

# Consolidated Financial Statements January – June 1999

Swisscom AG

# Key Figures

CHF in millions, except where indicated

June 30, 1998    June 30, 1999

## Swisscom Group

Net revenues		5 106	5 211
Operating income before depreciation (EBITDA)		2 294	2 460
Operating income (EBIT)		1 499	1 620
Net income from continuing operations		1 186	1 201
Net income		1 133	1 201
Shareholders' equity		2 396	5 372
Equity ratio	%	15.4	32.0
Number of full-time equivalent employees at end of period	FTE	21 806	20 358
Average number of full-time equivalent employees	FTE	21 928	20 805
Revenue per employee	CHF in thousands	233	250
Net cash provided by operating activities		1 496	1 920
Capital expenditures		393	464
Investments in subsidiaries, affiliated companies and other non-current assets		12	13
Free cash flow		1 136	1 339

## Key figures per share

Average number of shares outstanding (at CHF 25.- each)	in thousands	66 000	73 550
Price per share:			
High	CHF	n/a	643
Low	CHF	n/a	501
Period end (June 30)	CHF	n/a	585
Net income from continuing operations	CHF	17,97	16,33
Net income	CHF	17,17	16,33
Shareholders' equity	CHF	36,30	73,04
Market capitalization (June 30)		n/a	43 027

# Review of the group's results

In the first half of 1999, Swisscom increased revenues by 2,1% compared to the same period last year to reach CHF 5,211 million. The strong growth in mobile telecommunications services, with revenue growth of 37,9%, more than compensated for the downturn in voice telephony. Lower personnel and operating expenses helped improve net operating income before interest (EBIT) by 8,1% to CHF 1,620 million. Net income is CHF 1,201 million, which corresponds to an increase of 6,0% over the previous year. The second semester will be affected by the restructuring measures launched and the higher expenses common in this period. We nevertheless expect a good result for the year overall.

	CHF in millions	June 30, 1998	June 30, 1999	Change in %
<b>Net revenues</b>				
Access		668	677	1,3%
National traffic revenue		1 217	1 117	(8,2%)
Outgoing international traffic revenue		707	485	(31,4%)
Value-added and information services		228	291	27,6%
Customer premises equipment		483	440	(8,9%)
<b>Fixed-line voice telephony</b>		<b>3 303</b>	<b>3 010</b>	<b>(8,9%)</b>
Mobile telecommunications services		823	1 135	37,9%
Data and multimedia services		433	429	(0,9%)
Carrier services		377	422	11,9%
Other revenues		170	215	26,5%
<b>Total net revenues</b>		<b>5 106</b>	<b>5 211</b>	<b>2,1%</b>

	Call volumes in million minutes	June 30, 1998	June 30, 1999	Change in %
<b>Fixed-line voice telephony</b>				
Local area traffic		5 407	5 512	1,9%
National long-distance traffic		3 671	3 295	(10,2%)
<b>Total national traffic</b>		<b>9 078</b>	<b>8 807</b>	<b>(3,0%)</b>
<b>Outgoing international fixed-line traffic</b>		<b>976</b>	<b>794</b>	<b>(18,6%)</b>

	at period end, in thousands	Dec. 31, 1998	June 30, 1999	Change in %
<b>PSTN</b>		<b>3 883</b>	<b>3 756</b>	<b>(3,3%)</b>
ISDN Basic (number of access channels)		504	514	2,0%
ISDN Light (number of access channels)		146	314	115,1%
ISDN Primary (number of access channels)		270	297	10,0%
<b>Total ISDN (number of access channels)</b>		<b>920</b>	<b>1 125</b>	<b>22,3%</b>
<b>Total (number of access channels)</b>		<b>4 803</b>	<b>4 881</b>	<b>1,6%</b>

Revenues from voice communication fell by 8,9% compared with last year. Competitors were able to extend their market share in long-distance and outgoing international telephony. Volumes in minutes reduced by 10,2% for national long-distance calls and by 18,6% for outgoing international calls. In contrast, local call volumes increased slightly. Swisscom's tariff reductions had a further impact on the decline in revenues. A strong increase in fixed-to-mobile traffic had a positive effect on revenue. The "Joker" customer retention program was launched in February 1999 and offers participants attractive reductions and special rebates. Six months after its launch, the bonus program has already 500,000 participants with some 900,000 access channels.

