

**Interim Report
January – June 2007**

Key figures

CHF in millions, except where indicated	1st half year 2007	1st half year 2006 restated	Change
Revenue and results			
Net revenue	5,094	4,772	6.7%
Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	2,042	1,813	12.6%
EBITDA as % of net revenue	40.1%	38.0%	
Earnings before interest and taxes (EBIT)	1,228	1,110	10.6%
Net income	944	920	2.6%
Net income attributable to equity holders of Swisscom AG	936	758	23.5%
Earnings per share	18.07	13.36	35.2%
Balance and cashflow			
Equity	4,948	6,213	-20.4%
Equity ratio ¹	20.3%	48.7%	
Net debt (net funds) ²	11,426	(1,202)	-
Cash flow provided by operating activities	1,504	1,462	2.9%
Capital expenditure	818	526	55.5%
Employees			
Number of full-time equivalent employees (FTE) ³	20,498	16,739	22.5%
Average number of full-time equivalent employees (FTE) ⁴	17,900	16,562	8.1%
Operational data			
Number of lines PSTN / ISDN (in thousands)	3,712	3,789	-2.0%
Number of ADSL lines (in thousands)	1,506	1,253	20.2%
Customers Mobile (in thousands)	4,776	4,469	6.9%
Customers Fastweb (in thousands)	1,196	-	-
Share information			
Average number of shares outstanding (in thousands)	51,802	56,716	-8.7%
Share price (in CHF)	418.75	402.50	4.0%

¹ Equity as a percentage of total assets.

² Definition of net debt (net funds): total debt and liabilities from collection activities (Accarda Group) less cash and cash equivalents, current financial assets, receivables from collecting activities (Accarda Group), financial assets from cross-border tax lease transactions and long-term derivative financial instruments.

³ Excludes 396 and 517 full-time equivalent employees of the employment company Worklink at June 30, 2007, and 2006, respectively. Includes 3,167 full-time equivalent employees of Fastweb at June 30, 2007.

⁴ Excludes 413 and 515 full-time equivalent employees of the employment company Worklink in the first six months of 2007, and 2006, respectively. Includes 670 full-time equivalent employees of Fastweb in the first six months of 2007.

Financial Review

Summary

The interim financial statements are significantly influenced by the acquisition of Fastweb in May 2007. The 6.7% increase in net revenue to CHF 5,094 million can be mainly attributed to Fastweb. The 12.6% increase in EBITDA to CHF 2,042 million can be mainly attributed to Fastweb and one-off items that had a negative effect on the operating income last year. Net income increased by 2.6% to CHF 944 million. Earnings per share increased by 35.2% to CHF 18.07 as a result of the repurchase of a 25% share in Swisscom Mobile in December 2006 and last year's share buyback scheme.

Swisscom expects net revenue of between CHF 11.2 billion and CHF 11.3 billion for the 2007 financial year as a whole and an operating income (EBITDA) of between CHF 4.4 billion and CHF 4.5 billion. Fastweb is included from the date of the acquisition.

CHF in millions, except where indicated	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Net revenue	2,718	2,398	13.3%	5,094	4,772	6.7%
Operating expenses	(1,744)	(1,692)	3.1%	(3,223)	(3,113)	3.5%
Capitalized costs and other income	100	74	35.1%	171	154	11.0%
EBITDA	1,074	780	37.7%	2,042	1,813	12.6%
Depreciation, amortization and impairment	(465)	(355)	31.0%	(814)	(703)	15.8%
EBIT	609	425	43.3%	1,228	1,110	10.6%
Net financial result	4	(12)	–	(37)	(22)	68.2%
Equity in net income of affiliated companies	10	14	–28.6%	14	13	7.7%
Earnings before income taxes	623	427	45.9%	1,205	1,101	9.4%
Income tax expense	(146)	(82)	78.0%	(261)	(213)	22.5%
Income from continuing operations	477	345	38.3%	944	888	6.3%
Income from discontinued operations	–	32	–	–	32	–
Net income	477	377	26.5%	944	920	2.6%
Net income attributable to equity holders of Swisscom AG	475	299	58.9%	936	758	23.5%
Net income attributable to minority interests	2	78	–97.4%	8	162	–95.1%
Average number of shares outstanding (in thousands)	51,802	56,716	–8.7%	51,802	56,716	–8.7%
Earnings per share (in CHF)	9.17	5.27	74.1%	18.07	13.36	35.2%

Acquisition of Fastweb

The interim financial statements are significantly influenced by the acquisition of Fastweb and its initial consolidation. Swisscom completed the acquisition of Fastweb on May 22, 2007. Acquisition costs including direct transaction costs amounted to EUR 3.1 billion (CHF 5.1 billion). Fastweb is included in the consolidated financial statements from the date of the acquisition and is presented as a separate segment. In the first half year of 2007, Fastweb's share of net revenue was CHF 281 million and EBITDA CHF 79 million. Swisscom's net debt increased by CHF 6.9 billion as a result of the acquisition. The purchasing price was financed wholly by bank loans. On the date of the acquisition Fastweb's net debt amounted to EUR 1.1 billion (CHF 1.8 billion). Fastweb's bank loans which were taken over were refinanced through bank loans by Swisscom AG in June 2007.

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

Without taking Fastweb into consideration, net revenue in the second quarter 2007 was CHF 2,437 million, 1.6% higher than last year's figure. The decline in traditional fixed network business was compensated for by the growth in project and outsourcing business with business customers as well as the continuing increase in the number of broadband lines and growth in new business areas. EBITDA increased by CHF 294 million (+37.7%) to CHF 1,074 million, compared with the second quarter of 2006. The increase in EBITDA is mainly attributable to the recognition of provisions in 2006 of CHF 180 million for interconnection proceedings and CHF 49 millions for contractual risks in Swisscom IT Services' project business as well as the acquisition of Fastweb (CHF 79 million). Without these effects EBITDA decreased by CHF 14 million (-1.4%). Costs in connection with the launch of new products and the development of new business areas could not be compensated for by cost savings. In the second quarter of 2007, the new products Bluewin TV and the interactive TV remote control Betty had a particularly negative effect on EBITDA of around CHF 20 million and CHF 40 million, respectively. In the first half of 2007, the negative effect on EBITDA of Bluewin TV was CHF 44 million and of Betty around CHF 60 million.

Accumulated revenue in the first half of 2007 was CHF 5,094 million, 6.7% higher year-over-year. EBITDA increased by CHF 229 million (+12.6%) to CHF 2,042 million as a result of one-off items in the previous year and the acquisition of Fastweb. Without these items EBITDA decreased by CHF 67 million. This is mainly due to the costs for Bluewin TV and Betty. The half year figures include Antenna Hungária und Accarda with an aggregated net revenue of CHF 154 million and EBITDA of CHF 31 million. Following the sale of these two subsidiaries, net revenue and EBITDA from these subsidiaries will be omitted in the second half of 2007.

