CONSOLIDATED FINANCIAL STATEMENTS

JANUARY – SEPTEMBER 2003

swisscom

Key figures

In CHF millions, except where indicated		unaudited 30.09.2002	30.09.2003
Swisscom Group			
Net revenue		10 788	10 827
Operating income before interest, taxes and depreciation (EBITDA)		3 414	3 607
in % of net income	%	31.6	33.3
Operating income (EBIT)		1 931	2 163
Net income		1 211	1 374
Shareholders' equity		7 660	7 505
Equity ratio [1]	%	42.2	46.7
Number of full-time equivalent employees at end of period [2]	FTE	20 762	19 519
Average number of full-time equivalent employees	FTE	21 154	19 998
Revenue per employee	CHF thousands	510	541
EBITDA per employee	CHF thousands	161	180
Net cash provided by operating activities		2 815	3 478
Equity free cash flow [3]		830	1 509
Capital expenditures		826	800
Net debt (net funds) [4]		1 205	(334)

1) Shareholders' equity as % of total assets.
2) Includes 3,381 and 3,300 employees of debitel at September 30, 2002 and 2003, respectively.
3) Definition of equity free cash flow: net cash flow provided by operating activities, less net capital expenditure, net proceeds from the sale and purchase of investments, repayment of financial liabilities (excluding leasing liabilities) and dividend payments to minority interests.
4) 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

At September 30, 2003 Swisscom improved its operating income before interest, taxes and depreciation (EBITDA) by 5.7% to CHF 3 607 million compared to the prior year despite stagnating revenue. The increase in EBITDA is primarily due to consistent cost management. In regards to revenue, debitel posted a 12.6% increase. In contrast, revenues from mobile telephony stagnated and revenues in fixed-network telephony fell by 8.1%

The following table shows the changes in the individual segments:

	Net revenue [1) 2)]			EBITDA		
In CHF millions	30.09.2002	30.09.2003	Change	30.09.2002	30.09.2003	Change
Fixnet	4 712	4 329	-8.1%	1 456	1 585	8.9%
Mobile	3 073	3 095	0.7%	1 516	1 554	2.5%
Enterprise Solutions	1 138	1 031	-9.4%	65	103	58.5%
debitel	2 981	3 358	12.6%	121	82	-32.2%
Other	1 070	980	-8.4%	172	180	4.7%
Corporate	536	496	-7.5%	84	103	22.6%
Intercompany	(2 722)	(2 462)	-9.6%	-	-	-
Total	**10 788**	**10 827**	0.4%	**3 414**	**3 607**	5.7%

1) Including intersegment revenue.
2) Swisscom changed its policy in 2003 for the presentation of revenue from its business numbers. In 2003, this revenue is recorded 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 the first nine months of 2002 would have been CHF 94 million lower by Fixnet and CHF 36 million lower by Mobile.

At September 30, 2003 operating expenses include a total of CHF 81 million (prior year CHF 70 million) for job-reduction measures.

Reconciliation from EBITDA to net income:

In CHF millions	30.09.2002	30.09.2003	Change
EBITDA	**3 414**	**3 607**	5.7%
Depreciation	(1 257)	(1 286)	2.3%
EBIT before goodwill amortization	**2 157**	**2 321**	7.6%
Goodwill amortization	(226)	(158)	-30.1%
EBIT	**1 931**	**2 163**	12.0%
Financial result	(85)	(63)	-25.9%
Income tax	(508)	(454)	-10.6%
Equity in net income of affiliated companies	106	23	-78.3%
Minority interests	(233)	(295)	26.6%
Net income	**1 211**	**1 374**	13.5%

Goodwill amortization decreased by CHF 68 million primarily as a result of the effect of an impairment of the goodwill of debitel that was recorded in the fourth quarter of 2002.

Financial result improved particularly due to a reduction in interest paid resulting from the repayment of debts and due to currency gains. In the first nine months of 2003 financial result includes a CHF 33 million impairment of Swisscom's investment in Swiss International Airlines Ltd.

Equity in net income of affiliated companies dropped by CHF 83 million compared to the prior year. The reduction is mainly due to income recognized in the last year from the shareholding in AUCS Communication Services (NL) in connection with a management contract with Infonet Services Corp. valid until September 30, 2002. There is no such income in 2003.

Net income stands at CHF 1 374 million and is thus 13.5% or CHF 163 million above the same period last year. The increase is primarily due to the higher operating income before interest, taxes and depreciation (EBITDA) of CHF 193 million. Due to the share buy back in 2002, the weighted average number of shares decreased. Therefore, the increase in earnings per share (16.9%) is greater than the increase in net income.

