



Annual Report 2009

SWISS POST 

Our achievements in 2009

- We were able to achieve a solid profit of 728 million francs, despite the difficult economic times.
- PostFinance reported a record operating result of 441 million francs.
- The new letter centres enable us to achieve annual savings of 170 million francs while retaining the same high quality.
- We were able to keep customer satisfaction at a very high level.
- Our employees scored us highly with regard to satisfaction, motivation and willingness to perform.

What we aim to achieve in the next few years

- With first-class services at fair prices, we want to impress our customers.
- We want to be an innovative company in our markets.
- We want to grow in a risk-conscious, sustainable way.
- We will remain an attractive employer and continue to offer interesting professional perspectives in the future.
- With defined measures, we will protect our environment and act in a sustainable manner.

Key figures

		2009	2008
Operating income	CHF million	8 709	8 980
Operating result	CHF million	721	812
Group profit	CHF million	728	825
Cash flow	CHF million	824	977
Investments	CHF million	431	516
Economic value added	CHF million	272	416
Equity	CHF million	3 534	2 857
Headcount	Full-time equivalents	44 803	44 178
		2008	2007
Energy consumption	TJ of primary energy	3 634	4 849
Climate footprint	1000 t CO ₂ equivalent	255	278

More key figures can be found in the 5-year overview on the back flap.

This Annual Report shows how we create value – for our customers, the owner, our employees and society.

Here we document our economic, social, ecological and community responsibilities and show what we have achieved in 2009 on all of these levels.

We move people, goods, money and information in a

Swiss Post operates in four markets:

- in the **communication market** (letters, newspapers, promotional mailings, information solutions and data management) in Switzerland, in neighbouring countries and internationally.
- in the Swiss and cross-border **logistics markets** (parcels, express services and logistics solutions).
- in the Swiss **retail financial market** (payments, investments, retirement planning and financing).
- in public **passenger transport** (regional, local and urban transport, system management) in Switzerland and in selected countries abroad.



PostMail

PostMail is responsible for accepting, sorting and delivering letters, newspapers and promotional mailings for all customers in Switzerland. Its service range is enhanced by electronic services.

www.swisspost.ch

PostMail		2009
Operating income	CHF million	2 808
Operating result	CHF million	198
Addressed letters	Millions of items sent	2 556
Unaddressed items	Millions of items sent	1 232
Newspapers	Millions of items sent	1 249
Headcount	Full-time equivalents	16 996

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PostLogistics

PostLogistics provides business customers with standardized and tailored logistics solutions for the dispatch of parcels, express and courier items, for the transport of goods and for warehouse logistics.

www.swisspost.ch

PostLogistics		2009
Operating income	CHF million	1 488
Operating result	CHF million	45
Parcels	Millions of items sent	104
Express items	Millions of items sent	2.9
Headcount	Full-time equivalents	5 489

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Swiss Post International

Swiss Post International operates the import and export business in Switzerland and provides cross-border letter and small goods services in a further 15 countries in Europe, North America and Asia.

www.swisspost.com

Swiss Post International		2009
Operating income	CHF million	1 028
Operating result	CHF million	53
Import/export of letters	Millions of items sent	390
Import/export of parcels	Millions of items sent	5.6
Headcount	Full-time equivalents	1 272

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Swiss Post Solutions

Swiss Post Solutions provides business customers around the world with business process management solutions for document and dialogue management – at the interface between the physical and electronic worlds.

www.swisspost.com

Swiss Post Solutions		2009
Operating income	CHF million	696
Switzerland	CHF million	175
International	CHF million	521
Operating result	CHF million	-25
Areas of activity	Number of countries	16
Headcount	Full-time equivalents	6 878

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Post Offices & Sales

Post Offices & Sales provides private customers and SMEs with personal advice and a dense, efficient network with around 3,600 access points (post offices, agencies, home delivery service and others).

www.swisspost.ch

Post Offices & Sales		2009
Operating income	CHF million	1 359
Operating result	CHF million	-113
Post offices, agencies	Number	2 348
Home delivery service	Number	1 154
Headcount	Full-time equivalents	6 973

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Services

The Services¹ unit comprises Real Estate, Information Technology, Corporate Purchasing, InfraPost Ltd and Language Services. It supports the Group units in providing their services in their respective markets.

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Other		2009
Operating income	CHF million	1 030
Operating result	CHF million	95
Headcount	Full-time equivalents	2 417

¹ The unit is part of the "Other" segment.

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reliable, value-enhancing and sustainable way

Swiss Post is a Group with Group units, supporting units and subsidiaries. This customer-oriented structure means that it can respond quickly and innovatively to changes in the markets.

Swiss Post generates 81.2 percent of its operating income of 8,709 million francs in the free competitive market. The remaining 18.8 percent falls under “reserved services” (monopoly on letters up to 50 grams). Swiss Post has 60,977 employees. Of the 53,276 jobs in Switzerland, 17,856 are in peripheral regions. 7,701 people work for Swiss Post abroad..

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PostFinance



PostFinance

PostFinance serves small and medium-sized enterprises as well as private customers – with comprehensive solutions for payments and basic ranges for investments, financing and retirement planning.

www.postfinance.ch

PostFinance		2009
Operating income	CHF million	2 160
Operating result	CHF million	441
Customers	Number	3 880 800
Net inflow of new money	CHF million	20 120
Average customer deposits	CHF million	70 249
Headcount	Full-time equivalents	3 042

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PostBus



PostBus

PostBus operates a network of around 800 PostBus routes in Switzerland with a length of over 10,429 kilometres and 13,799 stops. In the public transport market, PostBus undertakes system management functions.

www.postbus.ch

PostBus		2009
Operating income	CHF million	640
Operating result	CHF million	27
Passengers	Number	118 000 000
Annual performance	Millions of km	98
Vehicles	Number	2 066
Headcount	Full-time equivalents	1 736

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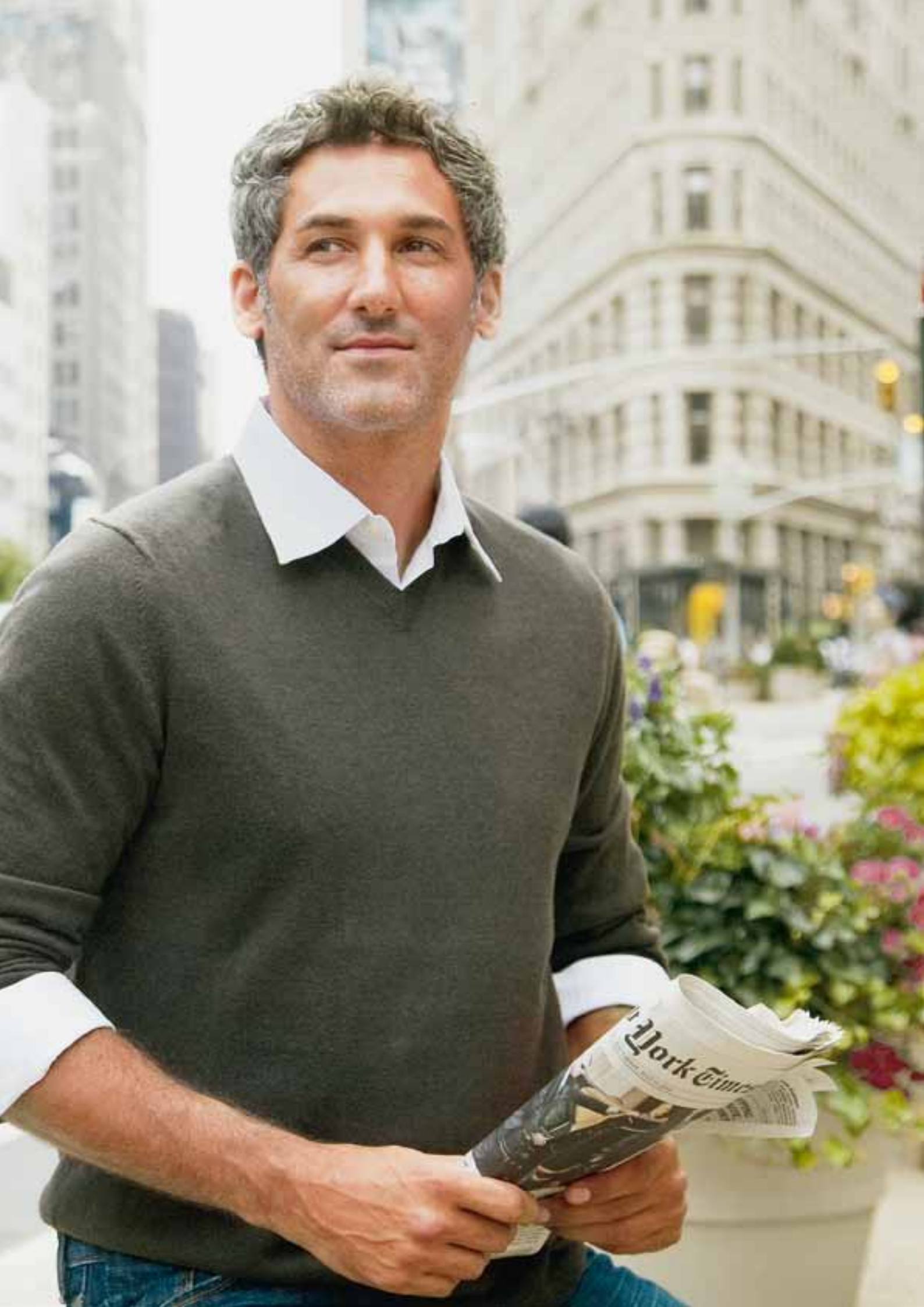
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Dear Sir or Madam,

Swiss Post has closed the 2009 financial year on a very positive note. The operating revenue fell compared to the previous year by 271 million francs to 8,709 million francs due to extraordinary circumstances, and the Group profit was down by 97 million francs to 728 million francs. However, in view of the economic climate, this is a very good operating result.

In 2010, the Swiss Federal Councils will deal with the complete revision of postal legislation. The decision made by the National Council and the Council of States will be crucial for Swiss Post and for the basic service in Switzerland. A sustainable basic service mandate must respond to rapidly changing customer requirements and changes in customer behaviour. In order for us, as one of the largest service providers in Switzerland, to respond commercially to these developments, we require parliament to provide us with a legal framework which gives us the necessary entrepreneurial freedom.

One thing is already clear: Swiss Post will continue to provide its customers with outstanding services at attractive prices. We want to grow mainly in the area of financial services and with new offers at the interface between physical and electronic services. This will enable us to enhance and strengthen our traditional core business.

We face a key challenge in implementing our business strategy for the sustainable development of Swiss Post. We want to generate financial added value for the Confederation as the owner and a stable equity base for Swiss Post. As well as meeting our customers' needs in the best way possible, we also want to act in a socially responsible manner and take regional interests into account. In doing so, we want to protect our natural resources and reduce our carbon footprint. It is not always easy to reconcile all of these demands and objectives. However, we are convinced that only a company which constantly achieves this balance can be successful in the long term. This report presents a detailed view of our accomplishments in 2009.

My thanks go to Swiss Post's employees in Switzerland and in all of the countries in which we now operate around the world. You have performed your work with a high level of motivation in an environment which was, at times, difficult. Swiss Post will again be greatly dependent on your professional dedication in 2010.

A handwritten signature in black ink, appearing to read 'Hasler', written in a cursive style.

Peter Hasler
Chairman of the Board of Directors

Conventions in this report

■ 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 the Group result

■ Negative effect on the Group result

All 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/ar2009links. Click the link number on this web page to access the respective 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. 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 here. It can be downloaded from the Internet (↗ 98) at the above address.

■ Languages

The 2009 Swiss Post Annual Report is available in German, French, Italian and English. The printed German version is authoritative.

■ Forward-looking statements

The 2009 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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“Swiss Post is one of the most innovative service companies in Switzerland”

Personal details

Date of birth 2 August 1947,
Switzerland
Lic. rer. pol.,
Business administration specialist
and economist,
CEO since 14.12.2009
Head of PostFinance
Member of Executive Management
since 2003

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)

Mr Bucher, you took over as CEO in December 2009. How do you see Swiss Post from this new perspective?

I had the good fortune to take over the helm of a company which does great things. Of course it can and must make improvements here and there, but Swiss Post is an extremely successful company.

How did Swiss Post perform in 2009?

Given the business uncertainty and difficult economic climate both in Switzerland and internationally, I am delighted with our operating result of CHF 728 million! This success also confirms that we made the right decisions in the past.

The good result is primarily due to PostFinance. How did it achieve this success?

The PostFinance result is definitely something to be proud of. It is due

in part to providing straightforward services that respond to customer needs, and also to the fact that the financial crisis made people appreciate the value of PostFinance as a reliable and secure provider. The majority of the other Group units also achieved good results, however.

What does this equilibrium shift towards PostFinance mean for the future of Swiss Post?

Swiss Post operates in a number of sectors and has several different business pillars. We move people, goods, money and information. The profit potential in all these sectors varies considerably due to the differing market conditions. The margins generated in financial services are different to those in logistics, so each individual business unit needs to be measured by different criteria. For me the most important thing is that thanks to our excellent service and high efficiency, we are able to generate returns in line with the industry average in all our business areas.



“Our customers benefit from considerably longer opening hours at our agencies.”

A much-talked about topic last year was the decline in letter volumes. Can you give us the figures?

In recent years, the decline in volumes has been around 1.5 percent for addressed letters and newspapers/magazines. In 2009, however, due to the economic and financial crisis, some volumes fell by up to 4.6 percent. In addition to this, our customers are combining their mail consignments more and more, and following the general trend toward electronic communication.

What does the decline in letter volumes mean for the letter business?

With a result of CHF 198 million, PostMail is actually one of Swiss Post's strongest pillars. Now, as in the past, we are offering a service which the majority of our business and private customers really do need. Thanks to the new and ultra-modern letter processing centres, we are generating considerable savings.

How did the parcels and logistics business fare?

Thanks to the introduction and expansion of innovative business customer solutions, parcel volumes remained largely stable despite the crisis. In addition, we optimized our costs, so we

were able to mirror the result generated by the parcels and logistics business the previous year.

Looking ahead, what are your priorities as CEO of the company?

At Swiss Post we have four magical cornerstones: we have to provide first-rate services for our customers, offer them competitive prices, of course keep an eye on our costs, and develop new solutions to open up new areas of growth. If we manage to balance these four cornerstones, we achieve market success and by far exceed the statutory requirements.

For you, what are outstanding services?

For me, Swiss Post is the ultimate service provider, offering outstanding services at a good price. For example, for just one Swiss franc you can send a letter from Graubünden to western Switzerland, that is from one end of Switzerland to the other, and be 98 percent sure it will arrive at its destination the next day. Even on an international comparison, that is a fantastic achievement.

Yet delivery quality actually declined last year.

Around the end of 2008 and start of 2009 we saw a decline in the proportion of both A Mail and B Mail letters

arriving on time. The reason for this was the gradual commissioning of the new letter centres in Zurich-Mülligen, Eclépens and Härkingen. Compared with the rest of Europe, however, we were still able to maintain our delivery quality at a very high level despite the complex changeover to the new letter processing system. Delivery quality then improved once again during the course of 2009, and is now back at the same high level it was at before.

In a pilot test, letters were not delivered until the afternoon in western Switzerland. Is that not a decline in service?

Our business customers are extremely satisfied, because they actually received their mail earlier than they do today. And the majority of private customers have also reacted positively, since many of them are not at home at midday in any case. However, we will not be able to make a full assessment until the pilot test is complete.

What plans are there for the post office network?

Switzerland has one of the densest post office networks in the world. 90 percent of post offices can be reached within 20 minutes on foot or by public transport, and 95 percent of our customers are served within seven minutes. In the future we will be expanding 20 to 30 post offices in re-

gional centres and conurbations and integrating PostFinance consulting centres into them. The customer lobbies will be modernized, made larger and redesigned. We will be investing hundreds of millions of francs and modifying the post office network because we believe this will lead to even better service quality and proximity to the customer.

But Swiss Post only restructured its network in 2009

... and generally improved the service it offers the population with 3,600 access points! We look at each individual post office and confer closely with the municipalities in order to satisfy the requirements of our customers there to the best of our abilities. So it is entirely possible that alternative forms of operation such as the "village shop post office" or home delivery service models could be better suited to the customers. We do sometimes also come to the joint conclusion, of course, that a post office should be left as it is. To give you a concrete example, we scrutinized 114 post offices last year. In 30 cases everything remained unchanged. 49 were converted into agencies, a home delivery service was introduced at 32 locations, and in three cases, the post office was closed, and the municipalities in question will be served by the nearest post office. With our agencies in particular, our customers benefit

“Swiss Post generates four fifths of its turnover in open competition.”

from considerably longer opening hours, while the service range is practically identical. And now customers can make payments not only with their PostFinance Card, but also using a Maestro card. That makes the agencies even more attractive and is a clear customer advantage.

The post office network is part of the basic service, which Parliament is currently analysing as part of the complete revision of postal legislation in Switzerland. What does Swiss Post need from the politicians?

We want to continue to offer our customers outstanding service, and thus also guarantee the basic service. In the last two decades, however, customer needs and behaviour have changed considerably. We are still expected to provide the traditional services, but the demand for services available online and around the clock is growing. For this reason we are

already offering our services in both physical and electronic forms. In order to continue doing this, we need from Parliament a service provision contract that is technology independent, as well as the necessary entrepreneurial freedom. Moreover, to expand our services, which we are providing mainly in the interest of the general public and a functioning democracy, a statutory financing system must be found.

What kind of prices does Swiss Post offer its customers?

Swiss Post generates four fifths of its turnover in open competition, so it has to offer its customers good value for money, otherwise they would simply switch to the competition. Yet even the prices in the monopoly area, that is letters up to 50 g, are very competitive compared to those in other countries. If you take the basket of letter categories we offer and weight this according to the actual frequency with which consumers

send letters of a particular category, this basket is 17 percent more expensive in France and Germany, and 58 percent more in Italy.

Yet Swiss Post is still raising the prices of certain products. How do you explain this to your customers?

Price rises are justified if the service provided is good. For the price of an espresso, our customers can currently send four letters anywhere in Switzerland and be sure of their swift arrival. In 2009, in agreement with the price watchdog, we lowered prices and paid the VAT out of our own pocket, so we are still providing the same service, but receiving some CHF 200 million less for doing so. Now, on 1 April 2010, the price increase for parcels and international letters that we delayed for a year will be introduced.

To continue providing its services as cost-effectively as possible,



Swiss Post built new letter centres. Yet now letter volumes are falling year on year. Were the letter centres a bad investment?

We still process huge volumes of letters each day. In terms of capacity, the letter centres are designed to cope with peak loads to ensure we maintain good delivery quality even when we have large volumes to process. When volumes are smaller, we can use the free capacity to further improve our quality.

In which other areas can and must Swiss Post cut costs?

All companies constantly have to ensure they work efficiently and keep their costs in check, and Swiss Post is no different. Only by doing this can we offer our customers competitive services.

Will the employees also be affected by this cost cutting?

Swiss Post must adapt to change, be it of a social, economic, technological or political nature. There will be areas where fewer employees are needed in the future, and areas where new jobs are created. In 2009 we asked our employees to use up accrued holiday and leave in lieu of overtime, and stopped outsourcing to third parties. Swiss Post is, however, one of the most socially responsible companies in Switzerland and offers its employees prospects in their working lives. This includes incentive systems for employees to work at the locations where we need them, even in different regions.

On the one hand we have cost cutting, and on the other the need for growth. Where do you see growth potential?

We primarily want to grow in financial services in Switzerland – with an attractive range of offers and first-rate service. In the market for information

solutions, at the interface between the physical and electronic world, we have built up an excellent position in recent years, and we want to expand this both in Switzerland and abroad. But there is also potential for growth in logistics and public transport.

Can you give us any examples of such information solutions?

We developed an add-in which business and private customers can use to send registered and confidential e-mails directly from Outlook. The application is based on our platform for secure electronic communication. The annual growth rates for services like this are in the treble-digit percentage range. We also introduced the SwissStick in 2009, an innovation we developed in Switzerland which is used to digitally sign documents and send them securely via the Internet. We can sell this product globally in the future.

Why has Swiss Post established operations abroad in the first case ?

Let's get something straight before we start: Swiss Post's international involvement is in line with the strategic objectives of the Federal Council. These allow Swiss Post to take advantage of growth opportunities abroad outside the basic service.

The reason for foreign operations is that due to liberalization and declining volumes, we are coming under pressure in our home markets. To strengthen Swiss Post in Switzerland, we want to grow by introducing new services both at home and abroad. We also have to follow customers who operate internationally, such as Zurich Financial Services Group. If we don't, then foreign competitors will tempt these customers away from us and can then gain a foothold in Switzerland and thus in our core business. We have been pursuing this strategy for years, proceeding step by step and keeping the risks low.

What kind of business is Swiss Post involved in abroad ?

In addition to PostBus, which was successful last year in France and won numerous contracts, it is primarily Swiss Post Solutions and Swiss Post International that have a global pres-

ence. In 2009, thanks to its knowledge, experience as a system provider and the high quality of its services, PostBus won a contract for further routes and networks in France.

Swiss Post Solutions offers business customers all over the world services at the interface between the physical and electronic worlds, for example document management and dialogue services. As a result of the economic situation, the direct mailing business in Germany took a nosedive.

The core business of Swiss Post International is cross-border letters, and among the national providers we are number three worldwide. Despite the difficult economic environment, SPI succeeded in increasing its operational income. Overall, our foreign operations are profitable.

Sustainability is a key topic of the future. Where does Swiss Post stand on this ?

Swiss Post wants to be a role model and has offered a carbon-neutral service for mailing letters and parcels since 2009, an option which we also make use of ourselves. By doing this, we can offset our own environmental impact by around 2,300 tonnes per year. Since 2008, we have purchased electricity only from renewable hydro-electric sources. Energy consumption

and environmental impact are also key considerations when we acquire new vehicles. PostBus is testing a hybrid bus, and we are using gas and electricity powered vehicles more and more, to mention just a few of the measures we have already implemented. Swiss Post uses 500 electrically powered scooters for its letter delivery services, the largest fleet of its kind in Europe. Swiss Post also acts sustainably by being a socially responsible employer and continuing its constructive dialogue with the trade unions, the Confederation, cantons and municipalities.

Around 8,000 employees work abroad. Swiss Post is becoming more and more obviously international. How does this affect the corporate culture ?

Swiss Post is a Swiss company which pursues specific core business operations abroad. Our differing business activities and our presence in a great variety of markets and countries mean we have a varied culture.

What role do the Swiss Post employees play in the company's plans ?

I hear every day that Swiss Post is in many respects a unique company with first-class employees. In the future, our employees will remain crucial in

enabling us to continue our service provision and as ambassadors for our company. Not only does Swiss Post value their ability and knowledge, but we also need to ensure they remain motivated. At this point I would like to express my heartfelt thanks to all those who contributed to the success of Swiss Post in 2009.

And what is your own personal view of the company after three months as CEO ?

Swiss Post is one of the most innovative service companies in Switzerland and is thus well positioned for the future.

“To strengthen Swiss Post in Switzerland, we want to grow by introducing new services both at home and abroad.”

Conventions in this section

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Business areas

Markets

Swiss Post operates in four different markets:

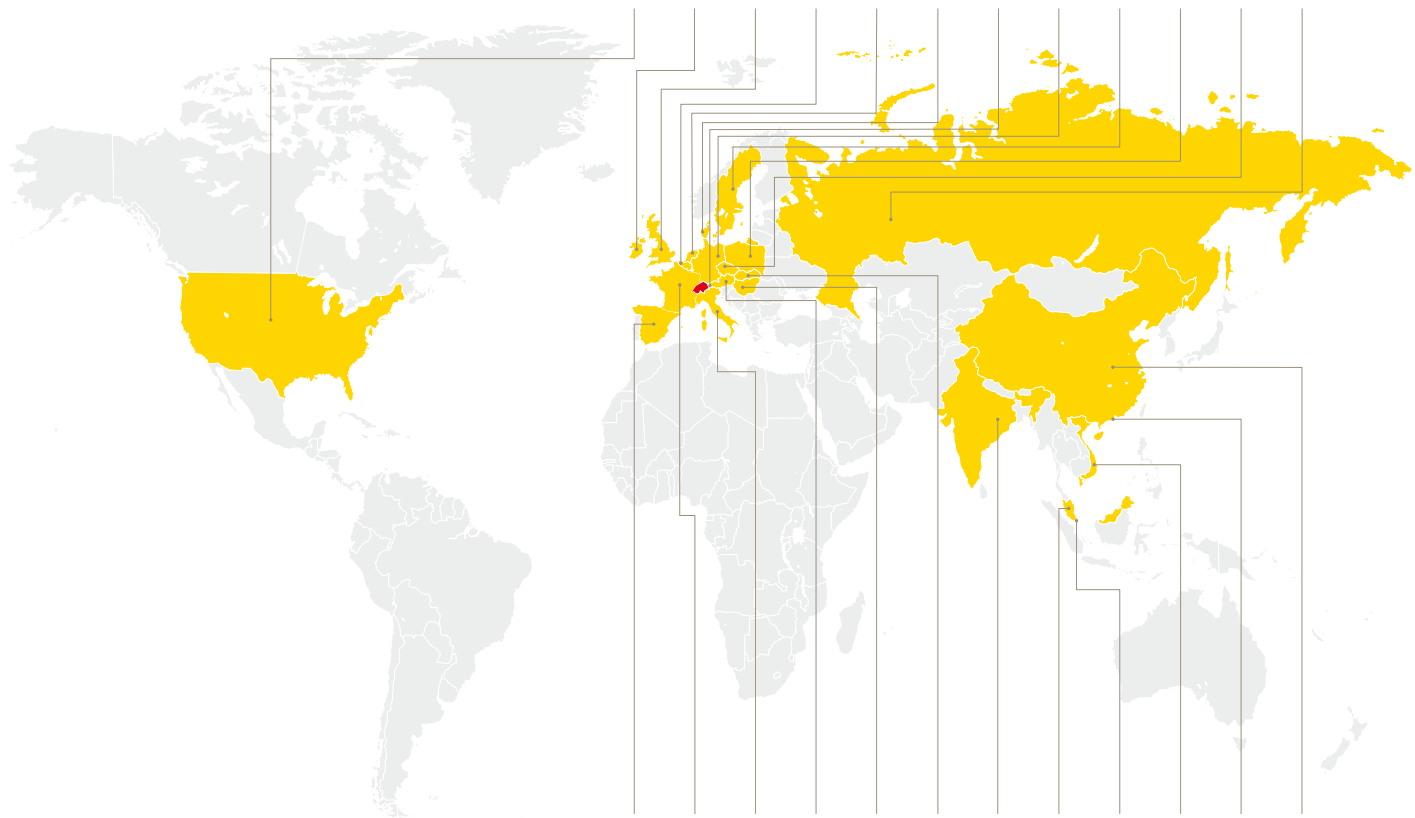
- in the communications market (letters, newspapers, promotional mailings, information solutions and data management) within Switzerland and internationally.
- in the Swiss and cross-border logistics markets (parcels, express services and logistics solutions).
- in the Swiss retail financial market (payments, investments, retirement planning and financing).
- in public passenger transport (regional, local and urban transport and systems management), in Switzerland and selected countries abroad.

Swiss Post is represented in Europe, North America and Asia by subsidiaries, franchise partners and sales agents. With its partners it also has access to a global logistics network. PostBus operates eleven bus networks in France via its own subsidiaries, and also has a presence in Liechtenstein.

Swiss Post generates 82.3 percent of its revenue in Switzerland and 17.7 percent abroad.

Group | Swiss Post abroad 2009

	US	IE	UK	BE	NL	DK	FL	DE	SE	PL	CZ	RU
International letters	■		■	■	■	■		■	■			
Dialogue solutions								■		■	■	■
Document solutions	■	■	■				■	■			■	
Passenger transport							■					
E-business solutions								■				



	ES	FR	IT	AT	HU	SK	IN	MY	SG	VN	HK	CN
International letters	■	■	■	■			■	■	■		■	■
Dialogue solutions		■			■					■		
Document solutions		■	■	■		■						
Passenger transport		■										
E-business solutions												

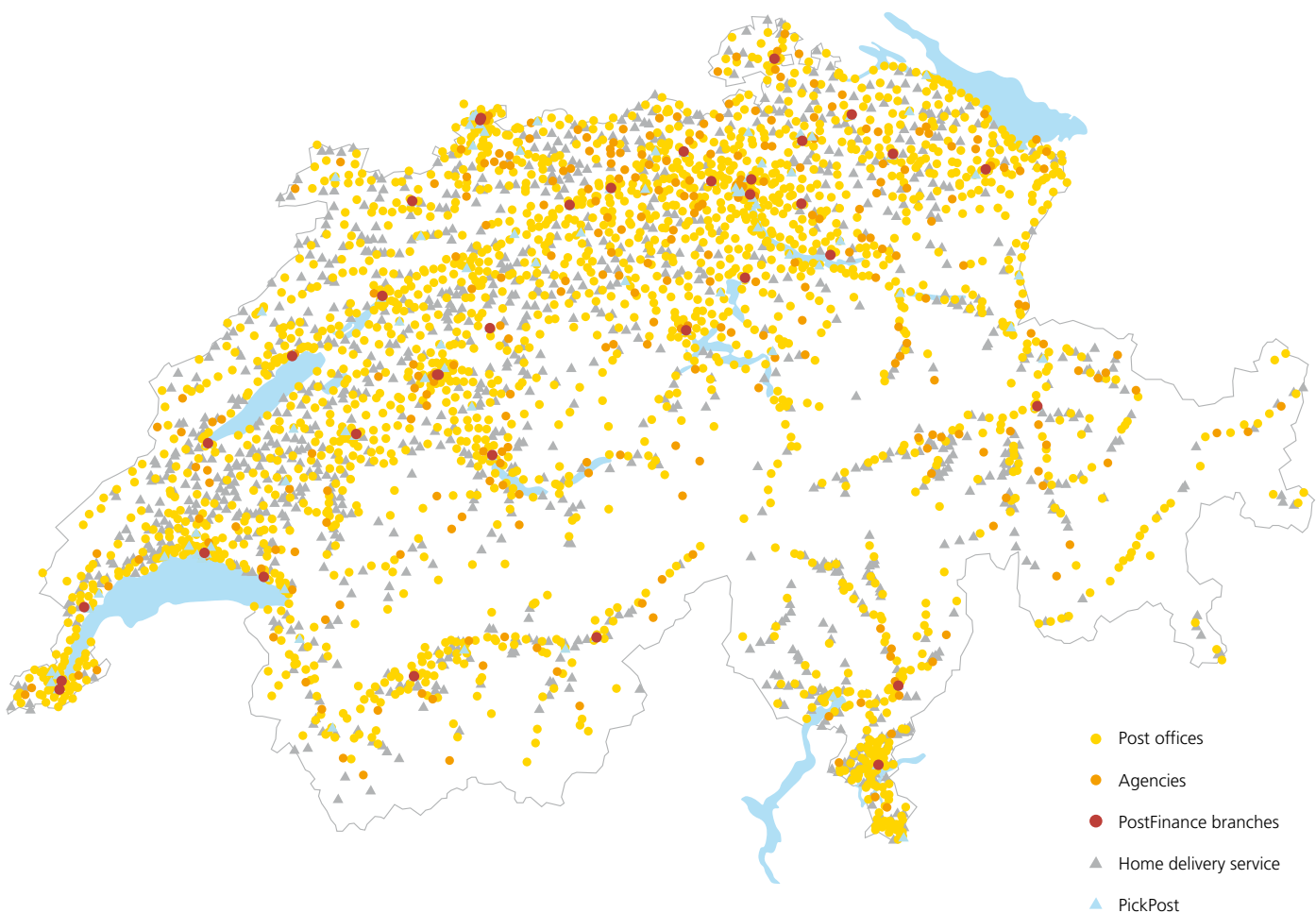
Network

Swiss sales network

Swiss Post provides its customers with a dense and efficient network with around 3,600 access points (2,348 post offices and agencies and 1,154 localities with a home delivery service). The network also includes 36 PostFinance branches, of which 17 handle payment transactions. PostFinance has 230 sales staff to meet the needs of its small and medium-sized business customers, and 53 mobile consultants are available to visit private customers in their homes. The sales network is complemented by 358 PickPost points from which parcels and letters can be collected, sometimes well outside normal opening hours. There are also over 17,000 post boxes located across Switzerland. An additional 51 acceptance points are also available, primarily intended for business customers.

In addition, private and business customers can access a variety of services online (virtual post office counter at www.swisspost.ch and e-finance at www.postfinance.ch).

Group (Switzerland) | Sales network
 2009



See page 114 for more on the development of Swiss Post's basic service.

PostBus network

PostBus offers more than 800 PostBus routes covering over 10,000 kilometres and 13,799 stops, as well as additional tourist routes, excursions, ScolaCar school buses and PubliCar dial-a-ride services. When it updated its timetable in 2009, PostBus expanded its range of services to include an additional 3.5 million timetabled kilometres on top of the existing 94 million per year, and introduced 22 new PostBus routes.

PostBus (Switzerland) | Route network
2008



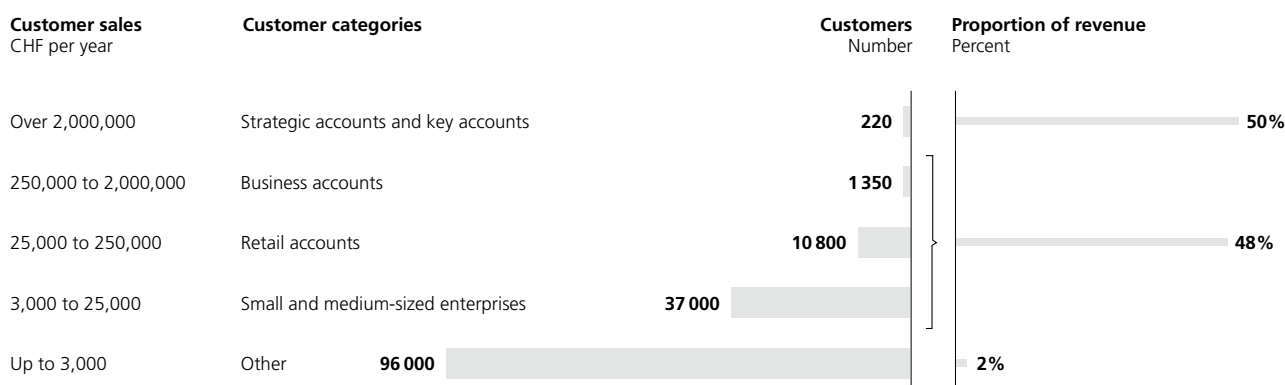
Customers

Swiss Post's logistics customer base (i.e. customers using traditional postal services) comprises several million individuals plus around 144,000 companies ranging from small businesses through to large multinationals.

The majority of SwissPost's logistics revenue comes from its business customers. Its 220 key accounts are particularly important, generating just under 50 percent of business customer revenue. The Group's business customers also include 1,350 business customers with annual sales of between 250,000 and 2,000,000 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 remaining 96,000 or so 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 companies and individuals. 200 key accounts (0.4 percent of all business customers) contribute around 36.9 percent of the operating income and 31.4 percent of the profitability for this customer segment. 0.3 percent are banks, for which PostFinance primarily handles payment transactions.

Group | Revenue from logistics business with business customers
 2008



Products
Private customers

Services for private customers and SMEs include letters, parcels, express deliveries, courier services, financial services and passenger transport. SwissPost also provides its customers with a wide variety of third-party products in 1,800 post offices. These include vehicle tax discs, stationery, mobile phones and computers.

Since November 2009, PostFinance has been providing private customers with two new home financing offerings – together with the Münchener Hypothekenbank (MHB), it is now offering mortgages for multi-family homes and also for residential and commercial premises (up to 50 percent commercial space). The range is rounded out with home construction loans for private customers.

Business customers

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

- Letters
 Urgent items, priority items, non-time-critical items, letters with delivery tracking, international document mailings, collections and deliveries, franking solutions, address management and online tools.
- Logistics
 Courier, express and “innight” services, parcels, transport and warehousing, special logistics and customer solutions, e-logistics, value logistics, international logistics.
- Direct marketing
 Domestic and international addressed and unaddressed mailings, individual direct-marketing solutions, accompanying services and offerings, knowledge transfer, address validation and response processing.
- Print media
 Subscription newspapers and magazines, early and daily delivery, publishers' logistics, subscription management, lettershop services, newsstand distribution and delivery.
- Document and dialogue solutions
 Mailroom services, document and information processing, document output processing, marketing solutions and campaign management, e-commerce, billing & payment solutions, CRM and loyalty programme management, charge cards and security cards, security products, and combined industry-specific solutions (e.g. healthcare).

Financial services for small, medium-sized and large companies, public entities and associations include business accounts, e-Deposito accounts, national and international payment transactions, customized 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 are also part of the offering. Since November 2009, PostFinance has been offering loans to small and medium-sized enterprises (SMEs) jointly with Valiant – overdraft facilities and fixed advances (from 100,000 to 1,000,000 francs) and also loans (from 50,000 to 1,000,000 francs).

In the field of **passenger transport**, PostBus is the leading bus company in Switzerland's public transport sector. PostBus also handles system management and other management services such as project management for the introduction of operations/passenger information systems and sales systems, including overall IT infrastructure provision. Over half of PostBus's production services are provided via private PostBus entrepreneurs.

Brands

The Swiss Post brand is one of the best known in Switzerland. 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 innovation, flexibility and dynamism it symbolizes, Swiss Post's renowned brand enables the company to stand out from its competitors.

The Group appears outwardly to its customers under the core "Swiss Post" brand and the "PostFinance" and "PostBus" flagship brands. Subsidiaries with their own identities also exist for a few selected services. Within Switzerland, the core brand appears as "Die Post", "La Poste", "La Posta", and abroad as "Swiss Post". PostBus also appears in Switzerland under a German, French, Italian or Romansh name. "PostFinance" is used throughout Switzerland.

Organization

Units

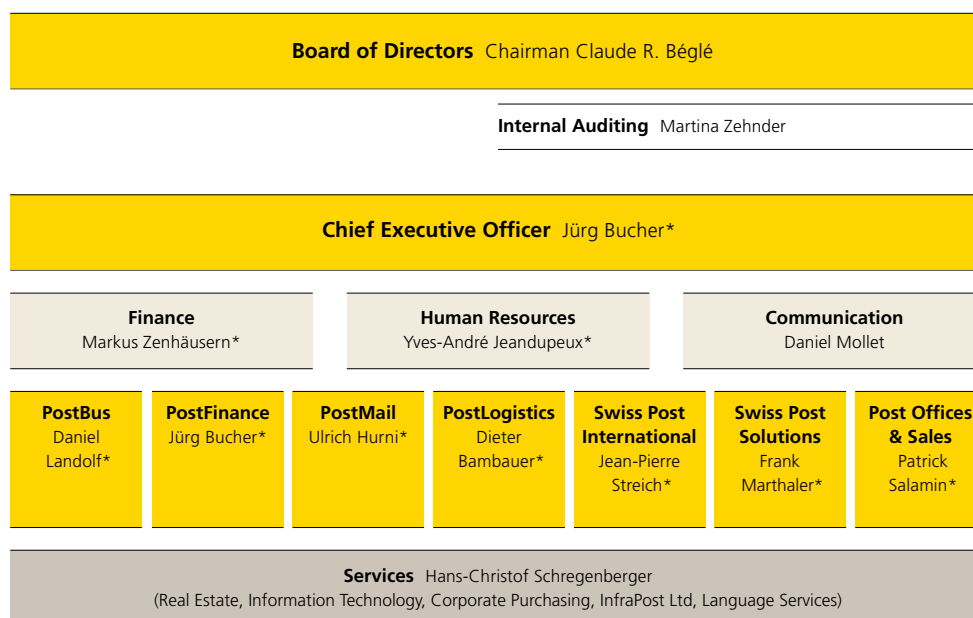
Swiss Post is divided into seven Group units: PostMail, PostLogistics, PostFinance, PostBus, Swiss Post International, Post Offices & Sales, and Swiss Post Solutions (formerly Strategic Customers & Solutions). They appear in the annual financial statements as individual segments.

On 1 September 2009, the Board of Directors approved an Executive Management reorganization, integrating the former staff units into the three existing management units of Finance, HR and Communication, and creating a new Services unit. The Philately unit, which previously reported directly to the CEO, was merged into the Post Offices & Sales Group unit on 1 January 2010.

The Services unit comprises the central Real Estate, Information Technology, Corporate Purchasing, InfraPost AG and Language Services functions. In the annual financial statements, the results for this unit are included in the Other segment.

Organization chart 2009

Group | Organization chart 31.12.2009



* Member of Executive Management

Changes after the balance sheet date

Peter Hasler was appointed Chairman of the Board of Directors on 20 January 2010, following the resignation of Claude R. Béglé on 19 January 2010.



Claude R. Béglé

(date of birth 4 December 1949, Switzerland), Dr. sc. économiques, Master's degree in law, Master's degree in international studies (Graduate Institute of International Studies, HEI)

Incumbent

Function

Chairman of the Board of Directors
April 2009 to 19 January 2010

On the Board of Directors

October 2008 to 19 January 2010

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

Key posts

- Puratos SA (Brussels)
- Cotecna SA (Geneva)

Board of Directors

On the cut-off date (31.12.2009), the Swiss Post Board of Directors comprised eight members, each elected by the Federal Council for a term of four years. New members appointed during a term of office are elected to serve until the end of the standard term of office. The Federal Council appoints the Chairman of the Board of Directors and takes into account gender, culture and an 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, in addition to controlling and monitoring at a strategic level, the Board of Directors also exercises a steering function as stipulated in the Postal Organization Act.

The Board of Directors approves the principles of corporate and communication policy, corporate strategy (including strategic financial planning), the pricing system (for submission 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 Executive Management and approves the collective employment contracts and also Executive Management remuneration.

See page 138 for more on corporate governance.



Dominique Freymond

(date of birth 1 May 1954, Switzerland)
 Lic. ès sciences naturelles

Incumbent

Function

Member of the Board of Directors

On the Board of Directors since
 August 2002

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)
- Groupe TKS-Teknosoft SA (General Manager)
- management & advisory services mas AG (co-owner and partner)

Key posts

- Allianz (Suisse) AG
- Corti AG
- Lease IT AG
- mas AG
- Sterci AG
- Board Member of sigv (Swiss Institute for Company Directors and Senior Managers)



Wolfgang Werlé

(date of birth 27 February 1948, Germany)
 Degree in business administration

Incumbent

Function

Member of the Board of Directors

On the Board of Directors
 August 2002 to 4 January 2010

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)

Key posts

- Nimo Holding AG
- Grands Hotels Bad Ragaz
- eventagentur.ch
- Asserta Asset Management AG
- Aryzta AG (Vice Chairman)
- Quantum AG (Chairman)



Jean-Marc Eggenberger

(date of birth 2 November 1957, Switzerland)
 Qualified postal clerk/postal official

Incumbent

Function

Member of the Board of Directors

On the Board of Directors since
 June 2003

Professional background

- Swiss PTT (operations and administration)
- PTT customs officers' associations (Central Secretary, Financial Administrator, Editor)
- Kommunikation union (Central Secretary)

Key posts

- Swiss Post Employee Fund Foundation (Vice-President)
- sovis Foundation (Vice-President)
- Wohnbauförderung home ownership scheme for Swiss Post/Swisscom employees (Board of Trustees)
- comPlan (Board of Trustees)



Nicola Thibaudeau

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

Incumbent

Function

Member of the Board of Directors

On the Board of Directors since
 June 2006

Professional background

- IBM Canada (research assistant)
- Cicorel SA (Head of Business)
- Mecanex SA (owner, CEO), – independent consultant
- MPS Micro Precision Systems AG (CEO, Delegate of the Board of Directors)

Key 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)



**Susanne
Blank**

(date of birth 11 January 1972,
Switzerland)
Lic. rer. pol.

Incumbent

Function

Member of the Board of Directors

On the Board of Directors since
June 2008

Professional background

- Federal Statistical Office (audits, national index of consumer prices)
- “Travail Suisse” umbrella organization for employees (head of business policy and member of the Executive Board)

Key posts

- Board of Directors of the Swiss National Accident Insurance Fund (SNAIF)
- Federal Tripartite Commission for Ancillary Measures relating to Freedom of Movement of Persons
- Supervision Commission for the Compensation Fund for Unemployment Insurance
- Federal Commission for Federal Statistics



**Andreas
Schläpfer**

(date of birth 26 September 1947,
Switzerland)
Lic. oec. HSG

New

Function

Member of the Board of Directors

On the Board of Directors since
August 2009

Professional background

- International Trade Centre UNCTAD/GATT (Marketing Consultant)
- Nestlé (General Manager in France, Russia, Thailand/Indochina, Zimbabwe, and Global Business Head/Senior Vice President for Children’s Food)

Key posts

–



**Marco
Durrer**

(date of birth 13 February 1952,
Switzerland), Dr. ès sc. pol.
(international relations), MALD
Fletcher School, Tufts University, USA

New

Function

Member of the Board of Directors

On the Board of Directors since
August 2009

Professional background

- Schweizerische Kreditanstalt Lausanne/New York/Zurich (Assistant to Josef Ackermann/ Investment Banking)
- Deutsche Bank Schweiz A.G. Geneva (Head of Sales and Trading)
- Lombard Odier Darier Hentsch & Cie Geneva/Zurich (Group Management, Branch Manager Zurich)
- Valiant Privatbank AG Bern (CEO and member of Executive Management Valiant Holding)
- independent financial advisor

Key posts

- Picard Angst Asset Management AG



**Anton
Menth**

(date of birth 27 July 1939,
Switzerland)
Dr. sc. nat.,
Dipl.-Phys. ETHZ

Departure

Function

Chairman of the Board of Directors until 31 March 2009

On the Board of Directors
March 2002 to March 2009

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)

Key posts

- Bank CIAL (Switzerland)



Peter Thomas Sany

(date of birth 30 August 1958, Switzerland)
 Dipl. phil. II.

