

# **QUARTERLY REPORT**

**JANUARY – MARCH 2001**

## Key Figures

CHF in millions, except where indicated		31.3.2000	unaudited 31.3.2001
<b>Swisscom Group</b>			
Net revenue		3 355	3 515
Operating income before depreciation (EBITDA)		1 140	1 205
EBITDA (as % of net revenue)		34.0	34.3
Operating income (EBIT)		659	664
Gain on partial sale of Swisscom Mobile AG		-	3 887
Net income		2 064	4 483
Number of full-time equivalent employees at end of period	FTE	21 274	20 274
- thereof debitel	FTE	2 619	3 218
Net cash provided by operating activities		914	577
Capital expenditures		172	223
Investments in subsidiaries and affiliated companies		11	472
Free cash flow		2 557	1 904
Net debt		5 410	536
CHF in millions			
<b>Net revenue</b>			
Fix Com Retail and Network		800	812
Fix Com Wholesale and Carrier Services		284	307
Enterprise Solutions		476	444
Mobile		617	755
debitel		893	947
Other revenue		285	250
<b>Total net revenue</b>		<b>3 355</b>	<b>3 515</b>
In millions of minutes <sup>1)</sup>			
<b>Voice Call Volumes</b>			
Local area traffic		3 012	2 673
National long-distance traffic		894	858
Traffic to other networks		252	282
<b>Total national traffic</b>		<b>4 158</b>	<b>3 813</b>
International traffic		332	351
Traffic from value-added services		1 651	2 415
Traffic from other products		62	57
At period end, in thousands			
PSTN (number of channels)		3 539	3 330
Total ISDN (number of channels)		1 502	1 866
<b>Total number of access channels</b>		<b>5 041</b>	<b>5 196</b>
<b>Mobile Com</b>			
Number of customers (post paid)	in thousands	1 482	1 980
Number of customers (pre paid)	in thousands	961	1 334
<b>debitel</b>			
Number of customers	in thousands	5 363	9 250
- in Germany	in thousands	3 675	7 023

1) Represents total voice traffic generated by Fix Com-Retail and Network and Enterprise Solutions.

## Financial Review

Swisscom posted revenue of CHF 3,515 million for the first quarter of 2001, representing an increase of 4.8% compared with the same quarter last year. The main contributors to the growth were Mobile and debitel, whose revenue increased by 22.4% and 6.0%, respectively. Operating income before interest and depreciation (EBITDA) increased by 5.7% to CHF 1,205 million. The decrease in margin in fixed telephony was offset by higher EBITDA in mobile. At CHF 664 million, operating income (EBIT) is on a par with the previous year.

The sale of a 25% shareholding in Swisscom Mobile AG to Vodafone plc. was completed at the end of March 2001 and Swisscom recorded a gain on the sale of CHF 3,887 million. As a result of this large gain, net income in the first quarter of 2001 increased significantly to CHF 4,483 million.

For 2001 as a whole, Swisscom anticipates a slight growth in revenue and lower operating income compared with the previous year. The gains recorded on the sale of the 25% shareholding in Swisscom Mobile AG and the disposal of real estate are expected to lead to a marked increase in net income.

As a result of organizational changes the segments have been redefined compared with the previous year. Last year's figures have been restated to reflect the new structure. See note 2 to the interim statements.

### Fix Com Retail and Networks

In CHF millions	31.03.2000	31.03.2001
Net revenue from external customers	800	812
Intersegment revenue	561	501
<b>Net revenue</b>	<b>1 361</b>	<b>1 313</b>
EBITDA	503	466
<i>Margin as % of net revenue</i>	<i>37.0%</i>	<i>35.5%</i>

Revenue from telephony traffic fell by 16.1% year-on-year to CHF 282 million. The decline relates primarily to national long-distance traffic (35.6%) and international telephony traffic (30.0%) and is attributable to the massive tariff reductions introduced on March 1, 2000 and to loss of market share. Revenue from value-added services, on the other hand, increased by 40.5% to CHF 76 million. Also in the access area, ISDN business generated 4.3% growth in revenue to CHF 278 million.

