
swisscom
Annual
Report
2013

About this report

Reporting structure

This integrated report combines Swisscom's financial and sustainability reporting and is aimed at readers interested in both topics. References to additional content and information on sustainability issues are provided in the respective sections of the report. More details about Swisscom's sustainability commitment can be found in the GRI Appendix, which can be found on the Swisscom website.

- Introduction
- Management Commentary
- Corporate Responsibility
- Corporate Governance and Remuneration Report
- Financial Statements
- Further Information

Topics

Information on Swisscom's financial position, results of operations and cash flows complies with the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, the provisions of Swiss law. Internal control mechanisms ensure the reliability of the information contained in this report.

Swisscom also provides a report for its stakeholder groups on the Group's economic, social and environmental performance. The scope and content of the sustainability report are based on the guidelines of the Global Reporting Initiative (GRI 3.1). GRI is the leading global standard for corporate sustainability reporting.

The GRI Index offers a standardised overview of sustainability reporting by subject area. The Index contains references to the relevant pages in the Annual Report or other information sources and can be called up on the Swisscom website.

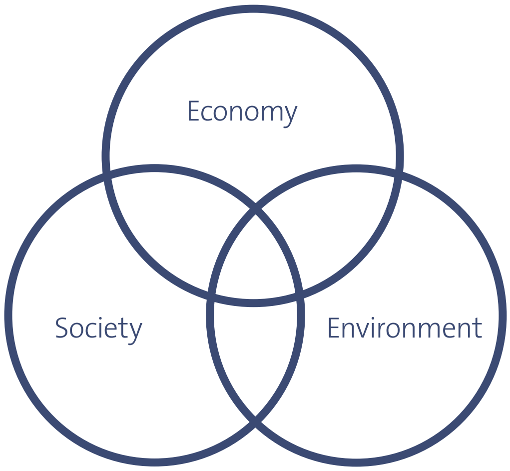
- Global Reporting Initiative at www.globalreporting.org
- GRI Index and GRI Appendix to the 2013 Annual Report at www.swisscom.ch/gri-2013

External auditing and evaluation

Parts of the Swisscom report are audited by a third party. The audit company KPMG AG has audited and given unqualified opinions on the consolidated financial statements and the financial statements of Swisscom Ltd. The audit of the consolidated financial statements is based on the likewise audited financial statements of the Swisscom Group companies.

The Sustainability Report, prepared in accordance with GRI 3.1, was audited by SGS SA and certified with Level A+ of the Global Reporting Initiative.

- Reports of the Statutory Auditors pages 222 and 235
- GRI certified by SGS SA page 114



Triple bottom line

Swisscom reports about the ecological, economic and social aspects and factors that shape its business activities and its role as a corporate citizen.

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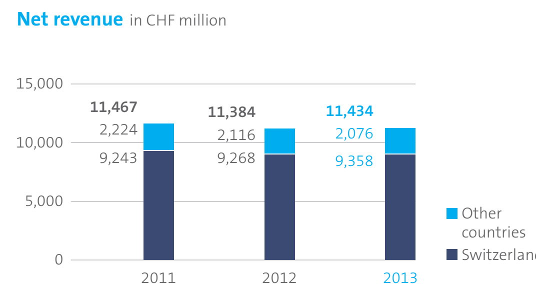
Facts & Figures

Economy

11,434 m

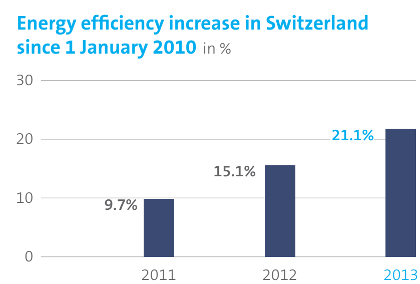
CHF net revenue in 2013,
which represents an increase of 0.4%.



Environment

21 %

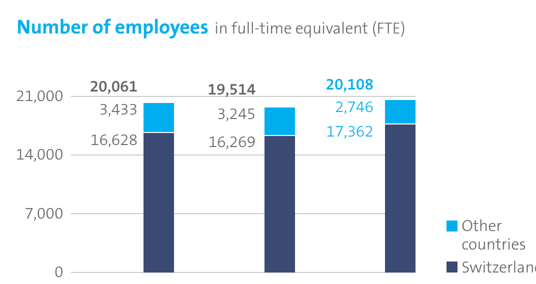
Swisscom increases the efficiency of its energy usage in Switzerland since 1 January 2010.



Society

20,108 FTE

is the headcount at Swisscom as of the end of 2013.
Swisscom's workforce includes 90 different nationalities.



KPIs of Swisscom Group

In CHF million, except where indicated		2013	2012	Change
Economic performance				
Net revenue and results				
Net revenue		11,434	11,384	0.4%
Operating income before depreciation and amortisation (EBITDA)		4,302	4,477	–3.9%
EBITDA as % of net revenue	%	37.6	39.3	
Operating income (EBIT)		2,258	2,527	–10.6%
Net income		1,695	1,815	–6.6%
Earnings per share	CHF	32.53	34.90	–6.8%
Balance sheet and cash flows				
Equity at end of year		6,002	4,717	27.2%
Equity ratio at end of year	%	29.3	23.8	
Operating free cash flow		1,978	1,882	5.1%
Capital expenditure in property, plant and equipment and other intangible assets		2,396	2,529	–5.3%
Net debt at end of period		7,812	8,071	–3.2%
Operational data at end of period				
Fixed access lines in Switzerland	in thousand	2,879	3,013	–4.4%
Broadband access lines retail in Switzerland	in thousand	1,811	1,727	4.9%
Swisscom TV access lines in Switzerland	in thousand	1,000	791	26.4%
Mobile access lines in Switzerland	in thousand	6,407	6,217	3.1%
Unbundled fixed access lines in Switzerland	in thousand	256	300	–14.7%
Broadband access lines wholesale in Switzerland	in thousand	215	186	15.6%
Broadband access lines in Italy	in thousand	1,942	1,767	9.9%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	–
Closing price at end of period	CHF	470.90	393.80	19.6%
Market capitalisation at end of year		24,394	20,400	19.6%
Dividend per share	CHF	22.00 [1]	22.00	–
Ecological performance				
Environmental key figures in Switzerland				
Energy consumption	GWh	503	511	–1.6%
Carbon dioxide CO_2	tons	25,260	24,662	2.4%
Average carbon dioxide CO_2 emission vehicle fleet	gram per km	123.0	131.0	–6.1%
Rate of return handy recycling	%	9.8	11.4	
Social performance				
Employees				
Full-time equivalent employees at end of year	number	20,108	19,514	3.0%
Full-time equivalent employees in Switzerland at end of year	number	17,362	16,269	6.7%
Fluctuation rate headcount in Switzerland	%	10.7	10.1	
Days lost headcount in Switzerland	number	120,024	117,876	1.8%

[1] In accordance with the proposal of the Board of Directors to the Annual General Meeting.

Key Events 2013

Market

- Swisscom starts rolling out Fibre to the Street (FTTS) in 23 municipalities. In a pilot phase it connects in towns like Biel and Montreux, by rolling out Fibre to the Building (FTTB).
- Swisscom invests CHF 1.7 billion in its Swiss infrastructure.
- The expansion of the new 4G/LTE network proceeds at high speed. 85% of the Swiss population can already use Swisscom's latest-generation mobile network in 1,400 municipalities, including 140 towns and cities.
- Swisscom wins connect magazine's network test for the fifth year in a row, proving once again that it is Swiss market leader in mobile communications.

Products and services

- Swisscom customers benefit from an even faster mobile data network and can surf the Internet at a speed of up to 150 Megabits per second thanks to 4G/LTE.
- Virtually every third household watches TV with Swisscom: thanks to record growth over the past twelve months, the number of customers watching Swisscom TV surpasses the one million mark.
- Swisscom once again massively reduces the prices for mobile surfing when abroad, offering the lowest-cost service of any Swiss provider and remaining well below the regulated EU level.
- Swisscom launches iO – and is the first Swiss provider to offer a free app for telephony and messaging via the Internet. All of iO's functions can be used abroad, thereby making using a mobile abroad cheaper than ever before.
- Occasional mobile phone users can take advantage of two new subscription packages, Natel entry basic and Natel entry plus, featuring inclusive units and top Internet-browsing speed.
- Swisscom makes some adjustments to its successful packages, adding the entry-level Vivo Casa 1*, which allows customers to spend more time on the phone and surf at faster speeds for the same price.
- Swisscom invests in Switzerland's future: since November all customers with an optical-fibre connection have been able to browse the Internet on Swisscom's ultra-fast broadband network at speeds of up to 1 gigabit per second.
- Swisscom Energy Solutions launches BeSmart – a product which recovers balancing energy for the Swiss power network by flexibly controlling electric heat generating systems. BeSmart thus constitutes a basis upon which to expand the use of fluctuating energy sources such as wind and solar power.

Sustainability

- Thanks to Green ICT services from Swisscom, just 53 of our customers who have been awarded a Green ICT certificate save some 15,000 tons of CO_2, 8 gigawatt hours of electricity and a lot of travel time.
- Swisscom is strongly committed to promoting media skills. The courses it runs on the correct usage of media are attended by more than 13,000 secondary school pupils and more than 5,500 parents, as well as teachers in 2013. It also launches a new "media smart" platform for parents, dedicated to the use of digital media as part of family life.
- Working for the environment and society: Swisscom employees perform some 1,500 days of voluntary work as part of the Give & Grow Corporate Volunteering Programme in 2013.
- Swisscom mobile aid: Swisscom collects around 149,000 old mobile phones from the Swiss population. The proceeds from the resale of the devices go to the SOS Children's Village.
- Swisscom is awarded top ratings by rating agencies such as SAM, CDP, Vigéo, imug/EIRIS.

Swisscom in mourning for CEO Carsten Schloter

> Carsten Schloter (1963–2013) joined Swisscom in 2000, where he initially managed Swisscom Mobile. He recognised the future potential of mobile data traffic at an early stage and launched a world first with Mobile Unlimited. In 2006 Carsten was appointed CEO of Swisscom. He proceeded to organise the company along the lines of customer segments, firmly establishing customer orientation as an element of Swisscom's culture. He led the company into the new business area of Swisscom TV, where he met with major success. He recognised that the quality, performance and security of networks would assume increasing importance in the future. This prompted him to boldly pursue unconventional methods, which repeatedly caused a stir in the industry. One example of which was the introduction of the Infinity tariffs. When Fastweb entered into its most difficult phase in connection with a value-added-tax scandal, Carsten personally assumed the management of the subsidiary and steered the company back on course. None of these successes would have been possible had it not been for his immense energy – which he conveyed to the staff and always used to the benefit of customers. Carsten had a clear vision of Swisscom's future. As a result, throughout the years he steered the company with due strategic care into a new era. Nobody else could move, inspire and encourage people like he did. We will never forget Carsten.

Business review

- From July 2013 Urs Schaeppi takes over the management of the company as interim deputy CEO. He was appointed as CEO of Swisscom from 7 November 2013.
- Stefan Nünlist takes over as Head of Corporate Communications at Swisscom.
- Swisscom increases the strategic stake it has held in Cinetrade since 2005 to 75%.
- Swisscom acquires the business platform of Entris Banking and Entris Operations, thereby consolidating its expertise in the banking sector.
- The corporate business divisions of Swisscom Switzerland and Swisscom IT Services, which have traditionally managed corporate customer business, are merged with effect from 1 January 2014 to create the new Enterprise Customers division. Swisscom thereby laying the foundations upon which to offer cloud-based one-stop telecommunication an IT solutions and strengthens its competitive position. As a result of the reorientation, the Board of Directors decides to streamline the Group structure.

Business Overview

Swisscom's financial reporting is based on the three operating divisions: Swisscom Switzerland, Fastweb and Other operating segments.

Swisscom Switzerland

In CHF million, except where indicated	2011	2012	2013
Net revenue	8,449	8,461	8,449
Segment result before depreciation and amortisation	3,662	3,557	3,547
Margin as % of net revenue	43.3	42.0	42.0
Capital expenditure in property, plant and equipment and other intangible assets	1,400	1,852 [1]	1,516
Full-time equivalent employees at end of year	12,129	11,862	12,463

[1] Including expenses of CHF 360 million for mobile frequencies.

The Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT divisions are reported separately in the segment reporting.

Residential Customers

The Residential Customers segment is the contact partner for mobile and fixed-line customers. It provides Switzerland with broadband access lines, serves a growing number of Swisscom TV subscribers and operates Switzerland's one of the most frequently visited Internet portals www.bluewin.ch. The Residential Customers segment offers telephone, Internet and TV services – all from a single source – and is also responsible for handset sales and directories business.

Small and Medium-Sized Enterprises

The Small and Medium-Sized Enterprises segment offers a comprehensive range of products and services – from fixed-line and mobile telephony to Internet and data services to IT infrastructure maintenance and operation. Small and Medium-Sized Enterprises receive bespoke integrated solutions: suitable connections, secure access, professional services and intelligent networks.

Corporate Business

Whether voice or data, mobile or fixed network, individual products or integrated solutions, as a leading provider in the field of business communications, the Corporate Business segment supports customers with the planning, implementation and operation of their IT and communications infrastructure, including the provision of cost-efficient solutions and reliable services.

Wholesale

The Wholesale segment provides various services for other telecommunications providers, such as regulated access to the "last mile" as well as commercial voice, data and broadband products. The Wholesale segment also covers roaming with foreign providers.

Network & IT

The Network & IT segment builds, operates and maintains Swisscom's countrywide fixed network and mobile communications infrastructure. It is also responsible for the associated IT platforms, and is driving forward migration of the networks to an integrated IT- and IP-based platform (All IP). Network & IT also provides support functions for Swisscom Switzerland; expenses incurred are not charged to the individual segments. The Network & IT segment therefore only reports expenses but no revenue.

Fastweb

Fastweb is one of Italy's biggest broadband telecoms companies.

In EUR million, except where indicated	2011	2012	2013
Net revenue	1,746	1,700	1,642
Segment result before depreciation and amortisation	506	500	505
Margin as % of net revenue	29.0	29.4	30.8
Capital expenditure in property, plant and equipment and other intangible assets	448	441	565
Full-time equivalent employees at end of year	3,079	2,893	2,363

Fastweb provides products and services for voice, data, Internet and TV, as well as a full complement of VPN and mobile communication services. Fastweb offers its services in all large towns and cities in Italy and in all market segments. The services are provisioned directly via the company's own fibre-optic network or via unbundled fixed access lines and wholesale products of Telecom Italia.

Other operating Segments

Other operating segments mainly comprises Group Related Businesses and Swisscom IT Services, a leading provider of IT services in Switzerland.

In CHF million, except where indicated	2011	2012	2013
Net revenue	1,708	1,728	1,819
Segment result before depreciation and amortisation	300	274	303
Margin as % of net revenue	17.6	15.9	16.7
Capital expenditure in property, plant and equipment and other intangible assets	169	167	195
Full-time equivalent employees at end of year	4,514	4,419	4,964

Other operating segments mainly comprises Swisscom IT Services, Group Related Businesses and Swisscom Hospitality Services. Swisscom IT Services ranks as one of the leading providers specialising in the integration and operation of complex IT systems. Its core competencies are in the fields of IT outsourcing services, workplace services, SAP services and finance services. Group Related Businesses manages a portfolio of small and medium-sized enterprises, delivering services that are mainly related to or help support Swisscom's core business. Swisscom Hospitality Services supports the hotel industry worldwide with innovative network and communication solutions.

Group Headquarters

Group Headquarters chiefly comprises the Group divisions Group Business Steering, Group Strategy & Innovation, Group Communications & Responsibility, and Group Human Resources.

Shareholders' letter

Dear Shareholders

Swisscom can look back on a successful and eventful year with strong customer growth and stable core business. Customer growth was accelerated by innovations and investments in the market, particularly in the latest generation of ICT networks. Swisscom TV, along with offerings in mobile communications and from Fastweb, allowed us to win over a large number of new customers. A high volume of incoming orders at Swisscom IT Services and our customers switching to bundled offerings helped to deliver a solid performance. Continuing competition and price pressure, characterised by price erosion and further price reductions for roaming services, resulted in a drop in operating profit.

Marginal decline in operating income

In 2013 Swisscom's net revenue rose by CHF 50 million or 0.4% to CHF 11,434 million, while operating income before depreciation and amortisation (EBITDA) was CHF 175 million or 3.9% lower at CHF 4,302 million. Revenue and EBITDA performance was impacted by the euro exchange rate, company acquisitions and hubbing revenues (wholesale revenues from low-margin interconnection services) at Fastweb. Excluding these special factors, and at constant exchange rates, net revenue and EBITDA fell by 0.8% and 2.0% respectively. Net income declined by CHF 120 million or 6.6% to CHF 1,695 million. Besides lower EBITDA, the fall in net income was mainly attributable to higher depreciation and amortisation. Excluding expenses for the mobile frequencies acquired by auction in the previous year, capital expenditure increased by CHF 227 million or 10.5% to CHF 2,396 million.

Solid business performance in Switzerland

In its Swiss business, Swisscom generated net revenue of CHF 9,358 million (+1.0%) and EBITDA of CHF 3,685 million (–4.6%). Adjusted for one-off special factors, EBITDA was down 2.0% year-on-year. Price erosion and price reductions for roaming services totalling CHF 560 million were largely offset by CHF 480 million in customer and volume growth. Excluding the costs of CHF 360 million for the mobile frequencies acquired in 2012, capital expenditure in Switzerland rose by CHF 52 million or 3.2% to CHF 1,686 million. This was mainly attributable to broadband expansion and to upgrading mobile networks with the latest technologies. In Switzerland headcount increased by 1,093 full-time equivalents or 6.7% to 17,362 as a result of company acquisitions, the insourcing of external staff and the strengthening of customer service operations.

Fastweb on track

Fastweb is on track in Italy and its strategy remains unchanged. Excluding hubbing business, net revenue dipped slightly by EUR 16 million to EUR 1,597 million. Fastweb's broadband customer base increase to 175'000 with in a year and is growing faster than the broadband market in Italy. EBITDA increased by EUR 5 million or 1.0% to EUR 505 million year-on-year. Capital expenditure rose by CHF 124 million or 28.1% to EUR 565 million, due to spending on upgrading the fibre-optic network with the same technology as in Switzerland (notably Fibre to the Street) in order to significantly expand high-speed network access and geographical reach.

Swisscom share performance in 2013

The Swisscom share price rose by 19.6% in 2013, which is only slightly below the average price gain of 20.2% posted by the 20 leading Swiss companies on the Swiss Market Index (SMI). In terms of total shareholder return (share price movement and dividend payout) Swisscom outperformed the SMI due to the high dividend yield. Payment of an ordinary dividend of CHF 22 per share (prior year: CHF 22) will be proposed to the Annual General Meeting of shareholders. This is equivalent to a total dividend payout of CHF 1,140 million. Swisscom is thus upholding the principle of continuity in its dividend policy.

Keeping pace with the development of national markets into global markets

What were once domestic markets for telephony and data communication are now, thanks to digitalisation, a single global market: providers such as Google, Apple, etc. are now able to offer their communication services globally thanks to the Internet protocol. Many of these services are free-of-charge for users, because although these providers rely on our networks for the provision of their services, they do not have to invest in them.
To counteract this trend, Swisscom has further developed its business model. As a trusted partner in today's digital world, the company relies on having a secure and always-available network for its customers. The needs of its customers and a commitment to delivering outstanding quality of service is at the centre of its considerations and actions.

High investments

The increasing importance of the Internet for personal and professional use has resulted in a greater demand for high-performance, secure network access throughout Switzerland. In the high-investment network competition with cable network operators, mobile network operators and power utility companies, Swisscom wants to continue offering its customers the best network. As a result, Swisscom has this year invested CHF 1.7 billion in Switzerland, most of which on expanding the mobile network with 4G/LTE and on broadband expansion.

Modern fibre-optic technologies

At the end of 2013, some 750,000 homes and businesses were connected with FTTH (Fibre to the Home) and were able to take advantage of Internet-browsing speeds of up to 1 gigabit per second. This figure is set to rise to around a million or around a third of all households in Switzerland by the end of 2015. Swisscom has also rolled out new fibre-optic technologies such as FTTS (Fibre to the Street) and FTTB (Fibre to the Building). The work involved in expanding these technologies has already begun. Swisscom also intends to almost double the performance of the existing network from 2014 using vectoring technology, thus enabling the rapid and cost-effective nationwide rollout of ultra-fast broadband.

Fourth-generation mobile technology

In 2012, Swisscom became the first mobile provider in Switzerland to launch fourth-generation LTE technology on a commercial basis, with work being completed on the expansion this year. By the end of 2013, Swisscom had already extended 4G/LTE coverage to 85% of the Swiss population, and around one million Swisscom customers were regularly using the new high-speed LTE network.

Unlimited use of Swisscom services

In response to the growing trend among global providers in the global telephone and data communications market to offer services free of charge, Swisscom now also enables its customers to enjoy unlimited use of many communications services. The only differences in the offerings are the access speeds. The infinity mobile subscriptions launched in 2012 are popular. By the end of the year around 1.7 million customers were benefiting from such subscriptions. Occasional mobile phone users can also take advantage of two new subscription packages, featuring inclusive units and top Internet-browsing speeds. These offerings have enabled Swisscom to minimise the direct risks to which global Internet providers (OTT providers) are exposed. Swisscom also launched iO, a free telephony and messaging service which can be used worldwide. By the end of the year, around 400,000 users had installed the service.

New growth opportunities for Swisscom

In addition to optimising bundled offerings and developing new products and services, such as the expansion of the TV offering, Swisscom is coming up with further significant innovations in a dynamic market environment. In the Business Customers area, for example, Swisscom launched Mobile ID (a mobile phone-based authentication solution available as a managed service), Dynamic Computing Services (offering processing power and storage space from the cloud) and Storebox (a secure, highly available storage space for corporate data). Tapit – a platform for contactless services such as making payments or managing access control – and Docsafe – a platform for exchanging documents digitally – are just two of the numerous attractive products currently in pilot trials and therefore ready to be introduced onto the market.

In the Business Customers area, the focus is on migration from conventional solutions to voice-over-IP-based solutions. With ICT being used more and more, productivity in individual sectors is also improving in the long run. These new technical possibilities provide Swisscom with the opportunity for growth in areas outside of its traditional core business, primarily in the energy and healthcare markets. Consequently, Swisscom Energy Solutions has launched a product named BeSmart, which recovers balancing energy for the Swiss power network by flexibly controlling electric heat generators. There are further opportunities for Swisscom to launch new services in the machine-to-machine (M2M), security and cloud computing sectors, as well as in other communication and collaboration applications.

Change in the Group organisation – management changes

In July, we received the devastating news of the death of our CEO, Carsten Schloter. In Carsten, we lost someone whom we cared about deeply as well as an extraordinary CEO. He was a visionary and a strategist with an instinctive feeling for the market and the needs of customers and employees. Carsten transformed Swisscom into an exemplary company that has set standards in the industry and enjoys an excellent reputation well beyond the borders of Switzerland. Thanks to his efforts, Swisscom is now excellently positioned in the market and has a strong corporate culture and clear vision, which we continue to drive forward. We will always be grateful for everything that Carsten achieved.

Urs Schaeppi headed up the company ad interim from 23 July 2013 and was officially named as CEO from 7 November 2013. As the IT and telecommunication markets are increasingly converging, Swisscom has realigned its corporate customer business: the corporate business divisions of Swisscom Switzerland and Swisscom IT Services, which have traditionally managed corporate customer business, are being merged as of 1 January 2014 to create the new Enterprise Customers division. Swisscom is thereby laying the foundations upon which to offer customers convergent and cloud-based one-stop solutions and strengthen its competitive position. As a result of the reorientation, the Board of Directors has decided to streamline the Group structure. The Group Executive Board will comprise the following persons as of 1 January 2014: Urs Schaeppi (CEO), Marc Werner (Residential Customers), Roger Wüthrich-Hasenböhler (Small and Medium-Sized Enterprises), Andreas König (Enterprise Customers), Heinz Herren (IT, Network & Innovation), Mario Rossi (Group Business Steering) and Hans C. Werner (Group Human Resources). Stefan Nünlist (Group Communications & Responsibility), Martin Vögeli (Group Strategy & Board Services) and Roger Halbheer (Group Security) will also report directly to the CEO. Jürgen Galler (Chief Strategy Officer) left the Group Executive Board in November.

Sustainability as a key element in a long-term strategy

The Swisscom corporate strategy is geared towards longevity and sustainability. Swisscom has set itself the target of becoming an international forerunner in the field of corporate responsibility. Swisscom is currently one of the top five most-sustainable telecoms companies in Europe.

Swisscom promotes media skills through initiatives such as “Internet for Schools” and other media skills courses, enabling its customers to navigate the digital world securely and responsibly. Swisscom’s sustainability efforts focus on the following areas: “Sustainable living and working”, “Sustainable use of resources and responsibility in the supply chain”, “Telecommunications for all” and “Responsible employer”. Corporate responsibility is also an important driver of customer satisfaction.

Financial outlook for 2014

Swisscom expects moderate growth in revenue and EBITDA in 2014 and is targeting revenue of CHF 11.5 billion and EBITDA of CHF 4.35 billion. Network infrastructure expansion in both Switzerland and Italy will continue to call for high capital expenditure totalling an expected CHF 2.4 billion, of which CHF 1.75 billion in Switzerland. If all targets are met, Swisscom will once again propose a dividend of CHF 22 per share for the 2014 financial year to the 2015 Annual General Meeting.

Thank you

We can look back on an intensive and successful year. We owe our achievements in 2013 to the trust of our customers and the loyalty of our shareholders – we would like to say a huge thank you to you all. We would also like to particularly thank our employees, as their tireless dedication and work in these difficult times has helped ensure that Swisscom enjoys a solid footing and cultivates an excellent corporate culture.

Yours sincerely

Hansueli Loosli
Chairman of the Board of Directors
Swisscom Ltd

U. Schaeppi

Urs Schaeppi
CEO Swisscom Ltd

Management Commentary

Offering the best in quality and service to our customers.

Reporting structure

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Environment, strategy and organisation

Swisscom is Switzerland's leading telecom provider and has built up a strong position in the Italian market through its subsidiary Fastweb. Swisscom is an aggressive player, operating in a dynamic marketplace and competing against an ever-increasing number of global service providers. It is totally committed to meeting customer needs and delivering quality and service, and is also investing heavily the networks of the future.

Business activities

Company profile

Swisscom is the Swiss market leader in the field of telecommunications. It is also one of the biggest stock-exchange-listed companies in Switzerland and is listed on the country's leading Swiss Market Index (SMI). Since acquiring Fastweb in 2007, Swisscom's international activities have been concentrated mainly in Italy. Fastweb is one of Italy's largest broadband telecoms companies. Swisscom's majority shareholder with a stake of 51.2% is the Swiss Confederation, which by law must hold a majority of the capital and voting rights. Swisscom's corporate strategy is focused on strengthening the company's core business, which relies on a high-performance, secure and always-available infrastructure. Swisscom is also looking to grow, by offering differentiated products and services and by increasing the use of ICT. Major investments in network infrastructure ensure that Swisscom will continue to satisfy customer needs well into the future. Sustainable management and long-term responsibility are firmly enshrined in the company's corporate culture. Swisscom owes its business success to the dedication and commitment of a 20,000-strong workforce, which continually strives to develop new solutions for customers and the information society. Swisscom continuously invests in staff training and development, and is training more than 900 apprentices in Switzerland.

See
www.swisscom.ch

Net revenue
Switzerland accounts for

82 % of net revenue

Operating income before depreciation and amortisation (EBITDA)
Switzerland accounts for

86 % of EBITDA

Swisscom generates over 80% of its net revenue and operating income before depreciation and amortisation (EBITDA) from business operations in Switzerland. The company offers a full portfolio of products and services for fixed-line telephony, broadband, mobile communications and digital television throughout Switzerland, and is mandated by the federal government to make basic telecoms services available to all sections of the population throughout Switzerland. Swisscom offers corporate customers a comprehensive range of communications solutions as well as individually tailored solutions. Swisscom is also a leading provider specialising in the integration and operation of IT systems in the fields of outsourcing, workplace, SAP and finance services. Customers can purchase their products and services via a range of sales channels. They can check out products and services first hand and receive comprehensive advice in Swisscom's own shops as well as in numerous partner outlets. They can also obtain product information and order products and services at anytime online via the Swisscom website. In the digital customer centre, which is also accessible via the Internet, customers can manage their personal details, subscriptions and bills on their own. Swisscom fosters close ties with all stakeholder groups: shareholders, investors, employees, suppliers, the general public, public authorities and, above all, its customers. It has long been committed to its Swiss roots and endeavours to ensure that all citizens benefit from leading-edge technologies. This is reflected in Swisscom's solution-oriented approach, which is geared to serving the common good as well as the interests of the company.

Swisscom brand

In Switzerland, all core-business products and services are offered under the Swisscom brand. Outside Switzerland, notably in Italy, Swisscom operates under the Fastweb brand. Swisscom also operates under a range of other brands in related business fields.

Swisscom Ltd

Swisscom Switzerland	Fastweb	Swisscom IT Services	Group Related Businesses	Others

Swisscom has consistently pursued a strategy of growing the Swisscom brand from a telecoms and IT brand to an integrated brand positioned more broadly to cover the entire spectrum of telecoms, IT, media and entertainment. The success of Swisscom TV in particular has confirmed the Swisscom brand's competence in the field of digital entertainment. New products such as the iO app have enabled Swisscom to further strengthen the innovative character of the brand, which is now firmly established as a trusted companion for customers in a rapidly changing digital world and conveys the company's strong competence in the field of ICT.
Customer surveys show that the Swisscom brand is among the most trustworthy of Swiss brands. It is perceived as authentic, reliable and of a high quality, is firmly anchored among consumers and scores by far the highest ratings in the "top of mind" survey, well ahead of the competition. The brand's strength was once again confirmed in the year under review in a comparison of leading Swiss brands. According to the Interbrand "Best Swiss Brands 2013" study, the value of the Swisscom brand has increased by some CHF 0.2 billion to CHF 5.0 billion, putting it in sixth place on the list of Switzerland's most valuable brands.
The traditional cornerstones of the Swisscom brand are quality, trust and service. Swisscom's daily contact with customers and its commitment to sustainability, which it honours continuously through numerous initiatives and activities, featured again as themes in the company's communications in 2013 and served to enrich the brand's image.

Swisscom's network infrastructure

Network infrastructure in Switzerland

Switzerland has one of the best IT and telecoms infrastructures in the world. According to an OECD study, Switzerland leads the world in terms of broadband penetration (43.4%), ahead of the Netherlands and Denmark (source: OECD Broadband Portal, July 2013). In mobile communications, broadband coverage now extends to practically the entire population, making Swisscom the biggest network operator in Switzerland by far, both in the fixed and mobile network.
The fixed network comprises two levels: an access network and a transport network. The access network consists of over 1,500 local exchanges and around 3.4 million subscriber access lines to end customers. Swisscom started many years ago to upgrade the fixed network with fibre. In a first step, fibre-optic cables were laid between the local exchanges, from where they were extended to neighbourhood cabinets (FTTC – Fibre to the Curb). Most subscriber access lines consist of copper cables. Depending on the underlying technology, over 91% of households and businesses can receive Swisscom TV, over 85% in high-definition quality. Many large companies and office complexes have enjoyed fibre connections for some years now. Since autumn 2008, Swisscom has been extending access to residential customers (Fibre to the Home, FTTH) and to small and medium-sized enterprises. By the end of 2013, some 750,000 homes and businesses were connected with FTTH. This figure is set to rise to around a million or around a third of all households in Switzerland by the end of 2015. FTTH rollout is generally carried out in conjunction with local partners – mainly power utility companies, cable network providers or municipalities. Swisscom has concluded over 20 partnership agreements to date which in many cases have been contractually committed.

Mobile data traffic is increasing every year.
Compared with the previous year,
data volume grew by

116 %

Investments in enhancing performance and security in the Swiss infrastructure and in fibre-optic network expansion
totalled

1.7 billion Swiss francs

Additional partnership agreements were signed in 2013 and further agreements are at an advanced stage. In addition to investing in FTTH, work is under way, laying fibre-optic cables to within a short distance of individual homes and businesses using the new Fibre to the Street (FTTS) technology. The use of vectoring technology as an intermediate step is expected to almost double network performance from 2014, enabling the rapid and cost-effective nationwide rollout of ultra-fast broadband.

In mobile communications, Swisscom has access to a frequency spectrum covering all common frequency bands between 800 MHz and 2,600 MHz, so that over the longer term it will be able to deploy GSM, UMTS and LTE technology as and when the need arises. All mobile frequencies for the period up to the end of 2028 were newly allocated or allocated for the first time in an auction conducted in February 2012. As a result of the auction, Swisscom now has access to 42% of the entire mobile spectrum. It has also equipped all of its sites with mobile antennas using second- or third-generation technologies such as EDGE, UMTS or HSPA/HSPA+. And in 2012, Swisscom became the first mobile provider in Switzerland to launch fourth-generation LTE technology on a commercial basis. Swisscom will be able to use LTE (which supports high bandwidths) as a future alternative to the fixed network in more remote-lying areas. By the end of 2013, Swisscom had already extended LTE coverage to 85% of the Swiss population, and nearly a million Swisscom customers were regularly using the new high-speed LTE network. LTE penetration now stands at 15%.

See **www.swisscom.ch/networkcoverage**

Data traffic throughout the mobile network is doubling practically every 12 months, compared with 16 months in the fixed network. The volume of data in the fixed network, however, is 35 times greater than in the mobile network.

Swisscom is continually expanding its broadband network, extending the product range and increasing the number of antenna sites. Swisscom is committed to deploying modern, needs-appropriate technologies in order to ensure efficiency and compliance with contemporary zoning requirements while also minimising emissions. Swisscom's rollout of LTE technology marks a further important step into the future. Wherever possible, site expansion is coordinated with third-party mobile providers; Swisscom already shares around 22% of its nearly 6,800 antenna sites with other providers. And with over 2,000 hotspots in Switzerland, Swisscom is also the country's leading provider of public wireless local area networks.

In a bid to improve efficiency, Swisscom is not only investing in latest-generation networks but also systematically dismantling earlier-generation networks.

Network infrastructure in Italy

Fastweb's network infrastructure consists of an all-IP fibre-optic network spanning a total distance of over 36,000 kilometres. Fastweb reaches more than half of the Italian population with its own fixed-network infrastructure, with more than two million or 10% of urban households and businesses connected by Fibre to the Home (FTTH). Fastweb plans to expand its fixed-network infrastructure by an additional three and half million households and businesses. Under a partnership agreement with Telecom Italia, Fastweb intends to invest around EUR 400 million in fibre-optic expansion up to the end of 2016. This will be done by rolling out Fibre to the Street (FTTS) so as to provide some 20% of homes and businesses in Italy with access to ultra-fast broadband by the end of 2016.

Fastweb does have not a mobile network of its own, but offers proprietary services based on an agreement with other mobile operators (MVNO).

General conditions

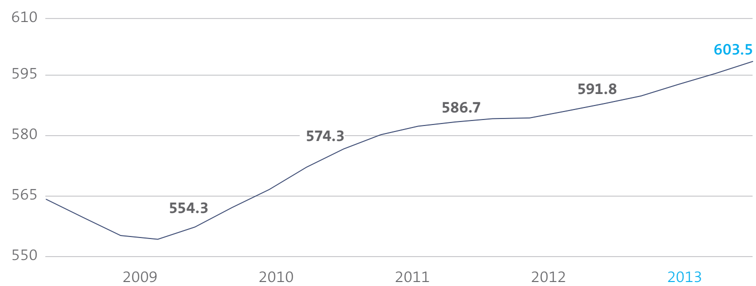
Macroeconomic environment

Swisscom's financial position, results of operations and cash flows are primarily influenced by macroeconomic factors, notably economic trends, interest rates, exchange rates and the capital markets.

Economy

Switzerland enjoyed robust economic growth in 2013, thanks in large measure to strong domestic demand. Gross domestic product (GDP) rose by 2%. Despite modest improvement in the economic situation in Europe and an easing of the financial crisis, there is still the risk of a phase of sluggish growth or even a recession setting in.

Gross domestic product Switzerland, rolling in CHF billion

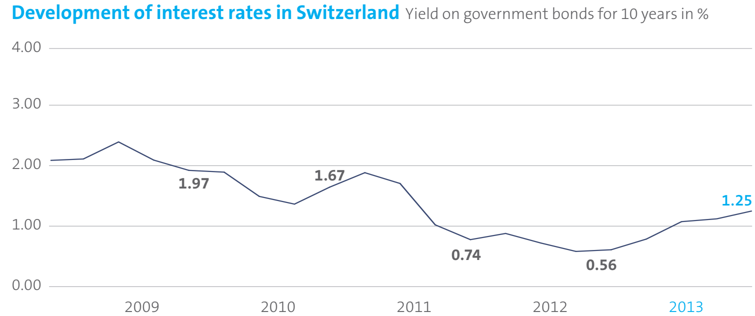


The bulk of Swisscom's revenue stems from telephony, broadband services and television – services based on fixed monthly fees and subject to low cyclical fluctuations in demand. By contrast, project business with business customers and international roaming are affected by cyclical factors.

Interest rates

For many years, the general level of interest rates in Switzerland has been lower than in most other industrialised countries. The main national banks adhered to their low-interest policy and interest rates edged up slightly in 2013. The yield on ten-year government bonds at the end of 2013 was around 1.25%.

Development of interest rates in Switzerland Yield on government bonds for 10 years in %

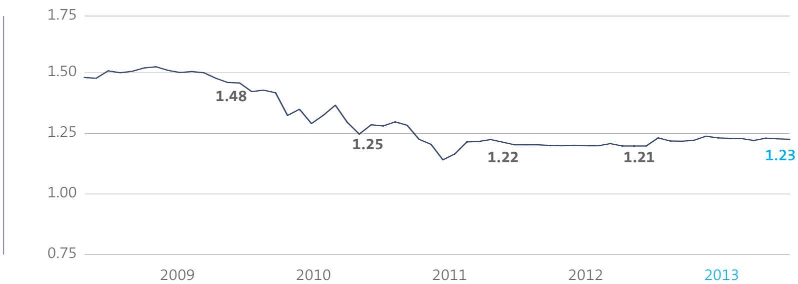


Swisscom capitalised again in 2013 on the low-interest phase by entering into two financing transactions: in the third quarter of 2013, Swisscom took out a loan of EUR 300 million with the European Investment Bank (EIB) and a debenture bond of EUR 500 million. Average interest expense on financial liabilities is 2.4%, and average term to maturity four years. Market-based interest rates influence the financial result as well as the measurement of various items in the Swisscom consolidated financial statements, such as goodwill impairment (Fastweb), defined benefit obligations and non-current provisions for dismantlement and restoration costs. Interest levels also have a material impact on returns and thus on the financial situation of the Swisscom pension fund.

Exchange rates

There was only a minimal change in the value of the Swiss franc against currencies of key relevance for Swisscom's operations in 2013. The Swiss National Bank (SNB) adhered to the minimum CHF/EUR exchange rate of 1.20.

Development of exchange rate at the end of period CHF/EUR



Swisscom's business activities in Switzerland are not materially influenced by currency movements. Only a small share of revenue is generated in foreign currencies. The procurement of handsets and technical equipment as well as the incurring of roaming charges for the use of fixed and mobile networks abroad by Swisscom customers give rise to transaction risks in foreign currencies (notably EUR and USD). These risks are partly hedged by forward foreign exchange transactions. Swisscom finances itself primarily in Swiss francs. At the end of 2013, financial liabilities amounted to CHF 8.8 billion, of which 89% in CHF and 11% in EUR. Currency translations in respect of foreign Group companies, in particular Fastweb in Italy, affect the presentation of the financial position and results of operations in the consolidated financial statements. Cumulative currency translation differences in respect of foreign subsidiaries recognised in consolidated equity amounted before deduction of tax effects to around CHF 1.9 billion in 2013 (previous year: around CHF 2.0 billion).

Capital market

International equity markets performed positively in 2013. The SMI rose by around 20%. Swisscom holds surplus liquidity in the form of cash and cash equivalents and short-term money-market investments. There are only insignificant direct financial investments in equities, bonds or other non-current financial assets. Swisscom's legally independent pension fund comPlan has total assets invested in equities, bonds and other investment categories of around CHF 8.3 billion. These assets are exposed to capital market risks. This indirectly affects the financial position presented in Swisscom's consolidated financial statements.

See **www.swisscom.ch/investor**

Legal and regulatory environment

Swisscom's legal framework

Swisscom is a public limited company with special status under Swiss law. It is organised in compliance with the Telecommunications Enterprise Act (TEA), company law and the company's Articles of Incorporation. Its business operations are governed primarily by telecommunications and broadcasting legislation. Swisscom is also subject to rules governing business as a whole, namely competition law. As an stock-exchange-listed company, Swisscom is also required to comply with capital market legislation as well as with the Federal Ordinance of 20 November 2013 against Excessive Compensation in Listed Stock Companies.

Telecommunications Enterprise Act (TEA) and relationship with the Swiss Confederation

As of 1 January 1998 the former operations of Swiss Telecom PTT were legally transformed into "Swiss Post" and "Swisscom Ltd" (hence the term "public limited company with special status"). Under the terms of the TEA and the company's Articles of Incorporation, Swisscom is responsible for the provision of domestic and international telecommunications and broadcast services as well as related products and services. The TEA requires the Swiss Confederation to hold a majority of the capital and voting rights in Swisscom. For the Swiss Confederation to give up its majority shareholding, the TEA would need to be amended. Swisscom is also obliged to draw up a collective employment agreement in consultation with the employee associations. Moreover, every four years the Federal Council defines the goals which the Confederation as principal shareholder aims to achieve. These include strategic, financial and personnel policy goals as well as goals relating to partnerships and investments. To guarantee transparency the goals are made public to other investors. The aims of the Confederation are incorporated in the strategic and operating targets set by the Swisscom Board of Directors. For the year under review, the goals for the period 2010 to 2013 are relevant. The Federal Council has renewed its goals for the period 2014 to 2017 and set Swisscom the following financial goals:

- Increase enterprise value over the long term and deliver a total shareholder return (dividend payout and share performance) in line with that of comparable telecoms companies in Europe.
- Pursue a dividend policy that follows the principle of consistency and guarantees an attractive dividend yield commensurate with other stock-exchange-listed companies in Switzerland. This should meet the criteria of a sustainable investment policy, a risk-appropriate equity ratio and easy access at all times to capital markets.
- Aim for a maximum net debt of 2.1 times EBITDA (operating income before depreciation and amortisation); this ratio may be temporarily exceeded.

See **www.admin.ch/dokumentation**

Telecommunications Act (TCA)

The Telecommunications Act governs the conditions under which market-dominant providers of telecoms services are required to make their network available to other providers. The Act covers a comprehensive catalogue of access types and in the area of the “last mile” is restricted to copper cables. The access services cited in the Act must be offered at regulated conditions and above all at cost-based prices. In addition to network access, the Act governs universal service provision, laying down the framework for the reliable and affordable provision of basic telecommunications to all sections of the population in all regions of the country. The scope of services as well as the related quality and pricing requirements are determined periodically by the Federal Council. The universal service provision licence granted to Swisscom in 2007 by the Federal Communications Commission (ComCom) runs until 2017. The Telecommunications Act also governs conditions for use of the radio frequency spectrum.

See **www.admin.ch/dokumentation**

Competition law/Federal Cartel Act

The Cartel Act prohibits anti-competitive agreements between companies, provides for sanctions in the event of abuse by companies of their market-dominant position, and prohibits business combinations that result in the elimination of competition. Discrimination of trading partners with respect to prices or other business conditions is considered to be an example of abuse.

See **www.admin.ch/dokumentation**

Capital market law

The shares of Swisscom Ltd are listed on the SIX Swiss Exchange in Zurich. In addition, Swisscom has issued bonds which are traded on the SIX Swiss Exchange. Swisscom is therefore required to comply with Swiss stock market legislation and regulations. The company is also subject to regulations governing accounting and financial reporting as well as rules relating to ad-hoc publicity and the disclosure of transactions in Swisscom securities by members of the Board of Directors and the Group Executive Board. Shareholdings in Swisscom must also be disclosed if they exceed or fall below a certain limit.

Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC)

The OaEC enters into force on 1 January 2014 and provides for the implementation of transitional provisions. From 1 January 2014, members of the Board of Directors (including the Chairman) as well as members of the Compensation Committee and the independent proxy must be elected on an annual basis by the Annual General Meeting for a one-year term of office. Voting representation by governing bodies and/or custodians is not permitted. It is also prohibited to award severance payments, advance compensation and bonus payments for company acquisitions and disposals. The Board of Directors must undertake to draw up a compensation report, in writing, for financial years starting on or after 1 January 2014. Shareholders must vote on total compensation for the Board of Directors and the Group Executive Board starting from the 2015 Annual General Meeting at the latest. In addition, companies must ensure that powers of attorney and instructions can also be assigned electronically to the independent proxies. The Articles of Incorporation and regulations must be revised in line with the provisions of the Ordinance by no later than the 2015 Annual General Meeting. The Ordinance stipulates certain types of abuse that constitute an offence punishable by law.

Regulatory developments in Switzerland in 2013

Ongoing proceedings relating to telecommunications and competition legislation

See Report pages 199–200

In recent years, a number of proceedings relating to telecommunications and competition law have been initiated against Swisscom. Ongoing proceedings in connection with the Telecommunications Act and Cartel Act are described in Notes 28 and 29 to the consolidated financial statements.

Telecommunications market evaluation

In 2012, the Federal Council published a follow-up report to its 2010 telecoms market evaluation, in which it concluded among things that, despite an observable investment dynamic, there are indications of local competition issues or the emergence of a monopoly situation. The Federal Council announced that it would commission the Administration to prepare a draft revision of the Telecommunications Act before the end of the current legislative period (2011–2015). The revision should provide for a more flexible regulatory framework than today which would permit intervention by the regulator as needed. One conceivable option is the introduction of technology-neutral regulatory instruments at legislative level which would only be enacted by the Federal Council for the technologies in question, should the need for regulatory intervention arise, for example if competition in the market failed to function properly.

Revision of the Ordinance on Telecommunications Services (OTS)

On 17 April 2013, the Department of the Environment, Transport, Energy and Communications (DETEC) opened a hearing on the revision of the Ordinance on Telecommunications Services (OTS revision). The revision is intended to amend the methods used to calculate cost-based prices for network access services, which are regulated by the Telecommunications Act (TCA).

Roaming

On 20 September 2011, contrary to the Federal Council's proposal, the National Council approved the motion calling for "an end to exorbitant mobile charges abroad". A similar motion was passed in spring 2013. The motion calls for the Federal Council to fix binding maximum tariffs to be adopted by all telecoms providers for inbound and outbound calls, SMS messages and data transfers over mobile devices when used abroad, in line with the requirements imposed by the European Union. Following consultation with the operators, the Council of States decided on 19 March 2013 to suspend the motions until the end of 2014 and to commission the Federal Council to deliver a report to parliament by the end of 2014 on the trend in roaming prices and, in particular, the new technical possibilities such as local breakout (the ability to switch temporarily to a local provider abroad without having to exchange the SIM card and the phone number). On 17 September 2013, the National Council also spoke out in favour of suspending the motions.

Network neutrality

A motion put before the National Council on 14 December 2012 called for the legal enforcement of network neutrality. The rationale behind the initiative is that network operators can deploy new technologies at their own discretion and so discriminate against content, thereby posing a threat to freedom of opinion and information. On 13 February 2013, the Federal Council proposed that the motion be rejected and pointed out that it was intending during the current legislative period to commission a draft consultation paper calling for a partial revision of the Telecommunications Act which includes proposals on the issue of network neutrality. In autumn 2013, the Federal Office of Communications (OFCOM) set up a network neutrality workgroup tasked with drawing up a report by the summer of 2014.

Copyright protection – tariff proceedings

In tariff negotiations with the copyright collecting agencies, Swisscom is represented by Swissstream, the Swiss association of streaming providers. Swisscom is particularly interested in the Joint tariff 12 and the Joint tariff 4 e proceedings due to be dealt with in 2013.
Joint tariff 12 for the recording of TV programmes and replay TV is of vital importance to Swisscom. The Federal Arbitration Board responsible for exploitation of copyrights and related intellectual property rights approved this tariff in a ruling issued on 17 December 2012. The ProsiebenSat1 Group has lodged an appeal against the decision with the Federal Administrative Court.
The copyright collecting agencies have been negotiating with the user associations on Joint tariff 4 e for the storage of copyright-protected works on mobile phones since 2009. Both the user associations and the collecting agencies filed appeals with the Federal Administrative Court against

the rulings of the Federal Arbitration Board concerning the disputed tariffs for the tariff periods 2010–2011 and 2012–2013. Further tariff negotiations on the matter have been suspended until such time as the Federal Administrative Court reaches a decision.

Revision of the Federal Law on the Monitoring of Postal and Telecommunications Traffic (BÜPF)

On 27 February 2013, the Federal Council submitted to parliament its message proposing a revision of the BÜPF. The aim of the revision is to ensure that the required monitoring cannot be prevented through the use of modern technologies. The current fee and payment model would be retained. The matter is still being debated in parliament.

Regulatory differences between Switzerland and the European Union

In the European Union (EU), the regulatory authorities have extensive powers to analyse markets and impose on market-dominant companies obligations relating to non-discrimination, transparency and forms of access ("ex-ante regulation"). The Swiss regulator has rejected this type of practice, opting instead for ex-post regulation (primacy of negotiation and appeal principle) on the grounds that market conditions in Switzerland differ from those in most EU member states. The Swiss market is characterised by virtually nationwide competition between Swisscom and the cable network operators. Moreover, municipal and regional power utility companies have also entered the market. The market situation prevailing in Switzerland therefore necessitates a different set of regulations from those in place in countries such as France and Italy, where no platform competition has evolved due largely to the existence of a single network provider.

Legal and regulatory environment in Italy

Fastweb's legal framework

As a member of the European Union, Italy is required to bring national legislation into line with the European legislative framework. The Italian regulatory authority Autorità per le Garanzie nelle Comunicazioni (AGCOM) has the task, based on an analysis of the markets defined by the European Commission, of imposing regulatory obligations on companies. Drafts of such regulations must be submitted to the European Commission and the regulatory authorities of the other member states, who have the right to comment on or veto the draft. The business operations of Swisscom's Italian subsidiary Fastweb are therefore heavily influenced by Italian and European telecommunication legislation and its application.

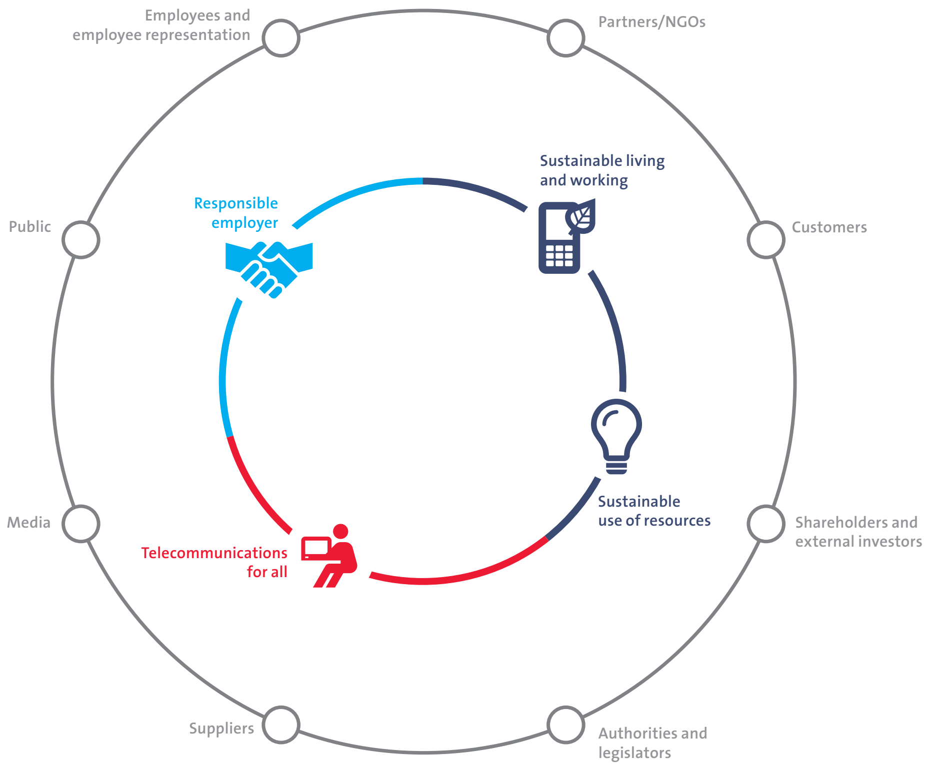
Regulatory developments in Italy in 2013

In December 2013, AGCOM agreed to a reduction in prices for unbundled fixed access lines and bitrate services from EUR 9.28 to EUR 8.68 and from EUR 19.50 to EUR 15.14 respectively.

In 2011, the Italian regulatory authority AGCOM issued a ruling to the effect that fixed-line termination rates between Telecom Italia and third-party fixed-network providers were to be billed symmetrically from 1 January 2012. The Administrative Court reversed the decision on the grounds that in 2012 no symmetry existed as yet in the IP-based network architectures. As a consequence, AGCOM decreed an increase of 33% in fixed-line termination rates for third-party networks to EUR/cent 0.361 per minute for 2012, thereafter falling in stages from July 2013 based on the model of an efficient IP architecture. AGCOM is aiming for a price of EUR/cent 0.043 per minute as from 1 July 2015.

Sustainable environment

Dialogue with stakeholder groups and strategic priorities



Swisscom fosters dialogue with its most important stakeholder groups via electronic media, over the phone, through surveys, information events, business meetings, road shows and conferences, as well as in customers' homes and in the Swisscom Shops. In 2013 – as in previous years – Swisscom took note of the concerns of the various stakeholder groups, prioritising them and among other things incorporating them into its corporate responsibility strategy.
Stakeholder management at Swisscom is decentralised in order to ensure proximity and ongoing contact with the individual stakeholder groups.

Customers
Swisscom systematically consults residential customers in order to identify their needs. Customer relationship managers, for example, gather information on customer needs directly at customer touch points. The Corporate Business division conducts quarterly surveys that include questions on sustainability. Swisscom also maintains regular contact with consumer organisations in all linguistic regions of Switzerland and runs blogs as well as online discussion platforms. The overall findings show that customers expect attractive pricing, market transparency, responsible marketing, comprehensive network coverage, network stability, low-radiation communication technologies and sustainable products and services.

See
www.swisscom.ch/crblog

Shareholders and external investors
Besides the Annual General Meeting, Swisscom fosters dialogue with shareholders at analysts' presentations, road shows and in regular teleconferences. Over the years, it has also built up contacts with numerous external investors and rating agencies. Shareholders and external investors expect above all growth, profitability and innovation from Swisscom.

Authorities
Swisscom maintains regular, close contact with various public authorities. A key issue in its dealings with this stakeholder group concerns mobile network expansion. Mobile data applications are becoming increasingly popular with customers. But while mobile communications are clearly

appreciated and widely used, acceptance of the required infrastructure is sometimes lacking. Network expansion gives rise to tension because of the different interests at stake. For many years, Swisscom has been engaged in dialogue with residents and municipalities on network planning, which in the case of construction projects gives the parties affected an opportunity to suggest suitable alternative locations. Swisscom also liaises regularly with public authorities in other areas and on other occasions: for example, it invites ICT heads of the cantonal education authorities to an annual two-day seminar on the subject of "Internet for Schools". As a stakeholder group, public authorities expect Swisscom to act decisively in the way it recognises its responsibility towards the public at large and towards young people in particular.

Legislators

Swisscom is required to deal with political and regulatory issues, advocating the company's interests vis-à-vis political parties, public authorities and associations. Legislators expect compliance from Swisscom.

Suppliers

See **www.swisscom.ch/supplierawards**

Swisscom's procurement organisations regularly deal with suppliers and supplier relationships, analysing the results of evaluations, formulating targets and reviewing performance. Once a year, they invite their main suppliers to the Key Supplier Day. The focus of the event is on risk mitigation and responsibility in the supply chain.

Media

Swisscom maintains close contact with the media – seven days a week. Its relationship with the media is informed by professional journalistic principles.

Employees and employee representation

In order to meet its mandate and live up to its customer promise, Swisscom relies on fully-committed employees who think and act proactively. It is our employees who transform Swisscom into a tangible experience for customers. Engaging in dialogue with customers and ensuring that the information gathered at the customer interfaces flows back to the company and into the decision-making processes allow Swisscom to continually improve its products and services. Using a wide range of communications platforms and activities, Swisscom promotes a corporate culture that encourages dialogue and cross-collaboration within the company. Every two years, Swisscom conducts an employee survey, the results of which provide ideas for new projects and measures. Helping to shape Swisscom's future is one of the most important tasks of the Employee Representation Committee. Twice a year, Swisscom organises a round-table meeting with the employee representatives to discuss the main issues of social partnership, training and development, diversity, health and safety at work.

Partners and NGOs

See **www.swisscom.ch/cr-partnerships**

Swisscom believes in the importance of sharing insights and information with partners within the framework of projects: for example, with the WWF Climate Group, myclimate, the Swiss Child Protection Foundation and organisations that address the special needs of disadvantaged groups. Active partnerships and social and ecological commitment are especially relevant for this stakeholder group.

Materiality/materiality matrix

See Report **pages 76–77**

The materiality matrix covers the key issues that are important to stakeholders and Swisscom, and illustrates where they fall within the company's four strategic priorities in the area of corporate responsibility. The matrix also denotes other issues that have an impact on Swisscom's business strategy.
Swisscom carefully monitors each issue in the matrix and handles them according to priority. Those with the highest priority and of major relevance to both stakeholders and Swisscom are positioned in the top right-hand box. Other topics such as noise, water protection, wildlife conservation, violence and population growth are important from an ecological and social point of view, but are not pivotal to Swisscom's activities.
The issues can be identified based on their relevance to Swisscom's business strategy and the concerns of stakeholders. They are examined and dealt with internally according to level of importance and scope either by specialist departments or by those bodies that act as contact partners for the respective stakeholders. The issues are also discussed by other bodies such as division management, the Management Board of Swisscom Switzerland and the Group Executive Board. If neces-

sary, these bodies initiate the appropriate measures. The matrix topics and priorities were validated by representative target groups in a survey conducted in October 2013. Government authorities, partners and NGOs such as the WWF and myclimate commented on ecological aspects, while the Swiss association for audiovisual learning (SSAB) and the Federal Social Insurance Office (FSIO), which are jointly responsible for the National Programme for the Promotion of Media Skills, commented on social aspects. The survey concluded that Swisscom should promote climate-friendly products and services even more strongly, since they are able to make a substantial contribution to combating climate change. These findings are also confirmed by the most recent study of the International Global e-Sustainability Initiative (GeSI smarter 2020) as well as Swisscom's latest evaluation. The topic of climate-friendly products and services is therefore classified as highly relevant within the matrix.

Issues highlighted by the FSIO and SSAB surveys, such as the shortage of specialist staff and generation management, have also been incorporated in Swisscom's materiality matrix under diversity and personnel training and development. There is consensus as regards the rating accorded to the other issues. The issues are arranged alphabetically within the boxes of the materiality matrix.

Swisscom materiality matrix 2013

Materiality for stakeholders	Materiality for Swisscom: relevant	Materiality for Swisscom: very relevant
very relevant	Basic service provision Health and safety in the workplace Sponsorship/partnerships Youth media protection	Corporate governance/Compliance/Legal and regulatory environment Customer satisfaction Data protection Eco-friendly offerings (products and services) Employee representation and union relations Energy consumption and CO_2-emissions (infrastructure efficiency) Financial position and cash flows Investments and network infrastructure Low-radiation communications technologies Payout policy and share performance Revenues and results (turnover and EBITDA)
relevant	Corporate volunteering Diversity Ecological aspects of operations Promotion of start-ups/social entrepreneurship	Innovation and development Personnel training and development Promoting media competency Responsibility in the supply chain

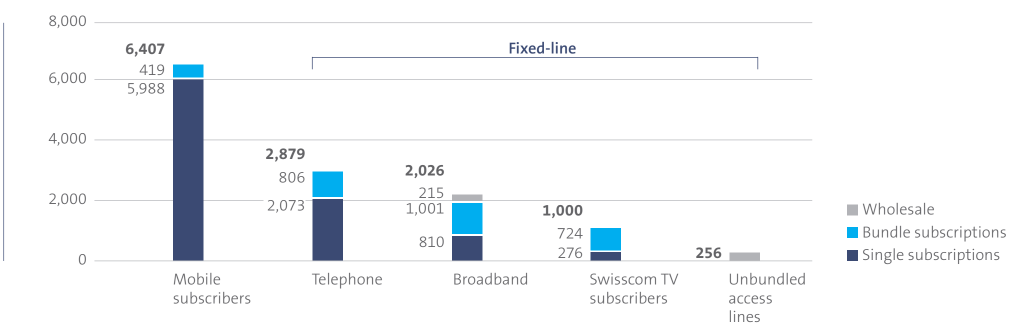
- Management commentary
- Corporate governance
- Corporate responsibility/annex

Market trends in telecoms and IT services

Swiss telecoms market

Switzerland has three mobile networks and several transport and access networks in the fixed network area. TV signals in Switzerland are transmitted terrestrially via antenna as well as satellite. The Swiss telecoms market is highly developed by international standards. It is characterised by innovation, a wide range of voice and data services, and television signal broadcasting. Total revenue generated by the telecoms market in Switzerland is estimated at around CHF 17 billion. The market is in a state of transition, driven by the growing convergence of telecommunications, information technology, media and entertainment. People nowadays can access the Internet from anywhere and at any time using a whole range of devices. The rapid spread of smartphones is changing the needs of customers. Swisscom spotted this trend and in June 2012 was one of the first telecoms providers in the world to introduce new types of mobile subscription (*infinity* tariffs) which allow customers to make unlimited phone calls and send unlimited SMS messages to all Swiss mobile networks, as well as unlimited Internet surfing at flat rates. The individual subscriptions mainly differ in terms of mobile data speeds. As smartphone penetration increases, so too does the volume of data and hence the load on networks. Swisscom is investing continuously in the network infrastructure of the future in order to keep pace with this development. In 2012, Swisscom expanded its mobile frequency portfolio after successfully competing in an auction. Swisscom is also tackling the relentless growth in data traffic by continuously expanding fixed broadband access and deploying new technologies in the mobile network such as LTE (Long Term Evolution). Swisscom also offers bundled offerings that combine different technologies such as fixed-line access with telephony, Internet and TV, plus the option of a mobile line. Competition is continuing to drive down prices. The Swiss telecoms market can be broken down into submarkets of relevance to Swisscom: fixed-line, mobile, broadband and TV.

Swisscom Switzerland access lines in thousand



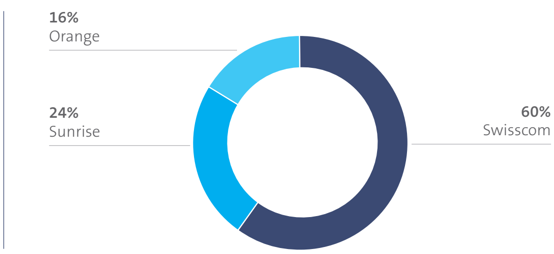
Fixed-line market

Fixed-line telephony is mainly based on lines running over the telephone network and cable networks. Market shares have changed very little over the last few years. Swisscom leads the market, well ahead of its competitors. The spread of mobile telephony in recent years has led to a rapid decline in the number of phone calls made over the fixed network and a continuing fall in Swisscom fixed lines. This trend continued in 2013, with the number of fixed lines falling by around 4% to 2.9 million, mainly due to the substitution of fixed lines by mobile communications. At the end of 2013, the number of unbundled fixed lines totalled 256,000.

Mobile communications market

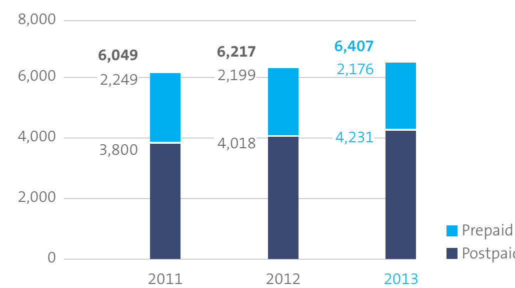
Three companies operate their own wide-area mobile networks in Switzerland: Swisscom, Orange Switzerland and Sunrise. While GSM network coverage is close to 100% of the population, the demands on mobile networks continue to grow. So that it can continue to offer customers optimum data access, Swisscom is investing in new mobile technologies such as LTE. At the end of 2013, some 85% of the Swiss population had access to the latest-generation mobile network. Growth in mobile lines (SIM cards) in Switzerland was slower than in 2012 due to the already high market penetration. Together, the three network operators have a combined total of around 10.5 million mobile lines; penetration in Switzerland is around 130%. The technical possibilities offered by mobile communications are increasing due to the rapid spread of smartphones. A growing number of customers access their data, e-mails and Internet while on the move. Swisscom's *infinity* tariffs reflect customers' changing needs. At the end of 2013, around 1.7 million customers were using the new *infinity* offerings. For occasional mobile network users, Swisscom provides prepaid offerings with no monthly subscription fee, so that they are charged only as and when they access the network. Machine-to-machine (M2M) mobile data is a growth market which in future will support a whole range of applications such as automatic localisation in the event of a vehicle breakdown. Swisscom makes its mobile network available to third-party providers (MVNO, mobile virtual network operators) so that they can offer their customers proprietary products and services over the Swisscom network.

Market shares mobile subscribers in Switzerland* in %



* Estimate Swisscom

Swisscom mobile access lines in thousand

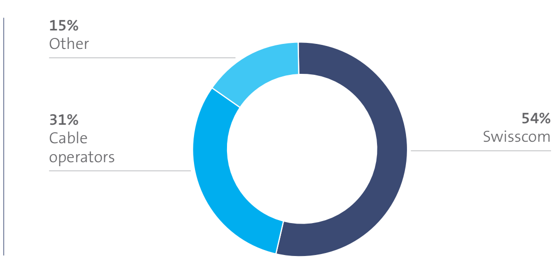


In 2013, Swisscom's market share remained relatively stable at 60%. The percentage of postpaid customers in Switzerland is around 62%. As in previous years, prices for mobile services continued to be squeezed by competition, driving down average monthly revenue per customer accordingly.

Broadband market

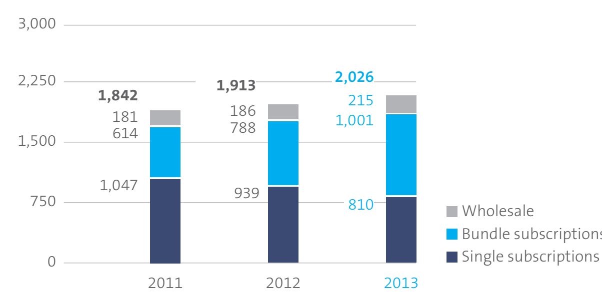
The most widespread access technologies for fixed broadband in Switzerland are the telephone network based on DSL and cable networks. At the end of 2013 the number of retail broadband lines in Switzerland totalled around 3.3 million or around 92% of all households. Switzerland therefore leads the way internationally in terms of market penetration of broadband lines. Swisscom's DSL offerings reach more than 98% of the Swiss population.

Market shares broadband access lines in Switzerland* in %



* Estimate Swisscom

Swisscom Broadband access lines in thousand

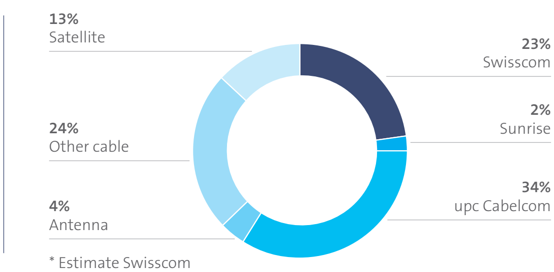


Growth in broadband lines is slowing from year to year. In 2013, the number of lines grew by around 4%, versus around 5% in 2012. As in the previous year, growth in broadband access lines provided by cable network operators outpaced that of telephone-based DSL broadband access lines. DSL broadband accounted for around a third of new lines in 2013, corresponding to a market share of all broadband lines of around 69%. Of these, 54% (prior year: 55%) were Swisscom end customers and 15% (prior year: 16%) wholesale offerings and fully unbundled lines. Broadband is increasingly becoming the basic Internet access for households, through which customers can access additional services or bundled offerings.

TV market

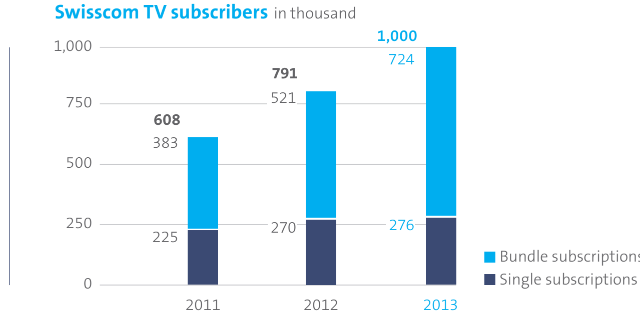
The most important modes of transmission for TV signals in Switzerland are cable, broadband, satellite, antenna (terrestrial) and mobile. The importance and market penetration of digital television continues to grow. In May 2013, the Federal Department of the Environment, Transport, Energy and Communication (DETEC) decided to phase out (in two stages) the obligation to broadcast analogue television signals. As of 1 June 2013, the obligation was lifted for selected foreign TV channels; as of 1 January 2015, the obligation will be lifted for certain domestic TV channels. This will mainly affect cable network operators. If a cable network operator offers customers a free converter which converts the digital signal into an analogue signal, thereby allowing them to receive a comparable basic digital package, the operator is immediately freed from its obligation to broadcast analogue channels. This is already the case with upc cablecom, Switzerland's biggest cable network operator. Cable television, Swisscom TV and satellite reception account for the largest market shares. Sunrise has been offering its own digital television services since 2012.

Market shares digital TV in Switzerland* in %



* Estimate Swisscom

Swisscom TV subscribers in thousand

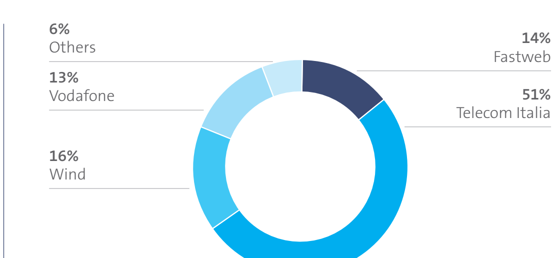


Swisscom has been steadily growing its market share over the last few years thanks to its own digital TV offering, Swisscom TV. At year-end 2013, it commanded a market share of 23% (prior year: 20%). In 2013, the number of Swisscom TV customers rose by 209,000 to 1.0 million. Swisscom TV offers over 200 television channels, more than 6,100 films (video-on-demand) and over 4,000 exclusive live sports coverage (mainly football and ice hockey). Swisscom TV also offers convenience features such as replay TV (allowing viewers to watch missed programmes for up to 30 hours after transmission), live pause, a recording function, picture-in-picture, TV apps for weather, news, photos and other services, and a TV guide. Thanks to a mobile app, customers can access the services and schedule at any time while on the move. Swisscom TV is available in a range of packages to meet all customer needs.