The table below shows the most important one-off items and the effects of the acquisitions of Fastweb on net revenue and EBITDA:

CHF in millions	Revenue	EBITDA
Interim financial statements first half year 2007	5,094	2,042
Interim financial statements first half year 2006	4,772	1,813
Change to the previous year	322	229
Analysis of changes to the previous year		
Effect of acquisition Fastweb	281	79
Effect of provision for proceedings relating to interconnection	–	180
Effect of retroactive price adjustments of roaming tariffs	28	(12)
Effect of provisions for contract risks	–	49
Other changes	13	(67)
Total changes to the previous year	322	229

Operating expenses

The development of operating expenses is mainly influenced by one-off items from the previous year. These include provisions of CHF 180 millions for interconnection proceedings and CHF 49 millions for contractual risks in Swisscom IT Services' project business. In the second quarter of 2007 Fastweb's operating expenses amounted to CHF 212 million. Without taking these items into consideration, operating expenses increased CHF 69 million year-over-year in the second quarter of 2007 and CHF 127 million in the first half of 2007. The increase is mainly due to costs in connection with the launch of new products and the entry into new markets such as Bluewin TV and Betty.

Capitalized costs and other income

As a result of higher gains from real estate sales, capitalized costs and other income was up year-over-year by CHF 26 million in the second quarter of 2007. As a result of this development in the second quarter of 2007, the accumulated amount has also increased from CHF 154 million to CHF 171 million.

Depreciation, amortization and impairment

The increase in depreciation, amortization and impairment in the second quarter of 2007 by CHF 110 million to CHF 465 million is mainly attributable to the acquisition of Fastweb (CHF 72 million) and impairments on goodwill and other intangible assets of CHF 39 million.

Net financial result

Net financial expenditure increased by CHF 15 million to CHF 37 million year-over-year. On the one hand loans taken out to finance the repurchase of a 25% share in Swisscom Mobile in December 2006 and the acquisition of Fastweb led to an increase in net interest expenditure of CHF 95 million. On the other hand a gain of CHF 72 million net was made in the second quarter of 2007 from currency hedges in connection with the acquisition of Fastweb. In 2006 interest of CHF 64 million was recorded in connection with the provisions for interconnection proceedings. This was largely offset by gains of CHF 63 million from the sale of financial assets.

Income tax expenses

In the first six months of 2007 income tax expenses amounted to CHF 261 million (previous year: CHF 213 million), which corresponds to an effective income tax rate of 21.7% (previous year: 19.3%).

Net income and earnings per share

Net income increased by CHF 24 million (+2.6%) to CHF 944 million in the first half of 2007. The increase in EBITDA was offset by higher depreciation, amortization and impairments and financial expenses as well as an increase in income tax expenses. Net income attributable to shareholders of Swisscom AG rose by 23.5% year-over-year to CHF 936 million following the repurchase of a 25% share in Swisscom Mobile in December 2006.

Earnings per share are calculated on the basis of the net income attributable to shareholders of Swisscom AG and the average number of shares outstanding. As a result of the omission of Vodafone's minority share in Swisscom Mobile as well as last year's share buyback scheme and the consequent lower average number of shares outstanding, earnings per share rose by 35.2% to CHF 18.07.

Results of the segments

The development of net revenue and EBITDA in the individual segments is presented in the following table:

Revenue / CHF in million	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Fixnet	1,118	1,193	-6.3%	2,244	2,404	-6.7%
Mobile	1,005	989	1.6%	1,979	1,943	1.9%
Solutions	300	294	2.0%	586	588	-0.3%
Fastweb	281	–	–	281	–	–
Other	362	322	12.4%	706	638	10.7%
Corporate	162	165	-1.8%	320	329	-2.7%
Intercompany	(510)	(565)	-9.7%	(1,022)	(1,130)	-9.6%
Total	2,718	2,398	13.3%	5,094	4,772	6.7%

¹ Includes intersegment revenue.

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Fixnet	468	323	44.9%	945	844	12.0%
Mobile	464	431	7.7%	916	893	2.6%
Solutions	35	19	84.2%	53	38	39.5%
Fastweb	79	–	–	79	–	–
Other	2	(7)	–	22	29	-24.1%
Corporate	41	20	105.0%	51	21	142.9%
Intercompany	(15)	(6)	–	(24)	(12)	–
Total	1,074	780	37.7%	2,042	1,813	12.6%

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.

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Total revenue from external customers	976	1,023	-4.6%	1,947	2,055	-5.3%
Intersegment revenue	142	170	-16.5%	297	349	-14.9%
Total net revenue	1,118	1,193	-6.3%	2,244	2,404	-6.7%
Operating expenses (incl. Intercompany)	(699)	(900)	-22.3%	(1,386)	(1,625)	-14.7%
Capitalized costs and other income	49	30	63.3%	87	65	33.8%
EBITDA	468	323	44.9%	945	844	12.0%
Margin as % of net revenue	41.9	27.1		42.1	35.1	
Depreciation, amortization and impairment	(187)	(187)	-	(379)	(379)	-
EBIT	281	136	106.6%	566	465	21.7%

Number of lines in thousands	30.06.07	30.06.06	Change
PSTN/ISDN lines	3,712	3,789	-2.0%
Broadband lines	1,506	1,253	20.2%

CHF in millions or number	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Capital expenditure	260	118	120.3%	454	235	93.2%
Number of full-time equivalent employees at end of period	-	-	-	6,865	6,534	5.1%

Fixnet's revenue from external customers fell year-over-year in the first half of 2007 by 5.3% to CHF 1,947 million (-4.6% in the second quarter). The decrease in the number of analogue and digital access lines (PSTN/ISDN) and traffic revenue as a result of the keen competition with cable network companies and substitution through mobile telephony could only be partially offset by the continued strong growth in broadband lines subscribers.

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

Total segment expenses at Fixnet were CHF 239 million below last year's figure (CHF 201 million in the second quarter of 2007). This is mainly due to the recognition of provisions of CHF 180 million for interconnection proceedings in 2006. Not including this one-off item, expenses decreased despite the costs of launching Bluewin TV. The main reasons are the lower volumes in wholesale traffic and cost savings.

Overall the lower costs could only partially compensate for the decline in revenue so that EBITDA in the second quarter of 2007, not including the recognition of provisions for interconnection proceedings, was CHF 35 million down year-over-year. In the first half of 2007 the adjusted decline in EBITDA was CHF 79 million. The launch of Bluewin TV affected EBITDA negatively by CHF 44 million more than in the same period last year. As at June 30, 2007 Bluewin TV had attracted over 50,000 customers.

The number of analogue and digital access lines (PSTN/ISDN) decreased year-over-year by 2.0% to 3,712,000, mainly as a result of the keen competition with cable network companies and substitution through mobile telephony. The number of lines only decreased by 15,000 in the second quarter of 2007. The number of broadband lines increased year-over-year by 20.2% to 1,506,000 lines. This number included 1,065,000 lines subscribed to by retail customers and 441,000 by the customers of other providers.

The marked increase in capital expenditure is mainly due to the development of the network infrastructure for the new VDSL technology.

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.

