

January–September 2008  
Interim Report



# Facts & Figures

CHF in millions, except where indicated	30.09.2008	30.09.2007	Change
<b>Net revenue and results</b>			
Net revenue	9,085	8,082	12.4%
Operating income (EBITDA) <sup>1</sup>	3,615	3,275	10.4%
EBITDA as % of net revenue	%	39.8	40.5
Operating income (EBIT) <sup>2</sup>		2,066	1,963
Net income		1,316	1,633
Net income attributable to equity holders of Swisscom Ltd		1,313	1,627
Earnings per share	CHF	25.35	31.41
			-19.3%
<b>Balance sheet and cash flow</b>			
Equity at end of period		5,880	5,542
Equity ratio at end of period <sup>3</sup>	%	24.8	23.4
Operating free cash flow attributable to equity holders of Swisscom Ltd <sup>4</sup>		2,124	1,602
Capital expenditure		1,365	1,343
Net debt at end of period <sup>5</sup>		9,904	10,513
			-5.8%
<b>Employees</b>			
Number of full-time equivalent employees at end of period <sup>6</sup>	FTE	19,995	19,658
Average number of full-time equivalent employees <sup>7</sup>	FTE	19,852	18,730
			6.0%
<b>Operational data</b>			
Number of PSTN/ISDN lines in Switzerland	in thousands	3,640	3,696
Broadband access lines in Switzerland	in thousands	1,721	1,558
Mobile subscribers in Switzerland	in thousands	5,284	4,894
Bluewin TV subscribers in Switzerland	in thousands	95	52
Number of subscribers in Italy	in thousands	1,441	1,201
			20.0%
<b>Share information</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 at end of period	CHF	331.50	442.75
Market capitalisation at end of period <sup>8</sup>		17,172	22,935
			-25.1%

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 178 and 309 full-time equivalent employees of the employment company Worklink at September 30, 2008 and 2007, respectively.

7 Excludes 217 and 369 full-time equivalent employees of the employment company Worklink at September 30, 2008 and 2007, respectively. At September 30, 2007, the figures include 1,709 full-time equivalent employees (3,048 full-time equivalent employees at September 30, 2008) of Fastweb and 718 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.

# Financial Review

## Summary

Swisscom reported an increase in net revenue in the first nine months of 2008 of 12.4% to CHF 9,085 million and in operating income before interest, taxes, depreciation and amortization (EBITDA) of 10.4% to CHF 3,615 million. The increase in revenue and EBITDA is mainly attributable to the acquisition of the Italian company Fastweb in May 2007. In the first nine months of 2008 Fastweb's share of net revenue was CHF 1,991 million and of EBITDA CHF 644 million. Adjusted to take into account the acquisition of Fastweb and the sale of subsidiaries in the previous year, net revenue increased year-over-year by CHF 35 million (+0.4%), and the comparable EBITDA slightly decreased by CHF 38 million (-1.2%). The decrease in EBITDA is due to the successful launch of the iPhone in July 2008. Over 100,000 devices were sold up to the end of September 2008. The subsidized sale of the handsets together with dealer commissions had a negative effect on EBITDA in the third quarter of 2008 totaling CHF 45 million. Net income fell by CHF 317 million (-19.4%) to CHF 1,316 million as a result of the early termination of around three quarters of the long-term lease agreements in the first six months of 2008 and the gain from the sale of Antenna Hungária recorded in the prior year. The operating free cash flow in favor of Swisscom shareholders increased by 32.6% to CHF 2,124 million in the first nine months of 2008.

A CHF/EUR exchange rate of 1.65 is taken for the so far announced outlook for the financial year 2008. The target net revenue of approximately CHF 12.3 billion will probably not be achieved due to the current currency exchange rate situation. However, an unchanged EBITDA of approximately CHF 4.8 billion is expected. Capital expenditure will rather lie at the lower bound of the previously announced range between CHF 2.1 billion and CHF 2.2 billion. Operating free cash flow as a basis for the distribution to the shareholders is expected to lie at the upper bound of the range of CHF 2.4 billion to CHF 2.5 billion.

CHF in millions, except where indicated	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Net revenue</b>	<b>3,094</b>	<b>2,988</b>	<b>3.5%</b>	<b>9,085</b>	<b>8,082</b>	<b>12.4%</b>
Operating expenses	(1,988)	(1,854)	7.2%	(5,793)	(5,077)	14.1%
Capitalized costs and other income	82	99	-17.2%	323	270	19.6%
<b>Operating income (EBITDA)</b>	<b>1,188</b>	<b>1,233</b>	<b>-3.6%</b>	<b>3,615</b>	<b>3,275</b>	<b>10.4%</b>
Depreciation, amortization and impairment	(519)	(498)	4.2%	(1,549)	(1,312)	18.1%
<b>Operating income (EBIT)</b>	<b>669</b>	<b>735</b>	<b>-9.0%</b>	<b>2,066</b>	<b>1,963</b>	<b>5.2%</b>
Gain on sale of subsidiaries	–	157	–	–	157	–
Financial income and financial expense, net	(70)	(89)	-21.3%	(395)	(126)	213.5%
Share of profit of investments in associates	10	8	25.0%	28	22	27.3%
<b>Income before income taxes</b>	<b>609</b>	<b>811</b>	<b>-24.9%</b>	<b>1,699</b>	<b>2,016</b>	<b>-15.7%</b>
Income tax expense	(139)	(122)	13.9%	(383)	(383)	–
<b>Net income</b>	<b>470</b>	<b>689</b>	<b>-31.8%</b>	<b>1,316</b>	<b>1,633</b>	<b>-19.4%</b>
Net income attributable to equity holders of Swisscom Ltd	473	691	-31.5%	1,313	1,627	-19.3%
Net income attributable to minority interests	(3)	(2)	50.0%	3	6	-50.0%
Average number of shares outstanding (in millions)	51.802	51.802	–	51.802	51.802	–
Earnings per share (in CHF)	9.13	13.34	-31.5%	25.35	31.41	-19.3%

## 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

finance, human resource and strategy of Swisscom Switzerland 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. The reported 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» 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 «Operating Segments» is therefore being applied earlier than required from the 2008 financial year.

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

Net revenue of CHF 3,094 million in the third quarter of 2008 is 3.5% or CHF 106 million higher year-over-year. Adjusted to take into account the sales of subsidiaries in 2007, Swisscom recorded an increase in net revenue of CHF 126 million (+4.2%) in the third quarter of 2008. Of this CHF 101 million (+17.2%) was attributable to the strong growth in net revenue at Fastweb. The decline in traditional fixed network business could be largely compensated for by the continuing increase in the number of broadband access lines and mobile subscribers and growth in new business areas such as Bluewin TV. In the third quarter of 2008 revenues from mobile handsets rose sharply as a result of the successful launch of the Apple iPhone. The launch of the iPhone with a sale of over 100,000 sets led to a sharp increase in the number of new subscribers in the third quarter of 2008 and is seen as an investment in future.

EBITDA decreased in the third quarter of 2008 by CHF 45 million (-3.6%) year-over-year to CHF 1,188 million. Apart from price reductions in the traditional telephony business, this decline in the third quarter of 2008 is mainly due to the launch of the iPhone which had a negative impact on EBITDA of CHF 45 million. Fastweb recorded growth in EBITDA in the third quarter of 2008 of CHF 49 million (+31.4%) to CHF 205 Million.

In the first nine months of 2008, the cumulative net revenue of CHF 9,085 million was 12.4% or CHF 1,003 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 1,124 million) and the subsidiaries sold in 2007, Antenna Hungária, Accarda and Infonet (net revenue previous year CHF 156 million), net revenue increased on a comparable basis by CHF 35 million (+0.4%). In the first nine months of 2008, the decline in traditional fixed network business could be almost fully offset 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. In addition, revenue from handsets increased as a result of the launch of the iPhone.

The operating income (EBITDA) increased by CHF 340 million (+10.4%) to CHF 3,615 million in the first nine months of 2008. Fastweb contributed CHF 409 million to this rise. On a comparable basis EBITDA decreased by CHF 38 million (-1.2%). The adjusted decline in EBITDA is primarily due to costs in connection with the launch of the iPhone in the third quarter of 2008 which had a negative effect on EBITDA of CHF 45 million.

The table below shows the impact of changes in the scope of consolidation on net revenue and EBITDA:

CHF in millions	Net revenue	EBITDA
Financial statement as of September 30, 2008	9,085	3,615
Financial statement as of September 30, 2007	8,082	3,275
<b>Changes to the previous year</b>	<b>1,003</b>	<b>340</b>
<b>Analysis of changes to the previous year</b>		
Effect of acquisition of Fastweb	1,124	409
Effect of other changes in scope of consolidation	(156)	(31)
Other changes	35	(38)
<b>Total changes to the previous year</b>	<b>1,003</b>	<b>340</b>

#### Operating expenses

Operating expenses in the third quarter of 2008 increased year-over-year by CHF 134 million (+7.2%) to CHF 1,988 million. This rise is due to the growth in net revenue at Fastweb and costs in connection with the launch of the iPhone in July 2008. In the other segments Swisscom reports falling costs.

Cumulative operating expenses increased year-over-year by CHF 716 million (+14.1%) to CHF 5,793 million. Adjusted to take into account the acquisition of Fastweb (CHF 834 million) and the sale of subsidiaries, operating expenses were up CHF 9 million (+0.2%) year-over-year. The increase in operating expenses is mainly due to costs in connection with the launch of the iPhone in the third quarter of 2008. The effects of lower wholesale prices for international roaming and the decline in wholesale traffic costs due to lower volumes were stronger than the increase in costs of materials and services purchased due to growth in the areas of outsourcing and system integration and the increase in volume of mobile traffic. Lower costs for Bluewin TV as well as cost savings throughout the Group also helped keep costs down. Last year's figures also included the costs of the interactive TV remote control Betty which was discontinued at the end of 2007.

