Highlights 2012

Market

- Swisscom intends to drive forward fibre-optic expansion outside major urban centres by rolling out Fibre to the Street.
- Conclusion of mobile frequency auction: Swisscom creates a sound basis for further expansion of the mobile network.
- Swisscom becomes the first company in Switzerland to launch the high-speed 4G/LTE mobile communications standard in twelve Swiss cities.
- Swisscom wins connect magazine’s network test for the fourth year in a row, proving once again that it is Swiss market leader in mobile communications.

Products and services

- New mobile subscriptions (infinity): unlimited phoning, texting and Internet surfing to all networks – all for a fixed fee.
- Swisscom builds a state-of-the-art and environmentally friendly data centre in Berne-Wankdorf.
- New features for Swisscom TV: catch up TV, remote control using the iPad, access to personal recordings while on the move.
- 552,000 households and businesses already connected to the high-speed fibre-optic network.
- Fastweb invests in fibre-optic network expansion in Italy.
- Swisscom tests Fibre to the Street in the three municipalities of Grandfontaine (JU), Charrat (VS) and Flerden (GR) with a view to speeding up the rollout of the fibre-optic network in Switzerland.
- Swisscom releases the first interactive building automation system on the market – Quing Home.
- Since December, Swisscom DSL customers have received digital TV free of charge: Swisscom TV light offers access to over 60 TV channels, including 22 in HD.
- Swisscom introduces new shop concept with more personalised advice and the option of trying out products live on site. This concept will be rolled out in all Swisscom shops by 2014.
- Crystal-clear voice quality on mobile phones: Swisscom launches HD Voice.

Business review

- Andreas König becomes new CEO of Swisscom IT Services.
- Jürgen Galler becomes Swisscom's new Chief Strategy Officer.
- Urs Schaeppi is appointed Head of Swisscom Switzerland by the Swisscom Board of Directors and assumes control of Swiss business as of 1 January 2013.
- Barbara Frei, Country Manager of ABB S.p.A., Sesto San Giovanni and Regional Manager of the Mediterranean region, is appointed a Member of the Swisscom Board of Directors.
- Swisscom and the social partners agree on a new collective employment agreement.
- Swisscom acquired Datasport Ltd, a leading international provider of services for recreational and mass sporting events.

Sustainability

- According to the Dow Jones Sustainability Index, Swisscom is one of the five most sustainable telecom companies in Europe.
- Swisscom becomes a partner of the recently opened Umwelt Arena in Spreitenbach.
- Swisscom expands its vocational training scheme, and now offers over 900 training places in six vocational areas.
- Swisscom mobile aid: Swisscom collects around 170,000 old mobile phones. The proceeds from the resale of the devices go to a SOS Children's Villages' school in Ethiopia.

Business Overview

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

Swisscom Switzerland

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

In CHF million, except where indicated	2010	2011	2012
Net revenue	8,555	8,449	8,461
Segment result before depreciation and amortisation	3,806	3,778	3,612
Margin as % of net revenue	44.5	44.7	42.7
Capital expenditure in property, plant and equipment and other intangible assets	1,204	1,400	1,852 [1]
Full-time equivalent employees at end of year	11,716	12,096	11,827

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

Residential Customers

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

Small and Medium-Sized Enterprises

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

Corporate Business

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

Wholesale

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

Network & IT

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

Fastweb

Fastweb is one of the largest broadband telecom companies in Italy.

In EUR million, except where indicated	2010	2011	2012
Net revenue	1,880	1,746	1,700
Segment result before depreciation and amortisation	430	506	500
Margin as % of net revenue	22.9	29.0	29.4
Capital expenditure in property, plant and equipment and other intangible assets	427	448	441
Full-time equivalent employees at end of year	3,123	3,081	2,893

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

Other operating segments

Other operating segments mainly comprises Swisscom participations and Swisscom IT Services, which is a leading provider of IT services in Switzerland.

In CHF million, except where indicated	2010	2011	2012
Net revenue	1,708	1,708	1,728
Segment result before depreciation and amortisation	337	334	277
Margin as % of net revenue	19.7	19.6	16.0
Capital expenditure in property, plant and equipment and other intangible assets	130	169	167
Full-time equivalent employees at end of year	4,368	4,515	4,454

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

Group Headquarters

Group Headquarters chiefly comprises the Group divisions Group Finance & Controlling, Group Strategy & Business Development, Group Communications and Group Human Resources.

Shareholders' letter

Hansueli Loosli
(Chairman of the Board of Directors
of Swisscom Ltd, on the left and
Carsten Schloter
(CEO of Swisscom Ltd, on the right)

Dear shareholders

Swisscom can look back on a successful year. As in previous years, growth was driven by Internet access and TV business. The commitment demonstrated by our employees in continually improving the customer experience is the foundation on which our success on the market is based. 2012 was characterised by a high level of investment in next-generation ICT networks, the positive outcome of the mobile frequency allocation and the successful introduction of new price plans in Switzerland. Swisscom's Italian subsidiary Fastweb is on course: adjusted for one-off items, revenue was up slightly and EBITDA was up considerably on a like-for-like basis.

Marginal decline in operating profit

In 2012 Swisscom's net revenue fell by CHF 83 million or 0.7% to CHF 11,384 million. Operating income before depreciation and amortisation (EBITDA) declined by CHF 203 million or 4.4% to CHF 4,381 million. Net income rose by CHF 1,068 million to CHF 1,762 million, which is primarily attributable to the impairment loss recognised by Fastweb in the previous year. On a like-for-like basis and at constant exchange rates, revenue was up 0.3% while EBITDA declined by 0.6%. Swisscom's capital expenditure increased by CHF 434 million or 20.7% to CHF 2,529 million. In its Swiss business, Swisscom generated net revenue of CHF 9,268 million (+0.3%) and EBITDA of CHF 3,768 million (–4.5%). After being adjusted for one-off costs, EBITDA of the Swiss business declined by 2.1% on a like-for-like basis. Price erosion of around CHF 400 million was offset by customer and volume growth. Capital expenditure in Switzerland increased by CHF 457 million or 29.7% to CHF 1,994 million. The causes for the rise in capital expenditure were the expansion of broadband networks and expenses of CHF 360 million for the mobile frequencies auctioned in the first quarter of 2012. Swisscom expects to close 2013 with net revenue of CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion.

Swisscom share performance in 2012

Taking the dividend into account, the Swisscom share achieved a total return of 16.8% over the course of the year. The total return on the Swiss Market Index (SMI), which comprises the 20 leading listed Swiss companies, amounted to 17.6% over the same period. The total return on the European Stoxx Europe 600 Telco index fell by 4.8% in Swiss francs. Payment of an ordinary dividend of CHF 22 per share (prior year: CHF 22) will be proposed to the Annual General Meeting of shareholders. This is equivalent to a total dividend payout of CHF 1,140 million. Swisscom is thus upholding the principle of continuity in its dividend policy.

A powerful vision driving developments in the ICT sector

Having a clear insight into what the future will bring is part of a long-term, sustainable strategy in the unbelievably dynamic ICT market. At the centre of this strategy stands a vision: that of fulfilling the need of our customers to be able to access digital data during the course of a day through a variety of different devices for the purpose of keeping themselves informed, working, communicating and entertaining themselves. In the not-too-distant future, we will be able to access all our private and work-related data and applications on all of these devices in real time. We will no longer have to worry about synchronisation, nor will we need to wonder where our data are stored or whether our device supports the application we want. The data and applications will always be available instantly on every device. High-speed networks and state-of-the-art cloud services are making this possible. As simple and appealing as such a vision may sound, it places high demands on our infrastructure. Nevertheless, it is our mission to make this vision a reality. To do so requires large-scale investment: Swisscom invests per inhabitant around three times more in infrastructure than its European counterparts.

Our business model is changing as a result of global competition

What was once a domestic market for telephony and news services is now a global market: providers of online services such as Google, Apple and Microsoft & Co. can now offer all their services on our networks thanks to the Internet protocol. Many of these services are free, because although these providers rely on our networks, they don't have to invest in them. This is forcing Swisscom to change its business model and tap new fields of business. As a result, we now provide network access with different performance features, allowing our customers to use all services on an unlimited basis via this network connection. Thanks to our new infinity subscriptions, this is already a reality in the field of mobile communication. Swisscom customers can simply choose between different data transmission speeds. The new price plans have been a resounding success: by the end of 2012, around 889,000 customers had opted for one of these new mobile phone offerings in the last six months of the year alone. This transition in our business model is already well underway and we are very optimistic about the future. Offering our customers a business model that provides them with network access and unlimited possibilities is a business with enormous potential for growth. The population is growing, as is the number of devices and network connections per inhabitant. Our customers' demands as regards the security and performance of their network access will continue to increase in the coming years. At the same time, this business is subject to local and national competition.

Customer growth in the mobile sector – trend towards bundled offerings

The number of mobile customers in Switzerland increased by 168,000 or 2.8% year-on-year to 6.2 million. Swisscom sold 1.55 million mobile handsets (+6.7%), 68% of which were smartphones. In general, the trend is towards bundled offerings. Customers appreciate being able to get their fixed-line access, telephony, Internet and TV services all from a single source. By the end of 2012, a total of 788,000 customers were using bundled offerings, around 28% more than the previous year. The number of broadband lines with end customers grew by 66,000 or 4.0% year-on-year to 1.73 million, while the number of Swisscom connections used by alternative providers declined somewhat in 2012 to 486,000.

Leader in digital TV

Since 2011 Swisscom has been the leading provider of digital television in Switzerland. The focus of this strategic pillar is on extending the core business along the value chain. Swisscom TV's customer base increased by over 30.1% to 791,000 customers in 2012. The functionality and range of programmes offered by Swisscom TV were expanded in the year under review. Regional programmes and national sporting events in particular are an effective means for Swisscom to distinguish itself from international providers. In local competition with cable providers, Swisscom offers much higher interactivity in its television services thanks to functionalities such as Catch Up TV, Pay per View and the various apps.

New areas of business through IT expertise

The Group's subsidiary Swisscom IT Services, which offers a broad portfolio of IT services, has been going from strength to strength in recent years. In IT outsourcing, Swisscom IT Services is now one of the largest providers on the Swiss market. The company is the market leader in banking solutions, with over 190 Swiss financial services providers now entrusting us with all their IT, which we operate in our state-of-the-art data centres. Swisscom sees a growth market in the "Internet of Things" (machine-to-machine); in future, machines will increasingly communicate with each other via the Internet. In concrete terms, Swisscom expects that in a few years from now, over 100 million devices will be connected to each other via the Internet in Switzerland. In addition, Swisscom is currently tapping new fields of business in the healthcare and energy markets.

Fastweb on course again

2012 was a very good year for Fastweb. Adjusted for one-off items, revenue was up slightly by 0.5% to EUR 1,613 million and EBITDA was up considerably by 11.1% to EUR 500 million on a like-for-like basis. Fastweb was the only Italian provider to report customer growth in 2012. Over the course of the year, it also further expanded its sales channels, intensified the partnership with pay-TV provider Sky and extended the range of mobile communications products. Market share and customer growth increased significantly in 2012 despite the adverse economic environment. In order to further increase efficiency, Fastweb implemented various cost-cutting initiatives. The measures for reducing bad debt losses were also further improved on those of the previous year. They are having a clear positive effect and are contributing to the significant increase in the operating result. To enhance its competitiveness, Fastweb will continue investing in fibre-optic expansion. Like Swisscom, Fastweb is focusing on rolling out Fibre to the Street (FTTS) to complement its existing Fibre to the Home (FTTH) network.

Strategic investments in infrastructure in Switzerland

The rapid growth in expectations resulting from the vision outlined at the beginning of this letter regarding the security and performance of infrastructure open up a wide variety of ways to enhance competitiveness through differentiation and growth opportunities. These necessitate long-term investments in our infrastructure. Swisscom spent a total of CHF 1.63 billion in 2012 on enhancing the performance and security of Swiss infrastructure, in particular the expansion of the fibre-optic network. That is about CHF 100 million more than in 2011. Switzerland is excellently positioned by international standards: according to an OECD study, Switzerland leads the world in terms of broadband penetration (OECD Broadband Portal, July 2012). By the end of 2012, around 552,000 homes and businesses had been connected to the fibre-optic network. Swisscom plans to market fibre-optic services more quickly in 2013. The number of homes and businesses connected to the fibre-optic network is set to rise to around a million by 2015, representing a third of all Swiss households. Some of these connections are being realised in cooperation with power utility companies or cable network operators. To enable all of Switzerland to benefit from a considerable increase in fixed broadband performance, Swisscom is deploying a new fibre-optic technology, Fibre to the Street (FTTS), which allows ultra high-speed broadband to be supplied more quickly and more efficiently. Pilot testing is currently underway in Grandfontaine (JU), Flerden (GR) and Charrat (VS). With FTTS, fibre-optic cable is laid to within a short distance of individual homes and businesses. This enables bandwidths of up to 100 Mbps, with speeds as high as 400 Mbps expected in the next few years. For the fourth time in succession, the trade journal connect has rated Swisscom as the best network in Switzerland. The demand for bandwidth is continuing to grow rapidly. Mobile data traffic increased by 85% in 2012, with a year-on-year increase of even 120% in the fourth quarter of 2012.

Swisscom is continuously investing in new mobile communication technologies. At the end of 2012, Swisscom became the first provider in Switzerland to launch a 4G/LTE network, giving customers with a 4G/LTE-enabled smartphone or notebook and a surf subscription even faster mobile Internet access while on the move. The network was initially available in 26 different towns and cities. Swisscom will push ahead with the further expansion of the 4G/LTE network next year: which should cover 70% of Switzerland's population by the end of 2013. Swisscom is again planning to increase capital expenditure in Swiss infrastructure in 2013, taking it to a record level of CHF 1.75 billion. This investment makes a major contribution towards ensuring that Switzerland, as an information and knowledge society, will continue to boast one of the world's best telecoms infrastructures in the future.

Sustainability as a key element in a long-term strategy

Sustainable management and long-term responsibility are firmly enshrined in Swisscom's corporate culture. Swisscom takes responsibility for the environment and the community – now and in the future – and is one of the top five telecom companies in Europe in terms of sustainability. The company is aiming to improve its energy efficiency by 20% and thereby help realise the Swiss Confederation's 2050 energy strategy. Swisscom promotes media skills among Switzerland's general population through initiatives such as "Internet for Schools" and media competency courses, enabling its customers to navigate the digital world securely and responsibly. Sustainability is also an important issue for our customers, as evidenced by the fact that corporate responsibility is a key driver of customer satisfaction. In the year under review, Swisscom set binding targets for all its operating divisions in Switzerland in order to fulfil the goals of our Corporate Responsibility Strategy in the four strategic priority areas of "Sustainable living and working", "Sustainable use of resources and responsibility in the supply chain", "Telecommunications for all" and "Responsible employer". This year's sustainability report again meets the requirements of level A+ in accordance with the GRI Index. Details about how Swisscom is meeting its objectives can be found in the section on "Corporate Responsibility" in this Annual Report.

Modification of Group structure – management changes

Swisscom's management structure was modified as of 1 January 2013 with the aim of strengthening the management of the Swiss business and enhancing the Group's efficiency. Urs Schaeppi will head up Swisscom Switzerland as of 1 January 2013 and will report to CEO Carsten Schloter. Urs Schaeppi will continue in his current function as head of Corporate Business ad interim. As Chairman of the Board of Directors of Swisscom Switzerland, Carsten Schloter continues to be closely involved in topics of strategic importance for Swisscom Switzerland. In addition to strategic topics in the Swiss business, the Group Executive Board will in future focus increasingly on further developing Swisscom IT Services, Fastweb and innovations. Group Communications & Responsibility and Group Related Businesses, which includes growth businesses in the areas of health, energy and home networking, will report directly to the CEO, who is also Chairman of the Boards of Directors of Swisscom IT Services and Fastweb. The Board of Directors appointed Mario Rossi as the new Chief Financial Officer (CFO), who previously headed Business Steering for Swisscom Switzerland. He is taking over from Ueli Dietiker, who stepped down as CFO at his own request. Ueli Dietiker now heads up Group Related Businesses and has also assumed other directorships at Swisscom. Andreas König was appointed the new CEO of Swisscom IT Services. He replaces Eros Fregonas, who left Swisscom at the end of April 2012. The Board of Directors also appointed Jürgen Galler as the new head of Group Strategy & Innovation and member of the Swisscom Group Executive Board. He succeeds Daniel Ritz, who left the company at the end of 2012.

Changes to the Board of Directors

Barbara Frei, Country Manager of ABB S.p.A., Sesto San Giovanni and Regional Manager of the Mediterranean region, was appointed a member of the Board of Directors at the Annual General Meeting in 2012. She replaces Othmar Vock, who had been a member of the Board of Directors for seven years. We would like to express our sincere thanks to Othmar Vock for the formative work he did as a member of the Board of Directors and as a member of various committees, as well as for the role he played as Chairman of the Audit Committee.

Financial outlook 2013

In 2013, Swisscom anticipates stable revenue of CHF 9.34 billion, excluding Fastweb. EBITDA (excluding Fastweb) is expected to decline to CHF 3.64 billion. A new standard for pension fund accounting will lead to a CHF 110 million increase in costs not affecting cash flow. Furthermore, the steady growth in customers and volumes will bring about an increase in direct costs, mainly in the acquisition of new customers and the procurement of handsets. The maintenance and further expansion of the network infrastructure will also result in a temporary increase in indirect costs.
In 2013, Swisscom expects capital expenditure (excluding Fastweb) to rise to CHF 1.75 billion. Capital expenditure of CHF 1.65 billion in 2012 was CHF 50 million below the original forecast for the year. A slight acceleration in investment activity is anticipated in 2013, which should make up for the shortfall.
In 2013, Fastweb is forecast to enjoy stable growth in revenue in local currency, excluding hubbing, of EUR 1.6 billion. EBITDA at Fastweb is expected to stay at the previous year's level of EUR 500 million. Due to the expansion of the fibre-optic networks in Italy, investments are expected to rise to EUR 550 million.
Based on the current CHF/EUR exchange rate of 1.23, Swisscom therefore expects Group revenue of around CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of around CHF 2.4 billion.
If all targets are met, Swisscom will again propose a dividend of CHF 22 per share for the 2013 financial year to the Annual General Meeting of Shareholders.

Thank you

We can look back on an intensive and successful year. We owe our achievements in 2012 to the trust of our customers, the loyalty of our shareholders and the tireless dedication and commitment of our employees. A warm thank you to you all.

Yours sincerely

Hansueli Loosli
Chairman of the Board of Directors
Swisscom Ltd

Carsten Schloter
CEO Swisscom Ltd

Management Commentary

Swisscom opens up new possibilities.

We make no compromises when it comes to meeting our customers' needs, and are committed to providing quality and service.

Reporting structure

Swisscom Group
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Fastweb
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Others
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Environment, strategy and organisation

Swisscom is Switzerland's leading telecom provider and occupies a strong market position in Italy via its subsidiary Fastweb. Swisscom operates aggressively in a dynamic and increasingly international market, makes no compromises when it comes to meeting customer needs, and is committed to delivering quality and service. Swisscom is investing heavily in the networks of the future and thus in Switzerland.

Business activities

Company profile

Swisscom is Swiss market leader in the field of telecommunications. It is also one of the largest companies in Switzerland and its shares are among the 20 largest and most liquid on the Swiss equities market. Swisscom's international activities are concentrated mainly in Italy. The majority shareholder with a stake of 56.8% is the Swiss Confederation, which by law must hold a majority of the capital and voting rights. Swisscom's business strategy is geared to the long term and takes into consideration of economic, ecological and social aspects. Sustainable management and long-term responsibility are firmly enshrined in Swisscom's corporate culture. Swisscom owes its business success to the dedication and commitment of its 19,000-strong workforce, which continually strives to develop new solutions for customers and the information society. Major investments in network infrastructure ensure that Swisscom will continue to satisfy customer needs well into the future.

Swisscom's business activities are concentrated in Switzerland, where it generated around 80% of net revenue in 2012. Swisscom offers customers a full complement of telecoms products and services for fixed-line telephony, broadband, mobile communications and digital television, and is also active in IT infrastructure outsourcing and communications infrastructure management for business customers. In keeping with its mandate to provide basic service provision throughout the country, Swisscom also maintains a presence in the more sparsely populated regions of Switzerland. Swisscom's evolution to a multimedia company is reflected in the wide range of products and services it offers through multiple sales channels. Customers can check out products and services first hand and receive comprehensive advice in Swisscom's own shops as well as in numerous partner outlets. They can also obtain product information and order products and services at anytime online via the Swisscom website. The digital customer centre, which is also accessible online, allows customers to manage their personal details, subscriptions and bills on their own. Swisscom can also be reached 24/7 via a free hotline.

See
www.swisscom.ch

Net revenue
Switzerland accounts for

80 % of total net revenue

Swisscom fosters close ties with all stakeholder groups: shareholders, investors, employees, suppliers, the general public, public authorities and, above all, its customers. Swisscom has long been committed to its Swiss roots and endeavours to ensure that all citizens benefit from leading-edge technologies. For this reason, Swisscom supports a solution-oriented approach, in the interest of the common good and in the interest of the company.

Swisscom brand

The Swisscom brand was created in 1997 following the splitting of the former PTT into a postal and telecommunications company and in anticipation of the forthcoming stock market flotation in 1998. Since then it has continued to evolve. In spring 2008, Swisscom simplified the brand architecture in line with the company's guiding principles and strategy, and since then all core-business products and services have been offered in Switzerland under the Swisscom brand. Swisscom operates under a range of other brands in related business fields, and in Italy the Fastweb brand commands a strong position.

Swisscom Ltd

swisscom

Swisscom Switzerland	Fastweb	Swisscom IT Services	Swisscom Participations	Others
swisscom	FASTWEB	swisscom	swisscom	swisscom
AXEPT webcall			alphapay	WORK_LINK
local.ch just find it			BILLAG	
			cablex	
			curabill	
			DATASPORT	
			evita	
			sicap	

Since its inception Swisscom has consistently pursued a strategy of growing the Swisscom brand from a telecoms and IT brand to an integrated brand positioned more broadly to cover the entire spectrum of telecoms, IT, media and entertainment. The success of Swisscom TV in particular has confirmed the Swisscom brand's competence in the field of digital entertainment. New interfaces such as the TV Guide app have boosted the innovative character of the brand, which is now firmly established as a trusted companion for Swisscom customers in a rapidly changing digital world.
According to customer surveys, the Swisscom brand is among the most trustworthy of Swiss brands. It is perceived as authentic, reliable and of a high quality, is firmly anchored among consumers and scores by far the best marks in the "top of mind" survey, well ahead of the competition. The brand's strength was once again confirmed in the year under review in a comparison of leading Swiss brands. According to the Interbrand "Best Swiss Brands 2012" study, the Swisscom brand is valued at CHF 4.8 billion, putting it in sixth place on the list of Switzerland's leading brands.
The traditional cornerstones of the Swisscom brand are quality, trust and service. Swisscom's daily contact with customers and its commitment to sustainability, which it honours continuously through numerous initiatives and activities, featured again as themes in the company's communications in 2012 and have enhanced its brand identity.

Swisscom's network infrastructure

Network infrastructure in Switzerland

Switzerland boasts one of the best IT and telecoms infrastructures worldwide. According to an OECD study, Switzerland leads the world in terms of broadband penetration (OECD Broadband Portal, July 2012). Mobile broadband coverage now extends to virtually the entire population, and Swisscom is by far the leading fixed and mobile network operator in Switzerland.

The fixed network comprises two levels: an access network and a transport network. The access network consists of 1,500 local exchanges and 3.4 million subscriber access lines to end customers. Swisscom started many years ago to upgrade the fixed network with fibre-optic cables. In a first step fibre-optic cables were laid between the local exchanges, from where they were extended to neighbourhood cabinets. Most subscriber access lines consist of copper cables. Thanks to this technology, 91% of homes and businesses receive Swisscom TV, 84% even in high-definition quality. Many large companies and office complexes have already had fibre connections for quite a few years. Since autumn 2008, Swisscom has been extending access to residential customers (fibre to the home, FTTH) and small and medium-sized enterprises. By the end of 2012, some 552,000 homes and businesses were connected with FTTH. By the end of 2015, this figure is set to rise to around a million, or around one third of all households in Switzerland. Swisscom is also planning to systematically expand the broadband network throughout Switzerland by rolling out fibre to the street (FTTS). FTTH rollout is generally carried out in cooperation with local partners – as a rule, power utility companies.

In mobile communications Swisscom has access to a frequency spectrum covering all common frequency bands between 800 and 2,600 MHz, enabling it to deploy GSM, UMTS and LTE technologies over the long term as the need arises. All mobile frequencies for the period up to the end of 2028 were newly allocated or allocated for the first time in an auction conducted in February 2012. Swisscom has therefore secured access to 42% of the entire mobile spectrum. It has also equipped all of its sites with mobile antennas using second- or third-generation technologies such as EDGE, UMTS or HSPA/HSPA+. And in 2012, Swisscom became the first mobile provider in Switzerland to launch fourth-generation LTE technology on a commercial basis. LTE technology could serve in future as an alternative to the fixed network in more sparsely populated areas. Mobile data traffic grew by 85% in 2012, driven by the continuing penetration of smartphones, new devices such as tablets, and new price plans (infinity subscriptions).

See **www.swisscom.ch/network-coverage**

Mobile data traffic is increasing every year.
Data volume is growing year-on-year by around

5,100 TB

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

1.63 billion CHF

To address this growing demand 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 up-to-date zoning requirements, while also minimising emissions. Swisscom's rollout of LTE marks a further important technological step into the future. Wherever possible, site expansion is coordinated with third-party mobile providers. Swisscom already shares around 21% of its nearly 6,400 antenna sites with other providers. And with around 1,800 hotspots across Switzerland, Swisscom is also the country's leading provider of public wireless local area networks.
By 2015, Swisscom plans to boost energy efficiency by 20% compared to 1 January 2010, using a raft of measures aimed at optimising the energy consumption and cooling of network platforms and infrastructure installations. By the end of 2012, Swisscom had increased energy efficiency by 15% versus 1 January 2010.

Network infrastructure in Italy

Fastweb's network infrastructure comprises an all-IP fibre-optic network that extends over a distance of more than 33,000 kilometres. Fastweb reaches more than half of the Italian population with its own fixed-line infrastructure, with around two million or 10% of urban homes and businesses enjoying fibre-optic coverage (FTTH).
Fastweb aims to build on the competitive advantage afforded by its own infrastructure, substantially expand network coverage and improve profitability. Under a cooperation agreement with Telecom Italia, Fastweb intends to target investments of around EUR 400 million in fibre-optic expansion by the end of 2016. The focus will be on rolling out fibre to the street (FTTS) with the aim of providing around 20% of Italian households with ultra high-speed broadband by the end of 2016. Fastweb also offers its own mobile communications services under an agreement with a third-party mobile virtual network operator (MVNO).

General conditions

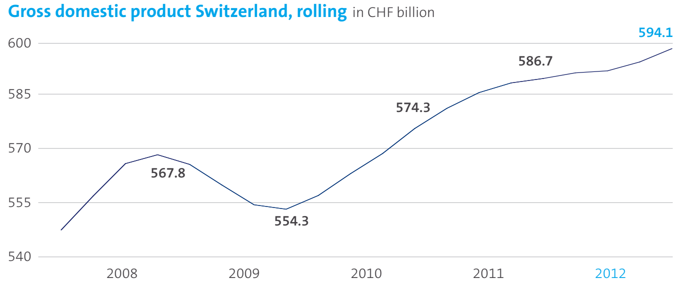
Macroeconomic environment

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

Economy

While 2012 saw a recovery in the general economic situation following the global economic crisis, concerns about future global economic development started rising again towards the end of year. The European debt crisis remains unsolved, and social tensions are growing, especially in southern European countries. There is the risk of weak economic growth in 2013.

Gross domestic product Switzerland, rolling in CHF billion

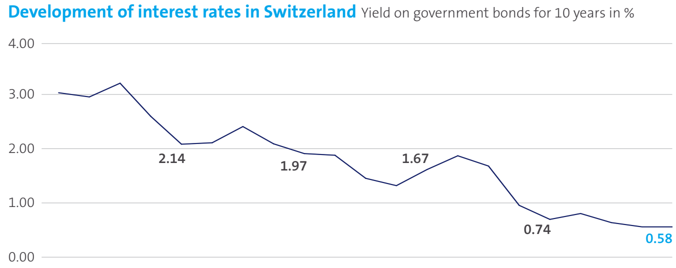


In Switzerland gross domestic product (GDP) grew by around 1% in 2012. Because Switzerland as a small and open economy is unable to detach itself from the global economy, prospects have become bleaker. A substantial share of Swisscom's revenue from fixed and broadband lines as well as mobile subscriptions is based on fixed monthly fees. Short-term economic fluctuations therefore have little impact on these revenue items. On the other hand, project business with business customers and revenue from international roaming are more subject to cyclical factors. If economic growth in Switzerland remains sluggish or if a recession sets in, the effect on consumer demand for telecoms services is likely to be negative.

Interest rates

For many years the general level of interest rates in Switzerland has been lower than in most other industrialised countries. The country's expansive monetary policy has pushed down interest rates further. The yield on ten-year government bonds is now around 0.6%.

