

Annual Report 2014:

Swisscom sees growth in customer base, revenue and income

	2013	2014	Change
Net revenue (in CHF million)	11,434	11,703	2.4%
Operating income before depreciation and amortisation, EBITDA (in CHF million)	4,302	4,413	2.6%
Operating income EBIT (in CHF million)	2,258	2,322	2.8%
Net income (in CHF million)	1,695	1,706	0.6%
Swisscom TV connections in Switzerland (as at 31 December, in thousands)	1,000	1,165	16.5%
Mobile lines in Switzerland (as at 31 December in thousands)	6,407	6,540	2.1%
Revenue from bundled contracts (in CHF million)	1,553	1,921	23.7%
Broadband access lines Fastweb (as at 31 December, in thousands)	1,942	2,072	6.7%
Capital expenditure (in CHF million)	2,396	2,436	1.7%
Capital expenditure Switzerland (in CHF million)	1,686	1,751	3.9%
Group employees (FTEs as at 31 December)	20,108	21,125	5.1%
Of which Switzerland (FTEs as at 31 December)	17,362	18,272	5.2%

- **Growth in revenue (+2.4%), EBITDA (+2.6%) and net income (+0.6%)**
- **2.1 million mobile customers benefit from unlimited usage (NATEL infinity)**
- **The number of Swisscom TV customers grows by 165,000 to 1.17 million within a year.**
- **Fastweb increases its revenue and EBITDA, and the number of broadband customers grows to 2.07 million**
- **Ongoing high investment in the future (+1.7%)**
- **Payment of an unchanged dividend of CHF 22 per share will be proposed to the Annual General Meeting.**



- **At a euro exchange rate of CHF 1.00, Swisscom expects revenue of over CHF 11.4 billion and EBITDA of approximately CHF 4.2 billion for 2015. This does not take account of possible negative implications of the currency situation for the economy.**

“Our business developed very well. Despite price pressure, revenue and operating income continued to grow,” says CEO Urs Schaeppi. “Our high investment in the future is paying off. We were able to gain many new customers, especially for Swisscom TV, bundled contracts and Fastweb. The trend towards bundled offerings with flat-rate tariffs continues unabated.”

Price erosion in the Swiss core business was more than offset by growth

In 2014, Swisscom’s net revenue increased by CHF 269 million to CHF 11,703 million, which corresponds to an increase of 2.4% compared with the prior-year period. Adjusted for company acquisitions, at constant exchange rates and excluding Fastweb’s hubbing (wholesale revenue from interconnection services), revenue increased by CHF 218 million or 1.9%, of which CHF 128 million was attributable to the Swiss business. Price erosion of CHF 360 million in the Swiss core business (CHF 170 million of which was attributable to lower roaming charges) was more than offset by customer and volume growth of CHF 488 million.

EBITDA rose 2.6% or CHF 111 million to CHF 4,413 million. Adjusted, the increase amounted to 0.9% or CHF 39 million. The increase in EBITDA was partly offset by higher depreciation and amortisation and higher income tax expense. Net income rose by CHF 11 million or 0.6% to CHF 1,706 million.

Overall Group headcount increased by 1,017 FTEs to 21,125, an increase of 5.1%. The increase in headcount was attributable to company acquisitions, the hiring of external staff and the strengthening of customer service operations. In Switzerland, the number of employees increased by 910 FTEs or 5.2% to 18,272. Adjusted for company acquisitions, headcount in Switzerland increased by 375 FTEs or 2.2%.

Group-wide capital expenditure increased by CHF 40 million or 1.7% to CHF 2,436 million, and by CHF 65 million or 3.9% to CHF 1,751 million in Switzerland. The higher figures are primarily due to the expansion and upgrading of mobile and fixed network infrastructure with the latest technologies. By the end of 2014, Swisscom had connected more than 1.4 million homes and businesses with ultra-fast broadband – from fibre-to-the-home (FTTH) to the latest fibre-optic technology such as fibre-to-the-street (FTTS), fibre-to-the-building (FTTB) and vectoring technology.

Mobile data traffic grows at a tremendous pace and requires further expansion

The further expansion of the high-speed 4G/LTE network is being driven forward. 97% of all Swisscom customers are able to enjoy the advantages of the latest-generation mobile network, whether it is via higher speeds or larger capacities. This means that Swisscom offers the best mobile network coverage of all Swiss mobile network operators. In December, Swisscom was awarded for having the best mobile network in Switzerland by “connect” magazine for the sixth year in a row.

By the end of 2016, 99% of the Swiss public should have access to bandwidths of up to 150 Mbps. Swisscom is currently testing 4G/LTE bandwidths of up to 450 Mbps, which are expected to go on offer at the end of 2015. Expanding the mobile network is essential, since mobile data traffic



continues to increase at a rapid pace. In 2014, 96% more mobile data traffic was transmitted compared with the prior-year period. The use of mobile data while abroad is also continuing to grow, thanks to diminishing roaming prices. Data volumes doubled within the space of a year.

