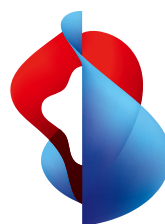


January–June 2008
Interim Report



swisscom

Facts & Figures

CHF in millions, except where indicated		1. half year 2008	1. half year 2007	Change
Net revenue and results				
Net revenue		5,991	5,094	17.6%
Operating income (EBITDA) ¹		2,427	2,042	18.9%
EBITDA as % of net revenue	%	40.5	40.1	
Operating income (EBIT) ²		1,397	1,228	13.8%
Net income		846	944	-10.4%
Net income attributable to equity holders of Swisscom Ltd		840	936	-10.3%
Earnings per share	CHF	16.22	18.07	-10.3%
Balance and cash flow				
Equity at end of period		5,637	4,948	13.9%
Equity ratio at end of period ³	%	24.2	20.3	
Operating free cash flow attributable to equity holders of Swisscom Ltd ⁴		1,359	978	39.0%
Capital expenditure		923	818	12.8%
Net debt at end of period ⁵		10,482	11,426	-8.3%
Employees				
Number of full-time equivalent employees at end of period ⁶	FTE	19,795	20,498	-3.4%
Average number of full-time equivalent employees ⁷	FTE	19,760	17,900	10.4%
Operational data				
Number of PSTN/ISDN lines in Switzerland	in thousands	3,654	3,712	-1.6%
Broadband access lines in Switzerland	in thousands	1,699	1,506	12.8%
Number of mobile subscribers in Switzerland	in thousands	5,181	4,776	8.5%
Number of subscribers in Italy	in thousands	1,398	1,146	22.0%
Share information				
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	340.75	418.75	-18.6%
Market capitalisation at end of period ⁸		17,652	21,692	-18.6%

1 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.

2 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.

3 Equity as a percentage of total assets.

4 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 and dividend payments to minority interests.

5 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.

6 Excludes 206 and 357 full-time equivalent employees of the employment company Worklink at June 30, 2008 and 2007, respectively.

7 Excludes 233 and 383 full-time equivalent employees of the employment company Worklink at June 30, 2008 and 2007, respectively. At June 30, 2007, the figures include 670 full-time equivalent employees (3,045 full-time equivalent employees at June 30, 2008) of Fastweb and 1,010 full-time equivalent employees of the subsidiaries Antenna Hungária, Accarda and Infonet sold in 2007.

8 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 half year of 2008 of 17.6% to CHF 5,991 million and in operating income (EBITDA) of 18.9% to CHF 2,427 million. The increase in net revenue and EBITDA is mainly attributable to the acquisition of Fastweb in May 2007. In the first half year of 2008 Fastweb's share of net revenue was CHF 1,304 million and of EBITDA CHF 439 million. On a comparable basis net revenue increased by CHF 10 million (+0.2%) and EBITDA by CHF 53 million (+2.6%). Net income dropped by CHF 99 million to CHF 840 million as a result of the started early termination of around three fourth of the non-current lease agreements. The operating free cash flow in favor of Swisscom shareholders increased by 39.0% to CHF 1,359 million in the first half year of 2008.

Swisscom expects unchanged 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 lie between CHF 2.1 billion and CHF 2.2 billion. Operating free cash flow as a basis for the return to the shareholders is expected to lie at the upper bound of the previously announced range of CHF 2.4 billion to CHF 2.5 billion.

CHF in millions, except where indicated	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Net revenue	3,058	2,718	12.5%	5,991	5,094	17.6%
Operating expenses	(1,955)	(1,744)	12.1%	(3,805)	(3,223)	18.1%
Capitalized costs and other income	163	100	63.0%	241	171	40.9%
Operating income (EBITDA)	1,266	1,074	17.9%	2,427	2,042	18.9%
Depreciation, amortization and impairment	(523)	(465)	12.5%	(1,030)	(814)	26.5%
Operating income (EBIT)	743	609	22.0%	1,397	1,228	13.8%
Financial income and financial expense, net	(212)	4	–	(325)	(37)	778.4%
Share of profit of investments in associates	12	10	20.0%	18	14	28.6%
Income before income taxes	543	623	–12.8%	1,090	1,205	–9.5%
Income tax expense	(122)	(146)	–16.4%	(244)	(261)	–6.5%
Net income	421	477	–11.7%	846	944	–10.4%
Net income attributable to equity holders of Swisscom Ltd	412	475	–13.3%	840	936	–10.3%
Net income attributable to minority interests	9	2	350.0%	6	8	–25.0%
Average number of shares outstanding (in millions)	51.802	51.802	–	51.802	51.802	–
Earnings per share (in CHF)	7.95	9.17	–13.3%	16.22	18.07	–10.3%

Reorganization and alterations to financial reporting

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) AG. Swisscom Switzerland now includes the business divisions «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale» and «Networks». The supporting functions of financing, human resources and strategy of the former three group companies have been centralized in the division «Networks» 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. Revenue and segment results are in line with the internal reporting system. No own network costs are charged for the financial management of the 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 therefore correspond to a contribution margin. Network costs are planned, monitored and controlled by the Networks division. The

«Networks» division is managed as a cost center. Consequently no revenue is credited to the «Networks» segment. The segment result is presented as operating expenses less capitalized costs and other income.

The cumulative results of the individual 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 information is based on the management approach. IFRS 8 «Segment reporting» is therefore being applied earlier than required from the 2008 financial year.

Net revenue and operating income (EBITDA)

Net revenue of CHF 3,058 million in the second quarter of 2008 is 12.5% or CHF 340 million higher year-over-year. Of this CHF 405 million was attributable to the acquisition of Fastweb. In the second quarter of 2007, net revenue of the subsidiaries sold in 2007, Antenna Hungária, Accarda und Infonet, totalled CHF 70 million. On a comparable basis net revenue increased in the second quarter of 2008 by CHF 5 million (+0.2%). The decline of revenue in traditional fixed network business could be compensated by the continuing increase in the number of broadband access lines and mobile subscribers and growth in new business areas such as Bluewin TV.

EBITDA increased in the second quarter of 2008 by CHF 192 million (+17.9%) year-over-year to CHF 1,266 million. Fastweb accounted for CHF 181 million of the increase. On a comparable basis EBITDA increased year-over-year by CHF 23 million (+2.3%) in the second quarter of 2008. The adjusted increase in EBITDA can be attributed mainly to the elimination of costs in connection with the interactive TV remote control Betty which was discontinued at the end of 2007. Swisscom Switzerland reported a stable operating income of CHF 979 million (+0.1%).

In the first six months of 2008, the cumulative net revenue of CHF 5,991 million was 17.6% or CHF 897 million higher year-over-year, mainly as a result of the acquisition of Fastweb. Taking into account the acquisition of Fastweb on May 22, 2007 (year-over-year increase in revenue CHF 1,023 million) and the subsidiaries sold in 2007 (net revenue previous year CHF 136 million) net revenue increased on a comparable basis by CHF 10 million (+0.2%). In the first six months of 2008, the decline in traditional fixed network business could also be compensated by the continuing increase in the number of broadband access lines and mobile subscribers and growth in new business areas. Swisscom also reported healthy growth in the increasingly popular mobile data transmission products.

The operating income (EBITDA) increased by CHF 385 million (+18.9%) to CHF 2,427 million in the first six months of 2008. Fastweb accounted for CHF 360 million of the increase. On a comparable basis EBITDA increased by CHF 53 million (+2.6%). The adjusted increase in EBITDA can be attributed mainly to the elimination of costs in connection with the interactive TV remote control Betty which was discontinued at the end of 2007. Swisscom Switzerland reported a stable operating income of CHF 1,932 million (–0.5%) in the first six months of 2008.

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 June 30, 2008	5,991	2,427
Financial statements as of June 30, 2007	5,094	2,042
Changes to the previous year	897	385
Analysis of changes to the previous year		
Effect of acquisition of Fastweb	1,023	360
Effect of other changes in scope of consolidation	(136)	(28)
Other changes	10	53
Total changes to the previous year	897	385

Operating expenses

Operating expenses in the second quarter of 2008 increased year-over-year by CHF 211 million (+12.1%) to CHF 1,955 million. Adjusted to take into account acquisitions and disposals of subsidiaries (Fastweb, Antenna Hungária, Accarda and Infonet), Swisscom reduced operating expenses by CHF 41 million (–2.8%). This was mainly due to lower roaming and termination prices in mobile business, group-wide costs savings and the elimination of costs in connection with the interactive TV remote control Betty which was discontinued at the end of 2007.