#### Capitalized costs and other income

Capitalized costs and other income fell year-over-year in the third quarter of 2008 by CHF 17 million (-17.2%) to CHF 82 million. Capitalized costs and other income cumulatively rose year-over-year by CHF 53 million (+19.6%) to CHF 323 million. Fastweb contributed CHF 119 million to this rise. This includes a one-off amount of EUR 30 million (CHF 48 million) recorded 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 costs and other income decreased year-over-year by a cumulative CHF 65 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 nine months of 2008 by CHF 237 million (+18.1%) to CHF 1,549 million is mainly attributable to the acquisition of Fastweb (CHF 384 million). Part of the acquisition costs for Fastweb were capitalized within the scope of purchase 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 nine months of 2008, corresponding amortization amounted to CHF 143 million.

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 effect on depreciation for the first nine months of 2008 was CHF 90 million. Depreciation resulting from this change in useful lives will decrease year-over-year by around CHF 120 million for 2008 as a whole.

### Gain from the sale of subsidiaries

On July 19, 2007 the disposal of the Hungarian subsidiary Antenna Hungária was completed for a purchase price of EUR 328 million (CHF 543 million). The sale led to a pre-tax gain of CHF 157 million. The gain includes gains from currency translation of CHF 40 million which were previously recognized under consolidated equity. Income tax of CHF 1 million was payable on the sale of Antenna Hungária.

### Net financial result

Net financial expense increased year-over-year by CHF 269 million to CHF 395 million in the first nine months of 2008. The increase is due on the one hand to higher net interest expense of CHF 71 million in connection with the acquisition of Fastweb, as well as 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 recognized 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 383 million (previous year CHF 383 million), which corresponds to an effective income tax rate of 22.5% (previous year 19.0%). Income tax payments in the first nine months of 2008 fell year-over-year by CHF 40 million to CHF 314 million.

### Net income and earnings per share

Net income decreased by CHF 317 million (-19.4%) to CHF 1,316 million in the first nine months of 2008, despite higher EBITDA. The decline in net income is primarily due to amortization of CHF 143 million of acquisition costs for Fastweb capitalized as intangible assets, a lower foreign exchange result of CHF 81 million 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, as well as a gain of CHF 157 million recorded in the prior year from the sale of Antenna Hungária.

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 19.3% to CHF 1,313 million. Earnings per share fell accordingly in the first nine months of 2008 from CHF 31.41 to CHF 25.35.

### Results of the Segments

The financial reporting covers 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Swisscom Switzerland	2,206	2,196	0.5%	6,483	6,492	-0.1%
Fastweb	687	586	17.2%	1,991	867	129.6%
Other Operating segments	447	458	-2.4%	1,352	1,471	-8.1%
Group Headquarters	2	2	–	5	5	–
Intersegment elimination	(248)	(254)	-2.4%	(746)	(753)	-0.9%
<b>Total net revenue</b>	<b>3,094</b>	<b>2,988</b>	<b>3.5%</b>	<b>9,085</b>	<b>8,082</b>	<b>12.4%</b>

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

CHF in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Swisscom Switzerland	942	1,013	-7.0%	2,874	2,954	-2.7%
Fastweb	205	156	31.4%	644	235	174.0%
Other Operating segments	86	103	-16.5%	250	238	5.0%
Group Headquarters	(35)	(41)	-14.6%	(138)	(146)	-5.5%
Intersegment elimination	(10)	2	–	(15)	(6)	150.0%
<b>Total segment result (EBITDA)</b>	<b>1,188</b>	<b>1,233</b>	<b>-3.6%</b>	<b>3,615</b>	<b>3,275</b>	<b>10.4%</b>

**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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Net revenue</b>						
Residential Customers	1,246	1,209	3.1%	3,583	3,588	-0.1%
Small and Medium-Sized Enterprises	279	270	3.3%	822	808	1.7%
Corporate Business	433	429	0.9%	1,277	1,253	1.9%
Wholesale	231	266	-13.2%	740	781	-5.2%
<b>Revenue from external customers</b>	<b>2,189</b>	<b>2,174</b>	<b>0.7%</b>	<b>6,422</b>	<b>6,430</b>	<b>-0.1%</b>
Intersegment revenue	17	22	-22.7%	61	62	-1.6%
<b>Net revenue Swisscom Switzerland</b>	<b>2,206</b>	<b>2,196</b>	<b>0.5%</b>	<b>6,483</b>	<b>6,492</b>	<b>-0.1%</b>
<b>Segment results</b>						
Residential Customers	719	785	-8.4%	2,210	2,321	-4.8%
Small and Medium-Sized Enterprises	214	203	5.4%	634	612	3.6%
Corporate Business	230	233	-1.3%	680	665	2.3%
Wholesale	132	141	-6.4%	427	418	2.2%
Networks	(355)	(349)	1.7%	(1,079)	(1,056)	2.2%
Intersegment elimination	2	–	–	2	(6)	–
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>942</b>	<b>1,013</b>	<b>-7.0%</b>	<b>2,874</b>	<b>2,954</b>	<b>-2.7%</b>
<i>Margin as % of net revenue</i>	42.7	46.1		44.3	45.5	
Depreciation, amortization and impairment	(262)	(290)	-9.7%	(774)	(883)	-12.3%
<b>Segment result (EBIT) Swisscom Switzerland</b>	<b>680</b>	<b>723</b>	<b>-5.9%</b>	<b>2,100</b>	<b>2,071</b>	<b>1.4%</b>

Number of wireline lines in thousands	30.09.2008	30.09.2007	Change
Number of PSTN/ISDN lines	3,640	3,696	-1.5%
Broadband access lines	1,721	1,558	10.5%
Full access lines	12	–	–
Bluewin TV subscribers	95	52	82.7%

Number of mobile subscribers in thousands	30.09.2008	30.09.2007	Change
Postpaid	3,192	2,953	8.1%
Prepaid	2,092	1,941	7.8%
<b>Total number of mobile subscribers (SIM-cards)</b>	<b>5,284</b>	<b>4,894</b>	<b>8.0%</b>

ARPU und AMPU Mobile in CHF and minutes, respectively	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	54	59	-8.5%	53	58	-8.6%
Average minutes per user (AMPU) per mobile subscriber (monthly)	114	111	2.7%	114	111	2.7%

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	241	282	-14.5%	732	906	-19.2%
Number of full-time equivalent employees at end of period	–	–	–	11,939	11,586	3.0%

Swisscom Switzerland's revenue with external customers remained more or less stable in the first nine months of 2008 year-over-year at CHF 6,422 million (–0.1%; third quarter +0.7%). Revenue attributable to Infonet, the subsidiary sold at the end of 2007, amounted to CHF 29 million in the first nine months of 2007 (CHF 10 million in the third quarter). Adjusted to take this into account, revenue increased by 0.3% (third quarter +1.1%).

The launch of the iPhone in mid July 2008 was extremely successful. Over 100,000 iPhone sets were sold up to the end of September 2008. Revenue from the sale of the iPhone was a major factor in the growth of the number of subscribers and revenue in the third quarter of 2008. On the other hand costs for equipment subsidies and dealer commission increased. The cumulative decline in revenue of over CHF 300 million due to price reductions could be largely offset by growth in continued subscribers numbers and higher utilization of 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 telephony prices for outgoing calls fell by 12.7%, for out-bound roaming calls customers are benefiting on average from 18.6% lower prices. The average price per minute for a wireline call has decreased by 2.7% within one year.

Operating expenses increased by CHF 74 million (+2.0%) to CHF 3,763 million (in the third quarter +6.4%). Higher expenditure in connection with the successful launch of the iPhone, higher maintenance and repair costs due to an increased amount of network construction activity and higher costs for internal and external personnel were offset by lower costs as a result of new tariff agreements for international roaming.

Segment results before depreciation and amortization (EBITDA) of CHF 2,874 million is CHF 80 million (–2.7%) below last year's figure (in the third quarter –7.0%). In the third quarter of 2008 EBITDA was negatively impacted by the launch of the iPhone to CHF 45 million.

Broadband communication has seen very healthy growth compared with the previous year. The number of broadband access lines has risen by 163,000 or +10.5% to 1,721,000 (in the third quarter +22,000). As at the end of September 2008 «Bluewin TV» was used by 95,000 paying customers. Net growth in Bluewin TV customers compared with the previous year amounted to around 43,000 customers, including 36,000 since the end of 2007 (in the third quarter +15,000). The possibility of self-installation again greatly reduced the average one-time cost per new customer, including installation, devices, etc. At the end of February 2008, 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-disc recorder.

The number of mobile subscribers rose in comparison with the prior year by 390,000 net (+8.0%) to 5.3 million (in the third quarter +103,000). The above-average growth in mobile subscribers in the third quarter of 2008 is a result of the launch of the iPhone in July 2008. The usage of the data services by the iPhone subscribers is clearly higher. Revenue from new mobile data services (not including SMS) rose within the space of the year by 33% to CHF 277 million. The average number of minutes per mobile subscriber per month (AMPU) rose during the same period by 2.7% to 114 minutes, while the average monthly revenue per mobile subscriber (ARPU) fell by 8.6% to CHF 53 due to price reductions. Swisscom expects with the launch of the iPhone to have a positive effect on ARPU.

On October 9, 2008 ComCom recalculated the prices for interconnection services and issued corresponding decrees. At the same time ComCom issued decrees on prices for the collocation services and full access lines. As a result of the decrees the previous recognized provisions were reassessed and adjusted. Overall the adjustments had no effects on the segment results of Swisscom Switzerland. As a result of the interest ruling issued by ComCom, provisions for interest amounting to CHF 23 million, recognized in the financial result, could be reversed as at September 30, 2008.

