

Swisscom successful in the market in first half of year – TV now reaches 1.5 million customers

- Higher revenue year-on-year; EBITDA stable on a comparable basis
- Trend towards bundled offerings continues: top product inOne with 1.89 million customers; Swisscom TV with 1.5 million customers
- Fastweb growing broadband and mobile business, revenue and EBITDA on track
- Sustained high level of capital spending on Switzerland's best network
- Outlook for full-year 2018 unchanged
- [The key figures at a glance](#)

CEO Urs Schaeppi is satisfied with Swisscom's business performance in the first half of 2018: "We reported a solid performance in the second quarter as well. Despite persistently strong competition driven by promotions and saturated markets, we once again made gains with our bundled offerings. I am particularly pleased that 1.5 million customers are using Swisscom TV, more than ever before. Fastweb in Italy also continues to enjoy growth. The situation with conventional fixed-line telephony remains a challenge, as structural factors are leading to a continued decline in the number of connections. Our initiatives to reduce costs are taking hold. We are on track for full-year 2018. This gives us the opportunity to continue investing in our networks in preparation for the upcoming 5G mobile communication standard. Our first field tests have already demonstrated how we can bring ultra-fast broadband to remote regions of Switzerland, while a 5G-enabled infrastructure makes further innovation and new applications in peripheral regions possible."

Good results; slight decline in Swiss core business

At CHF 5,805 million, Swisscom's net revenue for the first half of 2018 was above the previous year's level (+ 2.0%). Revenue in the Swiss core business, by contrast, fell by 1.9% to CHF 4,400 million, with telecommunications services revenue declining by over CHF 100 million due to pricing pressure and substitution effects.

Consolidated operating income before depreciation and amortisation (EBITDA) totalled CHF 2,143 million, which was 5.2% below the previous year. Various non-recurring items and currency developments are to be taken into account. For example, in the previous year, Fastweb had received CHF 102 million in litigation income, and the application of a new accounting standard for revenue recognition (IFRS 15) reduced EBITDA in 2018 by CHF 33 million. On a comparable basis, EBITDA fell by CHF 13 million or 0.6%. In the core business in Switzerland, EBITDA before non-recurring items fell by 2.8%, while at Fastweb

it increased by 4.9%. Net income was solid, but at CHF 787 million it was down 6.2% on the previous year due to the aforementioned non-recurring items.

In the first half of the year, the headcount in Switzerland fell by 485 full-time equivalents. Roughly half of the planned headcount reduction in 2018 can be absorbed through natural fluctuation thanks to prudent planning and active vacancy management.

Infrastructure: preparation for the upcoming 5G mobile communication standard

Swisscom invests continuously in the network infrastructure of the future and keeps the quality, coverage and performance of its networks high. At CHF 1,069 million, Group-wide capital expenditure was virtually on a par with the previous year, of which Swisscom invested CHF 721 million or 67% in Switzerland. The share of capital expenditure as a proportion of revenue continued to be around one fifth (18.4%).

Coverage with broadband Internet progressing

As of the end of June 2018, Swisscom had connected over 4.0 million households and businesses with ultra-fast broadband (with speeds of more than 50 Mbps), around 2.7 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, thereby also enabling remote locations to access ultra-fast broadband.

Migration to All IP going according to plan

As of the end of June 2018, 97% of residential customers benefited from IP technology. Since the beginning of 2018, the first municipalities have completely switched to IP. As of the end of 2018, customer lines in four major regions will be completely converted to IP. Once this is complete, the focus can switch to dismantling the old infrastructure.

Broadband on the mobile network: first 5G applications successfully tested

The Swiss mobile network is one of the best in the world, as confirmed, for instance, by the current speed test carried out by Ookla. As of the end of June, Swisscom covered 80% of the Swiss population with speeds of up to 300 Mbps, with 40% achieving speeds of up to 500 Mbps. In addition to mobile coverage, Swisscom is continuing to drive the expansion of capacity: today, eleven towns and cities and 15 Swisscom Shops are hooked up to the gigabit network (maximum speed subject to ideal conditions), which will be rolled out to 30% of the Swiss population by the end of 2018.

The next technology leap is also in the pipeline in the form of 5G, which offers significantly faster speeds, greater capacity and reacts in real time. Swisscom

demonstrated in March 2018 the reason why 5G is also the key to the industry of the future when it digitised the entire process chain of medical technology manufacturer Ypsomed on the basis of 5G. Swisscom is currently carrying out tests in the Bernese Oberland municipality of Guttannen to find out how 5G can provide private households in remote locations with vastly improved mobile speeds. The rapid nationwide deployment of a 5G network will be delayed and thus more expensive, however, due to the strict limits that continue to prevail in Switzerland. The political system is called upon to quickly adapt the framework conditions so that Switzerland does not lose any of its competitiveness. The mobile communication frequencies for 5G will be awarded in early 2019.

Top product inOne continues to gain ground

TV and broadband connections continue to grow, with strong demand for inOne bundled offerings continuing in the second quarter.

