



Review of Business 2005

Post and **emotions**

There's a story behind every item we deliver.
If it were up to us, we'd only deliver the happy ones.



Mika Baumgartner
Gründungspreis 2006
2506 Gené

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Geben Sie Briefe mit Zahlungsaufträgen wie an Postkasten &
Kasse Postfach für den Geldauf einer Postkarte

Lösungen

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Key figures

Key figures			2005	2004 ¹
Operating income	CHF m		7 499	7 348
Operating result ²	CHF m		805	829
As a % of operating income			10,7	11,3
Group profit for the year	CHF m		811	830
Total assets	CHF m		50 130	46 879
Equity	CHF m		922	269
Investments ³	CHF m		347	230
Employees at Swiss Post Group (excluding trainees)	Full-time equivalents ⁴		41 073	42 284
Employees at Swiss Post (excluding trainees)	Full-time equivalents ⁴		37 033	38 972
Trainees (Swiss Post Group)	Full-time equivalents ⁴		1 465	1 556

¹ Adjustment on the basis of changed IFRS provisions, see Financial Report, Notes to the financial statements, no. 2, Accounting Principles, p.19.

² Operating result before non-operating financial result, taxes and minority interests

³ Investment in tangible fixed assets, participations & intangible assets

⁴ Average workforce in full-time equivalents (FTE)

Volumes of business			2005	2004
Mail	Addressed letters	items in millions	2 822	2 858
	of which priority items ¹	items in millions	754	754
	of which non-priority items ¹	items in millions	2 029	2 064
	Promopost (unaddressed)	items in millions	1 214	1 253
	Newspapers	items in millions	1 203	1 195
Logistics	Parcels ¹	items in millions	105	106
	Swiss-Express	items in thousands	4 187	4 193
Financial Services	Inflow of new money	in CHF m	2 065	3 149
	Average balance of customer deposits	in CHF m	38 169	35 652
Passenger Transport	Passengers	in millions	105	102
International	Letters mailing (outside Switzerland)	items in millions	192	203

¹ Previous year's figure has been adjusted

Countdown to market liberalization



Dear Readers

As in the previous year, in 2005 Swiss Post worked extremely well and achieved its targets. At the same time, I'm very pleased to be able to report that we succeeded in further raising levels of customer satisfaction while remaining a socially responsible employer.

Returning profits of 811 million francs, 2005 saw Swiss Post in the black for the eighth year in succession. This result will enable us to continue providing a good basic service. Moreover, a strengthened equity base enables us to finance current and upcoming major investments from our own resources, as well as discharge our social responsibilities.

In mid-September the Swiss Federal Council decided to reduce the monopoly limit for letters to 100 grams. We did not raise any objections to this move, as the monopoly for mail items up to 100 g will still enable us to finance a high-quality basic postal service. Our customers continue to receive letters, parcels and newspapers at standard prices, irrespective of how remote the addressee. As a consequence, Swiss Post is making a significant contribution to the cohesion of the nation as a whole.

In the EU the weight limit for letters was lowered to 100 g already in 2003, and since 1 January 2006 it has been reduced still further to 50 g. The postal market in Sweden and Finland is completely deregulated, while Britain opened up its market from the beginning of 2006. The pace of liberalization has, however, slowed. Before opening up markets fully, the EU Commission plans to study the effects this will have on the scope and funding of the universal service.

This is a trend that is unlikely to pass Switzerland by. On the one hand business is pressing for further or complete liberalization of the postal market, while on the other hand pressure from the EU is mounting. As a result, in the long run it is increasingly likely that Swiss infrastructure monopolies will also be reduced or scrapped entirely. Swiss Post must therefore prepare to meet the consequences of this and further improve its competitiveness. It undoubtedly has the potential to compete in a liberalized market. To do so, however, the parameters set for it must allow it the necessary flexibility to operate in a competitive market. In our parcels business we have demonstrated that we can stand up to the competition and, by offering high quality and innovation, we will endeavour to ensure that this success is replicated in our letters business as well.

Innovative and competitive

Swiss Post is taking the opportunity to make improvements, rationalize processes and offer competitive products: "It must be simple to do business with Swiss Post." This statement by Ulrich Gygi has been our declared aim for the past two years. Our efforts are directed to meeting the needs of our customers. For instance, we can offer cost-saving franking solutions, provide support for direct marketing and handle address management. Mobility Solutions can even offer its customers a complete fleet management solution – from procurement through to maintenance and resale. PostFinance is conducting trials for making payments using mobile phones, while the Postcard can additionally be used as an electronic ticket.

Strong core business

We must remain strong and innovative in our core business areas of Mail, Logistics, Financial Services and Passenger Transport. In the field of payments, an area not protected by any monopoly, we have demonstrated our competitiveness for over a century now.

A level playing field

For decades, Swiss Post had a monopoly for all letters and parcels. Legislation was geared to this situation and gave Swiss Post certain advantages such as tax exemption on the basic service and the possibility to exploit economies of scale, thanks to large volumes. However, these advantages are diminishing as competition increases. Similarly, the laws that are geared to a monopoly business, such as compliance with human resources law, will have to be reviewed. We wish to remain a socially responsible employer, but we should not be disadvantaged in comparison with the private companies competing against us. We are also carrying forward certain burdens from the past – our equity base is not yet sufficiently robust, and there is no fluctuation reserve in our pension fund.

By providing a good basic postal service, we aim to play our part in delivering a public service to Switzerland. However, our individual products are not set in stone. We need to adapt our services in line with the changing needs of our customers. The fact is that our post office network is no longer used in the same way and to the same degree as even ten or twenty years ago. In the Ymago project we are therefore examining options for the further development of the network, and we have been trialling various models since the beginning of 2005. Our aim is to improve user-friendliness as well as profitability.

I would now like to outline the key results posted by our core areas and the main focus of our business during 2005:

Mail

In 2005 the volume of letters delivered fell by 1.26 percent. However, the fall did not turn out to be as sharp as was feared. Over the last year PostMail has been making preparations for the expected lowering of the letter monopoly limit. It increased efficiency through reorganization of its acceptance, sorting and delivery processes. Under the auspices of the REMA project tasked with redesigning letter processing, February saw the groundbreaking ceremony for the redevelopment of our Centre East in Zurich-Mülligen. The Board of Directors also took the important decision to base the other centres in Härkingen (SO) and Eclépens (VD). Six sub-centres will be situated in Gossau (SG), Geneva, Basel, Kriens (LU), Ostermündigen (BE) and Cadenazzo (TI). The centres for video coding and returns processing will be housed decentrally in the current Chur and Sion letter centres. The final rollout of "REMA" in 2009 will ensure that Swiss Post is in a position to offer cost-effective mail processing and innovative services.

Logistics

PostParcels held its ground in the liberalized market. The merging of all logistics services under the single PostLogistics brand is set to strengthen this entire business segment. Customers will have a single point of contact for the services offered by PostParcels and our subsidiaries ExpressPost AG, Setz Gütertransport AG, BTL Logistics AG, ParcelLogistics AG and Swiss Post NET AG.

Financial Services

In 2005 PostFinance was able to increase customer deposits by a further 2.1 billion to 38.2 billion francs and the number of customer accounts rose to 3,008,000. This excellent result, which also compares favourably with the retail banking sector in general, is evidence of the great trust our customers place in PostFinance. The consistent application of a multi-channel strategy during 2005 allowed customers to obtain our products via their preferred channel. In addition to fostering customer loyalty, this permits more efficient and cost-effective service delivery.

Passenger Transport

Over the course of 2005, PostBus Switzerland concentrated its 16 existing Postbus centres into nine regions, enabling synergies to be exploited and administrative costs to be reduced.

100 years ago, the first PostBus route commenced between Berne, Wohlen and Detligen. Routes were then gradually added until eventually a nationwide network was formed. Today PostBus is number one provider of road-based public transport, offering transport services into the furthest corners of Switzerland. PostBus is celebrating this anniversary in 2006 with numerous regional and national events, including special exhibitions in Berne's Museum for Communication and the Swiss Transport Museum in Lucerne.

Activities abroad

Selective and targeted growth abroad will further strengthen our domestic position. We are seeking to safeguard our import and export business, secure links to international distribution networks and improve our position in the cross-border mail market. This will extend the range of services we offer to both domestic and international customers. At the same time, we plan to consolidate our leading position in Switzerland by extending the basic postal core business to include internal mail services for corporate customers and organizations at home and abroad (MailSource). We also intend to successfully exploit our wealth of expertise in the field of road-based passenger transport (PostBus) in the border regions of neighbouring countries.

Investments abroad will however remain modest in comparison with our business as a whole, particularly as we will be investing primarily in knowledge and people, and less in machines and property.

Post Office Network

The restructuring of the post office network begun back in 2001 aimed to cut the number of post offices from 3,396 to around 2,500 and reduce the uncovered network costs by some 100 million francs. This we have now done. These efforts were continued in 2005 with the Ymago project and its "solutions dialogue", which sought ways of making the post office network even more economic and customer-friendly. 36 trials were launched over the past year in order to test various models (agencies, postal businesses, lead and branch post offices along with money transfer machines). Initial findings at the end of November showed that the models proved viable.

Our social responsibility

Swiss Post will endeavour to remain a progressive and socially responsible employer. However, the fall in the volume of letters, the encroachment of electronic mail on physical mail and the increasing competition requires some adjustments and restructuring. We envisage creating more jobs over the coming years, but we will also need to shed some jobs. Suitable redundancy packages will of course be offered to avoid hardship. We also intend to ensure that employees receive equitable payments from our pension fund.

We have been negotiating a collective employment contract for divested businesses (GAV KG) with the trade unions since 2004. Ancillary agreements will better enable the special circumstances of the respective business units to be taken into account. This is vitally important if we are to have the necessary flexibility to respond to the market.

Thanks

On behalf of the Board of Directors and Executive Management I would like to thank all our customers for their loyalty. Special thanks are due to the 55,000 employees for their considerable commitment. Day after day they ensure that our services are performed to our accustomed high standards. These levels of quality are measured by independent bodies here in Switzerland and abroad, and year on year Swiss Post regularly features in the top rankings. We have, moreover, every intention of maintaining these quality standards in the future. We will remain a reliable and trustworthy postal service operating in the interests of our customers, our employees and our country as a whole.



Anton Menth
Chairman





The basic service must be able to adapt to customer behaviour



Chairman
Anton Menth



CEO
Ulrich Gygi



Interview by
Walter Hagenbüchle

The fuss about Swisscom has drawn attention to the ownership structure of other state-owned companies, such as Swiss Post. Do you think that the forthcoming vote on Swisscom will increase the pressure for Swiss Post to be privatized?

Ulrich Gygi: Swiss Post is not yet a public limited company, but a corporation under public law that is wholly owned by the state. Moreover, we still have a partial monopoly. This means that our situation is quite different from Swisscom's. As far as politics is concerned, there is still a long way to go before Swiss Post can be privatized.

Anton Menth: The pressure for privatization at Swiss Post will not increase, but the market pressure could well do so. Besides, the bill covering the full privatization of Swisscom is likely to come under a lot of fire on its passage through the Federal Council. As far as I am concerned, the outcome of the vote is still uncertain.

"The basic service inflicts extra costs on Swiss Post that other market players do not have to bear."

Anton Menth

To what extent do the postal and telecommunications markets materially differ? Many people see the two companies as similar because both of them operate under a service mandate which places them under an obligation to provide a basic service throughout Switzerland.

Gygi: Technology drives the telecommunications market much more than it does the postal services sector. This means that there is greater scope for introducing new services and innovating, at least greater than is the case in the classic postal market. The second distinction relates to volume: the classic postal market, in which letter post accounts for the lion's share, has contracted due to competition from electronic forms of delivery, whereas that is not the case in the core telecommunications business.

Menth: Of course, the postal market is also constantly being redefined in line with advances in technology. Swiss Post therefore needs to enter new lines of business and try to compensate for the decline in volume in its core business through alternative postal offerings. If we define ourselves as a communications company – and Swiss Post is also about communications – then the electronics markets also offer us interesting business opportunities.



“New lifestyles are constantly redefining what the basic service is.”

Anton Menth

But both companies will retain a public service mandate. How can Swiss Post guarantee the basic service in the growing competitive market under the present political framework conditions?

Menth: The basic service inflicts extra costs on Swiss Post that other market players do not have to bear. Hence some form of compensation is necessary, whether in the form of a monopoly, subsidies, licence fees or other measures. I think we can live with the new Postal Ordinance, as approved by the Federal Council, which will take effect on 1 April 2006. This is in line with the model under which the basic service is financed by a residual monopoly. On that basis we can definitely provide an extremely high quality service.

But the basic service is not just a burden. The physical presence of Swiss Post alone promotes customer retention and thus brings added value compared with the competition.

Gygi: That's true. We reach every household, we have the whole of Switzerland as business and private customers. This daily contact is of great value. I recently accompanied a postal carrier on a parcel round. These doorstep encounters with our customers are extremely valuable. They create the trust on which Swiss Post relies. A trust which, however, has to be reearned every day. The trust and credibility that we gain through the basic service is also a kind of compensation for some of the extra costs associated with providing the basic service.

Menth: On the other hand the basic service and the many other services we provide over and above the legal minimum could evoke the false expectation amongst the public and in government circles that Swiss Post should not change. Such an attitude would massively impede progress in adapting to changes in the world we operate in. The basic service is continually being redefined as lifestyles and customer behaviour change and as mobility increases. If Swiss Post wants to remain competitive, it must be capable of adapting the detail of how it delivers the basic service.

That is why the Federal Council periodically modifies the service mandate for the basic service. In the telecommunications area it might consider whether new elements such as broadband connections should be a part of this. At Swiss Post, such modifications have up to now largely been confined to the organization of post offices. In what direction is the basic service moving?

Menth: On 1 January 2004 parliament specified the density of the post office network and the delivery service in terms of homes that are inhabited the whole year round. I am quite happy to work with precise definitions as long as the associated cost implications are properly considered and appropriate funding is assured. Unfortunately, this has not always been the case, as the example of press promotion shows. There are moves afoot in parliament to require Swiss Post to provide a universal delivery service at the same prices and to cut out the subsidies. We cannot accept that, since in a competitive market the large publishing houses will arrange their own delivery service in areas that are easy to supply. This would have the effect of massively raising prices for the outlying areas and small publishing houses.

In recent years Swiss Post has succeeded in making record profits most years. This is not only commendable, but it has also evoked desires on the part of the workforce, which is calling for higher wages. Presumably Swiss Post needs profits not just to pay for wage rises?

Gygi: Quite so. We need money to pay for investment and innovations that will strengthen the company's position in the longer term, but we also ensure that Swiss Post can remain a socially responsible employer. There is also an urgent need to build up adequate equity capital and finance our pension fund.

What if the financial situation of Swiss Post should once more take a turn for the worse?

Gygi: On our present strategic plans we should succeed in solving these problems from our own resources within three years. We cannot assume that our owner, the state, will inject the necessary funds.

When the last financial accounts were published, the regulator warned that the basic service was not generating sufficient profits. The differences have meanwhile been resolved. But is it actually sensible to present both management accounts and also regulatory accounts showing the strategy that Swiss Post is following?

Gygi: I would like to point out again that the financial statements of Swiss Post have been accepted by the Federal Council since 1998 and never disputed. The statements are prepared in accordance with internationally recognized standards (IFRS). These accounts constitute the basis for managing the company. Meanwhile we accept that the postal regulator also wants our business activities presented from a regulatory point of view.

Menth: The problem lies in the different viewpoints. We need the commercial accounts in order to make reasonable decisions as regards investment, pricing and acquisitions and to maintain our assets in the long-term. The regulator has different needs.

So do you refute the criticism levelled at you by the economiesuisse business umbrella organization that Swiss Post's basic service mandate is overfinanced?

Menth: As far as the basic service is concerned, we have to achieve a reasonable result that is comparable to the best in the industry. The position regarding our strategic objectives is the same. The Federal Council is also demanding that Swiss Post increase the value of the company. This means that as a minimum we have to cover our capital costs out of our revenue. That is our mandate. We are not required to provide the basic service on a break-even basis and to lower prices as soon as the basic service accounts show a surplus, which is what economiesuisse is mistakenly suggesting. Besides, contrary to what one might think, in many areas in which we provide the basic service we actually already face competition and prices are determined by the market.





“By lowering the letters monopoly to 100 grams we can carry out the basic service mandate from our own resources.”

Ulrich Gygi

One way of increasing earnings in the long term is to expand the financial business at Post-Finance. Do you plan to persist with the goal of a postal bank despite the objections being raised by the government and the banking industry?

Gygi: Our problem is that we have to invest some 40 billion francs of customer deposits. Because the Swiss capital market is too narrow, we have to invest a large proportion of this money abroad and bear the associated risks. We would prefer to make these funds available to the Swiss economy, thus encouraging investment at home and the creation of new jobs here. For example, entering the mortgage market is one option which has a lot of merit.

Menth: It is imperative that we do so. Up to now we have had to accept risks abroad simply because the Swiss bond market has too little investment of the quality that we require, a minimum of an A rating. But entering the Swiss mortgage market on an autonomous basis would also serve the interests of our owner. It could help to put the basic service on a more stable financial footing and strengthen Swiss Post so that it can hold its own more effectively against future competition.

How low can the monopoly on letters fall before financing of the basic service becomes a problem? Would an EU-compliant limit of 50 grams be viable?

Gygi: By lowering the letters monopoly to 100 grams we can carry out the basic service mandate from our own resources. The effects of any further lowering of the monopoly would have to be examined in detail before any steps could be taken in this direction. It is clear that the result would be greater competition and that continuation of the service mandate to finance nationwide coverage would put us under financial pressure compared with the competition, which does not have to maintain such a network. Only the government can solve this problem by guaranteeing that Swiss Post will remain on a level footing with the competition and allowing Swiss Post to adapt the network to changes in customer requirements, for example.



