

2011

Committed to Switzerland



swisscom



An overview of the

2011

financial year

Dear Readers

Swisscom can look back on an eventful year which had both bright and not so bright sides. As in the previous year, mobile data services and TV business produced the biggest growth, posting growth figures in the double digits. Nevertheless, the price erosion in the Swiss core business could not be fully offset.

2011 was characterised by a very high level of investment in new generation networks in Switzerland. In Italy, the difficult economic situation and rising interest rates led to reduced prospects for growth and higher capital costs. As a consequence, the value of the shareholding in Fastweb was corrected, lowering Swisscom's net income by around CHF 1.2 billion.



Marginal decline in operating profit

Group revenue was CHF 11.5 billion, thus falling short of the prior-year level by CHF 0.5 billion. Net income fell by 61.2% to CHF 0.7 billion. Swisscom closed the 2011 financial year with a 4.3% decline in net revenue to CHF 11,467 million and with operating income before depreciation and amortisation (EBITDA) 0.3% lower at CHF 4,584 million. Operating free cash flow decreased by CHF 444 million to CHF 2,068 million owing to the higher investments in Switzerland. Growth in customer numbers and volume amounting to around CHF 400 million could not offset the price erosion in Swiss core business, which amounted to around CHF 500 million. Capital expenditure in Switzerland increased by CHF 226 million to CHF 1.54 billion and the number of workplaces in Switzerland rose by 3.5%. The net revenue of the Italian subsidiary Fastweb fell in local currency terms by 7.1% to EUR 1,746 million as a result of aggressive price competition. The difficult economic situation in Italy and rising interest rates led to reduced prospects for growth and higher capital costs. As a result, the business plan of the Italian subsidiary Fastweb was revised and the value of this shareholding was corrected. This reduced Swisscom's net income in the 2011 financial statements by CHF 1.2 billion to CHF 0.7 billion. This value adjustment will not negatively affect cash flow or dividends to shareholders nor will it impact on the level of investments and prices in Switzerland.

Swisscom share performance in 2011

The Swisscom share dropped 13.4% in value over the course of the year, while the Swiss Market Index (SMI), which comprises the 20 leading listed Swiss companies, fell by 7.8%. The European Telco Index was 8.6% lower in Swiss francs. Payment of an ordinary dividend of CHF 22 per share (prior year CHF 21) will be proposed to the Annual General Meeting of Shareholders. This will represent a total dividend payout of CHF 1,140 million. The Board of Directors is thus continuing the dividend policy that it has pursued for the last few years.

Business performance from the perspective of the three-pillar strategy: maximise, extend and expand

Maximise

Swisscom wants to strengthen and expand its position in Swiss core business in the long term. Price erosion caused by fierce competition and regulation amounted to around CHF 500 million in 2011, which could not be offset by customer growth in mobile and broadband business and increased data traffic. The number of mobile customers in Switzerland increased year on year by 221,000 or 3.8% to 6 million. Swisscom sold 1.5 million mobile handsets (+5.7%), of which 60% were smartphones. While strong growth in smartphone sales led to an increase in subsidies for handsets, it also doubled the volume of mobile data traffic year on year. Bundled offerings such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV, were very much in demand in 2011. At the beginning of August, Swisscom launched Vivo Tutto, the first nationwide bundled offering to also include a mobile line. By the end of 2011 a total of 613,000 customers were using bundled offerings. The number of broadband access lines with end customers grew by 77,000 or 4.9% year on year to 1.66 million, while the number of Swisscom connections used by alternative providers rose slightly in 2011 to 487,000.

Extend

The focus of this strategic pillar is on extending core business along the value chain. Although income from the transmission of voice and data has been steadily declining for a number of years, technological developments have repeatedly allowed Swisscom to break into new areas of business. In 2011, Swisscom became the leading provider of digital TV in Switzerland, five years after launching its product, with the number of Swisscom TV customers rising by 44.4% year on year to 608,000. In the fourth quarter of 2011 alone, 52,000 customers subscribed to Swisscom's TV offering. The functionality and range of programmes of Swisscom TV has been expanded. Special apps now allow customers direct access to Internet-based applications and programmes broadcast up to 24 hours earlier. The Group's subsidiary Swisscom IT Services, which offers a broad portfolio of IT services, has been going from strength to strength in the last few years. In IT outsourcing, Swisscom IT Services is now one of the biggest providers on the Swiss market. With the goal of increasing its business in the field of SAP services, Swisscom IT Services acquired the Cirrus Group and the EFP Group.

Expand

Business in Switzerland is subject to constant, high risks associated with regulation due to Swisscom's position as historical supplier. Swisscom therefore invests in alternative business models abroad which could potentially benefit from regulation that would rather impair business in Switzerland. Swisscom's international business is focussed on Fastweb in Italy. The difficult economic situation and rising interest rates are reducing growth prospects and increasing capital costs in Italy. As a result, the business plan of the Italian subsidiary Fastweb had to be revised and the value of this investment corrected, which reduced the net income in Swisscom's 2011 financial statements by CHF 1.2 billion. This value adjustment will not have a lasting effect on cash flow or dividends to shareholders. The new business plan envisages further expansion of sales channels, intensification of the partnership with pay-TV provider Sky and expansion of the mobile communications product range. With the measures introduced at the end of 2010 and in conjunction with the company's new leadership, Swisscom was able to secure itself a significantly larger share of new customers in the course of 2011. In order to further increase efficiency, a variety of costcutting initiatives were introduced. The measures for reducing bad debt losses are also proving successful in a year-on-year comparison, with, for example, the proportion of new customers with payment difficulties being reduced by half against the previous year. Overall, the measures for cutting costs and reducing bad debt losses should boost the company's results by EUR 120 million per year over the next two years. Fastweb is the only alternative provider in Italy with an extensive fibre-optic network and, even though the prospects for growth had to be adjusted because of the economic situation, we are convinced that demand in Italy for increasingly efficient networks will continue to climb – and in turn Fastweb will greatly benefit.