### Residential Customers

The «Residential Customers» segment mainly comprises access fees for broadband access lines, fixed-line network 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, sale of devices and the operation of a directories database.

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

CHF in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Revenue from external customers</b>	<b>1,246</b>	<b>1,209</b>	<b>3.1%</b>	<b>3,583</b>	<b>3,588</b>	<b>-0.1%</b>
Intersegment revenue	97	98	-1.0%	286	288	-0.7%
<b>Net revenue</b>	<b>1,343</b>	<b>1,307</b>	<b>2.8%</b>	<b>3,869</b>	<b>3,876</b>	<b>-0.2%</b>
Operating expenses (incl. intersegment)	(627)	(527)	19.0%	(1,671)	(1,571)	6.4%
Capitalized costs and other income	3	5	-40.0%	12	16	-25.0%
<b>Segment result before depreciation and amortization</b>	<b>719</b>	<b>785</b>	<b>-8.4%</b>	<b>2,210</b>	<b>2,321</b>	<b>-4.8%</b>
<i>Margin as % of net revenue</i>	<i>53.5</i>	<i>60.1</i>		<i>57.1</i>	<i>59.9</i>	

Number of wireline lines in thousands	30.09.2008	30.09.2007	Change
Number of PSTN/ISDN lines	2,842	2,898	-1.9%
Broadband access lines	1,101	965	14.1%
Bluewin TV subscribers	95	52	82.7%

Number of mobile subscribers in thousands	30.09.2008	30.09.2007	Change
Postpaid	2,139	2,058	3.9%
Prepaid	2,092	1,941	7.8%
<b>Total number of mobile subscribers (SIM-cards)</b>	<b>4,231</b>	<b>3,999</b>	<b>5.8%</b>

ARPU und AMPU Mobile in CHF and minutes, respectively	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	45	50	-10.0%	44	49	-10.2%
Average minutes per user (AMPU) per mobile subscriber (monthly)	95	88	8.0%	94	88	6.8%

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	33	44	-25.0%	96	118	-18.6%
Number of full-time equivalent employees at end of period	–	–	–	5,116	4,682	9.3%

Revenue and segment result in the third quarter of 2008 were mainly influenced by the successful launch of the iPhone in July 2008. Over 100,000 iPhone sets were sold up to the end of September 2008. The impact of the iPhone on segment results in the third quarter of 2008 amounted to CHF 45 million. For Swisscom this is an investment in the future. By launching iPhone Swisscom expects in the future a positive effect on the average revenue per mobile user (ARPU).

In the first nine months of 2008, revenue with external customers remained virtually stable year-over-year at CHF 3,583 million (-0.1%) (+3.1% in the third quarter of 2008). Year-over-year revenue was lower as a result of the decrease in the num-

ber 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 roaming and termination prices for mobile telephony led to a decline in net revenue. This decline in revenue could be largely 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. In addition higher revenue was generated from the sale of mobile handsets in the third quarter of 2008 as a result of the successful launch of the iPhone.

The number of residential mobile subscribers increased year-over-year by 232,000 net (+5.8%) to 4,231,000. This includes 2,092,000 prepaid and 2,139,000 postpaid subscribers. The decline in average revenue per mobile user (ARPU) from CHF 49 to CHF 44 (–10.2%) can be attributed to new tariff models and lower roaming and termination prices. The number of broadband access lines increased year-over-year by 14.1% to 1,101,000.

Operating expenses in the first nine months of CHF 1,671 million were CHF 100 million higher (+6.4%) year-over-year (+19.0% in the third quarter). Savings from lower roaming tariffs were absorbed mainly by higher expenditure to improve customer services. In the third quarter of 2008 the purchase of iPhone handsets also led to higher expenditure on customer premises equipment and higher costs for dealer commissions.

The segment result before depreciation and amortization fell by CHF 111 million (–4.8%) to 2,210 million year-over-year (–8.4% in the third quarter).

### Small and Medium-Sized Enterprises

The segment «Small and Medium-Sized Enterprises» primarily comprises access fees for broadband access lines, fixed-line network 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Revenue from external customers</b>	<b>279</b>	<b>270</b>	<b>3.3%</b>	<b>822</b>	<b>808</b>	<b>1.7%</b>
Intersegment revenue	14	15	-6.7%	43	43	-
<b>Net revenue</b>	<b>293</b>	<b>285</b>	<b>2.8%</b>	<b>865</b>	<b>851</b>	<b>1.6%</b>
Operating expenses (incl. intersegment)	(79)	(82)	-3.7%	(231)	(239)	-3.3%
<b>Segment result before depreciation and amortization</b>	<b>214</b>	<b>203</b>	<b>5.4%</b>	<b>634</b>	<b>612</b>	<b>3.6%</b>
<i>Margin as % of net revenue</i>	<i>73.0</i>	<i>71.2</i>		<i>73.3</i>	<i>71.9</i>	

Number of wireline lines in thousands	30.09.2008	30.09.2007	Change
Number of PSTN/ISDN lines	510	502	1.6%
Broadband access lines	153	136	12.5%

Number of mobile subscribers in thousands	30.09.2008	30.09.2007	Change
Postpaid (SIM cards)	399	344	16.0%

ARPU und AMPU Mobile in CHF and minutes, respectively	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	103	112	-8.0%	100	108	-7.4%
Average minutes per user (AMPU) per mobile subscriber (monthly)	202	219	-7.8%	204	212	-3.8%

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	2	3	-33.3%	4	4	-
Number of full-time equivalent employees at end of period	-	-	-	774	804	-3.7%

Revenue with external customers increased year-over-year by CHF 14 million (+1.7%) to CHF 822 million (+3.3% in the third quarter). The decline in revenue due to lower volumes and lower prices in wireline traffic was more than 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 55,000 (+16.0%) to 399,000. The decline in average revenue per mobile user (ARPU) from CHF 108 to CHF 100 (-7.4%) can be attributed to new tariff models and lower roaming and termination prices. The number of broadband access lines increased year-over-year by 12.5% to 153,000 lines.

Thanks to cost savings, operating expenses decreased year-over-year by CHF 8 million (-3.3%) to CHF 231 million (-3.7% in the third quarter).

The segment result before depreciation and amortization rose by CHF 22 million (+3.6%) to CHF 634 million year-over-year (+5.4% in the third quarter).

### 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 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Revenue from external customers</b>	<b>433</b>	<b>429</b>	<b>0.9%</b>	<b>1,277</b>	<b>1,253</b>	<b>1.9%</b>
Intersegment revenue	40	39	2.6%	116	115	0.9%
<b>Net revenue</b>	<b>473</b>	<b>468</b>	<b>1.1%</b>	<b>1,393</b>	<b>1,368</b>	<b>1.8%</b>
Operating expenses (incl. intersegment)	(245)	(237)	3.4%	(719)	(714)	0.7%
Capitalized costs and other income	2	2	–	6	11	–45.5%
<b>Segment result before depreciation and amortization</b>	<b>230</b>	<b>233</b>	<b>–1.3%</b>	<b>680</b>	<b>665</b>	<b>2.3%</b>
<i>Margin as % of net revenue</i>	<i>48.6</i>	<i>49.8</i>		<i>48.8</i>	<i>48.6</i>	

Number of wireline lines in thousands	30.09.2008	30.09.2007	Change
Number of PSTN/ISDN lines	288	296	–2.7%
Broadband access lines	19	17	11.8%

Number of mobile subscribers in thousands	30.09.2008	30.09.2007	Change
Postpaid (SIM cards)	654	551	18.7%

ARPU und AMPU Mobile in CHF and minutes, respectively	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Average revenue per user (ARPU) per mobile subscriber (monthly)	81	88	–8.0%	80	91	–12.1%
Average minutes per user (AMPU) per mobile subscriber (monthly)	183	208	–12.0%	193	218	–11.5%

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	21	15	40.0%	47	35	34.3%
Number of full-time equivalent employees at end of period	–	–	–	2,116	2,085	1.5%

The segment «Corporate Business» reported an increase in revenue with external customers of CHF 24 million (+1.9%) to CHF 1,277 million (in the third quarter +0.9%). Adjusted to take into account the sale of the subsidiary Infonet at the end of 2007, revenue with external customers increased by CHF 52 million or 4.2% (in the third quarter +3.1%). The increase in revenue can be attributed to the increase in the number of mobile subscribers from 103,000 (+18.7%) to 654,000, the sharp increase in new data services and the healthy growth of project and outsourcing business. Average revenue per user (ARPU) fell comparatively by 12.1% to CHF 80 due to price reductions.

Adjusted operating expenses increased by CHF 37 million (+5.4%) to CHF 719 million (in the third quarter +8.4%), primarily as a result of changes to the product portfolio and higher expenditure for project and outsourcing business.

Segment result before depreciation and amortization rose in the first nine months of 2008 compared with the prior year by CHF 15 million (+2.3%) to CHF 680 million (in the third quarter –1.3%).

### Wholesale

«Wholesale» comprises mainly the use of Swisscom fixed-line 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Revenue from external customers</b>	<b>231</b>	<b>266</b>	<b>-13.2%</b>	<b>740</b>	<b>781</b>	<b>-5.2%</b>
Intersegment revenue	177	187	-5.3%	509	532	-4.3%
<b>Net revenue</b>	<b>408</b>	<b>453</b>	<b>-9.9%</b>	<b>1,249</b>	<b>1,313</b>	<b>-4.9%</b>
Operating expenses (incl. intersegment)	(277)	(313)	-11.5%	(830)	(904)	-8.2%
Capitalized costs and other income	1	1	-	8	9	-11.1%
<b>Segment result before depreciation and amortization</b>	<b>132</b>	<b>141</b>	<b>-6.4%</b>	<b>427</b>	<b>418</b>	<b>2.2%</b>
<i>Margin as % of net revenue</i>	<i>32.4</i>	<i>31.1</i>		<i>34.2</i>	<i>31.8</i>	

Number of wireline lines in thousands	30.09.2008	30.09.2007	Change
Broadband access lines	448	440	1.8%
Full access lines	12	-	-

Wholesale traffic volume in millions of minutes	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Wholesale traffic	3,002	3,430	-12.5%	9,688	10,963	-11.6%

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	-	-	-	-	4	-
Number of full-time equivalent employees at end of period	-	-	-	108	131	-17.6%

The Federal Communications Commission (ComCom) recalculated the prices for interconnection services and other regulated products on October 9, 2008 and as a result ordered price reductions. On the basis of this decision, provisions were adjusted in the third quarter of 2008, on the one hand through revenue and on the other hand through operating expenses. This adjustment had no impact on segment results.

