

January–March 2008  
Interim Report



# Facts & Figures

CHF in millions, except where indicated	31.03.2008	31.03.2007	Change
<b>Net revenue and income</b>			
Net revenue	2,933	2,376	23.4%
Operating income (EBITDA) <sup>1</sup>	1,161	968	19.9%
EBITDA as % of net revenue	39.6	40.7	
Operating income (EBIT) <sup>2</sup>	654	619	5.7%
Net income	425	467	-9.0%
Net income attributable to equity holders of Swisscom Ltd	428	461	-7.2%
Earnings per share	CHF	8.26	8.90
			-7.2%
<b>Balance and cash flow</b>			
Equity at end of period	5,996	4,944	21.3%
Equity ratio <sup>3</sup>	%	25.2	31.3
Operating free cash flow attributable to equity holders of Swisscom Ltd <sup>4</sup>	751	443	69.5%
Capital expenditure	420	315	33.3%
Net debt at end of period <sup>5</sup>	9,818	4,081	140.6%
<b>Employees</b>			
Number of full-time equivalent employees at end of period <sup>6</sup>	FTE	19,718	17,157
Average number of full-time equivalent employees <sup>7</sup>	FTE	19,779	17,070
<b>Operational data</b>			
Total number of PSTN/ISDN lines		3,665	3,727
Broadband access lines		1,655	1,434
Subscribers Mobile		5,100	4,707
Subscribers Fastweb		1,388	1,150
<b>Share</b>			
Par value per share at end of period	CHF	1.00	1.00
Average number of shares outstanding	in mio.	51.802	51.802
Share price	CHF	340.25	439.25
Market capitalisation at end of period <sup>8</sup>		17,626	22,754

<sup>1</sup> Definition operating income (EBITDA): operating income before depreciation, amortization and impairment on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of profit of investments in associates and income tax expense.

<sup>2</sup> Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of profit of investments in associates and income tax expense.

<sup>3</sup> Equity as a percentage of total assets.

<sup>4</sup> Definition operating free cash flow attributable to equity holders of Swisscom Ltd: operating income (EBITDA), change in operating assets and liabilities less net capital expenditure on tangible and intangible assets.

<sup>5</sup> Definition net debt: financial liabilities less cash and cash equivalents, current-financial assets, financial assets from cross-border lease agreements and non-current derivative financial instruments.

<sup>6</sup> Excludes 236 and 396 full-time equivalent employees of the employment company Worklink at March 31, 2008 and 2007, respectively

<sup>7</sup> Excludes 250 and 413 full-time equivalent employees of the employment company Worklink in the first three months of 2008 and 2007, respectively

<sup>8</sup> Closing price at the end of period, multiplied by number of shares outstanding at end of period

## Summary

Swisscom reported an increase in net revenue in the first three months of 2008 of 23.4% to CHF 2,933 million and in operating income (EBITDA) of 19.9% to CHF 1,161 million. The increase in revenue and EBITDA is mainly attributable to the acquisition of Fastweb in May 2007. In the first quarter of 2008 Fastweb's share of net revenue was CHF 618 million and of EBITDA CHF 179 million. On a comparable basis net revenue increased by CHF 5 million (+0.2%) and EBITDA by 3.0% or CHF 29 million. The decline in net income after deduction of the minority interests by 7.2% to CHF 428 million is primarily due to non-cash effects such as depreciation and amortization and hedges on future payments in foreign currencies. The operating free cash flow increased by 69.5% to CHF 751 million in the first quarter of 2008.

Unchanged Swisscom expects net revenue of around CHF 12.3 billion for the 2008 financial year as a whole and operating income (EBITDA) of approximately CHF 4.8 billion. Capital expenditure will lie between CHF 2.1 billion and CHF 2.2 billion.

CHF in millions, except where indicated	31.03.2008	31.03.2007	Change
<b>Net revenue</b>	<b>2,933</b>	<b>2,376</b>	<b>23.4%</b>
Operating expenses	(1,850)	(1,479)	25.1%
Capitalized costs and other income	78	71	9.9%
<b>Operating income (EBITDA)</b>	<b>1,161</b>	<b>968</b>	<b>19.9%</b>
Depreciation, amortization and impairment	(507)	(349)	45.3%
<b>Operating income (EBIT)</b>	<b>654</b>	<b>619</b>	<b>5.7%</b>
Financial income and financial expense, net	(113)	(41)	175.6%
Share of profit of investments in associates	6	4	50.0%
<b>Income before income taxes</b>	<b>547</b>	<b>582</b>	<b>-6.0%</b>
Income tax expense	(122)	(115)	6.1%
<b>Net income</b>	<b>425</b>	<b>467</b>	<b>-9.0%</b>
Net income attributable to equity holders of Swisscom Ltd	428	461	-7.2%
Net income attributable to minority interests	(3)	6	-
Average number of shares outstanding (in millions)	51.802	51.802	-
Earnings per share (in CHF)	8.26	8.90	-7.2%

## Reorganization

As of August 1, 2007, Swisscom reorganized. Since then, the consistent focus of the company on its customers' needs has also been reflected in its organization. The step was legally effected as of January 1, 2008. The former group companies Swisscom Fixnet AG, Swisscom Mobile AG and Swisscom Solutions AG were merged to become Swisscom (Switzerland) Ltd. Swisscom Switzerland now includes the business divisions «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale» and «Network and IT». The supporting functions of, financing, human resources and strategy of the former three group companies have been centralized during the course of the reorganization.

The reporting structure was aligned with the new customer-centric organizational structure. The business divisions of Swisscom Switzerland are disclosed as individual operating segments. The support functions are included in the «Network and IT» division. Consequently, revenue and segment results are evident from the structure of the internal organization and the information reported internally. No own network costs are charged for the financial management of customer segments. The results of the customer segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business» and the «Wholesale» division consequently do not include any charges for own network costs. The segment results are therefore equivalent to a contribution margin. Network costs are planned, monitored and controlled by the «Network and IT» division. The «Network and IT» division is managed as a cost center. Consequently no revenue is credited to the segment «Network and IT». The segment result is presented as operating expenses less capitalized costs and other income.

The accumulated results of the individual operating segments within Swisscom Switzerland add up to the operating income (EBITDA and EBIT) for Swisscom Switzerland.

As a result of the reorganization, Swisscom AG (Group Headquarters) ceased charging management fees to group companies from January 1, 2008.

Segment disclosure is based on the management approach. IFRS 8 «Operating Segments» is therefore already being applied earlier than required from the 2008 financial year.

#### **Net revenue and operating income (EBITDA)**

The year-over-year increase in net revenue in the first quarter of 2008 by 23.4% or CHF 557 million to CHF 2,933 was mainly attributable to the takeover of Fastweb (CHF 618 million). The acquisition of Fastweb was completed on May 22, 2007. Fastweb is not included in the previous year's figures for the first quarter.

In 2007 the group companies Antenna Hungária, Accarda and Infonet were sold. In the first three months of 2007, net revenue and EBITDA of the group companies sold totaled CHF 66 million and CHF 15 million respectively.

On a comparable basis net revenue increased year-over-year by CHF 5 million (+0.2%). The decline in traditional fixed network business could be compensated for by the continuing increase in the number of broadband access lines and mobile subscribers as well as by growth in new business areas.

The operating income (EBITDA) increased by CHF 193 million (+19.9%) to CHF 1,161 million. Fastweb accounted for CHF 179 million of the increase. On a comparable basis EBITDA increased by CHF 29 million (+3.0%). The increase is mainly attributable to healthy growth in project and outsourcing business at Swisscom IT Services, growth in new business areas abroad and cost savings. The operating segments of Swisscom Switzerland have been able to sustain a stable level in an increasingly dynamic market environment compared with the previous year.

The table below shows the impact of acquisitions and disposals of subsidiaries on net revenue and EBITDA:

CHF in millions	Net revenue	EBITDA
Financial statements as of March 31, 2008	2,933	1,161
Financial statements as of March 31, 2007	2,376	968
<b>Changes to the previous year</b>	<b>557</b>	<b>193</b>
<b>Analysis of changes to the previous year</b>		
Effect of acquisition of Fastweb	618	179
Effect of other changes in scope of consolidation	(66)	(15)
Other changes	5	29
<b>Total changes to the previous year</b>	<b>557</b>	<b>193</b>

### Operating expenses

Operating expenses increased year-over-year by CHF 371 million (+25.1%) to CHF 1,850 million. Adjusted to take into account the acquisition of Fastweb (CHF 464 million) and the sale of subsidiaries, operating expenses were CHF 51 million down year-over-year. Growth in the areas of outsourcing and system integration and the increase in volume of mobile traffic meant that the effects of lower wholesale prices for international roaming and the price decline in wholesale traffic due to lower volumes was stronger than the increase in costs of materials and services purchased. Lower costs for Bluewin TV as well as cost savings throughout the Group also helped keep costs down. Last year's figures also include the costs of the interactive TV remote control Betty.

