



Interim Report 2016

January to June

SWISS POST 

Yellow in motion.

Simple yet systematic – Swiss Post.



4,150 million

francs in **operating income**
as at 30 June 2016.



313 million

francs in **Group profit**
as at 30 June 2016.



1,057.1 million

addressed letters were processed
by Swiss Post in the first half of 2016.



59.4 million

parcels were delivered by Swiss Post
in the first half of 2016.



117.6 billion

francs represents the level of **average
customer assets** held by PostFinance.



76.1 million

passengers were transported by
PostBus in the first half of 2016.

Interim Report January to June 2016

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FOREWORD

by Urs Schwaller, Chairman of the Board of Directors,
and Susanne Ruoff, CEO

” —

Our goal has to be to continue to give customers easy and versatile access to Swiss Post in the future, while at the same time also creating an affordable infrastructure.

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Dear Reader

The past six months were characterized by a difficult market environment. Swiss Post suffered a decline in its result year-on-year, with Group profit of 313 million francs and an operating profit (EBIT) of 383 million francs in the first half of 2016.

The major challenges that Swiss Post has faced for some time now are still just as relevant: the decline in letter volumes and over-the-counter transactions in the communication market, growing competition and price pressure in the logistics market, and increasing price pressure in the national passenger transport market. In the financial services market, the ongoing low interest rate situation is putting further pressure on interest margins and is having a negative effect on our key source of revenue.

We must try and reconcile these commercial realities with the expectations that customers have of us. Today's customers want to "go to the post office" less and less frequently, and instead expect the post office to come to them – wherever they happen to be and whenever it suits them. We therefore need to understand Swiss Post's network in broader terms: the traditional post office is "just" one service in a comprehensive network of access points. Thanks to the introduction of new, inexpensive formats, Swiss Post remains present in the local village or district as well as being accessible to mobile customers wherever and whenever it suits them. Our goal has to be to continue to give customers easy and versatile access to Swiss Post in the future, while at the same time also creating an affordable infrastructure.

As a result of social and technological change, Swiss Post must continuously adapt and redefine its products and services. Swiss Post is therefore committed to innovation in all its units. The self-driving shuttles currently being tested at Post-Bus are just one example of this approach. Since June 2016 residents and visitors have been able to get around Sion with a self-driving shuttle – a premiere in Switzerland that aims to connect places that were not previously serviced by public transport. This highlights Swiss Post's efforts to offer tailor-made, customer-friendly solutions in line with its core competencies. Direct access and personal contact with our customers will continue to play an important role in the future.

We would like to sincerely thank our customers for the confidence they show in us. We would also like to say a big thank you to all of Swiss Post's employees, who make a vital contribution to the success of our company with their daily work and great commitment.



Urs Schwaller
Chairman of the
Board of Directors



Susanne Ruoff
CEO

■ Presentation of figures

The amounts shown in the 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.

■ True-to-scale representation of figures in charts

Charts are shown to scale to present a true and fair view. Exceptions to the scale shown below are noted in each case. 20 mm is equivalent to one billion francs. Percentages in charts are standardized as follows: Horizontal: 75 mm is equivalent to 100 percent. Vertical: 40 mm is equivalent to 100 percent.

■ Key for charts and tables

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

■ Languages

The report is available in English, German, French and Italian. The German version is authoritative.

Management report

Swiss Post operates in the communication, logistics, financial services and passenger transport markets. It generates the majority of its sales in competition. The minority is accounted for by letters weighing less than 50 grams, where Swiss Post is in competition with electronic services. 86 percent of sales are generated in Switzerland.

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Key figures

Despite the difficult market environment, Swiss Post operates successfully in all four markets. In the first half of 2016, it achieved Group profit of 313 million francs (normalized prior-year figure: 391 million francs). Operating profit (EBIT) stood at 383 million francs (normalized prior-year figure: 504 million francs). The 121 million franc decline is mainly due to higher impairment losses needed on the investment portfolio.

Group Key figures		2015	2016
2016 with prior year for comparison		1.1 to 30.6	1.1 to 30.6
Result			
Operating income	CHF million	4,100	4,150
Generated abroad ²	CHF million	541	581
	% of operating income	13.2	14.0
Operating profit	CHF million	504 ¹	383
As a share of operating income	%	12.3	9.2
Generated abroad ²	CHF million	29.2	32.9
	% of operating profit	5.8	8.6
Group profit	CHF million	391 ¹	313
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44,018	43,732
Abroad	Full-time equivalents	7,452	7,433
Investments			
Investments	CHF million	181	200
Other property, plant and equipment, intangible assets	CHF million	129	137
Operating property	CHF million	44	30
Investment property	CHF million	6	23
Interests	CHF million	2	10
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities	CHF million	-1,619	4,275
Economic value added	CHF million	158	93
Financing			
Total assets	CHF million	120,327	127,889
Customer deposits (PostFinance)	CHF million	107,380	113,898
Equity	CHF million	4,385	4,276

¹ Normalized figures.

² Definition of "abroad" in accordance with the segmentation in the Financial Report.

General developments

The economy

According to the Swiss National Bank (SNB), the moderate recovery in the global economy continued in the first few months of the year, supported by ongoing highly expansionary monetary policy worldwide. Economic recovery is particularly well advanced in the US. Economic growth in the euro area is gradually becoming more broad-based.

In Switzerland however, economic growth weakened in the first quarter of 2016. Growth momentum in manufacturing slowed, and value added declined in many services sub-sectors. On the demand side, the picture was somewhat more favourable, with domestic final demand increasing strongly. Exports and imports also continued to expand, although the trend was subdued.

Future economic development remains extremely uncertain. The decision of the British people to leave the European Union is a contributing factor. Past and ongoing changes in exchange rates are continuing to have an impact on all four of Swiss Post's target markets. Thanks to natural hedging, operating profit was largely unaffected by the translation effect (conversion of accounts managed in foreign currencies into the Group's reporting currency). However, the current negative interest situation represents a challenge for the financial services market in particular.

Customers and sectors

New internal performance mandate for Post Offices & Sales

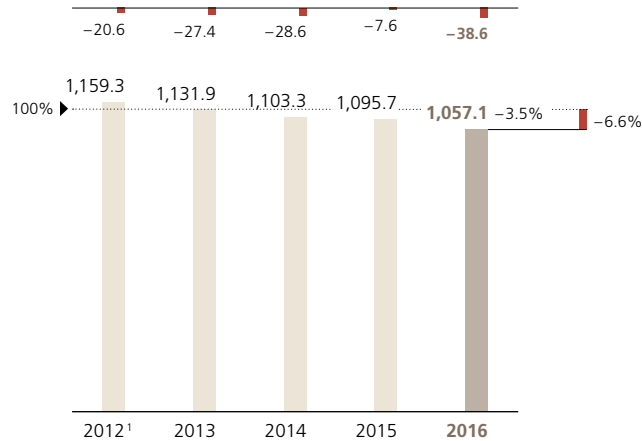
As part of a strategy revision, responsibility for postal products for private customers has been transferred from Post Offices & Sales to PostMail and PostLogistics. At the same time, Post Offices & Sales has taken responsibility for My Post 24 and PickPost as part of assuming overall responsibility for customer access points. In addition, the logic behind financial management at Post Offices & Sales has been improved. From 2016, sales services will be remunerated by means of commission, and other services (such as acceptance) will be paid for in line with a new system for greater transparency of results. On balance, the effect on operating profit was negative for Post Offices & Sales and PostLogistics, but positive for PostFinance and PostMail. Thanks to these measures, Swiss Post hopes to achieve better control of incentives for the units involved with regard to sales, efficiency improvements and product design.

Communication market

The performance of products in the communication market varied in the first half of 2016. The number of addressed letters fell by 3.5 percent year-on-year, and newspaper delivery volumes were down 1.4 percent. The decline in the volume of addressed letters was more pronounced in the first half of the year, but remains at a lower level than in many other countries. Unaddressed consignment volumes were up 1.0 percent in comparison with the prior year. Import and export volumes (mail) rose by 1.3 percent year-on-year. Post Offices & Sales recorded a downturn of 4.9 percent in over-the-counter payment transactions. At Swiss Post Solutions, income from services provided was down 5.0 percent year-on-year, mainly due to declining volumes in Switzerland and the UK, which could not be fully offset by growth in Germany and the US, as well as to the sale of non-strategic activities.

Declining letter volumes in the first half of the year

Communication market | Addressed letters in millions
As at 30.6.2012 to 2016, showing change from prior year / over several years
2013 = 100%



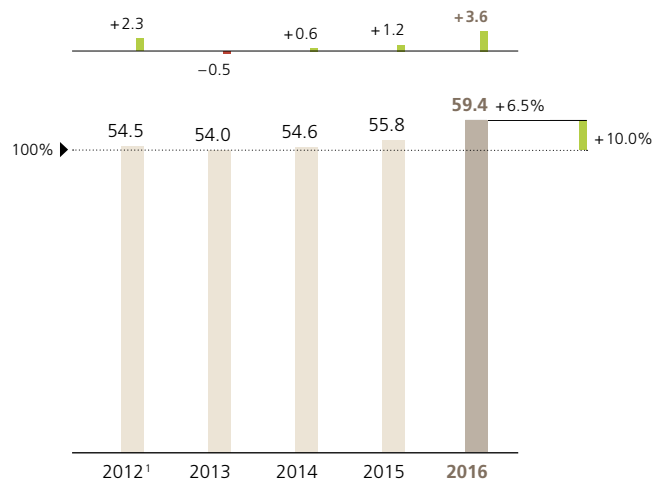
¹ The definition of letter volumes was modified for 2013. The figure from 2012 is not comparable.