Year-over-year revenue from external customers decreased in the first nine months of 2008 by 5.2% to CHF 740 million. Higher revenue from roaming traffic with foreign subscribers using Swisscom's mobile network could partially offset the lower revenue from interconnection services due to lower volumes, as well as from broadband services for other telecommunication providers due to price reductions. In the third quarter of 2008 the decrease in revenue with external customers amounted to 13.2%, mainly as a result of a sharper decline in the volume of interconnection services and adjustments to provisions for interconnection services of CHF 15 million.

Operating expenses fell both in the first nine months as well as in the third quarter of 2008, primarily as a result of the lower volume of interconnection services and adjustments to provisions for interconnection services of CHF 15 million in the third quarter of 2008. The segment result (EBITDA) increased by CHF 9 million (+2.2%) to CHF 427 million in the first nine months of 2008 (-6.4% in the third quarter). The increase of the segment result is mainly due to a change in the sales mix with higher product margins.

### Networks

Networks primarily plans, operates and maintains Swisscom's network infrastructure and related IT systems, both for fixed-line and mobile telephony. It also includes the supporting functions for Swisscom Switzerland, mainly consisting of the finance, human resource 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Operating expenses (incl. intersegment)	(417)	(403)	3.5%	(1,259)	(1,214)	3.7%
Capitalized costs and other income	62	54	14.8%	180	158	13.9%
<b>Segment result before depreciation and amortization</b>	<b>(355)</b>	<b>(349)</b>	<b>1.7%</b>	<b>(1,079)</b>	<b>(1,056)</b>	<b>2.2%</b>
Depreciation, amortization and impairment	(233)	(268)	-13.1%	(695)	(812)	-14.4%
<b>Segment result</b>	<b>(588)</b>	<b>(617)</b>	<b>-4.7%</b>	<b>(1,774)</b>	<b>(1,868)</b>	<b>-5.0%</b>

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	186	221	-15.8%	586	745	-21.3%
Number of full-time equivalent employees at end of period	–	–	–	3,825	3,884	-1.5%

In the first nine months of 2008, the segment result improved year-over-year by CHF 94 million (5.0 %) to CHF –1,774 million. In the third quarter of 2008, the increase was CHF 29 million (4.7%). The improvement 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 effect on depreciation in the first nine months of 2008 was CHF 90 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 work. In the third quarter of 2008 operating expenses rose primarily as a result of higher expenditure on job reductions.

The decrease in capital expenditure in the first nine months of 2008 of CHF 159 million (–21.3%) to CHF 586 million 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 the adjustments for the purchase price allocation:

EUR in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Revenue from external customers	427	354	20.6%	1,241	1,068	16.2%
<b>Net revenue</b>	<b>427</b>	<b>354</b>	<b>20.6%</b>	<b>1,241</b>	<b>1,068</b>	<b>16.2%</b>
Operating expenses (incl. intersegment)	(315)	(313)	0.6%	(931)	(848)	9.8%
Capitalized costs and other income	15	53	-71.7%	91	98	-7.1%
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>127</b>	<b>94</b>	<b>35.1%</b>	<b>401</b>	<b>318</b>	<b>26.1%</b>
<i>Margin as % of net revenue</i>	<i>29.7</i>	<i>26.6</i>		<i>32.3</i>	<i>29.8</i>	
Depreciation, amortization and impairment	(99)	(94)	5.3%	(297)	(279)	6.5%
<b>Segment result (EBIT)</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>104</b>	<b>39</b>	<b>166.7%</b>
Financial income and financial expense, net	(24)	(17)	41.2%	(64)	(50)	28.0%
<b>Earnings before income taxes</b>	<b>4</b>	<b>(17)</b>	<b>–</b>	<b>40</b>	<b>(11)</b>	<b>–</b>
Income tax expense	(6)	(1)	–	(27)	(22)	22.7%
<b>Net income (net loss)</b>	<b>(2)</b>	<b>(18)</b>	<b>-88.9%</b>	<b>13</b>	<b>(33)</b>	<b>–</b>

Number of subscribers in thousands	30.09.2008	30.09.2007	Change
Number of subscribers	1,441	1,201	20.0%

EUR in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	101	117	-13.7%	327	366	-10.7%
Number of full-time equivalent employees at end of period	–	–	–	3,058	3,062	-0.1%

Fastweb recorded a constantly high growth in revenue, EBITDA and customers in the first nine months of 2008. Adjusted to take into account a ruling on prices for interconnection services passed by the regulatory authorities in December 2007, net revenue in the third quarter of 2008 rose year-over-year by 23.1% to EUR 427 million (18.4% in the first nine months of 2008). The number of Fastweb customers rose in the third quarter of 2008 compared with the previous quarter by net 43,000 (+240,000 customers year-over-year).

EBITDA increased year-over-year by an adjusted 25.7% to EUR 127 million in the third quarter of 2008 (21.2% in the first nine months 2008). 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. The EBITDA margin increased in the first nine months of 2008 after adjustment from 29.2% to 29.9%.

Cumulative capital expenditure fell year-over-year from EUR 366 million to EUR 327 million (-10.7%) as a result of a generally lower demand.

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

CHF in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Revenue from external customers	687	586	17.2%	1,991	867	129.6%
<b>Net revenue</b>	<b>687</b>	<b>586</b>	<b>17.2%</b>	<b>1,991</b>	<b>867</b>	<b>129.6%</b>
Operating expenses (incl. intersegment)	(506)	(447)	13.2%	(1,493)	(659)	126.6%
Capitalized costs and other income	24	17	41.2%	146	27	440.7%
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>205</b>	<b>156</b>	<b>31.4%</b>	<b>644</b>	<b>235</b>	<b>174.0%</b>
<i>Margin as % of net revenue</i>	29.8	26.6		32.3	27.1	
Depreciation, amortization and impairment	(202)	(156)	29.5%	(613)	(228)	168.9%
<b>Segment result (EBIT)</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>31</b>	<b>7</b>	<b>342.9%</b>
CHF in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	162	192	-15.6%	525	277	89.5%

Fastweb is included in Swisscom's consolidated financial statements in the first nine months of 2008 with net revenue of CHF 1,991 million and EBITDA of CHF 644 million. Depreciation and amortization of CHF 612 million include amortization of CHF 143 million on intangible assets, such as customer relationships and trademark, which were capitalized within the scope of the 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, Calex 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. In September 2008 the Minick Group was sold.

The development of «Other Operating Segments» is presented in the following table:

CHF in millions	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Swisscom IT Services	105	106	-0.9%	326	312	4.5%
Swisscom Participations	86	99	-13.1%	262	402	-34.8%
Hospitality Services	22	19	15.8%	69	59	16.9%
Airbites Central & Eastern Europe	5	4	25.0%	14	9	55.6%
Others	–	–	–	–	2	–
<b>Revenue from external customers</b>	<b>218</b>	<b>228</b>	<b>-4.4%</b>	<b>671</b>	<b>784</b>	<b>-14.4%</b>
Intersegment revenue	229	230	-0.4%	681	687	-0.9%
<b>Net revenue</b>	<b>447</b>	<b>458</b>	<b>-2.4%</b>	<b>1,352</b>	<b>1,471</b>	<b>-8.1%</b>
Operating expenses (incl. intersegment)	(366)	(368)	-0.5%	(1,118)	(1,293)	-13.5%
Capitalized costs and other income	5	13	-61.5%	16	60	-73.3%
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>86</b>	<b>103</b>	<b>-16.5%</b>	<b>250</b>	<b>238</b>	<b>5.0%</b>
<i>Margin as % of net revenue</i>	19.2	22.5		18.5	16.2	
Depreciation, amortization and impairment	(59)	(52)	13.5%	(173)	(204)	-15.2%
<b>Segment result (EBIT)</b>	<b>27</b>	<b>51</b>	<b>-47.1%</b>	<b>77</b>	<b>34</b>	<b>126.5%</b>

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	44	55	-20.0%	110	174	-36.8%
Number of full-time equivalent employees at end of period	–	–	–	4,662	4,668	-0.1%

In the first nine months revenue from external customers fell year-over-year by CHF 113 million (-14.4%) to CHF 671 million (-4.4% in the third quarter). The sale of Antenna Hungária and Accarda in the previous year led to a decline in revenue of CHF 127 million (CHF 10 million in the third quarter of 2007). This decline was offset by higher revenue at Swisscom IT Services from external customers of CHF 14 million (+4.5%) to CHF 326 million, primarily in the areas of financial services and outsourcing. Hospitality Services and Airbites Central & Eastern Europe saw a growth in revenue of CHF 15 million (+22.1%) to CHF 83 million in the first nine months of 2008.