### Capitalized costs and other income

Capitalized cost and other income rose year-over-year by 9.9% or CHF 7 million to CHF 78 million, of which Fastweb accounted for CHF 25 million. Gains from the sale of real estate at Swisscom Immobilien AG were lower.

### Depreciation, amortization and impairment

The increase in depreciation and amortization of CHF 158 million (+45.3%) to CHF 507 million is mainly attributable to the acquisition of Fastweb (CHF 207 million). Part of the acquisition costs for Fastweb were capitalized within the scope of purchasing price allocation as intangible assets such as customer relations and trademark and will be amortized over the estimated useful lives of between 7 and 11 years. In the first quarter of 2008 depreciation and amortization amounted to CHF 49 million. As a result of a decision by ComCom, the Federal Communications Commission, the useful lives of cable and ducts were reviewed and changed with effect from January 1, 2008 from 20 to 40 years. The impact on depreciation and amortization for the first quarter of 2008 was CHF 29 million. Depreciation and amortization resulting from this change in useful lives will decrease year-over-year by around CHF 120 million for 2008 as a whole.

### Net financial result

Net financial expense increased by CHF 72 million to CHF 113 million year-over-year. The increase is due on the one hand to higher net interest expense of CHF 45 million in connection with the acquisition of Fastweb. On the other hand losses from hedge transactions for future payments as a result of lower exchange rates in the first quarter of 2008 led to foreign exchange losses of CHF 36 million.

### Income tax expense

Income tax expense amounted to CHF 122 million (previous year CHF 115 million), which corresponds to an effective income tax rate of 22.3% (previous year 19.8%). Income tax payments in the first quarter of 2008 fell year-over-year by CHF 43 million to CHF 57 million.

### Net income and earnings per share

Net income decreased by CHF 42 million to CHF 425 million (–9.0%) in the first three months of 2008. The increase in EBITDA was offset by higher depreciation and amortization and net financial expenses. In addition, the decline in net income is primarily due to scheduled depreciation and amortization of acquisition costs for Fastweb capitalized as intangible assets and foreign exchange losses.

Earnings per share are calculated on the basis of net income attributable to shareholders of Swisscom Ltd and the average number of shares outstanding. Net income attributable to shareholders of Swisscom Ltd decreased year-over-year by 7.2% to CHF 428 million. Earnings per share fell accordingly in the first quarter of 2008 from CHF 8.90 to CHF 8.26.

### Segments results

The financial review reports on the following segments:

- **Swisscom Switzerland**, includes the operating segments
- Residential Customers
- Small and Medium-Sized Enterprises
- Corporate Business
- Wholesale
- Network and IT
- **Fastweb**
- **Other operating segments** mainly include Swisscom IT Services, Swisscom Participations, Hospitality Services und Airbites Central & Eastern Europe.
- **Group Headquarters** comprises Group Headquarter divisions and the employment company Worklink AG.

The development of net revenue, including intersegment revenue, is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
Swisscom Switzerland	2,115	2,125	–0.5%
Fastweb	618	–	–
Other operating segments	438	491	–10.8%
Group Headquarters	1	2	–50.0%
Intersegment elimination	(239)	(242)	–1.2%
<b>Total net revenue</b>	<b>2,933</b>	<b>2,376</b>	<b>23.4%</b>

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

CHF in millions	31.03.2008	31.03.2007	Change
Swisscom Switzerland	953	966	–1.3%
Fastweb	179	–	–
Other operating segments	77	73	5.5%
Group Headquarters	(43)	(65)	–33.8%
Intersegment elimination	(5)	(6)	–16.7%
<b>Total segment result (EBITDA)</b>	<b>1,161</b>	<b>968</b>	<b>19.9%</b>

**Swisscom Switzerland**

Swisscom Switzerland includes the operating segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale» and «Network and IT». The group company Swisscom Directories AG is included in the «Residential Customers» segment. Supporting functions (Headquarters) of Swisscom Switzerland are included in the segment «Network and IT».

CHF in millions	31.03.2008	31.03.2007	Change
<b>Net revenue</b>			
Residential customers	1,164	1,176	-1.0%
Small and Medium-Sized Enterprises	266	271	-1.8%
Corporate Business	410	401	2.2%
Wholesale	258	257	0.4%
<b>Revenue from external customers</b>	<b>2,098</b>	<b>2,105</b>	<b>-0.3%</b>
Intersegment revenue	17	20	-15.0%
<b>Net revenue Swisscom Switzerland</b>	<b>2,115</b>	<b>2,125</b>	<b>-0.5%</b>

Segment results	31.03.2008	31.03.2007	Change
Residential customers	747	761	-1.8%
Small and Medium-Sized Enterprises	208	210	-1.0%
Corporate Business	217	225	-3.6%
Wholesale	143	138	3.6%
Network and IT	(361)	(366)	-1.4%
Intersegment elimination	(1)	(2)	-50.0%
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>953</b>	<b>966</b>	<b>-1.3%</b>
Margin as % of net revenue	45.1	45.5	
Depreciation, amortization and impairment	(251)	(286)	-12.2%
<b>Segment result (EBIT) Swisscom Switzerland</b>	<b>702</b>	<b>680</b>	<b>3.2%</b>

Number of fixed lines in thousands	31.03.2008	31.03.2007	Change
Total number of PSTN/ISDN lines	3,665	3,727	-1.7%
Broadband access lines	1,655	1,434	15.4%

Number of subscribers Mobile in thousands	31.03.2008	31.03.2007	Change
Postpaid	3,062	2,849	7.5%
Prepaid	2,038	1,858	9.7%
<b>Total number of Mobile subscribers (SIM cards)</b>	<b>5,100</b>	<b>4,707</b>	<b>8.3%</b>

ARPU and AMPU Mobile in CHF and minutes, respectively	31.03.2008	31.03.2007	Change
Average revenue per user (ARPU) Mobile subscriber (monthly)	51	56	-8.9%
Average minutes per user (AMPU) Mobile subscriber (monthly)	112	108	3.7%

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	241	269	-10.4%
Number of full-time equivalent employees at end of period	11,628	11,297	2.9%

Swisscom Switzerland's revenue with external customers remained more or less stable with a slight decrease of 0.3% to CHF 2,098 million, while operating income (EBITDA) fell by 1.3% to CHF 953 million. The business is marked by continued customer growth with a fall in analogue and digital connections (PSTN/ISDN), and lower traffic revenues due to price reductions and competition mainly with cable network operators. Furthermore, lower traffic and subscription prices thanks to new tariff models, coupled with reduced termination prices for mobile communications have led to a fall in revenues. As a consequence of price reductions, Swisscom Switzerland's revenue has fallen by around CHF 100 million. For the full year 2008, the effect on price reductions is estimated to be around CHF 400 million as in previous years. These declines in revenue have been largely offset by growth in customer numbers and data services for mobile communications, as well as growth in broadband connections and the TV service offering.

Broadband communications recorded strong growth year-on-year: the number of fixed-line broadband connections rose by 221,000, or 15.4%, to 1.66 million. Regarding the IPTV service offering, Swisscom can report updated figures: as at the end of March 2008 «Bluewin TV» was used by 64,000 paying customers. Net growth in the first quarter of 2008 amounted to around 5,000 customers. The average one-time cost per new customer, including installation, devices, etc was reduced to under CHF 1,000. At the end of February, Swisscom added four channels in high-definition quality (HDTV) to its channel line-up, and at the same time launched an offering for first-time users, without a hard-disk recorder. Marketing activities were stepped up in April.

The number of mobile customers grew by 393,000 (+8.3%) net to 5.1 million. Revenue generated by new mobile data services (excluding SMS) increased by 41.7% to CHF 85 million in the space of a year. Average monthly revenue per customer dropped by 8.9% to CHF 51, while the average number of minutes rose by 3.7% to 112.

Customers are benefiting from lower prices for comparable service. For example, the average price per minute for a fixed-line call decreased by 3.1% in the space of a year. Customers currently pay 13.7% less for fixed to mobile phone calls, and 4.4% less for calling to abroad compared to a year ago. In the field of mobile communications, prices for outgoing calls (excluding roaming) fell by 11.7%. For outbound roaming calls, customers are benefiting on average from 15.8% lower prices. Data traffic is increasingly penetrating the mass market and growing rapidly, and prices for comparable service are falling. For example, the price of transferring one megabyte of data over the fixed network dropped by 43.2% compared to the previous year, and over the mobile network (including roaming), it dropped by 55.2%.

### Residential Customers

The «Residential Customers» segment mainly comprises access fees for broadband access services, wireline and mobile subscriptions fees as well as national and international telephony and data traffic for residential customers. The «Residential Customers» segment also includes value-added services and TV services, sells customer equipment and operates a directories database.

