



**swisscom**

**2015**

Annual Report



### Annual report publications

The Annual Report, Sustainability Report and Swisscom at a glance are part of Swisscom's 2015 Annual Report. The three publications are available online at: [swisscom.ch/report2015](http://swisscom.ch/report2015)

### "Special moments" image concept

Life is a series of special moments that we hope never to forget. Perhaps this is why we like to let our loved ones experience these moments, too. Happiness shared is happiness doubled, after all.

Swisscom helps people to share their special moments via their smartphones or an app – as a personal message or text, a short film or photo.

We'd like to say a big thank you to Swisscom employees Elke Lanzoni, Andri Ruesch and Martin Fisch, as well as their families, who shared their own special moments with us on the publications' title pages.

# Welcome to the country of possibilities

Swisscom is connecting Switzerland: we accompany and support our customers in today's networked world with our network, products and services, and offer them only the best – everywhere and anytime.

Swisscom assumes responsibility: together with the Swiss population, we are committed to our country.

Swisscom promotes skilled employees: people who want to help shape Switzerland's digital future.



# Shareholders' letter

## Dear Shareholders

Swisscom is holding its ground. Despite a more challenging environment, Swisscom increases its adjusted operating income. High capital expenditure in its network infrastructure ensures that Swisscom has a leading position in the market of ultra-fast broadband. Fastweb develops nicely: the company boosts its revenue, operating income and customer numbers.

### **Swisscom is holding its ground in a challenging environment**

Swisscom's net revenue declined by CHF 25 million (–0.2%) to CHF 11,678 million in 2015 compared with the prior year. At constant exchange rates and excluding company acquisitions and disposals, revenue increased by CHF 83 million (+0.7%), of which the Swiss core business accounted for CHF 57 million. Swisscom increased its adjusted operating income (EBITDA) by CHF 103 million (+2.3%). However, due to non-recurring items such as provisions for ongoing proceedings, restructuring costs and currency effects, reported EBITDA fell by CHF 315 million (–7.1%) to CHF 4,098 million. Net income declined to CHF 1,362 million (–20.2%), largely due to non-recurring items. Swisscom's capital expenditure dropped slightly by CHF 27 million (–1.1%) to CHF 2,409 million.

### **Solid business performance in Switzerland**

Revenue of the Swiss business rose CHF 178 million (+1.9%) to CHF 9,764 million; on a like-for-like basis, revenue grew CHF 27 million (+0.3%). The higher number of customers was partially offset by lower roaming prices. Swisscom cut its roaming prices even further during the year under review, meaning that Swisscom not only has the most attractive roaming prices on the Swiss market but also has actually included roaming in a majority of its subscriptions: Over 90% of Natel infinity plus customers use their mobile phones within the EU without incurring any additional costs as a result. The number of revenue generating units (RGUs) in the Swiss business increased year-on-year by 170,000 (+1.4%) to 12.5 million. EBITDA in the Swiss business decreased by CHF 327 million (–8.6%) to CHF 3,461 million due to the aforementioned non-recurring items; on a like-for-like basis, EBITDA increased by CHF 21 million (+0.6%). Capital expenditure in Switzerland increased by CHF 71 million (+4.1%) to CHF 1,822 million. Swisscom continued to expand and upgrade its fixed network infrastructure and had connected around 2.9 million Swiss households and businesses with ultra-fast broadband (speeds in excess of 50 Mbps) by the end of 2015. Of these, some 2 million are fitted with the latest fibre-optic technology. In Switzerland, the number of employees increased by 693 FTEs (+3.8%) to 18,965. Adjusted for company acquisitions and disposals, headcount increased by 258 FTEs (+1.4%).

### **Fastweb developing nicely**

As a result of customer growth, revenue of Fastweb in Italy was EUR 48 million (+2.8%) higher at EUR 1,736 million. Despite difficult market conditions, Fastweb's broadband customer base grew by 129,000 (+6.2%) to 2.2 million in 2015. Revenue from residential customers increased year-on-year by EUR 36 million (+4.8%) to EUR 789 million, while revenue from business customers rose EUR 11 million (+1.4%) to EUR 800 million. The segment result before depreciation and amortisation (EBITDA) amounted to EUR 576 million, an increase of EUR 61 million (+11.8%) over the prior year. At EUR 541 million, capital expenditure was EUR 21 million lower than the prior-year level. Fastweb achieved a free cash flow of EUR 77 million in 2015.

### **Swisscom share performance in 2015**

The Swisscom share price fell by 3.7% in 2015. In terms of total shareholder return (share price movement and dividend payout), Swisscom achieved 0.12% thanks to the high dividend yield. Payment of an unchanged ordinary dividend of CHF 22 per share 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.

### **The best in today's networked world – everywhere and any time**

The world is in the midst of the fourth industrial revolution: people, machines and applications are being networked, controlling themselves and improving continuously through applications in the cloud and smart data. The Internet of Things continues its triumphant march: in 2015, there were 4.9 billion machines communicating around the globe – and in 2020 they will number 25 billion. People, too, are networking in an entirely different manner: the “Wisdom of Crowds” has given rise to a completely new type of collaboration, thus allowing companies to share their most valuable Swiss commodity – knowledge – at the touch of a button.

Products in a store begin to speak. They know their own size, make-up and origin. Any information distributed until then, such as availability, technical specifications or accessories, is combined directly in a single application. Plus the collaborative economy enables people to procure things of all kinds from one another effectively and efficiently.

This unlocks new opportunities and new markets while also giving rise to new value chains. Successful “digitisation” depends on establishing networks and on high-performance, secure data transmission: Swisscom is transforming into an integrated technology provider that develops high-quality communication and IT solutions. In an increasingly networked and digitised world, Swisscom always offers its customers the best – regardless of their location. This is because Swisscom wants people and businesses in Switzerland to be able to fully exploit the opportunities of the networked world. Swisscom is leading the way as a pioneer in the networked world, serving as a companion to its customers by providing them with networked, end-to-end solutions in many areas of the economy and life in general. In doing so, Swisscom boosts the competitiveness of its customers, strengthens Switzerland as a business hub through its top-notch network infrastructure and thus plays an active role in successfully shaping Switzerland's future.

### **Capital expenditure for high bandwidth – building the best infrastructure**

High-performance IT and communications infrastructures lay the foundation for success in the networked world. Swisscom meets this goal and fulfils the ever-growing requirements with a network infrastructure that is second to none in terms of security, availability and performance. In 2015, Swisscom invested CHF 1.8 billion in Switzerland's infrastructure, the majority of which was devoted to expanding the ultra-fast broadband network for mobile and fixed-line telephony.

### **Expansion with broad technology mix in the fixed network**

Nationwide, an intelligent technology mix ensures that cities, agglomerations and rural areas benefit from ultra-fast broadband. Swisscom is committed to expanding its fibre-optic technology with fibre-to-the-building (FTTB), fibre-to-the-home (FTTH), fibre-to-the-street (FTTS) and fibre-to-the-curb (FTTC), combined with the latest technologies such as vectoring and G.fast, which is planned for 2016. This will enable speeds of up to 500 Mbps to be reached on traditional copper telephone cables. By end-2015, Swisscom had already connected some 2.9 million households and businesses in Switzerland with ultra-fast broadband exceeding 50 Mbps. Swisscom will push ahead with expansion in the coming years so that, by the end of 2020, 85% of all households and businesses

have ultra-fast broadband with at least 100 Mbps and every Swiss municipality is provided with almost 100% ultra-fast broadband coverage in the long term. These investment projects are subject to general legal conditions that protect capital expenditure in network expansion and the company's ability to generate the funds it needs for the investments.

### **More bandwidth in the mobile network**

Data traffic growth on the mobile network continues unabated and the volume of data carried by the network doubles each year. Swisscom is expanding its position as a leading mobile service provider through the right capital expenditure, a strategic partnership with Ericsson and innovative solutions like proprietary microcells in fixed network conduits. The 4G network also received an additional boost: Swisscom now offers LTE Advanced in 28 cities featuring speeds of up to 300 Mbps, to be increased up to 450 Mbps in the first locations beginning 2016. The new 5G mobile communication standard, set to launch in 2020, will pave the way for even higher bandwidths and shorter response times. The rollout of 5G will mark the end of support for 2G (GSM) technology, which will have been around for 27 years by that time.

### **All IP – Internet protocol as a uniform language**

The phase-out of traditional fixed-network technology and its replacement with All IP (“everything via the Internet protocol”) is continuing. By end-2015, 40% or over one million customers were already benefiting from the possibilities offered by the new technology – such as access to your own data irrespective of device and location. All customers should have been converted to All IP by the end of 2017.

### **Further development of core business and innovations – best experience**

So good, so simple and so unmistakable that you would never want to be without it again: Swisscom creates unforgettable customer experiences with its products and offers. Through these, it seeks to differentiate itself in its core business, for example with the enhanced television offering Swisscom TV 2.0, which now recommends programmes based on individual preferences and groups them for replay; or with numerous Smart Enterprise Services, which facilitate companies achieving digital transformation. A superior customer experience was also the primary motivation behind new offers such as MyService, the all-round carefree service package for customers, or Swisscom Friends, the neighbourly help for technical matters.

### **New opportunities for growth for Swisscom**

In its core business activities, Swisscom continues to focus on the successful priorities of bundled offerings, Swisscom TV and ultra-fast broadband connections. It will increase its added value depth around its own network infrastructure in sectors such as banking, energy or healthcare through targeted ICT solutions.

The cloud is becoming a foundation for future business like the Internet of Things or decentralised working. Swisscom is leading the pack in cloud development thanks to its reputation for high quality and security. It will also launch new digital services in selected areas. Swisscom strengthened its position in the directory business by integrating local/search, collaborated with Coop to create the “Siroop” marketplace and joined up with Ringier and SRG to launch an innovative advertising opportunity, which is open to all market players.

Additionally, Swisscom is continuing to actively develop the Italian subsidiary Fastweb. The ongoing expansion of ultra-fast broadband and improvements to service quality have strengthened the company for the long term in the aim of covering approximately 30% of the Italian population by end-2016.

### **Sustainability as an integral component of the corporate strategy**

Sustainable trading is part of Swisscom's DNA. This includes topics such as climate protection, working and living, media skills, attractive employer, fair supply chain and networked Switzerland. Since autumn 2015, for example, the operation building in Zurich-Herdern has been heated solely by the waste heat emitted by servers: that not only supports climate protection, but in the long term will also have a positive impact in the form of lower operating costs. Thanks to its over 900 apprentices in seven vocational areas, Swisscom also has an attractive pool of junior staff it can draw upon to fill future qualified positions, while at the same time offering promising career prospects for young people. Finally, Swisscom fosters a corporate culture that gives every individual the room they need to develop and, through their personal ideas, commitment and passion, contribute to Swisscom's long-term success.

### **Strengthening of customer-facing areas and focus on cost management**

Swisscom streamlined its organisational structure effective from 1 January 2016, strengthened customer-facing areas and created more scope for innovation. Distribution and Service for Residential Customers and SME merged to form a single business unit each. In addition, the new "Digital Business" area has commenced operations, with a targeted focus on growth options that arise through digitisation.

The Swiss market is becoming more challenging and competition is persisting. Swisscom wants to reaffirm its position as market leader going forward and seize the opportunities presented to it by digitisation. This requires the willingness and the ability to make investments, among other things. Swisscom is stepping up its cost management in order to free up funds to develop new business opportunities: It has set a goal of reducing the cost base by more than CHF 300 million by 2020. This is to be achieved through the organisational changes, headcount reductions, optimised processes and transformation to All-IP technology which were implemented at the start of 2016.

Currently distributed across 14 locations, Swisscom will reduce the number of call centers for customers to eight by the end of 2016. All in all in 2016, Swisscom will create up to 500 jobs in growth areas in Switzerland while simultaneously reducing the workforce by several hundred positions in other areas, primarily in supporting units. A well-developed social plan is in place for those employees affected by these changes. Swisscom anticipates that the reductions will prompt around 700 employees, particularly from supporting units, to make use of the social plan in the current year. The associated costs have a one-off negative impact of CHF 70 million on Swisscom's income statement in the 2015 Annual Report. By the end of 2016, Swisscom expects the overall workforce in Switzerland to be slightly smaller than in the prior year.

### **Ensuring general business conditions**

In 2015, Swisscom was threatened with penalties of around CHF 350 million in connection with antitrust proceedings. A consultation began on the revision of the Telecommunications Act which, among other things, calls for a departure from the proven ex-post regulation. Both the ruling of the Competition Commission as well as the subject matter of the consultation are based on the shared assumption that Switzerland does not have effective competition. This is not the case, however. For years we have been seeing extremely intense infrastructure competition in Switzerland between three providers in the mobile telecommunications market as well as between Swisscom and the



cable network operators in the area of fixed networks. With the fibre-optic projects undertaken by the electrical utilities since the last revision of the Telecommunications Act (TCA), another provider has entered the fixed network market. Some 90% of all Swiss households now have a cable network connection and can therefore choose between at least two infrastructure providers and a wide variety of different services. The fact that this competition is effective is evidenced by the top rankings Switzerland repeatedly earns in all infrastructure comparisons or the innovative products offered in the television business which Swisscom has rolled out in competition with cable network operators. Switzerland depends on high-performance infrastructures. These require corresponding investing activity on the part of the operators of those infrastructures. This should be ensured both in the regulation as well as in the ruling. Swisscom is vehemently committed to promoting investment security and an entrepreneurial Switzerland.

#### **Financial outlook for 2016**

For 2016, Swisscom expects net revenue in excess of CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of more than CHF 2.3 billion. For Swisscom (excluding Fastweb), a slight decline in revenue is expected due to heightened competition and price pressure. A slight increase in revenue is expected for Fastweb. Adjusted for the provisions recognised in 2015 for the legal proceedings on broadband services and for headcount reduction, EBITDA is expected to be around CHF 200 million lower for Swisscom (excluding Fastweb) year-on-year. In addition to the price-based decline in revenue, the costs for roaming are expected to increase in particular. EBITDA will be positively affected by approximately CHF 50 million in cost savings and growth at Fastweb. A slight reduction in capital expenditure in Switzerland of over CHF 1.7 billion will result in a reduction in overall capital expenditure of over CHF 2.3 billion. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2016 financial year at the 2017 Annual General Meeting.

#### **Thank you**

We can look back on a successful year in a challenging market environment. We owe our achievements in 2015 to the trust of our customers and the loyalty of our shareholders. A huge thank you to all of you. Special thanks also go to our employees again this year: it is thanks to their creative ideas, wholehearted dedication and commitment that Swisscom is able to offer its customers the very best every day of the year.

Yours sincerely



Hansueli Loosli  
Chairman of the Board of Directors  
Swisscom Ltd



Urs Schaeppli  
CEO Swisscom Ltd

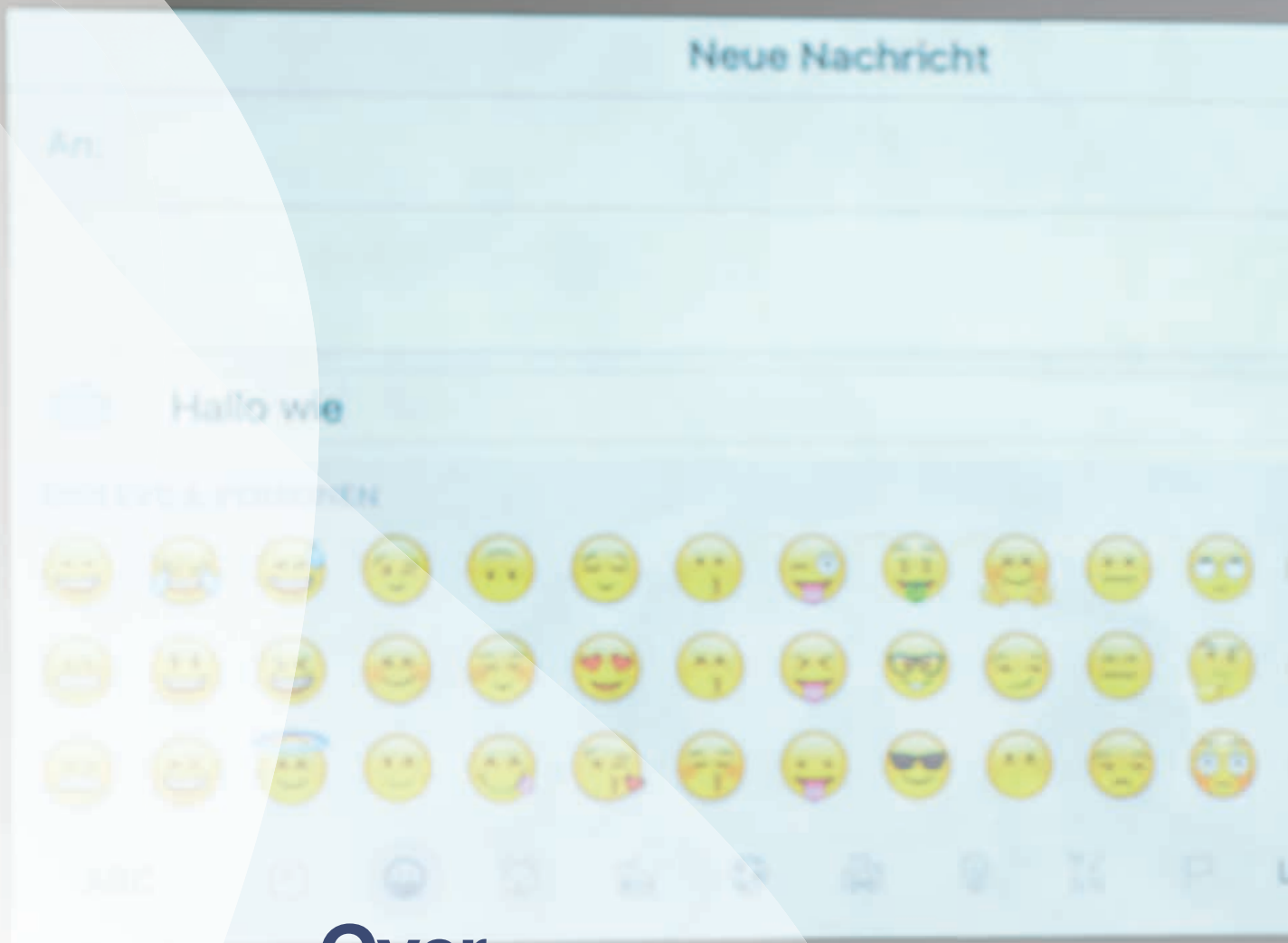
**Triple bottom line**

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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Over  
**18,000**  
participants

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have in the year under review already taken part in courses at Swisscom Academy – Swisscom’s educational programme. The recommendation rate was 99%.



*“It makes me proud when my customers get more enjoyment out of their Smartphones and I can help them access the digital world. In the two-hour Swisscom Academy courses, I learn about our customers and come to appreciate that their compliments are sincere.”*

**Malik Hashim**  
Instructor Swisscom Academy



## Introduction

The best in  
today's net-  
worked world —  
everywhere  
and anytime.

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# KPIs of Swisscom Group

In CHF million, except where indicated

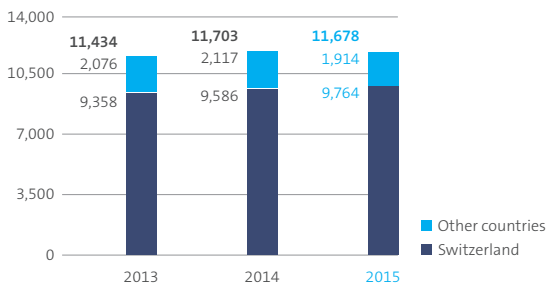
		2015	2014	Change
<b>Net revenue and results</b>				
Net revenue		11,678	11,703	-0.2%
Operating income before depreciation and amortisation (EBITDA)		4,098	4,413	-7.1%
EBITDA as % of net revenue	%	35.1	37.7	
Operating income (EBIT)		2,012	2,322	-13.4%
Net income		1,362	1,706	-20.2%
Earnings per share	CHF	26.27	32.70	-19.7%
<b>Balance sheet and cash flows</b>				
Equity at end of year		5,242	5,486	-4.4%
Equity ratio at end of year	%	24.8	26.2	
Operating free cash flow		1,844	1,860	-0.9%
Capital expenditure in property, plant and equipment and other intangible assets		2,409	2,436	-1.1%
Net debt at end of period		8,042	8,120	-1.0%
<b>Operational data at end of period</b>				
Fixed access lines in Switzerland	in thousand	2,629	2,778	-5.4%
Broadband access lines retail in Switzerland	in thousand	1,958	1,890	3.6%
Swisscom TV access lines in Switzerland	in thousand	1,331	1,165	14.2%
Mobile access lines in Switzerland	in thousand	6,625	6,540	1.3%
Revenue generating units (RGU) Switzerland	in thousand	12,543	12,373	1.4%
Unbundled fixed access lines in Switzerland	in thousand	128	180	-28.9%
Broadband access lines wholesale in Switzerland	in thousand	315	262	20.2%
Broadband access lines in Italy	in thousand	2,201	2,072	6.2%
<b>Swisscom share</b>				
Number of issued shares	in thousand	51,802	51,802	0.0%
Closing price at end of period	CHF	503.00	522.50	-3.7%
Market capitalisation at end of year		26,056	27,067	-3.7%
Dividend per share	CHF	22.00 <sup>1</sup>	22.00	0.0%
<b>Environmental key figures in Switzerland</b>				
Energy consumption	GWh	521	497	4.8%
Energy efficiency increase since 1 January 2010	%	29.6	26.4	
Direct CO <sub>2</sub> -emissions	tons	20,115	21,380	-5.9%
Reduction of direct CO <sub>2</sub> -emissions since 1 January 2010	%	23.5	17.0	
<b>Employees</b>				
Full-time equivalent employees at end of year	number	21,637	21,125	2.4%
Full-time equivalent employees in Switzerland at end of year	number	18,965	18,272	3.8%

<sup>1</sup> In accordance with the proposal of the Board of Directors to the Annual General Meeting.

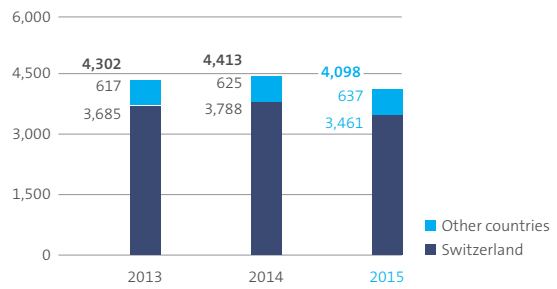




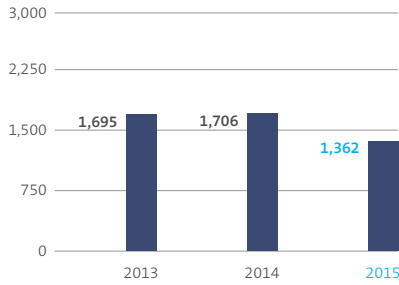
**Net revenue** in CHF million



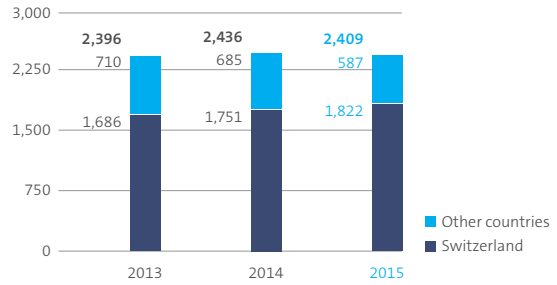
**EBITDA** in CHF million



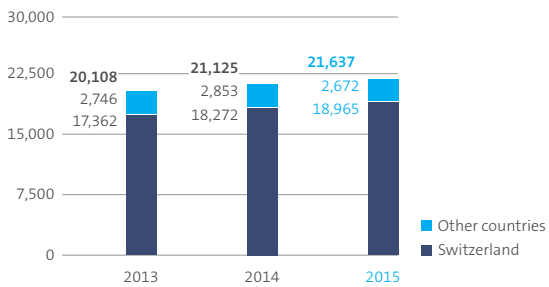
**Net income** in CHF million



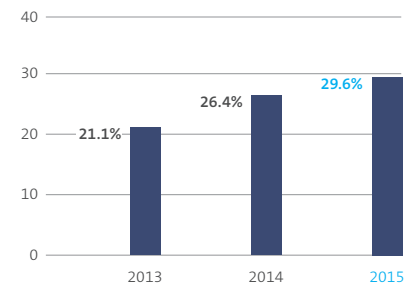
**Capital expenditure** in CHF million



**Number of employees** in full-time equivalent (FTE)



**Energy efficiency increase in Switzerland since 1 January 2010** in %



# Key events 2015

## Market

- > The Swisscom mobile network is named the best mobile network in Switzerland by Connect magazine for the seventh year in a row and, for the second time, tops the rankings in a comparison with Germany and Austria.
- > Advanced Calling lets Swisscom customers make calls over the 4G/LTE (VoLTE) and WLAN networks with even better voice and telephone quality.
- > Swisscom tests the new G.fast data transmission standard and connects the first test customers. G.fast and a combination of fibre-optic and copper lines permit bandwidths of up to 500 Mbps.
- > Swisscom reveals the first driverless car on Swiss roads and aims to gain insights into how mobility might look in the future.
- > With the new “All-in Signing Service”, users can simply and securely sign with their mobile phones. Printing out and mailing of paper documents is no longer necessary.
- > In line with the “smart cities” concept, Swisscom helps cities and towns to plan their infrastructures in a more targeted manner and manage them more simply: in Pully, canton of Vaud, a new method is helping to improve traffic flows in the town and thus relieve the burden on the town centre. The method relies on anonymised and aggregated mobile phone data.

## Products and services

- > Roaming becomes massive cheaper for all Swisscom customers. All Natel infinity plus subscriptions include unlimited calls, SMS and 1 GB of data transmission in the EU; standard prices for using mobile phones abroad become even cheaper. This means that Swisscom has the most cost-effective range of roaming offerings in the Swiss market.
- > Swisscom increases Internet speeds for Vivo packages. Vivo customers can now also answer calls made to their fixed-network number directly on their mobile phone, regardless of their location.
- > Swisscom increases the data volume included in Natel easy smart packages and cuts the price of the largest regular package.
- > Swisscom TV 2.0 brings HbbTV to SRG channels. The multimedia successor to teletext lets users enhance programmes according to their needs and offers many interesting features.
- > Swisscom introduces innovative cloud services on the market in the application and Enterprise Cloud, and has won well-known customers for them already.
- > With SmartLife, Swisscom launches a new, flexible control and security system for use in the home. The Internet of Things thus becomes a reality in homes: SmartLife activates an alarm in the event of a break-in or fire, for instance, and allows you to remotely control your home’s electrical equipment.
- > Symmetrical bandwidths enable Swisscom fibre-optic customers to upload and download data at the same speeds. For the same price, Swisscom doubles the capacity of Vivo M for all customers, enabling them to surf the web at speeds of up to 100 Mbps.
- > Customers can use the MySwisscom app in more than 100 Swisscom Shops to scan purchases of up to CHF 100 in value, pay for them and take them home without having to queue at the checkout.
- > myCloud, the online storage service for photos, videos and other files, lets customers easily store personal data and access or share it from any location and at any time.



## Sustainability

- › Swisscom strengthens its commitment to the successful dual training model by expanding its diversified ICT training programme even further. It now also gives high school graduates an attractive path to learning and working in the digitised world.
- › Heating in Swisscom's building in Zurich-Herdern is now CO<sub>2</sub>-neutral and uses only waste heat from cooling its operations rooms.
- › Of the world's 500 largest companies, Swisscom ranks sixth in US magazine Newsweek's global "Green Ranking".
- › Swisscom signs the Work Smart Initiative and holds its first Work Smart Week. In doing so, it supports flexible, location-independent working models for its employees.
- › The "medienstark" Internet platform reports a steady rise in user numbers for the second year. It offers practical tips on how to get the most out of digital media in everyday family life with topic areas including privacy, cyberbullying, video game addiction and becoming media savvy.
- › Over 400 school classes conducted their own projects on climate protection and energy efficiency in 2015. Energy and Climate Pioneers is an initiative undertaken by Swisscom and its partners Solar Impulse, SwissEnergy and myclimate.

## Business review

- › Swisscom Health and the i-engineers launch a strategic partnership to provide patient-record and networking solutions for hospitals. The cooperation will create new cloud-based solutions for hospitals that will also be beneficial to doctors and patients. With the acquisition of H-Net AG, Swisscom strengthens its portfolio and customer base.
- › The merger of local.ch and search.ch creates a comprehensive Swiss directories and information platform that competes with international providers.
- › Swisscom sold the Swisscom Hospitality Services division to HoistLocatel. The EOS Group acquires Swisscom subsidiary Alphapay Ltd.
- › Swisscom launches Wingo, a brand for digitally savvy customers. Wingo offers individualised products stripped down to meet the target group's basic needs, with the best service at an affordable price.
- › Swisscom and Coop launch Siroop, an online marketplace, where they each contribute their expertise in digitisation, e-commerce, marketing and retailing to the new start-up.
- › In Swisscom Friends, Swisscom, together with the start-up Mila, offers its customers an additional, flexible and fast on-site customer support service. Swisscom takes over a majority stake in the start-up Mila.
- › The joint marketing company comprised of Ringier, SRG and Swisscom gets the green light from the Competition Commission.
- › Swisscom and École Polytechnique Fédérale de Lausanne (EPFL) enter into a strategic partnership and establish a competence centre for digitisation on the EPFL campus, Swisscom's Digital Lab.
- › In order to improve the customer experience from a single source, boost the company's effectiveness in the ICT market and create greater scope for innovation, Swisscom increases the level of digitisation within its organisational structure from 1 January 2016 onwards. Sales and Service for Residential Customers and SME and the Digital business are merged together to form a single business unit each. To exploit synergies, product development and provisioning for Residential Customers and SME are combined into one.

# Business overview

Swisscom provides financial reporting for the three operating divisions Swisscom Switzerland, Fastweb and Other Operating Segments as well as Group Headquarters.

## Swisscom Switzerland

Swisscom Switzerland comprises the customer segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and Wholesale as well as the IT, Network & Innovation division.

### Residential customers

The Residential Customers segment is the contact partner for mobile and fixed-line retail customers. It provides Switzerland with broadband access lines, serves a growing number of Swisscom TV customers and operates [www.bluewin.ch](http://www.bluewin.ch), one of Switzerland's most frequently visited Internet portals. The Residential Customers segment offers all telephone, Internet and TV services, pay TV, transmissions of sporting events and video on demand from a single source, as well as the sale of end devices. In addition, Cinetrade operates one of the leading cinema chains in Switzerland.

### 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 integrated solutions tailored to their needs: suitable connections, secure access, professional services and intelligent networks. It also includes the online directories and phone book business.

### Enterprise Customers

Whether voice or data, mobile or fixed network, individual products or integrated solutions, as a leading provider in the field of business communications, the Enterprise Customers 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. Enterprise Customers ranks as one of the leading providers specialising in the integration and operation of complex IT systems. In addition, its core competencies are in the fields of IT outsourcing services, workplace services, SAP services and services for the financial industry.

### 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.

### IT, Network & Innovation

The IT, Network & Innovation (INI) segment builds, operates and maintains Swisscom's nationwide fixed network and mobile communications infrastructure in Switzerland. It is also responsible for the development and production of standardised IT and network services for the entire Group and for the operation of all IT systems. INI is also driving forward the migration of the networks to an integrated IT- and IP-based platform (All IP). The segment also includes the support functions for Swisscom Switzerland and Swisscom Real Estate Ltd. The expenses that are incurred are not charged to the individual segments. The IT, Network & Innovation segment therefore only reports expenses but no revenue.



## Fastweb

Fastweb is a leading, alternative service provider in the Italian fixed-network market for both residential and business customers. Fastweb supplies its services both directly via its own fibre-optic network and also via the unbundled fixed-access lines and wholesale products offered by Telecom Italia. In addition to fixed-network services, its portfolio also includes mobile services for residential customers on networks of other service providers. Fastweb provides its services in all large towns and cities in Italy.

## Other Operating Segments

Other Operating Segments includes Swisscom Health, Connected Living and a portfolio of small and medium-sized enterprises whose activities are mainly related to or help support Swisscom's core business. Swisscom Health offers innovative ICT solutions for physicians, hospitals and insurers. Connected Living develops and operates intelligent solutions for energy management.

## Group Headquarters

Group Headquarters chiefly comprises the Group divisions Group Business Steering, Group Strategy & Board Services, Group Communications & Responsibility and Group Human Resources as well as employment company Worklink AG.

A hand-drawn diagram on a whiteboard. At the top, a yellow banner contains the text 'Human Centered Design'. Below it, there are several handwritten notes and drawings. A magnifying glass icon is drawn to the right of the word 'Change'. Below that, there is a drawing of a hand holding a blue arrow that points upwards and to the left. The background is a whiteboard with various other faint drawings and text.

# Human Centered Design

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represents the conscious  
creation of attractive,  
memorable experiences  
for all Swisscom customers.



*"I share the responsibility of designing the customer experience as a whole and always act in the interests of our customers. Our team takes the time to involve customers and employees who come into contact with customers in the development activities. It gives me great pleasure to see the added value that our day-to-day work creates."*

**Mathias Schmocker**  
Expert Experience Validation,  
Human Centered Design

## **Management Commentary**

Helping customers  
find their way  
and enjoy the best  
experiences in the  
networked world.



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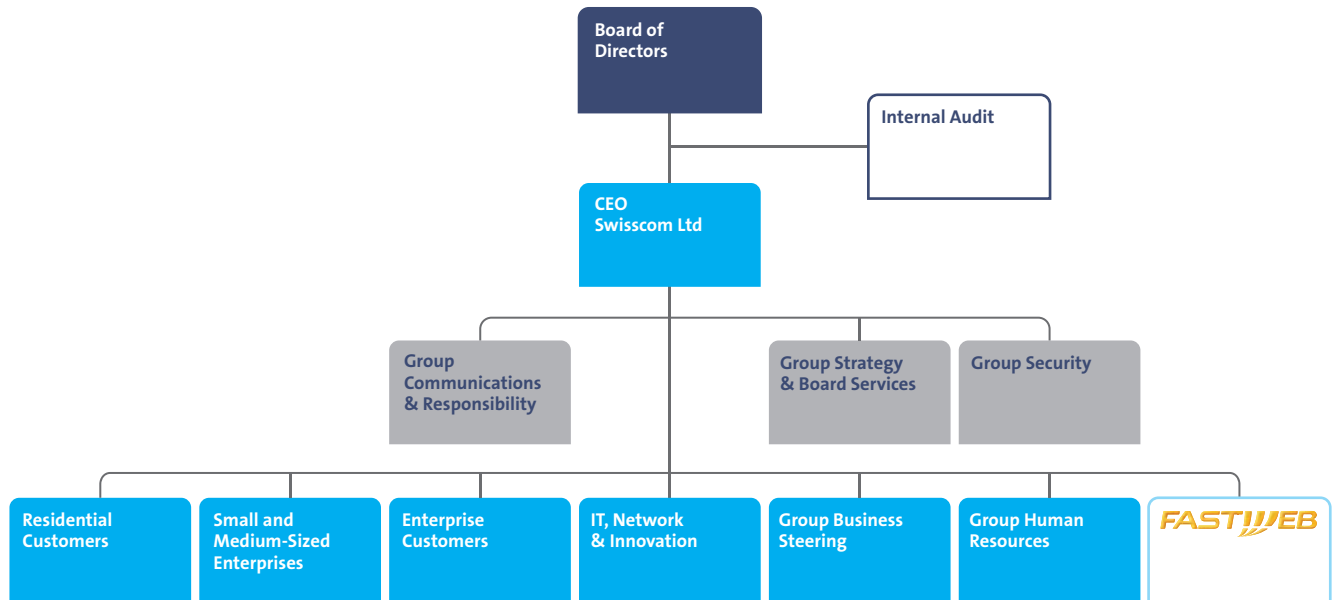
# Strategy, organisation and environment

Swisscom's corporate strategy is aimed at maintaining its leading position in the ICT market and offering customers only the best. Trusted, simple, inspiring.

## Group structure and organisation

### Management structure in the 2015 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 of Swisscom Ltd, Urs Schaeppi. Together with the CEO, the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) plus the heads of the business divisions Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation of Swisscom Switzerland form the Group Executive Board. Swisscom's Italian subsidiary, Fastweb, is managed by the Board of Directors chaired by Swisscom's CEO.



■ Group Executive Board

## Group structure

The holding company Swisscom Ltd is responsible for overall management as well as the strategic and financial management of the Swisscom Group. By law, the Swiss Confederation must hold the majority of shares in Swisscom Ltd. At 31 December 2015, the Confederation continued to hold 51.0% of the shares in Swisscom Ltd.

At 31 December 2015, 33 Swiss subsidiaries (prior year: 28) and 15 foreign subsidiaries (prior year: 32) were fully consolidated in Swisscom's consolidated financial statements, while 15 associated companies (prior year: 12) were included according to the equity method. Swisscom also holds various non-controlling interests in growth companies active in the IT, communications and entertainment markets.

Swisscom Ltd mainly holds direct shareholdings in Swisscom (Switzerland) Ltd, Swisscom Broadcast Ltd and Swisscom Directories Ltd. Fastweb S.p.A. (Fastweb) is held indirectly via Swisscom (Switzerland) Ltd and intermediate companies in Belgium and Italy. Swisscom Re Ltd in Liechtenstein is the Group's own reinsurance company.

## Acquisitions

At the beginning of July 2015, Swisscom and Tamedia merged their companies Swisscom Directories Ltd (local.ch) and search.ch AG into a joint subsidiary. Swisscom holds 69% of the joint subsidiary and will fully consolidate the company. Swisscom Directories Ltd, with its online directories platform local.ch and its Local Guide phone directories business, is a leading advertiser and provider of directories in Switzerland. search.ch AG (search.ch) is a leading search and information service in Switzerland. The merger of Swisscom Directories Ltd (local.ch) and search.ch AG will result in a comprehensive Swiss directory and information platform for individuals, companies and government as well as an important advertising partner for Swiss SMEs.

In January and March 2015 Swisscom also acquired 100% stakes in two companies in Switzerland – Veltigroup and H-Net AG. In addition, Swisscom acquired a 51% stake in Mila AG in 2015. The acquisition of Veltigroup enabled Swisscom to expand its ICT portfolio for business customers as well as its presence in French-speaking Switzerland. Veltigroup is a leading ICT service provider in Switzerland and offers companies a comprehensive ICT range, from infrastructure to end-client services and solutions. Swisscom strengthened its portfolio in healthcare with the acquisition of H-Net AG. H-Net AG is a leader in the area of administrative and medical data exchange in the healthcare sector in Switzerland. The company merged with Swisscom Health AG at the end of 2015. The acquisition of Mila AG is intended to strengthen Swisscom in all three of its main strategic areas (customer focus, innovation, operational excellence).

## Disposals

Swisscom sold Alphapay Ltd and the Swisscom Hospitality Services division in 2015. Alphapay Ltd is a collection service provider specialising in receivables management for third parties. Swisscom Hospitality Services offers guests and customers in the hotel and conference sector in Europe and North America Internet-based services.

## Other major shareholdings

Swisscom took a 50% stake in Siroop Ltd in 2015, a company founded by Coop that is set to launch a new online marketplace in 2016. Together with Ringier and SRG, Swisscom established a new joint marketing enterprise in 2015 for the purpose of marketing the three companies' media offerings and web platforms. Together with Sixt Leasing, Swisscom also set up Managed Mobility Ltd in 2015, which is involved in fleet management and optimisation. In addition, Swisscom took a minority stake in finnova AG Bankware (finnova) in 2015. finnova is a leading provider of banking software for the Swiss financial centre.

## Segment reporting

For financial reporting purposes, the business divisions of Swisscom are allocated to individual segments based on the management structure. Segment reporting in 2015 comprises the following: Swisscom Switzerland, Fastweb and Other Operating Segments. Swisscom Switzerland covers the segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers, Wholesale and IT, Network & Innovation. Group Headquarters, which primarily includes the Group divisions as well as the employment company Worklink AG, is reported separately.

	Swisscom Switzerland <sup>1</sup>	Fastweb	Other Operating Segments <sup>2</sup>	Group Headquarters
Subsidiaries	<ul style="list-style-type: none"> <li>&gt; Swisscom (Switzerland) Ltd<sup>3</sup></li> <li>&gt; CT Cinetrade AG<sup>4</sup></li> <li>&gt; Mila AG</li> <li>&gt; Swisscom Banking Provider Ltd</li> <li>&gt; Swisscom Directories Ltd</li> <li>&gt; Swisscom ITS Custom Solutions Ltd</li> <li>&gt; Swisscom Real Estate Ltd</li> <li>&gt; Veltigroup<sup>5</sup></li> <li>&gt; Wingo Ltd</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Fastweb S.p.A.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; BFM Business Fleet Management Ltd</li> <li>&gt; Billag Ltd</li> <li>&gt; Cablex Ltd</li> <li>&gt; Datasport Ltd</li> <li>&gt; Improve Digital BV</li> <li>&gt; Mona Lisa Capital AG<sup>6</sup></li> <li>&gt; Swisscom Broadcast Ltd</li> <li>&gt; Swisscom Energy Solutions Ltd</li> <li>&gt; Swisscom Event &amp; Media Solutions Ltd</li> <li>&gt; Swisscom Health AG</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Swisscom Ltd</li> <li>&gt; Swisscom Belgium N.V.</li> <li>&gt; Swisscom Italia S.r.l.</li> <li>&gt; Swisscom Re Ltd</li> <li>&gt; Worklink AG</li> </ul>
Associates	<ul style="list-style-type: none"> <li>&gt; Belgacom International Carrier Ltd</li> <li>&gt; finnova ltd bankware</li> <li>&gt; Ringier Publishing Ltd</li> <li>&gt; Siroop Ltd</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Metroweb S.p.A.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Managed Mobility Ltd</li> <li>&gt; Medgate Holding Ltd</li> <li>&gt; Venturing Participations</li> <li>&gt; Zanox AG</li> </ul>	

<sup>1</sup> Swisscom Switzerland comprises the operating segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers, Wholesale and IT, Network & Innovation.

<sup>2</sup> Other Operating Segments comprises the operating segments Participations, Health and Connected Living.

<sup>3</sup> Swisscom (Switzerland) Ltd has operating subsidiaries in Austria, France, Germany, the Netherlands, Singapore, Sweden, Switzerland and the USA.

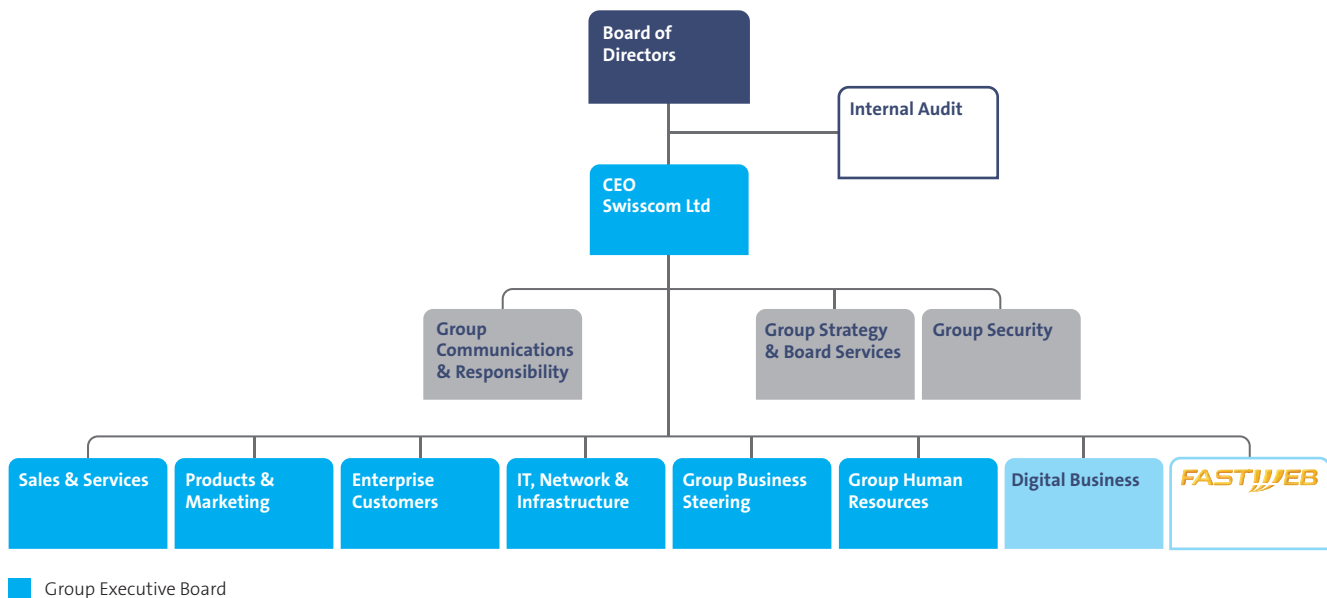
<sup>4</sup> CT Cinetrade Ltd has subsidiaries in Switzerland: kitag kino-theater Ltd, PlazaVista Entertainment AG and Teleclub AG.

<sup>5</sup> Veltigroup comprises the operating subsidiaries insentia SA, ITS Information Technologie Services SA, LANexpert SA, Veltigroup Consulting Ltd and Veltigroup Ltd.

<sup>6</sup> Mona Lisa Capital AG is a venturing participation.

## Change in management structure from 1 January 2016

In order to boost the company's effectiveness in the highly competitive ICT market, Swisscom is strengthening areas with close customer proximity and increasing the level of digitisation within its organisational structure from 1 January 2016 onwards. Distribution and service for Residential Customers and Small and Medium-Sized Enterprises together with the digital business will be combined in the Sales & Services and Digital Business segments. To exploit synergies and accommodate the increasing level of convergence, Swisscom is also combining product development and provision for Residential Customers and SME into one. The focus placed on corporate business will remain of central importance for Swisscom, and the organisational structure of corporate business will be further simplified. Through these adjustments Swisscom wants to improve the customer experience from a single source, simplify processes and increase efficiency in order to create greater scope for innovation. The restructuring will result in changes in the Group Executive Board. The new Products & Marketing unit will be headed by Dirk Wierzbitzki, who now has a seat on the Group Executive Board. The Head of the former Residential Customers unit, Marc Werner, will take over as Head of the new Sales & Services unit. Roger Wüthrich-Hasenböhler, who was responsible for the former Small and Medium-Sized Enterprises unit, will head the new Digital Business unit. He stepped down from the Group Executive Board at the end of 2015 and will subsequently report directly to the CEO of Swisscom Ltd. As of 1 January 2016, the Group Executive Board will comprise the following people: Urs Schaeppi, CEO; Mario Rossi, CFO (Group Business Steering); Hans Werner, CPO (Group Human Resources); Christian Petit, Head of Enterprise Customers; Heinz Herren, Head of IT, Network & Infrastructure; Marc Werner, Head of Sales & Services and Dirk Wierzbitzki, Head of Products & Marketing. Swisscom's Italian subsidiary, Fastweb, will continue to be managed via the Board of Directors chaired by Swisscom's CEO.

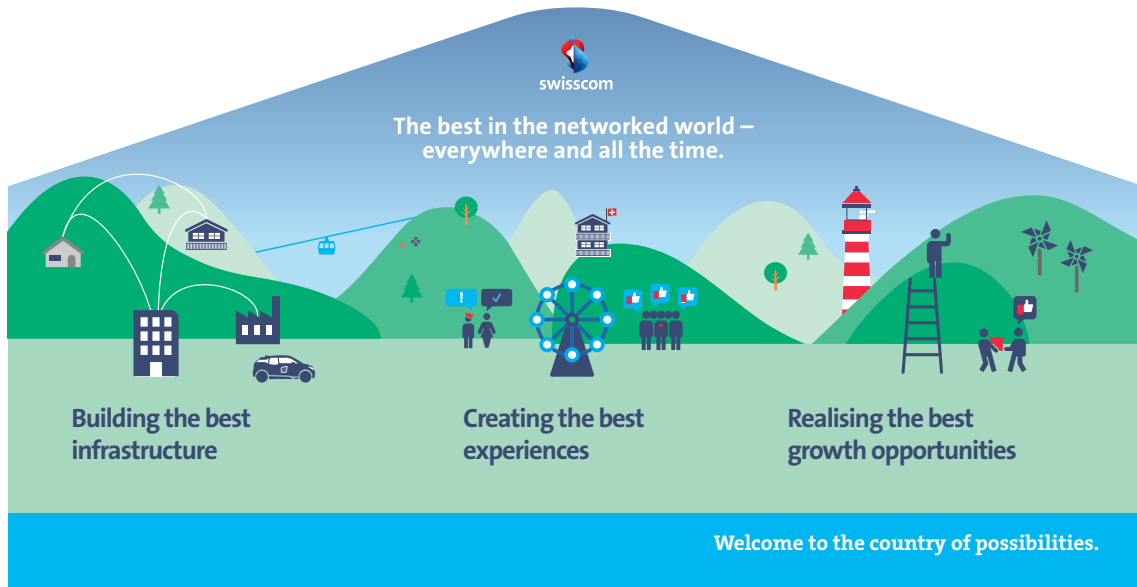


## Corporate strategy and objectives

### Corporate strategy

Swisscom commands a leading position in the mobile, fixed and broadband submarkets. It is also one of the leading providers in the IT services and TV markets. Fastweb is the leading alternative provider for both retail and business customers in the Italian fixed-line market. In recent years, the advance of technology and changing customer requirements have steadily eroded prices and volumes in the classical usage-based business. The battle with globally active competitors for market share has also intensified. 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. Society and the economy will change fundamentally in the coming years. Megatrends such as demographic change, globalisation and robotics will reshape society and the economy and thus impact Swisscom's business in the long term. Furthermore, a number of specific developments will affect Swisscom's business in the next few years – for example the spread of mobile payment systems and the trend towards crowdsourcing.

The market environment in which Swisscom operates has already changed radically in recent years. Connectivity is ever-present and will increase further. Countless people, applications and devices will be in permanent communication with each other in future. The digitalisation of society will lead to a fourth industrial revolution ("Industry 4.0"), and production processes and contact with customers will be revolutionised in all sectors. In addition competition between global and local providers will intensify and new competitors – often with disruptive business models – will attempt to gain a foothold in the ICT markets. In response to the far-reaching developments in the market environment and heightened market dynamics, Swisscom periodically re-evaluates its strategy and sets priorities and formulates concrete objectives accordingly.



## The vision of Swisscom: the best in the networked world – always and everywhere

In an increasingly interconnected and digitalised world Swisscom offers its customers the best – always and everywhere. Because Swisscom wants people and businesses in Switzerland to be able to fully exploit the opportunities of the interconnected world. Thus, Swisscom is a pioneer and actively drives digitalisation forward and is innovative and courageous in everything it does. As an optimal companion in the networked world, Swisscom strives to ensure simplicity and is a trusted, inspiring partner for its customers. Swisscom helps business customers to create flexible ICT infrastructures, adjust their business processes to meet the new challenges of the digital world and optimise communication and teamwork among their employees. In this formative role, Swisscom is helping to shape this new world and make Switzerland into a leading ICT centre. Through the value that Swisscom creates and, indirectly, its high level of investment, from which other companies also benefit, Swisscom is a key factor in Switzerland's competitiveness and contributes significantly to the country's GDP and employment.

At Swisscom, people and their relationships are at the heart of all our activities. Customer focus, sustainability, passion, curiosity and reliability are the values that guide our employees' actions. To always offer the best in the networked world, Swisscom must consistently meet the highest expectations in terms of infrastructure, customer experience and growth.

### Building the best infrastructure

A high-quality infrastructure allows Swisscom to deliver its products and services, provide a consistently positive customer experience and differentiate itself from its competitors. Swisscom wants to offer its customers in Switzerland and Italy the leading IT and communications infrastructure. Reliance on high-performance networks that are always available will continue to increase in future. Swisscom is fulfilling the ever-growing requirements of its customers with networks that are second to none in terms of security, availability and performance. In the fixed network area, Swisscom's focus is on driving forward the continuous expansion of the ultra-fast broadband network through deployment of various fibre-optic technologies – both in Switzerland and in Italy. Swisscom is also continuously expanding the mobile ultra-fast broadband network (for example, through LTE advanced), in order to constantly improve network capacity and capacity utilisation. Swisscom will increase its efficiency through a scalable infrastructure, increasingly virtualised services and infrastructure, and continual improvement processes. The Swisscom Cloud infrastructure offers a high level of quality and security and is the basis for new scalable offerings that are produced in Switzerland. The transfer of internal platforms to the Swisscom Cloud increases scalability, flexibility and cost efficiency. By providing simple programming interfaces the open cloud gives partners flexible access to infrastructure and provides the basis of an ecosystem for developers. Swisscom is continuing to drive forward the technological transformation from traditional to IP-based solutions. This enables Swisscom to bring new services to market faster, operations and processes become more flexible, and residential customers can access their data from any location and on any device.

### Creating the best experiences

To clearly distinguish itself in its core business, Swisscom is committed to delivering first-class service to its customers and inspiring them with unique experiences across the board. Swisscom customers can count on us as a competent, reliable partner and enjoy service that is individual, flexible and personal at all points of contact. From the customer's perspective, contact with Swisscom should always be simple and convenient.

Swisscom wants to meet the growing expectations of customers regarding availability of data and applications – primarily the demand for real-time access from all locations – with more integrated experiences in future. These experiences go beyond what traditional communication services offer. When optimising processes and creating new digital services and experiences, Swisscom always takes a customer-centric approach and aims to improve customer perception. In doing so Swisscom aims to further boost customer loyalty and strengthen its brand. Current examples of new services and improved experiences are the personalisation options in Swisscom TV 2.0; the launch of Voice over LTE and WiFi Calling, which further improve the telephony experience; "Smart Enterprise Services", which assist companies in achieving digital transformation; and the newly launched express delivery service for online purchases.

### Realising the best growth opportunities

Although the economic outlook in Switzerland and Italy will remain uncertain, the markets relevant to Swisscom are on the whole likely to continue growing steadily. The main drivers of growth are modest increases in population and the number of households, the rising number of connected devices (as a result of the “Internet of Things”) and the ever-growing use of ICT in a wide variety of industries. Added to this, there is still pent-up demand in Italy due to the relatively low level of broadband penetration.

Swisscom wants to realise growth opportunities by expanding its core business – for example by means of the bundling strategy and growth in TV services and fibre-optic connections. There are also opportunities in other sectors such as banking, healthcare and energy, where Swisscom provides vertical ICT services. New, related business activities, which Swisscom wants to enter selectively, offer further revenue growth potential. Key decision criteria for entering a market include the existence of synergies, potential for differentiation and whether or not it strengthens the core business based on the own network infrastructure. Swisscom is aiming to launch new digital services in selected areas. These services will be offered via the Internet and will in some cases rely on new business models. Examples include the advertising and e-commerce activities that the company has already announced. Other examples of new business areas are the “Internet of Things” and the development of Swisscom Energy Solutions.

Another focus for Swisscom lies in the further development of Fastweb in Italy. Swisscom is aiming to further strengthen Fastweb’s strong market position and generate growth by continuously expanding the ultra-fast broadband network, building partnerships and improving service quality. In addition to pursuing these strategic goals, Swisscom is also implementing measures that will have a transversal impact on the Group. This is designed to transform the company and create structures fit for the future. Careful use of resources, lean structures and a clear strategy will ensure that Swisscom remains competitive in future on both the product and cost side.

### Forerunner in corporate responsibility

Swisscom’s corporate responsibility activities focus on issues which have high relevance for stakeholder groups and at the same time are closely linked to the company’s core business and thus entail market opportunities. Swisscom’s vision is of a modern, forward-looking Switzerland: a country of great opportunities, particularly in the field of sustainability. Specifically, Swisscom focuses on the following six areas as strategic priorities. For each of these it has formulated a long-term target for 2020:

#### Energy efficiency and climate protection

Together with its customers, Swisscom is aiming to save twice as much CO<sub>2</sub> as it emits through its operations and supply chain by 2020. Green ICT enables companies to massively reduce energy consumption and CO<sub>2</sub> emissions. Video conferencing and home office solutions generate savings in travel time and costs, and ICT services from the cloud allow business customers to operate their IT operations more efficiently than if they were to use a server of their own. Buildings, vehicles and networks can be managed in an energy-efficient manner thanks to ICT solutions. Swisscom also offers residential customers numerous ways to reduce their carbon footprint, from online billing to a recycling service for mobile phones. Swisscom is committed to reducing its own CO<sub>2</sub> emissions from its operations and supply chain and also requires its suppliers to reduce their carbon footprint.