At September 30, 2003 Swisscom had net funds of CHF 334 million. Compared to the end of 2002, this is an improvement of CHF 976 million. This change is chiefly due to the net cash provided by operating activities considerably exceeding capital expenditures and the dividend distribution. In the first nine months of 2003 debts in the amount of CHF 855 million were repaid, of which CHF 750 million was for a loan repayment to the Swiss Post and the rest were mainly finance lease repayments.

In the light of the tense market situation, Swisscom expects a slight decline in revenue for the current year. Thanks to consistent cost management, Swisscom expects operating income before interest, taxes and depreciation (EBITDA) of approximately CHF 4 500 million (EBITDA 2002 CHF 4 400 million). Capital expenditure is expected to be not more than CHF 1 300 million in 2003.

Fixnet

In CHF millions	30.09.2002	30.09.2003	Change
Local and long-distance traffic	348	302	-13.2%
Fixed-to-mobile traffic	291	298	2.4%
Internet traffic	140	123	-12.1%
International traffic	140	149	6.4%
Total retail traffic	**919**	**872**	-5.1%
Wholesale traffic	764	573	-25.0%
Other traffic	158	137	-13.3%
Access	1 177	1 271	8.0%
Other revenue	563	476	-15.5%
Revenue from external customers	**3 581**	**3 329**	-7.0%
Intersegment revenue	1 131	1 000	-11.6%
Net revenue	**4 712**	**4 329**	-8.1%
Segment expenses (incl. intercompany)	3 256	2 744	-15.7%
EBITDA	**1 456**	**1 585**	8.9%
Margin as % net revenue	*30.9*	*36.6*	
Depreciation	785	808	2.9%
EBIT before amortization of goodwill	**671**	**777**	15.8%
Amortization of goodwill	3	5	-
EBIT	**668**	**772**	15.6%

Number of lines in thousands	30.09.2002	30.09.2003	Change
PSTN lines	3 169	3 117	-1.6%
ISDN lines	900	927	3.0%
Total number of PSTN / ISDN lines	**4 069**	**4 044**	-0.6%
ADSL retail lines	72	216	200.0%
ADSL wholesale lines	60	167	178.3%
Total number of broadband lines	**132**	**383**	190.2%

Retail traffic volume in million minutes	30.09.2002	30.09.2003	Change
Local and long-distance traffic	5 956	5 208	-12.6%
Fixed-to-mobile traffic	578	620	7.3%
Internet traffic	4 273	3 716	-13.0%
Total national traffic	**10 807**	**9 544**	-11.7%
International traffic	597	628	5.2%
Total retail traffic	**11 404**	**10 172**	-10.8%

Wholesale traffic volume in million minutes	30.09.2002	30.09.2003	Change
Wholesale national traffic	**13 854**	**13 549**	-2.2%
International incoming traffic	1 358	1 227	-9.6%
International termination traffic	1 624	924	-43.1%
Total wholesale international traffic	**2 982**	**2 151**	-27.9%
Total wholesale traffic	**16 836**	**15 700**	-6.7%

Fixnet's revenue from third parties fell by 7.0% to CHF 3 329 million year-over-year. The increase in revenue from access fees, due to the strong growth in broadband lines (ADSL), was offset by a decline in revenue from retail traffic and the international wholesale business. In addition, other revenue and wholesale traffic revenue decreased by CHF 83 million and CHF 11 million, respectively, as a result of a change in accounting policy for the presentation of revenue from business numbers. This change has no effect on the EBITDA. The prior period has not been restated as the effect is not material.

Revenue from retail traffic declined by 5.1% compared to last year. The drop was caused by Swisscom's market share in the local area traffic falling to the level of long-distance traffic after the new numbering plan was introduced in the second quarter of 2002. The standard national tariff for the fixed network introduced by Swisscom on May 1, 2002 only has a slight negative net impact on revenue. Moreover, traffic volume continued to decline due to the ongoing substitution for mobile communications and the migration from Internet traffic to business numbers and ADSL. The decline could be partly compensated by an increase in revenue from fixed-to-mobile and international traffic.

The decline in revenue from wholesale traffic of CHF 191 million was primarily due to the closure of local sales outlets in several European countries in the previous year and the sale of the business activities of Swisscom North America in the fourth quarter of 2002. The impact on EBITDA resulting from the discontinued or sold business operations are small as these businesses had a very low margin.

Access revenue increased by 8.0% to CHF 1 271 million due to the growing number of broadband lines (ADSL). The number of ADSL lines rose by 251 000 to 383 000 lines compared to last year. Of this figure, 216 000 lines were for Bluewin retail customers and 167 000 lines for customers of other providers. Access includes revenue for analog and digital lines, the ADSL lines of retail and wholesale customers and Internet subscription fees.