As a result of the increase in revenue in the access and value-added services areas, the EBITDA margin remained relatively stable despite the tariff reductions in telephony traffic.

## Fix Com Wholesale and Carrier Service

In CHF millions	31.03.2000	31.03.2001
Net revenue from external customers	284	307
Intersegment revenue	273	416
<b>Net revenue</b>	<b>557</b>	<b>723</b>
EBITDA	31	39
<i>Margin as % of net revenue</i>	<i>5.6%</i>	<i>5.4%</i>

Compared with the previous year, revenue grew by 8.1% to CHF 307 million, primarily as a result of an increase in the volume of traffic generated from national interconnection services and an increase in revenue generated from international subsidiaries. Tariff reductions resulted in a decline in EBITDA margin from 5.6% to 5.4%.

## Enterprise Solutions

In CHF millions	31.03.2000	31.03.2001
Net revenue from external customers	476	444
Intersegment revenue	28	26
<b>Net revenue</b>	<b>504</b>	<b>470</b>
EBITDA	87	70
<i>Margin as % of net revenue</i>	<i>17.3%</i>	<i>14.9%</i>

Compared to the previous year, segment revenue decreased by 6.7% to CHF 444 million. Revenue from telephony traffic, access and value-added services fell by 8% to CHF 254 million as a result of tariff reductions and loss of market share. Revenue from leased lines declined 14% to CHF 99 million, following price cuts introduced in August 2000. Further selected reductions are expected during the course of 2001. In contrast, Corporate Communication Solutions reported strong revenue growth of 51.4% to CHF 53 million. However, revenue from the data business shows an overall decline compared to the previous year of 6.0%. Price cuts have caused a decline in the segment's EBITDA margin from 17.3% to 14.9%.

## Mobile

In CHF millions	31.03.2000	31.03.2001
Net revenue from external customers	617	755
Intersegment revenue	159	204
<b>Net revenue</b>	<b>776</b>	<b>959</b>
EBITDA	398	479
<i>Margin as % of net revenue</i>	<i>51.3%</i>	<i>49.9%</i>

With an increase in revenue of 22.4% to CHF 755 million compared with the same quarter last year, Mobile remains Swisscom's growth business. The first quarter of this year saw a net gain of 146,287 new customers to 3.31 million, representing a 4.5% expansion of the customer base since December 31, 2000 and a market share of 67%. The prepaid business accounted for the biggest increase, with the number of customers rising 9.0% to 1.33 million. The growth in revenue stems primarily from the voice business, with a 19.1% rise in volume, together with an increase in the data business due to the significant growth in SMS. Average monthly revenue per customer (ARPU

including incoming minutes) fell to CHF 85 from CHF 88 for the full year 2000, chiefly as a result of the increase in the number of prepaid customers.

Third-party expenses rose 33.9% compared to the previous year owing primarily to an increase in headcount, slightly higher customer acquisition costs and an increase in repair and maintenance expenses.

This resulted in a decline of the EBITDA margin from 51.3% to 49.9%. It is expected that revenue will flatten out in 2001 because of the high level of market penetration already achieved.

## debitel

In CHF millions	31.03.2000	31.03.2001
<b>Net revenue</b>	<b>893</b>	<b>947</b>
EBITDA	40	51
<i>Margin as % of net revenue</i>	<i>4.5%</i>	<i>5.4%</i>

debitel revenue increased by 6.0% to CHF 947 million compared with the previous year. Local-currency (€) growth amounted to 11.0%. The growth in revenue was attributable to an expansion of the customer base since December 31, 2000 of 7.5% to 9.25 million. EBITDA increased by 27.5% compared to the previous year to CHF 51 million.

Under the terms of a purchase agreement concluded in October 1999, two shareholders were granted an option to put 20% of debitel's outstanding shares to Swisscom. In January 2001, one of the shareholders exercised their option on 10% of the shares for CHF 468 million. This acquisition was accounted for under the purchase method and goodwill amounting to CHF 458 million was recorded.

