

Financial Report 2012

Management report, corporate governance and
annual financial statements

About this Financial Report

■ Structure of reporting documents

The Swiss Post annual reporting documents for 2012 consist of:

- Annual Report 2012
- Financial Report 2012 (management report, corporate governance, annual financial statements)
- Table of figures (comprehensive set of key figures)
- GRI index (summaries in accordance with the specifications of the Global Reporting Initiative) including confirmation of Global Reporting Initiative Application Level B+

■ True-to-scale representation of figures in charts

All charts are shown to scale to present a true and fair view.

20 mm is equivalent to one billion francs.

Percentages in charts are standardised 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 Financial Report is available in English, German, French and Italian.

The German version is authoritative.

■ Ordering

Electronic versions of these documents are available at www.swisspost.ch/annualreport.

The Annual Report and Financial Report are also available in printed form.

■ Forward-looking statements

This report contains forward-looking statements. These statements are based on current management estimates and projections, and on the information currently available to management.

Forward-looking statements are not intended as guarantees of future performance and results. Future performance and results remain dependent on many different factors; they are subject to a variety of risks and uncertainties, and are based on assumptions that may not prove accurate.

We move people, goods, money and information

in a reliable, value-enhancing and sustainable way.



8,582 million

Operating income was slightly below the previous year.



859 million

Group profit fell by around 5 percent year-on-year.



2,291 million

addressed letters were posted in Switzerland in 2012.



99.2 billion

represents the level of **average customer deposits** held by PostFinance.



111 million

parcels were delivered by PostLogistics in Switzerland.



129 million

passengers were transported by PostBus in 2012.



79 points

Customer satisfaction remains high.



11,000 t

With the **CO₂ emissions saved** in 2012, Swiss Post is on track to meet its targets.



44,605

Headcount rose slightly year-on-year.



83 points

The index figure for **employee commitment** is a testament to motivated and committed employees.

Financial Report 2012

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Management report

Swiss Post operates in the communication, logistics, retail financial and public passenger transport markets. It generates around 84 percent of its sales in competition. The remaining 16 percent is generated by the monopoly on letters weighing less than 50 grams. Here, Swiss Post faces direct competition from electronic services. 88.1 percent of sales are generated in Switzerland.

Business activities

Markets

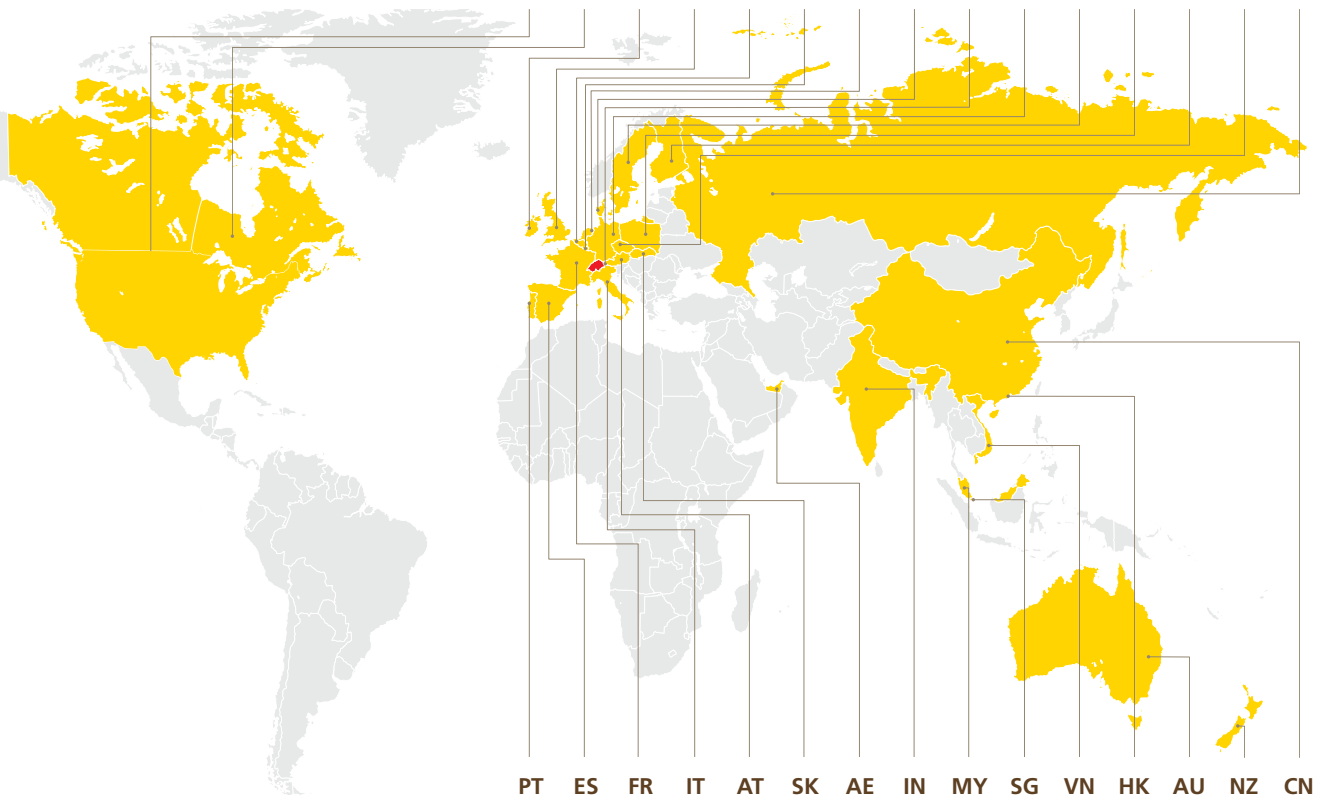
Swiss Post operates in the following four markets:

