

CONSOLIDATED
FINANCIAL STATEMENTS

JANUARY – MARCH 2003

Key figures

| CHF in millions, except where indicated | | <u>unaudited</u> | |
|---|---------------|------------------|------------|
| | | 31.03.2002 | 31.03.2003 |
| Swisscom Group | | | |
| Net revenue | | 3 517 | 3 517 |
| Operating income before interest, tax, depreciation and amortization (EBITDA) | | 1 168 | 1 163 |
| in % of net revenue | % | 33.2 | 33.1 |
| Operating income (EBIT) | | 679 | 680 |
| Net income | | 420 | 409 |
| Shareholders' equity | | 8 205 | 7 644 |
| Equity ratio ¹⁾ | % | 38.1 | 45.9 |
| Number of full-time equivalent employees at end of period | FTE | 21 475 | 20 376 |
| Average number of full-time equivalent employees | FTE | 21 354 | 20 358 |
| Revenue per employee | CHF thousands | 165 | 173 |
| EBITDA per employee | CHF thousands | 55 | 57 |
| Net cash provided by operating activities | | 830 | 1 177 |
| Capital expenditure | | 203 | 228 |
| (Net funds) net debt ²⁾ | | (335) | 104 |

1) Shareholders' equity as % of total assets.

2) Definition of net debt (net funds): total debt less cash and cash equivalents, current financial assets and financial assets from cross-border tax lease transactions.

Financial Review

Summary

In the first quarter of 2003 Swisscom was able to maintain the same level as the previous year for revenue at CHF 3,517 million and operating income before interest, taxes and depreciation (EBITDA) at CHF 1,163 million. Revenue in fixed network telephony continues to fall: Fixnet posted a 9.4% decline and Enterprise Solutions a 10.9% decline. Mobile revenue however remained stable and debitel reported a 15.9% growth in revenue.

The following table shows the changes in net revenue and EBITDA for the individual segments:

| CHF in millions | Net revenue ^{1) 2)} | | | EBITDA | | |
|----------------------|------------------------------|--------------|--------|--------------|--------------|--------|
| | 31.03.2002 | 31.03.2003 | Change | 31.03.2002 | 31.03.2003 | Change |
| Fixnet | 1 610 | 1 459 | -9.4% | 520 | 488 | -6.2% |
| Mobile | 1 008 | 1 001 | -0.7% | 492 | 519 | 5.5% |
| Enterprise Solutions | 393 | 350 | -10.9% | 40 | 5 | -87.5% |
| debitel | 913 | 1 058 | 15.9% | 32 | 22 | -31.3% |
| Other | 339 | 323 | -4.7% | 49 | 49 | - |
| Corporate | 174 | 164 | -5.7% | 35 | 80 | 128.6% |
| Intercompany | (920) | (838) | -8.9% | - | - | - |
| Total | 3 517 | 3 517 | - | 1 168 | 1 163 | -0.4% |

1) Including intersegment revenue

2) Swisscom changed its policy in 2003 for the presentation of revenue from its business numbers for other providers. In 2003, this revenue is presented net of service providers' costs (this change had no effect on EBITDA). Prior year has not been restated as the effect is not material (revenue in 2002 would have been CHF 31 million lower by Fixnet and CHF 11 million lower by Mobile)

Operating expenses in 2003 include expenditure for termination benefits of CHF 28 million and salary expenses relating to redundant employees who were transferred to WORK_LINK of CHF 9 million. In the first quarter of 2002, the respective expenditure for these items was CHF 9 million. Additionally in 2002, operating expense was reduced to a release of a CHF 17 million provision.

Reconciliation of EBITDA to net income:

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|--|--------------|--------------|---------|
| EBITDA | 1 168 | 1 163 | -0.4% |
| Depreciation and amortization | (414) | (435) | 5.1% |
| EBIT before goodwill amortization | 754 | 728 | -3.4% |
| Goodwill amortization | (75) | (48) | -36.0% |
| EBIT | 679 | 680 | 0.1% |
| Financial result | (19) | (39) | -105.3% |
| Income tax | (177) | (142) | 19.8% |
| Equity in net income of affiliated companies | 22 | 6 | -72.7% |
| Minority interests | (85) | (96) | -12.9% |
| Net income | 420 | 409 | -2.6% |

Goodwill amortization decreased by CHF 27 million in 2003 as a result of the effect of an impairment of the goodwill of debitel that was recorded in the fourth quarter of 2002.

The change in the year-over-year financial result is primarily due to a CHF 33 million impairment of Swisscom's investment in Swiss International Airlines Ltd.

At CHF 409 million, net income dropped by CHF 11 million in the first quarter of 2003 compared to the previous year.

