Interim Report
January – March 2005

Key figures

CHF in millions, except where indicated		31.03.2004	31.03.2005
Swisscom Group			
Net revenue		2 488	2 445
Operating income before interest, taxes, depreciation and amortization (EBITDA)		1 122	1 092
As % of net revenue	%	45.1	44.7
Operating income (EBIT)		730	735
Income from continuing operations		590	613
Net income		575	613
Net income attributable to equity holders of Swisscom AG		488	520
Total equity		8 755	7 655
Equity ratio[1]	%	52.2	53.8
Number of full-time equivalent employees at end of period[2]	FTE	15 759	15 397
Average number of full-time equivalent employees[3]	FTE	15 603	15 367
Revenue per employee	CHF in thousands	159	159
EBITDA per employee	CHF in thousands	72	71
Net cash provided by operating activities		957	873
Equity free cash flow[4]		461	606
Capital expenditure		201	176
Net funds[5]		2 101	2 540

1 Total equity as a percentage of total assets.
2 Excludes 386 and 501 full-time equivalent employees of Worklink at March 31, 2004 and 2005, respectively.
3 Excludes 373 and 488 full-time equivalent employees of Worklink in the first three months of 2004 and 2005, respectively.
4 Definition of equity free cash flow: net cash provided by operating activities, net proceeds from the sale and purchase of investments, less net capital expenditure on tangible assets and intangible assets, issuance and repayment of financial liabilities (excluding leasing liabilities) and dividend payments to minority interets.
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.

The stake in debitel, sold in 2004, is disclosed separately in the previous year’s figures as a discontinued operation.

Financial Review

Summary

In the first quarter of 2005 Swisscom's net revenue fell year-on year by 1.7% to CHF 2 445 million. The decline in revenue could not be wholly compensated for by cost savings so that the operating income before interest, taxes, depreciation and amortization (EBITDA) also dropped by CHF 30 million to CHF 1 092 million. Thanks to lower depreciation and amortization and a higher net financial result, however, net income rose by 6.6% to CHF 613 million. Proceeds from the sale of available-for-sale investments led to an increase in the equity free cash flow of CHF 145 million to CHF 606 million. As a result of the keen competition and price pressure on Mobile and Fixnet Swisscom expects a decline in revenue to around CHF 9.6 billion and a reduction in the operating income before interest, taxes, depreciation and amortization (EBITDA) to around CHF 4.1 billion

CHF in millions	31.03.2004[1]	31.03.2005	Change
Net revenue	2 488	2 445	-1.7%
Other income	54	32	-40.7%
Goods and services purchased	(445)	(431)	-3.1%
Personnel expenses	(565)	(559)	-1.1%
Other operating expenses	(410)	(395)	-3.7%
EBITDA	1 122	1 092	-2.7%
Depreciation and amortization	(379)	(357)	-5.8%
Amortization of goodwill	(13)	-	-
EBIT	730	735	0.7%
Net financial result	3	26	-
Equity in net income of affiliated companies	2	(1)	-
Income before income taxes	735	760	3.4%
Income tax expense	(145)	(147)	1.4%
Income from continuing operations	590	613	3.9%
Income from discontinued operation (debitel)	(15)	-	-
Net income	575	613	6.6%
Attributable to equity holders of Swisscom AG	488	520	6.6%
Attributable to minority interests	87	93	6.9%
Earnings per share	7.37	8.46	14.8%

[1] The previous year's figures include adjustments in compliance with changes in IAS 17. The effect on EBITDA for the first quarter 2004 amounted to CHF 4 million.

Net revenue

Net revenue from external customers decreased year-over-year by CHF 43 million (1.7%) to CHF 2 445 million. The Fixnet segment reported a decrease in revenue of CHF 34 million (2.9%). On the one hand there was a rise in access revenue as a result of ADSL (broadband) growth, but on the other hand an even bigger decline in the traffic areas. Mobile reported an increase in revenue of CHF 13 million (1.5%), primarily due to a higher number of subscribers. The Solutions segment reported a decline in revenue of CHF 35 million (11.1%) as a result of permanent competition and pressure on prices. The segment Other reported a growth in revenue of CHF 15 million (13.3%) thanks to increased revenue of Swisscom IT Services with external customers.

EBITDA

Operating expenses could not be decreased in line with the decline in revenue through cost savings. For this reason EBITDA decreased by CHF 30 million to CHF 1 092 million.

Net financial result

The net financial result increased by CHF 23 million, primarily due to improved net interest and higher gains from disposals of available-for-sale investments compared with the previous year.

Income tax expense

Income tax expense amounted to CHF 147 million (previous year: CHF 145 million), which corresponds to an effective income tax rate of 19.3% (previous year: 19.7%)

Discontinued operation

The stake in debitel, sold in 2004, is disclosed separately in the previous year's figures as a discontinued operation.

Net income and earnings per share

Net income increased year-on-year by CHF 38 million (6.6%) to CHF 613 million. The decline in EBITDA was overcompensated for by lower depreciation and amortization, a higher net financial result and the omission of the loss of the discontinued operation (debitel) in the previous year. Due to new accounting regulations net income is presented before the deduction of the minority interests in fully consolidated Group companies. After deduction of the minority interests net income is CHF 520 million (previous year CHF 488 million).

As a result of last year's share buy-back program and the ensuing lower average number of shares, earnings per share increased by 14.8% to CHF 8.46.

Review of the Segments

The financial review reports on the following segments

- **Fixnet**
- **Mobile**
- **Solutions**
- **Other,** comprising mainly the Group companies Swisscom IT Services, Swisscom Broadcast, as well as the two Billag companies and the Swisscom Eurospot Group.
- **Corporate**, comprising divisions at Group Headquarters, shared services for Group companies, the real estate company and the employment company Worklink.