The cumulative year-over-year increase in operating expenses was +18.1% or CHF 582 million to CHF 3,805 million. Adjusted to take into account the acquisition of Fastweb (CHF 775 million) and the sale of subsidiaries, operating expenses were CHF 83 million (–2.9%) 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 goods and services purchased. Lower costs for Bluewin TV as well as cost savings throughout the Group had a positive impact on cost development. Last year's figures also include the costs of the interactive TV remote control Betty which was discontinued at the end of 2007.

Capitalized costs and other income

Capitalized cost and other income rose in the second quarter year-over-year by 63.0% or CHF 63 million to CHF 163 million. The cumulative year-over-year increase is 40.9% or CHF 70 million, of which Fastweb accounted for CHF 112 million. This includes a one-off income of EUR 30 million (CHF 48 million) recognized in the second quarter of 2008 by Fastweb, resulting from a compensation payment by Telecom Italia. This payment was based on an agreement between Fastweb and Telecom Italia in connection with the proceedings about unfair solicitation of customers by Telecom Italia. Adjusted by this one-off item and acquisitions and disposals of subsidiaries, capitalized cost and other income decreased year-over-year by CHF 23 million. The cumulative decrease was CHF 41 million. This is mainly attributable to lower gains from sales of real estate at Swisscom Immobilien AG.

Depreciation, amortization and impairment

The increase in depreciation and amortization in the first six months of 2008 by CHF 216 million (+26.5%) to CHF 1,030 million is mainly attributable to the acquisition of Fastweb (CHF 339 million). Part of the acquisition costs for Fastweb were capitalized within the scope of purchasing price allocation as intangible assets such as customer relationships and trademark and will be amortized over the estimated useful lives of between 7 and 11 years. In the first six months of 2008 corresponding amortization amounted to CHF 92 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 six months of 2008 was CHF 60 million. Depreciation 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 288 million to CHF 325 million in the first six months of 2008. The increase is due on the one hand to higher net interest expense of CHF 55 million as a result of the acquisition of Fastweb and the recognition of provisions of CHF 126 million in the second quarter of 2008 in connection with the early termination of cross-border lease agreements. 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.

Income tax expense

Income tax expense amounted to CHF 244 million (previous year: CHF 261 million), which corresponds to an effective income tax rate of 22.4% (previous year: 21.7%). Income tax payments in the first half year of 2008 fell year-over-year by CHF 14 million to CHF 285 million.

Net income and earnings per share

Net income decreased by CHF 98 million (–10.4%) to CHF 846 million in the first half year of 2008. The increase in EBITDA was offset by higher depreciation and amortization and net financial expenses. The decline in net income is primarily due to scheduled amortization of acquisition costs for Fastweb capitalized as intangible assets, lower foreign exchange result and the recognition of provisions in the second quarter of 2008 of CHF 126 million in connection with the early termination of cross-border lease agreements.

Earnings per share are calculated on the basis of net income attributable to shareholders of Swisscom AG and the average number of shares outstanding. Net income attributable to shareholders of Swisscom AG decreased year-over-year by 10.3% to CHF 840 million. Earnings per share fell accordingly in the first half year of 2008 from CHF 18.07 to CHF 16.22.

Review of the Segments

The financial review reports on the following segments:

- **Swisscom Switzerland**, includes the operating segments
 - Residential Customers
 - Small and Medium-Sized Enterprises
 - Corporate Business
 - Wholesale
 - Networks
- **Fastweb**
- **Other Operating Segments** mainly include Swisscom IT Services, Swisscom Participations, Hospitality Services and 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Swisscom Switzerland	2,162	2,171	–0.4%	4,277	4,296	–0.4%
Fastweb	686	281	144.1%	1,304	281	364.1%
Other Operating segments	467	522	–10.5%	905	1,013	–10.7%
Group Headquarters	2	1	100.0%	3	3	–
Intersegment elimination	(259)	(257)	0.8%	(498)	(499)	–0.2%
Total net revenue	3,058	2,718	12.5%	5,991	5,094	17.6%

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

CHF in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Swisscom Switzerland	979	978	0.1%	1,932	1,941	–0.5%
Fastweb	260	79	229.1%	439	79	455.7%
Other Operating segments	87	62	40.3%	164	135	21.5%
Group Headquarters	(60)	(40)	50.0%	(103)	(105)	–1.9%
Intersegment elimination	–	(5)	–	(5)	(8)	–37.5%
Total segment result (EBITDA)	1,266	1,074	17.9%	2,427	2,042	18.9%

Swisscom Switzerland

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

CHF in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Net revenue						
Residential Customers	1,173	1,203	-2.5%	2,337	2,379	-1.8%
Small and Medium-Sized Enterprises	277	268	3.4%	543	538	0.9%
Corporate Business	434	422	2.8%	844	824	2.4%
Wholesale	251	258	-2.7%	509	515	-1.2%
Revenue from external customers	2,135	2,151	-0.7%	4,233	4,256	-0.5%
Intersegment revenue	27	20	35.0%	44	40	10.0%
Net revenue Swisscom Switzerland	2,162	2,171	-0.4%	4,277	4,296	-0.4%
Segment results						
Residential Customers	758	774	-2.1%	1,491	1,536	-2.9%
Small and Medium-Sized Enterprises	214	202	5.9%	420	409	2.7%
Corporate Business	233	217	7.4%	450	432	4.2%
Wholesale	152	137	10.9%	295	277	6.5%
Networks	(378)	(348)	8.6%	(724)	(707)	2.4%
Intersegment elimination	—	(4)	—	—	(6)	—
Segment result before depreciation and amortization (EBITDA)	979	978	0.1%	1,932	1,941	-0.5%
Margin as % of net revenue	45.3	45.0		45.2	45.2	
Depreciation, amortization and impairment	(261)	(307)	-15.0%	(512)	(593)	-13.7%
Segment result (EBIT) Swisscom Switzerland	718	671	7.0%	1,420	1,348	5.3%

Number of wireline lines in thousands	1. half year 2008	1. half year 2007	Change
Number of PSTN/ISDN lines	3,654	3,712	-1.6%
Broadband access lines	1,699	1,506	12.8%

Number of mobile subscribers in thousands	1. half year 2008	1. half year 2007	Change
Postpaid	3,117	2,895	7.7%
Prepaid	2,064	1,881	9.7%
Total number of mobile subscribers (SIM-cards)	5,181	4,776	8.5%

ARPU and AMPU Mobile in CHF and minutes, respectively	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	53	58	-8.6%	52	57	-8.8%
Average minutes per user (AMPU) per mobile subscriber (monthly)	116	113	2.7%	114	111	2.7%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	250	355	-29.6%	491	624	-21.3%
Number of full-time equivalent employees at end of period	—	—	—	11,687	11,427	2.3%

Swisscom Switzerland's revenue with external customers remained more or less stable in the first six months of 2008 with a slight decrease of 0.5% to CHF 4,233 million (second quarter –0.7%). The decline in revenue of over CHF 200 million due to price reductions could be virtually fully offset by growth in subscribers numbers and higher usage from new data services for mobile telephony as well as the growth in broadband access lines and the TV service offering. In the field of mobile communication, prices for outgoing calls fell by 11.7%, for outbound roaming calls customers are benefiting on average from 15.8% lower prices. The average price per minute for a fixed-line call decreased by 3.1% in the space of one 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.

Operating expenses fell by CHF 4 million (–0.2%) to CHF 2,453 million (in the second quarter –0.2%). On the one hand prices have fallen as a result of the new tariff agreements for international roaming and on the other maintenance and repair costs have increased due to an increased amount of construction activities in Switzerland and higher expenses for internal and external personnel.

EBITDA of CHF 1,932 million is largely unchanged year-over-year (–0.5% in the first six months; +0.1% in the second quarter).

Broadband communication has seen very healthy growth compared with the previous year. The number of broadband access lines rose by 193,000 or +12.8% to 1,699,000. As at the end of June 2008 «Bluewin TV» was used by 80,000 paying customers. Net growth compared with the previous year amounted to around 40,000 customers, thereof 21,000 since the end of 2007. The average one-time cost per new customer, including installation, devices, etc. dropped sharply as many customers took advantage of the possibility to install devices themselves. At the end of February, Swisscom added four channels in high-definition quality (HDTV) to its channel line-up at Bluewin TV, 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 subscribers rose by 405,000 net or +8.5% to 5.2 million. Revenue generated by new mobile data services (not including SMS) rose by 32.8% to CHF 175 million in the space of a year (in the second quarter +25.7%). Average monthly revenue per mobile subscriber (ARPU) dropped by 8.8% to CHF 52 (in the second quarter by 8.6% to CHF 53), while the average monthly number of minutes per mobile subscriber (AMPU) rose by 2.7% to 114 (second quarter +2.7% to 116 minutes).