“We have to make our services even less expensive without cutting quality.”

Ulrich Gygi

Do you believe that there could be a majority in parliament in favour of a further reduction of the monopoly limit for letters?

Menth: The uncertainty about what would then become of the basic service mandate should ensure that a lot of MPs adopt a cautious stance. The top priorities are first of all to see how the 100 gram limit works in Switzerland and also to watch closely further developments in the EU. The decision on the full liberalization of letter post is still completely open in the EU.

Gygi: Industry is demanding that liberalization is pushed forward, while pressure is also mounting as a consequence of the EU liberalization timetable. In the interests of a good basic service we should not simply yield to this pressure. Instead, we should use the present situation to push forward the necessary developments and restructuring so that the next steps do not find us totally unprepared. That would be extremely dangerous for the company and for its social responsibility as an employer.

Menth: A somewhat more cautious stance would allow the government to make the changes to the framework conditions under which Swiss Post operates that are urgently required. These include resolving the issue of the Public Officials Act and the possibility of being able to offer a full range of services and products in the financial services area.

What strategies will Swiss Post use to deal with changes in the underlying conditions over the next three to five years?

Gygi: We have to make our services less expensive without cutting quality. We must safeguard and further develop the basic service. We have to offer business customers comprehensive service packages that are tailored to their requirements if we are to continue to enjoy their custom. And we have to expand our foreign activities in niche markets. All of this requires the use of new technologies on a wide scale and new management capabilities.

Business customers are Swiss Post's most important earnings drivers. But it is precisely here that the competitive pressure is rising sharply. How does Swiss Post plan to maintain its position as market leader and retain its customers?

Gygi: Swiss Post's future depends on success in the core businesses. In this area we have to outdo the competition, as the big volumes lie in the core business.

Menth: In particular, tailored solutions must be developed for individual big customers and the value chain must be extended generally. Specifically, this means taking on jobs that the big customers have previously performed themselves, for example, the electronic dispatch of bulk mailings or electronic franking. There will also be a requirement in the future for low-cost industry-specific solutions. One example here might be a coffee machine repair service. We collect the defective coffee machine from the customer and then return it to him after the repair. There is considerable potential for Swiss Post with electronic data traffic too. For instance, it can be used to authenticate and certify participants in these networks.

You have described the foreign business as an opportunity for growth. In the new strategic goals, the government has now forbidden you, as it has Swisscom, from becoming involved in the public service area in other countries. This has never been formulated so explicitly. Will this hinder your expansion?

Gygi: Our international strategy up to now has not included taking over any foreign postal companies in possession of a basic service mandate. Rather, we have cultivated foreign activities in particular niches on a much more selective basis. For example, cross-border promotional mailings, support for publications or public transport in the border area of France. To this extent the requirements imposed by the Federal Council do not call for any change in our existing foreign activities. However, I cannot exclude the possibility that the new strategic objectives could one day prevent us from taking up a promising opportunity.

“Swiss Post’s future depends on success in the core businesses.”

Ulrich Gygi

The owner has also offered you regular dialogue with a view to adjusting the strategy before the end of the four-year plan where changes have occurred in the underlying conditions.

Gygi: That’s right. After all, the market or developments in the EU could require us to adopt new corporate objectives.

One central requirement in the strategic goals defined by the Federal Council relates to improved productivity performance. Can the Swiss Post top management squeeze out any further cost reductions?

Gygi: The measures we have already taken leave us little room to manoeuvre. On the other hand, technology-driven improvements or optimization of processes can always produce sizeable savings. Meanwhile, further opening up of the market will mean a loss of market share, while the substitution of electronic messages for letters is reducing the volume of letters. Naturally we also create new jobs as a result of embarking on new activities, but in the longer term we have to assume that our workforce will contract as a consequence of the developments mentioned above.

The prospect of job cuts at state-owned businesses continues to be attractive to the Federal Council and parliament.

Gygi: The politicians must give Swiss Post enough time to adapt to the new market situations. Every year between 3,000 and 4,000 staff leave Swiss Post. So as long as we are given enough time, a lot can be achieved through fluctuations.

How do you see the future of Swiss Post?

Gygi: I am optimistic. Swiss Post’s strong ties with the public and the capabilities and devotion of our management and staff are abiding strengths, even if the competition is growing. If we succeed in harnessing the best forces and the best ideas in every area and in implementing attractive solutions for our customers, we will remain strong. Though of course this is not exactly a trivial task.

Menth: I am convinced that Swiss Post will still be the clear number one in Switzerland in ten years’ time. We are in a strong position as regards the preconditions to this, and our management is focused on what it wants.



pratique



Swiss Post between deregulation and basic service

Deregulation of the postal market in Switzerland is proceeding apace. In 2004, the entire parcels market was opened up to competition. This year the monopoly limit for letters will fall to 100 grams and the Swiss Confederation is discussing steps to extend liberalization still further. Swiss Post guarantees a high-quality basic service. The residual monopoly in the letters market remains, in Swiss Post's opinion, the most efficient way of funding it. Further deregulation steps will call into question the present quality and supply density. They can only be implemented if Parliament amends the postal legislation and clarifies the future scope of the basic service.

Swiss Post stands by its basic service mandate, which it intends to continue providing in the future and with which it is making its contribution to a modern and efficient public service in Switzerland. Swiss Post offers businesses and the public at large a nationwide post office network and transports shipments to every part of Switzerland, including the most remote regions, at a standard price. Customer satisfaction and security of supply are high, and the prices charged are reasonable by international standards. This high-quality basic service is essentially financed through Swiss Post's monopoly on letters up to 100 grams.

Swiss Post stands behind its basic service mandate, which it will continue to fulfil in future.

Deregulation in Switzerland

Deregulation of the market is in full swing in Switzerland. On 1 January 2004 the entire parcels market was opened up to competition, and on 1 April 2006 the monopoly limit for addressed letters will be reduced to 100 grams. A decision to this effect was taken by the National Council and the Council of States in 2002, thus agreeing with proposals which the Federal Council had put forward as part of a review of the way forward for the postal service. Federal Council and Parliament took their time in reaching any decisions. The Federal Council wanted to consider the needs of the regions for an adequate basic service, while at the same time meeting calls from industry for greater competition.

Clarifying the extent of the basic service

It appears to be generally accepted in the EU that if the amount of funding is reduced, it is only reasonable that the scope of the basic service should be adjusted. The EU Commission has commissioned several studies regarding the possibility of complete deregulation of the postal market in 2009. The scope of the basic service and how it is financed are the central issue here. In the EU it is becoming increasingly clear that if the entire market is to be opened up, then the service mandate will have to be reduced. This might affect the reliability or frequency of delivery, for example.

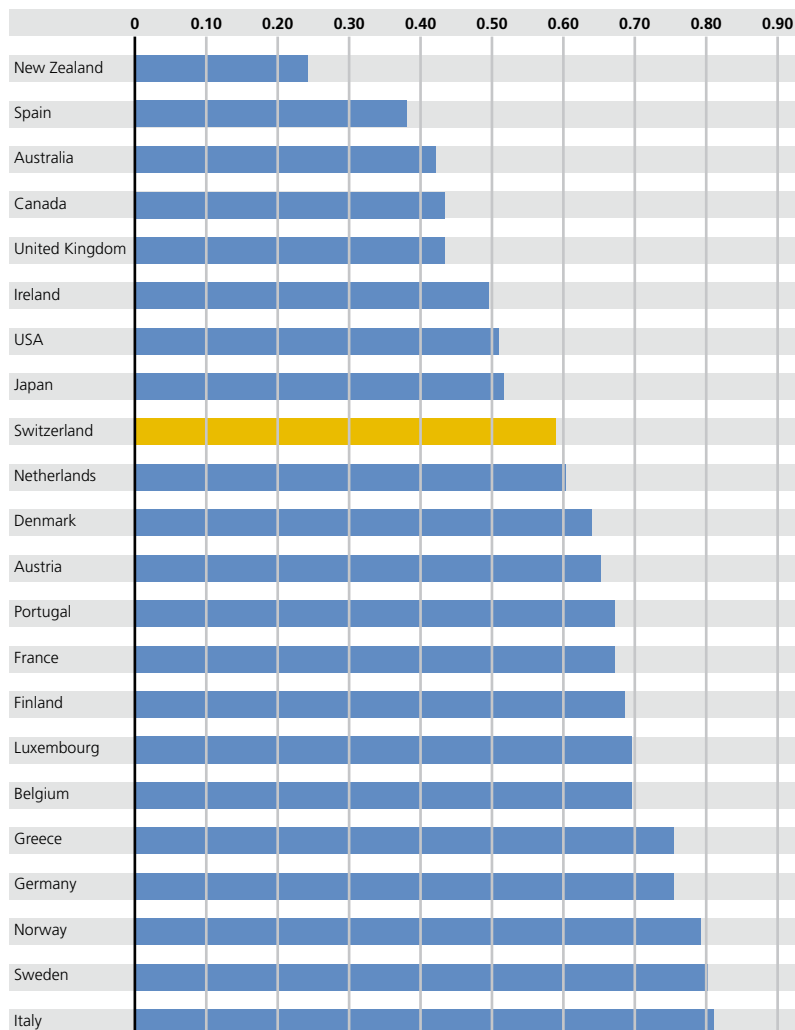
In Switzerland, it would be essential to pass new legislation covering a whole series of framework conditions, such as, for example, the definition of the basic service, the nature of funding, the legal form of Swiss Post and the position and functions of market regulation, before the market could be further opened up.

Under present legislation, the Federal Council can only pass a resolution deregulating the market still further in Switzerland if funding of an adequate universal service is assured. In this way, the scope and quality of the basic service and its funding are closely linked under the legislation.

At the moment there is
no real alternative to a monopoly.

International price comparison conducted by the German regulatory agency

Prices charged for letter items between 0 and 1000 grams carried by the fastest category of mail available, in euros (in Switzerland, this is A Mail).



Source: Federal Network Agency, activity report 2004/2005

Before a decision is made regarding further deregulation, Parliament and the Federal Council must therefore be clear as to what exactly they understand by an adequate universal service. This redefinition is all the more important because over the last few years the legislature has actually extended the basic service mandate of Swiss Post while at the same time reducing the monopoly limit. It has imposed obligations on Swiss Post to maintain a nationwide post office network and to guarantee to deliver shipments to all homes that are occupied year-round. Swiss Post stands by this extended legal service mandate. However, it expects in return that the necessary funding will continue to be assured.

Funding: no alternative to the monopoly in sight

There are several options as to how the basic service is financed. The Postal Act provides for funding either through a residual monopoly, as has been the case up to now, or through licence fees charged to private providers. A third possibility, which was presented by the Federal Council in its review as an extreme option, is that Swiss Post is reimbursed by the Swiss Confederation.

However, it appears at present that there are no viable alternatives to the monopoly. Licence fees charged to private providers would not be sufficient to finance the basic service mandate. The legislature would have to set the licence fees so high that this would negate any incentive to private providers to enter the market. One such example is Finland. There, private providers have to relinquish up to 20 percent of their turnover to cover the cost of the basic service. As a result, hardly any private providers have as yet come forward.

It must be possible to offer new services in place of any that are no longer in demand.

In view of the government finances, it is hardly realistic to expect a subsidy to be paid from the public purse. The only country in Europe which employs such a state-compensated order system is Norway, which finances the system with its oil revenues.

If the Swiss public and government want to retain a comprehensive, good, basic service which will continue to exceed the European standard in the future, retaining the residual monopoly is the most efficient and unbureaucratic way of funding it.

No further deregulation without revising the postal legislation

If the Federal Council and Parliament follow the European trend and decide on further deregulation, then they will have to be prepared to lower the present high supply density and basic service mandate to the European level. As far as Swiss Post is concerned, this would preclude any further deregulation on the basis of the present Postal Act.

If the monopoly limit were to be lowered to the European level, it follows that the principles currently enshrined in Swiss postal legislation would have to be brought into line with the EU in advance. In most of the Member States, deregulation has been accompanied by extensive modification of the legal basis and legal form of the national postal company.

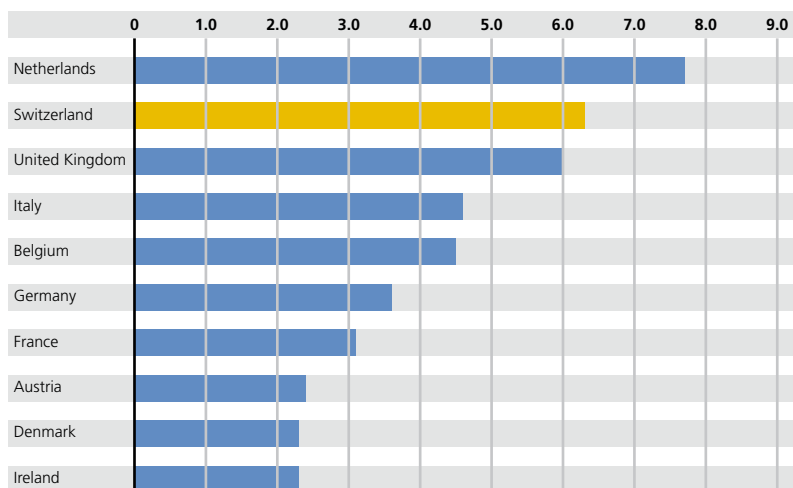
Same opportunities as private providers

As well as the basic service and its funding, Swiss Post believes that, prior to further liberalization, steps must be taken to ensure that Swiss Post is on a level footing with its mainly foreign competitors. Today Swiss Post is an institution owned by the Swiss Confederation. In the EU, most postal companies have the legal status of public limited company to enable them to hold their own on the deregulated market.

The present equity base of Swiss Post and funding of its pension fund would be unworkable if it were a non-state-owned company. To raise the necessary funds by itself, Swiss Post needs to be allowed to retain its profits for the next three to four years, as the Federal Council has suggested.

Post office density in an international comparison

No. of post offices* per 100 km²



*Post offices incl. agencies, 2004 figures
Source: UPU, Swiss Post

Adapting basic service to requirements

Moreover, even if a residual monopoly is retained, given the present trend towards new forms of communication replacing the traditional letter, there is considerable pressure to adjust. Examination of the basic service is therefore required. The behaviour and needs of customers are the yardstick for any change. It must be possible to offer new services in place of any that are no longer in demand.

Swiss Post is continuously developing innovative products and services that are well received by the market.

Moreover, wherever Swiss Post offers its services in competition to private companies, steps must be taken to ensure that private providers are prevented from winning the business because they pay their staff less and can therefore offer a lower price. One possible solution would be industry-wide collective employment contracts negotiated between all the postal companies and social partners.

Modernization of the post office network is still a necessity. The reorganization phase begun in 2001 was completed in 2005. Access to postal services is ensured through traditional post offices and also branches, agencies, mobile post offices and the home delivery service. Despite the reduction from 3,396 access points to 2,500, Switzerland still has one of the densest networks in the world. Between 2000 and 2005, customers posted 37 percent fewer letters and 40 percent fewer parcels. The number of inpayments fell by ten percent. If Swiss Post does not respond to such developments, it will not only become incapable of acting, but it will also infringe current postal legislation which requires that the network should be brought in line with any changes in customer behaviour.

Competitive

Swiss Post wants to further strengthen its competitiveness. It has provided ample evidence of its ability to be innovative and to change. For instance, consider the case of payment transactions, which were introduced 100 years ago as a postal cheque service and in which Swiss Post is the undisputed market leader. Swiss Post would like to develop this business activity further, for example by entering the lending business on an autonomous basis. Again, PostParcels is capable of successfully holding its own against the private competition. Swiss Post is constantly developing innovative products and services which are well received by the market. In its core business areas of mail, logistics, financial services and passenger transport, Swiss Post provides a cost-effective and customer oriented service.

To ensure that this remains the case, Swiss Post is dependent on framework conditions that enable it to provide a high-quality basic service and to remain competitive on the market.

Significant events in 2005

January 2005

New subsidiaries

Former parent-company units Mobility Solutions AG and SecurePost AG start operations as Swiss Post subsidiaries.

SPI expands its operations

Swiss Post International (SPI), the international unit of Swiss Post, takes over the whole of Porta a Porta S.p.A in Italy, including its 100 percent stake in Italian logistics company Servizi Distribuzione e Logistica S.r.l. (SDL). At the same time, SPI acquires ownership of Mail & Logistics in Sweden, its former franchise partner, and is now represented in Scandinavia by its own subsidiary.

February 2005

Building starts in Zurich-Mülligen

Construction work begins in Zurich-Mülligen on the first of three new letter centres. Part of the REMA project (reengineering of the letters processing business), the centre will become operational in 2007.

April 2005

The Postcard to become an electronic admission ticket

The Postcard is tested as an electronic admission ticket by PostFinance and the Kudelski Group from January to April 2005. Test persons are able to load access and usage authorizations onto their Postcard via the Internet. Payment is made by debiting the customer's Yellow Account. At the end of the test, PostFinance and Kudelski Group decide to make the Postcard an electronic admission ticket definitively as of summer 2006.

May 2005

New flagship brand – PostLogistics

Executive Management decides to strengthen and simplify Swiss Post's market presence in the logistics business. In the future, all logistics services from ExpressPost AG, PostParcel, Setz Gütertransport AG, BTL Logistics AG, Swiss Post NET AG and Parcel-Logistics AG will be marketed under the PostLogistics brand. The operations of Setz Gütertransport AG and BTL Logistics AG are merged into Setz Gütertransport AG.

June 2005

Post Offices & Sales introduces scanning

Scanning is launched in 1,800 networked post offices – Switzerland's largest branch network. Scanning enables every product sold – whether it is a stamp, a PostPac or a mobile phone – to be recorded electronically.

