Interim Report
January – September 2004

swisscom

Key Figures

CHF in millions, except where indicated		unaudited 30.9.2003	30.9.2004
Swisscom Group			
Net revenue		7 469	7 525
Operating income before interest, taxes, depreciation and amortization (EBITDA)		3 525	3 401
As % of net revenue	%	47.2	45.2
Operating income (EBIT)		2 258	2 091
Income from continuing operations		1 487	1 379
Net income		1 374	1 138
Shareholders' equity		7 505	6 915
Equity ratio [1]	%	46.7	45.8
Number of full-time equivalent employees at end of period [2]	FTE	16 214	15 644
Average number of full-time equivalent employees [3]	FTE	16 659	15 695
Revenue per employee	CHF in thousands	448	479
EBITDA per employee	CHF in thousands	212	217
Net cash provided by operating activities		3 470	3 035
Equity free cash flow [4]		1 509	2 573
Capital expenditure		772	775
Net funds [5]		(276)	(2 063)

[1] Shareholders' equity as a percentage of total assets.
[2] Excludes 327 and 461 full-time equivalents of Worklink at September 30, 2003 and 2004, respectively.
[3] Excludes 283 and 413 full-time equivalents of Worklink in the first nine months of 2003 and 2004, respectively.
[4] Definition of equity free cash flow: net cash 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.
[5] 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.

On June 8, 2004 Swisscom completed the sale of its stake in debitel. As a result, debitel is included in the consolidated financial statements as a discontinued operation and is disclosed separately. The previous year's figures were reclassified accordingly.

Financial Review

Summary

Swisscom increased net revenue by 0.7% to CHF 7,525 million as at September 30, 2004. Net revenue from Fixnet and Mobile rose by 0.2% and 5.3% respectively, while net revenue from Enterprise Solutions fell by 6.9%. The operating result before interest, taxes, depreciation and amortization (EBITDA) fell by 3.5% compared with the previous year to CHF 3,401 million. Increases in the operating result of CHF 37 million from Fixnet and CHF 39 million from Enterprise Solutions were offset by decreases of CHF 54 million from Mobile, CHF 17 million from the segment Other and CHF 129 million from the segment Corporate.

The development of the individual segments is shown in the following table for the first nine months 2003 and 2004 respectively:

	Net revenue [1] [2]			EBITDA [2]		
CHF in millions	30.9.2003	30.9.2004	Change	30.9.2003	30.9.2004	Change
Fixnet	4 277	4 284	0.2%	1 626	1 663	2.3%
Mobile	3 095	3 260	5.3%	1 554	1 500	-3.5%
Enterprise Solutions	909	846	-6.9%	62	101	62.9%
Other	980	937	-4.4%	180	163	-9.4%
Corporate	496	458	-7.7%	103	(26)	-
Intercompany	(2 288)	(2 260)	-1.2%	-	-	-
Total	**7 469**	**7 525**	**0.7%**	**3 525**	**3 401**	-3.5%

[1] Includes intersegment revenue.
[2] Excluding discontinued operation (debitel).

The following table shows the reconciliation from EBITDA to net income for the first nine months 2003 and 2004 respectively:

CHF in millions	30.9.2003	30.9.2004	Change
EBITDA	**3 525**	**3 401**	**(124)**
Depreciation and amortization	(1 237)	(1 273)	(36)
EBIT before amortization of goodwill	**2 288**	**2 128**	**(160)**
Amortization of goodwill	(30)	(37)	(7)
EBIT	**2 258**	**2 091**	**(167)**
Financial expense	(169)	(147)	22
Financial income	104	114	10
Income tax expense	(439)	(423)	16
Equity in net income of affiliated companies	25	9	(16)
Minority interest	(292)	(265)	27
Income from continuing operations	**1 487**	**1 379**	**(108)**
Income from discontinued operation (debitel) [1]	(113)	(241)	(128)
Net income	**1 374**	**1 138**	**(236)**

[1] 2004 includes the write-off of the since the acquisition of debitel in 1999 accumulated translation loss of CHF 238 million and the period result (gain) of debitel up to the sale of CHF 5 million.

Ordinary depreciation fell compared with the previous year. In the third quarter of 2004 in the Fixnet Segment an impairment of CHF 150 million was recorded as a result of a reevaluation of the value of the tangible and intangible assets in the international transit and termination business. See Note 5 to the interim statements.

In June 2004 Swisscom completed the sale of its stake in debitel. As a result, debitel is included in the consolidated financial statements as a discontinued operation and is disclosed separately. In connection with the sale of debitel a loss of CHF 246 million was recorded. The loss includes the write-off of the currency translation loss of CHF 238 million accumulated since the acquisition of debitel in 1999, recorded thus far in shareholders' equity. See Note 6 to the interim statements.

Net income declined by CHF 236 million as a result of the lower operating result (EBITDA) and the currency translation loss from debitel.

Without the debitel Group Swisscom expects consolidated net revenue of around CHF 10 billion and earnings before interest, taxes, depreciation and amortization (EBITDA) of at least CHF 4.3 billion for the current year. Capital expenditure in 2004 will amount to approximately CHF 1.2 billion.

