

# Notes to the financial statements

## 1 General information

The financial statements of Swisscom Ltd, the parent company of the Swisscom Group, comply with Swiss law.

## 2 Contingent liabilities

At 31 December 2014, guarantees in favour of third parties for the account of Group companies amount to CHF 260 million (prior year: CHF 142 million).

## 3 Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment correspond generally to their replacement value or fair value.

## 4 Amounts payable to pension funds

As of 31 December 2014, amounts payable to pension funds totalled CHF 1 million (prior year: none).

## 5 Debenture bonds issued

The amounts, interest rates and maturities of debenture bonds issued by Swisscom Ltd are as follows:

In CHF million or EUR	31.12.2014		31.12.2013	
	Par value	Nominal interest rate	Par value	Nominal interest rate
Debenture bond in CHF 2007–2017	600	3.75	600	3.75
Debenture bond in CHF 2008–2015	500	4.00	500	4.00
Debenture bond in CHF 2009–2014	–	–	1,250	3.50
Debenture bond in CHF 2009–2018	1,425	3.25	1,500	3.25
Debenture bond in CHF 2010–2022	500	2.63	500	2.63
Debenture bond in CHF 2012–2024	500	1.75	500	1.75
Debenture bond in EUR 2013–2020	500	2.00	500	2.00
Debenture bond in EUR 2014–2021	500	1.88	–	–
Debenture bond in CHF 2014–2026	200	1.50	–	–
Debenture bond in CHF 2014–2029	160	1.50	–	–

## 6 Treasury shares

Swisscom Ltd recognises treasury shares separately as assets and establishes a reserve for treasury shares in the same amount in equity. Treasury shares are measured at the lower of cost and market value. Details of the balance of and movements in treasury shares are set out in Note 31 to the consolidated financial statements.

## 7 Equity

Movements in the number of shares in circulation as well as the equity of Swisscom Ltd are as follows:

In CHF million	Number of shares	Share capital	Capital surplus reserves	Retained earnings	Total equity
<b>Balance at 1 January 2013</b>	<b>51,801,943</b>	<b>52</b>	<b>21</b>	<b>5,071</b>	<b>5,144</b>
Net income	–	–	–	239	239
Dividends paid	–	–	–	(1,140)	(1,140)
<b>Balance at 31 December 2013</b>	<b>51,801,943</b>	<b>52</b>	<b>21</b>	<b>4,170</b>	<b>4,243</b>
Net income	–	–	–	2,472	2,472
Dividends paid	–	–	–	(1,140)	(1,140)
<b>Balance at 31 December 2014</b>	<b>51,801,943</b>	<b>52</b>	<b>21</b>	<b>5,502</b>	<b>5,575</b>

Swisscom Ltd is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20% of share capital as well as the reserve for treasury shares may not be distributed. As of 31 December 2014, distributable reserves aggregated CHF 5,513 million. Any dividend distribution must be proposed by the Board of Directors and approved by the Annual General Meeting of Shareholders.

## 8 Significant shareholders

On 31 December 2014, the Swiss Confederation (Confederation), as majority shareholder, held 51.0% (prior year: 51.2%) of the issued share capital of Swisscom Ltd. The Federal Telecommunication Enterprises Act (TUG) stipulates that the Confederation must hold the majority of the capital and voting rights of Swisscom Ltd.

## 9 Participations and recording of dividends from subsidiaries

Participations are accounted for at acquisition cost less provisions for impairment, as required. Dividend income from subsidiary companies is accrued provided that the annual general meetings of the subsidiaries approve the payment of a dividend prior to approval of the annual financial statements of Swisscom Ltd by the Board of Directors. A list of direct and indirect shareholdings of Swisscom Ltd is provided in Note 41 to the consolidated financial statements.

## 10 Assets subject to restriction

As of 31 December 2014, financial assets totalling CHF 103 million were not freely available (prior year: CHF 92 million). These assets serve to secure commitments arising from bank loans.

## 11 Information on risk assessment process

Swisscom Ltd is fully integrated into the risk assessment process of Swisscom Group. This Group-wide risk assessment process also takes into consideration the nature and scope of business activities and the specific risks to which Swisscom Ltd is exposed. See Note 39 to the consolidated financial statements.

## 12 Shareholdings of the members of the Board of Directors and the Group Executive Board

The table below discloses the number of restricted and non-restricted shares held by the members of the Board of Directors and the Group Executive Board and as well as individuals related to them as of 31 December 2014 and 2013.

Number	31.12.2014	31.12.2013
Hansueli Loosli	1,682	1,335
Frank Esser <sup>1</sup>	101	–
Barbara Frei	409	283
Hugo Gerber	1,129	1,020
Michel Gobet	1,496	1,387
Torsten G. Kreindl	1,195	1,061
Catherine Mühlemann	1,119	1,010
Richard Roy <sup>2</sup>	–	1,269
Theophil Schlatter	887	711
Hans Werder	839	688
<b>Total shares of the members of the Group Executive Board</b>	<b>8,857</b>	<b>8,764</b>

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

<sup>2</sup> Resigned as of 7 April 2014.

Number	31.12.2014	31.12.2013
Urs Schaeppi (CEO) <sup>1</sup>	2,275	1,716
Mario Rossi	634	383
Hans C. Werner	421	257
Marc Werner <sup>2</sup>	106	–
Christian Petit <sup>3</sup>	1,332	–
Roger Wüthrich-Hasenböhler <sup>2</sup>	879	–
Heinz Herren <sup>2</sup>	1,122	–
Andreas König <sup>4</sup>	–	170
<b>Total shares of the members of the Board of Directors</b>	<b>6,769</b>	<b>2,526</b>

<sup>1</sup> From 23 July to 6 November 2013 CEO ad interim and from 7 November 2013 CEO.

<sup>2</sup> Joined the Group Executive Board as of 1 January 2014.

<sup>3</sup> Joined the Group Executive Board as of 1 April 2014.

<sup>4</sup> Resigned from the Group Executive Board as of 31 March 2014.

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

# Proposed appropriation of retained earnings

## Proposal of the Board of Directors

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 8 April 2015 that the retained earnings of CHF 5,502 million as of 31 December 2014 shall be appropriated as follows:

In CHF million	31.12.2014
<b>Appropriation of retained earnings</b>	
Balance carried forward from prior year	3,030
Net income for the year	2,472
<b>Total retained earnings</b>	<b>5,502</b>
Ordinary dividend of CHF 22.00 per share to 51,801,794 shares in total <sup>1</sup>	(1,140)
<b>Balance to be carried forward</b>	<b>4,362</b>

<sup>1</sup> Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 15 April 2015 as follows:

Per registered share	CHF
Ordinary dividend, gross	22.00
Less 35% withholding tax	(7.70)
<b>Net dividend paid</b>	<b>14.30</b>

# Report of the Statutory Auditor

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

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements on pages 204 to 208 of Swisscom Ltd, which comprise the income statement, balance sheet and notes for the year ended 31 December 2014.

### Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein  
Licensed Audit Expert  
Auditor in Charge

Daniel Haas  
Licensed Audit Expert

Gümligen-Berne, 4 February 2015



*"I help customers in their homes, rectify disruptions to the Internet, set up new computers and smart-phones, and get rid of viruses."*

**Christian Gebs**  
My Service technician  
Residential Customers