Logistics market

The logistics market continues to be characterized by increasing competition and price pressure, both nationally and internationally. Customers are price-sensitive and have high expectations as regards quality. As a result of deregulation and changing customer needs, there is increasing overlap between the courier, express and parcels segments and traditional forwarding. Parcel volumes experienced an increase of 6.5 percent year-on-year.

A further increase in parcel volumes

Logistics market | Parcels in millions
As at 30.6.2012 to 2016, showing change from prior year / over several years
2013 = 100%



¹ The definition of parcel volumes was modified for 2013. The figure from 2012 is not comparable.

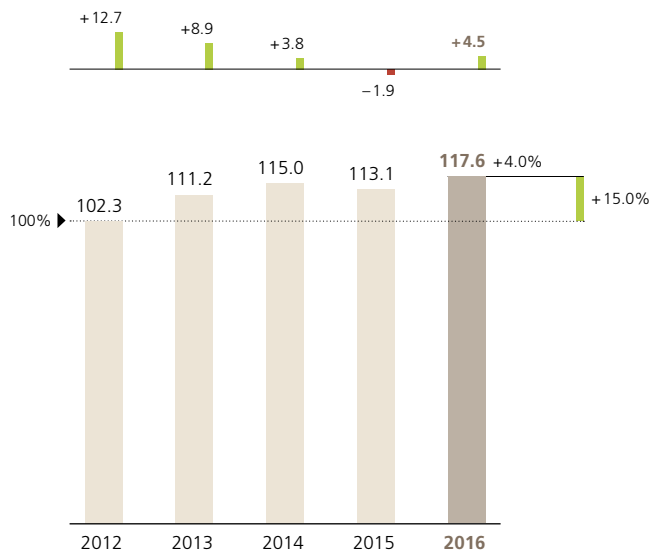
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Financial services market

PostFinance, Swiss Post's banking arm, recorded an increase in customer assets year-on-year and continues to enjoy the trust of customers who manage their own finances and who appreciate a simple, inexpensive range of services. During the first half of 2016, average customer assets managed rose by 4.5 billion francs year-on-year to 117.6 billion francs. The increase is due to the higher level of security sought by customers. PostFinance is continuing to implement targeted measures to control customer assets in connection with the introduction of negative interest rates by the SNB.

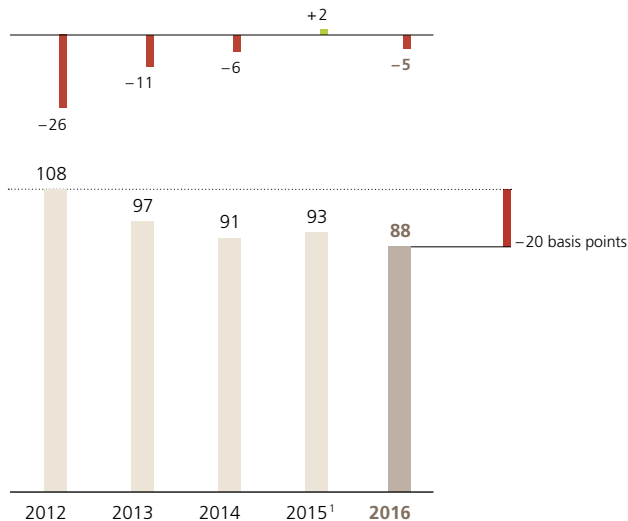
Rise in customer assets in the first half of the year

Financial services market | Average customer assets in CHF billion
As at 30.6.2012 to 2016, showing change from prior year / over several years
2012 = 100%



Drop in interest margins in the first half of the year

Financial services market | Interest margin in basis points
As at 30.6.2012 to 2016, showing change over several years



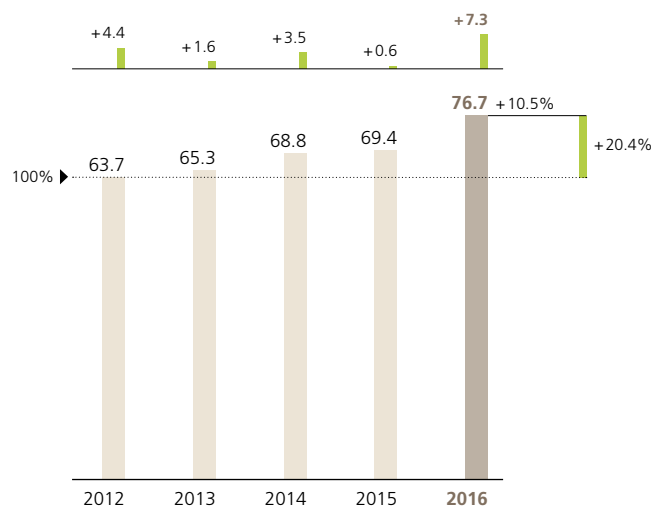
¹ The figure has been adjusted (see Notes to the interim financial statements, Accounting changes, Recognition method for income from the credit card business).

Passenger transport market

The national passenger transport market is growing steadily. As the budgets of public entities which act as contracting bodies for transport services are squeezed, the pressure on prices is rising even more, slowing the expansion of the public transport network. PostBus has also been operating urban bus networks and transport routes in France for a number of years. In the first half of 2016, PostBus increased the number of kilometres covered to a total of 76.7 million.

Increase in kilometres covered

Passenger transport market | Kilometres covered in millions of km
As at 30.6.2012 to 2016, showing change from prior year / over several years
2012 = 100%



Strategy

To meet the goals set by its owner, Swiss Post must create added value. Its chosen strategy for doing so has the following five strategic thrusts: provide high-quality services, ensure competitive prices, secure sustainable and profitable growth through new solutions, cut costs in a socially responsible manner, and optimally exploit the regulatory framework.

Finances

Economic value added

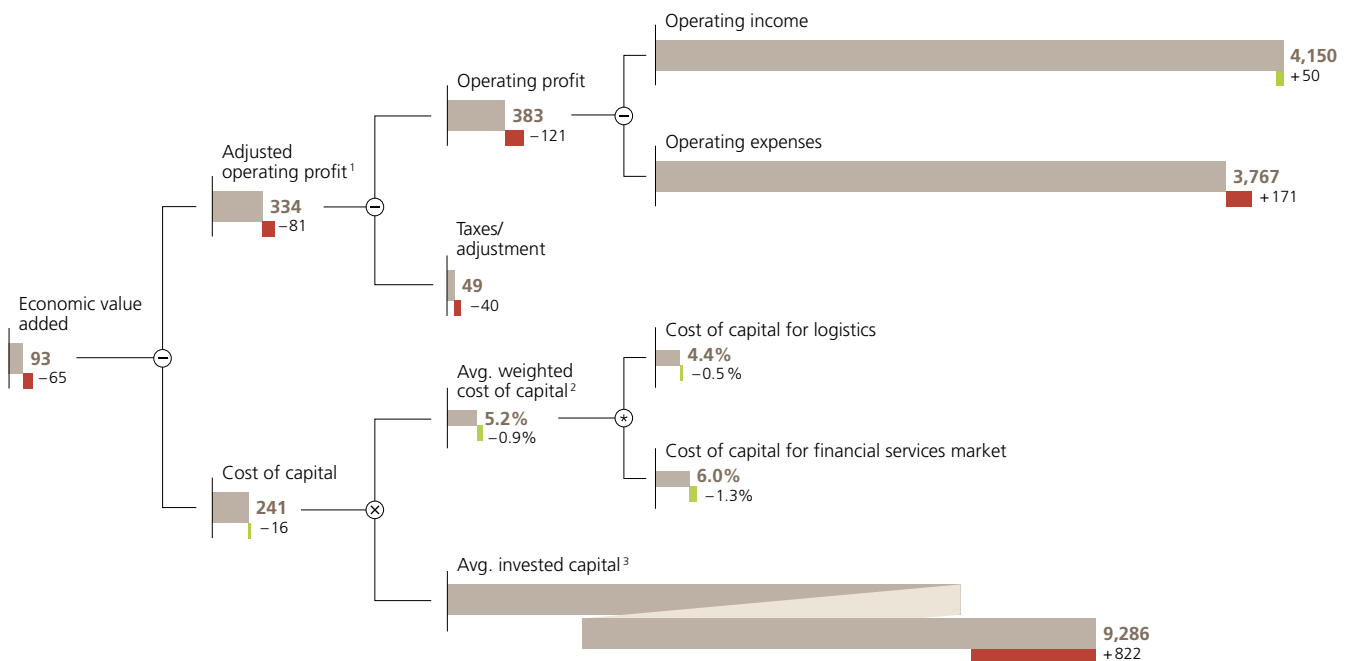
In line with the Federal Council's financial goals, Swiss Post is expected to maintain and increase the company's value in the long term. Value added is created when the adjusted operating profit exceeds the cost of average invested capital. In addition to the income statement, this approach also factors in the risks and the capital employed.