Investments in infrastructure and customer service in Switzerland

Customers' growing expectations regarding the security and performance of the infrastructure provided by Swisscom and the quality of advisory and other services make higher capital expenditure a necessity. Investments in 2011 rose by CHF 226 million versus the previous year. A total of CHF 1.54 billion was spent on enhancing the performance and security of the Swiss infrastructure, in particular the expansion of the fibre-optic network. Statistically speaking, every two minutes a new connection is added to the fibre-optic network. By the end of 2011, around 364,000 households and businesses had already been connected to the fibre-optic network, a figure which is set to rise to around a million by the end of 2015, which approximately represents a third of the Swiss population. Some of these connections are realised in cooperation with electrical utility companies or cable network operators. A number of cooperation agreements have already been renegotiated and amended, following intervention by the Competition Commission. Swisscom is looking to establish further partnerships with electrical utilities willing to invest and is testing various fibre-optic technologies in an effort to supply the population with more bandwidth and enhanced performance even more

quickly – also outside the main urban centres. Mobile Internet services are continuing to grow in popularity, with the demand for mobile bandwidth doubling every twelve months. The trade journal “connect” and the Swiss consumer TV programme “Kassensturz” both rated Swisscom as having the best network in Switzerland in 2011. To ensure that this remains so, Swisscom is continuously investing in new mobile communication technologies. Investment in Swiss infrastructure will again increase in 2012, to CHF 1.7 billion. These investments are a major contribution to ensuring that Switzerland, as an information and knowledge society, will continue to boast one of the world’s best telecoms infrastructures. To consolidate our leading position in infrastructure and service quality, investments will also remain high in the coming years.

Sustainability from a Swisscom perspective

Sustainable management and long-term responsibility are firmly enshrined in Swisscom’s corporate culture. Swisscom has a responsibility towards the environment and society – now and in the future, and so, for example, Swisscom obtains all its electricity from renewable energy sources. We firmly believe that in the future customers will pay even more attention than they do today to Swisscom’s track record of sustainable economic, ecological and social policies. The goals of our Corporate Responsibility Strategy are formulated around four strategic priorities: “Sustainable living and working”, “Sustainable use of resources and responsibility in the supply chain”, “Telecommunications for all” and “Responsible employer”. Details about how Swisscom is meeting its objectives can be found in the section on “Corporate Responsibility” in this Annual Report.

Financial outlook 2012

Assuming an average CHF/EUR exchange rate in 2012 of 1.23, Swisscom expects to close the year with net revenue of CHF 11.4 billion and EBITDA of CHF 4.4 billion. Consumers in Switzerland are extremely quality conscious. With high capital expenditure, Swisscom aims to consolidate both its leading position in network and service quality and its market position. Capital expenditure of up to CHF 2.2 billion is projected for 2012, of which CHF 1.7 billion will be invested in Swiss business, which corresponds to an increase of CHF 100 million. This amount does not include expenses arising in connection with the mobile frequencies. A similarly high investment level is projected for the following



years. If all targets are met for 2012, Swisscom plans to once again propose payment of a dividend of CHF 22 per share to the Annual Meeting of Shareholders in 2013 despite the additional expenses arising in connection with mobile frequencies.

Thank you

All in all, we can look back on an intensive and eventful year. We owe our achievements in 2011 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.

Our service to Switzerland

On the following pages, readers will get an overview of the many different services Swisscom provides to Switzerland. The photographs illustrating the various sections feature our employees – people who are committed to working hard every day to meet the needs of our customers and Switzerland as a whole. They also mirror the theme of Swisscom’s TV spots in 2011, which show that it’s our employees who make sure that communications – depicted by symbols, such as a heart for a message exchanged between lovers – reach the recipient they are intended for. We hope you will enjoy reading our Annual Report.

Yours sincerely

A handwritten signature in black ink, appearing to read "Hansueli Loosli". The signature is fluid and cursive, with a prominent initial "H".

Hansueli Loosli
Chairman of the Board of Directors
Swisscom Ltd

A handwritten signature in black ink, appearing to read "C. Schloter". The signature is cursive and somewhat stylized.

Carsten Schloter
CEO Swisscom Ltd

Welcome to the digital world

Modern communications technologies are becoming essential in ever more areas of our personal and professional lives. For instance, an average computer user spends over two hours a day on the Internet and more than half a day per month on Facebook. And it has long become the norm for business customers to outsource parts of their IT infrastructure to the cloud for cost reasons. These developments will intensify in future. But it is not just people who are communicating – devices too are exchanging information via the Internet ever more frequently. Communication networks are like a country's nervous system: without them, life grinds to a halt.





Filming one of Swisscom's TV spots:
The "message of love" travels the length and breadth
of Switzerland, carried by Swisscom employees.

The world is becoming increasingly fast paced, complex and, above all, more digital. This is changing the way people network, how they learn, work, live, play and communicate with one another. Swisscom also sees how indispensable the communications infrastructure is for customers in the form of growing requirements and expectations relating to availability, performance, quality and security of services. Regardless of whether it is company data or family photos, if you store your data on external servers, you want to be sure that your digital treasures are in safe hands and can be accessed from anywhere and at any time. And if you've just come home from work, sat down on the sofa and are navigating through the Swisscom TV menu with your iPad, you should be able to expect that everything will work seamlessly.

Demand for mobile bandwidth is growing rapidly

Mobile data traffic doubled within the space of a year. In just four years, mobile data traffic increased by a factor of 68. An important reason for this development is the rapid increase in the number of smartphones and the ease with which they allow access to the Internet when on the move. Around 60% of mobile devices sold by Swisscom in 2011 were smartphones.

Investing in Switzerland's information and knowledge society

A country's communications infrastructure has become a vital competitive advantage. Investing in this basic infrastructure is an investment in Switzerland. Swisscom increased its capital expenditure in 2011 by CHF 226 million compared with 2010, to a total of CHF 1.54 billion. In 2012, it will rise even further to CHF 1.7 billion. These investments represent a major contribution to ensuring that Switzerland, as an information and knowledge society, will continue to boast one of the world's best telecoms infrastructures. To consolidate our leading position in infrastructure and service quality, capital expenditure will also remain high in the coming years.