The decline in other revenue by CHF 87 million is chiefly due to the change in the policy for presentation of revenue from business numbers for other providers. The effect of this amounted to CHF 83 million for the first nine months.

Intersegment revenue fell by CHF 131 million and is mainly a result of lower volume and prices with Enterprise Solutions.

Operating expenses dropped by 15.7% to CHF 2 744 million compared to last year. Savings were achieved particularly in IT and network maintenance thanks to consistent cost management. Furthermore, personnel expenses fell as a result of the lower number of employees and the lower expenditure for job-reduction measures. In addition, operating expenses fell as a result of the change in the policy for presentation of business numbers for other providers, as described above and as a result of lower network costs due to the closure of sales outlets and the sale of business operations abroad.

EBITDA rose by 8.9 % to CHF 1 585 million due to consistent cost management. The EBITDA margin was 36.6% (prior year 30.9%).

For the year 2003, Fixnet expects a decline in revenue but a higher EBITDA due to the effects described above.

Mobile

In CHF millions	30.09.2002	30.09.2003	Change
Connectivity voice	1 565	1 610	2.9%
Connectivity data and value-added services	358	342	-4.5%
Base fees	525	513	-2.3%
Other revenue	75	109	45.3%
Revenue from external customers	**2 523**	**2 574**	2.0%
Intersegment revenue	550	521	-5.3%
Net revenue	**3 073**	**3 095**	0.7%
Segment expenses (incl. intercompany)	1 557	1 541	-1.0%
EBITDA	**1 516**	**1 554**	2.5%
Margin as % net revenue	*49.3*	*50.2*	
Depreciation	203	234	15.3%
EBIT	**1 313**	**1 320**	0.5%

Number of subscribers in thousands	30.09.2002	30.09.2003	Change
Postpaid	2 260	2 353	4.1%
Prepaid	1 282	1 383	7.9%
Total	**3 542**	**3 736**	5.5%

	30.09.2002	30.09.2003	Change
ARPU in CHF	86	82	-4.7%
Number of SMS messages in millions	1 203	1 350	12.2%

Mobile increased its revenue from third parties by 2.0% to CHF 2 574 million compared to the previous year.

The 2.9% increase in revenue for connectivity voice is primarily due to the rise in the number of subscribers. The number of subscribers increased by a net 194,000 to 3,736,000 compared to the prior year. By contrast, the average minutes per user (AMPU) and the average revenue per user (ARPU) fell year-over-year. The decline in the ARPU is largely attributable to constant price competition in the business customer segment and changes to subscriptions by residential customers.

Compared to last year, revenue from connectivity data and value-added services decreased by 4.5%. The decrease is mainly due to the change in accounting policy for the presentation of business numbers; from 2003 revenues from business numbers are reported net of service provider costs. The decline in revenue caused by the change amounts to CHF 36 million. The change does not have any effect on EBITDA. Last year's figures were not restated as the impact is not material. The number of SMS messages sent continues to rise, increasing by 12.2 % year-over-year.

Operating expenses of Mobile dropped by 1.0% to CHF 1 541 million year-over-year. An increase in personnel expenses was offset with lower costs for network costs, customer acquisition and retention and the effect of the change in policy for presentation of business numbers. In addition, operating expenses include costs due to the new arrangement with Vodafone on access to its products and services, particularly to Vodafone Live. The launch of Vodafone Live will be in the fourth quarter of 2003.

Operating income (EBITDA) increased by 2.5% to CHF 1 554 million. The EBITDA margin stood at 50.2% (prior year 49.3%).

For the year 2003, Mobile expects stable revenue and EBITDA compared to 2002.

Enterprise Solutions

In CHF millions	30.09.2002	30.09.2003	Change
Local and long-distance traffic	177	150	-15.3%
Fixed-to-mobile traffic	159	154	-3.1%
International traffic	92	79	-14.1%
Total traffic	**428**	**383**	-10.5%
Networking	422	404	-4.3%
Inhouse and processes	86	68	-20.9%
Other revenue	95	94	-1.1%
Revenue from external customers	**1 031**	**949**	-8.0%
Intersegment revenue	107	82	-23.4%
Net revenue	**1 138**	**1 031**	-9.4%
Segment expenses (incl. intercompany)	1 073	928	-13.5%
EBITDA	**65**	**103**	58.5%
Margin as % net revenue	*5.7*	*10.0*	
Depreciation	23	27	17.4%
EBIT	**42**	**76**	81.0%

Traffic volume in million minutes	30.09.2002	30.09.2003	Change
Local and long distance traffic	2 452	2 061	-15.9%
Fixed-to-mobile traffic	344	325	-5.5%
Total national traffic	**2 796**	**2 386**	-14.7%
International traffic	447	380	-15.0%
Total national and international traffic	**3 243**	**2 766**	-14.7%

Revenue from third parties fell by 8.0% to CHF 949 million compared to last year. Revenue from traffic fell by CHF 45 million and, as was the case for Fixnet, was largely due to the new numbering plan introduced last year, the standard national tariff and the substitution for mobile communications. The decline in networking revenue is primarily a result of lower revenue from leased lines.

