

First-Quarter 2015 Interim Report:

Swisscom reports growth in revenue and customers – higher EBITDA on a like-for-like basis

	1.1.-31.3. 2014	1.1.-31.3. 2015	Change
Net revenue (in CHF million)	2,821	2,893	2.6%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	1,061	1,051	-0.9%
Operating income EBIT (in CHF million)	551	544	-1.3%
Net income (in CHF million)	373	351	-5.9%
Swisscom TV access lines in Switzerland (in thousands at 31 March)	1,052	1,201	14.2%
Mobile access lines in Switzerland (in thousands at 31 March)	6,429	6,555	2.0%
Revenue from bundled contracts (in CHF million)	439	530	20.7%
Broadband access lines Fastweb (in thousands at 31 March)	1,984	2,124	7.1%
Capital expenditure (in CHF million)	519	549	5.8%
Of which capital expenditure Switzerland (in CHF million)	345	388	12.5%
Group headcount (FTEs at 31 March)	20,081	21,599	7.6%
Of which Switzerland (FTEs at 31 March)	17,395	18,776	7.9%

- **2.6% revenue growth; 2.9% after adjusting for company acquisitions and exchange rates**
- **EBITDA down by 0.9%, but higher at 2.4% on a like-for-like basis**
- **Net income down by 5.9% due to lower EBITDA and higher net financial expense**
- **Mobile data traffic doubled within the space of a year**
- **Strong growth in revenue from bundled contracts of 20.7%**
- **More TV (+14.2%) and mobile phone (+2.0%) customers**
- **Fastweb generates more revenue in euro (+8.3%) and EBITDA (11.1%) and reports a 7.1% rise in customers**



- **Sustained high investment (+5.8%) in the future**
- **Financial outlook for 2015 remain unchanged**

“Despite currency turbulence and rising competitive pressure, we started off the year with good results,” said CEO Urs Schaeppi. “Our business is shaped by sustained high investment coupled with simultaneous price pressure. Our launch of Natel infinity plus on 13 April practically eliminated roaming charges for a lot of our customers. This price reduction alone totalled more than CHF 100 million a year. We gained new customers with Swisscom TV, bundled contracts and at Fastweb.”

In the first quarter of 2015, Swisscom’s net revenue increased by CHF 72 million or 2.6% year-on-year to CHF 2,893 million. Adjusted for company acquisitions and on the basis of constant exchange rates, revenue increased by CHF 83 million or 2.9%, of which CHF 46 million was attributable to the Swiss business. EBITDA declined by 0.9% or CHF 10 million to CHF 1.051 million. Adjusted for company acquisitions and pension fund costs not affecting cash flow (in accordance with IAS 19) and on the basis of constant exchange rates, EBITDA increased by CHF 25 million or 2.4%. Net income fell by CHF 22 million or 5.9% to CHF 351 million as a result of lower operating income and higher net financial expense, which was largely attributable to foreign exchange losses.

1.5 million homes and businesses already connected with ultra-fast broadband

Group-wide capital expenditure increased by CHF 30 million or 5.8% to CHF 549 million; in Switzerland, it rose by CHF 43 million or 12.5% to CHF 388 million due to the expansion of broadband networks. By the end of March 2015, Swisscom had connected some 1.5 million homes and businesses with ultra-fast broadband – with either fibre-to-the-home (FTTH) or the latest fibre-optic technology such as fibre-to-the-street (FTTS), fibre-to-the-building (FTTB) and vectoring technology.

The Group’s headcount increased by 1,518 full-time equivalent positions or 7.6% to 21,599, largely as a result of the acquisition of PubliGroupe Ltd in September 2014 and of Veltigroup Ltd in January 2015. Excluding company acquisitions, the number of employees increased by 330 or 1.6% on account of an expansion in customer services and of broadband and connection networks. In Switzerland, the number of employees increased by 1,381 full-time equivalent positions or 7.9% to 18,776.

Mobile data traffic doubled within the space of a year

The further expansion of the high-speed 4G/LTE network is being continued. 98% of all Swisscom customers are able to enjoy the advantages of the latest-generation mobile network, whether 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. By the end of March 2015, 101% more mobile data traffic was being transmitted than during the prior-year period.