Strong growth in bundled offerings and infinity

The trend towards bundled offerings with flat-rate tariffs continues unabated. In September, Swisscom integrated TV 2.0, launched in the spring of 2014, into all packages. By the end of 2014, the number of customers using a bundled package had increased year-on-year by 20.8% to 1.21 million. Revenue from bundled contracts rose by 23.7% to CHF 1,921 million, with the main drivers of this business being television and mobile. The number of revenue generating units (RGUs) increased year-on-year by 276,000 or 2.3% to 12.4 million.

The new NATEL infinity mobile subscriptions launched in June 2012, offering unlimited calling, texting and surfing to all Swiss networks, are still very popular. At the end of 2014, 2.1 million customers, or 63% of all subscription customers (excluding corporate customers), were using NATEL infinity offerings. The number of mobile lines increased year-on-year by 133,000, or 2.1%, to 6.5 million. The trend from prepaid offerings to subscriptions continues: the number of postpaid customers increased by 146,000 (individual and bundled offerings), while the number of prepaid customers declined by 13,000.

More than 300,000 customers enjoy Swisscom TV 2.0

The fixed network business is also enjoying sustained growth: with the number of Swisscom TV access lines in 2014 increasing by 165,000, or 16.5%, to 1.17 million. Swisscom TV 2.0 was launched at the beginning of April 2014 and offers a number of extended features. By the end of 2014, it had already attracted 306,000 customers, most of whom had upgraded from a previous Swisscom offering to a higher quality bundled offering. In December, Swisscom launched Teleclub Play, a new flat-rate video service with several thousand hours of television series, classic films, documentaries and sports programmes. In 2014, the number of fixed broadband lines rose by 79,000 to 1.89 million.

Telecoms and IT corporate business bundled at the start of 2014

To boost the effectiveness of the business customer segment, as well as to actively push ahead with convergence and single-source cloud-based solutions, Swisscom bundled the telecoms and IT corporate business at the start of the year, making Swisscom as one of the largest integrated ICT providers in Switzerland. In 2014, the new division and its nearly 4,800 employees generated revenue of around CHF 2.3 billion. Incoming orders increased by 16% to CHF 2.2 billion. The acquisition of ZKB payments and the opening of the first crowdfunding market place of a Swiss bank were key market successes.

Fastweb increases revenue and EBITDA – with over 2 million broadband customers

Fastweb's revenue in Italy rose by EUR 46 million, or 2.8%, to EUR 1,688 million. As planned, wholesale revenue from low-margin interconnection services (hubbing) decreased. The hubbing business excluded, revenue rose by EUR 63 million or 3.9% to EUR 1,660 million. Despite a difficult

market environment, Fastweb's customer base grew year-on-year by 130,000, or 6.7%, to 2.07 million.

The segment result before depreciation and amortisation (EBITDA) increased by EUR 10 million year-on-year, or 2.0%, to EUR 515 million. This increase related mainly to higher revenue. The profit margin fell year-on-year by 0.3 percentage points to 30.5%. Capital expenditure decreased by EUR 3 million, or 0.5%, to CHF 562 million due to lower levels of investment in network infrastructure.

Unchanged dividend of CHF 22 per share proposed

Payment of an unchanged ordinary dividend of CHF 22 per share will be proposed to the Annual General Meeting on 8 April 2015. The one-year term of office of all members of the Board of Directors expires at the Annual General Meeting. All members are standing for re-election. Even though Michel Gobet and Torsten G. Kreindl will mark a term of office of 12 years in total at the Annual General Meeting, the Board of Directors proposes them for a final additional term of office in the interest of optimum succession planning.

Financial outlook for 2015 impacted by euro exchange rate

For 2015, Swisscom expects revenue of over CHF 11.4 billion and EBITDA of approximately CHF 4.2 billion. This outlook is based on an assumed euro exchange rate of CHF 1.00 and does not take account of possible negative implications of the currency situation for the economy. The negative effects of the lower euro exchange rate amount to nearly CHF 400 million on revenue and around CHF 100 million on EBITDA. In the case of EBITDA, the All IP transformation, coupled with higher pension costs and lower gains on the sale of real estate, results in a reduction of more than CHF 100 million. At CHF 2.3 billion, capital expenditure is expected to be CHF 100 million lower than in 2014, due to the lower euro exchange rate and a slight reduction in investment in Fastweb. Investment in Switzerland will remain unchanged at 1.75 billion. Subject to achieving its targets, Swisscom will again propose a dividend of CHF 22 per share for the 2015 financial year at the 2016 Annual General Meeting.

The detailed annual report:

<http://www.swisscom.ch/report2014>

Related documents:

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

Berne, 5 February 2015



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Press release

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