Economic value added in the logistics unit is calculated from adjusted operating profit (NOPAT) minus capital costs (cost of capital for logistics multiplied by average invested capital, or NOA). In the financial services market, economic value added is calculated from earnings before tax (EBT) in accordance with IFRS minus capital costs (cost of capital in the financial services market multiplied by the relevant average capital amount).

As at 30 June 2016, Swiss Post met the financial expectations of the Federal Council and generated economic value added of 93 million francs. That is 41 percent less than in the previous year (normalized figure: 158 million francs) due to the decline in operating profit.

Economic value added down in the first half of the year

Group | Economic value added in CHF million
1.1. to 30.6.2016 showing change from prior year



⊗ Weighted with the average invested capital in logistics and in the financial services market (PostFinance).

¹ Net operating profit after tax (NOPAT).

² Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity for the financial services market.

³ At PostFinance corresponds to avg. equity in accordance with Basel III of 4,430 million francs and in logistics units to the avg. net operating assets (NOA) of 4,856 million francs.

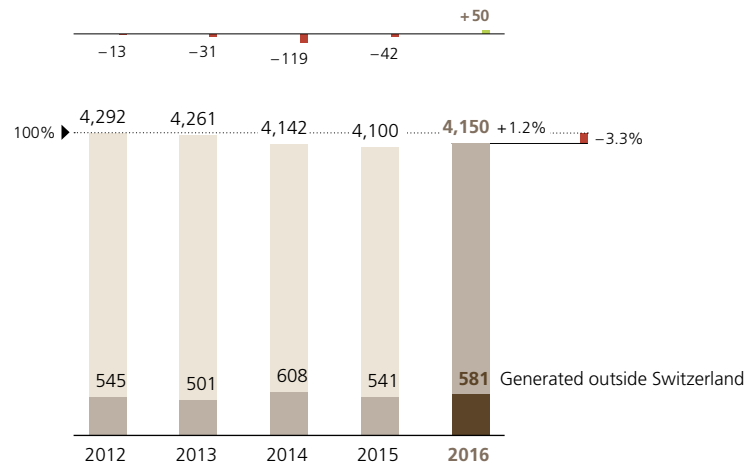
Income statement

Operating income

In the first half of 2016, operating income amounted to 4,150 million francs (prior year: 4,100 million francs). This represents an increase of 1 percent. Operating income rose principally as a result of higher sales from the logistics business and higher gains realized on financial assets. The above increases were offset by lower interest income in particular. The 40 million franc rise in operating income abroad is principally due to higher contributions by the PostMail and PostBus segments.

Encouraging change in operating income

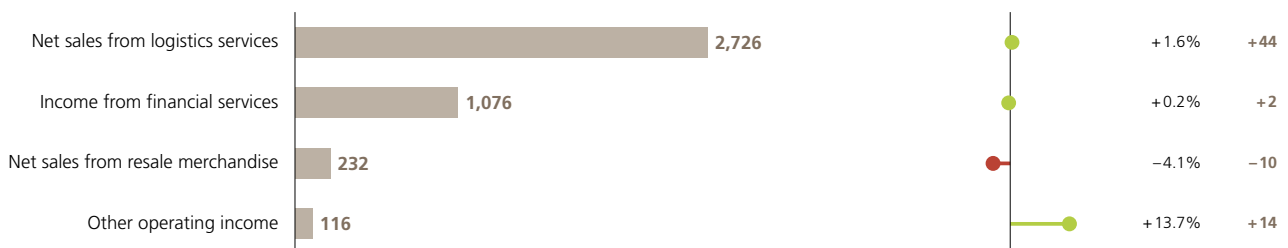
Group | Operating income in CHF million
1.1. to 30.6.2012 to 2016, showing change from prior year / over several years
2012 = 100%



Net sales from logistics services rose by 44 million francs year-on-year to 2,726 million francs. This increase is mainly due to additional services at PostBus. In income from financial services, profit was realized on the sale of a financial asset. The profit from the sale was largely offset by declining interest income and non-recurring reversals of impairment on the investment portfolio year-on-year. Net sales from resale merchandise were down 10 million francs, mainly as a result of changes to the telecommunications and information technology product range. Other operating income increased by 14 million francs year-on-year, principally due to higher rental income, higher profits from the sale of property, plant and equipment no longer required, and own work capitalized.

Growth in operating income thanks to increase in net sales from logistics services

Group | Operating income in CHF million
1.1. to 30.6.2016 showing change from prior year



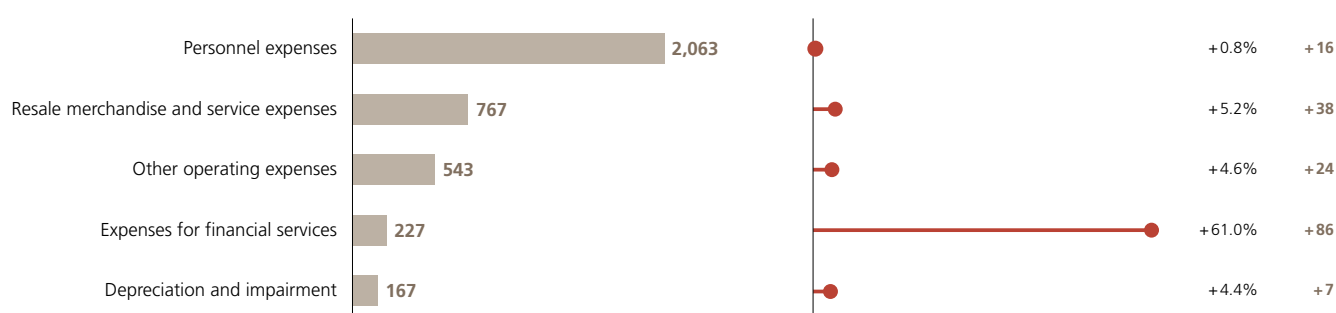
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Operating expenses

Personnel expenses rose by almost 1 percent to 2,063 million francs. Resale merchandise and service expenses increased by 38 million francs, largely due to higher compensation paid for international postal traffic. Expenses for financial services rose by 86 million francs year-on-year as a result of the need for additional portfolio impairment losses. Other operating expenses increased by 24 million francs year-on-year. This rise was primarily due to higher external consultancy fees and greater expenditure on operating materials. Depreciation and amortization increased by 7 million francs.

General increase in expenses

Group | Operating expenses in CHF million
1.1. to 30.6.2016 showing change from prior year



Operating profit

The decline in operating profit year-on-year (–121 million francs) was mainly due to the need for additional impairment losses on the investment portfolio, as mentioned above.

Group profit

At 3 million francs, net income from associates and joint ventures was down 5 million francs on the previous year. The financial income of 9 million francs and financial expenses of 30 million francs had a net beneficial impact on the Group result of around 4 million francs. This reduction is mainly due to lower foreign exchange losses. The financial result declined by one million francs in total year-on-year. Expenses for income taxes stood at 52 million francs, which resulted in a Group profit of 313 million francs (normalized prior-year figure: 391 million francs).

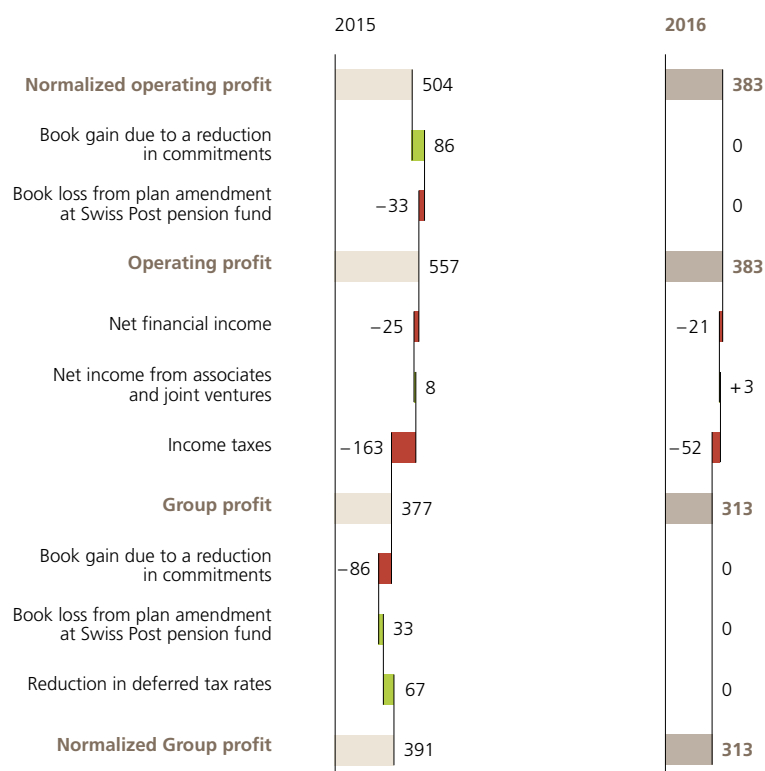
One-off items in 2015

Swiss Post's financial result includes the following one-off items in 2015 which have been adjusted in the management report (normalized):

- A book gain due to reduced commitments in expenses for wages and salaries (86 million francs).
- A book loss due to the adjustment of the technical interest rate at the Swiss Post pension fund from 1 January 2015 led to an increase in employee benefit expenses (33 million francs).
- The adjustment of deferred tax rates in individual subsidiaries generated an increase in expenses for income taxes (67 million francs).