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Total revenue from external customers	943	904	4.3%	1,854	1,774	4.5%
Intersegment revenue	62	85	-27.1%	125	169	-26.0%
Total net revenue	1,005	989	1.6%	1,979	1,943	1.9%
Operating expenses (incl. Intercompany)	(548)	(564)	-2.8%	(1,072)	(1,064)	0.8%
Capitalized costs and other income	7	6	16.7%	9	14	-35.7%
EBITDA	464	431	7.7%	916	893	2.6%
Margin as % of net revenue	46.2	43.6		46.3	46.0	
Depreciation, amortization and impairment	(100)	(96)	4.2%	(186)	(189)	-1.6%
EBIT	364	335	8.7%	730	704	3.7%

Number of subscribers in thousands	30.06.2007	30.06.2006	Change
Postpaid	2,895	2,703	7.1%
Prepaid	1,881	1,766	6.5%
Total number of subscribers	4,776	4,469	6.9%

In CHF	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Average revenue per user (ARPU)	61	66	-7.6%	60	65	-7.7%

CHF in millions or number	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Capital expenditure	86	68	26.5%	152	115	32.2%
Number of full-time equivalent employees at end of period	–	–	–	2,775	2,936	-5.5%

Mobile's revenue from external customers increased year-over-year in the first half of 2007 by 4.5% to CHF 1,854 million (+4.3% in the second quarter). Apart from a slight increase in revenue from acquisitions of subsidiaries and the reduction in revenue resulting from a retrospective adjustment of international roaming tariffs in the previous year described below, this is mainly due to an increase in the number of subscribers and a growth in new data services. This compensates for the lower traffic and subscription prices resulting from new tariff models and the reduction in termination prices, which was also reflected in a decline in the average revenue per user per month (ARPU) from CHF 65 to CHF 60. In the first quarter of 2006 Swisscom Mobile concluded new roaming agreements 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 first quarter of 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.

The decrease in intersegment revenue is mainly due to the lower volume of traffic from other network operators using Swisscom Fixnet lines.

Mobile's total segment expenses in the second quarter of 2007 were CHF 16 million below last year's figure. Excluding the already mentioned retrospective adjustment of international roaming tariffs of CHF 40 million in the first quarter of 2006, segment expenses in the first half of 2007 were also down slightly year-over-year. Despite the acquisitions mentioned above and a higher volume of calls terminated for other operators, the increase was caused by a further reduction in termination prices at the beginning of 2007, lower roaming tariffs and costs savings.

As a result of increased revenue and slightly lower costs, EBITDA in the second quarter of 2007 rose by 7.7% to CHF 464 million. EBITDA increased by 2.6% in the first half year of 2007.

The number of subscribers increased year-over-year by a net total of 307,000 (+6.9%) to 4,776,000. At the end of June 2007 the Liberty family had 1,905,000 subscribers and the pre-paid product M-Budget Mobile, 317,000 subscribers.

Solutions

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

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Total revenue from external customers	258	256	0.8%	503	511	-1.6%
Intersegment revenue	42	38	10.5%	83	77	7.8%
Total net revenue	300	294	2.0%	586	588	-0.3%
Operating expenses (incl. Intercompany)	(267)	(288)	-7.3%	(542)	(567)	-4.4%
Capitalized costs and other income	2	13	-84.6%	9	17	-47.1%
EBITDA	35	19	84.2%	53	38	39.5%
Margin as % of net revenue	11.7	6.5		9.0	6.5	
Depreciation, amortization and impairment	(9)	(8)	12.5%	(17)	(15)	13.3%
EBIT	26	11	136.4%	36	23	56.5%

CHF in millions or number	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Capital expenditure	8	12	-33.3%	16	19	-15.8%
Number of full-time equivalent employees at end of period	–	–	–	2,033	1,954	4.0%

Solutions' revenue from external customers increased year-over-year in the second quarter of 2007 by 0.8%, but decreased over the first half of 2007 by 1.6%. The traditional voice and data connectivity services are faced with continued keen competition and substitution by more modern technologies. The resulting decline in revenue could be virtually offset by new products and services, especially in the project and outsourcing business.

Segment expenses fell year-over-year due to revenue-related lower purchasing volumes from other segments and cost savings.

EBITDA increased overall by CHF 16 million in the second quarter of 2007 since the decline in turnover was offset by lower costs and this had a positive effect on the first half of 2007 as a whole.

The number of employees at Solutions increased as a result of the transfer of a sales unit from Swisscom Mobile.

Fastweb

Fastweb is included in the consolidated financial statements since the completion of the acquisition on May 22, 2007:

CHF in millions	1st half year 2007
Total revenue from external customers	281
Operating expenses (incl. Intercompany)	(212)
Capitalized costs and other income	10
EBITDA	79
Margin as % of net revenue	28.1
Depreciation, amortization and impairment	(72)
EBIT	7

Number of subscribers in thousands	30.06.2007
Number of subscribers	1,196

CHF in millions or number	1st half year 2007
Capital expenditure	85
Number of full-time equivalent employees at end of period	3,167

Fastweb increased revenue year-over-year by 23.5% to EUR 714 million in the first half of 2007. EBITDA increased by 75.4% to EUR 224 million. This includes one-off items amounting to EUR 44 million. Without these one-off items EBITDA increased by 41%. Capital expenditure rose year-over-year by 4.6% to EUR 249 million.

Included in the period after the acquisition is revenue of EUR 170 million (CHF 281 million), EBITDA of EUR 48 million (CHF 79 million) und capital expenditure of EUR 51 million (CHF 85 million).

Other

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

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Swisscom IT Services	105	80	31.3%	206	164	25.6%
Swisscom Broadcast	34	39	-12.8%	66	75	-12.0%
Antenna Hungária	44	39	12.8%	87	80	8.7%
Accarda Group	35	29	20.7%	67	58	15.5%
Hospitality Services	22	14	57.1%	40	25	60.0%
Other	3	1	200.0%	7	1	600.0%
Total revenue from external customers	243	202	20.3%	473	403	17.4%
Intersegment revenue	119	120	-0.8%	233	235	-0.9%
Total net revenue	362	322	12.4%	706	638	10.7%
Operating expenses (incl. Intercompany)	(362)	(334)	8.4%	(691)	(622)	11.1%
Capitalized costs and other income	2	5	-60.0%	7	13	-46.2%
EBITDA	2	(7)	-	22	29	-24.1%
Margin as % of net revenue	0.6	(2.2)		3.1	4.5	
Depreciation, amortization and impairment	(84)	(50)	68.0%	(134)	(96)	39.6%
EBIT	(82)	(57)	43.9%	(112)	(67)	67.2%

CHF in millions or number	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Capital expenditure	54	56	-3.6%	91	87	4.6%
Number of full-time equivalent employees at end of period	-	-	-	4,681	4,437	5.5%

In the first half of 2007 the companies in the segment Other increased their revenue from external customers by 17.4% to CHF 473 million. In the second quarter revenue was as much as 20.3% above last year's figure. The increase in revenue can be attributed mainly to higher revenue from IT outsourcing at Swisscom IT Services and Hospitality Services.