- Communication market
Letters, newspapers, promotional mailings, information and customer loyalty solutions, and data management in Switzerland, in the cross-border market and internationally
- Logistics market
Courier, express and parcel services and logistics solutions within Switzerland and abroad
- Retail financial market
Payments, investments, retirement planning and financing in Switzerland
- Public passenger transport market
Regional, municipal and urban transport, system management in Switzerland and in selected countries abroad

Swiss Post abroad

2012

	US	CA	IE	UK	BE	LU	NL	DK	FL	DE	SE	PL	FI	CZ	RU
International letters	■ ³			■ ³	■ ³		■ ³	■ ³		■ ³	■ ³		■ ³		
Dialogue solutions				■ ²						■ ²	■ ²	■ ²		■ ²	■ ²
Document solutions	■	■	■	■	■	■	■	■ ¹	■	■	■ ¹	■ ¹			
Passenger transport									■						
BPO solutions				■						■					



	PT	ES	FR	IT	AT	SK	AE	IN	MY	SG	VN	HK	AU	NZ	CN
International letters		■ ³	■	■ ³	■ ³			■	■	■ ³		■ ³			■
Dialogue solutions			■ ²												
Document solutions		■ ¹	■	■	■	■	■ ¹			■	■	■	■ ¹	■ ¹	
Passenger transport			■												
BPO solutions			■												

1 Partners.
2 Countries in which joint venture MEILLERGHIP GmbH companies operate.
3 Countries in which joint venture Asendia companies operate.

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Swiss Post generates around 84 percent of its turnover in competition. The remaining 16 percent is accounted for by the monopoly on letters of up to 50 grams, where Swiss Post is in competition with electronic services. Domestic business accounts for 88.1 percent of turnover, with 11.9 percent generated abroad.

In Europe, North America and Asia, Swiss Post is represented by subsidiaries, franchise or cooperation partners and sales agents, depending on local requirements (see figure on page opposite). Through cooperation with partners abroad, it also has access to a global logistics network. PostBus operates several bus networks in France through its own subsidiaries, as well as the entire regional transport network in Liechtenstein.

Network

Swiss sales network

Unique sales network with customer-centred access points

Swiss Post's diversified sales network covers the communication, logistics and retail financial markets. Swiss Post offers its customers a uniquely powerful and extensive network with 1,757 post offices, 497 agencies and 1,251 home delivery services.

There is also a network of 45 PostFinance branches and 970 Postomats. 179 PostFinance employees advise small and medium-sized business customers directly at their premises.

Customers can collect parcels and letters at over 700 PickPost points, sometimes well after normal post office opening hours. Customers can also access over 15,000 letter boxes throughout Switzerland. An additional 45 acceptance points are available primarily for business customers.

Swiss Post continues to develop its sales network to meet the changing needs of its customers. It serves each customer through the access point and sales channel that best matches their usage behaviour. Swiss Post can be found at attractive locations with agencies. These have extended opening hours, sometimes including weekends. Meanwhile, the company's home delivery service allows customers to carry out the main transactions on their doorstep. In areas with many companies, Swiss Post now offers needs-based business customer solutions that cover the posting of parcels and letters. In urban areas, Swiss Post concentrates on individual, customer-focused solutions such as agencies, traditional and redesigned post offices.

Beyond that, private and business customers can access various accessible online services (www.swisspost.ch, www.postshop.ch and www.postfinance.ch for e-finance) and mobile applications (Post-App, PostFinance App and PostBus App).

For more information on developments in the basic service, see page 20 of the Annual Report.

PostBus network

In the public passenger transport market, PostBus offers 814 PostBus routes in Switzerland, covering 11,249 kilometres and 14,231 stops, as well as additional tourist routes, special trips, ScolaCar school buses and PubliCar dial-a-ride services.