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



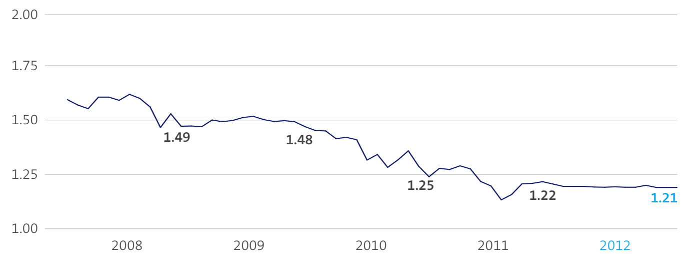
Swisscom's debt financing costs benefit from low interest rates. Average interest expense on financial liabilities is around 2.5% and the average term to maturity is around four years.

Market-based interest rates influence the valuation of various items in the Swisscom consolidated financial statements, such as goodwill (Fastweb), defined benefit obligations and non-current provisions for dismantlement and restoration costs. Interest levels also have a material impact on returns and thus on the financial situation of the Swisscom pension fund.

Exchange rates

There was no further appreciation in the value of the Swiss franc against currencies of key relevance for Swisscom's operations in 2012. The Swiss National Bank (SNB) adhered to the minimum CHF/EUR exchange rate of 1.20.

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



Swisscom's business activities in Switzerland are not materially influenced by currency movements. Only a small share of revenue is generated in foreign currencies. The procurement of handsets and technical equipment as well as roaming charges for the use of fixed networks and mobile networks abroad by Swisscom customers give rise to transaction risks in foreign currencies (notably EUR and USD), which are largely hedged by forward foreign exchange transactions.
Outstanding financial liabilities are denominated almost exclusively in Swiss francs. 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 remained unchanged year-on-year at around CHF 2.0 billion (before deduction of tax effect).

Capital market

International equity markets performed positively in 2012, with the SMI rising by around 15%. Bond markets profited from a further drop in interest rates. Swisscom holds surplus liquidity in the form of cash and cash equivalents and short-term money-market investments. There are no direct financial investments in equities, bonds or other non-current financial assets. The assets of around CHF 7.8 billion held by comPlan, Swisscom's legally independent Swisscom pension fund, which are invested in equities, bonds and other investment categories, are subject to capital market risks and therefore indirectly affect the financial position presented in Swisscom's consolidated financial statements.

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

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, company law and the company's articles of incorporation, and 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 listed company, Swisscom is also required to comply with capital market legislation.

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

As of 1 January 1998 the former operations of Swiss Telecom PTT were legally transformed into "Swiss Post" and "Swisscom Ltd" (hence the term "public limited company with special status"). Under the terms of the TEA and the company's articles of incorporation, Swisscom is responsible for the provision of domestic and international telecommunications and broadcast services as well as related products and services. The TEA requires the Swiss Confederation to hold a majority of the capital and voting rights in Swisscom. For the Swiss Confederation to give up its majority shareholding, the TEA would need to be amended. Swisscom is also obliged to draw up a collective employment agreement in consultation with the employee associations. Moreover, every four years the Federal Council defines the goals which the Swiss Confederation, as principal shareholder, aims to achieve (for example in terms of maximum indebtedness, returns to shareholders and shareholdings outside Switzerland). The current goal period runs from 2010 to 2013. To guarantee transparency the goals are made public to other investors. The aims of the Swiss Confederation are incorporated in the strategic and operating targets set by the Swisscom Board of Directors.

See **www.admin.ch/documentation**

Telecommunications Act

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

See **www.admin.ch/documentation**

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 unlawful conduct.

See **www.admin.ch/documentation**

Capital market law

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

Regulatory developments in Switzerland in 2012

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 spring 2012, the Federal Administrative Court upheld two rulings issued by the Federal Communications Commission (ComCom) in March 2010 concerning the regulation of leased lines. The court established that Swisscom is market-dominant in all transmission technologies (including Ethernet services) and bandwidths, with the exception of point-to-point connections where connectivity is offered by at least two alternative service providers besides Swisscom. The Federal Administrative Court also lowered access prices for leased lines with bandwidths between 2 Mbps and 10 Gbps (excluding Ethernet services) by 15 to 30% for the years 2007 to 2009. Ongoing legal proceedings in connection with the Telecommunications Act and Cartel Act are described in the notes 28 and 29 to the consolidated financial statements.

See report
pages 195–197

Preliminary clarifications concerning FTTH (fibre to the home)

In 2011 the Secretariat of the Competition Commission (ComCo) launched a preliminary enquiry into cooperation projects between Swisscom and power utility companies in six Swiss cities and the canton of Fribourg for the joint construction of the fibre-optic infrastructure (FTTH). Proceedings relating to the cities of Basel, Berne, Lucerne, St Gallen and Zurich were concluded in 2011, followed by the city of Geneva and the canton of Fribourg in February 2012. The ComCo Secretariat concluded that certain clauses could contain indications of anti-competitive practices. The agreements have been modified by Swisscom to largely address the concerns of the competition authority. No anti-trust proceedings in the area of FTTH are therefore pending.

Invitation by ComCom to tender for mobile communication frequencies

At the request of the Federal Communications Commission (ComCom), the Federal Office of Communications (OFCOM) put all frequency blocks available for mobile communications up for auction. Besides Swisscom, mobile operators Orange and Sunrise also participated in the auction. For the auctioned frequency packages, the Swiss Confederation received a total of CHF 996 million from participants. Swisscom successfully bid for 42% of the available mobile frequencies, paying CHF 360 million and acquiring all the desired frequency blocks. Compared to the present, in future Swisscom will have approximately double the size of frequency spectrum at its disposal for the mobile network. The mobile licences newly issued by ComCom will run until the end of 2028.

Telecommunications market evaluation

In 2012 the Federal Council published a follow-up report to its 2010 telecom markets evaluation in which it concluded that Switzerland essentially enjoys adequate provision of telecom services and that a number of improvements have been made since 2010. However, the Federal Council also considers that the rapid pace of technological change will ultimately render futile the rules originally relating to traditional technologies such as copper cables. For this reason it advocates a technology-neutral structuring of the legal framework in order to address the new challenges facing the telecoms market. With this in mind, it intends during the current legislative period to commission a consultation paper to be drafted with a view to a partial revision of the Telecommunications Act (TA).

Revision of the Ordinance on Telecommunications Services (OTS)

In its response to parliamentary question in November 2011, the Federal Council announced that it would submit various cost calculation methods for consultation in 2012 in view of a revision of the Ordinance on Telecommunications Services (OTS). For this reason the Federal Office of Communications (OFCOM) carried out two surveys of experts in the year under review in which the overwhelming majority of those taking part spoke out against the valuation of the network elements at replacement cost.

Roaming

On 20 September 2011, contrary to the Federal Council's proposal, the National Council approved the motion calling for "an end to exorbitant mobile charges abroad". The motion calls for 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 over mobile devices when used abroad, in line with the requirements imposed by the European Union. The Advisory Committee of the Council of States, however, decided to consult the operators before making a decision. The consultation is scheduled to take place in the first quarter of 2013.

Regulatory differences between Switzerland and the European Union

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

Legal and regulatory environment in Italy

Fastweb's legal framework

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

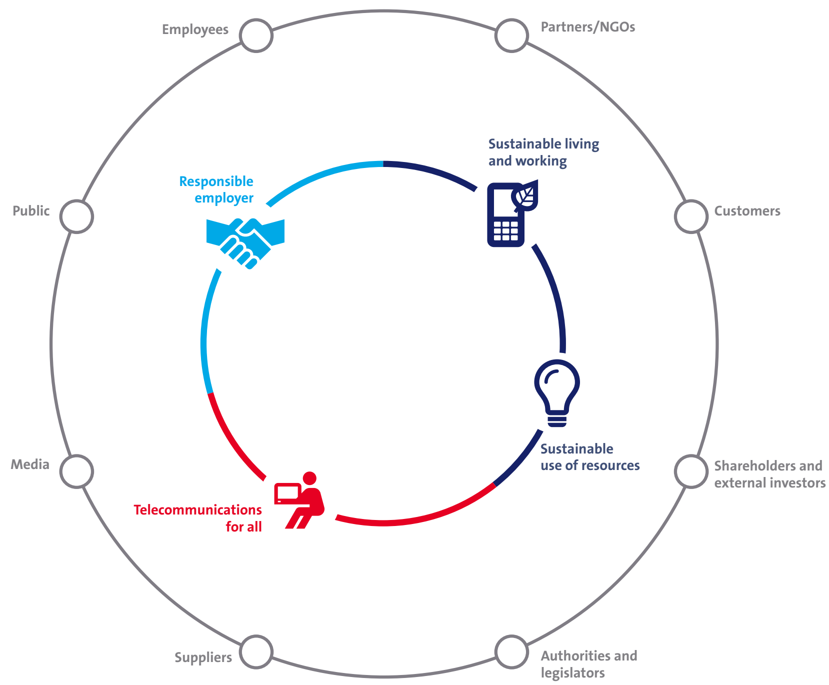
Regulatory developments in Italy in 2012

Prices for unbundled subscriber lines and mobile termination rates agreed by AGCOM in 2010 and 2011 went into effect in 2012, resulting in an increase in the monthly price for an unbundled subscriber line to EUR 9.28 and a reduction in the mobile termination rate to 2.50 euro cents per minute from 1 July 2012. The termination rate will be reduced in steps to 0.98 euro cents per minute by July 2013.

In 2012 AGCOM published a model for calculating fixed-line termination rates based on IP technology. The model applies to all fixed-line operators and provides for a continuous reduction in prices from 0.22 euro cents per minute to 0.04 euro cents per minute over a period of three years.

Sustainable environment

Dialogue with stakeholder groups and strategic priorities



Swisscom fosters dialogue with its most important stakeholder groups via electronic media, over the phone, through surveys, information events, business meetings, road shows and conferences, as well as in customers' homes and in the Swisscom Shops. In 2012 – as in previous years – Swisscom directly incorporated the concerns of stakeholder groups in specific projects. Stakeholder management at Swisscom is decentralised in order to ensure proximity and ongoing contact with the individual stakeholder groups. Of the many stakeholder groups, customers, shareholders, investors, public authorities, legislators, suppliers, the media, employees as well as partners and NGOs have the largest influence on Swisscom's business strategy.

Customers

Swisscom systematically consults residential customers in order to identify their needs. Customer relationship managers, for example, gather information on customer needs directly at customer touch points. The Corporate Business division conducts quarterly surveys that include questions on sustainability. Swisscom also maintains regular contact with consumer organisations in all linguistic regions of Switzerland and runs electronic forums, including an environmental blog launched in 2006 and a corporate responsibility blog launched two years ago. The overall findings show that customers expect attractive pricing, market transparency, responsible marketing, comprehensive network coverage, network stability, low-radiation communication technologies and sustainable products and services.

See **www.swisscom.ch/CRblog**

Shareholders and external investors

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

Public authorities

Swisscom maintains regular, close contact with various public authorities. A key issue in its dealings with this stakeholder group concerns expansion of the mobile network. Mobile data applications are becoming increasingly popular with customers. But while mobile communications are clearly appreciated and widely used, acceptance of the required infrastructure is sometimes lacking. Network expansion gives rise to tension because of the different interests at stake. Swisscom has been engaged in dialogue with residents and local authorities for many years. Swisscom and its competitors in the Swiss mobile market have launched a dialogue model that guarantees heads of local authorities regular information on network planning in their area and, in the case of construction projects, gives them the opportunity to suggest suitable alternative locations. Swisscom also liaises regularly with the public authorities in other areas: for example, it invites ICT heads of the cantonal education authorities to an annual two-day seminar on the subject of "Internet for Schools". As a stakeholder group, public authorities expect Swisscom to act decisively in the way it recognises its responsibility towards the public at large and towards young people in particular.

Legislators

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

Suppliers

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

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

Media

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

Employees

Every two years Swisscom conducts an employee survey and also organises round-table discussions with the employee representatives. Any employee who comes across irregularities in the workplace is asked to report them to the Board of Directors' Audit Committee, which acts as the internal office responsible for handling whistle-blowing cases. Employee concerns mainly relate to social partnership, training and development, diversity, health and safety at work.

Partners and NGOs

See **www.swisscom.ch/CR-Partnerships**

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

Materiality/materiality matrix

See Report **pages 79-80**

The materiality matrix covers the key issues that are important to stakeholders and Swisscom and illustrates where they fall within the company's four strategic priorities in the area of corporate responsibility. The matrix also denotes other issues that have an impact on Swisscom's business strategy.

Swisscom carefully monitors all of the issues in the matrix and handles them according to priority. Those with the highest priority and of major relevance to both stakeholders and Swisscom are positioned in the top right-hand box. Other issues such as noise, water protection, protection of wild life and fauna, violence and population growth are important from an ecological and social point of view but are not part of Swisscom's core activities.

The issues can be identified based on their relevance to Swisscom's business strategy and the concerns of stakeholders. They are examined and dealt with internally according to level of importance and scope either by specialist departments or by those bodies that act as contact partners for the respective stakeholders. The issues are also discussed by other bodies such as division management, the Management Board of Swisscom Switzerland or the Group Executive Board. If necessary, these bodies initiate appropriate measures.

The issues are arranged alphabetically within the boxes.

Swisscom materiality matrix 2012

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

Materiality for Swisscom

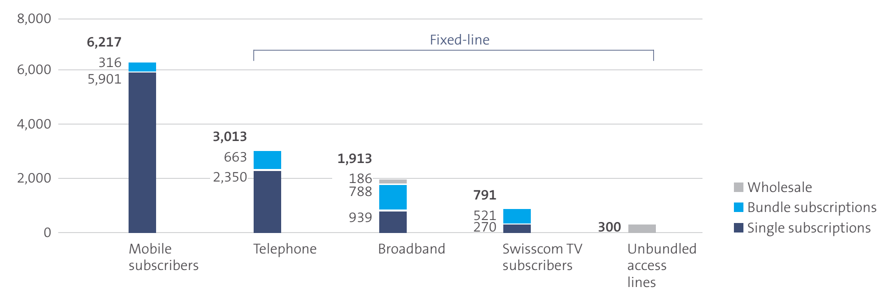
- Management commentary
- Corporate governance
- Corporate responsibility/annex

Market trend in telecom and IT services

Swiss telecommunication market

The Swiss telecommunication market is highly developed by international standards and characterised by a wide range of voice and data communications services and ongoing innovation. Total revenue volume is estimated at around CHF 17 billion. The telecommunication market is in a state of transition as telecommunications, information, as well as media and entertainment (TIME) increasingly converge. The rapid spread of smartphones is changing customer needs. People nowadays can access the Internet from anywhere and at any time. Swisscom recognised this trend and was one of the first telecom providers worldwide to introduce new mobile subscriptions which allow customers to make unlimited phone calls to all networks, send text messages and browse the Internet at flat rates. The individual subscriptions mainly differ in terms of mobile data speeds. As smartphone penetration increases, so too does the volume of data and hence the load on networks. Swisscom is investing permanently in the network infrastructure of the future, in order to keep pace with this development. Swisscom expanded its mobile frequency portfolio after participating in an auction in February 2012. Swisscom is also tackling the constant growth in data by continuously expanding the broadband network or deploying new technologies such as LTE. Back in 2011, Swisscom launched bundled offerings combining different technologies: fixed telephony, Internet, TV and mobile. Competition has continued to drive down prices. The Swiss telecoms market can be broken down into submarkets of relevance to Swisscom: fixed-line, mobile, broadband and digital TV.

Swisscom Switzerland access lines in thousand



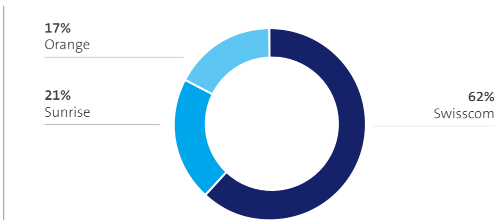
Fixed-line market

Fixed-line telephony is mainly based on lines running over the telephone network and lines running over cable networks. The past few years have seen only marginal changes in market share. Swisscom is market leader with 67%. Sunrise commands a market share of around 13%. The spread of mobile telephony in recent years has led to a rapid decline in the number of phone calls made over the fixed network. The number of Swisscom fixed lines has likewise been declining steadily. This trend continued in 2012, with the number of fixed lines falling by 3.4% to 3.0 million, mainly due to the substitution of fixed lines by mobile communications. By the end of 2012 unbundled lines totalled 300,000.

Mobile communications market

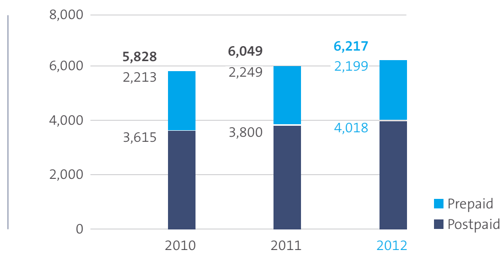
Three companies operate their own nationwide mobile networks in Switzerland: Swisscom, Orange Switzerland and Sunrise. In February 2012, Orange Switzerland was sold by France Telecom to the British company Apax. Sunrise was sold by its Danish parent TDC to Luxembourg-based CVC Capital Partners back in 2010. Unlike in previous years, 2012 was marked by slower growth of 2.4% in mobile lines (SIM cards) in Switzerland due to already high market penetration. The three network operators have a total of around 9.9 million mobile lines, with penetration in Switzerland at 124%. The technical possibilities of mobile communications are increasing due to the rapid spread of smartphones. A growing number of customers access their data, e-mails and Internet while on the move. The launch of the infinity tariffs marks a paradigm shift by Swisscom that reflects customers' changing needs. The monthly flat-rate subscription fee includes free text messaging, voice and data traffic. Customers have full cost control. By the end of 2012, 889,000 customers were using the new infinity offerings. For occasional users of the mobile network Swisscom offers prepaid services with no monthly subscription fee, so that they are charged only as and when they access the network. Machine-to-machine (M2M) mobile data traffic is a growth market which in future will support a wide range of applications such as automatic localisation in the event of a vehicle breakdown. Swisscom makes its mobile communications network available to third-party providers (MVNO, mobile virtual network operators) so that they can offer their customers proprietary products and services over the Swisscom network.

Market shares mobile subscribers in Switzerland* in %



* Estimate Swisscom

Swisscom mobile access lines in thousand

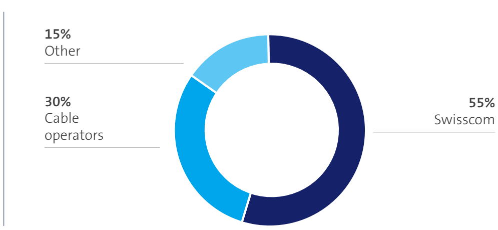


Swisscom defended its 62% market share in 2012. Switzerland boasts a much higher percentage of postpaid customers (around 65%). As in previous years, prices for mobile services in 2012 continued to be squeezed by competition, resulting in a corresponding decline in average monthly revenue per user.

Broadband market

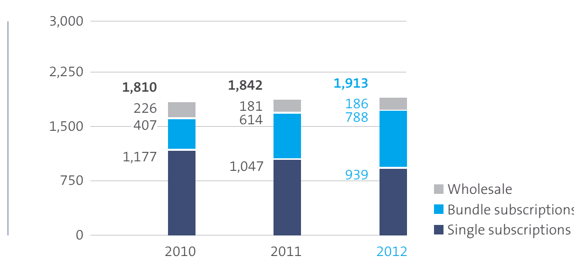
The most widespread access technologies for fixed broadband in Switzerland are the telephone network based on DSL and cable television networks. At the end of 2012, the number of retail broadband lines in Switzerland totalled around 3.1 million, or around 89% of all households. Switzerland therefore leads the way internationally in terms of market penetration of broadband lines. Swisscom's DSL offerings reach more than 98% of the Swiss population.

Market shares broadband access lines in Switzerland* in %



* Estimate Swisscom

Swisscom Broadband access lines in thousand

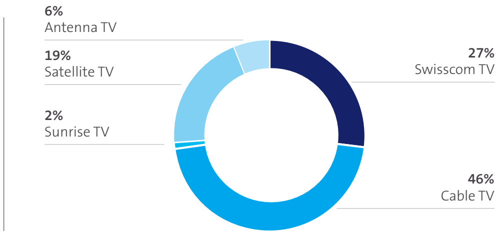


Growth in broadband lines is slowing from year to year. In 2012 the number of broadband lines grew by 5.0% versus 5.8% the previous year. In recent years growth in telephone-based DSL broadband lines has far outpaced broadband lines provided by cable network operators in recent years, but in the past year the trend has come to a halt. DSL broadband accounted for around half of new lines in 2012, corresponding to a market share of all broadband lines of around 70%. Of these, 55% (prior year: 55%) were Swisscom end customers and 16% (prior year: 16%) wholesale offerings and fully unbundled lines. Broadband lines are increasingly becoming the basic access line for households, through which customers can access additional services or bundled offerings.

Digital TV market

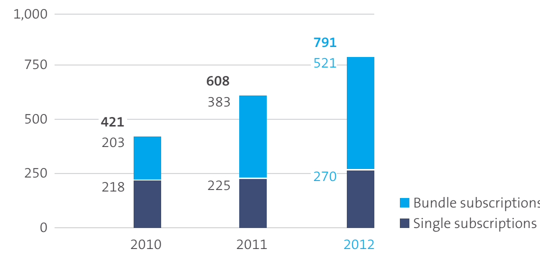
The importance and market penetration of digital television continues to grow. And with the possibility of 1.5 million users switching from analogue to digital television in future, the potential is huge. The most important modes of transmission for digital television in Switzerland are satellite, antenna (terrestrial), cable, Internet and mobile. Cable television, satellite reception and Swisscom TV account for the largest market shares. Roughly 85% of all households have an analogue or a digital cable TV connection; of these, around 75% have a digital TV connection (status as of September 2012). With 791,000 digital TV customers, Swisscom is market leader in digital cable television only six years after entering the business. Sunrise has been offering its own digital television services since 2012.

Market shares digital TV in Switzerland* in %



* Estimate Swisscom

Swisscom TV subscribers in thousand

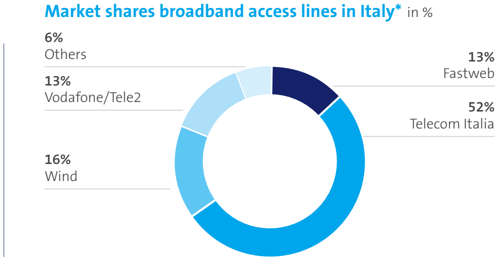


After steadily increasing its market share over the past few years thanks to its own digital Swisscom TV offering, Swisscom gained another 183,000 customers in 2012 and commanded a share of 27% (prior year: 26%) by year-end. Swisscom TV offers over 200 television channels, some 2,000 videos on demand, exclusive live transmission of sporting events (mainly football and ice hockey) and other practical features such as the replay feature (allowing viewers to watch missed programmes up to 30 hours after transmission), live-pause, a recording function, picture-in-picture, Swisscom TV apps for weather, news, photos, etc., and a TV guide. Thanks to a mobile app, customers can access the services and schedule at any time while on the move. Swisscom TV is available in a range of packages to meet all customer needs.

Italian broadband market

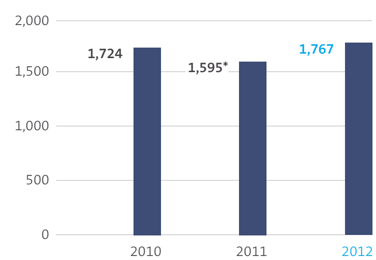
Italy's broadband market is Europe's fourth largest, with a revenue volume of around EUR 14 billion. While in most European markets DSL-based providers compete with cable network operators, this is not the case in Italy, where broadband penetration is well below the European average at just over 50% of households. In 2012 the number of broadband lines in Italy rose by 2% to around 13.7 million. Fastweb increased the number of broadband lines year-on-year by 10.8% or 172,000 to around 1.8 million, outperforming the competition in terms of new customers in 2012.

Market shares broadband access lines in Italy* in %



* Estimate Swisscom

Fastweb broadband access lines in thousand



* Adjusted by 197,000 as a result of the settlement of litigations.

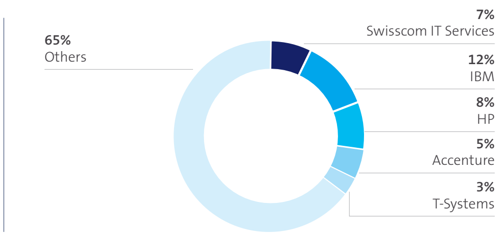
Telecom Italia leads the broadband market with a share of 52% (prior year: 51%), compared with Fastweb's 13% (prior year: 13%). Three integrated players dominate the market: Telecom Italia, Vodafone and Wind. Thanks to economies of scale, they are able to maintain a strong advertising presence and build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

IT services market in Switzerland

In 2012 the IT services market generated revenue volume of around CHF 6.6 billion. Swisscom estimates a total market volume in 2015 of around CHF 7.3 billion. Growth prospects have been weakening slightly. Cloud services and the off-shoring and near-shoring of services outside Switzerland are experiencing growth.

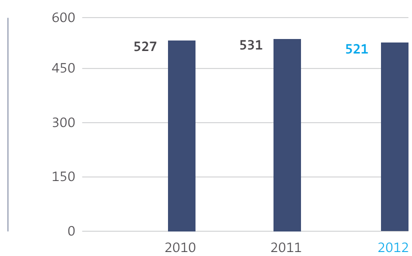
International providers offering on-demand services (cloud computing) and service delivery from low-wage countries (off-shoring) are fuelling competition and putting increased price pressure on Swiss IT service providers. In the SAP area, growth opportunities are opening up in the field of mobile services, business intelligence and SAP solutions for smaller customers. Swisscom IT Services expects to see server and storage services increasingly being procured as a standardised cloud service. In the workplace management segment, the use of tablets and other devices normally associated with residential customers, coupled with the shift of functionality to central data centres (cloud services), is changing the market.

Market shares IT services in Switzerland* in %



* Estimate Swisscom

Swisscom IT Services
Revenue from external customers in CHF million



With a market share of 7%, Swisscom IT Services is one of the largest providers on the Swiss market. Swisscom successfully defended its leadership position in the banking systems integration segment. Swisscom IT Services' portfolio ranges from implementation and operation of IT solutions for the finance sector to the full hosting of back-office processes for banks (BPO). In the workplace management segment, Swisscom manages complex work environments on behalf of customers. Swisscom IT Services is a full-service provider in the area of SAP and IT outsourcing, including cloud services.

Group structure and organisation

Management structure in the 2012 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 who, together with the heads of the Group divisions, the CEO of Swisscom IT Services and the heads of the divisions of Swisscom Switzerland, make up the Group Executive Board. Swisscom's financial reporting focuses on three operating divisions: Swisscom Switzerland, Fastweb and other operating segments. Swisscom Switzerland is subdivided into the Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT operating segments. Swisscom Switzerland is the contact partner for telecoms and data services in Switzerland and Fastweb in Italy. Swisscom IT Services supports corporate customers in all IT-related matters.

Group structure

Swisscom Ltd and its four Group divisions, Group Finance & Controlling (from 2013 Group Business Steering), Group Strategy & Business Development (from 2013 Group Strategy & Innovation), Group Communications (from 2013 Group Communication & Responsibility) and Group Human Resources, together with its subsidiaries, make up the Swisscom Group. The shares of Swisscom Ltd are listed on the SIX Swiss Exchange in Zurich and are also traded over the counter (OTC) in the form of Level 1 American Depositary Receipts (ADR). The majority shareholder at 31 December 2012 was the Swiss Confederation, with a share of 56.8% of the voting rights and capital.
As at 31 December 2012, 22 Swiss subsidiaries (prior year: 27) and 32 foreign subsidiaries (prior year: 31) are fully consolidated in Swisscom's consolidated financial statements. In addition, nine associates (prior year: ten) are included according to the equity method. In the year under review, Swisscom acquired Datasport AG and Treufida GmbH as well as a minority stake in Metroweb S.p.A. in Italy and sold Athon SA. The following companies were merged in 2012: Webcall GmbH with Axept AG; Hospitality Services Plus SA, curabill AG and Evita AG with Swisscom (Switzerland) Ltd; and Swisscom IT Services Enterprise Solutions Ltd, Swisscom IT Services Finance Ltd and Swisscom IT Services Workplace Ltd with Swisscom IT Services Ltd.
Swisscom Ltd holds direct shareholdings in Swisscom (Switzerland) Ltd, Swisscom IT Services Ltd, Swisscom Broadcast Ltd and Swisscom Real Estate Ltd. Fastweb S.p.A. (Fastweb) is indirectly held via Swisscom (Switzerland) Ltd and intermediate companies in Belgium and Italy. While Swisscom Participations (from 2013 Group Related Business) does not constitute a legal entity, it is responsible for managing a portfolio of small and medium-sized enterprises. Swisscom and PubliGroupe have reciprocal interests of 49% each in LTV Yellow Pages Ltd and Swisscom Directories Ltd.

Change in management structure from 1 January 2013

From 1 January 2013 Swisscom will simplify its management structure with the aim of strengthening the Group's Swiss business and enhancing efficiency. In a move to strengthen Swiss core business in the face of ever-growing competition, the Swisscom Switzerland Management Board will be headed by Urs Schaeppi, until now Head of Corporate Business. In addition the Group Executive Board is to be streamlined. From 2013, the Group Executive Board will comprise CEO Carsten Schloter; Urs Schaeppi (Swisscom Switzerland); Andreas König (Swisscom IT Services); Mario Rossi (Group Business Steering); Jürgen Galler (Group Strategy & Innovation); and Hans Werner (Group Human Resources).

