

Interim Report January – September 2005

Key figures

CHF in millions, except where indicated	30.09.2004	30.09.2005
Swisscom Group		
Net revenue	7 525	7 298
Operating income before interest, taxes, depreciation and amortization (EBITDA)	3 389	3 272
As % of net revenue	%	45.0
Operating income (EBIT)	2 083	2 229
Income from continuing operations	1 647	1 906
Net income	1 406	1 906
Net income attributable to equity holders of Swisscom AG	1 141	1 650
Total equity	7 662	6 895
Equity ratio ¹	%	50.0
Number of full-time equivalent employees at end of period ²	FTE	15 644
Average number of full-time equivalent employees ³	FTE	15 695
Revenue per employee	CHF in thousands	479
EBITDA per employee	CHF in thousands	216
Net cash provided by operating activities	3 036	2 907
Equity free cash flow ⁴	2 566	2 362
Capital expenditure	775	667
Net funds ⁵	2 123	2 395

¹ Total equity as a percentage of total assets.

² Excludes 461 and 492 full-time equivalent employees of the employment company Worklink at September 30, 2005.

³ Excludes 413 and 491 full-time equivalent employees of the employment company Worklink in the first nine months of 2005.

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 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.

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 nine months of 2005 Swisscom's net revenue fell year-on-year by 3.0% to CHF 7,298 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 3.5% to CHF 3,272 million. Thanks to lower depreciation and amortization, a higher net financial result and the omission of the loss from the discontinued operation (debitel), however, net income rose by 35.6% to CHF 1,906 million. Net income after deduction of the minority interests increased by 44.6% to CHF 1,650 million. Earnings per share rose by 56.2% to CHF 27.22 as a result of the increase in net revenue and the share buy-back program. The equity free cash flow decreased by CHF 204 million to CHF 2,362 million. As already announced after the first quarter of 2005 and confirmed after the first six months, Swisscom expects net revenue in 2005 of around CHF 9.6 billion and operating income before interest, taxes, depreciation and amortization (EBITDA) of around CHF 4.1 billion, as a result of keen competition and price pressure on Mobile and Fixnet and the transfer of the International Carrier Services activities to the affiliated company with Belgacom.

CHF in millions	30.09.2004 ¹	30.09.2005	Change
Net revenue	7 525	7 298	-3.0%
Other income	141	189	34.0%
Goods and services purchased	(1 370)	(1 372)	0.1%
Personnel expenses	(1 610)	(1 595)	-0.9%
Other operating expenses	(1 297)	(1 248)	-3.8%
EBITDA	3 389	3 272	-3.5%
Depreciation and amortization	(1 269)	(1 043)	-17.8%
Amortization of goodwill	(37)	-	-
EBIT	2 083	2 229	7.0%
Net financial result	(22)	118	-
Equity in net income of affiliated companies	9	9	-
Income before income taxes	2 070	2 356	13.8%
Income tax expense	(423)	(450)	6.4%
Income from continuing operations	1 647	1 906	15.7%
Loss from discontinued operation (debitel)	(241)	-	-
Net income	1 406	1 906	35.6%
Attributable to equity holders of Swisscom AG	1 141	1 650	44.6%
Attributable to minority interests	265	256	-3.4%
Earnings per share	17.43	27.22	56.2%

¹ The previous year's figures include adjustments in compliance with IAS 17. The effect on EBITDA and net income for the first nine months of 2004 amounted to minus CHF 12 million and CHF 3 million, respectively.

Net revenue

Net revenue from external customers decreased year-on-year by CHF 227 million (3.0%) to CHF 7,298 million. The Fixnet segment reported a decrease in revenue of CHF 150 million (4.4%) to CHF 3,265. On the one hand there was a rise in access fees as a result of ADSL (broadband) growth, but on the other hand an even bigger decline in traffic. In the Mobile segment revenue of CHF 2,754 was comparable with the previous year. The decline in revenue as a result of price reductions was offset by a higher number of subscribers. The Solutions segment reported a decline in revenue of CHF 121 million (12.7%) to CHF 835 million as a result of permanent competition and pressure on prices. The segment Other reported a growth in revenue of CHF 53 million (15.5%) to CHF 395 million thanks to increased sales of Swisscom IT Services with third parties.

Financial Review

EBITDA

The decline in revenue could not be wholly compensated for through cost savings on operating expenses. For this reason EBITDA decreased by CHF 117 million (3.5%) to CHF 3,272 million. EBITDA margin decreased from 45.0% to 44.8%.

Other income

The increase in other income of CHF 48 million to CHF 189 million is mainly due to the gain from the sale of real estates and higher capitalized costs.

Depreciation and amortization

Depreciation and amortization on tangible and intangible assets decreased year-over-year by CHF 226 million to CHF 1,043 million. This decline is mainly due to an impairment recognized in the third quarter of 2004 of CHF 150 million on tangible assets in international carrier and termination business.

Net financial result

The net financial result increased by CHF 140 million to CHF 118 million, primarily due to increased net interest compared with the previous year and the gain from the early repayment of vendor loan notes granted to the purchasers of debitel and the reversal of a provision from cross-border tax lease arrangements.

Income tax expense

Income tax expense amounted to CHF 450 million (previous year: CHF 423 million), which corresponds to an effective income tax rate of 19.1% (previous year: 20.4%)

Discontinued operation (debitel)

The stake in debitel, sold in 2004 is disclosed separately in the previous year's figures as a discontinued operation. The result in the first nine months of 2005 of CHF 241 million is made up of the period profit of CHF 5 million and the loss on the sale of CHF 246 million. This includes the removal from equity into income statement of the currency translation loss of CHF 238 million accumulated since the acquisition in 1999.

Net income and earnings per share

Net income increased year-on-year by CHF 500 million (35.6 %) to CHF 1,906 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 interests of the minority shareholders in fully consolidated group companies. Net income after deduction of the minority interests increased by CHF 509 million (44.6%) to CHF 1,650 million.

As a result of the increase in net income and the share buy-back scheme and the ensuing lower average number of shares, earnings per share increased by 56.2% to CHF 27.22.

Review of the Segments

The financial review reports on the following segments

- **Fixnet**
- **Mobile**
- **Solutions**
- **Other**, comprising the Group companies Swisscom IT Services AG, Swisscom Broadcast AG, the Accarda Group, including Billag AG, Accarda AG (formerly Billag Card Services AG) and Medipa AG and the Swisscom Eurospot Group.
- **Corporate**, comprising divisions at Group Headquarters, shared services for group companies, Swisscom Immobilien AG and the employment company Worklink AG.

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

CHF in millions	Net revenue ^{1 2}			EBITDA ^{2 3}		
	30.09.2004	30.09.2005	Change	30.09.2004	30.09.2005	Change
Fixnet	4 284	4 012	-6.3%	1 663	1 593	-4.2%
Mobile	3 260	3 158	-3.1%	1 500	1 446	-3.6%
Solutions	1 076	940	-12.6%	152	72	-52.6%
Other	701	750	7.0%	112	134	19.6%
Corporate	458	512	11.8%	(38)	33	-
Intercompany	(2 254)	(2 074)	-8.0%	-	(6)	-
Total	7 525	7 298	-3.0%	3 389	3 272	-3.5%

¹ Includes intersegment revenue.

