

# CONSOLIDATED FINANCIAL STATEMENTS

JANUARY – SEPTEMBER 2001

## Key Figures

In CHF millions, except where indicated		Unaudited	
		30.9.2000	30.9.2001
<b>Group</b>			
Net revenue		10 380	10 607
Operating income before depreciation (EBITDA) <sup>1)</sup>		3 194	3 443
EBITDA as % of net revenue	%	30.8	32.5
Operating income (EBIT) <sup>1)</sup>		1 584	1 845
Gain on sale of real estate		-	555
Gain on partial sale of Swisscom Mobile AG		-	3 837
Net income		2 990	5 753
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Number of FTEs at end of period	Number	20 883	20 517
- thereof debitel	Number	2 917	3 368
Net cash provided by operating activities		3 011	2 322
Capital expenditures		(792)	(776)
Investments in subsidiaries and affiliated companies, net		1 752	(918)
Free cash flow		4 213	5 776
Net debt (net funds) <sup>2)</sup>		4 269	(2 817)
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In CHF millions			
<b>Net revenue</b>			
Fixnet Retail and Network		2 299	2 311
Fixnet Wholesale and Carrier Services		969	974
Enterprise Solutions		1 382	1 354
Mobile		2 020	2 327
Debitel		2 865	2 852
Other revenue		845	789
<b>Total net revenue</b>		<b>10 380</b>	<b>10 607</b>
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In millions of minutes <sup>3)</sup>			
<b>Voice call volumes</b>			
Local area traffic		8 220	7 419
National long-distance traffic		2 493	2 436
Traffic to other networks		780	869
<b>Total national traffic</b>		<b>11 493</b>	<b>10 724</b>
International traffic		977	1 045
Traffic from value-added services		5 091	7 073
Traffic from other products		186	176
<b>Total</b>		<b>17 747</b>	<b>19 018</b>
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At period end, in thousands			
PSTN (number of lines)		3 424	3 229
ISDN (number of channels)		1 679	1 954
<b>Total number of access channels</b>	Number	<b>5 103</b>	<b>5 183</b>
<hr/>			
<b>Swisscom Mobile AG</b>			
Number of postpaid customers	In thousands	1 867	2 104
Number of prepaid customers	In thousands	1 106	1 407
<b>Total number of customers</b>		<b>2 973</b>	<b>3 511</b>
<hr/>			
<b>debitel</b>			
Number of customers	In thousands	7 400	9 702
- thereof in Germany	In thousands	5 429	7 482

1) Excluding gain on sale of real estate

2) Definition of net debt (net funds): total debt less cash and cash equivalents, securities and fixed-term deposits as well as financial assets from lease and leaseback transactions

3) Represents traffic generated by Fixnet Retail and Network and Enterprise Solutions.

## Financial Review

Swisscom posted revenue of CHF 10,607 million for the nine months ended September 30, 2001, representing an increase of 2.2% compared to the same period in the previous year. Operating income before interest, depreciation and gain on sale of real estate (EBITDA) increased by 7.8% compared to the previous year to CHF 3,443 million. The growth in revenue and EBITDA is due to the continuing positive performance of Mobile. However, lower operating income was reported by Fixnet and Enterprise Solutions. Operating income (before the gain on the sale of real estate) amounted to CHF 1,845 million, an increase of 16.5% on the previous year.

The sale of a 25% shareholding of Swisscom Mobile AG to Vodafone plc. generated a gain of CHF 3,837 million and the successful sale of two real-estate packages realized a gain of CHF 555 million. As a result of these one-off transactions, net income increased significantly to CHF 5,753 million.

Swisscom was able to switch from a net debt position in 2000 to net funds (as defined on page 2) of CHF 2,817 million at September 30, 2001.

For 2001 as a whole Swisscom anticipates a slight growth in revenue and expects that EBITDA will probably exceed the previous year.