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Board of Directors

Group Executive Board

Headquarters

- Group Finance & Controlling
- Group Strategy & Business Development
- Group Communications
- Group Human Resources

Subsidiaries

Swisscom Switzerland[1]

- Swisscom (Switzerland) Ltd
- Swisscom Directories Ltd
- local.ch AG
- Wingo AG
- Axept AG

Fastweb

- Fastweb S.p.A.
- Fastweb Wholesale S.r.l.
- e.BisMedia S.p.A.

Swisscom IT Services (ITS)

- Swisscom IT Services Ltd[2]
- ITS Finance Custom Solutions Ltd
- ITS Sourcing Ltd

Swisscom Participations

- Alphapay Ltd
- Billag Ltd
- Cablex Ltd
- Sicap Ltd[3]
- Swisscom Broadcast Ltd
- Swisscom Energy Solutions Ltd
- Swisscom Event & Media Solutions Ltd
- Swisscom Real Estate Ltd

Other operating segments

- Hospitality Services[4]
- Venturing Participations[5]

Group Headquarters

- Swisscom Ltd
- Worklink AG
- Swisscom Belgium N.V.
- Swisscom Re AG
- Swisscom Italia S.r.l.

Associates

Swisscom Switzerland:
- CT Cinetrade AG
- LTV Yellow Pages Ltd
- Belgacom International Carrier SA

Fastweb:
- Metroweb S.p.A.

Swisscom Participations:
- Medgate Holding AG

Other operating segments:
- Venturing Participations

[1] Swisscom Switzerland comprises the operating segments Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT.

[2] Swisscom IT Services Ltd has subsidiaries in Austria and Singapore.

[3] Sicap Ltd has subsidiaries in France, Malaysia, Singapore and South Africa.

[4] Hospitality Services has subsidiaries in Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Luxembourg, the Netherlands, in Norway, Portugal, Romania, Russia, Spain, Turkey, the UK and USA.

[5] Venturing Participations comprises the fully consolidated company Mona Lisa Capital AG.

The scope of the sustainability report in accordance with the Global Reporting Initiative (GRI) covers Swisscom Ltd and all fully consolidated subsidiaries domiciled in Switzerland. It does not cover Group companies domiciled abroad or associates. The main foreign shareholdings are Fastweb and the Swisscom Hospitality Group. The closely related foundations comPlan (pension fund) and sovis are also not included in the scope. Any deviation of the GRI reporting boundary from the above definition is duly reported.

Guiding principles

Swisscom – we open up new possibilities

Our promise

As a trustworthy companion to the digital world, we help our customers
- feel secure and at ease
- find what they're looking for quickly and simply
- experience and achieve extraordinary things

Our strategic roles

The most trustworthy and reliable ICT infrastructure
We provide our customers with the most reliable ICT infrastructure that can be adapted quickly and flexibly to changing needs. We give our customers access wherever they need and expect it.

Leaders in identity, data and security management
We are recognised experts in the secure handling of data and virtual identities. Our customers feel protected from risks and dangers.

Personalised, proactive, value-generating customer interactions
We offer our customers bespoke products and services that simplify and enrich their lives. We are there where our customers need us.

Leaders in Corporate Responsibility
We act responsibly at all times and in everything we do and have a special responsibility towards our environment, our society and Switzerland.

Our goals

Winning hearts
We delight our customers with unique experiences. Swisscom is one of Switzerland's favourite brands.

Making things simple
We offer our customers maximum benefit and a service that is constantly being improved. We achieve sustainable success through focus and effectiveness.

Shaping the future
We promote innovations that promise added value both for customers and Swisscom. We combine the best ideas and drive forward projects that offer future potential.

Our principles

Passionate about customers
We surprise our customers, convey enjoyment and inspire by providing first-class service.

Heart and soul
We put heart and soul into shaping our own inspirational working environment.

Dialogue and cooperation
We work together to shape the future and learn from one another.

Focus on the essentials
We keep improving and remain focused.

Corporate strategy

While Swisscom commands a leading position in the mobile, fixed and broadband submarkets in Switzerland, these markets are largely saturated. Intense competition and changing customer needs continue to erode prices and volumes. In network access business, competition is accelerating due to unbundling of the local loop, cable providers offering higher bandwidths and bundled products, and fibre-optic initiatives by power utility companies. Moreover, service offerings are increasingly being provided on a network-independent basis and by new market players. The resulting lower revenue and income need to be offset in order to ensure the financial resources needed to make major investments in new technologies.
Swisscom's corporate responsibility strategy (CR strategy) underpins Swisscom's long-term commitment and is broken down into the following four key areas: "Enabling sustainable living and working", "Promoting sustainable use of resources", "Providing telecommunications for all" and "Acting as a responsible employer". By minimising the consumption of energy and resources within the Group, using electricity generated from renewable sources, imposing ecological and social standards on suppliers and acting as a responsible employer, Swisscom honours its responsibility towards the environment and the community at large. Swisscom supports customers in their efforts to achieve a sustainable way of living and working by offering climate-friendly, low-radiation products and services for residential customers and Green ICT services for business customers.
Swisscom's corporate strategy is based on three pillars: "Maximise", "Extend" and "Expand".

Maximise

Grow market position in Swiss core business

Extend

Develop core-related businesses in Switzerland

Expand

Leverage growth opportunities in new business fields within Switzerland or abroad

1. Maximise existing core business

For Swisscom, maximising existing core business means strengthening its competitive position in Switzerland by maintaining high network quality, strong customer ties, a clear market positioning and cost-efficient services.
To set Swisscom Switzerland apart from the competition and generate value, substantial investments are necessary to maintain the quality of the network infrastructure – and in particular to expand the fibre-optic network and the mobile network. These high investments will further improve network quality and, along with superior services and a strong brand, ensure that Swisscom continues to command a high market share. By developing its service culture further, Swisscom aims to increase the already high level of customer loyalty. A clear market positioning forms the basis for Swisscom's ability to exploit new opportunities in its core business. To remain differentiated in the marketplace, Swisscom is continuing to develop its strategy of offering bundled products and future-oriented price plans such as the successful natel infinity subscriptions launched in 2012. Traditional usage-based revenues from services like text messaging and telephony are being incorporated in new subscription models, leading to a change in the business model.
In the corporate business segment, reliability, quality and flexibility make Swisscom the partner of choice in the field of communication and collaboration services. Continuous improvements such as migration to an all-IP infrastructure or programmes which reduce internal costs and optimise decision making, will ensure that Swisscom can continue to provide cost-effective services in its core business. As an internal service provider, Swisscom IT Services supports Swisscom Switzerland by helping to reduce IT costs and by delivering flexible services. Swisscom Participations also supports Swisscom Switzerland in its bid to generate further efficiency gains in the areas of fibre-optic expansion and real estate management.

2. Extend current core business

Swisscom is extending its current core business by offering customers a broad range of information and communication services. To this end it is continually developing its business activities in telecoms, informatics, media and entertainment along the entire value chain.

In Switzerland the switch from analogue to digital television is in full swing. Swisscom has been market leader in the digital TV market in Switzerland since 2011, and successfully expanded this position in 2012. It aims to further improve the competitiveness of Swisscom TV and ensure market differentiation through systematic, targeted continual development of its digital TV offering. In the corporate business segment Swisscom intends to ensure the growth of Swisscom Switzerland and Swisscom IT Services by extending the service portfolio and expanding activities in communication and collaboration solutions and in the area of cloud services. Cloud services enable customers to improve their efficiency and cost structure through the flexible procurement of IT infrastructure services. Unified communication and collaboration solutions allow corporate customers to save costs by optimising their communication processes. One growth area is machine-to-machine communication (M2M communication), where Swisscom estimates that over the long term more than 100 million machines will be interconnected via the mobile network in Switzerland. In addition, continuous improvement and harmonisation of operating processes and customer focus will further enhance the competitiveness and profitability of Swisscom Switzerland and Swisscom IT Services. Swisscom intends to generate further Group-wide synergies and improve coordination of market access by exploiting the potential for optimisation across individual business units. Swisscom Participations is also pursuing targeted growth activities, focusing in the "eHealth" field on networking and all-round health management while at the same time developing an interactive monitoring solution for private households in the growing area of "Smart & Secure Living".

3. Expand outside core business

Swisscom seeks to recognise and substantiate growth opportunities outside its core business in Switzerland, based on industrial and strategic logic. To promote growth in new business fields Swisscom is concentrating on developing new services along the extended value chain. In existing activities, successful further development and consolidation of Fastweb has top priority.

The acquisition of Fastweb in 2007 marked Swisscom's entry into the Italian broadband market. Since March 2011 Swisscom has been the sole owner of Fastweb and has gained strategic and operational flexibility thanks to this full takeover. The difficult economic situation and reduced growth prospects in Italy resulted in an adjustment to the business plan at the end of 2011. Fastweb is seeking profitability and growth based on a proprietary, state-of-the-art fibre-optic infrastructure, a strong position in the corporate business segment, an innovative service portfolio, outstanding project management and integration expertise, and high customer satisfaction. Fastweb will continue to invest in fibre-optic expansion over the coming years in order to boost competitiveness. Strict cost management will also improve cash flow.

Major investments in shareholdings are strategically restricted to the two core markets of Switzerland and Italy. At the same time Swisscom is making targeted investments with a view to further expanding existing participations: for example in Swisscom Hospitality Services, a company that provides access and TV services for hotel chains and their guests. Swisscom Hospitality Services is looking to greater further differentiation by offering new services while continuing to expand its geographical reach and improve efficiency. Swisscom also invests small amounts in venture capital funds as well as directly in start-up companies, in order to identify new technologies and business ideas early on and promote innovation.

Value-oriented business management

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

Enterprise value

In CHF million, except where indicated	31.12.2012	31.12.2011
Enterprise value		
Market capitalisation	20,400	18,436
Net debt	8,071	8,309
Non-controlling interests in subsidiary companies	24	24
Enterprise value (EV)	**28,495**	**26,769**
Operating income before depreciation and amortisation (EBITDA)	4,381	4,584
Ratio enterprise value/EBITDA	**6.5**	**5.8**

The sum of market capitalisation, net debt and minority interests in subsidiaries is the enterprise value (EV) derived from the share price. Minority interests are stated at carrying amount. Higher market capitalisation and lower net debt increased the enterprise value year-on-year by 6.4% to CHF 28.5 billion. The enterprise value/EBITDA ratio is a key figure used in relative comparisons with other companies in the sector. With a factor of 6.5 (prior year: 5.8), Swisscom is above the average for Europe's former state telecom companies. A lower interest rate, lower average tax rates and a solid market position make a significant contribution to this higher factor.

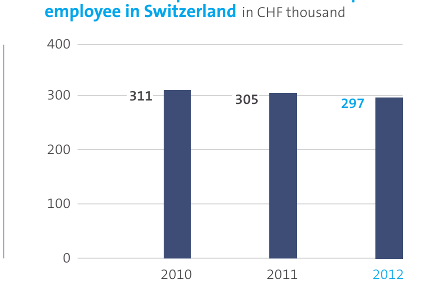
Statement of added value

Added value is equivalent to net revenue less goods and services purchased, other operating expenses and depreciation and amortisation. Personnel expense is treated as use of added value rather than as an intermediate input. Swisscom generates the bulk of its added value in Switzerland. In 2012 activities abroad accounted for 2.7% of the Group's added value from operations (prior year: 3.5%).

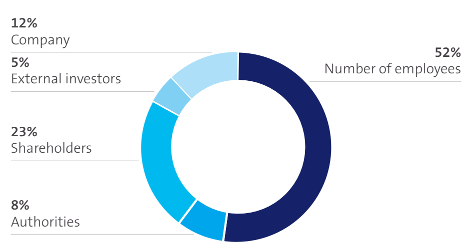
In CHF million	2012 Switzerland	2012 Abroad	2012 Total	2011 Switzerland	2011 Abroad	2011 Total
Added value						
Net revenue	**9,268**	**2,116**	**11,384**	**9,243**	**2,224**	**11,467**
Capitalised self-constructed assets and other income	(278)	(95)	(373)	(273)	(147)	(420)
Goods and services purchased	1,678	721	2,399	1,611	791	2,402
Other operating expenses	1,764	632	2,396	1,727	661	2,388
Depreciation	1,227	723	1,950	1,168	735	1,903
Indermediate inputs	**4,391**	**1,981**	**6,372**	**4,233**	**2,040**	**6,273**
Operating added value	**4,877**	**135**	**5,012**	**5,010**	**184**	**5,194**
Share of results of associates			32			30
Impairment losses on goodwill			–			(1,555)
Other financial result			(43)			(37)
Total added value			**5,001**			**3,632**
Allocation of added value						
Employees (personnel costs)	2,312	269	2,581	2,214	299	2,513
Authorities (income taxes)			405			151
Shareholders (dividends)			1,154			1,095
External investors (net interest expense)			253			274
Company (retained earnings)			608			(401)
Total added value			**5,001**			**3,632**

In 2012 added value from operations amounted to around CHF 5.0 billion, 3.5% less than in 2011. Added value in Switzerland declined year-on-year by 2.7% to CHF 4,877 million, while added value from international activities fell by CHF 49 million to CHF 135 million. Added value from operations in Switzerland accounted for 52.6% of net revenue (prior year: 54.2%).
Most of the value-generating activities in Switzerland are performed by Swisscom's 16,300 or so employees. In 2012 added value from operations per FTE declined by 2.6% to CHF 297,000 (prior year: CHF 305,000). Personnel expense in relation to added value in Switzerland increased from 44.2% to 47.4%.

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



Allocation of added value in %



Capital market

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

Swisscom share

Swisscom's market capitalisation at 31 December 2012 stood at CHF 20.4 billion, with 51.8 million shares outstanding. The 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 has been entered with voting rights in the share register of Swisscom Ltd. The Board of Directors may refuse to enter a shareholder with voting rights in the share register if such voting rights exceed 5% of the company's share capital.

Ownership structure

	31.12.2012			31.12.2011		
	Number of Shareholders	Number of Shares	Share in %	Number of Shareholders	Number of Shares	Share in %
Confederation	1	29,410,500	56.8%	1	29,494,000	56.9%
Natural person	65,591	4,624,627	8.9%	62,404	4,230,435	8.2%
Institution	2,653	17,766,816	34.3%	2,717	18,077,508	34.9%
Total	**68,245**	**51,801,943**	**100.0%**	**65,122**	**51,801,943**	**100.0%**

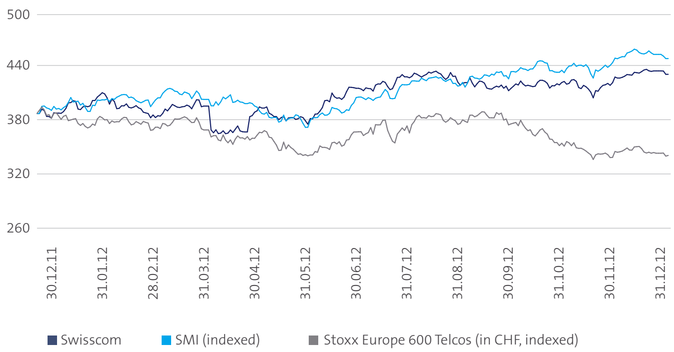
The majority shareholder at 31 December 2012 was the Swiss Confederation, with 56.8% of the voting rights and capital. By law the Swiss Confederation is required to hold a majority of the capital and voting rights. At 31 December 2012 around 97% of registered shareholders were from Switzerland.

Stock exchanges

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

Share performance in 2012

Share performance 2012 in CHF



See **www.swisscom.ch/shareprice**

The Swiss Market Index (SMI) gained 14.9% compared with the previous year. The Swisscom share price increased by 10.7% to CHF 393.80, outperforming the Stoxx Europe 600 Telecommunications Index (–11.4% in CHF; –10.7% in EUR). Average daily trading volume fell year-on-year by 9.5% to 100,033 shares. Total trading volume of Swisscom shares in 2012 amounted to CHF 9.2 billion.

Shareholder return in 2012

On 13 April 2012 Swisscom paid out an ordinary dividend of CHF 22 per share. Based on the closing price at the end of 2011, this equates to a return of 6.2%. Taking into account the rise in share price, the Swisscom share achieved a TSR (total shareholder return) of 16.8% in 2012, while the TSR of the SMI was 17.6% and the Stoxx Europe 600 Telecommunications Index was –4.8% in CHF or –4.0% in EUR.

Swisscom share performance indicators

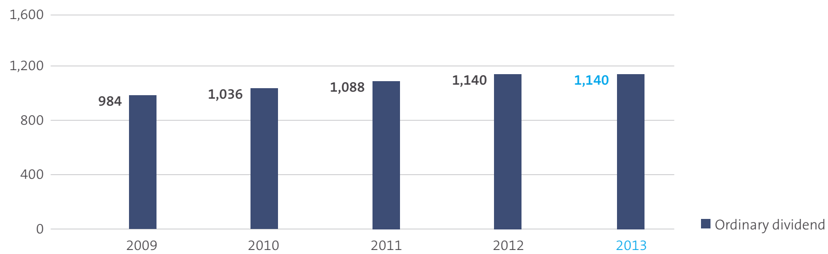
		2008	2009	2010	2011	2012
Par value per share at end of year	CHF	1.00	1.00	1.00	1.00	1.00
Number of issued shares at end of period	in thousand	53,441	51,802	51,802	51,802	51,802
Market capitalisation at end of year	in CHF million	17,587	20,491	21,296	18,436	20,400
Closing price at end of period	CHF	339.50	395.60	411.10	355.90	393.80
Closing price highest	CHF	442.75	400.90	420.80	433.50	400.00
Closing price lowest	CHF	292.00	293.50	358.00	323.10	334.40
Earnings per share	CHF	33.87	37.47	35.00	13.19	33.88
Ordinary dividend per share	CHF	19.00	20.00	21.00	22.00	22.00 [1]
Ratio payout/earnings per share	%	56.10	53.38	60.00	166.85	64.94
Equity per share at end of year	CHF	85.33	113.91	102.89	82.47	79.77

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

Distribution to shareholders

At the forthcoming Annual General Meeting on 4 April 2013 the Board of Directors will propose an ordinary dividend of CHF 22 per share (prior year: CHF 22). This is equivalent to a total dividend payout of CHF 1,140 million.

Development of payout in CHF million



Since going public in 1998 Swisscom has distributed a total of CHF 25.0 billion to shareholders: CHF 13.0 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 257 per share since the initial public offering. Together with the overall increase in share price of CHF 53.80 per share, this corresponds to an average annual total return of 4.7%.

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. Around 20 analysts regularly publish studies on Swisscom. At the end of 2012 42% of analysts recommended a buy rating for the Swisscom share, 37% a hold rating and 21% a sell rating. The average price target at 31 December 2012 according to the analysts'estimates was CHF 405.

Indebtedness

Credit ratings and financing

With A (stable) and A2 (stable) respectively, Swisscom enjoys good ratings with the Standard & Poor's and Moody's rating agencies. To avoid structural downgrading, Swisscom endeavours to raise financing at the level of Swisscom Ltd. Swisscom aims for a broadly diversified debt portfolio, taking particular care to balance maturities and spread financing instruments and financial markets. Swisscom has set itself the goal of achieving a maximum ratio of net debt to EBITDA of around 2. Swisscom's solid financial standing enabled unrestricted access to money and capital markets also in 2012. Net debt fell by CHF 0.2 billion to CHF 8.1 billion, corresponding to a net debt/EBITDA ratio of 1.8. Around 90% of financial liabilities have a term to maturity of more than one year. At 31 December 2012 financial liabilities with a term of one year or less amounted to CHF 0.9 billion.

Ongoing dialogue with the capital market

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

Financial calendar

> 4 April 2013	Annual General Meeting
> 8 April 2013	Ex-dividend
> 11 April 2013	Dividend payment
> 2 May 2013	First-quarter results 2013
> 7 August 2013	Half-year results 2013
> 7 November 2013	Third-quarter results 2013
> February 2014	Annual results 2013

Employees

Overall headcount at Swisscom declined by 547 FTEs year-on-year, with the number of full-time positions in Switzerland decreasing by 359.

Headcount

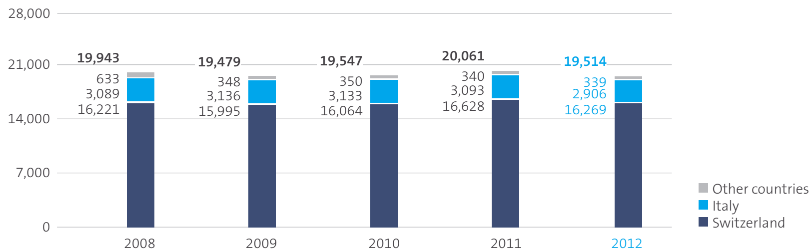
At the end of 2012 Swisscom had 19,514 full-time equivalent employees (FTEs), of which 16,269 or 83.4%, of the total workforce were employed in Switzerland (prior year: 82.9%). Swisscom also trains 907 apprentices. The following chart shows a breakdown of full-time equivalent positions by segment:

	31.12.2010	31.12.2011	31.12.2012
Full-time equivalent employees at end of year			
Residential Customers	4,607	4,683	4,371
Small and Medium-Sized Enterprises	733	824	831
Corporate Business	2,312	2,404	2,393
Wholesale	100	110	111
Networks & IT	3,964	4,075	4,121
Swisscom Switzerland	**11,716**	**12,096**	**11,827**
Fastweb	**3,123**	**3,081**	**2,893**
Swisscom IT Services	2,858	2,895	2,692
Swisscom Participations	1,241	1,363	1,498
Swisscom Hospitality Services	263	257	264
Other	6	–	–
Other operating segments	**4,368**	**4,515**	**4,454**
Group Headquarters	**340**	**369**	**340**
Total Group	**19,547**	**20,061**	**19,514**
Thereof employees in Switzerland	16,057	16,628	16,269

Headcount decreased year-on-year by 547 full-time equivalents or 2.7% to 19,514. While efficiency improvement measures and the outsourcing of staff at Fastweb led to an overall drop in head-count, this was partially offset by the insourcing of external personnel, acquisition of subsidiaries and an increase in the resources required for investments in telecoms infrastructure.

Employees in Switzerland on fixed-term contracts accounted for 0.4% of the workforce in 2012 (prior year: 0.3%). Part-time employees made up 13.7% (prior year: 13.4%), an increase of 16 FTEs compared with 2011. Termination of employment by employees in Switzerland amounted to 6.3% of the workforce (prior year: 6.0%).

Development of headcount in full-time equivalent



Personnel expense

In CHF million	2012	2011	Change
Salary and wage costs	2,058	2,053	0.2%
Social security expenses	222	227	–2.2%
Pension cost	158	141	12.1%
Restructuring costs	68	–	–
Other personnel expenses	75	92	–18.5%
Total personnel expense	**2,581**	**2,513**	**2.7%**
Thereof personnel expense in Switzerland	2,312	2,214	4.4%
Thereof personnel expense in Italy	233	264	–11.7%
Thereof personnel expense in other countries	36	35	2.9%

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Personnel expense of Swisscom in the year under review amounted to CHF 2,581 million, with employees in Switzerland accounting for CHF 2,312 million or 89.6% of the total.

Employment law framework

Introduction

The following information applies to Swisscom in Switzerland: Swisscom is one of the largest employers in Switzerland, with around 17,200 employees. The legal terms and conditions of employment in Switzerland are based on the Swiss Code of Obligations. The collective employment agreement (CEA) sets out the key terms and conditions of employment between Swisscom and its employees. It also contains provisions governing relations between Swisscom and its social partners. In mid-June 2012 Swisscom and its social partners entered into negotiations aimed at further developing the collective employment agreement and social plan. A new CEA was agreed, improving on the already very good terms and conditions of the previous agreement. The new CEA and social plan enter into force on 1 January 2013. Swisscom IT Services and cablex AG, which operate in a special market and competitive environment, will have their own CEA. At the end of December 2012, 13,593 FTEs or 84.1% of the workforce were covered by the collective employment agreement.
General terms and conditions of employment which exceed the minimum standard defined by the Code of Obligations are governed by the special provisions for Swisscom management staff in Switzerland.

Employee representation and union relations

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

Collective employment agreement

The working week for employees covered by the CEA is 40 hours. Five weeks' annual leave (six weeks from age 60), 16 weeks' maternity leave and ten days' paternity leave are also among the progressive fringe benefits defined by the CEA. Employees also enjoy an additional week of paid leave after five years of service. Swisscom pays a child and education allowance which in most cases is above the statutory cantonal allowance, and grants leave on special family-related grounds such as adoption leave. In the case of incapacity to work due to illness or accident, Swisscom continues to pay the employee's salary for 730 days: 100% in the first year and 80% in the second. On 1 January 2013 a new CEA entered into effect with partial adjustments to benefits and regulations aimed at strengthening the marketability of employees.

Working-hour models

Swisscom promotes the work-life balance of its employees, offering working conditions that enable those working full-time and part-time to balance their personal and professional lives. This is made possible by the following measures: flexible working hours (the standard model used by a majority of employees), variable working-hour models such as annual working hours, a long-term working-time account and alternating teleworking. Employees may also work from home with the consent of their line manager. This option is used by many employees and is becoming increasingly simpler thanks to tools such as Unified Communications & Collaboration (UCC).

Social plan

Swisscom's social plan sets out the benefits provided to employees covered by the collective employment agreement CEA who are affected by redundancy. 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, by providing them with advice and support in their search for new employment outside the company or arranging temporary external or internal placements. The success rate is high, with around 48.5% of employees affected in 2012 finding another job prior to expiry of the social plan programme.
Swisscom also operates special employment schemes (phased partial retirement, temporary deployment in similar areas of expertise) in line with its commitment to providing fair solutions for older employees affected by changes in skill set requirements or redundancy. The pension plan offers employees opting for early retirement (from age 58) financial support in the form of a bridging pension until they reach the statutory retirement age.
The new social plan that enters into force on 1 January 2013 continues to offer very good benefits in the case of redundancy, as well as an increased focus on helping employees improve their marketability through further training measures.

Employee remuneration

Salary system

Competitive pay packages help to attract and retain highly-skilled and motivated specialists and managerial staff. Swisscom's salary system comprises a basic salary, a variable performance-related component and bonuses. The basic salary is determined based on function, individual performance and the job market, while the variable component is dependent on achievement of the Swisscom Group's overarching targets and individual business segment or division targets. The targets primarily relate to key financial indicators and improvement in customer satisfaction. Swisscom's share bonus rewards selected employees who have been nominated for outstanding individual achievements. The salary system and terms and conditions of employment for management staff comply with the recommendations of economiesuisse on the "Swiss Code of Best Practice in Corporate Governance". Details on remuneration for members of the Group Executive Board are provided in the remuneration report.

See report **page 138**

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. Swisscom complies with the CEA-defined minimum wage of CHF 45,500 (for a 40-hour week or 2,080 hours per year). Swisscom is present throughout Switzerland and the various locations differ little in terms of defining salaries. A study of starting salaries for the youngest employees (up to age 21) at the widely-applied starting function level found that the average hourly pay for this category is CHF 26.90 for men and women: 23% above the minimum wage rate.

Pay round

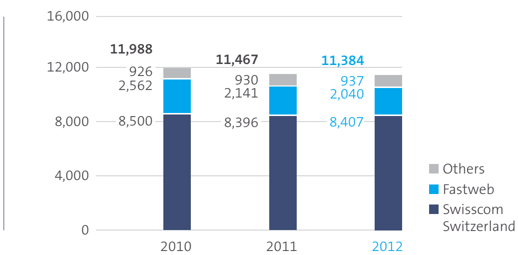
In November 2011 Swisscom and the social partners signed a new pay round agreement for the years 2012 and 2013, as a result of which Swisscom (with the exception of Swisscom IT Services) increased the total salary payout in 2012 in Switzerland by 1.2%, while the general increase for employees covered by the CEA amounted to 0.8%. Individual adjustments depending on performance and current salary level accounted for a further 0.4%. Individual management salaries were adjusted by a total of 1.1%. Swisscom (excluding Swisscom IT Services) will raise the total salary payout for employees covered by the CEA in 2013 by a further 1.2% (again 0.8% as a general increase and 0.4% reserved for individual salary adjustments).
A separate agreement was reached for Swisscom IT Services to reflect the market environment and competitive situation specific to the IT market. Accordingly, no salary increases were awarded to Swisscom IT Services in 2012, while for 2013 employees covered by the CEA will be granted a general increase of 0.8%.