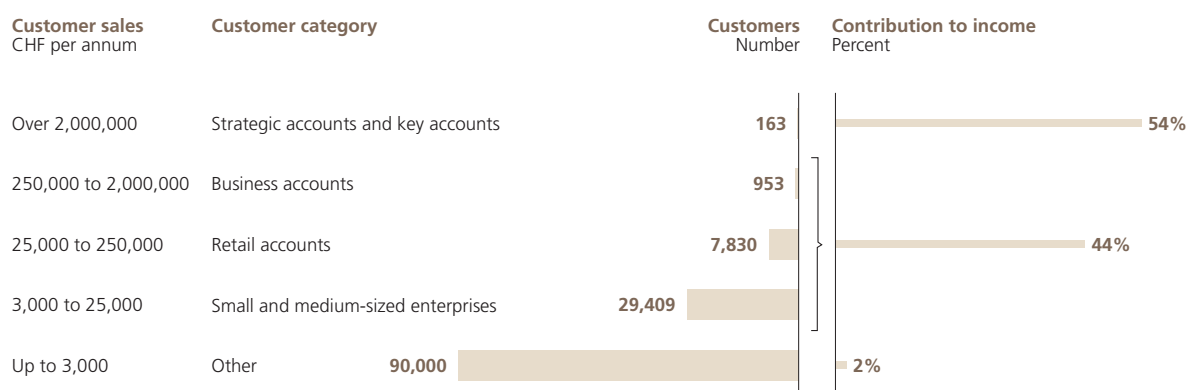
Customers

Swiss Post's communication and logistics customer base comprises several million individuals and around 130,000 companies ranging from small businesses to large multinationals.

Most of Swiss Post's logistics income stems from its business customers. Its 163 key accounts are particularly important, generating around 54 percent of business customer income. The Group's business customers also include 953 business accounts with annual sales of between 250,000 and 2 million francs, 7,830 retail accounts (annual sales of 25,000–250,000 francs) and 29,409 small and medium-sized enterprises (SMEs, annual sales of 3,000–25,000 francs). The remaining 90,000 or so communication and logistics business customers are micro-enterprises with sales of up to 3,000 francs.

Key accounts generate 54 percent of logistics income

Communication and logistics market | Income with business customers
2012, Customer structure and contribution to income



PostFinance's customer base in the retail financial market is similar. At year-end, 2,612,494 private customers and 309,910 business customers (including 729 banks) maintained a business relationship with PostFinance.

Products, services and brands

Services provided for private customers and SMEs include letters, courier, express and parcel deliveries, financial services (payments, setting money aside, investments, retirement planning and financing) and public passenger transport services. Swiss Post also offers customers a broad range of third-party products across 1,757 post offices such as motorway tax stickers, stationery, mobile phones and computers.

The services offered to business customers are structured in the communication, logistics, retail financial and public passenger transport markets.

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Communication market

Letters

Various mailing options for individual letters and bulk mail in Switzerland and abroad (urgent items, priority items, non time-critical items, and letters with track & trace), collections and deliveries, automated franking solutions, address management and online tools.

Direct marketing

Addressed and unaddressed promotional mailings in Switzerland and abroad, customised direct marketing solutions and additional solutions, know-how transfer, address management and response management.

Print media

National and international distribution of subscription newspapers and magazines, daily newspapers, monthly magazines and periodicals, and local and regional newspapers, early-morning and special deliveries, publishing logistics, subscription management, lettershop tasks and newsstand distribution.

Document and dialogue solutions

Mailroom services, document and information processing, document output processing, marketing solutions and campaign management, e-commerce, billing and payment solutions, customer relationship management (CRM) and loyalty programme management, security products and combined solutions for specific sectors such as healthcare.

Logistics market

Logistics

National and international goods, freight and warehouse logistics (courier, express, parcels, small consignments and overnight deliveries), international shipments (up to 500 kilograms) to over 200 countries with additional services such as customs clearance, security logistics (ATM replenishment, transporting cash and valuables) and the combination of physical logistics with integrated IT solutions.

Retail financial market

Financial services for small, medium-sized and large companies, public bodies and associations include business accounts, e-Deposito accounts, national and international payment transactions, custom financing of liquidity, current and fixed assets, as well as solutions for accounts receivable and payable. Also worth noting are payment transaction solutions for banks and other financial institutions in Switzerland and Liechtenstein, and SME loans as part of a product partnership with Valiant Bank.

Public passenger transport market

As public transport systems leader, PostBus provides over half of its services through private PostBus operators. PostBus also offers system management and other management services such as managing projects relating to the rollout of operational control systems and passenger information systems as well as sales systems, including the entire IT infrastructure.

