



On course thanks to solid performance: more than 2 million inOne customers

- Slightly higher revenue year-on-year, EBITDA stable on a comparable basis
- Ongoing growth of bundled offerings: 2.12 million inOne customers
- Fastweb attracts more fixed network and mobile customers, revenues and adjusted EBITDA higher year-on-year
- Ongoing high capital expenditure in network infrastructure
- Growing demand for cloud services and IT outsourcing
- Outlook for 2018 unchanged
- [The key figures at a glance](#)

The trend in the first half of the year continued through the third quarter. In spite of market saturation, intense competition and continually high price pressure in all business segments, Swisscom generated solid results, performed well on the market and scored points with innovations: “In recent months, we have once again been able to defend our technology leadership.

Together with Ericsson, we set up the 5G network in Burgdorf; the first complete network that meets the latest 5G standard,” says CEO Urs Schaeppi. “Our investment in the network is paying off. We will continue driving 5G development forward. In so doing, we are making an important contribution to the competitiveness of the Swiss business community. The digitisation of our fixed telephone network is likewise on schedule. About 98% of all our residential customers already communicate over IP. What’s more, our bundled offerings have become even faster. Since October, the majority of our customers have been surfing with higher upload and download speeds. More than 2 million customers already use inOne,” Schaeppi adds.

Solid Group results, core Swiss business under pressure, growth at Fastweb

At CHF 8,689 million, Group revenues are slightly higher (+1%) than last year’s level. Market saturation and continued intense competitiveness on the core Swiss market decreased revenue by 2.2% or CHF 144 million. Revenue on telecommunication services fell by CHF 179 million, mainly due to ongoing price pressure and the drop in fixed-line telephony. By contrast, Fastweb’s revenue grew by EUR 102 million (+7.2%).

Consolidated operating income before depreciation and amortisation (EBITDA) totalled CHF 3,231 million, 3.7% below that of the previous year. However, this does not take account of various non-recurring items and exchange rate developments. For example, in the previous year, Fastweb had received CHF 102 million in litigation income, while the application of a new accounting standard for revenue recognition (IFRS 15) reduced



EBITDA by CHF 50 million in 2018. On a comparable basis, Swisscom's EBITDA decreased by CHF 6 million or 0.2%. On the core Swiss market, EBITDA excluding non-recurring items fell by 2.8%, while that for Fastweb increased by 5%. Swisscom generated solid net income of CHF 1,213 million, although this was down 4.4% over the previous year due to the aforementioned non-recurring items.

Consistent cost management enabled Swisscom to cushion much of the drop in its core business. Swisscom is on course to achieve its target of cutting the annual cost base in Switzerland by CHF 100 million.

The workforce in Switzerland shrunk by 523 FTEs, or 3%, in the first nine months. More than half of the planned headcount reduction can be absorbed through natural fluctuation thanks to prudent planning and active vacancy management.

Network infrastructure: tests for 5G expansion

Investment in the best possible network is at a constantly high level of almost a fifth of revenue (18.7%). Swisscom is therefore consistently implementing its network strategy. At the end of September 2018, group-wide investment stood at CHF 1,621 million (+2.1%). Of this, CHF 1,119 million (+2%) was invested in Switzerland.

Approximately 4.1 million homes and businesses connected with ultra-fast broadband
Broadband expansion is proceeding to plan. By the end of September 2018, Swisscom had connected about 4.1 million homes and businesses to its ultra-fast broadband service (speeds in excess of 50 Mbps). Some 2.8 million homes and offices benefit from connections with bandwidths of more than 100 Mbps. Swisscom intends to make fibre-optic technology available in every Swiss municipality by the end of 2021 and thus give even remote locations access to ultra-fast broadband.

98% of residential customers switched to IP technology

Swisscom is in the final furlong of the switch to IP technology. By the end of September, 98% of residential customer connections had already been migrated. The complete transfer of business customers is also on schedule at the regional level. Four major regions of Switzerland are due to be completely converted to IP by the end of 2018.

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

The new 5G generation of mobile telephony opens the door to new opportunities and is therefore an important innovative advantage for the Swiss business community. Swisscom therefore wants to become the first mobile network operator in Switzerland to offer partial 5G coverage at several locations by the end of 2018. The mobile communication frequencies for 5G will be awarded in early 2019.



At the end of September, the nationwide coverage of Swisscom's 4G/LTE network was 99%. Eighty percent of the Swiss population can already surf at speeds of up to 300 Mbps, while 40% benefit from bandwidths of up to 500 Mbps. In addition to mobile coverage, Swisscom is continuing to drive the expansion of its capacity: eleven towns and cities and 15 Swisscom shops are currently hooked up to the gigabit network (maximum speed subject to ideal conditions), which is due to be rolled out to 30% of the Swiss population by the end of 2018.