The development of the individual segments is presented in the following table:

	Net revenue[1]			EBITDA[2 3]		
	31.03.2004	31.03.2005		31.03.2004	31.03.2005	
CHF in millions			Change			Change
Fixnet	1 445	1 378	-4.6%	575	519	-9.7%
Mobile	1 072	1 040	-3.0%	482	509	5.6%
Solutions	353	314	-11.0%	39	23	-41.0%
Other	239	246	2.9%	37	39	5.4%
Corporate	150	169	12.7%	(11)	5	-
Intercompany	(771)	(702)	-8.9%	-	(3)	-
Total	2 488	2 445	-1.7%	1 122	1 092	-2.7%

1 Includes intersegment revenue.
2 Excluding discontinued operation (debitel).
3 The previous year's figures include adjustments in compliance with changes in IAS 17. The effect on EBITDA for the first quarter 2004 was minus CHF 4 million.

Fixnet

CHF in millions	31.03.2004	31.03.2005	Change
Local and long-distance traffic	121	106	-12.4%
Fixed-to-mobile traffic	117	111	-5.1%
Internet traffic	35	22	-37.1%
International traffic	61	55	-9.8%
Total retail traffic	**334**	**294**	-12.0%
Wholesale traffic	168	148	-11.9%
Other traffic	43	32	-25.6%
Access	459	487	6.1%
Other revenue	149	158	6.0%
Revenue from external customers	1 153	1 119	-2.9%
Intersegment revenue	292	259	-11.3%
Net revenue	1 445	1 378	-4.6%
Segment expenses (incl. intercompany)	870	859	-1.3%
EBITDA	575	519	-9.7%
Margin as % of net revenue	*39.8*	*37.7*	
Depreciation and amortization	241	210	-12.9%
EBIT before amortization of goodwill	334	309	-7.5%
Amortization of goodwill	2	-	-
EBIT	332	309	-6.9%

Number of lines in thousands	31.03.2004	31.03.2005	Change
PSTN lines	3 071	2 982	-2.9%
ISDN lines	925	921	-0.4%
Total number of lines PSTN / ISDN	3 996	3 903	-2.3%
ADSL retail lines	352	550	56.3%
ADSL wholesale lines	244	328	34.4%
Total number of ADSL lines	596	878	47.3%

Retail traffic volume in millions of minutes	31.03.2004	31.03.2005	Change
Local and long-distance traffic	1 984	1 756	-11.5%
Fixed-to-mobile traffic	239	228	-4.6%
Internet traffic	1 048	674	-35.7%
Total national traffic	3 271	2 658	-18.7%
International traffic	250	241	-3.6%
Total retail traffic	3 521	2 899	-17.7%

Wholesale traffic volume in millions of minutes	31.03.2004	31.03.2005	Change
National traffic	**4 478**	**4 238**	-5.4%
International incoming traffic	362	405	11.9%
International termination traffic	329	353	7.3%
Total international traffic	691	758	9.7%
Total wholesale traffic	5 169	4 996	-3.3%

CHF in millions or number	31.03.2004	31.03.2005	Change
Capital expenditure	105	78	-25.7%
Number of full-time equivalent employees at end of period	7 673	7 389	-3.7%

Revenue from Fixnet with external customers decreased by 2.9% to CHF 1,119 million compared with the previous year. On the one hand there was a revenue increase in access revenue as a function of continuing growth in broadband lines (ADSL) but on the other hand a decline in the Retail and Wholesale traffic area.

Revenue from retail traffic fell by 12.0% (CHF 40 million) to a total of CHF 294 million. The decline in local and long-distance traffic and Internet traffic is, above all, attributable to the continuing migration of Internet traffic to ADSL. Other reasons for the fall in revenue are the market entry of cable companies and the introduction of new price systems. Revenue in fix-to-mobile and international traffic fell as a result of reduced volumes caused by sustained competition.

Revenue from wholesale traffic declined by 11.9% to CHF 148 million. The increase in international wholesale traffic due to higher volumes was more than offset by declines in national Wholesale traffic. The decrease in national wholesale traffic is due to the migration of Internet traffic to ADSL and a reduction in regulated national interconnection prices.

Access revenue rose by 6.1% to CHF 487 million owing to the growing number of broadband lines (ADSL). The number of ADSL lines increased by 47.3% to 878 000 compared with the previous year. This business included 550,000 lines subscribed to by Bluewin retail customers and 328,000 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 decrease of intersegment revenues is due to reduced revenues with Mobile and Solutions.

The operating expense of Fixnet decreased in relation to the previous year by 1.3% to a total of CHF 859 million. Intercompany expenses dropped by CHF 42 million. On the other hand third party expenses increased by CHF 31 million. The operating expenses include costs of workforce reduction measures amounting to CHF 17 million (previous year: CHF 3 million).

The EBITDA fell year-on-year by 9.7% to CHF 519 million. The fall in revenue could not be offset by cost savings. EBITDA margin decreased from 39.8% to 37.7%.

Mobile

CHF in millions	31.03.2004	31.03.2005	Change
Connectivity voice	543	551	1.5%
Connectivity data and value added services	125	146	16.8%
Base fees	173	170	-1.7%
Other revenue	47	34	-27.7%
Revenue from external customers	888	901	1.5%
Intersegment revenue	184	139	-24.5%
Net revenue	1 072	1 040	-3.0%
Segment expenses (incl. intercompany)	590	531	-10.0%
EBITDA	482	509	5.6%
Margin as % of net revenue	*45.0*	*48.9*	
Depreciation and amortization	85	94	10.6%
EBIT	397	415	4.5%

Number of subscribers in thousands	31.03.2004	31.03.2005	Change
Postpaid	2 412	2 536	5.1%
Prepaid	1 426	1 447	1.5%
Total	3 838	3 983	3.8%

CHF, minutes or millions	31.03.2004	31.03.2005	Change
ARPU in CHF	79	77	-2.5%
AMPU in minutes	116	112	-3.4%
Number of SMS messages in millions	574	493	-14.1%

CHF in millions or number	31.03.2004	31.03.2005	Change
Capital expenditure	70	69	-1.4%
Number of full-time equivalent employees at end of period	2 464	2 478	0.6%

Mobile increased its revenue with external customers by 1.5% to CHF 901 million compared with the previous year mainly as a result of the increased number of subscribers.

The number of subscribers increased year-over-year by a net total of 145 000 or 3.8% to 3,983,000. The increase is largely due to the increasing mobile penetration and the value-oriented churn management. In comparing figures it must be taken into account that a new piece of legislation requires prepaid subscribers to register with the network operators. Around 124,000 Swisscom Mobile subscribers did not register and were deactivated at the end of 2004. These customers are no longer included in the total number of subscribers.