² Excluding discontinued operation (debitel).

³ The previous year's figures include adjustments in compliance with IAS 17. The effect for the first nine months of 2004 amounted to minus CHF 12 million.

Financial Review

Fixnet			
	30.09.2004	30.09.2005	Change
CHF in millions			
Local and long-distance traffic	331	294	-11.2%
Fixed-to-mobile traffic	352	317	-9.9%
Internet traffic	85	58	-31.8%
International traffic	173	158	-8.7%
Total retail traffic	941	827	-12.1%
Wholesale traffic	509	388	-23.8%
Other traffic	122	99	-18.9%
Access	1 397	1 483	6.2%
Other revenue	446	468	4.9%
Revenue from external customers	3 415	3 265	-4.4%
Intersegment revenue	869	747	-14.0%
Net revenue	4 284	4 012	-6.3%
Segment expenses (incl. intercompany)	2 621	2 419	-7.7%
EBITDA	1 663	1 593	-4.2%
<i>Margin as % of net revenue</i>	38.8	39.7	
Depreciation and amortization	836	602	-28.0%
EBIT before amortization of goodwill	827	991	19.8%
Amortization of goodwill	5	-	-
EBIT	822	991	20.6%
Number of lines in thousands			
	30.09.2004	30.09.2005	Change
PSTN lines	3 029	2 930	-3.3%
ISDN lines	925	911	-1.5%
Total number of lines PSTN / ISDN	3 954	3 841	-2.9%
ADSL retail lines	431	645	49.7%
ADSL wholesale lines	286	365	27.6%
Total number of ADSL lines	717	1 010	40.9%
Retail traffic volume in millions of minutes			
	30.09.2004	30.09.2005	Change
Local and long-distance traffic	5 434	4 957	-8.8%
Fixed-to-mobile traffic	717	695	-3.1%
Internet traffic	2 599	1 750	-32.7%
Total national traffic	8 750	7 402	-15.4%
International traffic	715	692	-3.2%
Total retail traffic	9 465	8 094	-14.5%
Wholesale traffic volume in millions of minutes			
	30.09.2004	30.09.2005	Change
National traffic	12 747	12 014	-5.8%
International incoming traffic	1 120	1 192	6.4%
International termination traffic	1 135	755	-33.5%
Total international traffic	2 255	1 947	-13.7%
Total wholesale traffic	15 002	13 961	-6.9%
CHF in millions or number			
	30.09.2004	30.09.2005	Change
Capital expenditure	310	333	7.4%
Number of full-time equivalent employees at end of period	7 620	7 198	-5.5%

Revenue from Fixnet with external customers decreased by 4.4% to CHF 3,265 million compared with the previous year. The decline in revenue could not be wholly compensated for through cost savings on operating expenses. For this reason EBITDA decreased by 4.2% to CHF 1,593 million. In 2005 Fixnet expects a decline in revenue and EBITDA as a result of keen competition and the transfer of the International Carrier Services activities to the affiliated company with Belgacom as per July 1, 2005.

Revenue from retail traffic fell by 12.1% to CHF 827 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, the market entry of cable television companies and the introduction of new pricing systems. Revenue in fix-to-mobile and international traffic fell as a result of reduced volumes due to competition. A further reason for the decline in revenue is a price reduction resulting from lower termination costs.

Revenue from wholesale traffic declined both nationally and internationally by a total of 23.8% to CHF 388 million. The decrease in national wholesale traffic is due to the migration of Internet traffic to ADSL and a reduction in regulated national interconnection tariffs. Wholesale International traffic fell as a result of lower prices and the transfer of the International Carrier Services activities to the affiliated company with Belgacom as of July 1, 2005. Revenue from International Incoming is still presented since not all contracts could be transferred to the company by July 2005. The transfer of the remaining contracts is scheduled for the beginning of 2006.

Access revenue rose by 6.2% to CHF 1,483 million. On the one hand there was an increase in the number of ADSL lines and on the other a decrease in the number of analogue and digital access lines (PSTN/ISDN). The number of ADSL lines on September 30, 2005 exceeded the one million mark for the first time. This business included 645,000 lines subscribed to by Bluewin retail customers and 365,000 by the customers of other providers. The number of analogue and digital access lines decreased by 2.9% to 3,841,000, mainly as a result of the market entry of cable television companies.

The decrease in intersegment revenue is due to reduced revenue with Mobile and Solutions.

The operating expenses of Fixnet decreased in relation to the previous year by 7.7% to a total of CHF 2,419 million and can be attributed to lower revenue-related expenditure and cost reduction measures. The operating expenses include costs of workforce reduction measures amounting to CHF 45 million (previous year: CHF 25 million).

EBITDA fell year-on-year by 4.2% to CHF 1,593 million. The fall in revenue could not be offset by cost reductions. EBITDA margin increased from 38.8% to 39.7% principally due to the omission of revenue with weak margin.

In the third quarter of 2004 an impairment of CHF 150 million was recognized. This impairment was entered following the revaluation of the value of the assets in the international transit and termination business as a result of continuing pressure on prices and margins.

Financial Review

Mobile			
CHF in millions	30.09.2004	30.09.2005	Change
Connectivity voice	1 724	1 684	-2.3%
Connectivity data and value added services	385	447	16.1%
Base fees	518	510	-1.5%
Other revenue	131	113	-13.7%
Revenue from external customers	2 758	2 754	-0.1%
Intersegment revenue	502	404	-19.5%
Net revenue	3 260	3 158	-3.1%
Segment expenses (incl. intercompany)	1 760	1 712	-2.7%
EBITDA	1 500	1 446	-3.6%
<i>Margin as % of net revenue</i>	<i>46.0</i>	<i>45.8</i>	
Depreciation and amortization	269	282	4.8%
EBIT	1 231	1 164	-5.4%

Number of subscribers in thousands	30.09.2004	30.09.2005	Change
Postpaid	2 484	2 603	4.8%
Prepaid	1 461	1 571	7.5%
Total	3 945	4 174	5.8%

CHF, minutes or millions	30.09.2004	30.09.2005	Change
ARPU in CHF	81	76	-6.2%
AMPU in minutes	118	119	0.8%
Number of SMS messages in millions	1 502	1 472	-2.0%

CHF in millions or number	30.09.2004	30.09.2005	Change
Capital expenditure	354	192	-45.8%
Number of full-time equivalent employees at end of period	2 506	2 440	-2.6%

Mobile decreased its revenue with external customers by 0.1% to CHF 2,754 million compared with the previous year. EBITDA decreased by 3.6% to CHF 1,446 million. Mobile expects revenue to be on a level with last year and EBITDA to decrease.