Send carbon-neutral mail with Swiss Post

Carbon offsetting for mailings

Since 1 April 2012, all addressed letters in Switzerland have been carbon neutral, with Swiss Post assuming the pro clima surcharges for domestic letters. Swiss Post's "pro clima – Shipment" service gives customers the chance to help preserve the planet and offset their mailings' CO₂ emissions. It only costs 5 centimes to send a carbon-neutral parcel in Switzerland. Every year, Swiss Post invests these pro clima surcharges in selected climate protection projects with the highest standards at home and abroad. These projects reduce greenhouse gases efficiently and promote sustainable development. For more information on carbon-neutral services, see page 48 of the Annual Report.

Brands

Swiss Post is one of the best-known brands in Switzerland. Regular market research shows that it is also one of the country's most popular brands. This popularity is the result of a successful branding strategy, which stems from the Group's strategy and is based on its vision. Swiss Post's brands provide guidance, inspire confidence and stimulate demand.

Swiss Post pursues a core brand strategy. The core brand Swiss Post and the flagship brands PostBus and PostFinance are managed in four languages.

Our brand personality, defined by the slogan "We get things moving" and our core values – "reliable", "value-enhancing" and "sustainable" – form the basis for the presentation of a uniform brand experience. Current brand positioning is designed to make Swiss Post's high levels of innovation, dynamism and flexibility even more widely known. Trustworthiness and customer service are already qualities associated with Swiss Post by a great many people. It is important to maintain these associations.

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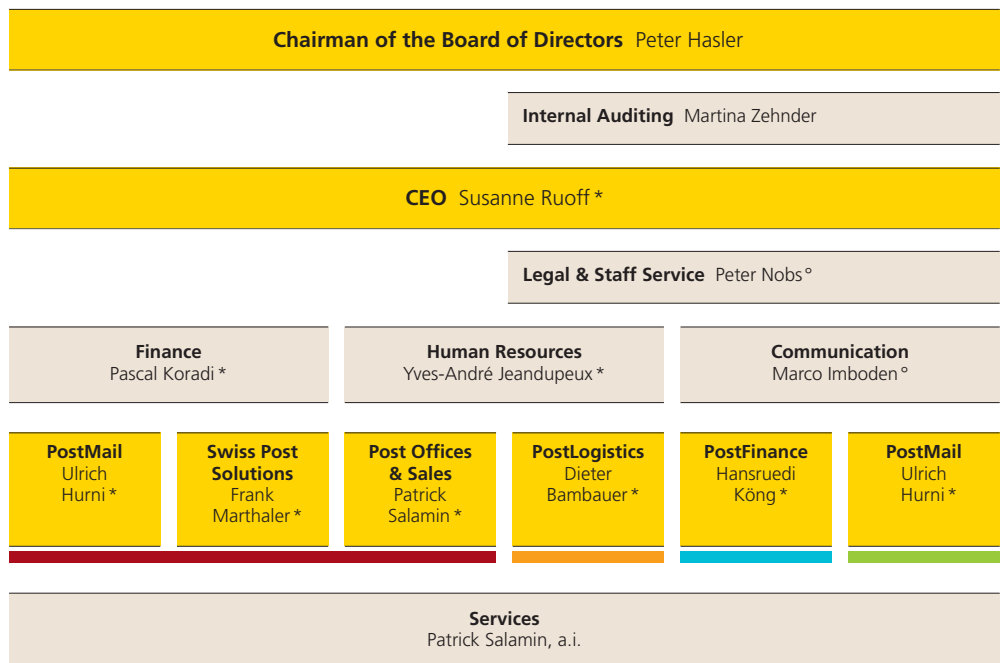
Organisation

Swiss Post is divided into six Group units: PostMail, Swiss Post Solutions and Post Offices & Sales operate in the communication market. Meanwhile, PostLogistics focuses on the logistics market, PostFinance on the retail financial market, and PostBus on the public passenger transport market. They are presented in the annual financial statements as individual segments.

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

Organisation chart

31.12.2012



* Member of Executive Management

° Members of Extended Executive Management

Markets and brands



More information on the Board of Directors and Executive Management can be found on pages 45 to 47 and 50 to 52.

Swiss Post creates added value for Switzerland, the owner, its customers and employees

Group strategy

Swiss Post's vision, together with its core values and strategy, are derived from postal legislation and the directives of its owner. These directives are set out in the strategic objectives of the Federal Council, which are revised every four years. Swiss Post's six strategic objectives are, in turn, derived from the Federal Council's objectives. Swiss Post seeks to create added value for Switzerland, for its customers, its employees and its owner by safeguarding the quality of its basic service, operating in a sustainable manner, increasing customer satisfaction and employee commitment, and meeting its owner's objectives by achieving a stable market position. It aims to ensure these objectives are met by means of five strategic thrusts.

Group | Strategy

2011–2013

Statutory mandate and strategic objectives set by the Federal Council



Guidelines

Statutory mandate

Swiss Post has a statutory mandate in Switzerland: It must provide an adequate universal service (postal and payment services) throughout the country on an equal basis, of good quality and at reasonable prices.