Residential Customers

The «Residential Customers» segment mainly comprises access fees for broadband access lines, wireline and mobile subscriptions as well as national and international telephone 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	1,173	1,203	–2.5%	2,337	2,379	–1.8%
Intersegment revenue	101	99	2.0%	189	190	–0.5%
Net revenue	1,274	1,302	–2.2%	2,526	2,569	–1.7%
Operating expenses (incl. intersegment)	(522)	(537)	–2.8%	(1,044)	(1,044)	–
Capitalized costs and other income	6	9	–33.3%	9	11	–18.2%
Segment result before depreciation and amortization	758	774	–2.1%	1,491	1,536	–2.9%
Margin as % of net revenue	59.5	59.4		59.0	59.8	

Number of wireline lines in thousands	1. half year 2008	1. half year 2007	Change
Number of PSTN/ISDN lines	2,854	2,914	–2.1%
Broadband access lines	1,078	917	17.6%

Number of mobile subscribers in thousands	1. half year 2008	1. half year 2007	Change
Postpaid	2,102	2,049	2.6%
Prepaid	2,064	1,881	9.7%
Total number of mobile subscribers (SIM-cards)	4,166	3,930	6.0%

ARPU and AMPU Mobile in CHF and minutes, respectively	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	44	49	–10.2%	44	48	–8.3%
Average minutes per user (AMPU) per mobile subscriber (monthly)	95	90	5.6%	94	88	6.8%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	39	56	–30.4%	63	74	–14.9%
Number of full-time equivalent employees at end of period	–	–	–	4,841	4,562	6.1%

Revenue from the Residential Customers segment with external customers decreased year-over-year by 1.8% to CHF 2,337 million (–2.5% in the second quarter of 2008). 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 keen competition 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 access lines and TV services. The number of residential mobile subscribers increased year-over-year by 236,000 net (+6.0%) to 4,166,000. This includes 2,064,000 prepaid and 2,102,000 postpaid subscribers. The decline in average revenue per mobile user (ARPU) from CHF 48 to CHF 44 (–8.3%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 17.6% to 1,078,000 lines.

Operating expenses are unchanged from last year. Savings from lower roaming tariffs were absorbed mainly by marketing measures initiated to counter the keen competition and improve customer services. Operating expenses in the second quarter were reduced by 2.8% as a result of lower wholesale prices for international roaming.

The segment result before depreciation and amortization fell by CHF 45 million (–2.9%) to 1,491 million year-over-year (–2.1% in the second quarter). The segment margin fell from 59.8% to 59.0% mainly as a result of lower prices.

Small and Medium-Sized Enterprises

The segment «Small and Medium-Sized Enterprises» primarily comprises access fees for broadband access lines, 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	277	268	3.4%	543	538	0.9%
Intersegment revenue	16	15	6.7%	29	28	3.6%
Net revenue	293	283	3.5%	572	566	1.1%
Operating expenses (incl. intersegment)	(79)	(81)	–2.5%	(152)	(157)	–3.2%
Segment result before depreciation and amortization	214	202	5.9%	420	409	2.7%
Margin as % of net revenue	73.0	71.4		73.4	72.3	

Number of wireline lines in thousands	1. half year 2008	1. half year 2007	Change
Number of PSTN/ISDN lines	512	502	2.0%
Broadband access lines	152	131	16.0%

Number of mobile subscribers in thousands	1. half year 2008	1. half year 2007	Change
Postpaid (SIM cards)	392	329	19.1%

ARPU and AMPU Mobile in CHF and minutes, respectively	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	100	114	–12.3%	98	106	–7.5%
Average minutes per user (AMPU) per mobile subscriber (monthly)	211	221	–4.5%	205	209	–1.9%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	1	–	–	2	1	100.0%
Number of full-time equivalent employees at end of period	–	–	–	788	779	1.2%

Revenue with external customers increased year-over-year by CHF 5 million (+0.9%) to CHF 543 million (+3.4% in the second quarter). The decline in revenue due to lower volumes and lower prices in wireline traffic was above all fully offset by 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 63,000 (+19.1%) to 392,000. The decline in average revenue per mobile subscriber (ARPU) per month from CHF 106 to CHF 98 (–7.5%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 16.0% to 152,000 lines.

Thanks to cost savings, operating expenses decreased year-over-year by CHF 5 million (–3.2%) to CHF 152 million (CHF –2 million or –2.5% in the second quarter).

The segment result before depreciation and amortization of CHF 420 million is CHF 11 million (+2.7%) higher year-over-year. In the second quarter the segment result before depreciation and amortization of CHF 214 million is CHF 12 million (+5.9%) higher 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	434	422	2.8%	844	824	2.4%
Intersegment revenue	39	39	–	76	76	–
Net revenue	473	461	2.6%	920	900	2.2%
Operating expenses (incl. intersegment)	(242)	(246)	–1.6%	(474)	(477)	–0.6%
Capitalized costs and other income	2	2	–	4	9	–55.6%
Segment result before depreciation and amortization	233	217	7.4%	450	432	4.2%
Margin as % of net revenue	49.3	47.1		48.9	48.0	

Number of wireline lines in thousands	1. half year 2008	1. half year 2007	Change
Number of PSTN/ISDN lines	288	296	–2.7%
Broadband access lines	19	17	11.8%

Number of mobile subscribers in thousands	1. half year 2008	1. half year 2007	Change
Postpaid (SIM cards)	623	517	20.5%

ARPU and AMPU Mobile in CHF and minutes, respectively	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	81	91	–11.0%	80	92	–13.0%
Average minutes per user (AMPU) per mobile subscriber (monthly)	202	221	–8.6%	198	223	–11.2%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	13	9	44.4%	26	20	30.0%
Number of full-time equivalent employees at end of period	–	–	–	2,076	2,078	–0.1%

Despite the sale of Infonet at the end of 2007, revenue from external customers rose year-over-year by CHF 20 million (+2.4%) to CHF 844 million (in the second quarter CHF 12 million; +2.8%). Not including the sale of Infonet, revenue from external customers rose by CHF 39 million or 4.8% (in the second quarter CHF 21 million; +5.2%). The increase in revenue can be attributed to the increase in the number of mobile subscribers from 106,000 (+20.5%) to 623,000, the increase in new data services at mobile and the healthy growth of project and outsourcing business. Average revenue per mobile subscriber (ARPU) per month fell comparatively by 13.0% to CHF 80 due to price reductions.

Adjusted operating expenses increased by CHF 21 million (+4.5%) to CHF 474 million primarily as a result of changes to the product portfolio (in the second quarter CHF 8 million; +3.3%).

Segment result before depreciation and amortization rose by CHF 18 million (+4.2%) to CHF 450 million (in the second quarter CHF 16 million; +7.4%).

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 network, 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	251	258	–2.7%	509	515	–1.2%
Intersegment revenue	172	184	–6.5%	332	345	–3.8%
Net revenue	423	442	–4.3%	841	860	–2.2%
Operating expenses (incl. intersegment)	(276)	(308)	–10.4%	(553)	(591)	–6.4%
Capitalized costs and other income	5	3	66.7%	7	8	–12.5%
Segment result before depreciation and amortization	152	137	10.9%	295	277	6.5%
Margin as % of net revenue	35.9	31.0		35.1	32.2	

Number of wireline lines in thousands	1. half year 2008	1. half year 2007	Change
Broadband access lines	450	441	2.0%

Wholesale traffic volume in millions of minutes	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Wholesale traffic	3,218	3,615	–11.0%	6,686	7,533	–11.2%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	–	3	–	–	4	–
Number of full-time equivalent employees at end of period	–	–	–	112	130	–13.8%

Revenue from external customers decreased year-over-year by 1.2% to CHF 509 million. Higher revenue from roaming traffic with foreign subscribers using Swisscom's mobile network could partially offset the lower revenue from interconnection services as a result of lower volumes and other broadband services for other telecommunication providers as a result of price reductions. In the second quarter of 2008 there was a 2.7% reduction in revenue from external customers, primarily as a result of a sharp decline in the volume of interconnection services.

Segment result before depreciation and amortization increased by CHF 18 million (+6.5%) to CHF 295 million in the first six months due to lower costs. In the second quarter of 2008, the increase was 10.9%. This is mainly due to a change in the sales mix from products with a higher margin. The segment margin increased from 32.2% to 35.1% in the first six months of 2008.

