SWISSCOM AG
Form 6-K
March 26, 2003

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rules 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Dated: March 26, 2003

Swisscom AG

(Translation of registrant s name into English)

Alte Tiefenaustrasse 6
3050 Bern, Switzerland
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

Back to Contents

Press Release

Swisscom Group 2002 Annual Report:

Swisscom reports stable operating income despite unfavorable climate

	2001	2002	Change
Net revenue (in CHF millions)	14,174	14,526	2.5%
EBITDA before exceptional items (in CHF millions)	4,409	4,413	0.1%
EBIT before exceptional items (in CHF millions)	2,235	2,408	7.7%
Net income (in CHF millions)	4,964	824	-83.4%
ADSL accesses (at 31.12.)	33,379	195,220	484.9%
Number of mobile customers (at 31.12 in millions)	3.37	3.60	6.9%
Number of full-time equivalent employees (FTEs) at 31.12	21,328	20,470	-4.0%

The Swisscom Group continued to steer a successful course in 2002 despite an unfavorable economic climate. Expectations were fulfilled, with revenue rising 2.5% to CHF 14.5 billion, operating income before exceptional items, depreciation and amortization (EBITDA) remaining stable at CHF 4.4 billion, and EBIT (before exceptional items) up 7.7%.

In spite of the continuing difficult environment Switzerland's leading telecoms company expects operating income (EBITDA) for fiscal 2003 to remain unchanged.

In 2002 Swisscom succeeded in growing revenue and EBIT (before exceptional items) in the face of a difficult environment. As in the previous year, net income was influenced by an impairment charge of CHF 702 million booked against the goodwill of debitel (2001: CHF 1,130 million). debitel was revalued on the basis of a value of EUR 10 per share. The impairment resulted from a further decline in future expected growth in the mobile communications market.

Group Media Relations Phone +41 31 342 91 93 www.swisscom.com
CH-3050 Berne Fax +41 31 342 06 70 media@swisscom.com

Back to Contents

Press Release

In 2001, operating income (EBIT) was significantly influenced by two further exceptional items: the disposal of a 25% stake in Swisscom Mobile AG to Vodafone and the sale of real estate, resulting in gains of CHF 3,837 million and CHF 568 million respectively. Excluding these exceptional items and the impairment charge booked against the goodwill of debitel, operating income (EBIT) rose on a like-for-like basis by 7.7% due to lower depreciation and amortization charges.

Financial expense of the Swisscom Group decreased by CHF 254 million in 2002 to CHF 517 million as a result of impairments on financial assets in 2001 of CHF 418 million. In 2002 the expense item includes CHF 111 million relating to the impairment of Swisscom's investment in Infonet Services Corp. and CHF 41 million relating to its shareholding in Swiss International Airlines.

Due to these special effects, net income in 2002 fell from CHF 4,964 million to CHF 824 million. For the 2002 financial year, net earnings per share stand at CHF 12.18 , while net earnings per share adjusted for exceptional items is CHF 19.92. With net debt of CHF 642 million and a year-end equity ratio of 43%, Swisscom's financial position remains extremely sound.

Healthy balance sheet enables adjustment to return policy high returns

At the General Meeting of Shareholders on May 6, 2003, the Swisscom Board of Directors will propose a dividend of CHF 12 per share (2001: CHF 11) and a par value repayment of CHF 8 per share (2001: CHF 8). Subject to approval of this proposal, par value per share will be reduced from CHF 9 to CHF 1. This will result in a total distribution of over CHF 1.3 billion, corresponding to approximately 5% of Swisscom's market capitalization at the end of 2002.

The continued strength of the balance sheet has allowed Swisscom to adjust its return policy. Until now, Swisscom has distributed approximately half of its net income (after adjusting for exceptional items) as dividend payments to shareholders. The key element of the new policy, which is now in force, is the annual distribution of further freely available funds. The funds available for distribution consist of net cash from operating activities less capital expenditure (on fixed assets and acquisitions) and debt repayments. Distribution will take the form of a dividend amounting, as before, to approximately half of the adjusted net income, a possible share buy-back, or as is the case this year for the last time a reduction in par value. A share buy-back need not take place concurrently with the dividend distribution.

Swisscom Ltd
Group Media Relations
CH-3050 Berne
Phone +41 31 342 91 93
Fax +41 31 342 06 70
www.swisscom.com
media@swisscom.com

Back to Contents

The new return policy is based on a continuing solid Swisscom balance sheet combined with high earning power. The pay-out can be made without significantly changing balance sheet relations in the next few years while at the same time retaining high flexibility with regard to capital expenditure and acquisitions.

Group Media Relations Phone +41 31 342 91 93 www.swisscom.com
CH-3050 Berne Fax +41 31 342 06 70 media@swisscom.com

Back to Contents

Press Release

Proposal for the election of three new members to the Board of Directors

Three members of the Swisscom Board of Directors will be standing down at the forthcoming Shareholder's Meeting: Franco Ambrosetti, Ernst Hofmann and Gerrit Huy. Swisscom extends its thanks to the three retiring members for the services they have rendered over the past five years. The following persons are proposed for election to the Board: Michel Gobet, from Villarsel-le-Gibloux (Switzerland), residing in Neuchâtel (Switzerland), Torsten Kreindl, from Austria, residing in Munich (Germany), and Richard Roy, from Germany, residing in Dreieich (Germany). Michel Gobet is currently Secretary of the Communications Union and has been proposed as successor to Ernst Hofmann as employee representative. Torsten G. Kreindl is a business engineer and partner of the American venture capital company Copan in Munich. Richard Roy, who has a degree in engineering, was until last year Vice President for Corporate Strategy at Microsoft and today works as an independent management consultant.