Segment expenses in the second quarter of 2006 included provisions of CHF 49 million for contractual risks in Swisscom IT Services' project business. Without taking this one-off item into consideration, segment expenses increased by CHF 118 million in the first half of 2007. This is partly revenue-related, but also due to the costs of developing new business areas, especially CHF 60 million for the interactive TV remote control Betty.

Due to the recognition of provisions by Swisscom IT Services in 2006 and the costs of Betty in 2007, EBITDA in the second quarter was low, and in the previous year negative. The accumulated EBITDA in the first half of 2007 totaled CHF 22 million, a year-over-year decline of CHF 7 million. Without these effects the accumulated EBITDA would have increased year-over-year by CHF 4 million.

In the second quarter of 2007 impairment on goodwill and other intangible assets of CHF 39 million was recorded at Accarda and Betty.

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.

CHF in millions	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Total revenue from external customers	17	13	30.8%	36	29	24.1%
Intersegment revenue	145	152	-4.6%	284	300	-5.3%
Total net revenue	162	165	-1.8%	320	329	-2.7%
Operating expenses (incl. Intercompany)	(161)	(168)	-4.2%	(338)	(351)	-3.7%
Capitalized costs and other income	40	23	73.9%	69	43	60.5%
EBITDA	41	20	105.0%	51	21	142.9%
Margin as % of net revenue	25.3	12.1		15.9	6.4	
Depreciation, amortization and impairment	(15)	(14)	7.1%	(30)	(26)	15.4%
EBIT	26	6	333.3%	21	(5)	-

CHF in millions or number	2nd quarter 2007	2nd quarter 2006	Change	1st half year 2007	1st half year 2006	Change
Capital expenditure	15	36	-58.3%	27	73	-63.0%
Number of full-time equivalent employees at end of period	-	-	-	977	879	11.1%

Net revenue decreased slightly year-over-year, both in the second quarter of 2007 and in the first half of 2007 as a whole as a result of lower charges between Swisscom Immobilien AG and the other Swisscom group companies.

Segment expenses fell in the first half of 2007 due to cost savings at Swisscom Immobilien AG and lower costs for workforce reduction measures of CHF 13 million (previous year CHF 26 million), including expenditure on the employment company Worklink AG.

EBITDA increased mainly thanks to lower costs and higher gains from the sale of real estate.

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.

Cash flows

CHF in millions	1st half year 2007	1st half year 2006	Change
Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	2,042	1,813	229
Change in operating assets and liabilities and other payments or receipts from operating activities	(272)	(8)	(264)
Interest received and paid, net	(65)	(8)	(57)
Other financial income and expense received and paid, net	98	9	89
Income taxes paid	(299)	(344)	45
Cash flow provided by operating activities	1,504	1,462	42
Capital expenditure	(818)	(526)	(292)
Acquisition of subsidiaries, less cash and cash equivalents acquired	(5,020)	(158)	(4,862)
Other cash flow from investing activities	(21)	1,543	(1,564)
(Cash flow used in) cash flow provided by investing activities	(5,859)	859	(6,718)
Issuance and repayment of financial liabilities, net	5,019	(37)	5,056
Dividends paid to shareholders of Swisscom AG	(881)	(907)	26
Dividends paid to minority shareholders	(12)	(297)	285
Other cash flow from financing activities	(9)	(153)	144
Cash flow provided by (cash flow used in) financing activities	4,117	(1,394)	5,511
(Net decrease) net increase in cash and cash equivalents	(238)	927	(1,165)

Cash flow provided by operating activities increased year-over-year by CHF 42 million to CHF 1,504 million. The increase in EBITDA and cash from other financial income and expense were offset by the increase in net operating assets and higher net interest received and paid.

Compared with the previous year cash flow used in investing activities increased by CHF 6.7 billion to CHF 5.9 billion. The increase is mainly attributable to the acquisition of Fastweb for a purchasing price of CHF 5.1 billion. Capital expenditure on tangible and other intangible assets increased by CHF 292 million to CHF 818 million. The increase is mainly due to the development of the network infrastructure by Fixnet in order to launch VDSL technology and the acquisition of Fastweb. In order to release cash, long-term fixed-term deposits amounting to CHF 1.5 billion were not extended in 2006.

Cash flow provided by financing activities in the first half of 2007 amounted to CHF 4.1 billion. The main reasons are bank loans taken out to finance the acquisition of Fastweb. Swisscom AG shareholders and minority interests received dividend payouts of CHF 893 million (previous year CHF 1,204 million). The lower dividend payment is a result of the repurchase of a 25% share in Swisscom Mobile in December 2006. As a result of this repurchase, dividend payments to the minority interests in Swisscom Mobile will be omitted from 2007.

Net debt

CHF in millions	30.06.2007	31.12.2006	Change
Bank loans	11,063	4,243	6,820
Financial liability from cross-border tax lease arrangements	1,456	1,459	(3)
Finance lease obligation	622	637	(15)
Other financial liabilities	357	244	113
Liabilities from collecting activities (Accarda Group)	118	128	(10)
Total	13,616	6,711	6,905
Cash and cash equivalents	(402)	(673)	271
Cash and cash equivalents of disposal groups	(36)	–	(36)
Current financial assets	(223)	(142)	(81)
Receivables from collecting activities (Accarda Group)	(381)	(385)	4
Financial assets from lease and leaseback transactions	(1,116)	(1,125)	9
Long-term derivative financial assets	(32)	(7)	(25)
Net debt	11,426	4,379	7,047

Net debt consists of total debt 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 and financial assets from cross-border tax lease transactions as well as long-term derivative financial instruments.

Current financial assets include term deposits and money market investments with a term of less than one year as well as securities. The derivative financial instruments are mainly used to hedge currency risks in connection with long-term finance lease obligations. Financial liabilities consist primarily of finance lease obligations and long-term sale and leaseback obligations relating to buildings. The finance lease obligations reported are covered by non-current financial assets to an extent of CHF 1,116 million.

Net debt increased as a result of the acquisition of Fastweb. The acquisition of Fastweb was financed 100% by bank loans. In addition, most of the debt of Fastweb was repaid in June 2007. Bank loans were taken out to refinance the debt of Fastweb.

Net debt as at June 30, 2007 includes receivables from collection activities of the Accarda Group of CHF 263 million. Most of the receivables are related to Accarda AG, which was to be sold to the Maus Group on July 2, 2007. Since the Maus Group is also acquiring Accarda AG's net receivables and these were included in the calculation of net debt, net debt will only change slightly.

Net proceeds from the sale of Antenna Hungária of around CHF 510 million in the third quarter of 2007, on the other hand, will lead to a decrease in net debt.

Return policy

CHF in millions	1st half year 2007
Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)	2,042
Change in operating assets and liabilities and other payments or receipts from operating activities	(272)
Capital expenditure	(818)
Proceeds from sale of fixed assets	38
Operating free cash flow	990
Dividends paid to minority interests	(12)
Operating free cash flow attributable to shareholders of Swisscom AG	978

In accordance with the definitions laid down in Swisscom's return policy, half of the operating free cash flow attributable to Swisscom AG shareholders shall be paid out.