Top product inOne continues to gain ground

Growth in TV and broadband connections is unabated. Bundled offerings are meeting customers' needs and remain in high demand.

Bundled offerings: trend towards inOne continues

An attractive TV offer makes an important contribution to the success of Swisscom's bundled offers. It had a total of 2.12 million inOne customers at the end of September, an increase of 779,000 in the first nine months of the year. This means that inOne covers 49% of all mobile subscriptions and 53% of fixed-line broadband connections. Swisscom also increased the speed of inOne subscriptions again in the last quarter.

Further growth in fixed-line broadband and TV

Swisscom has managed to increase the number of fixed-line broadband connections yet again. Year-on-year, these grew by 30,000 to about 2.03 million, a rise that was also reflected in the number of TV connections. In spite of pressure from competitors, Swisscom was able to expand its TV business further. Compared to last year, the number of TV connections rose by 57,000, or 3.9%, to more than 1.5 million. In the third quarter, the figure grew by 9,000.

Traditional fixed-line telephony is developing as expected. The decrease has flattened out somewhat to a total of 1.68 million residential fixed-line phone connections at the end of the third quarter of 2018. That represents a total year-on-year decrease of 227,000.

Ongoing growth in mobile data usage

The number of mobile lines remains stable year-on-year at 6.6 million (+0.1%) in spite of increased market saturation. The number of postpaid lines grew by 66,000 year-on-year, while the number of prepaid lines fell by 58,000. The use of mobile data services is still increasing. At the end of September 2018, about 30% more data was transmitted than in the previous year. Roaming volumes also continued to enjoy strong growth. Since the



start of 2018, data traffic outside of Switzerland has increased by 57% year-on-year. 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.

Enterprise customers: growth in cloud and outsourcing services

Swisscom is clearly feeling the price pressure in its corporate customer segment. Its revenue on telecommunication services fell by CHF 46 million, or 5.5%, while the revenue in the solutions business was down by CHF 28 million, or 3.5%, compared to a year earlier due to lower volumes in the banking sector. At CHF 1,519 million, order receipts are up 16.3% year-on-year, while market share remains stable. The demand for cloud services, IT outsourcing and merchandise continues to be encouragingly high.

Fastweb gains clients for its fixed-line and mobile phone networks

Fastweb again posted good performance in the third quarter. Despite strong competition and pricing pressure, the number of mobile phone clients at the end of September was up by 33.9% year-on-year to 1.32 million. This rise is due in part to the performance upgrades in the mobile service over the past quarter. The fixed-line broadband business is also growing. At the end of September 2018, Fastweb had 2.52 million broadband customers (+4% year-on-year). The corporate business segment continued to develop positively, with revenue growth of EUR 40 million (+7.7%).

Overall, Fastweb was able to increase its revenue by 7.2% in the first nine months to EUR 1,516 million. Operating income before depreciation and amortisation (EBITDA) totalled EUR 483 million. Adjusted for one-off income from legal proceedings in the previous year and other non-recurring items, EBITDA increased by 5%.

Financial outlook remains unchanged

Swisscom still expects to generate net revenue of approximately CHF 11.6 billion, EBITDA of about 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 the payment of an unchanged dividend of CHF 22 per share for the 2018 financial year.

**Key figures of the first nine months of 2018 at a glance**

	1.1.- 30.9.2017	1.1.- 30.9.2018	Change (adjusted*)
Net revenue (in CHF million)	8,604	8,689	1% (-0.1%)
Operating income before depreciation and amortisation, EBITDA (in CHF million)	3,354	3,231	-3.7% (-0.2%)
Operating income, EBIT (in CHF million)	1,766	1,621	-8.2%
Net income (in CHF million)	1,269	1,213	-4.4%
Swisscom TV connections in Switzerland (on 30.9. in thousands)	1,453	1,510	3.9%
Mobile access lines in Switzerland (on 30.9. in thousands)	6,582	6,590	0.1%
Fastweb broadband connections (on 30.9. in thousands)	2,421	2,518	4%
Fastweb mobile lines (on 30.9. in thousands)	989	1,324	33.9%
Capital expenditure (in CHF million)	1,587	1,621	2.1%
Of which capital expenditure Switzerland (in CHF million)	1,097	1,119	2%
Group employees (FTEs on 30.9.)	20,704	19,850	-4.1%
Of which employees in Switzerland (FTEs on 30.9.)	17,877	17,165	-4%

* On a comparable basis and at constant exchange rates

Detailed interim report:

<https://www.swisscom.ch/q3-report-2018>

Related documents:

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

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swisscom

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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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