#### Work-life balance

By 2020, Swisscom wants to be serving one million customers with its offerings in the healthcare sector, such as the Swisscom health platform and fitness sensors, electronic patient dossiers and products from its subsidiary Datasport. Swisscom also wants to give one million customers the opportunity to take advantage of mobile working models by 2020. To this end, it has included Work Smart services in its portfolio and supports mobile working methods through activities such as the Home Office Day.

#### Media skills and security

Swisscom aims to be the market leader in data security by 2020, helping one million people to use the media safely and responsibly. To date, Swisscom has provided free Internet access to schools and introduced first-time users to the digital world through media training courses. In doing so, Swisscom aims to protect young people in the use of online media by means of technical solutions and offerings that promote media skills.



### Attractive employer

Swisscom wants to be one of the most attractive employers in Switzerland by 2020. It offers employees opportunities for personal development 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. Swisscom employees also have the chance to get involved in social and community projects, for example, by participating in the Corporate Volunteering Programme.

### Fair supply chain

In the interests of a fair supply chain, Swisscom is committed to improving employment conditions for more than two million people by 2020. To this end, Swisscom has forged international partnerships that will ensure the implementation of relevant measures in close collaboration with suppliers. The company also commissions annual audits to review whether working conditions at its suppliers are improving.

### Networked Switzerland

Swisscom is aiming to supply 85% of all households and businesses with ultra-fast broadband (speeds in excess of 100 Mbps) by the end of 2020. Furthermore, by the end of 2016, 99% of the population will be able to benefit from the fourth-generation mobile network incorporating 4G/LTE technology. As a result, Swisscom is indirectly contributing around CHF 30 billion to the country's GDP and helping to create and maintain some 100,000 jobs.

### Swisscom's targets

Based on its strategy, Swisscom has set itself various short- and long-term targets that take economic, ecological and social factors into consideration.

	Objectives	Effective 2015
<b>Financial targets<sup>1</sup></b>		
Net revenue	Group revenue for 2015 of more than CHF 11.4 billion	CHF 11,678 million
Operating income before depreciation and amortisation (EBITDA)	EBITDA for 2015 of around CHF 4.2 billion	CHF 4,098 million
Capital expenditure in property, plant and equipment and other intangible assets	Capital expenditure for 2015 of CHF 2.3 billion	CHF 2,409 million
<b>Other targets</b>		
Ultra-fast broadband in Switzerland <sup>2</sup>	Coverage of 85% by the end of 2020	67% or around 2.9 million in excess of 50 Mbps
Ultra-fast broadband in Italy	Coverage of 30% by the end of 2016	25% or 6.3 million
Mobile network in Switzerland	Coverage of 99% with 4G/LTE by the end of 2016	98%
Energy efficiency in Switzerland	+25% by the end of 2015 compared to 1 January 2010	+29.6%
CO <sub>2</sub> -emissions in Switzerland	-12% by the end of 2015 compared to 1 January 2010	-23.5%

<sup>1</sup> As communicated over the course of the year, the financial targets for 2015 were adjusted as a result of the change in the assumed CHF/EUR exchange rate and the creation of a provision for legal proceedings as follows: Group revenue of more than CHF 11.5 billion, EBITDA in excess of CHF 4.0 billion and capital expenditure of more than CHF 2.3 billion.

<sup>2</sup> Basis: 3.6 million households and 0.7 million businesses (Swiss Federal Statistical Office – SFSO).

## Value-oriented business management

Key performance indicators for planning and managing the operating cash flows are operating income before depreciation and amortisation (EBITDA) and capital expenditure on property, plant and equipment and intangible assets. The enterprise value/EBITDA ratio is also used to compare the share price valuation of Swisscom with that of other telecoms companies.

The ratio is primarily driven by revenue and margins as well as the growth expectations of equity investors. The remuneration system for Group Executive Board members contains a variable performance-related component, of which 25% is paid out in Swisscom shares subject to a three-year blocking period. Group Executive Board members may opt to receive up to 50% of the performance-related component in the form of shares. The variable performance-related component is based on factors including financial targets such as net revenue, EBITDA margin and operating free cash flow. The financial targets that determine the variable performance-related salary component and the Management Incentive Plan ensure that the interests of management are kept aligned with those of the shareholders.

### Enterprise value

In CHF million, except where indicated	31.12.2015	31.12.2014
<b>Enterprise value</b>		
Market capitalisation	26,056	27,067
Net debt	8,042	8,120
Non-controlling interests in subsidiary companies	5	3
<b>Enterprise value (EV)</b>	<b>34,103</b>	<b>35,190</b>
Operating income before depreciation and amortisation (EBITDA)	4,098	4,413
<b>Ratio enterprise value/EBITDA</b>	<b>8.3</b>	<b>8.0</b>

The sum of market capitalisation, net debt and non-controlling interests in subsidiaries is the enterprise value (EV) derived from the share price. Non-controlling interests are stated at carrying amount. For the sake of simplicity, other non-operating assets and liabilities are not included. Swisscom's enterprise value decreased year-on-year by CHF 1.1 billion or 3.1% to CHF 34.1 billion, mainly as a result of lower market capitalisation. The ratio of enterprise value to EBITDA rose to 8.3 (prior year: 8.0). The increase reflects the fact that EBITDA fell more sharply than the enterprise value compared with the previous year. EBITDA for 2015 was very adversely affected by provisions of CHF 186 million for legal costs. Excluding this exceptional item in EBITDA, the ratio was 8.0.

With a ratio of 8.3 or 8.0, respectively, Swisscom's relative market valuation is well above the average for comparable companies in Europe's telecoms sector. The higher ratio is supported by the solid market position Swisscom has achieved thanks to a high level of investment and an attractive dividend policy, as well as the general business conditions in Switzerland such as lower interest rates and lower corporate income tax rates as compared to other European countries.

## General conditions

### Macroeconomic environment

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

### Economy

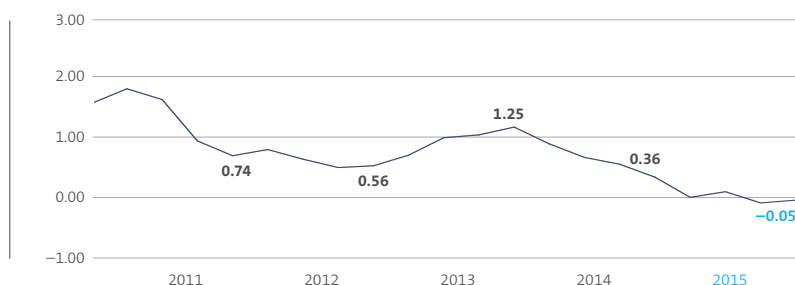
The performance of the Swiss economy in 2015 was influenced by monetary policy decisions of the Swiss National Bank (SNB) and an economic recovery in the euro area. Economic growth is subdued and is being driven primarily by consumer spending. The unemployment rate has risen slightly, while inflation, as measured by the national consumer price index, is negative.

The bulk of Swisscom's revenue from telephony and broadband services comes from fixed monthly fees and is subject to low cyclical fluctuations in demand. Project business with corporate customers, on the other hand, is more sensitive to cyclical factors.

### Interest rates

The general level of interest rates in Switzerland has historically been lower than in most other industrialised countries. In 2015, the level of and movements in interest rates were determined to a large extent by the monetary policy of the SNB and the European and US central banks. The SNB lifted the cap of CHF 1.20 against the euro on 15 January 2015 and at the same time introduced negative interest rates for sight deposits. As a result, the yields on 10-year Confederation bonds also fell into negative territory. At the end of 2015 they stood at minus 0.05%.

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

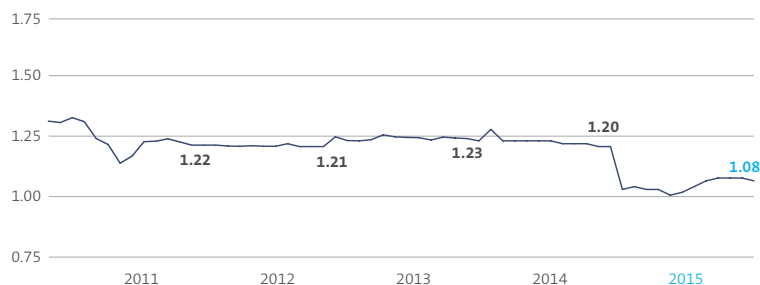


The level of interest rates has a direct impact on funding costs and also affects the valuation of various items in the balance sheet such as assets, long-term provisions and pension liabilities. Swisscom again took advantage of the ongoing period of low interest rates in 2015 for various financing transactions. It issued bonds for CHF 400 million and EUR 500 million with maturities of between 8 and 20 years and also took out a 5-year fixed-rate bank loan of EUR 200 million, all at favourable terms of interest. The proportion of variable interest-bearing financial liabilities stands at 24%. The interest expense on all financial liabilities averaged 2.3% in 2015 (prior year: 2.6%). In addition, Swisscom has in the past concluded interest rate swaps with long terms to maturity which are not classified under hedge accounting. Changes in market interest rates can result in high fluctuations in fair values charged to income.

### Exchange rates

On 15 January 2015, the Swiss National Bank (SNB) announced it would no longer defend the minimum CHF/EUR exchange rate of 1.20. As a consequence, the Swiss franc appreciated substantially, particularly against the euro. At the end of 2015, the exchange rate of the euro to the Swiss franc was 9.8% below the level at year-end 2014.

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



These exchange rate movements have not had a direct material impact on Swisscom's business. Only a small share of Swisscom's revenue in Switzerland is generated in foreign currencies. Handset and technical equipment procurement as well as roaming charges incurred 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 mostly funds itself in Swiss francs, although the proportion of financial liabilities in euros has gradually increased in the last three years, particularly as a result of bond issuance activity. This has led to a better diversification of funding sources. At the end of 2015, financial liabilities amounted to CHF 8.6 billion, of which 66.8% was in CHF, 31.5% in EUR and 1.7% in USD. 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 adjustments in respect of foreign subsidiaries recognised in consolidated equity before deduction of tax effects amounted to CHF 2.2 billion in 2015 (prior year: CHF 2.0 billion). A portion of the liabilities in EUR has been designated as a currency hedge of the net investment in Fastweb.

### Capital market

International equity markets had a slightly positive year in 2015, while the Swiss leading index, SMI, fell by 1.8%. 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 or other non-current financial assets. comPlan, Swisscom's legally independent pension fund in Switzerland, has total assets of around CHF 9.3 billion invested in equities, bonds and other investment categories. These assets are thus exposed to capital market risks. This indirectly affects the financial position presented in Swisscom's consolidated financial statements.

See  
[www.swisscom.ch/  
investor](http://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 a stock-exchange-listed company, Swisscom is also required to comply with capital market legislation as well as with the Federal Ordinance 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. 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 2014 to 2017 are relevant. The Federal Council has set the following financial goals for Swisscom:

- Increase enterprise value over the long term. Deliver a total shareholder return (dividend payout and share performance) on a par 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. It should reflect the requirements of a sustainable investment policy, a risk-appropriate, industry-standard equity ratio and easy access to capital markets at all times.
- Aim for a maximum net debt of 2.1 times EBITDA (operating income before depreciation and amortisation). This ratio may be temporarily exceeded.

The Federal Council also expects Swisscom to enter into partnerships (participations, alliances, foundation of companies and other forms of cooperation) only if they promote a sustained increase in enterprise value, can be managed well and take sufficient account of potential risks. No interests may be held in foreign telecoms companies with a universal service obligation. Other interests in foreign companies may be acquired if they support the core business in Switzerland or are otherwise a strategic fit.

### 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 connection area 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. Among other things, universal service provision covers guaranteed nationwide access to a broadband connection with a download speed of at least 2 Mbps. The universal service provision licence granted to Swisscom in 2007 by the Federal Communications Commission (ComCom) runs until 2017. To date, Swisscom has fulfilled the requirements of the universal service provision licence according to the quality criteria laid down by the TCA without complaints and without financial compensation. The Telecommunications Act also governs conditions for use of the radio frequency spectrum.

  
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### 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.

### Capital market law

The shares of Swisscom Ltd are listed on the SIX Swiss Exchange in Zurich. In addition, Swisscom has issued debenture bonds which are traded on the SIX Swiss Exchange. Swisscom is therefore required to comply with Swiss stock market legislation and regulations. It is subject, for example, to the regulations governing accounting and financial reporting as well as the rules relating to ad-hoc publicity and it is required to disclose 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, fall below or meet a certain limit.

### Regulatory developments in Switzerland in 2015

#### Ongoing proceedings relating to telecommunications and competition legislation

In recent years, a number of proceedings relating to telecommunications and competition law have been initiated against Swisscom. In October 2015 the Federal Administrative Court partly upheld Swisscom's appeal against the sanction imposed by the Competition Commission for alleged market abuse of broadband services in the period up to the end of 2007 and reduced the fine from CHF 220 million to CHF 186 million. Swisscom does not consider the sanction justified and has lodged an appeal with the Federal Supreme Court. Further information on ongoing proceedings is contained in Notes 28 and 29 to the consolidated financial statements.

#### “Pro Service Public” initiative

The popular initiative “Pro Service Public”, submitted in June 2013 by a Swiss consumer magazine, calls for the Swiss Confederation to desist from seeking profit, cross-subsidising or pursuing fiscal interests in the public services and to bring the wages of employees in government-associated companies in line with those of federal employees. The Federal Council and Parliament rejected the initiative without a counterproposal. The referendum on the initiative will be held in June 2016.

#### Revision of the Telecommunications Act (TCA)

The Federal Council opened the consultation on the revision of the TCA on 11 December 2015. It seeks to tackle the legislation in two stages. The first stage will be confined to the most pressing problems. The second stage will focus on a system change in the access regime and fundamental amendments regarding universal service provision. Swisscom welcomes the Federal Council's decision to exclude the delicate, politically contentious issues of extending price regulation to broadband networks and state-financed broadband expansion from the forthcoming revision of the TCA. Along with mainly formal and technical amendments, the revision of the TCA will focus on intensifying certain market interventions. For example, the system of access regulation is to be adapted to EU mechanisms and the negotiating principle effectively abolished. In addition, regulation of roaming prices and bundled offerings is to be made possible. Swisscom is of the opinion that such legal tightening would negatively affect competition and thus interfere with the positive market results. Legal regulation is also to be extended to justified concerns regarding the protection of consumers and minors and the issues of network expansion and net neutrality. However, as shown in recent years, these issues can be addressed more easily and more effectively through other means, for example, industry solutions (self-regulation) such as the round table for coordinating the expansion of the fibre-optic network, the code of conduct on net neutrality and the asut industry initiative for improved youth media protection.

#### Revision of the Ordinance on Telecommunications Services (OTS)

The Federal Council opened the consultation on the 2018 revision of the universal service provision on 29 September 2015 and Swisscom made a submission while the consultation was open. Swisscom's submission is critical of the planned adjustment of price limits, as it sees this as unjustified interference in market mechanisms, and of the increase in the minimum bandwidth for broadband internet access, as an increase in bandwidth by 1 Mbps would lead to considerable costs without bringing customers any significant benefit. However, Swisscom praises the fact that the need for a technological switch to IP technology has been recognised.

### Roaming

There were two pending motions in Parliament which aimed to regulate roaming along the same lines as in the EU. These would have required the Federal Council to fix binding maximum tariffs to be adopted by all telecoms providers for incoming and outgoing calls, SMS messages and data transfers via mobile devices when used abroad. The Council of States suspended both motions, which were similarly worded, to give the industry time to respond. On 9 March 2015, a majority in the Council of States supported the view that the telecoms companies had cut excessive prices in the intervening period and there were now sufficient alternatives in the form of WiFi, Skype and other products. The motions were then rejected.

### Net neutrality

On 17 June 2014 the National Council approved a motion to force the Federal Council to enshrine net neutrality in law. The Council of States rejected the motion on 16 March 2015. Its Advisory Commission took the view that there was no urgent need for action. In doing so it followed the lead of the Federal Council, which, according to Federal Councillor Leuthard, for the time being is putting its faith in the code of conduct agreed by the sector at the end of 2014. As part of the revision of the Telecommunications Act started at the end of 2015, the Federal Council wants to obligate the telecommunications service providers to inform the public if data is treated differently during transmission.

### Copyright protection – consultation for a revision of the Copyright Act

In December 2015 the Federal Council opened the consultation for a revision of the Copyright Act. The Copyright Act is to be modernised and piracy better combated. The planned provisions largely follow the recommendations of the Copyright Act working group. Swisscom has an interest in the proper function of copyright law and is of the opinion that the submission largely reflects the concerns of the various interest groups on a balanced basis.

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

In 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 for telecommunications services would be retained. The bill is still under discussion 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 obligations on market-dominant companies relating to non-discrimination, transparency and forms of access (“ex-ante regulation”). The Swiss government has rejected such all-encompassing regulation, as the market situation in Switzerland is different from most EU member states. The Swiss market is characterised by virtually nationwide competition between Swisscom and the cable network operators. Municipal and regional power utility companies have also now entered the market. The market situation prevailing in Switzerland therefore necessitates a different form of regulation than in countries such as France and Italy, where there is largely a single network provider and no platform competition has evolved.

### 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 telecoms regulator, Autorità per le Garanzie nelle Comunicazioni (AGCOM), has the task of imposing regulatory requirements on companies, based on an analysis of the markets defined by the European Commission. Drafts of such requirements and corresponding 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 telecommunications legislation and its application.

### Regulatory developments in Italy in 2015

AGCOM continued its work on the market analysis for wholesale markets in 2015, which will determine the regulatory guidelines for the next three years. It published a new consultation paper in February 2015, and in July 2015 it issued the draft of the final decision which was communicated to the European Commission. AGCOM is proposing to cut the wholesale prices which were last approved in 2013 for the period 2015 to 2017. It also recommends permitting the outsourcing of

activation and maintenance services for wholesale connections to qualified external technicians. AGCOM also supports improvements in the service agreements and incentives and sanctions to increase the penetration with unbundled subscriber lines.

AGCOM issued a decree in April 2015 putting into effect a decision of the Italian Supreme Administrative Court. Under this decree, the increase in wholesale prices for the years 2009 and 2010 to 2012 were annulled; the prices for unbundled subscriber lines were also cut retrospectively for the years 2010 to 2012. A second decision on the revision of prices for WLR (Wholesale Line Rental) and bitstream services is still pending.

AGCOM completed a new market analysis of mobile termination fees in 2015. In it AGCOM proposes that mobile termination fees for all mobile network operators in the period 2015 to 2017 should be based on a wholesale price of 0.98 cents per minute. AGCOM sent the draft of the final decree to the European Commission in July 2015. The final decree is expected to be ratified by the end of 2015. AGCOM also proposes giving mobile network operators the opportunity to determine termination fees for countries outside the EU on the principle of mutuality. Full-service MVNOs will in future also be subject to the regulated termination fees.

AGCOM has commissioned a new market analysis on fixed network termination fees. A public consultation is expected at the beginning of 2016.

### Swisscom stakeholder groups

Swisscom engages in dialogue with stakeholder groups depending on how close the relationship is and on the individual stakeholder group's interests. The size of the stakeholder group is a key factor in determining what kind of dialogue is possible. The Swisscom website provides an overview of our stakeholder groups.

#### Customers

Swisscom systematically consults residential customers in order to identify their needs and determine their satisfaction. Customer relationship managers, for example, gather information on customer needs in the course of direct contact with customers. Representative customer satisfaction surveys are also regularly conducted, among other things to determine the extent to which customers perceive Swisscom as an environmentally responsible, socially aware company.

Periodic surveys are conducted among business customers in which sustainability is among the issues addressed. Swisscom also maintains regular contact with consumer organisations in all language regions of Switzerland and runs blogs as well as online discussion platforms. The overall findings show that customers expect attractive pricing, good service, market transparency, responsible marketing, comprehensive network coverage, network stability, low-radiation communication technologies and sustainable products and services.

#### Shareholders and external investors

Besides the Annual General Meeting, Swisscom fosters dialogue with shareholders at analysts' presentations and road shows and in regular teleconferences. As the principal shareholder, the Confederation holds a position on Swisscom's Board of Directors and stipulates goals for Swisscom on a four-year horizon. Swisscom is also in regular contact with numerous external investors and rating agencies. Shareholders and external investors expect above all growth, profitability and innovation from Swisscom.

#### Authorities/residents

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, the expansion of the infrastructure required to provide these services does not always meet with the same level of support.

Network expansion gives rise to tension because of the different interests at stake. Swisscom has been engaged in dialogue with residents and municipalities on network planning for many years. In the case of construction projects, it 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 the 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 honours its responsibility towards the public at large and towards young people in particular.



### Legislators

Swisscom is required to deal with political and regulatory issues. It represents the company's interests vis-à-vis political parties, public authorities and associations. Legislators expect compliance, comprehensive network coverage and technology leadership from Swisscom.

### Suppliers

Swisscom's procurement organisations regularly deal with suppliers and supplier relationships, analysing the results of evaluations, formulating target agreements and reviewing performance. Once a year, they invite their main suppliers to a Key Supplier Day. The focus of the event is on risk mitigation and responsibility in the supply chain. In the interests of maintaining dialogue with global suppliers, Swisscom also relies on international cooperation within the relevant sectors.

### Media

Swisscom maintains close contact with the media, seven days a week. Its relationship with the media is informed by professional journalistic principles. In addition to the Media Office, representatives of management maintain a regular dialogue with journalists and make themselves available for interviews and more in-depth background discussions.

### Employees and employee representation

In order to meet its mandate and live up to its customer promise, Swisscom relies on fully committed, responsibly minded employees who think and act proactively. It is our employees who transform Swisscom into a tangible experience for customers. Swisscom gains valuable information from the dialogue with customers. The information gathered at the customer interfaces flows back to the company and permits Swisscom to continually improve its products and services. Using a wide range of communication 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. Employee concerns mainly relate to social partnership, training and development, diversity, and health and safety at work. Swisscom engages in dialogue with teams from all organisational units on sustainability issues, under the motto "Hello Future". Through this dialogue, Swisscom keeps its employees up to date on its work in the area of sustainability and encourages them to implement sustainability measures in their daily work and life.

### Partners and NGOs

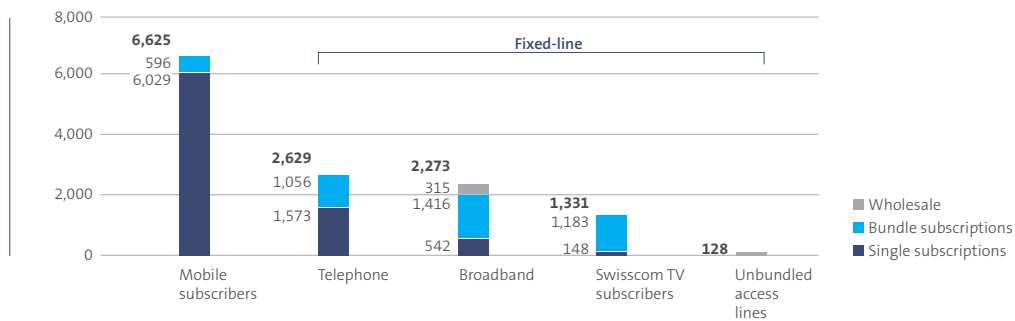
Swisscom believes in the importance of sharing insights and information with partners within the framework of projects; for example, with WWF Climate Savers, myclimate, the Swiss Child Protection Foundation and organisations that address the specific needs of affected groups. Active partnerships and Swisscom's social and ecological commitment are especially relevant for the partners and NGOs stakeholder group.

## Market trends in telecoms and IT services

### Swiss telecoms market

Switzerland has three mobile networks and several fixed-line networks. 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 13 billion. The market is in a phase of transition, driven by the growing convergence of telecommunications, information technology, media and entertainment. The constant advancement of digitisation and connectivity is a further key trend. More and more new global competitors are entering the Swiss telecoms market, offering both free and paying Internet-based services including telephony, SMS messaging and TV. Cloud solutions are also playing an ever more important role, with storage capacity, processing power, software and services all relocating to an increasing degree to the Internet. Customers' needs are also continuing to change. Increasingly, customers are accessing data and applications from just about anywhere and at any time using a whole range of different Internet-enabled devices. The result is a rapid growth in demand for high bandwidths that enable fast, high-quality access. To address this trend, Swisscom is building the network infrastructure of the future. It is tackling the relentless growth in data traffic by continuously expanding fixed broadband access and further expanding new technologies in the mobile network, such as 4G/LTE (Long Term Evolution). In addition, Swisscom's bundled offerings combine different technologies such as fixed-line access with telephony, Internet and TV, plus the option of a mobile line. The Swiss telecoms market can thus be broken down into the following sub-markets of relevance to Swisscom: mobile, broadband, TV and fixed-line telephony.

Swisscom Switzerland access lines in thousand

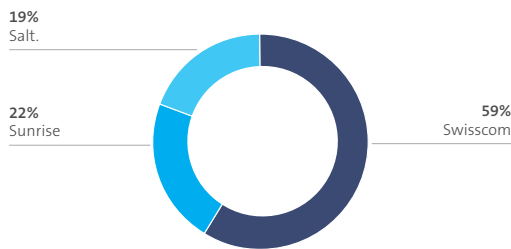


### Mobile communications market

Three companies operate their own wide-area mobile networks in Switzerland: Swisscom, Salt and Sunrise. The Swiss mobile communications market is continuing to change rapidly. This is demonstrated, for example, by the sale of Orange and subsequent change of name from Orange to Salt and the initial public offering of Sunrise at the beginning of 2015. Another major market player, upc cable-com, offers its own mobile services via Salt's network (as an MVNO, mobile virtual network operator). Swisscom also makes its mobile communications network available to third-party providers so that they can offer their customers proprietary products and services over the Swisscom network.

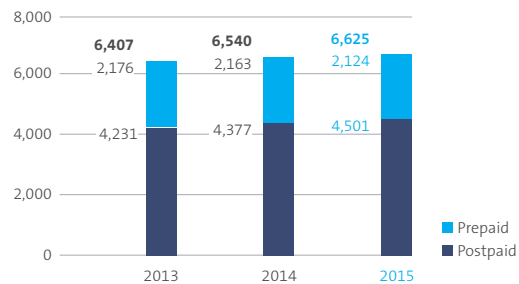
The demands being placed by users on the mobile networks are constantly rising. In order to offer customers optimum data connectivity, Swisscom is constantly investing in the latest technologies for its mobile network. Growth in mobile lines (SIM cards) in Switzerland was once again slow in 2015 due to the already high market penetration. Together, the three network operators have a combined total of more than 11 million mobile lines; penetration in Switzerland is around 135%. The technical possibilities offered by mobile communications are continuing to increase due to the rapid spread of smartphones. The newly launched mobile offerings such as Natel infinity plus reflect customers' changing needs. These subscriptions allow Swisscom customers to make unlimited phone calls and send unlimited SMS messages to all Swiss networks, as well as unlimited Internet surfing at flat rates. The individual offerings mainly differ in terms of mobile data speeds and the number of days of inclusive usage abroad. Swisscom offers occasional users of the mobile network prepaid services with no monthly subscription fee.

Market shares mobile subscribers in Switzerland\* in %



\* Estimate Swisscom

Swisscom mobile access lines in thousand



In 2015, Swisscom's market share remained stable at 59% (postpaid 64%, prepaid 50%). The percentage of postpaid customers in Switzerland is around 62%. As in previous years, prices for mobile services continued to be squeezed by competition in 2015.

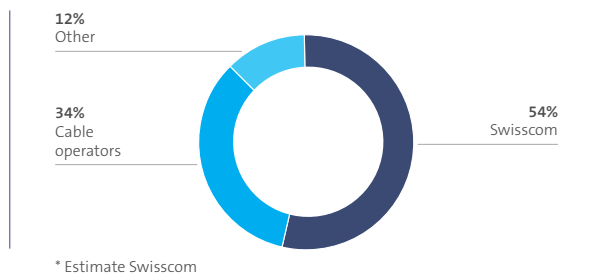
### Fixed-line network

Switzerland has almost 100% coverage of fixed broadband networks. Alongside the fixed-line networks of the telecoms companies such as Swisscom and Sunrise there are also the cable networks of UPC Cablecom and other small and medium-sized cable network operators. Moreover, new market players such as utilities operating in particular cities and municipalities are building and operating fibre-optic networks on their own initiative at a regional level. In order to meet the rising demands on the networks, Swisscom is investing heavily in its existing fixed network to create a high-performance ultra-fast broadband network based on the latest fibre-optic technology. The digital internet protocol (IP) used on this network will replace the traditional communications technology in the medium term. IP technology makes it possible to combine different services quickly and flexibly over the same network and launch them on the market more quickly than in the past. The fixed broadband connection is therefore increasingly developing into the key access point for customers. It is the basis for a wide-ranging product offering from both national and global competitors. Alongside individual products, Swisscom offers various bundled products tailored to customer needs in the fixed-line area with a choice of TV and/or fixed telephony on top of the broadband connection. To better meet the needs of mostly younger, urban, digitally savvy customers, Swisscom launched the independent brand Wingo in 2015. Wingo features a slimmed-down offering for this young target group and is only available in areas where customers have already been supplied with Fibre-to-the-Home (FTTH).

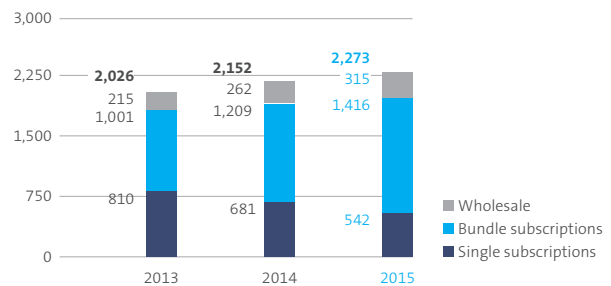
### Broadband market

The most widespread access technologies for broadband in Switzerland are infrastructures based on the networks of telecoms providers and cable network operators. At the end of 2015, the number of retail broadband lines in Switzerland totalled 3.6 million or 84% of all Swiss households and businesses. Switzerland therefore leads the way internationally in terms of broadband access market penetration.

Market shares broadband access lines in Switzerland\* in %



Swisscom Broadband access lines in thousand

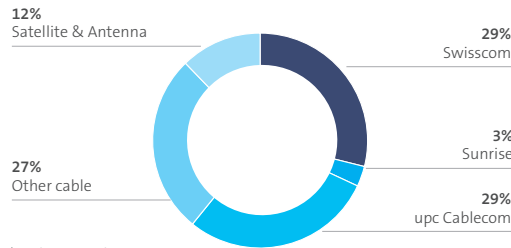


The number of broadband lines increased by around 4% in 2015, the same rate of growth as in the previous year. As in 2014, growth in broadband access lines provided by cable network operators outpaced that of the broadband access lines of telecom service providers. Telecom service providers accounted for more than a third of new broadband access lines in 2015, corresponding to a market share of all broadband lines of 66% (prior year 67%). Of these, 54% (prior year: 54%) were for Swisscom end customers and 12% (prior year: 13%) for Swisscom wholesale offerings and fully unbundled lines.

### TV market

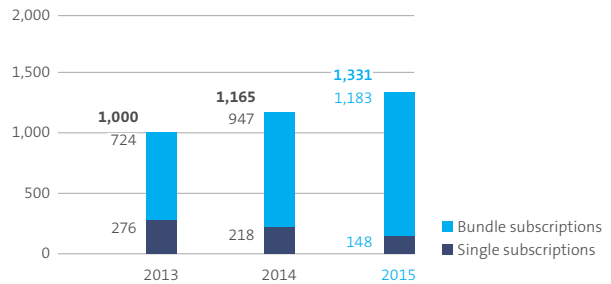
In Switzerland, TV signals are transmitted via cable, broadband, satellite, antenna (terrestrial) and mobile. The importance of high-definition digital TV and its market penetration are constantly increasing. Upc cablecom ceased transmitting analogue TV signals in 2015. Other national and international companies have also entered the Swiss TV market, offering TV as well as video-on-demand services which can be accessed over an existing broadband connection regardless of the Internet provider.

Market shares digital TV in Switzerland\* in %



\* Estimate Swisscom

Swisscom TV subscribers in thousand



More than 85% of all TV connections are provided over the cable or broadband network, with cable TV and Swisscom TV commanding the largest market shares. Swisscom has been steadily growing its market share over the last few years thanks to its own digital TV offering, Swisscom TV, which had a market share of 29% at the end of 2015 (prior year: 26%).

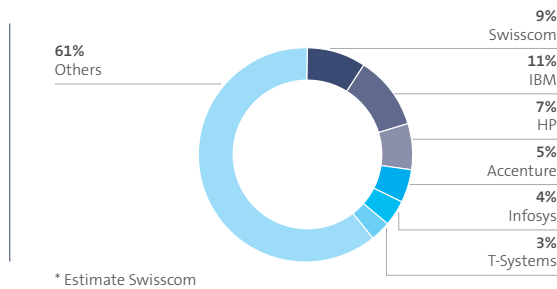
### Fixed-line telephony market

Fixed-line telephony is mainly based on lines running over the fixed networks of the telecom service providers and the cable networks. The number of Swisscom fixed lines is steadily declining. This trend continued in 2015, with the number of Swisscom fixed lines falling by around 5% to 2.6 million. The main reason for the decline was the substitution of mobile phones for fixed-line telephones together with a small fall in market share.

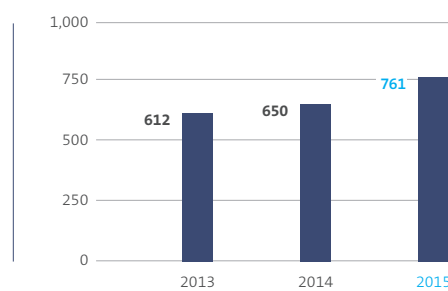
### IT services market in Switzerland

In 2015, the IT services market generated a revenue volume of CHF 8.7 billion. Market volume is expected to total CHF 9.4 billion by 2019. Swisscom expects the strongest growth in business process outsourcing (BPO) and in application-based and infrastructure project-based services. This growth is a result of the increasing number of business-driven ICT projects. Customers usually expect services customised to their individual sector and business processes with related consultancy. However, the prospects for growth must be assessed taking into consideration the effects of the strong franc and increasing global competition resulting from digitalisation. Consequently, Swiss companies as well as their competitors are under cost pressure. While ICT providers are looking for new roles and some are building up their own cloud offering, customers are increasingly postponing ICT investments.

Market shares IT services in Switzerland\* in %



Swisscom net revenue IT services in CHF million

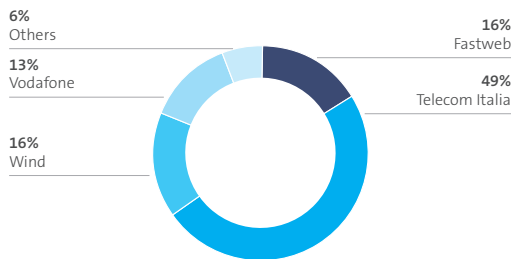


The shifts in the market and IT innovations are creating new opportunities for Swisscom. As one of the few providers of integrated digitalisation solutions, Swisscom helps companies to simplify and automate processes and integrate existing solutions. Swisscom also co-creates new IT services with its customers. As a result, Swisscom is seen as a driver of digitalisation in the Swiss economy. With a market share of around 9%, it remains one of the leading providers of IT services on the Swiss market.

### Italian broadband market

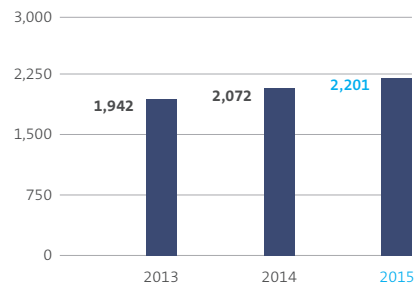
Italy's fixed broadband market is Europe's fourth largest, with a revenue volume of around EUR 13 billion. In contrast to most other European countries, in Italy there are no cable network operators who offer broadband services. Only slightly over half of the households and businesses in Italy have access to the broadband network; the penetration of broadband is thus well below the European average. The Italian market continues to be dominated by bundled products which combine voice and broadband services. Due to the intensely competitive environment, the market is under considerable pricing pressure. Ultra-fast broadband services have become more popular. The market leaders for fibre-optic/VDSL offerings are Telecom Italia and Fastweb.

Market shares broadband access lines in Italy\* in %



\* Estimate Swisscom

Fastweb broadband access lines in thousand



Thanks to its market share of 49% (prior-year 50%), Telecom Italia has a leading position on the Italian broadband market. Fastweb raised its market share from 15% to 16% compared with the previous year and caught up to Wind, in second place behind Telecom Italia.

A permanent nationwide presence is becoming increasingly important for service providers given the growing complexity of products and services. With this in mind, Fastweb is further expanding the ultra-fast broadband network and aims to cover around 7.5 million households and businesses, or 30% of the population, by the end of 2016. Fastweb has also 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.

# Business model and customer relations

Swisscom is Switzerland's leading telecom provider, and its subsidiary Fastweb has built up a strong position in the Italian market. 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 service and quality and is also investing heavily in the networks of the future.

## Business activities

### Company profile

Swisscom is the Swiss market leader in the field of telecommunications. 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 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 increasing the deployment of ICT. Major investments in network infrastructure ensure that Swisscom will continue to satisfy all its customers' 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 21,000-strong workforce which continually strives to develop new solutions for customers and the information society. Swisscom consistently invests in staff training and development and is training more than 900 apprentices in Switzerland.

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 TV throughout Switzerland and is mandated by the federal government to provide basic telecoms services 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, workplaces, SAP and banking. Customers can purchase their products and services via a wide 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 any time 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.

 See  
[www.swisscom.ch](http://www.swisscom.ch)



## Swisscom brand

The Swisscom brand is managed strategically as an intangible asset and an important element of the group's reputation management. The brand's main role is to provide optimum support for Swisscom's multi-faceted business activities and act to attract and motivate current and potential staff. To achieve this the brand must have a coherent and high-quality image, while also being sufficiently flexible for new themes and new business opportunities as they arise. It must be able to develop and redefine itself continually in an increasingly digital and fast-moving world.

The Swisscom Group offers core-business products and services under the Swisscom brand. It also has other brands in its portfolio which are associated with other themes and business areas. Outside Switzerland, Swisscom's main market is Italy, where it operates under the Fastweb brand. The strategic management and development of the entire brand portfolio is an integral part of corporate communications.



Swisscom has consolidated its business activities in healthcare under Swisscom Health AG and is continuing the strategy of positioning its brand in the core Information & Communication Technology (ICT) business. The Swisscom brand also creates significant added value in banking. In healthcare as in banking it is critical that customer data is managed responsibly. The Swisscom brand stands for trustworthiness and security in this regard.

The ongoing success of Swisscom TV has enhanced Swisscom's credibility in the entertainment business. The Teleclub, Kitag and Cinetrade brands, also operated by Swisscom, make a further contribution to positioning the Group in the digital entertainment market. Other progressive products with a market presence under the Swisscom brand or – for example in the energy sector – under the tiko brand, reinforce Swisscom's image as a simple, inspiring and trustworthy companion in the rapidly changing digital world.

In 2015 Swisscom was once again crowned by consumers as the Most Trusted Brand in three different categories in the Reader's Digest annual survey, confirming that awareness of the Swisscom brand remains high among consumers in Switzerland. The attributes of "trustworthiness", "reliability" and "high quality standards" represent a strong competitive advantage and spur the company on to offer the best always and everywhere.

Trustworthiness and service remain important factors in affirming the trust of existing customers and winning new customers for Swisscom, while also helping to underscore the importance of Swisscom for Switzerland: Swisscom is part of a modern Switzerland, is always recognisable as a Swiss company and positions itself clearly and credibly through its stance on sustainability. All this rounds off the positive image of the Swisscom brand and enriches the group's multi-faceted customer relationships. This is one reason why the reputation values achieved by Swisscom are exceptionally high for the telecommunications industry worldwide.

From the corporate perspective, this picture is confirmed. According to the survey "Best Swiss Brands 2015" conducted by Interbrand, the Swisscom brand remained in sixth place in the reporting year, putting it among the most valuable Swiss brands, with a monetary brand value of over CHF 5 billion.

**Net revenue**  
Switzerland accounts for

**84** % of Swisscom's  
revenue

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

**85** % of Swisscom's  
EBITDA

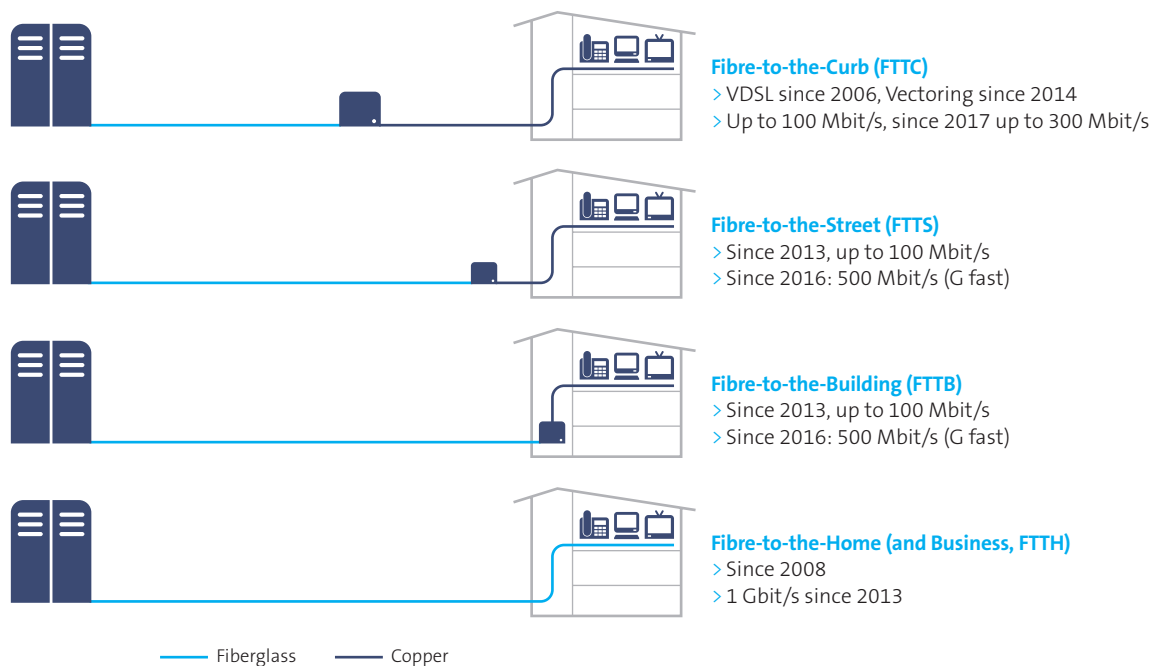
## Swisscom's network and IT infrastructure

### Network infrastructure in Switzerland

Bandwidth requirements in the Swiss fixed telephone network double every 16 months – and once a year in the case of mobile telecommunications. This is because customers today want to use applications such as HD television, video conferencing and cloud services at anytime, anywhere and on different devices. At the heart of the network of the future is Internet Protocol (IP) technology, which makes such a wide range of uses possible. The technology is the same regardless of the selected transmission method. It works both for copper and fibre-optic connections. Swisscom will switch over all of its products and services to this forward-looking technology by the end of 2017. By enabling faster and more flexible processes and operations, Swisscom itself will become more competitive along with its business customers as well as Switzerland as a business hub. Swisscom will also be able to fulfil the demands of its residential customers to have constant access to their data from anywhere and on any device. All IP offers the basis for the digitalisation of the Swiss economy.

Switzerland already has one of the best IT and telecoms infrastructures in the world. According to OECD findings, Switzerland leads the world in terms of broadband penetration (48.9%), ahead of the Netherlands and Denmark (source: OECD Broadband Portal June 2015, data from December 2014). This is also confirmed by the "State of the Internet Report" published by the technology service company Akamai in October 2015. According to this report, Switzerland ranks first in Europe and fourth globally in respect of the availability of ultra-fast broadband. In mobile communications, broadband LTE coverage now extends to 98% of the population, making Swisscom the largest network operator in Switzerland by far, both in the fixed and mobile network.

To drive forward ultra-fast broadband provision in Switzerland, Swisscom has opted for a broad, innovative mix of technologies. Alongside Fibre to the Home (FTTH), technology such as Fibre to the Street (FTTS) and Fibre to the Building (FTTB) will play a key role here; in other words, optical fibre is getting ever closer to the client.



Yet, it is not only network expansion which is subject to constant change but also the way in which data is transported across the remaining copper cables. Vectoring doubles the capacity of copper cables, while G.fast, the successor to VDSL, will soon permit bandwidths of up to 500 Mbps on copper cables. As at the end of 2015, Swisscom had established more than 2.9 million connections to its ultra-fast broadband service (speeds in excess of 50 Mbps) through a technology mix. Of this number, around 2.0 million lines were equipped with the latest fibre-optic technology. Swisscom is an international leader in this regard.

Swisscom is aiming to supply 85% of households and businesses in Switzerland with ultra-fast broadband (speeds in excess of 100 Mbps) by the end of 2020. Its long-term plans for network construction are founded on the vision of every Swiss municipality enjoying almost 100% ultra-fast broadband coverage. In remote regions of Switzerland Swisscom will honour its universal service provision mandate and is seeking new technical solutions to deliver higher bandwidths to these regions. For example, it is testing DSL-LTE bonding, a technology that combines the bandwidths of the fixed-line and mobile phone networks and thus enables a far superior customer experience.

In 2012, Swisscom was the first mobile provider in Switzerland to launch 4G/LTE commercially. Today, it is already providing 4G/LTE coverage to 98% of the Swiss population. In urban regions with particularly high traffic along streets and in busy public places, 4G/LTE microcells ensure the required network capacity. In this context, Swisscom has developed its own microcell for installation in a manhole, which will be improving coverage from 2016. Swisscom is increasingly installing dedicated antenna systems in large business premises and indoor public areas. 4G+ (LTE advanced) installed in urban areas already provides mobile Internet bandwidth speeds of up to 300 Mbps, with speeds of up to 425 Mbps having been achieved in the autumn of 2015. Swisscom's offering is therefore leading the way, both in Switzerland and by international standards. Mobile telephony is also keeping up with the times. While until recently voice telephony was only carried over the 2G and 3G technologies, following the introduction of VoLTE (Voice Over LTE) in June 2015 and WiFi Calling in August 2015, an IP-based voice service is now also available. To ensure that it will still be able to satisfy the rising demand from customers for data volumes in future, Swisscom is continuously expanding its mobile phone network and investing in new technologies. As the 22-year-old 2G mobile phone generation needs 30% of antenna capacity but can only handle 0.5% of data traffic, Swisscom has decided only to support 2G until the end of 2020.

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. It coordinates site expansions with other mobile providers wherever feasible and already shares around 22% of its 7,400 antenna sites with other providers. At the end of 2015, Swisscom had a good 5,200 exterior units and 2,200 mobile communication masts in buildings. And with over 2,200 hotspots in Switzerland, Swisscom is also the country's leading provider of public wireless local area networks.

### Network infrastructure in Italy

Fastweb's network infrastructure consists of a fibre-optic network spanning a total distance of around 40,000 kilometres, reaching over 50% of the Italian population. In this way, it supplies more than six million households and businesses with ultra-fast broadband at speeds of up to 100 Mbps, based on Fibre to the Home (FTTH) and Fibre to the Street (FTTS). Fastweb is continuing to expand the ultra-fast broadband network and by the end of 2016 aims to cover around 7.5 million households and businesses, or around 30% of the population.

It also signed an agreement with its technology partners in the first quarter of 2015 to further strengthen the fibre-optic network with technologies such as vectoring, VDSL enhanced and G. fast. These technologies will provide Fastweb customers with connection speeds of over 100 Mbps and up to 500 Mbps from 2016. In addition, thanks to wholesale services provided by well-established Italian operators, Fastweb reaches customers who are not directly connected to its own network.

While Fastweb does not have its own mobile network, it offers proprietary mobile services based on an agreement with another mobile operator (MVNO model).

### Swiss IT infrastructure

Swisscom operates 24 data centres in Switzerland. The capacity utilisation of these data centres is increasing year after year, which is why Swisscom is continuously adding to capacity. The newly constructed data centre in Berne Wankdorf opened in the autumn of 2014. Swisscom is also expanding existing data centres in the Olten-Zurich region in order to allow for further growth. In addition to cloud services in all their forms, classic IT services continue to play an important role for Swisscom. The volume of data stored has almost doubled to a current figure of 36 petabytes. Through its on-demand contracts with innovative partner companies, Swisscom is able to ensure sufficient capacity and the deployment of efficient technologies at all times.

The growing virtualisation of classic telecommunications functions – for example the growing convergence of conventional telephony and modern information technology – is also increasing the demands made of IT services. As a result, Swisscom needs to expand its capacity throughout Switzerland and irrespective of its existing locations. In accordance with its commitment to sustainabil-

 See  
[www.swisscom.ch/  
networkcoverage](http://www.swisscom.ch/networkcoverage)

ity, Green IT and climate protection, Swisscom maximises the energy-efficient operation of its data centres. The average annual power usage effectiveness (PUE) of Swisscom's data centre in Zollikofen (Berne) is 1.3. This value represents the ratio of total power consumed by the data centre to the power consumed by the IT systems. The power consumption in Zollikofen is around 33% lower than that of conventionally built data centres. With a PUE of 1.2, the data centre in Wankdorf (Berne) is even more energy-efficient. In order to maximise the energy efficiency of the IT equipment in the data centres, Swisscom also works with manufacturers to reduce the power consumption of the IT equipment. In this context Swisscom is currently participating in a research group looking into disruptive cooling technology. Swisscom is testing a procedure involving immersion cooling. Cloud technology has reached an advanced stage of development and the areas in which it can be used to optimum effect are becoming ever clearer. Many applications are not yet able to use the benefits of cloud technology and first have to be adapted. Swisscom has gained valuable experience from its applications and its own production processes in the cloud. It uses its experience to continuously develop its IT infrastructure, further increase its technological lead as a trusted companion in the digital world and deploy its expertise in a way that benefits its business customers.

#### Fastweb's IT infrastructure

Fastweb operates four main data centres in Italy with a total surface area of 8,000 square metres. The IT infrastructure consists of around 5,000 servers (virtual and physical servers in equal parts), 700 databases and 2.9 petabytes of storage capacity.

One of the data centres is managed by a technology partner who is responsible for the setup, design and adaptation of the data centre together with operational aspects of Fastweb's IT infrastructure. Fastweb also uses two other data centres, mainly for corporate business services, i.e. for housing, hosting and other cloud-based services. Fastweb is investing in the construction of two new data centres in Milan and central Italy, which will be used by Fastweb to host ICT and cloud services for business customers. The new data centre in Milan is the first data centre in Italy to be awarded Tier IV certification – representing the highest level of reliability, security and performance. It is fully operational and hosts services for business customers.

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

97 %

**Investments in performance enhancement  
and security in the Swiss infrastructure  
and in ultra-fast broadband expansion**  
totalled in 2015

1.8 billion Swiss francs

## Data protection

The customer data that Swisscom works with is subject to the Swiss Data Protection Act and Telecommunications Act. The protection of privacy, compliance with data protection laws and the observance of telecommunications secrecy are key tasks and concerns for Swisscom. The Data Protection Declaration explains how Swisscom handles personal data. Swisscom adheres strictly to the law in all matters relating to data protection. It collects, stores and processes only such data as is required for the following purposes: the provision of services, the handling and maintenance of the customer relationship, i.e. ensuring high service quality, the security of the company and its infrastructure, and billing. 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"). 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, it raises awareness among its employees through data protection training and equips them to implement the requirements of data protection rigorously.

Swisscom has also implemented technical measures designed to further improve data protection. It has reviewed and specified all access rights to critical customer data. It has also set up a system to determine whether access to critical customer data is legitimate. Moving forward, Swisscom will continue to do everything in its power to protect its customers' data by optimising its technology, organisation, processes and employee training. Swisscom is aware of its responsibility for data protection. In bringing in new technologies and in meeting new needs, Swisscom will continue to exercise the required sensitivity and assume its social responsibility as a companion in the networked world.

## Products, services, sales channels

### Swisscom in Switzerland

Swisscom is committed to service and quality and to interacting with its customers in a personalised and value-adding manner. Six million customer visits to Swisscom Shops, 3,500 customer advisors, twelve million calls and more than four million e-mails and letters per year are the basis for Swisscom staying in touch with its customers and providing personal service. For years now, excellence in service has been a top priority for Swisscom.

### Residential customers

Additional functionality and new content were added to Swisscom TV 2.0 in 2015. The cloud-based recording function allows users to record an unlimited number of programmes simultaneously and play them back on different devices. Swisscom also extended the replay function from 30 hours to seven days, and integrated around 50 of the most popular apps such as YouTube and Facebook in Swisscom TV 2.0. Moreover, Swisscom TV will soon be offering TV images in ultra-sharp 4K/Ultra HD (ultra-high definition) quality. The Natel infinity mobile phone offering has also been expanded: the new Natel infinity plus not only allows unlimited surfing, calls and SMS/MMS messaging in Switzerland, but also includes worry-free roaming within the EU and Western Europe. Natel infinity (plus) customers can also now enjoy Swisscom TV Air with 30 hours of replay and 60 hours of personal recordings free of charge for one year. The bundled offerings, ranging from Vivo XS to XL, combine TV, Internet and fixed-line access and offer the right subscription for individual needs. Subscribers who combine Vivo and Natel infinity (plus) also benefit from a bundle discount. Swisscom also provides its customers with applications such as the communications app iO or the cloud app myCloud. iO users can telephone over the Internet for free, chat and share photos with other iO users. The newly integrated video chat enables live video communication during chatting. In myCloud Swisscom offers its customers a Swiss solution for the secure management and sharing of their personal data, such as photos, videos and documents. Swisscom has also added a further customer service offering in the form of My Service, a personal technical support service, available as a subscription or on a one-off basis. My Service can be accessed at home, in a Swisscom shop or via the Internet.

### Small and Medium-Sized Enterprises

Swisscom's My SME Office and Natel business infinity packages offer products tailored to the needs of small and medium-sized enterprises. Business Connect and Full Service Solution are innovative communication solutions that can be customised to meet the individual needs of SME customers.

### Enterprise Customers

Digitalisation is substantially changing business processes, the customer experience and the working world in companies. As a telecommunications and IT company, Swisscom has extensive experience in digitisation and innovative solutions. It is driving the digitisation of Switzerland and supporting companies in their digital transformation. In this context, it has one of the largest ICT portfolios, comprising cloud, outsourcing and workplace solutions, UCC solutions, mobile phone solutions such as Natel go, networking solutions, offices networking, business process optimisation, SAP solutions, security and authentication solutions (mobile ID) and a full range of services tailored to the financial industry. Swisscom also offers new solutions for the Internet of Things such as machine-to-machine networks, new interaction options thanks to the Service Interactor and solutions for digitised business processes.

### Healthcare market

Swisscom now delivers a full range of solutions for linking service providers and for managing the health of private individuals. These offerings range from the Evita online health dossier to networking solutions for service providers, billing services and mobile health files for hospitals, making Swisscom a leading provider of networked healthcare solutions in the Swiss market.

### Networked home

SmartLife is a range of products designed to make the home safer and more secure. The SmartLife app allows movement detectors, HD cameras, fire and water alarms and other home security technology to be controlled via smartphones, computers and tablets. Likewise, tiko, the smart electricity storage network from Swisscom Energy Solutions, allows users to manage and control the energy consumption of their heat pumps, electrical heating systems or boilers remotely via the Internet.

### Sustainability

Sustainable ICT technologies support companies in their efforts to save energy and cut costs in intelligent ways while also offering their staff an attractive working environment. These technologies include teleworking and virtual meetings, which save on travel costs and time, and telehousing and hosting solutions, which reduce the amount of energy consumed by data centres. The Internet of Things creates further opportunities to manage vehicles, buildings and machines more intelligently and efficiently than in the past.

### Fastweb in Italy

Fastweb offers its residential and business customers voice and broadband services provided through its own broadband and ultra-fast broadband network as well as via unbundled access lines and wholesale products of Telecom Italia. It has forged a successful partnership with pay-TV provider Sky Italia, allowing it to offer bundled products which combine voice and broadband services as well as TV services. Under an agreement with a mobile operator, Fastweb offers its mobile services primarily to residential customers. However, it also offers a comprehensive range of ICT, cloud and security services for business customers.

