

SWISSCOM AG  
Form 20-F  
April 21, 2005

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 20-F**

- o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

- þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

- o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number **1-14860**

**Swisscom AG**  
(Exact name of Registrant as specified in its charter)

**Switzerland**  
(Jurisdiction of incorporation or organization)

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

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
American Depositary Shares, each representing one-tenth of one Registered Share, Nominal Value CHF 1 per share	New York Stock Exchange
Registered Shares, Nominal Value CHF 1 per share*	New York Stock Exchange

\* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2004: 66,203,261 Registered Shares, Nominal Value CHF 1 per share.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark which financial statement item the registrant has elected to follow.

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### **Introduction**

#### **Presentation of financial and other information**

Swisscom publishes its financial statements in Swiss francs ( CHF ). Unless otherwise indicated, all amounts in this annual report are expressed in Swiss francs. Solely for the convenience of the reader, certain amounts denominated in foreign currencies appearing primarily under the headings *Item 4: Information on the Company Divestments/Discontinued Operations* and *Item 5: Operating and Financial Review and Prospects* have been translated into Swiss francs. These translations should not be construed as representations that the amounts referred to actually represent such translated amounts or could be converted into the translated currency at the rate indicated.

Swisscom's annual audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ( IFRS ), which differ in certain respects from U.S. GAAP. For a reconciliation of the material differences between IFRS and U.S. GAAP as they relate to Swisscom, see Note 42 to the consolidated financial statements.

As used in this annual report, the term *Swisscom*, unless the context otherwise requires, refers to Swisscom AG and its consolidated subsidiaries. The term *Confederation* refers to the Swiss Confederation.

#### **Cautionary statement regarding forward-looking statements**

This annual report contains statements that constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. In addition, other written or oral statements, which constitute forward-looking statements have been made and may in the future be made by or on behalf of Swisscom. In this annual report, such forward-looking statements may be found, in particular, in *Item 4: Information on the Company* and *Item 5: Operating and Financial Review and Prospects* and include, without limitation, statements relating to:

- the implementation of strategic initiatives;

- the development of revenue overall and within specific business areas;

- the development of operating expenses;

- the anticipated level of capital expenditures and associated depreciation expense; and

- other statements relating to Swisscom's future business development and economic performance.

The words *anticipate*, *believe*, *expect*, *estimate*, *intend*, *plan* and similar expressions identify certain of these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements because actual events and results may differ materially from the expected results described by such forward-looking statements.

Many factors may influence Swisscom's actual results and cause them to differ materially from expected results as described in forward-looking statements. Such factors include:

- general market trends affecting demand for telecommunications services;

- developments in the interpretation and application of existing telecommunication regulations in Switzerland and the possibility that additional regulations may be imposed in the future;

developments in technology, particularly the timely rollout of equipment;

the evolution of Swisscom's strategic partnerships and acquisitions, including costs associated with possible future acquisitions and dispositions;

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the effects of tariff reductions and other marketing initiatives;

the outcome of litigation in which Swisscom is involved; and

macroeconomic trends, governmental decisions and regulatory policies affecting businesses in Switzerland generally, including changes in the level of interest or tax rates.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**PART I**

**ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.



**Table of Contents****ITEM 3: KEY INFORMATION****Selected Financial Data****Selected Consolidated Financial and Statistical Data**

The selected consolidated financial data below should be read in conjunction with Swisscom's financial statements included elsewhere in this annual report. The selected financial data as of December 31, 2000, 2001, 2002, 2003 and 2004 for each of the years in the five-year period ended December 31, 2004, have been extracted or derived from, and are qualified by reference to, the audited financial statements of Swisscom. The financial statements were prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP. For a reconciliation of the material differences between IFRS and U.S. GAAP as they relate to Swisscom, see Note 42 to the consolidated financial statements. As a result of the sale of debitel in June 2004, Swisscom treats debitel in its consolidated financial statements as a discontinued operation. Prior years have been restated accordingly.

