

Consolidated Financial Statements

January – March 2004

Key figures

CHF in millions, except where indicated	unaudited	
	31.3.2003	31.3.2004
Swisscom Group		
Net revenue	2 459	2 488
Operating income before interest, tax depreciation and amortization (EBITDA)	1 141	1 126
As % of net revenue	% 46.4	45.3
Operating income (EBIT)	715	732
Income from continuing operations	446	503
Net income	409	488
Shareholders' equity	7 669	8 184
Equity ratio ¹⁾	% 46.4	48.2
Number of full-time equivalent employees at end of period	FTE 17 008	15 759
Average number of full-time equivalent employees	FTE 17 044	15 603
Revenue per employee	CHF in thousands 144	159
EBITDA per employee	CHF in thousands 67	72
Net cash provided by operating activities	1 168	957
Equity free cash flow ²⁾	283	461
Capital expenditure	222	201
Net debt (net funds) ³⁾	217	(1 884)

¹⁾ Shareholders' equity as a percentage of total assets.

²⁾ 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.

³⁾ 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.

At the end of April 2004, Swisscom entered into an agreement to sell its stake in debitel to an international investor. As a result, debitel is included in the financial statements as a discontinuing operation and is disclosed separately in the consolidated income statement, balance sheet and cash flow statement.

Overview

Swisscom increased revenue (excluding debitel) by 1.2% to CHF 2,488 million as at March 31, 2004. Revenue from Fixnet and Mobile rose by 1.2% and 7.1%, respectively, while revenue from Enterprise Solutions fell by 11.7%. Operating income before interest, tax, depreciation and amortization (EBITDA, excluding debitel) fell by 1.3% year-over-year to CHF 1,126 million. Increases in operating income of CHF 72 million from Fixnet and of CHF 36 million from Enterprise Solutions were offset by decreases of CHF 37 million from Mobile and CHF 87 million from the Corporate segment.

The results for the individual segments are shown in the following table:

CHF in millions	Net revenue ^{1) 2)}			EBITDA ²⁾		
	31.3.2003	31.3.2004	Change	31.3.2003	31.3.2004	Change
Fixnet	1 462	1 479	1.2%	503	575	14.3%
Mobile	1 001	1 072	7.1%	519	482	-7.1%
Enterprise Solutions	309	273	-11.7%	(10)	26	360.0%
Other	323	316	-2.2%	49	50	2.0%
Corporate	164	150	-8.5%	80	(7)	-108.8%
Intercompany	(800)	(802)	0.2%	-	-	-
Total	2 459	2 488	1.2%	1 141	1 126	-1.3%

¹⁾ Includes intersegment revenue.

²⁾ Without discontinuing operation (debitel).

The following table shows the reconciliation from EBITDA to net income:

CHF in millions	31.3.2003	31.3.2004	Change
EBITDA	1 141	1 126	(15)
Depreciation and amortization	(419)	(381)	38
EBIT before amortization of goodwill	722	745	23
Amortization of goodwill	(7)	(13)	(6)
EBIT	715	732	17
Financial expense	(84)	(42)	42
Financial income	45	43	(2)
Income tax expense	(140)	(145)	(5)
Equity in net income of affiliated companies	5	2	(3)
Minority interest	(95)	(87)	8
Income from continuing operations	446	503	57
Income from discontinuing operation (debitel)	(37)	(15)	22
Net income	409	488	79

Depreciation and amortization fell by CHF 38 million year-over-year. This can largely be attributed to lower amortization at Fixnet due to the increased number of fully depreciated assets.

Financial expense was cut by half year-over-year to CHF 42 million as a result of lower interest expense and lower impairment charges.

At the end of April 2004, Swisscom entered into an agreement to sell its stake in debitel to an international investor. As a result, debitel is included in the financial statements as a discontinuing operation and is disclosed separately. The debitel result for the first three months of 2004 amounted to minus CHF 15 million (prior year minus CHF 37 million) and includes goodwill amortization of CHF 32 million (prior year CHF 41 million). See Note 5 in the notes to the interim statements.

The growth in net income of 19.3% or CHF 79 million is primarily attributable to the improved operating income (EBIT) and lower financial expense. Basic earnings per share amount to CHF 7.37 (prior year CHF 6.18).

Without the debitel Group and in the face of continuing strong competition and unchanged regulatory conditions, Swisscom expects consolidated revenue of around CHF 10 billion and EBITDA of approximately CHF 4.3 billion for the current year. Capital expenditure in 2004 will amount to around CHF 1.3 billion.

