

Interim report on business performance for the period from January to September 2007:

## Increase in customers helps Swisscom grow and increase profits

	1.1.-30.9.06	1.1.-30.9.07	Change
Net revenue (in CHF millions)	7,196	8,082	12.3%
EBITDA (in CHF millions)	2,855	3,275	14.7%
EBIT (in CHF millions)	1,809	1,963	8.5%
Net income (in CHF millions)*	1,229	1,627	32.4%
Operating Free Cash Flow (in CHF millions)**)	1,685	1,602	-4.9%
Swisscom fixed lines (at 30.9., in millions)	5.06	5.25	3.8%
Of which DSL (at 30.9., in millions)	1.31	1.56	19.4%
Mobile lines (at 30.9., in millions)	4.56	4.89	7.3%
Fastweb customers (at 30.9., in millions)	-	1.25	-
Capital expenditure (in CHF millions)	852	1,343	57.6%
Employees (FTEs at 30.9.)	16,875	19,658	16.5%

\* After deduction of minority interests

\*\* EBITDA – Capital expenditure – changes in net working capital – payments to minorities

Swisscom's financial statement at the end of the first nine months is characterised by increasing customer numbers, the takeover of Fastweb and special effects: revenue rose 12.3% to CHF 8.08 billion and operating income (EBITDA) increased 14.7% to CHF 3.28 billion. After adjustments for the takeover of Fastweb and special effects in the previous year, Swisscom's business proved stable: compared to the same period in the previous year, net revenue rose

**0.3%, with just a slight 0.9% drop in EBITDA, despite the costs associated with new product launches and the development of new business segments. Due to the repurchase from Vodafone of a 25% stake in Swisscom Mobile in December 2006, net income after deducting minority interests rose 32.4% to CHF 1.63 billion. The financial outlook for the 2007 business year as a whole remains unchanged.**

Excluding Fastweb, net revenues for the **third quarter of 2007** stood at CHF 2,402 million, 0.9% lower than the previous year's figure. Continued growth in the number of customers with broadband and mobile lines as well as growth in the project and outsourcing business with corporate customers and other new business segments was not able to offset declining revenues in the traditional fixed-line business. In a quarterly comparison, operating income (EBITDA) rose by CHF 191 million (+18.3%) to CHF 1,233 million. The increase in EBITDA is largely due to the takeover of Fastweb (CHF 156 million). Excluding this effect, EBITDA rose by CHF 35 million (+3.4%), mainly as a result of the excellent market development in the mobile and business customer segment, as well as cost savings.

CHF 8,082 million in cumulative revenues was generated during the first **nine months of 2007**, 12.3% higher than the previous year's figure. Due to the takeover of Fastweb and special effects in the previous year, operating results (EBITDA) rose by CHF 420 million to CHF 3,275 million (+14.7%). On a like-for-like basis excluding special effects, EBITDA fell by CHF 26 million (-0.9%). The main reasons behind this drop are the costs of new product launches and the development of new business segments such as Bluewin TV. A pre-tax profit of CHF 157 million resulted from the sale of the subsidiary Antenna Hungária.

Due to the repurchase from Vodafone of a 25% stake in Swisscom Mobile in December 2006, net income after deducting minority interests rose to CHF 1,627 billion, 32.4% higher than the previous year. The absence of Vodafone's minority interest in Swisscom Mobile coupled with last year's share buy-back programme and the resultant reduction in the average number of shares led to earnings per share of CHF 31.41, an increase of 44.3%.

### **Number of Fixnet and Mobile customers growing**

While **Fixnet** revenue from external customers fell 4.7% on the previous year in the first nine months of 2007 to CHF 2,895 million (-3.7% in the third quarter), the number of fixed lines, including broadband, increased by 3.8% to 5.25 million. Broadband communication grew strongly in a year-on-year comparison: the number of broadband customers rose by 19.4% to 1.56 million. By the end of September, over 60,000 customers had chosen for Bluewin TV. The sharp rise in capital expenditure in the fixed network is primarily due to measures to upgrade the network infrastructure to the new VDSL broadband technology.

**Mobile** posted an increase of 4.3% in revenue from external customers for a total of CHF 2,835 million. Lower traffic and subscription prices as a result of new tariff models and a reduction in termination prices were offset by gains in customer numbers and growth in new data services. As a result of the growth in sales and cost savings, operating income (EBITDA) rose 3.1% to CHF 495 million in the third quarter. The cumulative increase in EBITDA was 2.8%. The number of customers rose by a net 331,000 (+7.3%) to 4.89 million. By the end of September 2007, over 2 million customers had signed up for the Liberty product family and 337,000 for the M-Budget Mobile prepaid product.

**Solutions**, which focuses on corporate customers, posted a decrease in revenue from external customers of 0.7% in the third quarter, compared to the previous year (a cumulative decrease of 1.3%). The decline in the traditional market for voice and data services, which is characterised by fierce competition and substitution effects, was almost fully offset by revenue from new products and services, primarily in the project and outsourcing business.

**Fastweb** has been incorporated in the consolidated Swisscom results since completion of the acquisition on 22 May 2007. The company continues to grow significantly and, in the third quarter, acquired around 20% of net new customers on Italy's residential customer market. By the end of September 2007, the number of customers had climbed 31% over the previous year's figure to a total of 1.251 million. For 2007 as a whole, Fastweb is expecting EBITDA to increase by 59% on the previous year's figure to EUR 480 million. This EBITDA forecast is EUR 40 million below the original estimate made by Fastweb at the start of the year, as a result of lower revenues realised with public agencies.

In the first nine months revenue increased by 19% to EUR 1,068 million and EBITDA rose 48% to EUR 317 million. At EUR 366 million, capital expenditure remains practically unchanged over last year. The period following the takeover accounted for revenue of EUR 524 million (CHF 867 million), EBITDA of EUR 142 million (CHF 235 million) and capital expenditure of EUR 168 million (CHF 277 million).

Within the first nine months of 2007, the companies in the "**Other**" segment were able to boost their revenue from external customers by 9% to CHF 664 million as a result of the growth experienced in IT Outsourcing and Hospitality Services. As a result of the sale of Antenna Hungária and Accarda AG, revenue in the third quarter declined 7.3% to CHF 191 million.

### **New legal structure from 2008 onwards**

On 22 May 2007, Swisscom announced a change in the Group structure which will facilitate a consistent customer focus. In the first step, organisational units were transferred in their entirety to the new managerial structure as of 1 August 2007. As of 1 January 2008, the reorganisation will legally come into force.

**Financial outlook for 2007 remains unchanged**

The consolidated year-end Swisscom statements will include the newly acquired Fastweb as from 22 May 2007. The sold companies Antenna Hungária and Accarda on the other hand will be eliminated in the second half-year. Taking these changes into account, Swisscom still expects to close 2007 with revenue of CHF 11.2 to 11.3 billion and operating income before interest, taxes, depreciation and amortisation (EBITDA) of between CHF 4.4 billion and CHF 4.5 billion. Capital expenditure will be in the region of CHF 2 billion.

Detailed interim report:

<http://www.swisscom.com/q3-report-2007>

Berne, 7 November 2007

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