In light of the current market situation, sustained pressure on revenue and margins is anticipated in the current year. In the Swiss operations, there will likely be a decline in revenue as a whole, assuming market and regulatory conditions remain constant. Thanks to consistent cost management, Swisscom is nevertheless expecting operating income before interest, taxes and depreciation (EBITDA) to remain the same as in the year 2002 (CHF 4,400 million).

Fixnet

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|---|--------------|--------------|---------------|
| Local and long distance traffic | 135 | 109 | -19.3% |
| Fixed-to-mobile traffic | 93 | 99 | 6.5% |
| Internet traffic | 48 | 46 | -4.2% |
| International traffic | 48 | 50 | 4.2% |
| Total retail telephony traffic | 324 | 304 | -6.2% |
| Wholesale traffic | 253 | 204 | -19.4% |
| Other traffic | 56 | 46 | -17.9% |
| Access | 388 | 414 | 6.7% |
| Other revenue | 207 | 156 | -24.6% |
| Revenue from external customers | 1 228 | 1 124 | -8.5% |
| Intersegment revenue | 382 | 335 | -12.3% |
| Net revenue | 1 610 | 1 459 | -9.4% |
| Segment expenses (incl. intercompany) | 1 090 | 971 | -10.9% |
| EBITDA | 520 | 488 | -6.2% |
| <i>Margin as % of net revenue</i> | <i>32.3</i> | <i>33.4</i> | |
| Depreciation | 261 | 273 | 4.6% |
| EBIT before amortization of goodwill | 259 | 215 | -17.0% |
| Amortization of goodwill | - | 1 | |
| EBIT | 259 | 214 | -17.4% |

| Number of channels in thousands | 31.03.2002 | 31.03.2003 | Change |
|---------------------------------|--------------|--------------|---------------|
| PSTN channels | 3 212 | 3 146 | -2.1% |
| ISDN channels | 878 | 920 | 4.8% |
| Total channels | 4 090 | 4 066 | -0.6% |
| ADSL retail | 33 | 140 | 324.2% |
| ADSL wholesale | 30 | 110 | 266.7% |
| Total ADSL access | 63 | 250 | 296.8% |

| Retail traffic volume in million minutes | 31.03.2002 | 31.03.2003 | Change |
|--|--------------|--------------|---------------|
| Local and long distance traffic | 2 345 | 1 864 | -20.5% |
| Fixed-to-mobile traffic | 186 | 203 | 9.1% |
| Internet traffic | 1 541 | 1 409 | -8.6% |
| Total national traffic | 4 072 | 3 476 | -14.6% |
| International traffic | 202 | 220 | 8.9% |
| Total retail traffic | 4 274 | 3 696 | -13.5% |

| Wholesale traffic volume in million minutes | 31.03.2002 | 31.03.2003 | Change |
|---|--------------|--------------|---------------|
| National traffic | 4 589 | 4 841 | 5,5% |
| International incoming traffic | 425 | 460 | 8,2% |
| International termination traffic | 500 | 313 | -37.4% |
| Total international traffic | 925 | 773 | -16,4% |
| Total wholesale traffic | 5 514 | 5 614 | 1,8% |

Fixnet's third party revenue fell by 8.5% year-over-year. Higher access revenue, driven by sustained growth in ADSL, was offset by a decline in revenue from retail and international wholesale telephony. In addition, other revenue and wholesale revenue decreased by CHF 29 million and CHF 2 million, respectively, as a result of a change in accounting policy for the presentation of revenue from Business Numbers for other providers.

Revenue from retail traffic decreased by 6.2% due to (i) a loss in market share due to the introduction of the new numbering plan in the second quarter of 2002. As a result, Swisscom's market share in the local area fell to the same level as in the long-distance area; (ii) the mobile substitution effect; and (iii) a migration of traffic from local Internet dial-up numbers to Business Numbers. This decrease was partially offset by an increase in revenue from fixed-to-mobile.

Revenue from wholesale traffic fell by CHF 49 million. The decline in revenue from wholesale international is primarily due to last year's closure of local sales outlets in several countries in Europe and the sale of the business activities of Swisscom North America Inc in the fourth quarter of 2002. The impact on EBITDA resulting from the discontinued or sold business operations was small as these businesses had a very low margin.

Access revenue comprises revenue for analog and digital lines, broadband lines (ADSL) of retail and wholesale customers and Internet subscription fees. Compared to the previous year, revenue rose by CHF 26 million, of which CHF 25 million results from the strong growth of ADSL. In the first quarter of 2003, 55,000 new ADSL lines were installed, 31,000 of which were for retail customers and 24,000 for other providers' customers.

Other revenue fell by CHF 51 million, of which CHF 29 million relates to a change in the policy for presentation of revenue from Business Numbers for other providers. Starting in 2003, revenue from Business Numbers is presented net of service providers' costs. This change has no effect on EBITDA. Prior period has not been restated as the effect is not material.

