

We are the **pacesetters**
in this **international market**
of the **future**



Annual Report 2008

SWISS POST 

**“Change is the reality
we face, in the behaviour
of our customers and in
our response to that.**


**I see change as
an opportunity.”**

A handwritten signature in black ink, appearing to read 'Gygi'.

Ulrich Gygi, CEO
speaking on 3 June 2008 in Burgdorf

Air France by Swiss Post?





Streamlining cost structures, focusing on core business, creating opportunities for growth – these are areas every enterprise has to address today.

Well, I can tell you one solution there. I know it might sound a bit crazy, but I was at a CRM seminar in Paris recently and a colleague who works for an airline mentioned that Swiss Post handles the entire written complaints management system for Air France.

That's true, but it's not always quite that simple. For example, who should I outsource our complaints management system to? This is something that requires trust and needs to be handled with great sensitivity.

Yes, or to be more precise to one of its foreign subsidiaries.

Air France is outsourcing this sensitive business process entirely to Swiss Post?

But what's that got to do with Swiss Post's core business?

Our position



Frank Marthaler,
Head of Strategic Customers & Solutions

Mr Marthaler, how come Swiss Post is handling complaints management for Air France?

Since 2000, Swiss Post has also been running internal postal services for customers and this includes written complaints. We specialize in outsourced processes which we manage in their entirety on behalf of customers. Thanks to our technology know-how, we mesh our processes closely with those of the customer.

Can you give us other examples of business processes that have been outsourced to Swiss Post?

We perform order management for the mail order firm Quelle, handle some parts of the customer loyalty programme of Deutsche Bahn and provide support for SBB's rail season ticket system. In addition, we open accounts for banks, issue paper and electronic bills or archive them electronically on behalf of customers. We handle many processes requiring trust and reliability. We operate in the background, ensuring seamless workflows. Information is often transformed from paper to electronic formats and vice versa, with the relevant data being integrated in computer-based workflow processes.

What do services like that have to do with Swiss Post's core business?

We are seeking to expand our business activities along the entire value chain of mail, from the sender right through to the recipient. Nowadays our work begins on customers' premises and is increasingly becoming an integral part of their processes and systems. As we become ever more involved in the business processes of organizations along the traditional mail channel, we are extending Swiss Post's solution portfolio in a logical direction.

What are Swiss Post's strategic aims here?

Our primary objective is to create added value through profitable growth. Using our expertise to overcome discontinuities between paper and digital media and vice versa, thereby creating added value for customers, also strengthens the letters side of the business. Strategically speaking, it is vital for us to remain close to our customers and not lose direct contact with them. So instead of just sending mail – which other postal operators can also do – we offer our customers an all-round solution package. The actual physical delivery of the mail is then part of this service.

You are obviously also looking beyond the borders of Switzerland itself. In strategic terms, what conclusions do you draw from international trends?

In the UK, a deregulated market, entirely new business models have emerged. So-called consolidators, who collect mail from a large number of companies and can consequently obtain more favourable postal rates from the conventional postal operators, have moved into the area between business customers and the traditional Royal Mail. This increases the risk of losing large and important accounts.

The traditional postal organization is therefore reduced to just one among many. Our strategy is to add value for customers and become an integral part of their processes, and consequently differentiate ourselves from the traditional competition. In a deregulated market, that is key to achieving profitable growth.

Where does Swiss Post rank in relation to value-added services?

We are one of the top three in Europe and rank among the top five worldwide. One figure that gives a good illustration of our standing: in the 14 countries in which we operate around the world, we generate postage worth 500 to 600 million francs a year. We are therefore a strategically important customer for the state-owned or formerly state-owned postal operators in these countries.



Why do companies choose Swiss Post as a partner?

They often turn to us when it comes to changes in technology outside their core business. Companies want the best possible quality with as little risk as possible. Another key aspect is the core corporate values that we practise every day. These are the values that could be described as "Swissness": reliability, striving for quality and excellence, and not least our sound financial footing. Reference projects also play a decisive role in this business and here too we are in an excellent position thanks to the head start we got in 2000.

What are the prospects for the future?

Generally rosy – we are setting the pace in a new multi-billion market. Globalization, which is prompting customers to standardize their business processes, the deregulation of the postal market and the new opportunities afforded by tech-

nology are leading many organizations to review their data and information logistics. We are helping them do this – with excellent services and a strong focus on customer loyalty. At the same time, we face stiff competition in this market and we are not immune to the wider economic trends in some areas of our business.

“We are the pacesetters in this international market of the future.”

All-round solutions for business customers

Swiss Post has structured its offering around the collection, transport and delivery of letters. For its business customers it handles the printing and sending of account statements, invoices, policies and documents, the distribution of incoming mail, document scanning and electronic archival, enabling companies to communicate with their customers via direct marketing, customer cards, phone, e-mail and mobile marketing.

Swiss Post is helping its customers overcome the barriers between the physical and electronic world. The main users of these services are major corporations who operate at both a national and international level.

In 2008 Swiss Post generated sales of 708 million francs with such solutions for business customers. It operated in 14 countries with a total workforce of 5,621.

Read more about our Strategic Customers & Solutions unit on page 66.

Cash up a mountain?





**I'm hungry.
Let's get something to
eat in the next village.**

OK, but you'll have to pay since
I don't have any cash on me and
I'm sure I won't be able to pay by
card in such a small place.

**Huh, it's always the same with you, isn't it?
But this time you won't get out of paying so
easily. There's bound to be a post office in the
village so you'll be able to get cash out over
the counter there.**

Who on earth goes to the post office to
get money out in this day and age of
credit cards and cash machines?

**Well, people like you for example, who
never carry money around with them.**

But just think how much that service
from Swiss Post is costing us!

**Personally, I think that's a service
worth paying for. That's what
makes Switzerland different.**

But I'm not prepared to pay a
single cent for a service that only
people like you need!

Our position



Ulrich Gygi,
CEO

Currently Swiss Post's customers can withdraw money at the counter even in remote areas. Will you continue to offer this service in future?

Of course we'll still offer these services throughout the country in future. But it doesn't necessarily have to be from a post office. It could be from an agency or by home delivery.

So what's the position with access to these services, what will happen to the post office network in future?

We will still have a presence in all regions of Switzerland, just perhaps not with the same density as in the past. A number of post offices will be replaced by agencies. Our customers will still be able to access 95 percent of post office services there. Those who are already using an agency today are happy. And so are the operators of the agencies. Overall, there will probably be slightly fewer access points than today. What is important for the services offered by Swiss Post is that we are able to adapt the post office network flexibly in response to changes in customers' behaviour.

Customers are expecting better performance at lower prices from the forthcoming deregulation. Are these expectations justified?

Private customers already enjoy an excellent range of services at competitive prices. With PickPost, for example, they can elect to pick up parcels at a railway station or filling station which are open until late in the evening. On our website they will find not only information, but also practical services such as the virtual post office counter. It is unlikely that prices for A and B Mail will fall, but Swiss Post will probably have to pick up the tab for the new VAT rate itself.

Isn't greater competition pushing down prices?

Yes of course it is, but it's mainly business customers with large volumes who benefit from this. Despite inflation and the new value added tax, VAT-registered business customers can expect stable prices for A and B Mail for the time being. We are seeking to compensate for falling volumes and cost increases by greater rationalization and the use of technology.

But Swiss Post is still supporting market liberalization?

We are assuming that the market will be deregulated sooner or later and we need to prepare ourselves for that happening. Personally I'm not convinced that market liberalization as currently on the table is all that it's cracked up to be. For example, both economically and ecologically speaking, competition in the delivery of mail doesn't make sense.

Does it matter to customers how the basic postal service is funded?

Well, that's the age-old question, isn't it, what is better – taxes or charges? I would like to offer customers a basic service without state subsidy. But to do that, we would need sufficient entrepreneurial freedom to decide on our activities our-



selves. In other words, if we were able to design the basic service flexibly, if we were able to decide for ourselves what other business areas we want to operate in alongside providing the basic service, and if employment conditions were harmonized across the postal market, then we would be in a position to finance the basic service from our own resources.

“We will still have a presence in all regions of Switzerland.”

You have been the CEO of Swiss Post for almost nine years now. During this period the market has gradually been liberalized. What has this meant for Swiss Post?

Ultimately, gradual market liberalization has been good for Swiss Post. We have streamlined our processes, learned to calculate carefully, husband our resources and listen to our customers. We have become more productive, customer-focused and innovative. And we have proved that we can earn money in a free market.

Looking into the future, where will Swiss Post be in eight years time?

We will certainly survive free market competition while continuing to offer a high-quality basic service. With the corporate solutions offered by our Strategic Customers & Solutions unit, perhaps we will even have established an international foothold. The proportion that letters contribute to our success will certainly fall, while that of parcels will remain about the same. PostFinance will remain a major plank – with or without a banking licence.

The basic service

In 2006, the Swiss Federal Council decided on a complete revision of postal legislation. The aim is to define the next steps towards deregulation, secure the basic service (▶ 3) and its funding, and create a level playing field for Swiss Post and its competitors. This revision (▶ 7) is due to come before the Swiss Parliament in 2009.

Under current legislation, the basic or “universal service” (▶ 3, 5) comprises:

- acceptance, collection, transport, delivery of mail (letters, parcels, newspapers) generally on all working days, but on 5 days a week at least
- inpayments, outpayments, transfers and cash withdrawals
- nationwide post office network
- the services provided under the universal service must be available in all regions and to all sections of the population within a reasonable distance
- home delivery to all permanently inhabited settlements
- standard prices irrespective of distance for reserved services

The number of post offices is always a politically contentious issue. With 2,408 outlets, the Swiss post office network (including agencies) is the most dense in the world. To finance the basic service, Swiss Post has a monopoly on all letters up to 100 grams. This accounts for around one fifth of its turnover.

From 1 July 2009, the monopoly limit for letters will be lowered to 50 grams (see page 40 for more details).

A Mail at B prices?





Hello there, long time no see, how's it going?

Oh the usual, tons of stuff to do. I've got the in-laws coming over for dinner again this evening. And before that I've got to take the new programme for the early English courses to the post office. That always amazes me. Do you know how much they charge for postage these days?

I haven't a clue. But everything's always getting more expensive.

True, but I still get annoyed. There are cheaper options for virtually everything else. It's about time they got rid of their monopoly.

Süßwaren

And what good will that do you? That'll just be one more decision you have to make.

That's no problem – I'll just go for the cheapest option.

I'm not sure that will really make things cheaper – just look what's happened to electricity bills.

Our position



Michel Kunz,
Head of PostLogistics and PostMail
Elected by the Board of Directors to take over as
Chief Executive Officer from 1 April 2009.

In the case of parcel services, customers have been able to exercise choice for some time now. What are they getting?

Private customers can post items at stationery outlets and railway stations. Our competitors usually offer slightly lower prices. Fortunately, many of our customers have a strong emotional attachment to Swiss Post so they remain loyal to us. In the case of business customers, competition is becoming increasingly fierce, in terms of both price and performance. This puts pressure on our margins and forces us to constantly improve productivity.

Soon customers will also have a choice when it comes to letters. Will we then get five postmen coming round each day?

To a certain extent this situation already exists with parcels, with three or four delivery vans a day driving into the same valley. Environmentally speaking, that makes absolutely no sense at all. We would be prepared to take the deliveries of our competitors there as well. But to date that hasn't happened, because each firm wants a visible presence. Considering that delivering letters accounts for 40 percent of the cost, that's an expensive solution. The percentage is lower for parcels, however.

Will market liberalization lead to lower prices for letters?

The last price increase for private customers was four years ago. Since then production costs have continued to rise as a result of pay increases and rising energy prices. Until now we have managed to more or less absorb these costs through higher productivity. Lowering prices is not an option, however, as that would jeopardize the funding of the basic service.

Does market liberalization mean that Swiss Post is cutting its services for the sake of productivity? In Lausanne for example, Swiss Post is trialling the delivery of letters to private customers in the afternoons instead of by 12.30 at the latest.

But for that they can continue to read their newspapers early in the morning and business customers will still get their post delivered in the morning. The question is whether the delivery of letters in the afternoon is perceived to be a lesser level of service. For those who are out at work during the day, it doesn't matter what time the post arrives. It's different for people who are at home all day. In Lausanne we are testing the level of acceptance among customers for this.

What's the thinking behind the trial in Lausanne?

Our postal carriers currently sort items into the order of recipients on their delivery round. To cut costs, we will increasingly be automating this labour-intensive task in future. As a result, this work for postal carriers will be gradually phased out over the next few years. So if we do not change anything else, they would be finished work by midday. With an afternoon delivery, we can avoid reducing the working hours of postal carriers.



Competition means fighting above all for lucrative business customers in the major population centres. What can you offer these customers so that they don't take their business to your rivals?

We are seeking to offer them the service they want, with the aim of minimizing costs for both parties. We are consequently integrating our operations in the processes of our business customers and taking on tasks that we are better equipped to handle. Ultimately it comes

down to our productivity. There are customers who are only concerned about price and who therefore make it difficult for us to achieve profitable growth. But there are others for whom service is important. Often service means information,

especially when a delivery is not made on time. We therefore notify the sender, so that they can inform the recipient themselves. This represents real added value for the customer.

“Lowering prices jeopardizes the funding of the basic service.”

Competitive prices

■ Letter post index

The letter prices of Swiss Post ranked fifth in comparison with the 15 biggest countries in Europe. The letter post index developed by the University of Fribourg shows that comparable letters in France and Germany cost 10 to 13 percent more, and up to 22 to 52 percent more in Sweden and Italy.

Letter prices were last increased in Switzerland in 2004 (► 14 and page 79).

■ Parcel post index


In relation to parcel prices, a comparison with the 15 biggest countries in Europe shows that Swiss Post is beaten on price only by Germany at 2 percent less and Austria at 5 percent less. France's

prices are 62 percent higher, while those in Italy are 104 percent more expensive. In Finland, Sweden and Norway prices are between two to three and a half times higher than in Switzerland (► 15 and page 80).

Read more about PostMail on page 60 and PostLogistics on page 62.

Start-up capital for the self-employed?





So, I'm finally doing it. I'm giving up my job at the university and setting up my own architecture practice.

Hey, fantastic! But do you have enough money to make this big leap?

Sure, I've always lived frugally. I've got some money put aside, and I'll get a small loan for the rest.

Well, you've already done some great projects at the uni, so I'm sure you'll find a bank that will lend you the money.

I hope so. I went to see PostFinance yesterday as that's where I've got all my savings. But, you know what? They're actually not allowed to give me a loan!

Well that would be a fine thing. Why should the post office suddenly be a bank?

Great! To get a loan, I'll now be forced to go another bank and transfer all my money there.

Our position



Jürg Bucher,
Head of PostFinance

What role does PostFinance play in the basic service and how is it financed?

For over a hundred years we have been providing a cheap way of making payments throughout Switzerland. In addition, we are a key earnings driver for Swiss Post and strengthen the Group as a whole.

Why does PostFinance need a banking licence?

We want the same level playing field as the banks so that we can meet the obligations laid down by the Federal Council and Swiss Post's Board of Directors. That means handling payment transactions efficiently and cost-effectively, generating profits for Swiss Post and providing an excellent service to customers (► 11).

PostFinance already offers virtually all the products and services of a bank. What would actually change for customers if PostFinance had a banking licence?

It's true that hundreds of thousands of customers are moving from the banks to PostFinance, which has a rather different image in the market. If we had a banking licence, however, we would gain more room for manoeuvre and flexibility, which would benefit customers in the form of

more favourable prices and attractive rates of interest. This would contribute tens of millions annually to our bottom line. PostFinance would be able to provide all financial services for small businesses. In particular, they would be interested in small loans of less than 100,000 or 50,000 francs. On the banking market, smaller loans of this type are very expensive.

PostFinance is already making substantial profits. Does it really need a banking licence as well?

Tight restrictions have the advantage that they make you creative and inventive. And we have indeed succeeded in developing a successful business model within the narrow limits set us. But those who do not get fit in prosperous times jeopardize the success of tomorrow. So cost efficiency is always in our sights – be it in IT, in production or in sales. Above all, a banking licence would give us more freedom on the revenue side. We could offer our customers a better price/performance ratio, acquire new customers and consequently grow. And if we were able to offer loans, we would be able to create a broader revenue base.

Currently PostFinance cannot put customer deposits back into the Swiss economy in the form of loans and mortgages. So what do you do with the money?

Financial institutions who have a banking licence grant mortgages, financed primarily from the savings of their customers. Their profit lies in the difference between the interest rates. If the interest rate for mortgages fall, so too do the interest rates on savings. PostFinance on the other hand is a "passive institution": we take our customers' deposits and invest them profitably in national and international

money and capital markets. We do this conservatively and in such a way that PostFinance always has sufficient liquidity. In addition, we weigh up the risks and yields so that our customers' deposits are always safe and we can offer a reasonable rate of interest. We are therefore exposed to a greater risk than would be the case if we were to finance mortgages from savings deposits. This was particularly challenging last year, during the financial crisis.



Does that not mean greater financial risk for the Confederation and therefore for us all?

Yes, absolutely. This risk of investing customers' deposits on the money and capital markets is up to three times greater than for a professionally managed mortgage portfolio in Switzerland. A banking licence would therefore not increase the risk to our owner, on the contrary it would reduce it. We would not necessarily need a state guarantee, since over recent years we have already built up the equity for PostFinance in Swiss Post Group to more than that stipulated in Basel II.

Has the crisis in the financial markets affected the situation of PostFinance?

In 2008, PostFinance took in billions of Swiss francs from private and business customers. But as things stand, it is unable to plough this money back into the Swiss economy. The politicians have to recognize that this situation is no longer tenable.

“ More and more customers are moving from the banks to PostFinance.”

Is there any alternative to a banking licence for PostFinance?

A banking licence would be the simplest and best solution. However, it would also be possible to regulate the business activities of PostFinance by means of the Postal Act and to subject PostFinance to the same supervisory regime as banks. I am assuming that Parliament will decide on financial market supervision by FINMA. And that's as it should be. Regardless of whether we get a banking licence or not, PostFinance has been operating like a bank and has been bearing the investment

risk in Switzerland and abroad for some considerable time already. Entry into the mortgage market would enable us to strengthen the 'bank for small customers' business model.

You say that customers already think of PostFinance as a bank. Does it also pay salaries and bonuses like banks?

The ratio between the earnings of the lowest paid employees and executive salaries is commensurate at PostFinance. In the year under review, total remuneration including fringe benefits for the eight

members of the Board came to 2.4 million francs. Total remuneration for the Head of PostFinance was 508,000 francs.

PostFinance

PostFinance is the fifth largest financial institution in Switzerland. In 2008, it posted an operating income of 2,191 million francs and an operating result of 229 million francs. The inflow of new money amounted to 5,941 million francs, 74 percent up on the previous year.

There is no one regulatory authority as for banks. Instead the supervisory regime consists of a number of complex special solutions that have evolved over time. In particular, the Federal Department of

Environment, Transport, Energy and Communications (DETEC), the Federal Department of Finance, and the Money Laundering Control Authority are responsible for PostFinance.

PostFinance is not licensed to operate as an independent lender, a position which will remain unchanged even after the complete revision of the postal legislation (► 7) according to the previous decisions taken by the Federal Council. This means that PostFinance may not grant loans and

mortgages and may not use the term "saving".

PostFinance is therefore forced to invest some of its customer deposits abroad. Since 2000, the value of its foreign investments has grown from 6 billion francs to 37 billion francs. This increases the foreign trade risks of PostFinance.

Read more about PostFinance from page 70.

Conventions in this report

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A dash (–) in place of a figure indicates that the value is zero.

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■ GRI index

Swiss Post bases the content of this report on version G3 of the Global Reporting Initiative (GRI) guidelines on sustainability reporting (www.globalreporting.org). The GRI index provides a standardized approach to reporting organized by topic. It contains a link to the relevant pages in the report for each topic. The GRI index can therefore be used as an alternative to the usual table of contents. For space reasons we have not listed the whole index. It can be downloaded from the Internet (▶ 98) at the above address.

■ Languages

The 2008 Swiss Post Annual Report is available in English, German, French and Italian. The printed German version is authoritative.

■ Forward-looking statements

The 2008 Swiss Post Annual Report contains forward-looking statements. These are based on assumptions and estimates and on information available at the time of going to press. Unforeseeable events may result in actual trends and results deviating from these statements. Swiss Post is not obliged to update the statements contained in the Annual Report.

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Ladies and Gentlemen,

Swiss Post is undergoing constant change. Following the break-up of the former PTT into Swisscom and Swiss Post on 1 January 1998, we have gradually developed from a state-

“The figures bear out that our strategy is the right one and that we are meeting the Federal Council’s objectives.”

owned company into a customer-focused and performance-driven enterprise, and from a monopoly organization into a competitive industry leader that currently generates over 70 percent of its income in the free market. During this period we have met our legal obligations to deliver a high-quality universal service at competitive prices. We achieved what many doubted was possible: year on year positive results. Thanks to this excellent performance, we succeeded in strengthening our initially low equity base and in recapitalizing the inadequately financed pension fund from our own resources.

We overhauled our processes, created state-of-the-art parcel and letter centres, and thus improved our productivity. In addition, Swiss

Post adapted its network to customers’ behaviour and created new ways of accessing its services – such as on the Internet for example. Customers’ needs drove the development of new services, especially tailored solutions for corporate customers. In a time of falling parcel and letter volumes, we explored new areas of business. Today we are printing invoices and policies, enveloping and dispatching them for customers, all directly in Swiss Post’s letter centres. We help companies maintain a dialogue with their customers – be it by means of traditional letters, faxes, e-mail or phone. We have succeeded, too, in extending our activities beyond Switzerland: PostBus operates a number of regional routes abroad in areas close to the border, while Swiss Post International carries letters for third parties across all borders, and our Strategic Customers & Solutions unit provides support to large multinationals with the printing, dispatch and digitization of documents. International activities now account for approximately one fifth of our earnings.

We can certainly be proud of all these achievements.

We can also be proud of our business results over the past year. At 8.980 billion francs, our income was again excellent, and our Group profit of 825 million francs was almost as high as in the record year of 2007. The slightly lower profit is attributable to higher expenditure as a result of acquisitions, pay increases and higher energy prices, especially at the beginning of the year. PostFinance, too, was not immune to the financial crisis and had to make writedowns of around 179 million francs, or 0.3 percent of its investment portfolio. On the revenue side, in 2008 we again witnessed a fall in the volume of letters, primarily as a result of e-mail, text messaging, MMS, and the bundling of mail at major customers such as banks, insurance companies, health insurance providers and telecom operators.

Almost two thirds of our income continues to be generated by the PostMail, PostFinance and PostLogistics units, i.e. from our traditional core business. Earnings from financial services are becoming increasingly more important, contributing 24 percent of overall income in 2008. At the same time, Swiss Post increased its income generated from non-monopoly business to over 70 percent). These figures bear out that our strategy is the right one and that we are meeting the Federal Council’s objectives.

We will again utilize the profit generated in 2008 to finance growth and investment. 250 million francs will be used to further strengthen the pension fund, which experienced a shortfall as a result of the financial crisis. And for the second time, we will again be paying money into the public purse. This year the Board of Directors will be recommending a profit payout of 170 million francs.

So will we also succeed in achieving such good results in future? It is certainly clear that Swiss Post is facing major challenges in 2009. The crisis in the financial markets is spreading into the real economy, jeopardizing growth across all industries. As a downstream service provider, Swiss Post is also affected by this. In addition, the letters monopoly will be reduced to 50 grams on 1 July 2009, and we estimate a fall in income of 50 million francs as a result of the greater competition and pressure on margins. It is also likely that Swiss Post will have to pay the VAT itself, which will mean costs of around 100 million francs per year.

The long-term development of Swiss Post depends greatly on the redefinition of its responsibilities and the conditions under which it operates during the complete overhaul of postal legislation. From our point of view, as it stands today Swiss Post is still too hidebound by tradition and is unable to respond to change with the necessary flexibility. Why should there be a post office in every village when virtually the same services can be delivered in collaboration with a local shop much more cost-effectively and the opening hours are much more convenient for customers?

It is vital that Swiss Post is granted more entrepreneurial freedom, is able to determine its operational areas more freely, and has the same level playing field as our competitors, in particular with reference to employment legislation.

Swiss Post will strive in future to provide a nationwide basic service that will meet the needs of all our customers. We will seek to exploit potential efficiency savings and grow profitably – also outside Switzerland. We will develop the productivity and motivation



of our employees. And, not least, we will seek to foster a culture of innovation and sustainable corporate development for the benefit of society as a whole.

On behalf of the Board of Directors and Executive Management, we would like to thank our customers who have accompanied us along the road of change over the last ten years. They are our daily yardstick on our journey of transformation into a market-driven enterprise. Our thanks also go to all our employees who have repeatedly risen to the challenges of change. Their enormous commitment and great motivation are the foundations of our success.

In 2008, Susanne Blank and Claude Beglé joined the Board of Directors; Claude Beglé as Chairman-elect from 1 April 2009. Markus Zenhäusern joined Executive Management as the Head of Finance. Michel Kunz will take over as Chief Executive Officer, also from 1 April. He was previously Head of both PostMail and PostLogistics, which will now be managed separately again.

We are therefore both standing down on that date as Chairman and CEO respectively. Over the last six or nine years we have been in these positions, we have always been able to build on an excellent corporate culture

characterized by collegiality, cooperation and a concern to take the company further. For that we also express our thanks to everyone.

We wish our successors and all of Swiss Post well for the future. We are sure that change will continue and that in ten years time Swiss Post will have seen many more successful changes.

Anton Menth
Chairman of the Board of Directors

Ulrich Gygi
Chief Executive Officer

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Review

▶ Increase in operating income

At 8,980 million francs, operating income was up 268 million compared with the previous year. Owing to its higher capital-based operating income, the main contributor here was the PostFinance segment.

▶ Fall in Group profit

Growth- and inflation-driven cost increases, pay rises in real terms, falling letter volumes and writedowns exceeded the increase in operating profit and therefore cut Group profit by 84 million to 825 million francs. Around 28 percent of this figure can be attributed to the PostFinance segment.

▶ Decline in value added

With the capital employed, Swiss Post was able to generate value added of 416 million francs. This is around 26 percent less than in the previous year.

▶ Equity still too low

As at 31 December 2008, following the appropriation of profit for 2007, equity stood at 2,857 million francs. Swiss Post considers equity of around 3.5 billion francs to be necessary for the Group.

▶ Federal Council's objectives met

In 2008, Swiss Post once again met the financial targets of its owner. Group profit, value added and return on investment were all down on the previous year.

Outlook

▶ Financial crisis spreading to the real economy

The crisis in the financial markets is spreading across to the real economy, jeopardizing growth in all industries. As a downstream service provider, Swiss Post is also affected.

▶ Swiss Post is sticking to its strategy

The last four years were successful and showed that the strategy pursued is the right one. However, 2009 is set to be a difficult climate in which to do business, owing to increasingly fierce competition, persistent substitution and ongoing dispatch consolidation. This is compounded by a still-inadequate equity base. These challenges will not deter Swiss Post from adhering to its strategy.

▶ Swiss Post on track to meet the objectives of the Federal Council

Despite the difficult economic climate, in 2009 Swiss Post is on track to meet the Federal Council's objectives and increase the value of the company, generate reasonable profits and finance its investments from its own resources. However, further market liberalization, calls to lower prices, and the payments necessary to recapitalize the pension fund will significantly impede fulfilment.

Figures

		2008	2007
Result			
Operating income	CHF million	8 980	8 712
generated in competition	% of operating income	79.6	78.3
generated abroad ¹	% of operating income	17.9	20.0
Operating result	CHF million	812	866
generated abroad ¹	% of operating income	4.0	7.0
Group profit	CHF million	825	909
Equity	CHF million	2 857	2 470
Customer satisfaction			
PostLogistics	Business customers index	79	79
PostMail	Business customers index	77	78
PostFinance	Private customers index	85	84
Swiss Post International	Business customers index	75	75
Strategic Customers & Solutions	Business customers index ²	77	75
Post Offices & Sales	Private customers index	86	88
PostBus	Commuters index	75	73
	Leisure travellers index	82	82
Value generation			
Value of the Swiss Post brand	CHF million	566.3	539.4
Net cash from operating activities	CHF million	8 281	-3 312
Value added	CHF million	416	559
Added value generated ³	CHF million	4 875	4 925
to employees	CHF million	3 873	3 851
to creditors	CHF million	22	20
to public sector	CHF million	10	13
to owner ⁴	CHF million	170	300
to company	CHF million	800	741
Jobs			
Headcount (excluding trainees)	Full-time equivalents	44 178	43 447
abroad	%	14.2	12.7
Overall departure rate	As % of average headcount	11.1	10.2
Turnover rate (voluntary departures)	As % of average headcount	4.8	4.5
Notice given by employer for economic reasons	Persons	78	92
Vocational training			
Trainees	Persons	1 571	1 473
Ratio of trainees to employees	As % of headcount	4.1	3.9
Percentage of trainees taken on	%	91	91
Quality of work			
Employee satisfaction	Index	66	67
Motivation/willingness to perform	Index	70	70
Employment conditions and remuneration			
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	71.2	74.1
Minimum salary Swiss Post CEC ⁵	CHF per annum	42 746	41 826
Average salary for employees ⁶	CHF per annum	78 141	77 160
Average remuneration paid to Members of Executive Management ⁷	CHF per annum	492 781	487 611
Salary bandwidth ⁸	Factor	6.3	6.3
Health management			
Occupational accidents	Number per 100 FTEs	6.2	5.6
Non-occupational accidents	Number per 100 FTEs	15.7	14.7
Costs attributable to accidents	CHF million	69.6	74.3
Days lost to illness and accidents ⁹	Days per employee	10.8	11.1
Days lost to illness and accidents ⁹	Days per annum	335 465	356 479

		2008	2007
Part-time working			
Part-time working	%	45.7	45.2
Men	%	16.7	15.7
Women	%	73.5	73.8
Part-time working within management	%	9.6	9.2
Men	%	6.0	6.0
Women	%	31.2	30.8
Diversity			
Men	%	49.1	49.2
Women	%	50.9	50.8
Women on Board of Directors	%	20.0	22.2
Women in Executive Management	%	0.0	0.0
Women in senior management posts	% ¹⁰	8.1	8.6
Nationalities represented	Number	118	112
Demographics			
Employees aged between 50 and 59	%	27.0	26.2
Employees aged 60 and over	%	4.1	3.5
Average age of staff	Years	43.3	42.8
Jobs in the regions			
Jobs in Switzerland	Swiss Post employees per 1000 employees	12.0	12.3
Jobs in peripheral regions ¹¹	Swiss Post employees per 1000 employees	13.2	12.9
Sponsorship and engagement with society			
Sports sponsorship	CHF million	12.65	9.75
Cultural sponsorship	CHF million	4.27	4.65
Social initiatives/gifts/donations	CHF million	3.22	3.43
		2007	2006
Resource consumption			
Energy consumption	GJ of primary energy ¹²	4 848 712	4 780 861
Electricity	GJ of primary energy ¹²	2 173 516	2 061 443
Heat	GJ of primary energy ¹²	591 315	562 487
Fuel	GJ of primary energy ¹²	2 083 881	2 186 387
Water consumption	m ³	391 400	456 178
Paper	Millions of A4 sheets	158	157
Carbon footprint			
Total climate-related burden	t CO ₂ equivalent ¹³	281 861	276 201
Climate-related burden of goods transports	t CO ₂ equivalent ¹³	41 938	44 605
Rail	t CO ₂ equivalent ¹³	4 738	4 765
Road	t CO ₂ equivalent ¹³	37 200	39 840
Climate-related burden of passenger transport	t CO ₂ equivalent ¹³	128 000	128 500
Climate-related burden of journeys to work	t CO ₂ equivalent ¹³	50 270	44 520
Renewable energy			
Heat from renewable sources	% of heat consumption	12.1	9.3
Renewable fuels	% of fuel consumption	0.0	0.0
Electricity from renewable sources	% of electricity consumption	0.9	1.0

1 Definition of "abroad" in accordance with segment 2 in the Financial Report

2 The customer satisfaction figures for the Strategic Customers & Solutions Group unit will be disclosed for the first time in 2008; the figures from previous years are those of the Strategic Customer Management unit.

3 Value added = operating result + staff costs + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and investments

4 Proposed profit appropriation for Swiss Post

5 Aged 18+, excl. trainees

6 Swiss Post Group in Switzerland, excl. Executive Management

7 Excluding CEO

8 Average remuneration paid to members of Executive Management vs. average employee salary

9 In accordance with the CEC, the employment relationship continues for two years. For employment contracts in accordance with the Swiss Code of Obligations, the employment relationship is discontinued after six months. The figures are not comparable with other companies!

10 Excluding Executive Management

11 Definition of peripheral regions based on the Federal Act of 21 March 1997 on Investment Aid for Mountain Regions (IHG). The schedule to this Act lists the individual regions according to the Act and the municipalities within those regions.

12 Primary energy consumption is the consumption of non-renewable energy resources such as oil, gas, coal and uranium. In contrast to final energy, which only reflects the amount of energy available for use, primary energy consumption also includes the energy consumption of all upstream stages of energy provision.

13 In addition to carbon dioxide (CO₂), other gases such as methane and nitrous oxide also contribute to climate change. In some cases, their impact on climate per kg is considerably greater than that of CO₂. The quantities of the gases weighted with this relative climate-related impact are indicated in CO₂ equivalents.

Additional key figures and explanations can be found in the table of figures (► 99).

Conventions in this section

▮ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

2008 Annual Report

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Business areas

Markets

In Switzerland, Swiss Post is active in the letters and logistics market, retail finance, payment transactions and passenger transport, as well as in dialogue marketing and document management. It also handles the import and export of letters, parcels and small consignments along with courier deliveries.

Outside Switzerland, Swiss Post operates in niche markets such as cross-border mail services or dialogue marketing and document management for example. In Europe, North America and Asia, it is represented by subsidiaries, franchise partners and sales agents. Through cooperation with partners it also has access to a global logistics network (► 12).

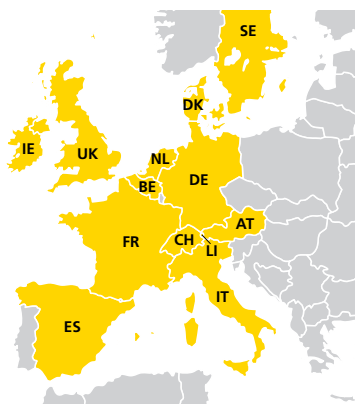
In 2008, Swiss Post generated 82 percent of sales in Switzerland and 18 percent abroad.

Group | Markets in which Swiss Post is active
2008

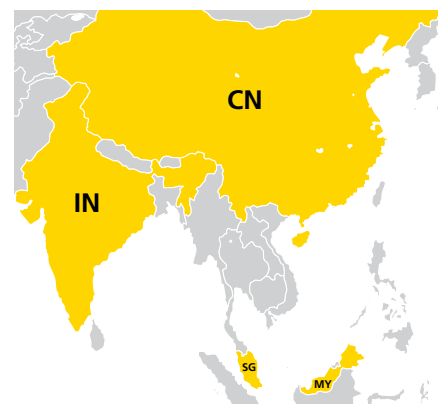
America



Europe



Asia



Customers

The logistics customer base of Swiss Post (i.e. customers using traditional postal services) comprises several million individuals plus around 133,000 companies ranging from small businesses through to large multinationals.

Swiss Post generates most of its logistics revenue from business customers. 220 key accounts are particularly important, together generating just under 50 percent of business customer revenue. Business customers also include 1,350 customers with annual sales between 250,000 and two million francs, 10,800 retail customers (sales between 25,000 and 250,000 francs), and 37,000 SMEs (sales between 3,000 and 25,000 francs). The other approximately 85,000 logistics business customers are small companies with sales of up to 3,000 francs.

The customer base of PostFinance presents a similar picture, being divided between business and private customers. 180 key accounts (0.4 percent of all business customers) contribute around 36.9 percent of operating income and 31.4 percent to the profitability of this customer segment. 0.3 percent are banks, for which PostFinance primarily handles payment transactions.

Group | Customer structure and distribution of revenue from logistics business
 2008

Sales categories CHF per annum	Customer categories	Size of category Number of customers	Contribution to logistics revenue Business customers, percent
> 2 000 000	Strategic accounts and key accounts	220	50%
250 000 to 2 000 000	Business accounts	1 350	
25 000 to 250 000	Retail accounts	10 800	
3 000 to 25 000	Small and medium-sized enterprises	37 000	48%
< 3 000	Other logistics business customers	85 000	
	Private customers	6 000 000	2%

Products
Private customers

The offering for private customers and SMEs includes letters, parcels, express deliveries, courier services, financial services and passenger transport. Swiss Post operates an efficient and dense network of 2,408 post offices (of which 208 are agencies), 18,000 letterboxes and around 12,000 PostBus stops throughout Switzerland. Personal advice and financial services are available in 32 PostFinance branches. In addition, private customers can access a variety of services online (virtual post office counter at www.post.ch and e-finance at www.postfinance.ch).

Business customers

The **offering** for business customers can be broken down into five service packages:

- Letters
Letter postage, collection and franking solutions.
- Logistics
Express, courier and parcel delivery services, as well as small consignment, transport and warehouse logistics.
- Direct marketing
Addressed and unaddressed mailshots, address management services as well as consulting and production for direct marketing activities.
- Print media
Comprehensive solutions for newspapers and magazines such as subscriber management, newsstand distribution and reader recruitment.
- Document and dialogue solutions
Internal mail services, scanning, post-processing and archiving, as well as processing electronic data to create physical documents. Order handling, online shops, electronic billing, customer support and digital signatures.

Financial services for small, medium-sized and large companies, public bodies and associations include business accounts, e-Deposito accounts, national and international payment transactions, custom financing of liquidity, current and fixed assets, as well as solutions for accounts receivable and payable. Payment transaction solutions for banks and financial institutions in Switzerland and Liechtenstein should also be mentioned.

In the field of **passenger transport**, PostBus is a system provider partner for cantons and municipalities.

Brands

The Swiss Post brand is one of the best known in Switzerland. It conveys our core values of "credible", "entrepreneurial" and "cooperative". Both business customers and the population at large perceive it as distinctly friendly and trustworthy. Swiss Post views its brand as a valuable asset to be cherished and carefully nurtured. With the innovativeness, flexibility and dynamism it symbolizes, the strong Swiss Post brand enables the company to stand out from its competitors.

Swiss Post streamlined its brand portfolio in the spring of 2008. Since then it has only appeared outwardly to its customers under the core "Swiss Post" brand and the "PostFinance" and "PostBus" flagship brands. With very few exceptions, the individual brands in Switzerland and abroad will be subsumed into the core brand over the next three years. Swiss Post will thus offer its customers a one-stop shop for services under one brand, strengthening the core brand and reducing costs. Within Switzerland the core brand appears as "Die Post", "La Poste", "La Posta", and abroad as "Swiss Post". PostBus will also appear in Switzerland under a German, French, Italian or Romansh name. "PostFinance" will be used throughout Switzerland.

Organization

Units

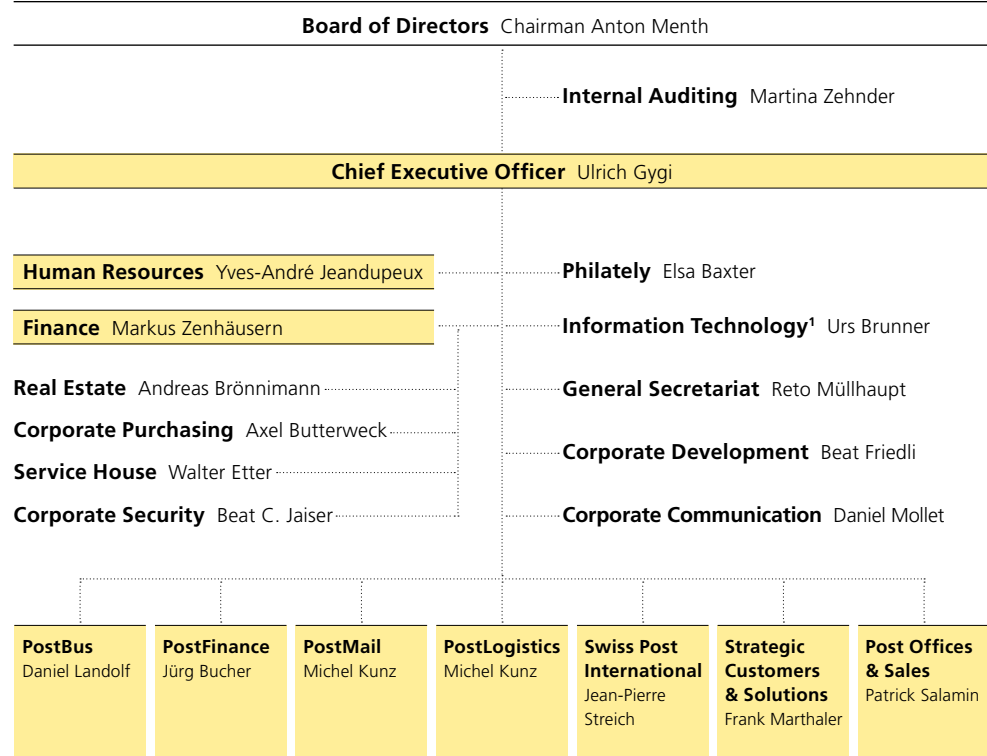
Swiss Post is divided into seven Group units: PostMail, PostLogistics, PostFinance, PostBus, Swiss Post International, Post Offices & Sales, and Strategic Customers & Solutions. They are presented in the annual financial statements as individual segments.

Real Estate, Philately, Information Technology and Service House are grouped together under "Other".

Units with a supporting role are Finance, Human Resources, Corporate Purchasing, Corporate Communication, Corporate Development, Internal Auditing and General Secretariat. Their results are also included under "Other".

Organization chart

Group | Organization chart
 31.12.2008



¹ reports to Head of PostFinance
 Yellow background = headed by member of Executive Management

Board of Directors



Claude Béglé



Anton Menth



Nicola Thibaudeau



François Chopard



Rudolf W. Hug

Claude Béglé

(date of birth 4 December 1949, Switzerland)
Member since 1 October 2008, Dr. sc. économiques, Master's degree in law, Master's degree in international studies (Graduate Institute of International Studies, HEI)
Chairman-elect from 1 April 2009

■ Professional background:
Swiss Technical Cooperation (Nepal).
International Committee of the Red Cross (Lebanon, Zimbabwe). Nestlé (Switzerland, Mexico, Egypt, Spain, Nigeria, Ecuador, Colombia, Czech Republic), roles in marketing, M&A and general management. Philip Morris, Managing Director Poland. Dutch Post/TNT, Vice President Europe. French Post, CEO GeoPost International and CEO DPD. Deutsche Post, CEO DHL Germany and Central Europe, Executive Vice President DPWN

■ Directorships:
Puratos SA (Brussels)

François Chopard (Secretary)

(date of birth 18 April 1942, Switzerland)
Attorney.

■ Professional background:
General management at PTT (adjunct to legal department, personal assistant to President PTT General Management, PTT General Secretary, Secretary of the PTT Board), Swiss Post (Secretary of the Board of Directors).

Anton Menth – Chairman of the Board of Directors

(date of birth 27 July 1939, Switzerland)
Member since 2002, Dr.sc.nat., Dipl. Phys. Federal Institute of Technology Zurich.

■ Professional background:
Bell Telephone Laboratories USA (research 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 S.A. Moutier (CEO, Delegate of the Board of Directors).

■ Directorships:
Bank CIAL (Switzerland)

Nicola Thibaudeau

(date of birth 6 November 1960, Switzerland/Canada)
Member since 2006, Dipl. Ing. Mech. Ecole Polytechnique de Montréal.

■ Professional background:
IBM Canada (research assistant), Cicorel SA (Head of Business), Mecanex SA (owner and CEO), freelance consultant, MPS Micro Precision Systems AG (CEO, Delegate of the Board of Directors).

■ Directorships and other posts: CSS Krankenversicherung (Board member), CSS Personalstiftung (Board member), MPS Micro Precision Systems AG (Board member), MPS Personalstiftung (President), SLS-TT (Paul Scherrer Institute, Würenlingen).

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), Schweizerische Kreditanstalt (credits USA, branch manager in Berne, General Manager of International business section), CSFB (Member Executive Board Country Management), independent management consultant.

■ Directorships and other posts:
Allreal Holding AG, Deutsche Bank (Suisse) SA, Micronas Semiconductor Holding AG, Orell Füssli Holding AG, Panalpina Weltransport Holding AG, Ernst Göhner foundation.



Jean-Marc Eggenberger



Dominique Freymond



Susanne Blank



Lucrezia Meier-Schatz



Wolfgang Werlé



Peter Thomas Sany

Jean-Marc Eggenberger

(date of birth 2 November 1957, Switzerland)
 Member since 2003, qualified postal clerk/
 postal official.

- Professional background:
 Swiss PTT (operations and administration), PTT
 customs officers' associations (Central Secretary,
 Financial Administrator, Editor), Kommunikation
 union (Central Secretary).
- Other posts: Swiss Post Employee Fund
 Foundation (Vice-President), sovis Foundation
 (Vice-President), Wohnbauförderung home
 ownership scheme for Swiss Post/Swisscom
 employees (Liquidator), comPlan.

Lucrezia Meier-Schatz

(date of birth 4 January 1952, Switzerland)
 Member 1999 to May 2008, Dr ès sciences
 politiques.

- 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
 (General Secretary), member of the National
 Council, University of Applied Sciences
 St. Gallen (lecturer).
- Directorships and other posts:
 Management Committee at the Institute for
 Political Science, University of St. Gallen (mem-
 ber), Management Committee at the Institute
 for Family Research, University of Fribourg
 (member), Hunger Victims Foundation
 (President), Children and Violence Foundation
 (President), CSS Holding AG (Board member).

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 (Head of Technical
 Services), Canton Vaud (Secretary), Unisys
 Central Europe Vice-President and Country
 Manager Switzerland, TKS-Teknosoft Group SA
 (General Manager), management & advisory
 services mas AG (partner).
- Directorships:
 Allianz (Suisse) AG, Corti AG, Fin-Log AG, ilem
 SA, ipg AG, Lease IT AG, mas AG, Sterci AG.

Wolfgang Werlé

(date of birth 27 February 1948, Germany)
 Member since 2002, degree in business
 administration.

- Professional background:
 LSG Lufthansa Service GmbH (Director
 Customer Service & Business Development),
 Gate Gourmet International (Chairman and
 CEO), Swissair Beteiligungen AG (Chairman)
 and Swissair (Member of Executive Committee),
 SAir Relations (Chairman and CEO) and SAir
 Group (Member of Group Executive Committee),
 Hiestand International AG (CEO and Delegate
 of the Board of Directors), Hiestand Holding
 AG (Chairman of the Board of Directors).
- Directorships and other posts:
 Nimo Holding AG, Grands Hotels Bad Ragaz,
 eventagentur.ch, Asserta Asset Management
 AG, Aryzta AG (Vice Chairman), Quantum AG
 (Chairman).

Susanne Blank

(date of birth 11 January 1972, Switzerland)
 Member since 1 June 2008, lic. rer. pol.

- Professional background:
 Swiss Federal Statistical Office (audits, national
 consumer price index), "Travail.Suisse" umbrella
 organization of employees (head of business
 policy and member of the Executive Board)
- Directorships and other posts: Board of
 Directors of the Swiss National Accident
 Insurance Fund (SNAIF), Federal Commission
 for Economic Policy, Federal Tripartite
 Commission for Ancillary Measures relating
 to Free Movement of Persons, Supervisory
 Commission for the Compensation Fund for
 Unemployment Insurance, Federal Commission
 for Federal Statistics.

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 (Group
 CIO).

Executive Management



Markus Zenhäusern



Michel Kunz



Frank Marthaler



Hans-Peter Strodel



Jean-Pierre Streich

Markus Zenhäusern – Head of Finance (from 1 June 2008)

(date of birth 22 January 1962)
Lic. oec. University of St. Gallen, Dr. rer. pol. University of Fribourg.

■ Professional background:
Coopers and Lybrand Group (auditing), Prognos AG (management consulting), Hero (Head of Group Controlling), Ciba (Regional Finance Director – East Asia), Sika (Chief Financial Officer and member of Executive Management), Swiss Post (Head of Finance)

■ Posts:
Member of the Board of Directors of Schaffner Holding.

Hans-Peter Strodel – Head of Finance (until 30 May 2008)

(date of birth 20 July 1943)
Dr. oec. in business administration from University of St. Gallen.

■ 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), Swiss PTT (Head of Finance), Swiss Post (Head of Finance).

■ Posts:
Member of the Board of Directors of skyguide.

Michel Kunz – Head of PostLogistics / PostMail CEO-elect from 1 April 2009

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

■ Professional background:
ABB (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 PostParcel, Head of PostLogistics/PostMail).

Frank Marthaler – Head of Strategic Customers & Solutions

(date of birth 9 September 1964)
Lic. oec. University of St. Gallen.

■ Professional background:
IBM (Sales Executive, Key Account Manager), EDS (Sales & Marketing Director), Swiss Post (Head of Strategic Customer Management, Head of Strategic Customers & Solutions).

Jean-Pierre Streich – Head of Swiss Post International

(date of birth 22 September 1946)
Lic. oec. in business administration from University of St. Gallen.

■ 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 and International Strategy, Head of Swiss Post International).

■ Posts:
Member of the Board of Directors of SQS Software Quality System (Switzerland) AG (until end of 2008).



Jürg Bucher



Ulrich Gygi



Daniel Landolf



Yves-André Jeandupeux



Patrick Salamin

Jürg Bucher – Head of PostFinance

(date of birth 2 August 1947)

Lic. rer. pol., business administration and economics.