Departure

Function

Member of the Board of Directors

On the Board of Directors
 August 2002 to April 2009

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)

Key posts

–



Rudolf W. Hug

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

Departure

Function

Member of the Board of Directors

On the Board of Directors
 January 1998 to 22 December 2009

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

Key posts

- Allreal Holding AG
- Deutsche Bank (Suisse) SA
- Orell Füssli Holding AG
- Panalpina Weltransport Holding AG
- Ernst Göhner foundation



Kerstin Büchel

(date of birth 21 January 1970, Swiss/German/Swedish citizen)
 Lic. rer. pol. (economics)

New

Function

General Secretary

General Secretary since
 November 2009

Professional background

- UBS AG Switzerland/ Basel and Zurich and UBS AG Italy/ Rome (Junior Key People, product management, client advisory services, events, business development & strategic marketing, asset and liability management, international client reporting)
- Valiant Privatbank AG (Head of Market Development & Sales)

Key posts

–

Other changes

Departures

François Chopard
 Secretary to the Board of Directors
 January 1998 to 31 March 2009

Regina Steffen
 Secretary to the Board of Directors
 April 2009 to 31 December 2009

Departures after the balance sheet date

Wolfgang Werlé
 Board of Directors
 April 2003 to 4 January 2010

Claude R. Béglé
 Chairman of the Board of Directors
 April 2009 to 19 January 2010, member of the Board of Directors since October 2008

Appointments after the balance sheet date

Peter Hasler
 Chairman of the Board of Directors since 20 January 2010



Jürg Bucher

(date of birth 2 August 1947, Switzerland)
Lic. rer. pol., business administration and economics

Incumbent

Function

CEO, Head of PostFinance

Member of Executive Management since

2003

Professional background

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

Key posts

- Member of the Board of Directors, Swiss Euro Clearing Bank (until January 2010)
- Member of the Board of Directors, SIX Interbank Clearing AG (until January 2010)
- Member of the Board of Directors, InnoBE AG
- Member of the Board of Directors, Bern Arena Stadion AG

Executive Management

Executive Management consists of the CEO and eight additional members, with at least one member deputizing for the CEO. All members of Executive Management are appointed by the Board of Directors.

In addition to operational management, Executive Management is tasked specifically with drawing up the financial and human resource plans for approval by 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 associated areas within Executive Management. The CEO represents Executive Management in dealings with the Board of Directors.

See page 138 for more on corporate governance.



Jean-Pierre Streich

(date of birth 22 September 1946, Switzerland)
 Lic. oec. HSG, business administration

Incumbent

Function

Head of Swiss Post International

Member of Executive Management since 1999

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)

Key posts

–



Daniel Landolf

(date of birth 31 December 1959, Switzerland)
 Degree in business administration (univ. of applied sciences)

Incumbent

Function

Head of PostBus

Member of Executive Management since 2001

Professional background

- Credit Suisse (foreign exchange trader, international payment transactions)
- 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, Head of PostBus / PostBus Switzerland Ltd.)

Key posts

–



Yves-André Jeandupeux

(date of birth 26 April 1958, Switzerland)
 Lic. psychologie University of Lausanne

Incumbent

Function

Head of Human Resources

Member of Executive Management since 2005

Professional background

- Careers Advisory Service for Canton Jura (careers advisor)
- Gastrosuisse, Lausanne (Head of Office Western Switzerland)
- 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)

Key posts

- Foundation board of Swiss Post Pension Fund
- Foundation board of Swiss Post Employee Fund
- Member of Board of Directors of Pensimo Management AG



Frank Marthaler

(date of birth 9 September 1964, Switzerland)
 Lic. oec. in business administration from University of St. Gallen

Incumbent

Function

Head of Swiss Post Solutions

Member of Executive Management since 2007

Professional background

- IBM (Sales Executive, Key Account Manager)
- EDS (Sales & Marketing Director)
- Swiss Post (Head of Strategic Customer Management, Head of Strategic Customers & Solutions)

Key posts

–



Patrick Salamin

(date of birth 17 July 1958, Switzerland/Ireland), Lic. oec. in business administration from University of St. Gallen, lic. sc. pol. in political science

Incumbent

Function
Head of Post Offices & Sales

Member of Executive Management since
2007

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)

Key posts
–



Markus Zenhäusern

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

Incumbent

Function
Head of Finance

Member of Executive Management since
2008

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

Key posts
– Member of Board of Directors of Schaffner Holding
– Member of Board of Directors of Swiss Post Liechtenstein AG



Ulrich Hurni

(date of birth 21 February 1958, Switzerland) Commercial employee and business secretary at Swiss Post, eMBA University of Zurich

New

Function
Head of PostMail

Member of Executive Management since
1 March 2009

Professional background
– Swiss Post (PostFinance: IT systems development, telecoms: unit/project controller, Swiss Post International: Managing Director, PostMail: Deputy Head)

Key posts
–



Dieter Bambauer

(date of birth 6 May 1958, Switzerland/Germany) Dr. oec. WWU, JLU

New

Function
Head of PostLogistics

Member of Executive Management since
1 October 2009

Professional background
– DWP (management consulting, logistics consulting)
– AGRAVIS (Unit Head Logistics)
– MD Papier (Board member, logistics, IT)
– Kühne + Nagel Management AG (Board member)
– Deutsche Bahn AG (EVP freight logistics)
– Schenker Schweiz AG (CEO)
– Hangartner AG (CEO)
– Swiss Post (Head of PostLogistics)

Key posts
–



Ulrich Gygi

(date of birth 6 December 1946, Switzerland)
 Dr. rer. pol.,
 business administration

Departure

Function

CEO until 31 March 2009

Member of Executive Management

1 July 2000 to 31 March 2009

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)

Key posts

- Member of the Board of Directors AXA Winterthur
- Member of the Board of Directors of the Swiss Broadcasting Corporation (SRG)
- Chairman of the Board Swiss Federal Railways (SBB)



Michel Kunz

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

Departure

Function

CEO until 14 December 2009

Member of Executive Management

1 October 1999 to 14 December 2009

Professional background

- ABB (development engineer),
- Ascom (Head of Procurement, Head of Electronic Production Profit Center)
- Swiss Post (Head of Systems Development at PostFinance, Head of IT at Swiss Post, Head of PostParcel, Head of PostLogistics/PostMail)

Key posts

–

Strategy

Regulatory framework Mandate

Swiss Post has a legal mandate in Switzerland (E→ 1–2): it must provide an **adequate universal service** (postal and payment services) throughout the country on an equal basis, of a good quality and at reasonable prices.

Group | Statutory service mandate

2009

Universal service		Competition
Reserved services Letters up to 50 grams ("Swiss Post only")	Non-reserved services e.g. parcels up to 20 kg, letters over 50 grams, payment transactions ("Swiss Post must, other providers may")	Competitive services e.g. express mail, unaddressed mailings, third-party products ("Everyone may")
Nationwide post office network		

With respect to the universal service (E→ 1), the legislation makes a distinction between reserved services that only Swiss Post is permitted to offer (letters up to 50 grams), 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.

Additionally, Swiss Post must operate a nationwide network of post offices that offer all universal services in all regions 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 81.2 percent of its operating income in the free competitive market. Reserved services (monopoly) account for 18.8 percent of operating income.

Directives

As the owner of Swiss Post, the Federal Council make further stipulations in the form of its strategic objectives (E→ 3): Swiss Post must develop its core business, provide a high quality of services, operate in a competitive market, prepare itself for the complete revision of the Postal Act and reduce its dependence on monopoly business. Over and above its obligation to provide a basic service, it is mandated to seek growth opportunities outside Switzerland.

To the extent possible in its business operations, it should pursue a sustainable and ethical corporate strategy (E→ 15–21, 25, 29–30) and take into account the impact of its activities on jobs in the regions (E→ 4).

The Federal Council expects Swiss Post to maintain and if possible increase the company's value in the long term, to achieve an industry-standard result within universal and competitive services, and to finance investments from the cash flow it generates. The profit it generates should be used to establish the required equity base, finance the pension fund and cover transfers to the Confederation.

Vision

Swiss Post's actions are based on the four guiding principles of its vision. (For details see page 136):

We move people, goods, money and information – in a reliable, value-enhancing and sustainable way

... for our Switzerland

... successful with innovations in our four markets

- We are a leader in the communication market (letters, newspapers, promotional mailings, information solutions and data management) in Switzerland and growing in neighbouring countries and internationally
- We are one of the top three providers in the retail financial market (payments, investments, retirement planning, financing) in Switzerland and are continuously expanding this position
- We are developing in the logistics market (parcels, express services and logistics solutions) in Switzerland and neighbouring countries
- We are a leader in public passenger transport (regional, municipal and urban transport, system management) in Switzerland and are growing internationally

... for our customers

... together with our employees

This vision is based on Swiss Post's core values: "reliable", "value-enhancing" and "sustainable".

Background Legislation

Market liberalization
and regulation

The Federal Council approved the draft consultation paper on new postal legislation in spring 2008. It decided to open up the market quickly in two phases. The monopoly limit for letters was reduced to 50 grams on 1 July 2009, with full market deregulation scheduled to follow three years later. The revised Postal Act and the Postal Organization Act are currently being discussed in Parliament. In a further step, a separate Federal Decree will initiate complete market deregulation. 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 the draft paper it presented during the consultation process. To safeguard the basic service, following the public consultation it decided in favour of a direct legal mandate (instead of a tendering process). Swiss Post will be converted into a public limited company under special legislation, and PostFinance will be converted into a public company under private law owned by Swiss Post and monitored by the Swiss Financial Market Supervisory Authority (FINMA) (→ 5–7).

Employment conditions

Full market deregulation necessitates accompanying measures, in particular fair employment conditions across the entire postal market. These can be best ensured with an industry-wide collective employment contract (CEC), which Swiss Post intends to offer as a socially responsible employer. This would ensure that market deregulation does not take place at the expense of employees.

Average wages for Swiss Post employees in Switzerland are better than the terms of employment for similar work elsewhere. Pressure on wages will increase with each step towards deregulation, especially if it is not possible to agree industry-wide collective employment contracts.

The economy Global economy

Following the unusually severe downturn at the beginning of 2009, the global economy gradually recovered during the summer months. Emerging markets in particular recorded substantial growth in production, while industrialized countries at least bottomed out. Following three negative quarters, economic output remained fairly constant worldwide in the second quarter of 2009. This was partly due to government economic packages and an expansionary monetary policy. In the new year, global trade also started to recover from its unusually sharp slump. Further recovery can be expected in the immediate future, particularly if economic policy continues to remain expansive. However, momentum is flagging due to economic stimulus programmes, and national banks should pursue a restrained monetary policy provided that the

economy stabilizes and inflation remains low. The upturn should be pronounced in most emerging markets, whereas it will probably not be very lively in the industrialized world. All in all, following a decrease of 2.5 percent in 2009, gross world product is set to increase by 1 percent in 2010.

Switzerland

The Swiss economy was also able to benefit from the improved global economic situation in the third quarter of 2009, and several indicators point to a positive turnaround. The Swiss economy bottomed out rather more quickly and did not contract quite as much as expected. Despite this, 2009 ended up being one of the most pronounced slumps for decades.

Compared with other countries, however, the recession was relatively mild in Switzerland. This was mainly due to solid domestic demand, namely private consumption and construction investment, which somewhat compensated for the slump in exports and the financial sector. While industry was hard hit by the recession, the decline in added value was nowhere near as bad as in other countries, such as Germany and Japan. As in the downturn between 2001 and 2003, it was once again the clear drop in added value in the financial sector that had the greatest negative impact on GDP.

Experts believe that the Swiss economy will see modest growth in GDP of 0.4 percent in 2010 (compared with -0.4 percent previously). However, weak global economic momentum means that the recovery will be sluggish. Although a tangible improvement in the export of goods and services is to be expected (+3.2 percent), capital spending will probably remain weak due to the low levels of capacity utilization that many companies are experiencing. However, consumption, which has until now remained remarkably robust and has also been boosted by immigration, will decline due to the adverse impact of a worsening employment situation and the anticipated reduction in the growth of real wages.

Markets

The logistics sector is characterized by increasingly fierce competition and growing price pressures. Small competitors are being squeezed out or taken over by larger companies. Customers, especially business customers, are very sensitive to prices and are placing high demands on quality. Marked increases in HR costs can therefore not be offset by pricing measures. Economic uncertainty continues to prevail.

In the letter market, Swiss Post delivers Switzerland's basic postal service, and is able to fulfil this mandate with the protection of a remaining monopoly on letters weighing up to 50 g. Over half of all mail is already deregulated (newspapers, unaddressed mail and 24 percent of addressed letters). Competitors in this market include members of the SwissMail Group and now also MS Mail Service AG's Quickmail subsidiary. Swiss Post is continuing to suffer as a result of physical letters and newspapers being replaced by electronic media. The economic downturn is also exacerbating the decrease in mail volumes.

The financial crisis has had a marked impact on the finance sector over recent years, and will also have repercussions in the future. The consequences of this will include customers moving their money elsewhere, increased regulation and a greater emphasis being placed on the Swiss market by the major banks. PostFinance is expecting competitive pressure to increase and margins to come under pressure. As a result of the crisis, customers are increasingly looking for credibility and trust – something that PostFinance provides. The Internet and consumer protection organizations are providing transparency, and customers are becoming more emancipated.

As purchasers of regional public transport services, the Confederation and cantons will be less able to pay compensation to transport companies owing to scarcer financial resources as a result of the economic crisis. Ever increasing public transport mobility requirements mean that a reduction in services is out of the question, so services will have to be provided at lower costs and with less public-sector compensation. From 2011 onwards, this will have a significant impact on PostBus margins, and may even lead to an increase in tenders. On the international market, PostBus will increasingly have to hold its own in the face of powerful lobby activities by major international corporations.

Jobs

Because the economy recovered only slowly, the average unemployment rate during 2009 was 3.7 percent. The forecast for 2010 is 4.9 percent, although economic indicators are currently showing a slowdown in the recessionary trend. A further intensification of the downwards spiral is therefore less likely in the coming quarters than it was in mid-2009.

Trends

Legal and political:
 liberalization

The abolition of the current 50 g monopoly threshold will probably take place between 2012 and 2015. The commercial risks that will then face Swiss Post will arise from accompanying legal operating conditions. The main risks will be: an expansion in the basic service mandate despite the absence of a monopoly; regulated network access; increasing regulation of road and rail traffic; a state-imposed migration of administration to electronic media; an uneven playing field for employment conditions; and increasing price regulation (E→ 5).

Social: urbanization
 and customer needs

Urbanization is leading to increased levels of traffic. This affects Swiss Post in several different areas – efficient city logistics, mobility solutions for commuters and making the network cost-effective despite declining outlying areas. Increasing complexity is strengthening demand for simple solutions. There is also an increased focus on traditional values such as quality, reliability and security. “Digital natives” (people born in or after 1984 who grew up with digital technology) and a “lifestyle of health and sustainability” (LOHAS) are increasingly characterizing the business models, communication channels and features of service offerings.

Technological: digital
 technology and convergence

The digitization of our lives is being driven by an exponential development of technology (processor and memory capacities, bandwidths, wireless communications and mobile devices). These are continually leading to increased efficiency, new applications and a reduction in the threshold for substituting physical data media with electronic counterparts. The convergence of services is enabling companies to tap into new markets. For example, Swiss Post has the opportunity to network both physical and digital solutions, and also to develop as an end-to-end communications provider.

Economic: globalization

The globalization of competition is increasing pressure on Swiss Post to exploit comparative locational advantages in order to optimize costs. At the same time, disadvantages resulting from size or geographical coverage can be neutralized by joint initiatives. An increased demand for local/regional services and products based on emotional and economic factors provides opportunities for Swiss Post, which has a uniquely strong local presence.

Environmental: sustainability

The scarcity of natural resources is increasing the awareness of customers (as evidenced by LOHAS), investors and legislators when it comes to sustainability. Demand for “green” products is on the increase. An optimum mix of energy efficiency and renewable energy is becoming a critical factor for companies seeking to combat escalating costs or, in certain cases, gain new competitive advantages.

Goals and strategic thrusts

The strategy of Swiss Post is derived from postal legislation (E+ 1–2) and the directives of its owner. These directives are set out in the strategic objectives of the Federal Council (E+ 3) which are revised every four years. They represent the basis of our vision and core values “reliable”, “value-enhancing” and “sustainable”. 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
2009

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



Service performance

Swiss Post is improving its service performance and creating 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 a basic nationwide service on an equal basis, of a good quality and at competitive prices.

Safeguarding and developing the basic service

With unit-specific and cross-unit optimization programmes, Swiss Post aims to work more efficiently and, on the basis of customer behaviour and customer needs, further develop its services.

Shaping the regulatory framework

The key regulatory framework for Swiss Post will be defined in the ongoing complete revision of postal legislation (E+ 5). 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 is about more than just protecting the environment. In everything it does, Swiss Post strives to take account of economic and social as well as environmental aspects. It endeavours to strike a balance between these three factors. In future it will be adopting a comprehensive sustainability programme focusing on environmental protection. Swiss Post is working on this subject together with international postal organizations, in particular the International Post Corporation (IPC) and Post Europe. It is also working more closely with postal organizations abroad, particularly on issues relating to environmentally friendly drive technologies. Swiss Post is using the “pro clima” product to offset a large proportion of its CO₂ emissions (E+ 20).

Read more about improving service performance in the “Added value for society” section on page 113.

Sales

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

Swiss Post is endeavouring to remain cost-effective, stay close to its customers through a network of access points (post offices, agencies, PostFinance branches, other acceptance and pick-up points, etc.), provide 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 growing demand from customers who wish to read their newspapers before starting work. In its core logistics business, it will increasingly offer custom solutions and develop needs-based warehousing/contract logistics. The product range and pricing system in post offices will be simplified. In future, PostFinance will be selling and processing credit products for SMEs and private customers jointly with Valiant Bank as well.

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. Its discount systems are transparent and comprehensible.

Offering high-quality customer service

With the expansion of early deliveries, the simplified range of products and services in post offices, and personal support and advice for business and private customers, Swiss Post is aiming to get even closer to its customers. Read more about sales delivery in the “Added value for customers” section on page 85.

Productivity

Swiss Post has a progressive human resources policy to promote productivity and the commitment 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 (E+ 9), to create jobs in the regions (E+ 4), as well as engendering and retaining trust through its leadership culture and employee development.

Fostering commitment 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 ability to perform of employees and managers, and also create the cultural and structural foundations to successfully navigate the waters of increasing globalization. It also seeks to improve competitiveness by offering flexible conditions of employment and actively supporting change.

Progressive human resources policy

With its vision's guiding principle “...together with our employees”, Swiss Post is committed to fostering a dynamic, performance and team-oriented corporate culture. It recognizes that the enterprise consists of units with different cultures and strives to ensure that values such as fairness, respect and open communication are observed. It is a progressive, socially responsible employer that offers attractive professional development opportunities and implements operational change responsibly.

Read more about improving productivity in the “Added value for employees” section on page 99.

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: to increase the value of the company across all units from a broader base in the long term, to generate returns comparable with others in the sector, to build a secure equity base, and to 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 and innovation management, both within and across units. This includes engendering a culture of innovation, establishing an innovation architecture with a uniform innovation process and creating networks and platforms, as well as engaging in innovation communication, aimed at successfully positioning Swiss Post both internally and externally as dynamic, flexible and innovative.

Growing profitably

In terms of logistics, Swiss Post aims to grow not only by expanding existing solutions and services but also by developing new ones. This growth will take place organically and via acquisitions. Swiss Post International also intends to achieve profitable growth through new business and optimization. Swiss Post Solutions is accelerating international growth through innovative services, organic growth and acquisitions. PostBus will increasingly promote its excellent reputation as a high-quality supplier 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 to identify potential efficiency savings along the entire process chain from acceptance to delivery. For deliveries that are automatically processed, there are plans to introduce automated letter sorting in delivery round order (automatic sequencing). Bulk business will be optimized for parcels and goods logistics, so that Swiss Post can maintain and expand its position as a leading quality provider. Taking account of existing and future customer requirements, Swiss Post intends to optimize smaller post offices and possibly introduce the proven agency model or start up a home delivery service. PostFinance has set itself the objective of improving its income-expenditure ratio – particularly by reducing information technology costs. There are plans for extensive cost cuts in the area of IT across the entire Group.

Read more about increasing competitiveness in the “Added value for the owner as an investor” section on page 53.

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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 the Group result

■ Negative effect on the Group result

All 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/ar2009links. Click the link number on this web page to access the respective information.

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Added value for the owner as an investor

Group

Strategic objectives of Swiss Post

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.

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 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 85). A progressive human resources policy along with the fostering of commitment and willingness to perform creates added value for employees and ensures efficiency (see the section "Added value for employees", page 99). 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 113).

Operating income fell by 271 million francs year on year. This decline is primarily attributable to the difficult economic climate, the impact of price cuts for addressed letters and lower revenues from real estate than in 2008. Operating expenses of 7,988 million francs (previous year: 8,168 million francs) were reduced, chiefly as a result of lower interest expenses for customer deposits, lower writedowns of financial assets and the substantial savings achieved following the introduction of new letter processing processes (REMA). As a result, Group profit amounted to 728 million francs, around 12 percent less than in the prior-year period.

Group | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	8 709	8 980
generated abroad	CHF million ¹	1 542	1 608
	% of operating income	17.7	17.9
reserved services	CHF million ²	1 641	1 835
	% of operating income	18.8	20.4
Operating result	CHF million	721	812
as a share of operating income	%	8.3	9.0
generated abroad	CHF million ¹	32.2	32.7
	% of operating result	4.5	4.0
Group profit	CHF million	728	825
Value added	CHF million ³	4 989	4 875
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44 803	44 178
abroad	Full-time equivalents	6 986	6 276
Financing			
Total assets	CHF million	84 676	71 603
customer deposits (PostFinance)	CHF million	77 272	64 204
Equity	CHF million	3 534	2 857
Investments			
Investments	CHF million	431	516
other property, plant and equipment, intangible assets	CHF million	270	326
operating property	CHF million	109	147
shareholdings	CHF million	52	43
Investment funded out of its own income	%	100	100
Value generation			
Net cash from/used in operating activities	CHF million	-357	8 281
Economic value added	CHF million	272	416

1 Definition of "abroad" in accordance with secondary segmentation in the Financial Report

2 Letters up to 100 grams, from 1 July 2009 up to 50 grams

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

Additional key figures and explanations can be found in the table of figures (E-99)

Background

The economy

Following the extraordinarily deep downswing at the beginning of 2009, the global economy gradually began to pick up again over the summer months. In particular, some emerging countries witnessed strong growth in production, while the economies of the industrialized nations managed to bottom out at least. Following three quarters of negative growth, the worldwide economy stabilized in the second quarter of 2009. Government rescue packages and expansionary monetary policy helped to achieve this stability. World trade also began to recover from its unusually sharp decline from the spring onwards.

Customers and markets

■ Logistics market

The logistics sector is characterized by increasing competition and price pressure, both nationally and internationally. Customers are price-sensitive and have high expectations with regard to quality. In foreign logistics markets, companies are introducing novel business models. Despite the difficult economic climate, the volume of parcels was virtually unchanged over the previous year.

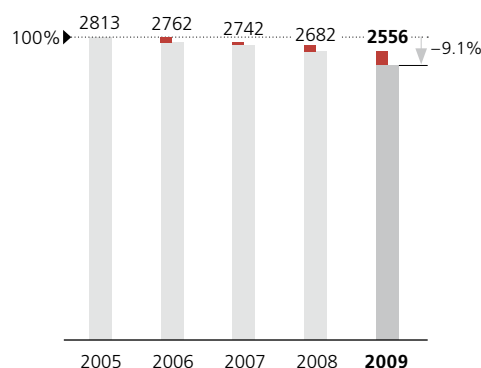
■ Communications market

Sales of PostMail products continue to fall. This is due to substitution (the use of electronic information media instead of physical mail), and mailing optimization by major customers. As a result of the current economic conditions, the decline in addressed letter mail as at 31 December 2009 compared with the previous year was greater than expected at -4.7 per cent. The volume of newspapers delivered is being negatively impacted by free newspapers.

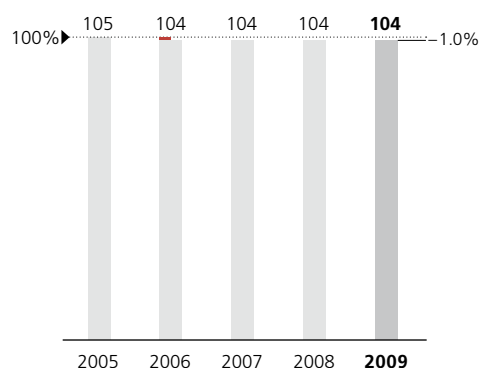
Group | Mailed items

2005 to 2009 showing change from previous year
 2005 = 100%, figures expressed in millions

Addressed letters



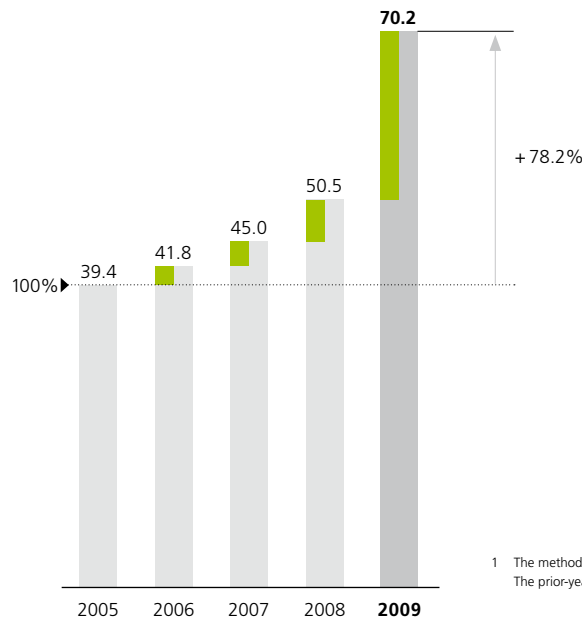
Parcels



■ Retail financial services market

Compared with the previous year, PostFinance recorded strong growth in customer deposits, although the financial markets are now gradually settling down, and customers will consequently become less wary of internationally focused banks. This indicates that Swiss Post is accepted as a provider of financial services which is "different from banks" for customers who manage their own finances and who appreciate a simple and inexpensive range of services. In 2009, average customer deposits amounted to 70,249 million francs.

Group | Average customer deposits (PostFinance)¹
 2005 to 2009 showing change from previous year
 2005 = 100%, CHF billion



¹ The method of calculating average customer deposits was adapted in 2009. The prior-year figures have been adjusted accordingly.

■ Passenger transport market

The national passenger transport market is growing steadily. However, since the public sector organizations that act as contracting bodies for public transport services are having to tighten their belts, the pressure on prices will increase. In some cantons, it is expected that bus services will be put out to tender. Major foreign providers submit bids for some contracts in Switzerland, but to date have been unable to gain a foothold in Switzerland's predominantly locally based and densely integrated public transport network. By contrast, PostBus also operates abroad, with long-term contracts in France and Liechtenstein. In comparison with the previous year, PostBus increased the number of kilometres travelled and consequently boosted its competitiveness by winning tenders in Switzerland and abroad.

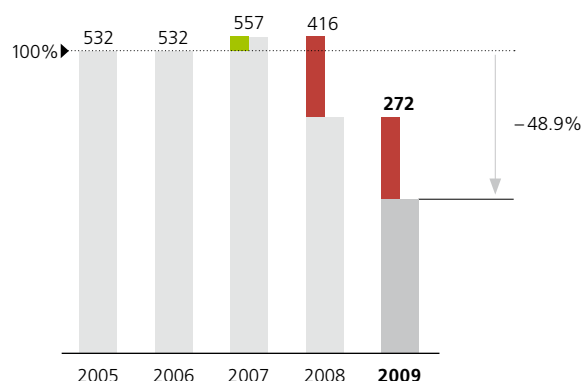
Finance

Economic value added

In accordance with the Federal Council's financial targets (E+3), Swiss Post must increase the company's value. Value added is created when the adjusted operating result exceeds the cost of average invested capital. In addition to the income statement, this approach also factors in the risks and the capital employed. For PostFinance this value is calculated not on the basis of average invested capital, but on the basis of conventional capital adequacy in accordance with Basel II and a 10 percent cost of capital.

Group | Economic value added

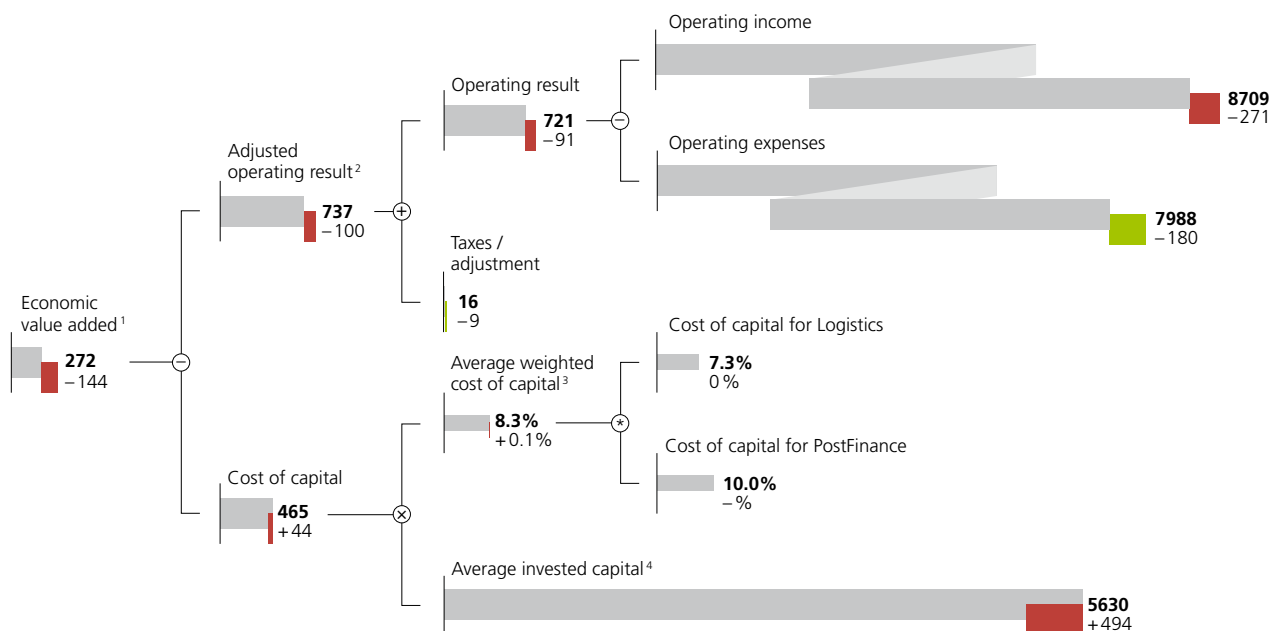
2005 to 2009 showing change from previous year
 2005 = 100%, CHF million



Swiss Post's economic value added is included as a key figure in the calculation of the variable performance component of management remuneration. In 2009, Swiss Post met the Federal Council's financial expectations and generated economic value added of 272 million francs, around 35 percent less than in the previous year (416 million francs). The difference is due to the lower adjusted operating result plus higher capital costs as a result of the increase in average invested capital. The increase results from the significant inflow of new deposits at PostFinance.

Group | Economic value added

2009 showing change from previous year
 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 Corresponds to average equity according to Basel II of 2,043 million francs (2008: 1,752 million francs) at PostFinance and corresponds to average net operating assets (NOA) of 3,587 million francs (2008: 3,384) at the logistics units.

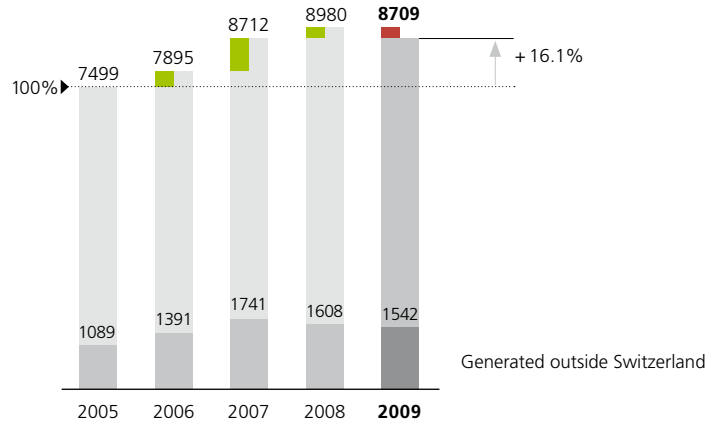
Group results

■ Operating income

As at 31 December 2009, operating income came to 8,709 million francs (2008: 8,980 million francs). This decline is primarily attributable to the difficult economic climate, the impact of price cuts for addressed letters and lower revenues from real estate than in 2008.

Group | Operating income

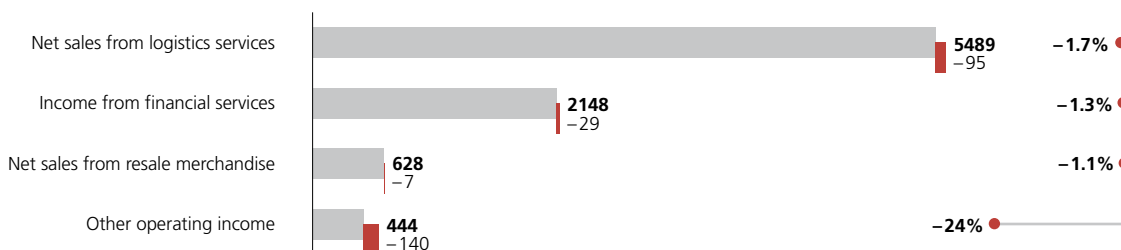
2005 to 2009 showing change from previous year
2005 = 100%, CHF million



Despite acquisitions, net sales from logistics services fell as a result of the general economic situation and price cuts for addressed mail. The fall in income from financial services is attributable to the low level of market interest rates. The decline in other operating income compared with the previous year is due to the reversion compensation for the business premises in Zurich (Sihlpost) in 2008.

Group | Operating income

2009 showing change from previous year
CHF million, percent



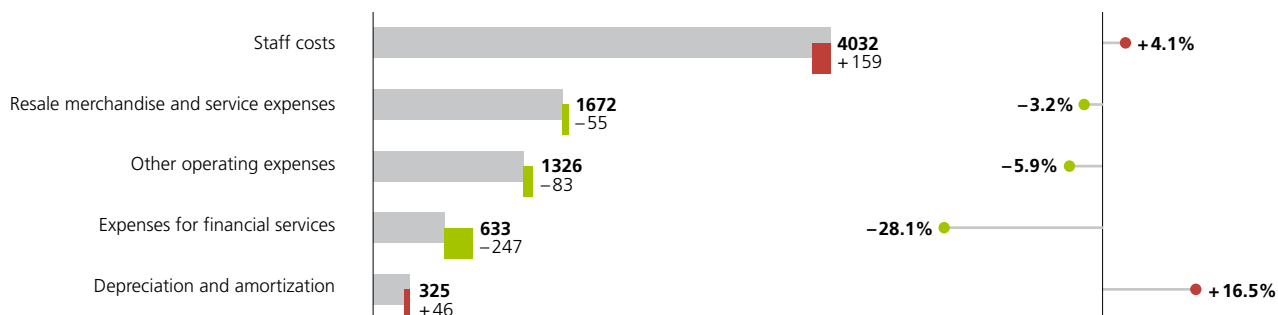
■ Operating expenditure

The increase in staff costs was due to inflation, the higher headcount at Swiss Post Solutions (formerly Strategic Customers & Solutions) following acquisitions, plus the increase in social security and employee benefit expenses. Without the efficiency gains achieved by the introduction of the new letter processing processes (REMA), staff costs would have risen more sharply.

Resale merchandise, service and other operating expenses declined year on year, mainly as a result of lower fuel prices and the lower volume of orders at Swiss Post Solutions. The sharp decline in interest rates more than offset the increase in financial service expenses resulting from capital growth and impairment losses amounting to 53 million francs. Depreciation and amortization were higher, due to the increase in assets resulting from the completion of the new letter sorting centres.

Group | Operating expenses

2009 showing change from previous year
 CHF million, percent

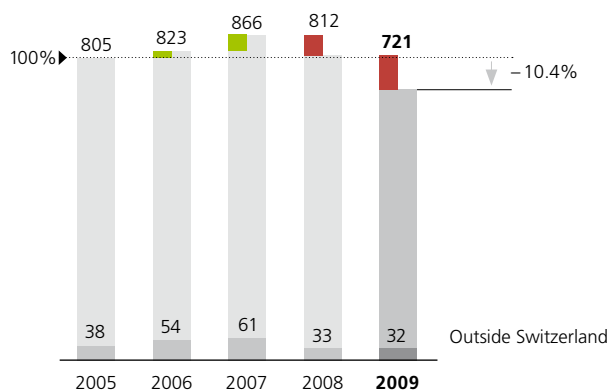


■ Operating result

The operating result fell year on year by 91 million francs to 721 million francs. This decline is chiefly attributable to the economic climate and to the price cuts for addressed letters, as reductions in expenditure failed to fully offset the negative impact on earnings. In addition to inflation-driven increased staff costs, a further factor was the higher depreciation and amortization expenses when the new letter sorting centres became fully operational.

Group | Operating result

2005 to 2009 showing change from previous year
 2005 = 100%, CHF million

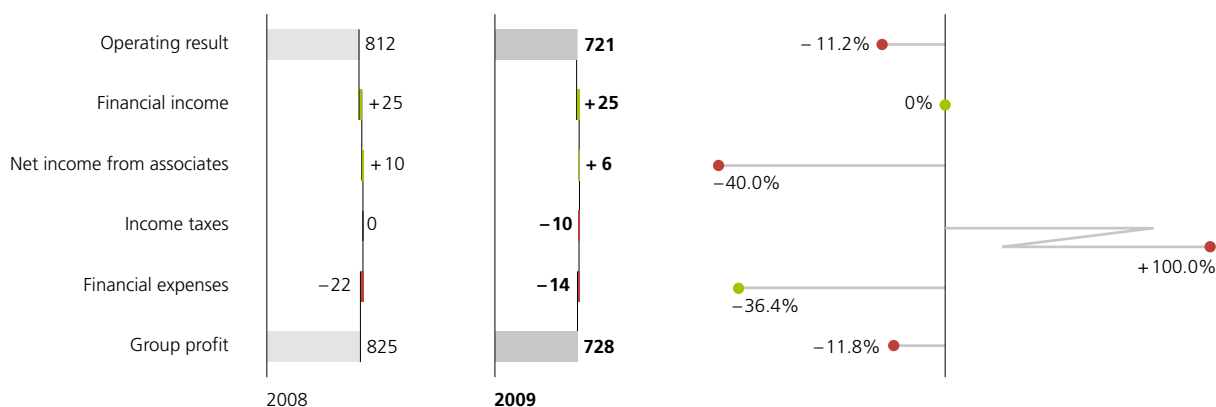


■ Group profit

In comparison with the previous year, Group profit fell by 97 million francs to 728 million francs (2008: 825 million francs). This decline is primarily a reflection of our operating activities. As in the previous year, the impact of the financial result and taxes on Group profit was insignificant.

Group | Reconciliation of operating result and Group profit

2008 and 2009 showing change from previous year
CHF million, percent



Segment results

■ Overview

Almost all product-carrying segments contributed to the positive operating result. The result for Post Offices & Sales comprised income from other brand-name items and costs not covered through internal charging.

Group | Segment results

2009 with comparison to 2008
CHF million, percent

	Operating income		Operating result ¹		Margin ²	
	2009	2008	2009	2008	2009	2008
PostMail ³	2 808	2 916	198	249	7.1	8.5
PostLogistics ³	1 488	1 516	45	39	3.0	2.6
Swiss Post International	1 028	1 034	53	36	5.2	3.5
Swiss Post Solutions	696	708	-25 ⁵	9		1.3
Post Offices & Sales ³	1 359	1 337	-113	-95		
PostFinance ²	2 160	2 191	441	229		
PostBus	640	604	27	27	4.2	4.5
Other ⁴	1 030	1 176	95 ⁵	318		
Consolidation	-2 500	-2 502				
Total	8 709	8 980	721	812	8.3	9.0

1 Operating result corresponds to earnings before net non-operating financial income/expense and taxes (EBIT).

2 PostFinance uses the key figure Return on Equity, 31.12.2009: 21.9%, 31.12.2008: 12.7%.

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

4 Includes Real Estate, Information Technology, InfraPost Ltd, Corporate Purchasing, Corporate Security, Philately and central Group functions.

5 The operating result of Swiss Post Solutions includes the sale of a brand to Swiss Post ("Other" segment) of CHF 46 million.

■ PostMail

In 2009, PostMail generated income of 2,808 million francs (2008: 2,916 million francs). The volume of addressed letters fell by 4.7 percent. This was due to negative growth, the continuing trend towards substitution by electronic media and customers' efforts to save costs. In addition, the payment of VAT and the price cuts introduced on 1 July resulted in a noticeable loss of revenue. Expansion of early morning delivery activities drove up sales. The new letter processing processes (REMA) generated significant savings. As the REMA project drew to a close, related project expenses and investment also fell. As a result of falling volumes, both the number of delivery staff and employees' time arrears were reduced. This was counterbalanced, however, by higher payments to Post Offices & Sales for the use of infrastructure. Despite the strong negative factors, the operating result of 198 million francs is only 51 million francs less than the previous year's result. While the headcount at the parent company fell due to falling volumes and REMA, the overall headcount rose following expansion of the early delivery service. For more information about PostMail, see page 66.

■ PostLogistics

PostLogistics posted an operating result of 45 million francs, exceeding the previous year's figure by 6 million francs. Despite the economic crisis, net sales of logistics services were maintained at 1,348 million francs. The drop in sales for premium products such as Swiss-Express "Moon" and courier services were offset by the stable parcels business as well as the acquisition of Dispodrom Ltd and IT ServiceHouse AG. As a result in particular of lower fuel prices for merchandise business (-14 million francs), the loss of two major freight logistics accounts, a cut in the number of temporary staff (-9 million francs) and reduced transport costs (-10 million francs), resale merchandise and service expenses were down on the previous year. By contrast, staff costs rose year on year by 24 million francs due to acquisitions and growth (+200 full-time equivalents) as well as wage inflation. The headcount increased to 5,489 full-time equivalents. Production costs fell in line with sales. In addition, targeted cost-saving measures were implemented in administration. For more information about PostLogistics, see page 68.

■ Swiss Post International

Against a difficult economic backdrop, Swiss Post International's operating income of 1,028 million francs fell only slightly short of the previous year's figure (-0.6 percent). A big drop in volumes was evident in the Swiss import and export business, as well as in subsidiaries in the UK and USA. However, this decline was offset inter alia by the full consolidation of primeMail GmbH. Operating expenses were reduced by 23 million francs to 975 million francs. The decrease is chiefly attributable to lower other expenses (-11 million francs) and a drop in resale merchandise and service expenses (-23 million francs). This is as a result of lower purchasing costs due to the fall in volumes and the adjusted internal cross-charging. The operating result rose year on year by 17 million to 53 million francs. After hiving off one part of the operation in Italy, the average headcount fell by 1.7 percent to 1,272 full-time equivalents. For more information about Swiss Post International, see page 70.

■ Swiss Post Solutions

In 2009, the operating income of Swiss Post Solutions fell by 12 million francs to 696 million francs. This is due to the fall in logistics income (-44 million francs) to 584 million francs which was not offset by the increase in other earnings (+31 million francs) to 111 million francs. In the USA and Switzerland, operating income rose markedly in 2009. In the UK, Swiss Post Solutions managed to achieve growth despite the recession, but this was swallowed up by unfavourable exchange rates between sterling and the Swiss franc. In comparison with the previous year, the integration of Graphic Data Ltd (UK, April 2008) and the GBS+ Group (France, Germany and Slovakia, July 2008) has had a positive impact. Owing to the recession, operating income developed negatively in Germany and France over 2009. The euro to Swiss franc exchange rate exacerbated this unfavourable trend. Operating income in other countries remained mainly stable. Operating expenses rose by 22 million francs to 721 million francs. This is primarily attributable to higher depreciation and amortization expenses (+18 million francs) and an acquisition-driven increase in staff costs (+37 million francs) which were not offset by lower resale merchandise and service expenses (-27 million francs) and a fall in operating expenditure (-6 million francs). As a consequence of growth, the business trend in the USA and Switzerland led to higher expenditure. In Germany, Swiss Post Solutions began to adjust capacities because of the recession. This sustained reduction in expenditure was delayed in relation to the earnings trend. 2009 witnessed one-off expenditure for further integration of Swiss Post Solutions' companies and for restructuring individual companies. In addition, start-up costs for new projects in France had a major impact, along with investment in new advanced technologies in Switzerland (digital certificates, Swiss Post Box, etc.). With these changes, Swiss Post Solutions posted an operating result of -25 million francs (2008: +9 million francs). The headcount in the USA and Switzerland was reduced. As a result of the recession, Swiss Post Solutions cut the number of staff working in dialogue solutions in Germany. The integration of Swiss Post Solutions (UK) Ltd (formerly Microgen (UK) Ltd) led to an increase of 44 employees. Overall, the headcount rose by 769 over the previous year to 6,878 full-time equivalents. For more information about Swiss Post Solutions, see page 72.

■ Post Offices & Sales

In 2009, the operating income of Post Offices & Sales rose by 22 million francs to 1,359 million francs. Although net sales of logistics services fell by 10 million francs, net sales of financial products and other branded items were up by 6 and 19 million francs respectively. Compensation for the additional costs arising from the basic service obligation went up by 10 million francs. Operating expenses increased overall by 40 million francs to 1,472 million francs. The increase

resulted from the higher costs for staff (+23 million francs), merchandise (+16 million francs) and other operations (+2 million francs). Year on year the operating result fell by 18 million francs to –113 million francs. This is primarily attributable to higher operating expenses (+40 million francs), which were only partially offset by increased revenue. The headcount fell by 82 in comparison with the previous year to 6,973 full-time equivalents. This is mainly due to adjustments to the post office network and management. For more information about Post Offices & Sales, see page 74.

■ PostFinance

With an operating result of 441 million francs, PostFinance achieved a record result. The driver for this record-breaking performance is income from interest. Following an inflow of new deposits to the value of 20 billion francs (average balance over 2009 in comparison with 2008), despite much lower market interest rates, PostFinance was able to hold the average interest margin for balance sheet transactions at an average of 1.37 percent (2008: 1.60 percent). With 235,000 new accounts and 126,000 new customer relationships, PostFinance continues on the path of strategic growth. Despite much higher holdings, in 2009 the 74 million francs in writedowns and losses from investments (bonds and equities) remained significantly below that of the previous year (187 million francs). The intentionally quality-focused investment policy proved particularly successful here. Thanks to sustained growth, PostFinance was able to increase the average headcount by 153 full-time equivalents. For more information about PostFinance, see page 76.

■ PostBus

Following further expansion of PostBus services, operating income was up 36 million francs on the prior-year figure. 24 million francs of this was generated in Switzerland and 12 million francs abroad. At 6 million francs, transport compensation payments accounted for the biggest rise. This was due to higher demand, among other things for the bus replacement services for the Rhaetian Railway. The compensation received was 14 million francs higher than in the previous year. Operating expenses rose by 36 million francs to 613 million francs. 20 million francs of this was generated in Switzerland and 16 million francs abroad. Additional services in Switzerland led to an increase in staff costs of 8 million francs and higher compensation paid to PostBus entrepreneurs of 7 million francs. Lower fuel prices partially offset the rise in operating expenses. The additional expenditure abroad stems mainly from expansion. PostBus was only able to run the additional services with extra personnel. As a consequence, the headcount at PostBus in Switzerland rose by 4.8 percent to 1,397 full-time equivalents (excluding PostBus entrepreneurs). Driven by expansion, the number of full-time equivalents abroad climbed by 42 percent to 339 full-time equivalents. The related additional expenditure was 8 million francs for both Switzerland and abroad. At 27 million francs, the operating result remained at the prior-year level. For more information about PostBus, see page 78.