The development of «Residential Customers» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
<b>Revenue from external customers</b>	<b>1,164</b>	<b>1,176</b>	<b>-1.0%</b>
Intersegment revenue	98	91	7.7%
<b>Net revenue</b>	<b>1,262</b>	<b>1,267</b>	<b>-0.4%</b>
Operating expenses (incl. intersegment)	(518)	(508)	2.0%
Capitalized costs and other income	3	2	50.0%
<b>Segment result before depreciation and amortization</b>	<b>747</b>	<b>761</b>	<b>-1.8%</b>
Margin as % of net revenue	59.2	60.1	

Number of fixed lines in thousands	31.03.2008	31.03.2007	Change
Total number of PSTN/ISDN lines	2,868	2,929	-2.1%
Broadband access lines	1,050	856	22.7%

Number of subscribers Mobile in thousands	31.03.2008	31.03.2007	Change
Postpaid	2,091	2,040	2.5%
Prepaid	2,038	1,858	9.7%
<b>Total number of Mobile subscribers (SIM cards)</b>	<b>4,129</b>	<b>3,898</b>	<b>5.9%</b>

ARPU and AMPU Mobile in CHF and minutes, respectively	31.03.2008	31.03.2007	Change
Average revenue per user (ARPU) Mobile subscriber (monthly)	43	47	-8.5%
Average minutes per user (AMPU) Mobile subscriber (monthly)	92	86	7.0%

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	24	18	33.3%
Number of full-time equivalent employees at end of period	4,748	4,553	4.3%

Revenue from the Residential Customers segment with external customers decreased by 1.0% to CHF 1,164 million compared with the previous year. This is mainly attributable to a decrease in the number of analogue and digital access lines (PSTN/ISDN) and lower traffic revenue as a result of price reductions and the market entry of cable network companies. In addition, lower traffic and subscription prices resulting from new tariff models and the reduction in termination prices for mobile telephony led to a decline in net revenue. This decline in revenue could be virtually wholly offset by the increase in the number of subscribers and higher revenue from new data services for mobile subscribers as well as the growth in broadband and TV products. The number of mobile subscribers increased year-over-year by 231,000 net (+5.9%) to 4,129,000. This includes 2,091,000 postpaid and 2,038,000 prepaid subscribers. The decline in average revenue per mobile user (ARPU) from CHF 47 to CHF 43 (8.5%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 22.7% to 1,050,000.

Operating expenses are CHF 10 million (+2.0 %) higher than last year. Savings from lower roaming tariffs were absorbed mainly by marketing measures initiated to counter the keen competition and improve customer services.

The segment result before depreciation and amortization fell by CHF 14 million (–1.8%) to CHF 747 million. The segment margin fell from 60.1% to 59.2%, mainly as a result of lower prices.

### Small and Medium-Sized Enterprises

The segment «Small and Medium-Sized Enterprises» primarily comprises broadband access services, wireline and mobile telephony subscriptions as well as national and international telephony and data traffic for small and medium-sized enterprises.

The development of the segment «Small and Medium-Sized Enterprises» is presented in the table below.

CHF in millions	31.03.2008	31.03.2007	Change
<b>Revenue from external customers</b>	<b>266</b>	<b>271</b>	<b>–1.8%</b>
Intersegment revenue	13	14	–7.1%
<b>Net revenue</b>	<b>279</b>	<b>285</b>	<b>–2.1%</b>
Operating expenses (incl. intersegment)	(71)	(75)	–5.3%
<b>Segment result before depreciation and amortization</b>	<b>208</b>	<b>210</b>	<b>–1.0%</b>
Margin as % of net revenue	74.6	73.7	

Number of fixed lines in thousands	31.03.2008	31.03.2007	Change
Total number of PSTN/ISDN lines	509	523	–2.7%
Broadband access lines	148	125	18.4%

Number of subscribers Mobile in thousands	31.03.2008	31.03.2007	Change
Postpaid (SIM cards)	380	313	+21.4%

ARPU and AMPU Mobile in CHF and minutes, respectively	31.03.2008	31.03.2007	Change
Average revenue per user (ARPU) Mobile subscriber (monthly)	96	99	–3.0%
Average minutes per user (AMPU) Mobile subscriber (monthly)	199	197	1.0%

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	1	1	–
Number of full-time equivalent employees at end of period	770	650	18.5%

Revenue with external customers decreased by CHF 5 million (–1.8%) to CHF 266 million compared with the previous year. The decrease is mainly due to lower volumes and lower prices in fixed network traffic. The decline could not be fully offset, despite the growth in mobile subscribers, new data services and the number of broadband access lines. The number of Mobile subscribers rose year-over-year by 67,000 (+21.4%) to 380,000 subscribers. The decline in average revenue from mobile subscribers (ARPU) from CHF 99 to CHF 96 (–3.0%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 18.4% to 148,000 lines.

Thanks to cost savings, operating expenses decreased by CHF 4 million (–5.3%) to CHF 71 million.

The segment result before depreciation and amortization of CHF 208 million is CHF 2 million (–1.0 %) lower year-over-year.

### Corporate Business

The segment «Corporate Business» provides complete communication solutions for business customers. The product range in the field of business ICT infrastructure covers everything from individual products through to complete solutions. This includes a comprehensive range of services for planning, installing, commissioning, as well as maintaining and operating mobile and fixed network infrastructures and accompanying IT systems.

The development of «Corporate Business» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
<b>Revenue from external customers</b>	<b>410</b>	<b>401</b>	<b>2.2%</b>
Intersegment revenue	37	37	–
<b>Net revenue</b>	<b>447</b>	<b>438</b>	<b>2.1%</b>
Operating expenses (incl. intersegment)	(232)	(220)	5.5%
Capitalized costs and other income	2	7	-71.4%
<b>Segment result before depreciation and amortization</b>	<b>217</b>	<b>225</b>	<b>-3.6%</b>
Margin as % of net revenue	48.5	51.4	

Number of fixed lines in thousands	31.03.2008	31.03.2007	Change
Total number of PSTN/ISDN lines	288	275	4.7%
Broadband access lines	18	14	28.6%

Number of subscribers Mobile in thousands	31.03.2008	31.03.2007	Change
Postpaid	591	496	19.2%

ARPU and AMPU Mobile in CHF and minutes, respectively	31.03.2008	31.03.2007	Change
Average revenue per user (ARPU) Mobile subscriber (monthly)	79	96	-17.7%
Average minutes per user (AMPU) Mobile subscriber (monthly)	194	225	-13.8%

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	13	11	18.2%
Number of full-time equivalent employees at end of period	2,090	2,074	0.8%

Revenue with external customers rose year-over-year by 2.2% to CHF 410 million. The increase in revenue can be attributed to the increase in the number of mobile subscribers (+19.2%) and the healthy growth of project and outsourcing business. Average revenue per Mobile user (ARPU) fell comparatively by 17.7% to CHF 79 due to price reductions.

Operating expenses increased by CHF 12 million (+5.5%) to CHF 232 million, primarily as a result of changes to the product portfolio. Segment result before depreciation and amortization decreased correspondingly by CHF 8 million (-3.6%) to CHF 217 million.

### Wholesale

«Wholesale» comprises mainly the use of Swisscom wireline and mobile networks by other telecommunication providers and the use of third party networks by Swisscom. It also consists of roaming by foreign operators whose customers use Swisscom's mobile networks, as well as broadband services and regulated products as a result of the unbundling of the local loop for other telecommunication providers.

The development of «Wholesale» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
<b>Revenue from external customers</b>	<b>258</b>	<b>257</b>	<b>0.4%</b>
Intersegment revenue	160	161	-0.6%
<b>Net revenue</b>	<b>418</b>	<b>418</b>	<b>–</b>
Operating expenses (incl. intersegment)	(277)	(285)	-2.8%
Capitalized costs and other income	2	5	-60.0%
<b>Segment result before depreciation and amortization</b>	<b>143</b>	<b>138</b>	<b>3.6%</b>
Margin as % of net revenue	34.2	33.0	

Number of lines in thousands	31.03.2008	31.03.2007	Change
Broadband access lines	439	439	–
Traffic wholesale in million minutes	31.03.2008	31.03.2007	Change
Wholesale traffic	3,468	3,918	-11.5%
CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	–	1	-100.0%
Number of full-time equivalent employees at end of period	113	137	-17.5%

Revenue from external customers increased year-over-year by 0.4% to CHF 258 million. Higher revenue from roaming traffic with foreign subscribers using Swisscom's mobile network was partially offset by lower revenue from broadband services for other telecommunication providers as a result of price reductions.

Segment result before depreciation and amortization increased by CHF 5 million (+3.6%) to CHF 143 million as a result of lower costs. The segment margin increased from 33.0% to 34.2%.

### Network and IT

Network and IT primarily plans, operates and maintains Swisscom's network infrastructure and related IT systems, both for wireline and mobile telephony. It also includes the supporting functions for Swisscom Switzerland, mainly consisting of the finance, human resources and strategy departments. Expenses incurred are not charged to the individual business units so that this segment only presents expenses and no revenue.