■ Professional background:

Business and administration (journalist, research assistant), PTT (Deputy Finance Manager, Head of Controlling, Head of Corporate Development), Swiss Post (PostFinance: Deputy Manager, Head of Marketing, Head of PostFinance).

■ Posts:

Board of Directors Swiss Euro Clearing Bank, Board of Directors SIX Interbank Clearing AG, Board of Directors InnoBE AG 1), Board of Directors Bern Arena Stadion AG.

Yves-André Jeandupeux – Head of Human Resources

(date of birth 26 April 1958)

Lic. psychologie, University of Lausanne.

■ Professional background:

Careers Advisory Service for Canton Jura (careers advisor), Posalux, machine tools factory (Head of Human Resources), Canton Neuchâtel (Head of Human Resources), CC&T SA, management consultants (associate partner, responsible for skills management), skyguide (Head of Human Resources); Swiss Post (Head of Human Resources).

■ Posts:

Board of Trustees Swiss Post Pension Fund, Swiss Post Employee Fund Foundation, HR Swiss (Swiss Association for Human Resources Management), HR Swiss congress and events AG.

Ulrich Gygi – Chief Executive Officer

(date of birth 6 December 1946)

Dr. rer. pol., degree in business administration.

■ Professional background:

Department of Business Management 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 Principal Department of Financial Planning, Budgeting, Accounting, Financial Perequation, Information Technology; Director), Swiss Post (CEO).

■ Posts:

Member of the Board of Directors of AXA Winterthur, Member of the Board of Directors of the Swiss Broadcasting Corporation (SRG).

Daniel Landolf – Head of PostBus

(date of birth 31 December 1959)

Degree in business administration (FH).

■ Professional background:

Credit Suisse (foreign exchange trader), General Management PTT (Business Administration, Central Marketing/Strategies and Analyses Department), Swiss Post (management assistant for automobile services, Head of Business Development at PostBus, Deputy Manager of PostBus, Manager of PostBus, Head of PostBus/PostBus Switzerland Ltd).

Patrick Salamin – Head of Post Offices & Sales

(date of birth 17 July 1958)

Lic. oec. in business administration from University of St. Gallen, lic. sc. pol. in political science.

■ Professional background:

Colgate-Palmolive AG (Senior Product Manager), Cartier Suisse SA (Marketing Director), Zweifel Pomy-Chips AG (Head of Export), Cruspi SA (Managing Director), Swiss Post (Head of Marketing and Sales Post Office Network, Head of Post Offices & Sales).

■ Posts:

Member of the Board of Directors of Etablissements TORSA SA.

Strategy

Regulatory framework Mandate

Swiss Post has a legal mandate in Switzerland (► 4, 6): it must provide an **adequate universal service** (postal and payment services) throughout the country on an equal basis, with a good quality standard and at reasonable prices.

With respect to the universal service (► 4, 5), the legislation makes a distinction between reserved services that only Swiss Post is permitted to offer (letters up to 100 grams, or 50 grams from 1 July 2009), and non-reserved services which it must offer, but for which it competes with the private sector. In addition, Swiss Post may offer so-called competitive services as specified by the Federal Council. These services are also offered in free competition (► 3, 7).

Additionally, Swiss Post must operate a **nationwide network of post offices** that offer all universal services and are available to all sections of the population within a reasonable distance.

Swiss Post is also mandated to take account of regional concerns in the various parts of Switzerland.

Swiss Post generates 79.6 percent of its operating income in the free competitive market. Reserved services (monopoly) accounted for 20.4 percent of operating income.

Group | Statutory mandate 2008

Universal service		Competition
Reserved services Letters up to 100 g ("Swiss Post only")	Non-reserved services e.g. parcels up to 20 kg, payment transactions ("Swiss Post must, other providers may")	Competitive services e.g. Express mail, unaddressed mailings ("Everyone may")
Nationwide post office network		

Directives

On behalf of the Confederation as the owner of Swiss Post, the strategic objectives of the Federal Council make further stipulations (► 1, 2): Swiss Post must develop its core business, operate in a competitive market and reduce its dependency on monopoly business. It is mandated to seek growth opportunities outside Switzerland (► 12) and create new business models, generate an adequate profit from all its services, increase the value of the company, and finance its investments from the cash flow generated. To the extent possible in its business operations, it should pursue a sustainable and ethical corporate strategy (► 24-30, 16, 34, 38-39) and take the impact of its activities on jobs in the regions (► 13) into account.

Vision

The actions of Swiss Post are guided by a vision (► 8), the key statement of which is: Swiss Post – as the backbone of the basic service – generates value and acts in a socially responsible manner.

The vision sets out six guiding principles:

- We are the backbone of Switzerland's efficiency.
- We will remain the market leader in our core business.
- We will continue to develop profitably.
- We succeed together with our customers.
- Together with our employees we are strong.
- With our partners we will shape the future.

This vision is based on the core values (► 17) of Swiss Post: "entrepreneurial", "credible" and "cooperative".

Background Legislation

Market liberalization
and regulation

Comprehensive reform of postal legislation (► 7) has been underway in Switzerland since 2006. Following completion of the consultation period for further liberalization of the letters market, in October 2008 the Federal Council announced a multi-step programme: as the first step, an ordinance will be passed to reduce the letters monopoly to 50 grams with effect from 1 July 2009. The second step will be the revision of the Postal Act. This is expected to come into force in 2011. In a third step, a separate Federal Decree will initiate complete market liberalization. Voters will then be able to call for a referendum against the Postal Act and against deregulation. The Federal Council is still largely standing by its consultation draft. To safeguard the basic service, following the public consultation it decided in favour of a direct legal mandate (instead of a tendering process). There are also plans to convert Swiss Post into a public company under special law. Furthermore, a number of political initiatives concerning PostFinance are currently awaiting discussion in parliament: they are calling for clarification of how much scope for manoeuvre PostFinance should be granted and if or how PostFinance will be able to expand its operations in future and issue loans and mortgages on its own.

Employment conditions

At the time of deregulation it is expected that the Federal Council will propose that both Swiss Post and potential competitors will be under an obligation to negotiate a collective employment agreement with the trade unions (► 19-22). This could ensure that market deregulation will not be at the expense of employees.

Average wages across Swiss Post are significantly better than the terms of employment for similar work elsewhere (► 16). Pressure on wages will increase at each market liberalization step, especially if it is not possible to agree industry-wide collective employment contracts.

The economy

Global economy

The Swiss economy is faced with a significant deterioration in the global economic climate. The eurozone (Switzerland's main trading partner), the USA and Japan are now facing a recession following the uncertainties on the financial markets. A gradual economic recovery cannot be expected before 2010. For the strategy period from 2009 to 2011 global real GDP is expected to increase only slightly. Emerging markets such as China and India will probably post above-average growth, while Latin America, eastern Europe and the rest of Southeast Asia will be in between, in terms of growth rates. Low growth rates are predicted for the USA and the EU.

Switzerland

The economic outlook has become increasingly gloomy since December 2008 owing to the slumping economy in all parts of the world, including Switzerland. The recession is likely to be considerably more severe than previously assumed. For 2009, seco (State Secretariat for Economic Affairs) is now forecasting a decline in economic output of 2.2%. Assuming that the international financial crisis gradually eases and that the global economy begins to recover, the Swiss economy may achieve weak growth again in 2010. However, a further deterioration is expected for the labour market in 2010.

Industries	<p>The economic downturn is likely to be felt in all industries in 2009, with actual negative value added being expected in the financial sector (–2.1 percent). Economic forecasters predict that the prospects for growth will brighten again from 2010. With growth rates of over 3 percent, the watch-making industry and business services (advertising, consulting) will be key drivers of the upturn. The financial market is expected to stabilize (growth rates of around 2.5 percent). With their stronger domestic focus, the telecommunications, transport and retail sectors are set to benefit from anticipated positive consumer trends and show growth rates of between 2 and 3 percent.</p>
Markets	<p>The logistics sector is characterized by increasingly fierce competition and growing price pressures. Customers are very sensitive to prices and are placing high demands on quality. Production costs are rising as a result of higher duties, high fuel prices and the noticeable inflationary effects of pay rises.</p> <p>A fundamental challenge for Swiss Post in the domestic Swiss letters market is the lowering of the monopoly limit for letters to 50 grams from 1 July 2009 (► 7). Swiss Post also continues to suffer as a result of the substitution of physical letters and newspapers by electronic media. It is already facing price pressures or keener price differentiation as well as cost optimization, factors which will come into play even more when the market becomes fully deregulated.</p> <p>As a retail institution, PostFinance is operating in markets that are experiencing slight growth. Customers are placing greater value on secure and inexpensive financial services and on having a personal relationship with their bank. In view of its positioning as “the other bank” and its promise to “surpass support”, PostFinance is well placed to continue its profitable growth track of recent years, even if investing customers’ deposits has become increasingly difficult as a result of the financial crisis.</p> <p>PostBus is operating in a market with limited but steady growth in Switzerland and increasing international competition abroad. The core business of public transport is expected to be a relatively safe business for the future.</p>
Jobs	<p>Early indicators point to a downturn in employment growth, but not to a dramatic fall. Seco is forecasting an average unemployment rate of 3.8 percent for 2009 (2008: 2.6 percent). The uncertainty in the financial markets could improve the position of state-linked companies on the labour market. The free flow of labour between Switzerland and the EU also facilitates the recruitment of well-qualified employees from abroad.</p>

Trends

Globalization and regionalization

Increased cross-border interactions and interdependencies are loosening the national ties of business enterprises. Production and service processes can be split depending on the advantages of particular locations. This has led to more international cooperative ventures and competition among countries to create favourable business locations.

As a counterweight to globalization, a sense of regional identity is becoming more and more important. Aside from emotional reasons, there are also sound economic and ecological arguments (reduced transport costs) in favour of regional products and service providers. Both globalization and regionalization have led to market fragmentation. As a consequence, Swiss Post will be exposed to much greater competitive pressures. Locally, Swiss Post already possesses strong identity-reinforcing strengths from which it can benefit. In its international activities, however, partners will become increasingly important.

Urbanization

Around the world, urbanization continues apace and is leading to more traffic and ever longer commuting distances. This is intensifying demand for an efficient passenger and freight transport infrastructure, along with electronic sales and communication channels that can be accessed 24/7. Greater and more differentiated demands will be made of mobility solutions, which will create new opportunities for Swiss Post (e.g. car sharing and combi-tickets).

Since they are easier to reach and delivery costs are cheaper, companies will increasingly focus on serving urban customers and their needs. Price pressures on postal and freight services will increase. Direct mail and marketing budgets could suffer in rural regions as a result of this trend. At the same time, however, there are new opportunities for growth in electronic channels. Swiss Post can play to its strengths here, utilizing its nationwide network and its reliability to provide services that meet evolving needs.

Changing values

An aging population and the increasing complexity of life are giving rise to calls for simple solutions. A return to traditional values such as integrity, reliability, quality, social responsibility, safety and health is also evident. A greater demand for entertainment, increased price sensitivity and more sophisticated value systems (social and ecological sustainability) are also apparent. These must be taken on board in product design and in the image businesses present to the public. Both core services and new business (such as mobile services or mail order) must offer private customers convenience. Services relating to safety and health currently offer good prospects for success – for Swiss Post too.

The convergence of content and platforms that allows users to access the same services via different channels, along with improvements in user interfaces, provide an opportunity to better satisfy customers' demands for greater convenience and retain their loyalty through new offerings.

Greater flexibility

Flexibility is in ever greater demand in modern society, i.e. the willingness and ability to adapt to changes. As well as individuals in their professional and private lives, companies and organizations need to be able to respond ever more quickly to all aspects (time, location, price, quality, resources) of change in the market and general business climate.

For Swiss Post, this means that it must demonstrate its ability to change in its interaction with employees, customer and competitors, for instance in the form of more flexible working hours, temporary cooperative ventures or innovative services.

Long-term planning is becoming more and more difficult – not least because the combined effect of increased knowledge, informatization and speed is making our private and business environments ever more complex. As a result, values such as reliability and constancy become enormously important.

Information technology

The rapid development of information and communication technologies (processor and memory capacities, bandwidth, wireless communications, miniaturization, mobile devices) enables further efficiency gains, new applications and the substitution of physical information media by electronic media. In conjunction with improvements in user interfaces, clear added value can be offered to both businesses and private individuals, since processes can be performed more simply, in real time and from any location. The integration of different services on a variety of platforms (convergence) is progressing apace, enabling companies to tap into new markets. Swiss Post consequently has the opportunity to develop further as an integrated communications provider, not just as a “postman”, but also offering services as a communications intermediary. Conversely, there is a risk that business customers will optimize their own communication channels and costs, which will impact Swiss Post’s core business.

Ecological sustainability

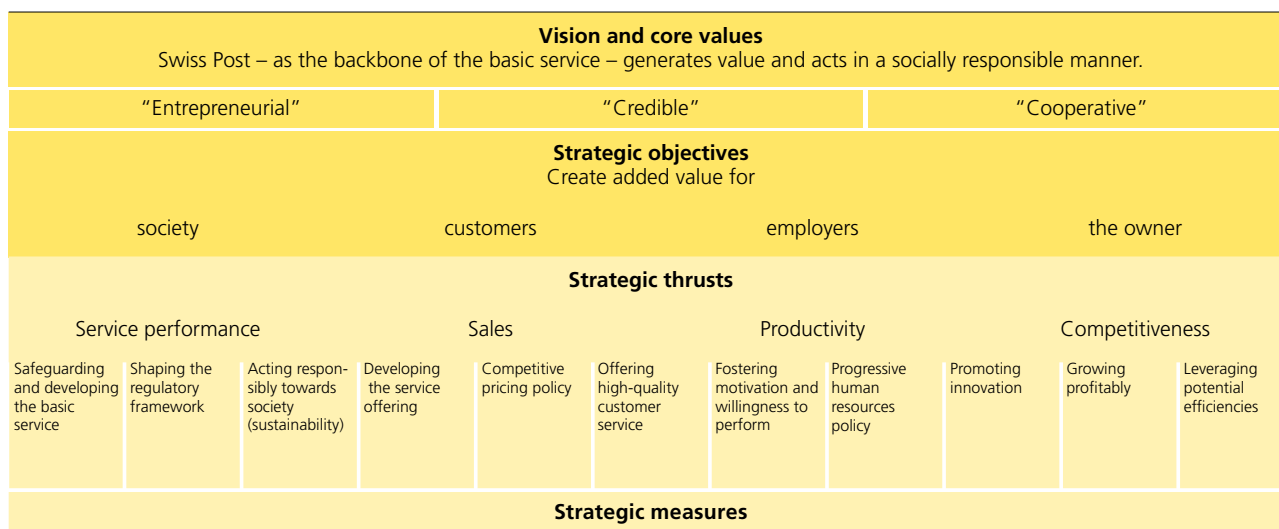
According to reports by the UN’s Intergovernmental Panel on Climate Change, mankind is responsible for climate change. As a result, legislation and international standards to protect the climate are being introduced, and companies are increasingly being judged in terms of their environmental credentials. Peak oil, the point at which maximum oil production capacity is reached, is also expected around 2020. Customers, investors and legislatures will become more aware of ecological sustainability, and the pressure to reduce CO₂ emissions will therefore increase. The environmental and ethical image of an enterprise will become much more significant in relation to its purchasing decisions. As a result, energy efficiency and greater use of renewables will deliver a competitive advantage and will lead to better cost structures in the long term. The increased use of public transport as a consequence of these trends will benefit Swiss Post.

Goals and strategic thrusts

The strategy of Swiss Post is derived from postal legislation (► 3-7) and the directives of the owner. The latter are set out in the strategic objectives of the Federal Council (► 1-2) which are revised every four years. Our vision (► 8) and core values of “entrepreneurial”, “credible” and “cooperative” are based on these. Derived in turn from the latter are the strategic goals of Swiss Post: it seeks to create added value for its owner, its customers, employees and society by pursuing eleven strategic thrusts to increase competitiveness, sales, productivity and service performance.

Group | Strategy
 2008

Legal mandate and directives (Strategic objectives set by the Federal Council)



Competitiveness

Swiss Post seeks to foster innovation, grow profitably and leverage potential efficiency savings in order to improve competitiveness and be better than its rivals. The following goals have been set: increase the value of the company across all business areas from a broader base in the long term, generate returns comparable with others in the sector, build a secure equity base, and grow profitably in allied areas (such as dialogue marketing and document management) as well as in the retail financial market and in passenger transport.

Promoting innovation

Over the coming years Swiss Post will be implementing a specific programme of innovation. This includes engendering a culture of innovation, establishing an innovation architecture with a uniform innovation process and creating networks and platforms, as well as innovation communication, aimed at successfully positioning Swiss Post as dynamic, flexible and innovative both internally and externally.

Growing profitably

In the area of logistics, Swiss Post aims to grow both by expanding existing solutions and services as well as by developing new ones. Increased business will also be sought in the fields of direct marketing and document and dialogue solutions in Switzerland and abroad. Specific acquisitions will supplement these services. PostBus intends to pursue targeted further expansion abroad.

Leveraging potential efficiencies

Following the redesign of the letter processing system in the REMA project to include three new letter centres and six logistics centres, Swiss Post will review its logistics strategy (► 10) to identify potential efficiency savings along the entire process chain from acceptance to delivery. Moreover, Swiss Post intends to optimize smaller post offices and possibly introduce the proven agency model or start up a home-delivery service. It is planning extensive cost cuts in the area of information technology. PostFinance also intends to reduce its expenditure on IT.

Read more about increasing competitiveness in the section “Added value for the owner as an investor” from page 49.

Service performance

Swiss Post will improve its service performance and create added value for society by safeguarding and developing the basic service, shaping the regulatory framework for its business activities, and acting in a socially responsible manner (i.e. operating sustainably). It seeks to remain entrepreneurial, responsible and competitive, to create added value for different cultures and regions, and to continue to provide the nationwide basic service on an equal basis, with a good quality standard and at competitive prices.

Safeguarding and developing the basic service

With its logistics strategy (► 10), Swiss Post has set out the direction that processing should take over the coming years, from acceptance through to delivery, and has established the foundations for future logistics projects. It will strive to work more efficiently and – on the basis of customer behaviour and customer needs – further develop its services.

Shaping the regulatory framework

The most important regulatory framework for Swiss Post will be defined by the ongoing complete revision of the postal legislation (► 7). Swiss Post is committed to providing a modern high-quality basic service, but this must also be financially viable. It holds the view that it can only meet the terms of its mandate as an efficient enterprise, and that in a completely liberalized market any political conditions imposed should apply equally to all market players as far as possible.

Acting responsibly towards society (sustainability)

Sustainability means more than simply protecting the environment. In everything it does, Swiss Post strives to take account of economic and social aspects in addition to ecological ones. It endeavours to strike a balance between these three aspects. In future it will create and roll out a comprehensive sustainability programme. It will work together more closely with international postal organizations on these matters and will also introduce the Environmental Measurement and Monitoring System (EMMS) of the International Post Corporation.

Read more about improving service performance in the section “Added value for society” from page 103.

Sales

Swiss Post is developing new services, offering competitive prices, providing above-average customer service and consequently increasing sales.

Swiss Post will endeavour to maintain its price/performance ratio at an attractive level, stay close to its customers through a network of access points (post offices, agencies, PostFinance branches, other acceptance and pick-up points etc.), enable access to global networks, offer tailored solutions and simple product ranges, minimize response times, and create trust by providing high-quality advice from a single source as far as possible.

Developing the service offering

Among other things, over the coming years Swiss Post intends to expand early deliveries in response to the greater desire of customers to read their newspapers before starting work. In its logistics core business, it will increasingly offer custom solutions and develop contract logistics. Outside its traditional business, it will further develop allied services such as document management and direct marketing both in Switzerland and abroad.

Competitive pricing policy

Swiss Post aims to set its prices according to sound market and business principles, and in accordance with its statutory obligations. It strives to be one of the most inexpensive providers on the market. (► 14-15) Discount systems are transparent and comprehensible.

Offering high-quality customer service

These measures will bring Swiss Post closer to its customers. By the end of 2009, PostFinance will be operating 37 branches in all the major cities in Switzerland. These will be situated either in post offices or on third-party premises. PostFinance will therefore be extending its multi-channel sales network. The range of services offered in post offices meets the needs of private customers. Major accounts will receive personal support and advice tailored to their needs.

Read more about sales delivery in the section "Added value for customers" from page 77.

"Swiss Post is developing new services and is offering high-quality customer support at competitive prices."

Productivity

Swiss Post has a progressive human resources policy to promote productivity and the motivation of its employees. This consequently boosts the productivity of the organization as a whole. It has the following aims: Swiss Post strives to be a sought-after employer and fair social partner (► 16), to create jobs in the regions (► 13) as well as to engender and retain trust through its leadership culture (► 9) and employee development.

Fostering motivation and willingness to perform

Swiss Post seeks to identify and deal with the effects of demographic trends at an early stage, find, employ and develop suitable personnel in an increasingly competitive labour market, foster the motivation and productivity of employees and managers, as well as create the cultural and structural foundations to successfully navigate the waters of increasing internationalization. It also seeks to improve competitiveness by offering flexible conditions of employment and actively supporting change.

Progressive human resources policy

Under the watchword of the guiding principle of "Together with our employees we are strong" in our vision (► 8), Swiss Post is committed to fostering a dynamic, performance and team-oriented corporate culture, respectful interaction, open communication, attractive professional development opportunities and the responsible implementation of change in the company. Employees take their responsibilities seriously, make use of the scope to seize the initiative afforded them, and consequently contribute to the success of the company.

Read more about improving productivity in the section "Added value for employees" from page 91.

About this section

■ Presentation of values

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used. A dash (-) in place of a figure indicates that the value is zero.

■ Graphics and tables

Colours in graphics and tables signify the following:

- Current year
- Previous year
- Positive effect on earnings
- Negative effect on earnings

All the graphics are shown to scale to present a "true and fair view".

15 mm is equivalent to CHF 1 billion.

Percentages in graphics are standardized as follows:

Horizontal: 75 mm is equivalent to 100 percent

Vertical: 40 mm is equivalent to 100 percent

■ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

2008 Annual Report

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Added value for the owner as an investor

Group

Strategic objectives of Swiss Post

In order to generate added value for the **owner as an investor**, Swiss Post must ensure and increase its competitiveness. It does this by promoting innovation, developing profitably and exploiting efficiency potential.

In terms of its sustainable development, this financial added value can only be generated if Swiss Post also generates added value for **customers, employees** and **society**.

By developing the range of services, a competitive pricing policy and high-quality customer service it can improve its marketability, thereby generating added value for customers (see section "Added value for customers" on page 77). A progressive HR policy as well as the promotion of dedication and motivation generate added value for employees and ensure good performance (see section "Added value for employees" on page 91). The further development of the basic service, constructive involvement in shaping operating conditions and acting in a socially responsible way increase its service capabilities and generate added value for society (see section "Added value for society" on page 103).

The operating income increased in comparison with 2007 by 268 million to 8,980 million francs. Growth- and inflation-induced additional expenditure, real wage increases, a decline in letter volumes and writedowns on financial investments exceeded the increase in operating income and reduced the Group profit by 84 million to 825 million francs. Added value for the company of 416 million francs was generated with the capital employed. With these annual results, Swiss Post has met the targets specified by the owner.

Group | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	8 980	8 712
generated abroad	CHF million ¹	1 608	1 741
	% of operating income	17.9	20.0
reserved services	CHF million ²	1 835	1 893
	% of operating income	20.4	21.7
Operating result	CHF million	812	866
as a share of operating income	%	9.0	9.9
generated abroad	CHF million ¹	32,7	60.6
	% of operating result	4.0	7.0
Group profit	CHF million	825	909
Value added	CHF million ³	4 875	4 925
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44 178	43 447
abroad	Full-time equivalents	6 276	5 512
Financing			
Total assets	CHF million	71 603	60 084
customer deposits	CHF million	64 204	51 462
Equity	CHF million	2 857	2 470
Investments			
Investments	CHF million	516	644
other property, plant and equipment, intangible assets	CHF million	326	322
operating property	CHF million	147	281
shareholdings	CHF million	43	41
Investment funded out of its own income	%	100	100
Value generation			
Net cash from operating activities	CHF million	8 281	-3 312
Added value for the company	CHF million	416	559

¹ Definition of "abroad" in accordance with segment 2 in the Financial Report

² Value added = operating result + staff costs + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and investments

³ Letters up to 100g and up to 50g as of 1 July 2009

Additional key figures and explanations can be found in the table of figures (► 99).

Environment
 Overall economy

The crisis in the financial markets significantly slowed down international economic growth in the second half of the year: The economic output measured by the real gross domestic product (GDP) declined in the second half of the year in all three major economic areas (USA, euro zone, Japan), and the emerging economies also lost momentum. Investments by industrial and service companies abroad decreased, and the mood also worsened among consumers, given the anticipated changes in the employment market. In Switzerland, the real economy is also affected by the weak economic situation – in the fourth quarter, companies in some sectors had to announce short-time work. In order to support the economy, the Confederation approved a package of measures worth 1.5 billion francs in November.

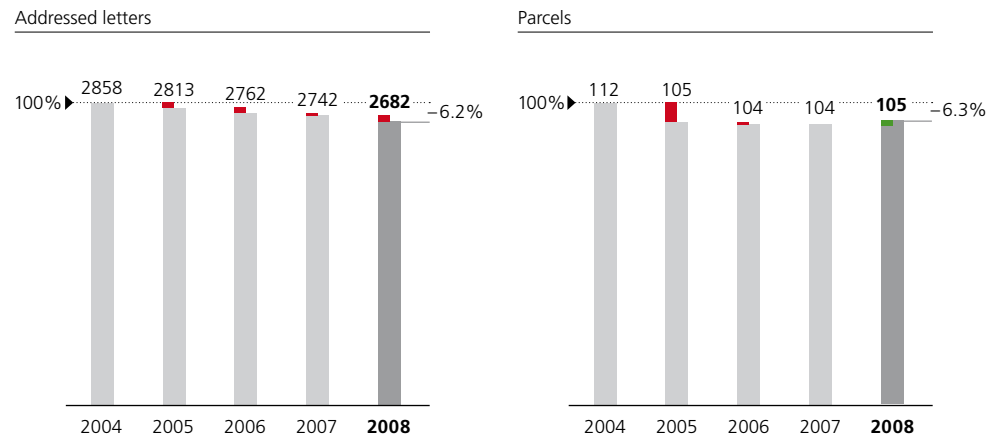
Customers and sectors

■ Logistics

The logistics sector is characterized by increasing competition and price pressure, both nationally and internationally. Customers are responding sensitively to prices and are placing high demands on quality. Despite this, the volume of parcels increased. This is due to innovative solutions for business customers and the fact that the economy remained strong until the end of the year in the logistics sector.

Group | Volume trend

Percentage from 2004, number in millions



■ Letters

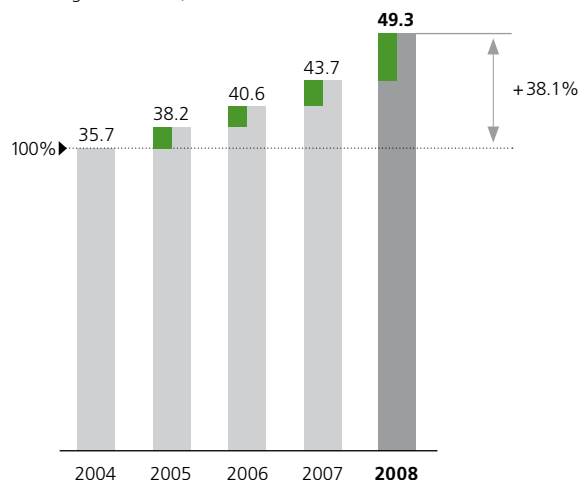
The mail volumes on the Swiss letters market have continued to decline. Customers continue to replace physical mail with electronic mail or text messages, and business customers increasingly bundle items for mailing or provide electronic invoices and account statements. In Europe, letter volumes are expected to decrease by around one percent per year. The free newspapers are having a negative effect on the volume of newspapers delivered.

■ Financial market

Despite the crisis on the financial markets, customers are entrusting their money to PostFinance: In 2008, 120,000 new customers opted for PostFinance and 5,941 million francs were transferred to PostFinance accounts. This trust shows that Swiss Post is an accepted provider of financial services. Unfortunately, under the current statutory provisions, PostFinance is not permitted to pass customer deposits on as loans to SMEs, for example, but instead has to invest them abroad, sometimes with much higher risks.

Group | Trend of average customer deposits

Percentage from 2004, CHF billion



Passenger transport

Sustained growth is expected in road-based passenger transport, but with increasing price pressure. Customers of transport services (Confederation, cantons, municipalities) are concluding more and more target and service agreements as an alternative to tenders. With the change of timetable in December 2008, PostBus introduced 15 new routes and extended the timetables for transport in cities and conurbations. This means an extra 3.5 million timetabled kilometres are travelled each year. PostBus also operates abroad, mainly in France and Liechtenstein.

Finance

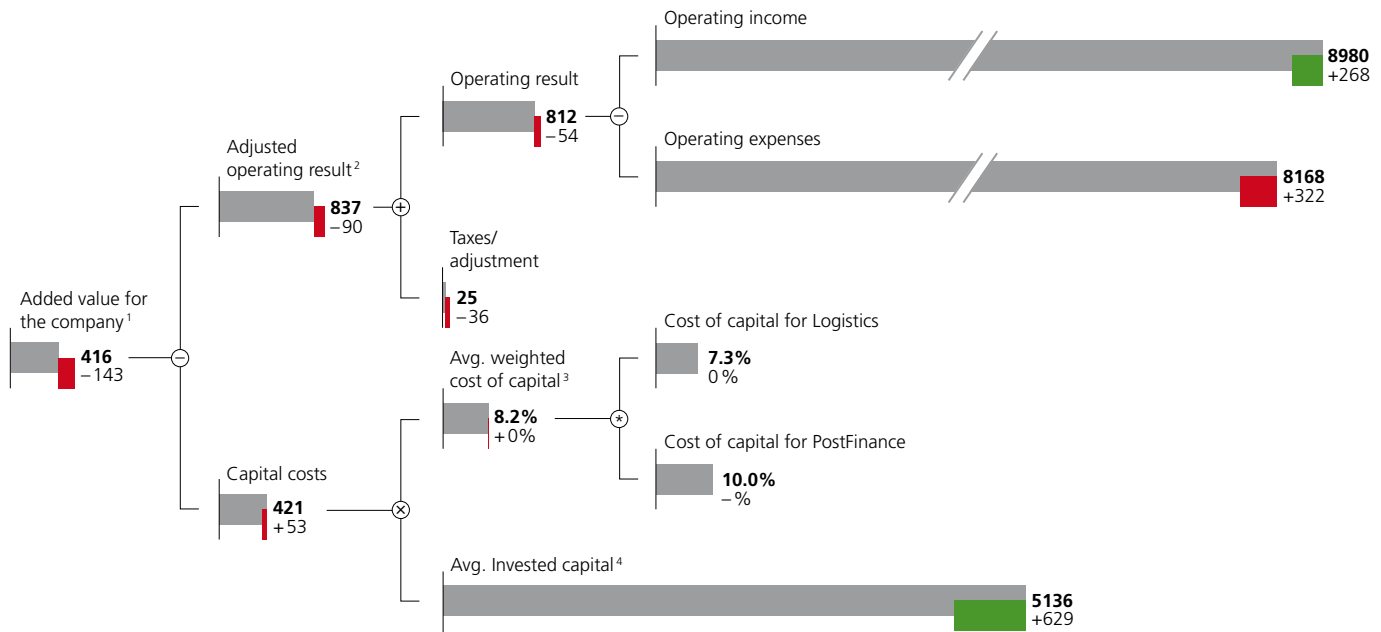
The value of the company

Swiss Post must increase the value of the company in accordance with the financial goals of the Federal Council (► 1-2). Added value is generated when the adjusted operating result exceeds the capital costs of the average invested capital. As well as the income statement, this also takes into account the risks and capital employed.

For the PostFinance segment, the value is calculated based on the customary minimum capital requirements in banking in accordance with Basel II and capital costs of 10 percent.

Swiss Post also met the financial expectations of the Federal Council in 2008 and generated added value for the company of 416 million francs. The fact that added value was around 26 percent lower compared to 2007 (559 million francs) can be explained by the lower adjusted operating result and the higher capital costs resulting from the increase in average invested capital. The average invested capital results from the REMA project (new letter centre concept) and from the significant inflow of new money at PostFinance.

Group | Added value for the company
 2008 with difference to 2007
 CHF million, percent



⊖ Weighted with the average invested capital in the logistics units and for PostFinance.
 1 Value added (VA), prior-year figure adjusted.
 2 Net operating profit after tax (NOPAT).
 3 Corresponds to weighted average cost of capital (WACC) for logistics units and equity cost of capital for PostFinance.
 4 At PostFinance corresponds to avg. equity in accordance with Basel II (CHF 1,752 m) and at logistics units to the average net operating assets (NOA) of CHF 3,384 m.

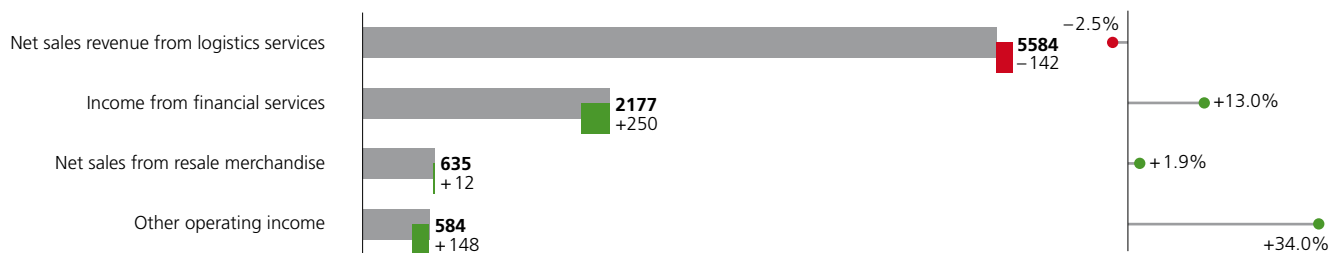
Group results

■ Operating income

In 2008, the operating income increased by 268 million to 8,980 million francs (2007: 8,712 million francs). The strong inflow of new money at PostFinance meant that Swiss Post generated a capital-driven higher income from financial services and used this to compensate for the volume- and exchange rate-related lower net sales revenue from logistics services in the Group. The lower net sales revenue can be attributed to the decline in mail volumes at PostMail and the reduction of 50 million francs in compensation by the Confederation for uncovered costs of newspaper transports (2007: 80 million francs). Swiss Post decided not to recoup the full amount of lost compensation through price adjustments.

Group | Operating income
 2008 with difference to 2007
 CHF million, percent

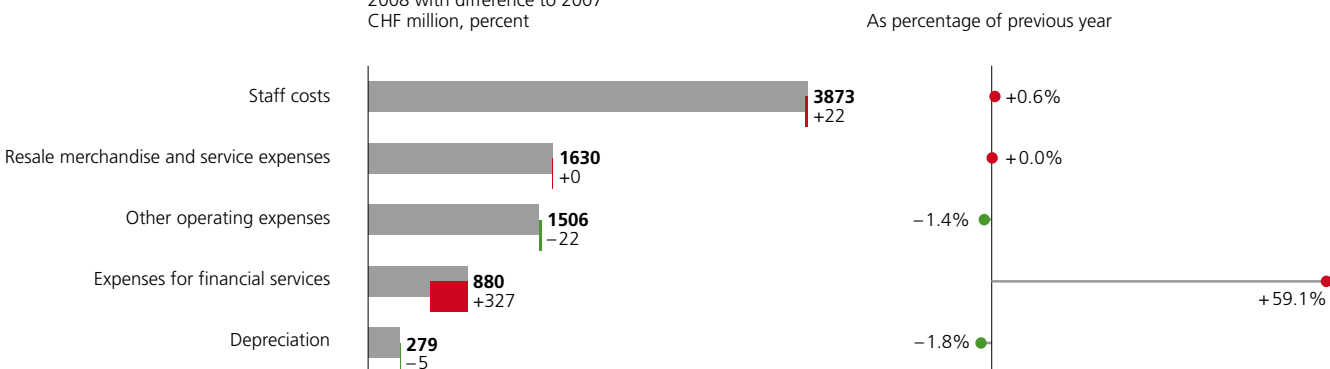
As percentage of previous year



■ Operating expenses

The operating expenses increased by 322 million to 8,168 million francs (2007: 7,846 million francs). This can be attributed primarily to the increased expenditure for financial services. The increase is a result of capital growth, increased relocation of customer deposits to higher-interest products and impairment of financial investments. In addition, inflation- and quantity-related additional costs for wages, higher costs for fuel and parallel operations with the new letter centre concept (REMA project) significantly increased the operating expenses.

Group | Operating expenses
2008 with difference to 2007
CHF million, percent



■ Operating result

In 2008, Swiss Post generated an operating result of 812 million francs (2007: 866 million francs). Growth- and inflation-related additional expenditure, real wage increases and value adjustments on financial investments exceeded the increase in operating income and reduced the operating result by 54 million francs compared with 2007. The financial income and expenses remained stable. The interest income and expenses of PostFinance are included in the operating income and expenses. The income from associates remained almost the same at 10 million francs (compared to 12 million francs).

The operating profit margin decreased from 9.9 to 9.0 percent. Around 30 percent of the operating result comes from PostFinance.

Segment results

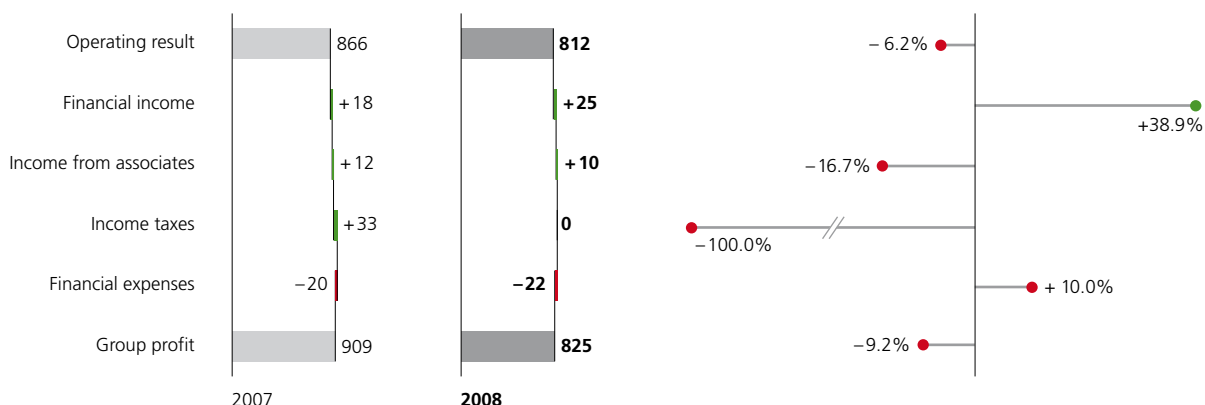
■ Overview

All product-carrying Group units contributed to the positive operating result. The result of Post Offices & Sales comprises income from other brand-name items and the costs not covered by charging internal services.

Group | Reconciliation of operating result with Group profit

2007 and 2008 with difference to previous year
CHF million, percent

As percentage of previous year



Group | Segment results
2008 with comparison to 2007
CHF million, percent

	Operating income		Operating result ¹		Margin ²	
	2008	2007	2008	2007	2008	2007
PostMail ³	2 916	3 008	249	236	8.5	7.8
PostLogistics ³	1 516	1 461	39	76	2.6	5.2
Swiss Post International	1 034	1 145	36	34	3.5	3.0
Strategic Customers & Solutions	708	692	9	-1	1.3	0
Post Offices & Sales ³	1 337	1 736	-95	-25		
PostFinance ²	2 191	1 937	229	318		
PostBus	604	585	27	32	4.5	5.5
Other ⁴	1 176	1 018	318	196		
Consolidation	-2 502	-2 870				
Total	8 980	8 712	812	866	9.0	9.9

1 Operating result corresponds to operating profit before consideration of non-operating financial result and taxes (EBIT).

2 PostFinance uses the key figure Return on Equity. 31.12.2008: 12.7%, 31.12.2007: 19.8%.

3 The results of the PostMail, PostLogistics and Post Offices & Sales segments are shown after charging process costs relating to acceptance, transport and delivery services.

4 Includes the Real Estate, Information Technology, Service House, Corporate Purchasing, Corporate Security, Philately and central Group functions.

■ PostMail

In 2008, the operating income of PostMail declined 3.1 percent to 2,916 million francs (2007: 3,008 million francs). The Confederation reduced the compensation for newspapers by 50 million francs and PostMail only passed on part of the loss of revenue to publishers through price increases. The number of newspapers delivered with letter post is in decline due to the large increase in free newspapers. In addition, the volume of addressed letters continued to decline, as major customers are increasingly bundling items for mailing and the general trend towards electronic information media continues (see the volume development on page 51). By contrast, the volume of priority items went up by 10 million in 2008. The gradual commencement of operations at the new letter centres meant that parallel operations could be reduced which, together with other increases in productivity and despite higher staff costs due to inflation, reduced operating expenses to 2,667 million francs (2007: 2,772 million francs). The operating income (EBIT) came to 249 million francs and was 13 million francs higher than in 2007. For more information about PostMail, see page 60.

■ PostLogistics

The innovative solutions for business customers contributed to the fact that, despite fierce competition, parcel volumes increased by around 1.7 percent to 105 million parcels. PostLogistics thus lifted its operating income by 55 million francs to 1,516 million francs (2007: 1,461 million francs). The one-off employee benefit obligations amounting to around 12 million francs for including subsidiaries in the Swiss Post pension fund and the considerably higher fuel costs resulted in a 92 million increase in operating expenses to 1,477 million francs (2007: 1,385 million francs). Together with higher prices for transport services purchased from third parties, this meant that the overall operating result was 37 million francs lower than in 2007 (76 million francs). For more information about PostLogistics, see page 62.

■ Swiss Post International

Although the sales turnover in exports and of the subsidiaries increased by 17 million francs, the operating income of SPI is 111 million francs lower than in 2007 (1,145 million francs). This decline is primarily due to today's lower foreign currency exchange rates: The financial statements of the foreign subsidiaries were converted at lower exchange rates, and we have to accept greater foreign currency losses on receivables for international payment settlement. The operating expenses decreased by 113 million francs to 998 million francs (2007: 1,111 million francs). The reasons for this were firstly more favourable exchange rates and secondly optimization of logistics and IT processes as well as cost savings for administration. Overall, SPI's operating result of 36 million francs did not change significantly compared with the previous year (2007: 34 million francs). For more information about Swiss Post International, see page 64.

■ Strategic Customers & Solutions

In 2008, operating income went up by 2.3 percent to 708 million francs (2007: 692 million francs). The operating result (EBIT) came to 9 million francs and was 10 million francs higher than in 2007. Growth in this Group unit, which mainly operates abroad, was marred by the significantly weaker US dollar, euro and pound against the Swiss franc. In addition, the weaker growth in the German core market of the GHP Group was already noticeable in 2008. On 1 July 2008, SKL (Swiss Post parent) acquired Global Business Services (GBS+), a Paris-based company with around 1,000 employees in France, Germany and Slovakia. For more information about Strategic Customers and Solutions, see page 66.

■ Post Offices & Sales

The operating expenses declined by 329 million to 1,432 million francs (2007: 1,761 million francs), while the operating result went down by 70 million to –95 million francs (2007: –25 million francs). This is due mainly to the transfer of delivery staff to PostMail. Sales of other branded items rose by 5.7 percent from 420 to 444 million francs. After completion of the Ymago project (restructuring of the post office network), Swiss Post expects the result to increase each year by around 50 million francs as of 2009. For more information about Post Offices & Sales, see page 68.

■ PostFinance

The business model of PostFinance is bucking the financial crisis: Customer confidence in PostFinance resulted in 311,000 new accounts and an increase in average customer deposits by 5.6 billion francs to 49.3 billion francs. This corresponds to a market share of 9.6 percent (2007: 7.7 percent). In a difficult market environment, PostFinance achieved a solid operating result of 229 million francs, 89 million francs less than in the record year of 2007. This is because PostFinance had to post writedowns on its financial assets in the amount of 179 million francs. Of this, 120 million was attributed to fixed-income investments and 59 million to equity investments. Thanks to its risk-conscious investment strategy, the fall in value represents only around 0.3 percent of the overall investment portfolio. Operating expenses increased from 1,619 million francs to 1,962 million francs, partly because PostFinance created 180 new positions (full-time equivalents). Loans to business and private customers increased by 24.5 percent to 6,353 million francs. 984,592 customers use the e-finance platform, which is 126,005 more than in 2007. Over 843 million transactions per year make PostFinance the market leader in payments in Switzerland. For more information about PostFinance, see page 70.

■ PostBus

Operating income increased by 19 million to 604 million francs (2007: 585 million francs), and operating expenses went up by 25 million francs to 578 million francs (2007: 553 million francs). The additional revenue owing to higher demand and cost-cutting measures could not compensate for the higher fuel prices and inflation-induced additional expenditure for staff. At 27 million francs, the operating result was therefore 5 million francs down on the previous year's figure of 32 million francs. For more information about PostBus, see page 72.

■ Other

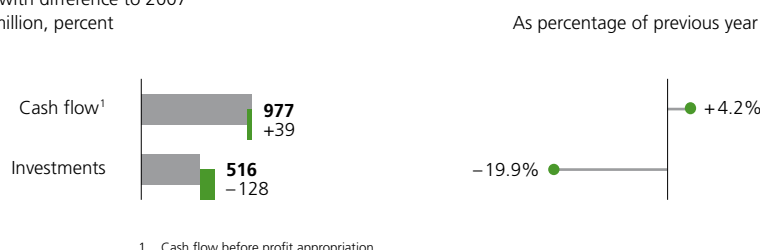
Revenues from the sale of property, plant and equipment no longer required for operating purposes, as well as other revenues (mainly reversion indemnity for the Sihlpost building in Zurich) had a positive effect on the operating income. This overcompensated for the higher staff costs due to inflation and the claims payments (deductible) relating to the fire at Härkingen. For more information about Other, see page 74.

Cash flow and investments

The increase in cash flow is primarily due to the inflow of new customer deposits.

Group | Equity financing

2008 with difference to 2007
 CHF million, percent



Investments in property, plant and equipment 447 million francs), equity investments (43 million francs) and intangible assets (26 million francs) were altogether lower than in 2007 (644 million francs). With regard to property, plant and equipment, the focus was on building and fitting out the three new letter centres and other streamlining and optimization projects. The investment volume this year was again financed entirely from Swiss Post's own resources.

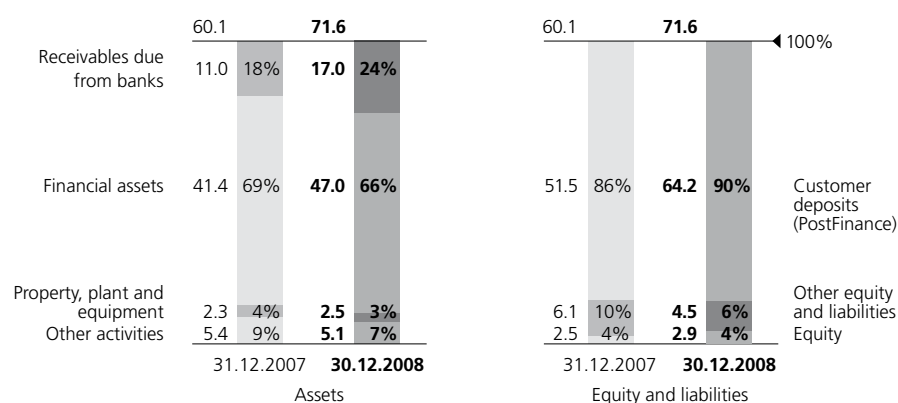
Consolidated balance sheet

Financial assets

The financial assets increased by around 5.6 billion francs compared to 2007. This increase is due to higher customer deposits.

Group | Balance sheet structure

as at 31.12.2007 and 31.12.2008
 CHF billion



Property, plant and equipment

The book value of property, plant and equipment increased by 122 million francs, mainly due to the investments in the new letter centres.

Customer deposits (PostFinance)

By the end of 2008, customer deposits had increased by 12.7 billion francs. As at 31 December 2008, they accounted for around 90 percent of the Group's total assets.

Provisions

Provisions (including employee benefit obligations) decreased by 455 million francs. Due to an additional deposit of 250 million francs into the employer's contribution reserve in connection with the appropriation of profit in 2007, the liability for employee benefit obligations was significantly reduced. The adjustment of provisions for restructuring (77 million francs) and litigation risks (13 million francs) as well as the reduction of other provisions (13 million francs) also contributed to this decrease. A total of 53 million francs were released to the income statement.