■ Other

In 2009, Swiss Post's other units posted an operating income of 1,030 million francs (2008: 1,176 million). The drop of 146 million francs is chiefly attributable to the one-off revenue in 2008 from the reversion of Sihlpost Zurich. As a result of low interest rates, financial income fell to 71 million francs (2008: 96 million francs). Operating expenses in 2009 increased by 77 million francs to 935 million francs. The main reasons for this are the rise in staff costs (+15 million francs), other expenses (+45 million francs) and lower resale merchandise and service expenses (–12 million francs). Purchase of the GHP brand by Swiss Post Solutions (46 million francs) is responsible for the increase in other expenses. Owing to the factors mentioned, the operating result of 95 million francs is 223 million francs less than the previous year's result. The headcount rose by 44 over the previous year to 2,417 full-time equivalents. For more information about Other, see page 80.

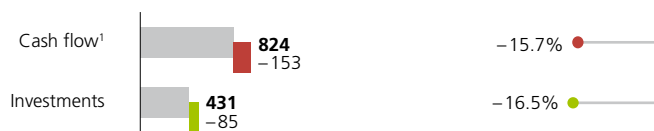
Cash flow and investments

The reduced cash flow is essentially due to the lower operating result.

Overall, investment in property, plant and equipment (350 million francs), intangible assets (29 million francs) and equity interests (52 million francs) was down 85 million francs on 2008. As in the previous year, investments were financed entirely from Swiss Post's own resources.

Group | Internal financing

2009 showing change from previous year
 CHF million, percent



¹ Before appropriation of profit

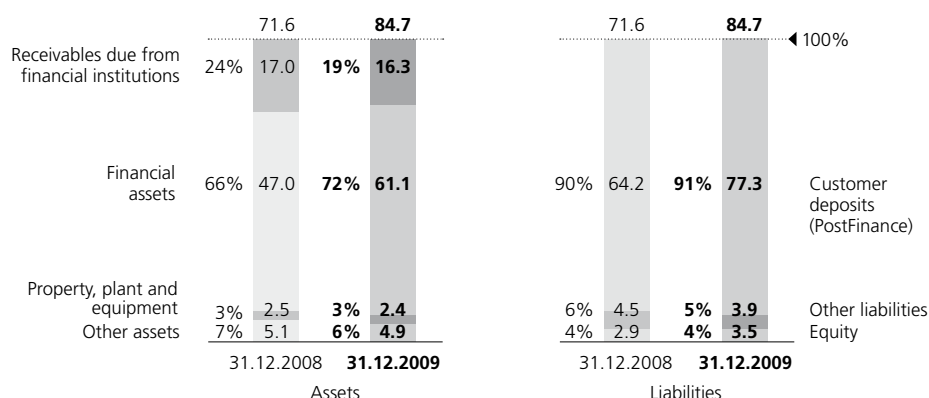
Consolidated balance sheet

Financial assets

The financial assets increased by around 14.1 billion francs compared to 2008. The increase was due to the rise in customer deposits.

Group | Balance sheet structure

As at 31.12.2008 and 31.12.2009
 CHF billion



Property, plant and equipment

The carrying amount of property, plant and equipment changed only marginally compared with 31 December 2008. This was due to the offsetting effect between investments and depreciation charges.

Customer deposits (PostFinance)

Over the past twelve months, customer deposits at PostFinance saw an increase of 13,068 million francs to 77,272 million francs. As at 31 December 2009, customer deposits accounted for around 91 percent of the Group's total assets.

Provisions

Provisions (incl. employee benefit obligations) of 1,990 million francs were down by 438 million francs. This was due primarily to the reduction in employee benefit obligations of 443 million francs, which in turn was attributable mainly to the payment of 250 million francs made through the appropriation of profit for 2008. In the current financial year, 150 million francs was paid into the employer's contribution reserves.

Appropriation of profit

■ Equity

Consolidated equity as at 31 December 2009 was calculated net of the appropriation of profit for 2008. Reported equity is still below the equity base targeted for a logistics and financial services group. The conversion of Swiss Post into a public company subject to special legal provisions and of PostFinance into a public company subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA) will mean an increase in equity requirements. Swiss Post will thus be dependent on the corresponding profit in the future as well.

The Federal Council expects Swiss Post to finance the pension fund out of the profit it generates and to gradually build up the necessary equity base. In addition, as the owner, the Confederation expects an adequate dividend on the endowment capital it provides. 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 711 million francs as follows:

- Employer's contribution reserve for Swiss Post pension fund: 250 million francs
- Reserves for Swiss Post (parent): 261 million francs
- Profit distribution to the owner: 200 million francs

In accordance with generally accepted commercial accounting principles, the equity of the parent company amounts to 4,791 million francs before appropriation of profit.

The consolidated financial statements are authoritative from a commercial point of view. The 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 3,534 million francs. (For details, see the table "Consolidated statement of changes in equity" on page 154).

Strategy implementation

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 is expressed in eleven strategic thrusts with which it seeks to increase competitiveness, sales, productivity and service performance.

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.

Exploit efficiency potential

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. Moreover, Swiss Post intends to rationalize smaller post offices, possibly introduce the proven agency model or start up a home delivery service and increase its customer focus. It is planning extensive cost cuts in the area of information technology.

Promote innovation

For some years now, Swiss Post has been implementing a targeted 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.

Grow profitably

In the logistics sector, Swiss Post intends to grow by expanding existing solutions and services and developing new ones. It will also aim to increase business in the communications market, for example in direct marketing as well as document and dialogue solutions in Switzerland and abroad. Specific acquisitions will supplement these services. Further growth will be achieved in the retail financial services market by optimizing the offering with the assistance of cooperation partners and by a further increase in customer deposits. Targeted expansion abroad will grow the passenger transport market.

■ Growth through acquisitions

In January 2009, Swiss Post Deutschland Holding GmbH took control of primeMail GmbH without buying up previous non-controlling interests. The entity was fully consolidated as of that time.

In April 2009, PostLogistics acquired a 70 percent stake in Dispodrom Ltd based in Schlieren. PostLogistics holds a buy option on a further 30 percent, which can be exercised at any time. Dispodrom Ltd is a leading logistics company for video and audio media in Switzerland. At the beginning of July 2009, PostLogistics acquired 100 percent of IT ServiceHouse AG in Köniz near Berne, and Dintikon, a specialist in repairs management and similar customer services for PC and printer manufacturers.

In November 2009, PostMail acquired the distribution company Zuvo Zustell- und Vertriebsorganisation AG in Zurich, Espace Media Vertriebs AG in Berne and the press distribution firm Pressevertriebs-GmbH in Lucerne. It merged the three companies into Presto Presse-Vertriebs AG with retroactive effect from 31 August 2009.

In December 2009, Swiss Post Solutions Ltd (formerly Mailsources UK Ltd) acquired a 100 stake in Swiss Post Solutions (UK) Ltd (formerly Microgen UK Ltd), which provides billing services.

Group | Effects of acquisitions

2009, CHF million	Operating profit	Operating expenses	Operating result
primeMail GmbH	41	39	2
Dispodrom Ltd	7	10	-3
IT ServiceHouse AG	6	6	0
Presto Presse-Vertriebs AG	27	29	-2
Swiss Post Solutions (UK) Ltd	1	1	0
Total	82	85	-3

For detailed information on the scope of consolidation, see page 201 of the Financial Report.

Outlook

Continued economic recovery is expected in the near future, especially since economic policy will remain expansionary. However, the impetus provided by stimulus programmes is gradually waning and, provided the economy stabilizes and inflation remains low, national banks are likely to adopt a cautious monetary policy. The upswing is likely to be vigorous in most emerging economies, while not so pronounced in the industrialized nations. Overall, after shrinking by 2.5 percent in 2009, the global social product is set to grow by 1 percent next year.

Segments

PostMail

Background

As of 1 July 2009, private postal companies have been able to distribute letters weighing over 50 grams. Around 25 percent of the approximately 2.6 billion letters sent per year therefore fall outside the monopoly. Swiss Post is preparing for the liberalization of the letters market. It has been competing in a number of submarkets for many years and is well equipped for full deregulation of the letters segment as well.

The volume of addressed letters has been declining by around 1.5% per year on average since 2000. This is because customers are increasingly consolidating mail and using alternative means of communication such as e-mail and text messaging. As a result of the economic climate, business customers are choosing more cost-effective products and are sending letters as B Mail rather than A Mail, for example. The economic situation in 2009 exacerbated this negative trend, with the volume of addressed letters falling by 4.7 percent compared with the previous year. Viewed over the whole of 2009, the volume of daily newspapers delivered was up 4.4 percent from the previous year. This increase is attributable to subsidiary Presto Presse-Vertriebs AG, which provides early delivery services and has been operational since 1 November 2009. Taking only normal daily newspaper deliveries, the volume of newspapers handled is 3.8 percent down on the previous year. The reasons for the decline are people's changing information gathering and reading behaviour as well as the availability of commuter and free newspapers along with digital media.

Finance

In 2009, PostMail generated income of 2,808 million francs (2008: 2,916 million francs). One reason for this is the pronounced decline in addressed letters. In addition, the assumption of VAT costs and the price cuts introduced on 1 July resulted in a noticeable loss of revenue. Expansion of early morning delivery activities drove up sales. The new letter processing processes (REMA) generated significant savings. As the REMA project drew to a close, related project expenses and investment also fell. As a result of falling volumes, both the number of delivery staff and employees' time arrears were reduced. This was counterbalanced, however, by higher payments to Post Offices & Sales for the use of infrastructure. Despite the strong negative factors, the operating result of 198 million francs is only 51 million francs less than the previous year's result. While the headcount at the parent company fell due to falling volumes and REMA, the overall headcount rose following expansion of the early delivery service.

Strategy

PostMail is focusing on its core business: the acceptance, sorting and delivery of letters, newspapers and promotional mailings for all customers in Switzerland. Its offering will be systematically tailored to customers' needs. It must be simple to do even complex business with Swiss Post. Through ongoing optimization of its logistics and IT, PostMail is striving to attain maximum reliability at an excellent price/performance ratio.

Strategy implementation

■ Successful completion of REMA

The official opening of the Härkingen letter centre in the spring of 2009 saw Swiss Post successfully complete the new letter processing project. Swiss Post invested over a billion francs in modernizing its letter processing (REMA project, REengineering MAilprocessing). With its three new letter centres in Zurich-Mülligen, Eclépens and Härkingen, it now has one of the most modern letter processing operations in the world. Six logistics centres in Gossau (SG), Cadenazzo, Kriens, Basel, Ostermundigen and Geneva, plus the decentralized returns processing and video coding in Chur and Sitten complete the new highly efficient infrastructure. Annual savings of around 170 million francs are expected from 2010 onwards. During the most difficult phase of the changeover in 2008, despite special measures it was not possible to entirely prevent some small mail delivery delays. Once the new letter centres were fully operational, values for delivery times again rose to a high level: 97.7 percent of A Mail letters (2008: 95.9 percent) and 98.4 percent of B Mail letters (2008: 95.9 percent) were delivered on time. 8,500 employees were affected by this major project and supported during the process of change.

■ Expand newspaper early delivery

In September 2009, the Federal Competition Commission approved the merger of the early delivery organizations of Swiss Post, Tamedia and the NZZ Group. It therefore gave Swiss Post the green light for founding its new subsidiary Presto Presse-Vertriebs AG from 1 November 2009. Swiss Post is consequently able to offer business customers in the publishing industry comprehensive solutions for delivering daily and Sunday newspapers. With Swiss

Post, publishers are gaining an independent provider for early deliveries. The following companies were transferred into Swiss Post's new subsidiary: the shareholdings of the NZZ Group and Tamedia in the Zuvo Zustell- und Vertriebsorganisation AG as well as their stakes in Pressevertriebs-GmbH. The NZZ Group simultaneously transferred its remaining shares in Pressevertriebs-GmbH and the early delivery operations of DZO Druck Oetwil am See AG into the new company. Sunday deliveries of Espace Media Groupe (Tamedia), the Bernese delivery company Bevo AG (Swiss Post and Tamedia 50 percent stake each) and the Swiss Post subsidiary Prevag AG and all other early delivery activities already operated by Swiss Post have likewise been integrated in Presto Presse-Vertriebs AG. The new subsidiary has its headquarters in Berne and employs around 10,000 people, most with very few working hours. (See page 109 for Presto's collective employment contract.)

■ **Alternative delivery concept and improvement of automated letter sorting**

Since October 2008, Swiss Post has been trialling an alternative delivery concept in the Lausanne area. This is geared more closely to the specific needs of business customers through the use of extended delivery time windows and is also accepted by private customers. During the trials, mail is being delivered in the business districts by early in the morning at the latest, while mail to residential areas can be delivered any time up to the late afternoon. Across the whole test market, regional newspapers are being distributed with the early delivery. By extending the delivery window for private customers through to the afternoon, Swiss Post can reduce costs and consequently absorb the pressure for price increases. The use of delivery personnel during the afternoon will also allow Swiss Post to offer full-time jobs in future. At the same time, since the summer of 2009, Swiss Post has been trialling technology and processes for automating detailed letter sorting in the St. Gallen/Gossau area. The aim is to already pre-sort mail by house number and letterbox as well as in the correct order for the delivery round in the letter or logistics centre. This will make delivery operations more efficient.

Outlook

By the end of 2010, existing postboxes will be replaced by new and more secure models throughout Switzerland. At the end of 2009, Swiss Post launched a project to improve the quality of addresses which is scheduled to be completed in the autumn of 2010. Postal carriers will now enter incorrect recipient addresses directly in a central system. PostMail is thus enhancing an important service and creating the foundations for further quality improvements. Refinements in automated mail sorting and the extension of the time window are being investigated in order to optimize logistics processes.

PostMail | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	2 808	2 916
reserved services	%	53.5	58.1
Operating result	CHF million	198	249
Quantities			
Addressed letters	Millions of items sent	2 556	2 682
priority items	Millions of items sent	716	768
non-priority items	Millions of items sent	705	780
non-priority bulk items	Millions of items sent	1 103	1 101
Unaddressed items	Millions of items sent	1 232	1 203
Newspapers	Millions of items sent	1 249	1 196
Employees			
Headcount	Full-time equivalents	16 996	17 594
Quality			
Adherence to delivery time: A Mail	% of items sent	97.7	95.9
Adherence to delivery time: B Mail	% of items sent	98.4	95.9
Customer satisfaction: business customers	Index	76	77

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

PostLogistics

Background

For many years the Swiss logistics market has been fiercely competitive – and the pressure on prices is growing. All logistics service providers are having to cut costs, accept lower margins and factor in the globalization of supply and demand. Existing customers are trying out the competition, but they are continuing to demand the same high levels of quality. The testing economic climate was particularly noticeable in warehousing and transport logistics and in courier services, while parcel volumes remained relatively stable by contrast.

Finance

PostLogistics posted an operating result of 45 million francs, exceeding the previous year's figure by 6 million francs. Despite the economic crisis, net sales of logistics services remained strong at 1,348 million francs. The drop in sales for premium products such as Swiss-Express "Moon" and courier services were offset by the stable parcels business as well as the acquisition of Dispodrom Ltd and IT ServiceHouse AG. As a result in particular of lower fuel prices for merchandise business (– 14 million francs), the loss of two major freight logistics accounts, a cut in the number of temporary staff (–9 million francs) and reduced transport costs (– 10 million francs), resale merchandise and service expenses were down on the previous year. By contrast, staff costs rose year on year by 24 million francs due to acquisitions and growth (+ 200 full-time equivalents) as well as wage inflation. The headcount increased to 5,489 full-time equivalents. Production costs fell in line with sales. In addition, targeted cost-saving measures were implemented in administration.

Strategy

PostLogistics offers private customers and SMEs standardized services, such as the collection or shipping of parcels. PostLogistics creates tailored logistics solutions together with its business customers to meet the latter's needs. By delegating their logistics tasks, customers can concentrate on their core business, benefit from innovative logistics solutions and stay one step ahead of their competitors. PostLogistics is seeking to grow further despite the difficult market.

Strategy implementation

■ Develop logistics network

PostLogistics expanded its warehouse logistics capacity and on 1 January 2009 purchased the logistics centre of Canon (Schweiz) AG in Mägenwil near Lenzburg. The centre offers around 14,000 pallet spaces in a high-bay warehouse and 28,000 bins in an automated small parts warehouse. The 30 employees have been kept on.

Since 1 April 2009, PostLogistics has been operating the logistics centre of Vifor Pharma in St. Gallen, thereby expanding its logistics offering in eastern Switzerland. This centre of excellence for the warehousing and distribution of pharmaceutical and medical products is certified according to the stringent standards of Swissmedic and the US Food and Drug Administration (FDA). The high-bay warehouse accommodates 7,000 pallets and provides 2,700 m² of bulk storage. Swiss Post has taken a long-term lease on the building and is keeping on the staff of 25.

Since July, the newly built distribution base in Mägenwil has been the central logistics point for consignments in Canton Aargau. Around 120 employees ensure some 10,000 parcels are delivered to the correct address in the region each day. Mägenwil also serves as a transshipment platform for 500,000 letters and 7,000 parcels for post offices in its catchment area. Around 12,000 parcels a day are also pre-sorted and made ready for transportation to parcel centres.

■ Extend offering and competencies

With its majority stake in Dispodrom Ltd from 1 January 2009, PostLogistics extended its competency in small parts logistics. The company based in Schlieren specializes in logistics and the distribution of audio and video media, and offers its customers a seamless logistics chain ranging all the way from capturing orders to warehousing, picking, packaging and dispatch through to billing and payment collection. Customers can order around 100,000 articles from eleven different firms via an online platform, with 60,000 of the items being immediately available. With its know-how and the existing infrastructure at its disposal, Dispodrom can also offer logistics services for all kinds of small parts. Dispodrom will continue to be run as a separate company under its existing name.

On 1 July 2009, PostLogistics took over IT ServiceHouse AG based in Köniz and Dintikon and consequently expanded its range of services. The company employs a staff of around 100 and specializes in repair management and customer services for PC and printer manufacturers. IT ServiceHouse will continue to be run as a separate company under its existing name.

■ **Better than ever: 10 years of parcel centres**

The parcel centres in Härkingen, Frauenfeld and Dailens, which came on stream ten years ago, created the foundations for PostLogistics' market success. They are still among the most modern sorting centres in the world. Ongoing development, technical innovations and improvements have further increased the efficiency of the systems. The three centres sort over 100 million parcels each year, 235,000 a day in Härkingen and Frauenfeld and 135,000 a day in Dailens. A survey of the condition of the systems shows that the parcel centres are well equipped for the next decade too.

■ **Mobility Solutions Ltd**

Since it was founded in 2005, fleet manager Mobility Solutions (MoS) has become an established player on the Swiss market and today can boast an impressive portfolio of customers. This Swiss Post subsidiary is also successfully positioning itself as a mobility manager and is developing sustainable mobility solutions for its customers. Together with the municipality of Ittigen in Canton Berne, in 2009 MoS launched a pilot project for business mobility – a pioneering electric vehicle service.

■ **SecurePost Ltd**

Thanks to its acquisition of new customers, SecurePost Ltd again increased sales in the three business areas of security transports, cash processing and ATM replenishment and so was able to strengthen its position in the fiercely competitive Swiss market. As a result of intensive competition and the economic crisis, the prices for new accounts and contract renewals have come under further pressure, which will erode margins. With the new hub in Dailens, SecurePost now has an ultra-modern and secure infrastructure throughout Switzerland. SecurePost reinforced its trustworthiness and professionalism with customized security training for all its staff and by further investment in its infrastructure.

Outlook

In spring 2010, PostLogistics and PostMail will open the logistics centre in Hinwil and concentrate various locations at this site. A total of approximately 150 people who previously worked at sites in the vicinity will work in the new building.

PostLogistics | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	1 488	1 516
Operating result	CHF million	45	39
Quantities			
Parcels	Millions of items sent	104	104
Express items	Millions of items sent	2.9	3.0
Small consignments and transports	CHF million net sales	348	343
Warehouse logistics	CHF million net sales	88	90
Innight Express	CHF million net sales	30	31
Employees			
Headcount	Full-time equivalents	5 489	5 294
Quality			
Delivery time: PostPac Priority domestic parcels	% of items sent	97.8	98.0
Delivery time: PostPac Economy domestic parcels	% of items sent	98.1	98.7
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 (E+ 99).

Swiss Post International

Background

In Switzerland, Swiss Post International is the market leader for the import and export of letters, parcels and courier consignments, and is standing firm against both domestic and foreign competition. Abroad, Swiss Post International is finding itself in the opposite role: here it enters niche markets for the provision of cross-border mail services as a competitor to national and private postal organizations.

In its domestic market, Swiss Post International utilizes the infrastructure of PostMail and PostLogistics to deliver letters and parcel from abroad. In conjunction with its partners Swiss Post GLS and TNT Swiss Post, Swiss Post International sends international parcels and express consignments posted in Switzerland all over the world. Including subsidiaries, franchise partners and sales agents, Swiss Post International has over 30 branches abroad.

The market abroad is highly volatile and is characterized by changing and parallel business relationships with national and private postal companies. Customers make their decisions based on price, quality (e.g. punctuality and reliability) and their specific needs. Custom solutions are a decisive success factor. Swiss Post International therefore offers more than 50 different products.

Finance

Against a difficult economic backdrop, Swiss Post International's operating income of 1,028 million francs fell only slightly short of the previous year's figure (-0.6 percent). A substantial drop in volumes was evident in the Swiss import and export business, as well as in subsidiaries in the UK and USA. However, this decline was offset by, among other things, the full consolidation of primeMail GmbH. Operating expenses were reduced by 23 million francs to 975 million francs. The decrease is chiefly attributable to lower other expenses (-11 million francs) and a drop in resale merchandise and service expenses (-23 million francs). This is as a result of lower purchasing costs due to the fall in volumes and the adjusted internal cross-charging. The operating result rose year on year by 17 million to 53 million francs. After splitting off one part of the operation in Italy, the average headcount fell by 1.7 percent to 1,272 full-time equivalents.

Strategy

In its domestic market, Swiss Post International intends to maintain its market leadership with new products, the highest quality and international services (e.g. customs clearance for business customers). Abroad, Swiss Post International is seeking growth in niche markets which will consequently strengthen the parent company. In the business-to-consumer segment, Switzerland as a location and its values will be marketed worldwide, and the Swiss Post brand with its quality characteristics such as punctuality and reliability will be used as a door-opener.

Strategy implementation

■ Customs clearance activities expanded in Switzerland

Since 2008, Swiss Post has been handling import and export customs clearance for cross-border goods shipments for private customers on behalf of the Confederation. Today some 100 employees at three sites (Basel, Zurich-Mülligen and Zurich airport) handle customs clearance for 4,500 parcels and 25,000 letters a day. Around 160,000 francs a day are collected for the Confederation, approximately one-twentieth as customs duty and the rest as VAT.

■ Greater presence in Scandinavia and Spain

On 1 July 2009, Swiss Post International took over the Danish letter processor Swiss Post International Denmark ApS and merged the newly acquired company with Swiss Post International Sweden to form Swiss Post International Scandinavia. The new Swiss Post International Scandinavia subsidiary employs a staff of 20 in its branches in Stockholm, Malmö and Copenhagen. This creates the foundations for future growth in the neighbouring countries of Finland and Norway.

From 1 January 2010, Swiss Post International took over its long-term franchise partner ABC Mail Spain, which will now operate as Swiss Post International Spain. In this way Swiss Post International is preparing for full deregulation of the Spanish postal market scheduled for 2011. Swiss Post International intends to position itself as the preferred partner for importing items into Spain and to further develop its customer offering in the export market.

■ Improved cooperation with partners

Hermes Logistics Group (HLG) and Swiss Post International are restructuring their core strategic areas in the Italian parcels and logistics company Porta a Porta and are focusing on their core competencies, Swiss Post International on the cross-border letters business, Hermes on parcel logistics. 1 January 2009 thus saw the establishment of the two independent companies Hermes Porta a Porta S.p.A. and Swiss Post Porta a Porta S.p.A. HLG and Swiss Post International will each continue to retain a stake in the respective other company. With its main hub in Milan and 68 depots around the country, Porta a Porta currently has one of the most extensive private business-to-consumer logistics network in Italy.

In Italy, with its takeover of the Italian Costanza logistics facility in August 2009, Swiss Post International expanded its distribution network in the region around Turin. Costanza is specialized in providing logistic services in the B2B sector and handling entire logistics processes for companies. With this new addition, Swiss Post International gains a key international base in northern Italy, thus strengthening its position in the Italian logistics market and underpinning its strategic partnership with Hermes Porta a Porta.

■ Higher quality and lower costs in the UK

In the UK, Swiss Post International is combining its two existing facilities at London-Heathrow (airport) and Colnbrook, Berkshire, in one new nearby site. Thanks to the bigger premises, letter processing can be automated. In addition to standard offerings, the higher capacities enable tailored customer solutions and higher quality. Operations at London-Heathrow were transferred to the new facility in August 2009, and Colnbrook will follow in February 2010. Amalgamating the two sites will increase productivity and reduce rental costs significantly.

Outlook

Swiss Post International intends to focus its sales structure abroad on individual sectors such as mail order or press/publishing in order to better meet its customers' needs. In northern and western Europe, Swiss Post International is aiming for further growth with the third-party distribution concept.

Swiss Post International | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	1 028	1 034
reserved services	%	10.0	10.1
Operating result	CHF million	53	36
Quantities (Swiss exports and imports)			
Letter exports	Millions of items sent	170.0	184.0
Parcel exports	Millions of items sent	1.1	1.4
GLS	Millions of items sent	0.5	0.6
Courier exports (TNT Swiss Post AG)	Millions of items sent	1.5	1.5
Letter imports	Millions of items sent	220.3	235.8
Parcel imports	Millions of items sent	4.5	4.3
GLS	Millions of items sent	1	0.8
Courier imports (EMS)	Millions of items sent	0.4	0.4
Employees			
Headcount	Full-time equivalents	1 272	1 294
in Switzerland	Full-time equivalents	669	597
Quality			
Adherence to delivery time: international letters (imports)	% of items sent	94.0	92.6
Adherence to delivery time: international letters (exports)	% of items sent	94.5	90.4
Customer satisfaction: business customers – total	Index	75	75
Customer satisfaction: letters	Index	75	74
Customer satisfaction: parcels	Index	73	75
Market share			
Import and export Switzerland – mail	As % of sales	83	82
Import and export – courier, express and parcels	As % of sales	46	46

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

Swiss Post Solutions

Background

In Switzerland and abroad, Swiss Post Solutions is active in the three business areas of mail-room and document solutions, dialogue solutions and electronic business process solutions (incl. security products). In particular, the Group unit helps business customers make the transition from traditional internal postal services to efficient digital document hubs, enabling the conversion of physical documents into digital ones and vice versa. Eliminating switches between different media results in seamless business processes. With its dialogue solutions Swiss Post Solutions supports the customer relationships of its customers, among other things with direct marketing and campaign management solutions as well as document output processing (e.g. Transpromo). E-business solutions encompass offerings in the areas of e-commerce, billing & payment as well as customer loyalty programmes. Swiss Post Solutions ensures the secure transmission of digital information using SwissSign's security and identity solutions. The solutions provided by Swiss Post Solutions are based on the use of advanced information technologies and IT platforms.

With operations in 16 countries, the focus of Swiss Post Solutions is outside Switzerland. The most important foreign markets are Germany, the UK and USA. While in Germany the economic crisis mainly affected major mail-order accounts, in the UK it was key customers in financial services that were badly hit by the slump. On the other hand, the climate for innovative and efficient document solutions was clearly more favourable in Switzerland, the USA and Italy.

Finance

In 2009, the operating income of Swiss Post Solutions fell by 12 million francs to 696 million francs. This is due to the fall in logistics income (–44 million francs) to 584 million francs which was not offset by the increase in other earnings (+31 million francs) to 111 million francs. In the USA and Switzerland, operating income rose markedly in 2009. In the UK, Swiss Post Solutions managed to achieve growth despite the recession, but this was swallowed up by unfavourable exchange rates between sterling and the Swiss franc. In comparison with the previous year, the integration of Graphic Data Ltd (UK, April 2008) and the GBS+ Group (France, Germany and Slovakia, July 2008) has had a positive impact. Owing to the recession, operating income developed negatively in Germany and France over 2009. The euro to Swiss franc exchange rate exacerbated this unfavourable trend. Operating income in other countries remained mainly stable. Operating expenses rose by 22 million francs to 721 million francs. This is primarily attributable to higher depreciation and amortization expenses (+18 million francs) and an acquisition-driven increase in staff costs (+37 million francs) which were not offset by lower resale merchandise and service expenses (–27 million francs) and a fall in operating expenditure (–6 million francs). As a consequence of growth, the business trend in the USA and Switzerland led to higher expenditure. In Germany, Swiss Post Solutions began to adjust capacities because of the recession. This sustained reduction in expenditure was delayed in relation to the earnings trend. 2009 witnessed one-off expenditure for further integration of Swiss Post Solutions' companies and for restructuring individual companies. In addition, start-up costs for new projects in France had a major impact, along with investment in new advanced technologies in Switzerland (digital certificates, Swiss Post Box, etc.). With these changes, Swiss Post Solutions posted an operating result of –25 million francs (2008: +9 million francs). The headcount in the USA and Switzerland was reduced. As a result of the recession, Swiss Post Solutions cut the number of staff working in dialogue solutions in Germany. The integration of Swiss Post Solutions (UK) Ltd (formerly Microgen (UK) Ltd) led to an increase of 44 employees. Overall headcount rose by 769 over 2008 to 6,878 full-time equivalents.

Strategy implementation

In 2009, Swiss Post Solutions continued to pursue its strategy of previous years. On the one hand, further consolidation of the unit, which had been formed in 2007 from the amalgamation of a number of national and international subsidiaries and had grown through further acquisitions, was necessary. In tandem, Swiss Post Solutions pursued sustainable growth despite the economic crisis.

■ Simplified company structures

Swiss Post Solutions originally encompassed over 40 companies. In 2009, priority was again accorded to the simplification of the company's legal structures while at the same time renaming the companies into Swiss Post Solutions in various countries. In the autumn, the former name Strategic Customers & Solutions was systematically changed to Swiss Post Solutions. Organizationally, the Group unit consists of three business units Document Solutions, Dialogue Solutions and E-Business Solutions. To achieve its sustainable growth objectives and round out

its previous portfolio, Swiss Post Solutions made several smaller acquisitions, primarily in the IT sector in 2009.

■ “Swiss Post” brand strengthened

In respect of its customers, Swiss Post Solutions operates a co-branding strategy. Alongside the respective subsidiary's previous brands, like the Swiss Post International Group unit which is also active abroad, the corporate identity of the company features the “Swiss Post” logo. Swiss Post Solutions is successively introducing its customers to the Swiss Post brand. Use of the Swiss Post co-brand by the two Group units operating abroad strengthens the international recognition of Swiss Post. These efforts were underpinned for the first time by an advertising campaign with the slogan “Excellence delivered” in the key markets, especially for Swiss Post International, of Germany, Austria, France, Belgium, Netherlands, Sweden, Denmark, and Asia.



Secure electronic communication ? With SwissStick worldwide from any PC.

■ Standardized international sales processes

Over the past year, Swiss Post Solutions began to create internationally standardized sales processes for Group-wide solutions business. At the same time it expanded its portfolio of services across all markets with the aim of becoming a full-service provider. The idea behind this is to link the physical and digital worlds in a secure and reliable manner in order to offer customers added value. Swiss Post Solutions consequently improved integration in customers' processes by converting the physical post arriving into digital information. One innovative example of the seamless transition between the physical and the electronic world is Swiss Post Box, a service for mobile people who want access to their physical mail from any location and at any time. Swiss Post Solutions scans the letters and then delivers them by e-mail. The SwissStick is a USB stick that allows users to carry their digital ID and their digital signature with them. These can be used to provide a legally binding signature for electronic documents from any PC, which are then encrypted and verifiably transmitted.

■ National dwelling identification number (“EWID”)

The EWID project, a service solution for cantons and municipalities for the national census, was successfully launched. Swiss Post is assisting the three cantons of Basel-Stadt, Zurich and Lucerne plus municipalities in the cantons of Aargau, Basel-Land, Berne, Graubünden, Valais and Vaud, and is collecting data from 1.1 million households.

Outlook

Swiss Post Solutions intends to maintain its current strategy over the next year.

In view of the changing background factors and the prevailing trends in its individual service areas, the service portfolio of Swiss Post Solutions will change significantly over the coming years, and the three business units will grow closer together. Some traditional products and services will be replaced by new offerings in the years ahead.

The trend is towards the integration of various services and communication media (multi-channelling) on shared IT platforms. This development will allow solutions for entire process chains to be offered. Moreover, new technologies (e.g. digital colour printing) enable services to be customized and tailored more closely to the specific needs of customers. As a consequence, traditional areas of activities (e.g. document output, classical direct mail) will be developed further into customized Transpromo offerings.

In the future, Swiss Post Solutions will continue to focus on its existing core markets (Germany, Switzerland, UK). Further penetration of markets in central and western Europe,

and in some cases also eastern Europe (above all Poland) is planned. Given the opportunity, expansion in Asia (Vietnam) is planned for document solutions and possibly also CRM and loyalty management.

With this development Swiss Post Solutions is pursuing clear growth targets, supported by targeted acquisitions.

Swiss Post Solutions | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	696	708
Operating result	CHF million	-25	9
Quantities			
Sales of major accounts	CHF million	n.a.	1 179
Telephone calls conducted (Dialogue Solutions – Customer Care)	Volume in millions	3.9	3.2
Pages scanned (Dialogue Solutions – Document Input Germany)	Volume in millions	33.0	23.7
Personalized mailings (Dialogue Solutions – Direct Mail)	Volume in millions	800	1 000
Personalized cards (Dialogue Solutions – Cards)	Volume in millions	125.0	254.0
Non-personalized cards (Dialogue Solutions – Cards)	Volume in millions	20.0	22.0
Mailings produced (Dialogue Solutions – Document Output Switzerland)	Volume in millions	208.9	204.2
Completed order volume (Document Solutions, formerly MailSource Group)	CHF million	456.9	568.5
Transactions (E-Business Solutions Switzerland)	Volume in millions	46.7	37.1
Employees			
Headcount	Full-time equivalents	6 878	6 109
abroad	%	87.9	87.9
Quality			
Customer satisfaction	Index	78	77

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

Post Offices & Sales

Background

Nowadays the post office counter is only one of many ways of performing postal transactions. Customers are increasingly using Postomats, PickPost points and online shops, while many people prefer to use electronic media such as e-mail or text messaging to communicate. Business customers have their mail picked up directly from their premises or use the services of our competitors. This trend also continued in 2009: compared to the year 2000, 49.6 percent fewer letters and 47.4 percent fewer parcels were handed over for mailing at the post office counter. Inpayments and withdrawals at the counter fell by 19.8 percent. On the other hand, in the case of sales of third-party products such as computers or mobile phones, turnover was up 4 percent on 2009.

In April 2009, the Swiss communication workers union Kommunikation launched a petition demanding an immediate moratorium on further post office closures. Two motions with the same objective were subsequently submitted to the National Council and the Council of States. The Federal Council and the Council of States rejected the motion, while the matter was still pending in the National Council at the end of 2009. In November 2009, the union also started collecting signatures for a referendum to safeguard the post office network (save post offices and banking licence).

Finance

In 2009, the operating income of Post Offices & Sales rose by 22 million francs to 1,359 million francs. Although net sales of logistics services fell by 10 million francs, net sales of financial products and other branded items were up by 6 and 19 million francs respectively. Compensation for the additional costs of the basic service obligation went up by 10 million francs. Operating expenses increased overall by 40 million francs to 1,472 million francs. The increase resulted from the higher costs for staff (+23 million francs), for merchandise (+16 million francs) and for other operations (+2 million francs). Year on year the operating result declined by 18 million francs to -113 million francs. This is primarily attributable to higher operating expenses (+40 million francs), which were only partially offset by increased revenue. The head-

count decreased by 82 in comparison with the previous year to 6,973 full-time equivalents. This is mainly due to adjustments to the post office network and management.

Strategy

Post Offices & Sales is simplifying its product range and systematically targeting it at the needs of private customers. To boost profitability, the unit is further developing the post office network and is seeking customer-friendly alternatives for post offices with insufficient footfall.

Strategy implementation

■ Review of demand at post offices

Between April 2009 and the end of 2011, Swiss Post will examine alternatives for 421 post offices with a low footfall. The first 114 post offices were reviewed in 2009: of these 49 were converted into agencies (village shop post office), a home delivery service was introduced at 32 locations, three post offices were closed without being replaced, and 30 post offices continued operating as before. The agency model offers attractive opening hours and a basic letters and parcels service which covers the day-to-day demand for services. In addition, the PostFinance Card Direct can be used to make cashless inpayments and to withdraw cash. With the home delivery service, on request postal carriers come to the door and ask what the customer wants. In view of changing customer behaviour, the further development of the post office network is an ongoing imperative: the sales network must become even more customer-friendly and cost-effective.

■ Simplified range for private customers

Post Offices & Sales analysed and adjusted the range of products offered in post offices and now only offers products for which an actual demand exists. From 1 January 2009, Post Offices & Sales simplified the range carried in 1,000 medium-sized post offices, and the range has been rationalized across all post offices since July 2009. The unit thus ensured greater product transparency, simplified processes and reduced warehousing and handling costs. The basic service continues to be provided everywhere. 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.

■ Shorter queuing times

Queuing times in post offices fell in comparison with the previous year: in 2009, 95.3 percent of customers waited seven minutes or less to be served (2008: 94.2 percent). Thanks to the V-Max point-of-sale system introduced in 2008, administrative processing of counter business is now much simpler. Staff therefore have more time free to advise customers.

■ Convenient home deliveries

Since 2008, customers in 1,800 post offices have been able to choose from a wide range of merchandise, order and pay for the goods, then have them conveniently delivered to their home. 77,000 orders were received in 2009 (previous year: 54,000 orders). This trend indicates that the "delivery to a private residence" service meets a real customer need.

Outlook

From 1 January 2010, the product lines for business and private customers will be separated. Post Offices & Sales will assume responsibility for the products for private customers, and the turnover will also be allocated to it in future. Alternatives for a further 307 post offices with a low footfall will be investigated over the next two years.

Post Offices & Sales | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	1 359	1 337
net sales of non-postal brand-name articles	CHF million	462	444
Operating result	CHF million	-113	-95
Quantities			
Letters accepted	Volume in millions	913	996
Parcels accepted	Volume in millions	28	28
Inpayments accepted	Volume in millions	207	212
Employees			
Headcount	Full-time equivalents	6 973	7 055
Quality			
Customer satisfaction: private customers	Index	87	86
Customer satisfaction: SMEs	Index	80	80
Access points			
Number of post offices	Number	2 348	2 408
post offices with payment transactions	Number	2 049	2 184
post offices without payment transactions	Number	11	11
agencies with payment transactions	Number	263	188
agencies without payment transactions	Number	20	20
PostMobil stops	Number	5	5
Home delivery service	Localities	1 154	1 097

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

PostFinance

Background

In May 2009, the Federal Council approved the Dispatch on the new postal legislation. PostFinance is to be spun off into a public company majority-owned by Swiss Post so that it can be subject to the usual financial market supervision (FINMA). As a consequence, existing special solutions will be revoked, regulatory supervision will be simplified and PostFinance's position in the market strengthened. However, according to the Federal Council, PostFinance will not be granted a full banking licence. This continues to prevent PostFinance from independently offering mortgages and loans. Moreover, it also forces PostFinance to invest more than half of its customer deposits abroad, which makes it more difficult to spread risk. (E→ 7)

In a persistently difficult financial market, customers continued to put their trust in the stability and performance of PostFinance in 2009. Customer deposits totalling 70.2 billion francs, over 126,000 new customers and the addition of 235,000 accounts to make a total of 3,880,800 are clear evidence that customers value the services of PostFinance. All submarkets, i.e. payments, investments, financing and retirement provision, contributed to this growth.

Finance

With an operating result of 441 million francs, PostFinance achieved a record result. The driver for this record-breaking performance is income from interest. Following an inflow of new deposits to the value of 20 billion francs (average balance over 2009 in comparison with 2008), despite much lower market interest rates, PostFinance was able to hold the average interest margin for balance sheet transactions at an average of 1.37 percent (2008: 1.60 percent). With 235,000 new accounts and 126,000 new customer relationships, PostFinance continues on a path of strategic growth. Despite much higher holdings, in 2009 the 74 million francs in writedowns and losses from investments (bonds and equities) remained significantly below that of the previous year (187 million francs). The intentionally quality-focused investment policy proved particularly successful here. Thanks to sustained growth, PostFinance was able to increase the average headcount by 153 full-time equivalents.

Strategy

PostFinance provides its customers with simple and inexpensive products and endeavours to offer the best service. It quite deliberately also targets small and medium-sized enterprises alongside private customers – with all-round solutions for payments, plus basic offerings for investment, financing and retirement provision. PostFinance is also seeking to be the first choice for customers who manage their own financial affairs. Customers have access to PostFinance from anywhere and at any time. If requested, PostFinance can also offer personal

Strategy implementation

consultations. PostFinance welcomes supervision by the Federal Financial Market Supervisory Authority (FINMA) planned by the Federal Council, but will continue to lobby for the ability to offer mortgages and loans independently. PostFinance aims to grow further and to invest customers' deposits professionally on a low-risk basis. (E→ 6)

■ Cooperation in the lending business

PostFinance has a long tradition of working in partnership. In order to complete its lending offering, PostFinance is now also cooperating with Valiant Bank, the biggest regional bank in Switzerland. PostFinance is thus able to offer additional financing products to small and medium-sized enterprises. In the case of private customers, the final gap has been closed with home-building loans. PostFinance is responsible for marketing and selling the loans, while Valiant will bear the credit risk and be responsible for the risk policy. From 2010, the processing competencies of the partners will be pooled in a joint enterprise based in Berne, where loan applications will be checked and processed. The two financial institutions will continue to operate as competitors on the market.

■ Expand customer service and sales

In 2009, PostFinance created 85 new posts for advising small and medium-sized business customers at their premises – including on Saturdays and outside office hours. PostFinance intends to put this personal advice service on a secure footing by 2012 and consequently provide the best service for 100,000 SME customers. To this end it will be taking on and training another 140 advisors. In addition, four new PostFinance branches were opened, and six existing branches were refurbished. Customers now have the choice of 36 PostFinance branches, 17 with payment transactions. 50 additional full-time jobs were created for providing comprehensive advice to private customers.



Financial advice for SME business customers? At PostFinance also at your office, on Saturdays and outside office hours.

In 2009, PostFinance created 65 additional jobs to strengthen its telephone customer service. By the end of 2010, a total of 80 new full-time jobs will be created, and an additional centre will be opened in Zofingen. This growth is driven by a marked increase in the number of customers and the expansion of services. An average of 215,000 customers per month called for advice around the clock.

53 mobile advisors visit private customers at home on request. PostFinance advises customers on all personal financial matters, including in the evenings or on Saturday. Around 25,000 customers benefited from this service in 2009.

■ Strengthen international payment transactions

As a member of the biggest international financial network, the Society for Worldwide Interbank Financial Telecommunication (SWIFT), PostFinance is strengthening its position in payment services. This association of financial institutions links more than 8,900 banks, financial organizations, securities institutions and corporate clients in over 200 countries.

Outlook

In 2010, PostFinance plans to continue concentrating on growth in the Swiss retail financial market, with a focus on the core business of payments. To achieve this goal, distribution is being expanded. In collaboration with Valiant, PostFinance will launch additional lending facilities for business customers. Internally, preparations will be made for the regulatory supervision of PostFinance by FINMA and its restructuring into a subsidiary of Swiss Post. (E→ 6, 7)

PostFinance | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	2 160	2 191
Operating result	CHF million	441	229
Quantities			
Net inflow of new money	CHF million	20 120	5 941
Number of customer accounts	Thousands	3 881	3 646
Average balance of customer deposits (PostFinance)	CHF million	70 249	50 497
Number of transactions	Millions	865	843
E-finance subscribers	Customers	1 101 593	984 592
Fund volume	CHF million	1 464	1 160
Volume of loans to business customers	CHF million	5 423	4 313
Volume of mortgages for private customers	CHF million	2 673	2 040
Employees			
Headcount	Full-time equivalents	3 042	2 889
Quality			
Same-day processing of payment slips at post offices	%	99.66	99.99
Same-day processing of payment slips arising from payment orders	%	99.81	99.99
Customer satisfaction: business customers	Index	83	82
Customer satisfaction: private customers	Index	84	85
Market share			
Lending business	%	10.16	9.16

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

PostBus
Background

The number of passengers using public transport in Switzerland continued to rise in 2009. PostBus is benefiting from the fact that more Swiss are not going abroad for their holidays. In view of the economic climate, this year Swiss transport companies refrained from putting fares up in spite of rising costs and a steady expansion of services. Lower tax receipts as a result of the recession will also put pressure on public-sector payments over the coming years. Among other things, the second stage of railway reform legislation is intended to improve the legislative basis for competition in regional passenger transport and create a sounder legal footing.

The Confederation is providing over five billion francs for development of the railways from 2000 through to 2030 and is intending to further develop railway and bus services in all parts of the country. Expansion of the rail infrastructure is a primary objective. The Confederation is investing a further six billion francs in urban transport projects. This improved service should also increase demand for PostBus services, as PostBus is the most important local distributor in the Swiss public transport system.

PostBus now generates ten percent of its turnover abroad. In France, PostBus is concentrating on operating medium-sized urban/conurban networks. Following the merger of the international environmental service provider Veolia Environnement S.A. and Transdev, a global provider of local public transport services, a powerful competitor has emerged in France.

Finance

Following further expansion of PostBus services, operating income was up 36 million francs on the prior-year figure. 24 million francs of this was generated in Switzerland and 12 million francs abroad. At 6 million francs, transport compensation payments accounted for the biggest rise. This was due to higher demand, among other things for the bus replacement services for the Rhaetian Railway. The compensation received was 14 million francs higher than in the previous year. Operating expenses rose by 36 million francs to 613 million francs. 20 million francs of this was generated in Switzerland and 16 million francs abroad. Additional services in Switzerland led to an increase in staff costs of 8 million francs and higher compensation paid to Postbus operators of 7 million francs. Lower fuel prices partially offset the rise in operating expenses. The additional expenditure abroad stems mainly from expansion. PostBus was only able to run the additional services with extra personnel. As a consequence, the headcount at PostBus in Switzerland rose by 4.8 percent to 1,397 full-time equivalents (excluding PostBus entrepreneurs). Driven by expansion, the number of full-time equivalents abroad climbed by

42 percent to 339 full-time equivalents. The related additional expenditure was 8 million francs for both Switzerland and abroad. At 27 million francs, the operating result remained at the prior-year level.