Networks

Networks 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 «Networks» is presented in the following table:

CHF in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Operating expenses (incl. intersegment)	(440)	(403)	9.2%	(842)	(811)	3.8%
Capitalized costs and other income	62	55	12.7%	118	104	13.5%
Segment result before depreciation and amortization	(378)	(348)	8.6%	(724)	(707)	2.4%
Depreciation, amortization and impairment	(234)	(274)	-14.6%	(462)	(544)	-15.1%
Segment result	(612)	(622)	-1.6%	(1,186)	(1,251)	-5.2%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	197	285	-30.9%	400	524	-23.7%
Number of full-time equivalent employees at end of period	–	–	–	3,870	3,878	-0.2%

In the first six months of 2008, the segment result improved year-over-year by CHF 65 million (5.2%) to CHF -1,186 million. In the second quarter of 2008, the improvement was CHF 10 million (1.6%). This is mainly due to lower depreciation and amortization as a result of the change in the useful lives of cable and ducts. As a result of a decision by ComCom, the Federal Communications Commission, the useful lives of cable and ducts were reviewed and altered with effect from January 1, 2008 from 20 to 40 years. The impact on depreciation for the first six months of 2008 was CHF 60 million. Operating expenses have risen year-over-year, primarily due to increased costs for internal and external personnel and higher maintenance and repair costs as a result of an increased amount of construction activities.

The decrease in capital expenditure in the first six months of 2008 is mainly due to lower capital expenditure for the development of the network infrastructure for VDSL technology compared with last year.

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 for the allocation of the purchase price:

EUR in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	425	360	18.1%	814	714	14.0%
Net revenue	425	360	18.1%	814	714	14.0%
Operating expenses (incl. intersegment)	(331)	(258)	28.3%	(616)	(535)	15.1%
Capitalized costs and other income	67	36	86.1%	76	45	68.9%
Segment result (EBITDA)	161	138	16.7%	274	224	22.3%
Margin as % of net revenue	37.9	38.3		33.7	31.4	
Depreciation, amortization and impairment	(97)	(96)	1.0%	(198)	(185)	7.0%
Segment result (EBIT)	64	42	52.4%	76	39	94.9%
Financial income and financial expense, net	(22)	(16)	37.5%	(40)	(33)	21.2%
Earnings before income taxes	42	26	61.5%	36	6	500.0%
Income tax expense	(16)	(21)	-23.8%	(21)	(21)	—
Net income (net loss)	26	5	420.0%	15	(15)	—

Number of subscribers in thousands	1. half year 2008	1. half year 2007	Change
Number of subscribers	1,398	1,146	22.0%

EUR in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	125	114	9.6%	226	249	-9.2%
Number of full-time equivalent employees at end of period	—	—	—	3,050	3,167	-3.7%

Fastweb recorded a constantly strong growth in revenue, EBITDA and customers in the first six months of 2008. Taking into account a ruling on prices for interconnection services passed by the Italian regulatory authorities in December 2007, net revenue in the second quarter of 2008 rose year-over-year by 20.1% to EUR 425 million (16.1% in the first six months). The number of Fastweb customers rose in the second quarter by net 60,000. EBITDA increased year-over-year by an adjusted 23.4% to EUR 132 million in the second quarter (19.5% in the first six months). The EBITDA margin increased in the first six months after adjustment from 29.2% to 30.5%.

Fastweb received a compensation payment of EUR 30 million (CHF 48 million) following an agreement with Telecom Italia in connection with proceedings about unfair solicitation of customers by Telecom Italia. This was recorded under other income in the second quarter of 2008. After the agreement with Telecom Italia, the number of customers was adjusted by 50,000.

Capital expenditure fell year-over-year by EUR 249 million to EUR 226 million (-9.2%) as a result of a lower capital expenditure volume.

Fastweb is included in Swisscom's consolidated financial statements as at June 30, 2008 as follows:

CHF in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	686	281	144.1%	1,304	281	364.1%
Net revenue	686	281	144.1%	1,304	281	364.1%
Operating expenses (incl. intersegment)	(523)	(212)	146.7%	(987)	(212)	365.6%
Capitalized costs and other income	97	10	870.0%	122	10	1,120.0%
Segment result (EBITDA)	260	79	229.1%	439	79	455.7%
Margin as % of net revenue	37.9	28.1		33.7	28.1	
Depreciation, amortization and impairment	(204)	(72)	183.3%	(411)	(72)	470.8%
Segment result (EBIT)	56	7	700.0%	28	7	300.0%

CHF in millions	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	202	85	137.6%	363	85	327.1%

Fastweb is included in Swisscom's consolidated financial statements in the first six months of 2008 with net revenue of CHF 1,304 million and EBITDA of CHF 439 million. Depreciation and amortization of CHF 411 million include amortization of CHF 92 million on intangible assets, such as customer relationships and trademark, which were capitalized within the scope of purchase 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 the group companies 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Swisscom IT Services	111	105	5.7%	221	206	7.3%
Swisscom Participations	95	156	−39.1%	176	303	−41.9%
Hospitality Services	26	22	18.2%	47	40	17.5%
Airbites Central & Eastern Europe	5	2	150.0%	9	5	80.0%
Others	(1)	–	–	–	2	–
Revenue from external customers	236	285	−17.2%	453	556	−18.5%
Intersegment revenue	231	237	−2.5%	452	457	−1.1%
Net revenue	467	522	−10.5%	905	1,013	−10.7%
Operating expenses (incl. intersegment)	(386)	(485)	−20.4%	(752)	(925)	−18.7%
Capitalized costs and other income	6	25	−76.0%	11	47	−76.6%
Segment result (EBITDA)	87	62	40.3%	164	135	21.5%
Margin as % of net revenue	18.6	11.9		18.1	13.3	
Depreciation, amortization and impairment	(63)	(88)	−28.4%	(114)	(152)	−25.0%
Segment result (EBIT)	24	(26)	−192.3%	50	(17)	−394.1%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	39	70	–44.3%	66	119	–44.5%
Number of full-time equivalent employees at end of period	–	–	–	4,722	5,561	–15.1%

In the first six months revenue from external customers fell year-over-year by CHF 103 million (–18.5%) to CHF 453 million (–17.2% in the second quarter). The sale of Antenna Hungária and the card business Accarda led to a decline in revenue of CHF 117 million in 2007 (CHF 60 million in the second quarter of 2008). These declines were offset by higher revenue at Swisscom IT Services from external customers of CHF 15 million (+7.3%) to CHF 221 million, primarily in the areas of financial services and outsourcing. Hospitality Services and Airbites Central & Eastern Europe saw a growth in revenue of CHF 11 million (+24.4%) to CHF 56 million in the first six months of 2008.

Operating expenses dropped year-over-year by CHF 173 million (–18.7%) to CHF 752 million (–20.4% in the second quarter of 2008). Operating expenses in the first six months of 2007 included CHF 88 million (CHF 48 million in the second quarter of 2007) from Antenna Hungária, Accarda and around CHF 60 million for the interactive TV remote control Betty discontinued at the end of 2007. Cost savings at Swisscom IT Services and Swisscom Participations offset the growth-related higher operating expenses at Hospitality Services and Airbites Central & Eastern Europe.

Adjusted to take into account the sales of Antenna Hungária and Accarda (CHF 27 million in the first six months of 2007, CHF 11 million in the second quarter), the segment result (EBITDA) increased year-over-year by CHF 56 million (+51.9%). The increase in the second quarter of 2008 was CHF 36 million (+64.2%). The increase in EBITDA can be attributed mainly to the omission of costs in connection with discontinued activities for Betty. Swisscom IT Services also recorded an increase in EBITDA, although this was offset by a decrease in the operating income at Swisscom Participations as a result of lower gains from the sale of real estate.

Capital expenditure of CHF 66 million in the first six months of 2008 is 44.5% lower than last year. This decline is mainly attributable to lower capital expenditure at Swisscom Immobilien AG.

Headcount as at June 30, 2008 decreased by 839 full-time equivalent employees (–15.1%) to 4,722 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, 229 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	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Revenue from external customers	1	1	–	1	1	–
Intersegment revenue	1	–	–	2	2	–
Net revenue	2	1	–	3	3	–
Operating expenses (incl. intersegment)	(81)	(61)	32.8%	(146)	(146)	–
Capitalized costs and other income	19	20	–5.0%	40	38	5.3%
Segment result (EBITDA)	(60)	(40)	50.0%	(103)	(105)	–1.9%
Depreciation, amortization and impairment	–	(1)	–	(1)	(3)	–66.7%
Segment result (EBIT)	(60)	(41)	46.3%	(104)	(108)	–3.7%

CHF in millions or number	2. quarter 2008	2. quarter 2007	Change	1. half year 2008	1. half year 2007	Change
Capital expenditure	6	–	–	6	–	–
Number of full-time equivalent employees at end of period	–	–	–	336	343	–2.0%

The segment result (EBITDA) in the first six months of 2008 improved by CHF 2 million to CHF –103 million. The main reasons are lower expenses on workforce reduction measures following drop in the number of participants in the employment company Worklink. In the second quarter of 2008 the segment result also fell as a result of higher costs for group-wide projects. Capitalized costs and other income comprise mainly income from transactions between Shared Services and other group companies.