Outlook

Fastweb will be included in Swisscom's consolidated financial statements for the 2007 financial year from the date of the acquisition, May 22, 2007. Antenna Hungária und Accarda on the other hand have been sold and will no longer be included. Taking into account these changes in the scope of consolidation, Swisscom expects net revenue of between CHF 11.2 billion and CHF 11.3 billion for the 2007 financial year as a whole and earnings before interest, taxes, depreciation, amortization and impairment (EBITDA) of between CHF 4.4 billion and CHF 4.5 billion. Capital expenditure will lie between CHF 1.9 billion and CHF 2.0 billion. This includes Fastweb with revenue of around CHF 1.8 billion and EBITDA of around CHF 0.6 billion and capital expenditure of around CHF 0.5 billion.

Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited			
		2nd quarter 2007	2nd quarter 2006 restated	1st half year 2007	1st half year 2006 restated
Net revenue		2,718	2,398	5,094	4,772
Goods and services purchased		(530)	(466)	(971)	(875)
Personnel expenses		(603)	(555)	(1,197)	(1,149)
Other operating expenses		(611)	(671)	(1,055)	(1,089)
Capitalized cost and other income		100	74	171	154
Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)		1,074	780	2,042	1,813
Depreciation, amortization and impairment		(465)	(355)	(814)	(703)
Earnings before interest and taxes (EBIT)		609	425	1,228	1,110
Net financial result	3	4	(12)	(37)	(22)
Share of profit of affiliated companies		10	14	14	13
Earnings before taxes		623	427	1,205	1,101
Income tax expense		(146)	(82)	(261)	(213)
Income from continuing operations		477	345	944	888
Earnings from discontinuing operations		–	32	–	32
Net income		477	377	944	920
Net income attributable to equity holders of Swisscom AG		475	299	936	758
Net income attributable to minority interests		2	78	8	162
Basic and diluted earnings per share (in CHF)					
- from continuing operations		9.17	4.71	18.07	12.80
- from discontinuing operations		–	0.56	–	0.56
- net income		9.17	5.27	18.07	13.36

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		30.06.2007	31.12.2006 restated
Assets			
Current assets			
Cash and cash equivalents		402	673
Trade accounts receivable and other receivables		2,978	2,436
Other financial assets		223	142
Other assets		668	286
Non-current assets held for sale and disposal groups	8	895	19
Total current assets		5,166	3,556
Non-current assets			
Property, plant and equipment		8,483	5,795
Goodwill and other intangible assets		8,519	4,726
Investments in affiliated companies		237	221
Other financial assets		1,182	1,164
Deferred tax assets		716	99
Other non-financial assets		42	42
Total non-current assets		19,179	12,047
Total assets		24,345	15,603
Liabilities and equity			
Current liabilities			
Financial liabilities	4	4,674	1,568
Trade accounts payable and other payables		2,573	1,693
Current tax liabilities		162	217
Other non-financial liabilities		1,087	735
Liabilities from disposal groups	8	162	–
Total current liabilities		8,658	4,213
Non-current liabilities			
Financial liabilities	4	8,824	5,015
Accrued pension cost		690	719
Deferred tax liabilities		330	350
Other non-financial liabilities		895	826
Total non-current liabilities		10,739	6,910
Total liabilities		19,397	11,123
Equity attributable to equity holders of Swisscom AG	5	4,580	4,413
Equity attributable to minority interests	5	368	67
Total equity		4,948	4,480
Total liabilities and equity		24,345	15,603

Consolidated cash flow statement (condensed)

CHF in millions	Note	unaudited	
		1st half year 2007	1st half year 2006 restated
Cash flows from operating activities			
Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA)		2,042	1,813
Change in operating assets and liabilities and other payments or receipts from operating activities		(272)	(8)
Interest received and paid, net		(65)	(8)
Other financial income and expense received and paid, net		98	9
Income taxes paid		(299)	(344)
Cash flow provided by operating activities		1,504	1,462
Cash flows from investing activities			
Capital expenditure		(818)	(526)
Proceeds from sale of fixed assets		38	21
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(5,020)	(158)
Acquisition and sale of shares in affiliated companies, net		(1)	(9)
Net investments in other current and non-current financial assets		(58)	1,531
(Cash flow used in) cash flow provided by investing activities		(5,859)	859
Cash flows from financing activities			
Issuance and repayment of financial liabilities, net		5,019	(37)
Share buyback	5	–	(136)
Purchase of treasury shares for share-based compensation		(9)	(17)
Dividends paid to shareholders of Swisscom AG		(881)	(907)
Dividends paid to minority interests		(12)	(297)
Cash flow provided by (cash flow used in) financing activities		4,117	(1,394)
(Net decrease) net increase cash and cash equivalents		(238)	927
Cash and cash equivalents at beginning of year		673	1,023
Reclassification of cash and cash equivalents of disposal groups		(36)	–
Currency translation of cash and cash equivalents		3	(1)
Cash and cash equivalents at end of period		402	1,949

Statement of recognized income and expense (condensed)

CHF in millions	Note	1st half year 2007	1st half year 2006 restated
Currency translation of foreign Group companies		18	(41)
Fair value adjustments		94	(65)
Gains and losses directly recognized in equity, net	5	112	(106)
Net income		944	920
Total recognized income and expense	5	1,056	814
Attributable to equity holders of Swisscom AG		1,048	652
Attributable to minority interests		8	162
Effect of changes in accounting policies		–	(1)
Attributable to shareholders of Swisscom AG		–	(1)

As disclosed in Note 1, the statement of recognized income and expense has been restated following the changes in the accounting policies for the revenue recognition of installation and connection fees.

Notes to the interim financial statements (condensed)

1 Accounting policies

Basis of preparation

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, with the exception of the changes in accounting policies for installation and connection fees and of those accounting principles that entered into force on January 1, 2007, were drawn up in compliance with the accounting policies described in the consolidated annual financial statements for the financial year 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.

Swisscom operates in industries where significant seasonal or cyclical variations are not experienced during the financial year.

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

Changes in accounting policies

Following the acquisition of Fastweb, the accounting policies for recording one-off installation and connection fees were reviewed in the second quarter of 2007. Swisscom recognized this revenue on the date of installation or connection. If these one-off installation and connection fees do not constitute independent services, they will be deferred and recorded straight-line over the entire term of the contract. If no minimum contract length has been agreed, revenue will be recognized immediately. The changes will be implemented retrospectively. This adjustment reduces equity by CHF 22 million as per January 1, 2006 and results in an increase in deferred tax assets of CHF 6 million and other non-financial liabilities of CHF 28 million. The effect on net revenue and net income in 2006 is minus CHF 1 million. Earnings and diluted earnings per share for 2006 decreased from CHF 0.02 to CHF 28.90.

Various new and revised International Financial Reporting Standards (IFRS) and interpretations have entered into force since January 1, 2007. The following changes are relevant for Swisscom:

IFRS 7: «Financial instruments: Disclosures»: The new standard, which replaces IAS 30 «Disclosures in the Financial Statements of Banks and Similar Financial Institutions» and IAS 32 «Financial Instruments: Presentation», will require additional disclosure in the Group’s 2007 annual financial statements concerning the Group’s financial instruments. There are no additional disclosure requirements in the interim financial statements.