Group financial review

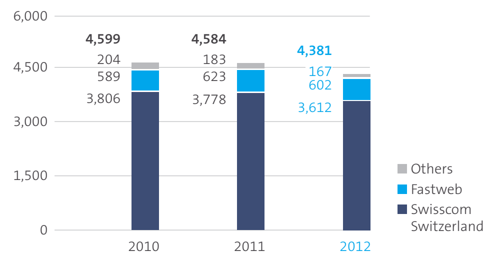
Key financial figures

In CHF million, except where indicated	2012	2011	Change
Net revenue	11,384	11,467	−0.7%
Operating income before depreciation and amortisation (EBITDA)	4,381	4,584	−4.4%
EBITDA as % of net revenue	38.5	40.0	
Operating income (EBIT) before impairment losses on goodwill	2,431	2,681	−9.3%
Operating income (EBIT)	2,431	1,126	115.9%
Net income	1,762	694	153.9%
Share of net income attributable to equity holders of Swisscom Ltd	1,755	683	157.0%
Earnings per share (in CHF)	33.88	13.19	157.0%
Operating free cash flow	1,882	2,068	−9.0%
Capital expenditure in property, plant and equipment and other intangible assets	2,529	2,095	20.7%
Net debt at end of period	8,071	8,309	−2.9%
Full-time equivalent employees at end of year	19,514	20,061	−2.7%

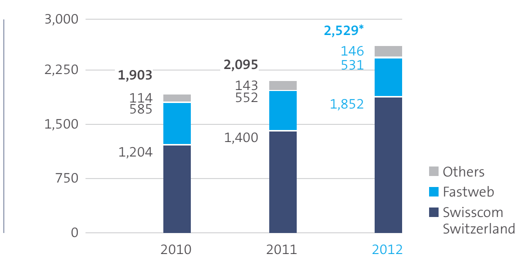
Development of revenue from external customers in CHF million



Development of EBITDA in CHF million

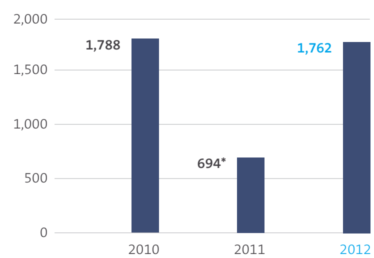


Development of capital expenditure in CHF million



* Including expenses of CHF 360 million for mobile frequency.

Development of net income in CHF million



* Including goodwill impairment of CHF 1,189 million less taxes.

Summary

Swisscom's net revenue fell by CHF 83 million or 0.7% to CHF 11,384 million, while operating income before depreciation and amortisation (EBITDA) was CHF 203 million or 4.4% lower at CHF 4,381 million. On a like-for-like basis and at constant exchange rates, revenue was up 0.3% and EBITDA down 0.6% year-on-year. The CHF 1,068 million increase in net income to CHF 1,762 million is largely attributable to the one-off impairment loss on the carrying amount of Fastweb in the previous year, which reduced net income in 2011 by around CHF 1.2 billion. An unchanged dividend of CHF 22 per share is to be proposed at the forthcoming Annual General Meeting. This equates a total dividend of CHF 1,140 million and a dividend yield of 5.6% based on the year-end share price of 2012.

Net revenue generated by Swiss business increased by CHF 25 million or 0.3% to CHF 9,268 million, while EBITDA was CHF 177 million or 4.5% lower at CHF 3,768 million. Price erosion in Swiss business of around CHF 400 million was offset by customer and volume growth. After adjustment for one-off additional restructuring costs and pension costs not affecting cash flow, EBITDA generated by Swiss business declined by 2.1%. Excluding wholesale revenue from interconnection services (hubbing), Fastweb's net revenue increased in local currency by EUR 8 million or 0.5% to EUR 1,613 million while its low-margin hubbing revenue fell as planned by EUR 54 million to EUR 87 million. Excluding non-recurring income from the previous year of EUR 56 million, Fastweb increased EBITDA by EUR 50 million or 11.1% to EUR 500 million.

Capital expenditure and operating free cash flow for 2012 include expenses of CHF 360 million for the mobile frequencies auctioned in Switzerland in the first quarter of 2012. This led to a corresponding increase in capital expenditure of CHF 434 million or 20.7% to CHF 2,529 million and to a decline in operating free cash flow of CHF 186 million or 9.0% to CHF 1,882 million. Capital expenditure in Switzerland was CHF 457 million or 29.7% higher at CHF 1,994 million due to expansion of the broadband network and the mobile frequencies acquired by auction. Net debt fell by CHF 238 million or 2.9% to CHF 8,071 million compared to the end of 2011. The ratio of net debt to EBITDA remained unchanged at 1.8.

Headcount dropped by 547 FTEs or 2.7% to 19,514 FTEs year-on-year due to efficiency improvements and the outsourcing of network maintenance jobs at Fastweb. In Switzerland headcount fell by 359 FTEs or 2.2% to 16,269, mainly as a result of efficiency improvements at Swisscom Switzerland.

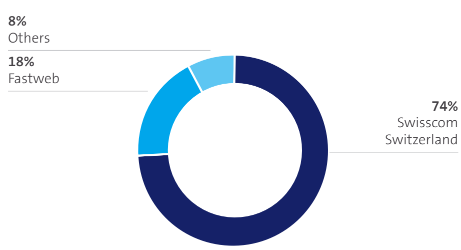
Swisscom expects to close 2013 with net revenue of around CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of around CHF 2.4 billion. Assuming all 2013 targets are met, Swisscom plans again to propose a dividend of CHF 22 per share at the 2014 Annual General Meeting.

Results of operations

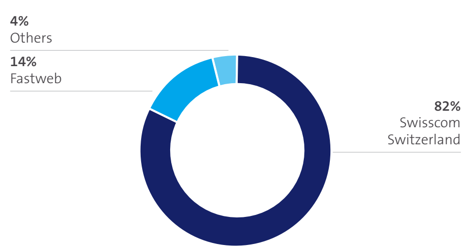
Income statement

In CHF million, except where indicated	2012	2011	Change
Swisscom Switzerland	8,407	8,396	0.1%
Fastweb	2,040	2,141	–4.7%
Other operating segments	936	929	0.8%
Group Headquarters	1	1	–
Revenue from external customers	**11,384**	**11,467**	**–0.7%**
Swisscom Switzerland	3,612	3,778	–4.4%
Fastweb	602	623	–3.4%
Other operating segments	277	334	–17.1%
Group Headquarters and elimination	(110)	(151)	–27.2%
Operating income before depreciation and amortisation (EBITDA)	**4,381**	**4,584**	**–4.4%**
Net revenue	**11,384**	**11,467**	**–0.7%**
Goods and services purchased	(2,399)	(2,402)	–0.1%
Personnel expense	(2,581)	(2,513)	2.7%
Other operating expense	(2,396)	(2,388)	0.3%
Capitalised self-constructed assets and other income	373	420	–11.2%
Operating expenses	**(7,003)**	**(6,883)**	**1.7%**
Operating income before depreciation and amortisation (EBITDA)	**4,381**	**4,584**	**–4.4%**
Depreciation and amortisation	(1,950)	(1,903)	2.5%
Operating income (EBIT) before impairment losses on goodwill	**2,431**	**2,681**	**–9.3%**
Impairment losses on goodwill	–	(1,555)	–
Operating income (EBIT)	**2,431**	**1,126**	**115.9%**
Financial income and financial expense, net	(296)	(311)	–4.8%
Share of results of associates	32	30	6.7%
Income before income taxes	**2,167**	**845**	**156.4%**
Income tax expense	(405)	(151)	168.2%
Net income	**1,762**	**694**	**153.9%**
Share of net income attributable to equity holders of Swisscom Ltd	1,755	683	157.0%
Share of net income attributable to non-controlling interests	7	11	–
Average number of shares outstanding (in millions of shares)	51.801	51.801	–
Earnings per share (in CHF)	33.88	13.19	157.0%

Share of operating segments in net revenue in %



Share of operating segments in EBITDA in %



Net revenue

Swisscom's net revenue fell by CHF 83 million or 0.7% to CHF 11,384 million. On a like-for-like basis and at constant exchange rates, net revenue increased by 0.3%. At Swisscom Switzerland revenue generated from external customers increased by CHF 11 million or 0.1% to CHF 8,407 million. Price erosion of around CHF 400 million was offset by customer and volume growth. Fastweb's net revenue contracted by 2.6% in local currency to EUR 1,700 million, and by 4.7% in Swiss francs. Excluding wholesale revenue from interconnection services (hubbing), net revenue at Fastweb was up by EUR 8 million or 0.5% to EUR 1,613 million. Lower revenue in the residential customer segment was more than compensated by higher revenue from business customers and wholesale (excluding hubbing). Net revenue generated by other operating segments increased by CHF 7 million or 0.8% to CHF 936 million, mainly due to higher revenue from construction services performed by cablex and acquisition of subsidiaries.

Goods and services purchased

Goods and services purchased remained virtually unchanged, dropping by CHF 3 million or 0.1% to CHF 2,399 million. At constant exchange rates this represents a rise of 0.5%. A decline in purchases at Fastweb, mainly due to the planned reduction in hubbing business and lower termination rates, was more than compensated by an increase in goods and services purchased by Swisscom Switzerland on account of a higher number of mobile handsets sold.

Personnel expense

Personnel expense increased by CHF 68 million or 2.7% to CHF 2,581 million due to higher restructuring costs and pension costs totalling CHF 85 million. Adjusted for these effects and at constant exchange rates, this resulted in a 0.5% decline in personnel expense. Headcount decreased year-on-year by 547 FTEs or 2.7% to 19,514. The reduction was attributable to efficiency improvements and the outsourcing of network maintenance jobs at Fastweb.

Other operating expense

Other operating expense increased by CHF 8 million or 0.3% year-on-year to CHF 2,396 million. At constant exchange rates this represents an increase of 0.9%. Higher expenditure on network maintenance and operation at Swisscom Switzerland was offset by lower bad debt losses at Fastweb.

Capitalised self-constructed assets and other income

At CHF 373 million, capitalised self-constructed assets and other income in 2012 were CHF 47 million or 11.2% lower year-on-year. This includes non-recurring income of EUR 56 million (CHF 69 million) recognised in the previous year under other income in connection with the settlement of a legal dispute between Fastweb and another telecoms provider. Adjusted for this one-off item, capitalised self-constructed assets and other income were up 6.3% year-on-year.

Operating income before depreciation and amortisation (EBITDA)

Operating income before depreciation and amortisation (EBITDA) fell by CHF 203 million or 4.4% to CHF 4,381 million. The 2012 result was impacted by higher restructuring costs and pension costs not affecting cash flow totalling CHF 95 million. In addition, non-recurring income of EUR 56 million (CHF 69 million) at Fastweb was recognised in the previous year in connection with the settlement of a legal dispute with another telecoms provider. Adjusted for non-recurring effects and at constant exchange rates, the decline was 0.6% and was mainly attributable to lower operating income generated by Swisscom Switzerland and Other operating segments. The adjusted EBITDA at Fastweb increased year-on-year by EUR 50 million or 11.1% to EUR 500 million.

Depreciation and amortisation

Depreciation and amortisation rose by CHF 47 million or 2.5% to CHF 1,950 million, mainly reflecting a change in the useful life of Swisscom Switzerland's mobile network and increased investment in the telecoms infrastructure in Switzerland. The mobile network of Swisscom Switzerland is currently undergoing a comprehensive renewal, which involves replacing all existing base stations, constructing new stations or expanding those planned and deploying microcells to increase network density. The useful lives of existing assets will be shortened due to the replacement of all network equipment. The impact on depreciation and amortisation in 2012 is CHF 25 million. Depreciation and amortisation includes scheduled amortisation related to business combinations in the amount of CHF 134 million (prior year: CHF 137 million), which have been capitalised as intangible assets (customer relationships and brands) for purchase price allocation purposes.

Impairment of goodwill

Under IFRS, goodwill must be tested every year for impairment. The test is based on the business plan, long-term growth rates and the interest rate for projected cash flows. In the previous year the carrying amount of the Italian subsidiary Fastweb was adjusted downwards by EUR 1,276 million (CHF 1,555 million). The carrying amount of Fastweb's net assets was confirmed in the impairment test conducted in 2012. At 31 December 2012 the carrying amount of Fastweb's net assets (including goodwill) amounted to EUR 2.9 billion (CHF 3.5 billion).

Net financial result

The net financial result improved by CHF 15 million year-on-year to CHF 296 million. Net interest expense in 2012 amounted to CHF 253 million (prior year: CHF 274 million), and includes interest rate hedging losses of CHF 4 million (prior year: losses of CHF 38 million).

Investments in associates

Associates mainly covers the share of results of investments in Belgacom International Carrier Services, Cinetrade, LTV Yellow Pages and Metroweb. The share of results of associates rose year-on-year by CHF 2 million to CHF 32 million. Dividends received, amounting to CHF 38 million (prior year: CHF 34 million), largely concern dividends paid by LTV Yellow Pages, Cinetrade and Belgacom International Carrier Services.

Excluding non-recurring items, net revenue increased by 0.3% year-on-year.
Net revenue in 2012 totalled

11.4 billion CHF

Excluding non-recurring items, EBITDA declined by 0.6% year-on-year.
EBITDA in 2012 totalled

4.4 billion CHF

Income tax expense

Income tax expense amounted to CHF 405 million (prior year: CHF 151 million), corresponding to an effective income tax rate of 18.7% (prior year: 17.9%). In the previous year the effective income tax rate was impacted by the one-off impairment loss in the carrying amount of Fastweb. Excluding non-recurring items, an income tax rate of around 21% is expected in future. Income taxes paid were CHF 8 million higher than a year earlier at CHF 190 million.

Net income and earnings per share

Net income increased year-on-year by CHF 1,068 million or 153.9% to CHF 1,762 million. In the previous year net income was reduced by CHF 1,189 million due to the one-off impairment loss in the carrying amount of Fastweb. Adjusted for this impairment loss, net income declined by CHF 121 million or 6.4%, primarily due to additional restructuring costs and pension costs not affecting cash flow, as well as to non-recurring income recognised for Fastweb in the previous year. Earnings per share is calculated based on net income attributable to equity holders of Swisscom Ltd and the average number of shares outstanding. The share of net income attributable to equity holders of Swisscom Ltd increased year-on-year by 157.0% to CHF 1,755 million. Earnings per share grew accordingly from CHF 13.19 to CHF 33.88.

Impact of exchange rate fluctuations

Swisscom is exposed to the effects of exchange rate fluctuations arising from the translation of financial statements of foreign subsidiaries into Swiss francs. International business operations primarily concern the Italian subsidiary Fastweb. The average exchange rates were as follows:

Currency	2012	2011	Change
1 EUR	1.204	1.232	–2.2%
1 USD	0.932	0.881	5.8%

The following table shows the impact of exchange rate fluctuations on net revenue, operating income before depreciation and amortisation (EBITDA) and operating free cash flow:

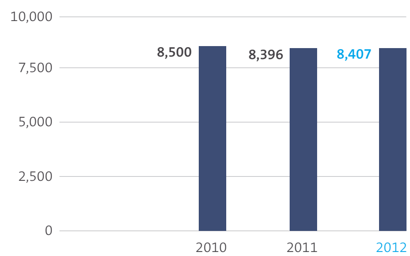
Development in %	Change in CHF	Change in local currency
Net revenue	–0.7%	–0.3%
Operating income before depreciation and amortisation (EBITDA)	–4.4%	–4.0%
Operating free cash flow	–9.0%	–9.0%

At the end of 2012 cumulative currency translation adjustments not affecting income and recognised directly in equity amounted to CHF 1,995 million. This corresponds to a year-on-year increase of CHF 26 million. Cumulative tax effects of CHF 387 million were incurred in connection with foreign currency translation adjustments (prior year: CHF 381 million). Foreign currency translation adjustments are presented in the consolidated balance sheet after deducting tax effects.

Operating segment results

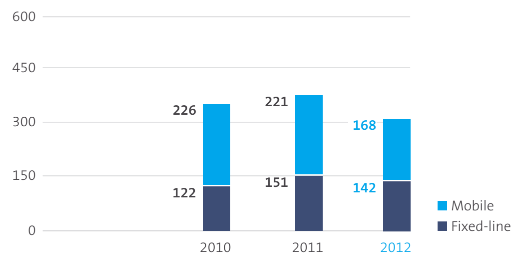
Reporting is broken down into the segments Swisscom Switzerland, Fastweb and Other operating segments. Swisscom Switzerland includes the segments Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale and Network & IT. Group Headquarters is disclosed separately.

Development of revenue from external customers Swisscom Switzerland in CHF million



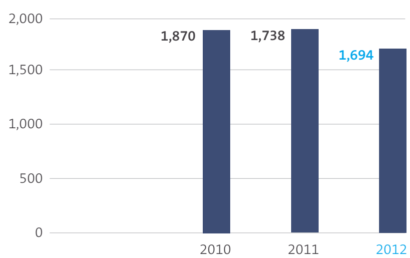
	2010	2011	2012
Revenue mobile single subscriptions	3'086	3'104	2,932
Revenue fixnet single subscriptions	3'153	2'695	2,470
Revenue bundle subscriptions	341	792	1,172
Revenue others	1'920	1'805	1,833
Total	**8,500**	**8,396**	**8,407**

Changes in customer contracts retail Swisscom Switzerland in thousand



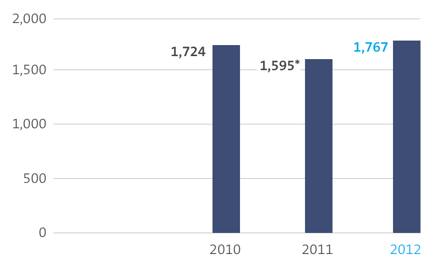
	2010	2011	2012
Fixed-line	–173	–113	–107
Broadband	106	77	66
Swisscom TV	189	187	183
Contracts in fixed-line	**122**	**151**	**142**
Contracts in mobile	**226**	**221**	**168**

Development of revenue from external customers Fastweb in EUR million



	2010	2011	2012
Residential Customers	858	758	724
Small and Medium-Sized Enterprises	765	760	791
Wholesale hubbing	171	141	87
Wholesale others	76	79	92
External revenue	**1,870**	**1,738**	**1,694**

Development of broadband access lines Fastweb in thousand



* Adjusted by 197,000 as a result of the settlement of litigations.

Segment revenue and results

Swisscom Switzerland

In CHF million, except where indicated	2012	2011	Change
Net revenue and results			
Residential Customers	5,113	5,082	0.6%
Small and Medium-Sized Enterprises	1,161	1,154	0.6%
Corporate Business	1,835	1,849	–0.8%
Wholesale	966	997	–3.1%
Elimination	(614)	(633)	–3.0%
Net revenue	**8,461**	**8,449**	**0.1%**
Residential Customers	2,864	2,891	–0.9%
Small and Medium-Sized Enterprises	867	880	–1.5%
Corporate Business	951	971	–2.1%
Wholesale	368	391	–5.9%
Network & IT	(1,439)	(1,355)	6.2%
Elimination	1	–	–
Segment result before depreciation and amortisation (EBITDA)	**3,612**	**3,778**	**–4.4%**
Margin as % of net revenue	42.7	44.7	
Depreciation, amortisation and impairment losses	(1,053)	(988)	6.6%
Segment result	**2,559**	**2,790**	**–8.3%**
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and other intangible assets	1,852	1,400	32.3%
Full-time equivalent employees at end of year	11,827	12,096	–2.2%

Swisscom Switzerland's net revenue increased by CHF 12 million or 0.1% to CHF 8,461 million. Operating income before depreciation and amortisation (EBITDA) fell by CHF 166 million or 4.4% to CHF 3,612 million. Adjusted for additional restructuring costs and pension costs not affecting cash flow, EBITDA declined by 2.0%. Capital expenditure was CHF 452 million or 32.3% higher at CHF 1,852 million. The increase was attributable to expenditure of CHF 360 million in connection with the mobile frequency auction in early 2012 and spending on broadband expansion. Efficiency improvements resulted in a fall in headcount year-on-year of 269 FTEs or 2.2% to 11,827.

The trend towards bundled offerings and new pricing models such as flat-rate tariffs continued unabated. By the end of 2012 788,000 customers were subscribing to packages such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV, or Vivo Tutto, which also includes a mobile line. The year saw the customer base grow by 174,000 customers or 28.3%. The new NATEL infinity mobile subscriptions launched in June 2012, which offer unlimited phoning, texting and Internet surfing, proved highly popular and by the end of 2012 were being used by 889,000 customers.

Swisscom Switzerland/net revenue

In CHF million or in thousand	2012	2011	Change
Revenue by services			
Revenue mobile single subscriptions	2,932	3,104	–5.5%
Revenue fixed-line single subscriptions	2,470	2,695	–8.3%
Revenue bundles	1,172	792	48.0%
Revenue wholesale	594	609	–2.5%
Other net revenue	1,239	1,196	3.6%
Revenue from external customers	**8,407**	**8,396**	**0.1%**
Operational data at end of period in thousands			
Fixed access lines	3,013	3,120	–3.4%
Broadband access lines retail	1,727	1,661	4.0%
Swisscom TV access lines	791	608	30.1%
Mobile access lines	6,217	6,049	2.8%
Bundles	788	614	28.3%
Unbundled fixed access lines	300	306	–2.0%
Broadband access lines wholesale in thousand	186	181	2.8%

Revenue from external customers increased year-on-year by CHF 11 million or 0.1% to CHF 8,407 million. Price erosion of around CHF 400 million was offset by customer and volume growth. On 25 June 2012 Swisscom launched new mobile subscriptions under the name infinity. These subscriptions allow Swisscom customers unlimited phoning and text messaging to any network in Switzerland as well as unlimited Internet browsing, all for a fixed monthly fee which varies depending on the data transmission rate. Frequent users in particular benefit from the much more attractive terms. By the end of 2012, 889,000 customers were taking advantage of the new infinity subscriptions, enjoying the freedom of no longer being billed by volume. Customers switching to a flat-rate subscription typically increase their call volume and data volume by more than 20% and 100% respectively. By the end of 2012 the average monthly revenue (ARPU) from customers who switched to these new subscriptions had dropped by CHF 9. The number of mobile access lines grew year-on-year by 168,000 or 2.8% to 6.2 million. In 2012 Swisscom sold a total of 1.55 million mobile handsets (+6.7%), of which around 68% were smartphones. Swisscom further reduced its roaming charges on 1 July 2012. Calls within zone A (European Union and Western Europe) are now 6% cheaper at CHF 0.75 per minute.

Demand remains high for bundled offerings such as Vivo Casa (which combines fixed-line access with telephony, Internet and TV) and Vivo Tutto (which also includes a mobile line). The number of customers using bundled offerings rose year-on year by 174,000 or 28.3% to 788,000. Revenue from contracts for bundled offerings rose accordingly by CHF 380 million or 48.0% to CHF 1,172 million. The number of Swisscom TV connections increased by 183,000 or 30.1% to 791,000. 2012 saw the number of fixed lines decline by 107,000 or 3.4% to 3.0 million, due primarily to the number of customers migrating to cable network operators. Retail broadband access lines grew year-on-year by 66,000 or 4.0% to 1.73 million, while the number of unbundled subscriber access lines fell by 6,000 or 2.0% to 300,000.

Swisscom Switzerland/operating expenses and segment result

In CHF million, except where indicated	2012	2011	Change
Segment expenses by nature of cost			
Traffic fees	(457)	(459)	–0.4%
Subscriber acquisition and retention costs	(474)	(488)	–2.9%
Other direct costs	(889)	(825)	7.8%
Direct costs	**(1,820)**	**(1,772)**	**2.7%**
Personnel expense	(1,677)	(1,572)	6.7%
Other indirect costs	(1,520)	(1,485)	2.4%
Capitalised self-constructed assets and other income	168	158	6.3%
Indirect costs	**(3,029)**	**(2,899)**	**4.5%**
Segment expenses	**(4,849)**	**(4,671)**	**3.8%**
Segment result			
Segment result before depreciation and amortisation (EBITDA)	**3,612**	**3,778**	**–4.4%**
Margin as % of net revenue	42.7	44.7	
Depreciation, amortisation and impairment losses	(1,053)	(988)	6.6%
Segment result	**2,559**	**2,790**	**–8.3%**
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and other intangible assets	1,852	1,400	32.3%
Full-time equivalent employees at end of year	11,827	12,096	–2.2%

Segment expense rose by CHF 178 million or 3.8% to CHF 4,849 million. The 4.5% rise in indirect costs to CHF 3,029 million was due to higher personnel expense and an increase in other operating expenses. Personnel expense increased by CHF 105 million or 6.7% to CHF 1,677 million due primarily to higher restructuring costs and pension costs of CHF 91 million. At CHF 1,820 million, direct costs were CHF 48 million or 2.7% higher year-on-year due to higher costs for goods and services purchased, while subscriber acquisition costs were CHF 14 million or 2.9% lower at CHF 474 million. The segment result before depreciation and amortisation fell by CHF 166 million or 4.4% to CHF 3,612 million, narrowing the profit margin accordingly by 2.0 percentage points to 42.7%. Adjusted for the additional restructuring costs and pension costs not affecting cash flow, EBITDA declined by 2.0%, resulting in an EBITDA margin of 43.8%. Depreciation and amortisation increased year-on-year by CHF 65 million or 6.6% to CHF 1,053 million. The increase was attributable to a change in useful lives due to the replacement of all mobile network installations and to increased investment activity. The segment result ended the year CHF 231 million or 8.3% lower at CHF 2,559 million. Capital expenditure was CHF 452 million or 32.3% higher year-on-year at CHF 1,852 million, and includes expenditure of CHF 360 million on mobile frequencies. Excluding these expenses, capital expenditure increased by CHF 92 million or 6.6% due to broadband network expansion. Efficiency improvements resulted in a fall in headcount year-on-year of 269 FTEs or 2.2% to 11,827 FTEs.

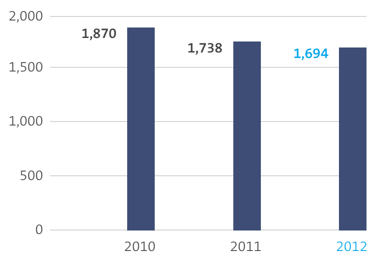
By the end of 2012
the new flat-rate subscriptions had attracted

889,000 customers

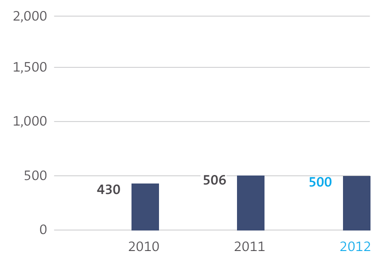
Fastweb

In EUR million, except where indicated	2012	2011	Change
Residential Customers	724	758	–4.5%
Corporate Business	791	760	4.1%
Wholesale hubbing	87	141	–38.3%
Wholesale other	92	79	16.5%
Revenue from external customers	**1,694**	**1,738**	**–2.5%**
Intersegment revenue	6	8	–
Net revenue	**1,700**	**1,746**	**–2.6%**
Segment expenses	(1,200)	(1,240)	–3.2%
Segment result before depreciation and amortisation	**500**	**506**	**–1.2%**
Margin as % of net revenue	29.4	29.0	
Capital expenditure in property, plant and equipment and other intangible assets	441	448	–1.6%
Full-time equivalent employees at end of year	2,893	3,081	–6.1%
Broadband access lines at end of year in thousand	1,767	1,595	10.8%

Development of revenue from external customers in EUR million



Development of EBITDA in EUR million



Fastweb's net revenue contracted year-on-year by EUR 46 million or 2.6% to EUR 1,700 million as a consequence of the planned reduction in wholesale revenue from low-margin interconnection services (hubbing), which fell by EUR 54 million year-on-year. Excluding hubbing, revenue grew by EUR 8 million or 0.5% to EUR 1,613 million. Broadband customers grew by 172,000 or 10.8% to 1.77 million year-on-year. In 2012, 87,000 customers signed up for Fastweb's bundled TV and broadband offering in partnership with Sky Italia, bringing the total number of customers to 151,000 since the service was launched in 2011. Intense competition reduced average revenue per residential broadband customer by around 11%, lowering revenue from residential customers by EUR 34 million or 4.5% to EUR 724 million. By contrast, revenue from corporate business increased by EUR 31 million or 4.1% to EUR 791 million, while wholesale revenue (excluding hubbing) grew by EUR 13 million or 16.5% to EUR 92 million year-on-year.

The segment result before depreciation and amortisation totalled EUR 500 million, corresponding to a year-on-year fall of EUR 6 million or 1.2%. The segment result of the previous year contains non-recurring income of EUR 56 million relating to a legal settlement with another telecoms provider. Adjusted for this one-off item, the segment result before depreciation and amortisation improved by EUR 50 million or 11.1% to EUR 500 million. The improvement was largely attributable to lower bad debt losses. Adjusted for the aforementioned non-recurring income, the profit margin increased by 3.6 percentage points to 29.4%.

Headcount at the end of 2012 totalled 2,893 FTEs, a year-on-year reduction of 188 FTEs or 6.1%. The fall was mainly due to the outsourcing of network maintenance jobs. Capital expenditure declined by EUR 7 million or 1.6% to EUR 441 million, resulting in a ratio of capital expenditure to net revenue of 25.9% (prior year: 25.7%). Around 39% of investment spending was directly related to customer growth.

In the third quarter of 2012 Fastweb reached an agreement with the Italian authorities concerning a VAT lawsuit and tax investigations. Following payment of EUR 74 million, all claims have been settled. Provisions and liabilities recognised in the past for income taxes cover the settlement costs. Following closure of the case, VAT and income tax assets of EUR 117 million blocked by the Italian

authorities were released for repayment to Fastweb. By the end of 2012 Fastweb had received EUR 57 million in tax credit repayments.
In the consolidated financial statements of Swisscom, the weaker euro negatively impacted revenue and the segment result before depreciation and amortisation. The average CHF/EUR exchange rate fell by 2.2% year-on-year. In Swiss franc terms, net revenue declined by 4.7%, versus 2.6% in local currency. The segment result before depreciation and amortisation was 3.4% lower in Swiss francs and 1.2% lower in local currency.