The best mobile network in Switzerland

According to research carried out by the technical publication "connect" and the TV programme "Kas-sensur", Swisscom had the best mobile network in Switzerland in 2011. It is not down to chance. The rapid increase in performance and bandwidth means this can only be achieved through ongoing network expansion and continual innovation. To keep a step ahead of the demand for bandwidth, all 6,000 mobile base stations are to be upgraded with new hardware and software and connected to fibre-optic lines by the middle of 2014. Modernisation of the existing mobile technologies (2G and 3G) will enable, for example, the maximum possible speed of HSPA+ technology to be increased (and hence doubled) countrywide to 84 Mbps. In 2011 alone, Swisscom constructed or modified around 300 mobile base stations and connected over 1,000 base stations using fibre-optic cables. But developments in mobile communications are proceeding apace. At the end of 2011, Swisscom launched a pilot test of fourth-generation mobile technology (LTE) in seven tourist regions.

Switzerland's regulations on mobile base stations are the strictest in the world. For example, radiation limits are ten times more stringent than those of many European countries and approval procedures are complex. Despite these demanding framework conditions and the high level of investment, mobile communications prices rank around average compared with other countries, according to the OECD. And anyone who calls or surfs abroad with our roaming partners benefits from lower prices compared with other Swiss providers.

How does my message reach its recipient?

An SMS message reaches its recipient only moments after being sent. But how does a text message find its way to the recipient's mobile? The principle is very simple: as soon as the sender sends the text, the information travels on electromagnetic waves to the nearest mobile antenna (base station). The message then travels from the base station to the local telephone exchange via copper or fibre-optic cables, where a check is performed to locate the antenna closest to the recipient. The message then continues by cable to the relevant antenna and then again travels by air to the recipient's mobile phone. The whole process takes only a fraction of a second.



Many ways to achieve more bandwidth

Although the growth rates for mobile data transmission are impressive, the majority of Internet usage is still via cable networks. Here too the growth rates are massive. Since 2006, the demand for bandwidth has increased eightfold. Switzerland is in a pole position internationally in this area as well. According to an OECD comparison, Switzerland is in first place when it comes to growth in broadband usage. With its expansion of the fibre-optic network, Swisscom is investing in the network of the future. The basis for this was established a number of years ago: Swisscom first laid fibre-optic lines between the exchanges and subsequently extended them to residential districts. In 2011, Swisscom connected 900 neighbourhoods comprising around 250,000 households and businesses. Since autumn 2008, Swisscom has been extending fibre-optic cabling to households and businesses (Fibre to the Home). Statistically speaking, every two minutes a new connection is added to the fibre-optic network. By the end of 2011, around 364,000 homes and businesses had been directly connected via fibre-optic cables, a figure set to rise to one million by 2015, which represents a third of all Swiss households. Some of these connections are realised in cooperation with electrical utility companies or cable network operators. As a result of this combination of fibre-optic expansion to neighbourhoods

and the home, some 88% of the Swiss population can already receive digital TV and high-speed Internet, with around 80% able to receive TV in HD quality and superfast Internet. Swisscom is testing various fibre-optic technologies in an effort to supply the population with more bandwidth and enhanced performance even more quickly.

From angel hair to high-speed data transmission

Had it not been for the eighteenth-century glass-blowers in the Thuringian Forest, high-speed data packets wouldn't be flying across continents via fibre-optic cables. These highly skilled glass-blowers used to manufacture what was referred to as "fairy hair" or "angel hair". The thin glass fibres were initially used only for decorative purposes, but in the 20th century, the attractive glass fibres were discovered to be the ideal medium with which to transmit data signals. The principle is quite simple: information in the form of electrical signals is converted into pulses of light, which race through the cables at the speed of light. When they reach their destination, they are converted back into electrical signals and the information has reached its journey's end.





Basic service provision

Swisscom has strong ties with Switzerland and is proud to have been mandated by the federal government to provide basic telecommunication infrastructure services. Access to the broadband network is included in this basic provision. No matter whether you are in a quiet valley far from the large metropolitan areas or in a chalet, Swisscom guarantees basic provision, including connection to the broadband network. In areas where it is not possible to connect to the DSL network, mobile solutions are available where the computer is connected to the mobile network via a SIM card. There is even a satellite broadband solution, with Swisscom supplying the necessary equipment. The minimum bandwidth stipulated in the basic provision is to be raised by 66% to 1,000 kbps from 1 March 2012.

How does Switzerland compare internationally?

- › 7th place for ICT development in a comparison of 159 countries (source: ITU, February 2010)
- › Switzerland has the highest high-bandwidth coverage in Europe (over 20 Mbps) (source: IDATE FTTX Watch Service, May 2010)
- › In terms of per capita investment in telecoms infrastructure, Switzerland ranks 4th worldwide (source: OECD Communications Outlook, July 2011)

Increased bandwidth requirements also via “Internet of Things”

It is not only people who communicate with one another via broadband networks – devices are also able to exchange information with each other. The technical term for this is machine-to-machine (M2M). Municipal power companies can already read electricity meters remotely over the mobile network rather than sending field staff to read the meters manually at customer premises. Navigation devices receive current information about traffic jams, calculated from anonymous movement data from mobile customers. The value added by all of these developments is that they simplify processes, reduce costs and manage scarce resources more sustainably. It is estimated that there will soon be more machines communicating directly with each other than there are mobile phone users. Swisscom estimates that over the long term more than 100 million machines will be connected with each other via the mobile network in Switzerland.

Ramona Rubera

a Customer Care Agent, looks after residential customers on Swisscom’s hotline.

“For me, the heart also stands for the heart and soul we put into advising our customers.”

I was caught off guard, but my colleagues persuaded me to put myself forward for the casting of the new advertising spot. They thought I would perform well on camera. Now I’m glad I did it. It was fun and I’d happily do it again. It’s really exciting to see how an advert is made and it’s fascinating to take part. The spot turned out really well. I think it shows that there are many ways to say something nice to someone.

