

2006 First-Quarter Report of the Swisscom Group
**Customers benefit from substantially lower prices –
strong customer growth on the back of lower revenue**

	1.1-31.3.2005	1.1-31.3.2006	Change
Net revenue (in CHF millions)	2445	2375	-2.9%
EBITDA (in CHF millions)	1092	1034	-5.3%
EBIT (in CHF millions)	735	686	-6.7%
Net income* (in CHF millions)	520	460	-11.5%
Net earnings per share (in CHF)	8.46	8.11	-4.1%
Fixed lines (at 31.3 in millions)	4.78	5.00	4.6%
Of which ADSL (at 31.3 in millions)	0.88	1.19	35.4%
Number of mobile customers (at 31.3 in millions)	3.98	4.37	9.7%
Number of full-time equivalent employees at 31.3	15,397	16,544**	7.4%

* Net income after deduction of minority interests

** Increase due primarily to the acquisition of Antenna Hungária

Net revenue posted by the Swisscom Group fell by 2.9% in the first quarter of 2006 to CHF 2.45 billion, earnings before interest, taxes, depreciation and amortization (EBITDA) by 5.3% to CHF 1.03 billion. As in the second half of 2005 this development is primarily due to one-time effects. Adjusted for these special effects, revenue from ordinary activities rose by 1.7% while EBITDA fell by 1.1%. Swisscom recorded a strong increase in ADSL customer numbers in the fixed network and mobile alongside a sharp fall in minute rates. The Group still expects to post net revenue of around CHF 9.5 billion and EBITDA of around CHF 4.0 billion for the 2006 financial year.

Net revenue as per 31 March 2006 fell by CHF 70 million or 2.9% to CHF 2,375 million year-on year, while EBITDA dropped by CHF 58 million or 5.3% to CHF 1,034 million. This decrease can primarily be attributed to the following special factors: The table below contains an overview of these changes:

Amounts in CHF millions	Revenue	EBITDA
Effect of reduction in mobile termination rates	-72	-72
Effect of transfer of international carrier service activities	-51	-
Effect of retroactive adjustment of roaming rates	-28	12
Effect of acquisition of Antenna Hungária	41	13
Total one-off effects	-110	-47
Development of ordinary activities excluding the one-time effects mentioned above	40	-11
Total change compared with the previous year	-70	-58

Excluding the four one-off effects indicated above, net revenue rose on a like-for-like basis by CHF 40 million or 1.7%, while EBITDA fell by CHF 11 million or 1.1%.

As part of its inquiry concerning the mobile market, the Secretariat of the Competition Commission asked Swisscom Mobile to issue a statement on a draft ordinance containing a sanction against the alleged misuse of termination charges totalling CHF 489 million. As communicated previously on 10 April 2006, Swisscom disputes these allegations of market dominance and misuse of charges. Backed up by legal clarification, Swisscom believes that the prospect of an appeals procedure being successful is intact. No provision has therefore been established.

Net income of the Swisscom Group after deduction of minority interests decreased by 11.5% to CHF 460 million due to lower operating income and a reduced net financial result. As a result of last year's share buyback programme and the subsequent decrease in the number of shares, earnings per share saw a more modest decrease than net income, falling 4.1% to CHF 8.11.

Significantly lower prices in the fixed network and mobile sectors – ADSL and Mobile win more customers

Customers benefited from substantial price cuts in the first quarter of 2006 compared with the previous year, coupled with an expanded range of products and services and enhanced performance. Swisscom continues to invest in the development of its nationwide telecom infrastructure.

The Fixnet segment is seeing high levels of growth for broadband connections, with the number of customers rising by 35.4% to 1.19 million. Of these, 775,000 connections belonged to Bluewin customers and 414,000 to customers of other providers. Due to intense infrastructure competition with cable companies and the increased popularity of new mobile technologies, the number of digital connections decreased by 2.4% to 3.81 million. This decline in traditional fixed network business was all but offset by the strong levels of growth in the ADSL segment, with customers benefiting from ADSL bandwidths now up to three times higher (depending on the service) for the same price. The development of a higher-performance broadband infrastructure (VDSL) necessitated by this trend led to a 52.6% increase in investments by Fixnet to CHF 119 million.

The Mobile segment also saw a rise in customer numbers, up by 387,000 or 9.7% to 4.37 million, due primarily to new price models (e.g. Liberty hourly rate of CHF 0.50) and the launch of M-Budget Mobile. As of the end of March, 880,000 customers were already using products belonging to the Liberty family, while the prepaid product M-Budget Mobile boasted 165,000 customers. These new price models led to an increase in usage, with the average number of minutes per customer and month (AMPU) up from 112 to 120. Lower prices and the high proportion of prepaid users caused the average revenue per customer to fall from CHF 77 to CHF 65. Adjusted for the reduction in termination charges, Mobile EBITDA would have increased slightly.

In the corporate customer business, Swisscom IT Services and Swisscom Solutions succeeded in acquiring new customers and renewing existing contracts worth CHF 115 million. Swisscom Solutions continues to face strong competition and price pressure, resulting in a drop in both revenue and EBITDA. New and cheaper services (IP) are starting to replace existing technologies more and more. The Other segment saw a boost in revenue by Swisscom IT Services as a result of market successes in the outsourcing business and the acquisition of Comit and Antenna Hungária. EBITDA in this segment fell slightly by CHF 3 million to CHF 36 million due to high start-up costs in the outsourcing business.

Expectations for 2006 unchanged

Against a backdrop of strong competition and price reductions at Mobile and Fixnet, Swisscom still expects to close 2006 with revenue of around CHF 9.5 billion and EBITDA of around CHF 4.0 billion. Capital expenditure will amount to around CHF 1.4 billion.

The detailed interim report is available on the Internet at:

<http://www.swisscom.com/q1-report-2006>

Berne, 10 May 2006

Cautionary statement regarding forward-looking statements

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