IAS 1 (revised): «Presentation of Financial Statements: Capital Disclosures». The revisions to IAS 1 will require additional disclosure in the Group’s 2007 annual financial statements concerning the Group’s objectives, policies and processes for managing capital. There are no additional disclosure requirements in the interim financial statements.

2 Segment reporting

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

Swisscom completed the acquisition of Fastweb on May 22, 2007. Fastweb is included in the consolidated financial statements from this date. Fastweb is the second-largest fixed network operator and leading provider of IP-based services in Italy.

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**
- **Fastweb**
- **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 and Medipa AG, Swisscom Hospitality Services, and Betty.
- **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 half of 2007 and 2006 are presented in the following table:

unaudited								
1st half year 2007, CHF in millions	Fixnet	Mobile	Solutions	Fastweb	Other	Corpo- rate	Elimi- nation	Total
Net revenue from external customers	1,947	1,854	503	281	473	36	–	5,094
Intersegment net revenue	297	125	83	–	233	284	(1,022)	–
Net revenue	2,244	1,979	586	281	706	320	(1,022)	5,094
Operating expenses	(1,386)	(1,072)	(542)	(212)	(691)	(338)	1,018	(3,223)
Capitalized costs and other income	87	9	9	10	7	69	(20)	171
EBITDA	945	916	53	79	22	51	(24)	2,042
<i>Margin in %</i>	<i>42.1</i>	<i>46.3</i>	<i>9.0</i>	<i>28.1</i>	<i>3.1</i>	<i>15.9</i>	–	<i>40.1</i>
Depreciation, amortization and impairment	(379)	(186)	(17)	(72)	(134)	(30)	4	(814)
EBIT	566	730	36	7	(112)	21	(20)	1,228

unaudited								
1st half year 2006, CHF in millions, restated	Fixnet	Mobile	Solutions	Other	Corpo- rate	Elimi- nation	Total	
Net revenue from external customers	2,055	1,774	511	403	29	–	4,772	
Intersegment net revenue	349	169	77	235	300	(1,130)	–	
Net revenue	2,404	1,943	588	638	329	(1,130)	4,772	
Operating expenses	(1,625)	(1,064)	(567)	(622)	(351)	1,116	(3,113)	
Capitalized costs and other income	65	14	17	13	43	2	154	
EBITDA	844	893	38	29	21	(12)	1,813	
<i>Margin in %</i>	<i>35.1</i>	<i>46.0</i>	<i>6.5</i>	<i>4.5</i>	<i>6.4</i>	–	<i>38.0</i>	
Depreciation, amortization and impairment	(379)	(189)	(15)	(96)	(26)	2	(703)	
EBIT	465	704	23	(67)	(5)	(10)	1,110	

3 Net financial result

CHF in millions	unaudited	
	1st half year 2007	1st half year 2006
Interest income	60	57
Interest expense	(169)	(71)
Net interest	(109)	(14)
Present value adjustment on provisions	(4)	(6)
Interest on provision for Interconnection proceedings	(10)	(64)
Gain on disposal of financial assets	–	63
Foreign exchange gain	88	(2)
Other financial income and expense, net	(2)	1
Net financial result	(37)	(22)

The foreign exchange result as at June 30, 2007 includes gains from currency hedges of CHF 72 million in connection with the acquisition of Fastweb. In the second quarter of 2006 the majority of the financial assets held for sale were sold. The gains and losses of CHF 63 million, recorded under equity since the acquisition of these financial assets, were released through the income statement and presented as financial income. In connection with the creation of provisions for interconnection proceedings due to a decision of the Federal Court, interest of CHF 64 million was recognized in the second quarter of 2006.

4 Financial liabilities

CHF in millions	unaudited	
	30.06.2007	31.12.2006
Bank loans	4,472	1,498
Finance lease obligation	44	43
Other financial liabilities	158	27
Total short-term financial liabilities	4,674	1,568
Bank loans	6,591	2,745
Financial liability from cross-border tax lease arrangements	1,456	1,459
Finance lease obligation	578	594
Derivative financial instruments	153	170
Other financial liabilities	46	47
Total long-term financial liabilities	8,824	5,015
Total financial liabilities	13,498	6,583

On May 22, 2007 Swisscom acquired an 82.1% share in Fastweb for a purchasing price including transaction costs of EUR 3.1 billion (CHF 5.1 billion). Debts amounting to EUR 1.1 billion (CHF 1.8 billion) were also taken over. The purchasing price as well as Fastweb's debts was financed by bank loans amounting to CHF 6.7 billion. These loans were syndicated in a bank consortium in the second quarter of 2007. The loan is divided up into three tranches. The first tranche of CHF 2.8 billion has a term of one year to spring 2008 and an extension option of a further year. The second and third tranches totaling CHF 3.9 billion have terms of five years. In order to hedge interest rate risks in connection with a part of the second tranche, an interest rate swap with a term of five years was entered

into. The bank loans are due for immediate repayment if the capital share of the Confederation in Swisscom drops below 35% or if another shareholder can exercise control over Swisscom.

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
Changes in accounting policies	–	–	(22)	–	–	(22)	–	(22)
Balance at January 1, 2006	61	392	7,461	(2,002)	67	5,979	623	6,602
Gains and losses directly recognized in equity, net	–	–	–	–	(106)	(106)	–	(106)
Net income	–	–	758	–	–	758	162	920
Total recognized income and expenses	–	–	758	–	(106)	652	162	814
Dividends paid	–	–	(907)	–	–	(907)	(297)	(1,204)
Sale of treasury shares	–	–	–	1	–	1	–	1
Purchase of treasury shares for share-based payment	–	–	–	(44)	–	(44)	–	(44)
Sale of treasury shares for share-based payment	–	–	–	44	–	44	–	44
Balance at June 30, 2006	61	392	7,312	(2,001)	(39)	5,725	488	6,213
Balance at December 31, 2006	57	370	6,177	(2,213)	22	4,413	67	4,480
Gains and losses directly recognized in equity, net	–	–	–	–	112	112	–	112
Net income	–	–	936	–	–	936	8	944
Total recognized income and expenses	–	–	936	–	112	1,048	8	1,056
Dividends paid	–	–	(881)	–	–	(881)	(12)	(893)
Purchase of treasury shares for share-based payment	–	–	–	(37)	–	(37)	–	(37)
Sale of treasury shares for share-based payment	–	–	–	37	–	37	–	37
Acquisition of affiliated companies	–	–	–	–	–	–	305	305
Balance at June 30, 2007	57	370	6,232	(2,213)	134	4,580	368	4,948

For further information on changes to accounting principles see Note 1.

In the financial statements as at June 30, 2007 Antenna Hungária is classified as an asset held for sale. The share of Antenna Hungária in the accumulated currency translation adjustments in other reserves as at June 30, 2007 was CHF 38 million.

