



Financial results for in the first half of 2019:

Stable operating income – high capital expenditure – growth at Fastweb

- **Group revenue below previous year due to fierce competition and strong price pressure**
- **Stable operating income before depreciation and amortisation (EBITDA) thanks to reduced costs**
- **Success in the market: 570,000 customers using inOne mobile offering**
- **Tough competition in corporate business**
- **Fastweb registers growth in customer base, revenue and operating income**
- **High investment in networks**
- **Outlook for full-year 2019 remains unchanged**
- [The key figures at a glance](#)

“Despite the difficult market environment, we can report attractive results for the first half of the year,” said CEO Urs Schaeppi. “Many market areas are saturated and all providers are using promotions to try and gain customers and market share. We are responding with new offerings and the expansion of our networks. We have achieved some major successes in the market: after just over four months, around 570,000 customers have already signed up for our new inOne mobile offering. The new customers can enjoy unlimited calls, text messages and data with no roaming charges in 39 countries in Europe. Lower prices and additional inclusive services have virtually doubled roaming data volume over the prior year. This is affirmation that our new offerings meet the needs of our customers. Investments in our networks remain high due to the continued increase in data volumes. Our 5G mobile network has been live since mid-April. Despite resistance from some sections of the population, we are sticking to our goal of covering 90% of Switzerland by the end of the year. If further delays occur, we run the risk of no longer being able to cope with the enormous growth in data, which could cause Switzerland to lose its leading position in the mobile communications business. Our subsidiary Fastweb is performing well and continues to grow its residential and business customer base.”

Swiss core business under pressure, growth at Fastweb

At CHF 5,663 million, group revenue was down year-on-year (–2.4%). At constant exchange rates, this represents a decline of 1.7%. In its largely saturated Swiss core business, Swisscom generated revenue of CHF 4,256 million (–3.2%). The CHF 134 million decline in revenue from telecom services was mainly the result of falling prices in various segments and the decline in fixed-line telephony connections. Business in Italy continued to develop positively: Fastweb reported revenue growth of EUR 38 million (+3.8%) year-on-year.



Consolidated operating income before depreciation and amortisation (EBITDA) totalled CHF 2,240 million, which was 4.5% above the previous year. The year-on-year development was impacted by new requirements governing the financial reporting of leases (IFRS 16). On a like-for-like basis, this amounted to an increase of 0.5%. In Swiss core business EBITDA fell by 1.6%. The decline, resulting from lower revenue, was largely offset by ongoing cost-cutting measures. Fastweb's EBITDA in local currency increased by 6.6%. On balance, Swisscom's net income was practically unchanged at CHF 780 million (-0.9%).

Network infrastructure: continued high investments, 5G for the whole of Switzerland

Swisscom continuously invests in the quality, coverage and performance of its network infrastructure, thereby further expanding its technology leadership. Investments in the first half of the year included CHF 196 million for the mobile radio frequencies for the 5G network in Switzerland purchased at auction in the first quarter. Group-wide capital expenditure rose accordingly by 21.3% to CHF 1,297 million, or 4.1% on a like-for-like basis.

Broadband expansion on course

Investments in broadband networks are being stepped up. Swisscom connects 68% of all Swiss homes and offices with ultra-fast broadband speeds of more than 80 Mbps. Over 40% of all homes and offices benefit from connections with bandwidths of more than 200 Mbps. By the end of 2021, Swisscom will provide ultra-fast broadband to all Swiss municipalities and to 90% of homes and offices in Switzerland.

Switch to IP on the home straight

The switch to IP technology is proceeding according to plan and has been largely completed in the residential and SME market. All remaining customers have been informed of the switchover date. The switch to IP is to be completed by the end of 2019.

Broadband on the mobile network

The expansion of the mobile network also continues: at the end of June 2019, Swisscom covered 99% of the Swiss population with its 4G/LTE network. Over 96% of the Swiss population surf at speeds of up to 300 Mbps, over 72% at speeds of up to 500 Mbps and around 27% at 700 Mbps. Swisscom also put its 5G network into operation on 17 April 2019 and is one of the first providers worldwide to offer fully standardised 5G networks. Swisscom plans to cover 90% of the population with 5G by the end of the year.



inOne bundled offering grows sharply

The number of TV and broadband connections remains high and demand for bundled offerings continues to increase. Residential customers particularly appreciate the modular and flexible inOne subscription.

More customers using inOne

As at the end of June, Swisscom had 2.57 million registered inOne customers. Just over four months after its launch, around 570,000 customers had already opted for the new inOne mobile subscription. In the residential customer segment, inOne accounts for 58% of all mobile subscriptions and 63% of fixed broadband connections.