The 1.5% increase in revenue from connectivity voice to CHF 551 million can be primarily attributed to higher numbers of subscribers and outbound roaming.

Revenue from connectivity data and value added services rose year-over-year by 16.8% to CHF 146 million, mainly as a result of an increased number of subscribers and the introduction of new data services.

Other revenue decreased by 27.7% or CHF 13 million compared with the previous year and was chiefly due to the lower number of handset sales.

Intersegment revenue fell by CHF 45 million or 24.5% mainly as a result of a decline in the volume of deliveries to Fixnet of handsets for selling in the Swisscom Shops.

The average minutes per user and month (AMPU) fell from 116 minutes to 112 minutes due to reticence on the parts of subscribers. This led to a decrease in the average revenue per user per month (ARPU). The decrease in the number of SMS messages sent is due an SMS sales campaign in March 2004. For a flat rate of CHF 5, subscribers could send an unlimited number of SMS messages within Switzerland from their mobiles. Not including this campaign, the number of SMS messages rose slightly year-on-year.

Mobile segment expenses fell by 10.0% to CHF 531 million compared with the previous year. The decrease is due to lower costs for customer acquisition and retention as well as lower costs for the purchase of handsets and cost-saving measures.

Operating income (EBITDA) rose as a result of these effects by 5.6% to CHF 509 million. EBITDA margin increased from 45.0% to 48.9%.

With effect from June 1, 2005 Swisscom Mobile will reduce the prices for termination on their network by 40% and launch a new product with a flat-rate charge of 50 cents per call of up to one hour (for every new hour started another 50 cents will be charged). These price reductions will have a negative effect on revenue in the rest of 2005 of maximum CHF 165 million. If other providers also reduce their termination charges, the effects will be less. Although a higher volume is expected as a result of the reduction in price, this will not compensate for the reduction in price in the short term and therefore will have a negative effect on the EBITDA.

Solutions

CHF in millions	31.03.2004	31.03.2005	Change
Local and long-distance traffic	30	24	-20.0%
Fixed-to-mobile traffic	32	27	-15.6%
International traffic	18	15	-16.7%
Total traffic	80	66	-17.5%
Leased lines	48	40	-16.7%
Intranet services	44	40	-9.1%
Other revenue service business	62	60	-3.2%
Solution business	60	60	-
Other revenue	22	15	-31.8%
Revenue from external customers	316	281	-11.1%
Intersegment revenue	37	33	-10.8%
Net revenue	353	314	-11.0%
Segment expenses (incl. intercompany)	314	291	-7.3%
EBITDA	39	23	-41.0%
Margin as % of net revenue	*11.0*	*7.3*	
Depreciation and amortization	12	11	-8.3%
EBIT	27	12	-55.6%

Traffic volume in millions of minutes	31.03.2004	31.03.2005	Change
Local and long-distance traffic	479	437	-8.8%
Fixed-to-mobile traffic	73	64	-12.3%
Total national traffic	552	501	-9.2%
International traffic	93	92	-1.1%
Total national and international traffic	645	593	-8.1%

CHF in millions or number	31.03.2004	31.03.2005	Change
Capital expenditure	5	3	-40.0%
Number of full-time equivalent employees at end of period	1 992	1 805	-9.4%

Revenue from external customers decreased by 11.1% to CHF 281 million compared with the previous year.

Traffic revenue decreased by 17.5% to CHF 66 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 leased line revenue of 16.7% to CHF 40 million was mainly due to the migration of existing products to Internet (IP) based services with lower prices.

The decrease in other revenue of 31.8% to CHF 15 million stems principally from lower revenue from the lease of private branch exchanges.

The operating expense declined in comparison with the previous year by 7.3%, mainly due to lower purchasing volumes due to the decline in revenue and lower personnel costs as a result of the lower headcount.

EBITDA dropped by 41.0% to CHF 23 million, because the decrease in revenue could not be fully compensated for by cost savings. EBITDA margin amounted to 7.3% (previous year: 11.0%).

Other

CHF in millions	31.03.2004	31.03.2005	Change
Swisscom IT Services AG	46	58	26.1%
Swisscom Broadcast AG	39	39	-
Billag Group	27	26	-3.7%
Swisscom Eurospot Group	1	5	-
Revenue from external customers	113	128	13.3%
Intersegment revenue	126	118	-6.3%
Net revenue	239	246	2.9%
Segment expenses (incl. intercompany)	202	207	2.5%
EBITDA	37	39	5.4%
Margin as % of net revenue	*15.5*	*15.9*	
Depreciation and amortization	30	32	6.7%
EBIT before amortization of goodwill	7	7	-
Amortization of goodwill	11	-	-
EBIT	(4)	7	-

CHF in millions or number	31.03.2004	31.03.2005	Change
Capital expenditure	20	18	-10.0%
Number of full-time equivalent employees at end of period	2 737	2 817	2.9%

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

Revenue from external customers rose by 13.3% to CHF 128 million in comparison with the previous year. This can largely be attributed to higher revenue from services in the area of IT Outsourcing from Swisscom IT Services.

The operating expense rose in comparison with the previous year by 2.5% to CHF 207 million. EBITDA increased by 5.4% to CHF 39 million because revenue increased more than operating expenses. EBITDA margin was 15.9% (previous year 15.5%).

Corporate

CHF in millions	31.03.2004	31.03.2005	Change
Revenue from external customers	18	16	-11.1%
Intersegment revenue	132	153	15.9%
Net revenue	150	169	12.7%
Segment expenses (incl. intercompany)	161	164	1.9%
EBITDA	(11)	5	-
Margin as % of net revenue	*-7.3*	*3.0*	
Depreciation and amortization	11	11	0.0%
EBIT	(22)	(6)	-72.7%

CHF in millions or number	31.03.2004	31.03.2005	Change
Capital expenditure	1	8	-
Number of full-time equivalent employees at end of period	893	908	1.7%

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

Intersegment revenue rose by 15.9% to CHF 153 million and is attributable to increased revenue from the real estate company from centralised settlement of energy costs with other Group companies.

