

**Interim Report
January – March 2007**

Key figures

CHF in millions, except where indicated		31.03.2007	31.03.2006
Swisscom Group			
Net revenue		2,376	2,375
Earnings before interest, taxes, depreciation and amortization (EBITDA)		968	1,034
As % of net revenue	%	40.7	43.5
Earnings before interest and taxes (EBIT)		619	686
Net income		467	544
Net income attributable to equity holders of Swisscom AG		461	460
Equity		4,967	4,503
Equity ratio ¹	%	31.3	51.1
Number of full-time equivalent employees at end of period ²	FTE	17,157	16,544
Average number of full-time equivalent employees ³	FTE	17,070	16,453
Revenue per employee	CHF in thousands	139	144
EBITDA per employee	CHF in thousands	57	63
Cash flow provided by operating activities		613	750
Capital expenditure		315	235
Net debt (net funds) ⁴		4,081	(1,719)

¹ Equity as a percentage of total assets.

² Excluded 396 and 517 full-time equivalent employees of Worklink at March 31, 2007 and 2006, respectively.

³ Excluded 413 and 515 full-time equivalent employees of Worklink in the first three months of 2007 and 2006, respectively.

⁴ Definition net debt (net funds): total financial liabilities and liabilities from collecting activities (Accarda Group) less cash and cash equivalents, current financial assets, receivables from collecting activities (Accarda Group), financial assets from lease and leaseback transactions and long-term derivative financial instruments.

Financial Review

Summary

In the first quarter of 2007 Swisscom maintained net revenue at last year's level. Earnings before interest, taxes, depreciation and amortization (EBITDA), on the other hand fell by 6.4% to CHF 968 million. Net revenue fell as a result of lower EBITDA and the higher net financial expense by 14.2% to CHF 467 million. Earnings per share on the other hand increased by 9.7% as a result of the repurchase of a 25% stake in Swisscom Mobile and last year's share buyback scheme.

Swisscom still expects net revenue of around CHF 9.7 billion for the 2007 financial year as a whole and an operating income (EBITDA) of approximately CHF 3.9 billion.

CHF in millions, except where indicated	31.03.2007	31.03.2006	Change
Net revenue	2,376	2,375	–
Goods and services purchased	(441)	(409)	7.8%
Personnel expenses	(594)	(594)	–
Other operating expenses	(444)	(418)	6.2%
Capitalized cost and other income	71	80	–11.3%
EBITDA	968	1,034	–6.4%
Depreciation and amortization	(349)	(348)	0.3%
EBIT	619	686	–9.8%
Net financial result	(41)	(10)	–
Share of profit of affiliated companies	4	(1)	–
Earnings before income taxes	582	675	–13.8%
Income tax expense	(115)	(131)	–12.2%
Net income	467	544	–14.2%
Net income attributable to equity holders of Swisscom AG	461	460	0.2%
Net income attributable to minority interests	6	84	–92.9%
Average number of shares outstanding (in thousands)	51,802	56,716	–8.7%
Earnings per share (in CHF)	8.90	8.11	9.7%

Net income and earnings before interest, taxes, depreciation and amortization (EBITDA)

Revenue is unchanged from the previous year at CHF 2,376 million. The decline in traditional fixed network business was compensated for by the continuing increase in the number of broadband and mobile subscribers and growth in new business areas. EBITDA declined by CHF 66 million (-6.4%) to CHF 968 million and EBITDA margin decreased from 43.5% to 40.7%. The decline in EBITDA is a result of lower margins and costs in connection with the launch of new products and the development of new business fields which could not be compensated for by cost savings.

Operating expenses

Expenditure on goods and services purchased increased by CHF 32 million to CHF 441 million year-over-year. This is virtually solely attributable to a retrospective adjustment in international outbound roaming tariffs at Swisscom Mobile included in the previous year. Personnel expenses are unchanged from last year. On the one hand there was a reduction in expenditure on termination benefits, and on the other an increase in headcount, partly as a result of acquisitions. Other operating expenses rose slightly as a result of acquisitions and higher advertising expenditure.

Capitalized costs and other income

Capitalized costs and other income dropped from CHF 80 million to CHF 71 million. This is mainly due to lower capitalized costs.

Net financial result

Net financial expense increased by CHF 31 million to CHF 41 million. The increase is mainly due to interest expense for bank loans taken out by Swisscom in December 2006 in connection with the repurchase of a 25% stake in Swisscom Mobile.

Income tax expenses

Income tax expenses amounted to CHF 115 million (previous year: CHF 131 million), which corresponds to an effective income tax rate of 19.8% (previous year: 19.4%).

Net income and earnings per share

Net income decreased year-over-year by CHF 77 million (-14.2%) to CHF 467 million. The decline in EBITDA and higher financial expenses were partially offset by lower income tax expenses. Net income attributable to equity holders of Swisscom AG rose by 0.2% year-over-year to CHF 461 million following the repurchase of a 25% stake in Swisscom Mobile in December 2006.

Earnings per share are calculated on the basis of net income attributable to equity holders of Swisscom AG and the average number of shares outstanding. As a result of the omission of Vodafone's minority interest in Swisscom Mobile as well as last year's share buyback program and the consequent lower average number of shares outstanding, earnings per share rose by 9.7% to CHF 8.90.

Provisions and contingent liabilities

In the current interconnection proceedings Swisscom paid CHF 69 million in the first quarter of 2007. On March 31, 2007 provisions amounted to CHF 444 million.