The development of «Network and IT» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
Operating expenses (incl. intersegment)	(413)	(413)	–
Capitalized costs and other income	52	47	10.6%
<b>Segment result before depreciation and amortization</b>	<b>(361)</b>	<b>(366)</b>	<b>-1.4%</b>
Depreciation, amortization and impairment	(228)	(269)	-15.2%
<b>Segment result</b>	<b>(589)</b>	<b>(635)</b>	<b>-7.2%</b>

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	203	239	-15.1%
Number of full-time equivalent employees at end of period	3,907	3,883	0.6%

Segment result before depreciation and amortization was CHF 5 million (+1.4%) higher than last year at CHF 361 million. This is mainly due to higher capitalized costs compared with the previous year. Operating expenses are unchanged from last year.

The decline in capital expenditure can be primarily attributed to lower capital expenditure for the development of network infrastructure for the new VDSL broadband technology.

#### Fastweb

Fastweb is included in the consolidated financial statements since the completion of the acquisition on May 22, 2007. Fastweb is the second-largest provider of broadband telecommunication services in Italy. Their wide product portfolio comprises language, data, Internet, TV (IPTV) services and video on demand for residential and corporate customers. They also provide network services and customized solutions.

«Fastweb» has developed as follows, not taking into account adjustments of the purchase price allocation:

EUR in millions	31.03.2008	31.03.2007	Change
Revenue from external customers	389	347	12.1%
<b>Net revenue</b>	<b>389</b>	<b>347</b>	<b>12.1%</b>
Operating expenses (incl. intersegment)	(285)	(270)	5.6%
Capitalized costs and other income	9	9	–
<b>Segment result (EBITDA)</b>	<b>113</b>	<b>86</b>	<b>31.4%</b>
Margin as % of net revenue	29.0	24.8	
Depreciation, amortization and impairment	(101)	(89)	13.5%
<b>Segment result (EBIT)</b>	<b>12</b>	<b>(3)</b>	<b>–</b>
Financial income and financial expense, net	(18)	(17)	5.9%
<b>Earnings before income taxes</b>	<b>(6)</b>	<b>(20)</b>	<b>–70.0%</b>
Income tax expense	(5)	–	–
<b>Net loss</b>	<b>(11)</b>	<b>(20)</b>	<b>–45.0%</b>

Number of subscribers in thousands	31.03.2008	31.03.2007	Change
Number of subscribers	1,388	1,150	20.7%

EUR in millions or numbers	31.03.2008	31.03.2007	Change
Capital expenditure	101	135	–25.2%
Number of full-time equivalent employees at end of period	3,075	3,115	–1.3%

Fastweb recorded a constantly high growth in revenue, EBITDA and customers in the first quarter of 2008. Net revenue increased year-over-year by 12.1% to EUR 389 million (CHF 618 million). The increase was fuelled by Fastweb's strong operative growth. The number of customers, for example, increased year-over-year by 20.7% to 1,388,000 customers. The increase in operating expenses was disproportionately lower as a result of Fastweb's strict cost controls. EBITDA increased year-over-year by 31.4% to EUR 113 million (CHF 179 million). Despite higher depreciation and amortization, the segment result (EBIT) in the first quarter of 2008 was positive at EUR 12 million.

Capital expenditure on property, plant and equipment and other intangible assets fell year-over-year by EUR 135 million to EUR 101 million, mainly as a result of the different timing of investing activities.

Fastweb is included in Swisscom's consolidated financial statements as at March 31, 2008 as follows:

CHF in millions	31.03.2008
Revenue from external customers	618
<b>Net revenue</b>	<b>618</b>
Operating expenses (incl. intersegment)	(464)
Capitalized costs and other income	25
<b>Segment result (EBITDA)</b>	<b>179</b>
Margin as % of net revenue	29.0
Depreciation, amortization and impairment	(207)
<b>Segment result (EBIT)</b>	<b>(28)</b>

CHF in millions	31.03.2008
Capital expenditure	161

Fastweb is included in Swisscom's consolidated financial statements with net revenue of CHF 618 million and EBITDA of CHF 179 million. Depreciation and amortization of CHF 207 million include depreciation and amortization of CHF 49 million on intangible assets, such as customer relations and trademark, which were capitalized within the scope of purchasing price allocation and amortized over the estimated useful life of between 7 and 11 years.

#### Other operating segments

The segment «Other operating segments» mainly comprises Swisscom IT Services, Swisscom Participations, Hospitality Services and Airbites Central & Eastern Europe. Swisscom IT Services comprises Swisscom IT Services AG and Comit AG. Swisscom Participations comprises Swisscom Broadcast AG, Swisscom Immobilien AG, Cablex AG, Billag AG, Alphapay AG and Curabill AG as well as the Minick and Sicap Group. Antenna Hungária and Accarda were included in Swisscom Participations until their sale in July 2007.

The development of «Other operating segments» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
Swisscom IT Services	110	101	8.9%
Swisscom Participations	81	147	-44.9%
Hospitality Services	21	18	16.7%
Airbites Central & Eastern Europe	4	3	33.3%
Other	1	2	-50.0%
<b>Revenue from external customers</b>	<b>217</b>	<b>271</b>	<b>-19.9%</b>
Intersegment revenue	221	220	0.5%
<b>Net revenue</b>	<b>438</b>	<b>491</b>	<b>-10.8%</b>
Operating expenses (incl. intersegment)	(366)	(440)	-16.8%
Capitalized costs and other income	5	22	-77.3%
<b>Segment result (EBITDA)</b>	<b>77</b>	<b>73</b>	<b>5.5%</b>
Margin as % of net revenue	17.6	14.9	
Depreciation, amortization and impairment	(51)	(64)	-20.3%
<b>Segment result (EBIT)</b>	<b>26</b>	<b>9</b>	<b>188.9%</b>

CHF in millions or number	31.03.2008	31.03.2007	Change
Capital expenditure	27	49	-44.9%
Number of full-time equivalent employees at end of period	4,684	5,499	-14.8%

Revenue from external customers fell year-over-year by CHF 54 million (-19.9%) to CHF 217 million. The sold subsidiaries Antenna Hungária and the card business Accarda reported revenue of CHF 57 million in 2007. These declines were offset by higher revenue at Swisscom IT Services from external customers of CHF 9 million (+8.9%) in the areas of financial services and outsourcing. Hospitality Services and Airbites Central & Eastern Europe saw a growth in revenue of CHF 4 million (19.0%) to CHF 25 million in the first quarter of 2008.

Operating expenses dropped year-over-year by CHF 74 million (-16.8%) to CHF 366 million. Last year's operating expenses included CHF 59 million from Antenna Hungária, Accarda and the interactive TV remote control Betty discontinued at the end of 2007. The decrease is mainly due to cost savings at Swisscom IT Services, which offset the growth-related higher operating expenses at Hospitality Services and Airbites Central & Eastern Europe.

Adjusted to take into account the sale of Antenna Hungária and Accarda (CHF 15 million), the segment result (EBITDA) increased year-over-year by CHF 19 million (+32.8%). The increase in EBITDA can be attributed mainly to the improved operating income at Swisscom IT Services, as well as to the elimination of costs in connection with discontinued activities for Betty.

Capital expenditure of CHF 27 million are 44.9% lower than last year. This decline reflects the seasonal fluctuations in capital expenditure at Swisscom Immobilien AG and Swisscom Broadcast AG.

Headcount decreased by 815 full-time equivalent employees (-14.8%) to 4,684 full-time equivalent employees. The sales of Antenna Hungária and Accarda together with the discontinued business activities at Betty were responsible for the decrease of around 1,100 full-time equivalent jobs, whereas in the growth areas Swisscom IT Services, Hospitality Services and Airbites Central & Eastern Europe, 223 additional full-time equivalent employees were taken on in comparison with 2007.

#### Group Headquarters

«Group Headquarters» comprises Group Headquarter divisions and the employment company Worklink AG.

The development of «Group Headquarters» is presented in the following table:

CHF in millions	31.03.2008	31.03.2007	Change
Intersegment revenue	1	2	-50.0%
<b>Net revenue</b>	<b>1</b>	<b>2</b>	<b>-50.0%</b>
Operating expenses (incl. intersegment)	(65)	(85)	-23.5%
Capitalized costs and other income	21	18	16.7%
<b>Segment result (EBITDA)</b>	<b>(43)</b>	<b>(65)</b>	<b>-33.8%</b>
Depreciation, amortization and impairment	(1)	(2)	-50.0%
<b>Segment result (EBIT)</b>	<b>(44)</b>	<b>(67)</b>	<b>-</b>

CHF in millions or number	31.03.2008	31.03.2007	Change
Number of full-time equivalent employees at end of period	331	361	-8.3%

The segment result before depreciation and amortization improved by CHF 22 million to CHF –43 million. The main reasons are cost savings at Group Headquarters divisions as well as lower expenses on workforce reduction measures following a drop in the number of participants in the employment company Worklink. Capitalized costs and other income comprise mainly income from transactions between Shared Services and other group companies.