For me, the heart in the spot also stands for the heart and soul that we in the call centre put into advising our customers and helping them solve their problems. All the many positive conversations I have each day show me that we are perceived as being friendly. What I like best is when I am able to make a customer who has contacted us because they are dissatisfied for some reason feel enthusiasm for Swisscom again. The spot also shows that there is a lot of technical know-how behind getting a message to some remote place, which is something I think not all customers understand. For customers, the main thing is that it works – the heart-felt greeting has to reach its recipient.

Improving competitiveness

Bits and bytes are increasingly taking the place of material goods and values in business. Used with care, information and communication technology enable us to increase efficiency and competitiveness. However, the other side of the coin is that business often grinds to a halt if the communications infrastructure fails. Swisscom offers companies of all sizes the right solutions in the areas of infrastructure and business processes. Our solutions are tailored to your individual requirements. We want to do whatever it takes to ensure our customers are satisfied. With Swisscom as a strong partner at your side, your company can concentrate on its core business, increase efficiency and be more successful.

Filming one of Swisscom's TV spots:
A pocket knife, symbolising the diversity, reliability and Swiss quality of Swisscom's services, is carried by Swisscom employees to the company's business customers.





Swisscom's customer list includes companies of all sizes – from a carpentry business in a remote corner of Switzerland to international conglomerates. All these different customers have one thing in common: their demands for quality, reliability and security are increasing. These companies are also keeping a constant eye on improving efficiency and looking for opportunities to save on costs. Swisscom is a partner with the ability to meet the requirements of its business customers, however varied these may be. It is something they appreciate. In 2011, Swiss companies voted Swisscom the best ICT service provider ("Swiss IT 2011" study by the market research company International Data Corporation and Computerworld).

Such an offering is unique in Switzerland. In 2011, Swisscom's Managed Services were awarded the "Solution Innovation Partner Award" by Cisco, and Microsoft chose Swisscom as "Partner of the Year 2011" in the field of "Unified Communications".

Telephoning is a thing of the past – now there's Managed Communications & Collaboration

Managed Communications & Collaboration Services combine all communication options on an integrated platform. These options include telephony, e-mail, instant messaging, audio- and videoconferencing, presence status, application sharing and document management. Employees can meet in online meetings and work on documents together, irrespective of location. This eliminates the need to switch media, makes working together more efficient and saves costs.

SMEs – the backbone of the Swiss economy

There are around 311,000 small and medium-sized enterprises (SMEs) in Switzerland, which are active in over 44 different sectors. Of these companies, 87% employ fewer than ten employees. SMEs provide two thirds of the workplaces in Switzerland. Swisscom offers SMEs products and services covering telephony, IT, Internet, mobile office and online business, and has nearly 4,500 contact points for SME customers across Switzerland as well as 500 or so customer service agents providing support to SMEs in whatever areas they require. Swisscom is also very interested in assisting start-up entrepreneurs with special offers, support centres and start-up platforms. Swisscom works closely with institutions dedicated to promoting and supporting new business start-ups.

Individual solutions for security requirements

Companies make enormous use of cyberspace and an increasing number of them no longer store their data on their own infrastructure. Cloud services are becoming ever more popular among corporate customers. However, as with the real world, the digital world can harbour dangers. Business customers who no longer store their data on their own servers should ensure that they entrust their data to a reliable partner. And because there are also other risks in the virtual world, customers can rely on Swisscom for advice about security. Individual security solutions are available tailored to customers' security requirements – in Swiss quality, tested in international environments, simple to use and always incorporating state-of-the-art technology. Swisscom is ISO 27001 certified, the international standard for information security.

Tailor-made services in demand

Swisscom has introduced a wide portfolio of managed services for corporate customers in recent months. The range of offerings includes communication and collaboration solutions which integrate all the options for day-to-day cooperation on a single platform and optimise the use of mobile devices. The Managed Services portfolio also features solutions for the operation of network and IT infrastructure and the maintenance and operation of security architecture. The philosophy behind the portfolio is that customers select the services they want from Swisscom from this wide range and pay a fixed, monthly charge. This means that the ICT costs are easily calculable and can be adjusted in line with the customer's economic situation. Swisscom also takes responsibility for operating these solutions, so that customers can concentrate on their core business.



Brunnegstr.

Data floating in the clouds

Cloud services allow dynamic access to computing capacity, data storage and network capacity whenever they are required. What this means is that users rent some of the hardware from a provider, rather than managing it all themselves. Cloud services are so called because clients access the services they require from an external provider, rather than from their own office, which means that the source is invisible – as if it were in a cloud. Swisscom's cloud services guarantee customers the high levels of availability and security that they expect, and their data are stored in Switzerland. For customers, such a solution has the advantage of reducing investment costs and allowing flexible access to resources on demand.

SuisseID – the electronic proof of identity

How does someone using the virtual world know whom he or she is dealing with? Together with the State Secretariat for Economic Affairs, the Federal Office of Information Technology, Systems and Telecommunication (FOITT) and other partners, Swisscom has developed the SuisseID. The SuisseID is both a secure, electronic proof of identity and an electronic signature that can be used in commercial and official dealings, allowing documents and contracts to be legally signed. This enables business transactions between private individuals and companies, between companies and between citizens and the government to be concluded over the Internet.

Connecting customers around the world

Globally active Swiss companies need to work with a telecommunications partner with good international connections. Through its cooperation with the US telecommunications provider Verizon, Swisscom has a strong, international partner at its side. Further expansion of its international WAN services with NTT Europe in 2011 has enabled Swisscom to strengthen its presence in Asia. WAN networks are computer networks with a broad geographical reach. Swisscom customers benefit from considerable improvements in local IP networking plus higher coverage levels in many Asian countries.

