

2006 Third-Quarter Report of the Swisscom Group
Swisscom posts solid third-quarter result – strong growth in ADSL and mobile customer numbers

	1.7-30.9.2006	Change*	1.1-30.9.2006	Change*
Net revenue (in CHF millions)	2423	1.6%	7196	-1.4%
EBITDA (in CHF millions)	1041	-3.0%	2855	-12.7%
Net income (in CHF millions)**	470	-12.0%	1229	-25.5%
Net earnings per share (in CHF)	8.4	-6.7%	21.77	-20.0%

*Change from previous-year period

**Net income after deduction of minority interests

The Swisscom Group performed solidly in the third quarter, recording slightly higher revenue and an EBITDA of CHF 1.04 billion: the best quarterly result of 2006 and only CHF 32 million or 3% below the previous-year figure. The number of mobile and ADSL customers continues to grow strongly. As announced in the half-year report, reduced mobile termination charges and additional provisions for interconnection proceedings have had a significant negative impact on the first nine months of 2006. Adjusting for extraordinary effects, however, revenue for this period is CHF 44 million higher than the previous-year figure. The Group still expects to post net revenue of around CHF 9.5 billion and operating income before interest, taxes, depreciation and amortisation (EBITDA) of around CHF 3.7 billion for the 2006 financial year.

	30.9.2005	At 30.9.2006	Change
Fixed lines (in millions)	4.85	5.06	4.4%
Of which ADSL (in millions)	1.01	1.31	29.2%
Mobile customers (in millions)	4.17	4.56	9.3%
Number of full-time equivalent employees	15,288	16,875	10.4%

The **Fixnet** Segment continues to enjoy strong growth in broadband accesses: the number of ADSL customers rose by 29.2% to 1.3 million, of which 886,000 were customers of Bluewin and 419,000 customers of other providers. The number of analogue and digital access lines dropped by 2.1% to 3.76 million. The lower revenue recorded in the first nine months of 2006 for telephone traffic and access lines was virtually offset by growth in the number of ADSL accesses. Fixnet's share of the telephony market is stable at around 56%. Swisscom Together, a convergence product launched in early September, attracted some 5,000 customers within the space of one month. Since 1 November Swisscom through Bluewin TV offers a full-service triple-play package: for a monthly charge of CHF 29, customers can receive more than 100 television channels and 70 radio channels. The launch of Bluewin TV was met by high demand. Due to expansion of VDSL broadband technology, capital expenditure rose year-on-year by 18.9% to CHF 396 million.

The **Mobile** segment also saw a rise in customer numbers, up by 389,000 or 9.3% to 4.56 million, due primarily to new price models (e.g. Liberty hourly rate of CHF 0.50) and the launch of M-Budget Mobile. Swisscom Mobile commands a 64% share of the market. By the end of September more than 1.4 million customers were already using products belonging to the Liberty family; and with 255,000 customers, the prepaid M-Budget-Mobile product continues to show robust growth. These new price models led to an increase in usage, with the average number of minutes per user and month (AMPU) rising from 119 to 124. Lower prices, above all from lower termination fees, and the higher proportion of prepaid users caused the average revenue per customer to fall from CHF 76 to CHF 65. New data services continue to attract strong demand, and generated revenue of CHF 160 million (+29%) over the first nine months of 2006.

During the first three quarters of 2006 Swisscom **IT Services** and Swisscom **Solutions** reported incoming orders worth a total of CHF 349 million as a result of new customer acquisition and the renewal of existing long-term contracts with business customers.

While Swisscom IT Services recorded a 37% increase in revenue from external customers to CHF 248 million, EBITDA was down by CHF 97 million. As announced in the half-year report, this drop is attributable to increased expenditure for new market development as well as provisions for contract risks in the project business. Swisscom IT Services posted a third-quarter EBITDA margin of around 10%.

Structural change at Swisscom

While structural change in the wake of technological developments is leading to job cuts, primarily in the core area of telecommunications, Swisscom is creating jobs in new areas such as Bluewin TV and home networking. In 2007, however, the number of full-time positions in Switzerland will fall overall by 390 to 15,500.

Swisscom remains an attractive employer: in 2006 the Group hired more than 1,600 persons, including some 250 apprentices.

Outlook for 2006 unchanged

Swisscom still expects to post net revenue of around CHF 9.5 billion and operating income before interest, taxes, depreciation and amortisation (EBITDA) of CHF 3.7 billion for the 2006 financial year. Capital expenditure in the Swisscom Group for 2006 will be in the region of CHF 1.3 billion.

Interim Report:

<http://www.swisscom.com/q3-report-2006>

Berne, 8 November 2006

Cautionary statement regarding forward-looking statements

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