



Successful in the market

Interim report as per the end of September 2017 +++ Stable revenue and EBITDA +++ Successful in the market, particularly with inOne and Swisscom TV, despite continued pressure on prices +++ Corporate customer business stable and with new solutions available +++ Capital expenditures in the networks remain high +++ Fastweb enjoys growth in customer base and EBITDA +++ Unchanged forecast for 2017 +++ [Click here to view the table of key figures](#)

CEO Urs Schaeppi appears satisfied with the company's business performance: "Swisscom has proven that it can adapt to a changing environment and we have recorded a solid result. The results may not look spectacular at first glance, but if you take a closer look at the figures, you will be able to see the radical changes made within our company. The Swiss telecoms market is saturated and prices are under pressure. I am therefore extremely pleased that we have enjoyed success on the market in spite of all these factors. Our customers appreciate the quality and the innovations provided by Swisscom. We attracted more than one million customers by the end of October with our inOne bundled offering – such a rapid increase in the space of a few months is a first in the history of Swisscom. Fastweb continues to make a significant contribution to our result. Our future projects, such as the switch to All IP and the expansion of the ultra-fast broadband network, ensure that we are on the right track to success. Thanks to a strong market performance and active cost management measures, we are all on track to meet the forecast for the year as a whole."

Decline in revenue for telecommunications services, while solutions business experiences growth

Swisscom's net revenue for the first nine months of the year remained effectively at the same level as the previous year. Switzerland saw revenue from telecommunications services fallen by 2.6% overall in the first three quarters because of a downward trend in fixed-line telephony, high price pressure and increasing market saturation, a trend which was reinforced in the third quarter. Revenue from Swisscom's telecommunications services was down 3.2% or CHF 54 million in the third quarter primarily due to increased promotions and declining roaming proceeds. One positive, however, was the performance of the growth areas, particularly in the solutions business for corporate customers, which grew by CHF 7 million (+0.9%) in the first nine months of 2017. Digitisation is becoming increasingly important for our business customers.

In the first three quarters, EBITDA in the Swiss core business dropped by CHF 36 million (-1.3%). Swisscom was largely able to compensate for the decline in revenue by implementing prudent cost management measures. Group-wide EBITDA rose by 1.4% to CHF 3,354 million. Excluding non-recurring items from legal disputes at Fastweb, EBITDA remained virtually unchanged (+0.6%). Swisscom thus generated a net income of CHF 1,269 million (+6.0%).

As announced, Swisscom intends to reduce its cost base in Switzerland by over CHF 300 million from 2015 to 2020. Accordingly, the Group-wide headcount fell by 2.0% to 20,704 in the first three quarters of 2017. As at the end of September, Swisscom employed 17,877 FTEs in Switzerland, which equates to 495 or 2.7% fewer employees than at the end of 2016. Well over three-quarters of the headcount reduction was offset by natural fluctuation and internal re-employment.



The outlook for 2017 remains the same. Swisscom expects net revenue of around CHF 11.6 billion, EBITDA of approximately CHF 4.3 billion and capital expenditure of approximately CHF 2.4 billion. Subject to achieving its targets, Swisscom will propose a dividend of CHF 22 per share for the 2017 financial year at the 2018 Annual General Meeting.

Around one-fifth of revenue invested in infrastructure

Group-wide capital expenditure fell as a result of delays in the network expansion in Switzerland (-10.2%), but remains at a high level at CHF 1,587 million. In Switzerland, this figure was CHF 1,097 million or 15.1% lower than the figure recorded in the previous year. The share of capital expenditure as a proportion of sales continues to stand at around one-fifth (18.4%; in the previous year: 20.5%). At the end of September, Swisscom had connected some 3.8 million households and businesses with ultra-fast broadband (with speeds of more than 50 Mbps), around 2.3 million of which benefit from speeds of more than 100 Mbps. Swisscom intends to make fibre-optic technology available to every Swiss municipality by the end of 2021, and thus enable even remote locations to access ultra-fast broadband. In the mobile communications business, the expansion of LTE advanced is taking giant strides forwards, with Swisscom now covering 80% of the Swiss population with LTE advanced with speeds of up to 300 Mbps. 60% of the Swiss population can also achieve speeds of up to 450 Mbps.

The digitisation of the fixed telephone network (All IP technology) is likewise running on schedule. Over 1.8 million customers, i.e. more than 75% of all connections, are already profiting from HD voice quality, personalised block lists, caller identification and an automatic spam filter for blocking unwanted advertising calls. Up to 40,000 connections are added to this figure every month. Work will begin on the full migration of customer lines to IP in the larger regions of Switzerland as of the start of 2018, which will allow us to push forward with the decommissioning of the old infrastructure in these locations.