<p>Appropriation of profit</p>	<p>■ Equity</p> <p>In the consolidated equity as at 31 December 2008, the first ever profit distribution of 300 million francs was stated (see statement of changes in equity). The equity stated is therefore still below the targeted equity base for a logistics and financial services group. Around 3.5 billion francs would be required. For PostFinance, the amount required is based on the customary minimum capital requirements in banking in accordance with Basel II (1.9 billion francs), and for the Logistics units, it is 35 percent (1.6 billion francs) of the total assets.</p> <p>The Federal Council expects Swiss Post to use the profits it generates, firstly, to gradually build up the necessary equity base and finance the Swiss Post pension fund. The owner expects an appropriate profit distribution for the equity provided by the Confederation only as a secondary goal. Given the existing shortfall in the Swiss Post pension fund and the Group's insufficient equity base, a request will be submitted to the Federal Council to use the profit of Swiss Post (parent) of 516 million francs as follows:</p> <ul style="list-style-type: none"> – Employer's contribution reserve for Swiss Post pension fund: 250 million francs – Profit distribution to the owner: 170 million francs – Reserves for Swiss Post (parent): 96 million francs <p>In accordance with generally accepted commercial accounting principles, the equity of the parent company amounts to 4,531 million francs before appropriation of profit.</p> <p>The consolidated financial statements are authoritative from a commercial point of view. They are drawn up on the basis of the Postal Organization Act in accordance with International Financial Reporting Standards (IFRS). The Group reports equity of 2,857 million francs. (For details, see the table "Consolidated statement of changes in equity" on p. 136 and in the section "Swiss Post in the public sphere" on p. 140 of the Financial Report.)</p>
<p>Strategy implementation</p>	<p>In order to fulfil its legal mandate and the specifications of the owner as an investor, Swiss Post wants to generate added value. Its strategy consists of eleven strategic thrusts with which it intends to increase its service, competitive, sales and performance abilities.</p> <p>To create added value for the owner as an investor, Swiss Post must ensure and extend its competitiveness. It does this by promoting innovation, developing profitably and exploiting efficiency potential.</p>
<p>Exploiting efficiency potential</p>	<p>After the new concept for letter processing in the REMA project (three new letter centres and six logistics centres for letter processing), Swiss Post is using the logistics strategy to look for possible efficiency potential in the process chain, from acceptance to delivery. Swiss Post intends to continue optimizing smaller post offices and introduce the proven agency model or home-delivery service where necessary. In information technology, it is planning stringent cost-cutting measures.</p>
<p>Promoting innovation</p>	<p>In the next few years, Swiss Post will focus on implementing an innovation programme. This includes developing an innovation culture and an innovation architecture with a standard innovation process, and developing networks, platforms and a communication system for innovation with the aim of successfully positioning Swiss Post as a dynamic, flexible and innovative company both internally and externally.</p>
<p>Growing profitably</p>	<p>In the logistics sector, Swiss Post intends to grow by expanding existing solutions and services and developing new ones. It also aims to grow in direct marketing plus document and dialogue solutions in Switzerland and abroad. These services are to be enhanced through targeted acquisitions. PostBus intends to continue with targeted expansion abroad.</p>

■ Growth through acquisition

On 1 January 2008, Swiss Post International AG acquired all shares in IMS Europe AB in Malmö, Sweden. The Swedish letters processing company operates in the marketing mail, business mail and press dispatch product groups. The acquisition gives Swiss Post International a second foothold in Sweden and strengthens its position in southern Scandinavia.

On 2 April 2008, MailSource UK Ltd. acquired Graphic Data Ltd. This acquisition means that MailSource can now also offer the digitization and archiving of documents, in addition to internal, physical mail distribution, from a single source.

On 1 July 2008, SKL (Swiss Post parent) acquired Global Business Services Plus (GBS+), a Paris-based company with around 1,000 employees in France, Germany and Slovakia. GBS+ digitizes documents for corporate clients, processes the digital documents and archives them electronically.

Also on 1 July 2008, PostMail (Swiss Post parent) acquired Prevag Presse Vertriebs AG, thereby strengthening its position in the early delivery of daily and Sunday newspapers. The annual distribution volume is around 30 million copies.

Swiss Post International (Swiss Post parent) acquired the German company Global Press Distribution GmbH in July 2008 with retroactive effect as of 1 January 2008. GPD, whose registered office is near Frankfurt, provides services connected with the international and national dispatch of magazines. Its customers include publishers, printers, lettershops and other service providers in the publishing industry.

Group | Effects of acquisitions

2008	Op. income	Op. expenses	Op. result
IMS Europe AB	3	3	0
Global Business Services Plus (Group)	32	33	-1
Prevag Presse Vertriebs AG	7	7	0
Global Press Distribution GmbH	4	5	-1
Total	46	48	-2

For details on the changes to the scope of consolidation, see page 181 of the Financial Report.

Outlook

The economic outlook was significantly bleaker in the fourth quarter of 2008: The preliminary indicators from the OECD point to a global recession. The sharp fall in commodity prices, particularly for oil, and the measures to support the economy by governments and central banks should, however, limit the risk of a downturn. The Swiss National Bank lowered its growth forecasts for the global economy for 2009 to 2010 considerably and predicts a very slow recovery in the medium term.

Against this backdrop, we are facing a difficult economic environment in 2009. This outlook, coupled with the successful trend of the past four years, will not deter Swiss Post from adhering to its strategy and implementing it rigorously given the backdrop of increasingly fierce competition, persistent substitution effects, customers optimizing their mailings and a still-inadequate equity base. Scenarios involving faster market liberalization, calls for price cuts, substantial profit remittances, insufficient cover in the Swiss Post pension fund and a further decline in volumes also compel Swiss Post to continue on its chosen course, so as not to lose the effect of the measures already initiated that affect the net income.

Segments

PostMail

Environment

As of 1 April 2006, private postal companies have been able to distribute letters weighing over 100 grams. PostMail has hardly noticed the effect of the competition to date, because Swiss Post has the right price-performance ratio (► 17 and page 79).

Finance

In 2008, the operating income of PostMail decreased by 3.1 percent to 2,916 million francs (2007: 3,008 million francs). The Confederation reduced the compensation for newspapers by 50 million francs, and PostMail only passed on part of the loss of revenue to publishers through price increases. The number of newspapers delivered with letter post is in decline due to the large increase in free newspapers. In addition, the volume of addressed letters continued to decline, as major customers are increasingly bundling items for mailing and the general trend towards electronic information media continues (see the volume development on page 51). By contrast, the volumes of priority mailings increased by 10 million in 2008. The gradual commencement of operations at the new letter centres meant that parallel operations could be reduced which, together with other increases in productivity and despite higher staff costs due to inflation, reduced operating expenses to 2,667 million francs (2007: 2,772 million francs). The operating result (EBIT) came to 249 million francs, which was 13 million francs higher than in 2007.

Strategy implementation

■ REMA soon to be completed

In 2003, PostMail began to restructure its letter processing operations and is now about to complete this billion-franc project: In 2008, PostMail completed the letter centres in Eclépens and Härkingen and commenced operations there. In addition, operations commenced at the three logistics centres for letter processing in Geneva, Kriens and Cadenazzo and the logistics centre for video coding and returns processing in Sion. The two logistics centres in Basel and Ostermundigen will follow in 2009. From the middle of 2009, a total of three new letter centres and eight logistics centres will replace the 18 previous letter centres. This will enable PostMail to increase productivity and will significantly reduce operating costs.

“The billion-franc REMA project is almost complete.”

The modern sorting and picking systems have gradually been brought into operation. However, minor delays in the delivery of letters could not always be avoided, despite the deployment of special troubleshooters. Nevertheless, customers throughout Switzerland received 95.9 percent of A Mail and 95.9 of B Mail on time. Compared to other postal companies, Swiss Post is again one of the leaders.

■ Expansion of early newspaper delivery

Swiss Post intends to provide publishers with a comprehensive offer for the delivery of daily and Sunday newspapers and is developing a strong early delivery organization in German-speaking Switzerland: On 1 July, Swiss Post acquired Prevag Presse-Vertriebs AG based in Basel, thereby taking over early delivery in the catchment area of the Basler Zeitung with an annual distribution volume of around 30 million copies. Since March, PostMail has also been delivering the early-morning “Blick” newspaper in larger conurbations in the German-speaking region of Switzerland. In addition, the media houses NZZ Group and Tamedia intend to entrust the early delivery of their titles to Swiss Post, and signed the relevant agreements in January 2009. The Federal Competition Commission still has to approve this project.

■ Simplifying structures and processes

Swiss Post is doing all it can to simplify its structures and processes in order to reduce costs and thereby retain its position in the letters market: Therefore, at the start of the year, 6,700 employees (3,600 FTEs) moved from the delivery to a private residence and the home-delivery service in Post Offices & Sales to the direct management of PostMail. At the same time, PostMail examined its previous delivery locations with the aim of reducing costs for rent and transport. Mail is now prepared for delivery at 1,200 locations.

Outlook

PostMail will complete the implementation of the new letter processing concept (REMA project) in the first quarter of 2009. However, the associated efforts to optimize services will continue. For instance, preparation of items for the sorting process will be centralized, mechanical letter sorting will be fine-tuned (sequencing), and customer acceptance of alternative delivery concepts will be tested. For 2009, a further decline in addressed letters is expected, owing to substitutions and the weak economy.

PostMail | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	2 916	3 008
Reserved services	%	58.1	56.8
Operating result	CHF million	249	236
Quantities			
Addressed letters	Millions of items sent	2 682	2 742
priority items	Millions of items sent	768	758
non-priority items	Millions of items sent	780	802
non-priority bulk items	Millions of items sent	1 101	1 147
Unaddressed items	Millions of items sent	1 203	1 216
Newspapers	Millions of items sent	1 196	1 214
Employees			
Headcount	Full-time equivalents	17 594	14 370
Quality			
Adherence to delivery time: A Mail	% of items sent	95.9	97.1
Adherence to delivery time: B Mail	% of items sent	95.9	96.7
Customer satisfaction: business customers	Index	77	78

Additional key figures and explanations can be found in the table of figures (► 99).

PostLogistics Environment

The competitive pressure in the logistics market continues unabated: In 2008, logistics service providers once more battled against cost pressures, falling margins and the globalization of supply and demand. Customers are examining offers from our competitors closely and have the same high demands with regard to quality.

Finance

The innovative solutions for business customers contributed to the fact that, despite fierce competition, parcel volumes increased by around 1.7 percent to 105 million parcels. This enabled PostLogistics to increase its operating income by 55 million francs to 1,516 million francs (2007: 1,461 million francs). The one-off employee benefit expenses of around 12 million francs to include subsidiaries in the Swiss Post pension fund and the significantly higher fuel costs resulted in an increase in operating expenses of 92 million francs to 1,477 million francs (2007: 1,385 million francs). Together with higher prices for transport services purchased from third parties, this meant that the overall operating result was 37 million francs lower than in 2007 (76 million francs).

Strategy implementation

■ General contractor for transportation of small consignments

PostLogistics expanded its international services for the transport of small consignments to Germany, France, Austria and the Benelux countries. Thanks to cooperation with forwarding partners in these countries, PostLogistics can operate as a general contractor and, in addition to distributing goods in Switzerland, also organizes their import and export as well as customs clearance.

■ Expanding the network of centres for warehouse logistics

PostLogistics also wants to continue to grow in warehouse logistics. The new logistics centre in Dailens was brought into operation; this comprises 5,200 m² of warehouse space and 2,000 m² of cross-docking space and forms the new hub for logistics services in western Switzerland. As of 1 January 2009, PostLogistics takes over the Canon logistics centre in Mägenwil together with 30 existing employees. The logistics centre provides 14,000 pallet spaces in a high bay

“Innovative solutions for business customers contributed to Swiss Post transporting more parcels despite strong competition.”

warehouse and 28,000 receptacle spaces in an automated small parts warehouse. With its excellent transport links, the Canon logistics centre fits perfectly into Swiss Post's logistics structure. PostLogistics is also examining various options for its future network of centres for warehouse logistics, as the rental agreements for the existing locations expire in the next few years.

■ Electronic management of wheeled containers

PostLogistics has around 45,000 wheeled containers for transporting parcels. The new electronic identification system (RFID) provides an accurate overview of numbers and locations: By the end of the year, all wheeled containers had been fitted with a tag; if a tag passes by a reader, the main office receives a radio signal. The system simplifies and optimizes the management of wheeled containers in parcel centres, at business customers' premises and in post offices, and prevents misrouting and bottlenecks.

■ Vehicles fitted with GPS

All PostLogistics trucks have been fitted with an on-board computer, which uses GPS to continuously transmit the location of the vehicle and inform the dispatch planning centre of the current capacity load of the truck. This enables the dispatch planner to respond quickly to changes, accept new orders at short notice and inform the customer of the current delivery status.

■ Electronic networking for customers

By redesigning customer platforms – known as e-logistics – PostLogistics is enhancing interaction with customers. On the mutually accessible “My Post Business” platform, customers can access various password-protected applications. They can create dispatch papers for their item, exchange dispatch data, see where their parcel is, call up size and weight information, download a picture of the parcel or view the signature of the recipient of their parcel. They can also access their billing data.

■ Mobility Solutions AG

The fleet manager Mobility Solutions AG (MoS) acquired Fleetconsulting AG, a company specializing in consulting in the area of fleet optimization and car policy in St. Gallen. With the acquisition of proven industry knowledge and the development of a centre of excellence for “sustainable mobility”, MoS is preparing for the ever-increasing needs of its customers.

■ SecurePost AG

SecurePost AG again increased its sales turnover thanks to new customers and strengthened its position in the stagnating market for security transports, cash processing and ATM replenishment. With the acquisition of ANZA Security GmbH, SecurePost continues to follow its growth strategy. Since October, the subsidiary has had its own security centre with access controls for vehicle monitoring. SecurePost has also developed an electronic mail tracking system, which will be introduced at the start of 2009.

■ ISO certificates 9001 and 14001

PostLogistics received certificates for the ISO standards 9001 (quality management requirements) and 14001 (environmental management requirements). This certification meets customer requirements particularly with regard to small consignments and warehouse logistics.

Outlook

PostLogistics aims to grow further as a leading logistics services provider. The main focus will be on offering comprehensive solutions for key accounts so that they can concentrate on their core competencies. Individual sectors such as the retail trade, healthcare system and consumer electronics will be given priority, as in the past. New industry-specific activities will be built up for logistics for functional clothing (work clothes). For 2009, the operating result is expected to be in line with that of the previous year, provided that economic factors do not substantially impact on the market situation.

PostLogistics | Key figures 2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	1 516	1 461
Operating result	CHF million	39	76
Quantities			
Parcels	Millions of items sent	105	104
Express items	Millions of items sent	5.0	4.7
Courier shipments	CHF million net sales	41	38
Small consignments	CHF million net sales	111	109
Warehouse logistics	CHF million net sales	90	97
Innight Express	CHF million net sales	31	22
Employees			
Headcount	Full-time equivalents	5 294	5 105
Quality			
Delivery time: PostPac Priority domestic parcels	% of items sent	98.0	97.6
Delivery time: PostPac Economy domestic parcels	% of items sent	98.7	97.5
Customer satisfaction: business customers	Index	79	79
Market share			
Parcels	%	74	74

Additional key figures and explanations can be found in the table of figures (► 99).

Swiss Post International Environment

SPI is active in two markets. In Switzerland, the Group unit is involved in the import and export of letters, parcels and courier shipments and competes in this business area against Swiss and international competitors. SPI works closely together with PostMail and PostLogistics, to which it forwards the letters and parcels from abroad for delivery. In order to deliver items from Switzerland all over the world, it relies on its partners Swiss Post GLS and TNT Swiss Post. Mailing volumes are stable compared with 2007.

“Swiss Post International is successful despite strong competition in Switzerland and abroad.”

Abroad, SPI assumes the opposite role. Here, it competes with the state-owned or previously state-owned postal companies, and operates in niche markets such as cross-border mail services. For this purpose, SPI has built up its own infrastructure with sales agents, franchise partners and subsidiaries in many countries, and works together with the competitors of the state-run postal companies on the basis of bilateral agreements. As a subsidiary of Swiss Post, SPI also cooperates with the state-run or previously state-run postal companies in the context of multilateral agreements within the UPU (Universal Postal Union). In this fast-moving market with changing and parallel business relationships, the solutions that SPI offers its customers are crucial. Customers make their decisions based on the price, the quality (e.g. punctuality) or very specific needs. For this reason, SPI's range includes more than 50 different products.

Finance

Although the sales turnover in exports and of the subsidiaries increased by 17 million francs, the operating income of SPI is 111 million francs lower than in 2007 (1,145 million francs). This decline is primarily due to today's lower foreign currency exchange rates: The financial statements of the foreign subsidiaries were converted at lower exchange rates, and we have to accept greater foreign currency losses on receivables for international payment settlement. The operating expenses decreased by 113 million francs to 998 million francs (2007: 1,111 million francs). The reasons for this were firstly more favourable exchange rates and secondly optimization of logistics and IT processes as well as cost savings for administration. Overall, SPI's operating result of 36 million francs did not change significantly compared with the previous year (2007: 34 million francs).

Strategy implementation

■ Presence in niche markets strengthened

In January, SPI acquired all shares in IMS Europe AB in Malmö, Sweden, and used this to expand its presence in southern Scandinavia. The company operates in the marketing mail, business mail and business to consumer product groups as well as press and lettershop, and generated sales of CHF 3.6 million francs in 2007.

In order to strengthen its position in the export press business, SPI acquired Global Press Distribution GmbH (GPD) in Germany. GPD provides services relating to the international and national dispatch of magazines and generated sales equivalent to 8 million francs in 2007.

In Mumbai (India), the new distribution partner Mail Order Solutions (MOS) emerged as a sales agent of SPI and provides solutions for business customers. MOS is one of the most successful direct marketing companies in India. The emergence of MOS means that SPI now has five locations throughout Asia. With the acquisitions and the new franchise partnership in India, SPI wants to continue to grow in foreign niche markets.

■ First licensed postal company in Singapore

SPI is the first officially licensed postal company in Singapore's postal market, which was liberalized in December 2007. In 2003, SPI started operations in Singapore with one franchise partner, and has managed its own local branch since 2006. The sales targets for 2008 were already exceeded in the first few months.

■ Third-party distribution concept developed

SPI has developed a "reseller model" for subsidiaries, which they can use to provide third-party companies with the proven products and know-how of SPI, marketing services and the Swiss Post brand. SPI wants to use this third-party distribution concept to continue to grow in the global letters market.

■ CASH employer award 2008

In October, Swiss Post International received the CASH Employer Award and a certificate as an above-average employer, and is one of 25 Swiss companies to have received this award.

Outlook

In 2007, operations began at the Service Centre Logistics close to Frankfurt Airport, and its additional facilities significantly increased the quality and efficiency in 2008. SPI is examining the operation of similar logistics platforms in Asia and the USA. In the UK, SPI wants to offer its customers new logistics networks (Network Access Partnership) and individual mailing options, and position itself as an alliance partner in the global mail market.

Swiss Post International | Key figures
2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	1 034	1 145
Reserved services	%	10.1	12.6
Operating result	CHF million	36	34
Quantities (Swiss exports and imports)			
Letter exports	Millions of items sent	184.0	194.0
Parcel exports	Millions of items sent	1.4	0.8
GLS	Millions of items sent	0.6	1.3
Courier exports (TNT Swiss Post AG)	Millions of items sent	1.5	1.9
Letter imports	Millions of items sent	235.8	234.6
Parcel imports	Millions of items sent	4.3	2.9
GLS	Millions of items sent	0.8	1.3
Courier imports (EMS)	Millions of items sent	0.4	0.3
Employees			
Headcount	Full-time equivalents	1 294	1 133
of which: in Switzerland	Full-time equivalents	597	579
Quality			
Adherence to delivery time: international letters (imports)	% of items sent	92.6	94.9
Adherence to delivery time: international letters (exports)	% of items sent	90.4	91.3
Customer satisfaction: business customers - total	Index	75	75
Customer satisfaction: letters	Index	74	75
Customer satisfaction: parcels	Index	75	74
Market share			
Import and export Switzerland - Mail	As % of sales	82	82
Import and export Switzerland - courier, express & parcels	As % of sales	46	47

Additional key figures and explanations can be found in the table of figures (► 99).

Strategic Customers & Solutions

Environment

SKL operates in 14 countries and provides national and international customers with efficient and timely processing of physical and digital documents and enables them to maintain a dialogue with their customers. The unit has expanded the traditional letter-related services right into the heart of the company, taking over internal mail, scanning, electronic processing and archiving as well as the printing, customer-specific packaging and sending of documents; it can also take over entire processes for customers from start to finish. This can range from a classical partial service right up to the entire business process (business process outsourcing – BPO). In particular, the unit enables the conversion of physical and electronic information for its customers. Its dialogue solutions range from direct marketing campaigns and card-based customer retention programmes to telephone marketing. With its e-business solutions, SKL networks companies, supports them with invoicing, electronic payment transactions, identity management, digital signatures and electronic archiving, and with managing trading, logistics and fulfilment processes, such as those used in e-commerce. IT-supported processes and platforms are also becoming increasingly important in document management and dialogue solutions.

“SKL ensures the timely processing of physical and digital documents.”

SKL operates in a varied, mostly still state-run, but newly emerging global market with the potential for billions, where major international providers come up against numerous specialized and locally-oriented niche providers. On the one hand, this market is intensively competitive, and on the other it is strongly characterized by developments in technology. The percentage of direct advertising compared to overall advertising expenses continues to grow. Nevertheless, direct customer dialogue, as with all advertising, is subject to economic fluctuations. The outsourcing of business processes to do with document processing that are not part of the company's core business, and the management of customer dialogue together offer great opportunities for growth. New national sub-markets can be opened up through targeted growth with existing international customers or by acquiring existing companies.

Finance

In 2008, SKL's operating income rose by 2.3 percent to 708 million francs (2007: 692 million francs). The operating income (EBIT) came to 9 million francs and was 10 million francs higher than in 2007. Growth in this Group unit, which mainly operates abroad, was marred by the significantly weaker US dollar, euro and pound against the Swiss franc. In addition, the weaker growth in the German core market of the GHP Group was already noticeable in 2008.

Strategy implementation

Created in 2007 from the merger of various national and international subsidiaries, SKL has the two tasks of consolidation and achieving sustainable growth.

An essential element of consolidation and thereby of the unit's profitability was and is the creation of consistent international structures. This is accompanied by the simplification of the structures under company law, which has already mostly been implemented in Switzerland and is now coming into the implementation phase abroad. In this connection, the sale of the staffing services business in the USA to the former owner was completed in 2008, as well as the complete takeover of all shares in the GHP Group.

More than any other unit, SKL is affected by the simplified and standardized identity and the strengthening of the core brand “Swiss Post”. More than 25 subsidiaries are changing their company names and using co-branding in their logos to show customers that they are part of Swiss Post. During a transition period, they are using their original name together with the addition of “Die Post” (in Switzerland) and “Swiss Post” (abroad). In doing so, SKL wants to strengthen its profile abroad together with Swiss Post International and represent the core

values in a cooperative, entrepreneurial and credible way. At the same time, it is also positioning itself through values such as Swissness, flexibility, dynamism and innovative force. In order to extend its offer for document solutions in existing and new markets and implement the required growth, Swiss Post acquired the French group Global Business Services Plus (GBS+) with around 1,000 employees in France, Germany and Slovakia. Swiss Post is one of the leading providers of document solutions in Switzerland, the UK, Germany and France.

The company SwissSign AG was repositioned: SwissSign today provides both standardized and individual solutions for secure processes in the digital world. This includes identification using a digital ID, statement of intent using an electronic signature and secure electronic transmission with proof of sending and retrieval (IncaMail).

Outlook

SKL will continue to implement consistent international structures in 2009. In addition, it will focus on the acquisition of projects from major customers. SKL has laid the foundations for this with the implementation of the EWID project (service solution for cantons and municipalities for the 2010 census) as well as the gradual take-over of document management for the Zurich Financial Services Group in six European countries as of 2009. In the coming years, SKL wants to grow both organically and through acquisitions and drive further innovations for the benefit of its customers. The performance of SKL abroad, especially in Germany, will, however, be characterized more by the economic situation than that of other units. There is an opportunity in the fact that many companies concentrate on their core business in times of crisis and outsource the other processes.

Strategic Customers & Solutions | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million ¹	708	692
Operating income	CHF million ¹	9	-1
Quantities			
Sales of major accounts	CHF million	1 179	1 144
Telephone calls conducted (GHP Dialog Services)	Number in millions	3.2	4.3
Pages scanned (GHP Dialog Services)	Number in millions	23.7	15.7
Personalized mailings (GHP Direct Mail)	Number in millions	1 000	1 000
Personalized cards (GHP Card Services)	Number in millions	254.0	256.0
Non-personalized cards (GHP Card Services)	Number in millions	22.0	21.0
Mailings produced (DocumentServices AG)	Number in millions	204.2	169.2
Completed order volume (MailSource Group)	CHF million	568.5	261.7
Transactions (Swiss Post Solutions AG/yellowworld)	Number in millions	37.1	29.9
Employees			
Headcount	Full-time equivalents ¹	6 109	5 306
abroad	%	87.9	89.4
Quality			
Customer satisfaction	Index ²	77	75

1 In 2007, subsidiaries in the PostMail (DocumentServices AG, SwissSign AG) and PostLogistics (yellowworld AG) segments were reallocated to the Strategic Customers & Solutions segment.

2 The customer satisfaction figures for the Strategic Customers & Solutions Group unit will be disclosed for the first time in 2008; the figures from previous years are those of the Strategic Customer Management unit.

Additional key figures and explanations can be found in the table of figures (► 99).

Post Offices & Sales

Environment

Compared to the year 2000, 46 percent fewer letters and 46 percent fewer parcels were handed over for mailing at the post office counter. In the same time period, payment processing decreased by 17 percent. Counter transactions are just one of many options for using postal services. Customers use Postomats, PickPost points and online shops; many prefer to communicate electronically by e-mail or text message; business customers have their consignments collected directly from their premises or make use of services offered by competitors. Sales of telematics articles such as telephones and computers suffered from the high pressure on margins. The market is highly competitive and is saturated in some areas. In contrast, the cooperation with Ticketcorner continued to develop positively: Around a third of all tickets are bought at post office counters.

Finance

The operating expenses decreased by 329 million to 1,432 million francs (2007: 1,761 million francs) and the operating result declined by 70 million to 95 million francs (2007: 25 million francs). This is due mainly to the transfer of delivery staff to PostMail. The sales turnover from other brand-name items increased by 5.7 percent from 420 million to 444 million francs. After completion of the Ymago project (restructuring of the post office network), Swiss Post expects the result to increase each year by around 50 million francs as of 2009.

Strategy implementation

Post Offices & Sales won the ESPRIX Award with its post office network in 2007 and thereby received the highest prize for excellent company management. This prize confirmed the successful implementation of the strategy and motivates us to continue with this. Post Offices & Sales is continuing to consistently focus on sales and wants to be the distribution channel for mailings for private customers and SMEs. For this, the unit employs more than 11,000 people and runs 2,408 post offices. This results in around four post offices per 10,000 inhabitants – almost twice as many as in other European countries.

■ New agencies – “post office in the village shop”

In 2008, the unit also continuously developed the post office network, focusing on the implementation of the new agency model “post office in the village shop”. This offers attractive opening times and a basic range of letter and parcel services which cover the services in daily demand. In addition, the PostFinance Card can be used to make cashless inpayments and to withdraw cash. Due to the good results from customer tests, Post Offices & Sales set a target

“Post Offices & Sales consistently focuses on customers.”

for 2007-2008 of finding around 200 locations for the model: At the end of 2008, there were 208 agencies in operation. The local authorities support this new solution in most cases, as it means that the post office remains local and the cooperation with local shopkeepers strengthens the infrastructure, particularly in rural areas.

■ Ordering goods at the post office counter

With the mail-order service “delivery to a private residence”, customers can now order and pay directly for goods at the post office counter which were previously only available at larger PostShops. This new distribution model had been introduced in around 1,800 post offices by the end of the year.

■ More time for customers

The administrative processing of counter transactions was made easier thanks to the new pay desk system V-MaX. This leaves employees more time to advise their customers.

■ Range of goods simplified

Post Offices & Sales knows the requirements of private customers best and has therefore been responsible for the whole range sold in post offices since 2008: The unit no longer makes decisions just on additional products such as mobile phones or sweets, but chooses which services suit their customers best from the products of other Group units. The range is analysed in detail and adapted so that only products that are actually in demand are offered. Since March, the 500 smallest post offices have carried a simplified range. This means that Post Offices & Sales saves on warehousing and handling costs in particular. All post offices continue to offer all products and services from the universal service.

Outlook

In 2009, the Group unit will continue to strive for business excellence in terms of the EFQM model and is planning the next comprehensive self-assessment in 2011. In addition, Post Offices & Sales will systematically build up the next generation of managers for post office management and introduce a suitable development programme. The range will be increasingly focused on demand. Post Offices & Sales expects the volumes for standard services to continue falling. It is not possible to reduce operating expenses directly. On this basis, a lower operating result is anticipated.

Post Offices & Sales | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	1 337	1 736
Net sales of non-postal brand-name articles	CHF million	444	420
Operating income	CHF million	-95	-25
Quantities			
Letters accepted	Number in millions	996	1 049
Parcels accepted	Number in millions	28	29
Inpayments accepted	Number in millions	212	216
Employees			
Headcount	Full-time equivalents	7 055	10 997
Quality			
Customer satisfaction: private customers	Index	86	88
Customer satisfaction: SMEs	Index	80	83
Market share			
Number of post offices	Number	2 408	2 469
Post offices with payment transactions	Number	2 184	2 300
Post offices without payment transactions	Number	11	12
Agencies with payment transactions	Number	20	63
Agencies without payment transactions	Number	188	87
PostMobil stops	Number	5	7
Home-delivery service	Localities	1 097	1 043

Additional key figures and explanations can be found in the table of figures. (► 99)

PostFinance Environment

Most European postal financial services providers have a banking licence. The exceptions are Switzerland, Italy, Portugal and Luxembourg. Apart from Switzerland, only Spain has a contract to provide basic services in payment processing. The Federal Council does not want a post office bank; PostFinance should, however, be placed under the proper industry standard banking supervision of the Swiss Banking Commission (known as the Federal Financial Market Authority FINMA as of 1 January 2009) and continue to manage its range of financial services. A banking licence would put PostFinance on a par with the other banks, where it could grant mortgages and loans independently and would no longer have to invest the majority of customer deposits abroad. The further development of PostFinance is discussed in the context of the revision of postal legislation (► 7). The Federal Council acknowledged the results of the consultation process from spring 2008 and commissioned the Federal Department of the Environment, Transport, Energy and Communication to prepare an opinion. Parliament is expected to deal with this in 2009. The new legislation will come into effect in 2011 at the earliest.

The crisis on the financial markets during the year forced the USA and European countries to secure banks or even take them over completely, in order to prevent them from collapsing. PostFinance is healthy and does not have any problems with financing or capital procurement. In addition, PostFinance has a state guarantee from the Confederation.

Finance

The business model of PostFinance is bucking the financial crisis: Customer confidence in PostFinance resulted in 311,000 new accounts and an increase in average customer deposits by 5.6 billion francs to 49.3 billion francs. This corresponds to a market share of 9.6 percent (2007: 7.7 percent). In a difficult market environment, PostFinance achieved a solid operating income of 229 million francs, 89 million francs less than in the record year of 2007. This is because PostFinance had to post writedowns on its financial assets in the amount of 179 million francs. Of this, 120 million francs related to fixed-interest investments and 59 million equity investments.

“ PostFinance is the ‘other bank’ for SMEs and private customers.”

Thanks to its risk-conscious investment strategy, the fall in value represents only around 0.3 percent of the overall investment portfolio. Operating income increased from 1,619 million francs to 1,962 million francs, partly because PostFinance created 180 new positions (full-time equivalents). Loans to business and private customers increased by 24.5 percent to 6,353 million francs. 984,592 customers use the e-finance platform, which is 126,005 more than in 2007. More than 843 million transactions processed per year mean that PostFinance is the market leader in Swiss payment transactions.

Strategy implementation

PostFinance is committed to Swiss customers – as the other bank for small and medium-sized companies and private customers. PostFinance wants to convince them with the best service, comprehensive advice and solutions for payments and savings, as well as a basic range of investments, financing and retirement planning. 150,000 small businesses are customers of PostFinance, and since May 2007 have enjoyed an advisory service that other banks only provide to major business customers. The advisors visit the proprietors at work or at home, also in the evening and on Saturdays, and offer them made-to-measure solutions for their business and private needs.

■ New partner for mortgages

Since the middle of the year, PostFinance has had a new partner for private mortgage transactions: the Münchener Hypothekenbank eG (MHB), which is the fourth-largest bank in Bavaria (Germany). PostFinance is responsible for the product structure, marketing, sales and evaluation/processing, and MHB is responsible for refinancing and bears the credit risk. This cooperation increases PostFinance’s trading scope and provides better conditions for customers (also see the interview with J. Bucher on page 18). The PostFinance employees are still the point of contact

for customers. The previous partnership with UBS will be continued; this includes funds, processing of slip-based payment transactions for UBS, credit card processing and existing loans.

■ Better customer orientation

In order to focus even more on customer needs, PostFinance has had a new organization since the middle of 2008. This mainly strengthens the two units Products and Market & Sales, reduces the number of interfaces and simplifies internal processes. The conversion of the existing consulting centres into PostFinance branches was continued: PostFinance now has 32 locations offering advice to private customers. At five locations, we still do not have suitable premises at a preferred location in the city centre. To provide comprehensive advice to private customers, 45 new full-time positions were created. 46 additional positions for customer advisors are planned.

■ Modern computer centre inaugurated

In April, PostFinance inaugurated its new location in Zofingen. The state-of-the-art buildings are home to a computer centre and document processing from the Operations Centre in Lucerne. PostFinance relocated one of its computer centres to Zofingen in order to increase security: The geographical division reduces the risk of loss of due to environmental factors. 216 people work at the Zofingen site.

Outlook

In 2009, Parliament will consider the further political development of PostFinance (► 11) in the context of the revision of postal legislation (► 7). Regardless of this decision, PostFinance will continue to concentrate on its growth strategy in the retail financial market and on offering customers the best service. The consulting range for private and business customers will also be expanded. On the basis of successful interest transactions, the operating result in 2009 should be higher again.

PostFinance | Key figures 2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	2 191	1 937
Operating income	CHF million	229	318
Quantities			
Net inflow of new money	CHF million	5 941	3 409
Number of customer accounts	Thousands	3 646	3 335
Average balance of customer deposits	CHF million	49 265	43 667
Number of transactions	Million	843	823
E-finance subscribers	Customers	984 592	858 587
Fund volume	CHF million	1 160	1 475
Volume of loans to business customers	CHF million	4 313	3 160
Volume of mortgages for private customers	CHF million	2 040	1 944
Employees			
Headcount	Full-time equivalents	2 889	2 709
Quality			
Same-day processing of payment slips at post offices	%	99.99	99.99
Same-day processing of payment slips arising from payment orders	%	99.99	99.66
Customer satisfaction: business customers	Index	82	82
Customer satisfaction: private customers	Index	85	84
Market share			
Lending business	% ¹	9.57	7.67

¹ Prior-year figure adjusted

Additional key figures and explanations can be found in the table of figures (► 99).

PostBus Environment

The customers of transport services (Confederation, cantons, municipalities) are concluding more and more destination and service agreements as an alternative to tenders. The contracts define many quality standards and productivity improvement goals. This means there is a trend towards lower and lower costs while achieving better performance. However, the agreements are not an order guarantee. If the agreed objectives are not achieved, the services can still be put out to tender. The public transport companies are therefore subject to pressure on margins. They have to either reduce their costs or find new sources of income.

The Confederation is providing more than five billion francs for the further development of rail facilities and wants to improve rail and bus services further in all parts of the country by 2030. It plans to expand train stations and suburban railways. This improved service should also increase demand for PostBus services, as PostBus is the most important local distributor in the Swiss public transport system. In 2008, demand for PostBus services increased by almost five percent. This is resulting in increasing capacity shortages at peak times, which will be counteracted with investments in the infrastructure and staff and with improved efficiency (more kilometres per vehicle, lower waiting times and empty journeys). In addition, passengers will be notified early about shortages and alternative routes with improved information services.

Finance

Operating income increased by 19 million francs to 604 million francs (2007: 585 million francs) and operating expenses increased by 25 million to 578 million francs (2007: 553 million francs). The additional revenue due to the higher demand and cost-cutting measures could not

“PostBus remains the most important provider of local services in the Swiss public transport system.”

Strategy implementation

compensate for the higher fuel prices and inflation-induced additional expenditure for staff. The operating result therefore decreased by 5 million francs to 27 million francs (2007: 32 million francs).

■ Expanded timetables

With the change of timetable in December 2008, PostBus introduced 15 new routes and expanded timetables, particularly for transport in cities and conurbations and at off-peak hours. This means an extra 3.5 million kilometres are travelled each year. With this, PostBus is meeting the increasing demand for public transport and expanding its position as the market leader in road-based public transport.

■ Tenders won

In local and urban transport, PostBus recently took over the local buses in Martigny, Les Brenets and Rolle in Western Switzerland and Einsiedeln in Central Switzerland. PostBus also won the contract to operate the local bus in Däniken. In addition, PostBus won the tenders for the routes Biel-Lyss, Saint Blaise-Enges-Lignièrès, La Neuveville-Le Landeron-le Plateau de Diesse and Marin-Le Landeron. However, the contract for local buses in Arosa and Rorschach was awarded to other bidders.

■ Two centres of excellence set up

PostBus set up two centres of excellence: one for DILAX passenger counting systems in Basel and one for ticket checks and collection in Zurich. PostBus wants to expand these services for regional transport authorities or other transport companies.

■ PostBus operates in southern France

Since the start of the year, PostBus has taken part in tenders for all regions of France of interest for public transport. In 2008, it completed its entry into regional transport. Since October, PostBus has had a subsidiary in the southern French town of Narbonne, which operates regular regional transport routes and is involved in tourist transport.

■ More freedom for contract partners

The existing contracts with more than 200 PostBus companies were last revised five years ago and are no longer completely suitable for today's market conditions. PostBus has therefore developed a new contract model together with BUS CH, the association of PostBus companies and companies in public bus transport, which differentiates between PostBus companies and transport partners. The latter, which are mostly major companies, gain more entrepreneurial freedom. The objectives remain the same for both contract models: partnership and success-oriented cooperation with the aim of increasing competitiveness. As of 2009, the expiring contracts will be replaced with the new model. The employment conditions for transport staff in PostBus companies continue to be governed by staff regulations or based on benchmark figures derived from the cantonal collective employment contracts for the industry. PostBus has started a multi-level image campaign and introduced a new claim, "the yellow class", in communication with passengers – one year after successful introduction internally.

■ Presence strengthened in the Bernese Oberland

In December, PostBus took over the public transport division of the Autoverkehr Spiez-Krattigen-Aeschi AG. The 15 existing employees form the new regional group in Spiez and strengthen PostBus's presence in the Bernese Oberland.

Outlook

PostBus intends to continue to grow abroad and will consider entering the Italian and German markets. In Switzerland, PostBus wants to retain its position as market leader in regional road-based transport, raise its profile as a provider of system management functions and gain further market shares in urban transport. In addition, PostBus will examine the introduction of vehicles with innovative drive systems. Despite the planned growth abroad, the operating result is likely to be lower than in 2007 on account of increasing price pressure in Switzerland and higher staff costs – in particular employee benefit costs.

PostBus | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	604	585
generated abroad	%	5.4	5.6
Operating result	CHF million	27	32
generated abroad	%	1.0	1.5
Quantities			
Number of passengers	Millions	115	111
Vehicle-kilometres	Millions of km	94	89
Vehicles	Number	1 989	1 909
PostBus network	km	10 345	9 827
Employees			
Headcount	Full-time equivalents	1 570	1 521
Quality			
Customer satisfaction: leisure travellers	Index	82	82
Customer satisfaction: commuters	Index	75	73
Market share			
Regional passenger transport (rail/road)	%	15	15

Additional key figures and explanations can be found in the table of figures (► 99).

Other Philately

The operating income of Philately amounted to 46 million francs in the last year, and the operating result was 17 million francs. Whereas sales of stamps increased, "extra", the home-shopping business selling quality products did not fully meet our high expectations, although it achieved an increase in sales turnover of around 57 percent. In future, this branch should compensate for the decline in sales of philatelic products and stamps in the past few years, and utilize the existing knowledge of distribution. The cancellation of subscriptions by collectors flattened out a little in 2008. Sales were maintained in franking services. Popular subjects such as the European Football Championship 2008 stamps are increasingly appealing to non-collectors.

"Sales through the electronic PhilaShop increased significantly by 26 percent."

There was a substantial decline in direct advertising letters in clearly-defined target groups: For example, swimming clubs were made aware of the stamps marking the anniversary of the Swiss life-saving organization. Sales through the electronic PhilaShop increased significantly by 26 percent. In order to boost home-shopping business, the target groups and product range were redefined. High-quality designer products in divisions such as "Living", "Household", "Body and Soul" and "Games" are now targeted towards a younger customer group.

Philately | Key figures

2008 with comparison to 2007

		2008	2007
Results			
Operating income	CHF million	46	48
non-philatelic products	%	5	2
Operating result	CHF million	17	19
Quantities			
New stamps	Number	46	50
Standing orders in Switzerland	Number	46 595	50 500
Standing orders abroad	Number	16 410	17 650
Employees			
Headcount	Full-time equivalents	115	120
Quality			
Customer satisfaction	Index	84	84

Additional key figures and explanations can be found in the table of figures (► 99).

Real Estate

In 2008, Real Estate generated an operating income of 761 million francs and an operating result of 373 million francs. The unit managed around 480 building projects and sold 28 properties, for example, the operations building in Lausanne Ouchy, which is no longer required due to the new concept for letter processing (REMA), and the Forum Post in Magglingen, an office building with a large shop floor in Lausanne Malley, and a significant industrial property in Schlieren (Zurich). Swiss Post received reversion indemnity for the operations building in Zurich (Sihlpost). Swiss Post Real Estate introduced a new use for the Schanzenpost building in Berne. This will become the head office of Swiss Post as of 2014. PostFinance will have its head office in a high-rise building still to be built near the PostFinance Arena and in the PostFinance Arena in Berne. The previous head office of Swiss Post, the Schönburg building in Berne, is to be sold. Swiss Post Real Estate will also manage numerous building projects and engage in sales due to the optimization of delivery and improvements to existing properties. In addition, it actively manages the whole portfolio of around 1,304 owned and 1,693 rented properties.

Real Estate | Key figures

2008 with comparison to 2007

		2008	2007
Employees			
Headcount	Full-time equivalents	183	180
Quantities			
Properties	Number	2 997	2 923
owned	Number	1 304	1 346
rented	Number	1 693	1 577
Managed space	Million m ²	2,8	2,6
rented space	Million m ²	0,7	0,5
Investment value	CHF million	5 732	6 057
Rental income – internal	CHF million	415	399
Rental income – external	CHF million	59	55
Investment volume	CHF million	160	140
Maintenance volume	CHF million	50	47
Current projects	Number	over 500	over 600

Additional key figures and explanations can be found in the table of figures (► 99).

Service House

The Service House unit generated an income of 133 million francs and a result of 6 million francs. The past year was characterized by market deregulation: On 1 January 2009, Swiss Post will outsource its cleaning and building maintenance unit to the newly established subsidiary InfraPost AG. The employment relationships will now be regulated in the existing collective employment contract for subsidiaries (subsidiary CEC), and the employment conditions essentially remain unchanged.

Information technology

The Information Technology (IT) unit closed the past year with an operating income of 258 million francs.

IT continued with the conversion of around 22,300 telephone lines to Internet telephony (IP-based telephony). In the process, 5,600 lines were removed, which resulted in annual cost savings of around 1.5 million francs. Once the conversion of telephony is complete, Swiss Post will save 18,000 megawatt hours of electricity per year, or around 2.5 million francs. In the print output project, IT replaced all printers and reduced the number of models from ten to seven. In addition, IT started to convert 15,000 PC work stations to the Windows Vista operating system. This project is due to be completed in 2009.

Swiss Post was awarded the innovation prize 2007 as one of the most innovative SAP customers in the world. The decisive factor was groundbreaking projects such as electronic applicant management or the call centre for service centre staff.

Information Technology | Key figures

2008 with comparison to 2007

		2008	2007
Employees			
Headcount	Full-time equivalents	633	602
Quantities			
Contacts on user help desk	Avg. no. per month	24 000	25 000
Pieces of equipment served	Number	62 000	38 200
Number of different applications	Number	450	430
Volume of data saved per week	Gigabytes	220 000	110 000
First-level solution rate	Share of cases in %	67.5	67.7
Support calls	Number per year	39 600	40 500

Additional key figures and explanations can be found in the table of figures (► 99).

Conventions in this section

■ Presentation of values

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used.

A dash (-) in place of a figure indicates that the value is zero.

■ Presentation of graphics and tables

Colours in graphics and tables signify the following:

■ Current year

■ Previous year

■ Positive effect on earnings

■ Negative effect on earnings

All the graphics are shown to scale to present a "true and fair view".

15 mm is equivalent to CHF 1 billion.

Percentages in graphics are standardized as follows:

Horizontal: 75 mm is equivalent to 100 percent

Vertical: 40 mm is equivalent to 100 percent

■ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

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Added value for customers

Strategic objectives of Swiss Post

To create added value for its **customers**, Swiss Post develops its range of services, prices its products competitively and attaches great importance to providing high-quality customer support. This enables it to increase sales.

In terms of the sustainable development of its business, however, this added value can only be created if Swiss Post also creates added value for its **owner**, its **employees** and **society**.

To create added value for the owner as an investor, Swiss Post must ensure and extend its competitiveness. It does so by fostering innovation, achieving profitable growth and leveraging potential efficiency savings (see the section "Added value for the owner as an investor", page 49). A progressive human resources policy along with the fostering of motivation and willingness to perform creates added value for employees and ensures efficiency (see the section "Added value for employees", page 91). Our further development of the basic service, constructive contribution to shaping the regulatory framework, and socially responsible actions increase our service performance and create added value for society (see the section "Added value for society", page 103).

Private customers Offering

The offering for private customers and SMEs is standardized and includes letters, parcels, express deliveries, courier services, financial services and road-based passenger transport. The services are available in 2,195 post offices and 208 agencies (post office counter in village shops), at 774 Postomat machines and on the Internet (virtual post office counter and e-finance). Advice on financial services is also offered at 32 PostFinance locations.

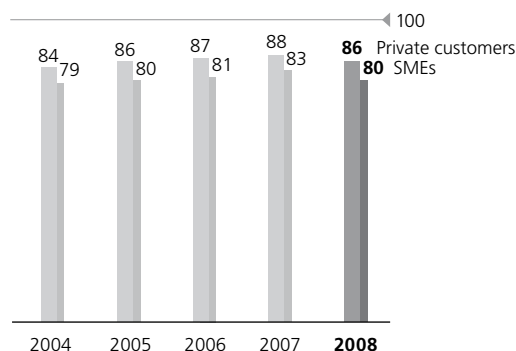
Customer satisfaction

Our comprehensive range of services and the support and advice provided by our staff are highly valued by customers, who recognize the changes and improvements over recent years. This is clear from our annual customer survey. One area of criticism is how we deal with problems.

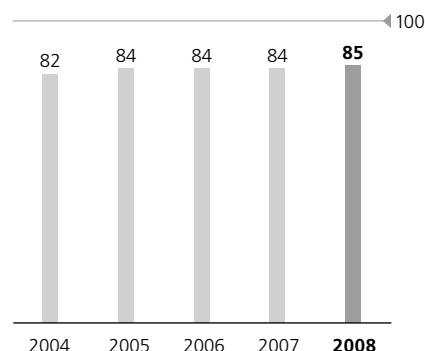
Private customers | Customer satisfaction

Scale 0 to 100, 100 = maximum satisfaction

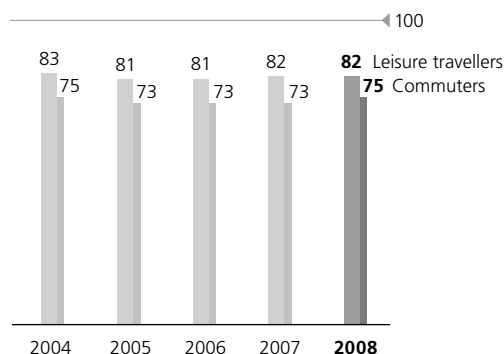
Post offices



PostFinance



PostBus



Letters
 Offering

Acceptance, transport and delivery of A Mail, individual B Mail items and bulk mailings, letters with proof of delivery and forwarded mail. See page 51 for volume trends.

New developments
 in 2008

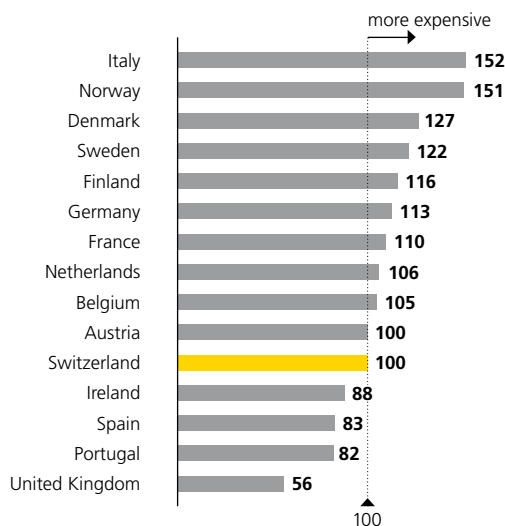
Since March, subscribers resident in German-speaking conurbations have received the magazine "Blick" before 6.30 a.m., instead of with their normal daily mail delivery. New staff were recruited and a new IT system was developed for this purpose.

By the end of 2008, Swiss Post had installed 4,836 modern standardized postboxes throughout Switzerland. The new model provides greater security and is fitted with a large information panel. Swiss Post is also making sure that the new postboxes are being set up at well-frequented and well-lit locations. All old postboxes will be replaced by the new model by 2010.

Price/performance ratio

Selectively comparing only the prices of individual letter categories for various countries may produce a distorted picture, so in 2006 the University of Fribourg developed the letter index. This is a basket of goods that takes account of all the letter categories offered by postal services and weights them according to frequency of use. The index shows that Swiss letter prices are generally lower than those abroad. For example, comparable letters in France and Germany cost 10 to 13 percent more, and as much as 52 percent more in Italy (► 14).

Letter post index*
 2008, indexed, Switzerland = 100



* The BPI is based on a basket of all the letter categories offered by Swiss Post which are weighted according to the frequency with which they are used by Swiss consumers. For the purpose of comparison, the exchange-rate adjusted prices of the (former) state-run postal company in the individual countries are used (cut-off date: 15 January 2009).