CHF in millions	<b>Year Ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Consolidated Income Statement Data:</b>					
<i>Amounts in accordance with IFRS:</i>					
<b>Net revenue</b>	<b>10,067</b>	<b>10,366</b>	<b>10,415</b>	<b>10,026</b>	<b>10,057</b>
Other income	125	194	230	233	197
<b>Total</b>	<b>10,192</b>	<b>10,560</b>	<b>10,645</b>	<b>10,259</b>	<b>10,254</b>
Goods and services purchased	1,862	2,056	2,073	1,706	1,847
Personnel expenses	2,302	2,224	2,329	2,266	2,194
Other operating expenses	2,161	2,058	1,989	1,783	1,809
Depreciation	1,826	1,674	1,552	1,543	1,548
Amortization	14	62	114	142	151
<b>Total operating expenses</b>	<b>8,165</b>	<b>8,074</b>	<b>8,057</b>	<b>7,440</b>	<b>7,549</b>
Gain on sale of real estate		568 <sup>(1)</sup>			
Gain on partial sale of Swisscom Mobile AG		3,837 <sup>(1)</sup>			
<b>Operating income</b>	<b>2,027</b>	<b>6,891</b>	<b>2,588</b>	<b>2,819</b>	<b>2,705</b>
Financial expense	(324)	(764)	(508)	(196)	(285)
Financial income	473	416	197	170	141
<b>Income before income taxes, equity in net income of affiliated companies and minority interest</b>	<b>2,176</b>	<b>6,543</b>	<b>2,277</b>	<b>2,793</b>	<b>2,561</b>
Income tax (expense) benefit <sup>(2)</sup>	(581)	48	(313)	(467)	(394)
Equity in net income of affiliated companies	1,754	32	94	(9)	22
Minority interest	(1)	(226)	(301)	(340)	(352)
<b>Net income from continuing operations</b>	<b>3,348</b>	<b>6,397</b>	<b>1,757</b>	<b>1,977</b>	<b>1,837</b>

Discontinued operations <sup>(3)</sup>	(192)	(1,433)	(933)	(408)	(243)
<b>Net income</b>	<b>3,156</b>	<b>4,964</b>	<b>824</b>	<b>1,569</b>	<b>1,594</b>

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CHF in millions except per Share and ADS amounts	<b>Year Ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Basic earnings per share<sup>(4)</sup></b>					
-on continuing operations	45.53	86.98	25.97	29.86	28.39
-on discontinued operations	(2.62)	(19.48)	(13.79)	(6.16)	(3.76)
-net income	42.91	67.50	12.18	23.70	24.63
<b>Diluted earnings per share<sup>(4)</sup></b>					
-on continuing operations	45.48	86.93	25.95	29.85	28.39
-on discontinued operations	(2.61)	(19.47)	(13.78)	(6.16)	(3.76)
-net income	42.87	67.46	12.17	23.69	24.63
Basic and diluted earnings per ADS <sup>(4)</sup>	4.29	6.75	1.21	2.37	2.46
<i>Amounts in accordance with U.S. GAAP:</i>					
<b>Net revenue</b>	<b>10,042</b>	<b>10,384</b>	<b>10,424</b>	<b>10,057</b>	<b>10,113</b>
Net income from continuing operations	2,432	6,070	1,780	2,066	1,968
Net income (loss) from discontinued operations	(513)	(368)	(994)	(8)	145
Cumulative effect of a change in accounting policy	169		(1,649)	38	
<b>Net income (loss)</b>	<b>2,088</b>	<b>5,702</b>	<b>(863)</b>	<b>2,096</b>	<b>2,113</b>
<b>Basic earnings (loss) per share</b>					
-on continuing operations	33.07	82.53	26.31	31.21	30.41
-on discontinued operations	(6.98)	(5.00)	(14.69)	(0.12)	2.24
Cumulative effect of a change in accounting policy	2.30		(24.38)	0.57	
-net income	28.39	77.53	(12.76)	31.66	32.65
<b>Diluted earnings (loss) per share</b>					
-on continuing operations	33.03	82.49	26.29	31.19	30.41
-on discontinued operations	(6.97)	(5.00)	(14.68)	(0.12)	2.24
Cumulative effect of a change in accounting policy	2.30		(24.35)	0.57	
-net income	28.36	77.49	(12.74)	31.64	32.65
Basic earnings per ADS <sup>(4)</sup>	2.84	7.75	(1.28)	3.17	3.27
Diluted earnings per ADS <sup>(4)</sup>	2.84	7.75	(1.27)	3.16	3.27