# Review of the group's results

The downturn in revenues from long-distance and international calls is partially compensated for by the increase in revenues from access and value-added services. The number of ISDN channels has increased by 22,3% since the end of 1998 to reach 1,12 million. The number of ISDN Light channels increased from 146,000 to 314,000. An increase in Internet traffic helped to increase revenues from value-added services.

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## Mobile telecommunications services

There was continued strong growth in the field of mobile telecommunications services. Revenues increased by 37,9% to CHF 1,135 million. Market penetration had reached around 28% by the end of June 1999. Overall, the customer base has grown by 20,2% so far this year to reach 2,01 million. The average monthly revenue per user (ARPU) for the first half of this year is 10,3% below the previous year at CHF 87. This reduction is due to the growing number of prepaid card service customers (Natel easy), which totaled around 760,000 at the end of June 1999, an increase of 30%. The increased revenue from roaming agreements had a positive impact on revenue growth.

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## Data and multimedia services

In the field of data and multimedia services, revenues were around 0,9% below the previous year's figure at CHF 429 million. Revenues of CHF 320 million were generated from leased lines and data transmission services, a decrease of 1,8 % compared to the previous year. The number of leased lines increased in 1999 as customer demand for higher capacity leased lines grew. Prices remain under pressure in this sector due to intensive competition. Revenues from corporate communications solutions improved by 60% to reach CHF 77 million. This growth came above all from the well-positioned LAN-Interconnect, IP-Plus and Internet Access services. Revenues from multimedia services decreased by 45,8% over the previous year to CHF 32 million. It should be noted here that starting from 1999 revenues will no longer be recorded from telephone directories. This business was incorporated into a joint venture with Publigroupe S.A. and is accounted for under the equity method. The impact on revenue in the first half of the year was around CHF 25 million. Taking this effect into account, revenues remained stable compared with the previous year. The success of "the blue window", Switzerland's leading Internet service provider, is shown, inter alia, by a 27% increase in customers in 1999 to 193,600.

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## Carrier services

Carrier services increased revenues by 11,9% to CHF 422 million. Revenues of CHF 122 million were generated from national interconnection services (CHF 9 million in the previous year). Revenues from International Carrier services decreased by 22,9% to CHF 219 million. This was due to price erosion in international call tariffs, which was only partly compensated for by increased revenues from hubbing traffic.

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## Other revenues

Other revenues increased by 26,5% to CHF 215 million. The newly acquired fully consolidated subsidiaries in Austria, the Principality of Liechtenstein, Italy and the USA generated total revenues of CHF 95 million for the first half of 1999.

Operating expenses	CHF in millions	June 30, 1998	June 30, 1999	Change in %
	Goods and services purchased	750	784	4,5%
	Personnel expenses	1 175	1 139	(3,1%)
	Other operating expenses	983	890	(9,5%)
	Depreciation and amortization	795	840	5,7%
	<b>Total operating expenses</b>	<b>3 703</b>	<b>3 653</b>	<b>(1,4%)</b>

Other operating expenses for 1998 include CHF 260 million for the one-off stamp tax resulting from Swisscom's conversion to a stock corporation on January 1, 1998. Excluding this one-time item, total operating expenses increased by 6,1%. Expenses of newly acquired subsidiaries totaling CHF 96 million were recorded in 1999.

**Goods and services purchased** The increase in goods and services purchased is mainly linked to the increased fees for international traffic to foreign operators for roaming services. Furthermore, expenses related to terminating traffic on the fixed-line networks of other operators also increased.

	June 30, 1998	June 30, 1999
<b>Personnel expenses and number of employees</b>		
Average number of full-time equivalent employees	21 928	20 805
Number of full-time equivalent employees at end of period	21 806	20 358

The workforce was reduced by 1,588 (7,2%) full-time equivalents in 1999 as planned. On January 1, 1999, all cleaning and building maintenance staff (660 full-time equivalents) were outsourced. As part of the special early retirement plan launched in 1997, a total of approximately 500 employees departed in the first half of 1999. The reductions were partly absorbed by the recruitment of additional personnel in growth areas and new subsidiaries.

**Other operating expenses** As expected, advertising and sales expenses increased from CHF 85 million to CHF 155 million. Increased marketing activity, commissions to dealers for the promotion of sales of mobile telephones and expenses related to the "Joker" customer program are the result of this increase. Costs related to the millennium project also had an impact on the increase.

**Operating income** Operating income (EBIT) increased by 8,1% to CHF 1,620 million. The breakdown of operating income by segment is presented on page 12.

