

First-Quarter 2014 Interim Report:

Swisscom grows thanks to strong market performance

	1.1- 31.3.2013	1.1- 31.3.2014	Change
Net revenue (in CHF millions)	2,734	2,821	3.2%
EBITDA (in CHF millions)	1,031	1,061	2.9%
EBIT (in CHF millions)	540	551	2.0%
Net income (in CHF millions)	390	373	-4.4%
Swisscom TV access lines in Switzerland (in thousands at 31 March)	860	1,052	22.3%
Mobile access lines in Switzerland (in thousands at 31 March)	6,270	6,429	2.5%
Revenue from bundled contracts (in CHF millions)	349	439	25.8%
Broadband access lines Fastweb (in thousands at 31 March)	1,861	1,984	6.6%
Total capital expenditure (in CHF millions)	474	519	9.5%
Capital expenditure Switzerland (in CHF millions)	319	345	8.2%
Group headcount (FTEs at 31 March)	19,247	20,081	4.3%
Of which Switzerland (FTEs at 31 March)	16,483	17,395	5.5%

- **Encouraging growth in revenue (+3.2%) and EBITDA (+2.9%)**
- **Strong market performance thanks to investments in infrastructure, innovation and customer service**
- **Nearly 1.8 million mobile customers benefit from unlimited usage (infinity)**
- **Swisscom TV customer base grows in first quarter by 52,000 to 1.05 million; launch of Swisscom TV 2.0 with cloud-based solution at beginning of April**
- **Fastweb reports EUR 11 million higher EBITDA**
- **Net income down slightly year-on-year due to increased depreciation and amortisation and higher financial expense**

- **Outlook for 2014 unchanged: moderate growth in revenue (CHF 11.5 billion) and EBITDA (CHF 4.35 billion) and high capital expenditure of CHF 2.4 billion**

“The positive trend in operating business continued, with encouraging first-quarter growth in revenue and operating income despite price erosion,” says CEO Urs Schaeppi. In the three months to March, Swisscom gained many new customers from product offerings such as Swisscom TV (+52,000 customers), in mobile communications (+22,000 customers) and at Fastweb (+42,000 broadband access lines).

In the first quarter of 2014, Swisscom’s net revenue rose year-on-year by CHF 87 million or 3.2% to CHF 2,821 million, while operating income before depreciation and amortisation (EBITDA) grew by CHF 30 million or 2.9% to CHF 1,061 million. At constant exchange rates and excluding company acquisitions and Fastweb’s wholesale revenue from interconnection services (hubbing), revenue increased by CHF 45 million or 1.7%, of which CHF 35 million was generated by Swiss business. Price erosion of around CHF 60 million in Swiss core business (CHF 24 million of which was attributable to lower roaming charges) was more than offset by customer and volume growth of around CHF 95 million.

EBITDA rose by 2.9% or CHF 30 million, or by 2.6% or CHF 27 million after adjusting for company acquisitions, pension cost and the reversal of provisions in the previous year. Group net income is down slightly year-on-year at CHF 373 million due to higher depreciation and amortisation and higher financial expense. Depreciation rose by CHF 19 million due to increased investment in infrastructure.

Overall headcount grew by 834 FTEs to 20,081 FTEs due to company acquisitions (713 FTEs), the insourcing of external staff and measures aimed at strengthening customer service. Group-wide capital expenditure increased by CHF 45 million to CHF 519 million, in Switzerland by CHF 26 million or 8.2% to CHF 345 million. Capital expenditure in Switzerland was primarily on broadband infrastructure: Over 90% of the population already have access to fourth-generation 4G/LTE services. At the end of March, 770,000 homes and businesses were connected to the fibre-optic network, allowing them to benefit from high bandwidths of up to 1 Gbps.

Strong revenue growth from bundled offerings

The trend towards bundled offerings and new pricing models such as flat-rate tariffs continues unabated. By the end of March, the number of customers using one of the popular bundled packages had increased year-on-year by 218,000 or 25.9% to 1.06 million. Revenue from bundled contracts rose by 25.8% to CHF 439 million, with the main drivers of this business being television and mobile. The number of revenue-generating units (RGU) increased in the first quarter by a total of 73,000 to 12.2 million, or by 319,000 or 2.7% on an annual basis.