Italian broadband market

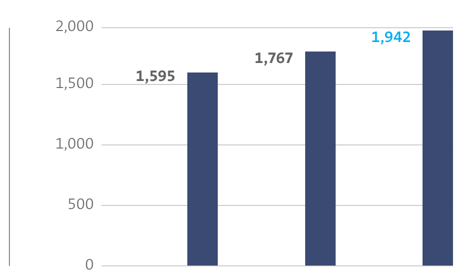
Italy's broadband market is Europe's fourth largest, with a revenue volume of around EUR 14 billion. Unlike most other European markets, no competition exists in Italy between DSL-based broadband providers and cable network operators. Broadband penetration is well below the European average, accounting for just over 50% of households. The total number of broadband lines in Italy remained steady in 2013 at around 13.6 million. Fastweb increased the number of broadband lines year-on-year by 9.9% or 175,000 to 1.94 million, outperforming its competitors in terms of new customers in 2013.

Market shares broadband access lines in Italy* in %



* Estimate Swisscom

Fastweb broadband access lines in thousand

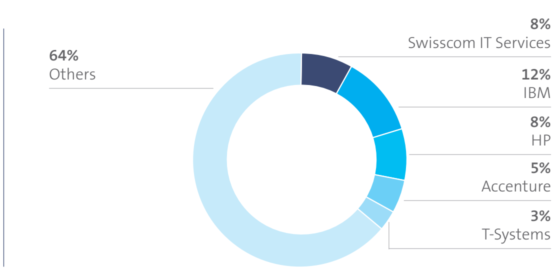


Telecom Italia commands the lion's share of the broadband market, with 51% of all broadband lines (prior year: 52%) compared with Fastweb's 14% (prior year: 13%). Three integrated players dominate the market: Telecom Italia, Vodafone and Wind. Thanks to economies of scale, they are able to maintain a strong advertising presence and build up a dense sales network. For service providers, a permanent countrywide presence is becoming increasingly important, given the growing complexity of products and services and increasing legal constraints on telephone sales due to data privacy. With this in mind, Fastweb has decided to expand its own sales network, improve the efficiency of its dealer structure and step up investment in its own sales outlets in major Italian cities.

IT services market in Switzerland

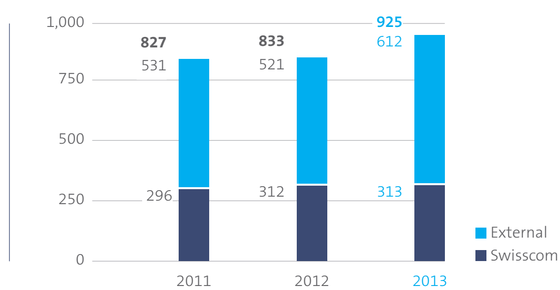
In 2013, the IT services market generated a revenue volume of CHF 7.9 billion. Swisscom expects the market volume in 2016 to total CHF 8.6 billion. Growth prospects have improved slightly. Growth is expected in the segment for applications-based services, which are often sector-specific or based on SAP. Business process outsourcing (BPO) and cloud services are also expected to grow, whereas the outlook for classic infrastructure services is rather one of stagnation or even decline.

Market shares IT services in Switzerland* in %



* Estimate Swisscom only revenue from external customers

Swisscom IT Services Net revenue in CHF million



Swisscom IT Services remains one of the biggest providers of IT services in Switzerland, with a market share of 8%, and has substantially increased its share of the banking BPO market. Having acquired Entris Integrator Ltd and Entris Operations AG in the first half of 2013, Swisscom IT Services now offers an IT back-office management solution (including process handling) to some 50 banks and has paved the way for further growth in business process outsourcing for the banking sector. Swisscom IT Services defended its market position in IT outsourcing and laid the foundations for further growth in cloud computing by setting up new platforms.

Group structure and organisation

Management structure in the 2013 financial year

The Group organisation is based on the following management structure: the Board of Directors of Swisscom Ltd is responsible for overall management and for determining the Group's strategic, organisational and budgetary principles. It delegates day-to-day business management to the CEO Swisscom Ltd, who, together with the Heads of the Group divisions Group Business Steering, Group Strategy & Innovation and Group Human Resources as well as the CEO of Swisscom IT Services and the Head of Swisscom Switzerland, make up the Group Executive Board. Swisscom's financial reporting focuses on three operating divisions: Swisscom Switzerland, Fastweb and Other operating segments. Swisscom Switzerland is subdivided into the Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT operating segments. Swisscom Switzerland is the contact partner for telecoms and data services in Switzerland and Fastweb in Italy. Swisscom IT Services supports corporate customers in all IT-related matters.

Group structure

Swisscom Ltd comprises the following five Group divisions: Group Business Steering, Group Strategy & Innovation, Group Communications & Responsibility, Group Human Resources and Group Participation Management. These together with the subsidiaries make up the Swisscom Group. The shares of Swisscom Ltd are listed on the SIX Swiss Exchange in Zurich and are also traded over the counter (OTC) in the form of American Depositary Receipts (ADR) Level 1. As at 31 December 2013, the Swiss Confederation as majority shareholder held 51.2% of the voting rights and issued capital.

As at 31 December 2013, 27 Swiss subsidiaries (prior year: 22) and 33 foreign subsidiaries (prior year: 32) are fully consolidated in Swisscom's consolidated financial statements. In addition, 7 associates (prior year: 9) are accounted for according to the equity method.

In February 2013, Hospitality Services acquired the business operations of Deuromedia, a global provider of IP-based infotainment solutions for the hospitality market. At the end of March 2013, Datasport AG acquired 100% of the shares in Abavent GmbH, a German provider of services for sport events. In April 2013, Swisscom IT Services assumed control of the Entris Banking business platform and also acquired Entris Integrator Ltd. The business platform of Entris Integrator Ltd is used by banks to process their banking transactions, from payment transactions and credit business to securities trading and e-banking. Following the takeover, Swisscom IT Services changed the name of Entris Integrator Ltd to Swisscom Banking Provider Ltd. In addition, in June 2013, Swisscom IT Services took over Entris Operations AG, which specialises in the processing of payment transactions and securities trading for around 50 banks. After the takeover, Entris Operations AG was merged with Swisscom Banking Provider Ltd. In April 2013, Swisscom increased its stake in CT Cinetrade AG (Cinetrade) from 49% to 75%. Cinetrade offer TV-services, Pay-TV, broadcast of sport events and Video-on-Demand (VOD). Cinetrade also operates one of Switzerland's leading cinema chains. In December 2013, Swisscom Switzerland also purchased a 67% stake in DL-Groupe GMG AG, a provider of IP-based managed unified communication and collaboration services.

Swisscom Ltd holds direct shareholdings in Swisscom (Switzerland) Ltd, Swisscom IT Services Ltd, Swisscom Broadcast Ltd and Swisscom Real Estate Ltd. Fastweb S.p.A. (Fastweb) is held indirectly via Swisscom (Switzerland) Ltd and intermediate companies in Belgium and Italy. Group Related Businesses (formerly Swisscom Participations) is not a legal entity but is responsible for managing a portfolio of small and medium-sized enterprises. Swisscom and PubliGroupe have reciprocal interests of 49% each in LTV Yellow Pages Ltd and Swisscom Directories Ltd. Swisscom Re AG in Liechtenstein is the Group's own reinsurance company.

See Report **page 117**

Board of Directors

Group Executive Board

Group Headquarters

- Group Business Steering
- Group Strategy & Innovation
- Group Communications & Responsibility
- Group Human Resources
- Group Participation Management

	Swisscom Switzerland[1]	Fastweb	Swisscom IT Services (ITS)	Group related Businesses	Other operating segments	Group Headquarters
Subsidiaries	Swisscom (Switzerland) Ltd Axept Ltd CT Cinetrade Ltd[2] DL-Groupe GMG AG local.ch Ltd Swisscom Directories Ltd Wingo Ltd	Fastweb S.p.A. Fastweb Wholesale S.r.l.	Swisscom IT Services Ltd[3] ITS Banking Provider Ltd ITS Finance Custom Solutions Ltd ITS Sourcing Ltd	Alphapay Ltd Billag Ltd Cablex Ltd Sicap[4] Swisscom Broadcast Ltd Swisscom Energy Solutions Ltd Swisscom Event & Media Solutions Ltd	Hospitality Services[5] Swisscom Real Estate Ltd Venturing Participations[6]	Swisscom Ltd Swisscom Belgium N.V. Swisscom Italia S.r.l Swisscom Re Ltd Worklink AG
Associates	Belgacom International Carrier SA LTV Yellow Pages Ltd	Metroweb S.p.A.		Medgate Holding Ltd	Venturing Participations	

[1] Swisscom Switzerland comprises the operating segments Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT.
[2] CT Cinetrade Ltd has subsidiaries in Switzerland: kitag kino-theater Ltd, PlazaVista Entertainment AG and Teleclub AG.
[3] Swisscom IT Services Ltd has subsidiaries in Austria and Singapore.
[4] Sicap has subsidiaries in France, Malaysia, Singapore and South Africa.
[5] Hospitality Services has subsidiaries in Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Luxembourg, the Netherlands, in Norway, Portugal, Philippines, Romania, Spain, the UK and USA.
[6] Venturing Participations comprises the fully consolidated company Mona Lisa Capital Ltd.

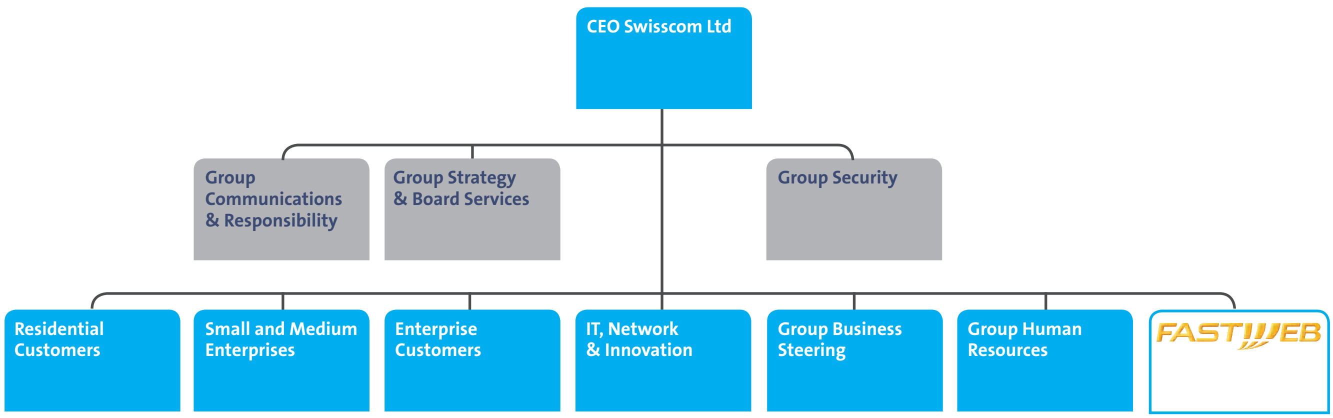
Scope of sustainability report

The scope of the sustainability report in compliance with the Global Reporting Initiative (GRI) covers Swisscom Ltd and all fully consolidated subsidiaries domiciled in Switzerland. It does not cover Group companies domiciled abroad or associates. The Group's main foreign shareholding is Fastweb in Italy. The closely related foundations comPlan (pension fund) and sovis (a not-for-profit foundation that provides assistance and support for employees and retirees) are also not included in the scope. Any deviation of the GRI reporting boundary from the above definition is duly reported.

Change in management structure from 1 January 2014

In order to offer business customers one-stop offerings and speed up the delivery of cloud-based solutions, Swisscom has bundled its Corporate Business, Network & IT and Swisscom IT Services activities. From 1 January 2014, all corporate customers will be served by the new Enterprise Customers division, making it one of the biggest integrated ICT providers for large companies in Switzerland. The IT, Network & Innovation division will be responsible for the operation of all IT systems, including the IT platforms previously managed by Swisscom IT Services, and for the development and production of standardised IT and network services for the entire Swisscom Group.

The integration of Swisscom IT Services in Swisscom Switzerland will result in a simplified Group structure. From 1 January 2014, the Group Executive Board will comprise the following members: Urs Schaeppi (CEO), Marc Werner (Residential Customers), Roger Wüthrich-Hasenböhler (Small and Medium-Sized Enterprises), Andreas König (Enterprise Customers), Heinz Herren (IT, Network & Innovation), Mario Rossi (Group Business Steering) and Hans Werner (Group Human Resources). Stefan Nünlist (Group Communications & Responsibility), Martin Vögeli (Group Strategy & Board Services) and Roger Halbheer (Group Security) will also report directly to the CEO. Fastweb will be managed in future via the Board of Directors chaired by Swisscom CEO Urs Schaeppi.



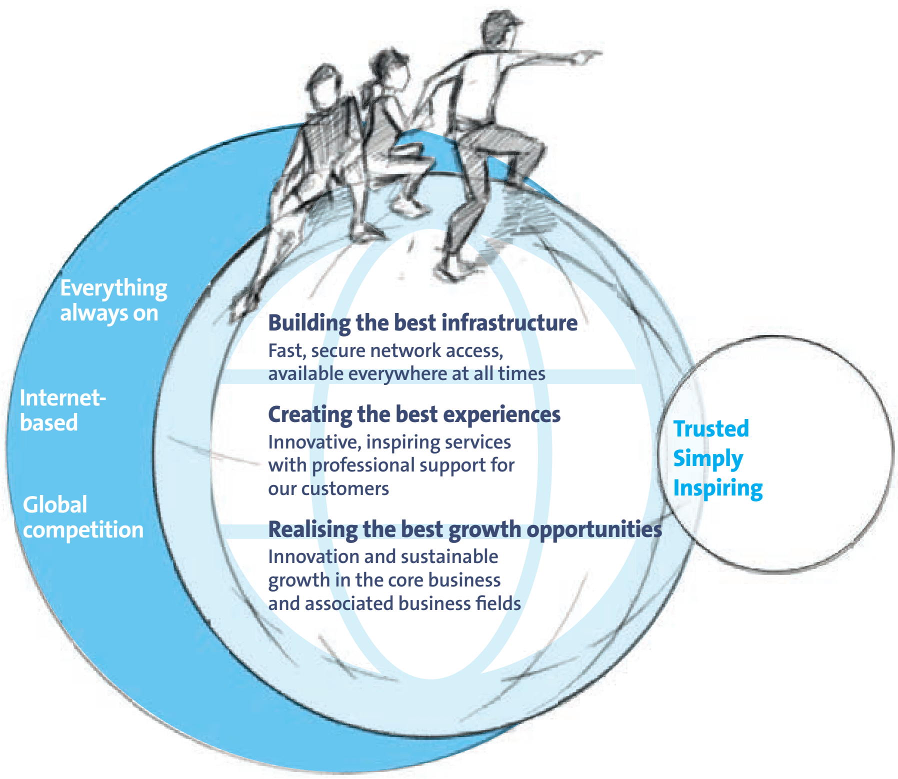
Member of the Group Excecutive Board
Group Functions
Group Companies

Corporate strategy

Swisscom commands a leading position in the mobile, fixed, broadband and digital TV submarkets. It is also the market leader in IT services. In its traditional usage-based business, stiff competition and changing customer needs continue to erode prices and volumes. The resulting lower revenue and income need to be offset in order to ensure that sufficient financial resources are available for major investments in new technologies.
The ICT sector is characterised by the following key trends and developments:

- **Everything always on:** In a few years from now, Swisscom customers will be able to access all their private and work-related applications and data in real time using any digital device. This is changing customers' usage behaviour and creating new business opportunities.
- **IP-based telecommunications market:** In future, to improve the customer experience and accelerate product development, all products and services will be operated based on Internet protocol. Digitalisation and mobility are changing business models and opening up many growth opportunities for telecoms service providers.
- **Global competition:** The number of Internet-based communications services available free of charge is growing apace. In recent years, new global competitors have entered the telecoms market. These worldwide OTT providers benefit from global economies of scale and are changing business models in the telecoms market.

Swisscom's long-term "Swisscom 2020" strategy is aimed at maintaining Swisscom's position in the ICT market and offering customers only the best:



Swisscom's mission statement: a trusted partner in today's digital world

The spread of IP technology is driving significant growth in the range of available products and services. As a result, Swisscom customers are demanding more personalised advice and services and expect even more from Swisscom in terms of customer service and support. As a trustworthy partner in the digital world, Swisscom helps customers feel secure and at ease, and enables them to find what they're looking for quickly and simply, and to experience and achieve extraordinary things. Swisscom also helps business customers to create a flexible ICT infrastructure, and to optimise communication and collaboration among their employees.

Building the best infrastructure

The demands of Swisscom customers on infrastructure in terms of availability, quality and security are set to grow even further. With this in mind, Swisscom is aiming to accelerate technological transformation by switching from proprietary to open and more powerful technology systems and infrastructures. In the fixed network, the main priority is on continuing expansion of Fibre to the Home (FTTH) and on speeding up the rollout of Fibre to the Street (FTTS) outside of the major urban areas. In the mobile network area, Swisscom is driving forward expansion of fourth-generation LTE coverage. By investing heavily in these areas, Swisscom wants to provide its customers with an infrastructure that is second-to-none in terms of performance, security and quality.

The availability of a high-performance infrastructure is also a key competitive factor for telecoms providers in Italy. When Swisscom acquired Fastweb, it took over a provider that had invested in its own fibre-optic infrastructure over the years and was thus able to differentiate itself successfully in the marketplace. The competitive advantages are reflected in market share growth in both the residential and business customer areas. Fastweb will continue to invest in expanding the infrastructure in Italy in order to further boost market differentiation and significantly expand its geographical broadband reach.

Creating the best experiences

Swisscom aims to differentiate itself from the ever-growing global competition by offering innovative new products and services and is adjusting its business model in line with the changing market conditions. The change in business model driven by the Internet is prompting the development of new offerings and pricing models that are no longer usage- and volume-dependent. One example is Swisscom's successful NATEL *infinity* pricing plans, which are proving extremely popular with customers due to their simplicity and transparency.

Outstanding customer experiences will further strengthen Swisscom's position in the core business. For customers, the main priority is simplicity. Swisscom differentiates itself successfully on the market through innovative products and services. Examples in the residential customers area include the development of a new Internet box for speeds of 1 Gbps and ultra-secure surfing, or the cross-platform iO communications app which simplifies communications for users, allowing them to manage all calls, messages and conversations at a single location. In the business customers area, Swisscom has blazed new trails with its Mobile ID (a mobile-phone-based authentication solution available as a managed service) and Dynamic Computing Services (offering processing power and storage space from the cloud).

For business customers in particular, the main focus is on technological migration from conventional to voice-over-IP-based solutions. Swisscom attaches great importance to maintaining its position in the IP world by providing innovative end services. In order to offer customers a good customer experience from start to finish, Swisscom pays great attention to creating user-friendly products and services as early as the development stage.

Swisscom is committed to the ongoing transformation of the organisation, in order to ensure that resources can be deployed wherever their impact is greatest. Keeping the organisation as lean as possible and optimising processes will help to continuously improve the way in which resources are used.

Realising the best growth opportunities

The telecoms markets in Switzerland and Italy are expected to see moderate growth over the next few years. Driving factors will be population and household growth, higher spending on ICT, an increase in the number of networked devices per inhabitant and (especially in Italy) pent-up demand due to the relatively low level of broadband penetration. The increasing deployment of ICT is also transforming value chains in many sectors, giving rise to numerous growth opportunities both in the core business and in new business areas provided the relevant synergies and capabilities are in place.

Examples of growth opportunities in the residential customer area include the optimisation of Swisscom bundled offerings, expansion of the range of TV services, and new energy-related offerings. For Fastweb residential customers, the focus is on the partnership with Sky. Examples in the business customer area include the development of new vertical solutions for growth opportunities in the banking, healthcare and energy sectors, as well as new services in M2M, security and cloud computing, and communications and collaboration applications. One of the key aspects of Fastweb's growth strategy is the development of an attractive Value Added Services (VAS) portfolio for business customers.

Forerunner in corporate responsibility

As part of its corporate strategy, Swisscom is aiming to become a global forerunner in the field of corporate responsibility. To this end, Swisscom intends to integrate ecological, social and economic aspects of sustainability in its core business. Various ratings in 2013 show that Swisscom has made further headway in this regard. Swisscom's corporate responsibility activities, based on dialogue with stakeholder groups, are prioritised as follows: "Enabling sustainable living and working", "Promoting sustainable use of resources", "Providing telecommunications for all" and "Acting as a responsible employer". By minimising internal energy and resource consumption, using electricity generated from renewable sources, imposing ecological and social standards on suppliers and acting as a responsible employer, Swisscom honours its responsibility towards the environment and the community at large. Swisscom supports customers in their pursuit of a sustainable way of living and working. This includes offering climate-friendly, low-radiation products and services to residential customers and Green ICT services to business customers. Another priority is to promote media skills by offering courses, including online courses. Swisscom is also looking to position

itself as a responsible employer, as reflected in its commitment to social partnerships, new working models, measures to promote diversity and the ongoing expansion of its corporate volunteering activities.
Swisscom intends to differentiate itself even further and strengthen the confidence of relevant players in the ICT sector. In future, the ICT sector will be instrumental in creating sustainable solutions in key areas such as energy, mobility and healthcare, which will open up attractive new opportunities for growth for Swisscom.

Value-oriented business management

Key performance indicators for planning and managing the cash flows are operating income before depreciation and amortisation (EBITDA) and capital expenditure on property, plant and equipment and intangible assets. EBITDA is driven mainly by revenue and margins. Swisscom's remuneration system is tied to value generation via variable performance-related components. The variable performance-related component is based, among other things, on financial targets such as net revenue, EBITDA margin and operating free cash flow as well as on the target of customer net promoter score.

Enterprise value

In CHF million, except where indicated	31.12.2013	31.12.2012
Enterprise value		
Market capitalisation	24,394	20,400
Net debt	7,812	8,071
Non-controlling interests in subsidiary companies	29	27
Enterprise value (EV)	**32,235**	**28,498**
Operating income before depreciation and amortisation (EBITDA)	4,302	4,477
Ratio enterprise value/EBITDA	**7.5**	**6.4**

The sum of market capitalisation, net debt and minority interests in subsidiaries is the enterprise value (EV) derived from the share price. Minority interests are stated at carrying amount. Swisscom's enterprise value increased year-on-year by CHF 3.7 billion or 13.1% to CHF 32.2 billion. Market capitalisation grew by CHF 4.0 billion, while net debt fell by CHF 0.3 billion. At the end of 2013, the ratio of enterprise value to EBITDA was 7.5 (prior year: 6.4). Had EBITDA remained unchanged, the ratio would have been 7.2. The enterprise value/EBITDA ratio is a key figure used to compare Swisscom with other companies in the sector. With a factor of 7.5, Swisscom is above the average for Europe's former state telecom companies. A lower interest rate, lower average tax rates and a solid market position have made a significant contribution to this higher factor.

Statement of added value

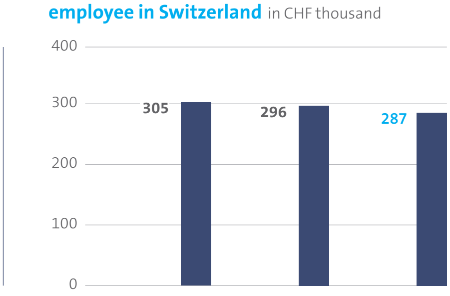
Operating added value is equivalent to net revenue less goods and services purchased, other operating expenses and depreciation and amortisation. Personnel expense is treated as use of added value rather than as an intermediate input. Swisscom generates the bulk of its added value in Switzerland. In the year under review, international activities accounted for 5% of the Group's added value from operations (prior year: 6%).

			2013			2012
In CHF million	Switzerland	Abroad	Total	Switzerland	Abroad	Total
Added value						
Net revenue	**9,358**	**2,076**	**11,434**	**9,268**	**2,116**	**11,384**
Capitalised self-constructed assets and other income	(229)	(159)	(388)	(245)	(128)	(373)
Goods and services purchased	1,712	626	2,338	1,678	721	2,399
Other operating expenses [1]	1,736	723	2,459	1,750	635	2,385
Depreciation [2]	1,281	607	1,888	1,222	577	1,799
Intermediate inputs	**4,500**	**1,797**	**6,297**	**4,405**	**1,805**	**6,210**
Operating added value	**4,858**	**279**	**5,137**	**4,863**	**311**	**5,174**
Other non-operating result [3]			(83)			(158)
Total added value			**5,054**			**5,016**
Allocation of added value						
Employees [4]	2,460	266	2,726	2,396	269	2,665
Authorities [5]	322	(3)	319	315	33	348
Shareholders (dividends)			1,154			1,154
External investors (net interest expense)			251			249
Company (retained earnings) [6]			604			600
Total added value			**5,054**			**5,016**

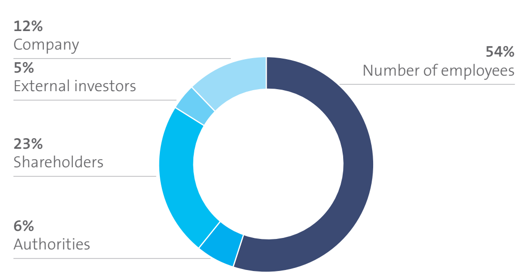
[1] Other operating expense: excluding taxes on capital and other taxes not based on income.
[2] Depreciation and amortisation: excluding depreciation and amortisation of acquisition-related assets such as brands or customer relations.
[3] Other non-operating result: financial result excluding net interest expense, share of profits of investments in associates, and depreciation and amortisation of acquisition-related intangible assets.
[4] Employees: employer contributions are reported as pension cost, rather than as expenses according to IFRS.
[5] Public sector: current income taxes, taxes on capital and other taxes not based on income.
[6] Companies: including changes in deferred income taxes and defined benefit obligations.

Operating added value amounted to CHF 5,137 million in 2013, a drop of 0.7% compared with the previous year. Some 95% of total operating added value was generated in Switzerland. Added value from international operations declined by CHF 32 million to CHF 279 million on account of higher depreciation and amortisation costs.
Although operating added value in Switzerland was virtually unchanged year-on-year at CHF 4,858 million, added value from operations per FTE was 3.0% lower at CHF 287,000 (prior year: CHF 296,000).

Swisscom development of value added per employee in Switzerland in CHF thousand



Allocation of added value in %



Capital market

Swisscom's shares are listed on the SIX Swiss Exchange. The creditworthiness of Swisscom is regularly assessed by international rating agencies.

Swisscom share

As at 31 December 2013 Swisscom's market capitalisation totalled CHF 24.4 billion (prior year: CHF 20.4 billion), with the number of shares outstanding at 51.8 million. Par value per registered share is CHF 1. Each share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to enter a shareholder with voting rights if such voting rights exceed 5% of the company's share capital.

Ownership structure

			31.12.2013			31.12.2012
	Number of Shareholders	Number of Shares	Share in %	Number of Shareholders	Number of Shares	Share in %
Confederation	1	26,535,500	51.2%	1	29,410,500	56.8%
Natural person	63,531	4,453,496	8.6%	65,591	4,624,737	8.9%
Institution	2,614	20,812,947	40.2%	2,653	17,766,706	34.3%
Total	**66,146**	**51,801,943**	**100.0%**	**68,245**	**51,801,943**	**100.0%**

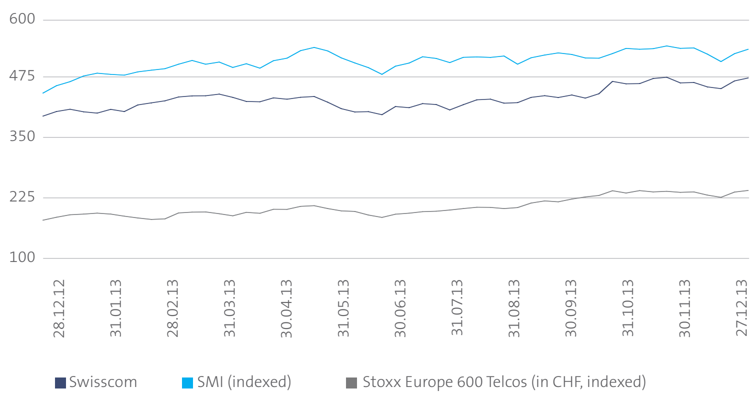
The majority shareholder as at 31 December 2013 was the Swiss Confederation, with 51.2% of the voting rights and capital. By law, the Swiss Confederation must hold the majority of the capital and voting rights. As at 31 December 2013, around 97% of the registered shareholders were from Switzerland.

Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange under the symbol SCMN (Securities No. 874251). In the United States they are traded in the form of American Depositary Receipts (ADR) at a ratio of 1:10 (Over The Counter, Level 1) under the symbol SCMWY (Pink Sheet No. 69769).

Share performance

Share performance 2013 in CHF



See www.swisscom.ch/shareprice

The Swiss Market Index (SMI) gained 20.2% compared with the previous year. The Swisscom share price increased by 19.6% to CHF 470.90, performing below the European Stoxx Europe 600 Telecommunications Index (34.1% in CHF; 32.1% in EUR). Average daily trading volume rose year-on-year by 3.9% to 103,940 shares. Total trading volume of Swisscom shares in 2013 amounted to CHF 11.1 billion.

Shareholder return

On 11 April 2013 Swisscom paid out an ordinary dividend of CHF 22 per share. Based on the closing price at the end of 2012, this equates to a return of 5.6%. Taking into account the rise in share price, Swisscom achieved a total shareholder return (TSR) of 25.8% in 2013. The TSR for the SMI was 22.9% and for the Stoxx Europe 600 Telecommunications Index 41.2% in CHF and 39.1% in EUR.

Swisscom share performance indicators

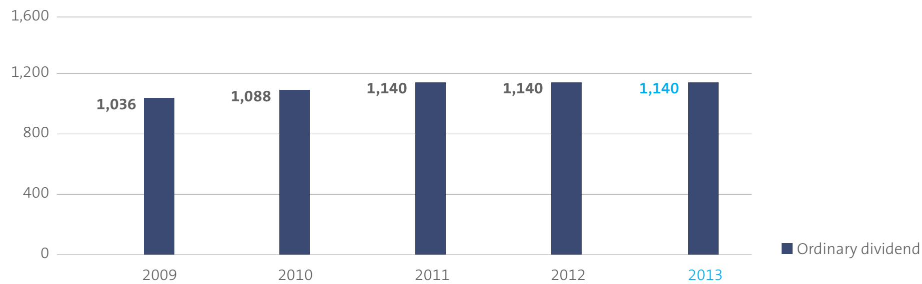
		2009	2010	2011	2012	2013
Par value per share at end of year	CHF	1.00	1.00	1.00	1.00	1.00
Number of issued shares at end of period	in thousand	51,802	51,802	51,802	51,802	51,802
Market capitalisation at end of year	in CHF million	20,491	21,296	18,436	20,400	24,394
Closing price at end of period	CHF	395.60	411.10	355.90	393.80	470.90
Closing price highest	CHF	400.90	420.80	433.50	400.00	474.00
Closing price lowest	CHF	293.50	358.00	323.10	334.40	390.20
Earnings per share	CHF	37.47	35.00	13.19	34.90	32.53
Ordinary dividend per share	CHF	20.00	21.00	22.00	22.00	22.00 [1]
Ratio payout/earnings per share	%	53.38	60.00	166.79	63.04	67.63
Equity per share at end of year	CHF	113.91	102.89	82.47	79.77	115.30

[1] In accordance with the proposal of the Board of Directors to the Annual General Meeting.

Payout policy

Swisscom seeks to achieve a steady dividend payout per share. Subject to meeting its financial targets, Swisscom plans to pay a dividend per share at least on a par with the previous year.
At the forthcoming Annual General Meeting on 7 April 2014, the Board of Directors will propose an ordinary dividend of CHF 22 per share (previous year: CHF 22 per share). This is equivalent to a total dividend payout of CHF 1,140 million.

Development of payout in CHF million



Since going public in 1998 Swisscom has distributed a total of CHF 26.2 billion to its shareholders: CHF 14.2 billion in dividend payments, CHF 1.6 billion in capital reductions and CHF 10.4 billion in share buybacks. Swisscom has paid out a total of CHF 279 per share since the initial public offering. Together with the overall increase in share price of CHF 130.90 per share, this amounts to an average annual total return of 5.3%.

Analysts' recommendations

Investment specialists analyse Swisscom's business performance, results and market situation on an ongoing basis. Their findings and recommendations offer valuable indicators for investors. 23 analysts regularly publish studies on Swisscom. At the end of 2013, 43% of the analysts recommended a buy rating for the Swisscom share, 48% a hold rating and 9% a sell rating. The average price target at 31 December 2013, according to the analysts' estimates, was CHF 463.

Indebtedness

Level of indebtedness

Swisscom pursues a finance policy, which provides a maximum net debt/EBITDA ratio of around 2.1.

Credit ratings and financing

With A (stable) and A2 (stable) respectively, Swisscom enjoys good ratings with the Standard & Poor's and Moody's rating agencies. To avoid structural downgrading, Swisscom endeavours to raise financing at the level of Swisscom Ltd. Swisscom aims for a broadly diversified debt portfolio, taking particular care to balance maturities and spread financing instruments, markets and currencies.
Swisscom's solid financial standing enabled unrestricted access to money and capital markets also in 2013. In 2013 Swisscom raised borrowings of EUR 800 million with a term of seven years to refinance existing debts. Net debt fell by CHF 0.3 billion to CHF 7.8 billion, corresponding to a net debt/EBITDA ratio of 1.8. Around 80% of financial liabilities have a term to maturity of more than one year. As at 31 December 2013, financial liabilities with a term of one year or less amounted to CHF 1.7 billion. Average interest expense on financial liabilities is 2.4%, and average term to maturity four years. A large share of the financial liabilities will fall due for repayment if a shareholder other than the Swiss Confederation can exercise control over Swisscom.

Ongoing dialogue with the capital market

Swisscom pursues an open and ongoing information policy vis-à-vis the general public and the capital markets. It publishes comprehensive financial information on a quarterly basis. Swisscom also meets investors regularly throughout the year, presents its financial results at analysts' meetings and road shows, attends expert conferences for financial analysts and investors, and keeps its shareholders regularly informed about its business through press releases and shareholder letters.

Financial calendar

> 7 April 2014	Annual General Meeting
> 9 April 2014	Ex-dividend
> 14 April 2014	Dividend payment
> 7 May 2014	First-quarter results 2014
> 20 August 2014	Half-year results 2014
> 6 November 2014	Third-quarter results 2014
> in February 2015	Annual results 2014

Employees

Overall headcount at Swisscom increased by 594 FTEs year-on-year. In Switzerland the number of FTEs increased by 1,093 FTEs.

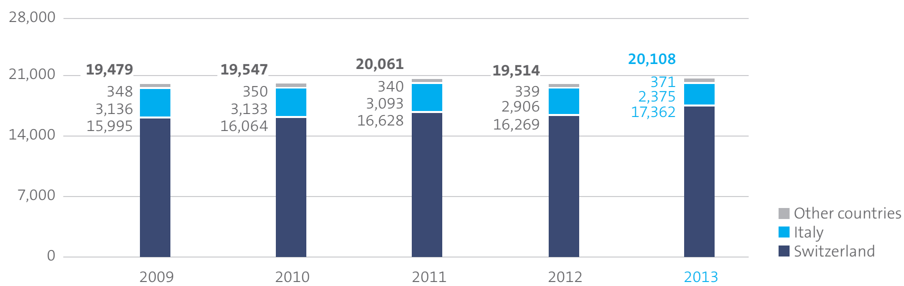
Headcount

At the end of 2013 Swisscom had 20,108 full-time equivalent employees (FTEs), of which 17,362 or 86.3% of the total workforce were employed in Switzerland (prior year: 83.4%). Swisscom is also training 920 apprentices in Switzerland. The following chart shows a breakdown of full-time equivalent positions by segment:

	31.12.2011	31.12.2012	31.12.2013
Full-time equivalent employees at end of year			
Residential Customers	4,628	4,316	4,754
Small and Medium-Sized Enterprises	675	681	757
Corporate Business	2,371	2,360	2,441
Wholesale	115	116	107
Network & IT	4,340	4,389	4,404
Swisscom Switzerland	**12,129**	**11,862**	**12,463**
Fastweb	**3,079**	**2,893**	**2,363**
Swisscom IT Services	2,888	2,684	3,162
Group Related Businesses	1,369	1,471	1,493
Swisscom Hospitality Services	257	264	309
Other operating segments	**4,514**	**4,419**	**4,964**
Group Headquarters	**339**	**340**	**318**
Total Group	**20,061**	**19,514**	**20,108**
Thereof employees in Switzerland	16,628	16,269	17,362

Headcount increased year-on-year by 594 full-time equivalents or 3.0% to 20,108. The increase attributable to company acquisitions, the hiring of external staff and the strengthening of customer service operations in Swiss business was offset by a fall in headcount at Fastweb due to outsourcing.
Employees in Switzerland on fixed-term contracts accounted for 0.4% of the workforce in 2013 (prior year: 0.4%). Part-time employees made up 13.5% (prior year: 13.7%). Terminations of employment by employees in Switzerland amounted to 6.4% of the workforce (prior year: 6.3%).

Development of headcount in full-time equivalent



Personnel expense

In CHF million	2013	2012	Change
Salary and wage costs	2,132	2,058	3.6%
Social security expenses	224	222	0.9%
Pension cost	269	62	333.9%
Restructuring costs	6	68	–91.2%
Other personnel expenses	75	75	–
Total personnel expense	**2,706**	**2,485**	**8.9%**
Thereof personnel expense in Switzerland	2,440	2,216	10.1%
Thereof personnel expense in Italy	227	233	–2.6%
Thereof personnel expense in other countries	39	36	8.3%

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Personnel expense increased by CHF 221 million or 8.9% year-on-year to CHF 2,706 million. The prior-year figure contains a reduction of CHF 157 million due to a one-off non-cash pension plan amendment as well as restructuring costs of CHF 68 million. Discounting these special effects and adjusting for acquisition of subsidiaries, personnel expense increased by 2.9%, with employees in Switzerland accounting for CHF 2,440 million (prior year: CHF 2,216 million) or 90.2% of the total (prior year: 89.2%).

Employment law in Switzerland

Introduction

Swisscom is one of the largest employers in Switzerland, with around 17,400 full-time equivalent positions. The legal terms and conditions of employment in Switzerland are based on the Swiss Code of Obligations. The collective employment agreement (CEA) sets out the key terms and conditions of employment between Swisscom and its employees. It also contains provisions governing relations between Swisscom and its social partners. A new CEA and social plan entered into force on 1 January 2013. Swisscom IT Services and cablex AG, which operate in a special market and competitive environment, have their own CEA. At the end of December 2013, 13,869 FTEs or 83.8% of the workforce were covered by the collective employment agreement.
General terms and conditions of employment which exceed the minimum standard defined by the Code of Obligations are governed by the special provisions for Swisscom management staff in Switzerland.

Employee representation and union relations

Swisscom is committed to fostering constructive dialogue with its social partners (the syndicom union and the transfair staff association) as well as the employee associations (employee representatives). The collective employment agreement (CEA) and the social plan are good examples of fair and consensual solutions. In the event of significant operational changes, Swisscom involves the social partners and employee associations at an early stage. The CEA grants the social partners and the employee associations rights of co-determination in various areas. In general and free elections in autumn 2013, Swisscom employees elected the new members of the employee associations charged with exercising these rights. Two employee representatives from the unions also sit on the Board of Directors of Swisscom Ltd.

Collective employment agreement (CEA)

On 1 January 2013 a new CEA entered into force. It included a number of improvements to what were already very good terms and conditions, placing greater emphasis on staff development while also improving the rights of part-time employees. The working week for employees covered by the CEA is 40 hours. Five weeks' annual leave (or 27 days from age 50 and six weeks from age 60), 17 weeks' maternity leave and ten days' paternity leave are also among the progressive fringe benefits defined by the CEA. Employees also enjoy an additional week of paid leave after five years of service. Swisscom pays a child and education allowance which in most cases is above the statutory cantonal allowance, and grants leave on special family-related grounds such as adoption leave. In the event of incapacity to work due to illness or accident, Swisscom continues to pay the employee's full salary for up to 730 days.

Working-hour models

Swisscom promotes work-life balance by offering working conditions that enable both full- and part-time employees to balance their professional and private lives: flexible working hours (the standard model used by a majority of employees), variable working-hour models such as annual working hours, a long-term working-time account and part-time working from the age of 58. Employees may also work from home with the consent of their line manager. This option is used by many employees and is becoming increasingly easier thanks to tools such as Unified Communications & Collaboration (UCC). Swisscom bears the label "home office friendly".

Social plan

Swisscom's social plan sets out the benefits provided to employees covered by the CEA who are affected by redundancy. The new social plan offers more resources in order to improve employees' employability. It also provides for retraining measures in the event of long-term job cuts. Responsibility for implementing the social plan lies with Worklink AG, a wholly owned subsidiary of Swisscom. Worklink AG opens up new prospects for Swisscom employees affected by job cuts, providing them with advice and support in their search for new employment outside the company or arranging temporary internal or external placements. The success rate is high, with 82% of those affected finding a new job prior to the end of the social plan programme.
Swisscom also operates special employment schemes (phased partial retirement, temporary placements in similar areas of expertise) in line with its commitment to providing fair solutions for older employees affected by changes in skill set requirements or redundancy. The pension plan offers employees opting for early retirement (from age 58) financial support in the form of a bridging pension until they reach the statutory retirement age.

Employee remuneration

Salary system

Competitive pay packages help to attract and retain highly-skilled and motivated specialists and managerial staff. Swisscom's salary system comprises a basic salary, a variable performance-related component and bonuses. The basic salary is determined based on function, individual performance and the job market, while the variable component is contingent on business performance as well as individual performance in the case of executive functions. Business performance is measured based on achievement of the Swisscom Group's overarching targets and the targets of the respective business segment or division. The targets primarily relate to key financial indicators and customer loyalty. Individual performance is measured according to the achievement of results- and conduct-related goals. Swisscom awards share bonuses to employees covered by the CEA who deliver outstanding performance. Details on remuneration paid to members of the Group Executive Board are provided in the Remuneration Report.

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Minimum wage

There is no legally defined minimum wage in Switzerland. Instead, this is negotiated by the social partners in the context of collective employment agreements. The new CEA which entered into force on 1 January 2013 included an increase in minimum salary to CHF 52,000, or CHF 50,000 in the case of cablex. Swisscom's operations are spread throughout Switzerland, and when it comes to determining salaries there is very little difference between locations. A study of starting salaries for the youngest employees (up to age 21) at the widely-applied starting-function level found that the average basic annual salary in this category is CHF 57,400 or CHF 55,770 at cablex: in other words, 10% above the minimum salary.

Pay round

In November 2011 Swisscom and the social partners signed a two-year pay round agreement for 2012 and 2013, as a result of which Swisscom (with the exception of Swisscom IT Services) increased its total salary payout in 2013 in Switzerland by 1.2%; of this, 0.8% went on general salary increases and 0.4% on individual salary increases.
For Swisscom IT Services, Swisscom and the social partners concluded a separate agreement to reflect the market environment and the competitive situation specific to the IT market. This resulted in Swisscom IT Services awarding an across-the-board salary increase of 0.8% to employees covered by the CEA in 2013.

Employment law in Italy

Employment agreement for the telecoms sector in Italy

Statutory terms and conditions of employment in Italy are based on the Contratto collettivo nazionale di lavoro (CCNL), a state collective employment agreement. The CCNL defines the terms and conditions of employment between Swisscom's Italian subsidiary Fastweb and its employees. It also contains provisions governing relations between Fastweb and the unions.
In February 2013 the telecoms companies and unions negotiated a new CCNL, setting out better terms and conditions compared with the previous agreement. The new CCNL runs until 31 December 2014.

Employee representation and relations with the unions

Fastweb engages in dialogue with the unions and the employee representatives, and in the event of major operational changes involves them at an early stage.

Industry-wide collective agreement for employees

The working week for employees covered by the state collective employment agreement is 40 hours. Benefits include five weeks' annual leave, 20 weeks' maternity leave and one day of paternity leave. In the event of incapacity for work due to illness or accident, Fastweb guarantees full payment of the employee's salary for 180 days and half the salary for a further 185 days.

Working time model

Fastweb supports work-life balance. The company's terms and conditions of employment enable employees to achieve a healthy balance between their working and private lives. These include in particular the following measures agreed with the unions in the Conciliazione famiglia e lavoro in 2001: flexible office working hours, choice of shifts for mothers and temporary part-time work for mothers.

Employee remuneration

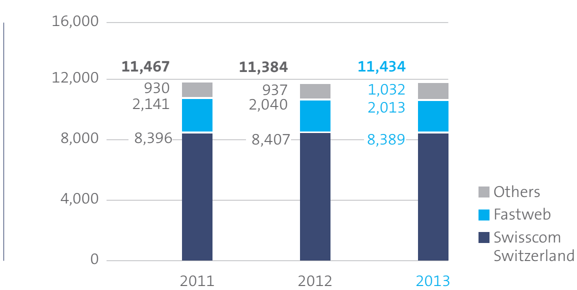
Fastweb offers competitive salary packages aimed at attracting and retaining highly-qualified specialists and managers. The company's salary system comprises a basic salary, a collective variable profit-sharing bonus for non-managerial staff, and a variable performance-related component for managerial staff which is contingent on meeting individual requirements and company targets. The basic salary is determined according to function, individual performance and the situation in the labour market. The variable profit-sharing bonus is based on the Premio di risultato agreed separately with the unions. Fastweb respects the legal minimum salary defined by the CCNL.

Group financial review

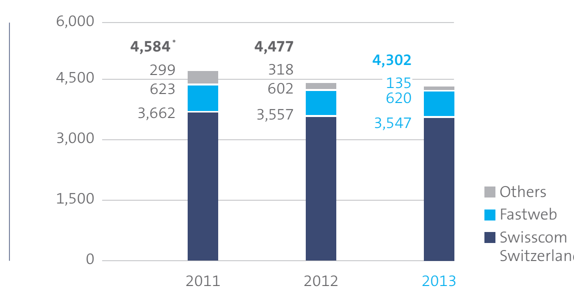
Key financial figures

In CHF million, except where indicated	2013	2012	Change
Net revenue	11,434	11,384	0.4%
Operating income before depreciation and amortisation (EBITDA)	4,302	4,477	−3.9%
EBITDA as % of net revenue	37.6	39.3	
Operating income (EBIT)	2,258	2,527	−10.6%
Net income	1,695	1,815	−6.6%
Share of net income attributable to equity holders of Swisscom Ltd	1,685	1,808	−6.8%
Earnings per share (in CHF)	32.53	34.90	−6.8%
Operating free cash flow	1,978	1,882	5.1%
Capital expenditure in property, plant and equipment and other intangible assets	2,396	2,529	−5.3%
Net debt at end of period	7,812	8,071	−3.2%
Full-time equivalent employees at end of year	20,108	19,514	3.0%

Development of revenue from external customers in CHF million

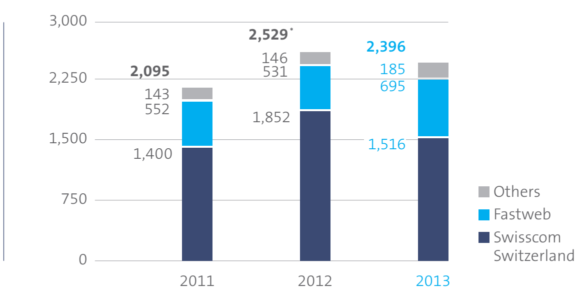


Development of EBITDA in CHF million



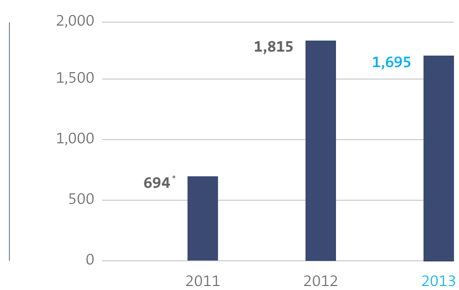
* Without considering the changes of IAS 19 revised.

Development of capital expenditure in CHF million



* Including expenses of CHF 360 million for mobile frequency.

Development of net income in CHF million



* Including goodwill impairment of CHF 1,189 million less taxes. Without considering the changes of IAS 19 revised.

Summary

Swisscom's net revenue rose by CHF 50 million or 0.4% to CHF 11,434 million. In contrast, operating income before depreciation and amortisation (EBITDA) fell by CHF 175 million or 3.9% to CHF 4,302 million. The fall in EBITDA and higher depreciation and amortisation led to a decline in net income of CHF 120 million to CHF 1,695 million.

Revenue and EBITDA performance were impacted by the euro exchange rate, Fastweb's wholesale revenue from low-margin interconnection services (hubbing) and corporate acquisitions. At constant exchange rates and excluding these special factors, net revenue fell by 0.8%. The decrease is primarily a result of general price erosion and price reductions for roaming in Swiss business totalling CHF 560 million. The CHF 480 million in customer and volume growth largely offset this decrease. Excluding hubbing, net revenue at Fastweb was down by EUR 16 million or 1.0% to EUR 1,597 million, despite customer growth. Higher revenues from residential customers were offset by a fall in revenue from corporate business resulting from price pressure.

Swisscom's EBITDA dropped by 2.0% on a like-for-like basis. This reduction was chiefly due to lower revenues in Swiss core business as a consequence of continuing competition and price pressure. Fastweb EBITDA rose year-on-year by EUR 5 million or 1.0% to EUR 505 million.

Excluding the costs of CHF 360 million for the mobile frequencies acquired in 2012, capital expenditure rose by CHF 227 million or 10.5% to CHF 2,396 million, and in Switzerland by CHF 52 million or 3.2% to CHF 1,686 million. This increase is due to expansion of the broadband networks and modernisation of the mobile networks. The increase in capital expenditure at Fastweb by EUR 124 million or 28.1% to EUR 565 million is attributable to expansion of the fibre-optic network in Italy.

Operating free cash flow rose by CHF 96 million or 5.1% to CHF 1,978 million. Net debt fell by CHF 259 million or 3.2% to CHF 7,812 million compared to the end of 2012. The ratio of net debt to EBITDA remained unchanged versus the previous year at 1.8.

Headcount increased year-on-year by 594 FTEs or 3.0% to 20,108 FTEs. While headcount was higher as a result of acquisition of subsidiaries, the insourcing of external staff and expansion of customer service in Swiss business, the number of Fastweb employees was lower due to outsourcing. In Switzerland, the number of employees increased by 1,093 FTEs or 6.7% to 17,362.

Swisscom expects to close the year with revenue of around CHF 11.5 billion and EBITDA of around CHF 4.35 billion. Network infrastructure expansion in both Switzerland and Italy will continue to entail high capital expenditure: this is expected to total CHF 2.4 billion, of which CHF 1.75 billion in Switzerland. If all targets are met, Swisscom will once again propose a dividend of CHF 22 per share for the 2014 financial year.

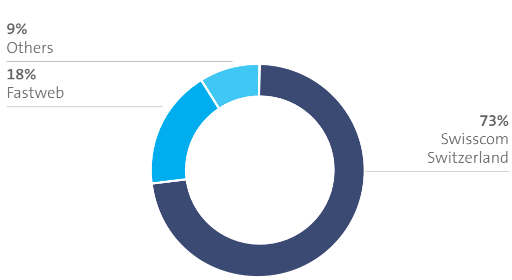
Results of operations

Income statement

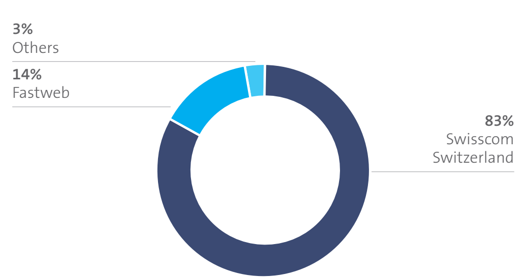
In CHF million, except where indicated	2013	2012	Change
Swisscom Switzerland	8,389	8,407	–0.2%
Fastweb	2,013	2,040	–1.3%
Other operating segments	1,032	936	10.3%
Group Headquarters	–	1	–
Revenue from external customers	**11,434**	**11,384**	**0.4%**
Swisscom Switzerland	3,547	3,557	–0.3%
Fastweb	620	602	3.0%
Other operating segments	303	274	10.6%
Group Headquarters	(127)	(110)	15.5%
Reconciliation pension cost [1]	(17)	179	–
Intersegment elimination	(24)	(25)	–4.0%
Operating income before depreciation and amortisation (EBITDA)	**4,302**	**4,477**	**–3.9%**
Net revenue	**11,434**	**11,384**	**0.4%**
Goods and services purchased	(2,338)	(2,399)	–2.5%
Personnel expense	(2,706)	(2,485)	8.9%
Other operating expense	(2,476)	(2,396)	3.3%
Capitalised self-constructed assets and other income	388	373	4.0%
Operating expenses	**(7,132)**	**(6,907)**	**3.3%**
Operating income before depreciation and amortisation (EBITDA)	**4,302**	**4,477**	**–3.9%**
Depreciation, amortisation and impairment losses	(2,044)	(1,950)	4.8%
Operating income (EBIT)	**2,258**	**2,527**	**–10.6%**
Net interest expense	(251)	(249)	0.8%
Other financial result	(8)	(77)	–89.6%
Share of results of associates	30	32	–6.3%
Income before income taxes	**2,029**	**2,233**	**–9.1%**
Income tax expense	(334)	(418)	–20.1%
Net income	**1,695**	**1,815**	**–6.6%**
Share of net income attributable to equity holders of Swisscom Ltd	1,685	1,808	–6.8%
Share of net income attributable to non-controlling interests	10	7	–
Average number of shares outstanding (in millions of shares)	51.801	51.801	–
Earnings per share (in CHF)	32.53	34.90	–6.8%

[1] The operating income of segments consist of pension cost especially employer contributions. The difference to the pension cost by IAS 19 will therefore be recognised as a reconciliation item.

Share of operating segments in net revenue in %



Share of operating segments in EBITDA in %



Net revenue

Swisscom's net revenue rose by CHF 50 million or 0.4% to CHF 11,434 million. On a like-for-like basis, net revenue was 0.8% lower. At Swisscom Switzerland, revenue dropped by CHF 12 million or 0.1% to CHF 8,449 million, resulting in a like-for-like reduction in revenue of 0.7%. Price erosion and price reductions for roaming of around CHF 560 million was largely offset by CHF 480 million in customer and volume growth. Fastweb's net revenue fell by EUR 58 million or 3.4% to EUR 1,642 million, or by 1.3% in Swiss francs. Excluding wholesale revenue from interconnection services (hubbing), net revenue at Fastweb was down by EUR 16 million or 1.0% to EUR 1,597 million. The EUR 20 million increase in revenue in the residential customer segment was more than offset by the EUR 36 million decline in revenue from business customers and wholesale (excluding hubbing). Primarily as a result of corporate acquisitions, net revenue generated by other operating segments increased by CHF 91 million or 5.3% to CHF 1,819 million.

Goods and services purchased

Goods and services purchased fell year-on-year by CHF 61 million or 2.5% to CHF 2,338 million. Adjusted for corporate acquisitions and at constant exchange rates, the reduction amounts to 5.1%. The lower expenditure at Fastweb is mainly attributable to the planned reduction in hubbing business and lower termination rates, while the reduction at Swisscom Switzerland is the result of lower procurement costs for mobile handsets.

Personnel expense

Personnel expense increased by CHF 221 million or 8.9% year-on-year to CHF 2,706 million. Included in 2012 are a reduction of CHF 157 million from a one-time, non-cash change in a pension plan and restructuring expense of CHF 68 million. Discounting these non-recurring items and adjusting for corporate acquisitions, personnel expense rose by 2.9%, largely due to higher ordinary pension costs which, excluding the effect from the 2012 amendment to the pension plan, rose by CHF 51 million. Headcount rose year-on-year by 594 FTEs or 3.0% to 20,108 FTEs. Adjusted for corporate acquisitions in Switzerland and the outsourcing of positions in Italy, the rise in headcount was 1.8%, which is chiefly attributable to the insourcing of external staff in Switzerland.

Other operating expense

Other operating expense increased by CHF 80 million or 3.3% year-on-year to CHF 2,476 million. Adjusted for company acquisitions and at constant exchange rates, the rise amounted to 1.7%. This increase is primarily attributable to the purchase of outsourcing services due to the outsourcing of positions at Fastweb.

Capitalised self-constructed assets and other income

Capitalised self-constructed assets and other income increased by CHF 15 million or 4.0% year-on-year to CHF 388 million, while capitalised self-constructed assets were CHF 9 million or 3.4% lower year-on-year at CHF 256 million.

Operating income before depreciation and amortisation (EBITDA)

Operating income before depreciation and amortisation (EBITDA) was CHF 175 million or 3.9% lower at CHF 4,302 million. In 2012, the amendment to the pension plan resulted in a one-off reduction of CHF 157 million in pension costs. Restructuring costs totalling CHF 78 million were also recognised in 2012. Ordinary pension costs rose in 2013. Company acquisitions and currency effects had a positive impact on operating income. Adjusted EBITDA decreased by 2.0%, primarily due to the continuing competition and price pressure. Expenses were also higher in Switzerland for grid maintenance and IT, while customer growth in Italy led to higher acquisition costs.

Depreciation and amortisation

Depreciation and amortisation rose by CHF 94 million or 4.8% year-on-year to CHF 2,044 million. This increase is mainly attributable to higher depreciation and amortisation at Swisscom Switzerland due to continuing broadband network expansion and to the mobile frequencies acquired in 2012. Intangible assets resulting from business combinations were capitalised for purchase price allocation purposes. Depreciation and amortisation includes scheduled amortisation related to intangible assets from business combinations (e.g. brands, customer relationships) totalling CHF 156 million (prior year: CHF 151 million).

Net interest income and other financial result

The net financial result in 2013 amounted to CHF 251 million (prior year: CHF 249 million). The average rate of interest on financial liabilities in 2013 is 2.4%. The other financial result improved year-on-year by CHF 69 million, which is primarily attributable to positive effects of CHF 30 million arising from the fair value adjustment of interest rate derivatives.

Associates

Associates mainly covers the share of results of investments in Belgacom International Carrier Services, LTV Yellow Pages and Metroweb (Italy). The share of results of associates declined year-on-year by CHF 2 million to CHF 30 million, primarily due to the acquisition of a majority stake in Cinetrade. Dividends received, amounting to CHF 43 million (prior year: CHF 38 million), largely concern dividends paid by LTV Yellow Pages, Cinetrade and Belgacom International Carrier Services.

Income tax expense

Income tax expense amounted to CHF 334 million (prior year: CHF 418 million), corresponding to an effective income tax rate of 16.5% (prior year: 18.7%). The decrease in income tax expense is largely due to the offsetting and recognition of tax loss carry-forwards that had previously not been capitalised. Excluding non-recurring items, Swisscom anticipates an income tax rate of around 21% in the long term. Income taxes paid were CHF 88 million higher than a year earlier at CHF 278 million.

Net income and earnings per share

Net income fell by CHF 120 million or 6.6% year-on-year to CHF 1,695 million, largely reflecting lower EBITDA and higher depreciation and amortisation as a result of the increase in capital expenditure. Earnings per share fell by 6.8% from CHF 34.90 to CHF 32.53.

Excluding non-recurring items, revenue declined by 0.8% year-on-year.
Revenue in 2013 totalled

11.4 billion Swiss francs

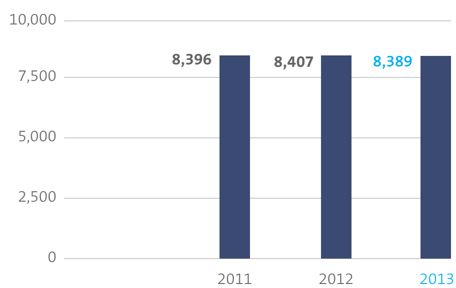
Excluding non-recurring items, EBITDA declined by 2.0% year-on-year.
EBITDA in 2013 totalled

4.3 billion Swiss francs

Operating segment results

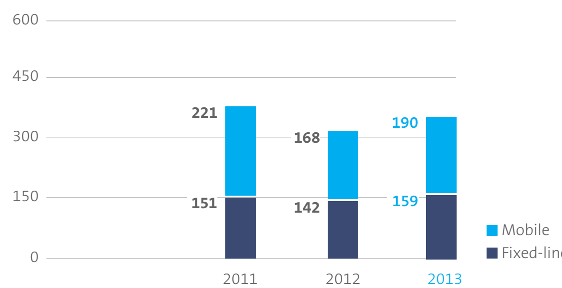
Reporting is broken down into the following segments: Swisscom Switzerland, Fastweb and Other operating segments. Swisscom Switzerland includes the segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers, Wholesale and Network & IT. Group Headquarters is disclosed separately.

Development of revenue from external customers Swisscom Switzerland in CHF million



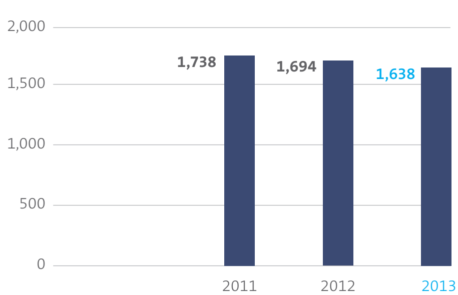
	2011	2012	2013
Revenue mobile single subscriptions	3'104	2'932	2,782
Revenue fixed-line single subscriptions	2'695	2'470	2,215
Revenue bundle subscriptions	792	1'172	1,553
Revenue others	1'805	1'833	1,839
Total	**8,396**	**8,407**	**8,389**

Changes in customer contracts retail Swisscom Switzerland in thousand



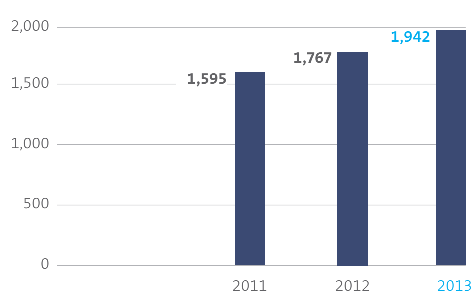
	2011	2012	2013
Fixed-line	–113	–107	–134
Broadband	77	66	84
Swisscom TV	187	183	209
Contracts in fixed-line	**151**	**142**	**159**
Contracts in mobile	**221**	**168**	**190**

Development of revenue from external customers Fastweb in EUR million



	2011	2012	2013
Residential Customers	758	724	744
Small and Medium-Sized Enterprises	760	791	771
Wholesale hubbing	141	87	45
Wholesale others	79	92	78
External revenue	**1,738**	**1,694**	**1,638**

Development of broadband access lines Fastweb in thousand



Segment revenue and results

Swisscom Switzerland

In CHF million, except where indicated	2013	2012	Change
Net revenue and results			
Residential Customers	5,145	5,113	0.6%
Small and Medium-Sized Enterprises	1,151	1,161	–0.9%
Corporate Business	1,787	1,835	–2.6%
Wholesale	966	966	–
Elimination	(600)	(614)	–2.3%
Net revenue	**8,449**	**8,461**	**–0.1%**
Residential Customers	2,898	2,886	0.4%
Small and Medium-Sized Enterprises	864	882	–2.0%
Corporate Business	907	945	–4.0%
Wholesale	384	367	4.6%
Network & IT	(1,506)	(1,523)	–1.1%
Segment result before depreciation and amortisation (EBITDA)	**3,547**	**3,557**	**–0.3%**
Margin as % of net revenue	42.0	42.0	
Depreciation, amortisation and impairment losses	(1,104)	(1,053)	4.8%
Segment result	**2,443**	**2,504**	**–2.4%**
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and other intangible assets	1,516	1,852	–18.1%
Full-time equivalent employees at end of year	12,463	11,862	5.1%

Swisscom Switzerland's net revenue fell by CHF 12 million or 0.1% to CHF 8,449 million, while operating income before depreciation and amortisation (EBITDA) was CHF 10 million or 0.3% lower at CHF 3,547 million. Adjusted for acquisitions and non-recurring costs for restructuring in the prior year, revenue decreased by 0.9% and EBITDA by 2.2%. Decline in revenue as a result of the general price erosion of around CHF 350 million and the price reductions for roaming of around CHF 210 million were largely offset by customer and volume growth of around CHF 480 million. Capital expenditure was CHF 336 million or 18.1% lower at CHF 1,516 million. Excluding expenses of CHF 360 million for the mobile frequencies auctioned in the previous year, capital expenditure increased by 1.6% as a result of the expansion and modernisation of the broadband and mobile networks. Headcount rose by 601 FTEs or 5.1% to 12,463 FTEs as a result of acquisitions, the insourcing of external personnel and an increase in customer service and sales staff.
The trend towards bundled offerings and new pricing models such as flat-rate tariffs continued unabated. The Natel infinity mobile subscriptions launched in 2012, which offer customers unlimited calls and SMS messages to all Swiss networks as well as unlimited surfing, remain highly popular. The customer base grew by 0.8 million to around 1.7 million. By the end of 2013, 1 million customers were subscribing to packages such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV, or Vivo Tutto, which also includes a mobile line. This corresponds to an increase of 213,000 customers or 27.0% versus the prior year. Revenue from contracts for bundled offerings rose accordingly by CHF 381 million or 32.5% to CHF 1,553 million in comparison with the previous year.

Swisscom Switzerland/net revenue

In CHF million or in thousand	2013	2012	Change
Revenue by services			
Revenue mobile single subscriptions	2,782	2,932	–5.1%
Revenue fixed-line single subscriptions	2,215	2,470	–10.3%
Revenue bundles	1,553	1,172	32.5%
Revenue wholesale	588	594	–1.0%
Other net revenue	1,251	1,239	1.0%
Revenue from external customers	**8,389**	**8,407**	**–0.2%**
Operational data at end of period in thousand			
Fixed access lines	2,879	3,013	–4.4%
Broadband access lines retail	1,811	1,727	4.9%
Swisscom TV access lines	1,000	791	26.4%
Mobile access lines	6,407	6,217	3.1%
Bundles	1,001	788	27.0%
Unbundled fixed access lines	256	300	–14.7%
Broadband access lines wholesale	215	186	15.6%
Revenue generating units (RGU)	12,097	11,748	3.0%

Revenue from external customers increased year-on-year by CHF 18 million or 0.2% to CHF 8,389 million. The decrease of around CHF 350 million due to general price erosion and the price reductions for roaming totalling around CHF 210 million were largely offset by customer and volume growth of around CHF 480 million. Swisscom Switzerland's revenue also increased thanks to the acquisition of a majority stake in Cinetrade, Switzerland's leading film rights and content trading company for the purchase and commercialisation of programme and sports broadcasting rights. On 1 July 2013, Swisscom further reduced its roaming charges for mobile surfing by up to 70%. The number of revenue generating units (RGU) with end customers grew by 349,000 or 3.0% to 12.1 million. The Natel infinity mobile subscriptions launched in June 2012, which offer customers unlimited calls, SMS messages and surfing, remain highly popular. Within the year, the number of infinity subscriptions rose by 0.8 million to around 1.7 million. Figures from recent quarters shows that customers switching to Natel infinity are generating higher revenues (ARPU). The number of postpaid mobile customers rose by 213,000 while the number of prepaid customers dropped by 23,000. In 2013, Swisscom sold a total of 1.6 million mobile handsets (+2.6%), of which 65% were smartphones.

Demand remains high for bundled offerings such as Vivo Casa (which combines fixed-line access with telephony, Internet and TV), and Vivo Tutto (which also includes a mobile line). The number of customers using bundled offerings rose year-on year by 213,000 or 27.0% to 1 million. Revenue from contracts for bundled offerings rose accordingly by CHF 381 million or 32.5% to CHF 1,553 million in comparison with the previous year. The number of Swisscom TV connections increased by 209,000 or 26.4% to 1 million, of which 939,000 subscribed to the basic packages. 2013 saw the number of fixed lines for voice telephony decline by 134,000 or 4.4% to 2.88 million, due primarily to the number of customers migrating to cable network providers or switching from fixed to other forms of connectivity such as mobile. Retail broadband access lines grew year-on-year by 84,000 or 4.9% to 1.81 million, while the number of unbundled subscriber access lines fell by 44,000 or 14.7% to 256,000. The number of wholesale broadband access lines rose by 29,000 or 15.6% year-on-year to 215,000.

Swisscom Switzerland/operating expenses and segment result

In CHF million, except where indicated	2013	2012	Change
Segment expenses by nature of cost			
Traffic fees	(449)	(457)	–1.8%
Subscriber acquisition and retention costs	(463)	(474)	–2.3%
Other direct costs	(892)	(889)	0.3%
Direct costs	**(1,804)**	**(1,820)**	**–0.9%**
Personnel expense	(1,691)	(1,714)	–1.3%
Other indirect costs	(1,581)	(1,539)	2.7%
Capitalised self-constructed assets and other income	174	169	3.0%
Indirect costs	**(3,098)**	**(3,084)**	**0.5%**
Segment expenses	**(4,902)**	**(4,904)**	**–**
Segment result			
Segment result before depreciation and amortisation (EBITDA)	**3,547**	**3,557**	**–0.3%**
Margin as % of net revenue	42.0	42.0	
Depreciation, amortisation and impairment losses	(1,104)	(1,053)	4.8%
Segment result	**2,443**	**2,504**	**–2.4%**
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and other intangible assets	1,516	1,852	–18.1%
Full-time equivalent employees at end of year	12,463	11,862	5.1%

Segment expense was CHF 2 million lower at CHF 4,902 million. At CHF 1,804 million, direct costs were CHF 16 million or 0.9% lower year-on-year due chiefly to the lower volume of mobile handsets purchased. Indirect costs increased by CHF 14 million or 0.5% to CHF 3,098 million. Excluding restructuring costs in the previous year and company acquisitions, indirect costs rose by CHF 55 million or 1.0%, largely as a result of increased weather-related expenditure for network maintenance as well as an increase in IT costs. Personnel expense declined by CHF 23 million or 1.3% to CHF 1,691 million while the adjusted result was 0.6% higher. Headcount rose by 601 FTEs or 5.1% to 12,463 FTEs as a result of company acquisitions, the insourcing of external personnel and an increase in customer service and sales staff. The segment result before depreciation and amortisation fell by CHF 10 million or 0.3% to CHF 3,547 million; EBITDA dropped by 2.2% on a like-for-like basis. The profit margin remained unchanged at 42.0%. Depreciation and amortisation increased year-on-year by CHF 51 million or 4.8% to CHF 1,104 million. The increase is primarily attributable to high levels of investment and expenditure in connection with the mobile frequency auction in 2012. The segment result ended the year CHF 61 million or 2.4% lower at CHF 2,443 million. At CHF 1,516 million, capital expenditure was CHF 336 million or 18.1% lower year-on-year. Excluding expenses for the mobile frequencies acquired in 2012 amounting to CHF 360 million, capital expenditure increased by CHF 24 million or 1.6%, mainly due to the expansion of the broadband network and the modernisation of the mobile network.