Strategy

PostBus aims to raise its profile as a leader in bus transport and to set itself apart from its rivals by offering the best price/performance ratio. The unit will seek to retain the number one slot in its core business, to strengthen its market position in towns and conurbations, and to grow further abroad.

Strategy implementation

■ Expanded timetable

When the new timetable came into effect in December 2009, PostBus added a further 3.5 million kilometres, taking the total to 94 million timetabled kilometres per year, and launched 22 new PostBus routes. Passengers will benefit chiefly from increased services during off-peak periods. PostBus is thus meeting the increasing demand for public transport services and is enhancing its position as the leading bus company in the Swiss public transport sector. One significant milestone was the launch of two express bus services through the Uetliberg tunnel.

■ Tenders won in Switzerland and abroad

In France, PostBus again won several public tenders for bus networks, including in Mâcon, Dole, Agde, Villefranche-sur-Saône, in the Hérault department and the Grenoble conurbation. PostBus therefore now operates a total of eleven bus networks in France through subsidiaries of Swiss Post.

In Switzerland, PostBus won public tenders for four routes in the Berne/Three Lakes region and Laupenamt (Biel–Lyss, Thörishaus Dorf–Neuenegg–(Laupen), Kerzers–Golaten–Wileroltigen–Gurbrü, Laupen–Gümmenen). In addition, PostBus was awarded the contract for the Bernina Express bus route (Lugano–Tirano–Lugano).

■ Centre of excellence established

Since 1 September 2009, PostBus has been operating a centre of excellence for passenger information systems in St. Gallen. This has Group-wide responsibility for computer-based operations and dynamic passenger information systems. PostBus is consequently strengthening its position as a systems leader. The centre of excellence for passenger counting systems in Basel and the centre for ticket inspection and payment collection in Zurich have been running for some time already.

Outlook

In 2010, the bus network in Liechtenstein is once more being put out to tender, and PostBus is aiming to win this contract again. PostBus is generally looking at entering the German and Italian markets. In eastern Switzerland, panels displaying real-time information are being installed for the first time, and ticket machines are being installed at bus stops in central Switzerland and in the cantons of Aargau and Basel-Landschaft.

PostBus | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	640	604
generated abroad	%	7.2	5.4
Operating result	CHF million	27	27
generated abroad	%	-11.1	1.0
Quantities¹			
Number of passengers	Millions	118	115
Vehicle-kilometres	Millions of km	98	94
Vehicles	Number	2 066	1 989
PostBus network	km	10 429	10 345
Employees			
Headcount	Full-time equivalents	1 736	1 570
Quality			
Customer satisfaction: leisure travellers	Index	81	82
Customer satisfaction: commuters	Index	73	75
Market share			
Regional passenger transport (rail/road) ²	%	15.7	15.0

1 Figures refer to Switzerland.

2 Regional passenger transport in accordance with Railways Act. Absolute market share, i.e. PostBus sales volume as percentage of market volume (turnover).

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

Other
Philately

The operating income of Philately amounted to 48 million francs in the year under review, and the operating result was 15 million francs.

Innovative ideas for stamps are appreciated not only by collectors, but also by the public at large. In the year under review, this was particularly true for the first fluorescent Swiss stamp (marking the International Year of Astronomy) and for the sparkling Princess Lillifee special stamp, which was especially popular with children and young people. Further highlights were the special stamps to commemorate the 100th birthday of the artist Hans Erni and the three-stamp series depicting the Appenzell transhumance.

Specialized mail order operations linked to the core business prospered. The two e-shops "extra" boutique and "PhilaShop" recorded higher sales, thanks above all to improved user friendliness.

The successful combination of tradition and innovation is not only important for achieving better sales, but also for image value and customer loyalty: an external study of corporate image revealed that stamps contribute a great deal to the "Swiss Post" brand. That these small works of art are widely held in high regard is borne out by the perpetual popularity of stamps, the increasing trend towards more attractive franking, and not least by two more international prizes – for the "Black Madonna" in Einsiedeln (most attractive European stamp 2007) and the four music stamps (Yehudi Menuhin Trophy for Music Philately) from 2008.

Philately | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	48	46
non-philatelic products	%	5	5
Operating result	CHF million	15	17
Quantities			
New stamps	Number	49	46
Standing orders in Switzerland	Number	44 944	46 595
Standing orders abroad	Number	15 605	16 410
Employees			
Headcount	Full-time equivalents	118	115
Quality			
Customer satisfaction	Index	85	84

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

Real Estate

In 2009, Real Estate generated an operating income of 619 million francs and posted an operating result of 228 million francs.

Swiss Post's real estate strategy is aimed at selling property that is no longer required or which is used predominantly by third parties, and to take out long-term leases for the required areas with the new owners. In 2009, Swiss Post therefore sold some 41 properties (2008: 34), including the following buildings: St. Gallen 1, Herisau, Winterthur, Sulzerareal, Däniken, Delémont, Buchs, La Chaux-de-Fonds, Ascona and the Schönburg headquarters in Berne. Until its planned move to the new head office near Berne railway station (new Schanzenpost), Swiss Post will rent its existing headquarters. Third-party rental expenses totalled 129 million francs. Refurbishment of the Schanzenpost building to create a new head office with 1,600 workplaces is set to begin in the spring of 2011. The new 13-storey headquarters for 850 PostFinance employees is to be built by 2013 near to the PostFinance Arena and the new office annex on the Berne Allmend. In collaboration with a general contractor, Swiss Post ran an architectural competition for the new building which attracted the participation of 14 architectural firms. Construction will begin in 2010. In Lausanne-Sébeillon, Swiss Post is developing a new use for its existing property together with SBB. In Geneva 2, the building will be renovated and will be leased long-term by the canton from 2012. In Le Locle, the post office building which was built in 1975 is being completely modernized in compliance with the Minergie low-energy standard and should be ready for occupation again in 2010. Swiss Post acquired the building and logistics platform of Canon in Mägenwil. It also purchased property in Burgdorf. Swiss Post Real Estate maintains and develops its property portfolio and manages some 830 construction projects – increasingly outside Switzerland as well.

Real Estate | Key figures

2009 with previous year for comparison

		2009	2008
Employees			
Headcount	Full-time equivalents	193	183
Quantities			
Properties	Number	2 773	2 997
owned	Number	1 216	1 304
rented	Number	1 557	1 693
Managed space	Million m ²	2.6	2.8
rented space	Million m ²	0.8	0.7
rented space	CHF million	129	116
Investment value	CHF million	5 208	5 732
Rental income – internal	CHF million	402	415
Rental income – external	CHF million	57	59
Investment volume	CHF million	121	160
Maintenance volume	CHF million	49	50
Current projects	Number	Over 500	Over 500

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

Information Technology

At the close of the last financial year, the Information Technology (IT) unit posted an operating income of 244 million francs (2008: 258 million francs) and an operating result of 3 million francs.

During 2009, IT migrated over 7,500 PCs and notebooks to Windows Vista and installed Office 2007 in around 1,900 post offices. This successfully completes the conversion of approximately 22,000 PC workstations to the new operating system. At the same time, IT installed a new version of the counter application and replaced some 5,000 card payment terminals at counters with multifunctional customer consoles. In November, IT launched the TAV virtual teleworking station which enables employees to access their own PC at Swiss Post via an Internet connection using any hardware.

Information Technology | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	244	258
Operating result	CHF million	3	3
Employees			
Headcount	Full-time equivalents	652	633
Quantities			
Contacts on user help desk	Avg. no. per month	24 000	24 000
Pieces of equipment served	Number	64 431	62 000
Number of different applications	Number	625	450
Volume of data saved per week	Gigabytes	261 000	220 000
First-level resolution rate	Share of cases in %	68.6	67.5
Support calls	Number per year	41 500	39 600

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

InfraPost Ltd

Swiss Post transferred its "Cleaning and technical building maintenance" unit (Service House) into the newly established subsidiary InfraPost Ltd with effect from 1 January 2009. In 2009, InfraPost generated income of 138 million francs (2008: 133 million francs) and posted an operating result of 3 million francs (2008: 6 million francs).

The specialists at InfraPost also offer a complete range of facility management services to third parties, such as shopping mall operators. The employment relationships of the approximately 2,400 staff are now governed by the existing collective employment contract for subsidiaries (subsidiaries CEC) (E-13). With the outsourcing of maintenance and technical services, Swiss Post is preparing for the full deregulation envisaged by the Federal Council.

InfraPost Ltd / formerly Service House | Key figures

2009 with previous year for comparison

		2009	2008
Results			
Operating income	CHF million	138	133
Operating result	CHF million	3	6
Employees			
Headcount	Full-time equivalents	832	838

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

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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

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■ Positive effect on the Group result

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All 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.

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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 53). 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 99). 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 113).

Private customers Offering

The standardized offering for private customers and small and medium-sized enterprises (SMEs) comprises letters, parcels, express deliveries, courier services and financial services. Swiss Post also runs road-based passenger transport services. Postal services are available in 2,065 post offices and 283 agencies (village shop post office), at 819 Postomats and on the Internet (virtual post office counter and e-finance). In addition, advice on financial services is offered at 36 PostFinance branches and by 53 mobile advisors. Since February 2009, private customers and SMEs have been able to choose to offset the CO₂ emissions of their domestic and international mail by means of a "pro clima" surcharge (€ 20). Using the funds raised by these climate surcharges, each year Swiss Post buys high-quality CO₂ emission certificates and invests in selected Gold-standard climate protection projects.

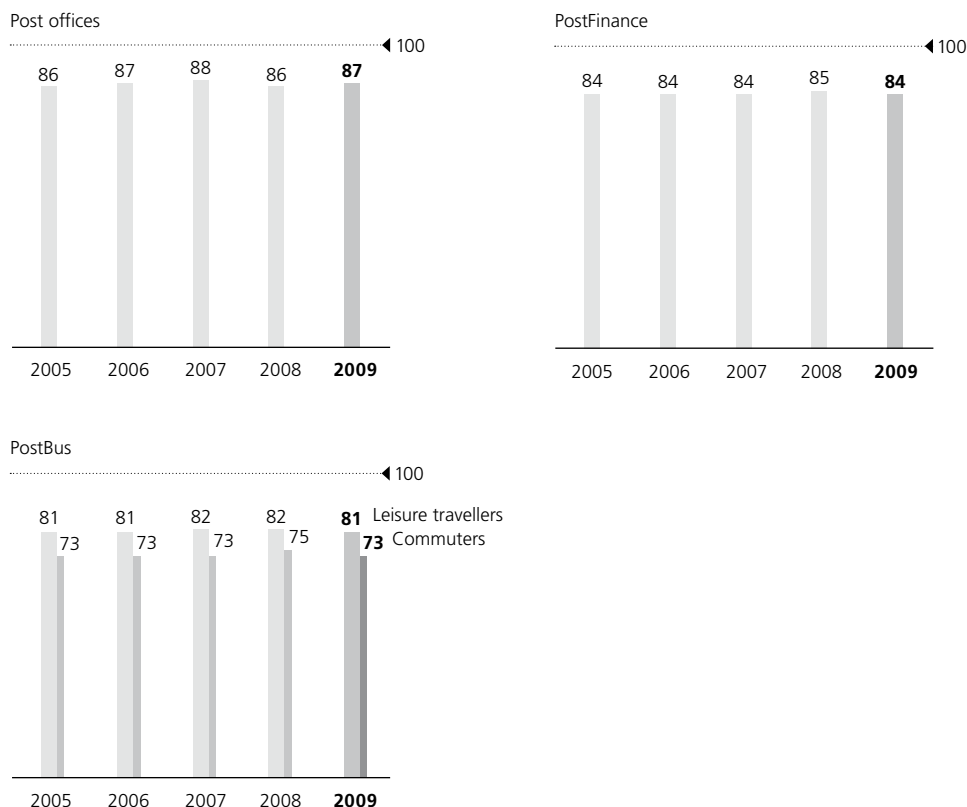
Customer satisfaction

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. With a rating of 75 points in the latest survey, it is also clear that customers are accepting postal agencies (village shop post office). They especially appreciate the convenience of mailing items and making cashless payments. The home delivery service also scored highly. One area of criticism is how we deal with problems.

Awarding letter deliveries a score of 92 (previous year: 91) out of a possible 100 points, customers indicated that they are very satisfied with standards of delivery. Customers particularly appreciated the postal carriers' personal commitment – they received a score of 93 points for their appearance and general behaviour, and 95 points for customer-friendliness in particular. There is some room for improvement with regard to the quality of deliveries to P.O. boxes as some respondents often found incorrectly addressed mail in their box. Over the summer of 2009, an external market research institute carried out 15,000 telephone interviews with private customers throughout Switzerland on behalf of Swiss Post. These consisted of households (85%) and P.O. box addressees (15%).

In September, Swiss Post's Customer Service was nominated for the "Golden Headset Award 2009". This award marks the further development and increasing professionalization of the contact centre industry. In the "Corporate Social Responsibility" category, Swiss Post's Customer Service succeeded in making it to the first three. This category honours companies who demonstrate particularly strong social commitment outside their core activities. The foundations for this success were laid by an internal Customer Service programme, which focused among other things on the general conditions for staff at the workplace. Each month employees handle around 85,000 calls and 9,000 e-mail enquiries. On average, callers had to wait 17 seconds.

Private customers | Customer satisfaction
 Scale 0 to 100, 100 = maximum satisfaction



Letters
 Offering

Acceptance, transport, sorting and delivery of A Mail, individual B Mail items and bulk mailings, letters with proof of delivery and forwarded mail. See page 55 for volume trends.

New developments in 2009

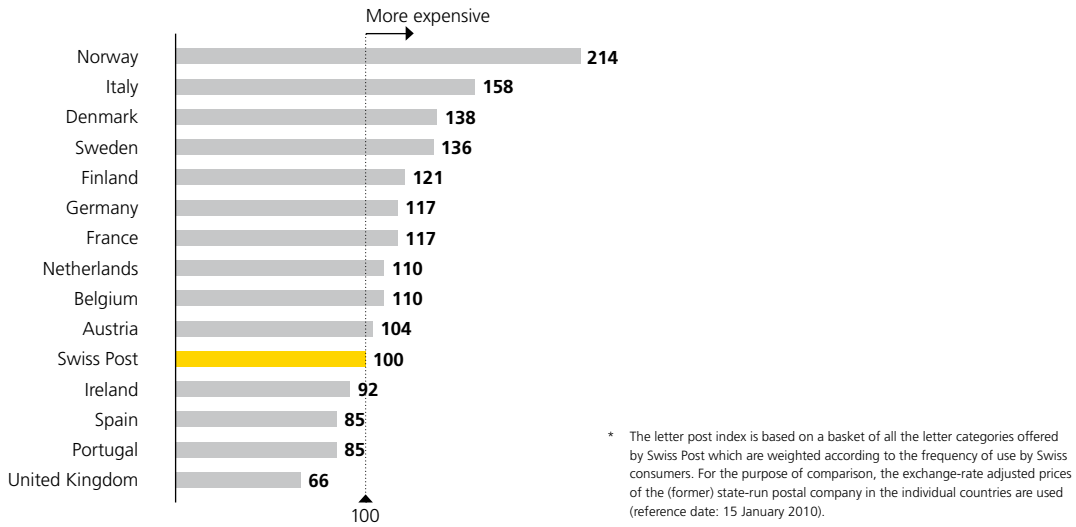
By the end of 2009, Swiss Post had installed around 9,500 new postboxes throughout Switzerland, replacing the existing ones with a standardized, modern and secure model in two sizes. The needs of customers were canvassed beforehand in a survey. Swiss Post consulted the local authorities on each change and chose the sites based on the needs of customers today. For example, postboxes are increasingly being situated at well-frequented and easily visible locations in shopping malls, filling stations or public transport stops. When specifying the installation height, Swiss Post also follows disabled-friendly construction guidelines wherever possible.

Since October 2009, the WebStamp service has enabled customers to buy electronic Pro Juventute stamps and thereby give their support to this foundation – as with the conventional Pro Juventute stamps – through the usual surcharges (CHF 0.40 for B Mail, CHF 0.50 for A Mail).

Price/performance ratio

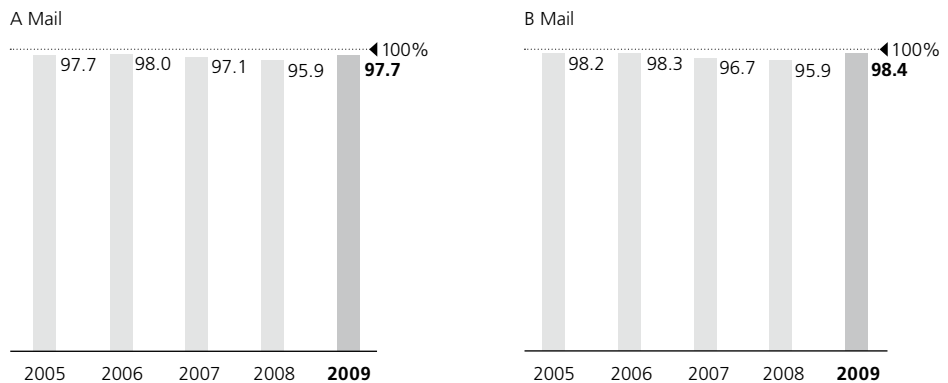
Selectively comparing only the prices of individual letter categories for various countries may produce a distorted picture, so in 2006 the University of Fribourg developed the letter post index. This is a basket that takes account of all the letter categories offered by postal services and weights them 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 17 percent more, and as much as 58 percent more in Italy.

Letter post index*
2009, indexed, Switzerland = 100



In 2009, Swiss Post handled around 2.6 billion letters. 97.7 percent of letters posted as A Mail arrived the next day (2008: 95.9 percent). Individual B Mail items should be delivered on the third working day after posting at the latest. In 2009, Swiss Post succeeded in achieving this target in 98.4% of all cases (previous year: 95.9 percent). As expected, the results for delivery times once again improved significantly in 2009. Swiss Post has well exceeded the target of 97 percent set by the Federal Department of Environment, Transport, Energy and Communication (DETEC). Owing to the phased commissioning of the new letter centres and logistics centres (REMA project), Swiss Post temporarily suffered a slight drop in quality in 2008. In spite of this, even in that year Swiss Post was ranked second by the International Post Corporation (IPC) in its comparison of 25 national and private postal operators. The complex changeover to the new letter processing system was completed in March 2009 and this is now delivering excellent performance.

Domestic letters | Delivery quality
2005 to 2009, percentage of items punctually delivered*



* Punctual delivery means the next day for A Mail and by no later than the third working day after mailing for B Mail. DETEC, the Federal department responsible for Swiss Post, has set a target of 97 percent.

Parcels, express deliveries and courier services

Offering

Acceptance, transport and delivery of PostPac Priority, PostPac Economy, bulky goods with additional services such as COD, fragile or signature. Courier and express services for the speedy delivery of letters and parcels. See page 55 for volume trends.

New developments in 2009

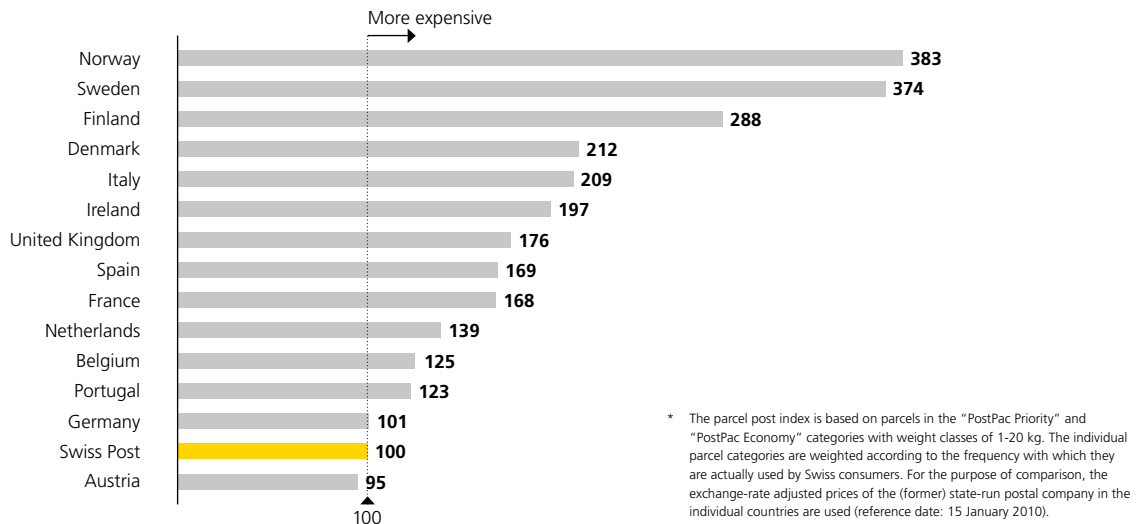
The Eco PostPac has been available at all post offices since February. As robust and practical as the tried-and-trusted yellow PostPacs, this box is made using only recycled paper and cardboard and is printed in black and white.

Price/performance ratio

The Center for Research in Economics at the University of Fribourg developed a price index for parcels 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 according to mail volumes in Switzerland. The parcel post index thus corresponds to a conventional international price index based on the Laspeyres concept.

Parcel post index*

2009, indexed, Switzerland = 100

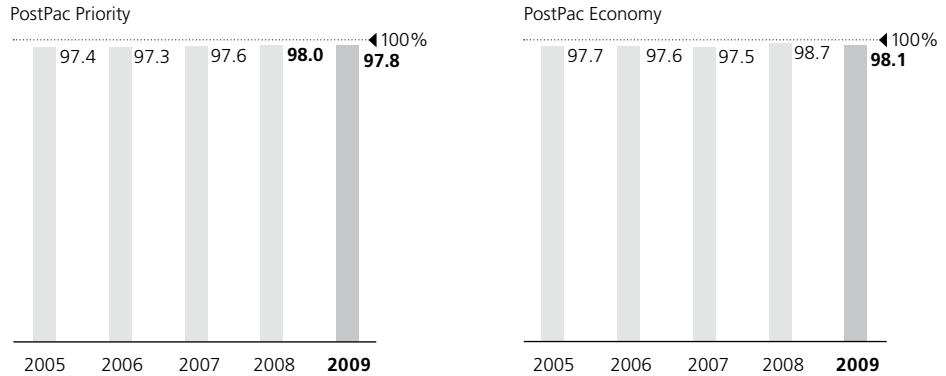


According to the index (aggregated quality levels), only Austria delivers parcels more cheaply than Swiss Post. Germany is 1 percent, France 68 percent, and Italy 109 percent more expensive.

In 2009, Swiss Post delivered over 100 million parcels. Quality standards were maintained at the same high levels as in 2008. In 2009, 97.8% of all PostPac Priority parcels reached recipients punctually the following day, while at 98.1 percent, PostPac Economy parcels achieved one of the highest results since parcel delivery times were first recorded. 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 quality

2005 to 2009, percentage of items punctually delivered*



* 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 2,065 post offices and 283 agencies (village shop post office) throughout Switzerland. Customers receive a home delivery service directly on their doorstep in 1,154 localities as well.

New developments in 2009

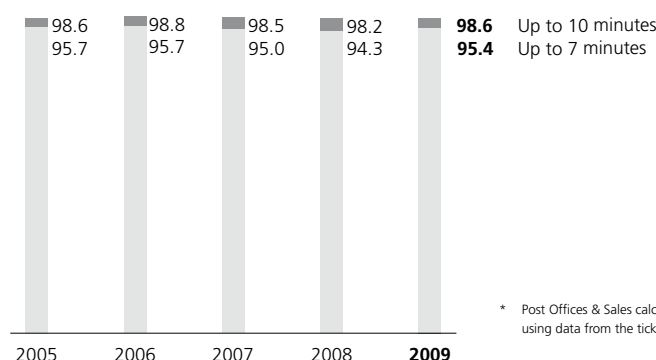
Swiss Post is replacing the existing card terminals at post office counters. The new terminals have a touch screen with stylus and therefore support electronic signatures. They meet the most stringent European security standards as well as the electronic payment transaction standards that are coming into force throughout Switzerland from 2010. Payments and cash withdrawals with the PostFinance Card are processed immediately. Up-to-date account information is available to customers at all times.

Since April 2009, the full range of Swisscom's services (mobile, fixed network, Swisscom TV) has been available in around 1,800 post offices. The successful collaboration with Yallo for prepaid was extended to postpaid, which has now additionally been available since August 2009. In addition, "Red Bull Mobile" has been exclusively available in 1,800 post offices since November 2009.

Queuing times in post offices were shorter than in the previous year: in 2009 95.4 percent of customers waited seven minutes or less to be served (2008: 94.3 percent). Thanks to the V-Max point-of-sale system introduced in 2008, administrative processing of counter business is now much simpler. Staff therefore have more time free to advise customers.

Post Offices & Sales | Queuing time at counter

2005 to 2009, percentage of customers by time categories*



* Post Offices & Sales calculated waiting times in 257 post offices using data from the ticket system.

Target achieved: 95.4% of customers were served within 7 minutes, 98.6% within 10 minutes.

Financial services

Offering

Payments, investments, retirement provision and financing: payment transactions in Switzerland and abroad, private and (e-)Deposit accounts, e-finance and e-billing, securities custody accounts, funds, retirement accounts and funds, life insurance, mortgages.

New developments
in 2009

Since November 2009, private customers have had two new options for financing a home: in partnership with the Münchener Hypothekenbank (MHB), PostFinance now offers mortgages for multi-family homes and for residential/business premises (business proportion maximum of 50 percent).

PostFinance has introduced a mobile phone service for postal accounts. Customers can send a text message to check their account balance and view the last five transactions, top up talk-time credit on their mobile phone, or transfer amounts up to 100 francs to another post office account. Payment by text message is possible at a wide variety of sales points such as car parks, farm shops or Swiss Alpine Club huts. The purchase amount is automatically debited to the postal account. This requires a one-off registration and the account must be in credit.

European countries created the Single Euro Payments Area (SEPA) in 2008. Since November 2009, the SEPA Direct Debit, the free cross-border direct debit system, has enabled European bill issuers to charge amounts in euro directly to post office accounts. For instance, the owner of a holiday home in Spain can pay a Spanish electricity bill directly from a post office account.

Passenger transport

Offering

In public transport, PostBus offers some 800 PostBus routes covering over 10,000 kilometres and around 13,800 stops, as well as additional tourist routes, excursions, ScolaCar school buses and PubliCar dial-a-ride services.

New developments
in 2009

Customers can reserve seats online for selected excursion routes in Graubünden and Valais. The new service is free and does not require registration.

Since the beginning of May 2009, Postbuses have been running on the new motorway through the Uetliberg tunnel. Around 25 passengers per journey make use of the express bus from Affoltern am Albis via Bonsstetten-Wettswil to the Zurich-Enge railway station. Trials will run until the end of 2010. In view of the heavy demand, however, it is already likely that the service from the cantons of Aargau and Zurich will be added to the regular public transport timetable.

When the new timetable came into effect in December 2009, PostBus launched 22 new routes and added a further 3.5 million timetabled kilometres. Passengers will benefit chiefly from increased services during off-peak periods. In total, PostBus offers approximately 94 million timetabled kilometres a year.

In 2009, the town of Frauenfeld won the golden "FLUX" award. This prize is awarded to a transport node which customers rate as excellent, both operationally and in terms of design. The FLUX award is presented annually by PostBus Switzerland Ltd (sponsor) and the Swiss Public Transport Association (patron).

Business customers Offering

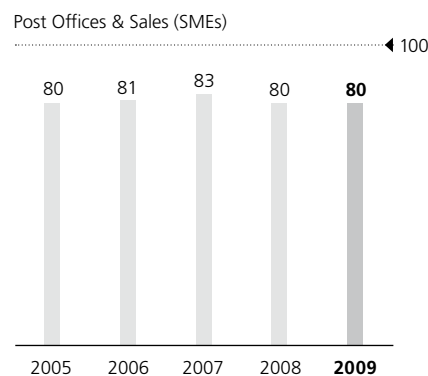
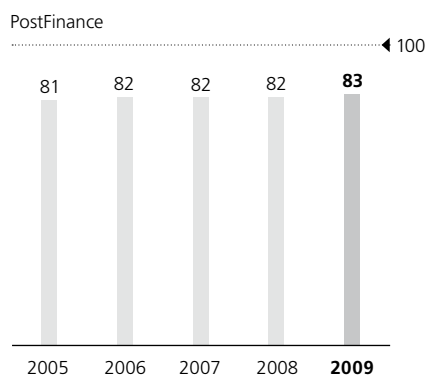
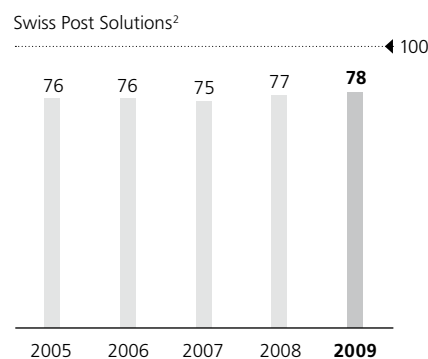
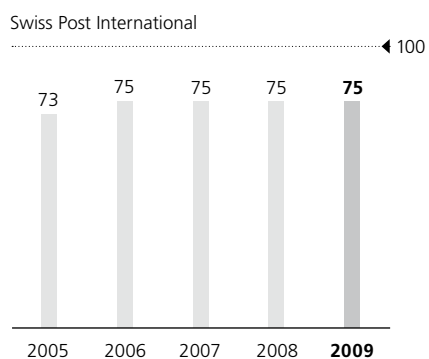
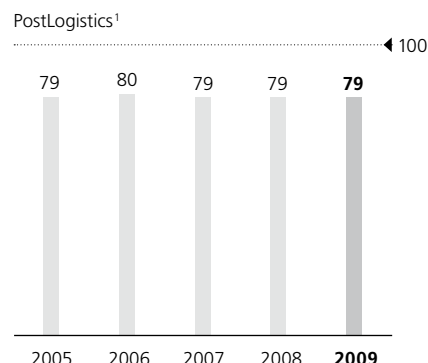
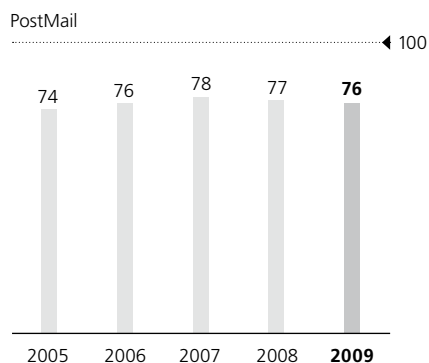
The offering for business customers is broken down into five service packages: letters, logistics, direct marketing, print media, and document and dialogue solutions. In addition, PostFinance and PostBus also offer specific services for business customers. The range encompasses tailored solutions for major corporations and individual service packages along with standardized services and products from which private customers and SMEs also benefit (see also the section "Private customers", page 86). Since February 2009, business customers have been able to offset the CO₂ emissions of their mailings by means of a "pro clima" surcharge (€ 20). The surcharge for each item is equivalent to a tiny percentage of the chosen domestic or international postal service. Swiss Post offsets these CO₂ emissions every year by investing the funds raised by these climate surcharges in selected Gold-standard climate protection projects and buying high-quality CO₂ emission certificates.

Customer satisfaction

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. Customers perceive Swiss Post to be an entrepreneurial and reliable partner. In our 2009 customer survey, they again gave us good marks. There are no significant changes from 2008.

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

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 Customer satisfaction for the Swiss Post Solutions Group unit was measured for the first time in 2009; the figures for previous years are those for the former Strategic Customers & Solutions unit, including the Strategic Customer Management department and, for 2005–2007, the Strategic Customer Management department.

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, address management and online tools as well as the delivery and collection of consignments

New developments
 in 2009

Letters up to 100 grams have also been subject to VAT since 1 July 2009. However, gross prices for these items will remain unchanged, as Swiss Post is not passing on the 7.6 percent VAT to customers. As a result, the net prices for over 80 percent of mailings fell for all customers entitled to claim back VAT. In addition, Swiss Post also cut its prices for domestic large letters up to the B4 format and simplified the format and weight limits. Customers and the economy will therefore directly benefit to the tune of around 200 million francs a year.

Logistics
Offering

New developments
in 2009

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).

FM Verzollungs AG, a subsidiary of Swiss Post International Logistics Ltd, opened the fifth inland customs office in Seewen in Canton Schwyz. Swiss trucks carrying export merchandise can obtain a transit document at this office and then proceed directly to a transit centre abroad. This avoids long waiting times at the border. Conversely, goods from Italy reach their destination in Switzerland much more quickly too. Thanks to its central location directly on the motorway, freight companies save on transport time and on heavy goods vehicles tax. Among other services, FM Verzollungs AG handles import and export customs clearance for the cross-border shipments of goods on behalf of forwarding companies. Other inland customs offices are available to freight forwarders for customs clearance in Aarau, Chiasso-Balerna, Basel-Wolf and Basel rail terminal.

With its JobFashion clothing management service, PostLogistics assists companies in all industries with the procurement, distribution, storage and maintenance of workwear for employees. Thanks to the online platform which can be readily integrated in any website, company managers can keep a close eye on processes at all times, and employees know their personal clothing entitlements and can order items when necessary.



Parcels that are more convenient? Have Swiss Post collect them from your home and find out via a text message when they arrive.

With the additional "domicile collection" service, business customers can have parcels picked up from their end customers – for example consignments on approval or products with a return guarantee. The end customer specifies the time and place for collection, and Swiss Post punctually takes care of the order.

Direct marketing
Offering

New developments
in 2009

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.

Senders of promotional mailings can now define the day on which their unaddressed mailshots (PromoPost) are delivered to customers. This allows announcements and campaigns to be exactly scheduled and coordinated across the whole of Switzerland. Until now, senders could only specify a two- to three-day delivery window and they had no guarantee of exactly when their PromoPost mailings would be delivered in a particular locality. This new needs-driven service has been made possible thanks to the modern systems and standardized processes in the new letter centres.

A new online application (PromoPost tool) has been available since 1 December 2009 to assist with the planning and delivery of unaddressed promotional mailings. This enables customers to plan and submit PromoPost orders themselves and to prepare and manage mailings. The application also provides all the important information and documents necessary for mail processing.

InfoCard is a cost-effective method of sending addressed cards for volumes of 500 upwards. The new offering is an effective alternative to the tried and tested bulk B Mail option. Delivering short and pithy messages, InfoCard is ideal for one-off promotions or multi-phase campaigns.

Since mid-August 2009, marketing professionals and other interested parties can find more than 500 direct marketing terms defined in the electronic "DirectGlossary". This free tool is interactive: users can enter missing terms or add information to incomplete definitions, comment on and recommend explanations.

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 2009

With "PersonalNews", Swiss Post launched a personalized daily newspaper for the first time in 2009. The demand and technical feasibility of a personalized daily had been ascertained during a six-month pilot project in close cooperation with newspaper publishers. Each day, readers chose online which pages they wanted from around 20 national and international titles. The idea met with great interest – for the duration of the pilot project over 1,200 trial readers had their own personalized newspaper delivered to them each morning by e-mail. In a trial region in Zurich, 100 people received a printed edition of the newspaper.

Document and dialogue solutions

Offering

The document and dialogue solutions service package includes services such as mailroom management (internal mail services), document and information processing, document output processing as well as marketing solutions and campaign management. In addition, Swiss Post networks companies and provides the infrastructure and many additional services. It offers solutions for billing & payment (full range of electronic billing and payment services), e-commerce (all-round solutions as general contractor), customer relationship and loyalty programme management, charge cards and security cards, security products, and combined solutions for specific sectors.

New developments in 2009

Swiss Post launched the electronic Swiss Post Box which enables physical mail to be digitized and forwarded to a personal electronic mailbox. This therefore allows any letter to be received and processed electronically over the Internet completely independently of time and place. Swiss Post scans the redirected letters and sends them as a PDF file to the electronic Swiss Post Box. To begin with, only the envelope is scanned and the recipient then decides whether the letter should be opened as well. This new chargeable service is aimed at people who are often away from home and wish to deal with their letter mail promptly online. Swiss Post Box is initially available in Switzerland and in the neighbouring countries of Germany, France, Italy and Austria. Swiss Post Box is ideal for both business and private customers.

SwissStick is a memory stick developed by SwissSign, a subsidiary of Swiss Post, which contains the verified digital identity of the owner (SwissPostCertificate), signature software (SwissSigner) and an advanced solution for secure electronic data transmission (IncaMail). The SwissStick supports Plug&Play, can be used on any computer and leaves no traces behind once the transaction has been completed. It is therefore very easy for any user to provide a digital signature and virtual ID, as well as send and receive data securely. The SwissStick meets the stringent security requirements for e-banking. On request, applications for specific sectors or business solutions can also be added to the SwissStick. The product was rigorously tested by 1,000 Swiss Post employees and will be available to customers from 2010.

Swiss Post is producing the new insurance card for the biggest health insurance scheme in Switzerland. This is fitted with a microchip to meet the required technical standards. The health insurance providers were commissioned by the Confederation to replace the current generation of magnetic strip cards. The new card will aid administration and can continue to be used as before at medical practitioners and pharmacies. Cardholders can now opt to store

emergency data on the card as well. Further functions can be added to the card, and it would also be suitable to serve as a key for the electronic patient dossier which the Confederation wishes to introduce.

Swiss Post is offering a service to cantons and municipalities to undertake the allocation of the national dwelling identification number ("EWID") which will be required for the 2010 census. This identifier is needed to assign every citizen to a household and to harmonize existing registers. In cooperation with the Federal Statistical Office, Swiss Post has developed a practical method that meets data protection regulations which encompasses procuring and preparing the necessary data sources, electronic consolidation and verification by postal carriers. 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.

From the first quarter of 2009, Swiss Post Solutions has been gradually taking over document management for various European branches of Zurich Financial Services. The service was launched in the UK and Switzerland in the first quarter of 2009. Austria and Spain began in December 2009, and the service will be successively rolled out next in Germany and Italy. The employees in the six countries will be taken on by Swiss Post Solutions. By the final phase, a total of some 400,000 documents per day will be handled for Zurich Financial Services. This includes processing around 240,000 physical items of mail and digitizing around 150,000 documents.

SuisseID, launched by the Confederation, is the first standardized product in Switzerland for secure electronic proof of identity. Swiss Post, as the partner, will market SuisseID throughout the country beginning in May. Swiss Post-SuisseID offers local authorities, companies and individuals an option for accessing a secure digital identity quickly. They now have an electronic channel for concluding transactions securely and simply or accessing services online. With its SwissStick, Swiss Post already offers the simplest solution in the market that combines digital identity with useful applications. The SwissStick will be available with the SuisseID at the time of launch. Customers who order it can verify their identity at any post office. The Swiss Post SuisseID will be available as a regular chip card or in the form of a SwissStick, the mobile key to digital communication, or as an integrated solution. The chip can be used in a secure USD stick that includes a number of applications for the SuisseID. For instance, the applications on the stick enable the user to sign documents with a legally valid electronic signature, and to send them via electronic registered mail in encrypted form.

PostFinance services

Offering

Services for business customers: business accounts, (e-)Deposito accounts, national and international payment transactions, electronic services, 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 2009

In a product partnership with Valiant, PostFinance has been offering loans to small and medium-sized enterprises (SMEs) since November 2009: current account credit, fixed advances (from 100,000 to 1 million francs) and loans (from 50,000 to 1 million francs).

The SEPA Direct Debit, the free cross-border direct debit system across the Single Euro Payments Area (SEPA), enables European bill issuers to charge amounts in euros directly to business customers' post office accounts. From April 2010, customers will be able to charge amounts in euros in Europe and in Switzerland fully electronically and credit payments directly to their post office account.

Asia is becoming increasingly important as a trading partner for Swiss companies. PostFinance is consequently enabling its customers to make payments to an additional eight Asian countries in the respective local currency.

PostBus services

Offering

In public transport, PostBus is a contractor for the Confederation, the cantons and municipalities that order public transport services from transport companies. Services for transport networks and railways (e.g. bus replacement services) are also provided. In addition to actual physical transport services, as a systems leader in public transport PostBus also handles management services such as the management of projects relating to the rollout of operations and passenger information systems as well as sales systems, including the entire IT infrastructure. PostBus provides over half of its services via private PostBus entrepreneurs.

New developments in 2009

PostBus provided a bus replacement service for the Rhaetian Railway on the Poschiavo-Tirano/Italy, Ardez-Scuol and Chur-Arosa routes. The railway line in the Lower Engadine was closed completely from March to November due to building work in the Tasna tunnel. Up to five Postbuses at a time were deployed, depending on the time of day.

Since 1 September 2009, PostBus has been operating a centre of excellence for passenger information systems in St. Gallen. It has responsibility for computer-based operations and dynamic passenger information systems. This is now the third centre of excellence to be opened, joining those in Basel (passenger counting) and Zurich (ticket inspection and payment collection).

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■ Positive effect on the Group result

■ Negative effect on the Group result

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15 mm is equivalent to CHF 1 billion.

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Horizontal: 75 mm is equivalent to 100 percent.

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Added value for employees

Jobs Group and parent company

Strategic objectives of Swiss Post

To ensure efficiency and create added value for its **employees**, Swiss Post pursues a progressive human resources policy (G+9) and fosters the motivation and willingness to perform of its workforce.

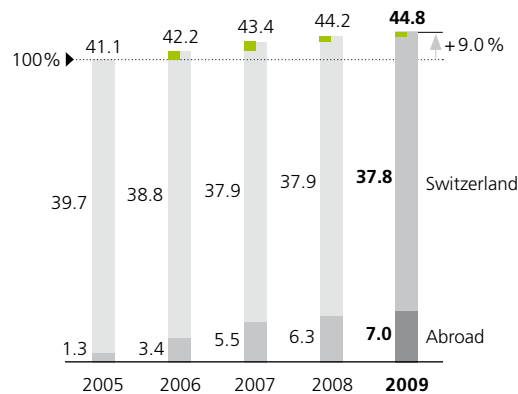
In terms of the sustainable development of its business, however, this added value can only be created if Swiss Post also creates added value for its **owner**, its **customers** and **society**.

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 53). 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 85). 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 113).

While the number of employees at the parent company fell, the headcount for the Group as a whole continued to rise in 2009. The average headcount for Swiss Post Group increased by the equivalent of 625 full-time positions in 2009 (previous year: 731 full-time equivalents).

Group | Number of full-time equivalents

2005 = 100%, showing change from previous year, thousand full-time equivalents



Abroad, Swiss Post Solutions achieved growth in the USA, as did PostBus in France. There are three main reasons for the fall in headcount at the parent company by 2,056 full-time equivalents: commissioning of the new letter processing project (REMA), the transfer of Service House into InfraPost Ltd, plus the disproportionately steep decline in letter volumes of 4.7 percent as a result of the economic slowdown.

Group | Headcount

2009 with previous year for comparison

		2009	2008
Headcount	Persons	60 977	59 184
abroad	%	12.6	11.6
Headcount	Full-time equivalents ¹	44 803	44 178
abroad	%	15.6	14.2
Parent*	Full-time equivalents ¹	30 863	32 919
Total departure rate at Swiss Post (Switzerland)	in % ²	8.3	11.4
Fluctuation rate (voluntary departures) at Swiss Post (Switzerland)	in % ²	3.1	5.3
Notice given by employer for economic reasons, parent*	Number	33	78

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

¹ Average headcount expressed as full-time equivalents.

² Number of departures (FTEs) as a percentage of average headcount (FTEs)

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

Segments

Following the commissioning of the new letter centres (completion of the REMA project) and the decline in mail volumes, the headcount at PostMail fell by 598 full-time equivalents. This figure includes the addition of 390 full-time equivalents following takeover of the early delivery service of Tamedia and the NZZ Group. Streamlining in administration resulted in the trimming of 82 full-time jobs.

By contrast, Swiss Post succeeded in creating new growth-driven jobs at PostFinance (153 full-time equivalents), PostBus (166 full-time equivalents, 101 of which abroad) and Swiss Post Solutions (138 full-time equivalents). The number of jobs at PostLogistics was up by 195 full-time equivalents primarily due to the acquisition of Dispodrom Ltd and IT ServiceHouse AG plus the expansion of warehousing activities.

Group | Headcount by segments

2009 with previous year for comparison

	2009	2008
Full-time equivalents ¹		
PostMail	16 996	17 594
PostLogistics	5 489	5 294
Swiss Post International	1 272	1 294
Swiss Post Solutions	6 878	6 109
Post Offices & Sales	6 973	7 055
PostFinance	3 042	2 889
PostBus (excl. PostBus entrepreneurs)	1 736	1 570
Other	2 417	2 373

¹ Average headcount expressed as full-time equivalents.

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

For the social responsibility aspects of providing jobs in the regions, see page 116.

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 customers' interests. 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.

To avoid invalidism, we get sick and injured employees back to work as quickly as possible. Swiss Post reintegrates or continues to employ people with disabilities. This is a principle we have followed for many years already. Line managers are assisted in this important task by highly trained HR specialists.

Parent* | Diversity

2009 with previous year for comparison

		2009	2008
Gender			
Men	%	49.9	49.1
Women	%	50.1	50.9
Women in management			
Percentage of women on Board of Directors	%	25.0	20.0
Percentage of women in Executive Management	%	0.0	0.0
Percentage of women in senior management posts ¹	%	8.7	7.7
Language diversity (mother tongue)			
German	% of employees	67.5	66.1
French	% of employees	21.5	21.4
Italian	% of employees	6.7	7.4
Romansh	% of employees	0.6	0.7
Other	% of employees	3.6	4.4
Nationalities			
Switzerland	% of employees	89.7	89.5
Non-Swiss	% of employees	10.3	10.5
Nationalities represented	Number	114	118

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

¹ Including Executive Management.

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



Part-time managers? More and more men at Swiss Post are taking advantage of this option.

Career, family, leisure

Increasing numbers of employees are seeking to realize their own individual aspirations and to harmonize career, family and leisure. Achieving a work/life balance is therefore also a key human resources issue at Swiss Post (E-9). We therefore 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, 43.9 percent of all staff worked part-time, i.e. less than 90 percent of a full working week, including an increasing number of men (16.6 percent). The proportion of managerial staff working part-time is now 11.3 percent. Just under 21 percent of approximately 5,000 mana-

gerial posts are held by women. In addition, Swiss Post provides crèches for staff and contributes to the cost of external childcare.

Parent* | Part-time¹

2009 with previous year for comparison

		2009	2008
Total part-time	%	43.9	45.7
Men	%	16.6	16.7
Women	%	71.2	73.5
Part-time working within management	%	11.3	9.6
Men	%	7.1	6.0
Women	%	33.8	31.2

* 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 (E- 99).

Workplace health management

For many years Swiss Post has valued the health of its employees. With the establishment of the centre of excellence for workplace health management (WHM), Swiss Post has strengthened, expanded and systematized its efforts at fostering healthy and productive employees. In 2009, Executive Management announced the following mission statement: "Workplace health management has a role to play in the sustainable success of a company. Line managers are committed to looking after the health of their employees. They do everything they can to avoid work-related accidents and illnesses and play an active role in prevention and reintegration. Employees take responsible and active measures to ensure they remain in good health." The WHM mission statement puts individual responsibility and the leadership role of line managers centre stage. Experienced health managers are on hand to help translate the mission into everyday practice.