Operating expenditure increased by 1.9% to CHF 164 million. The operating expense includes costs for workforce reduction measures, including expenditure on the employment company Worklink AG of CHF 8 million (previous year CHF 22 million). As a result of these effects Corporate increased its EBITDA by CHF 16 million

Termination benefits

Swisscom tries to help the personnel affected by workforce reduction through three programs incorporated in a social compensation plan – the outplacement program PersPec, the starter program Co-Motion and the employment company Worklink AG. The outplacement program offers help to employees in finding new areas of work and jobs and continues to pay salaries for a limited period. The starter program Co-Motion is designed to help participants in the outplacement program who wish to become self-employed. The employment company Worklink AG offers older employees who have been working for Swisscom for a long time temporary jobs if they cannot find anything through the outplacement program.

The table below details the expenditure on workforce reduction measures for each segment:

CHF in millions	31.03.2004	31.03.2005	Change
Fixnet	3	17	14
Elimination part of employment company Worklink	-	(6)	(6)
Total termination benefits Swisscom Group (Outplacement)[1]	3	11	8
Salaries and wages Worklink participants	22	14	(8)
Total termination benefits and salaries and wages employment company[2]	25	25	-

[1] Included in Corporate segment CHF 0 million (previous year: minus CHF 6 million).
[2] Included in Corporate segment CHF 8 million (previous year: CHF 22 million).

Costs relating to workforce reduction measures are shown in the income statement 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 17 million (previous year: CHF 3 million). This includes costs of CHF 6 million (previous year: CHF 0 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 recognized in the income statement.

Equity Free Cash Flow

Swisscom intends to pay out the equity free cash flow to shareholders. The equity free cash flow results from net cash provided by operating activities, net proceeds from the sale and purchase of investments, less net capital expenditure on tangible and intangible assets, issuance and repayment of financial liabilities (excluding leasing liabilities) and dividend payments to minority interests.

Equity free cash flow includes the following components:

CHF in millions	31.03.2004	31.03.2005	Change
EBITDA	**1 122**	**1 092**	**(30)**
Changes in operating assets and liabilities and other payments and receipts from operating activities	(124)	(111)	13
Net interest	(8)	1	9
Income taxes paid	(33)	(109)	(76)
Net cash provided by operating activities	**957**	**873**	**(84)**
Capital expenditure	(201)	(176)	25
Disposal of available-for-sale investments	17	230	213
Issuance of debt (Billag Group)	28	-	(28)
Dividends paid to minority interests	(355)	(357)	(2)
Other cash flow from investing and financing activities, net	15	36	21
Equity free cash flow	461	606	145
Purchase and sale of current financial assets, net	(131)	597	728
Other changes of financial liabilities	(56)	(119)	(63)
Share buy-back / purchase of treasury stock	-	(164)	(164)
Net increase in cash and cash equivalents	274	920	646

In the first quarter of 2005 the equity free cash flow amounted to CHF 606 million, CHF 145 million higher than the previous year. Proceeds of CHF 201 million and CHF 28 million respectively resulted from the disposals of the stakes in Infonet and Intelsat in 2005. Net cash provided by operating activities on the other hand fell as a result of the lower EBITDA and higher tax payments by CHF 84 million.

At December 31, 2004 withholding tax of CHF 119 million was due in connection with the 2004 share buy-back program. This was paid to the tax authorities in the first quarter of 2005. In the cash flow statement the payment is disclosed under share buy-back.

Net debt (net funds)

CHF in millions	31.03.2004	31.03.2005	Change
Financial liability from cross-border tax lease arrangements	1 375	1 335	(40)
Finance lease obligation	863	719	(144)
Other short-term debt	503	199	(304)
Total financial liabilities	**2 741**	**2 253**	**(488)**
Cash and cash equivalents	(3 376)	(3 307)	69
Current financial assets	(409)	(468)	(59)
Financial assets from lease and leaseback transactions	(1 057)	(1 018)	39
Net funds	(2 101)	(2 540)	(439)

Net debt (net funds) consists of total debt less cash and cash equivalents, current financial assets and financial assets from cross-border tax lease transactions. On March 31, 2005, the net funds amounted to CHF 2,540 million (previous year: CHF 2,101 million).

Current financial assets include term deposits and money market investments with a term of less than one year as well as securities and derivative financial instruments. The derivative financial instruments are mainly used to hedge currency risks in connection with finance lease obligations. Financial liabilities consist primarily of finance lease obligations and sale and leaseback obligations relating to buildings. The finance lease obligations reported are covered by non-current financial assets to an extent of CHF 1,018 million.

Outlook

Swisscom expects a decrease in revenue to around CHF 9.6 billion and operating income before interest, tax, depreciation and amortization (EBITDA) to approximately CHF 4.1 billion for 2005 in a highly competitive market environment with price reductions for Mobile and Fixnet. The year-on-year decline in revenue and EBITDA amounts to approximately CHF 0.4 billion and CHF 0.3 billion, primarily as a result of lower volumes for Fixnet and Mobile, the communicated price reductions for Mobile (primarily termination) and the transfer of the International Carrier Services activities from the middle of the year to the joint venture with Belgacom. Capital expenditure in 2005 in the Swisscom Group will amount to around CHF 1.2 billion.

