sensitive data has been subject to stricter protective mechanisms for some time already.
- › Corrective measures have already been introduced that will prevent anything like this from ever happening again.
- › The Federal Data Protection Commissioner was initially informed in December, and Swisscom reserves the right to take any and all legal action it deems necessary.
- › Most importantly of all: no suspicious activity has been determined at this time that could be detrimental to customers.

(Your questions)



Thank you!