Pension fund coverage approximately 94%

Swisscom contributes to comPlan, a defined benefit plan, which provides retirement benefits for its employees in Switzerland. ComPlan covers the risks of old age, death and disability in accordance with Swiss pension legislation. At December 31, 2002, the pension plan was underfunded by approximately CHF 300 million, which corresponds to a funding ratio of 94% under Swiss law. Initial measures have been taken to improve the difficult financial situation of comPlan. For example, since the beginning of 2003 the interest on retirement savings capital (dual pension plan) has been reduced to 3.25% for employees leaving the plan. The interest rate for other insured members will be defined at the end of 2003. The situation at comPlan will be reviewed until the middle of 2003 and where necessary further measures will be initiated.

As an expression of thanks for their services and as an incentive for the future, Swisscom is offering employees up to 10 shares on preferential terms. The Board of Directors has also approved a share/option scheme for middle and senior management. As part of the employee performance share plan and the share/option scheme for middle and senior management, Swisscom will purchase up to 65,000 shares (less than 0.1% of the outstanding shares) on the open market.

Swisscom Ltd
Group Media Relations
CH-3050 Berne

Phone +41 31 342 91 93
Fax +41 31 342 06 70

www.swisscom.com
media@swisscom.com

Back to Contents

Outlook for 2003: Expansion of PWLAN activities in Europe and stable Group EBITDA

Swisscom continues to focus on fixed network and mobile communications in Switzerland, where the company has a solid base and is the leader in both market segments. With annual investments of over CHF 1 billion, Swisscom is also ensuring its leading technological edge. In the ADSL area Swisscom is in intensive competition with cable network operators on the last mile. Increased marketing activities and highly attractive prices led to a sustained ADSL boom in Switzerland with some 200,000 ADSL accesses installed by the end of 2002.

Outside Switzerland, Swisscom is mainly active in debitel and as a minority shareholder of Cesky Telecom a.s. and Infonet Services Corp. Since growth in Switzerland is strongly inhibited by regulation, Swisscom is continually examining ways of strengthening its position in Europe. The emphasis is on cross-border business models for submarkets with an international focus. For example, Swisscom has founded a new company named Swisscom Eurospot with the aim of building a leading position in Europe in the rapidly growing market for Public Wireless LANs (PWLAN): local networks that provide wireless, broadband access to Internet and office solutions.

In view of the current market situation, Swisscom expects pressure on revenue and margins to continue in 2003. Nevertheless, thanks to sustained and consistent cost management the company expects to maintain the same level of operating income (EBITDA) as the previous year.

Segment reports

Fixnet reported slightly lower revenue from external customers of CHF 4,888 million in 2002. Revenue from access rose by 2.2% thanks to the growing number of ISDN accesses and an increase in the monthly charge for ISDN from August 1, 2001. ISDN growth slowed down as a result of the rollout of ADSL and more intense competition from cable network operators. Revenue from national telephony traffic fell 7.1% to CHF 848 million. Substitution by mobile services led to an overall lower volume for this market. This, coupled with the new numbering plan launched in the second quarter of 2002, are the main factors behind the drop in traffic volume. Introduction of a single national tariff for the fixed network on May 1, 2002, has had a slightly negative net effect on revenue.

Swisscom Ltd
Group Media Relations
CH-3050 Berne
Phone +41 31 342 91 93
Fax +41 31 342 06 70
www.swisscom.com
media@swisscom.com

Back to Contents

Press Release

With increased volumes and lower prices, revenue from international telephony traffic remained stable. Despite the migration of surfing traffic from the local area, revenue from ISP (Internet dial-up) dropped due to increasing substitution through broadband offerings (ADSL) from various carriers. By contrast, traffic volume for Bluewin narrowband services grew due to an increase in customer numbers. Wholesale national reported a rise in revenue due to higher traffic volume as a result of the new numbering plan as well as strong growth in the market for ADSL access. Despite higher volume, Wholesale international revenue grew by only 2.5% as a result of lower average prices. Revenue from International Carriers' Carrier Services dropped by 2.7% as volume declined.

Expenses in the Fixnet segment fell year-on-year by 1.3%. The 2002 figures include CHF 85 million (2001: CHF 35 million) in costs arising from measures to reduce the workforce. The shift from retail to lower-margin wholesale revenue and a decrease in total revenue drove EBITDA down by 4.3%.

Mobile increased revenue from third parties by 4.1% year-on-year to CHF 3,255 million. The customer base for voice traffic was further expanded, resulting in a 3.7% increase in revenue. Revenue from data communications rose 24.5% due to the ongoing success of SMS. While strong volume growth was recorded for the GPRS offerings (e.g. MMS (multimedia messaging services) and mobile solutions) launched in 2002, this will significantly impact revenue only in the course of 2003. Wholesale posted a 12.9% drop in revenue, primarily due to increased network coverage by rival carriers and the corresponding reduction in use of the Swisscom network. In 2002 the penetration rate for the Swiss mobile communications market rose to 77.6%. Swisscom Mobile contributed to this market growth in an intensely competitive environment. Market share declined slightly, while the number of subscribers rose by 6.9% to 3.6 million. Customer loyalty measures were deployed to minimize the loss of high-worth postpaid customers to the competition. Year-on-year, average revenue per user and month (ARPU) fell by 4.4%. New customers exhibit lower usage habits than existing customers.