Working together more efficiently with the Collaborative Whiteboard

In partnership with Hitachi Solutions, Swisscom is developing a new product: the Collaborative Whiteboard. This innovation on the traditional digital whiteboard will make working together, both within and between companies, more efficient, flexible and creative. The Collaborative Whiteboard will be offered as a managed service and will open the door to a new kind of collaboration. The service will enable virtual meetings between different locations and allow participants to jointly discuss documents using the digital whiteboard and to comment on them and save them in their own network.



Many bank payments are transacted via Swisscom

Swisscom offers a wide range of services with which to operate complex IT infrastructures. It focuses on its areas of expertise: outsourcing, workplace, SAP and finance services. Swisscom offers specialist advice and implementation of IT solutions for the financial sector. Not everyone is aware that payments managed at home via online banking may be transacted via a Swisscom server. Swisscom operates standard industry-specific systems and individual solutions for approximately 190 banking and insurance institutions and processes bank payment transactions in an efficient, cost-effective and timely manner using state-of-the-art IT platforms.

Travelling with the SBB is like travelling with Swisscom

Swisscom IT Services has been on board as a partner of SBB with full responsibility since 2006. This includes operating around 1,000 servers on which over 300 applications run, ensuring that customers receive the latest timetable information and security announcements are made in good time. Swisscom IT Services also manages nearly 17,000 IT workstations installed at counters and offices across Switzerland.



Markus Brüttsch

works as an Information Security Officer in the Corporate Business division.

“We have the tools our customers need to solve their problems.”

I didn't apply to participate in the casting because I dream of going to Hollywood; I just wanted to be sure that the Corporate Business division is represented properly. After all, the spot is aimed at business customers, i.e. the customers who use our services. The amount of work that is needed to produce a 45-second ad is quite astonishing. The atmosphere on the set was really good – very professional and focussed on getting a good result. The shoots were pretty hard work – we had to carry the knife, which weighed 120 kg. The almost endless repetitions of the individual scenes meant that we had to concentrate hard and follow the director's instructions to the letter. Sometimes I completely forgot that I was standing in front of a camera.

In terms of what the ad says, it's fairly intellectual. It requires some thought to understand the message. The images came out very artistically and the overall result can't be criticised for being superficial. I like that. And the message that comes across is that we have the tools our customers need to solve their problems. We are just as capable of supporting a large company like a bank as we are a watchmaker operating as a one-man business. The spot is a contemporary way to address customers. We don't approach customers with a “we know what's good for you” attitude. Instead, we discuss what the customer needs and then we deploy the appropriate tools. We have a huge range of products; I see that in my own area. We can offer a normal network or an encrypted network and are able to integrate a variety of certificates. This individual approach is a key strength. For example, banks know that if they want to build up a network between their branches that meets the requirements of FINMA and the auditing companies, then Swisscom is the best place to come.



A wide range of commitments

As a major Swiss company, Swisscom has particular economic, social and ecological responsibilities. Sustainable management and long-term responsibility are firmly enshrined in Swisscom's corporate culture. Our guiding principle is that Swisscom has a responsibility towards the environment and society – now and in the future. This philosophy is not new: Swisscom was the first telecommunications company in the world to introduce systematic environmental management in line with ISO 14001. The "Internet for Schools" initiative was launched as early as 2003. According to a number of different ratings, Swisscom is one of the most sustainable telecoms companies in Europe today.



Filming one of Swisscom's TV spots:
The sun, as a symbol of renewable energy, is carried
by Swisscom employees across Switzerland.



Promoting sustainable living and working

Swisscom and the IT and telecommunications sector as a whole possess the means required to support customers in achieving a sustainable work and lifestyle. Swisscom is working both in the business and residential sectors to reduce the environmental impact of its own offerings and to expand its portfolio of services that help customers reduce their consumption of electricity and CO₂.

Wide-ranging green ICT portfolio for business customers

Swisscom offers business customers a wide-ranging portfolio of green ICT services that help save energy and CO₂. The non-profit organisation myclimate verifies the ecological added value of these services and certifies them in accordance with clear criteria. The green ICT portfolio includes virtual videoconferencing and energy-efficient data centres, as well as fleet management systems, for example. Green ICT services reduce customers' energy consumption and CO₂ emissions and are operated in the Swisscom network with electricity from 100% renewable energies. Green ICT services are enjoying increasing popularity, partly because their use enables cost savings. As a result, around 40 companies awarded a green ICT certificate by Swisscom achieved savings totalling 10,000 tonnes of CO₂ and 4.5 million kWh

of electricity by cutting back on business travel. In 2011, Swisscom generated around CHF 164 million in revenue from Green ICT services. This represents an increase of 10% compared with the previous year. The portfolio of services can be found at www.swisscom.com/myclimate.

Reducing CO₂ emissions with modern communication technologies

Modern technologies can make a significant contribution to reducing CO₂ emissions. For instance, a study by the Global e-Sustainability Initiative has shown that using modern information and communication technologies (ICT) could reduce global CO₂ emissions by around 15%. The use of ICT allows transport systems, electricity grids and buildings to be managed more efficiently than is currently the case, and the use of virtual mobility can replace travel. This gives ICT the potential to save five times as much CO₂ as it emits.

Controlling your own carbon footprint

Various possibilities are open to Swisscom customers wishing to behave in a more sustainable manner. For instance, by choosing online billing and returning devices that are no longer needed or no longer function to the Shop; any electronic devices from the Swisscom range can be returned to Swisscom for recycling. Anyone with a functioning mobile phone that is no longer required can also choose to

donate it for a good cause in the Swisscom Shops. As part of its “Swisscom Mobile Aid” programme, Swisscom sells used but still functioning mobile phones via a third-party company in countries with a demand for low-cost second-hand mobile equipment. All proceeds from the sales go to Swisscom’s social partners, Terre des Hommes Switzerland and Réalise.

Since 2011, visitors to Swisscom Shops have also been able to get a picture of how environmentally friendly the mobile devices on offer are. How much electricity does a device use? How much energy was used in its manufacture? Such information has until now not been readily available to customers. Swisscom is creating greater transparency and was the first provider in Switzerland to introduce eco-points, whereby all devices from the Swisscom range are assessed and compared. The assessment is carried out by the independent foundation myclimate on behalf of Swisscom. Further progress may be expected in 2012 through decreases in the standby consumption of set-top boxes and routers.