Financial Review

Fixnet

CHF in millions	31.3.2003	31.3.2004	Change
Local and long-distance traffic	125	121	-3.2%
Fixed-to-mobile traffic	116	117	0.9%
Internet traffic	46	35	-23.9%
International traffic	58	61	5.2%
Total retail traffic	345	334	-3.2%
Wholesale traffic	190	184	-3.2%
Other traffic	46	43	-6.5%
Access	414	459	10.9%
Other revenue	162	149	-8.0%
Revenue from external customers	1 157	1 169	1.0%
Intersegment revenue	305	310	1.6%
Net revenue	1 462	1 479	1.2%
Segment expenses (incl. intercompany)	959	904	-5.7%
EBITDA	503	575	14.3%
<i>Margin as % of net revenue</i>	<i>34.4</i>	<i>38.9</i>	
Depreciation and amortization	273	241	-11.7%
EBIT before amortization of goodwill	230	334	45.2%
Amortization of goodwill	1	2	100.0%
EBIT	229	332	45.0%

Number of lines in thousands	31.3.2003	31.3.2004	Change
PSTN lines	3 146	3 071	-2.4%
ISDN lines	920	925	0.5%
Total number of lines PSTN / ISDN	4 066	3 996	-1.7%
ADSL retail lines	140	352	151.4%
ADSL wholesale lines	110	244	121.8%
Total number of ADSL lines	250	596	138.4%

Retail traffic volume in millions of minutes	31.3.2003	31.3.2004	Change
Local and long-distance traffic	2 066	1 984	-4.0%
Fixed-to-mobile traffic	235	239	1.7%
Internet traffic	1 409	1 048	-25.6%
Total national traffic	3 710	3 271	-11.8%
International traffic	252	250	-0.8%
Total retail traffic	3 962	3 521	-11.1%

Wholesale traffic volume in millions of minutes	31.3.2003	31.3.2004	Change
National traffic	4 799	4 527	-5.7%
International incoming traffic	460	362	-21.3%
International termination traffic	313	329	5.1%
Total international traffic	773	691	-10.6%
Total wholesale traffic	5 572	5 218	-6.4%

CHF in millions or number	31.3.2003	31.3.2004	Change
Capital expenditure	125	105	-16.0%
Number of full-time equivalent employees at end of period	8 022	7 673	-4.4%

In the Fixnet segment, revenue from external customers rose by 1.0% year-over-year to CHF 1,169 million. The increase in revenue is primarily attributable to higher revenue from access fees due to continuing strong growth in ADSL broadband access lines.

Revenue from retail traffic fell by 3.2% year-over-year, largely as a result of the ongoing substitution effect from mobile and the migration of Internet traffic to ADSL.

Revenue from wholesale traffic declined by 3.2% to CHF 184 million due to a reduction in regulated national interconnection prices and lower volumes in the International incoming traffic area.

Access revenue rose by 10.9% to CHF 459 million due to the continuing growth in ADSL broadband access lines. The number of ADSL access lines increased by 346,000 year-over-year to 596,000. Of the new access lines, 212,000 were subscribed by Bluewin retail customers and 134,000 by customers of other providers. Access includes revenue for analog and digital access lines, ADSL broadband access lines for retail and wholesale customers and Internet subscription fees.

The decline in other revenue is mainly a result of the sale of the investment in Telecom FL AG in October 2003.

Segment expenses fell by 5.7% year-over-year to CHF 904 million, due mainly to a decrease in personnel expenses as a result of the lower headcount and a drop in the cost of workforce reduction measures. In the first quarter of 2004, the cost of workforce reduction measures amounted to CHF 3 million (prior year CHF 42 million).

EBITDA rose by 14.3% to CHF 575 million as a result of cost savings and a drop in the cost of workforce reduction measures. EBITDA margin amounted to 38.9% (prior year 34.4%).

For the year 2004, Fixnet expects a decrease in revenue and EBITDA at the same level compared to the previous year.