With respect to the universal service applicable until the end of 2012, 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 that it must offer, but for which it competes with the private sector. Swiss Post is additionally able, to a limited extent, to offer competitive services. These services are also subject to free competition. Beyond that, Swiss Post has to operate a nationwide post office network. This ensures that the universal service is available in all regions and to all sections of the population within a reasonable distance.

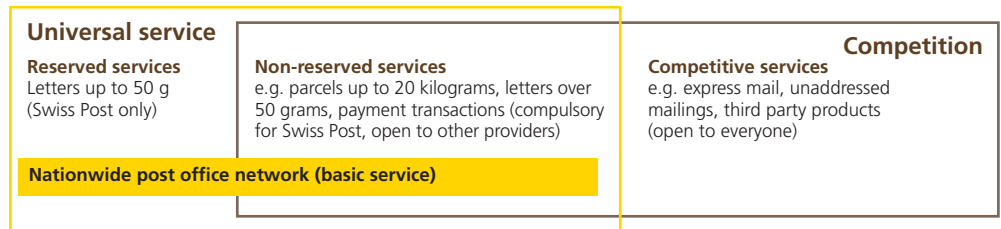
With the new postal legislation, Swiss Post receives a slightly modified basic service mandate. The new postal legislation came into force on 1 October 2012. However, the new basic service mandate does

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not take effect until early 2013. This mandate will be more clearly differentiated than to date and provides a good basis for Swiss Post to continually develop high-quality services.

Group | Statutory mandate

2012



Federal Council's strategic targets

Innovative,
customer-focused,
and profitable in
competition

As the owner of Swiss Post, the Federal Council makes further stipulations in the form of its strategic objectives. For the strategy period ending in 2012, the Federal Council expected Swiss Post to offer the universal service throughout Switzerland according to the same principles, of high quality and at reasonable prices, to compete in the marketplace as a customer-focused, self-financing and innovative enterprise, and prepare for the forthcoming comprehensive revision of postal legislation.

Swiss Post was expected to develop new offers, services and solutions, enter into joint ventures, create profitable growth, safeguard its earning power and exploit its potential to increase efficiency. The Federal Council also stipulated that Swiss Post had to develop its core business in the communication (especially letters, dialogue marketing and document solutions), logistics, retail financial and passenger transport markets, as well as ensuring a high standard of services.

Swiss Post was expected to build on its leading position in Switzerland. Besides the basic service, it was able to seek growth opportunities abroad.

The Federal Council expected Swiss Post to maintain and if possible increase the company's value in the long term, achieve an industry-standard result in universal and competitive services, and fund its investments from the cash flow generated. The profits it made were to be used to strengthen the equity base, finance the pension fund and make payments to the Confederation.

In addition, Swiss Post had, within its operating confines, to pursue a corporate strategy committed to ethical and sustainable principles and take account of regional concerns in the various areas of Switzerland in its organisational structure. As a progressive employer, Swiss Post was expected to pursue a socially responsible human resources policy, and offer fair employment conditions that not only ensure it remained competitive, but also enable its employees to achieve a healthy work-life balance.

At the end of 2012, the Federal Council passed the new strategic objectives for Swiss Post for the period running from 2013 to 2016.

Vision

Swiss Post's actions are guided by its vision and its core values:

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

Developments

Trends

Deregulation in the spotlight

Legal and political: deregulation

Generally speaking, network industries are being increasingly deregulated. At the same time, critics are frequently questioning whether the original objectives of such deregulation have been achieved. However, the European Union wants to see a fully deregulated postal sector by 2013. Previous experience in the EU has shown that competition only develops gradually, even in fully deregulated letter markets. In contrast, competition in the parcel and express markets is working well. For now, Switzerland has decided against opening up the entire letter market immediately. Within three years of the new postal legislation coming into effect on 1 October 2012, the Federal Council will submit an evaluation report to Parliament on the way forward as regards opening up the market. Swiss Post is prepared for the complete removal of the residual monopoly on domestic letters up to 50 grams, and already generates over 80 percent of its sales in the free competitive market. The remaining 20 percent is generated in competition with electronic forms of communication. In a deregulated market, the challenge for lawmakers and postal companies is to create conditions that ensure a high-quality and economically viable basic universal service can continue to be provided in Switzerland. It is conceivable that, given the falling letter volumes, the residual monopoly will be insufficient to finance the basic postal service in the medium to long term. The major challenge faced by Swiss Post lies in technological and social change and the related changes in customer requirements, rather than the abolition of the residual monopoly.

Social: urbanisation and customer needs

Urbanisation is leading to increased levels of traffic. This is affecting Swiss Post in several different areas – efficient city logistics, mobility solutions for commuters and making networks and access points cost-effective. Increasing complexity is boosting demand for simple solutions and a focus on traditional values such as quality, reliability and security. The digital culture, with the internet providing the information infrastructure, is bringing about a permanent change within society. Digital natives (people born in or after 1984 who have grown up with digital technology) are increasingly shaping business models, communication channels and the features included in services.