The 13.5% decline in operating expenses is mainly due to lower volume with Fixnet. Operating expenses include expenditure for job-reduction measures amounting to CHF 32 million (prior year CHF 9 million).

EBITDA increased by CHF 38 million to CHF 103 million primarily as a result of cost savings. The EBITDA margin amounted to 10.0% (prior year 5.7%).

For the year 2003 lower revenue is anticipated due to the new numbering plan introduced in 2002, the decline in revenue from leased lines and the general downward pressure on prices resulting from fierce competition. Enterprise Solutions expects a higher EBITDA through cost saving measures.

debitel

In CHF millions	30.09.2002	30.09.2003	Change
Germany	2 049	2 341	14.3%
International	932	1 017	9.1%
Net revenue	**2 981**	**3 358**	12.6%
Segment expenses (incl. intercompany)	2 860	3 276	14.5%
EBITDA	**121**	**82**	-32.2%
Margin as % of net revenue	*4.1*	*2.4*	
Depreciation	44	49	11.4%
EBIT before amortization of goodwill	**77**	**33**	-57.1%
Amortization of goodwill	205	128	-37.6%
EBIT	**(128)**	**(95)**	-25.8%

Number of subscribers in thousands	30.09.2002	30.09.2003	Change
Germany	7 428	8 060	8.5%
International	2 322	2 243	-3.4%
Total	**9 750**	**10 303**	5.7%

debitel boosted revenue by 12.6% compared to last year (9.1% in local currency).

The revenue growth is primarily due to an increase in merchandising revenue and the rise in the number of subscribers in Germany. Since the beginning of the year, the total number of subscribers increased by 242,000 to 10.3 million. The number of subscribers in Germany increased mainly in the postpaid segment.

The operating income (EBITDA) declined by CHF 39 million year-over-year. The decrease is mainly due to the costs incurred for customer acquisition in connection with the increase in the number of subscribers and a lower ARPU.

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.

For the current year debitel expects higher total revenue due to the higher number of subscribers but a lower EBITDA. The lower EBITDA is largely attributable to the customer acquisition costs incurred to increase the number of subscribers and a lower ARPU.

Other

In CHF millions	30.09.2002	30.09.2003	Change
Swisscom Systems AG	296	260	-12.2%
Swisscom IT Services AG	152	158	3.9%
Swisscom Broadcast AG	121	112	-7.4%
Billag AG	37	38	2.7%
Other revenue	-	1	-
Revenue from external customers	**606**	**569**	-6.1%
Intersegment revenue	464	411	-11.4%
Net revenue	**1 070**	**980**	-8.4%
Segment expenses (incl. intercompany)	898	800	-10.9%
EBITDA	**172**	**180**	4.7%
Margin as % of net revenue	*16.1*	*18.4*	
Depreciation	160	122	-23.8%
EBIT before amortization of goodwill	**12**	**58**	383.3%
Amortization of goodwill	17	25	47.1%
EBIT	**(5)**	**33**	760.0%

The segment Other includes the Group companies Swisscom Systems AG, Swisscom IT Services AG, Swisscom Broadcast AG, Billag AG and Swisscom Eurospot AG.

Revenue from external customers fell by 6.1% compared to the previous year. This reduction is largely due to the lower revenue of Swisscom Systems from the rental and service of private branch exchanges (PBXs).

Cost savings enabled the operating expenses to be reduced by 10.9%. Operating expenses include job-reduction costs of CHF 4 million (prior year CHF 16 million).

Swisscom Eurospot AG is incurring costs in connection with the set-up of the international WLAN business in 2003.

As Swisscom Systems AG recorded costs of CHF 80 million for termination benefits in the fourth quarter of 2002, EBITDA of segment Other is expected to be higher in 2003 than in 2002, despite lower revenue.

Corporate

In CHF millions	30.09.2002	30.09.2003	Change
Revenue from external customers	**66**	**48**	-27.3%
Intersegment revenue	470	448	-4.7%
Net revenue	**536**	**496**	-7.5%
Segment expenses (incl. intercompany)	452	393	-13.1%
EBITDA	**84**	**103**	22.6%
Margin as % net revenue	*15.7*	*20.8*	
Depreciation	42	46	9.5%
EBIT before goodwill amortization	**42**	**57**	35.7%
Goodwill amortization	1	-	-100.0%
EBIT	**41**	**57**	39.0%

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

Operating income rose by CHF 19 million to CHF 103 million compared to the previous year. The rise is mainly due to the reversal of a provision for dismantlement and restoration of CHF 22 million that is no longer required.

