

Interim report to the end of September 2013:

## Swisscom reports strong third-quarter results and is on target for 2013

	1.1-30.9.2012	1.1-30.9.2013	Change
Net revenue (in CHF millions)	8,427	8,463	0.4%
EBITDA (in CHF millions)	3,346	3,248	-2.9%
EBIT (in CHF millions)	1,892	1,747	-7.7%
Net income (in CHF millions)	1,356	1,273	-6.1%
Swisscom TV connections in Switzerland (as at 30 September in thousands)	728	943	29.5%
Mobile lines in Switzerland (as at 30 September in thousands)	6,153	6,346	3.1%
Revenue from bundled contracts (in CHF millions)	838	1,129	34.7%
Broadband lines Fastweb (as at 30 September in thousands)	1,704	1,911	12.1%
Total capital expenditure excluding mobile licences (in CHF millions)	1,493	1,600	7.2%
Capital expenditure Switzerland excluding mobile licences (in CHF millions)	1,098	1,115	1.5%
Group employees (FTEs as at 30 September)	19,595	20,194	3.1%
Of which Switzerland (FTEs as at 30 September)	16,339	17,449	6.8%

- **Investments in the market and innovations drive customer growth:**
  - Over 1.5 million mobile customers benefit from unlimited usage (infinity)
  - TV customer base grows by 30% to 943,000
  - Swisscom IT Services reports high order intake
  - Fastweb gains 207,000 new broadband customers within a year and is the only provider in Italy to report growth
- **Continuing competition and price pressure lead to lower operating income**



- **General price erosion of around CHF 300 million in the first nine months; customers benefit from further reduction in roaming fees of around CHF 160 million**
- **Swisscom and Fastweb report solid third-quarter results, with increased revenue and operating income**
- **Swisscom confirms financial outlook for 2013: revenue of over CHF 11.4 billion and EBITDA of at least CHF 4.25 billion**

"We have enjoyed a strong third quarter, with both Swisscom and Fastweb reporting slightly higher revenue and operating income. Our results are solid and we remain on track for 2013," says Urs Schaeppi, CEO of Swisscom. "We continued to gain a lot of new customers in the third quarter, for our television service (+41,000), in mobile communications (+39,000) and at Fastweb (+24,000 broadband lines)."

Swisscom posted an increase in net revenue of CHF 36 million or 0.4% to CHF 8,463 million for the first nine months of 2013, while operating income before depreciation and amortisation (EBITDA) was CHF 98 million or 2.9% lower at CHF 3,248 million. At constant exchange rates, excluding hubbing revenues from Fastweb (wholesale revenues from interconnection services) and company acquisitions, net revenue was down 0.6%. This slight fall was mainly attributable to general price erosion of around CHF 300 million in Swiss core business and a reduction in roaming fees of around CHF 160 million. The overall reduction of CHF 460 million was largely offset by customer and volume growth of around CHF 420 million.

EBITDA fell by 3.2% on a like-for-like basis, due in particular to the fall in revenue in Swiss core business, higher network maintenance and IT expenses in Switzerland and an increase in acquisition costs in Italy as a result of the high customer growth. Net income was down 6.1% at CHF 1,273 million. The overall headcount increased by 599 FTEs to 20,194. The higher headcount in Switzerland due to company acquisitions, the hiring of external staff and moves to strengthen customer service was offset by a fall at Fastweb following the outsourcing of customer care and network maintenance jobs.

Excluding the costs of CHF 360 million for the mobile licences acquired in 2012, capital expenditure rose by 7.2% to CHF 1,600 million overall and by CHF 17 million or 1.5% to CHF 1,115 million in Switzerland. Swisscom's projected full-year capital expenditure for 2013 is still expected to be up on the previous year (excluding mobile licences), with the bulk of the spending going on Switzerland's broadband infrastructure. Over 60% of the population already have access to fourth-generation 4G/LTE services, and by the end of 2013 Swisscom will have extended 4G/LTE coverage to 70% of the Swiss population. By the end of September, 650,000 households and businesses were already connected to the fibre-optic network. This year will also see some 700,000 customers able to surf the Internet at speeds of up to 1 Gbps.

### **More and more customers are switching to bundled offerings, with TV and mobile the main drivers**

The trend towards bundled offerings and new pricing models such as flat-rate tariffs continued. By the end of September 2013, the number of customers subscribing to bundled offerings had grown by 199,000 or 26.9% year-on-year to 938,000. Revenue from bundled contracts rose by 34.7% to CHF 1,129 million, with the main drivers of this business being television and mobile. In the third-quarter, the increase in revenue from bundled contracts exceeded the fall in revenue from individual contracts

for the first time in 2013. The share of bundled contracts offered in combination with a mobile subscription rose by 36.7% year-on-year to 41.6%. The number of revenue generating units (RGU) increased by 352,000 or 3.0% during the same period.