Fastweb has confirmed its leading position as an innovative service provider. It has launched a comprehensive WiFi solution onto the market, thanks to which each customer's home router can potentially form a WiFi access point available to the entire Fastweb community. This solution, which is unique in Italy, is based on Fastweb's fibre-optic network and a simple but secure registration process. Fastweb thus offers its customers the possibility of using the mobile Internet through this solution without any additional expense.

## Customer satisfaction

Swisscom Switzerland conducts segment-specific surveys and studies in order to measure general customer satisfaction. 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 metrics are the extent to which customers are willing to recommend Swisscom to others and the related Net Promoter Score (NPS), which depicts the emotional aspects of customer loyalty as well as revealing customers' attitudes towards Swisscom. The NPA 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). Swisscom also conducts the following segment-specific surveys and studies:

- > The **Residential Customers segment** conducts representative surveys 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. Product studies also regularly survey buyers and users to determine 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 **Enterprise Customers segment** conducts surveys among customers to measure satisfaction along the customer experience chain. Feedback instruments are also used at key customer contact 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 their projects on completion.
- > The **Wholesale segment** measures customer satisfaction along the entire customer experience chain.

The results of these studies and surveys help Swisscom to improve its services and products and they influence the variable performance-related component of employees' pay.



# Employees

Overall headcount at Swisscom increased by 512 FTEs year-on-year. In Switzerland Swisscom has 18,965 employees and is training 903 apprentices.

## Headcount

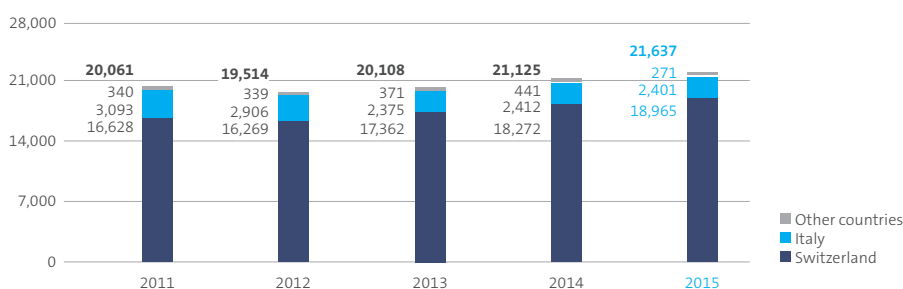
At the end of 2015, Swisscom had 21,637 full-time equivalent employees, of whom 18,965 or 87.7% of the total workforce were employed in Switzerland (prior year: 86.5%). Swisscom is also training 903 apprentices in Switzerland. The following chart shows a breakdown of full-time equivalent positions by segment:

	31.12.2015	31.12.2014	Change
<b>Full-time equivalent employees at end of year</b>			
Residential Customers	4,870	4,898	-0.6%
Small and Medium-Sized Enterprises	1,601	1,530	4.6%
Enterprise Customers	5,378	4,834	11.3%
Wholesale	105	111	-5.4%
IT, Network & Innovation	5,245	5,072	3.4%
<b>Swisscom Switzerland</b>	<b>17,199</b>	<b>16,445</b>	<b>4.6%</b>
Fastweb	2,401	2,391	0.4%
Other Operating Segments	1,723	1,962	-12.2%
Group Headquarters	314	327	-4.0%
<b>Total Group</b>	<b>21,637</b>	<b>21,125</b>	<b>2.4%</b>
Thereof employees in Switzerland	18,965	18,272	3.8%

Headcount increased year-on-year by 512 FTEs or 2.4% to 21,637 FTEs. In January 2015, Swisscom acquired Veltigroup; in May 2015, it sold its subsidiary Alphapay; and in June 2015, it disposed of Swisscom Hospitality Services. In July 2015, Tamedia integrated search.ch AG in Swisscom subsidiary Swisscom Directories. Excluding these acquisitions and sales, the headcount rose by 277 FTEs or 1.3% due to additions made to after-sales service as well as network expansion. In Switzerland, the number of employees increased by 693 FTEs or 3.8% to 18,965; this increase amounted to 258 FTEs or 1.4% on an adjusted basis.

In the year under review, employees in Switzerland on open-ended contracts accounted for 99.7% of the workforce (prior year: 99.6%). Part-time employees made up 14.5% (prior year: 14.2%). As in the previous year, terminations of employment by employees in Switzerland amounted to 5.8% of the workforce.

Development of headcount in full-time equivalent



## Employment law in Switzerland

### Introduction

Swisscom has 18,965 full-time equivalent employees in Switzerland. It is therefore one of the country's largest employers. The legal terms and conditions of employment in Switzerland are based on the Swiss Code of Obligations. The collective employment agreement (CEA) was revised as a result of the merger of Swisscom IT Services Ltd and Swisscom (Switzerland) Ltd and the new job architecture, and it entered into force on 1 April 2015. It 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. The CEA of cablex Ltd, revised to reflect the new job architecture, also entered into force on 1 April 2015. At the end of December 2015, 14,812 FTEs or 83.2% of the Swisscom 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 govern the employment law provisions applicable to 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 constitute 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)

The working week for employees covered by the Swisscom CEA is 40 hours. Among the progressive benefits defined by the CEA are five weeks' annual leave, or 27 days from age 45 and six weeks' annual leave from age 60, 17 weeks' maternity leave and ten days' paternity leave. 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. The CEA places special emphasis on staff development while also improving the rights of part-time employees. In November 2015, Swisscom negotiated the necessary CEA with the social partners on the basis of the revised Ordinance 1 to the Swiss Labour Law. This agreement provides for a waiver of time registration and will be implemented as of 1 January 2016, the date on which the amended ordinance takes effect.

### Working-hour models

Swisscom encourages its full-time and part-time employees to adopt an appropriate life domain balance by means of the following measures: Flexible working hours are the standard model used by a majority of employees. Other flexible working-hour models include annual working hours, a long-term working-time account and reduced hours for employees who have reached the age of 58. The "holiday purchasing" model allows employees to purchase additional leave. 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 is a sponsor of the Work Smart initiative.

Combining work with the care of relatives at home presents a major challenge to those affected. Swisscom provides special support for employees who care for a relative or closely related individual in addition to their work duties. Two new flexible working-hour models named “Work & Care” have been added to the existing models to promote work-life balance, particularly where an employee is caring for a relative.

## Social plan

Swisscom’s social plan sets out the benefits provided to employees covered by the CEA who are affected by redundancy. It utilises funds to improve employees’ prospects in the labour market. 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 69% of those affected finding a new job in 2015 prior to the end of the social plan programme. Worklink is also committed to promoting and enhancing the employability of Swisscom employees by reviewing employees’ current status and providing career advice and coaching.

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.

## 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. The performance-related salary 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. Details on remuneration paid to members of the Group Executive Board are provided in the Remuneration Report.

See report  
page 122

### 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 current CEA provides for a minimum salary of CHF 52,000, or CHF 50,000 in the case of the cablex CEA. Swisscom’s operations are spread throughout Switzerland, and when it comes to determining salaries there is very little difference between regions. A study of starting salaries for the youngest employees (up to age 21) found that the average basic annual salary in the function levels used for most job starters in this category was CHF 55,800 or CHF 55,500 at cablex, in other words, 7% and 11% respectively above the minimum salary defined by the relevant CEA.

### Pay round

In January 2014 Swisscom and its social partners signed a two-year pay round agreement for 2014 and 2015. In the year under review Swisscom increased its total salary payout in Switzerland by 1.8%. This increase was used to make adjustments to salaries based on individual performance and a comparison between the salary and the market level.

### 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 job levels according to their requirements. A salary band is assigned to each job depending on the market salary. The salary band 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%.

## New job architecture

Swisscom introduced a new job architecture with effect from 1 April 2015. This consists of a simplified structure with nine job levels (six for employees in the CEA, three for executive functions) which replaces the previous system of 18 functional and management levels. The conditions of employment were harmonised and the salary bands updated on the basis of the new job architecture. All the functions were re-evaluated on the basis of a recognised job evaluation process and employees classified in one of the nine job levels depending on their role. All employees received new contracts of employment based on the amended classification. With one exception, these changes did not necessitate any redundancies. As a result of the new job architecture Swisscom now has transparent and up-to-date structures. This will ensure continued fair remuneration in line with market levels in future and also offers employees more opportunities to manage their professional development.

## Staff development

Swisscom's market environment is constantly changing. The company invests in targeted professional training for its employees and managers in order to maintain and improve their employability and the company's competitiveness in the long term. Employees are supported in their development by a wide range of both on-the-job and off-the-job development options as well as internal programmes and courses. The various training options have been brought together under the Group-wide Learning Centre, where they can be accessed by all employees via their own dedicated learning space. Nearly half of all internal learning and training courses take the form of e-learning programmes which can be carried out at any time and at any location. The courses cover technical, 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. On-the-job training options, including job moves and stages, are becoming increasingly important. Even now Swisscom fills almost 43% of advertised vacancies internally. It also welcomes opportunities for employees to attend external further training courses, providing financial support and granting time off for such studies. In the year under review, every Swisscom employee spent 3.8 days on training and development in Switzerland.

Swisscom management sees staff development as a crucial element of its management responsibility. Regular dialogue between employees and management is used as an orientation tool to heighten the general commitment to learning and development in a networked world. It also makes it easier to agree on and implement medium-term development measures. To assess and promote employee performance and development, Swisscom will continue to develop its Performance Management System in line with requirements. Performance appraisals are carried out according to fair principles and cover a wide range of criteria based on binding agreements on objectives. The ongoing dialogue between employee and management about the agreed objectives ensures they are met over the course of a year. Semi-annual calibration meetings attended by groups of managers support the performance and development reviews on a broad basis, allowing performance to be assessed systematically and further development steps defined. These rounds are also used to draw up succession plans for key functions as well as to place talents in specially-designed talent programmes and to offer promising employees challenging positions beyond their individual departments so as to promote their development.

The Leadership Academy offers managers in personnel and technical leadership roles the opportunity to get to grips with the key skills of management in a changing environment. Individual offerings and platforms which deepen management capabilities in a particular group or a specific context also help to build the skills of Swisscom's managers in a systematic and sustained way.

## Staff recruitment

As a Swiss company, Swisscom is committed to the Swiss employment 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.

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

In order to attract talented and highly motivated graduates, Swisscom cultivates close contact with universities and schools of applied sciences. Attending 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 August 2015, 254 young people started their apprenticeship at Swisscom. Swisscom is thus Switzerland's largest trainer of ICT professionals. In 2015, Swisscom trained a total of 903 apprentices in technical and commercial apprenticeships. The Swisscom training model is designed to promote independence and personal accountability so as to support the apprentice's personal development. Apprentices take an active role in devising their training so that it fits their individual priorities, and they apply within the company for different practical placements and learn from experienced employees during such placements.

## Employee satisfaction

Swisscom conducts a large-scale survey of its staff every two years. The last survey was held in 2014, with 83% of the employees in Switzerland taking part. The results once again revealed an above-average level of job satisfaction and a high level of employee commitment at Swisscom. The employees rated all of the areas under review significantly higher on average than in the previous 2012 survey, and some of the scores were above average compared to other companies in the sector. The next employee survey is scheduled for 2016.

## 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.

### 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 CCNL 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 the work-life balance of its staff. 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 goals 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.

# Innovation and development

In a dynamic environment in which the market situation and general conditions are constantly changing, a company must be innovative to ensure long-term success. This is why Swisscom consistently focuses on meeting changing customer needs, and identifies growth areas in which it can sustainably defend and strengthen its position.

## Environment, objectives and management approach

Innovation is an important driver in the bid to enter new markets and develop up-and-coming technologies. Due to the rapidly changing nature of Swisscom's business environment, research and development are becoming increasingly important. Swisscom wants to anticipate the strategic challenges, new growth areas and future customer needs early on, so as to help actively shape the future of telecommunications and the Internet. At Swisscom, innovation takes place in all areas of the company as well as beyond.

## Open innovation: a success factor

Swisscom recognises the importance of dialogue with customers, employees, suppliers and other partners, as it enables a continuous, open process of innovation with the focus on customers and their needs. When developing new products and services, Swisscom consistently adopts human-centred design methods, i.e. the user-oriented design of simple, inspiring experiences that help customers find their way in the networked world.

Within the company, Swisscom practices and promotes decentralised product development. As a result, new ideas are generated throughout the company. Various events and platforms provide employees with the opportunity to exchange innovative ideas and familiarise themselves with best practice examples. One example of this is the Innovation Week held twice a year, during which teams of employees from different divisions implement a new idea that addresses a specific customer need, is of business relevance and has potential on the market.

Outside the company, Swisscom promotes innovation throughout the industry. In particular, Swisscom is committed to supporting young companies that offer progressive new solutions in the fields of IT, communications and entertainment. Swisscom participates in start-ups as a project partner and investor and supports them by providing tailored products and services. Since 2013, Swisscom has held the StartUp Challenge competition, where winners are sent on a one-week mentoring programme in Silicon Valley.

 See  
[www.swisscom.ch/  
innovation](http://www.swisscom.ch/innovation)

## Innovation platforms

Swisscom plays an active role in shaping Switzerland's future. Its commitment to fostering an innovative and competitive Switzerland is reflected in the backing it gives to a whole variety of projects. Swisscom supports Switzerland's role as a research centre in the form of investments and partnerships with universities and institutions. For example, it funds the chair of Professor Adrian Perrig, head of the network security group at the Federal Institute of Technology in Zurich, thereby making an important contribution to information security in Switzerland. As a partner of Ecole Polytechnique Fédérale de Lausanne (EPFL), Swisscom enables research work to be performed in the areas of human activity and the smart home ("intelligent living"). The partnership involves the provision of financial support for selected projects, the establishment of the "Digital Lab", a competence centre for digitisation at the EPFL Innovation Park, and various other activities on the campus such as events dealing with digitisation. Swisscom is also a partner of the Swiss Innovation Park and is closely involved in guiding this long-term project as a member of the Board of Trustees. Through its participation in the regional innovAARE Park, Swisscom is supporting research in the field of energy. Finally, Swisscom is a founding member of the Digital Zurich 2025 initiative, which aims to make the greater Zurich area into a hub for start-ups.

## Current innovation projects

Swisscom invests in progressive solutions in a wide variety of technology segments. The aim is to provide the best infrastructure for a digital Switzerland, tap new growth markets and offer its customers the best services and products:

- **Identity Access Management:** In a world full of virtual products and services, a digital identity can be a useful tool. It makes life simpler by replacing a large number of passwords with a single, simple user ID. Swisscom is currently drawing up the foundations for such a digital identity and for concrete applications.
- **Voice over LTE (VoLTE)/WLAN interworking:** The 4G/LTE network is currently a dedicated data network, with customers being transferred to the 3G network for calls. With VoLTE, Swisscom is aiming to enable the use of voice telephony via 4G, with a technical adjustment to the mobile infrastructure also allowing voice telephony via WLAN. Customers will be able to enjoy faster connection times and improved voice quality.
- **Microcells:** Over the past few years, the standard of quality that customers expect the network to deliver has risen dramatically. The growing volume of data in mobile communications in particular is a major challenge. Swisscom is seeking and developing innovative network solutions that allow high volumes of data to be handled efficiently and guarantee seamless mobile network provision at busy locations. One promising solution is the installation of low-power microcells that provide high capacity locally. Swisscom is working on the development of new types of antennae that will allow such microcells to be operated efficiently and integrated seamlessly in the existing architecture.
- **Cloud:** Swisscom is developing a cloud that has a uniform architecture and offers companies and private individuals a wide range of services. Thanks to state-of-the-art technologies, open source, the latest security concepts and data storage on servers in Switzerland, Swisscom is leading the way in cloud computing.
- **Application Cloud – turbocharge for apps:** Agile and fast to market with new apps: this is the benefit of the new Swisscom Application Cloud in a nutshell. Developers automatically have access to the infrastructure and the services they need in the public cloud. In the Application Cloud, Swisscom offers a powerful tool for continuous innovation. The results of the close cooperation with start-ups and Cloud Foundry flow directly into the development of the Application Cloud. This means that Swisscom is always at the forefront technologically and is able to further drive the transformation of Swiss business towards the digital future.
- **Low-power network to connect everyday objects:** To enable devices to communicate more efficiently with each other in future, Swisscom is testing a network for the Internet of Things. This Low Power Network is the first of its kind in Switzerland. It connects objects that exchange only small amounts of data with each other and require only a minimal supply of power. Objects such as bicycles, letter boxes, bins or even shoes can communicate in this way over the network. The pilot project for this complementary new network started in the Zurich and Geneva regions in the summer.



- > **Smart City:** In Pully, canton of Vaud, anonymised and aggregated mobile phone data will in future help to improve traffic flows in the city and relieve pressure on the city centre. The project is intended to act as a pilot: Swisscom is helping towns and cities to plan their infrastructure in a more systematic manner and find easier ways to manage it.
- > **A new TV box for a new era of picture quality – ultra-high definition:** In May 2015 Swisscom TV 2.0 received the respected TV Connect Award, which is awarded every year for outstanding innovations in digital television and networked entertainment. Swisscom is planning other innovations in its TV services in 2016. In spring 2015, it launched a new TV box which enables Swisscom TV 2.0 customers to enjoy ultra-HD content on their TV sets. The new TV box supports High Dynamic Range (HDR), offering stunning image display. It will be complemented by a new remote control system which will allow customers to use voice control to search for content.
- > **My Digital Life:** My Digital Life brings together Swisscom's efforts to combine the digital data of its customers – for example data from their mobile applications – and to use this to create new customer experiences. One of the components of My Digital Life is myCloud, the recently launched cloud solution for photos, videos and other files for residential customers.
- > **Clean Pipe:** Under the working title "Clean Pipe", Swisscom is trialling new ways of making digital life simpler for customers and protecting them against dangers and bad experiences, such as phishing. In the year under review, Swisscom launched the first product, Safe Connect, an app based on VPN technology that blocks access to websites considered to be dangerous, and to malware.
- > **Interactor digitises customer experiences:** One of the main components of the Swisscom Interactor are small radio transmitters known as beacons which create a personalised shopping experience based on targeted offers such as digital vouchers or opportunities to collect customer loyalty points. They are already in use in the Loeb department store in Berne, for example. After making a purchase the purchaser can rate their buying experience via the app. This enables vendors to get to know their customers' preferences better and continuously improve their customer service. The beacons represent the start of this development: In future, the Swisscom Interactor will use further technologies such as augmented reality, GPS, 4G and WiFi and will bridge the gap between offline and online channels.
- > **Siroop:** With the acquisition of a stake in Siroop, a start-up company established by Coop, and the launch of the Siroop online marketplace, Swisscom is driving digitisation, offering customers and Swiss retailers a secure and attractive platform and leveraging the trend in favour of online retailing, which is increasingly growing in importance for Swisscom as well. Coop and Swisscom are contributing their expertise in digitisation, e-commerce, marketing and retailing to the start-up company.

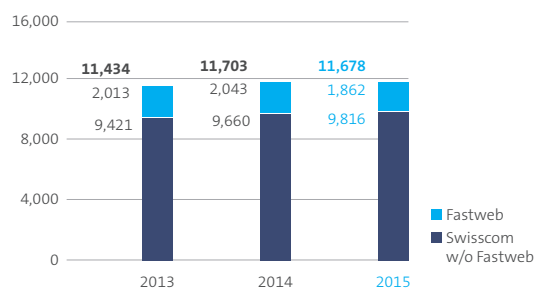
# Financial review

A decline occurred in revenue (−0.2%), EBITDA (−7.1%) and net income (−20.2%). However, on a like-for-like basis, revenue and EBITDA increased by 0.7% and 2.3% respectively. The customer base grew by 1.4% in Switzerland and 6.2% in Italy. An unchanged ordinary dividend of CHF 22 per share will be proposed for the 2015 financial year.

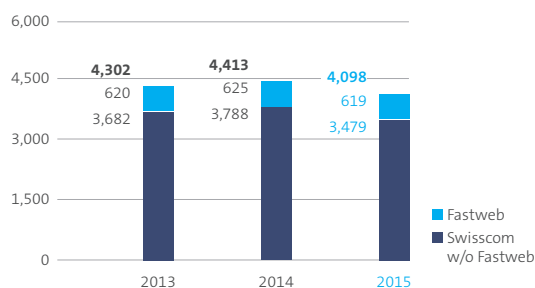
## Key financial figures

In CHF million, except where indicated	2015	2014	Change
Net revenue	11,678	11,703	−0.2%
Operating income before depreciation and amortisation (EBITDA)	4,098	4,413	−7.1%
EBITDA as % of net revenue	35.1	37.7	
Operating income (EBIT)	2,012	2,322	−13.4%
Net income	1,362	1,706	−20.2%
Share of net income attributable to equity holders of Swisscom Ltd	1,361	1,694	−19.7%
Earnings per share (in CHF)	26.27	32.70	−19.7%
Operating free cash flow	1,844	1,860	−0.9%
Capital expenditure in property, plant and equipment and other intangible assets	2,409	2,436	−1.1%
Net debt at end of period	8,042	8,120	−1.0%
Full-time equivalent employees at end of year	21,637	21,125	2.4%

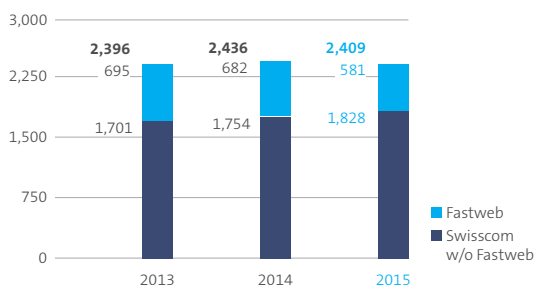
Development of net revenue in CHF million



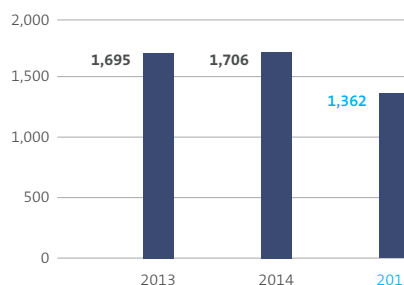
Development of EBITDA in CHF million



Development of capital expenditure in CHF million



Development of net income in CHF million



## Summary

Swisscom's net revenue declined by CHF 25 million or 0.2% year-on-year to CHF 11,678 million. At constant exchange rates and excluding company acquisitions and disposals, Swisscom's net revenue rose by CHF 83 million or 0.7%, largely due to the increased number of customers in the Swiss business (+1.4%) and at Italian subsidiary Fastweb (+6.2%). Adjusted revenue in the Swiss core business increased by CHF 57 million or 0.6%, while at Fastweb it rose by EUR 48 million or 2.8% in local currency terms.

Compared with the prior year, Swisscom increased its operating income before depreciation and amortisation (EBITDA), but its recognised EBITDA fell by CHF 315 million or 7.1% to CHF 4,098 million as a result of one-off items. The main reason for this decline was the provision of CHF 186 million recognised for the Competition Commission proceedings on broadband services. Swisscom does not consider the penalty justified and has lodged an appeal with the Federal Supreme Court. Adjusted for this provision and other non-recurring items such as company acquisitions and disposals, provisions for headcount reduction, gains from the sale of real estate, non-cash pension expenses in accordance with IAS 19 and compensation from legal proceedings and on the basis of constant exchange rates, EBITDA increased by CHF 103 million or 2.3%. On a like-for-like basis, EBITDA in the Swiss business increased by CHF 21 million or 0.6%, while at Fastweb it rose by EUR 46 million or 8.9%. Net income declined by CHF 344 million or 20.2% to CHF 1,362 million, largely due to the above-mentioned non-recurring items in EBITDA. Earnings per share declined accordingly from CHF 32.70 to CHF 26.27. Payment of an unchanged dividend of CHF 22 per share for the 2015 financial year will be proposed to the Annual General Meeting.

Capital expenditure fell by CHF 27 million or 1.1% to CHF 2,409 million; however, if exchange rates had remained constant, an increase of CHF 47 million or 1.9% would have resulted. Capital expenditure in Switzerland increased by CHF 71 million or 4.1% year-on-year to CHF 1,822 million, largely due to broadband network expansion. As at the end of 2015, Swisscom had connected around 2.9 million households and businesses to its ultra-fast broadband service (speeds in excess of 50 Mbps). Of this number, around 2.0 million lines were equipped with the latest fibre-optic technology. Despite ending the year EUR 21 million or 3.7% lower at EUR 541 million, capital expenditure at Fastweb remained high due to progressive expansion and upgrading of the broadband network in Italy.

Operating free cash flow declined by CHF 16 million or 0.9% to CHF 1,844 million. Compared to the end of 2014, net debt fell by CHF 78 million or 1.0% to CHF 8,042 million.

Headcount increased year-on-year by 512 FTEs or 2.4% to 21,637 FTEs as a result of company acquisitions, new offerings such as cloud services and healthcare solutions. In addition, Swisscom insourced external staff in order to secure key knowledge in-house. In Switzerland headcount increased by 693 FTEs or 3.8% to 18,965. Excluding company acquisitions and disposals, the number of FTEs rose by 277 or 1.3%, in Switzerland by 258 FTEs or 1.4%.

For 2016, Swisscom expects net revenue in excess of CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of more than CHF 2.3 billion. For Swisscom (excluding Fastweb), a slight decline in revenue is expected due to heightened competition and price pressure. A slight increase in revenue is expected for Fastweb. Adjusted for the provisions recognised in 2015 for the legal proceedings on broadband services and for headcount reduction, EBITDA is expected to be around CHF 200 million lower for Swisscom (excluding Fastweb) year-on-year. In addition to the price-based decline in revenue, the costs for roaming are expected to increase in particular. EBITDA will be positively affected by approximately CHF 50 million in cost savings and growth at Fastweb. A slight reduction in capital expenditure in Switzerland of over CHF 1.7 billion will result in a reduction in overall capital expenditure of over CHF 2.3 billion. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2016 financial year at the 2017 Annual General Meeting.

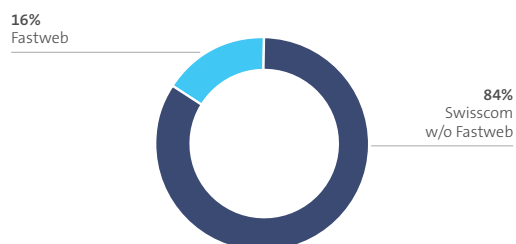
## Results of operations

### Income statement

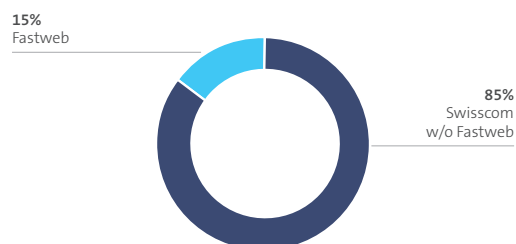
In CHF million, except where indicated	2015	2014	Change
Swisscom Switzerland	9,475	9,253	2.4%
Fastweb	1,862	2,043	-8.9%
Other operating segments	340	406	-16.3%
Group Headquarters	1	1	0.0%
<b>Revenue from external customers</b>	<b>11,678</b>	<b>11,703</b>	<b>-0.2%</b>
Swisscom Switzerland	3,601	3,835	-6.1%
Fastweb	619	625	-1.0%
Other operating segments	69	103	-33.0%
Group Headquarters	(117)	(123)	-4.9%
Reconciliation pension cost <sup>1</sup>	(60)	-	-100.0%
Intersegment elimination	(14)	(27)	-48.1%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>4,098</b>	<b>4,413</b>	<b>-7.1%</b>
<b>Net revenue</b>	<b>11,678</b>	<b>11,703</b>	<b>-0.2%</b>
Goods and services purchased	(2,342)	(2,369)	-1.1%
Personnel expense	(3,019)	(2,751)	9.7%
Other operating expense	(2,697)	(2,540)	6.2%
Capitalised costs of self-constructed assets and other income	478	370	29.2%
<b>Operating expenses</b>	<b>(7,580)</b>	<b>(7,290)</b>	<b>4.0%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>4,098</b>	<b>4,413</b>	<b>-7.1%</b>
Depreciation, amortisation and impairment losses	(2,086)	(2,091)	-0.2%
<b>Operating income (EBIT)</b>	<b>2,012</b>	<b>2,322</b>	<b>-13.4%</b>
Net interest expense	(189)	(218)	-13.3%
Other financial result	(83)	(42)	97.6%
Share of results of associates	23	26	-11.5%
<b>Income before income taxes</b>	<b>1,763</b>	<b>2,088</b>	<b>-15.6%</b>
Income tax expense	(401)	(382)	5.0%
<b>Net income</b>	<b>1,362</b>	<b>1,706</b>	<b>-20.2%</b>
Share of net income attributable to equity holders of Swisscom Ltd	1,361	1,694	-19.7%
Share of net income attributable to non-controlling interests	1	12	-91.7%
Average number of shares outstanding (in millions of shares)	51.802	51.801	0.0%
Earnings per share (in CHF)	26.27	32.70	-19.7%

<sup>1</sup> Operating income of segments includes ordinary employer contributions as pension fund expense. The difference to the pension cost according to IAS 19 is recognised as a reconciliation item.

Share in net revenue in %



Share in EBITDA in %



## Operating results

### Net revenue

Revenue performance in 2015 was heavily affected by the weaker EUR exchange rate as well as company acquisitions and disposals. The average CHF/EUR exchange rate, at 1.075, was 11.4% lower than in the previous year. At constant exchange rates and excluding company acquisitions and disposals, Swisscom's net revenue increased by CHF 83 million or 0.7%. At Swisscom Switzerland, revenue increased by CHF 57 million, or 0.6% on a like-for-like basis. The higher number of customers was partially offset by the lower roaming prices. The number of revenue generating units (RGU) grew at Swisscom Switzerland by 170,000 or 1.4% to 12.5 million. Revenue of the Italian subsidiary Fastweb was EUR 48 million or 2.8% higher at EUR 1,736 million. All customer segments contributed to this increase. Compared with the end of 2014, the number of Fastweb broadband customers rose by 129,000 or 6.2% to 2.2 million. Revenue of Other Operating Segments was lower by CHF 38 million on an adjusted basis, due to a decline in construction services performed by cablex.

### Operating expense

Operating expense of Swisscom rose by CHF 290 million or 4.0% year-on-year to CHF 7,580 million. This includes non-recurring items resulting from provisions recognised for the Competition Commission proceedings on broadband services (CHF 186 million) and headcount reduction (CHF 70 million), gains from the sale of real estate (CHF 26 million; prior year: CHF 66 million), non-cash pension expenses in accordance with IAS 19 (CHF 60 million) and compensation from legal proceedings (CHF 17 million). At the beginning of October 2015, the Federal Administrative Court confirmed in principle the ruling issued by the Competition Commission for the alleged improper pricing of broadband services in the period up until the end of 2007; however, it reduced the penalty to CHF 186 million. Swisscom therefore recognised a provision for this amount in the income statement. Swisscom does not consider the penalty justified and has lodged an appeal with the Federal Supreme Court. At constant exchange rates and excluding non-recurring items, operating expense decreased by CHF 20 million or 0.2%, largely due to lower costs for subscriber acquisition and retention at Swisscom Switzerland, which declined by CHF 31 million as compared to the prior year. The higher personnel expense on a like-for-like basis was compensated for by an increase in capitalised costs of self-constructed assets. The rise in personnel expense was due to higher headcount and a general increase in salary.

### Operating income before depreciation and amortisation (EBITDA)

The reported operating income before depreciation and amortisation (EBITDA) was CHF 315 million or 7.1% lower at CHF 4,098 million as a result of non-recurring items. EBITDA on a like-for-like basis rose by CHF 103 million or 2.3%, of which Swisscom Switzerland accounted for CHF 54 million and Fastweb CHF 56 million. The rise in EBITDA for Swisscom Switzerland and Fastweb was largely due to the higher revenue from growth in the customer base. On an adjusted basis, Swisscom's profit margin increased 0.8 percentage points to 37.9%.

#### Revenue excluding non-recurring items increased by 0.7% year-on-year.

Revenue in 2015 amounted to

**11.7** billion Swiss francs

#### EBITDA excluding non-recurring items increased by 2.7% year-on-year.

EBITDA in 2015 amounted to

**4.1** billion Swiss francs

### Depreciation and amortisation, non-operating results

#### Depreciation, amortisation and impairment losses

Depreciation and impairment losses decreased by CHF 5 million or 0.2% in 2015 to CHF 2,086 million. Higher depreciation related to the increase in capital expenditure was more than offset by the weaker EUR exchange rate. Intangible assets resulting from business combinations were capitalised for purchase price allocation purposes. Depreciation and amortisation includes amortisation of intangible assets deriving from business combinations (e.g. brands and customer relationships) totalling CHF 125 million (prior year: CHF 123 million).

#### Net interest expense and other financial result

Net interest expense declined by CHF 29 million to CHF 189 million as a result of lower average interest costs. Other financial expense rose year-on-year by CHF 41 million to CHF 83 million. This increase is largely attributable to the foreign exchange result, which was down by CHF 41 million from the prior year.

#### Associates

The share of results of associates fell by CHF 3 million to CHF 23 million in 2015. Dividends received, amounting to CHF 22 million (prior year: CHF 30 million), largely concern dividends paid by LTV Yellow Pages and Belgacom International Carrier Services.

#### Income tax expense

Income tax expense was CHF 401 million (prior year: CHF 382 million), corresponding to an effective income tax rate of 22.7% (prior year: 18.3%). The increase is mainly attributable to the fact that no income tax effects were recognised on the provision created in 2015 for the Competition Commission proceedings regarding broadband services. Without this exceptional item, the effective income tax rate would have been 20.5%. Excluding non-recurring items, Swisscom expects the income tax rate to remain around 21% in the long term.

#### Net income

Net income fell by CHF 344 million or 20.2% to CHF 1,362 million. Earnings per share fell accordingly from CHF 32.70 to CHF 26.27. The drop in profit was mainly attributable to the decrease in operating income before depreciation and amortisation (EBITDA), which was CHF 315 million lower as a result of non-recurring items and weaker exchange rates. In addition, the lower net interest expense was more than offset by the rise in other financial expense and higher income tax expense.

#### EBIT dropped 13.4% year-on-year.

EBIT in 2015 amounted to

**2.01** billion Swiss francs

#### Net income fell 20.2% year-on-year.

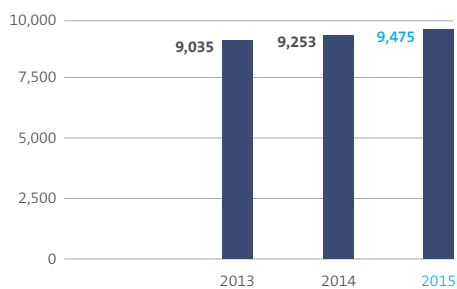
Net income in 2015 amounted to

**1.36** billion Swiss francs

## Segment revenue and results

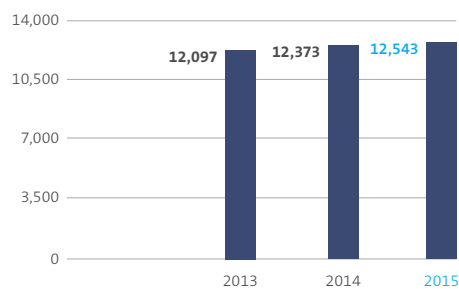
Reporting is divided into three operating divisions: Swisscom Switzerland, Fastweb and Other Operating Segments, and Group Headquarters. Swisscom Switzerland is the Swiss market leader in the field of telecommunications. Fastweb is one of the largest broadband telecoms companies in Italy. Other Operating Segments mainly comprises Participations, Health and Connected Living. Group Headquarters largely comprises the Group divisions. Swisscom Switzerland consists of the customer segments Residential Customers, Small & Medium-Sized Enterprises, Enterprise Customers and Wholesale as well as IT, Network & Innovation.

### Development of revenue from external customers Swisscom Switzerland in CHF million



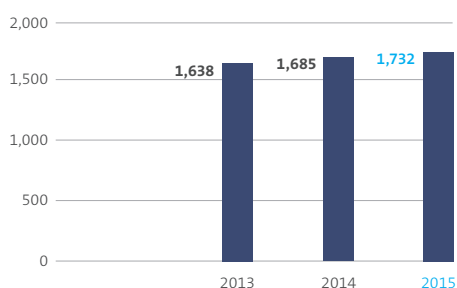
Revenue mobile single subscriptions	2,782	2,776	2,729
Revenue fixed-line single subscriptions	2,215	1,967	1,731
Revenue bundled subscriptions	1,553	1,921	2,234
Revenue others	2,485	2,589	2,781
<b>Total</b>	<b>9,035</b>	<b>9,253</b>	<b>9,475</b>

### Development of revenue generating units (RGU) Swisscom Switzerland in thousand



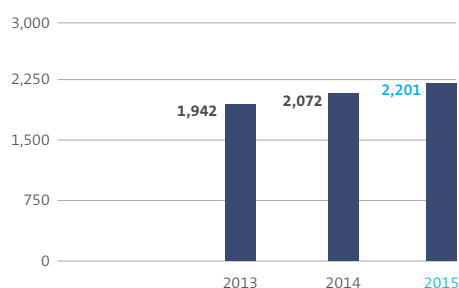
Fixed access lines	2,879	2,778	2,629
Broadband access lines retail	1,811	1,890	1,958
Swisscom TV access lines	1,000	1,165	1,331
Mobile access lines	6,407	6,540	6,625
<b>Total revenue generating units (RGU)</b>	<b>12,097</b>	<b>12,373</b>	<b>12,543</b>

### Development of revenue from external customers Fastweb in EUR million



Residential Customers	744	753	789
Small and Medium-Sized Enterprises	771	789	800
Wholesale hubbing	45	28	26
Wholesale others	78	115	117
<b>External revenue</b>	<b>1,638</b>	<b>1,685</b>	<b>1,732</b>

### Development of broadband access lines Fastweb in thousand



## Swisscom Switzerland

In CHF million, except where indicated

	2015	2014	Change
<b>Net revenue and results</b>			
Residential Customers	5,224	5,162	1.2%
Small and Medium-Sized Enterprises	1,370	1,331	2.9%
Enterprise Customers	2,654	2,569	3.3%
Wholesale	956	929	2.9%
IT, Network & Innovation	130	126	3.2%
Elimination	(789)	(788)	0.1%
<b>Net revenue</b>	<b>9,545</b>	<b>9,329</b>	<b>2.3%</b>
Residential Customers	2,933	2,845	3.1%
Small and Medium-Sized Enterprises	907	915	-0.9%
Enterprise Customers	910	942	-3.4%
Wholesale	198	381	-48.0%
IT, Network & Innovation	(1,347)	(1,247)	8.0%
Elimination	-	(1)	100.0%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>3,601</b>	<b>3,835</b>	<b>-6.1%</b>
Margin as % of net revenue	37.7	41.1	
Depreciation, amortisation and impairment losses	(1,383)	(1,286)	7.5%
<b>Segment result</b>	<b>2,218</b>	<b>2,549</b>	<b>-13.0%</b>
<b>Capital expenditure and headcount</b>			
Capital expenditure in property, plant and equipment and other intangible assets	1,799	1,744	3.2%
Full-time equivalent employees at end of year	17,199	16,445	4.6%

Net revenue for Swisscom Switzerland rose by CHF 216 million or 2.3% year-on-year to CHF 9,545 million. Adjusted for company acquisitions, net revenue rose by 0.6% or CHF 57 million, mainly due to customer growth. Operating income before depreciation and amortisation (EBITDA) fell by CHF 234 million or 6.1% to CHF 3,601 million. Adjusted for non-recurring items, EBITDA increased by CHF 54 million or 1.4%. At CHF 1,799 million, capital expenditure was CHF 55 million or 3.2% higher, due to the expansion and upgrading of the broadband network with the latest technologies. As at the end of 2015, Swisscom had connected around 2.9 million households and businesses to its ultra-fast broadband service (speeds in excess of 50 Mbps). Of this number, around 2.0 million lines were equipped with the latest fibre-optic technology. Headcount rose year-on-year by 754 FTEs or 4.6% to 17,199 FTEs. Adjusted for company acquisitions, headcount increased by 241 FTEs or 1.5%, mainly as a result of new offerings such as cloud services and healthcare solutions. In addition, Swisscom insourced external staff in order to secure key knowledge in-house.

**Natel infinity subscriber numbers**  
at the end of 2015 stood at

**2.3** million

**Revenue from bundled contracts**  
increased year-on-year by

**16.3** %



## Swisscom Switzerland/net revenue

In CHF million, except where indicated	2015	2014	Change
<b>Revenue by services</b>			
Revenue mobile single subscriptions	2,729	2,776	-1.7%
Revenue fixed-line single subscriptions	1,731	1,967	-12.0%
Revenue bundles	2,234	1,921	16.3%
Other net revenue	2,781	2,589	7.4%
<b>Revenue from external customers</b>	<b>9,475</b>	<b>9,253</b>	<b>2.4%</b>
Intersegment revenue	70	76	-7.9%
<b>Net revenue</b>	<b>9,545</b>	<b>9,329</b>	<b>2.3%</b>
<b>Operational data at end of period in thousand</b>			
Fixed access lines	2,629	2,778	-5.4%
Broadband access lines retail	1,958	1,890	3.6%
Swisscom TV access lines	1,331	1,165	14.2%
Mobile access lines	6,625	6,540	1.3%
Revenue generating units (RGU)	12,543	12,373	1.4%
Bundles	1,416	1,209	17.1%
Unbundled fixed access lines	128	180	-28.9%
Broadband access lines wholesale	315	262	20.2%

At CHF 9,475 million, revenue from external customers of Swisscom Switzerland was CHF 222 million or 2.4% higher year-on-year, largely due to customer growth and company acquisitions. The number of revenue generating units (RGU) grew by 170,000 or 1.4% to 12.5 million. On a like-for-like basis, revenue from external customers increased by CHF 63 million, or 0.7%. In the Enterprise Customers area, revenue from external customers was CHF 105 million or 4.5% higher at CHF 2,449 million. Adjusted for company acquisitions, revenue dropped by 0.7% due to lower revenue from project business coupled with intense pressure on prices. Swisscom gained well-known business customers for the implementation of cloud and digitisation strategies. Incoming orders in the Enterprise Customers unit rose by 11.5% on a like-for-like basis.

The number of mobile lines grew year-on-year by 85,000 or 1.3% to 6.6 million. Customers with the Natel infinity plus package can also enjoy carefree use of their phones within the EU, with unlimited calls and SMS as well as 1 GB of mobile data for 30 days per year included in all infinity plus offerings. By the end of 2015, Natel infinity plus had already attracted 909,000 customers. At the end of 2015, the number of Natel infinity customers totalled 2.3 million, which represents 69% of the customer base (excluding corporate customers). The number of postpaid lines, including bundled offerings, rose by 124,000, while the number of prepaid access lines declined by 39,000. The number of smartphone users increased further, with the proportion of postpaid subscribers holding smartphones rising from 73% to 76% during 2015.

Despite the tough competition with cable network operators, the number of Swisscom TV connections increased by 166,000 or 14.2% to 1.33 million, with fixed-fee subscriptions accounting for 1.13 million. Over 60% of Swisscom TV customers use the cloud-based Swisscom TV 2.0 service. Broadband lines with end customers grew by 68,000 or 3.6% to 1.96 million in 2015. The growth of TV and broadband connections more than offset the lower number of fixed network phone connections, which declined by 149,000 or 5.4% to 2.6 million, due primarily to customers migrating to cable network providers or switching from fixed to other forms of connectivity such as mobile. The number of unbundled subscriber lines fell year-on-year by 52,000 or 28.9% to 128,000, while the number of wholesale broadband access lines rose by 53,000 or 20.2% year-on-year to 315,000.

Demand for bundled offerings with flat-rate tariffs remains strong. By the end of 2015, the number of customers using a bundled package had increased year-on-year by 207,000 or 17.1% to 1.42 million. Revenue from bundled contracts increased year-on-year by CHF 313 million or 16.3% to CHF 2,234 million.

## Swisscom Switzerland/operating expenses and segment result

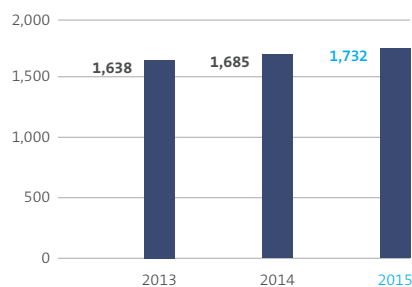
In CHF million, except where indicated	2015	2014	Change
<b>Segment expenses by nature of cost</b>			
Traffic fees	(440)	(424)	3.8%
Subscriber acquisition and retention costs	(459)	(520)	-11.7%
Other direct costs	(1,114)	(1,069)	4.2%
<b>Direct costs</b>	<b>(2,013)</b>	<b>(2,013)</b>	<b>0.0%</b>
Personnel expense	(2,502)	(2,267)	10.4%
Other indirect costs	(1,744)	(1,497)	16.5%
Capitalised costs of self-constructed assets and other income	315	283	11.3%
<b>Indirect costs</b>	<b>(3,931)</b>	<b>(3,481)</b>	<b>12.9%</b>
<b>Segment expenses</b>	<b>(5,944)</b>	<b>(5,494)</b>	<b>8.2%</b>
<b>Segment result</b>			
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>3,601</b>	<b>3,835</b>	<b>-6.1%</b>
Margin as % of net revenue	37.7	41.1	
Depreciation, amortisation and impairment losses	(1,383)	(1,286)	7.5%
<b>Segment result</b>	<b>2,218</b>	<b>2,549</b>	<b>-13.0%</b>
<b>Capital expenditure and headcount</b>			
Capital expenditure in property, plant and equipment and other intangible assets	1,799	1,744	3.2%
Full-time equivalent employees at end of year	17,199	16,445	4.6%

Segment expense rose by CHF 450 million or 8.2% to CHF 5,944 million, while direct costs remained steady compared with the previous year at CHF 2,013 million. The higher costs for outbound roaming as well as additional costs relating to company acquisitions were offset by lower expenses for subscriber acquisition and retention. Indirect costs ended the year CHF 450 million or 12.9% higher at CHF 3,931 million. Adjusted for company acquisitions, gains from the sale of real estate and the provisions recognised for the Competition Commission proceedings on broadband services and for headcount reduction, indirect costs increased by 0.8%. The higher personnel expense as a result of the increase in headcount was partly offset by savings on other operating costs. Personnel expense rose by CHF 235 million or 10.4% to CHF 2,502 million. In the year under review, headcount grew by 754 FTEs or 4.6% to 17,199 as a result of company acquisitions, measures to build up resources for new services such as cloud services and All-IP projects, and the insourcing of external staff. Adjusted headcount was 1.5% higher year-on-year. The segment result before depreciation and amortisation (EBITDA) was CHF 234 million or 6.1% lower at CHF 3,601 million; on a like-for-like basis EBITDA was 1.4% higher. The profit margin was down 3.4 percentage points to 37.7%. Depreciation and amortisation increased by CHF 97 million or 7.5% from the previous year to CHF 1,383 million, primarily due to high investment activity. The segment result declined by CHF 331 million or 13.0% to CHF 2,218 million. Capital expenditure was CHF 55 million or 3.2% higher year-on-year at CHF 1,799 million, due to increased investment in the expansion and upgrading of the broadband network with the latest technologies.

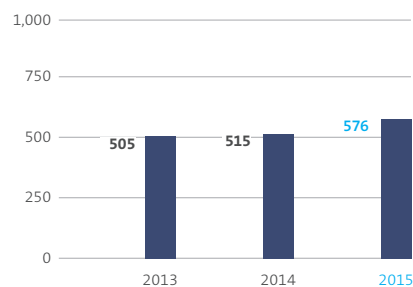
## Fastweb

In EUR million, except where indicated	2015	2014	Change
Residential Customers	789	753	4.8%
Corporate Business	800	789	1.4%
Wholesale	143	143	0.0%
<b>Revenue from external customers</b>	<b>1,732</b>	<b>1,685</b>	<b>2.8%</b>
Intersegment revenue	4	3	33.3%
<b>Net revenue</b>	<b>1,736</b>	<b>1,688</b>	<b>2.8%</b>
Segment expenses	(1,160)	(1,173)	-1.1%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>576</b>	<b>515</b>	<b>11.8%</b>
Margin as % of net revenue	33.2	30.5	
Capital expenditure in property, plant and equipment and other intangible assets	541	562	-3.7%
Full-time equivalent employees at end of year	2,401	2,391	0.4%
Broadband access lines at end of year in thousand	2,201	2,072	6.2%

**Development of revenue from external customers** in EUR million



**Development of EBITDA** in EUR million



Compared to the previous year, Fastweb's net revenue rose by EUR 48 million or 2.8% to EUR 1,736 million. Despite difficult market conditions, Fastweb's broadband customer base grew by 129,000 or 6.2% to 2.2 million in 2015. Fierce competition reduced average revenue per residential broadband customer by around 3% versus the prior year. This decline was offset by customer growth, with revenue from residential customers rising by EUR 36 million or 4.8% to EUR 789 million. Revenue from corporate business was up by EUR 11 million or 1.4% at EUR 800 million in 2015, while wholesale business revenue remained on a par with the prior year at EUR 143 million.

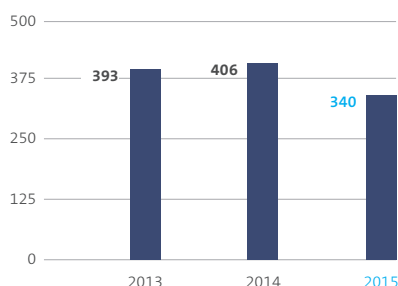
The segment result before depreciation and amortisation (EBITDA) totalled EUR 576 million, corresponding to a year-on-year rise of EUR 61 million or 11.8%. In the fourth quarter of 2015, Fastweb received compensation of EUR 15 million from legal proceedings. Adjusted for this exceptional item, EBITDA increased by EUR 46 million or 8.9%, mainly as a result of higher revenue. The profit margin rose by 2.7 percentage points to 33.2%, adjusted by 1.8 percentage points to 32.3%. Fastweb achieved a positive free cash flow of EUR 77 million in 2015.

Fastweb's headcount was practically unchanged from 2014 at 2,401 FTEs. Capital expenditure dropped by EUR 21 million or 3.7% to EUR 541 million due to lower spending on the network infrastructure. The ratio of capital expenditure to net revenue was 31.2% (prior year: 33.3%).

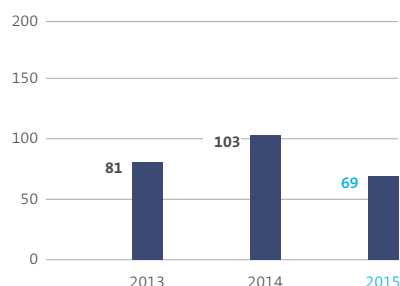
## Other Operating Segments

In CHF million, except where indicated	2015	2014	Change
Revenue from external customers	340	406	-16.3%
Intersegment revenue	263	259	1.5%
<b>Net revenue</b>	<b>603</b>	<b>665</b>	<b>-9.3%</b>
Segment expenses	(534)	(562)	-5.0%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>69</b>	<b>103</b>	<b>-33.0%</b>
Margin as % of net revenue	11.4	15.5	
Capital expenditure in property, plant and equipment and other intangible assets	48	38	26.3%
Full-time equivalent employees at end of year	1,723	1,962	-12.2%

**Development of revenue from external customers** in CHF million



**Development of EBITDA** in CHF million



The net revenue generated by Other Operating Segments fell by CHF 62 million or 9.3% compared with the prior year to CHF 603 million, primarily as a result of company disposals and lower revenue from construction services performed by cablex. Additional revenue from company acquisitions was unable to offset this decline.

Due to company disposals, segment expense declined by CHF 28 million or 5.0% in 2015 to CHF 534 million. The segment result before depreciation and amortisation (EBITDA) fell by CHF 34 million or 33.0% to CHF 69 million, due principally to lower revenue. The profit margin fell accordingly from 15.5% to 11.4%. At 1,723 FTEs, headcount at the end of 2015 was 239 FTEs or 12.2% lower than the previous year, due primarily to company disposals.

### Group Headquarters and reconciliation of pension cost

Operating income before depreciation and amortisation improved by CHF 6 million or 4.9% compared with the previous year to CHF -117 million. Headcount declined by 4.0% to 314 FTEs.

In 2015 an expense of CHF 60 million was recognised as a pension cost reconciliation item under IAS 19. No such expense was recognised in the prior year.