With effect from June 1, 2005 Swisscom Mobile reduced the price for termination on their network by 40% and launched a new product (NATEL Swiss Liberty) with a flat-rate charge of CHF 0.50 per call of up to one hour (for every new hour started another CHF 0.50 is charged). These price reductions affected revenue and EBITDA as per September 30, 2005 in the amount of CHF 124 million. The price reductions for termination will have a negative effect on revenue in 2005 up to a maximum of CHF 165 million. Reduction in revenue with external customers resulting from the price reductions should be compensated for through an increase in the number of subscribers. Although the reduction is expected to generate more usage, this will not compensate for the price reduction in the short term so that the EBITDA will be negatively affected.

The number of subscribers increased year-over-year by a net total of 229,000 or 5.8% to 4,174,000. The increase is largely due to the increasing mobile penetration, the churn management and the good market position of Mobile resulting from the launch of new products and tariff plans. The number of subscribers includes 400,000 NATEL Swiss Liberty subscribers and 50,000 M-Budget Mobile subscribers, a pre-paid product launched in the third quarter of 2005. 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 subscribers are no longer included in the total number of subscribers as per September 30, 2005.

Revenue from Connectivity Voice declined by 2.3% to CHF 1,684 million. The average minutes per user per month (AMPU) increased due to the launch of new products and tariffs from 118 minutes to 119 minutes. This increase could not be compensated for through price reductions so that average revenue per user per month (ARPU) fell from CHF 81 to CHF 76.

Revenue from Connectivity Data and Value Added Services rose year-over-year by 16.1% to CHF 447 million, mainly as a result of a higher number of subscribers and the launch of new data services. The decrease in the number of SMS messages sent is due to the SMS-campaign in March 2004. For a flat rate of CHF 5 subscribers could send an unlimited number of SMS messages in Switzerland. Without this campaign the number of SMS messages sent is higher than the previous year.

Other revenue fell by 13.7% or CHF 113 million compared with the previous year and was chiefly due to a decrease in the number of handset sales by Mobile.

Intersegment revenue fell by 19.5% to CHF 404 million as a result of the price reductions for termination and a decline in deliveries of handsets to Fixnet for sale in Swisscom Shops.

Operating expenses fell year-over-year by 2.7% to CHF 1,712 million, mainly as a result of lower costs for the purchase of handsets and cost saving measures.

EBITDA fell as a result of these effects by 3.6% to CHF 1,446 million. The EBITDA margin of 46.0% was comparable with the previous year (45.8%).

Financial Review

Solutions			
CHF in millions	30.09.2004	30.09.2005	Change
Local and long-distance traffic	83	67	-19.3%
Fixed-to-mobile traffic	93	76	-18.3%
International traffic	50	43	-14.0%
Total traffic	226	186	-17.7%
Leased lines	140	112	-20.0%
Intranet services	130	114	-12.3%
Other revenue service business	203	181	-10.8%
Solution business	198	200	1.0%
Other revenue	59	42	-28.8%
Revenue from external customers	956	835	-12.7%
Intersegment revenue	120	105	-12.5%
Net revenue	1 076	940	-12.6%
Segment expenses (incl. intercompany)	924	868	-6.1%
EBITDA	152	72	-52.6%
<i>Margin as % of net revenue</i>	<i>14.1</i>	<i>7.7</i>	
Depreciation and amortization	36	29	-19.4%
EBIT	116	43	-62.9%

Traffic volume in millions of minutes	30.09.2004	30.09.2005	Change
Local and long-distance traffic	1 349	1 265	-6.2%
Fixed-to-mobile traffic	210	195	-7.1%
Total national traffic	1 559	1 460	-6.4%
International traffic	270	270	-
Total national and international traffic	1 829	1 730	-5.4%

CHF in millions or number	30.09.2004	30.09.2005	Change
Capital expenditure	21	12	-42.9%
Number of full-time equivalent employees at end of period	1 956	1 819	-7.0%

Revenue from external customers dropped by 12.7% to CHF 835 million compared with the previous year and EBITDA fell by 52.6% to CHF 72 million. In 2005 Solutions expects a decline in revenue and EBITDA as a result of the continuing keen competition.

Traffic revenue decreased by 17.7% to CHF 186 million, mainly as a result of the substitution effect from mobile telephony as well as lower prices due to constant competitive pressure.

The drop in leased line revenue of 20.0% to CHF 112 million was mainly due to the migration of existing products to Internet (IP) based services with lower prices and optimisation of customer networks.

Revenue from Intranet Services is attributable to the substitution of traditional technology with new technology and lower prices due to competitive pressure.

The decrease in other revenue of 28.8% to CHF 42 million stems principally from lower revenue from the lease of private branch exchanges.

The operating expense declined in comparison with the previous year by 6.1% to CHF 868 million, mainly due to revenue-related lower purchasing volumes and lower personnel costs as a result of the lower headcount.

EBITDA dropped as a result of the above-mentioned effects by 52.6% to CHF 72 million. EBITDA margin amounted to 7.7% (previous year: 14.1%).

Other

	30.09.2004	30.09.2005	Change
CHF in millions			
Swisscom IT Services	144	181	25.7%
Swisscom Broadcast	112	111	-0.9%
Accarda Group	81	82	1.2%
Swisscom Eurospot	5	21	-
Revenue from external customers	342	395	15.5%
Intersegment revenue	359	355	-1.1%
Net revenue	701	750	7.0%
Segment expenses (incl. intercompany)	589	616	4.6%
EBITDA	112	134	19.6%
<i>Margin as % of net revenue</i>	<i>16.0</i>	<i>17.9</i>	
Depreciation and amortization	93	100	7.5%
EBIT before amortization of goodwill	19	34	78.9%
Amortization of goodwill	32	-	-
EBIT	(13)	34	-
CHF in millions or number	30.09.2004	30.09.2005	Change
Capital expenditure	100	84	-16.0%
Number of full-time equivalent employees at end of period	2 651	2 931	10.6%

The Other segment comprises the Group companies Swisscom IT Services AG, Swisscom Broadcast AG, the Accarda Group, including Billag AG, Acarda AG (formerly Billag Card Services AG) and Medipa AG and the Swisscom Eurospot Group.

Revenue from external customers rose by 15.5% to CHF 395 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 4.6% to CHF 616 million, primarily revenue-related. EBITDA increased by 19.6% to CHF 134 million because revenue increased more than operating expenses. EBITDA margin was 17.9% (previous year 16.0%).

In 2005 the Other segment expects an increase in revenue and EBITDA as a result of the above-mentioned factors.

Financial Review

Corporate			
CHF in millions	30.09.2004	30.09.2005	Change
Revenue from external customers	54	49	-9.3%
Intersegment revenue	404	463	14.6%
Net revenue	458	512	11.8%
Segment expenses (incl. intercompany)	496	479	-3.4%
EBITDA	(38)	33	-
<i>Margin as % of net revenue</i>	-8.3	6.4	
Depreciation and amortization	35	32	-8.6%
EBIT	(73)	1	-

CHF in millions or number	30.09.2004	30.09.2005	Change
Capital expenditure	9	48	-
Number of full-time equivalent employees at end of period	911	900	-1.2%

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

Intersegment revenue rose by 14.6% to CHF 463 million and is attributable to increased revenue from the real estate company from centralized settlement of energy costs with other group companies.