D2 Vodafone and debitel have signed an agreement on the non-exclusive collaboration in the field of UMTS. As an enhanced service provider, debitel will market both the UMTS products of D2 Vodafone and its own UMTS services. The agreement includes a provision granting debitel the option of also offering its customers products from D2 Vodafone's international portfolio. debitel is currently in negotiations with other network operators regarding collaboration in UMTS.

## Other

In CHF millions	31.03.2000	31.03.2001
Net revenue from external customers	285	250
Intersegment revenue	43	91
<b>Net revenue</b>	<b>328</b>	<b>341</b>
EBITDA	79	79
<i>Margin as % of net revenue</i>	<i>24.1%</i>	<i>23.2%</i>

Revenue fell by 12.3% to CHF 250 million compared with the first quarter of 2000. This was chiefly the result of a decline in PBX services (sale and rental of customer premises equipment and services), where revenue dropped 24.0% to CHF 114 million.

Despite negative growth in the global portal business, the number of subscribers to the Internet service provider, bluewin, grew to 612,884, an increase of 11.4% in the three months since December 31, 2000, representing a market share of 41%. The bluewin Group reported a year-on-year rise in net revenue, including revenue from intersegment business, of 3.7% to CHF 32 million. In

the first quarter of 2001 the bluewin Group recorded negative EBITDA of CHF 11 million.

**Gains on the disposal of shareholding in Swisscom Mobile AG**

The agreement governing the purchase by Vodafone plc. of a 25% share in Swisscom Mobile AG was concluded on March 30, 2001. In compliance with the terms of the agreement, Vodafone paid a first tranche of CHF 2,200 million less transaction costs. The remaining CHF 2,300 million plus interest is payable within 12 months, whereby Vodafone has the option of payment in the form of cash, Vodafone shares or a combination of the two. Net selling price after deducting transaction costs of CHF 168 million (cost of sale of shares in the first tranche, stamp duty on new issuance of shares and consulting fees) was CHF 4,332 million and the gain recorded was CHF 3,887 million. See Note 4 in the notes to the interim statements.

**Income tax expense**

Income tax expense was significantly influenced by the sale of the shares of Swisscom Mobile and amounted to only CHF 13 million in the first quarter 2001. This exceptionally low rate is primarily attributable to the gain on the sale of the shares of Swisscom Mobile AG being exempt from taxes. See note 4 in the notes to the interim statements. Disregarding this effect the effective tax rate was 21.9%.

**Equity in net loss of affiliated companies**

Included within the result of affiliated companies is an impairment of goodwill of CHF 30 million relating to Swisscom's share in two of the Winner companies. See Note 5 in the notes to the interim statements.

In the first quarter 2000, Swisscom disposed of its investment in Cablecom and recorded a gain of CHF 1,335 million.

**Sale of real estate**

In March 2001 Swisscom entered into two agreements for the sale of real estate. The first agreement relates to the sale of 28 commercial and office properties for CHF 1,272 million to a consortium led by Credit Suisse Asset Management. The second concerns the sale of 162 commercial and office properties for CHF 1,280 million to PSP Real Estate AG and WTF Holding (Switzerland) Ltd.. At the same time Swisscom entered into agreements to lease back around 55% of the sold property space. The first transaction was completed on April 1, 2001; the second is expected to be concluded in the second quarter of 2001. The total gain on the sale of these properties is approximately CHF 810 million including the reversal of environmental provisions. A number of the leaseback agreements qualify as finance leases and the gain on the sale of these properties of CHF 250 million will be deferred and released to income over the individual lease terms. The gain on the sale of the remaining properties, which qualify as operating leases, of approximately CHF 560 million will be recorded in the second quarter of 2001.

## **Outlook for 2001**

A slight increase in revenue is expected for the current financial year. Swisscom also expects market share in its home market to fall less sharply. EBITDA margins in "Fix Com – Retail and Networks" and "Enterprise Solutions" will nonetheless continue to be exposed to pressure. Given the already high level of penetration in mobile telephony, Mobile will grow at a slower rate in 2001. Thus, despite the good first-quarter results, EBITDA and EBIT are still expected to be lower than 2000. However, as a result of the gain recorded on the sale of the 25% stake in Swisscom Mobile AG and the disposal of real estate, a marked increase in net income is projected in 2001.