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CHF in millions	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Consolidated Balance Sheet Data:</b>					
<i>(end of period)</i>					
<i>Amounts in accordance with IFRS:</i>					
Cash and cash equivalents	2,063	3,565	1,512	3,104	2,387
Other current assets	3,226	5,807	2,871	2,815	3,818
Property, plant and equipment	9,901	8,060	7,491	6,971	6,395
Investments in affiliated companies	501	589	682	41	58
Other non-current assets	2,396	3,028	2,267	1,924	1,790
Assets from discontinued operations	3,916	3,300	2,135	1,685	
<b>Total assets</b>	<b>22,003</b>	<b>24,349</b>	<b>16,958</b>	<b>16,540</b>	<b>14,448</b>
Short-term debt	2,625	1,696	960 <sup>(5)</sup>	516 <sup>(5)</sup>	384
Trade accounts payable and other current liabilities	3,145	2,569	2,170	2,219	2,314
Long-term debt and finance lease obligations	3,748	3,715	2,674 <sup>(5)</sup>	2,408	2,151
Accrued pension cost	1,925	1,218	1,101	1,113	1,118
Accrued liabilities and other long-term liabilities	923	1,258	1,087	1,090	1,137
Liabilities from discontinued operations	1,038	1,055	886	794	
<b>Total liabilities</b>	<b>13,404</b>	<b>11,511</b>	<b>8,878</b>	<b>8,140</b>	<b>7,104</b>
Minority interest	29	769	781	731	663
<b>Shareholders equity</b>	<b>8,570</b>	<b>12,069</b>	<b>7,299</b>	<b>7,669</b>	<b>6,681</b>
<i>Amounts in accordance with U.S. GAAP:</i>					
Assets continuing operations	21,819	24,049	18,654	18,360	17,734
Assets discontinued operations	3,899	4,049	1,165	1,012	
<b>Total assets</b>	<b>25,718</b>	<b>28,098</b>	<b>19,819</b>	<b>19,372</b>	<b>17,734</b>
Long-term debt and finance lease obligations continuing operations	5,588	7,255	6,415	5,856	5,394
Long-term debt and finance lease obligations discontinued operations	34	28	23	36	
Total long-term debt and finance lease obligations	5,622	7,283	6,438	5,892	5,394
Shareholders equity	8,110	12,294	5,587	6,523	5,982
<b>Consolidated Cash Flow Data:</b>					
<i>Amounts in accordance with IFRS:</i>					
Net cash provided by operating activities	3,613	3,215	3,700	4,710	4,068
Capital expenditures:					
Fixed-line networks	485	470	479	497	360
Mobile networks	286	258	295	381	434

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UMTS/GSM licenses	120				
Other intangibles	89	125	70	98	103
Buildings	18	28	2	6	13
Other	393	287	281	183	226
<b>Total capital expenditures</b>	<b>1,391</b>	<b>1,168</b>	<b>1,127</b>	<b>1,165</b>	<b>1,136</b>
Investments in affiliated companies	100	2	37	11	
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	<b>Year Ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Statistical Data:</b>					
Fixed-line access lines <sup>(6)</sup> ( <i>end of period, in thousands</i> )					
PSTN lines	3,382	3,240	3,163	3,086	3,007
ISDN lines	723	857	911	924	924
<b>Total fixed-line access lines</b>	<b>4,105</b>	<b>4,097</b>	<b>4,074</b>	<b>4,010</b>	<b>3,931</b>
Traffic ( <i>in millions of minutes</i> ):					
National fixed-line telephony <sup>(7)</sup>	15,274	14,317	12,316	10,957	10,211
Outgoing international fixed-line telephony <sup>(8)</sup>	1,306	1,399	1,394	1,341	1,316
Mobile telephony <sup>(9)</sup>	2,977	3,296	3,331	3,335	3,404
Bluewin on-line service subscribers ( <i>end of period, in thousands</i> ) <sup>(10)</sup>					
	550	734	860	944	1,013
Swisscom Mobile subscribers <sup>(11)</sup> ( <i>end of period, in thousands</i> )					
	2,961	3,373	3,605	3,796	3,908
Number of full-time equivalent employees ( <i>end of period</i> )					
	17,459	17,784	17,171	16,079	15,477