Stake in Liechtensteinische Post AG

The Executive Management has approved taking up a 25 percent stake in the share capital of Liechtensteinische Post AG, a move which will institutionalize the already close relations between the two organizations.

Letter centres come to Härkingen and Eclépens

As part of the REMA project (reengineering of the letters processing business), the Swiss Post Board of Directors selects Härkingen and Eclépens as the locations for the Centre and West letter centres, providing 610 and 460 jobs respectively.

July 2005

SwissSign AG for secure data transmission

Swiss Post acquires SwissSign AG, a company regarded as a pioneer in the field of secure data exchange. The takeover marks a further expansion in Swiss Post's electronic services and its entry into the market for secure signatures and the encryption of electronic data and documents.

August 2005

Parcel mailing becomes "easy" for business customers

The "easy parcels" service makes mailing parcels within Switzerland even easier for business customers. They hand in their consignments without having to fill in a form: the parcels are then registered, weighed and measured automatically at the parcels centres. At the end of the month, the customer receives the bill, with a detailed breakdown of the items sent.

September 2005

PostShop online opened

Post Offices & Sales opens its online sales counter. Customers can order IT products easily and conveniently from home in the PostShop online (www.postshop.ch).

World's first MMS stamps

Swiss Post issues the world's first MMS stamps. The four motifs were selected from over 3,300 MMS photos submitted by the general public in the "Swiss mobil – a country on the move" competition. Four mobile phone photographers thus became postage stamp artists. This successful campaign was made possible by the partnership between Swiss Post, Swisscom Mobile and the Museum for Communication in Berne.

Joint venture between Mobility Solutions AG and DB Fuhrpark Service GmbH

Mobility Solutions AG and DB FuhrparkService GmbH – a subsidiary of the German railways – are setting up a joint venture and will work together in the areas of fleet and mobility management for road-based vehicles.

All letter processing locations determined

The Board of Directors decides on the remaining locations for letters processing. The locations of the three letter centres – Zurich-Mülligen, Härkingen and Eclépens – had already been decided, as had Gossau as the subcentre for the St. Gallen region and Chur as one of the two video coding and returns processing centres. Sion (Canton Valais) is determined as the second video coding site, while the remaining five subcentres will be set up in Geneva, Basel, Kriens (Canton Lucerne), Ostermündingen (Canton Berne) and Cadenazzo (Canton Ticino).

October 2005

PostFinance conducts pilot video consulting trials

PostFinance trials video consulting for financial services in two post offices in Geneva and Montreux. Customers use a touchscreen to contact a financial advisor located in Bulle.

New computer centre in Zofingen

PostFinance announces that it is relocating one of its computer centres from Berne to Zofingen. The centre will become operational in 2007 and will create 150 new jobs in Zofingen. The new computer centre improves operating reliability in the event of natural disasters. The computing centre that remains in Berne will be remodelled and upgraded to the latest technical standards by the end of 2006.

November 2005

PostBus Switzerland wins contract in France

The French subsidiary CarPostal France SARL submits the winning bid to operate the bus network in the Bourg-en-Bresse agglomeration in the Rhône-Alpes region. Bourg-en-Bresse and 14 surrounding municipalities awarded the six-year contract to CarPostal France after an open bidding process. CarPostal takes over a transport network comprising seven bus routes, 76 staff and 30 vehicles.

December 2005

Legal structures at Logistics simplified

Setz Gütertransport AG is renamed PostLogistics AG, and ParcelLogistics AG is integrated into PostParcels.

New letterboxes

Swiss Post plans to replace and standardize its 20,000 letterboxes by 2010. The new letterboxes will have an information panel for customers, a broader slot (B4), a mechanism to prevent letters being removed once posted, a security lock and a screen to ensure that mailed items remain private. The 13 existing models will be replaced.

Cottages and castles

The house can be purchased.

PostFinance makes dreams come true.

PostFinance moves closer to the customer

PostFinance remains on the road to success. Customer deposits grew by 2.1 billion francs to 38.2 billion francs. The number of customer accounts increased by 129,000 to 3,008,000 and the number of yellownet users rose to 672,000. In 2005, PostFinance strengthened its consulting capability and moved still closer to its customers. The operating result came to 312 million francs.

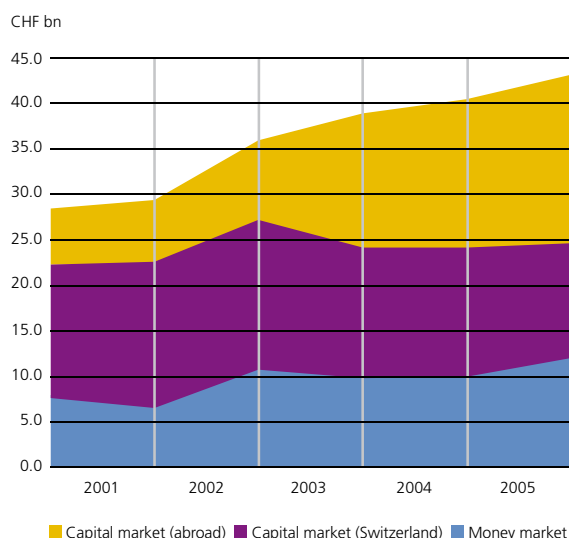
PostFinance's operating results rose by 12.2 percent compared with the previous year, to 312 million francs. Income from business operations increased by 53.2 million francs to 1.03 billion francs. On the other hand, tightening of margins in the interest-earning business had a dampening effect, as did the fact that customers have increasingly been demanding products paying a higher rate of interest (Deposit Accounts and preferential interest rate models). Proceeds from service and commission business were also higher. The figures for this area reflect the pricing model introduced in May 2004 and income from commission on funds and mortgages.

PostFinance posted an inflow of new money for 2005 too, which amounts to 2.1 billion francs. As of the end of 2005, customer deposits totalled 38.2 billion francs. The good performance of the Swiss stock exchange prompted many customers to invest in funds or shares, and this benefited PostFinance. It increased its fund and trading volume by 543 million francs but this growth is not reflected in the balance sheet. Because banks' investments in postal accounts can no longer be considered as liquidity according to the National Bank Law, customer deposits held with banks declined by a further 390 million francs.

Improved investment opportunities

Strong growth in customer deposits is increasingly forcing PostFinance to invest funds abroad. The domestic bond market has considerably lower growth rates than customer deposits. There is no legal basis under which PostFinance can invest its customer deposits in domestic mortgages. As a result, foreign investments have risen by 200 percent to their current market value of 18.78 billion francs since 2000. This is equivalent to about half the total investment volume. This trend is continuing unabated. Because the amount invested abroad is rising, the risk to which Swiss Post is exposed abroad has also increased. If the mortgage market were to be opened up so that PostFinance could offer an independent range of services, more of these customer deposits could be invested in Switzerland. However, this situation can only change if the appropriate decisions are made at the political level. Detailed information about financial risk management and the rating structure can be found on pages 54 and 56 of the Financial Report.

PostFinance financial assets 2000–2005



In 2005, PostFinance expanded its loan offerings, which are guaranteed and refinanced by its partner bank, UBS AG. It is now offering mortgages with terms of up to ten years and mortgages for self-employed persons for the first time. The mortgage volume has doubled, not least due to the successful "Live free for 6 months" campaign. Credit operations with business customers have been encouraging overall. PostFinance has for some years maintained good relations in payment transactions with the majority of the Swiss municipalities. Interest in PostFinance's products is growing among small and medium-sized enterprises. As of the end of 2005, PostFinance had promised 3.5 billion francs of loans to private and business customers. The number of customer accounts with PostFinance grew by 129,000. Young people and students opened 47,000 accounts.

Several routes to sales success

To move still closer to its customers and their needs, PostFinance is following a multi-channel strategy, which was pursued vigorously in 2005. Customers are contacted through different channels, while they in turn have the opportunity to approach PostFinance by several routes. These channels include the PostFinance consulting centres, post offices, the sales force and key account managers for business customers, telephone customer services and the Direct Marketing Centers for business and private customers and the self-service platforms – Postomat and the Internet.

To ensure that customers receive optimum service via all channels, PostFinance attaches great importance to providing high-quality advice. Only motivated, customer-oriented, entrepreneurially-minded, well trained staff can meet this requirement. For this reason, great importance was attached to training and further qualifications in distribution.

PostFinance's yellownet e-finance product continues to be popular. In 2005, the number of users rose to 672,000. In this way PostFinance expanded its leading position in electronic payment transactions.

Customer focus – discreet and innovative

In the larger cities of Switzerland there are a total of 28 PostFinance consulting centres, where specialist staff can advise private customers on PostFinance's products and services. In 2005, PostFinance relocated the consulting centres in Baden, Basel, Vevey, Winterthur and Zurich to better sites, opened a new consulting centre in Zug and refurbished the centres in Lugano and St. Gallen. Customers now benefit from more space, discreet premises and state-of-the-art information technology.

For PostFinance, customer focus means continually trying new approaches. PostFinance was the first financial institution in Switzerland to try out a screen-based financial advice service for customers. In October a pilot trial was launched in the post offices of Geneva and Montreux, in which customers are able to talk to a customer advisor in Bulle via a screen in a post office. These video advice sessions enable customers to access the financial competency of PostFinance from their local post office.

In September a second pilot trial – mobile Sales – was launched, in which customer advisers visit customers in their homes. The high number of business transactions demonstrates that these home visits are valued.

A further pilot test was conducted between January and April 2005. PostFinance and Kudelski Group tested the Postcard as an electronic admission ticket. The test persons were able to load usage authorizations for ski lifts at 30 resorts and entry tickets to events onto their Postcard via the Internet. Payment was made by debiting the customer's Yellow Account. After evaluating the test, PostFinance and the Kudelski Group decided to make the Postcard a permanent electronic admission ticket as of summer 2006.

Satisfied customers

Overall, customer satisfaction continued its upward climb in 2005. Among business customers, it attained 81 points (one point higher than in 2004) and among private customers it rose from 82 points to 84. The good results were due primarily to the entire range of services and the considerable commitment on the part of employees.

Security a top priority

For a financial service provider like PostFinance, security is a top priority. To raise its infrastructure to the latest state-of-the-art, work began in 2005 on rebuilding the Engehalde computer centre in Berne. This is due to be completed in 2006. Every year 800 million transactions ranging from cash withdrawals from Postomats and automatic teller machines abroad, to account management and the use of Postcard to pay for shopping, are processed in the "Engehalde". In addition, information technology systems for the other areas of Swiss Post are also operated there. Additional space for new services is now being created, and security is being increased. Even while the building work is going on, all the systems are fully functional.

Postal cheque service celebrates anniversary

In 2006 the postal cheque service, as PostFinance was called when it was founded in 1906, will be able to look back on 100 years of history. Eight million transactions were already being processed in 1910. The wider public discovered postal cheque transactions in the 1960s and 1970s. A buoyant economy has contributed materially to this. Today, with a market share of around 60 percent of transactions executed in Switzerland, PostFinance is the clear market leader in payment transactions. Each year, PostFinance computers process transactions totalling 1.5 billion francs. PostFinance plans to celebrate its anniversary with a number of campaigns and events in the consulting centres.

Up to now, if a failure were to occur at the “Engelhalde”, a second computer centre in Berne-Bümpliz would spring into action. PostFinance is planning to build a new computer centre in Zofingen, which should be completed in 2007. The geographic distance between computer centres means that the system will be more resilient to environmental influences such as earthquakes, fires and power failures. It is expected that about 150 full-time staff will be employed in Zofingen. 80 of these will be relocated from Berne to the canton of Aargau, 13 staff will be relocated from Lucerne to Zofingen in 2007 and around 50 new jobs will be created.

New jobs created once again

In 2005 PostFinance created 144 new full-time jobs for further strategic development, mainly in sales, information technology and compliance. Since 1998 PostFinance’s workforce has risen by around 800 staff. In 2005, staff satisfaction continued to improve at PostFinance, rising from 68 to 69 points, while loyalty to the company improved from 78 points to 79.

Payment transactions for third parties

At the beginning of October PostFinance took over UBS AG’s paper-based payment transactions and 21 staff. As a result, the number of paper slips used at PostFinance rose by a third. As far as PostFinance is concerned, taking over third parties’ payment transactions is a strategically important step. UBS AG has indicated that it is satisfied with the service offered by PostFinance.

In the area of cross-border payment transactions, PostFinance plans to expand its market lead by introducing a standard product for transfers to the European Union (Giro international plus) and a product for secure and inexpensive cash payments abroad (Cash international plus).

Outlook

PostFinance plans to further develop its position as leader in the core business of payment transactions and to maintain its market position in the area of financial services. The key objectives are to generate a continued high inflow of new money and to further strengthen its relations with the main banks. In line with these objectives, the size of its sales force will be stepped up and the number of staff employed will therefore continue to grow.

As far as PostFinance’s development over the next few years is concerned, political decisions regarding the possibility of investing customer deposits in mortgages will be critical.

Financial Services

		2005	2004
Operating income	CHF m	1 030	977 ¹
Operating result	CHF m	312	278 ¹
Employees	Full-time equivalents	2 390	2 246
Total assets	CHF m	47 256	44 157 ¹
Employee satisfaction	Index	69	68
Customer satisfaction: business customers	Index	81	80
Customer satisfaction: private customers	Index	84	82
Key figures specific to the business unit			
Influx of new money	CHF m	2 065	3 149
Number of customer accounts	Thousands	3 008	2 879
Average balance of customer deposits	CHF m	38 169	35 652

¹ 2004 figures adjusted for IFRS 2005 adjustments “Change in value adjustments for financial assets”

Romeo and Juliet

Tragedy turns to joy.
PostMail delivers on time.

PostMail is fit for the market

On 1 April 2006 the market for letter items above 100 grams will be opened up to competition. PostMail has prepared itself for this forthcoming step. Innovations and new services, optimized processes and controlled change management will continue to assure PostMail's success in the future. In 2005 this division achieved an operating result of 218 million francs.

Strategy for deregulation

With the letter market for shipments above 100 grams due to be opened up on 1 April 2006, PostMail will for the first time face competition for about 11 percent of letter volume, worth 17 percent of sales.

To protect its business, PostMail is pursuing a strategy focused on the needs of its customers. One example of this is the delivery of the latest Harry Potter volume. Customers were allowed to choose whether they wanted to have the book in their homes at midnight on Friday, 30 September or on the Saturday morning. Thousands of households throughout Switzerland took advantage of the offer.

Another example is redirection orders. These are implemented the very next day, irrespective of whether customers want to have their post redirected to their new residence or to their holiday address. Redirection orders can still be arranged at the counter, as in the past, but for the first time they can now be arranged by telephone or over the Internet (www.postmail.ch) as well.

In the strategic business fields of business mail and direct marketing, PostMail offers its customers practical solutions and innovative products. It is developing services in both the "physical" and the "electronic" domains. 2005 saw the launch of a user-friendly Internet tool which helps business customers to record and transfer their dispatch data. Another innovation has been the introduction of WebStamp. This franking solution enables customers to print out digital franking marks directly over the Internet on a 24/7 basis. WebStamp is a program for efficient franking which is particularly well suited to small and medium-sized enterprises.

Another of the new, practical services and products from PostMail is the Swiss search engine, Search.ch, which has been available to Swiss Post since 2004. In addition to telephone and address searches on www.tel.search.ch, cinema programmes and events, Search.ch offers a geographic search at www.map.search.ch. This impressive product range won the "Master of Swiss Web" award for the best Swiss website in 2005.

Another of PostMail's achievements in 2005 was to position itself in the market for digital signatures and the encryption of electronic data and documents. The digital postmark is shortly to be launched. This is based on the new communication platform, incaMail, the electronic equivalent of the registered letter.

Also in 2005 PostMail promoted direct marketing as a successful tool for talking directly to customers. The 6th DirectDay held at the end of November was attended by almost a thousand people – a new record. The catchphrase chosen for the occasion was "Love your customer as yourself – the magic formula for customer loyalty". On DirectPoint, the direct marketing platform (www.directpoint.ch), online courses on the subject of "E-mail marketing" are offered along with marketing opportunities for the tourism industry and support measures for direct marketing. Further offerings, tailored to specific industries, will follow. Another innovative product which PostMail launched on the market in 2005 was DirectSelfmailer, which combines mailing, response card and envelope in a single product: a practical direct mailing as a special item without any extra postage charge to the customer.

To underline its competency in and commitment to direct marketing, PostMail was the main sponsor of the Swiss dialogue marketing prize for 2005 and the presenting partner on the Swiss Marketing Day 2005.

High quality

Once again PostMail delivered outstanding quality in 2005. 97.7 percent of all A Mail letters arrived at their destination on the next day and 98.2 percent of all B Mail letters reached their destinations on time.

When one compares these figures with postal services in other countries, it is an outstanding achievement.

Price adjustments

Back in August 2005 Swiss Post pointed out that deregulation in the letter market would influence prices. In November, the few adjustments that Swiss Post plans to implement on 1 April 2006 were approved by the regulator. Prices will actually be cut in some price categories for items over 100 g, in others Swiss Post will not pass on the VAT charge, while in a third category prices will be adjusted to allow for VAT.

Flexibly and efficiently organized

To be able to adapt more flexibly and more quickly to changes in market conditions, PostMail underwent a process-oriented reorganization in the units Acceptance, Sorting and Delivery. This reorientation of the management organization which entered into force in October 2005 will improve proximity to customers and make it possible to respond faster and more flexibly to their requirements. At the same time it will lead to shorter management spans and strengthen managerial competency. Standardization of processes is boosting innovative force.

More flexibility – this goal is also being pursued by PostMail in the new “Move it” working hours model and the “Groups for delivery” project. Whereas in December 2005 two long-term field trials of “Move it” were launched, “Groups for delivery” has already been implemented. Together the two projects will lead to a more flexible delivery organization. At the same time they will promote entrepreneurial thinking and action amongst the workforce, which ultimately will lead to greater efficiency and competitiveness.