#### Cash flows

CHF in millions	31.03.2008	31.03.2007	Change
Operating income (EBITDA)	1,161	968	193
Change in operating assets and liabilities and other payments or receipts from operating activities	4	(224)	228
Income taxes paid	(57)	(100)	43
<b>Cash flow provided by operating activities</b>	<b>1,108</b>	<b>644</b>	<b>464</b>
Capital expenditure	(420)	(315)	(105)
Proceeds from sale of fixed assets	6	14	(8)
Other cash flow from investing activities	(14)	(92)	78
<b>Cash flow used in investing activities</b>	<b>(428)</b>	<b>(393)</b>	<b>(35)</b>
Issuance and repayment of financial liabilities, net	(97)	(45)	(52)
Other cash flow from financing activities	(48)	(49)	1
<b>Cash flows from financing activities</b>	<b>(145)</b>	<b>(94)</b>	<b>(51)</b>
<b>Net increase in cash and cash equivalents</b>	<b>535</b>	<b>157</b>	<b>378</b>

Cash flow from operating activities increased year-over-year by CHF 464 million to CHF 1,108 million. The increase in EBITDA was offset by a reduction in income tax payments. Net working capital only changed slightly towards the end of 2007 by CHF 4 million. The increase in capital expenditure on property, plant and equipment and other intangible assets by CHF 105 million to CHF 420 million is attributable to the takeover of Fastweb in May 2007. On the other hand there was a decrease in capital expenditure for the development of network infrastructure for the new VDSL broadband technology. In the first three months of 2008 the capital expenditure amounted to CHF 161 million.

**Return policy**

CHF in millions	31.03.2008	31.03.2007	Change
Operating income (EBITDA)	1,161	968	193
Change in operating assets and liabilities and other payments or receipts from operating activities	4	(224)	228
Capital expenditure	(420)	(315)	(105)
Proceeds from sale of fixed assets	6	14	(8)
<b>Operating free cash flow</b>	<b>751</b>	<b>443</b>	<b>308</b>
Dividends paid to minority interests	–	–	–
<b>Operating free cash flow attributable to equity holders of Swisscom Ltd</b>	<b>751</b>	<b>443</b>	<b>308</b>

In accordance with the definitions laid down in Swisscom's return policy, around half of the operating free cash flow is to be paid out less the dividend payments to minority interests of subsidiaries.

Operating free cash flow increased year-over-year by CHF 308 million (69.5%) to CHF 751 million, of which Fastweb accounted for CHF 93 million. The remaining increase is mainly due to lower investments and higher payments for supplier invoices in the previous year.

Operating free cash flow attributable to shareholders of Swisscom Ltd in 2007 totaled CHF 2.1 billion. In accordance with the return policy, at the General Meeting of Shareholders in April 2008 an ordinary dividend of CHF 18 and an extraordinary dividend of CHF 2 per share or a total of CHF 1,036 million were paid out.

**Net debt**

CHF in millions	31.03.2008	31.12.2007	Change
Bonds	1,510	1,510	–
Bank loans	7,218	7,171	47
Private placements	1,385	1,427	(42)
Financial liabilities from crossborder-lease agreements	1,082	1,177	(95)
Finance lease obligation	514	609	(95)
Other financial liabilities	506	429	77
<b>Total</b>	<b>12,215</b>	<b>12,323</b>	<b>(108)</b>
Cash and cash equivalents	(1,479)	(957)	(522)
Current financial assets	(150)	(151)	1
Financial assets from crossborder-lease agreements	(764)	(862)	98
Non-current derivative-financial instruments	(4)	(16)	12
<b>Net debt</b>	<b>9,818</b>	<b>10,337</b>	<b>(519)</b>

Net debt consists of total financial liabilities less cash and cash equivalents, current financial assets, financial assets from cross-border lease agreements 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 and derivative financial instruments. Financial liabilities consist primarily of finance lease obligations and long-term sale and leaseback obligations relating to buildings. The finance lease obligations recognized are covered by non-current financial assets to an extent of CHF 764 million.

## Equity

CHF in millions	Attributable to equity holders of Swisscom Ltd	Net income attributable to minority interests	Total equity
<b>Balance at December 31, 2007</b>	<b>5,574</b>	<b>430</b>	<b>6,004</b>
Income and expense directly recognized in equity, net	(392)	(19)	(411)
Net income	428	(3)	425
<b>Total recognized income and expense</b>	<b>36</b>	<b>(22)</b>	<b>14</b>
Purchase of treasury shares for share-based payments	(22)	—	(22)
<b>Balance at March 31, 2008</b>	<b>5,588</b>	<b>408</b>	<b>5,996</b>

Equity decreased by CHF 8 million to CHF 5,996 million in the year under review. On the one hand there was a net income of CHF 425 million and on the other hand a net expense of CHF 411 million recognized directly in equity. This includes an expense of CHF 408 million from currency translation adjustments of foreign group companies as a result of lower exchange rates. The CHF/EUR exchange rate fell from 1,654 to 1,568 compared with the end of 2007. Cumulative currency translation adjustments recognized in equity as at March 31, 2008 amounted to CHF 406 million.

### Outlook

Unchanged Swisscom expects net revenue of around CHF 12.3 billion for the 2008 financial year as a whole and an operating income (EBITDA) of approximately CHF 4.8 billion. Capital expenditure will be between CHF 2.1 billion and CHF 2.2 billion and operating free cash flow between CHF 2.4 billion and CHF 2.5 billion.

# Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited	
		31.03.2008	31.03.2007
<b>Net revenue</b>	2	<b>2,933</b>	<b>2,376</b>
Goods and services purchased		(615)	(441)
Personnel expenses		(641)	(594)
Other operating expenses		(594)	(444)
Capitalized costs and other income		78	71
<b>Operating income (EBITDA)</b>	2	<b>1,161</b>	<b>968</b>
Depreciation, amortization and impairment	2	(507)	(349)
<b>Operating income (EBIT)</b>	2	<b>654</b>	<b>619</b>
Financial income and financial expense, net	3	(113)	(41)
Share of profit of investments in associates		6	4
<b>Income before income taxes</b>		<b>547</b>	<b>582</b>
Income tax expense		(122)	(115)
<b>Net income</b>		<b>425</b>	<b>467</b>
Net income attributable to equity holders of Swisscom Ltd	5	428	461
Net income attributable to minority interests	5	(3)	6
<b>Basic and diluted earnings per share (in CHF)</b>		<b>8.26</b>	<b>8.90</b>

# Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited		
		31.03.2008	31.12.2007	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,479	957	
Trade accounts receivable and other receivables		3,010	2,890	
Other financial assets		150	151	
Other assets		631	634	
Non-current assets held for sale	6	15	15	
<b>Total current assets</b>		<b>5,285</b>	<b>4,647</b>	
<b>Non-current assets</b>				
Property, plant and equipment		8,143	8,315	
Goodwill and other intangible assets		9,138	9,435	
Investments in associates		268	257	
Other financial assets		807	917	
Deferred tax assets		56	65	
Other non-financial assets		71	40	
<b>Total non-current assets</b>		<b>18,483</b>	<b>19,029</b>	
<b>Total assets</b>		<b>23,768</b>	<b>23,676</b>	
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Financial liabilities	4	828	869	
Trade accounts payables and other payables		2,615	2,375	
Current tax liabilities		251	248	
Other non-financial liabilities		944	952	
<b>Total current liabilities</b>		<b>4,638</b>	<b>4,444</b>	
<b>Long-term liabilities</b>				
Financial liabilities	4	11,387	11,445	
Accrued pension cost		566	618	
Deferred tax liabilities		345	312	
Other non-financial liabilities		836	853	
<b>Total non-current liabilities</b>		<b>13,134</b>	<b>13,228</b>	
<b>Total liabilities</b>		<b>17,772</b>	<b>17,672</b>	
<b>Equity</b>				
Equity attributable to equity holders of Swisscom Ltd	5	5,588	5,574	
Equity attributable to minority interests	5	408	430	
<b>Total equity</b>		<b>5,996</b>	<b>6,004</b>	
<b>Total liabilities and equity</b>		<b>23,768</b>	<b>23,676</b>	