## Quarterly review 2014 and 2015

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2014	1. quarter	2. quarter	3. quarter	4. quarter	2015
<b>Income statement</b>										
<b>Net revenue</b>	<b>2,821</b>	<b>2,879</b>	<b>2,929</b>	<b>3,074</b>	<b>11,703</b>	<b>2,893</b>	<b>2,865</b>	<b>2,893</b>	<b>3,027</b>	<b>11,678</b>
Goods and services purchased	(552)	(558)	(583)	(676)	(2,369)	(568)	(553)	(533)	(688)	(2,342)
Personnel expense	(692)	(684)	(655)	(720)	(2,751)	(756)	(757)	(703)	(803)	(3,019)
Other operating expenses	(597)	(599)	(620)	(724)	(2,540)	(609)	(577)	(785)	(726)	(2,697)
Capitalised costs and other income	81	83	119	87	370	91	104	94	189	478
<b>Operating income (EBITDA)</b>	<b>1,061</b>	<b>1,121</b>	<b>1,190</b>	<b>1,041</b>	<b>4,413</b>	<b>1,051</b>	<b>1,082</b>	<b>966</b>	<b>999</b>	<b>4,098</b>
Depreciation and amortisation	(510)	(512)	(511)	(558)	(2,091)	(507)	(521)	(517)	(541)	(2,086)
<b>Operating income (EBIT)</b>	<b>551</b>	<b>609</b>	<b>679</b>	<b>483</b>	<b>2,322</b>	<b>544</b>	<b>561</b>	<b>449</b>	<b>458</b>	<b>2,012</b>
Net interest expense	(61)	(53)	(51)	(53)	(218)	(47)	(49)	(51)	(42)	(189)
Other financial result	(23)	(11)	25	(33)	(42)	(57)	16	(6)	(36)	(83)
Result of associates	3	10	8	5	26	5	8	5	5	23
<b>Income before income taxes</b>	<b>470</b>	<b>555</b>	<b>661</b>	<b>402</b>	<b>2,088</b>	<b>445</b>	<b>536</b>	<b>397</b>	<b>385</b>	<b>1,763</b>
Income tax expense	(97)	(122)	(118)	(45)	(382)	(94)	(103)	(123)	(81)	(401)
<b>Net income</b>	<b>373</b>	<b>433</b>	<b>543</b>	<b>357</b>	<b>1,706</b>	<b>351</b>	<b>433</b>	<b>274</b>	<b>304</b>	<b>1,362</b>
Share attributable to equity holders of Swisscom Ltd	369	430	540	355	1,694	351	433	274	303	1,361
Share attributable to non-controlling interests	4	3	3	2	12	–	–	–	1	1
Earnings per share (in CHF)	7.12	8.30	10.43	6.85	32.70	6.78	8.35	5.29	5.85	26.27
<b>Net revenue</b>										
Swisscom Switzerland	2,264	2,297	2,332	2,436	9,329	2,355	2,342	2,375	2,473	9,545
Fastweb	483	499	513	552	2,047	468	453	457	489	1,867
Other Operating Segments	144	168	172	181	665	144	156	149	154	603
Group Headquarters	–	1	–	1	2	–	1	–	1	2
Intersegment elimination	(70)	(86)	(88)	(96)	(340)	(74)	(87)	(88)	(90)	(339)
<b>Total net revenue</b>	<b>2,821</b>	<b>2,879</b>	<b>2,929</b>	<b>3,074</b>	<b>11,703</b>	<b>2,893</b>	<b>2,865</b>	<b>2,893</b>	<b>3,027</b>	<b>11,678</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Swisscom Switzerland	940	968	1,036	891	3,835	955	969	833	844	3,601
Fastweb	132	155	163	175	625	130	148	156	185	619
Other Operating Segments	22	33	31	17	103	16	19	24	10	69
Group Headquarters	(25)	(31)	(28)	(39)	(123)	(29)	(29)	(22)	(37)	(117)
Reconciliation pension cost	(2)	2	(4)	4	–	(17)	(19)	(18)	(6)	(60)
Intersegment elimination	(6)	(6)	(8)	(7)	(27)	(4)	(6)	(7)	3	(14)
<b>Total segment result (EBITDA)</b>	<b>1,061</b>	<b>1,121</b>	<b>1,190</b>	<b>1,041</b>	<b>4,413</b>	<b>1,051</b>	<b>1,082</b>	<b>966</b>	<b>999</b>	<b>4,098</b>
<b>Capital expenditure in property, plant and equipment and other intangible assets</b>										
Swisscom Switzerland	346	423	470	505	1,744	388	453	459	499	1,799
Fastweb	173	173	148	188	682	160	138	133	150	581
Other Operating Segments	5	9	1	23	38	6	6	8	28	48
Intersegment elimination	(5)	(7)	(9)	(7)	(28)	(5)	(4)	(5)	(5)	(19)
<b>Total capital expenditure</b>	<b>519</b>	<b>598</b>	<b>610</b>	<b>709</b>	<b>2,436</b>	<b>549</b>	<b>593</b>	<b>595</b>	<b>672</b>	<b>2,409</b>
<b>Full-time equivalent employees at end of year</b>										
Swisscom Switzerland	15,662	15,761	16,375	16,445	16,445	16,964	17,062	17,176	17,199	17,199
Fastweb	2,362	2,373	2,378	2,391	2,391	2,373	2,377	2,381	2,401	2,401
Other Operating Segments	1,731	1,768	1,994	1,962	1,962	1,940	1,722	1,725	1,723	1,723
Group Headquarters	326	326	328	327	327	322	325	321	314	314
<b>Total headcount</b>	<b>20,081</b>	<b>20,228</b>	<b>21,075</b>	<b>21,125</b>	<b>21,125</b>	<b>21,599</b>	<b>21,486</b>	<b>21,603</b>	<b>21,637</b>	<b>21,637</b>
Operating free cash flow	334	496	640	390	1,860	344	401	684	415	1,844
Net debt	7,676	8,502	8,398	8,120	8,120	7,895	8,760	8,320	8,042	8,042

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2014	1. quarter	2. quarter	3. quarter	4. quarter	2015
<b>Swisscom Switzerland</b>										
<b>Net revenue and results</b>										
Residential Customers	435	448	465	447	1,795	438	449	460	433	1,780
Small and Medium-Sized Enterprises	103	107	104	105	419	101	102	102	98	403
Enterprise Customers	135	141	142	144	562	132	140	140	134	546
<b>Revenue mobile single subscriptions</b>	<b>673</b>	<b>696</b>	<b>711</b>	<b>696</b>	<b>2,776</b>	<b>671</b>	<b>691</b>	<b>702</b>	<b>665</b>	<b>2,729</b>
Residential Customers	257	245	233	226	961	207	191	185	178	761
Small and Medium-Sized Enterprises	115	111	109	107	442	106	103	103	101	413
Enterprise Customers	143	141	139	141	564	139	141	140	137	557
<b>Revenue fixed-line single subscriptions</b>	<b>515</b>	<b>497</b>	<b>481</b>	<b>474</b>	<b>1,967</b>	<b>452</b>	<b>435</b>	<b>428</b>	<b>416</b>	<b>1,731</b>
Residential Customers	381	408	430	449	1,668	461	476	496	513	1,946
Small and Medium-Sized Enterprises	58	62	66	67	253	69	71	73	75	288
<b>Revenue bundles</b>	<b>439</b>	<b>470</b>	<b>496</b>	<b>516</b>	<b>1,921</b>	<b>530</b>	<b>547</b>	<b>569</b>	<b>588</b>	<b>2,234</b>
<b>Total revenue single subscriptions and bundles</b>	<b>1,627</b>	<b>1,663</b>	<b>1,688</b>	<b>1,686</b>	<b>6,664</b>	<b>1,653</b>	<b>1,673</b>	<b>1,699</b>	<b>1,669</b>	<b>6,694</b>
Solution business	249	261	245	263	1,018	261	260	253	294	1,068
Hardware sales	138	121	132	198	589	148	128	124	202	602
Wholesale	145	139	144	142	570	148	140	145	146	579
Revenue other	87	93	105	127	412	126	124	137	145	532
<b>Total revenue from external customers</b>	<b>2,246</b>	<b>2,277</b>	<b>2,314</b>	<b>2,416</b>	<b>9,253</b>	<b>2,336</b>	<b>2,325</b>	<b>2,358</b>	<b>2,456</b>	<b>9,475</b>
Residential Customers	1,202	1,225	1,256	1,323	5,006	1,252	1,247	1,267	1,309	5,075
Small and Medium-Sized Enterprises	314	319	327	341	1,301	320	332	344	343	1,339
Enterprise Customers	578	586	580	600	2,344	607	598	594	650	2,449
Wholesale	145	139	144	142	570	148	140	145	146	579
IT, Network & Innovation	7	8	7	10	32	9	8	8	8	33
<b>Revenue from external customers</b>	<b>2,246</b>	<b>2,277</b>	<b>2,314</b>	<b>2,416</b>	<b>9,253</b>	<b>2,336</b>	<b>2,325</b>	<b>2,358</b>	<b>2,456</b>	<b>9,475</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Residential Customers	710	716	731	688	2,845	730	742	756	705	2,933
Small and Medium-Sized Enterprises	226	233	233	223	915	217	232	239	219	907
Enterprise Customers	223	233	243	243	942	219	226	237	228	910
Wholesale	95	92	98	96	381	101	92	(86)	91	198
IT, Network & Innovation	(314)	(306)	(270)	(357)	(1,247)	(312)	(323)	(312)	(400)	(1,347)
Intersegment elimination	–	–	1	(2)	(1)	–	–	(1)	1	–
<b>Segment result (EBITDA)</b>	<b>940</b>	<b>968</b>	<b>1,036</b>	<b>891</b>	<b>3,835</b>	<b>955</b>	<b>969</b>	<b>833</b>	<b>844</b>	<b>3,601</b>
Margin as % of net revenue	41.5	42.1	44.4	36.6	41.1	40.6	41.4	35.1	34.1	37.7
<b>Fastweb, in EUR million</b>										
Residential Customers	188	188	187	190	753	193	196	196	204	789
Corporate Business	177	188	202	222	789	191	200	193	216	800
Wholesale hubbing	7	7	7	7	28	7	7	6	6	26
Wholesale other	23	26	28	38	115	37	29	28	23	117
<b>Revenue from external customers</b>	<b>395</b>	<b>409</b>	<b>424</b>	<b>457</b>	<b>1,685</b>	<b>428</b>	<b>432</b>	<b>423</b>	<b>449</b>	<b>1,732</b>
Segment result (EBITDA)	108	128	134	145	515	120	140	145	171	576
Margin as % of net revenue	27.3	31.3	31.6	31.7	30.5	28.0	32.4	34.2	38.0	33.2
Capital expenditure	142	142	122	156	562	147	132	124	138	541
Broadband access lines in thousand	1,984	1,994	2,016	2,072	2,072	2,124	2,157	2,172	2,201	2,201

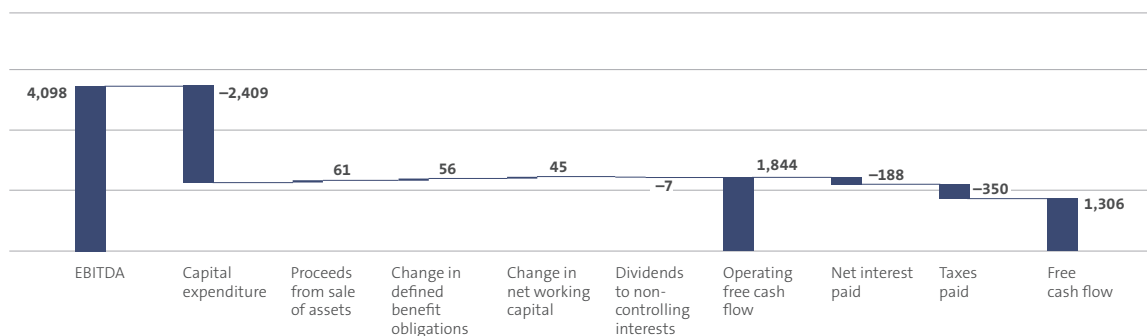
In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2014	1. quarter	2. quarter	3. quarter	4. quarter	2015
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
<b>Access lines</b>										
Single subscriptions	2,007	1,948	1,902	1,840	1,840	1,763	1,695	1,632	1,573	1,573
Bundles	849	882	909	938	938	972	1,002	1,027	1,056	1,056
<b>Fixed access lines</b>	<b>2,856</b>	<b>2,830</b>	<b>2,811</b>	<b>2,778</b>	<b>2,778</b>	<b>2,735</b>	<b>2,697</b>	<b>2,659</b>	<b>2,629</b>	<b>2,629</b>
Single subscriptions	773	745	718	681	681	650	615	581	542	542
Bundles	1,060	1,110	1,154	1,209	1,209	1,258	1,307	1,356	1,416	1,416
<b>Broadband access lines retail</b>	<b>1,833</b>	<b>1,855</b>	<b>1,872</b>	<b>1,890</b>	<b>1,890</b>	<b>1,908</b>	<b>1,922</b>	<b>1,937</b>	<b>1,958</b>	<b>1,958</b>
Single subscriptions	271	259	246	218	218	200	182	165	148	148
Bundles	781	832	879	947	947	1,001	1,056	1,110	1,183	1,183
<b>Swisscom TV access lines</b>	<b>1,052</b>	<b>1,091</b>	<b>1,125</b>	<b>1,165</b>	<b>1,165</b>	<b>1,201</b>	<b>1,238</b>	<b>1,275</b>	<b>1,331</b>	<b>1,331</b>
Prepaid single subscriptions	2,173	2,165	2,165	2,163	2,163	2,149	2,131	2,125	2,124	2,124
Postpaid single subscriptions	3,812	3,828	3,850	3,872	3,872	3,888	3,910	3,920	3,905	3,905
<b>Mobile access lines single subscriptions</b>	<b>5,985</b>	<b>5,993</b>	<b>6,015</b>	<b>6,035</b>	<b>6,035</b>	<b>6,037</b>	<b>6,041</b>	<b>6,045</b>	<b>6,029</b>	<b>6,029</b>
Bundles	444	467	484	505	505	531	551	573	596	596
<b>Mobile access lines</b>	<b>6,429</b>	<b>6,460</b>	<b>6,499</b>	<b>6,540</b>	<b>6,540</b>	<b>6,568</b>	<b>6,592</b>	<b>6,618</b>	<b>6,625</b>	<b>6,625</b>
<b>Revenue generating units (RGU)</b>	<b>12,170</b>	<b>12,236</b>	<b>12,307</b>	<b>12,373</b>	<b>12,373</b>	<b>12,412</b>	<b>12,449</b>	<b>12,489</b>	<b>12,543</b>	<b>12,543</b>
Broadband access lines wholesale	221	224	241	262	262	278	291	301	315	315
Unbundled fixed access lines	241	228	204	180	180	162	150	139	128	128
<b>Bundles</b>										
2play bundles	287	294	302	304	304	302	301	301	287	287
3play bundles	555	584	609	646	646	680	712	741	790	790
4play bundles	218	231	242	255	255	266	278	291	304	304
nplay bundles	–	1	1	4	4	10	16	23	35	35
<b>Total bundles</b>	<b>1,060</b>	<b>1,110</b>	<b>1,154</b>	<b>1,209</b>	<b>1,209</b>	<b>1,258</b>	<b>1,307</b>	<b>1,356</b>	<b>1,416</b>	<b>1,416</b>
<b>Swisscom Group</b>										
<b>Information by geographical regions</b>										
Net revenue in Switzerland	2,323	2,361	2,401	2,501	9,586	2,407	2,395	2,431	2,531	9,764
Net revenue in other countries	498	518	528	573	2,117	486	470	462	496	1,914
<b>Total net revenue</b>	<b>2,821</b>	<b>2,879</b>	<b>2,929</b>	<b>3,074</b>	<b>11,703</b>	<b>2,893</b>	<b>2,865</b>	<b>2,893</b>	<b>3,027</b>	<b>11,678</b>
EBITDA Switzerland	924	966	1,028	870	3,788	914	932	804	811	3,461
EBITDA in other countries	137	155	162	171	625	137	150	162	188	637
<b>Total EBITDA</b>	<b>1,061</b>	<b>1,121</b>	<b>1,190</b>	<b>1,041</b>	<b>4,413</b>	<b>1,051</b>	<b>1,082</b>	<b>966</b>	<b>999</b>	<b>4,098</b>
Capital expenditure in Switzerland	345	424	463	519	1,751	388	454	460	520	1,822
Capital expenditure in other countries	174	174	147	190	685	161	139	135	152	587
<b>Total capital expenditure</b>	<b>519</b>	<b>598</b>	<b>610</b>	<b>709</b>	<b>2,436</b>	<b>549</b>	<b>593</b>	<b>595</b>	<b>672</b>	<b>2,409</b>
Full-time equivalent employees in Switzerland	17,395	17,545	18,220	18,272	18,272	18,776	18,828	18,936	18,965	18,965
Full-time equivalent employees in other countries	2,686	2,683	2,855	2,853	2,853	2,823	2,658	2,667	2,672	2,672
<b>Total headcount</b>	<b>20,081</b>	<b>20,228</b>	<b>21,075</b>	<b>21,125</b>	<b>21,125</b>	<b>21,599</b>	<b>21,486</b>	<b>21,603</b>	<b>21,637</b>	<b>21,637</b>

## Cash flows

In CHF million	2015	2014	Change
Operating income before depreciation and amortisation (EBITDA)	4,098	4,413	(315)
Capital expenditure in property, plant and equipment and other intangible assets	(2,409)	(2,436)	27
Change in net working capital and other cash flows from operating activities	155	(117)	272
<b>Operating free cash flow</b>	<b>1,844</b>	<b>1,860</b>	<b>(16)</b>
Net interest paid	(188)	(235)	47
Income taxes paid	(350)	(386)	36
<b>Free cash flow</b>	<b>1,306</b>	<b>1,239</b>	<b>67</b>
Net cash flow from acquisition of PubliGroupe <sup>1</sup>	101	(385)	486
Net expenditures for others companies purchase and sales	(66)	(20)	(46)
Other cash flows from investing activities, net	(36)	167	(203)
Issuance and repayment of financial liabilities, net	(132)	(265)	133
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows	(5)	(19)	14
<b>Net increase (Net decrease) in cash and cash equivalents</b>	<b>28</b>	<b>(423)</b>	<b>451</b>

<sup>1</sup> 2015: Proceeds from sale of real estate and participations of CHF 109 million less remaining non-controlling interests of CHF 8 million.  
2014: Acquisition cost of CHF 474 million less remaining non-controlling interests of CHF 8 million, acquired cash and cash equivalents of CHF 16 million and proceeds of CHF 65 million from sale of securities and media participations.

### Free cash flow in CHF million



Free cash flow increased by CHF 67 million or 5.4% compared with the previous year to CHF 1,306 million. The lower net interest paid as well as lower income taxes paid more than offset the decline in operating free cash flow. The decrease in operating free cash flow by CHF 16 million or 0.9% to CHF 1,844 million stems primarily from lower gains on the sale of real estate. Operating income before depreciation and amortisation (EBITDA) and the change in net working capital include the recognition of a provision of CHF 186 million for the Competition Commission proceedings on broadband services and the recognition of provisions of CHF 70 million for headcount reduction. At CHF 2,409 million, capital expenditure was down slightly on the 2014 level. Capital expenditure at Fastweb fell, driven by the lower EUR exchange rate, while capital expenditure in Switzerland was higher, due to the expansion and upgrading of the broadband network.

In September 2014, Swisscom acquired PubliGroupe Ltd for CHF 474 million. The price paid was CHF 458 million less the acquired cash and cash equivalents. By the end of 2015, sales of PubliGroupe real estate and investments in the amount of CHF 174 million had been realised. In 2015, Swisscom issued two debenture bonds with a total nominal amount of CHF 400 million: CHF 250 million with a coupon of 0.25% and maturity date in 2023, and CHF 150 million with a coupon of 1.00%, maturing in 2035. In addition, in 2015 Swisscom took out a fixed-rate bank loan for EUR 200 million with a term of five years and issued a debenture bond on the Eurobond market for EUR 500 million with a coupon of 1.75% and maturity date in 2025. Swisscom paid an ordinary dividend of CHF 22 per share in 2015, which corresponds to an overall payout of CHF 1,140 million.



## Capital expenditure

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pages 49-51

Swisscom remains committed to maintaining the high quality and availability of its network infrastructures. In Switzerland this involves making targeted investments in ultra-fast broadband network expansion, migrating 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. Fastweb is also systematically expanding this network infrastructure.

In CHF million, except where indicated	2015	2014	Change
Fixed access & Infrastructure	509	464	9.7%
Expansion of the fibre-optic network	435	440	-1.1%
Mobile access	210	235	-10.6%
Customer driven	251	218	15.1%
Projects and others <sup>1</sup>	394	387	1.8%
<b>Swisscom Switzerland</b>	<b>1,799</b>	<b>1,744</b>	<b>3.2%</b>
Fastweb	581	682	-14.8%
Other operating segments	48	38	26.3%
Group Headquarters and elimination	(19)	(28)	-32.1%
<b>Total capital expenditure</b>	<b>2,409<sup>2</sup></b>	<b>2,436<sup>2</sup></b>	<b>-1.1%</b>
Thereof Switzerland	1,822	1,751	4.1%
Thereof foreign country	587	685	-14.3%
Total capital expenditure as % of net revenue	20.6	20.8	

<sup>1</sup> Including All IP migration.

<sup>2</sup> Excluding capital expenditure of CHF 18 million (2014: CHF 24 million) in real estate projects, for which sales contracts were concluded and the purchasers made payments in the same amount.

Capital expenditure incurred by Swisscom decreased year-on-year by CHF 27 million or 1.1% to CHF 2,409 million, corresponding to 20.6% of net revenue (prior year: 20.8%). Swisscom Switzerland accounted for 75% of 2015 capital expenditure, while Fastweb accounted for 24% and Other Operating Segments 1%.

Capital expenditure incurred by Swisscom Switzerland rose year-on-year by CHF 55 million or 3.2% to CHF 1,799 million, corresponding to 18.8% of net revenue (prior year: 18.7%). The increase was due to the expansion and upgrading of the broadband network with the latest technologies. At the end of 2015, Swisscom had connected around 2.9 million households and businesses to ultra-fast broadband (speeds in excess of 50 Mbps). Of these, some 2.0 million were equipped with state-of-the-art technologies – from fibre-to-the-home (FTTH) to the latest fibre-optic technologies such as fibre-to-the-street (FTTS), fibre-to-the-building (FTTB) and vectoring technology. Swisscom is leading the way internationally. By the end of 2015, Swisscom had extended 4G/LTE coverage to 98% of the Swiss population.

By contrast, Fastweb reduced its capital expenditure by CHF 101 million or 14.8% to CHF 581 million in 2015, largely as a result of the lower EUR exchange rate. This corresponds to a reduction of EUR 21 million or 3.7% to EUR 541 million in local currency terms, and was mainly due to lower investment in network infrastructure resulting in a ratio of capital expenditure to revenue of 31.2% (prior year: 33.3%). Around 34% of total capital expenditure was directly related to customer growth.

## Net asset position

### Balance sheet

In CHF million	31.12.2015	31.12.2014	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets	409	342	19.6%
Trade and other receivables	2,535	2,586	-2.0%
Property, plant and equipment	9,855	9,720	1.4%
Goodwill	5,161	4,983	3.6%
Other intangible assets	1,861	1,921	-3.1%
Associates and non-current financial assets	461	408	13.0%
Income tax assets	375	434	-13.6%
Other current and non-current assets	492	567	-13.2%
<b>Total assets</b>	<b>21,149</b>	<b>20,961</b>	<b>0.9%</b>
<b>Liabilities and equity</b>			
Financial liabilities	8,593	8,604	-0.1%
Trade and other payables	1,768	1,876	-5.8%
Defined benefit obligations	2,919	2,432	20.0%
Provisions	1,139	927	22.9%
Income tax liabilities	436	543	-19.7%
Other current and non-current liabilities	1,052	1,093	-3.8%
<b>Total liabilities</b>	<b>15,907</b>	<b>15,475</b>	<b>2.8%</b>
Share of equity attributable to equity holders of Swisscom Ltd	5,237	5,483	-4.5%
Share of equity attributable to non-controlling interests	5	3	66.7%
<b>Total equity</b>	<b>5,242</b>	<b>5,486</b>	<b>-4.4%</b>
<b>Total liabilities and equity</b>	<b>21,149</b>	<b>20,961</b>	<b>0.9%</b>
Equity ratio at end of year	24.8%	26.2%	

Total assets rose by CHF 0.2 billion or 0.9% to CHF 21.1 billion in 2015, primarily due to higher investment activity and company acquisitions.

In CHF million	31.12.2015	31.12.2014	Change
Property, plant and equipment	9,855	9,720	135
Goodwill	5,161	4,983	178
Other intangible assets	1,861	1,921	(60)
Other operating assets	3,027	3,153	(126)
Provisions	(1,139)	(927)	(212)
Other operating liabilities	(2,820)	(2,969)	149
<b>Net operating assets</b>	<b>15,945</b>	<b>15,881</b>	<b>64</b>
Cash and cash equivalents and financial assets	409	342	67
Financial liabilities	(8,593)	(8,604)	11
Defined benefit obligations	(2,919)	(2,432)	(487)
Income tax assets and liabilities, net	(61)	(109)	48
Investments in associates	223	182	41
Other assets, net	238	226	12
<b>Equity</b>	<b>5,242</b>	<b>5,486</b>	<b>(244)</b>

## Fastweb

As at 31 December 2015, the carrying amount of Fastweb in Swisscom's consolidated financial statements amounted to EUR 2.8 billion (CHF 3.0 billion; CHF/EUR year-end exchange rate of 1.084). This includes goodwill with a net carrying amount of EUR 0.5 billion. In 2013 and 2014 Swisscom raised financing totalling EUR 1.3 billion, which was designated as an instrument for hedging Fastweb's net assets. Fastweb's cumulative currency translation losses of CHF 1.7 billion (after tax) at the end of 2015 are recognised in equity in Swisscom's consolidated financial statements.

## Goodwill

The net carrying value of goodwill is CHF 5,161 million, the bulk of which relates to Swisscom Switzerland (CHF 4,582 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's goodwill is EUR 492 million (CHF 533 million). Goodwill in respect of Other Operating Segments amounts to CHF 46 million.

## Post-employment benefits

Defined benefit obligations presented in the consolidated financial statements are measured in accordance with International Financial Reporting Standards (IFRS). Net obligations recognised in the balance sheet amount to CHF 2,919 million, corresponding to an increase of CHF 487 million versus the previous year. This is largely due to a lower discount rate. In accordance with the Swiss accounting standards applicable to the pension fund (Swiss GAAP ARR), the surplus amounts to CHF 0.7 billion, corresponding to a coverage ratio of 108%. The main reasons for the difference compared with IFRS of CHF 3.6 billion are the application of differing actuarial assumptions with regard to the discount rate (CHF 2.9 billion) and life expectancy (CHF 0.3 billion), as well as a different actuarial measurement method (CHF 0.4 billion). Unlike Swiss GAAP, IFRS measurement takes into account future salary, contribution and pension increases and early retirements. By contrast, the equal distribution of risk prescribed by Swiss law (BVG) and the fund regulations in the event of a funding deficit is not taken into account.

## Equity

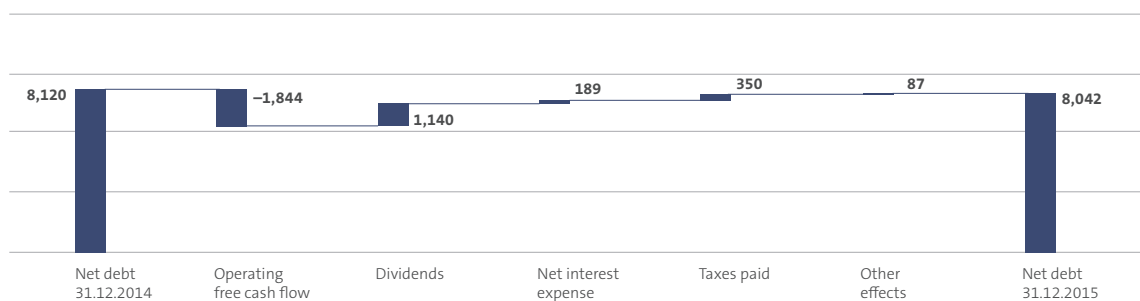
Equity declined by CHF 244 million or 4.4% to CHF 5,242 million, bringing the ratio of equity to total assets down from 26.2% to 24.8%. The dividend payments of CHF 1,140 million to the shareholders of Swisscom Ltd and net losses of CHF 457 million recognised directly in equity were not offset by the CHF 1,362 million in net income. Net losses recognised directly in equity include non-cash actuarial losses from pension plans totalling CHF 393 million as well as unrealised losses of CHF 194 million resulting from currency translation of foreign Group companies. The CHF/EUR exchange rate fell from 1.202 at the end of 2014 to 1.084 at the end of 2015. On 31 December 2015, cumulative currency translation losses recognised in equity amounted to CHF 1,733 million (after tax). Distributable reserves are calculated on the basis of equity reported in the separate financial statements of Swisscom Ltd in accordance with Swiss company-law financial-reporting standards, rather than on the basis of equity as disclosed in the consolidated balance sheet prepared in accordance with International Financial Reporting Standards (IFRS). On 31 December 2015, the equity of Swisscom Ltd amounted to CHF 4,714 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. On 31 December 2015, Swisscom Ltd had distributable reserves of CHF 4,652 million.

## Net debt

Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing financial assets. Swisscom's goal is to achieve a maximum net debt/EBITDA ratio of 2.1. This value may be exceeded temporarily. Financial leeway exists if the ratio is below this level.

In CHF million, except where indicated	31.12.2013	31.12.2014	31.12.2015
Net debt	7,812	8,120	8,042
Ratio total liabilities/total assets	70.7%	73.8%	75.2%
Ratio net debt/equity	1.3	1.5	1.5
Ratio net debt/EBITDA	1.8	1.8	2.0

### Development of net debt in CHF million



Other effects amounted to CHF 87 million and included purchases and sales of investments (notably the put option from the acquisition of search.ch) as well as positive currency effects on financial liabilities in EUR. The ratio of net debt to EBITDA was 2.0 at the end of 2015 (prior year: 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 interest-bearing financial liabilities amounts to 24%.

### 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 table below shows the maturity profile of interest-bearing financial liabilities at nominal value as at 31 December 2015:

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	737	65	412	—	98	1,312
Debenture bonds	—	600	1,967	2,334	510	5,411
Private placements	350	250	350	—	—	950
Finance lease liabilities	16	11	23	36	440	526
Other financial liabilities	2	7	—	6	—	15
<b>Total interest-bearing financial liabilities</b>	<b>1,105</b>	<b>933</b>	<b>2,752</b>	<b>2,376</b>	<b>1,048</b>	<b>8,214</b>

## 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, with activities abroad accounting for 6% of the Group's added value from operations in the year under review (prior year: 4%).

In CHF million	2015			2014		
	Switzerland	Abroad	Total	Switzerland	Abroad	Total
<b>Added value</b>						
<b>Net revenue</b>	<b>9,764</b>	<b>1,914</b>	<b>11,678</b>	<b>9,586</b>	<b>2,117</b>	<b>11,703</b>
Capitalised self-constructed assets and other income	339	139	478	290	80	370
Goods and services purchased	(1,829)	(513)	(2,342)	(1,789)	(580)	(2,369)
Other operating expenses <sup>1</sup>	(1,800)	(697)	(2,497)	(1,783)	(738)	(2,521)
Depreciation and amortisation <sup>2</sup>	(1,404)	(540)	(1,944)	(1,322)	(646)	(1,968)
<b>Intermediate inputs</b>	<b>(4,694)</b>	<b>(1,611)</b>	<b>(6,305)</b>	<b>(4,604)</b>	<b>(1,884)</b>	<b>(6,488)</b>
<b>Operating added value</b>	<b>5,070</b>	<b>303</b>	<b>5,373</b>	<b>4,982</b>	<b>233</b>	<b>5,215</b>
Other non-operating result <sup>3</sup>			(388)			(139)
<b>Total added value</b>			<b>4,985</b>			<b>5,076</b>
<b>Allocation of added value</b>						
Employees <sup>4</sup>	2,748	216	2,964	2,520	253	2,773
Public sector <sup>5</sup>	513	5	518	390	8	398
Shareholders (dividends)			1,147			1,156
External capital providers (net interest expense)			189			218
Company (retained earnings) <sup>6</sup>			167			531
<b>Total added value</b>			<b>4,985</b>			<b>5,076</b>

<sup>1</sup> Other operating expense: excluding taxes on capital and other taxes not based on income.

<sup>2</sup> Depreciation and amortisation: excluding amortisation of acquisition-related intangible assets such as brands or customer relations.

<sup>3</sup> 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.

<sup>4</sup> Employees: employer contributions are reported as pension cost, rather than as expenses according to IFRS.

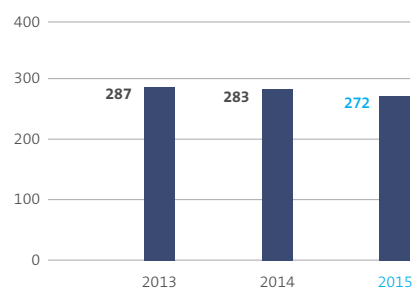
<sup>5</sup> Public sector: current income taxes, taxes on capital and other taxes not based on income, as well as ComCo sanctions.

<sup>6</sup> Company: including changes in deferred income taxes and defined benefit obligations.

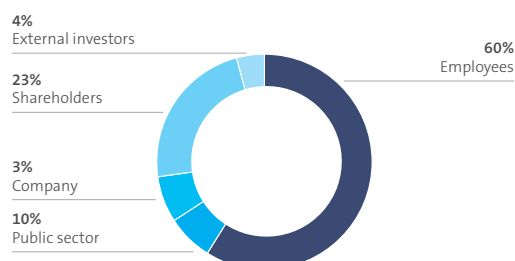
Operating added value amounted to CHF 5,373 million in 2015, corresponding to an increase of 3.0% compared to the prior year. As in the prior year, some 95% of operating added value was generated in Switzerland. Added value from international operations increased by CHF 70 million to CHF 303 million.

Although operating added value in Switzerland was virtually unchanged year-on-year at CHF 5,070 million, added value from operations per FTE was 3.9% lower at CHF 272,000 (prior year: CHF 283,000).

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



**Allocation of added value** in %



## Energy efficiency and CO<sub>2</sub> emissions

In % except where indicated	2015	2014	Change
Energy consumption (in GWh)	521	497	4.8%
Increase of the efficiency of energy to 1 January 2010	29.6	26.4	
Direct CO <sub>2</sub> -emissions (in tons)	20,115	21,380	-5.9%
Reduction of direct CO <sub>2</sub> -emissions to 1 January 2010	23.5	17.0	

Swisscom is striving to boost energy efficiency and rely more on renewable energies in order to minimise the environmental impact of its business activities. In Switzerland, Swisscom targeted a 25% rise in its energy efficiency as compared to 1 January 2010 by the end of 2015, and then a further increase of 35% between 1 January 2016 and 2020. The increase will be achieved primarily by measures in the network infrastructure area. Swisscom also targeted a 12% reduction in direct CO<sub>2</sub> emissions in Switzerland by the end of 2015. This reduction is to be achieved primarily through measures related to employee mobility and the infrastructure.

In 2015, total energy consumption in Switzerland rose by 22 GWh or 4.8% to 521 GWh. The rise in energy consumption due to the greater number of data centres was not fully offset by energy savings in other areas. However, energy efficiency increased versus 1 January 2010 to 29.6% (prior year: 26.4%). This improvement was largely achieved by efficiency enhancements in data centres and the Mistral energy saving project (the use of fresh air to cool telephone exchanges). In 2015, direct CO<sub>2</sub> emissions in Switzerland fell by 1,265 tonnes or 5.9% to 20,115, chiefly due to reduced consumption of heating oil. This resulted in a reduction of 23.5% in direct CO<sub>2</sub> emissions versus 1 January 2010.

### Outlook for net revenue

Expectation for 2016 of more than

**11.6** billion Swiss francs

### Outlook for EBITDA

Expectation for 2016 of around

**4.2** billion Swiss francs

## Financial outlook

	2015 reported CHF/EUR 1.075 in CHF mio.	Adjustment <sup>1</sup>	2015 pro-forma CHF/EUR 1.075 in CHF mio.	2016 Change Swisscom without Fastweb in CHF bn.	2016 Change Fastweb in CHF bn.	2016 outlook (CHF/EUR 1.10) in CHF bn.
Net revenue	11,678	–	11,678	< 0	> 0	> 11,6
Operating income before depreciation and amortisation (EBITDA)	4,098	256	4,354	(0.2)	> 0	~ 4.2
Capital expenditure	2,409	–	2,409	< 0	0	> 2.3

<sup>1</sup> Provisions for the ComCo process regarding the broadband services (CHF 186 million) and headcount reduction (CHF 70 million).

The following financial outlook for 2016 is predicated on a CHF/EUR exchange rate of 1.10. For 2016, Swisscom expects revenue in excess of CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of more than CHF 2.3 billion.

Excluding Fastweb, a slight decline in Swisscom revenue is expected. Growing competition and price pressure in both the residential and corporate customer segments for conventional communication services will provoke the expected decline in revenue. Growth in the number of subscribers to broadband connections, TV and mobile services will not be able to offset this decline due to growing market saturation. A slight increase in revenue is expected for Fastweb, based on growth in the customer base.

EBITDA in 2015 was around CHF 4.1 billion and was negatively affected by a number of non-recurring items, in particular provisions of CHF 186 million for legal proceedings on broadband services and CHF 70 million for headcount reduction. EBITDA in 2016 for Swisscom without Fastweb is expected to be CHF 200 million lower than EBITDA in 2015 adjusted for these two non-recurring items. In addition to the price-based decline in revenue, the costs for roaming are also expected to increase. Organisational changes, efficiency gains and lower headcount will result in cost savings of around CHF 50 million in 2016. Fastweb's EBITDA, on the other hand, is expected to be higher.

Swisscom expects capital expenditure for 2016 to exceed CHF 2.3 billion. In Switzerland capital expenditure will be slightly reduced at over CHF 1.7 billion. Capital expenditure at Fastweb will remain stable.

If the targets are met, Swisscom will again propose to the Annual General Meeting of Shareholders an unchanged ordinary dividend of CHF 22 per share for the 2016 financial year.

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**Outlook for capital expenditure**  
Expectation for 2016 of more than

**2,3** billion Swiss francs

**Dividend per share**  
If targets are met

**22** Swiss francs

# 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

Swisscom's market capitalisation as at 31 December 2015 amounted to CHF 26.1 billion (previous year: CHF 27.1 billion). The number of shares outstanding remained the same 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

	31.12.2015			31.12.2014		
	Number of Shareholders	Number of Shares	Share in %	Number of Shareholders	Number of Shares	Share in %
Confederation	1	26,394,000	51.0%	1	26,394,000	51.0%
Natural person	69,929	4,929,030	9.5%	62,359	4,260,624	8.2%
Institution	3,094	20,478,913	39.5%	2,699	21,147,319	40.8%
<b>Total</b>	<b>73,024</b>	<b>51,801,943</b>	<b>100.0%</b>	<b>65,059</b>	<b>51,801,943</b>	<b>100.0%</b>

The majority shareholder as at 31 December 2015 was the Swiss Confederation, with 51.0% of the voting rights and capital. The Confederation is obligated by current law to hold the majority of the capital and voting rights. As at 31 December 2015, 21% of the shares were held in unregistered shareholdings.

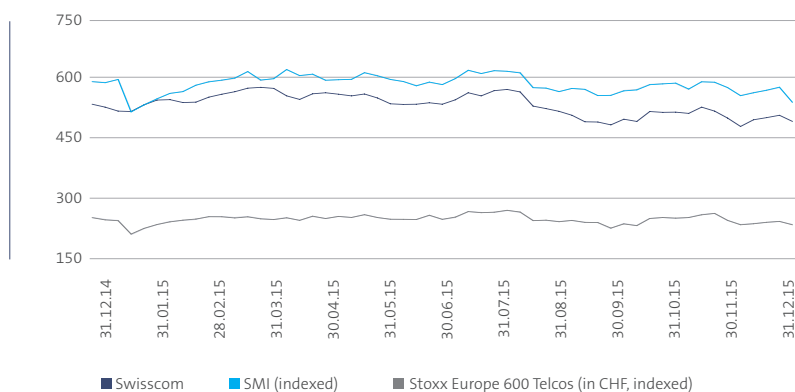
## Stock exchanges

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 2015 in CHF



 See  
[www.swisscom.ch/shareprice](http://www.swisscom.ch/shareprice)

The Swiss Market Index (SMI) declined by 1.8% compared with the previous year. The Swisscom share price fell by 3.7% to CHF 503, underperforming the Stoxx Europe 600 Telecommunications Index (-2.2% in CHF; 9.0% in EUR). Average daily trading volume increased by 40% to 137,589 shares. Total trading volume of Swisscom shares in 2015 amounted to CHF 18.2 billion.

## Shareholder return

On 15 April 2015 Swisscom paid out an ordinary dividend of CHF 22 per share. Based on the closing price at the end of 2014, this equates to a return of 4.2%. Taking into account the fall in share price, the total shareholder return (TSR) of the Swisscom share was 0.12% in 2015. The TSR for the SMI was 1.1% and for the Stoxx Europe 600 Telecommunications Index 2.1% in CHF and 13.6% in EUR.

## Swisscom share performance indicators

		2011	2012	2013	2014	2015
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	18,436	20,400	24,394	27,067	26,056
Closing price at end of period	CHF	355.90	393.80	470.90	522.50	503.00
Closing price highest	CHF	433.50	400.00	474.00	587.50	580.50
Closing price lowest	CHF	323.10	334.40	390.20	467.50	471.10
Earnings per share	CHF	13.19	34.90	32.53	32.70	26.27
Ordinary dividend per share	CHF	22.00	22.00	22.00	22.00	22.00 <sup>1</sup>
Ratio payout/earnings per share	%	166.79	63.04	67.63	67.27	83.75
Equity per share at end of year	CHF	82.47	79.77	115.30	105.29	101.10

<sup>1</sup> In accordance with the proposal of the Board of Directors to the Annual General Meeting.

## 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. 25 analysts regularly publish studies on Swisscom. At the end of 2015, 20% of the analysts recommended a buy rating for the Swisscom share, 56% a hold rating and 24% a sell rating. The average price target at 31 December 2015, according to the analysts' estimates, was CHF 537 per share.

## 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 6 April 2016, the Board of Directors will propose an ordinary dividend of CHF 22 per share (prior year: CHF 22 per share). This is equivalent to a total dividend payout of CHF 1,140 million.

Since going public in 1998 Swisscom has distributed a total of CHF 28.4 billion to its shareholders: CHF 16.4 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 323 per share since the initial public offering. Together with the overall increase in share price of CHF 163 per share, this amounts to an average annual total return of 5.3%.

## Indebtedness

### Level of indebtedness

Swisscom pursues a finance policy which limits the net debt/EBITDA ratio to a maximum of 2.1. Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing financial assets.

As at 31 December 2015, net debt amounted to CHF 8.0 billion (prior year: CHF 8.1 billion), corresponding to a net debt/EBITDA ratio of 2.0 (prior year: 1.8).

**Dividend per share**  
in the 2015 reporting year

22 CHF

**Dividend yield Swisscom share**  
based on share price at end of 2014

4.2 %

## Credit ratings and financing

With a rating of A (stable) and A2 (stable) respectively, Swisscom enjoys good ratings from 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 to have a broadly diversified debt portfolio. This involves paying particular attention to balancing maturities and a diversification of financing instruments, markets and currencies. Swisscom's solid financial standing enabled unrestricted access to money and capital markets again in 2015.

As at 31 December 2015, Swisscom's financial liabilities amounted to CHF 8.6 billion. Around 86% of the financial liabilities have a term to maturity of more than one year. Financial liabilities with a term of one year or less amounted to CHF 1.2 billion at 31 December 2015. In 2015 the average interest expense on all financial liabilities was 2.3% (prior year: 2.6%), and the average term to maturity was four years. A large proportion of the financial liabilities will fall due for repayment if a shareholder other than the Swiss Confederation gains majority control over Swisscom.

## Listed debenture bonds

Swisscom has issued debenture bonds which are listed on the SIX Swiss Exchange (SIX) or the Irish stock exchange (ISE).

### Bonds listed on the Six Swiss Exchange

In CHF million	Coupon	Payment	Expiring	Security number
<b>Par value</b>				
		19.07.2007		
600	3.75%	22.10.2007 <sup>1</sup>	19.07.2017	3,225,473
1,425	3.25%	14.09.2009	14.09.2018	10,469,162
500	2.63%	31.08.2010	31.08.2022	11,469,537
250	0.25%	17.04.2015	17.04.2023	26,898,817
500	1.75%	10.07.2012	10.07.2024	188,335,365
200	1.50%	14.07.2014	14.07.2026	24,777,613
160	1.50%	30.09.2014	28.09.2029	2,514,750
150	1.00%	17.04.2015	17.04.2035	26,898,818

<sup>1</sup> Reopening.

### Bonds listed on the Irish Stock Exchange (ISE)

In EUR million	Coupon	Payment	Expiring	ISIN-no.
<b>Par value</b>				
500	2.00%	30.09.2013 <sup>1</sup>	30.09.2020	XS0972165848
500	1.88%	08.04.2014 <sup>1</sup>	08.09.2021	XS1051076922
500	1.75%	15.09.2015 <sup>1</sup>	15.09.2025	XS1288894691

<sup>1</sup> The bonds have been issued through Lunar Funding V, an independent Irish repackaging-vehicle, and are secured by loan notes granted from Lunar V to Swisscom.

# 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 complies with the established COSO II and ISO 31000 risk management standards and thus has a risk management system in place that meets the requirements of its own corporate governance policy as well as those of 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, fit-for-purpose reporting at each level of management, suitable documentation and a risk-aware corporate culture. Risks are defined as events or situations which, should they occur, could potentially jeopardise the company's ability to achieve its objectives.

### Organisation

The Board of Directors delegates responsibility for implementing the risk management system to the CEO Swisscom Ltd. A central Risk Management unit reports to the CFO Swisscom Ltd. It 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. Specialised central organisational units monitor the legal compliance risks and financial reporting risks (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 on a quarterly basis. 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 a semi-annual basis. The effectiveness of the risk strategies and measures taken is assessed quarterly. Information on the internal control system, compliance management and internal auditing is provided in the Corporate Governance Report, Section 4.8, 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 markets, competition, customer behaviour, technology, the regulatory environment and government policy. The importance of established telecoms services is continuing to decline, and the associated loss of revenue from the traditional core business must be compensated by growth in customers and volume as well as new services. Over the long term the trend in the ICT market will necessitate fundamental changes in the approach to risks related to the business model, technology and human capital. Forthcoming regulatory decisions pose a latent risk which could impact Swisscom's financial development, as illustrated by the following selected key risk factors. The main risk factors in the supply chain are reported separately in the Sustainability Report.

## Risk factors

### Telecommunications market

Increasing competition driven by national infrastructure providers and service providers who do not have their own telecoms infrastructure (e.g. OTTs) is exerting transformation pressure on the business. During this transformation, the complexity resulting from the parallel operation of old and new technologies has to be reduced so as to enable new, attractive services. Here there is a risk that the revenue from the classic telecoms business will not be secured sustainably during the transformation process, while at the same time technical complexity remains undiminished. Moreover, a trend can currently be observed towards national and international cooperation among telecommunications providers, the purpose of which is to provide low-cost services internationally and exploit major synergies. There is thus a risk that Swisscom will not be able to align its cost structures with its current and future competitors, which would narrow the scope for investment, innovation and price reductions.

If such risks materialise, this could delay implementation of the strategy or have a detrimental effect on customer satisfaction. Swisscom has initiated measures in various areas to manage these risks.

### Politics and regulation

The manner in which regulations are implemented (e.g. telecommunications and antitrust legislation) entails risks for Swisscom which could have an adverse impact on the company's financial position and results of operations. The main risks concern the possibility of price regulation being extended to mobile communications (mobile termination) and broadband (optical fibre) which would further reduce Swisscom's income and restrict the company's room for manoeuvre, as well as sanctions by the Competition Commission which could reduce Swisscom's operating results and cause reputational damage to the company. The forthcoming revision of the Telecommunications Act also heightens regulatory risk. Finally, excessively high demands imposed on universal service provision by political groups, for instance supporters of the "Public Service" initiative, threaten to fundamentally undermine the current competitive system.

### Increased bandwidth in the access network

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 share. The network expansion that this necessitates calls for major investments. To mitigate financial risks and ensure optimum network coverage, expansion is determined by population density and customer demand. Substantial risks would arise if Swisscom were forced to spend more on network expansion than planned, or if projected long-term earnings were to fall. Swisscom minimises the risks by adapting the broadband expansion of the access network to changing conditions on an ongoing basis.

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## Human capital

Constant changes in background conditions and markets mean that corporate culture needs to adapt. 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 and renew their skills and ensuring that Swisscom remains an attractive employer.

## Market consolidation in Italy, economic situation, regulation and the recoverability of Fastweb's assets

In the Italian market, the merger of H3G and Wind could have significant ramifications for Swisscom's subsidiary Fastweb. In addition, Italy's economic performance 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 2015 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 the 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 reputational risk. Force majeure, human error, hardware or software failure, criminal acts by third parties (e.g. computer viruses or hacking) and 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 that Swisscom can deliver the level of service that customers expect at all times.

## Information and security technologies

Swisscom is in the midst of a transformation from line-switched TDM technology to IP technology. This transformation should enable Swisscom to roll out new products more flexibly and efficiently than before. The experience acquired with IP technology to date has been positive. Swisscom's complex IT architecture entails risks during both the implementation and operating phases. These risks have the potential to delay the rollout of new services, increase costs and impact competitiveness. The transformation is being monitored by the Group Executive Board.

The area of Internet security has developed and changed with immense speed with respect to technology, economics and society and their interdependencies. These new innovations and capabilities go hand in hand with new opportunities as well as new risks.

The wider the variety of opportunities for attack, the more difficult prevention becomes. This means it is even more important for potential threats to be recognised at an early stage, systematically understood and quickly averted.

## Environment and health

Electromagnetic radiation (e.g. 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 the precautionary principle and introduced limits for base stations which are ten times stricter than the EU's limits. The public's wary attitude to mobile antenna sites in particular is impeding Swisscom's network expansion. 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.

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 the risks posed by climate change is based on the official report of the Federal Office for the Environment (FOEN) on climate change, published in October 2011.



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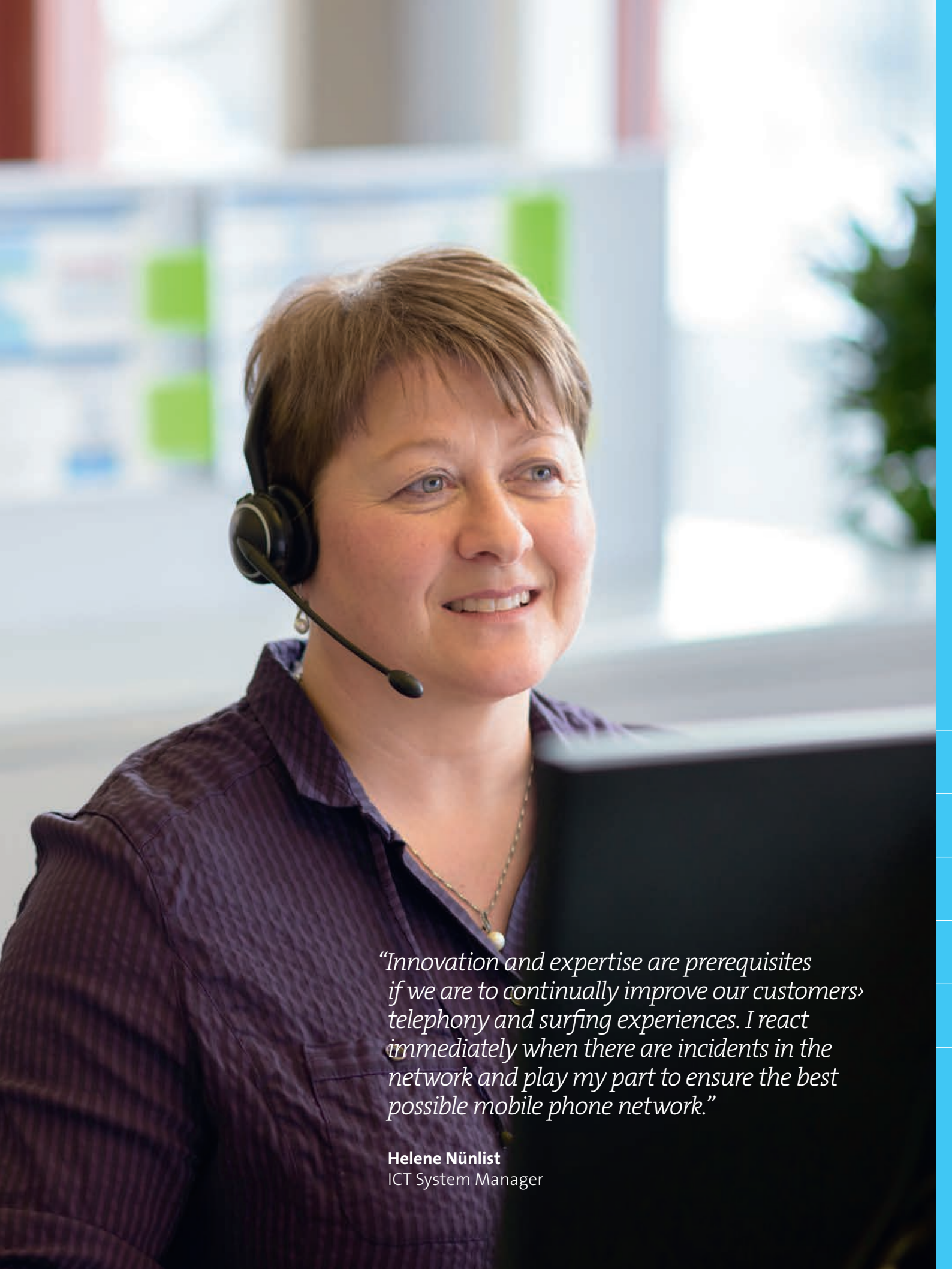
[www.cdproject.net/en-us](http://www.cdproject.net/en-us)

# The data volume transmitted on the mobile network

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doubles every year, placing great demands on network operators. Swisscom has offered its customers the best mobile network in Switzerland for many years.





*“Innovation and expertise are prerequisites if we are to continually improve our customers’ telephony and surfing experiences. I react immediately when there are incidents in the network and play my part to ensure the best possible mobile phone network.”*

**Helene Nünlist**  
ICT System Manager

## Corporate Governance and Remuneration Report

Taking advantage  
of new  
opportunities  
to generate  
sustainable growth.



# Corporate Governance

Corporate governance is a fundamental component of Swisscom's corporate policy. Swisscom is committed to practising effective and transparent corporate governance as part of its aim to deliver long-term value. In particular, Swisscom complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse* and meets the requirements of the Ordinance Against Excessive Compensation in Listed Stock Companies.

## 1 Principles

In performing their activities, the Board of Directors and Group Executive Board of Swisscom are guided by the objective of long-term and sustainable corporate governance. They incorporate in their decisions the legitimate interests of Swisscom shareholders, customers, employees and other interest groups. To this end, the Board of Directors practices effective and transparent corporate governance, which is characterised by clearly assigned responsibilities and based on recognised standards. In particular, Swisscom complies with

- > the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse*, the umbrella organisation representing Swiss business
- > the Corporate Governance Directive issued by the SIX Swiss Exchange of 1 September 2014, which also forms the basis of this report
- > the requirements of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC) of 20 November 2013
- > legal requirements pursuant to the Swiss Code of Obligations

The exchange of insights and information with investors, proxy advisors and other stakeholder groups by the respective specialist divisions allows the Board of Directors to identify new standards at an early stage and to adjust its corporate governance activities to new requirements. 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. 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](http://www.swisscom.ch/basicprinciples)

## 2 Group structure and shareholders

### 2.1 Group structure

#### 2.1.1 Operational Group structure

Swisscom Ltd is the holding company responsible for overall management of the Swisscom Group. It comprises the five Group divisions Group Business Steering, Group Human Resources, Group Strategy & Board Services, Group Communications & Responsibility and Group Security. It delegates day-to-day business management to the CEO of Swisscom Ltd, who together with the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) as well as the heads of the business divisions Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation forms the Group Executive Board. Strategic and financial management of the Group companies is assured through the assignment of powers and responsibilities by the Board of Directors of Swisscom Ltd. The Group companies are divided into three categories: strategic, important and other. Swisscom (Switzerland) Ltd and the Italian subsidiary Fastweb S.p.A. are classified as strategic Group companies. The operations of Swisscom (Switzerland) Ltd are managed by the CEO. The Board of Directors of Swisscom (Switzerland) Ltd comprises the CEO of Swisscom Ltd as Chairman, the CFO of Swisscom Ltd and the Head of IT, Network & Innovation. Seats on the Board of Directors of Fastweb S.p.A. are held by the CEO of Swisscom Ltd as Chairman together with the CFO of Swisscom Ltd and other representatives of Swisscom. The Board of Directors of Fastweb S.p.A. is supplemented by an external member. In the “important” Group companies, the responsibilities of the Chairman of the Board of Directors are fulfilled by the CEO of Swisscom Ltd, the CEO of a “strategic” Group company, the head of a Group or business division or another person appointed by the CEO. Other representatives of Swisscom and in some cases external parties are also members of the Board of Directors.

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Further information on the Group structure can be found 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 40 to the consolidated financial statements.

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Pages 210–211

For financial reporting purposes, the business divisions of Swisscom are allocated to individual segments based on the management structure. The 2015 financial reporting is broken down into the segments Swisscom Switzerland, Fastweb and Other Operating Segments. Swisscom Switzerland covers the segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers, Wholesale and IT, Network & Innovation. Other Operating Segments mainly comprises Participations and Health. Group Headquarters, which primarily includes the Group divisions as well as the employment company Worklink, continues to be reported separately. Further information on segment reporting can be found in the Management Commentary.

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#### Changes as of 2016

As of 1 January 2016, Swisscom has strengthened its areas with close customer proximity and gear itself even more greatly towards digitalisation. Distribution and Service for Residential Customers and SME will be combined in the new Sales & Marketing division. The digital business will be bundled in the new Digital Business division. To exploit synergies and accommodate the increasing level of convergence, Product Development and Product Provision for Residential Customers and SME will now be combined in the Products & Marketing division. The organisational structure in business with corporate customers will continue to be simplified. As of 2016, the CEO, together with the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) as well as the heads of the business divisions Sales & Services, Products & Marketing, Enterprise Customers and IT, Network & Infrastructure, form the Group Executive Board. Further information on the new Group structure can be found in the Management Commentary.

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### 2.1.2 Listed company

The Swisscom Group only comprises one listed company, Swisscom Ltd. It is a company governed by Swiss law and headquartered in Ittigen (canton of Berne, Switzerland) and is listed in the standard for equity securities, the Sub-Standard International Reporting of the SIX Swiss Exchange (Securities No: 874251; ISIN: CH0008742519; Ticker Symbol: SCMN).

Trading in the United States is conducted over-the-counter (OTC) as a Level 1 programme (Symbol: SCMWY; ISIN: CH0008742519; CUSIP for ADR: 871013108). Within the framework of the programme, Bank of New York Mellon Corporation issues the American Depository Shares (ADS). ADS are American securities which represent Swisscom shares. Ten ADS correspond to one share. The ADS are evidenced by American Depository Receipts (ADR).

At 31 December 2015, Swisscom Ltd had a stock market capitalisation of CHF 26,056 million.

## 2.2 Major shareholders

Pursuant to Article 20 of the Federal Act on Stock Exchanges and Securities Trading, 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<sup>1/3</sup>, 50 or 66<sup>2/3</sup> per cent of the voting rights of Swisscom Ltd.