Cashflows

CHF in millions	1. half year 2008	1. half year 2007	Change
Operating income (EBITDA)	2,427	2,042	385
Change in operating assets and liabilities and other payments or receipts from operating activities	(143)	(272)	129
Income taxes paid	(285)	(299)	14
Cash flow provided by operating activities	1,999	1,471	528
Capital expenditure	(923)	(818)	(105)
Proceeds from sale of fixed assets	10	38	(28)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(44)	(5,020)	4,976
Acquisition of investments in associates	–	(1)	1
Other cash flow from investing activities, net	85	4	81
Cash flow used in investing activities	(872)	(5,797)	4,925
Issuance and repayment of financial liabilities, net	(129)	5,019	(5,148)
Dividend payments to equity holders of Swisscom AG	(1,036)	(881)	(155)
Dividends paid to minority interests	(12)	(12)	–
Other cash flow from financing activities, net	(194)	(38)	(156)
(Cash flow used in) cash flow provided by financing activities	(1,371)	4,088	(5,459)
Net decrease in cash and cash equivalents	(244)	(238)	(6)

Cash flow from operating activities increased year-over-year by CHF 528 million (+35.9%) to CHF 1,999 million, mainly as a result of the increase in EBITDA following the acquisition of Fastweb. Net working capital changed in comparison with the end of 2007 by CHF 143 million. The increase in capital expenditure on property, plant and equipment and other intangible assets by CHF 105 million (+12.8%) to CHF 923 million is on the one hand attributable to the acquisition of Fastweb in May 2007 (CHF 278 Million); on the other hand there was a decrease in capital expenditure at Swisscom Switzerland of CHF 133 million due to lower capital expenditure in the development of network infrastructure for the new VDSL broadband technology. Swisscom AG shareholders and minority shareholders received dividends of CHF 1,048 million (previous year CHF 893 million).

On May 22, 2007 Swisscom acquired an 82.1% stake in Fastweb for a purchase price of CHF 5.1 billion. The acquisition of Fastweb was financed 100% by bank loans.

Return policy

CHF in millions	1. half year 2008	1. half year 2007	Change
Operating income (EBITDA)	2,427	2,042	385
Change in operating assets and liabilities and other payments or receipts from operating activities	(143)	(272)	129
Capital expenditure	(923)	(818)	(105)
Proceeds from sale of fixed assets	10	38	(28)
Operating free cash flow	1,371	990	381
Dividends paid to minority interests	(12)	(12)	–
Operating free cash flow attributable to equity holders of Swisscom Ltd	1,359	978	381

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

Operating free cash flow attributable to shareholders of Swisscom increased year-over-year by CHF 381 million (+39.0%) to CHF 1,359 million, of which Fastweb accounted for CHF 105 million. The remaining increase is primarily due to lower capital expenditure and a positive change in the net working capital.

Operating free cash flow due to Swisscom AG shareholders 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 was paid out.

Net debt

CHF in millions	30.06.2008	31.12.2007	Change
Bonds	1,509	1,510	(1)
Bank loans	7,237	7,171	66
Private placements	1,410	1,427	(17)
Financial liabilities from cross-border lease agreements	1,111	1,177	(66)
Finance lease obligation	491	609	(118)
Other financial liabilities	409	429	(20)
Total	12,167	12,323	(156)
Cash and cash equivalents	(707)	(957)	250
Current financial assets	(142)	(151)	9
Financial assets from crossborder-lease agreements	(801)	(862)	61
Non-current derivative-financial instruments	(35)	(16)	(19)
Net debt	10,482	10,337	145

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 non-current 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 include finance lease obligations and non-current leaseback obligations relating to buildings. The finance lease obligations recognized are covered by non-current financial assets to an extent of CHF 801 million.

Equity

CHF in millions	Attributable to equity holders of Swisscom Ltd	Attributable to minority interests	Total equity
Balance at December 31, 2007	5,574	430	6,004
Income and expense directly recognized in equity, net	(151)	(10)	(161)
Net income	840	6	846
Total recognized income and expense	689	(4)	685
Dividend payments	(1,036)	(12)	(1,048)
Acquisition of subsidiaries	–	(2)	(2)
Purchase and sale of treasury shares for share-based payments	(2)	–	(2)
Balance at June 30, 2008	5,225	412	5,637

Equity decreased by CHF 367 million to CHF 5,637 million in the year under review. On the one hand there was a net income of CHF 846 million and on the other hand dividend payments of CHF 1,048 million and a net expense of CHF 161 million recognized directly in equity. This includes losses of CHF 221 million from currency translation of foreign group companies as a result of lower exchange rates. The CHF/EUR exchange rate fell from 1.654 to 1.607 compared with the end of 2007. Cumulative currency translation adjustments recognized in equity as at June 30, 2008 amounted to CHF 209 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 and CHF 2.2 billion. The operating free cash flow as a basis for the return to the share holders is expected to lie at the upper bound of the previously announced range of CHF 2.4 to CHF 2.5 billion.

Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited			
		2. quarter 2008	2. quarter 2007	1. half year 2008	1. half year 2007
Net revenue	2	3,058	2,718	5,991	5,094
Goods and services purchased		(661)	(530)	(1,276)	(971)
Personnel expenses		(620)	(603)	(1,261)	(1,197)
Other operating expenses		(674)	(611)	(1,268)	(1,055)
Capitalized costs and other income		163	100	241	171
Operating income (EBITDA)	2	1,266	1,074	2,427	2,042
Depreciation, amortization and impairment	2	(523)	(465)	(1,030)	(814)
Operating income (EBIT)	2	743	609	1,397	1,228
Financial income and financial expense, net	4	(212)	4	(325)	(37)
Share of profit of investments in associates		12	10	18	14
Income before income taxes		543	623	1,090	1,205
Income tax expense		(122)	(146)	(244)	(261)
Net income		421	477	846	944
Net income attributable to equity holders of Swisscom Ltd	5	412	475	840	936
Net income attributable to minority interests	5	9	2	6	8
Basic and diluted earnings per share (in CHF)		7.95	9.17	16.22	18.07

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		30.06.2008	31.12.2007
Assets			
Current assets			
Cash and cash equivalents		707	957
Trade accounts receivable and other receivables		3,166	2,890
Other financial assets		142	151
Other assets		532	634
Non-current assets held for sale	7	15	15
Total current assets		4,562	4,647
Non-current assets			
Property, plant and equipment		8,205	8,315
Goodwill and other intangible assets		9,248	9,435
Investments in associates		270	257
Other financial assets		875	917
Deferred tax assets		53	65
Other non-financial assets		72	40
Total non-current assets		18,723	19,029
Total assets		23,285	23,676
Liabilities and equity			
Current liabilities			
Financial liabilities	3	789	869
Trade accounts payables and other payables		2,555	2,375
Current tax liabilities		154	248
Other non-financial liabilities		1,031	952
Total current liabilities		4,529	4,444
Non-current liabilities			
Financial liabilities	3	11,378	11,445
Accrued pension cost		525	618
Deferred tax liabilities		340	312
Other non-financial liabilities		876	853
Total non-current liabilities		13,119	13,228
Total liabilities		17,648	17,672
Equity			
Equity attributable to equity holders of Swisscom Ltd	5	5,225	5,574
Equity attributable to minority interests	5	412	430
Total equity		5,637	6,004
Total liabilities and equity		23,285	23,676

Consolidated cash flow statement (condensed)

CHF in millions	Note	unaudited	
		1. half year 2008	1. half year 2007
Cash flows from operating activities			
Operating income (EBITDA)		2,427	2,042
Change in operating assets and liabilities and other payments or receipts from operating activities		(143)	(272)
Income taxes paid		(285)	(299)
Cash flow provided by operating activities		1,999	1,471
Cash flows from investing activities			
Capital expenditure		(923)	(818)
Proceeds from sale of fixed assets		10	38
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	(44)	(5,020)
Acquisition of investments in associates		–	(1)
Other cash flow from investing activities, net		85	4
Cash flow used in investing activities		(872)	(5,797)
Cash flows from financing activities			
Issuance and repayment of financial liabilities, net		(129)	5,019
Dividend payments to equity holders of Swisscom AG	5	(1,036)	(881)
Dividends paid to minority interests	5	(12)	(12)
Other cash flow from financing activities, net		(194)	(38)
(Cash flow used in) cash flow provided by financing activities		(1,371)	4,088
Net decrease in cash and cash equivalents		(244)	(238)
Cash and cash equivalents at beginning of year		957	673
Reclassification to non-current assets held for sale		–	(36)
Currency translation of cash and cash equivalents		(6)	3
Cash and cash equivalents at end of the period		707	402