Operating expenses dropped year-over-year by CHF 175 million (-13.5%) to CHF 1,118 million (-0.5% in the third quarter of 2008). Operating expenses in the first nine months of 2007 included CHF 99 million (CHF 7 million in the third quarter of 2007) from Antenna Hungária and Accarda as well as CHF 67 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 sale of Antenna Hungária and Accarda (CHF 30 million in the first nine months of 2007, CHF 4 million in the third quarter of 2007), the segment result (EBITDA) increased year-over-year by CHF 41 million (+19.7%). The increase in EBITDA can be attributed mainly to the omission of the 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 110 million in the first nine months of 2008 is 36.8% lower than last year. The decline is mainly due to lower investments at Swisscom Immobilien AG and Swisscom Broadcast AG.

Headcount as at September 30, 2008 remained at last year's level of 4,661 full-time equivalent employees. The sale of Minick in September 2008 led to a reduction of 73 full-time equivalent employees. The 179 additional full-time equivalent employees in growth areas such as Hospitality Services and Airbites Central & Eastern Europe were offset by job reductions in the segment.

#### 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	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
<b>Revenue from external customers</b>	–	–	–	1	1	–
Intersegment revenue	2	2	–	4	4	–
<b>Net revenue</b>	<b>2</b>	<b>2</b>	–	<b>5</b>	<b>5</b>	–
Operating expenses (incl. intersegment)	(57)	(64)	–10.9%	(203)	(210)	–3.3%
Capitalized costs and other income	20	21	–4.8%	60	59	1.7%
<b>Segment result before depreciation and amortization (EBITDA)</b>	<b>(35)</b>	<b>(41)</b>	<b>–14.6%</b>	<b>(138)</b>	<b>(146)</b>	<b>–5.5%</b>
Depreciation, amortization and impairment	(2)	(1)	–	(2)	(4)	–50.0%
<b>Segment result (EBIT)</b>	<b>(37)</b>	<b>(42)</b>	<b>–11.9%</b>	<b>(140)</b>	<b>(150)</b>	<b>–6.7%</b>

CHF in millions or number	3. quarter 2008	3. quarter 2007	Change	30.09.2008	30.09.2007	Change
Capital expenditure	2	–	–	8	–	–
Number of full-time equivalent employees at end of period	–	–	–	336	342	–1.8%

The segment result (EBITDA) in the first nine months of 2008 improved by CHF 8 million to CHF –138 million. The main reasons are 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	30.09.2008	30.09.2007	Change
Operating income (EBITDA)	3,615	3,275	340
Change in operating assets and liabilities and other payments or receipts from operating activities	(130)	(364)	234
Income taxes paid	(314)	(354)	40
<b>Cash flow provided by operating activities</b>	<b>3,171</b>	<b>2,557</b>	<b>614</b>
Capital expenditure	(1,365)	(1,343)	(22)
Proceeds from sale of fixed assets	16	46	(30)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(44)	(5,025)	4,981
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	–	798	(798)
Acquisition of investments in associates	(3)	(8)	5
Other cash flow from investing activities, net	4	100	(96)
<b>Cash flow used in investing activities</b>	<b>(1,392)</b>	<b>(5,432)</b>	<b>4,040</b>
Issuance and repayment of financial liabilities, net	(155)	4,012	(4,167)
Dividends paid to equity holders of Swisscom AG	(1,036)	(881)	(155)
Dividends paid to minority interests	(12)	(12)	–
Other cash flow from financing activities, net	(304)	(166)	(138)
<b>(Cash flow used in) cash flow provided by financing activities</b>	<b>(1,507)</b>	<b>2,953</b>	<b>(4,460)</b>
<b>Net increase in cash and cash equivalents</b>	<b>272</b>	<b>78</b>	<b>194</b>

Cash flow from operating activities increased year-over-year by CHF 614 million (+24.0%) to CHF 3,171 million, mainly as a result of the increase in EBITDA following the acquisition of Fastweb. Net working capital changed in comparison to the end of 2007 by CHF 130 million. Capital expenditure on tangible and other intangible assets increased by CHF 22 million (+1.6 %) to CHF 1,365 million. The increase in capital expenditure is attributable to the acquisition of Fastweb in May 2007 (CHF 248 million), and was offset by lower capital expenditure of CHF 174 million at Swisscom Switzerland. The decrease in capital expenditure at Swisscom Switzerland is 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 purchasing price of CHF 5.1 billion. The acquisition of Fastweb was financed 100% by bank loans. Income from the sale of Antenna Hungária and Accarda in the prior year amounted to CHF 798 million and was used to pay back existing bank loans.

**Return policy**

CHF in millions	30.09.2008	30.09.2007	Change
Operating income (EBITDA)	3,615	3,275	340
Change in operating assets and liabilities and other payments or receipts from operating activities	(130)	(364)	234
Capital expenditure	(1,365)	(1,343)	(22)
Proceeds from sale of fixed assets	16	46	(30)
<b>Operating free cash flow</b>	<b>2,136</b>	<b>1,614</b>	<b>522</b>
Dividends paid to minority interests	(12)	(12)	–
<b>Operating free cash flow attributable to equity holders of Swisscom Ltd</b>	<b>2,124</b>	<b>1,602</b>	<b>522</b>

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 522 million (+32.6%) to CHF 2,124 million, of which Fastweb accounted for CHF 242 million. The remaining increase is primarily due to lower capital expenditure and a lower increase 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 a special dividend of CHF 2 per share or a total of CHF 1,036 million was paid out.

**Net debt**

CHF in millions	30.09.2008	31.12.2007	Change
Bonds	2,005	1,510	495
Bank loans	6,735	7,171	(436)
Private placements	1,397	1,427	(30)
Financial liabilities from cross-border lease agreements	1,231	1,177	54
Finance lease obligation	499	609	(110)
Other financial liabilities	405	429	(24)
<b>Total</b>	<b>12,272</b>	<b>12,323</b>	<b>(51)</b>
Cash and cash equivalents	(1,217)	(957)	(260)
Current financial assets	(255)	(151)	(104)
Financial assets from crossborder-lease agreements	(896)	(862)	(34)
Non-current derivative financial instruments	–	(16)	16
<b>Net debt</b>	<b>9,904</b>	<b>10,337</b>	<b>(433)</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 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 896 million.

**Equity**

CHF in millions	Attributable to equity holders of Swisscom Ltd	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	(371)	(17)	(388)
Net income	1,313	3	1,316
<b>Total recognized income and expense</b>	<b>942</b>	<b>(14)</b>	<b>928</b>
Dividends paid	(1,036)	(12)	(1,048)
Acquisition of subsidiaries	–	(2)	(2)
Purchase and sale of treasury shares for share-based payments	(2)	–	(2)
<b>Balance at September 30, 2008</b>	<b>5,478</b>	<b>402</b>	<b>5,880</b>

Equity decreased by CHF 124 million to CHF 5,880 million in the year under reporting. On the one hand there was a net income of CHF 1,316 million and on the other hand dividend payments of CHF 1,048 million and a net expense of CHF 388 million recognized directly in equity. This includes losses of CHF 368 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 1.576 compared with the end of 2007. Cumulative currency translation adjustments recognized in equity as at September 30, 2008 amounted to CHF 365 million.

**Outlook**

A CHF/EUR exchange rate of 1.65 is taken for the so far announced outlook for the financial year 2008. The target net revenue of approximately CHF 12.3 billion will probably not be achieved due to the current currency exchange rate situation. However, an unchanged EBITDA of approximately CHF 4.8 billion is expected. Capital expenditure will rather lie at the lower bound of the previously announced range between CHF 2.1 billion and CHF 2.2 billion. Operating free cash flow as a basis for the distribution to the shareholders is expected to lie at the upper bound of the range of CHF 2.4 billion to CHF 2.5 billion.

# Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited			
		3. quarter 2008	3. quarter 2007	30.09.2008	30.09.2007
<b>Net revenue</b>	2	<b>3,094</b>	<b>2,988</b>	<b>9,085</b>	<b>8,082</b>
Goods and services purchased		(755)	(690)	(2,031)	(1,661)
Personnel expenses		(592)	(599)	(1,853)	(1,796)
Other operating expenses		(641)	(565)	(1,909)	(1,620)
Capitalized costs and other income		82	99	323	270
<b>Operating income (EBITDA)</b>	2	<b>1,188</b>	<b>1,233</b>	<b>3,615</b>	<b>3,275</b>
Depreciation, amortization and impairment	2	(519)	(498)	(1,549)	(1,312)
<b>Operating income (EBIT)</b>	2	<b>669</b>	<b>735</b>	<b>2,066</b>	<b>1,963</b>
Gain on sale of subsidiaries		–	157	–	157
Financial income and financial expense, net	4	(70)	(89)	(395)	(126)
Share of profit of investments in associates		10	8	28	22
<b>Income before income taxes</b>		<b>609</b>	<b>811</b>	<b>1,699</b>	<b>2,016</b>
Income tax expense		(139)	(122)	(383)	(383)
<b>Net income</b>		<b>470</b>	<b>689</b>	<b>1,316</b>	<b>1,633</b>
Net income attributable to equity holders of Swisscom Ltd	5	473	691	1,313	1,627
Net income attributable to minority interests	5	(3)	(2)	3	6
<b>Basic and diluted earnings per share (in CHF)</b>		<b>9.13</b>	<b>13.34</b>	<b>25.35</b>	<b>31.41</b>

# Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited		
		30.09.2008	31.12.2007	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,217	957	
Trade accounts receivable and other receivables		3,043	2,890	
Other financial assets		255	151	
Other assets		542	634	
Non-current assets held for sale	8	16	15	
<b>Total current assets</b>		<b>5,073</b>	<b>4,647</b>	
<b>Non-current assets</b>				
Property, plant and equipment		8,096	8,315	
Goodwill and other intangible assets		9,125	9,435	
Investments in associates		279	257	
Other financial assets		1,022	917	
Deferred tax assets		54	65	
Other non-financial assets		64	40	
<b>Total non-current assets</b>		<b>18,640</b>	<b>19,029</b>	
<b>Total assets</b>		<b>23,713</b>	<b>23,676</b>	
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Financial liabilities	3	274	869	
Trade accounts payables and other payables		2,526	2,375	
Current tax liabilities		250	248	
Other non-financial liabilities		1,079	952	
<b>Total current liabilities</b>		<b>4,129</b>	<b>4,444</b>	
<b>Non-current liabilities</b>				
Financial liabilities	3	11,998	11,445	
Accrued pension cost		482	618	
Deferred tax liabilities		348	312	
Other non-financial liabilities		876	853	
<b>Total non-current liabilities</b>		<b>13,704</b>	<b>13,228</b>	
<b>Total liabilities</b>		<b>17,833</b>	<b>17,672</b>	
<b>Equity</b>				
Equity attributable to equity holders of Swisscom Ltd	5	5,478	5,574	
Equity attributable to minority interests	5	402	430	
<b>Total equity</b>		<b>5,880</b>	<b>6,004</b>	
<b>Total liabilities and equity</b>		<b>23,713</b>	<b>23,676</b>	

# Consolidated cash flow statement (condensed)

CHF in millions	Note	unaudited	
		30.09.2008	30.09.2007
<b>Cash flows from operating activities</b>			
Operating income (EBITDA)		3,615	3,275
Change in operating assets and liabilities and other payments or receipts from operating activities		(130)	(364)
Income taxes paid		(314)	(354)
<b>Cash flow provided by operating activities</b>		<b>3,171</b>	<b>2,557</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(1,365)	(1,343)
Proceeds from sale of fixed assets		16	46
Acquisition of subsidiaries, net of cash and cash equivalents acquired	7	(44)	(5,025)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold		–	798
Acquisition of investments in associates		(3)	(8)
Other cash flow from investing activities, net		4	100
<b>Cash flow used in investing activities</b>		<b>(1,392)</b>	<b>(5,432)</b>
<b>Cash flows from financing activities</b>			
Issuance and repayment of financial liabilities, net		(155)	4,012
Dividends paid 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		(304)	(166)
<b>(Cash flow used in) cash flow provided by financing activities</b>		<b>(1,507)</b>	<b>2,953</b>
<b>Net increase in cash and cash equivalents</b>		<b>272</b>	<b>78</b>
Cash and cash equivalents at beginning of year		957	673
Currency translation of cash and cash equivalents		(12)	2
<b>Cash and cash equivalents at end of the period</b>		<b>1,217</b>	<b>753</b>

# Statement of recognized income and expense (condensed)

CHF in millions	Note	unaudited	
		30.09.2008	30.09.2007
Currency translation adjustments on foreign operations		(368)	3
Change in fair value of cash flow hedges		(21)	17
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>(388)</b>	<b>19</b>
Net income	5	1,316	1,633
<b>Total recognized income and expense</b>		<b>928</b>	<b>1,652</b>
Attributable to equity holders of Swisscom Ltd	5	942	1,646
Attributable to minority interests	5	(14)	6

# Notes to the interim financial statements (condensed)

## 1 Accounting policies

### Basis of preparation

These unaudited consolidated interim financial statements comprise 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 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 year ended December 31, 2007. The consolidated interim financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements for the year ended December 31, 2007 except of the restated segment information.

Preparing the consolidated interim financial statements requires management to make estimates and assumptions. Any changes to these estimates and assumptions are modified in the reporting period in which the estimates and assumptions are changed.

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

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

A CHF/EUR exchange rate of 1.576 as the cut-off rate and 1.6046 as the average rate were used for the consolidated interim financial statements.

### 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», which are aggregated to «Swisscom Switzerland» and «Fastweb», «Other Operating Segments» and «Group Headquarters». The segment «Network and IT» was renamed «Networks» in the second quarter of 2008. See Note 2.

The following 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 decree 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 until then 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 90 million will take effect in the first nine 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 financial reporting to the Chief Operating Decision Maker. Swisscom's Chief Operating 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», which are aggregated to «Swisscom Switzerland» and «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, Calex 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. In September 2008 the Minick Group was sold.

«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 fair value method.

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

30.09.2008, 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	3,583	822	1,277	740	–	–	6,422
Intersegment net revenue	286	43	116	509	–	(893)	61
<b>Net revenue</b>	<b>3,869</b>	<b>865</b>	<b>1,393</b>	<b>1,249</b>	–	<b>(893)</b>	<b>6,483</b>
<b>Segment result before depreciation and amortization</b>	<b>2,210</b>	<b>634</b>	<b>680</b>	<b>427</b>	<b>(1,079)</b>	<b>2</b>	<b>2,874</b>
Depreciation, amortization and impairment	(47)	(1)	(31)	–	(695)	–	(774)
<b>Segment result</b>	<b>2,163</b>	<b>633</b>	<b>649</b>	<b>427</b>	<b>(1,774)</b>	<b>2</b>	<b>2,100</b>

30.09.2008, CHF in millions	Total Swisscom Switzer- land	unaudited				Total
		Fastweb	Others	Group Head- quarters	Elimi- nation	
Net revenue from external customers	6,422	1,991	671	1	–	9,085
Intersegment net revenue	61	–	681	4	(746)	–
<b>Net revenue</b>	<b>6,483</b>	<b>1,991</b>	<b>1,352</b>	<b>5</b>	<b>(746)</b>	<b>9,085</b>
<b>Segment result before depreciation and amortization</b>	<b>2,874</b>	<b>644</b>	<b>250</b>	<b>(138)</b>	<b>(15)</b>	<b>3,615</b>
Depreciation, amortization and impairment	(774)	(613)	(173)	(2)	13	(1,549)
<b>Segment result</b>	<b>2,100</b>	<b>31</b>	<b>77</b>	<b>(140)</b>	<b>(2)</b>	<b>2,066</b>
Financial income and financial expense, net	–	–	–	–	–	(395)
Share of profit of investments in associates	–	–	–	–	–	28
Income tax expense	–	–	–	–	–	(383)
<b>Net income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,316</b>

30.09.2007, CHF in millions, restated	Residential Customers	Small and Medium- Sized Enterprises	unaudited				Total Swisscom Switzer- land
			Corporate Business	Wholesale	Networks	Elimi- nation	
Net revenue from external customers	3,588	808	1,253	781	–	–	6,430
Intersegment net revenue	288	43	115	532	–	(916)	62
<b>Net revenue</b>	<b>3,876</b>	<b>851</b>	<b>1,368</b>	<b>1,313</b>	–	<b>(916)</b>	<b>6,492</b>
<b>Segment result before depreciation and amortization</b>	<b>2,321</b>	<b>612</b>	<b>665</b>	<b>418</b>	<b>(1,056)</b>	<b>(6)</b>	<b>2,954</b>
Depreciation, amortization and impairment	(31)	–	(29)	–	(812)	(11)	(883)
<b>Segment result</b>	<b>2,290</b>	<b>612</b>	<b>636</b>	<b>418</b>	<b>(1,868)</b>	<b>(17)</b>	<b>2,071</b>

30.09.2007, CHF in millions, restated	Total Swisscom Switzer- land	Fastweb	Others	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	6,430	867	784	1	–	8,082
Intersegment net revenue	62	–	687	4	(753)	–
<b>Net revenue</b>	<b>6,492</b>	<b>867</b>	<b>1,471</b>	<b>5</b>	<b>(753)</b>	<b>8,082</b>
<b>Segment result before depreciation and amortization</b>	<b>2,954</b>	<b>235</b>	<b>238</b>	<b>(146)</b>	<b>(6)</b>	<b>3,275</b>
Depreciation, amortization and impairment	(883)	(228)	(204)	(4)	7	(1,312)
<b>Segment result</b>	<b>2,071</b>	<b>7</b>	<b>34</b>	<b>(150)</b>	<b>1</b>	<b>1,963</b>
Gain on sale of subsidiaries	–	–	–	–	–	157
Financial income and financial expense, net	–	–	–	–	–	(126)
Share of profit of investments in associates	–	–	–	–	–	22
Income tax expense	–	–	–	–	–	(383)
<b>Net income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,633</b>

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

CHF in millions	unaudited					Total Swisscom Switzer- land	
	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks		
Segment assets	3,558	848	1,202	535	4,819	(4)	10,958
<b>Total assets at September 30, 2008</b>	<b>3,558</b>	<b>848</b>	<b>1,202</b>	<b>535</b>	<b>4,819</b>	<b>(4)</b>	<b>10,958</b>
Segment assets	3,442	820	1,172	484	4,863	(6)	10,775
<b>Total assets at December 31, 2007, restated</b>	<b>3,442</b>	<b>820</b>	<b>1,172</b>	<b>484</b>	<b>4,863</b>	<b>(6)</b>	<b>10,775</b>

CHF in millions	Total Swisscom Switzer- land	Fastweb	Others	Group Head- quarters	Elimi- nation	Total
Segment assets	10,958	8,403	1,964	209	(409)	21,125
Assets not allocated	–	–	–	–	–	2,588
<b>Total assets at September 30, 2008</b>	<b>10,958</b>	<b>8,403</b>	<b>1,964</b>	<b>209</b>	<b>(409)</b>	<b>23,713</b>
Segment assets	10,775	8,955	1,994	370	(565)	21,529
Assets not allocated	–	–	–	–	–	2,147
<b>Total assets at December 31, 2007, restated</b>	<b>10,775</b>	<b>8,955</b>	<b>1,994</b>	<b>370</b>	<b>(565)</b>	<b>23,676</b>

### 3 Financial liabilities

CHF in millions	unaudited	
	30.09.2008	31.12.2007
Bank loans	111	570
Finance lease obligation	19	122
Other financial liabilities	144	177
<b>Total current financial liabilities</b>	<b>274</b>	<b>869</b>
Bank loans	6,624	6,601
Bonds	2,005	1,510
Private placements	1,397	1,427
Financial liabilities from cross-border lease agreements	1,202	1,159
Finance lease obligation	480	487
Derivative financial instruments	262	219
Other financial liabilities	28	42
<b>Total non-current financial liabilities</b>	<b>11,998</b>	<b>11,445</b>
<b>Total financial liabilities</b>	<b>12,272</b>	<b>12,314</b>

#### Credit requirements

On September 17, 2008 Swisscom issued a bond at a nominal value of CHF 500 million. The coupon amounts to 4.00% and the bond has a term until 2015. The bond was used in full to repay existing bank loans.