**Financial expense and financial income** Net financial expense decreased to CHF 95 million from CHF 145 million in the previous period as a result of further repayments on financial liabilities. The previous year's financial expense figure included a penalty of CHF 24 million on early extinguishment of debt compared to CHF 7 million in 1999.

**Income taxes** Tax expense was CHF 370 million, which corresponds to an average tax rate of 24,3%. In the same period of the previous year the tax rate was only 7,6% due to the one-time deferred credit recorded upon incorporation.

# Review of the group's results

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## Equity in net gain of affiliated companies

In the first half of 1999 equity in net gain of affiliated companies amounted to CHF 23,0 million. Unisource N.V. achieved a positive result thanks to the sale of its holding in Arcor. Following AT&T's departure from the alliance, the activities of Unisource are gradually being reduced. Additional disposals are planned as part of the restructuring of Unisource.

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## Discontinued operations

In March 1999, the Board of Directors decided to withdraw from business activities in India (Sterling Cellular Limited) and Malaysia (DiGi Swisscom Berhad) due to re-focusing of its international strategy and continued losses. At that time the investments were written down to zero and provisions were made for the withdrawal. In June 1999 it was announced that an agreement had been reached for the sale of Swisscom's 32,51% share in Sterling Cellular Limited. The transaction still requires approval by the Indian regulator and depends on successful financing of the purchase price. In May 1999, an agreement was signed on the sale of the 30% stake in DiGi Swisscom Berhad. This agreement also requires the approval of the Malaysian regulator and the successful financing of the purchase price. If the buyers receive the necessary financing and the approval of the regulator, it is expected that the transactions will be completed this financial year. No additional losses are expected from these two businesses. Subject to successful completion of the transactions, a gain may be recognised on the sale.

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## Net income

In the first half of 1999, net income of CHF 1,201 million was generated, an increase of 6%. With the average number of outstanding shares at 73,55 million, income per share is CHF 16,33 compared to CHF 17,17 for the previous year. There were only 66 million shares outstanding prior to the initial public offering in October 1998.

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## Capital expenditures

Capital expenditures totaled CHF 464 million and loans of CHF 124 million were issued to affiliated companies. For the financial year as a whole, we expect capital expenditure to be above last year's figure of CHF 1,3 billion. In the mobile communications sector in particular, capacity will be adapted to keep pace with growing customer numbers.

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## Millennium

A comprehensive "Millennium" project has been launched to minimize the risks associated with the 1999/2000 date change for Swisscom and its customers. By the end of September, work on the Swisscom networks, including detailed field tests, will be completed. The most important additional systems and objects have been tested. Adaptation work has been carried out on over 90% of these systems. Special contingency plans to minimize any risks will be completed on the basis of the existing and experienced contingency organization by September 30, 1999.

Despite the successful implementation of the project, Swisscom's business activities may be affected by the capabilities of third parties to solve their own millennium problems. Such third parties are suppliers, service providers and other network operators who have business dealings with Swisscom. Therefore, despite all internal efforts, failures that could affect Swisscom's activities and business result cannot be ruled out completely.

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#### Acquisition of the majority of debitel AG

A purchase agreement signed on July 9, 1999 secured Swisscom 58% of the outstanding shares of debitel AG, Stuttgart. debitel is a telecommunications service provider which focuses on mobile communications. debitel is number three in mobile communications in Germany. Here alone debitel has some 2,2 million customers. debitel is also present in Belgium, the Netherlands, Denmark, France and Slovenia with a customer base of over 1,5 million.

The acquisition price is EUR 32 per share, which translates into a total price of around CHF 2,6 billion for the 58% share. A public purchase offer of EUR 32 per share has been submitted to the public shareholders in debitel AG, who hold 20% of the share capital, and is valid until September 10, 1999. If the offer is accepted in full, a further CHF 900 million would be payable. Swisscom has been granted a call option with a term until January 2, 2001 for a further 20% of the share capital. The sellers have the right to exercise a put option for 20% of the share capital from November 15, 2000.

CHF 1,6 billion cash and cash equivalents will be used to pay the purchase price. Various methods for financing the remaining amount of CHF 1,9 billion are being considered.

Swisscom expects the necessary approvals from competition authorities and other contractually agreed conditions to be in place by September 30, 1999. It is planned to include debitel in the group accounts for the first time on October 1, 1999. debitel will be consolidated in accordance with the purchase method.

The acquisition of debitel will lead to significant revenue growth for Swisscom. However, margins will reduce with the consolidation of debitel, which is a service provider with lower margins. The acquisition will generate significant goodwill for Swisscom, which will have an effect on future operating income (EBIT).