# Consolidated cash flow statement (condensed)

CHF in millions	unaudited	
	31.03.2008	31.03.2007
<b>Cash flow provided by operating activities</b>		
Operating income (EBITDA)	1,161	968
Change in operating assets and liabilities and other payments or receipts from operating activities	4	(224)
Income taxes paid	(57)	(100)
<b>Cash flow provided by operating activities</b>	<b>1,108</b>	<b>644</b>
<b>Cash flows from investing activities</b>		
Capital expenditure	(420)	(315)
Proceeds from sale of fixed assets	6	14
Other cash flow from investing activities, net	(14)	(92)
<b>Cash flow used in investing activities</b>	<b>(428)</b>	<b>(393)</b>
<b>Cash flows from financing activities</b>		
Issuance and repayment of financial liabilities, net	(97)	(45)
Other cash flow from financing activities, net	(48)	(49)
<b>Cash flow used in financing activities</b>	<b>(145)</b>	<b>(94)</b>
<b>Net increase in cash and cash equivalents</b>	<b>535</b>	<b>157</b>
Cash and cash equivalents at beginning of year	957	673
Currency translation of cash and cash equivalents	(13)	–
<b>Cash and cash equivalents at end of the period</b>	<b>1,479</b>	<b>830</b>

# Statement of recognized income and expense (condensed)

CHF in millions	Note	unaudited	
		31.03.2008	31.03.2007
Currency translation adjustments on foreign operations		(408)	9
Change in fair value of cash flow hedges		(4)	26
Income tax effect on income and expenses directly recognized in equity		1	(1)
<b>Income and expense directly recognized in equity, net</b>	<b>5</b>	<b>(411)</b>	<b>34</b>
Net income	5	425	467
<b>Total recognized income and expense</b>		<b>14</b>	<b>501</b>
Attributable to equity holders of Swisscom Ltd	5	36	495
Attributable to minority interests	5	(22)	6

# Notes to the interim financial statements (condensed and unaudited)

## 1 Accounting policies

### Basis of preparation of financial statements

These financial statements are the unaudited consolidated interim financial statements of Swisscom AG and its subsidiaries controlled directly or indirectly by voting powers or otherwise. The consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 «Interim Financial Reporting» and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December, 2007. The consolidated interim financial statements have been prepared in accordance with the accounting policies described in the consolidated annual financial statements for the year ended 31 December, 2007.

Preparing the consolidated interim financial statements, requires management to make estimates and assumptions. Any changes 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 tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

### Changes in accounting policies

As a result of the realignment of their business activities in the core business in Switzerland, Swisscom has adjusted the segment information for 2008 and is applying IFRS 8 «Operating Segments» earlier than required from January 1, 2008. Reporting will now be divided into the segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale», «Network and IT», «Fastweb», «Other operating segments» and «Group Headquarters».

Various new and revised International Financial Reporting Standards (IFRS) and interpretations are effective for annual periods beginning on or after January 1, 2008. The following changes are relevant for Swisscom:

IFRIC 11/IFRS 2: «Group and Treasury Share Transactions »: IFRIC 11 addresses how to apply IFRS 2 to share-based payment agreements involving an entity's own equity instruments or equity instruments of another entity in the same group. The interpretation has no impact on the consolidated interim financial statements.

IFRIC 12: «Service Concession Arrangements »: IFRIC 12 addresses how contractual agreements concluded by companies providing public services are presented. The interpretation has no impact on the consolidated interim financial statements.

IFRIC 14/IAS 19: «The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction»: IFRIC 14 provides general guidelines, like the limit in accordance with IAS 19 «The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ». The interpretation has no impact on the consolidated interim financial statements.

### Changes to useful lives of property, plant and equipment

As a result of a regulatory decision by the Federal Communications Commission (ComCom) on December 17, 2007 concerning interconnection prices, the useful lives of cable and ducts were reviewed in the first quarter of 2008. Swisscom applied a useful life of 20 years for cable and ducts. The useful lives of cable and ducts have been adjusted in line with the review from 20 years to 40 years.

The change was applied prospectively in compliance with IAS 8 from January 1, 2008. The effect on depreciation and amortization for the 2008 financial year as a whole will be around CHF 120 million, of which CHF 29 million will take effect in the first quarter of 2008.

### Presentation of the cash flow statement

From the financial year 2008 interest received and paid are presented under cash flow from investing and cash flow from financing activities. The previous year figures have been reclassified accordingly.

## 2 Segment information

As a result of the realignment of their business activities in the core business in Switzerland, Swisscom has adjusted the segment information for 2008 and is applying IFRS 8 «Operating Segments» earlier than required from January 1, 2008. Reporting will now be divided into the segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale», «Network and IT», «Fastweb», «Other operating segments» and «Group Headquarters». The accumulated revenue and segment results of segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale» and «Network and IT» add up to Swisscom Switzerland.

The business divisions of Swisscom Switzerland are disclosed as individual operating segments. The support functions are included in the «Network and IT» division. Consequently, revenue and segment results are evident from the structure of the internal organization and the information reported internally. No own network costs are charged for the financial management of customer segments. The results of the customer segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business» and the «Wholesale» division consequently do not include any charges for own network costs. The segment results are therefore equivalent to a contribution margin. Network costs are planned, monitored and controlled by the «Network and IT» division. The «Network and IT» division is managed as a cost center. Consequently no revenue is credited to the segment «Network and IT». The segment result is presented as operating expenses less capitalized costs and other income.

As a result of the reorganization, Swisscom AG (Group Headquarters) ceased charging management fees to group companies from January 1, 2008.

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

In July 2007 Swisscom sold its card business (Accarda) and the Hungarian subsidiary Antenna Hungária. These two subsidiaries are no longer included in the group's annual financial statements from the date of the sale and are therefore not presented in the segment «Other operating segments».

Net revenue and segment results of the reportable segments in the first three months of 2007 and 2008 are presented in the following table:

31.03.2008, CHF in millions	Residential customers	Small and medium-sized Enterprises	Corporate Business	Wholesale	Network and IT Elimination	Total Swisscom Switzerland
Net revenue from external customers	1,164	266	410	258	–	2,098
Intersegment net revenue	98	13	37	160	– (291)	17
<b>Net revenue</b>	<b>1,262</b>	<b>279</b>	<b>447</b>	<b>418</b>	<b>– (291)</b>	<b>2,115</b>
<b>Segment result before depreciation and amortization</b>	<b>747</b>	<b>208</b>	<b>217</b>	<b>143</b>	<b>(361) (1)</b>	<b>953</b>
Depreciation, amortization and impairment	(14)	–	(9)	–	(228)	– (251)
<b>Segment result</b>	<b>733</b>	<b>208</b>	<b>208</b>	<b>143</b>	<b>(589) (1)</b>	<b>702</b>

31.03.2008, CHF in millions	Total Swisscom Switzer- land	Fastweb	Other	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	2,098	618	217	–	–	2,933
Intersegment net revenue	17	–	221	1	(239)	–
<b>Net revenue</b>	<b>2,115</b>	<b>618</b>	<b>438</b>	<b>1</b>	<b>(239)</b>	<b>2,933</b>
<b>Segment result before depreciation and amortization</b>	<b>953</b>	<b>179</b>	<b>77</b>	<b>(43)</b>	<b>(5)</b>	<b>1,161</b>
Depreciation, amortization and impairment	(251)	(207)	(51)	(1)	3	(507)
<b>Segment result</b>	<b>702</b>	<b>(28)</b>	<b>26</b>	<b>(44)</b>	<b>(2)</b>	<b>654</b>
Financial income and financial expense, net	–	–	–	–	–	(113)
Share of profit of investments in associates	–	–	–	–	–	6
Income tax expense	–	–	–	–	–	(122)
<b>Net income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>425</b>

31.03.2007, CHF in millions	Residential customers	Small and medium- sized Enterprises	Corporate Business	Wholesale	Network and IT	Elimi- nation	Total Swisscom Switzer- land
Net revenue from external customers	1,176	271	401	257	–	–	2,105
Intersegment net revenue	91	14	37	161	–	(283)	20
<b>Net revenue</b>	<b>1,267</b>	<b>285</b>	<b>438</b>	<b>418</b>	<b>–</b>	<b>(283)</b>	<b>2,125</b>
<b>Segment result before depreciation and amortization</b>	<b>761</b>	<b>210</b>	<b>225</b>	<b>138</b>	<b>(366)</b>	<b>(2)</b>	<b>966</b>
Depreciation, amortization and impairment	(8)	–	(9)	–	(269)	–	(286)
<b>Segment result</b>	<b>753</b>	<b>210</b>	<b>216</b>	<b>138</b>	<b>(635)</b>	<b>(2)</b>	<b>680</b>

31.03.2007, CHF in millions	Total Swisscom Switzer- land	Other	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	2,105	271	–	–	2,376
Intersegment net revenue	20	220	2	(242)	–
<b>Net revenue</b>	<b>2,125</b>	<b>491</b>	<b>2</b>	<b>(242)</b>	<b>2,376</b>
<b>Segment result before depreciation and amortization</b>	<b>966</b>	<b>73</b>	<b>(65)</b>	<b>(6)</b>	<b>968</b>
Depreciation, amortization and impairment	(286)	(64)	(2)	3	(349)
<b>Segment result</b>	<b>680</b>	<b>9</b>	<b>(67)</b>	<b>(3)</b>	<b>619</b>
Financial income and financial expense, net	–	–	–	–	(41)
Share of profit of investments in associates	–	–	–	–	4
Income tax expense	–	–	–	–	(115)
<b>Net income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>467</b>