The NATEL infinity mobile subscriptions launched in June 2012, offering unlimited calling, texting and Internet surfing to all Swiss networks, are hugely popular. As at the end of September 2013 over 1.5 million customers, or roughly half of all subscriber customers (excluding corporate customers), were using infinity offerings. The third-quarter figures confirmed the second-quarter trend, namely that customers who switch to NATEL infinity generate higher revenues (ARPU). In August Swisscom launched new mobile subscriptions for occasional users. The number of mobile lines grew by 193,000 or 3.1% year-on-year to 6.3 million. Postpaid customers increased by 230,000 (individual and bundled offerings), compared with a fall of 37,000 in the number of prepaid customers.

Mobile data traffic continues to soar, accelerated by the launch of NATEL infinity: in the first nine months of 2013 the volume of mobile data traffic leapt by over 130% compared with the prior-year period. Swisscom slashed its data roaming fees on 1 July, leading to a sevenfold growth in data volumes year-on-year in the third quarter. Swisscom sold a total of 1,125,000 mobile handsets (+12.7%) in the first nine months of 2013, 66% of which were smartphones.

At the end of June Swisscom became the first Swiss provider to launch a free app (iO) for web-based telephony and messaging. The smartphone app allows all users worldwide to communicate simply, securely and free of charge over the Internet. By the end of October some 400,000 users had installed the app and sent around 4.75 million messages. Thanks to iO, many customers remained in touch with Switzerland even when they were abroad. iO has already been used in 195 countries.

#### **Over 380,000 Swisscom TV customers use the replay function**

The number of Swisscom TV connections increased by 215,000 or 29.5% year-on-year to 943,000, 885,000 of which are fixed-fee subscriptions. More than half of Swisscom's fixed broadband customers now also use Swisscom TV. Over 380,000 Swisscom TV customers used the replay function, which allows programmes from around 70 channels to be watched up to 30 hours after they have been broadcast. In the first nine months of the year, total viewings of live sports events and films (VoD) increased by 10.6% to 6.3 million. The number of fixed broadband lines rose by 73,000 or 4.3% year-on-year to 1.78 million.

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 among the biggest providers in the Swiss market. Total contract value rose from CHF 293 million for the first nine months of 2012 to a record high of CHF 535 million (+83%).

#### **Fastweb gains over 200,000 new customers in a year**

Fastweb is on track and its strategy remains unchanged. As planned, the first nine months of 2013 saw a further reduction of EUR 37 million in Fastweb's low-margin wholesale revenues from interconnection services (hubbing). Excluding hubbing business, revenue dropped slightly by EUR 11

million to EUR 1,179 million. Fastweb was the only broadband provider in Italy to grow its customer base, which increased by 207,000 or 12.1% year-on-year to 1.91 million customers, thanks in part to the bundled TV and broadband package offered in partnership with Sky Italia.

The segment result before depreciation and amortisation fell by EUR 19 million or 5.4% year-on-year to EUR 336 million. The decline was mainly attributable to increased acquisition costs as a result of the high customer growth. Spending on fibre-optic network expansion pushed up capital expenditure by EUR 67 million or 20.6% to EUR 393 million. Around 37% of investment spending was directly related to customer growth.

In the VAT proceedings instigated against Fastweb, the company's founder Silvio Scaglia and the current COO Roberto Contin were acquitted by the court of first instance in Rome on 17 October 2013. The acquittal confirms the view held by Fastweb and Swisscom that Fastweb was a victim rather than a perpetrator of criminal practices.

**Financial outlook for 2013 unchanged**

Swisscom's full-year outlook for 2013 remains unchanged, with expected revenue of over CHF 11.4 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion. In the first half of 2013 Swisscom acquired business operations from Entris and a majority stake in Cinetrade. The additional revenue of around CHF 150 million in 2013 has been factored into the expected figures. The acquisitions will have minimal impact on the other financial targets in the current year.

Excluding Fastweb, Swisscom still expects full-year revenue for 2013 of around CHF 9.5 billion. EBITDA excluding Fastweb is still expected to decline to CHF 3.64 billion. Subject to achieving its targets, Swisscom will again 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/q3-report-2013>

**Related documents:**

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

Berne, 7 November 2013

**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 Companies' 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.