Operating profit and Group profit affected by one-off items

Group | One-off items in operating profit and Group profit in CHF million
1.1 to 30.6.2015 and 2016



Segment results

All the markets contributed to operating profit.

Group Segment results 1.1 to 30.6.2016 with prior-year period CHF million, percent, full-time equivalents	Operating income ¹		Operating result ^{1,2}		Margin ³		Headcount ⁴	
	2015	2016	2015 ⁵	2016	2015	2016	2015	2016
Communication market	2,292	2,197	137	94	6.0	4.3	30,019	29,311
PostMail	1,389	1,485	184	183	13.2	12.3	16,487	16,283
Swiss Post Solutions	300	285	6	10	2.0	3.5	7,225	6,952
Post Offices & Sales	776	576	-53	-99			6,307	6,076
Logistics market								
PostLogistics	757	772	65	52	8.6	6.7	5,200	5,135
Financial services market								
PostFinance ⁶	1,114	1,126	280	237			3,548	3,642
Passenger transport market								
PostBus ⁷	416	457	19	21	4.6	4.6	2,861	3,200
Other ⁸	465	457	3	-21			2,390	2,444
Consolidation	-1,117	-1,008						
	4,100	4,150	504	383			44,018	43,732

1 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.

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

3 The financial services market (PostFinance) uses the indicator return on equity; no margin is calculated for "Other"; negative margins are not reported.

4 Average expressed in terms of full-time equivalents (excluding trainees).

5 Normalized figures.

6 PostFinance Ltd also applies the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.

7 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.

8 Includes service units (Real Estate and Information & Communication Technology) and management units (e.g. Human Resources, Finance and Communication).

Communication market

PostMail

PostMail recorded an operating profit of 183 million francs for the first half of 2016, on a par with the previous year.

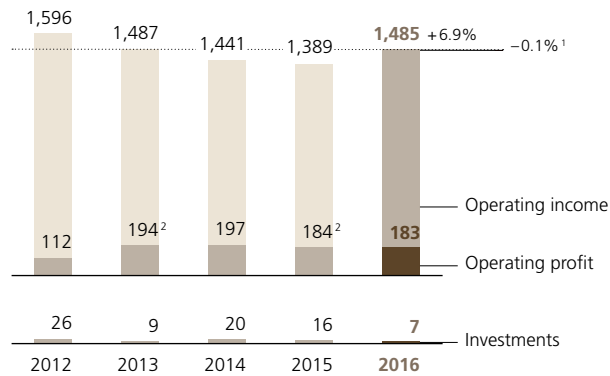
The transfer of private customer products from Post Offices & Sales and foreign currency effects in connection with the abandoning of the minimum euro exchange rate in the prior year resulted in a considerable increase in income and expenses. Overall, both of these items had virtually no impact on profit or loss. The decline in the volume of addressed letters was more pronounced year-on-year and had a negative effect on operating income. The reduction in newspaper volumes was partly offset in terms of sales by means of moderate price increases. Income from international consignments was above the previous year's level due to higher tariffs and exchange rate effects on import consignments.

Headcount fell by 204 full-time equivalents year-on-year. This was due to the ongoing impact of measures to optimize processes, as well as to lower staff requirements as a result of declining volumes.

PostMail:
stable profit trend.

PostMail responsible for letters – private customers from 2016

PostMail | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



Since 2013, PostMail has achieved an operating profit of over 180 million francs in the first half of each year, making a substantial contribution to the Group result. The increase in operating profit between 2012 and 2013 was due to the new postal legislation which came into force in 2013. During the same period, the joint venture Asendia was established with France's La Poste. Declining average annual volumes of addressed letters as well as decreases in subscription newspapers and import consignments contributed to lower operating income. The increase in operating income between 2015 and 2016 was due to the transfer of product responsibility for private customer letters from Post Offices & Sales to PostMail.

Investments of 15 million francs on average during the first half of the year ensure the continuing excellent quality of PostMail services. In recent years, investments have been made in distribution centers and in the optimization of automatic sequencing in particular.

Swiss Post Solutions

Swiss Post Solutions achieved an operating profit of 10 million francs in the first half of 2016. Operating profit was therefore 4 million francs higher than the prior-year figure.

At 285 million francs, operating income was 15 million francs down on the first half of 2015. The decline was essentially due to lower volumes, particularly in Switzerland (–3 million francs) and the United Kingdom (–4 million francs) and to the sale of non-strategic activities (–11 million francs). In contrast, higher operating income was achieved due to increases in profitability with existing customers and new business, particularly in Germany (+4 million francs) and the United States (+2 million francs).

Operating expenses totalled 275 million francs, 19 million francs lower than in the first half of 2015. The decline was mainly due to the items mentioned under operating income and recognized in expenses. Expenses were also reduced by the implementation of measures to increase efficiency and improvement projects.

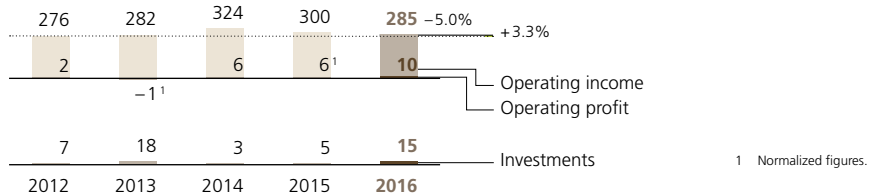
Average headcount fell by 273 to 6,952 full-time equivalents year-on-year, principally as a result of the representation in Vietnam (–87), Germany (–82) and France (–45).

Swiss Post Solutions:
higher contribution
to results.

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Expansion of market position for comprehensive services

Swiss Post Solutions | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



The progression of the Swiss Post Solutions business unit has been heavily influenced by the optimization of the portfolio of products and interests over the past five years.

Operating income and investments in each year during the observation period were principally characterized by acquisitions of interests and demergers, together with restructuring measures. The material changes concerned the acquisition of the document solutions business from Pitney Bowes in the UK (in 2013), the demerger of Solution House (in 2015) and the sale of SPS Card Systems GmbH (in 2016).

Post Offices & Sales:
new performance
mandate

Post Offices & Sales

Product responsibility for letters and parcels for private customers was transferred from Post Offices & Sales to PostMail and PostLogistics on 1 January 2016. Since this date, Post Offices & Sales has been managed as Swiss Post's sales channel for private and SME customers. Sales services are invoiced to the other Group segments. Post Offices & Sales generated an operating result of -99 million francs in the first half of 2016.

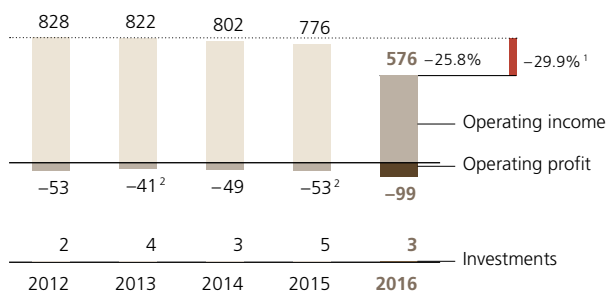
At 576 million francs, operating income was comprised principally of 221 million francs of operating income from the sale of resale merchandise and 352 million francs of payments for internal services.

Operating expenses stood at 675 million francs. Personnel expenses decreased by 13 million francs due to the lower headcount.

Headcount of 6,076 employees fell by a total of 231 full-time equivalents year-on-year due to developments in the post office network.

Transfer of product responsibility for letters and parcels for private customers

Post Offices & Sales | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



It is difficult to compare operating profit from 2016 with that of previous years for the reasons mentioned above. The focus over the past five years has been on reducing the negative contribution to results. A comparison of figures over several half years shows that the necessary positive impact on results is being achieved in the long term thanks to network development. The fall in revenue seen in recent years has at least been absorbed.

Constant investments over the past few years have ensured that Post Offices & Sales meets its share of the universal service obligation.

Logistics market

PostLogistics

PostLogistics posted operating profit of 52 million francs in the first half of 2016, which was 13 million francs lower than the previous year's level.

Operating income totalled 772 million francs, exceeding the previous year's total by 15 million francs. This rise was due to higher parcel volumes and greater demand for value logistics services, thereby more than offsetting the loss of customers in small consignment transport and lower revenue in the fuel business.