### 3 Net financial result

CHF in millions	31.03.2008	31.03.2007
Interest income	26	30
Interest expense	(102)	(61)
<b>Net interest</b>	<b>(76)</b>	<b>(31)</b>
Other financial income and expense, net	(37)	(10)
<b>Financial income and financial expense, net</b>	<b>(113)</b>	<b>(41)</b>

#### 4 Financial liabilities

CHF in millions	31.03.2008	31.12.2007
Bank loans	588	570
Finance lease obligation	31	122
Other financial liabilities	209	177
<b>Total current financial liabilities</b>	<b>828</b>	<b>869</b>
Bank loans	6,630	6,601
Bonds	1,510	1,510
Private placements	1,385	1,427
Financial liabilities from crossborder-lease agreements	1,045	1,159
Finance lease obligation	483	487
Derivative financial instruments	305	219
Other financial liabilities	29	42
<b>Total non-current financial liabilities</b>	<b>11,387</b>	<b>11,445</b>
<b>Total recognized income and expenses</b>	<b>12,215</b>	<b>12,314</b>

#### 5 Equity

CHF in millions	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	Total equity
<b>Balance at December 31, 2006</b>	<b>57</b>	<b>370</b>	<b>6,177</b>	<b>(2,213)</b>	<b>22</b>	<b>4,413</b>	<b>67</b>	<b>4,480</b>
Income and expense directly recognized in equity, net	—	—	—	—	34	34	—	34
Net income	—	—	461	—	—	461	6	467
<b>Total recognized income and expense</b>	<b>—</b>	<b>—</b>	<b>461</b>	<b>—</b>	<b>34</b>	<b>495</b>	<b>6</b>	<b>501</b>
Purchase of treasury shares for share-based payments	—	—	—	(37)	—	(37)	—	(37)
<b>Balance at March 31, 2007</b>	<b>57</b>	<b>370</b>	<b>6,638</b>	<b>(2,250)</b>	<b>56</b>	<b>4,871</b>	<b>73</b>	<b>4,944</b>
<b>Balance at December 31, 2007</b>	<b>57</b>	<b>370</b>	<b>7,364</b>	<b>(2,213)</b>	<b>(4)</b>	<b>5,574</b>	<b>430</b>	<b>6,004</b>
Income and expense directly recognized in equity, net	—	—	—	—	(392)	(392)	(19)	(411)
Net income	—	—	428	—	—	428	(3)	425
<b>Total recognized income and expense</b>	<b>—</b>	<b>—</b>	<b>428</b>	<b>—</b>	<b>(392)</b>	<b>36</b>	<b>(22)</b>	<b>14</b>
Purchase of treasury shares for share-based payments	—	—	—	(22)	—	(22)	—	(22)
<b>Balance at March 31, 2008</b>	<b>57</b>	<b>370</b>	<b>7,792</b>	<b>(2,235)</b>	<b>(396)</b>	<b>5,588</b>	<b>408</b>	<b>5,996</b>

In the first quarter of 2008 Swisscom acquired treasury stock totaling CHF 22 million (previous year CHF 37 million) which was then given to non-management employees, management and members of the Executive Board and Board of Directors as part of share-based payment plans.

## **6 Non-current assets held for sale**

Non-current assets held for sale as at March 31, 2008 include the carrying amount of real estate of CHF 15 million which are scheduled to be sold in the next twelve months. The scheduled sales are part of Swisscom Immobilien AG's plan to optimize use of buildings.

## **7 Provisions and contingent liabilities**

On March 31, 2008 provisions for the current interconnection proceedings involving Fixnet amounted to CHF 365 million. On December 31, 2007 provisions amounted to CHF 356 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 interim financial statements as at March 31, 2008.

Other provisions and contingent liabilities included in the consolidated financial statements for the 2007 financial year and described in the notes have not changed significantly during the current financial year.

## **8 Related-party transactions**

The transactions between Swisscom and related parties during the first three months of 2008 are similar to those transactions described in the 2007 consolidated annual financial statements.

## **9 Events after the balance sheet date**

### **Approval of the interim report**

The Swisscom's Board of Directors approved the release of this interim report on May 6, 2008.

### **Acquisition of The Phone House Switzerland branch network.**

At the end of March 2007 Swisscom signed a contract with The Phone House AG on the acquisition of their branch network in Switzerland. The completion of the acquisition is subject to the approval of the competition commission (WEKO). WEKO has not yet given their approval.

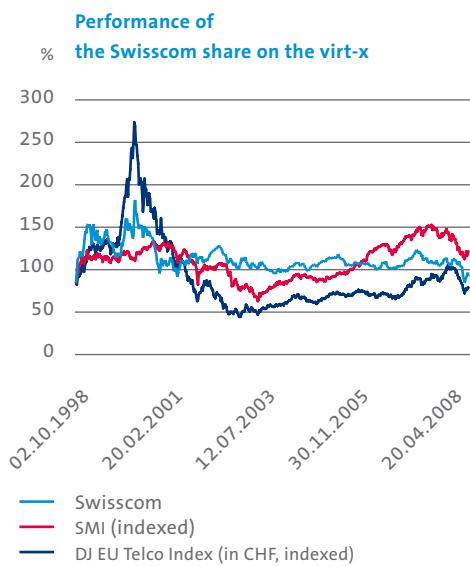
### **Dividend**

At the General Meeting of Shareholders on April 22, 2008 Swisscom Ltd shareholders approved a dividend per share of CHF 18 and an extraordinary dividend of CHF 2 per share. The dividend of total CHF 1,036 was paid on April 256, 2008.

31.12.2007 – 31.03.2008	virt-x
Closing price at 31.03.07 <sup>1</sup>	CHF 442.00
Closing price at 31.03.08 <sup>1</sup>	CHF 340.25
Year high <sup>1</sup>	CHF 444.00
Year low <sup>1</sup>	CHF 325.00
Total trading volume	13 808 250
Daily average	226 365
Total trade volume in millions	CHF 5 378.65
Daily average in millions	CHF 88.17

Source: Bloomberg

1 paid prices



## Share information

On March 31, 2008 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 nominal value per registered share amounts to CHF 1.

On March 31, 2008 Swisscom had 47,496 registered shareholders and an average non-allotted share level of approximately 14%.

At the General Meeting of Shareholders on April 22, 2008 Swisscom Ltd shareholders approved the reduction of the share capital by CHF 3,277,561 to CHF 53,441,000 through the destruction of the shares bought back in 2006.

The dividend payment of CHF 18 per share (previous year CHF 17) and an extraordinary dividend payment of CHF 2 per share, agreed at the General Meeting of Shareholders on April 22, 2008, were paid on April 25, 2008.

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 in the share register together with voting rights if such voting rights exceed 5% of the company's overall share capital.

## Financial calendar

August 13, 2008	2008 Half Year Interim Report
November 5, 2008	2008 Third Quarter Interim Report

## Trading locations

Swisscom shares are traded on the pan-European platform virt-x in London under the symbol «SCMN» (Security ID: 874251) and in the form of American Depository Shares (ADS) at a ratio of 1:10 on the New York Stock Exchange (Over The Counter, Level 1 Program) under the symbol «SCMWY» (Pink Sheet Number: 69769).

Stock exchange	Bloomberg	Reuters	Telekurs
virt-x, London	SCMN, VX	SCM.VX	SCMN, VTX