Net revenue (excluding revenue from hubbing)
rose by 0.5% to

1.6 billion EUR

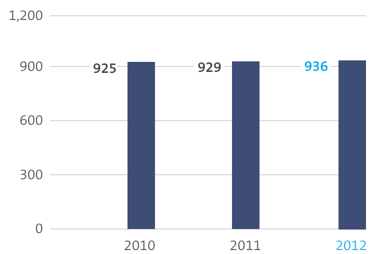
Customer base 10.8% higher year-on-year at 1.77 million.
In 2012 customer base grew by

172 thousand

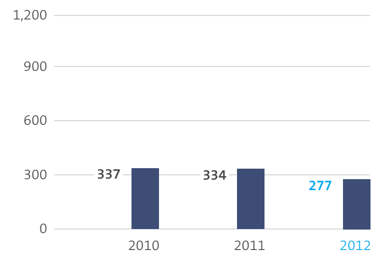
Other operating segments

In CHF million, except where indicated	2012	2011	Change
Revenue from external customers	936	929	0.8%
Intersegment revenue	792	779	1.7%
Net revenue	**1,728**	**1,708**	**1.2%**
Segment expenses	(1,451)	(1,374)	5.6%
Segment result before depreciation and amortisation	**277**	**334**	**–17.1%**
Margin as % of net revenue	16.0	19.6	
Capital expenditure in property, plant and equipment and other intangible assets	167	169	–1.2%
Full-time equivalent employees at end of year	4,454	4,515	–1.4%

Development of revenue from external customers in CHF million



Development of EBITDA in CHF million



Revenue from external customers increased year-on-year by CHF 7 million or 0.8% to CHF 936 million, driven mainly by higher revenues generated by cablex from construction services, as well as from the acquisition of subsidiaries. Revenue from external customers generated by Swisscom IT Services dropped by CHF 10 million or 1.9% to CHF 521 million, mainly due to lower revenue from project business as a result of the difficult market environment. Intersegment revenue was CHF 13 million or 1.7% higher year-on-year at CHF 792 million. The increase was mainly attributable to the higher volume of services procured from Swisscom IT Services by other segments.
Segment expense rose by CHF 77 million or 5.6% year-on-year to CHF 1,451 million, mainly due to higher restructuring and pension costs as well as higher costs incurred by Swisscom Real Estate, and higher costs at cablex in connection with revenue growth as well as higher costs resulting from acquisition of subsidiaries. The segment result before depreciation and amortisation was CHF 57 million or 17.1% lower at CHF 277 million. Adjusted for non-recurring costs, the segment result before depreciation and amortisation declined by 5.7%. Headcount at the end of 2012 was 61 FTEs or 1.4% lower than a year earlier, at 4,454 FTEs. The reduction was primarily due to the lower headcount at Swisscom IT Services as a result of efficiency improvements, and was partly offset by additional resource requirements at cablex and acquisition of subsidiaries. At CHF 167 million, capital expenditure was CHF 2 million or 1.2% lower year-on-year. Reduced investments by Swisscom IT Services in IT infrastructure were almost fully offset by higher investment activities at Swisscom Real Estate due to ongoing construction projects.

Group Headquarters

The segment result before depreciation and amortisation improved by CHF 44 million or 34.1% to CHF –85 million, largely on account of a one-off adjustment in pension cost of CHF 38 million due to amendments to the pension plan in December 2012.

Quarterly review 2011 and 2012

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	2012
Income statement										
Net revenue	**2,862**	**2,860**	**2,816**	**2,929**	**11,467**	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**
Goods and services purchased	(599)	(578)	(552)	(673)	(2,402)	(555)	(566)	(566)	(712)	(2,399)
Personnel expense	(635)	(638)	(588)	(652)	(2,513)	(670)	(653)	(601)	(657)	(2,581)
Other operating expenses	(577)	(578)	(574)	(659)	(2,388)	(564)	(551)	(590)	(691)	(2,396)
Capitalised costs and other income	75	78	148	119	420	91	83	78	121	373
Operating income (EBITDA)	**1,126**	**1,144**	**1,250**	**1,064**	**4,584**	**1,104**	**1,132**	**1,127**	**1,018**	**4,381**
Depreciation and amortisation	(478)	(466)	(469)	(490)	(1,903)	(481)	(482)	(491)	(496)	(1,950)
Impairment losses on goodwill	–	–	–	(1,555)	(1,555)	–	–	–	–	–
Operating income (EBIT)	**648**	**678**	**781**	**(981)**	**1,126**	**623**	**650**	**636**	**522**	**2,431**
Net interest expense	(46)	(63)	(89)	(76)	(274)	(58)	(66)	(67)	(62)	(253)
Other financial result	4	(31)	10	(20)	(37)	(11)	(2)	(3)	(27)	(43)
Result of associates	4	5	9	12	30	6	8	11	7	32
Income before income taxes	**610**	**589**	**711**	**(1,065)**	**845**	**560**	**590**	**577**	**440**	**2,167**
Income tax expense	(136)	(101)	(145)	231	(151)	(104)	(118)	(118)	(65)	(405)
Net income	**474**	**488**	**566**	**(834)**	**694**	**456**	**472**	**459**	**375**	**1,762**
Share attributable to equity holders of Swisscom Ltd	469	485	564	(835)	683	453	468	458	376	1,755
Share attributable to non-controlling interests	5	3	2	1	11	3	4	1	(1)	7
Earnings per share (in CHF)	9.05	9.36	10.89	(16.11)	13.19	8.75	9.03	8.84	7.26	33.88
Net revenue										
Swisscom Switzerland	2,081	2,101	2,114	2,153	8,449	2,079	2,086	2,108	2,188	8,461
Fastweb	562	546	492	551	2,151	510	516	492	530	2,048
Other operating segments	414	423	425	446	1,708	427	425	415	461	1,728
Group Headquarters	2	1	2	2	7	–	1	–	1	2
Intersegment elimination	(197)	(211)	(217)	(223)	(848)	(214)	(209)	(209)	(223)	(855)
Total net revenue	**2,862**	**2,860**	**2,816**	**2,929**	**11,467**	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**
Segment result before depreciation and amortisation										
Swisscom Switzerland	948	948	986	896	3,778	940	944	947	781	3,612
Fastweb	139	152	212	120	623	131	149	148	174	602
Other operating segments	69	78	88	99	334	71	75	70	61	277
Group Headquarters	(25)	(30)	(30)	(44)	(129)	(33)	(30)	(34)	12	(85)
Intersegment elimination	(5)	(4)	(6)	(7)	(22)	(5)	(6)	(4)	(10)	(25)
Total segment result (EBITDA)	**1,126**	**1,144**	**1,250**	**1,064**	**4,584**	**1,104**	**1,132**	**1,127**	**1,018**	**4,381**
Capital expenditure in property, plant and equipment and other intangible assets										
Swisscom Switzerland	270	333	378	419	1,400	337	329	679	507	1,852
Fastweb	126	123	141	162	552	135	140	118	138	531
Other operating segments	32	36	45	56	169	36	49	45	37	167
Group Headquarters	–	–	–	1	1	–	–	–	1	1
Intersegment elimination	(6)	(5)	(8)	(8)	(27)	(6)	(3)	(6)	(7)	(22)
Total capital expenditure	**422**	**487**	**556**	**630**	**2,095**	**502**	**515**	**836**	**676**	**2,529**
Full-time equivalent employees at end of year										
Swisscom Switzerland	11,814	11,942	12,131	12,096	12,096	11,966	11,880	11,850	11,827	11,827
Fastweb	3,103	3,101	3,106	3,081	3,081	3,064	3,032	2,911	2,893	2,893
Other operating segments	4,394	4,431	4,428	4,515	4,515	4,537	4,546	4,492	4,454	4,454
Group Headquarters	353	355	367	369	369	347	347	342	340	340
Total headcount	**19,664**	**19,829**	**20,032**	**20,061**	**20,061**	**19,914**	**19,805**	**19,595**	**19,514**	**19,514**
Operating free cash flow	463	548	522	535	2,068	483	496	279	624	1,882
Net debt	8,559	9,356	8,789	8,309	8,309	8,390	9,144	8,622	8,071	8,071

Quarterly review 2011 and 2012

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	2012
Swisscom Switzerland										
Revenue and results										
Residential Customers	491	513	531	490	2,025	465	476	474	443	1,858
Small and Medium-Sized Enterprises	116	123	127	122	488	119	125	118	110	472
Corporate Business	142	153	152	144	591	147	155	152	148	602
Revenue mobile single subscriptions	**749**	**789**	**810**	**756**	**3,104**	**731**	**756**	**744**	**701**	**2,932**
Residential Customers	405	384	369	361	1,519	354	336	328	320	1,338
Small and Medium-Sized Enterprises	141	138	138	135	552	136	132	128	127	523
Corporate Business	157	156	154	157	624	153	152	151	153	609
Revenue fixed-line single subscriptions	**703**	**678**	**661**	**653**	**2,695**	**643**	**620**	**607**	**600**	**2,470**
Residential Customers	151	172	196	218	737	233	250	281	296	1,060
Small and Medium-Sized Enterprises	11	13	14	17	55	20	22	32	38	112
Revenue bundles	**162**	**185**	**210**	**235**	**792**	**253**	**272**	**313**	**334**	**1,172**
Total revenue single subscriptions and bundles	**1,614**	**1,652**	**1,681**	**1,644**	**6,591**	**1,627**	**1,648**	**1,664**	**1,635**	**6,574**
Solution business	82	91	87	103	363	85	87	88	100	360
Hardware sales	140	129	115	148	532	137	136	122	166	561
Wholesale	163	151	151	144	609	153	147	151	143	594
Revenue other	68	65	67	101	301	63	55	68	132	318
Total revenue from external customers	**2,067**	**2,088**	**2,101**	**2,140**	**8,396**	**2,065**	**2,073**	**2,093**	**2,176**	**8,407**
Residential Customers	1,201	1,213	1,232	1,260	4,906	1,208	1,204	1,227	1,300	4,939
Small and Medium-Sized Enterprises	276	282	287	282	1,127	281	287	284	283	1,135
Corporate Business	427	442	431	454	1,754	423	435	431	450	1,739
Wholesale	163	151	151	144	609	153	147	151	143	594
Revenue from external customers	**2,067**	**2,088**	**2,101**	**2,140**	**8,396**	**2,065**	**2,073**	**2,093**	**2,176**	**8,407**
Segment result before depreciation and amortisation										
Residential Customers	737	730	744	680	2,891	745	740	728	651	2,864
Small and Medium-Sized Enterprises	215	222	225	218	880	219	222	219	207	867
Corporate Business	229	246	250	246	971	231	237	244	239	951
Wholesale	106	93	100	92	391	95	89	93	91	368
Network & IT	(339)	(344)	(332)	(340)	(1,355)	(349)	(345)	(336)	(409)	(1,439)
Intersegment elimination	–	1	(1)	–	–	(1)	1	(1)	2	1
Total segment result (EBITDA)	**948**	**948**	**986**	**896**	**3,778**	**940**	**944**	**947**	**781**	**3,612**
Margin as % of net revenue	45.6	45.1	46.6	41.6	44.7	45.2	45.3	44.9	35.7	42.7
Fastweb, in EUR million										
Residential Customers	191	194	186	187	758	182	182	179	181	724
Corporate Business	183	186	182	209	760	183	196	193	219	791
Wholesale hubbing	39	39	31	32	141	27	28	16	16	87
Wholesale other	20	19	18	22	79	29	22	19	22	92
Revenue from external customers	**433**	**438**	**417**	**450**	**1,738**	**421**	**428**	**407**	**438**	**1,694**
Segment result (EBITDA)	107	123	177	99	506	109	124	121	146	500
Margin as % of net revenue	24.7	28.1	42.4	22.0	29.0	25.8	28.8	29.7	33.3	29.4
Capital expenditure in property, plant and equipment and other intangible assets	98	99	119	132	448	112	116	98	115	441
Broadband access lines in thousand [1]	1,733	1,741	1,560	1,595	1,595	1,654	1,673	1,704	1,767	1,767

[1] As a result of the settlement of litigations, Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

Quarterly review 2011 and 2012

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	2012
Swisscom Switzerland operational data										
Access lines										
Single subscriptions	2,822	2,744	2,672	2,604	2,604	2,536	2,465	2,407	2,350	2,350
Bundles	380	425	471	516	516	557	593	627	663	663
Fixed access lines	**3,202**	**3,169**	**3,143**	**3,120**	**3,120**	**3,093**	**3,058**	**3,034**	**3,013**	**3,013**
Single subscriptions	1,141	1,106	1,072	1,047	1,047	1,023	995	969	939	939
Bundles	464	512	563	614	614	659	699	739	788	788
Broadband access lines retail	**1,605**	**1,618**	**1,635**	**1,661**	**1,661**	**1,682**	**1,694**	**1,708**	**1,727**	**1,727**
Single subscriptions	214	216	214	225	225	236	245	248	270	270
Bundles	255	296	342	383	383	419	449	480	521	521
Swisscom TV access lines	**469**	**512**	**556**	**608**	**608**	**655**	**694**	**728**	**791**	**791**
Prepaid single subscriptions	2,222	2,230	2,244	2,249	2,249	2,243	2,231	2,210	2,199	2,199
Postpaid single subscriptions	3,555	3,596	3,612	3,646	3,646	3,657	3,654	3,672	3,702	3,702
Mobile access lines single subscriptions	**5,777**	**5,826**	**5,856**	**5,895**	**5,895**	**5,900**	**5,885**	**5,882**	**5,901**	**5,901**
Bundles	84	87	124	154	154	182	229	271	316	316
Mobile access lines	**5,861**	**5,913**	**5,980**	**6,049**	**6,049**	**6,082**	**6,114**	**6,153**	**6,217**	**6,217**
Broadband access lines wholesale	214	202	192	181	181	179	176	181	186	186
Unbundled fixed access lines	270	285	297	306	306	312	317	310	300	300
Bundles										
2play bundles	209	216	221	231	231	240	237	239	248	248
3play bundles	255	296	309	330	330	347	374	387	403	403
4play bundles	–	–	33	53	53	72	88	113	137	137
Total bundles	**464**	**512**	**563**	**614**	**614**	**659**	**699**	**739**	**788**	**788**
Data traffic in million										
Fixed-line traffic in minutes	2,243	2,061	2,003	2,118	8,425	2,158	1,989	1,847	1,961	7,955
Mobile traffic in minutes	1,669	1,675	1,642	1,677	6,663	1,654	1,633	1,612	1,683	6,582
Data SMS mobile	724	730	747	739	2,940	691	694	694	677	2,756
Swisscom Group Information by geographical regions										
Net revenue in Switzerland	2,283	2,297	2,307	2,356	9,243	2,278	2,285	2,299	2,406	9,268
Net revenue in other countries	579	563	509	573	2,224	524	534	507	551	2,116
Total net revenue	**2,862**	**2,860**	**2,816**	**2,929**	**11,467**	**2,802**	**2,819**	**2,806**	**2,957**	**11,384**
EBITDA Switzerland	984	989	1,035	937	3,945	972	986	984	826	3,768
EBITDA other countries	142	155	215	127	639	132	146	143	192	613
Total EBITDA	**1,126**	**1,144**	**1,250**	**1,064**	**4,584**	**1,104**	**1,132**	**1,127**	**1,018**	**4,381**
Capital expenditure in Switzerland	312	373	427	425	1,537	366	374	718	536	1,994
Capital expenditure in other countries	110	114	129	205	558	136	141	118	140	535
Total capital expenditure	**422**	**487**	**556**	**630**	**2,095**	**502**	**515**	**836**	**676**	**2,529**
Full-time equivalent employees in Switzerland	16,209	16,380	16,588	16,628	16,628	16,503	16,426	16,339	16,269	16,269
Full-time equivalent employees in other countries	3,455	3,449	3,444	3,433	3,433	3,411	3,379	3,256	3,245	3,245
Total headcount	**19,664**	**19,829**	**20,032**	**20,061**	**20,061**	**19,914**	**19,805**	**19,595**	**19,514**	**19,514**

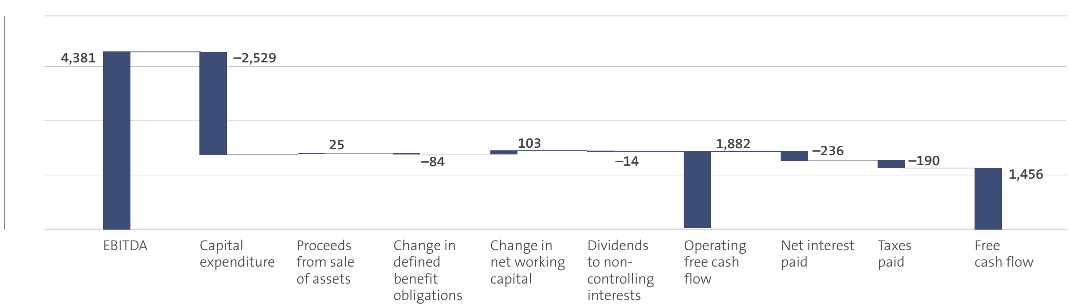
Group financial position

Financial position

Cash flows

In CHF million	2012	2011	Change
Operating income before depreciation and amortisation (EBITDA)	4,381	4,584	(203)
Capital expenditure in property, plant and equipment and other intangible assets	(2,529)	(2,095)	(434)
Proceeds from sale of tangible and other intangible assets	25	37	(12)
Change in defined benefit obligations	(84)	(91)	7
Change in net working capital and other cash flows from operating activities	103	(360)	463
Dividends paid to non-controlling interests	(14)	(7)	(7)
Operating free cash flow	**1,882**	**2,068**	**(186)**
Net interest paid	(236)	(251)	15
Income taxes paid	(190)	(182)	(8)
Free cash flow	**1,456**	**1,635**	**(179)**
Other cash flows from investing activities, net	1	113	(112)
Issuance and repayment of financial liabilities, net	(75)	(723)	648
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,088)	(52)
Purchase of non-controlling interests of Fastweb	–	(92)	92
Other cash flows from financing activities	(18)	(11)	(7)
Net increase (Net decrease) in cash and cash equivalents	**224**	**(166)**	**390**

Free cash flow in CHF million



Operating free cash flow declined by CHF 186 million or 9.0% to CHF 1,882 million, mainly due to increased capital expenditure and, in particular, expenses of CHF 360 million for the mobile frequencies auctioned in Switzerland in 2012. Excluding these expenses, operating free cash flow would have been 8.4% higher. The CHF 84 million change in defined benefit obligations is attributable to the higher figure for contribution payments versus pension costs. The change in net working capital and other operating cash flows improved by CHF 463 million to CHF 103 million, chiefly due to lower trade receivables. Income tax payments increased from CHF 182 million to CHF 190 million. Dividend payments paid by Swisscom to shareholders in 2012 amounted to CHF 1,140 million (prior year: CHF 1,088 million).

Net asset position

Balance sheet

In CHF million	31.12.2012	31.12.2011	Change
Assets			
Cash and cash equivalents and current financial assets	578	387	49.4%
Trade and other receivables	2,824	2,978	–5.2%
Property, plant and equipment	8,549	8,222	4.0%
Goodwill	4,662	4,664	–0.0%
Other intangible assets	2,121	1,879	12.9%
Associates and non-current financial assets	465	429	8.4%
Income tax assets	472	356	32.6%
Other current and non-current assets	423	535	–20.9%
Total assets	**20,094**	**19,450**	**3.3%**
Liabilities and equity			
Financial liabilities	8,783	8,831	–0.5%
Trade and other payables	2,159	2,190	–1.4%
Defined benefit obligations	2,801	1,977	41.7%
Accrued liabilities	840	903	–7.0%
Income tax liabilities	425	281	51.2%
Other current and non-current liabilities	930	972	–4.3%
Total liabilities	**15,938**	**15,154**	**5.2%**
Share of equity attributable to equity holders of Swisscom Ltd	4,132	4,272	–3.3%
Share of equity attributable to non-controlling interests	24	24	–
Total equity	**4,156**	**4,296**	**–3.3%**
Total liabilities and equity	**20,094**	**19,450**	**3.3%**
Equity ratio at end of year	20.7%	22.1%	

Total assets rose by CHF 0.6 billion or 3.3% to CHF 20.1 billion, driven primarily by higher expenditure on auctioned mobile licences and investments in broadband networks in Switzerland.

In CHF million	31.12.2010	31.12.2011	31.12.2012	Change
Property, plant and equipment	7,899	8,222	8,549	327
Goodwill	6,261	4,664	4,662	(2)
Other intangible assets	2,023	1,879	2,121	242
Other operating assets, net	(817)	(552)	(682)	(130)
Other net operating assets	**15,366**	**14,213**	**14,650**	**437**
Net debt	(8,848)	(8,309)	(8,071)	238
Defined benefit obligations	(1,283)	(1,977)	(2,801)	(824)
Income tax assets and liabilities, net	(216)	75	47	(28)
Investments in associates	231	233	268	35
Other assets, net	100	61	63	2
Equity	**5,350**	**4,296**	**4,156**	**(140)**

Goodwill

The net carrying amount of goodwill is CHF 4,662 million, the bulk of which relates to Swisscom Switzerland (CHF 3,930 million) and 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. Adjusted for the impairment loss in the previous year, the net carrying amount of Fastweb goodwill is EUR 492 million (CHF 594 million). Goodwill in respect of other operating segments amounts to CHF 138 million.

Post-employment benefits

The defined benefit obligations disclosed in the consolidated financial statements are measured in accordance with International Financial Reporting Standards (IFRS). Net obligations recognised on the balance sheet amounted to CHF 2,801 million, an increase of CHF 824 million year-on-year. The increase is primarily due to a lower discount rate and a change in the principles underlying mortality assumptions (generation tables). A difference of some CHF 3.1 billion exists between the pension obligations measured in accordance with Swiss financial statements reporting provisions (Swiss GAAP ARR) and the measurement in accordance with IFRS standards relevant for the consolidated financial statements. The main reasons for this are the application of differing actuarial assumptions with regard to the discount rate (CHF 1.8 billion) and life expectancy (CHF 0.5 billion), and a different actuarial measurement method (CHF 0.8 billion). IFRS measurement takes into account future salary, contribution and pension increases as well as future cases of disability and early retirements.

Equity

Equity declined by CHF 140 million or 3.3% to CHF 4.156 million. Net income of CHF 1,762 million was unable to compensate fully for dividend payments of CHF 1,154 million (including minority interests) and net losses of CHF 741 million recognised directly in equity. Net losses recognised directly in equity include non-cash actuarial losses from pension plans totalling CHF 908 million as well as unrealised losses of CHF 26 million resulting from currency translation of foreign Group companies. The CHF/EUR exchange rate fell from 1.216 at the end of 2011 to 1.207. At 31 December 2012, cumulative currency translation losses recognised in equity amounted to CHF 1,608 million (after tax).

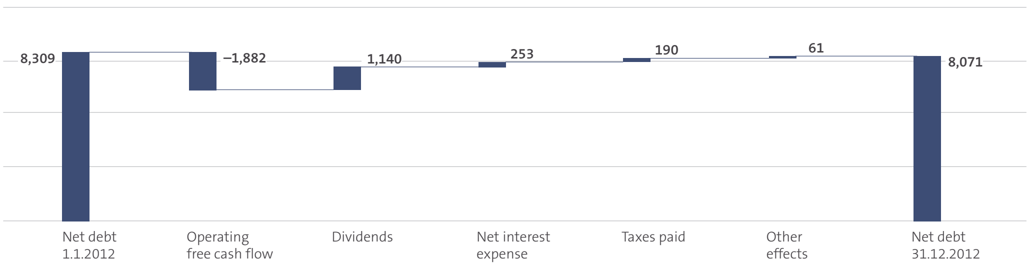
Distributable reserves are calculated on the basis of equity reported in the separate financial statements of Swisscom Ltd in accordance with statutory accounting provisions, rather than on the basis of equity as disclosed in the consolidated balance sheet prepared in accordance with International Financial Reporting Standards (IFRS). At 31 December 2012, the equity of Swisscom Ltd amounted to CHF 5,144 million. The difference between this amount and equity disclosed in the consolidated balance sheet is essentially due to earnings retained by subsidiaries as well as different accounting and valuation methods. Under Swiss company law, share capital and that part of the general reserves representing 20% of the share capital may not be distributed. At 31 December 2012, Swisscom Ltd had distributable reserves of CHF 5,082 million.

Net debt

Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits. Swisscom's goal is to achieve a maximum net debt/EBITDA ratio of around 2. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre.

In CHF million, except where indicated	31.12.2010	31.12.2011	31.12.2012	Change
Net debt	8,848	8,309	8,071	–2.9%
Ratio total liabilities/total assets	74.6%	77.9%	79.3%	
Ratio net debt/equity	1.7	1.9	1.9	–
Ratio net debt/EBITDA	1.9	1.8	1.8	–

Development of net debt in CHF million



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

Maturity profile of financial liabilities

Swisscom aims for a broadly diversified debt portfolio. This involves paying particular attention to balancing maturities and a diversification of financing instruments and markets. The following table shows the maturity profile of interest-bearing financial liabilities at nominal value as at 31 December 2012:

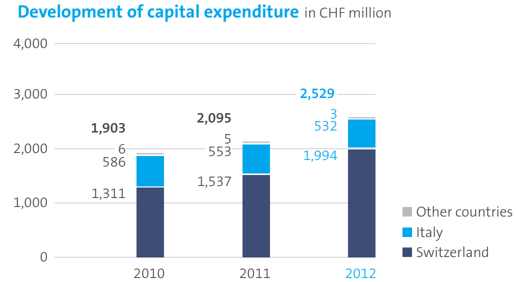
In CHF million	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due within 6 to 10 years	Due after 10 years	Total
Bank loans	187	–	852	–	86	1,125
Debenture bonds	550	1,250	1,100	2,000	500	5,400
Private placements	130	202	600	350	–	1,282
Finance lease liabilities	7	6	21	35	570	639
Other financial liabilities	8	3	–	–	–	11
Total	**882**	**1,461**	**2,573**	**2,385**	**1,156**	**8,457**

Capital expenditure

Introduction

Swisscom remains committed to maintaining the high quality of its network infrastructure in Switzerland, in particular by making targeted investments in fibre-optic network expansion and migration to an all-IP-based infrastructure.
The volume of data transmitted over the fixed and mobile networks has risen sharply, and this trend is set to continue in the years ahead. Modern communication and media services, video portals and streaming services as well as new business applications such as video conferencing will continue to generate ever-higher traffic volumes and drive up demand for ever-bigger bandwidths. In the fixed network, Swisscom is addressing this trend by expanding the fibre-optic network, based on a multi-fibre cooperation approach. As well as promoting infrastructure competition with other platforms (cable networks), such an approach fosters competition between fibre-optic network providers and, in so doing, enables maximum innovation in network architecture and services. Fibre-optic expansion is accompanied by extending local distribution nodes and deploying DSL technology to enable coverage and bandwidth to be increased over the short and medium term. To keep pace with the growing volume of data transmitted over the mobile network, Swisscom is further expanding capacities based on current mobile standards such as HSPA/HSPA+. Swisscom has also equipped its first sites with the new LTE (Long Term Evolution) mobile technology which enables higher data speeds and supports higher data volumes. The LTE-enabled network is initially available in 26 Swiss locations, and will be comprehensively rolled out as from 2013. In the first quarter of 2012 Swisscom participated successfully in the mobile frequency auction, and acquired all of its preferred frequency blocks. This means Swisscom will have access to at least double the amount of frequency spectrum for its mobile network in future. The newly acquired frequencies will allow further expansion of the mobile network to meet current and future customer needs. The mobile licences newly issued by the Federal Communications Commission (ComCom) run until the end of 2028.
Fastweb operates Italy's second largest network and is a leader in multimedia and broadband service development. The company's network comprises a proprietary fibre-optic network with high-speed connections and copper-based broadband access infrastructures.

Development of capital expenditure in CHF million



Capital expenditure in the 2012 financial year

In CHF million, except where indicated	2010	2011	2012	Change
Fixed access	378	409	425	3.9%
Mobile access	163	151	226	49.7%
Expansion of the fibre-optic network	173	301	317	5.3%
Customer driven	146	172	162	–5.8%
Projects and others [1]	344	367	362	–1.4%
Mobile frequencies	–	–	360	–
Swisscom Switzerland	**1,204**	**1,400**	**1,852**	**32.3%**
Fastweb	585	552	531	–3.8%
Other operating segments	130	169	167	–1.2%
Group Headquarters and elimination	(16)	(26)	(21)	–19.2%
Total capital expenditure in tangible and other intangible assets	**1,903**	**2,095**	**2,529** [2]	**20.7%**
Total capital expenditure as % of net revenue	15.9	18.3	22.2	

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

Swisscom's capital expenditure increased in 2012 by 20.7% to CHF 2,529 million. This includes CHF 360 million for investments in existing and new mobile frequencies. Excluding these investments, capital expenditure was up by 3.5% and amounted to 19.1% of net revenue (prior year: 18.3%), with Swisscom Switzerland accounting for 73%, Fastweb for 21% and other operating segments for 6%. At constant exchange rates and excluding mobile frequency investments, this represents an increase of 4.1% and is mainly attributable to higher capital expenditure incurred by Swisscom Switzerland.

Swisscom Switzerland
Capital expenditure incurred by Swisscom Switzerland rose year-on-year by CHF 452 million or 32.3% to CHF 1,852 million. Excluding mobile frequency investments, capital expenditure was CHF 92 million or 6.6% higher, corresponding to 17.6% of net revenue (prior year: 16.6%). The increase was mainly attributable to expenditure on broadband network expansion.

Fastweb
Fastweb's capital expenditure fell year-on-year by CHF 21 million or 3.8% to CHF 531 million. In local currency terms, this represented a drop of EUR 7 million or 1.6%. Customer-driven investments in 2012 accounted for around 39% of total capital expenditure (prior year: 40%).