Intersegment revenue fell CHF 47 million compared to the same period in the prior year due primarily to lower volume and prices with Enterprise Solutions.

Operating expenses fell by 10.9%, primarily due to lower network costs. By closing sales outlets and by selling business activities abroad, network costs decreased in line with the decline in revenue. Personnel expenses rose primarily as a result of the expenditure recorded for termination benefits of CHF 42 million in 2003 (prior year: CHF 2 million).

The loss of revenue from Wholesale international resulted in only a small decrease of EBITDA and the reduction of retail telephony revenue was largely offset with cost reduction measures.

Swisscom is expecting to close the year 2003 with a decline in revenue for Fixnet compared to the previous year as a result of the new numbering plan, an ongoing substitution for Mobile and further small losses in its market share.

Mobile

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|--|--------------|--------------|--------|
| Connectivity voice | 490 | 496 | 1.2% |
| Connectivity data and value-added services | 117 | 111 | -5.1% |
| Base fees | 176 | 172 | -2.3% |
| Other revenue | 28 | 29 | 3.6% |
| Revenue from external customers | 811 | 808 | -0.4% |
| Intersegment revenue | 197 | 193 | -2.0% |
| Net revenue | 1 008 | 1 001 | -0.7% |
| Segment expenses (incl. intercompany) | 516 | 482 | -6.6% |
| EBITDA | 492 | 519 | 5.5% |
| <i>Margin as % of net revenue</i> | 48.8 | 51.8 | |
| Depreciation | 63 | 79 | 25.4% |
| EBIT | 429 | 440 | 2.6% |

| Number of subscribers in thousands | 31.03.2002 | 31.03.2003 | Change |
|------------------------------------|--------------|--------------|--------|
| Postpaid | 2 177 | 2 312 | 6.2% |
| Prepaid | 1 252 | 1 322 | 5.6% |
| Total | 3 429 | 3 634 | 6.0% |

| | 31.03.2002 | 31.03.2003 | Change |
|------------------------------------|------------|------------|--------|
| ARPU in CHF | 83 | 79 | -4.8% |
| Number of SMS messages in millions | 401 | 456 | 13.7% |

Mobile's revenue from third parties decreased year-over-year by 0.4% or CHF 3 million to CHF 808 million.

Connectivity voice revenue increased by 1.2% primarily due to an increase in the number of subscribers. The average minutes per user (AMPU) as well as the average revenue per user (ARPU) declined partly as a result of the business climate compared with the previous year. Furthermore, price competition for business customers as well as changes of contract types for private customers contributed to the decline of ARPU. In contrast, the number of subscribers has increased by a net amount of 205,000 to 3,634,000 year-over-year.

Revenue from connectivity data and value-added services fell largely due to a change in accounting policy for the presentation of revenue from Business Numbers for other providers. Starting in 2003, revenue from Business Numbers is presented net of service providers' costs. This change has no effect on EBITDA. Prior period has not been restated as the effect is not material. (In 2002, revenue would have been CHF 11 million lower). The number of SMS messages sent by mobile phone customers continues to rise. Compared with the previous year, this has increased by 13.7%. New services such as multimedia messaging (MMS) and mobile solutions have not yet resulted in a significant increase in revenue.

Operating expenses decreased by CHF 34 million. Personnel expenses rose year-over-year as a result of new business activities as well as the insourcing of certain activities. Subscriber acquisition and retention costs remained almost at the same level as the previous year. Network costs and expenses for handsets decreased.

Operating income (EBITDA) increased by CHF 27 million to CHF 519 million as a result of lower operating expenses.

Mobile is expecting volume-driven revenue growth and an increase in EBITDA for the whole of 2003 despite the continuing pressure on the average revenue per user (ARPU).

Enterprise Solutions

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|--|-------------|------------|----------------|
| Local and long distance traffic | 67 | 52 | -22.4% |
| Fixed-to-Mobile traffic | 51 | 52 | 2.0% |
| International traffic | 31 | 27 | -12.9% |
| Total traffic | 149 | 131 | -12.1% |
| Networking | 142 | 136 | -4.2% |
| Inhouse and processes | 35 | 25 | -28.6% |
| Other revenue | 33 | 30 | -9.1% |
| Revenue from external customers | 359 | 322 | -10.3% |
| Intersegment revenue | 34 | 28 | -17.6% |
| Net revenue | 393 | 350 | -10.9% |
| Segment expenses (incl. intercompany) | 353 | 345 | -2.3% |
| EBITDA | 40 | 5 | -87.5% |
| <i>Margin as % of net revenue</i> | <i>10.2</i> | <i>1.4</i> | |
| Depreciation | 7 | 10 | 42.9% |
| EBIT | 33 | (5) | -115.2% |

| Traffic volume in million minutes | 31.03.2002 | 31.03.2003 | Change |
|---|--------------|------------|---------------|
| Local area and long-distance traffic | 892 | 733 | -17.8% |
| Fixed-to-mobile traffic | 111 | 109 | -1.8% |
| Total national traffic | 1 003 | 842 | -16.1% |
| International traffic | 153 | 133 | -13.1% |
| Total national and international traffic | 1 156 | 975 | -15.7% |

Revenue from third parties fell year-over-year by 10.3% to CHF 322 million. Of the decline in revenue amounting to CHF 37 million, CHF 18 million was attributable to traffic. As with Fixnet, this decline was largely due to the introduction of the new numbering plan in the second quarter of 2002, the introduction of the standard national tariff and the substitution for mobile communications. The decline in networking revenue is primarily due to a decrease in revenue from leased lines.