In the proceedings in connection with mobile termination fees, the competition commission (WEKO) imposed sanctions of CHF 333 million on February 5, 2007. In view of its legal assessment Swisscom is of the opinion that it is unlikely that sanctions will be imposed and has therefore not recognized any provisions in the consolidated financial statements as at March 31, 2007.

Results of the segments

The development of the segments is presented in the following table:

CHF in millions	Net revenue ¹			EBITDA		
	31.03.2007	31.03.2006	Change	31.03.2007	31.03.2006	Change
Fixnet	1,126	1,213	-7.2%	477	523	-8.8%
Mobile	974	954	2.1%	452	462	-2.2%
Solutions	286	293	-2.4%	18	18	-
Other	344	316	8.9%	20	36	-44.4%
Corporate	158	164	-3.7%	10	1	-
Intercompany	(512)	(565)	-9.4%	(9)	(6)	-
Total	2,376	2,375	-	968	1,034	-6.4%

¹ Includes intersegment revenue.

Fixnet

The Fixnet segment comprises primarily access services to residential and business customers, national and international telephony for residential customers as well as small and medium-sized businesses, use of fixed retail telephony traffic by other telecommunication providers, payphone services, operator services and prepaid calling cards. Fixnet also provides leased lines and TV services as well as selling customer equipment and operating a directories database.

The development of Fixnet is presented in the following table:

CHF in millions	31.03.2007	31.03.2006	Change
Local and long-distance traffic	95	99	-4.0%
Fixed-to-mobile traffic	87	90	-3.3%
Internet traffic	9	16	-43.8%
International traffic	51	52	-1.9%
Total retail traffic	242	257	-5.8%
Wholesale traffic	63	98	-35.7%
Other traffic	24	27	-11.1%
Access	528	512	3.1%
Other revenue	114	140	-18.6%
Total revenue from external customers	971	1,034	-6.1%
Intersegment revenue	155	179	-13.4%
Total net revenue	1,126	1,213	-7.2%
Segment expenses (incl. intercompany)	(649)	(690)	-5.9%
EBITDA	477	523	-8.8%
Margin as % of net revenue	42.4	43.1	
Depreciation and amortization	(192)	(192)	-
EBIT	285	331	-13.9%

Number of lines in thousands	31.03.2007	31.03.2006	Change
PSTN lines	2,884	2,923	-1.3%
ISDN lines	843	888	-5.1%
Total number of lines PSTN/ISDN	3,727	3,811	-2.2%
Broadband retail lines	995	775	28.4%
Broadband wholesale lines	439	414	6.0%
Total number of broadband lines	1,434	1,189	20.6%

Traffic volume in millions of minutes	31.03.2007	31.03.2006	Change
Local and long-distance traffic	1,616	1,711	-5.6%
Fixed-to-mobile traffic	232	231	0.4%
Internet traffic	288	470	-38.7%
Total national traffic	2,136	2,412	-11.4%
International traffic	232	235	-1.3%
Total retail traffic	2,368	2,647	-10.5%
Wholesale traffic	3,918	4,390	-10.8%

CHF in millions or number	31.03.2007	31.03.2006	Change
Capital expenditure	194	117	65.8%
Number of full-time equivalent employees at end of period	6,750	6,543	3.2%

Fixnet's revenue from external customers fell year-over-year by 6.1% to CHF 971 million. The decrease in revenue from traffic as a result of keen competition could only partially be offset by the increase in access revenue resulting from strong growth in broadband lines. The decrease in revenue and additional costs for the launch of Bluewin TV were

only partially compensated for by cost savings, so that EBITDA of CHF 477 million was 8.8% down on last year. The increase in capital expenditure is mainly due to the development of the network infrastructure for VDSL technology.

Revenue from retail traffic fell by 5.8% to a total of CHF 242 million. The decline is, above all, attributable to the pressure of competition with cable network companies and the continuing migration of Internet traffic to broadband lines (xDSL).

Revenue from wholesale traffic fell by 35.7% to a total of CHF 63 million. The decrease is mainly due to a decrease in the volume of transit traffic with weak margins as well as price reductions in interconnection tariffs.

Access revenue rose by 3.1% to a total of CHF 528 million. Revenue from broadband (xDSL) increased on the one hand, and on the other hand there was a decrease in the number of analogue and digital access lines (PSTN/ISDN). The number of ADSL lines increased year-over-year by 20.6% to 1,434,000 lines. This business included 995,000 lines subscribed to by retail customers and 439,000 by the customers of other providers. The number of analogue and digital access lines (PSTN/ISDN) decreased year-over-year by 2.2% to 3,727,000, mainly as a result of the market entry of cable network companies and substitution through mobile telephony. The decline in the first quarter of 2007 compared with the end of 2006 was only 20,000 access lines or 0.5%.

The decrease in intersegment revenue is due to reduced revenue with Solutions.

Fixnet's total segment expenses decreased year-over-year slightly by 5.9% to CHF 649 million despite costs of launching Bluewin TV. The main reasons are the lower volume of sales in wholesale traffic and cost savings.

Mobile

Mobile consists principally of mobile telephony, which includes domestic and international traffic for calls made in Switzerland or abroad by Swisscom's customers and roaming by foreign operators whose customers use Swisscom's networks. It also consists of value-added services numbers, data traffic as well as the sale of mobile handsets.

