Financial Statements

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

Consolidated financial statements

Financial statements of Swisscom Ltd

Consolidated income statement

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

Consolidated statement of comprehensive income

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

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

Consolidated balance sheet

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

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

Consolidated statement of cash flows

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

Consolidated statement of changes in equity

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

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

Notes to the consolidated financial statements

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

1 General information

The Swisscom Group (hereinafter referred to as “Swisscom”) provides telecommunication services and is active primarily in Switzerland and Italy. A more detailed description of Swisscom’s business activities is to be found in Notes 3.16 and 6. The consolidated financial statements as of and for the year ended 31 December 2015 comprise Swisscom Ltd, the parent company, and its subsidiaries. A table of the Group subsidiaries is set out in Note 40. Swisscom Ltd is a limited-liability company incorporated in Switzerland under a private statute and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenaustrasse 6, 3048 Worblaufen. Swisscom Ltd is listed on the SIX Swiss Exchange. As of 31 December 2015, the Swiss Confederation (“Confederation”), as majority shareholder, held 51.0% of the voting rights and issued capital of Swisscom Ltd. The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom has approved the issuance of these consolidated financial statements on 3 February 2016. The consolidated financial statements must be approved at the Annual General Meeting of Shareholders of Swisscom Ltd to be held on 6 April 2016.

2 Basis of preparation

The consolidated financial statements of Swisscom have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the provisions of Swiss law. The reporting period covers twelve months. The consolidated financial statements are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts are stated in millions of Swiss francs. The balance sheet is classified according to maturities. Assets and liabilities due within one year are classified as current. The income statement is classified based upon the nature of the income/expense. The consolidated financial statements have been prepared on the historical cost basis, unless a standard or interpretation prescribes another measurement basis for a particular caption in the consolidated financial statements.
Certain financial-statement captions are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined on the basis of stock exchange quotations or by using recognised valuation models, such as the discounting of anticipated future cash flows. Unless otherwise indicated in the notes to the consolidated financial statements, fair values correspond approximately to the carrying amounts reported in the balance sheet at the time of preparing the financial statements.

3 Summary of significant accounting policies

3.1 Consolidation

Subsidiaries

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

Investments in associates

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

3.2 Foreign currency translation

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

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

3.3 Cash and cash equivalents

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

3.4 Trade and other receivables

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

3.5 Other financial assets

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

Financial assets at fair value through profit or loss

Financial assets valued at fair value through profit or loss are either held for trading purposes or are classified as such upon initial recognition. They are measured at their fair value. Any gains or losses resulting from subsequent re-measurement are taken to income.

Loans and receivables

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

Financial assets held to maturity

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

Available-for-sale financial assets

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

3.6 Inventories

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

3.7 Property, plant and equipment

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

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

[1] Technical installations.

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

3.8 Business combinations and goodwill

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

3.9 Other intangible assets

Research and development costs

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

Other intangible assets

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

Useful lives of other intangible assets

In determining useful estimated lives, the anticipated use by the company, the expected wear and tear, technological developments as well as empirical values with comparable assets are taken into account. Systematic amortisation is computed using the straight-line method based on the following estimated useful lives:

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

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

3.10 Non-current assets held for sale

A non-current asset or a disposal group is classified as being held for sale if its carrying amount will be recovered mainly as a result of a sales transaction and not through continuing use. This condition is only considered as being met if the non-current asset or disposal group is immediately available for sale in its present condition and disposal is highly likely. In this respect, it must be assumed that the disposal process to which management has committed itself will be completed within one year from the date of such reclassification. Non-current assets or disposal groups that are held for sale are reported in the balance sheet separately under current assets and liabilities. The assets or disposal groups are valued at the lower of their carrying amount and fair value less costs of disposal. Impairment losses resulting from the initial classification are recognised in the income statement. Assets classified as held for sale and disposal groups are no longer depreciated or amortised.

3.11 Impairment losses

Impairment of financial assets

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

Impairment of goodwill

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

Impairment of property, plant and equipment and other intangible assets

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

3.12 Leases

Finance leases

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

Operating leases

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

3.13 Financial liabilities

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

3.14 Trade and other payables

Trade and other payables are recorded at amortised cost.

3.15 Provisions

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

Provisions for termination benefits

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

Provisions for dismantling and restoration costs

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

3.16 Segmentation and revenue recognition

General

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

Services by segments

Residential Customers

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

Small and Medium-Sized Enterprises

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

Enterprise Customers

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

Wholesale

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

IT, Network & Innovation

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

Fastweb

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

Other Operating Segments

Other Operating Segments mainly comprises the business area Participations. In addition, the segment includes the areas of Health and Connected Living. Participations consist principally of the subsidiaries Billag Ltd, cablex Ltd, and Swisscom Broadcast Ltd. Billag Ltd collects radio and TV license fees on behalf of the Swiss Confederation. cablex Ltd operates in the field of construction and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunication. Swisscom Broadcast Ltd is the leading provider in Switzerland of radio services, of cross-platform services for customers in the media field and of securitised radio transmissions.

Revenue generated from services

Combined offerings

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

Mobile

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

Revenue from roaming services with other telecommunication service providers is recorded gross. Value-added services as well as text or multimedia news and the sale of mobile handsets are recognised as revenue at the time the service is provided.
If a mobile handset is sold as a part of a bundled offering with a subscription, it is treated as a multi-component transaction. The price of the entire multi-component transaction is spread on a pro-rata basis over the various component parts on the basis of the respective individual sales prices thereof. In this respect, the revenue to be recognised for each individual component is limited by that part of the total consideration for the multi-component transaction whose payment is not dependent on the provision of additional services.

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

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

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

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

3.17 Subscriber acquisition and loyalty-programme costs

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

3.18 Post-employment benefits

Defined benefit obligations and the related pension expense are determined on an actuarial basis using the projected unit credit method. This reflects, inter alia, the number of years of service completed by employees through the date of measurement and the assumptions made concerning future salary growth. The latest actuarial valuation was undertaken as at 31 December 2015. Current pension entitlements are charged to income in the period in which they arise. Actuarial gains and losses are recorded in full under other comprehensive income in the reporting period in which they arise.

3.19 Share-based payments

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

3.20 Income taxes

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

3.21 Derivative financial instruments

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

3.22 New and amended standards and interpretations

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

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

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

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

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

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

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

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

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

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

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

5 Business combinations and disposal of subsidiaries

Business combinations in 2015

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

Business combination search.ch Ltd

In May 2014, Swisscom and Tamedia agreed to contribute their companies Swisscom Directories Ltd (local.ch) and search.ch Ltd to a jointly-held subsidiary company. Swisscom holds 69% of the capital of the joint company, with Tamedia holding the remaining 31%. With the on-line directory platform local.ch and the Local Guide telephone directories, Swisscom Directories Ltd is a leading company in Switzerland in the field of advertising and the operation of directories. Search.ch Ltd (search.ch) is a leading Swiss search and information service. With the merger of Swisscom Directories Ltd (local.ch) and search.ch Ltd, there is born a comprehensive Swiss directory and information platform for private individuals, companies and public administrations as well as an important advertising partner for small and medium-size companies.
The transaction was consummated at the beginning of July 2015 following consent to the transaction given by the Federal Competition Commission (Weko). Swisscom granted Tamedia a put option and Tamedia granted Swisscom a call option for the 31% share of Tamedia which both can be exercised as from the third year following the consummation of the transaction. The fair value of the put option amounts to CHF 222 million. This amount was recognised as a financial liability in the third quarter of 2015. The fair value of the put option corresponds to the purchase cost for the acquisition of search.ch Ltd. The allocation of the acquisition costs over the net assets of search.ch may be analysed as follows:

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

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

Other business combinations in 2015

In 2015, Swisscom acquired the entire share capital of two companies, the Veltigroup group and H-Net Ltd. Furthermore, Swisscom acquired in 2015 51% of the share capital of Mila Ltd. With the acquisition of Veltigroup, Swisscom consolidates its ICT portfolio for business clients and its presence in Western Switzerland. Veltigroup is a leading ICT service provider and offers companies a complete ICT service offering from infrastructure through to end-customer services and solutions. Through the purchase of H-Net Ltd, Swisscom strengthens its portfolio in the field of healthcare. H-Net Ltd is one of the leading companies in the fields of administrative and medical data exchange in healthcare. H-Net Ltd was merged with Swisscom Health Ltd following acquisition. The purchase of Mila Ltd is designed to make a contribution to all three strategic market thrusts of Swisscom (client orientation, innovation, operational excellence).
In addition, Swisscom acquired the Avanti business from HP Switzerland. Avanti is an operations control system and back-office for emergency response organisations. Furthermore, Swisscom acquired the Swiss business of World Television (Switzerland) Limited. Through this, Swisscom Event & Media Solutions could further expand its existing offering in the field of video and streaming services thereby becoming the Swiss market leader in the field of on-line video communications and live-streaming for corporate customers.
The other subsidiaries and business areas acquired in 2015 are regarded as immaterial business combinations and are thus presented on an aggregate basis. The aggregate allocation of acquisition costs over the net assets acquired may be analysed as follows:

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

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

Business combinations in 2014

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

Public takeover of PubliGroupe SA

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

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

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

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

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

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

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

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

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

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

[1] Actuarial gains from defined benefit pension plans of CHF 32 million less income taxes of CHF 3 million.

Disposal of subsidiaries in 2015

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

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

6 Segment information

Changes in segment reporting

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

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

General disclosures

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organisational and management structure used within the Group as well as internal financial reporting to the Chief Operating Decision Maker. The segment information disclosed is in line with that reported in the internal reporting system. Reporting is divided into the segments "Residential Customers", "Small and Medium-Sized Enterprises", "Enterprise Customers", "Wholesale" and "IT, Network & Innovation" which are regrouped under Swisscom Switzerland, as well as "Fastweb" and "Other Operating Segments". In addition, "Group Headquarters", which includes unallocated costs, are reported separately in segment reporting. Further segment disclosures are set out in Note 3.16.

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

Segment expense includes ordinary employer contributions as retirement-benefit expense. The difference between the ordinary employer contributions and the retirement-benefit expense as provided for under IAS 19 is reported in the column "Eliminations". In 2015, an amount of CHF 60 million is included in the column "Eliminations" as a reconciling item to retirement-benefit expense in accordance with IAS 19 (prior year: no expense).

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

Segment information 2014 and 2015

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

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

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

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

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

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

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

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

Disclosures by geographical regions

Swisscom's operations are conducted mainly in Switzerland where it provides a comprehensive range of telecommunication services. Business activities abroad mainly relate to Fastweb which primarily provides fixed-network and IP-based products in Italy. Net revenue and assets are allocated to regions. Net revenue and assets are allocated according to the registered office of the related Group company.

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

Disclosures by products and services

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

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

Significant customers

Swisscom has a large number of customers. No individual customer accounted for more than 10% of segment revenue in 2014 and 2015.

7 Net revenue

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

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

8 Goods and services purchased

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

9 Personnel expense

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

Termination benefit programmes

Swisscom supports employees involved in downsizing through a social plan. Depending on the relevant social plan as well as age and length of service, certain employees affected by downsizing may transfer to the employment company Worklink Ltd. The employment company Worklink Ltd hires out participating employees to third parties on a temporary basis. For further information see Note 28.

10 Post-employment benefits

Defined benefit plans

Swisscom maintains several pension plans for employees in Switzerland and Italy. Expenses of defined benefit plans totalled CHF 346 million in 2015 (prior year: CHF 268 million). Of this amount, CHF 320 million (prior year: CHF 244 million) was recorded as personnel expense and CHF 26 million (prior year: CHF 24 million) as finance expense.

comPlan

The majority of Swisscom's employees in Switzerland are insured for the risks of old age, death and disability by the independent pension plan, comPlan. The benefits of comPlan exceed the minimum laid down in the Federal Law on Occupational Retirement, Survivors' and Disability Insurance (BVG). The ordinary employer contributions encompass risk contributions of 3.35% and contributions varying with age of 5–13% of the insured salary which are credited to the individual retirement savings accounts. The standard retirement age is 65. Employees qualify for early retirement at the earliest on their 58th birthday, whereby the rate of conversion is reduced in line with the longer expected duration of pension payments. Furthermore, employees may choose to take their entire pension or part thereof in the form of a capital payment. The amount of the pension paid results from the conversion rate which is applied to the accumulated savings of the individuals concerned in the case of retirement. For individuals retiring at the age of 65, the rate of conversion is 6.11%. The accumulated savings result from employee and employer contributions which are paid into the individual savings account of each insured person as well as the interest accruing on the accumulated savings. The interest rate to be applied to the accumulated pension savings is defined annually by the Foundation Council of comPlan. comPlan has the legal form of a foundation. The Foundation Council, which is constituted by an equal number of representatives of the employer and employees, is responsible for the management of the Foundation. The duties of the Foundation Council are laid down in the BVG and the Pension Fund Rules. In accordance with BVG, a temporary funding shortfall is permitted. The Foundation Council must take appropriate measures in order to solve the shortfall within a reasonable timeframe. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant shortfall in accordance with BVG arises. In such cases, the risk is split between the employer and employees and the employer is not legally obligated to assume more than 50% of the additional contributions. As of 31 December 2015, the funding ratio as defined by BVG of comPlan was approx. 108% (prior year: 111%). The Investment Commission is the central management, coordination and monitoring body for the management of the pension plan assets. The pension plan assets are administered using mandated, independent financial service providers. Monitoring is supported by an external investment controller. The Foundation Council determines the investment strategy and tactical bandwidths within the framework of the legal provisions. Within its terms of reference, the Investment Commission may undertake the asset allocation.

Other pension plans

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

Pension cost

Defined-benefit pension plans

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

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

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

Defined-contribution pension plans

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

Status of pension plans

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

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

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

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

Breakdown of pension plan assets

comPlan

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

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

The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments in both developed and emerging markets. The interest rate duration of interest-bearing assets is 5.77 years (prior year: 5.71 years) and the average rating of these assets is A–. Within the overall portfolio, all foreign currency positions are hedged against the Swiss franc following a currency strategy to the extent necessary to meet a pre-determined ratio of 94% (CHF or CHF-hedged). The unquoted and therefore rather illiquid investments make up 27.5% of total plan assets. Following this investment strategy, comPlan anticipates a target value for the value fluctuation reserve of 18.1% (basis: 2016 financial year).