New strategies and the adaptation of organization and processes pose major challenges for the employees. For this reason, PostMail created the “Platform for change”. This network of 43 “change pioneers” maintains a dialogue between different organizational units across the country, free of hierarchical tiers. This pragmatic and long-lasting project received public recognition when the Swiss Leadership Forum conferred PostMail with the bronze HUMAN award in October.

Locations of new letter centres finalized

PostMail's REMA (REEngineering MAil Processing) project aimed at redesigning letter processing makes use of the technical possibilities of delivering services at lower cost and is creating the logistics and technical framework for new services. In 2003 the Board of Directors of Swiss Post decided to convert the former parcel centre in Zurich-Mülligen into one of three new letter centres. Ground was broken on 10 February 2005 for this major project, which is expected to become operational in 2007. In 2005 decisions were made as to where to locate the two other letter centres: The Centre letter centre will move to Härkingen (Canton Solothurn), and West will move to Eclépens (Canton Vaud). The six sub-centres will be located in Gossau (Canton St Gallen), Geneva, Basel, Kriens (Canton Lucerne), Ostermundigen (Canton Berne) and Cadenazzo (Canton Ticino). The centres for videocoding and returns processing are to be accommodated in the present letter centres of Chur and Sion. Swiss Post is investing over a billion francs in the REMA project.

“All big things begin with a letter” is turning out to be big

The traditional letter is in decline as Swiss people increasingly prefer to correspond by e-mail or SMS. The volume of letters sent once again fell last year by 1.26 percent. For this reason PostMail resumed its campaign, “All the things begin with a letter”, in 2005. The aim is to enhance the perceived value of the physical letter and to position PostMail as the market leader in the letter market. After advertisements, publicity on the radio, “letters for free”, stationery sets, campaigns in Postshops and inscriptions on letterboxes, the emotional campaign with television advertisements and a “letter week” were directed primarily at private customers. Business customers were addressed with mailings and advertisements in business magazines. Inside Swiss Post, PostMail launched a letter contest in which the 1,500 apprentices in Swiss Post were invited to submit ideas for “All big things begin with the letter”. A series of small groups submitted suggestions aimed at young people. The best idea won a prize and is also to be implemented by the apprentices in 2006.

Subsidiaries as specialists

The subsidiaries are playing a critical role in the strategy of preparing for deregulation. They complement the core business in an ideal fashion. DCL Data Care AG offers practical solutions and innovative products, especially in the electronic field. It is actively involved in electronic data maintenance and data management and, through the communication platform, incaMail, it makes possible the legally binding and secure exchange of data, the electronic equivalent of the registered letter. DocumentServices AG has a leading position in document management: business customers benefit from an extensive range of products ranging from pre-printing to printing and dispatch, through to scanning and slip processing.

Outlook

The REMA project will once again be of central importance to PostMail in 2006. Planning and building work will continue at the three letter centres, the six sub-centres and the two videocoding and returns processing centres. The redesign of letter processing should be complete in 2009.

PostMail has direct contact with its customers through the acceptance and delivery of mail. Working in partnership with them, processes will be made more operationally efficient and their quality will be improved.

Following the decision by the Federal Council not to submit any proposal for a new press promotion from 2008 to Parliament, a new means of regulating newspaper transport must be sought. This must not only fulfil the basic service mandate but also satisfy the expectations of publishing houses and must not be loss-making for Swiss Post.

Mail		2005	2004
Operating income	CHF m	3 178	3 236
Operating result ¹	CHF m	218	278
Employees	Full-time equivalents	15 364	15 572
Total assets	CHF m	520	553
Employee satisfaction	Index	64	62
Customer satisfaction (Swiss Post)	Index	74	72
Key figures specific to the business unit			
Addressed letters	Millions of items sent	2 822	2 858
of which: Priority letters ²	Millions of items sent	754	754
of which: Non-priority letters ²	Millions of items sent	922	954
of which: Non-priority letters in bulk ²	Millions of items sent	1 107	1 110
of which: Letters with proof of delivery	Millions of items sent	31	32
Unaddressed mailings	Millions of items sent	1 214	1 253
Newspapers	Millions of items sent	1 203	1 195

¹ before infrastructure contribution to the post office network: CHF 660 m (2004: CHF 652 m).

² incl. business reply items, Direct Response Card, excl. Photopost; prev. yr. adjusted

Adrenaline and caffeine

The coffee machine's back from the repair service.
PostLogistics calms your nerves.

United under the name of PostLogistics

2005 saw the merging of Swiss Post's disparate logistics competencies into a single entity: in future PostParcels, ExpressPost AG, Setz Gütertransport AG, Swiss Post NET AG and ParcelLogistics AG will be managed from a single source and marketed under the brand name of PostLogistics. This business area achieved an operating result of 87 million francs.

Logistics competency united under one roof

On 18 May 2005 the Executive Management of Swiss Post decided to simplify its market presence in the logistics business area and to market the core services of this area in future under the flagship brand of PostLogistics. The new flagship brand will be introduced by the middle of 2007 and will gradually replace the various subsidiaries and areas as they have appeared on the market up to now.

At the same time the management structure in the business area of logistics has been modified. In future synergies in the administrative area and the provision of services will be more effectively utilized and duplications will be avoided. Customers will receive services covering every aspect of logistics from a single source. PostLogistics will transport anything from small parcels to entire vanloads, and also operate beyond Switzerland's borders, 24 hours a day, handle both individual items and bulk mailings and transport them quickly and reliably.

The first steps towards simplifying the structures have been introduced at the legal level. In the summer of 2005, the operational business of BTL Logistics AG was transferred to Setz Gütertransport AG. Then, on 1 December 2005, Setz Gütertransport AG changed its name to PostLogistics AG. At the same time, ParcelLogistics AG was legally and organizationally transferred to PostParcels.

Express and courier

The express and courier business unit specializes in the rapid, nationwide transportation of shipments of every kind around the clock. It comprises the subsidiary ExpressPost AG, which is wholly owned by Swiss Post, and Swiss Post NET AG, a joint venture between Swiss Post (51 percent) and the Dutch company, TNT (49 percent).

ExpressPost AG is the Swiss market leader in express and courier services and operates from over 50 locations throughout the country. Today in addition to an established standard offering, ExpressPost AG concentrates on developing tailored customer solutions aimed at providing critical added value for companies in the competition to provide the fastest service. Examples of this include the "Special delivery of debt collection documents" for debt collection offices, promotion logistics for the Nivea product group at Beiersdorf Switzerland and a distribution solution for the Internet shop of telecom provider sunrise. Despite increasing competition, ExpressPost AG achieved double-digit growth in its courier business.

On 1 January 2005 the staff of ExpressPost AG entered into a collective employment contract. At the end of 2005, the social partners and ExpressPost AG agreed a wage package for 2006 that will guarantee individual improvements for the staff while ensuring that the company remains competitive.

Swiss Post NET AG is the leading provider of a night delivery service for business customers in Switzerland. In January 2005 Swiss Post NET AG commissioned a new hall for transshipments in Oftringen. Its customers include service engineers, retail stores, hospitals and garages which depend on the prompt delivery of materials and spare parts. Swiss Post NET AG develops individual logistics solutions with high customer benefit and competitive advantage for sender and recipient alike.

Parcels

The parcels area encompasses the domestic regular business of PostParcels and ParcelLogistics AG, which on 1 January 2006 was incorporated into PostParcels.

In the year under review, PostParcels maintained its position as the clear number one in the Swiss parcels market despite increased competition. Every day half a million shipments reached their destination. In the run-up to Christmas, PostParcels staff were handling a peak volume of 15 million parcels.

PostParcels uses state-of-the-art information technology to process parcels. This reduces the administrative overhead for customers considerably. Thanks to the "easy parcels" service, for example, business customers can hand over their parcels without having to complete any forms. Monthly invoicing is based on data captured in the parcel centres. Customers can retrieve their invoice and parcel data online at any time. Using "Print & Send", they can administer address data and print out labels and customs forms over the Internet. With "Track & Trace Business" they have access to detailed information such as sorting and delivery status and, in the case of shipments which have to be signed for on delivery, to the recipient's signature as well.

Since February 2005, PostParcels has provided a PostPac Priority service in the afternoons up to 4 p.m. at about 140 post offices. This means that individuals and small or medium-sized companies whose parcels are taken to a post office gain an extra four hours. This service has been well received and is therefore to be extended to other post offices as well.

PickPost – the alternative for mobile Swiss Post customers – expanded during 2005. A larger network was created to include Basel, Berne, Geneva, Lausanne, Lugano, Zurich and Winterthur. PickPost offices can be found in service stations, at newsstands and stations, from where PickPost subscribers can collect shipments notified to them by SMS or e-mail up to late in the evening and even on Saturdays and Sundays.

ParcelLogistics AG, which specializes in special parcel solutions, has proved the ideal complement to PostParcels. The company transports parcels weighing up to 35 kg and 2.5 m long and offers a wide range of innovative value-added services for business customers with special requirements.

Goods logistics

The Goods Logistics area includes Setz Gütertransport AG, which was renamed PostLogistics AG as of 1 December 2005.

As well as the core services of general cargo logistics and warehouse logistics, the Goods Logistics business unit offers attractive additional services such as customs clearance and value-added services like packing and price-marking, disposal, returns and special solutions. Transport logistics is based in the hub of Dintikon with central, high-capacity dispatch planning. Goods Logistics designs and implements individual customer solutions and standard industry solutions.

Hospital Solutions offers hospitals and clinics comprehensive solutions for materials management and the logistics of medical devices, and delivers medical consumables directly to the wards. Hospital Solutions helps customers to reduce their costs and employ their labour resources efficiently.

RepairLogistics is aimed at specialist shops and specialized trade: faulty home entertainment electronic equipment, household appliances, information technology and telecommunications equipment are collected unpacked and unsorted from the sales outlet and returned fully repaired.

Mobility Solutions AG: centre of excellence for mobility

Mobility Solutions AG, a 100 percent subsidiary of Swiss Post, commenced operations on 1 January 2005. It is responsible for the mobility management of 20,000 vehicles belonging to Swiss Post. As a public limited company, Mobility Solutions is able to offer its services to third parties and to enter into collaborative agreements. Mobility Solutions AG and DB Fuhrpark-Service GmbH, a subsidiary of Deutsche Bahn, formed a joint venture in September 2005.

SecurePost AG: tailored solutions for value logistics

On 1 January 2005, SecurePost became a wholly owned subsidiary of Swiss Post. SecurePost AG specializes in the transportation of valuable items, cash, cash processing (money orders, processing of notes and coins) and the servicing of cash dispensing machines. In particular it offers financial institutions, retailers and the watch and jewellery industry a nationwide service for value logistics. From a number of locations SecurePost serves the whole of Switzerland with special vehicles that meet the usual security requirements. The staff of about 120 guarantee discretion, service and reliability.

yellowworld AG: the leader in the Swiss e-fulfillment market

yellowworld AG has an independent range of services and is positioned in the e-fulfillment growth market. With innovative process solutions, yellowworld controls and integrates the flow of goods, information and money between companies. One example in supply chain management is yellowlog, the software solution for procurement logistics, load device management and reverse logistics, including charging and debt collection. It also provides offerings for electronic invoicing and payment for very small amounts (micro-billing). In 2005, yellowlog was successfully implemented at Migros, so that the wholesale distributor is now able to centrally administer returnable containers and manage them efficiently.

Outlook

PostLogistics's focus will continue in 2006 to be directed at expanding the business-to-business segment, with its growth opportunities. To orient its products in a more targeted way at customers, PostLogistics is restructuring its range of products and services and plans to launch additional industry solutions on the market. These developments will be supported by the expansion of information logistics. PostLogistics is stepping up cooperation with the Mail business area and the Swiss Post International business unit: the logistics network will be used jointly, product overlaps will be eliminated and the distribution networks of the Swiss Post Group will be used more heavily. The main goal is to offer solutions from a single source. This in turn requires that a coherent, unified presence is projected to the customers.

Logistics

		2005	2004
Operating income	CHF m	1 368	1 393
Operating result	CHF m	87	74
Employees	Full-time equivalents	5 540	6 075
Total assets	CHF m	302	291
Employee satisfaction (Swiss Post)	Index	62	61
Customer satisfaction: PostParcel business customers	Index	79	78
Customer satisfaction: ExpressPost business customers	Index	75	74
Key figures specific to the business unit			
Parcels	Millions of items sent	105	106 ¹
Parcels (market share)	Share in %	74	74 ¹
Swiss-Express	Thousands of items sent	4 187	4 193
Swiss-Courier (net sales)	CHF m	39	33
Small consignments (net sales)	CHF m	116	137
Warehouse logistics (net sales)	CHF m	36	37
Innight Express (net sales)	CHF m	17	17

¹ Previous year's figure has been adjusted

Commuters and **country trips**

The safe way to your destination.
PostBus is on the move every day.

PostBus Switzerland in competitive shape for its centenary

PostBus Switzerland can celebrate its centenary in 2006 as the market leader in road-based public transport. In 2005, the company made successful bids for a number of routes in Switzerland and abroad and, in spite of high fuel prices, ended the year with an operating result of 29 million francs.

Between 2000 and 2005, turnover in the Passenger Transport business area grew by 24 percent, or about five percent a year. With a share of just under 18 percent in the order and contracted business market in terms of turnover, PostBus is the clear market leader in Switzerland and its yellow buses are perceived as an element that binds all corners of the country together.

New routes in Switzerland

In the domestic market, PostBus Switzerland was successful in its bid for the public-transport routes in the Locarno region, securing a ten-year contract. PostBus was also successful in the Bernese Oberland, where it acquired the Brienz–Axalp route, and it gained routes in the Bischofszell and Walenstadt regions. PostBus also made a successful bid for the new TransSeetal-Express bus route between Hochdorf and Rotkreuz, which connects passengers from the Lucerne lake valley with the fast trains between Lucerne and Zurich. These successes were due primarily to systematic gearing of the quotes to the needs of the commissioning organizations and to the best value for money they represented. PostBus submitted a bid for the Wiggertal bus network, proposing to continue running the bus network in collaboration with three PostBus operators. In the end, the contract to operate the services as of time the new timetable takes effect in 2007 went to a group tender comprising the SBB and BDWM Transport AG.

New market: France

CarPostal France SARL has been operating the municipal bus service in Dole since 2004. In 2005, the PostBus Switzerland subsidiary won further contracts in France. In Obernai, a centre in Alsace with 12,000 inhabitants, the company made a successful bid to develop the municipal bus system, to be operational by mid-August, and on 1 January 2006 it commenced operations in the town and agglomeration of Bourgen-Bresse, a catchment area with a population of some 75,000. The network includes seven routes and an on-call bus system. The annual turnover amounts to seven million Swiss francs, making a total of 42 million francs for the six-year contract period. In addition, CarPostal France took over advisory tasks, starting at the beginning of 2006, for the operators of the Lons-le-Saunier bus network. Also at the beginning of 2006, PostBus won the contract for the new municipal transport network in Haguenau (Alsace), comprising three routes, an on-call bus and other services such as school buses and express services.

Centenary of PostBus

PostBus will be celebrating its centenary in 2006. The first PostBus route came into operation in 1906 and connected Berne, Wohlen and Detligen, replacing the horse-drawn mail service. But the vehicles and their three-tone horn emblem did not become a signal-yellow national symbol until after the First World War, when Postbuses conquered the passes of the Swiss Alps. Today, the majority of buses operate in less mountainous regions, transporting commuters into towns or delivering them to their connecting trains. The number of passengers has grown steadily over the last hundred years: a quarter of a million people travelled by post bus in 1920, 4.6 million in 1930, 20.2 million in 1950, and the 100-million mark was passed in 2003.

PostBus Switzerland will be celebrating this centenary throughout the year, together with clients, passengers and employees. The varied programme will include countless nationwide and regional activities, plus a photography competition for schoolchildren and special exhibitions in the Museum for Communication in Berne and the Transport Museum in Lucerne. There will also be a special centenary issue of "Via", a commemorative coin, three special stamps and a centenary book. PostBus will be present on all nationwide TV and radio channels in all language regions throughout the year.

The Swiss market accounts for 97 percent of turnover and therefore continues to be given top priority at PostBus. International contracts close to the Swiss border were acquired solely through participation in public tenders. With this experience, PostBus acquired valuable know-how about practices in the competitive environment of the European Union.

Efficient thanks to "Avanti"

In 2005, PostBus Switzerland completed the Avanti project. At mid-year, the 16 existing PostBus regional centres were reorganized into nine regions. Functions requiring closeness to customers remained at their previous locations, while tendering and certain accounting and marketing activities were concentrated in the regions. Human resources, finances and controlling, fleet management and basic marketing activities were centralized at PostBus headquarters in Berne. As a result, about 50 administrative jobs were lost, which greatly reduced costs and improved the company's competitiveness. A redundancy plan was drawn up for the employees concerned.

Becoming a joint-stock company

With a view to making the company more flexible and competitive in the market and enabling it to engage in cooperative ventures with other transport operators and offer excellent value for money in public transport, PostBus Switzerland AG was set up and, in February 2005, entered in the Commercial Register. The independent trade union of postal workers, SAP, lodged an appeal against this outsourcing decision, but the appeal was turned down by the Federal Staff Appeals Commission. At the same time, the Commission approved the contract of affiliation that had been negotiated with the social partners to allow affiliation of outsourced business units with the collective employment contract (CEC) for subsidiaries (GAV KG). The intention is to transfer the employees of PostBus Switzerland to the joint-stock company on 1 July 2006.