In 2008, Swiss Post handled around 2.7 billion letters. 95.9 percent of letters posted as A Mail arrived the next day. Individual B Mail items should be delivered on the third working day after posting at the latest. In 2008, Swiss Post met this target in 95.9 percent of cases. As expected, the results of the delivery time measurements showed a slight fall in 2008. This is due to the opening in successive stages of new letter centres in Zurich-Mülligen, Eclépens and Härkingen (REMA project) and the complex changeover to new mail processing.

Parcels, express deliveries and courier services

Offering

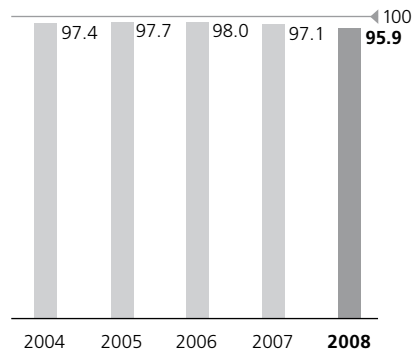
New developments in 2008

Price/performance ratio

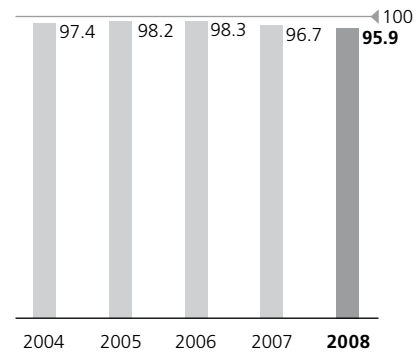
Domestic letters | Delivery times*

Percentage of mail that reached recipients on time

A Mail letters



B Mail letters



* Punctual delivery means the next day for A Mail and by no later than the third working day after mailing for B Mail

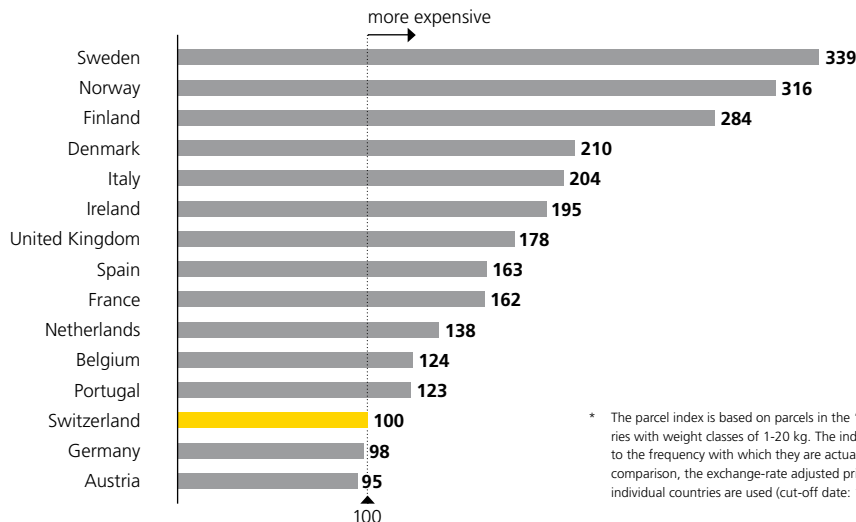
Acceptance, transport and delivery of PostPac Priority, PostPac Economy, bulk goods with additional services such as COD, fragile or signature. Courier and express services for the speedy delivery of letters and parcels. See page 51 for volume trends.

Postal carriers now also pick up parcels from private customers on their delivery rounds. Customers generate a franked parcel label online with WebStamp and specify their preferred pick-up date.

The Center for Research in Economics at the University of Fribourg developed a price index for parcels (parcel post index) on behalf of Swiss Post. This index is based on a given basket of postal products, the prices of which in other countries, converted into Swiss francs, are compared to prices in Switzerland. The individual products are then weighted with the mail volumes in Switzerland. The parcel post index thus corresponds to a conventional international price index based on the Laspeyres concept.

Parcel post index*

2008, indexed, Switzerland = 100



* The parcel index is based on parcels in the "PostPac Priority" and "PostPac Economy" categories with weight classes of 1-20 kg. The individual parcel categories are weighted according to the frequency with which they are actually used by Swiss consumers. For the purpose of comparison, the exchange-rate adjusted prices of the (former) state-run postal company in the individual countries are used (cut-off date: 15 January 2009).

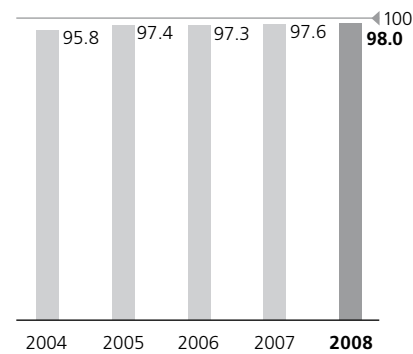
According to the index (aggregated quality levels), only Germany and Austria deliver parcels more cheaply than Swiss Post. France is 46 percent and Italy 84 percent more expensive (► 14).

In 2008, Swiss Post delivered over 100 million parcels. In comparison to the previous year, 2008 saw a further improvement to its already high quality standards: up 0.4 percentage points to 98.0 percent for PostPac Priority and up 1.2 percentage points to 98.7 percent in the case of PostPac Economy. These excellent results demonstrate that, even ten years on, the technologies used in Swiss Post's parcel centres are still among the most modern and reliable.

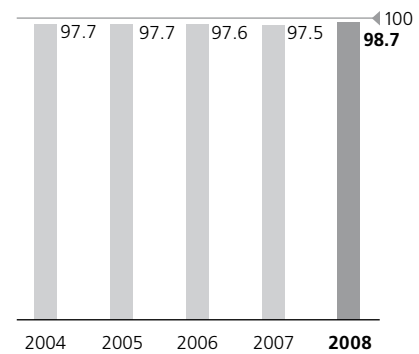
Domestic parcels | Delivery times*

Percentage of mail that reached recipients on time

PostPac Priority



PostPac Economy



* Punctual delivery means the next working day for PostPac Priority and the next-but-one working day for PostPac Economy.

Post office network

Offering

Swiss Post provides its customers with an efficient and dense network of 2,195 post offices and 208 agencies (post office counters in village shops) throughout Switzerland.

New developments
in 2008

Customers can withdraw money using a PostFinance card and pay invoices electronically in the agencies ("post office in the village shop"). Self-service scales for weighing letters and parcels are also available.

One new service is the ability to order and pay directly for extracts from the criminal records database at 2,000 post office counters. The customer presents proof of identity and the data are transmitted over a secure Internet connection to the Federal Office for Justice, and the document is delivered a few days later directly to the home address. The fee for the extract is 20 francs, irrespective of how it is ordered. Almost 40 percent of all criminal records database extracts issued by the Federal Office for Justice in 2008 were ordered at post office counters.

1,800 PostShop post offices also offer customers a home-delivery service for orders. Swiss Post is therefore meeting a significant demand from people living in rural areas, as many goods were previously only available in larger shops. The way it works is that households within the catchment area of a post office receive a voucher booklet in their letterboxes every month. Customers hand in a voucher specifying the product they want at their post office counter and pay in cash or using a PostFinance card. The goods are then delivered to their home address free of charge.

Post office managers visit small and medium-sized enterprises (SMEs) regularly, or invite their most important clients at least once a year to a customer event. They advise customers on all aspects of logistics and regularly inform them about new products and services.

Financial services

Offering

Investments, setting money aside, payments: private and Deposito accounts, medium-term notes, retirement accounts and funds, life insurance, securities custody accounts, mortgages. Payment transactions in Switzerland and abroad, travel money services, e-finance platform, e-billing.

New developments
in 2008

Since the middle of the year, anyone who has stopped working temporarily or permanently has been able to open a vested benefits account with PostFinance and deposit their pension fund assets ("2nd pillar"). Offered in cooperation with the Rendita Vested Benefits Foundation, the vested benefits account is managed free of charge and offers an attractive rate of interest.

Several thousand new ticket vending machines that accept the PostFinance card as a method of payment for bus and tram tickets were installed throughout Switzerland in 2008. Among other things, this was possible because PostFinance reduced its transaction prices for small amounts. See also the section "Business customers", page 87.

PostFinance developed the Plus Set which allows customers to have several accounts. There are no charges for the Plus Set for all customers with a mortgage, a life insurance policy or deposits of 25,000 francs or more. Accountholders can now also withdraw cash free of charge at ATMs abroad.

31 European countries created the Single Euro Payment Area (SEPA) to simplify and standardize transactions in euros. PostFinance currently processes around 1,000 payments a day to recipients at other SEPA financial institutions. Customers therefore save on high transfer charges.

PostFinance cut its charges for investment funds and made some changes: in three of its own funds, PostFinance switched from active to passive fund management and consequently reduced the annual charge by up to 60 percent depending on the fund. In addition, the issuing commission was standardized and is now one percent of the subscription value for all funds. Management of the account remains free of charge. Active funds will now be managed by various leading fund managers according to the multi-manager approach. PostFinance uniquely offers this form of fund management to private customers; other financial institutions offer it only to their institutional customers.

To provide an even better advice service to customers, PostFinance is continuing its programme of converting consulting centres into separate PostFinance branches. Customers are now also able to pay in and withdraw cash here. In addition, a number of new customer advisors have been recruited and trained.

The 24/7 telephone service has been well received, with some 30,000 calls a month being received outside normal office hours.

Passenger transport

Offering

In public transport, PostBus offers over 750 PostBus routes covering over 10,000 kilometres and around 12,000 stops, as well as additional tourist routes, excursions, ScolaCar school buses and PubliCar dial-a-ride services.

New developments
in 2008

PostBus added new services when the new timetable came into force in December 2008, introduced some new routes and optimized the timetable, especially at shoulder periods and during the night. From 2009 a total of 3.5 million extra scheduled kilometres will be driven.

In Zurich, PostBus customers now receive information about the next stop, the final destination and the current traffic situation. To do this PostBus introduced its own operational control centre with two full-time posts and installed on-board computers and screens in around 130 Zurich Postbuses. The new system was tested and rolled out in cooperation with the Zürcher Verkehrsverbund (ZVV, Zurich's integrated public transport network).

PostBus subscribed to the “Veloselbstverlad” national accompanied bicycles scheme and now offers the entire range of tickets for bicycles that are accepted by the Swiss Federal Railways SBB and most other train operators and transport companies. Customers therefore benefit from more favourable prices and can purchase just one ticket for their entire journey. In tourist areas Postbuses fitted with cycle racks at the rear now make transporting cycles much easier.

During the UEFA European Championship in 2008, PostBus put on extra buses in conurbations during the evenings on 23 days. PostBus transported some 50,000 passengers with extra services from fan camps and park & ride sites.

Every year PostBus and the Swiss Association of Public Transport present the “FLUX” award to a transport node which customers find excellent, both operationally and in terms of design. The 2008 FLUX award went to Baden railway station. The jury found that the City of Baden had best succeeded in exploiting the economic potential in and around the station. The prize was presented at the Movimento forum for mobility in Berne under the motto of “Business development potential at transport intersections”.

With mobile tagging, travellers can view a timetable on their mobile phones. All they need to do is photograph the tag on the stop and the times of the next three Postbuses will be transmitted instantly. Following the successful pilot scheme last year in Appenzell, the project was developed further in 2008 and was introduced between Neuchâtel and Bienne as well as around the city of Berne.

PostBus received a Silver award for mobile tagging at the 2008 Public Transport Innovation Awards ceremony in Berlin. In particular, the genuine added value of mobile tagging for customers was praised. The prize is awarded to innovative and promising products or concepts for transport providers.

Business customers Offering

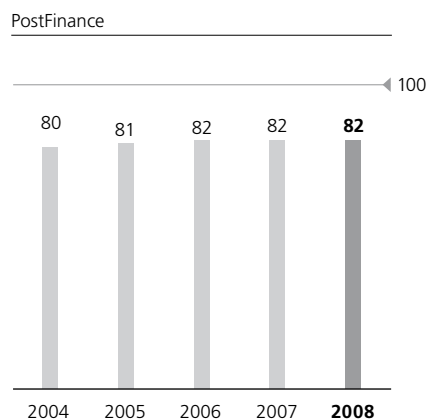
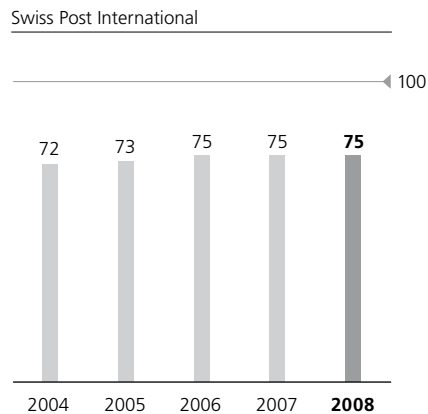
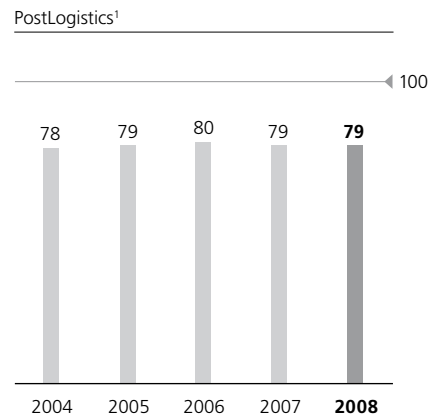
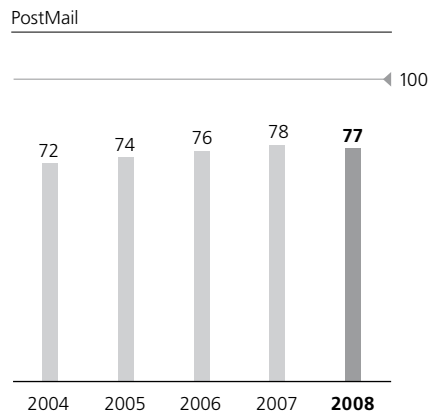
Our offering for business customers ranges all the way up from standardized services and products, from which private customers and SMEs also benefit (see also the section "Private customers", page 78), to individual service packages and tailored solutions for major corporations. For the sake of simplicity, we have broken our offering for business customers down into five service packages: letters, logistics, direct marketing, print media, document and dialogue solutions. In addition, PostFinance and PostBus also offer specific services for business customers.

Customer satisfaction

Customers perceive Swiss Post to be an entrepreneurial and reliable partner. In our 2008 customer survey, they again gave us good marks. Business customers particularly appreciate the efforts of Swiss Post to adapt to their changing needs, and are very happy with our customer advisors and delivery personnel.

Business customers | Customer satisfaction

scale 0 to 100, 100 = maximum satisfaction



¹ Customer satisfaction for the PostLogistics Group unit was measured for the first time in 2007; the figures for previous years are those for the former PostParcels unit.

² The customer satisfaction figures for the Strategic Customers & Solutions Group unit will be disclosed for the first time in 2008; the figures from previous years are those of the Strategic Customer Management unit.

For the last ten years customer satisfaction has been measured annually by an independent market research institute.

Letters Offering

The "letters" service package comprises services such as various mailing options to Switzerland and abroad for individual letters and bulk mail, automatic franking solutions as well as the delivery and collection of consignments.

New developments in 2008

Business and private customers can put empty printer cartridges in a pre-franked addressed RefillPost bag and hand them in at the counter. Two to three working days later they will then receive their cartridges refilled. RefillPost is environmentally friendly and costs up to 50 percent less than a new cartridge.

The International Post Corporation (IPC) awarded the IPC Certificate of Excellence to the international letter centre at Zurich-Mülligen and the Exchange Office at Zurich airport. This is only awarded in recognition of the highest international standards after the preprocessing and delivery processes for cross-border consignments have been extensively examined.

Logistics Offering

The logistics service package includes services such as national and international freight and warehouse logistics (parcels, express, courier, small consignments, overnight deliveries), international shipments (up to 500 kg) to over 200 countries with additional services such as customs clearance, security logistics (ATM replenishment, transportation of cash and valuables) and e logistics (combining physical logistics with integrated IT solutions).

"Swiss Post developed packaging for temperature-sensitive medicines."

New developments in 2008

For customers in the pharmaceutical industry Swiss Post developed Disopet Cold, reusable insulated packaging for transporting temperature-sensitive medicines. The customer orders the required number of Disopet Cold packages online or by fax and receives the boxes together with the cooling elements on the requested date. The packaging material remains the property of Swiss Post and is cleaned and stored.

In collaboration with the firm of Murpf AG, Swiss Post is now also offering to transport small consignments (pallets) of temperature-sensitive merchandise such as frozen food or chilled medication.

Hospitals, fire brigades, hotels, public transport operators and many other organizations provide their employees with work uniforms. Swiss Post can handle this entire process: procurement, production supervision, storage, transport, delivery, ordering, cleaning and disposal. It uses a specially developed IT solution which utilizes its many years of experience with uniform management for several tens of thousands of Swiss Post employees.

For INTERSPORT during UEFA EURO 2008, Swiss Post was responsible for building and dismantling all sales stands, as well as for supplying and replenishing fan merchandise. INTERSPORT operates almost a hundred fan merchandise stands in and around eight stadia in Switzerland and Austria.

Since the beginning of 2008, Swiss Post has been handling import and export customs clearance for companies involved in cross-border goods shipments. These firms benefit above all from fast and cost-effective customs processing and from cash flow advantages in their VAT payments.

With a common distribution concept, SPI Germany and primeMail have joined forces to offer their customers worldwide additional products and services as well as a single point of contact. Sales representatives from the new organization serve their customer contacts from Frankfurt, Hamburg, Nuremberg, Stuttgart and Troisdorf near Cologne.

Direct marketing

Offering

The direct marketing service package comprises services designed to maintain customer loyalty and support the interaction between companies and their customers: addressed and unaddressed mailshots for Switzerland and abroad, the production of mailings and cards with additional services such as project management or system solutions, as well as allied services such as address or response management.

New developments
in 2008

With its "PromoPost" Saturday delivery, Swiss Post provides an inexpensive option for delivering unaddressed mail on Saturdays, a day on which the volume of advertising mail is usually low. The experience of customers is that response rates can be as much as 20 to 30 percent higher.

DirectFactory is a platform on the Internet where customers can design addressed mailings or postcards themselves online. Swiss Post arranges for their production and punctual delivery. In 2008, additional practical functions and creative products were developed and launched.

Swiss Post won the Silver Award for its free customer magazine DirectNews in the media integration category of Europe's biggest competition for corporate communications "Best of Corporate Publishing".

Swiss Post was also the recipient of the Comenius EduMedia Medal, an award for European educational media, for its free online dialogue marketing courses.

Print media

Offering

The print media service package comprises services such as the national and international delivery of subscription newspapers and magazines, daily papers or monthly periodicals, local and regional newspapers, as well as early and special deliveries, production (dispatch preparation), marketing, sales and administration (subscriber management).

New developments
in 2008

Swiss Post's "Abopromotion" vertical-market solution helps publishers acquire new subscribers. Swiss Post distributes the respective newspaper to households who do not yet have a subscription, and the publisher then contacts the potential customers by telephone a few days later. A pilot scheme has shown promising interim results.

Document and dialogue solutions

Offering

The document and dialogue solutions service package includes services such as mailroom management (internal mail services), document processing management (data entry and document processing) as well as archive management (physical and electronic document archival). In addition, Swiss Post networks companies and provides the infrastructure and many additional services. It offers solutions for e billing and e payment (full range of electronic billing and payment services), e-commerce (all-round solutions as general contractor), e-archive (alternative to an organization setting up its own electronic archive), and e-logistics (platforms for networking all the partners involved in a process).

New developments
in 2008

Looking ahead to the national census in 2010, Swiss Post offers cantons and municipalities support for recording data on households. Swiss Post and the Federal Statistical Office have jointly developed a standardized process and an inexpensive national service which encompasses procuring the necessary data sources, electronic consolidation and verification by postal

carriers. The cost to municipalities is small, while the Federal Statistical Office will obtain accurate information about the size and composition of households. Under its obligation to observe postal secrecy, Swiss Post guarantees data privacy and all the data gathered will be destroyed once the work has been completed.

Swiss Post offers its business customers an e-archive service. Organizations can use this to securely archive data and documents for the period prescribed by law, without the associated costs of creating their own archival infrastructure. They can depend on our robust, secure and efficient archive infrastructure and can access the archived material at any time.

In collaboration with Swiss Tourism and Swiss Snowsport, in 2008 Swiss Post issued the first stamp in the world to feature an integrated BeeTag. This image code allows users to access the Internet via their mobile phones and obtain up-to-the-minute information. The potential for mobile interaction is enormous and will enable new types of customer dialogue and communication.

“With its e-archive service Swiss Post offers secure archiving for the period prescribed by law.”

Business customers can link their own accounting software to WebStamp Business via an interface, and can then also have their invoices franked during printing. The user-designed digital postage stamps can feature a company's logo or an advertising slogan. The postage is charged directly to the postal account.

Together with customers in the mail order industry, Swiss Post is developing an IT solution which will directly connect over 350 PickPost locations to the website of the mail order company. During each online order, the customer chooses the delivery mode and also the desired Pick-Post location. The IT solution can also be adapted for other mail order firms.

Swiss Post plans to offer an electronic P.O. box from 2009. This is aimed at frequent travellers. They will still have one fixed address, but Swiss Post will make deliveries physically or electronically to whatever address they specify. Customers can decide on screen whether Swiss Post should destroy an item or open it. Swiss Post intends to roll out this practical service initially in Switzerland and neighbouring countries.

Swiss Post offers its online Repairnet application to all parties involved in repair processes. The current repair status of an item (e.g. a mobile phone) is visible to everyone involved, such as sales outlets, service centres or warehouses.

PostFinance services Offering

Offering for large companies: business accounts, e-Deposito accounts, national and international payment transactions, custom financing of liquidity, current and fixed assets, solutions for accounts receivable and payable. Payment transaction solutions for banks and financial institutions in Switzerland and Liechtenstein.

New developments in 2008

With Mobile Payment, PostFinance enables purchases to be paid for with a mobile phone. This service is being continually expanded. Proprietors of unattended farm shops or flower fields can now allow their customers to pay by mobile phone, avoiding the risk of leaving insecure cash boxes lying around. PostFinance debits the purchase price from the buyer's postal account and credits the amount to the vendor. This requires a one-off registration.

If customers pay using a PostFinance card, the retailer or vending machine operator pays a fee to PostFinance. PostFinance has developed a new pricing model for small sums: from 2009, the seller will pay five centimes for amounts up to five francs, or ten centimes for amounts up to ten francs. The price was previously dependent on the number of transactions and was usually over 20 centimes per sales transaction.

If requested, customer advisors can visit the owners of small firms either at home or at their place of business, including on evenings and Saturdays. PostFinance advises customers on both business and personal financial matters. 28,000 customers benefited from this service in 2008.

PostFinance now handles payment transactions for the CIC Bank (Switzerland) AG, a subsidiary of the international bank group Crédit-Mutuel CIC. From 2009 it will also handle transactions for the Banca dello Stato del Cantone Ticino. The Glarner Kantonalbank and UBS have already been making use of this service since 2007 and 2005 respectively.

PostBus services

Offering

In the field of public transport, PostBus is a system provider partner for cantons and municipalities.

New developments in 2008

PostBus has set up two centres of excellence: one for DILAX passenger counting systems in Basel and one for ticket inspection and payment collection in Zurich.

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Conventions in this section

■ Presentation of values

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used.

A dash (-) in place of a figure indicates that the value is zero.

■ Presentation of graphics and tables

Colours in graphics and tables signify the following:

■ Current year

■ Previous year

■ Positive effect on earnings

■ Negative effect on earnings

All the graphics are shown to scale to present a "true and fair view".

15 mm is equivalent to CHF 1 billion.

Percentages in graphics are standardized as follows:

Horizontal: 75 mm is equivalent to 100 percent

Vertical: 40 mm is equivalent to 100 percent

■ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

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Added value for employees

Strategic objectives of Swiss Post

To ensure efficiency and create added value for its **employees**, Swiss Post pursues a progressive human resources policy (► 17) and fosters the motivation and willingness to perform of its workforce.

In terms of the sustainable development of its business, however, this added value can only be created if Swiss Post also creates added value for its **owner**, its **customers** and **society**.

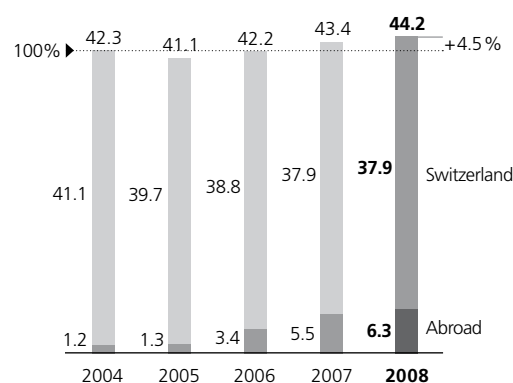
To create added value for the owner as an investor, Swiss Post must ensure and extend its competitiveness. It does so by fostering innovation, achieving profitable growth, and leveraging potential efficiency savings (see the section "Added value for the owner as an investor", page 49). By developing the range of services it offers, pricing its products competitively and providing high-quality customer support, Swiss Post can increase sales and consequently create added value for customers (see the section "Added value for customers", page 77). Our further development of the basic service, constructive contribution to shaping the regulatory framework, and socially responsible actions increase our service performance and create added value for society (see the section "Added value for society", page 103).

Jobs

While the number of employees at the parent company fell, that for the Group as a whole rose – this trend also continued in 2008.

Group | Number of jobs

Percentage of 2004 figures, 000 full-time jobs



Declining mail volumes and optimized logistics processes continued to contribute to the fall in headcount at the parent company (500 full-time equivalents). The average headcount for Swiss Post Group as a whole increased by the equivalent of 731 full-time positions in 2008.

Group and parent company* | Headcount

2008 with previous year for comparison

		2008	2007
Headcount at Swiss Post Group	Persons	59 184	58 067
Abroad	%	11.6	10.6
Headcount at Swiss Post Group	Full-time equivalents ¹	44 178	43 447
Abroad	%	14.2	12.7
Employees (Swiss Post)	Full-time equivalents ¹	32 919	33 419
Total departure rate at Swiss Post	As % of average headcount	11.1	10.2
Fluctuation rate (voluntary departures) at Swiss Post	As % of average headcount	4.8	4.5
Notice given by employer for economic reasons	Number	78	92

* Parent company = all Group units of Swiss Post (excl. domestic and international subsidiaries)

¹ Average headcount expressed as full-time equivalents.

Additional key figures and explanations can be found in the table of figures (► 99).

For the socially responsible aspects of providing jobs in the regions (► 13) see page 104.

Group | Headcount by segments

2008 with previous year for comparison

Full-time equivalents¹

	2008	2007
PostMail	17 594	14 370
PostLogistics	5 294	5 105
Swiss Post International	1 294	1 133
Strategic Customers & Solutions	6 109	5 306
Post Offices & Sales	7 055	10 997
PostFinance	2 889	2 709
PostBus	1 570	1 521
Other	2 373	2 306

¹ Average headcount expressed as full-time equivalents.

Additional key figures and explanations can be found in the table of figures (► 99).

The shifting of delivery personnel (3,600 full-time equivalents) across from Post Offices & Sales to PostMail explains the large increase and decrease in headcount at these two units.

Swiss Post also created new jobs: PostFinance took on 142 full-time equivalents in its Products and Market & Sales departments. Strategic Customers & Solutions acquired a number of firms and consequently increased its headcount by several hundred full-time equivalents.

Employer Diversity management

Swiss Post understands diversity management to be more than simply equal pay or the promotion of women. It is also about integrating different generations, cultures, lifestyles and disabilities. For Swiss Post, this means practising diversity in its day to day operations – in its selection of employees, forms of work and above all in the composition of teams. Diversity management is anchored in Swiss Post's strategy because this approach is also in our clients' interest. We are confident that this creates added value for customers and the Group, as mixed teams understand our customers better and are more in tune with their needs. This is why, if they have the same qualifications, we give preference to women and linguistic minorities.

Parent* | Key figures for diversity management

2008 with previous year for comparison

		2008	2007
Gender			
Men	%	49.1	49.2
Women	%	50.9	50.8
Women in management			
Percentage of women on Board of Directors	%	20.0	22.2
Percentage of women in Executive Management	%	0.0	0.0
Percentage of women in senior management posts ¹	%	8.1	8.6
Language diversity (mother tongue)			
German	% of employees	66.1	66.4
French	% of employees	21.4	21.4
Italian	% of employees	7.4	7.4
Romansh	% of employees	0.7	0.7
Other	% of employees	4.4	4.1
Nationalities			
Switzerland	% of employees	89.5	89.9
Non-Swiss	% of employees	10.5	10.1
Nationalities represented	Number	118	112

* Parent company = all Group units of Swiss Post (excl. domestic and international subsidiaries)

¹ Excluding Executive Management.

Additional key figures and explanations can be found in the table of figures (► 99).

Career, family, leisure

Increasing numbers of employees are seeking to realize their own individual aspirations and to harmonize career, family and leisure. Achieving a balance between work and home life is therefore also a key human resources issue at Swiss Post. (► 17) We consequently offer modern working time models such as flexitime, part-time working, annual working hours and job sharing. This is because Swiss Post recognizes that men and women who are able to adapt their working hours to suit important personal or family needs perform better at work. During the year under review, over 45.7 percent of all staff worked part-time, i.e. less than 90 percent of a full working week, including an increasing number of men (16.7 percent). Since 2003 the proportion of managerial staff working part-time has risen from 5.1 to 9.6 percent. In addition, Swiss Post provides crèches for staff and contributes to the cost of external childcare.

Parent* | Part-time¹

2008 with previous year for comparison

		2008	2007
Total part-time	%	45.7	45.2
Men	%	16.7	15.7
Women	%	73.5	73.8
Part-time working within management	%	9.6	9.2
Men	%	6.0	6.0
Women	%	31.2	30.8

* Parent company = all Group units of Swiss Post (excl. domestic and international subsidiaries)

¹ Part-time = less than 90 percent of standard working hours.

Additional key figures and explanations can be found in the table of figures (► 99).

Our "part-time in management" programme aims to increase the proportion of women to 13 percent by 2010. Swiss Post is therefore also seeking to recruit female academics who plan to return to work after taking a break to start a family, and is supporting the "Women back to business" course at the University of St. Gallen. Over the past five years we have almost doubled the number of women in senior management within the Group from 22 to 41 (8.8 percent). Just under 21 percent of approximately 4,000 managerial posts are held by women.

New legislation on family allowances with prescribed minimum amounts will come into force on 1 January 2009. Swiss Post has always been more generous to its employees in the past and will remain so.

Workplace health management

Swiss Post is setting up a centre of excellence for workplace health management which will extend, systematize and strengthen the company's healthcare initiatives that have already been in place for a number of years. Together with other major Swiss corporations, Swiss Post developed standard quality criteria for workplace health management under the auspices of the European Network for Workplace Health Promotion (ENWHP). This unique quality label awarded to companies that invest in motivated, healthy and productive employees is called "Friendly Work Space". It links up previous individual workplace health promotion initiatives and is integrated in existing management systems. In addition to optimum working conditions, workplace health management requires further measures to promote health/prevent illness, along with workplace case management, and seeks to encourage employees to take responsibility for their own health.

Since 2001 the number of occupational accidents has fallen by 10.1 percent, and in 2008 stood at 6.2 per 100 full-time equivalents. The reduction in the number of occupational and non-occupational accidents, and the concomitant fall in consequential costs, could represent a significant competitive advantage in a deregulated market. We are systematically implementing accident prevention measures at our operating facilities with a management system for occupational safety. Workplace safety experts help local managers identify unsafe practices and situations, and recommend improvements. Audits are regularly conducted to check compliance and the implementation of measures. Our campaign "Lift right – carry right" in collaboration with the Suva Swiss Accident Insurance Fund made employees aware of common mistakes when lifting and carrying heavy loads and showed them how to do it correctly and put less strain on their bodies. In order to reduce the impact of non-occupational accidents, employees were also offered cycle helmets at a discount rate as part of awareness campaigns.

PostLogistics engaged physiotherapists to demonstrate directly to employees in its plants the most ergonomic ways of lifting, carrying, sitting or standing. Any employee who suffers acute pain can contact the physiotherapists directly for an appointment. It offers strength training under expert guidance in its parcel centres so that employees can strengthen their musculo-skeletal system in particular. Swiss Post ran a special campaign to make employees aware of the ban on alcohol at the workplace and the consequences of excessive alcohol consumption. Flu vaccinations and seminars aimed at helping people give up smoking are also offered. Line managers receive training in health management and learn to conduct "health dialogues" with staff. For instance, following an absence as a result of an accident or illness, employees are welcomed back to work and personally informed about changes.

"Swiss Post values the health of its employees highly."

PostMail is actively helping its workforce remain healthy and productive with a number of measures through its "Santé Plus" health promotion programme. The programme takes a top-down approach and was launched with a focus on maintaining mobility. To date over 1,000 senior managers have learned about this issue in more than 100 workshops and have identified measures for their own areas of responsibility. Santé Plus extends the already successfully introduced absence management system to create integrated workplace health management.

In 2008, staff at PostFinance benefited from a health campaign aimed at nutrition. Around 800 people had their eating habits analysed by experts and received tips on creating healthy meals. In addition, employees regularly receive information via the intranet or in newsletters on topics such as stress management or addiction prevention. For the first time, seminars were offered in which managers learned to achieve a balance between the various pressures on them, such as coping with constant change and the drive for high performance.

Parent* | Key figures for health management 2008 with previous year for comparison

		2008	2007
Occupational accidents at Swiss Post	Number per 100 FTEs	6.2	5.6
Non-occupational accidents at Swiss Post	Number per 100 FTEs	15.7	14.7
Costs attributable to accidents at Swiss Post	CHF million	69.6	74.3
Days lost to illness and accidents	Per employee ¹	10.8	11.1
Days lost to illness and accidents	Days per annum	335 465	356 479

* Parent company = all Group units of Swiss Post (excl. domestic and international subsidiaries)

¹ In accordance with the CEC, the employment relationship continues for two years. For employment contracts in accordance with the Swiss Code of Obligations, the employment relationship is discontinued after six months. As a result, the figures are not comparable with other companies.

Additional key figures and explanations can be found in the table of figures (► 99).

Integration of disabled employees

Swiss Post integrates and continues to employ people with disabilities. This is a principle we have followed for many years already. To avoid disability, we aim to get sick and injured employees back to work as quickly as possible. Effective absence management systems also help here. Line managers are assisted in this important task by qualified health managers and welfare counsellors. In addition, Swiss Post offers seminars on resource management as a preventive measure.

Counselling and support in emergencies

We support, advise and help employees in crisis situations – confidentially and free of charge. In counselling sessions, we seek to strengthen their personal skills and self-reliance. We offer support and counselling in particular in relation to conflicts within the family or in relation to a partner, problems at the workplace, and addiction or financial difficulties. We also combat all types of abuse of power such as sexual harassment and bullying. In 2008, Swiss Post's 28 welfare counsellors provided advice to around 2,900 employees and were speakers at or organized one of 55 seminars.

Swiss Post supports employees and retirees from the Group whose financial resources are modest or who find themselves in financial difficulties from the "Swiss Post Employee Fund Foundation". This foundation provides non-repayable grants to contribute towards the costs of illness and accidents or to help with children's education. It also supports family holidays with around 60 low-cost holiday apartments financed by the fund, and offers loans at a low rate of interest. In 2008, non-repayable grants amounting to 760,000 francs and low-interest loans totalling 602,000 francs were awarded, providing support to 432 employees. The foundation is funded by interest from its assets, which at the end of the year totalled 59 million francs.

Pension fund

Since 1 January 2008, Swiss Post has insured its employees in a progressive pension scheme, a combination of a defined benefit plan and defined contribution plan, with retirement provision being insured on a defined contribution basis, while risk cover such as for disability or death is based on defined benefits. The risks are therefore borne jointly, while every insured person saves for their retirement individually. The retirement pension is calculated on the basis of the contributions actually paid by the employer and the employee plus interest. Policyholders are able to choose each year between three savings plans, depending on their particular savings goals and individual financial circumstances.

In order to build up reserves for fluctuations in asset values, 250 million francs were paid into the pension fund from the Group's profits for 2007. Like all other employee benefit funds, however, the Swiss Post Pension Fund also suffered as a result of the great turbulence on the capital markets, although both the Board of Trustees and the Investment Committee kept the situation under close observation and made decisions conscious of the risk. The Swiss Post Pension Fund closed the year with coverage of less than 90 percent (coverage at 31 December 2007: 102.1 percent). To improve the financial situation, Swiss Post is paying an additional 50 million francs into the pension fund as an employer's reserve (with a waiver of usage until coverage reaches 100 percent again).

Key figures for pension fund

2008 with previous year for comparison

		2008	2007
Coverage of Swiss Post pension fund in accordance with BVG ¹	%	88.1	102.1
Shortfall of Swiss Post pension fund in accordance with IFRS ²	CHF million	3 541	1 642

¹ Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans.

² See page 152 of the financial statements.

Additional key figures and explanations can be found in the table of figures (► 99).

Employee development Leadership culture

Leadership and cooperation (► 9) are based on respectful, fair and cooperative interaction as well as on open and transparent communication. Under our motto "together we are strong", we seek to encourage self-initiative and individuals' willingness to accept change. We do not tolerate discrimination or harassment.

Motivation and willingness to perform

Overall, Swiss Post's employees are well-motivated and satisfied with their job. These are the findings of an employee survey conducted for the eleventh time by an independent external body. At between 70 and 100 index points, the results for motivation/willingness to perform were at the same high level as the previous two years. In 2008, employee satisfaction was rated at 66 points, a figure which has barely moved over the last ten years, despite the fact that the period was marked by great changes and restructuring had a far-reaching impact on many people. 68 percent of employees answered around 100 hundred questions, 4 percent

**Training
 and professional
 development, junior
 talent training**

more than in the previous year. All in all, the survey presented a positive overall picture, although there is a need for action here and there in some units.

Swiss Post supports vocational training (► 23-24) and professional development to strengthen our performance and boost innovativeness. In this way we ensure that our employees are constantly extending their knowledge and skills.

Each year Swiss Post offers many young people traineeships leading to a qualification recognized by the Swiss Federal Office for Training and Technology (BBT): in 2008 we employed a total of 1,571 trainees (6.2 percent up on the previous year) across Switzerland who were attending courses in the fields of logistics, sales/communications, IT and servicing. We deploy trainees in a variety of work settings to ensure they become highly employable on the job market. For instance, trainee retail staff managed a post office alone for the first time and served customers at the counter themselves (with experienced advisors available for assistance if necessary). 99 percent of our trainees passed their final examinations in 2008. Since 2004 the number of traineeships has risen by more than 40 percent. Swiss Post is recruiting 700 trainees to join our 2009 training programme, equivalent to 4.6 percent of the workforce.

Group (Switzerland) | Key figures for vocational training

2008 with previous year for comparison

		2008	2007
Trainees at Swiss Post Group in Switzerland	Persons	1 571	1 473
New hires	Persons	633	606
Ratio of trainees to employees	As % of headcount	4.1	3.9
Percentage of trainees taken on	%	91	91

Additional key figures and explanations can be found in the table of figures (► 99).

Swiss Post employs over 100 HR specialists, internal and external coaches and trainers for the further development of its workforce. The primary aim of the broad range of Group-wide training courses offered is to promote leadership, social, self-awareness and method-related skills. The range of courses available throughout the Group is reviewed annually and adapted to cater to evolving challenges. In 2008, over 3,150 people took part in around 200 one-day and multi-day seminars and workshops. As a result of the increased internationalization of Swiss Post, seminars to promote intercultural understanding were also offered in English. Swiss Post fosters the linguistic skills of our employees in German, French, Italian, English, Spanish and Swiss German. In 2008, the internal language training unit ran approximately 160 individual, weekly or intensive courses which were attended by over 700 staff. The Group units additionally offer a wide range of specialist courses and seminars. The extent to which Swiss Post sets aside time and financial support for internal or external training is dependent on the individual's own development needs and on the company's need for qualified employees.

The Post Offices & Sales unit further developed its internal ESCOLA training programme which offers employees specific courses to improve their specialist, leadership, social, self-awareness and method-related skills. The intention of Post Offices & Sales is to strengthen its workforce to face the strategic challenges ahead, and help them cope better with the numerous changes involved. To date, around 1,500 participants have attended a total of 57 courses.

As far as university-level graduates are concerned, Swiss Post is seeking to improve its position. The contest to win the best heads is getting noticeably harder. We offer new graduates the opportunity to take the first steps in their career and acquire skills in a wide variety of disciplines. In 2008, around 50 students and graduates completed an internship at Swiss Post or joined our trainee and PhD programme. The trainee programme allows graduates to familiarize themselves with two areas and participate in strategic projects over 18 months. An internship usually lasts between three and six months, offers the intern a chance to become actively involved in projects and can be started as early as the fourth semester. The PhD programme is designed to support academic work and theses on a variety of postal-related subjects.

Swiss Post opened a "Driver training centre of excellence" with its own driving school. From September 2009 all professional drivers of vehicles for carrying passengers or freight must obtain a proficiency certificate in addition to their driving licence. This certificate will be valid for a period of five years only and will only be renewed if the driver can show evidence of five training days over five years. Only firms approved as training centres by cantons and whose staff have the necessary teaching licence will be permitted to run these courses. Employees of other transport providers and private individuals will also be able to attend the courses. PostBus' centre of excellence complies with the European Union directive on training professional drivers of vehicles for the carriage of goods or passengers, and also implements the ordinance on driver certification passed by the Federal Council in June 2007.

"Swiss Post has special university programmes for recent graduates."

Promoting marketability

400 employees from the Group's PostMail and PostLogistics units commenced retraining as logistics assistants in 2008, and a further 400 will follow in the autumn of 2009. With its ValiPoste programme, since 2006 Swiss Post has been promoting the internal and external marketability of its employees who qualified under a monopoly training scheme (e.g. former uniformed postal workers). Building on their original training, the skills they have acquired in practice, and supplemented by further specific training, employees can gain a Swiss proficiency certificate as a logistics assistant. This exceptional retraining programme was explicitly recognized as an alternative qualification route by the Swiss Federal Office for Vocational Training and Technology. The proficiency certificate helps these employees gain recognition both within the company and externally, and it will open doors to further vocational training (► 23).

Demographics

Since the end of the 1960s the birthrate has been falling, while life expectancy has gone up. As the population ages, Swiss Post faces a new challenge. The supply of labour will decrease and the proportion of people aged over 50 in society will rise even further. Between 1999 and 2008 the average age at Swiss Post rose from 39.2 to 43.3 (parent company). In view of the anticipated shortage of labour, Swiss Post attaches great importance to maintaining and increasing motivation and willingness to perform among its older employees. We aim to develop our culture of appreciation for older employees and their experience, as well as help them preserve their physical and mental abilities for as long as possible. We therefore offer special courses such as "50+" in which staff examine their own personal history and other life plans and can assess where they are now.

Parent* | Key figures for demographics

2008 with previous year for comparison

		2008	2007
Employees aged 50 to 59	%	27.0	26.2
Employees aged 60 and over	%	4.1	3.5
Average age of staff	Years	43.3	42.8

* Parent company = all Group units of Swiss Post (excl. domestic and international subsidiaries)

Additional key figures and explanations can be found in the table of figures (► 99).

Social partnership Employment contracts

Swiss Post has around 52,300 employees in Switzerland and is thus the country's second largest employer. Its employment conditions are currently governed by two different legal bases: the Public Officials Act (BPG) and the Swiss Code of Obligations.

In view of the existing level of competitive pressures, Swiss Post is in favour of severing the link with the BPG (► 17) and bringing all employees under the Swiss Code of Obligations instead. In a competitive environment, these uncompetitive employment conditions will increasingly become a disadvantage for Swiss Post. To ensure that we remain successful in the long term and can safeguard jobs, Swiss Post needs employment legislation that creates a level playing field. Although Swiss Post is committed to social partnership, we would not wish to see the inclusion of an obligation to agree a collective employment contract in future postal legislation. If the new law deregulates the postal market completely, then Swiss Post must be allowed to operate under the same conditions as its competitors. Swiss Post supports the agreement of sector CECs as we believe that competition should be based on the quality of the products and services provided, not on employment conditions. Adherence to sector-standard working conditions should remain a requirement for operating in the postal market.

Public Officials Act and Code of Obligations

The Swiss Post collective employment contract (CEC) came into force on 1 January 2002 on the basis of the BPG. The majority of postal staff (over 41,000 employees) are subject to this CEC. All other Swiss Post employees have employment contracts based on the Code of Obligations (e.g. the CEC for staff at subsidiary companies and CEC for auxiliary staff) (► 17, 19-22).

Senior management is also subject to the Code of Obligations. Their salaries comprise a basic salary plus a variable performance component. In addition to financial success, key indicators such as customer and employee satisfaction are also explicitly factored into the variable pay component. In addition, the individual's targets are closely aligned with the strategic direction of the Group/unit. For this performance and success-related pay component, the Group's success accounts for 30 percent, that of the unit for 30 percent and individual performance for 40 percent. In this way, management will be even more motivated to think and act in ways that will generate genuine value for Swiss Post in the long term.

The top 400 senior managers can now take a sabbatical – a limited, (partially) paid break from work. The terms and conditions are set out in the Management Regulation. In this way Swiss Post aims to contribute to a healthy work-life balance and foster the innovativeness and creativity of its senior management.

Collective employment contracts

■ Swiss Post collective employment contract (Swiss Post CEC)

The Swiss Post CEC (► 19) guarantees above-average social allowances, bonuses for outstanding performance and benefits such as annual staff vouchers worth 400 francs, a free half-fare rail pass or a discounted annual Mobility CarSharing membership. Salaries are based on function, experience and performance.

■ Collective employment contract for subsidiaries (subsidiaries CEC)

In future, the collective employment contract for divested business units and affiliation agreements will constitute the basis for employment conditions in the event of divestments. The collective employment contract for divested business units governs relations between the social partners and the basic employment conditions. The affiliation agreement covers the specific employment conditions that apply to the particular company in each case (► 21-22).

The subsidiaries CEC differs from the Swiss Post CEC primarily in relation to the provisions for contract dissolution, participation and the obligation to provide redundancy schemes. In addition, separate pay negotiations are held. In all segments and regions, the pay of postal employees is above the market average. Swiss Post intends to continue acting in a socially responsible manner and to remain an employer with the best conditions of employment in the sectors in which it operates. However, socially responsible action also depends to a large extent on the economic success of a company.

International Group units
(SPI & SKL)

Employees of subsidiaries abroad sign individual employment contracts based on the employment legislation in the respective country and what is customary in the respective sector.

Group or parent* | Key figures for employment conditions and remuneration

2008 with previous year for comparison		2008	2007
Employment in accordance with Swiss Post CEC*	Full-time equivalents as %	71.2	74.1
Minimum salary Swiss Post CEC*	CHF per annum ¹	42 746	41 826
Average salary for employees	CHF per annum ²	78 141	77 160
Average remuneration paid to Members of Executive Management	CHF per annum ³	492 781	487 611
Salary bandwidth	Factor ⁴	6.3	6.3

* Parent company = All Group units of Swiss Post (excluding Swiss and international subsidiaries)

1 Minimum salary under the Swiss Post collective employment contract for an 18-year-old employee who has not completed vocational training.

2 Average salary for employees (excluding Executive Management, Board of Directors and employees at management level 1) at the parent company and subsidiaries PostLogistics Ltd, PostBus Switzerland Ltd, InfaPost Ltd, Swiss Post Solutions Ltd, Swiss Post International Logistics Ltd, Swiss Post International Management Ltd, SecurePost Ltd, DocumentServices Ltd, PostMail Ltd, Mobility Solutions Ltd, yellowworld AG, Räber Information Management GmbH, SwissSign AG and EDS Export & Distribution Services AG (not included: Epsilon SA, Bevo AG, MDS AG and Prevag AG).

3 Excluding CEO

4 Average remuneration paid to members of Executive Management vs. average employee salary

Additional key figures and explanations can be found in the table of figures (► 99).

Socially responsible restructuring

For Swiss Post to compete successfully, it must operate economically, adapt to changing market conditions and – where necessary – also reorganize its operating divisions. The restructuring it has undergone over recent years has been carried out with great sensitivity towards employees. Since 2003, 8,511 employees have been affected by the REMA project (redesign of letter centres) and benefited from the solutions in the redundancy scheme worked out at the time: by the end of the year 99 percent had found a new job internally or externally, retired, or opted for a severance package.

PostMail reviewed its delivery organization locations with the aim of optimizing transport and saving on rental costs. The merging or dissolution of sites will require some employees to relocate. Swiss Post has agreed cushioning measures with its social partners, such as financing the difference in pay or granting mobility bonuses for longer journeys to work. The conditions of employment remain essentially unchanged.

We are continuing to do everything in our power to avoid redundancies. First we try to find a new job for the individual concerned within the company, work out appropriate upskilling steps, and provide advice in our own job centre. The job centre offers employees an opportunity to assess their situation, and provides career advice and seminars on topics such as marketability, dealing with change, career planning and submitting applications. In 2008, seven job centre advisors conducted 46 seminars with 792 participants plus 716 individual consultations.

Group (Switzerland) | Key figures for job centre

2008 with previous year for comparison		2008	2007
Individual consultations by job centre	Number	716	1 436
Job centre seminars	Participants	792	1 309

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Conventions in this section

■ Presentation of values

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used.

A dash (-) in place of a figure indicates that the value is zero.

■ Graphics and tables

Colours in graphics and tables signify the following:

■ Current year

■ Previous year

■ Positive effect on earnings

■ Negative effect on earnings

All the graphics are shown to scale to present a "true and fair view".

15 mm is equivalent to CHF 1 billion.