### Fixnet Retail and Network

In CHF millions	30.9.2000	30.9.2001
Net revenue from external customers	2 299	2 311
Intersegment revenue	1 703	1 607
<b>Net revenue</b>	<b>4 002</b>	<b>3 918</b>
EBITDA	1 410	1 292
<i>Margin as % of net revenue</i>	<i>35.2%</i>	<i>33.0%</i>

Despite tariff reductions introduced on March 1, 2000, Fixnet Retail and Network reported stable net revenue from external customers of CHF 2,311 million compared to the previous year. Revenue from telephony traffic fell by 7.6% to CHF 823 million, primarily as a result of the aforementioned tariff reductions and a reduction in the volume of national telephony traffic of 7.1%, offset by an increase of 4.3% in the volume of international telephony traffic. Revenue from value-added services increased by 35.3% to CHF 230 million due to a further increase in Internet traffic. Revenue from the access business grew by 3.1% to CHF 844 million as a result of an increase in the number of ISDN channels.

The decline in intersegment revenue is largely attributable to lower interconnection tariffs. As a result of this decline in revenue and a slight increase in costs, EBITDA fell by 8.4% compared with the previous year to CHF 1,292 million.

## Fixnet Wholesale and Carrier Services

In CHF millions	30.9.2000	30.9.2001
Net revenue from external customers	969	974
Intersegment revenue	1 172	1 382
<b>Net revenue</b>	<b>2 141</b>	<b>2 356</b>
EBITDA	77	125
<i>Margin as % of net revenue</i>	<i>3.6%</i>	<i>5.3%</i>

Revenue of CHF 974 million is practically unchanged compared to the previous year. The impact of tariff reductions for incoming international traffic was largely off-set by volume-generated growth in revenue from national interconnection services and from international subsidiaries. Internet and transit traffic to the mobile network increased significantly compared to the previous year, resulting in an increase in intersegment revenue. As a result of higher revenue, EBITDA increased to CHF 125 million.

## Enterprise Solutions

In CHF millions	30.9.2000	30.9.2001
Net revenue from external customers	1 382	1 354
Intersegment revenue	79	68
<b>Net revenue</b>	<b>1 461</b>	<b>1 422</b>
EBITDA	201	190
<i>Margin as % of net revenue</i>	<i>13.8%</i>	<i>13.4%</i>

Compared to the previous year, Enterprise Solutions reported a 2% fall in revenue to CHF 1,354 million. Tariff reductions introduced on March 1, 2000 resulted in a 3.2% decline in voice revenue to CHF 757 million. However, value-added services showed a positive growth in revenue. Revenue from the data business fell by 3.3% to CHF 580 million as a result of sustained competitive pressure leading to price decreases in the leased line business. However, this was largely off-set by strong growth in the IP-based services for corporate customers in the area Corporate Communication Services.

The EBITDA margin remains virtually unchanged compared with the previous year.

## Mobile

In CHF millions	30.9.2000	30.9.2001
Net revenue from external customers	2 020	2 327
Intersegment revenue	595	645
<b>Net revenue</b>	<b>2 615</b>	<b>2 972</b>
EBITDA	1 138	1 405
<i>Margin as % of net revenue</i>	<i>43.5%</i>	<i>47.3%</i>

Revenue from Mobile increased by 15.2% compared to the previous year to CHF 2,327 million. The Swiss mobile market continues to grow, albeit at a considerably slower rate than in 2000 which was a record year. Mobile

maintained its market share of approximately 68% and increased its customer base in 2001 by 343,000 to 3.51 million.

Due to the increase in the number of customers, revenue from voice traffic grew by 19.2% to CHF 1,557 million. The ARPU (average revenue per user) was stable throughout 2001 at CHF 83, although this is below last year's figure of CHF 89. In the data business, revenue from SMS remains high. Compared to the previous year, total data revenue increased by 51.4% to CHF 162 million. Revenue from national roaming fell as a result of the expansion of competitors' networks.