CEC and contract of affiliation

The contract of affiliation with the GAV KG which was negotiated with the Communication and transfair trade unions makes it possible to transfer the employees to the joint-stock company. In particular, it lays down the company-specific arrangements with regard to bids for transport contracts. Different terms of employment can be agreed for different groups of employees. The unitary solution ensures that employees will continue to enjoy above-average employment conditions. The aim of the agreement is to secure the company's competitiveness in the passenger transport market not only in the immediate future but also in the medium and long term and to protect jobs.

Corporate culture

The "Avanti" project triggered reflection on the corporate culture of PostBus. The newly set-up PostBus Management Meeting examined the ways in which employees dealt with one another and, in collaboration with management, drew up seven principles to be applied as guidelines for cooperation between the different organizational units and hierarchical levels.

Innovation prize for PostBus route

Since May 2005, Postbuses operate every two hours between Zernez and, via the Ofen Pass, Müstair and on to Mals in Italy, where passengers can transfer to the reopened Venosta valley train and travel on to Merano. In setting up this cross-border route, PostBus Switzerland filled a service gap, as a result of which the Public Transport Unit of Canton Graubünden that had initiated the project was awarded the Public Transport Innovation Prize of the Swiss transport workers union, SEV, and the Swiss transport and environment association, VCS.

Mobile information for passengers

PostBus Northern Switzerland improved its passenger information infrastructure. An LCD screen in the bus now provides passengers with information on stops and the train departure times at the nearest connecting station. It also displays continuously updated headlines from the "Basler Zeitung" newspaper and the weather forecast. All data are transferred to the vehicles via the mobile radio network and GPRS technology and are therefore up-to-date at all times.

High fuel prices

The price of fuel rose dramatically in 2005. In the first ten months, the monthly average price of diesel oil per litre jumped by 26 centimes, i.e. more than 17 percent. Since PostBus Switzerland's fleet of vehicles uses around 30 million litres of fuel a year, this price increase was a substantial cost factor for the company. Despite being unable to pass on the additional costs to the passengers, however, PostBus achieved a positive operating result.

Emissions reduced

Despite a ten-percent increase in traffic volume, Swiss Post's Passenger Transport business area succeeded in reducing the environmental impact of its vehicles in the last five years, lowering emissions per kilometre by 26 percent. This reduction was due to the deployment of low-emission buses such as the 19 natural gas-driven vehicles that PostBus Switzerland operates in the Principality of Liechtenstein. About 25 percent of vehicles are equipped with CRT particle filters. A decision on whether switching to vehicles with filters makes sense depends also on the authorities that commission public transport routes and on their decision whether or not to take over part of the additional costs involved (see chapter on Corporate Citizenship, page 68).

Outlook

PostBus will seek to secure or even slightly expand its market position in Switzerland and make further successful bids for routes in neighbouring countries. Public transport will be subject to even greater pressure to cut costs. The challenge facing PostBus is the need to optimize its costs as well as develop customized services.

In 2006, the employees will be transferred from Swiss Post to PostBus Switzerland AG. Another major milestone is the bid for routes in the Sargans region, which PostBus is determined to secure for itself.

Passenger Transport

		2005	2004
Operating income	CHF m	559	538
Operating result	CHF m	29	37
Employees	Full-time equivalents	1 392	1 376
Total assets	CHF m	373	364
Employee satisfaction	Index	67	67
Customer satisfaction: leisure travellers	Index	81	83
Customer satisfaction: commuters	Index	73	75
Customer satisfaction: tourists	Index	81	83
Key figures specific to the business unit			
Number of passengers	Millions	105	102
Vehicle-kilometres	Millions of km	94	91
Vehicles	Number	2 029	1 995
Postbus network	km	10 450	10 363

Acquarossa and Zurich

In villages and cities.

Post offices create contacts.

The Post Office Network – a finger on the pulse of the customer

With the successful completion of the network restructuring programme begun in 2001, the Post Office Network business area has moved the post office network still closer to the expectations of its customers. A basic service in keeping with the times and attractive additional ranges will secure the future. Increasing sales and the 2005 ESPRIX nomination are proof that the path adopted is the right one. The Post Office Network business unit posted an operating result of 27 million francs in 2005 on the sale of non-postal brand-name products.

Contemporary basic service

Swiss Post attaches great importance to the ability to serve its customers with attractive offerings in a pleasant environment. With 3,525 points of access, Swiss Post is and remains a major force in Switzerland. It maintains a contemporary basic service nationwide. Even though every year 153 million Swiss citizens continue to visit a post office, the public is making less and less use of the services available there. Between 2000 and 2005, 37 percent fewer letters and 40 percent fewer parcels were handed in at the counter. The number of inpayments fell by ten percent. This trend has become more pronounced over the last few years and will accelerate further in a more open market.

Network successfully modernized

In the summer of 2005, two projects launched in 2001 and aimed at modernizing the post office network were completed. With the restructuring carried out in country regions and in 17 large Swiss towns, the post office network has adapted to changing customer behaviour, and the uncovered network costs have been reduced by around 100 million francs.

Despite sporadic local opposition to the network reorganization, customers are extremely satisfied with models such as the home-delivery service, agency or mobile post office, as confirmed in a representative opinion poll coordinated by the Swiss Federal Department of the Environment, Transport, Energy and Communications (UVEK). The independent "Post office commission" appointed by the government at the beginning of 2004 confirmed 19 out of 21 decisions made by Swiss Post which communities had submitted to it for assessment. A report published in mid-2005 by the postal regulator (PostReg) concludes that Switzerland continues to benefit from a wide-ranging, high-quality basic postal service and has one of the densest post office networks in Europe.

The post office network before and after the reorganization 2001–2005*

	31. 12. 2005	1. 1. 2001
Conventional post offices	1 767	3 396
Branches	657	–
Agencies	126	–
Mobile post offices ¹	7	7
Home-delivery service	968	–
Special cases ²	–	244
Total customer access points	3 525	3 647
Closures (without replacement)	122	

¹ The mobile post office calls for a specific set of operating conditions (e.g. geography, topography, number of municipalities). Hence this option has not been pursued further.

² These include: special acceptance points (e.g. railway counter); self-service post offices (e.g. specialist counter); special post offices (e.g. Geneva Palexpo Motor Show).

* Detailed information on this subject can be found in the brochure, "Das Netz ist neu geknüpft. Bericht zum Umbau des Poststellennetzes 2001–2005" (Reform of the network: report on the restructuring of the post office network 2001-2005), available in German, French and Italian from infocenterpv@post.ch.

Conscious of its responsibility as the second largest employer in Switzerland, Swiss Post has taken every care to ensure that the reorganization would proceed in a socially responsible manner.

Seeking solutions through dialogue

Customer requirements, customer behaviour, and the economic and regulatory framework are all subject to rapid change. A contemporary post office network with modern services is never static. Through the Ymago project, which was initiated in 2004, Swiss Post is seeking to improve customer friendliness and the cost-effectiveness of its network. Its commitment to provide a nationwide, high-quality basic service with around 2,500 post offices (including agencies, branches and mobile post offices) is not under discussion.

In keeping with the Ymago catchphrase, "Seeking solutions through dialogue", consumers, Swiss Post employees, cantons, parties, associations and trade unions were given the opportunity to present their concerns. After constructive discussions with a wide range of stakeholder groups, the Post Office Network business area initiated 36 pilot studies across the country between February and November 2005. By mid-2006, four models will have been tested on customers:

- Agency (development of the "village shop post office" principle)
- Postal operators (independent post office managers with a non-postal business)
- Money transfer machines (additional service in heavily frequented post offices)
- Lead and branch post offices (internal reorganization of allocation of tasks)

An initial interim assessment at the end of November 2005 showed that all four pilot types were gaining acceptance as a part of everyday life. Pilot operation functioned virtually without problems both from the technical and logistics points of view. The majority of customers, staff, partners and official bodies were neutral to positive about the pilot facilities.

96 percent of customers can reach Swiss Post in 30 minutes

To obtain objective facts about access to the basic postal service, the Geographic Information Systems (GIS) centre of excellence, which is part of the Post Office Network business area, developed a new calculation method. Using this method it is possible to demonstrate on a scientific basis how many minutes it takes for the population to reach their nearest post office. The Federal Institute of Technology Lausanne tested and certified the method. The calculations conducted throughout the country in 2005 show that a good 69 percent of the population can reach a post office on foot or by public transport in less than ten minutes, almost 91 percent in less than 20 minutes and nearly 96 percent in less than 30 minutes.

Sales and customer orientation stepped up

The Post Office Network business area is addressing the decline in postal business by expanding its non-postal range of services and products. Sales of brand-name articles, including stationery, photographs and telematics, have risen steadily since 2000, attaining 381 million francs in 2005.

To ensure that customers can be offered contemporary additional offerings in the post offices, the range of services and products is continually being modified. Amongst other measures, a pilot trial was launched in 30 post offices in the summer of 2005, in which Swiss Post joined forces with several publishing houses to test a new sales model for newspapers and magazines.

The Post Office network is becoming more important for the sale of financial services and insurance. Over 200,000 Yellow Accounts are opened at post office counters every year. The post offices are also the most important channel through which Swiss Post sells funds and Yellow Life Insurance Plans. They are also involved to a high degree in prospecting for mortgage business.

Efficiency thanks to new technologies

The nationwide introduction of scanning in Switzerland's biggest sales network in 2005 was a vital step in the drive to raise efficiency in sales. From computer to postage stamp, 1,800 post offices are able to enter all products sold at the counter electronically. Scanning facilitates inventory control and logistics. Customers gain greater transparency of their purchases and benefit from shorter serving times at the counter. Moreover, range structure can be geared towards customers' wishes more easily and faster.

Every year since 2005 1.3 billion cash register log entries from around 1,800 post offices have been evaluated electronically. This means that for every service offered at the post office counter, accurate times can be determined and resource planning further optimized.

More powerful organization

To strengthen sales and customer orientation, the Post Office Network business area adopted a new management structure in 2005. With effect from the beginning of 2006, the seven geographic regions will concentrate exclusively on sales and marketing. Administrative and support tasks will be taken over by head office.

PostShop online

Since September 2005 customers have been able to order information articles from their homes in the PostShop online (www.postshop.ch). A separate portal has been available for SMEs since November. The aim is to present customers with all the products that are physically available at the post office counter on a virtual purchasing platform.

Post Offices & Sales nominated for ESPRIX

Outstanding business administration is viewed as a high priority in the Post Office Network business area. Consistent orientation to the EFQM model led in 2005 to Swiss Post being included in the shortlist for the Swiss ESPRIX quality prize. Amongst other things, the ESPRIX jury praised the professional and systematic management of change projects in the post office network.

Cultural work to the benefit of customers

A company's success depends materially on the attitude of its staff. Values enacted in practice and a deliberately nurtured corporate culture are long-term success factors. Since the end of 2004, the Post Office Network business area has been reviewing its corporate culture. Its ambitious objective is that all staff, and especially management staff, should internalize the core Swiss Post values of "entrepreneurial", "credible" and "versatile", live them on a daily basis and carry them into the outside world in their dealings with customers.

High employee satisfaction

Despite staff reductions and unresolved questions about the further development of the post office network under the "Ymago" project, employee satisfaction increased by one point to 69 points. In so doing, it attained the target which had been set in 2003. According to the statistics, post office staff generally are more satisfied than staff in the Group as a whole.

Second programme for the promotion of women

A second mentoring programme, under which young female employees are deliberately prepared for a future technical or management function, was launched. Seven women employees from all over Switzerland took part. The first programme had been very successful, with the majority of participants qualifying for higher functions.

Outlook

In 2006, counter products are to be made simpler for customers. At the same time customers should be able to buy e-coupons for Internet products – an attractive and secure purchasing medium.

Following conclusion of pilot trials on the Ymago project, the Executive Management and Board of Directors will reach a decision on the future direction towards the end of 2006.

Since May 2003 the post offices have been selling life insurance policies. On the basis of positive experience, the range of products will now be extended: from 1 March 2006, some 1,800 post offices will now offer travel, legal protection, motor vehicle and home contents "Winterthur" insurance policies.

A survey of communications carried out in the summer 2005 indicated that staff value oral communication highly. The new management structure is therefore planning to extend the regular meetings so as to always inform employees directly about the latest developments. The number of such meetings is to be more than doubled in 2006 at every level.

Post office network

		2005	2004
Operating income ¹	CHF m	1 875	1 939
Operating result	CHF m	27	19
Employees	Full-time equivalents	12 046	12 911
Total assets	CHF m	470	486
Employee satisfaction	Index	69	67
Customer satisfaction: SMEs	Index	80	79
Customer satisfaction: private customers	Index	86	84
Key figures specific to the business unit			
Net sales from non-postal brand-name products	CHF m	381	369
Income from non-postal brand-name products (EBIT)	CHF m	27	19
Uncovered costs of the post office network	CHF m	442	374
Post offices	Number	2 531	2 585

¹ Most turnover is included under the business units responsible for the products concerned

Emmentaler and **Frankfurters**

Quality worldwide.

Swiss Post International knows no borders.

Swiss Post International is expanding and standardizing its product range

In 2005, Swiss Post International (SPI) harmonized its product range in Switzerland and in all the international subsidiaries. This means that customers will have a more transparent range of products available for their cross-border document and goods shipments. SPI achieved a turnover of just under one billion francs with its quality strategy and finished the year with an operating result of 35 million francs.

Product Market Strategy further developed

On 1 January 2006 SPI introduced a new version of its product market strategy. This met with a positive response from customers and parts of it were initially copied by competitors. In 2005 SPI had already harmonized the product ranges worldwide and brought their structure, logic and names into line. It now distinguishes between three basic offerings. "Non Retail" is confined to customer business (wholesale business) in the USA and the United Kingdom, "Regular Retail" covers subsidiaries abroad and "Maximal Retail" relates to Switzerland. Maximal Retail includes an additional product range geared towards post office sales and an international business-to-business range.

SPI now offers six product ranges:

- Marketing Mail International: the product range for winning and retaining customers via direct marketing (mailings), including dispatch preparation and response management worldwide.
- Press International: global offerings for the transportation, delivery, distribution and sale of daily and weekly newspapers, magazines, customer and member magazines and news bulletins.
- Business to Consumer International: covers the dispatch of goods in the international mail-order business to private and business customers.

- Business Mail International: covers shipments which are used to conclude business processes: daily correspondence, quotations, invoices, account statements, brochures.
- Standard International: standardized offering for private customers and SMEs in Switzerland. It covers the worldwide dispatch of documents and goods at three speeds.
- Business to Business International: covers cross-border goods shipments, including logistics and customs clearance solutions, for Swiss business customers seeking an attractive and reliable dispatch route within Europe.

In this way SPI supports customers requiring the shipment of documents and goods abroad. Additional services such as Press Packing & Addressing (the packing and addressing of newspapers and magazines) or recorded delivery with acknowledgement of receipt complete the product range and give customers the opportunity to optimize their value-added processes. The product managers now concentrate more heavily on the development of new solutions.

Proven strategy

All SPI's activities abroad are aimed at strengthening Swiss Post as a Group. The top priority is to maintain Swiss Post's leading position on the Swiss market (import and export), which it defended once again last year. In the domestic market, SPI is the only provider to offer a full range of products in the cross-border dispatch of goods and documents to every customer group, from individuals to small and medium-sized businesses through to major business customers, and to do so both for imports and exports.

SPI generates the bulk of its sales, 680 million francs, in Switzerland and was thus able to defend its market share against the growing competition. Abroad, SPI won further market share in the international letter business and lifted sales by 27 percent. The Swiss Post brand was selectively enhanced with image campaigns and PR activities.

SPI relies on quality as a differentiator between itself and the competition. This is seen in the services it provides, the development of products, the value-added services, communications and strategic partnerships and alliances.

Focus on Sweden and Asia

SPI opened a subsidiary of its own in Sweden. The international unit of Swiss Post took over the previous franchise partner and a new subsidiary, SPI Sweden, was formed. SPI believes that the prospects of gaining market share in the deregulated Swedish postal market are good. SPI Sweden, which also has a branch in Denmark, should strengthen the sales network in Scandinavia.

SPI's presence in the future markets of Asia was further strengthened. The international area of Swiss Post has been operating in Singapore, Malaysia and Hong Kong since 2003 through its franchisee. Last year cooperative agreements were concluded with the postal services of Indonesia and Singapore. The stated objective is to generate mail volume in the Asian countries.

High quality

In the area of international mail, Swiss Post has been one of the fastest and most reliable postal companies for some years: statistics indicated that in 2005, priority letters from European states to Switzerland and from Switzerland to other European states reached their destinations in an average of 2.1 days.

Post office sales of SPI products performed well in the year under review. Under the guise of "mystery shopping", staff posing as purchasers tested the knowledge of counter staff in the post offices. Overall, they were impressed by what they found, although they did identify a need for improvement with regard to the sale of high-value products. The relevant staff have since then undergone appropriate training.

Image campaign "Swiss quality knows no borders" Last year communications activities were stepped up in the most important foreign markets, namely, Germany, Belgium, France, Austria and the Netherlands. Under an image campaign based on the catchphrase "Swiss quality knows no borders", Swiss mountaineers were shown climbing national landmarks such as the Brandenburg Gate in Berlin or the Atomium in Brussels and then hoisting the Swiss flag. The campaign, under which advertisements were run in the national daily press and in business and technical media, upheld the values of punctuality, security and reliability and thus created a link between proven Swiss values and internationality, flexibility and innovation.

Digital printing of newspapers

The Press International range of products was expanded to include the digital printing of newspapers. Newspaper publishers now have the opportunity to print their products locally. In this way they can cut out the delay caused by the need to transport physical publications and deliver the latest edition promptly in the sales area. Moreover, customers benefit from tailored solutions in subscription management, newsstand sales and logistics.

