

Interim report for the first half of 2015:

Solid performance despite price cuts, currency effects and strong competition

	1.1.–30.6.2014	1.1.–30.6.2015	Change
Net revenue (in CHF million)	5,700	5,758	1.0%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	2,182	2,133	-2.2%
Operating income EBIT (in CHF million)	1,160	1,105	-4.7%
Net income (in CHF million)	806	784	-2.7%
Swisscom TV access lines in Switzerland (as at 30 June in thousands)	1,091	1,238	13.5%
Mobile lines in Switzerland (as at 30 June in thousands)	6,460	6,571	1.7%
Revenue from bundled contracts (in CHF million)	909	1,077	18.5%
Broadband lines Fastweb (as at 30 June in thousands)	1,994	2,157	8.2%
Capital expenditure (in CHF million)	1,117	1,142	2.2%
Of which capital expenditure Switzerland (in CHF million)	769	842	9.5%
Headcount Group (FTEs as at 30 June)	20,228	21,486	6.2%
Of which Switzerland (FTEs as at 30 June)	17,545	18,828	7.3%

- **Revenue rose 1.0% – adjusted for company acquisitions, disposals and exchange rates, this increased to 1.8%**
- **EBITDA down by 2.2%, but rose 1.9% on a like-for-like basis**
- **Net income fell by 2.7%, while reduced interest expense partially offset the drop in EBITDA**
- **Roaming data traffic increased by a factor of 2.3 thanks to price cuts in the first half of the year**
- **More than 2.5 million fixed-network lines were connected to ultra-fast broadband with speeds in excess of 50 Mbps**
- **Sustained high level of capital expenditure in the future (+9.5% in Switzerland)**
- **Fastweb posts higher revenue in EUR (+6.9%) and an increase in EBITDA (+10.2%)**
- **Due to the adjusted EUR exchange rate, there are now slightly higher financial expectations for 2015**

“Despite price cuts for roaming services, currency effects and strong competition, we enjoyed a solid and pleasing result in the first half of the year,” said CEO Urs Schaeppi. “On a like-for-like basis, we increased revenue and operating income (EBITDA). We are investing heavily in our network and new offerings, and have gained a large number of new customers, particularly with Swisscom TV and bundled contracts. Fastweb has been performing very well in the Italian market and increased its customer base by more than 8%.”

In the first half of 2015, Swisscom’s net revenue increased by CHF 58 million or 1.0% year-on-year to CHF 5,758 million. Adjusted for company acquisitions and disposals and on the basis of constant exchange rates, revenue increased by CHF 105 million or 1.8%, of which CHF 41 million was attributable to the Swiss business. EBITDA declined by 2.2% or CHF 49 million to CHF 2,133 million. Adjusted for non-recurring items (company acquisitions and disposals, gains from the sale of real estate, and pension fund costs not affecting cash flow) and on the basis of constant exchange rates, EBITDA increased by CHF 40 million or 1.9%. Net income fell by 2.7% to CHF 784 million, with the lower interest expense partially offsetting the lower operating income.

More than 2.5 million lines were connected to ultra-fast broadband with speeds in excess of 50 Mbps

Group-wide capital expenditure increased by CHF 25 million or 2.2% to CHF 1,142 million; in Switzerland, it rose by CHF 73 million or 9.5% to CHF 842 million due to the expansion of broadband networks. As at the end of June 2015, Swisscom had connected more than 2.5 million homes and businesses to ultra-fast broadband with speeds in excess of 50 Mbps. Of this number, around 1.6 million lines were equipped with the latest fibre-optic technology.

The Group’s headcount increased by 1,258 full-time equivalent positions or 6.2% to 21,486, largely as a result of the acquisition of PubliGroupe Ltd in September 2014 and of Veltigroup Ltd in January 2015. Swisscom sold its subsidiary Alphapay in May 2015 and Hospitality Services in June 2015. Excluding company acquisitions and disposals, the number of employees increased by 348 or 1.7% on account of an expansion in customer services and of broadband and connection networks. In Switzerland, the number of employees increased by 1,283 full-time equivalent positions or 7.3% to 18,828.

4G/LTE network coverage reaches 98%

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. In the first half of 2015, the volume of mobile data transmitted doubled in comparison with the prior-year period. Swisscom is also set to start offering WiFi Calling this summer, which allows telephone calls to be made over any WLAN. This service will thus improve mobile coverage within buildings.