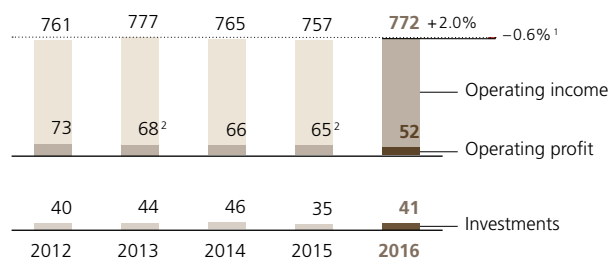
Operating expenses increased by 28 million francs year-on-year to 720 million francs. This rise was primarily due to higher costs for processing private customer parcels. Other reasons include greater transport costs resulting from growth in parcel volumes for business customers, higher premises costs and additional depreciation and amortization.

Average headcount fell by 65 to 5,135 full-time equivalents as a result of optimization measures in small consignment transport.

PostLogistics:
operating profit
down year-on-year.

Stable trend in operating income over the last five years

PostLogistics | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



- 1 Difference since new postal legislation came into force in 2013.
2 Normalized figures.

After achieving stable results in recent years, PostLogistics recorded a decline in the first half of 2016. This decline was mainly due to the transfer of product responsibility for private customer parcels and the expense developments mentioned above.

Operating income has remained stable over the past five years. Greater competition and the associated loss of customers in small consignment transport and warehousing, falling prices in the parcel market and the closure of subsidiaries were successfully offset by the constant increase in parcel volumes. Growth was only recorded in business customer parcels however, while private customer parcel volumes have been declining for years. Growth in online trade was the main reason for growth in the business customer sector.

Investments in the first half of 2016 were in line with the average level seen in recent years.

PostFinance:
need for additional
impairment losses.

Financial services market

PostFinance

In the first half of 2016, PostFinance recorded an operating profit of 237 million francs, representing a decrease of 43 million francs in comparison with the normalized prior-year figure.

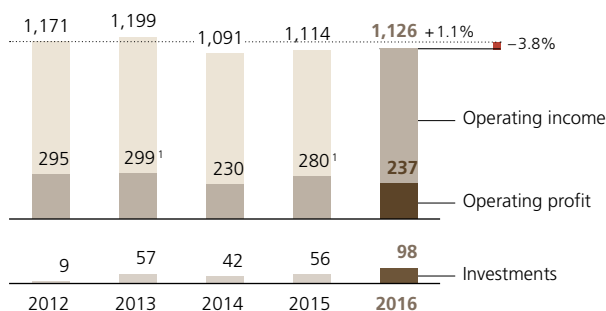
Operating income was up 12 million francs to 1,126 million francs. Lower income from the interest business was offset principally by higher capital gains realized on equity holdings.

Operating expenses increased by 55 million francs year-on-year to 889 million francs. During the reporting period, portfolio impairment losses on financial assets totalling 79 million francs had to be created. In contrast, 30 million francs of portfolio reversals of impairment were recorded in the comparison period. Changes in interest payable due to market conditions resulted in a 32 million franc decline in interest expense. Personnel expenses increased by 15 million francs due to the higher headcount.

Additional jobs were created for the implementation of strategic projects. Headcount rose by 94 full-time equivalents year-on-year to an average of 3,642 full-time equivalents.

Highly volatile operating profit due to portfolio impairment losses and low interest rates

PostFinance | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



¹ Normalized figures.

Operating profit at PostFinance is greatly dependent on portfolio impairment losses and/or portfolio reversals of impairment on financial assets, which are highly volatile due to market conditions.

The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation has eroded interest margins and had a negative effect on net interest income, while operating income has declined in the last few years. This situation will remain a challenge for PostFinance over the next few years. Non-interest related revenue in net service and commission income and trading activities, which has increased in recent years, had a positive effect on operating income.

Investments have increased significantly over the last two years. The business activities of PostFinance were integrated into a private limited company under private law in 2013. As part of its capitalization, PostFinance Ltd acquired a real estate portfolio, which it has continued to invest in ever since. Investments have also been made in modernizing the core banking system.

Passenger transport market

PostBus

PostBus: constant operating profit.

Operating profit at PostBus was up 2 million francs year-on-year to 21 million francs. As in the first quarter, the main factor responsible for the increase was the ongoing low price of fuel. The rise in the euro exchange rate had no material impact on operating profit.

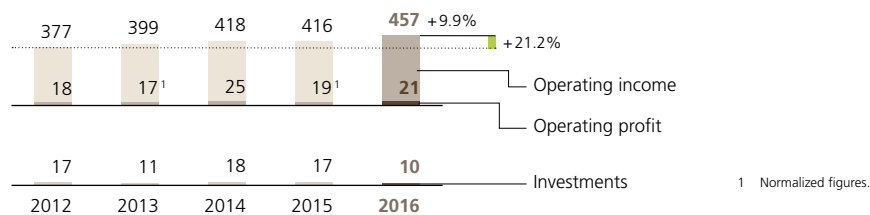
Operating income in the first half of the year was up 41 million francs year-on-year to 457 million francs. This was due to the expansion of services in Switzerland, particularly in the Zurich area, and to business in France. Operating income in France was up 16 million francs thanks to takeovers and newly acquired networks.

Operating expenses rose to 436 million francs as a result of the expansion of services, newly acquired networks and takeovers, as well as the increase in employee benefit expenses. This represents an increase of 39 million francs, generated primarily by additional personnel expenses of 16 million francs due to additional services and the increase in transport-related remuneration to PostBus operators.

Average headcount rose by 339 to 3,200 full-time equivalents. In France, average headcount increased by 239 full-time equivalents as a result of takeovers and newly acquired networks.

Constant growth in the passenger transport market

PostBus | Operating income, operating profit and investments in CHF million
1.1 to 30.6.2012 to 2016, showing change from prior year / over several years



Operating profit has undergone variable growth over the past five years, and reached 21 million francs in 2016. The highest level of growth was recorded in the first half of 2014, principally due to the development of business in Switzerland.

During the same period, operating income rose to 457 million francs, which represents annual growth of 20 million francs on average. The greatest rise in operating income year-on-year was generated in the first half of 2016 as a result of the expansion of services in Switzerland and new acquisitions in the French business. A decline in sales was recorded in comparison with the prior-year period (-1 percent). This was due to the abandoning of the minimum euro exchange rate by the Swiss National Bank.

An average of 15 million francs has been invested in the first half of each of the past five years. Annual investments varied depending on acquisitions, the expansion of services, vehicle procurement cycles and deferred vehicle deliveries.

Management and service units: decline in operating profit.

Management and service units

The "Other" segment experienced a 24 million franc decline in operating profit in the first half of 2016.

At 457 million francs, operating income fell by 8 million francs. The decrease was mainly due to a reduction in intra-Group income.

At 478 million francs, operating expenses rose by 16 million francs. Higher costs for external consultancy and the maintenance and repair of property, plant and equipment, as well as greater expenditure on operating materials, were responsible for this increase in operating expenses.

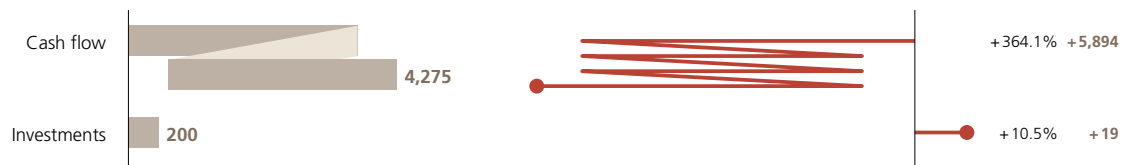
Headcount rose by 54 to 2,444 full-time equivalents.

Cash flow and investments

A positive cash flow from operating activities of 4,275 million francs was recorded in the first half of 2016. This inflow was due to the rise in customer deposits (PostFinance). Capital paid in by customers resulted in an increase in "liquid assets". Cash flow reporting reflects the changes in items in the PostFinance balance sheet. For more information on changes in the consolidated cash flow statement, see page 30.

Positive cash flow thanks to higher customer deposits

Group | Cash flow and investments in CHF million
1.1. to 30.6.2016 showing change from prior year



Investments in property, plant and equipment (106 million francs), investment property (23 million francs), intangible assets (61 million francs) and interests (10 million francs) totalled 200 million francs in the first half of 2016. This represents an increase of around 10 percent year-on-year.

Net debt

For the indicator net debt / operating profit before depreciation and amortization (EBITDA) Swiss Post has set a maximum figure of 1 as its target. Customer deposits and financial assets of PostFinance Ltd are not included in the calculation of this indicator. Values above the target are possible in the short term. Values below the target indicate financial leeway. The target was met as at 30 June 2016.

Consolidated balance sheet

Amounts due from banks

In comparison with 31 December 2015, amounts due from banks rose by 3,263 million francs. This increase was due to higher customer deposits on the liabilities side of the balance sheet that were invested during the reporting period.

Financial assets

In comparison with 31 December 2015, financial assets rose by 3,502 million francs. This increase was due to higher customer deposits on the liabilities side of the balance sheet.

Property, plant and equipment

The carrying amount for property, plant and equipment fell by 66 million francs compared with 31 December 2015. In the first half of 2016, depreciation and impairment stood at around 167 million francs, up 7 million francs year-on-year.

Customer deposits

Since 31 December 2015, customer deposits at PostFinance have risen by 6,518 million francs to 113,898 million francs. As at 30 June 2016, customer deposits accounted for around 89 percent of the Group's total assets.

