

First-Quarter 2016 Interim Report:

Major investment in ultra-fast broadband: 3 million homes and businesses already connected

	1.1.-31.3.2015	1.1.-31.3.2016	Change
Net revenue (in CHF million)	2,893	2,885	-0.3%
Operating income before depreciation and amortisation (EBITDA) (in CHF million)	1,051	1,081	2.9%
Operating income (EBIT) (in CHF million)	544	535	-1.7%
Net income (in CHF million)	351	364	3.7%
Swisscom TV access lines in Switzerland (in thousands as at 31 March)	1,201	1,367	13.8%
Mobile access lines in Switzerland (in thousands as at 31 March)	6,568	6,615	0.7%
Revenue from bundled contracts (in CHF million)	530	603	13.8%
Fastweb broadband access lines (in thousands as at 31 March)	2,124	2,241	5.5%
Capital expenditure (in CHF million)	549	596	8.6%
Of which capital expenditure in Switzerland (in CHF million)	388	425	9.5%
Group headcount (FTEs as at 31 March)	21,599	21,645	0.2%
Of which in Switzerland (FTEs as at 31 March)	18,776	18,960	1.0%

- **Revenue down by 0.3% due to reduced prices**
- **EBITDA up by 2.9% thanks to lower costs in Switzerland**
- **Roaming data traffic increases by a factor of 2.9 thanks to a CHF 100 million drop in roaming fees**
- **Higher level of capital expenditure in broadband networks and IT (+9.5% in Switzerland)**
- **3 million homes and businesses connected with ultra-fast broadband (with speeds of more than 50 Mbps)**
- **Fastweb posts higher revenue in EUR (+2.6%) and an increase in EBITDA (+9.2%)**

- **Guidance/Financial outlook for 2016 remains unchanged**

“We are well on track. In view of the difficult market conditions, I am satisfied with our business performance. We gained many new customers with Swisscom TV, broadband connections and Fastweb. Revenue remained more or less stable and EBITDA increased thanks to lower costs,” said CEO Urs Schaeppi. “The market is becoming increasingly saturated and growth in areas such as mobile telecommunications is becoming more difficult. The expansion of the national infrastructure will continue to call for a very high level of investment. Business in Italy is also going well, with Fastweb seeing growth in its revenue, EBITDA and customer base.”

Higher EBITDA thanks to lower costs

In the first quarter of 2016, Swisscom's net revenue remained virtually unchanged year-on-year at CHF 2,885 million (CHF -8 million or -0.3%). EBITDA rose by 2.9% or CHF 30 million to CHF 1,081 million. The CHF 11 million increase in the Swiss core business can mainly be attributed to lower costs for subscriber acquisition and maintenance. Net income increased by CHF 13 million or 3.7% to CHF 364 million, with foreign exchange losses having a bigger impact on the result in the prior year.

Group headcount increased by 46 FTEs or 0.2% to 21,645. In the Swiss core business, headcount increased by 191 FTEs as a result of company acquisitions, new services such as cloud services, and solutions for the healthcare sector. In the first quarter, headcount in the Swiss core business fell on a like-for-like basis by 105 FTEs.

High level of investment in network expansion

Group-wide capital expenditure increased by CHF 47 million or 8.6% to CHF 596 million; in Switzerland, it rose by CHF 37 million or 9.5% to CHF 425 million due to the expansion of broadband networks. At the end of March, more than 2.1 million lines were equipped with the latest fibre-optic technology. In total, Swisscom has connected around 3 million homes and businesses with ultra-fast broadband (with speeds of more than 50 Mbps). This makes Swisscom a market leader by international standards.

Since the volume of mobile data traffic is doubling every year, the further expansion of the high-speed 4G/LTE network is being continued. Over 98% of all Swisscom customers are already able to enjoy the advantages of the latest-generation mobile network.

Swisscom is setting up a Swiss-wide additional network for the Internet of Things, with the initial stage ready by the end of 2016. The Low Power Network (LPN) forms the basis for the Internet of Things and thus for smart cities, energy-efficient buildings, machine-to-machine networking and new digital applications. The Internet of Things is growing exponentially, and various studies suggest that there will be billions of devices communicating with one another on a global level in future.