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#### Outlook

In fixed-line voice telephony, intensive competition and price reductions are having a negative impact on revenues. In contrast, we expect the customer base to increase in mobile telecommunications and therefore expect a further increase in revenue in 1999. Due to the continuing decrease in tariffs, the growth rate in this sector will not reach the high level of past years. With the launch of "FreeWay" – free Internet access – we expect a significant increase in customers in the hotly-contested Internet market.

It is Swisscom's stated aim to further reduce costs. The measures required to do so will lead to a further reduction in the workforce. In May, an agreement on the restructuring process was reached with the staff associations and unions. The package of measures includes various models of early and partial retirement and the methods, conditions and benefits related to cutting staff levels in areas with overcapacity. Currently the detailed reduction plans are being prepared. Swisscom expects one-off expenses in the area of CHF 300 million associated with this program, which should be booked in the second half of 1999.

The acquisition of debitel means that Swisscom's revenues will increase overall. The second half of the year commonly involves greater expenses than the first. In addition, restructuring measures will affect the result for the second half of the year. We nevertheless expect another good result for this financial year.



# Consolidated income statement

CHF in millions, except per share amounts	unaudited	
	June 30, 1998	June 30, 1999
<b>Net revenues</b>	<b>5 106</b>	<b>5 211</b>
Capitalized cost	96	62
<b>Total</b>	<b>5 202</b>	<b>5 273</b>
Goods and services purchased	750	784
Personnel expenses	1 175	1 139
Other operating expenses	983	890
Depreciation and amortization	795	840
<b>Total operating expenses</b>	<b>3 703</b>	<b>3 653</b>
<b>Operating income</b>	<b>1 499</b>	<b>1 620</b>
Financial expense	(189)	(124)
Financial income	44	29
<b>Income before income taxes, equity in net (loss) gain of affiliated companies and minority interest</b>	<b>1 354</b>	<b>1 525</b>
Income tax expense	(103)	(370)
<b>Income before equity in net (loss) gain of affiliated companies and minority interest</b>	<b>1 251</b>	<b>1 155</b>
Equity in net (loss) gain of affiliated companies	(65)	23
Minority interest in loss of consolidated subsidiaries	-	23
<b>Net income from continuing operations</b>	<b>1 186</b>	<b>1 201</b>
Discontinued operations	(53)	-
<b>Net income</b>	<b>1 133</b>	<b>1 201</b>
<b>Basic and diluted earnings per share (in CHF)</b>		
- on continuing operations	17,97	16,33
- on discontinued operations	(0,80)	0,00
- net income	17,17	16,33

# Consolidated balance sheet (condensed)

CHF in millions	Note	Dec. 31, 1998	unaudited June 30, 1999
<b>Assets</b>			
Cash and cash equivalents		1 759	1 751
Other current assets		2 815	3 050
<b>Total current assets</b>		<b>4 574</b>	<b>4 801</b>
Property, plant and equipment		11 101	10 669
Investments		831	816
Other non-current assets		438	481
<b>Total non-current assets</b>		<b>12 370</b>	<b>11 966</b>
<b>Total assets</b>		<b>16 944</b>	<b>16 767</b>
<b>Liabilities and shareholders' equity</b>			
Short-term debt	4	1 264	1 427
Other current liabilities	5	3 150	2 805
<b>Total current liabilities</b>		<b>4 414</b>	<b>4 232</b>
Long-term debt	4	4 762	4 070
Other long-term liabilities	5	2 378	3 091
<b>Total long-term liabilities</b>		<b>7 140</b>	<b>7 161</b>
<b>Total liabilities</b>		<b>11 554</b>	<b>11 393</b>
Minority interest in subsidiaries		43	2
<b>Total shareholders' equity</b>		<b>5 347</b>	<b>5 372</b>
<b>Total liabilities and shareholders' equity</b>		<b>16 944</b>	<b>16 767</b>

## Consolidated cash flow statement (condensed)

CHF in millions	unaudited	
	June 30, 1998	June 30, 1999
<b>Net cash provided by operating activities</b>	<b>1 496</b>	<b>1 920</b>
Capital expenditures, net of proceeds from sale of fixed assets	(384)	(451)
Acquisitions of subsidiaries and purchases of other non-current assets, net	(8)	(124)
Proceeds from sale (purchases) of securities available for sale, net	32	(6)
<b>Net cash used in investing activities</b>	<b>(360)</b>	<b>(581)</b>
Issuance (repayment) of debt, net	226	(538)
Profit distribution paid	(1 144)	(809)
<b>Net cash used in financing activities</b>	<b>(918)</b>	<b>(1 347)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>218</b>	<b>(8)</b>
Cash and cash equivalents at beginning of year	256	1 759
<b>Cash and cash equivalents at end of period</b>	<b>474</b>	<b>1 751</b>