PostFinance, Post Offices & Sales, PostMail and PostLogistics were awarded the "Friendly Workspace" mark for their systematic WHM activities. The mark is awarded by Health Promotion Switzerland and certifies organizations which meet the quality standards recognized by the European Network for Workplace Health Promotion (ENWHP) in the planning, implementation and evaluation of workplace health management.

When recruiting new employees, PostMail already takes account of health when assessing their suitability for the job. The health requirements of the job are defined and compared with the personal attributes of the candidates. This avoids personal disappointments in the short term as well as excessive physical demands over extended periods and the related long-term consequences. The suitability of employees for their job in terms of health is periodically reviewed in the course of their employment so that difficulties can be identified at an early stage. Targeted measures help avoid illness-related absences and ensure that long-term fitness for work is maintained.

PostLogistics employs its own physiotherapists and runs fitness centres for its employees. At four production sites, staff are offered specific back training to strengthen the musculoskeletal system and learn how to carry heavy loads correctly. According to their own testimony, employees have fewer complaints and are happier in their work. The number of absence days at some sites has fallen by 5 to 10 percent over the last two years. The European Association for the Promotion of Health (aepps) accorded PostLogistics 2nd place in its 2009 Workplace Health award for its occupational physiotherapy programme "Betriebsphysiotherapie – Bewegung ist möglich – immer" (Occupational physiotherapy – movement is possible – always). The participative approach adopted when devising the programme was especially commended.

PostBus is running an awareness campaign to reduce the incidence of verbal abuse and physical attacks on its drivers and inspectors. In accordance with Swiss passenger transportation legislation, since 2007 such incidents have been automatically prosecuted by the police, i.e. making the employee involved having to bring charges. Stickers and posters in vehicles are making the public aware that these are criminal offences and that offenders will be prosecuted, consequently raising the inhibition threshold for attacks.

In 2009, the number of occupational accidents rose year on year by 3 percent to 6.5 accidents per 100 full-time equivalents. This negative trend is particularly evident in mail processing in connection with the introduction of new processes and tools. In addition, the exceptionally long winter with very icy streets and paths resulted in more falls by delivery personnel. With the management system for workplace safety, accident prevention measures are being systematically implemented at our various sites. Specific campaigns are also raising employees' awareness of safety during their leisure hours. The number of non-occupational accidents was down 2 percent on the previous year to 15.3 accidents per 100 full-time equivalents.

Group (Switzerland) | Health management

2009 with previous year for comparison

		2009	2008
Occupational accidents	Per 100 FTEs	6.5	6.2
Non-occupational accidents	Per 100 FTEs	15.3	15.6
Absentee days for medical reasons ¹	Per employee ¹	10.4	10.7
	Days per annum	361 782	373 709
Costs due to loss of income	CHF million	117.6	118.5

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 (E-99).

Counselling and support in emergencies

We support, advise and help employees in crisis situations – confidentially and free of charge. In counselling sessions we first of all listen and then help people develop new perspectives to improve the situation they find themselves in. We endeavour to strengthen their skills and self-reliance, and thus also improve their motivation to work. We offer support and counselling in particular in relation to conflicts within the family or with a partner, problems at the workplace, addiction issues or financial difficulties. Counsellors support and advise line managers and HR advisors during acute crises and hold prevention seminars about dealing with situations involving addiction, bullying and sexual harassment. In 2009, social counsellors tailored their methods even more specifically to the needs of their customers, standardized counselling processes, refined reporting, introduced a feedback loop and improved lines of communication with HR advisors. Over the past year Swiss Post's 26 social counsellors provided advice to around 2,700 employees and organized and spoke at 88 seminars with 1,650 participants.

Swiss Post supports employees and retirees from the Group whose financial resources are modest or who find themselves in financial difficulties with funds from the "Swiss Post Employee Fund Foundation". In 2009, non-repayable grants amounting to 593,000 francs and low-interest loans totalling 720,000 francs were awarded, providing support to 403 employees. Among other things, Swiss Post provides non-repayable allowances to contribute towards the costs of illness and accidents or to help with children's education. It also supports family holidays with around 70 low-cost holiday apartments financed by the fund. The foundation is funded by interest from its assets, which at the end of the year totalled 58 million francs.

Pension fund

Swiss Post insures its employees in a pension scheme featuring a combination of a defined benefit 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, and 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.

Owing to the negative financial market trends, the coverage of the Swiss Post pension fund fell to 88.1 percent at the end of 2008. The Federal Council has stipulated that this deficit must be remedied within the next five to seven years. Although financial markets improved again last year and coverage had risen to 95.5 percent by 31 December 2009, we cannot simply rely on a continuing positive trend. To eliminate the deficit, therefore, the Board of Trustees decided that from 1 January 2010, employees covered by the plan and Swiss Post as the employer will pay restructuring contributions on insured salaries totalling 2 percent, and the savings accounts will pay less interest (minimum 1 percent, maximum 2 percent). Furthermore, Swiss Post will pay an additional 250 million francs from the employer's reserve into the pension fund for 2009. As agreed during pay negotiations, Swiss Post will also cover the restructuring contribution of employees for 2010. These measures will be lifted as soon as coverage reaches 100 percent.

Swiss Post pension fund

2009 with previous year for comparison

		2009	2008
Coverage of Swiss Post pension fund in accordance with BVG ¹	%	95.7 ²	88.1
Shortfall of Swiss Post pension fund in accordance with IFRS ²	CHF million	2 221	3 541

¹ According to Federal law on occupational pension provision (BVG).

² See page 170 of the Financial Report.

³ Provisional coverage. The definitive coverage will be announced by the Swiss Post pension fund in Q2 2010.

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

Employee development Leadership culture

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

Training and professional development, promoting young talent

Swiss Post strives to strengthen its performance and boost innovativeness (E 14–15). This is why we set such great store by training, professional development and fostering young talent. In this way we ensure that our employees are constantly extending their knowledge and skills.

Each year, Swiss Post offers young people traineeships leading to a qualification recognized by the Swiss Federal Office for Professional Education and Technology (OPET): a choice of twelve different basic courses in the areas of logistics, sales, general commerce, IT and maintenance is offered. In 2009, training was provided for a total of 1,690 trainees (7.6 percent up on the previous year) across Switzerland. 98.5 percent of our trainees passed their final examinations in 2009. Since 2004, when 479 new trainees were taken on, the range of training opportunities for young people has widened with each successive year. In 2009, 720 young adults started an apprenticeship with Swiss Post. Trainees make up 4.5 percent of the workforce. It is important to Swiss Post to provide these young people with the right skills for the jobs market so all trainees are deployed in a number of different fields and learn to work with customers, team members and line managers. Eight to twelve 2nd and 3rd year retail trainees manage post offices in Zurich-Wollishofen, Prilly near Lausanne, Basel-Spalen and St. Gallen. These post office trainees receive support and advice from two experienced Swiss Post staff on site in each case. A further four trainee-run post offices will be opened in 2010.

Group (Switzerland) | Vocational training

2009 with previous year for comparison

		2009	2008
Trainees at Swiss Post Group in Switzerland	Persons	1 690	1 571
new hires	Persons	720	633
Ratio of trainees to employees	in %	4.5	4.1
Percentage of trainees taken on	%	82	91

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

Since August 2009, Swiss Post has been running a practical pre-apprenticeship scheme called "Perspektiva". Perspektiva is aimed at bridging the gap for school-leavers who have not found an apprenticeship by the time they finish compulsory education. Each year, eight to ten young people are given hands-on training in the Zurich-Mülligen letter centre. The scheme is being run for a three-year trial period.

Swiss Post has offered a one-year fostering programme for young sales professionals since the summer of 2009. Trainees who pass their final examinations with flying colours and ambitious career switchers are given the opportunity to acquire some initial experience in day-to-day contact with business customers through deployment in Sales and other organizational units at Swiss Post. The next round of recruitment will take place in February 2010.

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 2009, over 3,000 people took part in around 200 one-day and multi-day seminars and workshops. More and more individual fostering programmes are also being developed. As a result of the increased internationalization of Swiss Post, seminars are also offered in English to promote intercultural understanding. Swiss Post fosters the linguistic skills of its employees in German, French, Italian, English, Spanish and Swiss German, and offers external language courses too. 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.

Post Offices & Sales introduced two succession management programmes in 2009. The development programme for future post office managers is aimed at counter staff who would like to manage a medium-sized post office. Candidates are selected by means of a structured interview. Succession development is aimed at employees who wish to take on a key position in sales, such as head of a post office area or sales region for example. Their potential is assessed by means of a competency check and an individual assessment.

In 2008, Swiss Post launched a training campaign for around 10,500 counter staff. 4,000 employees received sales training in 2009. The modular training courses cover all sales-related matters, from basic knowledge through to hands-on sales training. Post office area managers receive training in the particular needs of SMEs. Sales personnel are also offered numerous professional development opportunities to enable them to provide customers with expert advice. In 2009, 789 people completed the ESCOLA training programme which offers staff optimum development opportunities and helps them perform their jobs effectively and make maximum use of resources.

From September 2009, all professional drivers of vehicles for carrying passengers or freight must obtain a certificate of proficiency in addition to their driving licence. This certificate is valid for a period of five years only and will not be renewed unless the driver can demonstrate evidence of five training days over five years. Only firms approved as training centres by cantons and whose staff have the necessary teaching licence are permitted to run these courses. Swiss Post therefore opened a "Driver training centre of excellence" with its own driving school. The 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.

We offer new graduates the opportunity to take the first steps in their career and acquire skills in a wide variety of disciplines. In 2009, around 80 students and graduates completed an internship at Swiss Post or took part in our trainee and PhD programme. The number of trainee posts doubled from the previous year. The trainee programme allows graduates to familiarize themselves with two areas and participate in 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.

Promoting marketability

The ValiPoste project enables long-term employees who trained under the postal monopoly system (e.g. former uniformed postal carriers) to gain a Swiss proficiency certificate while working and consequently improve their internal and external marketability. 400 employees from the Group's PostMail and PostLogistics units commenced retraining as logistics assistants in 2009. Building on the original training they received, the course takes account of skills they have acquired in practice and provides further specific training. In 2007, the ValiDist subproject began the first stage of retraining for delivery personnel. By June 2009, some 370 employees had gained a logistics assistant diploma. A further 370 postal carriers commenced retraining in the autumn of 2008 and will sit their diplomas by the middle of 2010. The third and final stage of the project was launched in October 2009. This will give a further 340 people the opportunity to requalify in 2011. Thanks to ValiPoste, a total of approximately 1,500 employees will gain a recognized Swiss qualification. This exceptional retraining programme was explicitly recognized as an alternative qualification route by the Swiss Federal Office for Vocational Training and Technology. In 2009, Swiss Post's ValiPoste project took first place in the human resources management category of the World Mail Award.

Job market presence

In early 2009, Swiss Post launched a new initiative on the employment market. Under the motto "Move with us", Swiss Post is aiming to attract school-leavers, students, graduates, experienced professionals, specialists and top managers – both male and female – for the wide variety of roles within the company. Swiss Post is seeking motivated and flexible people, and in return offers training and professional development as well as a wide range of entry-level and long-term career opportunities. People from more than 100 countries work in over 100 different occupations at Swiss Post.

Commitment and willingness to perform

Overall, Swiss Post's employees are committed to serving customers and the company, are highly motivated and satisfied with their job. These were the findings of our 2009 employee survey conducted by an independent external institute. The score for "commitment" was 83 out of a possible 100 points, while "willingness to perform" scored 87 points. On average, the satisfaction rating was 75 points. Staff see their work as both useful and varied. The survey, conducted among some 49,000 employees in 16 countries and eight languages, showed a relatively even distribution. The numbers participating in the 2009 survey were again up (by 6 percent no less): 74 percent of the workforce answered the approximately 80 questions. The response rate is the only figure that can be directly compared with the previous year as the questionnaire was completely redesigned for the first time in eleven years because the Group's structure has seen some fundamental changes since 1998. The measurement model was modified, and the questions were formulated so as to be simpler and easier to understand. Some scope for improvement was identified in individual areas and Group units. Overall, however, the survey painted a positive picture.

Demographics

Since the end of the 1960s the birthrate has been falling, while life expectancy has risen. The aging population presents Swiss Post with new challenges: between 1999 and 2009 the average age of employees rose from 39.2 to 43.4 (Group, Switzerland). The number of employees aged 30 to 40 fell, while personnel in the 40 to 65 age group rose. As a consequence, a shortage of labour in the future is foreseeable, especially among managers and specialists, and requires timely action. Swiss Post is therefore using an electronic age structure analysis tool to simulate how demographic trends will impact the company. This creates the foundations for specific projects and generally raises awareness of the issue. The detailed findings are taken into account in the strategic qualitative and quantitative workforce planning for the various business units in order to develop appropriate scenarios.

We aim to develop our culture of appreciation for older and experienced employees. We are keen to ensure that they remain physically fit, mentally active and motivated for as long as possible. To this end we are taking a number of measures, including promoting teams made up of a mix of ages, workplace health promotion, and the ergonomic design of workplaces and working environments. In courses such as "50+", staff can examine their own personal history, look at other lifestyles and assess where they are now. In its retirement policy too, Swiss Post caters to the effects of an ageing society by providing maximum flexibility in the choice of retirement age: employees can choose to retire anywhere between the age of 58 to 67. This allows us to spread a foreseeable wave of retirements over a number of years. Gradual semi-retirement models are also possible.

Swiss Post is also investing specifically in young employees: 720 trainees began an apprenticeship with Swiss Post in 2009, and we have announced 750 new training places for 2010. In 2009, Swiss Post provided vocational training for a total of 1,690 young adults. The proportion of trainees is currently 4.5 percent, with most trainees going on to work for Swiss Post afterwards. In relation to these demographic trends, we have also identified great potential in qualified women who wish to return to work following a career break to start a family.

Group (Switzerland) Demographics		2009	2008
2009 with previous year for comparison			
Employees aged 50 to 59	%	26.7	26.5
Employees aged 60 and over	%	4.9	4.3
Average age of staff	Years	43.4	43.2

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

Social partnership Employment conditions

Swiss Post has around 53,300 employees in Switzerland and is thus the country's second-biggest employer. Its employment conditions are currently governed by two different legal bases: the Public Officials Act (BPG) (E→ 8) and the Swiss Code of Obligations.

In view of the existing competitive pressure and the increasing liberalization of the postal market, Swiss Post is in favour of severing the link with the Public Officials Act and bringing all employees under the Swiss Code of Obligations instead. In a competitive environment, these uncompetitive employment conditions put Swiss Post at a disadvantage. 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) (E→ 10) came into force on 1 January 2002 on the basis of the Public Officials Act (E→ 8). The majority of postal staff (over 37,331 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 (E→ 13), the PostLogistics CEC (E→ 12) and CEC for auxiliary staff (E→ 11)).

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.

Collective employment contracts

■ Swiss Post collective employment contract (Swiss Post CEC)

The Swiss Post CEC (E→ 10) guarantees above-average social allowances, bonuses for outstanding performance and benefits such as annual staff vouchers worth 400 francs, a free half-fare travel card or a discounted annual Mobility CarSharing membership. Salaries are based on function, experience and performance. In 2009, employees subject to the Swiss Post CEC received a general salary increase of 0.7%. Swiss Post is setting aside 0.8% of the total salary sum for individual performance-related compensation. In addition, in 2010 Swiss Post will pay the employee's contribution of one percent for restructuring the pension fund.

■ 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 subsidiary in each case (E→ 13).

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. Moreover, separate salary negotiations will be conducted. 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.

■ Presto collective employment contract

In December 2009, Swiss Post and its social partners agreed a collective employment contract for the early delivery of newspapers. Coming into force on 1 March 2010, the Presto CEC will govern the working conditions for around 10,000 staff at Presto Presse-Vertriebs AG. Presto is

a subsidiary of Swiss Post created from the amalgamation of the early newspaper delivery operations of Tamedia and NZZ with its existing early delivery structures (see also the section on the expansion of early delivery at PostMail on page 66).

Group (Switzerland) | Employment conditions and remuneration

2009 with previous year for comparison

		2009	2008
Employment in accordance with Swiss Post CEC*	Full-time equivalents as %	66.5	71.2
Minimum salary Swiss Post CEC*	CHF per annum ¹	44 071	42 746
Average salary for employees	CHF per annum	80 361 ²	78 141 ³
Average remuneration paid to members of Executive Management	CHF per annum ⁴	491 200	492 781
Salary bandwidth	Factor ⁵	6.1	6.3

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

³ Average salary for employees (excluding Executive Management, Board of Directors, and managers at management grade 1).

⁴ Excluding CEO.

⁵ 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 (E-99).

International Group units

Swiss Post International, Swiss Post Solutions and PostBus are three units of Swiss Post that are also active abroad. 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.

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: to date, virtually all those affected have found a new job internally or externally, retired, or opted for a severance package. Assistance with occupational reorientation was still being provided to a handful of employees in 2009.

We continue to do everything in our power to avoid redundancies. We first 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 2009, job centre personnel helped 38 employees with occupational reorientation, provided job and career counselling to 544 people, and delivered 54 job application seminars to over 800 participants. For the first time since its inception, the job centre also provided advice to staff abroad, helping 26 employees based in Dettingen near Stuttgart with career reorientation.

Group (Switzerland) | Job centre

2009 with previous year for comparison

		2009	2008
Individual consultations by job centre	Number	582	716
Job centre seminars	Participants	834	792

Foreword	17
Interview	20
Corporate profile	29
Review of business	53
Leadership	134
Financial report	150

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 the Group result

■ Negative effect on the Group result

All 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/ar2009links. 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 53). 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 85). 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 99).

Further development of the basic service General

Swiss Post sees itself as the service provider for Switzerland. We offer our Swiss customers postal and logistics services, financial services and passenger transport services which are tailored to their current needs, are reasonably priced and are provided on the same basis for everyone through a nationwide network of access points. We satisfy the terms of this legal mandate with a consistently high quality of service and customer focus.

Today, the basic service as laid down by postal legislation encompasses services for the acceptance, transport and delivery of mail (letters, parcels up to 20 kilograms, newspapers and magazines) in permanently inhabited settlements on at least five working days a week, as well as payment transaction services (see also "Mandate" on page 44).

We consider the legally mandated basic service to be simply the minimum, and we actually deliver much more, both in terms of the quality and the scope of the services we provide.



Public service ? Nationwide and reliable.

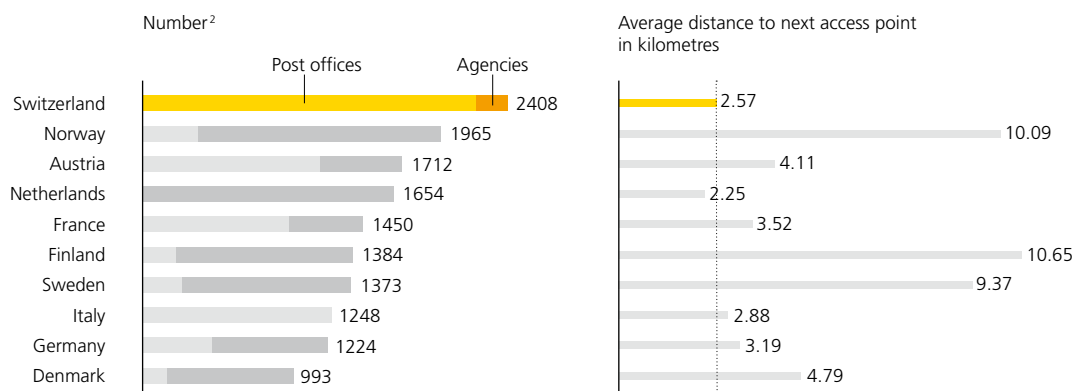
Access to postal services

A nationwide, customer-focused and diverse network of access points will continue to provide the foundations for a good basic service for Swiss citizens in both the urban centres and the countryside (see "Swiss sales network" on page 31 for a diagram of the network). However, in view of the changing demands for postal products and services, we aim to tailor these access points even more closely to the needs of our customers. For instance, we can offer different opening hours and new operational forms such as agencies or home delivery solutions. We will review the third-party products sold over the counter and transform the post office network into a retail network.

Swiss Post has more than 3,600 access points where the basic service is delivered to all sections of the population. These include 2,065 traditional post offices and 283 agencies. Customers now also benefit from a home delivery service in 1,154 localities. Swiss Post thus operates one of the densest post office networks in the world. In terms of the average distance of 2.5 kilometres to the next post office, Switzerland ranks very high internationally too. In future, 90 percent of the population should be able to reach an access point offering basic postal services

within 20 minutes on foot or by public transport. Moreover, with over 17,000 postboxes throughout Switzerland, Swiss citizens have exceptionally good access to these services.

Post Offices & Sales | Density of network access points by type
 2008¹



¹ At the time of going to press, only the 2008 values were available for all countries.
² In order to make a comparison, the inhabitant figures of the respective countries must be taken into account. To enable comparisons to be drawn, the raw data are calculated using the same methodology used by the postal regulator (www.postreg.ch) to determine the optimum post office network. The calculations are based on public data provided by the UPU (www.upu.int).

Payment services

PostFinance is a stable financial institution respected by the population. It is – and intends to remain – a market leader in payment transactions. We want to continue to provide our customers in future with simple products that meet their needs, excellent service and attractive interest rates.

As payments are increasingly being made online, payments at the counter now only account for a quarter of counter transactions.

The use of debit and credit cards has greatly increased, especially in retailing, and nowadays cash is predominantly withdrawn from ATMs.

In order to remain successful as a business, we are adapting to the changing needs of customers. For instance, Swiss Post is meeting its obligation to provide payment transaction services by supporting card payments, maintaining a network of ATMs, and providing a system for electronic payment transactions (e-finance). These technology-independent services are set to be included in the mandate stipulated in the new postal legislation. In addition, Swiss Post is keen to offer mortgages and loans independently in future.

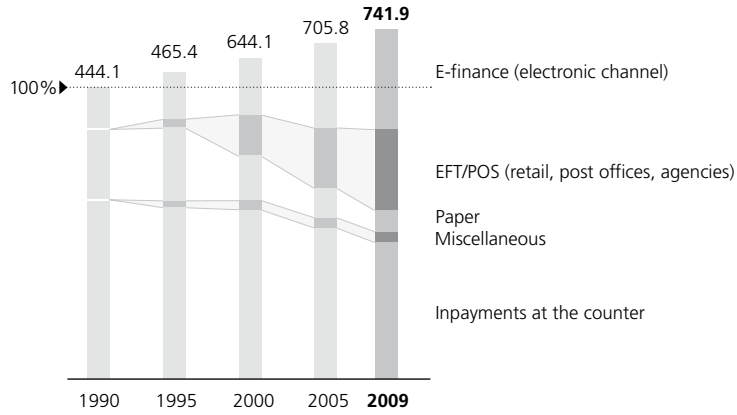
Financing

Swiss Post's overriding priority is to provide an inexpensive, good and reliable basic postal service throughout the country. Swiss Post currently finances the basic service from its monopoly on letters weighing less than 50 grams. We are doing everything in our power to optimize costs, while at the same time seeking to tap into new areas of growth outside our traditional spheres of business. In this respect, Swiss Post is already heavily involved in the interface between the physical and digital worlds. New business abroad will help support business in Switzerland and consequently help finance the basic service. We want to retain our financial independence, but in a competitive environment (after the monopoly is lifted) it will not be possible to cover the costs of delivering the desired public service if it is not sufficiently flexible and if our competitors were to be given regulated access to some of Swiss Post's services. A compensation fund obliging competitors to contribute to the uncovered costs of the basic service would then be imperative. However, it would be necessary to ensure that Swiss Post did not have to contribute to this fund itself.

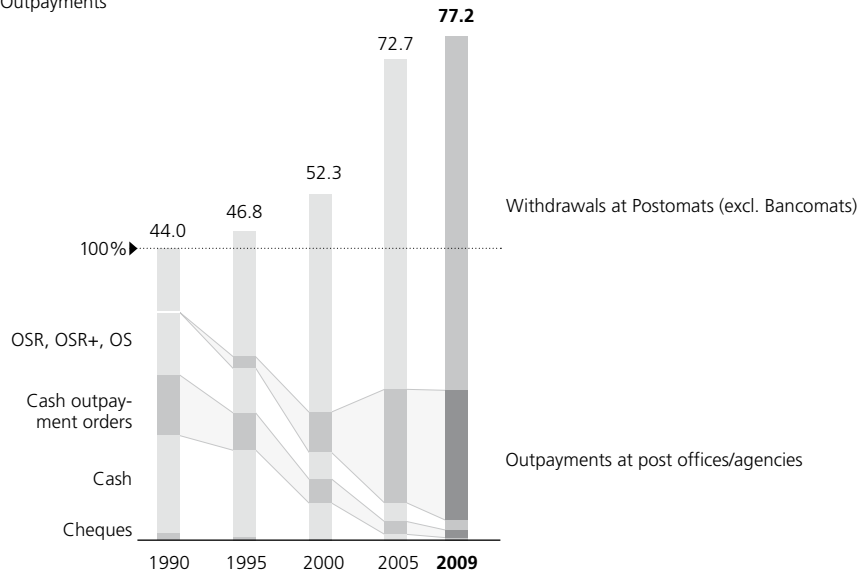
PostFinance | Payment services by type

1990 to 2009
1990 = 100%, CHF million

Inpayments and transfers



Outpayments



Shaping the regulatory framework

With a transparent information policy and a clear stance on current issues, Swiss Post communicates its position to representatives of politics, business and society and provides them with its current figures.

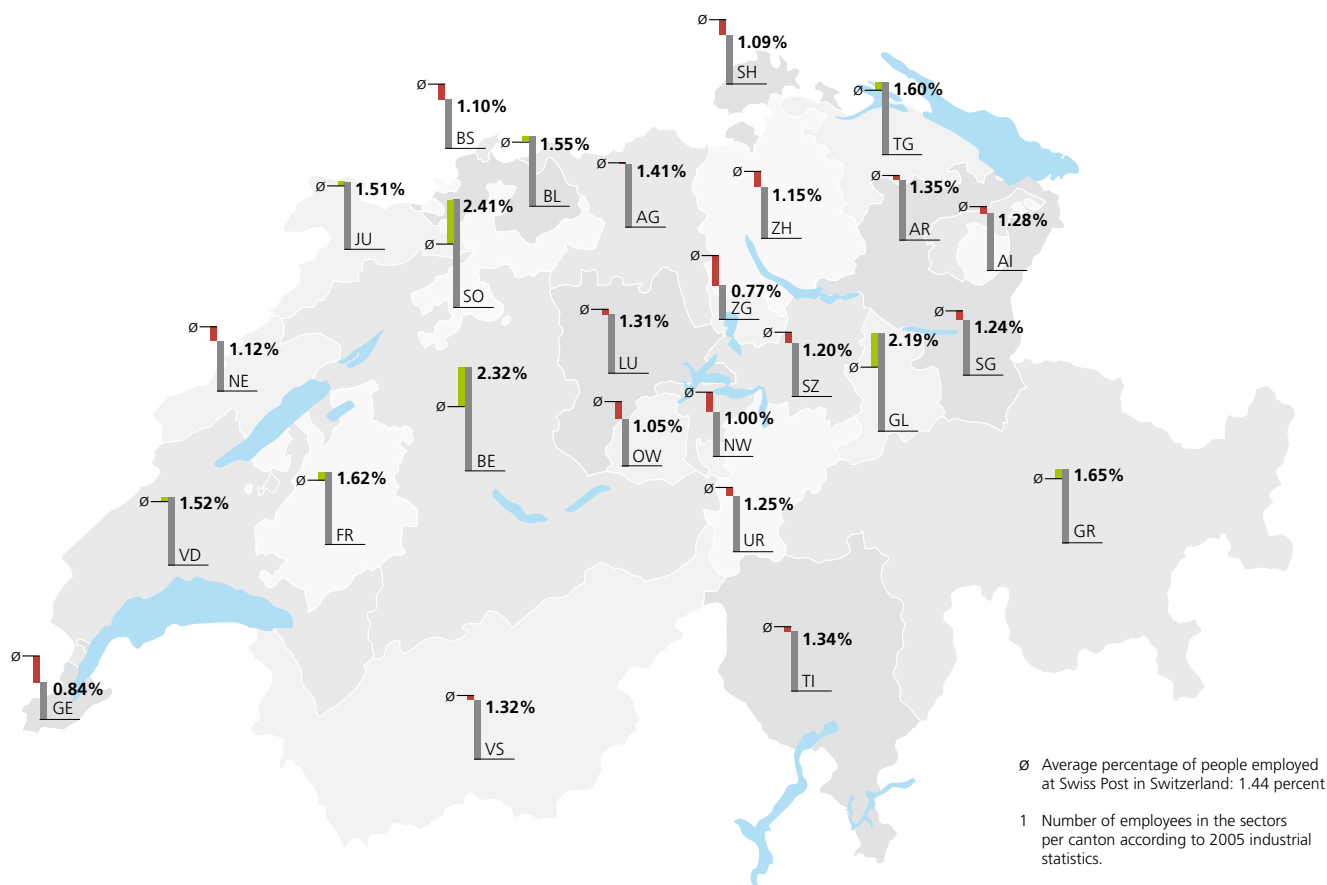
**Social responsibility
Jobs in the regions**

Swiss Post wishes to remain a major employer in all parts of Switzerland, especially in the peripheral regions (E→ 4). We are keen to contribute to achieving a balance between urban and rural areas and between the economically stronger and weaker regions. Swiss Post therefore offers some 18,000 jobs in peripheral regions despite the fact that, from a purely business point of view, concentration would make better sense for many of these jobs. Across the country an average of 1.44 percent of employees work in the industry and services sectors at Swiss Post (number of employees in the sectors per canton according to 2005 industrial statistics).

Group (Switzerland) | Jobs by cantons

2009

Percentage of Swiss Post employees in industry and services by canton¹



Group (Switzerland) | Jobs in the regions

2009 with previous year for comparison

		2009	2008
Jobs in Switzerland	Swiss Post employees per 1000 employees	14.4	14.1
Jobs in peripheral regions ¹	Number	17 856	19 767

¹ The definition of peripheral regions is based on the Regional Policy Ordinance of 28 November 2007 (in force since 1 January 2008). The peripheral regions encompass the territory of Switzerland with the exception of the conurbations of Zurich, Basel, Berne, Lausanne and Geneva according to the 2000 census and the cantons of Zurich, Zug, Solothurn, Basel-Stadt, Basel-Land, Aargau and Geneva.

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

Dialogue with stakeholders

In 2009, 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 using electronic modes of communication such as the Internet. Members of Executive Management also attended a wide range of events.

Swiss Post also participated in ongoing discussions with the trade unions in 2009. These talks focused on remuneration for delivery personnel and changes to working conditions and processes as a result of PostMail's optimization of delivery locations. During the annual pay negotiations for employees subject to the Swiss Post collective employment contract (E+ 10), a pay increase of 0.7 percent across the board was agreed. In addition, 0.8 percent of pay was allocated to individual performance.

Swiss Post communicates regularly with its owner, represented by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Department of Finance. It also attends regular meetings with the postal regulator.

Distribution of added value

Through face-to-face discussions and special information channels such as position papers on issues such as 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 2009, 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 the question of the activities PostFinance is permitted to pursue. Swiss Post will seek to continue exchanges on these and other issues of interest to the Group in 2010.

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.

Swiss Post joined the WWF Climate Group at the beginning of 2009. This organization brings together companies that wish to make a substantial contribution to climate protection. They undertake to generate as few CO₂ emissions as possible and they agree targets with the WWF. Swiss Post committed itself to offering climate-friendly products (E→ 20) and services (for example carbon-neutral mailing of letters and parcels with "pro clima"), promoting alternative means of transport such as e-scooters or gas-powered vehicles, and implementing other measures to reduce greenhouse gas emissions (employee commuting, electricity procurement, etc.). Swiss Post supported WWF's autumn campaign which took place under the slogan "What if you were the solution for our planet?". Among other things, it ran promotional offers for energy-saving products such as low-energy light bulbs and e-bikes in post offices.

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 2009, added value came to 4,989 million francs (2008: 4,875 million francs). The lion's share of the added value generated (81 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 (E→ 3), 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 2010, therefore, 200 million francs will flow back from our 2009 profits into the public purse as a profit appropriation (previous year: 170 million francs).

Group | Value added

2009 with previous year for comparison

		2009	2008
Added value generated	CHF million ¹	4 989	4 875
to employees	CHF million	4 032	3 873
to creditors	CHF million	14	22
to public sector	CHF million	9	10
to owner	CHF million ²	200	170
to company	CHF million	734	800
for depreciation	CHF million	325	279
for transfer to Swiss Post pension fund	CHF million ²	250	250
for building up equity	CHF million ²	261	365
for other	CHF million	-102	-94

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 216.)

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

Legal compliance and anti-corruption

Swiss Post constantly monitors compliance with internal and external rules with respect to legal risks. Preventive measures taken serve to safeguard the image and reputation of the company and to avoid financial loss. Swiss Post's internal regulations set out binding rules for dealing with the principal areas of risk (data protection, procurement, antitrust law and money laundering). The directives contain clear instructions for employees on how to act and who they must consult in certain situations. 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. This came into force at the beginning of the year under review. As well as a Code of Ethics and Social Responsibility (E→ 26), Swiss Post also stipulates certain environmental considerations to be taken into account in procurement. Employees were regularly made aware of issues such as money laundering, anti-trust legislation and data protection in training courses.

Procurement chain

Swiss Post is increasingly accepting social responsibility in its procurement of goods and services. In everything we do, therefore, we endeavour to take account of economic, social and environmental aspects (E→ 25). We follow recognized standards such as FSC certification (paper) or the energy label (electrical equipment). We expect the same from our suppliers and we ensure that they meet all statutory requirements in full. To do this we continually analyse, measure and compare their performance and discuss the results with those responsible. To ensure a good working relationship over the long term, we or external auditors check our suppliers in Switzerland and abroad. Swiss Post chooses innovative, reliable and responsible companies as its partners. If suppliers cannot observe agreements, in particular the stipulations of our Code of Ethics and Social Responsibility (E→ 26), Swiss Post will not do business with them.

Development aid

Development aid on the basis of solidarity is a central issue for Swiss Post. We therefore support postal organizations in developing countries, either directly or in close cooperation with the Universal Postal Union (UPU). Our aim is to continually improve the quality of the postal service in order to make the worldwide postal network more efficient. Once our new letter centres were up and running (completion of the REMA project), Swiss Post disposed of materials it no longer required. 57 containers with around 290 tonnes of material – from sorting racks to trolleys – were distributed to over 25 countries in Africa, eastern Europe and central America. Swiss Post was pleased to be able to use this one-off opportunity to make a significant contribution to development aid.

Public relations

In the area of public relations Swiss Post acts in accordance with the terms and spirit of the Code of Athens (E→ 30) and the Code of Lisbon (E→ 31). These globally recognized codes set out high ethical standards of behaviour for trustworthy public relations.

Resource efficiency and environmental impact Challenges

The global average temperature has risen by 0.6 percent since 1970. In all probability this global warming has been caused by humans, who have been burning more and more fossil fuels since the middle of the 18th century and consequently producing greenhouse gases. The global expansion and motorization of transport plus the felling of vast areas of tropical forests during the 20th century accelerated this trend. Today, society around the globe is faced with drastic changes in climate which are likely to get worse and which, in addition to their impact on the environment, will also affect our economy, society and health.

According to the UN Intergovernmental Panel on Climate Change (IPCC), the average temperature may rise at most by two degrees Celsius by 2050 if we are to avoid the catastrophic results of climate warming for humanity. This requires a reduction in global CO₂ emissions by 50 percent as compared with 1990 levels. Above all, the industrialized nations are being asked to step up to the plate and implement reductions of between 60 and 80 percent. The IPCC is also warning that we only have until 2020 to prevent far-reaching and irreversible damage to the planet (E→ 19).

Primary energy consumption is currently 6,000 watts per person in Switzerland. If we wish to maintain our standard of living and ensure continued economic growth, 2,000 watts per person are necessary. We cannot achieve this reduction simply by cutting energy consumption, we also need to move away from fossil fuels to renewable – and hence CO₂-free – energy sources. This is a major challenge in the area of transport in particular, which is responsible for around a third of Switzerland's CO₂ emissions. Swiss Post is also facing this challenge.

In 2007, Switzerland's primary energy demand broke down into 45.2 percent oil, 25.2 percent nuclear fuel (for nuclear power generation), 11.5 percent raw water power (for producing hydroelectric power), 9.7 percent natural gas, and 9.1 percent other energy sources. Of these, just 18.3 percent are renewables (principally raw water power and wood). Switzerland is therefore greatly dependent on fossil fuels. 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 measures must be stepped up, and greater use must be made of renewable forms of energy such as biomass, wind, hydroelectric or solar power. Lowering our dependency on fossil energy sources is likely to reinforce the trend towards increasing electrification. As a result of higher demand and the shift to renewables, electricity prices could rise again.

At the 15th UN Climate Conference in Copenhagen from 7 to 18 December 2009, the international community decided to take note of the "Copenhagen Agreement". It therefore did not succeed in agreeing binding emission targets. Each country should voluntarily set its own national targets. Switzerland plans to specify a binding CO₂ reduction target for 2020 in the course of 2010. The target will be implemented in Switzerland by means of CO₂ legislation, which is currently being revised. Key elements of the legislation are levies on heating and vehicle fuels, as well as an emissions trading system. The EU states have similar mechanisms. The aim is to influence CO₂ emissions through price. In Switzerland, heating fuel levies rose from 12 francs to 36 francs per tonne of CO₂ from 1 January 2010. At the same time, Parliament decided that a third of these duties will not be redistributed in future, but will instead flow into a building renovation programme. For Swiss Post, therefore, the reduced amount of levy redistribution is increasing the financial pressure to cut its CO₂ emissions.

Strategy and management approach

Environmental strategy and climate protection

As a logistics enterprise involved in the transportation of goods and people, Swiss Post operates an energy-intensive business. For this reason in particular, it has committed itself to sustainable corporate management. To create added value for both the company and society, Swiss Post is pursuing an environmental strategy (E→ 18) 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 strategy 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 offset any residual demand that cannot be met by renewable energy by purchasing high-quality CO₂ emissions certificates.

In view of our increasing energy consumption and stagnating CO₂ emissions in recent years, we must redouble our efforts to exploit potential savings and find innovative solutions in future. In the area of transportation, greater commitment to the use of new drive technologies and the deployment of fuel-efficient vehicles can help turn energy efficiency to competitive advantage. In some cases this first requires a re-examination of traditional user demands.

Environmental objectives

Swiss Post is guided up to 2010 by Switzerland's objectives in accordance with the Kyoto Protocol (greenhouse gases to be 8 percent lower than 1990 levels by 2012) and has taken the targets of the EnergieSchweiz programme (E→ 19) as a benchmark. The environmental objectives (E→ 17) of Swiss Post result in a target for cutting CO₂ emissions by 10 percent from the level of 2000 by 2010. By setting these targets, we acknowledge the need for action to combat climate change and the greenhouse effect.

Calculating environmental impact

Environmental performance
 Energy

Group (Switzerland)* |

Environmental objectives

	Target for 2010	2008 figure
Consumption of non-renewable heat	Reduce consumption by 10 percent compared with 2000	-25.5 %
Fuel consumption	Reduce consumption by 8 percent compared with 2000	-3.3 %
Paper consumption	Stabilize consumption at 2000 level	+70 %
Percentage renewable electricity	Renewable electricity accounts for 1 percent of the electricity consumed in 2000	100 %
Percentage renewable heat	Renewable heat accounts for 3 percent of heat consumed in 2000	9.6 %
Water consumption	Stabilize consumption at 2000 level	-40.7 %

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

We calculate the overall environmental impact of Swiss Post by means of an eco-audit (E→ 22). All operational activities for Swiss Post services, right the way through from procurement of raw materials and 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.

Today's energy and CO₂ balance sheet essentially covers the activities of Swiss Post in Switzerland and is based on data available since 2000. The energy calculations are based on fuel consumption at Swiss Post's own filling stations and heating fuel consumed in Swiss Post-owned buildings, which should be taken into account when interpreting the data. In the case of passenger transport (PostBus), the entire fuel consumption is recorded (including sub-contractors). The environmental figures are based on the last calendar year. The recording methodology is currently being refined.

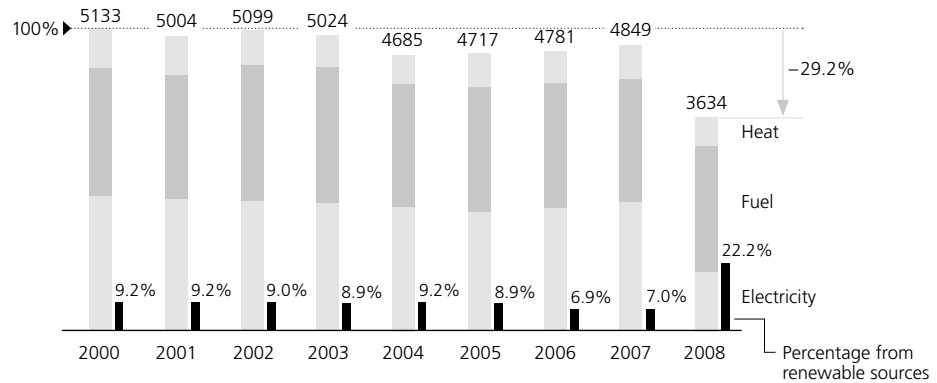
Since 2000 we have succeeded in lowering our final energy consumption over the long term. In the last period under review, however, final energy consumption was up 1.5 percent. On the other hand, during the same period Swiss Post also increased its turnover by 3.1 percent. The percentage of renewable energy also rose sharply.

Since 2000 the number of journeys in Switzerland has increased by 15 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 3.3 percent since 2000. Fuel consumption went up by 2.3 percent from 2007 to 2008.

Since 2000 we have reduced the heat requirements in Swiss Post-owned buildings in Switzerland by 25.5 percent at the end-use energy stage and by 25.9 percent at the primary energy stage. Between 2007 and 2008 we cut final energy consumption by 6.5 percent. During the same period we increased the share of heat obtained from renewable sources from 7.5 percent to 12.8 percent at the end-use energy stage.

While we had previously succeeded in reducing our electricity consumption over a number of years, we were unable to halt the continuing trend since 2007 and our electricity consumption at the end-use energy stage went up by 4 percent between 2007 and 2008. This is due primarily to the higher level of automation (such as in the new letter centres) and the increasing use of electronic data processing (greater processing power of servers).

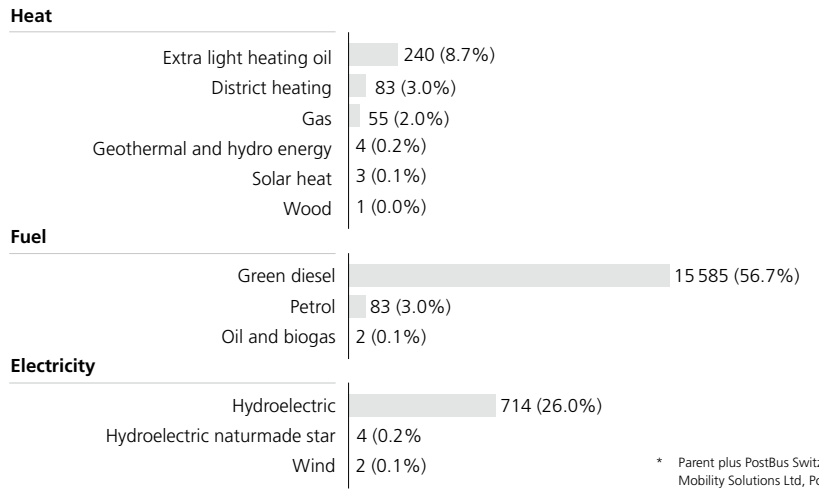
Group (Switzerland)* | Primary energy consumption by end-use energy type¹
 2000 = 100%, Terajoule (TJ)



* 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.

Alongside electricity conservation measures, Swiss Post is countering this rise in electricity consumption by using electricity solely from renewable sources. Since 2008, it has met 100 percent of its electricity requirements from renewable sources (chiefly hydroelectric power). Approximately 1 percent comes from certified green electricity from Switzerland (wind, water).

Group (Switzerland)* | Energy consumption by energy source
 2008, percent, end-use energy



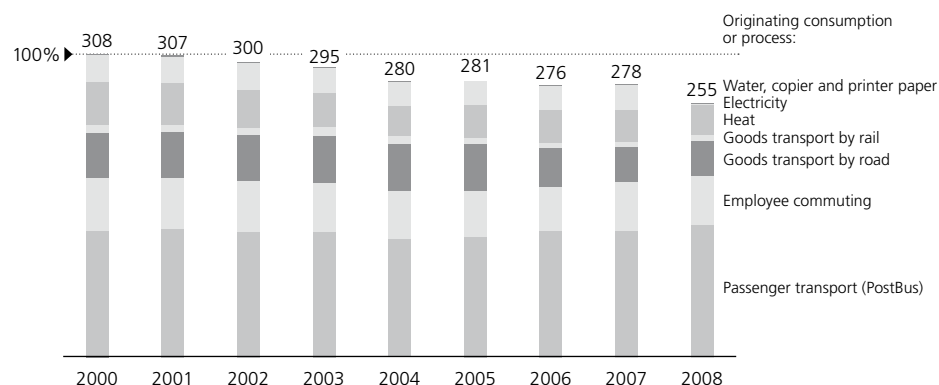
* Parent plus PostBus Switzerland Ltd., InfraPost Ltd, Mobility Solutions Ltd, PostLogistics Ltd, PostMail Ltd, Swiss Post International Ltd.

The proportion of renewable energy used for heating purposes was held stable at 12.8 percent. We have not yet achieved a breakthrough with vehicle fuels as there are tight constraints associated with the use of biofuels. We use 10 percent biogas for our gas-powered vehicles.

Climate footprint

In total we have reduced our climate footprint by 17 percent since 2000 and by 19 percent since 1998. In comparison with 2007, CO₂ emissions fell by 8.1 percent to around 255,000 tonnes CO₂. We have in fact therefore greatly exceeded our target of achieving a 10 percent reduction on 2000 levels. Since Swiss Post always sends all its own consignments carbon-neutrally, in 2009 it offset some additional 2,300 tonnes CO₂ of its own emissions in connection with its "pro clima" products by purchasing high-quality certificates (E+ 20).

Group (Switzerland)* | Climate footprint through greenhouse gases
 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 climate impact 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.

Paper Compared with the other environmental impacts at Swiss Post, the impact of paper consumption is minor (0.5 percent of overall impact). From 2000 to 2008, however, consumption had risen by 70 percent to over 160 million sheets of A4 paper annually. Despite a variety of initiatives, it was not possible to lower absolute consumption compared with 2007 and it rose slightly by 1.2 percent.

Water At 397,985 cubic metres, water consumption in Switzerland was on a par with the previous year. We have succeeded in reducing it by 41 percent since 2000.