## Consolidated income statement

CHF in millions	31.3.2000	31.3.2001
	<u>unaudited</u>	
<b>Net revenue</b>	<b>3 355</b>	<b>3 515</b>
Capitalized cost	14	31
<b>Total</b>	<b>3 369</b>	<b>3 546</b>
Goods and services purchased	970	1 031
Personnel expenses	631	605
Other operating expenses	628	705
Depreciation	396	448
Amortization	85	93
<b>Total operating expenses</b>	<b>2 710</b>	<b>2 882</b>
<b>Operating income</b>	<b>659</b>	<b>664</b>
Gain on partial sale of Swisscom Mobile AG	-	3 887
Financial expense	(78)	(94)
Financial income	46	72
<b>Income before income taxes, equity in net income of affiliated companies and minority interest</b>	<b>627</b>	<b>4 529</b>
Income tax expense	(179)	(13)
<b>Income before equity in net income of affiliated companies and minority interest</b>	<b>448</b>	<b>4 516</b>
Equity in net income of (loss) affiliated companies	1 550	(24)
Minority interest in loss of consolidated subsidiaries	(3)	(9)
<b>Net income from continuing operations</b>	<b>1 995</b>	<b>4 483</b>
Discontinued operations	69	-
<b>Net income</b>	<b>2 064</b>	<b>4 483</b>
<b>Basic and diluted earnings per share (in CHF)</b>		
– on continuing operations	27.12	60.95
– on discontinued operations	0.95	0.00
– net income	28.07	60.95



## Consolidated balance sheet (condensed)

CHF in millions	31.12.2000	unaudited 31.3.2001
<b>Assets</b>		
Cash and cash equivalents	2 265	3 639
Other current assets	3 957	3 386
Receivable against Vodafone	-	2 300
<b>Total current assets</b>	<b>6 222</b>	<b>9 325</b>
Property, plant and equipment	9 946	9 673
Goodwill and other intangible assets	3 047	3 421
Investments in affiliated companies	512	559
Other financial assets	2 337	2 807
Deferred tax assets	51	1 003
<b>Total non-current assets</b>	<b>15 893</b>	<b>17 463</b>
<b>Total assets</b>	<b>22 115</b>	<b>26 788</b>
<b>Liabilities and shareholders' equity</b>		
Short-term debt	2 685	1 697
Other current liabilities	4 267	4 407
<b>Total current liabilities</b>	<b>6 952</b>	<b>6 104</b>
Long-term debt	3 894	4 015
Other long-term liabilities	2 638	2 787
<b>Total long-term liabilities</b>	<b>6 532</b>	<b>6 802</b>
<b>Total liabilities</b>	<b>13 484</b>	<b>12 906</b>
<b>Minority interest in subsidiaries</b>	<b>61</b>	<b>505</b>
<b>Total shareholders' equity</b>	<b>8 570</b>	<b>13 377</b>
<b>Total liabilities and shareholders' equity</b>	<b>22 115</b>	<b>26 788</b>

## Consolidated cash flow statement (condensed)

CHF in millions	31.3.2000	unaudited 31.3.2001
<b>Operating income before depreciation (EBITDA)</b>	<b>1 140</b>	<b>1 205</b>
Change in net operating assets and other cash flows from operating activities	(226)	(628)
<b>Net cash provided by operating activities</b>	<b>914</b>	<b>577</b>
Repayment of debt, net	(172)	(223)
Proceeds from partial sale of Swisscom Mobile AG	-	2 032
Investments in subsidiaries and affiliated companies	(11)	(472)
Proceeds from sale of subsidiaries and affiliated companies	1 738	10
Other cash flows from investing activities	88	(20)
<b>Net cash from investing activities</b>	<b>1 643</b>	<b>1 327</b>
Repayment of debt, net	(2 310)	(530)
<b>Net cash used in financing activities</b>	<b>(2 310)</b>	<b>(530)</b>
<b>Net increase in cash and cash equivalents</b>	<b>247</b>	<b>1 374</b>
Cash and cash equivalents at beginning of year	1 211	2 265
<b>Cash and cash equivalents at end of period</b>	<b>1 458</b>	<b>3 639</b>