The development of Mobile is presented in the following table:

CHF in millions	31.03.2007	31.03.2006	Change
Connectivity voice	490	480	2.1%
Connectivity data and value added services	179	162	10.5%
Base fees	153	162	-5.6%
Other revenue	89	66	34.8%
Total revenue from external customers	911	870	4.7%
Intersegment revenue	63	84	-25.0%
Total net revenue	974	954	2.1%
Segment expenses (incl. intercompany)	(522)	(492)	6.1%
EBITDA	452	462	-2.2%
Margin as % of net revenue	46.4	48.4	
Depreciation and amortization	(86)	(93)	-7.5%
EBIT	366	369	-0.8%

Number of subscribers in thousands	31.03.2007	31.03.2006	Change
Postpaid	2,849	2,669	6.7%
Prepaid	1,858	1,701	9.2%
Total number of subscribers	4,707	4,370	7.7%

In CHF, minutes or millions	31.03.2007	31.03.2006	Change
ARPU in CHF	59	65	-9.2%
AMPU in minutes	127	120	5.8%
Number of SMS messages in millions	559	521	7.3%

CHF in millions or number	31.03.2007	31.03.2006	Change
Capital expenditure	66	47	40.4%
Number of full-time equivalent employees at end of period	2,773	2,930	-5.4%

Mobile's revenue with external customers increased year-over-year by 4.7% to CHF 911 million. However, without the increase in revenue from acquisitions and the reduction in revenue resulting from a retrospective adjustment of international roaming tariffs in the previous year described below, there was a slight decline in revenue. The lower traffic and subscription prices resulting from new tariff models could not be fully offset by a higher number of subscribers and the growth from new data services. EBITDA fell by 2.2% to a total of CHF 452 million.

In the first quarter of 2006 new roaming agreements were concluded with a number of foreign mobile phone providers. These new agreements included a reduction in prices for international roaming traffic among the network providers, effective retrospectively as of April 2005. In the financial statements as at March 31, 2006, these retrospective price adjustments led to a decline in revenue from incoming roaming traffic of CHF 28 million and a decline in expenditure on outgoing roaming traffic of CHF 40 million.

Year-over-year the number of subscribers grew by net 337,000 (+7.7%) to 4,707,000. At the end of March 2007 the Liberty family had 1,760,000 subscribers and the pre-paid product M-Budget Mobile, 300,000 subscribers.

Revenue from Connectivity voice increased by 2.1% to CHF 490 million. However, without the reduction in revenue resulting from the retrospective adjustment of international roaming tariffs in the previous year, there was a slight decline in revenue. This is mainly due to the new tariff models and further price adjustments for termination at the beginning of 2007. As a result the average revenue per user per month (ARPU) fell from CHF 65 to CHF 59. The average minutes per user per month (AMPU) increased due to the launch of new products and more favorable tariffs from 120 minutes to 127 minutes. Revenue from Connectivity data and value added services rose year-over-year by 10.5% to CHF 179 million as a result of increased use and the launch of new data services. The number of SMS messages sent increased by 7.3% compared with the previous year.

Other revenue increased year-over-year by 34.8% to CHF 89 million. This is mainly attributable to revenue from Swapcom and Minick, two subsidiaries acquired in 2006.

Intersegment revenue fell by 25.0% to CHF 63 million as a result of the lower volume of traffic from other network operators using Swisscom Fixnet lines.

Mobile segment expenses increased by 6.1% to CHF 522 million year-over-year. Excluding the already mentioned retrospective adjustment of international roaming tariffs of CHF 40 million in the previous year, segment expenses saw a slight decline. However, due to the corporate takeovers mentioned above and a higher volume of calls terminated for other operators, segment expenses increased. This increase was compensated for by a further reduction in termination prices at the beginning of April 2007, lower roaming tariffs and costs savings.

Solutions

«Solutions» primarily offers business customers language and data connectivity services, as well as solutions in the area of communication infrastructures and optimization and outsourcing of business processes.

The development of Solutions is presented in the following table:

CHF in millions	31.03.2007	31.03.2006	Change
Connectivity	122	139	-12.2%
Communication and Collaboration	61	55	10.9%
Business Process Optimization	21	18	16.7%
Outsourcing	11	6	83.3%
Other revenue	30	36	-16.7%
Total revenue from external customers	245	254	-3.5%
Intersegment revenue	41	39	5.1%
Total net revenue	286	293	-2.4%
Segment expenses (incl. intercompany)	(268)	(275)	-2.5%
EBITDA	18	18	-
Margin as % of net revenue	6.3	6.1	
Depreciation and amortization	(8)	(7)	14.3%
EBIT	10	11	-9.1%

Traffic volume in millions of minutes (included in Connectivity and Outsourcing)	31.03.2007	31.03.2006	Change
Local and long-distance traffic	380	417	-8.9%
Fixed-to-mobile traffic	61	63	-3.2%
Total national traffic	441	480	-8.1%
International traffic	88	90	-2.2%
Total national and international traffic	529	570	-7.2%

CHF in millions or number	31.03.2007	31.03.2006	Change
Capital expenditure	8	7	14.3%
Number of full-time equivalent employees at end of period	1,993	1,922	3.7%

Revenue from external customers fell year-over-year by 3.5% to CHF 245 million. The decline with traditional fixed network products could not be compensated for by revenue from new products and services. EBITDA could be maintained at last year's level of CHF 18 million thanks to cost savings. The number of employees increased as a result of the transfer of a sales unit from Swisscom Mobile.