Operating expenditure decreased by 3.4% to CHF 479 million. This includes costs for workforce reduction measures, including expenditure on the employment company Worklink AG of CHF 32 million (previous year: CHF 54 million). Operating expenditure also includes the gain from the sale of real estates of CHF 27 million (previous year: CHF 5 million). As a result of these effects Corporate increased EBITDA by CHF 71 million to CHF 33 million.

In 2005 the Corporate segment expects an improved EBITDA as a result of lower expenditure in connection with the employment company Worklink AG.

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:

CHF in millions	30.09.2004	30.09.2005	Change
Fixnet	25	45	20
Mobile	-	2	2
Solutions	(2)	-	2
Other	(1)	(4)	(3)
Corporate	1	1	-
Elimination part of employment company Worklink	(10)	(23)	(13)
Total termination benefits Swisscom Group (Outplacement)¹	13	21	8
Salaries and wages Worklink participants	63	54	(9)
Total termination benefits and salaries and wages employment company²	76	75	(1)

¹ Included in Corporate segment minus CHF 22 million (previous year: minus CHF 9 million).

² Included in Corporate segment CHF 32 million (previous year: CHF 54 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 44 million (previous year: CHF 23 million). This includes costs of CHF 23 million (previous year: CHF 10 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.

Financial Review

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	30.09.2004	30.09.2005	Change
EBITDA	3 389	3 272	(117)
Changes in operating assets and liabilities and other payments and receipts from operating activities	(175)	(94)	81
Net interest	(14)	4	18
Income taxes paid	(164)	(275)	(111)
Net cash provided by operating activities	3 036	2 907	(129)
Capital expenditure	(775)	(667)	108
Acquisition of subsidiaries and affiliated companies	-	(115)	(115)
Proceeds from the sale of discontinued operation (debitel)	573	-	(573)
Repayment of vendor loan notes from the sale of debitel	-	351	351
Disposal of available-for-sale investments	15	230	215
Repayment of debt (Billag Group)	(4)	-	4
Dividends paid to minority interests	(360)	(367)	(7)
Other cash flow from investing and financing activities, net	81	23	(58)
Equity free cash flow	2 566	2 362	(204)
Investments in and sale of other current financial assets, net	(397)	(804)	(407)
Other changes of financial liabilities	(74)	(162)	(88)
Dividends paid	(861)	(861)	-
Share buy-back	(1 047)	(1 230)	(183)
Other cash flow, net	(2 379)	(3 057)	(678)
Net increase (decrease) in cash and cash equivalents	187	(695)	(882)

In the first nine months of 2005 the equity free cash flow amounted to CHF 2,362 million, CHF 204 million lower than the previous year. Equity free cash flow decreased as a result of higher income tax payments by CHF 111 million and expenditure on the acquisition of stakes by CHF 115 million. The previous year included proceeds of CHF 573 million from the sale of debitel. In the first nine months of 2005 proceeds of CHF 351 million from the early repayment of vendor loan notes granted to the purchasers of debitel and CHF 201 million and CHF 28 million respectively from the sale of the stakes in Infonet and Intelsat held for sale were included.

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 shown under share buy-back.

In the fourth quarter of 2005 the purchasing price for the acquisition of the 75% stake in Antenna Hungaria and a special payment to Swisscom's pension fund will be paid which will lead to a reduction in the equity free cash flow.

Swisscom intends to acquire a 100% stake in Antenna Hungaria. The agreed purchasing price for a 75% stake is CHF 293 million. Swisscom intends to submit an offer for the remaining shares that will be at least as high as the price paid for the 75% stake. If all the shares are tendered at this price, Swisscom would make an additional payment of around CHF 100 million, probably in the first quarter of 2006.

Swisscom intends to transfer the older employees to a new pension scheme in which the retirement benefits are not calculated on the basis of the last insured salary (final salary plan) but in line with individual savings accounts (cash balance plan). In order to finance these changes Swisscom will make a payment of around CHF 300 million to comPlan in the fourth quarter of 2005. This one-off payment will lead to lower pension cost in the future and a decrease in the benefit obligation in excess of plan assets in accordance with IFRS. The committee of the pension fund comPlan passed a resolution on the change in plans.

Net debt (net funds)

CHF in millions	30.09.2004	30.09.2005	Change
Financial liability from cross-border tax lease arrangements	1 375	1 491	116
Finance lease obligation	863	689	(174)
Other short-term debt	503	164	(339)
Total financial liabilities	2 741	2 344	(397)
Cash and cash equivalents	(3 376)	(1 695)	1 681
Current financial assets	(409)	(1 904)	(1 495)
Financial assets from lease and leaseback transactions	(1 079)	(1 140)	(61)
Net funds	(2 123)	(2 395)	(272)

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 September 30, 2005, net funds amounted to CHF 2,395 million (previous year: CHF 2,123 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 cross-border tax lease arrangements. 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 1,140 million.

Outlook

As already forecast in the first quarter of 2005 and confirmed after the first six months, Swisscom expects net revenue of around CHF 9.6 billion and operating income before interest, tax, depreciation and amortization (EBITDA) of approximately CHF 4.1 billion for 2005. The year-on-year decline in revenue and EBITDA will amount to approximately CHF 0.4 billion and CHF 0.3 billion, primarily as a result of reduced traffic at Fixnet, price reductions at Mobile (especially termination) and the transfer of International Carrier Services activities to the affiliated company with Belgacom as of August. Capital expenditure in 2005 in the Swisscom group will amount to around CHF 1.1 billion.

Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	1.7.-30.9.2004		unaudited	
		1.7.-30.9.2004	1.7.-30.9.2005	1.1.-30.9.2004	1.1.-30.9.2005
Net revenue		2 526	2 386	7 525	7 298
Other income		42	91	141	189
Total		2 568	2 477	7 666	7 487
Goods and services purchased		469	479	1 370	1 372
Personnel expenses		513	504	1 610	1 595
Other operating expenses		440	421	1 297	1 248
Depreciation		492	313	1 195	967
Amortization		37	27	111	76
Total operating expenses		1 951	1 744	5 583	5 258
Operating income		617	733	2 083	2 229
Net financial result	3	(4)	28	(22)	118
Equity in net income of affiliated companies		2	3	9	9
Income before income taxes		615	764	2 070	2 356
Income tax expense		(141)	(155)	(423)	(450)
Income from continuing operations		474	609	1 647	1 906
Loss from discontinued operation (debitel)	6	-	-	(241)	-
Net income		474	609	1 406	1 906
Attributable to equity holders of Swisscom AG		384	534	1 141	1 650
Attributable to minority interests		90	75	265	256
Basic and diluted gain per share (in CHF)					
- from continuing operations		5.98	9.00	21.11	27.22
- from discontinued operation (debitel)		-	-	(3.68)	-
- net income		5.98	9.00	17.43	27.22
Average number of shares outstanding (in thousands)		64 244	59 352	65 459	60 608