Percentages in graphics are standardized as follows:

Horizontal: 75 mm is equivalent to 100 percent

Vertical: 40 mm is equivalent to 100 percent

■ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

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Added value for society

Strategic objectives of Swiss Post

To create added value for **society**, Swiss Post improves its service performance. It does this by developing the basic service, constructively contributing to shaping the regulatory framework, and acting in a socially responsible manner .

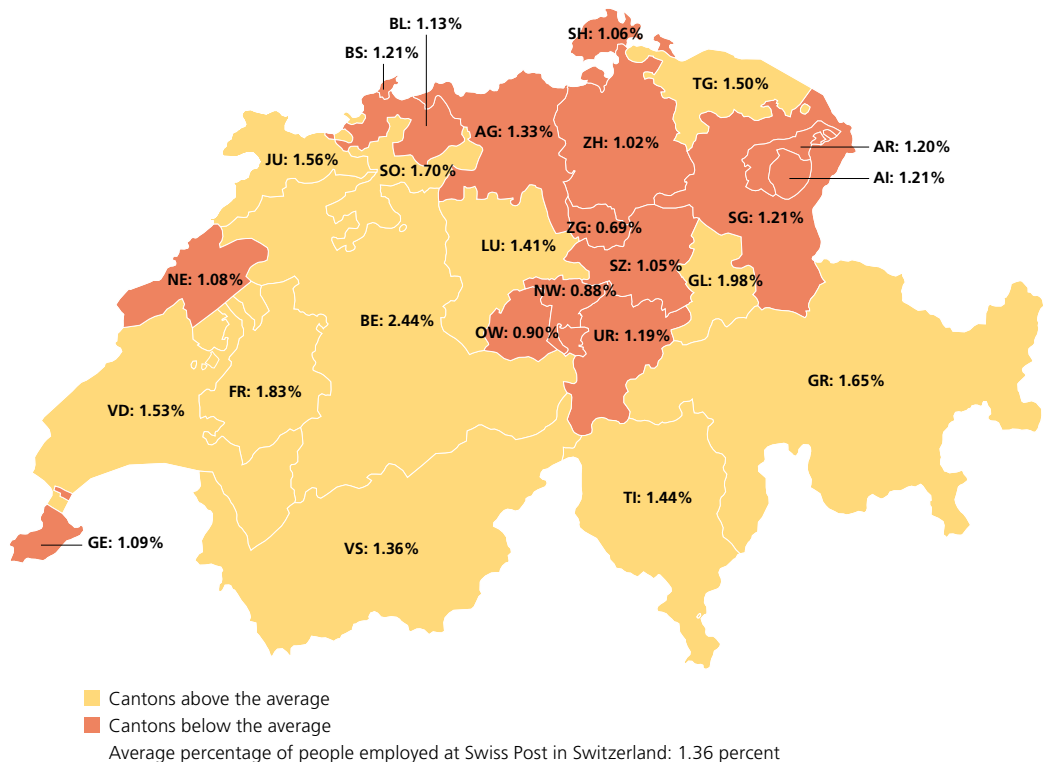
In terms of the sustainable development of its business, however, this added value can only be created if Swiss Post also creates added value for its **owner**, its **customers** and its **employees**.

To create added value for the owner as an investor, Swiss Post must ensure and extend its competitiveness. It does so by fostering innovation, achieving profitable growth, and leveraging potential efficiency savings (see the section "Added value for the owner as an investor", page 49). By developing the range of services it offers, pricing its products competitively and providing high-quality customer support, Swiss Post can increase sales and consequently create added value for customers (see the section "Added value for customers", page 77). A progressive human resources policy along with the fostering of motivation and willingness to perform creates added value for employees and ensures efficiency (see the section "Added value for employees", page 91).

Social responsibility Jobs in the regions

Nearly 10,000 Swiss Post jobs are based in peripheral regions. For around one fifth of these jobs, concentration would make better sense from a purely business point of view. However, Swiss Post wishes to remain a major employer in all parts of Switzerland, and especially in the peripheral regions. (► 13, 16) We are keen to contribute to achieving a balance between urban and rural areas and between the economically stronger and weaker regions. 77 full-time jobs were created in Chur in 2007 and 75 were created in Sion in the summer of 2008 for returns processing and video coding. Since the beginning of 2008, PostFinance has taken on 197 full-time staff for its new computer centre in Zofingen in Canton Aargau. Across the country an average of 1.42 percent of employees work in the industry and services sectors at Swiss Post; the figure is 1.36 percent in peripheral regions.

Switzerland | Percentage of Swiss Post employees in industry and services by canton 2008
Percent



Dialogue with stakeholders

Group (Switzerland) | Key figures for jobs in the regions
 2008 with previous year for comparison

	2008	2007
Jobs in Switzerland	12.0	12.3
Jobs in peripheral regions ¹	13.2	12.9

¹ Definition of peripheral regions based on the Federal Act of 21 March 1997 on Investment Aid for Mountain Regions (IHG). The schedule to this Act lists the individual regions according to the Act and the municipalities within those regions.

Additional key figures and explanations can be found in the table of figures (► 99).

Swiss Post and the Swiss Group for Mountain Regions (SAB) are pioneering new approaches in the development of alpine regions. During the two-year InnoV-Net project, the two partners implemented sustainable projects and supported innovative supply networks in mountainous and peripheral regions of Switzerland. For instance, InnoV-Net investigated how regional centres could be created which ensure good basic services for the local population and consequently enhance their quality of life. In the Engadine commune of Ramosch for example, a baker, supermarket, tourist information centre and post office all moved into one building in order to ensure the continued supply of daily essentials. The final report, which was released at the beginning of 2009, provided examples of how the basic service can be preserved: communities in alpine regions should develop long-term strategies and actively shape change processes in order to remain attractive.

In 2008, Swiss Post continued its dialogue with employees and customers as well as with representatives of politics and business. It sought to make contact over a wide variety of channels: in face-to-face discussions, in written form, via the media and via electronic modes of communication such as the Internet. Members of Executive Management also attended a wide range of events. For instance, as part of the series of talks entitled "Swiss Post at the pulse of Switzerland", CEO Ulrich Gygi spoke at events in Burgdorf, Schaffhausen and Yverdon and answered questions put to him by the public.

Swiss Post also participated in ongoing discussions with the trade unions in 2008. These focused on remuneration for delivery personnel and changes to working conditions and processes as a result of PostMail's optimization of delivery locations. Swiss Post and the unions agreed on a standard classification and pay in relation to it, as well as on a flat-rate mobility bonus and financing the difference in pay in order to cushion the transition. Another issue discussed was the transfer of the Service House unit into the newly established InfraPost AG on 1 January 2009. As a result of the negotiations, the employees will be subject to the collective employment contract for subsidiaries. In addition, Swiss Post will also adopt parts of the generally binding industry collective employment contracts. During the annual pay negotiations for employees subject to the Swiss Post collective employment contract, a pay increase of 3.1 percent across the board was agreed. In addition, 0.8 percent of pay was allocated to individual performance.

Swiss Post communicated regularly with its owner, represented by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Department of Finance. The focal point of the exchanges is always whether Swiss Post is achieving the strategic objectives of the owner. Regular meetings are also held with PostReg, the postal regulator, at which Swiss Post reports on its performance in delivering the universal service.

Through face-to-face discussions and special information channels such as position papers on the issues of the universal service, logistics and international strategy, prices and market liberalization, representatives of politics, business and society were able to hear first hand Swiss Post's stance on various issues. In 2008, discussions focused chiefly on the further liberalization of the postal market, the revision of postal legislation as well as developments in the postal network and deliveries. Swiss Post will seek to continue exchanges on these and other issues of interest to the Group in 2009.

Distribution of added value

During the past year Swiss Post communicated with its customers and the public primarily about its services, new offerings, acquisitions in Switzerland and abroad, new senior appointments and the company's performance in general.

The breakdown of added value shows how the values generated are distributed. Added value measures the amount of our economic output as the difference between turnover and the cost of upstream goods and services that have to be purchased for the service to be provided. In 2008, added value came to 4,875 million francs (2007: 4,925 million francs). The lion's share of the added value generated (79.5 percent) is allocated to employees. The public sector shares in added value through tax revenues. In terms of direct taxes, in accordance with Art. 13 of the Postal Organization Act, Swiss Post is taxed only on the profit from competitive services. All subsidiaries are taxed as part of the Group. All postal services that are not part of reserved services are subject to VAT. In accordance with the Postal Organization Act and in conformity with the Federal Council's strategic objectives, Swiss Post will pay a certain amount of its profit to the Confederation, subject to the Federal Council's decisions regarding the appropriation of profit. In 2009, therefore, 170 million francs will flow back from our 2008 profits into the public purse as a profit appropriation.

Group | Value added

2008 with previous year for comparison

		2008	2007
Added value generated	CHF million ¹	4 875	4 925
to employees	CHF million	3 873	3 851
to creditors	CHF million	22	20
to public sector	CHF million	10	13
to owner	CHF million ²	170	300
to company	CHF million	800	741
for depreciation	CHF million	279	284
for transfer to Swiss Post pension fund	CHF million ²	250	250
for building up equity	CHF million ²	365	359
for other	CHF million	-94	-152

1 Value added = operating result + staff costs + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and investments.

2 Proposed profit appropriation for Swiss Post. See also Financial Report, Swiss Post financial statements, page 192.

Additional key figures and explanations can be found in the table of figures (► 99).

Legal compliance and anti-corruption

Swiss Post checks compliance with internal and external rules on a fiscal and criminal level, taking into account risks such as image, reputation and financial damage to the company. For this purpose it has drafted a specification document setting out binding rules for dealing with the principal areas of risk (data protection, procurement, antitrust law and money laundering). This document contains clear instructions for employees on how to act in certain situations.

“Employees are regularly informed about issues such as money laundering or corruption.”

As part of our prevention measures, since 2004 there have been compliance programmes for the four main risk areas. In the area of procurement, the previous directive was replaced by a new compliance programme in which it is integrated in the broader topic of anti-corruption. Employees are regularly informed in courses about issues such as money laundering or corruption and bribery in procurement.

Procurement chain

We expect our suppliers to comply fully with all statutory requirements, and we give preference to innovative, reliable and efficient companies (► 34). We therefore continuously evaluate all our suppliers, draw up ratings and discuss them with the individual companies concerned. To monitor compliance, suitable contracts were concluded with specialist firms. Foreign suppliers are continuously checked and monitored by external auditors. If a supplier infringes the agreements, in particular the stipulations of our Code of Ethics and Social Responsibility (► 35), it will be delisted.

Development aid

Solidarity is a central issue for Swiss Post. We therefore support postal organizations in developing countries, either in close cooperation with the Universal Postal Union (UPU) or bilaterally. The aim is to continually improve service quality in order to make the worldwide postal network even more efficient. In 2008, we sent experts on transport and bookkeeping to the African state of Cameroon. Swiss Post also supplied operating materials we no longer needed following our new letter centres project (REMA). Over 40 countries expressed an interest, and the first containers have already been shipped to Kenya and Togo.

Public relations

In the area of public relations Swiss Post acts in accordance with both the terms and the spirit of the Code of Athens (► 39) and the Code of Lisbon (► 40). These globally recognized codes set out high ethical standards of behaviour for trustworthy public relations.

Resource efficiency and environmental impact Challenges

In tandem with world trade and global production, the consumption of primary energy has risen dramatically over the last 25 years. In Switzerland, too, total energy consumption reached new record heights during this period. Switzerland is greatly dependent on oil. As a result of a shortfall in supply or increasing demand for fossil fuels, prices for all types of energy could shoot up to record levels once the financial markets have recovered. To reduce dependency on oil, energy efficiency must be improved and greater use must be made of renewable forms of energy such as biomass, wind, hydroelectric or solar power. Moreover, from 2010 a shortfall in electricity supply is anticipated which we will not be in a position to bridge, even with increased energy efficiency measures or the expansion of hydroelectric schemes and other renewables.

Experts calculate that warming of the atmosphere by 0.2 degrees Celsius per decade will not jeopardize biodiversity and our ecosystem. Since the CO₂ emissions attributable to humans are largely produced by fossil fuels, we must drastically reduce our consumption of these fuels. CO₂ emissions are currently running at four tonnes per person worldwide, producing a total of 24 billion tonnes. This is equivalent to power consumption of 1,800 watts per person. To halt climate change, the CO₂ output per person would have to be less than a tonne, which is equivalent to only 500 watts per person. However, 2000 watts per person are necessary to ensure prosperity and economic growth. If we do not want to exceed the 0.2°C temperature rise, the difference of 1,500 watts per person must come from renewable CO₂-free sources. Primary energy consumption is currently 6,000 watts per person in Switzerland.

Environmental objectives

Swiss Post is guided by Switzerland's objectives in accordance with the Kyoto Protocol (by 2012 greenhouse gases to be 8 percent lower than 1990 levels) and by the targets of the EnergieSchweiz programme (by 2010 CO₂ to be 10 percent less than the 1990 level). By setting these targets, we acknowledge the need for action to combat global warming and the greenhouse effect (► 25-28).

Environmental strategy

Environmental performance

Energy

Group (Switzerland)* Environmental objectives	Target for 2010	2007 figure
Consumption of non-renewable heat	Reduce consumption by 10 percent compared with 2000	-15.3 %
Fuel consumption	Reduce consumption by 8 percent compared with 2000	-5.5 %
Consumption of non-renewable electricity	Increase consumption by at most 5 percent compared with 2000	-0.5 %
Paper consumption	Stabilize consumption at 2000 level	+67.9 %
Percentage renewable electricity	Renewable electricity accounts for 1 percent of electricity consumed in 2000	0.9 %
Percentage renewable heat	Renewable heat accounts for 3 percent of heat consumed in 2000	12.1 %
Water consumption	Stabilize consumption at 2000 level	-41.7 %

* Parent company plus PostBus Switzerland Ltd, InfraPost Ltd, Mobility Solutions Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

Together with other postal organizations we continue to participate in an initiative of PostEurop and have committed ourselves to cutting CO₂ emissions by ten percent from 2007 to 2012. (► 28) Each year we use a comprehensive eco-audit (► 30) to identify the relevant environmental aspects and define our targets (► 26).

In order to achieve the defined environmental objectives and create added value for both the company and society, Swiss Post is pursuing an environmental strategy (► 27) with four central planks: cut costs, minimize risks, exploit market opportunities and increase our attractiveness as an employer.

To meet the challenges of climate change, our climate protection strategy (► 28) basically has two thrusts: firstly to improve energy efficiency through process optimization and investment, and secondly to increase the proportion of renewable energies through energy procurement and building plants. If necessary, we will compensate any residual demand that cannot be met by renewable energy by purchasing CO₂ emissions certificates.

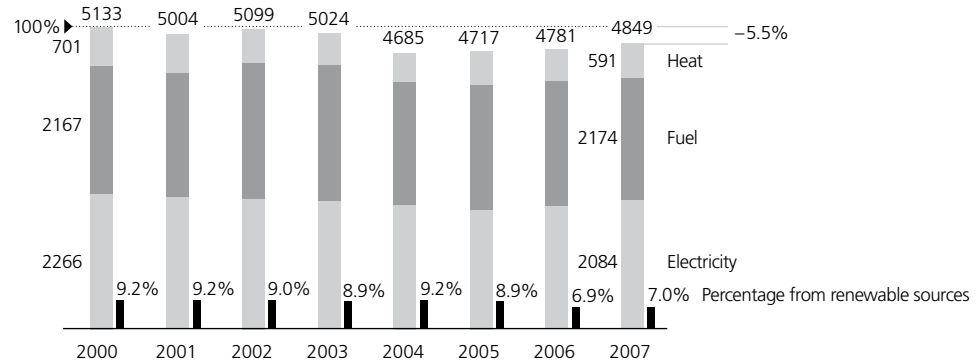
Since 2000 we have reduced our heat requirements by 15.3 percent at the end-use energy stage and by 15.6 percent at the primary energy stage. During the same period we increased the share of heat obtained from renewable sources from 7.5 percent to 12.1 percent at the end-use energy stage. In the last period under review, primary energy consumption increased by 2.1 percent.

Since 2000 the number of journeys has increased by 19 percent. In addition, we are equipping more and more PostBus vehicles with air conditioning and particulate filters, which uses more fuel. Despite this, we have cut total fuel consumption for passenger and goods transport by almost 6 percent since 2000. This was not enough to offset rising fuel costs, however.

Since 2000 we have reduced our electricity consumption by 0.5 percent at the end-use energy stage and by 4.1 percent at the primary energy stage.

Year on year primary energy consumption rose by 2.1 percent. The slight decrease in fuel consumption (-1.4%) was more than offset by a slight increase for heat (+2.9%) and for electricity (+5.4%).

Group* | Energy consumption¹
 2000 = 100%, Terajoule (TJ)

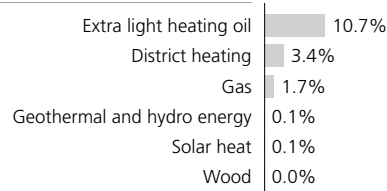


* Parent plus PostBus Switzerland Ltd., InfraPost Ltd, Mobility Solutions Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

¹ Primary energy consumption is the consumption of non-renewable energy resources such as crude oil, gas, coal and uranium. The primary energy consumption for a certain quantity of end-use energy also comprises the energy of all upstream levels of energy provision.

Group* | Energy consumption mix
 2007, Percentage, end-use energy

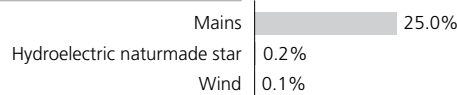
Heat



Fuel



Electricity



* Parent plus PostBus Switzerland Ltd, InfraPost Ltd, Mobility Solution Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

Paper

Compared with the other environmental impacts at Swiss Post, the impact of paper consumption is minor (0.4 percent of overall impact). From 2000 to 2007, however, consumption had risen by 68 percent to over 158 million sheets of A4 paper annually. This amounts to 3,630 sheets per full-time equivalent each year. Despite a variety of initiatives, it was not possible to lower absolute consumption compared with 2007 (+0.5%). In comparison with the previous year, however, consumption per full-time equivalent fell by 2 percent to 3,630 sheets.

By the end of 2007, post offices were printing 7.5 billion sheets of paper annually for cash balance and general reconciliation statements alone. Since the legal requirements have changed, post offices can now archive these documents electronically and consequently cut paper consumption by these 7.5 million sheets. This can save 100,000 francs a year.

Furthermore, Swiss Post uses only FSC-certified printer and copier paper as well as envelopes produced with at least 33 percent recycled paper. Even the staff newspaper and the Annual Report and new brochures are printed on FSC paper. The certificate issued by the Forest Stewardship Council guarantees that the paper has been obtained from environmentally friendly and socially responsible forestry sources. Independent certification bodies regularly monitor FSC forestry operations and downstream processors, verifying a "chain of custody" from the forest through to the final paper product.

Water

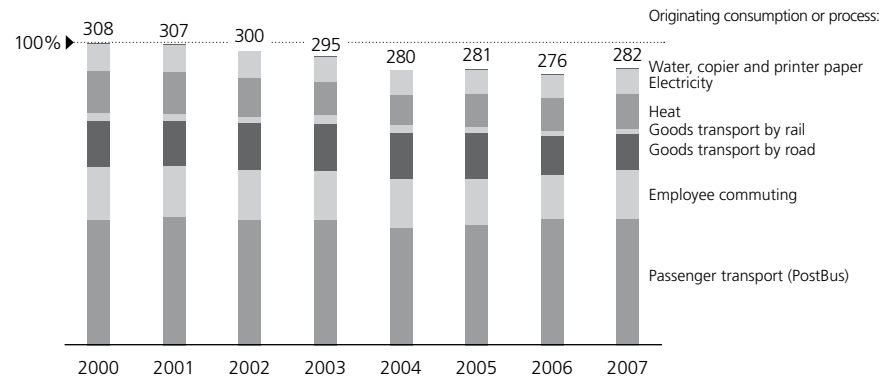
Thanks to numerous measures, water consumption has been falling for many years. With the introduction of eco-cleaning and the use of microfibre cloths, it is possible to dispense with the conventional cleaning agent and water mixture. We are fitting water-saving toilets and taps when buildings are upgraded and refurbished. Swiss Post has sold its own vehicle washing facilities and vehicles are now cleaned by external providers.

Climate

In total we have reduced our climate footprint by 8.5 percent since 2000 and by 11.1 percent since 1998. In the last four years our climate-relevant emissions have barely changed. As a consequence, renewed vigour is required to meet the goals and obligations of the Kyoto Protocol and the EnergieSchweiz targets. We are convinced that with the introduction of the CO₂ tax, our forward-looking strategy (► 27-28) to improve energy efficiency will become a competitive cost advantage.

Group* | Climate footprint

2000 = 100%, 1000 t CO₂ equivalent¹



* Parent plus PostBus Switzerland Ltd., InfraPost Ltd, Mobility Solutions Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

¹ In addition to carbon dioxide (CO₂), other gases such as methane and nitrous oxide also contribute to climate change. In some cases, their impact on climate per kg is considerably greater than that of CO₂. The quantities of the gases weighted with this relative climate-related impact are expressed as CO₂ equivalents.

Waste

The volume of waste increased slightly in recent years. This was tracked in detail for the first time in 2007, with particular attention being paid to the volume of special waste (e.g. batteries, fluorescent tubes, electrical equipment, solvents) because of its greater impact on the environment. Waste is recycled wherever possible. For instance, most electrical equipment is sent to SWICO for recycling. In many medium-sized and larger buildings we have waste disposal schemes for managing separation and disposal or recycling. These schemes apply the principles: reduce, reuse and dispose responsibly.

Incidents

During 2008 there were no incidents involving chemicals, oils or fuel that harmed the surrounding climate, soil, water, air, biodiversity or human health.

Environmental impact

We use an environmental management system (► 29) and eco-audits to document the overall environmental impact of Swiss Post. (► 30) All operational activities for the products and services of Swiss Post, all the way from procurement of raw materials through operations to final disposal, are recorded. These include passenger transport by PostBus, goods transport by PostMail and PostLogistics, operating energy (electricity and heat), consumables (paper, water, waste) as well as employee commuting.

From this comprehensive viewpoint, the overall environmental impact has fallen by 14.6 percent compared with the reference year 2000 (► 26), and by as much as 21.6 percent compared with 1998. This demonstrates that our long-term environmental strategy (► 27) is effective and that our efforts to implement our environmental policy (► 25) are paying off. Year on year our total environmental impact rose by 2.2 percent. This is due to longer employee commuting distances, and to higher consumption of electricity and water.

More than half the total environmental impact of Swiss Post is attributable to the transport of people and goods. Two-thirds of the environmental impact of transport is created by PostBus. However, road-based public transport supports the substitution of car travel in the overall Swiss transport system. A single Postbus carrying 40 passengers replaces up to 40 car journeys.

“During the last ten years Swiss Post has reduced its climate footprint by over 11 percent.”

Of the overall transport service in 2007 amounting to 66.8 million kilometres, road-based transport accounted for 64 percent and rail-based transport accounted for 36 percent. Maximum utilization of the nationwide service came to 80 percent, while average utilization was 59 percent. Since 2000 PostBus has increased the number of services it offers, which has led to a 19 percent increase in journeys. Despite this, impact on the climate remained constant, and energy consumption fell by 2 percent compared with 2000.

Group (Switzerland)* | Key figures for environmental performance

2007 with previous year for comparison

		2007	2006
Resource and energy efficiency			
Energy consumption	GJ of primary energy ¹	4 848 712	4 780 861
Electricity	GJ of primary energy ¹	2 173 516	2 061 443
Heat	GJ of primary energy ¹	591 315	562 487
Fuel	GJ of primary energy ¹	2 083 881	2 186 387
Water consumption	m ³	391 400	456 178
Paper	Millions of A4 sheets	157.72	156.87
Percentage of recycled paper	%	36.9	11.9
Renewable energy			
Heat from renewable sources	% of heat consumption	12.1	9.3
Renewable fuels	% of fuel consumption	0.0	0.0
Electricity from renewable sources	% of electricity consumption	0.9	1.0
Environmental impact			
Total environmental impact	Env. impact points (millions) ²	301 665	295 212
Total climate-related burden	t CO ₂ equivalent ³	281 861	276 201
Climate-related burden of goods transport	t CO ₂ equivalent ³	41 938	44 605
Rail	t CO ₂ equivalent ³	4 738	4 765
Road	t CO ₂ equivalent ³	37 200	39 840
Climate-related burden of passenger transport	t CO ₂ equivalent ³	128 000	128 500
Climate-related burden of journeys to work	t CO ₂ equivalent ³	50 270	44 520
Total waste	t	17 379	16 871

* Parent company plus PostBus Switzerland Ltd, InfraPost Ltd, Mobility Solutions Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

1 Primary energy consumption is the consumption of non-renewable energy resources such as oil, gas, coal and uranium. In contrast to final energy, which only reflects the amount of energy available for use, primary energy consumption also includes the energy consumption of all upstream stages of energy provision.

2 Method of measuring environmental impact on the basis of ecological scarcity. It enables various environmental impacts to be compared with one another and added together to produce a single indicator. The environmental impact points are based on Swiss environmental policy and were published by the Federal Department of the Environment.

3 In addition to carbon dioxide (CO₂), other gases such as methane and nitrous oxide also contribute to climate change. In some cases, their impact on climate per kg is considerably greater than that of CO₂. The quantities of the gases weighted with this relative climate-related impact are expressed as CO₂ equivalents.

Additional key figures and explanations can be found in the table of figures. (► 99).

Measures

Fleet management

Our Mobility Solutions AG subsidiary (MoS) is responsible for managing around 13,000 Swiss Post motor vehicles (cars and delivery vans, trucks, scooters and special vehicles). When making purchasing decisions, MoS looks closely at the environmental impact of the vehicles used. As a rule, delivery vehicles are used for up to seven years. Their service life depends on the kilometres travelled and maintenance costs per year. The fleet is renewed according to economic criteria and is fitted with the latest engine and exhaust emission control technology. Swiss Post also uses alternative fuels – but only if they are not produced at the expense of food production. With over 30 vehicles, we now have one of the biggest gas-powered vehicle fleets in Switzerland. This will be expanded to more than 100 vehicles next year. Vehicles powered by natural gas produce significantly fewer air pollutants than diesel vehicles: around 90 percent less nitrogen oxides (NOx) and a third less non-methane hydrocarbons (NMHC). In addition, the particulate emissions from natural gas vehicles are very low.

In the autumn of 2008 Swiss Post ordered 250 low-emission electric scooters for mail deliveries in larger towns and conurbations. Swiss Post therefore operates the largest fleet of delivery vehicles of this type anywhere in Europe. The e-scooters are not only virtually CO₂-neutral, they are also very quiet. Other alternative vehicles such as electric delivery vans, handcarts and bicycles are being trialled.

Swiss Post collaborates with Mobility CarSharing Switzerland for the procurement and provision of vehicles.

In 2008, MoS created a centre of excellence for sustainable mobility. Its remit is to follow developments in the field, especially with respect to technology, fuels, the environment, political initiatives etc., and to advise internal and external Swiss Post units accordingly. In 2008 for instance, it advised fleet managers at PostLogistics on the procurement of gas-powered delivery vans.

Swiss Post benefited from the free initial consultation offered by the City of Berne's mobility advice centre. Our aim is to improve operational mobility overall. This includes the infrastructure for cycles, parking spaces, the condition of the company's vehicle fleet and the availability of public transport.

Goods transport

Goods transports are subject to considerable financial and time pressures. In recent years this has resulted in a modal shift of freight transport from rail to road. Despite this, the climate footprint attributable to all our freight transport operations has fallen by 20 percent since the year 2000. We are striving to make our transport services as environmentally friendly as possible by employing both logistical and technical solutions to reduce emissions such as fine particulates and nitrogen oxides. We have consequently succeeded in reducing the overall environmental impact of goods transport by 38 percent since 2000.

These measures include working out the ideal modal split between road and rail, intelligent transport planning, incorporating environmental aspects in fleet management plus the deployment of low-emission vehicles. Of course, this is always subject to the cost pressures dictated by competition. Use of transport management systems allows us to identify synergies and thus avoid redundant journeys, while databases help us further cut the proportion of journeys with empty vehicles.

Since August PostLogistics has been using 15 double-decker trucks which can carry twice the load per journey. This will save a million kilometres and almost 300,000 litres of diesel in future, equivalent to a reduction in CO₂ emissions of approximately 800 tonnes. Expansion of the double-decker fleet is currently being explored.

Swiss Post is seeking to cut CO₂ emissions even further, and we are therefore training our drivers to adopt an environmentally friendly driving style ("eco-driving").

Passenger transport

PostBus reduces environmental impact principally in three ways: the size of vehicles is matched to their load wherever possible, only vehicles fitted with the latest exhaust emission technology are purchased, and low-emission diesel fuel is used. In conjunction with the latest engine and catalytic converter technology, this environmentally friendly fuel largely eliminates harmful emissions that are subject to statutory limits.

As part of a special campaign, PostBus retrofitted particulate filters to a further 400 vehicles, so over 75 percent of kilometres are now driven with low-emission vehicles. Moreover, since 2006, wherever possible PostBus has only purchased new buses that meet the EEV (Enhanced Environmentally Friendly Vehicles) standard. This standard is more stringent than the Euro-5 standard planned for 2009. To reduce fuel consumption further, the vehicles will be fitted with fuel economy gauges. These gauges continuously indicate to the driver how much fuel is being consumed. Pilot schemes have demonstrated that up to five percent fuel is saved as a result of fitting these economy gauges.

PostBus is a member of the "Business Climate Platform" initiative launched by the City of Berne, Local Agenda 21 (LA21) and other committed organizations. Members will launch joint projects and aim to reduce CO₂ emissions and the use of fossil fuels in Berne by ten percent by 2015. PostBus is participating in a project to cut diesel consumption.

Employee mobility

Every day, Swiss Post employees travel more than 1 million kilometres on their way to and from work – which is almost three times the distance between the earth and the moon. Over half of all employees commute by car, just under a third use public transport, while five percent walk or cycle. In terms of the overall environmental burden, at 12.6 percent the impact of staff commuting is thus equivalent to over three quarters of the total goods transport of Swiss Post (14.8 percent), and is almost three times as high as that resulting from heating all Swiss Post buildings.

As it wants to encourage the use of public transport, Swiss Post gives all its employees a free half-fare travel card as part of the collective employment contract. All trainees at Swiss Post and its subsidiaries receive a free annual season ticket, and all others receive a discount of 20 percent on annual season tickets. This discount now also applies to reduced-price rail cards such as Junior, Senior, Familia Partner, Familia Youth, Duo Partner, etc.

Swiss Post again supported the "bike to work" campaign organized by the Swiss cycling advocacy group Pro Velo. With 1,953 of its staff cycling to work, the Swiss Post workforce represented the biggest group of participants. They cycled to work in June on at least half of their working days, on average cycling 14 kilometres on each of the 14 days.

Wherever feasible, staff used public transport for business trips. In addition 1,850 vehicles – 65 of which are hybrids – are available to staff at over 1,000 Mobility CarSharing locations. Employees who use an environmentally friendly private car for business trips receive a 20 percent higher mileage allowance. But virtual business trips are even more environmentally friendly and less costly, so we also encourage e-meetings (videoconferences). With a mouse-click, participants enter a virtual room at the beginning of a meeting or training session. The integrated conference link permits communication without a telephone, and participants can also see what is displayed on the other monitors.

Infrastructure

When upgrading and converting its own buildings, Swiss Post complies with Minergie standards, and is even exploring Minergie P for new builds. Minergie is a clearly defined energy quality standard which covers the building envelope, heat generation for space heating and hot water as well as ventilation. Minergie P-compliant buildings consume even less energy. They are even better insulated and the standards for airtightness of the building envelope and heat demand are higher. Renewable energy must be used, and the electricity consumption of appliances lower. Our new letter centres and the parcel centres that came onstream in 2000 meet the Minergie standard. Compared with conventional buildings, energy costs for space heating were cut by two thirds.

“When converting buildings Swiss Post complies with Minergie standards, and is even exploring Minergie P for new builds.”

Information technology

Swiss Post's Real Estate unit will only purchase plant and equipment in energy efficiency class A. Implementing this “best practice” standard will help achieve PostEurop's climate targets. The energy label specifies an absolute power consumption of household electrical equipment and lamps and provides information about their energy efficiency.

PostFinance's Engehalde computer centre in Berne is air-conditioned with water from the river Aare for ten months of the year. Since it was installed, around 2.2 million kWh, or up to 235,000 francs, have been saved each year.

Physical servers are increasingly being replaced by virtual ones to save space and energy for operation and cooling. Swiss Post runs approximately 1,600 servers, 200 of which have already been virtualized during the past year. Virtualization alone can save approximately 1,500 MWh electricity a year, not to mention considerable space.

Swiss Post staff are now using IP telephony to make calls over the existing computer network. 850 telephone exchanges were replaced by 15 servers running telephony software, saving around 18,000 MWh electrical energy a year plus approximately 200 m³ of space. In addition, no journeys are required for maintenance callouts. The switchover will be completed by the end of 2010.

Products

PostFinance launched four environmentally friendly and socially responsible third-party funds. The funds contain the shares of companies that focus on areas such as ecology, social sustainability, renewable energy or climate and water.

From 2009, private and business customers will be able to send letters and parcels carbon neutrally. During 2008 Swiss Post developed a CO₂ offset model for this which it is preparing to launch.

Biodiversity

To preserve and promote biodiversity, special measures were implemented in the two new letter centres at Eclépens and Härkingen constructed in compliance with the Minergie standard. (The scope for such measures was limited at the Zurich-Mülligen letter centre, as it had been converted from an existing building.) The two new letter centres feature large single-storey halls with offices and social spaces on top. The building is surrounded by docking points where trucks or swap bodies can be loaded and unloaded. Apart from skylights, the roofs are covered in greenery. This is beneficial for insects, plants and birds, and creates a pleasant room climate in summer. The “green roof” and its associated layer of earth stores rainwater and returns it to the natural water cycle through transpiration. All non-roadway external surfaces are unpaved so that rainwater can drain off directly.

Training

Employees can use the “Ecomaster” web-based training (WBT) specially developed for Swiss Post to find out about practical ways of cutting down on their consumption of fuel, energy, heat, water and paper. Swiss Post is aiming to make staff more aware of how they can use resources more carefully and also save money. The learning materials are designed to be modular and communicate the information in an entertaining and playful way.

Outlook

Future risks and economic impact

Logistics companies are affected most by the consequences of climate change, and yet they are also the least prepared for it – these were the findings of a study carried out by KPMG into future risks and their impact. At around 13 percent (source: Intergovernmental Panel on Climate Change), the transport industry is a major contributor to global CO₂ emissions and is increasingly being targeted by legislators.

The KPMG study identified four types of risk: physical risk, regulatory risk, risk to reputation and risk of litigation. The extent of these risks may vary by sector and region, but in general the risks are increasing and they are developing a momentum of their own, regardless of the rate of climate change. In the medium term, mobility will become more expensive due to regulation, pollution taxes, road tolls and other charges. Aviation and road travel will be particularly affected. In addition to more regulation, however, there is also a greater risk of extreme weather events, which could lead to an increase in delays, accidents and damage to the transport infrastructure. As people become more environmentally aware, the risk of loss of reputation also rises. This leads the authors to conclude that overall the transport sector is underestimating the risks of climate change. This sector seems to be ill-prepared for the risks – for instance the higher costs associated with greater regulation – or the increased probability of damage and delays. Not all segments of the transport sector will be affected equally by the risks of climate change, however. Higher taxes for aviation and road transport could benefit railways for example.

International industry initiatives (PostEurop/IPC)

The PostEurop industry association, to which 50 European postal operators belong, wants to see CO₂ emissions cut by ten percent over the next five years. It has set this out in its climate protection programme launched in 2007. Swiss Post helped to design the programme and actively supports it alongside 17 other postal organizations.

The International Post Corporation (IPC), an association of 24 of the world’s largest postal operators, has developed a measurement and monitoring system as part of its climate protection initiative. Its primary objective is to set up a system of benchmarking which international operators can use to compare their performance and exchange best practice. Swiss Post is also actively involved in climate protection within the IPC.

Sponsorship

Swiss Post's commitment to sport and culture is very important for our image. By sponsoring suitable events, we can communicate characteristics and core values such as entrepreneurial, credible and cooperative. Sponsorship totalled approximately 14.4 million francs in 2008. In terms of sports sponsorship, Swiss Post has focused on running since 2005, supporting Swiss Runners, the umbrella organization of the 25 most important running events in Switzerland – such as the Swiss Women's Run, the Kerzerslauf and the New Year's Eve race in Zurich. Swiss Post also promoted most events directly.

Swiss Post's commitment to running also serves to motivate its employees. In 2008 they benefited from over 2,500 free entries to races and running seminars for everyone. In addition, Swiss Post founded its own running team for the first time. This team includes some of the top elite runners in Switzerland. The athletes also helped school classes get fit to participate in races. Pupils from the Berne, Bienne and Zurich regions underwent eight weeks of training and then took part as a class in the Women's Run in Berne, the Courses de Bienne running days and the New Year's Eve Run in Zurich. The aim of the initiative was to awaken an enthusiasm for running in young people.

PostFinance is the main sponsor of the Swiss Ice Hockey Association (SIHA) and the National League. As part of its "Top Scorer" project, PostFinance transferred 441,400 francs to the youth sections of clubs and the association during the 2007/08 season. PostFinance is also the principal sponsor of the successful Swiss national orienteering team and demonstrated its commitment to bringing on young people in the "sCOOL" project for schools. PostFinance additionally supports all types of youth sport through the Swiss Sport Foundation.

Berne's ice hockey stadium is now called the PostFinance Arena. This name bears witness to PostFinance's ongoing commitment to this sport. The IIHF Ice Hockey World Championships will be held in the PostFinance Arena in 2009.

"The 2009 Ice Hockey World Championships will be held in the PostFinance Arena in Berne."

In the field of cultural sponsorship, PostFinance is involved in major music festivals as well as in Good News and Live Music Production, the two biggest concert promoters in Switzerland. For 13 years the financial institution has organized its own series of classical music concerts, the PostFinance Classics. By sponsoring the Swiss Youth Symphony Orchestra, PostFinance also fosters talented young people in the cultural field. Swiss Post is a sponsor of the Museum for Communication in Berne and the principal sponsor of the Geneva book fair, "Salon International du Livre et de la Presse". In film, too, it also has a presence in all language regions. The international Film Festival of Locarno – the biggest cinematic event in Switzerland – and the Solothurn Film Festival – a forum for Swiss film – have been supported by Swiss Post for many years. From 2008 Swiss Post will also be the principal sponsor of Visions du Réel in Nyon, the best known film festival in western Switzerland, and a co-sponsor of the Zurich Film Festival.

Many Swiss Post trainees obtain a commercial diploma through a "Learning and Sports" apprenticeship at the Vocational College of Administration in Berne. This course takes four years instead of three, so young sportsmen and women can devote around 25 percent of their working time to training and competing. This commitment demonstrates that Swiss Post is also an attractive employer for top athletes.

The Swiss Post Sports and Culture Association, a group of 110 sports and culture associations of Swiss Post and Swisscom AG, has over 8,000 members. Each year it organizes numerous national and regional events in the fields of sports and culture. Swiss Post thus provides significant support to employees to pursue activities in their leisure time.

Group | Sponsorship

2008 with previous year for comparison

		2008	2007
Sports sponsorship	CHF million	12.65	9.75
Cultural sponsorship	CHF million	4.27	4.65

Additional key figures and explanations can be found in the table of figures (► 99).

Engagement with society

■ Pro Juventute and Pro Patria

The Pro Juventute and Pro Patria foundations receive the surcharges on their well-known stamp series, four of which are issued by Swiss Post each year. Swiss Post helps the foundations design and sell the stamps. Pro Juventute works to meet the needs and protect the rights of children and young people in Switzerland, while Pro Patria promotes cultural heritage initiatives and projects with a social purpose.

■ "2 x Christmas" and "Santa Claus" campaigns

As part of the "2 x Christmas" campaign, around 62,500 parcels (compared to 65,000 in 2007) were handed in last year. The Red Cross distributed the surplus Christmas presents to individuals in need in all Switzerland's cantons, as well as to social institutions in Bosnia-Herzegovina, Belarus and Moldavia. The "Santa Claus" campaign brings pleasure at Christmas time each year. In 2008, 16,401 children wrote a letter to Santa Claus, which we answered with a small gift.

■ Swiss Solidarity

We support Swiss Solidarity's calls for donations by waiving our inpayment fees. Last year this amounted to 35,000 francs. This charity organized national appeals to provide aid following natural disasters such as the floods in Asia and hurricanes in the Caribbean and Mexico.

Group | Engagement with society

2008 with previous year for comparison

		2008	2007
Social initiatives/gifts/donations	CHF million	3.22	3.43

Additional key figures and explanations can be found in the table of figures (► 99).

■ German Language Culture Prize

Swiss Post won the award for institutions at this year's "Kulturpreis Deutsche Sprache" in Kassel, Germany. Each year the Erhard Schöck Foundation and the German Language Association (VDS) award prizes to companies that promote the use of clear and intelligible German.

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Conventions in this section

■ Presentation of values

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used.

A dash (–) in place of a figure indicates that the value is zero.

■ Links to further information online

The symbol (▶) in the text refers the reader to further information on the Internet. This information can be accessed via the complete list of links at www.swisspost.ch/ar2008links. Click the link number on this web page to access the respective information.

Responsibility

Vision

Swiss Post's foremost guiding principle is its vision (► 8). Anchored in postal legislation (► 4) and the strategic objectives set by the Federal Council (► 1-2), the vision was revised and updated in 2006. As a central policy document, the vision is a key management tool. It points our way forward into the future.

The vision can be summed up in the key statement: "Swiss Post – as the backbone of the basic service – generates value and acts in a socially responsible manner". Six principles define Swiss Post's most important goals in relation to its owner the Confederation, society, customers and employees:

- We create added value for customers and the Group
- We will remain the market leader in our core business
- We will continue to develop profitably
- We succeed together with our customers
- Together with our employees we are strong
- With our partners we will shape the future

Core values

Swiss Post's vision is based on its three core values: "entrepreneurial", "credible" and "cooperative". They are the touchstone of how we think and act each day. These core values express how we want people to perceive Swiss Post and its employees, and are therefore both exemplary and binding (► 17).

"Entrepreneurial, credible, cooperative – Swiss Post's three core values."

"Entrepreneurial" means that Swiss Post operates autonomously in a free market: it is competitive and generates profits. It must be simple to do business with Swiss Post.

"Credible" means that our partners can rely on Swiss Post. Swiss Post provides its services in close cooperation with the business community and the public. Swiss Post keeps its promises.

Finally, "cooperative" describes the relationship between employees and towards partners and customers. It is characterized by mutual respect, fair and honest dealings and openness of communication. Swiss Post wants to be successful with its partners.

Society

Swiss Post strives to meet the expectations of society by being an ecologically sustainable enterprise as well as by providing sustainable services to its customers and by being an environmentally responsible employer. Under the banner of sustainability, Swiss Post set out its position on the issue in detail and drafted the basic principles of a sustainability programme focusing on climate protection (► 28). The Sustainability unit was set up in 2008 (see the section "Management tools", page 130).

Risk management

Principles

Swiss Post considers efficient and forward-looking risk management to be a value-adding management task and one of the core functions of entrepreneurial activity (► 33). The aim is not to avoid all risks but to create room for manoeuvre. Dealing with risks in a controlled manner is intended to help us systematically exploit existing opportunities and enhance the company's success. Risk management supports the achievement of our business goals by creating transparency about the risk situation (as the basis for strategic and operational decisions), by identifying potential threats to our assets, earnings and financial situation, by prioritizing the risks and the need for action, and by taking steps to limit risks to an acceptable level.

Organization

The Board of Directors sets out the primary guidelines and principles for Swiss Post's risk management system and approves the risk policy formulated by Executive Management (► 33). The risk managers at the Group and unit level manage the process and ensure that all risks are identified and recorded in full in the risk measurement and reporting system.

The risk management process is integrated into the Group's annual strategy process. The areas covered include strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/image.

Swiss Post has introduced an appropriate financial risk management system at PostFinance. The specific business risks faced by PostFinance, namely market, liquidity, credit and operational risks, are managed using industry-standard tools and methods. However, although based on the "best practice" approach of the financial sector, PostFinance applies these tools in its own customized risk management system. Independently of the operational side of the business, PostFinance Risk Management identifies, measures and controls risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. If limits are exceeded, predefined measures are immediately initiated. The professional handling of financial risks at PostFinance guarantees, firstly, the safety of customer deposits, and secondly, the long-term sustainable earning power of the PostFinance unit and the company as a whole.

Risks

In 2008, Swiss Post identified and evaluated twelve high-level risks which it actively addressed and for which it developed scenarios and drew up possible countermeasures. These risks each entail potential losses of at least 50 million francs. Four concern the (political) operating climate, four are market-related and four are endogenous risks. Eleven further risks are being monitored and, where possible, actively controlled on a precautionary basis, e.g. the Swiss Post pandemic plan, preventive measures to limit damage caused by earthquakes, and demographic issues.

For detailed information on risk management at Swiss Post, see page 175 of the Financial Report.

Corporate governance

Principles and guidelines

Although the corporate governance guidelines of the Swiss Exchange apply only to listed public companies, Swiss Post complies with the spirit of these guidelines because the need for good corporate governance is just as important to institutions governed by public law and mandated to provide a universal service as it is to publicly traded companies.

Trust and credibility are crucial for any enterprise. Swiss Post enjoys both to a high degree. Good corporate governance will strengthen this further. As an independent institution of the Swiss Confederation, Swiss Post is mandated to provide a nationwide universal service (► 3-5). This universal service encompasses both postal and payment services. The universal service represents the different needs of customers, employees and the public, which are also reflected in their expectations with regard to transparency. Although Swiss Post is not a public company listed on the stock exchange, its reporting follows the Swiss Exchange's corporate governance guidelines. There are, however, certain postal-specific regulatory differences that must be taken into account arising from our legal status, the universal service mandate and the fact that we are owned by the Confederation.

Group structure Legal status and ownership

As the Group's parent company, Swiss Post is an autonomous institution under public law with its own legal identity. The Confederation is the sole owner. Both Swiss Post's mandate and the responsibilities of its management bodies are set out in principle in the Postal Act and the Postal Organization Act. Its operating activities are conducted in the Group units PostMail, PostLogistics, PostFinance, PostBus, Swiss Post International, Post Offices & Sales, Strategic Customers & Solutions, plus the Philately unit and the associated subsidiaries (cf. organization chart on page 35). No subsidiary is listed on the stock exchange. The management principles are the same throughout the Group and apply to all operational business units. An overview of the subsidiaries included in the Swiss Post Group and associated companies in which Swiss Post has less than a 50 percent stake can be found on page 181.

Control by the Swiss Confederation

The Federal Council defines strategic objectives for Swiss Post (► 1-2). These are periodically revised, usually every four years (see the section "Directives", page 40). In particular the Annual Report (including the balance sheet and notes, income statement, auditors' report and consolidated financial statements with Group auditors' report) is submitted to the Confederation as owner for approval and to help it exercise its control and supervisory duties. The Federal Council also receives a report annually on the progress made on achieving the strategic objectives, a report on staff in accordance with the Public Officials Act, a report under the Ordinance on Executive Pay as well as the annual report submitted to the regulator.

Alongside the Federal Department of Environment, Transport, Energy and Communications (DETEC), the Federal Council has also tasked the Federal Department of Finance (EFD) with exercising its rights as owner. Regular meetings are held between representatives of DETEC, the EFD and senior Swiss Post management – five such meetings took place in the year under review. Discussions focused on the company's performance, its results, the report on achieving the strategic objectives, the profit payout to the Confederation, strategic planning for 2008–2010, the restructuring of the pension fund, and succession planning for the Chief Executive Officer and Chairman.

Statement of the costs of the universal service

Swiss Post is obliged by the Confederation as owner and the postal regulator to state the costs, earnings and results of the universal service and of competitive services, as well as the costs of the nationwide post office network. The regulatory financial statements differ from the requirements of IFRS (International Financial Reporting Standards) and specifically follow the regulator's directive to state the costs of the universal service and provide a statement regarding adherence to the ban on cross-subsidies. As the appointees of the regulatory authorities, KPMG checks annually whether Swiss Post has satisfied these requirements. Calculated using the regulatory method, in 2008 the costs of the universal service were approximately 3.8 billion francs. To date, Swiss Post has been able to meet them out of revenue from its monopoly business and from non-reserved services, in accordance with the financing model of the first postal reform in 1997.

“The optimum network consists of 700 access points of our own and 1,000 operated by third parties.”

As directed by the regulatory authorities at the end of 2007, since the 2007 financial year the infrastructure contribution has included the structure costs (fixed costs) for collection and sales outside the so-called optimum (operationally necessary) post office network. Accordingly, the optimum network consists of 700 access points of our own and 1,000 operated by third parties. This infrastructure contribution is purely notional and does not influence the financial results of Swiss Post in any way. It merely serves to furnish the regulatory statements required by the regulatory authorities. In the year under review, the infrastructure contribution amounted to 204 (unaudited) million francs (2007: 212 million francs).

Capital structure

In its opening balance sheet on 1 January 1998, the Confederation provided Swiss Post with interest-free endowment capital of 1.3 billion francs. Every year since 2004 Swiss Post has transferred an amount of several hundreds of millions as an injection of capital into the pension fund to make up the shortfall from the transfer to the Swiss Post pension fund. In addition, the Group's equity was accumulated by reinvesting the remaining company profits. At 31 December 2008, i.e. following allocation of the Group profit for the year under review, this was 2,857 million francs. It consequently continues to be under the desired value (customary for the sector) of 3,491 million francs. Following on from the first time this was done in 2007, Swiss Post will again pay part of its profits to the Confederation (estimate: 170 million francs). The statement of changes in equity as at 31 December 2008 may be found in the Financial Report, page 136.