Mobile

CHF in millions	31.3.2003	31.3.2004	Change
Connectivity voice	510	527	3.3%
Connectivity data and value added services	111	125	12.6%
Base fees	172	173	0.6%
Other revenue	29	47	62.1%
Revenue from external customers	822	872	6.1%
Intersegment revenue	179	200	11.7%
Net revenue	1 001	1 072	7.1%
Segment expenses (incl. intercompany)	482	590	22.4%
EBITDA	519	482	-7.1%
<i>Margin as % of net revenue</i>	<i>51.8</i>	<i>45.0</i>	
Depreciation and amortization	79	85	7.6%
EBIT	440	397	-9.8%

Number of subscribers in thousands	31.3.2003	31.3.2004	Change
Postpaid	2 312	2 412	4.3%
Prepaid	1 322	1 426	7.9%
Total	3 634	3 838	5.6%

	31.3.2003	31.3.2004	Change
ARPU in CHF	79	79	
Number of SMS Messages in millions	456	574	25.9%

CHF in millions or number	31.3.2003	31.3.2004	Change
Capital expenditure	81	70	-13.6%
Number of full-time equivalent employees at end of period	2 451	2 464	0.5%

Mobile posted a year-over-year increase of 6.1% in revenue from external customers to CHF 872 million.

The 3.3% increase in revenue from Connectivity voice can primarily be attributed to higher subscriber numbers, and more than compensated for the decline in revenue due to the termination of the national roaming agreement between Mobile and Orange in mid-2003. Subscriber numbers rose by a net total of 204,000 year-over-year to 3,838,000. The increase is largely due to the successful launch of Vodafone live! in the fourth quarter of 2003. Some 130,000 customers had been acquired by the end of March 2004. Average revenue per user (ARPU) was maintained at the level of the previous year.

Revenue from connectivity data and value added services rose by 12.6% year-over-year, mainly as a result of increased subscriber numbers and the direct billing of SMS with other network operators (interworking services SMS).

Other revenue grew by 62.1% or CHF 18 million year-over-year and was chiefly due to an increase in handset sales.

Mobile segment expenses rose by 22.4% year-over-year to CHF 590 million. Costs relating to customer acquisition and retention increased in the first quarter of 2004 as well as costs relating to network operation and handset procurement. The increase in the cost of customer acquisition and retention and handset procurement is primarily attributable to the growth in subscriber numbers and the successful launch of Vodafone live!. 2004 segment expenses also include costs arising from the new arrangements with Vodafone governing access to its products and services, notably Vodafone live!. In the previous year, the relating costs had been recorded in the fourth quarter of 2003 for the whole year.

Operating income (EBITDA) fell by 7.1% to CHF 482 million due to the termination of the national roaming agreement and the new arrangements with Vodafone. EBITDA margin amounted to 45.0% (prior year 51.8%).

For the year 2004, Mobile expects an increase in revenue due to the increase in subscriber numbers and stable EBITDA compared to the previous year.

Enterprise Solutions

CHF in millions	31.3.2003	31.3.2004	Change
Local and long-distance traffic	35	30	-14.3%
Fixed-to-mobile traffic	35	32	-8.6%
International traffic	19	17	-10.5%
Total traffic	89	79	-11.2%
Networking	133	120	-9.8%
Inhouse and processes	24	14	-41.7%
Other revenue	29	29	
Revenue from external customers	275	242	-12.0%
Intersegment revenue	34	31	-8.8%
Net revenue	309	273	-11.7%
Segment expenses (incl. intercompany)	319	247	-22.6%
EBITDA	(10)	26	360.0%
<i>Margin as % of net revenue</i>	-3.2	9.5	
Depreciation and amortization	10	4	-60.0%
EBIT	(20)	22	210.0%

Traffic volume in millions of minutes	31.3.2003	31.3.2004	Change
Local and long-distance traffic	531	479	-9.8%
Fixed-to-mobile traffic	77	73	-5.2%
Total national traffic	608	552	-9.2%
International traffic	101	93	-7.9%
Total national and international traffic	709	645	-9.0%

CHF in millions or number	31.3.2003	31.3.2004	Change
Capital expenditure	2	4	100.0%
Number of full-time equivalent employees at end of period	1 247	952	-23.7%

Revenue from external customers fell by 12.0% year-over-year to CHF 242 million.

Traffic revenue declined by CHF 10 million, mainly as a result of the substitution effect from mobile and competition amongst providers.

The drop in network revenue of CHF 13 million was due to lower volumes and prices in leased line business. The CHF 10 million drop in revenue from in-house and processes relates primarily to Business Numbers.

The 22.6% reduction in segment 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 quarter of 2004, there were no cost of workforce reduction measures (prior year CHF 31 million).

As a result of the effects referred to above, EBITDA rose by CHF 36 million, from minus CHF 10 million to plus CHF 26 million. EBITDA margin amounted to 9.5% (prior year minus 3.2%).

For the year 2004, Enterprise Solutions expects lower revenue and slightly lower EBITDA due to ongoing price and competitive pressure.

