

Interim report as at the end of September 2015:

Swisscom increases revenue and adjusted operating income (EBITDA)

	1.1.–30.9.2014	1.1.–30.9.2015	Change (adjusted)
Net revenue (in CHF million)	8,629	8,651	0.3% (1.2%)
Operating income before depreciation and amortisation, EBITDA (in CHF million)	3,372	3,099	-8.1% (2.2%)
Operating income EBIT (in CHF million)	1,839	1,554	-15.5%
Net income (in CHF million)	1,349	1,058	-21.6%
Swisscom TV access lines in Switzerland (as at 30 September in thousands)	1,125	1,275	13.3%
Mobile access lines in Switzerland (as at 30 September in thousands)	6,499	6,618	1.8%
Revenue from bundled contracts (in CHF million)	1,405	1,647	17.2%
Broadband access lines Fastweb (as at 30 September in thousands)	2,016	2,172	7.7%
Capital expenditure (in CHF million)	1,727	1,737	0.6%
Of which capital expenditure Switzerland (in CHF million)	1,232	1,302	5.7%
Group employees (FTEs as at 30 September)	21,075	21,603	2.5%
Of which employees in Switzerland (FTEs as at 30 September)	18,220	18,936	3.9%

- **Revenue rose 0.3% – adjusted for company acquisitions, disposals and exchange rates, this increased to 1.2%**
- **EBITDA down by 8.1%, but rose 2.2% on a like-for-like basis**
- **CHF 186 million provision for the proceedings regarding broadband services – Swisscom lodges appeal**
- **Roaming data traffic increased by a factor of 2.5 thanks to price cuts**



- **High level of capital expenditure in broadband networks and IT (+5.7% in Switzerland)**
- **Fastweb posts higher revenue in EUR (+4.6%) and an increase in EBITDA (+9.5%)**
- **Swisscom strengthening areas with close customer proximity and gearing itself towards digitisation**

“Price reductions for roaming fees, currency effects and more intense competition characterised our business in the third quarter,” said CEO Urs Schaeppi. “In view of the difficult environment, I am satisfied with the result. On a like-for-like basis, we increased revenue and operating income (EBITDA). Fastweb recorded positive customer growth in the Italian market of 7.7%.”

In the first three quarters of 2015, Swisscom’s net revenue increased by CHF 22 million or 0.3% year-on-year to CHF 8,651 million. Excluding company acquisitions and disposals and on the basis of constant exchange rates, revenue increased by CHF 103 million or 1.2%, of which CHF 38 million was attributable to the Swiss business.

Higher adjusted EBITDA

Swisscom increased its adjusted operating income (EBITDA), but the recognised EBITDA fell as a result of non-recurring items by CHF 273 million or 8.1% to CHF 3,099 million. The main reason for this decline is the provision for ongoing proceedings: At the beginning of October 2015, the Federal Administrative Court confirmed in principle the provision issued by the Competition Commission for the alleged improper pricing of broadband services in the period up until the end of 2007; however, it reduced the penalty to CHF 186 million. Swisscom therefore recognised this amount as a provision in its income statement for the third quarter. Swisscom does not consider the sanction justified and has lodged an appeal with the Federal Court. Adjusted for this sanction and other non-recurring items such as company acquisitions and disposals, gains from the sale of real estate (CHF 51 million), pension costs not affecting cash flow (CHF 50 million) and on the basis of constant exchange rates (CHF 58 million), EBITDA increased by CHF 72 million or 2.2%. Net income declined by 21.6% to CHF 1,058 million, largely due to one-off effects.

Group headcount increased by 528 FTEs to 21,603, an increase of 2.5%. In January 2015, Swisscom acquired Veltigroup Ltd, in May it sold its Alphapay subsidiary and in June it disposed of Swisscom Hospitality Services. In July 2015, Tamedia integrated search.ch into Swisscom subsidiary Directories Ltd. Excluding these acquisitions and disposals, the number of staff increased by 293 FTEs or 1.4%. This was due to the respective expansions of the customer service and the network.

Higher capital expenditure in network expansion and lower roaming prices increase data traffic

Group-wide capital expenditure increased by CHF 10 million or 0.6% to CHF 1,737 million; in Switzerland, it rose by CHF 70 million or 5.7% to CHF 1,302 million due to the expansion of broadband networks. As at the end of September 2015, Swisscom had connected more than 2.5 million homes and businesses to its ultra-fast broadband service (speeds in excess of 50 Mbps). Of this number, around 1.7 million lines were equipped with the latest fibre-optic technology.

Progress is continuing to be made on expanding the high-speed 4G/LTE network. 98% of all Swisscom customers are able to enjoy the advantages of the latest-generation mobile network, whether via higher speeds or larger capacities. With the launch of Advanced Calling, Swisscom significantly improved voice quality and coverage in homes in the last quarter, increasing 4G/LTE network capacity sharply. 70% of total mobile data traffic at Swisscom is already transmitted on the



4G/LTE network. Swisscom has announced that it will discontinue the outdated 2G network in Switzerland at the end of 2020 in order to free up frequencies for the new 5G technology. Further developing and expanding the mobile network is essential, since mobile data traffic continues to increase at a rapid pace. In the first three quarters of 2015, the volume of mobile data transmitted doubled in comparison with the prior-year period.