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		31.12.2004	30.09.2005
Assets			
Current assets			
Cash and cash equivalents		2 387	1 695
Current financial assets		1 285	1 904
Assets held for sale	8	-	7
Other current assets		2 533	2 541
Total current assets		6 205	6 147
Non-current assets			
Property, plant and equipment		6 190	5 745
Investments in affiliated companies	7	58	189
Goodwill and other intangible assets		416	468
Non-current financial assets		1 275	1 179
Deferred tax assets		88	71
Total non-current assets		8 027	7 652
Total assets		14 232	13 799
Liabilities and equity			
Current liabilities			
Short-term debt	4	382	210
Current tax liabilities		342	448
Other current liabilities		1 972	1 870
Total current liabilities		2 696	2 528
Long-term liabilities			
Long-term debt	4	1 932	2 134
Accrued pension cost		1 118	1 108
Deferred tax liabilities		234	282
Other long-term liabilities		798	852
Total long-term liabilities		4 082	4 376
Total liabilities		6 778	6 904
Equity attributable to equity holders of Swisscom AG		6 791	6 343
Equity attributable to minority interests		663	552
Total equity		7 454	6 895
Total liabilities and equity		14 232	13 799

Consolidated cash flow statement (condensed)

Cash flow statement from continuing operations

CHF in millions	Note	unaudited	
		30.09.2004	30.09.2005
Cash flows from operating activities			
Operating income before interest, taxes, depreciation and amortization (EBITDA)		3 389	3 272
Change in working capital and other cash flow from operating activities		(175)	(94)
Net interest	3	(14)	4
Income taxes paid		(164)	(275)
Net cash provided by operating activities		3 036	2 907
Cash flows from investing activities			
Capital expenditure		(775)	(667)
Acquisition of subsidiaries and affiliated companies	7	-	(115)
Proceeds from the sale of discontinued operation (debitel)	6	573	-
Disposal of available-for-sale investments		15	230
Investments in and sale of other current financial assets, net		(397)	(804)
Repayment of vendor loan notes from the sale of debitel	6	-	351
Purchase and sale of other non-current financial assets, net		68	2
Other cash flow from investing activities, net		27	36
Net cash used in investing activities		(489)	(967)
Cash flows from financing activities			
Repayment of debt		(78)	(162)
Purchase and sale of treasury stock, net		(14)	(15)
Share buy-back	5	(1 047)	(1 230)
Dividends paid		(861)	(861)
Dividends paid to minority interests		(360)	(367)
Net cash used in financing activities		(2 360)	(2 635)
Net increase (decrease) in cash and cash equivalents		187	(695)
Cash and cash equivalents at beginning of year		3 104	2 387
Effect of exchange rate changes on cash and cash equivalents		(4)	3
Cash flow from discontinued operation (debitel)		(6)	-
Cash and cash equivalents at end of the period		3 281	1 695

Cash flow statement from discontinued operation (debitel)

CHF in millions	30.09.2004	30.09.2005
Cash and cash equivalents at beginning of year	133	-
Net increase of cash and cash equivalents	4	-
Effect of exchange rate changes on cash and cash equivalents	(6)	-
Cash and cash equivalents at closing	131	-
Cash and cash equivalents at end of the period	-	-

Consolidated statement of equity (condensed)

CHF in millions	Note	unaudited						Equity total	
		Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Other reserves	Total equity holders of Swisscom		Minority interest
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		-	-	-	-	(16)	(16)	-	(16)
Transfer of the accumulated currency translation loss from the sale of debitel to the income statement		-	-	-	-	238	238	-	238
Fair value adjustments		-	-	-	-	(15)	(15)	-	(15)
Gains and losses directly recognized in equity, net		-	-	-	-	207	207	-	207
Net income		-	-	1 141	-	-	1 141	265	1 406
Dividends paid		-	-	(861)	-	-	(861)	(360)	(1 221)
Share buy-back		-	-	-	(1 238)	-	(1 238)	-	(1 238)
Balance at September 30, 2004		66	572	7 684	(1 239)	(57)	7 026	636	7 662
Balance at December 31, 2004		66	572	8 139	(2 002)	16	6 791	663	7 454
Translation adjustments		-	-	-	-	10	10	-	10
Fair value adjustments		-	-	-	-	19	19	-	19
Gains and losses directly recognized in equity, net		-	-	-	-	29	29	-	29
Net income		-	-	1 650	-	-	1 650	256	1 906
Dividends paid		-	-	(861)	-	-	(861)	(367)	(1 228)
Purchase of treasury stock		-	-	-	(1)	-	(1)	-	(1)
Capital reduction		(5)	(180)	(1 816)	2 001	-	-	-	-
Share buy-back	⁵	-	-	-	(1 265)	-	(1 265)	-	(1 265)
Balance at September 30, 2005		61	392	7 112	(1 267)	45	6 343	552	6 895

Notes to the Consolidated Interim Statements (condensed)

1 Accounting principles

The unaudited consolidated interim statements have been drawn up in accordance with International Accounting Standard (IAS) 34 „Interim Financial Reporting“.

The unaudited condensed 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 with the exception of the new standards and amendments to the International Financial Reporting Standards (IFRS) which entered into force on January 1, 2005. The most significant effects on Swisscom's consolidated results are outlined below:

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).

IFRS 3 „Business Combinations“: Goodwill will no longer be amortized on a straight-line basis but only in case of impairment. In the case of new acquisitions the purchasing price must be attributed to recognized and identifiable assets and liabilities, contingent liabilities and goodwill. A large proportion of the purchasing 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 applied this new standard in 2004 for some transactions completed after March 31, 2004. In the first nine months of 2004 Swisscom's goodwill amortization amounted to CHF 37 million.

IFRS 5: „Assets held for sale and discontinued operations“: Assets or groups of assets held for sale are to be presented separately in the balance sheet at the lower of the carrying amount or fair value less selling costs. Swisscom is applying this new standard from January 1, 2005.

IAS 27 „Consolidated Financial Statements and Accounting for Investments in Subsidiaries“: Third party minority interests in fully consolidated subsidiaries will be treated as shareholders' equity. Minority interests will be presented in the consolidated balance sheet under equity. In the income statement minority interests' share in net profits 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 shareholders' equity disclosed will be higher. In 2004 the minority interest in net profit and shareholders' 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. These changes have been applied retrospectively. The accumulated effect on shareholders' equity as at December 31, 2003 and 2004 was CHF 108 million and CHF 110 million respectively and is made up of deductions in the lease obligations reported of CHF 223 and CHF 221 million respectively, the recoverable amount for buildings of CHF 211 million and 205 million respectively, the deferred income tax credit balance of CHF 11 million for both years and the profit from sale and leaseback recorded under other long term liabilities of CHF 107 million and 105 million. Respectively, this also led to a CHF 10 million increase in lease expenditure in the first nine months of 2004 and decreases other income of CHF 2 million, in depreciation of CHF 4 million and interest expenses of CHF 11 million.