Consolidated income statement

CHF in millions, except per share amount	Note	unaudited 31.03.2004	31.03.2005
Net revenue		**2 488**	**2 445**
Other income		54	32
Total		**2 542**	**2 477**
Goods and services purchased		445	431
Personnel expenses		565	559
Other operating expenses		410	395
Depreciation		355	333
Amortization		37	24
Total operating expenses		**1 812**	**1 742**
Operating income		**730**	**735**
Net financial result	3	3	26
Equity in net income of affiliated companies		2	(1)
Income before income taxes		**735**	**760**
Income tax expense		(145)	(147)
Income from continuing operations		**590**	**613**
Income from discontinued operation (debitel)	6	(15)	-
Net income		**575**	**613**
Attributable to equity holders of Swisscom AG		488	520
Attributable to minority interests		87	93
Basic and diluted earnings per share (in CHF)			
– from continuing operations		7.60	8.46
– from discontinued operation (debitel)		(0.23)	-
– net income		7.37	8.46
Average number of shares outstanding (in thousands)		66 200	61 464

Consolidated balance sheet (condensed)

CHF in millions	Note	31.12.2004	unaudited 31.03.2005
Assets			
Current assets			
Cash and cash equivalents		2 387	3 307
Current financial assets		1 285	468
Other current assets		2 533	2 592
Total current assets		**6 205**	**6 367**
Non-current assets			
Property, plant and equipment		6 190	6 008
Investments in affiliated companies		58	51
Goodwill and other intangible assets		416	410
Non-current financial assets		1 275	1 314
Deferred tax assets		88	81
Total non-current assets		**8 027**	**7 864**
Total assets		14 232	14 231
Liabilities and equity			
Current liabilities			
Short-term debt	4	382	257
Current tax liabilities		342	357
Other current liabilities		1 972	1 778
Total current liabilities		**2 696**	**2 392**
Long-term liabilities			
Long-term debt	4	1 932	1 996
Accrued pension cost		1 118	1 122
Deferred tax liabilities		234	246
Other long-term liabilities		798	820
Total long-term liabilities		**4 082**	**4 184**
Total liabilities		**6 778**	**6 576**
Equity attributable to equity holders of Swisscom AG		6 791	7 256
Equity attributable to minority interests		663	399
Total equity		**7 454**	**7 655**
Total liabilities and equity		14 232	14 231

Consolidated cash flow statement (condensed)

Cash flow statement from continuing operations

CHF in millions	Note	31.03.2004 (unaudited)	31.03.2005
Cash flows from operating activities			
Operating income before interest, taxes, depreciation and amortization (EBITDA)		1 122	1 092
Change in workink capital and other cash flow from operating activities		(124)	(111)
Net interest		(8)	1
Income taxes paid		(33)	(109)
Net cash provided by operating activities		**957**	**873**
Cash flows from investing activities			
Capital expenditure		(201)	(176)
Disposal of available-for-sale investments		17	230
Purchase and sale of current financial assets, net		(131)	597
Other cash flow from investing activities, net		16	36
Net cash (used in) provided by investing activities		**(299)**	**687**
Cash flows from financing activities			
Repayment of debt		(28)	(119)
Share buy-back	5	-	(119)
Purchase of treasury stock		-	(45)
Dividends paid to minority interests		(355)	(357)
Other cash flow from financing activities, net		(1)	-
Net cash used in financing activities		**(384)**	**(640)**
Net increase of cash and cash equivalents		**274**	**920**
Cash and cash equivalents at beginning of year		3 104	2 387
Effect of exchange rate changes on cash and cash equivalents		(2)	-
Cash and cash equivalents at end of the period		**3 376**	**3 307**

Cash flow statement from discontinued operation (debitel)

CHF in millions	31.03.2004	31.03.2005
Net cash provided by operating activities	105	-
Net cash used in investing activities	(17)	-
Net cash used in financing activities	(9)	-
Net increase of cash and cash equivalents	**79**	**-**
Cash and cash equivalents at beginning of year	133	-
Cash and cash equivalents at end of the period	**212**	**-**

Consolidated statement of equity (condensed)

CHF in millions	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Other reserves	Total equity holders of Swisscom	Minority interest	Equity total
	unaudited							
Balance at December 31, 2003	**66**	**572**	**7 296**	**(1)**	**(264)**	**7 669**	**731**	**8 400**
Effect of changes in IAS 17	-	-	108	-	-	108	-	108
Balance at January 1, 2004	**66**	**572**	**7 404**	**(1)**	**(264)**	**7 777**	**731**	**8 508**
Translation adjustments	-	-	-	-	2	2	-	2
Fair value adjustments	-	-	-	-	25	25	-	25
Net income	-	-	488	-	-	488	87	575
Dividends paid	-	-	-	-	-	-	(355)	(355)
Balance at March 31, 2004	66	572	7 892	(1)	(237)	8 292	463	8 755
Balance at December 31, 2004	**66**	**572**	**8 139**	**(2 002)**	**16**	**6 791**	**663**	**7 454**
Translation adjustments	-	-	-	-	1	1	-	1
Fair value adjustments	-	-	-	-	(11)	(11)	-	(11)
Net income	-	-	520	-	-	520	93	613
Dividends paid	-	-	-	-	-	-	(357)	(357)
Purchase of treasury stock	-	-	-	(45)	-	(45)	-	(45)
Balance at March 31, 2005	66	572	8 659	(2 047)	6	7 256	399	7 655

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 2004.

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

With effect from January 1, 2005, a number of new standards and amendments to the International Financial Reporting Standards (IFRS) enter into force. Below are the changes outlined that have the most material effects on the net assets, financial position and results of operations of Swisscom:

IFRS 3 „Business Combinations": Goodwill will no longer be amortized on a straightline basis but only in case of impairment. In the case of new acquisitions the purchase price must be attributed to recognized and identifiable assets and liabilities. A large proportion of the purchase price will be attributed to intangible assets, such as brands, customer agreements and customer relations and licenses and amortized in the income statement over the estimated useful economic life. Swisscom will apply this new standard prospectively. In 2004 Swisscom's goodwill depreciation amounted to CHF 49 million and this will be ceased in 2005.

IAS 27 „Consolidated Financial Statements and Accounting for Investments in Subsidiaries": Third party minority interests in fully consolidated subsidiaries will be treated as equity. Minority interests will be presented in the consolidated balance sheet under equity. In the income statement minority interests' share in the net income will no longer be included under expenditure. Vodafone has a 25% share of the capital and voting rights in Swisscom Mobile. As a result of the new accounting pronouncement the net profit and equity disclosed will be higher. In 2004 the minority interest in net profit and equity was CHF 352 million and CHF 663 million, respectively. The calculation of earnings per share remains unchanged.