## Consolidated statement of shareholders' equity

CHF in millions	unaudited					
	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Fair value and other reserves	Total
<b>Balance at December 31, 1999</b>	<b>1 839</b>	<b>2 395</b>	<b>2 466</b>	<b>(1)</b>	<b>(14)</b>	<b>6 685</b>
Translation adjustments	-	-	-	-	(24)	(24)
Net income	-	-	2 064	-	-	2 064
Purchased treasury stock	-	-	-	(1)	-	(1)
Change in accounting policy for stockoptions	-	-	(17)	-	-	(17)
Effect of adopting IAS 37	-	-	56	-	-	56
<b>Balance at March 31, 2000</b>	<b>1 839</b>	<b>2 395</b>	<b>4 569</b>	<b>(2)</b>	<b>(38)</b>	<b>8 763</b>
<b>Balance at December 31, 2000</b>	<b>1 839</b>	<b>2 395</b>	<b>4 559</b>	<b>(1)</b>	<b>(222)</b>	<b>8 570</b>
Translation adjustments	-	-	-	-	24	24
Fair value adjustment on securities	-	-	-	-	213	213
Gains not recognized in income statement	-	-	-	-	237	237
Effect of adopting IAS 39	-	-	-	-	87	87
Net income	-	-	4 483	-	-	4 483
<b>Balance at March 31, 2001</b>	<b>1 839</b>	<b>2 395</b>	<b>9 042</b>	<b>(1)</b>	<b>102</b>	<b>13 377</b>

Swisscom adopted IAS 37 at January 1, 2000; the impact on shareholders' equity at January 1, 2000 is CHF 56 million, net of deferred income taxes of CHF 8 million.

Swisscom adopted IAS 39 at January 1, 2001. In accordance with the transitional requirements of IAS 39, interim statements for the period ended March 31, 2000 have not been restated. Swisscom recorded a gain of CHF 87 million, net of deferred income taxes of CHF 29 million, in fair value reserves at January 1, 2001. In the first quarter 2001, fair value gains on available-for-sale investments amounting to CHF 213 million, net of deferred income taxes of CHF 71 million, were recorded directly to fair value reserves.

Effective January 1, 2001, Swisscom changed its accounting for stock options granted to employees and members of the Executive Board and Board of Directors. Stock options and stock appreciation rights are now valued at fair market value on the grant date and recorded over the full vesting period under personnel expenses. The change applies retrospectively to January 1, 2000 in line with the provisions stated under IAS 8. Swisscom recorded a loss of CHF 17 million, net of deferred income taxes of CHF 6 million, at January 1, 2000 against retained earnings.

## Notes to the consolidated condensed financial statements

### 1 Accounting principles

The unaudited consolidated interim statements have been drawn up in accordance with International Accounting Standard (IAS) 34 "Interim Financial Report". Effective January 1, 2001, Swisscom adopted IAS 39 "Financial Instruments: Recognition and Measurement" and changed its accounting for stock options granted to employees and members of the Executive Board and Board of Directors. See consolidated statement of shareholders' equity. Otherwise the same accounting principles apply as used for the consolidated financial statements for 2000.

Individual figures for the previous year have been restated to facilitate comparison.

### 2 Results by segment

As a result of organizational changes the segments have been redefined compared with the previous year. Last year's figures have been restated to reflect the new structure.

The "Fix Com-Retail and Networks" segment covers "Traffic and Access" (access charges, national and international telephone traffic), customer premises equipment and value-added services. The segment also contains payphone services, operator services and cards for retail customers.