Number of infinity customers
At the end of 2013, around

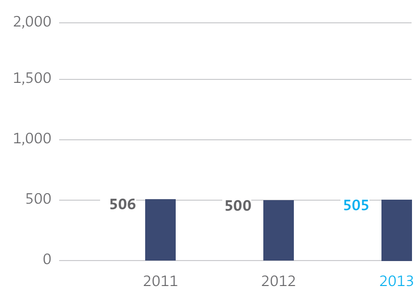
1.7 million

Fastweb

In EUR million, except where indicated	2013	2012	Change
Residential Customers	744	724	2.8%
Corporate Business	771	791	–2.5%
Wholesale hubbing	45	87	–48.3%
Wholesale other	78	92	–15.2%
Revenue from external customers	**1,638**	**1,694**	**–3.3%**
Intersegment revenue	4	6	–
Net revenue	**1,642**	**1,700**	**–3.4%**
Segment expenses	(1,137)	(1,200)	–5.3%
Segment result before depreciation and amortisation	**505**	**500**	**1.0%**
Margin as % of net revenue	30.8	29.4	
Capital expenditure in property, plant and equipment and other intangible assets	565	441	28.1%
Full-time equivalent employees at end of year	2,363	2,893	–18.3%
Broadband access lines at end of year in thousand	1,942	1,767	9.9%

Development of revenue from external customers in EUR million

Development of EBITDA in EUR million



Fastweb's net revenue fell by EUR 58 million or 3.4% to end the year at EUR 1,642 million. The drop in revenue is mainly due to the planned reduction in wholesale revenue from interconnection services (hubbing) with low margins, which fell by EUR 42 million year-on-year. Excluding hubbing, revenue was, in comparison with the previous year, EUR 16 million or 1.0% lower at EUR 1,597 million. Fastweb's broadband customer base grew by 175,000 or 9.9% year-on-year to 1.94 million, thanks in part to the bundled TV and broadband package offered in partnership with Sky Italia. This means that Fastweb is growing faster than the Italian broadband market. In parallel to this, intensive competition reduced average revenue per residential broadband customer by around 6.5%; however, this decline was outweighed by customer growth. At EUR 744 million, revenue from residential customers was up by EUR 20 million or 2.8% in comparison with the previous year. By contrast, revenue from business customers fell by EUR 20 million or 2.5% to EUR 771 million, while revenue from other wholesale business dropped by EUR 14 million or 15.2% to EUR 78 million.

The segment result before depreciation and amortisation totalled EUR 505 million, corresponding to a year-on-year rise of EUR 5 million or 1.0%. The reduction in costs for the network access service had a positive impact on the result. By contrast, customer acquisition costs increased as a result of customer growth. The profit margin improved by 1.4 percentage points to end the year at 30.8%.

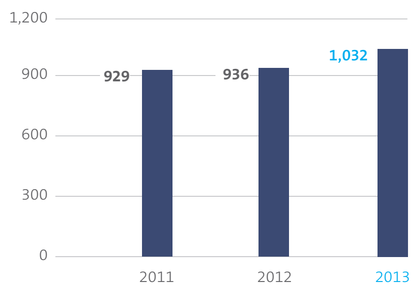
Headcount at the end of 2013 totalled 2,363 FTEs, down by 530 FTEs or 18.3% due to outsourcing.

Capital expenditure was EUR 124 million or 28.1% higher at EUR 565 million as a result of the expansion of the fibre-optic network in Italy. The capital expenditure to net revenue ratio was 34.4% (prior year: 25.9%). Around 40% of investment spending was directly related to customer growth.

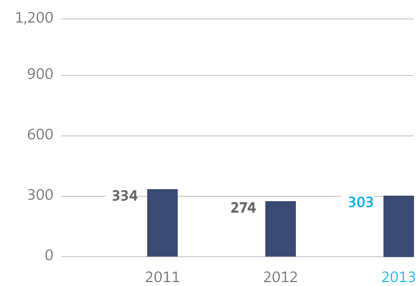
Other operating segments

In CHF million, except where indicated	2013	2012	Change
Revenue from external customers	1,032	936	10.3%
Intersegment revenue	787	792	–0.6%
Net revenue	**1,819**	**1,728**	**5.3%**
Segment expenses	(1,516)	(1,454)	4.3%
Segment result before depreciation and amortisation	**303**	**274**	**10.6%**
Margin as % of net revenue	16.7	15.9	
Capital expenditure in property, plant and equipment and other intangible assets	195	167	16.8%
Full-time equivalent employees at end of year	4,964	4,419	12.3%

Development of revenue from external customers in CHF million



Development of EBITDA in CHF million



Revenue from external customers increased year-on-year by CHF 96 million or 10.3% to CHF 1,032 million. At CHF 612 million, revenue from external customers at Swisscom IT Services was CHF 91 million or 17.5% higher, largely due to acquisitions. In 2013, Swisscom IT Services took over the business platform of Entris Banking and Entris Operations, which is used primarily for processing payment transactions and securities trading for banks. Swisscom IT Services saw incoming orders grow by CHF 273 million or 53.2% to CHF 786 million in comparison with the previous year. Intersegment revenue was CHF 5 million or 0.6% lower year-on-year at CHF 787 million, chiefly due to the lower volume of construction services performed by Group Related Businesses for Swisscom Switzerland. At CHF 1,516 million, segment expense was CHF 62 million or 4.3% higher than the previous year, mainly as a result of increased costs related to corporate acquisitions made by Swisscom IT Services. The segment result before depreciation and amortisation was CHF 29 million or 10.6% higher at CHF 303 million. At 4,964 FTEs, headcount at the end of 2013 was 545 FTEs or 12.3% higher than the previous year, due primarily to corporate acquisitions. Capital expenditure rose by CHF 28 million or 16.8% to CHF 195 million, chiefly as a result of an increase in investment in IT infrastructure by Swisscom IT Services and in ongoing construction projects by Swisscom Real Estate.

Group Headquarters and reconciliation to pension cost

Operating income before depreciation and amortisation decreased by CHF 17 million or 15.5% year-on-year to CHF –127 million, mainly due to the reversal in the prior year of provisions no longer required. Headcount dropped by 22 FTEs or 6.5% to 318 FTEs.
An expense of CHF 17 million is disclosed as a pension cost reconciliation item (prior year: income of CHF 179 million). The prior-year figure of CHF 179 million includes income of CHF 157 million arising from a one-off, non-cash pension plan amendment.

Quarterly review 2012 and 2013

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
Income statement										
Net revenue	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**	**2,734**	**2,862**	**2,867**	**2,971**	**11,434**
Goods and services purchased	(555)	(566)	(566)	(712)	(2,399)	(552)	(604)	(561)	(621)	(2,338)
Personnel expense	(676)	(659)	(606)	(544)	(2,485)	(671)	(691)	(638)	(706)	(2,706)
Other operating expenses	(564)	(551)	(590)	(691)	(2,396)	(557)	(599)	(596)	(724)	(2,476)
Capitalised costs and other income	91	83	78	121	373	77	103	74	134	388
Operating income (EBITDA)	**1,098**	**1,126**	**1,122**	**1,131**	**4,477**	**1,031**	**1,071**	**1,146**	**1,054**	**4,302**
Depreciation and amortisation	(481)	(482)	(491)	(496)	(1,950)	(491)	(501)	(509)	(543)	(2,044)
Operating income (EBIT)	**617**	**644**	**631**	**635**	**2,527**	**540**	**570**	**637**	**511**	**2,258**
Net interest expense	(58)	(61)	(67)	(63)	(249)	(63)	(62)	(62)	(64)	(251)
Other financial result	(18)	(15)	(10)	(34)	(77)	(2)	4	(11)	1	(8)
Result of associates	6	8	11	7	32	6	6	6	12	30
Income before income taxes	**547**	**576**	**565**	**545**	**2,233**	**481**	**518**	**570**	**460**	**2,029**
Income tax expense	(102)	(114)	(116)	(86)	(418)	(91)	(89)	(116)	(38)	(334)
Net income	**445**	**462**	**449**	**459**	**1,815**	**390**	**429**	**454**	**422**	**1,695**
Share attributable to equity holders of Swisscom Ltd	442	458	448	460	1,808	388	427	450	420	1,685
Share attributable to non-controlling interests	3	4	1	(1)	7	2	2	4	2	10
Earnings per share (in CHF)	8.53	8.84	8.65	8.88	34.90	7.49	8.24	8.69	8.11	32.53
Net revenue										
Swisscom Switzerland	2,079	2,086	2,108	2,188	8,461	2,041	2,109	2,122	2,177	8,449
Fastweb	510	516	492	530	2,048	487	509	494	528	2,018
Other operating segments	427	425	415	461	1,728	412	454	460	493	1,819
Group Headquarters	–	1	–	1	2	–	1	–	–	1
Intersegment elimination	(214)	(209)	(209)	(223)	(855)	(206)	(211)	(209)	(227)	(853)
Total net revenue	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**	**2,734**	**2,862**	**2,867**	**2,971**	**11,434**
Segment result before depreciation and amortisation										
Swisscom Switzerland	923	935	933	766	3,557	877	888	948	834	3,547
Fastweb	131	149	148	174	602	119	139	155	207	620
Other operating segments	70	75	70	59	274	73	86	78	66	303
Group Headquarters	(27)	(30)	(29)	(24)	(110)	(29)	(30)	(27)	(41)	(127)
Reconciliation pension cost	6	3	4	166	179	(5)	(7)	(4)	(1)	(17)
Intersegment elimination	(5)	(6)	(4)	(10)	(25)	(4)	(5)	(4)	(11)	(24)
Total segment result (EBITDA)	**1,098**	**1,126**	**1,122**	**1,131**	**4,477**	**1,031**	**1,071**	**1,146**	**1,054**	**4,302**
Capital expenditure in property, plant and equipment and other intangible assets										
Swisscom Switzerland	337	329	679	507	1,852	284	354	361	517	1,516
Fastweb	135	140	118	138	531	155	160	168	212	695
Other operating segments	36	49	45	37	167	38	38	56	63	195
Group Headquarters	–	–	–	1	1	–	–	–	–	–
Intersegment elimination	(6)	(3)	(6)	(7)	(22)	(3)	(5)	(6)	4	(10)
Total capital expenditure	**502**	**515**	**836**	**676**	**2,529**	**474**	**547**	**579**	**796**	**2,396**
Full-time equivalent employees at end of year										
Swisscom Switzerland	11,999	11,915	11,884	11,862	11,862	12,018	12,344	12,513	12,463	12,463
Fastweb	3,064	3,032	2,911	2,893	2,893	2,389	2,379	2,370	2,363	2,363
Other operating segments	4,501	4,509	4,457	4,419	4,419	4,505	4,802	4,991	4,964	4,964
Group Headquarters	350	349	343	340	340	335	334	320	318	318
Total headcount	**19,914**	**19,805**	**19,595**	**19,514**	**19,514**	**19,247**	**19,859**	**20,194**	**20,108**	**20,108**
Operating free cash flow	483	496	279	624	1,882	245	615	528	590	1,978
Net debt	8,390	9,144	8,622	8,071	8,071	7,931	8,622	8,263	7,812	7,812

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
Swisscom Switzerland Net revenue and results										
Residential Customers	465	476	474	443	1,858	428	442	469	444	1,783
Small and Medium-Sized Enterprises	119	125	118	110	472	104	109	109	107	429
Corporate Business	147	155	152	148	602	141	145	142	142	570
Revenue mobile single subscriptions	**731**	**756**	**744**	**701**	**2,932**	**673**	**696**	**720**	**693**	**2,782**
Residential Customers	354	336	328	320	1,338	304	289	284	280	1,157
Small and Medium-Sized Enterprises	136	132	128	127	523	124	121	119	117	481
Corporate Business	153	152	151	153	609	146	146	143	142	577
Revenue fixed-line single subscriptions	**643**	**620**	**607**	**600**	**2,470**	**574**	**556**	**546**	**539**	**2,215**
Residential Customers	233	250	281	296	1,060	309	330	352	369	1,360
Small and Medium-Sized Enterprises	20	22	32	38	112	40	46	52	55	193
Revenue bundles	**253**	**272**	**313**	**334**	**1,172**	**349**	**376**	**404**	**424**	**1,553**
Total revenue single subscriptions and bundles	**1,627**	**1,648**	**1,664**	**1,635**	**6,574**	**1,596**	**1,628**	**1,670**	**1,656**	**6,550**
Solution business	85	87	88	100	360	84	87	90	99	360
Hardware sales	137	135	122	167	561	128	143	143	181	595
Wholesale	153	147	151	143	594	149	146	148	145	588
Revenue other	63	56	68	131	318	68	90	56	82	296
Total revenue from external customers	**2,065**	**2,073**	**2,093**	**2,176**	**8,407**	**2,025**	**2,094**	**2,107**	**2,163**	**8,389**
Residential Customers	1,208	1,204	1,227	1,300	4,939	1,190	1,247	1,254	1,294	4,985
Small and Medium-Sized Enterprises	281	287	284	283	1,135	274	282	286	286	1,128
Corporate Business	423	435	431	450	1,739	412	419	419	438	1,688
Wholesale	153	147	151	143	594	149	146	148	145	588
Revenue from external customers	**2,065**	**2,073**	**2,093**	**2,176**	**8,407**	**2,025**	**2,094**	**2,107**	**2,163**	**8,389**
Segment result before depreciation and amortisation										
Residential Customers	748	744	735	659	2,886	710	731	759	698	2,898
Small and Medium-Sized Enterprises	223	225	223	211	882	213	216	222	213	864
Corporate Business	230	235	242	238	945	220	226	231	230	907
Wholesale	94	89	93	91	367	96	96	97	95	384
Network & IT	(372)	(358)	(360)	(433)	(1,523)	(362)	(380)	(363)	(401)	(1,506)
Intersegment elimination	–	–	–	–	–	–	(1)	2	(1)	–
Total segment result (EBITDA)	**923**	**935**	**933**	**766**	**3,557**	**877**	**888**	**948**	**834**	**3,547**
Margin as % of net revenue	44.4	44.8	44.3	35.0	42.0	43.0	42.1	44.7	38.3	42.0
Fastweb, in EUR million										
Residential Customers	182	182	179	181	724	186	186	186	186	744
Corporate Business	183	196	193	219	791	178	193	188	212	771
Wholesale hubbing	27	28	16	16	87	14	11	9	11	45
Wholesale other	29	22	19	22	92	19	21	19	19	78
Revenue from external customers	**421**	**428**	**407**	**438**	**1,694**	**397**	**411**	**402**	**428**	**1,638**
Segment result (EBITDA)	109	124	122	145	500	97	113	126	169	505
Margin as % of net revenue	25.8	28.8	29.9	33.0	29.4	24.4	27.4	31.3	39.4	30.8
Capital expenditure in property, plant and Equipment and other intangible assets	112	116	98	115	441	126	130	137	172	565
Broadband access lines in thousand	1,654	1,673	1,704	1,767	1,767	1,861	1,887	1,911	1,942	1,942

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
Swisscom Switzerland Operational data										
Access lines										
Single subscriptions	2,536	2,465	2,407	2,350	2,350	2,272	2,207	2,142	2,073	2,073
Bundles	557	593	627	663	663	698	729	763	806	806
Fixed access lines	**3,093**	**3,058**	**3,034**	**3,013**	**3,013**	**2,970**	**2,936**	**2,905**	**2,879**	**2,879**
Single subscriptions	1,023	995	969	939	939	909	878	843	810	810
Bundles	659	699	739	788	788	842	889	938	1,001	1,001
Broadband access lines retail	**1,682**	**1,694**	**1,708**	**1,727**	**1,727**	**1,751**	**1,767**	**1,781**	**1,811**	**1,811**
Single subscriptions	236	245	248	270	270	291	289	281	276	276
Bundles	419	449	480	521	521	569	613	662	724	724
Swisscom TV access lines	**655**	**694**	**728**	**791**	**791**	**860**	**902**	**943**	**1,000**	**1,000**
Prepaid single subscriptions	2,243	2,231	2,210	2,199	2,199	2,196	2,180	2,173	2,176	2,176
Postpaid single subscriptions	3,657	3,654	3,672	3,702	3,702	3,741	3,763	3,783	3,812	3,812
Mobile access lines single subscriptions	**5,900**	**5,885**	**5,882**	**5,901**	**5,901**	**5,937**	**5,943**	**5,956**	**5,988**	**5,988**
Bundles	182	229	271	316	316	333	364	390	419	419
Mobile access lines	**6,082**	**6,114**	**6,153**	**6,217**	**6,217**	**6,270**	**6,307**	**6,346**	**6,407**	**6,407**
Revenue generating units (RGU)	**11,512**	**11,560**	**11,623**	**11,748**	**11,748**	**11,851**	**11,912**	**11,975**	**12,097**	**12,097**
Broadband access lines wholesale	179	176	181	186	186	196	201	208	215	215
Unbundled fixed access lines	312	317	310	300	300	290	280	268	256	256
Bundles										
2play bundles	240	237	239	248	248	257	264	270	279	279
3play bundles	347	374	387	403	403	428	451	479	517	517
4play bundles	72	88	113	137	137	157	174	189	205	205
Total bundles	**659**	**699**	**739**	**788**	**788**	**842**	**889**	**938**	**1,001**	**1,001**
Data traffic in million										
Fixed-line traffic in minutes	2,158	1,989	1,847	1,961	7,955	1,918	1,889	1,728	1,830	7,365
Mobile traffic in minutes	1,654	1,633	1,612	1,683	6,582	1,728	1,817	1,770	1,831	7,146
Data SMS mobile	691	694	694	677	2,756	628	607	598	552	2,385
Swisscom Group Information by geographical regions										
Net revenue in Switzerland	2,278	2,285	2,299	2,406	9,268	2,235	2,337	2,358	2,428	9,358
Net revenue in other countries	524	534	507	551	2,116	499	525	509	543	2,076
Total net revenue	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**	**2,734**	**2,862**	**2,867**	**2,971**	**11,434**
EBITDA Switzerland	966	980	979	939	3,864	910	933	993	849	3,685
EBITDA in other countries	132	146	143	192	613	121	138	153	205	617
Total EBITDA	**1,098**	**1,126**	**1,122**	**1,131**	**4,477**	**1,031**	**1,071**	**1,146**	**1,054**	**4,302**
Capital expenditure in Switzerland	366	374	718	536	1,994	319	387	409	571	1,686
Capital expenditure in other countries	136	141	118	140	535	155	160	170	225	710
Total capital expenditure	**502**	**515**	**836**	**676**	**2,529**	**474**	**547**	**579**	**796**	**2,396**
Full-time equivalent employees in Switzerland	16,503	16,426	16,339	16,269	16,269	16,483	17,099	17,449	17,362	17,362
Full-time equivalent employees in other countries	3,411	3,379	3,256	3,245	3,245	2,764	2,760	2,745	2,746	2,746
Total headcount	**19,914**	**19,805**	**19,595**	**19,514**	**19,514**	**19,247**	**19,859**	**20,194**	**20,108**	**20,108**

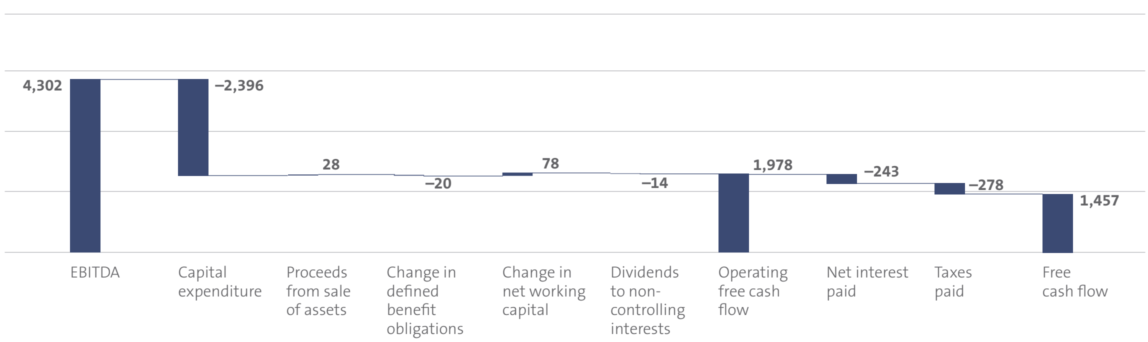
Group financial position

Financial position

Cash flows

In CHF million	2013	2012	Change
Operating income before depreciation and amortisation (EBITDA)	4,302	4,477	(175)
Capital expenditure in property, plant and equipment and other intangible assets	(2,396)	(2,529)	133
Proceeds from sale of tangible and other intangible assets	28	25	3
Change in defined benefit obligations	(20)	(180)	160
Change in net working capital and other cash flows from operating activities	78	103	(25)
Dividends paid to non-controlling interests	(14)	(14)	–
Operating free cash flow	**1,978**	**1,882**	**96**
Net interest paid	(243)	(236)	(7)
Income taxes paid	(278)	(190)	(88)
Free cash flow	**1,457**	**1,456**	**1**
Other cash flows from investing activities, net	(149)	1	(150)
Issuance and repayment of financial liabilities, net	37	(75)	112
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows	(21)	(18)	(3)
Net increase in cash and cash equivalents	**184**	**224**	**(40)**

Free cash flow in CHF million



Free cash flow was almost unchanged versus the previous year at CHF 1,457 million. Higher income tax payments and higher net interest payments offset the increase in the operating cash flow. The main reason for the increase in operating free cash flow was the lower capital expenditure in comparison with the previous year. Capital expenditure fell by CHF 133 million or 5.3% year-on-year to CHF 2,396 million. Excluding these costs, investments for mobile frequencies increased by CHF 227 million or 10.5% to CHF 360 million, primarily as a result of increased investment at Fastweb. The change in defined benefit obligations in the previous year includes non-cash non-recurring income of CHF 157 million resulting from a pension plan adjustment. Net working capital was CHF 78 million lower versus the end of 2012 (prior year: CHF 103 million). The decrease is primarily the result of lower trade receivables. In 2013, Swisscom paid dividends totalling CHF 1,140 million to its shareholders (prior year: CHF 1,140 million).

Net asset position

Balance sheet

In CHF million	31.12.2013	31.12.2012	Change
Assets			
Cash and cash equivalents and current financial assets	883	578	52.8%
Trade and other receivables	2,516	2,658	–5.3%
Property, plant and equipment	9,156	8,549	7.1%
Goodwill	4,809	4,662	3.2%
Other intangible assets	2,053	2,121	–3.2%
Associates and non-current financial assets	346	465	–25.6%
Income tax assets	301	340	–11.5%
Other current and non-current assets	432	423	2.1%
Total assets	**20,496**	**19,796**	**3.5%**
Liabilities and equity			
Financial liabilities	8,823	8,783	0.5%
Trade and other payables	1,870	1,993	–6.2%
Defined benefit obligations	1,293	2,108	–38.7%
Accrued liabilities	799	840	–4.9%
Income tax liabilities	640	425	50.6%
Other current and non-current liabilities	1,069	930	14.9%
Total liabilities	**14,494**	**15,079**	**–3.9%**
Share of equity attributable to equity holders of Swisscom Ltd	5,973	4,690	27.4%
Share of equity attributable to non-controlling interests	29	27	7.4%
Total equity	**6,002**	**4,717**	**27.2%**
Total liabilities and equity	**20,496**	**19,796**	**3.5%**
Equity ratio at end of year	29.3%	23.8%	

Total assets rose by CHF 0.7 billion or 3.5% to CHF 20.5 billion, mainly due to the high investment activity and acquisition of subsidiaries.

In CHF million	31.12.2011	31.12.2012	31.12.2013	Change
Property, plant and equipment	8,222	8,549	9,156	607
Goodwill	4,664	4,662	4,809	147
Other intangible assets	1,879	2,121	2,053	(68)
Receivables	2,948	3,081	346	(2,735)
Liabilities	(3,738)	(3,763)	(790)	2,973
Other net operating assets	**13,975**	**14,650**	**15,574**	**924**
Cash and cash equivalents and financial assets	522	712	884	172
Financial liabilities	(8,831)	(8,783)	(8,823)	(40)
Defined benefit obligations	(1,489)	(2,108)	(1,293)	815
Income tax assets and liabilities, net	(16)	(85)	(339)	(254)
Investments in associates	233	268	153	(115)
Other assets, net	299	63	(154)	(217)
Equity	**4,693**	**4,717**	**6,002**	**1,285**

Goodwill

The net carrying amount of goodwill is CHF 4,809 million, the bulk of which relates to Swisscom Switzerland (CHF 4,065 million). This goodwill arose primarily in 2007 in connection with the repurchase of the 25% stake in Swisscom Mobile Ltd sold to Vodafone in 2001. Following the repurchase, the mobile, fixed-network and solutions businesses were organisationally combined and merged to create the new company Swisscom (Switzerland) Ltd. The valuation risk of this goodwill item is extremely low. The net carrying amount of Fastweb goodwill is EUR 492 million (CHF 604 million). Goodwill in respect of other operating segments amounts to CHF 140 million.

Post-employment benefits

The defined benefit obligations disclosed in the consolidated financial statements are measured in accordance with International Financial Reporting Standards (IFRS). Net obligations recognised on the balance sheet amounted to CHF 1,293 million, corresponding to a reduction of CHF 815 million compared to the prior year. This is largely due to a higher discount rate and the sound performance of the plan assets. In accordance with Swiss accounting standards (Swiss GAAP ARR) the surplus amounts to some CHF 0.4 billion corresponding to a coverage ratio of 106%. The main reasons for the differences in accordance with IFRS of CHF 1.7 billion are the application of differing actuarial assumptions with regard to the discount rate (CHF 0.7 billion) and life expectancy (CHF 0.4 billion), and a different actuarial measurement method (CHF 0.6 billion). IFRS measurement takes into account future salary, contribution and pension increases and early retirements.

Equity

Equity rose by CHF 1,285 million or 27.2% to CHF 6,002 million. The dividend payments of CHF 1,140 million to the equity holders of Swisscom Ltd were more than offset by net income of CHF 1,695 million and net gains of CHF 740 million recognised directly in equity. Net gains recognised directly in equity include non-cash actuarial gains from pension plans totalling CHF 847 million as well as unrealised losses of CHF 63 million resulting from currency translation of foreign Group companies. The CHF/EUR exchange rate rose from 1.207 at the end of 2012 to 1.228. At 31 December 2013, cumulative currency translation losses recognised in equity amounted to CHF 1,559 million (after tax).

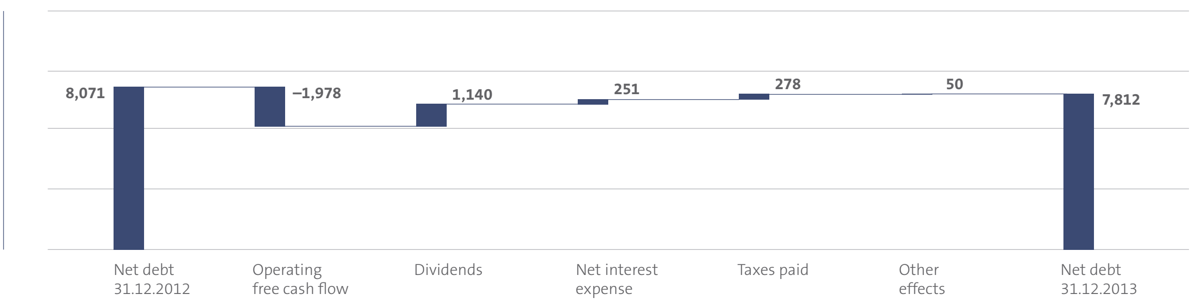
Distributable reserves are calculated on the basis of equity reported in the separate financial statements of Swisscom Ltd in accordance with statutory accounting provisions, rather than on the basis of equity as disclosed in the consolidated balance sheet prepared in accordance with International Financial Reporting Standards (IFRS). At 31 December 2013, the equity of Swisscom Ltd amounted to CHF 4,243 million. The difference between this amount and equity disclosed in the consolidated balance sheet is essentially due to earnings retained by subsidiaries as well as different accounting and valuation methods. Under Swiss company law, share capital and that part of the general reserves representing 20% of the share capital may not be distributed. At 31 December 2013, Swisscom Ltd had distributable reserves of CHF 4,180 million.

Net debt

Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits. Swisscom's goal is to achieve a maximum net debt/EBITDA ratio of around 2. This value may be exceeded temporarily. Financial leeway exists if the target is not reached.

In CHF million, except where indicated	31.12.2011	31.12.2012	31.12.2013	Change
Net debt	8,309	8,071	7,812	−3.2%
Ratio total liabilities/total assets	77.9%	76.2%	70.7%	
Ratio net debt/equity	1.9	1.7	1.3	(0.4)
Ratio net debt/EBITDA	1.8	1.8	1.8	–

Development of net debt in CHF million



The ratio of net debt to EBITDA remained unchanged year-on-year at 1.8. In recent years, Swisscom has taken advantage of favourable capital market conditions with a view to optimising the interest and maturity structure of the Group's financial obligations. The share of the Group's variable-rate financial liabilities amounts to around 20%.

Maturity profile of financial liabilities

Swisscom aims for a broadly diversified debt portfolio. This involves paying particular attention to balancing maturities and a diversification of financing instruments and markets. The following table shows the maturity profile of interest-bearing financial liabilities at nominal value as at 31 December 2013:

In CHF million	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due within 6 to 10 years	Due after 10 years	Total
Bank loans	–	430	650	148	85	1,313
Debenture bonds	1,250	500	2,100	1,114	500	5,464
Private placements	205	–	672	278	–	1,155
Finance lease liabilities	13	14	30	40	558	655
Other financial liabilities	3	1	1	–	–	5
Total	**1,471**	**945**	**3,453**	**1,580**	**1,143**	**8,592**

Capital expenditure

Introduction

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Swisscom remains committed to maintaining the high quality and availability of its network infrastructure in Switzerland, in particular by making targeted investments in fibre-optic network expansion, migration to an all-IP-based infrastructure, and ensuring a state-of-the-art mobile network.
In Italy, Fastweb operates a network comprising a proprietary fibre-optic network and a copper-based broadband access infrastructure. This network infrastructure is also undergoing further expansion in specific areas.

Capital expenditure in the 2013 financial year

In CHF million, except where indicated	2011	2012	2013	Change
Fixed access	409	425	410	–3.5%
Mobile access	151	226	271	19.9%
Expansion of the fibre-optic network	301	317	292	–7.9%
Customer driven	172	162	159	–1.9%
Projects and others [1]	367	362	384	6.1%
Mobile frequencies	–	360	–	–
Swisscom Switzerland	**1,400**	**1,852**	**1,516**	**–18.1%**
Fastweb	552	531	695	30.9%
Other operating segments	169	167	195	16.8%
Group Headquarters and elimination	(26)	(21)	(10)	–52.4%
Total capital expenditure in tangible and other intangible assets	**2,095**	**2,529** [2]	**2,396** [2]	**–5.3%**
Total capital expenditure as % of net revenue	18.3	22.2	21.0	

[1] Including All IP migration.
[2] Excluding capital expenditure totalling CHF 49 million (prior year: CHF 32 million) in a real-estate project for which a sales contract was signed and an advance payment made by the buyer in the same amount.

Swisscom's capital expenditure was CHF 133 million or 5.3% lower year-on-year at CHF 2,396 million. The prior-year figure included CHF 360 million for investments in existing and new mobile frequencies. Excluding these costs, capital expenditure was up by 10.5% and amounted to 21.0% of net revenue (prior year: 19.1% adjusted). Swisscom Switzerland accounted for 63% of 2013 capital expenditure, while Fastweb accounted for 29% and other operating segments 8%.
Capital expenditure incurred by Swisscom Switzerland fell year-on-year by CHF 336 million or 18.1% to CHF 1,516 million. Excluding investments for mobile frequencies, capital expenditure was CHF 24 million or 1.6% higher, corresponding to 17.9% of net revenue (prior year: 17.6% adjusted). The increase is attributable to the expansion of the broadband network and, in particular, the modernisation of the mobile network with the latest-generation LTE (Long Term Evolution) mobile technology.
Fastweb's capital expenditure was CHF 164 million or 30.9% higher year-on-year at CHF 695 million, which represented an increase of EUR 124 million or 28.1% to EUR 565 million in local currency terms. The main reason for increase was fibre-optic network expansion in Italy. The capital expenditure to net revenue ratio amounted to 34.4% (prior year: 25.9%). Around 40% of total capital expenditure are related to the customer growth.
At CHF 195 million, capital expenditure incurred by other operating segments was CHF 28 million or 16.8% higher year-on-year, chiefly as a result of an increase in investment in IT infrastructure by Swisscom IT Services and in ongoing construction projects by Swisscom Real Estate.

Supplement and outlook

Events after the balance sheet date

The Swisscom Board of Directors approved the release of this Annual Report on 5 February 2014. As of this date, no significant events after the balance sheet date occurred.

Outlook

Financial outlook 2014

Swisscom expects the 2014 year-end figures for revenue and EBITDA to show moderate growth. Excluding Fastweb, Swisscom expects to close 2014 with revenue of around CHF 9.45 billion and EBITDA of at least CHF 3.7 billion. The trend for revenue and income is being driven by a slight increase in revenue from services, coupled with ongoing stagnation in the business customer segment due to persistent price erosion. The companies acquired in 2013 will also contribute some CHF 80 million to growth. The outlook for EBITDA remains predicated on the assumption that no material restructuring and integration costs will be incurred. Expansion of the network infrastructure will again entail high capital expenditure of around CHF 1.75 billion in 2014.
Fastweb is expected to close 2014 with revenue of around EUR 1.65 billion, EBITDA of at least EUR 0.5 billion, and capital expenditure of around EUR 0.55 billion. The high figure for capital expenditure is due to expansion of the fibre-optic network in Italy.
Assuming a stable CHF/EUR exchange rate of 1.23, Swisscom therefore expects to post Group revenue of around CHF 11.5 billion, EBITDA of around CHF 4.35 billion and capital expenditure of CHF 2.4 billion at the end of 2014. If all targets are met, Swisscom will once again propose a dividend of CHF 22 per share for the 2014 financial year to the Annual General Meeting of Shareholders.

Risks

Swisscom's risk management is aimed at safeguarding the company's enterprise value.

Risk management system

Swisscom's enterprise risk management (ERM) applies Group-wide and takes both internal and external events into account. Swisscom observes the established COSO II and ISO 31000 risk management standards and thus has a risk management system in place that complies with the requirements of its own corporate governance policy as well as those under Swiss law.

Objectives

Swisscom's risk management is aimed at safeguarding the company's enterprise value. This is assured by having in place a recognised and appropriate Group-wide risk management system as well as comprehensive, meaningful, level-appropriate reporting, suitable documentation and a risk-aware corporate culture. Risks are events or situations which could jeopardise the company's ability to achieve its objectives should they occur.

Organisation

The Board of Directors delegates responsibility for implementing the risk management system to the CEO Swisscom Ltd. A central organisational unit Risk Management reports to the CFO Swisscom Ltd, coordinates all organisational units charged with risk management tasks and oversees these insofar as this is required for reporting purposes. This ensures comprehensive, Group-wide coordinated risk management and reporting. As part of their remit, employees entrusted with risk management tasks have an unrestricted right to information and are authorised to access and view all relevant documents and records.
Swisscom employs special instruments in individual risk areas. In financial risk management, for example, quantitative tools (sensitivity analyses) are used to assess interest rate and currency risks. Compliance risks and financial reporting risks are overseen by specialist central organisational units which report to the central Risk Management organisational unit and are responsible for meeting the goals of the company's internal control system (ICS).

Process

The main risks to which Swisscom is exposed are identified in a comprehensive risk analysis. Each risk is assigned a risk owner. To enable the early identification, assessment and management of risks and their inclusion in strategic planning, the central Risk Management unit works closely with the Controlling and Strategy departments and other relevant departments. Risk management covers risks in the areas of strategy (including market risks), operations (including finance risks), compliance and financial reporting. The risks are assessed according to their probability of occurrence and their qualitative and quantitative effects in the event of occurrence, and are managed on the basis of a risk strategy. The risks are evaluated in terms of their impact on key performance indicators reported by Swisscom. The risk profile is reviewed and updated quarterly. The Board of Directors' Audit Committee and the Swisscom Group Executive Board are informed about significant risks, their potential effects and the status of measures on a quarterly basis, and the Board of Directors on an annual basis. The effectiveness of the risk strategies and measures taken is assessed quar-

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terly. Information on the internal control system, compliance management and internal auditing is provided in Section 3.9 of the Corporate Governance Report, Controlling instruments of the Board of Directors vis-à-vis the Group Executive Board.

General statement on the risk situation

Risks are driven by changes in technology, the regulatory environment, markets, competition and customer behaviour. The importance of established telecoms services is continuing to decline, and the associated loss of revenue from traditional core business needs to be compensated by driving customer and volume growth and offering new services. The economic environment remains uncertain and is having an effect, among other things, on customers and suppliers. Over the long term the trend in the ICT market will necessitate fundamental changes in the approach to risks related to human capital, technology and the business model. Pending regulatory decisions pose a latent risk which could have a major impact on Swisscom's financial development, as illustrated by the following selected key risk factors.

Risk factors

Telecommunications market

Changes within the telecoms market, structural adjustments and competition from service providers who do not maintain their own telecoms infrastructure are exerting pressure on transformation. It remains to be seen which technologies and services will emerge the winners. Current trends are increasingly necessitating the integration of a growing number of technologies and devices in order to win new customers and deliver multimedia services. The integration and operation of new infrastructures entails significant risks in terms of interfaces to existing infrastructure. The occurrence of such risks could delay implementation of the strategy or have a detrimental effect on customer satisfaction. Swisscom has initiated measures in various areas to address this transformation process.

Politics and regulation

For Swisscom, telecommunications and antitrust legislation entail risks which could have a sustained impact on the company's future financial position and results of operations and hence negatively impact Swisscom's products and services as well as its investment activities. The main risks concern the possibility of stricter price regulations (for leased lines, for example), which would further restrict Swisscom's room for manoeuvre; or sanctions by the Competition Commission, which would reduce Swisscom's operating results and damage the company's good reputation.
New initiatives to revise the Telecommunications Act (TCA) and the related ordinance (OTS) further increase the regulatory risk. These include a possible regulation of roaming charges, mobile telephony and fibre-optic technology, or establishment of the principle of network neutrality. A change in the method used to calculate costs relating to regulated access services could have also negative implications for Swisscom.
Increased demands on the part of the regulator with regard to basic service provision (for example, universal entitlement to faster Internet access) or cooperation in the fight against crime (for example, entitlement to real-time monitoring of mobile phones) would push up expenditure considerably and have an adverse impact on Swisscom's results.

Access network expansion

Customer demand for broadband access is growing rapidly, as is the popularity of mobile devices and IP-based services (smartphones, IP TV, OTTs, etc.). Swisscom faces tough competition from cable companies and other network operators as it strives to meet current and future customer needs and defend its own market shares. The necessary network expansion calls for major investments which need to be amortised over several decades. To mitigate financial risks and ensure optimum network coverage, expansion is determined by population density and customer demand. The risks would be substantial if Swisscom were forced to spend more on network expansion than planned, or if projected long-term earnings were to fall. Risks will be minimised by adapting expansion of the access network to changing framework conditions.

Human capital

Constant changes in framework conditions and markets necessitate a change in corporate culture. The key challenges in this context lie in maintaining employee motivation and high staff loyalty despite cost pressure, while managing growth and efficiency, increasing employees' ability to adapt their skills and ensuring Swisscom remains an attractive employer.

Economic climate, market consolidation in Italy, regulation and recoverability of Fastweb's assets

A potential consolidation of the Italian market could have significant ramifications for Swisscom's subsidiary Fastweb. In addition, Italy's economic development and competitive dynamics carry risks which could have a detrimental impact on Fastweb's strategy and jeopardise projected revenue growth. The impairment test performed in 2013 confirmed the recoverable value of Fastweb's assets. The recoverability of Fastweb's net assets recognised in the consolidated financial statements is contingent above all on achieving the financial targets set out in the business plan (revenue growth, improvement in EBITDA margin and reduction in capital expenditure ratio). If future growth is lower than projected, there is a risk that this will result in a further impairment loss. Major uncertainty also surrounds the future interest rate trend and the country risk premium. An increase in interest rates or the country risk premium could lead to an impairment loss. Fastweb's business operations are also influenced by European and Italian telecommunications legislation. Regulatory risks can jeopardise the achievement of targets and reduce the enterprise value.

Business interruption

Usage of Swisscom's services is heavily dependent on technical infrastructure such as communications networks and IT platforms. Any major disruption to business operations poses a high financial risk as well as a substantial reputation risk. Force majeure, human error, hardware or software failure, criminal acts by third parties (for example, computer viruses or hacking) or the ever-growing complexity and interdependence of modern technologies can cause damage or interruption to operations. Built-in redundancy, contingency plans, deputising arrangements, alternative locations, careful selection of suppliers and other measures are designed to ensure Swisscom can deliver the level of services that customers expect at all times.

Information technologies

Swisscom is in the midst of a transformation from line-switched TDM technology to IP technology. This transformation should enable Swisscom to develop and roll out new products and services more flexibly, efficiently and cost-effectively than before. Initial results are positive, but Swisscom is entering new territory and therefore taking on higher risks. Swisscom's highly complex IT architecture entails high risks during both the implementation and operating phases. These risks have the potential, among other things, to delay the rollout of new services, increase costs and impact competitiveness. The transformation is being monitored by the Swisscom Switzerland Management Board.

Environment and health

Electromagnetic radiation (for example from mobile antennas or mobile handsets) has repeatedly been claimed to be potentially harmful to the environment and to health. Under the terms of the Ordinance on Non-Ionising Radiation (ONIR), Switzerland has adopted a so-called precautionary principle and introduced limits for base stations that are ten times higher than the EU's limits. The public's wary attitude to mobile antenna sites in particular is impeding Swisscom's network expansion. There is a future risk that regulations governing electromagnetic emissions and legal requirements for the construction of mobile base stations may be further tightened. This would result in additional costs for network expansion and operation. Even without stricter legislation, public concerns about the effects of electromagnetic radiation on the environment and health could further hamper the construction of wireless networks in the future and drive up costs. Such concerns could also reduce intensity of mobile phone usage.

Climate change poses risks for Swisscom in the form of increased levels of precipitation as well as higher average or extreme temperatures. These trends could impact the operability of Swisscom's telecoms infrastructure, particularly in view of the potential risk to base stations and local exchanges. The analysis of risks and opportunities posed by climate change is based on the official reports of the Federal Office for the Environment (FOEN) on climate change, published in October 2007 and October 2011.

See
www.cdproject.net/en-us

Corporate Responsibility

Passionate about future generations.

Corporate responsibility strategy

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Corporate responsibility strategy

Swisscom takes responsibility seriously – now and in the future. To this end, it relies on the corporate responsibility strategy (CR strategy) with its four strategic priorities. Swisscom pushed ahead in 2013 with dovetailing its CR and corporate business strategy.

Context and principles

Factors of long-term responsibility

- Awareness of business-critical needs of customers and stakeholders
- Integrity and holistic thinking

Positioning Swisscom as a leading company

- Ensure the long-term business success of the company
- Assume a pioneering role in ecology and support customers' efforts to be more climate friendly by providing them with the corresponding products and services
- Act in a socially responsible manner and take the lead in promoting media competency and protecting minors in the media
- Be an attractive, socially responsible employer

Strategic priorities

- Sustainable living and working
- Sustainable use of resources
- Telecommunications for all
- Responsible employer

Focus of implementation

2014
- Integration of corporate responsibility strategy with corporate business strategy and link to the Group's core business
- Differentiation on the market

2020
- Development of targets 2020

Swisscom attaches great importance to sustainability. Ensuring the efficient use of resources, including energy, while guaranteeing the provision of communications services that meet this requirement to consumers is essential. Swisscom's situation as national infrastructure provider, coupled with the expectations of the relevant stakeholder groups, i.e. customers, employees and the federal government in its role as principal shareholder and as legislator, place high demands on the company as regards sustainability. Sustainable management and long-term responsibility are thus among the core values to which Swisscom is committed. They are reflected in the corporate business strategy and presented in more detail in the CR strategy. In the year under review, Swisscom continued with the integration of corporate responsibility, particularly the ecological and social aspects. Expanding the CR strategy to Swisscom subsidiary Fastweb was also part of the year's agenda.

Strategic priorities

See Report page 26

Swisscom's corporate responsibility activities focus on issues which have high relevance for stakeholders and at the same time are closely linked to the company's core business and are therefore associated with creating market opportunities. Swisscom has the following four strategic priorities:

Sustainable living and working

Swisscom supports customers in their pursuit of a sustainable way of living and working.

Swisscom supports customers in their endeavours to conserve resources. Green ICT enables companies to massively reduce energy consumption and CO_2 emissions: video conferencing and home office solutions generate savings in travel time and costs, and buildings and networks can be managed in an energy-efficient manner thanks to ICT solutions. Swisscom offers Green ICT Check, a simple tool that enables companies to assess their potential energy and CO_2 savings. Swisscom also provides residential customers with numerous ways to manage their carbon footprint, from online billing to a recycling service for mobile phones.

Example from Swisscom's list of targets:
Swisscom aims to increase revenue generated from Green ICT services by 10% a year.

Sustainable use of resources

We work closely with our suppliers to ensure the highest standards of sustainability in terms of how we use natural resources.

Swisscom is among Switzerland's ten biggest purchasers of electricity. It continuously improves its energy efficiency, meets its full electricity requirements from renewable domestic energy sources and is one of the biggest purchasers of wind and solar power in Switzerland. Since 1998, Swisscom has more than halved CO_2 emissions from vehicles and buildings. Swisscom also requires that suppliers comply with high ecological and corporate social responsibility standards.

Example from Swisscom's list of targets:
Swisscom aims for a 25% improvement in energy efficiency by 2015 versus the 2010 reference year.

Telecommunications for all

Swisscom is committed to ensuring that everyone in Switzerland knows how to use digital media safely and securely.

Swisscom makes it possible for everyone in Switzerland to access digital media and also helps them to use these media responsibly. To date, Swisscom has provided free Internet access to 6,600 schools and introduced over 100,000 first-time users to the digital world through training courses. Swisscom also provides technical products and offerings aimed at protecting young people in the use of online media and promoting media skills.

Example from Swisscom's list of targets:
Swisscom holds 800 training courses every year (with approximately 15,000 participants) aimed at improving the media skills of young people.

Responsible employer

Swisscom is one of the most popular employers in Switzerland and acts in a socially responsible manner.

Swisscom offers employees the opportunity to develop their knowledge and skills and promotes work-life balance. Fair terms and conditions of employment are as important to Swisscom as an active social partnership and an above-average commitment to vocational training. Employees also have the chance to get involved in social and community projects, for example, by participating in the Corporate Volunteering Programme.

Example from Swisscom's list of targets:
In line with its commitment to diversity, Swisscom aims to increase the percentage of women in management to 20% in the medium term.

The most important indicators of Swisscom's CR-targets

Priority of the CR Strategy	Targets in year under review Future targets	Status/Measures The target is considered achieved if within a tolerance of 5%, not achieved or exceeded outside the tolerance
Management/Governance		
Reporting boundaries/Data collection Specification of reporting boundaries and integration of new companies in the data collection systems for sustainability reporting KPI: The extent to which management systems and indicators within the reporting boundary Switzerland are covered	**2013:** **Integration in processes** 2014: Achieved; no further target	**2013 target achieved** Detailed list of group companies continuously updated 2014 measure: > Further integration in Acquisition and Mutation processes
Anti-corruption (GRI-SO2) KPI: Implementation of training on anti-corruption directive	**2013:** **Integrate training in the Compliance Process** 2014: Achieved; no further target	**2013 target achieved** > Training integrated in the Compliance Process > Carried out in the form of eLearning courses for managers in 2013 > Further training courses are being carried out as part of the Compliance Process
Sustainable living and working		
Rise in net revenue in Green ICT portfolio (GRI-EN26) Eco-friendly products and services for corporate customers (B2B) KPI: Rise in net revenue in the defined Green ICT portfolio	**2013:** **+10% over the prior year** 2014: +10% over the prior year	**2013 target not achieved (–6%)** > Decline mainly due to special effect (one-time revenue from corporate customer from the previous year) > Most revenue from individual services up over the prior year 2014 measures: > Continue to promote eco-friendly offerings > Issue of further Green ICT certificates > Project partnerships with NGO
Expand the portfolio of eco-friendly offerings (GRI-EN26) KPI: Number of offerings certified by myclimate (NGO)	**2013:** **Residential customers: 3** **Business customers: 19** 2014: Residential customers: 3 Business customers: 32	**2013 Residential customers target not achieved (1)** **2013 Corporate customers target exceeded (30)** 2014 measures: > Evaluate suitable products or redesign suitable products and services > Determine environmental benefits compared to standard products > Current portfolio at www.swisscom.ch/myclimate
Mobile phone take-back (GRI-EN26) Reuse/recycling of mobile phones that are no longer used KPI: Return rate (percentage of mobile phones returned compared to the number of phones sold)	**2013:** **14%** 2014: 12%	**2013 target not achieved (9.8%)** National «Swisscom Mobile Aid» collection campaign remained below expectations 2014 measures: > Raise return rate over 2013 by means of a buy-back programme and other measures
Reduction in paper consumption (GRI-EN26) KPI: Percentage of residential customers switching to online billing	2015: 30%	**Percentage achieved in 2013: 18.3%** 2014 measures: > Continue to promote online billing > Direct mailing for suitable customer segments > Joint campaign with WWF Switzerland
Training of Touch Point (shop/call centre) staff (GRI-EN26) Shop and call centre staff trained in customer concerns/messages relating to environmental/social accountability KPI 2013: Course on Corporate Responsibility (CR)	**2013:** **Course set up and carried out for the first time** 2014: Continuation of course	**2013 target achieved** Course carried out 2014 measure: > Continuation of course
Sustainable use of resources		
Renewable energy (GRI-EN4) KPI: Extent to which electricity requirements are covered by renewable energy	**2013:** **100%** 2014: 100%	**2013 target achieved (100%)** 2014 measures: > Purchase of renewable energies (electricity) > Compensation with certificates > Verification by WWF Switzerland > Increase in production of own electricity (solar)
Energy efficiency (GRI-EN6) Continual increase in energy efficiency KPI: Increase in energy efficiency EF Baseline 1.1.2010 > TEC = total energy consumption > AES = accumulated energy savings $EF = \frac{GEV + \sum ESP}{GEV}$ Source: adapted from FOEN Directive	2015: +25% over 1 January 2010	**Increase in energy efficiency achieved 2010–2013: +21 %** 2014 measures: Implementation of other cost-cutting and efficiency measures including > Use of Mistral cooling system (cooling with fresh air) > Decommissioning and technology improvements > Conclusion of the swap of mobile network > Increased efficiency in data centres > Virtualisation of servers
Reduction in direct CO_2 emissions (GRI-EN18) Focus on direct emissions from fossil fuels (Scope 1) KPI: CO_2 emissions from fuel consumption	2015: –12% over 1 January 2010	**Reduction achieved 2010–2013: –3.9%** > Increased demand for office space and rise in the number of kilometres driven mostly offset by reduction measures > However relative energy indicators improved markedly 2014 measures: > Implementation of further efficiency measures > Further implementation of the procurement roadmap (vehicles)

Priority of the CR Strategy	Targets in year under review Future targets	Status/Measures The target is considered achieved if within a tolerance of 5%, not achieved or exceeded outside the tolerance
Optimised CO_2 emissions of vehicle fleet (GRI-EN29) Focus on direct emissions from fossil fuels (Scope 1) KPI: Average CO_2 emissions per car in g CO_2/km according to manufacturers' data	**2013:** **128 g CO_2/km** 2014: 120 g CO_2/km 2015: 110 g CO_2/km	**2013 target exceeded (123 g CO_2/km)** 2014 measure: > Further implementation of the procurement roadmap
Responsibility in the supply chain		
Risk evaluation of supply partners from medium-risk product groups (800 supply partners) (GRI-HR2) KPI: Percentage of supply partners subjected to a risk evaluation (as % of total number of supply partners from medium-risk product groups)	**2013:** **35% (280)** 2014: Reevaluation	**2013 target achieved (35%/280)** 2014 measures: > Reevaluation of product groups (based on the product group strategy) and supply partners with a medium-risk profile > Subsequent quantification after reevaluation of product groups
Review of supply partners from medium-risk product groups (GRI-HR2) KPI: a) Number of supply partners with a high-risk profile that have been audited b) Number of supply partners with a medium-risk profile that have carried out a self-declaration	**2013:** **a) 4** **b) 30** 2014: a) 4 + 50 through JAC b) 30	**2013 targets** **a) not reached (2),** 1 audit postponed, 1 audit cancelled; a further 38 audits carried out within the framework of JAC **b) exceeded (70),** of which 35 from the medium-risk profile segment 2014 measures: a) Perform audits and intensify collaboration within the framework of JAC b) Self-declaration by 30 selected suppliers with various risk profiles
New: Review of strategically important suppliers in terms of transparency of greenhouse gas emissions KPI: Number of key suppliers that disclose their environmental data via CDP CDP = Carbon Disclosure Project	2014: 40 (cumulative)	**2012 baseline value: 27** 2014 measure: > Campaigns to encourage participation in the CDP
Implementation of Swisscom CR agreements (GRI-HR2) KPI: Percentage of order volume generated with supply partners that have signed the CR agreements	**2013:** **95%** 2014: Achieved; no further target	**2013 target achieved (95%)** 2014 measure: > Focus on special cases
Telecommunications for all		
Promoting media skills: Media courses for parents and teachers (GRI-PR6) KPI: Number of participants in the media courses on offer	**2013:** **5,000** 2014: 6,500	**2013 target exceeded (5,741)** 2014 measures: > Expansion of offering by means of an online platform > Further marketing of the offering
Promoting media skills: Media courses for pupils (secondary school) (GRI-PR6) KPI 2013: Number of pupils	**2013:** **15,000** 2014: 15,500	**2013 target not achieved (13,305 pupils)** Programme nevertheless expanded over the prior year 2014 measures: > Further development of the course programme > Intensification of communication
Promoting media skills: User courses for senior citizens (GRI-PR6) KPI: Number of participants	**2013:** **14,000** 2014: 14,000	**2013 target achieved (14,500)** Note: Original target reduced in the second quarter on resource grounds 2014 measures: > Further development of the course programme > Intensification of communication
Access for all (accessibility) (GRI-SO1) Improve barrier-free nature of Swisscom's online presence KPI: Achieve AA rating in accordance with Web Content Accessibility Guidelines WCAG	**2013:** **AA rating for online presence** 2014: AA rating for online presence	**2013 target delayed** Various measures implemented to improve barrier-free access for all (AA) 2014 measure: > Implementation of further measures to improve barrier-free access for all (in compliance with WCAG2.0 AA)
Responsible employer		
Diversity (GRI-LA1) Increase the proportion of women in management KPI: Percentage of women in management (Group Executive Board and all management levels)	Medium term: 20%	**2010 baseline value: 9.9%** **Percentage in 2013: 11.8%** 2014 measures: > Special mentoring programmes/Coaching > Transparent and targeted recruitment > Women's network > Talent management and succession planning
Occupational Health Management (GRI-LA7) Keep staff absence rate constant or reduce it over the prior year KPI: Absences in days/target days (weighted by FTE) x 100; Target days are based on standard working hours	Yearly Keep absence rate constant or reduce it over the prior year	**2012 percentage: 2.9%** **2013 target achieved (2.9%)** Note: Original target revised and reformulated in the third quarter 2014 measures: > Further professionalise case management > Instil personal prevention culture – line managers and employees
Corporate Volunteering (GRI-LA) KPI: Number of volunteer days	**2013:** **1,000 days** 2014: 1,400 days	**2013 target exceeded (1,330 days)** 2014 measures: > Expansion of the use of corporate volunteering etc. as a personal development tool -> skills-based volunteering (skills- and knowledge-based deployments)

Further information on Swisscom's commitment (GRI Appendix)

In addition to the above strategic priorities, Swisscom is engaged in a wide range of social and cultural commitments and promotes innovation and development. Further information on Swisscom's commitments and detailed information on this Annual Report are available in the corresponding GRI Appendix. The GRI Appendix provides details on the reporting boundaries, governance, customer focus, the four strategic priorities of Swisscom, further environmental aspects of operations, as well as memberships and partnerships. It can only be accessed online.

See Appendix
www.swisscom.ch/gri-2013

Swisscom's responsibility towards the public

Commitments and participation

As a responsible "corporate citizen", Swisscom actively participated in discussions on the following issues during the reporting year:

- Sustainable conduct in the ICT sector
- ICT in the education system
- Improvements in customer service (for example regarding consumer protection)
- Nationwide provision of the mobile and broadband infrastructure in Switzerland
- Improvement of customer information systems
  (for example, information on mobile phone services for customers abroad)
- ICT and energy reform

During the year under review, Swisscom submitted statements as part of consultations at a federal level on the proposed revision of the anti-trust law, as well as the revision of the Telecommunications and Radio and Television Act (RTVG). The preparatory work for the planned revision of the Federal Law on the Monitoring of Postal and Telecommunications Traffic (BÜPF) progressed well during the business year. As part of the current consultation process, Swisscom formulated an independent statement of its own on the revision and collaborated with Association Suisse des Télécommunications (asut) in formulating the statement of the industry association. The statements can be viewed on the websites of the authorities in question.

See
www.admin.ch/dokumentation

These statements are based on the principle of promoting self-regulation and competition in an open marketplace. Numerous attractive new customer offers and high investments made in the reporting year underscore this principle.

This is reflected in Swisscom's solution-oriented approach, which is geared to serving the common good as well as the interests of the company. The positions Swisscom takes are based on clear facts and reflect our own ideas. Swisscom maintains transparent relationships with politicians, public authorities and the community which are based on mutual trust. By participating in public hearings and events and issuing written statements, Swisscom plays its part in the political process. Swisscom rejects unlawful or ethically questionable practices aimed at exerting influence on opinion leaders. Furthermore, Swisscom is a non-denominational, politically neutral organisation which does not financially support any political party.

Common-interest associations

Swisscom is involved in various industry associations including economiesuisse, SwissHoldings, ICT Switzerland, Glasfasernetze Schweiz and asut. It has a seat on the Boards of economiesuisse, Glasfasernetze Schweiz and asut, where it seeks to promote stable, legal framework conditions as a prerequisite for continued investment in costly infrastructure expansion. Swisscom invested around CHF 1.7 billion in Switzerland's telecoms infrastructure in 2013.

Memberships and partnerships

Swisscom works as an association member or in projects with various partners on specific issues relating to the four strategic priorities.

- **Sustainable living and working:** the myclimate foundation; the Swiss Research Foundation on Mobile Communication (FSM)
- **Sustainable use of resources:** Energy Agency for Industry (EnAW); WWF Switzerland; Global e-Sustainability Initiative (GeSI); Joint Audit Cooperation (JAC) and Carbon Disclosure Project (CDP) – supply chain module

- **Telecommunications for all:** Swiss Foundation for the Protection of Children; Federal Social Insurance Office – a national programme promoting media skills and a foundation promoting media access for all
- **Responsible employer:** Swiss Women's Network; the Swiss Employers' Association

See Appendix **www.swisscom.ch/gri-2013**

Further partnerships are listed in the GRI Appendix to the Annual Report.

Corporate responsibility governance and implementation

Embedded in the strategy

The Board of Directors of Swisscom is committed to pursuing a strategy oriented on sustainability. The Board addresses economic, ecological and social issues in plenary sessions and in the various Board committees. Implementation of the strategy is delegated to the CEO Swisscom Ltd. The CEO can transfer powers and responsibilities to subordinate units and is supported in operational management by the members of the Group Executive Board.

See **www.swisscom.ch/basicprinciples**

The Group Communications & Responsibility division is responsible for the implementation of the CR strategy.

Responsibility of the Board of Directors

The Board of Directors is responsible for approving the long-term CR strategy. It acknowledged the present governance report and targets for 2014 and approved the strategic priorities. The Board of Directors is informed in quarterly reports on the implementation status of the CR strategy and achievement of targets. The Board of Directors also makes decisions on expanding the scope of the CR strategy to include domestic and foreign subsidiaries.

Responsibility of the Group Executive Board

The Group Executive Board convenes once a year to discuss the further development of the CR strategy and four times a year to discuss its implementation. In November, it reviews the past year and approves the goals for the coming year.
The Group Executive Board has the following controlling instruments at its disposal, which were introduced in 2010:

- Weekly reports prepared by Group Communications & Responsibility, with information on measures and trends
- Quarterly reports, with information on the key performance indicators based on the strategic priorities
- Quarterly reports drawn up by Risk Management

In March 2011, Group Executive Board members and members of the Executive Board of Swisscom Switzerland were nominated as internal sponsors for the priorities of the CR strategy. They are responsible for progress and performance within their respective priority areas. The areas of responsibility are aligned to the core tasks of the respective Group Executive Board members and defined as follows:

- **Overall management:** Head of Group Communications & Responsibility
- **Sustainable living and working:** Head of Residential Customers, Head of SME, Head of Corporate Business and the CEO Swisscom IT Services
- **Sustainable use of resources:** Head of Network & IT and CFO Swisscom Ltd
- **Telecommunications for all:** Head of Residential Customers
- **Responsible employer:** Head of Group Human Resources

This ensures that the priority areas are binding and firmly embedded in the company.

Role of Group Communications & Responsibility

The Group Communications & Responsibility division or, more specifically, the central CR team attached to this division, is responsible for coordinating implementation of the CR strategy and leveraging synergies across all divisions. The CR team's specific tasks include:

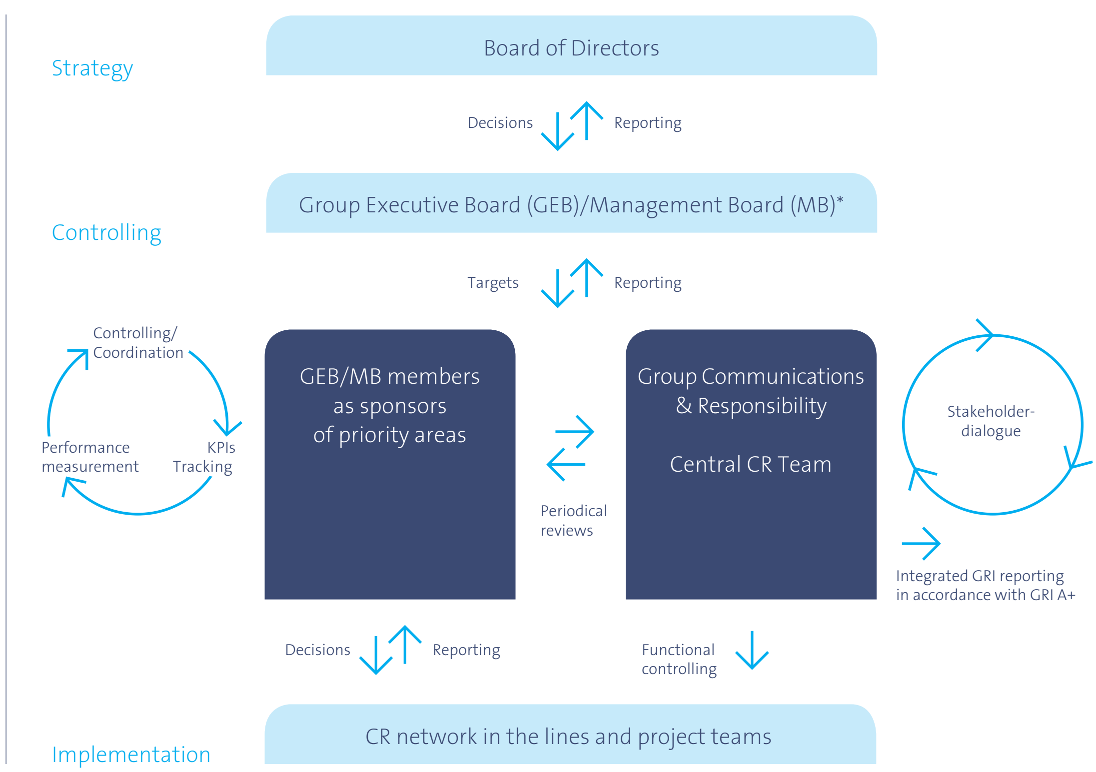
- Drawing up the CR strategy (goals/priorities) in conjunction with line and support units
- Supporting the sponsors from the Group Executive Board and the Management Board
- Coordinating the implementation of the strategy and the initiation of measures
- Formulating the requirements for implementation of the CR strategy
- Engaging in dialogue with stakeholders
- Engaging in dialogue with strategic partners (including NGOs)
- Reporting to internal and external stakeholders
- Liaising with the Group Business Steering division for the purpose of sustainability reporting and drawing up the Annual Report

Line units and the corporate responsibility network

Depending on the strategic priority in question, measures are implemented in project teams or line units. Further management members are designated for each division and these persons are responsible for implementing the measures at operational level in close collaboration with the CR team. An event is held at least once a year involving all of the members of the CR network for the purpose of exchanging information and addressing new topics.

Members of the Group Executive Board are their responsibilities

The diagram below illustrates the responsibility the members of the Group Executive Board and the Management Board have in providing support and advice to the line units.



* New management structure from Jan. 1st 2014

Sustainable living and working

Swisscom supports customers in their pursuit of a sustainable way of living and working. The company's portfolio includes climate-friendly, low-radiation products and services for residential customers as well as Green ICT services for business customers.

Environment and objectives

The ICT sector is set to play a key role in reducing CO_2 emissions. A study conducted by the Global e-Sustainability Initiative found that the ICT sector has the potential to reduce CO_2 emissions worldwide by some 16%. This potential reduction is around seven times the amount of CO_2 emissions produced by the ICT sector itself.

There are a wide range of ICT solutions that can help to reduce CO_2 emissions. For example, video conferencing allows companies to cut down on business travel, and communications solutions allow employees to work from their home office. Furthermore, the optimisation of vehicle fleets, the use of energy-efficient services from data centres and the intelligent control of buildings, equipment and power networks all contribute to lowering CO_2 emissions and saving energy using ICT technology.

See **www.swisscom.ch/greenict**

Swisscom is aware of its responsibility in the ICT sector to use resources efficiently and promote sustainable ways of living and working. The company undertakes a host of initiatives to structure its offerings in a more resource-friendly and energy-efficient manner, as well as offering products and services8 to help customers reduce their CO2 emissions and save energy.

See **www.swisscom.ch/responsibility**

Ecological and socially acceptable product innovation

The CR strategy is an integral part of the product design process, during which information is gathered on the effects of new products on the four strategic priorities using a CR checklist. If the effects are shown to be substantial, suitable measures are taken.

Number of climate-friendly products with climate recommendations
The portfolio contains

30 products

Mobile phone recycling Swisscom Mobile Aid
Number of devices returned in 2013:

149 thousand

Climate-friendly products and services for residential customers

Offering for residential customers

During the year under review, the Residential Customer segment of Swisscom Switzerland consolidated its programme for sustainable living and working. The aim of the programme is to optimise products and services from an ecological point of view (for example, in terms of radiation and energy efficiency) and ensure transparency in communication with residential customers.
Life-cycle assessments of Swisscom's networks and devices carried out in recent years have consistently identified the following three aspects as the main environmental impact factors:

- **Energy consumed** by devices through customer use
- **Energy consumed** producing the devices
- **Energy consumed** by network elements

Measurable results of the programme in the reporting year:

- **BeSmart:** The BeSmart service launched by the Swisscom Energy Solutions subsidiary allows residential customers to operate their heat pumps, electric heating systems and – where applicable – boilers via remote control and receive alarm notifications in good time in the event of these systems suffering a fault. BeSmart also compares the energy efficiency of heating systems with those in corresponding buildings. BeSmart is free of charge for residential customers. The aim of the service is to generate balancing energy to offset fluctuations in the Swiss electricity market. A large number of heat pumps and electric heating systems can be pooled together to help stabilise the power network. BeSmart thus makes an important contribution towards integrating a significantly larger proportion of variable energy sources, such as wind and solar energy, into the electricity supply.

See www.be-smart.ch

- **1-Watt set-top box:** Since November 2012, all new TV set-top boxes and boxes needing replacement have been provided by Swisscom preset in power-saving mode. The energy consumption of these devices in stand-by mode is as low as only 0.4 watts, which corresponds to energy savings of around 50% on average. Aside from a slightly longer start-up time, customers experience no disadvantages whatsoever as a result of this change.
- **Ecomode plus:** Cordless phones with Ecomode plus emit only minimal levels of radiation. Almost all of the cordless phones sold by Swisscom are now Ecomode plus models.

Swisscom is making existing customers aware of the following possibilities for saving energy:

- **Saving energy is so easy:** On the initiative of the Swiss Federal Office of Energy (BFE), Swisscom and two other providers decided to launch a joint information campaign to encourage customers to find out more about how to save energy and how to set up the modem and router and TV set-top boxes they use in their homes to optimise their energy efficiency. Swisscom participates in this campaign by sending targeted information bulletins to its customers and illustrating the possibilities of potential of energy-optimised settings on the Swisscom website.

See www.swisscom.ch/save-energy

- **Eco points now also available on fixed network devices:** Fixed-line devices and mobile handsets produced by different manufacturers vary not only in terms of design and performance, but also in terms of environmental compatibility. Information on the energy consumption or the raw materials used in the manufacture of the devices has not been readily available to customers up until now. To create more transparency, Swisscom became the first provider to introduce an eco point rating in Switzerland in 2011. All the devices in Swisscom's portfolio are rated according to three equally weighted criteria: low energy consumption in use, low energy consumption in manufacture and responsible choice of raw materials. Eco points are limited to ecological aspects. This means that customers can factor environmental compatibility into their future purchase decisions. In 2013, Swisscom further developed the eco point rating system. Swisscom customers now benefit from the independent rating provided by myclimate when purchasing fixed-line devices.

See www.swisscom.ch/ecopoints

- **Recycling devices:** Swisscom provides a two-year guarantee on all telecoms devices, such as phones, modems, mobile phones and mobile unlimited USB modems, and also offers repair services. In addition, any electronic devices from the Swisscom range can be returned to Swisscom for recycling, and equipment is reused where possible, e.g. routers. This service is performed in cooperation with SWICO Recycling, the recycling commission of the Swiss Association for Information, Communication and Organisational Technology and is financed by a recycling fee charged in advance. Recycling statistics are available from SWICO.

See www.swico.ch

- **Swisscom Mobile Aid:** In 2013, around 149,000 mobile handsets were returned to Swisscom for recycling and many of these were sold via a third-party company to countries where there is a demand for low-priced second-hand devices. All proceeds from the sales go to the réalise social organisation and the SOS Kinderdorf Schweiz relief organisation. Devices that can no longer be sold are professionally recycled by SWICO. The return rate of used mobile handsets decreased in comparison to previous years. Below expectations has been the Swiss-wide collection drive launched at the end of 2013 in collaboration with Valora, SOS Kinderdorf and the Ringier media enterprise. The Swiss population turned out in large numbers to donate their old mobile handsets. The return rate in 2013 was 9.8% (prior year: 11.4%).

See www.swisscom.ch/mobileaid

- **Online billing:** Online billing is increasingly becoming an attractive, environmentally friendly alternative to a paper bill. The share of customers who opted to receive their bill online rose from 15% in 2012 to 18.3% as of the end of 2013. Swisscom has taken a wide range of steps to further improve the appeal of online billing, which suggest to the customer that online billing not only benefits the environment, but also saves the customer time and money thanks to the simplified procedure. For example, Swisscom worked together with the WWF at the start of 2013 to organise a major joint campaign, as a result of which 47,000 new customers decided to give up their paper invoices.

See www.swisscom.ch/billonline

- **Providing information to and raising the awareness of customers and the wider population:** In 2013, Swisscom expanded its partnership with WWF Switzerland. It is now the main sponsor of the WWF "Ratgeber" (advisor) app and the WWF Footprint Calculator. With the app, the WWF and Swisscom are heading in a new direction as "partners for the environment". A special section within the app illustrates Swisscom's commitment to the environment and society and is evidence of the joint aim of promoting a sustainable lifestyle. The Footprint Calculator is a simple method of calculating your personal ecological footprint and provides personalised tips on how to live a more sustainable life.