Other operating segments
At CHF 167 million, capital expenditure incurred by Other operating segments was CHF 2 million or 1.2% lower year-on-year. Reduced investments in IT infrastructure were practically offset by higher investment activities at Swisscom Real Estate due to ongoing construction projects.

Supplement and outlook

Events after the balance sheet date

The Swisscom Board of Directors approved the release of this Annual Report on 6 February 2013. No significant events occurred between the balance sheet date and this date.

Outlook

Financial outlook

In 2013, Swisscom anticipates stable revenue of CHF 9.34 billion, excluding Fastweb. EBITDA (excluding Fastweb) is expected to decline to CHF 3.64 billion. A new standard for pension fund accounting will lead to a CHF 110 million increase in costs not affecting cash flow. Furthermore, the steady growth in customers and volumes will bring about an increase in direct costs, mainly in the acquisition of new customers and the procurement of handsets. The maintenance and further expansion of the network infrastructure will also result in a temporary increase in indirect costs.
In 2013, Swisscom expects capital expenditure (excluding Fastweb) to rise to CHF 1.75 billion. Capital expenditure of CHF 1.65 billion in 2012 was CHF 50 million below the original forecast for the year. A slight acceleration in investment activity is anticipated in 2013, which should make up for the shortfall.
In 2013, Fastweb is forecast to enjoy stable growth in revenue in local currency, excluding hubbing, of EUR 1.6 billion. EBITDA at Fastweb is expected to stay at the previous year's level of EUR 500 million. Due to the expansion of the fibre-optic networks in Italy, investments are expected to rise to EUR 550 million.
Based on the current CHF/EUR exchange rate of 1.23, Swisscom therefore expects Group revenue of around CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of around CHF 2.4 billion.
If all targets are met, Swisscom will again propose a dividend of CHF 22 per share for the 2013 financial year to the Annual General Meeting of Shareholders.

Risks

The aim of the risk management system is to assess risks in order to optimise business performance and enable calculated risks to be taken.

Risk management system

Swisscom's Group-wide enterprise risk management (ERM) system takes both internal and external events into account. Swisscom applies the standards laid down by COSO II (Committee of Sponsoring Organizations of the Treadway Commission) and ISO standard 31000. The ERM of Swisscom therefore complies with the various requirements of corporate governance of Swisscom as well as the requirements of Swiss law.

Objectives

The objectives of Swisscom's ERM system are to protect the company's enterprise value; to establish and operate an appropriate and recognised Group-wide risk management system; to ensure meaningful, comprehensive reporting at the relevant level; to provide appropriate documentation; and to uphold a corporate culture that fosters risk awareness and effective risk management. Risks denote the probability of occurrence of events or situations which negatively affect the company's ability to achieve its objectives.

Organisation

The Board of Directors delegates responsibility for implementing the ERM system to the CEO of the Swisscom Group. Central Risk Management reports directly to the CFO. It coordinates all organisational units charged with risk management tasks and oversees these insofar as this is required for reporting purposes. This ensures a comprehensive Group-wide ERM system as well as the corresponding risk reporting throughout Swisscom. As part of their remit, employees entrusted with risk management tasks have unrestricted right to information and the authority 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. Reputation and brand risks are monitored and managed by Group Communications, while compliance risks or financial reporting risks (ICS) are overseen by specialist central organisational units which report to the central Risk Management organisational unit.

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, including their inclusion in strategic planning, the central Risk Management organisational unit works closely with the Strategy department and other relevant departments. Risk management covers risks in the areas of strategy, operations, market, finance, compliance and financial reporting. The risks are assessed according to their probability of occurrence and their qualitative and quantitative effects, and managed on the basis of a risk strategy. The risks are evaluated in terms of their impact on the key performance indicators reported by Swisscom. The risk profile is reviewed and updated quarterly. The Board of Directors' Audit Committee and the Swisscom Group Executive Board are informed about significant risks, their potential effects and the status of measures on a quarterly basis, and the Board of Directors on an annual basis. The effectiveness of the risk strategies and measures taken is assessed quarterly. Information on the internal control system, compliance management and internal auditing is provided in Section 3.9 of the Corporate Governance Report, “Controlling instruments of the Board of Directors vis-à-vis the Group Executive Board”.

See Report
page 128

General statement on the risk situation

Risks are driven by changes in technology, the regulatory framework, markets, competition and customer behaviour. 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. The economic environment remains highly uncertain and is having an effect among other things on customers and suppliers. Over the long term the trend in the ICT market will necessitate fundamental changes in the approach to risks related to human capital, technology and the business model. Forthcoming decisions of a regulatory nature entail a latent risk which can have a major impact on Swisscom’s financial development, as illustrated by the following selection of key risk factors.

Risk factors

Telecommunications market

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

Politics and regulation

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

Access network expansion

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

Human capital and transformation

Constant changes in framework conditions and markets necessitate a change in corporate culture. The key challenges in this context lie in maintaining employee motivation and high staff loyalty despite cost pressure, while managing growth and efficiency, increasing employees' ability to adapt their skills, and maintaining Swisscom's attractiveness as an employer. Swisscom is therefore implementing a transformation programme focused on corporate culture, human capital, structural and process organisation.

Market consolidation in Italy, regulation and recoverability of Fastweb's assets

A potential consolidation of the Italian market would have significant ramifications for Swisscom's subsidiary Fastweb. In addition, Italy's economic development and competitive dynamics carry risks which could have an adverse impact on Fastweb's strategy and jeopardise projected revenue growth. The impairment test for 2012 confirmed the recoverable value of Fastweb. The recoverability of Fastweb's net assets recognised in the consolidated financial statements is contingent above all on achievement of the financial targets projected in the business plan (revenue growth, improvement in EBITDA margin and reduction in capital expenditure rate). 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. An increase in interest rates can also result in an impairment loss. Fastweb's business operations are influenced by European and Italian telecommunications legislation. Regulatory risks can jeopardise the achievement of targets and reduce the enterprise value.

Business interruption

Usage of Swisscom's services is heavily dependent on technical infrastructure such as communications networks and IT platforms. Any major disruption to business operations poses a high financial risk as well as a substantial reputation risk. Force majeure, human error, hardware or software failure, criminal actions by third parties (for example computer viruses or hacking) or the ever-growing complexity and interdependence of modern technologies can cause damage or interruption to operations. To mitigate these risks Swisscom operates a business continuity management (BCM) programme so as to restore interrupted services as quickly as possible. 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 services that customers expect at all times.

Information technologies

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

Environment and health

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

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

See
www.cdproject.net/en-US

Swisscom attaches high importance to sustainability. The major challenges in this context lie in ensuring efficient use of resources (notably energy) while guaranteeing provision of appropriate communications services to consumers. Swisscom's situation as national infrastructure provider, coupled with the expectations of the relevant stakeholder groups, specifically customers and the federal government in its role as principal shareholder, place high demands on the company.

Economic instability

The debt crisis and high volatility in markets are causing instability and uncertainty about economic developments in Europe, in particular in the southern part of the euro zone, with a potential adverse effect on the state of domestic economies, consumer behaviour and hence on the sales of Swisscom products and services. This could jeopardise the performance targets of Swisscom, especially those of its Italian subsidiary Fastweb. Swisscom's pension fund, comPlan, experienced a phase of higher volatility. The Board of Trustees has adopted various measures aimed at ensuring the fund's long-term financial stability.

Corporate Responsibility

We have a responsibility.

Swisscom's four strategic priorities and other commitments.

Corporate responsibility strategy

Sustainable living and working

| Page 83–87

Sustainable use of resources

| Page 88–96

Telecommunications for all

| Page 97–102

Responsible employer

| Page 103–110

Corporate responsibility strategy

Swisscom takes responsibility seriously – now and in the future. To this end, it relies on the corporate responsibility strategy (CR strategy) with its four strategic priorities.
Swisscom pushed ahead in 2012 with dovetailing its CR and corporate business strategy.

Context and principles

Factors of long-term responsibility →

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

Positioning Swisscom as a leading company →

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

Strategic priorities →

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

Focus of implementation in 2013/2014

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

Sustainable management and long-term responsibility are the core values to which Swisscom is committed. They are reflected in the corporate business strategy and defined in concrete terms in the CR strategy. In the year under review, Swisscom continued to work on firmly anchoring environmental and social aspects into its core business, in addition to economic aspects. This will help Swisscom to position itself as a leading company in the area of sustainability.

Strategic priorities

See Report
page 26

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

Sustainable living and working

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

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

Main goal:
Swisscom aims to increase revenue generated from Green ICT services by 10% a year.

Sustainable use of resources

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

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

Main goal:
Swisscom aims to improve energy efficiency by 20% vis-à-vis the 2010 reference year.

Telecommunications for all

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

Swisscom enables everyone in Switzerland to access digital media and also helps them to use these media responsibly. To date, Swisscom has provided free Internet access to around 6,800 schools and introduced over 100,000 first-time users to the digital world through training courses. Swisscom also provides technical products and offerings aimed at protecting young people in the use of online media and promoting media skills.

Main goal:
Swisscom will hold 800 courses (15,000 pupils) in 2013 aimed at improving media skills of young people and adults.

Responsible employer

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

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

Main goal:
To ensure diversity, Swisscom aims to increase the percentage of women in management to 20% in the medium term.

Further commitment

In addition to the four strategic priorities, Swisscom is committed to a wide range of social and cultural areas. More information on this report and on Swisscom's commitment can be found in the appendix, which can be called up online. Numerous activities in research and development are also part of Swisscom's long-term responsibility. The innovation process and selected innovation projects are described in the last part of this section.

See Appendix
www.swisscom.ch/GRI-2012

Swisscom's responsibility towards the public

Commitments and participation

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

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

See
www.admin.ch/
documentation

During the year under review, Swisscom submitted statements as part of consultations at federal level on the proposed revision of the anti-trust law, as well as the revision of the Telecommunications and Radio and Television Act (RTVG). The statements can be viewed on the website of the authorities in question.
These statements are based on the following principle: promotion of self-regulation and competition in an open marketplace. Numerous attractive new customer offers and major investments made in the reporting year underscore this principle.

Common-interest associations

Swisscom is involved in various industry associations: economiesuisse, SwissHoldings, ICT Switzerland, Glasfasernetze Schweiz and asut. It has a seat on the Boards of economiesuisse, Glasfasernetze Schweiz and asut, where it seeks to promote stable, legal framework conditions as a prerequisite for continued investment in costly infrastructure expansion. Swisscom invested around CHF 1.6 billion in Switzerland's telecoms infrastructure in 2012.

Memberships and partnerships

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

- **Sustainable living and working:** the myclimate foundation; the Swiss Research Foundation on Mobile Communication (FSM)
- **Sustainable use of resources:** Energy Agency for Industry (EnAW); WWF Switzerland; Global e-Sustainability Initiative
- **Telecommunications for all:** Swiss Foundation for the Protection of Children; Federal Social Insurance Office – a national programme that promotes media skills and access for all.
- **Responsible employer:** Swiss Women's Network; the Swiss Employer's Association

See Appendix
www.swisscom.ch/GRI-2012

Further partnerships are listed in the appendix.

Swisscom's targets

See Report
pages 31–32

The following table shows the targets for each strategic priority and in CR governance, and how much progress has been made. The indicators below, which are in accordance with GRI,relate to reporting boundaries such as those described in the section Group structure and organisation.

The most important indicators

Priorities of the CR Strategy	Targets	Status/Measures The target is considered achieved if within a tolerance of 5%, not achieved or exceeded outside the tolerance
Management/Governance		
Reporting boundaries/Data collection Specification of reporting boundaries and expansion of data collection systems for sustainability reporting **KPI:** The extent to which management systems and indicators within the reporting boundary are covered	**2012:** **Consolidation of data collection** 2013: Integration in processes	**2012 target achieved** List of group companies continuously updated, integration of new companies in the data collection system Measure 2013: > Further integration in process Acquisition and Mutation
Anti-corruption (GRI-SO2) **KPI:** Implementation of training on anti-corruption directive	**2012:** **Training of divisions at risk** 2013: Training integrated in Compliance Process	**2012 target achieved** Hint: KPI was adjusted in 2012 (restriction to divisions at risk) Measure 2013: > Further development and establishment of training
Sustainable living and working		
Rise in net revenue in Green ICT portfolio (GRI-EN26) Eco-friendly products and services for corporate customers (B2B) **KPI:** Rise in net revenue in the defined Green ICT portfolio	**2012:** **+10% versus prior year** 2013: +10% versus prior year	**2012 target not achieved (8.8%)** Measures 2013: > Promote further eco-friendly offerings > Issue of further Green ICT certificates > Project partnerships with NGO
Expand the portfolio of eco-friendly offerings (GRI-EN26) **KPI:** Number of offerings certified by myclimate (NGO)	**2012:** **Residential customers: 3** **Corporate customers: 17** 2013: Residential customers: 3 Corporate customers: 19	**2012 target residential customers not achieved (1)** **2012 target corporate customers exceeded (18)** Measures 2013: > Evaluate suitable products or design suitable new products and services > Determine environmental benefits compared to standard products > Current portfolio at www.swisscom.ch/myclimate
Mobile phone take-back (GRI-EN26) Increase of the return rate **KPI:** Return rate (percentage of sold mobile phones returned for recycling)	**2012:** **12%** 2013: 14%	**2012 target achieved (11.4%)** Measures 2013: > Raise awareness among shop staff > Communication campaign
Reduction in paper consumption (GRI-EN26) **KPI:** Percentage of residential customers switching to online billing	2015: 30%	**Percentage reached in 2012: 15% (865,000 customers)** Hint: KPI was adjusted in 2012 Measures 2013: > New products with online billing as default payment method > Direct mailing for suitable customer segments > Joint action with the WWF (Switzerland)
Training of Touch Point (shop/call centre) staff (GRI-EN26) Shop and call centre staff trained in customer concerns/messages relating to environmental/social accountability **KPI 2012:** Number of trained Touch Point staff **KPI 2013:** Training on Corporate Responsibility (CR)	**2012:** **30%** 2013: Course set up and performed for the first time	**2012 achievement is not measured, but integrated CR stronger in basic training** Measure 2013: > Develop and rollout specific course
Sustainable use of resources		
Environmental management system (EMS) Applicability of individual EMS requirements extended to include Group companies in Switzerland **KPI:** Number of established and trained contacts at Group companies in Switzerland	**2012:** **17** 2013: Completed. No further target	**2012 target achieved (17)** > 14 contact points without an EMS > 3 contact points with an EMS
Renewable energy (GRI-EN4) **KPI:** Extent to which electricity requirements are covered by renewable energy	**2012:** **100%** 2013: 100%	**2012 target achieved (100%)** Measures 2013: > Purchase of renewable energies (electricity) > Compensation with certificates > Verification by WWF
Energy efficiency (electricity) (GRI-EN6) Continual increase in energy efficiency **KPI:** Increase in energy efficiency EE Basis 1.1.2010 > TEC = total energy consumption > AES = accumulated energy savings $EE = \frac{TEC+\sum AES}{TEC}$ Source: adapted from FOEN guidelines	2015: +20% compared to January 1st 2010	**Increase in efficiency 2010–2012: +15%** Measures 2013: Implementation of other cost-cutting and efficiency measures including > Use of Mistral cooling system (cooling with fresh air) > Decommissioning and technology improvements > Increased efficiency in data centres > Virtualisation of servers
Reduction in direct CO_2 emissions (GRI-EN18) Focus on direct emissions from fossil fuels (Scope 1) **KPI:** CO_2-emissions from fuel consumption	2015: –12% compared to January 1st 2010	**Reduction achieved 2010–2012: –6%** Measures 2013: > Implementation of further efficiency measures > Further implementation of the procurement roadmap (vehicles)

Priorities of the CR Strategy	Targets	Status/Measures The target is considered achieved if within a tolerance of 5%, not achieved or exceeded outside the tolerance
Optimised CO_2 emissions of vehicles fleet (GRI-EN29) Focus on direct emissions from fossil fuels (Scope 1) KPI: Average CO_2 emissions per car in gram CO_2/km according to manufacturer data	**2012:** **138 g CO_2/km** 2013: 128 g CO_2/km 2015: 110 g CO_2/km	**2012 target exceeded (131 g CO_2/km)** Measure 2013: > Further implementation of the procurement roadmap (vehicles)
Responsibility in the supply chain		
Risk evaluation of supply partners from high-risk product groups (GRI-HR2) KPI: Percentage of supply partners subjected to a risk evaluation (as % of total number of supply partners from high-risk product groups)	**2012:** **100%** 2013: Completed. No further target	**2012 target achieved (100%)**
Risk evaluation of supply partners from medium-risk product groups (800 supply partners) (GRI-HR2) KPI: Percentage of supply partners subjected to a risk evaluation (as % of total number of supply partners from medium-risk product groups)	**2012:** **25% (200)** 2013: 35% (280)	**2012 target exceeded (27.8%/223)** Measures 2013: > Delivery partners from product groups with medium risk profile are evaluated using an evaluation form and prioritised if necessary > Appropriate risk reduction measures can be defined, implemented and maintained
Review of supply partners from medium-risk product groups (GRI-HR2) KPI: a) Number of supply partners with a high-risk profile who have been audited (audits) b) Number of supply partners with a medium risk profile, which carried out a self declaration	**2012:** **a) 6** **b) 80** 2013: a) 4 b) 30	**2012 target** **a) achieved (6)** **b) not achieved (28),** due to adaptation of technical solution (E-TASC) Measures 2013: a) Perform audits within the framework of the Joint Audit Cooperation (JAC) of supply partners with a high-risk profile b) Number of delivery partners with a medium risk profile, which carried out a self-declaration
Implementation of CR agreements (GRI-HR2) KPI: Percentage of order volume generated with supply partners who have signed the Swisscom CR agreements	**2012:** **90%** 2013: 95%	**2012 target achieved (93%)** Measure 2013: > Expand CR specifications to include other supply partners
Telecommunications for all		
Promoting media skills: Media courses for parents and teachers (GRI-PR6) KPI: Number of external participants in the media courses on offer	**2012:** **5,000** 2013: 5,000	**2012 target exceeded (5,240)** Measures 2013: > Expanding the range of online platform > Further marketing of the offer
Promoting media skills: Courses for pupils (secondary school) (GRI-PR6) KPI 2012: Number of training courses KPI 2013: Number of pupils	**2012:** **600 (10,800 pupils)** 2013: 15,000 (ca. 800 training courses)	**2012 target exceeded (640/11,957 pupils)** Measures 2013: > Further development of the course program > Intensification of communication
Promoting media skills: User courses for senior citizens (GRI-PR6) KPI: Number of participants	**2012:** **16,000** 2013: 16,000	**2012 target not achieved (12,831)** Measures 2013: > Further development of the course program > Intensification of communication
Access for all (accessibility) (GRI-SO1) Improve barrier-free nature of Swisscom's online presence KPI: Achieve AA rating in accordance with Web Content Accessibility Guidelines	**2012:** **AA rating for online presence** 2013: AA rating for online presence	**2012 target not achieved** Measure 2013: > Implementation of recommendations in the current online accessibility projects
Responsible employer		
Diversity (GRI-LA1) Increase proportion of women in management to 20% KPI: Percentage of women in management (Group Executive Board and Management levels 1 to 5)	Medium term (3–5 years): 20%	**Starting point 2010: 9.9%** **Percentage 2012: 11.0%** Hint: KPI was extended in 2012 on entire management Measures 2013: > Special mentoring programmes > Transparent and targeted recruitment > Women's network > Talent Management
Occupational health management (GRI-LA7) Reduction in the staff absence rate KPI: Absences in days/target days (weighted by FTE) x 100; target days are based on the standard working hours	2015: 2.1%	**Starting point 2010: 3.0%** **Percentage 2012: 2.9%** Measures 2013: > Further professionalise case management > More professional application of the pro-presence method > Instil personal prevention culture – line managers and employees
Corporate Volunteering (GRI-LA) KPI: Number of volunteer days	**2012:** **600 days** 2013: 1,000 days	**2012 target exceeded (748 days)** Measures 2013: > Expansion of the use of corporate volunteering, etc. as a staff development tool

Corporate responsibility governance and implementation

Embedded in the strategy

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

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

Board of Directors' responsibility

The Board of Directors is responsible for approving the long-term CR strategy. It acknowledged the present governance report and targets for 2013 and approved the strategic priorities. The Board of Directors is informed in quarterly reports on the implementation status of the CR strategy and achievement of the targets.

Responsibility of the Group Executive Board

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

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

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

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

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

Role of the corporate responsibility team

The CR team is responsible for coordinating the implementation of the CR strategy, including leveraging synergies across all divisions. The team's specific tasks are:

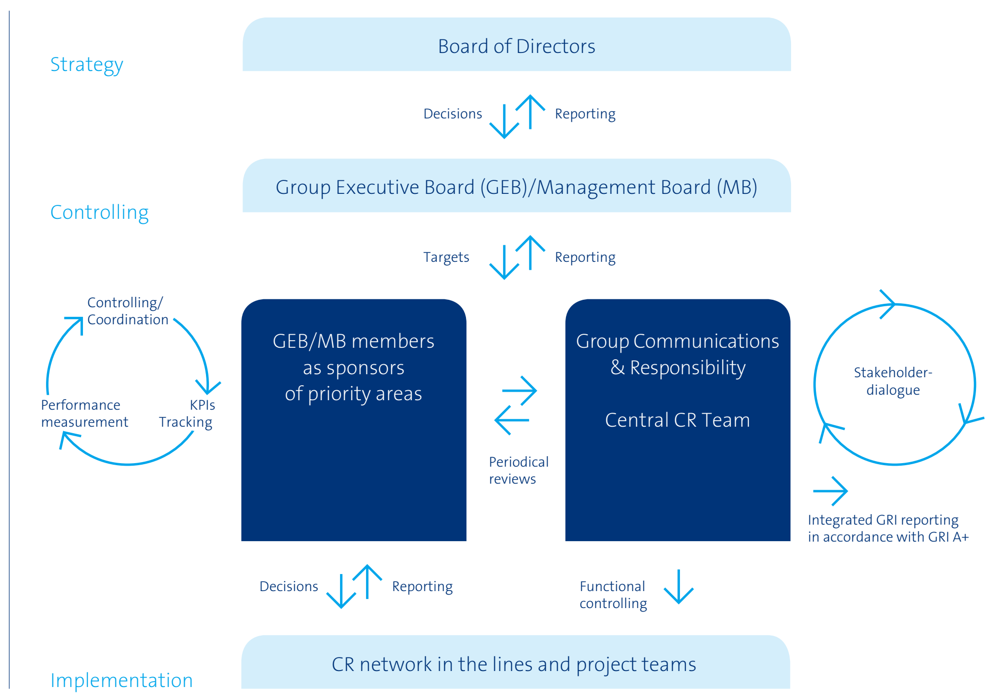
- Drawing up the CR strategy (goals/priorities) in conjunction with line and support units
- Supporting the sponsors from the Group Executive Board
- Coordinating implementation of the strategy and initiation of measures
- Formulating requirements for implementation of the CR strategy
- Engaging in dialogue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

Line units and the corporate responsibility network

Depending on the strategic priority in question, measures are implemented in project teams or line units. Further management members are designated for each division and these persons are responsible for implementing the measures at operational level in close collaboration with the CR team.

Members of the Group Executive Board are responsible

GEB/MB members provide line units with support and advice.



Sustainable living and working

Swisscom supports customers in their pursuit of a sustainable way of living and working. Climate-friendly and low-radiation products and services to residential customers and Green ICT services to business customers belong to its portfolio.

Environment and objectives

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

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

A study by the Global e-Sustainability Initiative found that the ICT sector has the potential to cut global CO_2 emissions by some 15%, for example, by replacing business trips with videoconferencing or establishing communications solutions for home offices. Furthermore, the optimisation of vehicle fleets, the use of energy-efficient services from data centres and the intelligent control of buildings, equipment and power networks all contribute to lowering CO_2 emissions and saving energy using ICT technology.

Swisscom is aware of its responsibility in the ICT sector and undertakes a host of initiatives to structure its offerings in a more resource-friendly and energy-efficient manner, as well as offering products and services to help customer reduce their CO_2 emissions and save energy.

Ecological, socially acceptable product innovation

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

Measures for increasing net revenue from Green ICT products:

- Expanding the portfolio to include eco-friendly products
- Issuing Green ICT certificates to customers
- Entering into project partnerships
- Communicating and marketing the Green ICT portfolio

Mobile phone recycling Swisscom Mobile Aid

Number of devices returned in 2012

170 thousand

Climate-friendly products and services for residential customers

Offering for residential customers

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

Measurable successes of the programme in the reporting year:
- **1-W set-top box:** Swisscom launched new models of the set-top boxes in spring 2012 which feature a low power mode with an energy consumption of only 0.4 watt. Swisscom further developed the low power mode until November 2012 so it now also offers the programmed recording feature. This means that all new set-top boxes can now be supplied with the low power mode as the default setting. Aside from a slightly longer start-up time, customers experience no disadvantages whatsoever as a result of this change.
- **Ecomode plus:** cordless phones with Ecomode plus emit only minimal levels of radiation. Almost all of the cordless phones sold by Swisscom are now Ecomode plus models.

Swisscom is making existing customers aware of the following possibilities for saving energy:
- **Set-top boxes:** activation of the power-saving mode, if the customer has one of the new set-top boxes on which the low power mode is not the default setting, and the option of switching off the set-top box when they are not being used – provided that the customer has another set-top box.
- **Eco points:** mobile handsets of individual makers differ not only in terms of design and performance but also in terms of environmental compatibility. Information on the energy consumption or the raw materials used in the manufacture of the devices until now has not been readily available to customers. To create more transparency, Swisscom became the first provider to introduce eco points in Switzerland in 2011. All the devices in Swisscom's portfolio are rated according to three equally weighted criteria: low energy consumption, low energy consumption in manufacture and responsible choice of raw materials. Eco points are limited to ecological aspects. The more points a device receives, the greater the environmental compatibility. This means that in future customers will be able to factor environmental compatibility into their purchase decisions. In 2012, Swisscom began further developing the eco point rating system and applying it to fixed-line devices. As of the start of 2013, Swisscom customers will thus be able to benefit from the independent eco point rating provided by myclimate when purchasing fixed-line devices.

See **www.swisscom.ch/ecopoints**

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

See **www.swico.ch**

- **Swisscom Mobile Aid (formerly Solidarcomm):** in 2012, around 170,000 mobile handsets were returned for recycling and many of these were sold via a third-party company to countries where there is a demand for low-priced second-hand devices. All proceeds from the sales go to the réalise social organisation and the terre des hommes suisse and SOS Kinderdorf Schweiz relief organisations. Devices that can no longer be sold are professionally recycled. The return rate of used mobile handsets has increased in comparison to previous years. This is in large part due to a Swiss-wide collection drive launched in November 2012 in collaboration with Valora, SOS-Kinderdorf and the Ringier media enterprise. The Swiss population turned out in large numbers to donate their old mobile handsets. The response rate in 2012 amounted to 11.4% (prior year: 8.9%) and the target of 12% was thus met (tolerance threshold of 5%).

See **www.swisscom.ch/SwisscomMobileAid**

- **Online billing:** online billing is increasingly seen as an attractive, environmentally friendly alternative to a paper bill. The number of customers who opted to receive their bill online rose from 723,000 in 2011 to 865,000. This represents an increase of 19.6% as of the end of 2012 compared with the previous year. Swisscom has taken a wide range of steps to further improve the appeal of online billing, primarily by showing the customer that online billing not only benefits the environment, but also saves the customer time and money thanks to the simplified procedure.

See **www.swisscom.ch/billonline**

Green ICT for business customers

Green ICT programme

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

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

See **www.swisscom.ch/myclimate**

The respective products and services are labelled as recommended by myclimate. The climate recommendation label indicates the energy and CO_2 savings compared with previous consumption behaviour.
In 2012, Swisscom once again implemented numerous measures to increase the utilisation of Green ICT services and thus reduce CO_2 emissions.
Swisscom expanded its offering of the Green ICT services bearing the myclimate label. These new services include, for example, the Conextrade electronic trading platform, which allows for paperless transactions and billing, and Printing Solutions, which helps save paper, toner and energy.
The continued growth in revenue recorded in the year under review demonstrates the appeal of Green ICT services.
2012 also saw Swisscom issue more customers in Western and German-speaking Switzerland with Green ICT certificates. The certificates state the amount of emissions that the Swisscom customers have saved by using Green ICT products. 43 customers have so far received these Green ICT certificates. They save annually more than 10,000 tonnes of CO_2 and approximately 6,400 MWh.

CO_2 savings achieved thanks to Green ICT services:
In 2012, companies issued with Green ICT certificates achieved CO_2 savings of

10,000 tonnes

Energy savings achieved thanks to Green ICT services:
These companies also jointly saved energy in 2012 totalling

6.4 GWh

See www.swisscom.ch/green-ict

Swisscom and the University of St. Gallen jointly investigated the attitude of Swiss companies towards Green ICT. 758 companies took part in the survey. The results have been available since October 2012 and are published on the Swisscom Green ICT homepage.
The survey showed that Green ICT services are already being well utilised mainly by large businesses, while there is still substantial potential for more use among smaller companies. Especially services in the area of mobile working are subject to wide use while other applications for optimising logistics or buildings are less popular.
Other activities undertaken by Swisscom in the area of Green ICT include the following:

- **National Home Office Day:** Swisscom has supported the Home Office Day as a partner since its inception in 2010. Swisscom participated in the national Home Office Day for the third time and continued to raise awareness of the advantages of this working method for companies and employees.
- **New working methods:** Swisscom held a Green ICT event in November 2012 at which Swisscom customers and members of the Swiss Association for Environmentally Conscious Management (ÖBU) were informed as to how companies can save on costs and resources by implementing new working methods such as home offices and efficient workplaces – while at the same time boosting employee motivation and performance.
- **Relieving the pressure on transport routes thanks to new working methods:** at the end of 2012, Swisscom worked together with the SBB to initiate a study to investigate the extent to which new working methods may relieve the pressure placed on transport routes. As part of this study, several hundred SBB and Swisscom employees will test – until spring 2013 – the extent to which new working methods free up heavily utilised trains and roads in peak times. The results will be published in summer 2013.