Job-reduction measures

In CHF millions	30.09.2002	30.09.2003	Change
Fixnet	73	53	-20
Mobile	-	-	-
Enterprise Solutions	9	32	23
debitel	-	-	-
Other [1)]	16	4	-12
Group Headquarters [2)]	6	7	1
Reversal of provision [2)]	(11)	-	11
Elimination WORK_LINK [2)]	(45)	(58)	-13
Total costs for job cuts	**48**	**38**	**-10**
Costs of the partially retired [2)]	5	7	2
Personnel expenses WORK_LINK [2)]	17	36	19
Total costs of job-reduction measures	**70**	**81**	**11**

1) Swisscom Systems AG CHF 0 million (prior year CHF 1 million); Swisscom IT Services AG CHF 4 million (prior year CHF 15 million).
2) Included in the Corporate segment (2003: CHF –8 million; 2002: CHF –28 million).

Costs relating to job-reduction measures are recorded by the individual segments. At September 30, 2003 these expenditures amounted to CHF 96 million (prior year CHF 104 million), of which CHF 58 million (prior year CHF 45 million) relates to employees who were transferred to WORK_LINK. As these expenses do not meet the criteria for recognition under IFRS, CHF 58 million (prior year CHF 45 million) has been eliminated in the segment Corporate.

At September 30, 2003 CHF 36 million (prior year CHF 17 million) was incurred for WORK_LINK participants and was included in salaries and wages. In addition, a provision of CHF 11 million was reversed in 2002.

On October 23, 2003 Swisscom communicated the workforce reduction of a further 655 full-time equivalents. Of these 655 full-time equivalents, Fixnet will reduce 260, Bluewin 40, Swisscom IT services 300 and Swisscom's real estate company 55. In the fourth Quarter 2003, Swisscom will record a provision for those that meet the criteria for recognition under IFRS.

Income taxes

At September 30, 2003, income tax expenses totaled CHF 454 million, which represents an effective average tax rate of 21.4% (prior year 27.5%). A non-recurring expense of CHF 86 million was recorded in the third quarter of 2002 as a result of the change form the parent company structure to a holding structure.

Affiliated companies

This item mainly comprises the 13.23% indirect shareholding held in Cesky Telecom (CK) via TelSource N.V. (NL) .

Cesky Telecom decided to pay a dividend in the second quarter of 2003. Swisscom's share amounts to CZK 2 450 million (CHF 120 million). The dividend will be disbursed in the fourth quarter of 2003. This dividend will not have an effect on Swisscom's operating result.

Capital expenditure

At CHF 800 million, the capital expenditure were slightly lower than in the previous year. Of this capital expenditure, Fixnet incurred CHF 427 million and Mobile CHF 280 million. For 2003 Swisscom expects capital expenditure of around CHF 1 300 million.

Equity free cash flow

Swisscom has the policy of paying out its available funds (equity free cash flow) to its shareholders. The equity free cash flow results from net cash flow provided by operating activities, less net capital expenditure, net proceeds from the sale and purchase of investments, repayment of financial liabilities (excluding leasing liabilities) and dividend payments to minority interests. At September 30, the equity free cash flow amounted to CHF 1 509 million (prior year CHF 830 million). This includes the repayment of the loan outstanding to the Swiss Post of CHF 750 million and the dividends paid to minority interests of CHF 392 million. No such payments are expected in the fourth quarter of 2003.

Minority interests

Minority interests mainly relate to the 25% share of Vodafone in Swisscom Mobile AG. The minority share of profits amounted to CHF 295 million (prior year CHF 233 million) in the first nine months of 2003. In the first nine months of 2003 CHF 392 million (prior year CHF 302 million) were distributed to the minority shareholders.

Outlook

In the light of the tense market situation, Swisscom expects a slight decline in revenue for the current year. Thanks to consistent cost management, Swisscom expects operating income before interest, taxes and depreciation (EBITDA) of approximately CHF 4 500 million (EBITDA 2002 CHF 4 400 million). Capital expenditure is expected to be not more than CHF 1 300 million in 2003.