EBITDA improved by 23.5% to CHF 1,405 million. The EBITDA margin increased from 43.5% to 47.3%. Operating expenses did not increase proportionally in line with revenue. Growth factors led to an increase in personnel expenses and goods and services purchased. However, customer acquisition costs were substantially reduced as a result of a slowdown in customer growth.

## debitel

In CHF millions	30.9.2000	30.9.2001
<b>Net revenue</b>	<b>2 865</b>	<b>2 852</b>
EBITDA	115	142
<i>Margin as % of net revenue</i>	<i>4.0%</i>	<i>5.0%</i>

debitel posted local-currency revenue growth of 2.8% to EUR 1,876 million. The slight decrease in the Swiss franc revenue compared with the previous year is a result of currency movements.

There was a slowdown in growth in the German mobile market compared with the previous year. In 2001 debitel increased its mobile subscriber base in Germany by 18.3% to 7.09 million. Tariff reductions and lower commissions and hardware sales led to a 3.8% fall in mobile revenue in Germany. However, revenue from the non-German business increased by 14.3% primarily as a result of the positive performance in the Netherlands and Denmark.

EBITDA increased by 23.5% to CHF 142 million. This improvement is primarily attributable to a positive performance in the non-German business, which posted positive operating income as at September 30, 2001.

debitel succeeded in ensuring the expansion of its existing business model for mobile telephony in the UMTS market through agreements with D2 Vodafone, T-Mobile and E-Plus Mobilfunk.

Under the terms of the purchase agreement concluded with debitel in 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. In July 2001, the other shareholder exercised their option on 10% of the shares for CHF 460 million. The acquisitions were accounted for under the purchase method. The transactions resulted in goodwill of CHF 906 million.

In October 2001 debitel acquired Talkline Nederland, a Dutch company with a postpaid customer base of approximately 160,000. The company will be fully integrated into debitel Nederland. The transaction closed on October 31, 2001, with the approval of the anti-trust authorities.

## Other

In CHF millions	30.9.2000	30.9.2001
Net revenue from external customers	845	789
Intersegment revenue	96	152
<b>Net revenue</b>	<b>941</b>	<b>941</b>
EBITDA	94	173
<i>Margin as % of net revenue</i>	<i>10.0%</i>	<i>18.4%</i>

Revenue fell by 6.7% to CHF 789 million compared with the previous year, primarily as a result of the decline in revenue from PBX Services (sale, rental and maintenance of customer premises equipment) which decreased by 20.4% to CHF 348 million.

Net revenue (including intersegment revenue) generated by Internet service provider bluewin AG grew by 23% compared to the previous year to CHF 107 million, primarily as a result of an increase in traffic volume. In 2001 the company's subscriber base increased by 13% to approximately 680,000, representing a market share of 45%.

The full consolidation of Swisscom Directories as of October 1, 2000 contributed to an increase in the segment's EBITDA.

## Gain 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 for CHF 4,500 million was concluded on March 30, 2001. In compliance with the terms of the agreement, payment was made in two tranches, the first in Vodafone shares in March 2001 and the second in cash in September 2001. Net selling price after deducting transaction costs of CHF 168 million (cost of the sale of shares in the first tranche, stamp duty on new issues and consulting fees) and an adjustment to the purchase price of CHF 50 million was CHF 4,282 million and the gain recorded was CHF 3,837 million. See Note 4 in the notes to the interim statements.

## Income tax expense

The tax rate for the nine months ending September 30, 2001 was only 5.8%. This exceptionally low rate is primarily attributable to the gain on the sale of the shares of Swisscom Mobile AG as well as a portion of the gain on the sale of real estate being exempt from taxes. See notes 4 and 6 in the notes to the interim statements. Disregarding these effects the effective tax rate was 28.4%.

**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 two Swisscom shareholdings held by bluewin AG. See Note 5 in the notes to the interim statements.