See www.wwf.ch

Green ICT for business customers

Green ICT programme

Swisscom's Green ICT programme features products and services that are designed to help business customers reduce their energy consumption and CO_2 emissions. The following categories apply to Green ICT services:

- **Reducing business travel:** Virtual conferences, solutions for home offices and mobile work, solutions for optimising logistics
- **Saving energy:** Outsourcing and virtualising servers in efficient data centres, solutions for efficient workplaces
- **Saving paper:** Solutions for paper-saving printing and working without paper

See www.swisscom.ch/myclimate

The respective products and services are labelled as recommended by myclimate. The climate recommendation label illustrates the energy and CO_2 savings compared with previous consumption behaviour and can be viewed on the Internet.
In 2013, Swisscom once again implemented numerous measures to increase the utilisation of Green ICT services and thus reduce CO_2 emissions.
Swisscom expanded its offering of the Green ICT services bearing the myclimate label. These new services include, for example, the Collaborative Whiteboard, which can be used to discuss and draw up project outlines and plans on a long-distance basis.
The continued growth in revenue recorded in the year under review demonstrates the appeal of Green ICT services. 2013 also saw Swisscom issue more customers in Western and German-speaking Switzerland with Green ICT certificates. The certificates state the amount of emissions that the Swisscom customers have saved by using Green ICT products. 53 customers have so far received these Green ICT certificates. They save annually more than 15,000 tonnes of CO_2 and approximately 8,000 MWh.

- Swisscom collaborated with SBB and the University of Applied Sciences Northwestern Switzerland (FHNW) to investigate the effects of mobile working. It involved 250 test persons from Swisscom and SBB who refrained from using transport during peak hours between February and March 2013. Below are the key findings of the study:

See workanywhere.swisscom.ch

- The total working hours of the test persons remained the same during the study; however, there was an increase in the amount of flexible working.
- Approximately two-thirds of commuter travel took place outside of peak hours.
- Overall, there was a significant increase in job satisfaction, well-being, motivation, the quality of family and social lives, and employer satisfaction.
- The test persons felt that the team's performance and the atmosphere within the team remained as good as it was prior to the study.

The study thus verifies the huge potential of mobile work to relieve pressure on transport as well as increase employee satisfaction and productivity. The "Mobile work" guidelines in place within Swisscom lay out the key arguments in favour of mobile work. Furthermore, salespersons and special presentations provide Swisscom customers with information about the advantages of mobile work.
Swisscom also undertook the following activities in the area of Green ICT:

- **National Home Office Day:** Swisscom has supported the Home Office Day as a partner since its inception in 2010, and this year was the fourth time the company has participated. The "home office friendly" label for businesses was launched in 2013. This label identifies companies – e.g. in job advertisements – as attractive employers.
- **Rewarding Green ICT customers:** At a special event, Swisscom recognises business customers that have achieved energy savings and reductions in CO_2 emissions by using Green ICT services and received a Green ICT certificate.

Green ICT at Swisscom

Swisscom not only encourages its customers to use Green ICT, but also uses Green ICT solutions itself:

- 18 Swisscom sites are now equipped with the Telepresence virtual videoconferencing solution.
- Practically all Swisscom employees are now able to set up videoconferencing and desktop sharing with other colleagues at the click of a mouse, enabling them to work part of the time from home. Swisscom's participation in the Home Office Day and the Work Anywhere study have also served to further embed the topic of new ways of working in the company culture. In 2013, internal guidelines were formulated for employees and their supervisors on the subject of mobile work.

CO_2 savings achieved thanks to Green ICT services
In 2013, companies issued with Green ICT certificates achieved CO_2 savings of

15,000 tonnes

Energy savings achieved thanks to Green ICT services
These companies also had combined energy savings in 2013 totalling

8.0 GWh

Low-radiation communications technologies

Advice and information on wireless technologies and the environment

Specially trained Swisscom employees advise persons involved in the construction and operation of mobile networks as well as stakeholder groups seeking general information on wireless technologies, the environment or health. During the reporting year, Swisscom held more than 630 discussions with key stakeholder groups on the subjects of mobile communications and the environment. These discussions were motivated by local projects.

Research and development in the area of electromagnetic fields

Mindful of the major responsibility that Swisscom has in operating its wireless networks, internal and external experts track the progress of scientific research. Swisscom also analyses research findings and supports relevant scientific activities.

Swisscom works with and financially supports the Swiss Research Foundation on Mobile Communication (FSM) based at the Federal Institute of Technology (ETH) in Zurich, and employs four qualified employees to monitor and interpret the latest research findings on electromagnetic fields, their effect on organisms and the measurement of emissions.

See **www.swisscom.ch/radiation**

Based on current knowledge, scientists consider the current limits for electromagnetic fields as safe (see WHO Fact Sheets Nos. 193 and 304).

Certification of quality assurance system for compliance with ONIR limits

Swisscom is required to operate a quality assurance system (QAS) for the base stations of its mobile network to ensure that the installations in operation comply with the statutory limits at all times. In 2005, Swisscom decided to have this quality assurance system certified to the ISO 15504 standard. The quality assurance system was assessed in December 2013 by an external auditor mandated by SGS with a view to its recertification. Swisscom passed this audit of the quality assurance system, scoring a capability level of 4 (out of a maximum of 5), which means that the processes relevant for the QAS are "targeted and measureable".

The legal obligation to limit emissions from mobile communication installations in Switzerland comes from the Ordinance relating to Protection against Non-Ionising Radiation (ONIR), the aim of which is to protect people against harmful or undesirable non-ionising radiation. The Ordinance applies to the operation of fixed installations that emit electrical and magnetic fields with frequencies between O Hz and 300 GHz. Swisscom complies with the ONIR limits. The Swiss limits are 10 times lower than those in the European Union.

Duty to provide information on products offered at points of sale

Swisscom provides information on the levels of radiation emitted by the mobile handsets that it sells. Prices on all products on display and offered by Swisscom are clearly disclosed as prescribed by the Federal Ordinance on the Disclosure of Prices. This declaration is supplemented by relevant technical information on the products. Customers and other interested parties can also find information on the levels of radiation emitted by mobile handsets (SAR values) at Swisscom points of sale and on the Swisscom website. There is no legal obligation to provide this information. By doing so, Swisscom is responding to a need by customers for whom radiation levels are particularly important when it comes to choosing a mobile phone. It goes without saying that no mobile handsets offered exceed the limit of 2 W/kg; half (51%: prior year 48.7%) are below 0.8 W/kg and 31% (prior year 28.2%) even have a SAR value below 0.6 W/kg (product portfolio as at December 2013).

Customer satisfaction

Customer satisfaction at Swisscom Switzerland

Swisscom Switzerland conducts segment-specific studies in order to measure customer satisfaction. Swisscom Switzerland made minor modifications to this approach in 2013 and standardised it. It measures customer satisfaction twice a year, in the second and fourth quarters of the year. The Wholesale segment measures customer satisfaction once a year. For all segments, the most important metric is the extent to which customers are willing to recommend Swisscom to others and the Net Promoter Score (NPS), which is derived from it and depicts the emotional aspects of customer loyalty and reveals customers' attitudes towards Swisscom. It is calculated from the difference between promoters (customers who would strongly recommend Swisscom) and critics (customers who would only recommend Swisscom with reservations or would not recommend the company).

- The Residential Customers segment conducts representative surveys of customers to determine customer satisfaction and the extent to which customers are willing to recommend Swisscom to others. Callers to the Swisscom hotline and visitors to the Swisscom Shops are questioned regularly about waiting times and staff friendliness. In product studies, buyers and users are regularly asked about product satisfaction, service and quality.
- The Small and Medium-Sized Enterprises segment conducts random interviews to gauge customers' satisfaction with Swisscom as well as dealers' satisfaction with Swisscom products and support.
- The Corporate Business segment surveys customers for whom it has implemented projects. It also conducts surveys to measure customer satisfaction along the customer experience chain.
- The Wholesale segment measures customer satisfaction along the entire customer experience chain.

The results of the studies and surveys help Swisscom to bring about improvements in services and products and also have an influence on determining the performance-related component of employee remuneration.

Customer satisfaction at Swisscom IT Services

Swisscom IT Services uses relevant feedback instruments at key customer touch points in order to determine customer satisfaction. After each interaction with the service desk or after placing orders, IT users can submit feedback to the service desk or enter their comments in the order system; customers can assess the quality and success of projects following their conclusion and IT managers are given the opportunity to assess ongoing operations on a monthly basis. Swisscom IT Services also surveys customers' IT decision-makers each year.

Sustainable use of resources

Swisscom endeavours to meet the highest standards when it comes to the use of resources. Operating energy-efficient infrastructures and using and generating renewable energies is key for Swisscom, particularly in light of the Swiss government's 2050 energy strategy. Swisscom has also joined other international initiatives aimed at promoting accountability in the supply chain.

Environment and objectives

The energy turnaround, climate change and responsibility in the supply chain are key issues for Swisscom and its stakeholders. The Swiss government's new 2050 energy strategy intends to phase out nuclear energy. It calls for the consistent use of opportunities to increase energy efficiency and to transition to renewable energies. Accordingly, Swisscom places a special focus on increasing its own energy efficiency.

Both the environmental and the purchasing policies provide a framework for Swisscom to use its resources sustainably. Management norms, standards and internal policies allow the planned saving and efficiency measures to be systematically implemented. Swisscom subsidiaries of significant environmental relevance are ISO 14001 certified. The companies concerned are: Swisscom (Switzerland) Ltd, Swisscom Broadcast Ltd, Swisscom IT Services Ltd and cablex Ltd, all of which are also ISO 9001 certified. The foreign subsidiary Fastweb S.p.A. is also ISO 14001 certified. Based on headcount, the management systems and processes certified to ISO 14001 cover more than 95% of the Group (including Fastweb).

By the end of 2015, measures taken in the network infrastructure area are expected to achieve a further 25% improvement in energy efficiency in comparison with 1 January 2010. During the same period, Swisscom aims to cut direct CO_2 emissions by 12%, chiefly through measures in the area of employee mobility and infrastructure. Overall, Swisscom is aiming for a 60% reduction in direct CO_2 emissions by the end of 2015 compared to the reference year 1990. In 2013, Swisscom calculated the company's energy consumption up to 2020 and renewed its target agreement with the Energy Agency for Industry (EnAW). The aim of this target agreement is to increase energy efficiency by a further 34% from 2016 by the end of 2020 onwards. In this effort, Swisscom is working together with, among others, the government-associated enterprises following the 2050 energy strategy.

Energy-efficient infrastructure

Energy consumption as the principle environmental impact factor

The greatest impact Swisscom has on the environment is caused through its energy consumption. Swisscom is striving to boost energy efficiency and rely more on renewable energies in order to minimise its environmental impact. In addition to the network infrastructure described in the Management Commentary, Swisscom operates a substantial real estate portfolio itself. This comprises offices, commercial buildings, local exchanges and data centres. Swisscom does not operate any warehouses or distribution centres, but does maintain a fleet of company and commercial vehicles.

See Report
page 17

Energy management at Swisscom

The Swisscom energy management programme comprises the following processes:
- Determining energy consumption over a specific period of time
- Determining the energy mix, particularly the electricity mix
- Generating electricity
- Economic use of energy and increasing energy efficiency
- Reusing waste heat
- Monitoring and reporting

Consumption of electricity from renewable sources and green electricity

Swisscom's energy consumption totalled 399 GWh in 2013 (prior year: 409 GWh). It has therefore, despite further network expansion, fallen slightly, and this is to be attributed to the implementation of efficiency measures. For the electricity mix used for the network infrastructure and for consumption in buildings managed by Swisscom, compensation with certification of origin has been paid since 2010 for the share of nuclear power, electricity of unknown origin and electricity from fossil fuels. Swisscom is thus increasing the sustainability of its electricity mix. In 2013, Swisscom once again relied fully on electricity from renewable sources. Swisscom's claim of using "100% renewable energy" is verified by the WWF.
In 2013, Swisscom purchased 7.5 GWh of "naturemade star" energy from solar power (3.5 GWh) and wind power (4 GWh). This makes Swisscom one of Switzerland's largest purchasers of wind and solar power.

Saving and efficiency measures when using fossil fuel to generate heat

Swisscom measures the consumption of heating oil, natural gas and district heating on a monthly basis in its 62 biggest buildings, which together make up over half of the total space. It extrapolates these figures to calculate the overall annual consumption.
During the reporting year, Swisscom consumed 207.9 terajoules (57.8 GWh) of fuel to heat buildings (prior year: 55.8 GWh). The heating mix comprises 75% heating oil, 12% natural gas and 13% district heating. Over the last five years, the figure for heat per m^2 has been reduced by 17.6%, which should also result in a reduction in CO_2 emissions, although this is not evident on account of the energy mix changing each year.
Swisscom intends to further reduce the amount of energy it uses to heat its buildings. For this purpose, it has systematically pursued measures throughout 2013 which will serve to reduce the energy consumption and CO_2 emissions of building heating. A detailed energy monitoring system has provided a more in-depth data set for the energy analysis and uncovered instances of disproportionately high energy consumption. Swisscom carried out an energy analysis on seven buildings in 2013, which identified numerous possibilities for optimising operations that could result in energy savings of 10–30%. Swisscom is planning to conduct further energy analyses in 2014. Using its Pioneer programme, Swisscom's service provider has carried out energy checks throughout Swisscom. In total, these energy checks have optimised the operating conditions of 20 buildings. They enabled Swisscom to make energy savings of 411 MWh and to reduce its CO_2 emissions by 65 tonnes.

The St. Gallen firing plant is a good example of an energy-efficient refurbishment project: as part of a variation study, Swisscom systematically examined alternatives to fossil fuels for the purpose of heat generation. For economic and ecological reasons, it then opted to generate heat from district heating. This type of solution reduces CO_2 emissions by 58%, to 32 tonnes of CO_2. Swisscom also carried out further structural renovations in 2013, for which an internal eco form was used indicating the CO_2 reduction levels achieved by the building projects. In 2013, Swisscom implemented nine eco-relevant building projects, as part of which 146 MWh and 38 tonnes of CO_2 were saved.

Saving and efficiency measures in fuel consumption and mobility

The ability to provide first-class customer service and expand the network infrastructure depends on the seamless mobility of staff. A total of 71.3 million (+2%) kilometres were driven in 2013 in the service of customers, representing an fuel consumption of 169 terajoules (47.0 GWh), 0.4% up year-on-year.

Thanks to a progressive deployment strategy, the average CO_2 emissions per vehicle should be reduced from 150 g CO_2/km (2010) to 110 g CO_2 for each kilometre travelled in 2015. In accordance with the New European Driving Cycle (NEDC), CO_2 emissions from cars in the Swisscom fleet according to the manufacturer's instructions averaged 123 g CO_2 per km as of the end of 2013. 96.5% of the cars are in the A and B energy efficiency categories. Swisscom also operates a fleet of 262 (+14%) hybrid vehicles, 64 (+42%) vehicles powered by natural gas, 11 (+10%) electrically driven vehicles and 39 (–13%) e-bikes. All electrical vehicles are recharged in Swisscom buildings and garages using electricity generated from renewable energy sources.

In 2013, Swisscom employees used 103,818 (+2.4%) rail tickets for business travel and were issued 12,222 (–5%) half-fare cards and 3,097 (+10.9%) GA travel cards.

Electricity consumption savings and efficiency measures

Swisscom continued the "Mistral" energy saving project in 2013 for the cooling of its telephone exchanges. Mistral is a cooling technology that relies exclusively on fresh air all year round. It replaces conventional energy-intensive cooling systems equipped with compressors and contributes to a massive improvement in energy efficiency. Mistral also eliminates the need for harmful refrigerants. Mistral was being used to cool 673 telecom systems in local exchanges at the end of 2013. This represents an increase of 11% compared with the previous year. In 2013, Swisscom Switzerland also retrofitted 12 additional mobile base stations and Swisscom Broadcast four transmitter stations with Mistral. Swisscom is currently replacing all of the systems in its mobile network. Based on measurement results at pilot locations and extrapolations, Swisscom estimates that this replacement strategy will result in efficiency gains of around 15 GWh per year. In parallel to this, Swisscom is also expanding its mobile network. Replacing the hardware reduces the added electricity consumption associated with this expansion.

The systems installed in the Swisscom IT Services data centre in Zollikofen (near Berne) feature a particularly high level of energy efficiency and efficient cooling. The centre's average annual power usage effectiveness (PUE) value is 1.3. This value represents the ratio of the total power consumed by the data centre to the power consumed by the IT systems. This PUE value means that power consumption in Zollikofen is around 33% lower than that of conventionally built data centres. The newly constructed data centre in Berne Wankdorf will achieve a PUE value of 1.2. Instead of conventional cooling units that eat up electricity, the centre uses a new type of free-cooling process that works on the basis of evaporative cooling on hot summer days. Rainwater supplies all of the water required for this system.

Green Touch is a global initiative which aims to dramatically improve energy efficiency in ICT networks by a factor of 1,000. Green Touch was set up in 2010 and is already supported by 50 manufacturers, academic institutions and network operators. As a founding member, Swisscom played a key role in the launch of Green Touch and is involved in two research areas.

In its fourth year, Green Touch presented prototypes to the public that had been developed by several of the consortium's partners. One of these prototypes is capable of making the transmission protocol for Fibre to the Home (FTTH) more energy-efficient. Green Touch has also demonstrated how an optical distribution node can function with 70% less energy.

Generating electricity

Swisscom started generating its own electricity in 2005 and sees this as an important contribution towards a sustainable energy policy. Swisscom builds solar installations wherever these make economic sense. In 2013, Swisscom Broadcast commissioned four solar installations: two at the transmitter stations on the Valzeina (canton of Grisons) and at Niederhorn (canton of Berne) with outputs of 52 kW and 56 kW respectively, and two other plants (Lausanne und Berne-Ittigen) with a combined total output of 59 kW. The total output of all of Swisscom's solar facilities is 376 kWp (+40% in comparison with the prior year). Swisscom intends to continue its electricity generation programme in the coming years.

Utilising waste heat

Swisscom has entered into two agreements in Zurich governing the supply of waste heat from its own commercial buildings. The agreements cover a volume of more than 5.8 GWh of thermal energy, which is supplied to the neighbouring area as district heating. This measure saves 580,000 litres of heating oil and prevents the CO_2 emissions that would be generated from this amount of oil. Waste heat from the newly constructed data centre in Berne Wankdorf will be fed into the city of Berne's heating network to provide heat for neighbouring homes that are being renovated accordingly. This reduces CO_2 emissions for the households concerned.

Mistral project:
Cooling telephone exchanges using fresh air
Mistral achieves savings equivalent to the energy consumption of 9,000 households or

45 GWh/a

Electricity requirements covered by renewable energy
Swisscom buys certificates every year and offsets the amount of non-renewable electricity used at a level of

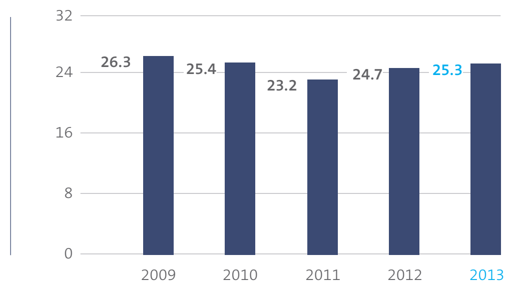
100 %

Climate

Carbon footprint based on Scope 1, 2 and 3 of the Greenhouse Gas Protocol (GHG)

Energy use Swisscom in GWh

Direct CO_2-emissions Swisscom in tonnes thousand



Swisscom follows a clear policy to combat the consequences of climate change. It intends to use its energy management programme to increase energy efficiency and reduce its direct emissions. The company's strategic focus on sustainable living and working also encourages the use of climate-friendly services. Swisscom applies the internationally recognised definitions of the Greenhouse Gas Protocol (GHG) and classifies its CO_2 emissions as Scope 1 (direct emissions resulting from burning fossil fuels for heating and mobility or from refrigerants), Scope 2 (indirect emissions caused by purchased energies) and Scope 3 (all other indirect CO_2 emissions resulting, for example, from goods transport, business trips, etc.).

- **Scope 1 emissions:** The direct consumption of fossil fuels accounts for 19.9% of Swisscom's total direct energy consumption. Swisscom's Scope 1 CO_2 emissions have fallen by 3.9% since 1 January 2010 to 25'260 tonnes in 2013, without adjustment for the number of heating days. Vehicle fuel accounts for 49% of this, and heating fuel accounts for 51%. Scope 1 now factors in the emissions from refrigerants, which amount to 226.2 tonnes at Swisscom. Scope 1, however, does not include emissions from SF°6 losses in electrical transformers and stations, as these systems are not controlled by Swisscom.
- **Scope 2 emissions:** The electricity mix used in Switzerland is not generated from fossil fuels and so its production is free from CO_2 emissions. Swisscom therefore has no CO_2 emissions under Scope 2.
- **Scope 3 emissions:** Swisscom determined its greenhouse gas emissions in 2013 in accordance with Scope 3, the calculation of which reflects the emissions associated with the change in its vehicle fleet, the provision of energy, the removal of operational waste, business travel, employee commuter traffic and the use of products by customers. The indirect CO_2 emissions resulting from the provision of electricity which fall under Scope 3 are calculated by application of a conversion factor of 14.7 g CO_2 per kWh. Scope 3 emissions are published in a separate climate report according to ISO 14064.

Other air emissions

Besides CO_2 emissions, burning fossil fuels for heating and transport also produces NO_x and SO_2. These emissions are calculated using the relevant conversion factors and depend on the amount of vehicle fuel and heating fuel consumed. Swisscom is reducing these emissions by continually optimising heating boilers and drive motors.

Other environmental aspects in the company

See
www.cdproject.net/en-us

See Appendix
www.swisscom.ch/gri-2013

Information on the environmental aspects of Swisscom's operations, such as paper consumption, waste disposal and water consumption, can be found in the GRI appendix to the Annual Report.
Swisscom publishes its greenhouse gas inventory in a climate report written in accordance with the ISO 14064 standard and has it externally certified. This report does not just provide information on emissions, but also on the effects of the implemented saving measures. It also calculates the CO_2 emissions that can be avoided by the company and its residential customers using the myclimate-certified ecologically friendly ICT services described in the Annual Report in the section on sustainable living and working.
Swisscom is also involved on each year in the Carbon Disclosure Project (CDP). In 2013, Swisscom was rated as a Carbon Disclosure and Performance Leader. It was therefore included in the relevant indices, namely the Carbon Disclosure Leadership Index (CDLI), the Carbon Performance Leadership Index (CPLI) and the Carbon Supplier Climate Performance Leadership Index (SCPLI).

Efforts to reduce direct CO_2 emissions between 1990 and 2015 using the following measures:

- Building renovations
- Low-consumption vehicles
- Mobility management

60 %

Environmental performance indicators in Switzerland

	Unit	2011	2012	2013
Land/buildings				
Net floor space (NFS)	million of m^2	0.91	0.91	0.92
paper consumption				
Total paper consumption	tonnes	9,587	8,764	4,759
Water/sewage				
Water consumption [1]	m^3	468,577	466,581	475,701
Energy, electricity				
Electrical energy consumption [2, 3]	terajoule	1,479	1,471	1,435
	GWh	411	409	399
Energy, heating [4]				
Heating oil	terajoule	130.9	149.3	155.2
Natural gas	terajoule	18.9	22.4	25.4
District heating	terajoule	27.2	29.3	27.3
Heating, total	terajoule	177.6	201.0	207.9
Energy, fuel				
Petrol	terajoule	53.7	38.5	27.5
Diesel fuel	terajoule	114.8	127.1	140.0
Natural gas	terajoule	2.2	2.7	1.5
Total fuel	terajoule	170.7	168.3	169.0
Vehicles	number	3,332	3,372	3,628
Kilometers driven	million of km	67.7	69.9	71.3
Average carbon dioxide CO_2 emission [5]	g per km	140.0	131.0	123.0
Energy, total				
Energy consumption	terajoule	1,827	1,840	1,812
	GWh	507	511	503
Air emissions				
Carbon dioxide CO_2-eq from the consumption of fossil energies [6]	tonnes	23,242	24,662	25,260
Nitrous gases NO_x [7]	tonnes	23.2	24.9	26.2
Sulphur dioxide SO_2 [8]	tonnes	4.4	5.0	5.2
Waste				
Total amount of waste	tonnes	2,345	3,127	3,226

[1] The water consumption extrapolated on the basis of the average rate of 115 litre per FTE per day.
[2] Energy conversion: 1 terajoule (TJ) = 0.278 gigawatt hours (GWh).
[3] The power consumption 2012 was adjusted.
[4] The energy consumption is based on a forecast of a monthly measure of the consumption of 62 buildings (with a total floor space of over 50%).
[5] Average emissions per kilometre refer to manufacturer's indications.
[6] CO_2-emissions from consumption of fossil energies, without district heating and refrigerant fluid. Swisscom published a complete climate report according to ISO 14064.
[7] From Mobitool (www.mobitool.ch), car traffic, national 5-200 km, direct use, load 1.25, fuel consumption 6.7 litres per 100 km (2013).
[8] According to publications "Pollutant Emissions from Road Transport, 1990 to 2035, FOEN, update 2010, annex 6, p. 91, 2010" and "Worksheet emissions factors combustion", FOEN, 2005 (in german).

Swisscom’s responsibility in the supply chain

See
www.swisscom.ch/
suppliers

Swisscom is committed to improving the working conditions of its suppliers’ employees and to ensuring compliance in the supply chain with ecological standards. This also means that Swisscom expects its direct suppliers and their sub-suppliers to commit to acting in a sustainable manner.
The principles Swisscom observes are stipulated in its purchasing policy, which is defined by an overarching committee, the Swisscom Purchasing Board. The policy sets out the principles and procedures to be followed by the procurement organisations. Together, their total order volume accounts for more than 80% of the total procurement volume. The purchasing policy stipulates the requirements that suppliers accept by signing the CR Contract Annex (CRCA). Swisscom uses a structured risk management system to audit suppliers’ compliance with the requirements.

See Appendix
www.swisscom.ch/gri-2013

Supplier risk management

Risk management system

The risk management system established itself further in 2013 within Swisscom, enabling the continued reduction of environmental and social risks. The implementation and results achieved are shown below.
On the strength of the recent past experience, the risk assessment of product groups conducted in 2012 was not repeated in 2013. Swisscom will check the accuracy and up-to-dateness of the product groups again in spring 2014.
In 2012, Swisscom began reviewing its current supply partners from medium-risk product groups and assessed 223 supply partners in detail. Swisscom critically reviewed and re-evaluated the list of suppliers from medium-risk product groups once again in 2013, and final decisions on 57 suppliers were made.
Swisscom plans to further reassess the requirements applicable to suppliers of medium-risk product groups by the first quarter of 2014 and subsequently formulate concrete objectives. The process already implemented proved successful with potential suppliers and tendering processes in 2013 and has resulted in appropriate measures being introduced where necessary. A supply chain crisis management organisation is currently being set up and will be integrated into the existing Swisscom Group structures in 2014.

Overview and requirements of risk management in the supply chain

	Product groups with ... ... low risk	... medium risk	... high risk
Existing suppliers with ...	As long as the product group has a low risk profile, the supplier's risks are not assessed. Instead the risks of the product group will be reviewed annually	... high risk profile > Suppliers shall fill in a self-declaration within three months and/ or be audited within one year > Further measures if needed	... high risk profile > Suppliers shall be audited within six months > Further measures if needed
		... medium risk profile > Suppliers shall fill in a self-declaration within three months and/ or beaudited within one year > Further measures if needed	... medium risk profile > Suppliers shall fill in a self-declaration within three months and/ or be audited within one year > Further measures if needed
		... low risk profile > Supplier's risk shall be periodically assessed	... low risk profile > Supplier's risk shall be periodically assessed
Potential suppliers	> No risk assessment performed	> Risk assessment performed > The findings with measures proposed are included in the decision process	> Risk assessment performed > The findings with measures proposed are included in the decision process

Corporate Responsibility Contract Annex

In 2013, 95% of the total order volume came from suppliers that had accepted the CR Contract Annex (CRCA), which meant that the goal set for 2013 was achieved. In 2014, Swisscom will continue to its efforts to identify further suppliers who have not yet signed the CRCA. The CRCA is part of all contracts.

Audits

Swisscom carried out two audits in 2013 as part of its collaboration with the Joint Audit Cooperation (JAC). The JAC is a consortium of telecoms companies which checks, assesses and promotes the implementation of social responsibility in the production centres of the major multinational ICT suppliers. In total, more than 38 audits of suppliers were carried out within the JAC network. These audits involved production facilities, most of which were in China, Taiwan, India, Japan, South Korea and South America. The following guidelines apply to the on-site audits:

- **Preparation:** Information must be obtained on the operations to be audited.
- **Qualified auditors:** The audits are carried out by international audit companies that have specialist knowledge of the social and environmental conditions particular to the country in question.
- **Confidentiality:** Confidentiality agreements are concluded with the suppliers to ensure that the results of the audits are only disclosed to JAC members.
- **Methodology:** The JAC members create a checklist based on the SA 8000 and ISO 14001 standards and the on-site audits with the relevant dialogue partners.
- **Report:** The report formulates the findings based on objective evidence.
- **Collaboration with suppliers:** The collaboration is based on the common understanding that the CR risk management system plays a key role in supporting responsible and sustainable development.
- **Collaborating with and further developing suppliers:** On the basis of the findings from the audit, corrective measures are drawn up with suppliers to correct the shortcomings noted in the audit report. The respective JAC member follows the implementation of these measures until they have been successfully completed.

At weekly teleconferences, the JAC members set the audit agenda, check the audit reports and monitor the progress of the planned corrective measures. These regular conferences help to optimise the Corporate Social Responsibility (CSR) assessments through the exchange of best practices and thus make the JAC initiative more efficient. The JAC steering committee, which is made up of representatives from the senior management level of the respective CSR and sourcing areas, meets twice a year to review the audit campaign findings and decide on how to proceed.
A limited number of instances of nonconformity and various types of non-compliance were noted in the audits carried out. The instances of non-compliance mainly concern working hours, occupational safety and wages. The audits also identified several cases of discrimination and employment of minors. The time period for rectifying the problems depends on the type of non-compliance. Due to the impact on personnel units, a period of several months is required, particularly for rectifying irregularities with respect to working hours (limiting regular working hours and overtime). Swisscom publishes further information on this in the GRI Appendix to the Annual Report.
See Report
page 76–77
Swisscom achieved its JAC audit objectives for 2013. It conducted two audits with the JAC, deferred one audit to the first quarter of 2014 for business reasons and cancelled another. Swisscom wants to step up collaboration with the JAC further and plans to carry out four audits in 2014.

Self-declarations/self-assessments

In the transition to the new e-tasc self-declaration tool from EcoVadis, Swisscom successfully transferred 13 suppliers to the new tool in 2013. In two further campaigns, Swisscom also registered and assessed 57 suppliers in the new tool. A total of 70 registrations and assessments were carried out, with none of the suppliers being classified as “high risk”. In 2014, Swisscom intends to register further key and strategic suppliers and high- and medium-risk suppliers in e-tasc. With the suppliers already registered in e-tasc, Swisscom has fully met its objectives for 2013 with respect to self-declarations.

Carbon Disclosure Project – Supply Chain Program (CDP)

In the year under review, Swisscom concluded a further cooperation agreement with the Carbon Disclosure Project (CDP) – a nonprofit organisation founded in 2000. The organisation wants companies and local authorities to publish their environmental data, including data on harmful greenhouse gas emissions and water consumption. Once a year, the CDP, on the behalf of investors, provides companies with standardised questionnaires which they can use to voluntarily provide information and data on CO_2 emissions, climate risks and reduction goals and strategies. The CDP now maintains the world’s largest database of this kind. As part of its cooperation with the CDP, Swisscom contacted and surveyed 37 of its key suppliers who are important owing to high order volume or a high degree of environmental relevance. The response rate was 73%, allowing the survey to be brought to a successful completion (in the previous year, the response rate from all suppliers was 51%). In the fourth quarter of 2013, the CDP analysed the responses from the survey and applied a scoring system to rate the Swisscom suppliers who took part. This scoring is to be incorporated into the EcoVadis database in 2014 and serve as a further basis on which to comprehensively assess Swisscom’s key suppliers.

Main risk factors in the supply chain

Human rights

Swisscom attaches great importance to the observance of human rights in the areas specified by the Social Accountability SA 8000 standard, which include child labour, forced labour, health and safety, freedom of association and the right to collective bargaining, discrimination, discipline, working hours and remuneration.

Climate risks from CO_2 emissions

Climate change poses risks for Swisscom in the form of increasing levels of precipitation as well as higher average temperatures and extreme meteorological events. These risks could compromise the manufacture of telecommunication products and network equipment and its transport into Switzerland and have a negative effect on the company's market chances and operations.

Raw materials

The raw materials used in Swisscom's many different products stem from a wide range of countries and regions. Questions on the origin of the raw materials and the associated ecological and sociological risks are increasingly being asked. Swisscom has been addressing the issue of raw materials since 2011 and over the last two years has implemented the following measures in this regard:

- **January 2012:** Swisscom became a member of the World Resources Forum Association (WRFA) through its membership in the Global e-Sustainability Initiative (GeSI).
- **March 2012:** Inaugural meeting of the WRF Association, at the meetings of which Swisscom represents GeSI.
- **March/October 2013:** Participation at the WRFA Annual General Meeting in St. Gallen and the World Resources Forum in Davos.
- **October 2013:** Dialogue with the NGO "Bread for All" and participation at the "High Tech No Rights" symposium in Berne.
- **October 2013:** Preliminary enquiry into involvement with Fairphone.

See
www.worldresourcesforum.org

In 2014, Swisscom plans to revise its purchasing policy and the CR Contract Annex and, where necessary, add a corresponding passage on raw materials.

Swisscom Supplier Award

Maintaining a constant dialogue with suppliers, building a common future together and taking responsibility for the present and future all play a key role at Swisscom. Internal procurement is also guided by these principles. From among its more than 6,500 suppliers, Swisscom recognised those with the most impressive success stories in spring 2012. The Supplier Award is awarded in three categories – Innovation, Cooperation and Sustainability – every two years. The next will be awarded in 2014.

Purchasing circle – embedding corporate responsibility in the organisation

A conference on "Challenges for a sustainable supply chain" was held for the very first time in 2013 as part of a series of events for Swisscom purchasing staff (50 participants). The programme featured wide range of keynote presentations from external guests and internal CR managers, a podium discussion and a tour of the Umweltarena, an exhibition platform in Spreitenbach (canton of Aargau) for sustainable solutions.

Telecommunications for all

Swisscom enables and shapes Switzerland's information society by providing infrastructure and services that allow people in the public and private sector to communicate and interact in a sustainable manner. In so doing, Swisscom remains true to its goal of enabling everyone in Switzerland to be part of the information society. "Telecommunications for all" is Swisscom's guiding principle.

Environment and objectives

Swisscom wants everyone in Switzerland to be able to take advantage of the opportunities provided by new media and is thus making sure that reliable network access is present virtually everywhere in Switzerland. Swisscom focuses on promoting media skills, not only in its efforts in the area of youth media protection, but also through various initiatives which aim to reduce the "digital divide".

Swisscom will continue to pursue these activities in 2014, championing a healthy information society that adds value in line with the federal government's strategy, so that Switzerland as a business location, the Swiss education system and the entire population will continue to benefit from a progressive ICT landscape.

Basic service provision

	Unit	2011	2012	2013
Number of traffic minutes (national fixed-line traffic)	million min.	6,200	5,328	4,437
Number of public payphones [1]	number	6,700	5,800	4,834
Emergency calls	in thousand	3,050	3,053	2,284
Calls to the service for visually impaired/hard of hearing	in thousand	553	540	515

[1] Of which 3,307 (2013), 3,514 (2012), 4,058 (2011) within the scope of basic service provision.

Swisscom is responsible for providing basic telecoms services in Switzerland, and has been mandated to do so until 2017. The aim of the mandate is the provision of analogue and digital network access throughout Switzerland, including voice telephony, fax, data transmission and broadband internet access. The guaranteed transmission speed for a broadband Internet connection in 2013 was 1,000 kbps (download speed). The price ceiling for this service is CHF 55 per month (excluding VAT).

Another part of basic service provision for which Swisscom has long been responsible is the maintenance and operation of the public telephones and access to the emergency call service for the police, fire and ambulance services, as well as special services for the disabled. Swisscom continues to forego any financial settlement in compensation for the uncovered costs of basic service provision.

Data protection

As part of its operations, Swisscom processes customer data. Such data are subject to the Data Protection Act and the Telecommunications Act. The protection of privacy, compliance with data protection laws and the observance of telecommunications secrecy are key concerns for Swisscom. The Data Protection Declaration explains how Swisscom handles personal data in the context of its website and e-mail activities. Swisscom complies rigorously with the legislation currently in force, in particular with the laws on telecommunications and the protection of data. It collects, stores and processes only such data as are required for the provision of services, the handling and maintenance of the customer relationship – namely ensuring high service quality – for the security of the company and its infrastructure and for billing purposes. Customers also consent to Swisscom processing their data for marketing purposes and to their data being processed for the same purposes within the Swisscom Group. Customers have the option of stating what types of advertising material they do or do not wish to receive ("opt-out"). As a trustworthy partner, Swisscom has set itself the goal of providing all employees who have access to customer data as part of their job with thorough instruction on compliance within their work. In addition, Swisscom makes its employees aware of, and equips them to recognise, the issues and requirements of data protection and to ensure they are properly implemented. All Swisscom employees thus have to regularly take part in data protection training sessions.

The persons responsible for security within the company also launched a comprehensive project in 2012 with the aim of improving data protection. This project has been successfully completed. During the course of the project, Swisscom reviewed and redefined all access rights to critical customer data. In addition, Swisscom set up a system that determines whether attempts to access critical customer data are linked to enquiries regarding the customers in question and are thus warranted. Swisscom will continue to do everything in its power to ensure the best possible protection for its customers' data by means of optimisations in technology, organisation, processes and training. Swisscom is aware of its responsibility for data protection. In bringing in new technologies and in meeting new needs, Swisscom will exercise the required sensitivity and assume its social responsibility as a companion in the digital world.

Protecting minors in the media and promoting media skills

Protecting minors in the media and guidelines on media content

The use of digital media provides us with new opportunities but also entails new risks. The opportunities significantly outweigh the risks. However, the risks associated with digital media are particularly prevalent for children and young people. Swisscom is determined not to leave parents to shoulder the responsibility of handling these risks alone. Swisscom supports parents and teachers by providing a wide range of information, resources and products.

Children and young people who disclose private or even intimate information on social web platforms are often unaware of the repercussions this may have. Privacy therefore plays a prominent role in the documentation and information provided on media protection for minors.

Swisscom supports the High Principles on Child Protection. Together with the European Telecommunications Network Operators' Association (ETNO), Swisscom has reformulated its terms of use on youth platforms so that children and young people understand them.

The legal obligations governing the protection of minors in the media were fully complied with in 2013. Under the terms of the Swiss Federal Penal Code, it is forbidden for providers to offer content of a pornographic nature to persons under the age of 16. Swisscom is rigorous in its interpretation of the regulations of the Ordinance on Telecommunications Services regarding the blocking of value-added services. For example, no adult content whatsoever has been offered on the Swisscom information portal since 2009.

Since 2008, the Industry Initiative of the Swiss Association of Telecommunications (asut) for Improved Youth Media Protection and the Promotion of Media Skills in Society has published a list of youth media protection measures in addition to the legal requirements, which Swisscom has pledged to comply with. These include the provision of Internet filters, the obligation to actively inform customers, willingness to engage in dialogue with committed organisations and the designation of a youth media protection officer.

See
www.asut.ch

Swisscom's efforts to protect minors in the media exceed the legal requirements, in particular due to its implementation of the following measures:

See
www.bluewin.ch

- Age limit for access to certain services (value-added services) was voluntarily increased to 18
- No adult content whatsoever is included in the video-on-demand offerings on Swisscom TV or on the information portal
- Additional channel blocking via PIN on Swisscom TV
- Providing youth media protection with the new "replay" TV function
- Providing FSK age rating recommendations for all video-on-demand films
- Exceptionally stringent requirements apply to third-party providers of value-added services

The Telecommunication Services Ordinance requires telecommunication service providers to disclose information on the existence of a barring set at least once a year. A barring set blocks access to chargeable value-added services on specific lines. Swisscom sends its customers a bill enclosure every year to inform them about this free service. The barring set is automatically activated for young subscribers under the age of 18 and can only be deactivated with the consent of their parent or legal guardian.

Promoting media skills

The technical and process-related measures for protecting minors in the media significantly reduce the number of risks faced by children and young people when using the media. At the same time, Swisscom considers the promotion of media skills among children and young people to be the best method of further reducing the risks. Swisscom has therefore been involved for a number of years with a wide range of programmes aimed at helping children and young people use digital media sensibly and in moderation:

- **Media courses as part of the Academy training programme:** The course is held on parents' evenings and as part of in-service training sessions for teachers. The aim of the course is to raise the participants' awareness of the risks and to make recommendations on the use of media at home and in school. In total, Swisscom held more than 700 media skills events throughout Switzerland in 2013.
- **The JAMES study:** The JAMES study investigates the way in which media is used by young people aged between 12 and 19. After an initial run in 2010, Swisscom carried out the JAMES study once again in 2012 in cooperation with Zurich University of Applied Sciences (ZHAW). Four detailed studies were carried out in 2013 which addressed the following questions: What effect does the use of media have on the relationship between parents and children? Is there a connection between media use and school grades? Various providers offer media courses to schools: How effective are these courses? How do young people handle the protection of their private data in social networks? (publication: March 2014)
- The findings from the JAMES study allow conclusions and measures to be formulated in the fields of science and politics based on reliable, scientific data. The recurring study will allow trends and changes in the media usage behaviour of young people to be identified as of 2014. With this study, Swisscom is bridging a gap in research that has existed for a long time, particularly as surveys into media usage among young people were not consistently carried out before 2010.

See
www.swisscom.ch/james

National programme for the promotion of media skills

In summer 2010, the Swiss federal government set up a programme aimed at improving the media skills of children and young people. The Federal Social Insurance Office (FSIO) is responsible for implementing the programme, which is set to run until 2015. As the principal partner of the programme, Swisscom is confident that by working together the public and private sectors can do significantly more to promote media skills. Swisscom supports the programme by providing both financial resources and communication services.

Media courses for parents, teaching staff and pupils

Swisscom has been expanding its course offerings since 2012 to promote media skills. In addition to the information events for parents and teaching staff, it has since also offered a modular course for secondary school pupils (year 7 to year 9) and a flexible module for intermediate school pupils (year 4 to year 6). Teachers can choose from a range of different modules dealing with general media usage behaviour, legal issues on the Internet, social networks, safe surfing and the new issue of cyberbullying. Swisscom appoints a dedicated course instructor for the participating classes. There was once again huge demand for the classes in 2013. The experience and feedback gained from the events were extremely positive, and over 95% of participants said they would recommend the events to others.
A study was conducted to evaluate the effectiveness of the media courses. The results of the study were presented at the media skills symposium held as part of the federal programme on young people and media (see above, "National programme for the promotion of media skills"). According to the study director from the Distance-Learning University of Applied Sciences (Fernfachhochschule Schweiz (FFHS)), the study documents the effectiveness of Swisscom media courses. The study is set to be expanded in 2014 and will focus on investigating long-term effects.

Swisscom Academy

The Swisscom Academy has been teaching people how to use mobile devices and the Internet since 2005. Courses are offered on a daily basis at the training centres in Berne, Basel, Lausanne, Lucerne, Geneva and Zurich. In addition, four specially equipped Academy buses visit around 70 towns and villages across Switzerland every year. In 2013, 14,500 people attended courses on how to use modern communications media. Since the launch of Swisscom Academy, close to 254,000 people in Switzerland have taken advantage of the courses it offers. The courses are aimed at the general population in Switzerland and are open to customers and non-customers alike. Through this campaign, Swisscom is playing an important role in continually reducing the digital generation gap.

Promoting media skills
Swisscom promotes the responsible use of new media.
The courses offered by Swisscom since 2008 have already been attended by

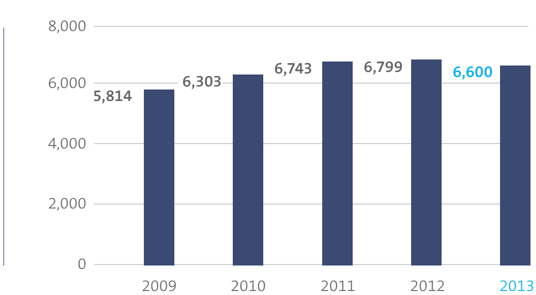
48,500 participants

“Internet for Schools” initiative

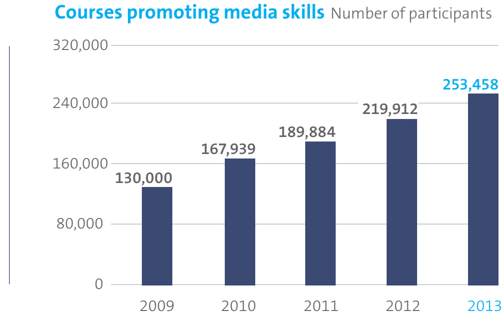
The use of media is increasingly intensifying at all levels of education. The Swisscom “Internet for Schools” initiative is therefore challenged to respond to the growing needs of schools and cantons. Consequently, Swisscom is steadily expanding the initiative as well as its fee-based offerings for schools. Thanks to Swisscom, almost all primary and secondary schools in Switzerland are now benefiting from a broadband Internet connection. A key task for the initiative in the next few years will be to help kindergartens being integrated into primary schools as part of the intercantonal HARMOS concordat to take their first steps into the digital world.
Through the “Internet for Schools” initiative, Swisscom has been making a substantial contribution to the Swiss education system since 2002, initially as part of the government’s “Internet for Schools” initiative (2002–2007) and then independently in consultation with the relevant public-sector offices. Swisscom aims to work together with schools, cantons and federal offices to create a consolidated and efficient architecture for the future ICT landscape of the Swiss education system.
The number of schools benefitting from the “Internet for Schools” initiative has declined slightly (6,600 schools). In 2013 the consolidation of schools in many municipalities continued – owing in particular to the wave of mergers of municipalities in Switzerland. Nevertheless, the number of pupils and teachers involved in Internet for Schools has remained unchanged.
As the cost of a high-performance infrastructure has grown continuously in recent years, by agreement with the cantons, schools are now contributing to the costs of security solutions such as a firewall and content filter, on a user-pays basis. According to the bandwidth required, the costs per school amount to between CHF 1,560 and CHF 2,400 per year.

See www.swisscom.ch/sai

Internet for Schools Number of schools



Courses promoting media skills Number of participants



Swisscom has added various educational institutions to its network over the past few years, enabling it to recognise the ICT integration needs of schools at an early point in time. Swisscom cultivates this network through dialogue and events, in particular with the following institutions:

- Education server Educa and the Swiss education server educanet
- Swiss Conference of Cantonal Ministers of Education (EDK)
- Conference held by the Swiss Office for Information Technology in Education (SFIB)
- Federal Office of Communications (OFCOM)
- Swiss Foundation for Audiovisual Teaching Media (SSAB)
- Swiss Association of Teachers (LCH)
- Intercantonal Conference of Public Education (CIIP)
- Worlddidac Association
- Various teacher training colleges and universities

Responsible employer

Swisscom offers employees a working environment that fosters their personal and professional development by setting them challenging tasks and allowing them to exercise responsibility. At the same time, Swisscom positions itself as a socially responsible employer.

Swisscom operates in a fast-moving and challenging market environment and has to continually adapt to technological innovations. Demographic and social trends are also increasingly influencing personnel resources at Swisscom, which employs progressive management of human resources, lives out a corporate culture and creates a working environment that motivates employees to realise their potential in the context of the corporate strategy.
In a multimedia society, our employees' flexibility, willingness to change and specialist knowledge play a vital role in the implementation of Swisscom's mission statement and achievement of the objectives outlined in the corporate strategy. Customer trust is key to staying competitive in the long term and is the reason why Swisscom systematically aligns itself to customer needs. This calls for employees who can develop visions and work in mixed teams to put them into practice in a results-oriented manner.

Environment and objectives

Swisscom's Group Human Resources Division is responsible for implementing a uniform HR and social policy throughout the company and formulates and promulgates Group-wide standards, guidelines and principles. The HR departments within each of the operating segments are responsible for implementing these and handling all HR functions, from hiring of new staff to employee departures. The Group Human Resources Division supports the Group Executive Board and Board of Directors on HR policy matters, such as terms and conditions of employment, salary system and diversity. It also recruits senior managers and conducts management development and succession planning in collaboration with the operating units. Group Human Resources is also responsible for professional and vocational training throughout the Group and thus makes an important contribution to Switzerland as a business location. In its dealings with the social partners and employee associations, Group Human Resources advocates the interests of the Group as a whole.
In order to meet future challenges, Group Human Resources plans its resource requirements from a quantitative and qualitative point of view, formulates key priorities in employees' professional development and cultivates a management culture characterised by trust, esteem and performance orientation. In this way, Group Human Resources contributes towards the implementation of corporate strategy.

Staff development

Swisscom's market environment is constantly changing. The company thus invests accordingly in targeted professional training for employees and managers in order to improve their employability and the company's competitiveness in the long term. Employees are supported in their development by a wide range of on- and off-the-job training options as well as internal programmes and courses covering specialist, management and project management topics. As part of talent management, around 10% of the top performers from the target groups have completed a corresponding internal programme. In 2013, Swisscom also further developed the language skills of its employees in the country's national languages as part of an initiative implemented throughout Switzerland.

Swisscom welcomes employees who want to take advantage of individual, advanced external training opportunities and supports such efforts financially and with respect to working hours. In the year under review, staff spent 72,136 days on training and development in Switzerland.
The Swisscom "management compass" serves as an orientation tool for management and, among other things, defines employee development as a management task. Swisscom has also created an orientation tool at Group level for training and development within the company, which heightens the general commitment towards training and development in the digital world. It promotes regular dialogue between employees and management, which facilitates the agreement and realisation of medium-term development measures. In this context, Swisscom has standardised the training offerings of Swisscom IT Services Ltd for the various target groups at Group level.
Swisscom continues to develop its Performance Management System in line with requirements with a view to assessing and promoting employee achievements. At the start of 2013, Swisscom launched "My Performance" across the Group as part of which fair and broad-based performance evaluations based on mandatory objectives are conducted thereby helping to implement occupational development projects. On the basis of coordinated agreements on objectives, all managers systematically discussed the performance and potential development steps for the employees entrusted to them in so-called "calibration rounds". These rounds support both succession planning for key functions as well as the placement of talents beyond individual divisions, consistent with Swisscom's strategic positioning as a trustworthy partner in a digital world and the concrete requirements that all employees have to fulfil.
A mentoring programme encourages professional and personal discussions between talents and the members of the Group Executive Board, while the Leadership Forum offers an important platform for management issues.

Employee training in general and in the area of corporate responsibility

Swisscom trains its employees continuously. In 2013, employees attended an average of 4.2 days (33 hours) of training and/or further occupational development. Swisscom also regularly trains employees on a wide range of corporate responsibility issues. For example, Swisscom raises awareness of ecological and social issues among new hires at its Welcome Days, Swisscom held a corporate responsibility (CR) training course for the first time in 2013. This training programme for employees from the Residential Customer segment has been newly developed for Swisscom. Pilot sessions were conducted with 14 employees.

Corporate volunteering

Corporate volunteering is the term used to describe voluntary work carried out by employees for charitable causes. Swisscom encourages this commitment by allowing its employees to do this during paid working hours and offering them the chance to help out with various projects in the fields of nature (Nature Days), social responsibility (Social Days) and economy (Economy Days). Swisscom employees can now dedicate up to two days of their working time to voluntary work each year. A total of 1,330 volunteer days were clocked up in 2013.

Staff recruitment

Recruiting new staff

Swisscom seeks individuals who are motivated and passionate about helping customers and who want to help shape the future of the digital world. At all company locations in Switzerland, Swisscom endeavours to give priority to people from the surrounding regions. This is why the percentage of local employees in all areas and at all hierarchical levels is exceptionally high.

Student interns and trainees

In order to attract talented and highly motivated graduates to the company, Swisscom remains in close contact with universities and schools of applied sciences. Attending relevant recruitment fairs and engaging in more advanced forms of cooperation such as guest lectures and workshops is very important to Swisscom. Many students gain initial professional experience at Swisscom during their studies either by working as interns or during the practical part of their Bachelor's or Master's course. In the last twelve months, almost 100 students began internships at Swisscom, and a similar number of students were coached through the practical part of their Bachelor's or Master's courses by Swisscom employees. Once they have successfully completed their studies, graduates can embark on the first step of the career ladder at Swisscom through internships, the trainee programme or a junior position.

Vocational training

Two hundred and forty-seven young people began their apprenticeships with Swisscom in August 2013, of which 95 were in ICT jobs in mediamatics and IT. Swisscom is thus Switzerland's largest trainer of ICT professionals. In 2013, Swisscom trained a total of 847 apprentices in technical and commercial apprenticeships. Additionally, 73 apprentices completed their training at subsidiary cablex. The new apprenticeship training as a specialist in customer dialogue, introduced in 2011, is held in the customer contact centres. It has been expanded to include apprentices in Western Switzerland since 2012 and in Ticino since 2013.

Swisscom has been holding exploratory ICT weeks for young women since 2012, giving the participants the chance to spend a week getting to know the professional world of ICT up close. This offering was expanded in 2013. Swisscom now also offers exploratory ICT weeks specifically geared to upper-level female high-school students ("Matura" level).

The Swisscom training model is geared towards independence and personal accountability. The aim of this is to support the personal development of the apprentices. They take an active role in devising their training so that it fits their individual priorities, apply within the company for different practical placements and learn from experienced employees during such placements.

Staff recruitment outside of Switzerland

As a Swiss company, Swisscom is committed to the Swiss labour market. In order to meet customer needs and remain competitive, Swisscom is prepared to work together with both domestic and international partners, on condition that they satisfy Swisscom's requirements as regards labour legislation and sustainability.

Health and safety in the workplace

Employee health

Having healthy and motivated employees is very important to Swisscom. In line with its strategy, Swisscom therefore makes targeted investments in initiatives and programmes for Occupational Health Management (OHM). The Board of Directors, Group Executive Board and management staff have all contributed to the success of OHM, which has resulted in the staff absence rate being reduced from 3.4% to 2.9% since 2009. Swisscom wants to achieve a staff absence rate that either remains constant or declines further by 2015. Further details and performance indicators can be found in the table "Employees in figures".

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page 110

As a result of this positive trend, the premium rates for work-related accidents, non-work-related accidents and the insurance for sick pay allowance were reduced as of 1 January 2013.
Through its involvement in the ConCerto project with the Federal Social Insurance Office, Swisscom makes an important contribution to ensuring that collaboration with the social insurance agencies is coordinated as effectively as possible. ConCerto aims to simplify and accelerate the professional reintegration of individuals who have suffered health problems. The ConCerto-pro association was set up in 2012. Its goal is to encourage all domestic employers, Federal Disability Insurance offices, sick pay allowance and accident insurers and SMEs to join the association and adopt the processes it has defined. The ConCerto-pro association, together with partners on a national level (FSIO, SECO, associations and institutions), also supports and coordinates the further development of issues pertinent to vocational reintegration.
The number of disability cases in 2013 fell by 25% in comparison to previous years. Through cooperation with integration partners and the heightened involvement of Group Human Resources, several trainee positions and internships could be filled once again. These positions are available to employees with health problems. OHM and, if necessary, social insurance agencies such as the Federal Disability Insurance office (IV) provide assistance and support with the deployments in these positions.
Swisscom aims to extend the focus of occupational health management to include prevention in order to promote and maintain employee health.

Occupational safety

As set out in the collective employment agreement (CEA), Swisscom undertakes to protect the personal integrity of its employees and provide an appropriate level of health protection according to ergonomic principles. In terms of ergonomics (design of workstations and working environment, health protection and health care, prevention of work-related accidents and occupational illnesses, workplace safety), the CEA grants the employee associations the right of codetermination and the social partners the right of information. Various committees coordinate and organise training courses, initiatives and measures aimed at promoting safety and health protection in the workplace. In areas where workplace safety is particularly important for employees, Swisscom operates an integrated, process-based management system and is ISO 9001:2000 certified. The company submitted this management system for approval to the Swiss Accident Insurance Fund (Suva).
The criteria, processes and tools for regulating and implementing workplace safety and health protection are integrated in a quality environmental and safety management system. For example, Swisscom's subsidiary cablex follows Guideline 6508 of the Federal Coordination Commission for Occupational Safety (FCOS), which covers the ten elements of the operational safety system and ensures the measures necessary for safeguarding the health and safety of employees involved in installing infrastructure.
Co-determination rights are systematically implemented, especially in the area of safety, where internal (safety system) and external ("legal compass") standards are conscientiously adhered to. Employee associations are represented at the quarterly meetings of the Safety Board.

Move! and the Swisscom Games

Move! is a programme which supports activities in the fields of health, sport and culture. Employees can become Move! coaches or take part in another activity. Activities are conducted during the employees' free time. Move! aims to broaden employees' sporting and intellectual horizons and give staff the opportunity to meet their colleagues from other areas of the company.
The Swisscom Games are held every two years. Employees have the option of enrolling for a team or individual activity in the fields of sport, culture and society. The 2013 Swisscom Games included two events – the Winter Games in Davos and the Summer Games in Tenero, in which a total of around 4,000 employees took part. The Swisscom Games are a key networking opportunity for employees and have become an important part of the corporate culture. The next Swisscom Games will take place in 2015.

Diversity

Living diversity

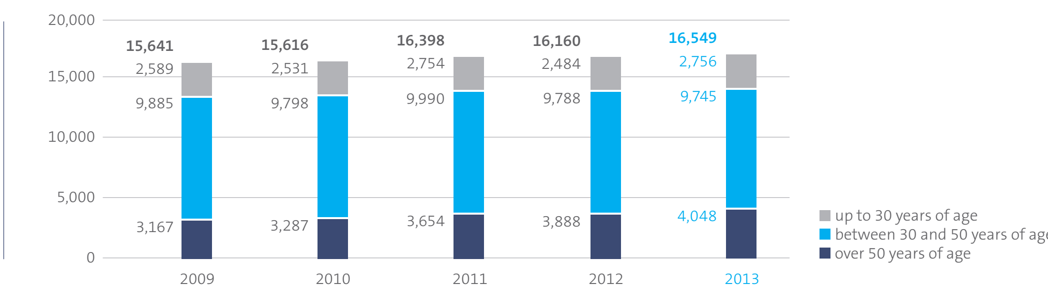
Diversity management is a concept that is extremely important within an international working environment. The aim of the concept is to recognise each individual's special knowledge and skills and utilise them for the benefit of the entire company.
Diversity champions an open working environment, in which employees are treated with respect and everyone is free to develop and reach their full potential. Swisscom sees diversity as something it must commit to internally within the company, as well as externally with its customers and partners. Swisscom's commitment to diversity means ensuring the well-being of all its employees, so they are motivated to deliver outstanding performance.
Swisscom considers a balanced gender ratio to be fundamentally important for the brand and for ensuring the success of the company. One way Swisscom facilitates this is through flexible working models that help create an environment in which every employee is able to tap into their full potential. Consistent with its commitment to diversity, Swisscom has set itself the goal of increasing the percentage of women in management to 20% in the medium term.
Swisscom is also increasingly championing the use of solutions such as flexible working methods and models that support the compatibility of family and career, thereby enabling a healthy work-life balance and addressing employees' growing need for flexibility and the right to make their own decisions. As a family-friendly employer Swisscom pays child and education allowances that are higher than those laid down by federal law and that are also in most cases higher than those laid down by cantonal law. Swisscom also supports external childcare facilities through financial contributions and by providing access to free counselling services through the familienservice® family service as well as holiday childcare during the school holidays.
In the interest of diversity, Swisscom finds it extremely important to have a wide range of cultures represented within the company. The wide range of approaches, ideas and skills possessed by our employees makes Swisscom an innovative and creative company. 82.8% of Swisscom's workforce are Swiss nationals. The remaining 17.2% are made up of employees from 90 different countries, including 5.3% from Germany, 3.8% from Italy, 2% from France and 1% from Spain.
The average age of the population and hence the average age of Swisscom's workforce is steadily increasing, which poses opportunities as well as risks. Swisscom is addressing this issue with its "Generation Management" initiative.
Swisscom considers sexual orientation to be an important aspect of diversity. The company's corporate culture is characterised by openness and tolerance.
With respect to the opportunities offered and the potential accorded to the individual, Swisscom does not differentiate between employees with physical or mental impairments and those who are not impaired. Swisscom builds on the individual strengths and skills that each employee possesses. No cases of discrimination were reported in 2013.

See Appendix
www.swisscom.ch/gri-2013

Generation management

Swisscom is using "generation management" to address demographic trends in good time and find innovative ways of allowing older employees to continue in active employment. The average age of employees, the wider population and Swisscom's customers is steadily increasing. Swisscom is responding to this by establishing "BestAge projects". These projects focus on meeting the needs of older employees and older customers. The measures and programmes implemented in call centres and shops accommodate these needs. Older employees are serving and advising older customers. Further initiatives include in-house consulting, where older senior managers advise line management, provide coaching and allow others to benefit from their experience through involvement in projects. Older employees also serve as quality assurance specialists in network construction projects.
Swisscom has been a member of the Swiss Demographics Forum since 2011. Currently comprising seven finance and service companies, the Swiss Demographics Forum is a platform which aims to collect information and draw up basic principles for establishing a sustainable demographic management system. In 2013, the members of the forum developed a variety of practical solutions that could be therefore put to good use by the participating companies.

Age structure of employees in full-time equivalent



Diversity @ Swisscom
Swisscom employs people from

90 nations

Equal pay

Swisscom takes great care to ensure equal pay for men and women. The company's salary system is structured in such a way as to award equal pay for equivalent duties, responsibilities and performance. To this end, the individual functions are assigned to function levels according to their requirements and a salary band is defined for each function level. This stipulates the remuneration range for equivalent duties and responsibility. Pay is determined within this range based on the individual employee's performance. As part of its salary review, Swisscom grants employees who have performed better and are lower within the respective salary band an above-average pay rise. In this way, any wage disparities are evened out on an ongoing basis. When conducting the salary review, Swisscom also checks whether there are any pay inequalities between men and women within individual organisational units and corrects them in a targeted manner.
Swisscom also uses the federal government's equal pay tool (Logib) to conduct periodic reviews of its salary structures to ascertain whether disparities exist between men's and women's pay. Previous reviews have revealed only minor pay discrepancies, well under the tolerance threshold of 5%.
In 2011, Swisscom joined the Equal Pay Dialogue, an initiative set up by the employer and employee umbrella organisations in association with the federal government to review the status of equal pay. The positive outcome of the Equal Pay Dialogue confirms that Swisscom salaries conform to the principle of equal pay.

See
www.lohngleichheitsdialog.ch

Human rights

Swisscom considers the protection of human rights an integral part of its corporate culture. There is no or only very little risk of human rights being breached within the Swisscom Group. Swisscom employs 17,362 FTEs in Switzerland and 2,375 FTEs in Italy, with no human rights risks having been identified at these locations. A further 371 FTEs work outside of Switzerland and Italy – predominantly in the EU or OECD countries – and here, too, there is no risk or only very little risk of human rights breaches. Swisscom only employs a small number of staff in the "risk countries" listed by the rating agencies (Russia, Romania, Malaysia and South Africa). Swisscom employees working outside of Switzerland and Italy only render services, i.e. they are not employed in production. Swisscom therefore considers there to be no need for an internal Group management system for risks concerning human rights infringements.
Swisscom is aware that there are risks of human rights being breached by its suppliers and has therefore set up a supplier risk management system.
Swisscom also applies a purchasing policy based on the SA 8000 standard, which places clear demands on its suppliers as regards the protection of human rights.

See Report
page 94

Employee satisfaction

Swisscom conducts an employee job satisfaction survey every two years, with the next one scheduled for 2014. Just under 80% of the entire workforce took part in the last survey conducted in May 2012, the results of which revealed a high level of job satisfaction and an extremely high level of employee commitment at Swisscom. The employees gave all of the areas under review a significantly better score than in the 2010 survey, and some of the scores were above-average when compared to other companies in the sector.

Employees in figures

	Unit	2011	2011 in %	2012	2012 in %	2013	2013 in %
Personnel structure in Switzerland							
Employees in FTE according to GRI scope	FTE/%	16,628	100.0%	16,269	100.0%	17,362	100.0%
Thereof employees included in the following analysis	FTE/%	**16,398**	**98.6%**	**16,160**	**99.3%**	**16,549**	**95.3%**
Employees with full-time employment	FTE/%	14,208	86.6%	13,954	86.3%	14,314	86.5%
Employees with part-time employment	FTE/%	2,190	13.4%	2,206	13.7%	2,235	13.5%
Employees with unlimited employment	FTE/%	16,342	99.7%	16,100	99.6%	16,476	99.6%
Employees with limited employment	FTE/%	56	0.3%	60	0.4%	73	0.4%
Female employees	FTE/%	4,546	27.7%	4,330	26.8%	4,376	26.4%
Male employees	FTE/%	11,852	72.3%	11,830	73.2%	12,173	73.6%
Employees up to 30 years of age	FTE/%	2,754	16.8%	2,484	15.4%	2,756	16.6%
Employees between 30 and 50 years of age	FTE/%	9,990	60.9%	9,788	60.6%	9,745	58.9%
Employees over 50 years of age	FTE/%	3,654	22.3%	3,888	24.0%	4,048	24.5%
Average age	Years	41.3	n/a	41.9	n/a	41.8	n/a
Female employees in top management	FTE/%	15	11.8%	11	9.1%	8	8.0%
Male employees in top management	FTE/%	112	88.2%	110	90.9%	92	92.0%
Female employees in middle management	FTE/%	242	10.4%	269	11.1%	286	11.4%
Male employees in middle management	FTE/%	2,078	89.6%	2,150	88.9%	2,231	88.6%
Temporary employees	FTE	1,520	9.3%	1,636	10.1%	1,564	9.5%
Apprenticeship positions	number of jobs	800	4.9%	907	5.6%	920	5.6%
Personnel structure in Switzerland							
Number of performance dialogues held	FTE	18,779	98.8%	18,779	98.8%	16,082	97.0%
Fluctuation in Switzerland							
Leavings/fluctuation women	FTE/%	534	11.7%	510	11.8%	558	12.8%
Leavings/fluctuation men	FTE/%	1,421	12.0%	1,125	9.5%	1,221	10.0%
Fluctuation rate total	FTE/%	1,955	11.9%	1,635	10.1%	1,779	10.7%
Leavings up to 30 years of age	FTE/%	464	23.7%	387	23.7%	409	23.0%
Leavings from 30 to 50 years of age	FTE/%	1,120	57.3%	932	57.0%	949	53.3%
Leavings up to 50 years of age	FTE/%	371	19.0%	316	19.3%	421	23.7%
Absences due to accidents and sickness in Switzerland							
Days lost due to work-related sickness	number of days	5	–	2	–	8	–
Days lost due to sickness	number of days	98,916	2.39%	99,942	2.42%	101,120	2.44%
Days lost due to work-related accidents	number of days	2,252	0.05%	2,846	0.07%	2,314	0.06%
Days lost due to non-work-related accidents	number of days	15,037	0.36%	15,086	0.37%	16,582	0.40%
Days lost total	number of days	116,210	2.80%	117,876	2.86%	120,024	2.89%
Days lost per FTE	number of days/FTE	7.1	n/a	7.3	n/a	7.3	n/a

Innovation and development

A dynamic environment in which the market situation and general conditions are constantly changing requires a company to be innovative to ensure its long-term success. For this reason, Swisscom is working on future-oriented issues that will sustainably strengthen Swisscom's position on the market.

Research and innovation are of fundamental importance to Swisscom. Swisscom wants to anticipate the strategic challenges of the coming years and take advantage of the opportunities for a new generation of products and services. At Swisscom, innovation takes place in all areas of the company, from continuous improvement processes to operational innovations in various business areas to long-term, research-driven innovations for the next generation of the telecommunications infrastructure and the future use of digital end devices.

Innovation as an open process

Swisscom builds on the know-how of its customers, employees and partners with the aim of constantly developing new products, services and unique experiences as part of an open process. Customer requirements are at the heart of everything it does. For this reason Swisscom consistently adopts human-centred design methods when developing new products and services, i.e. the user-oriented design of simple and inspiring experiences that stand out on the market.
Swisscom is keen to take up new ideas from research that enable it to tap into new areas of business and optimise costs. It therefore reviews every promising idea in terms of profitability, feasibility and what it offers customers. If an idea fulfils the relevant requirements, it is quickly tested and brought to market. For example, Swisscom is currently pursuing new approaches related to the digital home, new television experiences and machine-to-machine (M2M) communication.
Swisscom operates its own open innovation platform in the form of Swisscom Labs, which has several thousand registered users. The platform involves future users at as early a stage as possible in the development of new products and services. Users are able to contribute their own ideas, give their own opinions in so-called "challenges" and participate in trials and beta tests in open or closed focus groups.
Innovation requires time and space for ideas to develop into products and services that are ready for market. Swisscom therefore staged an innovation week for the first time in 2013, during which variously composed teams work hard on realising an idea that satisfies a client need, is of business relevance and has potential on the market. A number of these prototypes are to be anchored in the 2014 Roadmap and pursued further.

See **www.swisscom.ch/innovation**

Specific areas of innovation at Swisscom

End-to-end connectivity

The importance of high-quality broadband Internet access has increased significantly in recent years. Swisscom is therefore working on the next network generation and developing solutions to give the population even faster ultra-high-speed broadband. Mobile data traffic is also expanding, presenting an enormous challenge to the mobile network. Swisscom is seeking and developing innovative solutions that allow high volumes of data to be handled efficiently.

As an alternative solution to FTTH (Fibre to the Home) in which the fibre-optic cable is routed into the house, FTTS (Fibre to the Street) has been developed to bring the fibre-optic network to within around 200 metres away from the building. From this distance, individual properties are connected to the fibre-optic network via the copper network already in place. This approach allows Swisscom to provide Swiss households with a significantly faster service, offering a much higher broadband capacity. Swisscom is already working on the next generation of FTTS, which will significantly improve network performance even further.

Mobile services and apps

It has become hard to imagine life without the Internet, whether at home or on the move. Mobile end devices such as smartphones are the ideal basis on which to implement new services, due to their high usage in Switzerland. Swisscom's vision is to be able to use smartphones to establish a simple bridge between the real and digital worlds. To this end, Swisscom wants to establish a tapping culture. "Tapping" or "Tapit" means that the smartphone can be held against or placed on something, causing a digital reaction on the phone. Tapping is based on technologies such as Near Field Communication (NFC), which is already incorporated in the majority of smartphones. Tapping will in future enable customers to use their smartphones to make payments, manage loyalty cards or gain access to buildings, allowing the smartphones to replace conventional credit cards, loyalty cards and company ID cards.
Swisscom has been testing applications with NFC technology for some time and is keeping a close watch on developments in this area. For this purpose, Swisscom collaborates with financial service providers, retailers and all relevant companies in order to provide their customers with a simple, secure and seamless customer experience on their smartphones. Swisscom also gives the participating companies the opportunity to offer their products securely and simply via an NFC-enabled mobile SIM card.