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 Accarda Group, including Billag AG, Accarda AG (formerly Billag Card Services AG) and Medipa AG and the Swisscom Eurospot Group.

„Corporate“ covers the costs of headquarters, shared services for group companies, Swisscom Immobilien AG, 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 (condensed)

	unaudited						
30.09.2004	Fixnet	Mobile	Solutions	Other	Corporate	Elimi- nation	Total
CHF in millions							
Net revenue from external customers	3 415	2 758	956	342	54	-	7 525
Intersegment net revenue	869	502	120	359	404	(2 254)	-
Net revenue	4 284	3 260	1 076	701	458	(2 254)	7 525
Segment expenses	(2 621)	(1 760)	(924)	(589)	(496)	2 254	(4 136)
Operating income before depreciation and amortization (EBITDA)	1 663	1 500	152	112	(38)	-	3 389
Margin in %	38.8	46.0	14.1	16.0	-8.3	-	45.0
Depreciation and amortization	(836)	(269)	(36)	(93)	(35)	-	(1 269)
Operating income before amortization of goodwill	827	1 231	116	19	(73)	-	2 120
Amortization of goodwill	(5)	-	-	(32)	-	-	(37)
Operating income (EBIT)	822	1 231	116	(13)	(73)	-	2 083

	unaudited						
30.09.2005	Fixnet	Mobile	Solutions	Other	Corporate	Elimi- nation	Total
CHF in millions							
Net revenue from external customers	3 265	2 754	835	395	49	-	7 298
Intersegment net revenue	747	404	105	355	463	(2 074)	-
Net revenue	4 012	3 158	940	750	512	(2 074)	7 298
Segment expenses	(2 419)	(1 712)	(868)	(616)	(479)	2 068	(4 026)
Operating income before depreciation and amortization (EBITDA)	1 593	1 446	72	134	33	(6)	3 272
Margin in %	39.7	45.8	7.7	17.9	6.4	-	44.8
Depreciation and amortization	(602)	(282)	(29)	(100)	(32)	2	(1 043)
Operating income (EBIT)	991	1 164	43	34	1	(4)	2 229

3 Net financial result

CHF in millions	unaudited	
	30.09.2004	30.09.2005
Interest income	93	109
Interest expense	(107)	(105)
Net interest	(14)	4
Present value adjustment on accrued liabilities	(10)	(6)
Gain from early repayment of vendor loan notes from the sale of debitel	-	59
Gain on disposal of financial assets	10	16
Reversal of provision from cross-border tax lease arrangements	-	24
Foreign exchange gain	9	21
Other financial result, net	(17)	-
Net financial result	(22)	118

Between 1996 and 2002 Swisscom entered into cross-border tax lease arrangements with foreign investors and promised to meet minimum credit ratings on the financial assets. Shortly before the end of 2004 the credit rating of some financial assets was downgraded by the rating agencies such that they dropped below the minimum rating agreed in the contracts. The cash value needed to restore the contractually agreed rating was estimated at CHF 34 million and a provision was recognized for this purpose at the end of 2004. By the third quarter of 2005 the minimum credit ratings had been finally restored for a cost of CHF 10 million. The unused provisions could therefore be reversed as at September 30, 2005.

4 Financial liabilities

CHF in millions	unaudited	
	31.12.2004	30.09.2005
Long-term debt		
Financial liability from cross-border tax lease arrangements	1 262	1 491
Finance lease obligation	814	689
Total	2 076	2 180
Less current portion	(144)	(46)
Total long-term debt	1 932	2 134
Short-term debt		
Current portion of long-term debt	144	46
Other short-term debt	238	164
Total short-term debt	382	210

5 Treasury stock

At the end of May 2005 Swisscom launched a share buy-back scheme in the amount of CHF 2 billion. The shares are being purchased via a second trading line. The sellers will receive the purchasing price of the shares less 35% withholding tax. A total of 3,007,000 shares had been repurchased for a total of CHF 1,265 million as at September 30, 2005. The average purchasing price was CHF 420.50 per share. CHF 882 million was paid out to the sellers. Of the withholding tax of CHF 442 million, CHF 289 million was paid in the third quarter of 2005. The outstanding withholding tax of CHF 153 million will be paid in the fourth quarter of 2005.

As a result of the share buy-back the average number of outstanding shares as at September 30, 2005 was reduced to 60,607,680 shares.

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 shown under share buy-back. The capital reduction resolved by the ordinary General Meeting of Shareholders on April 26, 2005 was effected on July 20, 2005.

Notes to the Consolidated Interim Statements (condensed)

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. Until the date of sale of June 8, 2004, the period income of debitel was CHF 5 million. This income includes amortization of goodwill amounting to CHF 57 million. The transaction resulted in a loss on the sale of CHF 246 million. This includes the removal from equity into income statement of the currency translation loss of CHF 238 million accumulated since the acquisition in 1999.

The purchaser was granted vendor loan notes amounting to EUR 210 million in connection with the sale of debitel. The vendor loan notes were initially recognized at fair value and in the following period using the effective interest method. An interest rate of 12.5% was taken to calculate the fair value. The purchaser prematurely repaid the entire loan in the first six months of 2005. The payment of CHF 351 million includes the repayment of the nominal value of the loan and the contractually agreed interest. The difference of CHF 59 million between the recoverable value of the loan and the payment was recorded as financial income.

7 Changes to the consolidated group and other significant transactions

Acquisitions

In the first nine months of 2005 Swisscom acquired stakes for a total of CHF 115 million. CHF 14 million thereof were used to acquire subsidiaries and CHF 101 million to acquire stakes in affiliated companies.

Acquisition of a 100% stake in Celeris

On June 3, 2005 Swisscom acquired a 100% stake in Celeris AG, a leading supplier of Managed Security Services for secure communications via the Internet. The consolidation and allocation of the purchasing price is based on a provisional balance sheet for Celeris as at September 30, 2005.

Acquisition of a 92% stake in Medipa

On July 1, 2005 Swisscom acquired a 92% stake in Medipa AG, a Swiss medical billing company. The consolidation and allocation of the purchasing price is based on a provisional balance sheet for Medipa as at September 30, 2005.

Acquisition of a 49% stake in Cinetrade

On April 8, 2005 Swisscom acquired a 49% stake in CT Cinetrade AG, a Swiss media company whose activities include a Pay TV channel, video and DVD film rights and cinema management.

Transfer of the international carrier business

On February 23, 2005 Belgacom and Swisscom signed an agreement to form a company in which Belgacom will hold 72% and Swisscom 28%. On July 1, 2005 Fixnet brought its international carrier business into the affiliated company in return for the 28% of the share capital. Revenue from International Incoming is still presented since not all contracts could be transferred to the company by July 2005. The transfer of the remaining contracts is scheduled for the beginning of 2006. A gain of CHF 4 million was recorded on the transaction as financial income.