In the previous year, the sale of the subsidiaries and affiliates of Cablecom resulted in a gain of CHF 1,335 million.

**Sale of real estate**

In the first half of 2001, two agreements were signed for the sale of real estate comprising 196 properties for CHF 2,585 million. At the same time, Swisscom entered into agreements to lease back some of the sold property space.

The total gain on the sale of these properties after transaction costs and including the reversal of environmental provisions was CHF 807 million. A number of the leaseback agreements qualify as finance leases and the gain on the sale of these properties will be deferred and released to income over the individual lease terms. As at September 30, 2001 Swisscom recorded a pre-tax gain of CHF 555 million on the sale of the other properties.

**Agreement Swisscom IT/  
AGI IT Services AG**

In September 2001, Swisscom concluded an agreement to transfer its IT business to a separate company and to merge the company with AGI IT Services AG. AGI IT Services AG, which is owned by eight cantonal banks, is one of the leading IT service providers to the financial services sector in Switzerland. Swisscom and AGI Holding AG will have a 71.1% and a 28.9% interest, respectively, in the new company Swisscom IT Services AG. The transaction will take the form of an exchange of shares. The closing is scheduled to take place in December 2001.

**Outlook for 2001**

The positive EBITDA trend at September 30, 2001 will not be sustained in the fourth quarter of 2001. Growth in Mobile and debitel will flatten out due to the high penetration rates already achieved. Additionally, higher costs are expected in the fourth quarter primarily from marketing activities.

Swisscom anticipates a slight increase in revenue for the 2001 financial year. If market conditions do not change significantly, EBITDA is expected to exceed the prior year.

In 2001 the capital markets significantly revalued the telecommunications sector downwards. As a result, Swisscom is reviewing the carrying values of its investments, in particular debitel. Should an impairment result, this would be recorded at year-end.

The gains recorded on the sale of the 25% shareholding in Swisscom Mobile AG and on the two agreements relating to the sale of real-estate are expected to lead to a marked increase in net income.

## Consolidated Income Statement

Unaudited

In CHF millions	1.7.– 30.9.2000	1.7.– 30.9.2001	1.1.– 30.9.2000	1.1.– 30.9.2001
<b>Net revenue</b>	<b>3 548</b>	<b>3 584</b>	<b>10 380</b>	<b>10 607</b>
Capitalized cost	40	42	64	107
<b>Total</b>	<b>3 588</b>	<b>3 626</b>	<b>10 444</b>	<b>10 714</b>
Goods and services purchased	1 118	1 171	3 230	3 275
Personnel expenses	536	564	1 760	1 758
Other operating expenses	846	728	2 260	2 238
Depreciation	536	425	1 361	1 309
Amortization	81	104	249	289
<b>Total operating expenses</b>	<b>3 117</b>	<b>2 992</b>	<b>8 860</b>	<b>8 869</b>
Gain on sale of real estate	-	31	-	555
<b>Operating income</b>	<b>471</b>	<b>665</b>	<b>1 584</b>	<b>2 400</b>
Gain on partial sale of Swisscom Mobile AG	-	(50)	-	3 837
Financial expense	(96)	(84)	(242)	(247)
Financial income	260	101	431	275
<b>Income before income taxes, equity in net income of affiliated companies and minority interest</b>	<b>635</b>	<b>632</b>	<b>1 773</b>	<b>6 265</b>
Income tax expense	(241)	(177)	(565)	(363)
<b>Income before equity in net income of affiliated companies and minority interest</b>	<b>394</b>	<b>455</b>	<b>1 208</b>	<b>5 902</b>
Equity in net income of affiliated companies	181	19	1 721	12
Minority interest	(1)	(79)	(8)	(161)
<b>Net income from continuing operations</b>	<b>574</b>	<b>395</b>	<b>2 921</b>	<b>5 753</b>
Discontinued operations	-	-	69	-
<b>Net income</b>	<b>574</b>	<b>395</b>	<b>2 990</b>	<b>5 753</b>
<b>Basic and diluted earnings per share (in CHF)</b>				
– on continuing operations	7.80	5.37	39.71	78.22
– on discontinued operations	-	-	0.94	-
– Net income	7.80	5.37	40.65	78.22

