

SWISSCOM AG
Form 20-F
April 23, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

**o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934**

or

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

or

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

or

**o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number: 1-14860

Swisscom AG

(Exact name of Registrant as specified in its charter)

Switzerland

(Jurisdiction of incorporation or organization)

Alte Tiefenastrasse 6,

3050 Bern, Switzerland

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one-tenth of one Registered Share, Nominal Value CHF 1 per share	New York Stock Exchange
Registered Shares, Nominal Value CHF 1 per share*	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American

Depository
Shares pursuant
to the
requirements of
the Securities
and Exchange
Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2006: 51,801,943 Registered Shares, Nominal Value CHF 1 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934.

Yes

No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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INTRODUCTION

Presentation of financial and other information

Swisscom publishes its financial statements in Swiss francs (CHF). Unless otherwise indicated, all amounts in this annual report are expressed in Swiss francs. Solely for the convenience of the reader, certain amounts denominated in foreign currencies appearing primarily under the headings *Item 4: Information on the Company*

Divestments/Discontinued Operations and *Item 5: Operating and Financial Review and Prospects* have been translated into Swiss francs. These translations should not be construed as representations that the amounts referred to actually represent such translated amounts or could be converted into the translated currency at the rate indicated.

Swisscom's annual audited consolidated financial statements for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, included in this annual report, are prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain significant respects from Generally Accepted Accounting Principles in the United States of America (US GAAP). For a reconciliation of such differences between IFRS and U.S. GAAP as they relate to Swisscom, see Note 43 to the consolidated financial statements.

As used in this annual report, the term *Swisscom*, unless the context otherwise requires, refers to Swisscom AG and its consolidated subsidiaries. The term *Confederation* refers to the Swiss Confederation.

Cautionary statement regarding forward-looking statements

This annual report contains statements that constitute *forward-looking statements* within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. In addition, other written or oral statements, which constitute forward-looking statements have been made and may in the future be made by or on behalf of Swisscom. In this annual report, such forward-looking statements may be found, in particular, in *Item 4: Information on the Company* and *Item 5: Operating and Financial Review and Prospects* and include, without limitation, statements relating to:

the implementation of strategic initiatives;

the development of revenue overall and within specific business areas;

the development of operating expenses;

the anticipated level of capital expenditures and associated depreciation expense; and

other statements relating to Swisscom's future business development and economic performance.

The words *anticipate*, *believe*, *expect*, *estimate*, *intend*, *plan* and similar expressions identify certain of these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements because actual events and results may differ materially from the expected results described by such forward-looking statements.

Many factors may influence Swisscom's actual results and cause them to differ materially from expected results as described in forward-looking statements. Such factors include:

general market trends affecting demand for telecommunications services;

developments in the interpretation and application of existing telecommunication regulations in Switzerland and the possibility that additional regulations may be imposed in the future;

developments in technology, particularly the timely rollout of equipment;

the evolution of Swisscom's strategic partnerships and acquisitions, including costs associated with possible future acquisitions and dispositions;

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the effects of tariff reductions and other marketing initiatives;

the outcome of litigation in which Swisscom is involved; and

macroeconomic trends, governmental decisions and regulatory policies affecting businesses in Switzerland generally, including changes in the level of interest or tax rates.

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.

Table of Contents**PART I****ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3: KEY INFORMATION**Selected Financial Data****Selected Consolidated Financial and Statistical Data**

The selected consolidated financial data below have been extracted or derived from, and are qualified by reference to, the audited consolidated financial statements of Swisscom. The consolidated financial statements were prepared in accordance with IFRS, which differ in certain significant respects from U.S. GAAP. For a reconciliation of the significant differences between IFRS and U.S. GAAP as they relate to Swisscom, see Note 43 to the consolidated financial statements.

CHF in millions

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Consolidated Income Statement Data:					
<i>Amounts in accordance with IFRS:</i>					
Net revenue	9,653	9,732	10,057	10,026	10,415
Capitalized costs and other income	296	260	195	231	228
Total	9,949	9,992	10,252	10,257	10,643
Goods and services purchased	1,840	1,831	1,847	1,706	2,073
Personnel expenses	2,278	2,173	2,194	2,266	2,329
Other operating expenses	2,044	1,817	1,823	1,798	2,004
Depreciation	1,280	1,286	1,542	1,537	1,546
Amortization	155	108	151	142	114
Total operating expenses	7,597	7,215	7,557	7,449	8,066
Earnings before interest and taxes	2,352	2,777	2,695	2,808	2,577
Financial expense	(240)	(160)	(272)	(226)	(495)
Financial income	189	242	138	213	197
Share of profit (loss) of affiliated companies	30	13	22	(9)	94
Income before income taxes	2,331	2,872	2,583	2,786	2,373
Income tax expense ⁽¹⁾	(462)	(535)	(392)	(467)	(313)
Net income from continuing operations	1,869	2,337	2,191	2,319	2,060
Discontinued operations ^{(2) (3)}	36	9	(243)	(408)	(933)
Net income	1,905	2,346	1,948	1,911	1,127
Net income attributable to equity holders of Swisscom AG	1,599	2,022	1,596	1,571	826
Net income attributable to minority interest	306	324	352	340	301