Roaming data traffic increases by a factor of 2.9

The increasingly saturated market is reflected in the increase in the number of subscribers. Year-on-year, the number of mobile lines increased by 47,000 or 0.7% to 6.6 million; however, this figure fell



by 10,000 in the first quarter as a result of market saturation. In the roaming business, a drop in roaming fees and the inclusion of roaming in the Natel infinity plus subscription packages has driven roaming volumes up at an even faster pace. The associated reduction in fees for 2016 remains virtually unchanged year-on-year at around CHF 100 million, with 1.1 million customers able to communicate abroad without having to worry about fees. In the first quarter of 2016, data traffic rose by a factor of 2.9 year-on-year, and voice traffic rose by 18%. With the successful launch of Natel infinity 2.0 in March 2016, customers benefit from much higher speeds, more roaming and unlimited online storage.

Growth for Swisscom TV despite fierce competition

Despite fierce competition with cable network operators, the number of Swisscom TV access lines rose year-on-year by 166,000 or 13.8% to 1.37 million (+36,000 in the first quarter), two thirds of which use the cloud-based Swisscom TV 2.0 service. In April 2016, Swisscom launched a new, UHD-enabled TV-Box. The new box is even smaller, faster and cheaper and displays images with a greater resolution and brilliance than ever before.

The number of fixed-line broadband connections (retail) rose by 60,000 or 3.1% year-on-year to 1.97 million (+10,000 in the first quarter). In the fixed network business, the growth in TV and broadband connections more than offset the reduction in the number of fixed-line phone connections of 153,000 (-47,000 in the first quarter). In the first quarter, these figures remained stable overall. The number of revenue-generating units (RGUs) increased year-on-year by 120,000 or 1.0% to 12.5 million, despite this figure suffering a slight decline of 11,000 in the first quarter as a result of increasing market saturation.

Bundled offerings with flat-rate tariffs continue to be in huge demand. By the end of March 2016, the number of customers using a bundled package had increased year-on-year by 207,000 or 16.5% to 1.47 million. Revenue from bundled contracts rose year-on-year by CHF 73 million or 13.8% to CHF 603 million.

Incoming orders in the Enterprise Customers division climbed by 7.1%

The Enterprise Customers division's revenue from external customers remained virtually stable at CHF 605 million (-0.3%). The decline in the mobile market, which is mainly price-related, was offset by higher revenue in the solutions business. Swisscom gained well-known corporate customers for the implementation of cloud and digitisation strategies, and incoming orders climbed by 7.1%.

Fastweb sees growth in revenue, EBITDA and customer base

The revenue reported by Fastweb in Italy rose by EUR 11 million or 2.6% to EUR 440 million owing to customer growth. Fastweb's customer base in the broadband business grew by 117,000 or 5.5% year-on-year to 2.24 million (+40,000 in the first quarter). Fierce competition reduced average revenue per residential broadband customer by around 3% versus the prior-year period. Nevertheless, this decline was outweighed by customer growth, with revenue from residential customers rising accordingly by EUR 7 million or 3.2% year-on-year to EUR 223 million. Revenue from corporate customers increased by EUR 3 million or 1.8% to EUR 171 million, while wholesale business revenue remained stable at EUR 44 million.



The segment result before depreciation and amortisation (EBITDA) increased by EUR 11 million or 9.2% in comparison to last year to EUR 131 million. The profit margin increased by 1.8 percentage points to 29.8%. Capital expenditure of EUR 154 million was recorded, after a year-on-year increase of EUR 7 million or 4.8%. Expansion of the ultra-fast broadband network will continue, as Fastweb plans to provide half of all homes and businesses (around 13 million) with bandwidths of 200 Mbps by the end of 2020.

Financial outlook remains unchanged

Swisscom's outlook for 2016 remains unchanged, with an expected net revenue of more than CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure in excess of CHF 2.3 billion. If the targets are met, Swisscom will propose to the 2017 Annual General Meeting payment of an unchanged dividend of CHF 22 per share for the 2016 financial year.

Detailed interim report:

<http://www.swisscom.ch/q1-report-2016>

Related documents:

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

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