Merging physical and digital solutions

Technological: digitisation

The digitisation of people's lives is being driven by the exponential development of technology (processor and memory capacity, bandwidth, wireless communications and mobile devices). This is leading to increased efficiency, new applications and a lowering in the threshold for substituting physical data media with electronic counterparts. The convergence of services is enabling companies to tap into new markets. For instance, Swiss Post has the opportunity to network both physical and digital solutions, and to develop as an end-to-end communications provider.

Economic: globalisation and competition

Unstable economic development and the globalisation of competition are forcing companies to use their resources efficiently, increasing the pressure on Swiss Post to exploit comparative locational advantages in order to optimise costs. Meanwhile, disadvantages resulting from size or geographical coverage can be countered by joint initiatives.

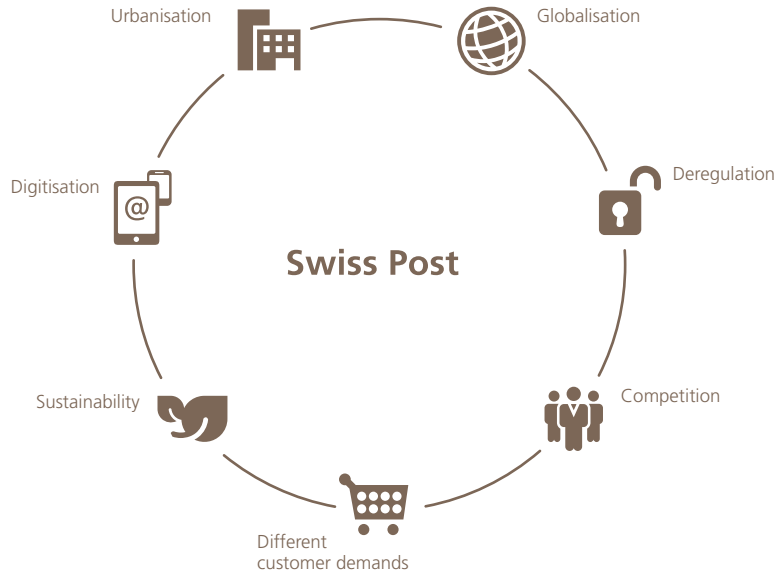
Environmental: sustainability

The scarcity of natural resources is raising awareness about environmental sustainability among customers, investors and legislators. Demand for green products is on the rise. 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.

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Group | Trends in the environment

2012



Market trends

Communication market

In the letters market, Swiss Post provides Switzerland's basic postal service. It can fulfil this mandate in the medium term with a residual monopoly on letters up to 50 grams. Around 70 percent of all mail is already deregulated. This includes newspapers, unaddressed mail and addressed mail over 50 grams. However, the primary challenge for PostMail and Post Offices & Sales remains competition from electronic media. The growing number of customers switching to electronic channels continues to produce a drop in letter volumes, particularly addressed letters, and falling demand for conventional post office services. Together with increasing competition in the letters market, overall competition is becoming more intense and pressure on margins is rising, increasing the need for cost and price flexibility within the industry and a targeted development of the postal network. In contrast, the market for promotional mailings offers growth opportunities. The international letters market remains fiercely competitive. Further mergers and partnerships can be expected in order to secure market positions. Driven by what is technologically possible, major corporations are increasingly outsourcing their document and customer information processing since this does not necessarily form part of their core business. There is still substantial growth potential in this area, which Swiss Post Solutions is gradually tapping into with innovative, tailored customer solutions.

Logistics market

Competition in the logistics market continues to grow. It is characterised by a rising level of internationally targeted, more aggressive competition and growing pressure on prices. This is spreading to parcels and express deliveries. Customers, particularly business customers, are sensitive to prices, but continue to expect high quality. Hence, substantial rises in staff expenses cannot be offset by pricing measures. Overall, the logistics market has the potential for growth, driven by the rapid rise in cross-border e-commerce business. The challenge for logistics is to convert customers' global procurement requirements into new, profitable business models. At the same time, the boundaries between parcel logistics and goods logistics continue to blur, because business customers increasingly expect a single solution provider for all their logistical needs. With digitisation and the increased transparency of business processes, customers want electronic data links along the entire length of the transport chain, right through to inside companies, to accompany the actual transportation of goods. In goods logistics, Switzerland is becoming bound by the increasingly international network structures. The introduction of environmental and incentive taxes such as CO₂ taxes and the heavy goods vehicle tax are having a direct impact on the logistics margins that can be achieved.