Fixnet

CHF in millions	30.9.2003	30.9.2004	Change
Local and long-distance traffic	350	331	-5.4%
Fixed-to-mobile traffic	348	352	1.1%
Internet traffic	123	85	-30.9%
International traffic	172	173	0.6%
Total retail traffic	**993**	**941**	-5.2%
Wholesale traffic	511	509	-0.4%
Other traffic	137	122	-10.9%
Access	1 271	1 397	9.9%
Other revenue	493	446	-9.5%
Revenue from external customers	**3 405**	**3 415**	0.3%
Intersegment revenue	872	869	-0.3%
Net revenue	**4 277**	**4 284**	0.2%
Segment expenses (incl. intercompany)	2 651	2 621	-1.1%
EBITDA	**1 626**	**1 663**	2.3%
Margin as % of net revenue	*38.0*	*38.8*	
Depreciation and amortization	808	836	3.5%
EBIT before amortization of goodwill	**818**	**827**	1.1%
Amortization of goodwill	5	5	-
EBIT	**813**	**822**	1.1%

Number of lines in thousands	30.9.2003	30.9.2004	Change
PSTN lines	3 117	3 029	-2.8%
ISDN lines	927	925	-0.2%
Total number of lines PSTN / ISDN	**4 044**	**3 954**	-2.2%
ADSL retail lines	216	431	99.5%
ADSL wholesale lines	167	286	71.3%
Total number of ADSL lines	**383**	**717**	87.2%

Retail traffic volume in millions of minutes	30.9.2003	30.9.2004	Change
Local and long-distance traffic	5 778	5 434	-6.0%
Fixed-to-mobile traffic	716	717	0.1%
Internet traffic	3 716	2 599	-30.1%
Total national traffic	**10 210**	**8 750**	-14.3%
International traffic	722	715	-1.0%
Total retail traffic	**10 932**	**9 465**	-13.4%

Wholesale traffic volume in millions of minutes	30.9.2003	30.9.2004	Change
National traffic	13 365	12 747	-4.6%
International incoming traffic	1 227	1 120	-8.7%
International termination traffic	924	1 135	22.8%
Total international traffic	**2 151**	**2 255**	4.8%
Total wholesale traffic	**15 516**	**15 002**	-3.3%

CHF in millions or number	30.9.2003	30.9.2004	Change
Capital expenditure	427	293	-31.4%
Number of full-time equivalent employees at end of period	7 891	7 620	-3.4%

Revenue from Fixnet with external customers increased by 0.3% to CHF 3,415 million compared with the previous year. The revenue increase in access fees – as a function of strong growth in broadband lines (ADSL) – provided compensation for declines in the other revenue areas.

Revenue from retail traffic fell by 5.2% to a total of CHF 941 million compared with the previous year. The decline is, above all, attributable to the ongoing substitution effect from mobile telephony and the migration of Internet traffic to ADSL.

Revenue from wholesale traffic declined by 0.4% to CHF 509 million. An increase due to higher volumes in the international termination division contrasted with declines due to a reduction in regulated national interconnection prices and lower volumes in the area of international incoming traffic.

Access revenue rose by 9.9% to CHF 1,397 million owing to the growing number of broadband lines (ADSL). The number of ADSL lines increased by 87.2% to 717,000 compared with the previous year. This business included 431,000 lines subscribed to by Bluewin retail customers and 286,000 by the customers of other providers. The position access includes fees for analog and digital lines, broadband lines (ADSL) for retail and wholesale customers as well as Internet subscription fees.

The decline in other revenue of 9.5% to CHF 446 million is mainly a result of the sale of the investment in Telecom FL AG in October 2003 and lower revenue in the case of leased lines.

The operating expense of Fixnet decreased in relation to the previous year by 1.1% to reach a total of CHF 2,621 million, which is primarily due to the lower headcount and a drop in the cost of workforce reduction measures. In the first nine months of 2004 the costs of workforce reduction measures amounted to CHF 25 million (previous year: CHF 53 million).

The EBITDA rose by 2.3% to CHF 1,663 million, particularly as a result of lower costs of workforce reduction measures. The EBITDA margin amounted to 38.8% (previous year: 38.0%).

The continuous decline of prices and margins in the international termination and transit business has led to a reevaluation of the value of the tangible and intangible assets in the international wholesale business. In the third quarter of 2004 an impairment of CHF 150 million was recorded with respect to these tangible and intangible assets. See Note 5 to the interim statements.

Compared with the previous year Fixnet anticipates a decline in revenue for the year 2004, but an EBITDA at the level of the previous year.

Mobile

CHF in millions	30.9.2003	30.9.2004	Change
Connectivity voice	1 671	1 724	3.2%
Connectivity data and value added services	342	385	12.6%
Base fees	513	518	1.0%
Other revenue	109	131	20.2%
Revenue from external customers	**2 635**	**2 758**	4.7%
Intersegment revenue	460	502	9.1%
Net revenue	**3 095**	**3 260**	5.3%
Segment expenses (incl. intercompany)	1 541	1 760	14.2%
EBITDA	**1 554**	**1 500**	-3.5%
Margin as % of net revenue	*50.2*	*46.0*	
Depreciation and amortization	234	269	15.0%
EBIT	**1 320**	**1 231**	-6.7%

Number of subscribers in thousands	30.9.2003	30.9.2004	Change
Postpaid	2 353	2 484	5.6%
Prepaid	1 383	1 461	5.6%
Total	**3 736**	**3 945**	5.6%

	30.9.2003	30.9.2004	Change
ARPU in CHF	82	81	-1.2%
Number of SMS messages in millions	1 350	1 502	11.3%

CHF in millions or number	30.9.2003	30.9.2004	Change
Capital expenditure	280	354	26.4%
Number of full-time equivalent employees at end of period	2 435	2 506	2.9%

Mobile increased its revenue with external customers by 4.7% to CHF 2,758 million compared with the previous year mainly as a result of the increased number of subscribers.

The 3.2% increase in revenue from connectivity voice to CHF 1,724 million can be primarily attributed to higher numbers of subscribers and outward roaming and more than compensated for the decline in revenue due to termination of the national roaming agreement between Mobile and another mobile network operator in mid-2003. The number of subscribers increased year-over-year by a net total of 209,000 to 3,945,000. The increase is largely due to the successful launch of Vodafone live! However, the average revenue per user per month (ARPU) fell from CHF 82 to CHF 81 and the average minutes per user and month (AMPU) from 122 minutes to 119 minutes compared with the previous year.