The number of mobile access lines increased year-on-year by 119,000 or 1.8% to 6.6 million. The growth of roaming data traffic has accelerated thanks to falling prices, with the volume increasing by a factor of 2.5 in the first three quarters. Customers with the Natel infinity plus package can also 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 resulting price reduction amounts to CHF 100 million for 2015. At the end of September, infinity plus had already attracted 663,000 customers.

The number of postpaid access lines increased year-on-year by 159,000, while the number of prepaid access lines declined by 40,000 in comparison with 2014. The number of postpaid smartphone users increased from 72% to 75% within the space of a year.

Sustained growth in Swisscom TV despite fierce competition

The fixed network business is also enjoying sustained growth: The number of Swisscom TV access lines rose year-on-year by 150,000 or 13.3% to 1.28 million despite fierce competition with cable network operators. Swisscom TV 2.0 had 688,000 customers on its books by the end of September. The number of fixed-line broadband connections (retail) enjoyed a year-on-year increase of 65,000 or 3.5% to 1.94 million. The growth in the number of TV and broadband connections (+152,000) more than offset the decline in the number of fixed network connections. The number of revenue generating units (RGUs) increased year-on-year by 182,000 or 1.5% to 12.5 million.

Bundled offerings for a flat-rate fee continue to be popular. By the end of September 2015, the number of customers using a bundled package had increased year-on-year by 202,000 or 17.5% to 1.36 million. Revenue from bundled contracts rose year-on-year by CHF 242 million or 17.2% to CHF 1,647 million.

Incoming orders in the Enterprise Customers division climb by 42%

Swisscom is one of the largest 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 55 million or 3.2% year-on-year to CHF 1,799 million. Adjusted for company acquisitions, revenue fell by 1.5% as a result of lower volumes in project business and strong price pressure. Swisscom gained well-known corporate customers for the implementation of cloud and digitisation strategies. Incoming orders rose by 42% year-on-year.

Fastweb attracts 7.7% more broadband customers

Fastweb's revenue in Italy increased by EUR 56 million or 4.6% to EUR 1,286 million thanks to customer growth. The customer base in the broadband business grew by 156,000 or 7.7% to 2.17 million within the period of a year despite the challenging market environment. Average revenue per broadband customer in the residential customer segment fell by around 3% year-on-year due to the intensive competition. However, this decline was outweighed by customer growth, with revenue from residential customers rising accordingly by EUR 22 million or 3.9% year-on-year to EUR

585 million. Revenue from corporate business increased by EUR 17 million or 3.0% to EUR 584 million, while wholesale business revenue was up by EUR 16 million to EUR 114 million.

The segment result before depreciation and amortisation (EBITDA) increased by EUR 35 million year-on-year or 9.5% to EUR 405 million. This increase was mainly the result of higher revenue. The profit margin increased by 1.4 percentage points to 31.5%. Capital expenditure remained on par with the previous year at EUR 403 million.

Swisscom strengthening areas with close customer proximity and gearing itself towards digitisation

In order to boost the company's effectiveness in the highly competitive ICT market, Swisscom is strengthening areas with close customer proximity and increasing the level of digitisation within its organisational structure from 1 January 2016 onwards. Distribution and Service for Residential Customers and SME and the Digital business will be merged together to form a single business unit. To exploit synergies and accommodate the increasing level of convergence, Product Development and Provision for Residential Customers and SME will likewise be combined as one. The organisational structure in business with corporate customers will continue to be simplified. The focus placed on corporate business shall remain of central importance for Swisscom.

The aim of the adjustments is to improve the customer experience from a single source, simplify processes and increase efficiency in order to create a greater sense of innovative freedom. As has been the case in the past few years, Swisscom is expecting to create new jobs in growth areas and at the same time reduce the workforce in other areas. In the wake of the efficiency improvement measures, Swisscom anticipates a slightly lower headcount for 2016. The restructuring will result in changes in the Group Executive Board. The new Products & Marketing unit will be headed by Dirk Wierzbitzki, who now has a seat on the Group Executive Board. The Head of the former Residential Customers unit, Marc Werner, will take over as Head of the new Sales & Services unit, while Roger Wüthrich-Hasenböhler, who was responsible for the former Small and Medium-Sized Enterprises unit, will head the new Digital Business unit. He will step down from the Group Executive Board at the end of the year and will subsequently report directly to the CEO. As of 1 January 2016, the Group Executive Board will comprise the following people: Urs Schaeppi, CEO, Mario Rossi, CFO, Hans Werner, CPO, Christian Petit, Head of Corporate Business, Heinz Herren, Head of IT, Network & Infrastructure, Marc Werner, Head of Sales & Services, and Dirk Wierzbitzki, Head of Products & Marketing.

Outlook for 2015: EBITDA of more than CHF 4.0 billion

As communicated on 6 October, as a result of the provision for the Competition Commission investigation into broadband services, Swisscom expects an EBITDA in excess of CHF 4.0 billion. As before, Swisscom also expects net revenue of more than CHF 11.5 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/q3-report-2015>

Related documents:

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

Berne, 5 November 2015

Swisscom AG

SCMN / Valor 874251 / ISIN CH0008742519

Group Media Relations

CH-3050 Bern

Phone +41 58 221 98 04

Fax +41 58 221 81 53

E-Mail media@swisscom.com

www.swisscom.ch

Disclaimer

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 company websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.