Other pension plans

The other plans pursue the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments.

Additional information on plan assets

As of 31 December 2015, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 5 million (prior year: CHF 7 million). The effective return on plan assets in 2015 amounted to CHF –42 million (prior year: CHF 519 million).
In 2016, Swisscom expects to make payments to the pension funds for ordinary employee contributions totalling CHF 250 million (excluding payments for early retirements and changes to the pension plan).

Actuarial assumptions

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

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

Sensitivity analysis comPlan

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

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

The sensitivity analysis takes into consideration the movement in pension-fund obligations as well as current-service costs in adjusting the actuarial assumptions by half a percentage point and half a year, respectively. In the process, only one of the assumptions is adjusted each time, the other parameters remain unchanged. In the sensitivity analysis in view of a negative movement in pension increases, no change was made as the reduction in pension benefits is not possible.

11 Share-based payments

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

Management Incentive Plan

The Management Incentive Plan is an equity-share plan for members of the Group Executive Board and Board of Directors as well as for other members of management. The members of the Board of Directors are paid a portion of their emoluments in Swisscom shares. Members of the Group Executive Board receive 25% of their variable performance-related salary component in the form of Swisscom shares. Group Executive Board members may increase this share up to a maximum of 50% at their discretion. The shares are allocated based on their tax values. The level of the earnings-related compensation and the number of shares allocated are determined in the subsequent

business year once the financial statements are finalised. The shares allocated to the members of the Group Executive Board are based on the variable earnings-related compensation of the prior year as reported. The tax value per share amounts to CHF 473 (prior year: CHF 449). The shares are subject to a retention period of three years from the grant date. The shares are vested immediately upon delivery.
In 2015, the allocation and cost of share-based payments to the members of the Board of Directors and of the Group Executive Board may be analysed as follows:

Allocation 2015	Number of allocated shares	Market price in CHF	Expense in CHF million
Members of the Board of Directors	1,302	563	0.7
Members of the Group Executive Board [1]	1,268	563	0.7
Other Management members	1,309	563	0.7
Total 2015	**3,879**	**563**	**2.1**

[1] Allocation for the financial year 2014.

In 2014, the allocation and cost of share-based payments to the members of the Board of Directors and of the Group Executive Board may be analysed as follows:

Allocation 2014	Number of allocated shares	Market price in CHF	Expense in CHF million
Members of the Board of Directors	1,374	535	0.7
Members of the Group Executive Board [1]	1,599	535	0.9
Other Management members	1,760	535	0.9
Total 2014	**4,733**	**535**	**2.5**

[1] Allocation for the financial year 2013.

Other share-based payments plans

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

12 Other operating expense

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

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

13 Capitalised costs of self-constructed assets and other income

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

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

14 Financial income and financial expense

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

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

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

15 Income taxes

Income tax expense

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

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

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

Analysis of income taxes

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

In CHF million	2015	2014
Income before income taxes in Switzerland	1,692	2,206
Income before income taxes foreign countries	71	(118)
Income before income taxes	**1,763**	**2,088**
Applicable income tax rate	20.9%	20.9%
Income tax expense at the applicable income tax rate	**368**	**436**
Reconciliation to reported income tax expense		
Effect of share of results of associates	(5)	(5)
Effect of tax rate changes on deferred taxes	19	(21)
Effect of use of different income tax rates in Switzerland	2	(2)
Effect of use of different income tax rates in foreign countries	(7)	(10)
Effect of non-recognition of tax loss carry-forwards	7	9
Effect of recognition and offset of tax loss carry-forwards not recognised in prior years	–	(2)
Effect of exclusively tax-deductible expenses and income	(23)	(16)
Effect of non-taxable income and non-deductible expenses	36	(12)
Effect of income tax of prior periods	4	5
Total income tax expense	**401**	**382**
Effective income tax rate	22.7%	18.3%

Income tax assets and liabilities

Current income tax assets and liabilities

Movements in current-tax assets and liabilities are to be analysed as follows:

In CHF million	2015	2014
Current income tax liabilities at 1 January, net	**155**	**162**
Recognised in income statement	295	378
Recognised in other comprehensive income	23	1
Income taxes paid in Switzerland	(345)	(377)
Income taxes paid in foreign countries	(5)	(9)
Additions from business combinations	2	–
Current income tax liabilities at 31 December, net	**125**	**155**
Thereof current income tax assets	(21)	(17)
Thereof current income tax liabilities	146	172
Thereof Switzerland	129	159
Thereof foreign countries	(4)	(4)

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are to be analysed as follows:

		31.12.2015			31.12.2014 restated	
In CHF million	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Property, plant and equipment	41	(523)	(482)	47	(467)	(420)
Intangible assets	–	(335)	(335)	–	(341)	(341)
Provisions	86	(59)	27	79	(4)	75
Defined benefit obligations	582	–	582	508	–	508
Tax loss carry-forwards	171	–	171	218	–	218
Other	192	(91)	101	98	(92)	6
Total tax assets (tax liabilities)	**1,072**	**(1,008)**	**64**	**950**	**(904)**	**46**
Thereof deferred tax assets			354			417
Thereof deferred tax liabilities			(290)			(371)
Thereof Switzerland			(121)			(91)
Thereof foreign countries			185			137

In 2015, deferred tax assets and liabilities have changed as follows:

In CHF million	Balance at 31.12.2014, restated	Recognised in income statement	Recognised in other compre-hensive income	Change in scope of consoli-dation	Foreign currency translation adjustments	Balance at 31.12.2015
Property, plant and equipment	(420)	(59)	–	–	(3)	(482)
Intangible assets	(341)	17	–	(20)	9	(335)
Provisions	75	(45)	–	(2)	(1)	27
Defined benefit obligations	508	(9)	80	4	(1)	582
Tax loss carry-forwards	218	(31)	–	3	(19)	171
Other	6	21	76	1	(3)	101
Total	**46**	**(106)**	**156**	**(14)**	**(18)**	**64**

In 2014, deferred tax assets and liabilities have changed as follows:

In CHF million	Balance at 31.12.2013	Recognised in income statement	Recognised in other comprehensive income	Change in scope of consolidation	Foreign currency translation adjustments	Balance at 31.12.2014, restated
Property, plant and equipment	(301)	(119)	–	–	–	(420)
Intangible assets	(364)	35	–	(12)	–	(341)
Provisions	10	65	–	–	–	75
Defined benefit obligations	268	–	239	1	–	508
Tax loss carry-forwards	203	16	–	2	(3)	218
Other	7	(1)	12	(12)	–	6
Total	**(177)**	**(4)**	**251**	**(21)**	**(3)**	**46**

Deferred tax assets relating to unused tax loss carry-forwards and to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. At as 31 December 2015, various subsidiaries recognised deferred tax assets on tax loss carry-forwards and other temporary differences totalling CHF 1,072 million (prior year: CHF 950 million) since it was foreseeable that tax loss carry-forwards could be offset against future taxable profits. Of this amount, tax loss carry-forwards and other temporary differences of CHF 202 million (prior year: CHF 237 million) were recognised by subsidiaries reporting a loss in 2014 or 2015. On the basis of the approved business plans of these subsidiaries, Swisscom considers it probable that the tax loss carry-forwards and temporary differences can be offset against future taxable profits.
Tax loss carry-forwards for which no deferred tax assets were recognised, expire as follows:

In CHF million	31.12.2015	31.12.2014
Expiring within 1 year	–	1
Expiring within 1 to 2 years	1	2
Expiring within 2 to 3 years	8	2
Expiring within 3 to 4 years	12	8
Expiring within 4 to 5 years	15	14
Expiring within 5 to 6 years	22	29
Expiring within 6 to 7 years	26	23
No expiration	32	115
Total unrecognised tax loss carry-forwards	**116**	**194**
Thereof Switzerland	84	62
Thereof foreign countries	32	132

Deferred tax liabilities of CHF 6 million (prior year: none) were recognised on the undistributed earnings of subsidiaries as of 31 December 2015. Temporary differences of subsidiaries and associates, on which no deferred income taxes were recognised as of 31 December 2015, amounted to CHF 931 million (prior year: CHF 779 million).

16 Earnings per share

Undiluted earnings per share are calculated by dividing net income attributable to shareholders of Swisscom Ltd by the weighted average number of shares outstanding. Treasury shares are not counted in the number of outstanding shares.

In CHF million, except where indicated	2015	2014
Share of net income attributable to equity holders of Swisscom Ltd	1,361	1,694
Weighted average number of shares outstanding (number)	51,801,558	51,801,267
Basic and diluted earnings per share (in CHF)	**26.27**	**32.70**

Swisscom has no share options and share subscription rights outstanding which could lead to a dilution of earnings per share.

17 Cash and cash equivalents

In CHF million	31.12.2015	31.12.2014
Cash and sight deposits	324	302
Total cash and cash equivalents	**324**	**302**

As in the prior year, Swisscom had no current term deposits outstanding in 2015.

18 Trade and other receivables

In CHF million	31.12.2015	31.12.2014
Billed revenue	2,334	2,413
Accrued revenue	246	236
Allowances	(184)	(195)
Total trade receivables, net	**2,396**	**2,454**
Accruals from international roaming traffic	89	60
Receivables from debt-collection activities	9	26
Receivables from construction contracts	25	33
Other receivables	21	28
Allowances	(5)	(15)
Total other receivables, net	**139**	**132**
Total trade and other receivables	**2,535**	**2,586**

Trade receivables are the object of active credit risk management which focuses on the assessment of country risks, on-going review of credit risks and the monitoring of the receivables. Credit-risk concentrations in Swisscom are minimised due to the large number of customers. Risks are monitored by country. The adequacy of valuation allowances is assessed on the basis of numerous factors. Amongst these are ageing analyses of receivables, the current solvency of customers and experience from the past.

The geographical distribution of trade receivables is as follows:

In CHF million	31.12.2015	31.12.2014
Switzerland	1,836	1,759
Italy	715	854
Other countries	29	36
Total billed and accrued revenue	**2,580**	**2,649**
Switzerland	(58)	(51)
Italy	(125)	(140)
Other countries	(1)	(4)
Total allowance for receivables	**(184)**	**(195)**
Total trade receivables, net	**2,396**	**2,454**

Analysis of maturity and allowances

The due dates of trade receivables as well as the related allowances are to be analysed as follows:

	31.12.2015		31.12.2014	
In CHF million	Gross amount	Allowance	Gross amount	Allowance
Not overdue	1,855	(7)	1,858	(8)
Past due up to 3 months	364	(5)	421	(6)
Past due 4 to 6 months	73	(5)	78	(6)
Past due 7 to 12 months	94	(28)	93	(31)
Past due over 1 year	194	(139)	199	(144)
Total	**2,580**	**(184)**	**2,649**	**(195)**

The table below presents the changes in allowances for trade and other receivables.

In CHF million	Trade receivables	Other receivables
Balance at 31 December 2013	**164**	**16**
Additions to allowances	93	1
Write-off of irrecoverable receivables subject to allowance	(60)	–
Release of unused allowances	(6)	(2)
Additions from business combinations	7	–
Foreign currency translation adjustments	(3)	–
Balance at 31 December 2014	**195**	**15**
Additions to allowances	84	1
Write-off of irrecoverable receivables subject to allowance	(78)	–
Release of unused allowances	(1)	(1)
Additions from business combinations	1	–
Disposals from sales of subsidiaries	(3)	(10)
Foreign currency translation adjustments	(14)	–
Balance at 31 December 2015	**184**	**5**

Construction contracts

Information on uncompleted construction contracts as of the balance sheet date is as follows:

In CHF million	2015	2014
Contract costs of current projects	88	104
Recognised gains less losses	(10)	6
Contract costs including share of gains and losses, net	**78**	**110**
Less progress billings	(62)	(79)
Total net receivables from construction contracts	**16**	**31**
Thereof receivables from construction contracts	25	33
Thereof liabilities from construction contracts	(9)	(2)
Advance payments received	52	72

In 2015, construction contracts generated net revenues of CHF 262 million (prior year: CHF 293 million).

19 Other financial assets

In CHF million	Loans and receivables	Available-for-sale	Valued at fair value	Total
Balance at 31 December 2013	**305**	**42**	**6**	**353**
Additions	24	8	–	32
Disposals	(159)	(15)	–	(174)
Additions from business combinations	20	15	–	35
Change in fair value	–	–	5	5
Foreign currency translation adjustments	15	–	–	15
Balance at 31 December 2014, restated	**205**	**50**	**11**	**266**
Additions	21	17	61	99
Disposals	(33)	(19)	–	(52)
Additions from business combinations	4	–	–	4
Change in fair value	–	4	3	7
Foreign currency translation adjustments	(1)	–	–	(1)
Balance at 31 December 2015	**196**	**52**	**75**	**323**
Thereof other current financial assets	20	2	63	85
Thereof other non-current financial assets	176	50	12	238

Loans and receivables

As of 31 December 2015, term deposits totalled CHF 8 million (prior year: CHF 11 million). Financial assets as of 31 December 2015 in the amount of CHF 149 million were not freely available. These assets serve as security for bank loans.

Available-for-sale financial assets

Available-for-sale financial assets primarily include financial investments in equity instruments. Shares not quoted on stock exchanges are recorded at cost if their fair value cannot be reliably determined. As of 31 December 2015, the carrying amount of investments in shares recorded at cost totalled CHF 37 million (prior year: CHF 27 million).

Financial assets measured at fair value

Financial assets measured at fair value through profit and loss include quoted debt securities with a carrying amount of CHF 61 million (prior year: none) and a remaining term of less than one year. These financial assets were not freely available since the assets serve as collateral to secure off-balance liabilities arising from cross-border lease agreements. See Note 33. As at 31 December 2015, derivative financial instruments with a positive market value of CHF 14 million were recognised (prior year: CHF 11 million). Derivative financial instruments include forward foreign currency transactions, foreign currency swaps and interest rate swaps. See Note 33.

20 Inventories

In CHF million	31.12.2015	31.12.2014
Raw material and supplies	5	6
Customer premises equipment and merchandise	170	141
Advance payments made	3	5
Finished and semi-finished goods	–	5
Total inventories, gross	**178**	**157**
Allowances on inventories	(4)	(8)
Total inventories, net	**174**	**149**

In 2015, inventory-related costs amounting to CHF 1,143 million (prior year: CHF 1,145 million) were recorded under the cost of goods and services purchased.