Other liabilities (provisions)

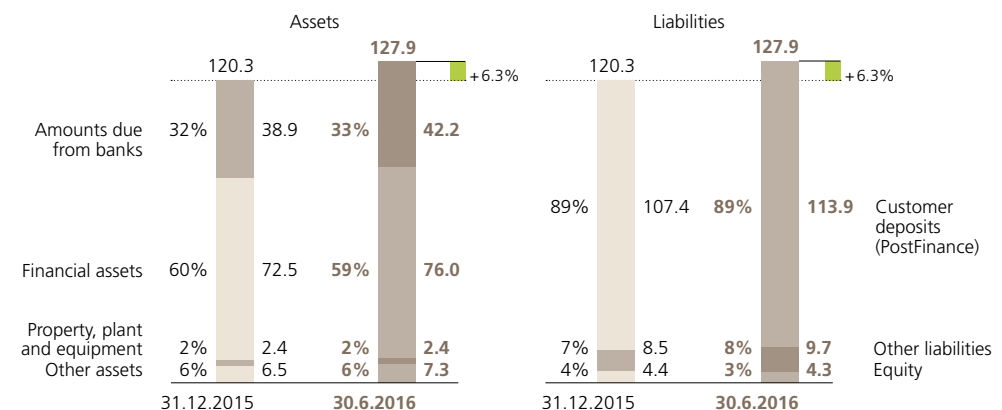
Provisions increased by 13 million francs and employee benefit obligations by 717 million francs. This change in employee benefit obligations is due to the adjustment of the imputed interest rate as at 30 June 2016, which declined further as a result of the situation on the international financial markets in comparison with 31 December 2015.

Equity

Appropriation of profit for 2015 (200 million francs of dividends paid to the Confederation) was taken into account in consolidated equity as at 30 June 2016 (4,276 million francs).

Increase in total assets thanks to rise in customer deposits

Group | Balance sheet in CHF billion
As at 31.12.2015 and 30.6.2016 showing change from prior year
31.12.2015 = 100%



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Outlook

The decision made by the British people on 23 June 2016 to leave the European Union has prompted uncertainty about future economic development in the UK in particular, as well as in Europe as a whole. The global economy should be only moderately affected and should stabilize in the second half of the year. Growth forecasts are positive in the US. In China, the outlook for the current year has improved somewhat thanks to stimulus measures with regard to monetary and fiscal policy.

Prospects for Switzerland in the current year deteriorated following the decision mentioned above. The uncertainties in the eurozone are likely to have an effect on Switzerland as well. There are two positive developments which are in contrast to the British decision. The world economy is stabilizing, and the dampening effect of the appreciation of the Swiss franc in 2015 is wearing off.

Before the British referendum, the SNB was expecting the Swiss economy to experience an upward trend in the second half of the year. It predicted growth of between 1 and 1.5 percent for 2016.

The low interest rate situation worldwide and the negative interest rates in certain countries will above all represent a challenge for PostFinance Ltd, which operates in the financial services market. The operating framework is established by the economic outlook as a whole and its effects on Swiss Post's business activities. In this context, it will be more difficult for Swiss Post to achieve the financial goals set by its owner. It nonetheless expects to meet these goals again in 2016.

Group interim financial statements

The consolidated interim financial statements include all of Swiss Post's subsidiaries. They have been produced in accordance with International Financial Reporting Standards (IFRS) and meet the requirements of the Postal Organization Act.

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Consolidated income statement

Group Income statement	2015 1.1 to 30.6 reviewed	2016 1.1 to 30.6 reviewed
CHF million		
Net sales from logistics services	2,682	2,726
Net sales from resale merchandise	242	232
Income from financial services	1,074	1,076
Other operating income	102	116
Total operating income	4,100	4,150
Personnel expenses	-1,995	-2,063
Resale merchandise and service expenses	-729	-767
Expenses for financial services	-141	-227
Depreciation and impairment	-160	-167
Other operating expenses	-518	-543
Total operating expenses	-3,543	-3,767
Operating profit	557	383
Financial income	15	9
Financial expenses	-40	-30
Net income from associates and joint ventures	8	3
Group profit before tax	540	365
Income taxes	-163	-52
Group profit	377	313
Group profit attributable to		
Swiss Confederation (owner)	377	313
Non-controlling interests	0	0

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Consolidated statement of comprehensive income

Group Statement of comprehensive income	2015 1.1 to 30.6 reviewed	2016 1.1 to 30.6 reviewed
CHF million		
Group profit	377	313
Other comprehensive income		
Revaluation of employee benefit obligations	190	-645
Change in share of other comprehensive income of associates and joint ventures	1	-
Change in deferred income taxes	-96	156
Items not reclassifiable in the consolidated income statement, after tax	95	-489
Change in currency translation reserves	-35	-5
Change in share of other comprehensive income of associates and joint ventures	3	-1
Change in fair value reserves from available-for-sale financial assets	-13	315
(Gains)/losses transferred to income statement from available-for-sale financial assets	-15	-28
Change in hedging reserves from cash flow hedges	58	42
(Gains)/losses transferred to income statement from cash flow hedges	-52	5
Change in deferred income taxes	-1	-61
Reclassifiable items in consolidated income statement, after tax	-55	267
Total other comprehensive income	40	-222
Total comprehensive income	417	91
Total comprehensive income attributable to		
Swiss Confederation (owner)	417	91
Non-controlling interests	0	0

Consolidated balance sheet

Group Balance sheet	31.12.2015 audited	30.6.2016 reviewed
CHF million		
Assets		
Cash	1,491	2,163
Amounts due from banks	38,933	42,196
Interest-bearing amounts due from customers	563	389
Trade accounts receivable	1,081	1,057
Other receivables	948	1,116
Inventories	76	64
Non-current assets held for sale	0	1
Financial assets	72,479	75,981
Investments in associates and joint ventures	104	107
Property, plant and equipment	2,423	2,357
Investment property	227	250
Intangible assets	436	469
Current income tax assets	0	0
Deferred income tax assets	1,566	1,739
Total assets	120,327	127,889
Liabilities		
Customer deposits (PostFinance)	107,380	113,898
Other financial liabilities	1,665	1,889
Trade accounts payable	678	571
Other liabilities	776	1,021
Provisions	427	440
Employee benefit obligations	4,847	5,564
Current income tax liabilities	20	23
Deferred income tax liabilities	149	207
Total liabilities	115,942	123,613
Share capital	1,300	1,300
Capital reserves	2,279	2,279
Retained earnings	2,950	3,063
Profits and losses recorded directly in other comprehensive income	-2,145	-2,367
Equity attributable to the owner	4,384	4,275
Non-controlling interests	1	1
Total equity	4,385	4,276
Total equity and liabilities	120,327	127,889

Consolidated statement of changes in equity

Group Statement of changes in equity							
CHF million	Share capital	Capital reserves	Retained earnings	Profits and losses recorded directly in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2015	1,300	2,279	2,519	-1,089	5,009	1	5,010
Group profit			377		377	0	377
Other comprehensive income				40	40	0	40
Total comprehensive income			377	40	417	0	417
Dividends			-200		-200	-	-200
Total transactions with the owner			-200		-200	-	-200
Balance as at 30.6.2015	1,300	2,279	2,696	-1,049	5,226	1	5,227
Balance as at 1.1.2016	1,300	2,279	2,950	-2,145	4,384	1	4,385
Group profit			313		313	0	313
Other comprehensive income				-222	-222	0	-222
Total comprehensive income			313	-222	91	0	91
Dividends			-200		-200	-	-200
Payments to acquire non-controlling interests			0		0	0	-
Total transactions with the owner			-200		-200	0	-200
Balance as at 30.6.2016	1,300	2,279	3,063	-2,367	4,275	1	4,276

Consolidated cash flow statement

Group Cash flow statement	2015 1.1 to 30.6 reviewed ¹	2016 1.1 to 30.6 reviewed
CHF million		
Profit before tax	540	365
Interest expense/(income) (including dividends)	-515	-551
Depreciation and impairment	172	205
Net income from associates and joint ventures	-8	-3
Net gain on disposal of property, plant and equipment	-40	-25
Net increase in provisions	13	87
Other non-cash expenses/(income)	464	-12
Change in net current assets:		
(Increase)/Decrease in receivables, inventories and other assets	5	-146
Increase/(Decrease) in accounts payable and other liabilities	-51	126
Change in items from financial services:		
Decrease in amounts due from banks (term of 3 months or more)	317	-
(Increase) in financial assets	-293	-3,335
Change in customer deposits/interest-bearing amounts due from customers	-2,895	6,698
Change in other receivables/liabilities	117	223
Interest and dividends received (financial services)	661	728
Interest paid (financial services)	-37	-25
Income taxes paid	-69	-60
Cash flow from operating activities	-1,619	4,275
Purchases of property, plant and equipment	-135	-106
Acquisition of investment property	-6	-23
Purchases of intangible assets (excl. goodwill)	-38	-61
Purchases of subsidiaries, net of cash and cash equivalents acquired	-2	-1
Purchases of associates and joint ventures	-	-9
Purchases of other financial assets	-300	-156
Proceeds from disposal of property, plant and equipment	37	45
Disposal of subsidiaries, net of cash proceeds	0	2
Proceeds from disposal of associates and joint ventures	6	-
Proceeds from disposal of other financial assets	22	10
Interest and dividends received (excl. financial services)	12	10
Cash flow from investing activities	-404	-289
Increase/(Decrease) in other financial liabilities	-11	5
Interest paid	-6	-6
Payments to acquire non-controlling interests	-	0
Dividends paid to the owner	-200	-200
Cash flow from financing activities	-217	-201
Foreign exchange gains/(losses) on cash and cash equivalents	-17	0
Change in cash and cash equivalents	-2,257	3,785
Cash and cash equivalents at 1 January	43,980	40,424
Cash and cash equivalents at 30 June	41,723	44,209
Cash and cash equivalents include:		
Cash	1,722	2,163
Amounts due from banks with an original term of less than 3 months	40,001	42,046

¹ Figures have been adjusted (see Notes, Accounting changes).