"Fix Com-Wholesale and Carrier Services" covers utilization of the Swisscom fixed network by other national and international telecommunication providers as well as the Wholesale activities of international subsidiaries in Europe and the USA.

Enterprise Solutions covers "Traffic and Access" (access charges, national and international telephone traffic, value-added services), leased lines and communication solutions for business customers.

"Mobile" covers the provision of mobile telephone, data and value-added services including network utilization charges.

The "debitel" segment reflects the business activities of debitel AG.

The segment "Other" covers mainly PBX Services, bluewin AG, conextrade AG, Telecom FL AG and property rentals to third parties.

unaudited

CHF in millions	Fix Com		Enterprise	Mobile	debitel	Other	Total
31.3.2000	Retail and Network	Wholesale and Carrier Services	Solutions				
Net revenue from external customers	800	284	476	617	893	285	3 355
Intersegment net revenue	561	273	28	159	-	43	1 064
<b>Net revenue</b>	<b>1 361</b>	<b>557</b>	<b>504</b>	<b>776</b>	<b>893</b>	<b>328</b>	<b>4 419</b>
Segment expenses	(858)	(526)	(417)	(378)	(853)	(249)	(3 281)
<b>Operating income before depreciation (EBITDA)</b>	<b>503</b>	<b>31</b>	<b>87</b>	<b>398</b>	<b>40</b>	<b>79</b>	<b>1 138</b>
<i>Margin in %</i>	<i>37.0%</i>	<i>5.6%</i>	<i>17.3%</i>	<i>51.3%</i>	<i>4.5%</i>	<i>24.1%</i>	
Depreciation and amortisation	(242)	(1)	(7)	(51)	(10)	(33)	(344)
<b>Operating income before goodwill amortization</b>	<b>261</b>	<b>30</b>	<b>80</b>	<b>347</b>	<b>30</b>	<b>46</b>	<b>794</b>
Goodwill amortization	-	-	-	-	(85)	-	(85)
<b>Segment operating income</b>	<b>261</b>	<b>30</b>	<b>80</b>	<b>347</b>	<b>(55)</b>	<b>46</b>	<b>709</b>
<i>Margin in %</i>	<i>19.2%</i>	<i>5.4%</i>	<i>15.9%</i>	<i>44.7%</i>	<i>(6.2%)</i>	<i>14.0%</i>	
Corporate expenses not allocated							(50)
<b>Operating income</b>							<b>659</b>

unaudited

CHF in millions	Fix Com		Enterprise	Mobile	debitel	Other	Total
31.3.2001	Retail and Network	Wholesale and Carrier Services	Solutions				
Net revenue from external customers	812	307	444	755	947	250	3 515
Intersegment net revenue	501	416	26	204	-	91	1 238
<b>Net revenue</b>	<b>1 313</b>	<b>723</b>	<b>470</b>	<b>959</b>	<b>947</b>	<b>341</b>	<b>4 753</b>
Segment expenses	(847)	(684)	(400)	(480)	(896)	(262)	(3 569)
<b>Operating income before depreciation (EBITDA)</b>	<b>466</b>	<b>39</b>	<b>70</b>	<b>479</b>	<b>51</b>	<b>79</b>	<b>1 184</b>
<i>Margin in %</i>	<i>35.5%</i>	<i>5.4%</i>	<i>14.9%</i>	<i>49.9%</i>	<i>5.4%</i>	<i>23.2%</i>	
Depreciation and amortization	(261)	(2)	(8)	(64)	(11)	(40)	(386)
<b>Operating income before goodwill amortization</b>	<b>205</b>	<b>37</b>	<b>62</b>	<b>415</b>	<b>40</b>	<b>39</b>	<b>798</b>
Goodwill amortization	-	-	-	-	(92)	(1)	(93)
<b>Segment operating income</b>	<b>205</b>	<b>37</b>	<b>62</b>	<b>415</b>	<b>(52)</b>	<b>38</b>	<b>705</b>
<i>Margin in %</i>	<i>15.6%</i>	<i>5.1%</i>	<i>13.2%</i>	<i>43.3%</i>	<i>(5.5%)</i>	<i>11.1%</i>	
Corporate expenses not allocated							(41)
<b>Operating income</b>							<b>664</b>