Potential in promotional mailings and document processing

Growth in e-commerce the driving force behind logistics

Mobile and electronic business take centre stage

Retail financial market

The economic and monetary crisis has had a major impact on the financial sector in recent years. The financial and fiscal interventions made by the European Union and the International Monetary Fund in order to support national budgets and the global currency interventions to strengthen foreign trade indicate the ongoing instability of the international financial system. The situation in Switzerland is basically stable, even though both interest rates and the Swiss franc remain subject to uncertainties. The sight and savings deposits of our customers continue to increase, not least as a direct result of the unclear prospects for the future. The domestic retail financial market is increasingly saturated, with falling margins. In order to remain successful in this competitive market, PostFinance needs to differentiate itself consistently and have a tailored range of value-added products and services for customers. PostFinance intends to expand its pioneering role in the electronic sector and to position itself as the first choice for independent customers with simple, affordable services.

Combined, sustainable mobility

Public passenger transport market

Today's mobility behaviour calls for more flexible, versatile and combinable mobility services that will shape public transport. For instance, the shared use of bicycles and e-bikes in urban areas is becoming recognised as an ideal supplement to private and public transport. At the same time, environmental change is leading to growing demand for environmentally friendly mobility. The industry is undergoing major technological advances and is becoming more investment-intensive as a result.

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. But public transport mobility requirements are constantly increasing, so a reduction in services is out of the question, and services will have to be provided at lower cost and with less public-sector compensation. An increase in tenders for services can also be expected. The Swiss market is not particularly attractive to foreign companies, since growth is quite small and the larger urban networks today are largely a protected market. Competitors in the international market are becoming significantly larger, not least due to company mergers. PostBus will have to maintain its position on an increasingly competitive national and international stage.

Framework

Swiss Post's guidelines and its overall understanding of key strategic issues are embedded in its strategic framework. Within these guidelines, its operating units are able to respond promptly to current market requirements.

In particular, the strategic framework contains statements on understanding customers, the core business, market positions, competitive strategies, geographic focus, profitability, sustainability, innovation, management style and ICT focus.

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Objectives

Swiss Post sets its priorities in the form of six strategic objectives, and determines how it intends to meet the challenges of its operating environment and achieve its top-level directives.

Added value for the owner:

- Swiss Post achieves an annual EBIT of 700 to 800 million francs (see page 28).
- In Switzerland, it aims to attain leading market positions with its business activities (see page 22).

Added value for customers:

- Swiss Post attains a consistently high customer satisfaction rate of 75 points (on a scale of 0 to 100) (see page 36).

Added value for employees:

- Employee commitment remains high at 80 points (on a scale of 0 to 100) (see page 37).

Added value for Switzerland:

- Swiss Post provides a high-quality basic service (see page 39).
- It will reduce its annual CO₂ emissions by 15,000 tonnes by the end of 2013 (see page 38).

Strategic thrusts

In order to achieve its objectives, Swiss Post is pursuing five strategic thrusts:

- Offer high quality services
Swiss Post offers its private and business customers consistently high quality services, from product development through to daily contact with customers across all channels. In doing so, it ensures a high level of customer focus, continuous improvement of services and processes, new innovative products, and top-class quality control and quality assurance.
- Charge competitive prices
In the future as in the past, Swiss Post is dependent on its ability to charge competitive prices in order to provide high-quality services. By doing so, it also seeks to fund a well-functioning basic service.
- Secure long-term profitable growth
Swiss Post aims to ensure its growth is sustainable and profitable. In Switzerland and abroad, it consistently follows a growth plan that takes the long view and proceeds step by step. This enables it to manage and safeguard the profitability of its growth.
- Ensure socially responsible cost efficiency
In an increasingly dynamic marketplace, it is imperative that Swiss Post secures and improves efficiency. In the communication market in particular, it is facing far-reaching changes. It intends to meet these challenges in future with balanced, socially responsible solutions.
- Optimally exploit operating conditions
The new regulatory framework resulting from the postal legislation is key for Swiss Post's future development in its markets and segments. Swiss Post is prepared for its conversion to a public limited company under special law subject to public legal provisions, and is also ready for PostFinance to be subject to FINMA supervision.

Markets

The strategic objectives and thrusts are ensured by the following market strategies:

Communication

PostMail

PostMail's core business is the acceptance, sorting and delivery of letters, newspapers and promotional mailings for all customers in Switzerland. Through ongoing optimisation of its logistics and information technology, PostMail is streamlining its processes and keeping costs under control. By deploying the latest technology, PostMail strives to attain maximum reliability and quality at an excellent price-performance ratio. Letters are specifically positioned as a means of communication that will stand out from other competing media due to their stronger impact. PostMail will continue to invest in the letter business and optimise its infrastructure. It will continue to develop existing services to meet the needs of customers and will create complementary services in direct marketing with the new subsidiaries. Synergies from the Mail International merger will be realised in the import and export business in Switzerland. New growth opportunities can be found abroad in Asendia, the 50 percent joint venture with France's La Poste, in the international B2C business, and in the development of innovative solutions and products at the interface between the physical and the electronic world.