Notes to the interim financial statements

Business activities

Swiss Post Ltd is a company limited by shares subject to a special statutory regime with its head office in Berne and is wholly owned by the Swiss Confederation. Swiss Post Ltd and its subsidiaries (hereinafter referred to as Swiss Post) provide logistics and financial services both in Switzerland and abroad.

Basis of accounting

The condensed consolidated interim financial statements of Swiss Post Group as at 30 June 2016 were prepared in accordance with IAS 34 "Interim Financial Reporting" and reviewed. The accounting principles applied are the same as those used for the Financial Report 2015, supplemented with the restrictions listed in the section titled "Accounting changes".

For more information on estimation uncertainty and management's judgement during the preparation of the consolidated financial statements, please refer to the Financial Report 2015, pages 88 to 89.

Accounting changes

Since 1 January 2016, Swiss Post has applied various amendments to existing International Financial Reporting Standards (IFRS) and interpretations that have no material impact on the result or financial situation of the Group (see Financial Report 2015, page 80).

Change in the recognition method for income from the credit card business

PostFinance changed the recognition method for income from the credit card business in the area of processing and service delivery in the second quarter of 2016. Commission income from the credit card business is now split into three components: commission, foreign exchange and interest income. The aim of this change is to take the ordinary course of business into account more closely in future disclosures. The significance of these positions has grown as a result of the encouraging rise in the number of credit cards and in credit volumes in recent years. The following table gives an overview of the impact of the implemented reclassification recognized directly in equity:

Group Cash flow statement			
1.1. to 30.6.2015			
CHF million	Reported	Adjustment	Adjusted
Interest expense/(income) (including dividends)	-511	-4	-515
Interest and dividends received (financial services)	657	+4	661

Segment information

Segments Results									
CHF million Up to or as at 30.6.2015	PostMail	Swiss Post Solutions	Post Offices & Sales	PostLogistics	PostFinance ²	PostBus ³	Other ⁴	Consolidation	Group
Operating income									
from customers	1,207	273	466	563	1,093	415	83		4,100
from other segments	182	27	310	194	21	1	382	-1,117	-
Total operating income¹	1,389	300	776	757	1,114	416	465	-1,117	4,100
Operating profit¹	210	8	-44	72	284	23	4		557
Net financial income									-25
Net income from associates and joint ventures	5	-1	-	3	2	0	-1		8
Income taxes									-163
Group profit									377
Headcount⁵	16,487	7,225	6,307	5,200	3,548	2,861	2,390		44,018
Up to or as at 30.6.2016									
Operating income									
from customers	1,406	266	221	626	1,105	455	71		4,150
from other segments	79	19	355	146	21	2	386	-1,008	-
Total operating income¹	1,485	285	576	772	1,126	457	457	-1,008	4,150
Operating profit¹	183	10	-99	52	237	21	-21		383
Net financial income									-21
Net income from associates and joint ventures	1	0	-	1	1	0	0		3
Income taxes									-52
Group profit									313
Headcount⁵	16,283	6,952	6,076	5,135	3,642	3,200	2,444		43,732

1 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.

2 PostFinance Ltd also applies the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.

3 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.

4 Includes service units (Real Estate and Information & Communication Technology) and management units (e.g. Human Resources, Finance and Communication).

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

Significant changes in segment assets and liabilities

In comparison with 31 December 2015, the segment assets of PostFinance rose by 6,672 million francs to 120,663 million francs, particularly with regard to receivables and financial assets. The increase is due to higher customer deposits on the liabilities side, with the segment liabilities of PostFinance increasing by 6,403 million francs to 115,601 million francs in comparison with 31 December 2015.

Changes in the consolidated Group

Mergers

PostMail Ltd was merged into Post CH Ltd, both based in Berne, with retroactive effect to 1 January 2016.

APZ Direct AG, based in Schaffhausen, and IWARE SA, based in Morges, were merged into Direct Mail Company AG, based in Basel, with retroactive effect to 1 January 2016.

Botec Logistic SA was merged into Botec Boncourt S.A., both based in Boncourt, with retroactive effect to 1 January 2016.

Allenbach Verzollungsagentur GmbH, based in Münchenstein, was merged into PostLogistics Ltd, based in Dintikon, with retroactive effect to 1 January 2016.

Les Cars du Trièves was merged into Autocars et Transports Grindler, both based in Vif (France), with retroactive effect to 1 January 2016.

Following the acquisition of the non-controlling interest (15 percent) in Mobility Solutions Management Ltd, the latter was merged into Mobility Solutions Ltd, both based in Berne, with retroactive effect to 1 January 2016.

Other changes during the reporting period

PostFinance Ltd, based in Berne, sold Debtors Service Ltd, based in Urtenen-Schönbühl, on 1 February 2016.

On 31 May 2016, Swiss Post Solutions GmbH sold Swiss Post Solutions Card Systems GmbH, both based in Bamberg (Germany).

SwissSign AG, based in Vaduz (Liechtenstein), was founded on 10 June 2016.

PostFinance Ltd, based in Berne, acquired a 20 percent interest in moneymeets GmbH and moneymeets community GmbH, both based in Cologne (Germany), on 23 June 2016.

Finform Ltd, based in Berne, was founded on 27 June 2016 (Swiss Post share: 50 percent).

A share capital reduction of 71 million francs was undertaken at PostBus Switzerland Ltd, based in Berne.

PostBus Management Ltd, PostBus Mobility Solutions Ltd, PostBus Production Ltd and PostBus Vehicles Ltd, all based in Berne, each underwent a share capital increase of one million francs.

A share capital increase of 13,000 euros was undertaken at Autocars et Transports Grindler, based in Vif (France).

Overall, the effect of these changes in the consolidated Group on the consolidated financial statements is not material in nature.

Financial instruments

Carrying amounts and fair values of financial instruments

The carrying amounts and the corresponding fair values of financial assets and liabilities are as follows on 31 December 2015 and 30 June 2016:

Fair values and carrying amounts of financial instruments CHF million	31.12.2015		30.6.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Financial assets				
Available for sale				
Bonds	8,140	8,140	9,767	9,767
Shares	605	605	472	472
Funds	1,147	1,147	1,162	1,162
Positive replacement values	61	61	113	113
Financial assets not measured at fair value				
Financial assets				
Held to maturity	47,687	50,388	48,978	51,837
Loans	14,839	15,262	15,489	16,230
Financial liabilities measured at fair value				
Other financial liabilities				
Negative replacement values	210	210	265	265
Deferred purchase price payments (earn out)	5	5	5	5
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	1,270	1,356	1,270	1,427

The carrying amounts of cash holdings, amounts due from banks, interest-bearing amounts due from customers, trade accounts receivable and payable, other receivables excluding accrued income and prepaid expenses and other liabilities excluding deferred income, customer deposits (PostFinance) and other financial liabilities not listed in the table above represent a reasonable estimate of fair value. These financial instruments are therefore not reported above.

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Fair value hierarchy

Financial instruments measured at fair value are assigned to one of three levels in the fair value hierarchy on the reporting date. The level to which they are assigned depends on the lowest level parameter, which is used for determining the fair value of the financial instrument. For purposes of disclosure, the same applies to financial instruments that are excluded from fair valuation.

Level 1 Quoted prices in an active market: Fair value is determined on the basis of quoted prices in the active market for the specific assets and liabilities. The market price at the balance sheet date is mandatory and may not be adjusted.

Level 2 Valuation method based on observable model inputs: Positions that are not traded on an active market but whose fair values are measured on the basis of similar assets and liabilities traded on active markets or using valuation techniques are classified as level 2. In principle, recognized valuation techniques and directly or indirectly observable market data should be used as model parameters. Possible input parameters for level 2 fair values are prices in active markets for comparable assets and liabilities under normal market conditions. Fair values calculated using the DCF method with model inputs based on observable market data are classified as level 2.

The DCF method involves estimating the present value of the expected cash flows from assets or liabilities. A discount rate is applied, which corresponds to the creditworthiness required on the market for similar instruments with similar risk and liquidity profiles. The discount rates needed for the calculation are determined according to standard market yield curve modelling and models.

Level 3 Valuation method based on unobservable model inputs: Fair value is determined using valuation techniques and significant inputs specific to the company that are not observable in the market.