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ADS amounts

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Basic earnings (loss) per share⁽⁴⁾					
-from continuing operations	28.27	33.64	28.42	29.89	26.00
-from discontinued operations ⁽³⁾	0.65	0.15	(3.76)	(6.16)	(13.79)
-net income	28.92	33.79	24.66	23.73	12.21
Diluted earnings (loss) per share⁽⁴⁾					
-from continuing operations	28.27	33.64	28.42	29.88	25.98
-from discontinued operations ⁽³⁾	0.65	0.15	(3.76)	(6.16)	(13.78)
-net income	28.92	33.79	24.66	23.72	12.20
Basic and diluted earnings per ADS ⁽⁴⁾	2.89	3.38	2.47	2.37	1.22
<i>Amounts in accordance with U.S. GAAP:</i>					
Net revenue	9,671	9,767	10,113	10,057	10,424
Net income from continuing operations	1,553	2,066	1,968	2,066	1,780
Net income (loss) from discontinued operations ⁽³⁾	36	263	145	(8)	(994)
Cumulative effect of a change in accounting policy	0			38	(1,649)
Net income (loss)	1,589	2,329	2,113	2,096	(863)
Basic earnings (loss) per share					
-from continuing operations	28.08	34.52	30.41	31.21	26.31
-from discontinued operations ⁽³⁾	0.65	4.40	2.24	(0.12)	(14.69)
Cumulative effect of a change in accounting policy				0.57	(24.38)
-net income	28.73	38.92	32.65	31.66	(12.76)
Diluted earnings (loss) per share					
-from continuing operations	28.08	34.52	30.41	31.19	26.29
-from discontinued operations ⁽³⁾	0.65	4.40	2.24	(0.12)	(14.68)
Cumulative effect of a change in accounting policy				0.57	(24.35)
-net income	28.73	38.92	32.65	31.64	(12.74)
Basic earnings per ADS ⁽⁴⁾	2.87	3.89	3.27	3.17	(1.28)
Diluted earnings per ADS ⁽⁴⁾	2.87	3.89	3.27	3.16	(1.27)

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CHF in millions	Year Ended December 31,				
	2006	2005	2004	2003	2002
Consolidated Balance Sheet Data:					
<i>(end of period)</i>					
<i>Amounts in accordance with IFRS:</i>					
Cash and cash equivalents	673	1,023	2,387	3,104	1,512
Other current assets	2,883	4,180	3,790	2,805	2,857
Property, plant and equipment	5,795	6,000	6,190	6,760	7,274
Investments in affiliated companies	221	191	58	41	682
Other non-current assets	6,025	2,015	1,807	1,923	2,270
Assets from discontinued operations ⁽³⁾				1,685	2,135
Total assets	15,597	13,409	14,232	16,318	16,730
Short-term debt	1,568	137 ⁽⁵⁾	158	319	827
Trade accounts payable and other current liabilities	2,616	2,461	2,287	2,204	2,170
Long-term debt and finance lease obligations	5,015	2,299	2,212	2,433	2,626
Accrued pension cost	719	805	1,118	1,113	1,101
Accrued liabilities and other long-term liabilities	1,176	1,083	1,004	948	935
Liabilities from discontinued operations ⁽³⁾				794	886
Total liabilities	11,094	6,785	6,779	7,811	8,545
Minority interest	67	623	663	731	781
Shareholders' equity	4,436	6,001	6,790	7,776	7,404
Total equity	4,503	6,624	7,453	8,507	8,185
<i>Amounts in accordance with U.S. GAAP:</i>					
Assets continuing operations	19,867	17,549	17,734	18,360	18,654
Assets discontinued operations ⁽³⁾	0			1,012	1,165
Total assets	19,867	17,549	17,734	19,372	19,819
Long-term debt and finance lease obligations continuing operations	8,785	6,259	5,665	6,102	6,590
Long-term debt and finance lease obligations discontinued operations ⁽³⁾				36	23
Total long-term debt and finance lease obligations	8,785	6,259	5,665	6,138	6,613
Shareholders' equity	3,413	5,191	5,863	6,523	5,587

