

Interim report to the end of September 2014:

Higher revenue and net income for Swisscom; 2 million Fastweb customers

	1.1.-30.9.2013	1.1.-30.9.2014	Change
Net revenue (in CHF million)	8,463	8,629	2.0%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	3,248	3,372	3.8%
Operating income EBIT (in CHF million)	1,747	1,839	5.3%
Net income (in CHF million)	1,273	1,349	6.0%
Swisscom TV connections in Switzerland (as at 30 September in thousands)	943	1,125	19.3%
Mobile lines in Switzerland (as at 30 September in thousands)	6,346	6,499	2.4%
Revenue from bundled contracts (in CHF million)	1,129	1,405	24.4%
Broadband lines Fastweb (as at 30 September in thousands)	1,911	2,016	5.5%
Capital expenditure (in CHF million)	1,600	1,727	7.9%
Capital expenditure Switzerland (in CHF million)	1,115	1,232	10.5%
Group employees (FTEs as at 30 September)	20,194	21,075	4.4%
Of which Switzerland (FTEs as at 30 September)	17,449	18,220	4.4%

- **Growth in revenue (+2.0%), EBITDA (+3.8%) and net income (+6.0%)**
- **2 million mobile customers benefit from unlimited usage (Natel infinity)**
- **Number of Swisscom TV customers grows by 182,000 to 1.13 million within a year**
- **Fastweb increases its revenue and EBITDA, and the number of broadband customers grows to 2 million**
- **High investment in the future continues (+7.9%)**
- **Expected growth in revenue and operating income for 2014 unchanged**



“Business has been very good in the first nine months of 2014. Despite high price pressure, revenue and operating income continued to grow,” says CEO Urs Schaeppi. “We have already reached the 2-million-customer mark for Natel infinity in Switzerland and for broadband customers in Italy.”

High level of price erosion in Swiss core business offset by growth

In the first nine months of 2014, Swisscom's net revenue increased by CHF 166 million to CHF 8,629 million, which corresponds to an increase of 2.0% compared with the prior-year period. Adjusted for acquisitions and currency effects, and excluding Fastweb's hubbing (wholesale revenue from interconnection services), revenue increased by CHF 127 million or 1.5%, of which CHF 83 million was attributable to the Swiss business. Price erosion of CHF 280 million in the Swiss core business (CHF 125 million of which was attributable to lower roaming charges) was more than offset by customer and volume growth of CHF 363 million.

EBITDA rose 3.8% or CHF 124 million to CHF 3,372 million. Adjusted, the increase amounted to 1.9% or CHF 60 million. At CHF 1,349 million, net income is up CHF 76 million or 6%, primarily as a result of the improved operating income.

Overall Group headcount increased by 881 FTEs to 21,075, an increase of 4.4%. Adjusted for company acquisitions, headcount increased by 154 FTEs or 0.8% due primarily to the insourcing of external staff and measures aimed at strengthening customer service. In Switzerland, headcount increased by 771 FTEs or 4.4% to 18,220 mainly as a result of the acquisition of PubliGroupe Ltd in September 2014.

Group-wide capital expenditure increased by CHF 127 million or 7.9% to CHF 1,727 million, in Switzerland by CHF 117 million or 10.5% to CHF 1,232 million. Capital expenditure in Switzerland was primarily on broadband infrastructure. At the end of September, in excess of 1.1 million homes and businesses were connected to ultra-fast broadband via their fixed lines, allowing them to benefit from high bandwidths of up to 1 Gbps.

High-speed 4G/LTE network expands – mobile data traffic grows at tremendous pace

The further expansion of the high-speed 4G/LTE network was continued in the past months. More than 94% of all Swisscom customers are able to enjoy the advantages of the latest-generation mobile network, whether it is via higher speeds or larger capacities. This means that Swisscom offers the best mobile network coverage of all Swiss mobile network operators. By the end of 2016, 99% of the Swiss public should have access to bandwidths of up to 150 Mbps. Swisscom is currently testing 4G/LTE bandwidths of up to 450 Mbps, which are expected to go on offer at the end of 2015.