Revenue from voice and data connectivity services decreased year-over-year by 12.2% to CHF 122 million as a result of the continued keen competition and substitution of traditional by more modern technologies.

The business field Communication & Collaboration saw a rise in revenue of 10.9%, partly thanks to the acquisition of business fields from Siemens Enterprise Networks at the end of February 2006.

The rise in revenue in the Business Process Optimization division is a result of new products in the Customer Interaction Management division and an increase in the volume of value-added services.

A number of major outsourcing contracts were signed in 2006 and the first quarter of 2007, generating an increase in revenue of 83.3%.

The decrease in other revenue of 16.7% to CHF 30 million stems principally from lower revenue due to the declining number of rental agreements for private branch exchanges.

Segment expenses fell by 2.5% to CHF 268 million, and is primarily due to revenue-related lower purchasing volumes from other segments and cost savings.

Other

The segment Other mainly comprises the Group companies Swisscom IT Services, Swisscom Broadcast, Antenna Hungária, the Accarda Group and Swisscom Hospitality Services.

The development of the segment Other is presented in the following table:

CHF in millions	31.03.2007	31.03.2006	Change
Swisscom IT Services	101	84	20.2%
Swisscom Broadcast	32	36	-11.1%
Antenna Hungária	43	41	4.9%
Accarda Group	32	29	10.3%
Hospitality Services	18	11	63.6%
Other	4	-	-
Total revenue from external customers	230	201	14.4%
Intersegment revenue	114	115	-0.9%
Total net revenue	344	316	8.9%
Segment expenses (incl. intercompany)	(324)	(280)	15.7%
EBITDA	20	36	-44.4%
Margin as % of net revenue	5.8	11.4	
Depreciation and amortization	(50)	(46)	8.7%
EBIT	(30)	(10)	-

CHF in millions or number	31.03.2007	31.03.2006	Change
Capital expenditure	37	31	19.4%
Number of full-time equivalent employees at end of period	4,654	4,259	9.3%

Revenue from external customers rose year-over-year by 14.4% to CHF 230 million, mainly as a result of higher revenue from Swisscom IT Services from IT outsourcing. EBITDA fell by 44.4% to CHF 20 million, mainly in connection with the costs of developing new business fields.

The increase in revenue at Swisscom IT Services of 20.2% to CHF 101 million can be attributed mainly to higher revenue from IT outsourcing. The increase in revenue at Hospitality Services of CHF 7 million to CHF 18 million is on the one hand attributable to the increase in use of Internet connection services in hotels and conference centers by business customers and on the other hand to an expansion of business in the USA following the acquisition of Core Communications Corp. in June 2006.

Segment expenses rose by 15.7% to CHF 324 million, primarily revenue-related and due to costs of developing new business fields.

Corporate

The Corporate segment includes Group Headquarter divisions, shared services for Group companies, the real estate company Swisscom Immobilien AG and the employment company Worklink AG.

The development of the segment Corporate is presented in the following table:

CHF in millions	31.03.2007	31.03.2006	Change
Total revenue from external customers	19	16	–
Intersegment revenue	139	148	–6.1%
Total net revenue	158	164	–3.7%
Segment expenses (incl. intercompany)	(148)	(163)	–9.2%
EBITDA	10	1	–
Margin as % of net revenue	6.3	0.6	
Depreciation and amortization	(15)	(12)	25.0%
EBIT	(5)	(11)	–54.5%

CHF in millions or number	31.03.2007	31.03.2006	Change
Capital expenditure	12	37	–67.6%
Number of full-time equivalent employees at end of period	987	890	10.9%

Net revenue decreased by 3.7% as a result of fewer transactions between Group Headquarter divisions and the Swisscom Group companies. EBITDA increased mainly thanks to gains from the sale of real estate and cost savings by Swisscom Immobilien AG. The decline in capital expenditure can be attributed to a group-wide project run by Swisscom Immobilien AG in the previous year to restructure workplaces.

Intersegment revenue fell by 6.1% to CHF 139 million. and is attributable to a decrease in services which Group Headquarter divisions settled through other Group companies.

Segment expenses fell by 9.2% to CHF 148 million. This includes costs for workforce reduction measures of CHF 13 million (previous year: CHF 26 million), including expenditure on the employment company Worklink AG.

Net debt

CHF in millions	31.03.2007	31.12.2006	Change
Bank loans	4,246	4,243	3
Financial liability from cross-border tax lease arrangements	1,418	1,459	(41)
Finance lease obligation	600	637	(37)
Other financial liabilities	269	244	25
Liabilities from collecting activities	96	128	(32)
Total	6,629	6,711	(82)
Cash and cash equivalents	(830)	(673)	(157)
Current financial assets	(265)	(142)	(123)
Receivables from collecting activities	(366)	(385)	19
Financial assets from lease and leaseback transactions	(1,082)	(1,125)	43
Long-term derivative financial assets	(5)	(7)	2
Net debt	4,081	4,379	(298)

Net debt consists of total financial liabilities and liabilities from collection activities of the Accarda Group less cash and cash equivalents, current financial assets, receivables from collection activities of the Accarda Group, financial assets from cross-border tax lease transactions and non-current derivative financial instruments. On March 31, 2007 net debt amounted to CHF 4,081 million.