8 Assets held for sale

Assets held for sale also include the recoverable value of a property valued at CHF 7 million which will probably be sold in the fourth quarter of 2005.

9 Contingent liabilities

Competition commission – mobile telephony proceedings

On October 15, 2002 the Competition Commission WEKO initiated proceedings against Swisscom in accordance with cartel law in connection with mobile telephone termination. In a draft injunction served to Swisscom for comment in the second quarter of 2005 the WEKO administration claim that Swisscom Mobile AG have a dominant market position in the area of mobile telephone termination in their network and have violated cartel legislation through overpriced termination charges. If they are proved right, WEKO is entitled to impose monetary sanctions. The final provisions in the revised cartel law enable companies to avoid direct sanctions if they report any circumstances that allegedly violate cartel law within a set period. Swisscom Mobile AG made such a report in connection with these proceedings within the deadline. However, WEKO disputed that this report releases Swisscom from sanctions, although the Competition Appeals Commission (REKO WEF) decided in favor of Swisscom Mobile AG. The Confederate Economics Department took the decision of the appeals commission to the Federal Court on behalf of WEKO. On August 19, 2005 the Federal Court ruled in comparable report proceedings that the information provided by the companies in question did not constitute reports in the sense of the final provisions of the revised cartel law. The reasons behind the ruling have not yet been announced. Nevertheless Swisscom assumes that the Federal Court will pass a similar ruling with respect to the legal question under discussion here. This means that direct sanctions cannot be ruled out from the outset, based on the argument that the report made releases Swisscom from sanctions, irrespective of the result of the investigation. In the pending investigations WEKO must, however, examine in detail all of the arguments brought forward by Swisscom Mobile AG in the draft injunction and also give sufficient attention to any changed circumstances since this draft was serviced (e.g. reduction in mobile telephone termination charges by Swisscom Mobile AG as of June 1, 2005). Only if WEKO can refute the arguments put forward by Swisscom Mobile AG, arguments that in Swisscom's opinion are reasonable, would the imposition of any direct sanctions be possible. If WEKO rules against Swisscom, they could appeal to REKO WEF or in the final instance to the Federal Court. Despite the ruling of the Federal Court on the formal question of the effect of reports on pending cartel proceedings published 2005 since the half-year report, Swisscom do not think it is likely that WEKO will be able to impose any sanctions on Swisscom Mobile AG. Swisscom have therefore not created any provisions for this purpose in the interim financial statements.

10 Post balance sheet events

Acquisition of a 75% stake in Antenna Hungaria

On July 28, 2005 Swisscom signed an agreement for the acquisition of a 75% stake in Antenna Hungaria. The company operates in the field of analogue radio and television broadcasting. After obtaining the approvals of competition authorities, Swisscom completed the transaction of the purchase of a 75% stake (plus one share) in Antenna Hungaria on October 24, 2005. The purchase price for the share package was CHF 293 million. According to Hungarian capital market rules Swisscom is required to tender an offer to Antenna Hungaria's public shareholders for at least the same purchase price per share as paid for the 75% plus one share holding i.e. HUF 5,250 per share. If all the shares are tendered at this price, Swisscom would make an additional payment of around CHF 100 million, probably in the first quarter of 2006. Swisscom is aiming for a 100% shareholding and a delisting of the Antenna Hungaria shares will be considered.

Acquisition of a 100% stake in Comit

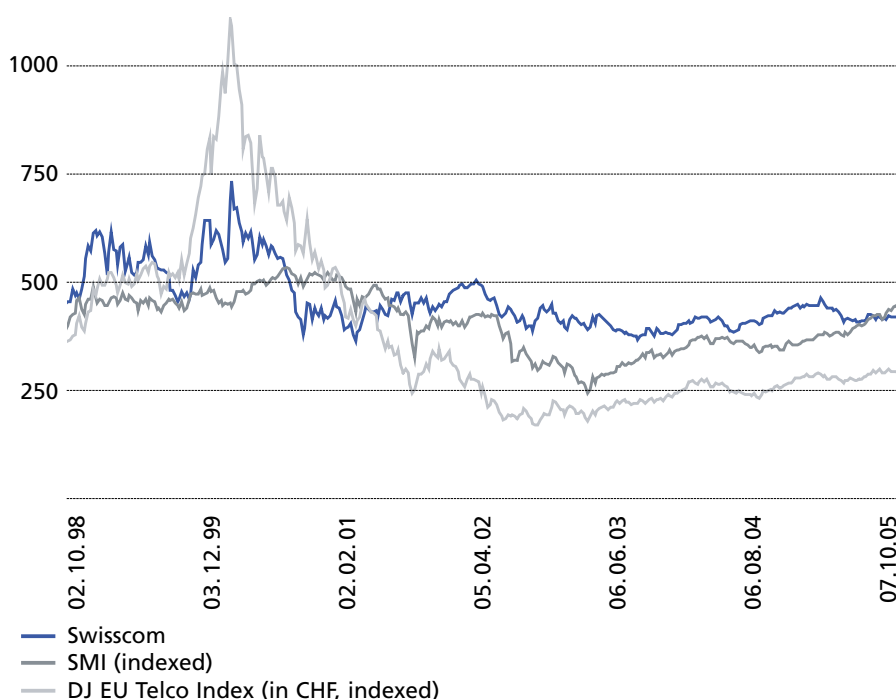
Swisscom IT Services have acquired a 100% stake in Comit AG, an IT service provider to banks. The transaction is expected to complete on January 1, 2006.

Acquisition of a 100% stake in Comit

Swisscom Fixnet signed a contract for the takeover of the Internet service provider Cybernet (Schweiz) AG on October 20, 2005. The 100% takeover remains subject to the approval of the Competition Commission.

Shareholder information

Performance of the Swisscom share on the virt-x



31.12.2004 – 30.9.2005	virt-x	NYSE
Closing price at 31.12.2004	CHF 448.00	USD 32.84
Closing price at 30.9.2005 ¹	CHF 423.00	USD 32.78
Year high ¹	CHF 470.00	USD 39.84
Year low ¹	CHF 401.75	USD 31.85
Total trading volume	23 100 051	6 056 000
Daily average	120 943	32 042
Total volume in millions	CHF 9 987.29	USD 217.39
Daily average in millions	CHF 52.29	USD 1.15

Source: Bloomberg
¹ paid prices

Share information

The 4,720,500 shares acquired as part of the 2004 share buy-back scheme were destroyed on July 20, 2005 in compliance with the resolution of the General Meeting of Shareholders. After the capital reduction the number of shares outstanding was reduced by 7.1% from 66,203,261 to 61,482,761 registered shares. At the end of September 2005 Swisscom has 63,903 registered shareholders and a DISPO stock of 16% (including treasury stock from the share buy-back program). The nominal value per registered share is CHF 1.

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 launched a share buy-back scheme on May 20, 2005 in the amount of CHF 2 billion. At the end of September 2005 Swisscom had acquired 3,007,000 shares for a total of CHF 1,265 million through the second trading line (Symbol: <<SCMNE>>).