Swisscom offers two stock based remuneration plans to its non-management employees, management, members of the Executive Board and Board of Directors, the share purchase scheme TopShare and the Management Incentive Plan (MIP). In the first six months of 2007 shares with a market value totaling CHF 37 million (previous year CHF 44 million) were granted as part of these two schemes. Expenses on share-based remuneration were CHF 9 million (previous year CHF 17 million) in the first half of 2007.

On December 31, 2005 withholding tax of CHF 136 million was owed to the tax authorities in connection with a share buy-back scheme in 2005. This was paid back in the first quarter of 2006. The payment is presented in the cash flow statement under share buy-back.

6 Acquisition of Fastweb

On April 10, 2007 Swisscom made a friendly takeover bid for a 98.26% share in the FAST-WEB S.p.A. (Fastweb). Fastweb is the second-largest fixed network operator and leading provider of IP-based services in Italy. Swisscom offered Fastweb shareholders EUR 47.00 per share. In total Swisscom acquired 82.1% of the shares. On May 22, 2007 the acquisition was completed for a purchasing price including direct transaction costs of EUR 3,083 million (CHF 5,107 million). Fastweb is included in the consolidated financial statements from the date of the acquisition and is presented as a separate segment.

The provisional purchasing price allocation was based on the acquisition balance sheet as at May 22, 2007 which was drawn up in compliance with the International Financial Reporting Standards (IFRS). The difference between the acquisition costs and carrying amount of the net assets were presented provisionally as goodwill in the balance sheet. On the date this interim report was drawn up, no reliable information was available that would have permitted a more detailed allocation of the purchasing price.

The half year financial statements as of June 30, 2007, include net revenue of CHF 281 million and net loss of CHF 43 million resulting from this acquisition. Had this acquisition been consolidated in Swisscom's financial statements from January 1, 2007, Swisscom's pro forma net revenue would have been CHF 5,980 million and net income of CHF 927 million.

The purchasing price is allocated provisionally to Fastweb's net assets as presented below:

CHF in millions	Carrying amount prior to acquisition	Adjustment	Carrying amount upon acquisition
Cash and cash equivalents	103	–	103
Trade accounts receivable and other receivables	693	–	693
Property, plant and equipment	2,924	–	2,924
Intangible assets	691	(444)	247
Deferred tax assets	656	–	656
Other short- and long-term assets	467	–	467
Financial liabilities	(1,877)	–	(1,877)
Trade accounts payable and other payables	(1,030)	–	(1,030)
Dividend liabilities	(497)	408	(89)
Other short- and long-term liabilities	(405)	(17)	(422)
Identified assets and liabilities	1,725	(53)	1,672
Equity attributable to minority interests			(305)
Goodwill			3,740
Acquisition cost			5,107
Cash and cash equivalent acquired			(103)
Cash outflow			5,004

7 Acquisition of other subsidiaries and affiliated companies

Acquisitions 2007

Apart from Fastweb, no subsidiaries were taken over in the first six months of 2007. Payments of CHF 16 million in the first quarter of 2007 for the acquisition of shares in other companies relate solely to the payment of deferred purchasing prices for acquisitions in previous years.

Acquisitions 2006

Swisscom acquired a number of subsidiaries in fiscal year 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 area 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% share in Comit AG, an IT service provider to banks.

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.

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.

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 an 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.

8 Non-current assets held for sale and disposal groups

CHF in millions	unaudited	
	30.06.2007	31.12.2006
Assets		
Cash and cash equivalents	36	–
Trade accounts receivable and other receivables	405	–
Property, plant and equipment	238	19
Goodwill and other intangible assets	199	–
Other assets	17	–
Total non-current assets held for sale and assets from disposal groups	895	19
Liabilities		
Trade accounts payable and other payables	133	–
Other liabilities	29	–
Total liabilities from disposal groups	162	–

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

This item also includes the carrying amount of the assets and liabilities of the subsidiaries Antenna Hungária and Accarda, which were sold in July 2007. On May 8, 2007 Swisscom agreed the sale of Antenna Hungária with the French company Télédiffusion de France (TDF) for a price of EUR 328 million (CHF 545 million). The transaction was completed on July 19, 2007 after approval by the Hungarian competition authorities. The pre-tax gain on the sale of an estimated CHF 160 million will be recorded when the transaction is completed in the third quarter of 2007. The gain includes gains from currency translation adjustments of CHF 38 million which has previously been recognized in consolidated equity. Income tax of CHF 3 million is due on the sale of Antenna Hungária.

9 Provisions and contingent liabilities

On June 30, 2007 provisions for the current interconnection proceedings amounted to CHF 451 million. In the first half of 2007 a total of CHF 69 million was paid out in connection with these proceedings.

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 June 30, 2007.

Other provisions and contingent liabilities included in the consolidated annual financial statements for the 2006 financial year and described in the notes have not changed significantly during the current financial year.

10 Related parties

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

11 Events after the balance sheet date

Approval of the interim report

Swisscom's Board of Directors approved the release of this interim report on August 7, 2007.

Sale of Antenna Hungária und Accarda

In the second quarter of 2007 Swisscom agreed to sell their subsidiaries Antenna Hungária and Accarda. The sale of Antenna Hungária was completed on July 19, 2007, and that of Accarda on July 2, 2007. See Note 8.

Credit requirements

On July 19, 2007 Swisscom took out two loans totaling CHF 900 million. The loans were divided into two tranches. The first tranche of CHF 550 million has a fixed rate of interest of 3.50% and a term until 2013. The second tranche runs until 2017 and has a fixed rate of interest of 3.75%. These loans are being used in full to repay existing debts with banks.

Performance of the Swisscom share on the virt-x



Share information

31.12.2006 – 30.06.2007	virt-x	NYSE
Closing price at 31.12.2006	CHF 461.25	USD 37.76
Closing price at 30.06.2007 ¹	CHF 418.75	USD 34.10
Year high ¹	CHF 486.00	USD 38.90
Year low ¹	CHF 410.00	USD 33.19
Total trading volume	19 828 932	5 222 531
Daily average	161 211	42 117
Total volume in millions	CHF 8 809.09	USD 188.94
Daily average in millions	CHF 71.62	USD 1.52

Source: Bloomberg

¹ paid prices

Share information

On June 30, 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. Swisscom held 4 916 618 shares from the share buy-back scheme in 2006. Treasury stock not required is to be destroyed at the 2008 General Meeting of Shareholders by means of a capital reduction. As at June 30, 2007 Swisscom had 47,481 registered shareholders and an average non-allotted share level of approximately 15%. 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.

Financial calendar

November 7, 2007	2007 Third-Quarter Interim Report
April 22, 2008	General Meeting of Shareholders

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).

On July 6, 2007 Swisscom announced that it is planning to delist its shares and American Depositary Shares, traded as American Depositary Receipts (ADR), from the NYSE and to deregister the company with the U.S. Securities and Exchange Commission. To carry out the delisting, the current ADR programmed is to be converted from Level 3 to Level 1 for over-the-counter trading.