In January 2003 it was announced that approximately 380 full-time jobs would be shed. In the first quarter, expenses of CHF 31 million (prior year: CHF 2 million) were recorded for the reduction of 205 full-time jobs. Excluding the costs for job-reduction measures, operating expenses fell in line with the reduction in revenue.

The decrease in EBITDA from CHF 40 million to CHF 5 million is largely attributable to the expense for job reductions.

Revenue is expected to be lower for the whole of 2003 compared to 2002 as a result of the new numbering plan that was introduced in the second quarter of 2002, the reduction in revenue from leased lines and the increased pressure on prices due to competition.

debitel

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|---|-------------|--------------|--------|
| Germany | 604 | 748 | 23.8% |
| International | 309 | 310 | 0.3% |
| Net revenue | 913 | 1 058 | 15.9% |
| Segment expenses (incl. intercompany) | 881 | 1 036 | 17.6% |
| EBITDA | 32 | 22 | -31.3% |
| <i>Margin as % of net revenue</i> | <i>3.5</i> | <i>2.1</i> | |
| Depreciation | 14 | 16 | 14.3% |
| EBIT before amortization of goodwill | 18 | 6 | -66.7% |
| Amortization of goodwill | 69 | 41 | -40.6% |
| EBIT | (51) | (35) | -31.4% |

| Number of subscribers in thousands | 31.03.2002 | 31.03.2003 | Change |
|------------------------------------|--------------|---------------|--------|
| Germany | 7 425 | 7 790 | 4.9% |
| International | 2 323 | 2 344 | 0.9% |
| Total | 9 748 | 10 134 | 4.0% |

debitel posted a year-over-year 15.9% growth in first quarter revenue. The number of subscribers increased by 73,000 in the first quarter of 2003, 61,000 of whom are located in Germany. The majority of the increase related primarily to post-paid subscribers.

Revenue in Germany increased by 23.8% primarily as a result of an increase in merchandising revenue due to debitel's increased market presence and due to the increase in the number of subscribers.

The main reason for the decrease in EBITDA of CHF 10 million in 2003 compared to 2002 is the costs incurred for customer acquisition in connection with the increase in the number of subscribers.

In 2002, an impairment of the goodwill of debitel of CHF 702 million was recorded. This gives rise to an annual reduction in the future goodwill amortization charge of approximately CHF 104 million (CHF 26 million per quarter).

Higher total revenue is anticipated for the current year due to an increased number of subscribers.

Other

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|---|-------------|-------------|--------|
| Swisscom Systems AG | 88 | 85 | -3.4% |
| Swisscom IT Services AG | 50 | 55 | 10.0% |
| Swisscom Broadcast AG | 41 | 38 | -7.3% |
| Billag AG | 11 | 13 | 18.2% |
| Other revenue | 1 | - | - |
| Revenue from external customers | 191 | 191 | - |
| Intersegment revenue | 148 | 132 | -10.8% |
| Net revenue | 339 | 323 | -4.7% |
| Segment expenses (incl. intercompany) | 290 | 274 | -5.5% |
| EBITDA | 49 | 49 | - |
| <i>Margin as % of net revenue</i> | <i>14.5</i> | <i>15.2</i> | |
| Depreciation | 52 | 41 | -21.2% |
| EBIT before amortization of goodwill | (3) | 8 | 366.7% |
| Amortization of goodwill | 6 | 6 | - |
| EBIT | (9) | 2 | 122.2% |

The "Other" segment comprises the group companies Swisscom Systems AG, Swisscom IT Services AG, Swisscom Broadcast AG and Billag AG. Revenue from third parties and EBITDA for the segment Other were stable compared to prior year.

The decline in revenue reported by Swisscom Systems AG is mainly due to the decrease of revenue from the rental and service of private branch exchanges (PBXs). The expense for the shedding of 470 full-time jobs announced in 2002 was recorded in the fourth quarter of 2002.

Swisscom IT Services AG posted an increase in net revenue from third parties of CHF 5 million to CHF 55 million. In contrast, the revenue from other Group companies decreased by CHF 18 million. The decrease in revenue was largely offset by cost savings, especially in the area of IT expenditures.