Expanding the mobile network is essential, since mobile data traffic continues to increase at a rapid pace. In the first nine months of 2014 the volume of mobile data traffic leapt by 92% compared with the prior-year period. The use of mobile data while abroad is also continuing to grow, thanks to diminishing roaming prices. The data volume transferred during the summer holidays doubled within the space of a year.

Bundled offerings and infinity booming

The trend towards bundled offerings and new pricing models such as flat-rate tariffs continues



unabated. In September, Swisscom integrated TV 2.0, launched in the spring, into all packages. By the end of September, the number of customers using a bundled package had increased year-on-year by 23% to 1,154 million. Revenue from bundled contracts rose by 24.4% to CHF 1,405 million, with the main drivers of this business being television and mobile. The number of revenue generating units (RGUs) increased year-on-year by 332,000 or 2.8% to 12.3 million.

Introduced in June 2012, the NATEL infinity mobile subscriptions, which offer customers unlimited phone calls and SMS messages to all Swiss networks as well as unlimited web browsing, continue to grow at a high rate. At the end of September 2014, 2.0 million customers, or roughly 61% of all subscription customers (excluding corporate customers), were using Natel infinity offerings. The number of mobile lines increased year-on-year by 153,000 or 2.4% to 6.5 million. The trend from prepaid offerings to subscriptions continues: the number of postpaid customers increased by 161,000 (individual and bundled offerings), while the number of prepaid customers declined by 8,000.

Swisscom TV 2.0 boosts business – growth in broadband connections

Fixed network business is also enjoying sustained growth, with the number of Swisscom TV access lines in the third quarter increasing by 34,000 to 1.13 million. On an annual basis, this equates to growth of 182,000 or 19.3%. Swisscom TV 2.0 was launched at the beginning of April 2014 and offers a number of extended features. By the end of September, it had already attracted 152,000 customers, most of whom had upgraded from a previous Swisscom offering to a higher quality bundled offering. The Cloud-based recording feature allows users to record any number of programmes in parallel and access the recordings on a variety of devices; the Replay feature has been extended from 30 hours to seven days. The number of fixed broadband access lines grew in the third quarter by 17,000 to 1.87 million, or on annual basis by 5.1% or 91,000.

Fastweb increases revenue and EBITDA, already has 2 million broadband customers

Fastweb's revenue in Italy rose by EUR 17 million or 1.4% to EUR 1,230 million. As planned, Fastweb further reduced its wholesale revenue from low-margin interconnection services (hubbing). The hubbing business excluded, revenue rose by EUR 30 million or 2.5% to EUR 1,209 million. Despite a difficult market environment, Fastweb's customer base grew year-on-year by 105,000 or 5.5% to 2.02 million.

The segment result before depreciation and amortisation (EBITDA) increased by EUR 34 million year-on-year, or 10.1%, to EUR 370 million, with EUR 21 million being attributable to non-recurring regulatory items. Adjusted for these items, EBITDA increased by EUR 13 million or 3.9%. Capital expenditure increased by EUR 13 million or 3.3% to EUR 406 million due to higher levels of investment in network and IT infrastructure and the wholesale business.

Growth in revenue and operating income for 2014 expected

Swisscom's outlook for 2014 remains unchanged, with an expected moderate increase in revenue to CHF 11.5 billion, EBITDA of at least CHF 4.4 billion and capital expenditure in the region of CHF 2.4 billion. Swisscom acquired PubliGroupe Ltd in September 2014. The additional revenue of

around CHF 30 million generated by this acquisition has been factored into the expected figures for 2014. The impact on the other financial key figures for the current year will be minimal. Subject to achieving its targets, Swisscom will again propose a dividend of CHF 22 per share for the 2014 financial year at the 2015 Annual General Meeting.

Detailed interim report:

<http://www.swisscom.ch/q3-report-2014>

Related documents:

<http://www.swisscom.ch/ir>

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