Consolidated Cash Flow Data:*Amounts in accordance with IFRS:*

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Cash provided by operating activities	3,264	3,432	4,066	4,708	3,698
Capital expenditures:					
Fixed-line networks	457	353	360	497	479
Mobile networks	199	238	434	381	295
Other intangibles	229	189	103	98	70
Buildings	154	104	13	6	2
Other	285	203	226	183	281
Total capital expenditures	1,324	1,087	1,136	1,165	1,127

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	Year Ended December 31,				
	2006	2005	2004	2003	2002
Statistical Data:					
Fixed-line access lines (<i>end of period, in thousands</i>)					
PSTN lines	2,891	2,922	3,007	3,086	3,163
ISDN lines	856	900	924	924	911
Total fixed-line access lines	3,747	3,822	3,931	4,010	4,074
Traffic (<i>in millions of minutes</i>):					
National fixed-line telephony ⁽⁶⁾	9,024	9,483	10,211	10,957	12,316
Outgoing international fixed-line telephony ⁽⁷⁾	1,245	1,282	1,316	1,341	1,394
Mobile telephony ⁽⁸⁾	4,432	3,688	3,404	3,335	3,331
Total xDSL lines (<i>end of period, in thousands</i>)	1,368	1,098	802	487	195
Swisscom Mobile subscribers ⁽⁹⁾ (<i>end of period, in thousands</i>)	4,632	4,281	3,908	3,796	3,605
Number of full-time equivalent employees (<i>end of period</i>)	17,068	16,088	15,477	16,079	17,171

Notes to Selected Consolidated Financial and Statistical Data

- (1) In 2002, Swisscom restructured its operations resulting in a weighted average statutory tax rate of 23%. For 2004 and 2005, the weighted average statutory tax rate was further reduced to 22.3%. For 2006, the weighted average statutory tax rate was 22.1%. See Note 14 to the consolidated financial statements.
- (2) Swisscom sold debitel in June 2004 and granted the purchaser vendor loan notes amounting to EUR 210 million in connection therewith. The vendor loan notes were initially recognized at fair value and in the following period using the effective interest rate method. See Note 37 to the consolidated financial statements. The purchaser prematurely repaid the entire loan in the first six months of 2005 and made a payment of CHF 351 million, representing the nominal value of the loan and the contractually agreed interest. The difference of CHF 59 million between the recoverable value of the loan and the payment was recorded under discontinued operations.
- (3) As a result of the sale of debitel in June 2004, Swisscom treats debitel in its consolidated financial statements as a discontinued operation.
- (4) Earnings per ADS are based on the ratio of one-tenth of one share to one ADS. The basic weighted-average number of shares outstanding in 2002, 2003, 2004, 2005 and 2006 was 67,647,928, 66,199,789, 64,715,609, 59,835,529 and 55,299,323, respectively.
- (5) Total debt at December 31, 2002 included debt outstanding to the Swiss Post in the aggregate principal amount of CHF 0.8 billion. In the course of 2003, Swisscom repaid the remaining outstanding loans of CHF 0.8 billion.

- (6) Represents total traffic generated by customers of Fixnet and Solutions. Includes traffic from Swisscom's fixed-line network to mobile networks and to private user networks. Does not include Internet traffic and traffic generated from Swisscom-operated public payphones, Swisscom's toll-free, cost shared and premium rate telephone number services for business customers or by Swisscom's information services.
- (7) Represents total traffic generated by customers of Fixnet and Solutions. Based on minutes as determined for customer billing purposes.
- (8) Includes minutes from all outgoing calls made by subscribers of Swisscom Mobile. Figures include voice minutes only.
- (9) Swisscom does not include accounts of any prepaid customer with inactivity of more than twelve months in its subscriber figures. As of December 31, 2004, approximately 124,000 customers, which had not registered with Swisscom on a timely basis, as required by law since July 2004, were deactivated.

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Dividend Information

The following table shows, in respect of each of the years indicated, information concerning the dividends per share paid in Swiss francs and in U.S. dollars. Dividends were declared in Swiss francs and converted into U.S. dollars using the noon buying rate for Swiss francs per U.S. dollar on the date of the shareholders' meeting at which the relevant dividend was approved. As used in this annual report, the term "noon buying rate" refers to the exchange rate for Swiss francs per U.S. dollar, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in The City of New York for cable transfers in foreign currencies.

Year Ended December 31,	Dividend per Share	
	(CHF)	(USD)
2002		