Slight growth at Swisscom TV

The markets for broadband and TV are saturated and strongly promotion-driven. The number of fixed-line broadband connections fell by 9,000 or 0.4% to 2.02 million in the first half of the year, while the number of TV connections increased by 10,000 or 0.7% to 1.53 million in the same period.

The declining trend in traditional fixed-line telephony is slowing with residential customers: at the end of June, Swisscom reported 1.56 million fixed-line phone connections in this segment, which corresponds to a decline of 77,000 connections in the first half of 2019.

Roaming data volume almost doubled in the first half of the year

In a saturated market environment, the number of postpaid lines grew year-on-year by 73,000, while the number of prepaid lines fell by 139,000. Overall, Swisscom reported 6.37 million mobile lines as at the end of June. The use of mobile data services continues to increase. In the first six months of 2019, the volume of mobile data traffic was up by 18% year-on-year.

Roaming data volumes have virtually doubled year-on-year, partly due to further price reductions and additional inclusive services offered with the newly launched inOne mobile subscriptions. The new inOne mobile go has put an end to roaming in Europe for Swisscom customers: they can make calls, send text messages and surf on an unlimited basis in 39 countries in Europe. But even those customers who don't yet have a subscription for Europe that includes roaming have been able to surf much more cheaply since 1 April. Over the last four years, roaming data volumes have increased thirteenfold.



Graphic Roaming:

https://www.swisscom.ch/content/dam/swisscom/en/about/news/2019/08/15-report-q2-2019-mm/Swisscom_RoamingGrafik_en.png

Tough competition in corporate business

In the market for corporate customers, price pressure continues to intensify and the switch to IP is fully under way. Revenue from telecommunications services fell by 10.6% or CHF 56 million year-on-year to CHF 471 million. Demand for cloud, IT outsourcing, security and IoT solutions continued to rise. The volume of workplace system operations declined. Revenue in the merchandise business compensated for the decline in the solutions business. In total, these revenues increased by CHF 7 million or 1.1%.

On 9 May Swisscom announced the acquisition of United Security Providers Holding AG (USP). As an independent company, USP will be merged with Swisscom cyber security activities to form a competence cluster with around 200 security specialists.

Fastweb registers growth in customer base, revenue and operating income

Fastweb performed well in the first half of the year. Its fixed-line broadband business developed positively. The number of broadband customers increased to 2.6 million (+4% year-on-year). Its mobile communications business also grew, notching up more than 1.6 million customers (+27% year-on-year) in a saturated and highly competitive market. Fastweb is increasingly focussing on convergence: 33% of its customers already use packages offering a combination of fixed-line and mobile telephony. On 25 June, Fastweb and Wind Tre announced their strategic partnership for the construction of a nationwide 5G network. The resources of the two operators will be used to accelerate the development of a nationwide ultramodern 5G network.

The company's corporate business segment also continues to grow, with revenue up significantly by EUR 48 million (+13%). Overall, Fastweb was able to increase its revenues to EUR 1,049 million (+3.8%). Operating income before depreciation and amortisation (EBITDA) rose to EUR 339 million (+6.6%).

Financial outlook remains unchanged

Swisscom continues to expect net revenue of around CHF 11.4 billion and EBITDA of more than CHF 4.3 billion for the 2019 financial year. The expected investments of around CHF 2.5 billion now also include the CHF 196 million spent on mobile radio frequencies in Switzerland. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2019 financial year at the 2020 Annual General Meeting.



The key figures at a glance

	1.1.- 30.06.2018	1.1.- 30.06.2019	Change (adjusted*)
Net revenue (in CHF million)	5,805	5,663	-2.4% (-1.7%)
Operating income before depreciation and amortisation, EBITDA (in CHF million)	2,143	2,240	4.5% (0.5%)
Operating income, EBIT (in CHF million)	1,063	1,007	-5.3%
Net income (in CHF million)	787	780	-0.9%
Swisscom TV connections in Switzerland (as at 30 June in thousands)	1,501	1,529	1.9%
Retail broadband access lines in Switzerland (as at 30 June in thousands)	2,028	2,024	-0.2%
Mobile access lines in Switzerland (as at 30 June in thousands)	6,434	6,368	-1.0%
Fastweb broadband connections (as at 30 June in thousands)	2,500	2,600	4.0%
Fastweb mobile lines (as at 30 June in thousands)	1,280	1,629	27.3%
Capital expenditure (in CHF million)	1,069	1,297	21.3%
Of which capital expenditure in Switzerland (in CHF million)	721	961	33.3%
Group employees (FTEs as at 30 June)	19,895	19,564	-1.7%
Of which employees in Switzerland (FTEs as at 30 June)	17,203	16,871	-1.9%

* On a like-for-like basis and at constant exchange rates

Detailed interim report:

<http://www.swisscom.ch/q2-report-2019>



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Press release

Related documents:

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

Berne, 15 August 2019

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