Customer retention with SwissPostCard Mailing

A new function was added in 2005 to the online application, SwissPostCard, under which postcards are created on the Internet and by mobile phone and then physically delivered. Now mailings can be designed simply and customized. SwissPostCard Mailing provides business customers with a means of delivering information on short-term offers, e.g. campaigns, customer events, seasonal offers, announcements and competitions. Because the product can be tailored specifically (for example, different offers can be devised for each target group, split between domestic and foreign), SwissPostCard Mailing is a practical and flexible direct marketing tool with high recall value.

EU customs clearance

Acquisition of the Société d'Affrètement et de Transit (SAT) in Huningue, France in November 2004 enabled SPI to extend its service portfolio. SAT offers solutions in the areas of EU customs clearance, fiscal representation, warehousing and international transport. Its customers include big names in the Swiss export industry, integrators (providers of CEP services with their own globe-spanning network) and forwarders. Moreover, SAT offers solutions which facilitate market entry in Switzerland for international mail order business.

Successful collaboration with GLS

The international parcels market offers better growth opportunities than the national market. Through its subsidiary Swiss Post GLS (Swiss Post International Logistics AG) SPI has been a partner of the European GLS network since 1998, thus ensuring that business customers have access to a high-quality parcel network. In 2005, Swiss Post GLS dispatched around 1.2 million parcels, with a total weight of 7500 tonnes. This corresponds to every third international parcel sent through Swiss Post. Over the last five years, the average growth rate has been 11.5 percent in imports and 13 percent in exports. Since 2005, Swiss Post GLS has offered its customers EU customs clearance. This has been made possible thanks to the acquisition of SAT in 2004.

TNT Swiss Post: most successful year

TNT Swiss Post, a joint venture between SPI and TNT that specializes in international express and courier solutions and has access to the global distribution network of the Dutch company, TNT, increased its sales by 13 percent and its sales volume by 9 percent compared with 2004.

primeMail: strong in niche market

The sales company primeMail, a joint venture between SPI and the Hermes Logistics Group in Hamburg, achieved a 25 percent increase in sales in the niche market of catalogue delivery in Germany. Thanks to high quality and the nationwide delivery network of Hermes, the services of primeMail are increasingly being used by German and international mail order business customers.

Outlook

At the beginning of 2006, SPI acquired the company MDS Media Data Services AG (MDS). Based in Kriens, Luxembourg, this company is well positioned in international subscriber services for German-language publications. Operating independently of any publishing house, MDS specializes in the administration of subscriber databases, canvassing for new subscribers and measures aimed at generating reader loyalty. This purchase will enable SPI in future to offer extensive distribution solutions, including subscriber services, to Swiss and foreign publishing houses.

In the logistics area, moreover, SPI plans to optimize its own, cross-border logistics processes.

International

		2005	2004
Operating income	CHF m	992	939
Operating results	CHF m	35	33
Employees	Full-time equivalents	898	723
Total assets	CHF m	594	653
Employee satisfaction (Switzerland)	Index	68	69
Customer satisfaction (Swiss Post)	Index	73	72
Key figures specific to the business unit (parent)			
Letters sent (from Switzerland)	Millions of items sent	192	203
Parcels sent (from Switzerland)	Thousands of items sent	875	888
Delivery quality of letter post ¹	Share as a %	95.1	95.4

¹ Percentage of letters arriving on time in Switzerland (100 %) and delivered the next day

Philately sustains positive trend

Following on from last year, Philately again posted a good operating result in 2005 of 14 million francs. The positive result was boosted in particular by strong Christmas sales and the stamp marking the 500th anniversary of the Swiss Papal Guard.

The turnaround towards better operating results that began in 2004 firmed in 2005 thanks to strict cost management. While operating income, at 40 million francs, was on a par with the previous year, the operating result increased from 14.0 million francs to 14.4 million francs. Key factors in this excellent performance were positive Christmas sales and higher-than-anticipated demand for individual stamps.

Philately continues to focus on its core business – the sale of philatelic products – while still monitoring coming trends and building up attractive areas of business for the future. The new business area, “Extra Products”, got off to a promising start. Lively demand meant that the range could be expanded from its initial 24 products to over 100 items within only a short time. Top-sellers included articles such as peppermills, pen-knives, musical boxes, baking tins and wooden toys.

The Internet shop at www.post.ch/philashop lifted its sales once again, from 3.6 million francs to 4.1 million francs.

Original new issues

As it does almost every year, Philately issued another world first in 2005: an MMS stamp. The four motifs were selected from over 3300 MMS photos submitted by the general public in the “Swiss mobil – a country on the move” competition. The unusual success story behind the campaign was made possible by the partnership between Swiss Post, Swisscom Mobile and the Museum for Communication. Philately also took one of 2004’s new ideas a stage further, inviting prominent individuals in Switzerland to design a stamp. Following in the footsteps of Emil Steinberger in 2004, in 2005 it was the turn of Stephan Eicher to create a well-received miniature masterpiece.

As every year, some of Philately’s stamp issues were dedicated to current events. One of the most popular of these was the stamp commemorating the 500th anniversary of the Swiss Guard. The stamp, designed by a former member of the Guard, sold out in just one and a half months. Other new stamps marked Einstein year and the opening of the Zentrum Paul Klee in Berne. There was also a new series of the traditional Christmas stamps.

Philately		2005	2004
Operating income	CHF m	40	40
Operating results	CHF m	14	14
Employees	Full-time equivalents	122	128
Employee satisfaction	Index	68	63
Customer satisfaction	Index	84	83
Key figures specific to the business unit			
New stamps	Number	45	43
Standing orders in Switzerland	Number	57 450	62 700
Standing orders abroad	Number	22 600	30 500

Providing profitable internal services

Swiss Post Real Estate: manages 3,100 postal buildings

The Real Estate service unit of Swiss Post generated operating income of 526 million francs in 2005 and an operating result of 145 million francs. A good 410 million francs came from internal and external rental income. Space optimizations in the PostMail (REMA) network, Logistics and Post Offices & Sales units resulted in more unoccupied space and, overall, in fewer square metres of managed space, which impacted on the 2005 income. To compensate for this, Swiss Post Real Estate will position itself more assertively in the market in future and offer its services to third parties.

As a real estate specialist and service centre of excellence, this service unit protects the interests of Swiss Post as owner, provides sufficient space and infrastructure for the core business of Swiss Post, and manages and administers the properties of Swiss Post, which include 1,300 of its own and 1,800 rented buildings.

Service House: operational property management

Service House Post guarantees the availability of building services and technology as well as maintenance for all post office buildings in Switzerland. Some 3,000 employees maintain a total area of 2.8 million square metres. In 2005, Service House generated operating income of 129 million francs and an operating result of 8 million francs.

The services it provides comprise technical building management, including maintenance and modernization of building installations and infrastructure, and infrastructural building management, including caretaker, cleaning and winter services. Service House rounded out its portfolio with additional services in the field of operational facility management. These include general technical services and maintenance as well as furniture service and removal management. With a share of 9 percent of sales, the external orders for technical services were expanded further in 2005.

Information Technology Services: from "REMA" to IP telephony

Information Technology Services generated operating income of 207 million francs in 2005. This service unit provides Swiss Post with the basic infrastructure for IT and telecommunications solutions, implements inter-unit solutions and ensures internal operations, maintenance and support. For instance, in 2005 IT supervised around 22,000 workplaces and 5,300 printers, blocked 700,000 spam e-mails and 216,000 viruses per month and, in the same period, advised 17,000 customers who had contacted the user help desk. IT also develops its own software solutions, operates the intranet with its 40–50 million hits and 20,000 users per month as well as the Internet with 8,000 pages and various shops with 20,000 products. Customer satisfaction with the range and service scored 7.6 out of 10 possible points in 2005.

The services of IT proved to be competitive last year. A benchmark analysis showed that the costs of an electronic workstation were below-average and offered excellent value for money. In this area, the annual costs generally fall by 2–5 percent. At IT, costs have declined by over 4 percent per year on average since 1999.

In the REMA project (reengineering of letter centres), IT is responsible for all IT infrastructure at the new centres. A future project is the introduction of IP telephony (Internet telephony).





Comprehensive assessment of risks

Compared with last year, the Group's overall risk situation remained the same in 2005, apart from minor shifts. Swiss Post sees efficient risk management as a value-adding task that is part of the core functions of entrepreneurial activity and helps to ensure the company's long-term success in a competitive environment. Swiss Post evaluates internal and external business risks, including therefore socio-political, ecological and technological risks as well.

Dealing with risk

Swiss Post operates a comprehensive risk management system, applicable to all units of the parent company and to the subsidiaries. Risk management is a line management responsibility, with the risk managers leading the process and coordinating the reporting procedure.

The risk management process is integrated into the annual strategy process of the company as a whole. In the first process phase, the responsible managements determine the key risks for their area of responsibility on the basis of the Group basic risk catalogue, which covers the entire internal and external operating environment. The fields considered include strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability, human resources management, information technology, finance, corporate governance, legal aspects and communication/image. In the second process phase the managements evaluate the gross risk that constitutes the worst-case scenario. In the third and fourth phase, the management panels assess the quality and effectiveness of the controlling measures and quantify the residual risk.

In the second quarter, the Group risk manager reports on the risk situation to the Executive Management, Audit Committee and Board of Directors. In the fourth quarter it reports to these panels on the results of risk management and on the interaction between strategy and the risk situation. The persons responsible in the units and at the Group level also report on the top risks during the year, as needed.

Swiss Post's risk situation

The statutory service mandate and strategic objectives set by the Federal Council require Swiss Post to provide an excellent universal service, while at the same time remaining competitive, innovative and self-financing. This mandate is made more difficult by the different interest groups' varying definitions of the content of the universal service. The opening-up of postal markets and substitution of traditional core products (for example with electronic media) are resulting in declining market shares and a drop in volumes and margins. The subsequent deterioration of the cost structure can be offset only to a limited extent because of these new operating conditions. Market liberalization and the persistently unsatisfactory equity base are increasing the pressure on Swiss Post even further. Opportunities to counter this pressure are limited by a number of different statutory and labour law regulations (the Public Officials Act, obligation to agree on a collective employment contract).

In the reporting period, Swiss Post identified 15 top risks at the Group level, which it actively dealt with, developing scenarios and, wherever possible, drawing up measures. These risks entailed a certain likelihood of occurrence and a potential loss of over CHF 50 million. Six of them concerned (political) operating conditions, five were market-related and four were endogenous risks. Other potential risks that did not have the status of a top risk were placed on a watch list as a precautionary measure.

The Mail, Logistics and Passenger Transport business areas and the International unit assessed their risk situation as being unchanged compared with the year-back period; Post Offices & Sales and Financial Services saw a trend towards improvement. Further quantitative information about risk management at Swiss Post can be found in the Financial Report on page 54.

Controlling the financial risk

In 2005, Swiss Post continued its investment and risk policy – the responsibility of the Board of Directors since the beginning of 2004 – in the PostFinance unit. It expanded its financial risk management and improved it – particularly by introducing new processes. The specific business risks faced by PostFinance, namely the market and credit risks, are now managed via the standard tools and methods used in the sector, and Swiss Post is guided by the financial sector's "best practice" approach, which is applied in a manner specific to the business.

The Board of Directors or the Audit Committee determines the overriding principles for dealing with financial risk, approves the investment and risk policy of Swiss Post, sets upper limits and monitors risks.

At Executive Management level, the risk policy is defined and the risk and income targets formulated.

The PostFinance Asset & Liability Management Committee (ALKO) is responsible for the active management and control of financial risks within the defined framework. Its duties and responsibilities include managing the balance sheet structure, setting sub-limits for market and credit risks for operational risk management areas, and determining appropriate replicating portfolios (see Financial Report, page 54). The Asset & Liability Management Committee also ensures that the Risk Management infrastructure meets requirements in organizational, human resources, technical and methodology terms.

PostFinance Risk Management acts independently of operations to identify, measure and control risks and the observance of limits, and reports the results to the relevant supervisory bodies. Where limits are exceeded, predefined measures are introduced immediately.

The professional handling of financial risks guarantees, firstly, the safety of customer investments and, secondly, the long-term, sustainable earning power of the PostFinance business unit and with it the company as a whole.

Effective company management and control

Although the Swiss Exchange guideline on corporate governance strictly applies only to exchange-listed companies, Swiss Post nevertheless adheres to it as the demands on good corporate governance at a public institution are even more important and central than for a private-sector company.

As an independent Federal institution, Swiss Post has a mandate from the legislators to provide a country-wide universal service, comprising postal and payment services. This mandate goes hand in hand with the differing needs of customers, employees and the public, who also expect appropriate transparency. Although Swiss Post is not a public company listed on the stock exchange, its reporting follows the Swiss Exchange's corporate governance guidelines. However, this involves taking postal-specific issues into account that arise as a result of the legal status and the fact that the Confederation is the owner.

Legal status and ownership

Swiss Post is an autonomous institution under public law with its own legal identity. The Confederation is the sole owner. Both central Swiss Post tasks, and the responsibilities of the management bodies, are governed by the Postal Act and the Postal Organization Act. The introduction of competitive elements in the postal market means that, besides being the owner, the Confederation now also has the role of regulator. To ensure that the owner's interests can be kept separate from the regulatory tasks, the regulatory authority acts independently and is assigned to the Swiss Federal Department of Environment, Transport, Energy and Communications (UVEK) for administrative purposes only.

Government control

The Federal Council sets out strategic objectives for Swiss Post for four years at a time. For management and supervisory purposes, the owner receives in particular the Annual Report (including balance sheet and notes, income statement, auditors' report and consolidated financial statements with Group auditors' report) for approval, an annual report on the progress made towards the strategic objectives, a human resources report in accordance with the Public Officials Act, a report on the processing of managers' salaries and all the reports and applications submitted to the Board of Directors for information and decisions. Alongside the UVEK, the Federal Council has also tasked the Federal Department of Finance (EFD) with exercising its rights as owner.

In addition, regular report meetings are held between representatives of the UVEK, the Federal Department of Finance and the top Swiss Post management – five such meetings took place in the year under review. Key points include the strategic requirements for Swiss Post, the development of PostFinance and market liberalization in 2006.

Group structure

Swiss Post is a group under a parent company, with the autonomous business areas Mail, Logistics, Financial Services and Passenger Transport, and the business units International, Post Office Network and Philately. The parent company also includes central departments. Each subsidiary is answerable to the relevant business area or business unit. The organizational units are responsible for managing these companies, taking Group requirements into account. An overview of the subsidiaries and associated companies included in the Swiss Post scope of consolidation can be found on page 57 of the Financial Report.

Outsourcings

Mobility Solutions was partially outsourced and SecurePost was fully outsourced on 1 January 2005 from the parent into the newly founded subsidiaries Mobility Solutions AG and SecurePost AG; both subsidiaries are wholly owned by Swiss Post. This gives them the entrepreneurial scope they need and the possibility of entering into alliances. PostBus Switzerland AG was established on 23.02.05, with equity capital of 100,000 francs. The operations and staff of the PostBus unit will be transferred to this new company in mid-2006.

CEC: Collective employment contract for outsourced business units and affiliation agreements

In future, the collective employment contract for outsourced business units and affiliation agreements will constitute the basis for employment conditions in the event of outsourcings. The collective employment contract for outsourced business units governs relations between the social partners and the basic employment conditions. The affiliation agreement covers the specific employment conditions that apply to each individual company.

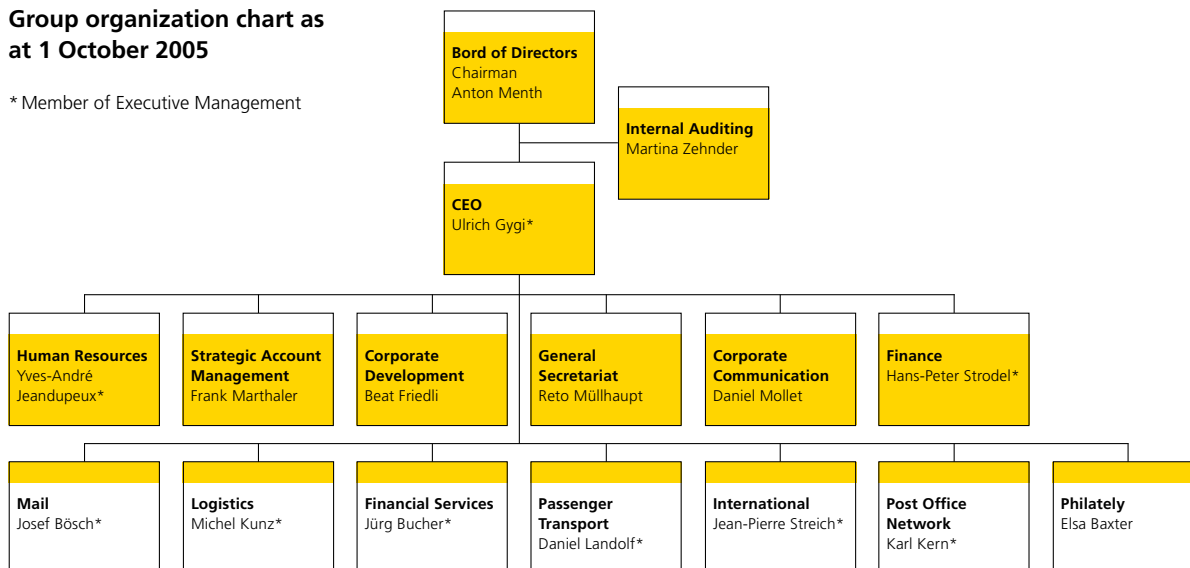
Capital

In its opening balance sheet on 1 January 1998, the Confederation provided Swiss Post with interest-free endowment capital of 1.3 billion francs. It is possible to raise capital by accumulating reserves from retained profits. The revised Postal Organization Act which came into force at the beginning of 2004 now allows the Confederation to recapitalize Swiss Post's employee pension liabilities through an injection of capital. Given the Confederation's difficult financial situation, recapitalization by the owner is unlikely in the foreseeable future. For this reason, funding for the pension fund and the creation of equity capital in line with the industry standard will be achieved through the appropriate utilization of corporate profits.