Other

CHF in millions	31.3.2003	31.3.2004	Change
Swisscom Systems AG	85	74	-12.9%
Swisscom IT Services AG	55	46	-16.4%
Swisscom Broadcast AG	38	39	2.6%
Billag Group	13	27	107.7%
Other revenue	-	1	-
Revenue from external customers	191	187	-2.1%
Intersegment revenue	132	129	-2.3%
Net revenue	323	316	-2.2%
Segment expenses (incl. intercompany)	274	266	-2.9%
EBITDA	49	50	2.0%
<i>Margin as % of net revenue</i>	<i>15.2</i>	<i>15.8</i>	
Depreciation and amortization	41	38	-7.3%
EBIT before amortization of goodwill	8	12	50.0%
Amortization of goodwill	6	11	83.3%
EBIT	2	1	-50.0%

CHF in millions or number	31.3.2003	31.3.2004	Change
Capital expenditure	10	21	110.0%
Number of full-time equivalent employees at end of period	4 280	3 777	-11.8%

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

Revenue from external customers fell by 2.1% year-over-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 AG in December 2003.

Segment expenses fell year-over-year in line with the decline in revenue and cost savings as a result of the lower headcount. Segment expenses also include costs relating to the further expansion of Swisscom Eurospot's international PWLAN business.

EBITDA remained at the level of the previous year, chiefly due to cost savings. EBITDA margin amounted to 15.8% (prior year 15.2%).

For the year 2004, the „Other“ segment expects higher revenue due to the acquisition of Billag Card Services AG in December 2003 and higher EBITDA due to a drop in the cost of workforce reduction measures.

Corporate

CHF in millions	31.3.2003	31.3.2004	Change
Revenue from external customers	14	18	28.6%
Intersegment revenue	150	132	-12.0%
Net revenue	164	150	-8.5%
Segment expenses (incl. intercompany)	84	157	86.9%
EBITDA	80	(7)	-108.8%
<i>Margin as % of net revenue</i>	<i>48.8</i>	<i>-4.7</i>	
Depreciation and amortization	16	13	-18.8%
EBIT	64	(20)	-131.3%

CHF in millions or number	31.3.2003	31.3.2004	Change
Capital expenditure	4	1	-75.0%
Number of full-time equivalent employees at end of period	1 008	893	-11.4%

The Corporate segment comprises the divisions at Group Headquarters, shared services in respect of Group companies, the real-estate company and WORK_LINK AG.

The reduction in operating income can be attributed to higher costs for social plan measures. In the first quarter of 2004, net expenditure for the Employment Market Centre and WORK_LINK amounted to CHF 27 million (prior year CHF 7 million). In addition, no eliminations from workforce reduction measures were recognized in the income statement in the first quarter of this year (prior year CHF 48 million), as there were no new transfers to WORK_LINK AG.

As a result of the effects referred to above, EBITDA fell by CHF 87 million to minus CHF 7 million. Lower EBITDA is expected for the Corporate segment in 2004 due to an increase in costs associated with WORK_LINK AG.

Termination benefits

CHF in millions	31.3.2003	31.3.2004	Change
Fixnet	42	3	(39)
Enterprise Solutions	31	-	(31)
Other	1	-	(1)
Total termination benefits (operative segments)	74	3	(71)
Termination benefits segment Corporate	4	-	(4)
Elimination (segment Corporate)	(48)	-	48
Total termination benefits (segment corporate)	(44)	-	44
Total termination benefits (Swisscom Group)	30	3	(27)

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. In the first quarter of 2004, the related costs for the operative segments amounted to CHF 3 million (prior year CHF 74 million). In the previous year these included costs of CHF 47 million in respect of employees who under the provisions of the social plan were entitled to transfer to WORK_LINK AG or who were able to find a new position in another organizational unit within Swisscom. Under IFRS, these costs do not qualify for the creation of provisions since the employment relationship per se was not terminated. These costs, for which provisions cannot be created, were eliminated again in the Corporate segment and recognized in the income statement.

CHF in millions	31.3.2003	31.3.2004	Change
Salaries and wages WORK_LINK participants	8	22	14
Other operating expenses	1	7	6
Income from personnel hire	(2)	(2)	-
Net expenses EMC / WORK_LINK	7	27	20
Total termination benefits segment Corporate	(44)	-	44
Total expenses for termination benefits and EMC / WORK_LINK (segment Corporate)	(37)	27	64

Salaries and wages as well as social security expenses for WORK_LINK participants amounted to CHF 22 million (prior year CHF 8 million) in the first quarter of 2004. Other operating expenses relate to personnel and infrastructure costs in connection with operation of the EMC and WORK_LINK as well as pension costs (IFRS) for EMC and WORK_LINK participants.