Back to Contents

Press Release

At CHF 2,138 million, segment expenses for Mobile are 1.5% higher than the previous year. The reduction in customer acquisition costs is outweighed by spending on measures to intensify customer loyalty. Moreover, personnel and IT expenses rose as a result of the growth-related expansion of corporate structures. On the other hand, expenses for network operation and maintenance dropped. EBITDA increased by 5.2% to CHF 1,974 million, with an EBITDA margin of 48.%. EBIT rose accordingly by 6.3% to CHF 1,685 million.

Enterprise Solutions reported a year-on-year decline in revenue of 8.1% to CHF 1,365 million. Revenue and volumes for national telephony traffic followed the same pattern as in Fixnet. The reduction in revenue is primarily attributable to the new numbering plan introduced in Switzerland and the single national tariff. The decline in revenue from value added services is mainly attributable to tariff reductions and a loss of certain large customers. Networking posted a 10.3% drop in revenue to CHF 568 million due to weak demand as a result of the economic slowdown. Managed network services suffered from price erosion which failed to be offset by the growing demand for broadband.

Enterprise Solutions succeeded in reducing segment expenses by 6.1% compared to the previous year. Purchases of network services dropped, as reflected by the decline in revenue. While additional savings were made on advertising costs, IT expenses rose. Overall, cost reductions were insufficient to compensate fully for the drop in revenue. EBITDA decreased by 40.4 % to CHF 68 million and EBIT by 55.6% to CHF 36 million.

debitel is the largest network-independent telecommunications company in Europe and the third-largest mobile communications provider in Germany. Despite difficult market conditions, debitel succeeded in growing revenue in Swiss franc terms by 8% in 2002. In the first half-year, mobile companies in Germany adjusted their customer base by eliminating inactive prepaid customers. For debitel this move resulted in 1.4 million fewer prepaid customers. Thanks to customer loyalty measures, subscriber numbers were significantly increased, particularly in the postpaid area, and exceeded the 10 million mark by year-end. Outside Germany debitel posted double-digit revenue growth, primarily due to acquisitions which strengthened national companies in the Netherlands and France.

Back to Contents

Press Release

The increased revenue for debitel was accompanied by a disproportionate increase in revenue costs. Operating expense increased further as a result of customer loyalty measures and losses in the French hardware business, as well as charges arising from integration of the former Talkline Nederland B.V. At the same time, cost reductions were achieved primarily in the distribution and marketing areas. The number of employees in Germany was reduced by 245 due to process optimization measures. Outside Germany the number of employees remained stable year-on-year despite the acquisition of Videlec S.A. in France. debitel posted a 15% fall in operating income before interest, tax, depreciation and amortization to CHF 159 million as the result of a disproportionate increase in costs.

The **Other** segment primarily consists of the two Group companies Swisscom Systems and Swisscom IT Services. Swisscom Systems is active in the distribution and maintenance of private branch exchanges (PBXs). In 2002 the company was affected by a decline in market volume and falling hardware prices. Revenue dropped by CHF 70 million, representing a year-on-year reduction of 14.7%. Comprehensive restructuring measures and a new business direction were introduced in the year under review. As previously announced, some 470 jobs will be shed in the course of 2003. The CHF 80 million expense associated with this reduction in the workforce was recorded in the 2002 financial statements and, together with the reduction in revenue, resulted in a CHF 143 million drop in EBITDA compared with the previous year. As of December 31, 2001, Swisscom IT Services merged with AGI IT Services and in 2002 posted an increase of CHF 188 million in revenue, primarily due to the business activities brought in by AGI IT Services.

The EBITDA of CHF 111 million is negatively affected on the one hand by costs arising from Swisscom Systems' move to reduce the workforce and by poor performance of its operating business, and positively affected on the other hand by the improved results of Swisscom IT Services. The net outcome is a year-on-year reduction in EBITDA of CHF 25 million.

The detail interim report can be viewed on the Internet at:

http://www.swisscom.com/report2002

Berne, March 26, 2003

Swisscom Ltd
Group Media Relations
CH-3050 Berne
Phone +41 31 342 91 93
Fax +41 31 342 06 70
www.swisscom.com
media@swisscom.com

Back to Contents

Press Release

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 SWX Swiss Exchange and 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.

Swisscom Ltd
Group Media Relations   Phone +41 31 342 91 93   www.swisscom.com
CH-3050 Berne   Fax +41 31 342 06 70   media@swisscom.com

Back to Contents

Review

Back to Contents

Key figures

CHFin millions, except where indicated		2001	2002
Swisscom Group			
Net revenue		14 174	14 526
Operating income before one-time items, depreciation and amortization (EBITDA) 1)		4 409	4 413
in % of net revenue	%	31.1	30.4
Operating income before one-time items 1)		2 235	2 408
Impairment of goodwill		(1 130)	(702)
Gain on sale of real estate		568	
Gain on partial sale of Swisscom Mobile AG		3 837	
Operating income		5 510	1 706
Net income		4 964	824
Shareholders equity		12 069	7 299
Equity ratio 2)	%	49.6	43.0
Number of full-time equivalent employees at end of period 3) 4)	FTE	21 328	20 470
Average number of full-time equivalent employees 5)	FTE	20 988	20 910
Revenue per employee	CHF in thousands	675	695
EBITDA per employee	CHF in thousands	210	211
Net cash provided by operating activities		3 389	3 785
Capital expenditure		1 234	1 222
Net debt (net funds) 6)		(2 899)	642
SwisscomAG			
Net income		1 081	2 724