Revenue from connectivity data and value added services rose year-over-year by 12.6% to CHF 385 million, mainly as a result of an increased number of subscribers and the direct billing of SMS with other network operators.

Other revenue grew by 20.2% or CHF 22 million compared with the previous year and was chiefly due to an increase in handset sales.

Intersegment revenue rose by 9.1% because deliveries of handsets to Swisscom Shops (Fixnet Segment) was higher.

Mobile segment expenses rose by 14.2% to CHF 1,760 million compared with the previous year. The increase in the number of subscribers was significantly higher than the increase in the first nine months of 2003 and this led to increased costs for customer acquisition and retention as well as higher costs for the purchase of handsets. Expenses for network access rose in proportion to the increase in revenue.

Operating income (EBITDA) fell by 3.5% to CHF 1,500 million due to the higher costs associated with the increase in subscribers and termination of the national roaming agreement. EBITDA margin declined from 50.2% to 46.0% as a result of these effects.

Capital expenditure is CHF 74 million or 26.4% up on last year as a result of higher investments in connection with the expansion of an area-wide mobile broadband network, especially EDGE (Enhanced Data Rates for GSM Evolution).

For the year 2004, Mobile expects an increase in revenue as a result of the aforementioned effects and EBITDA at the level of the previous year.

Enterprise Solutions

CHF in millions	30.9.2003	30.9.2004	Change
Local and long-distance traffic	102	83	-18.6%
Fixed-to-mobile traffic	104	93	-10.6%
International traffic	56	50	-10.7%
Total traffic	**262**	**226**	-13.7%
Networking	393	351	-10.7%
Inhouse and processes	67	61	-9.0%
Other revenue	90	102	13.3%
Revenue from external customers	**812**	**740**	-8.9%
Intersegment revenue	97	106	9.3%
Net revenue	**909**	**846**	-6.9%
Segment expenses (incl. intercompany)	847	745	-12.0%
EBITDA	**62**	**101**	62.9%
Margin as % of net revenue	*6.8*	*11.9*	
Depreciation and amortization	27	11	-59.3%
EBIT	**35**	**90**	157.1%

Traffic volume in millions of minutes	30.9.2003	30.9.2004	Change
Local and long-distance traffic	1 491	1 349	-9.5%
Fixed-to-mobile traffic	229	210	-8.3%
Total national traffic	**1 720**	**1 559**	-9.4%
International traffic	286	270	-5.6%
Total national and international traffic	**2 006**	**1 829**	-8.8%

CHF in millions or number	30.9.2003	30.9.2004	Change
Capital expenditure	8	11	37.5%
Number of full-time equivalent employees at end of period	1 027	911	-11.3%

Revenue from external customers fell by 8.9% to CHF 740 million compared with the previous year.

Traffic revenue declined by 13.7% to CHF 226 million, mainly as a result of the substitution effect from mobile telephony as well as lower volumes and prices as a result of constant competitive pressure.

The drop in network revenue of 10.7% to CHF 351 million was mainly due to lower volumes and prices in the leased line business. Volumes and prices fell as a result of competitive pressure and the migration of existing products to Internet (IP) based services.

The decline in revenue in the area of inhouse and processes of 9.0% to CHF 61 million was primarily due to lower revenues from business numbers.

The increase in other revenue of 13.3% to CHF 102 million stems principally from higher revenues from outsourcing services with business customers.

The 12.0% reduction in operating expenses can primarily be attributed to lower purchasing volumes due to the decline in revenue, cost savings and a drop in the cost of workforce reduction measures. In the first nine months of 2004 these amounted to minus CHF 2 million (previous year: CHF 32 million).

As a result of the aforementioned effects EBITDA rose by CHF 39 million to a total of CHF 101 million. The EBITDA margin amounted to 11.9% (previous year: 6.8%).

As a result of continued price and competitive pressure Enterprise Solutions expects lower revenue for the year 2004. In the fourth quarter of 2004 the costs of workforce reduction already announced will be recorded. However, EBITDA is expected to be at least on previous year's level.

Swisscom Enterprise Solutions will merge with Swisscom Systems as of January 1, 2005 and will be disclosed as the Swisscom Solutions segment from 2005.

Other

CHF in millions	30.9.2003	30.9.2004	Change
Swisscom Systems AG	260	216	-16.9%
Swisscom IT Services AG	158	144	-8.9%
Swisscom Broadcast AG	112	112	-
Billag Group	38	81	113.2%
Other revenue	1	5	400.0%
Revenue from external customers	**569**	**558**	-1.9%
Intersegment revenue	411	379	-7.8%
Net revenue	**980**	**937**	-4.4%
Segment expenses (incl. intercompany)	800	774	-3.3%
EBITDA	**180**	**163**	-9.4%
Margin as % of net revenue	*18.4*	*17.4*	
Depreciation and amortization	122	118	-3.3%
EBIT before amortization of goodwill	**58**	**45**	-22.4%
Amortization of goodwill	25	32	28.0%
EBIT	**33**	**13**	-60.6%

CHF in millions or number	30.9.2003	30.9.2004	Change
Capital expenditure	47	108	129.8%
Number of full-time equivalent employees at end of period	3 884	3 696	-4.8%

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

Revenue from external customers fell by 1.9% to CHF 558 million in comparison with the previous year. This decline can largely be attributed to a fall in revenue from Swisscom Systems and Swisscom IT Services as a result of the weak economic environment. The increase in revenue at Billag is due to the acquisition of Billag Card Services in December 2003.

The operating expense declined in comparison with the previous year in line with the decline in revenue and lower personnel costs as a result of the lower headcount. The operating expense also includes costs involved in developing Swisscom Eurospot's international WLAN business.

The sharp rise in capital expenditure is mainly attributable to the expansion of the international WLAN business.