Current financial assets include term deposits and money market investments with a term of less than one year as well as securities. Derivative financial instruments are mainly used to hedge currency risks in connection with finance lease obligations. Financial liabilities consist of finance lease obligations and sale and leaseback obligations relating to buildings. Finance lease obligations reported are covered by non-current financial assets to an extent of CHF 1,082 million.

Outlook

As announced in the 2006 annual financial statements, Swisscom expects net revenue of around CHF 9.7 billion for the 2007 financial year as a whole and an operating income (EBITDA) of approximately CHF 3.9 billion. Capital expenditure of the Swisscom Group will be approximately CHF 1.4 billion.

Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited	
		31.03.2007	31.03.2006
Net revenue		2,376	2,375
Goods and services purchased		(441)	(409)
Personnel expenses		(594)	(594)
Other operating expenses		(444)	(418)
Capitalized cost and other income		71	80
Earnings before interest, taxes, depreciation and amortization (EBITDA)		968	1,034
Depreciation and amortization		(349)	(348)
Earnings before interest and taxes (EBIT)		619	686
Net financial result	3	(41)	(10)
Share of profit of affiliated companies		4	(1)
Earnings before taxes		582	675
Income tax expense		(115)	(131)
Net income		467	544
Net income attributable to equity holders of Swisscom AG		461	460
Net income attributable to minority interests		6	84
Basic and diluted earnings per share (in CHF)		8.90	8.11

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		31.03.2007	31.12.2006
Assets			
Current assets			
Cash and cash equivalents		830	673
Trade accounts receivable and other receivables		2,442	2,436
Other financial assets		265	142
Other assets		342	286
Non-current assets held for sale	7	18	19
Total current assets		3,897	3,556
Non-current assets			
Property, plant and equipment		5,746	5,795
Goodwill and other intangible assets		4,743	4,726
Investments in affiliated companies		226	221
Other financial assets		1,123	1,164
Deferred tax assets		84	93
Other non-financial assets		43	42
Total non-current assets		11,965	12,041
Total assets		15,862	15,597
Liabilities and equity			
Current liabilities			
Financial liabilities	4	1,599	1,568
Trade accounts payable and other payables		1,571	1,693
Current tax liabilities		230	217
Other non-financial liabilities		672	706
Total current liabilities		4,072	4,184
Non-current liabilities			
Financial liabilities	4	4,934	5,015
Accrued pension cost		691	719
Deferred tax liabilities		345	350
Other non-financial liabilities		853	826
Total non-current liabilities		6,823	6,910
Total liabilities		10,895	11,094
Equity attributable to equity holders of Swisscom AG		4,894	4,436
Equity attributable to minority interests		73	67
Total equity		4,967	4,503
Total liabilities and equity		15,862	15,597

Consolidated cash flow statement (condensed)

CHF in millions	Note	unaudited	
		31.03.2007	31.03.2006
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortization (EBITDA)		968	1,034
Change in operating assets and liabilities and other payments or receipts from operating activities		(224)	(126)
Net interest		(31)	(8)
Income taxes paid		(100)	(150)
Cash flow provided by operating activities		613	750
Cash flows from investing activities			
Capital expenditure		(315)	(235)
Proceeds from sale of fixed assets		14	12
Acquisition of subsidiaries, net of cash acquired		(10)	(146)
Acquisition of affiliated companies		(1)	(12)
Net investments in other current and non-current financial assets		(89)	618
(Cash flow used in) cash flow provided by investing activities		(401)	237
Cash flows from financing activities			
Repayment of financial liabilities		(45)	(30)
Share buyback	5	–	(136)
Purchase of treasury shares for share-based compensation		(10)	(17)
Dividends paid to minority interests		–	(285)
Cash flow used in financing activities		(55)	(468)
Net increase in cash and cash equivalents		157	519
Cash and cash equivalents at beginning of year		673	1,023
Currency translation of cash and cash equivalents		–	1
Cash and cash equivalents at end of the period		830	1,543

Statement of recognized income and expense (condensed)

CHF in millions	Note	unaudited	
		31.03.2007	31.03.2006
Currency translation of foreign Group companies		9	(10)
Fair value adjustments		26	18
Tax effects		(1)	(1)
Gains and losses directly recognized in equity, net	5	34	7
Net income		467	544
Total recognized income and expense	5	501	551
Attributable to equity holders of Swisscom AG		495	467
Attributable to minority interests		6	84

Notes to the interim financial statements (condensed)

1 Accounting principles

These unaudited consolidated interim financial statements comprise Swisscom AG and all subsidiaries controlled directly or indirectly by majority votes or otherwise. The consolidated interim financial statements were drawn up in compliance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and are to be read in conjunction with the consolidated annual financial statements for the financial year 2006 drawn up as at December 31, 2006. The consolidated interim financial statements were drawn up in compliance with the accounting principles described in the consolidated annual financial statements 2006.

When compiling the consolidated interim financial statements, management is required to make estimates and assumptions. Any alterations to these estimates and assumptions are adjusted in the reporting period in which the estimates and assumptions are changed.

Income taxes are calculated based on an estimate of the income tax rate expected for the whole year.

2 Segment reporting

On January 1, 2007 all Swisscom Shops were transferred from Swisscom Fixnet to Swisscom Mobile. As a result of this transfer the previous year's figures were restated in line with the new structure.