In September 2015, BlackRock, Inc., New York, reported a shareholding of 3% in Swisscom Ltd. A few days later, BlackRock, Inc. provided notification that its shareholding had fallen below 3%. The shareholding disclosures can be viewed on the website of the SIX Exchange Regulation at <https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html>.

On 31 December 2015, the Swiss Confederation (Confederation), as majority shareholder, still held compared to the previous year 50.95% 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.

## 2.3 Cross-participations

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

## 3 Capital structure

### 3.1 Capital

At 31 December 2015, the share capital of Swisscom Ltd amounted to CHF 51,801,943, divided into registered shares with a nominal value of CHF 1 per share. The shares are fully paid up.

### 3.2 Authorised and conditional capital

There is no authorised or conditional share capital.

### 3.3 Changes in capital

The share capital was unchanged in the years 2013 to 2015. During this period, changes in shareholders' equity of Swisscom Ltd in the individual financial statements drawn up under Swiss commercial law were as follows:

In CHF million	Share capital	Legal capital reserves	Retained earnings	Total equity
<b>Balance at 1 January 2013</b>	<b>52</b>	<b>21</b>	<b>5,071</b>	<b>5,144</b>
Net income	–	–	239	239
Dividends paid	–	–	(1,140)	(1,140)
<b>Balance at 31 December 2013</b>	<b>52</b>	<b>21</b>	<b>4,170</b>	<b>4,243</b>
Net income	–	–	2,472	2,472
Dividends paid	–	–	(1,140)	(1,140)
<b>Balance at 31 December 2014</b>	<b>52</b>	<b>21</b>	<b>5,502</b>	<b>5,575</b>
Net income	–	–	279	279
Dividends paid	–	–	(1,140)	(1,140)
<b>Balance at 31 December 2015</b>	<b>52</b>	<b>21</b>	<b>4,641</b>	<b>4,714</b>

The Annual General Meetings held on 4 April 2013, 7 April 2014 and 8 April 2015 approved an ordinary dividend of CHF 22 per share respectively.

### 3.4 Shares and participation certificates

Each registered share of Swisscom Ltd has a par value of CHF 1. Each share entitles the holder to one vote. Shareholders may only exercise their voting right, however, if they have 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.

Registered shares of Swisscom Ltd are not issued in certificate form, but are held as book-entry securities in the depository holdings of SIX SIS AG, up to a maximum limit determined by the Swiss Confederation. Shareholders may at any time request confirmation of the registered shares they hold. However, they have no right to request the printing and delivery of certificates for their shares (registered shares with no right to printed certificates).

The holder of an ADR possesses the rights listed in the Deposit Agreement (e.g. the right to issue instructions for the execution of voting rights and the right to dividends). Bank of New York Mellon Corporation, which acts as the ADR depository, is listed as the shareholder in the share register. ADS holders are therefore unable to directly enforce and exercise shareholder rights. Bank of New York Mellon Corporation exercises the voting rights in accordance with the instructions it receives from the ADR holders.

For further details on the shares, see section 7 "Shareholders' participation rights" and the Management Commentary.

Swisscom Ltd has issued no participation certificates.

### 3.5 Profit-sharing certificates

Swisscom Ltd has issued no profit-sharing certificates.

### 3.6 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. In accordance with Article 3.5.1 of the Articles of Incorporation, 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, then exceeds 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. The other statutory provisions on restricted transferability are described in section 7.1 "Voting right restrictions and proxies".

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 revised 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 Ltd 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.

 See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)

### 3.7 Convertible bonds, debenture bonds and options

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

Swisscom does not issue options on registered shares of Swisscom Ltd to its employees. The Swisscom Ltd equity-share-based payments are described in Note 11 to the consolidated financial statements.

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## 4 Board of Directors

### 4.1 Members of the Board of Directors

The Board of Directors of Swisscom Ltd 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, holds the majority of the capital and voting rights 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.

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Members of the Board of Directors at 31 December 2015 are as follows:

Name	Nationality	Year of birth	Function	Taking office at the Annual General Meeting	Appointed until Annual General Meeting
Hansueli Loosli <sup>1</sup>	Switzerland	1955	Chairman	2009	2016
Frank Esser	Germany	1958	Member	2014	2016
Barbara Frei	Switzerland	1970	Member	2012	2016
Hugo Gerber <sup>2</sup>	Switzerland	1955	Member, representative of the employees	2006	2016
Michel Gobet <sup>2</sup>	Switzerland	1954	Member, representative of the employees	2003	2016
Torsten Kreindl <sup>2</sup>	Austria	1963	Member	2003	2016
Catherine Mühlemann	Switzerland	1966	Member	2006	2016
Theophil Schlatter	Switzerland	1951	Deputy Chairman	2011	2016
Hans Werder <sup>3</sup>	Switzerland	1946	Member, representative of the Confederation	2011	2016

<sup>1</sup> Since 21 April 2009 Member of the Board of Directors, since 1 September 2011 Chairman.

<sup>2</sup> Resignation from the Board of Directors at the Annual General Meeting 2016.

<sup>3</sup> Designated by the Swiss Confederation.

## 4.2 Education, professional activities and affiliations

Details on the qualifications and career of each member of the Board of Directors are provided below. This section also discloses the mandates of each Board member outside the Group as well as other significant activities such as permanent functions in important interest groups.

Pursuant to the Articles of Incorporation, the Board members may perform no more than three additional mandates in listed companies and no more than ten additional mandates in non-listed companies. In total, they may not perform more than ten such additional mandates. These numerical restrictions shall not apply to mandates performed by a Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations as well as employee retirement-benefit foundations. The number of these mandates is, however, limited to seven or ten. Prior to accepting new mandates outside the Swisscom Group, the Board members are obligated to consult the Chairman of the Board of Directors. Details on the regulation of external mandates, in particular the definition of the term “mandate” and information on other mandates that do not fall under the aforementioned numerical restrictions for listed and non-listed companies, are set out in the Articles of Incorporation (Article 8.3 of the Articles of Incorporation), which can be accessed on the Swisscom website under “Basic principles”.

No member of the Board of Directors exceeds the set limits for mandates.

See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)



### Hansueli Loosli

**Education:** Commercial apprenticeship; Swiss Certified Expert in Financial Accounting and Controlling

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

**Mandates in listed companies:** Chairman of the Board of Directors, Bell AG, Basel

**Mandates in non-listed companies:** Chairman of the Board of Directors, Coop-Gruppe Genossenschaft, Basel; Chairman of the Board of Directors, Transgourmet Holding AG, Basel; Chairman of the Board of Directors, Coop Mineraloel AG, Allschwil; member of the Advisory Board, Deichmann SE, Essen; member of the Board of Directors, Heinrich Benz AG, Weiach

**Mandates by order of Swisscom:** Member of the Board of Directors and Executive Committee of economiesuisse

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



### Frank Esser

**Education:** PhD in business administration, Dr. rer. pol.

**Career history:** 1988–2000 Mannesmann Deutschland, latterly from 1996 as a member of the Executive Board, Mannesmann Eurokom; 2000–2012 Société Française Radiotéléphonie (SFR), 2000–2002 Chief Operating Officer (COO), from 2002–2012 CEO, in this function from 2005–2012 at the same time Vivendi Group, member of the Group Executive Board

**Mandates in listed companies:** Member of the Board of Directors, AVG Technologies N.V., Amsterdam; member of the Supervisory Board, Dalenys Group S.A (formerly named Rentabiliweb Group S.A.S.), Brussels; member of the Board of Directors, InterXion Holding N.V., Amsterdam

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



#### Barbara Frei

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

**Career history:** Since 1998 various managerial positions at the ABB Group, in particular 2008–2010 ABB s.r.o., Prague, Country Manager; 2010–2013 ABB S.p.A., Sesto San Giovanni (Italy), Country Manager and Regional Manager Mediterranean; November 2013–December 2015 Drives and Control Unit, Managing Director; since 2016 Head of Strategic Portfolio Reviews for the Power Grids division

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors, ABB Beijing Drive Systems Co. Ltd., Beijing, up to December 2015

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



#### Hugo Gerber

**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 Swiss Association of Christian Postal Workers (ChPTT), Central Secretary; 1991–1999 Association of the unions of the Christian transport and government personnel (VGCV), General Secretary; 2000–2003 Transfair Union, General Secretary; 2003–2008 Transfair Union, Chairman; July–December 2014 Federal Administrative Court, St. Gallen, Deputy Head of Human Resources on an ad interim basis; since 2009 independent consultant

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors, POSCOM Ferien Holding AG, Berne; member of the Board of Directors, Hôtel Vallesia & Sports Montana-Vermala SA, Montana-Vermala, since January 2015

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** Member of the Board of Trustees, RUAG Pension Fund, Berne

**Other significant activities:** Member of the Board of Directors, Worklink AG, Berne



#### Michel Gobet

**Education:** Degree in history

**Career history:** PTT Union, General Secretary and Deputy General Secretary; since 1999 syndicom Trade Union, Central Secretary

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors, Swiss Post Ltd, Berne; member of the Board of Directors, GDZ AG, Zurich; member of the Board of Directors, Swiss Travel Fund (Reka) Cooperative, Berne; Managing Director, Le Toccan Sàrl, Chamoson

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** Member of the World Executive Committee, the European Executive Committee and the European ICTS Steering Committee, UNI Global Union, Nyon



### Torsten Kreindl

**Education:** Doctorate in industrial engineering (Dr. techn.)

**Career history:** Chemie Holding AG; W. L. Gore & Associates Inc.; Booz Allen & Hamilton, member of the Management Board, Germany; 1996–1999 Deutsche Telekom AG CEO, Broadband Cable Business, and CEO, MSG Media Services; 1999–2005 Copan Inc., Partner; since 2005, Grazia Group Equity GmbH, Stuttgart, Partner

**Mandates in listed companies:** Independent Director of Hays plc, London

**Mandates in non-listed companies:** Member of the Supervisory Board, Pictet Digital Communications/Pictet Fund Management, Geneva; member of the Board of Directors, Starboard Storage Systems Inc., Boulder, Colorado, until May 2015

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



### Catherine Mühlemann

**Education:** Lic. phil I; Swiss Certified PR Consultant

**Career history:** 1994–1997 Swiss Television DRS, Head of Media Research; 1997–1999 SF1 and SF2, Programme Researcher; 1999–2001 TV3, Programme Director; 2001–2003 MTV Central, Managing Director; 2003–2005 MTV Central & Emerging Markets, Managing Director; 2005–2008 MTV Central & Emerging Markets and Viva Media AG (Viacom), Managing Director; since 2008 Andmann Media Holding GmbH, Baar, partner, until December 2012 owner

**Mandates in listed companies:** Member of the Supervisory Board, Tele Columbus AG, Berlin

**Mandates in non-listed companies:** Member of the Board of Directors, Switzerland Tourism

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



### Theophil Schlatter

**Education:** Degree in business administration (lic. oec. HSG); qualified public accountant

**Career history:** 1979–1985 STG Coopers & Lybrand, public accountant; 1985–1991 Holcim Management und Beratung AG, controller; 1991–1995 Sihl Papier AG, CFO and member of the Executive Committee; 1995–1997 Holcim (Switzerland) Ltd, Head of Finance/Administration and member of the Executive Committee; 1997–March 2011 Holcim Ltd., CFO and member of the Group Executive Board

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Chairman of the Board of Directors, PEKAM AG, Mägenwil; member of the Board of Directors, Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



**Hans Werder**

**Education:** Dr. rer. soc.; lic. iur.

**Career history:** 1987–1996 Berne Directorate of Public Works, Transport and Energy (BVE), General Secretary; 1996–2010 Federal Department of the Environment, Transport, Energy and Communications (DETEC), General Secretary

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors, BLS AG, Berne

**Mandates by order of Swisscom:** –

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –

**4.3 Election and term of office**

Under the terms of the Articles of Incorporation, the Board of Directors comprises between seven and nine members and, if necessary, the number can be increased temporarily. It currently comprises nine members. 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. Under the terms of the Telecommunications Enterprise Act (TEA), employees must also 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. 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. The Annual General Meeting elects the members and the Chairman of the Board of Directors and the members of the Compensation Committee individually for a term of one year. The term of office runs until the conclusion of the following Annual General Meeting. Re-election is permitted. If the office of the Chairman is vacant or the number of members of the Compensation Committee falls below the minimum number of three members, the Board of Directors nominates a chairman from among its members or appoints the missing member(s) of the Compensation Committee to serve until the conclusion of the next Annual General Meeting. Otherwise, the Board of Directors constitutes itself.

The maximum term of office for members elected by the Annual General Meeting is generally a total of twelve years. Members who reach the age of 70 retire from the Board as of the date of the next Annual General Meeting. The maximum term of office or age limit for the Federal representative is determined by the Federal Council.

**4.4 Internal organisation**

The Board of Directors and the standing committees of the Board of Directors of Swisscom Ltd are organised as follows as at 31 December 2015:



See  
[www.swisscom.ch/  
 basicprinciples](http://www.swisscom.ch/basicprinciples)

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 Vice Chairman. The CEO, the CFO and the Head of Group Strategy & Board Services regularly attend 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 internal and external experts to attend its meetings on specific issues 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 duties, responsibilities and *modus operandi* of the Board of Directors as well as its conduct with respect to conflicts of interest are defined in the Organisational Rules, those of the standing committees in the relevant committee regulations. The aforementioned rules and regulations can be accessed on the Swisscom website under “Basic principles”.

The Board of Directors supports the further development and ongoing education of Board members. The Board of Directors and the committees conduct self-assessments, usually once a year and most recently in January 2015. A one-day mandatory training course was held at the beginning of 2015. Each quarter, the members of the Board of Directors also have the opportunity to explore in-depth the upcoming challenges facing the Group and business divisions as part of so-called company experience days. The majority of members of the Board of Directors regularly take advantage of these opportunities. In addition, various members of the Board of Directors attended selected presentations and seminars during the year. New members are given a task-specific introduction to their new activity. Wherever possible, the Board of Directors 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 held in 2015.

	Meetings <sup>1</sup>	Conference calls	Circular resolutions
Total	10	1	2
Average duration (in hours)	9:00	0:50	–
Participation:			
Hansueli Loosli, Chairman	10	1	2
Frank Esser	10	1	2
Barbara Frei	10	1	2
Hugo Gerber	10	1	2
Michel Gobet	9	1	2
Torsten Kreindl	9	1	2
Catherine Mühlemann	10	1	2
Theophil Schlatter	10	1	2
Hans Werder	10	1	2

<sup>1</sup> Four meetings were held over two days.

#### 4.5 Committees of the Board of Directors

The Board of Directors has three standing committees (Audit, Finance and Compensation) and one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. The committees usually consist of three to six members. Each member of the Board of Directors also sits on at least one of the standing committees. Subject to being appointed to the Compensation Committee (without voting rights), the Chairman of the Board of Directors is a member of all standing committees; they all are chaired by other Board members, however. 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.

## Finance Committee

On behalf of the Board of Directors, the Finance Committee prepares information on transaction business, for example, in connection with establishing or dissolving significant 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 & Acquisitions and Corporate Venturing. Details of the Committee's activities are set out in the Finance Committee Rules of Procedure, which can be accessed on the Swisscom website under "Basic principles".

The Finance Committee is convened by the Chairman or at the request of a Committee member as often as business requires. The CEO, the CFO and the Head of Group Strategy and Board Services 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 following table gives an overview of the Finance Committee's composition, meetings, conference calls and circular resolutions held or taken in 2015.

	Meetings	Conference calls	Circular resolutions
Total	2	–	–
Average duration (in hours)	3:20	–	–
Participation:			
Torsten Kreindl, Chariman	2	–	–
Frank Esser	2	–	–
Michel Gobet	2	–	–
Hansueli Loosli	2	–	–
Catherine Mühlemann	2	–	–

See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)

## Audit Committee

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 (the 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, which can be accessed on the Swisscom website under "Basic principles".

The Chairman of the Audit Committee, Theophil Schlatter, is a financial expert. The majority of members are experienced in the fields of finance and accounting. The members of the Committee 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. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are given in Note 37 to the consolidated financial statements.

The Audit Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but at least four times a year. The CEO, CFO, Head of Strategy & Board Services, Head of Accounting, Head of Internal Audit and the external auditors attend the Audit Committee meetings. Depending on the agenda, other Swisscom management members are called upon to attend. The Audit Committee is also authorised to involve independent third parties such as lawyers, public accountants and tax experts.

See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)

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The following table gives an overview of the Audit Committee's composition, meetings, conference calls and circular resolutions held or taken in 2015.

	Meetings	Conference calls	Circular resolutions
Total	5	1	–
Average duration (in hours)	4:40	0:35	–
Participation:			
Theophil Schlatter, Chairman	5	1	–
Hugo Gerber	5	1	–
Hansueli Loosli	5	1	–
Hans Werder	5	–	–

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### Compensation Committee

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

### Nomination Committee

The Nomination Committee is formed on an ad-hoc basis for the purpose of, where necessary, 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 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 or decides upon the motion to be submitted to the Annual General Meeting for the election and approval of members of the Board of Directors. No Nomination Committee meetings were held in the 2015 financial year.

## 4.6 Assignment of powers of authority

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. The Board of Directors 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 will 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 Rules. 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 Rules (see function table in Rules of Procedure and Accountability). Annex 2 can be accessed on the Swisscom website under “Basic principles”.

See  
[www.swisscom.ch/  
targets\\_2014-2017](http://www.swisscom.ch/targets_2014-2017)

See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)



#### 4.7 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. At each ordinary meeting of the Board of Directors, the CEO also provides the Board of Directors with detailed information on the course of business, major projects and events, and any measures taken. Every month, the Board of Directors receives a report including all key performance indicators relating to the Group and the segments. In addition, the Board of Directors receives a report on the course of business as well as on the financial position, results of operations, cash flows and risk position of the Group and the segments. It also receives projections for operational and financial developments for the current financial year. The management reporting is carried out in accordance with the same accounting principles and standards as external reporting. It also includes key non-financial information which is important 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 oral and written reports of the assurance functions of risk management, the financial reporting internal control system (ICS) and compliance management once a year. The Audit Committee examines the reports of the Risk Management unit, the ICS and Internal Audit on a quarterly basis. 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 estimated 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 investigated.

#### 4.8 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, internal control system, compliance and internal audit.

##### 4.8.1 Risk management

The Board of Directors has set the objective of protecting the company's enterprise value through the implementation of Group-wide risk management. A risk-aware corporate culture is designed to support the achievement of this objective. Swisscom has therefore implemented a Group-wide and central risk management system. This takes account of external and internal events and is based on the established standards COSO II and ISO 31000. Swisscom maintains level-appropriate and comprehensive reporting and appropriate documentation. The objective is to identify, assess and address significant risks in good time. To this end, the central Risk Management unit collaborates closely with the Controlling department, to which it also reports, as well as the Strategy department, other assurance functions and line functions. Swisscom assesses its risks according to their probability of occurrence and their quantitative effects in the event of occurrence. The risks are managed on the basis of a risk strategy. The risks are evaluated in terms of their impact on key performance indicators. Swisscom reviews and updates its risk profile on a quarterly basis. The Audit Committee and the Group Executive Board are informed about significant risks, their potential effects and the status of remedial measures on a quarterly basis, and the Board of Directors on an annual basis. Significant risk factors are described in the Risks section of the Management Commentary.

##### 4.8.2 Financial reporting internal control system

The internal control system (ICS) ensures the reliability of financial reporting with an appropriate degree of assurance. It acts to prevent, uncover and correct substantial errors in the consolidated financial statements, the financial statements of the Group companies and the Remuneration Report. The ICS encompasses the following internal control components: control environment, assessment of financial statement accounting risks, control activities, monitoring activities, information and communication. A central ICS team assigned to Group Business Steering and Internal Audit periodically monitors the existence and effectiveness of the ICS. Significant shortcomings in the ICS identified during the monitoring activities are reported together with the corrective measures in a status report to the Audit Committee on a quarterly basis and to the Board of Directors on an annual basis. Corrective measures to remedy the shortcomings are monitored centrally. The Audit Committee assesses the performance and reliability of the ICS on the basis of the periodic reporting.

See report  
Pages 90–93

#### 4.8.3 Compliance management

The Board of Directors has set the objective of protecting the Swisscom Group, its executive bodies and employees against legal sanctions, financial losses and reputational damage by ensuring Group-wide compliance. A corporate culture which promotes the willingness to behave in a way that complies with the relevant regulations should support the achievement of this objective. Swisscom has therefore implemented a Group-wide and central compliance system. Within the framework of the system, Group Compliance, a specialist unit of the Group legal department, uses a risk-based approach to each year identify those areas of legal compliance which require monitoring by the central system. Within these areas of legal compliance, the business activities of the Group companies are reviewed in a periodic and proactive manner in order to identify risks in good time and determine the required measures. The employees affected are informed of these measures and their implementation is monitored. The suitability and effectiveness of the system is reviewed annually by Group Compliance. Within the Swisscom Health AG business division and in the area of billing for added-value services of Swisscom Switzerland Ltd, an annual audit of the implemented measures is also performed by external auditors (financial intermediation) in accordance with the Money Laundering Act. Group Compliance informs the Risk Management unit of identified significant risks on a quarterly basis and reports to the Audit Committee and the Board of Directors each year on its activities and risk assessments. Should there be significant changes in the risk assessment or if serious breaches are identified, the Chairman of the Audit Committee is informed in a timely manner.

#### 4.8.4 Internal audit

Internal auditing is carried out by the Internal Audit unit. Internal Audit supports the Swisscom Ltd Board of Directors and its Audit Committee in fulfilling their statutory and regulatory supervisory and controlling obligations. Internal Audit also supports management by highlighting areas of potential for improving business processes. It documents the audit findings and monitors the implementation of measures.

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

Internal Audit possesses maximum independence. It is under the control of the Chairman of the Board of Directors and reports to the Audit Committee. At its meetings, which are held at least on a quarterly basis, 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. At an administrative level, Internal Audit reports to the Head of Group Strategy & Board Services.

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 the Internal Audit unit. Internal Audit closely coordinates audit planning with the external auditors. The integrated strategic audit plan, 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 special audits based on information received on the whistle-blowing platform operated by Internal Audit. This reporting procedure approved by the Audit Committee ensures the anonymous and confidential receipt and handling of objections raised 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 on a quarterly basis for the Audit Committee.

## 5 Group Executive Board

### 5.1 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 exceptions are 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. As at 31 December 2015, the Group Executive Board is composed of the CEO of Swisscom Ltd, 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. From 2016, in addition to the CEO of Swisscom Ltd and the heads of the Group divisions Group Business Steering and Group Human Resources, the Group Executive Board will also include the heads of the new business divisions Sales & Services and Products & Marketing as well as the heads of the existing business division Enterprise Customers and the renamed business division IT, Network & Infrastructure.

See report  
Pages 24–27



An overview of the composition of the Group Executive Board as at 31 December 2015 is given in the table below. Dirk Wierzbitzki, who has joined the Group Executive Board on 1 January 2016, is also listed. Roger Wüthrich-Hasenböhler has left the Group Executive Board at this time.

Name	Nationality	Year of birth	Function	Appointed as of
Urs Schaeppi <sup>1</sup>	Switzerland	1960	CEO Swisscom Ltd	November 2013
Mario Rossi	Switzerland	1960	CFO Swisscom Ltd	January 2013
Hans C. Werner	Switzerland	1960	CPO Swisscom Ltd	September 2011
Marc Werner	Switzerland and France	1967	Head of the division Residential Customers since 2016 head of the division Sales & Services	January 2014
Roger Wüthrich-Hasenböhler <sup>2</sup>	Switzerland	1961	Head of the division Small and Medium-Sized Enterprises	January 2014
Christian Petit	France	1963	Head of the division Enterprise Customers	April 2014
Heinz Herren	Switzerland	1962	Head of the division IT, Network & Innovation since 2016 head of the division IT, Network & Infrastructure	January 2014
Dirk Wierzbitzki	Germany	1965	Since 2016 head of the division Products & Marketing	January 2016

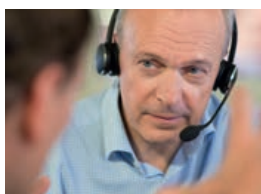
<sup>1</sup> Since 2006 member of the Group Executive Board, from July to November 2013 CEO ad interim.

<sup>2</sup> Leaving Group Executive Board as of 31 December 2015.

## 5.2 Education, professional activities and affiliations

Details of career and qualifications are provided below for each member of the Group Executive Board. This section also discloses the mandates of each Group Executive Board member outside the Group as well as other significant activities such as permanent functions in important interest groups. Pursuant to the Articles of Incorporation, the members of the Group Executive Board may perform no more than one additional mandate at a listed company and no more than two additional mandates at non-listed companies, with a total of no more than two such additional mandates being permitted. Mandates performed by a member of the Group Executive Board by order of Swisscom or mandates in interest groups, charitable associations, institutions and foundations as well as employee retirement-benefit foundations are not subject to these numerical restrictions. The number of these mandates is, however, limited to ten or seven respectively. Prior to accepting new mandates outside the Swisscom Group, the members of the Group Executive Board are obligated to obtain the approval of the Chairman of the Board of Directors. Details on the regulation of external mandates, in particular the definition of the term “mandate” and information on other mandates that do not fall under the aforementioned numerical restrictions for listed and non-listed companies, are set out in the Articles of Incorporation (Article 8.3 of the Articles of Incorporation), which can be accessed on the Swisscom website under “Basic principles”. No member of the Group Executive Board exceeds the set limits for mandates.

See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)



### Urs Schaeppi

**Education:** Degree in engineering (Dipl. Ing. ETH) and business administration (lic. oec. HSG)

**Career history:** 1994–1998 plant manager at Biberist paper factory; 1998–2006 Head of Commercial Business, Swisscom Mobile Ltd; 2006–2007 CEO, Swisscom Solutions Ltd; 2007–August 2013 Head of Enterprise Customers, Swisscom (Switzerland) Ltd; since January 2013 Head of Swisscom (Switzerland) Ltd; 23 July–6 November 2013, acting CEO, Swisscom Ltd, since 7 November 2013 CEO Since March 2006 member of the Swisscom Group Executive Board

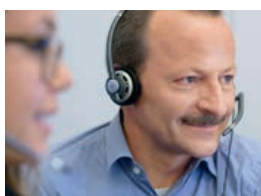
**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** Member of the Executive Board, Association Suisse des Télécommunications (asut), Berne; member of the Advisory Board, Venture Foundation, Windisch; member of the Foundation Board, IMD International Institute for Management Development, Lausanne; member of the Foundation Council, Swiss Innovation Park Foundation, Berne, since October 2015; member of the Steering Committee, Digital Zurich 2025, Zurich, since September 2015

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** Member of the Board of Directors, Swiss-American Chamber of Commerce, Zurich; member of the Executive Board, Glasfasernetz Schweiz, Berne



### Mario Rossi

**Education:** Commercial apprenticeship; Swiss Certified Public Accountant

**Career history:** 1998–2002 Swisscom Ltd, Head of Group Controlling; 2002–2006 Swisscom Fixnet Ltd, Chief Financial Officer (CFO); 2006–2007 Swisscom Ltd, CFO and member of the Group Executive Board; 2007–2009 Fastweb S.p.A., CFO; 2009–2012 Swisscom (Switzerland) Ltd, CFO; since January 2013 Swisscom Ltd, CFO Since January 2013 member of the Swisscom Group Executive Board again

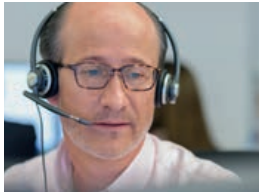
**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** President of the Board of Trustees, comPlan, Baden

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** Member of the Sanctions Committee, SIX Swiss Exchange Ltd, Zurich



#### Hans C. Werner

**Education:** PhD in business administration, Dr oec.

**Career history:** 1997–1999 Kantonsschule Büelrain, Winterthur, Rector; 1999–2000 Swiss Re, Head of Technical Training and Business Training; 2001 Swiss Re, Divisional Operation Officer, Reinsurance & Risk Division; 2002–2003 Swiss Re, Head of HR Corporate Centre and HR Shared Services; 2003–2007 Swiss Re, Head of Global Human Resources; 2007–2009 Schindler Aufzüge AG, Head of HR and Training; 2010–2011 Europe North and East Schindler, HR Vice President; since September 2011 Swisscom Ltd, Chief Personnel Officer (CPO)

Since September 2011 member of the Swisscom Group Executive Board

**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** Member of the Board, Swiss Employer's Association, Zurich; member of the Board of Trustees, comPlan, Basel

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** Member of the Advisory Board of the International Institute of Management in Technology (iimt) at the University of Fribourg up to December 2015; President of the Institute Council and Advisory Board of iimt since January 2016



#### Marc Werner

**Education:** Technical apprenticeship with Maturity Certificate, Swiss Certified Marketing Executive; Senior Management Programme (University of St. Gallen); Senior Executive Programme at London Business School

**Career history:** 1997–2000 Minolta (Schweiz) AG, Head of Marketing and Sales and member of the Board of Directors; 2000–2004 Bluewin AG, Head of Marketing & Sales, member of the Executive Board; 2005–2007 Swisscom Fixnet Ltd, Head of Marketing & Sales Residential Customers; 2008–2011 Swisscom (Switzerland) Ltd, Head of Marketing & Sales Residential Customers and Deputy Head of Residential Customers; 2012–2013 Swisscom (Switzerland) Ltd, Head of Customer Service Residential Customers and Deputy Head of Residential Customers; September 2013–December 2015 Swisscom, Head of Residential Customers division; since 1 January 2016 Swisscom, Head of Sales & Services

Since January 2014 member of the Swisscom Group Executive Board

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors, Net-Matrix AG, Zurich; Member of the Executive Board, simsa – Swiss Internet Industry Association, Zurich

**Mandates by order of Swisscom:** Chairman of the Board of Directors of siroop AG, Zurich, since October 2015

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** Member of the Executive Board, Swiss Advertising Association (SW), Zurich



#### Roger Wüthrich-Hasenböhler

**Education:** Degree in electronic engineering (HTL), Executive MBA HSG

**Career history:** 1997–1999 Swisscom Ltd, Network Services, Head of Zurich branch; 1999–2000 Swisscom Ltd, Marketing & Sales, Sales Director Zurich SME; 2000–2005 Swisscom Mobile Ltd, Head of Business Customer Sales; 2006–2007 Swisscom Solutions Ltd, Head of Marketing & Sales; 2008–2010 Swisscom (Switzerland) Ltd, Head of Marketing and Sales, Swisscom Corporate Business, and CEO, Webcall GmbH; 2011–2013 Swisscom (Switzerland) Ltd, Head of Small and Medium-Sized Enterprises division; 2011–2012 Swisscom, member of the Group Executive Board; January 2014–December 2015 Swisscom, Head of Small and Medium-Sized Enterprises division; since 2016 Swisscom, Head of Digital Business

January 2014–December 2015 member of the Swisscom Group Executive Board

**Mandates in listed companies:** –

**Mandates in non-listed companies:** Member of the Board of Directors of Raiffeisenbank am Ricken Genossenschaft, Eschenbach

**Mandates by order of Swisscom:** Member of the Board of Directors of the cooperative basecamp4hightech (bc4ht), Berne; member of the Board of Directors of InnovAARE AG, Villigen, since May 2015; member of the Executive Board of Digital Zurich 2025, Zurich, since September 2015; member of the Board of Directors of siroop AG, Zurich, since October 2015

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



#### Christian Petit

**Education:** MBA ESSEC, Cergy-Pontoise

**Career history:** 1993–1999 debitel France; 2000–2003 Head of Operations, Swisscom Mobile AG; 2003–2006 Head of Product Marketing, Swisscom Mobile AG; 2006–June 2007 CEO, Hospitality Services Plus SA; August 2007–December 2012 member of the Group Executive Board, Swisscom; August 2007–August 2013 Head of Residential Customers, Swisscom (Switzerland) Ltd; September 2013–December 2013 Head of Corporate Business, Swisscom (Switzerland) Ltd; January–March 2014 Head of Enterprise Solution Center, Swisscom (Switzerland) Ltd; since April 2014 Head of Enterprise Customers

Since April 2014 member of the Swisscom Group Executive Board again

**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** Member of the Board of Trustees, Stiftung IT Berufsbildung Schweiz, Berne

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



#### Heinz Herren

**Education:** Degree in electronic engineering (HTL)

**Career history:** 1994–2000 3Com Corporation; 2000 Inalp Networks Inc.; 2001–2005 Head of Marketing Wholesale, Swisscom Fixnet Ltd; 2005–2007 Head of Small and Medium-Sized Enterprises, Swisscom Fixnet Ltd; 2007–2010 Head of Small and Medium-Sized Enterprises, Swisscom (Switzerland) Ltd; 2011–2013 Head of Network & IT, Swisscom (Switzerland) Ltd; August 2007–December 2012 Member of the Group Executive Board, Swisscom; since January 2014 Head of IT, Network & Innovation (named IT, Network & Innovation since 2016) Swisscom

Since January 2014 member of the Swisscom Group Executive Board again

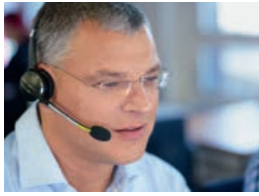
**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** Member of the Board of Directors, Belgacom International Carrier Services S.A., Brussels

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –



#### Dirk Wierzbitzki

**Education:** Degree in Electrical Engineering (Dipl. Ing.)

**Career history:** 1994–2001 Mannesmann (now Vodafone Germany): various management roles in the area of product management; 2001–2010 Vodafone Group, 2001–2003 Vodafone Global Products and Services, Director for Innovation Management, 2003–2006 Director for Commercial Terminals, 2006–2008 Director for Consumer Internet Services and Platforms, 2008–2010 Director for Communications Services; 2010–2012 Swisscom (Switzerland) Ltd, Head of Customer Experience Design for Residential Customers; 2013–2015 Swisscom (Switzerland) Ltd, Head of Fixed-network Business & TV for Residential Customers; since January 2016 Swisscom, Head of Products & Marketing

Since January 2016 member of the Swisscom Group Executive Board

**Mandates in listed companies:** –

**Mandates in non-listed companies:** –

**Mandates by order of Swisscom:** Member of the Board of Directors, SoftAtHome, Paris

**Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations:** –

**Other significant activities:** –

### 5.3 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.

## 6 Remuneration, shareholdings and loans

See report  
Page 122

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.

## 7 Shareholders' participation rights

### 7.1 Voting restrictions and proxies

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, then exceeds 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 of Swisscom Ltd. The Board of Directors may also 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 person acquiring shares who fails to expressly declare upon request that he/she has acquired the shares in his/her own name and for his/her own account or as beneficial holder. Should an acquirer of shares refuse to make such a declaration, he/she will be entered as a shareholder without voting rights.

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 him/her 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.

During the year under review, the Board of Directors did not recognise any acquirers of shares with more than 5% of all registered shares as a shareholder or beneficial holder with voting rights, did not reject any requests for recognition or registration and did not remove any shareholders with voting rights from the share register due to the provision of false data.

### 7.2 Statutory quorum requirements

The Annual General Meeting of Shareholders of Swisscom Ltd adopts its resolutions and holds its elections by the absolute majority of valid votes cast. Abstentions are not deemed to be 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

### 7.3 Convocation of the Annual General Meeting

The Board of Directors must convene the Annual General Meeting at least 20 calendar 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.

One or more shareholders who together represent at least 10% of the share capital can demand in writing that an extraordinary general meeting be convened, stating the agenda item and the proposal and, in the case of elections, the names of the proposed candidates.



## 7.4 Agenda items

The Board of Directors is responsible for defining the agenda. 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.

## 7.5 Representation at the Annual General Meeting

Shareholders may be represented at the Annual General Meeting by another shareholder with voting rights or by the independent proxy elected by the Annual General Meeting. 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 is not a shareholder. Authorisation may be granted in writing or via the Sherpany Internet platform once a shareholder has opened a shareholder account on this platform. Shareholders who are represented by a proxy may issue instructions for each agenda item and also for all unannounced agenda items and motions, stating whether they wish to vote for or against a motion or abstain. The independent proxy must cast the votes entrusted to him by shareholders according to their instructions. If it receives no instructions, it shall abstain. Abstentions are not deemed to be cast votes (Article 5.7.4 of the Articles of Incorporation). The Articles of Incorporation do not include any regulations which differ from the Ordinance against Excessive compensation in Stock Exchange Listed Companies (OaEC) as regards the appointment of the independent proxy, any statutory regulations on the issuing of instructions to the independent proxy or any statutory regulations with regard to electronic participation in the Annual General Meeting.

## 7.6 Registrations in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. To ensure due procedure, the Board of Directors defines a cut-off date for voting entitlements, which lies a few days before the respective Annual General Meeting. The cut-off date is published with the invitation to the Annual General Meeting in the Swiss Commercial Gazette and on the Swisscom website. The share register is not closed prior to the Annual General Meeting. Entries can still be made. Shareholders entered in the share register with voting rights on 2 April 2015 at 4 p.m. were entitled to vote at the Annual General Meeting of 8 April 2015.

## 8 Change of control and defensive measures

### 8.1 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 thus 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.

### 8.2 Clause on change of control

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

See report  
Page 122

## 9 Auditor

### 9.1 Duration and term of office of the Auditor-in-charge

The statutory auditors are appointed annually by the Annual General Meeting. KPMG AG, Muri bei Bern, has acted as the statutory auditor of Swisscom Ltd and its Group companies (with the exception of Fastweb S.p.A, which is audited by PriceWaterhouseCoopers S.p.A.) since 1 January 2004. Hans-peter Stocker of KPMG AG has been responsible for the mandate as Auditor-in-charge since 2015.

### 9.2 Audit fees

Fees for auditing services provided by KPMG AG in 2015 amounted to CHF 3,413 thousand (prior year: CHF 3,149 thousand). PricewaterhouseCoopers S.p.A. as auditors for Fastweb received remuneration of CHF 678 thousand in 2015 (prior year: CHF 785 thousand).

### 9.3 Supplementary fees

Fees of KPMG AG for additional -audit-related services amounted to CHF 201 thousand (prior year: CHF 548 thousand) and for other services to CHF 1,533 thousand (prior year: CHF 635 thousand). The supplementary fees primarily comprise advisory services in connection with company takeovers, the sale of real estate and taxes. Fees of PricewaterhouseCoopers S.p.A. for additional audit-related services for Fastweb amounted to CHF 155 thousand (prior year: CHF 133 thousand).

### 9.4 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).

In order to ensure the independence of the auditors, the Audit Committee (where the fee exceeds CHF 300,000) or the CFO of the local Group company must also approve additional assignments. The Audit Committee is reported to quarterly by the CFO and annually by the auditors 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 dep-

uty, usually attend all Audit Committee meetings. They report to the Committee in detail on the conduct 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 conduct 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 liaises closely with the Auditor-in-charge outside the meetings of the Audit Committee and regularly reports to the Board of Directors.

## 10 Information policy

Swisscom pursues an open, active information policy vis-à-vis the general public and the capital markets. It publishes comprehensive, consistent and transparent financial information on a quarterly basis. Swisscom 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.

 See  
[www.swisscom.ch/  
financialreports](http://www.swisscom.ch/financialreports)

The interim reports and 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](http://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](http://www.swisscom.ch/generalmeeting)

The minutes of the Annual General Meeting of 8 April 2015 are available on the Swisscom website.

 See report  
Page 237

Those responsible for investor relations can be contacted via the website, e-mail, telephone or by post. Contact details are provided in the legal notice on the site.

### 10.1 Publication of results for the 2016 financial year

- > Interim report: 3 May 2016
- > Interim report: 18 August 2016
- > Interim report: 3 November 2016
- > Annual report: February 2017

### 10.2 Annual General Meeting for the 2015 financial year

- > 6 April 2016 at Forum Fribourg, Granges-Paccot

# Remuneration Report

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

## 1 Principles

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 sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by SIX Swiss Exchange and Art. 13 to 16 of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC). Swisscom is implementing the requirements of the OaEC. Swisscom also complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by economie-suisse, the umbrella organisation representing Swiss business.

Swisscom's internal principles are primarily set out in the Articles of Incorporation, the Organisational Rules and the Regulations of the Compensation Committee. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic principles".

As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 6 April 2016.

The compensation payable in 2015 was accrued in accordance with the International Financial Reporting Standards (IFRS).

 See  
[www.swisscom.ch/  
basicprinciples](http://www.swisscom.ch/basicprinciples)

## 2 Decision-making powers

### 2.1 Division of tasks between the Annual General Meeting, the Board of Directors and the Compensation Committee

The Annual General Meeting approves the maximum total remuneration amounts payable to the Board of Directors and the Group Executive Boards for the following financial year upon the motion proposed by the Board of Directors. Details of the relevant regulation and the consequences of a negative decision by the Annual General Meeting are set out in the Articles of Incorporation (Articles 5.7.7 and 5.7.8). The Articles of Incorporation also define the requirements for and the maximum level of the additional amount that can be paid to a member of the Group Executive Board who is newly appointed during a period for which the Annual General Meeting has already approved the remuneration.

The Board of Directors approves, inter alia, 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 sets the remuneration of the Board of Directors and decides on the remuneration of the CEO as well as the total remuneration for the Group Executive Board. From the 2016 financial year, the Board of Directors will have to comply with the maximum amounts approved by the Annual General Meeting for the remuneration to be paid to the Board of Directors and the Group Executive Board for the financial year in question.

The Compensation Committee handles all 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 conduct of the members of the Board of Directors with respect to conflicts of interest is defined in section 2.6 of the Organisational Rules.

The decision-making powers are governed by the Articles of Incorporation, the Organisational Rules and the Regulations of the Compensation Committee. The Articles of Incorporation and the relevant rules and regulations can be accessed on the Swisscom website under “Basic principles”.

The table below shows the division of responsibilities between the Annual General Meeting, the Board of Directors and the Compensation Committee.

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Subject	Remuneration Committee	Board of Directors	Annual General Meeting
Maximum total amounts for remuneration of the Board of Directors and Group Executive Board	V <sup>1</sup>	A <sup>2</sup>	G <sup>3</sup>
Additional amount for remuneration of newly appointed members of the Group Executive Board	V	A	G
Principles for performance-related and participation schemes	V	A	G
Personnel and remuneration policy	V	G <sup>4</sup>	–
Principles for benefit plans and social security services	V	G	–
Concept of remuneration to members of the Board of Directors	V	G <sup>4</sup>	–
Equity success and participation plans of the Group	V	G <sup>4</sup>	–
General terms and conditions of the Group Executive Board	V	G <sup>4</sup>	–
Determination of the targets for the variable performance-related salary component	V	G <sup>4</sup>	–
Remuneration of the Board of Directors	V	G <sup>5</sup>	–
Remuneration of the CEO Swisscom Ltd	V	G <sup>5</sup>	–
Total remuneration of the Group Executive Board	V	G <sup>5</sup>	–
Remuneration of the members of the Group Executive Board (excl. CEO)	G <sup>5,6</sup>	–	–

<sup>1</sup> V stands for preparation and proposal to the Board of Directors.

<sup>2</sup> A stands for proposal to the Annual General Meeting.

<sup>3</sup> G stands for approval.

<sup>4</sup> In the framework of the Articles of Incorporation.

<sup>5</sup> In the framework of the maximum total remuneration defined by the Annual General Meeting.

<sup>6</sup> In the framework of the total remuneration defined by the Board of Directors.

## 2.2 Election, composition and modus operandi of the Compensation Committee

The Compensation Committee consists of three to six members. They are elected individually each year by the Annual General Meeting. If the number of members falls below three, the Board of Directors appoints the missing member(s) from its midst until the conclusion of the next Annual General Meeting. The Board of Directors appoints the Chairman of the Compensation Committee, which constitutes itself. If the Annual General Meeting elects the Chairman of the Board of Directors to the Compensation Committee, he has no voting rights. He does not participate in meetings in which discussions take place or decisions are made with regard to his own remuneration. The CEO, CPO, Head of Strategy & Board Services and Head of Compensation & Benefits attend the meetings in an advisory capacity, unless 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 meetings of the Compensation Committee are generally held in February, June and December. Further meetings can be convened if required. The Chairman reports orally on the activities of the Compensation Committee at the next meeting of the Board of Directors.

The details are governed by the Articles of Incorporation (Article 6.5), the Organisational Rules of the Board of Directors and the Regulations of the Compensation Committee. The Articles of Incorporation and the relevant rules and regulations can be accessed on the Swisscom website under "Basic principles".

The members of the Compensation Committee 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. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are given in Note 37 to the consolidated financial statements.

The following table gives an overview of the composition of the Committee, the Committee meetings, conference calls and circular resolutions held or taken in 2015.

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	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	1:15	–	–
Participation:			
Barbara Frei, Chairwoman	3	–	–
Torsten Kreindl	3	–	–
Theophil Schlatter	3	–	–
Hans Werder <sup>1</sup>	3	–	–
Hansueli Loosli <sup>2</sup>	3	–	–

<sup>1</sup> Representative of the Confederation.

<sup>2</sup> Participation without voting rights.

## 3 Remuneration paid to the Board of Directors

### 3.1 Principles

The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated individuals 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 is commensurate with the activities and level of responsibility of each member and reflects the normal market remuneration for comparable functions. The basic principles regarding the remuneration of the Board of Directors and the allocation of equity shares are set out in the Articles of Incorporation (Articles 6.4 and 8.1), which can be accessed on the Swisscom website under "Basic principles".

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The remuneration is made up of a Director's fee related to the member's function, meeting attendance fees as well as pension fund and any fringe benefits. No variable performance-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 requirements on minimum shareholdings, thus ensuring they directly participate financially in the performance of Swisscom's shares. The remuneration is reviewed every December for the following year for ongoing appropriateness. In December 2014, the Board of Directors opted not to adjust its remuneration for the 2015 financial year. The Board of Directors judged the appropriateness of the remuneration as part of a discretionary decision based on the publicly accessible study published in 2014 by ethos, the Swiss Foundation for Sustainable Development. This study provides information for the 2013 financial year on the remuneration of the management of Switzerland's 100 largest listed companies.

### 3.2 Remuneration components

#### Director's fee

The Director's fee is made up of a basic emolument and functional allowances as compensation for the individual functions. The basic emolument for all members of the Board of Directors excluding employee social insurance contributions is CHF 120,000 (net).

The functional allowances amount to CHF 265,000 net for the Chairman, CHF 20,000 net each for the Vice Chairman and the Chairmen of the Finance and Compensation Committees, CHF 50,000 net for the Chairman of the Audit Committee, and CHF 40,000 net for the representative of the Swiss Confederation. Remuneration of CHF 10,000 net is awarded for membership in a standing committee. No functional allowance is paid for participation in ad-hoc committees appointed on a case-by-case basis.

Under the Management Incentive Plan, the members of the Board of Directors are obligated to draw 25% of their Director's fee in the form of shares, with Swisscom adding a 50% top-up to the amount invested in shares. In this manner, the compensation (excluding meeting attendance fees, pension fund benefits and fringe benefits) is made up of a two-thirds cash portion and a one-third equity share portion. 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. 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 blocking period of three years. The shares, which are allocated in April of each reporting year in respect of the reporting year, are recorded at market value on the date of allocation. The share-based compensation is augmented by a factor of 1.19 in order to take account of the difference between the tax value and the market value. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements. In April 2015, 1,302 shares were allocated to the members of the Board of Directors (prior year: 1,374 shares) with a tax value of CHF 473 per share (prior year: CHF 449). Their market value was CHF 563 (prior year: CHF 534.50) per share.

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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 fringe 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 disclosed remuneration paid 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.

With regards to the disclosure of services rendered, non-cash benefits and expenses a tax based point of view is taken. No significant non-cash benefits are paid nor services rendered. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. Accordingly, neither services rendered and non-cash benefits nor expenses are included in the reported remuneration.

### 3.3 Total remuneration

Total remuneration paid to the individual members of the Board of Directors for the financial years 2014 and 2015 is presented in the tables below, broken down into individual components. The increase in total remuneration in 2015 was due to a higher number of meetings held over two days.

2015, in CHF thousand	Base salary and functional allowances			Employer contributions to social security	Total 2015
	Cash remuneration	Share-based payment	Meeting attendance fees		
Hansueli Loosli	330	196	34	31	591
Frank Esser	104	62	23	11	200
Barbara Frei	120	71	23	12	226
Hugo Gerber <sup>1</sup>	111	62	28	12	213
Michel Gobet	104	62	22	11	199
Torsten Kreindl	127	75	24	13	239
Catherine Mühlemann	104	62	23	11	200
Theophil Schlatter	167	99	28	17	311
Hans Werder	142	84	28	12	266
<b>Total remuneration to members of the Board of Directors</b>	<b>1,309</b>	<b>773</b>	<b>233</b>	<b>130</b>	<b>2,445</b>

<sup>1</sup> The cash remuneration (including meeting attendance fees) of CHF 8,500 for the mandate as member of the Board of Directors of Worklink AG has been included.

2014, in CHF thousand	Base salary and functional allowances			Employer contributions to social security	Total 2014
	Cash remuneration	Share-based payment	Meeting attendance fees		
Hansueli Loosli	330	195	35	31	591
Frank Esser <sup>1</sup>	69	57	15	8	149
Barbara Frei	114	71	22	12	219
Hugo Gerber <sup>2</sup>	111	61	26	11	209
Michel Gobet	104	61	22	11	198
Torsten Kreindl	127	75	26	13	241
Catherine Mühlemann	104	61	21	11	197
Richard Roy <sup>3</sup>	48	7	8	4	67
Theophil Schlatter	162	99	26	16	303
Hans Werder	142	84	25	11	262
<b>Total remuneration to members of the Board of Directors</b>	<b>1,311</b>	<b>771</b>	<b>226</b>	<b>128</b>	<b>2,436</b>

<sup>1</sup> Elected as of 7 April 2014.

<sup>2</sup> The cash remuneration (including meeting attendance fees) of CHF 8,500 for the mandate as member of the Board of Directors of Worklink AG has been included.

<sup>3</sup> Resigned as of 7 April 2014.



### 3.4 Director's fee and meeting attendance fees from 2016

The Board of Directors will set an example within the framework of the measures aimed at increasing efficiency and reduce its remuneration from 1 January 2016. The basic emolument for all members of the Board of Directors (excluding employee social insurance contributions) will now be CHF 110,000 net (previously CHF 120,000). The functional allowance for the Chairman will now be CHF 255,000 net (previously CHF 265,000). For meetings, attendance fees of CHF 1,100 net (previously CHF 1,250) will now be paid for each full day and CHF 650 net (previously CHF 750) for each half-day.

### 3.5 Minimum shareholding requirement

Since 2013, the members of the Board of Directors have been 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 made up by no later than the time of the next review. In justified cases such as personal hardship or legal obligations, the Chairman of the Board of Directors can approve individual exceptions at his discretion.

### 3.6 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 2014 and 2015 are listed in the table below:

Number	31.12.2015	31.12.2014
Hansueli Loosli	2,012	1,682
Frank Esser <sup>1</sup>	205	101
Barbara Frei	528	409
Hugo Gerber	1,233	1,129
Michel Gobet	1,600	1,496
Torsten Kreindl	1,322	1,195
Catherine Mühlemann	1,223	1,119
Theophil Schlatter	1,054	887
Hans Werder	982	839
<b>Total shares of the members of the Group Executive Board</b>	<b>10,159</b>	<b>8,857</b>

<sup>1</sup> Elected as of 7 April 2014.

No share of the voting rights of any person required to make disclosure thereof exceeds 0.1% of the share capital.

## 4 Remuneration paid to the Group Executive Board

### 4.1 Principles

The remuneration policy of Swisscom applicable to the Group Executive Board is designed to attract and 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:

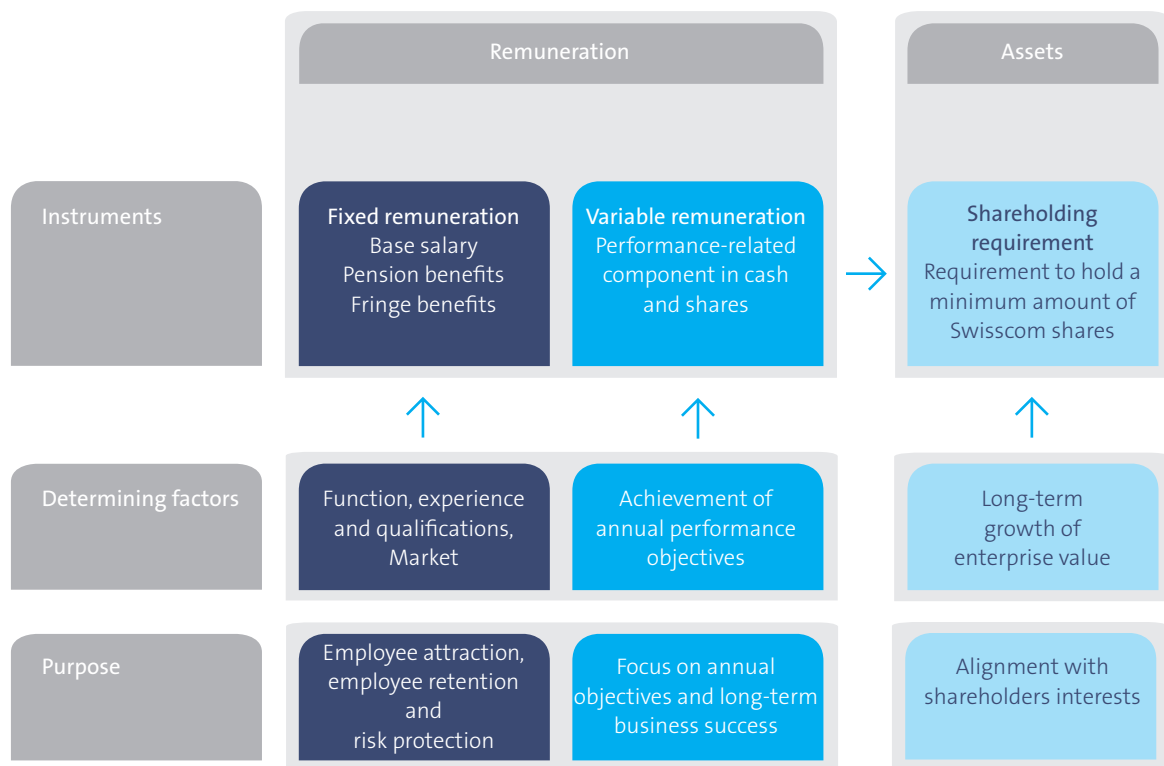
- > Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- > Remuneration is based on performance in line with the results achieved by Swisscom and the contribution made to results by the area for which the member of the Group Executive 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 combination of fixed and variable salary components. The fixed component is made up of a base salary, fringe benefits (primarily use of a company car) and pension benefits. The variable remuneration includes a performance-related component settled in cash and shares.

The members of the Group Executive Board are required to hold 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 minimum shareholding requirement, Group Executive Board members have the opportunity to draw up to 50% of the variable performance-related component of their salary in shares.

The basic principles regarding the performance-related remuneration and the profit and participation plans of the Group Executive Board are set out in the Articles of Incorporation (Article 8.1), which can be accessed on the Swisscom website under "Basic principles".

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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.

For the purpose of assessing market values, Swisscom regularly takes part in market comparisons carried out by renowned consultancy firms. In the year under review, Swisscom referred to two comparative studies: the “Swiss Headquarters Executive Total Compensation Measurement Study” by Aon Hewitt covers 78 Swiss companies and international groups in all sectors with global or regional headquarters in Switzerland, average revenues of CHF 2.4 billion and an average workforce of 6,500. The international “European Executive Survey”, also produced by Aon Hewitt, covers 37 European groups, mainly telecommunications companies, with average revenues of around CHF 30 billion and an average workforce of 73,000 (FTEs). Due to their numerous reference companies, both studies provide the basis for a representative comparison. In the evaluation of these studies, Swisscom takes 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, Swisscom adjusted the remuneration of two Group Executive Board members to reflect these benchmarks, to take account of the performance of these members in partially extended functions and to ensure a salary that is in line with the market. The second stage in a salary increase granted to one member in the prior year as of 1 April 2014 and 1 April 2015 was also implemented.

## 4.2 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.

### Performance-related salary component

The members of the Group Executive Board are entitled to a variable, performance-related salary component which represents 70% of the base salary if objectives are achieved (target bonus). The amount of the performance-related component paid out depends on the extent to which the targets are achieved, as set by the Compensation Committee, taking into account the performance evaluation by the CEO. If targets are exceeded, up to 130% of the target bonus may be paid. The maximum performance-related salary component is thus limited to 91% of the base salary. This ensures that the maximum performance-related salary component does not exceed the annual base salary, even taking account of the market value of the component paid in shares.