Careful use of limited resources

Swisscom endeavours to meet the highest standards when it comes to the use of resources. Swisscom is among Switzerland’s ten biggest purchasers of electricity. If Swisscom were not to implement any efficiency measures, the ever-increasing demands on our network would raise electricity consumption by 30%. Operation of energy-efficient infrastructures (buildings, IT, networks, vehicles) and utilisation of renewable energies therefore have high priority. One example of this is CO₂ emissions: Group-wide CO₂ emissions have been halved since 1990 and energy efficiency has been increased by 16% since 2004. And that’s not all – by 2015, we intend to increase efficiency by 20% in comparison to 2010 and reduce CO₂ emissions by 10%. An innovative example is the construction of a new business park in Ittigen, which will be one of the largest Minergie-P-ECO office buildings in Switzerland, relying on new technologies in the areas of heating, ventilation and air conditioning.

Swisscom covers 100% of its electricity requirements from domestic, renewable energy and is one of Switzerland’s largest purchasers of wind and solar power. Swisscom’s “100% renewable energies” electricity mix is checked and confirmed annually by the WWF. In this way Swisscom is making a

contribution towards the promotion of new forms of renewable energy.

Swisscom is also pursuing sustainable solutions in the field of mobility. The ability to provide first-class customer service depends on the seamless mobility of staff. An innovative fleet replacement strategy is expected to cut the average CO₂ emissions per vehicle to 130 g CO₂ per km by 2013 and to 110 g CO₂ per km by 2015. The proportion of alternative engines in the fleet will also be increased to 25% by 2015.

Mistral – energy efficiency through technological innovation

To further improve energy efficiency, Swisscom is also relying on its own innovations. Swisscom is increasing its energy efficiency through the “Mistral” energy-saving project, which, when complete, will result in energy savings equivalent to the energy consumption of 9,000 households. Mistral is a cooling technology that relies exclusively on fresh air all year round. It replaces the conventional energy-intensive cooling systems equipped with energy-intensive compressors. Moreover, it requires no harmful refrigerants. Mistral is in use in telephone exchanges and mobile base stations. A pilot project is currently under way to test whether this technology is also suitable for data centres.

Solar Impulse

Bertrand Piccard and André Borschberg want to fly round the world in 2014 in a plane using only the power of the sun. The aircraft will have the wingspan of an Airbus passenger jet – and the energy consumption of a Vespa. It will be a great adventure and a pioneering feat of aviation – but also an outstanding symbol for a world looking for alternatives to fossil energies.

Swisscom is a partner of Solar Impulse. Swisscom shares the vision of a world committed to the promotion of sustainable energies. By means of its proprietary communications solution, Swisscom is participating in this pioneering technological achievement. Swisscom will enable the connection of the solar plane with the ground, allowing Switzerland and the entire world to participate in the adventure.

Responsibility in the supply chain

Swisscom requires its suppliers to comply with high ecological and social standards. Swisscom's purchasing policy sets out the principles and procedures to be followed by the procurement organisations.

By signing the corporate responsibility contract annex, suppliers accept the requirements set out in the purchasing policy. In the media, we frequently hear stories about the poor working conditions prevailing among suppliers of well-known global providers. In order to exert more influence, Swisscom joined the Joint Audit Cooperation (JAC) in 2011; JAC is an initiative by seven European telecommunications companies working together to improve ecological and social standards among their suppliers.

Enabling telecommunications for all

A forward-looking and progressive ICT landscape benefits Switzerland as a business location, the Swiss education system and the entire population. However, technological developments only add value to society when their benefits are available to all. That is why Swisscom teaches young people how to handle the new possibilities offered by the virtual world discerningly and trains people of all ages who are wary of modern media. Ensuring access to our services for people with disabilities is also a key priority for Swisscom.

Protection through media competence

For children, both the Internet and mobile communications represent opportunities, but also dangers. Swisscom supports parents, children, young people and teachers by providing a wide range of information, resources and products. 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 information portal of www.bluewin.ch or in the video-on-demand range of Swisscom TV since 2009. Swisscom offers filter software for Internet access. Swisscom uses a range of measures to raise awareness among parents, teachers and young people of the potential dangers and risks posed by new media, such as inappropriate content and exercising care

with personal data. One example of this is the brochure "enter", which, along with a website, provides valuable information on how to handle new media. As part of the Swisscom Academy, Swisscom conducts courses at parents' evenings or within teachers' continuing education programmes. Swisscom also offers new courses for secondary school pupils. Teachers can select from among a variety of course modules, and the course itself is then conducted by Swisscom.

Courses for new users of digital media

The majority of the Swiss population did not grow up with mobile devices and the Internet. The technologies that have become an essential part of everyday life were in their infancy not so long ago. However, those who do not know how to use these technologies frequently find themselves at a disadvantage, which is why Swisscom offers courses for new users of digital media. Swisscom has been teaching customers how to use mobile devices and the Internet at its Help Points since 2005. Since then, 181,000 people have attended training courses on how to use modern communications media. With this campaign, Swisscom is playing an important role in steadily reducing the digital generation gap.

Internet access for more than 6,000 schools

Swisscom has been providing free Internet connections to all primary and secondary schools in Switzerland since 2001. At the end of 2011 almost all schools were connected to the cantonal education networks. Swisscom extended its "Internet for Schools" initiative to kindergartens in 2009 to meet the needs of cantonal education departments. As a result, more than 1.4 million school children are able to use the Internet free of charge thanks to Swisscom.



Easier access for people with disabilities

Swisscom is continuously improving barrier-free access to Swisscom services for people with disabilities. Along with training Swisscom Shop employees and ensuring that Swisscom buildings are wheelchair accessible, preparations to make Swisscom's online presence more barrier free were also a focus in 2011. Swisscom's online presence will be modified in the course of 2012 to fulfil the requirements of the Web Content Accessibility Guidelines.