Revenue for the year 2004 for the Other segment is expected to remain on the same level as the previous year as well as a higher EBITDA as a result of lower expenditure on workforce reduction measures.

Swisscom Systems will merge with Swisscom Enterprise Solutions as of January 1, 2005 and will be disclosed as the Swisscom Solutions segment from 2005.

Corporate

CHF in millions	30.9.2003	30.9.2004	Change
Revenue from external customers	**48**	**54**	12.5%
Intersegment revenue	448	404	-9.8%
Net revenue	**496**	**458**	-7.7%
Segment expenses (incl. intercompany)	393	484	23.2%
EBITDA	**103**	**(26)**	-
Margin as % of net revenue	*20.8*	*-5.7*	
Depreciation and amortization	46	39	-15.2%
EBIT	**57**	**(65)**	-

CHF in millions or number	30.9.2003	30.9.2004	Change
Capital expenditure	10	9	-10.0%
Number of full-time equivalent employees at end of period	977	911	-6.8%

The Corporate segment includes the divisions at Group Headquarters, shared services for Group companies, the real estate company and the employment company Worklink AG.

The decline in the operating result of CHF 129 million may be attributed, on the one hand, to income in the amount of CHF 22 million from the release of a provision for dismantlement and restoration costs released in the second quarter of 2003 and, on the other hand, higher costs for workforce reduction measures and lower revenue from other group companies. In the first nine months of 2004 the net expenditure on workforce reduction measures amounted to CHF 66 million (compared with CHF 1 million in the previous year).

A negative EBITDA is expected for the Corporate segment in 2004 as a result of the aforementioned effect in connection with the employment company Worklink AG.

Termination benefits

CHF in millions	30.9.2003	30.9.2004	Change
Fixnet	53	25	(28)
Enterprise Solutions	32	(2)	(34)
Other	4	(1)	(5)
Corporate	14	1	(13)
Elimination (segment Corporate)	(58)	(10)	48
Total termination benefits (Swisscom Group) [1]	**45**	**13**	**(32)**

[1] Included in Corporate segment minus CHF 9 million (previous year: minus CHF 44 million).

Costs relating to workforce reduction measures are recorded separately for each segment as soon as the employees affected have been informed in person or the detailed workforce reduction plan has been communicated to the staff. The corresponding expenditure amounted to CHF 23 million in the first nine months of 2004 (previous year: CHF 103 million). This includes costs of CHF 10 million (previous year: CHF 58 million) for staff who in accordance with the provisions of the social compensation plan were entitled to transfer to the employment company Worklink AG or who were able to find a new position in another organizational unit within Swisscom. Under IFRS these costs do not suffice for the creation of provisions because the employment relationship with the relevant staff was not terminated. These costs, for which provisions cannot be recorded, were eliminated again in the Corporate segment and shown in the income statement.

CHF in millions	30.9.2003	30.9.2004	Change
Salaries and wages Worklink participants	36	63	27
Other personnel and operating expenses	16	22	6
Income from personnel hire	(7)	(10)	(3)
Net expense PersPec / Worklink (segment Corporate)	**45**	**75**	**30**
Total termination benefits (Swisscom Group)	45	13	(32)
Total net expense for temination benefits PersPec / Worklink (Swisscom Group) [1]	**90**	**88**	**(2)**

[1] Included in Corporate segment CHF 66 million (previous year: CHF 1 million).

A total of CHF 88 million (previous year: CHF 90 million) in expenditures for social compensation plan measures were incurred in the first nine months of 2004. The net expenditure for PersPec Personal Perspectives AG (PersPec) and Worklink amounted to CHF 75 million (previous year: CHF 45 million). This amount includes wages and salaries as well as expenditures for social security for PersPec and Worklink in the amount of CHF 63 million (previous year: CHF 36 million). The remaining personnel and operating expenditure included the costs for personnel and infrastructure in connection with the operation of PersPec and Worklink as well as expenses of a provident nature (IFRS) for PersPec and Worklink participants.

Income taxes

Income tax expense in the first nine months of 2004 amounted to CHF 423 million (previous year: CHF 439 million), which corresponds to an effective tax rate of 20.6% (previous year 20.0%).

Affiliated companies

This item primarily includes the 49% interest in PubliDirect Holding AG. In the previous year it also included the interest in Cesky Telecom which was held indirectly via TelSource N.V. and sold in December 2003. In the first nine months of 2004 the equity in net income of affiliated companies amounted to CHF 9 million (previous year: CHF 25 million).

Equity Free Cash Flow

CHF in millions	30.9.2003	30.9.2004	Change
Net cash provided by operating activities	3 470	3 035	(435)
Capital expenditure	(772)	(775)	(3)
Net receipts from the sale of debitel	-	573	573
Net investments in other subsidiaries, affiliated companies and other non-current assets	(54)	83	137
Repayment and issuance of debt, net	(750)	(4)	746
Dividends paid to minority interests	(390)	(360)	30
Other cash flow from investing and financing activities, net	5	21	16
Equity free cash flow	**1 509**	**2 573**	**1 064**

Compared with the previous year equity free cash flow rose by CHF 1,064 million to reach a total of CHF 2,573 million. The decline in net cash provided by operating activities was offset by higher net investments in other subsidiaries, affiliated companies and other non-current assets, a decline in payments to minority interests and a reduction in debt repayments as well as net receipts from the sale of debitel. The decline in net cash provided by operating activities is attributable to a lower EBITDA, the increase in the working capital and higher income tax payments. Previous year's figure included CHF 750 million from a loan to the Swiss Post which will be omitted in 2004. The net receipts from the sale of debitel include the sales proceeds less a deferred payment of the purchase price amounting to EUR 30 million (approximately CHF 45 million) which is expected in the fourth quarter of 2004, the purchase of 2% of the debitel shares from ElectronicPartner, the loans granted (vendor loan notes) and the transaction costs.