21 Other non-financial assets

In CHF million	31.12.2015	31.12.2014
Prepaid expenses	159	164
Value-added taxes receivable	6	7
Advance payments made	47	55
Other assets	26	26
Total other current non-financial assets	**238**	**252**
Prepaid expenses	10	10
Other assets	70	47
Total other non-current non-financial assets	**80**	**57**

22 Non-current assets held for sale

On 31 December 2015, there were no non-current assets held for sale. As of 31 December 2014, the carrying amount of non-current assets held for sale amounted to CHF 109 million. Included therein are real-estate properties and investments in associates of the segment Other Operating Segments with a carrying amount of CHF 99 million and CHF 10 million, respectively. As part of the takeover of PubliGroupe in 2014, one real-estate property and investments in associates were acquired which were due to be disposed of within the following twelve months. The associates relate to various shareholdings in media companies in Switzerland. For further information – see Note 5.

In 2015, real-estate property and investments in associates with a carrying amount of CHF 109 million were disposed of. In the prior year, real-estate property and investments in associates were sold for a price of CHF 205 million. In 2014, a gain on sale of real-estate property of CHF 33 million arose which was recognised in the income statement as other income.

23 Property, plant and equipment

In CHF million	Land, buildings and leasehold improvements	Technical installations	Other assets	Advances made and assets under construction	Total
Acquisition costs					
Balance at 31 December 2013	**2,832**	**25,235**	**3,403**	**771**	**32,241**
Additions	9	1,453	237	290	1,989
Disposals	(68)	(656)	(225)	–	(949)
Additions from business combinations	2	–	2	–	4
Adjustment to dismantlement and restoration costs	–	123	34	–	157
Reclassifications to non-current assets held for sale	(102)	–	–	–	(102)
Other reclassifications	114	175	170	(471)	(12)
Foreign currency translation adjustments	(2)	(82)	–	–	(84)
Balance at 31 December 2014	**2,785**	**26,248**	**3,621**	**590**	**33,244**
Additions	4	1,495	252	146	1,897
Disposals	(110)	(1,266)	(144)	–	(1,520)
Additions from business combinations	–	–	1	–	1
Disposals from sales of subsidiaries	–	(35)	(4)	–	(39)
Adjustment to dismantlement and restoration costs	–	(51)	(4)	–	(55)
Other reclassifications	92	124	116	(372)	(40)
Foreign currency translation adjustments	(9)	(386)	–	(2)	(397)
Balance at 31 December 2015	**2,762**	**26,129**	**3,838**	**362**	**33,091**
Accumulated depreciation/amortisation and impairment losses					
Balance at 31 December 2013	**2,028**	**18,778**	**2,279**	**–**	**23,085**
Depreciation and amortisation	31	1,072	287	–	1,390
Disposals	(41)	(656)	(212)	–	(909)
Other reclassifications	1	(1)	(2)	–	(2)
Foreign currency translation adjustments	–	(40)	–	–	(40)
Balance at 31 December 2014	**2,019**	**19,153**	**2,352**	**–**	**23,524**
Depreciation and amortisation	38	1,061	310	–	1,409
Disposals	(59)	(1,266)	(136)	–	(1,461)
Disposals from sales of subsidiaries	–	(34)	(3)	–	(37)
Other reclassifications	–	(7)	–	–	(7)
Foreign currency translation adjustments	(2)	(191)	1	–	(192)
Balance at 31 December 2015	**1,996**	**18,716**	**2,524**	**–**	**23,236**
Net carrying amount					
Net carrying amount at 31 December 2015	**766**	**7,413**	**1,314**	**362**	**9,855**
Net carrying amount at 31 December 2014	**766**	**7,095**	**1,269**	**590**	**9,720**
Net carrying amount at 31 December 2013	**804**	**6,457**	**1,124**	**771**	**9,156**

In 2015, borrowing costs amounting to CHF 8 million were capitalised (prior year: CHF 12 million). The average interest rate used for the capitalisation of borrowing costs was 1.9% (prior year: 2.2%). As of 31 December 2015, the carrying amount of property, plant and equipment acquired under finance leases amounted to CHF 406 million (prior year: CHF 438 million). See Note 28 for further information on the adjustments to the costs of dismantling and restoration.

24 Goodwill and other intangible assets

In CHF million	Goodwill	Internally generated software	Purchased software	Customer relationships	Brands	Other intangible assets	Total
Acquisition costs							
Balance at 31 December 2013	**6,407**	**1,137**	**1,813**	**1,137**	**278**	**962**	**11,734**
Additions	–	156	195	–	–	156	507
Disposals	(9)	(80)	(68)	(3)	–	(30)	(190)
Reclassifications	–	97	58	–	–	(143)	12
Additions from business combinations	188	1	4	21	–	44	258
Foreign currency translation adjustments	(46)	(4)	(22)	(22)	(6)	(3)	(103)
Balance at 31 December 2014, restated	**6,540**	**1,307**	**1,980**	**1,133**	**272**	**986**	**12,218**
Additions	–	176	166	–	–	205	547
Disposals	–	(75)	(53)	–	–	(35)	(163)
Reclassifications	–	95	21	–	–	(76)	40
Additions from business combinations	255	–	32	50	4	16	357
Disposals from sales of subsidiaries	(13)	(18)	(2)	(1)	–	(15)	(49)
Foreign currency translation adjustments	(217)	(14)	(109)	(100)	(26)	(15)	(481)
Balance at 31 December 2015	**6,565**	**1,471**	**2,035**	**1,082**	**250**	**1,066**	**12,469**
Accumulated amortisation and impairment losses							
Balance at 31 December 2013	**1,598**	**696**	**1,343**	**817**	**179**	**239**	**4,872**
Amortisation	–	223	239	109	27	102	700
Impairment losses	–	–	1	–	–	–	1
Disposals	(9)	(79)	(68)	(3)	–	(29)	(188)
Reclassifications	–	–	–	–	–	2	2
Foreign currency translation adjustments	(32)	(2)	(16)	(18)	(3)	(2)	(73)
Balance at 31 December 2014	**1,557**	**838**	**1,499**	**905**	**203**	**312**	**5,314**
Amortisation	–	217	228	93	25	111	674
Impairment losses	–	2	–	–	–	1	3
Disposals	–	(75)	(47)	–	–	(34)	(156)
Disposals from sales of subsidiaries	–	(18)	(2)	(1)	–	(14)	(35)
Reclassifications	–	16	(9)	–	–	–	7
Foreign currency translation adjustments	(153)	(10)	(83)	(85)	(20)	(9)	(360)
Balance at 31 December 2015	**1,404**	**970**	**1,586**	**912**	**208**	**367**	**5,447**
Net carrying amount							
Net carrying amount at 31 December 2015	**5,161**	**501**	**449**	**170**	**42**	**699**	**7,022**
Net carrying amount at 31 December 2014	**4,983**	**469**	**481**	**228**	**69**	**674**	**6,904**
Net carrying amount at 31 December 2013	**4,809**	**441**	**470**	**320**	**99**	**723**	**6,862**

As of 31 December 2015, other intangible assets included advance payments made and uncompleted development projects of CHF 154 million (prior year: CHF 128 million). Apart from goodwill, there are no intangible assets with indefinite useful lives. As of 31 December 2015, accumulated impairment losses on goodwill of CHF 1,404 million were recognised. The increase in goodwill of CHF 255 million in 2015 results primarily from the takeover of search.ch. See Note 5 for further information. Goodwill arising from investments in associates is classified as part of the investments in associates.

Goodwill impairment testing

Goodwill is allocated to the cash-generating units of Swisscom according to their business activities. Goodwill acquired in a business combination is allocated to each cash-generating unit expected to benefit from the synergies of the business combination. The allocation of the goodwill to the cash-generating units is as follows:

In CHF million	31.12.2015	31.12.2014 restated
Residential Customers Swisscom Switzerland	2,620	2,629
Small and Medium-Sized Enterprises Swisscom Switzerland	662	655
Enterprise Customers Swisscom Switzerland	907	734
Fastweb	533	592
Other cash-generating units	439	373
Total goodwill	**5,161**	**4,983**

Goodwill was tested for impairment in the fourth quarter of 2015 after the business planning had been completed. The recoverable amount of a cash-generating unit is determined based on its value in use, using the discounted cash flow (DCF) method. The projected free cash flows are estimated on the basis of the business plans approved by management in general covering a three-year period. A planning horizon of five years is used for the impairment test of Fastweb. For the free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalising the normalised cash flows using a constant growth rate. The growth rates applied are those customarily assumed for the country or market. The key assumptions underlying the calculations are as follows:

	2015			2014		
Cash-generating unit	WACC pre-tax	WACC post-tax	Long-term growth rate	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	6.57%	5.20%	0%	6.51%	5.13%	0%
Small and Medium-Sized Enterprises Swisscom Switzerland	6.61%	5.20%	0%	6.54%	5.13%	0%
Enterprise Customers Swisscom Switzerland	6.61%	5.20%	0%	6.56%	5.13%	0%
Fastweb	10.30%	7.50%	1.0%	10.60%	7.70%	1.0%
Other cash-generating units	7,1–12,1%	6,3–9,5%	0–1.0%	6.6–8.2%	5.1–6.4%	0–1.0%

The application of pre- or post-tax discount rates (WACC pre-tax and WACC post-tax) results in the same value in use. The discount rates used take into consideration the specific risks relating to the cash-generating unit being considered. The projected cash flows and management assumptions are corroborated by external sources of information. The approach taken and assumptions made for the impairment tests of Swisscom Switzerland and Fastweb are presented below.

Residential Customers, Small- and Medium-Sized Enterprises and Enterprise Customers – Swisscom Switzerland

The impairment test of goodwill is conducted on these cash-generating units. The recoverable amount was determined based on the value in use using the discounted cash flow (DCF) method. The forecast of future cash flows is based upon the three-year business plan approved by management. For the free cash flows extending beyond the detailed planning period, a long-term growth of zero was assumed, as in the prior year. As of the measurement date, the recoverable amount at all cash-generating units, based on their value in use, was higher than the carrying amount relevant for the impairment test. Swisscom is of the opinion that none of the anticipated changes in key assumptions which can be reasonably expected would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

Fastweb

The impairment test of Fastweb was undertaken in the fourth quarter of 2015. The recoverable amount was determined on the basis of the value in use using the discounted cash flow method. The basis for projecting future cash flows is the business plan prepared by management for the five years 2016 to 2020. This plan takes into consideration historical empirical values and management's expectations regarding the future development of the relevant market. The impairment test took into account the following assumptions:

Assumptions	Description
Average annual growth in revenue during the detailed planning period	In the business plan, an average annual growth in revenue of 4.2% is expected for the detailed planning period up to 2020. In the prior year, an average annual growth in revenue of 3.3% had been expected for the detailed planning period 2015–2019.
Projected EBITDA margin (EBITDA as % of net revenue)	The projected EBITDA margin in 2020 is 40%. In the previous year, for the year 2019 an EBITDA margin of 41% was assumed.
Projected capital expenditure rate (capex as % of net revenue)	In the period up to 2020, it is anticipated that capital expenditure in relation to net revenue will be normalised to 23%. Last year, a rate of investment of 18% was anticipated for the year 2019.
Post-tax discount rate	The post-tax discount rate is 7.50% (prior year: 7.70%) and the related pre-tax discount rate is 10.30% (prior year: 10.60%). The discount rate is calculated using the Capital Asset Pricing Model (CAPM). This latter comprises the weighted cost of own equity and of external borrowing costs. The risk-free interest rate on which the discount rate is based on, is derived from ten-year bonds issued by the German government with a zero interest rate, but at least an interest rate of 3%. A premium for the country risk of Italy is then added.
Long-term growth rate	The normalised free cash flows in the terminal value were capitalised with a constant growth rate of 1.0% as in the prior year. The growth rate employed corresponds to that customarily used for the country and market based upon experience values as well as future projections and which are corroborated by external information sources. The growth rate employed does not exceed the long-term average growth rate customarily used for the country and market.

As of the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the net carrying amount by EUR 750 million (CHF 818 million).
The following changes in material assumptions lead to a situation where the value in use equates to the carrying amount:

	Assumptions	Sensitivity
Average annual growth rate through 2020 with the same EBITDA margin as in the business plan	4.2%	2.0%
Projected EBITDA margin 2020	40%	36%
Capital expenditure rate 2020	23%	27%
Post-tax discount rate	7.50%	9.20%
Long-term growth rate	1.0%	–1.2%

25 Investments in associates

In CHF million	2015	2014 restated
Balance at 1 January	**182**	**153**
Additions	50	3
Disposals	–	(108)
Additions from business combinations. See Note 5.	–	59
Gain on successive company acquisitions	–	82
Dividends	(22)	(30)
Share of net results	23	26
Foreign currency translation adjustments	(10)	(3)
Balance at 31 December	**223**	**182**

The participations which are reflected in the consolidated financial statements of Swisscom using the equity method of accounting are set out in Note 40. Dividend income of CHF 22 million (prior year: CHF 30 million) is attributable mainly to the dividends distributed by LTV Yellow Pages and Belgacom International Carrier Services.
Additions in 2015 include investments by Swisscom in finnova Bankware Ltd (banking software), Siroop Ltd (online marketplace), Ringier Publishing Ltd (advertisement marketing) and Managed Mobility Ltd (fleet management and fleet optimisation).
In September 2014, Swisscom acquired PubliGroupe SA in a public takeover which, at the time of the transaction, owned 51% of the share capital of LTV Yellow Pages Ltd. The remaining 49% of LTV Yellow Pages Ltd were held by Swisscom. As a result of the takeover, Swisscom assumed full control over LTV Yellow Pages Ltd which previously was reflected in Swisscom's consolidated financial statements as an associate. At the time of the takeover, the carrying amount of the 49% shareholding in LTV Yellow Pages Ltd in Swisscom's consolidated financial statements amounted to CHF 26 million. The difference of CHF 82 million between the carrying amount and the fair value of the 49% shareholding was recognised as other financial income in the fourth quarter of 2014. The fair value of the 49% shareholding amounted to CHF 108 million and is recognised as a part of the acquisition costs of the PubliGroupe takeover. See Notes 5 and 14 for further information. In addition, a 47.5% shareholding in Zanox Ltd (Zanox) was acquired as part of the takeover of PubliGroupe which is accounted for in accordance with the equity method in the consolidated financial statements of Swisscom. Zanox is the European market leader in performance advertising.
The following table provides selected summarised key financial data of the associates:

In CHF million	2015	2014
Income statement		
Net revenue	2,575	2,347
Operating expense	(2,418)	(2,223)
Operating income	157	124
Net income	**104**	**122**
Balance sheet at 31 December		
Current assets	1,073	1,131
Non-current assets	933	935
Current liabilities	(964)	(1,087)
Non-current liabilities	(429)	(316)
Equity	**613**	**663**

26 Financial liabilities

In CHF million	31.12.2015	31.12.2014
Bank loans	746	960
Debenture bonds	45	547
Private placements	350	–
Finance lease liabilities	16	14
Other interest-bearing financial liabilities	2	2
Derivative financial instruments. See Note 33.	6	49
Other non-interest-bearing financial liabilities	30	8
Total current financial liabilities	**1,195**	**1,580**
Bank loans	610	921
Debenture bonds	5,385	4,557
Private placements	581	925
Finance lease liabilities	510	547
Other interest-bearing financial liabilities	13	3
Derivative financial instruments. See Note 33.	55	49
Other non-interest-bearing financial liabilities	244	22
Total non-current financial liabilities	**7,398**	**7,024**
Total financial liabilities	**8,593**	**8,604**

Bank loans and credit limit

			Carrying amount	
In CHF million	Due within	Par value in CHF	31.12.2015	31.12.2014
Bank loans in CHF variable interest-bearing	2015	530	–	530
Bank loans in EUR variable interest-bearing	2015	421	–	421
Bank loans in CHF variable interest-bearing	2016	300	–	300
Bank loans in CHF variable interest-bearing	2016	130	130	–
Bank loans in EUR variable interest-bearing	2016	542	542	–
Bank loans in CHF variable interest-bearing	2017	130	–	130
Bank loans in EUR variable interest-bearing	2020	325	326	361
Bank loans in EUR fixed interest-bearing	2020	217	219	–
Bank loans in USD fixed interest-bearing	2028	98	139	139
Total bank loans			**1,356**	**1,881**

During 2015, Swisscom took up short-term bank loans in CHF and EUR on a weekly and monthly basis. As of 31 December 2015, there were short-term bank loans totalling CHF 130 million and EUR 500 million outstanding (prior year: CHF 530 million).

In 2015, Swisscom had a bank loan of EUR 200 million (CHF 217 million) with a term of 5 years. This interest-bearing bank loan was transformed into variable-rate CHF financing through a foreign currency swap and was designated as a fair value hedge for hedge accounting. In 2015, Swisscom repaid bank loans amounting to CHF 960 million and EUR 350 million. As of 31 December 2015, no transaction costs were recognised in connection with the bank loans, as in the prior year. The effective interest rate of the CHF denominated bank loans –0.2%, in EUR –0.3% and in USD 4.62%. A bank loan of EUR 300 million was designated for hedge accounting for net investments in foreign shareholdings. The bank loans may become due for immediate repayment if the shareholding of the Swiss Confederation in the capital of Swisscom falls below one third or if another shareholder can exercise control over Swisscom.

Swisscom has a confirmed bank line of credit amounting to CHF 100 million maturing in 2016 and a further confirmed line of credit of CHF 2,000 million from banks maturing in 2020. As of 31 December 2015, these lines of credit had not been drawn down, as in the prior year.

Debenture bonds

In CHF million	Maturity years	Par value in CHF	Nominal interest rate	Carrying amount 31.12.2015	Carrying amount 31.12.2014
Debenture bond in CHF	2008–2015	500	4.00%	–	506
Debenture bond in CHF	2007–2017	600	3.75%	610	609
Debenture bond in CHF	2009–2018	1,425	3.25%	1,432	1,430
Debenture bond in EUR	2013–2020	542	2.00%	539	597
Debenture bond in EUR	2014–2021	542	1.88%	540	597
Debenture bond in CHF	2010–2022	500	2.63%	499	498
Debenture bond in CHF	2015–2023	250	0.25%	251	–
Debenture bond in CHF	2012–2024	500	1.75%	504	503
Debenture bond in EUR	2015–2025	542	1.75%	540	–
Debenture bond in CHF	2014–2026	200	1.50%	202	202
Debenture bond in CHF	2014–2029	160	1.50%	161	162
Debenture bond in CHF	2015–2035	150	1.00%	152	–
Total debenture bonds				**5,430**	**5,104**

In April 2015, Swisscom issued two debenture bonds with an aggregate nominal value of CHF 400 million: one issue for CHF 250 million with a coupon rate of 0.25% and maturing in 2023 and a second issue for CHF 150 million bearing interest of 1.0% maturing in 2035. These issues were taken up to repay outstanding debts. In addition, interest rate swaps were entered into for a nominal amount of CHF 225 million to hedge the interest rate risk on financing received which were designated as fair value hedges for hedge-accounting purposes. In September 2015, Swisscom took up a debenture bond for EUR 500 (CHF 542 million) with a coupon rate of 1.75% and with final maturities in 2025. The debenture bond was issued by Lunar Funding V, an independent Irish multi-purpose vehicle. It is secured by a loan note from Lunar Funding V to Swisscom in the same amount. The bond so taken up was used to refinance existing finance debts. In addition, the EUR 500 million interest-bearing financing was swapped into variable-rate financing in CHF and designated as a fair value hedge for hedge-accounting purposes. Already in the prior year, Swisscom had taken up a debenture bond totalling EUR 500 million (CHF 601 million) through the intermediary of Lunar Funding V which was designated for hedge accounting of net investments in foreign shareholdings. In 2015, Swisscom repaid a debenture bond of CHF 500 million upon maturity. In the prior year, Swisscom repaid a debenture bond of CHF 1,250 million upon maturity. In addition, in the prior year, a premature partial redemption of the debenture bond maturing in 2018 and totalling CHF 75 million (nominal value) was made. The difference of CHF 8 million between the redemption amount of CHF 83 million and the carrying amount of the redeemed bonds of CHF 75 million was recognised as other financial expense.

Private placements

In CHF million	Due within	Par value in CHF	Carrying amount 31.12.2015	Carrying amount 31.12.2014
Private placements in CHF domestic	2016	350	350	350
Private placements in CHF abroad	2017	250	247	245
Private placements in CHF abroad	2018	72	69	68
Private placements in CHF abroad	2019	278	265	262
Total private placements			**931**	**925**

The interest rate risk of private placements maturing in 2016 is hedged with interest rate swaps and was designated as cash flow hedges for hedge-accounting purposes. The duration of the hedges is identical to the duration of the hedged private placements. As in the prior year, no transaction costs were recorded as of 31 December 2015 in connection with the private placements. The effective interest rate on the private placements is 1.7%. The Swiss-franc-denominated private placements of CHF 581 million maturing in 2017 through 2019 may become due for immediate repayment if the shareholding of the Swiss Confederation in the capital of Swisscom falls below 35% or if another shareholder can exercise control over Swisscom. The investors in the remaining private placements are entitled to resell their investments to Swisscom should the Swiss Confederation permanently give up its majority shareholding in Swisscom.

Liabilities arising from finance leases

Swisscom concluded two agreements in 2001 for the sale of real estate. At the same time, Swisscom entered into long-term agreements to lease back part of the real estate sold which, in part, qualify as finance leases. The gain realised on real estate classified as finance leases was deferred. As of 31 December 2015, the deferred gains totalled CHF 163 million (prior year: CHF 167 million). The deferred gains are released to other income over the term of the individual leases. The effective interest rate of the finance lease liabilities was 5.84%.
The minimum lease payments and financial liabilities relating to these leaseback agreements are set out in the following table:

In CHF million	31.12.2015	31.12.2014
Within 1 year	46	48
Within 1 to 2 years	40	47
Within 2 to 3 years	39	42
Within 3 to 4 years	36	41
Within 4 to 5 years	35	38
After 5 years	1,060	1,240
Total future minimum lease payments	**1,256**	**1,456**
Less future financing costs	(730)	(895)
Total finance lease liabilities	**526**	**561**
Thereof current finance lease liabilities	16	14
Thereof non-current finance lease liabilities	510	547

The future payments of the liabilities arising under finance leases, expressed in terms of their present value, as of 31 December 2014 and 2015 were as follows:

In CHF million	31.12.2015	31.12.2014
Within 1 year	16	14
Within 1 to 2 years	11	14
Within 2 to 3 years	10	9
Within 3 to 4 years	7	9
Within 4 to 5 years	6	6
After 5 years	476	509
Total present value of finance lease liabilities	**526**	**561**

In addition, operating lease arrangements exist for miscellaneous real estate with terms of 1 to 25 years. See Note 35. In 2015, conditional rental payments of CHF 3 million were recorded as rental expense (prior year: CHF 3 million).

27 Trade and other payables

In CHF million	31.12.2015	31.12.2014
Supplier invoices received	1,058	1,102
Goods and services received not yet invoiced	428	449
Total trade payables	**1,486**	**1,551**
Accruals from international roaming traffic	23	48
Liabilities from debt-collection activities	23	28
Liabilities from construction contracts	9	2
Miscellaneous payables	227	247
Total other payables	**282**	**325**
Total trade and other payables	**1,768**	**1,876**

28 Provisions

In CHF million	Termination benefits	Dismantlement and restoration costs	Regulatory and competition law procedures	Other	Total
Balance at 31 December 2013	**45**	**481**	**118**	**155**	**799**
Additions to provisions	8	162	3	44	217
Present-value adjustments	–	13	2	1	16
Release of unused provisions	(9)	(6)	–	(30)	(45)
Use of provisions	(16)	(4)	(17)	(24)	(61)
Additions from business combinations	1	–	–	1	2
Foreign currency translation adjustments	–	–	–	(1)	(1)
Balance at 31 December 2014	**29**	**646**	**106**	**146**	**927**
Additions to provisions	70	–	208	23	301
Present-value adjustments	–	11	–	2	13
Release of unused provisions	(3)	(62)	–	(7)	(72)
Use of provisions	(8)	(2)	(4)	(14)	(28)
Additions from business combinations	–	–	–	2	2
Disposals from sales of subsidiaries	–	–	–	(2)	(2)
Foreign currency translation adjustments	–	–	–	(2)	(2)
Balance at 31 December 2015	**88**	**593**	**310**	**148**	**1,139**
Thereof current provisions	86	–	186	79	351
Thereof non-current provisions	2	593	124	69	788

Provisions for employee reduction programme

In the fourth quarter of 2015, Swisscom recognised a provision for personnel reduction costs of CHF 70 million. Swisscom operates in a market characterized by intense competition and fierce pricing dynamics. For this reason, Swisscom has set itself the goal of reducing its cost basis. This is to be achieved through organisational changes, job reductions, optimization of processes and the migration to All-IP technology. In addition, business change will impact the pattern of employment opportunities of Swisscom: job positions in traditional businesses will in part be lost and will be replaced by positions created in new, innovative areas. Swisscom assumes that some 700 employees in Switzerland will participate in the social plan as a result of the reductions primarily in support areas. The associated costs are estimated at CHF 70 million.

Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of telecommunication installations and transmitter stations and the restoration to its original state of the land owned by third parties on which they are located. The provisions are computed by reference to estimates of future anticipated dismantling costs and are discounted using an average interest rate of 1.48% (prior year: 1.69%). The effect of using different interest rates amounted to CHF 24 million (prior year: CHF 151 million). In 2015, as a result of reassessments, adjustments totalling CHF 55 million (prior year: CHF 157 million) were recorded under property, plant and equipment and CHF 7 million (prior year: CHF 1 million) which was recognised in the income statement. The non-current portion of the provisions is expected to be settled after 2020.
The level of provisions is determined to a substantial degree by the level of estimated future dismantling and restoration costs as well as the timing of the dismantling. An increase of estimated costs by 10% would result in an increase of CHF 56 million in the amount of the provision. A shift in the timing of dismantling by a further ten years would lead to a reduction in the provision by CHF 60 million.

Provisions for regulatory and competition-law proceedings

In accordance with the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other telecommunication service providers in Switzerland. In previous years, several telecommunication service providers demanded from the Federal Communications Commission (ComCom) a reduction in the prices charged to them by Swisscom. In addition, the Federal Competition Commission (Weko) is conducting various proceedings against Swisscom. In accordance with the Federal Anti-Trust Law, Weko may impose penalties against Swisscom in the event that the competition law has been violated. The level of the penalty is dependent on the duration and severity as well as the nature of the violation. It may be as much as 10% of the revenues which have been generated by the company in question in the last three business years on the relevant markets in Switzerland. In the event that a legally enforceable finding as to market abuse is reached, claims under civil law may be asserted against Swisscom. Any applicable payments will depend upon the date on which legally-binding decrees and decisions are issued. With its decision of 5 November 2009, Weko levied a penalty totalling CHF 220 million on Swisscom for abuse of a market-dominant position in the case of ADSL services during the period through to the end of 2007. Swisscom appealed on 7 December 2009 against the ruling to the Federal Administrative Court. On 6 October 2015, the Federal Administrative Court in principle upheld the Weko decision and reduced the penalty imposed on Swisscom by Weko from CHF 220 million to CHF 186 million. Following the decision, Swisscom recognised provision of CHF 186 million in the third quarter of 2015. Swisscom does not consider the penalty to be justified and has lodged an appeal to the Federal Court. At the beginning of 2016, Swisscom paid the penalty of CHF 186 million imposed by Weko.
On the basis of legal opinions, provisions for regulatory and anti-trust-law proceedings were recognised and released in the third and fourth quarters of 2015, whereby these are presented on a net basis on procedural grounds.

Other provisions

Other provisions include provisions for environmental, contractual and tax risks. The non-current portion of the provisions will most likely be settled between 2016 and 2018.

29 Contingent liabilities and contingent assets

Regulatory and competition-law proceedings

In accordance with the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other telecommunication service providers in Switzerland. In previous years, several telecommunication service providers demanded from the Federal Communications Commission (ComCom) a reduction in the prices charged to them by Swisscom. In addition, the Federal Competition Commission (Weko) is conducting various proceedings against Swisscom. In accordance with the Federal Anti-Trust Law, Weko may impose penalties against Swisscom in the event that the competition law has been violated. The amount of the penalty is dependent on the duration and severity as well as the nature of the violation. It may be as much as 10% of the revenues which have been generated by the company in question in the last three business years on the relevant markets in Switzerland. In the event of a legally enforceable finding as to market abuse, claims under civil law may be asserted against Swisscom.