Group equity as at 31 December 2005 amounts to 922 million francs (following allocation of 2005 Group profit to retained earnings). The statement of changes in equity as at 31 December 2005 can be found in the Financial Report (page 16). The Federal Council has given Swiss Post permission to go on realizing gains until its equity reaches an industry-standard level.

Group organization chart as at 1 October 2005

* Member of Executive Management



An overview of subsidiaries and associates can be found on page 57 of the Financial Report.

Board of Directors

The Swiss Post Board of Directors is made up of nine members who are elected by the Federal Council for a term of four years. The Federal Council also appoints the Chairman of the Board of Directors, and takes into account appropriate representation of the regions when selecting the Board. It is also particularly important to ensure that all members of the Board are independent. Members do not have any business relationships with Swiss Post or its subsidiaries, and have never been involved in an executive capacity for Swiss Post or any affiliated companies in the past three years.

Under statutory regulations, the Board must include an appropriate number of employee representatives, and at the moment these are Ms Lucrezia Meier-Schatz and Mr Jean-Marc Eggenberger.

Role and working methods of the Board of Directors

As the most senior management body, the Board of Directors is responsible for implementing the strategic objectives set by the Federal Council. In the year under review, the Board of Directors met a total of eleven times. The key issues included the strategies of Swiss Post and the owner, the performance (transport/finance), REMA plus regulation and liberalization.

The Chief Executive Officer and Head of Finance usually attend the meetings in an advisory capacity. Depending on the circumstances, other members of Executive Management, internal and external specialists or members of the internal audit team may also be included. There is no reciprocal occupation of seats on boards between Swiss Post and any other commercial company.

Apart from the choice of the Chairman, the Board is responsible for its own structure and also appoints a secretary who is not a member of the Board. All members of the Board are subject to an age limit of 70 years. The Board of Directors has two standing committees, which have an advisory role and prepare the way for decisions (Audit Committee and Human Resources Committee). The Chairman of the Board has a seat on both committees by virtue of his office.

Audit Committee

The four-member Audit Committee assists the Board, among other things, in the supervision of the accounts and financial reporting operations. It is responsible for the creation and development of appropriate internal supervisory structures and ensures compliance with legal provisions. It also assesses Swiss Post's risk control at regular intervals.

To enable it to carry out these duties properly, there is regular contact with Executive Management and with the internal and external audit functions. The committee checks the findings and recommendations of the internal and external audit teams and makes corresponding applications to the Board as appropriate. The committee meets at least five times a year, and there were six meetings in the last financial year. Key topics included the financial performance, the investment and risk policy of PostFinance, the implementation of the Money Laundering Act and the SRO regulation (self-regulating organization), implementation of recommendations of the internal auditors and business-critical IT applications.

Human Resources Committee

The Human Resources Committee comprises four members of the Board of Directors. The committee has an advisory function in appointing and removing members as well as in deciding on the salaries of the members of Executive Management. It also submits a recommendation for setting the negotiating mandate for the annual round of wage talks with the employee associations. The committee met five times in the last financial year. Discussions centred on the salary measures for staff and Executive Management, the remuneration concept for Executive Management, management development and management succession planning.

Information and controlling tools used by the Board of Directors

All duties not expressly reserved by the Board of Directors fall within the authority of Executive Management. However, the Board of Directors may, at any time as it sees fit, take the tasks of Executive Management on itself and carry them out. The duties and responsibilities of members of the Board of Directors and Executive Management are based on the provisions of the Postal Organization Act.

The Board of Directors receives monthly reports twelve times a year, and quarterly project controlling reports, and is informed by the Audit Committee on budget compliance, strategic financial planning and the Federal Council's strategy targets. At the beginning of each meeting of the Board of Directors, the CEO and the Head of Finance provide information on the current business situation.

Changes on the Board of Directors

There were no changes to the Board of Directors in 2005.

Executive Management

Executive Management consists of the CEO and other members appointed by the Board of Directors. Alongside operational management of the business, its particular task is to draw up the Group strategy and the finance and human resources plans required for strategic planning. It normally holds two meetings each month, and the minutes of each meeting are delivered to the Chairman of the Board of Directors. The members of Executive Management are responsible for the operational management of the organizational unit(s) assigned to them and represent the related areas within Executive Management. The CEO represents Executive Management to the Board of Directors.

Remuneration policy

Pursuant to the ordinance on managerial salaries, in effect since 1 February 2004, corporate risk, company size, industry salaries and the rules for remunerating the most senior federal managers must be taken into account when determining the remuneration due to the Executive Committee. The Federal Council fixes the remuneration for the members of the Board of Directors, who in turn determine the remuneration for the Executive Management members.

Remuneration for members of corporate bodies in office

Total remuneration for the nine members of the Board of Directors (including the Chairman) including fringe benefits came to 916,350 francs in the year under review, and that for the nine members of Executive Management (including the CEO) to 4,100,980 francs (basic salaries and performance components).

Remuneration for members of Executive Management comprises a gross salary, a performance component of between 0 percent and 40 percent of the gross basic annual salary, a company vehicle, a first-class general rail pass, a monthly expense account, premium payments for a risk insurance policy as well as smaller discounts enjoyed by all Swiss Post staff. The performance component is based on the Group results, the results of the business area concerned, and the individual's personal contribution to performance and is therefore variable.

On the basis of targets attained in 2004, a total performance-related component of 1,144,630 francs was paid to members of Executive Management in the year under review. The performance-based component paid out to members of Executive Management in 2006, which is based on the 2005 target attainment, amounts to 1,053,480 francs. The fee of the Chairman of the Board of Directors came to 200,000 francs in the year under review and the fringe benefits stood at 51,500 francs. The Chief Executive Officer's basic salary amounted to 500,000 francs, the performance component 189,000 francs (basis 2005, paid in 2006); other fringe benefits included private use of a company car, payment of premiums for a risk insurance policy and a first-class general season rail card plus an entertainment allowance of 30,000 francs. Neither the members of the Board of Directors and Executive Management nor parties closely linked to such persons received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind in 2005.

Both the basic salary and the performance component are insured for members of the Executive Management: up to the maximum of 180,000 francs in the Swiss Post pension fund (defined benefit plan); income in excess of this amount is covered by a management insurance scheme (defined contribution plan). Contributions to the pension fund are paid half each by the employer and the employee. Employment contracts are based on the provisions of the Swiss Code of Obligations.

No agreements exist either with members of Executive Management or of the Board of Directors regarding potential severance payments. The notice period for members of Executive Management is twelve months.

Remuneration for former members of corporate bodies

The sum of 31,476 francs was paid to the former Head of Human Resources for work performed after handing over to his successor.

Changes in Executive Management

Rolf Hasler, Head of Human Resources since 2001 and a member of Executive Management, retired on 30 September 2005. Yves-André Jeandupeux took over this post on 1 October 2005. In December 2005 Karl Kern, Head of the Post Office Network, announced his resignation and subsequent retirement effective 31 December 2006.

Internal auditing

The internal auditors submit ongoing reports to the Audit Committee and an annual report to the Board of Directors as a whole, with the Chairman of the Board of Directors receiving all audit reports. As a member of the Swiss Institute of Internal Auditing and thus indirectly a member of the international Institute of Internal Auditors, Swiss Post's Internal Auditing department is obliged to abide by current international standards. These include in particular principles relating to integrity, objectivity, confidentiality, technical expertise and quality assurance. IT audits are carried out in accordance with the internationally recognized COBIT model (Control Objectives for Information and Related Technology).

The other audit activities are based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) aimed at ensuring the effectiveness and efficiency of processes, the reliability of financial reporting and compliance with laws and regulations. The internal auditors report to the Chairman of the Board of Directors and are thus independent of the management responsible for Swiss Post's operations.

External audit

Since 1998, KPMG Fides Peat have been the auditors appointed by the Federal Council for Swiss Post, and they also act as Group auditors. The auditor in charge has been responsible for Swiss Post since 2005. The Audit Committee holds regular discussions with the external auditors and also checks their independent status.

Self-regulating organization

In respect of its financial services business, Swiss Post is subject to the Money Laundering Act like any other financial intermediary. Because of the scope and characteristics of Swiss Post's payments business, the legislators made this area subject to supervision by a self-regulating organization (Swiss Post SRO).

The Swiss Post SRO may be administratively answerable to the Board of Directors, but neither it nor the Executive Management can issue instructions to the SRO. Its activities and compliance with its obligations are monitored by the Confederation's Money Laundering Control Authority, which carries out on-site audits once a year. Its position entails a certain degree of tension, since it is subject to the requirements of the Control Authority, but is also employed by Swiss Post while at the same time supervising Swiss Post in its capacity as a financial intermediary.

Last Name	Nationality	Member since
Dr. Ulrich Gygi, CEO	CH	2000
Josef Bösch, Head of Mail	CH	2001
Jürg Bucher, Head of Financial Services	CH	2003
Rolf Hasler, Head of Human Resources	CH	2001*
Yves-André Jeandupeux, Head of Human Resources	CH	2005**
Karl Kern, Head of Post Office Network	CH	1999
Michel Kunz, Head of Logistics	CH	1999
Daniel Landolf, Head of Passenger Transport	CH	2001
Jean-Pierre Streich, Head of International	CH	1999
Dr. Hans-Peter Strodel, Head of Finance	CH	1998

* until 30 September 2005 ** as of 1 October 2005

The Board of Directors

François Chopard

Rocco Cattaneo

Peter Thomas Sany

Dominique Freymond

Rudolf W. Hug

Jean-Marc Eggenberger

Wolfgang Werlé



Lucrezia Meier-Schatz

Anton Menth

Fritz Mühlemann

Anton Menth

(date of birth 27 July 1939, Switzerland), member since 2002, Dr.sc.nat., degree in physics from Federal Institute of Technology, Zurich. Professional background: Bell Telephone Laboratories USA (assistant), Brown Boveri AG (research centre, management positions in the "New Business Activities" and "Industrial Plant" divisions, Werkzeugmaschinenfabrik Oerlikon (among other positions Head of Military Technology subsidiary), Federal Institute of Technology, Zurich (Professor of Physics and Director of the Paul Scherrer Institute, Würenlingen), Oerlikon Contraves AG (CEO), Tornos SA Moutier (CEO, Delegate to the Board). Directorships: Bank CIAL (Switzerland), myonic SA

Rocco Cattaneo

(date of birth 6 December 1958, Switzerland), member since 1998, lic.oec.publ. Professional background: Professional cyclist, City Carburol SA (Delegate of the Board), entrepreneur and co-owner of City Carburol SA, Stisa SA, Monte Tamaro SA. Directorships and other mandates: Area City Quinto SA, Area di servizio City Moesa SA, , Depos City Discount SA, Omnia-Gas Sagl, Carbura (Swiss Central Office for the Import of Liquid Fuels), Conseil UCI Pro Tour; Conseil de Fondation Centre Mondial Cyclisme

Jean-Marc Eggenberger

(date of birth 2 November 1957, Switzerland), member since 2003, Swiss Post business secretary/qualified postal employee.

Professional background: PTT-Betriebe (working in business and administration), PTT customs officers' associations (central secretary, financial administrator, editor), Communication union (central secretary)

Other mandates: Swiss Post Employee Fund Foundation (Vice-President), sovis Foundation (Vice-President), Residential Construction Promotion for Swiss Post employees/Swisscom (liquidator), comPlan

Dominique Freymond

(date of birth 1 May 1954, Switzerland), member since 2002, lic.ès sciences naturelles.

Professional background: IBM Switzerland and IBM Europe (positions in sales, marketing and management), Unisys Switzerland and Austria (technical manager), Canton Vaud (Secretary), Unisys Europe Central (Vice-President and Country Manager Switzerland), TKS-Teknosoft Group SA (General Manager), Management & Advisory Services AG (partner)

Directorships: BERYL Management SA, Management & Advisory Services MAS AG, Ness (Suisse) SA, IPG Information Process Group AG Winterthur

Rudolf W. Hug

(date of birth 26 May 1944, Switzerland), member since 1998, Dr. iur., MBA INSEAD.

Professional background: Chase Manhattan Bank New York/Düsseldorf (credit business), Credit Suisse (credits USA, branch manager in Berne, General Manager of International business section), CSFB (Member Executive Board Country Management), independent management consultant

Directorships and other mandates: Allreal Holding AG, Deutsche Bank (Suisse) SA, Micronas Semiconductor Holding AG, Orell Füssli Holding AG, Panalpina Welttransport (Holding) AG

Lucrezia Meier-Schatz

(date of birth 4 January 1952, Switzerland), member since 1999, Dr.ès science politique.

Professional background: CVP Switzerland (head of Political Studies department), University of California, Berkeley (visiting scholar), Swiss National Foundation for the Promotion of Scientific Research (research projects), Pro Familia Switzerland (Manager), member of the National Council.

Other mandates: FHS St Gallen (lecturer), Managing Committee at the Institute for Political Science, University of St Gallen (member), Managing Committee at the Institut de la famille, University of Fribourg

Fritz Mühlemann

(date of birth 30 December 1939, Switzerland), member since 1998, Dr. rer. pol.

Professional background: Federal Department of Economic Affairs EVD (General Secretariat), Commission for Economic Issues and Studies Commission for Pricing, Cost and Structural Questions (Secretary), Central Office for Regional Economic Development (head of department), Federal Office for Industry, Trade and Labour BIGA (deputy manager), Federal Department of Transport and Energy EVED (General Secretary), BKW FMB Energie AG (CEO)

Directorships and other mandates: BKW FMB Beteiligungen AG, JUNGFRAUBAHN HOLDING AG, Schweizerische Mobiliar Genossenschaft

Peter Thomas Sany

(date of birth 30 August 1958, Switzerland), member since 2002, dipl. phil. II.

Professional background: Department of Geography at the University of Zurich (assistant), Winterthur Life (Project Manager), IBM Switzerland (Account Executive, head of Industry, Trade and Scientific Computing Business Unit), IBM Central Europe & Russia (Vice President), IBM Smart Card Solutions (Worldwide General Manager), Novartis (Corporate CIO, Member of Executive Committee), Avaloq Evolution AG (CTO and deputy CEO), Deutsche Telekom AG (Konzern CIO)

Wolfgang Werlé

(date of birth 27 February 1948, Germany), member since 2002, Certified Business Management Specialist.

Professional background: LSG Lufthansa Service GmbH (Director Customer Service & Business Development), Gate Gourmet International AG (President and CEO), Swissair Beteiligungen AG (Chairman) and Member of the Swissair Executive Committee, SAir Relations AG (President and CEO) and Member of SAir Group Management, Hiestand International AG (CEO and Delegate to the Board)

Directorships and other mandates: First Catering Produktions AG, Hiestand Holding AG, Hiestand International AG, Prohotel Wäscherei AG

François Chopard (Secretary)

(date of birth 18 April 1942, Switzerland), attorney. Professional background: PTT General Management (adjunct to legal department, personal assistant to the president of General Management at PTT, General Secretary at PTT, Secretary of the PTT Board), Swiss Post (Secretary)

Directorships and other mandates: Chopard Services GmbH, Club-Hotels Schweizerhof and Altein AG Sils-Maria, POSCOM holiday association, Hotel Victoria Lauberhorn AG Wengen, Hôtel Valaisia & Sports Montana-Vermala SA

Executive Management

Josef Bösch

Jean-Pierre Streich

Daniel Landolf

Jürg Bucher

Yves-André Jeandupeux

Michel Kunz



Karl Kern

Ulrich Gygi

Hans-Peter Strodel

Ulrich Gygi

(date of birth 6 December 1946, Switzerland), CEO since 2000, Dr. rer. pol., specialist in business administration.

Professional background: Department of Business Administration at the University of Berne (assistant), Federal Finance Administration (adjunct, Head of Financial Planning, Budget, Accounting section), Federal Office for Organization (Head of Business Administration Department), Federal Finance Administration (Vice-Director, Head of the main department of financial planning, budget and accounting, financial perequation, IT, director), Swiss Post (CEO)

Josef Bösch

(date of birth 21 July 1944, Switzerland), member since 2001, postal commercial clerk.

Professional background: General Management PTT (project head, responsible for organization and calculation of working hours in delivery service), District Postal Manager Chur (deputy manager/manager), Swiss Post (Head of Letters Region East, Head of Logistics at PostMail, Head of Mail/PostMail)

Jürg Bucher

(date of birth 2 August 1947, Switzerland), member since 2003, lic. rer. pol., business administration specialist and economist.

Professional background: Business and administration (journalist, scientific assistant), PTT (Deputy Finance Manager, Head of Controlling, Head of Corporate Development), Swiss Post (PostFinance: Deputy Manager, Head of Marketing, Head of Financial Services)

Yves-André Jeandupeux

(date of birth. 26 April 1958, Switzerland), member since 1 October 2005, lic. phil., psychologist.

Professional background: Professional consulting for Canton Jura, Head of Human Resources (Canton Neuchâtel and various companies), associate partner in a management consulting firm for HR issues, Head of Human resources at Skyguide, Geneva, Swiss Post (Head of Human Resources)

Karl Kern

(date of birth 24 December 1946, Switzerland), member since 1999, postal commercial clerk.

Professional background: PTT (head of post offices), transfair professional association (General Secretary), PTT/Swiss Post (member of the Board of Directors), EUROFEDOP (Member of Executive Board), Swiss Post (Head of Post Office Network/Post Offices & Sales)

Michel Kunz

(date of birth 10 March 1959, Switzerland), member since 1999, Dipl. El. Ing. ETH, MBA GSBA, electrical engineer.

