



First-quarter 2013 interim report:

### Record customer growth thanks to new offerings and substantial investments in infrastructure and customer acquisitions

	1.1-31.3.2012	1.1-31.3.2013	Change
Net revenue (in CHF millions)	2,802	2,734	-2.4%
EBITDA (in CHF millions)	1,098	1,031	-6.1%
EBIT (in CHF millions)	617	540	-12.5%
Net income (in CHF millions)	445	390	-12.4%
Swisscom TV connections Switzerland (as at 31 March in thousands)	655	860	31.3%
Mobile lines in Switzerland (as at 31 March in thousands)	6,082	6,270	3.1%
Revenue from bundled contracts (in CHF millions)	254	349	37.4%
Broadband lines Fastweb (as at 31 March in thousands)	1,654	1,861	12.5%
Total capital expenditure (in CHF millions)	502	474	-5.6%
Capital expenditure Switzerland (in CHF millions)	366	319	-12.8%
Headcount Group (FTEs as at 31 March)	19,914	19,247	-3.3%
Headcount Switzerland (FTEs as at 31 March)	16,503	16,483	-0.1%

- **Price erosion and seasonal effects dampen revenue and operating income**
- **Clear trend towards bundled offerings and flat-rate billing: every third mobile customer now profits from unlimited usage (Infinity)**
- **Revenue from bundled contracts up by a third**
- **Fastweb on track, attracting 207,000 new customers within a year, of which 94,000 in the first quarter alone**
- **Swisscom confirms financial outlook for 2013**



"We achieved record customer growth in the first quarter," says CEO Carsten Schloter. "Swisscom attracted many new customers in the first quarter, primarily for its television service (+69,000), in mobile communications (+53,000) and at Fastweb (+94,000). Swisscom IT Services also posted its highest level of incoming orders to date, which is very encouraging. We are currently investing heavily in our network infrastructure and in new offerings, which is having a positive impact on customer growth and will stand us in good stead over the long term."

Swisscom posted a fall in net revenue in the first quarter of 2013 of CHF 68 million or 2.4% to CHF 2,734 million and a drop in operating income before depreciation and amortisation (EBITDA) of CHF 67 million or 6.1% to CHF 1,031 million. The fall in revenue of CHF 68 million is summarised as follows: CHF 75 million due to price erosion (of which CHF 32 million due to reduced roaming charges); CHF 44 million due to seasonal effects; CHF 19 million due to other effects (of which CHF 16 million in Fastweb's hubbing business). Following the massive lowering of roaming charges in recent years, Swisscom's standard rates for mobile phoning in the EU are now less than half compared to those of its competitors. The drop in revenue was nearly offset by an increase of CHF 62 million generated by customer growth and CHF 8 million through currency translation. Net income fell by 12.4% to CHF 390 million. Headcount dropped by 667 full-time equivalents to 19,247 FTEs, due primarily to the outsourcing of customer care and network maintenance jobs at Fastweb.

Capital expenditure in Switzerland was also impacted by adverse weather conditions, resulting in a fall of CHF 47 million or 12.8% to CHF 319 million compared with the previous year's high level. Full-year capital expenditure for 2013, however, is expected to be up on the previous year. Already 35% of the population in urban and rural areas have access to the fourth-generation mobile technology 4G/LTE. By the end of 2013, Swisscom will have extended 4G/LTE coverage to 70% of the population in Switzerland. The first 4G/LTE compatible devices offering bandwidths of up to 150 Mbps are due to be rolled out on the market very shortly. By the end of March, 576,000 households and businesses were connected to the fibre-optic network.

### **Revenue from bundled contracts up by a third**

Many customers appreciate the ability to purchase services from a single source and at a fixed price: the trend towards bundled offerings and new pricing models such as flat-rate tariffs continued unabated. By the end of March 2013, 842,000 customers were using bundled offerings such as Vivo Casa which combines fixed-line access with telephony, Internet and TV and the additional option of a mobile line. This represents a year-on-year customer gain of 27.8% or 183,000. Revenue from bundled contracts rose by CHF 95 million or 37.4% to CHF 349 million. Key drivers of bundled business are television and mobile communications. The share of bundled contracts offered in combination with a mobile subscription increased by 13 percentage points year-on-year to 40%. The number of revenue generating units (RGU) increased by 339,000 or 2.9% year-on-year.

The new NATEL<sup>®</sup> infinity mobile subscriptions launched in June 2012, offering unlimited calling, texting and Internet surfing to all networks, have met with a very positive response from customers. By the end of March 2013, 1.13 million customers, or one third of all subscription customers, were using the new Infinity offerings. The number of mobile lines grew by 188,000 or 3.1% year-on-year to 6.3 million. The number of postpaid customers increased by 235,000 (individual and bundled offerings), while the number of prepaid customers declined by 47,000.



Mobile data traffic continues to soar, accelerated by the launch of Infinity: in the first quarter of 2013 the volume of mobile data jumped by over 130% compared with the prior-year period. In the first quarter of 2013, Swisscom sold a total of 366,000 mobile devices (+11.6%), of which 65% were smartphones.

### **Nearly half of all fixed broadband customers also use Swisscom TV**

The number of Swisscom TV connections increased by 205,000 or 31.3% year-on-year to 860,000; of these, 811,000 involve fixed-fee subscriptions. Almost half of Swisscom's fixed broadband customers also use Swisscom TV. Around 300,000 Swisscom TV customers are already testing the replay function, which allows programmes from around 70 channels to be watched up to 30 hours after they have been broadcast. Fixed broadband lines rose by 69,000 or 4.1% year-on-year to 1.75 million. Data transmitted over the fixed network grew by 37%.

Swisscom's subsidiary Swisscom IT Services, which offers a broad portfolio of IT services, has been going from strength to strength over the past few years. In IT outsourcing, the company is one of the biggest providers in the Swiss market. Total contract value rose to a record high of CHF 232 million (+130%) from CHF 102 million in the first quarter of 2012.

### **Fastweb achieves record customer growth in the first quarter**

Fastweb's net revenue contracted in the first quarter by 5.9% or EUR 25 million to EUR 398 million, reflecting the planned reduction in wholesale revenues from low-margin interconnection services (hubbing) and a seasonal fall in business customer revenues. Fastweb's customer base expanded by 207,000 or 12.5% year-on-year to 1.86 million. In the first quarter of 2013 Fastweb gained 94,000 new customers thanks to its bundled TV and broadband package launched in partnership with Sky Italia in 2011.

The segment result before depreciation and amortisation fell by EUR 12 million or 11% year-on-year to EUR 97 million due to the seasonal drop in business customer revenues. Spending on fibre-optic network expansion pushed up capital expenditure by EUR 14 million or 12.5% to EUR 126 million. Around 38% of investment spending was directly related to customer growth.

### **Financial outlook for 2013 unchanged**

Swisscom expects unchanged revenue of CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion for the 2013 financial year. Subject to achieving its targets, Swisscom plans once again to propose a dividend of CHF 22 per share for the 2013 financial year at the 2014 Annual General Meeting.

### **Detailed interim report:**

<http://www.swisscom.ch/q1-report-2013>

### **Related documents:**

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



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**Press Release**

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