Minority interest

Minority interest relates mainly to the 25% shareholding of Vodafone in Swisscom Mobile AG. In the first nine months of 2004 the share of the net income of subsidiaries amounted to CHF 265 million (previous year: CHF 292 million). Dividends in the amount of CHF 360 million (previous year: CHF 390 million) were paid to minority shareholders in the first nine months of 2004.

debitel

On June 8, 2004 Swisscom completed the sale of its stake in debitel to Telco Holding S.à.r.l. Telco Holding S.à.r.l. is backed by funds where the private equity company Permira acts in a consulting capacity. The selling price for 95% of the debitel shares, including a 2% share acquired beforehand from ElectronicPartner in April of 2004, amounted to EUR 640 million. In conjunction with the sale Swisscom granted a 100% subsidiary of Telco Holding S.à.r.l. two loans (vendor loan notes) in the amount of EUR 210 million. After deduction of this loan Swisscom receives EUR 430 million from the sale of its investment in debitel in 2004. The loss on disposal amounted to CHF 246 million. This includes the previously communicated write-off of the currency translation loss of CHF 238 million accumulated since the acquisition of debitel in 1999, booked thus far in shareholders' equity. debitel is included in the Swisscom consolidated financial statements as a discontinued operation and is disclosed separately. See Note 6 to the interim statements.

Share buy-back

At the end of May 2004 Swisscom launched a share buy-back scheme in the amount of up to CHF 2 billion. The shares are being purchased via a second trading line. A total of 2,996,000 shares or 4.5% of the shares had been repurchased to an average price of CHF 413 per share for a total of CHF 1,238 million as at September 30, 2004.

Outlook

Without the debitel Group Swisscom expects consolidated net revenue of around CHF 10 billion and operating result before interest, taxes, depreciation and amortization (EBITDA) of at least CHF 4.3 billion for the current year. Capital expenditure in 2004 will amount to around CHF 1.2 billion.

Consolidated income statements

CHF in millions, except per share amount	Note	unaudited 1.7.-30.9.2003	unaudited 1.7.-30.9.2004	unaudited 1.1.-30.9.2003	unaudited 1.1.-30.9.2004
Net revenue		**2 492**	**2 526**	**7 469**	**7 525**
Other operating income		51	43	143	143
Total		**2 543**	**2 569**	**7 612**	**7 668**
Goods and services purchased		446	469	1 242	1 370
Personnel expenses		526	513	1 669	1 610
Other operating expenses		431	437	1 176	1 287
Depreciation		381	493	1 162	1 199
Amortization		37	37	105	111
Total operating expenses		**1 821**	**1 949**	**5 354**	**5 577**
Operating income		**722**	**620**	**2 258**	**2 091**
Financial expense		(45)	(57)	(169)	(147)
Financial income		2	47	104	114
Income before income taxes, equity in net income of affiliated companies and minority interest		**679**	**610**	**2 193**	**2 058**
Income tax expense		(144)	(141)	(439)	(423)
Income before equity in income of affiliated companies and minority interest		**535**	**469**	**1 754**	**1 635**
Equity in net income of affiliated companies		13	2	25	9
Minority interest		(90)	(90)	(292)	(265)
Income from continuing operations		**458**	**381**	**1 487**	**1 379**
Income from discontinued operation (debitel)	6	(36)	-	(113)	5
Loss on sale from discontinued operation (debitel) including write-off of accumulated translation loss	6	-	-	-	(246)
Net income		**422**	**381**	**1 374**	**1 138**
Basic earnings (loss) per share (in CHF)					
- from continuing operations		6.91	5.93	22.45	21.05
- from discontinued operation (debitel)		(0.54)	-	(1.70)	(3.66)
- net income		6.37	5.93	20.75	17.39
Average number of shares outstanding (in thousands)		66 203	64 244	66 203	65 459

Consolidated balance sheet (condensed)

CHF in millions	Note	31.12.2003	unaudited 30.9.2004
Assets			
Current assets			
Cash and cash equivalents		3 104	3 280
Current financial assets		251	632
Other current assets		2 529	2 662
Current tax assets		4	1
Assets from discontinued operation (debitel)	6	1 718	-
Total current assets		**7 606**	**6 575**
Non-current assets			
Property, plant and equipment		6 971	6 487
Investments in affiliated companies		40	45
Goodwill and other intangible assets		401	327
Non-current financial assets		1 337	1 619
Deferred tax assets		185	38
Total non-current assets		**8 934**	**8 516**
Total assets		**16 540**	**15 091**
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt	3	515	482
Current tax liabilities		124	247
Other current liabilities		2 062	2 246
Liabilities from discontinued operation (debitel)	6	827	-
Total current liabilities		**3 528**	**2 975**
Long-term liabilities			
Long-term debt	3	2 424	2 446
Accrued pension cost		1 113	1 111
Deferred tax liabilities		383	372
Other long-term liabilities		692	636
Total long-term liabilities		**4 612**	**4 565**
Total liabilities		**8 140**	**7 540**
Minority interest		**731**	**636**
Shareholders' equity		**7 669**	**6 915**
Total liabilities and shareholders' equity		**16 540**	**15 091**

Consolidated cash flow statement (condensed)