Waste The volume of waste has risen slightly since 2007 to 17,671 tonnes. We recycled 5 percent of this. Special waste accounted for 0.2 percent, which represents a decrease of 4 percent from the previous year.

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 Our overall environmental impact has fallen by 34.9 percent compared with the reference year 2000, and by as much as 39.5 percent compared with 1998. This demonstrates that our long-term environmental strategy (E→ 18) is effective and that our efforts to implement our environmental policy are paying off (E→ 16). Year on year, our total environmental impact fell by 23.7 percent. Significantly greater use of renewable energy reduced the environmental impact much more than was caused by the higher consumption of electricity, fuel and heat.

By far the greatest element of Swiss Post's total environmental impact is now attributable to the transport of people and goods. More than half of this is the environmental impact of 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.

Group (Switzerland)* |

Environmental performance

2008 with previous year for comparison

		2008	2007
Resource and energy efficiency			
Energy consumption	GJ of primary energy ¹	3 634 035	4 848 712
Electricity	GJ of primary energy ¹	968 915	2 173 516
Heat	GJ of primary energy ¹	519 106	591 315
Fuel	GJ of primary energy ¹	2 146 014	2 083 881
Water consumption	m ³	397 985	391 400
Paper	Millions of A4 sheets	159.66	157.72
Percentage of recycled paper	%	34.2	36.9
Renewable energy			
Heat from renewable sources	% of heat consumption	12.8	12.8
Renewable fuels	% of fuel consumption	0.0	0.0
Electricity from renewable sources	% of electricity consumption	100	0.9
Environmental impact			
Total environmental impact	Env. impact points (millions) ²	229 822	301 255
Total climate-related burden	t CO ₂ equivalent ³	255 199	277 801
Climate-related burden of goods transport	t CO ₂ equivalent ³	41 846	40 298
Rail	t CO ₂ equivalent ³	6 446	4 738
Road	t CO ₂ equivalent ³	35 400	35 560
Climate-related burden of passenger transports	t CO ₂ equivalent ³	133 900	128 000
Climate-related burden of journeys to work	t CO ₂ equivalent ³	46 750	50 270
Total waste	t	17 671	17 379

* 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 oil, gas, coal or 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 Office for the Environment (FOEN).

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 (E+ 99).

Strategy implementation

Cooperation in
pro-climate initiatives

In the transport and logistics sector, the reduction of CO₂ emissions depends among other things on technological advances in vehicles. Together with partners, Swiss Post is therefore investing in the development of innovative solutions.

At the end of 2008, Swiss Post, IBM Switzerland, BKW FMB AG and the municipality of Ittigen in Canton Berne founded the "inergie" association with the aim of substantially reducing day-to-day energy consumption in the pilot town of Ittigen. As the first project under the leadership of Swiss Post's subsidiary Mobility Solutions Ltd, in 2009 an e-mobility pilot was launched which enabled companies in Ittigen to hire electrically powered cars and scooters. By the end of the year, six companies were already trialling electric vehicles in their daily operations.

Since 2008 Swiss Post has been cooperating with other postal organizations in the climate protection programmes of PostEurop and the International Post Corporation (IPC). The aim is to reduce CO₂ emissions caused by postal services. In the international arena we are working to establish standards, and we are sharing know-how and experience to record the emissions of the postal sector. In connection with the climate conference in Copenhagen we published a joint sustainability report. Internationally, postal operators have committed to climate protection measures. Through the commitment of its members the sector is seeking to cut emissions by at least 20 percent by 2020.

Swiss Post joined the WWF Climate Group at the beginning of 2009. This organization brings together companies wishing to make a substantial contribution to climate protection. They undertake to generate as few CO₂ emissions as possible and they agree targets with the WWF in the areas of "products and services", "operational CO₂ emissions and the use of renewable energy" as well as "employee and customer traffic". Swiss Post also supported the WWF Climate Group's autumn campaign which took place under the slogan "What if you were the solution for our planet?".



Doing something for the climate? Mail carbon-neutral letters, parcels and small consignments with "pro clima".

Climate-friendly products

Swiss Post is taking a variety of measures to reduce the environmental impact arising from the transportation of letters, parcels, goods and people.

On 10 February 2009, Swiss Post introduced the "pro clima" service (€ 20) for parcels, small consignments and letters that the recipient physically receives. Private and business customers can offset the CO₂ emissions of their mailings by means of a "pro clima" surcharge. The surcharge for each item is equivalent to a tiny percentage of the chosen service (e.g. letter, Post-Pac, Swiss-Express "Moon", VinoLog, European Business Parcel GLS or small consignments). Swiss Post offsets the CO₂ emissions by investing the funds raised by these climate surcharges in selected climate protection projects and buying Gold-standard CO₂ emission certificates.

Swiss Post leads by example and uses "pro clima" itself. The methods used to calculate the surcharges and money flows are verified by an independent body. Swiss Post pays for the operating costs of "pro clima". The offsetting projects shortlist was drawn up together with an external steering committee. The organizations represented in the steering committee are: WWF, the Foundation for Consumer Protection (SKS), SusTec (Group for Sustainability and Technology of the Management, Technology and Economy Department at the Federal Institute of Technology, Zurich), the Swiss National Youth Council (SAJV), and OIKOS (International Students for Sustainable Economics and Management). In January 2010, customers were invited

to choose online their favourite of three proposed climate protection projects. 61 percent of the votes cast went to the waste disposal gas project in Turkey.

In 2009, we were able to offset around 12,000 tonnes of CO₂ emissions with "pro clima" on behalf of our customers and for our own mailings. The respective climate surcharges will now be invested in a plant that generates electricity from waste gases. It would not have been possible to build this plant near Ankara in Turkey without the additional funds from carbon offsetting. Instead of the gases from the previously open waste disposal site escaping into the atmosphere, they will now be harnessed to produce electricity. The plant will provide 200 jobs.

"pro clima" received a "Highly Commended" in the Corporate Social Responsibility category of the 2009 World Mail Awards.

The RefillPost service enables ink cartridges to be quickly and inexpensively refilled by post. RefillPost uses the carbon-neutral "pro clima" service. In collaboration with two specialist laboratories in Basel (CRTechnologies AG) and Gland (Inko Service), PostMail is contributing to environmentally friendly printing and helping customers save money. In 2009, Inko Service received the Swiss Ethics Prize awarded by the Vaud University of Applied Sciences for the RefillPost product.

In addition, Swiss Post is actively developing innovative solutions which will help reduce the number of kilometres driven.

With over a million customers, PostFinance is the Swiss leader in e-finance. In 2009, PostFinance ran a campaign to specifically promote electronic account statements among existing and new customers. Since the introduction of flat fees for statements in 2004, around 160,000 business customers have dispensed with daily account statements on paper. Of the approximately 2,500 companies that registered for e-finance in 2009, 1,900 have opted to receive their account documents electronically.

Fleet management

Currently over 15,000 motor vehicles are on the road in the service of Swiss Post. These include Postbuses, cars, vans, trucks, scooters, and special vehicles. Our Mobility Solutions Ltd subsidiary is responsible for the majority of the motor vehicles used for postal operations in Switzerland. When making purchasing decisions, Swiss Post attaches great importance to the environmental impact of the vehicles used. For instance, in 2009 it laid down binding CO₂ limits for the procurement of cars. This is intended to bring the average CO₂ emissions of cars down from the current level of 167 gram/km to 150 gram/km. The fleet is renewed according to economic criteria and is fitted with the latest engine and exhaust emission control technology. Depending on the number of kilometres travelled and the annual maintenance costs, the service life of delivery vehicles is normally between five and seven years.

Over 4 percent of Swiss Post's total vehicle fleet currently uses alternative drive technologies. This includes a total of 140 gas-powered delivery vans which Swiss Post has been using since 2009, plus some gas-powered Postbuses. In addition to gas-powered vehicles, we also use around 500 electric scooters.

Together with universities and industrial partners, Mobility Solutions Ltd is working on concepts for the development and deployment of postal-specific electric delivery vans. The aim is to identify which vehicle concepts would be the ideal fit for the specific needs of postal deliveries and how existing and future series vehicles could be converted and adapted.

In order to support more sustainable vehicle use, pool cars are available for business journeys. To make better use of these company vehicles, some are operated using a car-sharing model. In the evenings and during the night people can use cars that are used by Swiss Post employees during the day. This ensures that the vehicles are deployed on a needs basis, boosts resource efficiency and saves costs. This solution has also been used for some delivery vehicles.

Goods transport

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 38.5 percent since 2000. These measures include working out the ideal modal split between road and rail, intelligent transport planning and the use of low-emission vehicles. We use transport management systems to identify and leverage synergies, while databases help us to minimize the proportion of journeys with empty vehicles.

Since the summer of 2009, Swiss Post has been using an additional 13 double-decker trucks, bringing the number in this fleet up to 28. In comparison with conventional trucks with trailers, these double-decker vehicles have approximately 50 percent more load capacity. This enables Swiss Post to reduce the number of journeys and cut the fuel consumption per vehicle and year by around 20,000 litres or 50 tonnes CO₂. The double-decker trucks are mainly used to transport parcels and pallets between the parcel centres and the distribution bases.

In 2009, our category C (truck) drivers attended a day-long eco-driving course where they learned environmentally friendly driving techniques and how to drive in a safe and forward-looking manner. Among other things, the aim is to cut fuel consumption by up to 10 percent.

Swiss Post has been trialling a new means of transport since June 2009: the "InterregioCargo" short train from RailLogistics AG, a private company. This short goods train leaves Graubünden early in the morning on every working day and travels to the parcel centres in Frauenfeld, Härkingen and Daillens, then back again. It travels 740 kilometres every day on its fixed route, using time windows and stretches of track that are otherwise closed to freight trains. Swiss Post has reserved a certain number of container cars on this short train, thus avoiding many long truck journeys.

Swiss Post's 140 gas-powered vehicles provide environmentally friendly parcel deliveries. Swiss Post operates one of the biggest fleets of gas-powered vehicles in Switzerland and in this way saves 59 tonnes CO₂ a year. Another significant advantage of gas-powered engines is the lower output of ozone-generating air pollutants that are harmful to health. 40 of the new gas-powered Fiat Ducatos, which Swiss Post operates with the support of Gasmobil Switzerland, are deployed in the Mägenwil distribution centre. The new distribution base, which delivers parcels in the Aarau region, is the first base that relies entirely on gas-powered vehicles.

With the purchase of a further 250 electric scooters for letter deliveries throughout Switzerland, Swiss Post is doubling its existing fleet to 500 vehicles. Swiss Post therefore operates the largest fleet of delivery vehicles of this type anywhere in Europe. Powered by lithium-ion batteries, the scooter does not produce any emissions and is virtually silent. The use of these 500 e-scooters alone will save around 250 tonnes of CO₂ a year. The aim is to replace around 2,000 conventional scooters with electric scooters by 2012.

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. Today, PostBus covers 80 percent of the kilometres travelled with vehicles fitted with soot particle filters.

In 2009, Swiss Post purchased 150 new Postbuses equipped with soot particle filters. 100 vehicles comply with the EEV (Enhanced Environmentally Friendly Vehicle) standard, which recognizes particularly environmentally friendly vehicles. 46 vehicles comply with the Euro 5 standard, as minibuses certified to the EEV standard are not yet available. Four new gas-powered buses have been purchased for use in western Switzerland and Liechtenstein. With the aim of reducing fuel consumption by around 10 percent, 500 vehicles have been fitted with a fuel consumption measuring device. These gauges continuously indicate to the driver how much fuel is being consumed. In eco-drive courses, PostBus drivers learn environmentally friendly driving techniques that save on fuel.

Employee mobility

In recent years, a hybrid engine has become increasingly popular as an alternative to the conventional diesel or gas-powered engine. Hybrid engines are already being used in cars, but some development work still needs to be done before they can be mass-produced for buses. In 2010, PostBus will operate and test the first Volvo low-floor hybrid-powered bus in the Berne region.

In France, a number of CarPostal France urban networks are actively participating in the Europe-wide “mobility week”. Here, a number of measures are being implemented to motivate town-dwellers to leave their cars at home and use public transport.

Every day, Swiss Post employees travel more than one 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 16.7 percent the impact of staff commuting is thus equivalent to over three quarters of the total goods transport of Swiss Post (19.1 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 or a 20 percent discount on a general rail pass as part of the collective employment contract. This now also applies to reduced-price rail cards such as Junior, Senior, Familia Partner, Familia Youth, Duo Partner, etc. All trainees of Swiss Post and its subsidiaries receive a free general rail pass.

In 2009, Swiss Post again supported the “bike to work” campaign organized by the Swiss cycling advocacy group Pro Velo. With 1,935 of its staff cycling to work in 495 teams, the Swiss Post workforce represented the biggest group of participants. They cycled to work on at least half of their working days in June.

Wherever feasible, staff use public transport for business trips. In addition 2,250 vehicles – 60 of which are hybrids – are available to staff at over 1,150 Mobility CarSharing locations. Employees who choose a particularly environmentally friendly model as their company car (consumption max. 5.5 litres/100 km, CO₂ emissions max. 140 g/km), 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

Since 2002, the energy efficiency of ten of Swiss Post's buildings with a high energy consumption has been optimized with the help of the energho association. In consultation with these specialists, the buildings and their technical services were analysed and effective action taken. For instance, the hot water temperature was reduced, controllers and pumps were optimized, water-saving nozzles were fitted to taps, etc. Without any constructional changes in the ten buildings, this enabled more than 6 million kWh of heat, over 2 million kWh of electricity and a good 6,000 m³ of water to be saved in 2009. In the ten buildings the consumption of heat alone fell by 25 percent, electricity by 7 percent and water by 10 percent. A further 30 facilities will be optimized using this tried and tested procedure in future.

Since 2008, Swiss Post has met all of its electricity requirements from renewable sources (chiefly hydroelectric power).

Information technology

By adjusting cold water temperatures and controllers for the air-conditioning systems in PostFinance's computer centre in Zofingen, energy efficiency was improved by 16.7 percent, or 1,076,080 kWh, in 2009. Since February 2009, PostFinance has been cooling its Engehalde computer centre in Berne using water from the river Aare. This has improved energy efficiency at this site by 5.6 percent or 812,785 kWh.

When purchasing new PCs and laptops, Swiss Post also takes account of their power consumption. In 2009, some 24,000 personal computers were in use at Swiss Post. Despite this slight increase, energy consumption over the last five years has fallen by around 10,000 MWh.

Swiss Post runs approximately 5,800 printers. Optimization here can help cut costs and conserve resources. With some 790 colour printers, 130 no longer automatically print in colour, but only when specifically instructed for the individual print job (pilot). This is intended to reduce the number of colour printouts by around 20 percent. In addition, only documents that are really needed should be printed so in a pilot project, print jobs are first being temporarily stored on a server. The user must then confirm the print job in person at the printer and take away the printout immediately. This is intended to cut the number of unnecessary printouts.

Information Technology supplies all of Swiss Post with IT tools and maintains equipment. 65,000 jobs with over 200,000 items are performed each year. Protecting the health of employees is an ongoing concern. Two examples from everyday practice: each year over 18,000 IT devices are cleaned for re-use. Information Technology is now using a special suction chamber with turntable for faster and better cleaning. Ear defenders, goggles and breathing protection are no longer required. Approximately 6,000 barcode printers must be cleaned regularly. Instead of chemical solvents, a modified ultrasonic cleaning method is now used here.

Procurement and products

The Eco PostPac has been available at all post offices since February 2009. As robust and practical as the tried-and-trusted yellow PostPacs, this box is made using only recycled paper and cardboard and is printed in black and white.

For a number of years already, instead of conventional cardboard boxes, Swiss Post has been using the Dispobox for shipping goods. This is reusable packaging made of durable, water-proof plastic. The 2009 eco-audit of the Dispobox conducted by an independent firm confirmed that the environmental impact of this plastic container is 50 percent lower than the equivalent cardboard boxes. The audit took into account factors such as the production of the basic materials (polypropylene and cardboard), manufacturing of the packaging (energy and auxiliary materials required), cleaning of the Dispoboxes and the associated additional transport as well as the final disposal of the container.

In 2009, around one hundred Swiss Post employees trialled uniforms made of new materials which surpass the cotton fabric currently used in terms of sustainability, environmental impact and function. Three cotton mix fabrics with bamboo, recycled polyester and coconut fibre were tested. Following the positive response, from 2010 delivery personnel will be issued with shirts and blouses made of a cotton/recycled polyester mix.

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 two new letter centres feature large single-storey halls with offices and social spaces above. 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.

Paper

Swiss Post only uses FSC-certified printer and copier paper as well as envelopes produced with at least 34 percent recycled paper. Even the staff newspaper, 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

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.

Waste

Owing to its greater impact on the environment, particular attention is paid to the volume of special waste (e.g. batteries, fluorescent tubes, electrical equipment, solvents). 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.

Outlook

Future risks and economic impact

A study conducted by McKinsey management consultants in 2009 examined the question of what measures Swiss firms can take to reduce their carbon footprint and how much money they could save by doing so. They concluded that measures need not necessarily be expensive to be effective. The study identified an enormous potential for Switzerland. With technical improvements in buildings, transport, electricity production, industry and agriculture, greenhouse gas emissions could be cut by almost 45 percent by 2030. That would make a total of 25 million tonnes of CO₂. McKinsey also pointed out that most measures would enable long-term cost savings of between 40 and 80 percent to be achieved, depending on the price of oil. To achieve this target, only 0.7 percent of gross domestic product would have to be spent.

McKinsey presented two scenarios: the first assumed a long-term oil price of 52 dollars a barrel and the second one was based on a long-term oil price of 100 dollars a barrel. Both scenarios point to a wide range of measures that would cost less than 100 euros per tonne of CO₂ saved, and which would be possible with our current technologies without having to give up our comforts or change our behaviour. According to the survey, the greatest potential for reduction is in buildings and transport, namely 11.3 megatonnes CO₂ equivalent for buildings and 5.6 megatonnes CO₂ equivalent for transport. The cheapest measures are for transport, such as improved fuel consumption, fitting spoilers or better tyres. The investment for improving the energy performance of buildings is slightly higher, for example measures to reduce energy consumption. The study also showed that the use of new technologies, such as solar panels or wind energy, is still too expensive to meet the reduction targets by 2030. However, they could play an important role in the longer term.

As a logistics company, the findings in the area of transport are of key importance for Swiss Post. The study indicates the sort of measures that would prove worthwhile for the company in future.

However, a decisive factor for the future environmental policy of Swiss Post (E+ 16) is also the current revision of CO₂ legislation in Switzerland. In view of the intended increase of the CO₂ levies on heating fuels and the possible introduction of a levy on vehicle fuels, maximizing our energy efficiency will become increasingly financially important for Swiss Post.

In the course of 2010, Swiss Post will set out a new long-term strategy and plan of action to reduce CO₂ emissions. The future sustainability programme of Swiss Post will be based on these findings and on the expectations of its stakeholders.

Sponsorship

Swiss Post's commitment to sport and culture (E→ 4) is very important for our image. Sponsorship totalled approximately 20.7 million francs in 2009.

Sport

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 Lucerne and Basel City Runs and the Corrida Bulloise race. Swiss Post also promoted most events directly. Swiss Post's commitment to running is also intended to motivate its employees. In 2009, they benefited from over 2,500 free entrances to races and running seminars for everyone. Swiss Post's running team, which includes some of the top elite runners in Switzerland, is also a prominent force.

PostFinance is the principal sponsor of the Swiss Ice Hockey Association (SIHA) and the National League, and is a Gold sponsor of the national teams. PostFinance supports talented young ice hockey players through its "Top Scorer" project and the PostFinance Trophy. In the 2008-2009 season, Top Scorers won 400,400 francs for the youth sections of clubs and the association. In addition, PostFinance gives direct support to 11 clubs in the National League. The new name for the ice-hockey stadium in Berne also bears witness to its ongoing commitment to this sport: the PostFinance Arena. The IIHF Ice Hockey World Championships were held there in 2009. 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 other types of youth sport through the Swiss Sport Foundation.

Four Swiss Post trainees are earning 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.

Culture

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 14 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. 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. Since 2008, Swiss Post has also been 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. Swiss Post makes awards in both festivals: "Le Grand Prix de la Poste Suisse" in Nyon for the best documentary, and the audience award in Solothurn.

The Swiss Post Sports and Culture Association, a group of 110 sports and culture associations of Swiss Post and Swisscom Ltd, 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

2009 with previous year for comparison

		2009	2008
Sports sponsorship	CHF million	11.7	12.65
Cultural sponsorship	CHF million	4.0	4.27

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

Conferences

Swiss Post organized the 17th International Conference on Postal Automation (ICPA) in 2009. From 5 to 8 May, over 200 logistics specialists from 37 countries on all continents converged on Lucerne. The aim of the conference is to share information and experience with new mail processing technologies and to find out about trends and developments in letter and parcel logistics. The conference takes place in a different country once every three years.

Engagement with society

■ Pro Juventute and Pro Patria

Swiss Post assists Pro Patria and Pro Juventute with the design and sale of its stamps (four issues each per year) and passes on the surcharges raised to the respective foundation. While Pro Patria promotes cultural heritage initiatives and projects with a social purpose, Pro Juventute works to meet the needs and protect the rights of children and young people in Switzerland. Pro Juventute stamps have also been available electronically with WebStamp since October 2009. In addition, the foundation entrusted Swiss Post with running the new Pro Juventute online shop.

■ “2 x Christmas” and “Santa Claus” campaigns

As part of the “2 x Christmas” campaign now in its 12th year, around 72,000 parcels (compared to 62,500 in 2008) 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 Moldavia, Belarus and Bosnia-Herzegovina. The “Santa Claus” campaign brings pleasure at Christmas time each year. In 2009, 15,512 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 payment transaction fees. In 2009 this amounted to 117,000 francs (2008: 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.

For the first time Swiss Post took part in “Every centime counts”, a week of fund-raising events organized by DRS3 and Swiss television to benefit Swiss Solidarity. Our collection in Parliament Square in Berne raised approximately 7 million francs.

Group | Engagement with society

2009 with previous year for comparison

		2009	2008
Social initiatives/gifts/donations	CHF million	5	3.22

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

■ Debt prevention among young people

PostFinance launched a new online educational game aimed at helping young people avoid getting into debt: “Event Manager” teaches young people aged 14–20 how to deal with money. In the role of an event manager, the player plans three big events in three rounds and must ensure that everything runs smoothly. They must plan the infrastructure for each event and engage the performers. The game can be played individually or in groups of at least eight people. The content of the game is aimed at secondary-school level I and II children.

More information can be found at www.postfinance-eventmanager.ch.

■ www.myberufswahl.ch

Swiss Post supported the development of a new interactive platform for choosing a career: www.myberufswahl.ch is part of the career guidance website and is aimed at pupils, parents and teachers. The platform was created in collaboration with the Education Directorate of Canton Berne and SDBB, the Swiss careers advisory service.

■ Structural art

With its structural art project, Swiss Post is creating a relationship between the spare and functional architecture of the new letter centres in Eclépens and Härkingen and the employees and the buildings' environment. "Smozz e Papga" of the two Ticino artists Ivano Facchinetti and Gianni Realini is the winning project of a competition Swiss Post held for Eclépens. The work is in two parts: it begins as an orange sculpture in the exterior space then continues indoors as a walkable blue floor installation with small wall applications. The Solothurn artist Roland Emch won the competition for the Härkingen letter centre with his work entitled "Härkingen liegt am Meer" (Härkingen is beside the sea). This installation also begins outdoors, with 30 silver "candelabras" topped with buckets. They symbolize the receiving of water, or the flood of letters. The water metaphor continues inside the letter centre with macro shots of water drops, glass cases with water containers from employees' home countries, and an audio installation in the stairwell.

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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/ar2009links. Click the link number on this web page to access the respective information.

Responsibility

Vision Basic content

Swiss Post's foremost guiding principle is its vision. Anchored in postal legislation (E 1–2) and the strategic objectives set by the Federal Council (E 3), the vision was revised and updated in 2009. As a central policy document, the vision is a key management instrument. It points our way forward into the future.

Vision 2010

We move people, goods, money and information – in a reliable, value-enhancing and sustainable way.

■ ... for our Switzerland

- We provide the population with efficient, inexpensive and high-quality postal, logistics and financial services
- We ensure optimum implementation of the government's service mandate and increase the company's value
- We strive to achieve a leading position that safeguards our economic status in the markets open to us
- We care for our environment
- We live up to our social responsibilities

■ ... successful with innovations in our four markets

- We are a leader in the communication market (letters, newspapers, promotional mailings, information solutions and data management) in Switzerland and growing in neighbouring countries and internationally
- We are one of the top three providers in the retail financial market (payments, investments, retirement planning, financing) in Switzerland and are continuously expanding this position
- We are developing in the logistics market (parcels, express services and logistics solutions) in Switzerland and neighbouring countries
- We are a leader in public passenger transport (regional, municipal and urban transport, system management) in Switzerland and are growing internationally

■ ... for our customers

- We provide high-quality services that are geared to the needs of our customers
- We have a nationwide network of access points for our services
- We offer customized service packages from a single source
- We ensure intelligent, secure all-round solutions
- We join forces with partners to provide our customers with worldwide access to our services

■ ... together with our employees

- We act in line with our common values: reliable – value-enhancing – sustainable
- We impress with our friendliness, appeal and long-term focus
- We provide a good, professional service
- We rely on our quality, our trustworthiness and our image
- We practise a dynamic, success- and team-oriented corporate culture
- We promote intercultural competencies and equality
- We treat each other with respect, act fairly, in a socially responsible manner and communicate openly
- We work with progressive employment conditions
- We offer attractive development opportunities

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. The Sustainability department became operational in 2009. (See the section "Management tools" on page 147.)

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 (E→ 24).

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 (E→ 24). 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 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.

Swiss Post operates an appropriate financial and operational risk management system in the PostFinance Group unit. The specific business risks faced by PostFinance, namely market, liquidity, credit and operational risks, are managed using industry-standard tools and methods, and PostFinance is guided in its risk management by the "best practice" approach of the financial sector, which is applied in a manner specific to the company. 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. Where limits are exceeded, predefined measures are introduced immediately. The professional handling of financial and operational risks at PostFinance guarantees, firstly, the safety of customer deposits, and secondly, the long-term sustainable earning power of the PostFinance Group unit and the company as a whole.

Risks

In 2009, Swiss Post identified and evaluated eleven high-level risks which it actively addressed and for which it developed scenarios and, where possible, drew up countermeasures. These risks each entail potential losses of at least 50 million francs. Three concern the (political) operating climate, four are market-related and four are endogenous risks. Sixteen further risks are being monitored as a precaution and, where possible, actively controlled through appropriate measures 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 194 of the Financial Report.

Corporate governance

Principles and guidelines

Although the corporate governance guidelines of 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 basic 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 by the legislator to provide a nationwide universal service (↪ 1). This universal service encompasses both postal and payment services. It represents the different needs of customers, the business community 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 basic service mandate and the fact that we are owned by the Confederation.

During the year under review, the Board of Directors reviewed Swiss Post's internal governance regulations and decided to make certain changes which took effect as of 14 December 2009. For more details, see page 140.

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, Swiss Post Solutions and the associated subsidiaries (cf. organization chart on page 35). No subsidiary is listed on the stock exchange. Due to the revised corporate governance requirements, there will in future be three different supervision models at the subsidiaries, depending on their strategic significance. At the parent company, the management principles remain consistent for 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 201 of the Financial Report.

Government control

The Federal Council dictates strategic objectives for Swiss Post (↪ 3). These are periodically revised, usually every four years (see the section "Directives ", page 44). The last revision took place in December 2009 and sets objectives for Swiss Post for the period 2010–2013. The Annual Report (report, balance sheet and notes, income statement, auditors' report and consolidated financial statements with Group auditors' report) in particular is submitted for approval and to help the Confederation, as owner, with its management and supervisory tasks. 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 (↪ 8), 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 Communication (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. Key topics included the performance figures, the financial statements, the report on the achievement of the strategic objectives, the profit payments to the Confederation, the review of the Federal Council's Strategic Objectives 2010–2013, the new postal legislation (↪ 5), in particular the subject of the banking licence, the range of services for 2010, the reorganization of the Swiss Post pension fund and the Group Strategy for 2009–2011.

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 auditor appointed by the regulatory authorities, KPMG checks annually whether Swiss Post has satisfied these requirements. Calculated using the regulatory method, in 2009 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.

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 200 million francs compared with 204 million francs in 2008.

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 caused by the transfer to the Swiss Post pension fund. The financial crisis gave rise to another shortfall in the Swiss Post pension fund which necessitated a reorganization, and immediate measures were taken to address this. In addition, the Group's equity was accumulated by reinvesting the remaining company profits. At 31 December 2009, i.e. following allocation of the Group profit for the year under review, this was 3,534 million francs. Following on from 2007 and 2008, Swiss Post will for the third time pay part of its profits to the Confederation, in an amount of 200 million francs. The statement of changes in equity as at 31 December 2009 can be found on page 154 of the Financial Report.

Board of Directors Composition

On the cut-off date, the Swiss Post Board of Directors comprised eight 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 appropriate representation of the regions, culture and genders when making appointments to the Board. A complete re-election will take place in April 2010. In accordance with the principle of separation of powers between the Board of Directors and Executive Management, in addition to performing a control and monitoring function in strategic matters, the Board of Directors also exercises a steering function as stipulated in the Postal Organization Act.

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. In 2009, this representation was provided by Susanne Blank and Jean-Marc Eggenberger.

Group | Composition of the Board of Directors and committee appointments
 as at 31.12.2009

Name	Function	Committees	Nationality	Member of Board since
Claude R. Béglé	Chairman	Audit & Risk, Organization, Nomination & Remuneration, Investment, Mergers & Acquisitions, PostFinance	CH	2008
Susanne Blank	Member	Audit & Risk	CH	2008
Jean-Marc Eggenberger	Member	Organization, Nomination & Remuneration	CH	2003
Dominique Freymond	Member	Organization, Nomination & Remuneration*	CH	2002
Nicola Thibaudeau	Member	PostFinance	CH, CAN	2006
Wolfgang Werlé	Member	Investment, Mergers & Acquisitions	DE	2002
Marco Durrer	Member	PostFinance*	CH	2009
Andreas Schläpfer	Member	Investment, Mergers & Acquisitions*	CH	2009

* Head of the committee

For detailed information on the individual members of the Board, see page 36.

Changes

2009

On 1 April 2009, Claude R. Béglé took over as Chairman from Anton Menth, who retired on account of his age. At the end of March, Peter T. Sany resigned from the Board of Directors due to a conflict of interest with his new activity at UBS. The newly-elected Andreas Schläpfer and Marco Durrer Einsitz joined the Board of Directors with effect from August 2009. Rudolf W. Hug resigned as a member of the Board of Directors in December 2009.

Changes after the
balance sheet date

Wolfgang Werlé left the Board of Directors on 4 January 2010. Claude R. Béglé resigned as Chairman of the Board of Directors with immediate effect on 19 January 2010. One day later, the Federal Council elected Peter Hasler as Chairman of the Board of Directors.

Review of corporate governance

The Board of Directors approved the revised corporate governance guidelines in December 2009. Now, the Board itself determines the main features of the corporate structure and the planning processes involved in the group strategy. The Board of Directors can now appoint two Vice-Chairmen from within its ranks. In addition, four new standing committees have been set up, and the two existing HR and Audit committees have been disbanded. The mandate of each committee is stipulated in separate regulations.

Organizational structure

Role and working methods 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 performance figures, the 2008 financial statements, the 2009 budget, the overall strategy and its processes, the complete revision of the Postal Act, the appointment of the new Heads of PostLogistics and PostMail, the development of the post office network, the succession of the CEO and the reorganization (see page 35) and the review of corporate governance. The Chief Executive Officer and Head of Finance usually attend Board meetings in an advisory capacity. Depending on the circumstances and the topic, other members of Executive Management, 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 of the Board appoints the General Secretary, who need not be a member of the Board of Directors. All members of the Board are subject to an age limit of 70 years. The review also introduced a twelve-year limit for terms of office. The Board of Directors now has four standing committees, which have an advisory role and prepare the way for decisions (Audit & Risk; Organization, Nomination & Remuneration; Investment, Mergers & Acquisitions; PostFinance). The Chairman of the Board has a seat on all these committees by virtue of his office. In addition, the Board of Directors may appoint

non-standing committees and working groups for an individual transaction at any time. The two existing HR and Audit committees have been abolished. 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 owner and the CEO. He approves the annual audit programme of Internal Auditing.

Audit Committee
(now Audit & Risk Committee)

The five-member committee assists the Board in, among other things, the supervision of the accounts, financial reporting operations and risk management. 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, audit reports from Internal Auditing, consultations with the external auditors, the 2009 budget, strategic financial planning and the impact of the global financial crisis on Swiss Post. Rudolf Hug headed this committee until he retired on 22 December. A new Chairman had yet to be appointed on the balance sheet date. Further to the review of corporate governance, the Audit Committee is to be replaced by the new Audit & Risk Committee. Nicola Thibaudeau has headed the committee since January 2010, on an interim basis, and its members are Peter Hasler and Susanne Blank.

Human Resources Committee
(now Organization, Nomination
& Remuneration)

The Human Resources Committee met five times during the last financial year. The main focuses were the succession of the Heads of PostLogistics and PostMail and the CEO, and the salary measures. The committee's members are Dominique Freymond (Chairman), Jean-Marc Eggenberger and the Chairman of the Board of Directors. In mid-December, the Human Resources Committee was replaced by the Organization, Nomination & Remuneration Committee, which has an advisory role vis-à-vis the Board of Directors as a whole with regard to the appointment and removal of the members of Executive Management and deciding their salaries. It also submits a recommendation for setting the negotiating mandate for the annual round of wage negotiations with the employee associations.

New committees
(Investment, Mergers
& Acquisitions, PostFinance)

The Board of Directors granted a mandate to the two new standing committees PostFinance and Investment, Mergers & Acquisitions, in separate regulations for each committee. The regulations all share the same structure, regulating the purpose, mandate, appointment, tasks and powers, special tasks of the Chairman and the organization of the committee. Three members of the Board of Directors, always including the Chairman of the Board, sit on each of the committees. The committees are chaired by a member of the Board of Directors. A competency matrix regulates the division of competencies between the Board of Directors, committee, CEO and the units involved with the topic. The committees have an advisory role.

The PostFinance Committee focuses on the governance of PostFinance's investment business, monitors PostFinance's operational risks and will oversee the project for its transition to PostFinance Ltd. The two members of the Board of Directors are Marco Durrer (Chair) and Nicola Thibaudeau.

The Investment, Mergers & Acquisitions Committee deals with the M&A strategy and the individual strategic alliances. It identifies and assesses opportunities for shareholdings, mergers & acquisitions, investments and alliances. In addition, it oversees the formation, liquidation and sale of subsidiaries, associated companies and shareholdings. Andreas Schläpfer has headed the committee since January 2010, and its other members are Jean-Marc Eggenberger and, since January 2010, Peter Hasler.

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 at banks, for example. Accordingly, members of the Board of Directors are not simultaneously members of Executive Management. The overhaul of corporate governance has intensified the interaction between the two management bodies and, in future, individual topics will be synchronized with even greater care. The iterative strategy process will be the primary focus of cooperation between Swiss Post's two management bodies.

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, its Chairman and Executive Management are based on the provisions of the Postal Organization Act and on the Organizational Regulations revised by the Board of Directors.

Information and supervisory tools

Reports

In order to perform its supreme 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). On the subject of human resources, the Board of Directors receives figures on headcount, value added and expenditure per employee, holiday and overtime credits, turnover and morbidity rate. 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 & Risk 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 and critical accounting topics. Reports are also submitted quarterly by Risk Management (see page 137 and page 194 of the Financial Report), Treasury, Communication and Internal Auditing (see page 143). 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, at least 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 by the external auditors along with the financial statements. Further information about the ICS can be found on page 194 of the Financial Report.

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 Chairman of the Board of Directors, but neither he nor Executive Management can issue instructions to the SRO. Since 1 January 2009, its activities and compliance with its obligations have been monitored by the Swiss Financial Market Supervisory Authority (FINMA), which carries out on-site audits once a year. The position of the Swiss Post SRO entails a certain degree of tension, since on the one hand it is subject to the requirements of FINMA, 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 31.12.2009

Name	Function	Nationality	Executive since
Jürg Bucher	CEO and Head of PostFinance	CH	2003
Dieter Bambauer	Head of PostLogistics	D	2009
Ulrich Hurni	Head of PostMail	CH	2009
Yves-André Jeandupeux	Head of Human Resources	CH	2005
Daniel Landolf	Head of PostBus	CH	2001
Frank Marthaler	Head of Swiss Post 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

Alongside operational management of the business, Executive Management's particular task is to draw up 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 related areas. The CEO represents Executive Management to the Board of Directors. There are no management contracts with companies or natural persons outside the Group.

For detailed information on the individual members of Executive Management, see also page 40.

Changes

Michel Kunz succeeded Ulrich Gygi as CEO with effect from 1 April 2009. He resigned from Executive Management in December. The Board of Directors appointed the Head of PostFinance, Jürg Bucher, as new CEO. Since March, the PostMail unit has been managed by Ulrich Hurni. Dieter Bambauer took over as Head of PostLogistics at the start of October.

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 persons closely linked to them 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 bodies should be taken into account when comparing the stated figures with those for 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, the members of the Board (including the Chairman) received total remuneration including fringe and other benefits of 1,028,182 francs (fees, fringe and other benefits). For 2009, the fringe and other benefits totalling 243,598 francs are stated in the total remuneration. In the year under review, the fee of the Chairmen of the Board totalled 218,750 francs (Anton Menth 50,000 francs for three months, Claude Béglé 168,750 francs for 9 months) and the fringe and other benefits came to 74,035 francs (Menth 14,313 francs, Béglé 59,722 francs).

Executive Management

In the year under review, the eleven members of Executive Management (including the two former CEOs) received total remuneration including fringe benefits of 4,866,046 francs (basic salaries, fringe benefits and performance components). As with the Board of Directors, fringe benefits totalling 339,843 francs are included in total remuneration. The performance-related component paid out to members of Executive Management in 2010, which is based on attainment of targets in 2009, amounts to 1,040,424 francs. The basic salary of the CEOs totalled 524,583 francs (Ulrich Gygi 142,500 francs for 3 months, Michel Kunz 360,000 francs for 9 months, Jürg Bucher 22,083 francs for 0.5 months as CEO and as Head of PostFinance), and the additional performance-related component 200,278 francs (Gygi 50,000 francs, Kunz 144,000 francs, Bucher 6,278 francs). The performance-related component for Mr Gygi was paid out in 2009.

Auditor

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.

Competition

Swiss Post fulfils its task – anchored in legislation – of providing a basic service and at the same time exploits the available scope for manoeuvre. In terms of services in competition, the same rules apply to Swiss Post as to private providers, subject to statutory exceptions. Swiss Post complies with 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 strong market position, so it is able to benefit from favourable purchasing terms and conditions for example.

Human resources

Cooperation is anchored in the vision and the strategy of Swiss Post. Under the guiding principle of "together with our employees", 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 their scope for initiative, and thus contribute to the company's success. In its human resources policy (E→ 9), Swiss Post defines binding principles and formulates its expectations of management, line managers and employees in Switzerland and abroad. In addition, Swiss Post attaches great importance to the health of its employees and wishes to prevent occupational illnesses and accidents. With this in mind, it places great emphasis on prevention and rapid reintegration.

Security

Swiss Post's security policy (E→ 23) is aimed at ensuring that its operations are not interrupted and that rapid, targeted intervention is possible following any critical incidents. With this in mind, Swiss Post fulfils the statutory security requirements and views security as integral to its corporate culture. Employees and line managers are enabled and encouraged to make an active contribution to 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.

Environment

Swiss Post pursues an environmental policy (E→ 16) that accords with the latest environmental findings while at the same time taking account of commercial necessities. People's needs are 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.

Procurement

Swiss Post is obliged to abide by defined tender procedures (↗ 29). The Swiss Federal Law on Public Procurement (BoeB) (↗ 27) and the Swiss Federal Ordinance on Public Procurement (VoeB) (↗ 28) form the basis of its purchasing policy (↗ 25). Swiss Post sees its suppliers as partners in a tough but fair competitive arena. It treats the bidders equally. In its purchasing, it strives for the best possible conditions and a high degree of efficiency, as well as strategically long-term relationships, cooperation and partnerships. Our annual procurement volume stands at around 2.9 billion francs.

In keeping with our corporate vision, our procurement approach embraces economic, ethical, social and ecological issues. Swiss Post places considerable emphasis on the sustainable and respectful handling of resources and the environment.

Since 2006 every supplier has been required to sign our Code of Ethics and Social Responsibility (↗ 26) and undertake to comply with our standards.

Management tools

Innovation

Swiss Post has launched a Group-wide innovation initiative specifically to promote the development and implementation of new business and process ideas, in order to have a lasting and positive influence on Swiss Post's results and position itself as an innovative company in the eyes of its customers and the general public. To this end, Swiss Post maintains an innovation fund to which 1.5 per mille of budgeted Group sales (around 13 million francs) is channelled each year. Since August 2009, employees have been able to present ideas – for new services, for example – directly to a jury of representatives of the units, in a straightforward process. The jury appraises the technical merits of the ideas and allocates an initial monetary sum for promising proposals. Next, the people behind the ideas flesh out their idea and, if possible, develop a prototype. An Executive Management committee then makes a definitive decision on funding for the idea. The inter-unit panels increase the transfer of knowledge to the units, thereby further enhancing the quality and innovativeness of the ideas. In 2009, more than 20 ideas received funding from the innovation fund. It is the responsibility of the units to implement this system. Among the ideas were "pro clima" (E→ 20), the carbon-offset mailing of letters and parcels (page 125) and SwissStick, a security memory stick (page 73), which was trialled with 1,000 employees at the end of the year.

In 2008, Swiss Post founded PostLab on the campus of the Swiss Federal Institute of Technology (ETHL) in Lausanne. PostLab fosters contacts with universities, students and start-up companies. One of its aims is to harness the knowledge of the universities for Swiss Post and identify new business potential.

"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. It is easy for every employee to get actively involved in changes at Swiss Post. Everyone can bring their knowledge, skills and creativity to bear in helping to optimize processes and eradicate unnecessary tasks, thereby promoting an entrepreneurial mindset for the benefit of both Swiss Post and the people behind the ideas. Swiss Post wants to utilize everyone's potential and is therefore continually developing the tool. For some time now, ideas and suggestions from employees have been actively solicited. In future, as well as final suggestions, it will also be possible to record questions and problems in the system. These can then be developed further by colleagues and all managers. In 2009, the ideas submitted resulted in savings of more than four million francs.

Stakeholders

Owing to its status as a major 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 basic 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 channels of a modern information society. In order to engage constructively with the many interests and concerns, and in order to spot and act on 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 employees in Switzerland and abroad and has created various networking platforms for this purpose. In 2009, six events with the theme "what colour is your Swiss Post" were staged throughout Switzerland, with Michel Kunz, as part of the "Postorama" series of events. "Postorama" has already covered more than twenty topics relating to Swiss Post. 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 more than 160 "communities of practice" to discuss topics of their own choice and to develop new solutions. Over 3,000 people are involved in these groups. 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.

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 units here, ensuring comprehensive assessment of management, processes, customer focus and results.

Environment

In the implementation of its environmental policy (E→ 16) at Group level, Swiss Post is guided by an environmental management system (EMS) (E→ 21), and a number of units are certified to the ISO 14001 standard. Swiss Post's system enables us to identify and define our environmentally relevant activities, set targets (E→ 17), initiate measures, monitor their success and ensure reporting. The system is continually adapted to changing parameters.

Environmental topics are dealt with by inter-unit panels. An Executive Management committee makes decisions on funding for important projects. The Sustainability department, which was formed in 2009, is part of the Communication unit at Group level. Its task is to prepare the way for strategic decisions and it now also handles coordination.

Security

In 2009, Swiss Post set up a central intranet platform for the contingency of a flu pandemic, to provide employees with information sheets, points of contact and recommendations on how to act in a variety of situations, e.g. in meetings with customers or when the first flu symptoms appear. In the event of security scares and incidents, the 24-hour security hotline of Corporate Security is the first point of call for employees. It is used over 4,000 times a year. Crisis management ensures rapid analysis and an appropriate response following extraordinary incidents. In a simulated crisis, the Group Crisis Management Staff Unit practiced their readiness, function, role perception and division of tasks. Regular exercises of this nature are intended to ensure that any weaknesses are identified and rectified and that the skills acquired are preserved. In 2009, the emphasis of courses and training relating to the topic of security was on handling hand fire extinguishers. 784 employees from all over Switzerland attended a one-hour training session to gain hands-on experience of extinguishing various types of fires that were set for the purpose, using special training vehicles in cordoned-off car parks.

Procurement chain

Swiss Post has a unified procurement system with specially-designed management tools which are based on internal customer needs and the requirements of the specific transaction. Environmental goals, such as the respectful handling of resources and preventing ecological risks, also influence our procurement activities. Swiss Post is committed to existing and proven, officially recognized standards: in our paper purchasing activities, the FSC certification is an important factor, as is the Energy Label when purchasing electrical and electronic equipment; where not specifically mentioned, we abide by the minimum requirements of the Swiss Federal Office of Energy (SFOE). For vehicles, low-CO₂ technologies are an important factor.

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Financial Report

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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.