## Consolidated statement of shareholders' equity

unaudited	Share capital	Additional paid-in capital	Retained earnings (accumulated deficit)	Unrealized market value adjustment on securities	Cumulative translation adjustment	Total shareholders' equity
CHF in millions						
<b>Balance at December 31, 1997</b>	–	–	1 352	39	(161)	<b>1 230</b>
Unrealized market value adjustment on securities available for sale				(24)		(24)
Translation adjustments					57	57
Gains (losses) not recognised in income statement				(24)	57	33
Conversion into share capital	1 650		(1 650)			0
Net income			1 133			1 133
<b>Balance at June 30, 1998</b>	<b>1 650</b>	–	<b>835</b>	<b>15</b>	<b>(104)</b>	<b>2 396</b>
<b>Balance at December 31, 1998</b>	<b>1 839</b>	<b>2 273</b>	<b>1 232</b>	<b>1</b>	<b>2</b>	<b>5 347</b>
Translation adjustments					(28)	(28)
Losses not recognised in income statement					(28)	(28)
Net income			1 201			1 201
Dividend paid			(809)			(809)
Accrued pension cost adjustment (note 3)			(339)			(339)
<b>Balance at June 30, 1999</b>	<b>1 839</b>	<b>2 273</b>	<b>1 285</b>	<b>1</b>	<b>(26)</b>	<b>5 372</b>

A dividend in respect of 1998 of CHF 11 per share (amounting to a total of CHF 809 million) was paid in June 1999 to all shares outstanding. This represents a pay-out ratio of 52%.

# Notes to the consolidated condensed financial statements

## 1 Accounting policies

The unaudited consolidated financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting, except for the comparative figures of the segment reporting, where the information is not available. On January 1, 1999, Swisscom adopted IAS 19 (revised) – Employee Benefits (see note 3). The accounting policies used in the preparation of the condensed financial statements, with the exception of employee benefits, are consistent with those used in the annual financial statements for the year ended December 31, 1998.

Certain prior period amounts have been reclassified to conform to current period presentation.

## 2 Segment Information

<u>unaudited</u> CHF in millions	Voice	Mobile	Data & Multimedia	Carrier Services	Other	Total
Net revenues from external customers	3 010	1 135	429	422	215	5 211
Intersegment net revenues	72	206	155	438	–	871
<b>Net revenues</b>	<b>3 082</b>	<b>1 341</b>	<b>584</b>	<b>860</b>	<b>215</b>	<b>6 082</b>
Segment expenses	(2 300)	(727)	(500)	(637)	(186)	(4 350)
<b>Segment operating income</b>	<b>782</b>	<b>614</b>	<b>84</b>	<b>223</b>	<b>29</b>	<b>1 732</b>
Corporate expenses not allocated						(112)
<b>Operating income</b>						<b>1 620</b>

## 3 Retirement benefits

The adoption of IAS 19 (revised) – Employee Benefits resulted in an increase in the accrued pension cost. The main reasons for the increase in accrued pension cost are the decrease of the discount rate from 5% to 4,5% and the recognition of unamortized actuarial losses and the vested portion of unamortized past service costs.

CHF in millions	unaudited
Accrued pension cost at December 31, 1998	1 851
Increase in accrued pension cost upon adoption of IAS 19 (revised)	452
<b>Accrued pension cost at January 1, 1999</b>	<b>2 303</b>

The increase of accrued pension cost by CHF 452 million has been charged against equity in accordance with the transitional provisions of the standard. A corresponding deferred tax benefit of CHF 113 million was recorded directly through equity. The net adjustment to equity amounts to CHF 339 million.