Shareholders equity		8 013	5 216
Dividend		728	794*
Capital reduction		529	530*
Key figures per share			
Weighted average number of shares outstanding (at CHF 17.00 and CHF 9.00 each, respectively)	in mio.	73.544	67.648
Price per share (high/low)	CHF	492.50/358.50	519.00/360.00
Closing price at end of period	CHF	460.00	400.50
Net income	CHF	67.50	12.18
Shareholders equity	CHF	164.09	110.25
Gross dividend	CHF	11.00	12.00*
Capital reduction	CHF	8.00	8.00*
Pay-out ratio 7)	%	25.34	164.20*
Market capitalization at end of period		33 833	26 514

* In accordance with the proposal of the Board of Directors to the General Meeting of Shareholders.
1) One-time items in 2001: Impairment of goodwill CHF 1,130 million, gain of CHF 568 million on sale of real estate and gain of CHF 3,837 million on partial sale of Swisscom Mobile AG.
One-time item in 2002: Impairment of goodwill CHF 702 million.
2) Shareholders equity as a percentage of total assets.
3) Includes 3,544 and 3,299 employees of debitel at December 31, 2001 and 2002, respectively.
4) Excludes 223 and 291 employees of WORK_LINK at December 31, 2001 and 2002, respectively.
5) Excludes 176 and 252 employees of WORK_LINK in 2001 and 2002, respectively. See Note 7.
6) 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.
7) Represents gross dividend and capital reduction as a percentage of net income per share.

Back to Contents

Financial Review 2002

Back to Contents

Index

Back to Contents

Review of the Group's results

Back to Contents

Review of the Group s results

Overview

Swisscom posted an overall increase of 2.5% in revenue year-over-year to CHF 14,526 million. While revenue from Mobile and Swisscom s German subsidiary debitel increased, despite difficult market conditions, revenue from fixed line telephony and networking decreased. At CHF 4,413 million, operating income before interest, tax, depreciation and amortization (EBITDA) remained at the previous year s level. The following table shows the results for the individual segments:

	Net revenue [1]			EBITDA [2]		
CHF in millions	**2001**	**2002**	**Change**	**2001**	**2002**	**Change**
Fixnet	6 588	6 443	2.2%	1 989	1 903	4.3%
Mobile	3 983	4 112	3.2%	1 876	1 974	5.2%
Enterprise Solutions	1 585	1 450	8.5%	114	68	40.4%
debitel	3 808	4 111	8.0%	187	159	15.0%
Other	1 403	1 463	4.3%	136	111	18.4%
Corporate	766	704	8.1%	107	198	85.0%
Intercompany elimination	(3 959)	(3 757)	5.1%			
Total	**14 174**	**14 526**	2.5%	**4 409**	**4 413**	0.1%

1) Includes intersegment revenue.
2) Operating income before interest, tax, depreciation and amortization; before the gain on disposal of 25% of Swisscom MobileAG, the gain on sale of real estate and the debitel impairment.

As a result of organizational changes, the segments were redefined in 2002. The amounts presented for 2001 have been restated to reflect the new structure.

In 2002, Swisscom recorded an impairment of the goodwill relating to debitel of CHF 702 million compared to CHF 1,130 million in 2001. The previous year s operating income (EBIT) was significantly influenced by two further one-time items: the disposal of a 25% stake in Swisscom Mobile AG to Vodafone plc and the sale of real estate, resulting in gains of CHF 3,837 million and CHF 568 million, respectively. Excluding these one-time items and goodwill impairments in respect of debitel, operating income (EBIT) on a like-for-like basis increased 7.7% due to lower depreciation. Including these one-time gains and losses, (gain of CHF 3,275 million in 2001 and a loss of CHF 702 million in 2002), net income fell year-over-year from CHF 4,964 million to CHF 824 million.

At December 31, 2002 net debt amounted to CHF 642 million. In the previous year, Swisscom reported net funds of CHF 2,899 million. The decline is primarily due to the share buy-back program under which Swisscom repurchased 9.99% of its outstanding stock for CHF 4,264 million.

Fixnet

CHF in millions	2001	2002	Change
Access	1 441	1 473	2.2%
National traffic	913	848	7.1%
International traffic	189	189	
Value-added services	333	317	4.8%
Total telephony traffic	**2 876**	**2 827**	1.7%
Wholesale national	684	741	8.3%
Wholesale international	284	291	2.5%
International carriers carrier services	331	322	2.7%
Bluewin AG	61	90	47.5%
Swisscom Directories AG	79	93	17.7%
Other revenue	606	524	13.5%
Revenue from external customers	**4 921**	**4 888**	0.7%
Intersegment revenue	1667	1 555	-6.7%
Net revenue	**6 588**	**6 443**	2.2%
Segment expenses (incl. intercompany)	4 599	4 540	1.3%
EBITDA	**1 989**	**1 903**	4.3%
Margin as a % of net revenue	*30.2%*	*29.5%*	
Depreciation	1 080	1 049	2.9%
EBIT before amortization of goodwill	**909**	**854**	6.1%
Amortization of goodwill		6	
EBIT	**909**	**848**	6.7%

Back to Contents

Traffic volume in million minutes	2001	2002	Change
Local area traffic	7 466	5 901	21.0%
National long-distance traffic	1 968	1 963	0.3%
Other national traffic	724	777	7.3%
Total national traffic	**10 158**	**8 641**	14.9%
International traffic	778	808	3.9%
Traffic from value-added services	8 294	8 187	1.3%
Wholesale national regulated	17 125	18 939	10.6%
Wholesale international voice	1 275	1 878	47.3%
Incoming international	1 966	1 959	0.4%