The NATEL infinity mobile subscriptions launched in June 2012, offering customers unlimited calls and SMS messages to all Swiss networks as well as unlimited web browsing, remain very popular. At the end of March 2014, nearly 1.8 million customers, or roughly 55% of all subscriber customers (excluding corporate customers), were using infinity offerings. The number of mobile lines



increased in the first quarter by 22,000 to 6.4 million, despite the elimination of 10,000 low-revenue pager SIM cards. The trend from prepaid offerings to subscriptions continues, with the number of postpaid customers up 25,000 (individual and bundled offerings) and the number of prepaid customers down 3,000. On an annual basis, mobile access lines rose by 159,000 or 2.5%.

Mobile data traffic grows 83% year-on-year

Mobile data traffic continues to grow in volume, driven in part by an increase in the number of NATEL infinity customers: in the first quarter of 2014, mobile data traffic was up 83% compared with the prior-year period. Customers who switched to infinity subscriptions transmitted four times more data than other subscription customers. International data traffic is also growing: roaming data volumes practically doubled within the space of a year, fuelled in part measure by lower data roaming charges introduced on 1 July 2013. The surge in volumes boosted data roaming revenue by 8%.

Successful start for Swisscom TV 2.0 with cloud-based solution

Fixed network business is also enjoying sustained growth, with the number of Swisscom TV connections rising by 52,000 to 1.05 million in the first quarter, or by 192,000 or 22.3% on an annual basis. Swisscom TV 2.0 was launched at the beginning of April 2014 and offers a number of extended features. By the end of April, it had already attracted 30,000 customers, most of whom had upgraded from a previous Swisscom offering. The cloud-based recording feature allows users to record any number of programmes in parallel and to access the recordings on a variety of devices; the replay feature has been extended from 30 hours to seven days. The number of fixed broadband access lines grew in the first quarter by 22,000 to 1.8 million, or on annual basis by 4.7% to 82,000.

Success in the financial sector with enterprise customers

In mid-April, Swisscom added an important new enterprise customer to its portfolio: starting in 2016, Zürcher Kantonalbank will process its payment transactions through Swisscom, which already handles payment transactions and securities business for more than 50 cantonal and regional banks.

Fastweb gains 42,000 customers in the first quarter

Fastweb's Italian business is on track despite strong competition and price pressure. Revenue fell by EUR 2 million or 0.5% in the first quarter to EUR 396 million. As planned, Fastweb further reduced its low-margin wholesale revenues from interconnection services (hubbing). Excluding hubbing business, revenue rose by EUR 5 million or 1.3%. Despite the difficult market environment, the company's customer base grew by 42,000 in the first quarter to 1.98 million. On an annual basis, the increase amounted to 123,000 or 6.6%, thanks in part to bundled TV and broadband services offered in partnership with Sky Italia.

The segment result before depreciation and amortisation increased year-on-year by EUR 11 million or 11.3% to EUR 108 million. Fastweb benefited from lower purchase prices for access services (unbundling) and was able to cut operating costs. Capital expenditure rose by EUR 16 million or 12.7% to EUR 142 million due to spending on expanding the fibre-optic network.

Outlook for 2014 confirmed

Swisscom's expectations of achieving moderate growth in revenue and operating income (EBITDA) in 2014 remain unchanged: it aims to close the year with revenue of CHF 11.5 billion and EBITDA of CHF 4.35 billion. Network infrastructure expansion in Switzerland and Italy will continue to call for high capital expenditure. Swisscom anticipates investment spending to total CHF 2.4 billion, CHF 1.75 billion of which will be in Switzerland. Subject to meeting its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2014 financial year at the 2015 Annual General Meeting.

Detailed interim report:

<http://www.swisscom.ch/q1-report-2014>

Related documents:

<http://www.swisscom.ch/en/ghq/investor-relations.html>

Berne, 7 May 2014

Disclaimer

This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our 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 company 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.