### Targets for the variable performance-related component

The targets underlying the variable performance-related component are adopted annually in December for the following year by the Board of Directors following a proposal submitted by the Compensation Committee. The targets relevant to the reporting year remained largely unchanged. The targets are based on the Swisscom Group’s budget figures for 2015.

All members of the Group Executive Board are measured against targets at the levels “Group”, “Customers” and “Segments”. Group targets consist of financial targets. Customer targets for the reporting year are measured using the Net Promoter Score – a recognised indicator of customer loyalty – taking into consideration the customer group for which the Group Executive Board member is responsible. Further information on customer satisfaction can be found in the Management Commentary.

Segment targets are tailored to the relevant function of each Group Executive Board member and consist of financial and non-financial targets. These also include financial targets for the Italian subsidiary Fastweb S.p.A., on which the Group Board members delegated to Fastweb’s Boards of Directors are measured since the financial year under review. 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.

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

Target levels	Objectives	Weighting of targets level CEO	Weighting of targets level of other members of the Group Executive Board
Group	Net revenue	18%	12–18%
	EBITDA margin	18%	12–18%
	Operating free cash flow	24%	16–24%
Customers	Net promoter score	30%	25%
Segments	Segment targets	10%	15–35%
<b>Total</b>		<b>100%</b>	<b>100%</b>

#### Achievement of targets

The Compensation Committee determines the level of target achievement in the following year once the consolidated financial statements become available. Its decision is based on a quantitative assessment of the extent to which targets have been met using a scale for the overachievement and underachievement of each target. In determining the level of target achievement, the Compensation Committee also has a degree of discretion in assessing the effective management performance, allowing special factors such as fluctuations in exchange rates to be taken into account. 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.

In the year under review, the financial Group targets were met. Depending on the segment, the customer objectives were in some cases not fully achieved and in some cases exceeded. The other targets of the segments were largely achieved and partially exceeded. The resulting payment of the performance-related component is 99% for the CEO and between 95% and 104% of the target bonus for the other members of the Group Executive Board.

#### Payment of the variable performance-related component

The variable performance-related component is paid in April of the following year, with 25% being paid in the form of Swisscom shares, in accordance with the Management Incentive Plan. Group Executive Board members have an option to increase this share up to a maximum of 50%. The remaining portion of the performance-related component is settled in cash. In the event of a departure during the course of the year, the payment of the performance-related component for the current year is generally made in full 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. In the year under review, two members of the Group Executive Board opted for a higher share component. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares, and are subject to a three-year blocking period. The share-based remuneration disclosed in the year under review 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 2016. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements.

In April 2015, a total of 1,268 shares (2013: 1,599 shares) with a tax value of CHF 473 (prior year: CHF 449) per share and a market value of CHF 563 (prior year: CHF 534.50) per share were allocated for the 2014 financial year to the members of the Group Executive Board.

#### Restricted share plan

The restricted share plan serves to support the recruitment and retention of employees in key positions. It can also be utilised as a remuneration component for members of the Group Executive Board. Under this plan, the Board of Directors can, where necessary, pay part of the remuneration in the form of restricted share units. These shares must be earned over a three year vesting period. Swisscom has so far not allocated any restricted share units to members of the Group Executive Board.

#### Pension fund and fringe 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](http://www.pk-complan.ch)). The disclosed 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. They also include the pro rata costs of the AHV bridging pension paid by comPlan in the event of early retirement and the premium for the supplementary life insurance concluded for Swisscom management staff in Switzerland.

With regards to the disclosure of services rendered and 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 services rendered and non-cash benefits therefore include an amount for private use of the company car. 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.

### 4.3 Total remuneration

The following table shows total remuneration paid to the members of the Group Executive Board for the 2015 and 2014 financial years, broken down into individual components and including the highest amount paid to one member. In the year under review, the variable performance-related salary component (CHF 2,810 thousand in total) was 74.4% of the base salary (CHF 3,775 thousand in total). The total remuneration paid to the highest-earning member of the Group Executive Board (CEO, Urs Schaeppi) increased by 3.3% compared to the prior year. This is primarily attributable to higher age-related occupational pension plan contributions as well as the choice of a higher proportion of shares in the performance-related component. The increase in total remuneration paid to the Group Executive Board is primarily attributable to the salary increases granted for three members of the Group Executive Board in the year under review as well as the age-related increase in the level of retirement provision contributions for three members of the Group Executive Board.

In CHF thousand	Total Group Executive Board 2015	Total Group Executive Board 2014	Thereof Urs Schaeppi 2015	Thereof Urs Schaeppi 2014
Fixed base salary paid in cash	3,775	3,622	882	882
Variable earnings-related remuneration paid in cash	1,792	1,969	336	463
Variable earnings-related remuneration paid in shares <sup>1</sup>	1,018	712	327	184
Service-related and non-cash benefits	85	60	17	18
Employer contributions to social security <sup>2</sup>	538	481	126	116
Retirement benefits	816	696	144	110
<b>Total remuneration to members of the Group Executive Board</b>	<b>8,024</b>	<b>7,540</b>	<b>1,832</b>	<b>1,773</b>
Benefits paid following retirement from Group Executive Board <sup>3</sup>	–	252	–	–
<b>Total remuneration to members of the Group Executive Board including benefits paid following retirement from Group Executive Board</b>	<b>8,024</b>	<b>7,792</b>	<b>1,832</b>	<b>1,773</b>

<sup>1</sup> The shares are reported at market value and are blocked from sale for three years.

<sup>2</sup> Employer contributions to social security (AHV, IV, EO and FAK, incl. administration costs, and daily sickness benefits and accident insurance) are included in the total remuneration.

<sup>3</sup> "Benefits paid following departure from the Group Executive Board" indicates the contractually stipulated remuneration paid to those stepping down from the Group Executive Board in the respective year under review that were paid during the notice period up to the date of departure. This amount includes the social security contributions made by the employer as well as retirement benefits.

### 4.4 Minimum shareholding requirement

Since 2013, the members of the Group Executive Board have been required to hold a minimum amount of Swisscom shares. The minimum shareholding to be held by the CEO shall be equivalent to two years' basic salary. The remaining members shall maintain a shareholding equivalent to one year's basic 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 applicable, 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 of the next review. In justified cases such as personal hardship or legal obligations, the Chairman of the Board of Directors can approve individual exceptions at his discretion.

#### 4.5 Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by members of the Group Executive Board or related parties as at 31 December 2015 and 2014 are listed in the table below:

Number	31.12.2015	31.12.2014
Urs Schaeppi (CEO)	2,602	2,275
Mario Rossi	821	634
Hans C. Werner	571	421
Marc Werner <sup>1</sup>	211	106
Christian Petit <sup>2</sup>	1,525	1,332
Roger Wüthrich-Hasenböhler <sup>3</sup>	1,032	879
Heinz Herren <sup>3</sup>	1,098	1,122
<b>Total shares of the members of the Board of Directors</b>	<b>7,860</b>	<b>6,769</b>

<sup>1</sup> Joined the Group Executive Board as of 1 January 2014.

<sup>2</sup> Rejoined the Group Executive Board as of 1 April 2014.

<sup>3</sup> Rejoined the Group Executive Board as of 1 January 2014.

No share of the voting rights of any person required to make disclosure thereof exceeds 0.1% of the share capital.

#### 4.6 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. The employment contracts stipulate that Swisscom may allow wrongfully awarded or paid remuneration to expire or reclaim such remuneration. They do not contain a clause on change of control.

## 5 Other remuneration

### 5.1 Remuneration for additional services

Swisscom may pay remuneration to members of the Board of Directors for assignments in Group companies and for those performed by order of Swisscom (Article 6.4 of the Articles of Incorporation). In 2015, Hugo Gerber was the only member to receive remuneration for an additional mandate for his mandate as a member of the Board of Directors of the Swisscom Group company Worklink AG. The Director's fee amounts to CHF 7,500 gross per year. For meetings, attendance fees of CHF 1,000 gross are paid for each full day and CHF 500 gross for each half-day. The full remuneration is paid in cash. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. The remuneration takes into account the activities and level of responsibility. It is determined by the Board of Directors of Worklink AG based on a discretionary decision and reviewed every two years for ongoing appropriateness.

The members of the Group Executive Board are not entitled to separate remuneration for any directorships they hold either within or outside the Swisscom Group.

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

In the year under review, 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. There were also no payments 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.

### 5.3 Loans and credits granted

Swisscom Ltd has no statutory basis for the granting of loans, credit facilities and pension benefits apart from the retirement benefits paid to the members of the Board of Directors and Group Executive Board.

In the 2015 financial year, Swisscom has granted no guarantees, loans, advances or credit facilities of any kind either to former or current members of the Board of Directors or related parties, or to former or current members of the Group Executive Board or related parties. Nor are there any receivables of any kind outstanding.



## Report of the Statutory Auditor

### Report of the Statutory Auditor on the Remuneration Report to the General Meeting of Shareholders of Swisscom Ltd, Ittigen (Berne)

#### Report of the Statutory Auditor on the remuneration

We have audited the accompanying Remuneration Report dated 31 December 2015 of Swisscom Ltd for the year ended 31 December 2014. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 3.3, 4.3 and 5.1 to 5.3 on pages 122 to 134 of the Remuneration Report.

#### Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Remuneration Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Remuneration Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Remuneration Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the Remuneration Report for the year ended 31 December 2015 of Swisscom Ltd complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Hanspeter Stocker  
Certified Auditor  
Auditor in Charge

Daniel Haas  
Certified Auditor

Berne, 3 February 2016



Over  
**2,000**  
Swisscom Friends

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help their neighbours with technical issues. The service's recommendation rate is 98%.



*“Together with my colleagues, I am pleased to have been able to bring the idea of a new type of customer service platform to fruition at Swisscom. Swisscom Friends offers quick neighbourly help for carefree interaction in the digital world. With over 1,000 interventions per month, it is clear that Swisscom Friends has developed into a successful service.”*

**Lukas Peter**  
Initiator Swisscom Friends

## **Financial Statements**

Through targeted investments we are providing the very best infrastructure for our customers.

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# Consolidated income statement

In CHF million, except for per share amounts

	Note	2015	2014
<b>Net revenue</b>	6, 7	<b>11,678</b>	<b>11,703</b>
Goods and services purchased	8	(2,342)	(2,369)
Personnel expense	9, 10, 11	(3,019)	(2,751)
Other operating expense	12	(2,697)	(2,540)
Capitalised cost of self-constructed assets and other income	13	478	370
<b>Operating income before depreciation, amortisation and impairment losses (EBITDA)</b>		<b>4,098</b>	<b>4,413</b>
Depreciation, amortisation and impairment losses on tangible and intangible assets	23, 24	(2,086)	(2,091)
<b>Operating income (EBIT)</b>		<b>2,012</b>	<b>2,322</b>
Financial income	14	43	112
Financial expense	14	(315)	(372)
Share of results of associates	25	23	26
<b>Income before income taxes</b>		<b>1,763</b>	<b>2,088</b>
Income tax expense	15	(401)	(382)
<b>Net income</b>		<b>1,362</b>	<b>1,706</b>
Share of net income attributable to equity holders of Swisscom Ltd		1,361	1,694
Share of net income attributable to non-controlling interests		1	12
<b>Basic and diluted earnings per share (in CHF)</b>	16	<b>26.27</b>	<b>32.70</b>

# Consolidated statement of comprehensive income

In CHF million	Note	2015	2014 <sup>1</sup>
<b>Net income</b>		<b>1,362</b>	<b>1,706</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses from defined benefit pension plans	10, 31	(393)	(1,128)
Income tax expense	15, 31	80	238
<b>Items that will not be reclassified to income statement, net of tax</b>		<b>(313)</b>	<b>(890)</b>
Foreign currency translation adjustments of foreign subsidiaries	31	(194)	(46)
Change in fair value of available-for-sale financial assets	31	4	–
Gains and losses from available-for-sale financial assets transferred to income statement	31	(6)	–
Change in fair value of cash flow hedges	31	(12)	10
Gains and losses from cash flow hedges transferred to income statement	31	11	5
Income tax expense	15, 31	53	12
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>		<b>(144)</b>	<b>(19)</b>
<b>Other comprehensive income</b>		<b>(457)</b>	<b>(909)</b>
<b>Comprehensive income</b>		<b>905</b>	<b>797</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd		904	786
Share of comprehensive income attributable to non-controlling interests		1	11

<sup>1</sup> The comprehensive income 2014 has been adjusted retroactively after completion of the definitive purchase price allocation of PubliGroupe SA acquired in September 2014. See Note 5.

# Consolidated balance sheet

In CHF million	Note	31.12.2015	31.12.2014 <sup>1</sup>
<b>Assets</b>			
Cash and cash equivalents	17	324	302
Trade and other receivables	18	2,535	2,586
Other financial assets	19	85	40
Inventories	20	174	149
Current income tax assets	15	21	17
Other non-financial assets	21	238	252
Non-current assets held for sale	22	–	109
<b>Total current assets</b>		<b>3,377</b>	<b>3,455</b>
Property, plant and equipment	23	9,855	9,720
Goodwill	24	5,161	4,983
Other intangible assets	24	1,861	1,921
Investments in associates	25	223	182
Other financial assets	19	238	226
Deferred tax assets	15	354	417
Other non-financial assets	21	80	57
<b>Total non-current assets</b>		<b>17,772</b>	<b>17,506</b>
<b>Total assets</b>		<b>21,149</b>	<b>20,961</b>
<b>Liabilities and equity</b>			
Financial liabilities	26	1,195	1,580
Trade and other payables	27	1,768	1,876
Current income tax liabilities	15	146	172
Provisions	28	351	107
Other non-financial liabilities	30	693	718
<b>Total current liabilities</b>		<b>4,153</b>	<b>4,453</b>
Financial liabilities	26	7,398	7,024
Defined benefit obligations	10	2,919	2,432
Provisions	28	788	820
Deferred tax liabilities	15	290	371
Other non-financial liabilities	30	359	375
<b>Total non-current liabilities</b>		<b>11,754</b>	<b>11,022</b>
<b>Total liabilities</b>		<b>15,907</b>	<b>15,475</b>
Share capital	31	52	52
Capital reserves		136	136
Retained earnings		6,783	6,885
Other reserves	31	(1,734)	(1,590)
<b>Share of equity attributable to equity holders of Swisscom Ltd</b>		<b>5,237</b>	<b>5,483</b>
Share of equity attributable to non-controlling interests		5	3
<b>Total equity</b>		<b>5,242</b>	<b>5,486</b>
<b>Total liabilities and equity</b>		<b>21,149</b>	<b>20,961</b>

<sup>1</sup> The balance sheet at 31 December 2014 has been adjusted retroactively after completion of the definitive purchase price allocation of PubliGroupe SA acquired in September 2014. See Note 5.



# Consolidated statement of cash flows

In CHF million	Note	2015	2014
Net income		1,362	1,706
Share of results of associates	25	(23)	(26)
Income tax expense	15	401	382
Depreciation, amortisation and impairment losses	23, 24	2,086	2,091
Expense for share-based payments	11	2	5
Gain on sale of property, plant and equipment	13	(27)	(60)
Loss on disposal of property, plant and equipment	12	10	11
Financial income	14	(43)	(112)
Financial expense	14	315	372
Change in operating assets and liabilities	34	134	(213)
Income taxes paid	15	(350)	(386)
<b>Cash flow from operating activities</b>		<b>3,867</b>	<b>3,770</b>
Capital expenditure for tangible and other intangible assets	23, 24, 34	(2,427)	(2,460)
Proceeds from sale of tangible and other intangible assets		61	35
Proceeds from sale of non-current assets held for sale	22	109	205
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5	(64)	(305)
Proceeds from sale subsidiaries, net of cash and cash equivalents sold	5	33	–
Investments in associates	25	(43)	(3)
Purchase of other financial assets		(93)	(25)
Proceeds from other financial assets		34	167
Interest received		12	10
Dividends received	25	23	30
<b>Cash flow used in investing activities</b>		<b>(2,355)</b>	<b>(2,346)</b>
Issuance of financial liabilities	26	1,287	1,500
Repayment of financial liabilities	26	(1,419)	(1,765)
Interest paid		(200)	(245)
Dividends paid to equity holders of Swisscom Ltd	32	(1,140)	(1,140)
Dividends paid to non-controlling interests		(7)	(16)
Acquisition of non-controlling interests	31	(5)	(162)
Purchase of treasury shares for share-based payments	11, 31	(2)	(5)
Other cash flows from financing activities	34	2	(14)
<b>Cash flow used in financing activities</b>		<b>(1,484)</b>	<b>(1,847)</b>
<b>Net increase (net decrease) in cash and cash equivalents</b>		<b>28</b>	<b>(423)</b>
Cash and cash equivalents at 1 January		302	723
Foreign currency translation adjustments in respect of cash and cash equivalents		(6)	2
<b>Cash and cash equivalents at 31 December</b>		<b>324</b>	<b>302</b>

# Consolidated statement of changes in equity

In CHF million	Note	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
<b>Balance at 31 December 2013</b>		<b>52</b>	<b>136</b>	<b>7,356</b>	–	<b>(1,571)</b>	<b>5,973</b>	<b>29</b>	<b>6,002</b>
Net income		–	–	1,694	–	–	1,694	12	1,706
Other comprehensive income		–	–	(889)	–	(19)	(908)	(1)	(909)
<b>Comprehensive income<sup>1</sup></b>		<b>–</b>	<b>–</b>	<b>805</b>	<b>–</b>	<b>(19)</b>	<b>786</b>	<b>11</b>	<b>797</b>
Dividends paid	32	–	–	(1,140)	–	–	(1,140)	(16)	(1,156)
Purchase of treasury shares for share-based payments	31	–	–	–	(5)	–	(5)	–	(5)
Allocation of treasury shares for share-based payments	11, 31	–	–	–	5	–	5	–	5
Transactions with non-controlling interests	31	–	–	(136)	–	–	(136)	(21)	(157)
<b>Balance at 31 December 2014<sup>1</sup></b>		<b>52</b>	<b>136</b>	<b>6,885</b>	–	<b>(1,590)</b>	<b>5,483</b>	<b>3</b>	<b>5,486</b>
Net income		–	–	1,361	–	–	1,361	1	1,362
Other comprehensive income		–	–	(313)	–	(144)	(457)	–	(457)
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>1,048</b>	<b>–</b>	<b>(144)</b>	<b>904</b>	<b>1</b>	<b>905</b>
Dividends paid	32	–	–	(1,140)	–	–	(1,140)	(7)	(1,147)
Purchase of treasury shares for share-based payments	31	–	–	–	(2)	–	(2)	–	(2)
Allocation of treasury shares for share-based payments	11, 31	–	–	–	2	–	2	–	2
Transactions with non-controlling interests		–	–	(10)	–	–	(10)	8	(2)
<b>Balance at 31 December 2015</b>		<b>52</b>	<b>136</b>	<b>6,783</b>	–	<b>(1,734)</b>	<b>5,237</b>	<b>5</b>	<b>5,242</b>

<sup>1</sup> The comprehensive income 2014 has been adjusted retroactively after completion of the definitive purchase price allocation of PubliGroupe SA acquired in September 2014. See Note 5.

# 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 2015 comprise Swisscom Ltd, the parent company, and its subsidiaries. A table of the Group subsidiaries is set out in Note 40. 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 Tiefenastrasse 6, 3048 Worblaufen. Swisscom Ltd is listed on the SIX Swiss Exchange. As of 31 December 2015, the Swiss Confederation (“Confederation”), as majority shareholder, held 51.0% 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 3 February 2016. The consolidated financial statements must be approved at the Annual General Meeting of Shareholders of Swisscom Ltd to be held on 6 April 2016.

## 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.

Certain financial-statement captions are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined on the basis of stock exchange quotations or by using recognised valuation models, such as the discounting of anticipated future cash flows. Unless otherwise indicated in the notes to the consolidated financial statements, fair values correspond approximately to the carrying amounts reported in the balance sheet at the time of preparing the 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 assumed where Swisscom Ltd directly or indirectly holds the majority of the voting rights or potential voting rights of the company. Companies acquired and sold are included in consolidation from the date on which they are acquired and deconsolidated from the date they are disposed of, respectively. 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 trigger 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:

Currency	Closing rate			Average rate	
	31.12.2015	31.12.2014	31.12.2013	2015	2014
1 EUR	1.084	1.202	1.228	1.075	1.213
1 USD	0.995	0.990	0.890	0.966	0.920

### 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 de-recognition 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 into the following categories: “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. Upon acquisition, financial assets are 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 recognition. They are measured at their fair value. Any gains or losses resulting from subsequent re-measurement are taken to income.

#### 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, in addition to trade receivables, term deposits with original maturities exceeding three months which Swisscom places directly, or through an agent, with the borrower.

#### 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.

#### Available-for-sale financial assets

All other financial assets are classified as available-for-sale. 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 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 instrument is 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. Valuation allowances are recognised for inventories that are difficult to sell. Unsaleable inventories are fully written off.

### 3.7 Property, plant and equipment

Property, plant and equipment is recorded at acquisition or manufacturing cost less accumulated depreciation/amortisation 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 manufacturing 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/amortisation 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 <sup>1</sup>	30
Ducts <sup>1</sup>	40
Transmission and switching equipment <sup>1</sup>	4 to 15
Other technical installations <sup>1</sup>	3 to 15
Other installations	3 to 15

<sup>1</sup> Technical installations.

Whenever significant parts of an item of property, plant and equipment comprise individual components with differing useful lives, each component is depreciated/amortised separately. The process for determining useful estimated lives takes into account the anticipated use by the company, the expected wear and tear, technological developments as well as empirical values with comparable assets. The estimated useful lives and residual values are reviewed at least annually as of the balance sheet date and, where 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 the business combination, acquisition costs are recognised at fair value. The purchase 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 dif-

ference 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 into account 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 on a systematic basis 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 as intangible assets only if they can be identified as an intangible asset which will generate future economic benefits and the costs of the 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

In determining useful estimated lives, the anticipated use by the company, the expected wear and tear, technological developments as well as empirical values with comparable assets are taken into account. 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 per year 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 continuing use. This condition is only considered as being met if the non-current asset or disposal group is immediately available for sale in its present condition and disposal is highly likely. In this respect, it must be assumed that the disposal process to which management has committed itself will be completed within one year from the date of such reclassification. 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 disposal groups are valued at the lower of their carrying amount and fair value less costs of disposal. Impairment losses resulting from the initial classification are recognised in the income statement. Assets classified as held for sale and disposal groups are no longer depreciated or 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, taking into consideration 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 costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down 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 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.

#### 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 the implementation of the programme has started 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 costs 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 re-measured, 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 net carrying amount. Any excess is taken directly to the income statement.

### 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 and TV 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 and the sale of terminal equipment.

### 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. Furthermore, the segment includes the business with on-line directories and telephone directories.

### Enterprise Customers

The segment Enterprise Customers focuses on complete communication solutions for large business customers. The product offerings in the field of business ICT infrastructure cover everything from individual products 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 includes 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 "last mile" for other telecommunication service providers.

### IT, Network & Innovation

IT, Network & Innovation is responsible primarily for the planning, operation and maintenance of Swisscom's network infrastructure and all IT systems. It is responsible for the development and production of standardised IT and network services for the entire Group. In addition, IT, Network & Innovation also includes the support functions Finances, Human Resources and Strategy for Swisscom Switzerland as well as the management of real estate in Switzerland.

### Fastweb

Fastweb is one of the largest providers of broadband services in Italy. Its product portfolio comprises voice, data, broadband and 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 comprises the business area Participations. In addition, the segment includes the areas of Health and Connected Living. Participations consist principally of the subsidiaries Billag Ltd, cablex Ltd, and Swisscom Broadcast Ltd. Billag Ltd collects radio and TV license fees on behalf of the Swiss Confederation. cablex Ltd operates in the field of construction and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunication. Swisscom Broadcast Ltd is the leading provider in Switzerland of radio services, of cross-platform services for customers in the media field and of securitised radio transmissions.

### Revenue generated from services

#### Combined offerings

Swisscom provides bundled service offerings which include internet and TV as well as an optional fixed-line connection with telephony services. They are all offered on the basis of fixed monthly subscription charges (flat rate). Revenue is recognised on a straight-line basis over the contractual term.

#### Mobile

Mobile phone services encompass basic subscription charges and in addition, domestic and international mobile phone traffic generated by Swisscom customers in Switzerland or abroad as well as 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. Swisscom offers subscriptions with a fixed monthly flat-rate fee, 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.

If a mobile handset is sold as a part of a bundled offering with a subscription, it is treated as a multi-component transaction. The price of the entire multi-component transaction is spread on a pro-rata basis over the various component parts on the basis of the respective individual sales prices thereof. In this respect, the revenue to be recognised for each individual component is limited by that part of the total consideration for the multi-component transaction whose payment is not dependent on the provision of additional services.

#### Fixed networks

Fixed-network services encompass primarily connection fees as well as 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 the business with 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 terminal equipment is recorded at the time of delivery.

#### Broadband

Broadband 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.

#### TV

In the TV sector, revenue is generated from the range of digital TV services and video-on-demand. Revenue from TV services contains non-recurring installation and connection charges and recurring subscription fees. Installation and connection fees related to installations 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, 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 relating to and the integration of new outsourcing transactions are capitalised as other assets and amortised on a straight-line basis 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 recognition 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, inter alia, 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 as at 31 December 2015. 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 fair value of the shares at the date of issuance. The related costs are recorded as personnel expense in the period in which the entitlement arose.

### 3.20 Income taxes

Income taxes encompass 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 taxes are recognised in principle on all temporary differences. Temporary differences arise from differences between the carrying amount of a balance sheet position in the consolidated financial statements and its value as reported for tax purposes and which will reverse in future periods. The tax rate used to determine the amount of deferred taxes is that which is expected to apply when the temporary difference reverses 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 recognised if the distribution of profits is to be made in the foreseeable future. Current and deferred tax assets and liabilities are netted 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 re-measured at fair value. The method of recording the fluctuations in fair value varies according to 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 results. 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 New and amended standards and interpretations

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

As from 1 January 2015 onwards, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, which have no material impact on the results or financial position of the Group.

Standard	Name
Amendments to IAS 19	Defined benefit plans: employee contributions
Various	Improvements to IFRS 2010–2012
Various	Improvements to IFRS 2011–2013

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

The following Standards and Interpretations published up to the end of 2015 are mandatory for accounting periods beginning on or after 1 January 2016:

Standard	Name	Effective from
IFRS 9	Financial instruments	1 January 2018
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Exception to consolidation	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in a joint operation	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants	1 January 2016
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016
Various	Improvements to IFRS 2012–2014	1 January 2016

Swisscom will review its financial reporting for the impact of the new and amended standards which take effect on or following 1 January 2016 and for which Swisscom did not make voluntary early application. At present, Swisscom anticipates no material impact on consolidated financial reporting with the exception of the amendment described in the following paragraph.

IFRS 15 “Revenue from Contracts with Customers”: in contrast to the revenue recognition standards currently in force, the new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers. In accordance with IFRS 15, the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer is to be recognised as revenue. As regards determining the time or period, it is no longer a question of the transfer of risks and opportunities but of the transfer of control over the goods and services to the customers. As regards multi-component contracts, IFRS 15 explicitly rules that the transaction price is to be allocated to each distinct performance obligation in relation to the relative stand-alone selling prices. Furthermore, the new standard contains new rules regarding the costs of fulfilment and winning a contract as well as guidelines as to the question when such costs are to be capitalised. In addition, the new standard requires new, more detailed note disclosure information. Swisscom anticipates that the wide-ranging amendments, in particular in the area of accounting for multi-component contracts and the prescribed capitalisation of customer acquisition costs, will impact consolidated financial reporting. However, a reliable estimate of the impact of IFRS 15 can only be made once a detailed analysis has been performed in a conclusive manner.

## 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 have to be made about the future that may have a material 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 preparing 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.

Description	Arbitrary decisions and estimation insecurity	Further information
Recoverability of Goodwill	Key assumptions such as projected cash flows, the discount rate (WACC) and long-term growth rate for determination of recoverable amount	Note 24
Defined benefit obligations	Key assumptions such as discount rate, future salary and pension increases, interest on pension plan savings as well as life expectancy for valuing the retirement-benefit obligations	Note 10
Provisions for dismantlement and restoration costs	Future costs for dismantlement and restoration as well as the date of the dismantlement	Note 28
Provision for regulatory and competition law procedures	Probability of occurring event and value of the expected cash outflow	Note 28
Allowances for doubtful receivables	Measurement of allowances taking into account historical experience with receivable losses	Note 18
Recognition of deferred tax assets	Possibility of achieving future taxable profits which can be offset against the available tax loss-carry forwards	Note 15
Useful lives of property, plant and equipment	Estimate of useful lives taking into account the expected use, expected physical wear, technology developments as well as past experience with comparable assets	Notes 3.7 and 23

## 5 Business combinations and disposal of subsidiaries

### Business combinations in 2015

In 2015, Swisscom made payments, net of cash and cash equivalents acquired, totalling CHF 64 million for the acquisition of subsidiaries. Of this amount, CHF 8 million relates to deferred consideration arising on business combinations in prior years and CHF 56 million for subsidiaries acquired in 2015.

#### Business combination search.ch Ltd

In May 2014, Swisscom and Tamedia agreed to contribute their companies Swisscom Directories Ltd (local.ch) and search.ch Ltd to a jointly-held subsidiary company. Swisscom holds 69% of the capital of the joint company, with Tamedia holding the remaining 31%. With the on-line directory platform local.ch and the Local Guide telephone directories, Swisscom Directories Ltd is a leading company in Switzerland in the field of advertising and the operation of directories. Search.ch Ltd (search.ch) is a leading Swiss search and information service. With the merger of Swisscom Directories Ltd (local.ch) and search.ch Ltd, there is born a comprehensive Swiss directory and information platform for private individuals, companies and public administrations as well as an important advertising partner for small and medium-size companies.

The transaction was consummated at the beginning of July 2015 following consent to the transaction given by the Federal Competition Commission (Weko). Swisscom granted Tamedia a put option and Tamedia granted Swisscom a call option for the 31% share of Tamedia which both can be exercised as from the third year following the consummation of the transaction. The fair value of the put option amounts to CHF 222 million. This amount was recognised as a financial liability in the third quarter of 2015. The fair value of the put option corresponds to the purchase cost for the acquisition of search.ch Ltd. The allocation of the acquisition costs over the net assets of search.ch may be analysed as follows:

In CHF million	2015
<b>Purchase price allocation of search.ch AG</b>	
Cash and cash equivalents	12
Other intangible assets	42
Other current and non-current assets	10
Defined benefit obligations	(5)
Deferred tax liabilities	(4)
Other current and non-current liabilities	(20)
<b>Identifiable assets and liabilities</b>	<b>35</b>
Goodwill	187
<b>Purchase consideration</b>	<b>222</b>
Cash and cash equivalents acquired	(12)
Issuance of equity instruments	(222)
<b>Total cash inflow</b>	<b>(12)</b>

The gross amount of the trade receivables acquired amounts to CHF 7 million. At the time of the acquisition, it was anticipated that of this amount, CHF 1 million was non-collectible. No transaction costs arose in connection with the acquisition of search.ch. The principal reasons for the recognition of goodwill are the anticipated synergies from distribution as well as additional market share. In 2015, there resulted additional net revenues of CHF 18 million and a profit of CHF 4 million from this business combination. On the assumption that the subsidiary acquired in 2015 had been included in the consolidated financial statements as from the date of 1 January 2015, there would have resulted consolidated pro-forma net revenues of CHF 11,693 million and a consolidated pro-forma net income of CHF 1,363 million.

### Other business combinations in 2015

In 2015, Swisscom acquired the entire share capital of two companies, the Veltigroup group and H-Net Ltd. Furthermore, Swisscom acquired in 2015 51% of the share capital of Mila Ltd. With the acquisition of Veltigroup, Swisscom consolidates its ICT portfolio for business clients and its presence in Western Switzerland. Veltigroup is a leading ICT service provider and offers companies a complete ICT service offering from infrastructure through to end-customer services and solutions. Through the purchase of H-Net Ltd, Swisscom strengthens its portfolio in the field of healthcare. H-Net Ltd is one of the leading companies in the fields of administrative and medical data exchange in healthcare. H-Net Ltd was merged with Swisscom Health Ltd following acquisition. The purchase of Mila Ltd is designed to make a contribution to all three strategic market thrusts of Swisscom (client orientation, innovation, operational excellence).

In addition, Swisscom acquired the Avanti business from HP Switzerland. Avanti is an operations control system and back-office for emergency response organisations. Furthermore, Swisscom acquired the Swiss business of World Television (Switzerland) Limited. Through this, Swisscom Event & Media Solutions could further expand its existing offering in the field of video and streaming services thereby becoming the Swiss market leader in the field of on-line video communications and live-streaming for corporate customers.

The other subsidiaries and business areas acquired in 2015 are regarded as immaterial business combinations and are thus presented on an aggregate basis. The aggregate allocation of acquisition costs over the net assets acquired may be analysed as follows:

In CHF million	2015
<b>Purchase price allocation of other business combinations</b>	
Cash and cash equivalents	21
Other intangible assets	60
Other current and non-current assets	52
Defined benefit obligations	(25)
Deferred tax liabilities	(7)
Other current and non-current liabilities	(58)
<b>Identifiable assets and liabilities</b>	<b>43</b>
Share of identifiable net assets attributable to non-controlling interests	(8)
Goodwill	68
<b>Acquisition costs</b>	<b>103</b>
Cash and cash equivalents acquired	(21)
Deferred payment of purchase price	(14)
<b>Total cash outflow</b>	<b>68</b>

The gross amount of trade receivables acquired totals CHF 34 million. At the time of the acquisition, it was anticipated that all of these receivables were considered collectible. No transaction costs arose in connection with the acquisition of the remaining subsidiaries acquired in 2015. The principal reasons for the recognition of goodwill are the anticipated synergies, the additional market shares and the qualified workforce. In 2015, there resulted additional net revenues of CHF 139 million and a net income of CHF 3 million from these business combinations. On the assumption that the subsidiaries acquired in 2015 had been included in the consolidated financial statements as from the date of 1 January 2015, there would have resulted consolidated pro-forma net revenues of CHF 11,679 million and a consolidated pro-forma net income of CHF 1,361 million.

### Business combinations in 2014

In 2014, Swisscom made payments totalling CHF 305 million for the acquisition of Group companies. Of this amount, CHF 288 million relates to the takeover of PubliGroupe SA in September 2014.



### Public takeover of PubliGroupe SA

In June 2014, Swisscom launched a public takeover bid for PubliGroupe SA (PubliGroupe). Swisscom offered the shareholders of PubliGroupe a price of CHF 214 per share, which equates to a total purchase consideration of CHF 474 million. Upon expiration of the offer period on 25 August 2014, Swisscom held 98.37% of the share capital of PubliGroupe and the takeover was consummated on 5 September 2014. The purchase consideration for the 98.37% was CHF 466 million. Because the threshold of 98% within the framework of public takeover bid was exceeded, Swisscom was able to initiate a procedure to have the remaining non-controlling interests cancelled in consideration for the payment of the offer price of CHF 214 per share. The purchase consideration of CHF 8 million for the remaining 1.63% of the share capital was recognised as a liability in the third quarter of 2014. Settlement of the deferred portion of the purchase price took place in the second quarter of 2015. The takeover of PubliGroupe was primarily designed to achieve full control over and further develop the Local Group. PubliGroupe is active primarily in the Swiss directories market and owns a 51% shareholding in LTV Yellow Pages Ltd and a 49% shareholding in Swisscom Directories Ltd and local.ch Ltd (Local Group). Prior to the acquisition, Swisscom had held a 49% interest in LTV Yellow Pages Ltd and a 51% shareholding in Swisscom Directories Ltd and local.ch Ltd. Until then, Swisscom Directories Ltd and local.ch Ltd were treated as fully consolidated subsidiaries in the consolidated financial statements of Swisscom and LTV Yellow Pages Ltd was accounted for as an associated company. Of the purchase consideration, an amount of CHF 162 million represents the acquisition of the outstanding non-controlling interests in Swisscom Directories Ltd and local.ch Ltd. As Swisscom held a controlling interest in Swisscom Directories Ltd and local.ch Ltd prior to the takeover, the transaction is dealt with in shareholders' equity. The carrying amount in Swisscom's consolidated financial statements of its 49% shareholding in LTV Yellow Pages Ltd at the time of the takeover was CHF 26 million. In accordance with IFRS, the difference of CHF 82 million between the carrying amount and the fair value was recognised as other financial income in the third quarter of 2014. Following the takeover, LTV Yellow Pages Ltd and local.ch Ltd were merged into Swisscom Directories Ltd. PubliGroupe holds, in addition, shareholdings in media companies and media service providers as well as being the owner of real-estate properties. Swisscom plans to sell the shareholdings and the real-estate properties to the media companies. For further information see Note 22. Swisscom will examine all options regarding the further shareholdings. By the end of 2014, various investments were sold to media companies for a price of CHF 57 million.

In accordance with IFRS, the acquisition costs for the takeover of PubliGroupe amounted to CHF 420 million. This is comprised of the purchase price for PubliGroupe shares of CHF 474 million and the fair value of the previous 49% participation in LTV Yellow Pages Ltd of CHF 108 million, less the fair value of the acquired non-controlling shares of Swisscom Directories Ltd and local.ch Ltd of CHF 162 million. The business combination was accounted for provisionally in the consolidated financial statements as at 31 December 2014, since not all the necessary information concerning the acquired foreign operations was available at the time of preparing the consolidated financial statements.

Swisscom's consolidated financial statements as of and for the year ended 31 December 2014 reflect additional net revenues of CHF 41 million as well as net income of CHF 6 million since the takeover of PubliGroupe on 5 September 2014. On the assumption that PubliGroupe had been included in the consolidated financial statements as from 1 January 2014, there would have resulted consolidated pro-forma net revenues of CHF 11,753 million and a consolidated pro-forma net income of CHF 1,712 million.

The definitive purchase price allocation for the PubliGroupe takeover was completed in the third quarter of 2015 and the prior year's figures were restated accordingly. The reconciliation of the provisional and definitive price allocation is set out below:

In CHF million	Reported provisionally	Adjustment	Definitive
<b>Purchase price allocation PubliGroupe SA</b>			
Cash and cash equivalents	16	–	16
Other financial assets	42	(7)	35
Non-current assets held for sale	137	29	166
Investments in associates	48	11	59
Property, plant and equipment	4	–	4
Other intangible assets	63	–	63
Receivables from pension plans (defined benefit obligations)	15	(24)	(9)
Other current and non-current assets	48	–	48
Deferred tax liabilities	(11)	(10)	(21)
Financial liabilities	(20)	–	(20)
Other current and non-current liabilities	(114)	5	(109)
<b>Identifiable assets and liabilities</b>	<b>228</b>	<b>4</b>	<b>232</b>
Goodwill	192	(4)	188
<b>Acquisition costs</b>	<b>420</b>	<b>–</b>	<b>420</b>
Cash and cash equivalents acquired	(16)	–	(16)
Investments in associates	(108)	–	(108)
Deferred payment of purchase price	(8)	–	(8)
<b>Cash outflow</b>	<b>288</b>	<b>–</b>	<b>288</b>

The gross value of the trade receivables acquired amounts to CHF 47 million. At the time of the takeover, it was anticipated that CHF 7 million was irrecoverable. The main reasons for the recognition of goodwill are the anticipated synergies and additional market share as well as the qualified workforce. Transaction costs of CHF 1 million were recorded as other operating expenses in connection with the takeover of PubliGroupe.

The following retroactive adjustments to the consolidated balance sheet of Swisscom as of 31 December 2014 resulted from the definitive purchase price allocation:

In CHF million	Reported	Adjustment	Restated
<b>Consolidated balance sheet at 31 December 2014</b>			
Other financial assets	273	(7)	266
Non-current assets held for sale	80	29	109
Goodwill	4,987	(4)	4,983
Investments in associates	171	11	182
Defined benefit obligations	2,441	(9)	2,432
Provisions	932	(5)	927
Deferred tax liabilities	357	14	371
<b>Equity</b>	<b>5,457</b>	<b>29</b>	<b>5,486</b>
Share of equity attributable to equity holders of Swisscom Ltd	5,454	29	5,483
Share of equity attributable to non-controlling interests	3	–	3

The following retroactive adjustments to the consolidated statement of comprehensive income for the year ended 31 December 2014 resulted from the definitive purchase price allocation:

In CHF million	Reported	Adjustment	Restated
<b>Consolidated statement of comprehensive income 2014</b>			
Net income	1,706	–	1,706
Other comprehensive income	(938)	29 <sup>1</sup>	(909)
<b>Comprehensive income</b>	<b>768</b>	<b>29</b>	<b>797</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	757	29	786
Share of comprehensive income attributable to non-controlling interests	11	–	11

<sup>1</sup> Actuarial gains from defined benefit pension plans of CHF 32 million less income taxes of CHF 3 million.

### Disposal of subsidiaries in 2015

In 2015, Swisscom disposed of Alphapay Ltd and its entire shareholdings in the Swisscom Hospitality Services Group. Alphapay Ltd is active as a debt-collection service provider and is specialised in the receivables management of third parties. Swisscom Hospitality Services offers broadband services to guests and clients in the fields of hotel and conference services in Europe and North America. In addition, iWare SA and Spree7 GmbH, both active in the media sector, were sold in 2015. The sale of these subsidiaries gave rise to a profit of CHF 19 million which was recognised as other financial income. The aggregate carrying amounts of the net assets disposed of as well as the aggregate cash inflows from the sales of subsidiaries in 2015 may be analysed as follows:

In CHF million	2015
Cash and cash equivalents	11
Trade and other receivables	21
Property, plant and equipment	2
Goodwill	13
Deferred tax assets	3
Other current and non-current assets	11
Trade and other payables	(14)
Other current and non-current liabilities	(21)
<b>Total net assets sold</b>	<b>26</b>
<b>Purchase consideration</b>	<b>45</b>
Cash and cash equivalents sold	(11)
Deferred payment of purchase price	(1)
<b>Total cash inflow from sale of subsidiaries</b>	<b>33</b>

## 6 Segment information

### Changes in segment reporting

Swisscom conducts its activities for large corporate clients from the business areas Corporate Business, Network & IT and Swisscom IT Services, bundled together in order to react to the needs of corporate clients from a single source and to offer rapid cloud-based solutions. The new business segment Enterprise Customers services all large corporate clients, thereby advancing to become one of the largest ICT service providers in Switzerland for large corporations. From now on, the business area IT, Network & Innovation is responsible for the operation of all IT systems thereby taking over the operation of the IT platforms previously managed by Swisscom IT Services. It is responsible for the development and production of standardised IT and network services for the entire Group. In addition, it now manages the real estate located in Switzerland. As a result of these modifications, Swisscom IT Services and Swisscom Real Estate Ltd are integrated into segment reporting for the segments Enterprise Customers as well as IT, Network & Innovation. Previously, these business units were reported under Other Operating Segments. The prior year's figures have been restated as follows:

In CHF million	Reported	Adjustment	Restated
<b>Net revenue for financial year 2014</b>			
Residential Customers	5,326	(164)	5,162
Small and Medium-Sized Enterprises	1,159	172	1,331
Enterprise Customers	1,788	781	2,569
Wholesale	929	–	929
IT, Network & Innovation	–	126	126
Elimination	(571)	(217)	(788)
<b>Swisscom Switzerland</b>	<b>8,631</b>	<b>698</b>	<b>9,329</b>
Fastweb	2,047	–	2,047
Other Operating Segments	1,889	(1,224)	665
Group Headquarters	2	–	2
Elimination	(866)	526	(340)
<b>Total net revenue</b>	<b>11,703</b>	<b>–</b>	<b>11,703</b>
<b>Segment result Financial year 2014</b>			
Residential Customers	2,823	(92)	2,731
Small and Medium-Sized Enterprises	850	44	894
Enterprise Customers	832	22	854
Wholesale	381	–	381
IT, Network & Innovation	(2,483)	173	(2,310)
Elimination	–	(1)	(1)
<b>Swisscom Switzerland</b>	<b>2,403</b>	<b>146</b>	<b>2,549</b>
Fastweb	(119)	–	(119)
Other Operating Segments	186	(144)	42
Group Headquarters	(126)	(2)	(128)
Elimination	(22)	–	(22)
<b>Total segment result</b>	<b>2,322</b>	<b>–</b>	<b>2,322</b>

## General disclosures

Operating segments requiring to be reported are determined on the basis of the 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 that reported in the internal reporting system. Reporting is divided into the segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Enterprise Customers”, “Wholesale” and “IT, Network & Innovation” which are regrouped under Swisscom Switzerland, as well as “Fastweb” and “Other Operating Segments”. In addition, “Group Headquarters”, which includes unallocated costs, are reported separately in segment reporting. Further segment disclosures are set out in Note 3.16.

Group Headquarters charges no management fees for its financial management and the segment IT, Network & Innovation charges no network costs to other segments. Other services between the segments are recharged between the segments at market prices. The results of the segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and Wholesale equate to a contribution margin prior to network costs. The segment results of IT, Network & Innovation reports, as its segment result, operating expenses and depreciation and amortisation, less revenues from the rental and management of real estate, the capitalised costs of self-constructed assets and other income. The segment results of Swisscom Switzerland correspond in aggregate to the operating results (EBIT) of Swisscom Switzerland. The services offered by the individual operating segments are described in Note 3.16. The segment results of Fastweb and Other Operating Segments correspond to the operating results (EBIT) of these units. This latter encompasses net revenues from external customers and other segments, less segment expenses, depreciation and amortisation and impairment losses on property, plant & equipment and intangible assets. Segment expenses comprise the costs of materials and services, personnel expenses and other operating costs less capitalised costs of self-constructed assets and other income.

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 2015, an amount of CHF 60 million is included in the column “Eliminations” as a reconciling item to retirement-benefit expense in accordance with IAS 19 (prior year: no expense).

Services provided to or sales of assets recharged between the individual segments may include unrealised gains or losses. These are eliminated and are reported in the segment information in the column “Eliminations”.

## Segment information 2014 and 2015

Segment information for 2015 of Swisscom may be analysed as follows:

2015, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Net revenue from external customers	9,475	1,862	340	1	–	11,678
Net revenue from other segments	70	5	263	1	(339)	–
<b>Net revenue</b>	<b>9,545</b>	<b>1,867</b>	<b>603</b>	<b>2</b>	<b>(339)</b>	<b>11,678</b>
<b>Segment result</b>	<b>2,218</b>	<b>(16)</b>	<b>(5)</b>	<b>(117)</b>	<b>(68)</b>	<b>2,012</b>
Financial income and financial expense, net						(272)
Share of results of associates						23
<b>Income before income taxes</b>						<b>1,763</b>
Income tax expense						(401)
<b>Net income</b>						<b>1,362</b>
Associates	105	42	76	–	–	223
Capital expenditure in property, plant and equipment and other intangible assets	1,817	581	48	–	(19)	2,427
Depreciation, amortisation and impairment losses	1,383	635	74	–	(6)	2,086
Gain (loss) on disposal of property, plant and equipment, net	20	–	(3)	–	–	17
Share of results of associates	16	–	7	–	–	23

Segment information 2015 of Swisscom Switzerland may be analysed as follows:

2015, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Enterprise Customers	Wholesale	IT, Network & Innovation	Elimination	Total Swisscom Switzerland
Net revenue from external customers	5,075	1,339	2,449	579	33	–	9,475
Net revenue from other segments	149	31	205	377	97	(789)	70
<b>Net revenue</b>	<b>5,224</b>	<b>1,370</b>	<b>2,654</b>	<b>956</b>	<b>130</b>	<b>(789)</b>	<b>9,545</b>
<b>Segment result</b>	<b>2,797</b>	<b>859</b>	<b>818</b>	<b>198</b>	<b>(2,454)</b>	<b>–</b>	<b>2,218</b>
Associates	31	2	15	56	1	–	105
Capital expenditure in property, plant and equipment and other intangible assets	180	50	171	–	1,416	–	1,817
Depreciation, amortisation and impairment losses	136	48	92	–	1,107	–	1,383
Gain (loss) on disposal of property, plant and equipment, net	–	–	(5)	–	25	–	20
Share of results of associates	(3)	–	–	19	–	–	16

Segment information 2014 of Swisscom is to be analysed as follows:

2014, in million CHF, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Net revenue from external customers	9,253	2,043	406	1	–	11,703
Net revenue from other segments	76	4	259	1	(340)	–
<b>Net revenue</b>	<b>9,329</b>	<b>2,047</b>	<b>665</b>	<b>2</b>	<b>(340)</b>	<b>11,703</b>
<b>Segment result</b>	<b>2,549</b>	<b>(119)</b>	<b>42</b>	<b>(128)</b>	<b>(22)</b>	<b>2,322</b>
Financial income and financial expense, net						(260)
Share of results of associates						26
<b>Income before income taxes</b>						<b>2,088</b>
Income tax expense						(382)
<b>Net income</b>						<b>1,706</b>
Associates	68	47	67	–	–	182
Assets held for sale	–	–	109	–	–	109
Capital expenditure in property, plant and equipment and other intangible assets	1,768	682	38	–	(28)	2,460
Depreciation, amortisation and impairment losses	1,286	744	61	5	(5)	2,091
Gain (loss) on disposal of property, plant and equipment, net	52	–	(3)	–	–	49
Share of results of associates	26	–	–	–	–	26

Segment information 2014 of Swisscom Switzerland is to be analysed as follows:

2014, in million CHF, restated	Residential Customers	Small and Medium- Sized Enterprises	Enterprise Customers	Whole- sale	IT, Network & Innovation	Elimi- nation	Total Swisscom Switzer- land
Net revenue from external customers	5,006	1,301	2,344	570	32	–	9,253
Net revenue from other segments	156	30	225	359	94	(788)	76
<b>Net revenue</b>	<b>5,162</b>	<b>1,331</b>	<b>2,569</b>	<b>929</b>	<b>126</b>	<b>(788)</b>	<b>9,329</b>
<b>Segment result</b>	<b>2,731</b>	<b>894</b>	<b>854</b>	<b>381</b>	<b>(2,310)</b>	<b>(1)</b>	<b>2,549</b>
Associates	–	3	–	64	1	–	68
Capital expenditure in property, plant and equipment and other intangible assets	161	37	152	–	1,418	–	1,768
Depreciation, amortisation and impairment losses	114	21	88	–	1,063	–	1,286
Gain (loss) on disposal of property, plant and equipment, net	(1)	–	(1)	–	54	–	52
Share of results of associates	–	2	–	24	–	–	26

### 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 which primarily provides fixed-network and IP-based products in Italy. Net revenue and assets are allocated to regions. Net revenue and assets are allocated according to the registered office of the related Group company.

In CHF million	2015		2014	
	Net revenue	Non-current assets	Net revenue	Non-current assets
Switzerland	9,764	14,151	9,586	13,423
Italy	1,864	2,904	2,048	3,281
Other countries in Europe	43	125	55	151
Other countries outside Europe	7	–	14	–
Not allocated	–	592	–	651
<b>Total</b>	<b>11,678</b>	<b>17,772</b>	<b>11,703</b>	<b>17,506</b>

### Disclosures by products and services

In CHF million	2015	2014
Mobile access lines single subscriptions	2,804	2,852
Fixed access lines single subscriptions	3,439	3,832
Bundles	2,248	1,938
Other	3,186	3,080
Not allocated	1	1
<b>Total net revenue</b>	<b>11,678</b>	<b>11,703</b>

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 customer accounted for more than 10% of segment revenue in 2014 and 2015.

## 7 Net revenue

In CHF million	2015	2014
Net revenue from services	10,887	10,874
Net revenue from sale of merchandise	788	828
Net revenue from the right of use of intangible assets	3	1
<b>Total net revenue</b>	<b>11,678</b>	<b>11,703</b>

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

## 8 Goods and services purchased

In CHF million	2015	2014
Raw materials and supplies	19	42
Services purchased	484	503
Customer premises equipment and merchandise	1,124	1,103
National traffic fees	174	176
International traffic fees	263	246
Traffic fees of foreign subsidiaries	278	299
<b>Total goods and services purchased</b>	<b>2,342</b>	<b>2,369</b>

## 9 Personnel expense

In CHF million	2015	2014
Salary and wage costs	2,295	2,194
Social security expenses	257	232
Expense of defined benefit plans. See Note 10.	320	244
Expense of defined contribution plans. See Note 10.	9	10
Expense of share-based payments. See Note 11.	2	5
Salary and wage costs of the employment company Worklink	4	5
Termination benefits	67	(1)
Other personnel expense	65	62
<b>Total personnel expense</b>	<b>3,019</b>	<b>2,751</b>

### Termination benefit programmes

Swisscom supports employees involved in 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 Ltd. The employment company Worklink Ltd hires out participating employees to third parties on a temporary basis. 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 346 million in 2015 (prior year: CHF 268 million). Of this amount, CHF 320 million (prior year: CHF 244 million) was recorded as personnel expense and CHF 26 million (prior year: CHF 24 million) as finance expense.

#### comPlan

The majority of Swisscom's employees in Switzerland 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 which are 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 6.11%. The accumulated savings result from employee and employer contributions which are paid into the individual savings account of each insured person as well as the interest accruing on the accumulated savings. The interest rate to be applied to the accumulated pension savings is defined annually by the Foundation Council of comPlan. comPlan has the legal form of a foundation. The Foundation Council, which is constituted by an 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 shortfall is permitted. The Foundation Council must take appropriate measures in order to solve the shortfall within a reasonable timeframe. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant shortfall 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 2015, the funding ratio as defined by BVG of comPlan was approx. 108% (prior year: 111%). 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 supported by an external investment controller. The Foundation Council determines the investment strategy and tactical bandwidths within the framework of the legal provisions. Within its terms of reference, the Investment Commission may undertake the asset allocation.

#### Other pension plans

In addition to the plans of various subsidiary companies in Switzerland which did not join comPlan, other pension plans include the pension plan for Fastweb employees. Employees of the Italian subsidiary Fastweb have acquired entitlements to future pension benefits up to the end of 2006. These benefits are recorded in the balance sheet as defined-benefit obligations.

## Pension cost

### Defined-benefit pension plans

In CHF million	comPlan	Other plans	2015	comPlan	Other plans	2014
Current service cost	305	13	318	234	6	240
Plan amendments	–	(3)	(3)	–	–	–
Administration expense	4	1	5	3	1	4
<b>Total recognised in personnel expense</b>	<b>309</b>	<b>11</b>	<b>320</b>	<b>237</b>	<b>7</b>	<b>244</b>
Interest cost on net defined benefit obligations	25	1	26	24	–	24
<b>Total recognised in financial expense</b>	<b>25</b>	<b>1</b>	<b>26</b>	<b>24</b>	<b>–</b>	<b>24</b>
<b>Total expense of defined benefit plans recognised in income statement</b>	<b>334</b>	<b>12</b>	<b>346</b>	<b>261</b>	<b>7</b>	<b>268</b>

In addition, other comprehensive income includes an actuarial loss of CHF 393 million (prior year: CHF 1,128 million) which may be analysed as follows:

In CHF million	comPlan	Other plans	2015	comPlan	Other plans	2014 restated
<b>Actuarial gains and losses from:</b>						
Change of the demographical assumptions	(3)	–	(3)	–	–	–
Change of the financial assumptions	171	2	173	1,536	12	1,548
Experience adjustments to defined benefit obligations	85	(8)	77	(102)	–	(102)
Return on plan assets excluding the recognised part of financial result	146	–	146	(315)	(3)	(318)
<b>Expense (income) of defined benefit plans recognised in other comprehensive income</b>	<b>399</b>	<b>(6)</b>	<b>393</b>	<b>1,119</b>	<b>9</b>	<b>1,128</b>

### Defined-contribution pension plans

Expenses in 2015 for defined-contribution plans aggregated CHF 9 million (prior year: CHF 10 million).