## Consolidated Balance Sheet (condensed)

In CHF millions	Unaudited	
	31.12.2000	30.9.2001
<b>Assets</b>		
Cash and cash equivalents	2 265	5 199
Securities and fixed-term deposits	117	1 621
Other current assets	3 840	3 318
<b>Total current assets</b>	<b>6 222</b>	<b>10 138</b>
Property, plant and equipment	9 946	8 189
Goodwill and other intangible assets	3 047	3 601
Investments in affiliated companies	512	538
Other financial assets	2 337	2 097
Deferred tax assets	51	882
<b>Total non-current assets</b>	<b>15 893</b>	<b>15 307</b>
<b>Total assets</b>	<b>22 115</b>	<b>25 445</b>
<b>Liabilities and shareholders' equity</b>		
Short-term debt	2 685	1 499
Other current liabilities	4 267	4 139
<b>Total current liabilities</b>	<b>6 952</b>	<b>5 638</b>
Long-term debt	3 894	3 913
Other long-term liabilities	2 638	2 688
<b>Total long-term liabilities</b>	<b>6 532</b>	<b>6 601</b>
<b>Total liabilities</b>	<b>13 484</b>	<b>12 239</b>
<b>Minority interest in subsidiaries</b>	<b>61</b>	<b>633</b>
<b>Total shareholders' equity</b>	<b>8 570</b>	<b>12 573</b>
<b>Total liabilities and shareholders' equity</b>	<b>22 115</b>	<b>25 445</b>

## Consolidated Cash Flow Statement (condensed)

In CHF millions	Unaudited	
	30.9.2000	30.9.2001
<b>Operating income before depreciation (EBITDA)</b>	<b>3 194</b>	<b>3 443</b>
Change in net operating assets and other cash flows from operating activities	(183)	(1 121)
<b>Net cash provided by operating activities</b>	<b>3 011</b>	<b>2 322</b>
Capital expenditures	(792)	(776)
Proceeds from sale of real estate	-	2 388
Proceeds from partial sale of Swisscom Mobile AG	-	4 282
Investments in subsidiaries and affiliated companies, net	1 752	(918)
Investments in securities and fixed-term deposits	1	(1 515)
Other cash flow from investing activities, net	241	(7)
<b>Net cash from investing activities</b>	<b>1 202</b>	<b>3 454</b>
Repayment of debt, net	(2 040)	(1 440)
Distribution of net income	(1 103)	(809)
Capital reduction	-	(588)
<b>Net cash used in financing activities</b>	<b>(3 143)</b>	<b>(2 837)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 070</b>	<b>2 939</b>
Cash and cash equivalents at beginning of year	1 211	2 265
Translation adjustments	-	(5)
<b>Cash and cash equivalents at end of period</b>	<b>2 281</b>	<b>5 199</b>