Group

Consolidated
statement of
comprehensive
income

Group Statement of comprehensive income CHF m	Notes	2009	2008
Net sales from logistics services		5 489	5 584
Net sales from resale merchandise		628	635
Income from financial services	6	2 148	2 177
Other operating income	7	444	584
Total operating income	5	8 709	8 980
Staff costs	8, 9	-4 032	-3 873
Resale merchandise and service expenses	10	-1 672	-1 727
Expenses for financial services	6	-633	-880
Other operating expenses	11	-1 326	-1 409
Depreciation and amortization	24, 25	-325	-279
Total operating expenses		-7 988	-8 168
Operating result	5	721	812
Financial income	12	25	25
Finance costs	13	-14	-22
Net income from associates	23	6	10
Profit before tax		738	825
Income tax expense	14	-10	0
Group profit		728	825
Other comprehensive income			
Change in fair value reserves		149	-141
Change in hedging reserves		-11	30
Change in currency translation differences		1	-25
Change in deferred taxes		11	0
Total other comprehensive income		150	-136
Total comprehensive income		878	689
Group profit attributable to			
Swiss Confederation (owner)		728	823
Non-controlling interests		0	2
Total comprehensive income attributable to			
Swiss Confederation (owner)		878	687
Non-controlling interests		0	2

Consolidated balance sheet

Consolidated balance sheet

CHF m	Notes	31.12.2009	31.12.2008
Assets			
Cash		1 976	2 341
Receivables due from banks	15	16 293	17 066
Interest-bearing amounts due from customers	15	132	105
Trade accounts receivable	15	980	1 098
Other receivables	15	1 218	1 056
Inventories	16	83	80
Non-current assets held for sale	34	5	16
Financial assets	17–22	61 129	47 008
Investments in associates	23	39	42
Property, plant and equipment	24	2 448	2 460
Intangible assets	25	296	261
Deferred income tax assets	14	77	70
Total assets		84 676	71 603
Equity and liabilities			
Customer deposits (PostFinance)	26	77 272	64 204
Other financial liabilities	26	161	364
Trade accounts payable		715	835
Other liabilities		994	900
Provisions	27	438	433
Employee benefit obligations	9	1 552	1 995
Current income tax liabilities		1	4
Deferred income tax liabilities	14	9	11
Total liabilities		81 142	68 746
Endowment capital		1 300	1 300
Capital reserves		1 881	1 366
Retained earnings		345	67
Reserves for self-insurance		-	265
Gains and losses recognized in other comprehensive income		30	- 119
Currency translation reserves		- 25	- 26
Equity attributable to the owner		3 531	2 853
Non-controlling interests		3	4
Total equity		3 534	2 857
Total equity and liabilities		84 676	71 603

Consolidated statement of changes in equity

Consolidated statement of changes in equity CHF m	Notes	Endowment capital	Capital reserves	Retained earnings	Reserves for self-insurance	Gains and losses recognized in other comprehensive income	Currency translation reserves	Equity attributable to the owner	Non-controlling interests	Total
Balance at 1 Jan. 2008		1 300	1 116	-206	265	-8	-1	2 466	4	2 470
Group profit				823				823	2	825
Decrease in fair value reserves for available-for-sale financial assets						-137		-137		-137
Losses transferred to profit or loss due to disposal 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
Gains/losses transferred to profit or loss from cash flow hedges						-119		-119		-119
Change in currency translation reserves							-25	-25	0	-25
Total other comprehensive income						-111	-25	-136	0	-136
Total comprehensive income				823		-111	-25	687	2	689
Change in non-controlling interests									0	0
Dividends				-550				-550	-2	-552
Capital contribution	9		250					250		250
Balance at 31 Dec. 2008		1 300	1 366	67	265	-119	-26	2 853	4	2 857
Balance at 1 Jan. 2009		1 300	1 366	67	265	-119	-26	2 853	4	2 857
Group profit				728				728	0	728
Increase in fair value reserves for available-for-sale financial assets						145		145		145
Gains transferred to profit or loss due to disposal of financial assets	17					-3		-3		-3
Amortization of fair value reserves for financial assets reclassified as held to maturity	17					7		7		7
Change in unrealized gains/losses on hedging reserves for cash flow hedges (net)						-28		-28		-28
Gains/losses transferred to profit or loss from cash flow hedges						17		17		17
Deferred taxes						11		11		11
Change in currency translation reserves							1	1	0	1
Total other comprehensive income						149	1	150	0	150
Total comprehensive income				728		149	1	878	0	878
Change in non-controlling interests									1	1
Dividends				-450				-450	-2	-452
Capital contribution and reclassification	9		515		-265			250		250
Balance at 31 Dec. 2009		1 300	1 881	345	-	30	-25	3 531	3	3 534

On 1 January 1998, the Swiss Confederation provided Swiss Post with interest-free endowment capital of CHF 1,300 million.

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. 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.

The switch from the Swiss Post self-insurance solution to Swiss Post Insurance AG meant that the self-insurance reserves in the amount of CHF 265 million could be reclassified into capital reserves.

In accordance with a decision by the Swiss Federal Council, CHF 250 million was deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2008 (previous year: CHF 250 million). As a result of profit being thus appropriated, capital reserves increased by a corresponding amount. In addition, CHF 200 million was distributed to the owner in 2009.

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 recognized in profit or loss.

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 reclassified to profit or loss when the hedged item affects profit or loss.

Consolidated cash flow statement

Consolidated cash flow statement			
CHF m	Notes	2009	2008
Profit before tax		738	825
Depreciation and amortization	24, 25	325	279
Net gains on disposal of property, plant and equipment	7, 11	-90	-88
Net impairment of financial assets	17	53	188
Net impairment of associates		2	-
Change in fair value of financial assets		115	291
Net (decrease) in provisions		-196	-200
Other net financial income/(finance costs)		8	2
Other non-cash income/(expense)		-8	-11
Change in net current assets:			
Decrease/(increase) in receivables		99	-85
(Decrease)/increase in liabilities		-33	13
(Increase)/decrease in other non-interest-bearing current assets		-2	0
Change in items from financial services:			
Decrease in receivables due from banks (term of 3 months or more)		74	1 657
(Increase) in financial assets		-14 153	-6 148
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		13 045	12 725
Change in other receivables/liabilities from financial services		-325	-1 154
Income taxes paid		-9	-13
Net cash from/used in operating activities		-357	8 281
Purchases of property, plant and equipment	24	-350	-447
Purchases of intangible assets (excl. goodwill)	25	-29	-26
Payments to acquire subsidiaries, net of cash acquired	33	-47	-41
Payments to acquire non-controlling interests	33	-5	-2
Proceeds from disposal of property, plant and equipment		190	153
Proceeds from disposal of (payments to acquire) other (non-operating) financial assets (net)		-7	9
Interest received (excl. financial services)		19	23
Net cash used in investing activities		-229	-331
(Decrease) in other financial liabilities		-20	-116
Interest paid		-6	-7
Transfer from profit available for appropriation to Swiss Post pension fund	9	-250	-250
Dividends paid to the owner		-200	-300
Dividends paid to non-controlling interests		-2	-2
Net cash used in financing activities		-478	-675
Change in cash and cash equivalents		-1 064	7 275
Cash and cash equivalents at 1 January		18 503	11 228
Cash and cash equivalents at 31 December		17 439	18 503
Cash and cash equivalents include:			
Cash		1 976	2 341
Receivables due from banks with an original term of less than 3 months	15	15 463	16 162
Total cash and cash equivalents at 31 December		17 439	18 503

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 consolidated annual financial statements of Swiss Post have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRSs) and also comply with the Postal Organization Act.

The consolidated annual financial statements have been prepared under the historical cost convention. Exceptions to this rule are described in the accounting policies 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 recognized at 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 finance costs from financial services and the underlying cash flows are shown as operating income, expenses or cash flows. Financial income and finance costs from other Group units are disclosed as non-operating financial income or finance costs (excluding financial services) and the relevant cash flows as investment or financing transactions.

Revised and new International Financial Reporting Standards (IFRSs)

Various new and revised IFRSs and Interpretations are effective from the 2009 reporting period onwards. Only those new Standards that are relevant for Swiss Post are listed below. Overall, however, their impact on Swiss Post Group is insignificant.

Standard/Interpretation	Effects on the consolidated financial statements of Swiss Post
IAS 1 rev. Presentation of Financial Statements (effective from 1 January 2009)	New or more precise terms for individual components of the financial statements. Where prior-year figures have been restated retrospectively or items in the financial statements reclassified, an additional balance sheet must be presented as at the beginning of the comparative period.
IAS 23 rev. Borrowing Costs (effective from 1 January 2009)	Capitalization of borrowing costs during acquisition, construction or production to the extent that these are directly attributable to the qualifying asset.
IAS 27 rev. Consolidated and Separate Financial Statements in accordance with IFRSs (effective from 1 July 2009)	Introduces new disclosure requirements. A gain or loss on loss of control is recognized in profit or loss.
IAS 39 rev. Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective from 1 July 2009)	Effect on disclosures when an entity starts to apply/discontinues hedge accounting as a result of this amendment.
IFRS 3 rev. Business Combinations (effective from 1 July 2009)	Primarily includes the 'full goodwill method' and the recognition of acquisition costs in the statement of comprehensive income.
IFRS 7 amend. Financial Instruments: Disclosures (effective from 1 January 2009)	Enhanced disclosures about fair value measurements and liquidity risk.
IFRS 8 Operating Segments (effective from 1 January 2009, supersedes IAS 14, Segment Reporting)	The Standard requires the management approach to segment reporting. Swiss Post has been using this approach in its segment reporting since as far back as 2002.

Accounting changes

■ Resale merchandise, service and other operating expenses

On 1 January 2009, the amended accounting guidelines came into effect in the Swiss Post Solutions segment (formerly Strategic Customers & Solutions). This resulted in a reclassification out of other operating expenses and into resale merchandise and service expenses. The prior-year figures were adjusted accordingly in the amount of around CHF 97 million.

■ Equity

When operations commenced at Swiss Post Insurance AG on 1 January 2009, the existing self-insurance reserves in equity ceased to be valid. An amount of CHF 265 million was therefore reclassified into capital reserves.

3 | Consolidation methods and accounting policies

The consolidated annual 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 separate financial statements of the parent and the subsidiaries, which in turn are prepared in accordance with uniform principles as at a uniform reporting date.

All intra-Group receivables, liabilities, income and expenses from intra-Group transactions and unrealized inter-company profits are eliminated on consolidation. Non-controlling interests in the equity of consolidated companies are presented as a separate item within equity. Non-controlling interests in Group profit or loss are presented outside the consolidated statement of income.

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 "available-for-sale" financial assets.

Companies acquired during the reporting period are included in the consolidated annual 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 (Consolidated Group) for an overview of Swiss Post subsidiaries and associates.

Currency translation

The consolidated annual 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 end of the reporting period, 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 in other comprehensive income.

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 recognized in consolidated other comprehensive income.

Recognition of income

Income is recognized if it is clear that the economic benefits associated with the transaction will flow to Swiss Post and those 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 statement of income 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 profit or loss on an accrual basis.

Commission and service income from financial services is 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 debtor'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 recognized 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, working and production 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 primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are recognized as financial assets at fair value. They are classified as "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated". Fair value changes in this category are recognized in profit or loss. Interest or dividend income from assets "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated" is presented as a separate item in the Notes.

Financial assets with a fixed term to maturity, where Swiss Post has the positive intent and ability to hold them to maturity, are classified as "held to maturity" and recognized at amortized cost under the effective interest method. The effective interest method distributes the difference between historical cost and the repayment amount (premium/discount) over the term 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 response 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 other comprehensive income and are recognized in profit or loss 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 recognized in profit or loss.

Loans granted by Swiss Post are recognized at amortized cost. Financial assets are entered in the balance sheet at the settlement 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 recognized in profit or loss as an impairment. If an impairment is recognized on an "available-for-sale"

financial asset, the cumulative net loss on this asset recognized in other comprehensive income is reclassified from equity to profit or loss. 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 recognized in other comprehensive income. 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 profit or loss until the assets' disposal; in this case, positive changes in value are recognized in other comprehensive income. 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 profit or loss.

Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are recognized in other comprehensive income, while changes in value to the extent a hedge is ineffective are recognized in profit or loss.

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 profit or loss.

The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (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 presented as receivables due from banks. Financial assets obtained from transactions as collateral are not recognized in the balance sheet. Transactions are entered in the balance sheet at the settlement date. Interest income from reverse repurchase transactions is accounted for under the accrual-based accounting principle.

Financial assets transferred as collateral 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.

Repurchase, reverse
repurchase and securities lending
transactions

Property, plant and equipment

Securities cover for repurchase, reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values.

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. Borrowing costs for assets under construction are capitalized.

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.

The other lease agreements are recognized as operating leases. The lease payments are recognized in profit or loss 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 this is the case, 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 profit or loss. The recoverable amount of goodwill is reviewed at least annually.

Customer deposits
(PostFinance)

Customer deposits held with PostFinance in postal, Deposito and 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 end of the reporting period are taken into account, and assumptions are made as to future wage trends.

The effects of plan amendments are recognized in profit or loss, provided they resulted in justifiably acquired rights. Other effects are recognized in profit or loss 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 statement of income 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 (POA), 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

Estimation uncertainty in applying accounting policies

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 consolidated annual financial statements as a result of Executive Management's judgments are also explained.

■ 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 employee benefit 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 benefit 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 observable market information. The discounted cash flow (DCF) method is used 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 structure. 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. For information on the composition of segment assets, please see the separate section "Composition of segment assets and liabilities".

Note 32 (Consolidated Group) shows the segments to which the Swiss Post accounting units and subsidiaries have been assigned.

Segmentation

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 other countries and related services in other countries, mailing of newspapers/magazines.
Swiss Post Solutions (formerly 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.

Geographical information

In applying IFRS 8, the geographical information was extended to include a regional structure comprising "the Americas", "Europe" and "Asia", with allocation to those regions based on where the company has its registered office. Based on geographical criteria, companies are also assigned to the "Switzerland" and "International and cross-border" segments (see pages 166–167). The "International and cross-border" segment includes the total revenue 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 has been further liberalized. The monopoly limit was lowered to 100 grams on 1 April 2006 and to 50 grams on 1 July 2009. 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: CHF 30 million (2008: CHF 30 million) for uncovered costs incurred in transporting newspapers.
- PostBus segment: CHF 150 million (2008: CHF 144 million) 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 finance costs 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 entrepreneurs) 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.

In financial year 2009, Swiss Post acquired the GHP and GBS+ Group brands for a total amount of CHF 46 million. The acquisition of these two brands was based on Swiss Post's brand strategy and decided by Executive Management and the Board of Directors. From 2010 onwards, the acquiring segment "Other" will receive an annual licence payment that is accepted for tax purposes for the brands' use by the Swiss Post Solutions segment.

Results by
business segment
and region

Result by business segment											
2009				Swiss Post							
CHF m	Notes	PostMail	Post-Logistics	Inter-national	Swiss Post Solutions	Post Offices & Sales	Post-Finance	PostBus ¹	Other ²	Consolidation	Group
Operating income											
from customers		2 504	1 122	1 024	595	464	2 149	639	212	–	8 709
from other segments		304	366	4	101	895	11	1	818	–2 500	–
Total operating income		2 808	1 488	1 028	696	1 359	2 160	640	1 030	–2 500	8 709
Operating result		198	45	53	–25³	–113	441	27	95³		721
Net financial income/finance costs											
	12, 13										11
Net income from associates	23	–3	–	7	0	–	3	0	–1		6
Income tax expense	14										–10
Group profit											728
Segment assets											
		438	447	620	388	452	80 324	272	4 423	–3 513	83 851
Associates		3	–	13	0	–	16	2	5		39
Unallocated assets ⁴											786
Total assets											84 676
Segment liabilities											
		279	482	567	235	566	79 373	379	2 235	–3 513	80 603
Unallocated liabilities ⁴											539
Total liabilities											81 142
Investment in property, plant and equipment and intangible assets											
	24, 25	35	74	8	31	18	8	88	117		379
Depreciation and amortization	24, 25	43	56	7	32	2	14	26	123		303
Impairment	17, 24, 25	–	5	–	17	–	53	–	–		75
Other non-cash income/(expenses)		–3	–18	–2	–32	–4	0	–15	–196		–270
Headcount⁵		16 996	5 489	1 272	6 878	6 973	3 042	1 736	2 417		44 803

1 The PostBus segment is subject to the Railways Act (EBG), which provides for separate accounting regulations for franchised transport businesses (REVO). 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 The operating result of Swiss Post Solutions includes the sale of a brand to Swiss Post ("Other" segment) in the amount of CHF 46 million.

4 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/finance costs rather than to the operating result and therefore are not assigned to segment assets or segment liabilities.

5 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region										
2009					Consolidation			International and cross-border	Consolidation	Group
CHF m	Notes	Europe	Americas	Asia		Group	Switzerland			Group
Operating income from customers										
		8 605	86	18	–	8 709	7 167	1 542	–	8 709
Operating result										
		718	3	0	–	721	689	32	–	721
Segment assets										
		84 584	43	10	–786	83 851	83 834	803	–786	83 851
Investment in property, plant and equipment and intangible assets										
	24, 25	378	1	0	–	379	295	84	–	379

Result by business segment

2008 CHF m	Notes	PostMail	Post- Logistics	Swiss Post Inter- national	Swiss Post Solutions	Post Offices & Sales	Post- Finance	PostBus ¹	Other ²	Consoli- dation	Group
Operating income											
from customers		2 587	1 151	1 030	650	449	2 180	603	330	–	8 980
from 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/finance costs											
	12, 13										3
Net income from associates	23	0	–	7	0	–	2	0	1		10
Income tax expense	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 separate accounting regulations for franchised transport businesses (REVO). 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/finance costs 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 the transfer of home delivery service employees.

Result by region

2008 CHF m	Notes	Europe	Americas	Asia	Consolida- tion	Group	Switzer- land	Internati- onal and cross- border	Consolida- tion	Group
Operating income from customers										
		8 881	88	11	–	8 980	7 372	1 608	–	8 980
Operating result										
		809	3	0	–	812	779	33	–	812
Segment assets										
		71 512	42	7	–1 940	69 621	70 607 ¹	954	–1 940 ¹	69 621
Investment in property, plant and equipment and intangible assets										
	24, 25	472	1	0	–	473	440	33	–	473

1 In implementing IFRS 8, the prior-year amounts were adjusted accordingly (see also "Geographical information").

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 CHF m	2009	2008
Interest income		
Interest income on receivables due from banks	4	40
Interest income on securities lending and reverse repurchase transactions	31	142
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on FVTPL ¹ : designated	–	–
Interest and dividend income on financial assets	1 323	1 183
Interest expense		
Interest expense for customer deposits (PostFinance)	–403	–526
Interest expense for amounts due to banks	–1	–14
Interest expense on repurchase transactions	0	–6
Net interest income	963	828
Impairment of financial assets	–54	–188
Losses on payment transactions	–6	–4
Net interest income, net of impairment	903	636
Commission income on lending business	75	73
Commission income on securities and investment business	27	26
Commission income on other services	28	23
Commission expenses	–78	–69
Net income from services	490	508
Net services and commission income	542	561
Net trading income	107	111
Net income from FVTPL ¹ : designated	–1	–
Net income from the disposal of available-for-sale financial assets	3	2
Other net financial income/finance costs	–39	–13
Net income from financial services	1 515	1 297
Shown in the consolidated statement of income under:		
Income from financial services	2 148	2 177
Expenses for financial services	–633	–880

1 FVTPL: financial assets at fair value through profit or loss (designated).

7 | Other operating income

Other operating income CHF m	2009	2008
Rental income	61	63
Gains on disposal of property, plant and equipment	94	89
Miscellaneous other income	289	432
Total other operating income	444	584

Miscellaneous 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) 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	2009	2008
Wages and salaries		3 339	3 325
Social security benefits		372	308
Employee benefit expenses	9	219	150
Other staff costs		102	90
Total staff costs		4 032	3 873

Headcount

Headcount

Number of employees ¹	2009	2008
Employees at Swiss Post Group (excluding trainees)	44 803	44 178
Employees at Swiss Post (excluding trainees)	30 863	32 919
Trainees at Swiss Post Group	1 756	1 631

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 Duoprivat (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 entrepreneurs (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 two additional, material benefit plans in Switzerland and the benefit solution of the SPS Group in Germany. The other benefit plans are immaterial in the context of the consolidated annual financial statements.

Actuarial assumptions

The following parameters were applied in performing the calculations:

Actuarial assumptions made in calculating annual employee benefit expenses

percentage	2009	2008
Discount rate	3.50	3.25
Expected long-term return on plan assets	4.50	4.50

Actuarial assumptions at 31 December

percentage	2009	2008
Discount rate	3.25	3.50
Expected change in wages	2.00	2.00
Pension indexation	0.00	0.50
Staff turnover	3.97	4.02

Long-term employee benefits are shown and described under Note 27, Provisions.

Annual costs

Employee benefit expenses CHF m	2009	2008
Accrued benefit claims	417	437
Interest on future benefit claims	498	486
Expected return on assets	-527	-613
Amortization of retroactive benefit improvements	0	0
Employee contributions	-182	-171
Other	9	11
Employee benefit expenses arising from defined benefit plans	215	150
Employee benefit expenses for PostBus entrepreneurs recognized under "Compensation paid to PostBus entrepreneurs"	-6	-8
Employee benefit expenses for other benefit plans	10	8
Group employee benefit expenses	219	150
Actual return on plan assets	1 124	-1 833

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 SPS Group:

Summary of cover status CHF m	31 Dec. 2009	31 Dec. 2008
Present value of employee benefit obligations including assets set aside	15 155	15 192
Benefit plan assets at fair value	-12 934	-11 651
Shortfall	2 221	3 541
Non-amortized actuarial losses ¹	-719	-1 597
Non-amortized plan amendment costs	34	34
Employee benefit obligations excluding assets set aside	15	13
Total recognized employee benefit obligations arising from defined benefit plans²	1 551	1 991

- ¹ This amount corresponds to cumulative actuarial gains/losses arising from the difference between assumed and actual amounts and from adjustments to actuarial assumptions.
- ² Differences versus the amounts recognized in the balance sheet are the result of employee benefit obligations for which no calculations were performed in accordance with IAS 19.

Change in recognized employee benefit obligations arising from defined benefit plans

Change in recognized employee benefit obligations arising from defined benefit plans CHF m	2009	2008
Balance at 1 January	1 991	2 339
Employee benefit expenses arising from defined benefit plans	215	150
Employer contributions paid	-408 ¹	-245
Appropriation of profits ²	-250	-250
Employer's pension payments	-1	-1
Currency translation differences	0	-2
Additions to the consolidated Group	4	-
Balance at 31 December	1 551	1 991
of which:		
current, i.e. payments falling due within the next twelve months	215	150
non-current	1 336	1 841

- ¹ In 2009, CHF 150 million was deposited in the employer's reserve of the Swiss Post pension fund.
- ² In accordance with a decision by the Swiss Federal Council, a further CHF 250 million was deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2008. As a result of profit being thus appropriated, capital reserves increased by the same amount.

Change in employee benefit obligations

Change in employee benefit obligations		
CHF m	2009	2008
Balance at 1 January	15 205	15 213
Accrued benefit claims	417	437
Benefits paid from plan assets	-768	-811
Benefits paid directly by the employer	-1	-1
Interest on employee benefit obligations	498	486
Company acquisitions	35	-
Actuarial (gains)/losses	-283	-208
Currency translation differences	0	-2
Plan amendment effects	-	-
Other	67	91
Balance at 31 December	15 170	15 205
Employee benefit obligations including assets set aside	15 155	15 192
Employee benefit obligations excluding assets set aside	15	13
Total employee benefit obligations	15 170	15 205

Change in plan assets

Change in fair value of plan assets		
CHF m	2009	2008
Balance at 1 January	11 651	13 548
Employee contributions	182	171
Employer contributions	408 ¹	245
Benefits paid	-768	-811
Expected return on plan assets	527	613
Gains/(losses) on plan assets	597	-2 445
Additions to the consolidated Group	31	-
Appropriation of profits ²	250	250
Currency translation differences	0	0
Other	56	80
Balance at 31 December	12 934	11 651

¹ In 2009, CHF 150 million was deposited in the employer's reserve of the Swiss Post pension fund.

² In accordance with a decision by the Swiss Federal Council, a further CHF 250 million was deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2008. 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 Dec. 2009	31 Dec. 2008
Bonds	2.81	53	55
Equities	6.81	23	20
Real estate	4.06	7	10
Other	4.76	17	15
Total	4.31	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 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005
Employee benefit obligations	15 170	15 205	15 213	15 671	15 456
Plan assets	-12 934	-11 651	-13 548	-13 627	-12 580
Shortfall	2 236	3 554	1 665	2 044	2 876
Experience adjustments to plan liabilities					
Amount	63	131	9	-31	-210
in percent	0.4	0.9	0.1	-0.2	-1.4
Experience adjustments to plan assets					
Amount	597	-2 445	-480	369	724
in percent	4.6	-21.0	-3.5	2.7	5.8

Experience adjustments (plan liabilities, plan assets) document the discrepancies between the planning assumptions and the actual changes in the year in question.

Future employer
contributions

The regular employer contributions expected for 2010 amount to CHF 258 million (2009: CHF 245 million).

10 | Resale merchandise
and service expenses

Resale merchandise and service expenses CHF m	2009	2008
Working materials, work in progress and finished goods ^{1, 2}	88	108
Resale merchandise expenses ²	524	533
Compensation paid to PostBus entrepreneurs	282	276
Compensation paid to forwarding companies	406	399
Compensation paid for international postal traffic	242	235
Temporary employees	130	176
Total resale merchandise and service expenses	1 672	1 727

1 Prior-year amount adjusted; reclassification out of operating material expenses (see also Note 11, Other operating expenses) and into expenses for working materials, work in progress and finished goods.

2 Prior-year amount adjusted; reclassification out of resale merchandise expenses and into expenses for working materials, work in progress and finished goods.

The decline in expenses for working materials, work in progress and finished goods and in resale merchandise expenses was mainly the result of the downward trend in volumes at Swiss Post Solutions in Germany. PostBus entrepreneurs are legally independent of Swiss Post and operate PostBus routes for Swiss Post under contract. The decline in expenses for temporary employees is due to the termination of parallel operations that ran as part of REMA.

11 | Other operating
expenses

Other operating expenses CHF m	2009	2008
Premises	217	212
Maintenance and repair of property, plant and equipment	240	279
Energy and fuel	58	73
Operating materials ¹	60	75
Office and administrative expenses	158	150
Marketing and communications	104	98
Loss on disposal of property, plant and equipment	4	2
Miscellaneous other expenses	485	520
Total other operating expenses	1 326	1 409

1 Prior-year amount adjusted; reclassification out of operating material expenses and into expenses for working materials, work in progress and finished goods (see also Note 10, Resale merchandise and service expenses).

The decline in expenses for the maintenance and repair of property, plant and equipment is due mainly to the expenses generated by the REMA project in the previous year. The decline in miscellaneous other expenses is due, firstly, to the year-on-year reduction in customs duties and value-added tax collected by Swiss Post International and, secondly, to exchange rate movements at Swiss Post Solutions.

12 | Financial income

Financial income CHF m	2009	2008
Interest income on other loans	11	12
Net gains on disposal of financial assets	8	3
Foreign exchange gains	4	7
Other financial income	2	3
Total financial income	25	25

Income from PostFinance's financial services business is posted as "Income from financial services".

13 | Finance costs

Finance costs CHF m	Notes	2009	2008
Interest expense on other financial liabilities		5	6
Present value adjustments to provisions	27	0	0
Interest charges on finance leases	26	1	1
Foreign exchange losses		5	11
Other finance costs		3	4
Total finance costs		14	22

Expenses arising from PostFinance's financial services business are posted as "Expenses for financial services".

14 | Income tax expense

Income tax expense CHF m	2009	2008
Expense for current income taxes	9	10
Expense for deferred income taxes	1	-10
Total income tax expense	10	0

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 items in the balance sheet

Deferred taxes relating to items in the balance sheet: CHF m	31 December 2009			31 December 2008		
	Deferred tax assets	Deferred tax liabilities	Net assets/(liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/(liabilities)
Property, plant and equipment	0	-2	-2	1	-4	-3
Intangible assets	15	-3	12	16	-6	10
Other financial liabilities	5	0	5	1	0	1
Other liabilities	1	-1	0	0	0	0
Provisions	3	-1	2	1	0	1
Provisions for employee benefits (IAS 19)	25	0	25	18	0	18
Other items in the balance sheet	1	-2	-1	0	-1	-1
Deferred taxes arising from temporary differences	50	-9	41	37	-11	26
Tax assets recognized for loss carryforwards	27		27	33		33
Deferred tax assets/liabilities, gross	77	-9	68	70	-11	59
Deferred tax assets/liabilities, prior year	-70	11	-59	-61	12	-49
Changes in the composition of the Group	0	1	1	-4	5	1
Deferred taxes taken to other comprehensive income	-11	0	-11	-	-	-
Foreign exchange effects	0	0	0	-1	0	-1
Deferred taxes recognized in profit or loss	-4	3	-1	4	6	10

Deferred tax assets of CHF 77 million (2008: CHF 70 million) 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 CHF 9 million (2008: CHF 11 million) 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
1 year	9	2	11
2-6 years	87	275	362
In more than 6 years	20	58	78
Total unused loss carryforwards	116	335	451

Tax loss carryforwards of CHF 335 million (2008: CHF 330 million) 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 income tax expense

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 20.5 percent (2008: 17.8 percent).

Reconciliation of tax expense at weighted average tax rate to actual tax expense

CHF m	2009	2008
Profit before tax	738	825
Income tax-exempt profit of the parent	738 ¹	814
Taxable profit	0	11
Weighted average tax rate	20.5%	17.8%
Tax expense at weighted average tax rate	0	2
Causes of increases/decreases:		
Use of unrecognized loss carryforwards	0	-2
Non-recognition of deferred taxes for the loss for the period	-1	4
Non-deductible goodwill writedowns	1	-
Other non-deductible expenses	-1	1
Additional tax payments/tax reimbursements for prior years	0	1
Gains/losses on different tax rates	0	1
Change in valuation allowance for deferred tax assets	2	5
Change in tax rates	0	1
Other effects	9	-13 ²
Reported income tax expense	10	0

1 A maximum of CHF 738 million of the parent's IFRS profit of CHF 747 million may be allocated to profit exempt from tax on profit.
 2 Primarily includes the recognition of 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 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Receivables due from banks ¹	16 390	97 ²	16 293	17 067	1	17 066
Interest-bearing amounts due from customers	134	2	132	108	3	105
Trade accounts receivable	994	14	980	1 110	12	1 098
Other receivables	1 220	2	1 218	1 060	4	1 056
Total receivables	18 738	115	18 623	19 345	20	19 325
¹ of which receivables from reverse repurchase transactions and covered by securities with a fair value of			15 619			16 767
			15 619			16 767

2 Matured bonds and the impairment charges on them were reclassified out of the "Financial assets" item in the balance sheet and into "Receivables due from banks" (see also Note 19, Financial assets held to maturity). This was due to specific claims being filed with the trustee.

Receivables
due dates

Receivables by due date CHF m	31 December 2009			31 December 2008		
	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	16 293	15 463	830	17 066	16 162	904
Interest-bearing amounts due from customers	132	132	–	105	105	–
Trade accounts receivable	980	566	414	1 098	612	486
Other receivables	1 218	78	1 140	1 056	137	919
Total receivables	18 623	16 239	2 384	19 325	17 016	2 309

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 mainly comprise technical overdrafts on postal accounts.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to CHF 4 million on receivables due from banks (2008: CHF 40 million) and CHF 9 million on interest-bearing amounts due from customers (2008: CHF 9 million).

Trade accounts receivable and other receivables are of a short-term nature and therefore 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 2009				31 December 2008			
	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	74	3	3	52	81	15	7	4
Trade accounts receivable	63	5	4	5	70	7	4	1
Other receivables	2	0	1	2	1	1	1	2
Total receivables	139	8	8	59	152	23	12	7

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 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Individual impairment charges						
Receivables due from banks	107	-97	10	2	-1	1
Interest-bearing amounts due from customers	0	0	-	-	-	-
Trade accounts receivable	16	-9	7	37	-8	29
Other receivables	4	-2	2	5	-4	1
Total receivables for which individual impairment charges are recognized	127	-108	19	44	-13	31
General impairment charges						
Interest-bearing amounts due from customers	132	-2	130	108	-3	105
Trade accounts receivable	796	-5	791	923	-4	919
Other receivables	0	0	0	0	0	0
Total receivables for which general impairment charges are recognized	928	-7	921	1 031	-7	1 024

Changes in impairment of receivables

CHF m	Receivables due from banks		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges
Balance at 1 Jan. 2009	1	-	-	3	8	4	4	0
Impairment	0	-	0	-	3	3	0	0
Reversal of impairment	-	-	-	-1	0	0	0	-
Reclassifications	96	-	-	-	1	0	-1	-
Disposals	0	-	-	-	-3	-2	-1	-
Balance at 31 Dec. 2009	97¹	-	0	2	9	5	2	0
Balance at 1 Jan. 2008	1	-	-	3	7	3	3	0
Impairment	1	-	-	-	2	2	1	-
Reversal of impairment	-	-	-	-	0	-1	-	0
Disposals	-1	-	-	-	-1	0	-	-
Balance at 31 Dec. 2008	1	-	-	3	8	4	4	0

¹ Matured bonds and the impairment charges on them were reclassified out of the "Financial assets" item in the balance sheet and into "Receivables due from banks" (see also Note 19, Financial assets held to maturity). This was due to specific claims being filed with the trustee.

16 | Inventories

Inventories

CHF m	31 Dec. 2009	31 Dec. 2008
Resale merchandise	44	43
Fuel and operating materials ¹	18	24
Working and production materials ¹	17	8
Work in progress and finished goods	4	5
Impairment charge for inventories which are not easily marketable	0	0
Total inventories	83	80

¹ As of 1 January 2009, "Working and production materials" will be presented separately. The prior-year amounts were adjusted accordingly, i.e. reclassified out of "Fuel and operating materials".

17 | Financial assets

Financial assets CHF m	FVTPL ¹ designated	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
Notes	18	19	20	21	22	
Balance at 1 Jan. 2009	–	35 974	3 107	179	7 748	47 008
Additions	18	21 427	333	–	2 570	24 348
Change in value recognized in profit or loss	–1	–108	–48	–	–6	–163
Change in value recognized in other comprehensive income	–	–	185	–	–	185
Impairment	–	–21	–27	–	–5	–53
Reclassifications	–	–10 ²	0	–	–	–10
Disposals	–	–7 827	–1 637	–66	–656	–10 186
Balance at 31 Dec. 2009	17	49 435	1 913	113	9 651	61 129
Balance at 1 Jan. 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 profit or loss	–	–95	–197	–	0	–292
Change in value recognized in other comprehensive income	–	–	–114	–	–	–114
Impairment	–	–113	–69	–	–6	–188
Reclassifications	–	–585	–	–	585	0
Disposals	–	–7 332	–1 560	–	–7 501	–16 393
Balance at 31 Dec. 2008	0	35 974	3 107	179	7 748	47 008

1 FVTPL: financial assets at fair value through profit or loss (designated).

2 Matured bonds and the impairment charges on them were reclassified out of the financial assets "held to maturity" item in the balance sheet and into "Receivables due from banks" (see also Note 15, Receivables). This was due to specific claims being filed with the trustee.

The ever-growing inflow of customer deposits during the course of the year led to a further increase in financial assets. Financial assets classified as "FVTPL, designated", 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.

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.

The decline in derivative financial instruments (positive fair values) is due to the decline in hedging transactions for foreign-currency assets (as hedged items) and exchange rate movements. An amount of CHF 112 million (2008: CHF 154 million) was posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 21, Derivative financial instruments).

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 2009 totalled CHF 53 million. Of this, CHF 27 million is the result of adverse price changes affecting equity holdings.

18 | At fair value through profit or loss, designated

In the case of fixed-income investments, general impairment charges totalling CHF 26 million were recognized for bonds and loans.

Financial assets include securities loaned for securities lending of CHF 12,609 million (2008: CHF 10,808 million).

As at 31 December 2009, equity holdings amounted to CHF 17 million (2008: zero).

The fair value of the equities was determined on the basis of market prices (Level 1: fair value measurement is based on quoted prices in the active market for the specific financial instrument).

No dividend income was generated in the "at fair value through profit or loss, designated" category 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 2009				
Bonds	49 435	10 448	21 607	17 380
Total held to maturity	49 435	10 448	21 607	17 380
Measured at fair value	50 422			
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			

Of the reported fair value of CHF 50,422 million (2008: CHF 35,904 million), a total of CHF 34,296 million (68 percent) (2008: CHF 24,156 million; 67 percent) comprises quoted securities. The remaining CHF 16,126 million (32 percent) (2008: CHF 11,748 million; 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 CHF 1,033 million (2008: CHF 887 million).

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 2009 or 31 December 2008.

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.

Held-to-maturity financial assets for which impairment charges are recognized CHF m	31 December 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Individual impairment charges						
Bonds	–	–	–	120	–108	12
Total held-to-maturity financial assets for which individual impairment charges are recognized	–	–	–	120	–108	12
General impairment charges						
Bonds	49 507	–72	49 435	36 013	–51	35 962
Total held-to-maturity financial assets for which general impairment charges are recognized	49 507	–72	49 435	36 013	–51	35 962

No assets have been pledged (as collateral) for held-to-maturity financial assets.

Changes in impairment of
held-to-maturity
financial assets

Changes in impairment of held-to-maturity financial assets CHF m	Individual impairment charges	General impairment charges	Total
Balance at 1 Jan. 2009	108	51	159
Impairment	–	21	21
Disposals	–13	–	–13
Reclassifications ¹	–95	–	–95
Balance at 31 Dec. 2009	–	72	72
Balance at 1 Jan. 2008	–	46	46
Impairment	108	5	113
Balance at 31 Dec. 2008	108	51	159

¹ Matured bonds and the impairment charges on them were reclassified out of the financial assets "held to maturity" item in the balance sheet and into "Receivables due from banks" (see also Note 15, Receivables). This was due to specific claims being filed with the trustee.

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 2009					
Bonds	1 679	534	699	446	–
Equities	233	–	–	–	233
Other	1	1	0	–	0
Total available for sale	1 913	535	699	446	233
31 December 2008					
Bonds	2 921	1 534	949	438	–
Equities	183	–	–	–	183
Other	3	3	0	–	0
Total available for sale	3 107	1 537	949	438	183

At 31 December 2009, the fair value of available-for-sale financial assets was determined as follows:

Fair value of available-for-sale financial assets

CHF m	Total	Level 1	Level 2	Level 3
Bonds	1 679	89	1 590	–
Equities	233	231	1	1
Other	1	–	0	1
Total available for sale	1 913	320	1 591	2

Level 1 Fair value is determined on the basis of quoted prices in the active market for the specific financial instrument.

Level 2 Fair value is determined on the basis of the market prices of similar instruments or using valuation techniques based on inputs observable in the market.

Level 3 Fair value is determined using valuation techniques and significant inputs that are not observable in the market.

At the end of the reporting period, the balance in level 3 was insignificant, comprising equities of CHF 1 million and “other” assets of CHF 1 million. During the reporting period, both items were subject to only minor fluctuations (opening balance of equities: CHF 2 million; opening balance of “other”: CHF 3 million).

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net income from the disposal of available-for-sale financial assets. In the reporting period, they amounted to a gain of CHF 3 million (2008: gain of CHF 2 million). See also Note 6, Net income from financial services.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to CHF 67 million (2008: CHF 107 million).

There were no overdue available-for-sale financial assets for which individual impairment charges were not recognized as at either 31 December 2009 or 31 December 2008.

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.

Impairment charges 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) reduction in fair value is identified.

In the event of impairment, the cumulative losses recognized in other comprehensive income under “Fair value reserves” are reclassified to profit or loss.

Impairment charges of CHF 27 million were recognized for equity holdings in the course of 2009.

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 2009				31 December 2008			
	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	104	1 084	–	–	124	1 292	0	11
Interest rate	6	613	0	82	10	412	–	–
Fair value hedges								
Currency	2	30	–	–	19	157	–	–
Interest rate	–	–	4	50	1	50	3	50
Other								
Currency	1	170	4	182	22	203	6	236
Interest rate	0	12	1	10	3	89	2	799
Total derivative financial instruments	113	1 909	9	324	179	2 203	11	1 096

At 31 December 2009, the fair value of the derivative financial instruments was determined as follows:

Fair value of derivative financial instruments

CHF m	Total	Level 1	Level 2	Level 3
Positive fair values	113	–	113	–
Negative fair values	9	–	9	–

- Level 1 Fair value is determined on the basis of quoted prices in the active market for the specific financial instrument.
- Level 2 Fair value is determined on the basis of the market prices of similar instruments or using valuation techniques based on inputs observable in the market.
- Level 3 Fair value is determined using valuation techniques and significant inputs that are not observable in the market.

Gains and losses recognized in profit or loss on the disposal and fair value measurement of derivative financial instruments are presented within net trading income. In the reporting period, they amounted to less than CHF 1 million (2008: CHF –4 million). See also Note 6, Net income from financial services.

Derivatives due dates

Derivatives due dates CHF m	31 December 2009				31 December 2008			
	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	28	677	0	82	27	492	-	-
1 to 5 years	82	1 020	-	-	95	1 073	0	11
Over 5 years	-	-	-	-	12	139	-	-
Fair value hedges								
Less than 1 year	2	30	-	-	18	177	-	-
1 to 5 years	-	-	4	50	2	30	3	50
Other								
Less than 1 year	1	182	5	187	25	265	6	914
1 to 5 years	-	-	0	5	0	27	2	121
Over 5 years	-	-	-	-	-	-	-	-
Total derivative financial instruments	113	1 909	9	324	179	2 203	11	1 096

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 a 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 profit or loss when the underlying transaction occurs.

As at 31 December 2009, the hedging reserve amounted to CHF 20 million (2008: CHF 31 million). In the reporting period, an amount of CHF 16 million (2008: CHF -119 million) was transferred from the hedging reserve in other comprehensive income to profit or loss. The total fair value changes of the hedging instruments are recognized in other comprehensive income, where they are included in the hedging reserves. Subsequently, the accumulated and paid/received net interest (CHF -0.2 million; 2008: CHF -5 million) plus the foreign-currency component (CHF 16 million; 2008: CHF -114 million) are recycled to profit or loss. The residual fair value change of the hedging instruments thus remains in the cash flow hedge reserve. No amounts were transferred from other comprehensive income to the cost or other carrying amounts of a non-financial asset or non-financial liability.

The risks associated with foreign-currency share investments as a result of exchange rate fluctuations are hedged using forward exchange contracts.

22 | Loans

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.

Loans CHF m	Total	Term to maturity			No maturity
		Up to 1 year	1–5 years	Over 5 years	
31 December 2009					
Cantons, cities and municipalities ¹	4 701	1 020	2 343	1 338	–
Banks	3 478	387	2 146	945	–
PostBus entrepreneurs	221	33	111	77	–
Other ²	1 251	69	615	565	2
Total loans	9 651	1 509	5 215	2 925	2
31 December 2008					
Cantons, cities and municipalities ¹	3 812	937	1 772	1 103	–
Banks	3 207	134	2 353	720	–
PostBus entrepreneurs	205	30	102	73	–
Other ²	524	23	393	108	–
Total loans	7 748	1 124	4 620	2 004	–

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 (CHF 4 million; 2008: CHF 6 million).

In the reporting period, interest income calculated in accordance with the effective interest method amounted to CHF 223 million (2008: CHF 189 million).

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 borrower 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 2009 or 31 December 2008.

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 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Individual impairment charges						
Loans	–	–	–	–	–	–
Total loans for which individual impairment charges are recognized	–	–	–	–	–	–
General impairment charges						
Loans	9 434	–21	9 413	7 546	–16	7 530
Total loans for which general impairment charges are recognized	9 434	–21	9 413	7 546	–16	7 530

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.

No assets have been pledged (as collateral) for loans.

Change in impairment
of loans

Change in impairment of loans CHF m	Individual impairment charges	General impairment charges	Total
Balance at 1 Jan. 2009	0	16	16
Impairment	–	5	5
Balance at 31 Dec. 2009	0	21	21
Balance at 1 Jan. 2008	0	10	10
Impairment	–	6	6
Balance at 31 Dec. 2008	0	16	16

23 | Investments in associates

The associates are listed in Note 32, Consolidated Group.

Investments in associates CHF m	2009	2008
Balance at 1 January	42	43
Additions due to acquisition of associates	1	–
Disposals due to sale of associates	–3	0
Dividends received	–8	–11
Share of net profit (after taxes)	8	10
Goodwill impairment	–1	–
Balance at 31 December	39	42
of which goodwill	10	11

Net income from
associates

Net income from associates CHF m	2009	2008
Share of net profit (after taxes)	8	10
Loss due to disposal (net)	–1	–
Goodwill impairment	–1	–
Total net income from associates	6	10

Changes in associates

■ 2009

In January 2009, Swiss Post Management AG acquired a 20 percent interest in the newly established Hermes Porta a Porta S.p.A. based in Tribiano (Milan).

As, on 1 January 2009, control of primeMail GmbH was assumed without acquiring the existing non-controlling interests, the company is now fully consolidated.

Through the acquisition of ZUVO Zustell- und Vertriebsorganisation AG and its subsequent merger with Presto Presse-Vertriebs AG with retrospective effect from the end of August 2009, Presto Presse-Vertriebs AG also acquired the following three associates: AZ Vertriebs AG (25 percent), SCHAZO AG (50 percent) and SÜDOSTSCHWEIZ PRESSEVERTRIEB AG (35 percent).

At the end of October 2009, Räber Information Management GmbH sold the shares in Scooba GmbH.

In November 2009, 75 percent of the shares in Räber Information Management GmbH were sold. As of that date, the company is therefore accounted for as an associate (25 percent).

■ 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.

24 | Property, plant and equipment

Investment obligations for property, plant and equipment amount to CHF 27 million (2008: CHF 77 million). The decrease is due mainly to the completion of the REMA project.

As at 31 December 2009, items of property, plant and equipment amounting to CHF 6 million had been pledged in relation to mortgages (31 December 2008: CHF 34 million).

Property, plant and equipment

2009 CHF m	Operating property	Assets under construction: operating property	Plant and equipment, machinery, IT equipment	Furniture, vehicles, other assets	Assets under construction: other asset categories	Total
Cost						
Balance at 1 Jan. 2009	5 694	119	1 223	605	142	7 783
Additions due to acquisition of subsidiaries	–	–	0	1	–	1
Additions	–13 ¹	122	41	138	62	350
Disposals	–495	–5	–284	–37	–3	–824
Reclassifications	138	–138	180	–3	–177	–
Disposals arising from reclassifications in accordance with IFRS 5	–129	–	–	–40	–	–169
Currency translation differences	0	0	–1	–1	0	–2
Balance at 31 Dec. 2009	5 195	98	1 159	663	24	7 139
Cumulative depreciation						
Balance at 1 Jan. 2009	4 245	–	773	305	0	5 323
Depreciation	103	–	101	69	–	273
Impairment	4	–	–	–	0	4
Disposals	–485	–	–266	–31	–	–782
Reclassifications	0	–	4	–4	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–92	–	–	–35	–	–127
Currency translation differences	0	–	0	0	0	0
Balance at 31 Dec. 2009	3 775	–	612	304	0	4 691
Carrying amount as at 31 Dec. 2009	1 420	98	547	359	24	2 448
of which leased assets	–	–	3	10	–	13

Property, plant and equipment

2008 CHF m	Operating property	Assets under construction: operating property	Plant and equipment, machinery, IT equipment	Furniture, vehicles, other assets	Assets under construction: other asset categories	Total
Cost						
Balance at 1 Jan. 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
Balance at 31 Dec. 2008	5 694	119	1 223	605	142	7 783
Cumulative depreciation						
Balance at 1 Jan. 2008	4 562	–	843	303	0	5 708
Depreciation	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
Balance at 31 Dec. 2008	4 245	–	773	305	0	5 323
Carrying amount as at 31 Dec. 2008	1 449	119	450	300	142	2 460
of which leased assets	–	–	4	9	–	13

¹ In 2008 and 2009, includes around CHF 16 million from subsidies for track facilities.