Security and intelligence

The ongoing migration of telecommunications services to the Internet protocol means that it is vital to ensure the right level of security and privacy, while the exponential increase in data volumes presents enormous challenges for telecoms providers and their customers. The requirements of products that can safely and anonymously handle these large volumes of data and analyse them using cutting-edge methods are increasing. Big data technologies have already gained a foothold in many areas. While these technologies raise new questions regarding security and privacy, they also open up new prospects for security products. Swisscom uses the connection between data analysis and security to offer customers increased transparency and control.
In the context of its social responsibility, Swisscom is, for example, developing models to predict traffic flows on motorways based on anonymised mobile use data in collaboration with external partners for the Federal Roads Office (FEDRO). In 2013 Swisscom also launched the first of several planned mobile applications that accompany customers in their daily lives and support them in security-related matters. Swisscom is working on the use of new technologies for business customers, such as trusted computing. These should help make the Swisscom cloud the most secure cloud for all applications.
Swisscom is collaborating with ETH Zurich on new Internet routing mechanisms that should help reduce the danger of eavesdropping on data traffic.

Tapping into new growth areas

Changed consumer behaviour and technological developments present an opportunity to tap into new growth areas. Swisscom is investing in progressive solutions in the financial sector, the public health sector, the dynamic control of energy consumption and the intelligent networking and control of appliances for in the home, for transport and logistics or for security technology.

See
www.swisscom.ch/m2m

Current innovation projects

Below are a number of examples of products that Swisscom is developing ready for market:

- **iO:** phoning, chatting, exchanging photos – everything in one app and free of charge on mobile data networks or WiFi anywhere in the world. Swisscom has launched iO, an app where all that counts is who you want to contact, not how you want to contact them. The app connects iO users simply and securely, and an attractive flat rate also allows unlimited calls to people around the world who are not iO users.
- **Smart Networks:** better customer experience despite high network load. Realising new mobile antennas is a laborious process. Swisscom is therefore investigating whether the use of real-time technologies could enable data traffic flows within the current infrastructure to be managed in a manner that would free up 20% of the bandwidth and thus improve the customer experience.
- **Docsafe:** document handling made simpler. Managing administrative documents such as bills, account statements and health insurance statements is becoming ever more complicated and less transparent for everyone, including residential customers. It is made more complex by the fact that such correspondence now takes place online as well as on paper. Docsafe ensures that all digital documents are kept securely and centrally organised in one place, are archived and can be accessed at any time.

CERTIFICATION

SGS CERTIFICATION

GRI Sustainability Report 2013 of the Swisscom Ltd

SCOPE

SGS was commissioned by Swisscom to conduct an independent assurance of the GRI-based disclosure on sustainability in 2013. Our assurance scope included the GRI disclosure obligations and figures in accordance with the GRI Index published at www.swisscom.ch/GRI-2013. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all texts and 2013 data in accompanying tables contained in the printed Annual Report 2013, the GRI-annex and referenced information on the webpage of Swisscom as quoted in the GRI index. The assurance process did not consider any data from previous years.

CONTENT

The Board of Directors or the Managing Director and the Management of the organisation are responsible for the details provided in the annual report and on the website and in the presentation. SGS was not involved in the preparation of any of the material included in the GRI Index and acted as an independent assuror of the data and text using the Global Reporting Initiative Sustainability Reporting Guidelines, Version 3.1 (2011) as a standard. The content of this Assuror's Statement and the opinion(s) it gives is the responsibility of SGS.

CERTIFIER INDEPENDENCE AND COMPETENCIES

The SGS Group is active as a globally leading company in the areas of assurance, testing, verifying and certifying in more than 140 countries and provides services, including the certification of management systems and services. SGS confirms that it is independent from Swisscom. It is unbiased and no conflicts of interest exist with the organisation, its subsidiaries and beneficiaries. The assurance team was assembled based on knowledge, experience and qualifications for this assignment.

METHODOLOGY

The SGS Group has developed a set of protocols for the assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines, Version 3.1 (2011). SGS has also certified the environmental management systems of Swisscom (Switzerland) Ltd., Swisscom Broadcast Ltd. and Cablex Ltd., and SQS has certified the environmental management system of Swisscom IT Services Ltd., in accordance with ISO 14001:2004. In addition the greenhouse gas inventory of Swisscom AG was verified according to ISO 14064.

The assurance comprised the evaluation of external sources, meetings with relevant employees, a verification of the documentation and recordings as well as the validation of these with external institutions and/or beneficiaries, where required. Financial data drawn directly from independently audited financial accounts was not checked back to its source as part of this assurance process.

OPINION

The statements in the report refer to the system threshold disclosed (Group companies based in Switzerland). On the basis of the above methodology, we did not detect any instances from which we would have to conclude that the information and data disclosed by Swisscom Ltd. in accordance with the GRI Index 2013 may be incorrect. The information and data disclosed represent, to our mind, a fair and balanced picture of the sustainability efforts made by Swisscom in 2013. The implementation of the GRI-relevant instructions was carried out at those parties involved, where Swisscom regarded them to be significant or feasible. In an internal report, we made recommendations in regard to the further development of the sustainability report as well as the management system.

We believe that the existing gaps are not significant and the sustainability report meets the requirements of level A+ of the GRI, Version 3.1 (2011) in accordance with the GRI Index.

SIGNED FOR AND ON BEHALF OF SGS

Albert von Däniken, Lead Auditor

Elvira Bieri, Lead Auditor

Zurich, 28 January 2014

www.SGS.COM

Corporate Governance and Remuneration Report

Prudent business management to ensure a successful future.

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- Swisscom IT Services
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Corporate Governance

Corporate governance is a fundamental component of Swisscom's corporate policy. Swisscom is committed to practising good corporate governance as part of its aim to deliver long-term value for shareholders, customers, employees and other interest groups. Transparency and clearly assigned responsibilities are the cornerstones of this commitment. Swisscom complies with the guidelines of the SIX Swiss Exchange and the provisions of the Swiss Code of Obligations and takes account of the recommendations of economiesuisse contained in the Swiss Code of Best Practice for Corporate Governance.

Principles

Swisscom practises effective corporate governance in the interest of its shareholders, customers, employees and other interest groups. Transparency in financial reporting, as well as clearly assigned responsibilities governing interactions with shareholders, the Board of Directors, the Group Executive Board and Group companies, are the cornerstones of Swisscom's corporate governance policy. As a company listed on the SIX Swiss Exchange, Swisscom complies with the provisions of the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange, as well as Articles 663b^{bis} and 663c Paragraph 3 of the Swiss Code of Obligations. Swisscom also complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse, the umbrella organisation representing Swiss business. As of 1 January 2014, Swisscom is also subject to the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC) of 20 November 2013, which replaces Article 663b^{bis} of the Swiss Code of Obligations and contains more detailed regulations concerning the remuneration paid to the Board of Directors and Group Executive Board. Swisscom's principles and rules on corporate governance are set out primarily in the company's Articles of Incorporation, Organisational Rules and the Rules of Procedure of the Board of Directors' committees. These documents are regularly reviewed and revised as and when necessary.
Of particular importance is the Code of Conduct approved by the Board of Directors. It contains a declaration by Swisscom of its commitment to absolute integrity as well as compliance with the law and all other external and internal rules and regulations. Swisscom expects its employees to take responsibility for their actions, show consideration for people, society and the environment, comply with applicable rules, demonstrate integrity and report any violations of the Code of Conduct. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic Principles".

See
www.swisscom.ch/
basicprinciples

1 Corporate structure and shareholders

1.1 Group structure

1.1.1 Operational Group structure

Swisscom Ltd is the holding company responsible for overall management of the Swisscom Group. It comprises six Group divisions: Group Business Steering, Group Strategy & Innovation (from 2014 Group Strategy & Board Services), Group Communications & Responsibility, Group Human Resources, Group Security and Group Participation Management (until end of 2013). Strategic and financial management of the autonomous Group companies, which are divided into three categories (strategic, important and other), is assured through the assignment of powers and responsibilities by the Board of Directors of Swisscom Ltd. Seats on the Board of Directors of the "strategic" company Fastweb S.p.A. are held by the CEO Swisscom Ltd as Chairman (this position was held ad interim by the Chief Financial Officer (CFO) from August to 17 December 2013), together with the CFO and other representatives of Swisscom. Seats on the Board of Directors of the "strategic" company Swisscom IT Services Ltd are held by the CEO Swisscom Ltd as Chairman (this position was held ad interim by the Head of Group Related Businesses from August to December 2013), together with the CFO and other representatives of Swisscom. In addition, the Boards of Directors of these two strategic companies are supplemented by external members. Swisscom is represented on the Board of Directors of the "strategic" company Swisscom (Switzerland) Ltd by the CEO Swisscom Ltd as Chairman (this position was held ad interim by the CFO from August to December 2013), together with other members of the Group Executive Board with the exception of the head of Swisscom (Switzerland) Ltd. In the case of the "important" Group companies, the responsibilities of the Chairman of the Board are fulfilled by the CEO of a "strategic" Group company, the head of a Group division or another person appointed by the CEO. Other representatives of Swisscom are also members of the Board of Directors.

See Report **page 31**

The Group structure is shown in the Management Commentary in the section on Group structure and organisation. A list of Group companies, including company name, registered office, percentage of shares held and share capital, is given in Note 41 to the consolidated financial statements.

See Report **page 220–221**

For the purposes of segment reporting in the consolidated financial statements, reporting is divided into the segments "Residential Customers", "Small and Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Network & IT", which are grouped together as "Swisscom Switzerland", as well as "Fastweb" and "Other Operating Segments", notably Swisscom IT Services, Group Related Businesses (formerly Swisscom Participations) and Swisscom Hospitality Services. "Group Headquarters", which includes inter alia the Group divisions Worklink AG and Swisscom Re Ltd, are reported separately.

Changes as of 2014

Swisscom streamlined its Group structure as of 1 January 2014. As of this date, the activities of Swisscom IT Services Ltd are to be integrated into the operations of Swisscom (Switzerland) Ltd. Pending its legal integration, Swisscom IT Services Ltd is no longer being managed as a strategic Group company. From 2014 onwards the operations of Swisscom (Switzerland) Ltd are to be managed by the Group Executive Board, which is now composed of the CEO, the heads of the Group divisions Group Business Steering and Group Human Resources and the heads of the divisions Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation. As of 1 January 2014 the Board of Directors of Swisscom (Switzerland) Ltd comprise the CEO, the CFO and the Head of the IT, Network & Innovation division.

1.1.2 Listed company

Swisscom Ltd, a company governed by Swiss law and headquartered in Ittigen (canton of Berne, Switzerland), is listed in the Main Standard of the SIX Swiss Exchange (Securities No. 874251; ISIN Code: CH0008742519; Ticker Symbol: SCMN). Trading in the United States is conducted over-the-counter (OTC) as a Level 1 programme (Symbol: SCMWY; ISIN No.: CH008742519; CUSIP for ADR: 871013108). At 31 December 2013, the Swisscom Ltd had a stock market capitalisation of CHF 24,394 million.

1.2 Disclosure notifications of significant shareholders

Information on significant shareholders must be made available if any disclosure notifications pursuant to Article 20 of the Federal Act on Stock Exchanges and Securities Trading are made during the financial year. There is a duty to disclose shareholdings where a person or group subject to the disclosure obligation reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, $33^{1/3}$, 50 or $66^{2/3}$ per cent of the voting rights of Swisscom Ltd.

See Report **page 227**

There were no disclosure notifications in the year under review. Information on significant shareholders can be found in Note 8 to the financial statements of Swisscom Ltd.

1.3 Cross-shareholdings

No cross-shareholdings exist between Swisscom Ltd and other public limited companies.

2 Capital structure

2.1 Capital

At 31 December 2013, the share capital of Swisscom Ltd amounted to CHF 51,801,943, divided into registered shares with a par value of CHF 1 per share. The shares are fully paid-up.

2.2 Authorised and conditional capital

There is no authorised or conditional share capital.

2.3 Changes in capital

The share capital was unchanged in the years 2011 to 2013. During this period, changes in shareholders' equity of Swisscom Ltd in the stand-alone financial statements under commercial law were as follows:

In CHF million	Share capital	Capital surplus reserves	Reserve for treasury shares	Retained earnings	Total equity
Balance at 1 January 2011	**52**	**255**	**1**	**4,841**	**5,149**
Net income	–	–	–	474	474
Dividends paid	–	(234)	–	(854)	(1,088)
Proceeds from sale of treasury shares	–	–	(1)	1	–
Balance at 31 December 2011	**52**	**21**	–	**4,462**	**4,535**
Net income	–	–	–	1,749	1,749
Dividends paid	–	–	–	(1,140)	(1,140)
Balance at 31 December 2012	**52**	21	–	**5,071**	**5,144**
Net income	–	–	–	239	239
Dividends paid	–	–	–	(1,140)	(1,140)
Balance at 31 December 2013	**52**	**21**	–	**4,170**	**4,243**

On 20 April 2011 the Annual General Meeting approved the conversion of CHF 466 million of capital contribution reserves to free reserves and the payment of these together with other free reserves of CHF 622 million as a dividend. The dividend for the 2010 financial year was set at CHF 21 per share, with CHF 9 paid from capital contribution reserves and CHF 12 from free reserves. The Annual General Meetings held on 4 April 2012 and 4 April 2013 approved an ordinary dividend of CHF 22 per share respectively.

2.4 Shares, participation certificates

Each registered share of Swisscom Ltd has a par value of CHF 1. Each share entitles the holder to one vote. Voting rights can only be exercised if the shareholder has been entered with voting rights in the share register of Swisscom Ltd. All registered shares with the exception of treasury shares held by Swisscom are eligible for a dividend. There are no preferential rights. For further details, see Section 6 "Shareholders' participation rights".
Registered shares of Swisscom Ltd are not issued in certificate form, but are held as book-entry securities in the holdings of SIX SIS AG, up to a maximum limit determined by the Swiss Confederation. Shareholders may at any time request confirmation of their shareholdings. However, they have no right to request the printing and delivery of certificates for their shares (registered shares with no right to printed certificates).
Swisscom Ltd has issued no participation certificates.

2.5 Profit-sharing certificates

Swisscom Ltd has issued no profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

Swisscom shares are freely transferable, and the voting rights of the shares registered in the share register in accordance with the Articles of Incorporation are not subject to any special restrictions. Swisscom has issued special regulations governing the registration of trustees and nominees in the share register. To facilitate tradability of the company's shares on the stock exchange, the Articles of Incorporation allow the Board of Directors, by means of regulations or agreements, to permit the fiduciary entry of registered shares with voting rights by trustees and nominees exceeding the threshold of 5%, provided they disclose their trustee capacity. In addition, they must be subject to supervision by a banking or financial market supervisory authority or otherwise provide the necessary assurance of acting for the account of one or more unrelated parties. They must also be able to provide evidence of the names, addresses and holdings of the beneficial owners of the shares. In accordance with this provision in the Articles of Incorporation, which can be amended with an absolute majority of the voting shares cast, the Board of Directors has issued regulations governing the entry of trustees and nominees in the Swisscom share register. The entry of trustees and nominees as shareholders with voting rights is subject to application and the conclusion of an agreement specifying the entry restrictions and disclosure obligations of the trustee or nominee. In particular, each trustee or nominee undertakes, within the limit of 5%, to request entry as a shareholder with voting rights for the account of an individual beneficial owner for no more than 0.5% of the registered share capital of Swisscom Ltd entered in the commercial register.
No exceptions for the fiduciary entry of registered shares with voting rights above the aforementioned percentage restriction were granted in the 2013 financial year.

2.7 Convertible bonds, debenture bonds and options

See Report **page 196**

Swisscom has no convertible bonds outstanding. Details of the debenture bonds are given in Note 26 to the consolidated financial statements.

See Report **page 180**

Swisscom does not issue options on registered shares of Swisscom Ltd to its employees. The Management Incentive Plan of Swisscom Ltd is described in Note 11 to the consolidated financial statements.

3 Board of Directors

3.1 Members of the Board of Directors

See Report **page 217**

The Board of Directors of Swisscom Ltd currently comprises nine members, none of whom holds or has held an executive role within the Swisscom Group in any of the three business years prior to the period under review. The Board members have no significant commercial links with Swisscom Ltd or the Swisscom Group. The Swiss Confederation, represented on the Board by Hans Werder, owns a majority stake in Swisscom. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are given in Note 37 to the consolidated financial statements.

An overview of the composition of the Board of Directors at 31 December 2013, including the functions of each member within the Board, the year they were first elected and their remaining tenure, is given in the table below:

Name	Year of birth	Function	Initial year of office	Appointed until [10]
Hansueli Loosli [1, 2, 3, 4, 5]	1955	Chairman	2009	2015
Barbara Frei [1]	1970	Member	2012	2014
Hugo Gerber [2]	1955	Member, representative of the employees	2006	2014
Michel Gobet [1]	1954	Member, representative of the employees	2003	2015
Torsten G. Kreindl [3, 6]	1963	Member	2003	2015
Catherine Mühlemann [1]	1966	Member	2006	2014
Richard Roy [2, 7]	1955	Deputy Chairman	2003	2014
Theophil Schlatter [3, 8]	1951	Member	2011	2015
Hans Werder [1, 3, 9]	1946	Member, representative of the Confederation.	2011	2015

[1] Member of the Finance Committee.
[2] Member of the Audit Committee.
[3] Member of the Compensation Committee (Hansueli Loosli without voting rights).
[4] Since 21 April 2009 Member of the Board of Directors, since 1 September 2011 Chairman.
[5] Chairman of Nomination Committee (ad hoc).
[6] Chairman of Finance Committee.
[7] Chairman of Remuneration Committee.
[8] Chairman of Audit Committee.
[9] Designated by the Swiss Confederation.
[10] After the general meeting 2014 all members of the Board of Directors are elected for 1 year.

3.2 Education, professional activities and affiliations

Details of career and qualifications are provided below for each member of the Board of Directors. Other activities and affiliations such as mandates in important companies, organisations and foundations, and permanent functions in important interest groups are also shown.

Hansueli Loosli

Swiss citizen

Education: Commercial apprenticeship; Swiss Certified Accountant and Controller

Career history: 1982–1985 Controller, Deputy Director, Mövenpick Produktions AG, Adliswil; 1985–1992 latterly Managing Director, Waro AG, Volketswil; 1992–1996 Director of Non-Food Product Procurement, Coop Switzerland, Wangen; 1992–1997 Managing Director, Coop Zurich, Zurich; 1997–2000 Chairman of the Executive Committee and Coop Group Executive Committee, Coop Switzerland, Basel; January 2001–August 2011 Chief Executive Officer and Chairman of the Executive Committee, Coop Genossenschaft, Basel

Other mandates: Member of the Executive Committee, economiesuisse; Chairman of the Board of Directors, Coop Gruppen Genossenschaft, Basel; Chairman of the Board of Directors, Transgourmet Holding AG, Basel; Chairman of the Board of Directors, Bell AG, Basel; Chairman of the Board of Directors, Coop Mineraloel AG, Allschwil; member of the Advisory Board of Deichmann SE, Essen, since September 2013

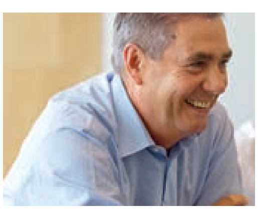
Barbara Frei

Swiss citizen

Education: Degree in mechanical engineering, ETH; doctorate (Dr. sc. techn.), ETH; Master of Business Administration, IMD Lausanne

Career history: Since 1998 various managerial positions in the ABB Group; 2008–2010 Country Manager, ABB s.r.o., Prague; 2010–2013 Country Manager, ABB S.p.A., Sesto San Giovanni, and Regional Manager Mediterranean; since November 2013 Global Business Unit Manager Drives and Control

Other mandates: Vice-Chairman, ABB SA Greece until October 2013; Chairman of the Board of Directors, ABB SA France, until October 2013; Chairman of the Board of Directors, ABB Holding SA Turkey, until October 2013; member of the Board of Directors, ASEA Brown Boveri S.A. Spain, until October 2013; member of the Board of Directors of ABB Beijing Drive Systems Co. Ltd., Beijing, since December 2013



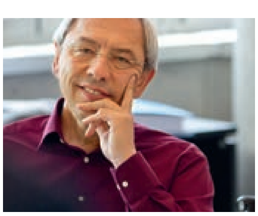
Hugo Gerber

Swiss citizen

Education: Diploma in postal services; IMAKA management programme; diploma in personnel and organisational development, Solothurn University of Applied Sciences, Northwestern Switzerland

Career history: 1986–1990 General Secretary ChPTT; 1991–1999 General Secretary, Association of the unions of the Christian transport and government personnel (VGCV); 2000–2003 General Secretary of the Transfair Union; 2003–2008 President of the Transfair Union; since 2009 independent consultant

Other mandates: Member of SUVA Board of Directors until December 2013; member of the Publica federal pensions commission until June 2013; RUAG Pension Fund Board of Trustees, Berne; member of the Management Committee, Swiss Travel Fund (Reka) Cooperative, until April 2013; member of the Board of Directors, Worklink AG, Berne; member of the Board of Directors, KPT Versicherungen AG, until April 2013; member of the Board of Directors and Secretary of POSCOM Ferien Holding AG, Berne, since April 2013



Michel Gobet

Swiss citizen

Education: Degree in history

Career history: General Secretary and Deputy General Secretary, PTT Union; since 1999 General Secretary of the syndicom trade union

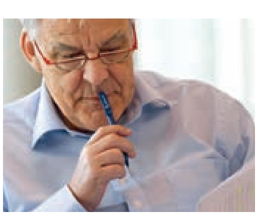
Other mandates: Member of the World Executive Committee, UNI Global Union; member of the European ICTS Steering Committee, UNI Global Union; member of the Board of Directors, Swiss Post Ltd, Berne; member of the Board of Directors, GDZ AG, Zurich, since March 2013

Torsten G. Kreindl
Austrian citizen
Education: Doctorate in industrial engineering (Dr. techn.)
Career history: Chemie Holding AG; W. L. Gore & Associates Inc.; member of the Management Board, Booz Allen & Hamilton, Germany; 1996–1999 CEO, Broadband Cable Business, Deutsche Telekom, and CEO, MSG Media Services; 1999–2005 partner, Copan Inc.; since 2005 partner, Grazia Group Equity GmbH, Stuttgart, Germany
Other mandates: Member of the Supervisory Board, Pictet Digital Communications/ Pictet Fund Management, Geneva; member of the Board of Directors, XConnect Global Networks Ltd., London, UK; member of the Board of Directors, Starboard Storage Systems Inc., Boulder, Colorado, USA; Independent Director, Hays plc, London, since June 2013

Catherine Mühlemann
Swiss citizen
Education: Lic. phil I; Swiss Certified PR Consultant
Career history: 1994–1997 Head of Media Research, Swiss Television DRS; 1997–1999 programme researcher SF1 and SF2, 1999–2001 programme director TV3; 2001–2003 Managing Director, MTV Central; 2003–2005 Managing Director, MTV Central & Emerging Markets; 2005–2008 Managing Director, MTV Central & Emerging Markets and Viva Media AG (Viacom); 2008–2012 Andmann Media Holding GmbH, Baar
Other mandates: Member of the Supervisory Board, Messe Berlin GmbH; member of the Supervisory Board, Kabel Deutschland Holding AG; member of the Board, Switzerland Tourism

Richard Roy
German citizen
Education: Degree in engineering (university of applied sciences)
Career history: 1991–1995 member of the Executive Board, Hewlett Packard GmbH; 1995–1997 member of the Management Board and Executive Vice President, Siemens Nixdorf Informationssysteme AG; 1997–2001 CEO, Microsoft GmbH, Germany; 2001–2002 Senior Vice President, Corporate Strategy, Microsoft EMEA, Paris, France; since 2002 independent management consultant
Other mandates: Member of the Supervisory Board, Update Software AG, Vienna

Theophil Schlatter
Swiss citizen
Education: Degree in business administration (lic. oec. HSG); qualified Public Accountant
Career history: 1979–1985 public accountant, STG Coopers & Lybrand; 1985–1991 controller, Holcim Management und Beratung AG; 1991–1995 CFO and member of the Executive Committee, Sihl Papier AG; 1995–1997 Head of Finance/Administration and member of the Executive Committee, Holcim (Switzerland) Ltd; 1997–March 2011 CFO and member of the Group Executive Board, Holcim Ltd
Other mandates: Member of the Board of Directors, Implenia AG, until March 2013; Chairman of the Board of Directors, PEKAM AG, Mägenwil; member of the Board of Directors, Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona



Hans Werder
Swiss citizen
Education: Dr. rer. soc.; lic. iur.
Career history: 1987–1996 General Secretary, Berne Directorate of Public Works, Transport and Energy (BVE); 1996–2010 General Secretary, Federal Department of the Environment, Transport, Energy and Communications (DETEC)
Other mandates: Member of the Board of Directors, BLS AG, Berne

3.4 Composition, election and term of office

With the exception of the representative of the Swiss Confederation, the Board of Directors of Swisscom Ltd is elected by shareholders at the Annual General Meeting. It currently comprises nine members. However, under the terms of the Articles of Incorporation it may comprise between seven and nine members and, if necessary, the number can be increased temporarily. Until now the members have been elected individually for a term of two years. Members may retire or be discharged prior to expiry of the term. As of 1 January 2014, the Annual General Meeting will elect the members and the Chairman of the Board of Directors for one year in accordance with the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC) of 20 November 2013. The term of office runs until the conclusion of the following Annual General Meeting.
The maximum term of office for members elected by the Annual General Meeting is twelve years. Members who reach the age of 70 retire from the Board as of the date of the next Annual General Meeting.
Under the Articles of Incorporation of Swisscom Ltd, the Swiss Confederation is entitled to appoint two representatives to the Board of Directors of Swisscom Ltd. Hans Werder is currently the sole representative. The maximum term of office or age limit for the federal representative is determined by the Federal Council. Under the terms of the Telecommunications Enterprise Act (TEA), employees must be granted appropriate representation on the Board of Directors of Swisscom Ltd. The Articles of Incorporation also stipulate that the Board of Directors must include two employee representatives. These are currently Hugo Gerber and Michel Gobet.

3.5 Internal organisation

The Board of Directors is convened by the Chairman and meets as often as business requires. If the Chairman is unavailable, the meeting is convened by the Deputy Chairman. The CEO and CFO Swisscom Ltd are regularly invited to the meetings of the Board of Directors. The Chairman sets the agenda. Any Board member may request the inclusion of further items on the agenda. Board members receive documents prior to the meeting to allow them to prepare for the items on the agenda. The Board of Directors may invite members of the Group Executive Board, senior employees of Swisscom, auditors or other experts to attend its meetings in order to ensure appropriate reporting to members of the Board. Furthermore, the Chairman of the Board of Directors and the CEO report to each meeting of the Board of Directors on particular events, on the general course of business and major business transactions, as well as on any measures that have been implemented.
The Board of Directors has three standing committees and one ad-hoc committee tasked with carrying out detailed examinations of matters of importance. The committees consist of between four and six members. Each member of the Board of Directors also sits on at least one of the standing committees. The Chairman is a member of all three standing committees; these are chaired by other Board members. The latter brief the Board of Directors on the committee meetings held. All members of the Board of Directors also receive copies of all Finance and Audit Committee meeting minutes. The duties and responsibilities of the Board of Directors are defined in the Organisational Regulations, those of the standing committees in the relevant committee regulations. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under “Basic Principles”.

See **www.swisscom.ch/basicprinciples**

The Board of Directors and the Audit Committee conduct self-assessments, usually once a year. The Board of Directors also supports the ongoing education of this body. It held a training course at the beginning of 2013. During the year various members also attended selected lectures and seminars. Wherever possible, the Board of Directors also attends the Swisscom Group’s annual management meeting.

The following table gives an overview of the Board of Directors' meetings, conference calls and circular resolutions taken in 2013 as well as the participation of the individual members.

	Meetings	Conference calls	Circular resolutions
Total	10	1	1
Average duration (in hours)	9:45	1	–
Participation:			
Hansueli Loosli, Chairman	10	1	1
Barbara Frei	10	1	1
Hugo Gerber	10	1	1
Michel Gobet	10	1	1
Torsten G. Kreindl	10	1	1
Catherine Mühlemann	10	1	1
Richard Roy	10	1	1
Theophil Schlatter	10	1	1
Hans Werder	10	1	1

3.6 Committees of the Board of Directors

The composition, tasks and powers of the Board of Directors' committees as at 31 December 2013 are described below. Information is also provided on the frequency of the respective committee meetings, the average duration of the meeting and the members' attendance.

Finance Committee

This Committee is chaired by Torsten G. Kreindl; the other members are Barbara Frei (until the end of 2013), Michel Gobet, Hansueli Loosli, Catherine Mühlemann and Hans Werder (until the end of 2013). The CEO, CFO and the CSO usually attend meetings of the Finance Committee. Depending on the agenda, other members of the Group Executive Board, the Management Boards of the strategic Group companies or project managers are also called upon to attend the meetings. The Committee prepares materials for the attention of the Board of Directors on transaction-related matters, for example, in connection with establishing or dissolving important Group companies, acquiring or disposing of significant shareholdings, or entering into or terminating strategic alliances. The Committee also acts in an advisory capacity on matters relating to major investments and divestments. The Finance Committee has the ultimate decision-making authority when it comes to approving rules of procedure and directives in the areas of mergers and acquisitions and corporate venturing. Details of the Committee's activities are set out in the Finance Committee rules of procedure. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic Principles".

See www.swisscom.ch/basicprinciples

The following table gives an overview of the Finance Committee meetings, conference calls and circular resolutions taken in 2013, as well as the participation of the individual members.

	Meetings	Conference calls	Circular resolutions
Total	4	–	–
Average duration (in hours)	4:05	–	–
Participation:			
Torsten G. Kreindl, Chairman	4	–	–
Barbara Frei	3	–	–
Michel Gobet	4	–	–
Hansueli Loosli	4	–	–
Catherine Mühlemann	4	–	–
Hans Werder	4	–	–

Audit Committee

This Committee is chaired by Theophil Schlatter, who is a financial expert; other members are Hugo Gerber, Hansueli Loosli, Richard Roy and Hans Werder (from 2014). The CEO, CFO, Head of Accounting, Head of Internal Audit and the external auditors also attend the Audit Committee meetings. Depending on the agenda, other management members are called upon to attend. All members are independent, i.e. they neither work nor have worked for Swisscom in an executive capacity, nor do they maintain any significant commercial links with Swisscom Ltd or the Swisscom Group. The Audit Committee handles all financial management business (for example, accounting, financial controlling, financial planning and financing), assurance (risk management, the internal control system, compliance and the internal audit) and the external audit. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (dividend policy, for example). The Committee is therefore the Board of Directors' most important controlling instrument and is responsible for monitoring the Group-wide assurance functions. It formulates positions on business matters which lie within the decision-making authority of the Board of Directors and has the final say on those business matters for which it has the corresponding competence. Details of the Committee's activities are set out in the Audit Committee rules of procedure. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic Principles".

See www.swisscom.ch/basicprinciples

The following table gives an overview of the Audit Committee meetings, conference calls and circular decisions taken in 2013, as well as the participation of the individual members.

	Meetings	Conference calls	Circular resolutions
Total	5	–	1
Average duration (in hours)	5:30	–	–
Participation:			
Theophil Schlatter, Chairman	5	–	1
Hugo Gerber	5	–	1
Hansueli Loosli	5	–	1
Richard Roy	5	–	1

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Compensation Committee

For information on the Compensation Committee, refer to the section "Remuneration Report".

Nomination Committee

This Committee is formed on an ad-hoc basis for the purpose of preparing the groundwork for electing new members to the Board of Directors and the Group Executive Board. The Committee is presided over by the Chairman and the composition of the Committee is determined on a case-by-case basis. The Committee carries out its work based on a specific requirements profile defined by the Board of Directors and presents suitable candidates to the Board of Directors. The Board of Directors elects the members of the Group Executive Board and submits the proposal for presentation to the Annual General Meeting for the election and approval of members of the Board of Directors. Two Nomination Committees were formed in 2013: one to nominate a member of the Board of Directors (members: Hansueli Loosli, Michel Gobet, Torsten G. Kreindl, Catherine Mühlemann, Theophil Schlatter, Hans Werder) and one to nominate the CEO (members: Hansueli Loosli, Hugo Gerber, Richard Roy, Theophil Schlatter, Hans Werder). The Committees convened on three occasions; all members were present at the meetings, which lasted on average an hour.

3.7 Assignment of powers of authority

See
www.swisscom.ch/
targets_2010-2013

See
www.swisscom.ch/
targets_2014-2017

See
www.swisscom.ch/
basicprinciples

The Telecommunications Enterprise Act (TEA) makes reference to the Swiss Code of Obligations in respect of the non-transferable and irrevocable duties of the Board of Directors of Swisscom Ltd. Pursuant to Article 716a of the Code of Obligations, the Board of Directors is responsible first and foremost for the overall management and supervision of persons entrusted with managing the company's operations.
It decides on the appointment and removal of members of the Group Executive Board of Swisscom Ltd. It also determines the strategic, organisational, financial planning and accounting guidelines, taking into account the four-year targets set by the Federal Council in accordance with the provisions of the Telecommunications Enterprise Act (TEA) and the intentions of the Swiss Confederation in its role as principal shareholder.
The Board of Directors has delegated day-to-day business management to the CEO in accordance with the TEA, the Articles of Incorporation and the Organisational Regulations. In addition to its statutory duties, the Board of Directors decides on business transactions of major importance to the Group, such as the acquisition or disposal of companies with a financial exposure in excess of CHF 20 million, or investments or divestments with a financial exposure in excess of CHF 50 million. The division of powers between the Board of Directors and the CEO is set out in Annex 2 to the Organisational Regulations (see function table in Rules of Procedure and Accountability). The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic Principles".

3.8 Information instruments of the Board of Directors vis-à-vis the Group Executive Board

The Chairman of the Board of Directors and the CEO meet once or twice a month to discuss fundamental issues concerning Swisscom Ltd and its Group companies. The CEO also reports in detail at each ordinary meeting of the Board of Directors on the general course of business, major events and any measures taken. The Board of Directors also receives a monthly report on all key performance indicators of the Group and all segments containing important Group companies. In addition, the Board of Directors receives quarterly detailed information on the course of business and on the financial position, results of operations, cash flows and risk position of the Group and the segments. It also receives projections for the income statement, cash flow statement and balance sheet for the current financial year. Internal financial reporting is carried out in accordance with the same accounting principles and standards as external reporting. Reporting also includes key non-financial information for controlling and steering purposes. Each member of the Board of Directors is entitled to request information on any matters relating to the Group at any time, provided this does not conflict with any abstention provisions or confidentiality obligations. The Board of Directors is also informed immediately of any events of an exceptional nature.
The Board of Directors deals with the areas of risk management, the internal financial reporting control system (ICS) and compliance management in detail once a year, on the basis of a written and oral report. The Audit Committee examines risk management in detail four times a year, on the basis of a report which includes all significant ICS and compliance risks. The Committee approves the integrated strategic audit plan and examines the Internal Audit reports at least four times a year. In urgent cases the Chairman of the Audit Committee is informed without delay about any significant new risks. He is also informed in a timely manner if there is a significant change in assessed compliance or ICS risks or if serious breaches in compliance (including violation of rules that are designed to ensure reliable financial reporting) are detected or currently being examined.

3.9 Controlling instruments of the Board of Directors vis-à-vis the Group Executive Board

The Board of Directors is responsible for establishing and monitoring the Group-wide assurance functions of risk management, the internal control system, compliance and internal audit.

3.9.1 Risk Management

Swisscom's approach to risk management complies with established risk management standards, most notably COSO II and ISO 31000. The Group-wide risk management of Swisscom is aimed at safeguarding the company's enterprise value. This is assured by maintaining a recognised and appropriate Group-wide risk management system as well as comprehensive, meaningful, level-appropriate reporting, appropriate documentation and a risk-aware corporate culture. Risk management covers risks in the areas of strategy, operations, compliance and financial reporting.
The Board of Directors delegates responsibility for implementing the risk management system to the CEO Swisscom Ltd. Risk Management reports to the CFO. It coordinates all organisational units charged with risk management tasks and systematically manages them as required for reporting purposes.
The main risks to which Swisscom Ltd and its Group companies are exposed are identified in a comprehensive risk analysis. Each risk is assigned a risk owner. To enable the early identification, assessment and management of risks and their inclusion in strategic planning, the central Risk Management unit collaborates closely with the Controlling department, the Strategy department and other departments concerned. The risks are assessed according to their probability of occurrence and their qualitative and quantitative effects in the event of occurrence, and managed on the basis of a risk strategy. The risks are evaluated in terms of their impact on key performance indicators reported by Swisscom. The risk profile is reviewed and updated quarterly. The Audit Committee and the Group Executive Board are informed about significant risks, their potential effects and the status of corrective measures on a quarterly basis, and the Board of Directors on an annual basis. The essential risk factors are described in the Risks section of the Management Commentary.

See Report
page 67–70

3.9.2 Internal control system

The internal control system (ICS) is designed, set up and maintained so as to ensure the reliability of external financial reporting with sufficient assurance. The design of the ICS is based on the internationally recognised COSO II risk framework. The system encompasses the internal control components: control environment, assessment of financial statement accounting risks, control activities, monitoring activities, information and communication. The implementation and effectiveness of the ICS is monitored periodically by a central ICS team and by Internal Audit. If any significant shortcomings in the ICS are detected during monitoring, the Audit Committee and the Board of Directors are notified in the periodic reports. Corrective action to remedy shortcomings is monitored centrally. A report on the internal control system is drawn up quarterly for the Audit Committee and once a year for the Board of Directors. The Audit Committee assesses the performance and reliability of the ICS.

3.9.3 Compliance management

Based on guidelines and objectives issued by the Board of Directors, Swisscom operates a central compliance system aimed at ensuring Group-wide compliance with legal requirements and other external regulations with comparable legal implications. The Board of Directors receives a full Group-wide compliance risk assessment report once a year. The Audit Committee receives a quarterly report on significant compliance risks.

3.9.4 Internal auditing

Internal auditing is carried out by the Internal Audit unit. Internal Audit supports the Swisscom Board of Directors and the Audit Committee in carrying out their statutory and regulatory supervisory and controlling obligations. It draws the attention of management to potential areas where business processes can be improved, documents audit findings and monitors any measures implemented.

Internal Audit is responsible for planning and performing audits throughout the Group in compliance with guidelines promulgated by the profession. It conducts an objective audit and evaluation of the appropriateness, efficiency and effectiveness in particular of the governance and control processes, the operational processes and the assurance functions of risk management, the internal control system and compliance in all organisational units in the Swisscom Group.

Internal Audit possesses maximum independence. Organisationally it is under the control of the Chairman of the Board of Directors and reports to the Audit Committee. At its meetings, the Audit Committee is briefed on audit findings and the status of any corrective measures implemented. In addition to ordinary reporting, Internal Audit informs the Audit Committee of any irregularities which come to its attention.

Internal Audit liaises closely and exchanges information with the external auditors. The external auditors have unrestricted access to the audit reports and audit documents of Internal Audit. Internal Audit closely coordinates audit planning with the external auditors. The integrated strategic audit, which includes the coordinated annual plan of both the internal and external auditors, is prepared annually on the basis of a risk analysis and presented to the Audit Committee for approval. Independently of this audit, the Audit Committee can commission ad-hoc audits based on information received on the whistle-blowing platform operated by Internal Audit. The reporting procedure approved by the Audit Committee ensures the anonymous and confidential receipt and handling of complaints relating to external reporting, financial reporting and assurance function issues. The Chairman of the Board of Directors and the Chairman of the Audit Committee are informed of notifications received and a report is drawn up at least once a year for the Audit Committee.

4 Group Executive Board

4.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Group Executive Board must comprise one or more members who may not simultaneously be members of the Board of Directors of Swisscom Ltd. Temporary membership of the Board of Directors is only permitted in exceptional cases. Accordingly, the Board of Directors has delegated responsibility for overall executive management of Swisscom Ltd to the CEO. The CEO is entitled to delegate his powers to subordinates, in the first instance to other members of the Group Executive Board. The members of the Group Executive Board are appointed by the Board of Directors.

On 23 July 2013, the CEO of Swisscom Ltd, Carsten Schloter, passed away. Urs Schaeppi, CEO of Swisscom (Switzerland) Ltd and deputy CEO Swisscom Ltd assumed control of the Group Executive Board ad interim. On 7 November 2013, the Board of Directors appointed him as the new CEO of Swisscom Ltd. Jürgen Galler, head of the Group division Group Strategy & Innovation left the Group Executive Board as of 7 November 2013.

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page 31

As part of the reorganisation as of 1 January 2014 the Group Executive Board was enlarged and was composed of the CEO Swisscom Ltd, the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) and the heads of the divisions Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation.

An overview of the composition of the Group Executive Board at 1 January 2014, including the function of each member within the Group and the year of their appointment, is given below.

Name	Year of birth	Function	Appointed as of
Urs Schaeppi [1]	1960	CEO Swisscom Ltd	November 2013
Mario Rossi [2]	1960	CFO Swisscom Ltd	January 2013
Hans C. Werner	1960	CPO Swisscom Ltd	September 2011
Andreas König [3]	1965	Head of the division Enterprise Customer	October 2012
Roger Wüthrich-Hasenböhler [4]	1961	Head of the division Small and Medium-Sized Enterprises	January 2014
Heinz Herren [4]	1962	Head of the division IT, Network & Innovation	January 2014
Marc Werner	1967	Head of the division Residential Customers	January 2014

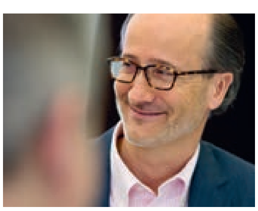
[1] Since 2006 member of the Group Executive Board, from July to November 2013 CEO ad interim.
[2] From March 2006 to December 2007 CFO Swisscom Ltd and member of the Group Executive Board.
[3] By the end of 2013 CEO of Swisscom IT Services.
[4] In 2012 Member of the Swisscom Group Executive Board.

4.2 Education, professional activities and affiliations

Details of career and qualifications are provided below for each member of the Group Executive Board. Other activities and affiliations such as mandates in important companies, organisations and foundations, and permanent functions in important interest groups are also shown.

Urs Schaeppi
Swiss citizen
Education: Degree in engineering (Dipl. Ing. ETH) and business administration (lic. oec. HSG).
Career history: 1987–1991 Iveco Motorenforschungs AG; 1991–1994 Head of Marketing, Electronics Production, Ascom AG; 1994–1998 plant manager, Biberist paper factory; 1998–2006 Head of Commercial Business and member of the Executive Board, Swisscom Mobile Ltd; 2006–2007 CEO, Swisscom Solutions Ltd; 2007–August 2013 Head of Corporate Business, Swisscom (Switzerland) Ltd; January–December 2013 Head of Swisscom (Switzerland) Ltd; 23 July–6 November 2013 acting CEO Swisscom Ltd ad interim; since 7 November 2013 CEO Swisscom Ltd
Since March 2006 member of the Swisscom Group Executive Board
Other mandates: Member of the Board of Directors, BV Group, Berne, until December 2013; deputy member of the Executive Board, Swiss Telecommunications Association (asut), since September 2013 (not yet formally elected)

Mario Rossi
Swiss citizen
Education: Certified public accountant
Career history: 1998–2002 Head of Group Controlling, Swisscom Ltd; 2002–2006 Chief Financial Officer (CFO), Swisscom Fixnet Ltd; 2006–2007 CFO and member of the Group Executive Board, Swisscom Ltd; 2007–2009 CFO, Fastweb S.p.A.; 2009–2012 CFO, Swisscom (Switzerland) Ltd; since January 2013 CFO Swisscom Ltd
Since January 2013 member of the Swisscom Group Executive Board
Other mandates: Member of the Sanctions Committee, SIX Swiss Exchange Ltd, Zurich; Vice President of the Board of Trustees, comPlan, Baden



Hans C. Werner
Swiss citizen
Education: PhD in business administration, Dr oec.
Career history: 1997–1999 Rector, Kantonsschule Büelrain; 1999–2000 Head of Technical Training and Business Training; 2001 Divisional Operation Officer, Reinsurance & Risk Division, Swiss Re; 2002–2003 Head of HR Corporate Centre and HR Shared Services, Swiss Re; 2003–2007 Head of Global Human Resources, Swiss Re; 2007–2009 Head of HR and Training, Schindler Aufzüge AG; 2010–2011 HR Vice President Europe North and East, Schindler; since September 2011 Chief Personnel Officer (CPO) Swisscom Ltd
Since September 2011 member of the Swisscom Group Executive Board
Other mandates: Member of the Board of Trustees, comPlan, Baden; member of the Board, Swiss Employer's Association, Zurich; member of the Advisory Board of the international institute of management in technology (iimt) at the University of Fribourg, since June 2013

Andreas König
Austrian citizen
Education: Degree in mechanical engineering (Dipl. Ing. ETH)
Career history: 1989–1990 MacNeal-Schwendler; 1990–1996 Silicon Graphics, 1996–October 2012 various positions at NetApp, including as Vice President, Central and Eastern Europe from 2001–2004; 2004–2007 Vice President, Sales, EMEA; 2007–September 2012 Senior Vice President and General Manager EMEA; October 2012–December 2013 CEO, Swisscom IT Services.; since 1 January 2014 Head of the division Enterprise Customers Swisscom
Since October 2012 member of the Swisscom Group Executive Board

Marc Werner
Swiss citizen
Education: Swiss certified marketing executive; Senior Executive Programme (London Business School); Senior Management Programme (University of St. Gallen)
Career history: 1997–2000 Head of Marketing and Sales and member of the Board of Directors, Minolta (Schweiz) AG; 2000–2004 Head of Marketing & Sales, member of the Executive Board, Bluewin AG; 2005–2007 Head of Marketing & Sales Residential Customers, Swisscom Fixnet Ltd; 2008–2011 Head of Marketing & Sales Residential Customers and Deputy Head of Residential Customers, Swisscom (Switzerland) Ltd; 2012–2013 Head of Customer Service Residential Customers and Deputy Head of Residential Customers, Swisscom (Switzerland) Ltd; since September 2013 Head of the division Residential Customers Swisscom
Since January 2014, member of the Swisscom Group Executive Board
Other mandates: Member of the Board of Directors, Net-Metrix AG, Zurich; member of the Executive Board, simsa (industry association of Swiss internet business), Zurich; member of the Executive Board, IAA (International Advertising Association) Swiss Chapter, Zurich

Roger Wüthrich-Hasenböhler
Swiss citizen
Education: Degree in electronic engineering (HTL), Executive MBA HSG
Career history: 2000–2005 Head of Business Customer Sales, Swisscom Mobile Ltd; 2006–2007 Head of Marketing and Sales, Swisscom Solutions Ltd; 2008–2010 Head of Marketing and Sales, Swisscom Corporate Business, and CEO, Webcall GmbH; 2011–2013 Head of Small and Medium-Sized Enterprises, Swisscom (Switzerland) Ltd; 2012 Member of the Swisscom Group Executive Board; since January 2014 Head of the division Small and Medium-Sized Enterprises Swisscom
Since January 2014, member of the Swisscom Group Executive Board
Other mandates: Member of the Board of Directors, Raiffeisenbank am Ricken Genossenschaft, Eschenbach

Heinz Herren
Swiss citizen
Education: Degree in electronic engineering (HTL)
Career history: 1986–1988 Hasler AG; 1988–1991 XMIT AG; 1991–1993 Ascom Telematik AG; 1993–1994 Bedag Informatik; 1994–2000 3Com Corporation; 2000 Inalp Networks Inc.; 2001–2005 Head of Wholesale Marketing, Swisscom Fixnet Ltd; 2005–2007 Head of Small and Medium-Sized Enterprises, Swisscom Fixnet AG; 2007-2010 Head of Small and Medium-Sized Enterprises, Swisscom (Switzerland) Ltd; 2011–December 2013 Head of Network & IT, Swisscom (Switzerland) Ltd; 2012 member of the Swisscom Group Executive Board; since January 2014 Head of the division IT, Network & Innovation Swisscom
Since January 2014, member of the Swisscom Group Executive Board
Other mandates: Member of the Board of Directors, Belgacom International Carrier Services S.A., Brussels, since December 2013

4.4 Management agreements

Neither Swisscom Ltd nor any of the Group companies included in the scope of consolidation have entered into management agreements with third parties.

5 Remuneration, shareholdings and loans

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page 137

All information on the remuneration of the Board of Directors and the Group Executive Board of Swisscom Ltd is provided in the separate Remuneration Report.

6 Shareholders' participation rights

6.1 Voting rights and representation restrictions

Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to recognise an acquirer of shares as a shareholder or beneficial holder with voting rights if the latter's total holding, when the new shares are added to any voting shares already registered in its name, would then exceed the limit of 5% of all registered shares entered in the commercial register. The acquirer is entered in the register as a shareholder or beneficial holder without voting rights for the remaining shares. This restriction on voting rights also applies to registered shares acquired through the exercise of subscription, option or conversion rights. A Group clause applies to the calculation of the percentage restriction.
The 5% voting right restriction does not apply to the Swiss Confederation which, under the terms of the Telecommunications Enterprise Act (TEA), holds the capital and voting majority.
The Board of Directors may recognise an acquirer of shares with more than 5% of all registered shares as a shareholder or beneficial holder with voting rights, in particular in the following exceptional cases:

- Where shares are acquired as a result of a merger or business combination
- Where shares are acquired as a result of a non-cash contribution or an exchange of shares
- Where shares are acquired with a view to establishing a long-term partnership or strategic alliance

In addition to the percentage restriction on voting rights, the Board of Directors may refuse to recognise and enter as a shareholder or beneficial holder with voting rights any acquirer of shares who fails to expressly declare upon request that it has acquired the shares in its own name and for its own account or as beneficial holder. Should an acquirer of shares refuse to make such a declaration, it will be entered as a shareholder without voting rights.
In addition, where an entry has been made on the basis of false statements by the acquirer, the Board of Directors may, after consulting the party concerned, delete their share register entry as a shareholder with voting rights and enter it as a shareholder without voting rights. The acquirer must be notified of the deletion immediately.
The statutory restrictions on voting rights may be lifted by resolution by the Annual General Meeting, for which an absolute majority of valid votes cast would be required.

6.2 Statutory quorum requirements

The Annual General Meeting of Shareholders of Swisscom Ltd adopts its resolutions and holds its elections by absolute majority of valid votes cast. In addition to the specific quorum requirements under the Swiss Code of Obligations, the Articles of Incorporation require a two-thirds majority of the voting shares represented in the following cases:

- Introduction of restrictions on voting rights
- Conversion of registered shares to bearer shares and vice versa
- Change in the Articles of Incorporation concerning special quorums for resolutions

6.3 Convocation of the Annual General Meeting

The Board of Directors must convene the Annual General Meeting at least 20 days prior to the date of the meeting by means of an announcement in the Swiss Commercial Gazette. The meeting can also be convened by registered or unregistered letter to all registered shareholders.

6.4 Agenda items

Shareholders representing shares with a par value of at least CHF 40,000 may request that an item be placed on the agenda. This request must be submitted in writing to the Board of Directors at least 45 days prior to the Annual General Meeting, stating the agenda item and the proposal.

6.5 Representation at the Annual General Meeting

Shareholders may be represented at the Annual General Meeting by another shareholder with voting rights who has a written power of attorney. Shareholders may also be represented by the corporate proxy, an independent voting proxy, or a custody proxy (institutional proxies). Partnerships and legal entities may also be represented by authorised signatories, while minors and wards may be represented by their legal representative even if the latter are not shareholders. Shareholders who are represented by a proxy may issue instructions for each agenda item and also for motions not included in the invitation, stating whether they wish to vote for or against a motion or abstain. The corporate proxy only represents shareholders who approve the motions of the Board of Directors. Powers of attorney with instructions to vote otherwise are passed on to the independent voting proxy, who approves the motions of the Board of Directors unless express instructions to the contrary are given. As of 1 January 2014, restrictions apply to institutional proxies in accordance with the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC) of 20 November 2013. Shareholders may only be represented by the independent proxy elected by the Annual General Meeting. Voting representation by the corporate proxy and/or custodians is not permitted. The independent proxy for the first Annual General Meeting following entry into force of the OaEC is to be chosen by the Board of Directors. The independent proxy is required to cast the votes entrusted to him by shareholders according to their instructions.

6.6 Registrations in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. As in previous years, the share register was not closed before the Annual General Meeting for fiscal 2012 held on 4 April 2013. Shareholders registered in the share register with voting rights by 4 p.m. on 28 March 2013 were entitled to vote.

7 Change of control and defensive measures

7.1 Duty to make an offer

Under the terms of the Telecommunications Enterprise Act (TEA), the Swiss Confederation must hold the majority of the capital and voting rights in Swisscom Ltd. This requirement is also set out in the Articles of Incorporation. There is no duty to submit a takeover bid as defined in the Federal Act on Stock Exchanges and Securities Trading, since this would contradict the TEA.

7.2 Clause on change of control

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page 146

Details of the clauses on change of control are given in the section “Remuneration Report”.

8 Statutory auditors

8.1 Duration and term of office of the auditor in charge

The statutory auditors are appointed annually by the Annual General Meeting. KPMG AG, Gümligen-Berne, has acted as the statutory auditors of Swisscom Ltd and the Group companies (with the exception of Fastweb, which is audited by PriceWaterhouseCoopers S.p.A.) since 1 January 2004. Rolf Hauenstein of KPMG AG is responsible for the mandate as auditor-in-charge (since 2011).

8.2 Audit fees

Fees for auditing services provided by KPMG AG in 2013 amounted to CHF 3,315 thousand (prior year: CHF 3,263 thousand). Fees for additional audit-related services amounted to CHF 675 thousand (prior year: CHF 93 thousand). PricewaterhouseCoopers S.p.A. as auditors for Fastweb received remuneration of CHF 881 thousand in 2013 (prior year: CHF 790 thousand) and fees for additional audit-related services provided to Fastweb in the amount of CHF 228 thousand (prior year: CHF 626 thousand).

8.3 Supplementary fees

Supplementary fees of KPMG AG for non-audit services such as tax and other advisory services (other services) amounted to CHF 583 thousand (prior year: CHF 892 thousand).

8.4 Supervision and controlling instruments vis-à-vis the auditors

The Audit Committee verifies the qualifications, independence and performance of the statutory auditors as a licensed, state-supervised auditing firm on behalf of the Board of Directors and submits proposals to the Board of Directors concerning auditors to be appointed or discharged by the Annual General Meeting. It is also responsible for observing the statutory rotation principle for the auditor-in-charge. The Audit Committee approves the integrated strategic audit plan, which includes the annual audit plan of both the internal and external auditors, and the annual fee for the auditing services provided to the Group and Group companies. The Audit Committee has drawn up guidelines for additional service mandates (including a list of prohibited services). To ensure independence, additional service mandates have to be approved by the Audit Committee (where a fee exceeds CHF 300,000) or the CFO of the local Group company. The Audit Committee reports quarterly and the auditors annually on current mandates being performed by the auditors, broken down into audit services, audit-related services and non-audit services. The statutory auditors, represented by the auditor-in-charge and his deputy, usually attend all Audit Committee meetings. They report to the Committee in detail on the performance and results of their work, in particular regarding the annual financial statement audit. They submit a written report to the Board of Directors and the Audit Committee on the performance and results of the audit of the annual financial statements, as well as on their findings with regard to accounting and the internal control system. The Chairman of the Audit Committee also liaises closely with the auditor-in-charge outside the meetings of the Audit Committee and regularly reports to the Board of Directors.

9 Information policy

Swisscom pursues an open, active information policy vis-à-vis the general public and the financial markets. It publishes comprehensive, consistent and transparent financial information on a quarterly basis.
Swisscom therefore meets investors regularly throughout the year, presents its financial results at analysts' meetings and road shows, attends selected conferences for financial analysts and investors and keeps its shareholders regularly informed about its business through press releases and shareholder letters.

9.1 The results for the 2014 financial year will be published on the following dates:

- Interim Report: 7 May 2014
- Interim Report: 20 August 2014
- Interim Report: 6 November 2014
- Annual Report: February 2015

9.2 The Annual General Meeting will be held on:

- 7 April 2014 in the Hallenstadion, Zurich Oerlikon

See **www.swisscom.ch/financialreports**

The Interim Reports and the Annual Report are available on the Swisscom website under Investor Relations, or may be ordered directly from Swisscom. All press releases, presentations and the latest financial calendar are also available on the Swisscom website under Investor Relations.

See **www.swisscom.ch/adhoc**

Push and pull links for the distribution of ad-hoc communications can also be found on the Swisscom website.

See **www.swisscom.ch/generalmeeting**

A recording of the Annual General Meeting of 4 April 2013 is available as a webcast on the Swisscom website.

Remuneration Report

Remuneration paid to the Board of Directors and the Group Executive Board is tied to the generation of sustainable earnings and therefore creates an incentive to achieve long-term corporate success as well as added value for shareholders.

Introduction

This Remuneration Report outlines the principles behind, and the elements of, the remuneration paid to the Board of Directors and Group Executive Board (Executive Board as defined in Article 4 of the Articles of Incorporation) of Swisscom Ltd, and the decision-making powers. It discloses information about the amount of remuneration paid to the Board of Directors and Group Executive Board and the shares they hold in Swisscom Ltd. The Remuneration Report is based on Section 5 of the Annex to the Corporate Governance Directive issued by the SIX Swiss Exchange. Swisscom also complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse, the umbrella organisation representing Swiss business. Information and comments on remuneration and shareholdings pursuant to Article 663b^{bis} and Article 663c para. 3 of the Swiss Code of Obligations can also be found in the financial statements of Swisscom Ltd. The Remuneration Report will be put to a consultative vote at the Annual General Meeting on 7 April 2014.

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All compensation was accrued in accordance with the International Financial Reporting Standards (IFRS).

Decision-making powers

Division of tasks between the Board of Directors and the Compensation Committee

The Board of Directors approves the personnel and remuneration policy for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Board. It also defines the remuneration for each member of the Board of Directors and the CEO as well as the total remuneration for the Group Executive Board. The Compensation Committee handles business matters of the Board of Directors concerning remuneration, submits proposals to the Board of Directors in this context, and, within the framework of the approved total remuneration, is empowered to decide upon the remuneration of the individual Group Executive Board members (with the exception of the CEO). Neither the CEO nor the other members of the Group Executive Board are entitled to participate in meetings at which their remuneration is discussed or decided. The decision-making powers are defined in the Organisational Regulations of the Board of Directors and the regulations for the Compensation Committee. The latest versions of these documents can be accessed on the Swisscom website under “Basic principles”. Revised or superseded documents can also be viewed there.

See **www.swisscom.ch/basicprinciples**

The following table shows the division of tasks between the Board of Directors and the Compensation Committee.

Subject	Compensation Committee	Board of Directors
Personnel and remuneration policy	–	A [1]
General terms and conditions of the Group Executive Board	P [2]	A
Guidelines of variable performance-related compensation to the Group Executive Board	P	A
Equity participation schemes of the entire Group	P	A
Concept of Compensation to members of the Board of Directors	P	A
Compensation of the Board of Directors	P	A
Definition of the incentive targets	P	A
Compensation of CEO Swisscom Ltd	P	A
Total compensation to members of the Group Executive Board	P	A
Compensation to members of the Group Executive Board (excl. CEO)	A [3]	–

1 A stands for approval.
2 P stands for proposal.
3 Within the framework of the total remuneration defined by the Board of Directors.

Composition and modus operandi of the Compensation Committee

The Compensation Committee is chaired by the Deputy Chairman of the Board of Directors. The other members are the Chairmen of the Finance Committee and the Audit Committee as well as the representative of the Swiss Confederation. The Chairman of the Board of Directors attends committee meetings but has no voting rights. The CEO and CPO (Chief Personnel Officer) attend the meetings in an advisory capacity, unless the agenda items exclusively concern the Board of Directors or the CEO and CPO themselves, in which case the CEO and CPO are not present. Other members of the Board of Directors, auditors or experts may also be called upon to attend the meetings in an advisory capacity. Minutes are kept of the meetings. The Chairman reports orally on the activities of the Compensation Committee at the next meeting of the Board of Directors.
The following table gives an overview of the composition of the Committee, the Committee meetings, conference calls and circular resolutions taken in 2013, as well as the participation of the individual members:

	Meetings	Conference calls	Circular resolutions
Total	4	–	–
Average duration (in hours)	1:35	–	–
Participation:			
Richard Roy, Chairman	4	–	–
Torsten G. Kreindl	4	–	–
Theophil Schlatter	4	–	–
Hans Werder	4	–	–
Hansueli Loosli [1]	4	–	–
Barbara Frei [2]	4	–	–

1 Participation without voting rights.
2 2013 attendance by guest without voting rights.

Remuneration paid to the Board of Directors

Principles

The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated people for the board of directors' function. It also seeks to align the interests of the members of the Board of Directors with those of the shareholders. The remuneration reflects the level of responsibility and scope of activities performed by each member and is commensurate with the normal market remuneration for comparable functions.
The remuneration is made up of a Director's fee related to the member's function, which consists of a basic emolument and a functional allowance and meeting attendance fees. No variable profit-related emoluments are paid. The members of the Board of Directors are obligated to draw a portion of their fee in the form of equity shares and to comply with the new requirements on minimum shareholdings which were introduced during the reporting year, so they directly participate financially in the performance of Swisscom's shares.
The remuneration is reviewed every December for the following year to ensure it is still appropriate. In December 2012, the Board of Directors opted not to adjust its remuneration for the 2013 financial year. The Board of Directors judged the remuneration to be appropriate, taking into consideration the following benchmarks: the study on remuneration for the 30 listed companies in the Swiss Leader Index (SLI) for the 2011 business year, which was conducted by Towers Watson, a consulting firm specialised in the field of top management remuneration, and the publicly accessible study by ethos on management compensation at the 48 largest exchange-listed companies in Switzerland (SMI and SMIM) in the 2011 business year.

Remuneration components

Function-dependent Director's fee

The basic emolument for the Chairman of the Board of Directors is CHF 385,000 net, and CHF 120,000 net for the other Board members. Additional fees are paid for specific duties (functional allowances). Accordingly, each member of the standing Finance, Audit and Compensation Committees is entitled to an allowance of CHF 10,000 net. In addition, the Vice Chairman and the Chairman of the Finance and Compensation Committees are each entitled to an allowance of CHF 20,000 net. The Chairman of the Audit Committee receives a net amount of CHF 50,000. The representative of the Swiss Confederation receives a net amount of CHF 40,000 for the special duties related to his function. The members of ad-hoc committees do not receive a functional allowance, but meeting attendance fees.
Under the Management Incentive Plan, the members of the Board of Directors are obligated to draw 25% of their basic emoluments including functional allowances in the form of shares, whereby Swisscom increases the amount to be invested in shares by 50%. Two thirds of the remuneration (excluding meeting attendance fees) thus take the form of cash and one third shares. The amount of the share purchase obligation can vary in the case of members who join, leave, assume or give up a function during the year. The shares are allocated on the basis of the tax value, rounded up to whole numbers of shares, and are subject to a three-year blocking period. The shares which are allocated in April of each reporting year are recorded at market value on the date of allocation. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements. In April 2013, a total of 1,667 shares was allocated to the members of the Board of Directors (prior year: 1,927 shares) with a tax value of CHF 371 per share (prior year: CHF 310). The market value was CHF 442 per share (prior year: CHF 361).

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Meeting attendance fees

For meetings, attendance fees of CHF 1,250 net are paid for each full day and CHF 750 net for each half-day.

Pension fund and other benefits

Swisscom assumes the full costs of social insurance, in particular old-age and survivors' insurance and unemployment insurance, for the members of the Board of Directors. The reported Board of Directors remuneration includes the employee contributions to social insurance that are paid by Swisscom. The employer contributions are reported separately, but are factored into the total compensation sum.
With regards to the disclosure of service related and non-cash benefits and expenses, these are dealt with from a tax point of view. No significant service-related and non-cash benefits are paid. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. Accordingly, neither service-related or non-cash benefits nor expenses are included in reported compensation.

Total remuneration

Total remuneration paid to the individual members of the Board of Directors for the financial years 2013 and 2012 is presented in the tables below, broken down into individual components. The increase in remuneration in 2013 was due to changes in the assigned functions within committees in 2012 and a higher number of meetings in 2013.

	Base salary and functional allowances				
2013, in CHF thousand	Cash compensation	Share-based payment	Meeting attendance fees	Employer contributions to social security	Total 2013
Hansueli Loosli	330	195	43	30	598
Barbara Frei	104	61	28	11	204
Hugo Gerber [1]	104	61	30	11	206
Michel Gobet	104	61	28	11	204
Torsten G. Kreindl	127	75	33	13	248
Catherine Mühlemann	104	61	27	11	203
Richard Roy	144	85	33	15	277
Theophil Schlatter	152	90	31	16	289
Hans Werder	142	84	34	12	272
Total compensation to members of the Board of Directors	**1,311**	**773**	**287**	**130**	**2,501**

[1] In addition, a cash compensation (including meeting attendance fees) of CHF 9,000 was paid as member of the Board of Directors of Worklink AG.

	Base salary and functional allowances				
2012, in CHF thousand	Cash compensation	Share-based payment	Meeting attendance fees	Employer contributions to social security	Total 2012
Hansueli Loosli	330	195	38	30	593
Barbara Frei [1]	69	59	23	9	160
Hugo Gerber [2]	104	61	24	11	200
Michel Gobet	104	61	26	11	202
Torsten G. Kreindl	128	75	32	13	248
Catherine Mühlemann	104	61	25	11	201
Richard Roy	144	85	26	14	269
Theophil Schlatter	136	61	31	13	241
Othmar Vock [3]	50	4	7	3	64
Hans Werder	142	84	32	12	270
Total compensation to members of the Board of Directors	**1,311**	**746**	**264**	**127**	**2,448**

[1] Resigned as of 4 April 2012.
[2] In addition, a cash compensation (including meeting attendance fees) of CHF 9,500 was paid as member of the Board of Directors of Worklink AG.
[3] Resigned as of 4 April 2012.

Shareholding requirement

Starting in 2013, the members of the Board of Directors are required to maintain a minimum shareholding equivalent to one annual emolument (basic emolument plus functional allowance). The members of the Board of Directors have four years to build up the required minimum shareholding, in the form of the blocked shares paid as part of remuneration and, if necessary, through share purchases on the open market. Compliance with the shareholding requirement is reviewed annually by the Compensation Committee. If a member's shareholding falls below the minimum requirement due to a drop in the share price, the difference must be compensated for by no later than the time the Compensation Committee performs its next review. The Chairman of the Board can approve exceptions in an individual case for justified reasons such as personal hardship or the fulfilment of legal obligations.

Shareholdings of the members of the Board of Directors

Blocked and non-blocked shares held by members of the Board of Directors and/or related parties as at 31 December 2013 and 2012 are listed in the table below:

Number	31.12.2013	31.12.2012
Hansueli Loosli	1,335	915
Barbara Frei [1]	283	151
Hugo Gerber	1,020	888
Michel Gobet	1,387	1,255
Torsten G. Kreindl	1,061	899
Catherine Mühlemann	1,010	878
Richard Roy	1,269	1,087
Theophil Schlatter	711	518
Hans Werder	688	506
Total shares of the members of the Group Executive Board	**8,764**	**7,097**

[1] Resigned as of 4 April 2012.

The voting rights of any person subject to the disclosure obligation do not exceed 0.1% of the share capital.

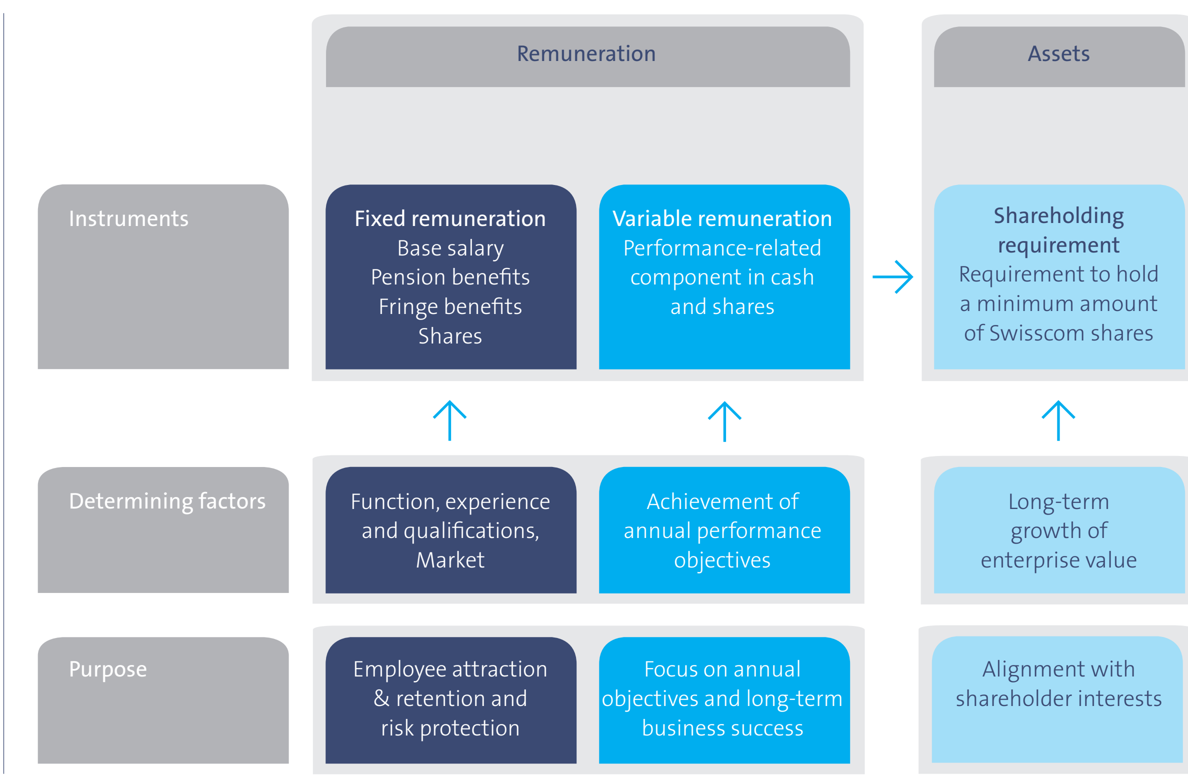
Remuneration paid to the Group Executive Board

Principles

The remuneration policy of Swisscom applicable to the Group Executive Board is designed to retain highly skilled and motivated specialists and executive staff over the long term and provide an incentive to achieve a lasting increase in the enterprise value. It is systematic, transparent and long-term oriented and is predicated on the following principles:

- Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- Remuneration is based on performance in line with the results achieved by Swisscom and the contribution made to results by the area for which the member of the Group Executive Board is responsible.
- Through direct financial participation in the performance of Swisscom's shares, the interests of management are aligned with the interests of shareholders.

The remuneration of the Group Executive Board is a balanced mix of fixed and variable salary components. The fixed component is made up of a base salary, other benefits (primarily use of a company car) and pension benefits. The variable remuneration includes a performance-related component settled in cash and shares. In addition, the Board of Directors may recognise exceptional individual performance by means of a discretionary premium settled in cash or shares.
In the year under review the remuneration system for the Group Executive Board was amended. Group Executive Board members are now required to maintain a minimum shareholding, which strengthens their direct financial participation in the medium-term performance of Swisscom's share and thus aligns their interests with those of shareholders. To facilitate compliance with the shareholding requirement, Group Executive Board members now have the opportunity to draw up to 50% of the variable performance-related component of their salary in shares. Starting from the reporting year the payout of the variable performance-related component is capped at 130% (previously 200%) of the target performance-related component.