Bundled offerings: trend towards inOne continues

In the first half of the year, some 550,000 customers opted for inOne, with the result that inOne reported 1.89 million customers as of the end of June. This means that inOne covers 43% of all mobile subscriptions and 48% of fixed-line broadband connections. Swisscom has also greatly expanded the scope of service of its inOne mobile subscriptions as well as the amount of roaming that is included.

According to estimates, over 100 million devices in Switzerland will be connected to the mobile network in just a few years. In addition to smartphones, tablets and laptops, there will be cars, bicycles, household appliances, watches, cameras, headphones and smart trackers. For this reason, since May Swisscom has made it easy for its customers to add devices to existing subscriptions and connect them directly to the network.

Further growth in fixed-line broadband

The number of fixed-line broadband connections continued to increase steadily, growing by 39,000 to around 2.03 million year-on-year, which also benefited Swisscom TV. Although competition has intensified further given the offerings of cable network operators and other providers, Swisscom TV remains the most popular digital television in Switzerland. The number of TV connections rose by 54,000 or 3.7% year-on-year to more than 1.5 million (growth in the second quarter: 9,000.)

Traditional fixed-line telephony is developing in line with expectations. As of the end of June, Swisscom recorded 1.73 million fixed-line telephony subscriptions in the residential customer segment, which is around 252,000 or 12.7% fewer than in the previous year.

Mobile network offerings: mobile data usage grows 36%

The increasing market saturation is noticeable in the mobile communications market. The number of Swisscom's mobile lines remained stable year-on-year at 6.6 million (+0.3%). The number of postpaid lines grew year-on-year by 74,000, while the number of prepaid lines fell by 52,000. Demand for mobile data services continued. As of the end of June 2018, around 36% more data was transmitted compared with the previous year. Roaming volume also continued to enjoy strong growth. In the first half of 2018, data traffic outside of Switzerland increased by 51% year-on-year, while voice traffic remained stable. This was due to further price reductions as well as inclusive services with mobile subscriptions. The majority of customers no longer incur any additional costs when using their smartphones in other European countries.

Corporate business: demand for cloud, IoT and security on the rise

Enterprise Customers consolidated its market position, posting a solid first half of the year. In particular, the demand for cloud, IoT and security services developed well. Telecommunications services revenue declined 5.2% (-29 million) due to continued competition and pricing pressure, and lower volumes in the banking segment pushed down revenue in the solutions business by 2.3% (-12 million) year-on-year. Swisscom expects demand to rise for cloud, outsourcing and comprehensive security solutions as well as for IoT.

Revenue and customer numbers continue to grow at Fastweb

Despite pricing pressure, Fastweb performed well in the first half of the year, registering further growth to around 1.3 million mobile phone customers as of the end of June (+45% year-on-year) in a saturated market. The broadband business also continues to enjoy further growth (+4% to 2.5 million connections). The business customers segment continued to develop positively with revenue growth of EUR 27 million (+7.9%). In total, Fastweb increased its revenue in the first half of the year to EUR 1,011 million (+9.5% on a comparable basis). Consolidated operating income before depreciation and amortization (EBITDA) totalled EUR 310 million. Net of extraordinary items (one-off income from legal proceedings was included in the previous year) EBITDA increased by 4.9%.

At the end of July, Fastweb signed an agreement to acquire Tiscali's fixed wireless division and 3.5 GHz frequency spectrum, required to obtain a long term sustainable mobile and convergent business. With this transaction Fastweb will secure long-term access to the valuable 5G frequency spectrum.

Financial outlook remains unchanged

Swisscom continues to expect net revenue of approximately CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of less than CHF 2.4 billion in 2018. 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 half of 2018 at a glance

	1.1.- 30.6.2017	1.1.- 30.6.2018	Change (adjusted*)
Net revenue (in CHF million)	5,690	5,805	2.0%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	2,260	2,143	-5.2% (-0.6%)
Operating income, EBIT (in CHF million)	1,203	1,063	-11.6%
Net income (in CHF million)	839	787	-6.2%
Swisscom TV connections in Switzerland (at 30 June in thousands)	1,447	1,501	3.7%
Mobile access lines in Switzerland (at 30 June in thousands)	6,593	6,615	0.3%
Broadband connections Fastweb (at 30 June in thousands)	2,411	2,500	3.7%
Fastweb mobile lines (at 30 June in thousands)	880	1,280	45.5%
Capital expenditure (in CHF million)	1,057	1,069	1.1%
Of which capital expenditure Switzerland (in CHF million)	728	721	-1.0%
Group employees (FTEs at 30 June)	20,775	19,895	-4.2%
Of which Switzerland employees (FTEs at 30 June)	17,974	17,203	-4.3%

* On a comparable basis and at constant exchange rates

Detailed Interim Report:

<https://www.swisscom.ch/q2-report-2018>

Related documents:

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

Berne, 16 August 2018

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.comwww.swisscom.ch**Disclaimer**

This press release contains forward-looking statements. In this press release, such forward-looking statements may include, but are not limited to, statements relating to our financial position, operating results, and certain 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 companies' 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.