## Status of pension plans

In CHF million	comPlan	Other plans	2015	comPlan	Other plans	2014 restated
<b>Defined benefit obligations</b>						
<b>Balance at 1 January</b>	<b>11,406</b>	<b>294</b>	<b>11,700</b>	<b>9,533</b>	<b>162</b>	<b>9,695</b>
Current service cost	305	13	318	234	6	240
Interest cost on defined benefit obligations	127	3	130	218	–	218
Employee contributions	169	6	175	162	1	163
Benefits paid	(288)	(19)	(307)	(259)	(2)	(261)
Actuarial losses (gains)	253	(6)	247	1,434	12	1,446
Additions from business combinations	–	89	89	–	199	199
Disposals from sales of subsidiaries	(37)	(1)	(38)	–	–	–
Plan amendments	–	(12)	(12)	–	–	–
Foreign currency translation adjustments	–	(2)	(2)	–	–	–
Transfer of pension plans to comPlan	248	(248)	–	84	(84)	–
<b>Balance at 31 December</b>	<b>12,183</b>	<b>117</b>	<b>12,300</b>	<b>11,406</b>	<b>294</b>	<b>11,700</b>
<b>Plan assets</b>						
<b>Balance at 1 January</b>	<b>9,026</b>	<b>242</b>	<b>9,268</b>	<b>8,286</b>	<b>116</b>	<b>8,402</b>
Interest income on plan assets	102	2	104	194	–	194
Employer contributions	256	9	265	259	7	266
Employee contributions	169	6	175	162	1	163
Benefits paid	(288)	(19)	(307)	(259)	(2)	(261)
Return on plan assets excluding the part recognised in financial result	(146)	–	(146)	315	3	318
Additions from business combinations	–	59	59	–	190	190
Disposals from sales of subsidiaries	(23)	–	(23)	–	–	–
Plan amendments	–	(9)	(9)	–	–	–
Administration expense	(4)	(1)	(5)	(3)	(1)	(4)
Transfer of pension plans to comPlan	215	(215)	–	72	(72)	–
<b>Balance at 31 December</b>	<b>9,307</b>	<b>74</b>	<b>9,381</b>	<b>9,026</b>	<b>242</b>	<b>9,268</b>
<b>Net defined benefit obligations</b>						
<b>Net defined benefit obligations recognised at 31 December</b>	<b>2,876</b>	<b>43</b>	<b>2,919</b>	<b>2,380</b>	<b>52</b>	<b>2,432</b>

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

In CHF million	comPlan	Other plans	2015	comPlan	Other plans	2014 restated
<b>Balance at 1 January</b>	<b>2,380</b>	<b>52</b>	<b>2,432</b>	<b>1,247</b>	<b>46</b>	<b>1,293</b>
Pension cost, net	334	12	346	261	7	268
Employer contributions and benefits paid	(256)	(9)	(265)	(259)	(7)	(266)
Disposals from sales of subsidiaries	(14)	(1)	(15)	–	–	–
Additions from business combinations	–	30	30	–	9	9
Expense (income) of defined benefit plans recognised in other comprehensive income	399	(6)	393	1,119	9	1,128
Foreign currency translation adjustments	–	(2)	(2)	–	–	–
Transfer of pension plans to comPlan	33	(33)	–	12	(12)	–
<b>Balance at 31 December</b>	<b>2,876</b>	<b>43</b>	<b>2,919</b>	<b>2,380</b>	<b>52</b>	<b>2,432</b>

The weighted average duration of the net present value of the recorded pension obligations is 18 years (prior year: 18 years).

## Breakdown of pension plan assets

### comPlan

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

Category	Investment strategy	31.12.2015			31.12.2014		
		Quoted	Not quoted	Total	Quoted	Not quoted	Total
Government bonds Switzerland	8.0%	2.2%	7.4%	9.6%	5.3%	7.7%	13.0%
Corporate bonds Switzerland	6.0%	7.8%	0.0%	7.8%	8.7%	0.0%	8.7%
Government bonds developed markets, World	10.0%	10.1%	0.0%	10.1%	11.0%	0.0%	11.0%
Corporate bonds developed markets, World	9.0%	9.0%	0.0%	9.0%	7.9%	0.0%	7.9%
Government bonds emerging markets, World	7.0%	6.5%	0.0%	6.5%	6.6%	0.0%	6.6%
Private debt	6.0%	0.0%	4.9%	4.9%	0.0%	1.0%	1.0%
<b>Third-party debt instruments</b>	<b>46.0%</b>	<b>35.6%</b>	<b>12.3%</b>	<b>47.9%</b>	<b>39.5%</b>	<b>8.7%</b>	<b>48.2%</b>
Equity shares Switzerland	5.0%	4.9%	0.0%	4.9%	6.2%	0.0%	6.2%
Equity shares developed markets, World	12.0%	11.0%	0.0%	11.0%	12.7%	0.0%	12.7%
Equity shares emerging markets, World	8.0%	7.4%	0.0%	7.4%	8.1%	0.0%	8.1%
<b>Equity instruments</b>	<b>25.0%</b>	<b>23.3%</b>	<b>0.0%</b>	<b>23.3%</b>	<b>27.0%</b>	<b>0.0%</b>	<b>27.0%</b>
Real estate Switzerland	11.0%	8.2%	3.6%	11.8%	8.1%	2.3%	10.4%
Real estate World	6.0%	3.7%	0.0%	3.7%	4.1%	0.0%	4.1%
<b>Real estate</b>	<b>17.0%</b>	<b>11.9%</b>	<b>3.6%</b>	<b>15.5%</b>	<b>12.2%</b>	<b>2.3%</b>	<b>14.5%</b>
Commodities	4.0%	1.7%	1.9%	3.6%	1.2%	2.6%	3.8%
Private markets	7.0%	0.0%	6.1%	6.1%	0.0%	5.1%	5.1%
Cash and cash equivalents and other investments	1.0%	0.0%	3.6%	3.6%	0.0%	1.4%	1.4%
<b>Cash and cash equivalents and alternative investments</b>	<b>12.0%</b>	<b>1.7%</b>	<b>11.6%</b>	<b>13.3%</b>	<b>1.2%</b>	<b>9.1%</b>	<b>10.3%</b>
<b>Total plan assets</b>	<b>100.0%</b>	<b>72.5%</b>	<b>27.5%</b>	<b>100.0%</b>	<b>79.9%</b>	<b>20.1%</b>	<b>100.0%</b>

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 achieved 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 assets is 5.77 years (prior year: 5.71 years) and the average rating of these assets 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 of 94% (CHF or CHF-hedged). The unquoted and therefore rather illiquid investments make up 27.5% of total plan assets. Following this investment strategy, comPlan anticipates a target value for the value fluctuation reserve of 18.1% (basis: 2016 financial year).

### Other pension plans

The other plans pursue 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 achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments.

### Additional information on plan assets

As of 31 December 2015, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 5 million (prior year: CHF 7 million). The effective return on plan assets in 2015 amounted to CHF -42 million (prior year: CHF 519 million).

In 2016, Swisscom expects to make payments to the pension funds for ordinary employee contributions totalling CHF 250 million (excluding payments for early retirements and changes to the pension plan).

## Actuarial assumptions

Assumptions	2015		2014	
	comPlan	Other plans	comPlan	Other plans
Discount rate at 31 December	0.94%	1.46%	1.13%	1.31%
Expected rate of salary increases	1.75%	1.64%	1.75%	1.81%
Expected rate of pension increases	–	–	0.10%	0.10%
Interest on old age savings accounts	0.94%	1.34%	1.13%	1.13%
Longevity at age of 65 – men (number of years)	21.49	21.49	21.39	21.39
Longevity at age of 65 – women (number of years)	23.96	23.96	23.86	23.86

The discount rate is based upon CHF-denominated corporate bonds with an AA rating issued by domestic and foreign issuers and listed on the Swiss Exchange. Future growth factors for salaries correspond to a long-term historical average value which is specific to Swisscom. Zero growth in pensions reflects comPlan's lack of potential. Interest accruing on the retirement savings equates to the discount rate. From 2012 on, Swisscom applies the BVG 2010 generation tables for life-expectancy assumptions.

## Sensitivity analysis comPlan

In CHF million	Defined benefit obligations		Current service cost <sup>1</sup>	
	Increase Assumption	Decrease Assumption	Increase Assumption	Decrease Assumption
Discount rate (change +/-0.5%)	(899)	1,040	(39)	47
Expected rate of salary increases (changes +/- 0.5%)	79	(74)	8	(8)
Expected rate of pension increases (change +0.5%; -0.0%)	792	–	29	–
Interest on old age savings accounts (change +/- 0.5%)	118	(108)	8	(8)
Longevity at age of 65 (change +/-0.5 year)	166	(168)	5	(5)

<sup>1</sup> 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 half a year, respectively. In the process, only one of the assumptions is adjusted each time, the other parameters remain unchanged. In the sensitivity analysis in view of a negative movement in pension increases, no change was made as the reduction in pension benefits is not possible.

## 11 Share-based payments

In CHF million	2015	2014
Share-based payments Management Incentive Plan	2	3
Other share-based payments	–	2
<b>Total expense of share-based payments</b>	<b>2</b>	<b>5</b>

### Management Incentive Plan

The Management Incentive Plan is an equity-share plan for members of the Group Executive Board and Board of Directors as well as for other members of management. The members of the Board of Directors are paid a portion of their emoluments in Swisscom shares. Members of the Group Executive Board receive 25% of their variable performance-related salary component in the form of Swisscom shares. Group Executive Board members may increase this share up to a maximum of 50% at their discretion. 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 473 (prior year: CHF 449). The shares are subject to a retention period of three years from the grant date. The shares are vested immediately upon delivery.

In 2015, 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 2015	Number of allocated shares	Market price in CHF	Expense in CHF million
Members of the Board of Directors	1,302	563	0.7
Members of the Group Executive Board <sup>1</sup>	1,268	563	0.7
Other Management members	1,309	563	0.7
<b>Total 2015</b>	<b>3,879</b>	<b>563</b>	<b>2.1</b>

<sup>1</sup> Allocation for the financial year 2014.

In 2014, 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 2014	Number of allocated shares	Market price in CHF	Expense in CHF million
Members of the Board of Directors	1,374	535	0.7
Members of the Group Executive Board <sup>1</sup>	1,599	535	0.9
Other Management members	1,760	535	0.9
<b>Total 2014</b>	<b>4,733</b>	<b>535</b>	<b>2.5</b>

<sup>1</sup> Allocation for the financial year 2013.

### Other share-based payments plans

As recognition for exceptional services rendered in the prior year, equity share premiums and 4,520 shares with a market price of CHF 535 were granted to employees gratuitously for exceptional services rendered and an expense of CHF 2 million was recorded.

## 12 Other operating expense

In CHF million	2015	2014
Rental expense	345	346
Maintenance expense	285	322
Loss on disposal of property, plant and equipment	10	11
Energy costs	104	83
Information technology cost	261	239
Advertising and selling expenses	227	221
Dealer commissions	300	349
Consultancy expenses and freelance employees	200	199
Allowances for receivables	81	87
Administration expense	143	145
Miscellaneous operating expenses	741	538
<b>Total other operating expense</b>	<b>2,697</b>	<b>2,540</b>

Other operating expense includes provisions established and released relating to regulatory and competition-law-related proceedings. See Note 28.

## 13 Capitalised costs of self-constructed assets and other income

In CHF million	2015	2014
Capitalised costs of self-constructed assets	337	267
Gain on sale of property, plant and equipment. See Note 22.	27	60
Income from employment company Worklink (personnel hire)	5	6
Miscellaneous income	109	37
<b>Total capitalised costs of self-constructed assets and other income</b>	<b>478</b>	<b>370</b>

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	2015	2014
Interest income on financial assets	10	10
Capitalised borrowing costs	8	12
Gain on sale of subsidiaries. See Note 5.	19	–
Gain on successive company acquisitions. See Note 5.	–	82
Foreign exchange gains	–	1
Other financial income	6	7
<b>Total financial income</b>	<b>43</b>	<b>112</b>
Interest expense on financial liabilities	(199)	(228)
Change in fair value of interest rate swaps	(13)	(46)
Interest expense on defined benefit obligations. See Note 10.	(26)	(24)
Foreign exchange losses	(40)	–
Present-value adjustments on provisions	(13)	(16)
Expense of early repayment of financial liabilities. See Note 26.	–	(41)
Other financial expense	(24)	(17)
<b>Total financial expense</b>	<b>(315)</b>	<b>(372)</b>
<b>Financial income and financial expense, net</b>	<b>(272)</b>	<b>(260)</b>

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

In CHF million	2015	2014
Interest income on cash and cash equivalents	–	1
Interest income on other financial assets	10	9
<b>Total interest income on financial assets</b>	<b>10</b>	<b>10</b>
Interest expense on bank loans, debenture bonds and private placements	(162)	(189)
Interest expense on finance lease liabilities	(32)	(36)
Interest expense on other financial liabilities	(5)	(3)
<b>Total interest expense on financial liabilities</b>	<b>(199)</b>	<b>(228)</b>
<b>Total financial income and financial expense, net</b>	<b>(189)</b>	<b>(218)</b>

## 15 Income taxes

### Income tax expense

In CHF million	2015	2014
Current income tax expense	296	373
Adjustments recognised for current tax of prior periods	(1)	5
Deferred tax expense	106	4
<b>Total income tax expense recognised in income statement</b>	<b>401</b>	<b>382</b>
Thereof Switzerland	387	412
Thereof foreign countries	14	(30)

In addition, the other comprehensive income includes positive income taxes of CHF 133 million (prior year: CHF 250 million) which may be analysed as follows:

In CHF million	2015	2014 restated
Foreign currency translation adjustments of foreign subsidiaries	51	15
Actuarial gains and losses from defined benefit pension plans	80	238
Change in fair value of cash flow hedges	(1)	(2)
Gains and losses from cash flow hedges transferred to income statement	3	(1)
<b>Total income tax expense recognised in other comprehensive income</b>	<b>133</b>	<b>250</b>

### Analysis of income taxes

The applicable income tax rate which serves to prepare the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland. The applicable income tax rate remains unchanged from the prior year at 20.9%.

In CHF million	2015	2014
Income before income taxes in Switzerland	1,692	2,206
Income before income taxes foreign countries	71	(118)
<b>Income before income taxes</b>	<b>1,763</b>	<b>2,088</b>
Applicable income tax rate	20.9%	20.9%
<b>Income tax expense at the applicable income tax rate</b>	<b>368</b>	<b>436</b>
<b>Reconciliation to reported income tax expense</b>		
Effect of share of results of associates	(5)	(5)
Effect of tax rate changes on deferred taxes	19	(21)
Effect of use of different income tax rates in Switzerland	2	(2)
Effect of use of different income tax rates in foreign countries	(7)	(10)
Effect of non-recognition of tax loss carry-forwards	7	9
Effect of recognition and offset of tax loss carry-forwards not recognised in prior years	–	(2)
Effect of exclusively tax-deductible expenses and income	(23)	(16)
Effect of non-taxable income and non-deductible expenses	36	(12)
Effect of income tax of prior periods	4	5
<b>Total income tax expense</b>	<b>401</b>	<b>382</b>
Effective income tax rate	22.7%	18.3%



## Income tax assets and liabilities

### Current income tax assets and liabilities

Movements in current-tax assets and liabilities are to be analysed as follows:

In CHF million	2015	2014
<b>Current income tax liabilities at 1 January, net</b>	<b>155</b>	<b>162</b>
Recognised in income statement	295	378
Recognised in other comprehensive income	23	1
Income taxes paid in Switzerland	(345)	(377)
Income taxes paid in foreign countries	(5)	(9)
Additions from business combinations	2	–
<b>Current income tax liabilities at 31 December, net</b>	<b>125</b>	<b>155</b>
Thereof current income tax assets	(21)	(17)
Thereof current income tax liabilities	146	172
Thereof Switzerland	129	159
Thereof foreign countries	(4)	(4)

### Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are to be analysed as follows:

In CHF million	31.12.2015			31.12.2014 restated		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Property, plant and equipment	41	(523)	(482)	47	(467)	(420)
Intangible assets	–	(335)	(335)	–	(341)	(341)
Provisions	86	(59)	27	79	(4)	75
Defined benefit obligations	582	–	582	508	–	508
Tax loss carry-forwards	171	–	171	218	–	218
Other	192	(91)	101	98	(92)	6
<b>Total tax assets (tax liabilities)</b>	<b>1,072</b>	<b>(1,008)</b>	<b>64</b>	<b>950</b>	<b>(904)</b>	<b>46</b>
Thereof deferred tax assets			354			417
Thereof deferred tax liabilities			(290)			(371)
Thereof Switzerland			(121)			(91)
Thereof foreign countries			185			137

In 2015, deferred tax assets and liabilities have changed as follows:

In CHF million	Balance at 31.12.2014, restated	Recognised in income statement	Recognised in other comprehensive income	Change in scope of consolidation	Foreign currency translation adjustments	Balance at 31.12.2015
Property, plant and equipment	(420)	(59)	–	–	(3)	(482)
Intangible assets	(341)	17	–	(20)	9	(335)
Provisions	75	(45)	–	(2)	(1)	27
Defined benefit obligations	508	(9)	80	4	(1)	582
Tax loss carry-forwards	218	(31)	–	3	(19)	171
Other	6	21	76	1	(3)	101
<b>Total</b>	<b>46</b>	<b>(106)</b>	<b>156</b>	<b>(14)</b>	<b>(18)</b>	<b>64</b>

In 2014, deferred tax assets and liabilities have changed as follows:

In CHF million	Balance at 31.12.2013	Recognised in income statement	Recognised in other compre- hensive income	Change in scope of consoli- dation	Foreign currency translation adjustments	Balance at 31.12.2014, restated
Property, plant and equipment	(301)	(119)	–	–	–	(420)
Intangible assets	(364)	35	–	(12)	–	(341)
Provisions	10	65	–	–	–	75
Defined benefit obligations	268	–	239	1	–	508
Tax loss carry-forwards	203	16	–	2	(3)	218
Other	7	(1)	12	(12)	–	6
<b>Total</b>	<b>(177)</b>	<b>(4)</b>	<b>251</b>	<b>(21)</b>	<b>(3)</b>	<b>46</b>

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 2015, various subsidiaries recognised deferred tax assets on tax loss carry-forwards and other temporary differences totalling CHF 1,072 million (prior year: CHF 950 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 202 million (prior year: CHF 237 million) were recognised by subsidiaries reporting a loss in 2014 or 2015. 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 for which no deferred tax assets were recognised, expire as follows:

In CHF million	31.12.2015	31.12.2014
Expiring within 1 year	–	1
Expiring within 1 to 2 years	1	2
Expiring within 2 to 3 years	8	2
Expiring within 3 to 4 years	12	8
Expiring within 4 to 5 years	15	14
Expiring within 5 to 6 years	22	29
Expiring within 6 to 7 years	26	23
No expiration	32	115
<b>Total unrecognised tax loss carry-forwards</b>	<b>116</b>	<b>194</b>
Thereof Switzerland	84	62
Thereof foreign countries	32	132

Deferred tax liabilities of CHF 6 million (prior year: none) were recognised on the undistributed earnings of subsidiaries as of 31 December 2015. Temporary differences of subsidiaries and associates, on which no deferred income taxes were recognised as of 31 December 2015, amounted to CHF 931 million (prior year: CHF 779 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	2015	2014
Share of net income attributable to equity holders of Swisscom Ltd	1,361	1,694
Weighted average number of shares outstanding (number)	51,801,558	51,801,267
<b>Basic and diluted earnings per share (in CHF)</b>	<b>26.27</b>	<b>32.70</b>

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	31.12.2015	31.12.2014
Cash and sight deposits	324	302
<b>Total cash and cash equivalents</b>	<b>324</b>	<b>302</b>

As in the prior year, Swisscom had no current term deposits outstanding in 2015.

## 18 Trade and other receivables

In CHF million	31.12.2015	31.12.2014
Billed revenue	2,334	2,413
Accrued revenue	246	236
Allowances	(184)	(195)
<b>Total trade receivables, net</b>	<b>2,396</b>	<b>2,454</b>
Accruals from international roaming traffic	89	60
Receivables from debt-collection activities	9	26
Receivables from construction contracts	25	33
Other receivables	21	28
Allowances	(5)	(15)
<b>Total other receivables, net</b>	<b>139</b>	<b>132</b>
<b>Total trade and other receivables</b>	<b>2,535</b>	<b>2,586</b>

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. Risks are monitored by country. The adequacy of valuation allowances is assessed on the basis of numerous factors. Amongst these are ageing analyses of receivables, the current solvency of customers and experience from the past.

The geographical distribution of trade receivables is as follows:

In CHF million	31.12.2015	31.12.2014
Switzerland	1,836	1,759
Italy	715	854
Other countries	29	36
<b>Total billed and accrued revenue</b>	<b>2,580</b>	<b>2,649</b>
Switzerland	(58)	(51)
Italy	(125)	(140)
Other countries	(1)	(4)
<b>Total allowance for receivables</b>	<b>(184)</b>	<b>(195)</b>
<b>Total trade receivables, net</b>	<b>2,396</b>	<b>2,454</b>

### Analysis of maturity and allowances

The due dates of trade receivables as well as the related allowances are to be analysed as follows:

In CHF million	31.12.2015		31.12.2014	
	Gross amount	Allowance	Gross amount	Allowance
Not overdue	1,855	(7)	1,858	(8)
Past due up to 3 months	364	(5)	421	(6)
Past due 4 to 6 months	73	(5)	78	(6)
Past due 7 to 12 months	94	(28)	93	(31)
Past due over 1 year	194	(139)	199	(144)
<b>Total</b>	<b>2,580</b>	<b>(184)</b>	<b>2,649</b>	<b>(195)</b>

The table below presents the changes in allowances for trade and other receivables.

In CHF million	Trade receivables	Other receivables
<b>Balance at 31 December 2013</b>	<b>164</b>	<b>16</b>
Additions to allowances	93	1
Write-off of irrecoverable receivables subject to allowance	(60)	–
Release of unused allowances	(6)	(2)
Additions from business combinations	7	–
Foreign currency translation adjustments	(3)	–
<b>Balance at 31 December 2014</b>	<b>195</b>	<b>15</b>
Additions to allowances	84	1
Write-off of irrecoverable receivables subject to allowance	(78)	–
Release of unused allowances	(1)	(1)
Additions from business combinations	1	–
Disposals from sales of subsidiaries	(3)	(10)
Foreign currency translation adjustments	(14)	–
<b>Balance at 31 December 2015</b>	<b>184</b>	<b>5</b>

## Construction contracts

Information on uncompleted construction contracts as of the balance sheet date is as follows:

In CHF million	2015	2014
Contract costs of current projects	88	104
Recognised gains less losses	(10)	6
<b>Contract costs including share of gains and losses, net</b>	<b>78</b>	<b>110</b>
Less progress billings	(62)	(79)
<b>Total net receivables from construction contracts</b>	<b>16</b>	<b>31</b>
Thereof receivables from construction contracts	25	33
Thereof liabilities from construction contracts	(9)	(2)
Advance payments received	52	72

In 2015, construction contracts generated net revenues of CHF 262 million (prior year: CHF 293 million).

## 19 Other financial assets

In CHF million	Loans and receivables	Available-for-sale	Valued at fair value	Total
<b>Balance at 31 December 2013</b>	<b>305</b>	<b>42</b>	<b>6</b>	<b>353</b>
Additions	24	8	–	32
Disposals	(159)	(15)	–	(174)
Additions from business combinations	20	15	–	35
Change in fair value	–	–	5	5
Foreign currency translation adjustments	15	–	–	15
<b>Balance at 31 December 2014, restated</b>	<b>205</b>	<b>50</b>	<b>11</b>	<b>266</b>
Additions	21	17	61	99
Disposals	(33)	(19)	–	(52)
Additions from business combinations	4	–	–	4
Change in fair value	–	4	3	7
Foreign currency translation adjustments	(1)	–	–	(1)
<b>Balance at 31 December 2015</b>	<b>196</b>	<b>52</b>	<b>75</b>	<b>323</b>
Thereof other current financial assets	20	2	63	85
Thereof other non-current financial assets	176	50	12	238

### Loans and receivables

As of 31 December 2015, term deposits totalled CHF 8 million (prior year: CHF 11 million). Financial assets as of 31 December 2015 in the amount of CHF 149 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. Shares not quoted on stock exchanges are recorded at cost if their fair value cannot be reliably determined. As of 31 December 2015, the carrying amount of investments in shares recorded at cost totalled CHF 37 million (prior year: CHF 27 million).

## Financial assets measured at fair value

Financial assets measured at fair value through profit and loss include quoted debt securities with a carrying amount of CHF 61 million (prior year: none) and a remaining term of less than one year. These financial assets were not freely available since the assets serve as collateral to secure off-balance liabilities arising from cross-border lease agreements. See Note 33. As at 31 December 2015, derivative financial instruments with a positive market value of CHF 14 million were recognised (prior year: CHF 11 million). Derivative financial instruments include forward foreign currency transactions, foreign currency swaps and interest rate swaps. See Note 33.

## 20 Inventories

In CHF million	31.12.2015	31.12.2014
Raw material and supplies	5	6
Customer premises equipment and merchandise	170	141
Advance payments made	3	5
Finished and semi-finished goods	–	5
<b>Total inventories, gross</b>	<b>178</b>	<b>157</b>
Allowances on inventories	(4)	(8)
<b>Total inventories, net</b>	<b>174</b>	<b>149</b>

In 2015, inventory-related costs amounting to CHF 1,143 million (prior year: CHF 1,145 million) were recorded under the cost of goods and services purchased.

## 21 Other non-financial assets

In CHF million	31.12.2015	31.12.2014
Prepaid expenses	159	164
Value-added taxes receivable	6	7
Advance payments made	47	55
Other assets	26	26
<b>Total other current non-financial assets</b>	<b>238</b>	<b>252</b>
Prepaid expenses	10	10
Other assets	70	47
<b>Total other non-current non-financial assets</b>	<b>80</b>	<b>57</b>

## 22 Non-current assets held for sale

On 31 December 2015, there were no non-current assets held for sale. As of 31 December 2014, the carrying amount of non-current assets held for sale amounted to CHF 109 million. Included therein are real-estate properties and investments in associates of the segment Other Operating Segments with a carrying amount of CHF 99 million and CHF 10 million, respectively. As part of the takeover of PubliGroupe in 2014, one real-estate property and investments in associates were acquired which were due to be disposed of within the following twelve months. The associates relate to various shareholdings in media companies in Switzerland. For further information – see Note 5.

In 2015, real-estate property and investments in associates with a carrying amount of CHF 109 million were disposed of. In the prior year, real-estate property and investments in associates were sold for a price of CHF 205 million. In 2014, a gain on sale of real-estate property of CHF 33 million arose which was recognised in the income statement 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
<b>Acquisition costs</b>					
<b>Balance at 31 December 2013</b>	<b>2,832</b>	<b>25,235</b>	<b>3,403</b>	<b>771</b>	<b>32,241</b>
Additions	9	1,453	237	290	1,989
Disposals	(68)	(656)	(225)	–	(949)
Additions from business combinations	2	–	2	–	4
Adjustment to dismantlement and restoration costs	–	123	34	–	157
Reclassifications to non-current assets held for sale	(102)	–	–	–	(102)
Other reclassifications	114	175	170	(471)	(12)
Foreign currency translation adjustments	(2)	(82)	–	–	(84)
<b>Balance at 31 December 2014</b>	<b>2,785</b>	<b>26,248</b>	<b>3,621</b>	<b>590</b>	<b>33,244</b>
Additions	4	1,495	252	146	1,897
Disposals	(110)	(1,266)	(144)	–	(1,520)
Additions from business combinations	–	–	1	–	1
Disposals from sales of subsidiaries	–	(35)	(4)	–	(39)
Adjustment to dismantlement and restoration costs	–	(51)	(4)	–	(55)
Other reclassifications	92	124	116	(372)	(40)
Foreign currency translation adjustments	(9)	(386)	–	(2)	(397)
<b>Balance at 31 December 2015</b>	<b>2,762</b>	<b>26,129</b>	<b>3,838</b>	<b>362</b>	<b>33,091</b>
<b>Accumulated depreciation/amortisation and impairment losses</b>					
<b>Balance at 31 December 2013</b>	<b>2,028</b>	<b>18,778</b>	<b>2,279</b>	<b>–</b>	<b>23,085</b>
Depreciation and amortisation	31	1,072	287	–	1,390
Disposals	(41)	(656)	(212)	–	(909)
Other reclassifications	1	(1)	(2)	–	(2)
Foreign currency translation adjustments	–	(40)	–	–	(40)
<b>Balance at 31 December 2014</b>	<b>2,019</b>	<b>19,153</b>	<b>2,352</b>	<b>–</b>	<b>23,524</b>
Depreciation and amortisation	38	1,061	310	–	1,409
Disposals	(59)	(1,266)	(136)	–	(1,461)
Disposals from sales of subsidiaries	–	(34)	(3)	–	(37)
Other reclassifications	–	(7)	–	–	(7)
Foreign currency translation adjustments	(2)	(191)	1	–	(192)
<b>Balance at 31 December 2015</b>	<b>1,996</b>	<b>18,716</b>	<b>2,524</b>	<b>–</b>	<b>23,236</b>
<b>Net carrying amount</b>					
<b>Net carrying amount at 31 December 2015</b>	<b>766</b>	<b>7,413</b>	<b>1,314</b>	<b>362</b>	<b>9,855</b>
<b>Net carrying amount at 31 December 2014</b>	<b>766</b>	<b>7,095</b>	<b>1,269</b>	<b>590</b>	<b>9,720</b>
<b>Net carrying amount at 31 December 2013</b>	<b>804</b>	<b>6,457</b>	<b>1,124</b>	<b>771</b>	<b>9,156</b>

In 2015, borrowing costs amounting to CHF 8 million were capitalised (prior year: CHF 12 million). The average interest rate used for the capitalisation of borrowing costs was 1.9% (prior year: 2.2%). As of 31 December 2015, the carrying amount of property, plant and equipment acquired under finance leases amounted to CHF 406 million (prior year: CHF 438 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
<b>Acquisition costs</b>							
<b>Balance at 31 December 2013</b>	<b>6,407</b>	<b>1,137</b>	<b>1,813</b>	<b>1,137</b>	<b>278</b>	<b>962</b>	<b>11,734</b>
Additions	–	156	195	–	–	156	507
Disposals	(9)	(80)	(68)	(3)	–	(30)	(190)
Reclassifications	–	97	58	–	–	(143)	12
Additions from business combinations	188	1	4	21	–	44	258
Foreign currency translation adjustments	(46)	(4)	(22)	(22)	(6)	(3)	(103)
<b>Balance at 31 December 2014, restated</b>	<b>6,540</b>	<b>1,307</b>	<b>1,980</b>	<b>1,133</b>	<b>272</b>	<b>986</b>	<b>12,218</b>
Additions	–	176	166	–	–	205	547
Disposals	–	(75)	(53)	–	–	(35)	(163)
Reclassifications	–	95	21	–	–	(76)	40
Additions from business combinations	255	–	32	50	4	16	357
Disposals from sales of subsidiaries	(13)	(18)	(2)	(1)	–	(15)	(49)
Foreign currency translation adjustments	(217)	(14)	(109)	(100)	(26)	(15)	(481)
<b>Balance at 31 December 2015</b>	<b>6,565</b>	<b>1,471</b>	<b>2,035</b>	<b>1,082</b>	<b>250</b>	<b>1,066</b>	<b>12,469</b>
<b>Accumulated amortisation and impairment losses</b>							
<b>Balance at 31 December 2013</b>	<b>1,598</b>	<b>696</b>	<b>1,343</b>	<b>817</b>	<b>179</b>	<b>239</b>	<b>4,872</b>
Amortisation	–	223	239	109	27	102	700
Impairment losses	–	–	1	–	–	–	1
Disposals	(9)	(79)	(68)	(3)	–	(29)	(188)
Reclassifications	–	–	–	–	–	2	2
Foreign currency translation adjustments	(32)	(2)	(16)	(18)	(3)	(2)	(73)
<b>Balance at 31 December 2014</b>	<b>1,557</b>	<b>838</b>	<b>1,499</b>	<b>905</b>	<b>203</b>	<b>312</b>	<b>5,314</b>
Amortisation	–	217	228	93	25	111	674
Impairment losses	–	2	–	–	–	1	3
Disposals	–	(75)	(47)	–	–	(34)	(156)
Disposals from sales of subsidiaries	–	(18)	(2)	(1)	–	(14)	(35)
Reclassifications	–	16	(9)	–	–	–	7
Foreign currency translation adjustments	(153)	(10)	(83)	(85)	(20)	(9)	(360)
<b>Balance at 31 December 2015</b>	<b>1,404</b>	<b>970</b>	<b>1,586</b>	<b>912</b>	<b>208</b>	<b>367</b>	<b>5,447</b>
<b>Net carrying amount</b>							
<b>Net carrying amount at 31 December 2015</b>	<b>5,161</b>	<b>501</b>	<b>449</b>	<b>170</b>	<b>42</b>	<b>699</b>	<b>7,022</b>
<b>Net carrying amount at 31 December 2014</b>	<b>4,983</b>	<b>469</b>	<b>481</b>	<b>228</b>	<b>69</b>	<b>674</b>	<b>6,904</b>
<b>Net carrying amount at 31 December 2013</b>	<b>4,809</b>	<b>441</b>	<b>470</b>	<b>320</b>	<b>99</b>	<b>723</b>	<b>6,862</b>

As of 31 December 2015, other intangible assets included advance payments made and uncompleted development projects of CHF 154 million (prior year: CHF 128 million). Apart from goodwill, there are no intangible assets with indefinite useful lives. As of 31 December 2015, accumulated impairment losses on goodwill of CHF 1,404 million were recognised. The increase in goodwill of CHF 255 million in 2015 results primarily from the takeover of search.ch. See Note 5 for further information. Goodwill arising from investments in associates is classified as part of the investments in associates.

## 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	31.12.2015	31.12.2014 restated
Residential Customers Swisscom Switzerland	2,620	2,629
Small and Medium-Sized Enterprises Swisscom Switzerland	662	655
Enterprise Customers Swisscom Switzerland	907	734
Fastweb	533	592
Other cash-generating units	439	373
<b>Total goodwill</b>	<b>5,161</b>	<b>4,983</b>

Goodwill was tested for impairment in the fourth quarter of 2015 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 free 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:

Cash-generating unit	2015			2014		
	WACC pre-tax	WACC post-tax	Long-term growth rate	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	6.57%	5.20%	0%	6.51%	5.13%	0%
Small and Medium-Sized Enterprises Swisscom Switzerland	6.61%	5.20%	0%	6.54%	5.13%	0%
Enterprise Customers Swisscom Switzerland	6.61%	5.20%	0%	6.56%	5.13%	0%
Fastweb	10.30%	7.50%	1.0%	10.60%	7.70%	1.0%
Other cash-generating units	7,1–12,1%	6,3–9,5%	0–1.0%	6.6–8.2%	5.1–6.4%	0–1.0%

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.

### Residential Customers, Small- and Medium-Sized Enterprises and Enterprise Customers – Swisscom Switzerland

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, as in the prior year. 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 of Fastweb was undertaken in the fourth quarter of 2015. 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 2016 to 2020. 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 4.2% is expected for the detailed planning period up to 2020. In the prior year, an average annual growth in revenue of 3.3% had been expected for the detailed planning period 2015–2019.
Projected EBITDA margin (EBITDA as % of net revenue)	The projected EBITDA margin in 2020 is 40%. In the previous year, for the year 2019 an EBITDA margin of 41% was assumed.
Projected capital expenditure rate (capex as % of net revenue)	In the period up to 2020, it is anticipated that capital expenditure in relation to net revenue will be normalised to 23%. Last year, a rate of investment of 18% was anticipated for the year 2019.
Post-tax discount rate	The post-tax discount rate is 7.50% (prior year: 7.70%) and the related pre-tax discount rate is 10.30% (prior year: 10.60%). 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, but at least an interest rate of 3%. 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 net carrying amount by EUR 750 million (CHF 818 million).

The following changes in material assumptions lead to a situation where the value in use equates to the carrying amount:

	Assumptions	Sensitivity
Average annual growth rate through 2020 with the same EBITDA margin as in the business plan	4.2%	2.0%
Projected EBITDA margin 2020	40%	36%
Capital expenditure rate 2020	23%	27%
Post-tax discount rate	7.50%	9.20%
Long-term growth rate	1.0%	-1.2%

## 25 Investments in associates

In CHF million	2015	2014 restated
<b>Balance at 1 January</b>	<b>182</b>	<b>153</b>
Additions	50	3
Disposals	–	(108)
Additions from business combinations. See Note 5.	–	59
Gain on successive company acquisitions	–	82
Dividends	(22)	(30)
Share of net results	23	26
Foreign currency translation adjustments	(10)	(3)
<b>Balance at 31 December</b>	<b>223</b>	<b>182</b>

The participations which are reflected in the consolidated financial statements of Swisscom using the equity method of accounting are set out in Note 40. Dividend income of CHF 22 million (prior year: CHF 30 million) is attributable mainly to the dividends distributed by LTV Yellow Pages and Belgacom International Carrier Services.

Additions in 2015 include investments by Swisscom in finnova Bankware Ltd (banking software), Siroop Ltd (online marketplace), Ringier Publishing Ltd (advertisement marketing) and Managed Mobility Ltd (fleet management and fleet optimisation).

In September 2014, Swisscom acquired PubliGroupe SA in a public takeover which, at the time of the transaction, owned 51% of the share capital of LTV Yellow Pages Ltd. The remaining 49% of LTV Yellow Pages Ltd were held by Swisscom. As a result of the takeover, Swisscom assumed full control over LTV Yellow Pages Ltd which previously was reflected in Swisscom's consolidated financial statements as an associate. At the time of the takeover, the carrying amount of the 49% shareholding in LTV Yellow Pages Ltd in Swisscom's consolidated financial statements amounted to CHF 26 million. The difference of CHF 82 million between the carrying amount and the fair value of the 49% shareholding was recognised as other financial income in the fourth quarter of 2014. The fair value of the 49% shareholding amounted to CHF 108 million and is recognised as a part of the acquisition costs of the PubliGroupe takeover. See Notes 5 and 14 for further information. In addition, a 47.5% shareholding in Zanox Ltd (Zanox) was acquired as part of the takeover of PubliGroupe which is accounted for in accordance with the equity method in the consolidated financial statements of Swisscom. Zanox is the European market leader in performance advertising.

The following table provides selected summarised key financial data of the associates:

In CHF million	2015	2014
<b>Income statement</b>		
Net revenue	2,575	2,347
Operating expense	(2,418)	(2,223)
Operating income	157	124
<b>Net income</b>	<b>104</b>	<b>122</b>
<b>Balance sheet at 31 December</b>		
Current assets	1,073	1,131
Non-current assets	933	935
Current liabilities	(964)	(1,087)
Non-current liabilities	(429)	(316)
<b>Equity</b>	<b>613</b>	<b>663</b>

## 26 Financial liabilities

In CHF million	31.12.2015	31.12.2014
Bank loans	746	960
Debenture bonds	45	547
Private placements	350	–
Finance lease liabilities	16	14
Other interest-bearing financial liabilities	2	2
Derivative financial instruments. See Note 33.	6	49
Other non-interest-bearing financial liabilities	30	8
<b>Total current financial liabilities</b>	<b>1,195</b>	<b>1,580</b>
Bank loans	610	921
Debenture bonds	5,385	4,557
Private placements	581	925
Finance lease liabilities	510	547
Other interest-bearing financial liabilities	13	3
Derivative financial instruments. See Note 33.	55	49
Other non-interest-bearing financial liabilities	244	22
<b>Total non-current financial liabilities</b>	<b>7,398</b>	<b>7,024</b>
<b>Total financial liabilities</b>	<b>8,593</b>	<b>8,604</b>

### Bank loans and credit limit

In CHF million	Due within	Par value in CHF	Carrying amount	
			31.12.2015	31.12.2014
Bank loans in CHF variable interest-bearing	2015	530	–	530
Bank loans in EUR variable interest-bearing	2015	421	–	421
Bank loans in CHF variable interest-bearing	2016	300	–	300
Bank loans in CHF variable interest-bearing	2016	130	130	–
Bank loans in EUR variable interest-bearing	2016	542	542	–
Bank loans in CHF variable interest-bearing	2017	130	–	130
Bank loans in EUR variable interest-bearing	2020	325	326	361
Bank loans in EUR fixed interest-bearing	2020	217	219	–
Bank loans in USD fixed interest-bearing	2028	98	139	139
<b>Total bank loans</b>			<b>1,356</b>	<b>1,881</b>

During 2015, Swisscom took up short-term bank loans in CHF and EUR on a weekly and monthly basis. As of 31 December 2015, there were short-term bank loans totalling CHF 130 million and EUR 500 million outstanding (prior year: CHF 530 million).

In 2015, Swisscom had a bank loan of EUR 200 million (CHF 217 million) with a term of 5 years. This interest-bearing bank loan was transformed into variable-rate CHF financing through a foreign currency swap and was designated as a fair value hedge for hedge accounting. In 2015, Swisscom repaid bank loans amounting to CHF 960 million and EUR 350 million. As of 31 December 2015, 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 –0.2%, in EUR –0.3% and in USD 4.62%. A bank loan of EUR 300 million was designated for hedge accounting for net investments in foreign shareholdings. 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 2020. As of 31 December 2015, 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	
				31.12.2015	31.12.2014
Debenture bond in CHF	2008–2015	500	4.00%	–	506
Debenture bond in CHF	2007–2017	600	3.75%	610	609
Debenture bond in CHF	2009–2018	1,425	3.25%	1,432	1,430
Debenture bond in EUR	2013–2020	542	2.00%	539	597
Debenture bond in EUR	2014–2021	542	1.88%	540	597
Debenture bond in CHF	2010–2022	500	2.63%	499	498
Debenture bond in CHF	2015–2023	250	0.25%	251	–
Debenture bond in CHF	2012–2024	500	1.75%	504	503
Debenture bond in EUR	2015–2025	542	1.75%	540	–
Debenture bond in CHF	2014–2026	200	1.50%	202	202
Debenture bond in CHF	2014–2029	160	1.50%	161	162
Debenture bond in CHF	2015–2035	150	1.00%	152	–
<b>Total debenture bonds</b>				<b>5,430</b>	<b>5,104</b>

In April 2015, Swisscom issued two debenture bonds with an aggregate nominal value of CHF 400 million: one issue for CHF 250 million with a coupon rate of 0.25% and maturing in 2023 and a second issue for CHF 150 million bearing interest of 1.0% maturing in 2035. These issues were taken up to repay outstanding debts. In addition, interest rate swaps were entered into for a nominal amount of CHF 225 million to hedge the interest rate risk on financing received which were designated as fair value hedges for hedge-accounting purposes. In September 2015, Swisscom took up a debenture bond for EUR 500 (CHF 542 million) with a coupon rate of 1.75% and with final maturities in 2025. The debenture bond was issued by Lunar Funding V, an independent Irish multi-purpose vehicle. It is secured by a loan note from Lunar Funding V to Swisscom in the same amount. The bond so taken up was used to refinance existing finance debts. In addition, the EUR 500 million interest-bearing financing was swapped into variable-rate financing in CHF and designated as a fair value hedge for hedge-accounting purposes. Already in the prior year, Swisscom had taken up a debenture bond totalling EUR 500 million (CHF 601 million) through the intermediary of Lunar Funding V which was designated for hedge accounting of net investments in foreign shareholdings. In 2015, Swisscom repaid a debenture bond of CHF 500 million upon maturity. In the prior year, Swisscom repaid a debenture bond of CHF 1,250 million upon maturity. In addition, in the prior year, a premature partial redemption of the debenture bond maturing in 2018 and totalling CHF 75 million (nominal value) was made. The difference of CHF 8 million between the redemption amount of CHF 83 million and the carrying amount of the redeemed bonds of CHF 75 million was recognised as other financial expense.

## Private placements

In CHF million	Due within	Par value in CHF	Carrying amount	
			31.12.2015	31.12.2014
Private placements in CHF domestic	2016	350	350	350
Private placements in CHF abroad	2017	250	247	245
Private placements in CHF abroad	2018	72	69	68
Private placements in CHF abroad	2019	278	265	262
<b>Total private placements</b>			<b>931</b>	<b>925</b>

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. As in the prior year, no transaction costs were recorded as of 31 December 2015 in connection with the private placements. The

effective interest rate on the private placements is 1.7%. The Swiss-franc-denominated private placements of CHF 581 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 2015, the deferred gains totalled CHF 163 million (prior year: CHF 167 million). The deferred gains are released to other income over the term of the individual leases. The effective interest rate of the finance lease liabilities was 5.84%.

The minimum lease payments and financial liabilities relating to these leaseback agreements are set out in the following table:

In CHF million	31.12.2015	31.12.2014
Within 1 year	46	48
Within 1 to 2 years	40	47
Within 2 to 3 years	39	42
Within 3 to 4 years	36	41
Within 4 to 5 years	35	38
After 5 years	1,060	1,240
<b>Total future minimum lease payments</b>	<b>1,256</b>	<b>1,456</b>
Less future financing costs	(730)	(895)
<b>Total finance lease liabilities</b>	<b>526</b>	<b>561</b>
Thereof current finance lease liabilities	16	14
Thereof non-current finance lease liabilities	510	547

The future payments of the liabilities arising under finance leases, expressed in terms of their present value, as of 31 December 2014 and 2015 were as follows:

In CHF million	31.12.2015	31.12.2014
Within 1 year	16	14
Within 1 to 2 years	11	14
Within 2 to 3 years	10	9
Within 3 to 4 years	7	9
Within 4 to 5 years	6	6
After 5 years	476	509
<b>Total present value of finance lease liabilities</b>	<b>526</b>	<b>561</b>

In addition, operating lease arrangements exist for miscellaneous real estate with terms of 1 to 25 years. See Note 35. In 2015, conditional rental payments of CHF 3 million were recorded as rental expense (prior year: CHF 3 million).

## 27 Trade and other payables

In CHF million	31.12.2015	31.12.2014
Supplier invoices received	1,058	1,102
Goods and services received not yet invoiced	428	449
<b>Total trade payables</b>	<b>1,486</b>	<b>1,551</b>
Accruals from international roaming traffic	23	48
Liabilities from debt-collection activities	23	28
Liabilities from construction contracts	9	2
Miscellaneous payables	227	247
<b>Total other payables</b>	<b>282</b>	<b>325</b>
<b>Total trade and other payables</b>	<b>1,768</b>	<b>1,876</b>

## 28 Provisions

In CHF million	Termination benefits	Dismantlement and restoration costs	Regulatory and competition law procedures	Other	Total
<b>Balance at 31 December 2013</b>	<b>45</b>	<b>481</b>	<b>118</b>	<b>155</b>	<b>799</b>
Additions to provisions	8	162	3	44	217
Present-value adjustments	–	13	2	1	16
Release of unused provisions	(9)	(6)	–	(30)	(45)
Use of provisions	(16)	(4)	(17)	(24)	(61)
Additions from business combinations	1	–	–	1	2
Foreign currency translation adjustments	–	–	–	(1)	(1)
<b>Balance at 31 December 2014</b>	<b>29</b>	<b>646</b>	<b>106</b>	<b>146</b>	<b>927</b>
Additions to provisions	70	–	208	23	301
Present-value adjustments	–	11	–	2	13
Release of unused provisions	(3)	(62)	–	(7)	(72)
Use of provisions	(8)	(2)	(4)	(14)	(28)
Additions from business combinations	–	–	–	2	2
Disposals from sales of subsidiaries	–	–	–	(2)	(2)
Foreign currency translation adjustments	–	–	–	(2)	(2)
<b>Balance at 31 December 2015</b>	<b>88</b>	<b>593</b>	<b>310</b>	<b>148</b>	<b>1,139</b>
Thereof current provisions	86	–	186	79	351
Thereof non-current provisions	2	593	124	69	788

### Provisions for employee reduction programme

In the fourth quarter of 2015, Swisscom recognised a provision for personnel reduction costs of CHF 70 million. Swisscom operates in a market characterized by intense competition and fierce pricing dynamics. For this reason, Swisscom has set itself the goal of reducing its cost basis. This is to be achieved through organisational changes, job reductions, optimization of processes and the migration to All-IP technology. In addition, business change will impact the pattern of employment opportunities of Swisscom: job positions in traditional businesses will in part be lost and will be replaced by positions created in new, innovative areas. Swisscom assumes that some 700 employees in Switzerland will participate in the social plan as a result of the reductions primarily in support areas. The associated costs are estimated at CHF 70 million.



### 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. The provisions are computed by reference to estimates of future anticipated dismantling costs and are discounted using an average interest rate of 1.48% (prior year: 1.69%). The effect of using different interest rates amounted to CHF 24 million (prior year: CHF 151 million). In 2015, as a result of reassessments, adjustments totalling CHF 55 million (prior year: CHF 157 million) were recorded under property, plant and equipment and CHF 7 million (prior year: CHF 1 million) which was recognised in the income statement. The non-current portion of the provisions is expected to be settled after 2020.

The level of provisions is determined to a substantial degree by the level of estimated future dismantling and restoration costs as well as the timing of the dismantling. An increase of estimated costs by 10% would result in an increase of CHF 56 million in the amount of the provision. A shift in the timing of dismantling by a further ten years would lead to a reduction in the provision by CHF 60 million.

### Provisions for regulatory and competition-law 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. In addition, the Federal Competition Commission (Weko) is conducting various proceedings against Swisscom. In accordance with the Federal Anti-Trust Law, Weko may impose penalties against Swisscom in the event that the competition law has been violated. The level of the penalty is dependent on the duration and severity as well as the nature of the violation. It may be as much as 10% of the revenues which have been generated by the company in question in the last three business years on the relevant markets in Switzerland. In the event that a legally enforceable finding as to market abuse is reached, claims under civil law may be asserted against Swisscom. Any applicable payments will depend upon the date on which legally-binding decrees and decisions are issued. With its decision of 5 November 2009, Weko levied a penalty totalling CHF 220 million on Swisscom for abuse of a market-dominant position in the case of ADSL services during the period through to the end of 2007. Swisscom appealed on 7 December 2009 against the ruling to the Federal Administrative Court. On 6 October 2015, the Federal Administrative Court in principle upheld the Weko decision and reduced the penalty imposed on Swisscom by Weko from CHF 220 million to CHF 186 million. Following the decision, Swisscom recognised provision of CHF 186 million in the third quarter of 2015. Swisscom does not consider the penalty to be justified and has lodged an appeal to the Federal Court. At the beginning of 2016, Swisscom paid the penalty of CHF 186 million imposed by Weko.

On the basis of legal opinions, provisions for regulatory and anti-trust-law proceedings were recognised and released in the third and fourth quarters of 2015, whereby these are presented on a net basis on procedural grounds.

### Other provisions

Other provisions include provisions for environmental, contractual and tax risks. The non-current portion of the provisions will most likely be settled between 2016 and 2018.

## 29 Contingent liabilities and contingent assets

### Regulatory and competition-law 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. In addition, the Federal Competition Commission (Weko) is conducting various proceedings against Swisscom. In accordance with the Federal Anti-Trust Law, Weko may impose penalties against Swisscom in the event that the competition law has been violated. The amount of the penalty is dependent on the duration and severity as well as the nature of the violation. It may be as much as 10% of the revenues which have been generated by the company in question in the last three business years on the relevant markets in Switzerland. In the event of a legally enforceable finding as to market abuse, claims under civil law may be asserted against Swisscom.

In April 2013, Weko initiated an investigation against Swisscom in the area of live-sport transmissions on pay TV. On 23 July 2015, the Secretariat of Weko delivered to Swisscom a proposed ruling. It proposes therein to the Federal Competition Commission to impose a penalty against Swisscom of CHF 143 million for unlawful behaviour in the marketing of sport contents over pay TV. In the opinion of the Weko Secretariat, Swisscom and Teleclub have a market-dominant position in particular in the provision of national football and ice hockey transmissions and must therefore offer all TV platforms in Switzerland – insofar as technically possible – an equivalent Teleclub sports portfolio on non-discriminatory conditions. Swisscom rejects the accusations and is of the opinion that it has conducted itself in a lawful manner in the marketing of sports contents. From a current perspective, Swisscom considers the levying of sanctions in the court of last appeal as not probable and thus has established no provision in the consolidated financial statements as of and for the year ended 31 December 2015. On 19 November 2015, in its investigation as to the invitation to tender for the corporate network of the Swiss Post in 2008, Weko came to the conclusion that Swisscom has a market-dominant position on the market for broadband access for large corporate clients. In this tender, Swisscom is accused of having set the wholesale prices charged to competitors at such a high level that the latter could not compete with the end-customer offer made by Swisscom. As a result of this unlawful conduct, Weko ruled a direct penalty of CHF 8 million. Swisscom has challenged the ruling in the Federal Administrative Court. From a current perspective, Swisscom considers the levying of sanctions in the court of last appeal as not probable and thus has established no provision in the consolidated financial statements as of and for the year ended 31 December 2015.

### Contingent assets from litigation

The Italian competition authorities (AGCOM) condemned Telecom Italia for unlawful conduct as a market-dominant company and imposed a penalty of EUR 104 million. Related to the same matter, Fastweb has claimed damages from Telecom Italia and initiated legal action in connection therewith. In the fourth quarter of 2015, Fastweb and Telecom Italia concluded an out-of-court settlement. The latter also encompasses additional contested receivables of both parties from each other. In the fourth quarter of 2015, Telecom Italia made a payment of EUR 15 million. As at 31 December 2015, there resulted from the settlement for Fastweb an uncertain receivable to which conditions are attached. Disclosure of the amount of the receivable is waived for contractual and procedural reasons.

## 30 Other non-financial liabilities

In CHF million	31.12.2015	31.12.2014
Deferred revenue	436	407
Value-added taxes payable	97	120
Advance payments received	32	54
Other current non-financial liabilities	128	137
<b>Total other current non-financial liabilities</b>	<b>693</b>	<b>718</b>
Deferred gain on sale and leaseback of real estate	163	167
Other non-current non-financial liabilities	196	208
<b>Total other non-current non-financial liabilities</b>	<b>359</b>	<b>375</b>

Deferred revenues mainly comprise deferred payments for prepaid cards and prepaid subscription fees. The deferred gain from the sale and leaseback of real estate is released to 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 2015, 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 an aggregate market value of CHF 2 million (prior year: CHF 5 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
<b>Balance at 31 December 2013</b>	<b>802</b>	<b>435</b>	–
Purchases on the market	8,600	525	5
Allocated for share-based compensation	(9,253)	535	(5)
<b>Balance at 31 December 2014</b>	<b>149</b>	<b>525</b>	–
Purchases on the market	3,730	567	2
Allocated for share-based compensation	(3,879)	563	(2)
<b>Balance at 31 December 2015</b>	<b>–</b>	<b>–</b>	–

As of 31 December 2015, Swisscom had no treasury shares in its portfolio (prior year: 149 shares). As a result, the balance of shares outstanding as at 31 December 2015 totalled 51,801,943 (prior year: 51,801,794 shares).

## Other reserves

In CHF million	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Total other reserves
<b>Balance at 31 December 2013</b>	<b>(19)</b>	<b>7</b>	<b>(1,559)</b>	<b>(1,571)</b>
Foreign currency translation adjustments of foreign subsidiaries	–	–	(46)	(46)
Change in fair value	10	–	–	10
Gains and losses transferred to income statement	5	–	–	5
Income tax expense	(3)	–	15	12
<b>Balance at 31 December 2014</b>	<b>(7)</b>	<b>7</b>	<b>(1,590)</b>	<b>(1,590)</b>
Foreign currency translation adjustments of foreign subsidiaries	–	–	(194)	(194)
Change in fair value	(12)	4	–	(8)
Gains and losses transferred to income statement	11	(6)	–	5
Income tax expense	2	–	51	53
<b>Balance at 31 December 2015</b>	<b>(6)</b>	<b>5</b>	<b>(1,733)</b>	<b>(1,734)</b>

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. On 31 December 2015, cumulative foreign currency translation losses before taxes at Fastweb amounted to CHF 2,143 million (prior year: CHF 1,960 million).