Fair values are determined as follows:

Fair value of financial instruments CHF million	31.12.2015				30.6.2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available for sale								
Bonds	8,140	7,190	950	–	9,767	8,408	1,359	–
Shares	605	604	1	–	472	464	8	0
Funds	1,147	0	1,147	–	1,162	–	1,162	–
Positive replacement values	61	–	61	–	113	–	113	–
Held to maturity ¹	50,388	38,394	11,994	–	51,837	41,060	10,777	–
Loans ²	15,262	0	15,244	18	16,230	–	16,206	24
Negative replacement values	210	–	210	–	265	–	265	–
Deferred purchase price payments (earn out)	5	–	–	5	5	–	–	5
Private placements	1,356	–	1,356	–	1,427	–	1,427	–

¹ Financial assets held to maturity are recognized at amortized cost using the effective interest method.

² Loans are measured at amortized cost. In the case of the loans to PostBus operators (72 million francs, 31.12.2015: 82 million francs) and "Other" (24 million francs, 31.12.2015: 18 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

Eight (31 December 2015: six) Swiss Post interests of a non-material nature that together amount to about one million francs (31 December 2015: about one million francs) are measured at cost in "available-for-sale" shares. As in the previous year, these instruments were not assigned to a level as at 30 June 2016.

As at 30 June 2016, no financial assets were reclassified within the fair value hierarchy. Available-for-sale financial assets of 56 million francs were reclassified from level 2 to level 1 as at 30 June 2015. Reclassifications between the different levels are carried out at the end of each reporting period.

For an instrument to be assigned to level 1, it must be traded on an active market (public stock exchange), have a quoted price on the reference date and be available in sufficient quantities to ensure a liquid market.

Amounts due from banks

In comparison with 31 December 2015, amounts due from banks increased by around 3,263 million francs. Cash reserves remain high, and are mostly held at the Swiss National Bank. PostFinance paid negative interest on part of its sight deposit balance, which is passed on to customers to a lesser extent. Expenses and income associated with these measures are recognized in commission business and are not material in nature in the first half of 2016.

Breakdown of major country exposures

Country risks are controlled by establishing country portfolio limits which encourages a broad diversification of international financial assets. An overview of major country exposures as at 31 December 2015 and 30 June 2016 is given below:

Summary of main country exposures¹

CHF million	31.12.2015	30.6.2016
Switzerland	44,053	45,079
France	5,104	4,957
Germany	3,193	3,596

¹ Includes amounts due from banks (excluding secured loans) and financial assets; based on nominal values.

Comprehensive income change in fair value reserves from available-for-sale financial assets

The increase in available-for-sale financial assets as well as the development of their fair values in the first half of 2016 led to a positive change in other comprehensive income.

Net income from financial assets

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as the result from the disposal of available-for-sale financial assets (income from financial services). In the reporting period, they amounted to a gain of 99 million francs (prior-year period: gain of 20 million francs).

Investment commitments

As at 30 June 2016, investment commitments totalled 187 million francs (31 December 2015: 166 million francs). This amount is essentially attributable to the PostParc project in Berne and to upcoming investments in property, plant and equipment.

Seasonal nature

Swiss Post's business activity is affected by a small number of seasonal influences. These primarily include customer deposits in the PostFinance segment which stand at a high level at year-end. For various reasons (13th monthly salary payment, invoice receipts credited at year-end, etc.), both private and business customers hold a large amount of liquidity. To a lesser extent, this also applies to this Interim Report. The Christmas season has a positive impact on the logistics units, whereas the summer months are weaker.

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Appropriation of profit

The General Meeting of Swiss Post Ltd held on 26 April 2016 decided to pay a dividend totalling 200 million francs. The dividend was paid on 27 April 2016.

Related companies and parties

The transactions between Swiss Post and related companies and parties carried out in the first half of 2016 are comparable with the transactions mentioned in the 2015 consolidated annual financial statements (see Financial Report 2015, page 149).

Events after the reporting period

PostFinance Ltd, SIX Ltd and partner banks have agreed to introduce a joint mobile payment system for Switzerland. The development and operation of the joint platform, which should be ready for use by autumn 2016, has been assigned to TWINT AG. PostFinance Ltd will hold a one-third interest in TWINT AG after the transaction. This means that TWINT AG is no longer likely to be considered a fully consolidated subsidiary in the third quarter (100 percent), but will be accounted for using the equity method (33.33 percent) in the consolidated financial statements. The transaction will require prior approval by COMCO.

Review report to the Board of Directors

Swiss Post Ltd, Berne

Introduction

We have been engaged to review the accompanying consolidated balance sheet of Swiss Post Ltd as at 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the 6-month period then ended, and the notes to the interim financial statements on pages 26 to 37. The Board of Directors is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial statements based on our review.

Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements as at 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 23 August 2016

PostFinance interim financial statements

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 "Accounting – Banks").

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Reconciliation of profit

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 "Accounting – Banks"). The ARB valuation principles differ from the IFRS rules. The following table shows the differences between the two accounting standards and reconciles the interim profit in accordance with IFRS with the ARB financial statements.

PostFinance Ltd Reconciliation of profit		
CHF million	2015 1.1 to 30.6	2016 1.1 to 30.6
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	284	237
Management/licence fees/net cost compensation	43	-15
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	327	222
Net income from associates	1	1
Operating profit from subsidiaries	4	12
Net financial income	-2	-3
Earnings before tax (EBT)	330	232
Income taxes	-107	-56
PostFinance Ltd half-year profit as per IFRS	223	176
Amortization of revalued held-to-maturity financial assets	-34	-26
Valuation differences for financial assets as per ARB	-1	46
Realized gains from (earlier than scheduled) sales	-5	-4
Reversal of impairment/impairment on loans	-	3
Valuation differences between IAS 19 and Swiss GAAP ARR 16	7	13
Depreciation of revalued real estate	-2	-2
Amortization of goodwill	-100	-100
Valuation differences for investments as per ARB	-	-2
Realized gains on investments	-	1
Adjustment of deferred tax effects as per IFRS	66	23
PostFinance Ltd half-year profit as per ARB	154	128

The main material positions in the reconciliation of profit are as follows:

- Swiss Post reports its segments based on operating profit before management, licence fees and net cost compensation. For this reason, the reconciliation of profit includes a corresponding offset of 15 million francs on the operating profit in accordance with IFRS.
- The goodwill capitalized as part of the conversion to a company limited by shares in 2013 is amortized by 200 million francs annually.

PostFinance Ltd statutory interim financial statements

The following pages show the PostFinance Ltd statutory financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 "Accounting – Banks").

Balance sheet**PostFinance Ltd** | Balance sheet as per ARB

CHF million	31.12.2015	30.6.2016
Assets		
Liquid assets	38,882	42,174
Amounts due from banks	4,471	4,449
Amounts due from securities financing transactions	311	374
Amounts due from customers	10,993	11,483
Mortgage loans	0	0
Positive replacement values of derivative financial instruments	61	113
Financial investments	57,395	59,889
Accrued income and prepaid expenses	653	628
Participations	59	100
Tangible fixed assets	1,175	1,226
Intangible assets	1,400	1,300
Other assets	289	268
Total assets	115,689	122,004
Total subordinated claims	–	–
of which subject to mandatory conversion and/or debt waiver	–	–
Liabilities		
Amounts due to banks	1,220	2,960
Liabilities from securities financing transactions	108	–
Amounts due in respect of customer deposits	106,966	111,628
Negative replacement values of derivative financial instruments	210	265
Cash bonds	134	125
Accrued expenses and deferred income	118	156
Other liabilities	17	49
Provisions	13	11
Bank's capital	2,000	2,000
Statutory capital reserve	4,682	4,682
of which tax-exempt capital contribution reserve	4,682	4,682
Profit	221	128
Total liabilities	115,689	122,004
Total subordinated liabilities	–	–
of which subject to mandatory conversion and/or debt waiver	–	–
Off-balance-sheet transactions		
Contingent liabilities	1	0
Irrevocable commitments	676	676

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Income statement

PostFinance Ltd Income statement as per ARB		
CHF million	2015 1.1 to 30.6	2016 1.1 to 30.6
Interest and discount income	102	93
Interest and dividend income from financial investments	442	408
Interest expense	-56	-26
Gross result from interest operations	488	475
Changes in value adjustments for default risks and losses from interest operations	25	-71
Net result from interest operations	513	404
Commission income from securities trading and investment activities	21	19
Commission income from lending activities	6	8
Commission income from other services	308	313
Commission expenses	-247	-241
Result from commission business and services	88	99
Result from trading activities and the fair value option	97	98
Result from the disposal of financial investments	16	24
Income from participations	1	1
Result from real estate	28	33
Other ordinary income	66	53
Other ordinary expenses	-1	-
Other result from ordinary activities	110	111
Operating income	808	712
Personnel costs	-238	-250
General and administrative expenses	-249	-241
Operating expenses	-487	-491
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	-123	-128
Changes to provisions and other value adjustments, and losses	-4	-3
Operating result	194	90
Extraordinary income	2	73
Taxes	-42	-35
Half-year profit	154	128

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