Roaming data traffic tripled in July

The Natel infinity mobile offering that provides unlimited calls, texts and data is still very popular. At the end of June 2015, 2.2 million customers, or 67% of subscription customers (excluding corporate customers), were using the Natel infinity offerings (including infinity plus). The number of mobile lines increased year-on-year by 111,000 or 1.7% to 6.6 million (+31,000 in the first half of the year).

The growth in roaming data traffic accelerated as a result of the drop in prices. In the first half of the year, volumes rose by a factor of 2.3 in comparison with 2014, and tripled in July. Customers with the Natel infinity plus package can enjoy carefree use of their phones within the EU, with unlimited calls and SMS as well as 1 GB of mobile data for 30 days per year included in all infinity plus subscriptions. The associated price reduction amounts to over CHF 100 million in the current year. By the end of June, infinity plus had already attracted 369,000 customers, with this figure rising to 500,000 by the end of July.

The number of postpaid lines including bundled offerings rose by 145,000 (+63,000 in the first half of the year) year-on-year, while the number of prepaid lines declined by 34,000 (-32,000 in the first half of the year) in comparison with 2014. In the first half of 2015, Swisscom sold a total of 620,000 mobile handsets (-8.6%). The number of postpaid smartphone users increased from 71% to 74% within the space of a year.

Success with bundled offerings – 564,000 customers already using Swisscom TV 2.0

Bundled offerings for a flat-rate fee continue to be popular. By the end of June 2015, the number of customers using a bundled package had increased year-on-year by 197,000 or 17.7% to 1.31 million. Revenue from bundled contracts rose year-on-year by CHF 168 million or 18.5% to CHF 1,077 million.

The fixed network business is also enjoying sustained growth: the number of Swisscom TV connections increased year-on-year by 147,000 or 13.5% to 1.2 million (+73,000 in the first half of the year). Swisscom TV 2.0 had already attracted 564,000 customers by the end of June 2015. The number of fixed-line broadband connections (retail) enjoyed a year-on-year increase of 67,000 or 3.6% to 1.92 million. The growth of TV and broadband connections more than offset the decline in the number of fixed network connections (-133,000 year-on-year). The number of revenue generating units (RGUs) increased year-on-year by 192,000 or 1.6% to 12.4 million.

Incoming orders from corporate customers rose 20%

Swisscom is one of the largest integrated ICT providers in Switzerland. 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 41 million or 3.5% year-on-year to CHF 1,205 million. Adjusted for company acquisitions, revenue fell by 1.5% as a result of strong price pressure. Swisscom gained well-known business customers with a focus on the implementation of cloud and digitisation strategies. Incoming orders rose by 20% year-on-year.

Strong first half of the year at Fastweb – 8.2% rise in customers

The revenue reported by Fastweb in Italy rose by EUR 56 million or 6.9% to EUR 862 million owing to customer growth. Despite a difficult market environment, Fastweb's customer base in broadband business grew by 163,000 or 8.2% year-on-year to 2.16 million (+85,000 in the first half of the year).



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Fierce competition reduced average revenue per residential broadband customer by around 4% versus the prior-year period. This decline was offset by customer growth, with revenue from residential customers rising accordingly by EUR 13 million or 3.5% year-on-year to EUR 389 million. Revenue from corporate business increased by EUR 26 million or 7.1% to EUR 391 million, while wholesale business revenue was up by EUR 17 million to EUR 66 million.

The segment result before depreciation and amortisation (EBITDA) was up by EUR 24 million or 10.2% year-on-year to EUR 260 million. This increase related mainly to higher revenue. The profit margin increased by 0.9 percentage points to 30.2%. Capital expenditure decreased by EUR 5 million, or 1.8%, to CHF 279 million due to lower levels of investment in the latest fibre-optic technology (FTTS).

Financial outlook for 2015 now on the basis of a higher EUR exchange rate

The financial outlook for fiscal year 2015 is now based on an average EUR exchange rate of CHF 1.05 (previously, the EUR/CHF exchange rate was at parity). As a result, the expectations for revenue, EBITDA and capital expenditure are somewhat higher. Swisscom expects net revenue of more than CHF 11.5 billion, EBITDA in excess of CHF 4.2 billion and capital expenditure of over CHF 2.3 billion. If the targets are met, Swisscom will propose to the Annual General Meeting of Shareholders payment of an unchanged dividend of CHF 22 per share for the 2015 financial year.

Detailed interim report:

<http://www.swisscom.ch/q2-report-2015>

Related documents:

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

Berne, 19 August 2015

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