Income taxes Income tax expense for the first quarter of 2004 amounted to CHF 145 million (prior year CHF 140 million), which corresponds to an effective tax rate of 19.8% (prior year 20.7%). Swisscom paid CHF 33 million in income tax in the first quarter of 2004 (prior year net benefit CHF 55 million). The difference relates to the deferral of billing and payments to a later period. Swisscom expects its total income tax to be paid for the whole of 2004 to be substantially higher than in 2003.

Affiliated companies This item principally relates to the 49% investment in PubliDirect Holding AG. In the previous year it also included the stake in Cesky Telecom, which was held indirectly via TelSource N.V. and was disposed of in December 2003.

Minority interests Minority interests relates mainly to the 25% shareholding of Vodafone in Swisscom Mobile AG. As at March 31, 2004 the share of the net income of subsidiaries amounted to CHF 87 million (2003: CHF 95 million). Dividends of CHF 355 million (prior year CHF 370 million) were paid to minority shareholders in the first quarter of 2004.

debitel On April 29, 2004, Swisscom entered into an agreement to sell its stake in debitel to Telco Holding S.à.r.l. Telco S.à.r.l. is owned by funds advised by the private equity company Permira. The selling price for 95% of debitel shares, including those in respect of the 2% holding acquired beforehand from ElectronicPartner, is EUR 640 million. Swisscom is granting a 100% subsidiary of Telco Holding S.à.r.l., which is controlled by Permira, two vendor loan notes totalling EUR 210 million for the purchase. After deduction of this loan, Swisscom will receive EUR 430 million in 2004 from the sale of its investment in debitel. The impact of the sale on 2004 equity free cash flow will amount to around CHF 600 million. The closing of the transaction is expected by the end of June 2004. debitel will be disclosed separately in the consolidated balance sheet, income statement and cash flow statement as a discontinuing operation. At closing of the transaction, the cumulative currency translation adjustments (currently CHF 222 million) which has been recorded under shareholders' equity will be recorded in the income statement. Further information can be taken from Note 5 in the notes to the interim statements.

CHF in millions	31.3.2003	31.3.2004	Change
Equity Free Cash Flow			
Net cash provided by operating activities	1 168	957	(211)
Capital expenditure	(222)	(201)	21
Net investments in subsidiaries and affiliated companies	(48)	17	65
(Repayment) issuance of debt, net	(250)	28	278
Dividends paid to minority interests	(370)	(355)	15
Other cash flow from investing and financing activities, net	5	15	10
Equity free cash flow	283	461	178

Equity free cash flow rose by CHF 178 million year-over-year to CHF 461 million. The fall in net cash provided by operating activities and the increase in net cash flow from investing activities were offset by a drop in payments to minority interests and a reduction in debt repayments. The previous year's figure included CHF 250 million relating to the repayment of the Swiss Post loan; no such repayments have to be made in 2004. The impact of the sale of the investment in debitel on the 2004 equity free cash flow in consideration of the transaction costs, the purchase of 2% of debitel's shares from ElectronicPartner, the granted loans (vendor loan notes) and the financial commitments for a subsidiary of debitel will be around CHF 600 million.

Outlook Without the debitel Group and in the face of continuing strong competition and unchanged regulatory conditions, Swisscom expects consolidated revenue of around CHF 10 billion and operating income before interest, tax, depreciation and amortization (EBITDA) of approximately CHF 4.3 billion for the current year. Swisscom expects EBITDA from its operating businesses (Fixnet, Mobile, Enterprise Solutions and Other) to remain stable compared with the prior year. In the Corporate segment, higher expense in respect of the employment company WORK_LINK AG is expected. Capital expenditure in 2004 will amount to around CHF 1.3 billion.