As Swisscom Systems AG recorded costs of CHF 80 million for job-reduction measures in the fourth quarter of 2002, the EBITDA of the segment Other in 2003 will be higher year-over-year than in 2002.

Corporate

| CHF in millions | 31.03.2002 | 31.03.2003 | Change |
|--|-------------|-------------|--------|
| Revenue from external customers | 15 | 14 | -6.7% |
| Intersegment revenue | 159 | 150 | -5.7% |
| Net revenue | 174 | 164 | -5.7% |
| Segment expenses (incl. intercompany) | 139 | 84 | -39.6% |
| EBITDA | 35 | 80 | 128.6% |
| <i>Margin as % of net revenue</i> | <i>20.1</i> | <i>48.8</i> | |
| Depreciation | 17 | 16 | -5.9% |
| EBIT | 18 | 64 | 255.6% |

The "Corporate" segment encompasses headquarter functions, Group company shared services, the real-estate company and the employment company WORK_LINK.

In the Fixnet, Enterprise Solutions, Other and Corporate segments a total of CHF 75 million (prior year CHF 5 million) relating to termination benefits was recorded in the first quarter of 2003, of which CHF 47 million (prior year CHF 1 million) relates to employees who were transferred to WORK_LINK. As these expenses do not meet the criteria for recognition under IFRS, CHF 47 million (prior year CHF 1 million) has been eliminated in the segment Corporate. In the first quarter of 2003, CHF 9 million (prior year CHF 5 million) was incurred for WORK_LINK participants and was included in salaries and wages. The improvement of the EBITDA compared to the previous year was primarily due to this effect.

Financial result

Due to the continued decline in the share price of Swiss International Airlines Ltd. (Swiss), Swisscom recorded an impairment of CHF 33 million in the first quarter of 2003. The remaining carrying value of Swiss was CHF 5 million at March 31, 2003. Financial expense also decreased as a result of loan repayments.

Financial income decreased due to a reduction in the amount of cash on deposit and short-term financial assets and lower interest rates.

Income taxes

Income tax expense totaled CHF 142 million, which represents an effective tax rate of 22.2% (prior year 26.8%). After the implementation of the holding company structure in the course of the previous year, the average tax rate decreased. However, in the first quarter of 2002 income taxes were still recorded using the higher tax rates. In the first quarter of 2003, Swisscom received tax reimbursements of CHF 46 million. For the whole of 2003, lower income tax payments are expected.

Affiliated companies

In the prior year, income from affiliated companies includes income from AUCS Communications Services (NL) in connection with a three-year management contract with Infonet Services Corp., which was valid until 30 September 2002. There is no such income in 2003, therefore income from affiliated companies will reduce in 2003. This item mainly comprises the indirect shareholding held in Cesky Telecom (CK) via TelSource N.V. (NL).

Financing

In the first quarter of 2003, Swisscom repaid a loan of CHF 250 million to the Post. It still has a loan of CHF 500 million outstanding from the Post, which will be repaid in the second quarter of 2003. The dividend of CHF 794 million and the capital reduction of CHF 530 million, which were approved at the Shareholders' Meeting on 6 May 2003, will be paid in the second and third quarter of 2003, respectively. Swisscom Mobile AG paid a dividend of CHF 370 million to its minority shareholder Vodafone in March 2003. It will be possible to fully finance the investments in fixed assets, repay the financial obligations as scheduled, distribute dividends and pay the capital reduction with the existing liquid funds and net cash provided by operating activities in the current year.

Capital expenditure

At CHF 228 million, of which CHF 125 million was incurred by Fixnet and CHF 81 million by Mobile, capital expenditure is CHF 25 million higher than last year. Swisscom expects capital expenditure to remain relatively stable in 2003 at CHF 1,200 million, although the expenditure for Fixnet is heavily dependent on the number of new ADSL customers and the timing of the investment required for the reduction of voice platforms from three to two. Investments in 2003 could therefore be higher than planned.

Outlook

In light of the current market situation, sustained pressure on revenue and margins is anticipated for the year 2003. In the Swiss operations, revenue will likely decrease as a whole assuming market and regulatory conditions remain the same. Thanks to consistent cost management, Swisscom nevertheless expects operating income before interest, taxes and depreciation (EBITDA) to be the same as in 2002.