Number of channels at period end	2001	2002	Change
ADSL-channels Bluewin	18 378	108 964	492.9%
ADSL-channels Wholesale	15 001	86 256	475.0%
Total ADSL-channels	**33 379**	**195 220**	484.9%

Number of channels at period end in thousands	2001	2002	Change
PSTN-channels	3 240	3 163	2.4%
ISDN-channels	2 060	2 172	5.4%
Total channels	**5 300**	**5 335**	0.7%

In 2002, Fixnet reported 4.3% lower year-over-year earnings before interest, tax, depreciation and amortization (EBITDA) on marginally declining revenue from external customers. The fall in revenue from telephony traffic with retail customers was partially offset by the increase with Wholesale customers. The loss of revenue however, could not be fully offset by cost reductions.

Thanks to an increase in the number of ISDN subscribers and a higher ISDN monthly subscription fee as of August 1, 2001, revenue from access grew 2.2%. Growth in ISDN slowed following the launch of ADSL and competition from cable network operators. The trend in the migration from analog to digital accesses (ISDN) leveled off accordingly. An additional fall in analog subscribers was due to the mobile substitution effect.

Revenue from national traffic fell 7.1% to CHF 848 million. In national traffic, the substitution effect from mobile services led to a contraction in total market volume. This combined with the new numbering plan introduced in the second quarter of 2002 were the main contributory factors to the decline in traffic volume. Since all numbers within a network group are now dialed preceded by the dialing code, all calls from customers with carrier preselection are switched automatically through the preselected carrier. As a result, Swisscom s market share in the local area fell to the same level as in the long-distance area. On May 1, 2002 Swisscom introduced a single national tariff for fixed line telephony resulting in an increase in tariffs for local calls and a decrease in tariffs for long-distance calls. The single national tariff had a slight negative impact on revenue. A further consequence of the introduction of the single tariff is a reduction in traffic volume resulting from a partial migration in surf traffic from the local area to lower tariff value-added services.

Despite an increase in traffic volume, revenue from international telephony remained stable year-over-year due to lower average tariffs as a result of price reductions.

In the area of value-added services, ISP revenue declined despite the migration of surf traffic from the local area due to the cannibalization of traffic volume by broadband offerings (ADSL) from a wide range of providers. By contrast, growth in narrowband customers at Bluewin generated an increase in traffic volume despite active marketing of its ADSL offering.

Back to Contents

Review of the Group s results

Wholesale national posted higher revenue due to the increase in traffic volume as a result of the new numbering plan and to the sharp increase in the number of ADSL subscribers. Despite higher volume, Wholesale international achieved only 2.5% more revenue due to lower average tariffs. In response to ongoing pressure on prices and margins in the international data and voice business, the decision was taken to centralize distribution of international wholesale products in Switzerland, to close local sales outlets in a number of European countries and to sell the business activities of Swisscom North America Inc. Revenue from international carriers carrier services fell 2.7% as a result of lower traffic volume.

In a fiercely competitive market, Bluewin succeeded in increasing the number of ADSL accesses to 108,964. The total number of ADSL subscribers, including wholesale, was 195,220 at December 31, 2002.

Other revenue was CHF 82 million lower than in the previous year. This was attributable primarily to the fall in national directory inquiries following changes in customer behavior (storage of phone numbers in mobile phones, electronic address books) and reduced demand for phone cards.

Segment expense reduced by 1.3% year-over-year primarily as a result of an increase in termination benefits from CHF 35 million in 2001 to CHF 85 million in 2002.

The shift in revenue from retail to wholesale, where margins are lower, and a decrease in total revenue contributed to a decrease of 4.3% in EBITDA year-over-year.

Due to strict regulatory measures and stiff competition, the Fixnet segment faces continuing pressure on margins, coupled with stagnating network capacity utilization. In order to maintain profitability, further cost reductions will be necessary and Fixnet therefore decided in 2003 to reduce headcount by 200. The associated costs will be recorded in 2003.

Mobile

CHF in millions	2001	2002	Change
Connectivity voice	2 092	2 170	3.7%
Connectivity roaming	381	388	1.8%
Connectivity data and value-added services	273	340	24.5%
Wholesale mobile	280	244	12.9%
Other revenue	101	113	11.9%
Revenue from external customers	**3 127**	**3 255**	4.1%
Intersegment revenue	856	857	0.1%
Net revenue	**3 983**	**4 112**	3.2%
Segment expenses (incl. intercompany)	2 107	2 138	1.5%
EBITDA	**1 876**	**1 974**	5.2%

Margin as a % of net revenue	*47.1%*	*48.0%*	
Depreciation	291	289	0.7%
EBIT	**1 585**	**1 685**	6.3%

Number of subscribers at period-end in thousands	2001	2002	Change
Postpaid	2 152	2 298	6.8%
Prepaid	1 221	1 307	7.0%
Total	**3 373**	**3 605**	6.9%

	2001	2002	Change
ARPU in CHF	90	86	4.4%
Number of SMS in millions	1 317	1 650	25.3%

Back to Contents

Mobile grew revenue from external customers by 4.1% year-over-year to CHF 3,255 million. Voice revenue increased 3.7% in line with expansion of the customer base. No significant tariff adjustments were introduced.