In April 2013, Weko initiated an investigation against Swisscom in the area of live-sport transmissions on pay TV. On 23 July 2015, the Secretariat of Weko delivered to Swisscom a proposed ruling. It proposes therein to the Federal Competition Commission to impose a penalty against Swisscom of CHF 143 million for unlawful behaviour in the marketing of sport contents over pay TV. In the opinion of the Weko Secretariat, Swisscom and Teleclub have a market-dominant position in particular in the provision of national football and ice hockey transmissions and must therefore offer all TV platforms in Switzerland – insofar as technically possible – an equivalent Teleclub sports portfolio on non-discriminatory conditions. Swisscom rejects the accusations and is of the opinion that it has conducted itself in a lawful manner in the marketing of sports contents. From a current perspective, Swisscom considers the levying of sanctions in the court of last appeal as not probable and thus has established no provision in the consolidated financial statements as of and for the year ended 31 December 2015.

On 19 November 2015, in its investigation as to the invitation to tender for the corporate network of the Swiss Post in 2008, Weko came to the conclusion that Swisscom has a market-dominant position on the market for broadband access for large corporate clients. In this tender, Swisscom is accused of having set the wholesale prices charged to competitors at such a high level that the latter could not compete with the end-customer offer made by Swisscom. As a result of this unlawful conduct, Weko ruled a direct penalty of CHF 8 million. Swisscom has challenged the ruling in the Federal Administrative Court. From a current perspective, Swisscom considers the levying of sanctions in the court of last appeal as not probable and thus has established no provision in the consolidated financial statements as of and for the year ended 31 December 2015.

Contingent assets from litigation

The Italian competition authorities (AGCOM) condemned Telecom Italia for unlawful conduct as a market-dominant company and imposed a penalty of EUR 104 million. Related to the same matter, Fastweb has claimed damages from Telecom Italia and initiated legal action in connection therewith. In the fourth quarter of 2015, Fastweb and Telecom Italia concluded an out-of-court settlement. The latter also encompasses additional contested receivables of both parties from each other. In the fourth quarter of 2015, Telecom Italia made a payment of EUR 15 million. As at 31 December 2015, there resulted from the settlement for Fastweb an uncertain receivable to which conditions are attached. Disclosure of the amount of the receivable is waived for contractual and procedural reasons.

30 Other non-financial liabilities

In CHF million	31.12.2015	31.12.2014
Deferred revenue	436	407
Value-added taxes payable	97	120
Advance payments received	32	54
Other current non-financial liabilities	128	137
Total other current non-financial liabilities	**693**	**718**
Deferred gain on sale and leaseback of real estate	163	167
Other non-current non-financial liabilities	196	208
Total other non-current non-financial liabilities	**359**	**375**

Deferred revenues mainly comprise deferred payments for prepaid cards and prepaid subscription fees. The deferred gain from the sale and leaseback of real estate is released to the income statement under other income over the lease term. See Notes 13 and 26.

31 Additional information concerning equity

Share capital and treasury shares

As of 31 December 2015, the total number of shares issued remained unchanged from the prior year at 51,801,943 shares. All shares have a par value of CHF 1 and are fully paid up. Each share entitles the holder to one vote. Shares with an aggregate market value of CHF 2 million (prior year: CHF 5 million) were allocated for share-based compensation plans. See Note 11.
The holdings of treasury shares have changed as follows:

	Number	Average price in CHF	In CHF million
Balance at 31 December 2013	**802**	**435**	**–**
Purchases on the market	8,600	525	5
Allocated for share-based compensation	(9,253)	535	(5)
Balance at 31 December 2014	**149**	**525**	**–**
Purchases on the market	3,730	567	2
Allocated for share-based compensation	(3,879)	563	(2)
Balance at 31 December 2015	**–**	**–**	**–**

As of 31 December 2015, Swisscom had no treasury shares in its portfolio (prior year: 149 shares). As a result, the balance of shares outstanding as at 31 December 2015 totalled 51,801,943 (prior year: 51,801,794 shares).

Other reserves

In CHF million	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Total other reserves
Balance at 31 December 2013	**(19)**	**7**	**(1,559)**	**(1,571)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	(46)	(46)
Change in fair value	10	–	–	10
Gains and losses transferred to income statement	5	–	–	5
Income tax expense	(3)	–	15	12
Balance at 31 December 2014	**(7)**	**7**	**(1,590)**	**(1,590)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	(194)	(194)
Change in fair value	(12)	4	–	(8)
Gains and losses transferred to income statement	11	(6)	–	5
Income tax expense	2	–	51	53
Balance at 31 December 2015	**(6)**	**5**	**(1,733)**	**(1,734)**

The hedging reserves comprise the changes in the fair value of hedging instruments which were designated as cash flow hedges. Changes in the fair value of available-for-sale financial assets are recognised in the fair value reserves. Reserves arising from foreign currency translation adjustments comprise the differences from the foreign currency translation of the financial statements of subsidiaries and associates from the functional currency into Swiss francs. On 31 December 2015, cumulative foreign currency translation losses before taxes at Fastweb amounted to CHF 2,143 million (prior year: CHF 1,960 million).

Other comprehensive income

Other comprehensive income in 2015 may be analysed as follows:

2015, in CHF million	Retained earnings	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Equity holders of Swisscom	Non-controlling interests	Total other comprehensive income
Actuarial gains and losses from defined benefit pension plans	(393)	–	–	–	(393)		(393)
Income tax expense	80	–	–	–	80	–	80
Items that will not be reclassified to income statement, net of tax	**(313)**	**–**	**–**	**–**	**(313)**	**–**	**(313)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	(194)	(194)	–	(194)
Change in fair value	–	(12)	4	–	(8)	–	(8)
Gains and losses transferred to income statement	–	11	(6)	–	5	–	5
Income tax expense	–	2	–	51	53	–	53
Items that are or may be reclassified subsequently to income statement, net of tax	**–**	**1**	**(2)**	**(143)**	**(144)**	**–**	**(144)**
Total other comprehensive income	**(313)**	**1**	**(2)**	**(143)**	**(457)**	**–**	**(457)**

Other comprehensive income in 2014 may be analysed as follows:

2014, in million CHF, restated	Retained earnings	Hedging reserve	Fair value reserve	Foreign currency translation adjustments	Equity holders of Swisscom	Non-controlling interests	Total other comprehensive income
Actuarial gains and losses from defined benefit pension plans	(1,127)	–	–	–	(1,127)	(1)	(1,128)
Income tax expense	238	–	–	–	238	–	238
Items that will not be reclassified to income statement, net of tax	**(889)**	**–**	**–**	**–**	**(889)**	**(1)**	**(890)**
Foreign currency translation adjustments of foreign subsidiaries	–	–	–	(46)	(46)	–	(46)
Change in fair value	–	10	–	–	10	–	10
Gains and losses transferred to income statement	–	5	–	–	5	–	5
Income tax expense	–	(3)	–	15	12	–	12
Items that are or may be reclassified subsequently to income statement, net of tax	**–**	**12**	**–**	**(31)**	**(19)**	**–**	**(19)**
Total other comprehensive income	**(889)**	**12**	**–**	**(31)**	**(908)**	**(1)**	**(909)**

Share of equity attributable to non-controlling interests

In 2015, transactions with non-controlling interests totalling CHF 2 million (prior year: CHF 157 million) were recognised. As part of the takeover of PubliGroupe SA in September 2014, the outstanding 49% of the non-controlling shareholdings in Swisscom Directories Ltd and local.ch Ltd were acquired for CHF 162 million. The difference between the purchase price of CHF 162 million and the carrying amount of the non-controlling interests of CHF 26 million was recognised as an equity transaction with no effect on income. For further information see Note 5.

32 Dividends

Distributable reserves are determined on the basis of equity as reported in the statutory financial statements of the parent company, Swisscom Ltd, and not on the equity as reported in the consolidated financial statements. At 31 December 2015, Swisscom Ltd's distributable reserves amounted to CHF 4,652 million. The dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of Shareholders. The dividend proposed for the 2015 financial year is not recorded as a liability in these consolidated financial statements. Treasury shares are not entitled to a dividend.
Swisscom paid the following dividends in 2014 and 2015:

In CHF million, except where indicated	2015	2014
Number of registered shares eligible for dividend (in millions of shares)	51.802	51.802
Ordinary dividend per share (in CHF)	22.00	22.00
Dividends paid	**1,140**	**1,140**

The dividend payments for the 2013 and 2014 financial years were funded entirely from retained earnings. The Board of Directors proposes to the Annual Shareholders' Meeting of Swisscom Ltd to be held on 6 April 2016 the payment of an ordinary dividend of CHF 22 per share in respect of the 2015 financial year. This equates to a total dividend distribution of CHF 1,140 million. The dividend payment is foreseen on 12 April 2016.

33 Financial risk management and supplementary disclosures regarding financial instruments

Swisscom is exposed to various financial risks resulting from its operating and financial activities. The most significant financial risks arise from changes in foreign exchange rates, interest rates as well as creditworthiness and the ability of counterparties to meet their payment obligations. A further risk arises from the ability to ensure adequate liquidity. Financial risk management is conducted in accordance with established guidelines with the aim of limiting potential adverse effects on the financial situation of Swisscom. These guidelines contain, in particular, risk limits for approved financial instruments and specify risk monitoring processes. Financial risk management, with the exception of the management of credit risks arising from business operations, is handled by the central Treasury Department. It identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The implemented risk management process also calls for routine reports on the development of financial risks.

Market price risks

Foreign exchange risks

Swisscom is exposed to foreign exchange risks; these can impact the Group's financial results and consolidated equity. Foreign exchange risks which have an impact on cash flows (transaction risks) are partially hedged by financial instruments and designated for hedge accounting. In addition, foreign exchange risks with an impact on equity (translation risks) are partially hedged through financial instruments and designated for hedge accounting. The aim of Swisscom's foreign exchange risk management policy is to limit the volatility of planned cash flows. Forward currency contracts, currency options and currency swaps may be employed to hedge transaction risks. These hedging measures concern principally the USD and EUR. EUR-denominated financing is employed in order to hedge the translation risk of positions in EUR. As of the balance sheet date, Swisscom contracted financial liabilities totalling EUR 1,300 million (CHF 1,409 million) which were designated for hedge accounting for net investments in foreign shareholdings.

The currency risks and hedging contracts for foreign currencies as of 31 December 2015 are to be analysed as follows:

In CHF million	EUR	USD	Other
At 31 December 2015			
Cash and cash equivalents	50	3	1
Trade and other receivables	9	3	4
Other financial assets	17	229	1
Financial liabilities	(2,706)	(143)	–
Trade and other payables	(48)	(59)	(26)
Net exposure at carrying amounts	**(2,678)**	**33**	**(20)**
Net forecasted cash flows exposure in the next 12 months	50	(412)	–
Net exposure before hedges	**(2,628)**	**(379)**	**(20)**
Forward currency contracts	–	(3)	–
Foreign currency swaps	567	351	–
Currency swaps	759	–	–
Hedges	**1,326**	**348**	**–**
Net exposure	**(1,302)**	**(31)**	**(20)**

The currency risks and hedging contracts for foreign currencies as of 31 December 2014 are to be analysed as follows:

In CHF million	EUR	USD	Other
At 31 December 2014			
Cash and cash equivalents	35	4	2
Trade and other receivables	4	–	7
Other financial assets	21	173	–
Financial liabilities	(2,019)	(144)	–
Trade and other payables	(67)	(74)	(15)
Net exposure at carrying amounts	**(2,026)**	**(41)**	**(6)**
Net forecasted cash flows exposure in the next 12 months	(362)	(455)	–
Net exposure before hedges	**(2,388)**	**(496)**	**(6)**
Forward currency contracts	336	–	–
Foreign currency swaps	–	446	–
Currency swaps	421	–	–
Hedges	**757**	**446**	**–**
Net exposure	**(1,631)**	**(50)**	**(6)**

Foreign currency sensitivity analysis

The following sensitivity analysis shows the impact on the income statement should the EUR/CHF and USD/CHF exchange rates change in line with their implicit volatility over the next twelve months. This analysis assumes that all other variables, in particular the interest rate level, remain constant.

In CHF million	31.12.2015	31.12.2014
Income impact on balance sheet items		
EUR volatility of 7.67% (previous year: 4.29%)	205	87
USD volatility of 10.41% (previous year: 9.72%)	(3)	4
Hedges for balance sheet items		
EUR volatility of 7.67% (previous year: 4.29%)	(101)	(18)
USD volatility of 10.41% (previous year: 9.72%)	6	–
Planned cash flows		
EUR volatility of 7.67% (previous year: 4.29%)	(4)	16
USD volatility of 10.41% (previous year: 9.72%)	43	44
Hedges for planned cash flows		
EUR volatility of 7.67% (previous year: 4.29%)	–	(14)
USD volatility of 10.41% (previous year: 9.72%)	(43)	(43)

The volatility of the balance sheet positions and planned cash flows is partially offset by the volatility of the related hedging contracts.

Interest rate risks

Interest rate risks arise from fluctuations in interest rates which could have a negative impact on the financial position of Swisscom. Fluctuations in interest rates lead to changes in interest income and expense. Furthermore, they may impact the market value of certain financial assets, liabilities and hedging instruments. Swisscom actively manages interest rate risks. The main aim thereof is to limit the volatility of planned cash flows. Swisscom employs swaps to hedge its interest rate risk.