CHF in millions	Note	unaudited 30.9.2003	30.9.2004
Cash flows from operating activities			
Operating income before interest, taxes, depreciation and amortization (EBITDA)		3 525	3 401
Change in working capital and other cash flow from operating activities		18	(173)
Decrease in accrued pension cost		(17)	(2)
Net interest paid		(38)	(27)
Income taxes paid		(18)	(164)
Net cash provided by operating activities		**3 470**	**3 035**
Cash flows from investing activities			
Capital expenditure		(772)	(775)
Net receipts from the sale of debitel	6	-	573
Purchase and sale of other financial assets, net		(56)	15
Purchase and sale of current financial assets, net		(3)	(397)
Loans receivable and other non-current assets granted and repaid, net		2	68
Other cash flow from investing activities, net		14	27
Net cash used in investing activities		**(815)**	**(489)**
Cash flows from financing activities			
Repayment and issuance of debt, net		(848)	(78)
Share buy-back	4	-	(1 061)
Capital reduction		(530)	-
Dividends paid		(794)	(861)
Dividends paid to minority interests		(390)	(360)
Net cash used in financing activities		**(2 562)**	**(2 360)**
Net increase in cash and cash equivalents		**93**	**186**
Cash and cash equivalents at beginning of year		1 512	3 104
Effect of exchange rate changes on cash and cash equivalents		15	(4)
Cash flow from discontinued operation (debitel)		46	(6)
Cash and cash equivalents at end of the period		**1 666**	**3 280**

The cash flow statement does not include cash flows and cash balances from discontinued operation (debitel). For information on cash flows relating to debitel, see Note 6.

Consolidated statement of shareholders' equity

CHF in millions	Note	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Other reserves	Total Shareholders' equity
		unaudited					
Balance at December 31, 2002		**596**	**572**	**6 491**	**(1)**	**(359)**	**7 299**
Translation adjustments		-	-	-	-	135	135
Fair value adjustments		-	-	-	-	22	22
Gains not recognized in income statement		**-**	**-**	**-**	**-**	**157**	**157**
Capital reduction		(530)	-	-	-	-	(530)
Dividend relating to 2002		-	-	(795)	-	-	(795)
Net income		-	-	1 374	-	-	1 374
Balance at September 30, 2003		**66**	**572**	**7 070**	**(1)**	**(202)**	**7 505**
Balance at December 31, 2003		**66**	**572**	**7 296**	**(1)**	**(264)**	**7 669**
Translation adjustments		-	-	-	-	(16)	(16)
Fair value adjustments		-	-	-	-	(15)	(15)
Losses not recognized in income statement		**-**	**-**	**-**	**-**	**(31)**	**(31)**
Write-off of translation loss from sale of debitel	6	-	-	-	-	238	238
Share buy-back	4	-	-	-	(1 238)	-	(1 238)
Dividend relating to 2003		-	-	(861)	-	-	(861)
Net income		-	-	1 138	-	-	1 138
Balance at September 30, 2004		**66**	**572**	**7 573**	**(1 239)**	**(57)**	**6 915**

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 2003.

Some of the prior-year figures have been reclassified to facilitate comparison. The reclassifications relate to the presentation of debitel (see Note 6) and the segment information (see Note 2).

2 Segment reporting

Since the beginning of 2004 Enterprise Solutions has been targeting customers with complex, solution-oriented telecommunication needs (some 4,000 major Swiss companies come under this heading), while Fixnet continues to deliver standardized telecommunications products for the residential and business customer markets. As a result of the new segmentation, 46,000 customers were transferred from Enterprise Solutions to Fixnet. At the same time, over 100 Enterprise Solutions employees were transferred to Fixnet. Previous year has been restated to reflect these changes.

The Fixnet segment comprises primarily access services to residential and business customers, fixed retail telephony traffic in respect of residential customers, the utilisation of the Swisscom fixed network to national and international telecommunications providers and payphone services, operator services and prepaid calling cards. Fixnet also provides leased lines, sells customer equipment and operates a directories database.

Mobile comprises primarily mobile telephony, which includes domestic and international traffic generated by Swisscom customers in Switzerland or abroad as well as roaming traffic generated by customers of foreign operators using the Swisscom GSM network. The segment also includes value-added services, data traffic and the sale of mobile handsets.

Enterprise Solutions comprises primarily national and international fixed-line voice telephony services for business customers, national and international leased-line activities, intranet services as well as national and (via Infonet Switzerland) international private network services. Other services include business numbers, consulting and business Internet services as well as public data network services.

The segment „Other“ mainly comprises Swisscom Systems AG, Swisscom IT Services AG, Swisscom Broadcast AG and the Billag Group.

„Corporate“ covers the costs of headquarters, the real-estate company, the employment company Worklink and costs not directly allocable to a segment.

As a result of its sale, debitel is shown in the consolidated financial statements as a discontinued operation.

Notes to the Consolidated Interim Statements

30.9.2003 CHF in millions	Fixnet	Mobile	Enterprise Solutions	Other	Corporate	Elimi-nation	Total
	unaudited						
Net revenue from external customers	3 405	2 635	812	569	48	-	7 469
Intersegment net revenue	872	460	97	411	448	(2 288)	-
Net revenue	**4 277**	**3 095**	**909**	**980**	**496**	**(2 288)**	**7 469**
Segment expenses	(2 651)	(1 541)	(847)	(800)	(393)	2 288	(3 944)
Operating income before depreciation and amortization (EBITDA)	**1 626**	**1 554**	**62**	**180**	**103**	**-**	**3 525**
Margin in %	*38.0*	*50.2*	*6.8*	*18.4*	*20.8*	-	*47.2*
Depreciation and amortization	(808)	(234)	(27)	(122)	(46)	-	(1 237)
Operating income before amortization of goodwill	**818**	**1 320**	**35**	**58**	**57**	**-**	**2 288**
Amortization of goodwill	(5)	-	-	(25)	-	-	(30)
Operating income (EBIT)	**813**	**1 320**	**35**	**33**	**57**	**-**	**2 258**

