



2007 financial year

**Swisscom – more customers, profitable growth**

	<b>2006</b>	<b>2007</b>	<b>Change</b>
Net revenue (in CHF millions)	9652	11089	14.9%
EBITDA (in CHF millions)	3786	4501	18.9%
EBIT (in CHF millions)	2351	2515	7.0%
Net income (in CHF millions) <sup>1</sup>	1598	2068	29.4%
Operating free cash flow to shareholders of Swisscom Ltd <sup>2</sup>	2207	2077	-5.9%
Swisscom fixed lines (at 31.12, in millions)	5.12	5.29	3.4%
Of which DSL (at 31.12, in millions)	1.37	1.60	17.1%
Mobile lines (at 31.12, in millions)	4.63	5.01	8.1%
Capital expenditure (in CHF millions)	1324	2025	52.9%
Employees (FTEs at 31.12) <sup>3</sup>	17068	19844	16.3%

<sup>1</sup> After deducting minority interests

<sup>2</sup> EBITDA - capital expenditure +/- changes in net working capital - minority interests

<sup>3</sup> The 2007 headcount in Switzerland increased by 239 FTEs after adjusting for the acquisition and disposal of companies

**The 2007 financial year was characterised by growth in customer numbers, the acquisition of Fastweb and exceptional items: Revenue rose by 14.9% to CHF 11.1 billion, while operating income before interest, taxes, depreciation and amortisation (EBITDA) was 18.9 per cent higher at CHF 4.5 billion. This increase is primarily attributable to the acquisition of Fastweb in May 2007. The comparable net revenue increased by 0.3% over the previous year. After adjusting for exceptional items, EBITDA in our core business in Switzerland was up by CHF 69 million or 1.7 per cent; taking into account start-up costs for new businesses, EBITDA fell year-on-year by CHF 75 million, or 1.9%. Due to the repurchase of Vodafone's 25% stake in Swisscom Mobile in December 2006, net income after deducting minority interests was 29.4% higher at CHF 2.07 billion. Accelerated expansion of the broadband network resulted in a sharp increase in capital expenditure in Switzerland to CHF 1.41 billion. An increased dividend of CHF 18 per share (2006: CHF 17) and a special dividend of CHF 2 will be proposed to the General Meeting of**



**Shareholders. For the 2008 financial year Swisscom expects to post revenue of around CHF 12.3 billion and operating income (EBITDA) of around CHF 4.8 billion. Capital expenditure will be in the range of CHF 2.1 billion to CHF 2.2 billion.**

Due to the takeover of Fastweb as well as exceptional items, cumulative revenue for 2007 rose 14.9% or CHF 1.4 billion year-on-year to CHF 11.1 billion. On a like-for-like basis, net revenue increased slightly over the previous year by CHF 27 million (+0.3%). Declining revenues in the traditional fixed-line business were offset by growth in project and outsourcing business with corporate customers and in new business segments, as well as further gains in broadband customers.

Operating income (EBITDA) rose by 18.9% or CHF 715 million to CHF 4.5 billion. The increase in EBITDA is largely due to the acquisition of Fastweb (CHF 498 million) and other exceptional items. After adjusting for exceptional items, EBITDA in our core business in Switzerland increased by CHF 69 million or 1.7%. Lower prices and volumes were more than outweighed by new customers and offers such as new data services as well as cost reductions.

The increase in Group EBITDA was offset by higher depreciation and amortisation as well as a rise in the net financial expense. Gains from the sale of the subsidiaries Antenna Hungária and Infonet resulted in an increase of CHF 162 million in net income. As a result of the repurchase of the 25% stake in Swisscom Mobile in December 2006 as well as the Fastweb acquisition, net income attributable to the shareholders of Swisscom Ltd increased by 29.4% to CHF 2068 million. Together with the share buy-back in 2006 and the resultant reduction in average number of shares, this led to an increase of 38.1% in earnings per share to CHF 39.92.

In accordance with Swisscom's payout policy, around half of the operating free cash flow attributable to the shareholders of Swisscom Ltd is to be paid out in the subsequent year. Based on this payout policy, the proposal will be put to the General Meeting of Shareholders on 22 April 2008 for payment of an ordinary dividend of CHF 18 per share as well as a special dividend of CHF 2 per share. No share buy-back programme will be carried out in 2008. Swisscom will propose to the General Meeting of Shareholders that 3.3 million of its 4.9 million treasury shares be retired by means of a capital reduction. The remaining 1.6 million shares will be retained in order to ensure Swisscom the necessary financial flexibility.