## Other comprehensive income

Other comprehensive income in 2015 may be analysed as follows:

2015, 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	(393)	–	–	–	(393)	–	(393)
Income tax expense	80	–	–	–	80	–	80
<b>Items that will not be reclassified to income statement, net of tax</b>	<b>(313)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(313)</b>	<b>–</b>	<b>(313)</b>
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	(194)	(194)	–	(194)
Change in fair value	–	(12)	4	–	(8)	–	(8)
Gains and losses transferred to income statement	–	11	(6)	–	5	–	5
Income tax expense	–	2	–	51	53	–	53
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>	<b>–</b>	<b>1</b>	<b>(2)</b>	<b>(143)</b>	<b>(144)</b>	<b>–</b>	<b>(144)</b>
<b>Total other comprehensive income</b>	<b>(313)</b>	<b>1</b>	<b>(2)</b>	<b>(143)</b>	<b>(457)</b>	<b>–</b>	<b>(457)</b>

Other comprehensive income in 2014 may be analysed as follows:

2014, in million CHF, 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	(1,127)	–	–	–	(1,127)	(1)	(1,128)
Income tax expense	238	–	–	–	238	–	238
<b>Items that will not be reclassified to income statement, net of tax</b>	<b>(889)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(889)</b>	<b>(1)</b>	<b>(890)</b>
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	(46)	(46)	–	(46)
Change in fair value	–	10	–	–	10	–	10
Gains and losses transferred to income statement	–	5	–	–	5	–	5
Income tax expense	–	(3)	–	15	12	–	12
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>	<b>–</b>	<b>12</b>	<b>–</b>	<b>(31)</b>	<b>(19)</b>	<b>–</b>	<b>(19)</b>
<b>Total other comprehensive income</b>	<b>(889)</b>	<b>12</b>	<b>–</b>	<b>(31)</b>	<b>(908)</b>	<b>(1)</b>	<b>(909)</b>

### Share of equity attributable to non-controlling interests

In 2015, transactions with non-controlling interests totalling CHF 2 million (prior year: CHF 157 million) were recognised. As part of the takeover of PubliGroupe SA in September 2014, the outstanding 49% of the non-controlling shareholdings in Swisscom Directories Ltd and local.ch Ltd were acquired for CHF 162 million. The difference between the purchase price of CHF 162 million and the carrying amount of the non-controlling interests of CHF 26 million was recognised as an equity transaction with no effect on income. For further information see Note 5.

## 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 2015, Swisscom Ltd's distributable reserves amounted to CHF 4,652 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 2015 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 2014 and 2015:

In CHF million, except where indicated	2015	2014
Number of registered shares eligible for dividend (in millions of shares)	51.802	51.802
Ordinary dividend per share (in CHF)	22.00	22.00
<b>Dividends paid</b>	<b>1,140</b>	<b>1,140</b>

The dividend payments for the 2013 and 2014 financial years were funded entirely from retained earnings. The Board of Directors proposes to the Annual Shareholders' Meeting of Swisscom Ltd to be held on 6 April 2016 the payment of an ordinary dividend of CHF 22 per share in respect of the 2015 financial year. This equates to a total dividend distribution of CHF 1,140 million. The dividend payment is foreseen on 12 April 2016.

### 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. Financial risk management is conducted in accordance with established guidelines with the aim of limiting potential adverse effects on the financial situation of Swisscom. These guidelines contain, in particular, 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 calls for 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. As of the balance sheet date, Swisscom contracted financial liabilities totalling EUR 1,300 million (CHF 1,409 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 2015 are to be analysed as follows:

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In CHF million	EUR	USD	Other
<b>At 31 December 2015</b>			
Cash and cash equivalents	50	3	1
Trade and other receivables	9	3	4
Other financial assets	17	229	1
Financial liabilities	(2,706)	(143)	–
Trade and other payables	(48)	(59)	(26)
<b>Net exposure at carrying amounts</b>	<b>(2,678)</b>	<b>33</b>	<b>(20)</b>
Net forecasted cash flows exposure in the next 12 months	50	(412)	–
<b>Net exposure before hedges</b>	<b>(2,628)</b>	<b>(379)</b>	<b>(20)</b>
Forward currency contracts	–	(3)	–
Foreign currency swaps	567	351	–
Currency swaps	759	–	–
<b>Hedges</b>	<b>1,326</b>	<b>348</b>	<b>–</b>
<b>Net exposure</b>	<b>(1,302)</b>	<b>(31)</b>	<b>(20)</b>

The currency risks and hedging contracts for foreign currencies as of 31 December 2014 are to be analysed as follows:

In CHF million	EUR	USD	Other
<b>At 31 December 2014</b>			
Cash and cash equivalents	35	4	2
Trade and other receivables	4	–	7
Other financial assets	21	173	–
Financial liabilities	(2,019)	(144)	–
Trade and other payables	(67)	(74)	(15)
<b>Net exposure at carrying amounts</b>	<b>(2,026)</b>	<b>(41)</b>	<b>(6)</b>
Net forecasted cash flows exposure in the next 12 months	(362)	(455)	–
<b>Net exposure before hedges</b>	<b>(2,388)</b>	<b>(496)</b>	<b>(6)</b>
Forward currency contracts	336	–	–
Foreign currency swaps	–	446	–
Currency swaps	421	–	–
<b>Hedges</b>	<b>757</b>	<b>446</b>	<b>–</b>
<b>Net exposure</b>	<b>(1,631)</b>	<b>(50)</b>	<b>(6)</b>

#### Foreign currency 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	31.12.2015	31.12.2014
<b>Income impact on balance sheet items</b>		
EUR volatility of 7.67% (previous year: 4.29%)	205	87
USD volatility of 10.41% (previous year: 9.72%)	(3)	4
<b>Hedges for balance sheet items</b>		
EUR volatility of 7.67% (previous year: 4.29%)	(101)	(18)
USD volatility of 10.41% (previous year: 9.72%)	6	–
<b>Planned cash flows</b>		
EUR volatility of 7.67% (previous year: 4.29%)	(4)	16
USD volatility of 10.41% (previous year: 9.72%)	43	44
<b>Hedges for planned cash flows</b>		
EUR volatility of 7.67% (previous year: 4.29%)	–	(14)
USD volatility of 10.41% (previous year: 9.72%)	(43)	(43)

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 swaps to hedge its interest rate risk.

The structure of interest-bearing financial instruments at nominal values is as follows:

In CHF million	31.12.2015	31.12.2014
Fixed interest-bearing financial liabilities	6,509	5,997
Variable interest-bearing financial liabilities	1,705	2,444
<b>Total interest-bearing financial liabilities</b>	<b>8,214</b>	<b>8,441</b>
Fixed interest-bearing financial assets	(138)	(115)
Variable interest-bearing financial assets	(412)	(348)
<b>Total interest-bearing financial assets</b>	<b>(550)</b>	<b>(463)</b>
<b>Total interest-bearing financial assets and liabilities, net</b>	<b>7,664</b>	<b>7,978</b>
Variable interest-bearing	1,293	2,096
Fixed through interest rate swaps	(350)	(350)
Variable through interest rate swaps	984	–
<b>Variable interest-bearing, net</b>	<b>1,927</b>	<b>1,746</b>
Fixed interest-bearing	6,371	5,882
Fixed through interest rate swaps	350	350
Variable through interest rate swaps	(984)	–
<b>Fixed interest-bearing, net</b>	<b>5,737</b>	<b>6,232</b>
<b>Total interest-bearing financial assets and liabilities, net</b>	<b>7,664</b>	<b>7,978</b>

### Interest rate sensitivity analysis

The following sensitivity analysis shows the effects on the income statement and equity if CHF interest rates move by 100 basis points. In computing sensitivity in equity, negative interest rates are excluded.

In CHF million	Income statement		Equity	
	Increase 100 base points	Decrease 100 base points	Increase 100 base points	Decrease 100 base points
<b>At 31 December 2015</b>				
Variable financing	(13)	13	–	–
Interest rate swaps	(6)	6	2	(2)
<b>Cash flow sensitivity, net</b>	<b>(19)</b>	<b>19</b>	<b>2</b>	<b>(2)</b>
<b>At 31 December 2014</b>				
Variable financing	(21)	21	–	–
Interest rate swaps	4	(4)	5	(6)
<b>Cash flow sensitivity, net</b>	<b>(17)</b>	<b>17</b>	<b>5</b>	<b>(6)</b>

### 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. Requirements to be met by counterparties are defined in guidelines governing derivative financial instruments and financial investments. 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 exposed to credit risk is to be analysed as follows:

In CHF million	Note	31.12.2015	31.12.2014
Cash and cash equivalents	17	324	302
Trade and other receivables	18	2,535	2,586
Loans and receivables	19	196	209
Derivative financial instruments	19	14	11
Other assets valued at fair value	19	61	–
<b>Total carrying amount of financial assets</b>		<b>3,130</b>	<b>3,108</b>

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	31.12.2015	31.12.2014
AAA	12	13
AA+	163	129
AA	7	15
AA–	149	149
A+	11	1
A	148	123
A–	1	3
BBB+	43	7
BBB	2	–
BBB–	9	10
Without rating	50	72
<b>Total</b>	<b>595</b>	<b>522</b>

### 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 a 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 2016. As of 31 December 2015, 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 2015 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
<b>At 31 December 2015</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	1,356	1,439	747	74	437	181
Debenture bonds	5,430	6,080	129	729	2,194	3,028
Private placements	931	954	352	252	350	–
Finance lease liabilities	526	1,256	46	40	110	1,060
Other interest-bearing financial liabilities	15	15	2	7	–	6
Other non-interest-bearing financial liabilities	274	319	30	24	248	17
Trade and other payables	1,768	1,768	1,742	10	16	–
<b>Derivative financial liabilities</b>						
Derivative financial instruments	61	240	22	16	47	155
<b>Total</b>	<b>10,361</b>	<b>12,071</b>	<b>3,070</b>	<b>1,152</b>	<b>3,402</b>	<b>4,447</b>

The contractual maturities of financial liabilities including estimated interest payments as of 31 December 2014 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
<b>At 31 December 2014</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	1,881	1,975	963	383	370	259
Debenture bonds	5,104	5,778	640	120	2,293	2,725
Private placements	925	970	6	356	608	–
Finance lease liabilities	561	1,456	48	47	121	1,240
Other interest-bearing financial liabilities	5	5	2	–	1	2
Other non-interest-bearing financial liabilities	30	30	8	6	–	16
Trade and other payables	1,876	1,876	1,853	7	16	–
<b>Derivative financial liabilities</b>						
Derivative financial instruments	98	157	58	8	11	80
<b>Total</b>	<b>10,480</b>	<b>12,247</b>	<b>3,578</b>	<b>927</b>	<b>3,420</b>	<b>4,322</b>

### 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 to 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 financial assets and 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 investments held 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 amounts and fair values of financial assets and financial liabilities with their corresponding valuation categories are summarised in the following table. Not reflected therein are cash and cash equivalents, trade receivables and payables as well as miscellaneous receivables and payables whose carrying amount corresponds to a reasonable estimation of their fair value.

In CHF million	Carrying amount				Fair value		
	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
<b>At 31 December 2015</b>							
Derivative financial instruments	–	–	14	–	–	14	–
Other assets valued at fair value	–	–	61	–	61	–	–
Available-for-sale financial assets	–	15	–	–	–	–	15
<b>Financial assets measured at fair value</b>	<b>–</b>	<b>15</b>	<b>75</b>	<b>–</b>	<b>61</b>	<b>14</b>	<b>15</b>
Other loans and receivables	196	–	–	–	–	239	–
<b>Financial assets not measured at fair value</b>	<b>196</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>239</b>	<b>–</b>
Derivative financial instruments	–	–	61	–	–	61	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>61</b>	<b>–</b>	<b>–</b>	<b>61</b>	<b>–</b>
Bank loans	–	–	–	1,356	–	1,391	–
Debenture bonds	–	–	–	5,430	5,867	–	–
Private placements	–	–	–	931	–	957	–
Finance lease liabilities	–	–	–	526	–	1,037	–
Other interest-bearing financial liabilities	–	–	–	15	–	15	–
Other non-interest-bearing financial liabilities	–	–	–	274	–	274	–
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,532</b>	<b>5,867</b>	<b>3,674</b>	<b>–</b>

In CHF million	Carrying amount				Fair value		
	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
<b>At 31 December 2014</b>							
Derivative financial instruments	–	–	11	–	–	11	–
Available-for-sale financial assets	–	23	–	–	5	–	18
<b>Financial assets measured at fair value</b>	<b>–</b>	<b>23</b>	<b>11</b>	<b>–</b>	<b>5</b>	<b>11</b>	<b>18</b>
Other loans and receivables	205	–	–	–	–	240	–
<b>Financial assets not measured at fair value</b>	<b>205</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>240</b>	<b>–</b>
Derivative financial instruments	–	–	98	–	–	98	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>
Bank loans	–	–	–	1,881	–	1,922	–
Debenture bonds	–	–	–	5,104	5,610	–	–
Private placements	–	–	–	925	–	957	–
Finance lease liabilities	–	–	–	561	–	1,173	–
Other interest-bearing financial liabilities	–	–	–	5	–	5	–
Other non-interest-bearing financial liabilities	–	–	–	30	–	30	–
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,506</b>	<b>5,610</b>	<b>4,087</b>	<b>–</b>

In addition, as of 31 December 2015, there were available-for-sale financial assets with a carrying amount of CHF 37 million (prior year: CHF 27 million) which are valued at acquisition cost. Level 3 financial instruments developed as follows in 2014 and 2015:

In CHF million	Available-for-sale financial assets
<b>Balance at 31 December 2013</b>	20
Additions	1
Disposals	(3)
<b>Balance at 31 December 2014</b>	<b>18</b>
Disposals	(3)
<b>Balance at 31 December 2015</b>	<b>15</b>

The level-3 assets consist of investments in various investment funds and individual companies. The fair value was calculated by using a valuation model. In 2014 and 2015, 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
<b>2015</b>					
Interest income (interest expense)	10	–	(4)	(194)	(1)
Change in fair value	–	–	(13)	–	–
Foreign currency translation adjustments	(20)	–	(39)	19	–
Gains and losses transferred from equity	–	–	–	–	(10)
<b>Net result recognised in income statement</b>	<b>(10)</b>	<b>–</b>	<b>(56)</b>	<b>(175)</b>	<b>(11)</b>
Change in fair value	–	4	–	–	(12)
Gains and losses transferred to income statement	–	(6)	–	–	11
<b>Net result recognised in other comprehensive income</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(1)</b>
<b>Total net result by asset/liability category</b>	<b>(10)</b>	<b>(2)</b>	<b>(56)</b>	<b>(175)</b>	<b>(12)</b>

In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Hedging transactions
<b>2014</b>					
Interest income (interest expense)	10	–	(2)	(223)	(3)
Change in fair value	–	–	(46)	–	–
Foreign currency translation adjustments	1	–	3	–	–
Gains and losses transferred from equity	–	–	–	–	(2)
<b>Net result recognised in income statement</b>	<b>11</b>	<b>–</b>	<b>(45)</b>	<b>(223)</b>	<b>(5)</b>
Change in fair value	–	–	–	–	10
Gains and losses transferred to income statement	–	–	–	–	5
<b>Net result recognised in other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15</b>
<b>Total net result by asset/liability category</b>	<b>11</b>	<b>–</b>	<b>(45)</b>	<b>(223)</b>	<b>10</b>

In addition, in 2015, valuation allowances for trade and other receivables amounting to CHF 81 million (prior year: CHF 87 million) were recorded under other operating expenses.

### Derivative financial instruments

At 31 December 2014 and 2015, the following derivative financial instruments were recorded:

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fair value hedges	984	–	12	–	(3)	–
Cash flow hedges	617	824	1	6	(5)	(10)
Other derivative financial instruments	996	929	1	5	(53)	(88)
<b>Total derivative financial instruments</b>	<b>2,597</b>	<b>1,753</b>	<b>14</b>	<b>11</b>	<b>(61)</b>	<b>(98)</b>
Thereof current derivative financial instruments			2	11	(6)	(49)
Thereof non-current derivative financial instruments			12	–	(55)	(49)

## Fair value hedges

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Interest rate swaps in CHF	225	–	1	–	–	–
Currency swaps in EUR	759	–	11	–	(3)	–
<b>Total fair value hedges</b>	<b>984</b>	<b>–</b>	<b>12</b>	<b>–</b>	<b>(3)</b>	<b>–</b>

In 2015, Swisscom entered into interest rate swaps to hedge the interest rate risk of interest-bearing financing amounting to CHF 225 million. These interest rate swaps had positive fair values of CHF 1 million as at 31 December 2015. Furthermore, in 2015, Swisscom had concluded currency swaps totalling EUR 700 million to hedge the foreign currency and interest rate risks of interest-bearing financing in EUR. As at 31 December 2015, these currency swaps had positive fair values of CHF 11 million and negative fair values of CHF 3 million. In the prior year, Swisscom reported no instruments designated as fair value hedges for hedge-accounting purposes.

## Cash flow hedges

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Currency swaps in USD	267	235	1	6	–	–
Interest rate swaps in CHF	350	350	–	–	(5)	(9)
Forward currency contracts in EUR	–	239	–	–	–	(1)
<b>Total cash flow hedges</b>	<b>617</b>	<b>824</b>	<b>1</b>	<b>6</b>	<b>(5)</b>	<b>(10)</b>

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 2015, these interest rate swaps were recorded with a negative fair value of CHF 5 million (prior year: CHF 9 million). CHF 6 million was recognised in the hedging reserve within consolidated equity for these hedging instruments (prior year: CHF 10 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 300 million were closed out. The effective share of CHF 7 million was left in the other reserves as part of equity. It is being released to interest expense over the hedged duration of debenture bonds issued in 2009. As of 31 December 2015, a negative amount of CHF 1 million (prior year: CHF 2 million) is recognised in the hedging reserve as part of consolidated equity. As of 31 December 2015, derivative financial instruments included currency swaps of USD 268 million which serve to hedge future purchases of goods and services in the respective currencies. Prior year, currency swaps of USD 237 and forward currency contracts of EUR 199, were recorded for this purpose. The hedges were designated for hedge-accounting purposes. The hedges disclose a positive fair value of CHF 1 million (prior year: positive market value of CHF 6 million). A zero amount was recognised in the hedging reserve within consolidated equity for these designated hedging instruments (prior year: positive amount of CHF 5 million).

## Other derivative financial instruments

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Currency swaps in EUR	–	421	–	–	–	(47)
Interest rate swaps in CHF	200	200	–	–	(53)	(40)
Currency swaps in USD	226	211	1	5	–	–
Currency swaps in EUR	567	–	–	–	–	–
Forward currency contracts in USD	3	–	–	–	–	(1)
Forward currency contracts in EUR	–	97	–	–	–	–
<b>Total other derivative financial instruments</b>	<b>996</b>	<b>929</b>	<b>1</b>	<b>5</b>	<b>(53)</b>	<b>(88)</b>

In 2010 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 five years. These hedges matured in 2015. They were not designated for hedge accounting. Furthermore, derivative financial instruments as at 31 December 2015 include interest rate swaps covering CHF 200 million with maturities ending in 2040 with a negative market value of CHF 53 million (prior year: negative market value of CHF 40 million) which were not designated for hedge accounting. In addition, included in derivative financial instruments are 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.

### 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 2015, the financial liabilities and assets, including accrued interest, arising from cross-border lease agreements amounted to USD 69 million or CHF 69 million, respectively, which, in compliance with SIC 27, were not recognised in the balance sheet (prior year: USD 66 million or CHF 65 million).

### Netting of financial instruments

In CHF million	Gross amount	Netted in the balance sheet	Net amount
<b>At 31 December 2015</b>			
<b>Receivables from international roaming</b>			
Billed revenue	22	(16)	6
Accruals	149	(60)	89
<b>Total receivables from international roaming</b>	<b>171</b>	<b>(76)</b>	<b>95</b>
<b>Liabilities from international roaming</b>			
Supplier invoices received	42	(16)	26
Accruals	83	(60)	23
<b>Total liabilities from international roaming</b>	<b>125</b>	<b>(76)</b>	<b>49</b>
<b>At 31 December 2014</b>			
<b>Receivables from international roaming</b>			
Billed revenue	26	(19)	7
Accruals	164	(104)	60
<b>Total receivables from international roaming</b>	<b>190</b>	<b>(123)</b>	<b>67</b>
<b>Liabilities from international roaming</b>			
Supplier invoices received	34	(19)	15
Accruals	152	(104)	48
<b>Total liabilities from international roaming</b>	<b>186</b>	<b>(123)</b>	<b>63</b>

Swisscom enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. 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 or the other. The ISDA agreements do not meet the criteria for balance sheet netting as Swisscom has presently no legally enforceable right to offset the recognised amounts and such a right may only be applied to future occurrences such as a credit default or other credit events. In 2015, Swisscom recorded an amount of CHF 3 million for which such netting agreements existed. In the event of netting, derivative assets of

CHF 14 million and derivative liabilities of CHF 61 million would be reduced to CHF 11 million and CHF 58 million, respectively. In the prior year, Swisscom recognised an amount of CHF 2 million for which such netting agreements existed. In the event of netting, the derivative assets in the prior year of CHF 11 million would be reduced to CHF 9 million and the derivative liabilities would be reduced from CHF 98 million to CHF 96 million.

Charges for international roaming between telecom enterprises 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	31.12.2015	31.12.2014
Share of equity attributable to equity holders of Swisscom Ltd	5,237	5,483
Share of equity attributable to non-controlling interests	5	3
<b>Total capital</b>	<b>5,242</b>	<b>5,486</b>
Total assets	21,149	20,961
Equity ratio in %	24.8	26.2

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	31.12.2015	31.12.2014
Debenture bonds	5,430	5,104
Bank loans	1,356	1,881
Private placements	931	925
Finance lease liabilities	526	561
Other financial liabilities	350	133
<b>Total financial liabilities</b>	<b>8,593</b>	<b>8,604</b>
Cash and cash equivalents	(324)	(302)
Current financial assets	(85)	(40)
Non-current fixed interest-bearing deposits	(142)	(142)
<b>Net debt</b>	<b>8,042</b>	<b>8,120</b>
Operating income before depreciation and amortisation (EBITDA)	4,098	4,413
Ratio net debt/EBITDA	2.0	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	2015	2014
Trade and other receivables	(3)	4
Inventories	(30)	(7)
Other non-financial assets	(9)	(41)
Trade and other payables	(77)	(85)
Provisions	248	(40)
Other non-financial liabilities	(51)	(22)
Defined benefit obligations	56	(22)
<b>Total changes in operating assets and liabilities</b>	<b>134</b>	<b>(213)</b>

### Other cash flows from financing activities

In 2015, other cash inflows from financing activities amount to CHF 2 million (prior year: cash outflows of CHF 14 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 9 million (prior year: CHF 13 million). As a result of changes in the assumptions made in estimating the provisions for dismantling and restoration costs, a decrease of CHF 55 million net was recognised in property, plant and equipment (prior year: increase of CHF 157 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 2015 aggregated CHF 886 million (prior year: CHF 1,004 million).

### Operating leases

Operating leases relate primarily to the rental of real estate for business purposes. See Note 26. In 2015, payments for operating leases amounted to CHF 314 million (prior year: CHF 316 million). Future minimum lease payments in respect of operating lease contracts are as follows:

In CHF million	31.12.2015	31.12.2014
Within 1 year	150	153
Within 1 to 2 years	140	136
Within 2 to 3 years	117	120
Within 3 to 4 years	101	104
Within 4 to 5 years	89	91
After 5 years	372	455
<b>Total future minimum lease payments</b>	<b>969</b>	<b>1,059</b>

## 36 Research and development

Costs aggregating CHF 18 million for research and development were expensed in 2015 (prior year: CHF 18 million).

## 37 Related parties

### Majority shareholder, associates and non-controlling interests

Transactions and balances outstanding at year end with related entities and individuals for 2015 are as follows:

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	359	145	150	377
Associates	23	109	5	7
Non-controlling interests	–	2	–	–
<b>Total 2015/Balance at 31 December 2015</b>	<b>382</b>	<b>256</b>	<b>155</b>	<b>384</b>

Transactions and balances outstanding at year end with related entities and individuals for 2014 are as follows:

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	397	160	178	668
Associates	100	145	9	6
Non-controlling interests	–	1	–	2
<b>Total 2014/Balance at 31 December 2014</b>	<b>497</b>	<b>306</b>	<b>187</b>	<b>676</b>

### 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 2015, the Confederation as majority shareholder held 51% of the issued shares of Swisscom Ltd. Any reduction of the Confederation’s holding below a majority shareholding would require a change in law which would need to be voted upon by the Swiss Parliament, 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 validly 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 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 are entered into with the Swiss Post on normal commercial terms.

### Associates and non-controlling interests

Services provided to/by associates and non-controlling interests are based upon market prices. The associates are listed in Note 40.

### Post-employment benefits funds

Transactions between Swisscom and the various pension funds are detailed in Note 10.

## Key management compensation

In CHF million	2015	2014
Current compensation	1.5	1.5
Share-based payments	0.8	0.8
Social security contributions	0.1	0.1
<b>Total compensation to members of the Board of Directors</b>	<b>2.4</b>	<b>2.4</b>
Current compensation	5.7	5.6
Share-based payments	1.0	0.7
Benefits paid following retirement from Group Executive Board	–	0.3
Pension contributions	0.8	0.7
Social security contributions	0.5	0.5
<b>Total compensation to members of the Group Executive Board</b>	<b>8.0</b>	<b>7.8</b>
<b>Total compensation to members of the Board of Directors and of the Group Executive Board</b>	<b>10.4</b>	<b>10.2</b>

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. One 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 shares, services provided and non-cash benefits as well as pension and social insurance benefits. 25% of the variable performance-related share of the members of the Group Executive Board is paid out in shares. The Group Executive Board members may increase this share to 50% at their discretion. See Note 11. The disclosures required by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) are set out in the chapter containing the Remuneration Report. Shares in Swisscom Ltd held by the members of the Board of Directors and Group Executive Board are set out in the Notes to the Consolidated Financial Statements of Swisscom Ltd.

## 38 Service concession agreements

On 21 June 2007 and in accordance with the Swiss Federal Telecommunications Act (TCA), the Federal Communications Committee (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 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 3 February 2016.

## 40 List of Group companies

Registered name	Registered office	Part of capital and voting right in %	Currency	Share capital in millions
<b>Switzerland</b>				
Akenes Ltd <sup>2</sup>	Lausanne	27.3	CHF	0.1
BFM Business Fleet Management Ltd <sup>1</sup>	Ittigen	100	CHF	1.0
Billag Ltd <sup>1</sup>	Fribourg	100	CHF	0.1
cablex Ltd <sup>2</sup>	Berne	100	CHF	5.0
CT Cinetrade AG <sup>1</sup>	Zurich	75	CHF	0.5
Datasport Ltd <sup>2</sup>	Gerlafingen	100	CHF	0.2
finnova Ltd bankware <sup>2,3</sup>	Lenzburg	9	CHF	0.5
Global IP Action Ltd <sup>2</sup>	Pfäffikon	70	CHF	0.2
insentia SA <sup>2</sup>	Lausanne	100	CHF	1.3
ITS Information Techlogie Services SA <sup>2</sup>	Lausanne	100	CHF	0.3
kitag kino-theater Ltd <sup>2</sup>	Zurich	75	CHF	1.0
LANexpert SA <sup>2</sup>	Lausanne	100	CHF	0.1
Managed Mobility Ltd <sup>2</sup>	Urdorf	50	CHF	0.1
Medgate Ltd <sup>2</sup>	Basel	40	CHF	0.7
Medgate Holding Ltd <sup>2</sup>	Zug	40	CHF	2.8
Medgate Technologies Ltd <sup>2</sup>	Zug	40	CHF	0.1
Mila AG <sup>2</sup>	Zurich	51	CHF	0.4
Mona Lisa Capital AG <sup>2</sup>	Ittigen	99.5	CHF	5.0
myKompass Ltd <sup>2,3</sup>	Lucerne	13.8	CHF	0.1
MyStrom Ltd <sup>2</sup>	Ittigen	100	CHF	0.1
Plazavista Entertainment AG <sup>2</sup>	Zurich	75	CHF	0.1
Ringier Publishing Ltd <sup>1</sup>	Zurich	33.3	CHF	0.3
SEC consult (Switzerland) Ltd <sup>2</sup>	Zurich	45.5	CHF	0.1
Siroop Ltd <sup>2</sup>	Zurich	50	CHF	0.1
Skwich Holding SA <sup>1</sup>	Lausanne	100	CHF	0.1
Société Immobilière Dos-Vie S.A. <sup>2</sup>	Delémont	100	CHF	0.7
Swisscom Banking Provider Ltd <sup>2</sup>	Muri bei Bern	100	CHF	5.0
Swisscom Broadcast Ltd <sup>1</sup>	Berne	100	CHF	25.0
Swisscom Directories Ltd <sup>1</sup>	Zurich	69	CHF	2.2
Swisscom eHealth Invest GmbH <sup>2</sup>	Ittigen	100	CHF	1.4
Swisscom Energy Solutions Ltd <sup>2</sup>	Ittigen	54	CHF	13.3
Swisscom Event & Media Solutions Ltd <sup>2</sup>	Ittigen	100	CHF	0.1
Swisscom Health AG <sup>2</sup>	Zurich	100	CHF	0.1
Swisscom Real Estate Ltd <sup>1</sup>	Ittigen	100	CHF	100.0
Swisscom IT Services Finance Custom Solutions Ltd <sup>2</sup>	Olten	100	CHF	0.1
Swisscom (Switzerland) Ltd <sup>1</sup>	Ittigen	100	CHF	1,000.0
Swisscom Ventures Ltd <sup>2</sup>	Berne	100	CHF	2.0
Teleclub AG <sup>2</sup>	Zurich	75	CHF	1.2
Teleclub Programm AG <sup>2</sup>	Zurich	25	CHF	0.6
Veltigroup Consulting Ltd <sup>2</sup>	Lausanne	100	CHF	0.1
Veltigroup Ltd <sup>2</sup>	Lausanne	100	CHF	0.1
VirtualAds AG <sup>2</sup>	Basel	100	CHF	1.0
Wingo Ltd <sup>2</sup>	Fribourg	100	CHF	3.0
Worklink AG <sup>1</sup>	Berne	100	CHF	0.5

<sup>1</sup> Participation directly held by Swisscom Ltd.

<sup>2</sup> Participation indirectly held by Swisscom Ltd.

<sup>3</sup> Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

Registered name	Registered office	Part of capital and voting right in %	Currency	Share capital in millions
<b>Belgium</b>				
Belgacom International Carrier Services Ltd <sup>2</sup>	Brussels	22.4	EUR	1.5
Swisscom Belgium N.V. <sup>2</sup>	Brussels	100	EUR	4,330.2
<b>Germany</b>				
Abavent GmbH <sup>2</sup>	Kempten	100	EUR	0.3
Mila Europe GmbH <sup>2</sup>	Berlin	51	EUR	–
Swisscom Telco GmbH <sup>2</sup>	Eschborn	100	EUR	–
Zanox AG <sup>2</sup>	Berlin	47.5	EUR	0.2
<b>Finland</b>				
Vilant Systems Oy <sup>2</sup>	Espoo	20	EUR	–
<b>France</b>				
local.fr SA <sup>2</sup>	Bourg-en-Bresse	67	EUR	0.5
<b>Italy</b>				
Fastweb S.p.A. <sup>2</sup>	Milan	100	EUR	41.3
Metroweb S.p.A. <sup>2,3</sup>	Milan	10.6	EUR	29.2
Swisscom Italia S.r.l. <sup>2</sup>	Milan	100	EUR	2,502.6
<b>Liechtenstein</b>				
Swisscom Re Ltd <sup>1</sup>	Vaduz	100	CHF	5.0
<b>Netherlands</b>				
Improve Digital B.V. <sup>2</sup>	Amsterdam	100	EUR	–
NGT International B.V. <sup>2</sup>	Capelle a/d IJssel	100	EUR	–
RLVNT B.V. <sup>2</sup>	Rotterdam	100	EUR	2.5
<b>Austria</b>				
Swisscom IT Services Finance SE <sup>2</sup>	Vienna	100	EUR	0.1
<b>Sweden</b>				
Sellbranch AB <sup>2</sup>	Stockholm	50.1	SEK	0.1
<b>Singapore</b>				
Swisscom IT Services Finance Pte Ltd <sup>2</sup>	Singapore	100	SGD	0.1
<b>USA</b>				
Swisscom Cloud Lab Ltd <sup>2</sup>	Delaware	100	USD	–

<sup>1</sup> Participation directly held by Swisscom Ltd.

<sup>2</sup> Participation indirectly held by Swisscom Ltd.

<sup>3</sup> Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

# 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 140 to 211 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 2015.

### 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 2015 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

Hanspeter Stocker  
Licensed Audit Expert  
Auditor in Charge

Daniel Haas  
Licensed Audit Expert

Gümligen-Berne, 3 February 2016

# Financial statements of Swisscom Ltd

## Income statement

In CHF million	2015	2014
Revenue from the sale of goods and services	237	238
Other income	32	30
<b>Total operating income</b>	<b>269</b>	<b>268</b>
Personnel expense	(82)	(84)
Other operating expense	(110)	(107)
<b>Total operating expenses</b>	<b>(192)</b>	<b>(191)</b>
<b>Operating income</b>	<b>77</b>	<b>77</b>
Financial expense	(181)	(263)
Financial income	201	220
Income from participations	189	2,447
<b>Income before taxes</b>	<b>286</b>	<b>2,481</b>
Income tax expense	(7)	(9)
<b>Net income</b>	<b>279</b>	<b>2,472</b>



# Balance sheet

In CHF million	Note	31.12.2015	31.12.2014 <sup>1</sup>
<b>Assets</b>			
Cash and cash equivalents		176	156
Trade receivables	3.1	21	25
Other current receivables	3.2	10	105
Dividends receivable from subsidiaries		73	2,400
Accrued income and deferred expense		89	10
<b>Total current assets</b>		<b>369</b>	<b>2,696</b>
Financial assets	3.3	5,911	5,257
Participations	3.4	7,872	7,767
<b>Total non-current assets</b>		<b>13,783</b>	<b>13,024</b>
<b>Total assets</b>		<b>14,152</b>	<b>15,720</b>
<b>Liabilities and equity</b>			
Current interest-bearing liabilities	3.5	1,718	3,170
Trade payables	3.6	8	11
Other current liabilities	3.7	52	85
Accrued expense and deferred income		81	81
Current provisions		8	6
<b>Total current liabilities</b>		<b>1,867</b>	<b>3,353</b>
Non-current interest-bearing liabilities	3.5	7,449	6,690
Other non-current liabilities	3.7	66	47
Non-current provisions		56	55
<b>Total non-current liabilities</b>		<b>7,571</b>	<b>6,792</b>
<b>Total liabilities</b>		<b>9,438</b>	<b>10,145</b>
Share capital		52	52
Legal capital reserves/capital surplus reserves		21	21
Legal retained earnings		10	10
Voluntary retained earnings		4,631	5,492
<b>Total equity</b>		<b>4,714</b>	<b>5,575</b>
<b>Total liabilities and equity</b>		<b>14,152</b>	<b>15,720</b>

<sup>1</sup> The balance sheet as at 31 December 2014 has been amended to meet the new classification provisions of the new Law on Accounting and Financial Reporting. See Note 2.

# Notes to the financial statements

## 1 General information

### Name, legal form and domicile

- > Swisscom Ltd, Ittigen (canton of Berne)
- > Parent company of the Swisscom Group
- > Swisscom Ltd is a limited-liability company established under a special statute pursuant to the Telecommunication Enterprises Act (TA) (*German*: “Telekommunikationsunternehmungsgesetz”) of 30 April 1997.
- > Company identification number (UID) CHF-102.753.938

### Share capital

As of 31 December 2015, the share capital comprised 51,801,943 registered shares of a par value of CHF 1 per share. This remains unchanged from the previous year.

### Significant shareholders

As at 31 December 2015, the Swiss Confederation (Confederation), as majority shareholder, held 51% of the issued shares of Swisscom Ltd which is unchanged from the prior year. The Telecommunications Enterprises Act (TEA) (*German*: “Telekommunikationsunternehmungsgesetz”) provides that the Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

### Number of full-time employees

The average number of employees of Swisscom Ltd during the financial year, expressed as full-time equivalents, exceeded 250, as in the prior year.

### Approval of Annual Financial Statements

The Board of Directors of Swisscom Ltd approved the present Annual Financial Statements on 3 February 2016 for release. The Annual Financial Statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 6 April 2016.

## 2 Summary of significant accounting policies

### Initial application of the new Law on Financial Statement Reporting

The annual financial statements for 2015 were prepared for the first time pursuant to the provisions of the Federal Law on Financial Statement Reporting (32<sup>nd</sup> section of the Federal Code of Obligations; *German*: Obligationenrecht). In order to ensure comparability, the prior year's amounts were restated to conform to the new classification standards.

This concerns in particular the following captions:

- > Receivables were divided into trade accounts receivables and other short-term receivables. Receivables from third parties and those due from Group companies are included in these positions.
- > Accrued income and deferred expense were previously included in other assets. They are now disclosed separately.
- > Loans to third parties and to Group companies are disclosed jointly in the caption financial assets.
- > Trade payables now include also trade payables to Group companies.
- > Current financial liabilities are now reported under short-term interest-bearing liabilities. Derivatives were reclassified from financial liabilities to other short-term liabilities.
- > Other liabilities were reclassified to the captions other short-term liabilities, accrued expenses and deferred income and short-term provisions.
- > Accrued expense and deferred income were previously not reported separately, but included in other liabilities.
- > Non-current financial liabilities are now shown under long-term interest-bearing liabilities. Derivatives were reclassified from financial liabilities to other long-term liabilities.
- > Legal reserves were previously included in the caption retained earnings and are now disclosed separately.

## Financial statement reporting policies

### General

Significant financial statement reporting policies which are not prescribed by law are described below. The ability to create and release hidden reserves for the purpose of ensuring the sustainable development of the company should be taken into account in this respect.

### Shareholdings and recording of dividend distributions by subsidiary companies

Investments are accounted for at acquisition cost less valuation allowances, as required. Dividend distributions from subsidiary companies are accrued in the financial statements of Swisscom Ltd provided that the annual general meetings of the subsidiary companies approve the payment of a dividend prior to the approval of the Annual Financial Statements of Swisscom Ltd by the Board of Directors.

### Treasury shares

At the time of acquisition, treasury shares are recorded at purchase cost as a reduction of shareholders' equity. In the event of a subsequent disposal, the resultant gain or loss is taken to income as financial income or financial loss, respectively. The balance of and transactions in treasury shares are disclosed in Note 31 to the Consolidated Financial Statements.

### Share-based payments

Should treasury shares be used for share-based payments to members of the Board of Directors and employees, the difference between the acquisition cost and any respective payment to the employees represents personnel expense as at the time the shares are allocated. Share-based payments of Swisscom Ltd are detailed in Note 11 to the Consolidated Financial Statements.

### Derivative financial instruments and hedge accounting

Derivative financial instruments which are deployed to hedge foreign currencies and interest rates, are measured at market price. Movements in market prices are recorded in the income statement. Derivatives which meet the conditions of a hedging transaction, are measured using the same valuation principles as those which apply to the underlying transaction. Gains and losses arising from the underlying and hedging transactions are dealt with on a joint basis (combined valuation perspective with regard to valuation units).

## 3 Disclosures on balance sheet and income statement positions

### 3.1 Trade accounts receivables

Trade accounts receivables consist exclusively of receivables from third parties.

### 3.2 Other current receivables

In CHF million	31.12.2015	31.12.2014
Receivables from third parties	1	3
Receivables from participations	6	102
Derivative financial instruments	3	–
<b>Total current receivables</b>	<b>10</b>	<b>105</b>

### 3.3 Financial assets

In CHF million	31.12.2015	31.12.2014
Loans and receivables from third parties	105	104
Loans and receivables from participations	5,793	5,153
Derivative financial instruments	10	–
Disagio debenture bonds	3	–
<b>Total financial assets</b>	<b>5,911</b>	<b>5,257</b>

### 3.4 Investments

A list of directly and indirectly held shareholdings of Swisscom Ltd is set out in Note 40 to the Consolidated Financial Statements.

### 3.5 Interest-bearing liabilities

In CHF million	31.12.2015	31.12.2014
Payables from third parties	1,087	1,451
Payables from participations	631	1,719
<b>Total current interest-bearing liabilities</b>	<b>1,718</b>	<b>3,170</b>

In CHF million	31.12.2015	31.12.2014
Bank loans	590	910
Debenture bonds	5,413	4,606
Private placements	600	950
Loans from participations	840	224
Other interest-bearing liabilities from third parties	6	–
<b>Total non-current interest-bearing liabilities</b>	<b>7,449</b>	<b>6,690</b>

The amounts, interest rates and maturities of the debenture bonds issued by Swisscom Ltd were as follows:

In CHF million or EUR	31.12.2015		31.12.2014	
	Par value in CHF	Nominal interest rate	Par value in CHF	Nominal interest rate
Debenture bond in CHF 2008–2015	–	–	500	4.00
Debenture bond in CHF 2007–2017	600	3.75	600	3.75
Debenture bond in CHF 2009–2018	1,425	3.25	1,425	3.25
Debenture bond in EUR 2013–2020	542	2.00	542	2.00
Debenture bond in EUR 2014–2021	542	1.88	542	1.88
Debenture bond in CHF 2010–2022	500	2.63	500	2.63
Debenture bond in CHF 2015–2023	250	0.25	–	–
Debenture bond in CHF 2012–2024	500	1.75	500	1.75
Debenture bond in EUR 2015–2025	542	1.75	–	–
Debenture bond in CHF 2014–2026	200	1.50	200	1.50
Debenture bond in CHF 2014–2029	160	1.50	160	1.50
Debenture bond in CHF 2015–2035	150	1.00	–	–

### 3.6 Trade payables

In CHF million	31.12.2015	31.12.2014
Payables from third parties	6	6
Payables from participations	2	5
<b>Total trade payables</b>	<b>8</b>	<b>11</b>

### 3.7 Other liabilities

In CHF million	31.12.2015	31.12.2014
Payables from third parties	38	23
Payables from participations	6	7
Derivative financial instruments	8	55
<b>Total other current liabilities</b>	<b>52</b>	<b>85</b>

In CHF million	31.12.2015	31.12.2014
Payables from third parties	7	–
Derivative financial instruments	59	47
<b>Total other non-current liabilities</b>	<b>66</b>	<b>47</b>

### 3.8 Residual leasing commitments

Leasing commitments which do not mature or cannot be terminated within twelve months present the following maturity structure:

In CHF million	31.12.2015	31.12.2014
Within 1 year	2	2
1 to 5 years	1	–
<b>Total remaining amount of lease obligation</b>	<b>3</b>	<b>2</b>

The amounts encompass the payments arising under rental and leasing contracts which are to be settled up to the end of the contract or the end of the notice period for cancellation.

### 3.9 Shareholdings of the members of the Board of Directors and Group Executive Board

The following table discloses the number of unrestricted and restricted shares held by the members of the Board of Directors and Group Executive Board as well as parties related to them, as of 31 December 2014 and 2015:

Number	31.12.2015	31.12.2014
Hansueli Loosli	2,012	1,682
Frank Esser <sup>1</sup>	205	101
Barbara Frei	528	409
Hugo Gerber	1,233	1,129
Michel Gobet	1,600	1,496
Torsten Kreindl	1,322	1,195
Catherine Mühlemann	1,223	1,119
Theophil Schlatter	1,054	887
Hans Werder	982	839
<b>Total shares of the members of the Group Executive Board</b>	<b>10,159</b>	<b>8,857</b>

<sup>1</sup> Elected as of 7 April 2014.

Number	31.12.2015	31.12.2014
Urs Schaeppi (CEO)	2,602	2,275
Mario Rossi	821	634
Hans C. Werner	571	421
Marc Werner <sup>1</sup>	211	106
Christian Petit <sup>2</sup>	1,525	1,332
Roger Wüthrich-Hasenböhler <sup>3</sup>	1,032	879
Heinz Herren <sup>3</sup>	1,098	1,122
<b>Total shares of the members of the Board of Directors</b>	<b>7,860</b>	<b>6,769</b>

<sup>1</sup> Joined the Group Executive Board as of 1 January 2014.

<sup>2</sup> Rejoined the Group Executive Board as of 1 April 2014.

<sup>3</sup> Rejoined the Group Executive Board as of 1 January 2014.

In 2015, 1,302 shares (CHF 0.7 million) were issued to members of the Board of Directors, 1,268 shares (CHF 0.7 million) were issued to members of the Group Executive Board and 1,309 shares (CHF 0.7 million) were issued to other Swisscom employees. See Note 11 to the consolidated financial statements.

### 3.10 Collateral given to secure third-party liabilities

As of 31 December 2015, guarantee obligations exist for Group companies in favour of third parties totalling CHF 111 million (prior year: CHF 260 million).

### 3.11 Assets used to secure own commitments as well as assets subject to retention of title

As of 31 December 2015, financial assets totalling CHF 105 million (prior year: CHF 103 million) were not freely available. These assets serve to secure commitments arising from bank loans.

### 3.12 Material events after the balance sheet date

No material events subsequent to the balance sheet date occurred in the period ending 3 February 2016, the date on which the Board of Directors of Swisscom Ltd approved the release of the Annual Financial Statements.

# 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 6 April 2016 that the available retained earnings of CHF 4,641 million as of 31 December 2015 be appropriated as follows:

In CHF million	31.12.2015
<b>Appropriation of retained earnings</b>	
Balance carried forward from prior year	4,362
Net income for the year	279
<b>Total retained earnings</b>	<b>4,641</b>
Ordinary dividend of CHF 22.00 per share to 51,801,943 shares <sup>1</sup>	(1,140)
<b>Balance to be carried forward</b>	<b>3,501</b>

<sup>1</sup> Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 12 April 2016 as follows:

Per registered share	CHF
Ordinary dividend, gross	22.00
Less 35% withholding tax	(7.70)
<b>Net dividend paid</b>	<b>14.30</b>

# 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 214 to 220 of Swisscom Ltd, which comprise the income statement, balance sheet and notes for the year ended 31 December 2015.

### 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 2015 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 the available retained 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

Hanspeter Stocker  
Licensed Audit Expert  
Auditor in Charge

Daniel Haas  
Licensed Audit Expert

Gümligen-Berne, 3 February 2016



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**Christian Blättler**

Informatics apprentice EFZ, third year of apprenticeship

## Further information

Focusing on  
our customers  
with a great deal  
of passion and  
reliability.



# Glossary

## Technical terms

**4G/LTE (Long Term Evolution):** 4G/LTE is the successor technology to HSPA and is the fourth generation of mobile technology. At present, LTE enables mobile broadband data speeds of up to 150 Mbps.

**4G+/LTE Advanced:** 4G+/LTE Advanced enables a theoretical bandwidth of up to 300 Mbps using the mobile phone network. In doing so, it bundles 4G/LTE frequencies to achieve the necessary capacity. In the near future, theoretical bandwidths of up to 450 Mbps will be achieved through the further bundling of 4G/LTE frequencies.

**5G:** 5G is the next generation of mobile network technology. There is currently no international 5G standard. But more and more tests are taking place worldwide. Swisscom expects to launch 5G in Switzerland in 2020.

**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 (copper and optical fibre) based on the Internet Protocol (IP). All-IP means that all services such as television, the Internet or fixed-line 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 for existing 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 switch all existing communications networks to IP to enable all telecommunications services (telephony, data traffic, TV, mobile communications, etc.) to be offered over IP. This would mean that all IP services within Switzerland are provided via Swisscom's own network, ensuring a higher level of security and better availability than other online voice service providers.

**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). It is defined in bps, kbps or Mbps.

**Cloud:** Cloud computing is an approach in which IT infrastructure, such as computing capacity, data storage and even finished software and platforms can be modified according to need dynamically and accessed via the Internet. The data centres, along with the resources and databases, are distributed via the cloud. The cloud is also a synonym for hardware that does not have a precise location.

**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 part of the second generation of mobile telephony and is a radio modulation technology used to enhance data transmission speeds in GSM mobile networks. EDGE enables data transfer rates of up to 256 kbps. EDGE is currently available to over 99% of the Swiss population.

**FTTH (Fibre to the Home):** FTTH refers to the end-to-end connection of homes and businesses 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 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 (pronounced "gee dot 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.

**GPRS (General Packet Radio Service):** GPRS is part of the second generation of mobile telephony and increases the transfer rates of GSM mobile networks. GPRS enables speeds of 30 to 40 kbps.

**GSM (Global System for Mobile communications) network:** GSM is a global second-generation digital mobile telephony standard which, in addition to voice and data transmission, enables services such as SMS messages and phone calls to other countries (international roaming).

**HSPA (High Speed Packet Access):** HSPA is an enhancement of the third generation of the UMTS mobile communications standard. Compared to UMTS, HSPA enables large volumes of data to be transmitted at faster speeds. HSPA enables 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 was 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 term coined in the 1980s, combining the terms information and communication technology. It denotes 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.

**MVNO (Mobile Virtual Network Operator):** MVNO denotes a business model for mobile communications. In this case, the corresponding business (the MVNO) has little or no limited network infrastructure. It therefore accesses the infrastructure of other mobile communication providers.

**Net Promoter Score (NPS):** NPS is a key figure that quantifies customer satisfaction directly and willingness to recommend the service to other customers indirectly. The NPS is thus an analysis to determine customer satisfaction.

**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):** PWLAN denotes a wireless, local public network based on the IEEE 802.11 WiFi standard family. Swisscom customers can use PWLAN at more than 2,200 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 traveling 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 1800 MHz networks (which are most commonly used in Europe) as well as 850 MHz and 1900 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 (routing). Routers come in different forms, from large-scale network devices to small devices for the home.

**TDM (Time Division Multiplexing):** 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 the information signal is first demultiplexed and then demodulated.

**Ultra-fast broadband:** Ultra-fast broadband is broadband speeds of more than 50 Mbps – on both fixed and mobile networks.

**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 99% of the Swiss population.

**Unified Communications:** An attempt used to integrate the wide variety of modern communication technologies. Different telecommunication services such as e-mail, unified messaging service, telephony, mobile phones, PDAs, instant messaging and presence functions are coordinated to improve the reachability of communication partners working on distributed projects, thereby speeding up business processes.

**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 form of VDSL is called VDSL2.

**Vectoring:** Vectoring is a technology that is used in conjunction with VDSL2. It eliminates interference (disruptions) between pairs of copper lines. This enables maximum a double increase in bandwidth.

**Video on Demand:** A service that allows subscribers to choose from a selection of (video) 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 via the Internet.

**VoLTE (Voice over LTE):** LTE is, in effect, a pure data network. VoLTE enables phone calls via the LTE data network.



**VPN (Virtual Private Network):** Colloquially, VPN is now used to refer to a virtual IP network (usually encrypted) that acts as a closed subnetwork within another IP network (often the public Internet).

**WiFi Calling:** WiFi Calling enables users to make calls via their mobile phone and the WLAN/WiFi network. This technology significantly improves mobile phone reception in houses.

**WLAN (Wireless Local Area Network):** WLAN stands for wireless local area network. A WLAN connects several computers wirelessly to a central information system, printer or scanner.

## Networks

**Leased lines:** Swisscom operates various data networks. These data networks 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 is comprised primarily of twisted copper wire pairs. It reaches practically every household in Switzerland. Swisscom began with the expansion of fibre-to-the-home (FTTH) in 2008 (end-2015: more than 1 million households and businesses connected with fibre-to-the-basement). It started rolling out broadband technology in 2000, first based on ADSL (coverage at end-2015: 97%). ADSL was followed in 2006 by VDSL2 (coverage at end-2015: over 93%) and from 2013 by FTTS/B (fibre-to-the-street or basement) and vectoring (end-2015: more than 2 million of households and businesses fitted with the latest fibre-optic technology). 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 90% 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 4G, 3G and 2G, 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 launched UMTS in 2004, and has continuously expanded its mobile network to include the UMTS extension HSPA/HSPA+ since 2006. This ensures download speeds of up to 42 Mbps. By the end of 2014, UMTS/HSPA was available to around 99% 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 launched its 4G/LTE offerings on the Swiss market in December 2012 and has since extended coverage to 98% of Swiss households. At present, LTE enables bandwidths of up to 150 Mbps. However, it is continuously being developed, and since end-2015, customers can now enjoy 4G+/LTE Advanced in 28 Swiss cities. Swisscom thus possesses the most efficient mobile network in Switzerland and will continue to expand its technological lead. Bandwidths of up to 450 Mbps are already being tested in laboratory conditions.

## Other terms

**Bit-stream access (BSA):** Regulated bitstream access is a high-speed link that travels the last mile from the local exchange to the customer's home connection via a metallic pair cable. The BSA is set up by Swisscom and is provided 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 responsible for monitoring mergers. In addition, it provides comments 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. Its goal is to improve the quality of financial reporting by promoting 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 regulation approach, 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).

**Federal Office of Communications (OFCOM):** 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).

**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).

**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.

**LRIC (Long-Run Incremental Costs):** LRIC is the method defined by the Ordinance on Telecommunications Services (Verordnung über Fernmeldedienste, FDV) for calculating regulated prices. It is future-oriented and therefore creates economically efficient investment incentives.

**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.

**Termination charges:** Termination charges are levied by a network operator for forwarding calls to another third-party network (e.g., calls from Salt to Swisscom or from Sunrise to Salt).

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# Swisscom Group five-year review

In CHF million, except where indicated

	2011	2012 <sup>1</sup>	2013	2014	2015
<b>Net revenue and results</b>					
Net revenue	11,467	11,384	11,434	11,703	11,678
Operating income before depreciation and amortisation (EBITDA)	4,584	4,477	4,302	4,413	4,098
EBITDA as % of net revenue	% 40.0	39.3	37.6	37.7	35.1
Operating income (EBIT) before impairment losses on goodwill	2,681	2,527	2,258	2,322	2,012
Operating income (EBIT)	1,126	2,527	2,258	2,322	2,012
Net income	694	1,815	1,695	1,706	1,362
Share of net income attributable to equity holders of Swisscom Ltd	683	1,808	1,685	1,694	1,361
Earnings per share	CHF 13.19	34.90	32.53	32.70	26.27

## Balance sheet and cash flows

Equity at end of year	4,296	4,717	6,002	5,486	5,242
Equity ratio at end of year	% 22.1	23.8	29.3	26.2	24.8
Cash flow provided by operating activities	3,951	4,245	4,131	3,770	3,867
Capital expenditure in property, plant and equipment and other intangible assets	2,095	2,529 <sup>2</sup>	2,396	2,436	2,409
Net debt at end of period	8,309	8,071	7,812	8,120	8,042

## Employees

Full-time equivalent employees at end of year	number	20,061	19,514	20,108	21,125	21,637
Average number of full-time equivalent employees	number	19,832	19,771	19,746	20,433	21,546

## Operational data at end of period

Fixed access lines in Switzerland	in thousand	3,120	3,013	2,879	2,778	2,629
Broadband access lines retail in Switzerland	in thousand	1,661	1,727	1,811	1,890	1,958
Mobile access lines in Switzerland	in thousand	6,049	6,217	6,407	6,540	6,625
Swisscom TV access lines in Switzerland	in thousand	608	791	1,000	1,165	1,331
Revenue generating units (RGU) Switzerland	in thousand	11,438	11,748	12,097	12,373	12,543
Unbundled fixed access lines in Switzerland	in thousand	306	300	256	180	128
Broadband access lines wholesale in Switzerland	in thousand	181	186	215	262	315
Broadband access lines in Italy	in thousand	1,595	1,767	1,942	2,072	2,201

## 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		18,436	20,400	24,394	27,067	26,056
Closing price at end of period	CHF	355.90	393.80	470.90	522.50	503.00
Closing price highest	CHF	433.50	400.00	474.00	587.50	580.50
Closing price lowest	CHF	323.10	334.40	390.20	467.50	471.10
Ordinary dividend per share	CHF	22.00	22.00	22.00	22.00	22.00 <sup>3</sup>
Ratio payout/earnings per share	%	166.79	63.04	67.63	67.27	83.75

## Informations Switzerland

Net revenue	9,243	9,268	9,358	9,586	9,764	
Operating income before depreciation and amortisation (EBITDA)	3,945	3,864	3,685	3,788	3,461	
Capital expenditure in property, plant and equipment and other intangible assets	1,537	1,994 <sup>2</sup>	1,686	1,751	1,822	
Full-time equivalent employees at end of year	number	16,628	16,269	17,362	18,272	18,965

<sup>1</sup> Amendments to IAS 19 revised, restated from 2012.

<sup>2</sup> Including expenses of CHF 360 million for mobile frequencies.

<sup>3</sup> In accordance with the proposal of the Board of Directors to the Annual General Meeting.

# Publishing details

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- > **4 February 2016**  
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- > **6 April 2016**  
Annual General Meeting in Fribourg
- > **8 April 2016**  
Ex dividend date
- > **12 April 2016**  
Dividend payment
- > **3 May 2016**  
2016 First-Quarter Results
- > **18 August 2016**  
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- > **3 November 2016**  
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