Consolidated income statements

In CHF millions, except per share amount	1.7.- 30.09.2002	1.7.- 30.09.2003	Unaudited 1.1.- 30.09.2002	1.1.- 30.09.2003
Net revenue	**3 659**	**3 673**	**10 788**	**10 827**
Other operating income	39	59	139	157
Total	**3 698**	**3 732**	**10 927**	**10 984**
Goods and services purchased	1 274	1 272	3 639	3 566
Personnel expenses	619	594	1 926	1 863
Other operating expenses	659	690	1 948	1 948
Depreciation	388	386	1 168	1 178
Amortization	108	92	315	266
Total operating expenses	**3 048**	**3 034**	**8 996**	**8 821**
Operating income	**650**	**698**	**1 931**	**2 163**
Financial expense	(88)	(70)	(261)	(150)
Financial income	63	26	176	87
Income before taxes, equity in net income of affiliated companies and minority interests	**625**	**654**	**1 846**	**2 100**
Income tax expense	(147)	(152)	(508)	(454)
Income before equity in net income of affiliated companies and minority interests	**478**	**502**	**1 338**	**1 646**
Equity in net income of affiliated companies	39	11	106	23
Minority interests	(86)	(91)	(233)	(295)
Net income	**431**	**422**	**1 211**	**1 374**
Earnings per share (in CHF)	**6.51**	**6.37**	**17.75**	**20.75**
Average number of shares outstanding (in thousands)	**66 203**	**66 203**	**68 217**	**66 203**

Consolidated balance sheet (condensed)

In CHF millions	31.12.2002	unaudited 30.09.2003
Assets		
Current assets		
Cash and cash equivalents	1 682	1 791
Current financial assets	285	250
Other current assets	3 048	2 983
Current income tax assets	178	21
Total current assets	**5 193**	**5 045**
Non-current assets		
Property, plant and equipment	7 536	7 077
Investments in affiliated companies	691	650
Goodwill and other intangible assets	1 544	1 479
Non-current financial assets	1 584	1 543
Deferred tax assets	410	285
Total non-current assets	**11 765**	**11 034**
Total assets	**16 958**	**16 079**
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	1 016	237
Current tax liabilities	121	178
Other current liabilities	2 826	2 618
Total current liabilities	**3 963**	**3 033**
Long-term liabilities		
Long-term debt	2 697	2 587
Accrued pension cost	1 101	1 084
Deferred tax liabilities	296	389
Other long-term liabilities	806	782
Total long-term liabilities	**4 900**	**4 842**
Total liabilities	**8 863**	**7 875**
Minority interests	**796**	**699**
Shareholders' equity	**7 299**	**7 505**
Total liabilities and shareholders' equity	**16 958**	**16 079**

Consolidated cash flow statement (condensed)

In CHF millions	unaudited 30.09.2002	30.09.2003
Operating income before interest, taxes and depreciation (EBITDA)	**3 414**	**3 607**
Change in working capital and other cash flows from operating activities	(313)	(44)
Decrease in accrued pension costs	(69)	(17)
Net interest	(52)	(36)
Income tax paid	(165)	(32)
Net cash provided by operating activities	**2 815**	**3 478**
Capital expenditure	(803)	(800)
Investments in subsidiaries and affiliated companies	(133)	(57)
Proceeds from sale of affiliated companies	39	13
Purchase and sale of current financial assets, net	2 627	5
Other cash flows from investing activities, net	(36)	17
Net cash (expenditure) from investing activities	**1 694**	**(822)**
Repayment of debt, net	(1 210)	(855)
Share buy back	(4 264)	-
Capital reduction	(529)	(530)
Dividends paid	(728)	(794)
Dividends paid to minority interests	(302)	(392)
Net cash used in financing activities	**(7 033)**	**(2 571)**
Net (decrease) increase in cash and cash equivalents	**(2 524)**	**85**
Cash and cash equivalents at beginning of year	3 788	1 682
Translation adjustments to cash and cash equivalents	(2)	24
Cash and cash equivalents at end of the period	**1 262**	**1 791**

Consolidated statement of shareholders' equity

unaudited

In CHF millions	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Fair value and other reserves	Total sharehold-ers' equity
Balance at December 31, 2001	**1 250**	**2 395**	**8 711**	**(2)**	**(285)**	**12 069**
Translation adjustments	-	-	-	-	14	14
Fair value adjustments	-	-	-	-	(113)	(113)
Losses not recognized in income statement	**-**	**-**	**-**	**-**	**(99)**	**(99)**
Share buy back	(125)	(1 823)	(2 316)	-	-	(4 264)
Capital reduction	(529)	-	-	-	-	(529)
Dividends relating to 2001	-	-	(728)	-	-	(728)
Net income	-	-	1 211	-	-	1 211
Balance at September 30, 2002	**596**	**572**	**6 878**	**(2)**	**(384)**	**7 660**
Balance at December 31, 2002	**596**	**572**	**6 491**	**(1)**	**(359)**	**7 299**
Translation adjustments	-	-	-	-	135	135
Fair value adjustments	-	-	-	-	22	22
Profits not recognized in income statement	**-**	**-**	**-**	**-**	**157**	**157**
Capital reduction	(530)	-	-	-	-	(530)
Dividends relating to 2002	-	-	(795)	-	-	(795)
Net income	-	-	1 374	-	-	1 374
Balance at September 30, 2003	**66**	**572**	**7 070**	**(1)**	**(202)**	**7 505**

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. Certain amounts for the previous year have been reclassified to facilitate comparison.