Intersegment services are settled at market prices. If the price for telecommunication services from other providers is regulated such as for interconnection services, this price is also used to settle internal services.

The financial review reports on the following segments:

- **Fixnet**
- **Mobile**
- **Solutions**
- Other comprises mainly Swisscom IT Services, where the most important companies are Swisscom IT Services AG and Comit AG, Swisscom Broadcast, Antenna Hungária, the Accarda Group, including Billag AG, Accarda AG Medipa AG, and Swisscom Hospitality Services.
- Corporate includes Group Headquarter divisions, shared services for Group companies, the real estate company Swisscom Immobilien AG and the employment company Worklink AG.

Net revenue and operating income of the individual segments in the first quarter of 2007 and 2006 are presented in the following table:

31.03.2007, CHF in millions	unaudited						Total
	Fixnet	Mobile	Solutions	Other	Corpo- rate	Elimi- nation	
Net revenue from external customers	971	911	245	230	19	–	2,376
Intersegment net revenue	155	63	41	114	139	(512)	–
Net revenue	1,126	974	286	344	158	(512)	2,376
Segment expenses	(649)	(522)	(268)	(324)	(148)	503	(1,408)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	477	452	18	20	10	(9)	968
<i>Margin in %</i>	42.4	46.4	6.3	5.8	6.3	–	40.7
Depreciation and amortization	(192)	(86)	(8)	(50)	(15)	2	(349)
Earnings before interest and taxes (EBIT)	285	366	10	(30)	(5)	(7)	619

31.03.2006, CHF in millions	unaudited						Total
	Fixnet	Mobile	Solutions	Other	Corpo- rate	Elimi- nation	
Net revenue from external customers	1,034	870	254	201	16	–	2,375
Intersegment net revenue	179	84	39	115	148	(565)	–
Net revenue	1,213	954	293	316	164	(565)	2,375
Segment expenses	(690)	(492)	(275)	(280)	(163)	559	(1,341)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	523	462	18	36	1	(6)	1,034
<i>Margin in %</i>	43.1	48.4	6.1	11.4	0.6	–	43.5
Depreciation and amortization	(192)	(93)	(7)	(46)	(12)	2	(348)
Earnings before interest and taxes (EBIT)	331	369	11	(10)	(11)	(4)	686

3 Net financial result

CHF in millions	unaudited	
	31.03.2007	31.03.2006
Interest income	30	28
Interest expense	(61)	(36)
Net interest	(31)	(8)
Present value adjustment on provisions	(2)	(4)
Foreign exchange gain	–	1
Other financial income and expense, net	(8)	1
Net financial result	(41)	(10)

4 Financial liabilities

CHF in millions	unaudited	
	31.03.2007	31.12.2006
Bank loans	1,501	1,498
Finance lease obligation	43	43
Other financial liabilities	55	27
Total short-term financial liabilities	1,599	1,568
Bank loans	2,745	2,745
Financial liability from cross-border tax lease arrangements	1,418	1,459
Finance lease obligation	557	594
Derivative financial instruments	165	170
Other financial liabilities	49	47
Total long-term financial liabilities	4,934	5,015
Total financial liabilities	6,533	6,583

5 Equity

Changes in equity are as follows:

CHF in millions	unaudited							Equity
	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	
Balance at December 31, 2005	61	392	7,483	(2,002)	67	6,001	623	6,624
Gains and losses directly recognized in equity, net	–	–	7	–	–	7	–	7
Net income	–	–	460	–	–	460	84	544
Total recognized income and expenses	–	–	467	–	–	467	84	551
Dividends paid	–	–	–	–	–	–	(285)	(285)
Purchase of treasury shares for share-based payment	–	–	–	(44)	–	(44)	–	(44)
Balance at March 31, 2006	61	392	7,950	(2,046)	67	6,424	422	6,846
Balance at December 31, 2006	57	370	6,200	(2,213)	22	4,436	67	4,503
Gains and losses directly recognized in equity, net	–	–	34	–	–	34	–	34
Net income	–	–	461	–	–	461	6	467
Total recognized income and expenses	–	–	495	–	–	495	6	501
Purchase of treasury shares for share-based payment	–	–	–	(37)	–	(37)	–	(37)
Balance at March 31, 2007	57	370	6,695	(2,250)	22	4,894	73	4,967

On December 31, 2005 withholding tax of CHF 136 million was owed to the tax authorities in connection with a share buyback scheme in 2005 which was paid to the tax authorities at the beginning of 2006. The payment is presented in the cash flow statement under share buyback.

6 Acquisition of subsidiaries and affiliated companies

Acquisitions 2007

No subsidiaries were acquired in the first three months of 2007. Payments of CHF 11 million in the first quarter of 2007 for the acquisition of stakes in other companies relate solely to the payment of deferred purchase prices for acquisitions in previous years.

Acquisitions 2006

Swisscom acquired a number of subsidiaries in fiscal 2006. These include the acquisition of Comit, the Betty Group, Cybernet (Switzerland) AG, Swapcom SA, Core Communications (now Hospitality Services North America Corp.), JW Service AG (now Comit Strategic Sourcing AG), the Minick Group, Underdet s.r.l. and a business field of Siemens Switzerland.

The acquired subsidiaries were presented in the consolidated accounts from the date the transaction was completed.

On January 4, 2006 Swisscom IT Services acquired a 100% stake in Comit AG, an IT service provider to banks.