Acting responsibly as an employer

As an employer offering contemporary, attractive employment conditions, Swisscom believes in fair employment terms, an active social partnership and an above-average commitment to vocational training. Employees also have the chance to get involved socially.

Attractive vocational-training opportunities

Across Switzerland, Swisscom is training a total of 886 future media specialists, IT technicians, salespeople, retail specialists and telematics technicians. Swisscom's new apprenticeship programme "Specialist in Customer Dialogue", which leads to a federal certificate of proficiency, was launched in 2011 in German-speaking Switzerland. Swisscom wants to support the personal development of its apprentices, and the training model, which is geared towards independence and personal accountability, helps achieve this goal. In this way, apprentices play an active role in devising their own training programmes. They apply within the company for different practical placements that allow them to learn from experienced employees and devise their training programmed to fit their individual priorities.

Strength through diversity

Men and women from almost 90 countries and all kinds of cultural backgrounds, of widely varying ages, different religions and different sexual orientations work at Swisscom.

This diversity encourages creativity and innovation. As an organisation, Swisscom aims to be open – to embrace diversity, otherness, and new, forward-looking thinking. Swisscom's goal is to raise the percentage of women in management roles from around 12% currently to 20% in the medium term.

Older customers served by older employees

Swisscom is addressing demographic trends in good time and is seeking innovative ways of allowing older employees to continue in active employment. Swisscom has set up "BestAge projects", which focus on meeting the needs of older employees and older customers. In call centres, Shops and Home Services older customers are served and advised by older employees, which has proven to be a successful approach. Another initiative is in-house consulting, where older managers offer advice on internal mandates, provide coaching and allow others to benefit from their experience through involvement in projects.

Corporate Volunteering

When Swisscom employees get involved with clearing shrubs in a nature reserve or looking after disabled people who are taking part in sporting activities, this is very likely to be within the framework of the Corporate Volunteering Programme. Corporate Volunteering is the term used to describe voluntary work carried out by employees for charitable causes. Swisscom encourages voluntary work and offers employees the opportunity to get involved in various environmental and social projects. In 2011, Swisscom employees did a total of around 300 days of voluntary work. The Corporate Volunteering Programme is set to be extended and developed in the coming years and will feature a wider variety of projects, particularly in the area of social issues. The goal is to double the number of volunteer days in 2012.

Bringing employees together

Fancy taking a course in cookery, learning to dance the salsa or doing a yoga course? Move! is a programme which supports activities in the fields of health, sport and culture. Employees can become Move! coaches and offer an activity themselves or take part in another activity. Activities are conducted during employee's free time. Move! aims to give staff the opportunity to meet their colleagues from other areas of the company and enjoy new, inspiring experiences. Every two years, employees have the opportunity to take part in the Swisscom Games. Employees have the opportunity to participate in a team or individual activity in the fields of sport, culture and social events. The Swisscom Games are always full of exciting and emotional moments, and they have become an integral part of Swisscom's corporate culture.

Awards

- > According to the Verdantix international telecoms rating, Swisscom is one of the five most sustainable telecoms companies in Europe.
 - > In the 2011 Bilanz-Ökoring, Swisscom ranked first among all SMI companies.
 - > Swisscom won the 2011 Swiss Ethical Award for its commitment to the promotion of media skills.
 - > Swisscom won the international 2011 Gigaton Award in Durban for its comprehensive commitment in the area of climate protection / green ICT (ICT category).
-



Christoph Graf

works in the "Network and IT" division in fault rectification.

"This is an area where we are also progressive and play a pioneering role."

I have been employed at Swisscom for 16 years already, ever since my apprenticeship, which I started during the Telecom PTT era. Even then I was a fan of the company – I liked to ride around on a Telecom PTT bicycle that I fixed up myself and for which I got teased a lot. I've worked in a number of different Swisscom departments in various parts of Switzerland. Wherever I was, I always had positive experiences. I can stand behind Swisscom 100%. That's what motivated me to participate in the casting. Plus, I've been involved in theatre for 11 years now, and I'm used to being on stage. I'm active in four different theatre groups, including Schlossspiele Thun and the Oberländer Märchenbühne. I've played in everything from Dürrenmatt to productions in Swiss dialect by Hans Stalder to Irish and English theatre. I like to play tough characters in particular; I seem to have a special talent for playing the "bad guy". Participating in the TV spot was one of the best experiences I've ever had. I'm used to having to follow the instructions of a director. Compared to the stage, however, you've got to be able to switch immediately from 0 to 100 when you're in front of the camera; in the theatre we have more time to prepare and warm up. I was so excited when I saw the spot for the first time. The images are really strong, "pure Switzerland", and the music is great too – you can't help but be moved by it. Before I took part in the spot I was unaware that Swisscom meets 100% of its energy needs through renewable sources. This is an area where we are also progressive and play a pioneering role. I suppose that like me our customers are not always fully aware of everything that Swisscom does for the environment. The environment is important to me personally. I don't drive a car, for instance. I'm also a member of Greenpeace. Although I'm not an activist myself, I am impressed by the efforts Greenpeace is making to curb whaling.

Commitment to snow sports

Mountains, snow, the homeland – for many Swiss people these all go hand in hand. So it comes as no surprise that winter sports are the most popular of Switzerland's national sports. Our customers value the same qualities in Swisscom that typify winter sports and the athletes involved in them: tradition and a sense of belonging, as well as dynamism, innovation and a readiness to tackle challenges, all of which make Swisscom the ideal partner for Swiss-Ski. It is natural that Swisscom should be committed to Switzerland. We show our commitment to winter sports by sponsoring top athletes and the next generation of sportsmen and sportswomen as well as supporting recreational sport.





Filming one of Swisscom's TV spots:
Swisscom supports Swiss winter athletes, both big and small, as they strive for top performance. Swisscom employees carry the cow bell, the symbol of winter sports fans, to the athletes at their hotel.