IAS 17 „Leases": Long-term lease of real estate must be classified and disclosed separately for land and buildings elements. In 2001 Swisscom sold buildings and leased them back with different lease terms. Some of these sale and leaseback agreements are classified as finance leases under IAS 17. No distinction was made between the leasebacks for land and buildings elements. Under the new accounting pronouncement leaseback agreements involving land elements disclosed in the balance sheet as finance leases must be eliminated. Swisscom will apply the amendments to IAS 17 retrospectively. The accumulated effect on equity as at December 31, 2004 amounts to CHF 110 million and is made up of deductions in the lease obligations reported of CHF 221 million, the recoverable amount for buildings of CHF 205 million, deferred income tax of CHF 11 million and the profit from sale and leaseback recorded under other long term liabilities of CHF 105 million. This also led to a CHF 4 million increase in lease expenditure in the first quarter of 2004 and decreases in depreciation and interest expenses of CHF 2 million each.

2 Segment reporting

Swisscom Systems merged with Swisscom Enterprise Solutions as of January 1, 2005, and will be disclosed as the Swisscom Solutions segment from 2005 onwards. The previous year's figures have been adjusted accordingly.

The "Fixnet" segment provides primarily access services to residential and business customers, fixed retail telephony traffic in respect of residential customer, wholesale traffic services offered to national and international telecommunication providers and payphone services, operator services and prepaid calling cards. Fixnet also provides leased lines, sells customer equipment and operates a directories database.

"Mobile" consists principally of mobile telephony, which includes domestic and international traffic for calls made in Switzerland or abroad by Swisscom's customers and roaming by foreign operators whose customers use their GSM mobile telephones over Swisscom's networks. It also consists of value-added services numbers, data traffic as well as the sale of mobile handsets.

"Solutions" provides primarily national and international fixed-line voice telephony services to business customers, networking which includes primarily national and international leased lines, intranet services as well as national and, through Infonet Switzerland, international private network services, revenue from in house and processes, which include primarily business numbers and revenue from a variety of other services, including consulting, business internet services and public data network services.

The segment „Other" mainly comprises Swisscom IT Services AG, Swisscom Broadcast AG, the two Billag companies and the Swisscom Eurospot Group

„Corporate" covers the costs of Group Headquarters, shared services for Group companies, the real-estate company, the employment company Worklink and costs not directly allocable to a segment.

Interim gains and losses may ensue from setting off services or sales of assets between the individual segments. These are eliminated in the consolidated accounts and shown in the segment report in the column "Elimination".

Notes to the Consolidated Interim Statements

31.03.2004 CHF in millions	Fixnet	Mobile	Solutions	Other	Corporate	Elimi- nation	Total
	unaudited						
Net revenue from external customers	1 153	888	316	113	18	-	2 488
Intersegment net revenue	292	184	37	126	132	(771)	-
Net revenue	**1 445**	**1 072**	**353**	**239**	**150**	**(771)**	**2 488**
Segment expenses	(870)	(590)	(314)	(202)	(161)	771	(1 366)
Operating income before depreciation and amortization (EBITDA)	**575**	**482**	**39**	**37**	**(11)**	**-**	**1 122**
Margin in %	*39.8*	*45.0*	*11.0*	*15.5*	*-7.3*	-	*45.1*
Depreciation	(241)	(85)	(12)	(30)	(11)	-	(379)
Operating income before amortization of goodwill	**334**	**397**	**27**	**7**	**(22)**	**-**	**743**
Amortization of goodwill	(2)	-	-	(11)	-	-	(13)
Operating income (EBIT)	**332**	**397**	**27**	**(4)**	**(22)**	**-**	**730**

31.03.2005 CHF in millions	Fixnet	Mobile	Solutions	Other	Corporate	Elimi- nation	Total
	unaudited						
Net revenue from external customers	1 119	901	281	128	16	-	2 445
Intersegment net revenue	259	139	33	118	153	(702)	-
Net revenue	**1 378**	**1 040**	**314**	**246**	**169**	**(702)**	**2 445**
Segment expenses	(859)	(531)	(291)	(207)	(164)	699	(1 353)
Operating income before depreciation and amortization (EBITDA)	**519**	**509**	**23**	**39**	**5**	**(3)**	**1 092**
Margin in %	*37.7*	*48.9*	*7.3*	*15.9*	*3.0*	-	*44.7*
Depreciation	(210)	(94)	(11)	(32)	(11)	1	(357)
Operating income (EBIT)	**309**	**415**	**12**	**7**	**(6)**	**(2)**	**735**

3 Net financial result

CHF in millions	31.03.2004	unaudited 31.03.2005
Interest on financial assets	26	36
Interest on debt and finance lease obligations	(34)	(35)
Net interest	**(8)**	**1**
Present value adjustment on accrued liabilities	(2)	(2)
Gain on disposal of financial assets	9	16
Foreign exchange gain	4	6
Other financial result, net	-	5
Net financial result	3	26

4 Financial liabilities

CHF in millions	31.12.2004	unaudited 31.03.2005
Long-term debt		
Financial liability from cross-border tax lease arrangements	1 262	1 335
Finance lease obligation	814	719
Total	**2 076**	**2 054**
Less current portion	(144)	(58)
Total long-term debt	1 932	1 996
Short-term debt		
Current portion of long-term debt	144	58
Other short-term debt	238	199
Total short-term debt	382	257

5 Treasury stock

In May 2004 Swisscom AG launched a share buy-back scheme in the amount of CHF 2 billion. A total of 4,720,500 shares for an average purchase price of CHF 423.68 were bought back. At the General Meeting of Shareholders on April 26, 2005 a capital reduction in the amount of the shares acquired as part of this scheme was decided. The number of shares issued amounts to 61,482,761 after the capital reduction.

The seller received the selling price of the share minus the withholding tax of 35%. As of December 31, 2004 shares had been bought back for value of CHF 2,001 million including transaction costs. Of this 35% or CHF 700 million was due in withholding tax. Upuntil December 31, 2004 CHF 581 million had been paid to the tax authorities. The outstanding CHF 119 million, which is disclosed under other short-term liabilities, was paid in the first quarter of 2005. The withholding tax paid will be presented in the cash flow statement in financing activities under share buy-back.

As already announced Swisscom plans another share buy-back programme this year in the amount of around CHF 2 billion. The share buy-back is effected via the second trading line and is expected to be launched in May 2005.