The 24.5% growth in data and value-added services revenue stems from the continuing success of text messaging (SMS).GPRS-based offerings such as multimedia messaging (MMS) and mobile solutions launched in 2002 show sharply rising volumes; however, they will not make a notable contribution to revenue until 2003.

In the Wholesale sector, the 12.9% fall in revenue is mainly due to an increase in network coverage by competitors and the correspondingly lower utilization of Swisscom s network. In 2002 the mobile penetration rate in Switzerland rose to 77.6%. Despite fierce competition, Mobile succeeded in capturing some of the growth and expanded its subscriber base by 6.9% to 3,605,000. Migration of high-value postpaid customers was minimized thanks to successful customer retention programs. Average revenue per user (ARPU) decreased 4.4% year-over-year as new subscribers had a lower average usage rate compared to existing customers.

At CHF 2,138 million, the Mobile segment s expenses exceeded the previous year s figure by 1.5%. The decline in customer acquisition costs was more than offset by intensified customer retention costs. Growth-related expansion of company structures resulted in higher personnel and IT expenses. By contrast, there was reduced spending on network operation and maintenance as well as on advertising.

EBITDA rose 5.2% to CHF 1,974 million resulting in a margin of 48.0%. EBIT correspondingly grew 6.3% to CHF 1,685 million.

Enterprise Solutions

CHF in millions	**2001**	**2002**	**Change**
National traffic	472	443	6.1%
International traffic	111	118	6.3%
Value-added services	94	64	31.9%
Total telephony traffic	**677**	**625**	7.7%
Networking	633	568	10.3%
Other revenue	176	172	2.3%
Revenue from external customers	**1 486**	**1 365**	8.1%
Intersegment revenue	99	85	14.1%
Net revenue	**1 585**	**1 450**	8.5%
Segment expenses (incl. intercompany)	1 471	1 382	6.1%
EBITDA	**114**	**68**	40.4%
Margin as a % of net revenue	*7.2%*	*4.7%*	
Depreciation	33	32	3.0%

EBIT	**81**	**36**	55.6%

Traffic volume in million minutes	**2001**	**2002**	**Change**
Local area traffic	2 428	1 974	18.7%
National long-distance traffic	1 287	1 244	3.3%
Other national traffic	444	457	2.9%
Total national traffic	**4 159**	**3 675**	11.6%
International traffic	621	586	5.6%
Traffic from value-added services	1 168	787	32.6%

7 Swisscom Review of the Group s results

Back to Contents

Review of the Group s results

Enterprise Solutions revenue fell 8.1% year-over-year to CHF 1,365 million. In national traffic, the trend in revenue and volume was similar to that of Fixnet. The declines were largely attributable to loss of market share in connection with the new numbering plan in Switzerland and the launch of a single national tariff.

The decrease of value-added services was primarily due to a reduction in tariffs and a loss of certain large customers.

Revenue from networking fell 10.3% to CHF 568 million, primarily as a result of weakening demand due to the general economic situation. Business in leased lines continued to be affected by price erosion, which failed to be offset by growing demand for bandwidth.

Enterprise Solutions succeeded in reducing segment expenses by 6.1% year-over-year. Network costs fell in line with revenue and savings were achieved in advertising expenses. IT costs, however, increased. Overall, the cost reductions were not sufficient to fully compensate the revenue shortfall. EBITDA fell 40.4% year-over-year to CHF 68 million, and EBIT was 55.6% lower at CHF 36 million.

Demand for corporate communication solutions has fallen sharply as a result of poor economic conditions. Cost pressures were additionally exacerbated by the progressive decrease in tariffs in fixed line telephony and in leased lines. To increase competitiveness, major cost reductions, including the shedding of some 380 jobs by mid-2004 and the withdrawal from unprofitable activities will be unavoidable. Costs for headcount reductions will be recorded in 2003.

debitel

CHF in millions	2001	2002	Change
Germany	2 738	2 859	4.4%
International	1 070	1 252	17.0%
Net revenue	**3 808**	**4 111**	8.0%
Segment expenses	3621	3952	9.1%
EBITDA	**187**	**159**	15.0%
Margin as a % of net revenue	*4.9%*	*3.9%*	
Depreciation	51	62	21.6%
EBIT before amortization of goodwill	**136**	**97**	28.7%
Amortization of goodwill	387	277	28.4%
Impairment of goodwill	1 130	702	37.9%
EBIT	**(1 381)**	**(882)**	36.1%

Number of subscribers in thousands	2001	2002	Change

Germany	7 647	7 729	1.1%
International	2 354	2 332	0.9%
Total	**10 001**	**10 061**	0.6%

debitel is Europe s biggest network-independent telecom company and Germany s third-largest mobile provider. Swisscom holds 93% of the shares of debitel and has the right (call-option) to buy another 2% of the shares. Despite adverse market conditions, debitel posted an 8.0% year-over-year improvement in revenue in Swiss franc terms.

During the first half of 2002 mobile providers in Germany eliminated inactive prepaid subscribers from their customer base. At debitel, the elimination resulted in an initial decrease of 1.4 million prepaid customers. However, intensive customer retention measures contributed to a sharp increase in subscribers, above all in the postpaid area, and by year-end the number had exceeded the ten million mark.

Back to Contents

In September 2002 debitel extended its cooperation agreement with its distribution partner in Germany, Electronic Partner-Gruppe, by a further five years to 2007, thereby securing a key distribution channel for the future. In return, the Electronic Partner-Gruppe acquired 2.0% percent of the shares of debitel from Swisscom.