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 8, 2006	Annual financial statement 2005
April 25, 2006	Shareholders' Meeting, Lucerne
April 28, 2006	Dividend payout
May 10, 2006	2006 First Quarter Interim Report
August 9, 2006	2006 Half Year Report
November 8, 2006	2006 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
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	2004				2005					
	1. quarter	2. quarter	3. quarter	4. quarter	1. quarter	2. quarter	3. quarter	4. quarter		
Net revenue	2 488	2 511	2 526	2 532	10 057	2 445	2 467	2 386	-	7 298
Other income	54	45	42	54	195	32	66	91	-	189
Goods and services purchased	(445)	(456)	(469)	(477)	(1 847)	(431)	(462)	(479)	-	(1 372)
Personnel expenses	(565)	(532)	(513)	(584)	(2 194)	(559)	(532)	(504)	-	(1 595)
Other operating expenses	(410)	(447)	(440)	(525)	(1 822)	(395)	(432)	(421)	-	(1 248)
EBITDA ¹	1 122	1 121	1 146	1 000	4 389	1 092	1 107	1 073	-	3 272
Depreciation and amortization	(379)	(374)	(516)	(376)	(1 645)	(357)	(346)	(340)	-	(1 043)
Amortization of goodwill	(13)	(11)	(13)	(12)	(49)	-	-	-	-	-
EBIT	730	736	617	612	2 695	735	761	733	-	2 229
Net financial result	3	(21)	(4)	(112)	(134)	26	64	28	-	118
Equity in net income of affiliated companies	2	5	2	13	22	(1)	7	3	-	9
Income tax expense	(145)	(137)	(141)	31	(392)	(147)	(148)	(155)	-	(450)
Income from continuing operations	590	583	474	544	2 191	613	684	609	-	1 906
Income from discontinued operation (debitel)	(15)	(226)	-	(2)	(243)	-	-	-	-	-
Net income¹	575	357	474	542	1 948	613	684	609	-	1 906
Attributable to equity holders of Swisscom AG	488	269	384	455	1 596	520	596	534	-	1 650
Attributable to minority interests	87	88	90	87	352	93	88	75	-	256
Net revenue by segments^{2 3}										
Fixnet	1 445	1 434	1 405	1 431	5 715	1 378	1 372	1 262	-	4 012
Mobile	1 072	1 074	1 114	1 096	4 356	1 040	1 067	1 051	-	3 158
Solutions	353	364	360	360	1 437	314	314	312	-	940
Other	239	231	230	279	979	246	255	249	-	750
Corporate	150	154	154	150	608	169	171	172	-	512
Intercompany elimination	(771)	(746)	(737)	(784)	(3 038)	(702)	(712)	(660)	-	(2 074)
Total net revenue	2 488	2 511	2 526	2 532	10 057	2 445	2 467	2 386	-	7 298
EBITDA by segments^{1 3}										
Fixnet	575	546	542	507	2 170	519	546	528	-	1 593
Mobile	482	495	523	476	1 976	509	492	445	-	1 446
Solutions	39	58	55	(18)	134	23	26	23	-	72
Other	37	40	35	44	156	39	52	43	-	134
Corporate	(11)	(18)	(9)	(14)	(52)	5	(9)	37	-	33
Intercompany elimination	-	-	-	5	5	(3)	-	(3)	-	(6)
Total EBITDA	1 122	1 121	1 146	1 000	4 389	1 092	1 107	1 073	-	3 272
Capital expenditure	201	279	295	361	1 136	176	255	236	-	667
Equity free cash flow	461	1 294	811	345	2 911	606	927	829	-	2 362
Number of full-time employees at end of period	15 759	15 721	15 644	15 477	15 477	15 397	15 307	15 288	-	15 288

¹ The previous year's figures include adjustments in compliance with IAS 17. The effect on EBITDA and net income for the whole year of 2004 amounted to minus CHF 12 million and CHF 3 million, respectively.

² Includes intersegment revenue.

³ Excluding discontinued operation (debitel).

	1. quarter	2. quarter	3. quarter	4. quarter	2004	1. quarter	2. quarter	3. quarter	4. quarter	2005
Operational data Fixnet										
Number of lines in thousands										
PSTN lines	3 071	3 056	3 029	3 007	3 007	2 982	2 951	2 930	-	2 930
ISDN lines	925	927	925	924	924	921	919	911	-	911
Total number of lines PSTN / ISDN	3 996	3 983	3 954	3 931	3 931	3 903	3 870	3 841	-	3 841
ADSL retail lines										
ADSL retail lines	352	390	431	490	490	550	603	645	-	645
ADSL wholesale lines	245	267	286	312	312	328	345	365	-	365
Total number of ADSL lines	597	657	717	802	802	878	948	1 010	-	1 010
Retail traffic volume in millions of minutes										
Local and long-distance traffic	1 984	1 781	1 669	1 771	7 205	1 756	1 654	1 547	-	4 957
Fixed-to-mobile traffic	239	239	239	232	949	228	236	231	-	695
Internet traffic	1 048	829	722	724	3 323	674	563	513	-	1 750
Total national traffic	3 271	2 849	2 630	2 727	11 477	2 658	2 453	2 291	-	7 402
International traffic	250	236	229	240	955	241	231	220	-	692
Total retail traffic	3 521	3 085	2 859	2 967	12 432	2 899	2 684	2 511	-	8 094
Wholesale traffic volume in millions of minutes										
National traffic	4 478	4 279	3 990	4 308	17 055	4 238	4 067	3 709	-	12 014
International incoming traffic	362	378	380	401	1 521	405	394	393	-	1 192
International termination traffic	329	435	371	373	1 508	353	402	-	-	755
Total international traffic	691	813	751	774	3 029	758	796	393	-	1 947
Total wholesale traffic	5 169	5 092	4 741	5 082	20 084	4 996	4 863	4 102	-	13 961
Operational data Mobile										
Number of subscribers in thousands										
Postpaid	2 412	2 448	2 484	2 518	2 518	2 536	2 559	2 603	-	2 603
Prepaid	1 426	1 450	1 461	1 390	1 390	1 447	1 485	1 571	-	1 571
Total	3 838	3 898	3 945	3 908	3 908	3 983	4 044	4 174	-	4 174
CHF, minutes or millions										
ARPU in CHF	79	82	83	79	81	77	78	74	-	76
AMPU in minutes	116	119	120	116	118	112	120	124	-	119
Number of SMS messages in millions	574	463	465	484	1 986	493	493	486	-	1 472
Operational data Solutions										
Traffic volume in millions of minutes										
Local and long-distance traffic	479	442	428	430	1 779	437	428	400	-	1 265
Fixed-to-mobile traffic	73	69	68	68	278	64	67	64	-	195
Total national traffic	552	511	496	498	2 057	501	495	464	-	1 460
International traffic	93	88	89	91	361	92	92	86	-	270
Total national and international traffic	645	599	585	589	2 418	593	587	550	-	1 730

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

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