

On track in the first quarter of 2018 – growth in broadband, inOne and TV

- Higher revenue, EBITDA practically stable
- Growth in bundled offerings thanks to inOne and in the solutions business with corporate customers
- Fastweb records growth in broadband and mobile telephony
- Sustained high investment in the networks
- Outlook for 2018 unchanged
- [The key figures at a glance](#)

CEO Urs Schaeppi is upbeat about business performance in the first three months of 2018: "We reported a solid result in the first quarter of 2018. Our industry is challenged in a persistently difficult environment: the demands of our customers are growing, as is the volume of data on the networks. Consequently, the need for investment remains high. At the same time, prices are falling and promotions are intensifying the competition." Both price pressure and saturated markets require Swisscom to further reduce its cost base. In the market, it is important to consistently develop offers and services and thus to create added value for customers. Urs Schaeppi adds: "Our customers have been benefiting from up to 50% lower roaming prices since March. And they can look forward to an exciting football summer. We are continuing to develop our TV offer into an integrated entertainment platform. The figures for inOne are also pleasing, as we again increased in the first quarter. Our subsidiary Fastweb also grew."

Solid results, slight decline in the Swiss core business

Swisscom's consolidated net revenue was up slightly on the previous year at CHF 2,885 million (+1.9%), while at constant currencies revenue remained nearly stable (+0.2%). By contrast, Swisscom's revenue in the Swiss core business fell by 1.8% to CHF 2,206 million, mainly as a result of the continuing decline in traditional fixed-line telephony and ongoing price pressure.

The consolidated operating result before depreciation and amortization (EBITDA) is practically stable at CHF 1,058 million. In the Swiss core business, an adjusted decrease of 2.9% results due to the effects mentioned above. Thanks to prudent planning, efficiency improvements and active cost management, Swisscom succeeded in compensating for part of the decline in revenue in the Swiss core business. At CHF 379 million (+ 1.6%), net income remained virtually on a par with the previous year.

In the first three months, headcount in Switzerland fell by 77 full-time equivalents as a



result of the declining core business. Swisscom expects that around half of the planned job reduction by the end of the year can be offset by natural fluctuation and vacancy management.

Sustained high investment in infrastructure

Swisscom continuously invests in the quality, coverage and performance of its network infrastructure. At CHF 501 million, Group-wide capital expenditure was slightly down on the previous year (-5.3%), but remains at a high level, as in recent years. The share of capital expenditure as a proportion of revenue continues to stand at around one fifth (17.4%; prior year: 18.7%).

Coverage with broadband Internet: continued positive development

Investments in broadband networks are being stepped up. At the end of March 2018, Swisscom had connected over 3.95 million households and businesses with ultra-fast broadband (with speeds of more than 50 Mbps), around 2.6 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 remote locations to access ultra-fast broadband.

Switch to All IP: first four regions switched

Digitisation of the fixed telephone network is running according to plan. 95% of private customers already benefit from IP technology. In addition, since the beginning of 2018, the major conversion of customer connections to IP has been under way in larger regions of Switzerland. Once this is complete, the focus can switch to dismantling the old infrastructure. Other regions will follow.

Broadband on the mobile network: Swisscom wins overall victory in the CHIP mobile network test

The expansion with 4G + continues: Swisscom now covers 80% of the Swiss population with speeds of up to 300 Mbps. 60% of the Swiss population can also achieve speeds of up to 450 Mbps. Swisscom won the CHIP mobile network test for the third time in a row, attaining the highest scores in the categories of telephony, LTE network and long-distance trains. The high investment is paying off. In addition to mobile coverage, Swisscom is also driving the expansion of capacity: Eleven cities and 15 Swisscom shops are already supplied with a gigabit network; by the end of 2018, 30% of the Swiss population should be able to benefit from this speed. As early as the end of 2018, Swisscom intends to introduce the latest generation of 5G mobile communications on a selective basis.



Fair rules for awarding the 5G frequencies

4G in Switzerland is a success story, the Swiss 4G network is one of the best in the world. This success story needs to be updated with 5G. Swisscom therefore welcomes the plan to auction the frequencies this year, as is common in Europe. However, the proposed tender documents also contain critical points, such as bidding restrictions that are much too tight. With 39 MHz per million customers, Swisscom currently has by far the lowest frequencies per customer. At 54 MHz and 85 MHz per million customers respectively, the competitors have around 40% or 100% more frequencies per customer than Swisscom. The rules currently in place stipulate from the outset that competitors from Swisscom will also have at least 50% more frequencies per customer than the market leader for 5G after the auction. A revision of the tender documents must therefore ensure that Swisscom at least has the opportunity to acquire the same number of 5G frequencies per customer as its competitors.