## Consolidated Statement of Shareholders' Equity

In CHF millions	Unaudited					Total
	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Fair value and other reserves	
<b>Balance at 31 December 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	-	-	-	-	(19)	(19)
Change in accounting policy for stock options	-	-	(17)	-	-	(17)
Effect from adopting IAS 37	-	-	56	-	-	56
Net income	-	-	2 990	-	-	2 990
Distribution of net income	-	-	(1 103)	-	-	(1 103)
Purchased treasury stock	-	-	-	(1)	-	(1)
<b>Balance at September 30, 2000</b>	<b>1 839</b>	<b>2 395</b>	<b>4 392</b>	<b>(2)</b>	<b>(33)</b>	<b>8 591</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	-	-	-	-	(128)	(128)
Fair value adjustment on securities	-	-	-	-	(312)	(312)
<b>Gains (losses) not recorded in income statement</b>	-	-	-	-	<b>(440)</b>	<b>(440)</b>
Effect from adopting IAS 39	-	-	-	-	87	87
Net income	-	-	5 753	-	-	5 753
Distribution of net income	-	-	(809)	-	-	(809)
Capital reduction	(588)	-	-	-	-	(588)
<b>Balance at September 30, 2001</b>	<b>1 251</b>	<b>2 395</b>	<b>9 503</b>	<b>(1)</b>	<b>(575)</b>	<b>12 573</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 "Financial instruments" as of January 1, 2001. In accordance with the transitional requirements of IAS 39, prior-year figures have not been restated. In 2001 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. On September 30, 2001 fair value losses on available-for-sale investments amounting to CHF 312 million, net of deferred income taxes of CHF 98 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 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.

Share capital comprises 73,550,000 fully paid-up shares with a nominal value of CHF 17 per share.

On June 1, 2001 shareholders received a gross dividend of CHF 11 per share (before deduction of 35% withholding tax). Distribution of retained earnings totaled CHF 809 million.

In accordance with the resolution passed at the General Meeting of Shareholders there was a capital reduction of CHF 8 per share in the third quarter of 2001, amounting to CHF 588 million.

## Notes to the Consolidated Interim Statements

### 1 Accounting principles

The unaudited consolidated interim statements have been drawn up in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". 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 were 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 "Fixnet Retail and Network" segment covers "Traffic and Access" (access charges, national and international telephone traffic) with respect to residential customers, as well as customer premises equipment and value-added services. The segment also contains payphone services, operator services and cards for retail customers.

"Fixnet Wholesale and Carrier Services" covers utilization of the Swisscom fixed network by other national and international telecoms 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 the debitel Group.

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

Unaudited

In CHF millions	Fixnet						Total
	Retail and Network	Wholesale and Carrier Services	Enterprise Solutions	Mobile	debitel	Other	
30.9.2000							
Net revenue from external customer:	2 299	969	1 382	2 020	2 865	845	10 380
Intersegment revenue	1 703	1 172	79	595	-	96	3 645
<b>Net revenue</b>	<b>4 002</b>	<b>2 141</b>	<b>1 461</b>	<b>2 615</b>	<b>2 865</b>	<b>941</b>	<b>14 025</b>
Segment expenses	(2 592)	(2 064)	(1 260)	(1 477)	(2 750)	(847)	(10 990)
<b>Operating income before depreciation (EBITDA)</b>	<b>1 410</b>	<b>77</b>	<b>201</b>	<b>1 138</b>	<b>115</b>	<b>94</b>	<b>3 035</b>
<i>Margin in %</i>	35.2%	3.6%	13.8%	43.5%	4.0%	10.0%	
Depreciation	(808)	(2)	(22)	(230)	(28)	(110)	(1 200)
<b>Operating income before amortization of goodwill</b>	<b>602</b>	<b>75</b>	<b>179</b>	<b>908</b>	<b>87</b>	<b>(16)</b>	<b>1 835</b>
Amortization of goodwill	-	-	-	-	(248)	(1)	(249)
<b>Segment operating income</b>	<b>602</b>	<b>75</b>	<b>179</b>	<b>908</b>	<b>(161)</b>	<b>(17)</b>	<b>1 586</b>
<i>Margin in %</i>	15.0%	3.5%	12.3%	34.7%	(5.6%)	(1.8%)	
Corporate expenses not allocated							(2)
<b>Operating income</b>							<b>1 584</b>