**Notes to Selected Consolidated Financial and Statistical Data**

- (1) In 2001, Swisscom entered into two agreements for the sale of real estate and recorded a gain of CHF 568 million. In 2001, Swisscom sold 25% of the shares of Swisscom Mobile AG to Vodafone and recorded a gain of CHF 3,837 million on disposal.
- (2) Prior to 2002, Swisscom was subject to a weighted average statutory income tax rate of 25%. Swisscom's effective tax rate for the year ended December 31, 2001 was reduced by three one-time effects: (1) the gain on the sale of Swisscom Mobile was, in effect, not subject to tax; (2) the gain on the sale of real estate, which was only partially subject to tax; and (3) the impairment charge of debitel for tax purposes exceeded that recorded in the consolidated financial statements. In 2002, Swisscom transferred its operations from Swisscom AG to newly formed subsidiaries, which are each subject to individual tax rates. This resulted in a decrease in the weighted average tax rate from 25% to 23%. In 2004, the weighted average tax rate was 22.3%. See Note 13 to the consolidated financial statements.
- (3) As a result of the sale of debitel in June 2004, Swisscom treats debitel in its consolidated financial statements as a discontinued operation. Prior years have been restated accordingly.
- (4) Earnings per ADS are based on the ratio of one-tenth of one share to one ADS. Basic weighted-average number of shares outstanding in 2000, 2001, 2002, 2003 and 2004 was 73,540,974, 73,543,972, 67,647,928, 66,199,789, and 64,715,609, respectively. In March 2002, Swisscom repurchased 7,346,739 shares, or 9.99% of its share capital, at a price of CHF 580 per share for an aggregate amount of CHF 4.3 billion. On December 22, 2004, Swisscom completed a share repurchase program in which it repurchased shares in an aggregate amount of CHF 2 billion representing 7.13% of its share capital. The Annual General Meeting to be held on April 26, 2005 will vote on a resolution to reduce Swisscom's share capital accordingly.

- (5) Total debt at December 31, 2000, 2001 and 2002 includes debt outstanding to the Swiss Post and the Federal Treasury in the aggregate principal amount of CHF 3.0 billion, CHF 1.8 billion and CHF 0.8 billion, respectively. In the course of 2003, Swisscom repaid the remaining outstanding loans of CHF 0.8 billion to the Swiss Post.
- (6) Based on lines in service, including courtesy and service lines and lines for payphones.
- (7) Represents total traffic generated by customers of Fixnet and Enterprise Solutions. Includes traffic on courtesy and service lines. Includes traffic from Swisscom's fixed-line network to mobile networks and to private user networks. Does not include Internet traffic and traffic generated from Swisscom-operated public payphones, Swisscom's toll-free, cost shared and premium rate telephone number services for business customers or by Swisscom's information services.
- (8) Represents total traffic generated by customers of Fixnet and Enterprise Solutions. Based on minutes as determined for customer billing purposes.
- (9) Includes minutes from all outgoing calls made by subscribers of Swisscom Mobile. Beginning in 2001, figures include voice minutes only, whereas in prior years, minutes relating to data and value-added services were also included.
- (10) Active access subscribers include all paid-access subscribers and those subscribers to Swisscom's free access services who have accessed their accounts at least once in the past 40 days.

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- (11) Beginning in 2001, Swisscom no longer includes accounts of any prepaid customer with inactivity of more than twelve months in its subscriber figures. This resulted in the deactivation of 207,000 inactive prepaid customers in December 2001. Effective December 31, 2004, approximately 124,000 customers, which have not registered with Swisscom on a timely basis, as required by law since July 2004, were deactivated.

**Dividend Information**

The following table shows, in respect of each of the years indicated, information concerning the dividends per share paid in Swiss francs and in U.S. dollars. Dividends were declared in Swiss francs and converted into U.S. dollars using the noon buying rate for Swiss francs per U.S. dollar on the date of the shareholders' meeting at which the relevant dividend was approved. As used in this annual report, the term "noon buying rate" refers to the exchange rate for Swiss francs per U.S. dollar, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in T