Consolidated income statement

| CHF in millions, except where indicated | <u>unaudited</u> | |
|---|------------------|--------------|
| | 31.03.2002 | 31.03.2003 |
| Net revenue | 3 517 | 3 517 |
| Other operating income | 52 | 38 |
| Total | 3 569 | 3 555 |
| Goods and services purchased | 1 160 | 1 132 |
| Personnel expenses | 636 | 654 |
| Other operating expenses | 605 | 606 |
| Depreciation | 388 | 400 |
| Amortization | 101 | 83 |
| Total operating expenses | 2 890 | 2 875 |
| Operating income | 679 | 680 |
| Financial expense | (72) | (70) |
| Financial income | 53 | 31 |
| Income before income taxes, equity in net income of affiliated companies and minority interest | 660 | 641 |
| Income tax expense | (177) | (142) |
| Income before equity in net income of affiliated companies and minority interest | 483 | 499 |
| Equity in net income of affiliated companies | 22 | 6 |
| Minority interest | (85) | (96) |
| Net income | 420 | 409 |
| Earnings per share (in CHF) | 5.81 | 6.18 |
| Average number of shares outstanding (in thousands) | 72 244 | 66 203 |

Consolidated balance sheet (condensed)

| CHF in millions | <u>unaudited</u> | |
|---|------------------|---------------|
| | 31.12.2002 | 31.03.2003 |
| Assets | | |
| Cash and cash equivalents | 1 682 | 1 885 |
| Current financial assets | 285 | 226 |
| Other current assets | 3 048 | 3 069 |
| Current tax assets | 178 | 41 |
| Total current assets | 5 193 | 5 221 |
| Property, plant and equipment | 7 536 | 7 353 |
| Investments in affiliated companies | 691 | 699 |
| Goodwill and other intangible assets | 1 544 | 1 550 |
| Non-current financial assets | 1 584 | 1 463 |
| Deferred tax assets | 410 | 377 |
| Total non-current assets | 11 765 | 11 442 |
| Total assets | 16 958 | 16 663 |
| Liabilities and shareholders' equity | | |
| Short-term debt | 1 016 | 726 |
| Current tax liabilities | 121 | 127 |
| Other current liabilities | 2 826 | 2 836 |
| Total current liabilities | 3 963 | 3 689 |
| Long-term debt | 2 697 | 2 592 |
| Accrued pension cost | 1 101 | 1 100 |
| Deferred tax liabilities | 296 | 314 |
| Other long-term liabilities | 806 | 802 |
| Total long-term liabilities | 4 900 | 4 808 |
| Total liabilities | 8 863 | 8 497 |
| Minority interest | 796 | 522 |
| Shareholders' equity | 7 299 | 7 644 |
| Total liabilities and shareholders' equity | 16 958 | 16 663 |

Consolidated cash flow statement (condensed)

| CHF in millions | <u>unaudited</u> | |
|--|------------------|--------------|
| | 31.03.2002 | 31.03.2003 |
| Operating income before interest, tax, depreciation and amortization (EBITDA) | 1 168 | 1 163 |
| Changes in working capital and cash flows from operating activities | (223) | (15) |
| Decrease in accrued pension cost | (21) | (1) |
| Interest (paid) received, net | (11) | (16) |
| Income tax (paid) benefit | (83) | 46 |
| Net cash provided by operating activities | 830 | 1 177 |
| Capital expenditure | (203) | (228) |
| Investments in subsidiaries, and other non-current financial assets | (81) | (48) |
| Other cash flows from investing activities, net | 379 | 12 |
| Net cash provided by investing activities | 95 | (264) |
| Repayment of debt, net | (49) | (345) |
| Purchase of treasury stock | (2 816) | - |
| Dividends paid to minority interests | (300) | (370) |
| Net cash used in financing activities | (3 165) | (715) |
| Net (decrease) increase in cash and cash equivalents | (2 240) | 198 |
| Cash and cash equivalents at beginning of year | 3 788 | 1 682 |
| Effect of exchange rate changes on cash and cash equivalents | (1) | 5 |
| Cash and cash equivalents at end of period | 1 547 | 1 885 |

Consolidated statement of shareholders' equity

| CHF in millions | <u>unaudited</u> | | | | | Total shareholders' equity |
|--|------------------|----------------------------|-------------------|----------------|-------------------------------|----------------------------|
| | Share capital | Additional paid-in capital | Retained earnings | Treasury stock | Fair value and other reserves | |
| Balance at December 31, 2001 | 1 250 | 2 395 | 8 711 | (2) | (285) | 12 069 |
| Translation adjustments | - | - | - | - | (4) | (4) |
| Fair value adjustments | - | - | - | - | (16) | (16) |
| Losses not recognized in income statement | - | - | - | - | (20) | (20) |
| Purchase of treasury stock | - | - | - | (4 264) | - | (4 264) |
| Net income | - | - | 420 | - | - | 420 |
| Balance at March, 2002 | 1 250 | 2 395 | 9 131 | (4 266) | (305) | 8 205 |
| Balance at December 31, 2002 | 596 | 572 | 6 491 | (1) | (359) | 7 299 |
| Translation adjustments | - | - | - | - | 26 | 26 |
| Fair value adjustments | - | - | - | - | (90) | (90) |
| Losses not recognized in income statement | - | - | - | - | (64) | (64) |
| Net income | - | - | 409 | - | - | 409 |
| Balance at March 31, 2003 | 596 | 572 | 6 900 | (1) | (423) | 7 644 |