Unaudited

In CHF millions	Fixnet						Total
	Retail and Network	Wholesale and Carrier Services	Enterprise Solutions	Mobile	debitel	Other	
30.09.2001							
Net revenue from external customers	2 311	974	1 354	2 327	2 852	789	10 607
Intersegment revenue	1 607	1 382	68	645	-	152	3 854
<b>Net revenue</b>	<b>3 918</b>	<b>2 356</b>	<b>1 422</b>	<b>2 972</b>	<b>2 852</b>	<b>941</b>	<b>14 461</b>
Segment expenses	(2 626)	(2 231)	(1 232)	(1 567)	(2 710)	(768)	(11 134)
<b>Operating income before depreciation (EBITDA)</b>	<b>1 292</b>	<b>125</b>	<b>190</b>	<b>1 405</b>	<b>142</b>	<b>173</b>	<b>3 327</b>
<i>Margin in %</i>	33.0%	5.3%	13.4%	47.3%	5.0%	18.4%	
Depreciation and amortization	(762)	(7)	(23)	(213)	(36)	(119)	(1 160)
<b>Operating income before goodwill amortization</b>	<b>530</b>	<b>118</b>	<b>167</b>	<b>1 192</b>	<b>106</b>	<b>54</b>	<b>2 167</b>
Amortization of goodwill	-	-	-	-	(288)	(1)	(289)
<b>Segment operating income</b>	<b>530</b>	<b>118</b>	<b>167</b>	<b>1 192</b>	<b>(182)</b>	<b>53</b>	<b>1 878</b>
<i>Margin in %</i>	13.5%	5.0%	11.7%	40.1%	(6.4%)	5.6%	
Gain on sale of real estate							555
Corporate expenses not allocated							(33)
<b>Operating income</b>							<b>2 400</b>

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. For information purposes, last year's figures are shown for the full year.

Unaudited

In CHF millions	Fixnet						Total
31.12.2000	Retail and Network	Wholesale and Carrier Services	Enterprise Solutions	Mobile	debitel	Other	Total
Net revenue from external customers	3 044	1 294	1 887	2 730	3 993	1 145	14 093
Intersegment revenue	2 280	1 621	104	762	-	188	4 955
<b>Net revenue</b>	<b>5 324</b>	<b>2 915</b>	<b>1 991</b>	<b>3 492</b>	<b>3 993</b>	<b>1 333</b>	<b>19 048</b>
Segment expenses	(3 679)	(2 831)	(1 708)	(2 009)	(3 826)	(1 152)	(15 205)
<b>Operating income before depreciation (EBITDA)</b>	<b>1 645</b>	<b>84</b>	<b>283</b>	<b>1 483</b>	<b>167</b>	<b>181</b>	<b>3 843</b>
<i>Margin in %</i>	<i>30.9%</i>	<i>2.9%</i>	<i>14.2%</i>	<i>42.5%</i>	<i>4.2%</i>	<i>13.6%</i>	
Depreciation and amortization	(1 114)	(5)	(32)	(312)	(39)	(160)	(1 662)
<b>Operating income before goodwill amortization</b>	<b>531</b>	<b>79</b>	<b>251</b>	<b>1 171</b>	<b>128</b>	<b>21</b>	<b>2 181</b>
Amortization of goodwill	-	-	-	-	(324)	(1)	(325)
<b>Segment operating income</b>	<b>531</b>	<b>79</b>	<b>251</b>	<b>1 171</b>	<b>(196)</b>	<b>20</b>	<b>1 856</b>
<i>Margin in %</i>	<i>10.0%</i>	<i>2.7%</i>	<i>12.6%</i>	<i>33.5%</i>	<i>(4.9%)</i>	<i>1.5%</i>	
Corporate expenses not allocated							(26)
<b>Operating income</b>							<b>1 830</b>

### 3 Debt

In CHF millions	31.12.2000	Unaudited 30.9.2001
<b>Long-term debt</b>		
Swiss Post loan	3 000	1 750
Finance lease obligation	2 102	2 853
Other long-term debt	72	159
<b>Total</b>	<b>5 174</b>	<b>4 762</b>
Less current portion	(1 280)	(849)
<b>Total long-term debt</b>	<b>3 894</b>	<b>3 913</b>
<b>Short-term debt</b>		
Current portion of long-term debt	1 280	849
Employee savings deposits	607	579
Short-term loans payable to affiliated companies	629	6
Other short-term debt	169	65
<b>Total short-term debt</b>	<b>2 685</b>	<b>1 499</b>

The finance lease obligation is partially offset by financial assets reported under non-current assets amounting to CHF 1,409 million. These financial assets result from lease and leaseback transactions concluded in 1999 and 2000.