Board of Directors Composition

On the cut-off date, the Swiss Post Board of Directors comprised nine members each elected by the Federal Council for a term of four years. The Federal Council appoints the Chairman of the Board of Directors, and takes into account gender and appropriate representation of the regions when making appointments to the Board. In accordance with the principle of separation of powers between the Board of Directors and Executive Management of Swiss Post, in addition to performing control and monitoring at a strategic level, the Board of Directors also exercises a steering function as stipulated in the Postal Organization Act.

Group | Composition of the Board of Directors and committee appointments as at 31.12.2008

Name	Function	Committees	Nationality	Member of Board since
Anton Menth	Chairman	Human Resources Committee (Chairman), Audit Committee	CH	2002
Claude R. Béglé	Member	Human Resources Committee	CH	2008
Susanne Blank	Member		CH	2008
Jean-Marc Eggenberger	Member		CH	2003
Dominique Freymond	Member	Human Resources Committee	CH	2002
Rudolf W. Hug	Member	Human Resources Committee, Audit Committee (Chairman)	CH	1998
Peter Thomas Sany	Member	Audit Committee	CH	2002
Nicola Thibaudeau	Member	Human Resources Committee	CH, CAN	2006
Wolfgang Werlé	Member	Audit Committee	DE	2002

Members do not have any business relationships with Swiss Post or its subsidiaries, nor have they ever been involved in an executive capacity for Swiss Post or any affiliated companies in the past three years. In accordance with postal legislation, employees have the right to appropriate representation on the Board of Directors. As in previous years, this role was performed in 2008 by Lucrezia Meier-Schatz, who was replaced by Susanne Blank from June, and Jean-Marc Eggenberger.

Changes

In June, Susanne Blank took over from Lucrezia Meier-Schatz, who had stood down. Claude R. Béglé joined the Board at the beginning of October as a member and as Chairman-elect. In April 2009 he will take over from Anton Menth, who is retiring.

Organizational structure

Role and mode of operation of the Board of Directors

The Board of Directors approves the principles of corporate policy, corporate strategy (including strategic financial planning), the pricing system with respect to DETEC, accounting standards, the budget, reports to the owner and to the postal regulator, as well as large and strategic projects. In addition it appoints the members of Executive Management and approves the collective employment contracts and the remuneration of members of Executive Management. In the year under review, the Board of Directors met a total of ten times. Key topics included the company's performance, the 2007 balance sheet, the budget for 2008, strategic corporate planning for 2009–2011, the complete revision of postal legislation, REMA, the succession of the Chief Executive Officer (CEO), project controlling and brand strategy. The CEO and Head of Finance usually attend Board meetings in an advisory capacity. Depending on the circumstances and the topic, other members of Executive Management, internal and external specialists or members of Internal Auditing may also be invited to attend.

Apart from the appointment of the Chairman of the Board by the Federal Council, the Board of Directors is responsible for its own structure. The Chairman chooses the Secretary, who is not a member of the Board of Directors. 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. There is no reciprocal occupation of seats on boards between Swiss Post and any other commercial company.

The Chairman chairs the meetings of the Board of Directors and represents it externally. He exercises supreme supervisory control over Executive Management, makes suggestions for the election of members of Executive Management and regularly exchanges information with the CEO. He approves the annual audit programme of Internal Auditing.

Audit Committee

The four-member Audit Committee assists the Board, among other things, in the supervision of accounting and financial reporting. 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 and compliance with the treasury arrangements agreed with the Federal Finance Administration. To enable it to carry out these duties properly, it maintains regular contact with Executive Management, with the risk managers of Swiss Post and PostFinance, as well as with the internal and external auditors. The committee checks the findings and recommendations of the internal and external audit teams and submits corresponding proposals to the Board as appropriate. The committee meets as often as business dictates. Five meetings were held during the last financial year. The Chief Executive Officer, the Head of Finance and the Head of Internal Auditing attend the meetings. Key topics discussed were financial performance, reports to the Federal Council, to DETEC and to the postal regulator, the investment and risk policies of PostFinance, reports from Internal Auditing, consultations with the external auditors, the 2008 budget and the impact of the global financial crisis on Swiss Post. Its members are Rudolf W. Hug (Chairman of the Committee), Anton Menth, Wolfgang Werlé (Lucrezia Meier-Schatz until June 2008) and Peter Thomas Sany.

Human Resources Committee

The Human Resources Committee comprises four members of the Board of Directors (temporarily five between September 2008 and March 2009). This committee has an advisory capacity in appointing and removing members of Executive Management as well as in determining their salaries. It also submits a recommendation for setting the negotiating mandate for the annual round of wage negotiations with the employee associations. The committee met nine times during the last financial year. Discussions focused on the succession for the Chief Executive Officer and pay rises. Members are Anton Menth (Chairman of the Committee), Dominique Freymond, Rudolf W. Hug, Nicola Thibaudeau and Claude R. Béglé (from September 2008).

Powers

With respect to the division of responsibilities and powers between its management bodies, Swiss Post has adopted the dual board system as is mandatory in Switzerland in banks for example. Accordingly, members of the Board of Directors are not simultaneously members of Executive Management.

All duties not expressly reserved for the Board of Directors fall within the authority of Executive Management. However, the Board of Directors may, at any time it sees fit, assume the tasks of Executive Management 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 and on the Organizational Regulations issued by the Board of Directors.

Information and supervisory instruments

Reporting

In order to perform its supervisory duties, the Board of Directors receives monthly reports setting out the situation of the Group and its individual operating units. Figures and graphics show the trends of the current year and allow comparisons to be made against the previous year. Budgeted and expected values are also stated. In addition to financial information, the monthly report also contains key data on the market as well as on human resources and innovation. The market analysis includes the sales growth of competitors and largest customers (e.g. banks). In relation to human resources, the Board of Directors receives information about headcount, value added and costs per employee, holiday and overtime credits, staff turnover and rates of absence. Employee satisfaction (index) and the number of trainees are also stated. With respect to innovation, the monthly reports indicate the sales figures of new products and the proportion new products contribute to operating income, as well as the number of suggestions for improvement and the percentage of suggestions put into practice.

The Board of Directors also receives quarterly financial and project controlling reports, and is informed by the Audit Committee on budget compliance, strategic financial planning and the Federal Council's strategic objectives. The Board is furthermore kept informed of developments by means of all internally or externally produced audit reports. Reports are also submitted monthly by Risk Management (see pages 121 and 175), Treasury, Corporate Communication and Internal Auditing (see page 126). At the beginning of each meeting of the Board of Directors, the CEO and the Head of Finance provide information on the company's current business situation.

The Board of Directors approves the Semi-Annual Report and finalizes the Annual Report, the financial statements and the report to the owner presented to the Federal Council.

Internal control system for financial processes

Swiss Post has an internal control system (ICS) which uses appropriate key controls to promptly identify and evaluate the relevant financial processes and the associated bookkeeping and accounting risks. It ensures high-quality financial reporting standards. Swiss Post sees the ICS as an ongoing task for continually improving processes.

The Board of Directors and Executive Management define the parameters for Swiss Post Finance ICS in a manual and once a year receive a report on the progress of the ICS. The existence of an internal control system in accordance with the Swiss Code of Obligations was checked for the first time by the external auditors for the 2008 end of year. For more information on the ICS, see page 175 and 191.

Internal Auditing

Audit activities are based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission). They aim to ensure the effectiveness and efficiency of processes, the reliability of financial reporting and compliance with laws and regulations. The internal auditors submit ongoing reports to the Audit Committee and an annual report to the whole Board of Directors, with the Chairman of the Board of Directors and the external auditors receiving a copy of all audit reports. As a member of the Swiss Institute of Internal Auditing, and thus indirectly of the international Institute of Internal Auditors, Swiss Post's Internal Auditing department is obliged to abide by current international standards. In particular, these include principles relating to integrity, objectivity, confidentiality, technical expertise and quality assurance. The internal auditors report to the Chairman of the Board of Directors and are thus independent of operational executive management.

Self-regulating organization

In respect of its financial services business, Swiss Post is, like any other financial intermediary, subject to the Money Laundering Act. Because of the nature and scope of Swiss Post's payments business, 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 the Board nor 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 on the one hand it is subject to the requirements of the Control Authority, but on the other hand it is also employed by Swiss Post, while at the same time it supervises Swiss Post in its capacity as a financial intermediary.

Executive Management Composition

Executive Management consists of the Chief Executive Officer and eight other members. All members of Executive Management are appointed by the Board of Directors.

Group | Composition of Executive Management

as at 31.12.2008

Name	Function	Nationality	Member of EM since
Ulrich Gygi	Chief Executive Officer	CH	2000
Jürg Bucher	Head of PostFinance	CH	2003
Yves-André Jeandupeux	Head of Human Resources	CH	2005
Michel Kunz	Head of PostLogistics/PostMail	CH	1999
Daniel Landolf	Head of PostBus	CH	2001
Frank Marthaler	Head of Strategic Customers & Solutions	CH	2007
Patrick Salamin	Head of Post Offices & Sales	CH/IRL	2007
Jean-Pierre Streich	Head of Swiss Post International	CH	1999
Markus Zenhäusern	Head of Finance	CH	2008

Besides operational management of the business, it is tasked in particular with drawing up the Group strategy as well as the finance and human resources plans for the Board of Directors. It normally holds two meetings each month, and the minutes of each meeting are copied 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 respective units and subsidiaries within Executive Management. The CEO represents Executive Management to the Board of Directors. There are no management contracts with companies or natural persons outside the Group.

Changes

Hanspeter Strodel, Head of Finance, retired at the end of June 2008. His successor Markus Zenhäusern officially assumed his post in July.

Remuneration Policy

Pursuant to the Ordinance on Executive Pay in force since 1 February 2004, corporate risk, company size, industry salaries and the rules for remunerating senior managers in the Confederation must be taken into account when determining the remuneration due to Executive Management.

Determination

In accordance with the "Employment conditions for members of Executive Management", remuneration comprises a fixed basic salary plus a performance-related component which may be a maximum of 40 percent of the gross annual basic salary. It is determined on the basis of the results for the Group (40 percent) and for the organizational unit (40 percent) as well as the individual's own performance (20 percent). Members of Executive Management additionally receive a first-class general rail pass, a company car, a mobile phone, a monthly expense account plus the same benefits enjoyed by all Swiss Post staff. Swiss Post also pays the insurance premiums for a risk insurance policy.

Neither the members of Executive Management, nor of the Board of Directors, nor parties closely linked to such persons received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year. Both the basic salary and the performance component are insured for members of Executive Management: up to the maximum of 180,000 francs in the Swiss Post pension fund (defined contribution plan); income in excess of this amount is covered by a management insurance scheme (defined contribution plan). Pension contributions 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 with members of either Executive Management or the Board of Directors regarding potential severance payments. The notice period for members of Executive Management is twelve months.

Changes in personnel in the respective management bodies should be taken into account when making comparisons with the previous year.

Level of remuneration

Members of the Board of Directors

The Federal Council determines the level of remuneration for members of the Board of Directors. In the year under review, total remuneration including fringe benefits for the Board (incl. Chairman) came to 865 591 francs (basic salaries, fringe benefits). Fringe benefits totalling 93 925 francs are included in total remuneration for the year. The fee for the Chairman of the Board of Directors was 200 000 francs in the year under review and fringe benefits came to 48 560 francs.

Executive Management

In the year under review, the ten members of Executive Management (incl. CEO) received total remuneration including fringe benefits of 4 771 630 francs (basic salaries, fringe benefits and performance components). As with the Board of Directors, fringe benefits totalling 331 611 francs are included in total remuneration. The performance-based component paid out to members of Executive Management in 2009, which is based on the 2008 target attainment, amounts to 1 076 686 francs. The Chief Executive Officer's basic salary amounted to 570 000 francs and the performance component was 200 000 francs (basis 2008, paid in 2009).

Auditors

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

Policies and principles

Leadership and cooperation

Leadership and cooperation are based on respectful, fair and cooperative interaction as well as on open and transparent communication. Under our motto “together we are strong”, Swiss Post seeks to encourage self-initiative and individuals’ willingness to accept change. Discrimination and harassment are not tolerated (► 9).

Competition

Swiss Post fulfils its duty of delivering a universal service as prescribed by legislation while at the same time exploiting the opportunities afforded in the areas in which it is permitted to operate. In the area of competitive services (7,145 million francs of operating income), the same rules apply to Swiss Post as to private operators, apart from some exceptions specified by law. Swiss Post is committed to observing the rules of free competition, including for example antitrust legislation and the law against unfair competition. The size of the Group gives Swiss Post a dominant market position so it is able to benefit from favourable purchasing terms and conditions for example.

“Swiss Post is committed to observing the rules of free and fair competition.”

Human resources

On the other hand, it is unable to act in ways which a smaller market player could. For instance, under the rules relating to companies having a dominant market position laid down in antitrust legislation, it is prevented from treating competitors unequally. It is also subject to restrictions with regard to pricing and to determining its contractual relationships with suppliers and customers.

Cooperation is anchored in the vision and the strategy of Swiss Post. Under the watchword of the guiding principle of “Together with our employees we are strong”, Swiss Post is committed to fostering a dynamic, performance and team-oriented corporate culture, respectful interaction, open communication, attractive professional development opportunities and the responsible implementation of change in the company. Employees take their responsibilities seriously, make use of the scope for initiative afforded them, and consequently contribute to the success of the company. In its human resources policy (► 17) Swiss Post defines binding principles and formulates its expectations of senior management, line managers and employees in Switzerland and abroad.

Vocational training

Swiss Post offers motivated and willing school-leavers good traineeships in a variety of occupations. School-leavers of all levels have the opportunity to gain a proficiency certificate. Swiss Post thus improves their prospects on both the internal and external labour market. Trainees are taught to work independently and with self-initiative at an early stage, and helped to develop their own working and learning habits and grow with personal success. Practical experience in real-life work situations is encouraged and enables trainees to translate theoretical knowledge into day-to-day practice (► 23-24).

Security

Security is an integral part of corporate culture. Swiss Post meets the statutory security requirements and empowers employees and line managers to make an active contribution to promoting security. The Corporate Security unit helps our business units assess threats and risks correctly and protect employees, customers and partners, along with our tangible and intangible assets. The security policy (► 32) of Swiss Post is aimed at ensuring that its operations are not interrupted and that rapid targeted intervention is possible following any critical incidents.

Environment

Swiss Post pursues an environmental policy (► 25) that accords with the latest environmental findings while at the same time taking account of commercial necessities. People's needs constitute the starting point of our endeavours. With its decisions and actions, Swiss Post seeks to contribute to sustainable development. To Swiss Post, sustainability means much more than simply protecting the environment. Business performance, innovation and the creation of jobs, incomes and prosperity are just as essential to meeting our material and non-material needs as the prudent and considerate use of resources. And only a society that acts with solidarity is able to justly distribute the economic prosperity achieved and nurture the values of society. In this sense, Swiss Post sees the principles of its environmental policy as a framework for integrating environmental aspects into a broader approach to the sustainable development of the company (► 26-31).

Procurement

The Swiss Federal Law on Public Procurement and the Swiss Federal Ordinance on Public Procurement (► 36-38) underpin Swiss Post's purchasing policy. They oblige us to comply with specified tendering procedures (► 38) and, wherever possible, to purchase on a competitive basis and to treat all bidders equally. Swiss Post therefore sees its suppliers as partners in a tough but fair competitive arena. To obtain the best possible terms and maximize efficiency for strategic purchases, it seeks to establish longer-term relationships, including cooperative ventures and partnerships. Our annual procurement volume stands at around 2.5 billion francs.

The procurement organization acts in the interest of the Group as a whole, taking its economic, ethical, social and ecological responsibilities into account (► 34). Since 2006 every supplier has been required to sign our Code of Ethics and Social Responsibility (► 35) and agree to comply with certain minimum standards. The key points are the careful use of resources and the environment, as well as the observance of international regulations to protect employees.

Management tools

Innovation

Swiss Post is preparing to meet complete deregulation with an innovation programme. It intends to specifically promote the development and implementation of new business and process ideas, and to position itself as an innovative enterprise in the minds of its customers and the public. To achieve this, Swiss Post is seeking to instil an attitude of perpetual curiosity among its employees and to further develop corporate culture. Professional development modules were created in order to speak the same language and use the same management tools. Two-day seminars were held in which 400 managers learned all about methods for the targeted development of innovation in their daily work. The "Executive committee for innovation, new business and sustainability" is a driving force for innovative projects.

The Sustainability unit was set up in 2008. As well as leading projects, as a centre of excellence for advising units, this unit will initiate or coordinate programmes and action plans. It draws together and builds on all the various activities carried out to date. Responsibility for implementing and financing the measures remains with the units and subsidiaries.

The Ecole Polytechnique Fédérale de Lausanne (EPFL) and Swiss Post have been working together since 2002. In February they stepped up this cooperation by jointly founding the PostLab as an innovation hub at EPFL's campus. The PostLab maintains contacts with professors, students, start-up firms and companies that are based on campus such as Logitech and Nokia. The PostLab is studying the issues of "mobility" and "real/virtual", and is building bridges between actual practice and EPFL as well as other universities. Together with other Swiss universities, issues relating to the speedy deployment of electric vehicles are being investigated and the relevant postal-specific requirements are being defined.

"Postidea" is a tool for managing ideas and suggestions for improvement and serves to narrow the gap that exists between planned improvements and underexploited capacity reserves within the company. Swiss Post runs targeted campaigns to motivate employees to become actively involved in the further development of the company and stimulate their creativity. Swiss Post wants to utilize everyone's potential and is therefore continually developing the tool. Ideas and suggestions from employees are now also being actively solicited. The system allows not just fully thought out proposals to be recorded, but also flashes of inspiration and incomplete ideas as well. These can then be developed further by colleagues. Of almost 5,500 ideas and inspirations submitted, around 15 percent have been implemented, saving over two million francs as a consequence.

Stakeholders

Owing to its status as a big international player with a presence throughout Switzerland, many groups in business, politics and society have a special interest in Swiss Post and they have certain expectations. For instance, as the owner, the Confederation expects successful performance and a high-quality universal service, employees (represented by trade unions) also want to see a successful Swiss Post and consequently a socially responsible employer, politicians may be interested in regional policy issues, while customers demand attractive services. In general Swiss Post informs stakeholders promptly and comprehensively about its activities and plans. It conducts dialogue both by means of face-to-face discussions and via the other channels of our modern information society.

In order to engage constructively with the many interests and concerns, and in order to spot trends at an early stage, Swiss Post maintains a systematic stakeholder management system.

Knowledge

Since 2002 Swiss Post has tapped into the knowledge and experience of its 58,000 employees in Switzerland and abroad and has created various networking platforms for this purpose. The "Postorama" series of talks on current postal issues was held for the 20th time. On average each such event attracts 70 to 140 employees outside working hours. Groups of employees from different units and departments meet on the intranet in 130 interdisciplinary "communities of practice" to discuss topics of their own choice and to develop new solutions. Because there are no formal, higher-level opportunities to exchange information as there are with other management functions (e.g. HR managers), special events are arranged for project managers so they can exchange information and make new contacts. In future, knowledge and ideas will be combined on a shared electronic platform – the concept was developed in 2008 and will be implemented in 2009.

Quality

Swiss Post believes in quality because it will only be able to remain viable in a fiercely competitive market if it can deliver impeccable products and services. The excellence model of EFQM (European Foundation for Quality Management) serves as an important benchmark for our business units here, ensuring comprehensive assessment of management, processes, customer focus and results.

Environment

Swiss Post's environmental management system (► 29) is used to ensure efficient implementation of our environmental policy (► 25). It enables us to identify and define our environmentally relevant activities (► 30), set targets (► 26), initiate measures, monitor their success and ensure accurate reporting. The environmental management system is continually adapted to changing regulatory frameworks. Further measures to optimize data collection will be needed in future. The environmental figures are based on the heating periods from the previous calendar year.

Security

In the event of security scares and incidents, the 24-hour security hotline of Corporate Security is the first point of call. It is used over 4,000 times a year. Crisis management ensures rapid evaluation and an appropriate response following any extraordinary incidents. Over the course of three days, a simulated crisis allowed the various task forces in the units to practice readiness as well as establish functions, roles and task responsibilities. Any weak points identified were rectified on an ongoing basis. The aim of regular drills is to ensure that the skills acquired remain fresh. As part of its agreement with CareLink, Swiss Post can count on expert assistance from this Swiss aid organization in the event of extraordinary events occurring. Employees of Swiss Post now take part in internal and external exercises as CareLink volunteers. In 2008 around 80 employees attended Swiss Post security training modules. In the area of workplace safety, over 500 managers took part in training courses. A new addition to the courses offered is "Event security". Corporate Security has developed a separate specialist course on this subject.

Procurement chain

The procurement organization and its processes are designed around the internal customer's needs and the requirements of the business in question (e.g. printed products). Swiss Post uses standardized procurement systems plus additional management tools. Swiss Post follows existing well known standards such as FSC certification in the case of paper, or the energy label when purchasing electrical and electronic equipment. Where not specifically mentioned, we observe the minimum requirements of the Federal Department of Energy.

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About this section

■ Presentation of amounts

The amounts shown in the Annual Report are rounded. 0 is a rounded amount indicating that the original figure was less than half of the unit used.

A dash (–) in place of a figure indicates that the value is zero.

Group

Consolidated income statement

Consolidated income statement			
CHF m	Notes	2008	2007
Net sales from logistics services		5 584	5 726
Net sales from resale merchandise		635	623
Income from financial services	6	2 177	1 927
Other operating income	7	584	436
Total operating income	5	8 980	8 712
Staff costs	8, 9	-3 873	-3 851
Resale merchandise and service expenses	10	-1 630	-1 630
Expenses for financial services	6	-880	-553
Other operating expenses	11	-1 506	-1 528
Depreciation and amortization	24, 25	-279	-284
Total operating expenses		-8 168	-7 846
Operating result	5	812	866
Financial income	12	25	18
Financial expenses	13	-22	-20
Net income from associates	23	10	12
Earnings before taxes		825	876
Income taxes	14	0	33
Group profit		825	909
Allocation of Group profit			
Group profit attributable to Swiss Confederation (owner)		823	907
Group profit attributable to minority interests		2	2
Group profit		825	909

Consolidated balance sheet

Consolidated balance sheet

CHF m	Notes	31.12.2008	31.12.2007
Assets			
Cash		2 341	2 810
Receivables due from banks	15	17 066	11 004
Interest-bearing amounts due from customers	15	105	86
Trade accounts receivable	15	1 098	1 043
Other receivables	15	1 056	897
Inventories	16	80	82
Non-current assets held for sale	34	16	17
Financial assets	17–22	47 008	41 442
Investments in associates	23	42	43
Property, plant and equipment	24	2 460	2 338
Intangible assets	25	261	261
Deferred income tax assets	14	70	61
Total assets		71 603	60 084
Equity and liabilities			
Customer deposits (PostFinance)	26	64 204	51 462
Other financial liabilities	26	364	1 511
Trade accounts payable		835	770
Other liabilities		900	972
Provisions	27	433	544
Employee benefit obligations	9	1 995	2 339
Current income tax liabilities		4	4
Deferred income tax liabilities	14	11	12
Total liabilities		68 746	57 614
Endowment capital		1 300	1 300
Capital reserves		1 366	1 116
Retained earnings		67	–206
Reserves for self-insurance		265	265
Fair value reserves		–150	–9
Hedging reserves		31	1
Currency translation reserves		–26	–1
Equity attributable to the owner		2 853	2 466
Minority interests		4	4
Total equity		2 857	2 470
Total equity and liabilities		71 603	60 084

Consolidated statement of changes in equity

Consolidated statement of changes in equity CHF m	Note	Endowment capital	Capital reserves	Retained earnings ¹	Reserves for self-insurance	Fair value reserves	Hedging reserves	Currency translation reserves	Equity attributable to the owner	Minority interests	Total
As at 1.1.2007		1300	904	-901	265	26	1	3	1598	7	1605
Decrease in fair value reserves for available-for-sale financial assets	17					-3			-3		-3
Gains transferred to the income statement due to the sale of financial assets	17					-13			-13		-13
Amortization of fair value reserves for financial assets reclassified as held to maturity	17					-19			-19		-19
Change in unrealized gains/losses on hedging reserves for cash flow hedges (net)							-5		-5		-5
Realized gains/losses transferred to the income statement from cash flow hedges							5		5		5
Changes in minority interests										-5	-5
Change in currency translation reserves								-4	-4	0	-4
Total income/expenses recognized in equity						-35	0	-4	-39	-5	-44
Group profit				907					907	2	909
Total profit/loss for the period				907		-35	1	-1	868	-3	865
Dividends ²				-212					-212		-212
Transfer to capital reserves ²	9		212						212		212
As at 31.12.2007		1300	1116	-206	265	-9	1	-1	2466	4	2470
As at 1.1.2008		1300	1116	-206	265	-9	1	-1	2466	4	2470
Decrease in fair value reserves for available-for-sale financial assets	17					-137			-137		-137
Losses transferred to the income statement due to the sale of financial assets	17					7			7		7
Amortization of fair value reserves for financial assets reclassified as held to maturity	17					-11			-11		-11
Change in unrealized gains/losses on hedging reserves for cash flow hedges (net)							149		149		149
Realized gains/losses transferred to the income statement from cash flow hedges							-119		-119		-119
Changes in minority interests										0	0
Change in currency translation reserves								-25	-25	0	-25
Total income/expenses recognized in equity						-141	30	-25	-136	0	-136
Group profit				823					823	2	825
Total profit/loss for the period				823		-141	30	-25	687	2	689
Dividends ²				-550					-550	-2	-552
Transfer to capital reserves ²	9		250						250		250
As at 31.12.2008		1300	1366	67	265	-150	31	-26	2853	4	2857

1 Includes initial recognition under IAS 19 "Employee benefits" of employee benefit obligations of 3,658 million francs on 1 January 2002.

2 In accordance with a decision by the Swiss Federal Council, 250 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit in 2007 (previous year: 212 million francs). As a result of profit being thus appropriated, capital reserves increased by a corresponding amount. In addition, 300 million francs were distributed to the owner in 2008.

On 1 January 1998, the Swiss Confederation provided Swiss Post with interest-free endowment capital of 1,300 million francs.

Bearing in mind economic viability and cover requirements, insurance risks are financed primarily through a self-insurance solution, as a result of which exceptional claims may affect the result. A special, appropriated reserve was created under "Equity" to cover this risk, which is borne by the Group itself. Major and special risks are insured externally. Under Article 14 of the Postal Organization Act (POA), Swiss Post is exempt from the duty to obtain insurance laid down in federal and cantonal law.

Fair value reserves comprise fluctuations in the value of "available-for-sale" financial assets, which are caused mainly by fluctuations in capital market interest rates. When financial assets are sold, the relevant fair value reserve is taken to the income statement.

Hedging reserves include net gains and losses resulting from fair value changes attributable to the effective portion of cash flow hedges. The hedging reserves are released to the income statement when the hedged item affects the income statement.

Consolidated cash flow statement

Consolidated cash flow statement			
CHF m	Notes	2008	2007
Earnings before taxes		825	876
Depreciation and amortization	24, 25	279	283
Net gains from the sale of property, plant and equipment		-88	-74
Writedowns of financial assets	17	188	9
Changes in fair value of financial assets recognized in profit or loss		291	98
Net (decrease) in provisions		-200	-119
Other net financial income/(expense) (excl. financial services)		2	-12
Other non-cash income/(expense)		-11	-12
Change in net current assets:			
(Increase) in receivables		-85	-64
Increase in liabilities		13	74
(Increase)/decrease in other non-interest-bearing current assets		0	-3
Change in items from financial services:			
(Increase)/decrease in receivables due from banks (term of 3 months or more)		1 657	-1 310
(Increase) in financial assets		-6 148	-6 849
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		12 725	3 094
Change in other receivables/liabilities from financial services		-1 154	712
Income taxes paid		-13	-15
Net cash from/used in operating activities		8 281	-3 312
Investment in property, plant and equipment	24	-447	-577
Investment in intangible assets (excl. goodwill)	25	-26	-26
Investment in subsidiaries, minus cash and cash equivalents acquired	33	-41	-24
Acquisition of minority interests	33	-2	-17
Proceeds from disposal of property, plant and equipment		153	104
Proceeds from disposal of other (non-operating) financial assets (net)		9	-38
Interest received (excl. financial services)		23	23
Net cash used in investing activities		-331	-555
(Decrease) in other financial liabilities		-116	-42
Interest paid		-7	-9
Transfer from profit available for appropriation to Swiss Post pension fund	9	-250	-212
Dividends paid to the owner		-300	0
Dividends paid to minority interests		-2	-1
Net cash used in financing activities		-675	-264
Change in cash and cash equivalents		7 275	-4 131
Cash and cash equivalents at 1 January		11 228	15 359
Cash and cash equivalents at 31 December		18 503	11 228
Cash and cash equivalents include:			
Cash		2 341	2 810
Receivables due from banks with an original term of less than 3 months	15	16 162	8 418
Total cash and cash equivalents at 31 December		18 503	11 228

Notes

1 | Business activities

Swiss Post is a public organization with its head office in Berne and is wholly owned by the Swiss Confederation. Swiss Post and its subsidiaries (hereinafter referred to as Swiss Post) provide logistics and financial services both in Switzerland and abroad; see Note 5 (Segment information).

2 | Basis of preparation

The annual consolidated financial statements of Swiss Post have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS) and also comply with the Postal Organization Act.

The annual consolidated financial statements are drawn up on the basis of historical cost. Exceptions to this rule are described in the accounting principles set out below. For instance, derivative financial instruments and financial assets held for trading, designated at fair value and classified as "available for sale" are carried in the balance sheet at their fair value.

To take account of the characteristics of the financial services and their importance for Swiss Post, net income from financial services is shown separately in Note 6 (Net income from financial services). Furthermore, the balance sheet is not broken down into current and non-current items, but structured according to descending liquidity. Financial income and expenses from financial services and the underlying cash flows are shown as operating income, expenses or cash flows. Financial income and expenses from other Group units are disclosed as non-operating financial income or expense (excluding financial services) and the relevant cash flows as investment or financing transactions.

The following new or amended IFRSs are effective:

Revised and new International Financial Reporting Standards (IFRS)

Standard	Interpretation	Possible effects on consolidated financial statements (no early application)
IAS 1 rev.	Presentation of Financial Statements	Effective as of 2009: presentation and disclosure
IAS 23 rev.	Borrowing Costs	Effective as of 2009: capitalization of borrowing costs during construction period
IFRS 8	Operating Segments	Effective as of 2009: presentation of segment information
IFRS 2 amend.	Share-based Payment – Vesting Conditions and Cancellations	Effective as of 2009: no impact
IAS 32 amend.	Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Instruments and Obligations Arising on Liquidation	Effective as of 2009: no impact
IFRS 1 amend.	First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements in accordance with IFRS	Effective as of 2009: no impact
IFRS 3 rev.	Business Combinations	Effective for accounting periods beginning on or after 1 July 2009.
IAS 27 rev.	Consolidated and Separate Financial Statements in accordance with IFRS	Effective for accounting periods beginning on or after 1 July 2009.
IAS 39 amend.	Financial Instruments: Recognition and Measurement – eligible hedged items	Effective for accounting periods beginning on or after 1 July 2009.
IFRS 1 rev.	First-time Adoption of International Financial Reporting Standards – Restructured Version	Effective as of 2009: no significant impact
IFRIC 13	Customer Loyalty Programmes	Effective as of 2009: no significant impact
IFRIC 15	Agreements for the Construction of Real Estate	Effective as of 2009: no significant impact
IFRIC 16	Hedge of a Net Investment in a Foreign Operation	Effective as of 2009: no significant impact
IFRIC 17	Distributions of Non-cash Assets to Owners	Effective as of 2009: no significant impact

Swiss Post's equity
in the public sphere

The consolidated balance sheet in both 2002 and 2003 showed equity to be negative after the provision of 3.7 billion francs for employee benefit obligations was recognized in accordance with IAS 19 as at 1 January 2002 (IFRS opening balance sheet). Thanks in particular to retained earnings, the consolidated balance sheet as at 31 December 2004 showed positive equity again for the first time. Funding of the shortfall by the Swiss Confederation was not prejudiced in any way as a result of these provisions for pension obligations being recognized in the balance sheet. On 29 October 2003, the Federal Council set out the principles according to which the problems associated with the pension funds of the Swiss Confederation and former government-owned enterprises would be solved.

3 | Consolidation and accounting principles

The annual consolidated financial statements of Swiss Post comprise the parent – Swiss Post – and all companies in which Swiss Post holds over 50 percent of the voting rights, whether directly or indirectly, or where Swiss Post is responsible for operational and financial management. These companies are fully consolidated. The consolidated financial statements are based on the individual accounts of the parent and the subsidiaries, which in turn are prepared in accordance with uniform principles as at a uniform closing date.

All intra-Group receivables, liabilities, income and expenses from intra-Group transactions and unrealized inter-company profits are eliminated on consolidation. Minority interests in the equity of consolidated companies are presented as a separate item within equity. Minority interests in Group profit or loss are presented outside the consolidated income statement.

Investments in associates where Swiss Post has 20 to 50 percent of the voting power and/or significant influence but which it does not control are not consolidated, but accounted for by the equity method and reported under "Investments in associates". Joint ventures with 50 percent of the voting power in which Swiss Post has significant influence but which it does not control are recognized and disclosed by the same method. Under the equity method, the investment's value is calculated based on the historical cost, plus or minus the proportionate profit or loss since the acquisition date. Material holdings and transactions with these companies are posted separately as items with associates. Investments under 20 percent are presented as financial assets classified as "available for sale".

Companies acquired during the reporting period are included in the annual consolidated financial statements from the date on which Swiss Post assumes effective control. Companies that are sold are included until the date of sale.

Please see Note 32 (Scope of consolidation) for an overview of Swiss Post subsidiaries and associates.

Currency translation

The annual consolidated financial statements of Swiss Post are drawn up in Swiss francs (CHF).

Transactions in foreign currencies are translated at the daily rate ruling at the transaction date. At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the closing rate. Non-monetary assets classified as available-for-sale financial assets are measured at fair value and the unrealized foreign exchange gain or loss recognized directly in equity.

Assets and liabilities in balance sheets of fully consolidated companies that have been prepared in a foreign currency are translated into Swiss francs at the closing rate. The income statement, cash flow statement and other transactions are translated at the average rate for the reporting period. Translation differences arising from the translation of balance sheets and income statements of foreign subsidiaries are taken directly to consolidated equity.

Recognition of income

Income is recognized if it is clear that the economic benefits associated with the transaction will flow to Swiss Post and if the economic benefits can be measured reliably.

Income from logistics services is recognized after sales deductions at the time the service is provided. Income from the sale of products is recognized in the income statement if the risks and rewards incidental to ownership of the products have been transferred to the purchaser. Swiss Post receives compensation from the Swiss Confederation for public passenger transport services and the uncovered costs of newspaper transport, which is recognized in the income statement on an accrual basis. Commission and service income from financial services are recognized on an accrual basis. Interest income on financial assets and interest expenses for customer deposits are accounted for under the accrual-based accounting principle. The effective interest method is used for interest earned on held-to-maturity and available-for-sale fixed-interest financial assets.

Cash

Cash includes cash holdings in Swiss francs and foreign currencies as well as asset-side cash in transit (cash payments made at post offices which have not yet been credited to the PostFinance account (SIC) held at the Swiss National Bank). Cash holdings are measured at face value.

Financial receivables

Receivables due from banks and interest-bearing amounts due from customers (technically overdrawn postal accounts) are measured at amortized cost under the effective interest method, which usually corresponds to the face value. If there are specific doubts as to a borrower's creditworthiness, an appropriate impairment charge is recognized. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, general impairment charges are also recognized based on statistical analyses of credit risk.

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are carried in the balance sheet at amortized cost, which usually corresponds to the face value, minus an impairment charge for doubtful receivables. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, general impairment charges are also recognized based on statistical analyses of credit risk.

Inventories

Inventories comprise resale merchandise, work in progress and finished goods, fuel and operating materials. They are measured at the lower of historical or manufacturing cost and fair value less costs to sell. The historical or manufacturing cost is determined according to the weighted average cost method. Appropriate impairments are recognized for inventories that are not easily marketable.

Financial assets

Financial assets acquired with the aim of making short-term gains by making targeted use of fluctuations in market prices are measured as financial assets at fair value, i.e. they are classified as "At fair value through profit or loss, held for trading". Fair value changes in this category are taken to the income statement. Interest or dividend income from assets "At fair value through profit or loss, held for trading" is presented in the income statement in a separate line item.

Financial assets with a fixed term to maturity, where Swiss Post has the positive intent and ability to hold them until maturity, are classified as "Held to maturity" and carried in the balance sheet at amortized cost under the effective interest method. The effective interest method distributes the difference between the historical and repayment value (premium/discount) over the term to maturity of the asset in question using the annuity method. This results in a constant rate of interest until maturity.

Other financial assets which are held for an indefinite period and can be sold at any time for liquidity reasons or in reaction to changing market conditions are classified as "available for sale" and recognized at their fair value. Unrealized gains and losses are recognized under "Fair value reserves" for financial assets in equity and are taken to the income statement only when the financial asset is sold or if an impairment is recognized. Currency translation differences on monetary financial assets classified as "available for sale" are taken to the income statement.

Loans granted by Swiss Post are carried in the balance sheet at amortized cost. Financial assets are entered in the balance sheet at their due date.

Swiss Post checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is estimated. The recoverable amount of interest-bearing assets and loans is the present value of expected future cash flows from interest payments and repayments. The present value of "held-to-maturity" assets and loans is calculated on the basis of the original effective rate of interest on the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is entered as an impairment in the income statement. If an impairment is recognized on an "available-for-sale" financial asset, the cumulative net loss on this asset recognized in equity is eliminated from equity and taken to the income statement. If the fair value of an interest-bearing asset such as a bond is less than the carrying amount solely due to a change in market interest rates, no impairment is recognized provided the issuer's credit standing is considered to be good. In this case, the change in the fair value of financial assets classified as "available for sale" is taken directly to equity. Impairment on equity instruments in the "available-for-sale" category is recognized if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months or more) reduction in fair value is identified. No reversals of impairment losses are recognized in the income statement until the assets' disposal; positive changes in value are taken directly to equity. Individual impairment charges on "held-to-maturity" financial assets and loans are charged to a separate allowance account. The financial asset is derecognized once there are firm indications that the receivable is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, general impairment charges are also recognized for "held-to-maturity" assets and loans based on statistical analyses of credit risk.

Derivative financial instruments are used mainly to hedge currency and interest rate risks and to a small extent for trading.

Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. The effectiveness of these hedges is reviewed every six months.

Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged item are recognized in the income statement.

Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are recognized in equity, while changes in value to the extent a hedge is ineffective are recognized in the income statement.

Derivatives which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading.

Derivative financial instruments acquired for trading purposes are recognized at fair value when the transaction is concluded and are subsequently measured at fair value. Changes in the fair value of instruments held for trading are recognized in the income statement.

Repurchase, reverse repurchase (repo) and securities lending transactions

The fair values of financial instruments are determined on the basis of stock market prices and valuation models (annuity method, etc.). In the case of listed financial instruments, the fair values correspond to the market prices. In the case of unlisted monetary financial instruments, the fair values are determined by discounting the cash flows, using the current interest rate applicable to similar instruments with the same maturity.

Cash outflows arising from reverse repurchase transactions are stated as receivables due from banks. Financial assets obtained from transactions as collateral are not recognized in the balance sheet. Transactions are accounted for in the balance sheet on their due date. Interest income from reverse repurchase transactions is accounted for under the accrual-based accounting principle.

Financial assets transferred as collateral in repurchase transactions continue to be recognized in the balance sheet under "Financial assets". The cash inflow is reported under "Other financial liabilities". Interest expenses from repurchase transactions are accounted for under the accrual-based accounting principle.

In respect of securities lending and borrowing, Swiss Post engages in securities lending only. The loaned financial instruments continue to be recognized in the balance sheet as financial assets.

Securities cover for repurchase, reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values.

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Depreciation is accounted for on a straight-line basis in line with the estimated useful life, as follows:

Estimated useful life of items of property, plant and equipment

Plots of land	none
Operating property	20–60 years
Equipment	3–20 years
Machinery	3–15 years
IT equipment	3–10 years
Furniture	3–20 years
Track vehicles	10–30 years
Other vehicles	3–10 years

Tenant fit-outs and installations in rented premises that are recognized as part of the cost of the assets are depreciated over the estimated useful life or the duration of the rental agreement, if shorter. Property, plant and equipment comprising components with different useful lives is recognized and depreciated separately. The useful lives of items of property, plant and equipment are reviewed on an annual basis. There are no significant properties to be classified as investment properties in accordance with IAS 40.

Major renovations and other costs that add value are recognized as part of the cost of the assets and depreciated over their estimated useful lives. Costs for repairs and maintenance are recognized as expenses. Interest on borrowings for assets under construction is not capitalized but carried as an expense.

Leases

Lease agreements for properties, installations, other property, plant and equipment and vehicles where Swiss Post substantially assumes all risks and rewards incidental to ownership are treated as finance leases. The fair value of the leased object is recognized at inception of the lease and carried as an item of property, plant and equipment. Future lease payments are discounted and posted as a liability. Each lease payment is broken down into amortization and interest expense components. The amortization component is deducted from the recognized lease obligation.

Other lease agreements are recognized as operating leases. The lease payments are carried in the income statement over the term of the lease.

In classifying long-term property leases, land and building elements are assessed separately. Subject to certain conditions, buildings are accounted for as finance leases. As a rule, leases in respect of plots of land are classified as operating leases due to the indefinite useful life.

Intangible assets

In the event of a business combination, recognized goodwill is carried in the balance sheet at cost less impairment. In the event of an acquisition, the purchase price is allocated among the identifiable assets, liabilities and contingent liabilities.

Additions of intangible assets not acquired through business combinations are recognized at cost and written down on a straight-line basis over the period of their useful life. The estimated useful lives of intangible assets are reviewed on a regular basis and are less than ten years.

Impairment (property, plant and equipment and intangible assets)

Items of property, plant and equipment and intangible assets (excluding goodwill) are checked regularly to determine if there are signs of overvaluation. If there are signs of overvaluation, the carrying amount is compared with the net recoverable amount (the higher of net selling price and value in use). If the carrying amount of an asset exceeds its recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized in the income statement. The recoverable amount of goodwill is reviewed at least annually.

Customer deposits (PostFinance)

Customer deposits held with PostFinance such as postal accounts, Deposito accounts, investment accounts and medium-term notes are measured at amortized cost, which usually corresponds to the face value.

Other financial liabilities

Other financial liabilities comprise amounts due to banks (which are measured at amortized cost), derivatives measured at fair value, finance lease obligations and repurchase transactions.

Provisions

Provisions are recognized provided that, at the date of their recognition, a past event has resulted in a present obligation and a cash outflow is probable and can be measured reliably.

Restructuring provisions are recognized only upon presentation of a detailed plan and following the necessary communication.

Swiss Post bears a number of risks itself in accordance with the principle of self-insurance. Provisions are recognized for expected expenses arising from claims incurred that are not insured externally.

Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan. In line with statutory provisions, the plan covers risks resulting from the economic consequences of old age, disability and death. The expenses and obligations arising from the pension plan are calculated annually using the projected unit credit method. The service years worked by employees as at the balance sheet date are taken into account, and assumptions are made as to future wage trends.

The effects of plan amendments are taken directly to the income statement, provided they resulted in justifiably acquired rights. Other effects are recognized in the income statement after being spread equally over the assumed average remaining working lives of the insureds. Actuarial and asset-related cumulative gains and losses are recognized on a straight-line basis over the average remaining working lives, provided they exceed 10 percent of the higher of the pension assets and obligations (projected benefit obligation).

For the other pension plans, transferred employer contributions are charged to the income statement in accordance with the rules for defined contribution plans.

Provisions for other long-term employee benefits (loyalty bonuses for long years of service) and staff vouchers for retired employees are also determined using the projected unit credit method, as are the provisions for sabbaticals taken by level 1 and 2 management employees.

Income taxes

In accordance with Article 13 of the Postal Organization Act, the parent (Swiss Post) only pays tax on profit arising from competitive services under Article 9 of the Postal Act. Profit earned by Swiss and foreign subsidiaries is subject to tax at the regular rates applicable in the country in question.

Deferred income taxes are determined for the taxable services provided by Swiss Post and its subsidiaries on the basis of current or expected national tax rates. Deferred income taxes take into account the income tax-related implications of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base (balance sheet liability method). Tax loss carryforwards are taken into account in calculating deferred taxes only to the extent that it is probable that sufficient taxable profits will be generated in future, against which these can be offset.

Non-current assets held for sale and discontinued operations

Non-current assets (property, plant and equipment and intangible assets) or groups of assets (e.g. an entire operation) are classified as "held for sale" if they are no longer in use and Swiss Post intends to dispose of them. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and no longer depreciated/amortized.

A discontinued operation comprises clearly identifiable activities that have already been sold or that are classified as "non-current assets held for sale".

4 | Estimation uncertainty and management's judgment

Preparation of the consolidated financial statements requires the use of estimates and assumptions. Although these estimates and assumptions were based on Executive Management's best knowledge of current events and possible future actions on the part of Swiss Post Group, actual results may ultimately differ from these estimates. The assumptions and estimates with the greatest risk of causing a material adjustment to the carrying amount of an asset or liability within the next financial year are explained below.

Those accounting policies that may have a material impact on the annual consolidated financial statements as a result of Executive Management's judgments are also explained.

Estimation uncertainty in applying accounting policies

■ Useful lives of items of property, plant and equipment

The useful lives of items of property, plant and equipment are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

■ Employee benefit obligations

Expenses and obligations arising from pension plans are calculated annually using the projected unit credit method. The calculations are based on various actuarial assumptions such as the expected long-term return on plan assets, expected salary and pension trends and the discount rate for pension obligations.

■ Fair values of financial instruments

Fair values of financial assets that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observed market information. The discounted cash flow (DCF) method is used annually to determine the fair value of some unquoted available-for-sale financial assets. The DCF is calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account.

■ Goodwill

The discounted cash flow (DCF) method is used annually to determine the recoverable amount of goodwill items. The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next three years and a residual value. This does not include any growth component.

Management’s judgment used in applying accounting policies

■ **Financial assets held to maturity**
 Investments with a fixed maturity which Swiss Post intends and is able to hold to maturity are classified as “held to maturity”. If Swiss Post does not manage to hold these investments to maturity, all investments assigned to this category must be reclassified as “available for sale”. As a result, they would no longer be measured at amortized cost but at fair value.

■ **Impairment of available-for-sale and held-to-maturity financial assets and loans** Swiss Post follows the guidance set out in IAS 39 “Financial Instruments: Recognition and Measurement” to determine whether there is evidence of impairment. In measuring impairment, the management takes into account various factors such as maturity, sector, outlook, technological conditions, etc.

5 | Segment information

Basics

Segment reporting is based on Swiss Post’s internal organizational and management structures. Transactions between the segments are based on a catalogue of services and a manual covering transfer prices. Transfer prices are calculated on the basis of commercial criteria. The results of the Post Offices & Sales, PostLogistics and PostMail segments are shown after charging process costs relating to acceptance, transport and delivery services. The result of Post Offices & Sales comprises income from other brand-name items and the costs not covered by charging internal services.

Note 32 (Scope of consolidation) illustrates how Swiss Post accounting units and subsidiaries are assigned to the segments.

Primary segmentation

Primary segmentation	Description
PostMail	Services relating to addressed letters, newspapers, unaddressed items.
PostLogistics	Parcels, express and courier deliveries, transport, logistics services.
Swiss Post International	Mailing and receipt of letters and parcels to and from countries abroad and related services in countries abroad, mailing of newspapers/magazines.
Strategic Customers & Solutions	Services in new markets such as dialogue marketing, document and customer management.
Post Offices & Sales	Sales channel for postal products/services and additionally for third-party products for private customers and small and medium-sized enterprises.
PostFinance	Services relating to payments, investments, retirement planning and financing.
PostBus	Road-based passenger transport and supplementary services.
Other	Swiss Post units which cannot be assigned to the segments (service and management units such as Real Estate, Information Technology and Philately).
Consolidation	Effects of intra-Group elimination.

Secondary segmentation

Assignment to the “Switzerland” segment and the “International and cross-border” segment is based on geographical criteria. The “International and cross-border” segment includes the total turnover of Swiss Post International and the other foreign subsidiaries.

Statutory mandates

Statutory mandates require Swiss Post to provide a universal service throughout Switzerland. Pricing within the universal service is not at Swiss Post's discretion. Price changes affecting reserved services (monopoly) are subject to approval by the Federal Department of the Environment, Transport, Energy and Communications (DETEC). The price watchdog can also check the prices of other services at any time, owing to Swiss Post's dominant position in the market.

Based on the Postal Act, Swiss Post provides reserved, non-reserved and competitive services. Reserved services (where Swiss Post has a monopoly) are provided by the PostMail (addressed letters) and Swiss Post International (mailing and receipt of international letters) segments.

The letter market was partially deregulated on 1 April 2006. The monopoly limit was lowered to 100 grams. Swiss Post can thus continue to ensure a high-quality basic service at affordable prices. By providing a basic postal service, it is helping to strengthen the public service in Switzerland.

Compensation from the Swiss Confederation

Swiss Post receives the following compensation from the Swiss Confederation, which is disclosed under "Net sales from logistics services":

- PostMail segment: 30 million francs (2007: 80 million francs) for uncovered costs incurred in transporting newspapers.
- PostBus segment: 144 million francs (2007: 184 million francs) for public passenger transport services provided.