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". The same accounting principles apply as were used for the consolidated financial statements for 2002.
- Individual figures for the previous year have been restated to facilitate comparison.
- 2 Segment reporting** The "Fixnet" segment covers national and international traffic in respect of residential customers, access charges from residential and business customers, and the sale of equipment. Additionally the segment contains revenue from use of the Swisscom fixed network by other national and international telecommunication providers and international wholesale activities. Also included are Bluewin AG, Swisscom Directories AG, Telecom FL AG as well as payphone services, operator services and cards.
- "Mobile" covers the provision of mobile telephony, data and wholesale network utilization charges.
- "Enterprise Solutions" covers national and international telephony traffic as well as value-added services for business customers, leased lines, telehousing, hosting and communications solutions.
- The "debitel" segment reflects the business activities of the debitel Group.
- The segment "Other" mainly comprises Swisscom Systems AG, Swisscom IT Services AG, Swisscom Broadcast AG and Billag AG.
- "Corporate" covers headquarters, real-estate company, employment company WORK_LINK and costs that cannot be directly allocated to another segment.

unaudited

CHF in millions

| 31.03.2002 | Fixnet | Mobile | Enterprise Solutions | debitel | Other | Corporate | Elimination | Total |
|--|--------------|--------------|----------------------|-------------|-------------|-------------|--------------|--------------|
| Net revenue from external customers | 1 228 | 811 | 359 | 913 | 191 | 15 | - | 3 517 |
| Intersegment net revenue | 382 | 197 | 34 | - | 148 | 159 | (920) | - |
| Net revenue | 1 610 | 1 008 | 393 | 913 | 339 | 174 | (920) | 3 517 |
| Segment expenses | (1 090) | (516) | (353) | (881) | (290) | (139) | 920 | (2 349) |
| Operating income before depreciation (EBITDA) | 520 | 492 | 40 | 32 | 49 | 35 | - | 1 168 |
| <i>Margin in %</i> | <i>32.3</i> | <i>48.8</i> | <i>10.2</i> | <i>3.5</i> | <i>14.5</i> | <i>20.1</i> | | <i>33.2</i> |
| Depreciation and amortization | (261) | (63) | (7) | (14) | (52) | (17) | - | (414) |
| Operating income before goodwill amortization | 259 | 429 | 33 | 18 | (3) | 18 | - | 754 |
| Amortization of goodwill | - | - | - | (69) | (6) | - | - | (75) |
| Operating income (EBIT) | 259 | 429 | 33 | (51) | (9) | 18 | - | 679 |

unaudited

CHF in millions

| 31.03.2003 | Fixnet | Mobile | Enterprise Solutions | debitel | Other | Corporate | Elimination | Total |
|--|--------------|--------------|----------------------|--------------|-------------|-------------|--------------|--------------|
| Net revenue from external customers | 1 124 | 808 | 322 | 1 058 | 191 | 14 | - | 3 517 |
| Intersegment net revenue | 335 | 193 | 28 | - | 132 | 150 | (838) | - |
| Net revenue | 1 459 | 1 001 | 350 | 1 058 | 323 | 164 | (838) | 3 517 |
| Segment expenses | (971) | (482) | (345) | (1 036) | (274) | (84) | 838 | (2 354) |
| Operating income before depreciation (EBITDA) | 488 | 519 | 5 | 22 | 49 | 80 | - | 1 163 |
| <i>Margin in %</i> | <i>33.4</i> | <i>51.8</i> | <i>1.4</i> | <i>2.1</i> | <i>15.2</i> | <i>48.8</i> | | <i>33.1</i> |
| Depreciation and amortization | (273) | (79) | (10) | (16) | (41) | (16) | - | (435) |
| Operating income before goodwill amortization | 215 | 440 | (5) | 6 | 8 | 64 | - | 728 |
| Amortization of goodwill | (1) | - | - | (41) | (6) | - | - | (48) |
| Operating income (EBIT) | 214 | 440 | (5) | (35) | 2 | 64 | - | 680 |