Consolidated income statements

CHF in millions, except per share amount	Note	unaudited	
		31.3.2003	31.3.2004
Net revenue		2 459	2 488
Other operating income		34	54
Total		2 493	2 542
Goods and services purchased		393	445
Personnel expenses		594	565
Other operating expenses		365	406
Depreciation		395	357
Amortization		31	37
Total operating expenses		1 778	1 810
Operating income		715	732
Financial expense		(84)	(42)
Financial income		45	43
Income before income taxes, equity in net income of affiliated companies and minority interest		676	733
Income tax expense		(140)	(145)
Income before equity in net income of affiliated companies and minority interest		536	588
Equity in net income of affiliated companies		5	2
Minority interest		(95)	(87)
Income from continuing operations		446	503
Income from discontinuing operation (debitel)	5	(37)	(15)
Net income		409	488
Basic earnings per share (in CHF)			
- from continuing operations		6.74	7.60
- from discontinuing operation (debitel)		(0.56)	(0.23)
- net income		6.18	7.37
Weighted-average number of ordinary shares in issue		66 203	66 203

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		31.12.2003	31.3.2004
Assets			
Current assets			
Cash and cash equivalents		3 104	3 376
Current financial assets		251	409
Other current assets		2 529	2 716
Current tax assets		4	2
Assets from discontinuing operation (debitel)	5	1 718	1 750
Total current assets		5 888	6 503
Non-current assets			
Property, plant and equipment		6 971	6 784
Investments in affiliated companies		40	42
Goodwill and other intangible assets		401	380
Non-current financial assets		1 337	1 402
Deferred tax assets		185	133
Total non-current assets		8 934	8 741
Total assets		16 540	16 994
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt	3	515	542
Current tax liabilities		124	190
Other current liabilities		2 062	2 111
Liabilities from discontinuing operation (debitel)	5	827	875
Total current liabilities		2 701	2 843
Long-term liabilities			
Long-term debt	3	2 424	2 416
Accrued pension cost		1 113	1 128
Deferred tax liabilities		383	382
Other long-term liabilities		692	704
Total long-term liabilities		4 612	4 630
Total liabilities		8 140	8 348
Minority interest		731	462
Shareholders' equity		7 669	8 184
Total liabilities and shareholders' equity		16 540	16 994

Consolidated cash flow statement (condensed)

CHF in millions	unaudited	
	31.3.2003	31.3.2004
Net cash provided by operating activities		
Operating income before interest, tax, depreciation and amortization (EBITDA)	1 141	1 126
Changes in net working capital and cash flows from operating activities	(10)	(120)
(Decrease) increase in accrued pension cost	(1)	15
Net interest paid	(17)	(31)
Income taxes benefit (paid)	55	(33)
Net cash provided by operating activities	1 168	957
Cash flows from investing activities		
Capital expenditure	(222)	(201)
Net investments in subsidiaries and affiliated companies	(48)	17
Investments in other current financial assets	(1)	(131)
Other cash flow from investing activities, net	5	16
Net cash used in investing activities	(266)	(299)
Cash flows from financing activities		
Repayment of debt, net	(337)	(28)
Dividends paid to minority interests	(370)	(355)
Other cash flows from financing activities, net	-	(1)
Net cash used in financing activities	(707)	(384)
Net increase in cash and cash equivalents	195	274
Cash and cash equivalents at beginning of year	1 682	3 104
Effect of exchange rate changes on cash and cash equivalents	5	(2)
Cash and cash equivalents at end of period	1 882	3 376

The cash flow statement does not include cash flows and cash balances from discontinuing operation (debitel). There were no cash flows between continuing and discontinuing operation (debitel) in the first three months of 2003 and 2004. For information on cash flows relating to debitel, see Note 5.

Consolidated statement of shareholders' equity

CHF in millions	unaudited					Total shareholders' equity
	Share equity	Additional earnings	Retained earnings	Treasury shares	Other reserves	
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
Balance at December 31, 2003	66	572	7 296	(1)	(264)	7 669
Translation adjustments	-	-	-	-	2	2
Fair value adjustments	-	-	-	-	25	25
Gains not recognized in income statement	-	-	-	-	27	27
Net income	-	-	488	-	-	488
Balance at March 31, 2004	66	572	7 784	(1)	(237)	8 184

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 adjusted to facilitate comparison.

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. Prior 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, wholesale traffic services offered 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, Billag AG and Billag Card Services AG.

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

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

31.3.2003 CHF in millions	unaudited						Total
	Fixnet	Mobile	Enterprise Solutions	Other	Corporate	Elimination	
Net revenue from external customers	1 157	822	275	191	14	-	2 459
Intersegment net revenue	305	179	34	132	150	(800)	-
Net revenue	1 462	1 001	309	323	164	(800)	2 459
Segment expenses	(959)	(482)	(319)	(274)	(84)	800	(1 318)
Operating income before depreciation (EBITDA)	503	519	(10)	49	80	-	1 141
<i>Margin in %</i>	<i>34.4</i>	<i>51.8</i>	<i>-3.2</i>	<i>15.2</i>	<i>48.8</i>	<i>-</i>	<i>46.4</i>
Depreciation and amortization	(273)	(79)	(10)	(41)	(16)	-	(419)
Operating income before amortization of goodwill	230	440	(20)	8	64	-	722
Amortization of goodwill	(1)	-	-	(6)	-	-	(7)
Operating income (EBIT)	229	440	(20)	2	64	-	715