#### Financial liabilities from cross-border lease agreements

Between 1996 and 2002, Swisscom entered into 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 with 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 September 30, 2008 the financial liabilities and assets resulting from these transactions including interest totaled USD 4,196 million (CHF 4,700 million) and USD 3,900 million (CHF 4,365 million) respectively. Of this amount USD 3,100 million (CHF 3,469 million) are not disclosed in the balance sheet in accordance with SIC-27. The financial liabilities of CHF 1,231 million disclosed (December 31, 2007 CHF 1,177 million) include CHF 896 million (December 31, 2007 CHF 862 million) which are covered by financial assets.

Swisscom concluded an agreement on the premature termination of three quarters of the cross-border lease volume. The completion of the termination agreements by the relative parties is subject to official approval. As a result of the termination of the agreements provisions were recognized on June 30, 2008. The impact on post-tax results amounts to CHF 99 million. The recognition of these provisions was recorded as financial expense. Income from completion of the terminated transactions totalling CHF 177 million (CHF 255 million for the total transactions) was recorded as financial income on the transaction date in accordance with SIC-27. Since official approval had not yet been granted when the interim statements were drawn up on September 30, 2008, the termination agreement could not be completed.

Through the termination of the agreements, liabilities and assets from the continued cross-border lease agreements will be reduced to USD 1,086 million (CHF 1,409 million) and USD 958 million (CHF 1,074 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 169 million to the above mentioned costs for the termination of the agreements. 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	
	30.09.2008	30.09.2007
Interest income	81	118
Interest expense	(327)	(293)
<b>Net interest expense</b>	<b>(246)</b>	<b>(175)</b>
(Foreign exchange losses) foreign exchange gains	(1)	80
Other financial income and expense, net	(148)	(31)
<b>Financial income and financial expense, net</b>	<b>(395)</b>	<b>(126)</b>

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 September 30, 2007 includes gains from currency hedges of CHF 72 million net in connection with the acquisition of Fastweb.

## 5 Equity

unaudited

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	–	–	–	–	19	19	–	19
Net income	–	–	1,627	–	–	1,627	6	1,633
<b>Total recognized income and expense</b>	<b>–</b>	<b>–</b>	<b>1,627</b>	<b>–</b>	<b>19</b>	<b>1,646</b>	<b>6</b>	<b>1,652</b>
Dividends paid	–	–	(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	–	–	–	–	–	–	307	307
Sale of subsidiaries	–	–	–	–	–	–	(4)	(4)
<b>Balance at September 30, 2007</b>	<b>57</b>	<b>370</b>	<b>6,923</b>	<b>(2,213)</b>	<b>41</b>	<b>5,178</b>	<b>364</b>	<b>5,542</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	–	–	–	–	(371)	(371)	(17)	(388)
Net income	–	–	1,313	–	–	1,313	3	1,316
<b>Total recognized income and expense</b>	<b>–</b>	<b>–</b>	<b>1,313</b>	<b>–</b>	<b>(371)</b>	<b>942</b>	<b>(14)</b>	<b>928</b>
Dividends paid	–	–	(1,036)	–	–	(1,036)	(12)	(1,048)
Share capital reduction	(4)	–	(1,471)	1,475	–	–	–	–
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
<b>Balance at September 30, 2008</b>	<b>53</b>	<b>370</b>	<b>6,168</b>	<b>(738)</b>	<b>(375)</b>	<b>5,478</b>	<b>402</b>	<b>5,880</b>

Swisscom offers two share-related compensation plans to its non-management employees, management, members of the Executive Board and Board of Directors. In the first nine 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 nine 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 decided 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 totalling CHF 44 million were made in the first nine 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 companies 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. 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 September 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 and minority interest of CHF 2 million were recognized based on the provisional purchase price allocation. The effects of the acquisitions on net revenue and net income in the first nine months of 2008 is not material.

## 7 Sale of subsidiaries

### Disposals 2008

On September 1, 2008 Swisscom sold all its shares in the Minick Holding AG to the German Net Mobile AG. The purchase price was paid by Net Mobile AG in the form of shares. An impairment of goodwill of CHF 7 million resulted from the transaction.

### Disposals 2007

In the first nine months of 2007 Swisscom sold its card business (Accarda) and the Hungarian subsidiary Antenna Hungária. The sales generated a net cash inflow in the third quarter of 2007 of CHF 798 billion. The subsidiaries sold are no longer presented in the consolidated accounts from the date the transaction was completed.

On May 8, 2007 Swisscom agreed the sale of Antenna Hungária with the French company Télédiffusion de France (TDF) for a price of EUR 328 million (CHF 543 million). The transaction was completed on July 19, 2007 after approval by the Hungarian competition authorities. The pre-tax gain from the sale amounts to CHF 157 million. The gain includes gains from currency translation of CHF 40 million which has previously been recognized under consolidated equity. Income tax of CHF 3 million is payable on the sale of Antenna Hungária.

On July 2, 2007 Swisscom sold its card business (Accarda) to the Maus Group. A goodwill impairment of CHF 9 million resulted from the transaction.

The net assets sold and minority interests as well as net cash received from the sales of Antenna Hungária und Accarda are presented in the table below:

CHF in millions	30.09.2007
Cash and cash equivalents	39
Trade accounts receivable and other receivables	397
Property, plant and equipment	228
Goodwill and other intangible assets	210
Other current and non-current assets	16
Trade accounts payables and other payables	(127)
Deferred tax liabilities	(17)
Other short- and long-term liabilities	(14)
Equity attributable to minority interests	(4)
<b>Total net assets and minority interests sold</b>	<b>728</b>
<b>Purchase price</b>	<b>837</b>
Cash and cash equivalents sold	(39)
<b>Cash flow</b>	<b>798</b>

## 8 Non-current assets held for sale

Non-current assets held for sale as at September 30, 2008 include the carrying amount of real estate of CHF 16 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.

## 9 Provisions and contingent liabilities

On October 9, 2008 ComCom recalculated the prices for interconnection services for the years 2007 and 2008 and issued corresponding decrees. ComCom reduced the interconnections prices for Swisscom for the years 2007 and 2008 by an average of 30%. Furthermore ComCom is of the opinion that the new prices are to be applied retrospectively for all other telecommunication service providers (third party clause). At the same time ComCom issued decrees on prices for collocation services and full access lines. Prices were also reduced for these access services. An appeal may be filed until November 10, 2008. As a result of the decrees the previous recognized provisions were reassessed and adjusted. Overall this will have no impact on the operating income. As a result of the interest ruling issued by ComCom, provisions for interest amounting to CHF 23 million, recognized in the financial result, could be reversed on September 30, 2008. On September 30, 2008 provisions for the interconnection and access services proceedings involving Swisscom (Switzerland) AG amounted to CHF 349 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 September 30, 2008.

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

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

## **10 Related-party transactions**

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

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

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

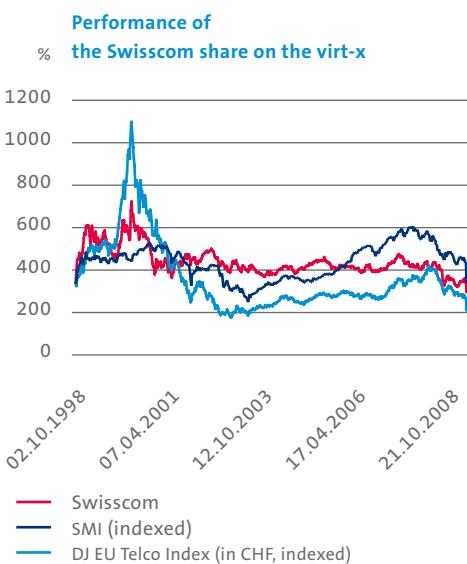
The Swisscom Board of Directors approved these consolidated interim financial statements on November 4, 2008.

31.12.2007 – 30.09.2008	virt-x
Closing price at 30.09.2008 <sup>1</sup>	CHF 331.50
Closing price at 31.12.2007 <sup>1</sup>	CHF 442.00
Year high <sup>1</sup>	CHF 442.75
Year low <sup>1</sup>	CHF 308.00
Total trading volume	35 546 210
Daily average	188 075
Total trade volume in millions	CHF 13 022.27
Daily average in millions	CHF 68.90

Source: Bloomberg

1 paid prices

36



## Share information

On September 30, 2008 the company's share capital consists of 53,441,000 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 September 30, 2008 Swisscom had 49,116 registered shareholders and an average non-allotted share level of approximately 13%.