Professional background: ABB Asea Brown Boveri Ltd. (development engineer), Ascom (Head of procurement, Head of Electronic Production profit centre), Swiss Post (Head of Systems Development at PostFinance, Head of IT at Swiss Post, Head of PostParcels, Head of Logistics business area)

Daniel Landolf

(date of birth 31 December 1959, Switzerland), member since 2001, degree in business administration from the Higher College of Commerce and Administration, business administration specialist.

Professional background: Credit Suisse (foreign exchange trader), General Management PTT (Business Administration and Marketing Department, Central Marketing/Strategies/Analyses Department), Swiss Post (management adjunct for automobile services, Head of Business Development at PostBus, Deputy Manager of PostBus, Head of PostBus, Head of Passenger Transport/PostBus)

Jean-Pierre Streich

(date of birth 22 September 1946, Switzerland), member since 1999, lic. oec. HSG, business administration specialist.

Professional background: Migros (Head of Software Development Migros Industry, Head of Finance and IT, Konservenfabrik Bischofszell AG, Head of IT Migros Community), Mövenpick (Member of Executive Board, Head of Marketing & Communication/Human Resources/IT and Environment), Swiss Post (Head of Corporate Development/IT/International Strategy, Head of International)

Hans-Peter Strodel

(date of birth 20 July 1943, Switzerland), member since 1998, lic. oec. HSG, business administration specialist.

Professional background: Benninger AG (organizational assistant), Heberlein (management assistant), Oerlikon-Bührle Group (planning officer, Head of Drive Shafts profit centre, Head of Finance Werkzeugmaschinenfabrik, CFO Oerlikon-Contraves), PTT Betriebe (Head of Finance), Swiss Post (Head of Finance)

Our social responsibility

Swiss Post pursues a sustained balance between its economic, ecological and social objectives. In so doing, as a company to which the Swiss population feels bound by close ties, it weighs up the interests of its customers, staff, suppliers, owner and the public at large.

Swiss Post is run like a commercial company which has to prove its worth on the market. However, it is also aware of the effects of its business activities and is conscious of its responsibilities towards its various stakeholder groups. Of central importance here are its endeavours in the environmental and labour areas, but it also has commitments in the cultural, sporting and socio-economic fields.

New horizons

The present era of economic, technological and social transformation imposes a number of requirements on companies. These in turn influence the occupational situation of the workforce. To Swiss Post it is important to help its staff through restructuring and re-organization measures. The in-house job centre supports the staff affected and tries to offer them new prospects within Swiss Post and on the labour market. This includes qualification schemes, training, further education and retraining. The job centre also helps those who want to take up self-employment. In 2005, the job centre offered a total of 126 seminars for 1,762 participants and provided 1,337 individual counselling sessions.

Swiss Post's in-house social counselling service is concerned with the personal concerns of employees. In the year under review, 28 social counsellors from every region of Switzerland handled 3,491 cases.

Employee satisfaction remains high

Since 1998 Swiss Post has commissioned an independent institute to conduct a survey of employee satisfaction on an annual basis. This survey provides important information about the quality of the working environment and the corporate culture. The number of staff taking part in the survey has increased steadily over the years and in 2005 it attained a new record response rate of 65.5 percent. Both overall satisfaction at 67 index points (up from 66 in 2004) and loyalty to the company, at 78 points (up from 77 in 2004) experienced a modest increase. The subjective workload rating also improved slightly, from 66 points to 67. Executive Management uses the survey results to determine what Group measures are required. Concerns specific to individual areas are handled directly in those areas.

Promoting staff, management and junior staff

Swiss Post attaches great importance to progressive staff development. The Group-wide training opportunities are open to all staff. These include language and IT courses, plus a wide range of seminars that promote managerial, social, personal and specialist skills. Depending on personal development needs and the company's own requirements, Swiss Post supports staff training both by allowing time off and providing financial assistance.

Mandatory and optional management development programmes are geared towards Swiss Post's managerial staff. The "Changeover" system, under which staff spend a week in a social institution, extends personal and professional horizons.

Swiss Post uses a mentor programme to prepare junior staff for taking on greater responsibility. An experienced manager introduces the young employee to Swiss Post practice and procedures over a period of twelve months. In this way young employees build up a network of contacts and participate in a multi-faceted transfer of knowledge. During the year under review, one woman and seven men took part in the programme. To recruit and promote young graduate staff, Swiss Post offers graduates a one-year introductory programme. In 2005, 18 university graduates took part in this programme.

HR key figures in FTEs ¹	2005	2004
Employees (Swiss Post Group)	41 073	42 284
Employees (Swiss Post)	37 033	38 972
Trainees (Swiss Post Group)	1 465	1 556
Trainees (Swiss Post)	1 448	1 532
Employees in peripheral regions	9 350	9 761
Overall departure rate	8.3 %	10.2 %
Fluctuation	3.6 %	3.8 %

¹ Workforce in full-time equivalents (FTEs) = average workforce converted into FTEs

Good start for young people

Swiss Post's vocational training scheme offers high-quality apprenticeships to the Group and third-party companies in a number of vocational fields. During the year under review, Swiss Post took on 512 new apprentices (up from 479 in 2004) in 13 different locations all over the country. All the basic courses are recognized by the Federal Office for Occupational Training and Technology. The junior business programme enables graduates of vocationally oriented secondary schools to acquire professional maturity and at the same time to gain an entry into the world of work.

Moreover, the vocational training scheme supports efforts to promote the health of apprentices through a non-smoker bonus scheme: anyone who does not smoke during the period of apprenticeship receives fund units worth 150 francs in a security account for every smoke-free semester.

Raising health awareness

Swiss Post pursues a wide-ranging business health promotion policy, which is an integral part of HR policy. The idea is to guard against illness and accidents, improve the well-being of staff in the workplace and raise awareness of health issues through a variety of campaigns. During the year under review, the number of days off due to illness and accidents fell by around 20,000 to 470,000. This corresponds to a 4 percent improvement. The quality of management plays a critical role in promoting health. Thus managers learn through training and documentation how to deal with staff who are frequently absent and how to deal with the causes of absence. Thirty part-time coordinators from the various Swiss Post business units support the company-wide health promotion drive.

Level of employment	2005	2004
Full-time men (90 % or more)	21 628	23 083
Part-time men	3 625	3 686
Proportion of men working part-time	14.4 %	13.8 %
Full-time women (90 % or more)	6 671	7 104
Part-time women	17 792	17 994
Proportion of women working part-time	72.7 %	71.7 %
Part-time total	21 417	21 680
Proportion of total workforce working part-time	43.1 %	41.8 %

Part-time management (ab FS10)

Total management staff	1 767	1 737
Part-time (90 % or less)	140	114
Proportion of managers working part-time	7.9 %	6.6 %

Work-life balance

Reconciling the demands of work and private life is a central HR issue at Swiss Post. To ensure that staff are motivated and lead balanced lives, modern working hours models such as flexitime, annual working time and job sharing play an important role. During the year under review, one-third of all staff worked part-time, i.e. less than 90 percent of a full working week. Even if this form of work is still disproportionately widespread amongst women and in less skilled work, a new trend has been discernible for some time. More and more men and more highly qualified people are interested in part-time work. The "Part-time in management" project has contributed to this. Since 2003, the number of managerial staff working part-time has risen from 86 to 140.

Collaboration with ChildCare

As well as part-time working, the annual working time model is also very popular. Under this scheme, staff receive a fixed month's salary, but the hours they work in each month can vary. This model enables Swiss Post to deploy its staff more flexibly while at the same time helping them to reconcile the demands of work, family and free time. Staff are supported through seminars on the subject of "Work-life balance" and have the opportunity to install a workstation at home from which they can access the Swiss Post network. Swiss Post also reserves day nursery places for the children of its staff in urban population centres and, in collaboration with the ChildCare Association, offers parents free advice and mediation on the subject of child care.

Equal opportunities for all

The fact that Swiss Post today employs staff from over 100 nations is reflected in the diversity of values and experiences found within the company. As well as truly equal opportunity for men and women, Swiss Post is committed to promoting multilingualism and to openness and tolerance towards minorities and other cultures. For several years now, one full-time employee has been responsible for implementing equal opportunities within the Swiss Post organization. This person is supported by 57 delegates from the various business areas and regions. Their work is based on specific targets set by Executive Management: Swiss Post wants to offer its staff a working environment free of discrimination.

Staff breakdown by sex	2005	2004
Number of men	25 253	26 769
Number of women	24 463	25 098
Total number of persons	49 716	51 867
Proportion of men	50.8 %	51.6 %
Proportion of women	49.2 %	48.4 %

Progress for the environment

Over the last two years, Swiss Post has succeeded in reducing its environmental impact in absolute terms by seven percent. This has entailed harmonizing the latest ecological findings with its business targets. As far as Swiss Post is concerned, environmental management is a management task and an ongoing improvement process. Swiss Post promotes awareness of responsibility towards the environment through training courses, it assesses, monitors and controls possible environmental effects and creates transparency as regards targets and their achievement in the form of an environmental report.

Swiss Post introduced an environmental management system (EMS) as far back as 1996. This makes it possible to record the effects of its activities on the environment, identify possible improvements and ultimately to implement them. The EMS corresponds essentially to the international standard ISO 14001. Capturing the most important environmental data plays a critical role here. When it comes to performing the relevant calculations, Swiss Post relies on instructions from the Swiss Agency for the Environment. Products and services are captured in a series of eco-balances and every phase of life, from the extraction of raw materials to operation and ultimately disposal, is considered.

Environmental objectives

Swiss Post works with environmental objectives that it set in 2000. By 2010, the consumption of heat, fuel, electricity, paper and water is to be kept unchanged or reduced, and the proportion of renewable power and heat is to be increased.

Passenger Transport

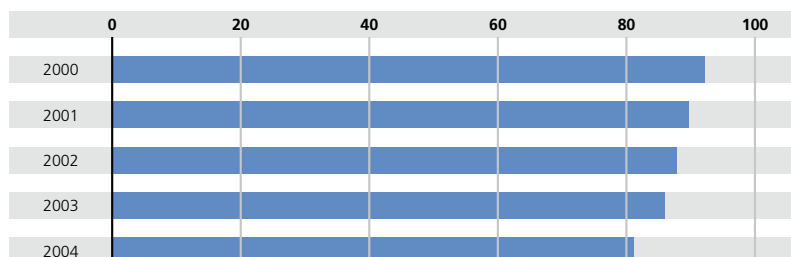
About one-third of the total environmental impact is related to transportation by postal vehicles. Since the year 2000, the impact has been reduced by 26 percent for each kilometre driven. PostBus Switzerland operates a continual fleet replacement programme, under which older vehicles are retired and replaced by modern, more environmentally friendly vehicles. About 25 percent of vehicles are equipped with CRT particle filters. Here a critical role is played by the public authorities, which put the public transport routes out to tender and determine whether to contribute towards the extra cost of converting and operating the filters. The rust particle filters do increase diesel consumption very slightly, but in return they reduce emissions of fine dust by up to 90 percent. Since 2004, the mail vans have been driving on green diesel which is essential if particle filters are to be used.

Goods transportation

The transportation of goods accounts for just under a quarter of Swiss Post's environmental impact. About 60 percent of the three million letters and 110 million parcels that are handled every year are transported by rail. This is sensible where the items are being transported between large distribution centres. For local distribution, Swiss Post relies on trucks and vans. Here Swiss Post tries to be as sparing on the environment as possible, by optimizing routes and deploying natural gas vehicles as in Arlesheim near Basel or electrically powered scooters as in Brunnen in Canton Schwyz. With about 18,000 two-wheeled vehicles, passenger cars, vans and trucks, Swiss Post is using state-of-the-art technology and purchasing models with the latest engine and exhaust emission control technology.

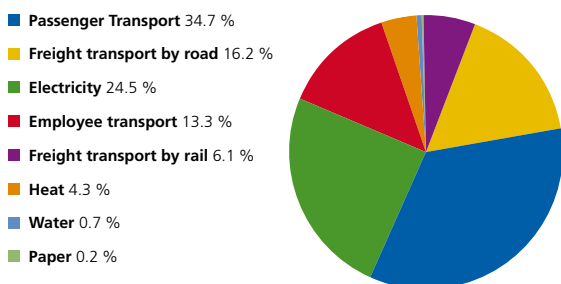
Environmental impact at Swiss Post, absolute figures

Details in percent, 1998 = 100 %



The absolute environmental impact (environmental impact points in accordance with BUWAL methods) has declined steadily in recent years.

Environmental impact by activity (2004)



Energy, heat, water

In the 1,300 properties that it owns and the further 3,400 that it manages, Swiss Post is continually improving the consumption of power, heat and water. Since 2000, it has consumed 9 percent less electricity, 25 percent less heat and 38 percent less water. Under the reorganization of letter centres (REMA project), it is investing over one billion francs in state-of-the-art buildings which comply with the Minergiestandard and require 40 percent less energy for heating and cooling purposes. In existing buildings, Swiss Post applies share-in-savings contracting, which has proved especially successful and under which Swiss Post concludes energy savings agreements with internal and external experts.

Since 1997, Swiss Post has drawn 600,000 kWh of power per year from the wind power plant on Mont Crosin. Together with green electricity from Canton Graubünden, wind power accounts for half the energy which has to come from renewable sources according to Swiss Post's commitment to EnergieSchweiz.

In 2003, over 17,000 printers, fax machines and copiers were in use throughout Swiss Post. Under the print output optimization project, this number has been reduced to 5,500, and instead of 140 different models, today only six different types are employed. This results in better utilization, more efficient management and lower energy consumption. With the new printer models it is possible to print on both sides of the paper, significantly reducing the quantity of paper consumed.

Partnership with suppliers

During the year under review Swiss Post bought in goods and services to the tune of 2.3 billion francs. Corporate Purchasing complies with Swiss Federal Law and the Swiss Federal Ordinance on Public Procurement. These specify that suppliers must satisfy the statutory requirements regarding health and safety at work, working conditions, which are governed by a collective agreement, and equality of wages between male and female employees.

In 2005, Corporate Purchasing organized its first suppliers' day in Berne, which was attended by 160 partners of Swiss Post. Three suppliers were commended for special achievements in the areas of process optimization, collaboration and sustainability on the basis of case studies submitted.

Sports sponsorship: customer retention and staff motivation

Swiss Post is involved in sporting and cultural activities and takes its social responsibilities seriously.

In sports sponsorship, Swiss Post placed the emphasis on running in 2005 and supported Swiss Runners, the umbrella organization of the 24 most important and biggest running events in Switzerland, with events such as the Grand Prix of Berne, the Murtenlauf race, the Lausanne marathon and the Zurich New Year's Eve race. Swiss Post also promoted most of these running events directly. Together with the Athletics Association and Swiss Runners, it launched the Swiss Post Cup, which is intended to promote the running elite of Switzerland and recruit prospective athletes to the sport of running. Under the catchphrase "Exercise with Swiss Post", this commitment is to be steadily expanded and the collaboration with Swiss Runners is to be reinforced over the next few years. Swiss Post's involvement in sport also serves to motivate its workforce, which benefited from 1,700 free entries to Swiss Runners races and running seminars for everyone.

PostFinance is the principal sponsor of the Swiss ice hockey association and the national leagues, and promotes young talent through the ongoing "Top Scorer" project. PostFinance was also the principal sponsor of the successful Swiss orienteering national team and on top of this showed its commitment to encouraging young people to take up running in the school project "sCOOL".

Cultural activities: music and film

Swiss Post is a sponsor of the Museum for Communication and the official principal sponsor of the Geneva book fair, "Salon International du Livre et de la Presse". The international Film Festival of Locarno, the biggest and long-established event in the Swiss film industry, and the Solothurn Film Festival have enjoyed strong support from Swiss Post.

In the field of cultural sponsorship, PostFinance is involved in the biggest music festival in Switzerland and for ten years it has organized a separate series of classical music concerts, the PostFinance Classics. With its future commitment to the Swiss Youth Symphony Orchestra, it is set to expand its work of promoting talented young musicians.

Under the "2x Christmas" campaign, about 70,000 parcels containing surplus Christmas presents were accepted free of charge in post offices. The "2xChristmas" gifts were distributed to needy people by the Red Cross, being divided equally between Switzerland and the East European countries of Romania, Belarus and Moldavia.

Swiss Post also provided unexpected Christmas cheer with its second December campaign. Almost 16,000 letters written by children to Santa Claus were answered by Swiss Post with a small gift.

For the victims of the tsunami disaster in Asia and the storm catastrophe in Switzerland, Swiss Post opened savings accounts for its staff and matched the donations contributed by staff in favour of the Swiss Solidarity campaign. Including a substantial waiver of 925,000 francs of pay-in charges, Swiss Post handed over a total of 5.1 million francs.

Pro Juventute and Pro Patria

By levying a surcharge on familiar stamps, Swiss Post supports the Pro Juventute and Pro Patria charitable foundations, which every year issue a series of four stamps. The revenue from these surcharges account for 14 percent of Pro Juventute's income and approximately half of Pro Patria's total income.

The Swiss Post brand: highly valued on account of its credibility

The Swiss Post brand has a huge intangible value which it is important to retain and promote further. In 2005, Swiss Post commissioned a monetary valuation of the corporate and flagship brands for the second time. The valuation was performed by an independent third party using an internationally recognized and applied brand valuation model. The valuation is based both on behavioural and financial factors from Swiss Post's operational accounts and financial plans. The value of Swiss Post brands rose slightly by about 2 percent and currently stands at just under half a billion francs. One of the most important assets in the purchase decision process has proved to be Swiss Post's credibility with its customers.





The 2005 Swiss Post Review of Business is available in English, German, French and Italian. The printed German version is binding. The Review of Business and other current information about Swiss Post are available on the Internet at www.post.ch.

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