120,000 customers already signed up for Natel infinity plus



The Natel infinity mobile offering that makes unlimited calling, texting and surfing possible is still very popular. By the end of March 2015, 2.14 million customers, or 65% of all subscription customers (excluding corporate customers), were using Natel infinity offerings. The number of mobile lines increased year-on-year by 126,000 or 2.0% to 6.6 million (+15,000 in the first quarter).

The use of mobile data while abroad is also continuing to grow, thanks to diminishing roaming prices, with data volumes doubling over the prior-year period. Since 13 April, customers have had the option of carefree use within the EU with the new Natel infinity plus subscriptions: unlimited calls and SMS as well as 1 GB of mobile data are included in all new infinity plus subscriptions. By the end of April, infinity plus had already attracted 120,000 customers.

The number of postpaid lines including bundled offerings rose by 150,000 (+29,000 in the first quarter) year-on-year, while the number of prepaid lines declined by 24,000 (-14,000 in the first quarter). In the first quarter of 2015, Swisscom Switzerland sold a total of 337,000 mobile handsets (+1.5%). The number of smartphone users further increased, with the share of postpaid subscribers rising from 70% to 74% within the space of a year.

Success with bundled offerings – 441,000 customers already using Swisscom TV 2.0

The trend towards bundled offerings with flat-rate tariffs continues. By the end of March 2015, the number of customers using a bundled package had increased year-on-year by 198,000 or 18.7% to 1.26 million. Revenue from bundled contracts increased year-on-year by CHF 91 million or 20.7% to CHF 530 million, while the number of revenue generating units (RGU) increased year-on-year by 229,000 or 1.9% to 12.4 million.

The fixed network business is also enjoying sustained growth: the number of Swisscom TV connections increased year-on-year by 149,000 or 14.2% to 1.2 million (+36,000 in the first quarter). Swisscom TV 2.0, which was launched in April 2014 and offers additional functions, had already attracted 441,000 customers by the end of March 2015, most of whom had upgraded from a previous Swisscom offering to a higher quality bundled offering. The number of fixed and broadband lines grew by 75,000 or 4.1% year-on-year to 1.91 million.

New Enterprise Customers division increases revenue

Swisscom is one of the largest integrated ICT providers in Switzerland for corporate customers. The new Enterprise Customers division that grew out of the merger of Swisscom's IT and telecoms activities in 2014 increased revenue with external customers by CHF 29 million or 5.0% year-on-year to CHF 607 million. Adjusted for company acquisitions, revenue fell slightly by 0.5%. Swisscom acquired some major customers in the first quarter, including those interested in the cloud and machine-to-machine (M2M) applications. To enable devices to communicate more efficiently with each other in future, Swisscom is testing a low-power network for the Internet of Things that supplements existing M2M solutions on a mobile basis.

Fastweb generates higher revenue and EBITDA

The revenue reported by Fastweb in Italy rose by EUR 33 million or 8.3% to EUR 429 million owing to customer growth. Despite a difficult market environment, Fastweb's customer base in broadband business grew by 140,000 or 7.1% year-on-year to 2.12 million (+52,000 in the first quarter). Fierce



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competition reduced average revenue per residential broadband customer by around 3% over the prior-year period. This decline was offset by customer growth, with revenue from residential customers rising accordingly by EUR 5 million or 2.7% year-on-year to EUR 193 million. Revenue from corporate business increased by EUR 14 million or 7.9% to EUR 191 million, while wholesale business revenue was up by EUR 14 million to EUR 37 million.

The segment result before depreciation and amortisation (EBITDA) was up by EUR 12 million or 11.1% year-on-year to EUR 120 million. This increase related mainly to higher revenue. The profit margin increased by 0.7 percentage points to 28.0%. Capital expenditure rose by EUR 5 million or 3.5% to EUR 147 million as a result of higher customer-driven capital expenditure.

Financial outlook for 2015 remains unchanged

The financial outlook for 2015 remains unchanged. Swisscom expects net revenue of more than CHF 11.4 billion, EBITDA of some CHF 4.2 billion and capital expenditure of CHF 2.3 billion. This financial outlook continues to be based on a EUR/CHF exchange rate of CHF 1.00. If all targets are met, Swisscom will propose to the Annual General Meeting of Shareholders payment of an unchanged ordinary dividend of CHF 22 per share for the 2015 financial year.

Detailed interim report:

<http://www.swisscom.ch/q1-report-2015>

Related documents:

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

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