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, 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

04. March 2009	Annual report 2008
21. April 2009	General Meeting of Shareholders
24. April 2009	Dividend payment
06. May 2009	Interim report 1. quarter 2009
12. August 2009	Half year report 2009
11. November 2009	Interim report 3. quarter 2009

## 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 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	30.09.08
<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>3,058</b>	<b>3,094</b>	<b>9,085</b>	
Goods and services purchased	(441)	(530)	(690)	(687)	(2,348)	(615)	(661)	(755)		(2,031)
Personnel expenses	(594)	(603)	(599)	(646)	(2,442)	(641)	(620)	(592)		(1,853)
Other operating expenses	(444)	(611)	(565)	(609)	(2,229)	(594)	(674)	(641)		(1,909)
Capitalized costs and other income	71	100	99	161	431	78	163	82		323
<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>1,266</b>	<b>1,188</b>	<b>3,615</b>	
Depreciation, amortization and impairment	(349)	(465)	(498)	(674)	(1,986)	(507)	(523)	(519)		(1,549)
<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>743</b>	<b>669</b>	<b>2,066</b>	
Gain on sale of subsidiaries	–	–	157	5	162	–	–	–		–
Net financial result	(41)	4	(89)	(65)	(191)	(113)	(212)	(70)		(395)
Share of profit of investments in associates	4	10	8	10	32	6	12	10		28
Income tax expense	(115)	(146)	(122)	(64)	(447)	(122)	(122)	(139)		(383)
<b>Net income</b>	<b>467</b>	<b>477</b>	<b>689</b>	<b>438</b>	<b>2,071</b>	<b>425</b>	<b>421</b>	<b>470</b>	<b>1,316</b>	
Attributable to equity holders of Swisscom Ltd	461	475	691	441	2,068	428	412	473		1,313
Attributable to minority interests	6	2	(2)	(3)	3	(3)	9	(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	2,162	2,206		6,483
Fastweb	–	281	586	606	1,473	618	686	687		1,991
Other Operating segments	491	522	458	473	1,944	438	467	447		1,352
Group Headquarters	2	1	2	1	6	1	2	2		5
Intersegment elimination	(242)	(257)	(254)	(274)	(1,027)	(239)	(259)	(248)		(746)
<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>3,058</b>	<b>3,094</b>	<b>9,085</b>	
<b>Segment results</b>										
Swisscom Switzerland	963	978	1,013	932	3,886	953	979	942		2,874
Fastweb	–	79	156	263	498	179	260	205		644
Other Operating segments	73	62	103	79	317	77	87	86		250
Group Headquarters	(65)	(40)	(41)	(38)	(184)	(43)	(60)	(35)		(138)
Intersegment elimination	(3)	(5)	2	(10)	(16)	(5)	–	(10)		(15)
<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>1,266</b>	<b>1,188</b>	<b>3,615</b>	
<b>Capital expenditure</b>										
Swisscom Switzerland	269	355	282	335	1,241	241	250	241		732
Fastweb	–	85	192	291	568	161	202	162		525
Other Operating segments	49	70	55	64	238	27	39	44		110
Group Headquarters	–	–	–	–	–	–	6	2		8
Intersegment elimination	(3)	(7)	(4)	(8)	(22)	(9)	6	(7)		(10)
<b>Capital expenditure</b>	<b>315</b>	<b>503</b>	<b>525</b>	<b>682</b>	<b>2,025</b>	<b>420</b>	<b>503</b>	<b>442</b>	<b>1,365</b>	
Operating free cash flow attributable to equity holders of Swisscom Ltd	443	535	624	475	2,077	751	608	765		2,124
Number of full-time equivalent employees at end of period	17,157	20,498	19,658	19,844	19,844	19,718	19,795	19,995		19,995

<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	30.09.09
<b>Swisscom Switzerland</b>										
<b>Net revenue and results</b>										
Residential Customers										
Residential Customers	565	594	615	600	2,374	557	559	650		1,766
Small and Medium-Sized Enterprises	92	101	104	96	393	101	109	114		324
Corporate Business	121	128	129	134	512	133	145	144		422
Wholesale	110	103	114	97	424	116	112	113		341
<b>Mobile revenue</b>	<b>888</b>	<b>926</b>	<b>962</b>	<b>927</b>	<b>3,703</b>	<b>907</b>	<b>925</b>	<b>1,021</b>		<b>2,853</b>
Residential Customers										
Residential Customers	347	351	354	357	1,409	359	364	365		1,088
Small and Medium-Sized Enterprises	89	89	89	89	356	90	90	91		271
Corporate Business	43	44	43	43	173	42	41	42		125
Wholesale	49	52	50	51	202	46	49	48		143
<b>Wireline accesss revenue</b>	<b>528</b>	<b>536</b>	<b>536</b>	<b>540</b>	<b>2,140</b>	<b>537</b>	<b>544</b>	<b>546</b>		<b>1,627</b>
Residential Customers										
Residential Customers	176	168	165	170	679	164	159	154		477
Small and Medium-Sized Enterprises	67	60	60	59	246	59	60	58		177
Corporate Business	44	48	46	47	185	44	44	44		132
Wholesale	63	70	68	68	269	62	51	43		156
<b>Wireline traffic revenue</b>	<b>350</b>	<b>346</b>	<b>339</b>	<b>344</b>	<b>1,379</b>	<b>329</b>	<b>314</b>	<b>299</b>		<b>942</b>
Residential Customers										
Residential Customers	88	90	75	72	325	84	91	77		252
Small and Medium-Sized Enterprises	22	18	17	20	77	16	18	16		50
Corporate Business	194	202	211	238	845	191	204	203		598
Wholesale	35	33	34	39	141	34	39	27		100
<b>Other revenue</b>	<b>339</b>	<b>343</b>	<b>337</b>	<b>369</b>	<b>1,388</b>	<b>325</b>	<b>352</b>	<b>323</b>		<b>1,000</b>
Residential Customers										
Residential Customers	1,176	1,203	1,209	1,199	4,787	1,164	1,173	1,246		3,583
Small and Medium-Sized Enterprises	270	268	270	264	1,072	266	277	279		822
Corporate Business	402	422	429	462	1,715	410	434	433		1,277
Wholesale	257	258	266	255	1,036	258	251	231		740
<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>2,135</b>	<b>2,189</b>		<b>6,422</b>
<b>Segment results</b>										
Residential Customers	762	774	785	702	3,023	733	758	719		2,210
Small and Medium-Sized Enterprises	207	202	203	193	805	206	214	214		634
Corporate Business	215	217	233	227	892	217	233	230		680
Wholesale	140	137	141	220	638	143	152	132		427
Networks	(359)	(348)	(349)	(409)	(1,465)	(346)	(378)	(355)		(1,079)
Intersegment elimination	(2)	(4)	–	(1)	(7)	–	–	2		2
<b>Segment result (EBITDA)</b>	<b>963</b>	<b>978</b>	<b>1,013</b>	<b>932</b>	<b>3,886</b>	<b>953</b>	<b>979</b>	<b>942</b>		<b>2,874</b>
Margin as % of net revenue	45.3	45.0	46.1	42.3	44.7	45.1	45.3	42.7		44.3

# Quarterly review 2007 and 2008

	1. quarter	2. quarter	3. quarter	4. quarter	2007	1. quarter	2. quarter	3. quarter	4. quarter	30.09.10
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
Residential Customers	2,929	2,914	2,898	2,888	2,888	2,868	2,854	2,842		2,842
Small and Medium-Sized Enterprises	523	502	502	509	509	509	512	510		510
Corporate Business	275	296	296	289	289	288	288	288		288
<b>Number of PSTN/ISDN lines in thousands</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>3,654</b>	<b>3,640</b>		<b>3,640</b>
Residential Customers	856	917	965	1,005	1,005	1,050	1,078	1,101		1,101
Small and Medium-Sized Enterprises	125	131	136	142	142	148	152	153		153
Corporate Business	14	17	17	17	17	18	19	19		19
Wholesale	439	441	440	438	438	439	450	448		448
<b>Number of broadband access 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>1,699</b>	<b>1,721</b>		<b>1,721</b>
Residential Customers	2,040	2,049	2,058	2,075	2,075	2,091	2,102	2,139		2,139
Small and Medium-Sized Enterprises	313	329	344	360	360	380	392	399		399
Corporate Business	496	517	551	578	578	591	623	654		654
<b>Postpaid mobile subscribers in thousands</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>3,117</b>	<b>3,192</b>		<b>3,192</b>
Residential Customers	1,858	1,881	1,941	1,994	1,994	2,038	2,064	2,092		2,092
<b>Prepaid mobile subscribers 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>2,064</b>	<b>2,092</b>		<b>2,092</b>
Residential Customers	47	49	50	46	48	43	44	45		44
Small and Medium-Sized Enterprises	100	114	112	99	106	96	100	103		100
Corporate Business	94	91	88	86	89	79	81	81		80
<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>53</b>	<b>54</b>		<b>53</b>
Residential Customers	86	90	88	85	88	92	95	95		94
Small and Medium-Sized Enterprises	197	221	219	213	212	199	211	202		204
Corporate Business	225	221	208	217	218	194	202	183		193
<b>AMPU Mobile in minutes (monthly)</b>	<b>108</b>	<b>113</b>	<b>111</b>	<b>110</b>	<b>110</b>	<b>112</b>	<b>116</b>	<b>114</b>		<b>114</b>
Full access lines in thousands	—	—	—	—	—	2	4	12		12
Bluewin TV subscribers in thousands	24	39	52	59	59	64	80	95		95
Traffic retail in million minutes	2,897	2,679	2,590	2,713	10,879	2,698	2,620	2,440		7,758
Traffic wholesale in million minutes	3,918	3,615	3,430	3,554	14,517	3,468	3,218	3,002		9,688
<b>Fastweb (EUR in millions)</b>										
Residential Customers	—	86	178	179	443	200	204	193		597
Small and Medium-Sized Enterprises	—	27	57	53	137	57	58	55		170
Corporate Business	—	57	119	133	309	132	163	179		474
<b>Revenue from external customers</b>	<b>—</b>	<b>170</b>	<b>354</b>	<b>365</b>	<b>889</b>	<b>389</b>	<b>425</b>	<b>427</b>		<b>1,241</b>
Number of subscribers in thousands	—	1,146	1,201	1,263	1,263	1,338	1,398	1,441		1,441
ARPU in EUR (annualy)	—	868	820	842	860	794	761	701		750

#### **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.