2 Results by segment

The "Fixnet" segment covers national and international traffic for residential customers, access charges for residential and business customers as well as revenue from the sale of terminal equipment. Additionally, the segment covers utilization of the Swisscom fixed network by other national and international providers and international wholesale activities. The segment also comprises Bluewin AG, Swisscom Directories AG, Telecom FL AG, payphone services, operator services and the cards business.

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

"Enterprise Solutions" covers national and international telephony as well as value-added service for business customers, leased lines, telehousing, hosting and communications solutions.

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

The segment "Other" covers mainly Swisscom Systems AG, Swisscom IT Services AG, Swisscom Broadcast AG, Billag AG and Swisscom Eurospot AG.

"Corporate" includes headquarters, Group company shared services, the real estate company, the employment company WORK_LINK for employees affected by job cuts and expenses that cannot be directly allocated to another segment.

unaudited

In CHF millions 30.09.2002	Fixnet	Mobile	Enterprise Solutions	debitel	Other	Cor-porate	Elimi-nation	Total
Net revenue from external customers	3 581	2 523	1 031	2 981	606	66	-	10 788
Intersegment revenue	1 131	550	107	-	464	470	(2 722)	-
Net revenue	**4 712**	**3 073**	**1 138**	**2 981**	**1 070**	**536**	**(2 722)**	**10 788**
Segment expenses	(3 256)	(1 557)	(1 073)	(2 860)	(898)	(452)	2 722	(7 374)
Operating income before depreciation (EBITDA)	**1 456**	**1 516**	**65**	**121**	**172**	**84**	**-**	**3 414**
Margin in %	*30.9*	*49.3*	*5.7*	*4.1*	*16.1*	*15.7*	-	*31.6*
Depreciation and amortization	(785)	(203)	(23)	(44)	(160)	(42)	-	(1 257)
Operating income before goodwill amortization	**671**	**1 313**	**42**	**77**	**12**	**42**	**-**	**2 157**
Amortization of goodwill	(3)	-	-	(205)	(17)	(1)	-	(226)
Operating income (EBIT)	**668**	**1 313**	**42**	**(128)**	**(5)**	**41**	**-**	**1 931**

unaudited

In CHF millions 30.9.2003	Fixnet	Mobile	Enterprise Solutions	debitel	Other	Cor-porate	Elimi-nation	Total
Net revenue from external customers	3 329	2 574	949	3 358	569	48	-	10 827
Intersegment revenue	1 000	521	82	-	411	448	(2 462)	-
Net revenue	**4 329**	**3 095**	**1 031**	**3 358**	**980**	**496**	**(2 462)**	**10 827**
Segment expenses	(2 744)	(1 541)	(928)	(3 276)	(800)	(393)	2 462	(7 220)
Operating income before depreciation (EBITDA)	**1 585**	**1 554**	**103**	**82**	**180**	**103**	**-**	**3 607**
Margin in %	*36.6*	*50.2*	*10.0*	*2.4*	*18.4*	*20.8*	-	*33.3*
Depreciation and amortization	(808)	(234)	(27)	(49)	(122)	(46)	-	(1 286)
Operating income before goodwill amortization	**777**	**1 320**	**76**	**33**	**58**	**57**	**-**	**2 321**
Amortization of goodwill	(5)	-	-	(128)	(25)	-	-	(158)
Operating income (EBIT)	**772**	**1 320**	**76**	**(95)**	**33**	**57**	**-**	**2 163**

1 Debt

In CHF millions	31.12.2002	unaudited 30.09.2003
Long-term debt		
Swiss Post loan	750	-
Financial liability from cross-border tax lease arrangements	1 463	1 462
Finance lease obligation	1 192	1 161
Other long-term debt	42	25
Total	**3 447**	**2 648**
Less current portion	(750)	(61)
Total long-term debt	**2 697**	**2 587**
Short-term debt		
Current portion of long-term debt	750	61
Other short-term debt	266	176
Total short-term debt	**1 016**	**237**