Top product inOne continues to impress

Growth in TV and broadband connections is unabated. The inOne bundle offers were particularly successful in the first quarter.

Bundled offerings: demand up by 11.0%

At the end of March, inOne had over 1.59 million customers. In the first quarter alone, 250,000 customers subscribed to inOne. This means that inOne already covers 37% of all higher-value mobile subscriptions and 42% of fixed broadband connections.

Further growth in fixed broadband

Fixed broadband connections are developing well, rising year-on-year by 37,000 or 1.9% to around 2.0 million. Swisscom TV is the driving force behind this: with a market share of 34% (previous year: 33%), it continues to be the most popular digital television service in Switzerland. Despite fierce competition from cable network operators, the number of Swisscom TV connections rose by 54,000 or 3.8% to 1.49 million in the space of a year. Just in time for the World Cup, Swisscom TV customers can watch the games on SRG channels for the first time in super sharp UHD picture quality and HDR. In addition, Swisscom TV will be presenting theme dossiers, the UEFA Champions League and the UEFA Europe League, and much more.

The demand for traditional fixed-line telephony continues to decline. At the end of March, Swisscom recorded 1.78 million fixed-line telephony subscriptions in the residential segment, which is around 284,000 or 13.8% less than in the previous year. As a result, the development in the fixed network sector is in line with expectations.



Offers on the mobile phone network: 59% growth in data roaming

The number of Swisscom mobile lines remained virtually unchanged year-on-year at 6.6 million (+0.5%). The number of postpaid lines rose year-on-year by 84,000, while the number of prepaid lines fell by 53,000. Here too, there is evidence of increasing market saturation. However, Swisscom managed to keep its mobile telephony market share essentially stable. The demand for mobile data services remains high: at the end of March 2018, around 59% more data was transmitted on a mobile basis than in the same period of the previous year. Further price reductions in roaming make the use of mobile data services even more attractive abroad as well: Since 19 March, prices for almost all roaming data packages have fallen by 20% to 50%. Swisscom is reducing roaming prices in a total of 197 different countries and destinations.

Corporate business: rising demand for outsourcing and cloud

The Enterprise Customers division is growing its outsourcing and cloud business and Swisscom scores highly with its Professional Services. The change in the business customer sector continues. Meanwhile, sales of IT services outnumber those with Telco services. Revenues with external customers remained virtually stable (-0.3%). Turnover in telecommunications services fell by 6.8%, while the solutions business grew by 2.7% (+7 million). In addition, Swisscom gained well-known business customers in the first quarter and implements these cloud, security and workplace strategies.

Fastweb records strong growth in mobile communications

Fastweb performed well in the first quarter, registering further growth to around 1.2 million mobile phone customers (+55% year-on-year) in a saturated market. The company also gained a large number of broadband customers (+ 3% to 2.48 million). In the corporate business segment, incoming orders rose by 65%. Fastweb also impressed again in the strongly fragmented wholesale market and consolidated its position as number two. Thanks to its sound business performance, Fastweb's revenue rose to EUR 492 million (+9% on a like-for-like basis). This resulted in a segment result before depreciation and amortisation (EBITDA) of EUR 144 million (+5% on a like-for-like basis).

Fastweb's capital expenditure remained high at EUR 159 million (+6% on a like-for-like basis) due to accelerated broadband expansion. The company continues to make progress on the expansion of its network.

Financial outlook remains unchanged

In view of the persistent market pressure, Swisscom expects net revenue of around CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of less than CHF 2.4

billion. If the targets are met, Swisscom will propose to the 2019 Annual General Meeting payment of an unchanged dividend of CHF 22 per share for the 2018 financial year.

Key figures of the first three months of 2018 at a glance

	1.1.- 31.3.2017	1.1.- 31.3.2018	Change
Net revenue (in CHF million)	2,831	2,885	1.9%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	1,073	1,058	-1.4%
Operating income, EBIT (in CHF million)	550	518	-5.8%
Net income (in CHF million)	373	379	1.6%
Swisscom TV connections in Switzerland (as at 31.03 in thousands)	1,438	1,492	3.8%
Mobile lines in Switzerland (as at 31.03 in thousands)	6,601	6,632	0.5%
Broadband access lines Fastweb (as at 31.03 in thousands)	2,400	2,483	3.5%
Fastweb mobile lines (as at 31.03 in thousands)	763	1,185	55.3%
Capital expenditure (in CHF million)	529	501	-5.3%
Of which capital expenditure Switzerland (in CHF million)	362	315	-13.0%
Group employees (FTEs as at 31.03)	21,079	20,326	-3.6%
Of which Switzerland employees (FTEs as at 31.03)	18,280	17,611	-3.7%

Detailed interim report:

<http://www.swisscom.ch/q1-report-2018>

Related documents:

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

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