Composition of segment assets and liabilities

If possible, the assets and liabilities resulting from a segment's operating activities are assigned to the appropriate segments. As the "PostFinance" segment result includes financial income and expenses relating to operations, the corresponding interest-bearing assets and liabilities are accounted for in the segment's assets and liabilities.

The "Other" column mainly includes the following items in the segment's assets and liabilities:

- the carrying amounts of the parent's centrally managed properties
- employee benefit obligations

Unallocated assets and liabilities comprise those (primarily loans, e.g. to PostBus operators) that are essentially financial and therefore not assigned to segment assets or segment liabilities.

Further information

Non-cash income and expenses primarily include those incurred in recognizing and reversing provisions without affecting cash.

Results by
business segment
and region**Result by
business segment**

2008 CHF m	Notes	PostMail	Post- Logistics	Swiss Post Inter- national	Strategic Customers & Solutions	Post Offices & Sales	Post- Finance	PostBus ¹	Other ²	Consolida- tion	Group
Operating income											
with customers		2 587	1 151	1 030	650	449	2 180	603	330	–	8 980
with other segments		329	365	4	58	888	11	1	846	–2 502	–
Total operating income		2 916	1 516	1 034	708	1 337	2 191	604	1 176	–2 502	8 980
Operating result		249	39	36	9	–95	229	27	318		812
Net financial income/(expense)	12, 13										3
Net income from associates	23	0	–	7	0	–	2	0	1		10
Income taxes	14										0
Group profit											825
Segment assets		502	417	701	407	459	67 142	196	3 368	–3 571	69 621
Associates		4	–	15	0	–	15	2	6		42
Unallocated assets ³											1 940
Total assets											71 603
Segment liabilities		293	476	668	247	553	66 540	311	2 650	–3 571	68 167
Unallocated liabilities ³											579
Total liabilities											68 746
Investment in property, plant and equipment and intangible assets	24, 25	129	78	11	25	4	10	35	181		473
Depreciation and amortization	24, 25	34	51	7	36	1	20	21	113		283
Impairment	17, 25	–	–	–	1	–	187	–	–		188
Reversal of impairment	24	–	–	–	4	–	–	–	–		4
Other non-cash income/(expenses)		28	–20	–4	–4	5	0	–18	–134		–147
Headcount ⁴		17 594	5 294	1 294	6 109	7 055	2 889	1 570	2 373		44 178

- 1 The PostBus segment is subject to the Railways Act (EBG), which provides for the accounting for licensed transport companies (REVO) to be handled separately. There are differences between the REVO and the IFRS results.
- 2 Includes service and management units such as Real Estate, Information Technology and Philately.
- 3 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expense rather than to the operating result and therefore are not assigned to segment assets or segment liabilities.
- 4 Average expressed in terms of full-time equivalents (excl. trainees). The increase in headcount at PostMail and the decrease at Post Offices & Sales are due to employees switching from the delivery to a private residence service.

Result by region

2008 CHF m	Notes	Switzerland	International and cross-border	Group
Operating income with customers		7 372	1 608	8 980
Segment assets		68 667	954	69 621
Investment in property, plant and equipment and intangible assets	24, 25	440	33	473

Result by business segment

2007 CHF m	Notes	PostMail	Post- Logistics	Swiss Post Inter- national	Strategic Customers & Solutions	Post Offices & Sales	PostFinance	PostBus ¹	Other ²	Consolida- tion	Group
Operating income											
with customers		2 659	1 118	1 142	662	420	1 928	583	200	–	8 712
with other segments		349	343	3	30	1 316	9	2	818	–2 870	–
Total operating income		3 008	1 461	1 145	692	1 736	1 937	585	1 018	–2 870	8 712
Operating result		236	76	34	–1	–25	318	32	196		866
Net financial income/(expense)	12, 13										–2
Net income from associates	23	2	–	8	0	–	2	0	0		12
Income taxes	14										33
Group profit											909
Segment assets		549	341	705	524	453	56 103	184	2 468	–4 143	57 184
Associates		5	–	15	0	–	15	2	6		43
Unallocated assets ³											2 857
Total assets											60 084
Segment liabilities		325	342	686	385	476	55 297	304	3 427	–4 143	57 099
Unallocated liabilities ³											515
Total liabilities											57 614
Investment in property, plant and equipment and intangible assets	24, 25	138	64	18	26	2	23	26	308		605
Depreciation and amortization	24, 25	31	47	6	30	1	22	22	100		259
Impairment	17, 24, 25	–	–	0	25	–	9	–	–		34
Reversal of impairment	17, 25	–	–	–	0	–	0	–	–		0
Other non-cash income/(expenses)		–12	–6	–2	–5	–3	1	–19	–125		–171
Headcount ⁴		14 370	5 105	1 133	5 306	10 997	2 709	1 521	2 306		43 447

- 1 The PostBus segment is subject to the Railways Act (EBG), which provides for the accounting for licensed transport companies (REVO) to be handled separately. There are differences between the REVO and the IFRS results.
- 2 Includes service and management units such as Real Estate, Information Technology and Philately.
- 3 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expense rather than to the operating result and therefore are not assigned to segment assets or segment liabilities.
- 4 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region

2007 CHF m	Notes	Switzerland	International and cross-border	Group
Operating income with customers		6 971	1 741	8 712
Segment assets		56 209	975	57 184
Investment in property, plant and equipment and intangible assets	24, 25	572	33	605

6 | Net income from financial services

By presenting net income from financial services in the following format, Swiss Post takes account of the character of these financial services. Net income is broken down into individual items in line with banking practice.

Net income from financial services	2008	2007
CHF m		
Interest income		
Interest income on receivables due from banks	40	59
Interest income on securities lending and reverse repurchase transactions	142	152
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on FVTPL ¹ : held for trading	–	–
Interest and dividend income on financial assets	1 183	915
Interest expense		
Interest expense for customer deposits (PostFinance)	–526	–405
Interest expense for amounts due to banks	–14	–7
Interest expense on repurchase transactions	–6	–4
Net interest income	828	719
Writedowns of financial assets	–188	–12
Losses on payment transactions	–4	–4
Net interest income after writedowns	636	703
Commission income on lending business	73	66
Commission income on securities and investment business	26	29
Commission income on other services	23	17
Commission expenses	–69	–61
Net income from services	508	518
Net services and commission income	561	569
Net trading income	111	100
Gain/loss on the sale of available-for-sale financial assets	2	11
Other net financial income/expense	–13	–9
Net income from financial services	1 297	1 374
Shown in the consolidated income statement under:		
Income from financial services	2 177	1 927
Expenses for financial services	–880	–553

1 FVTPL: Fair value through profit or loss (fair value changes are taken to the income statement).

7 | Other operating income

Other operating income	2008	2007
CHF m		
Rental income	63	61
Gains on the sale of property, plant and equipment	89	76
Other income	432	299
Total other operating income	584	436

Other income consists mainly of value added tax and customs duties collected by the Swiss Post International segment (see also Note 11, Other operating expenses), income from the operation of new logistics solutions and, for 2008, financial compensation for lease reversion at the Sihlpost building in Zurich.

8 | Staff costs

Breakdown

Breakdown of staff costs

CHF m	Notes	2008	2007
Wages and salaries		3 325	3 301
Social security benefits		308	329
Employee benefit expenses	9	150	143
Other staff costs		90	78
Total staff costs		3 873	3 851

Headcount

Headcount

Headcount ¹	2008	2007
Employees at Swiss Post Group (excluding trainees)	44 178	43 447
Employees at Swiss Post (excluding trainees)	32 919	33 419
Trainees at Swiss Post Group	1 631	1 525

1 Average expressed in terms of full-time equivalents.

9 | Employee benefits

There are various employee benefit institutions in Switzerland and abroad. Most of the employees are insured with the Swiss Post pension fund foundation. On 1 January 2008, the Swiss Post pension fund switched to a new scheme. Members have since been insured under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Swiss federal law on occupational pension provision (BVG). The plan insures staff employed by Swiss Post, affiliated organizations and companies and PostBus operators (to the extent that the latter are deployed in operating PostBus routes) against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Risk cover commences on 1 January after employees reach 17 years of age. Retirement insurance then commences on 1 January after insured employees reach 21 years of age if they have entered into a regular contract of employment under which they are compensated by way of a monthly salary for more than three months and the applicable annual salary exceeds two eighths of the maximum old age pension under Swiss Old Age and Survivors' Insurance (AHV). The calculations in accordance with IAS 19 also factor in the benefit plan of the GHP Group in Germany. The other benefit plans are immaterial in the context of the annual consolidated financial statements.

Actuarial assumptions

The following parameters were applied in the calculations:

Actuarial assumptions

percentage	2008	2007
Discount rate	3.50	3.25
Expected change in wages	2.00	2.00
Expected long-term return on plan assets	4.50	4.50
Pension indexation	0.50	0.50
Staff turnover	4.02	3.70

Long-term employee benefits are shown and described under Note 27, Provisions.

Annual costs

Employee benefit expenses CHF m	2008	2007
Accrued benefit claims	437	441
Interest on future benefit claims	486	458
Expected return on assets	-613	-606
Amortization of retroactive benefit improvements	0	4
Employee contributions	-171	-156
Other	11	-
Employee benefit expenses arising from defined benefit plans	150	141
Employee benefit expenses for PostBus operators recognized under "Compensation paid to PostBus operators"	-8	-9
Employee benefit expenses for other benefit plans	8	11
Group employee benefit expenses	150	143
Actual return on plan assets	-1 833	126

Transactions between the Swiss Post pension fund foundation and Swiss Post are subject to standard market terms and conditions.

Cover status

Statement of recognized employee benefit obligations arising from defined benefit plans of the Swiss Post pension fund foundation and the GHP Group:

Summary of cover status CHF m	31.12.2008	31.12.2007
Present value of employee benefit obligations including assets set aside	15 192	15 190
Benefit plan assets at fair value	-11 651	-13 548
Shortfall	3 541	1 642
Non-amortized actuarial gains ¹	-1 597	641
Non-amortized plan amendment costs	34	33
Employee benefit obligations excluding assets set aside	13	23
Total recognized employee benefit obligations arising from defined benefit plans	1 991	2 339

¹ This amount corresponds to cumulative actuarial gains/losses arising from the discrepancy between assumed values and actual values and from the adjustments to actuarial assumptions.

Change in recognized employee benefit obligations arising from defined benefit plans

Change in recognized employee benefit obligations arising from defined benefit plans CHF m	2008	2007
As at 1.1.	2 339	2 627
Employee benefit expenses arising from defined benefit plans	150	141
Employer contributions paid	-245	-217
Appropriation of profits	-250	-212
Employer's pension payments	-1	-
Currency translation differences	-2	-
Additions to scope of consolidation	-	0
As at 31.12.¹	1 991	2 339
of which:		
current, i.e. payments falling due within the next twelve months	150	141
non-current	1 841	2 198

¹ Deviations from figures in the balance sheet are the result of employee benefit obligations for which no calculations were made in accordance with IAS 19.

Change in employee benefit obligations

Change in employee benefit obligations

CHF m	2008	2007
As at 1.1.	15 213	15 671
Accrued benefit claims	437	441
Benefits paid from plan assets	-811	-791
Benefits paid directly by the employer	-1	-1
Interest on employee benefit obligations	486	458
Company acquisitions	-	3
Actuarial (gains)/losses	-208	-516
Currency translation differences	-2	1
Plan amendment effects (switch to "Duoprimat" scheme)	-	-53
Other	91	-
As at 31.12.	15 205	15 213
Employee benefit obligations including assets set aside	15 192	15 190
Employee benefit obligations excluding assets set aside	13	23
Total employee benefit obligations	15 205	15 213

Change in plan assets

Changes in fair value of plan assets

CHF m	2008	2007
As at 1.1.	13 548	13 627
Employee contributions	171	156
Employer contributions	245	217
Benefits paid	-811	-791
Expected return on plan assets	613	606
Gains/(losses) on plan assets	-2 445	-480
Additions to scope of consolidation	-	0
Appropriation of profits ¹	250	212
Currency translation differences	0	1
Other	80	-
As at 31.12.	11 651	13 548

¹ In accordance with a decision by the Swiss Federal Council, a further 250 million francs and a further 212 million francs respectively were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit in 2007 and 2006. As a result of profit being thus appropriated, capital reserves increased by the same amount.

Asset classes

Asset classes and expected return percentage	Expected long-term return	Percentage of total assets measured at fair value	
		31.12.2008	31.12.2007
Bonds	3.25	55	46
Shares	7.00	20	27
Real estate	4.50	10	10
Other	4.45	15	17
Total	4.44	100	100

The assets of the Swiss Post pension fund do not include any Swiss Post securities or real estate leased by Swiss Post.

Change in the shortfall

Change in the shortfall CHF m	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Employee benefit obligations	15 205	15 213	15 671	15 456	14 437
Plan assets	-11 651	-13 548	-13 627	-12 580	-11 284
Shortfall	3 554	1 665	2 044	2 876	3 153
Experience adjustments to plan liabilities					
Amount	131	9	-31	-210	-136
in percent	0.9	0.1	-0.2	-1.4	-0.9
Experience adjustments to plan assets					
Amount	-2 445	-480	369	724	-12
in percent	-21.0	-3.5	2.7	5.8	-0.1

Experience adjustments (plan liabilities, plan assets) document the discrepancies between the planning assumptions and the actual trends for the year in question.

Future employer contributions

The regular employer contributions expected for 2009 amount to 245 million francs (2008: 217 million francs).

10 | Resale merchandise and service expenses

Resale merchandise and service expenses CHF m	2008	2007
Resale merchandise expenses	544	526
Compensation paid to PostBus operators	276	268
Compensation paid to forwarding companies	399	355
Compensation paid for international postal traffic	235	331
Temporary employees	176	150
Total resale merchandise and service expenses	1 630	1 630

Resale merchandise expenses rose mainly as a result of the operation of new logistics solutions. PostBus operators are not employed by Swiss Post but operate PostBus routes for Swiss Post under contract. The additional costs of compensation for transport companies is due to higher volumes and in particular to higher prices (incl. petrol and salaries). Compensation for international postal traffic has declined, mainly due to foreign exchange effects. The increase in expenses for temporary employees is due to parallel operations as part of REMA.

11 | Other operating expenses

Other operating expenses CHF m	2008	2007
Premises	212	208
Maintenance and repair of property, plant and equipment	279	286
Energy and fuel	73	55
Operating materials	172	206
Office and administrative expenses	150	152
Marketing and communications	98	99
Loss on the sale of property, plant and equipment	2	2
Other expenses	520	520
Total other operating expenses	1 506	1 528

12 | Financial income

Financial income

CHF m	2008	2007
Interest income on other loans	12	12
Gains on the sale of financial assets	3	2
Foreign exchange gains	7	3
Other financial income	3	1
Total financial income	25	18

Income from PostFinance's financial services business is posted as "Income from financial services".

13 | Financial expenses

Financial expenses

CHF m	Notes	2008	2007
Interest expense on other financial liabilities		6	8
Present value adjustments to provisions	27	0	5
Interest charges on finance leases	26	1	0
Foreign exchange losses		11	2
Other financial expenses		4	5
Total financial expenses		22	20

Expenses arising from PostFinance's financial services business are posted as "Expenses for financial services".

14 | Income taxes

Income taxes

CHF m	2008	2007
Expense for current income taxes	10	13
Income from deferred income taxes	-10	-46
Total income taxes	0	-33

With the exception of profits from competitive services, the vast majority of the parent's business is not subject to tax. However, the proportion of taxable services could rise in future as a result of liberalization.

Deferred taxes relating to
balance sheet items

Deferred taxes relating to balance sheet items CHF m	31 December 2008			31 December 2007		
	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
Property, plant and equipment	1	-4	-3	0	-6	-6
Intangible assets	16	-6	10	20	-5	15
Other financial liabilities	1	0	1	2	-	2
Other liabilities	0	0	0	0	-1	-1
Provisions	1	0	1	0	-0	0
Provisions for employee benefits (IAS 19)	18	0	18	16	-	16
Other balance-sheet items	0	-1	-1	-	-	-
Deferred taxes arising from temporary differences	37	-11	26	38	-12	26
Tax assets recognized for loss carryforwards	33		33	23		23
Deferred tax assets / liabilities gross	70	-11	59	61	-12	49
Deferred tax assets/liabilities prior year	-61	12	-49	-20	14	-6
Changes in scope of consolidation	-4	5	1	0	1	1
Currency effect	-1	0	-1	2	-	2
Deferred taxes recognized in the income statement	4	6	10	43	3	46

Deferred tax assets of 70 million francs (2007: 61 million francs) mainly comprise tax loss carryforwards, temporary differences on intangible assets and employee benefit provisions under IAS 19 that are not accepted for tax purposes. Deferred tax assets are only recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 11 million francs (2007: 12 million francs) were mainly the result of temporary differences between the carrying amounts and tax base of property, plant and equipment and intangible assets.

Unused loss carryforwards

Unused loss carryforwards CHF m	Recognized		Not recognized		Total
	Recognized	Not recognized	Recognized	Not recognized	
1 year	18		47		65
2-6 years	107		105		212
In more than 6 years	16		178		194
Total unused loss carryforwards	141		330		471

Tax loss carryforwards of 330 million francs (2007: 326 million francs) were not recognized as assets at Swiss Post Group, as it seems uncertain that they will be utilized in the future. Most tax loss carryforwards expire after seven years.

Analysis of expenses for income taxes

The following table shows a reconciliation of tax expense at the weighted average tax rate to actual tax expense. The applicable weighted average tax rate is 17.8 percent (2007: 18.6 percent).

Reconciliation of tax expense at weighted average tax rate to actual tax expense

CHF m	2008	2007
Earnings before taxes	825	876
Income tax-exempt profit of the parent company	814	844
Taxable profit	11	32
Weighted average tax rate	17.8%	18.6%
Tax expense at weighted average tax rate	2	6
Causes of increases/decreases:		
Use of unrecognized loss carryforwards	-2	-12
Non-recognition of deferred taxes for the loss for the period	4	-
Other non-deductible expenses	1	1
Additional tax payments/tax reimbursements for prior years	1	-
Gains/losses on different tax rates	1	-1
Change in valuation allowance for deferred tax assets	5	-23
Change in tax rates	1	-1
Other effects	-13 ¹	-3
Reported income tax expense	0	-33

¹ Primarily includes the use of recognized loss carryforwards and changes in temporary differences.

15 | Receivables

In the case of a reverse repurchase transaction, a receivable is recognized, reflecting Swiss Post's right to receive back the cash deposit. Securities received in reverse repurchase transactions are only recognized in the balance sheet if risks and rewards have also been transferred. The fair values of the securities received are monitored so that additional collateral can be provided or requested back as and when necessary.

No assets have been pledged (as collateral) for receivables.

Receivables by type CHF m	31 December 2008			31 December 2007		
	Gross	Writedown	Net	Gross	Writedown	Net
Receivables due from banks ¹	17 067	1	17 066	11 005	1	11 004
Interest-bearing amounts due from customers	108	3	105	89	3	86
Trade accounts receivable	1 110	12	1 098	1 053	10	1 043
Other receivables	1 060	4	1 056	900	3	897
Total receivables	19 345	20	19 325	13 047	17	13 030
¹ of which receivables from reverse repurchase transactions and covered by securities with a fair value of			16 767			7 633
			16 767			7 633

Receivables
due dates

Receivables by due date CHF m	31 December 2008			31 December 2007		
	Total	Due in up to 3 months	Due in over 3 months	Total	Due in up to 3 months	Due in over 3 months
Receivables due from banks	17 066	16 162	904	11 004	8 418	2 586
Interest-bearing amounts due from customers	105	105	–	86	86	–
Trade accounts receivable	1 098	612	486	1 043	136	907
Other receivables	1 056	137	919	897	49	848
Total receivables	19 325	17 016	2 309	13 030	8 689	4 341

Receivables due from banks comprise current account balances, money market instruments and reverse repurchase transactions. The current accounts mainly relate to Swiss Post's international payment transactions. The money market instruments and reverse repurchase transactions arise from the management of customer deposits. Securities cover for reverse repurchase transactions is recognized on a daily basis at current fair values.

Interest-bearing amounts due from customers comprise technical overdrafts on postal accounts.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 40 million francs on receivables due from banks (2007: 59 million francs) and 9 million francs on interest-bearing amounts due from customers (2007: 9 million francs).

Trade accounts receivable and other receivables are of a short-term nature and are not discounted.

Overdue receivables for which
individual impairment charges
are not recognized

Swiss Post writes down receivables if it expects a loss in respect of those receivables because the debtor will probably be unable to fulfil its contractual obligations. Overdue receivables for which there are no clear indications of impairment are placed on a watchlist and monitored.

Overdue receivables for which individual impairment charges are not recognized CHF m	31 December 2008				31 December 2007			
	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
Interest-bearing amounts due from customers	81	15	7	4	74	4	5	6
Trade accounts receivable	70	7	4	1	90	3	1	1
Other receivables	1	1	1	2	1	1	0	2
Total receivables	152	23	12	7	165	8	6	9

No significant overdue receivables had to be renegotiated in either the reporting period or the previous year.

Receivables for which
impairment charges are
recognized

Outstanding receivables are checked on a regular basis by means of a risk analysis specified by the Group. Individual impairment charges for receivables are determined based on the difference between the nominal amount of the receivables and the estimated net amount recoverable.

Items that are not written down individually are subject to a general impairment charge based on statistical analyses from previous years.

Receivables for which impairment charges are recognized

CHF m	31 December 2008			31 December 2007		
	Gross	Writedown	Net	Gross	Writedown	Net
Individual writedowns						
Receivables due from banks	2	-1	1	1	-1	-
Trade accounts receivable	37	-8	29	15	-7	8
Other receivables	5	-4	1	4	-3	1
Total receivables for which individual impairment charges are recognized	44	-13	31	20	-11	9
General writedowns						
Interest-bearing amounts due from customers	108	-3	105	89	-3	86
Trade accounts receivable	923	-4	919	844	-3	841
Other receivables	0	0	0	1	0	1
Total receivables for which general impairment charges are recognized	1 031	-7	1 024	934	-6	928

Changes in
impairments
on receivables

Changes in impairments on receivables CHF m	Receivables due from banks		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
	Individual writedowns	General writedowns	Individual writedowns	General writedowns	Individual writedowns	General writedowns	Individual writedowns	General writedowns
As at 1.1.2008	1	-	-	3	7	3	3	0
Impairments	1	-	-	-	2	2	1	-
Reversal of impairment	-	-	-	-	0	-1	-	0
Disposals	-1	-	-	-	-1	0	-	-
As at 31.12.2008	1	-	-	3	8	4	4	0
As at 1.1.2007	1	-	-	2	8	4	4	0
Impairments	-	-	-	1	2	1	0	-
Reversal of impairment	-	-	-	-	0	-1	-	0
Disposals	-	-	-	-	-3	-1	-1	-
As at 31.12.2007	1	-	-	3	7	3	3	0

16 | Inventories

Inventories

CHF m	31 December 2008	31 December 2007
Resale merchandise	43	46
Fuel and operating materials	32	30
Work in progress and finished goods	5	7
Value adjustment for inventories which are not easily marketable	0	-1
Total inventories	80	82

17 | Financial assets

Financial assets CHF m	Notes	FVTPL ¹	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
		held for trading					
		18	19	20	21	22	
As at 1.1.2008		–	31 671	3 935	39	5 797	41 442
Additions		0	12 428	1 112	140	8 873	22 553
Change in value recognized in income statement		–	–95	–197	–	0	–292
Change in value recognized directly in equity		–	–	–114	–	–	–114
Impairments		–	–113	–69	–	–6	–188
Reclassifications		–	–585	–	–	585	0
Disposals		–	–7 332	–1 560	–	–7 501	–16 393
As at 31.12.2008		0	35 974	3 107	179	7 748	47 008
As at 1.1.2007		–	26 325	4 422	16	3 949	34 712
Additions due to acquisition of subsidiaries		–	–	0	–	–	0
Additions		–	10 354	1 051	23	7 201	18 629
Change in value recognized in income statement		–	–86	20	–	–31	–97
Change in value recognized directly in equity		–	–	–17	0	–	–17
Impairments, net		–	–7	–	–	–2	–9
Disposals		–	–4 915	–1 541	–	–5 320	–11 776
As at 31.12.2007		–	31 671	3 935	39	5 797	41 442

¹ FVTPL: Fair value through profit or loss (fair value changes are taken to the income statement).

The ever-growing inflow of customer deposits during the course of the year led to a further increase in financial assets. Available-for-sale financial assets and derivative financial instruments are presented at fair value if the latter can be directly derived from prices on publicly organized or standardized markets. Items for which there are no "official" price quotations are measured on the basis of yield curves, risk premiums and derivatives quotations (credit default swaps).

Financial assets classified as held to maturity and loans are measured at amortized cost. In the adverse market environment that prevailed during the year and through to the end of the reporting period, it can be assumed that this amortized cost in some cases exceeds the fair value that would be obtainable were an asset to be disposed of immediately. This is because credit premiums have risen sharply across all categories of debtor and in the fourth quarter reached all-time highs.

The difference between the carrying amounts presented and the fair values calculated for held-to-maturity items using the same method as for available-for-sale assets is disclosed under Note 19, Financial assets held to maturity.

At no time were financial assets held for trading. There was therefore no need to use the option under IAS 39 - introduced in October 2008 and applicable retrospectively as of the middle of the year - to reclassify securities out of the held-for-trading category and into the available-for-sale category.

The rise in derivative financial instruments (positive fair values) is due to an increase in hedging transactions for foreign-currency assets (as hedged items) and exchange rate movements. An amount of 154 million francs (31 December 2007: 20 million francs) was posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 21, Derivative financial instruments).

The 292 million franc decline in value recognized in profit or loss was due primarily to the negative impact of foreign exchange rates on bonds (169 million francs in the case of available-for-sale financial assets and 43 million francs in the case of held-to-maturity financial assets). A further 58 million francs stems from the use of the effective interest method (amortization). All foreign-currency bonds are hedged using interest rate/currency swaps or currency forwards.

The recoverable amount of the bonds is systematically reviewed. Assets with one of the following characteristics undergo a closer assessment:

- Non-investment-grade rating (<BBB–)
- Quoted market price of less than 60 percent
- A price cannot be reliably determined
- Previously mentioned in the context of impairment

The assessment was carried out in preparing the annual financial statements.

The impairment charges recognized on financial assets in 2008 totalled 188 million francs. Of this, 69 million francs is the result of adverse price changes affecting share holdings. Fixed-income investments were written down by a total of 119 million francs. This relates, firstly, to various bonds where full repayment is no longer expected due to past credit events and, secondly, to an increase in general writedowns on bonds and loans.

Financial assets include securities loaned for securities lending of 10,808 million francs (31 December 2007: 11,910 million francs).

18 | At fair value through profit or loss, held for trading

There were no financial assets at fair value through profit or loss, held for trading in either the reporting period or the previous year.

19 | Financial assets held to maturity

Financial assets held to maturity CHF m	Total	Term to maturity		
		Up to 1 year	1–5 years	Over 5 years
31 December 2008				
Bonds	35 974	7 524	21 018	7 432
Total held to maturity	35 974	7 524	21 018	7 432
Measured at fair value	35 904			
31 December 2007				
Bonds	31 671	6 349	18 683	6 639
Total held to maturity	31 671	6 349	18 683	6 639
Measured at fair value	31 286			

Of the reported fair value of 35,904 million francs, a total of 24,156 million francs (67 percent) comprises quoted securities. The remaining 11,748 million francs (33 percent) are market prices determined indirectly (via cash flows discounted using yield curves and credit spreads).

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 887 million francs (2007: 694 million francs) respectively for newspaper and passenger transport services in the reporting period.

Overdue held-to-maturity financial assets for which individual impairment charges are not recognized

There were no overdue held-to-maturity financial assets for which individual impairment charges were not recognized as at either 31 December 2008 or 31 December 2007.

No overdue held-to-maturity financial assets had to be renegotiated in either the reporting period or the previous year.

Held-to-maturity financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of possible impairment. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual financial instrument is impaired, assets are assessed for impairment on a portfolio or collective basis. Financial instruments with similar credit risks are grouped together and become subject to a general impairment charge based on statistical analyses from previous years.

Held-to-maturity financial assets for which impairment charges are recognized CHF m	31 December 2008			31 December 2007		
	Gross	Write-down	Net	Gross	Write-down	Net
Individual writedowns						
Bonds	120	-108	12	-	-	-
Total held-to-maturity financial assets for which individual impairment charges are recognized	120	-108	12	-	-	-
General writedowns						
Bonds	36 013	-51	35 962	31 717	-46	31 671
Total held-to-maturity financial assets for which general impairment charges are recognized	36 013	-51	35 962	31 717	-46	31 671

No assets have been pledged (as collateral) for held-to-maturity financial assets.

Changes in impairments on held-to-maturity financial assets

Changes in impairments on held-to-maturity financial assets CHF m	Individual writedowns	General writedowns	Total
As at 1.1.2008	-	46	46
Impairments	108	5	113
As at 31.12.2008	108	51	159
As at 1.1.2007	-	39	39
Impairments	-	7	7
As at 31.12.2007	-	46	46

20 | Financial assets available for sale

Financial assets available for sale

CHF m	Total	Term to maturity			
		Up to 1 year	1–5 years	Over 5 years	no maturity
31 December 2008					
Bonds	2 921	1 534	949	438	–
Shares	183	–	–	–	183
Other	3	3	0	–	0
Total available for sale	3 107	1 537	949	438	183
31 December 2007					
Bonds	3 666	1 485	1 957	224	–
Shares	267	–	–	–	267
Other	2	1	–	–	1
Total available for sale	3 935	1 486	1 957	224	268

In 2005, on the basis of the investment and risk policy, a strategic equity position was built up on a clearly defined and limited scale. Shares also include equities totalling 1 million francs that are measured at cost because their fair value cannot be measured reliably.

Of the bonds' reported fair value of 2,921 million francs, a total of 2,011 million francs (69 percent) comprises quoted securities. The remaining 910 million francs (31 percent) are market prices determined indirectly (via cash flows discounted using yield curves and credit spreads).

In the reporting period, the gain from the sale and early repayment of available-for-sale financial assets amounted to 2 million francs (2007: 11 million francs).

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 107 million francs (2007: 104 million francs).

There were no overdue available-for-sale financial assets for which individual impairment charges were not recognized as at either 31 December 2008 or 31 December 2007.

No overdue available-for-sale financial assets had to be renegotiated in either the reporting period or the previous year.

In particular, fair value changes and downgrades of existing investments are given consideration as indications of the possible impairment of fixed-income assets. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

Impairments are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months or more) reduction in fair value is identified.

In the event of impairment, the cumulative losses recognized under "Fair value reserves" in equity are transferred to profit or loss.

As at 31 December 2008, impairment charges amounted to 69 million francs. These were recognized in the course of 2008 as a result of adverse price changes affecting share holdings. No significant impairment charges were recognized for available-for-sale financial assets in the previous year.

No assets have been pledged (as collateral) for available-for-sale financial assets.

Overdue available-for-sale financial assets for which individual impairment charges are not recognized

Available-for-sale financial assets for which impairment charges are recognized

21 | Derivative financial instruments

Derivative financial instruments CHF m	31 December 2008				31 December 2007			
	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	17		26		17		26	
Cash flow hedges								
Currency	124	1 292	0	11	5	304	22	720
Interest	10	412	–	–	4	423	1	152
Fair value hedges								
Currency	19	157	–	–	3	66	1	41
Interest	1	50	3	50	8	90	3	83
Other								
Currency	22	203	6	236	15	112	48	517
Interest	3	89	2	799	4	211	0	362
Total derivative financial instruments	179	2 203	11	1 096	39	1 206	75	1 875

Derivatives due dates

Derivatives due dates CHF m	31 December 2008				31 December 2007			
	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	17		26		17		26	
Cash flow hedges								
Less than 1 year	27	492	–	–	3	321	9	423
1 to 5 years	95	1 073	0	11	6	390	7	267
Over 5 years	12	139	–	–	0	16	7	182
Fair value hedges								
Less than 1 year	18	177	–	–	3	66	4	124
1 to 5 years	2	30	3	50	8	90	–	–
Other								
Less than 1 year	25	265	6	914	5	253	27	645
1 to 5 years	0	27	2	121	14	70	21	234
Over 5 years	–	–	–	–	–	–	–	–
Total derivative financial instruments	179	2 203	11	1 096	39	1 206	75	1 875

Fair value

The replacement cost is the fair value of a derivative financial instrument, i.e. the price one would have to pay to enter into a replacement transaction if the counterparty were to default. Positive fair values are subject to credit risk and represent the maximum loss that the bank would suffer at the reporting date if the counterparty were to default. Negative fair values occur where there is the possibility of entering into replacement transactions on more favourable terms.

Contract volume

This represents the receivables side of the derivative financial instruments' underlyings or the notional amounts (underlying value).

Swiss Post buys derivative financial instruments mainly for hedging purposes. Hedge accounting is applied if the derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. Derivatives that are not accounted for using hedge accounting are treated as instruments held for trading.

Cash flow hedges

Swiss Post is exposed to both currency fluctuations and changes in interest rates. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations in future interest-payment cash flows from financial assets are hedged using interest rate swaps with different maturities. The hedging reserve is taken to the income statement when the underlying transaction occurs.

As at 31 December 2008, the hedging reserve amounted to 31 million francs (2007: 1 million francs). In the reporting period, an amount of minus 119 million francs (2007: plus 5 million francs) was transferred from the hedging reserve in equity to the income statement. The total fair value changes of the hedging instruments are taken to equity and recognized in the hedging reserves. Subsequently, the accumulated and paid/received net interest (minus 5 million francs; 2007: minus 5 million francs) plus the foreign-currency component (minus 114 million francs; 2007: plus 10 million francs) are taken to the income statement (recycling). The residual fair value change for hedging instruments thus remains in the cash flow hedge reserve. No amounts were transferred from equity to the cost or other carrying amounts of a non-financial asset or non-financial liability.

Fair value hedges

The risks associated with foreign-currency share investments as a result of exchange rate fluctuations are hedged using forward exchange contracts. In financial year 2008, foreign exchange losses/(gains) of plus 9 million francs (2007: minus 1 million francs) on share holdings contrasted with foreign exchange gains of plus 7 million francs (2007: plus 1 million francs) on forex forward transactions.

See also Note 31, Financial risk management for information on the risk strategy. Hedge accounting has only been applied at PostFinance in connection with financial assets since 2005.

22 | Loans

Loans CHF m	Total	Term to maturity			
		Up to 1 year	1 – 5 years	Over 5 years	No maturity
31 December 2008					
Federal Finance Administration	–	–	–	–	–
Cantons, cities and municipalities ¹	3 812	937	1 772	1 103	–
Banks	3 207	134	2 353	720	–
PostBus operators	205	30	102	73	–
Other ²	524	23	393	108	–
Total loans	7 748	1 124	4 620	2 004	–
31 December 2007					
Federal Finance Administration	0	0	–	–	–
Cantons, cities and municipalities ¹	2 323	709	803	811	–
Banks	3 100	527	1 444	1 129	–
PostBus operators	196	28	98	70	–
Other ²	178	81	44	53	–
Total loans	5 797	1 345	2 389	2 063	–

1 Loans to cantons, cities and municipalities, plus borrower's note loans to public entities.

2 Loans and borrower's note loans to "Other institutions" and mortgages previously granted by the Swiss Post pension fund (6 million francs; 2007: 8 million francs), which were taken over by PostFinance.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 189 million francs (2007: 118 million francs) respectively for newspaper and passenger transport services in the reporting period.

Overdue loans for which individual impairment charges are not recognized

Swiss Post writes down loans if it expects a loss in respect of those loans because the debtor will probably be unable to fulfil its contractual obligations.

There were no overdue loans for which individual impairment charges were not recognized as at either 31 December 2008 or 31 December 2007.

No significant overdue loans had to be renegotiated in either the reporting period or the previous year.

Loans for which impairment charges are recognized

Loans for which impairment charges are recognized CHF m	31 December 2008			31 December 2007		
	Gross	Write-down	Net	Gross	Write-down	Net
Individual writedowns						
Loans	–	–	–	–	–	–
Total loans for which individual impairment charges are recognized	–	–	–	–	–	–
General writedowns						
Loans	7 546	–16	7 530	5 601	–10	5 591
Total loans for which general impairment charges are recognized	7 546	–16	7 530	5 601	–10	5 591

Individual impairment charges are recognized if a borrower is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual loan is impaired, loans are assessed for impairment on a portfolio or collective basis. Loans with similar credit risks are grouped together and become subject to a general impairment charge based on statistical analyses from previous years.

No assets have been pledged (as collateral) for loans.

Change in impairments on loans

Change in impairments on loans CHF m	Individual writedowns	General writedowns	Total
As at 1.1.2008	0	10	10
Impairments	–	6	6
As at 31.12.2008	0	16	16
As at 1.1.2007	0	8	8
Impairments	–	2	2
As at 31.12.2007	0	10	10

23 | Investments in associates

The associates are listed in Note 32, Scope of consolidation.

Investments in associates CHF m	2008	2007
As at 1.1.	43	42
Additions due to acquisition of associates	–	–
Disposals due to sale of associates	0	–1
Dividends received	–11	–10
Share in net profit (after taxes)	10	12
As at 31.12.	42	43
of which goodwill	11	11

Net income from associates

Net income from associates CHF m	2008	2007
Share in net profit (after taxes)	10	12
Total net income from associates	10	12

Changes in associates

■ 2008

The remaining 50 percent of Bamberg-based Innovative Personalmanagement GmbH was acquired on 2 December 2008. At the same time, the company was merged with Swiss Post Solutions GmbH, which is also based in Bamberg.

■ 2007

Emka Card Systems Ltd, based in Tel Aviv, was sold on 25 July 2007.

24 | Property, plant and equipment

Investment obligations for property, plant and equipment amount to 77 million francs (2007: 227 million francs) respectively for newspaper and passenger transport services in the reporting period. The decrease is due to the completion of the REMA project.

As at 31 December 2008, items of property, plant and equipment amounting to 34 million francs had been pledged in relation to mortgages (31 December 2007: 35 million francs).

Property, plant and equipment 2008 CHF m	Operating property	Assets under construction: Operating property	Plant and equip- ment, machinery, IT equipment	Furniture, vehicles, other assets	Assets under construction: other asset categories	Total
Cost						
As at 1.1.2008	5 772	366	1 217	578	113	8 046
Additions due to acquisition of subsidiaries	2	–	2	7	–	11
Additions	–14 ¹	161	63	88	149	447
Disposals	–438	–8	–156	–30	–3	–635
Reclassifications	400	–400	115	2	–117	–
Disposals arising from reclassifications in accordance with IFRS 5	–20	0	–	–36	–	–56
Currency translation differences	–8	0	–18	–4	0	–30
As at 31.12.2008	5 694	119	1 223	605	142	7 783
Cumulative amortization						
As at 1.1.2008	4 562	–	843	303	0	5 708
Depreciation and amortization	98	–	101	61	–	260
Reversal of impairment	–	–	–4	–	–	–4
Disposals	–402	–	–153	–27	–	–582
Reclassifications	2	–	–2	0	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–13	–	–	–30	–	–43
Currency translation differences	–2	–	–12	–2	0	–16
As at 31.12.2008	4 245	–	773	305	0	5 323
Carrying amount as at 31.12.2008	1 449	119	450	300	142	2 460
of which leased assets	–	–	4	9	–	13
Property, plant and equipment 2007 CHF m	Operating property	Assets under construction: Operating property	Plant and equip- ment, machinery, IT equipment	Furniture, vehicles, other assets	Assets under construction: other asset categories	Total
Cost						
As at 1.1.2007	5 764	196	1 226	578	137	7 901
Additions due to acquisition of subsidiaries	4	–	0	0	–	4
Additions	0	281	77	78	143	579
Disposals	–70	–24	–254	–40	–4	–392
Reclassifications	87	–87	163	0	–163	–
Disposals arising from reclassifications in accordance with IFRS 5	–16	–	–	–39	–	–55
Currency translation differences	3	–	5	1	0	9
As at 31.12.2007	5 772	366	1 217	578	113	8 046
Cumulative amortization						
As at 1.1.2007	4 537	–	991	313	–	5 841
Depreciation and amortization	90	–	95	59	–	244
Impairments	–	–	5	–	–	5
Disposals	–64	–	–251	–36	–	–351
Reclassifications	–	–	0	0	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–1	–	–	–34	–	–35
Currency translation differences	0	–	3	1	–	4
As at 31.12.2007	4 562	–	843	303	–	5 708
Carrying amount as at 31.12.2007	1 210	366	374	275	113	2 338
of which leased assets	–	–	2	11	–	13

¹ This includes CHF 17 million from subsidies for rail facilities.

25 | Intangible assets and goodwill

Intangible assets and goodwill CHF m	31 December 2008			31 December 2007		
	Goodwill ¹	Other intangible assets	Total	Goodwill ¹	Other intangible assets	Total
Cost						
As at 1.1.	230	101	331	166	77	243
Additions due to acquisition of subsidiaries	–	21	21	–	6	6
Additions	29 ²	26	55	67 ³	26	93
Disposals	– 20 ⁴	– 2	– 22	–	– 9	– 9
Subsequent adjustment of acquisition costs	– 13 ⁵	–	– 13	–	–	–
Currency translation differences	– 16	– 6	– 22	– 3	1	– 2
As at 31.12.	210	140	350	230	101	331
Cumulative amortization						
As at 1.1.	23	47	70	3	41	44
Depreciation and amortization	–	23	23	–	14	14
Reversal of negative goodwill	– 1	–	– 1	–	–	–
Impairments ⁶	–	1	1	20	–	20
Disposals	–	– 2	– 2	–	– 9	– 9
Currency translation differences	0	– 2	– 2	–	1	1
As at 31.12.	22	67	89	23	47	70
Carrying amount as at 31.12	188	73	261	207	54	261

1 Goodwill relating to fully consolidated companies. The goodwill on investments in associates is included in the carrying amount of these equity stakes in the financial statements (see Note 23, Investments in associates).

2 Primarily from the acquisition of IMS Europe AB, Graphic Data Ltd., Presse Vertriebs AG, Global Business Services Plus Group, Global Press Distribution GmbH and Anza Security GmbH.

3 Composition: Highnes Group, FM Verzollungs AG; buy-out of minority interests: PostLogistics Innight AG, Client Vela GmbH, Swiss Post International Hong Kong Ltd; earn-out adjustments: GHP Holding GmbH, Swiss Post Solutions Inc.; exercise of option to acquire remaining 40% of Swiss Post International (Italy) Srl (see also Note 33, Changes to the scope of consolidation).

4 Disposal in connection with the sale of 40% of the shares in Swiss Post Porta a Porta S.p.A., with which Swiss Post International (Italy) S.R.L. was merged.

5 Earn-out adjustments GHP Group

6 See information below under "Reviewing the recoverable amount of goodwill".

Reviewing the recoverable amount of goodwill

Other intangible assets mainly comprise purchased standard software. There are no investment obligations.

In the event of a new acquisition, goodwill is allocated to identifiable groups of assets known as cash-generating units and tested annually for impairment. A CGU is usually a company.

A CGU's recoverable amount is based on a calculation of its value in use, in turn based on the strategic financial planning. The calculation of a CGU's value in use reflects the future cash flows for the next three years, discounted to present value at the weighted cost of capital, and an estimated residual value. This does not include any growth component.

Goodwill relates to the following segments and subsidiaries:

Goodwill by segment CHF m	31 December 2008					31 December 2007				
	Total goodwill	PostMail	Post-Logistics	Swiss Post International	SKL ¹	Total goodwill	PostMail	Post-Logistics	Swiss Post International	SKL ¹
GHP Group ²	33	–	–	–	33	46	–	–	–	46
Swiss Post Solutions Ltd (MailSource AG) ³	9	–	–	–	9	5	–	–	–	5
Swiss Post Solutions Inc. MailSource UK Ltd. & Graphic Data Ltd. ⁴	38	–	–	–	38	40	–	–	–	40
Global Business Services Plus Group	19	–	–	–	19	16	–	–	–	16
DCL Data Care Ltd ⁵	3	–	–	–	3	–	–	–	–	–
DCL Data Care Ltd ⁵	–	–	–	–	–	4	4	–	–	–
Räber Information Management GmbH & Presse Vertriebs AG ⁶	11	11	–	–	–	3	3	–	–	–
MDS Media Data Services AG	4	–	–	4	–	4	–	–	4	–
Swiss Post International Logistics Ltd	2	–	–	2	–	–	–	–	–	–
Swiss Post International Netherlands BV	3	–	–	3	–	3	–	–	3	–
Swiss Post International (Italy) Srl ⁷	–	–	–	–	–	20	–	–	20	–
Swiss Post Porta a Porta S.p.A.	21	–	–	21	–	23	–	–	23	–
Swiss Post SAT Holding SA	9	–	–	9	–	9	–	–	9	–
Swiss Post International Singapore Pte Ltd	4	–	–	4	–	4	–	–	4	–
FM Verzollungs AG ⁸	–	–	–	–	–	2	–	–	2	–
IMS Europe AB	2	–	–	2	–	–	–	–	–	–
PostLogistics Ltd	27	–	27	–	–	27	–	27	–	–
Other	3	–	1	2	–	1	0	–	1	–
Total	188	11	28	47	102	207	7	27	66	107

1 Strategic Customers & Solutions since 1 October 2007

2 Earn-out adjustments

3 OneReason AG, DCL Data Care Ltd

4 Graphic Data Ltd. acquired on 2 April 2008

5 Merged with Swiss Post Solutions Ltd

6 Presse Vertriebs AG acquired on 1 July 2008

7 Reduction due to merger with Swiss Post Porta a Porta S.p.A and subsequent sale of 40% of the shares

8 Merged with Swiss Post International Logistics Ltd

The following parameters were applied for each of the countries in determining the recoverable amount of goodwill relating to subsidiaries and associates at 31 December 2008, based on the discounted cash flow method. A market risk premium of 4.5 percent (Switzerland and abroad), and depending on the assessment of the risks, a small cap premium and a debt premium of 0 to 4 percent were also used for the calculations.

Parameters applied by country in determining the recoverable amount of goodwill

Percentage	Interest rate ¹	Tax rate ²	WACC ³
Switzerland	2.8	21	3.6–6.4
Italy	5.0	31	6.8
United Kingdom	4.7	28	6.7
Netherlands	4.5	26	6.6
Germany	4.3	30	6.3
USA	3.8	40	7.8
Singapore	3.1	18	5.7

1 Yield on 10-year government bond issued by the country in question

2 Tax rate in the acquiree's country

3 Weighted average cost of capital

The goodwill paid on investments in associates is included in the carrying amount of these equity stakes in the financial statements (see Note 23, Investments in associates).

26 | Financial liabilities

Financial liabilities CHF m	On demand	Callable ¹	Up to 1 year	1 – 5 years	Over 5 years	Total
31 December 2008						
Postal accounts	46 459	–	–	–	–	46 459
Deposito and investment accounts	–	16 053	–	–	–	16 053
Medium-term notes for customers	–	–	495	477	28	1 000
Money market investments for customers	–	57	635	–	–	692
Total customer deposits (PostFinance)	46 459	16 110	1 130	477	28	64 204
Due to banks	6	–	14	8	2	30
Derivative financial instruments	–	–	6	5	–	11
Other financial liabilities						
Finance leases	–	–	6	10	2	18
Repurchase transactions	–	–	118	–	–	118
Other	7	–	148	32	–	187
Total other financial liabilities	13	–	292	55	4	364
Total financial liabilities	46 472	16 110	1 422	532	32	64 568
31 December 2007						
Postal accounts	36 728	–	–	–	–	36 728
Deposito and investment accounts	–	12 290	–	–	–	12 290
Medium-term notes for customers	–	–	529	338	20	887
Money market investments for customers	–	21	1 536	–	–	1 557
Total customer deposits (PostFinance)	36 728	12 311	2 065	338	20	51 462
Due to banks	17	0	10	12	4	43
Derivative financial instruments	–	–	40	28	7	75
Other financial liabilities						
Finance leases	–	–	6	12	3	21
Repurchase transactions	–	–	75	–	–	75
Other	49	–	1 211	37	–	1 297
Total other financial liabilities	66	–	1 342	89	14	1 511
Total financial liabilities	36 794	12 311	3 407	427	34	52 973

¹ Call deposits for which no notice of withdrawal has been given, callable provided an agreed notice period is observed.

The portfolio of repurchase transactions is exposed to volatility. If demand for funds is relatively high, short-term refinancing requirements are covered through repurchase transactions. Generally speaking, collateral was provided for the full amount of the repurchase transactions.

In accordance with hedge accounting requirements, an amount of 3 million francs (2007: 27 million francs) was posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 526 million francs in the reporting period (2007: 405 million francs).

Present value of obligations
under finance lease

Present value of obligations under finance leases CHF m	31 December 2008			31 December 2007		
	Nominal	Discount	Present value	Nominal	Discount	Present value
Less than 1 year	6	0	6	6	0	6
1 to 5 years	11	-1	10	14	-2	12
Over 5 years	2	0	2	3	0	3
Total	19	-1	18	23	-2	21

27 | Provisions

Provisions CHF m	Other long-term employee benefits	Restructuring	Incurred claims	Litigation risks	Other	Total
As at 1.1.2008	320	121	45	27	31	544
Additions due to acquisition of subsidiaries	-	-	-	-	3	3
Recognized	19	6	17	4	8	54
Present value adjustment	0	0	0	-	0	0
Utilized	-23	-56	-17	-1	-3	-100
Released	0	-27	-4	-15	-7	-53
Subsequent adjustment of acquisition costs	-	-	-	-	-12	-12
Currency translation differences	0	-	0	-1	-2	-3
As at 31.12.2008	316	44	41	14	18	433
of which current	23	40	11	3	17	94
As at 1.1.2007	341	135	46	33	31	586
Recognized	16	9	15	16	21	77
Present value adjustment	8	5	-	-	1	14
Utilized	-23	-21	-11	-19	-20	-94
Released	-22	-7	-5	-3	-2	-39
As at 31.12.2007	320	121	45	27	31	544
of which current	23	111	9	1	22	166

Other long-term
employee benefits

Other long-term employee benefits primarily include anniversary bonuses for long years of service to the company (loyalty bonuses) and staff vouchers (mainly for retirees). The changes are set out in the following tables.