The structure of interest-bearing financial instruments at nominal values is as follows:

In CHF million	31.12.2015	31.12.2014
Fixed interest-bearing financial liabilities	6,509	5,997
Variable interest-bearing financial liabilities	1,705	2,444
Total interest-bearing financial liabilities	**8,214**	**8,441**
Fixed interest-bearing financial assets	(138)	(115)
Variable interest-bearing financial assets	(412)	(348)
Total interest-bearing financial assets	**(550)**	**(463)**
Total interest-bearing financial assets and liabilities, net	**7,664**	**7,978**
Variable interest-bearing	1,293	2,096
Fixed through interest rate swaps	(350)	(350)
Variable through interest rate swaps	984	–
Variable interest-bearing, net	**1,927**	**1,746**
Fixed interest-bearing	6,371	5,882
Fixed through interest rate swaps	350	350
Variable through interest rate swaps	(984)	–
Fixed interest-bearing, net	**5,737**	**6,232**
Total interest-bearing financial assets and liabilities, net	**7,664**	**7,978**

Interest rate sensitivity analysis

The following sensitivity analysis shows the effects on the income statement and equity if CHF interest rates move by 100 basis points. In computing sensitivity in equity, negative interest rates are excluded.

	Income statement		Equity	
In CHF million	Increase 100 base points	Decrease 100 base points	Increase 100 base points	Decrease 100 base points
At 31 December 2015				
Variable financing	(13)	13	–	–
Interest rate swaps	(6)	6	2	(2)
Cash flow sensitivity, net	**(19)**	**19**	**2**	**(2)**
At 31 December 2014				
Variable financing	(21)	21	–	–
Interest rate swaps	4	(4)	5	(6)
Cash flow sensitivity, net	**(17)**	**17**	**5**	**(6)**

Credit risks

Credit risks from operating activities

Swisscom is exposed to credit risks arising from its operating activities. Swisscom has no significant concentrations of credit risk. The Group has policies in place to ensure that products and services are only sold to creditworthy customers. Furthermore, outstanding receivables are continually monitored as part of its operating activities. Swisscom recognises credit risks through individual and general lump-sum allowances. In addition, the danger of risk concentrations is minimised by the large number of customers. Given that the financial assets as of the balance sheet date are neither impaired nor in default, there are no indications that the debtors will not be capable of meeting their payment obligations. Further information on financial assets is set out in Notes 17, 18 and 19.

Credit risks from financial transactions

Swisscom is exposed to the risk of counterparty default through the use of derivative financial instruments and financial investments. Requirements to be met by counterparties are defined in guidelines governing derivative financial instruments and financial investments. Furthermore, individual limits by counterparty have been set. These limits and counterparty credit assessments are reviewed regularly. Swisscom signs netting agreements as issued by ISDA (International Swaps and Derivatives Association) with the respective counterparties in order to control the risk inherent in derivative transactions. The carrying amount of financial assets exposed to credit risk is to be analysed as follows:

In CHF million	Note	31.12.2015	31.12.2014
Cash and cash equivalents	17	324	302
Trade and other receivables	18	2,535	2,586
Loans and receivables	19	196	209
Derivative financial instruments	19	14	11
Other assets valued at fair value	19	61	–
Total carrying amount of financial assets		**3,130**	**3,108**

The carrying amounts of cash and cash equivalents and other financial assets and the related Standard & Poor's ratings of the counterparties are to be summarised as follows:

In CHF million	31.12.2015	31.12.2014
AAA	12	13
AA+	163	129
AA	7	15
AA–	149	149
A+	11	1
A	148	123
A–	1	3
BBB+	43	7
BBB	2	–
BBB–	9	10
Without rating	50	72
Total	**595**	**522**

Liquidity risk

Prudent liquidity management includes the holding of adequate reserves of cash and cash equivalents and marketable securities as well as the provision of adequate financing. Swisscom has processes and policies in place that guarantee sufficient liquidity in order to settle current and future obligations. Swisscom has a confirmed line of credit of CHF 100 million maturing in 2016 from banks and a further confirmed line of credit of CHF 2,000 million from banks maturing in 2016. As of 31 December 2015, these lines of credit had not been drawn down, as in the prior year.

The contractual maturities of financial liabilities including estimated interest payments as of 31 December 2015 are as follows:

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
At 31 December 2015						
Non-derivative financial liabilities						
Bank loans	1,356	1,439	747	74	437	181
Debenture bonds	5,430	6,080	129	729	2,194	3,028
Private placements	931	954	352	252	350	–
Finance lease liabilities	526	1,256	46	40	110	1,060
Other interest-bearing financial liabilities	15	15	2	7	–	6
Other non-interest-bearing financial liabilities	274	319	30	24	248	17
Trade and other payables	1,768	1,768	1,742	10	16	–
Derivative financial liabilities						
Derivative financial instruments	61	240	22	16	47	155
Total	**10,361**	**12,071**	**3,070**	**1,152**	**3,402**	**4,447**

The contractual maturities of financial liabilities including estimated interest payments as of 31 December 2014 are as follows:

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
At 31 December 2014						
Non-derivative financial liabilities						
Bank loans	1,881	1,975	963	383	370	259
Debenture bonds	5,104	5,778	640	120	2,293	2,725
Private placements	925	970	6	356	608	–
Finance lease liabilities	561	1,456	48	47	121	1,240
Other interest-bearing financial liabilities	5	5	2	–	1	2
Other non-interest-bearing financial liabilities	30	30	8	6	–	16
Trade and other payables	1,876	1,876	1,853	7	16	–
Derivative financial liabilities						
Derivative financial instruments	98	157	58	8	11	80
Total	**10,480**	**12,247**	**3,578**	**927**	**3,420**	**4,322**

Estimation of fair values

The carrying amounts of trade receivables and payables as well as other receivables and payables are a reasonable estimate of their fair value because of their short-term maturities. The carrying amounts of cash and cash equivalents and current loans receivable correspond to the fair values. The fair value of available-for-sale financial investments is based on quoted stock exchange prices or equates to their purchase cost. The fair values of other non-current financial assets are computed on the basis of the maturing future payments, discounted at market interest rates. The fair value of non-publicly traded interest-bearing financial liabilities is estimated on the basis of the maturing future payments discounted at market interest rates. The fair value of publicly traded interest-bearing financial assets and liabilities is based upon stock exchange quotations as at the balance sheet date. The fair value of finance lease obligations is estimated on the basis of the maturing future payments, discounted at market interest rates. The fair value of publicly-traded investments held for sale is based on quoted stock exchange prices as of the balance sheet date. Interest rate swaps and currency swaps are discounted at market interest rates. Foreign currency forward contracts and foreign currency swaps are valued by reference to foreign exchange forward rates as of the balance sheet date.

Fair value hierarchy

The fair value hierarchy encompasses the following three levels:
- **Level 1:** stock exchange quoted prices in active markets for identical assets or liabilities;
- **Level 2:** other factors which are observable on markets for assets and liabilities, either directly or indirectly;
- **Level 3:** factors that are not based on observable market data.

Asset/liability valuation categories and fair value of financial instruments

The carrying amounts and fair values of financial assets and financial liabilities with their corresponding valuation categories are summarised in the following table. Not reflected therein are cash and cash equivalents, trade receivables and payables as well as miscellaneous receivables and payables whose carrying amount corresponds to a reasonable estimation of their fair value.

	Carrying amount				Fair value		
In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
At 31 December 2015							
Derivative financial instruments	–	–	14	–	–	14	–
Other assets valued at fair value	–	–	61	–	61	–	–
Available-for-sale financial assets	–	15	–	–	–	–	15
Financial assets measured at fair value	**–**	**15**	**75**	**–**	**61**	**14**	**15**
Other loans and receivables	196	–	–	–	–	239	–
Financial assets not measured at fair value	**196**	**–**	**–**	**–**	**–**	**239**	**–**
Derivative financial instruments	–	–	61	–	–	61	–
Financial liabilities measured at fair value	**–**	**–**	**61**	**–**	**–**	**61**	**–**
Bank loans	–	–	–	1,356	–	1,391	–
Debenture bonds	–	–	–	5,430	5,867	–	–
Private placements	–	–	–	931	–	957	–
Finance lease liabilities	–	–	–	526	–	1,037	–
Other interest-bearing financial liabilities	–	–	–	15	–	15	–
Other non-interest-bearing financial liabilities	–	–	–	274	–	274	–
Financial liabilities not measured at fair value	**–**	**–**	**–**	**8,532**	**5,867**	**3,674**	**–**

In CHF million	Carrying amount				Fair value		
	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
At 31 December 2014							
Derivative financial instruments	–	–	11	–	–	11	–
Available-for-sale financial assets	–	23	–	–	5	–	18
Financial assets measured at fair value	**–**	**23**	**11**	**–**	**5**	**11**	**18**
Other loans and receivables	205	–	–	–	–	240	–
Financial assets not measured at fair value	**205**	**–**	**–**	**–**	**–**	**240**	**–**
Derivative financial instruments	–	–	98	–	–	98	–
Financial liabilities measured at fair value	**–**	**–**	**98**	**–**	**–**	**98**	**–**
Bank loans	–	–	–	1,881	–	1,922	–
Debenture bonds	–	–	–	5,104	5,610	–	–
Private placements	–	–	–	925	–	957	–
Finance lease liabilities	–	–	–	561	–	1,173	–
Other interest-bearing financial liabilities	–	–	–	5	–	5	–
Other non-interest-bearing financial liabilities	–	–	–	30	–	30	–
Financial liabilities not measured at fair value	**–**	**–**	**–**	**8,506**	**5,610**	**4,087**	**–**

In addition, as of 31 December 2015, there were available-for-sale financial assets with a carrying amount of CHF 37 million (prior year: CHF 27 million) which are valued at acquisition cost.
Level 3 financial instruments developed as follows in 2014 and 2015:

In CHF million	Available-for-sale financial assets
Balance at 31 December 2013	20
Additions	1
Disposals	(3)
Balance at 31 December 2014	**18**
Disposals	(3)
Balance at 31 December 2015	**15**

The level-3 assets consist of investments in various investment funds and individual companies. The fair value was calculated by using a valuation model. In 2014 and 2015, there were no reclassifications between the various levels.

Asset/liability valuation categories and results of financial instruments

The results for each asset/liability valuation category are to be analysed as follows:

In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Hedging transactions
2015					
Interest income (interest expense)	10	–	(4)	(194)	(1)
Change in fair value	–	–	(13)	–	–
Foreign currency translation adjustments	(20)	–	(39)	19	–
Gains and losses transferred from equity	–	–	–	–	(10)
Net result recognised in income statement	**(10)**	**–**	**(56)**	**(175)**	**(11)**
Change in fair value	–	4	–	–	(12)
Gains and losses transferred to income statement	–	(6)	–	–	11
Net result recognised in other comprehensive income	**–**	**(2)**	**–**	**–**	**(1)**
Total net result by asset/liability category	**(10)**	**(2)**	**(56)**	**(175)**	**(12)**

In CHF million	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Hedging transactions
2014					
Interest income (interest expense)	10	–	(2)	(223)	(3)
Change in fair value	–	–	(46)	–	–
Foreign currency translation adjustments	1	–	3	–	–
Gains and losses transferred from equity	–	–	–	–	(2)
Net result recognised in income statement	**11**	**–**	**(45)**	**(223)**	**(5)**
Change in fair value	–	–	–	–	10
Gains and losses transferred to income statement	–	–	–	–	5
Net result recognised in other comprehensive income	**–**	**–**	**–**	**–**	**15**
Total net result by asset/liability category	**11**	**–**	**(45)**	**(223)**	**10**

In addition, in 2015, valuation allowances for trade and other receivables amounting to CHF 81 million (prior year: CHF 87 million) were recorded under other operating expenses.

Derivative financial instruments

At 31 December 2014 and 2015, the following derivative financial instruments were recorded:

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fair value hedges	984	–	12	–	(3)	–
Cash flow hedges	617	824	1	6	(5)	(10)
Other derivative financial instruments	996	929	1	5	(53)	(88)
Total derivative financial instruments	**2,597**	**1,753**	**14**	**11**	**(61)**	**(98)**
Thereof current derivative financial instruments			2	11	(6)	(49)
Thereof non-current derivative financial instruments			12	–	(55)	(49)

Fair value hedges

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Interest rate swaps in CHF	225	–	1	–	–	–
Currency swaps in EUR	759	–	11	–	(3)	–
Total fair value hedges	**984**	**–**	**12**	**–**	**(3)**	**–**

In 2015, Swisscom entered into interest rate swaps to hedge the interest rate risk of interest-bearing financing amounting to CHF 225 million. These interest rate swaps had positive fair values of CHF 1 million as at 31 December 2015. Furthermore, in 2015, Swisscom had concluded currency swaps totalling EUR 700 million to hedge the foreign currency and interest rate risks of interest-bearing financing in EUR. As at 31 December 2015, these currency swaps had positive fair values of CHF 11 million and negative fair values of CHF 3 million. In the prior year, Swisscom reported no instruments designated as fair value hedges for hedge-accounting purposes.

Cash flow hedges

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Currency swaps in USD	267	235	1	6	–	–
Interest rate swaps in CHF	350	350	–	–	(5)	(9)
Forward currency contracts in EUR	–	239	–	–	–	(1)
Total cash flow hedges	**617**	**824**	**1**	**6**	**(5)**	**(10)**

Swisscom entered into interest rate swaps with final maturities in 2016 in order to hedge interest rate risks of CHF 350 million of the variable CHF-denominated interest-bearing private placements. These hedges were designated as cash flow hedges for hedge-accounting purposes. As of 31 December 2015, these interest rate swaps were recorded with a negative fair value of CHF 5 million (prior year: CHF 9 million). CHF 6 million was recognised in the hedging reserve within consolidated equity for these hedging instruments (prior year: CHF 10 million). In 2009, interest rate swaps designated for hedge accounting for the premature hedging of the interest rate risk for the intended issuance of debenture loans totalling CHF 300 million were closed out. The effective share of CHF 7 million was left in the other reserves as part of equity. It is being released to interest expense over the hedged duration of debenture bonds issued in 2009. As of 31 December 2015, a negative amount of CHF 1 million (prior year: CHF 2 million) is recognised in the hedging reserve as part of consolidated equity.
As of 31 December 2015, derivative financial instruments included currency swaps of USD 268 million which serve to hedge future purchases of goods and services in the respective currencies. Prior year, currency swaps of USD 237 and forward currency contracts of EUR 199, were recorded for this purpose. The hedges were designated for hedge-accounting purposes. The hedges disclose a positive fair value of CHF 1 million (prior year: positive market value of CHF 6 million). A zero amount was recognised in the hedging reserve within consolidated equity for these designated hedging instruments (prior year: positive amount of CHF 5 million).