Green ICT at Swisscom

Swisscom is not only encouraging its customers to use Green ICT, but is also using Green ICT solutions internally:

- 18 Swisscom sites are now equipped with the Telepresence virtual videoconferencing solution.
- Practically all employees are now able to set up videoconferencing and desktop sharing with other colleagues at the click of a mouse, enabling them to work part of the time from home. Swisscom's participation in Home Office Day has also served to further embed the topic of new ways of working in the company culture. Swisscom consequently issued guidelines for the first time on the internal utilisation of home offices.
- In the year under review, Swisscom schooled employees in the "Corporate Customers" and "Small and Mid-Sized Enterprises" segments on the subject of Green ICT and sustainability, using a "Hello Future Dialogue" communication package. The individual teams presented their contributions to sustainability. The best team contributions received an award at a joint event with divisional management.
- All Swisscom employees received the Virtual Meeting Reminder at the end of 2012. When scheduling meetings, this small IT tool reminds employees across various locations to conduct the meeting as an electronic meeting. In addition, the tool automatically calculates the potential savings in time and CO_2 emissions.

Low-radiation communications technologies

Advice and information on wireless technologies and the environment

Specially trained Swisscom employees advise persons involved in the construction and operation of mobile networks as well as stakeholder groups seeking general information on wireless technologies, the environment or health. During the reporting year Swisscom held over 600 discussions with key stakeholder groups on the subjects of mobile communications and the environment. In the majority of cases, it was local projects for expanding the mobile network that had given rise to such discussions.

Research and development in the area of electromagnetic fields

Swisscom works with and financially supports the Swiss Research Foundation on Mobile Communication (FSM) based at the Federal Institute of Technology in Zurich, and employs four qualified employees to monitor and interpret the latest research findings on electromagnetic fields, their effect on organisms and the measurement of emissions.
Mindful of the major responsibility that operating its wireless networks entails, Swisscom follows scientific research by internal and external experts into the effects of non-ionising radiation on organisms. It also analyses the research findings and supports relevant scientific activities.
Based on current knowledge, scientists consider the current limits for electromagnetic fields as safe (see WHO Fact Sheets Nos.193 and 304).

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

Certification of quality assurance system for compliance with ONIR limits

Swisscom is required to operate a quality assurance system (QAS) for the base stations of its mobile network to ensure that the antennae in operation comply with the statutory limits at all times. In 2005, Swisscom decided to have this quality assurance system certified to the ISO 15504 standard. The quality assurance system was audited in November 2012 by an external auditor mandated by SGS. Swisscom passed this audit of the quality assurance system, scoring a capability level of 4 (out of a maximum of 5), which means that the processes relevant for the QAS are “targeted and measureable”.
The legal obligation to limit emissions from mobile communication installations in Switzerland comes from the Ordinance relating to Protection against Non-Ionising Radiation (ONIR), the aim of which is to protect people against harmful or undesirable non-ionising radiation. The Ordinance applies to the operation of fixed installations that emit electrical and magnetic fields with frequencies between O Hz and 300 GHz. Swisscom complies with the ONIR limits. The Swiss limits are 10 times lower than those in the European Union.

Duty to provide information on products offered at points of sale

Swisscom provides information on the radiation levels of the mobile handsets that it sells. Prices on all products on display and offered by Swisscom are clearly disclosed as prescribed by the Federal Ordinance on the Disclosure of Prices. This declaration is supplemented by relevant technical information on the products. Customers and other interested parties can also find information on levels of radiation emitted by mobile handsets (so-called SAR values) at Swisscom points of sale and on the Swisscom website. There is no legal obligation to provide this information. By doing so, Swisscom is responding to a need by customers for whom radiation levels are particularly important when it comes to choosing a mobile phone. It goes without saying that no mobile handsets offered exceed the limit of 2W/kg; half (48.7%) are below 0.8 W/g and 28.2% even have a SAR value below 0.6 W/kg (product portfolio as at December 2012).

Sustainable use of resources

Swisscom endeavours to meet the highest standards when it comes to the use of resources. Operating energy-efficient infrastructures and using and generating renewable energies is key for Swisscom – particularly in light of Switzerland's energy reform policy. Swisscom has also joined various international initiatives aimed at promoting accountability in the supply chain.

Environment and objectives

The energy turnaround, climate change and responsibility in the supply chain are key issues for Swisscom and its stakeholders. Swiss energy policy is on the verge of withdrawing from the nuclear energy programme and transitioning to renewable energies with low CO_2 emissions. Swisscom is thus placing an even greater focus on increasing its own energy efficiency.
Both the environmental and the purchasing policies provide a framework for Swisscom to use its resources sustainably. Management norms, standards and internal policies allow the planned saving and efficiency measures to be systematically implemented. Swisscom subsidiaries of significant environmental relevance are ISO 14001 certified. The companies concerned are: Swisscom (Switzerland) Ltd, Swisscom Broadcast Ltd, Swisscom IT Services Ltd and cablex Ltd, all of which are also ISO 9001 certified. The foreign subsidiary Fastweb S.p.A. is also ISO 14001 certified. Based on headcount, the management systems and processes certified to ISO 14001 cover more than 95% of the Group (including Fastweb).
Swisscom has set itself ambitious targets for the end of 2015: measures in the network infrastructure area are expected to achieve a further 20% improvement in energy efficiency compared with 1 January 2010. During the same period Swisscom aims to cut direct CO_2 emissions by a further 12%, chiefly through measures in the area of employee mobility and infrastructure. Overall, Swisscom is aiming for a 60% reduction in direct CO_2 emissions by the end of 2015 compared to the reference year 1990. Swisscom is currently using scenario calculations to determine how much energy will be consumed in 2020. Furthermore, Swisscom has extended its target agreement with the Energy Agency for Industry (EnAW) until 2020. The aim of this target agreement is to reduce CO_2 emissions and increase energy efficiency.

Energy-efficient infrastructure

Energy consumption as the principle environmental impact factor

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

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page 17

Energy management at Swisscom

The Swisscom energy management programme comprises the following processes:

- Determining energy consumption over a specific period of time
- Determining the electricity mix
- Generating electricity
- Rational use and increase of energy efficiency
- Reusing waste heat

Swisscom's energy consumption has been estimated up to 2015. The resulting catalogue of measures aims to reduce the increased electricity consumption by 85 gigawatt hours (GWh) by 2015 and increase efficiency by 20%. Additional measures are constantly being examined. Swisscom also determines the electricity mix and is increasing its sustainability by giving preference to electricity procurement from renewable energy sources. Swisscom started to generate its own electricity in 2005 and sees this as an important contribution towards a sustainable energy policy. For example, Swisscom builds solar installations wherever it makes economic sense. In addition, Swisscom also makes use of waste heat where possible.

Consumption of electricity from renewable sources and green electricity

Swisscom's energy consumption totalled 430 GWh in 2012 (prior year: 411 GWh). The increase is the result of expansion in activities and the network infrastructure. Over the medium term, the demand for electricity is expected to remain around the current level. For the electricity mix used for the network infrastructure and for consumption in buildings managed by Swisscom, compensation has been paid since 2010 for the share of nuclear power, electricity of unknown origin and electricity from fossil fuels. Thus, again in 2012 Swisscom relied fully on electricity from renewable sources. Swisscom's company claim "100% renewable energy" is verified externally by the WWF.
In 2012, Swisscom purchased 1.7 GWh of "naturemade star" energy from solar power (0.7 GWh) and wind power (1 GWh). This makes Swisscom one of Switzerland's largest purchasers of wind and solar power.

Saving and efficiency measures when using fossil fuel to generate heat

Swisscom measures monthly the consumption of heating oil, natural gas and district heating in its 61 biggest buildings which together make up over half of the total space. It extrapolates these figures to calculate the overall annual consumption using a new method introduced in 2011. Actual consumption figures will not be known until the bill for heating and operating costs is issued in the second quarter of 2013.
During the reporting year, Swisscom consumed 201 terajoules (55.8 GWh) of fuel to heat buildings (prior year: 49.3 GWh). The heating mix comprises 74% heating oil, 11% natural gas and 15% district heating.
Swisscom intends to further reduce the amount of energy it uses to heat its buildings. For this purpose, it has systematically pursued initiatives throughout 2012 which aim to reduce energy consumption and CO_2 emissions in buildings. A detailed energy monitoring system has improved the data set, thus ensuring a more in-depth energy analysis. Accurate energy analyses were carried out on eleven buildings in 2012, with five buildings successfully undergoing operational optimisations. A further ten energy analyses are scheduled for 2013. The "Pioneer" project – set up together with Johnson Controls – ensures that operating conditions that have been optimised maintain low energy consumption levels over the long term. Swisscom also carried out further structural renovations in 2012, for which an internal eco form was used indicating the CO_2 reduction levels achieved by the building projects. In 2012, Swisscom identified 25 eco-relevant building projects, as part of which 17 measures were implemented.

Saving and efficiency measures in fuel consumption and mobility policy

The ability to provide first-class customer service and expand the network infrastructure depends on the seamless mobility of staff. A total of 69.9 million kilometres were driven in 2012 in the service of customers, representing energy consumption of 168.3 terajoules (46.7 GWh). Fuel consumption fell by 1.4% year-on-year.
Thanks to a progressive replacement strategy, average CO_2 emissions per vehicle should be reduced from 150 g CO_2/km (2010) to 110 g CO_2 for each kilometre travelled in 2015. In accordance with the New European Driving Cycle (NEDC), CO_2 emissions from cars in the Swisscom fleet averaged 131 g CO_2 per km as of the end of 2012. 91% of the cars are in the A and B energy efficiency categories. Swisscom also operates a fleet of 230 (+43%) hybrid vehicles, 45 (+22%) vehicles powered by natural gas, 10 (+150%) electrically driven vehicles and 45 (+5%) e-bikes. All electrical vehicles are recharged in Swisscom buildings and garages using electricity from renewable energy sources.
In 2012, Swisscom employees used 101,403 (–5.9%) rail tickets for business travel and were issued 12,858 (–5.8%) half-fare cards and 2,793 (+0.6%) GA travel cards. Since 2007, Swisscom has charged a separate CO_2 levy of 1.5 cents per air mile on international flights. The levy is used to finance internal sustainable environmental projects in the field of mobility (e-bikes, electric cars, etc.).

Electricity consumption savings and efficiency measures

Swisscom continued the “Mistral” energy saving project in 2012. Mistral is a cooling technology that relies exclusively on fresh air all year round. It replaces conventional energy-intensive cooling systems equipped with compressors and contributes to a massive improvement in energy efficiency. Mistral also eliminates the need for harmful refrigerants. Mistral was being used to cool 604 telecom systems in local exchanges at the end of 2012. This represents an increase of 11% compared with the previous year. In 2012, Swisscom Switzerland also retrofitted mobile base stations and Swisscom Broadcast transmitter stations with Mistral.
Fresh air is also an attractive alternative for cooling data centres and could significantly reduce the electricity required for this purpose in the centres. An internal plan envisages using fresh air for all-year cooling of data centres with heat loads of up to several kW/m^2. A one-year pilot trial from November 2011 to October 2012 successfully demonstrated the feasibility of deploying fresh air-cooling systems in data centres under specific conditions.
The systems installed in the Swisscom IT Services data centre in Zollikofen feature a particularly high level of energy efficiency and efficient cooling. The centre’s average annual power usage effectiveness value (PUE value) is 1.3. This value represents the ratio of total power consumed by the data centre to the power consumed by the IT systems. This PUE value means that power consumption in Zollikofen is more than 33% lower than that of conventionally built data centres.

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

45 GWh/a

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

100 %

The systems installed in the Swisscom IT Services data centre in Zollikofen feature a particularly high level of energy efficiency and efficient cooling. The centre's average annual power usage effectiveness value (PUE value) is 1.3. This value represents the ratio of total power consumed by the data centre to the power consumed by the IT systems. This PUE value means that power consumption in Zollikofen is more than 33% lower than that of conventionally built data centres.

Generating electricity

In 2012, Swisscom Broadcast drew up plans for two solar facilities (2 times 60 kWp) on the Niederhorn and Valzeina transmitter stations, while Swisscom (Switzerland) installed and commissioned a solar facility in Zurich-Herdern with a peak power of 113 kWp. The total cumulative peak power of all the solar facilities installed by Swisscom amounts to 340 kWp. Over the coming years, Swisscom wants to significantly increase the number of facilities it has in operation for the generation of electricity.

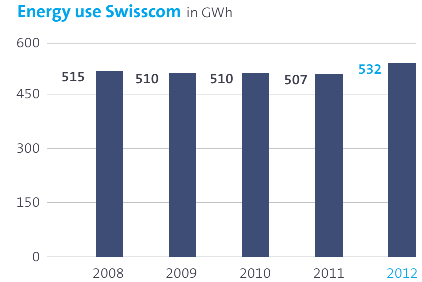
Utilising waste heat

Swisscom has entered into two agreements in Zurich governing the supply of waste heat from its own commercial buildings. The agreements cover a volume of more than 20 GWh of thermal energy. Swisscom is currently examining another potential waste heat project in the Berne area.

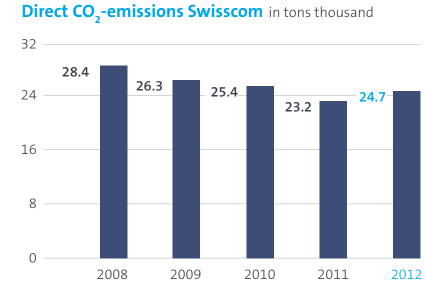
Climate

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

Energy use Swisscom in GWh



Direct CO_2-emissions Swisscom in tons thousand



Swisscom applies the internationally recognised definition of the Greenhouse Gas Protocol (GHG) and classifies its CO_2 emissions as Scope 1 (direct emissions resulting from burning fossil fuels for heating and mobility), Scope 2 (indirect emissions resulting from electricity consumption) and Scope 3 (all other indirect CO_2 emissions resulting from goods transportation, business trips, etc.). The direct consumption of fossil fuels accounts for 19.1% of Swisscom's total direct energy consumption. Swisscom's Scope 1 CO_2 emissions have fallen by 6% since 1 January 2010 to 24,662 tonnes in 2012, without adjustment for the number of heating days. Vehicle fuel accounts for 50.1% of this, and heating fuel accounts for 49.9%. Swisscom has therefore met and exceeded the CO_2 target (28,000 tonnes) agreed with EnAW in 2004 covering emissions resulting from the consumption of fossil fuels.
The electricity mix used in Switzerland is not generated from fossil fuels and so its production is free from CO_2 emissions. Swisscom therefore has no CO_2 emissions under Scope 2. Swisscom, however, calculates the indirect CO_2 emissions resulting from the provision of electricity which fall under Scope 3 and applies the conversion factor of 14.7 g CO_2 per kWh. Scope 3 emissions are not part of the current target agreement with EnAW.
Swisscom calculated various Scope 3 emissions in 2012, thereby taking its ecological responsibility beyond the company's own vehicle fuel, heating fuel, and electricity consumption. An initial area

of the Scope 3 emissions was already recorded in the year before, namely those associated with business trips, employee commuter traffic and the provision of energy.
In 2012, Swisscom also compiled statistics (using the "Escher method") on emissions resulting from the manufacture of products and the provision of services that Swisscom procures in order to provide its own services. This area is currently the largest source of Scope 3 emissions. Swisscom will publish the results in a supplementary report in spring 2013 along with statistics on product-related emissions. Swisscom is also involved on an annual basis in the Carbon Disclosure Project (CDP).
In addition, Swisscom calculated for the first time CO_2 emissions that can be avoided by businesses and residential customers using myclimate-certified ecologically friendly ITC services. The following services contribute to a reduction in CO_2 emissions:

- Virtual conferences
- Home offices
- Machine-to-machine communication (logistics optimisation)
- Energy-efficient services from data centres (cloud, hosting, housing, thin clients)
- Services that replace the use of paper
- Recycling of mobile phones

Other air emissions

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

Other environmental aspects in the company

See Appendix
www.swisscom.ch/GRI-2012
See Report
page 93

Further details about the environmental aspects of Swisscom's operations such as paper consumption, waste disposal and water consumption can be found in the Appendix.

Reduction in direct CO_2 emissions between 1990 and 2015 using the following measures:

- Structural renovations
- Low-consumption vehicles
- Mobility management

60 %

Environmental key figures in Switzerland

	Unit	2010	2011	2012
Land/buildings				
Net floor space (NFS)	million of m²	0.95	0.91	0.91
Paper for photocopying and printing				
Format A4 100% recycled (other formats converted)	million of sheets	41.0	37.0	34.0
Water/sewage				
Water consumption [1]	m³	452,698	468,577	466,581
Energy, electricity				
Electrical energy consumption [2, 3]	terajoule	1,454	1,479	1,548
	GWh	404	411	430
Energy, heating				
Heating oil	terajoule	149.4	130.9	149.3
Natural gas	terajoule	31.5	18.9	22.4
District heating	terajoule	27.3	27.2	29.3
Heating, total	terajoule	208.2	177.6	201.0
Energy, fuel				
Petrol	terajoule	77.8	53.7	38.5
Diesel fuel	terajoule	93.0	114.8	127.1
Natural gas	terajoule	1.5	2.2	2.7
Total fuel	terajoule	172.3	170.7	168.3
Vehicles	number	3,102	3,332	3,372
Kilometers driven	million of km	66.1	67.7	69.9
Average carbon dioxide CO_2 emission	g per km	150.0	140.0	131.0
Energy, total				
Energy consumption	terajoule	1,835	1,827	1,917
	GWh	510	507	532
Air emissions				
Carbon dioxide CO_2	tons	25,422	23,242	24,662
Nitrous gases NO_x	tons	22.5	23.2	24.9
Sulphur dioxide SO_2	tons	5.0	4.4	5.0
Waste				
Garbage	tons	175	170	155
Recycling	tons	761	834	1,660
Special waste	tons	10	11	20
Waste tonnage, total [4]	tons	946	1,015	1,834

[1] The water consumption is based on a forecast.
[2] Energy conversion: 1 terajoule (TJ) = 0.278 gigawatt hours (GWh).
[3] The energy consumption is based on a forecast. Since 2011 on a monthly measure of the consumption of 62 buildings (with a total floor space of over 50%).
[4] Based on data provided by the Swiss Waste Exchange and the Group companies; domestic waste not included.

Swisscom's responsibility in the supply chain

See
www.swisscom.ch/suppliers

Swisscom takes responsibility within the supply chain and is committed to improving the working conditions of its suppliers' employees and to ensuring compliance in the supply chain with ecological standards. This also means that Swisscom therefore expects its direct suppliers and their sub-suppliers to commit to acting in a sustainable manner.

The principles Swisscom observes are stipulated in its purchasing policy, which is defined by an overarching committee, the Swisscom Purchasing Board. Swisscom's purchasing policy sets out the principles and procedures to be followed by the procurement organisations. The procurement organisations of Swisscom Switzerland, Swisscom IT Services and Swisscom Broadcast have to date acted in accordance with the Swisscom purchasing policy. Together, their total order volume accounts for more than 80% of the total procurement volume. The purchasing policy is continuously being expanded to include further purchasing organisations in the Swisscom Group and it stipulates the requirements that suppliers accept by signing the CR Contract Annex (CRCA). Swisscom uses a structured risk management system to audit suppliers' compliance with the requirements.

See Appendix
www.swisscom.ch/GRI-2012

Supplier risk management

Risk management system

In 2012, Swisscom worked to further reduce environmental and social risks in the supply chain and in the second half of the year implemented a risk management system in the procurement area, the results of which are shown below.

The risk assessment carried out by Swisscom management in 2011 for the product groups was checked for accuracy and currency in spring 2012. They found the risk assessment to be correct and up to date and no changes were therefore necessary.

In 2012, Swisscom began assessing its current supply partners from medium-risk product groups, which involved approximately 800 supply partners. Plans have been made to assess all supply partners over the coming years. A milestone was reached in 2012, with 223 supply partners having been assessed. The results of the risk assessment showed that seven supply partners have a high-risk profile and 32 partners a medium-risk profile. After every assessment, any measures required were initiated and monitored (see Requirements diagram below) by management and the buyers concerned.

Overview and requirements of risk management in the supply chain

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

Swisscom plans to assess 35% (280 out of a total of 800) supply partners from medium-risk product groups by the end of 2013.
The procedure, established in 2011, has proven successful with potential supply partners. All buyers at Swisscom Switzerland, Swisscom IT Services and Swisscom Broadcast were trained accordingly for the first time in 2012. The procedure was used in tendering processes and corresponding measures were defined and implemented where necessary.
A supply chain crisis management organisation is currently being set up and will be integrated into the already existing Swisscom Group structures in 2013.

Corporate Responsibility Contract Annex

In 2012, 93% of the total order volume came from suppliers that had accepted the Corporate Responsibility Contract Annex (CRCA), which meant that the goal set for 2012 was achieved. As of 2013 Swisscom will have a new measuring instrument at its disposal in the form of a contract management system, which will make it easier to identify supply partners that have not yet signed the CRCA.

Audit and self-declarations

A risk assessment of the suppliers from high-risk product groups was carried out in 2011. At the time, seven supply partners were found to have a high-risk profile and were audited in accordance with the Swisscom requirements (see diagram above). Due to unsatisfactory audit results, four supply partners had to be audited again in 2012. The other supply partners received excellent audit results. Their risk assessment was therefore taken down a level to a medium-risk profile.
In 2012, around 30 suppliers with the highest order volumes, whose products are manufactured in countries classified by Swisscom as critical, registered with E-TASC and completed the online questionnaire. 2013 will see further key and strategic suppliers as well as high-risk suppliers registered in the self-assessment tool. As required by Swisscom, a further six supply partners from medium-risk product groups were audited in 2012, while 28 completed a self-assessment. Swisscom's goals for 2012 of six audits and 80 self-assessments were therefore fully achieved in

the case of the audits, while the achievement rate for self-assessments was 35%. The low level of achievement in the latter case was due to technical problems with E-TASC.

See Report **page 80**

Swisscom wants to step up collaboration with the Joint Audit Corporation (JAC) and plans to carry out four audits in 2013.

Raw materials

The raw materials used in Swisscom's many and diverse products stem from a wide range of countries and regions. Questions on the origin of the raw materials and the associated ecological and sociological risks are increasingly being asked. At the start of 2011, Swisscom began intensively looking into the issue of raw materials. The following measures have since been taken:

- **March – June 2011:** Swisscom took up contact with the NGOs Bread for All and Benchmark Foundation of Southern Africa for Corporate Social Responsibility, the Swiss Federal Laboratories for Materials Science and Technology (EMPA) and all partners supplying mobile phones in order to gain an insight into the stance of these institutions and organisations on the question of accountability in raw materials procurement. It revealed widely varying levels of awareness among supply partners with regard to raw materials and the whole issue of procurement. Clearly, Swisscom cannot accomplish rapid improvements in the procurement area all on its own.
- **May 2011:** Swisscom joined the Global e-Sustainability Initiative and worked together with the GeSI "conflict-free smelters" programme. The aim of the programme is to identify and certify conflict-free smelters for purchasers of raw materials.
- **Mid-August 2011:** Swisscom started working with myclimate to launch eco points on all mobile phones in the Swisscom range. Points are awarded on the basis of the criteria: responsible choice of raw materials, low energy consumption in use and low energy consumption in manufacture.
- **January 2012:** through its GeSI membership Swisscom becomes a member of the World Resources Forum Association.
- **March 2012:** inaugural meeting of the World Resources Forum Association. Swisscom represents GeSI at WRFA gatherings.

See **www. world resourcesforum.org**

Swisscom also plans to add a section on raw materials to its purchasing policy and the CR Contract Annex in 2013.

Swisscom Supplier Award 2012

Maintaining a constant dialogue with suppliers, building a common future together and taking responsibility for the present and future, all play a key role at Swisscom. Internal procurement is also guided by these principles. In spring 2012, Swisscom gave Supplier Awards for the best success stories of over 6,500 suppliers in the three categories of Innovation, Cooperation and Sustainability.

Telecommunications for all

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

Environment and objectives

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

Swisscom will continue to pursue these activities in 2013, championing for a healthy information society that adds value in line with the federal government's strategy, so that Switzerland as a business location, the Swiss education system and the entire population will continue to benefit from a progressive ICT landscape.

Basic service provision

	Unit	2010	2011	2012
Number of traffic minutes (national fixed-line traffic)	million min.	6,741	6,200	5,328
Number of public payphones [1]	number	7,663	6,700	5,800
Emergency calls	in thousand	3,092	3,050	3,053
Calls to the service for visually impaired/hard of hearing	in thousand	556	553	540

[1] Of which 3,514 (2012), 4,058 (2011), 4,437 (2010) within the scope of basic service provision.

Swisscom is responsible for providing basic telecoms services in Switzerland, and has been mandated to do so until 2017. It will forego requesting a fund for basic service provision. The aim of the mandate is the provision of analogue and digital network access throughout Switzerland. This includes voice telephony, fax, data transmission and broadband Internet access. In 2012, Swisscom increased the minimum transmission speed for broadband Internet connections from 600/100 kbps to 1000/100 kbps and at the same time reduced the price ceiling for this service from CHF 69 to CHF 55 per month (excluding VAT).

Another part of basic service provision for which Swisscom has long been responsible is the maintenance and operation of the 5,800 public telephones and access to the emergency call service for the police, fire and ambulance services, as well as special services for the disabled.

Data protection

As a result of its activities, Swisscom possesses customer data which is protected by the Data Protection Act and the Telecommunications Act. The protection of privacy, compliance with data protection laws and the observance of telecommunications secrecy are key concerns for Swisscom. The Data Protection Declaration explains how Swisscom handles personal data in the context of its website and e-mail activities. It also discloses that this data may be passed on to others within the Swisscom Group. Swisscom, however, is not responsible for information and data processing on third-party linked offerings.
As a trustworthy partner, Swisscom has set itself the goal of providing all employees who have access to customer data as part of their job with thorough instruction on legal compliance within their work. In addition, Swisscom sensitises and empowers employees to recognise the issues and requirements of data protection and to ensure they are properly implemented. All Swisscom Switzerland employees also have to regularly take part in data protection training sessions.
The persons responsible for security within the company also launched a comprehensive project in 2012 with the aim of improving data protection. During the course of this project, Swisscom is reviewing all access rights and critical customer data, and redefining these rights. For this purpose, Swisscom has set up a system that determines whether attempts to access critical customer data are linked to enquiries regarding the customers in question and if they are authorised.

Protecting minors in the media and promoting media skills

Protecting minors in the media and guidelines on media content

The use of new media provides us all with new opportunities and options. Although the pros usually outweigh the cons, new media can also entail a number of risks – particularly for children and young people. Swisscom is determined not to leave parents to shoulder this responsibility alone. The company supports parents and teachers by providing a wide range of information, resources and products.
Children and young people who disclose private or even intimate information on community platforms are often unaware of the repercussions this may have. Privacy therefore plays a prominent role in the documentation and information provided on media protection for minors.
Swisscom supports the High Principles on Child Protection. Together with the European Telecommunications Network Operators' Association (ETNO), Swisscom has reformulated its terms of use on youth platforms so that children and young people really understand them.
The legal obligations governing the protection of minors in the media were fully complied with in 2012. Under the terms of the Swiss Federal Penal Code, it is forbidden for providers to offer content of a pornographic nature to persons under the age of 16. Swisscom is rigorous in its interpretation of the regulations of the Ordinance on Telecommunications Services regarding the blocking of value-added services. For example, no adult content whatsoever has been offered on the Swisscom information portal since 2009.
Since 2008, the Industry Initiative of the Swiss Association of Telecommunications (asut) for Improved Youth Media Protection and the Promotion of Media Skills in Society has published a list of youth media protection measures in addition to the legal requirements, which Swisscom has pledged to comply with. These include the provision of Internet filters, the obligation to actively inform customers, willingness to engage in dialogue with committed organisations and the designation of a youth media protection officer.

See
www.asut.ch
www.bluewin.ch

With the following measures, Swisscom goes beyond the statutory requirements in terms of youth media protection:

- Age limit for access to certain services voluntarily increased to 18
- No adult content whatsoever in the video-on-demand offerings on Swisscom TV and on the information portal
- Additional channel blocking via PIN on Swisscom TV
- Guaranteed youth media protection with the new additional "Start Over" function
- FSK age rating recommendation for all video-on-demand films
- Exceptionally stringent requirements for third-party providers of value-added services

See www.bluewin.ch

The Telecommunication Services Ordinance requires telecommunication service providers to disclose information on the existence of a barring set at least once a year. A barring set allows access to chargeable value-added services to be blocked on specific lines. Swisscom sends its customers a bill enclosure every year to inform them about this free service. The barring set is automatically activated for young subscribers under the age of 18.