30.9.2004 CHF in millions	Fixnet	Mobile	Enterprise Solutions	Other	Corporate	Elimi-nation	Total
	unaudited						
Net revenue from external customers	3 415	2 758	740	558	54	-	7 525
Intersegment net revenue	869	502	106	379	404	(2 260)	-
Net revenue	**4 284**	**3 260**	**846**	**937**	**458**	**(2 260)**	**7 525**
Segment expenses	(2 621)	(1 760)	(745)	(774)	(484)	2 260	(4 124)
Operating income before depreciation and amortization (EBITDA)	**1 663**	**1 500**	**101**	**163**	**(26)**	**-**	**3 401**
Margin in %	*38.8*	*46.0*	*11.9*	*17.4*	*-5.7*	-	*45.2*
Depreciation and amortization	(836)	(269)	(11)	(118)	(39)	-	(1 273)
Operating income before amortization of goodwill	**827**	**1 231**	**90**	**45**	**(65)**	**-**	**2 128**
Amortization of goodwill	(5)	-	-	(32)	-	-	(37)
Operating income (EBIT)	**822**	**1 231**	**90**	**13**	**(65)**	**-**	**2 091**

3 Debt

CHF in millions	31.12.2003	unaudited 30.9.2004
Long-term debt		
Financial liability from cross-border tax lease arrangements	1 339	1 419
Finance lease obligation	1 131	1 066
Other long-term debt	15	15
Total	**2 485**	**2 500**
Less current portion	(61)	(54)
Total long-term debt	**2 424**	**2 446**
Short-term debt		
Current portion of long-term debt	61	54
Short-term bank credit	256	252
Other short-term debt	198	176
Total short-term debt	**515**	**482**

4 Share buy-back

At the end of May 2004 Swisscom launched a scheme to buy-back up to CHF 2 billion worth of shares. The shares are to be repurchased via a second trading line („at market"). The seller receives the selling price of the share minus the withholding tax of 35%. As of September 30, 2004 2,996,000 shares had been bought back, or 4.5% of the shares, for a total of CHF 1,238 million. CHF 1,061 million were paid to the sellers in the first nine months of 2004. Of this 35% or CHF 433 million is due in withholding tax. Up until September 30, 2004 CHF 256 million had been paid. The outstanding CHF 177 million will be paid in the fourth quarter of 2004. The capital reduction in respect of the repurchased shares is planned for the 2005 General Meeting of Shareholders.

5 Impairment on tangible and intangible assets

As a result of the continuous decline of prices and margins in the international termination and transit business Swisscom reevaluated the value of the tangible and intangible assets in this area. These assets primarily include long-term utilisation rights to seacable consortiums. This area was redefined as an independent Cash Generating Unit. As a result of this redefinition Swisscom recorded an impairment as at September 30, 2004. This impairment represents the difference between the book value of the net assets and the value in use. The value in use was calculated on the basis of a forecast of future cashflows, discounted at an interest rate of 10.9%. The value in use calculation resulted in a value of CHF 40 million as opposed to a book value of CHF 190 million. The difference of CHF 150 million was booked as an impairment on tangible and intangible assets in the Fixnet segment.

6 Discontinued operation (debitel)

On April 29, 2004, Swisscom entered into an agreement to sell its stake in debitel to Telco Holding S.à r.l. Luxembourg. Telco Holding S.à.r.l. is owned by funds advised by the private equity company Permira. On June 8, 2004 Swisscom completed the sale of its stake in debitel to Telco Holding S.à.r.l. Luxemburg for a total of EUR 640 million. In April 2004, before the sale, Swisscom acquired 2% of debitel shares from Electronic-Partner (EP) thus increasing its investment in debitel to 95% prior to entering into the sale agreement. Of the selling price EUR 430 million are paid in cash. For the remaining part of the selling price of EUR 210 million Swisscom is granting a 100% subsidiary of Telco Holding S.à.r.l. two vendor loan notes, of EUR 105 million each.

At the time of the transaction Swisscom received EUR 400 million in cash. The receipt of the deferred payment of the remaining selling price of EUR 30 million is expected in the fourth quarter of 2004. The repayment of the loan of EUR 210 millions is scheduled in seven or eight years. The loan will initially be booked at the fair value and in the following periods using the effective interest method. The fair value evaluation was based on an interest rate of 12.5%.

Swisscom has also agreed to bear risk of and indemnify the purchaser for some financial liabilities which may arise at one of debitel's subsidiaries. However, if certain conditions are met, the purchase agreement provides Swisscom with the right to take control over this subsidiary in order to minimize its liability. The buyer also has the right to sell this subsidiary back Swisscom.

Swisscom also agreed to grant guarantees to the buyer. From the current perspective the maximum risks amount to approximately EUR 110 million.

Revenue and the period result of debitel up to the completion of the transaction amounted to CHF 1,917 million (previous year, nine months CHF 3,358 million) and CHF 5 millions respectively (previous year, nine months minus CHF 113 million). Amortization of goodwill of CHF 57 million (previous year, nine months CHF 128 million) is included in this figure.

As a result of the transaction a loss on the sale of CHF 246 million was recorded. This includes the write-off of the currency translation loss of CHF 238 million accumulated since the acquisition of debitel in 1999 and recorded in the consolidated statement of shareholders' equity under other reserves.

As a result of its sale, debitel is disclosed in the consolidated financial statements as a discontinued operation. The prior-year figures have been restated to facilitate comparison.