Statement of recognized income and expense (condensed)

CHF in millions	Note	unaudited	
		1. half year 2008	1. half year 2007
Currency translation adjustments on foreign operations		(221)	18
Change in fair value of cash flow hedges		65	96
Income tax effect on income and expenses directly recognized in equity		(5)	(2)
Income and expense directly recognized in equity, net	5	(161)	112
Net income	5	846	944
Total recognized income and expense		685	1,056
Attributable to equity holders of Swisscom Ltd	5	689	1,048
Attributable to minority interests	5	(4)	8

1 Accounting principles

Basis of preparation of financial statements

These financial statements are the unaudited consolidated interim financial statements of Swisscom AG and all its subsidiaries controlled directly or indirectly by the majority of votes or otherwise. The consolidated interim financial statements were prepared in compliance 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 2007. The consolidated interim financial statements have been prepared in compliance with the accounting policies described in the consolidated financial statements for the year ended December 31, 2007 with the exception of the restated segment information due to IFRS 8.

Preparing the consolidated interim financial statements requires management 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 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 the reporting period 2008 and is applying IFRS 8 «Operating Segments» earlier than required by the standard from January 1, 2008. Reporting will now be divided into the segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale», «Networks», «Fastweb», «Other Operating Segments» and «Group Headquarters». The segment «Network and IT» was renamed «Networks» in the second quarter of 2008. See Note 2.

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

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 amendment 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 amendment 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 «Employee Benefits». The amendment 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 yet 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 and was disclosed accordingly in the first quarter of 2008. The effect on depreciation and amortization for the 2008 financial year as a whole will be around CHF 120 million, of which CHF 60 million will take effect in the first six months of 2008.

Presentation of the cash flow statement

From the financial year 2008, for the purposes of clearer presentation, interest received and paid is presented under cash flow from investing and cash flow from financing activities. Previous year's 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. Under the terms of IFRS 8 the definition of reportable operating segments is based on the management approach. Accordingly, external segment reporting is based on the internal organizational and management structure, as well as internal reports to the Chief Operation Decision Maker. Swisscom's Chief Operation Decision Maker is the Board of Directors of Swisscom AG.

Reporting will now be divided into the segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business», «Wholesale», «Networks», «Fastweb», «Other Operating Segments» and «Group Headquarters». The previous year's figures have been reclassified accordingly. The segment «Network and IT» was renamed «Networks» in the second quarter of 2008.

The business divisions of Swisscom Switzerland are disclosed as individual operating segments. The support divisions are included in the «Network» division. Revenue and segment results correspond to the internal reporting system. No respective network costs are charged for the financial management of customer segments. The segment results of the customer segments «Residential Customers», «Small and Medium-Sized Enterprises», «Corporate Business» and the «Wholesale» division consequently do not include any network costs. The segment results therefore correspond to a contribution margin. Network costs are planned, monitored and controlled by the Networks division. The «Networks» segment is managed as a cost center. Consequently no revenue is credited to the «Networks» segment. The segment result of the segment «Networks» consists of operating expenses and depreciation and amortization less capitalized costs and other income.

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 and is reported as one single unit to Swisscom's Board of Directors. Fastweb is the second-largest fixed network operator and leading provider of IP-based services in Italy.

The segment «Other Operating Segments» mainly comprises Swisscom IT Services, Swisscom Participations, Hospitality Services and Airbites Central & Eastern Europe. Swisscom IT Services comprises the group companies 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.

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

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

Segment assets include all operating assets used by a segment and primarily comprise receivables, inventories, property, plant and equipment and intangible assets. In line with IFRS 8, goodwill was reallocated to the segments according to the relative value method.

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

1. half year 2008, CHF in millions	unaudited						Total Swisscom Switzer- land
	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimination	
Net revenue from external customers	2,337	543	844	509	–	–	4,233
Intersegment net revenue	189	29	76	332	–	(582)	44
Net revenue	2,526	572	920	841	–	(582)	4,277
Segment result before depreciation and amortization	1,491	420	450	295	(724)	–	1,932
Depreciation, amortization and impairment	(30)	(1)	(21)	–	(462)	2	(512)
Segment result	1,461	419	429	295	(1,186)	2	1,420

1. half year 2008, CHF in millions	Total Swisscom Switzer- land	Fastweb	Others	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,233	1,304	453	1	–	5,991
Intersegment net revenue	44	–	452	2	(498)	–
Net revenue	4,277	1,304	905	3	(498)	5,991
Segment result before depreciation and amortization	1,932	439	164	(103)	(5)	2,427
Depreciation, amortization and impairment	(512)	(411)	(114)	(1)	8	(1,030)
Segment result	1,420	28	50	(104)	3	1,397
Financial income and financial expense, net	–	–	–	–	–	(325)
Share of profit of investments in associates	–	–	–	–	–	18
Income tax expense	–	–	–	–	–	(244)
Net income	–	–	–	–	–	846

1. half year 2007, CHF in millions, restated	unaudited						Total Swisscom Switzer- land
	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	
Net revenue from external customers	2,379	538	824	515	–	–	4,256
Intersegment net revenue	190	28	76	345	–	(599)	40
Net revenue	2,569	566	900	860	–	(599)	4,296
Segment result before depreciation and amortization	1,536	409	432	277	(707)	(6)	1,941
Depreciation, amortization and impairment	(17)	–	(18)	–	(544)	(14)	(593)
Segment result	1,519	409	414	277	(1,251)	(20)	1,348

1. half year 2007, CHF in millions, restated	Total Swisscom Switzer- land	Fastweb	Others	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,256	281	556	1	–	5,094
Intersegment net revenue	40	–	457	2	(499)	–
Net revenue	4,296	281	1,013	3	(499)	5,094
Segment result before depreciation and amortization	1,941	79	135	(105)	(8)	2,042
Depreciation, amortization and impairment	(593)	(72)	(152)	(3)	6	(814)
Segment result	1,348	7	(17)	(108)	(2)	1,228
Financial income and financial expense, net	–	–	–	–	–	(37)
Share of profit of investments in associates	–	–	–	–	–	14
Income tax expense	–	–	–	–	–	(261)
Net income	–	–	–	–	–	944

The table below shows the allocation of assets to the segments:

unaudited							Total Swisscom Switzer- land
CHF in millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	
Segment assets	3,485	843	1,164	479	4,900	(4)	10,867
Total assets at June 30, 2008	3,485	843	1,164	479	4,900	(4)	10,867
Segment assets	3,442	820	1,172	484	4,863	(6)	10,775
Total assets at December 31, 2007, restated	3,442	820	1,172	484	4,863	(6)	10,775

CHF in millions	Total Swisscom Switzer- land	Fastweb	Others	Group Head- quarters	Elimi- nation	Total
Segment assets	10,867	8,745	2,105	263	(513)	21,467
Assets not allocated	–	–	–	–	–	1,818
Total assets at June 30, 2008	10,867	8,745	2,105	263	(513)	23,285
Segment assets	10,775	8,955	1,994	370	(565)	21,529
Assets not allocated	–	–	–	–	–	2,147
Total assets at December 31, 2007, restated	10,775	8,955	1,994	370	(565)	23,676

3 Financial liabilities

CHF in millions	unaudited	
	30.06.2008	31.12.2007
Bank loans	607	570
Finance lease obligation	28	122
Other financial liabilities	154	177
Total current financial liabilities	789	869
Bank loans	6,630	6,601
Bonds	1,509	1,510
Private placements	1,410	1,427
Financial liabilities from cross-border lease agreements	1,083	1,159
Finance lease obligation	482	487
Derivative financial instruments	237	219
Other financial liabilities	27	42
Total non-current financial liabilities	11,378	11,445
Total financial liabilities	12,167	12,314

Financial liabilities from cross-border lease agreements

Between 1996 and 2002, Swisscom entered into various cross-border lease agreements, under the terms of which parts of its fixed and mobile networks were to be sold or leased long-term and then leased back.

Swisscom defeased a major part of the lease obligations through highly rated financial assets and several payment undertaking agreements. The financial assets were irrevocably placed with trusts. The payment undertaking agreements were signed by financial institutions with a high credit standing. In accordance with Interpretation SIC-27 «Evaluating the substance of transactions involving the legal form of a lease», these financial assets or payment undertaking agreements and the liabilities in the same amount are offset and not presented in the balance sheet.