Promoting media skills

In 2012, Swisscom took the following measures in order to raise awareness among parents and teachers of the potential dangers and risks posed by new media:

- **Media course as part of the Academy training programme (formerly Swisscom Help Point):** the course was held on parents' evenings and during further training sessions for teachers. Swisscom also expanded its course offering and is offering new courses for secondary school pupils (see below: media courses for parents, teaching staff and now also secondary school pupils). In total, Swisscom held almost 700 media skills events throughout Switzerland in 2012
- **The JAMES study** investigates the media usage behaviour of young people between the ages of 12 and 19. After an initial run in 2010, Swisscom carried out the JAMES study once again in 2012 in cooperation with Zurich University of Applied Sciences (ZHAW). The findings allowed science and politics to base their conclusions and measures on a reliable, scientific foundation. The recurring study will allow trends and changes in the media usage behaviour of young people to be identified as of 2014. With this study, Swisscom is bridging a gap in research that has existed for a long time, particularly as surveys into media usage among young people were not consistently carried out before 2010.

See www.swisscom.ch/james

National Programme for the promotion of media skills

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

Promoting media skills:
Swisscom promotes responsible use of new media. Interest in Swisscom's course offerings

29,500 participants

Media courses for parents, teaching staff and secondary school pupils

Swisscom has been expanding its course offering since autumn 2011 in order to promote media skills. In addition to the information events for parents and teaching staff, it has since also offered a modular course for secondary school pupils (year 7 to year 9). Teachers can choose from a range of different modules dealing with general media usage behaviour, legal issues on the Internet, social networks, safe surfing and the new issue of cyber-bullying. Swisscom appoints a dedicated course instructor for the participating classes. There was great demand for this course in 2012 and the goals for the year have been achieved and exceeded. The experience and feedback gained from the events were extremely positive. An evaluation of the effectiveness of the courses will be carried out in 2013.

Swisscom Academy (formerly Swisscom Help Point)

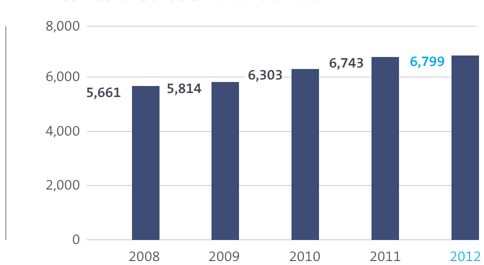
The Swisscom Academy has been teaching customers how to use mobile devices and the Internet since 2005. Weekly courses are offered at the training centres in Berne, Basel, Lausanne, Lucerne, Geneva and Zurich. Four training buses also visit around 70 towns and villages across Switzerland every year. In 2012, 12,831 people attended courses on how to use modern communications media. Since their launch, Swisscom's Help Points have served close to 220,000 people in Switzerland. The courses are aimed at the general population in Switzerland and are open to customers and non-customers alike. Through this campaign, Swisscom is playing an important role in continually reducing the digital generation gap.

Internet for Schools initiative

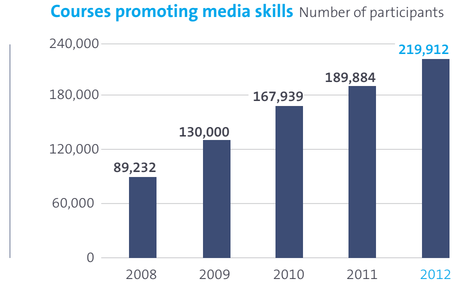
In 2012, Swisscom celebrated the ten-year anniversary of the "Internet for Schools" initiative. Under the initiative, almost every Swiss school benefitted from a free basic Internet offering or from a more advanced offering at heavily reduced prices. Swisscom continued the Internet for Schools initiative after the public-private partnership with the federal government officially expired in 2007, and the company works hard to continually tailor the infrastructure it offers to the day-to-day needs of schools. Swisscom extended its Internet for Schools initiative to kindergartens in 2009 in response to the needs of cantonal education departments. This means that the number of connections provided is set to increase almost three-fold over the coming years. At the end of 2012, well over 1,700 kindergartens were already online.
Schools that require high-performance bandwidths (large educational centres or schools which use the Internet particularly intensively) can now take advantage of connections providing free Internet access with an increased bandwidth of up to 50 Mbps. If the school also wishes to take advantage of Swisscom's professional security services, the company makes a contribution towards the associated expenses.
Schools are placing increasingly greater demands on their ICT solutions. Swisscom has identified their needs and has worked together with other partners from educational institutions since 2012 in an attempt to find useful and affordable ICT solutions.

See www.swisscom.ch/sai

Internet for Schools Number of schools



Courses promoting media skills Number of participants



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

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

Internet for Schools:
new media is used in the education system by

1 million pupils

Offerings for people with disabilities

Swisscom's most important goal is to provide everyone in Switzerland with barrier-free access to the latest communication tools. In this context, Swisscom plays a key role in ensuring that disadvantaged people can also participate in Switzerland's information society.

Swisscom's offerings for disabled people, the visually impaired and hard of hearing

Swisscom Shops comply with stringent requirements concerning wheelchair access. Swisscom Shop employees also have to be able to recognise what requirements a specific disability entails. In collaboration with the TerzStiftung, Swisscom has worked on ways of optimising its shops for people who are visually impaired and hard of hearing. The corresponding measures were implemented in 2012.

Swisscom endeavours to provide a portfolio of terminal devices that includes a choice of suitable equipment for customers with impaired hearing or vision. Swisscom renews and updates its service and device portfolio on an ongoing basis. One of the aims of doing so is to ensure its offerings satisfy the needs of those with special needs or requirements. Two examples of devices in this range are the Emporia mobile phone, a smartphone with on-screen voice support for blind or partially sighted people, and the multi-modal customer service contact option.

All those who are unable to use the current subscriber directory due to physical disabilities can be connected via the short number 1145 at no extra cost. Swisscom provides this service free of charge as part of the basic service provision.

Individuals who are hard of hearing can take advantage of a transcription service. This service makes telephone calls possible between the hard of hearing and those who can hear normally and is offered free of charge in association with the organisation procom. It is also part of the basic service provision.

Swisscom continues to be committed to ensuring its website offers barrier-free access to all. As part of the technical redesign, Swisscom has already implemented key guidelines for barrier-free website content (Web Content Accessibility Guidelines WCAG). In the following phases of the website redesign, Swisscom will take into consideration other guidelines and is aiming to receive "AA Access for all" certification by the end of 2013.

Offerings for people with limited financial resources

Swisscom offers special products and services to help people with limited financial resources. Young people under the age of 26 can take advantage of reduced tariff plans. Under these tariff plans, subscribers up to the age of 18 are assigned a credit limit. Older people continue to make less use of new communication technologies than younger people. Special subscriptions for older people offer price models with this in mind, featuring particularly low basic fees and services charged only on a pay-as-you-use basis.

Responsible employer

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

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

Environment and objectives

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

Staff development

Swisscom's market environment is constantly changing. The company therefore makes targeted investments in professional training and development for employees and managers to improve their employability in the long term. Employees are supported in their development by a wide range of on- and off-the-job options as well as internal programmes and courses. Further training and development programmes on offer include professional, technical and management courses. Swisscom welcomes opportunities for further training and provides related financial support. In the year under review, staff spent 54,441 days on training and development in Switzerland.
In line with the results of the 2010 employee survey on "professional development", initial steps were taken by Swisscom in 2012. For example, the management compass, which among things charts an employee's development as a management task, is now mandatory Group wide. Also in 2012, the "You & your Boss" initiative rolled out throughout Switzerland to promote a development dialogue between management and employees so as to facilitate the agreement of medium-term development measures. Finally, Swisscom IT Services launched an integrated competence model coordinated with line management, as well as a suitable development tool to enable the company to more effectively address the projected shortage of ICT specialists.
Swisscom continues to develop its Performance Management System in line with requirements with a view to assessing and rewarding employee achievements. The basis of this system is the performance dialogue. Guided by the principle of "agreeing objectives, recognising achievements and following a development plan", employees and line managers engage in dialogue in which they discuss future tasks, expectations and personal development. Commensurate with its strategic positioning as a trustworthy partner in the digital world, Swisscom formulated concrete demands on all employees. In 2012, line managers conducted a performance dialogue with 98.8% of all Swisscom employees in Switzerland.
The management and people review processes have been extended to organisational units below Group division level. They support both succession planning for key functions as well as the placement of talents beyond individual divisions. A mentoring programme also encourages professional and personal discussions between the talents and the members of the Group Executive Board, while the Leadership Forum offers an important platform for management issues.

Employee training in general and in the area of corporate responsibility

Swisscom is constantly training its employees. In 2012, employees covered by the CEA attended an average of 3.2 days (25 hours) of training and/or further development. Swisscom also regularly trains employees on a wide range of corporate responsibility issues. For example, Swisscom raises awareness of ecological and social issues among new hires at its Welcome Days, and the issue of "Responsibility in the supply chain" is addressed with buyers as part of its Lead Buyer Circles. In the year under review, Swisscom also trained 40 project managers and 90 specialist groups on the environmental parameters for new projects.

Corporate volunteering

Corporate volunteering is the term used to describe voluntary work carried out by employees for charitable causes. Swisscom encourages this commitment by allowing its employees to do this during paid working hours and offering them the chance to help out with various projects in the fields of nature (Nature Days), social responsibility (Social Days) and economy (Economy Days). 2012 saw Swisscom expand and further develop the Corporate Volunteering Programme so that employees can now dedicate from a half-day to two days of their working time to voluntary work each year. A total of 748 volunteer days were clocked up in 2012.

Staff recruitment

Recruiting new staff

Swisscom seeks individuals who are motivated and passionate about helping customers and who want to help shape the future of the digital world. At all company locations in Switzerland, Swisscom endeavours to give priority to people from the surrounding regions. This is why the percentage of local employees in all areas and at all hierarchical levels is exceptionally high.
83.7% of Swisscom's workforce are Swiss nationals. The remaining 16.3% are made up of employees from 88 different countries, including 5.1% from Germany, 3.8% from Italy, 1.6% from France and 1% from Spain.

Student interns and trainees

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

Vocational training

Two hundred and eighty-five young people began their apprenticeships with Swisscom in August 2012, of which 118 were in ICT jobs in mediamatics and IT. Swisscom thus assumes the responsibility of being Switzerland's largest trainer of ICT professionals. In 2012, Swisscom trained a total of 823 apprentices in technical and commercial apprenticeships. Additionally, 84 apprentices completed their training at subsidiary cablex. The training for the new Specialist in Customer Dialogue apprenticeship, introduced in 2011, is being expanded from the customer contact centres in German-speaking Switzerland to include Western Switzerland and will also be offered to apprentices starting in 2013 in Ticino as well.
In order to make the application process quicker and easier for students, Swisscom introduced an online application system for the 2012 intake of apprenticeships.
The Swisscom training model is geared towards independence and personal accountability. The aim of this is to support the personal development of the apprentices. They take an active role in devising their training so that it fits their individual priorities, apply within the company for different practical placements and learn from experienced employees during such placements.

Health and safety in the workplace

Employee health

Having healthy and motivated employees is very important to Swisscom. In line with its strategy, Swisscom therefore makes targeted investments in initiatives and programmes for Occupational Health Management (OHM). The Board of Directors, Group Executive Board and management staff have all contributed to the success of OHM, which has resulted in the staff absence rate being reduced from 3.26% to 2.86% since 2009. Swisscom aims to continue to reduce it to 2.1% by 2015. Further details and performance indicators can be found in the table "Employees in figures".

See Report
Page 110

As a result of this positive trend, the premium rates for work-related accidents, non-work-related accidents and the insurance for sick pay allowance were reduced as of 1 January 2012.
Through its involvement in the ConCerto project in collaboration with the Federal Social Insurance Office, Swisscom makes an important contribution to ensuring collaboration with the social insurance agencies is coordinated as effectively as possible. ConCerto aims to simplify and accelerate the professional reintegration of individuals after suffering health problems. The ConCerto-pro association was set up in 2012 with the aim of organising all domestically active employers, Federal Disability Insurance offices, sick pay allowance and accident insurers, and SMEs to adopt and comply with the processes it specified. The association also supports and coordinates the further development of reintegration issues together with partners on a national level (FSIO, SECO, associations and institutions). Swisscom heads up the association steering committee.
The number of disability cases in 2012 fell by 23% in comparison to previous years. In addition, 16 trainee positions and internships were again filled in close cooperation with integration partners. These positions are available to employees with health problems. OHM and, if necessary, social insurance agencies such as the Federal Disability Insurance office (IV) provide assistance and support.
Swisscom aims to extend the focus of occupational health management to include prevention (Health Promoting Leadership) to promote and maintain employee health.

Occupational safety

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

Move! and the Swisscom Games

Move! is a programme which supports activities in the fields of health, sport and culture. Employees can become Move! coaches or take part in another activity. Activities are conducted during employee's free time. Move! aims to broaden employees' sporting and intellectual horizons and give staff the opportunity to meet their colleagues from other areas of the company.
The Swisscom Games is an event that is held every two years. Employees have the option of enrolling for a team or individual activity in the fields of sport, culture and society. The 2011 Swisscom Games saw four events held in various regions throughout Switzerland in which a total of around 6,000 employees took part. The Swisscom Games are a key networking opportunity for employees and have become an important part of the corporate culture. The next Games will take place in 2013.

Diversity

Living Diversity @ Swisscom

Diversity Management is a concept that is extremely important within an international working environment. The aim of the concept is to recognise the special knowledge and skills that each individual brings and use them for the benefit of the entire company.
Diversity champions an open working environment, in which employees are treated with respect and everyone is free to develop and reach their full potential. Swisscom sees diversity as something it must commit to internally within the company, as well as externally with its customers and partners. As regards diversity, Swisscom feels obliged to ensure the well-being of its employees, thus ensuring that they have sufficient motivation to deliver an outstanding performance.
Swisscom opens up new opportunities for all staff and views the various aspects of diversity in their entirety.
Swisscom considers an equal gender ratio to be fundamentally important for the brand and for ensuring the success of the company. Swisscom has thus set itself the goal of increasing the number of women at all management levels from 11% to 20% in the medium term. Swisscom therefore operates special programmes to foster the development of talented female employees and seeks promising female talents both internally and externally.
In addition, Swisscom is increasingly championing the use of solutions that support the compatibility of family and career, thus creating a good work-life balance. In terms of diversity, it finds it extremely important to have a wide range of cultures within the company. Thanks to the wide range of approaches, ideas and skills possessed by all of our employees, Swisscom is an innovative and creative company. Eighty-eight nations are represented among the staff at Swisscom.
The average age of the population and hence the average age of Swisscom's workforce is constantly increasing, which poses opportunities as well as risks. Swisscom is addressing this issue with its "Age Management" initiative (see below).
Swisscom considers sexual orientation to be an important aspect of diversity. The company's corporate culture is shaped by openness and tolerance.
Swisscom does not differentiate between employees with physical or mental impairments and those that are not impaired in relation to the opportunities offered to and the potential of individual employees. Swisscom would rather build on the individual strengths and skills offered by each individual employee. No cases of discrimination were reported in 2012.

See Appendix
www.swisscom.ch/GRI-2012

Diversity @ Swisscom:
Swisscom's workforce includes

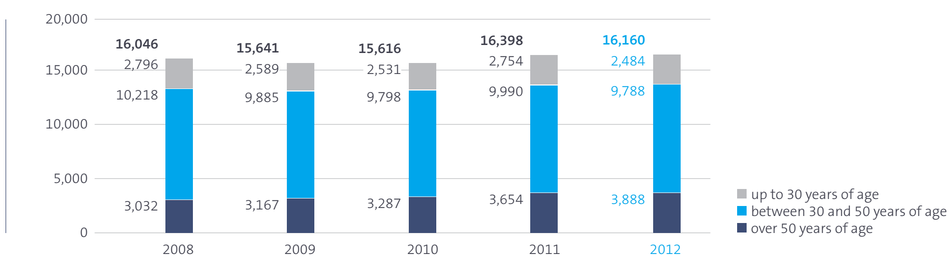
88 different nationalities

Age management

Swisscom is using "age management" to address demographic trends in good time and find innovative ways of allowing older employees to continue in active employment. Because the average age of employees, the wider population and therefore also Swisscom's customers is increasing all the time, the company set what is called "BestAge projects". These projects focus on meeting the needs of older employees and older customers. The measures and programmes implemented in call centres and shops accommodate these needs. Older employees are serving and advising older customers. Further initiatives include in-house consulting, where older senior managers advise line management, provide coaching and allow others to benefit from their experience through involvement in projects. Older employees can also be used as quality assurance specialists in network construction projects.

Swisscom has been a member of the Swiss Demographics Forum since 2011. Currently comprising seven finance and service companies, the Swiss Demographics Forum is a platform whose aim is to compile and draw up basic principles for establishing sustainable and successful demographic management. In 2012, the members of the forum developed a variety of practical solutions that could be used by the participating companies.

Age structure of employees in full-time equivalent



Equal pay

Swisscom takes great care to ensure equal pay for men and women. The company's salary system is structured in such a way as to award equal pay for equivalent duties, responsibilities and performance. To this end, the individual functions are assigned to function levels according to their requirements and a salary band is defined for each function level. This stipulates the remuneration range for equivalent duties and responsibility. Pay is determined within this range based on the individual employee's performance and experience. As part of its salary review, Swisscom grants employees who have performed better and are lower down the salary band a pay rise beyond the usual salary adjustments. This allows any existing wage disparities to be evened out on an ongoing basis. When conducting the salary review, Swisscom also checks whether there are any pay inequalities between men and women within individual organisational units and corrects them in a targeted manner.

Swisscom also uses the federal government's equal pay tool (Logib) to conduct periodic reviews of its salary structures to ascertain whether disparities exist between men's and women's pay. Previous reviews have revealed only minor pay discrepancies, well under the tolerance threshold of 5%.

In 2011, Swisscom joined the Equal Pay Dialogue, an initiative set up by the employer and employee umbrella organisations in association with the federal government to review equal pay. The positive outcome of the Equal Pay Dialogue confirms that Swisscom salaries conform to the principle of equal pay.

See
www.lohngleichheitsdialog.ch

Employee satisfaction

In May 2012, Swisscom conducted an extensive survey to gauge the satisfaction of Swisscom staff. Around 80% of the workforce participated. The results show that there is a high level of job satisfaction and an extremely high level of employee commitment at Swisscom. The employees gave all of the areas under review a significantly better score than in the 2010 survey, and some of the scores were above-average when compared to other companies in the sector.
Below is a summary of the key findings:

- The level of commitment shown towards Swisscom has risen in comparison to the 2010 survey (87 out of 100 points in comparison to 86 out of 100 points in 2010). This is an above-average result in comparison to other companies.
- Job satisfaction has also improved, scoring two points more than in 2010 (73 out of 100 points).
- Employees are enjoying their work and being part of their respective team, and consider Swisscom an innovative company and an attractive employer.
- Employees were particularly critical of cost management and the opportunities for career progression.

In light of the employee survey results, the Group Executive Board has agreed upon the following course of action:

- As a result of the pleasing results and a clear upward trend in employee satisfaction versus the 2010 survey, the decision was taken to forego setting up a Group-wide taskforce.
- Instead, the Group Executive Board has decided to continue with all of the activities already initiated.

Employees in figures

	Unit	2010	2010 in %	2011	2011 in %	2012	2012 in %
Personnel structure in Switzerland							
Employees in FTE according to GRI scope	FTE/%	16,057	100.0%	16,628	100.0%	16,269	100.0%
Thereof employees included in the following analysis	FTE/%	**15,616**	**97.3%**	**16,398**	**98.6%**	**16,160**	**99.3%**
Employees with full-time employment	FTE/%	13,500	86.4%	14,208	86.6%	13,954	86.3%
Employees with part-time employment	FTE/%	2,116	13.6%	2,190	13.4%	2,206	13.7%
Employees with unlimited employment	FTE/%	15,478	99.1%	16,342	99.7%	16,100	99.6%
Employees with limited employment	FTE/%	138	0.9%	56	0.3%	60	0.4%
Female employees	FTE/%	4,357	27.9%	4,546	27.7%	4,330	26.8%
Male employees	FTE/%	11,259	72.1%	11,852	72.3%	11,830	73.2%
Employees up to 30 years of age	FTE/%	2,531	16.2%	2,754	16.8%	2,484	15.4%
Employees between 30 and 50 years of age	FTE/%	9,798	62.8%	9,990	60.9%	9,788	60.6%
Employees over 50 years of age	FTE/%	3,287	21.0%	3,654	22.3%	3,888	24.1%
Average age	Years	41.2	n/a	41.3	n/a	41.9	n/a
Female employees in top management	FTE/%	15	12.0%	15	11.8%	11	9.1%
Male employees in top management	FTE/%	110	88.0%	112	88.2%	110	90.9%
Female employees in middle management	FTE/%	212	9.7%	242	10.4%	269	11.1%
Male employees in middle management	FTE/%	1,968	90.3%	2,078	89.6%	2,150	88.9%
Temporary employees	FTE	1,415	9.1%	1,520	9.3%	1,636	10.1%
Apprenticeship positions	number of jobs	805	5.2%	800	4.9%	907	5.6%
Personnel structure in Switzerland							
Number of performance dialogues held	FTE	17,462	97.9%	18,779	98.8%	18,779	98.8%
Fluctuation in Switzerland							
Leavings/fluctuation women	FTE/%	551	12.6%	534	11.7%	510	11.8%
Leavings/fluctuation men	FTE/%	1,179	10.5%	1,421	12.0%	1,125	9.5%
Fluctuation rate total	FTE/%	1,730	11.1%	1,955	11.9%	1,635	10.1%
Leavings up to 30 years of age	FTE/%	419	24.2%	464	23.7%	387	23.7%
Leavings up to 50 years of age	FTE/%	905	52.3%	1,120	57.3%	932	57.0%
Leavings from 30 to 50 years of age	FTE/%	406	23.5%	371	19.0%	316	19.3%
Absences due to accidents and sickness in Switzerland							
Days lost due to work-related sickness	number of days	377	0.010%	5	–	2	–
Days lost due to sickness	number of days	97,856	2.46%	98,916	2.39%	99,942	2.42%
Days lost due to work-related accidents	number of days	2,752	0.07%	2,252	0.05%	2,846	0.07%
Days lost due to non-work-related accidents	number of days	17,199	0.42%	15,037	0.36%	15,086	0.37%
Days lost total	number of days	118,184	2.92%	116,210	2.80%	117,876	2.86%
Days lost per FTE	number of days/FTE	7.6	n/a	7.1	n/a	7.3	n/a

Innovation and development

In a dynamic environment in which the market situation and general conditions are constantly changing, innovation is key in ensuring long-term success. Swisscom is working on future-oriented issues that will sustainably strengthen Swisscom's position on the market.

In the field of innovation, Swisscom carries out research and development work as well as projects which ensure that new products are ready to be brought onto the market. Based on "megatrends" and "unknowns" the company develops future scenarios and analyses future customer requirements.

Innovation process

Research

Swisscom divides its research activities over the following long-term themes:

- **Development of services in the TV and entertainment segment:** the technical possibilities in the TV and entertainment segment are subject to rapid change, while new global and local service providers are entering the market. Swisscom follows all technological and economic trends and develops new solutions in order to ensure that its TV and entertainment offering continues to remain competitive. In addition to the TV offering, Swisscom is increasingly working on developing innovations in related services, such as video conferencing and gaming.
- **Future development of the Swisscom infrastructure:** the constant demand for bandwidth, the rapidly growing use of mobile infrastructure and customer demands to be online everywhere at all times all present Swisscom with new challenges. Swisscom is investing in the development of new technologies in order to ensure a better experience for the customer. Swisscom aims to promote Green ICT services in order to reduce costs and set itself apart from the competition. As a result, Swisscom launched a pilot project which involved data centres being cooled by fresh air rather than more traditional air-conditioning systems.
- **Future business models for the telecommunications industry:** thanks to its know-how and expertise as a telecoms company, Swisscom is keen to offer new support services and to establish itself as an important link in the Internet service value chain. Acting as an interface between Internet providers and end customers, Swisscom offers tools for identity, data and security management. Swisscom is also investing in the development of new skills in the area of real-time and data analysis. This investment should help Swisscom better customise its services and identify potential faults in the network in good time.

Incubation and implementation

Swisscom is keen to incorporate new ideas from research to tap new areas of business and optimise costs. It therefore reviews every promising idea in terms of profitability, feasibility and what it offers customers. If an idea fulfils the relevant requirements, it is quickly tested and brought to market. For example, Swisscom is currently pursuing new approaches to the digital home, new television experiences and energy saving in Swisscom data centres.

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

New ideas are generated within the company or are the result of open innovation from customers, start-ups and partners. Swisscom operates its own open innovation platform in the form of Swisscom Labs, which has several thousand registered users.

Green Touch project

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

See **www.greentouch.org**

In its third year, Green Touch presented a prototype to the public which was developed by several of the consortium's partners. The prototype significantly reduces the radiation generated by a system through the combination of several antennas.

Tapping into new growth areas

Changed consumer behaviour and technological developments present an opportunity to tap into new growth areas. Swisscom is investing in progressive solutions in the public health sector, the dynamic control of energy consumption and the intelligent networking and control of appliances in the home. These solutions will, for example, optimise energy consumption and provide people with more comfort, security and efficiency in their home.

Successes

Below are a number of examples of products that have been developed ready for market:

- **Solar Impulse:** around the world in a solar-powered plane. The Swisscom Innovation department developed the entire communication infrastructure for Solar Impulse, thus providing pilots with an extremely reliable connection to the team on the ground. The development of the infrastructure proved to be exceptionally challenging, as extremely strict requirements in terms of minimum weight, energy efficiency and resistance to fluctuations in temperature had to be met.
- **Mobile Payment:** make payments and collect loyalty points in future using a smartphone instead of a card. Swisscom has worked together with several partners from the financial and retail sectors to successfully carry out a field test for Mobile Payment. The test is based on Near Field Communication (NFC) technology and involves the cards commonly used today being virtualised in mobile phones.
- **Fibre to the Street:** fast broadband access available to all. As an alternative solution to FTTH (Fibre to the Home) in which the fibre-optic cable is routed into the house, FTTS (Fibre to the Street) has been developed so that the fibre-optic network is around 200 metres away from the building. From this distance, individual properties are connected to the fibre-optic network via the copper network already in place. Customers in Riggisberg were provided with extremely fast broadband access (up to 400 Mbps) as part of a test of the FTTS method. The next step in this process is to further develop this method and prepare it for deployment in a larger catchment area.

Long-term Swisscom investments

Insightful future scenarios

Future of entertainment

Entertainment has always been an important part of human life and will continue as such in the future. Scenarios describe how entertainment will influence human life and business areas in 2022.

Future of retail

Retail and consumerism may face major changes over the coming years. The sharp increase in the number of technologies available for online and mobile shopping may well mark the beginning of a new era in consumerism.

Future of transportation

The current concept of transport is undergoing a process of unavoidable change. A new age of transportation appears to be on the horizon, opening up a host of new opportunities for the Swisscom Green ICT programme.

Information security partnership with ETH Zurich

Swisscom is helping to establish a new professorship for Information Security at The Federal Institute of Technology in Zurich (ETH). The aim of this is to improve Switzerland's standing as a research centre, thus establishing it on a global level, and to create a platform for an exchange of expertise between the scientific and economic worlds.

CERTIFICATION

SGS CERTIFICATION of the Swisscom Ltd 2012 GRI Sustainability Report

SCOPE

SGS was commissioned by Swisscom to conduct an independent assurance of the GRI-based disclosure on sustainability in 2012. Our assurance scope included the GRI disclosure obligations and figures in accordance with the GRI Index published at www.swisscom.com/GRI-2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all texts and 2012 data in accompanying tables contained in the printed Annual Report 2012 and referenced information on the webpage of Swisscom as quoted in the GRI index. The assurance process did not consider any data from previous years.

CONTENT

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

CERTIFIER INDEPENDENCE AND COMPETENCIES

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

METHODOLOGY

The SGS Group has developed a set of protocols for the assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines, Version 3.1 (2011). SGS also certified the environmental management systems of Swisscom (Switzerland) Ltd, Swisscom Broadcast Ltd and cablex Ltd, and SQS has certified the environmental management system of Swisscom IT Services Ltd, in accordance with ISO 14001:2004. The assurance comprised the evaluation of external sources, meetings with relevant employees, a verification of the documentation and recordings as well as the validation of these with external institutions and/or beneficiaries, where required. Financial data drawn directly from independently audited financial accounts was not checked back to its source as part of this assurance process.

OPINION

The statements in the report refer to the system threshold disclosed (Group companies based in Switzerland). On the basis of the above methodology, we did not detect any instances from which we would have to conclude that the information and data disclosed by Swisscom Ltd in accordance with the GRI Index 2012 may be incorrect. The information and data disclosed represent, to our mind, a fair and balanced picture of the sustainability efforts made by Swisscom in 2012. The estimates stated in the report are justifiable; the implementation of the GRI-relevant instructions was carried out at those parties involved, where Swisscom regarded them to be significant or feasible. Optimisation potentials were mainly detected in the consistent and comprehensive controlling of the instructions' implementation. They were added to the list of objectives.

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

SIGNED FOR AND ON BEHALF OF SGS

J. Koster — E. Bieri

Jakob Koster, Lead Auditor — Elvira Bieri, Lead Auditor

Zurich, 25 January 2013

www.SGS.COM