CHF in millions	30.9.2003	unaudited 8.6.2004
Income statement		
Net revenue	3 358	1 917
Operating expenses	(3 276)	(1 830)
Depreciation and amortization	(49)	(26)
Amortization of goodwill	(128)	(57)
Operating income	**(95)**	**4**
Financial result	2	31
Income tax expense	(15)	(30)
Equity in net income of affiliated companies	(2)	3
Minority interest	(3)	(3)
Income from discontinued operation	**(113)**	**5**

CHF in millions	31.12.2003	unaudited 8.6.2004
Balance sheet		
Cash and cash equivalents	133	131
Other current assets	614	580
Goodwill	710	665
Other non-current assets	261	265
Total assets	**1 718**	**1 641**
Financial liabilities	81	76
Other liabilities	726	671
Minority interest	20	14
Total liabilities and minority interest	**827**	**761**
Total net assets	**891**	**880**

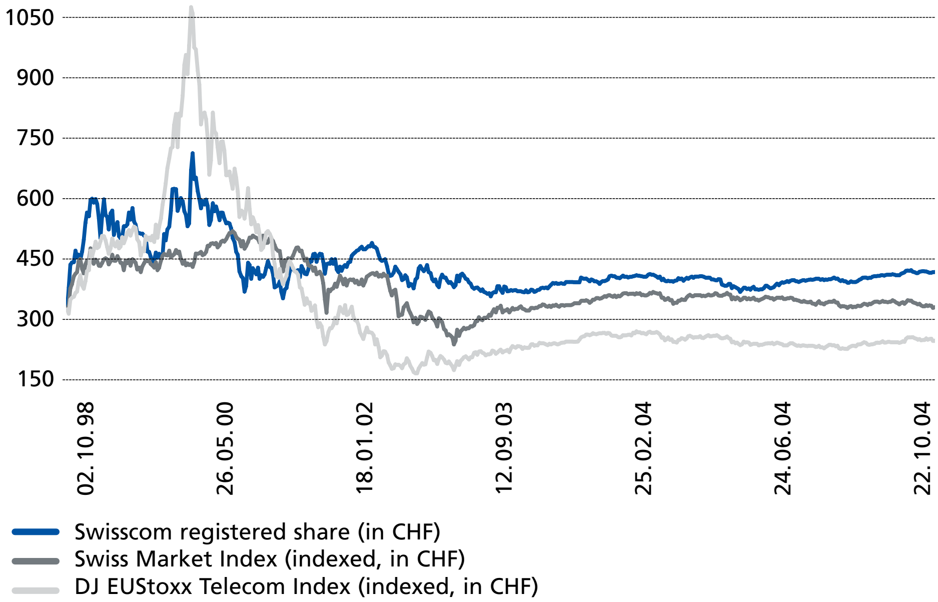
CHF in millions	30.9.2003	unaudited 8.6.2004
Cash flow statement		
Net cash provided by operating activities	8	85
Net cash used in investing activities	(7)	(19)
Net cash used in financing activities	(9)	(68)
Total net cash flow	**(8)**	**(2)**

Loss on the sale of debitel is as follows:

CHF in millions	unaudited 8.6.2004
Cash payment	613
Acquisition of additional shares in debitel	(31)
Transaction costs	(9)
Net receipts	**573**
Deferred payment of purchase price	45
Fair value of granted loans (vendor loan notes)	254
Net proceeds from the sale	**872**
Net assets sold	(880)
Write-off of accumulated translation loss out of the shareholders' equity	(238)
Loss on the sale	**(246)**

Shareholder information

Performance of the Swisscom share on the virt-x



31.12.2003 – 30.9.2004	virt-x	NYSE
Closing price at 31.12.2003	CHF 408.00	USD 32.84
Closing price at 30.9.2004 [1]	CHF 433.00	USD 34.72
Year high [1]	CHF 434.00	USD 34.82
Year low [1]	CHF 382.50	USD 30.00
Total trading volume	20 933 563	2 947 200
Daily average	110 177	15 677
Total volume in millions	CHF 8 645.87	USD 96.27
Daily average in millions	CHF 45.50	USD 0.51

Source: Bloomberg
[1] paid prices

Share information

The company's share capital consists of 66,203,261 registered shares, 41,531,200 (62.7%) of which are owned by the Swiss Confederation. As of September 2004, Swisscom had 71,128 registered shareholders and an average non-allotted share level of approximately 12%. The nominal value per registered share amounts to CHF 1.

The dividend payment of CHF 13 per share (previous year: CHF 12) agreed at the General Meeting of Shareholders in 2004 was paid on April 30, 2004. In addition to the total dividend payment of CHF 861 million, Swisscom launched a share buy-back on May 24, 2004 for up to CHF 2 billion. By the end of September 2004 Swisscom had repurchased a respective total of 2,996,000 shares, or 4.5%, through a second trading line and paid CHF 1,238 million (Symbol: „SCMNE").The shares acquired are foreseen for a capital reduction at the AGM.

Each share entitles the holder to one vote. Voting rights may only be exercised if the shareholder has been entered with voting rights into the Swisscom share register. However, the Board of Directors may refuse to enter a shareholder into the share register together with voting rights if such voting rights exceed 5% of the company's overall share capital.

Financial calendar

March 10, 2005	2004 Annual results
April 26, 2005	Shareholders' Meeting, Lucerne
April 29, 2005	Dividend payment
May 12, 2005	2005 First-Quarter Interim Report
August 11, 2005	2005 Half-Year Report
November 10, 2005	2005 Third-Quarter Interim Report

Trading locations

Swisscom shares are traded on the pan-European platform virt-x under the symbol „SCMN" (Security ID: 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 ID: 949527).

Stock exchange	Bloomberg	Reuters	Telekurs
virt-x, London	SCMN, VX	SCM.VX	SCMN, VTX
virt-x, London [1]	SCMNE, VX	SCMNE.VX	SCMNE, VTX
NYSE, New York	SCM	SCM	SCM, NYS

[1] second trading line

Return policy

Swisscom's policy is to distribute the freely available funds (equity free cash flow) each year. The funds available for such payments 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 year's net income adjusted for one-time items, and is supplemented by either a share buy-back or – as was the case for the last time in 2003 – a reduction in capital (par value). A share buy-back need not take place at the same time as dividend payouts.

The interim report is published in German and English. The German version shall be 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 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. 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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