As a rule, the Compensation Committee reviews individual remuneration paid to members of the Group Executive Board every three years of employment. The Compensation Committee decides at its discretion on the level of remuneration, taking into consideration the external market value of the function in question, the internal salary structure and individual performance.
Swisscom regularly takes part in market comparisons for the purpose of assessing market values. In the year under review, Swisscom referred to the following three comparative studies carried out by recognised consulting firms: The “Top Executive Compensation Survey” conducted by Towers Watson covers 20 companies in various sectors, with headquarters in Switzerland. More than half are represented in the SMI and have average revenues of CHF 20 billion and an average workforce of 26,000 (FTEs). The “Swiss Headquarters Executive Total Compensation Measurement Study” by Aon Hewitt covers 82 Swiss companies and international groups in all sectors, with global or regional headquarters in Switzerland, average revenues of CHF 3.3 billion and an average workforce of 9,000. The international “European Executive Survey”, also produced by Aon Hewitt, covers 33 European groups, mainly telecommunications companies, with average revenues of CHF 30 billion and an average workforce of 78,000 (FTEs). Due to their numerous reference companies, these studies provide the basis for a representative comparison. In the evaluation of these studies, Swisscom took into account the sector as well as the extent of responsibility in terms of revenue, number of employees and international scope. During the reporting year the remuneration of two Group Executive Board members was adjusted to reflect these benchmarks and to bring the salary for a new function into line with the market.

Remuneration components

Base salary

The base salary is the remuneration paid according to the function, qualifications and performance of the individual member of the Group Executive Board. It is determined based on a discretionary decision taking into account the external market value for the function and the salary structure for the Group’s executive management. The base salary is paid in cash.

Variable performance-related salary component

The members of the Group Executive Board are entitled to a variable, performance-related salary component which represents 70–117% of the base salary and is based on the individual function and the achievement of objectives. The amount of the performance-related component paid out depends on the extent to which the targets set by the Compensation Committee are achieved, taking into account the performance evaluation by the CEO. If targets are exceeded, additional remuneration up to a maximum of 130% of the targeted performance-related component may be paid. The maximum performance-related salary component is thus limited to 91–152% of the base salary, depending on the function.

Targets for the variable performance-related component

The targets underlying the variable performance-related component are reviewed annually in December for the following year by the Board of Directors following a proposal submitted by the Compensation Committee. The relevant targets set for the reporting year are based on the Swisscom Group’s budget figures for 2013.
Three target levels are defined: “Group”, “Customers” and “Segments”. All Group Executive Board members are assessed according to Group and customer targets. The Group targets are based on financial objectives. For the first time, the customer targets for the reporting year are measured using the Net Promotor Score – a recognised indicator of customer loyalty – taking into consideration the customer group for which the Group Executive Board member is responsible. The segment targets are tailored to the relevant function of each Group Executive Board member and consist of financial and non-financial targets.
Swisscom’s target structure aims to strike a balance between financial performance and market performance, taking into account the specific area of responsibility of the individual Group Executive Board member.

The following table illustrates the target structure valid for Group Executive Board members in the year under review, showing the three target levels, individual targets and the respective weighting.

Target levels	Weighting of targets level	Objectives	Weighting of targets
Group	40–70%	Net revenue	0–35%
		EBITDA margin	0–35%
		Operating free cash flow	16–28%
Customers	25–30%	Net Promoter Score	25–30%
Segments	0–35%	Targets of segments	0–35%
Total	**100%**	**Total**	**100%**

Achievement of targets

The Compensation Committee determines the level of target achievement in the following year once the consolidated financial statements become available, taking into consideration the calculated degree of target achievement and the level of achievement (from overachievement to underachievement of target values) based on the defined sensitivities for the individual measurements. In determining the level of target achievement, the Compensation Committee also has a degree of discretion in assessing the effective management performance. Special factors can thus also be taken into account such as fluctuations in exchange rates. Based on the level of target achievement, the Compensation Committee submits a proposal for approval to the Board of Directors for the amount of the performance-related salary component to be paid to the Group Executive Board and the CEO.

Group targets were overall slightly exceeded in the year under review. Customer targets in the individual segments were largely achieved and exceeded. The other targets of the segments were also achieved and partially exceeded.

Payment of the variable performance-related component

The variable performance-related component is paid in April of the following year, with a minimum of 25% being paid in the form of Swisscom shares, in accordance with the Management Incentive Plan. The members of the Group Executive Board have the option of increasing this proportion up to a maximum of 50%. The remainder of the variable performance-related salary component is paid in cash. The decision of what percentage of the variable performance-related salary component is to be drawn in the form of shares must be communicated prior to the end of the reporting year, but no later than in November following publication of the third-quarter results. Two members of the Group Executive Board receive in addition a certain part of the performance-related salary component exclusively in shares, making the respective total proportion of shares at least 34% and at most 57%. The shares are allocated on the basis of the tax value, rounded up to whole numbers of shares, and are subject to a three-year blocking period. The share-based compensation for the reporting period is augmented by a factor of 1.19 in order to take account of the difference between the market value and the tax value. The market value is determined as of the date of allocation. Shares in respect of the current year are allocated in April 2014. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements.

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In April 2013, a total of 2,707 shares (2011: 3,170 shares) with a tax value of CHF 371 (2011: CHF 310) per share and a market value of CHF 442 (2011: CHF 361) per share were allocated for the 2012 financial year to the members of the Group Executive Board in office in the previous year.

During the reporting year Urs Schaeppi was awarded a premium settled in cash for outstanding individual services in his role as acting CEO ad interim.

Pension fund and other benefits

The members of the Group Executive Board, like all eligible employees in Switzerland, are insured against the risks of old age, death and disability through the comPlan pension plan (see pension fund regulations at www.pk-complan.ch). Reported pension benefits (amounts which give rise to pension entitlements or increase pension benefits) encompass all savings, guarantee and risk contributions paid by the employer to the fund. This includes the premium for supplementary life insurance concluded for swisscom management staff in Switzerland.
With regard to the disclosure of non-cash benefits and expenses, these are dealt with from a tax point of view. The members of the Group Executive Board are entitled to the use of a company car. The disclosed service-related and non-cash benefits therefore include an amount for private use of the company car. Incidental expenses are reimbursed at the per diem rate approved by the tax authorities while other expenses are reimbursed at cost. These expenses are not added to remuneration.

Total remuneration

The following table shows total remuneration paid to the members of the Group Executive Board for the accounting years 2013 and 2012, broken down into individual components and including the highest amount paid to one member. Any remuneration paid to those stepping down from the Group Executive Board includes the respective maximum remuneration up to the end of the notice period in the year under review or previous year. Two members of the Group Executive Board stepped down in the year under review. No termination benefits were paid. The variable performance-related salary component due to members of the Group Executive Board who are stepping down is paid completely in cash. In the year under review the ratio of the base salary (total CHF 3.183 million) to the variable performance-related bonus (total CHF 3.493 million) was 47.7% to 52.3%. The total remuneration paid to the highest-earning member of the Group Executive Board decreased by 12.3% compared to the prior year. This is due to the death of the CEO in July 2013, the interim situation it created and the appointment of a new CEO in November. The decrease in the remuneration of the Group Executive Board is mainly attributable to the reduction in the number of board members from ten to six as of 1 January 2013 and the absence of two further board members in 2013. The decrease was only minor as a result of benefits paid following retirement from Group Executive Board.

In CHF thousand	Total Group Executive Board 2013	Total Group Executive Board 2012	Thereof Urs Schaeppi 2013	Thereof Carsten Schloter 2012
Fixed base salary paid in cash	3,183	4,353	622	830
Variable earnings-related compensation paid in cash	2,640	3,092	566	635
Service-related and non-cash benefits	45	108	16	8
Share-based payments fixed [1]	–	35	–	–
Share-based payments variable [2]	853	1,191	298	252
Employer contributions to social security [3]	488	645	105	122
Benefits paid following retirement from Group Executive Board [4]	1,481	–	–	–
Retirement benefits [5]	738	1,064	106	106
Benefits paid to former Members of the Group Executive Board [6]	–	80	–	–
Severance payments	–	–	–	–
Total compensation to members of the Group Executive Board	**9,428**	**10,568**	**1,713**	**1,953**

[1] The shares are recorded at their market value and are blocked for three years.
[2] The shares are recorded at their market value and are blocked for three years.
[3] As from 2013, employer contributions to social insurance (AHV, IV, EO and FAK including administrative costs, sick pay allowance and accident insurance) are now included as part of total remuneration.
[4] This amount consists of employer social security contributions as well as retirement benefits for 2014 (for forfeited entitlements to share and option plans).
[5] During 2012 and 2013 CHF 170,000 or 165,000, respectively was paid to one Group Executive Board member for retirement benefits as compensation for forfeited entitlements to share and option plans. He was awarded a total amount of CHF 500,000 spread over 2012-2014.
[6] In 2012, CHF 80,000 was paid to one retired Group Executive Board member for advisory services in respect of support for the interim solution.

Shareholding requirement

From 2013, the members of the Group Executive Board are required to hold a minimum amount of Swisscom shares. The minimum shareholding to be held by the CEO shall be equivalent to two years' base salary. The remaining members shall maintain a shareholding equivalent to one year's base salary. The members of the Group Executive Board have four years to build up the required minimum shareholding, in the form of the blocked shares paid as part of remuneration and, if necessary, through share purchases on the open market. Compliance with the shareholding requirement is reviewed annually by the Compensation Committee. If a member's shareholding falls below the minimum requirement due to a drop in the share price or a salary adjustment, the difference must be made up by no later than the time the Compensation Committee performs its next review. At his own discretion, the Chairman of the Board can approve exceptions in an individual case for justified reasons such as personal hardship or the fulfilment of legal obligations.

Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by current members of the Group Executive Board or related parties as at 31 December 2013 are listed in the table below:

Number	31.12.2013	31.12.2012
Urs Schaeppi (CEO) [1]	1,716	1,441
Mario Rossi [2]	383	–
Hans C. Werner	257	49
Andreas König [3]	170	–
Total shares of the members of the Board of Directors	**2,526**	**1,490**

[1] From 23 July to 6 November 2013 CEO ad interim and from 7 November 2013 CEO.
[2] Entered as of 1 January 2013.
[3] Entered as of 1 October 2012.

The voting rights of any person subject to the disclosure obligation do not exceed 0.1% of the share capital.

Employment contracts

The employment contracts of the members of the Group Executive Board are subject to a twelve-month notice period. No termination benefits are payable in addition to the salary payable for a maximum of twelve months. They do not contain a clause relating to change of control.

Planned adjustments to the remuneration system for Executive Board members as of 2014

Effective as of 2014, the variable component of the total remuneration of Executive Board members will be reduced, so that it may not exceed one year's base salary, even if the targets are exceeded. This adjustment does not change the total remuneration of each individual Executive Board member. The targeted variable component for Executive Board members now amounts up to 70% of the adjusted annual base salary, depending on the function.

Other remuneration

Additional remuneration

The members of the Group Executive Board are not entitled to separate remuneration if they hold any Board of Director mandates either within or outside the Swisscom Group. With the exception of Hugo Gerber, who received remuneration for his mandate as a member of the Board of Directors of the Swisscom Group company Worklink AG, no other members of the Board of Directors or the Group Executive Board received any additional remuneration for mandates performed for Swisscom Ltd or any of its subsidiaries.

Remuneration for former members of the Board of Directors or Group Executive Board and related parties

During the reporting year, no compensation was paid to former members of the Board of Directors or the Group Executive Board in connection with their earlier activities as a member of a governing body of the Company and/or which are not at arm's length.
Related parties are spouses and common-law spouses, close relatives who are financially dependent on the member of the governing body or live in the same household, other persons who are financially dependent on such individuals as well as partnerships or corporate entities that are controlled by the member of the governing body or over which the individual exercises a significant influence. Parents, siblings and children are also considered to be related parties. During the reporting year, no payments were made to individuals who are closely related to any member of the Board of Directors or the Group Executive Board which are not at arm's length.

Loans and credits granted

In the 2013 financial year, Swisscom Ltd provided no guarantees, loans, advances or credit facilities of any kind either to former or current members of the Board of Directors or Group Executive Board or related parties. Nor are there any receivables of any kind outstanding.

Implementation of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC)

Implementation of the OaEC has resulted in a number of changes. The Annual General Meeting is required each year to individually elect the Chairman as well as the members of the Board of Directors and the Compensation Committee as well as the independent proxy. Voting representation by the corporate proxy and/or custodian is no longer permitted. Swisscom intends to continue putting the Compensation Report to a consultative vote. In addition, shareholders will be given the possibility of electronically issuing powers of attorney and instructions to the independent proxy via the "Sherpany" platform. Swisscom intends to present proposals covering various amendments to the Articles of Incorporation for approval by shareholders at the 2014 Annual General Meeting. Key provisions of the Articles of Incorporation concern approval of the compensation budget for the Board of Directors and the Group Executive Board for the next financial year; duties and powers of the Compensation Committee; rules governing the acceptance of third-party mandates; and the payment of an additional amount for new members appointed to the Group Executive Board during the course of the year after the compensation budget has been approved.

Financial Statements

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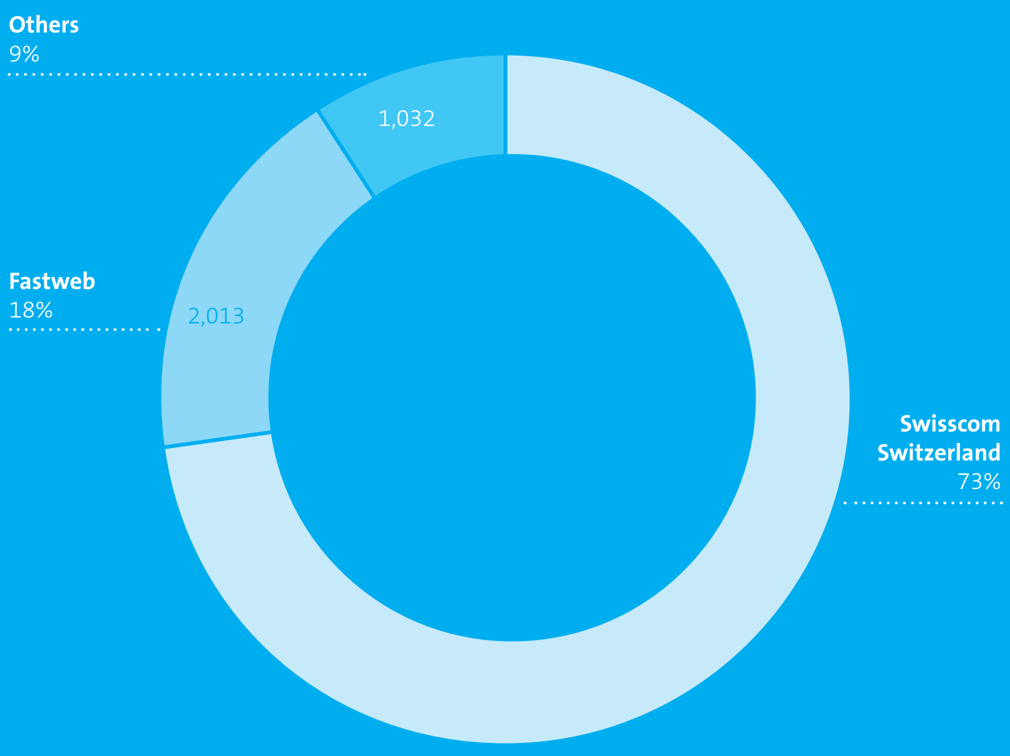
Net revenue in CHF mio.



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Consolidated financial statements
Consolidated income statement

In CHF million, except for per share amounts	Note	2013	2012 restated [1]
Net revenue	6, 7	**11,434**	**11,384**
Goods and services purchased	8	(2,338)	(2,399)
Personnel expense	9, 10, 11	(2,706)	(2,485)
Other operating expense	12	(2,476)	(2,396)
Capitalised self-constructed assets and other income	13	388	373
Operating income before depreciation, amortisation and impairment losses (EBITDA)		**4,302**	**4,477**
Depreciation, amortisation and impairment losses on tangible and intangible assets	23, 24	(2,044)	(1,950)
Operating income (EBIT)		**2,258**	**2,527**
Financial income	14	81	29
Financial expense	14	(340)	(355)
Share of results of associates	25	30	32
Income before income taxes		**2,029**	**2,233**
Income tax expense	15	(334)	(418)
Net income		**1,695**	**1,815**
Share of net income attributable to equity holders of Swisscom Ltd		1,685	1,808
Share of net income attributable to non-controlling interests		10	7
Basic and diluted earnings per share (in CHF)	16	**32.53**	**34.90**

[1] See Note 3.23, New and amended Standards and Interpretations.

Consolidated statement of comprehensive income

In CHF million	Note	2013	2012 restated [1]
Net income		**1,695**	**1,815**
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans	10, 31	847	(769)
Income tax expense	15, 31	(169)	151
Items that will not be reclassified to income statement, net of tax		**678**	**(618)**
Foreign currency translation adjustments of foreign subsidiaries	31	63	(26)
Change in fair value of available-for-sale financial assets	31	1	–
Gains and losses from available-for-sale financial assets transferred to income statement	31	–	5
Change in fair value of cash flow hedges	31	7	(5)
Gains and losses from cash flow hedges transferred to income statement	31	6	8
Income tax expense	15, 31	(15)	6
Items that are or may be reclassified subsequently to income statement, net of tax		62	(12)
Other comprehensive income		**740**	**(630)**
Comprehensive income		**2,435**	**1,185**
Share of comprehensive income attributable to equity holders of Swisscom Ltd		2,423	1,181
Share of comprehensive income attributable to non-controlling interests		12	4

[1] See Note 3.23, New and amended Standards and Interpretations.

Consolidated balance sheet

In CHF million	Note	31.12.2013	31.12.2012 restated [1]	1.1.2012, restated [1]
Assets				
Cash and cash equivalents	17	723	538	314
Trade and other receivables	18	2,516	2,658	2,745
Other financial assets	19	160	40	73
Inventories	20	152	160	144
Current income tax assets	15	22	55	45
Other non-financial assets	21	210	220	334
Non-current assets held for sale	22	13	1	1
Total current assets		**3,796**	**3,672**	**3,656**
Property, plant and equipment	23	9,156	8,549	8,222
Goodwill	24	4,809	4,662	4,664
Other intangible assets	24	2,053	2,121	1,879
Investments in associates	25	153	268	233
Other financial assets	19	193	197	196
Deferred tax assets	15	279	285	223
Other non-financial assets	21	57	42	56
Total non-current assets		**16,700**	**16,124**	**15,473**
Total assets		**20,496**	**19,796**	**19,129**
Liabilities and equity				
Financial liabilities	26	1,656	1,053	804
Trade and other payables	27	1,870	1,993	1,957
Current income tax liabilities	15	184	189	37
Provisions	28	132	154	148
Other non-financial liabilities	30	759	643	676
Total current liabilities		**4,601**	**4,032**	**3,622**
Financial liabilities	26	7,167	7,730	8,027
Defined benefit obligations	10	1,293	2,108	1,489
Provisions	28	667	686	755
Deferred tax liabilities	15	456	236	247
Other non-financial liabilities	30	310	287	296
Total non-current liabilities		**9,893**	**11,047**	**10,814**
Total liabilities		**14,494**	**15,079**	**14,436**
Share capital	31	52	52	52
Capital reserves		136	136	136
Retained earnings		7,356	6,135	6,098
Other reserves	31	(1,571)	(1,633)	(1,620)
Share of equity attributable to equity holders of Swisscom Ltd		**5,973**	**4,690**	**4,666**
Share of equity attributable to non-controlling interests		29	27	27
Total equity		**6,002**	**4,717**	**4,693**
Total liabilities and equity		**20,496**	**19,796**	**19,129**

[1] See Note 3.23, New and amended Standards and Interpretations.

Consolidated statement of cash flows

In CHF million	Note	2013	2012 restated [1]
Net income		1,695	1,815
Share of results of associates	25	(30)	(32)
Income tax expense	15	334	418
Depreciation, amortisation and impairment losses	23, 24	2,044	1,950
Expense for share-based payments	11	6	6
Gain on sale of property, plant and equipment	13	(16)	(16)
Loss on disposal of property, plant and equipment	12	13	7
Financial income	14	(81)	(29)
Financial expense	14	340	355
Change in net operating assets and liabilities	34	104	(39)
Income taxes paid	15	(278)	(190)
Cash flow provided by operating activities		**4,131**	**4,245**
Capital expenditure for tangible and other intangible assets	23, 24, 34	(2,445)	(2,561)
Proceeds from sale of tangible and other intangible assets		23	13
Proceeds from sale of non-current assets held for sale	22	5	12
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5	(60)	(17)
Investments in associates	25	(1)	(48)
Purchase of other financial assets		(158)	(12)
Proceeds from other financial assets		24	37
Interest received		10	14
Dividends received	25	43	38
Cash flow used in investing activities		**(2,559)**	**(2,524)**
Issuance of financial liabilities	26	993	651
Repayment of financial liabilities	26	(956)	(726)
Interest paid		(253)	(250)
Dividends paid to equity holders of Swisscom Ltd	32	(1,140)	(1,140)
Dividends paid to non-controlling interests		(14)	(14)
Purchase of treasury shares for share-based payments	11, 31	(6)	(6)
Other cash flows from financing activities	34	(12)	(12)
Cash flow used in financing activities		**(1,388)**	**(1,497)**
Net increase in cash and cash equivalents		**184**	**224**
Cash and cash equivalents at 1 January		538	314
Foreign currency translation adjustments in respect of cash and cash equivalents		1	–
Cash and cash equivalents at 31 December		**723**	**538**

[1] See Note 3.23, New and amended Standards and Interpretations.

Consolidated statement of changes in equity

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
Balance at 31 December 2011, reported	**52**	**136**	**5,704**	**–**	**(1,620)**	**4,272**	**24**	**4,296**
Change in accounting policies [3,23]	–	–	394	–	–	394	3	397
Balance at 1 January 2012, restated	**52**	**136**	**6,098**	**–**	**(1,620)**	**4,666**	**27**	**4,693**
Net income	–	–	1,808	–	–	1,808	7	1,815
Other comprehensive income	–	–	(614)	–	(13)	(627)	(3)	(630)
Comprehensive income	**–**	**–**	**1,194**	**–**	**(13)**	**1,181**	**4**	**1,185**
Dividends paid [32]	–	–	(1,140)	–	–	(1,140)	(14)	(1,154)
Transactions with non-controlling interests	–	–	(10)	–	–	(10)	10	–
Share of equity transactions of associates [25]	–	–	(7)	–	–	(7)	–	(7)
Purchase of treasury shares for share-based payments [31]	–	–	–	(6)	–	(6)	–	(6)
Allocation of treasury shares for share-based payments [11,31]	–	–	–	6	–	6	–	6
Balance at 31 December 2012, restated	**52**	**136**	**6,135**	**–**	**(1,633)**	**4,690**	**27**	**4,717**
Net income	–	–	1,685	–	–	1,685	10	1,695
Other comprehensive income	–	–	676	–	62	738	2	740
Comprehensive income	**–**	**–**	**2,361**	**–**	**62**	**2,423**	**12**	**2,435**
Dividends paid [32]	–	–	(1,140)	–	–	(1,140)	(14)	(1,154)
Additions from acquisition of subsidiaries [5]	–	–	–	–	–	–	19	19
Transactions with non-controlling interests	–	–	–	–	–	–	(15)	(15)
Purchase of treasury shares for share-based payments [31]	–	–	–	(6)	–	(6)	–	(6)
Allocation of treasury shares for share-based payments [11,31]	–	–	–	6	–	6	–	6
Balance at 31 December 2013	**52**	**136**	**7,356**	**–**	**(1,571)**	**5,973**	**29**	**6,002**

Reference numbers relate to the notes to the consolidated financial statements.

Notes to the consolidated financial statements

This financial report is a translation from the original German version. In case of any inconsistency the German version shall prevail.

1 General information

The Swisscom Group (hereinafter referred to as "Swisscom") provides telecommunication services and is active primarily in Switzerland and Italy. A more detailed description of Swisscom's business activities is to be found in Notes 3.16 and 6. The consolidated financial statements as of and for the year ended 31 December 2013 comprise Swisscom Ltd, the parent company, and its subsidiaries. A table of the Group subsidiaries is set out in Note 41. Swisscom Ltd is a limited-liability company incorporated in Switzerland under a private statute and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenaustrasse 6, 3048 Worblaufen. Swisscom Ltd is listed on the SIX Swiss Exchange. As of 31 December 2013, the Swiss Confederation ("Confederation"), as majority shareholder, held 51.2% of the voting rights and issued capital of Swisscom Ltd. The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom has approved the issuance of these consolidated financial statements on 5 February 2014. The consolidated financial statements must be approved at the Annual General Meeting of Shareholders of Swisscom Ltd to be held on 7 April 2014.

2 Basis of preparation

The consolidated financial statements of Swisscom have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the provisions of Swiss law. The reporting period covers twelve months. The consolidated financial statements are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts are stated in millions of Swiss francs. The balance sheet is classified according to maturities. Assets and liabilities due within one year are classified as current. The income statement is classified based upon the nature of the income/expense. The consolidated financial statements have been prepared on the historical cost basis, unless a Standard or Interpretation prescribes another measurement basis for a particular caption in the consolidated financial statements.

3 Summary of significant accounting policies

3.1 Consolidation

Subsidiaries

Subsidiaries are all companies over which Swisscom Ltd has the effective ability of controlling their financial and business policies. Control is generally presumed where Swisscom Ltd directly or indirectly holds the majority of the voting rights or potential voting rights of the company. Subsidiaries are included in consolidation from the date on which they are acquired and deconsolidated from the date they are disposed of. Intercompany balances and transactions, income and expenses, shareholdings and dividends as well as unrealised gains and losses are fully eliminated. Unrealised losses on an asset which has been transferred within the Group may be an indication of an impairment in value and triggers an impairment test. Non-controlling interests in subsidiary companies are reported within equity separately from that attributable to the shareholders of Swisscom Ltd. The non-controlling interests in net income or loss are shown in the consolidated income statement as a component of the consolidated net income or loss. Movements in shareholdings of subsidiary companies are reported as transactions within equity insofar as control existed previously and continues to exist. Written put options to owners of non-controlling interests are disclosed as financial liabilities. The balance sheet date for all consolidated subsidiaries is 31 December. There are no material restrictions on the transfer of funds from the subsidiaries to the parent company.

Investments in associates

Shareholdings in associates over which Swisscom exercises significant influence but does not have control are accounted for using the equity method. A significant influence is generally assumed to exist whenever between 20% and 50% of the voting rights are held. Under the equity method, investments in associates are initially recognised at their purchase cost at the date of acquisition. Purchase cost comprises the share of net assets acquired and any applicable goodwill arising. In subsequent accounting periods, the carrying amount of the investment is adjusted by the share of current profits and losses together with the share of movements in other equity captions, less the share of dividends distributed. Unrealised gains and losses from transactions with associates are eliminated on a pro-rata basis.

3.2 Foreign currency translation

Foreign currency transactions which are not denominated in the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items as of the balance sheet date are translated into the functional currency at the exchange rate prevailing at the balance sheet date and non-monetary items are translated using the exchange rate on the date of the transaction. Translation differences are recognised in the income statement. The consolidated financial statements are presented in Swiss francs. Assets and liabilities of subsidiaries and associates reporting in a different functional currency are translated at the exchange rates prevailing on the balance sheet date whereas the income statement and the cash flow statement are translated at average exchange rates. Translation differences arising from the translation of net assets and income statements are not taken to income but recorded directly in equity as part of other comprehensive income. Upon sale of a foreign Group company, the cumulative foreign exchange differences previously included in the foreign currency translation reserve under equity are taken to income as part of the gain or loss on disposal.

For the consolidated financial statements, the most significant foreign currencies during the reporting years were translated at the following exchange rates:

	Closing rate			Average rate	
Currency	31.12.2013	31.12.2012	31.12.2011	2013	2012
1 EUR	1.228	1.207	1.216	1.229	1.204
1 USD	0.890	0.915	0.939	0.924	0.932

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight balances and time deposits with financial institutions with a maximum term of three months from the acquisition date. This definition is equally applied for the cash flow statement. Cash and cash equivalents are accounted for at amortised cost.

3.4 Trade and other receivables

Trade and other receivables are measured at amortised cost less impairment losses. Any impairment losses are recorded through the use of valuation allowance accounts. All realised losses lead to the derecognition of the related receivable.
Receivables and payables are netted whenever Swisscom has a legal right of set-off as of the balance-sheet date and intends to either settle on a net basis or realise the asset and settle the liability simultaneously. The right of set-off must exist as of the balance-sheet date and it shall be legally enforceable both in the ordinary course of business as well as in the case of the insolvency of the contracting party.

3.5 Other financial assets

Other financial assets are classified either as "at fair value through profit or loss", "loans and receivables", "held-to-maturity" or "available-for-sale". The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets at the time of acquisition and reviews the classification as of each balance sheet date. Trade date accounting is applied for routine purchases and sales of financial assets. Financial assets are initially recognised at their fair values, including directly related transaction costs. Transaction costs relating to financial assets at fair value through profit or loss are not capitalised on acquisition but expensed immediately as incurred. Financial assets are partially or fully derecognised if Swisscom's rights to the cash flows arising therefrom have either elapsed or were transferred and Swisscom is neither exposed to any risks arising from these assets nor has any entitlement to income from them.

Financial assets at fair value through profit or loss

Financial assets valued at fair value through profit or loss are either held for trading purposes or are classified as such upon initial recording. They are measured at their fair value. Any gains or losses resulting from subsequent measurement are taken to income. Swisscom classifies only derivative financial instruments in this category.

Financial assets held to maturity

Held-to-maturity financial assets are fixed-term financial assets for which Swisscom has the ability and intention to hold to maturity. After their initial recognition at amortised cost, financial assets are accounted for using the effective interest method less provisions for impairment. Foreign exchange gains and losses are taken to income. Swisscom has not classified any financial assets in this category.

Loans and receivables

After their initial recognition at amortised cost, loans and receivables are measured using the effective interest method. Foreign exchange gains and losses are taken to income. The caption loans and receivables primarily reflects term deposits with original maturities exceeding three months which Swisscom places directly, or through an agent, with the borrower.

Available-for-sale financial assets

All other financial assets are classified as available-for-sale financial assets. Available-for-sale financial assets are accounted for at fair value and all unrealised changes in fair value are recorded in equity. Foreign exchange gains and losses on available-for-sale debt instruments are recognised in the income statement. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains and losses since acquisition that had been recognised in equity are reclassified from equity and recorded as financial income or expense. If the fair value of an unlisted equity instrument cannot be reliably determined, the instruments are accounted for at cost less provisions for impairment.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes all costs of acquisition and manufacture as well as other costs incurred in order to bring the inventories to their present location and condition as intended by management. The cost of inventories is determined using the weighted average cost method. Write-downs are raised for inventories that are difficult to sell. Unsalable inventories are fully written off.

3.7 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment losses. In addition to the purchase cost and the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, purchase or manufacturing cost also includes the estimated costs for dismantling and restoration of the site. The construction costs of self-constructed assets include directly attributable costs as well as indirect costs of material, manufacture and administration. Borrowing costs are capitalised insofar as they can be allocated directly to the acquisition or production of a qualifying asset. Costs of replacement, renewal or renovation of property, plant and equipment are capitalised as replacement investments if a future inflow of economic benefits is probable and the purchase or manufacturing costs can be measured reliably. The carrying amount of the parts replaced is de-recognised. Maintenance costs and repairs which are not capable of being capitalised are expensed. Systematic depreciation is calculated using the straight-line method with the exception of land, which is not depreciated. The estimated useful lives for the main categories of property, plant and equipment are:

Category	Years
Buildings and leasehold improvements	10 to 40
Cables [1]	30
Ducts [1]	40
Transmission and switching equipment [1]	4 to 15
Other technical installations [1]	3 to 15
Other installations	3 to 15

[1] Technical installations.

When significant parts of an item of property, plant and equipment comprise individual components with differing useful lives, each component is depreciated separately. The estimated useful lives and residual values are reviewed at least annually as of the balance sheet date and, if necessary, adjusted. Leasehold improvements and installations in leased premises are amortised on a straight-line basis over the shorter of their estimated useful lives and the remaining minimum lease term. The carrying amount of an item of property, plant and equipment is written off on disposal or whenever no future economic benefits are expected from its use. Gains and losses arising on the disposal of property, plant and equipment are calculated as the difference between the disposal proceeds and the carrying amount of the item of property, plant and equipment. They are taken to income and recorded as other income or other operating expenses.

3.8 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. As of the date of acquisition, the consideration transferred in a business combination is recognised at fair value. The consideration includes the amount of cash paid as well as the fair value of the assets ceded, liabilities incurred or assumed as well as own equity instruments ceded. Liabilities depending on future events based upon contractual agreements are recognised at fair value. At the time of acquisition, all identifiable assets and liabilities that satisfy the recognition criteria are recognised at their fair values. The difference between the cost of acquisition and the fair value of the identifiable assets and liabilities acquired or assumed is accounted for as goodwill after taking account of any non-controlling interests. Any negative difference, after further review, is expensed directly. Goodwill acquired in connection with a business combination is recognised under intangible assets. The goodwill is not amortised but reviewed for impairment at least annually. When an entity is disposed of, the carrying amount of the goodwill is derecognised and recorded as a component of the gain or loss on disposal.

3.9 Other intangible assets

Research and development costs

Research costs are not capitalised but expensed as incurred. Development costs are capitalised under intangible assets only if they can be identified as an intangible asset which will generate future economic benefits and the costs of this asset can be determined reliably.

Other intangible assets

Mobile phone licenses, self-developed software as well as other intangible assets are recorded at purchase or manufacturing cost less accumulated amortisation. Intangible assets resulting from business combinations, such as brands and customer relationships, are recorded at acquisition cost corresponding to fair value as of the date of acquisition, less accumulated amortisation. Systematic amortisation of mobile phone licenses is based on the term of the contract. It begins as soon as the related network is operational, unless other information is at hand which would suggest the need to modify the useful life.

Useful lives of other intangible assets

Systematic amortisation is computed using the straight-line method based on the following estimated useful lives:

Category	**Years**
Software internally generated and purchased	3 to 7
Customer relationships	7 to 11
Brands	5 to 10
Other intangible assets	3 to 16

The estimated useful lives are reviewed at least once annually as of the balance sheet date and, where necessary, adjusted.

3.10 Non-current assets held for sale

A non-current asset or a disposal group is classified as being held for sale if its carrying amount will be recovered mainly as a result of a sales transaction and not through continued use. Non-current assets or disposal groups that are held for sale are reported in the balance sheet separately under current assets and liabilities. The assets or asset groups are valued at the lower of their carrying amount and fair value less costs of disposal and any applicable impairment losses resulting from the initial classification are recorded in the income statement. Assets classified as held for sale and disposal groups are no longer depreciated and amortised.

3.11 Impairment losses

Impairment of financial assets

As of each balance sheet date, the carrying amounts of those financial assets for which changes in fair value are not recognised in the income statement are reviewed for any objective indications of impairment in value. An impairment loss is recognised where there is objective evidence of impairment, such as where the borrower is in bankruptcy, in default or other significant financial difficulties. The impairment of a financial asset which is recorded at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Available-for-sale financial assets whose fair value is less than their acquisition cost for a prolonged period or to a significant degree are considered to be value impaired. In the event of impairment, the losses are reclassified out of equity and recognised as financial expense. As of each balance sheet date, significant financial assets are individually reviewed for impairment. The recording of impairment losses on trade and other receivables varies as a function of the nature of the underlying transaction either in the form of specific valuation allowances or as portfolio-based lump-sum valuation allowances which cover the anticipated default risk. As regards portfolio-based lump-sum valuation allowances, financial assets are regrouped on the basis of similar credit risk characteristics and reviewed on a collective basis for impairment in value; where applicable, an allowance is raised. In determining the anticipated future cash flows of the portfolio, historic default rates are taken into account in addition to the contractually agreed payment conditions. Impairment losses on trade and other receivables are recognised as other operating expenses. Impairment losses on other financial assets are recorded as financial expense.

Impairment of goodwill

For the purposes of the impairment test, goodwill is allocated to cash-generating units. The impairment test is performed in the fourth quarter after completion of business planning. If there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. An impairment loss is recognised if the recoverable amount of a cash-generating unit is lower than its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. The method used to test impairment is described in Note 24. Any impairment loss on goodwill recognised in prior periods may not be reversed in subsequent periods.

Impairment of property, plant and equipment and other intangible assets

If indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less cost to sell and the value in use, is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

3.12 Leases

Finance leases

A lease is recorded as a finance lease when substantially all of the risks and rewards incidental to ownership of an asset are transferred. The asset is initially recorded at the lower of its fair value and the present value of the minimum lease payments and is amortised over the lesser of the asset's useful life and the lease term. The interest component of the lease payments is recognised as interest expense over the lease term using the effective interest method. Leases for land and buildings are recorded separately if the lease payments can be reliably allocated. Gains on sale-and-leaseback transactions are deferred and released on a straight-line basis over the lease term as other income. Losses on sale-and-leaseback transactions are recognised immediately.

Operating leases

Lease arrangements which do not transfer all the significant risks and rewards of ownership are classified as operating leases. Payments are recorded as other operating expense using the straight-line method over the lease period. Gains and losses on sale-and-leaseback transactions are recorded directly in the income statement.

3.13 Financial liabilities

Financial liabilities are initially measured at fair value less direct transaction costs. In subsequent accounting periods, they are re-measured at amortised cost using the effective interest method.

3.14 Trade and other payables

Trade and other payables are recorded at amortised cost.

3.15 Provisions

Provisions for termination benefits

Costs relating to the implementation of personnel downsizing programmes are expensed in the period when management commits itself to a downsizing plan, it is probable that a liability has been incurred, the amount thereof can be reliably estimated and if the implementation of the programme has begun or the individuals involved have been advised in sufficient detail as to the main terms of the downsizing programme. A public announcement and/or communication to personnel organisations are deemed to be equivalent to commencing the implementation of the programme.

Provisions for dismantling and restoration costs

Swisscom is legally obligated to dismantle transmitter stations and telecommunication installations located on land belonging to third parties following decommissioning and to restore the property owned by third parties in the locations where these installations are located to its original state. The costs of dismantling are capitalised as part of the acquisition cost of the installations and are amortised over the useful lives of the installations. The provisions are recorded at the present value of the aggregate future costs and are reported under long-term provisions. Whenever the provision is remeasured, the present value of the changes in the liability are either added to or deducted from the cost of the related capitalised asset. The amount deducted from the cost of the related capitalised asset shall not exceed its carrying amount. Any excess is taken directly to the income statement.

Other provisions

Provisions are raised whenever a legal or de facto liability exists as a result of an occurrence in the past, an outflow of resources to settle the liability is probable and the amount of the liability can be estimated reliably. Provisions are discounted if the effect is material.

3.16 Segmentation and revenue recognition

General

Net revenue is measured at the fair value of the consideration received less value-added taxes, price reductions, volume rebates and other reductions in sales proceeds. Revenues are recognised when it is probable that a future benefit from the transaction will accrue to Swisscom and the amount can be reliably estimated. When Swisscom acts as principal, revenues are recorded gross. However, when, from an economic point of view, Swisscom acts only as a broker or agent, revenues are reported net of related costs. In multi-component contracts, revenue is determined and reported separately for each identifiable component part. Total consideration for a multi-component contract is distributed over the various component parts at fair value on a pro-rata basis.

Services by segments

Residential Customers

The segment Residential Customers comprises mainly connection fees for broadband services, fixed-network and mobile phone subscriptions as well as national and international telephone and data traffic for residential customers. The segment also includes value-added services, TV offerings, the sale of terminal equipment and the operation of a directories database.

Small and Medium-Sized Enterprises

The segment Small and Medium-Sized Enterprises primarily comprises connection fees for broadband services, fixed-network and mobile phone subscriptions as well as national and international telephone and data traffic for small and medium-sized enterprises.

Enterprise Customers

The Enterprise Customer segment focuses on complete communication solutions for large business customers. The product offerings in the field of business ICT infrastructure cover everything from individual products through to complete solutions.

Wholesale

Wholesale comprises mainly the use of Swisscom fixed and mobile networks by other telecommunication service providers and the use of third-party networks by Swisscom. It also consists of roaming with foreign operators whose customers use Swisscom's mobile networks, as well as broadband services and regulated products as a result of the unbundling of the local loop for other telecommunication service providers.

Network & IT

Network & IT encompasses primarily the planning, operation and maintenance of Swisscom's network infrastructure and related IT systems, both for fixed and mobile phone networks. Network & IT also includes support functions for Swisscom Switzerland in the fields of finance, human resources, and strategy.

Fastweb

Fastweb is one of the largest providers of broadband services in Italy. Its product portfolio comprises voice, data, Internet and IP-TV services as well as video-on-demand for residential and corporate customers. In addition, Fastweb offers mobile phone services on the basis of an MVNO contract (as a virtual network operator). It also provides comprehensive network services and customised solutions.

Other Operating Segments

Other Operating Segments mainly comprise Swisscom IT Services, Group Related Businesses, Swisscom Real Estate and Swisscom Hospitality Services. Swisscom IT Services is a provider of information technology services. Its core business consists of the integration and operation of complex IT infrastructures. In addition, Swisscom IT Services provides comprehensive services to the financial industry in the area of system integration and business process outsourcing. Furthermore, Swisscom IT Services offers a full range of SAP services. Group Related Businesses is sub-divided into the areas Participations and Health and Connected Living. To this purpose, Group Related Businesses maintains a portfolio of small- and medium-size companies whose activities to a large degree closely follow or support the core business of Swisscom. In addition, it offers solutions in the fields of eHealth and Connected Living. Group Related Businesses comprises mainly Alphapay Ltd, Billag Ltd, Business Fleet Management Ltd, cablex Ltd, Datasport Ltd, Swisscom Broadcast Ltd as well as the Sicap Group. Alphapay Ltd is active as a debt collection agent and is specialised in receivables management for third parties. Billag Ltd collects radio and TV license fees on behalf of the Swiss Confederation. Business Fleet Management Ltd offers mobility services. cablex Ltd operates in the field of construction and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunication. Datasport Ltd is a service provider for recreational and mass sporting events. The Sicap Group develops and operates applications for mobile phone operators. Swisscom Broadcast Ltd is the leading provider in Switzerland of radio services, of cross-platform services for clients in the media field and of securitised radio transmissions. Swisscom Hospitality Services offers Internet-based services to guests and customers in the hotel and congress sector in Europe and North America.

Revenue generated from services

Fixed networks

Fixed network services encompass primarily connection fees to residential and corporate customers, national and international telephony traffic for residential and business customers, leased lines, the use of Swisscom's fixed network by other telecommunication service providers, payphone services, operator services as well as prepaid calling cards and the sale of terminal equipment. Installation and connection fees are deferred and released to income over the minimum term of the contract on a straight-line basis. If no minimum contract term has been agreed, the revenue is recorded on the date of installation or connection. Revenue from telephony services is recorded at the time the calls are made. Revenue from the sale of prepaid call cards is deferred and released to income as and when actual minutes are used or when the cards expire. Revenue from leased lines is recorded on a straight-line basis over the duration of the contract. Revenue arising from the sale of equipment is recorded at the time of delivery.

Mobile

Mobile-phone services encompass mainly basic subscription charges, domestic and international mobile phone traffic for calls made by Swisscom customers in Switzerland or abroad and roaming by foreign operators whose customers use Swisscom's networks. Mobile services also include value-added services, data traffic as well as the sale of mobile handsets. Revenue from mobile telephony is recorded on the basis of the actual minutes used. In part, subscriptions with a fixed monthly flat-rate fee are offered, the revenue from which is recognised on a straight-line basis over the term of the contract. Connection fees are deferred and released to income over the minimum term of the contract on a straight-line basis. If no minimum contract term has been agreed, revenue is recognised on the date of connection. Roaming services are recorded as revenue on the basis of the minutes used or the agreed contractual rates at the time the service is provided. Revenue from roaming services with other telecommunication service providers is recorded gross. Value-added services as well as text or multimedia news and the sale of mobile handsets are recognised as revenue at the time the service is provided.

Broadband

Internet services include the range of broadband access lines offered to residential and corporate customers as well as broadband access lines for wholesale customers. Revenues in connection with the provision of these services are deferred and released to income over the minimum contract term on a straight-line basis. If no minimum contract term has been agreed, the revenue is recognised on the date of installation or connection.

Digital TV

In the TV sector, revenue is generated from the range of digital TV services and video-on-demand offered for residential and corporate customers. Revenue from TV services contains non-recurring installation and connection charges and recurring subscription fees. Installation and connection fees related to installation are deferred and released to income over the minimum contract term on a straight-line basis. If no minimum contract term has been agreed upon, the revenue is recorded on the date of installation or connection.

Communication and IT solutions

Services in the field of communication and IT solutions primarily include consultancy services as well as the implementation and maintenance and operation of communication infrastructures. Furthermore, they include applications and services as well as the integration, operation and maintenance of data networks and outsourcing services. Revenues from customer-specific construction contracts are accounted for using the percentage-of-completion method which is based on the ratio of costs incurred to-date to the estimated total costs. Revenue for long-term outsourcing contracts is recorded based on the volume of services provided to the customer. Start-up costs and integration of new outsourcing transactions are capitalised as other assets and amortised over the duration of the contract. Revenue from maintenance is recorded evenly over the term of the maintenance contracts.

3.17 Subscriber acquisition and loyalty-programme costs

Swisscom pays commissions to dealers for the acquisition and retention of Swisscom customers. The commission payable is dependent on the type of subscription. Subscriber acquisition and loyalty-programme costs are expensed immediately, since these costs do not meet the criteria for the definition of an intangible asset.

3.18 Post-employment benefits

Defined benefit obligations and the related pension expense are determined on an actuarial basis using the projected unit credit method. This reflects the number of years of service completed by employees through the date of measurement and the assumptions made concerning future salary growth. The latest actuarial valuation was undertaken using data as at 31 October 2013 with a roll-forward of plan assets to 31 December 2013. Current pension entitlements are charged to income in the period in which they arise. Actuarial gains and losses are recorded in full under other comprehensive income in the reporting period in which they arise.

3.19 Share-based payments

The cost of shares issued to employees, members of the Group Executive Board and of the Board of Directors is equal to the excess of the fair value of the shares at the date of issuance over the issue price. The related costs are recorded as personnel expense in the period in which the entitlement arose.

3.20 Income taxes

Income taxes include all current and deferred taxes which are based on income. Taxes which are not based on income, such as taxes on real estate and on capital are recorded as other operating expenses. Deferred taxes are computed using the balance sheet liability method whereby deferred tax is recognised in principle on all temporary differences. Temporary differences arise between the value of an asset or liability reported for tax purposes and its carrying amount in the financial statements and which will reverse in future periods. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply when the temporary difference reverses and based on the tax rates which are in force or announced as of the balance sheet date. Deferred tax assets are only recognised as assets to the extent that it is probable that they can be offset against future taxable income. Income tax liabilities on undistributed profits of Group companies are only recorded if the distribution of profits is to be made in the foreseeable future. Current and deferred tax assets and liabilities are offset when they relate to the same taxing authority and taxable entity.

3.21 Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and subsequently measured at fair value. The method of recording the fluctuations in fair value is dependent on the underlying transaction and the intention with regards thereto upon purchase or issuance of this underlying transaction. On the date a derivative contract is entered into, management designates the purpose of the hedging relationship: hedge of the fair value of an asset or liability ("fair value hedge") or a hedge of future cash flows in the case of future transactions ("cash flow hedge"). Changes in the fair value of derivative financial instruments that were designated as hedging instruments for "fair value hedges" are recognised in the income statement. Changes in the fair value of derivative financial instruments that were designated as "cash flow hedges" are recognised in the hedging reserve as part of equity. If the recognition of a non-financial asset or non-financial liability results from an anticipated future transaction, the cumulative revaluation gains and losses are reclassified from equity and included in the acquisition cost of the asset or liability. If a hedge of a future transaction later results in the recording of a financial asset or financial liability, the amount included in equity is transferred to the income statement in the same period in which the financial asset or financial liability impacts the result. Otherwise, the amounts recorded in equity are recognised in the income statement as income or expense in the same period the cash flows of the intended or agreed future transaction occur. Changes in the fair value of derivative financial instruments that are not designated as hedging instruments are taken immediately to income.

3.22 Fair value

The fair value is defined as the amount for which an asset could be exchanged, or a liability or financial instrument settled, between knowledgeable, willing and unrelated business partners. The fair value is determined based on stock exchange quotations or by using recognised valuation techniques such as the discounting of estimated future cash flows. If the notes to the consolidated financial statements do not specify otherwise, the fair values at the time of recording correspond approximately to the carrying amounts reported in the balance sheet.

3.23 New and amended Standards and Interpretations

Amended International Financial Reporting Standards and Interpretations which are to be applied for the first time in the accounting period

As from 1 January 2013 onwards, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, which – with the exception of the amendments described below – have no material impact on the results or financial position of the Group.

Standard	Name
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendements to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee Benefits
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Financial Instruments Disclosures: Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance Amendments
Various	Improvements to IFRS 2009–2011

As a result of the amendments contained in IAS 19 "Employee Benefits", actuarial gains and losses are to be reported directly in other comprehensive income. The previous accounting option to either record them immediately in the income statement or under other comprehensive income or defer recording them in accordance with the so-called corridor method is eliminated. Until now, Swisscom already recorded actuarial gains and losses under other comprehensive income. Furthermore, the amendments of IAS 19 provide that management shall no longer estimate the return on the pension fund's assets in accordance with anticipated income interest on the basis of the allocation of assets, but the expected interest income on the pension fund assets may only be recorded to the extent of the discount rate. As regards disability benefits, Swisscom now takes into account actual disability cases and not as previously the anticipated number in accordance with technical bases (BVG 2010). Furthermore, Swisscom now takes into account future employee contributions (risk sharing) for IAS 19 computations. In addition, the amended IAS 19 requires more extensive note disclosures. Entities must henceforth provide disclosures as to the financing strategy of their pension plans and not only describe but also quantify the financing risks inherent in their pension plans. Amongst other things, a sensitivity analysis is required showing to what degree pension obligations fluctuate depending on changes in significant measurement assumptions. In future, the average remaining duration of employment benefit obligations must also be disclosed. Swisscom has implemented the amendments retroactively.

The impact on the consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income may be analysed as follows:

In CHF million, except where indicated	Reported	Adjustment	Restated
Balance sheet at 1 January 2012			
Deferred tax assets	311	(88)	223
Defined benefit obligations	1,977	(485)	1,492
Equity	**4,296**	**397**	**4,693**
Share of equity attributable to equity holders of Swisscom Ltd	4,272	394	4,666
Share of equity attributable to non-controlling interests	24	3	27
Balance sheet at 31 December 2012			
Deferred tax assets	417	(132)	285
Defined benefit obligations	2,801	(693)	2,108
Equity	**4,156**	**561**	**4,717**
Share of equity attributable to equity holders of Swisscom Ltd	4,132	558	4,690
Share of equity attributable to non-controlling interests	24	3	27
Income statement 2012			
Personnel expense	(2,581)	96	(2,485)
Financial expense	(325)	(30)	(355)
Income tax expense	(405)	(13)	(418)
Net income	**1,762**	**53**	**1,815**
Share of net income attributable to equity holders of Swisscom Ltd	1,755	53	1,808
Share of net income attributable to non-controlling interests	7	–	7
Earnings per share (in CHF)	33.88	1.02	34.90
Statement of comprehensive income 2012			
Net income	**1,762**	**53**	**1,815**
Actuarial gains and losses from defined benefit pension plans	(908)	139	(769)
Income tax expense	185	(28)	157
Other comprehensive income	**(741)**	**111**	**(630)**
Comprehensive income	**1,021**	**164**	**1,185**
Share of comprehensive income attributable to equity holders of Swisscom Ltd	1,017	164	1,181
Share of comprehensive income attributable to non-controlling interests	4	–	4

Early Application of International Financial Reporting Standards and Interpretations, whose application is not yet mandatory

Swisscom has made early application of the amendments of IAS 32 “Rules concerning the Offsetting of Financial Assets and Financial Liabilities” as from 2013. The amendments in principle leave the offset rules contained in IAS 32 untouched. Accordingly, financial assets and financial liabilities are only to be offset whenever a company has a legally enforceable right of offset as of the balance-sheet date and intends to either settle on a net basis or realise the asset and settle the liability simultaneously. The amendments clarify the situation that the right of set-off must exist as of the balance-sheet date i.e. it shall not depend on a future event. Furthermore, it shall be legally enforceable for both contracting parties both in the ordinary course of business as well as in the case of the insolvency of one of the contracting parties. As a consequence of the amendments, Swisscom has revised its assessment of its contracts in the field of roaming charges and has concluded that the former fulfil the concrete criteria for set-off and a large part of the related balances may be offset. The effect of offsetting other assets and liabilities as of 1 January 2012 and 31 December 2012 was CHF 233 million and CHF 166 million, respectively.

In addition, Swisscom has also made early application of the amendments to IAS 36 “Impairment of Assets: Disclosures regarding Recoverable Amount for Non-Financial Assets” as from the 2013 accounting period onwards. As a result of the amendment, the obligation to disclose the recoverable amount of each cash-generating unit as part of the goodwill impairment test is dropped.

Amended International Financial Reporting Standards and Interpretations, whose application is not yet mandatory

The following Standards and Interpretations published up to the end of 2013 are mandatory for accounting periods beginning on or after 1 January 2014:.

Standard	Name	Effective from
Amendments to IFRS 10	Consolidated Financial Statements: Investment Property	1 January 2014
Amendments to IFRS 12	Disclosure of Interests in Other Entities: Investment Property	1 January 2014
Amendments to IAS 27	Separate Financial Statements: Investment Entities	1 January 2014
Amendments to IAS 39	Financial Instruments: Recognition and Measurement Novation of Derivatives and Continuing Designation for Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014
Amendments to IAS 19	Employee Benefits: Employee Contributions	1 January 2015
IFRS 9	Financial instruments	no earlier than 1 January 2017
Amendments to IFRS 9, IFRS 7 and IAS 39	Financial Instruments: Hedge Accounting	no earlier than 1 January 2017
Various	Improvements to IFRS 2010–2012	1 January 2015
Various	Improvements to IFRS 2011–2013	1 January 2015

Swisscom will review its financial reporting for the new and amended Standards which take effect on or following 1 January 2014 and for which Swisscom did not make voluntary early application. At present, Swisscom anticipates no material impact on consolidated financial reporting.

4 Significant accounting judgments, estimates and assumptions in applying accounting policies

The preparation of consolidated financial statements is dependent upon estimates and assumptions being made in applying the accounting policies for which management can exercise a certain degree of judgment. In applying the relevant accounting policies to the consolidated financial statements, certain assumptions and estimates must be made about the future that may have a critical influence on the amount and presentation of assets and liabilities, revenues and expenses as well as the disclosures in the Notes. The estimates used in drawing up the consolidated financial statements and valuations are based on empirical values and other factors which are deemed appropriate in the given circumstances. The following estimates used and assumptions made in applying the accounting policies have a critical influence on the consolidated financial statements.

Goodwill

As of 31 December 2013, the carrying amount of goodwill from acquisitions totalled CHF 4,809 million. The recoverability of goodwill is tested for impairment annually during the fourth quarter. In addition, an extraordinary review is undertaken if there are indications that impairment has occurred. The value of goodwill is primarily dependent upon projected cash flows, the discount rate (WACC) and long-term growth rate. The significant assumptions are disclosed in Note 24. Changes to these assumptions may result in an impairment loss in the following year.

Post-employment benefits

Defined benefit obligations are calculated on the basis of various financial and demographic assumptions. The key assumptions for valuing the retirement-benefit obligations are the discount rate, future salary and pension increases, interest on pension plan savings as well as life expectancy. As of 31 December 2013, the funding deficit amounted to CHF 1,293 million which was recognised as a liability in the consolidated balance sheet. Changes in estimates can impact recorded defined benefit obligations. See Note 10.

Provisions for dismantling and restoration costs

Provisions are raised for costs incurred in connection with dismantling and restoring telecommunication installations and transmitter stations. As of 31 December 2013, the carrying amount of these provisions totalled CHF 481 million. The level of the provisions is primarily determined by estimates of future costs for dismantling and restoration and the timing of the dismantling. An increase in the estimated costs by 10% would result in an increase in the provision of CHF 45 million. A postponement of the date of dismantling by ten years would lead to a decrease in the provisions of CHF 71 million. See Note 28.

Provisions for regulatory proceedings

Various proceedings are in course in connection with the setting of prices for regulated access services. Swisscom has raised provisions on the basis of its own estimate of the expected financial outcome thereof. As of 31 December 2013, the provisions for regulatory proceedings aggregated CHF 118 million. Further developments in the proceedings or a decision by the competent court may result in a revised assessment of the financial outcome in subsequent years, thereby leading to an increase or decrease of the recorded provisions. See Note 28.

Proceedings conducted by the Competition Commission

The Competition Commission (ComCo) is conducting an investigation into ADSL prices against Swisscom. The proceeding is described in Note 29. In the event that Swisscom is deemed to have violated Antitrust Law, ComCo is entitled to impose sanctions. On the basis of a legal opinion, Swisscom considers it unlikely that ComCo will impose direct sanctions. Accordingly, no provisions were recognised in the 2013 consolidated financial statements in connection with these proceedings. Further developments in the proceeding may result in a revised assessment of the financial outcome in subsequent years and lead to the need to record provisions.

Allowances for doubtful receivables

Allowances for doubtful receivables are recorded in order to cover foreseeable losses arising from a customer's inability to pay. As of 31 December 2013, the carrying value of allowances for trade and other receivables totalled CHF 180 million. In determining the appropriateness of the allowance, several factors are considered. These include the ageing of receivables, the current financial solvency of the customer and the historical experience with receivable losses. The actual level of receivable losses may be higher than the amount recognised if the actual financial situation of the customers is worse than originally expected. See Note 18.

Deferred taxes

The recognition of deferred tax assets and liabilities is based on the judgment of management. Deferred tax assets on tax loss carry-forwards are only recognised if it is probable that they can be used. Whether or not they can be used depends on whether taxable profits can be achieved which can be offset against the available tax loss carry-forwards. In order to assess the probability of their future use, estimates must be made of various factors such as future profitability. If the actual amounts differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets. On 31 December 2013, recognised deferred tax assets amounted to CHF 619 million. See Note 15.

Useful lives of property, plant and equipment

As of 31 December 2013, the carrying amount of property, plant and equipment totalled CHF 9,156 million. In assessing the useful life of an item of property, plant and equipment, the expected use of the asset by the company, expected physical wear and tear, technological developments as well as past experience with comparable assets are considered. The assessment of useful lives is based upon the judgment of management. A change in the useful lives may impact the future level of depreciation and amortisation recorded. See Notes 3.7 and 23.

5 Business combinations

Business combinations in 2013

Payments totalling CHF 60 million were made in 2013 for the acquisition of Group companies. Of this amount, CHF 3 million relates to deferred consideration for business combinations in prior years and CHF 57 million for businesses acquired in 2013. The newly acquired companies in 2013 are viewed individually as non-significant business combinations and are thus reported on an aggregate basis.
In February 2013, Hospitality Services acquired the operating business of Deuromedia. Deuromedia provides IP-based infotainment solutions for the hospitality market.
At the end of March 2013, Datasport Ltd acquired the entire share capital of Abavent GmbH. Abavent GmbH is a German provider of sporting events. In April 2013, Swisscom IT Services acquired the business platform from Entris Banking and in doing so, the entire capital of Entris Integrator AG. Using the business platform of Entris Integrator AG, banks execute their banking activities such as the processing of payment transactions, credit and security settlements or e-banking. Following acquisition, the investee changed its name to Swisscom Banking Provider Ltd. In addition, in June 2013, Swisscom IT Services Ltd acquired the entire share capital of Entris Operations AG. Entris Operations AG processes primarily the cash and securities settlement operations for some 50 banks. Following acquisition, Entris Operations AG was merged into Swisscom Banking Provider Ltd.
Furthermore, Swisscom increased its shareholding in CT Cinetrade AG (Cinetrade) from 49% to 75% in April 2013. Cinetrade offers TV-related services, pay TV, transmissions of sporting events and video-on-demand. Cinetrade additionally operates one of leading cinema chains in Switzerland.
In December, Swisscom Switzerland acquired a 67% equity holding in DL-Groupe GMG AG, which provides services in the field of IP-based managed unified communication and collaboration.
The aggregate allocation of acquisition costs to the net assets may be analysed as follows:

In CHF million	2013
Cash and cash equivalents	55
Property, plant and equipment	32
Other intangible assets	66
Other current and non-current assets	43
Deferred tax liabilities	(15)
Other current and non-current liabilities	(84)
Identifiable assets and liabilities	**97**
Share of identifiable net assets attributable to non-controlling interests	**(19)**
Goodwill	159
Purchase consideration	**237**
Cash and cash equivalents acquired	(55)
Investments in associates. See Note 25.	(105)
Option from business combinations. See Note 33.	(20)
Cash outflow from business combinations of the current year	**57**
Cash outflow from business combinations of prior years	3
Total cash outflow from business combinations	**60**

The main reasons for the recognition of goodwill are the future anticipated synergies and additional market shares as well as the qualified workforce. In the 2013 consolidated financial statements, additional net revenues of CHF 172 million and net income of CHF 17 million were generated from these business combinations. Assuming that the subsidiary companies acquired in 2013 had been included in the consolidated financial statements as from 1 January 2013, there would have resulted consolidated pro-forma net revenues of CHF 11,529 million and a consolidated pro-forma net income of CHF 1,700 million.

Business combinations in 2012

Payments totalling CHF 17 million were made in 2012 for the acquisition of Group companies. Of this amount, CHF 5 million relates to deferred consideration for business combinations in prior years and CHF 12 million for businesses acquired in 2012. The newly acquired companies in 2012 are viewed each as non-significant business combinations and are thus reported on an aggregate basis. On 1 March 2012, Swisscom Broadcast Ltd acquired the entire share capital of Datasport Ltd. Datasport Ltd is a service provider for popular and mass sporting events. On 26 June 2012, Swisscom Ltd acquired 100% of the capital of Treufida Treuhand & Beratungs GmbH. Treufida provides trustee, bookkeeping and advisory services for service providers in the field of healthcare. Following acquisition, Treufida changed its name to Curabill Treuhand GmbH. On 21 June 2012, Swisscom Directories Ltd purchased the entire share capital of localina Ltd. localina sells an iPad-based reservation system for restaurant and catering operations. Following acquisition, localina Ltd was merged with local.ch Ltd.
The aggregate allocation of acquisition costs to the net assets may be analysed as follows:

In CHF million	2012
Cash and cash equivalents	3
Property, plant and equipment	6
Other intangible assets	12
Deferred tax liabilities	(2)
Other current and non-current liabilities	(2)
Identifiable assets and liabilities	**17**
Goodwill	3
Purchase costs	**20**
Cash and cash equivalents acquired	(3)
Deferred payment of purchase price	(5)
Cash outflow from business combinations of the current year	**12**
Cash outflow from business combinations of prior years	5
Total cash outflow from business combinations	**17**

The main reasons for the recognition of goodwill are the additional market shares expected in future and the qualified workforce. In the 2012 consolidated financial statements, additional net revenues of CHF 8 million and a net income of CHF 3 million arose from these business combinations. Assuming that the subsidiary companies acquired in 2012 had been included in the consolidated financial statements as from 1 January 2012, there would have resulted consolidated pro-forma net revenues of CHF 11,385 million and a consolidated pro-forma net income of CHF 1,762 million.

6 Segment information

Operating segments requiring to be reported are determined on the basis of a management approach. Accordingly, external segment reporting reflects the internal organisational and management structure used within the Group as well as internal financial reporting to the Chief Operating Decision Maker. The segment information disclosed is in line with to that of the internal reporting systems. Reporting is divided into the segments “Residential Customers”, “Small and

Medium-Sized Enterprises", "Enterprise Customers", "Wholesale", and "Network & IT" which are grouped under Swisscom Switzerland, "Fastweb", and "Other Operating Segments". In addition, unallocated costs are reported separately under "Group Headquarters".

In segment reporting, the business divisions of Swisscom Switzerland are reported as individual segments. The support functions of finance, human resources and strategy of Swisscom Switzerland are embedded in the division Network & IT. No network costs are recharged for the financial management of customer segments. The results of the customer segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and the segment Wholesale thus report their contribution margins prior to network costs. Network costs are planned, monitored and controlled by the business division Network & IT. The business division Network & IT is managed as a cost centre. For this reason, no revenue is credited to the Network & IT division within segment reporting. The segment results of Network & IT consist of operating expenses and depreciation and amortisation less capitalised self-constructed assets and other income. The sum of the segment results of Swisscom Switzerland corresponds in aggregate to the operating results (EBIT) of Swisscom Switzerland. Fastweb is one of the largest fixed-network operator and a leading provider of IP-based services in Italy. It is reported in the consolidated financial statements as a separate segment. Other Operating Segments principally comprise Swisscom IT Services, Group Related Businesses, Swisscom Real Estate Ltd and Swisscom Hospitality Services. Group Headquarters which includes unallocated costs, comprises mainly the Group central divisions of Swisscom, Swisscom Re Ltd and the employment company Worklink AG.

The services offered by each operating segment are described in Note 3.16. The segment results of the segments Fastweb and Other Operating Segments correspond to the operating result (EBIT) of these units. The latter reflects the net revenues from external customers and other segments less segment expenses and depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets. Segment expenses include the costs of materials and services, personnel costs and other operating costs less capitalised self-constructed assets and other income. Swisscom has amended its disclosure of retirement-benefit expense retrospectively. The segment expense includes ordinary employer contributions as retirement-benefit expense. The difference between the ordinary employer contributions and the retirement-benefit expense as provided for under IAS 19 is reported in the column "Eliminations". In 2013, costs of CHF 17 million are included in the column "Eliminations" as a reconciling item to retirement-benefit expense in accordance with IAS 19 (prior year: gain of CHF 179 million).

Group Headquarters charges no management fees to other segments for its financial management services; similarly, the segment Network & IT recharges no network costs. Other inter-segment services are recharged at market prices. Unrealised gains and losses may arise as a result of recharging services and sales of assets between the segments. These are eliminated and are reported in the segment information in the column "Eliminations". Capital expenditures by segment include additions to property, plant and equipment and other intangible assets.

As of 1 January 2013, Swisscom simplified its management structure, thereby striving to strengthen the management of its Swiss business and enhance efficiency within the Group. Accordingly, as of 1 January 2013, several organisation units were transferred between the segments. The prior year's comparative figures were restated accordingly.

Segment information 2013 of Swisscom is to be analysed as follows:

2013, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	8,389	2,013	1,032	–	–	11,434
Net revenue with other segments	60	5	787	1	(853)	–
Net revenue	**8,449**	**2,018**	**1,819**	**1**	**(853)**	**11,434**
Segment result	**2,443**	**(120)**	**108**	**(135)**	**(38)**	**2,258**
Financial income and financial expense, net						(259)
Share of results of associates						30
Income before income taxes						**2,029**
Income tax expense						(334)
Net income						**1,695**
Associates	93	49	11	–	–	153
Assets held for sale	–	–	13	–	–	13
Capital expenditure in property, plant and equipment and other intangible assets	1,516	695	244	–	(10)	2,445
Depreciation, amortisation and impairment losses	1,104	740	195	8	(3)	2,044
Gain (loss) on disposal of property, plant and equipment, net	(10)	–	13	–	–	3
Share of results of associates	30	–	–	–	–	30

Segment information 2013 of Swisscom Switzerland is to be analysed as follows:

2013, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Whole-sale	Network & IT	Elimi-nation	Total Swisscom Switzer-land
Net revenue from external customers	4,985	1,128	1,688	588	–	–	8,389
Net revenue with other segments	160	23	99	378	–	(600)	60
Net revenue	**5,145**	**1,151**	**1,787**	**966**	**–**	**(600)**	**8,449**
Segment result	**2,790**	**859**	**832**	**384**	**(2,423)**	**1**	**2,443**
Associates	29	–	–	63	1	–	93
Capital expenditure in property, plant and equipment and other intangible assets	199	17	92	–	1,208	–	1,516
Depreciation, amortisation and impairment losses	108	5	75	–	917	(1)	1,104
Gain (loss) on disposal of property, plant and equipment, net	–	–	(1)	–	(9)	–	(10)
Share of results of associates	9	–	–	21	–	–	30

Segment information 2012 of Swisscom is to be analysed as follows:

2012, in CHF million restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	8,407	2,040	936	1	–	11,384
Net revenue with other segments	54	8	792	1	(855)	–
Net revenue	**8,461**	**2,048**	**1,728**	**2**	**(855)**	**11,384**
Segment result	**2,504**	**(113)**	**97**	**(122)**	**161**	**2,527**
Financial income and financial expense, net						(326)
Share of results of associates						32
Income before income taxes						**2,233**
Income tax expense						(418)
Net income						**1,815**
Associates	207	50	11	–	–	268
Assets held for sale	–	–	1	–	–	1
Capital expenditure in property, plant and equipment and other intangible assets	1,852	531	199	1	(22)	2,561
Depreciation, amortisation and impairment losses	1,053	715	177	12	(7)	1,950
Gain (loss) on disposal of property, plant and equipment, net	(2)	–	11	–	–	9
Share of results of associates	33	–	–	(1)	–	32

Segment information 2012 of Swisscom Switzerland is to be analysed as follows:

2012, in CHF million restated	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Whole-sale	Network & IT	Elimi-nation	Total Swisscom Switzer-land
Net revenue from external customers	4,939	1,135	1,739	594	–	–	8,407
Net revenue with other segments	174	26	96	372	–	(614)	54
Net revenue	**5,113**	**1,161**	**1,835**	**966**	**–**	**(614)**	**8,461**
Segment result	**2,794**	**878**	**875**	**367**	**(2,409)**	**(1)**	**2,504**
Associates	141	–	–	66	–	–	207
Capital expenditure in property, plant and equipment and other intangible assets	162	17	88	–	1,585	–	1,852
Depreciation, amortisation and impairment losses	92	4	70	–	886	1	1,053
Gain (loss) on disposal of property, plant and equipment, net	–	–	–	–	(2)	–	(2)
Share of results of associates	15	–	–	18	–	–	33

Disclosures by geographical regions

Swisscom's operations are conducted mainly in Switzerland where it provides a comprehensive range of telecommunication services. Business activities abroad mainly relate to Fastweb and Swisscom Hospitality Services. Fastweb primarily provides fixed-network and IP-based products in Italy. Swisscom Hospitality Services is a provider of broadband and Internet-based solutions for hotel guests in virtually all of Europe, the United States and Asia. Net revenues and assets are allocated to regions. Net revenues and assets are allocated according to the registered office of the related Group company.

In CHF million	2013 Net revenue	2013 Non-current assets	2012 Net revenue	2012 Non-current assets
Switzerland	9,358	12,726	9,268	12,053
Italy	2,020	3,414	2,049	3,391
Other countries in Europe	48	87	58	189
Other countries outside Europe	8	1	8	9
Not allocated/reconciliation	–	472	1	482
Total	**11,434**	**16,700**	**11,384**	**16,124**

Disclosures by products and services

In CHF million	2013	2012
Mobile access lines single subscriptions	2,874	3,027
Fixed access lines single subscriptions	4,027	4,337
Bundles	1,576	1,172
Other	2,956	2,847
Not allocated	1	1
Total net revenue	**11,434**	**11,384**

The products and services offered by each operating segment are described in Note 3.16.