Swisscom Solutions AG acquired the telephone equipment and IP-communication platforms for medium and larger business customers from Siemens Switzerland. Furthermore, businesses acquired include applications and services as well as the integration, operation and maintenance of data networks. The acquisition was completed on February 28, 2006.

Swisscom Fixnet signed a contract for the acquisition of a 100% share of the Internet service provider Cybernet (Switzerland) AG on October 20, 2005. The acquisition was completed with the approval of the Competition Commission on March 22, 2006.

On June 8, 2006, Hospitality Services SA acquired a 98% share in Core Communications Corp. Following the acquisition the company was renamed Hospitality Services North America Corp. Hospitality Services North America Corp. is a US American service provider of data communication and Internet solutions for the hotel industry.

On August 3, 2006, Swisscom acquired a 100% share in Swapcom (France). Swapcom is specialized in server-side mobile architecture and develops software solutions.

On September 27, 2006, Swisscom acquired a 100% share of the voting rights and 65% of share capital in Betty Holding AG. Betty Holding AG (Zurich) holds 100% of the shares in Betty Technology AG (Zug), Betty TV AG (Munich) and Betty TV Entwicklungs- und Dienstleistungs GmbH (Munich). Betty produces a remote control for interactive television viewing.

On October 13, 2006, Swisscom acquired a 100% share in JW Service AG. Following the acquisition the company was renamed Comit Strategic Sourcing AG. The company offers IT services to the financial services, including consulting, project management and software development.

In connection with the expansion of its business activities in Eastern Europe, Airbites purchased a 87.5% share in Undernet s.r.l. on November 8, 2006.

On December 4, 2006, Swisscom Mobile acquired a 100% share in Minick Holding AG and its subsidiaries in Switzerland, Germany, the UK, and Spain. Minick is a provider of solutions for mobile Internet portals and interactive applications.

7 Non-current assets held for sale

Non-current assets held for sale include the carrying amount of real estate of CHF 18 million which are scheduled to be sold in 2007. The scheduled sale is part of Swisscom Immobilien AG's plan to optimize use of buildings.

8 Provisions and contingent liabilities

The provisions recognized in the 2006 consolidated financial statements and the contingent liabilities disclosed in the notes have not changed significantly during the course of the year.

9 Related parties

The transactions between Swisscom and related parties during the first three months of 2007 are similar to those transactions described in the 2006 Annual Report.

10 Events after the balance sheet date**Approval of the interim report**

Swisscom's Board of Directors approved the release of this interim report on May 8, 2007.

Public tender offer Fastweb

On April 10, 2007, Swisscom launched an all-cash-friendly public tender offer for 98.26% of the shares in FASTWEB S.p.A. (Fastweb). Fastweb is the second-largest fixed-network operator and leading provider of IP-based services in Italy. In March 2007, Swisscom acquired 1.74% of the shares in Fastweb. Swisscom offered Fastweb shareholders EUR 47.00, which represents a total consideration of EUR 3.7 billion for 100% of the shares. The offer period will end on May 15, 2007. Swisscom intends to fund the transaction, which will potentially involve refinancing Fastweb's existing debt in the amount of EUR 1.1 billion, via financial debt and, depending on the final acceptance level of the offer, by selling treasury shares.

Swisscom sells 100% of Antenna Hungária to Télédiffusion de France (TDF)

On May 8, 2007 Swisscom agreed to sell Antenna Hungária to the French company TDF at the price of CHF 540 million. The transaction will be closed as soon as the Hungarian competition authorities have given their approval. The pre-tax gain on the sale, including currency translation adjustments accumulated since the acquisition and recognized in equity, will be an estimated CHF 162 million.

Performance of the Swisscom share on the virt-x



Share information

31.12.2006 – 31.03.2007	virt-x	NYSE
Closing price at 31.12.2006	CHF 461.25	USD 37.76
Closing price at 31.03.2007 ¹	CHF 439.25	USD 36.15
Year high ¹	CHF 486.00	USD 38.90
Year low ¹	CHF 423.25	USD 35.14
Total trading volume	9 746 677	2 484 300
Daily average	157 204	40 726
Total volume in millions	CHF 4 476.23	USD 93.15
Daily average in millions	CHF 71.05	USD 1.53

Source: Bloomberg

¹ paid prices

Share information

On March 31, 2007 the company's share capital consists of 56,718,561 registered shares, of which the Swiss Confederation holds the majority in accordance with the Telecommunications Enterprise Act. The 4,916,618 shares acquired during the share buy-back scheme in 2006 will either be destroyed or, depending on the success of Swisscom's public tender offer for the Italian company Fastweb, used to finance the acquisition. On March 31, 2007 Swisscom had 48,077 registered shareholders and an average non-allotted share level of approximately 14%. The nominal value per registered share amounts to CHF 1.

The dividend payment of CHF 17 per share (previous year: CHF 16) agreed at the General Meeting of Shareholders in 2007 was paid on April 27, 2007.

Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been entered with voting rights into the Swisscom share register. However, the Board of Directors may refuse to enter a shareholder into the share register together with voting rights if such voting rights exceed 5% of the company's overall share capital.

Form 20-F

The annual financial statements on Form 20-F were submitted to the Securities and Exchange Commission (SEC) on April 23, 2007 and can be called up under www.swisscom.com/ir.