In the first quarter of 2005 Swisscom bought back treasury stock for CHF 45 million. These shares will be given to employees at preferential prices in the second quarter of 2005 as part of various stock based plans.

6 Discontinued operation (debitel)

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. At March 31, 2005 the period loss on the sale of debitel was CHF 15 million. The loss includes amortization of goodwill amounting to CHF 32 million

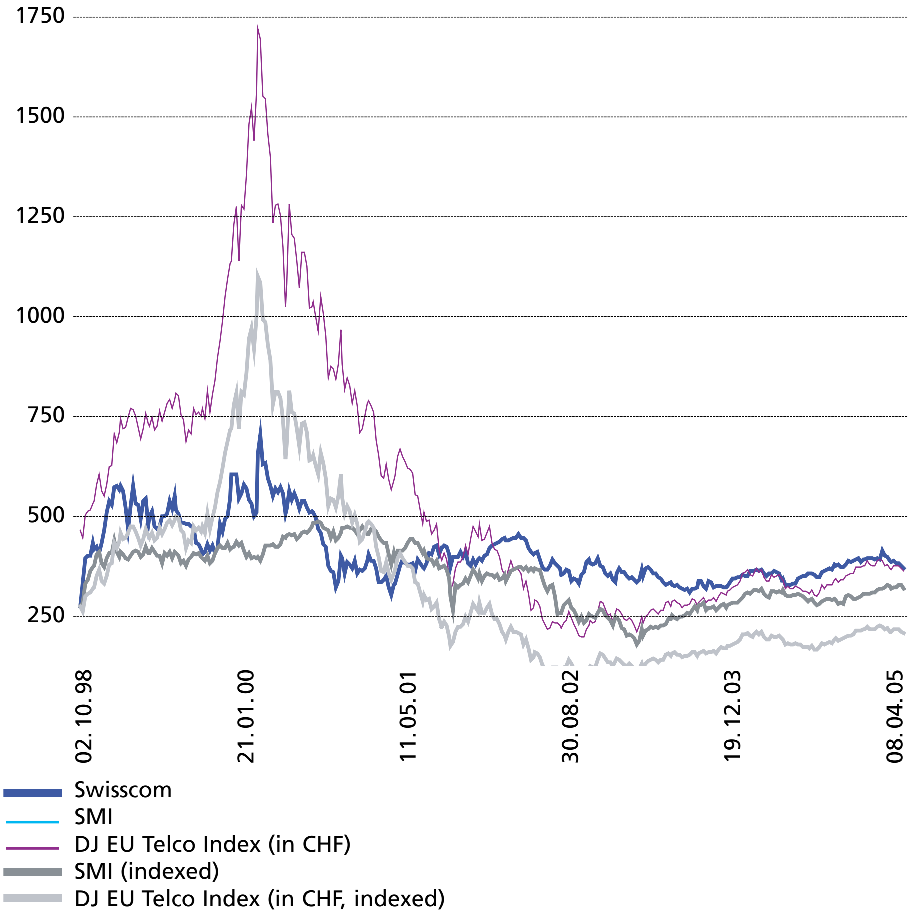
7 Events after the balance sheet date

Acquisition of 49% stake in Cinetrade

On April 8, 2005 Swisscom acquired a strategic interest of 49% in CT Cinetrade AG, a Swiss media company whose activities include a pay-TV channel, video and DVD film rights as well as cinema theatres.

Shareholder information

Performance of the Swisscom share on the virt-x



31.12.2004 – 31.3.2005	virt-x	NYSE
Closing price at 31.12.2004	CHF 448.00	USD 32.84
Closing price at 31.3.2005[1]	CHF 438.50	USD 36.78
Year high[1]	CHF 470.00	USD 39.84
Year low[1]	CHF 438.50	USD 36.72
Total trading volume	7 732 286	2 858 000
Daily average	124 714	46 852
Total volume in millions	CHF 3 496.57	USD 109.04
Daily average in millions	CHF 56.40	USD 1.79

Source: Bloomberg
[1] paid prices

Share information

On March 31, 2005 the company's share capital consists of 66,203,261 registered shares, 40,616,175 (62.7%) of which are owned by the Swiss Confederation. On March 31, 2005 Swisscom had 65,636 registered shareholders and an average non-allotted share level of approximately 17%. The nominal value per registered share amounts to CHF 1.

As part of the 2004 share buy-back scheme Swisscom acquired 4,720,500 shares or 7.1% of the share capital. These shares will be destroyed in compliance with the resolution of the General Meeting of Shareholders on April 26, 2005. After the capital reduction the number of shares issued will be reduced to 61,482,761 registered shares.

The dividend payment of CHF 14 per share (previous year: CHF 13) agreed at the General Meeting of Shareholders in 2005 was paid on April 29, 2005. In addition to the total dividend payment of CHF 861 million, Swisscom is launching a share buy-back scheme in May 2005 in the amount of CHF 2 billion.

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.

Form 20-F

The 20-F report was submitted to the Security and Exchange Commission (SEC) on April 21, 2005 and can be called up under www.swisscom.com/ir.

Financial calendar

August 11, 2005	2005 Half-Year Report
November 10, 2005	2005 Third-Quarter Interim Report
April 25, 2006	Shareholders' Meeting, Lucerne

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
NYSE, New York	SCM	SCM	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 payments consist of the net cash flow provided by operating activities, less net capital expenditure, net proceeds from the sale and purchase of investments, issuance and 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 a share buy-back. A share buy-back need not take place at the same time as dividend payouts.