3 Debt

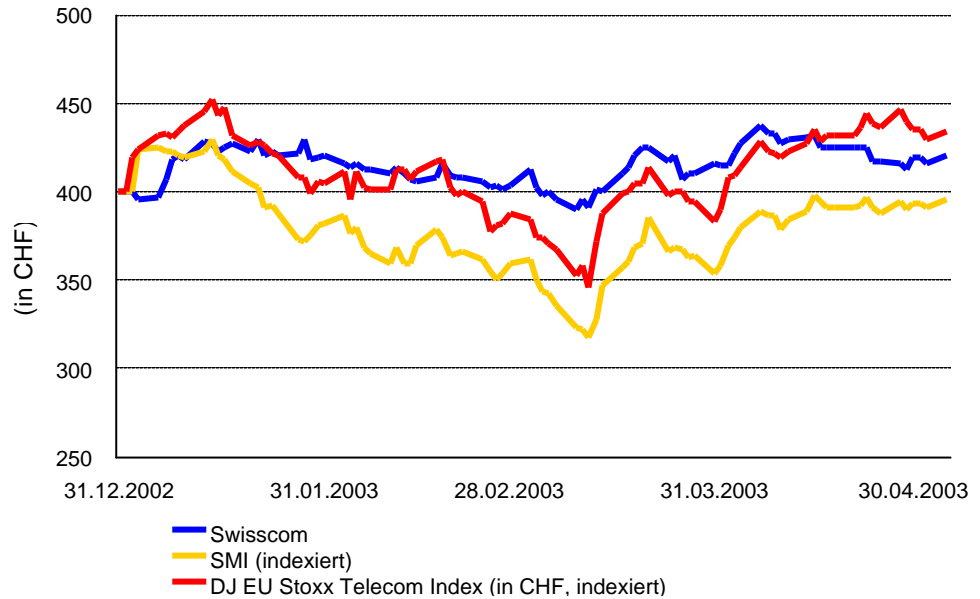
| CHF in millions | 31.12.2002 | <u>unaudited</u> 31.03.2003 |
|--|--------------|--------------------------------|
| Long-term debt | | |
| Swiss Post debt | 750 | 500 |
| Financial liabilities from cross-border tax lease arrangements | 1 463 | 1 456 |
| Finance lease obligation | 1 192 | 1 172 |
| Other long-term debt | 42 | 29 |
| Total | 3 447 | 3 157 |
| Less current portion | (750) | (565) |
| Total long-term debt | 2 697 | 2 592 |
| Short-term debt | | |
| Current portion of long-term debt | 750 | 565 |
| Other short-term debt | 266 | 161 |
| Total short-term debt | 1 016 | 726 |

4 Capital reduction

On May 6, 2003, the Shareholders' meeting approved a capital reduction of CHF 8 per share, totalling CHF 530 million. The amount will be paid in the third quarter 2003.

Shareholder information

Development of Swisscom share price on the Swiss Exchange virt-x



| 31.12.02 – 31.03.03 | virt-x | NYSE |
|----------------------------|---------------|-------------|
| Closing price at 31.12.02 | CHF 400.50 | USD 28.51 |
| Closing price at 31.03.03 | CHF 415.50 | USD 30.49 |
| Year high | CHF 435.00 | USD 31.85 |
| Year low | CHF 385.50 | USD 28.05 |
| Total trading volume | 6 231 947 | 1 182 500 |
| Daily average | 100 515 | 19 385 |
| Total volume in millions | CHF 2 573.26 | USD 35.57 |
| Daily average in millions | CHF 41.50 | USD 0.58 |

Source: Bloomberg

Share information

The share capital amounts to 66,203,261 registered shares of which the Swiss Confederation owns 62.7%. On 9 May, 2003 Swisscom paid a dividend of CHF 12 per share (prior year: CHF 11).

The nominal value per registered share amounts to CHF 9 at 31 March 2003. A reduction in the nominal value of CHF 8 per share was decided at the regular Shareholders' Meeting. Repayment in the course of the third quarter of 2003 will lead to a nominal value per share of CHF 1.

In 2003, Swisscom will pay a total amount of CHF 20 per share to its shareholders. This is equivalent to a 5% dividend yield based on the closing price at 31.12.2002.

20-F

Report 20-F was submitted to the Security and Exchange Commission (SEC) on 30 April 2003. A copy of the filing is available at www.swisscom.com/ir.

Financial calendar

| | |
|-------------------|--|
| August 20, 2003 | 2003 Half-year report |
| November 20, 2003 | 2003 Third-quarter report |
| April 27, 2004 | General Shareholders' Meeting, Lucerne |

Stock markets

Swisscom shares are traded on the pan-European blue chip platform virt-x under the symbol "SCMN" (security no. 874 251) and in the form of American depositary shares (ADS) at a ratio of 1:10 on the New York Stock Exchange under the symbol "SCM" (security number 949 527).

| Stock Exchange | Bloomberg | Reuters | Telekurs |
|-----------------------|------------------|----------------|-----------------|
| virt-x, London | SCMN VX | SCMZn.VX | SCMN, VTX |
| NYSE, New York | SCM | SCMZ.N | SCM, NYS |

The consolidated financial statement is published in German and English. The German version is binding.

**Cautionary statement
regarding forward-looking
statements**

This communication contains statements that constitute «forward-looking statements». In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's past and future filings and reports filed with the U.S. Security and Exchange Commission and posted on our websites. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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