Financial calendar

August 8, 2007	2007 Half Year Interim Report
November 7, 2007	2007 Third-Quarter Interim Report

Trading locations

Swisscom shares are traded on the pan-European platform virt-x under the symbol "SCMN" (Security ID: 874251) and in the form of American Depositary Shares (ADS) at a ratio of 1:10 on the New York Stock Exchange under the symbol "SCM" (Security ID: 949527).

Stock exchange	Bloomberg	Reuters	Telekurs
virt-x, London	SCMN, VX	SCM.VX	SCMN, VTX
NYSE, New York	SCM	SCM	SCM, NYS

Quarterly review 2006 and 2007

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2006	1. quarter	2. quarter	3. quarter	4. quarter
Net revenue	2,375	2,398	2,423	2,457	9,653	2,376			
Goods and services purchased	(409)	(466)	(471)	(494)	(1,840)	(441)			
Personnel expenses	(594)	(555)	(542)	(587)	(2,278)	(594)			
Other operating expenses	(418)	(671)	(445)	(510)	(2,044)	(444)			
Capitalized cost and other income	80	74	76	66	296	71			
EBITDA	1,034	780	1,041	932	3,787	968	–	–	–
Depreciation and amortization	(348)	(355)	(343)	(389)	(1,435)	(349)			
EBIT	686	425	698	543	2,352	619	–	–	–
Net financial result	(10)	(12)	(11)	(18)	(51)	(41)			
Share of profit of affiliated companies	(1)	14	4	13	30	4			
Income tax expense	(131)	(82)	(137)	(112)	(462)	(115)			
Income from continuing operations	544	345	554	426	1,869	467	–	–	–
Income from discontinued operations	–	32	–	4	36	–	–	–	–
Net income	544	377	554	430	1,905	467	–	–	–
Attributable to equity holders of Swisscom AG	488	299	470	342	1,599	461			
Attributable to minority interests	56	78	84	88	306	6	–	–	–
Net revenue by segments¹									
Fixnet	1,213	1,193	1,148	1,136	4,690	1,126			
Mobile	954	989	1,018	1,015	3,976	974			
Solutions	293	294	301	332	1,220	286			
Other	316	322	329	367	1,334	344			
Corporate	164	165	159	149	637	158			
Intercompany	(565)	(565)	(532)	(542)	(2,204)	(512)			
Total net revenue	2,375	2,398	2,423	2,457	9,653	2,376	–	–	–
EBITDA by segments									
Fixnet	523	323	489	470	1,805	477			
Mobile	462	431	481	429	1,803	452			
Solutions	18	19	17	12	66	18			
Other	36	(7)	52	37	118	20			
Corporate	1	20	9	(7)	23	10			
Intercompany	(6)	(6)	(7)	(9)	(28)	(9)			
Total EBITDA	1,034	780	1,041	932	3,787	968	–	–	–
Capital expenditure	235	291	326	472	1,324	315			
Number of full-time equivalent employees at end of period	16,544	16,739	16,875	17,068	17,068	17,157			

¹ Includes intersegment revenue.

Number of lines in thousands	1. quarter	2. quarter	3. quarter	4. quarter	2006	1. quarter	2. quarter	3. quarter	4. quarter
Operational data Fixnet									
PSTN lines	2,923	2,911	2,892	2,891	2,891	2,884			
ISDN lines	888	878	867	856	856	843			
Total number of lines PSTN / ISDN	3,811	3,789	3,759	3,747	3,747	3,727	–	–	–
Broadband lines									
Broadband retail lines	775	846	886	936	936	995			
Broadband wholesale lines	414	407	419	432	432	439			
Total broadband lines	1,189	1,253	1,305	1,368	1,368	1,434	–	–	–
Retail traffic volume in millions of minutes									
Local and long-distance traffic	1,711	1,547	1,469	1,585	6,312	1,616			
Fixed-to-mobile traffic	231	232	231	232	926	232			
Internet traffic	470	375	327	315	1,487	288			
Total national traffic	2,412	2,154	2,027	2,132	8,725	2,136	–	–	–
International traffic	235	222	217	229	903	232			
Total retail traffic	2,647	2,376	2,244	2,361	9,628	2,368	–	–	–
Wholesale traffic volume in millions of minutes									
Total wholesale traffic	4,390	4,056	3,807	3,907	16,160	3,918			
Number of subscribers in thousands									
Operational data Mobile									
Postpaid	2,669	2,703	2,752	2,805	2,805	2,849			
Prepaid	1,701	1,766	1,811	1,827	1,827	1,858			
Total	4,370	4,469	4,563	4,632	4,632	4,707	–	–	–
In CHF, minutes or millions									
ARPU in CHF	65	66	66	62	65	59			
AMPU in minutes	120	125	126	126	124	127			
Number of SMS messages in millions	521	511	526	549	2,107	559			
Traffic volume in millions of minutes									
Operational data Solutions									
Local and long-distance traffic	417	383	366	374	1,540	380			
Fixed-to-mobile traffic	63	62	60	61	246	61			
Total national traffic	480	445	426	435	1,786	441	–	–	–
International traffic	90	85	83	84	342	88			
Total national and international traffic	570	530	509	519	2,128	529	–	–	–

The interim report is published in German and English. The German version is binding.

Cautionary statement regarding forward-looking statements

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 behavior of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom’s past and future filings and reports filed with the U.S. Securities and Exchange Commission and posted on our 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.

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