### 3 Debt

CHF in millions	31.12.2000	<u>unaudited</u> 31.3.2001
<b>Long-term debt</b>		
Swiss Post debt	3 000	2 500
Finance lease obligation	2 102	2 211
Other long-term debt	72	86
<b>Total</b>	<b>5 174</b>	<b>4 797</b>
Less current portion	(1 280)	(782)
<b>Total long-term debt</b>	<b>3 894</b>	<b>4 015</b>
<b>Short-term debt</b>		
Current portion of long-term debt	1 280	782
Employee savings deposits	607	592
Short-term loans payable to affiliated companies	629	161
Other short-term debt	169	162
<b>Total short-term debt</b>	<b>2 685</b>	<b>1 697</b>

### 4 Sale of 25% of Swisscom Mobile to Vodafone

In November 2000, Swisscom entered into an agreement with Vodafone plc. ("Vodafone") for the sale of 25% of the equity of the Swisscom mobile business for CHF 4,500 million. Effective January 1, 2001, Swisscom transferred the net assets of its mobile business to Swisscom Mobile AG.

The sale was completed in March 2001 when 25% of the shares of Swisscom Mobile AG were issued to Vodafone through a capital increase. In accordance with the agreement, Vodafone paid the first instalment of CHF 2,200 million on closing; CHF 25 million in cash and CHF 2,175 million in shares. Prior to closing, Swisscom entered into an amendment to the sales agreement with Vodafone for the subsequent sale of these shares. In accordance with this amendment, the shares were sold on the closing date of the transaction and Swisscom received cash of CHF 2,067 million, net of a transaction fee of CHF 108 million. The remaining CHF 2,300 million of the sales price will be paid in March 2002 at the latest. Vodafone can pay the second instalment in either cash or shares, or a combination of both. If Vodafone pays the second instalment in shares and Swisscom decides to sell the shares, Swisscom will incur a fee on this transaction, which will be recorded as an expense at the time of the transaction. Swisscom recorded a pre-tax gain on the sale, less transaction costs of CHF 168 million, of CHF 3,887 million.

In connection with establishing a separate legal entity for the mobile business - Swisscom Mobile AG - the parent company recognized a gain for tax purposes on the assessed increase in value of the mobile business. This increase in value was included in the transfer of assets from the parent company to Swisscom Mobile AG and is recorded as goodwill for tax purposes. This goodwill recorded by Swisscom Mobile AG will be amortized for tax purposes over 5 years. The actual gain that was recorded on the sale of shares received by Swisscom Mobile AG was not subject to income tax. As Swisscom Mobile AG and the parent are currently subject to different tax rates, the taxes that will be owed by the parent are different from the future tax deduction that will be received by Swisscom Mobile, which has resulted in a reduction of tax expense of CHF 138 million.

## **5 Investments in affiliated companies**

In 2000 Swisscom acquired shares in three subsidiaries of tamedia AG. These three companies provide platforms for auctioning and classified personal ads. In connection with this transaction, Swisscom recognized goodwill of CHF 79 million. At the end of March 2001, two of the internet platforms ceased operations. As a result Swisscom recognized an impairment to the goodwill relating to these two companies of CHF 30 million.

## **Statements on the Future**

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 U.S. Securities Act of 1933, as amended, and Section 21 E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside of Swisscom's control, that could cause actual results to differ materially from such statements. These factors include, but are not limited to, telecommunications usage levels, competitive forces in liberalized markets, regulatory changes, technological developments, the success of business, operating and financial initiatives and material adverse changes in economic conditions in the markets served by Swisscom and its affiliates. Readers are cautioned not to put undue reliance on these forward-looking statements, because actual events and results may differ materially from the expected results described by such forward-looking statements. For a more detailed description of these and additional uncertainties and other factors, see Swisscom's filings with the U.S. Securities and Exchange Commission (and in particular its most recent annual report on Form 20-F).

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