As of June 30, 2008 the financial liabilities and assets resulting from these transactions including interest totaled USD 4,086 million (CHF 4,171 million) and USD 3,785 million (CHF 3,861 million) respectively. Of this amount USD 2,999 million (CHF 3,059 million) are not disclosed in the balance sheet in accordance with SIC27. The financial liabilities of CHF 1,111 million disclosed (December 31, 2007 CHF 1,177 million) include CHF 801 million (December 31, 2007 CHF 862 million) which are covered by financial assets.

Swisscom concluded an agreement on the premature termination of three fourths of the cross-border lease volume. The completion of the termination agreement by the relative parties is subject to official approval. Pre-tax costs of CHF 126 million are expected as a result of the termination of the agreements, for which provisions were recognized on June 30, 2008. The recognition of these provisions was recorded as financial expenditure. The impact on post-tax results amounts to CHF 99 million. Income from completion of the terminated transactions totaling CHF 177 million (CHF 255 million for the total transactions) was previously recognized as financial income on the transaction date in accordance with SIC-27.

By termination of the agreements, liabilities and assets from the continued cross-border lease agreements will be reduced to USD 1,078 million (CHF 1,103 million) and USD 943 million (CHF 962 million) respectively. Should the termination of the agreement not be implemented, Swisscom would potentially have to replace the assets, serving to secure the leasing liabilities, which would add around another CHF 115 million to the above mentioned costs for the termination of the agreement.

Swisscom is exposed to market-related risks in connection with cross-border lease agreements, in particular credit ratings of counter parties to financial assets or payment undertaking agreements.

4 Net financial result

CHF in millions	unaudited	
	1. half year 2008	1. half year 2007
Interest income	57	60
Interest expense	(221)	(169)
Net interest expense	(164)	(109)
(Foreign exchange losses) foreign exchange gains	(21)	88
Other financial income and expense, net	(140)	(16)
Financial income and financial expense, net	(325)	(37)

The other financial result includes the recognition of provisions in the second quarter of 2008 of CHF 126 million in connection with the early termination of cross-border lease agreements. See Note 3. Foreign exchange gains as at June 30, 2007 includes gains from currency hedges of CHF 72 million in connection with the acquisition of Fastweb.

5 Equity

CHF in millions	unaudited							Total 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, 2006	57	370	6,177	(2,213)	22	4,413	67	4,480
Income and expense directly recognized in equity, net	–	–	–	–	112	112	–	112
Net income	–	–	936	–	–	936	8	944
Total recognized income and expense	–	–	936	–	112	1,048	8	1,056
Dividend payments	–	–	(881)	–	–	(881)	(12)	(893)
Purchase of treasury shares for share-based payments	–	–	–	(37)	–	(37)	–	(37)
Sale of treasury shares for share based payments	–	–	–	37	–	37	–	37
Acquisition of subsidiaries	–	–	–	–	–	–	305	305
Balance at June 30, 2007	57	370	6,232	(2,213)	134	4,580	368	4,948
Balance at December 31, 2007	57	370	7,364	(2,213)	(4)	5,574	430	6,004
Income and expense directly recognized in equity, net	–	–	–	–	(151)	(151)	(10)	(161)
Net income	–	–	840	–	–	840	6	846
Total recognized income and expense	–	–	840	–	(151)	689	(4)	685
Dividend payments	–	–	(1,036)	–	–	(1,036)	(12)	(1,048)
Acquisition of subsidiaries	–	–	–	–	–	–	(2)	(2)
Purchase of treasury shares for share-based payments	–	–	–	(31)	–	(31)	–	(31)
Sale of treasury shares for share based payments	–	–	(2)	31	–	29	–	29
Balance at June 30, 2008	57	370	7,166	(2,213)	(155)	5,225	412	5,637

Swisscom offers two share plans to its non-management employees, management, members of the Executive Board and Board of Directors. In the first six months of 2008 shares with a market value totaling CHF 29 million (previous year CHF 37 million) have been granted as part of these two schemes. The participants invested totally CHF 23 million (previous year CHF 28 million) for the share-based payment plans. In the first six months of 2008 expenses for share-based payments of CHF 6 million (previous year CHF 9 million) were recognized.

On April 22, 2008, the General Meeting of Shareholders agreed to the payment of an ordinary dividend of CHF 18 per share and an extraordinary dividend of CHF 2 per share. The dividend payment totaling CHF 1,036 million was effected on April 25, 2008.

In September 2006 Swisscom acquired 4,916,618 of its own shares as part of a share buy-back scheme for an amount of CHF 2.2 billion. The General Meeting of Shareholders on April 22, 2008 resolved to destroy 3,277,561 of these shares in the form of a share capital reduction. The share capital reduction was effected in July 2008.

6 Business combinations

Payments totaling CHF 44 million were made in the first six months of 2008 for the acquisition of group companies. This is made up of CHF 13 million for deferred purchase price payments and CHF 31 million for subsidiaries acquired in 2008. The newly acquired subsidiaries are aggregated in the financial statements as non-significant acquisitions.

On January 1, 2008 Swisscom Directories acquired a 100% stake in local.ch AG from the PubliGroup. Local.ch is a regional search engine in Switzerland.

At the end of March 2007 Swisscom signed a contract with The Phone House AG on the acquisition of their branch network in Switzerland (Phone House). The acquisition was completed on July 1, 2008 following the approval of the Competition Commission (WEKO) on June 3, 2008.

On June 23, 2008 Swisscom Switzerland completed the acquisition of 100% stake in Webcall GmbH. Webcall operates in the field of Microsoft-based Unified Communications solutions (UC).

The acquisitions in 2008 are provisionally included in the consolidated financial statements as at June 30, 2008, since, at the time the financial statements were prepared, Swisscom was not in a position to finalize the purchase price allocation for these transactions. Assets including Goodwill of CHF 44 million and liabilities of CHF 15 million were recognized based on the provisional purchase price allocation and the prepayment of the purchase price for the acquisition of Phone House. Due to the imminent acquisition of Phone House it is not practicable to consider at the balance sheet date as at June 30, 2008 the effects of the acquisitions on net revenue and net income in the first six months of 2008.

7 Non-current assets held for sale

Non-current assets held for sale as at June 30, 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.

8 Provisions and contingent liabilities

On June 30, 2008 provisions for the current interconnection proceedings involving Fixnet amounted to CHF 358 million. On December 31, 2007 provisions amounted to CHF 356 million.

In the proceedings in connection with mobile termination prices, 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, 2008.

If the court rules that Swisscom has abused the market, civil claims could be asserted against the company. Swisscom considers it unlikely that such civil claims could be asserted.

Provisions of CHF 126 million were recognized in the second quarter of 2008 in connection with the early termination of cross-border lease agreements. See Note 3.

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

9 Related-party transactions

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

10 Events after the balance sheet date

Approval of the interim report

The Swisscom AG Board of Directors approved the release of this interim report on August 12, 2008.

Report of the Statutory Auditors about their Review

Review Report to the Board of Directors of Swisscom AG, Ittigen

Introduction

We have been engaged to review the accompanying consolidated condensed balance sheet of Swisscom AG as at June 30, 2008 and the related consolidated condensed statements of income, cash flows and recognized income and expense for the six-month period then ended, and selected explanatory notes (the consolidated interim financial information) on pages 20 to 31.

The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at June 30, 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Hanspeter Stocker Rolf Hauenstein

Gümligen-Berne, August 12, 2008

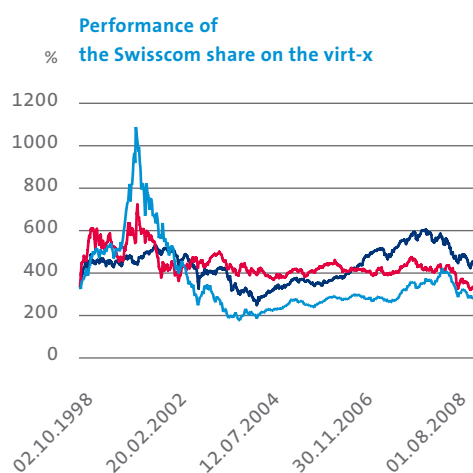
31.12.2007 – 30.06.2008

virt-x

Closing price at 30.06.2008 ¹	CHF 340.75
Closing price at 31.12.2007 ¹	CHF 442.00
Year high ¹	CHF 444.00
Year low ¹	CHF 325.00
Total trading volume	26 869 611
Daily average	206 689
Total trade volume in millions	CHF 10 084.18
Daily average in millions	CHF 77.57

Source: Bloomberg

¹ paid prices



Share information

On June 30, 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 June 30, 2008 Swisscom had 47,496 registered shareholders and an average non-allotted share level of approximately 11%.