#### **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 4.5 billion. Effective January 1, 2001 Swisscom transferred the net assets of its mobile business to Swisscom Mobile AG.

The sale was completed on March 30, 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. In a further amendment to the sales agreement, Vodafone gave up their right to issue shares for the second instalment of CHF 2,300 million (plus interest) and agreed to pay Swisscom CHF 2,250 million (plus interest) in cash. This payment was made on September 27, 2001. Swisscom recorded a pre-tax gain on the sale less transaction costs of CHF 168 million of CHF 3,837 million.

In connection with establishing a separate legal identity for its mobile business – Swisscom Mobile AG – the parent company recognized a gain for tax purposes on the assessed increase in value of its mobile business. The increase in value was included in the transfer of assets from the parent company to Swisscom Mobile AG and is recorded for tax purposes as goodwill. The goodwill recorded by Swisscom Mobile AG will be amortized for tax purposes over five years. The actual gain that was recorded on the sale of shares received by Swisscom Mobile was not subject to income tax. As Swisscom Mobile AG and the parent company are currently subject to different tax rates, the taxes that will be owed by the parent company are different from the future tax deduction that will be received by Swisscom Mobile AG, 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.

#### **6 Sale of real estate**

In March 2001 Swisscom entered into two agreements for the sale of real estate. The first relates to the sale of 30 commercial and office properties for CHF 1,272 million to a consortium led by Credit Suisse Asset Management. The second concerns the sale of 166 commercial and office properties for CHF 1,313 million to PSP Real Estate AG and WTF Holding (Switzerland) Ltd. At the same time Swisscom entered into agreements to lease back part of the sold property space.

The first transaction was completed on April 1, 2001 and the second on June 19, 2001. The total gain on the sale of the properties after transaction costs and including the reversal of environmental provisions, was CHF 807 million. A number of the leaseback agreements qualify as finance leases and the gain on the

sale of these properties of CHF 239 million will be deferred and released to income over the individual lease terms. The remaining gain of CHF 568 million represents the gain on the sale of buildings which were either sold outright or which qualify as operating leases. The sale of a number of the properties will not be completed until the fourth quarter and is expected to realize a gain of CHF 13 million.

The increase in the fair value of the real estate between the date it was either bought or constructed and January 1, 1998 – date of privatisation – is exempt from tax. The increase in the fair value of real estate after that date is taxable. The amount of tax expense recorded is based on Management's best estimates of the fair value of real estate at January 1, 1998 and is subject to agreement by the tax authorities and could therefore increase.

## **7 Events occurring after the balance sheet date**

Swisscom, together with other Swiss companies, will invest in the share capital of the new Swiss airline Crossair. The maximum investment sum will not exceed CHF 100 million.

Next year Swisscom plans to change the pension plan to a new, modern plan, which will result in a one-off contribution of CHF 240 million in the fourth quarter of 2001. Management is currently evaluating the impact to the income statement and estimates an expense of between CHF 30 million and CHF 70 million, which should be recorded in the fourth quarter of 2001. This contribution is subject to the approval from the Board of the pension plan and the employees of Swisscom.

In addition, Swisscom plans to pay a one-time special contribution of CHF 200 million to the pension fund, to create a reserve to cover potential under-funding under Swiss Law. This will be booked against provisions and will therefore have no impact on net income.

## 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 21E of the U.S Securities Exchange Act 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 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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