The following parameters were applied:

Assumptions for the calculation as at:	Loyalty bonuses		Staff vouchers	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Discount rate	3.00 %	3.00 %	3.25 %	3.25 %
Annual change in wages	2.00 %	2.00 %	-	-
Exercise rate for staff vouchers	-	-	95.00 %	95.00 %
Percentage holiday	55.80 %	55.80 %	-	-
Voluntary staff turnover	4.01 %	3.63 %	3.98 %	3.61 %
Average remaining working life in years	12	12	12	12

Other long-term
employee benefits

Other long-term employee benefits CHF m	Loyalty bonuses ¹		Staff vouchers	
	2008	2007	2008	2007
As at 1.1.	213	232	107	107
Accrued benefit claims	12	13	3	3
Benefits paid	-18	-18	-5	-5
Interest on employee benefit obligations	6	5	3	3
(Income)/expense from plan amendment	6	-12	1	-3
Annual (gains)/losses	-10	-7	-2	2
As at 31.12.	209	213	107	107

1 The loyalty bonuses also include sabbaticals for level 1 and 2 management employees.

Expenses booked
under staff costs

Expenses booked under staff costs CHF m	Loyalty bonuses		Staff vouchers	
	2008	2007	2008	2007
Accrued benefit claims	12	13	3	3
Interest cost	6	5	3	3
Recognition of plan amendment costs	6	-	1	-
Recognition of (gains)/losses	-10	-19	-2	-2
Total expenses for other long-term employee benefits	14	-1	5	4

28 | **Operating leases**
Swiss Post as lessee

Minimum obligations under non-cancellable lease and rental agreements break down as follows:

Obligations under operating leases CHF m	31.12.2008	31.12.2007
Future obligations under operating leases due		
Less than 1 year	109	119
1 to 5 years	271	310
Over 5 years	98	117
Future payment obligations under operating leases	478	546
Minimum lease payments	146	123
Conditional lease payments	8	7
Lease expenses for the period	154	130
Income from sub-letting in the past financial year	16	17
Future income from sub-letting	42	51

Payments arising from operating lease agreements relate mainly to rent for the post office network's real estate (with an average remaining term of three years), rent for business premises and ground rent agreements at the Real Estate unit. Income from sub-letting relates to the post office network's real estate which, for the purposes of optimization, has been sub-let to third parties until the lease expires.

Conditional lease payments occur if the lease is index-linked.

Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 44 million francs in the reporting period (2007: 41 million francs) respectively for newspaper and passenger transport services in the reporting period. As at the balance sheet date, Swiss Post had not entered into any other significant lease agreements as the lessor.

Income from lease agreements

CHF m	31.12.2008	31.12.2007
Future minimum lease payments due under lease agreements		
Less than 1 year	63	59
1 to 5 years	189	179
Over 5 years	61	64
Total	313	302

29 | Contingent liabilities

Guarantees

Contingent liabilities were as follows as at 31 December 2008:

Guarantees and guarantee obligations amount to 45 million francs (2007: 52 million francs).

Legal cases

As regards claims or legal cases for which provisions have not been recognized, Executive Management believes either that they can be refuted or that they will not have a major impact on the Group's financial position or operating result. In the reporting period, the resulting contingent liability amounted to 6 million francs (2007: 5 million francs).

30 | Related parties and key employees

Within the meaning of the International Financial Reporting Standards (IFRS), Swiss Post Group has relationships with related parties such as subsidiaries, associates and key employees. Likewise, as the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

All transactions between Swiss Post and related parties are concluded at market rates. As the owner of Swiss Post, the Confederation paid compensation of 30 million francs (2007: 80 million francs) and 144 million francs (2007: 184 million francs) respectively for newspaper and passenger transport services in the reporting period.

Transactions between Swiss Post and its subsidiaries were eliminated on consolidation and not included in the information contained in these Notes.

Swiss Post and its subsidiaries carried out the following transactions with related parties that are not part of the Group.

Transactions with related parties CHF m	Sale of goods and services		Purchases of goods and services		Receivables and loans with related parties		Liabilities to related parties	
	2008	2007	2008	2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Companies with joint management or significant influence	539	488	208	235	124	22	762	2 253
Swiss Confederation	216	309	62	75	3	4	491	2 039
Swisscom	169	135	51	63	11	12	11	15
Swiss Federal Railways	154	43	95	97	110	6	259	199
RUAG	0	1	0	0	0	0	1	0
Skyguide	0	0	0	-	0	0	0	0
Transactions with minority shareholders of subsidiaries	21	24	0	0	2	2	0	0
Associates	8	11	9	9	1	2	1	1
Other related parties	0	0	31	46	0	0	1	1

Compensation paid to key employees

In the past financial year, compensation including fringe benefits of 5.7 million francs (2007: 5.6 million francs) and pension benefits of around one million francs (as in the previous year) was paid to key employees. Those defined as key employees are members of the Board of Directors and Executive Management. The performance-based component paid out to members of Executive Management in 2008 was based on target attainment in 2007 and amounted to around 1.15 million francs (2007: around 1 million francs). There are no loan agreements in place with key employees.

31 | Risk management

Risk management (corporate risk management)

■ Organization

Swiss Post operates a comprehensive risk management system, applicable to all units of the parent company and to the subsidiaries. Risk policy is defined by Executive Management and the Board of Directors. Risk management is a line management responsibility.

Each Swiss Post unit (PostBus, PostFinance, PostMail, PostLogistics, Swiss Post International, Strategic Customers & Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate reporting both to their management and to the Group risk manager. At a functional level, they report to the units' management and are responsible for providing independent risk control. The risk managers put in place the necessary controls and limits and monitor the positions and potential risks. The risk management process ensures that all risks are identified and recorded in full in the risk measurement and reporting system.

The areas considered include strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/image.

The risk management process is integrated into the Group's annual strategy process. Twice a year, the Group risk manager and the Risk Management Committee provide Executive Management with a full overview of the Group's risk position and high-level risks. Executive Management carries out its risk analysis on the basis of this overview. The results are presented to the Audit Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

■ Risk position

In 2008, Swiss Post identified and evaluated twelve high-level risks which it actively addressed and for which it developed scenarios and drew up possible measures. These risks each entail potential losses of over 50 million francs. Four concern the (political) operating context, four are market-related and four are endogenous risks. Eleven further risks are being monitored on a precautionary basis.

Internal control system

Swiss Post operates an internal control system (ICS) that promptly identifies and assesses the relevant financial processes and risks related to bookkeeping and the rendering of accounts and incorporates appropriate key controls to cover those processes and risks. The ICS encompasses those procedures and measures that ensure proper bookkeeping and rendering of accounts and accordingly form the basis of all financial reporting. It thus ensures that financial reporting is of a high quality. Swiss Post sees the ICS as an activity aimed at the continuous improvement of processes.

In accordance with Article 728 a, section 1 (3) of the Swiss Code of Obligations, the external auditors check the existence of an ICS in conducting their regular audit.

Financial risk management at PostFinance

Swiss Post's Board of Directors or Audit Committee sets out the primary guidelines and principles on managing financial risks, approves the investment and risk policy, and sets limits which the operating units are required to observe in managing financial risks.

■ Organization

Swiss Post has introduced an adequate financial risk management system at PostFinance. The specific business risks faced by PostFinance, namely market, credit and operational risks, are managed using industry-standard tools and methods.

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.

■ Measurement methods

The methods of recording and controlling risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Market risks are limited and monitored by means of a multi-level limit system.

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, among other things, management of the balance sheet structure, setting sub-limits for market and credit risks based on operational risk management areas, and determining adequate replicating portfolios. The Asset & Liability Management Committee also ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms.

The key measure and limit for market risks at the portfolio level is value-at-risk (VaR). VaR is a statistical estimate of the potential loss on the existing portfolio as a result of adverse market movements and denotes the maximum loss expected under normal market conditions over a given time period (holding period) at a given probability (confidence level). In doing so, it represents different types of market price risk in a standard measure.

All instruments are revalued based on historical changes in risk factors (interest rate movements, changes in credit spreads by rating category and foreign currency exchange rates). The historical volatilities of the individual risk factors and the historical correlations between those factors are thus factored directly into the calculation.

The VaR model used by PostFinance assumes a holding period of ten days and a confidence level of 99 percent before the positions can be closed out and supposes that market movements during that holding period will show a similar pattern to the market movements simulated using the VaR model. Based on the statistical nature of VaR, there is a certain probability (one percent) that actual losses may exceed those estimated using VaR. To assess the risk, the simulated movements in the risk factors are applied directly to current positions.

■ Risk types and risk measurement

The following risks are monitored at PostFinance on an ongoing basis:

– Interest rate risk and balance sheet structure risk

The term 'interest rate risk' refers to the potential impact of a change in market interest rates on the fair value of assets and liabilities in the balance sheet and on the net interest income shown in the income statement.

PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The risks are monitored and managed on an ongoing basis by the Asset & Liability Management Committee.

The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. In order to map these for the purposes of asset and liability management, Swiss Post uses the replicating portfolio method to compile tranches with various terms to maturity, thereby keeping margin variability as low as possible.

The interest rates in line with market conditions derived from the replicating portfolios also serve as guidelines for the rates extended to customers.

Funds are invested both in the money market (repo and custody transactions) and in the capital market, where consideration is given mainly to fixed-income instruments. Customer deposits, on the other hand, mostly earn variable rates of interest. The terms of the investments are determined based on maturity requirements on the liabilities side (including replicating portfolio) so as to optimize interest rate dependency on the assets and liabilities sides and thus reduce earnings volatility. Market risks arising from interest-related operations are measured and managed daily, at the level of both the individual portfolio and the overall PostFinance balance sheet, using the value-at-risk method. Rounding off the risk analysis process, sensitivity data are also applied and gap analyses and stress tests performed.

The following value-at-risk values show the interest rate risk to which Swiss Post was exposed as at 31 December 2008 and 2007 and the impact of changes in market interest rates on the fair value of balance sheet and off-balance sheet items that are sensitive to interest rates. As at 31 December 2008, the interest rate VaR of PostFinance's banking book was 4.9 million francs (2007: 2.4 million francs). The highest amount in 2008 was 5.6 million francs (2007: 11.1 million francs), the lowest amount 0.5 million francs (2007: 0.7 million francs), and the average interest rate VaR of the banking book at the end of 2008 1.9 million francs (2007: 3.7 million francs). In contrast, the interest rate VaR of the trading book represented a very low risk at 0.09 million francs on average (2007: 0.2 million francs).

– Foreign currency risk

The term 'foreign currency risk' refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. The currency risks faced by Swiss Post result from financial assets and business operations.

The amounts in the following table, "Financial instruments by currency", are the amounts recognized in the balance sheet. The risks associated with cash flows from foreign-currency financial assets (coupon payments and nominal value repayments) as a result of exchange rate fluctuations are hedged by means of currency swaps and forward exchange contracts with matching maturities. Currency swaps, interest rate swaps and forward exchange transactions are used to hedge against the effect of changes in market interest rates in foreign currencies and exchange rate changes on the fair value of and income from fixed-interest foreign-currency bonds. Market risks arising from foreign exchange transactions are measured and managed daily, both at the individual portfolio level and the overall balance sheet level, using the value-at-risk method. Rounding off the risk analysis process, stress scenarios are also applied. As at 31 December 2008, the foreign exchange VaR of PostFinance's trading book was 2.7 million francs (2007: 0.3 million francs). The highest amount in 2008 was 7.7 million francs (2007: 4.5 million francs) and the lowest amount 0.1 million francs (2007: 0.8 million francs). The average foreign exchange VaR of the trading book was 1.3 million francs (2007: 1.1 million francs).

Financial instruments by currency

CHF m

31 December 2008	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	2 218	123	0	0	0	2 341
Receivables due from banks	16 068	589	375	18	16	17 066
Interest-bearing amounts due from customers	105	–	–	–	–	105
Trade accounts receivable	551	435	13	27	72	1 098
Other receivables	912	109	9	3	23	1 056
Financial assets	44 639	1 671	576	79	43	47 008
Held for trading and derivatives	14	78	58	26	3	179
Held to maturity	35 473	501	–	–	–	35 974
Available for sale	1 409	1 087	518	53	40	3 107
Loans	7 743	5	–	–	–	7 748
Liabilities						
Customer deposits (PostFinance)	62 634	1 172	376	10	12	64 204
Other financial liabilities	229	128	5	0	2	364
Trade accounts payable	343	406	1	5	80	835
Other liabilities	749	116	2	7	26	900
31 December 2007						
	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	2 694	116	0	0	0	2 810
Receivables due from banks	10 703	114	148	26	13	11 004
Interest-bearing amounts due from customers	86	–	–	–	0	86
Trade accounts receivable	554	375	22	32	60	1 043
Other receivables	726	138	7	2	24	897
Financial assets	39 149	1 957	265	20	51	41 442
Held for trading and derivatives	9	2	25	2	1	39
Held to maturity	31 300	371	–	–	–	31 671
Available for sale	2 045	1 582	240	18	50	3 935
Loans	5 795	2	–	–	0	5 797
Liabilities						
Customer deposits (PostFinance)	50 668	651	126	9	8	51 462
Other financial liabilities	1 337	142	26	0	6	1 511
Trade accounts payable	344	322	7	9	88	770
Other liabilities	755	131	18	13	55	972

– Equity price risk

The term 'equity price risk' refers to the risk of a loss resulting from changes in equity index levels or the value of individual shares.

Since 2005, PostFinance has also been investing in equities for the purposes of diversification and is therefore exposed to equity price risk. Equity price risk is monitored and limited using VaR measurements. Limits are monitored on a daily basis. As at 31 December 2008, the equity VaR in PostFinance's banking book was 9.8 million francs (2007: 19.6 million francs). The highest amount in 2008 was 23.5 million francs (2007: 21.1 million francs) and the lowest amount 1.6 million francs (2007: 2.7 million francs). No equities were held for trading in either financial year 2008 or 2007.

– Credit risk

The term 'credit risk' refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties.

The credit risks associated with the PostFinance Treasury's investments in the money and capital markets are strictly limited through special investment regulations and prescribed limits. Limits apply, among other things, to the counterparty, portfolio and rating structure. For example, investments are only permitted if the debtor has a first-class credit rating.

Credit risks are measured in accordance with the Basel II guidelines. The Basel II limit stipulates how high PostFinance's financial risks may be, expressed as its capital requirement under Basel II. PostFinance's maximum risk exposure is determined by the risk-bearing capacity of Swiss Post and the risk tolerance of the Board of Directors.

Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks.

Rating structure of fixed-income financial assets¹

Rating category in percent	31.12.2008	31.12.2007
AAA	67	54
AA	21	32
A	11	13
<A	1	<1

¹ Includes the categories "Held for trading", "Held to maturity" and "Available for sale"; based on fair values.

Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties.

Breakdown of the largest counterparties¹

CHF m	31.12.2008	31.12.2007
Mortgage Bond Bank of the Swiss Mortgage Institutions, Zurich	3 779	2 753
Swiss Confederation, Berne	1 381	1 342
Credit Suisse	1 202	1 210

¹ Includes receivables due from banks (excluding secured lendings) and financial assets; based on fair values.

Lending business

The credit products offered in cooperation with UBS since May 2003 and with Münchener Hypothekenbank (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank in accordance with the capital asset transfer model.

Liquidity risk

The term 'liquidity risk' refers to the risk that current and future payment obligations cannot be met on time or in full. PostFinance uses traditional maturity transformation, systematically investing customer deposits on the assets side of the balance sheet based on replicating portfolios. Products with no maturity account for around 90 percent of the liabilities side of the balance sheet. Unlike banks, PostFinance is not permitted to use the funds for traditional loans (e.g. mortgages, business loans) due to the legal framework, although investments may be made in the money and capital markets. PostFinance invests funds available over the long term (core deposits) in capital-market investments and funds available over the short term in the repo market and interbank trading. This results in a highly liquid assets side. Furthermore, the investments' excellent credit quality (A ratings and higher) means that the securities can be used as collateral at any time in order to obtain liquidity. See also Note 26, Financial liabilities.

Capital management

The endowment capital was provided to Swiss Post by the Swiss Confederation on an interest-free basis. Swiss Post is not subject to any legal or regulatory capital adequacy requirements. It is possible to raise capital by accumulating reserves from retained profits. The Federal Council has given Swiss Post permission to continue retaining profits until its equity reaches an industry-standard level.

Swiss Post uses its equity with the following aims:

- to ensure that Swiss Post continues to operate;
- to generate an adequate return for the owner;
- to achieve the strategic objectives set by the owner with regard to increasing the value of the company;
- to achieve an industry-standard equity ratio.

The equity is in accordance with International Financial Reporting Standards (IFRS).

The annual consolidated financial statements are drawn up on the basis of the Postal Organization Act in accordance with International Financial Reporting Standards (IFRS). Swiss Post Group reports equity of 2,857 million francs (2007: 2,470 million francs).

32 | Scope of consolidation

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake as at 31.12.2008	% equity stake as at 31.12.2007
				Currency	in 000s		
Switzerland							
F	1–8	Swiss Post	Berne	CHF	1 300 000		
F	1	Bevo AG	Berne	CHF	100	50*	50*
F	1	Epsilon SA	Lancy	CHF	100	66*	66*
F	1	PostMail Ltd	Berne	CHF	100	100*	100*
F	1	Räber Information Management GmbH	Küssnacht SZ	CHF	20	100*	100*
F	1	Prevag, Presse Vertriebs AG	Basel	CHF	50	100*	–
F	2	BTL Logistics AG ¹	Berne	CHF	2 000	–	100*
F	2	Mobility Solutions Ltd	Berne	CHF	100	100*	100*
F	2	Mobility Solutions Management Ltd	Berne	CHF	100	85*	85*
F	2	PostLogistics Ltd	Dintikon	CHF	20 000	100*	100*
F	2	SecurePost Ltd	Berne	CHF	4 000	100*	100*
F	2	Anza Security GmbH	Grenchen	CHF	45	100*	–
F	3	EDS Export & Distribution Services AG	Meilen	CHF	150	100	100
F	3	FM Verzollungs AG ²	Basel	CHF	200	–	100
F	3	MDS Media Data Services AG	Kriens	CHF	200	100	100
F	3	Swiss Post International Holding Ltd	Berne	CHF	63 300	100*	100*
F	3	Swiss Post International Logistics Ltd	Basel	CHF	1 000	100	100
F	3	Swiss Post International Management Ltd	Berne	CHF	1 000	100	100
F	3	Swiss Post SAT Holding Ltd	Berne	CHF	2 000	100	100
F	4	DCL Data Care AG ³	Kriens	CHF	280	–	100*
F	4	DocumentServices AG ⁴	Schlieren	CHF	1 600	100*	100*
F	4	Swiss Post Solutions Ltd (formerly MailSource AG)	Zurich	CHF	1 000	100*	100*
F	4	SwissSign AG ⁴	Zurich	CHF	450	100*	100*
F	4	yellowworld AG ³	Berne	CHF	1 500	–	100*
F	6	PostFinance Ltd	Zurich	CHF	100	100*	–
F	7	PostBus Switzerland Ltd	Berne	CHF	25 000	100*	100*
F	8	InfraPost Ltd	Berne	CHF	100	100*	–
E	1	Direct Mail Company AG	Basel	CHF	420	50*	50*
E	1	Direct Mail Logistik AG	Basel	CHF	100	50*	50*
E	1	Scooba GmbH	Küssnacht SZ	CHF	20	35	35
E	3	TNT Swiss Post AG	Buchs AG	CHF	1 000	50	50
E	6	SIX Interbank Clearing AG	Zurich	CHF	2 100	25*	25*
E	7	Sensetalbahn AG	Laupen	CHF	2 890	34*	34*
E	7	Société des Autotransports du Pied du Jura Vaudois	L'Isle	CHF	1 200	35*	35*
Belgium							
F	3	Swiss Post International Belgium BVBA	Brussels	EUR	20	100	100
China							
F	3	Swiss Post International Hong Kong Ltd	Hong Kong	HKD	10	100	100
Germany							
F	3	Swiss Post Deutschland Holding GmbH	Troisdorf	EUR	100	100	100
F	3	Swiss Post International Germany GmbH & Co. KG	Troisdorf	EUR	1 526	100	100
F	3	Swiss Post International Germany Verwaltungs GmbH	Troisdorf	EUR	25	100	100
F	3	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
F	3	Global Press Distribution GmbH	Mörfelden, near Frankfurt	EUR	80	100	–
F	4	Cards United GmbH	Paderborn	EUR	25	51	51
F	4	CF Card Factory GmbH	Hessisch- Lichtenau	EUR	500	51	51

Acctg. method
F = fully consolidated
E = accounted for under the equity method

Segment
1 = PostMail
2 = PostLogistics
3 = Swiss Post International
4 = Strategic Customers & Solutions

5 = Post Offices & Sales
6 = PostFinance

7 = PostBus
8 = Other

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake	% equity stake
				Currency	in 000s	as at 31.12.2008	as at 31.12.2007
Germany (continued)							
F	4	Client Vela GmbH	Munich	EUR	31	100	100
F	4	Fortuna Beteiligungs GmbH ⁵	Bamberg	EUR	50	100	87
F	4	GHP Card Systems GmbH ⁶	Bamberg	EUR	100	–	100
F	4	GHP Dialog Services GmbH	Bamberg	EUR	50	100	100
F	4	GHP Direct Mail GmbH	Bamberg	EUR	1 000	100	100
F	4	Swiss Post Solutions GmbH (formerly GHP Holding GmbH)	Bamberg	EUR	5 000	38.3/60 ⁷	29/60
F	4	GHP Immobilien GmbH & Co. KG	Bamberg	EUR	200	52	52
F	4	GHP Immobilien Verwaltungs GmbH	Bamberg	EUR	25	100	100
F	4	LS Dialogmarketing GmbH & Co. KG	Dettingen	EUR	1 500	100	100
F	4	LS Dialogmarketing Verwaltungs GmbH	Dettingen	EUR	1 500	100	100
F	4	MailSource Deutschland GmbH	Cologne	EUR	500	100	100
F	4	PKS Direktwerbe GmbH	Frankfurt am Main	EUR	150	100	100
F	4	Swiss Post Solutions Holding GmbH (formerly Swiss Post GHP Holding GmbH)	Bamberg	EUR	25	100*	100*
F	4	systemform Holding GmbH ⁸	Bamberg	EUR	500	–	100
F	4	Systemform MediaCard GmbH	Prien	EUR	1 050	100	100
F	4	Global Business Services Plus GmbH	Waltershausen	EUR	1 026	100	–
F	4	Global Business Services Plus Temps GmbH	Waltershausen	EUR	25	100	–
E	3	PrimeMail GmbH	Hamburg	EUR	1 000	50	50
E	4	Innovative Personalmanagement GmbH ⁹	Bamberg	EUR	25	–	50
E	4	eSourceOne GmbH	Hallstadt	EUR	25	50	50
E	6	Swiss Euro Clearing Bank GmbH	Frankfurt am Main	EUR	10 000	25*	25*
France							
F	3	Société d'Affrètement et de Transit S.A.T. SAS	Huningue	EUR	200	100	100
F	3	Société de Transports Internationaux S.T.I.SARL	Huningue	EUR	8	100	100
F	3	Swiss Post International (France) SAS	Chassieu	EUR	300	100	100
F	4	GHP DirectFrance SARL ¹⁰	Levallois Perret	EUR	30	100	77
F	4	MailSource France SAS	Paris	EUR	100	100	100
F	4	Global Business Services Plus SAS	Paris	EUR	32 213	100	–
F	4	Global Business Services Plus France SAS	Paris	EUR	3 914	100	–
F	4	SOTEP SAS ¹¹	Paris	EUR	38	100	–
F	4	Global Business Services Plus QLS	Paris	EUR	37	51	–
F	7	CarPostal France SARL	Dole	EUR	200	100*	100*
F	7	CarPostal Bourg-en-Bresse SAS	Bourg-en-Bresse	EUR	190	100	100*
F	7	CarPostal Haguenau SAS ¹²	Haguenau	EUR	464	100	100
F	7	CarPostal Obernai SAS ¹³	Obernai	EUR	50	100	100
F	7	CarPostal Interurbain SAS	Narbonne	EUR	1 400	100	–
United Kingdom							
F	3	Swiss Post International (UK) Ltd	Colnbrook	GBP	500	100	100
F	4	GHP Direct Ltd UK ¹⁴	Hampshire	GBP	0.2	–	100
F	4	Graphic Data (UK) Ltd	Richmond	GBP	31	100	–
F	4	MailSource UK Ltd	Richmond	GBP	7 272	100*	100*
Italy							
F	3	Swiss Post International (Italy) S.R.L. ¹⁵	Fiumicino	EUR	3 560	–	100
F	3	Swiss Post Porta a Porta S.p.A. ¹⁶	Milan	EUR	2 000	60	100
F	4	Swiss Post Solutions S.p.A. (formerly MailSource Italia S.p.A.)	Milan	EUR	500	100	100

Acctg. method

 F = fully consolidated
 E = accounted for under the equity method

Segment

 1 = PostMail
 2 = PostLogistics
 3 = Swiss Post International
 4 = Strategic Customers & Solutions

 5 = Post Offices & Sales
 6 = PostFinance

 7 = PostBus
 8 = Other

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake	
				Currency	in 000s	as at 31.12.2008	as at 31.12.2007
Liechtenstein							
F	7	PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt	Triesen	CHF	30	100*	100*
F	8	Swiss Post Insurance AG	Vaduz	CHF	25 000	100*	–
E	8	Liechtensteinische Post AG	Vaduz	CHF	5 000	25*	25*
Malaysia							
F	3	Swiss Post International Malaysia Sdn Bhd ¹⁷	Selangor	MYR	100	100	65
Netherlands							
F	3	Swiss Post International Netherlands BV	Eindhoven	EUR	20	100	100
Austria							
F	3	Swiss Post International Austria GmbH	Biedermannsdorf	EUR	51	100	100
Poland							
F	4	Client Vela Sp. z.o.o.	Kraków	PLN	50	99	99
Russia							
F	4	GHP Direct Russ O.O.O.	Moscow	RBL	5 467	100	100
Sweden							
F	3	IMS Europe AB	Limhamn	SEK	100	100	–
F	3	Swiss Post International Sweden AB	Stockholm	SEK	125	100	100
Singapore							
F	3	Swiss Post International Singapore Pte Ltd	Singapore	SGD	400	100	100
Slovakia							
F	4	Global Business Services Plus Slovakia s.r.o.	Bratislava	EUR	15	100	–
Czech Republic							
F	4	GHP Direct Mail s.r.o.	Kozojedy	CZK	3 000	100	100
F	4	Mailstep Holding a.s.	Prague	CZK	1 000	100	100
F	4	Mailstep s.r.o.	Prague	CZK	120	100	100
Hungary							
F	4	DMS Dialogmarketing Kft.	Budapest	HUF	35 000	100	100
USA							
F	3	Priority Post Company, Inc.	Emigsville, PA	USD	3	100	100
F	4	Swiss Post Solutions Inc.	New York	USD	45	100	100
F	4	Swiss Post US Holding Inc.	New York	USD	10 100	100*	100*
Vietnam							
F	4	GHP Far East Co. Ltd ¹⁸	Ho Chi Minh City	VND	1 821 446	86	75

Acctg. method

F = fully consolidated
E = accounted for under the equity method

Segment

1 = PostMail 3 = Swiss Post International
2 = PostLogistics 4 = Strategic Customers & Solutions

5 = Post Offices & Sales
6 = PostFinance

7 = PostBus
8 = Other

* equity stake is held by the parent, Swiss Post

1 Merged with PostLogistics AG with retrospective effect from 31 Dec. 2007

2 Merged with Swiss Post International Logistics AG on 1 Jan. 2008

3 Merged with Swiss Post Solutions AG with retrospective effect from 31 Dec. 2007

4 Presented in the Strategic Customers & Solutions segment as of 1 Oct. 2007 (up until 30 Sept. 2007: PostMail segment)

5 Minority interests bought up on 30 June 2008

6 Merged with Swiss Post Solutions GmbH on 2 Dec. 2008

7 Swiss Post Solutions Holding GmbH (formerly Swiss Post GHP Holding GmbH) holds 38.3 percent and Fortuna Beteiligungs GmbH a further 60 percent of Swiss Post Solutions GmbH (formerly GHP Holding GmbH). Swiss Post Solutions GmbH holds 1.7 percent of its own shares.

8 Merged with GHP Dialog Services GmbH on 2 Dec. 2008.

9 A further 50 percent acquired on 2 Dec. 2008 and at the same time merged with Swiss Post Solutions GmbH.

10 Minority interests bought up on 30 June 2008

11 Merged with Global Business Services Plus SAS on 31 Dec. 2008.

12 EUR 293,000 capital increase on 30 Sept. 2008.

13 EUR 10,000 capital increase on 30 Sept. 2008.

14 Liquidated on 30 Sept. 2008

15 Merged with Swiss Post Porta a Porta S.p.A. on 23 April 2008

16 40 percent of the shares sold

17 Minority interests bought up on 1 Feb. 2008

18 A further 11 percent acquired on 29 Oct. 2008

33 | Changes to the scope of consolidation

Year 2008

On 1 January 2008, Swiss Post International AG acquired all shares in IMS Europe AB in Malmö, Sweden. The Swedish letter mail handler operates in the marketing mail, business mail and press dispatch product groups. The acquisition gives Swiss Post International a second foothold in Sweden and strengthens its position in southern Scandinavia.

On 1 February 2008, the minority interests were bought up at Swiss Post International Malaysia Sdn Bhd.

On 2 April 2008, MailSource UK Ltd. acquired Graphic Data Ltd. As a result of the acquisition, it is now able to offer not only internal, physical mail distribution, but also document digitization and archiving from a single source.

In early April 2008, 40 percent of Swiss Post International Italy Srl was sold and the company merged with Swiss Post Porta a Porta S.p.A.

In the first half of the year, the remaining minority interests were bought up at GHP Direct France Sarl, GHP Holding GmbH and Fortuna Beteiligungs GmbH.

On 1 July 2008, PostMail (Swiss Post, the parent) acquired Prevag Presse Vertriebs AG, thereby strengthening its position in early delivery services for daily and Sunday newspapers. Around 30 million copies are distributed annually.

Also on 1 July 2008, SKL (Swiss Post, the parent) acquired Paris-based Global Business Services Plus (GBS+), which has some 1,000 employees in total in France, Germany and Slovakia. GBS+ digitizes documents and then processes and electronically archives the digital documents on behalf of corporate clients. In 2008, GBS+ generated sales of 60 million francs. The purchase price including the liabilities assumed is expected to be around 33 million francs.

In July 2008, Swiss Post International (Swiss Post, the parent) acquired German company Global Press Distribution GmbH with retrospective effect from 1 January 2008. Based in Mörfelden, near Frankfurt, GPD provides services for the national and international distribution of magazines. Its customers include publishers, printers, lettershops and other service providers in the publishing industry.

On 1 September 2008, Post Logistics (Swiss Post, the parent) took control of ANZA Security GmbH. ANZA Security GmbH provides services for the transportation of valuables and cash processing, primarily in the Jurasüdfuss and Northwestern regions of Switzerland.

In early October 2008, PostLogistics (Swiss Post, the parent) acquired Fleetconsulting AG, a consulting company specializing in fleet optimization and car policies.

Year 2007

Swiss Post acquired the following investments in 2007.

In the case of the following acquisitions, both the purchase price and effects on the results of operations are insignificant for Swiss Post Group.

On 2 January 2007, Swiss Post International AG acquired all shares in FM Verzollungs AG in Basel. The company handles import and export customs clearance for cross-border shipments of goods on behalf of forwarding companies and operates public customs warehouses. It also specializes in customs clearance for rail-based transport.

The remaining 49 percent of Oftringen-based PostLogistics Innight AG was acquired on 30 June 2007, enabling PostLogistics (Swiss Post, the parent) to strengthen its position in the logistics sector (overnight customer solutions). In the second half of the year, PostLogistics Innight AG was merged with PostLogistics AG.

Assets and liabilities arising from acquisitions

On 1 July 2007, Graficon GmbH & Co. KG and Graficon Verwaltungs GmbH were merged with Dialog Services GmbH.

In mid-August 2007, PostLogistics (Swiss Post, the parent) acquired the overnight logistics group Highnes, based in Zug. Highnes Holding AG, NES AG, Tesmo Immobilien AG and EDS Express-Data-Systems AG were newly included in the scope of consolidation and subsequently merged with PostLogistics AG.

In 2007, minority interests were bought up in Germany at GHP Holding GmbH, Fortuna Beteiligungs GmbH and Client Vela GmbH and in China at Swiss Post International Hong Kong Ltd.

The following assets and liabilities were newly consolidated following the acquisition of subsidiaries, based on provisional amounts:

Assets and liabilities arising from acquisitions CHF m	31 December 2008				31 December 2007	
	Provisional fair values GBS+ Group	Acquired carrying amounts before takeover GBS+ Group ¹	Total fair values other acquisitions ²	Acquired carrying amounts before takeover other acquisitions ¹	Total fair values ³	Acquired carrying amounts before takeover ²
Receivables	43	43	11	11	19	19
Inventories	0	0	0	0	–	–
Property, plant and equipment, intangible assets and investments	32	15	7	3	10	5
Other financial liabilities	–29	–29	–14	–14	–3	–3
Trade accounts payable	–16	–16	–3	–3	–10	–10
Provisions and other liabilities	–24	–24	–5	–5	–3	–3
Fair value of net assets	6	–11	–4	–8	13	8
Goodwill	3		26		19	
Acquisition costs	9		22		32	
Cash and cash equivalents acquired ⁴	–1		0		–8	
Purchase price payments falling due at a later date (earn-outs)	0		–1		–3	
Payment of liabilities from acquisitions in previous years	0		14		20	
Net cash outflow from acquisitions	8		35		41	

1 In accordance with International Financial Reporting Standards (IFRS).

2 Composition: IMS Europe AB, Graphic Data Ltd., Prevag Presse Vertriebs AG, Global Press Distribution GmbH, Anza Security GmbH, Fleetconsulting AG and Innovative Personalmanagement GmbH.

3 Composition: FM Verzollungs AG and Highnes Group.

4 Composition: Cash and current receivables due from banks.

Companies founded and renamed

■ Year 2008

At the beginning of January 2008, MailSource Inc. (Forrest Solutions) was renamed Swiss Post Solutions Inc. At the beginning of April 2008, MailSource AG was renamed Swiss Post Solutions Ltd. At the beginning of June 2008, MailSource Italia S.p.A. was renamed Swiss Post Solutions S.p.A.

These changes of name are part of Swiss Post's brand strategy, which aims to bring the subsidiaries closer in line with Swiss Post.

On 1 January 2008, FM Verzollungs AG was merged with Swiss Post International Logistics Ltd.

With retrospective effect, BTL AG was merged with PostLogistics Ltd and yellowworld AG with Swiss Post Solutions Ltd.

On 1 January 2008, DCL Data Care AG was transferred to the Strategic Customers & Solutions segment and merged with Swiss Post Solutions Ltd.

In mid-June, InfraPost Ltd was established. The company was allocated to the Other segment. On 23 June, Swiss Post's Board of Directors approved the transfer of the former parent company unit Service House to InfraPost Ltd with effect from 1 January 2009.

At the end of August, Swiss Post Insurance Ltd was established. This company was also allocated to the Other segment. Swiss Post's self-insurance will be transferred to this insurance captive in 2009.

In mid-November 2008, PostFinance Ltd was established. The company was allocated to the PostFinance segment.

In October, MailSource France SAS was sold by MailSource Schweiz Ltd to GBS+ France SAS and SOTEP SAS by GBS+ SAS to GBS+ France SAS.

In November, Swiss Post GHP Holding GmbH was renamed Swiss Post Solutions Holding GmbH and GHP Holding GmbH was renamed Swiss Post Solutions GmbH.

On 2 December in the GHP Group, GHP Card Systems and Innovative Personalmanagement GmbH were merged with Swiss Post Solutions GmbH and systemform Holding GmbH was merged with GHP Dialog Services.

■ Year 2007

In December 2007, Swiss Post founded PostMail Ltd, based in Berne, and Client Vela Sp z.o.o. in Krakow, Poland.

34 | Non-current assets held for sale

"Non-current assets held for sale" are no longer systematically amortized and will probably be sold within one year.

Non-current assets held for sale CHF m	Other property, plant and equipment		Total
	Operating property		
As at 1.1.2008	16	1	17
Additions arising from reclassifications in accordance with IFRS 5	7	6	13
Disposals	-9	-5	-14
As at 31.12.2008	14	2	16
As at 1.1.2007	11	1	12
Additions arising from reclassifications in accordance with IFRS 5	15	5	20
Disposals	-10	-5	-15
As at 31.12.2007	16	1	17

35 | Key exchange rates

The following exchange rates were applied in translating the financial statements of foreign subsidiaries into Swiss francs:

Exchange rates Unit		Closing rate as at		Average rate for the period ending	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
1 euro	EUR	1.49	1.66	1.59	1.64
1 US dollar	USD	1.06	1.13	1.08	1.20
1 pound Sterling	GBP	1.53	2.25	2.00	2.40

36 | Events after the balance sheet date

Adjusting events

Prior to the approval of the 2008 financial statements by Swiss Post's Board of Directors on 23 March 2009, no events came to light which either would have resulted in changes to the carrying amounts of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

Report of the Statutory Auditor on the Consolidated Financial Statements to the Federal Council

Swiss Post, Berne

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post presented on pages 134 to 186 of the financial report, which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards and comply with the Postal Organization Act.

Report on Other Legal Requirements

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

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

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

KPMG AG

Christoph Andenmatten
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 23 March 2009

Swiss Post

Income statement

Income statement	2008	2007
CHF m		
Net sales from logistics services	4 222	4 333
Net sales from resale merchandise	633	527
Income from financial services	2 177	1 927
Other operating income	453	282
Total operating income	7 485	7 069
Staff costs	-3 176	-3 204
Resale merchandise and service expenses	-1 477	-1 325
Expenses for financial services	-1 030	-553
Other operating expenses	-1 097	-1 078
Depreciation of property, plant and equipment and amortization of intangible assets	-212	-191
Total operating expenses	-6 992	-6 351
Operating result	493	718
Financial income	85	31
Financial expenses	-62	-47
Earnings before taxes	516	702
Income taxes	0	0
Profit for the year	516	702

Balance sheet

Balance sheet		
CHF m	31.12.2008	31.12.2007
Assets		
Cash	2 304	2 793
Receivables due from banks	17 000	10 894
Interest-bearing amounts due from customers	105	86
Trade accounts receivable	1 004	1 027
Other receivables	996	829
Inventories	66	65
Non-current assets held for sale	16	8
Financial assets	47 178	41 578
Investments	262	231
Property, plant and equipment	2 100	2 015
Intangible assets	55	24
Total assets	71 086	59 550
Equity and liabilities		
Customer deposits (PostFinance)	64 221	51 477
Other financial liabilities	418	1 480
Trade accounts payable	721	710
Other liabilities	730	764
Provisions	465	555
Total liabilities	66 555	54 986
Endowment capital	1 300	1 300
Reserves ¹	2 715	2 562
Profit for the year	516	702
Total equity	4 531	4 564
Total equity and liabilities	71 086	59 550

¹ Of which 7 million francs (previous year: 20 million francs) are reserved for a specific purpose in accordance with Article 64 of the Railways Act (EBG).

Notes

Basis of accounting

The financial statements of Swiss Post were prepared in accordance with generally accepted commercial principles (Swiss Code of Obligations (CO)). Furthermore, the accounting records and financial statements and the proposed appropriation of profit for the year comply with the Postal Organization Act (POA).

Accounting principles

General

The financial statements of Swiss Post are based on the financial statements of the legally dependent Accounting Units, which are prepared using consistent, generally accepted principles. Internal transactions among the Accounting Units are eliminated. Swiss Post comprises the following Accounting Units: PostMail, PostLogistics, Mobility Solutions, Post Offices & Sales, PostFinance, PostBus, Swiss Post International, Strategic Customers & Solutions, Real Estate and Central Services (Stamps & Philately, Corporate Purchasing, Information Technology, Service House and the management units of Swiss Post).

The subsidiaries controlled by the parent are not consolidated but carried in the balance sheet under "Investments" at cost minus any necessary impairment.

Differences in accounting policies compared with the IFRS consolidated financial statements

The financial statements of Swiss Post were prepared in accordance with the accounting policies used in drawing up the consolidated financial statements, with the following exceptions:

■ Financial assets

Financial assets with a fixed maturity classified as "Available for sale" are measured at amortized cost. Interest rate-related fluctuations in fair value (volatility) do not therefore affect the carrying amount of the financial assets and the reported equity (no fair value reserve). If an asset's fair value falls below its cost, an appropriate writedown is recognized and presented under "Expenses for financial services". Loans granted by the parent to subsidiaries are carried in the balance sheet at amortized cost less any necessary writedowns. Writedowns are recognized under "Financial expenses".

■ Provisions for insurance risks

In accordance with the principle of self-insurance, provisions for insurance risks cover future claims that have not yet been incurred. Large claims can therefore be settled via the insurance provisions.

■ Employee benefits

The pension expenses reported for Swiss Post are the employer contributions transferred to the Swiss Post pension fund.

■ Long-term benefits due to employees and retirees

The costs of long-term benefits due to employees and retirees such as loyalty bonuses/sabbaticals and staff vouchers are recognized when they are incurred; provisions are not recognized systematically over the years of service of employees.

Reconciliation of profit

The aforementioned differences in accounting policies versus those applied in the IFRS consolidated financial statements affect the profit of Swiss Post (parent) as follows:

Reconciliation of profit	
CHF m	2008
Swiss Post profit for the year under IFRS	814
Writedowns of loans and carrying amounts of subsidiaries	-41
Measurement differences relating to other intangible assets	20
Non-application of IAS 19 at Swiss Post under Swiss Code of Obligations/POA	-113
Writedowns of available-for-sale shares and bonds recognized in the income statement ("Expenses for financial services")	-150
Foreign exchange losses on loans classified as equity	-14
Swiss Post profit for the year under Swiss Code of Obligations/POA	516

Risk management at Swiss Post

Organization

Swiss Post operates a comprehensive risk management system, applicable to all units of the parent company and to the subsidiaries. Risk policy is defined by Executive Management and the Board of Directors. Risk management is a line management responsibility.

Each Swiss Post unit (PostBus, PostFinance, PostMail, PostLogistics, Swiss Post International, Strategic Customers & Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate reporting both to their management and to the Group risk manager. At a functional level, they report to the units' management and are responsible for providing independent risk control. The risk managers put in place the necessary controls and limits and monitor the positions and potential risks. The risk management process ensures that all risks are identified and recorded in full in the risk measurement and reporting system.

The areas considered include strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/image.

The risk management process is integrated into the Group's annual strategy process. Twice a year, the Group risk manager and the Risk Management Committee provide Executive Management with a full overview of the Group's risk position and high-level risks. Executive Management carries out its risk analysis on the basis of this overview. The results are presented to the Audit Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk position

In 2008, Swiss Post identified and evaluated twelve high-level risks which it actively addressed and for which it developed scenarios and drew up possible measures. These risks each entail potential losses of over 50 million francs. Four concern the (political) operating context, four are market-related and four are endogenous risks. Eleven further risks are being monitored on a precautionary basis.

Swiss Post operates an internal control system (ICS) that promptly identifies and assesses the relevant financial processes and risks related to bookkeeping and the rendering of accounts and incorporates appropriate key controls to cover those processes and risks. The ICS encompasses those procedures and measures that ensure proper bookkeeping and rendering of accounts and accordingly form the basis of all financial reporting. It thus ensures that financial reporting is of a high quality. Swiss Post sees the ICS as an activity aimed at the continuous improvement of processes.

In accordance with Article 728 a, section 1 (3) of the Swiss Code of Obligations, the external auditors check the existence of an ICS in conducting their regular audit.

Explanatory notes

Contingent liabilities

As at 31 December 2008, guarantees and guarantee obligations amount to 42 million francs (2007: 50 million francs)

Under the system of group taxation for value added tax, Swiss Post (tax group leader) is liable in respect of all companies subject to group taxation.

Assets pledged as security for own obligations

As at 31 December 2008, assets (bonds that are part of PostFinance's securities lending operations and property, plant and equipment that are part of the Real Estate service unit's mortgage activities) with carrying amounts totalling some 10,835 million francs (2007: 11,937 million francs) were pledged as collateral for own obligations.

Lease obligations

Lease obligations not recognized in the balance sheet (operating leases) total 440 million francs at 31 December 2008 (2007: 495 million francs).

Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment total 5,537 million francs at 31 December 2008 (2007: 5,445 million francs).

Investments

Please see Note 32, Scope of consolidation, in the consolidated financial statements. Investments in subsidiaries held directly by the parent are carried in the balance sheet at cost less any necessary writedowns. Writedowns are recognized under "Financial expenses".

Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund total 5 million francs at 31 December 2008 (2007: 4 million francs).

Endowment capital

The Swiss Confederation has provided Swiss Post with interest-free endowment capital of 1,300 million francs.

Proposal on the appropriation of profit

According to Article 12 of the Postal Organization Act (POA), the appropriation of profit should be determined primarily by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. Any profit remaining after transfers to reserves is handed over to the owner.

Based on Article 12 of the POA, the Board of Directors of Swiss Post proposes to the Swiss Federal Council that Swiss Post's profit of 516 million francs be allocated as follows:

- 250 million francs to be deposited in the Swiss Post pension fund as the employer's reserve,
- 170 million francs to be distributed to the owner and
- 96 million francs to be allocated to the reserves of Swiss Post, the parent.

Report of the Statutory Auditor on the Financial Statements to the Federal Council

Swiss Post, Berne

As statutory auditor, we have audited the accompanying financial statements of Swiss Post presented on pages 188 to 192 of the financial report, which comprise the balance sheet, income statement and notes for the year ended 31 December 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with the Postal Organization Act.

Report on Other Legal Requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with the Postal Organization Act. We recommend that the financial statements submitted to you be approved.

KPMG AG

Christoph Andenmatten
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Bern, 23 March 2009

Additional information about PostFinance

Income statement

The following financial statements of PostFinance were prepared in accordance with the principles of IFRS segment reporting and correspond to the PostFinance segment. In contrast to the presentation in Note 6, Income from financial services in the notes to the consolidated financial statements, intra-Group transactions with other segments (including services purchased by Post Offices & Sales and PostMail) have not been eliminated.

Income statement	2008	2007
CHF m		
Interest income		
Interest income on receivables due from banks	40	58
Interest income on securities lending and reverse repurchase transactions	142	152
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on FVTPL ¹ : held for trading	–	0
Interest and dividend income on financial assets	1 184	915
Interest expense		
Interest expense for customer deposits	–563	–448
Interest expense for amounts due to banks	–14	–7
Interest expense on repurchase transactions	–6	–4
Net interest income	792	675
Change in writedowns of financial assets	–179	–12
Losses on payment transactions	–4	–4
Net interest income after writedowns	609	659
Commission income on lending, securities and investment business	101	97
Commission income on other services	23	18
Income from services	571	573
Commission and services expenses	–386	–376
Net services and commission income	309	312
Net trading income	111	100
Realized gains and losses on financial assets	–8	11
Other operating income	–5	–4
Total operating income	1 016	1 078
Staff costs	–350	–323
General overheads	–417	–415
Depreciation and amortization	–20	–22
Total operating expenses	–787	–760
Operating profit²	229	318
Net income from associates	2	2
Net income from intra-Group financing	4	7
Profit for the year	235	327

1 FVTPL: Fair value through profit or loss (fair value changes are taken to the income statement).

2 Corresponds to the operating result for the financial services segment.

Balance sheet

Balance sheet CHF m	31.12.2008	31.12.2007
Assets		
Cash and cash equivalents	2 304	2 792
Receivables due from banks	17 000	10 894
Interest-bearing amounts due from customers	105	86
Derivative financial instruments	178	40
Financial assets	46 612	41 201
Investments	14	14
Property, plant and equipment	35	46
Deferred income	642	561
Other assets	266	483
Total assets	67 156	56 117
Equity and liabilities		
Due to banks	263	1 284
Due to customers on Deposito and investment accounts	17 745	14 734
Other amounts due (to customers)	48 316	39 034
Derivative financial instruments	11	75
Deferred income	56	49
Provisions	4	4
Other liabilities	145	117
Total liabilities	66 540	55 297
Allocated equity ¹	500	500
Fair value reserves	-150	-8
Hedging reserves	31	1
Profit for the year	235	327
Total equity	616	820
Total equity and liabilities	67 156	56 117

¹ As of 1 January 2003, PostFinance has 500 million francs in equity available to cover fluctuations in the fair value of available-for-sale financial assets.

Additional information

Internet links

The (▶) symbol contained in the text points readers to additional information on the Internet. This can be accessed via the full list of links at www.swisspost.ch/ar2008links. Simply click on a reference number on this page to access the relevant information.

GRI index

Swiss Post bases the content of this report on version G3 of the Global Reporting Initiative (GRI) guidelines on sustainability reporting (www.globalreporting.org). The GRI index provides a standardized approach to reporting organized by topic. For each topic, there is a reference pointing readers to the relevant pages in the report. This allows the GRI index to be used as an alternative to the usual table of contents. For space reasons we have not listed the whole index here. It can be downloaded from the Internet (▶ 98) at the above address.

Contact addresses

Additional printed copies of the Annual Report are available from the address below or can be ordered online. Employees of Swiss Post may order additional copies through the usual channels.

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