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	30.06.07
Net revenue	2,374	2,398	2,424	2,456	9,652	2,376	2,718			5,094
Goods and services purchased	(409)	(466)	(471)	(494)	(1,840)	(441)	(530)			(971)
Personnel expenses	(594)	(555)	(542)	(587)	(2,278)	(594)	(603)			(1,197)
Other operating expenses	(418)	(671)	(445)	(510)	(2,044)	(444)	(611)			(1,055)
Capitalized costs and other income	80	74	76	66	296	71	100			171
EBITDA	1,033	780	1,042	931	3,786	968	1,074			2,042
Depreciation, amortization and impairment	(348)	(355)	(343)	(389)	(1,435)	(349)	(465)			(814)
EBIT	685	425	699	542	2,351	619	609			1,228
Net financial result	(10)	(12)	(11)	(18)	(51)	(41)	4			(37)
Share of profit of affiliated companies	(1)	14	4	13	30	4	10			14
Income tax expense	(131)	(82)	(137)	(112)	(462)	(115)	(146)			(261)
Income from continuing operations	543	345	555	425	1,868	467	477			944
Income from discontinued operations	–	32	–	4	36	–	–			–
Net income	543	377	555	429	1,904	467	477			944
Attributable to equity holders of Swisscom AG	459	299	471	369	1,598	461	475			936
Attributable to minority interests	84	78	84	60	306	6	2			8
Net revenue by segments¹										
Fixnet										
Local and long-distance traffic	99	90	88	94	371	95	87			182
Fixed-to-mobile traffic	90	90	89	86	355	87	85			172
Internet traffic	16	12	10	10	48	9	7			16
International traffic	52	49	49	50	200	51	49			100
Total retail traffic	257	241	236	240	974	242	228			470
Wholesale traffic	98	97	79	77	351	63	70			133
Other traffic	27	27	26	25	105	24	22			46
Access	510	519	520	529	2,078	528	533			1,061
Other revenue	140	139	123	96	498	114	123			237
Total revenue Fixnet from external customers	1,032	1,023	984	967	4,006	971	976			1,947
Intersegment revenue Fixnet	179	170	164	168	681	155	142			297
Total net revenue Fixnet	1,211	1,193	1,148	1,135	4,687	1,126	1,118			2,244
Mobile										
Connectivity voice	480	514	538	508	2,040	490	517			1,007
Connectivity data and value added services	162	160	173	172	667	179	191			370
Base fees	162	160	157	154	633	153	151			304
Other revenue	66	70	76	108	320	89	84			173
Intersegment revenue Mobile	870	904	944	942	3,660	911	943			1,854
Revenue Mobile other segments	84	85	73	72	314	63	62			125
Total net revenue Mobile	954	989	1,017	1,014	3,974	974	1,005			1,979

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2006	1. quarter	2. quarter	3. quarter	4. quarter	30.06.07
Net revenue by segments¹										
Solutions										
Connectivity	140	136	133	138	547	122	127			249
Communication and collaboration	55	57	69	88	269	61	66			127
Business process optimization	18	21	22	26	87	21	22			43
Outsourcing	6	10	10	16	42	11	19			30
Other revenue	36	32	33	30	131	30	24			54
Total revenue Solutions from external customers	255	256	267	298	1,076	245	258			503
Revenue Solutions other segments	39	38	36	35	148	41	42			83
Total net revenue Solutions	294	294	303	333	1,224	286	300			586
Fastweb										
Total net revenue Fastweb	-	-	-	-	-	-	281			281
Other										
Total revenue Other from external customers	201	202	206	231	840	230	243			473
Intersegment revenue Other	115	120	123	136	494	114	119			233
Total net revenue Other	316	322	329	367	1,334	344	362			706
Corporate										
Total revenue corporate from external customers	16	13	23	18	70	19	17			36
Intersegment revenue Corporate	148	152	136	131	567	139	145			284
Total net revenue Corporate	164	165	159	149	637	158	162			320
Total net revenue	2,939	2,963	2,956	2,998	11,856	2,888	3,228	-	-	6,116
Intercompany	(565)	(565)	(532)	(542)	(2,204)	(512)	(510)			(1,022)
Total net revenue from external customers	2,374	2,398	2,424	2,456	9,652	2,376	2,718	-	-	5,094
EBITDA by segments										
Fixnet	521	323	489	469	1,802	477	468			945
Mobile	462	431	480	428	1,801	452	464			916
Solutions	19	19	19	13	70	18	35			53
Fastweb	-	-	-	-	-	-	79			79
Other	36	(7)	52	37	118	20	2			22
Corporate	1	20	9	(7)	23	10	41			51
Intercompany	(6)	(6)	(7)	(9)	(28)	(9)	(15)			(24)
Total EBITDA	1,033	780	1,042	931	3,786	968	1,074	-	-	2,042
Capital expenditure	235	291	326	472	1,324	315	503			818
Number of full-time equivalent employees at end of period	16,544	16,739	16,875	17,068	17,068	17,157	20,498			20,498

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	30.06.07
Operational data Fixnet										
PSTN lines	2,923	2,911	2,892	2,891	2,891	2,884	2,878			2,878
ISDN lines	888	878	867	856	856	843	834			834
Total number of lines PSTN / ISDN	3,811	3,789	3,759	3,747	3,747	3,727	3,712	–	–	3,712
Broadband lines										
Broadband retail lines	775	846	886	936	936	995	1,065			1,065
Broadband wholesale lines	414	407	419	432	432	439	441			441
Total broadband lines	1,189	1,253	1,305	1,368	1,368	1,434	1,506	–	–	1,506
Retail traffic volume in millions of minutes										
Local and long-distance traffic	1,711	1,547	1,469	1,585	6,312	1,616	1,474			3,090
Fixed-to-mobile traffic	231	232	231	232	926	232	237			469
Internet traffic	470	375	327	315	1,487	288	225			513
Total national traffic	2,412	2,154	2,027	2,132	8,725	2,136	1,936	–	–	4,072
International traffic	235	222	217	229	903	232	221			453
Total retail traffic	2,647	2,376	2,244	2,361	9,628	2,368	2,157	–	–	4,525
Wholesale traffic volume in millions of minutes										
Total wholesale traffic	4,390	4,056	3,807	3,907	16,160	3,918	3,615			7,533
Number of subscribers in thousands										
Operational data Mobile										
Postpaid	2,669	2,703	2,752	2,805	2,805	2,849	2,895			2,895
Prepaid	1,701	1,766	1,811	1,827	1,827	1,858	1,881			1,881
Total	4,370	4,469	4,563	4,632	4,632	4,707	4,776	–	–	4,776
In CHF, minutes or millions										
ARPU in CHF	65	66	66	62	65	59	61			60
AMPU in minutes	120	125	126	126	124	127	131			129
Number of SMS messages in millions	521	511	526	549	2,107	559	556			1,115
Traffic volume in millions of minutes										
Operational data Solutions										
Local and long-distance traffic	417	383	366	374	1,540	380	367			747
Fixed-to-mobile traffic	63	62	60	61	246	61	65			126
Total national traffic	480	445	426	435	1,786	441	432	–	–	873
International traffic	90	85	83	84	342	88	90			178
Total national and international traffic	570	530	509	519	2,128	529	522	–	–	1,051

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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