### **Number of Fixnet and Mobile customers continues to grow**

**Fixnet** posted a year-on-year decline of 3.6% in revenue from external customers to CHF 3861 million in 2007. The drop in the number of fixed lines and traffic revenues as a result of price reductions, substitution by mobile phones as well as competition with cable network and alternative providers was only partially compensated by further strong growth in broadband connections and TV offerings. The number of fixed lines, including broadband access lines, increased by 3.4% to 5.29 million. Broadband communications experienced strong growth year-on-year, with the number of broadband customers rising by 17.1% to 1.6 million. By the end of 2007, around 70,000 customers had signed up for Bluewin TV.

Adjusted for exceptional items arising from the interconnection proceedings in 2006 and 2007, EBITDA for the Fixnet segment was CHF 174 million or 8.8% lower than the previous year's figure. The fall in revenue could only be partially offset by cost savings. The sharp rise in capital expenditure for the fixed network to CHF 835 million is largely attributable to expansion of the fibre-optic network, resulting in average capital expenditure per household of CHF 260 for 2007.

**Mobile** recorded an increase of 2.7% in revenue from external customers to CHF 3757 million. The main reasons behind this increase are a continued rise in customer numbers, growth in new data services, and a



lower number of acquisitions in the previous year. Revenue from new data services (excluding SMS) rose by CHF 73 million to CHF 288 million. As a result of higher sales and cost savings, operating income (EBITDA) was 0.9% higher at CHF 1817 million. The number of Mobile customers increased by a net 375,000 (+8.1%) to over 5 million. By the end of 2007, around 2.2 million customers had signed up for the Liberty product family and 360,000 for the M-Budget Mobile prepaid product.

**Solutions**, which serves corporate customers, posted CHF 1060 million in revenue from external customers, down 1.5% compared to the previous year. The drop is a result of sustained pressure on prices and ongoing competition, and could not be entirely offset by the higher revenue generated by process optimisation and outsourcing projects. On the other hand, operating income (EBITDA) rose by 60% to CHF 112 million as a result of cost savings and a significantly improved focus on higher-margin products and services.

**Fastweb** has been included in the consolidated Swisscom results since completion of the acquisition on 22 May 2007. The company continues to grow vigorously and, within the space of one year, grew its customer base by 24% to close 2007 with a total of 1.31 million customers. Fastweb's revenue increased to EUR 1433 million in 2007, 13.7% higher than the previous year. EBITDA jumped 59.5% to EUR 480 million and included exceptional items amounting to EUR 70 million. Excluding these exceptional items, EBITDA grew by 29%. Fastweb reported its first ever pre-tax profit. At EUR 541 million, capital expenditure remained practically unchanged over the prior year.

Revenue for the period following the takeover of Fastweb was EUR 889 million (CHF 1473 million), while EBITDA amounted to EUR 301 million (CHF 498 million) and capital expenditure EUR 343 million (CHF 568 million). This includes capital expenditures which were approved during 2007 for additional network expansion.

The **Other** segment recorded a 2.6% increase in revenue from external customers to CHF 862 million. In 2007, revenue declined by CHF 91 million due to the sale of Swisscom's subsidiary Antenna Hungária as well as the card business of Accarda. The 11.8% reduction in revenue recorded by Swisscom Broadcast is largely a result of the new agreement with the Swiss Broadcasting Corporation (SRG). These declines were offset by higher revenues generated by Swisscom IT Services in the areas of IT outsourcing and financial services as well as growth in Hospitality Services and Airbites Central & Eastern Europe.

### **Structural change in the sector set to continue**

During the year under review, the number of full-time positions in the Swisscom Group rose from 17,068 to 19,844. After adjusting for company acquisitions and disposals, the number of full-time positions in Switzerland rose by 239 to a total of 16,041. Fortunately, Swisscom was able to create additional jobs after years of job shedding. In 2008, the trend in full-time positions in Switzerland will also be dependent on business performance. During the current year Swisscom expects to create new positions, particularly in customer-related activities, as well as shed some jobs due to efficiency enhancements. Working in close cooperation with the social partners (the "Kommunikation" and "transfair" trade unions), Swisscom will do everything within its power to find another position within the company for those affected by the job cuts. As a result, the number of jobs to be cut through the comprehensive social plan will remain at a low level of around 100.



**swisscom**

**Press Release**

**Financial outlook for 2008**

Customers will continue to benefit from dynamic competition this year. For the 2008 financial year Swisscom expects to post revenue of around CHF 12.3 billion and operating income (EBITDA) of around CHF 4.8 billion. Capital expenditure will be in the range of CHF 2.1 billion to CHF 2.2 billion.

**Detailed Annual Report:**

<http://www.swisscom.ch/report2007>

Berne, 5 March 2008

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