4 Capital reduction

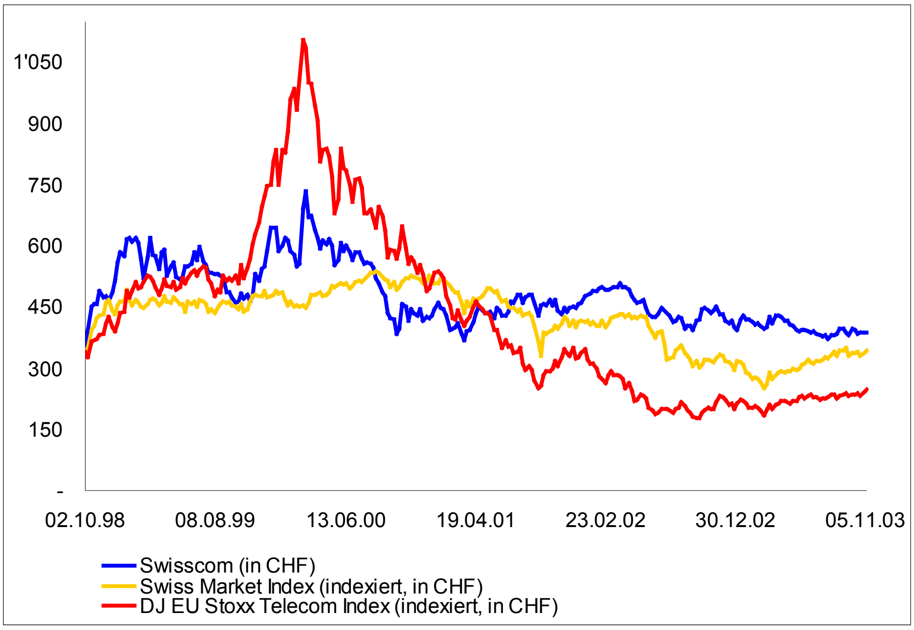
On May 6, 2003, the Shareholders' Meeting approved a capital reduction of CHF 8 per share totaling CHF 530 million. The amount was repaid on August 19, 2003.

5 Post balance sheet events

On November 6, 2003 the Federal Communications Commission (ComCom) issued its ruling on two legal proceedings relating to interconnection prices petitioned by two competitors in 2000. The rulings, which relate only to the two competitors, require Swisscom to reduce its interconnection prices by 25% to 35% retroactively for the years 2000 to 2003. Swisscom recorded a provision based on management's best estimate, at the time the petitions were filed. Management believes that the provision originally recorded still represents their best estimate. Swisscom will appeal against these rulings to the Federal Court.

Shareholder information

Swisscom share price on the Swiss Exchange (in CHF)



31.12.2002 – 30.9.2003	virt-x	NYSE
Closing price at 31.12.2002	CHF 400,50	USD 28,51
Closing price at 30.9.2003 [1)]	CHF 385,00	USD 29,28
Year high [1)]	CHF 438,50	USD 32,23
Year low [1)]	CHF 367,00	USD 26,65
Total trading volume	18 900 656	4 146 400
Daily average	101 616	22 292
Total volume in millions	CHF 7 519.70	USD 121.84
Daily average in millions	CHF 40.43	USD 0.66

Quelle: Bloomberg
1) prices paid

Share information

The share capital consists of 66,203,261 registered shares, of which the Swiss Confederation holds 41,531,200 registered shares (62.7%). A reduction in the nominal value of CHF 8 per share was decided at the regular Shareholders' Meeting in 2003. The repayment made on August 19, 2003 results in a nominal value of CHF 1. At September 30, 2003, 24,672,061 registered shares (37.3%) were distributed among 75,409 shareholders. The average number of shares available stands at around 12%.

One vote is granted for each share. Voting rights can only be exercised if the shareholder has been entered into the share register of Swisscom with a voting right. The administrative board can reject the entry of a shareholder with a voting right in the share register if the respective shareholder's voting rights exceed 5% of the share capital.

Financial calendar

March 24, 2004	Annual results 2003
April 27, 2004	Shareholders' Meeting, Lucerne
April 30, 2004	Dividend payment
Mai 12, 2004	Interim report 1st quarter 2004
August 13, 2004	Interim report 2nd quarter 2004
November 10, 2004	Interim report 3rd quarter 2004

Stock markets

Swisscom shares are traded on the pan-European blue-chip platform virt-x under the symbol "SCMN" (security no. 874251) 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 949527).

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

Return policy

Swisscom's policy is to distribute the freely available funds (equity free cash flow) each year. The funds available for such payment consist of the net cash flow provided by operating activities, less net capital expenditure, net proceeds from the sale and purchase of investments, repayment of financial liabilities (excl. leasing liabilities) and dividend payments to minority interests. The disbursement is made via a dividend which amounts to about half of the net income adjusted for one-time transactions, and is supplemented by either a share buy back or – as is the case for the last time in 2003 – a reduction in capital (par value). Share buy backs need not take place at the same time as dividend payouts.

The Consolidated Financial Statements are available in English and German. The German version is binding.

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 behavior 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. Securities 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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