In its international business debitel posted double-digit growth, underpinned largely by acquisitions in the Netherlands and France. In February 2002, debitel France took over a majority shareholding in Videlec S.A., a specialist mobile communications chain with 80 outlets. Revenue from its international business accounted for 30% of total revenue (2001: 28%).

Costs increased disproportionately to the increase in revenue. Operating expenses rose primarily as a result of the customer retention measures coupled with losses incurred in the French hardware business and costs associated with the integration of the former Talkline Nederland. By contrast, cost savings were achieved mainly in sales and marketing. Process optimizations led to a reduction of 245 employees in Germany. Abroad the number of employees remained unchanged year-over-year despite the acquisition of Videlec S.A.

EBITDA (operating income before interest, tax, depreciation and amortization) fell 15.0% to CHF 159 million on account of the disproportionate rise in costs.

Impairment of goodwill

As a result of significant changes in the telecommunications sector, including the expected delay in the implementation of the third generation system, UMTS, Swisscom recorded an impairment charge of CHF 1,130 million at December 31, 2001. As a result of a further decline in future expected growth in the mobile sector, Swisscom revised its outlook on the ability to recover its carrying value of debitel s assets at December 31, 2002. Based on the revised outlook, Swisscom concluded that the value per share was EUR 10 at December 31, 2002, which resulted in an impairment charge of CHF 702 million. See Note 25 to the consolidated financial statements.

Other

CHF in millions	2001	2002	Change
Swisscom Systems AG	476	406	14.7%
Swisscom IT Services AG	22	210	854.5%
Swisscom Broadcast AG	180	162	10.0%
Billag AG	47	52	10.6%
Other revenue	17	3	82.4%
Revenue from external customers	**742**	**833**	12.3%
Intersegment revenue	661	630	4.7%
Net revenue	**1 403**	**1 463**	4.3%
Segment expenses (incl. intercompany)	1 267	1 352	6.7%
EBITDA	**136**	**111**	18.4%
Margin as a % of net revenue	*9.7%*	*7.6%*	

Depreciation	229	205	10.5%
EBIT before amortization of goodwill	**(93)**	**(94)**	1.1%
Amortization of goodwill		20	
EBIT	**(93)**	**(114)**	22.6%

The "Other" segment comprises primarily the two Group companies Swisscom Systems AG (Systems) and Swisscom IT Services AG.

Systems is active in the sale and maintenance of private branch exchanges (PBXs). In 2002, Systems was affected by declining market volumes and falling hardware prices. Year-over-year revenue fell by CHF 70 million (14.7%). A comprehensive restructuring and refocusing of the business was initiated in 2002, whereby 470 jobs are to be cut. The charge recorded for termination benefits in 2002 was CHF 80 million. Together with the decline in revenue, this led to a CHF 143 million year-over-year fall in EBITDA.

Back to Contents

Review of the Group s results

Swisscom IT Services AG merged with AGI IT Services AG (AGI) as of December 31, 2001. Swisscom IT Services AG posted revenue growth of CHF 188 million, primarily as a result of the business activities contributed by AGI.

EBITDA of the segment "Other", amounting to CHF 111 million, was negatively affected by personell restructuring costs and the poor operating performance of Systems, but positively influenced by an improvement in the results of Swisscom IT Services AG and resulted in a reduction to EBITDA of CHF 25 million.

Corporate

CHF in millions	2001	2002	Change
Revenue from external customers	**90**	**74**	17.8%
Intersegment revenue	676	630	6.8%
Net revenue	**766**	**704**	8.1%
Segment expenses (incl. intercompany)	659	506	23.2%
EBITDA	**107**	**198**	85.0%
Margin as a % of net revenue	*14.0%*	*28.1%*	
Depreciation	100	65	35.0%
EBIT before amortization of goodwill	**7**	**133**	1800.0%
Amortization of goodwill	3		
EBIT	**4**	**133**	3225.0%

The Corporate segment encompasses head-office functions, Group-company shared services and the real-estate company. In 2002 other income, which is included in segment expenses, includes CHF 70 million resulting from the elimination of a liability, which was established 1997 for payment to a third party. This liability is no longer legally owed, as the rights to payment expired in 2002. Charges for termination benefits are calculated by each segment for the employees participating in one of the workforce reduction programs and are recorded as part of that segments expense. Not all of the expense recorded by the segments meets the criteria for recognition under IFRS and CHF 95 million has been eliminated in the segment "corporate" in 2002.

Financial expense

Financial expense decreased by CHF 254 million to CHF 517 million in 2002 primarily as a result of larger asset write-downs in 2001. In 2001, Swisscom recorded an impairment charge of CHF 219 million on its investment in Infonet Inc. and wrote down a loan of CHF 199 million given to UTA. In 2002, Swisscom recorded impairment charges of CHF 111 million and CHF 41 million on its investments in Infonet and Swiss, respectively.

Financial income

In the year under review, average cash balances were below the 2001 figure, primarily as a result of the share buy-back, which led to a CHF 168 million reduction in interest income. The acquisition of AGI IT Services AG and the transfer of 28.9% of Swisscom IT

Services AG resulted in a dilution gain of CHF 72 million in 2001.

Pension Fund

Swisscom contributes to com Plan, a defined benefit plan, which provides retirement benefits for the majority of its employees in Switzerland. com Plan covers the risks of old age and death and disability in accordance with Swiss pension legislation. At December 31, 2002, the pension plan was underfunded by CHF 300 million, which corresponds to a funding ratio of 94% under Swiss law. The pension plan is considering various measures to reduce this un-derfunding.