HOFF SWI

Switzerland is a country where snow and skiing loom large. More than three million Swiss people engage in winter sports, which are of great economic significance. There is enormous interest in winter sports: the Alpine World Cup events in Adelboden and Wengen are watched on television by a million people in Switzerland every year. As a Swiss company, Swisscom supports winter sports and has been the principal sponsor of Swiss-Ski since 2002.

From Norway to Switzerland

The rock drawing of a prehistoric skier on the Norwegian island of Rødøy is around 4,500 years old. The skis are likely to have been used primarily to make getting around faster. The roots of modern winter sports therefore derive from Norway. Only in modern times did winter sports develop into a recreational activity and competitive sport, with Switzerland playing a key role in the development of winter sports, particularly downhill racing. Ski pioneers founded the Swiss Skiing Association in Olten in 1904, and the first world championship took place in Mürren in 1931.

Supporting professional and recreational sport

Swisscom sponsors the Swiss national teams and all Swiss-Ski teams in the Alpine and Nordic skiing disciplines as well as snowboarding, freestyle and telemark. Swisscom wants to promote Swiss winter sports, whether it be top athletes and the next generation of sportsmen and sportswomen or recreational sport. For instance, Swisscom supports the organisation "Loipe Schweiz" and thereby contributes to the maintenance of the 5,500 kilometres of track comprising the cross-country network. The Swisscom Nordic Days allow beginners to try out cross-country skiing at 15 different locations in Switzerland. Through its contributions to the Swiss Paralympic Committee, Swisscom also supports winter athletes with physical disabilities. Swisscom is also the telecoms partner of the World Cup races in Adelboden and Wengen, where it ensures that telephone services function, data transmission works and that SMS and MMS messages reach their destinations.



Monika Lorenzen

works in Swisscom's vocational-training programme.

"The emotive images in the spot represent Switzerland and, therefore, our homeland."

"When we arrived, everything was still green and the cows were grazing in the meadows. It began to snow just as we started filming, and didn't stop until the next morning. It was really romantic: the falling snow, the lights, the Christmas tree on the village square. Filming was hard work, though. We had to meet up at 2 p.m. on the Wednesday afternoon and finished on Thursday morning at 6 a.m. Along with nine other colleagues, I had to carry the big bell, which took some strength! But it all went very well. They were a good crowd and we had a lot of fun together.

The spot portrays Swisscom's commitment to winter sports, of course. For me, this also resonates with the qualities outlined in our guiding principles: touching hearts, surprising customers, showing commitment. We also show our commitment to society in other areas. For instance, we employ over 800 trainees and have a vocational-training system that is unique in Switzerland. Our recruitment standards are very high and we attract young people with plenty of initiative. The emotive images in the spot also represent Switzerland and, therefore, our homeland. I spent a lot of time abroad between the ages of 20 and 25, and I could easily imagine spending part of my life abroad again at some point in the future. At the moment, I'm happy with how things are and love being back in Switzerland, with its multilingualism and different cultures who all rub along together. We have a good level of basic provision in Switzerland, even in remote locations, and I value the good career development opportunities and the reliability."

Key figures at a glance

In CHF million, except where indicated

		2011	2010	Change
Net revenue and results				
Net revenue		11,467	11,988	-4.3%
Operating income before depreciation and amortisation (EBITDA)		4,584	4,599	-0.3%
EBITDA as % of net revenue	%	40.0	38.4	
Operating income (EBIT) before impairment losses on goodwill		2,681	2,627	2.1%
Operating income (EBIT)		1,126	2,627	-57.1%
Net income		694	1,788	-61.2%
Share of net income attributable to equity holders of Swisscom Ltd		683	1,813	-62.3%
Earnings per share	CHF	13.19	35.00	-62.3%
Balance sheet and cash flows				
Equity at end of year		4,296	5,350	-19.7%
Equity ratio at end of year	%	22.1	25.4	
Operating free cash flow		2,068	2,512	-17.7%
Capital expenditure in property, plant and equipment and other intangible assets		2,095	1,903	10.1%
Net debt at end of period		8,309	8,848	-6.1%
Employees				
Full-time equivalent employees at end of year	number	20,061	19,547	2.6%
Average number of full-time equivalent employees	number	19,832	19,464	1.9%
Operational data				
Telephone access lines PSTN/ISDN in Switzerland	in thousand	3,120	3,233	-3.5%
Unbundled fixed access lines in Switzerland	in thousand	306	255	20.0%
Telephone PSTN/ISDN and unbundled subscribers	in thousand	3,426	3,488	-1.8%
Broadband access lines retail in Switzerland	in thousand	1,661	1,584	4.9%
Mobile access lines in Switzerland	in thousand	6,049	5,828	3.8%
Swisscom TV access lines in Switzerland	in thousand	608	421	44.4%
Broadband access lines in Italy	in thousand	1,595 ¹	1,724	-7.5%
Swisscom share				
Par value per share at end of year	CHF	1.00	1.00	-
Number of issued shares at end of period	in million of shares	51.802	51.802	-
Closing price at end of period	CHF	355.90	411.10	-13.4%
Market capitalisation at end of year		18,436	21,296	-13.4%
Dividend per share	CHF	22.00 ²	21.00	4.8%
Ratio payout/earnings per share	%	166.85	60.00	
Environmental key figures in Switzerland				
Energy consumption	GWh	507	510	-0.6%
Carbon dioxide CO ₂	tons	23,242	25,422	-8.6%
Average carbon dioxide CO ₂ emission vehicle fleet	grams per km	140.0	150.0	-6.7%
Rate of return handy recycling	%	8.9	6.0	

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.

² In accordance with the proposal of the Board of Directors to the Annual General Meeting.

Key dates

15 February
2012

Annual Press Conference 2012
Zurich

4 April
2012

Annual General Meeting of Shareholders
Hallenstadion, Zurich

10 April
2012

Ex-dividend date

13 April
2012

Dividend payment

2 May
2012

2012 First-Quarter Report

8 August
2012

2012 Half-Year Report

8 November
2012

2012 Third-Quarter Report

in February
2013

Annual Press Conference 2013
Zurich



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