# Quarterly review 2007 and 2008

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2007	1. quarter	2. quarter	3. quarter	4. quarter	31.03.08
<b>Net revenue</b>	<b>2,376</b>	<b>2,718</b>	<b>2,988</b>	<b>3,007</b>	<b>11,089</b>	<b>2,933</b>				<b>2,933</b>
Goods and services purchased	(441)	(530)	(690)	(687)	(2,348)	(615)				(615)
Personnel expenses	(594)	(603)	(599)	(646)	(2,442)	(641)				(641)
Other operating expenses	(444)	(611)	(565)	(609)	(2,229)	(594)				(594)
Capitalized costs and other income	71	100	99	161	431	78				78
<b>Operating income (EBITDA)</b>	<b>968</b>	<b>1,074</b>	<b>1,233</b>	<b>1,226</b>	<b>4,501</b>	<b>1,161</b>				<b>1,161</b>
Depreciation, amortization and impairment	(349)	(465)	(498)	(674)	(1,986)	(507)				(507)
<b>Operating income (EBIT)</b>	<b>619</b>	<b>609</b>	<b>735</b>	<b>552</b>	<b>2,515</b>	<b>654</b>				<b>654</b>
Gain on sale of subsidiaries	–	–	157	5	162	–				–
Net income and financial expense, net	(41)	4	(89)	(65)	(191)	(113)				(113)
Share of profit of investments in associates	4	10	8	10	32	6				6
Income tax expense	(115)	(146)	(122)	(64)	(447)	(122)				(122)
<b>Net income</b>	<b>467</b>	<b>477</b>	<b>689</b>	<b>438</b>	<b>2,071</b>	<b>425</b>				<b>425</b>
Attributable to equity holders of Swisscom Ltd	461	475	691	441	2,068	428				428
Attributable to minority interests	6	2	(2)	(3)	3	(3)				(3)
<b>Net revenue by segments<sup>1</sup></b>										
Swisscom Switzerland	2,125	2,171	2,196	2,201	8,693	2,115				2,115
Fastweb	–	281	586	606	1,473	618				618
Other operating segments	491	522	458	473	1,944	438				438
Group Headquarters	2	1	2	1	6	1				1
Intersegment elimination	(242)	(257)	(254)	(274)	(1,027)	(239)				(239)
<b>Total net revenue</b>	<b>2,376</b>	<b>2,718</b>	<b>2,988</b>	<b>3,007</b>	<b>11,089</b>	<b>2,933</b>				<b>2,933</b>
<b>Segment results</b>										
Swisscom Switzerland	966	981	1,017	934	3,898	953				953
Fastweb	–	79	156	263	498	179				179
Other operating segments	73	62	103	79	317	77				77
Group Headquarters	(65)	(40)	(41)	(38)	(184)	(43)				(43)
Intersegment elimination	(6)	(8)	(2)	(12)	(28)	(5)				(5)
<b>Total segment result (EBITDA)</b>	<b>968</b>	<b>1,074</b>	<b>1,233</b>	<b>1,226</b>	<b>4,501</b>	<b>1,161</b>				<b>1,161</b>
<b>Capital expenditure</b>										
Swisscom Switzerland	269	355	282	335	1,241	241				241
Fastweb	–	85	192	291	568	161				161
Other operating segments	49	71	55	64	239	27				27
Intersegment elimination	(3)	(8)	(4)	(8)	(23)	(9)				(9)
<b>Capital expenditure</b>	<b>315</b>	<b>503</b>	<b>525</b>	<b>682</b>	<b>2,025</b>	<b>420</b>				<b>420</b>
Operating free cash flow attributable to equity holders of Swisscom Ltd	443	535	624	475	2,077	751				751
Number of full-time equivalent employees at end of period	17,157	20,498	19,658	19,844	19,844	19,718				19,718

<sup>1</sup> Includes intersegment revenue.

# Quarterly review 2007 and 2008

CHF in millions, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2007	1. quarter	2. quarter	3. quarter	4. quarter	31.03.08
<b>Swisscom Switzerland</b>										
<b>Net revenue and results</b>										
Residential customers										
Residential customers	565	593	615	599	2,372	557				557
Small and medium-sized Enterprises	92	99	104	95	390	101				101
Corporate Business	122	129	130	135	516	133				133
Wholesale	109	103	116	97	425	116				116
<b>Revenue mobile</b>	<b>888</b>	<b>924</b>	<b>965</b>	<b>926</b>	<b>3,703</b>	<b>907</b>				<b>907</b>
Residential customers										
Residential customers	347	351	354	357	1,409	360				360
Small and medium-sized Enterprises	91	90	91	90	362	90				90
Corporate Business	41	42	42	42	167	42				42
Wholesale	49	52	50	51	202	46				46
<b>Revenue access fixnet</b>	<b>528</b>	<b>535</b>	<b>537</b>	<b>540</b>	<b>2,140</b>	<b>538</b>				<b>538</b>
Residential customers										
Residential customers	176	168	165	170	679	164				164
Small and medium-sized Enterprises	67	61	59	59	246	59				59
Corporate Business	43	49	46	47	185	44				44
Wholesale	63	70	68	68	269	62				62
<b>Revenue traffic fixnet</b>	<b>349</b>	<b>348</b>	<b>338</b>	<b>344</b>	<b>1,379</b>	<b>329</b>				<b>329</b>
Residential customers										
Residential customers	88	89	73	72	322	83				83
Small and medium-sized Enterprises	21	20	16	20	77	16				16
Corporate Business	195	203	212	238	848	191				191
Wholesale	36	32	33	40	141	34				34
<b>Revenue others</b>	<b>340</b>	<b>344</b>	<b>334</b>	<b>370</b>	<b>1,388</b>	<b>324</b>				<b>324</b>
Residential customers										
Residential customers	1,176	1,201	1,207	1,198	4,782	1,164				1,164
Small and medium-sized Enterprises	271	270	270	264	1,075	266				266
Corporate Business	401	423	430	462	1,716	410				410
Wholesale	257	257	267	256	1,037	258				258
<b>Revenue from external customers</b>	<b>2,105</b>	<b>2,151</b>	<b>2,174</b>	<b>2,180</b>	<b>8,610</b>	<b>2,098</b>				<b>2,098</b>
<b>Segment results</b>										
Residential customers	761	752	790	709	3,012	747				747
Small and medium-sized Enterprises	210	206	205	196	817	208				208
Corporate Business	225	227	237	233	922	217				217
Wholesale	138	135	138	218	629	143				143
Network and IT	(366)	(348)	(342)	(418)	(1,474)	(361)				(361)
Intersegment elimination	(2)	9	(11)	(4)	(8)	(1)				(1)
<b>Segment result (EBITDA)</b>	<b>966</b>	<b>981</b>	<b>1,017</b>	<b>934</b>	<b>3,898</b>	<b>953</b>				<b>953</b>
Margin as % of net revenue	45.5	45.2	46.3	42.4	44.8	45.1				45.1

# Quarterly review 2007 and 2008

	1. quarter	2. quarter	3. quarter	4. quarter	2007	1. quarter	2. quarter	3. quarter	4. quarter	31.03.08
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
Residential customers	2,929	2,914	2,898	2,888	2,888	2,868				2,868
Small and medium-sized Enterprises	523	502	502	509	509	509				509
Corporate Business	275	296	296	289	289	288				288
<b>Total number of PSTN/ISDN lines</b>	<b>3,727</b>	<b>3,712</b>	<b>3,696</b>	<b>3,686</b>	<b>3,686</b>	<b>3,665</b>				<b>3,665</b>
Residential customers	856	917	965	1,005	1,005	1,050				1,050
Small and medium-sized Enterprises	125	131	136	142	142	148				148
Corporate Business	14	17	17	17	17	18				18
Wholesale	439	441	440	438	438	439				439
<b>Number of broadband lines in thousands</b>	<b>1,434</b>	<b>1,506</b>	<b>1,558</b>	<b>1,602</b>	<b>1,602</b>	<b>1,655</b>				<b>1,655</b>
Residential customers	2,040	2,049	2,058	2,075	2,075	2,091				2,091
Small and medium-sized Enterprises	313	329	344	360	360	380				380
Corporate Business	496	517	551	578	578	591				591
<b>Postpaid (SIM cards)</b>	<b>2,849</b>	<b>2,895</b>	<b>2,953</b>	<b>3,013</b>	<b>3,013</b>	<b>3,062</b>				<b>3,062</b>
Residential customers	1,858	1,881	1,941	1,994	1,994	2,038				2,038
<b>Prepaid in thousands</b>	<b>1,858</b>	<b>1,881</b>	<b>1,941</b>	<b>1,994</b>	<b>1,994</b>	<b>2,038</b>				<b>2,038</b>
Residential customers	47	49	50	46	48	43				43
Small and medium-sized Enterprises	99	113	111	98	105	96				96
Corporate Business	96	93	90	87	91	79				79
<b>ARPU Mobile in CHF (monthly)</b>	<b>56</b>	<b>58</b>	<b>59</b>	<b>55</b>	<b>57</b>	<b>51</b>				<b>51</b>
Residential customers	86	90	88	85	88	92				92
Small and medium-sized Enterprises	197	221	219	213	212	199				199
Corporate Business	225	221	208	217	218	194				194
<b>AMPU Mobile in minutes</b>	<b>108</b>	<b>113</b>	<b>111</b>	<b>110</b>	<b>110</b>	<b>112</b>				<b>112</b>
Traffic retail in million minutes	2,897	2,679	2,590	2,713	10,879	2,698				2,698
Traffic wholesale in million minutes	3,918	3,615	3,430	3,554	14,517	3,468				3,468
<b>Fastweb (in EUR)</b>										
Residential customers	–	86	178	179	443	200				200
Small and medium-sized Enterprises	–	27	57	53	137	57				57
Corporate Business	–	57	119	133	309	132				132
Other revenue	–	–	–	–	–	–				–
<b>Revenue from external customers</b>	<b>–</b>	<b>170</b>	<b>354</b>	<b>365</b>	<b>889</b>	<b>389</b>				<b>389</b>
Number of subscribers	–	1,196	1,251	1,313	1,313	1,388				1,388
ARPU in EUR (annualy)	–	868	820	842	860	794				794

#### **Cautionary statement regarding forward-looking statements**

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

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 and Fastweb’s past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom group companies’ 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.