Other derivative financial instruments

	Contract value		Positive fair value		Negative fair value	
In CHF million	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Currency swaps in EUR	–	421	–	–	–	(47)
Interest rate swaps in CHF	200	200	–	–	(53)	(40)
Currency swaps in USD	226	211	1	5	–	–
Currency swaps in EUR	567	–	–	–	–	–
Forward currency contracts in USD	3	–	–	–	–	(1)
Forward currency contracts in EUR	–	97	–	–	–	–
Total other derivative financial instruments	**996**	**929**	**1**	**5**	**(53)**	**(88)**

In 2010 in order to hedge currency and interest rate risks arising in connection with EUR-denominated financing, interest rate swaps were entered into covering EUR 350 million with a duration of five years. These hedges matured in 2015. They were not designated for hedge accounting. Furthermore, derivative financial instruments as at 31 December 2015 include interest rate swaps covering CHF 200 million with maturities ending in 2040 with a negative market value of CHF 53 million (prior year: negative market value of CHF 40 million) which were not designated for hedge accounting. In addition, included in derivative financial instruments are foreign currency forward contracts and currency swaps for EUR and USD which serve to hedge future transactions in connection with Swisscom's operating activities and which were not designated for hedge-accounting purposes.

Cross-border lease agreements

Between 1996 until 2002, Swisscom entered into various cross-border lease agreements, under the terms of which parts of its fixed line and mobile phone networks were sold or leased on a long-term basis and leased back. Swisscom defeased a significant part of the lease obligations through the acquisition of investment-grade financial investments. The financial assets were irrevocably deposited with a trust. In accordance with Interpretation SIC 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease", these financial assets and liabilities in the same amount are netted and not recorded in the balance sheet. As of 31 December 2015, the financial liabilities and assets, including accrued interest, arising from cross-border lease agreements amounted to USD 69 million or CHF 69 million, respectively, which, in compliance with SIC 27, were not recognised in the balance sheet (prior year: USD 66 million or CHF 65 million).

Netting of financial instruments

In CHF million	Gross amount	Netted in the balance sheet	Net amount
At 31 December 2015			
Receivables from international roaming			
Billed revenue	22	(16)	6
Accruals	149	(60)	89
Total receivables from international roaming	**171**	**(76)**	**95**
Liabilities from international roaming			
Supplier invoices received	42	(16)	26
Accruals	83	(60)	23
Total liabilities from international roaming	**125**	**(76)**	**49**
At 31 December 2014			
Receivables from international roaming			
Billed revenue	26	(19)	7
Accruals	164	(104)	60
Total receivables from international roaming	**190**	**(123)**	**67**
Liabilities from international roaming			
Supplier invoices received	34	(19)	15
Accruals	152	(104)	48
Total liabilities from international roaming	**186**	**(123)**	**63**

Swisscom enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party or the other. The ISDA agreements do not meet the criteria for balance sheet netting as Swisscom has presently no legally enforceable right to offset the recognised amounts and such a right may only be applied to future occurrences such as a credit default or other credit events. In 2015, Swisscom recorded an amount of CHF 3 million for which such netting agreements existed. In the event of netting, derivative assets of

CHF 14 million and derivative liabilities of CHF 61 million would be reduced to CHF 11 million and CHF 58 million, respectively. In the prior year, Swisscom recognised an amount of CHF 2 million for which such netting agreements existed. In the event of netting, the derivative assets in the prior year of CHF 11 million would be reduced to CHF 9 million and the derivative liabilities would be reduced from CHF 98 million to CHF 96 million.
Charges for international roaming between telecom enterprises are settled over a clearing centre. Receivables and payables arising from roaming charges between the contracting parties are netted and settled on a net basis. Those receivables and payables for which Swisscom has a legal right of offset are netted in Swisscom's consolidated financial statements.

Management of equity resources

Managed capital is defined as equity including non-controlling interests. Swisscom seeks to maintain a robust equity basis. This basis enables it to guarantee the continuing existence of the company as a going concern and to offer investors an appropriate return in relation to the risks entered into. Furthermore, Swisscom maintains funds to enable investments to be made which will bring future benefits to customers as well as generate further returns for investors. The managed capital is monitored through the equity ratio which is the ratio of consolidated equity to total assets.
The following table illustrates the calculation of the equity ratio:

In CHF million	31.12.2015	31.12.2014
Share of equity attributable to equity holders of Swisscom Ltd	5,237	5,483
Share of equity attributable to non-controlling interests	5	3
Total capital	**5,242**	**5,486**
Total assets	21,149	20,961
Equity ratio in %	24.8	26.2

In its strategic targets, the Federal Council has ruled that Swisscom's net indebtedness shall not exceed approximately 2.1 times the operating result before taxes, interest and depreciation and amortisation (EBITDA). Exceeding this limit temporarily is permitted. The net-debt-to-EBITDA ratio is as follows:

In CHF million	31.12.2015	31.12.2014
Debenture bonds	5,430	5,104
Bank loans	1,356	1,881
Private placements	931	925
Finance lease liabilities	526	561
Other financial liabilities	350	133
Total financial liabilities	**8,593**	**8,604**
Cash and cash equivalents	(324)	(302)
Current financial assets	(85)	(40)
Non-current fixed interest-bearing deposits	(142)	(142)
Net debt	**8,042**	**8,120**
Operating income before depreciation and amortisation (EBITDA)	4,098	4,413
Ratio net debt/EBITDA	2.0	1.8

Net debt consists of total financial liabilities less cash and cash equivalents, current financial assets as well as non-current fixed interest-bearing financial investments.

34 Supplementary information on the statement of cash flows

Changes in operating assets and liabilities

In CHF million	2015	2014
Trade and other receivables	(3)	4
Inventories	(30)	(7)
Other non-financial assets	(9)	(41)
Trade and other payables	(77)	(85)
Provisions	248	(40)
Other non-financial liabilities	(51)	(22)
Defined benefit obligations	56	(22)
Total changes in operating assets and liabilities	**134**	**(213)**

Other cash flows from financing activities

In 2015, other cash inflows from financing activities amount to CHF 2 million (prior year: cash outflows of CHF 14 million). This relates mainly to payments in connection with hedging contracts and the commitment fee for the guaranteed credit limit.

Non-cash investing and financing transactions

Additions to property, plant and equipment include additions from finance leases amounting to CHF 9 million (prior year: CHF 13 million). As a result of changes in the assumptions made in estimating the provisions for dismantling and restoration costs, a decrease of CHF 55 million net was recognised in property, plant and equipment (prior year: increase of CHF 157 million). See Note 23.

35 Future commitments

Commitments for future capital expenditures

Firm contractual commitments for future investments in property, plant and equipment and other intangible assets as of 31 December 2015 aggregated CHF 886 million (prior year: CHF 1,004 million).

Operating leases

Operating leases relate primarily to the rental of real estate for business purposes. See Note 26. In 2015, payments for operating leases amounted to CHF 314 million (prior year: CHF 316 million). Future minimum lease payments in respect of operating lease contracts are as follows:

In CHF million	31.12.2015	31.12.2014
Within 1 year	150	153
Within 1 to 2 years	140	136
Within 2 to 3 years	117	120
Within 3 to 4 years	101	104
Within 4 to 5 years	89	91
After 5 years	372	455
Total future minimum lease payments	**969**	**1,059**

36 Research and development

Costs aggregating CHF 18 million for research and development were expensed in 2015 (prior year: CHF 18 million).

37 Related parties

Majority shareholder, associates and non-controlling interests

Transactions and balances outstanding at year end with related entities and individuals for 2015 are as follows:

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	359	145	150	377
Associates	23	109	5	7
Non-controlling interests	–	2	–	–
Total 2015/Balance at 31 December 2015	**382**	**256**	**155**	**384**

Transactions and balances outstanding at year end with related entities and individuals for 2014 are as follows:

In CHF million	Income	Expense	Receivables	Liabilities
Confederation	397	160	178	668
Associates	100	145	9	6
Non-controlling interests	–	1	–	2
Total 2014/Balance at 31 December 2014	**497**	**306**	**187**	**676**

Majority shareholder

Pursuant to the Swiss Federal Telecommunication Enterprises Act ("Telekommunikationsunternehmungsgesetz", TUG), the Swiss Confederation ("the Confederation") is obligated to hold a majority of the share capital and voting rights of Swisscom. On 31 December 2015, the Confederation as majority shareholder held 51% of the issued shares of Swisscom Ltd. Any reduction of the Confederation's holding below a majority shareholding would require a change in law which would need to be voted upon by the Swiss Parliament, which would also be subject to a facultative referendum by Swiss voters. As the majority shareholder, the Swiss Confederation has the power to control the decisions of the general meetings of shareholders which are taken by the absolute majority of validly cast votes. This relates primarily to the approval of dividend distributions and the election of the members of the Board of Directors. Swisscom supplies telecommunication services to and in addition, procures services from the Confederation. The Confederation comprises the various departments and administrative bodies of the Confederation and the other companies controlled by the Confederation (primarily the Post, Swiss Federal Railways, RUAG as well as Skyguide). All transactions are conducted on the basis of normal relationships with customers and suppliers and on conditions applicable to unrelated third parties. In addition, financing transactions are entered into with the Swiss Post on normal commercial terms.

Associates and non-controlling interests

Services provided to/by associates and non-controlling interests are based upon market prices. The associates are listed in Note 40.

Post-employment benefits funds

Transactions between Swisscom and the various pension funds are detailed in Note 10.

Key management compensation

In CHF million	2015	2014
Current compensation	1.5	1.5
Share-based payments	0.8	0.8
Social security contributions	0.1	0.1
Total compensation to members of the Board of Directors	**2.4**	**2.4**
Current compensation	5.7	5.6
Share-based payments	1.0	0.7
Benefits paid following retirement from Group Executive Board	–	0.3
Pension contributions	0.8	0.7
Social security contributions	0.5	0.5
Total compensation to members of the Group Executive Board	**8.0**	**7.8**
Total compensation to members of the Board of Directors and of the Group Executive Board	**10.4**	**10.2**

Individuals in key positions of Swisscom are the members of the Board of Directors and the Group Executive Board of Swisscom Ltd. Compensation paid to members of the Board of Directors consists of basic emoluments plus functional allowances and meeting attendance fees. One third of the entire compensation of the Board of Directors (excluding meeting allowances) is paid in the form of shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary component settled in cash, a variable performance-related portion settled in cash and shares, services provided and non-cash benefits as well as pension and social insurance benefits. 25% of the variable performance-related share of the members of the Group Executive Board is paid out in shares. The Group Executive Board members may increase this share to 50% at their discretion. See Note 11. The disclosures required by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) are set out in the chapter containing the Remuneration Report. Shares in Swisscom Ltd held by the members of the Board of Directors and Group Executive Board are set out in the Notes to the Consolidated Financial Statements of Swisscom Ltd.

38 Service concession agreements

On 21 June 2007 and in accordance with the Swiss Federal Telecommunications Act (TCA), the Federal Communications Committee (ComCom) granted Swisscom a basic-service license for 2008 to 2017. As licensee, Swisscom (Switzerland) Ltd is required to offer the entire range of the basic service to all sections of the Swiss population throughout the whole territory of Switzerland during the ten-year duration of the license. The license covers the whole territory of Switzerland. The basic service is to guarantee access to a minimum offering of telecommunication services. Within the framework of the basic service, everyone has the right to a connection which allows national and international telephone calls in real time, the transmission and reception of fax messages and access to the Internet. The basic service also provides for the maintenance of a prescribed number of public telephones per municipality (Publifon). The Federal Council periodically sets price ceilings for basic services.

39 Events after the balance sheet date

Approval of the consolidated financial statements

The Board of Directors of Swisscom approved the release of these consolidated financial statements on 3 February 2016.

40 List of Group companies

Registered name	Registered office	Part of capital and voting right in %	Currency	Share capital in millions
Switzerland				
Akenes Ltd [2]	Lausanne	27.3	CHF	0.1
BFM Business Fleet Management Ltd [1]	Ittigen	100	CHF	1.0
Billag Ltd [1]	Fribourg	100	CHF	0.1
cablex Ltd [2]	Berne	100	CHF	5.0
CT Cinetrade AG [1]	Zurich	75	CHF	0.5
Datasport Ltd [2]	Gerlafingen	100	CHF	0.2
finnova ltd bankware [2,3]	Lenzburg	9	CHF	0.5
Global IP Action Ltd [2]	Pfäffikon	70	CHF	0.2
insentia SA [2]	Lausanne	100	CHF	1.3
ITS Information Techlogie Services SA [2]	Lausanne	100	CHF	0.3
kitag kino-theater Ltd [2]	Zurich	75	CHF	1.0
LANexpert SA [2]	Lausanne	100	CHF	0.1
Managed Mobility Ltd [2]	Urdorf	50	CHF	0.1
Medgate Ltd [2]	Basel	40	CHF	0.7
Medgate Holding Ltd [2]	Zug	40	CHF	2.8
Medgate Technologies Ltd [2]	Zug	40	CHF	0.1
Mila AG [2]	Zurich	51	CHF	0.4
Mona Lisa Capital AG [2]	Ittigen	99.5	CHF	5.0
myKompass Ltd [2, 3]	Lucerne	13.8	CHF	0.1
MyStrom Ltd [2]	Ittigen	100	CHF	0.1
Plazavista Entertainment AG [2]	Zurich	75	CHF	0.1
Ringier Publishing Ltd [1]	Zurich	33.3	CHF	0.3
SEC consult (Switzerland) Ltd [2]	Zurich	45.5	CHF	0.1
Siroop Ltd [2]	Zurich	50	CHF	0.1
Skwich Holding SA [1]	Lausanne	100	CHF	0.1
Société Immobilière Dos-Vie S.A. [2]	Delémont	100	CHF	0.7
Swisscom Banking Provider Ltd [2]	Muri bei Bern	100	CHF	5.0
Swisscom Broadcast Ltd [1]	Berne	100	CHF	25.0
Swisscom Directories Ltd [1]	Zurich	69	CHF	2.2
Swisscom eHealth Invest GmbH [2]	Ittigen	100	CHF	1.4
Swisscom Energy Solutions Ltd [2]	Ittigen	54	CHF	13.3
Swisscom Event & Media Solutions Ltd [2]	Ittigen	100	CHF	0.1
Swisscom Health AG [2]	Zurich	100	CHF	0.1
Swisscom Real Estate Ltd [1]	Ittigen	100	CHF	100.0
Swisscom IT Services Finance Custom Solutions Ltd [2]	Olten	100	CHF	0.1
Swisscom (Switzerland) Ltd [1]	Ittigen	100	CHF	1,000.0
Swisscom Ventures Ltd [2]	Berne	100	CHF	2.0
Teleclub AG [2]	Zurich	75	CHF	1.2
Teleclub Programm AG [2]	Zurich	25	CHF	0.6
Veltigroup Consulting Ltd [2]	Lausanne	100	CHF	0.1
Veltigroup Ltd [2]	Lausanne	100	CHF	0.1
VirtualAds AG [2]	Basel	100	CHF	1.0
Wingo Ltd [2]	Fribourg	100	CHF	3.0
Worklink AG [1]	Berne	100	CHF	0.5