25 | Intangible assets and goodwill

Intangible assets and goodwill CHF m	31 December 2009			31 December 2008		
	Goodwill ¹	Other intangible assets	Total	Goodwill ¹	Other intangible assets	Total
Cost						
Balance at 1 January	210	140	350	230	101	331
Additions due to acquisition of subsidiaries	–	8	8	–	21	21
Additions	51 ²	29	80	29 ⁶	26	55
Disposals	–	–38	–38	–20 ⁷	–2	–22
Subsequent adjustment of acquisition costs	–1 ³	–	–1	–13 ⁸	–	–13
Currency translation differences	–1	1	0	–16	–6	–22
Balance at 31 December	259	140	399	210	140	350
Cumulative amortization						
Balance at 1 January	22	67	89	23	47	70
Amortization	–	30	30	–	23	23
Reversal of negative goodwill	0	–	0	–1	–	–1
Impairment	3 ⁴	15 ⁵	18	–	1	1
Disposals	–	–34	–34	–	–2	–2
Currency translation differences	0	0	0	0	–2	–2
Balance at 31 December	25	78	103	22	67	89
Carrying amount as at 31 December	234	62	296	188	73	261

1 Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates is included in the carrying amount of these equity stakes (see Note 23, Investments in associates).

2 From the acquisition of IT ServiceHouse AG, Dispodrom Ltd, Swiss Post Solutions (UK) Ltd, ZUVO Zustell- und Vertriebsorganisation AG, Espace Media Vertriebs AG, Pressevertriebs-GmbH and non-controlling interests at Bevo AG, Cards United GmbH, Client Vela SP z.o.o. and Swiss Post Porta a Porta S.p.A.

3 From earn-out adjustments Swiss Post International Scandinavia AB, Client Vela GmbH, Swiss Post International Logistics Ltd, SecurePost Ltd.

4 See information below under "Reviewing the recoverable amount of goodwill".

5 Impairment of customer bases.

6 From the acquisition of IMS Europe AB, Graphic Data Ltd, Prevag, Presse-Vertriebs AG Basel, Global Business Services Plus Group, Global Press Distribution GmbH and ANZA Security GmbH.

7 Disposal in connection with the sale of 40 percent of the shares in Swiss Post Porta a Porta S.p.A.

8 From earn-out adjustments SPS Group.

Other intangible assets mainly comprise purchased standard software. There are no investment obligations.

Reviewing the recoverable amount of goodwill

In the event of a new acquisition, goodwill is allocated to identifiable groups of units known as cash-generating units (CGUs) 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	Total goodwill	PostMail	Post-Logistics	Swiss Post International	Swiss Post Solutions ¹	Total goodwill	PostMail	Post-Logistics	Swiss Post International	Swiss Post Solutions ¹
SPS Group	33	–	–	–	33	33	–	–	–	33
Swiss Post Solutions Ltd	9	–	–	–	9	9	–	–	–	9
Swiss Post Solutions Inc.	36	–	–	–	36	38	–	–	–	38
Swiss Post Solutions Ltd ²	21	–	–	–	21	19	–	–	–	19
Swiss Post Solutions (UK) Ltd	8	–	–	–	8	–	–	–	–	–
Global Business Services Plus Group	3	–	–	–	3	3	–	–	–	3
Presto Presse-Vertriebs AG ³	41	41	–	–	–	11	11	–	–	–
MDS Media Data Services AG	4	–	–	4	–	4	–	–	4	–
Swiss Post International Logistics Ltd	2	–	–	2	–	2	–	–	2	–
Swiss Post International Netherlands BV	3	–	–	3	–	3	–	–	3	–
Swiss Post Porta a Porta S.p.A. ⁴	23	–	–	23	–	21	–	–	21	–
Swiss Post SAT Holding SA	9	–	–	9	–	9	–	–	9	–
Swiss Post International Singapore Pte Ltd	4	–	–	4	–	4	–	–	4	–
Swiss Post International Scandinavia AB ⁵	3	–	–	3	–	2	–	–	2	–
PostLogistics Ltd	27	–	27	–	–	27	–	27	–	–
Dispodrom Ltd ⁶	0	–	0	–	–	–	–	–	–	–
IT ServiceHouse AG	5	–	5	–	–	–	–	–	–	–
Other	3	–	1	2	–	3	–	1	2	–
Total	234	41	33	50	110	188	11	28	47	102

1 Swiss Post Solutions since 1 September 2009 (formerly Strategic Customers & Solutions).

2 Goodwill taken over from Graphic Data (UK) Ltd (company is in liquidation).

3 Disposal of goodwill of Räder Information Management GmbH due to sale. Non-controlling interests bought up at Bevo AG and ZUVO Zustell- und Vertriebsorganisation AG in Zurich, Espace Media Vertriebs AG in Berne and Pressevertriebs-GmbH in Lucerne acquired.

4 Non-controlling interests bought up.

5 Addition of goodwill from asset deal.

6 Goodwill of CHF 3 million had to be written down.

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 2009, based on the discounted cash flow method. A market risk premium of roughly five percent (Switzerland and abroad) and, depending on the assessment of the risks, a small cap premium of between zero and four percent and a debt premium of two to six 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	2.1	21	4.8–8.3
Italy	4.2	31	9.0
United Kingdom	3.7	28	7.0
Netherlands	3.6	26	6.7
Germany	3.3	29	6.6–8.0
USA	3.5	40	7.6
Singapore	2.6	18	5.6
France	3.6	33	7.6
Sweden	3.3	26	8.0

1 Yield on ten-year government bond issued by the country in question.

2 Tax rate in the acquiree's country.

3 Weighted average cost of capital.

Goodwill arising on the acquisition of associates is included in the carrying amount of these equity stakes (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 2009						
Postal accounts	53 375	–	–	–	–	53 375
Deposito and investment accounts	–	23 001	–	–	–	23 001
Medium-term notes for customers	–	–	278	278	30	586
Money market investments for customers	–	9	301	–	–	310
Total customer deposits (PostFinance)	53 375	23 010	579	278	30	77 272
Due to banks	1	0	9	8	1	19
Derivative financial instruments	–	–	5	4	–	9
Other financial liabilities						
Finance leases	–	–	5	8	3	16
Repurchase transactions	–	–	–	–	–	–
Other	6	0	80	31	–	117
Total other financial liabilities	7	0	99	51	4	161
Total financial liabilities	53 382	23 010	678	329	34	77 433
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

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 CHF 4 million (2008: CHF 3 million) was posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to CHF 403 million in the reporting period (2008: CHF 526 million).

Present value of obligations under finance leases

Present value of obligations under finance leases

CHF m	31 December 2009			31 December 2008		
	Nominal	Discount	Present value	Nominal	Discount	Present value
Less than 1 year	7	-2	5	6	0	6
1 to 5 years	9	-1	8	11	-1	10
Over 5 years	3	0	3	2	0	2
Total	19	-3	16	19	-1	18

27 | Provisions

Provisions CHF m	Other long-term employee benefits	Restructuring	Incurred claims	Litigation risks	Other	Total
Balance at 1 Jan. 2009	316	44	41	14	18	433
Additions due to acquisition of subsidiaries	4	-	-	-	4	8
Recognized	40	25	11	4	2	82
Present value adjustment	-	0	-	-	-	0
Utilized	-24	-30	-9	-1	-5	-69
Released	-5	-2	-6	0	-5	-18
Subsequent adjustment of acquisition costs	-	-	-	-	2	2
Currency translation differences	0	0	-	0	0	0
Balance at 31 Dec. 2009	331	37	37	17	16	438
of which current	29	32	11	2	12	86
Balance at 1 Jan. 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
Balance at 31 Dec. 2008	316	44	41	14	18	433
of which current	23	40	11	3	17	94

Other long-term employee benefits

Other long-term employee benefits primarily include anniversary bonuses for long years of service (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 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
Discount rate	3.00%	3.25%	3.25%	3.50%
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	6.8%	4.01%	4.00%	3.98%
Average remaining working life in years	10.1	11.5	11.4	11.5

Change in other long-term employee benefits

Other long-term employee benefits CHF m	Loyalty bonuses ¹		Staff vouchers	
	2009	2008	2009	2008
Balance at 1 January	209	213	107	107
Accrued benefit claims	13	12	3	3
Benefits paid	-19	-18	-5	-5
Interest on employee benefit obligations	7	6	4	3
(Income)/expense from plan amendments	4	6	2	1
Additions to the consolidated Group	4	-	-	-
(Gains)/losses resulting from changes in assumptions	3	-	4	-
Annual (gains)/losses	-3	-10	-2	-2
Balance at 31 December	218	209	113	107

¹ The loyalty bonuses also include sabbaticals for management employees.

Expenses booked under staff costs

Expenses booked under staff costs CHF m	Loyalty bonuses		Staff vouchers	
	2009	2008	2009	2008
Accrued benefit claims	13	12	3	3
Interest cost	7	6	4	3
Recognition of plan amendment costs	4	6	2	1
Recognition of (gains)/losses	0	-10	2	-2
Total expenses for other long-term employee benefits	24	14	11	5

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 Dec. 2009	31 Dec. 2008
Future obligations under operating leases due in		
Less than 1 year	126	109
1 to 5 years	306	271
Over 5 years	110	98
Future payment obligations under operating leases	542	478
Minimum lease payments	144	146
Conditional lease payments	8	8
Lease expenses for the period	152	154
Income from sub-letting in the past financial year	16	16
Future income from sub-letting	49	42

Payments arising from operating leases relate mainly to rent for the post office network's real estate (with an average remaining term of two 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 CHF 27 million in the reporting period (2008: CHF 44 million). As at the end of the reporting period, Swiss Post had not entered into any other significant lease agreements as lessor.

Income from lease agreements

CHF m	31 Dec. 2009	31 Dec. 2008
Future minimum lease payments due under agreements in		
Less than 1 year	51	63
1 to 5 years	149	189
Over 5 years	46	61
Total	246	313

29 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2009:

Guarantees

Guarantees and guarantee obligations amount to CHF 37 million (2008: CHF 45 million).

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 liabilities amounted to CHF 1 million (2008: CHF 1 million).

30 | Related parties and key employees

Within the meaning of the (IFRSs) 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 CHF 30 million (2008: CHF 30 million) and CHF 150 million (2008: CHF 144 million) 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	
	2009	2008	2009	2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
Companies with joint management or significant influence	413	539	170	208	303	124	960	762
Swiss Confederation	217	216	58	62	6	3	336	491
Swisscom	145	169	42	51	258	11	8	11
Swiss Federal Railways SBB	50	154	70	95	39	110	616	259
RUAG	1	0	0	0	0	0	0	1
Skyguide	0	0	0	0	0	0	0	0
Transactions with minority shareholders of subsidiaries	17	21	1	0	1	2	0	0
Associates	8	8	13	9	2	1	2	1
Other related parties	0	0	19	31	0	0	3	1

Compensation paid to key employees

In the past financial year, compensation including fringe benefits of CHF 5.9 million (2008: CHF 5.7 million) and pension benefits of around CHF 0.8 million (2008: around CHF 0.9 million) 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 2009 was based on target attainment in 2008 and amounted to around CHF 1.04 million (2008: around CHF 1.15 million). 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, Swiss Post 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 systems.

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 & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

■ Risk position

In 2009, Swiss Post identified and evaluated eleven 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 CHF 50 million. Three 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.

Risk management at PostFinance

Swiss Post's Board of Directors or Audit & Risk 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

At PostFinance, Swiss Post operates an adequate financial and operational risk management system based on the requirements of Basel II. 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.

■ Financial risk 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.

■ Financial risk types and their measurement

The following financial 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 portfolios) 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 2009 and 2008 and the impact of changes in market interest rates on the fair value of items both on and off the balance sheet that are sensitive to interest rates. As at 31 December 2009, the interest rate VaR of PostFinance's banking book was CHF 3.6 million (2008: CHF 4.9 million). The highest amount in 2009 was CHF 12.2 million (2008: CHF 5.6 million), the lowest amount CHF 1.3 million (2008: CHF 0.5 million), and the average interest rate VaR of the banking book at the end of 2009 CHF 5.1 million (2008: CHF 1.9 million). In contrast, the interest rate VaR of the trading book represented a very low risk at CHF 0.05 million on average (2008: CHF 0.09 million).

– 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 2009, the foreign exchange VaR of PostFinance's trading book was CHF 1.7 million (2008: CHF 2.7 million). The highest amount in 2009 was CHF 7.7 million (2008: CHF 7.7 million) and the lowest amount CHF 0.1 million (2008: CHF 0.1 million). The average foreign exchange VaR of the trading book was CHF 1.8 million (2008: CHF 1.3 million).

Financial instruments by currency

CHF m

31 December 2009	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	1 850	126	0	0	0	1 976
Receivables due from banks	14 786	750	692	42	23	16 293
Interest-bearing amounts due from customers	132	–	–	–	–	132
Trade accounts receivable	520	369	11	26	54	980
Other receivables	1 054	129	5	4	26	1 218
Financial assets	58 419	2 070	558	76	6	61 129
Held for trading and derivatives	6	50	53	21	–	130
Held to maturity	48 170	1 210	55	–	–	49 435
Available for sale	599	803	450	55	6	1 913
Loans	9 644	7	–	–	–	9 651
Liabilities						
Customer deposits (PostFinance)	74 511	1 997	724	25	15	77 272
Other financial liabilities	26	119	11	0	5	161
Trade accounts payable	301	331	3	6	74	715
Other liabilities	761	126	18	14	75	994
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

– 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 2009, the equity VaR in PostFinance's banking book was CHF 27.9 million (2008: CHF 9.8 million). The highest amount in 2009 was CHF 31.3 million (2008: CHF 23.5 million) and the lowest amount CHF 11.9 million (2008: CHF 1.6 million). No equities were held for trading in either financial year 2009 or 2008. In December 2009, an equity position designated at fair value through profit or loss amounted to CHF 17 million.

– 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 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 Dec. 2009	31 Dec. 2008
AAA	70	67
AA	19	21
A	10	11
<A	1	1

¹ Includes the categories "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 Dec. 2009	31 Dec. 2008
Mortgage Bond Bank of the Swiss Mortgage Institutions, Zurich	3 571	3 779
Swiss Confederation, Berne	3 041	1 381
Central Mortgage Bond Institution of the Swiss Cantonal Banks, Zurich	1 586	1 192

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 eG (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. Due to the collaboration started with Valiant Bank in autumn 2009, cooperation with UBS on financing for SMEs is scheduled to cease at the end of the year. The new cooperation arrangement, under which there are plans to establish a joint processing company, enables PostFinance to expand its customer offering in the retail market. In this case too, the credit risks are assumed by the cooperation partner.

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 89 percent (2008: 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.

Operational risk management at PostFinance

■ Definition

In line with the Basel Committee on Banking Supervision (Basel II), operational risk at PostFinance is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principles on managing operational risk at PostFinance are set out in the operational risk management policy.

■ Organization

PostFinance operates an operational risk management system that is steered from a central dedicated unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Operational Risk Committee, which is responsible for the effective and efficient implementation of the operational risk management policy.

Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses.

A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2009: nine high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Operational Risk Committee on a quarterly basis.

■ Tools

PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, losses across the entire company are collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings. Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that may in future pose a threat to PostFinance. The resulting risk inventory allows the Operational Risk Committee to obtain a good overview of the company's entire risk position.

In addition, the measures decided upon by the Operational Risk Committee to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk position.

■ Reporting

The Operational Risk Committee receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, the Swiss Post Board of Directors is notified of PostFinance's risk position on a regular basis via the Audit & Risk Committee.

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.

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 IFRSs.

The consolidated annual financial statements are drawn up on the basis of the Postal Organization Act in accordance with International Financial Reporting Standards (IFRSs). Swiss Post Group reports equity of CHF 3,534 million (2008: CHF 2,857 million).

32 | Consolidated Group

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake as at 31 Dec. 2009	% equity stake as at 31 Dec. 2008
				Currency	in 000s		
Switzerland							
F	1–8	Swiss Post	Berne	CHF	1 300 000		
F	1	Presto Presse-Vertriebs AG (formerly Bevo AG) ¹	Berne	CHF	100	100*	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 ²	Küssnacht (SZ)	CHF	20	–	100*
F	1	Prevag, Presse-Vertriebs AG Basel ³	Basel	CHF	50	–	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 ⁴	Grenchen	CHF	45	–	100*
F	2	Dispodrom Ltd ⁵	Schlieren	CHF	2 000	100*	–
F	2	IT ServiceHouse AG ⁶	Köniz	CHF	100	100*	–
F	3	EDS Export & Distribution Services AG	Meilen	CHF	150	100	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	DocumentServices Ltd ⁷	Schlieren	CHF	1 600	–	100*
F	4	Swiss Post Solutions Ltd	Zurich	CHF	1 000	100*	100*
F	4	SwissSign AG	Zurich	CHF	450	100*	100*
F	6	PostFinance Ltd	Berne	CHF	100	100*	100*
F	7	PostBus Switzerland Ltd	Berne	CHF	25 000	100*	100*
F	8	InfraPost Ltd ⁸	Berne	CHF	1 000	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 ⁹	Küssnacht (SZ)	CHF	20	–	35
E	1	AZ Vertriebs AG ¹⁰	Aarau	CHF	100	25	–
E	1	Räber Information Management GmbH ¹¹	Küssnacht (SZ)	CHF	20	25*	–
E	1	SCHAZO AG ¹²	Schaffhausen	CHF	300	50	–
E	1	SÜDOSTSCHWEIZ PRESSEVERTRIEB AG ¹³	Chur	CHF	100	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

Acctg. method

F = fully consolidated
E = accounted for under the equity method

Segment

1 = PostMail 3 = Swiss Post International
2 = PostLogistics 4 = Swiss Post Solutions (formerly Strategic Customers & Solutions)

5 = Post Offices & Sales
6 = PostFinance

7 = PostBus
8 = Other

* Equity stake is held by the parent, Swiss Post

1 Non-controlling interests bought up with retrospective effect from 31 August 2009. ZUVO Zustell- und Vertriebsorganisation AG in Zurich, Espace Media Vertriebs AG in Berne and Pressevertriebs-GmbH in Lucerne acquired. These three companies merged with Presto Presse-Vertriebs AG with retrospective effect from 31 August 2009.

2 Shares (75 percent) sold on 11 November 2009.

3 Merged with Presto Presse-Vertriebs AG with retrospective effect from 31 August 2009.

4 Merged with SecurePost Ltd with retrospective effect from 1 January 2009.

5 Shares acquired with retrospective effect from 1 January 2009.

6 Shares acquired on 1 July 2009.

7 Merged with Swiss Post Solutions Ltd with retrospective effect from 1 January 2009.

8 Capital increased to CHF 1 million on 19 May 2009.

9 Shares sold on 28 October 2009.

10 Shares acquired with retrospective effect from 31 August 2009.

11 Accounted for under the equity method as of 1 November 2009.

12 Shares acquired with retrospective effect from 31 August 2009.

13 Shares acquired with retrospective effect from 31 August 2009.

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake	
				Currency	in 000s	as at 31 Dec. 2009	as at 31 Dec. 2008
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 ¹	Mörfelden, near Frankfurt	EUR	80	–	100
F	3	PrimeMail GmbH ²	Hamburg	EUR	1 000	50	50
F	4	Cards United GmbH ³	Paderborn	EUR	25	–	51
F	4	CF Card Factory GmbH	Hessisch-Lichtenau	EUR	500	51	51
F	4	Client Vela GmbH	Munich	EUR	31	100	100
F	4	Fortuna Beteiligungs GmbH	Bamberg	EUR	50	100	100
F	4	Swiss Post Solutions GmbH (formerly GHP Dialog Services GmbH)	Munich	EUR	50	100	100
F	4	GHP Direct Mail GmbH ⁴	Bamberg	EUR	1 000	–	100
F	4	Swiss Post Solutions GmbH (formerly GHP Holding GmbH) ⁵	Bamberg	EUR	5 000	38.3/60	38.3/60
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 ⁶	Dettingen	EUR	1 500	–	100
F	4	Swiss Post Solutions GmbH (formerly LS Dialogmarketing Verwaltungs GmbH)	Dettingen	EUR	1 500	100	100
F	4	MailSource Deutschland GmbH ⁷	Cologne	EUR	500	–	100
F	4	PKS Direktwerbe GmbH ⁸	Frankfurt am Main	EUR	150	–	100
F	4	Swiss Post Solutions Holding GmbH (formerly Swiss Post GHP Holding GmbH)	Bamberg	EUR	25	100*	100*
F	4	Systemform MediaCard GmbH	Prien	EUR	1 050	100	100
F	4	Swiss Post Solutions GmbH (formerly Global Business Services Plus GmbH)	Waltershausen	EUR	1 026	100	100
F	4	Global Business Services Plus Temps GmbH	Waltershausen	EUR	25	100	100
F	4	Swiss Post Solutions GmbH ⁹	Pulsnitz	EUR	100	100*	–
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 Direct France SARL	Le Chesnay	EUR	30	100	100
F	4	MailSource France SAS ¹⁰	Paris	EUR	100	–	100
F	4	Swiss Post Solutions Holding SAS (formerly Global Business Services Plus SAS)	Paris	EUR	32 213	100*	100*
F	4	Swiss Post Solutions SAS (formerly Global Business Services Plus France SAS)	Paris	EUR	3 914	100	100

Acctg. method

F = Fully consolidated
E = accounted for under the equity method

Segment

1 = PostMail
2 = PostLogistics
3 = Swiss Post International
4 = Swiss Post Solutions (formerly 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 Swiss Post International Germany GmbH & Co. KG on 25 August 2009.

2 Fully consolidated as of 2009.

3 Non-controlling interests bought up on 27 April 2009 and merged with Swiss Post Solutions GmbH (Bamberg) with retrospective effect from 1 January 2009.

4 Merged with Swiss Post Solutions GmbH (Bamberg) with retrospective effect from 1 January 2009.

5 Swiss Post Solutions Holding GmbH holds 38.3 percent and Fortuna Beteiligungs GmbH a further 60 percent of the shares in Swiss Post Solutions GmbH (Bamberg). Swiss Post Solutions GmbH holds 1.7 percent of its own shares.

6 Merged with Swiss Post Solutions GmbH (Dettingen) on 26 August 2009.

7 Merged with Swiss Post Solutions GmbH (Waltershausen) with retrospective effect from 1 January 2009.

8 Merged with GHP Direct Mail GmbH with retrospective effect from 1 January 2009.

9 Established on 1 June 2009.

10 Merged with Swiss Post Solutions SAS Paris with retrospective effect from 1 January 2009.

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake	% equity stake
				Currency	in 000s	as at 31 Dec. 2009	as at 31 Dec. 2008
France (continued)							
F	4	Global Business Services Plus QLS ¹	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	Haguenau	EUR	464	100	100
F	7	CarPostal Obernai SAS	Obernai	EUR	50	100	100
F	7	CarPostal Interurbain SAS	Narbonne	EUR	1 400	100	100
F	7	CarPostal Mâcon SAS ²	Mâcon	EUR	300	100	–
F	7	CarPostal Dole SAS ³	Dole	EUR	300	100	–
F	7	CarPostal Fongère SCI ⁴	Bourg-en-Bresse	EUR	50	100	–
F	7	CarPostal Villefranche sur Saône SAS ⁵	Gleize	EUR	150	100	–
United Kingdom							
F	3	Swiss Post International (UK) Ltd	Colnbrook	GBP	500	100	100
F	4	Graphic Data (UK) Ltd ⁶	Richmond	GBP	31	100	100
F	4	Swiss Post Solutions Ltd (formerly MailSource UK Ltd)	Richmond	GBP	7 303	100*	100*
F	4	Swiss Post Solutions (UK) Ltd (formerly Microgen UK Ltd) ⁷	Hertfordshire	GBP	6	100	–
Italy							
F	3	Swiss Post Porta a Porta S.p.A. ⁸	Milan	EUR	2 000	80	60
F	4	Swiss Post Solutions S.p.A. (formerly MailSource Italia S.p.A.)	Milan	EUR	500	100	100
E	3	Hermes Porta a Porta S.p.A. ⁹	Tribiano	EUR	400	20	–
Liechtenstein							
F	7	PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt	Triesen	CHF	30	100*	100*
F	8	Swiss Post Insurance AG	Vaduz	CHF	25 000	100*	100*
E	8	Liechtensteinische Post AG	Vaduz	CHF	5 000	25*	25*
Malaysia							
F	3	Swiss Post International Malaysia Sdn Bhd	Selangor	MYR	100	100	100
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
F	4	Swiss Post Solutions GmbH ¹⁰	Biedermannsdorf	EUR	35	100*	–
Poland							
F	4	Swiss Post Solutions SP z.o.o. (formerly Client Vela SP z.o.o.) ¹¹	Kraków	PLN	50	100	99
Russia							
F	4	GHP Direct Russ O.O.O.	Moscow	RBL	5 467	100	100

Acctg. method

F = fully consolidated
 E = accounted for under the equity method

Segment

1 = PostMail 3 = Swiss Post International 5 = Post Offices & Sales
 2 = PostLogistics 4 = Swiss Post Solutions (formerly Strategic Customers & Solutions) 6 = PostFinance 7 = PostBus
 8 = Other

* Equity stake is held by the parent, Swiss Post

1 Deconsolidated on 28 July 2009.

2 Established on 24 April 2009.

3 Established on 29 June 2009.

4 Established on 9 July 2009. CarPostal France SARL holds 99.8 percent and CarPostal Interurbain SAS a further 0.2 percent of the shares in CarPostal Fongère SCI.

5 Established on 14 December 2009.

6 In liquidation.

7 Shares acquired on 1 December 2009.

8 Interest increased from 60 to 70 percent in connection with the establishment of Hermes Porta a Porta S.p.A. A further 10 percent of the shares acquired.

9 Shares acquired in January 2009.

10 Established on 1 July 2009.

11 Non-controlling interest of 1 percent acquired on 5 May 2009.

Acctg. method	Segment	Company	Domicile	Endowment or share capital		% equity stake	% equity stake
				Currency	in 000s	as at 31 Dec. 2009	as at 31 Dec. 2008
Sweden							
F	3	IMS Europe AB ¹	Limhamn	SEK	100	–	100
F	3	Swiss Post International Scandinavia AB (formerly Swiss Post International Sweden AB) ²	Stockholm	SEK	105	100	100
Singapore							
F	3	Swiss Post International Singapore Pte Ltd	Singapore	SGD	400	100	100
Slovakia							
F	4	Swiss Post Solutions s.r.o. (formerly GBS Plus Slovakia s.r.o.)	Bratislava	EUR	15	100	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	Ho Chi Minh City	VND	1 821 446	86	86

Acctg. method

 F = fully consolidated
 E = accounted for under the equity method

Segment

 1 = PostMail 3 = Swiss Post International 5 = Post Offices & Sales
 2 = PostLogistics 4 = Swiss Post Solutions (formerly Strategic Customers & Solutions) 6 = PostFinance
 7 = PostBus
 8 = Other

* Equity stake is held by the parent, Swiss Post

 1 Merged with Swiss Post International Scandinavia AB (formerly Swiss Post International Sweden AB) on 2 January 2009.
 2 Share capital reduced due to merger.

33 | Changes in the composition of the Group 2009

In January 2009, Swiss Post Deutschland Holding GmbH took control of primeMail GmbH without acquiring the existing non-controlling interests. As of that date, the company has been fully consolidated. In addition, the interest in Swiss Post Porta a Porta S.p.A. was increased by 10 percent to 70 percent.

The following changes also took place in January 2009:

- MailSource France SAS was merged with Swiss Post Solutions SAS,
- IMS Europe AB was merged with Swiss Post International Scandinavia AB (formerly Swiss Post International Sweden AB),
- at Swiss Post International Scandinavia AB, capital was reduced to SEK 105,000 in connection with the merger of IMS Europe AB
- DocumentServices Ltd was merged with Swiss Post Solutions Ltd

The following changes took place in April 2009:

- ANZA Security GmbH was merged with SecurePost Ltd with retrospective effect from 1 January 2009,
- the non-controlling interests were bought up at Cards United GmbH
- 70 percent of the shares in Dispodrom Ltd were acquired by PostLogistics with retrospective effect from 1 January 2009. PostLogistics holds a call option on a further 30 percent, which may be exercised at any time.

Dispodrom Ltd is a leading logistics company for visual and audio media and employs 70 people. The company stores, picks and distributes CDs, DVDs, video and computer games, and promotional items. Thanks to PostLogistics' investment, Dispodrom Ltd is able to benefit from Swiss Post's sales organization and expand its customer base and service offering in a targeted manner.

The following changes took place in May 2009:

- capital was increased to CHF 1 million at InfraPost Ltd
- the non-controlling interests were bought up at Swiss Post Solutions SP z.o.o. (formerly Client Vela SP z.o.o.).

At the beginning of July 2009, PostLogistics acquired 100 percent of the shares in IT Service-House AG in Köniz, near Berne and Dintikon (branch), which specializes in repair management and similar customer services for PC and printer manufacturers. The company employs around 100 people and will continue to operate independently.

The following mergers also took place in July 2009:

- Cards United GmbH with Swiss Post Solutions GmbH, Bamberg with retrospective effect from 1 January 2009
- PKS Direktwerbe GmbH with GHP Direct Mail GmbH with retrospective effect from 1 January 2009.

At the end of July 2009, Global Business Services Plus QLS was deconsolidated in light of insolvency proceedings.

The following mergers took place in August 2009:

- Global Press Distribution GmbH with Swiss Post International Germany GmbH & Co. KG,
- GHP Direct Mail GmbH with Swiss Post Solutions GmbH, Bamberg with retrospective effect from 1 January 2009
- LS Dialogmarketing GmbH & Co. KG with Swiss Post Solutions GmbH, Dettingen (formerly LS Dialogmarketing Verwaltungs GmbH).

In September 2009, MailSource Deutschland GmbH was merged with Swiss Post Solutions GmbH, Waltershausen (formerly Global Business Services Plus GmbH) with retrospective effect from 1 January 2009.

In November 2009, 75 percent of the shares in Räber Information Management GmbH were sold. As of that date, the company is therefore accounted for as an associate (25 percent).

In November 2009, the non-controlling interests were bought up at Presto Presse-Vertriebs AG (formerly Bevo AG) with retroactive effect to 31 August 2009. In addition, PostMail acquired ZUVO Zustell- und Vertriebsorganisation AG in Zurich, Espace Media Vertriebs AG in Berne and Pressevertriebs-GmbH in Lucerne and merged the three companies with Presto Presse-Vertriebs AG with retrospective effect from 31 August 2009. Also in November, Prevag, Presse-Vertriebs AG Basel was merged with Presto Presse-Vertriebs AG with retrospective effect from 31 August 2009.

In December 2009, Swiss Post Solutions Ltd (formerly MailSource UK Ltd) acquired 100 percent of the shares in Swiss Post Solutions (UK) Ltd (formerly Microgen UK Ltd). Swiss Post Solutions (UK) Ltd offers billing services. These include products such as e-billing (improvements to credit card billing processes), print services and document management solutions (data archiving). The company employs around 45 people and operates mainly in the UK.

Also in December 2009, the interest in Swiss Post Porta a Porta S.p.A. was increased by 10 percent to 80 percent.

Graphic Data (UK) Ltd is in liquidation.

2008

On 1 January 2009, Swiss Post International Ltd 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, Swiss Post Solutions Ltd (formerly 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% 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 non-controlling interests were bought up at GHP Direct France Sarl, Swiss Post Solutions GmbH, Bamberg (formerly GHP Holding GmbH) and Fortuna Beteiligungs GmbH.

On 1 July 2008, PostMail (Swiss Post, the parent) acquired Prevag, Presse-Vertriebs AG, Basel, 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, Swiss Post Solutions (Swiss Post, the parent) acquired Paris-based Swiss Post Solutions Holding SAS (formerly Global Business Services Plus), which has some 1,000 employees in total in France, Germany and Slovakia. Swiss Post Solutions Holding SAS, Paris digitizes documents and then processes and electronically archives the digital documents on behalf of corporate clients. In 2008, Swiss Post Solutions Holding SAS, Paris generated sales of CHF 60 million. The purchase price including the liabilities assumed is expected to be around CHF 33 million.

In July 2008, Swiss Post International (Swiss Post, the parent) acquired German company Global Press Distribution GmbH (GPD) 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, PostLogistics (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 and, in December, merged it with Mobility Solutions Ltd with retrospective effect from October. Fleetconsulting AG is a consulting company specializing in fleet optimization and car policies.

Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated following the acquisition of subsidiaries:

Assets and liabilities arising from acquisitions CHF m	31 December 2009		31 December 2008			
	Total fair values ¹	Acquired carrying amounts before takeover ²	Fair values GBS+ Group	Acquired carrying amounts before takeover GBS+ Group ²	Total fair values other acquisitions ⁴	Acquired carrying amounts before takeover other acquisitions ²
Receivables	40	40	43	43	11	11
Inventories	0	0	0	0	0	0
Property, plant and equipment, intangible assets and investments	10	2	32	15	7	3
Other financial liabilities	-1	-1	-29	-29	-14	-14
Trade accounts payable	-6	-6	-16	-16	-3	-3
Provisions and other liabilities	-25	-20	-24	-24	-5	-5
Fair value of net assets	18	15	6	-11	-4	-8
Goodwill	44 ³		3		26	
Acquisition costs	62		9		22	
Cash and cash equivalents acquired ⁵	-11		-1		0	
Purchase price payments falling due at a later date (earn-outs)	-3		0		-1	
Payment of liabilities from acquisitions in previous years	-1		0		14	
Net cash outflow from acquisitions	47		8		35	

1 Composition: full consolidation of primeMail GmbH, Dispodrom Ltd, IT ServiceHouse AG, Swiss Post Solutions (UK) Ltd, Presto Presse-Vertriebs AG (ZUVU Zustell- und Vertriebsorganisation AG in Zurich, Espace Media Vertriebs AG in Berne, Pressevertriebs-GmbH in Lucerne).

2 In accordance with IFRSs.

3 Without buying up non-controlling interests of CHF 7 million.

4 Composition: IMS Europe AB, Graphic Data (UK) Ltd, Prevag, Presse-Vertriebs AG Basel, Global Press Distribution GmbH, Anza Security GmbH, Fleetconsulting AG and Innovative Personalmanagement GmbH.

5 Composition: cash and current receivables due from banks.

Companies founded
and renamed

■ 2009

The following name changes took place in the first quarter of 2009:

- Global Business Services Plus SAS based in Paris was renamed Swiss Post Solutions Holding SAS
- Global Business Services Plus France SAS, also based in Paris, was renamed Swiss Post Solutions SAS
- Global Business Services Plus GmbH based in Waltershausen was renamed Swiss Post Solutions GmbH, Waltershausen
- Global Business Services Plus Slovakia s.r.o. based in Bratislava was renamed Swiss Post Solutions s.r.o.

In the second quarter of 2009, Swiss Post International Sweden AB based in Stockholm was renamed Swiss Post International Scandinavia AB.

In the second quarter of 2009, Swiss Post Solutions GmbH (Pulsnitz, Germany), CarPostal Mâcon SAS (Mâcon, France), and CarPostal Dole SAS (Dole, France), were established.

The following name changes took place in the third quarter of 2009:

- MailSource UK Ltd (Richmond, UK), was renamed Swiss Post Solutions Ltd
- LS Dialogmarketing Verwaltungs GmbH was renamed Swiss Post Solutions GmbH, Dettingen.

In the third quarter of 2009, Swiss Post Solutions GmbH (Biedermansdorf, Austria) and CarPostal Foncière SCI (Bourg-en-Bresse, France), were established.

The following name changes took place in the fourth quarter of 2009:

- Bevo AG based in Berne was renamed Presto Presse-Vertriebs AG
- Microgen UK Ltd based in Hertfordshire, UK was renamed Swiss Post Solutions (UK) Ltd
- Client Vela SP z.o.o. based in Kraków was renamed Swiss Post Solutions SP z.o.o.
- GHP Dialog Services GmbH, now based in Munich (formerly Bamberg), was renamed Swiss Post Solutions GmbH, Munich.

In the fourth quarter of 2009, CarPostal Villefranche sur Saône SAS (Gleize, France), was established.

■ 2008

At the beginning of January 2008, MailSource Inc. (Forrest Solutions) was renamed Swiss Post Solutions Inc. At the beginning of April 2008, MailSource Ltd 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 Swiss Post 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 AG was established. It was also allocated to the Other segment. Swiss Post's self-insurance will be transferred to this insurance captive in 2009.

In October, MailSource France SAS was sold by Swiss Post Solutions Ltd to Swiss Post Solutions SAS, Paris, (formerly GBS+ France SAS) and SOTEP SAS by Swiss Post Solutions Holding SAS, Paris, (formerly GBS+ SAS) to Swiss Post Solutions SAS, Paris. At the end of 2008, SOTEP was merged with Swiss Post Solutions 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.

In mid-November 2008, PostFinance Ltd was established. The company was allocated to the PostFinance segment.

On 2 December in the SPS Group (formerly GHP Group), GHP Card Systems and Innovative Personalmanagement GmbH were merged with Swiss Post Solutions GmbH, Bamberg, (formerly GHP Holding GmbH) and systemform Holding GmbH was merged with Swiss Post Solutions GmbH, Munich, (formerly GHP Dialog Services).

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		Total
	Operating property	property, plant and equipment	
Balance at 1 Jan. 2009	14	2	16
Additions arising from reclassifications in accordance with IFRS 5	37	5	42
Disposals	-47	-6	-53
Balance at 31 Dec. 2009	4	1	5
Balance at 1 Jan. 2008	16	1	17
Additions arising from reclassifications in accordance with IFRS 5	7	6	13
Disposals	-9	-5	-14
Balance at 31 Dec. 2008	14	2	16

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 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
1 euro	EUR	1.49	1.49	1.51	1.59
1 US dollar	USD	1.03	1.06	1.09	1.08
1 pound Sterling	GBP	1.66	1.53	1.70	2.00

36 | Events after the reporting period

Adjusting events

Acquisitions of subsidiaries between 1 January and 22 March 2010

Prior to the approval of the 2009 financial statements by Swiss Post's Board of Directors on 22 March 2010, no events came to light which either would have resulted in changes to the carrying amount of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

On 27 January 2010, Swiss Post Solutions GmbH, Bamberg, acquired all shares in Billing & Loyalty Systems GmbH based in Oberhausen, Germany in a transaction that took legal effect at the end of March. Billing & Loyalty Systems GmbH offers its customers billing management, loyalty management, billing monitoring and test automation solutions, in some cases using internally developed components and systems and in some cases with partners.

On 1 February 2010, Swiss Post International Holding Ltd acquired all shares in the two Spanish companies Allied Business Company of Mail Servicios Postales Internacionales España S.L. and Mail Partners Spain S.L. based in Coslada (Madrid), Spain with retroactive effect from 1 January 2010. Employing around 30 people, ABC Mail and Mail Partners Spain are active mainly in the segment for cross-border letter post to and from Spain.

The purchase prices and the effects on the results of operations of the companies acquired after the end of the reporting period are insignificant.

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 152 to 210 of the financial report, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2009.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, 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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with 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, 22 March 2010

Swiss Post

Income statement

Income statement	2009	2008
CHF m		
Net sales from logistics services	4 107	4 222
Net sales from resale merchandise	627	633
Income from financial services	2 237	2 177
Other operating income	322	453
Total operating income	7 293	7 485
Staff costs	-3 252	-3 176
Resale merchandise and service expenses	-1 505	-1 477
Expenses for financial services	-633	-1 030
Other operating expenses	-1 155	-1 097
Depreciation of property, plant and equipment and amortization of intangible assets	-231	-212
Total operating expenses	-6 776	-6 992
Operating result	517	493
Financial income	315	85
Financial expenses	-121	-62
Profit before taxes	711	516
Income taxes	0	0
Profit for the year	711	516

Balance sheet

Balance sheet CHF m	31 Dec. 2009	31 Dec. 2008
Assets		
Cash	1 951	2 304
Receivables due from banks	16 208	17 000
Interest-bearing amounts due from customers	132	105
Trade accounts receivable	892	1 004
Other receivables	1 118	996
Inventories	67	66
Non-current assets held for sale	4	16
Financial assets	61 165	47 178
Investments	259	262
Property, plant and equipment	2 025	2 100
Intangible assets	88	55
Total assets	83 909	71 086
Equity and liabilities		
Customer deposits (PostFinance)	77 297	64 221
Other financial liabilities	174	418
Trade accounts payable	612	721
Other liabilities	748	730
Provisions	287	465
Total liabilities	79 118	66 555
Endowment capital	1 300	1 300
Reserves ¹	2 780	2 715
Profit for the year	711	516
Total equity	4 791	4 531
Total equity and liabilities	83 909	71 086

¹ Of which CHF 6 million (2008: CHF 7 million) 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). 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, Swiss Post Solutions, Real Estate and Central Services (Philately, Corporate Purchasing, Information Technology 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 impairment charge 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 impairment. Impairment charges 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 including restructuring contributions.

■ 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	2009
Swiss Post profit for the year under IFRSs	747
Impairment of receivables, loans and investments in subsidiaries	-190
Reversal of impairment of loans and investments in subsidiaries	74
Measurement differences relating to other intangible assets	36
Non-application of IAS 19 at Swiss Post under Swiss Code of Obligations/POA	-41
Reversal through profit or loss of impairment of available-for-sale shares and bonds (Income from financial services)	89
Reversal of provisions for self-insurance ¹	215
Restructuring contributions for employees and employer (Swiss Post pension fund)	-68
Transfer to the employer's reserve ²	-150
Foreign exchange losses on loans classified as equity	-1
Swiss Post profit for the year under Swiss Code of Obligations/POA	711

1 The switch from the Swiss Post self-insurance solution to Swiss Post Insurance AG meant that the provisions could be reduced to CHF 50 million.
 2 First-time transfer by Swiss Post to the employer's reserve of the Swiss Post pension fund.

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, Swiss Post 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 systems.

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 & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk position

In 2009, Swiss Post identified and evaluated eleven 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 CHF 50 million. Three concern the (political) operating context, four are market-related and four are endogenous risks. Sixteen 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 2009, guarantees and guarantee obligations amount to CHF 33 million (2008: CHF 42 million).

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 2009, assets (bonds that are part of PostFinance's securities lending operations) with carrying amounts totalling some CHF 12 609 million (2008: CHF 10 835 million including items of property, plant and equipment that are part of the Real Estate service unit's mortgage activities) were pledged as collateral for own obligations.

Lease obligations

Lease obligations not recognized in the balance sheet (operating leases) total CHF 509 million at 31 December 2009 (2008: CHF 440 million).

Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment total CHF 5,514 million at 31 December 2009 (2008: CHF 5,537 million).

Investments

Please see Note 32, Consolidated Group, in the consolidated financial statements. Investments in subsidiaries held directly by the parent are carried in the balance sheet at cost less any necessary impairment. Impairment charges are recognized under "Financial expenses".

Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund total CHF 5 million at 31 December 2009 (2008: CHF 5 million). In addition, new provisions for the restructuring of the Swiss Post pension fund amount to CHF 68 million at the end of the reporting period.

Endowment capital

The Swiss Confederation has provided Swiss Post with interest-free endowment capital of CHF 1,300 million.

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 CHF 711 million be allocated as follows:

- CHF 250 million to be deposited in the Swiss Post pension fund as the employer's reserve
- CHF 200 million to be distributed to the owner
- CHF 261 million 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 212 to 216 of the financial report, which comprise the balance sheet, income statement and notes for the year ended 31 December 2009.

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 2009 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-Berne, 22 March 2010

Additional information about PostFinance

Income statement

The following financial statements of PostFinance were prepared in accordance with the principles of IFRS segment reporting and include the separate financial statements of PostFinance but not the associates. 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 CHF m	2009	2008
Interest income		
Interest income on receivables due from banks	4	40
Interest income on securities lending and reverse repurchase transactions	31	142
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on FVTPL ¹ : designated	–	–
Interest and dividend income on financial assets	1 323	1 184
Interest expense		
Interest expense for customer deposits	–401	–563
Interest expense for amounts due to banks	–1	–14
Interest expense on repurchase transactions	0	–6
Net interest income	965	792
Change in impairment of financial assets	–53	–189
Losses on payment transactions	–6	–4
Net interest income, net of impairment	906	599
Commission income on lending, securities and investment business	105	101
Commission income on other services	28	23
Income from services	569	571
Commission and services expenses	–401	–386
Net services and commission income	301	309
Net trading income	106	111
Realized gains and losses on financial assets	–21	2
Other operating income	–11	–5
Total operating income	1 281	1 016
Staff costs	–395	–350
General overheads	–431	–417
Depreciation and amortization	–14	–20
Total operating expenses	–840	–787
Operating profit²	441	229
Net investment income from associates	2	2
Income from intra-Group financing	4	4
Profit for the year	447	235

1 FVTPL: financial assets at fair value through profit or loss (designated).

2 Corresponds to the operating result for the financial services segment.

Balance sheet

Balance sheet CHF m	31 Dec. 2009	31 Dec. 2008
Assets		
Cash and cash equivalents	1 950	2 304
Receivables due from banks	16 207	17 000
Interest-bearing amounts due from customers	132	105
Derivative financial instruments	113	178
Financial assets	60 780	46 612
Investments	14	14
Property, plant and equipment	28	35
Prepaid expenses	767	642
Other assets	347	266
Total assets	80 338	67 156
Equity and liabilities		
Due to banks	78	263
Due to customers on Deposito and investment accounts	23 897	17 745
Other amounts due (to customers)	55 174	48 316
Derivative financial instruments	9	11
Deferred income	70	56
Provisions	4	4
Other liabilities	141	145
Total liabilities	79 373	66 540
Allocated equity ¹	500	500
Fair value reserves	-2	-150
Hedging reserves	20	31
Profit for the year	447	235
Total equity	965	616
Total equity and liabilities	80 338	67 156

¹ Since 1 January 2003, PostFinance has had CHF 500 million in equity available to cover fluctuations in the fair value of available-for-sale financial assets.

Additional information

Internet links

The (E→) 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/ar2009links. 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 (E→ 98) at the above address.

Contact addresses

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Publication details

Publisher and point of contact

Swiss Post
Communication
Viktoriastrasse 21
P.O. Box
3030 Berne
Switzerland

Tel. +41 58 338 11 11
Media relations: + 41 58 338 13 07
www.swisspost.ch

Concept

Andreas Sturm, Ellipson AG, Basel
Corinne Santschi and Raphaël Wild,
Swiss Post Communication, Berne

Text

Marcel Suter and Sandra Schindler,
Klarkom GmbH, Berne
Swiss Post Finance, Berne

Diagrams

Swiss Post Finance, Berne
Andreas Sturm, Ellipson AG, Basel
Diagrams based on Rolf Hichert's
design rules. Illustration on page 32
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Photographs

Page 1, 4-7, 10-15 Michel Jaussi, Linn
Page 16, 20-21, 25, 36-43 Simon
Opladen, Berne
Page 8-9 Kathrin Ziegler, Munich

Design and typesetting

Walter Stähli and Franck Schirmer,
phorbis Communications AG, Basel

Proof-reading and translations

Annemieke Stoessel, Beatrice Lo Nigro,
Sheillina Ladak, Swiss Post Language
Services, Berne
BMP Translations AG, Basel

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Swiss Post
Viktoriastrasse 21
P.O. Box
3030 Berne
Switzerland

www.swisspost.ch

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