Bundled offers and demand for inclusive roaming continue to grow

The new inOne offerings are proving to be extremely popular, having attracted more than 900,000 customers to Swisscom by the end of September 2017. The number of customers using a bundled offering had increased year-on-year by 262,000 or 16.5% to some 1.85 million (growth in Q3: +66,000 customers). Revenue from bundled contracts increased by CHF 240 million or 13.0% to CHF 2,086 million. Thanks to inOne, Swisscom has also enjoyed an increase in demand for broadband connections in the third quarter. As at the end of September, 2 million customers made use of a Swisscom broadband connection. In its mobile communications business, Swisscom increased the number of customers using postpaid lines (+73,000 year-on-year), while recording a drop in the number of subscribers to prepaid connections (-105,000). The downside of the increase in demand for bundled offerings is the ongoing downward trend in fixed-line telephony (-13.4% to 2.1 million connections), as many people choose not to have fixed-line phone connections with the intention of making optimisations.

Roaming volumes are continuing to enjoy strong growth among mobile customers, boosted by price reductions and inclusive services with mobile phone subscriptions. When visiting other countries within Europe, the majority of Swisscom customers use their smartphones to the same extent that they use them at home, as there are no longer any additional costs. In the first nine months of 2017, data traffic outside of Switzerland increased by 78% year-on-year, while voice traffic grew by 5%.



Swisscom expects that price adjustments and inclusive services will reduce 2017 results by some CHF 50 million.

Swisscom TV is continuing to enjoy great popularity, as the number of Swisscom TV connections increased year-on-year by 76,000 or 5.5% to 1.45 million. Nevertheless, there has been a noticeable trend towards market saturation, with the number of connections increasing by just 6,000 in the third quarter. Recently, Swisscom has been working together with American pay-TV provider HBO in order to expand its on-demand content. Swisscom TV will thus have a whole new selection of shows for subscribers to enjoy in the run-up to Christmas.

Innovation in the corporate business – Enterprise Customers expands its portfolio

Swisscom was also able to extend a number of major contracts with prominent customers in the third quarter, carrying out digitisation and outsourcing projects for these companies. Although there continues to be price pressure in the corporate business, Enterprise Customers remains on course. Due to the strong price pressure, revenue for telecoms services fell slightly by 1.1% to CHF 1,771 million. The solutions business enjoyed 0.9% growth to CHF 796 million. Incoming orders for the unit were down by approximately 16% compared with the same quarter last year, standing at CHF 1,306 million. Despite this, the outlook for traditionally the strongest season – the fourth quarter – is optimistic. In order to provide companies with secure, integral and comprehensive cloud services, Swisscom launched two new cloud-based solutions on the market in September and complemented these recently with global offerings from international providers such as Amazon and Microsoft. Swisscom also expanded its security solutions with the addition of Threat Detection & Response in order to be able to identify cyber risks at an early stage. Furthermore, Swisscom is driving forward the development of blockchain applications in and for Switzerland and founded Swisscom Blockchain Ltd for this very purpose. Within this company, Swisscom is working on projects that will open up new roads for decentralised, networked collaboration in the healthcare, insurance and banking sectors.

Rise in revenue and segment result at Fastweb

Fastweb performed well in the difficult market environment in Italy. It increased revenue by 7.3% to EUR 1,414 million. Revenue from residential customers rose by 7.1% to EUR 723 million, which was attributable to customer growth and the reduction in the billing period to four weeks. The broadband customer base grew by 5.5% to EUR 2.42 million year-on-year (+66,000 in the first nine months). As at the end of September, Fastweb had also increased the number of mobile lines in its mobile communications business by 57% to 989,000 year-on-year. In October, Fastweb registered its one millionth mobile line. Revenue from corporate business remained stable at EUR 518 million (+0.2%). Revenue from the wholesale business increased by 39.5% to EUR 166 million following a cooperation agreement with Telecom Italia in relation to the expansion of the ultra-fast broadband network. Overall, Fastweb raised its segment result before depreciation and amortisation (EBITDA) by 16.9% to EUR 573 million. Excluding one-off income from legal disputes, the rise totalled EUR 43 million, or 9.9%, and was the result of higher revenue and improved regulatory conditions. Capital expenditure remained high at EUR 441 million (+2.6%).

**Interim report third quarter figures at a glance**

	1.1.-30.9.2016	1.1.-30.9.2017	Change
Net revenue (in CHF million)	8,643	8,604	-0.5%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	3,307	3,354	1.4%
Operating income EBIT (in CHF million)	1,691	1,766	4.4%
Net income (in CHF million)	1,197	1,269	6.0%
Swisscom TV access lines in Switzerland (as per 30 September in thousands)	1,377	1,453	5.5%
Mobile access lines in Switzerland (as per 30 September in thousands)	6,613	6,581	-0.5%
Of which postpaid mobile lines	4,528	4,601	1.6%
Revenue from bundled contracts (in CHF million)	1,846	2,086	13.0%
Broadband access lines Fastweb (as per 30 September in thousands)	2,295	2,421	5.5%
Capital expenditure (in CHF million)	1,768	1,587	-10.2%
Of which capital expenditure Switzerland (in CHF million)	1,292	1,097	-15.1%
Group employees (FTEs as per 30 September)	21,292	20,704	-2.8%
Of which employees in Switzerland (FTEs as per 30 September)	18,551	17,877	-3.6%

Detailed interim report:<http://www.swisscom.ch/q3-report-2017>**Related documents:**<http://www.swisscom.ch/ir>

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swisscom

Press release

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

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