[1] Participation directly held by Swisscom Ltd.
[2] Participation indirectly held by Swisscom Ltd.
[3] Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

Registered name	Registered office	Part of capital and voting right in %	Currency	Share capital in millions
Belgium				
Belgacom International Carrier Services Ltd [2]	Brussels	22.4	EUR	1.5
Swisscom Belgium N.V. [2]	Brussels	100	EUR	4,330.2
Germany				
Abavent GmbH [2]	Kempten	100	EUR	0.3
Mila Europe GmbH [2]	Berlin	51	EUR	–
Swisscom Telco GmbH [2]	Eschborn	100	EUR	–
Zanox AG [2]	Berlin	47.5	EUR	0.2
Finland				
Vilant Systems Oy [2]	Espoo	20	EUR	–
France				
local.fr SA [2]	Bourg-en-Bresse	67	EUR	0.5
Italy				
Fastweb S.p.A. [2]	Milan	100	EUR	41.3
Metroweb S.p.A. [2,3]	Milan	10.6	EUR	29.2
Swisscom Italia S.r.l. [2]	Milan	100	EUR	2,502.6
Liechtenstein				
Swisscom Re Ltd [1]	Vaduz	100	CHF	5.0
Netherlands				
Improve Digital B.V. [2]	Amsterdam	100	EUR	–
NGT International B.V. [2]	Capelle a/d IJssel	100	EUR	–
RLVNT B.V. [2]	Rotterdam	100	EUR	2.5
Austria				
Swisscom IT Servics Finance SE [2]	Vienna	100	EUR	0.1
Sweden				
Sellbranch AB [2]	Stockholm	50.1	SEK	0.1
Singapore				
Swisscom IT Services Finance Pte Ltd [2]	Singapore	100	SGD	0.1
USA				
Swisscom Cloud Lab Ltd [2]	Delaware	100	USD	–

[1] Participation directly held by Swisscom Ltd.
[2] Participation indirectly held by Swisscom Ltd.
[3] Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements on pages 140 to 211 of Swisscom Ltd, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Hanspeter Stocker Licensed Audit Expert Auditor in Charge	Daniel Haas Licensed Audit Expert

Gümligen-Berne, 3 February 2016

Financial statements of Swisscom Ltd
Income statement

In CHF million	2015	2014
Revenue from the sale of goods and services	237	238
Other income	32	30
Total operating income	**269**	**268**
Personnel expense	(82)	(84)
Other operating expense	(110)	(107)
Total operating expenses	**(192)**	**(191)**
Operating income	**77**	**77**
Financial expense	(181)	(263)
Financial income	201	220
Income from participations	189	2,447
Income before taxes	**286**	**2,481**
Income tax expense	(7)	(9)
Net income	**279**	**2,472**

Balance sheet

In CHF million	Note	31.12.2015	31.12.2014 [1]
Assets			
Cash and cash equivalents		176	156
Trade receivables	3.1	21	25
Other current receivables	3.2	10	105
Dividends receivable from subsidiaries		73	2,400
Accrued income and deferred expense		89	10
Total current assets		**369**	**2,696**
Financial assets	3.3	5,911	5,257
Participations	3.4	7,872	7,767
Total non-current assets		**13,783**	**13,024**
Total assets		**14,152**	**15,720**
Liabilities and equity			
Current interest-bearing liabilities	3.5	1,718	3,170
Trade payables	3.6	8	11
Other current liabilities	3.7	52	85
Accrued expense and deferred income		81	81
Current provisions		8	6
Total current liabilities		**1,867**	**3,353**
Non-current interest-bearing liabilities	3.5	7,449	6,690
Other non-current liabilities	3.7	66	47
Non-current provisions		56	55
Total non-current liabilities		**7,571**	**6,792**
Total liabilities		**9,438**	**10,145**
Share capital		52	52
Legal capital reserves/capital surplus reserves		21	21
Legal retained earnings		10	10
Voluntary retained earnings		4,631	5,492
Total equity		**4,714**	**5,575**
Total liabilities and equity		**14,152**	**15,720**

[1] The balance sheet as at 31 December 2014 has been amended to meet the new classification provisions of the new Law on Accounting and Financial Reporting. See Note 2.

Notes to the financial statements

1 General information

Name, legal form and domicile

- Swisscom Ltd, Ittigen (canton of Berne)
- Parent company of the Swisscom Group
- Swisscom Ltd is a limited-liability company established under a special statute pursuant to the Telecommunication Enterprises Act (TA) (*German*: "Telekommunikationsunternehmungsgesetz") of 30 April 1997.
- Company identification number (UID) CHF-102.753.938

Share capital

As of 31 December 2015, the share capital comprised 51,801,943 registered shares of a par value of CHF 1 per share. This remains unchanged from the previous year.

Significant shareholders

As at 31 December 2015, the Swiss Confederation (Confederation), as majority shareholder, held 51% of the issued shares of Swisscom Ltd which is unchanged from the prior year. The Telecommunications Enterprises Act (TEA) (*German*: "Telekommunikationsunternehmungsgesetz") provides that the Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

Number of full-time employees

The average number of employees of Swisscom Ltd during the financial year, expressed as full-time equivalents, exceeded 250, as in the prior year.

Approval of Annual Financial Statements

The Board of Directors of Swisscom Ltd approved the present Annual Financial Statements on 3 February 2016 for release. The Annual Financial Statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 6 April 2016.

2 Summary of significant accounting policies

Initial application of the new Law on Financial Statement Reporting

The annual financial statements for 2015 were prepared for the first time pursuant to the provisions of the Federal Law on Financial Statement Reporting (32nd section of the Federal Code of Obligations; German: Obligationenrecht). In order to ensure comparability, the prior year's amounts were restated to conform to the new classification standards.

This concerns in particular the following captions:
- Receivables were divided into trade accounts receivables and other short-term receivables. Receivables from third parties and those due from Group companies are included in these positions.
- Accrued income and deferred expense were previously included in other assets. They are now disclosed separately.
- Loans to third parties and to Group companies are disclosed jointly in the caption financial assets.
- Trade payables now include also trade payables to Group companies.
- Current financial liabilities are now reported under short-term interest-bearing liabilities. Derivatives were reclassified from financial liabilities to other short-term liabilities.
- Other liabilities were reclassified to the captions other short-term liabilities, accrued expenses and deferred income and short-term provisions.
- Accrued expense and deferred income were previously not reported separately, but included in other liabilities.
- Non-current financial liabilities are now shown under long-term interest-bearing liabilities. Derivatives were reclassified from financial liabilities to other long-term liabilities.
- Legal reserves were previously included in the caption retained earnings and are now disclosed separately.

Financial statement reporting policies

General
Significant financial statement reporting policies which are not prescribed by law are described below. The ability to create and release hidden reserves for the purpose of ensuring the sustainable development of the company should be taken into account in this respect.

Shareholdings and recording of dividend distributions by subsidiary companies
Investments are accounted for at acquisition cost less valuation allowances, as required. Dividend distributions from subsidiary companies are accrued in the financial statements of Swisscom Ltd provided that the annual general meetings of the subsidiary companies approve the payment of a dividend prior to the approval of the Annual Financial Statements of Swisscom Ltd by the Board of Directors.

Treasury shares
At the time of acquisition, treasury shares are recorded at purchase cost as a reduction of shareholders' equity. In the event of a subsequent disposal, the resultant gain or loss is taken to income as financial income or financial loss, respectively. The balance of and transactions in treasury shares are disclosed in Note 31 to the Consolidated Financial Statements.

Share-based payments
Should treasury shares be used for share-based payments to members of the Board of Directors and employees, the difference between the acquisition cost and any respective payment to the employees represents personnel expense as at the time the shares are allocated. Share-based payments of Swisscom Ltd are detailed in Note 11 to the Consolidated Financial Statements.

Derivative financial instruments and hedge accounting
Derivative financial instruments which are deployed to hedge foreign currencies and interest rates, are measured at market price. Movements in market prices are recorded in the income statement. Derivatives which meet the conditions of a hedging transaction, are measured using the same valuation principles as those which apply to the underlying transaction. Gains and losses arising from the underlying and hedging transactions are dealt with on a joint basis (combined valuation perspective with regard to valuation units).

3 Disclosures on balance sheet and income statement positions

3.1 Trade accounts receivables

Trade accounts receivables consist exclusively of receivables from third parties.

3.2 Other current receivables

In CHF million	31.12.2015	31.12.2014
Receivables from third parties	1	3
Receivables from participations	6	102
Derivative financial instruments	3	–
Total current receivables	**10**	**105**

3.3 Financial assets

In CHF million	31.12.2015	31.12.2014
Loans and receivables from third parties	105	104
Loans and receivables from participations	5,793	5,153
Derivative financial instruments	10	–
Disagio debenture bonds	3	–
Total financial assets	**5,911**	**5,257**

3.4 Investments

A list of directly and indirectly held shareholdings of Swisscom Ltd is set out in Note 40 to the Consolidated Financial Statements.

3.5 Interest-bearing liabilities

In CHF million	31.12.2015	31.12.2014
Payables from third parties	1,087	1,451
Payables from participations	631	1,719
Total current interest-bearing liabilities	**1,718**	**3,170**

In CHF million	31.12.2015	31.12.2014
Bank loans	590	910
Debenture bonds	5,413	4,606
Private placements	600	950
Loans from participations	840	224
Other interest-bearing liabilities from third parties	6	–
Total non-current interest-bearing liabilities	**7,449**	**6,690**

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

In CHF million or EUR	31.12.2015 Par value in CHF	31.12.2015 Nominal interest rate	31.12.2014 Par value in CHF	31.12.2014 Nominal interest rate
Debenture bond in CHF 2008–2015	–	–	500	4.00
Debenture bond in CHF 2007–2017	600	3.75	600	3.75
Debenture bond in CHF 2009–2018	1,425	3.25	1,425	3.25
Debenture bond in EUR 2013–2020	542	2.00	542	2.00
Debenture bond in EUR 2014–2021	542	1.88	542	1.88
Debenture bond in CHF 2010–2022	500	2.63	500	2.63
Debenture bond in CHF 2015–2023	250	0.25	–	–
Debenture bond in CHF 2012–2024	500	1.75	500	1.75
Debenture bond in EUR 2015–2025	542	1.75	–	–
Debenture bond in CHF 2014–2026	200	1.50	200	1.50
Debenture bond in CHF 2014–2029	160	1.50	160	1.50
Debenture bond in CHF 2015–2035	150	1.00	–	–

3.6 Trade payables

In CHF million	31.12.2015	31.12.2014
Payables from third parties	6	6
Payables from participations	2	5
Total trade payables	**8**	**11**

3.7 Other liabilities

In CHF million	31.12.2015	31.12.2014
Payables from third parties	38	23
Payables from participations	6	7
Derivative financial instruments	8	55
Total other current liabilities	**52**	**85**

In CHF million	31.12.2015	31.12.2014
Payables from third parties	7	–
Derivative financial instruments	59	47
Total other non-current liabilities	**66**	**47**

3.8 Residual leasing commitments

Leasing commitments which do not mature or cannot be terminated within twelve months present the following maturity structure:

In CHF million	31.12.2015	31.12.2014
Within 1 year	2	2
1 to 5 years	1	–
Total remaining amount of lease obligation	**3**	**2**

The amounts encompass the payments arising under rental and leasing contracts which are to be settled up to the end of the contract or the end of the notice period for cancellation.

3.9 Shareholdings of the members of the Board of Directors and Group Executive Board

The following table discloses the number of unrestricted and restricted shares held by the members of the Board of Directors and Group Executive Board as well as parties related to them, as of 31 December 2014 and 2015:

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

[1] Elected as of 7 April 2014.

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

[1] Joined the Group Executive Board as of 1 January 2014.
[2] Rejoined the Group Executive Board as of 1 April 2014.
[3] Rejoined the Group Executive Board as of 1 January 2014.

In 2015, 1,302 shares (CHF 0.7 million) were issued to members of the Board of Directors, 1,268 shares (CHF 0.7 million) were issued to members of the Group Executive Board and 1,309 shares (CHF 0.7 million) were issued to other Swisscom employees. See Note 11 to the consolidated financial statements.

3.10 Collateral given to secure third-party liabilities

As of 31 December 2015, guarantee obligations exist for Group companies in favour of third parties totalling CHF 111 million (prior year: CHF 260 million).

3.11 Assets used to secure own commitments as well as assets subject to retention of title

As of 31 December 2015, financial assets totalling CHF 105 million (prior year: CHF 103 million) were not freely available. These assets serve to secure commitments arising from bank loans.

3.12 Material events after the balance sheet date

No material events subsequent to the balance sheet date occurred in the period ending 3 February 2016, the date on which the Board of Directors of Swisscom Ltd approved the release of the Annual Financial Statements.

Proposed appropriation of retained earnings

Proposal of the Board of Directors

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 6 April 2016 that the available retained earnings of CHF 4,641 million as of 31 December 2015 be appropriated as follows:

In CHF million	31.12.2015
Appropriation of retained earnings	
Balance carried forward from prior year	4,362
Net income for the year	279
Total retained earnings	**4,641**
Ordinary dividend of CHF 22.00 per share to 51,801,943 shares [1]	(1,140)
Balance to be carried forward	**3,501**

[1] Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 12 April 2016 as follows:

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

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements on pages 214 to 220 of Swisscom Ltd, which comprise the income statement, balance sheet and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Hanspeter Stocker Licensed Audit Expert Auditor in Charge	Daniel Haas Licensed Audit Expert

Gümligen-Berne, 3 February 2016