Significant customers

Swisscom has a large number of customers. No individual customers accounted for more than 10% of segment revenue in 2012 and 2013.

7 Net revenue

In CHF million	2013	2012
Net revenue from services	10,556	10,493
Net revenue from sale of merchandise	875	888
Net revenue from the right of use of intangible assets	3	3
Total net revenue	**11,434**	**11,384**

Further information on Swisscom's business activities is set out in Notes 3.16 and 6.

8 Goods and services purchased

In CHF million	2013	2012
Raw materials and supplies	24	25
Services purchased	502	451
Customer premises equipment and merchandise	1,022	1,036
National traffic fees	180	171
International traffic fees	265	279
Traffic fees of foreign subsidiaries	345	437
Total goods and services purchased	**2,338**	**2,399**

9 Personnel expense

In CHF million	2013	2012 restated
Salary and wage costs	2,132	2,058
Social security expenses	224	222
Expense of defined benefit plans. See Note 10.	258	50
Expense of defined contribution plans. See Note 10.	11	12
Expense of share-based payments. See Note 11.	6	6
Salary and wage costs of the employment company Worklink	2	4
Termination benefits	6	68
Other personnel expense	67	65
Total personnel expense	**2,706**	**2,485**

Termination benefit programmes

Swisscom supports employees affected by downsizing through a social plan. Depending on the relevant social plan as well as age and length of service, certain employees affected by downsizing may transfer to the employment company Worklink AG. The employment company Worklink AG hires out participating employees to third parties on a temporary basis.
In 2013, Swisscom recognised expenses for personnel downsizing measures aggregating CHF 6 million (prior year: CHF 68 million). On 31 October 2012 as a result of an efficiency programme, Swisscom announced a redundancy programme involving some 400 positions with the objective of securing the Group's long-term competitiveness. The costs of this redundancy programme were estimated at CHF 50 million which were recognised in the fourth quarter of 2012. For further information see Note 28.

10 Post-employment benefits

Defined benefit plans

Swisscom maintains several pension plans for employees in Switzerland and Italy. Expenses of defined benefit plans totalled CHF 295 million in 2013 (prior year: CHF 80 million). Of this amount, CHF 258 million (prior year: CHF 50 million) was recorded as personnel expense and CHF 37 million (prior year: CHF 30 million) as finance expense.

comPlan

The majority of Swisscom's employees are insured for the risks of old age, death and disability by the independent pension plan, comPlan. The benefits of comPlan exceed the minimum laid down in the Federal Law on Occupational Retirement, Survivors' and Disability Insurance ("BVG"). The ordinary employer contributions encompass risk contributions of 3.35% and contributions varying with age of 5-13% of the insured salary to be credited to the individual retirement savings' accounts. The standard retirement age is 65. Employees qualify for early retirement at the earliest on their 58th birthday, whereby the rate of conversion is reduced in line with the longer expected duration of pension payments. Furthermore, employees may choose to take their entire pension or part thereof in the form of a capital payment. The amount of the pension paid results from the conversion rate which is applied to the accumulated savings of the individuals concerned in the case of retirement. For individuals retiring at the age of 65, the rate of conversion is 6.4% up to the end of 2013. From 2014 onwards, the conversion rate was reduced to 6.11%. The accumulated savings result from employee and employer contributions which are paid into the individual savings account of each individual insured person as well as the interest accruing on the accumulated savings. The interest rate to be applied to the accumulated pension savings is laid down annually by the Foundation Council of comPlan. The legal form of comPlan is that of a foundation. The Foundation Council, which is constituted by a equal number of representatives of the employer and

employees, is responsible for the management of the Foundation. The duties of the Foundation Council are laid down in the BVG and the Pension Fund Rules. In accordance with BVG, a temporary funding deficit is permitted. The Foundation Council must take appropriate measures in order to rectify the funding deficit within a reasonable time. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant funding deficit in accordance with BVG arises. In such cases, the risk is split between the employer and employees and the employer is not legally obligated to assume more than 50% of the additional contributions. As of 31 December 2013, the funding ratio as defined by BVG of comPlan was approx. 106% (prior year: 103.4%). The Investment Commission is the central management, coordination and monitoring body for the management of the pension plan assets. The pension plan assets are administered using mandated, independent financial service providers. Monitoring is assumed by an external investment controller. The Foundation Council determines the investment strategy within the framework of the legal provisions. Within its terms of reference, the Investment Commission may undertake the asset allocation.
In 2012, the Foundation Council resolved to make various amendments to the pension plan which are designed to ensure long-term financial stability considering the low interest rates and growing life expectancy. The amendments will take effect in 2014 and encompass measures affecting pension benefits. In particular, the rate of conversion and thus the level of future retirement benefits for new pensioners was lowered. The amendments to the pension plan led to a reduction in defined benefit obligations of CHF 157 million which was taken to income in the fourth quarter of 2012.

Other pension plans

In addition to various smaller pension plans in Switzerland, other plans include the pension plan for Fastweb employees. Employees of the Italian subsidiary Fastweb have acquired a title in future pension benefits up to the end of 2006. These benefits are recorded in the balance sheet as defined benefit obligations.

Pension cost

In CHF million	comPlan	Other plans	2013	comPlan	Other plans	2012 restated
Current service cost	244	7	251	200	2	202
Plan amendments	–	(3)	(3)	(157)	–	(157)
Administration expense	3	1	4	3	1	4
Employment termination benefits	6	–	6	1	–	1
Total recognised in personnel expense	**253**	**5**	**258**	**47**	**3**	**50**
Interest cost on net defined benefit obligations	37	–	37	29	1	30
Total recognised in financial expense	**37**	**–**	**37**	**29**	**1**	**30**
Total expense of defined benefit plans recognised in income statement	**290**	**5**	**295**	**76**	**4**	**80**

In addition, other comprehensive income includes an actuarial gain of CHF 847 million (prior year: actuarial loss of CHF 769 million) which is recorded as a gain. This may be analysed as follows:

In CHF million	comPlan	Other plans	2013	comPlan	Other plans	2012 restated
Actuarial gains and losses from:						
Change of the demographic estimates	–	–	–	533	7	540
Change of the financial estimates	(384)	(24)	(408)	521	1	522
Experience adjustments to defined benefit obligations	(165)	2	(163)	140	1	141
Return on plan assets excluding the recognised part of financial result	(272)	(4)	(276)	(432)	(2)	(434)
Total (income) expense of defined benefit plans recognised in other comprehensive income	**(821)**	**(26)**	**(847)**	**762**	**7**	**769**

Expenses in 2013 for defined contribution plans aggregated CHF 11 million (prior year: CHF 12 million).

Status of pension plans

In CHF million	comPlan	Other plans	2013	comPlan	Other plans	2012 restated
Defined benefit obligations						
Balance at 1 January	**9,823**	**107**	**9,930**	**8,559**	**120**	**8,679**
Current service cost	244	7	251	200	2	202
Interest cost on defined benefit obligations	188	2	190	197	2	199
Employee contributions	152	2	154	144	1	145
Benefits paid	(331)	(6)	(337)	(335)	(7)	(342)
Actuarial (gains) losses	(549)	(22)	(571)	1,194	9	1,203
Additions from acquisition of subsidiaries	–	85	85	–	–	–
Plan amendments	–	(13)	(13)	(157)	–	(157)
Employment termination benefits	6	–	6	1	–	1
Transfer of pension plans to comPlan	–		–	20	(20)	–
Balance at 31 December	**9,533**	**162**	**9,695**	**9,823**	**107**	**9,930**
Plan assets						
Balance at 1 January	**7,772**	**50**	**7,822**	**7,129**	**61**	**7,190**
Interest income on plan assets	151	2	153	168	1	169
Employer contributions	273	3	276	224	4	228
Employee contributions	152	2	154	144	1	145
Benefits paid	(331)	(4)	(335)	(335)	(5)	(340)
Return on plan assets excluding the recognised part of financial result	272	4	276	432	2	434
Additions from acquisition of subsidiaries	–	70	70	–	–	–
Plan amendments	–	(10)	(10)	–	–	–
Administration expense	(3)	(1)	(4)	(3)	(1)	(4)
Transfer of pension plans to comPlan	–	–	–	13	(13)	–
Balance at 31 December	**8,286**	**116**	**8,402**	**7,772**	**50**	**7,822**
Net defined benefit obligations						
Net defined benefit obligations recognised at 31 December	**1,247**	**46**	**1,293**	**2,051**	**57**	**2,108**

Movements in recognised defined benefit obligations are to be analysed as follows:

In CHF million	comPlan	Other plans	2013	comPlan	Other plans	2012 restated
Balance at 1 January	**2,051**	**57**	**2,108**	**1,430**	**59**	**1,489**
Pension cost, net	290	5	295	76	4	80
Employer contributions and benefits paid	(273)	(5)	(278)	(224)	(6)	(230)
Additions from acquisition of subsidiaries	–	15	15	–	–	–
(Income) expense of defined benefit plans, recognised in other comprehensive income	(821)	(26)	(847)	762	7	769
Transfer of pension plans to comPlan	–	–	–	7	(7)	–
Balance at 31 December	**1,247**	**46**	**1,293**	**2,051**	**57**	**2,108**

The weighted average duration of the net present value of the recorded pension obligations is 16.9 years.

Breakdown of pension plan assets

The breakdown of the comPlan's pension assets by the various investment categories and investment strategy is as follows:

Category	Investment strategy	31.12.2013 Quoted	31.12.2013 Not quoted	31.12.2013 Total	31.12.2012 Quoted	31.12.2012 Not quoted	31.12.2012 Total
Government bonds Switzerland	10.0%	10.7%	8.3%	19.0%	12.3%	9.0%	21.3%
Corporate bonds Switzerland	8.0%	11.1%	–	11.1%	12.2%	–	12.2%
Government bonds World-developed markets	11.0%	10.1%	–	10.1%	10.7%	–	10.7%
Corporate bonds World-developed markets	8.0%	1.2%	–	1.2%	–	–	–
Government bonds World-emerging markets	6.0%	5.4%	–	5.4%	5.8%	–	5.8%
Third-party debt instruments	**43.0%**	**38.5%**	**8.3%**	**46.8%**	**41.0%**	**9.0%**	**50.0%**
Equity shares Switzerland	5.0%	7.9%	–	7.9%	8.2%	–	8.2%
Equity shares foreign developed markets	12.0%	14.2%	–	14.2%	13.9%	–	13.9%
Equity shares foreign emerging markets	8.0%	5.9%	–	5.9%	5.9%	–	5.9%
Equity instruments	**25.0%**	**28.0%**	**–**	**28.0%**	**28.0%**	**–**	**28.0%**
Real estate Switzerland	11.0%	6.6%	1.0%	7.6%	7.1%	–	7.1%
Real estate World	4.0%	3.7%	–	3.7%	4.6%	–	4.6%
Real estate	**15.0%**	**10.3%**	**1.0%**	**11.3%**	**11.7%**	**–**	**11.7%**
Commodities	4.0%	3.0%	–	3.0%	2.8%	–	2.8%
Private markets	5.0%	1.3%	3.5%	4.8%	1.8%	2.7%	4.5%
Hedge Funds	7.0%	0.6%	–	0.6%	–	2.4%	2.4%
Cash and cash equivalents and other investments	1.0%	–	5.5%	5.5%	–	0.6%	0.6%
Cash and cash equivalents and alternative investments	**17.0%**	**4.9%**	**9.0%**	**13.9%**	**4.6%**	**5.7%**	**10.3%**
Total plan assets	**100.0%**	**81.7%**	**18.3%**	**100.0%**	**85.3%**	**14.7%**	**100.0%**

The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is done through a broad diversification of risks over various investment categories, markets, currencies and industry segments in both developed and emerging markets. The interest-rate duration of interest-bearing investments is 4.74 years (prior year: 4.97 years) and the average rating of these investments is A+. Within the overall portfolio, all foreign-currency positions are hedged against the Swiss franc following a currency strategy to the extent necessary to meet a pre-determined ratio. Illiquid investments constitute a low percentage of total plan assets. Following this investment strategy, comPlan anticipates a target value for the value fluctuation reserve of 15.7% (basis: 2013 financial year).

Plan assets include 2,013 shares of Swisscom Ltd with a fair value of CHF 6 million (prior year: CHF 6 million). The effective return on plan assets in 2013 amounted to CHF 429 million (prior year: CHF 604 million).

In 2014, Swisscom expects to make payments to the pension funds for ordinary employee contributions totalling CHF 231 million (excluding payments for early retirements and changes to the pension plan).

Actuarial assumptions

Assumptions	2013 comPlan	2013 Other plans	2012 comPlan	2012 Other plans
Discount rate at 31 December	2.30%	2.85%	1.94%	2.44%
Expected rate of salary increases	2.24%	2.19%	2.24%	2.06%
Expected rate of pension increases	0.10%	0.10%	0.10%	0.10%
Interest on old age savings accounts	2.30%	2.30%	1.50%	1.50%
Longevity at age of 65 – men (number of years)	21.29	21.29	21.18	21.18
Longevity at age of 65 – women (number of years)	23.76	23.76	23.66	23.66

The discount rate is based upon CHF-denominated corporate bonds with a AA rating issued by domestic and foreign issuers and quoted on the Swiss Exchange. Future growth factors for salaries corresponds to a long-term historical average value which is specific to Swisscom. Growth in pensions reflects comPlan's ability to meet future pension increases based on the assumptions made. Interest accruing on the retirement savings equates the discount rate. From 2012 on, Swisscom applies the BVG2010 generation tables for life-expectancy assumptions. The change from period tables to generation tables resulted in an actuarial loss of CHF 534 million in 2012.

Sensitivity analysis

In CHF million	Defined benefit obligations Increase Assumption	Defined benefit obligations Decrase Assumption	Current service cost [1] Increase Assumption	Current service cost [1] Decrase Assumption
Discount rate (change +/–0.5%)	(654)	752	(26)	31
Expected rate of salary increases (changes +/– 0.5%)	55	(51)	5	(5)
Expected rate of pension increases (change +0.5%; –0.1%)	577	(109)	19	(3)
Interest on old age savings accounts (change +/– 0.5%)	98	(89)	7	(6)
Longevity at age of 65 – (change +/–1 year)	111	(113)	3	(3)

[1] The sensitivity refers to the current service cost recorded in personnel expense.

The sensitivity analysis takes into consideration the movement in pension-fund obligations as well as current service costs in adjusting the actuarial assumptions by half a percentage point and a year, respectively. In the process, only one of the assumptions is adjusted each time, the remaining parameters remaining unchanged. In the sensitivity analysis in view of a negative movement in pension increases, only a change of -0.1% was made as the reduction in pension benefits is not possible.

11 Share-based payments

In CHF million	2013	2012
Share-based payments Management Incentive Plan	2	2
Other share-based payments	4	4
Total expense of share-based payments	**6**	**6**

Management Incentive Plan

The Management Incentive Plan is an equity-share plan for members of the Group Executive Board and Board of Directors. A part of the remuneration and of the variable earnings-related compensation of the members of the Board of Directors as well as the Group Executive Board, respectively, is settled in the form of Swisscom shares. The shares are allocated based on their tax values. The level of the earnings-related compensation and the number of shares allocated are determined in the subsequent business year once the financial statements are finalised. The shares allocated to the members of the Group Executive Board are based on the variable earnings-related compensation of the prior year as reported. The tax value per share amounts to CHF 371 (prior year: CHF 310). The shares are subject to a retention period of three years from the grant date. The shares are vested immediately upon delivery.

The allocation and cost of share-based payments to the members of the Board of Directors and of the Group Executive Board may be analysed as follows:

Allocation 2013	**Number of allocated shares**	**Market price in CHF**	**Expense in CHF million**
Members of the Board of Directors	1,667	442	0.7
Members of the Group Executive Board [1]	2,707	442	1.2
Total 2013	**4,374**	**442**	**1.9**

[1] Allocation for the financial year 2012.

Allocation 2012	**Number of allocated shares**	**Market price in CHF**	**Expense in CHF million**
Members of the Board of Directors	1,927	361	0.7
Members of the Group Executive Board [1]	2,844	361	1.0
Total 2012	**4,771**	**361**	**1.7**

[1] Allocation for the financial year 2011.

Other share-based payments plans

As recognition for exceptional services rendered during the financial year, equity share premiums may be awarded to a maximum of 10% of managerial employees and those employees covered by the collective employment agreement. In 2013, 10,270 shares with a market price of CHF 442 per share were issued gratuitously and an expense of CHF 4 million was recorded. In the prior year, 10,692 shares with a market price of CHF 361 were issued gratuitously for exceptional services rendered and an expense of CHF 4 million was recorded.

12 Other operating expense

In CHF million	**2013**	**2012**
Rental expense	334	307
Maintenance expense	312	288
Loss on disposal of property, plant and equipment	13	7
Energy costs	102	111
Information technology cost	221	213
Advertising and selling expenses	215	248
Dealer commissions	364	365
Consultancy expenses and freelance employees	201	205
Allowances for receivables	83	70
Administration expense	161	170
Miscellaneous operating expenses	470	412
Total other operating expense	**2,476**	**2,396**

13 Capitalised costs of self-constructed assets and other income

In CHF million	2013	2012
Capitalised self-constructed assets	256	265
Gain on sale of property, plant and equipment	16	16
Income from employment company Worklink (personnel hire)	4	4
Miscellaneous income	112	88
Total capitalised self-constructed assets and other income	**388**	**373**

Capitalised costs of self-constructed assets include personnel costs for the production of technical installations, the construction of network infrastructures and the development of software for internal use.

14 Financial income and financial expense

In CHF million	2013	2012 restated
Interest income on financial assets	8	14
Change in fair value of interest hedging instruments	30	–
Capitalised borrowing costs	15	14
Adjustment to dismantlement and restoration costs. See note 28.	21	–
Foreign exchange gains	5	–
Other financial income	2	1
Total financial income	**81**	**29**
Interest expense on financial liabilities	(259)	(263)
Change in fair value of interest hedging instruments	–	(4)
Interest expense on defined benefit obligations. See note 10.	(37)	(30)
Present-value adjustments on provisions	(15)	(15)
Foreign exchange losses	–	(11)
Other financial expense	(29)	(32)
Total financial expense	**(340)**	**(355)**
Financial income and financial expense, net	**(259)**	**(326)**

The net interest expense on financial assets and financial liabilities is to be analysed as follows:

In CHF million	2013	2012
Interest income on cash and cash equivalents	1	1
Interest income on other financial assets	7	13
Total interest income on financial assets	**8**	**14**
Interest expense on bank loans, debenture bonds and private placements	(214)	(220)
Interest expense on finance lease liabilities	(41)	(42)
Interest expense on other financial liabilities	(4)	(1)
Total interest expense on financial liabilities	**(259)**	**(263)**
Total financial income and financial expense, net	**(251)**	**(249)**

15 Income taxes

Income tax expense

In CHF million	2013	2012 restated
Current income tax expense	322	318
Adjustments recognised for current tax of prior periods	(20)	19
Deferred tax expense	32	81
Total income tax expense recognised in income statement	**334**	**418**
Thereof Switzerland	354	431
Thereof foreign countries	(20)	(13)

In addition, other comprehensive income reflects income taxes of CHF 184 million (prior year: gain of CHF 157 million) which may be analysed as follows:

In CHF million	2013	2012 restated
Foreign currency translation adjustments of foreign subsidiaries	(14)	6
Actuarial gains and losses from defined benefit pension plans	(169)	151
Change in fair value of cash flow hedges	–	1
Gains and losses from cash flow hedges transferred to income statement	(1)	(1)
Total income tax expense recognised in other comprehensive income	**(184)**	**157**
Thereof Switzerland	(184)	157
Thereof foreign countries	–	–

In prior years, valuation allowances on investments were recognised in the separate financial statements of Group subsidiaries and were deducted for tax purposes. The 2013 impairment tests led to valuation results in excess of the net carrying amount of investments. In order for these results to be reflected in taxable profits, these recoveries in value must be sustainable. This is not the case shortly after recognition of an impairment loss as a longer period is required in order that a recovery in value can be corroborated. For this reason, no tax effects were recognised on the difference between the valuation results and the net carrying amount of the investments in the separate financial statements for 2013. Should the recoveries in value be classified as sustainable at some point in the future, this could result in a cash outflow of up to CHF 260 million.

Analysis of income taxes

The applicable income tax rate for the purposes of the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the operating companies of the Group in Switzerland. The applicable income tax rate amounts to an unchanged 20.6%.

In CHF million	2013	2012 restated
Income before income taxes in Switzerland	2,149	2,364
Income before income taxes foreign countries	(120)	(131)
Income before income taxes	**2,029**	**2,233**
Applicable income tax rate	20.6%	20.6%
Income tax expense at the applicable income tax rate	**418**	**460**
Reconciliation to reported income tax expense		
Effect of share of results of associates	(6)	(7)
Effect of tax rate changes on deferred taxes	(2)	1
Effect of use of different income tax rates in Switzerland	(7)	(7)
Effect of use of different income tax rates in foreign countries	(12)	(16)
Effect of non-recognition of tax loss carry-forwards	9	17
Effect of recognition and offset of tax loss carry-forwards not recognised in prior years	(47)	(21)
Effect of deferred tax assets written off	4	–
Effect of impairment losses on goodwill	5	–
Effect of exclusively tax-deductible expenses and income	(20)	(27)
Effect of non-taxable income and non-deductible expenses	8	(1)
Effect of income tax of prior periods	(16)	19
Total income tax expense	**334**	**418**
Effective income tax rate	16.5%	18.7%

In 2012 and 2013, previously unrecognised tax loss carry-forwards arising from mergers of Group companies were claimed for tax purposes. The positive impact on income-tax expense in 2013 amounted to CHF 21 million (prior year: CHF 19 million).

Deferred tax assets and liabilities

Movements in current tax assets and liabilities are to be analysed as follows:

In CHF million	2013	2012
Current income (tax assets) tax liabilities at 1 January, net	**134**	**(8)**
Recognised in income statement	302	337
Recognised in other comprehensive income	3	–
Income taxes paid in Switzerland	(307)	(145)
Income taxes paid in foreign countries	29	(45)
Additions from acquisition of subsidiaries	1	–
Interest on arrears	–	(5)
Current income tax liabilities (income tax assets) at 31 December, net	**162**	**134**
Thereof current income tax assets	(22)	(55)
Thereof current income tax liabilities	184	189
Thereof Switzerland	168	163
Thereof foreign country	(6)	(29)

Recognised deferred tax assets and liabilities are to be analysed as follows:

In CHF million	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2013 Net amount	31.12.2012 restated Assets	31.12.2012 restated Liabilities	31.12.2012 restated Net amount
Trade and other receivables	22	(23)	(1)	43	(22)	21
Property, plant and equipment	41	(342)	(301)	45	(288)	(243)
Intangible assets	–	(364)	(364)	–	(380)	(380)
Defined benefit obligations	268	–	268	419	–	419
Tax loss carry-forwards	203	–	203	165	–	165
Other	85	(67)	18	100	(33)	67
Total tax assets (tax liabilities)	**619**	**(796)**	**(177)**	**772**	**(723)**	**49**
Thereof deferred tax assets			279			285
Thereof deferred tax liabilities			(456)			(236)
Thereof Switzerland			(328)			(46)
Thereof foreign countries			151			95

Deferred tax assets and liabilities have changed as follows:

In CHF million	Balance at 31.12.2012 restated	Recognised in income statement	Recognised in other comprehensive income	Change in scope of consolidation	Foreign currency translation adjustments	Balance at 31.12.2013
Trade and other receivables	21	(22)	–	–	–	(1)
Property, plant and equipment	(243)	(57)	–	(4)	3	(301)
Intangible assets	(380)	32	–	(13)	(3)	(364)
Defined benefit obligations	419	16	(169)	2	–	268
Tax loss carry-forwards	165	36	–	–	2	203
Other	67	(37)	(12)	–	–	18
Total	**49**	**(32)**	**(181)**	**(15)**	**2**	**(177)**

In CHF million	Balance at 31.12.2011 restated	Recognised in income statement	Recognised in other comprehensive income	Change in scope of consolidation	Foreign currency translation adjustments	Balance at 31.12.2012 restated
Trade and other receivables	31	(10)	–	–	–	21
Property, plant and equipment	(167)	(76)	–	–	–	(243)
Intangible assets	(407)	27	–	(2)	2	(380)
Defined benefit obligations	301	(32)	151	–	(1)	419
Tax loss carry-forwards	139	27	–	–	(1)	165
Other	79	(17)	6	–	(1)	67
Total	**(24)**	**(81)**	**157**	**(2)**	**(1)**	**49**

Deferred tax assets relating to unused tax loss carry-forwards and to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. At as 31 December 2013, various subsidiaries recognised deferred tax assets on tax loss carry-forwards and other temporary differences totalling CHF 619 million (prior year: CHF 772 million) since it was foreseeable that tax loss carry-forwards could be offset against future taxable profits. Of this amount, tax loss carry-forwards and other temporary differences of CHF 247 million (prior year: CHF 301 million) were recognised by subsidiaries reporting a loss in 2012 or 2013. On the basis of the approved business plans of these subsidiaries, Swisscom considers it probable that the tax loss carry-forwards and temporary differences can be offset against future taxable profits.

Tax loss carry-forwards and other temporary differences for which no deferred tax assets were recorded, expire as follows:

In CHF million	31.12.2013	31.12.2012
Expiring within 1 year	1	2
Expiring within 1 to 2 years	1	9
Expiring within 2 to 3 years	–	38
Expiring within 3 to 4 years	–	5
Expiring within 4 to 5 years	8	14
Expiring within 5 to 6 years	8	27
Expiring within 6 to 7 years	23	43
No expiration	134	220
Total unrecognised tax loss carry-forwards	**175**	**358**
Thereof Switzerland	23	125
Thereof foreign country	152	233

Deferred tax liabilities of CHF 6 million (prior year: CHF none) were recognised on the undistributed earnings of subsidiaries as of 31 December 2013. Temporary differences of subsidiary and associated companies, on which no deferred income taxes were recognised as of 31 December 2013, amounted to CHF 1,264 million (prior year: CHF 534 million).

16 Earnings per share

Undiluted earnings per share are calculated by dividing net income attributable to shareholders of Swisscom Ltd by the weighted average number of shares outstanding. Treasury shares are not counted in the number of outstanding shares.

In CHF million, except where indicated	2013	2012 restated
Share of net income attributable to equity holders of Swisscom Ltd	1,685	1,808
Weighted average number of shares outstanding (number)	51,800,666	51,800,729
Basic and diluted earnings per share (in CHF)	**32.53**	**34.90**

Swisscom has no share options and share subscription rights outstanding which could lead to a dilution of earnings per share.

17 Cash and cash equivalents

In CHF million	31.12.2013	31.12.2012
Cash and sight balances	723	538
Total cash and cash equivalents	**723**	**538**

As in the prior year, Swisscom had no term deposits outstanding in 2013.

18 Trade and other receivables

In CHF million	31.12.2013	31.12.2012 restated
Billed revenue	2,321	2,483
Accrued revenue	206	186
Allowances	(164)	(209)
Total trade receivables, net	**2,363**	**2,460**
Accruals from international roaming traffic	91	140
Receivables from collection activities	26	24
Receivables from construction contracts	30	30
Other receivables	22	19
Allowances	(16)	(15)
Total other receivables, net	**153**	**198**
Total trade and other payables	**2,516**	**2,658**

All trade and other receivables are due within one year. Trade receivables are the object of active credit risk management which focuses on the assessment of country risks, on-going review of credit risks and the monitoring of the receivables. Credit-risk concentrations in Swisscom are minimised due to the large number of customers and their geographical spread. Risks are monitored by country.
The geographical distribution of trade receivables is as follows:

In CHF million	31.12.2013	31.12.2012
Switzerland	1,701	1,635
Italy	809	1,017
Other countries	17	17
Total billed and accrued revenue	**2,527**	**2,669**
Switzerland	(45)	(45)
Italy	(118)	(164)
Other countries	(1)	–
Total allowance for receivables	**(164)**	**(209)**
Total trade receivables, net	**2,363**	**2,460**

Analysis of maturity and allowances

The due dates of trade receivables as well as the related allowances are to be analysed as follows:

	31.12.2013		31.12.2012	
In CHF million	Gross amount	Allowance	Gross amount	Allowance
Not overdue	1,733	(8)	1,683	(7)
Past due up to 3 months	400	(6)	427	(5)
Past due 4 to 6 months	80	(4)	84	(3)
Past due 7 to 12 months	92	(15)	180	(18)
Past due over 1 year	222	(131)	295	(176)
Total	**2,527**	**(164)**	**2,669**	**(209)**

The table below presents the changes in allowances for trade and other receivables.

In CHF million	Trade receivables	Other receivables
Balance at 31 December 2011	**249**	**12**
Additions to allowances	78	3
Write-off of irrecoverable receivables subject to allowance	(107)	–
Release of unused allowances	(9)	–
Foreign currency translation adjustments	(2)	–
Balance at 31 December 2012	**209**	**15**
Additions to allowances	88	1
Write-off of irrecoverable receivables subject to allowance	(131)	–
Release of unused allowances	(5)	–
Foreign currency translation adjustments	3	–
Balance at 31 December 2013	**164**	**16**

Construction contracts

Information on uncompleted construction contracts as of the balance sheet date is as follows:

In CHF million	2013	2012
Contract costs of current projects	108	117
Recognised gains less losses	3	8
Contract costs including share of gains and losses, net	**111**	**125**
Less progress billings	(84)	(100)
Total net receivables from construction contracts	**27**	**25**
Thereof receivables from construction contracts	29	30
Thereof liabilities from construction contracts	(2)	(5)
Advance payments received	61	41

In 2013, construction contracts generated net revenues of CHF 295 million (prior year: CHF 290 million).

19 Other financial assets

In CHF million	Loans and receivables	Available-for-sale	Derivative financial instruments	Total
Balance at 31 December 2011	**210**	**31**	**28**	**269**
Additions	5	11	–	16
Disposals	(38)	(1)	–	(39)
Change in fair value recognised in income statement	–	–	(5)	(5)
Foreign currency translation adjustments recognised in income statement	(4)	–	–	(4)
Balance at 31 December 2012	**173**	**41**	**23**	**237**
Additions	161	4	–	165
Disposals	(25)	(3)	(20)	(48)
Change in fair value recognised in income statement	–	–	3	3
Change in fair value recognised in equity	–	1	–	1
Foreign currency translation adjustments recognised in income statement	(4)	(1)	–	(5)
Balance at 31 December 2013	**305**	**42**	**6**	**353**
Thereof other current financial assets	156	4	–	160
Thereof other non-current financial assets	149	38	6	193

Loans and receivables

As of 31 December 2013, term deposits totalled CHF 156 million (prior year: CHF 6 million). As of 31 December 2013, financial assets in the amount of CHF 135 million were not freely available. These assets serve as security for bank loans.

Available-for-sale financial assets

Available-for-sale financial assets primarily include financial investments in equity instruments. As a general rule, shares not quoted on stock exchanges are recorded at cost since their fair value cannot be reliably determined. As of 31 December 2013, the carrying amount of investments in shares recorded at cost totalled CHF 21 million (prior year: CHF 20 million).

Derivative financial instruments

As at 31 December 2013, derivative financial instruments with a positive market value of CHF 6 million were recognised (prior year: CHF 23 million). Derivative financial instruments include foreign-currency swaps and interest-rate swaps. In the prior year, options relating to company acquisitions with a fair value of CHF 23 million were recorded. See Note 33.

20 Inventories

In CHF million	31.12.2013	31.12.2012
Raw material and supplies	6	5
Customer premises equipment and merchandise	147	157
Finished and semi-finished goods	6	4
Total inventories, gross	**159**	**166**
Allowances on inventories	(7)	(6)
Total inventories, net	**152**	**160**

In 2013, inventory-related costs amounting to CHF 1,046 million (prior year: CHF 1,061 million) were recorded under the cost of goods and services purchased.

21 Other non-financial assets

In CHF million	31.12.2013	31.12.2012
Prepaid expenses	148	119
Value-added taxes receivable	14	48
Advance payments made	29	28
Other assets	19	25
Total other current non-financial assets	**210**	**220**
Prepaid expenses	12	3
Other assets	45	39
Total other non-current non-financial assets	**57**	**42**

22 Non-current assets held for sale

Non-current assets held for sale include real estate from the segment Other Operating Segments in an amount of CHF 13 million (prior year: CHF 1 million). Disposal is anticipated within the next twelve months. In 2013, non-current assets held for sale were sold for a total of CHF 5 million (prior year: CHF 12 million). A gain on disposal of CHF 4 million (prior year: CHF 9 million) was recorded as other income.

23 Property, plant and equipment

In CHF million	Land, buildings and leasehold improvements	Technical installations	Other assets	Advances made and assets under construction	Total
Acquisition costs					
Balance at 31 December 2011	**2,974**	**23,547**	**3,216**	**590**	**30,327**
Additions	6	1,091	223	382	1,702
Disposals	(101)	(235)	(195)	–	(531)
Additions from acquisition of subsidiaries	5	–	1	–	6
Adjustment to dismantlement and restoration costs	–	(45)	3	–	(42)
Reclassifications to non-current assets held for sale	(19)	–	–	–	(19)
Other reclassifications	8	237	72	(323)	(6)
Foreign currency translation adjustments	(1)	(23)	–	–	(24)
Balance at 31 December 2012	**2,872**	**24,572**	**3,320**	**649**	**31,413**
Additions	11	1,318	219	379	1,927
Disposals	(26)	(816)	(288)	–	(1,130)
Additions from acquisition of subsidiaries	2	–	30	–	32
Adjustment to dismantlement and restoration costs	–	(32)	13	–	(19)
Reclassifications to non-current assets held for sale	(39)	–	–	–	(39)
Other reclassifications	12	135	109	(257)	(1)
Foreign currency translation adjustments	–	58	–	–	58
Balance at 31 December 2013	**2,832**	**25,235**	**3,403**	**771**	**32,241**
Accumulated depreciation and impairment losses					
Balance at 31 December 2011	**2,131**	**17,746**	**2,228**	**–**	**22,105**
Depreciation	29	1,016	259	–	1,304
Disposals	(98)	(232)	(188)	–	(518)
Reclassifications to non-current assets held for sale	(16)	–	–	–	(16)
Other reclassifications	–	(2)	(2)	–	(4)
Foreign currency translation adjustments	–	(7)	–	–	(7)
Balance at 31 December 2012	**2,046**	**18,521**	**2,297**	**–**	**22,864**
Depreciation	29	1,047	263	–	1,339
Disposals	(21)	(815)	(281)	–	(1,117)
Reclassifications to non-current assets held for sale	(26)	–	–	–	(26)
Foreign currency translation adjustments	–	25	–	–	25
Balance at 31 December 2013	**2,028**	**18,778**	**2,279**	**–**	**23,085**
Net carrying amount					
Net carrying amount at 31 December 2013	**804**	**6,457**	**1,124**	**771**	**9,156**
Net carrying amount at 31 December 2012	**826**	**6,051**	**1,023**	**649**	**8,549**
Net carrying amount at 31 December 2011	**843**	**5,801**	**988**	**590**	**8,222**

In 2013, borrowing costs amounting to CHF 15 million were capitalised (prior year: CHF 14 million). The average interest rate used for the capitalisation of borrowing costs was 2.5% (prior year: 2.5%). As of 31 December 2013, the carrying amount of property, plant and equipment acquired under finance leases amounted to CHF 524 million (prior year: CHF 542 million). See Note 28 for further information on the adjustments to the costs of dismantling and restoration.

24 Goodwill and other intangible assets

In CHF million	Goodwill	Internally generated software	Purchased software	Customer relationships	Brands	Other intangible assets	Total
Acquisition costs							
Balance at 31 December 2011	**6,227**	**1,167**	**1,544**	**1,095**	**268**	**473**	**10,774**
Additions	–	88	167	–	–	626	881
Disposals	–	(107)	(60)	(7)	–	(12)	(186)
Reclassifications	–	69	46	–	–	(109)	6
Additions from acquisition of subsidiaries	3	3	–	9	–	–	15
Foreign-currency translation adjustments	(20)	(2)	(4)	(8)	(2)	–	(36)
Balance at 31 December 2012	**6,210**	**1,218**	**1,693**	**1,089**	**266**	**978**	**11,454**
Additions	–	127	196	–	–	220	543
Disposals	–	(349)	(143)	(21)	–	(55)	(568)
Reclassifications	–	137	52	–	–	(188)	1
Additions from acquisition of subsidiaries	159	2	–	51	7	6	225
Foreign-currency translation adjustments	38	2	15	18	5	1	79
Balance at 31 December 2013	**6,407**	**1,137**	**1,813**	**1,137**	**278**	**962**	**11,734**
Accumulated amortisation and impairment losses							
Balance at 31 December 2011	**1,563**	**769**	**1,044**	**583**	**123**	**149**	**4,231**
Amortisation	–	175	260	125	26	60	646
Disposals	–	(107)	(60)	(7)	–	(12)	(186)
Reclassifications	–	2	2	–	–	–	4
Foreign-currency translation adjustments	(15)	(1)	(3)	(4)	(1)	–	(24)
Balance at 31 December 2012	**1,548**	**838**	**1,243**	**697**	**148**	**197**	**4,671**
Amortisation	–	202	230	130	28	88	678
Impairment losses	23	1	1	–	–	2	27
Disposals	–	(347)	(142)	(21)	–	(49)	(559)
Foreign-currency translation adjustments	27	2	11	11	3	1	55
Balance at 31 December 2013	**1,598**	**696**	**1,343**	**817**	**179**	**239**	**4,872**
Net carrying amount							
Net carrying amount at 31 December 2013	**4,809**	**441**	**470**	**320**	**99**	**723**	**6,862**
Net carrying amount at 31 December 2012	**4,662**	**380**	**450**	**392**	**118**	**781**	**6,783**
Net carrying amount at 31 December 2011	**4,664**	**398**	**500**	**512**	**145**	**324**	**6,543**

As of 31 December 2013, other intangible assets included advance payments and uncompleted development projects of CHF 190 million (prior year: CHF 223 million). Apart from goodwill, there are no intangible assets with indefinite useful lives. As of 31 December 2013, accumulated impairment losses on goodwill of CHF 1,598 million were recorded. Goodwill arising from investments in associates is classified as part of the investments in associates.

Auctioning of mobile phone frequencies

The GSM and UMTS licences of Swisscom Switzerland expire at the end of 2013 and 2016, respectively. In November 2010, the Federal Communication Committee (ComCom) delegated to the Federal Office for Communication (Bakom) the task of granting all currently available licenses as well as those which have or will become available at the end of 2013 and 2016, respectively. In the first quarter of 2012, as part of the licence granting process, all mobile phone frequencies were auctioned off with a uniform duration ending in 2028. Swisscom successfully participated in the auction and acquired thereby mobile phone frequencies for a total value of CHF 360 million which were recognised as other intangible assets. Settlement was made in the third quarter of 2012.

Goodwill impairment testing

Goodwill is allocated to the cash-generating units of Swisscom according to their business activities. Goodwill acquired in a business combination is allocated to each cash-generating unit expected to benefit from the synergies of the business combination. The allocation of the goodwill to the cash-generating units is as follows:

In CHF million	31.12.2013	31.12.2012
Residential Customers	2,630	2,495
Small and Medium-Sized Enterprises	656	656
Corporate Business	734	734
Wholesale	45	45
Cash-generating units of Swisscom Switzerland	**4,065**	**3,930**
Fastweb	604	594
Other cash-generating units	140	138
Total goodwill	**4,809**	**4,662**

Goodwill was tested for impairment in the fourth quarter of 2013 after the business planning had been completed. The recoverable amount of a cash-generating unit is determined based on its value in use, using the discounted cash flow (DCF) method. The projected cash flows are estimated on the basis of the business plans approved by management in general covering a three-year period. A planning horizon of five years is used for the impairment test of Fastweb. For the free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalising the normalised cash flows using a constant growth rate. The growth rates applied are those customarily assumed for the country or market. The key assumptions underlying the calculations are as follows:

	2013			2012		
Disclosures in %	WACC pre-tax	WACC post-tax	Long-term growth rate	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers	7.56	5.09	0	7.33	4.63	(1.0)
Small and Medium-Sized Enterprises	7.44	5.09	0	7.32	4.63	(1.1)
Corporate Business	7.78	5.09	0	7.47	4.63	(0.9)
Wholesale	7.35	5.09	0	7.31	4.63	(1.2)
Fastweb	10.90	8.00	1.0	10.34	7.60	1.0
Other cash-generating units	6.3–11.9	5.2–9.7	0–1.5	6.9–11.8	5.7–9.7	0–1.5

The application of pre- or post-tax discount rates (WACC pre-tax and WACC post-tax) results in the same value in use. The discount rates used take into consideration the specific risks relating to the cash-generating unit being considered. The projected cash flows and management assumptions are corroborated by external sources of information. The approach taken and assumptions made for the impairment tests of Swisscom Switzerland and Fastweb are presented below.

Swisscom Switzerland

The cash-generating units of Swisscom Switzerland are the operating segments Residential Customers, Small- and Medium-Sized Enterprises, Corporate Business and Wholesale. The impairment test of goodwill is conducted on these cash-generating units. The recoverable amount was determined based on the value in use using the discounted cash flow (DCF) method. The forecast of future cash flows is based upon the three-year business plan approved by management. For the free cash flows extending beyond the detailed planning period, a long-term growth of zero was assumed (prior year: -1.2% to -0.9%). The change from the prior year is a result of structural changes in the telecommunications sector leading to improved growth prospects. As of the measurement date, the recoverable amount at all cash-generating units, based on their value in use, was higher than the carrying amount relevant for the impairment test. Swisscom is of the opinion that none of the anticipated changes in key assumptions which can be reasonably expected would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

Fastweb

The impairment test in Fastweb was undertaken in the fourth quarter of 2013. The recoverable amount was determined on the basis of the value in use using the discounted cash flow method. The basis for projecting future cash flows is the business plan prepared by management for the five years 2014 to 2018. This plan takes into consideration historical empirical values and management's expectations regarding the future development of the relevant market. The impairment test took into account the following assumptions:

Assumptions	Description
Average annual growth in revenue during the detailed planning period	In the business plan, an average annual growth in revenue of 4.1% is expected for the detailed planning period up to 2018. In the prior year, an average annual growth in revenue of 3.6% had been expected for the detailed planning period 2013–2017.
Projected EBITDA margin (EBITDA as % of net revenue)	The projected EBITDA margin in 2018 is 41%. In the previous year, an EBITDA margin of 36% was assumed.
Projected capital expenditure rate (capex as % of net revenue)	In the period up to 2018, it is anticipated that capital expenditure in relation to net Revenue will decline to less than 17% (prior year: 16%) as a high Level of capital expenditure in the Network infrastructure has already been made.
Post-tax discount rate	The post-tax discount rate is 8.00% (prior year: 7.60%) and the related pre-tax discount rate is 10.90% (prior year: 10.34%). The discount rate is calculated using the Capital Asset Pricing Model (CAPM). This latter comprises the weighted cost of own equity and of external borrowing costs. The risk free interest rate on which the discount rate is based on, is derived from ten-year bonds issued by the German government with a Zero interest rate. A premium for the country risk of Italy is then added.
Long-term growth rate	The normalised free cash flows in the terminal value were capitalised with a constant growth rate of 1.0% as in the prior year. The growth rate employed corresponds to that customarily used for the Country and market based upon experience values as well as future projections and which are corroborated by external information sources. The growth rate employed does not exceed the long-term average growth rate customarily used for the country and market.

As of the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the carrying amount by EUR 1,176 million (CHF 1,446 million). The following changes in material assumptions lead to a situation where the value in use equals the carrying amount:

	Assumptions	Sensitivity
Average annual growth rate through 2018 with the same EBITDA margin as in the business plan	4.1%	0.4%
Projected EBITDA margin 2018	41%	33%
Capital expenditure rate 2018	17%	23%
Post-tax discount rate	8.00%	10.53%
Long-term growth rate	1.0%	–2.5%

25 Investments in associates

In CHF million	2013	2012
Balance at 1 January	**268**	**233**
Additions	1	49
Disposals	(105)	–
Dividends	(43)	(38)
Share of net results	30	32
Share of equity transactions	–	(7)
Foreign currency translation adjustments	2	(1)
Balance at 31 December	**153**	**268**

The most significant participations classified as associates are LTV Yellow Pages, Cinetrade and Belgacom International Carrier Services. Dividends received totalling CHF 43 million (prior year: CHF 38 million) are attributable mainly to the dividends paid by LTV Yellow Pages, Cinetrade and Belgacom International Carrier Services.
In 2013, Swisscom increased its shareholding in Cinetrade from 49% to 75%. As of the acquisition date, there was a difference between the carrying value of Cinetrade and the fair value of the net assets acquired of CHF 2 million, which was recognised as other financial income. On 21 March 2012, Swisscom acquired an 11.1% minority shareholding in the Italian company Metroweb for a purchase price of EUR 37 million (CHF 45 million). Metroweb is the operator of the largest glass fibre network in Milan and Lombardy. Through its representation on the Board of Directors of the company, inter alia, Swisscom can exercise a significant influence over Metroweb. For this reason, Metroweb is reflected in the consolidated financial statements of Swisscom as an associated company.
The following table provides selected summarised key financial data of the associates:

In CHF million	2013	2012
Income statement		
Net revenue	2,328	2,354
Operating expense	(2,174)	(2,170)
Operating income	154	184
Net income	**119**	**153**
Balance sheet at 31 December		
Current assets	972	993
Non-current assets	988	382
Current liabilities	(876)	(858)
Non-current liabilities	(352)	(48)
Equity	**732**	**469**

26 Financial liabilities

In CHF million	31.12.2013	31.12.2012
Bank loans	8	196
Debenture bonds	1,324	631
Private placements	206	131
Finance lease liabilities	13	7
Other interest-bearing financial liabilities	2	8
Derivative financial instruments. See Note 33.	76	75
Other non-interest-bearing financial liabilities	27	5
Total current financial liabilities	**1,656**	**1,053**
Bank loans	1,345	973
Debenture bonds	4,184	4,824
Private placements	920	1,121
Finance lease liabilities	642	632
Other interest-bearing financial liabilities	2	3
Derivative financial instruments. See Note 33.	51	161
Other non-interest-bearing financial liabilities	23	16
Total non-current financial liabilities	**7,167**	**7,730**
Total financial liabilities	**8,823**	**8,783**

Bank loans and credit limit

			Carrying amount	
In CHF million	Due within	Par value in CHF	31.12.2013	31.12.2012
Bank loans in CHF variable interest-bearing	2013	150	–	150
Bank loans in CHF variable interest-bearing	2016	300	300	300
Bank loans in CHF variable interest-bearing	2017	130	130	130
Bank loans in EUR variable interest-bearing	2015	430	430	422
Bank loans in EUR variable interest-bearing	2020	368	368	–
Bank loans in USD fixed interest-bearing	2013	38	–	38
Bank loans in USD fixed interest-bearing	2028	85	125	129
Total			**1,353**	**1,169**

In 2013, Swisscom took up bank loans in EUR. The newly taken up bank loan of EUR 300 million (CHF 368 million) carries variable interest rates and has a seven-year term. The EUR 300 million financing was designated for hedge accounting of net investments in foreign operations. During the financial year, Swisscom repaid maturing bank loans amounting to CHF 150 million. As of 31 December 2013, no transaction costs were recognised in connection with the bank loans, as in the prior year. The effective interest rate of the CHF denominated bank loans is 0.63%. For the bank loans in USD and EUR, the rate is 4.62% and 0.53%, respectively. A portion of the EUR-denominated bank loans totalling EUR 350 million was swapped into variable CHF financing through foreign-currency swaps. The bank loans may become due for immediate repayment if the shareholding of the Swiss Confederation in the capital of Swisscom falls below one third or if another shareholder can exercise control over Swisscom.
Swisscom has a confirmed bank line of credit amounting to CHF 100 million maturing in 2016 and a further confirmed line of credit of CHF 2,000 million from banks maturing in 2018. As of 31 December 2013, these lines of credit had not been drawn down, as in the prior year.

Debenture bonds

In CHF million	Maturity years	Par value in CHF	Nominal interest rate	Carrying amount 31.12.2013	Carrying amount 31.12.2012
Debenture bond in CHF	2007–2013	550	3.50%	–	560
Debenture bond in CHF	2007–2017	600	3.75%	610	611
Debenture bond in CHF	2008–2015	500	4.00%	505	504
Debenture bond in CHF	2009–2014	1,250	3.50%	1,282	1,280
Debenture bond in CHF	2009–2018	1,500	3.25%	1,502	1,500
Debenture bond in CHF	2010–2022	500	2.63%	497	497
Debenture bond in CHF	2012–2024	500	1.75%	503	503
Debenture bond in EUR	2013–2020	614	2.00%	609	–
Total				**5,508**	**5,455**

In 2013, Swisscom took up a debenture bond in an amount of EUR 500 million (CHF 614 million). The coupon rate was 2.00% with a term of seven years. The debenture bond was issued by Lunar Funding V, an independent Irish multi purpose vehicle. It is secured by a loan note from Lunar V to Swisscom in the same amount. The amount taken up was applied to refinance existing financial loans. The EUR 500 million financing was designated for hedge accounting of net investments in foreign operations. During the current financial year, Swisscom repaid a debenture bond totalling CHF 550 million upon maturity. In the prior year, Swisscom took up a debenture bond totalling CHF 500 million and redeemed a debenture bond totalling CHF 250 million upon maturity. The effective interest rate on the Swiss-franc denominated debenture bonds is 3.22% and 2.15% for those denominated in EUR. The investors are entitled to sell the debentures back to Swisscom and/or Lunar V if a shareholder other than the Swiss Confederation gains a majority share in Swisscom and at the same time, the company's rating falls below BBB–/Baa3.

Private placements

In CHF million	Due within	Par value in CHF	Carrying amount 31.12.2013	Carrying amount 31.12.2012
Private placements in CHF domestic	2016	350	350	350
Private placements in CHF abroad	2017	250	243	242
Private placements in CHF abroad	2018	72	68	67
Private placements in CHF abroad	2019	278	260	258
Private placements in EUR abroad	2013	131	–	131
Private placements in EUR abroad	2014	205	205	204
Total			**1,126**	**1,252**

Swisscom repaid private placements amounting to EUR 108 million (CHF 133 million) in 2013 and in the prior year, a private placement totalling CHF 150 million. The interest rate risk of private placements maturing in 2016 is hedged with interest-rate swaps and was designated as cash flow hedges for hedge accounting purposes. The duration of the hedges is identical to the duration of the hedged private placements. The total EUR-denominated private placement was swapped to variable CHF financing using foreign currency swaps. The swap of fixed interest-bearing EUR financing into variable CHF financing was designated as a fair value hedge. As in the prior year, no transaction costs were recorded as of 31 December 2013 in connection with the private placements. The effective interest rate on the private placements in CHF is 1.67%. For the EUR-denominated private placements, the rate is 0.72%. The CHF private placements of CHF 600 million maturing in 2017 through 2019 may become due for immediate repayment if the shareholding of the Swiss Confederation in the capital of Swisscom falls below 35% or if another shareholder can exercise control over Swisscom. The investors in the remaining private placements are entitled to resell their investments to Swisscom should the Swiss Confederation permanently give up its majority shareholding in Swisscom.

Liabilities arising from finance leases

Swisscom concluded two agreements in 2001 for the sale of real estate. At the same time, Swisscom entered into long-term agreements to lease back part of the real estate sold which, in part, qualify as finance leases. The gain realised on real estate classified as finance leases was deferred. As of 31 December 2013, the deferred gains totalled CHF 183 million (prior year: CHF 187 million). The deferred gains are released to other income over the term of the individual leases. In 2013, CHF 4 million (prior year: CHF 4 million) of the deferred gains was released. The effective interest rate of the finance lease liabilities was 6.5%. The minimum lease payments and financial liabilities relating to these leaseback agreements are set out in the following table:

In CHF million	31.12.2013	31.12.2012
Within 1 year	54	48
Within 1 to 2 years	54	47
Within 2 to 3 years	53	47
Within 3 to 4 years	48	47
Within 4 to 5 years	48	47
After 5 years	1,564	1,611
Total future minimum lease payments	**1,821**	**1,847**
Less future financing costs	(1,166)	(1,208)
Total finance lease liabilities	**655**	**639**
Thereof current finance lease liabilities	13	7
Thereof non-current finance lease liabilities	642	632

The future payments of the liabilities arising under finance leases, expressed in terms of their present value, as of 31 December 2012 and 2013 were as follows:

In CHF million	31.12.2013	31.12.2012
Within 1 year	13	7
Within 1 to 2 years	14	6
Within 2 to 3 years	13	7
Within 3 to 4 years	9	7
Within 4 to 5 years	8	7
After 5 years	598	605
Total present value of finance lease liabilities	**655**	**639**

In addition, operating lease arrangements exist for miscellaneous real estate with terms of 1 to 25 years. See note 35. In 2013, conditional rental payments of CHF 4 million were recorded as rental expense (prior year: CHF 4 million).

27 Trade and other payables

In CHF million	31.12.2013	31.12.2012
Supplier invoices received	1,082	1,284
Goods and services received not yet invoiced	503	423
Total trade payables	**1,585**	**1,707**
Accruals from international roaming traffic	33	21
Liabilities from collection activities	23	22
Liabilities from construction contracts	2	5
Miscellaneous liabilities	227	238
Total other liabilities	**285**	**286**
Total trade and other payables	**1,870**	**1,993**

28 Provisions

In CHF million	Termination benefits	Dismantlement and restoration costs	Regulatory proceedings	Other	Total
Balance at 31 December 2011	**10**	**549**	**131**	**213**	**903**
Additions to provisions	74	4	22	33	133
Present-value adjustments	–	9	3	3	15
Release of unused provisions	(8)	(49)	(3)	(27)	(87)
Use of provisions	(10)	(1)	(49)	(63)	(123)
Foreign currency translation adjustments	–	–	–	(1)	(1)
Balance at 31 December 2012	**66**	**512**	**104**	**158**	**840**
Additions to provisions	31	57	13	46	147
Present-value adjustments	–	13	2	–	15
Release of unused provisions	(31)	(100)	–	(17)	(148)
Use of provisions	(21)	(1)	(1)	(32)	(55)
Balance at 31 December 2013	**45**	**481**	**118**	**155**	**799**
Thereof current provisions	40	–	22	70	132
Thereof non-current provisions	5	481	96	85	667

Provisions for termination benefits

In 2013, Swisscom recognised provisions of CHF 31 million for personnel reduction costs. This is primarily the result of the new organisation announced in November 2013 of the segments Enterprise Customers and Swisscom IT Services, which, as from 1 January 2014, were merged into a new business segment Enterprise Customers. On 31 October 2012, Swisscom announced a personnel reduction plan involving some 400 positions as part of an efficiency programme with the objective of securing the Group's competitiveness. The costs for this personnel reduction plan were estimated at CHF 50 million which was recognised in the fourth quarter of 2012. For further information see Note 9.

Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of telecommunication installations and transmitter stations and the restoration to its original state of the land owned by third parties on which they are located. In 2013, as a result of new location and expansion strategies, the costs of dismantling and restoration were subjected to review as a result of which the provisions for dismantling and restoring telecommunication installations following reassessment were increased by CHF 57 million. As regards transmitter stations, the reassessment resulted in a decrease of provisions by CHF 79 million. The provisions are computed by reference to estimates of future dismantling costs and are discounted using an average interest rate of 2.79% (prior year: 1.63%). The effect of using different interest rates amounted to CHF 21 million (prior year: CHF 18 million). In 2013, adjustments in the total amount of CHF 19 million (prior year: CHF 42 million) were recorded under the dismantling costs capitalised as part of property, plant and equipment and CHF 23 million (prior year: CHF 4 million) was recognised in the income statement. The non-current portion of the provisions is expected to be settled after 2020.

Provisions for regulatory proceedings

In accordance with the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other telecommunication service providers in Switzerland. In previous years, several telecommunication service providers demanded from the Federal Communications Commission (ComCom) a reduction in the prices charged to them by Swisscom. As a result of legal assessments, Swisscom raised provisions in prior years. The provisions recognised in 2012 consolidated financial statements have not changed materially during the current financial year. As of 31 December 2013, the provisions relating to the proceedings for interconnection and other access services of Swisscom (Switzerland) Ltd amounted to CHF 118 million. Settlements made in 2013 amounted to CHF 1 million. Settlements of the remaining claims are dependent upon the date on which legally binding rulings and decisions are issued.

Other provisions

Other provisions include provisions for environmental, contractual and tax risks, as well as provisions for insurance claims. The non-current portion of the provisions will most likely be settled between 2015 and 2017.

29 Contingent liabilities

Proceedings conducted by the Competition Commission

The Competition Commission (ComCo) is currently investigating a number of companies in the Swisscom Group. The investigation into the relationship of ADSL wholesale prices to the ADSL retail prices is described below. If it is proven that Swisscom has infringed the rules of fair competition, ComCo is entitled to impose sanctions pursuant to the Anti-Trust Law. This sanction depends on the length and severity and nature of the violation and may amount to up to 10% of the revenue generated by the company in question in the relevant markets in Switzerland over the last three financial years.
On 20 October 2005, ComCo launched an investigation into Swisscom Ltd and Swisscom (Switzerland) Ltd into abuse of a dominant market position. The object of the investigation is the question whether Swisscom has set the prices for ADSL pre-services for Internet service providers at such a high level that no scope remains for these providers for an adequate profit margin in relation to the end-customer prices charged by Swisscom itself (price squeezing). Swisscom contests the allegation of market dominance and refutes the accusation of price squeezing. It is of the opinion that the prices for its ADSL pre-services leave its ADSL competitors enough room for a reasonable profit margin. With its decision of 5 November 2009, ComCo sanctioned Swisscom for abuse of a market-dominant position in the case of ADSL services and levied a fine of CHF 220 million. Swisscom appealed against the ruling at the Federal Administrative Court on 7 December 2009. On the basis of a legal opinion, Swisscom concludes that, from the present-day perspective, it is not probable that a court of final appeal will levy sanctions. It thus has raised no provisions in the consolidated financial statements as of 31 December 2012 and 2013. In the event of a legally binding decision on abuse, claims could be asserted against Swisscom under civil law. Swisscom considers it unlikely that such civil claims can be enforced.

Regulatory proceedings

Swisscom provides interconnection and other access services for other telecommunication service providers in Switzerland in accordance with the revised Swiss Federal Telecommunications Act (TCA). Other access proceedings in accordance with the revised TCA are pending with ComCom and the Federal Administrative Court.

Other contingent liabilities

In the second quarter of 2012, one competitor of Fastweb lodged a complaint against Fastweb in connection with the invitation to tender for large customer contracts. Based upon a legal opinion, Swisscom concluded that an outflow of resources as a result of the complaint is not probable. Accordingly, no provision was established. In the first quarter of 2013, an out-of-court settlement was reached and the complaint by the competitor of Fastweb was withdrawn.

30 Other non-financial liabilities

In CHF million	31.12.2013	31.12.2012
Deferred revenue	375	338
Value-added taxes payable	128	117
Advance payments received	126	56
Other current non-financial liabilities	130	132
Total other current non-financial liabilities	**759**	**643**
Deferred gain on sale and leaseback of real estate	183	187
Other non-current non-financial liabilities	127	100
Total other non-current non-financial liabilities	**310**	**287**

Deferred revenues mainly comprise deferred payments for prepaid cards and prepaid subscription fees. The release of the deferred gain from the sale and leaseback of real estate is recorded in the income statement under other income over the lease term. See Notes 13 and 26.

31 Additional information concerning equity

Share capital and treasury shares

As of 31 December 2013, the total number of shares issued remained unchanged from the prior year at 51,801,943 shares. All shares have a par value of CHF 1 and are fully paid up. Each share entitles the holder to one vote. Shares with a market value aggregating CHF 6 million (prior year: CHF 6 million) were allocated for share-based compensation plans. See Note 11. The holdings of treasury shares have changed as follows:

	Number	Average price in CHF	In CHF million
Balance at 31 December 2011	**435**	**404**	**–**
Purchases on the market	15,500	361	6
Allocated for share-based compensation	(15,489)	361	(6)
Balance at 31 December 2012	**446**	**361**	**–**
Purchases on the market	15,000	435	6
Allocated for share-based compensation	(14,644)	442	(6)
Balance at 31 December 2013	**802**	**435**	**–**

After deducting 802 treasury shares (prior year: 446 shares), the balance of shares outstanding as at 31 December 2013 totalled 51,801,141 (prior year: 51,801,497 shares).

Other reserves

In CHF million	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Total other reserves
Balance at 31 December 2011	**(34)**	**2**	**(1,588)**	**(1,620)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	(26)	(26)
Gains and losses from available-for-sale financial assets transferred to income statement	–	5	–	5
Change in fair value of cash flow hedges	(5)	–	–	(5)
Fair value losses of cash flow hedges transferred to income statement	8	–	–	8
Income tax expense	–	(1)	6	5
Balance at 31 December 2012	**(31)**	**6**	**(1,608)**	**(1,633)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	63	63
Change in fair value of available-for-sale financial assets	–	1	–	1
Change in fair value of cash flow hedges	7	–	–	7
Fair value losses of cash flow hedges transferred to income statement	6	–	–	6
Income tax expense	(1)	–	(14)	(15)
Balance at 31 December 2013	**(19)**	**7**	**(1,559)**	**(1,571)**

The hedging reserves comprise the changes in the fair value of hedging instruments which were designated as cash flow hedges. Changes in the fair value of available-for-sale financial assets are recognised in the fair value reserves. Reserves arising from foreign currency translation adjustments comprise the differences from the foreign currency translation of the financial statements of subsidiaries and associates from the functional currency into Swiss francs. In the third quarter of 2013, Swisscom took up a debenture bond and a long-term bank loan aggregating EUR 800 million (CHF 980 million), which were designated for hedge accounting in respect of net investments in foreign subsidiaries. On 31 December 2013, cumulative foreign currency translation losses at Fastweb amounted to CHF 1,917 million (prior year: CHF 1,978 million).

Other comprehensive income

Other comprehensive income in 2013 may be analysed as follows:

2013, in CHF million	Retained earnings	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Equity holders of Swisscom	Non-controlling interests	Total other comprehensive income
Actuarial gains and losses from defined benefit pension plans	845	–	–	–	845	2	847
Income tax expense	(169)	–	–	–	(169)	–	(169)
Items that will not be reclassified to income statement, net of tax							
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	63	63	–	63
Gains and losses from available-for-sale financial assets transferred to income statement	–	–	1	–	1	–	1
Change in fair value of cash flow hedges	–	7	–	–	7	–	7
Fair value losses of cash flow hedges transferred to income statement	–	6	–	–	6	–	6
Income tax expense	–	(1)	–	(14)	(15)	–	(15)
Items that are or may be reclassified subsequently to income statement, net of tax							
Total other comprehensive income	**676**	**12**	**1**	**49**	**738**	**2**	**740**

Other comprehensive income in 2012 may be analysed as follows:

2012, in CHF million restated	Retained earnings	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Equity holders of Swisscom	Non-controlling interests	Total other comprehensive income
Actuarial gains and losses from defined benefit pension plans	(769)	–	–	–	(769)	–	(769)
Income tax expense	151		–	–	151	–	151
Items that will not be reclassified to income statement, net of tax							
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	(26)	(26)	–	(26)
Gains and losses from available-for-sale financial assets transferred to income statement	–	–	5	–	5	–	5
Change in fair value of cash flow hedges	–	(5)	–	–	(5)	–	(5)
Fair value losses of cash flow hedges transferred to income statement	–	8	–	–	8	–	8
Income tax expense	–	–	–	6	6	–	6
Items that are or may be reclassified subsequently to income statement, net of tax							
Total other comprehensive income restated	**(618)**	**3**	**5**	**(20)**	**(630)**	**–**	**(630)**

32 Dividends

Distributable reserves are determined on the basis of equity as reported in the statutory financial statements of the parent company, Swisscom Ltd, and not on the equity as reported in the consolidated financial statements. At 31 December 2013, Swisscom Ltd's distributable reserves amounted to CHF 4,180 million. The dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of Shareholders. The dividend proposed for the 2013 financial year is not recorded as a liability in these consolidated financial statements. Treasury shares are not entitled to a dividend.
Swisscom paid the following dividends in 2012 and 2013:

In CHF million, except where indicated	2013	2012
Number of registered shares eligible for dividend (in millions of shares)	51.801	51.801
Ordinary dividend per share (in CHF)	22.00	22.00
Dividends paid	**1,140**	**1,140**

The dividend payments for the 2011 and 2012 financial years were funded entirely from retained earnings. The Board of Directors proposes to the Annual Shareholders' Meeting to be held on 7 April 2014 the payment of an ordinary dividend of CHF 22 per share in respect of the 2013 financial year. This equates a total dividend distribution of CHF 1,140 million. The dividend payment is foreseen on 14 April 2014.

33 Financial risk management and supplementary disclosures regarding financial instruments

Swisscom is exposed to various financial risks resulting from its operating and financial activities. The most significant financial risks arise from changes in foreign exchange rates, interest rates as well as creditworthiness and the ability of counterparties to meet their payment obligations. A further risk arises from the ability to ensure adequate liquidity. Swisscom's financial risk management is conducted in accordance with established guidelines with the aim of limiting potential adverse effects on the financial situation of Swisscom. In particular, these guidelines contain risk limits for approved financial instruments and specify risk monitoring processes. Financial risk management, with the exception of the management of credit risks arising from business operations, is handled by the central Treasury Department. It identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The implemented risk management process also requires routine reports on the development of financial risks.

Market price risks

Foreign exchange risks

Swisscom is exposed to foreign exchange risks; these can impact the Group's financial results and consolidated equity. Foreign exchange risks which have an impact on cash flows (transaction risks) are partially hedged by financial instruments and designated for hedge accounting. In addition, foreign exchange risks with an impact on equity (translation risks) are partially hedged through financial instruments and designated for hedge accounting. The aim of Swisscom's foreign exchange risk management policy is to limit the volatility of planned cash flows. Forward currency contracts, currency options and currency swaps may be employed to hedge transaction risks. These hedging measures concern principally the USD and EUR. EUR-denominated financing is employed in order to hedge the translation risk of positions in EUR.
The following currency risks and hedging contracts for foreign currencies existed as of 31 December 2013:

In CHF million	EUR	USD	Other
At 31 December 2013			
Cash and cash equivalents	60	3	–
Trade and other receivables	8	8	11
Other financial assets	3	142	–
Financial liabilities	(1,721)	(130)	–
Trade and other payables	(59)	(54)	(13)
Net exposure at carrying amounts	**(1,709)**	**(31)**	**(2)**
Net forecasted cash flows exposure in the next 12 months	(367)	(343)	–
Net exposure before hedges	**(2,076)**	**(374)**	**(2)**
Forward currency contracts	211	209	–
Foreign currency swaps	46	–	–
Currency swaps	635	–	–
Hedges	**892**	**209**	**–**
Net exposure	**(1,184)**	**(165)**	**(2)**

In 2013, Swisscom contracted financial liabilities totalling EUR 800 million (CHF 980 million) which were designated for hedge accounting for net investments in foreign shareholdings.

The currency risks and hedging contracts for foreign currencies as of 31 December 2012 are to be analysed as follows:

In CHF million	EUR	USD	Other
At 31 December 2012			
Cash and cash equivalents	59	2	–
Trade and other receivables	14	5	11
Other financial assets	2	146	–
Financial liabilities	(757)	(166)	–
Trade and other payables	(254)	(71)	(23)
Net exposure at carrying amounts	**(936)**	**(84)**	**(12)**
Net forecasted cash flows exposure in the next 12 months	(118)	(313)	–
Net exposure before hedges	**(1,054)**	**(397)**	**(12)**
Forward currency contracts	–	146	–
Foreign currency swaps	83	18	–
Currency swaps	755	–	–
Hedges	**838**	**164**	**–**
Net exposure	**(216)**	**(233)**	**(12)**

Sensitivity analysis

The following sensitivity analysis shows the impact on the income statement should the EUR/CHF and USD/CHF exchange rates change in line with their implicit volatility over the next twelve months. This analysis assumes that all other variables, in particular the interest rate level, remain constant.

In CHF million	31.12.2013	31.12.2012
Income impact on balance sheet items		
EUR volatility of 4.93% (previous year: 4.85%)	84	45
USD volatility of 9.58% (previous year: 8.94%)	3	8
Hedges for balance sheet items		
EUR volatility of 4.93% (previous year: 4.85%)	(31)	(37)
USD volatility of 9.58% (previous year: 8.94%)	–	(3)
Planned cash flows		
EUR volatility of 4.93% (previous year: 4.85%)	18	6
USD volatility of 9.58% (previous year: 8.94%)	33	28
Hedges for planned cash flows		
EUR volatility of 4.93% (previous year: 4.85%)	(13)	(4)
USD volatility of 9.58% (previous year: 8.94%)	(20)	(15)

The volatility of the balance sheet positions and planned cash flows is partially offset by the volatility of the related hedging contracts.

Interest rate risks

Interest rate risks arise from fluctuations in interest rates which could have a negative impact on the financial position of Swisscom. Fluctuations in interest rates lead to changes in interest income and expense. Furthermore, they may impact the market value of certain financial assets, liabilities, and hedging instruments. Swisscom actively manages interest rate risks. The main aim thereof is to limit the volatility of planned cash flows. Swisscom employs interest rate swaps and options to hedge its interest rate risk.

The structure of interest-bearing financial instruments at nominal values is as follows:

In CHF million	31.12.2013	31.12.2012
Fixed interest-bearing financial liabilities	6,498	6,472
Variable interest-bearing financial liabilities	2,094	1,985
Total interest-bearing financial liabilities	**8,592**	**8,457**
Fixed interest-bearing financial assets	(231)	(93)
Variable interest-bearing financial assets	(753)	(572)
Total interest-bearing financial assets	**(984)**	**(665)**
Total interest-bearing financial assets and liabilities, net	**7,608**	**7,792**
Variable interest-bearing	1,341	1,413
Fixed through interest rate swaps	(350)	(350)
Variable through interest rate swaps	42	57
Variable interest-bearing, net	**1,033**	**1,120**
Fixed interest-bearing	6,267	6,379
Fixed through interest rate swaps	350	350
Variable through interest rate swaps	(42)	(57)
Fixed interest-bearing, net	**6,575**	**6,672**
Total interest-bearing financial assets and liabilities, net	**7,608**	**7,792**

Sensitivity analysis

The following sensitivity analysis shows the effects on the income statement and equity if CHF interest rates move by 100 base points. In computing sensitivity in equity, negative interest rates are excluded.

	Income statement		Equity	
In CHF million	Increase 100 base points	Decrease 100 base points	Increase 100 base points	Decrease 100 base points
At 31 December 2013				
Variable financing	(13)	13	–	–
Interest rate swaps	3	(3)	9	(2)
Cash flow sensitivity, net	**(10)**	**10**	**9**	**(2)**
At 31 December 2012				
Variable financing	(14)	14	–	–
Interest rate swaps	3	(3)	12	(2)
Cash flow sensitivity, net	**(11)**	**11**	**12**	**(2)**

Credit risks

Credit risks from operating activities

Swisscom is exposed to credit risks arising from its operating activities. Swisscom has no significant concentrations of credit risk. The Group has policies in place to ensure that products and services are only sold to creditworthy customers. Furthermore, outstanding receivables are continually monitored as part of its operating activities. Swisscom recognises credit risks through individual and general lump-sum allowances. In addition, the danger of risk concentrations is minimised by the large number of customers. Given that the financial assets as of the balance sheet date are neither impaired nor in default, there are no indications that the debtors will not be capable of meeting their payment obligations. Further information on financial assets is set out in Notes 17, 18 and 19.