At the General Meeting of Shareholders on April 22, 2008 Swisscom AG 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 shares were destroyed in July 2008.

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, was 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

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 Depositary Shares (ADS) at a ratio of 1:10 in the USA (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	30.06.08
Net revenue	2,376	2,718	2,988	3,007	11,089	2,933	3,058			5,991
Goods and services purchased	(441)	(530)	(690)	(687)	(2,348)	(615)	(661)			(1,276)
Personnel expenses	(594)	(603)	(599)	(646)	(2,442)	(641)	(620)			(1,261)
Other operating expenses	(444)	(611)	(565)	(609)	(2,229)	(594)	(674)			(1,268)
Capitalized costs and other income	71	100	99	161	431	78	163			241
Operating income (EBITDA)	968	1,074	1,233	1,226	4,501	1,161	1,266			2,427
Depreciation, amortization and impairment	(349)	(465)	(498)	(674)	(1,986)	(507)	(523)			(1,030)
Operating income (EBIT)	619	609	735	552	2,515	654	743			1,397
Gain on sale of subsidiaries	–	–	157	5	162	–	–			–
Net financial result	(41)	4	(89)	(65)	(191)	(113)	(212)			(325)
Share of profit of investments in associates	4	10	8	10	32	6	12			18
Income tax expense	(115)	(146)	(122)	(64)	(447)	(122)	(122)			(244)
Net income	467	477	689	438	2,071	425	421			846
Attributable to equity holders of Swisscom Ltd	461	475	691	441	2,068	428	412			840
Attributable to minority interests	6	2	(2)	(3)	3	(3)	9			6
Net revenue by segments ¹										
Swisscom Switzerland	2,125	2,171	2,196	2,201	8,693	2,115	2,162			4,277
Fastweb	–	281	586	606	1,473	618	686			1,304
Other Operating segments	491	522	458	473	1,944	438	467			905
Group Headquarters	2	1	2	1	6	1	2			3
Intersegment elimination	(242)	(257)	(254)	(274)	(1,027)	(239)	(259)			(498)
Total net revenue	2,376	2,718	2,988	3,007	11,089	2,933	3,058			5,991
Segment results										
Swisscom Switzerland	963	978	1,013	932	3,886	953	979			1,932
Fastweb	–	79	156	263	498	179	260			439
Other Operating segments	73	62	103	79	317	77	87			164
Group Headquarters	(65)	(40)	(41)	(38)	(184)	(43)	(60)			(103)
Intersegment elimination	(3)	(5)	2	(10)	(16)	(5)	–			(5)
Total segment result (EBITDA)	968	1,074	1,233	1,226	4,501	1,161	1,266			2,427
Capital expenditure										
Swisscom Switzerland	269	355	282	335	1,241	241	250			491
Fastweb	–	85	192	291	568	161	202			363
Other Operating segments	49	70	55	64	238	27	39			66
Group Headquarters	–	–	–	–	–	–	6			6
Intersegment elimination	(3)	(7)	(4)	(8)	(22)	(9)	6			(3)
Capital expenditure	315	503	525	682	2,025	420	503			923
Operating free cash flow attributable to equity holders of Swisscom Ltd	443	535	624	475	2,077	751	608			1,359
Number of full-time equivalent employees at end of period	17,157	20,498	19,658	19,844	19,844	19,718	19,795			19,795

¹ 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	30.06.08
Swisscom Switzerland										
Net revenue and results										
Residential Customers	565	594	615	600	2,374	557	559			1,116
Small and Medium-Sized Enterprises	92	101	104	96	393	101	109			210
Corporate Business	121	128	129	134	512	133	145			278
Wholesale	110	103	114	97	424	116	112			228
Mobile revenue	888	926	962	927	3,703	907	925			1,832
Residential Customers	347	351	354	357	1,409	359	364			723
Small and Medium-Sized Enterprises	89	89	89	89	356	90	90			180
Corporate Business	43	44	43	43	173	42	41			83
Wholesale	49	52	50	51	202	46	49			95
Wireline accesss revenue	528	536	536	540	2,140	537	544			1,081
Residential Customers	176	168	165	170	679	164	159			323
Small and Medium-Sized Enterprises	67	60	60	59	246	59	60			119
Corporate Business	44	48	46	47	185	44	44			88
Wholesale	63	70	68	68	269	62	51			113
Wireline traffic revenue	350	346	339	344	1,379	329	314			643
Residential Customers	88	90	75	72	325	84	91			175
Small and Medium-Sized Enterprises	22	18	17	20	77	16	18			34
Corporate Business	194	202	211	238	845	191	204			395
Wholesale	35	33	34	39	141	34	39			73
Other revenue	339	343	337	369	1,388	325	352			677
Residential Customers	1,176	1,203	1,209	1,199	4,787	1,164	1,173			2,337
Small and Medium-Sized Enterprises	270	268	270	264	1,072	266	277			543
Corporate Business	402	422	429	462	1,715	410	434			844
Wholesale	257	258	266	255	1,036	258	251			509
Revenue from external customers	2,105	2,151	2,174	2,180	8,610	2,098	2,135			4,233
Segment results										
Residential Customers	762	774	785	702	3,023	733	758			1,491
Small and Medium-Sized Enterprises	207	202	203	193	805	206	214			420
Corporate Business	215	217	233	227	892	217	233			450
Wholesale	140	137	141	220	638	143	152			295
Networks	(359)	(348)	(349)	(409)	(1,465)	(346)	(378)			(724)
Intersegment elimination	(2)	(4)	–	(1)	(7)	–	–			–
Segment result (EBITDA)	963	978	1,013	932	3,886	953	979			1,932
Margin as % of net revenue	45.3	45.0	46.1	42.3	44.7	45.1	45.3			45.2

	1. quarter	2. quarter	3. quarter	4. quarter	2007	1. quarter	2. quarter	3. quarter	4. quarter	30.06.08
Swisscom Switzerland										
Operational data										
Residential Customers	2,929	2,914	2,898	2,888	2,888	2,868	2,854			2,854
Small and Medium-Sized Enterprises	523	502	502	509	509	509	512			512
Corporate Business	275	296	296	289	289	288	288			288
Number of PSTN/ISDN lines in thousands	3,727	3,712	3,696	3,686	3,686	3,665	3,654			3,654
Residential Customers	856	917	965	1,005	1,005	1,050	1,078			1,078
Small and Medium-Sized Enterprises	125	131	136	142	142	148	152			152
Corporate Business	14	17	17	17	17	18	19			19
Wholesale	439	441	440	438	438	439	450			450
Number of broadband access lines in thousands	1,434	1,506	1,558	1,602	1,602	1,655	1,699			1,699
Residential Customers	2,040	2,049	2,058	2,075	2,075	2,091	2,102			2,102
Small and Medium-Sized Enterprises	313	329	344	360	360	380	392			392
Corporate Business	496	517	551	578	578	591	623			623
Postpaid mobile subscribers in thousands	2,849	2,895	2,953	3,013	3,013	3,062	3,117			3,117
Residential Customers	1,858	1,881	1,941	1,994	1,994	2,038	2,064			2,064
Prepaid mobile subscribers in thousands	1,858	1,881	1,941	1,994	1,994	2,038	2,064			2,064
Residential Customers	47	49	50	46	48	43	44			44
Small and Medium-Sized Enterprises	100	114	112	99	106	96	100			98
Corporate Business	94	91	88	86	89	79	81			80
ARPU Mobile in CHF (monthly)	56	58	59	55	57	51	53			52
Residential Customers	86	90	88	85	88	92	95			94
Small and Medium-Sized Enterprises	197	221	219	213	212	199	211			205
Corporate Business	225	221	208	217	218	194	202			198
AMPU Mobile in minutes (monthly)	108	113	111	110	110	112	116			114
Traffic retail in million minutes	2,897	2,679	2,590	2,713	10,879	2,698	2,620			5,318
Traffic wholesale in million minutes	3,918	3,615	3,430	3,554	14,517	3,468	3,218			6,686
Fastweb (EUR in millions)										
Residential Customers	–	86	178	179	443	200	204			404
Small and Medium-Sized Enterprises	–	27	57	53	137	57	58			115
Corporate Business	–	57	119	133	309	132	163			295
Revenue from external customers	–	170	354	365	889	389	425			814
Number of subscribers in thousands	–	1,146	1,201	1,263	1,263	1,338	1,398			1,398
ARPU in EUR (annually)	–	868	820	842	860	794	761			777

Cautionary statement regarding forward-looking statements

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

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