The determination of pension fund liability and expense in the consolidated financial statements is based on guidelines established by the International Financial Reporting Standards (IFRS). The total underfunding calculated in accordance with these guidelines at December 31, 2002, was CHF 2,167 million, of which CHF 1,101 million is recognized in the balance sheet. In contrast to Swiss law, this calculation takes into account actuarial assumptions for future developments, such as salary increases, indexation of pension benefits and assumptions for early retirement from the age of 60. The unrecognized loss of CHF 1,067 million results mainly from losses on investments, as under IFRS the liability is determined using the expected return on assets rather than the actual return. Effective January 1, 2003, Swisscom has reduced the expected return on plan assets to 5.0%. This will give rise to an increase in pension expense from 2003 of CHF 50 million per annum.

Back to Contents

Income tax expense

In 2002, Swisscom tranferred its operations from Swisscom AG to newly formed subsidiaries, which are each subject to individual tax rates. The tax rate for each of the newly formed companies was determined and as a result all tax assets and liabilities were adjusted, which resulted in a one time charge of CHF 115 million. The impairment of the goodwill relating to debitel also reduced the tax expense by CHF 207 million. Excluding these exceptional items, the tax rate would have been 21.6%.

In the previous year, the low tax charge was influenced by the disposal of a shareholding in Swisscom Mobile AG, which was effectively tax-free for the Group. The partially tax-exempt gain from the sale of real estate also contributed to a reduction in the tax rate.

Financing

In 2002, debt and financial lease obligations of CHF 1,591 million were repaid. At December 31, 2002, total debt and finance lease obligations amounted to CHF 3,713 million, of which liabilities from cross-border tax lease arrangements amounted to CHF 1,104 million. Swisscom recorded a corresponding financial asset of the same magnitude. Cash and cash equivalents and current financial assets fell from CHF 7,104 million to CHF 1,967 million due to the share buy-back, capital reduction and repayment of debt. At December 31, 2002 total debt and financial lease obligations exceeded cash and cash equivalents, current financial assets and financial assets from cross-border tax lease transactions by CHF 642 million.

Capital expenditure

Capital expenditure in 2002 amounted to CHF 1,222 million compared with CHF 1,234 million in the previous year. Capital expenditure in the fixed network declined from CHF 597 million in 2001 to CHF 585 million in 2002. The major areas of investment in the fixed network in 2002 and 2001 relate to the construction of the next generation network infrastructure needed to support high speed data transmission and the rollout of broadband access, which Swisscom believes will be growth areas in the future.

Capital expenditure in the mobile network increased from CHF 315 million in 2001 to CHF 392 million in 2002. This increase was due to an increase in both the capacity and coverage of the GSM mobile telephony network resulting primarily from the rollout of new data products, which require higher capacity. As a result of the delay in the implementation of the third generation system, UMTS, due to the unavailability of equipment, Mobile s capital expenditure in 2002 in this area was less than planned.

Capital expenditure in IT infrastructure decreased primarily as a result of cost cutting measures. Capital expenditure in Systems decreased as a result of a decrease in the rental to business customers of end-user telecommunication equipment.

Minority interests

Minority interest relates mainly to the 25% shareholding of Vodafone in Swisscom Mobile AG. The CHF 67 million increase in 2002 is attributable to the acquisiton by Vodafone, which was effective as of April 1, 2001.

Share buy-back and capital reduction

Under its share buy-back program, Swisscom purchased 9.99% of its outstanding shares for CHF 4,264 million in 2002. Following the buy-back, Swisscom s equity ratio was 43.0%. In addition to the dividend of CHF 11 per share, there was a capital reduction of CHF 8 per share, or a total of CHF 529 million, in the third quarter of 2002.

Outlook for 2003

In light of the current market situation, pressure on revenue and margins is expected to continue in the year 2003. Revenue in the Swiss market is likely to decrease in the absence of any change in market and regulatory conditions. Resulting from continuing cost management, Swisscom expects operating income before interest, tax, depreciation and amortization (EBITDA) to match the result for 2002.

Back to Contents

Consolidated financial statements

Back to Contents

Report of Group Auditors

To the Shareholders   Meeting of Swisscom AG Ittigen (Berne)

As auditors of the group, we have audited the accompanying consolidated financial statements (income statement, balance sheet, cash flow statement, statement of shareholders   equity and notes) of Swisscom AG and subsidiaries for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position. The results of operations and the cash flows for in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Wittwer   Julie Fitzgerald

Berne, March 20, 2003

Back to Contents

Consolidated income statement

CHF in millions, except per share amount	Note	Year ended December 31 2001	2002
Net revenue	4	**14 174**	**14 526**
Other operating income	5	213	266
Total		**14 387**	**14 792**
Goods and services purchased	6	4 513	4 959
Personnel expenses	7,8,9	2 461	2 593
Other operating expenses	10	3 004	2 827
Depreciation	23	1 702	1 578
Amortization	25	472	427
Total operating expenses		**12 152**	**12 384**
Impairment of goodwill	25	(1 130)	(702)
Gain on sale of real estate	11	568	
Gain on partial sale of Swisscom Mobile AG	12	3 837	
Operating income		**5 510**	**1 706**
Financial expense	13	(771)	(517)
Financial income	14	416	206
Income before income taxes, equity in net income of affiliated companies and minority interest		**5 155**	**1 395**

Income tax benefit (expense)