

## Decision on interconnection charges for the period 2004 to 2006

**The Swiss Federal Communications Commission (ComCom) has retrospectively lowered Swisscom's interconnection charges by an average of 15 to 20% for the period 2004 to 2006. Swisscom is considering the ruling and its financial implications in detail and will decide how to proceed. Provisions accrued in the past few years, while proceedings were underway, are likely to exceed the necessary repayments, which will impact positively on 2007 operating income. Swisscom's interconnection charges have been falling for a number of years now. Interconnection charges for the 2004 to 2006 period were already on a par with the European average; the new charges will place Swisscom among the most competitive providers.**

Interconnection defines the conditions under which competitors are allowed to use Swisscom's network. LRIC (Long Run Incremental Costs) methodology is used to calculate charges. Charges are determined on the basis of a hypothetical, streamlined operator intending to set up a new network. The method is aimed at preventing discrimination against other suppliers investing in their own infrastructure. These cost recalculations have resulted in lower interconnection charges year on year.

Swisscom's interconnection charges in the period 2004 to 2006 were already on a par with the European average. ComCom has retrospectively lowered Swisscom's interconnection charges by an average of 15 to 20%. Following this decision, Swiss prices are now among the lowest in Europe.

ComCom justified the reduced interconnection charges through longer amortisation periods and lower capital costs, amongst other reasons. Swisscom is now considering the decision and its financial implications in detail and will determine how to proceed. The parties concerned have 30 days in which to lodge an appeal against ComCom's decision with the Federal Administrative Court.

Swisscom has been setting aside provisions over the past few years in preparation for the possibility that the regulator should find its prices too high. The exact level of the required provisions will now be calculated using, amongst other things, the effective traffic distribution and the offers used. The company anticipates that the repayments necessitated by the ComCom decision will be slightly lower than the level of provisions created. As at 30 September 2007, total provisions for the period 2000 to 2007 stood at CHF 449 million.

Berne, 17 December 2007