31.3.2004 CHF in millions	unaudited						Total
	Fixnet	Mobile	Enterprise Solutions	Other	Corporate	Elimination	
Net revenue from external customers	1 169	872	242	187	18	-	2 488
Intersegment net revenue	310	200	31	129	132	(802)	-
Net revenue	1 479	1 072	273	316	150	(802)	2 488
Segment expenses	(904)	(590)	(247)	(266)	(157)	802	(1 362)
Operating income before depreciation (EBITDA)	575	482	26	50	(7)	-	1 126
<i>Margin in %</i>	<i>38.9</i>	<i>45.0</i>	<i>9.5</i>	<i>15.8</i>	<i>-4.7</i>	<i>-</i>	<i>45.3</i>
Depreciation and amortization	(241)	(85)	(4)	(38)	(13)	-	(381)
Operating income before amortization of goodwill	334	397	22	12	(20)	-	745
Amortization of goodwill	(2)	-	-	(11)	-	-	(13)
Operating income (EBIT)	332	397	22	1	(20)	-	732

Notes to the Consolidated Interim Statements

3 Debt

CHF in millions	unaudited	
	31.12.2003	31.3.2004
Long-term debt		
Financial liability from cross-border tax lease arrangements	1 339	1 375
Finance lease obligation	1 131	1 080
Other long-term debt	15	15
Total	2 485	2 470
Less current portion	(61)	(54)
Total long-term debt	2 424	2 416
Short-term debt		
Current portion of long-term debt	61	54
Short-term bank credit	256	284
Other short-term debt	198	204
Total short-term debt	515	542

4 Share buy back

In March 2004 Swisscom announced 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“). Swisscom plans to launch the share buy back scheme at May 24, 2004. The capital reduction in respect of the repurchased shares is planned for the 2005 General Meeting.

5 Discontinuing 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. The selling price for 95% of debitel shares is EUR 640 million (approximately CHF 994 million). The closing of the transaction is expected by the end of June 2004. In April 2004, Swisscom acquired 2% of debitel shares from Electronic Partner (EP), thus increasing its investment in debitel to 95% prior to enter into the sale agreement.

Swisscom is granting a 100% subsidiary of Telco Holding S.à.r.l. two vendor loan notes, EUR 105 million each, for the purchase. The terms of the loans are seven and eight years, respectively. The remainder of the selling price (EUR 430 million) will be paid in cash in 2004 at closing of the transaction.

Swisscom has also agreed to bear risk of and indemnify the purchaser for any future losses which may arise in the future at one of debitel's subsidiaries. However, the purchase agreement provides Swisscom with the right to take control over this subsidiary in order to minimize its liability.

As at March 31, 2004, the carrying value of the investment in debitel, including goodwill, was CHF 875 million. From the current perspective, the carrying value corresponds to the value realizable through the sale, taking into account the financial risks of the debitel subsidiary referred to above, the purchase of 2% of debitel shares from EP in April 2004, the net assets of two additional holdings sold, the costs of the transaction and the present value of the two loans to Telco Holding S.à.r.l.

As at March 31, 2004, the cumulative translation adjustments recorded in the consolidated statement of shareholders' equity under „Other reserves“ amounted to CHF 222 million. At closing of the transaction, the cumulative translation adjustments will be removed from shareholders' equity and recorded in the income statement. With the exception of the cumulative translation adjustments, Swisscom expects no material gain or loss from the sale of its investment in debitel in 2004.

As a result of its sale, debitel is recorded in the consolidated financial statements as a discontinuing operation. The prior-year figures have been restated to facilitate comparison. The sale will be recorded at closing of the transaction.

debitel's revenue, operating expenses and cash flows are as follows:

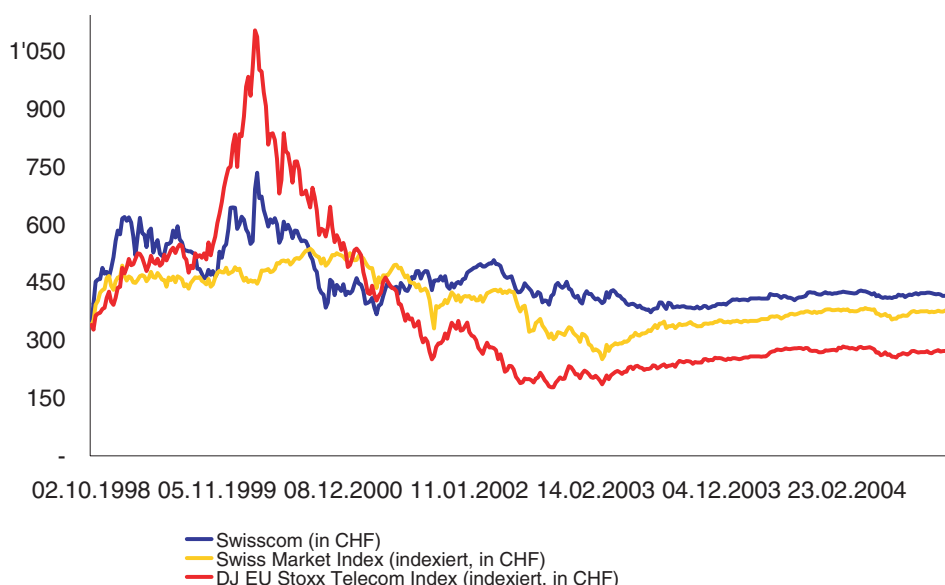
CHF in millions	unaudited	
	31.3.2003	31.3.2004
Income statement		
Net revenue	1 058	1 100
Operating expense	(1 036)	(1 054)
Depreciation	(16)	(15)
Amortization	(41)	(32)
Operating income	(35)	(1)
Income tax expense	(2)	(15)
Equity in net income of affiliated companies	1	2
Minority interest	(1)	(1)
Income from discontinuing operation	(37)	(15)

CHF in millions	31.12.2003	31.3.2004
	Balance sheet	
Cash and cash equivalents	133	212
Other current assets	614	585
Goodwill	710	678
Other non-current assets	261	275
Total assets	1 718	1 750
Financial liabilities	81	73
Other liabilities	726	782
Minority interest	20	20
Total liabilities and minority interest	827	875
Total net assets	891	875

CHF in millions	31.3.2003	31.3.2004
	Cash flow statement	
Net cash provided by operating activities	9	105
Net cash used in investing activities	2	(17)
Net cash used in financing activities	(7)	(9)
Total net cash flow	4	79

Shareholder information

Swisscom share price on the Swiss Exchange (in CHF)



31.12.2003 – 31.3.2004

	virt-x	NYSE
Closing price at 31.12.2003	CHF 408.00	USD 32.84
Closing price at 31.3.2004 ¹⁾	CHF 416.00	USD 32.98
Year high ¹⁾	CHF 430.00	USD 34.68
Year low ¹⁾	CHF 403.00	USD 31.91
Total trading volume	6 574 429	839 200
Daily average	104 356	13 535
Total volume in millions	CHF 2 744.22	USD 27.87
Daily average in millions	CHF 43.56	USD 0.45

Source: Bloomberg

¹⁾ paid prices

Share information

The share capital consists of 66,203,261 registered shares, 41,531,200 (62.7%) of which are owned by the Swiss Confederation. As at the end of March 2004, Swisscom had 72,857 registered shareholders and an average unattributed share level of around 12%. The par value per registered share at March 31, 2004 was CHF 1.

The dividend of CHF 13 per share (2003: CHF 12) agreed at the 2004 General Meeting of Shareholders was paid on April 30, 2004. Swisscom announced previously a scheme to buy back up to CHF 2 billion worth of shares via a second trading line („at market“). Swisscom plans to launch the share buy back scheme at May 24, 2004. The capital reduction in respect of the repurchased shares is planned for the 2005 General Meeting.

Each share entitles the holder to one vote. Voting rights can only be exercised if the shareholder has been entered with voting rights in the register of Swisscom shares. The Board of Directors may block the entry of a shareholder in the share register with voting rights if said shareholder's total voting rights would then exceed 5% of the share capital.

Form 20-F

Form 20-F was submitted to the Securities and Exchange Commission (SEC) on May 4, 2004 and can be viewed online at www.swisscom.com/ir.

Financial calendar

13 august 2004	2004 Half-Year Report
10 november 2004	2004 Third-Quarter Report
26 april 2005	General Meeting of Shareholders, Lucerne

Trading locations

Swisscom shares are traded on the pan-European virt-x platform under the symbol „SCMN“ (securities number 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“ (securities number 949 527).

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 First-Quarter Report is published in German and English. 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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