Quarterly review 2004 and 2005

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2004	1. quarter	2. quarter	3. quarter	4. quarter	2005
Net revenue	**2 488**	**2 511**	**2 526**	**2 532**	**10 057**	**2 445**	**-**	**-**	**-**	**2 445**
Other income	54	45	43	53	195	32	-	-	-	32
Goods and services purchased	445	456	469	477	1 847	431	-	-	-	431
Personnel expenses	565	532	513	584	2 194	559	-	-	-	559
Other operating expenses	410	447	441	525	1 823	395				395
EBITDA [1]	**1 122**	**1 121**	**1 146**	**999**	**4 388**	**1 092**	**-**	**-**	**-**	**1 092**
Depreciation and amortization	379	374	515	376	1 644	357	-	-	-	357
Amortization of goodwill	13	11	13	12	49	-	-	-	-	-
EBIT	**730**	**736**	**618**	**611**	**2 695**	**735**	**-**	**-**	**-**	**735**
Net financial result	3	(20)	(8)	(107)	(132)	26	-	-	-	26
Equity in net income of affiliated companies	2	5	2	13	22	(1)	-	-	-	(1)
Income tax expense	(145)	(137)	(141)	29	(394)	(147)	-	-	-	(147)
Income from continuing operations	**590**	**584**	**471**	**546**	**2 191**	**613**	**-**	**-**	**-**	**613**
Income from discontinued operation (debitel)	(15)	(226)	-	(2)	(243)	-	-	-	-	-
Net income [1]	**575**	**358**	**471**	**544**	**1 948**	**613**	**-**	**-**	**-**	**613**
Attributable to equity holders of Swisscom AG	488	270	381	457	1 596	520	-	-	-	520
Attributable to minority interests	87	88	90	87	352	93	-	-	-	93
Net revenue by segments [2,3]										
Fixnet	1 445	1 434	1 405	1 431	5 715	1 378	-	-	-	1 378
Mobile	1 072	1 074	1 114	1 096	4 356	1 040	-	-	-	1 040
Solutions	353	364	360	360	1 437	314	-	-	-	314
Other	239	231	230	279	979	246	-	-	-	246
Corporate	150	154	154	150	608	169	-	-	-	169
Intercompany elimination	(771)	(746)	(737)	(784)	(3 038)	(702)	-	-	-	(702)
Total net revenue	**2 488**	**2 511**	**2 526**	**2 532**	**10 057**	**2 445**	**-**	**-**	**-**	**2 445**
EBITDA by segments [1,3]										
Fixnet	575	546	542	507	2 170	519	-	-	-	519
Mobile	482	495	523	476	1 976	509	-	-	-	509
Solutions	39	58	55	(18)	134	23	-	-	-	23
Other	37	40	35	44	156	39	-	-	-	39
Corporate	(11)	(18)	(9)	(15)	(53)	5	-	-	-	5
Intercompany elimination	-	-	-	5	5	(3)	-	-	-	(3)
Total EBITDA	**1 122**	**1 121**	**1 146**	**999**	**4 388**	**1 092**	**-**	**-**	**-**	**1 092**
Capital expenditure	201	279	295	361	1 136	176	-	-	-	176
Equity free cash flow	461	1 293	818	339	2 911	606	-	-	-	606
Number of full-time employees at end of period	15 759	15 721	15 644	15 477	15 477	15 397	-	-	-	15 397

1 The previous year's figures include adjustments in compliance with changes in IAS 17. The effect on EBITDA and net income for the whole year was minus CHF 16 million and CHF 2 million, respectively.
2 Includes intersegment revenue.
3 Excluding discontinued operation (debitel).

Quarterly review 2004 and 2005

Operational data Fixnet Number of lines in thousands	1. quarter	2. quarter	3. quarter	4. quarter	2004	1. quarter	2. quarter	3. quarter	4. quarter	2005
PSTN lines	3 071	3 056	3 029	3 007	3 007	2 982	-	-	-	2 982
ISDN lines	925	927	925	924	924	921	-	-	-	921
Total number of lines PSTN / ISDN	3 996	3 983	3 954	3 931	3 931	3 903	-	-	-	3 903
ADSL retail lines	352	390	431	490	490	550	-	-	-	550
ADSL wholesale lines	245	267	286	312	312	328	-	-	-	328
Total number of ADSL lines	597	657	717	802	802	878	-	-	-	878
Retail traffic volume in millions of minutes										
Local and long-distance traffic	1 984	1 781	1 669	1 771	7 205	1 756	-	-	-	1 756
Fixed-to-mobile traffic	239	239	239	232	949	228	-	-	-	228
Internet traffic	1 048	829	722	724	3 323	674	-	-	-	674
Total national traffic	3 271	2 849	2 630	2 727	11 477	2 658	-	-	-	2 658
International traffic	250	236	229	240	955	241	-	-	-	241
Total retail traffic	3 521	3 085	2 859	2 967	12 432	2 899	-	-	-	2 899
Wholesale traffic volume in millions of minutes										
National traffic	**4 478**	**4 279**	**3 990**	**4 308**	**17 055**	**4 238**	-	-	-	**4 238**
International incoming traffic	362	378	380	401	1 521	405	-	-	-	405
International termination traffic	329	435	371	373	1 508	353	-	-	-	353
Total international traffic	691	813	751	774	3 029	758	-	-	-	758
Total wholesale traffic	5 169	5 092	4 741	5 082	20 084	4 996	-	-	-	4 996

Operational data Mobile Number of subscribers in thousands	1. quarter	2. quarter	3. quarter	4. quarter	2004	1. quarter	2. quarter	3. quarter	4. quarter	2005
Postpaid	2 412	2 448	1 484	2 518	2 518	2 536	-	-	-	2 536
Prepaid	1 426	1 450	1 461	1 390	1 390	1 447	-	-	-	1 447
Total	3 838	3 898	2 945	3 908	3 908	3 983	-	-	-	3 983
CHF, minutes or millions										
ARPU in CHF	79	82	83	79	81	77	-	-	-	77
AMPU in minutes	116	119	120	116	118	112	-	-	-	112
Number of SMS messages in millions	574	463	465	484	1 986	493	-	-	-	493

Operational data Solutions Traffic volume in millions of minutes	1. quarter	2. quarter	3. quarter	4. quarter	2004	1. quarter	2. quarter	3. quarter	4. quarter	2005
Local and long-distance traffic	479	442	428	430	1 779	437	-	-	-	437
Fixed-to-mobile traffic	73	69	68	68	278	64	-	-	-	64
Total national traffic	552	511	496	498	2 057	501	-	-	-	501
International traffic	93	88	89	91	361	92	-	-	-	92
Total national and international traffic	645	599	585	589	2 418	593	-	-	-	593

The interim report is published in German and English. The German version is binding.

Cautionary statement regarding forward-looking statements

This communication contains Statements that constitute "forward-looking Statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the 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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