Credit risks from financial transactions

Swisscom is exposed to the risk of counterparty default through the use of derivative financial instruments and financial investments. In business rules governing derivative financial instruments and financial investments, requirements to be met by counterparties are defined. Furthermore, individual limits by counterparty have been set. These limits and counterparty credit assessments are reviewed regularly. Swisscom signs netting agreements as issued by ISDA (International Swaps and Derivatives Association) with the respective counterparties in order to control the risk inherent in derivative transactions. The carrying amount of financial assets corresponds to the credit risk and is to be analysed as follows:

In CHF million	Note	31.12.2013	31.12.2012
Cash and cash equivalents	17	723	538
Trade and other receivables	18	2,516	2,824
Loans and receivables	19	305	173
Derivative financial instruments	19	6	23
Total carrying amount of financial assets		**3,550**	**3,558**

The carrying amounts of cash and cash equivalents and other financial assets and the related Standard & Poor's ratings of the counterparties are to be summarised as follows:

In CHF million	31.12.2013	31.12.2012
AAA	422	28
AA+	149	–
AA–	135	139
A+	136	150
A	151	99
A–	3	9
BBB+	–	8
BBB	16	–
Without rating, with government guarantee	–	234
Without rating	22	67
Total	**1,034**	**734**

Liquidity risk

Prudent liquidity management includes the holding of adequate reserves of cash and cash equivalents and marketable securities as well as the provision of adequate financing. Swisscom has processes and policies in place that guarantee sufficient liquidity in order to settle current and future obligations. Swisscom has an confirmed line of credit of CHF 100 million maturing in 2016 from banks and a further confirmed line of credit of CHF 2,000 million from banks maturing in 2018. As of 31 December 2013, these lines of credit had not been drawn down, as in the prior year.

The contractual maturities of financial liabilities including estimated interest payments as of 31 December 2013 are as follows:

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
At 31 December 2013						
Non-derivative financial liabilities						
Bank loans	1,353	1,455	14	442	677	322
Debenture bonds	5,508	6,184	1,419	626	2,395	1,744
Private placements	1,126	1,192	217	7	687	281
Finance lease liabilities	655	1,821	54	54	149	1,564
Other interest-bearing financial liabilities	4	3	1	1	1	–
Other non-interest-bearing financial liabilities	50	50	27	8	–	15
Trade and other payables	1,870	1,870	1,870	–	–	–
Derivative financial liabilities						
Derivative financial instruments	127	180	81	44	10	45
Total	**10,693**	**12,755**	**3,683**	**1,182**	**3,919**	**3,971**

The contractual maturities of financial liabilities including estimated interest payments as of 31 December 2012 are as follows:

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
At 31 December 2012						
Non-derivative financial liabilities						
Bank loans	1,169	1,271	199	11	877	184
Debenture bonds	5,455	6,211	727	1,407	1,400	2,677
Private placements	1,252	1,338	145	214	622	357
Finance lease liabilities	639	1,847	48	47	141	1,611
Other interest-bearing financial liabilities	11	11	8	1	1	1
Other non-interest-bearing financial liabilities	21	21	5	16	–	–
Trade and other payables	1,993	1,993	1,993	–	–	–
Derivative financial liabilities						
Derivative financial instruments	236	313	81	83	65	84
Total	**10,776**	**13,005**	**3,206**	**1,779**	**3,106**	**4,914**

Estimation of fair values

The carrying amounts of trade receivables and payables as well as other receivables and payables are a reasonable estimate of their fair value because of their short-term maturities. The carrying amounts of cash and cash equivalents and current loans receivable correspond to the fair values. The fair value of available-for-sale financial investments is based on quoted stock exchange prices or equates their purchase cost. The fair values of other non-current financial assets are computed on the basis of the maturing future payments, discounted at market interest rates. The fair value of non-publicly traded interest-bearing financial liabilities is estimated on the basis of the maturing future payments discounted at market interest rates. The fair value of publicly traded interest-bearing liabilities is based upon stock-exchange quotations as at the balance-sheet date. The fair value of finance lease obligations is estimated on the basis of the maturing future payments, discounted at market interest rates. The fair value of publicly traded derivative financial instruments as well as investments held for trading or for sale is based on quoted stock exchange prices as of the balance sheet date. Interest rate swaps and currency swaps are discounted at market interest rates. Foreign-currency forward contracts and foreign-currency swaps are valued by reference to foreign exchange forward rates as of the balance sheet date.

Fair value hierarchy

The fair value hierarchy encompasses the following three levels:

- Level 1: stock-exchange quoted prices in active markets for identical assets or liabilities;
- Level 2: other factors which are observable on markets for assets and liabilities, either directly or indirectly;
- Level 3: factors that are not based on observable market data.

Asset/liability valuation categories and fair value of financial instruments

The carrying values and fair values of financial assets and financial liabilities with their corresponding valuation categories are summarised in accordance with the following table. Not reflected therein is cash and cash equivalents, trade receivables and payables as well as miscellaneous receivables and payables whose carrying value corresponds to a reasonable estimation of their fair value.

	Carrying amount				Fair Value		
In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
At 31 December 2013							
Derivative financial instruments	–	–	6	–	–	6	–
Available-for-sale financial assets	–	21	–	–	1		20
Financial assets measured at fair value	**–**	**21**	**6**	**–**	**1**	**6**	**20**
Other loans and receivables	305		–	–	–	308	–
Financial assets not measured at fair value	**305**	**–**	**–**	**–**	**–**	**308**	**–**
Derivative financial instruments	–	–	127	–	–	127	–
Financial liabilities measured at fair value	**–**	**–**	**127**	**–**	**–**	**127**	**–**
Bank loans	–	–	–	1,353	–	1,383	–
Debenture bonds	–	–	–	5,508	5,836	–	–
Private placements	–	–	–	1,126	–	1,147	–
Finance lease liabilities	–	–	–	655	–	1,194	–
Other interest-bearing financial liabilities	–	–	–	4	–	4	–
Other non-interest-bearing financial liabilities	–	–	–	50	–	50	–
Financial liabilities not measured at fair value	**–**	**–**	**–**	**8,696**	**5,836**	**3,778**	**–**

The carrying values and fair values of financial assets and financial liabilities with their corresponding valuation categories are as of 31 December 2012 are as follows:

	Carrying amount				Fair Value		
In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
At 31 December 2012							
Derivative financial instruments	–	–	23	–	–	3	20
Available-for-sale financial assets	–	21	–	–	1	–	20
Financial assets measured at fair value	**–**	**21**	**23**	**–**	**1**	**3**	**40**
Other loans and receivables	173	–	–	–	–	191	–
Financial assets not measured at fair value	**173**	**–**	**–**	**–**	**–**	**191**	**–**
Derivative financial instruments	–	–	236	–	–	236	–
Financial liabilities measured at fair value	**–**	**–**	**236**	**–**	**–**	**236**	**–**
Bank loans	–	–	–	1,169	–	1,217	–
Debenture bonds	–	–	–	5,455	5,896	–	–
Private placements	–	–	–	1,252	–	1,284	–
Finance lease liabilities	–	–	–	639	–	1,344	–
Other interest-bearing financial liabilities	–	–	–	11	–	11	–
Other non-interest-bearing financial liabilities	–	–	–	21	–	21	–
Financial liabilities not measured at fair value	**–**	**–**	**–**	**8,547**	**5,896**	**3,877**	**–**

In addition, as of 31 December 2013, there were available-for-sale financial assets with a carrying value of CHF 21 million (prior year: CHF 20 million) which are valued at acquisition cost.
Level 3 financial instruments developed as follows in 2012 and 2013:

In CHF million	Available-for-sale financial assets
Balance at 31 December 2011	16
Additions	1
Disposals	(1)
Change in fair value recognised in equity	5
Change in fair value recognised in income statement	(1)
Balance at 31 December 2012	**20**
Additions	1
Disposals	(1)
Change in fair value recognised in equity	1
Change in fair value recognised in income statement	(1)
Balance at 31 December 2013	**20**

The level-3 assets consist of investments in various investment funds and individual companies. The fair value was arrived at using a valuation model. In 2012 and 2013, there were no reclassifications between the various levels.

Asset/liability valuation categories and results of financial instruments

The results for each asset/liability valuation category are to be analysed as follows:

In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Hedging transactions
2013					
Interest income (interest expense)	8	–	(4)	(250)	(5)
Change in fair value	–	–	30	–	–
Foreign currency translation adjustments	8	(1)	4	(8)	–
Gains and losses transferred from equity	–	–	–	–	(1)
Net result recognised in income statement	**16**	**(1)**	**30**	**(258)**	**(6)**
Change in fair value	–	1	–	–	7
Gains and losses transferred to income statement	–	–	–	–	6
Net result recognised in other comprehensive income	**–**	**1**	**–**	**–**	**13**
Total net result by asset/liability category	**16**	**–**	**30**	**(258)**	**7**

In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Hedging transactions
2012					
Interest income (interest expense)	14	–	(4)	(258)	(5)
Foreign currency translation adjustments	(4)	–	(3)	6	–
Gains and losses transferred from equity	–	(5)	–	–	(3)
Net result recognised in income statement	**10**	**(5)**	**(7)**	**(252)**	**(8)**
Change in fair value	–	–	–	–	(5)
Gains and losses transferred to income statement	–	5	–	–	8
Net result recognised in other comprehensive income	**–**	**5**	**–**	**–**	**3**
Total net result by asset/liability category	**10**	**–**	**(7)**	**(252)**	**(5)**

In addition, in 2013, allowances for trade and other receivables amounting to CHF 83 million (prior year: CHF 70 million) were recorded under other operating expenses.

Derivative financial instruments

At 31 December 2012 and 2013, the following derivative financial instruments were recorded:

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fair value hedges	42	58	–	–	(13)	(18)
Cash flow hedges	728	533	–	–	(16)	(43)
Other derivative financial instruments	911	1,215	6	23	(98)	(175)
Total derivative financial instruments	**1,681**	**1,806**	**6**	**23**	**(127)**	**(236)**
Thereof current derivative financial instruments			–	23	(76)	(75)
Thereof non-current derivative financial instruments			6	–	(51)	(161)

Fair Value Hedges

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Currency swaps in EUR	42	58	–	–	(13)	(18)
Total fair value hedges	**42**	**58**	**–**	**–**	**(13)**	**(18)**

In 2007, for the purpose of hedging the foreign currency and interest rate risks of financing in EUR, cross-currency swaps for EUR 48 million were entered into which were designated as fair value hedges for hedge accounting. Of this amount, EUR 13 million matured in 2013. As of 31 December 2013, the instruments designated for hedge accounting had negative fair values of CHF 13 million (prior year: CHF 18 million).

Cash Flow Hedges

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Currency swaps in USD	–	37	–	–	–	(23)
Interest rate swaps in CHF	350	350	–	–	(13)	(17)
Forward currency contracts in USD	167	146	–	–	(2)	(3)
Forward currency contracts in EUR	211	–	–	–	(1)	–
Total cash flow hedges	**728**	**533**	**–**	**–**	**(16)**	**(43)**

As of 31 December 2012, derivative financial instruments included cross-currency swaps which matured at the end of 2013. The cross-currency swaps were entered into in order to hedge foreign exchange risks with respect to USD-denominated bank loans. These hedging instruments were designated for hedge accounting purposes and had a negative fair value of CHF 23 million at 31 December 2012. The hedging reserve as part of consolidated equity as of 31 December 2012 included an amount of CHF 2 million.

Swisscom entered into interest rate swaps with final maturities in 2016 in order to hedge interest rate risks of CHF 350 million of the variable CHF-denominated interest-bearing private placements. These hedges were designated as cash flow hedges for hedge accounting purposes. As of 31 December 2013, these interest rate swaps were recorded with a negative fair value of CHF 13 million (prior year: CHF 17 million). CHF 13 million was recognised in the hedging reserve within consolidated equity for these hedging instruments (prior year: CHF 18 million). In 2009, interest rate swaps designated for hedge accounting for the premature hedging of the interest rate risk for the intended issuance of debenture loans totalling CHF 500 million were closed out. The effective share of CHF 24 million was left in the other reserves and is being released to interest expense over the hedged duration of debenture bonds issued in 2009. As of 31 December 2013, a negative amount of CHF 5 million (prior year: CHF 10 million) is recognised in the hedging reserve as part of consolidated equity.

As of 31 December 2013, derivative financial instruments include forward currency contracts of USD 188 million and EUR 172 million which serve to hedge future purchases of goods and services in the respective currencies. The hedges were designated for hedge accounting purposes. The hedges disclose a negative fair value of CHF 3 million (prior year: negative market value of CHF 3 million). A negative amount of CHF 4 million was recorded in the hedging reserve within consolidated equity for these designated hedging instruments (prior year: negative amount of CHF 3 million).

Other derivative financial instruments

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Currency swaps in EUR	592	697	–	–	(96)	(150)
Interest rate swaps in CHF	200	200	6	–	(1)	(25)
Currency swaps in USD	2	42	–	–	–	–
Currency swaps in EUR	75	226	–	–	–	–
Forward currency contracts in USD	42	–	–	–	(1)	–
Options related to business combinations	–	50	–	23	–	–
Total other derivative finanicial instruments	**911**	**1,215**	**6**	**23**	**(98)**	**(175)**

In 2010 and in order to hedge currency and interest rate risks arising in connection with EUR-denominated financing, interest rate swaps were entered into covering EUR 350 million with a duration of up to five years. These hedges were not designated for hedge accounting. Already in 2007, interest rate swaps for EUR 228 million had been entered into in order to hedge currency and interest rate risks arising in connection with EUR-denominated financing and which had not been designated for hedge accounting. Of this amount, EUR 95 million matured in 2013.
Furthermore, derivative financial instruments as at 31 December 2013 include interest rate swaps covering CHF 200 million with maturities ending in 2040 with a positive market value of CHF 6 million (prior year: zero) and a negative market value of CHF 1 million (prior year: CHF 25 million) which were not designated for hedge accounting.
In addition, foreign currency forward contracts and currency swaps for EUR and USD which serve to hedge future transactions in connection with Swisscom's operating activities and which were not designated for hedge accounting purposes are included in derivative financial instruments. In the prior year, derivative financial instruments also included options in connection with company acquisitions with a positive market value of CHF 23 million. In 2013, the related company was acquired and the market value of the option was recognised as part of the acquisition costs. See Note 5.

Cross-border lease agreements

Between 1996 until 2002, Swisscom entered into various cross-border lease agreements, under the terms of which parts of its fixed line and mobile phone networks were sold or leased on a long-term basis and leased back. Swisscom defeased a significant part of the lease obligations through the acquisition of investment-grade financial investments. The financial assets were irrevocably deposited with a trust. In accordance with Interpretation SIC 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease", these financial assets and liabilities in the same amount are netted and not recorded in the balance sheet. As of 31 December 2013, the financial liabilities and assets, including accrued interest, which arose from cross-border lease agreements amounted to USD 63 million or CHF 56 million, which, in compliance with SIC 27, were not recognised in the balance sheet (prior year: USD 59 million or CHF 55 million).

Netting of financial instruments

In CHF million	Gross amount	Settlement	Net amount
At 31 December 2013			
Derivative financial instruments			
Interest rate swaps	6	–	6
Receivables from international roaming			
Billed revenue	37	(26)	11
Accruals	238	(147)	91
Financial assets	**281**	**(173)**	**108**
Derivative financial instruments			
Interest rate swaps	14	–	14
Currency swaps	109	–	109
Forward currency contracts	4	–	4
Liabilities from international roaming			
Supplier invoices received	41	(26)	15
Accruals	180	(147)	33
Financial liabilities	**348**	**(173)**	**175**
At 31 December 2012			
Receivables from international roaming			
Billed revenue	49	(37)	12
Accruals	306	(166)	140
Financial assets	**355**	**(203)**	**152**
Derivative financial instruments			
Interest rate swaps	42	–	42
Currency swaps	191	–	191
Forward currency contracts	3	–	3
Liabilities from international roaming			
Supplier invoices received	58	(37)	21
Accruals	187	(166)	21
Financial liabilities	**481**	**(203)**	**278**

Swisscom enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because Swisscom does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default or other credit events.

As per 31 December 31, 2013 the amount subject to such netting agreements was CHF 6 million. Considering the effect of these agreements the amount of derivative assets would reduce from CHF 6 million to 0, and the amount of derivative liabilities would reduce from CHF 127 million to CHF 121 million.

Charges for international roaming are settled over a clearing centre. Receivables and payables arising from roaming charges between the contracting parties are netted and settled on a net basis. Those receivables and payables for which Swisscom has a legal right of offset are netted in Swisscom's consolidated financial statements.

Management of equity resources

Managed capital is defined as equity including non-controlling interests. Swisscom seeks to maintain a robust equity basis. This basis enables it to guarantee the continuing existence of the Company as a going concern and to offer investors an appropriate return in relation to the risks entered into. Furthermore, Swisscom maintains funds to enable investments to be made which will bring future benefits to customers as well as generate further returns for investors. The managed capital is monitored through the equity ratio which is the ratio of consolidated equity to total assets. The following table illustrates the calculation of the equity ratio:

In CHF million	31.12.2013	31.12.2012 restated
Share of equity attributable to equity holders of Swisscom Ltd	5,973	4,690
Share of equity attributable to non-controlling interests	29	27
Total capital	**6,002**	**4,717**
Total assets	20,496	19,796
Equity ratio in %	29.3	23.8

In its strategic targets, the Federal Council has ruled that Swisscom's net indebtedness shall not exceed approximately 2.1 times the operating result before taxes, interest and depreciation and amortisation (EBITDA). Exceeding this limit temporarily is permitted. The net-debt-to-EBITDA ratio is as follows:

In CHF million	31.12.2013	31.12.2012 restated
Debenture bonds	5,508	5,455
Bank loans	1,353	1,169
Private placements	1,126	1,252
Finance lease liabilities	655	639
Other financial liabilities	181	268
Total financial liabilities	**8,823**	**8,783**
Cash and cash equivalents	(723)	(538)
Current financial assets	(160)	(40)
Non-current fixed interest-bearing deposits	(128)	(134)
Net debt	**7,812**	**8,071**
Operating income before depreciation and amortisation (EBITDA)	4,302	4,477
Ratio net debt/EBITDA	1.8	1.8

Net debt consists of total financial liabilities less cash and cash equivalents, current financial assets as well as non-current fixed interest-bearing financial investments.

34 Supplementary information on the statement of cash flows

Changes in operating assets and liabilities

In CHF million	2013	2012
Trade and other receivables	178	135
Inventories	8	(16)
Other non-financial assets	7	135
Trade and other payables	(172)	(31)
Provisions	(16)	(34)
Other non-financial liabilities	119	(48)
Defined benefit obligations	(20)	(180)
Total changes in operating assets and liabilities	**104**	**(39)**

Other cash flows from financing activities

In 2013, other cash flows from financing activities aggregated CHF 12 million (prior year: CHF 12 million). This relates mainly to payments in connection with hedging contracts and the commitment fee for the guaranteed credit limit.

Non-cash investing and financing transactions

Additions to property, plant and equipment include additions from finance leases amounting to CHF 10 million (prior year: CHF 8 million). As a result of changes in the assumptions made in estimating the provisions for dismantling and restoration costs, a reduction of CHF 19 million, net was recognised in property, plant and equipment (prior year: CHF 42 million). See Note 23.

35 Future commitments

Commitments for future capital expenditures

Firm contractual commitments for future investments in property, plant and equipment and other intangible assets as of 31 December 2013 aggregated CHF 862 million (prior year: CHF 868 million).

Operating leases

Operating leases relate primarily to the rental of real estate for business purposes. See Note 26. In 2013, payments for operating leases amounted to CHF 301 million (prior year: CHF 272 million). Future minimum lease payments in respect of operating lease contracts are as follows:

In CHF million	31.12.2013	31.12.2012
Within 1 year	104	118
Within 1 to 2 years	95	98
Within 2 to 3 years	76	87
Within 3 to 4 years	62	69
Within 4 to 5 years	50	54
After 5 years	240	269
Total future minimum lease payments	**627**	**695**

36 Research and development

Costs aggregating CHF 20 million for research and development were expensed in 2013 (prior year: CHF 28 million).

37 Related parties

Majority shareholder

Pursuant to the Swiss Federal Telecommunication Enterprises Act ("Telekommunikationsunternehmungsgesetz, TUG"), the Swiss Confederation ("the Confederation") is obligated to hold a majority of the share capital and voting rights of Swisscom. On 31 December 2013, the Confederation as majority shareholder held 51.2% (prior year: 56.8%) of the issued shares of Swisscom Ltd. Any reduction of the Confederation's holding below a majority would require a change in law which would need to be voted upon the Federal Assembly, which would also be subject to a facultative referendum by Swiss voters. As the majority shareholder, the Swiss Confederation has the power to control the decisions of the general meetings of shareholders which are taken by the absolute majority of effectively cast votes. This relates primarily to the approval of dividend distributions and the election of the members of the Board of Directors. Swisscom supplies telecommunication services to and in addition, procures services from the Confederation, the majority shareholder in Swisscom. The Confederation comprises the various departments and administrative bodies of the Confederation and the other companies controlled by the Confederation (primarily the Post, Swiss Federal Railways, RUAG as well as Skyguide). All transactions are conducted on the basis of normal relationships with customers and suppliers and on conditions applicable to unrelated third parties. In addition, financing transactions were entered into with the Swiss Post on normal commercial terms.

Associates

Services provided to/from associates are based upon market prices. The associates are listed in Note 41.

Minority shareholders

PubliGroupe and Swisscom Directories are the main related parties amongst minority shareholders. Services provided to/from these related parties are based upon market prices.

Post-employment benefits funds

Transactions between Swisscom and the various pension funds are detailed in Note 10.

Transactions and balances

Transactions and year-end balances with related parties in 2012 and 2013 are as follows:

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	372	170	186	382
Associates	131	206	14	10
Other minority shareholders	8	–	1	–
Total 2013/Balance at 31 December 2013	**511**	**376**	**201**	**392**

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	355	164	288	380
Associates	117	230	16	33
Other minority shareholders	9	1	1	–
Total 2012/Balance at 31 December 2012	**481**	**395**	**305**	**413**

Key management compensation

In CHF million	2013	2012
Current compensation	1.6	1.6
Share-based payments	0.8	0.7
Social security contributions	0.1	0.1
Total compensation to members of the Board of Directors	**2.5**	**2.4**
Current compensation	5.8	7.6
Share-based payments	0.9	1.2
Benefits paid following retirement from Group Executive Board	1.5	–
Pension contributions	0.7	1.1
Benefits paid to former Members of the Group Executive Board	–	0.1
Social security contributions	0.5	0.6
Total compensation to members of the Group Executive Board	**9.4**	**10.6**
Total compensation to members of the Board of Directors and of the Group Executive Board	**11.9**	**13.0**

Individuals in key positions of Swisscom are the members of the Board of Directors and the Group Executive Board of Swisscom Ltd. Compensation paid to members of the Board of Directors consists of basic emoluments plus functional allowances and meeting attendance fees. A third of the entire compensation of the Board of Directors (excluding meeting allowances) is paid in the form of shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary component settled in cash, a variable performance-related portion settled in cash and in equity shares, services provided and non-cash benefits as well as retirement benefits. Apart from two members, 25% of the variable performance-related share of profits of the members of the Group Executive Board is paid out in shares. Two Board members receive additionally a certain portion of the variable performance-related part entirely in the form of equity shares and as a result, their equity share portion amounts in total to a minimum of 36% and a maximum of 57%. See Note 11. Remuneration and shareholdings are disclosed in the Notes to the annual financial statements of Swisscom Ltd pursuant to Swiss company law (Art. 663b^{bis} and 663c para. 3 of the Swiss Federal Code of Obligations).

38 Service concession agreements

On 21 June 2007 and in accordance with the Swiss Federal Telecommunications Act (TCA), ComCom granted Swisscom a basic-service license for 2008 to 2017. As licensee, Swisscom (Switzerland) Ltd is required to offer the entire range of the basic service to all sections of the Swiss population throughout the whole territory of Switzerland during the ten-year duration of the license. The license covers the whole territory of Switzerland. The basic service is to guarantee access to a minimum offering of telecommunication services. Within the framework of the basic service, everyone has the right to a connection which allows national and international telephone calls in real time, the transmission and reception of fax messages and access to the Internet. The basic service also provides for the maintenance of a prescribed number of public telephones per municipality (Publifon). The Federal Council periodically sets price ceilings for basic services.

39 Risk assessment process

Swisscom has a centralised risk management system in place that distinguishes between strategic and operative risks. All identified risks are quantified as a function of the probability of occurrence and possible impact and are set forth in a risk report. The risk report is discussed periodically by the Audit Committee. Management aims to monitor and control risks on an ongoing basis. A risk assessment is undertaken to identify the risks arising from the application of the accounting principles or from financial reporting. Control mechanisms are defined within the scope of the internal control system to minimise the risks connected with financial reporting. Residual risks are classified according to their possible impact and monitored accordingly. See Notes 4 and 33.

40 Events after the balance sheet date

Approval of the consolidated financial statements

The Board of Directors of Swisscom approved the release of these consolidated financial statements on 5 February 2014. As of this date, no significant post-balance sheet events occurred.

41 List of Group companies

Registered name	Registered office	Shareholding in %	Currency	Share capital in millions
Switzerland				
Alphapay Ltd	Zurich	100	CHF	0.5
Axept Ltd	Opfikon	100	CHF	0.2
BFM Business Fleet Management Ltd	Ittigen	100	CHF	1.0
Billag Ltd	Fribourg	100	CHF	0.1
cablex Ltd	Berne	100	CHF	5.0
CT Cinetrade Ltd	Zurich	75	CHF	0.5
Curabill Treuhand GmbH	St. Gallen	100	CHF	–
Datasport Ltd	Gerlafingen	100	CHF	0.2
DL-Groupe GMG AG	Geneva	67	CHF	0.1
kitag kino-theater Ltd	Zurich	75	CHF	1.0
local.ch Ltd	Berne	51	CHF	3.0
LTV Yellow Pages Ltd	Zurich	49	CHF	10.0
Medgate Holding Ltd	Zug	40	CHF	6.2
Mona Lisa Capital Ltd	Ittigen	99.5	CHF	5.0
MyStrom Ltd	Ittigen	80	CHF	0.1
Plazavista Entertainment AG	Zurich	75	CHF	0.1
Swisscom Banking Provider Ltd	Muri bei Bern	100	CHF	5.0
Swisscom Broadcast Ltd	Berne	100	CHF	25.0
Swisscom Directories Ltd	Berne	51	CHF	1.5
Swisscom Energy Solutions Ltd	Ittigen	50.1	CHF	4.0
Swisscom Event & Media Solutions Ltd	Ittigen	100	CHF	0.1
Swisscom Real Estate Ltd	Ittigen	100	CHF	100.0
Swisscom IT Services Ltd	Berne	100	CHF	150.0
Swisscom IT Services Finance Custom Solutions Ltd	Olten	100	CHF	0.1
Swisscom IT Services Sourcing Ltd	Münchenstein	100	CHF	3.0
Swisscom Switzerland Ltd	Ittigen	100	CHF	1,000.0
Teleclub AG	Zurich	75	CHF	1.2
Teleclub Programm AG	Zurich	25	CHF	0.6
Transmedia Communications Ltd	Geneva	21.8	CHF	0.8
Wingo Ltd	Fribourg	100	CHF	3.0
Worklink AG	Berne	100	CHF	0.5
Belgium				
Belgacom International Carrier Services	Brussels	22.4	EUR	1.5
Hospitality Services Belgium SA	Brussels	100	EUR	0.6
Swisscom Belgium N.V.	Brussels	100	EUR	4,330.2
China				
Swisscom Hospitality Hong Kong Ltd	Hong Kong	100	HKD	–
Denmark				
Swisscom Hospitality Denmark A/S	Hellerup	100	DKK	0.6
Germany				
Abavent GmbH	Kempten	100	EUR	0.3
Hospitality Services Germany GmbH	Munich	100	EUR	0.1
Swisscom Telco GmbH	Eschborn	100	EUR	–
Finland				
Swisscom Hospitality Finland Oy	Helsinki	100	EUR	0.1
Vilant Systems Oy	Espoo	20	EUR	–

Registered name	Registered office	Shareholding in %	Currency	Share capital in millions
France				
Hospitality Services France SA	Paris	96	EUR	5.6
Sicap France SA	Lyon	100.0	EUR	0.5
Great Britain				
Hospitality Networks and Services UK Ltd	London	100	GBP	1.6
Italy				
Fastweb S.p.A.	Milan	100	EUR	41.3
Fastweb Wholesale S.r.l.	Milan	100	EUR	5.0
Hospitality Services Italia S.r.l.	Milan	100	EUR	0.1
Metroweb S.p.A.[1]	Milan	10.6	EUR	28.9
Swisscom Italia S.r.l.	Milan	100	EUR	2,502.6
Liechtenstein				
Swisscom Re Ltd	Vaduz	100	CHF	5.0
Luxembourg				
Hospitality Services Luxembourg SA	Luxembourg	100	EUR	–
Malaysia				
Sicap Malaysia SdnBhd	Kuala Lumpur	100	MYR	0.5
Netherlands				
HSIA Hospitality Services Netherlands B.V.	The Hague	100	EUR	–
NGT International B.V.	Capelle a/d IJssel	100	EUR	–
Norway				
Swisscom Hospitality Norway A/S	Stavanger	100	NOK	0.3
Austria				
Hospitality Services GmbH	Vienna	100	EUR	0.3
Swisscom IT Servics Finance SE	Vienna	100	EUR	0.1
Philippinien				
Swisscom Hospitality Philippines, Inc.	Makaki City	100	PHP	8.2
Portugal				
HSIA Hospitality Services Portugal	Lisbon	100	EUR	1.1
Romania				
Deuromedia s.r.l.	Brasov	100	RON	0.2
Hospitality Services s.r.l.	Bucarest	100	RON	–
Spain				
Hospitality Networks and Services Espana SA	Madrid	100	EUR	0.1
Singapore				
Sicap Asia Pacific Pte Ltd	Singapore	100	SGD	0.1
Swisscom IT Services Finance Pte Ltd	Singapore	100	SGD	0.1
South Africa				
Sicap Africa Pty Ltd	Johannesburg	100	ZAR	0.1
USA				
Hospitality Services North America Corp.	Dulles	98	USD	1.6
Swisscom Cloud Lab Ltd	Wilmington	100	USD	0.3

[1] Investment is accounted for using the equity method. See Note 25.

Report of the Statutory Auditor

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of Swisscom Ltd, Ittigen (Berne)

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements on pages 151 to 221 of Swisscom Ltd, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Daniel Haas
Licensed Audit Expert

Gümligen-Berne, 5 February 2014

Financial statements of Swisscom Ltd
Income statement

In CHF million	Note	2013	2012
Net revenue from sale of goods and services		235	241
Other income		40	45
Total net revenue and other income		**275**	**286**
Personnel expense		(89)	(82)
Other operating expense		(108)	(107)
Depreciation and amortisation		–	(1)
Total operating expenses		**(197)**	**(190)**
Operating income		**78**	**96**
Financial expense		(220)	(223)
Financial income		256	254
Income from participations		135	1,637
Income tax expense		(10)	(15)
Net income	12	**239**	**1,749**

Balance sheet

In CHF million	Note	31.12.2013	31.12.2012
Assets			
Cash and cash equivalents		571	398
Other financial assets		135	–
Receivables from Group companies		166	155
Dividends receivable from subsidiaries	9	89	1,600
Other receivables from third parties		2	3
Other assets		8	10
Total current assets		**971**	**2,166**
Participations	9	7,148	7,087
Loans to third parties	10	92	108
Loans to Group companies		7,573	7,572
Total non-current assets		**14,813**	**14,767**
Total assets		**15,784**	**16,933**
Liabilities and equity			
Financial liabilities to third parties	5	1,535	887
Financial liabilities to Group companies		2,996	3,299
Trade payables due to third parties		6	5
Other payables to third parties	4	139	144
Other payables to Group companies		17	16
Total current liabilities		**4,693**	**4,351**
Financial liabilities to third parties	5	6,552	7,124
Financial liabilities to Group companies		239	254
Provisions		57	60
Total non-current liabilities		**6,848**	**7,438**
Total liabilities		**11,541**	**11,789**
Share capital		52	52
Capital surplus reserves		21	21
Retained earnings		4,170	5,071
Total equity	7	**4,243**	**5,144**
Total liabilities and equity		**15,784**	**16,933**

Notes to the financial statements

1 General information

The financial statements of Swisscom Ltd, the parent company of the Swisscom Group, comply with Swiss law.

2 Contingent liabilities

At 31 December 2013, guarantees in favour of third parties for the account of Group companies amount to CHF 142 million (prior year: CHF 308 million).

3 Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment correspond generally to their replacement value or fair value.

4 Amounts payable to pension funds

As in the prior year, there were no amounts payable to pension funds as of 31 December 2013.

5 Debenture bonds issued

The amounts, interest rates and maturities of debenture bonds issued by Swisscom Ltd are as follows:

	31.12.2013		31.12.2012	
In CHF million	Par value	Nominal interest rate	Par value	Nominal interest rate
Debenture bond in CHF 2007–2013	–	–	550	3.50
Debenture bond in CHF 2007–2017	600	3.75	600	3.75
Debenture bond in CHF 2008–2015	500	4.00	500	4.00
Debenture bond in CHF 2009–2014	1,250	3.50	1,250	3.50
Debenture bond in CHF 2009–2018	1,500	3.25	1,500	3.25
Debenture bond in CHF 2010–2022	500	2.63	500	2.63
Debenture bond in CHF 2012–2024	500	1.75	500	1.75
Debenture bond in EUR 2013–2020	614	2.00	–	–

6 Treasury shares

Swisscom Ltd recognises treasury shares separately as assets and establishes a reserve for treasury shares in the same amount in equity. Treasury shares are measured at the lower of cost and market value. Details of the balance of and movements in treasury shares are set out in Note 31 to the consolidated financial statements.

7 Equity

Movements in the number of shares in circulation as well as the equity of Swisscom Ltd are as follows:

In CHF million	Number of shares	Share capital	Capital surplus reserves	Reserve for treasury shares	Retained earnings	Total equity
Balance at 1 January 2012	**51,801,943**	**52**	**21**	**–**	**4,462**	**4,535**
Net income	–	–	–	–	1,749	1,749
Dividends paid	–	–	–	–	(1,140)	(1,140)
Balance at 31 December 2012	**51,801,943**	**52**	**21**	**–**	**5,071**	**5,144**
Net income	–	–	–	–	239	239
Dividends paid	–	–	–	–	(1,140)	(1,140)
Balance at 31 December 2013	**51,801,943**	**52**	**21**	**–**	**4,170**	**4,243**

Swisscom Ltd is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20% of share capital as well as the reserve for treasury shares may not be distributed. As of 31 December 2013, distributable reserves aggregated CHF 4,180 million. Any dividend distribution must be proposed by the Board of Directors and approved by the Annual General Meeting of Shareholders.

8 Significant shareholders

On 31 December 2013, the Swiss Confederation (Confederation), as majority shareholder, held 51.2% (prior year: 56.8%) of the issued share capital of Swisscom Ltd. The Federal Telecommunication Enterprises Act (TUG) stipulates that the Confederation must hold the majority of the capital and voting rights of Swisscom Ltd.

9 Participations and recording of dividends from subsidiaries

Participations are accounted for at acquisition cost less provisions for impairment, as required. Dividend income from subsidiary companies is accrued provided that the annual general meetings of the subsidiaries approve the payment of a dividend prior to approval of the annual financial statements of Swisscom Ltd by the Board of Directors. A list of direct and indirect shareholdings of Swisscom Ltd is provided in Note 41 to the consolidated financial statements.

10 Assets subject to restriction

As of 31 December 2013, financial assets totalling CHF 92 million were not freely available (prior year: CHF 93 million). These assets serve to secure commitments arising from bank loans. In the prior year, all assets were freely available.

11 Information on risk assessment process

Swisscom Ltd is fully integrated into the risk assessment process of Swisscom Group. This Group-wide risk assessment process also takes into consideration the nature and scope of business activities and the specific risks to which Swisscom Ltd is exposed. See Note 39 to the consolidated financial statements.

12 Net release of hidden reserves

In 2013, no hidden reserves were released to income (prior year: CHF 4 million).

13 Management compensation

Compensation for the members of the Board of Directors

2013, in CHF thousand	Base salary and functional allowances: Cash compensation	Base salary and functional allowances: Share-based payment	Meeting attendance fees	Employer contributions to social security	Total 2013
Hansueli Loosli	330	195	43	30	598
Barbara Frei	104	61	28	11	204
Hugo Gerber [1]	104	61	30	11	206
Michel Gobet	104	61	28	11	204
Torsten G. Kreindl	127	75	33	13	248
Catherine Mühlemann	104	61	27	11	203
Richard Roy	144	85	33	15	277
Theophil Schlatter	152	90	31	16	289
Hans Werder	142	84	34	12	272
Total compensation to members of the Board of Directors	**1,311**	**773**	**287**	**130**	**2,501**

[1] In addition, a cash compensation (including meeting attendance fees) of CHF 9,000 was paid as member of the Board of Directors of Worklink AG.

2012, in CHF thousand	Base salary and functional allowances: Cash compensation	Base salary and functional allowances: Share-based payment	Meeting attendance fees	Employer contributions to social security	Total 2012
Hansueli Loosli	330	195	38	30	593
Barbara Frei [1]	69	59	23	9	160
Hugo Gerber [2]	104	61	24	11	200
Michel Gobet	104	61	26	11	202
Torsten G. Kreindl	128	75	32	13	248
Catherine Mühlemann	104	61	25	11	201
Richard Roy	144	85	26	14	269
Theophil Schlatter	136	61	31	13	241
Othmar Vock [3]	50	4	7	3	64
Hans Werder	142	84	32	12	270
Total compensation to members of the Board of Directors	**1,311**	**746**	**264**	**127**	**2,448**

[1] Resigned as of 4 April 2012.
[2] In addition, a cash compensation (including meeting attendance fees) of CHF 9,500 was paid as member of the Board of Directors of Worklink AG.
[3] Resigned as of 4 April 2012.

The system of compensation provides for basic emoluments as well as functional allowances and meeting attendance fees. No variable profit-related emoluments are paid. The basic emolument for the Chairman of the Board of Directors is CHF 385,000, net, and CHF 120,000, net, for the other Board members. Furthermore, additional fees are paid for specific duties (functional allowances). Accordingly, each member of the Finance and Audit Committees is entitled to an unchanged allowance of CHF 10,000, net. The members of the Compensation Committee also receive a functional allowance in the same amount. In addition, the Vice-Chairman and the Chairman of the Finance and Compensation Committees are each entitled to an allowance in an unchanged amount of CHF 20,000 net. The Chairman of the Audit Committee receives a net amount of CHF 50,000. The representative of the Swiss Confederation receives a net amount of CHF 40,000 for the special duties related to his function. The members of the ad-hoc committees do not receive a functional allowance, but meeting attendance fees. Furthermore, meeting attendance fees of CHF 1,250 are paid for each full day and CHF 750 for each half-day. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. No significant non-cash benefits are paid nor services rendered.

The members of the Board of Directors are obligated to draw 25% of their basic emoluments including functional allowances in the form of equity shares, whereby Swisscom augments the amount to be invested in shares by 50%. In this manner, the compensation (excluding meeting attendance fees) is made up of a two-thirds' cash portion and a one-third equity share portion. The amount of the share subscription obligation can vary in the case of members who join, leave, assume or give up a function during the year. The shares are allocated on the basis of their value accepted for tax purposes, rounded up to the next whole number of shares, and are subject to a three-year retention period. The shares which are allocated in April of each reporting year in respect of the reporting period are recorded at their market value as of the date of their allocation. In April 2013, a total of 1,667 shares were allocated to the members of the Board of Directors (prior year: 1,927 shares) for a tax value of CHF 371 per share (prior year: CHF 310). Their market value was CHF 442 (prior year: CHF 361) per share. From 2013 onwards, the members of the Board of Directors are obligated to hold a minimum number of equity shares equal to one year's annual remuneration (basic emolument plus functional allowances). The Board members have four years to build up the required shareholding.
With regards to the disclosure of services rendered and non-cash benefits, these are dealt with from a tax point of view. Accordingly, neither services rendered and non-cash benefits nor expenses are included in reported allowances. No compensation was paid to former members of the Board of Directors in connection with their earlier activities as a member of a governing body of the Company and/or which is not at arm's length. Swisscom bears all contributions paid for the members of the Board of Directors in respect of social security insurance, in particular for old-age and survivors' as well as for unemployment insurance. The disclosed compensation to the Members of the Board of Directors includes the employee's share of social security contributions. The employer's share of contributions is disclosed separately but included in total remuneration.

Compensation for the members of the Group Executive Board

In CHF thousand	Total Group Executive Board 2013	Total Group Executive Board 2012	Thereof Urs Schaeppi 2013	Thereof Carsten Schloter 2012
Fixed base salary paid in cash	3,183	4,353	622	830
Variable earnings-related compensation paid in cash	2,640	3,092	566	635
Service-related and non-cash benefits	45	108	16	8
Share-based payments fixed [1]	–	35	–	–
Share-based payments variable [2]	853	1,191	298	252
Employer contributions to social security [3]	488	645	105	122
Benefits paid following retirement from Group Executive Board [4]	1,481	–	–	–
Retirement benefits [5]	738	1,064	106	106
Benefits paid to former Members of the Group Executive Board [6]	–	80	–	–
Severance payments	–	–	–	–
Total compensation to members of the Group Executive Board	**9,428**	**10,568**	**1,713**	**1,953**

[1] The shares are recorded at their market value and are blocked for three years.
[2] The shares are recorded at their market value and are blocked for three years.
[3] As from 2013, employer contributions to social insurance (AHV, IV, EO and FAK including administrative costs, sick pay allowance and accident insurance) are now included as part of total remuneration.
[4] This amount consists of employer social security contributions as well as retirement benefits for 2014 (for forfeited entitlements to share and option plans).
[5] During 2012 and 2013 CHF 170,000 or 165,000, respectively was paid to one Group Executive Board member for retirement benefits as compensation for forfeited entitlements to share and option plans. He was awarded a total amount of CHF 500,000 spread over 2012-2014.
[6] In 2012, CHF 80,000 was paid to one retired Group Executive Board member for advisory services in respect of support for the interim solution.

The compensation paid to the Group Executive Board consists of a basic salary settled in cash, a variable performance-related share of profits settled in cash and equity shares as well as non-cash benefits and additional benefits (primarily company car) as well as pension benefits. In addition, the Board of Directors may recognise exceptional individual performance by means of a discretionary premium settled in cash or shares. The variable performance-related share of profits is fixed in the subsequent year once the consolidated financial statements are available on the basis of the targets fixed in the year under review and is paid out in April of the same subsequent year. During the reporting period, the system of compensation payable to the Executive Board was amended. It was further adjusted by the requirement to hold a minimum number of equity shares. In order to support this minimum shareholding requirement, members of the Executive Board have now the possibility to draw a higher portion than previously of their variable performance-related compensation in the form of equity shares. A minimum of 25% of the variable performance-related share of compensation must be paid out in Swisscom shares. The Executive Board members now have the option of increasing this share up to a maximum of 50%. The remaining portion of the performance-related compensation is settled in cash. The option with regard to the level of compensation to be drawn in the form of equity shares must be exercised before the end of the reporting period, at the latest in November following the publication of the third quarter's results. In addition, a ceiling of 130% (until now 200%) of the target performance-related share has been set for the payment of the variable performance-related compensation during the reporting period. Two members of the Executive Board receive additionally a certain part of their performance-related compensation fully in the form of equity shares, as a result of which their equity share amounts in total to a minimum of 34% and a maximum of 57%. During the period under review, Urs Schaeppi was awarded an extraordinary individual premium for additional services rendered by him in the function as CEO ad interim. The shares are allocated on the basis of their value accepted for tax purposes, rounded up to the next whole number of shares, and may not be sold during a three-year period. The share-based compensation for the reporting period is augmented by a factor of 1.19 in order to take account of the difference between the market value and the tax value. The market value is determined as of the date of allocation. Shares in respect of the current year are allocated in April 2014.

In April 2013, the Executive Board members in office in the prior year were allocated a total of 2,707 shares in respect of the 2012 financial year (2011: 3,170 shares) with a tax value of CHF 371 (2011: CHF 310) per share. The market value was CHF 442 (2011: CHF 361). With regards to the disclosure of service rendered and non-cash benefits as well as expenses, these are dealt with from a tax point of view. Of the services rendered and non-cash benefits reported, only a share of the use of a company car is thus included in the reported compensation. Out-of-pocket expenses are reimbursed on a lump-sum basis in accordance with expense reimbursement rules approved by the Tax Authorities and other expenses are reimbursed on an actual cost basis. They are not included in the reported remuneration. Reported pension benefits (amounts which give rise to or increase pension entitlements) encompass all savings, guarantee and risk contributions paid by the employer to the pension plan. Included therein is also the premium for complementary death benefit risk insurance contracted for executives in Switzerland.

All compensation was accrued in accordance with the International Financial Reporting Standards (IFRS). During the reporting period, two members left the Executive Board. The highest compensation during the current financial year was paid to Urs Schaeppi, CEO ad interim until his election as CEO in November and, in the prior year, to Carsten Schloter in his capacity as CEO Swisscom Ltd. Swisscom has granted no sureties, guarantees or pledges in favour of third parties or other collateral to any of the persons impacted by the disclosure requirement. During the current reporting period, no compensation was paid to former members of the Group Executive Board in connection with their earlier activities as a member of a governing body of the Company and/or which is not at arm's length.

Payments to related parties

Related parties are spouses and common-law spouses, close relatives who are financially dependent on the member of the governing body or live in the same household, other persons who are financially dependent on such individuals as well as partnerships or corporate entities that are controlled by the member of the governing body or over which the member of the governing body exercises a significant influence. Parents, siblings and children are also considered to be related parties. During the reporting period, no payments were made to individuals who are closely related to any member of the Board of Directors or the Group Executive Board which are not at arm's length.

Loans and credits granted

Swisscom has granted no sureties, loans, advances and credits to present or former members of the Board of Directors and the Group Executive Board as well as parties related thereto. It has not waived any rights to amounts due from such individuals.

Further information

Further information on compensation paid to management is set out in the Remuneration Report on page 137.

14 Shareholdings of the members of the Board of Directors and the Group Executive Board

The table below discloses the number of restricted and non-restricted shares held by the members of the Board of Directors and the Group Executive Board and as well as individuals related to them as of 31 December 2013 and 2012.

Number	31.12.2013	31.12.2012
Hansueli Loosli	1,335	915
Barbara Frei [1]	283	151
Hugo Gerber	1,020	888
Michel Gobet	1,387	1,255
Torsten G. Kreindl	1,061	899
Catherine Mühlemann	1,010	878
Richard Roy	1,269	1,087
Theophil Schlatter	711	518
Hans Werder	688	506
Total shares of the members of the Group Executive Board	**8,764**	**7,097**

[1] Resigned as of 4 April 2012.

Number	31.12.2013	31.12.2012
Urs Schaeppi (CEO) [1]	1,716	1,441
Mario Rossi [2]	383	–
Hans C. Werner	257	49
Andreas König [3]	170	–
Total shares of the members of the Board of Directors	**2,526**	**1,490**

[1] From 23 July to 6 November 2013 CEO ad interim and from 7 November 2013 CEO.
[2] Entered as of 1 January 2013.
[3] Entered as of 1 October 2012.

No share of the voting rights of any person required to make disclosure thereof exceeds 0.1% of the share capital.

Proposed appropriation of retained earnings

Proposal of the Board of Directors

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 7 April 2014 that the retained earnings of CHF 4,170 million as of 31 December 2013 shall be appropriated as follows:

In CHF million	31.12.2013
Appropriation of retained earnings	
Balance carried forward from prior year	3,931
Net income for the year	239
Total retained earnings	**4,170**
Ordinary dividend of CHF 22.00 per share to 51,801,141 shares in total[1]	(1,140)
Balance to be carried forward	**3,030**

[1] Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 14 April 2014 as follows:

Per registered share	CHF
Ordinary dividend, gross	22.00
Less 35% withholding tax	(7.70)
Net dividend paid	**14.30**

Report of the Statutory Auditor

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of Swisscom Ltd, Ittigen (Berne)

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements on pages 224 to 233 of Swisscom Ltd, which comprise the income statement, balance sheet and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

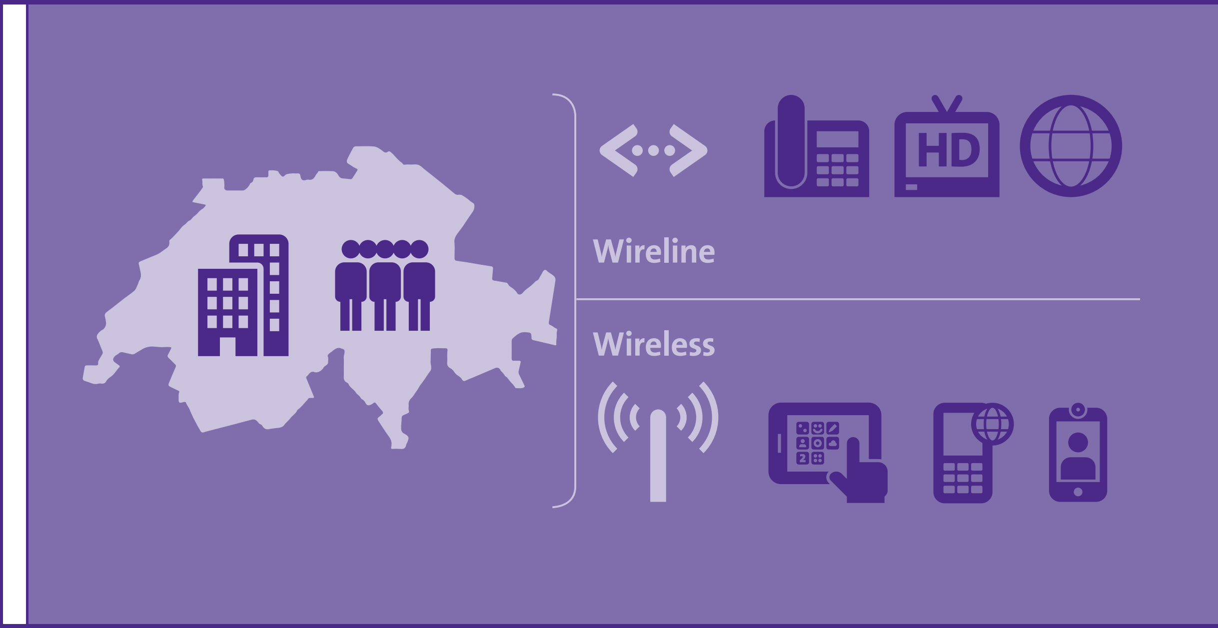
Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Daniel Haas
Licensed Audit Expert

Gümligen-Berne, 5 February 2014

Further Information

Forward-looking investments to ensure the best network for our customers.



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Glossary

Technical terms

ADSL (Asymmetric Digital Subscriber Line): A broadband data transmission technology that uses the existing copper telephone cable for broadband access to the data network. Filters at the customer end and in the network prevent mutual interference, allowing traditional analogue telephony and data transmission to exist in parallel. Depending on the line length and other factors, the transmission speed varies between 150/50 kbps and a maximum of 6,000/600 kbps.

All IP: All-IP is the technology behind the transition to a single unified network based on the Internet Protocol (IP). All-IP means that all services such as television, the Internet or telephony run over the same IT network based on the Internet Protocol. Phone calls are no longer transmitted using analogue signals but instead take the form of data packets, as is the case with Internet services. Thanks to the unified All-IP network infrastructure, devices and services can communicate with one another and exchange data. In the medium and long term, Swisscom intends to migrate all existing communications networks to IP to enable all telecommunications services (telephony, data traffic, TV, mobile communications, etc.) to be offered over IP.

Bandwidth: Bandwidth refers to the transmission capacity of a medium; also known as the data transmission rate. The higher the bandwidth, the more information units (bits) can be transmitted per unit of time (second): bps, kbps, Mbps.

Connectivity: Connectivity is the generic term used to denote IP services or the connection to the Internet and the ability to exchange data with any partner on the network.

DSL (Digital Subscriber Line): DSL is the generic term for transmission technologies that use subscriber lines based entirely or partly on copper. Examples of DSL technologies: ADSL or VDSL.

EDGE (Enhanced Data Rates for GSM Evolution): EDGE is a radio modulation technology used to enhance data transmission speeds in GSM mobile networks. EDGE enables data transmission speeds of up to 256 kbps. Today EDGE covers 99.8% of the Swiss population.

FTTH (Fibre to the Home): FTTH refers to the end-to-end connection of homes and offices using fibre-optic cables instead of traditional copper cables.

FTTS (Fibre to the Street)/FTTB (Fibre to the Building)/FTTC (Fibre to the Curb): FTTS, FTTB and FTTC with vectoring for VDSL2 refer to innovative, hybrid broadband connection technologies (optical fibre and copper). With these technologies fibre-optic cables are laid as close as possible to the building, or up to the basement in the case of FTTB, while the existing copper cabling is used for the remaining section. VDSL's subsequent evolution to G.fast will significantly increase bandwidths for FTTS and FTTB.

G.fast: G.fast, the latest technology for copper lines, is capable of providing far more bandwidth than VDSL2. The use of G.fast for FTTS and FTTB is part of Swisscom's access strategy. This technology is currently being standardised by the ITU-T.

GPRS (General Packet Radio Service): GPRS significantly accelerates the transmission speed in GSM mobile communications networks. GPRS enables speeds of 30 to 40 kbps.

GSM (Global System for Mobile Communications) network: GSM is a global digital mobile communications standard which, in addition to voice and data transmission, enables services such as SMS messaging and connections to and from countries abroad (international roaming).

HSPA (High Speed Packet Access): HSPA is a further development of the UMTS mobile communications standard. HSPA enables compared to UMTS large volumes of data to be transmitted at faster speeds and allows far more customers to use the same radio cell simultaneously and at a consistently high speed than would be possible with UMTS. At locations where mobile Internet use is particularly concentrated, HSPA is upgraded to HSPA+ (also referred to as HSPA Evolution). The maximum transmission speed currently delivered by this technology is 42 Mbps.

ICT (Information and Communication Technology): A collective term coined in the 1980s denoting the convergence of information technology (information and data processing and the related hardware) and communication technology (technically aided communications).

IP (Internet Protocol): IP enables different types of services to be integrated on a single network. Typical applications are virtual private networks (VPN), telephony (Voice over IP) and fax (Fax over IP).

IPTV (Internet Protocol Television): IPTV refers to the digital broadcasting of broadband applications (for example, television programmes and films) over an IP network.

ISP (Internet Service Provider): An ISP is a provider of Internet-based services; also commonly referred to as Internet Provider. Services include Internet connection (using DSL, for example), hosting (registration and operation of Internet addresses, websites and web servers) and content provision.

LAN (Local Area Network): A LAN is a local network for interconnecting computers, usually based on Ethernet.

4G/LTE (Long Term Evolution): 4G/LTE is the successor technology to HSPA and stands for fourth-generation mobile technology. At present, LTE enables mobile broadband data speeds of up to 150 Mbps.

MVNO (Mobile Virtual Network Operator): MVNO is a business model for mobile communications in which a company (the MVNO) with no network infrastructure or a limited network infrastructure is able to access the infrastructure of other mobile communications providers.

Optical fibre: Fibre-optic cables enable optical data transmission, unlike copper cables, which use electrical signals to transmit data.

OTT (Over the Top): OTT refers to content distributed by service providers over an existing network infrastructure without operating the infrastructure themselves. OTT companies offer proprietary services on the basis of the infrastructures of other companies in order to reach a broad range of users quickly and cost-efficiently.

PWLAN (Public Wireless Local Area Network): A PWLAN is a public local area network based on the IEEE802.11 Wi-Fi set of standards. Swisscom customers enjoy PWLAN access at more than 2,000 hotspots in Switzerland and over 65,000 worldwide. A PWLAN typically offers data transmission speeds of 5-10 Mbps.

Roaming: Roaming enables mobile network subscribers to use their mobile phones when travelling abroad. The mobile telephone of a subscriber outside Switzerland automatically selects the best-quality partner network. Information indicating the country and region where the mobile phone is located at any given time is sent to the exchange in Switzerland where the mobile phone is registered. On receipt of the calling signal, the exchange in Switzerland transmits it within a fraction of a second to the right region in the respective country, where the signal is forwarded to the base station in whose vicinity the mobile phone is located. The base station then forwards the signal to the mobile phone and the call can be taken. Roaming only works if all countries involved operate on the same frequency bands. In Europe all GSM networks use the same frequency bands. Other countries such as the USA or countries in South America use a different frequency range. Most mobile telephones today are triband or quadband and support 900 MHz and 1,800 MHz networks (which are most commonly used in Europe) as well as 850 MHz and 1,900 MHz networks.

Router: A router is a device for connecting or separating several computer networks. The router analyses incoming data packets according to their destination address, and either blocks them or forwards them accordingly (packet routing). Routers come in various sizes: from large-scale network devices to small devices for the home.

TDM (Time Division Multiplex): Multiplexing is a method which allows the simultaneous transmission of multiple signals over a single communications medium (line, cable or radio link), for example, by means of classic telephony (using an ISDN or analogue line). Multiplexing methods are often combined to achieve even higher utilisation. The signals are multiplexed once the user data have been modulated on a carrier signal. At the receiver end they are then demultiplexed and demodulated.

UMTS (Universal Mobile Telecommunications System): UMTS is an international third-generation mobile communications standard that combines mobile multimedia and voice services. A further development of GSM, UMTS complements GSM and Public Wireless LAN in Switzerland. Today the UMTS network covers around 98% of the Swiss population.

Unified Communications: An attempt to integrate the wide variety of modern communication technologies. Different telecommunication services such as e-mail, unified messaging, telephony, mobile, PDAs, instant messaging and presence functions are coordinated to enhance the reachability of dispersed communication partners, thereby speeding up business processes.

Vectoring: This technology is used in conjunction with VDSL2 to eliminate interference between copper wire pairs and enable bandwidths to be increased by as much as a factor of two.

VDSL (Very High Speed Digital Subscriber Line): VDSL is currently the fastest DSL technology, allowing data transmission speeds of up to 100 Mbps. The current version of VDSL is called VDSL2.

Video on Demand: A service that allows subscribers to choose from a selection of films and to watch the selected film at any time. The film is delivered to the subscriber either over the broadband cable network, over the original telephone network (DSL transmission), or over the new fibre-optic network (optical transmission).

VoIP (Voice over Internet Protocol): VoIP is used to set up telephone connections over the Internet.

VPN (Virtual Private Network): Nowadays VPN is generally used to refer to a virtual IP network (usually encrypted) that acts as a closed subnetwork within another IP network (usually the public Internet).

WLAN (Wireless Local Area Network): A WLAN is a network that connects several computers wirelessly and links them to a central information system, printer or scanner.

Networks

Leased lines: Swisscom operates various data networks that support leased lines based on a range of different technologies such as SDH (Synchronous Digital Hierarchy) and, of course, Ethernet. Business customers can take advantage of permanent, overload-free point-to-point connections using bandwidths of between 2 Mbps and 10 Gbps. Redundancies are tailored to customers' individual requirements in terms of availability and security.

Next-generation network: To enable more cost-effective use of new services such as VoIP and convergent solutions in the future, Swisscom is investing in a network infrastructure that is based exclusively on All-IP. This infrastructure allows Swisscom to offer services irrespective of the type of access technology selected (copper, wireless or fibre optic). Having migrated the data transport network to IP, commissioned an IP-based telephony and multimedia platform, and launched its first IP-based services such as Swisscom TV and VoIP, Swisscom has already gained experience in All-IP offerings. The first products based solely on IP were already rolled out in 2009 and supplemented since then by a wide range of new services and bundled offerings.

PSTN network: The PSTN network connects virtually all private households and a large proportion of business customers in Switzerland. Four-fold redundancy in the core network and two-fold redundancy in the switching layer ensure excellent voice quality and optimum security and availability.

Transport network: The transport network is a wide area network that connects the regional parts of the fixed network as well as the regional parts of the mobile network with each other as well as with the respective central network core. It also provides the link to computer centres and the global Internet. The transport network is used for all services (voice, video and data) and all customers (residential/business).

Wired access network: Swisscom's copper access network largely consists of twisted copper-wire pairs and extends to virtually every household in Switzerland. Swisscom began with the expansion of optical fibre to homes and offices (FTTH) in 2008. It started rolling out broadband technology in 2000, first based on ADSL (coverage at end-2013: 98%), then in 2006 based on VDSL2 (coverage at end-2013: over 91%) and in 2008 based on optical fibre technology (coverage at end-2013: FTTB in more than 750,000 homes and businesses). To fulfil its mandate for basic broadband provision, Swisscom also uses wireless technologies such as UMTS and satellite. At present, ADSL is mainly used to provide Internet access. Internet access using very high bandwidths and more broadband-intensive services such as IPTV and video telephony are transmitted only over VDSL2 or optical fibre. A million customers are already using Swisscom's IPTV, and more than 85% enjoy at least one channel in HD quality (high-definition TV). At the end of 2013 Swisscom launched a service on the fibre-optic network offering speeds of 1 Gbps.

Wireless access network: Swisscom operates a nationwide mobile network in Switzerland. The mobile services it provides are based on GSM, UMTS and LTE, the dominant digital standards across Europe and much of the world. Swisscom has implemented different technologies that enable transmission between handsets and base stations. In 2005, it enhanced all active GSM antennas with EDGE technology, a further development of GPRS. EDGE enables bandwidths of between 150 and 200 kbps and currently covers 99% of the Swiss population. Swisscom began rolling out UMTS as far back as 2004, and since 2006 has continued to expand its mobile network using HSPA/HSPA+. This allows download speeds of up to 42 Mbps. By the end of 2013, UMTS/HSPA covered around 98% of the Swiss population. Swisscom took another major step in 2011 when it became the first mobile provider in Switzerland to launch a field trial with LTE. Swisscom's launched its 4G/LTE offerings on the Swiss market in December 2012 and has since extended coverage to 85% of Swiss households. With LTE currently supporting bandwidths of up to 150 Mbps, Swisscom already has the fastest mobile network in Switzerland and is aiming to further extend this technological lead.

Other terms

BSA (bit stream access): Regulated bit stream access is a high-speed link which Swisscom sets up on the last mile (on a metallic pair cable from the local exchange to the home) and makes available to other telecoms service providers (TSP) as an upstream service at a price regulated by the government. TSPs can use this link, for example, to offer their customers broadband services or fast Internet access.

Collocation: Collocation is governed by the Ordinance on Telecommunications Services (Verordnung über Fernmeldedienste, FDV). The market-dominant provider offers alternative providers non-discriminatory access to the required locations so that they can use the location and install and operate their own telecommunications systems at that location.

ComCo (Competition Commission): ComCo enforces the Federal Cartel Act, the aim of which is to safeguard against the harmful economic or social impact of cartels and other constraints on competition in order to foster competition. ComCo combats harmful cartels and monitors market-dominant companies for signs of anti-competitive conduct. It is also responsible for examining mergers and issuing statements of position on official decrees that affect competition.

ComCom (Federal Communications Commission): ComCom is the decision-making authority for telecommunications. Its primary responsibilities include issuing concessions for use of the radio frequency spectrum as well as basic service licences. It also provides access (unbundling, interconnection, leased lines, etc.), approves national numbering plans and regulates the conditions governing number portability and freedom of choice of service provider.

COSO/COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission): COSO is a voluntary, private-sector US organisation whose goal is to improve the quality of financial reporting through ethical conduct, effective internal controls and good corporate management. The Enterprise Risk Management (ERM) Framework is an extension of COSO's Internal Control Framework.

ERM (Enterprise Risk Management): ERM is a Group-wide management system that ensures the assessment, handling and reporting of significant risks at Group level as well as Group-company level.

Ex-ante: In an ex-ante regime, the particulars of the regulated offerings (commercial, technical and operating conditions) must be approved by a government authority (authorisation obligation). The conditions approved by the authority (for example, price) are known to the parties using the regulated services. There is legal provision for the affected providers to establish that the price has been correctly determined.

Ex-post: In an ex-post regime, the parties must agree all possible aspects of the contractual content (primacy of negotiation). In the event of a dispute, the authorities decide only on the points on which the parties have been unable to agree (objection principle).

FTE (full-time equivalent): Throughout this report, FTE is used to denote the number of full-time equivalent positions.

Full access: Full access in connection with unbundling means providing alternative telecommunications service providers with access to subscriber lines for the purpose of using the entire frequency spectrum of metallic pair cables.

Hubbing: Hubbing relates to the trading of telephone traffic with other telecommunication operators.

Interconnection: Interconnection means linking up the systems and services of two TSPs so as to enable the logical interaction of the connected telecoms components and services and to provide access to third-party services. Interconnection allows the customer of one provider to communicate with the subscribers of another provider. Under the terms of the Federal Telecommunications Act, market-dominant TSPs are required to allow their competitors interconnection at cost-based prices (LRIC, see below).

ISO (9001, 14001–14064, 15504, 27001, 31000): The International Organization for Standardization (ISO) draws up international standards in all fields with the exception of electricity and electronics, for which the International Electrotechnical Commission (IEC) is responsible, and with the exception of telecommunications, for which the International Telecommunication Union (ITU) is responsible. Together, these three organisations form the WSC (World Standards Cooperation). The relevant ISO standards are ISO 9001 Quality Management System – Requirements; ISO 14001 to ISO 14064 Environmental Management System; ISO 15504 Software Process Improvement and Capability Determination (SPICE); ISO 27001 Information Technology – IT Security Techniques – Information Security Management Systems – Requirements; ISO 31000 Risk Management Principles and Guidelines. These standards govern the principles and general requirements for the risk management process.

Last mile: Also referred to as the local loop, the last mile denotes the subscriber access line between the subscriber access point and the local exchange. In Switzerland, as in most other countries, access to the last mile is regulated (unbundling).

LRIC (Long-Run Incremental Costs): LRIC is the method defined by the Ordinance on Telecommunications Services (Verordnung über Fernmeldedienste, FDV) for calculating regulating prices. It is future-oriented and therefore creates economically efficient investment incentives.

OFCOM (Federal Office of Communications) OFCOM deals with issues related to telecommunications and broadcasting (radio and television), and performs official and regulatory tasks in these areas. It prepares the groundwork for decisions by the Federal Council, the Federal Department for Environment, Transport, Energy and Communications (DETEC) and the Federal Communications Commission (ComCom).

Termination charges: Termination charges are levied by a network operator for forwarding calls to another third-party network (e.g. calls from Orange to Swisscom or from Sunrise to Orange).

Unbundling: Unbundling of the last mile (Unbundling of the Local Loop, ULL) enables fixed-network competitors without their own access infrastructure to access customers directly at non-discriminatory conditions based on original cost. The prerequisite for ULL is the presence of a market-dominant provider. There are two types of unbundling: Unbundling at the exchange (unbundling of the local loop/ULL or LLU, referred to as TAL in Switzerland), currently available at around 600 unbundled locations, and unbundling at the neighbourhood distribution cabinet (sub-loop unbundling, referred to as T-TAL in Switzerland), in which Swisscom's competitors have so far shown no interest.

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Swisscom Group five-year review

In CHF million, except where indicated		2009	2010	2011	2012 [1]	2013
Net revenue and results						
Net revenue		12,001	11,988	11,467	11,384	11,434
Operating income before depreciation and amortisation (EBITDA)		4,702	4,599	4,584	4,477	4,302
EBITDA as % of net revenue	%	39.2	38.4	40.0	39.3	37.6
Operating income (EBIT) before impairment losses on goodwill		2,707	2,627	2,681	2,527	2,258
Operating income (EBIT)		2,707	2,627	1,126	2,527	2,258
Net income		1,938	1,788	694	1,815	1,695
Share of net income attributable to equity holders of Swisscom Ltd		1,941	1,813	683	1,808	1,685
Earnings per share	CHF	37.47	35.00	13.19	34.90	32.53
Balance sheet and cash flows						
Equity at end of year		6,212	5,350	4,296	4,717	6,002
Equity ratio at end of year	%	28.0	25.4	22.1	23.8	29.3
Cash flow provided by operating activities		4,395	4,024	3,951	4,245	4,131
Capital expenditure in property, plant and equipment and other intangible assets		1,987	1,903	2,095	2,529	2,396
Net debt at end of period		9,141	8,848	8,309	8,071	7,812
Employees						
Full-time equivalent employees at end of year	number	19,479	19,547	20,061	19,514	20,108
Average number of full-time equivalent employees	number	19,813	19,464	19,832	19,771	19,746
Operational data at end of period						
Fixed access lines in Switzerland	in thousand	3,391	3,233	3,120	3,013	2,879
Broadband access lines retail in Switzerland	in thousand	1,478	1,584	1,661	1,727	1,811
Mobile access lines in Switzerland	in thousand	5,602	5,828	6,049	6,217	6,407
Swisscom TV access lines in Switzerland	in thousand	232	421	608	791	1,000
Unbundled fixed access lines in Switzerland	in thousand	153	255	306	300	256
Broadband access lines in Italy	in thousand	1,644	1,724	1,595 [2]	1,767	1,942
Swisscom share						
Par value per share at end of year	CHF	1.00	1.00	1.00	1.00	1.00
Number of issued shares at end of period	in million of shares	51.802	51.802	51.802	51.802	51.802
Market capitalisation at end of year		20,491	21,296	18,436	20,400	24,394
Closing price at end of period	CHF	395.60	411.10	355.90	393.80	470.90
Closing price highest	CHF	400.90	420.80	433.50	400.00	474.00
Closing price lowest	CHF	293.50	358.00	323.10	334.40	390.20
Ordinary dividend per share	CHF	20.00	21.00	22.00	22.00	22.00 [3]
Ratio payout/earnings per share	%	53.38	60.00	166.79	63.04	67.63

[1] Amendements to IAS 19 revised, restated from 2012.
[2] As a result of the settlement of litigations Fastweb reduced the number of access lines by 197,000.
[3] In accordance with the proposal of the Board of Directors to the Annual General Meeting.

Publishing details

Key dates

- **6 February 2014**
  Annual Press Conference 2013, Zurich
- **7 April 2014**
  Annual General Meeting of Shareholders, Zurich
- **9 April 2014**
  Ex-dividend date
- **14 April 2014**
  Dividend payment
- **7 May 2014**
  2014 First-Quarter Report
- **20 August 2014**
  2014 Half-Year Report
- **6 November 2014**
  2014 Third-Quarter Report
- **in February 2015**
  Annual Press Conference 2014, Zurich

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General information
Swisscom Ltd
Head Office
CH-3050 Berne
Tel.: + 41 58 221 62 02
Fax: + 41 58 221 81 54
E-mail: swisscom@swisscom.com

Financial information
Swisscom Ltd
Investor Relations
CH-3050 Berne
Tel.: + 41 58 221 62 78
E-mail: investor.relations@swisscom.com
Internet: www.swisscom.ch/investor

Social and environmental information
Swisscom Ltd
Group Communications & Responsibility
CH-3050 Berne
E-mail: corporate.responsibility@swisscom.com
Internet: www.swisscom.ch/responsibility

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