**4 Debt**

CHF in millions	Dec. 31, 1998	unaudited June 30, 1999
<b>Long-term debt</b>		
Swiss Post debt	4 700	4 200
Finance lease obligation	556	533
Other long-term debt	45	61
<b>Total</b>	<b>5 301</b>	<b>4 794</b>
Less current portion	(539)	(724)
<b>Total long-term debt</b>	<b>4 762</b>	<b>4 070</b>

<b>Short-term debt</b>		
Employee savings deposits	724	697
Current portion of long-term debt	539	724
Other short-term debt	1	6
<b>Total short-term debt</b>	<b>1 264</b>	<b>1 427</b>

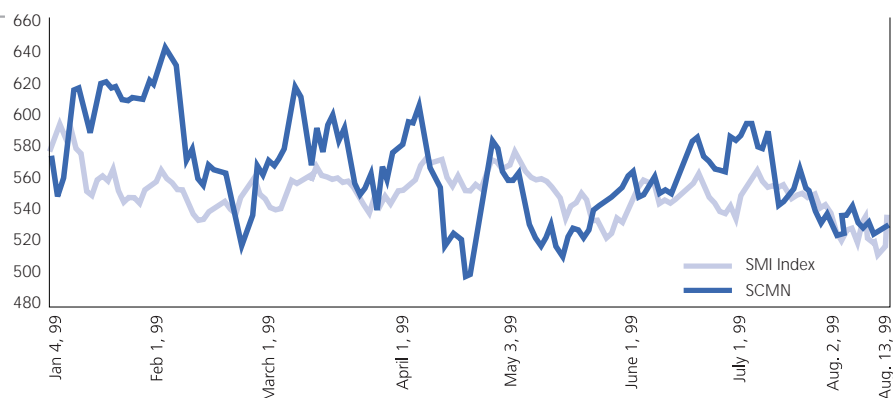
**5 Accrued liabilities**

CHF in millions	Dec. 31, 1998	unaudited June 30, 1999
Accrued pension cost	1 851	2 345
Reserve for discontinued operations	132	132
Outsourcing program	70	39
Deferred tax liability	10	15
Other accrued liabilities	747	745
<b>Total accrued liabilities</b>	<b>2 810</b>	<b>3 276</b>
Less current portion	(705)	(576)
<b>Total long-term accrued liabilities</b>	<b>2 105</b>	<b>2 700</b>

Accrued liabilities are included in other current liabilities and other long-term liabilities.

# Shareholder information

Swisscom share price SWX  
(in CHF)



	SWX	NYSE
High (close)	CHF 643	USD 45,94
Low (close)	CHF 501	USD 33,19
Share price at August 13, 1999	CHF 531	USD 35,31
Volume	16 056 196 shares	4 585 400 ADS
Average daily trading volume	102 924 shares	29 583 ADS
Market capitalization (100% at August 13, 1999)	CHF 39,1 billion	n/a

Source: Bloomberg

## Share information

The nominal value (CHF 25 per share) of the share capital of 73'550'000 shares amounts to CHF 1'838,75 million. At June 30, 1999 48'175'250 shares (65,5%) are held by the Confederation and the remaining 25'374'750 shares (34,5%) are spread over 53'077 shareholders.

Each share entitles the holder to one vote. Voting rights may only be executed if the shareholder has been entered into the Swisscom Share Register with voting rights. The Board of Directors may reject the inclusion of a shareholder in the Share Register if the total voting rights of a single shareholder exceed 5% of total share capital.

## Financial Calendar

November 23, 1999	Presentation of third quarter 1999 interim results (press release)
March 2000	Results 1999
May 30, 2000	Ordinary Shareholders' Meeting, Hallenstadion Zurich-Oerlikon

## Shares

The Swisscom shares are quoted at the Swiss stock exchange under the symbol "SCMN" (security number 874251) and in form of American Depositary Shares (ADS) at a ratio of 1 to 10 at the New York Stock Exchange under the symbol "SCM" (security number 949527).

	Bloomberg	Reuters	Telekurs
Zurich (09.00–17.00)	SCMN SW	SCMZn.S	SCMN
New York (9.30 am–4.00 pm)	SCM US	SCMZ.N	SCM

The consolidated condensed financial statements are published in German and English. The German version is binding.

**Forward-looking statements:**

Except for the historical statements and discussions contained herein, statements contained in this Report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report may include forward-looking statements, including, without limitation, statements relating to the implementation of strategic initiatives, concerning future operating performance, development of operating expenses, anticipated level of capital expenditures, year 2000 compliance, Swisscom's market share or its revenue and earnings growth rates. These forward-looking statements rely on a number of assumptions concerning future events, including the adoption and implementation of balanced and effective rules and regulations by regulatory authorities. These forward-looking statements are subject to a number of uncertainties and other factors, many of which are outside Swisscom's control, that could cause actual events and results to differ materially from such statements. For a more complete discussion of such factors and uncertainties, see "Forward-Looking Statements" in Swisscom's Form 20-F for the year ended December 31, 1998. Swisscom disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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