Swiss Post Solutions

Swiss Post Solutions provides business customers with innovative, IT-based document management solutions along with solutions that enable them to communicate with their customers. The aim is to perform selected management processes more efficiently and help companies grow by supporting customer acquisition and retention. Swiss Post Solutions focuses specifically on the interface between electronic and physical information processing. It delivers solutions for corporate information management, customer interaction management and ePost services, primarily in the geographical core markets of Switzerland, Germany, the United Kingdom and the United States.

Post Offices & Sales

Post Offices & Sales is seeking to make its services even more customer-friendly and cost-effective. To do so, the unit is constantly developing its sales network in line with customer behaviour, while keeping a close eye on costs. The range of logistics products for private customers will be further simplified and made available for new uses.

Logistics

PostLogistics

PostLogistics has positioned itself as the quality and cost leader in the CEP submarkets (courier, express, parcels) nationally and internationally, small consignments and warehousing, international transport, overnight logistics and e-commerce/e-fulfilment. Its core business lies in the domestic CEP segment. It intends to develop its position through consistent cost management, increased automation and the expansion of value-added services for sending and receiving customers. In the international CEP segment, PostLogistics positions itself as a market leader in cross-border logistics and customs clearance. In small consignment and warehousing logistics, as well as in overnight logistics, PostLogistics offers add-on services. Within international transport, PostLogistics plans to strengthen its presence and safeguard its connections to cross-border networks. Swiss Post and PostLogistics are looking to share in the strong growth in e-commerce. The main focus of activities in this area is to combine various individual services in the value chain into an overall service in the e-commerce sector, with logistics and the core parcel business at PostLogistics as a focal point.

Retail finance

PostFinance

PostFinance focuses consistently on its core business and aims to be the first choice for Swiss private and business customers who want to manage their finances independently. Customers can freely choose how they wish to contact PostFinance and be served. PostFinance intends to remain the number one in national payment transactions. It can do this by expanding its pioneering role in e-finance and developing its businesses via mobile platforms. In international payment transactions, PostFinance aims to grow further as a leading financial institution. It offers its customers a broad range of simple,

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understandable and inexpensive products for payment transactions and Deposito accounts. Post-Finance offers basic services for investment, retirement provision and financing. It continues to develop individual solutions in payment processing and in cash management for major corporations.

Public passenger transport

PostBus

PostBus intends to build on its leading position in public bus transport, differentiate itself from the competition with the best price/performance ratio, and increasingly position itself as a provider of sustainable and combined mobility services. In its core business, PostBus aims to remain the number one in regional transport in Switzerland, to strengthen its market position in cities, conurbations and system and mobility solutions (for instance, with PubliBike, the largest bike-sharing provider in Switzerland), and to seek further targeted growth abroad.

Financial controlling

Maintain the company's value in the long term. Self-financing of investments

Target agreements and accountability for results

The aim of financial controlling at Swiss Post Group is to achieve the financial objectives of the Federal Council. In accordance with its owner's objectives, Swiss Post must maintain, and if possible 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 overall result, this approach also factors in the risks and the capital employed. The Federal Council also expects Swiss Post to be able to finance its investments from the generated cash flow.

In order for the above objectives to be achieved, financial controlling within Swiss Post Group generally operates with target agreements and accountability for results. All business units are responsible for achieving the agreed objectives. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration, the operating result is an important financial objective. The units have a large degree of freedom within the framework of strategic planning and the budget. For individual plans such as investments, projects or acquisitions of shareholdings with a considerable financial impact or for plans with strategic importance, Swiss Post's Executive Management or Board of Directors decides according to the funds required and the type of business.

Swiss Post is considered from two different points of view: that of the management structure and that of the legal structure. These different structures are taken into account in the reporting, which, in turn, is based on two main instruments: management reporting and the consolidated financial statements. The management reporting shows the contribution of the Group units and markets to the result. It indicates the financial success of the strategic market areas and product groups and provides information on the attainment of the annual objectives as well as the implementation of the strategic measures. The management reporting, first and foremost, serves the management of the units and the Group. It is based on the same set of basic values as the consolidated financial statements.

The consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) set out the business performance of the legal units Swiss Post, the parent, and the subsidiaries. Hence, it is used primarily for reporting on the overall company and the segments. Segment reporting is divided into Group units and national/international or by region in accordance with IFRS 8.

Swiss Post and the units are managed based on the following instruments:

- Consolidated statement of comprehensive income, balance sheet and cash flow statement
These form the basis of financial management at unit and Group level. The reporting on the statement of comprehensive income takes place monthly, that on the balance sheet and cash flow statement quarterly.
- Annual targets
The annual targets are to help achieve the quantitative/qualitative objectives formulated in the strategies. They cover the following areas: market, service provision, resources, management and organisation. The success of the annual targets is checked quarterly or semi-annually.
- Key figures
The key figures are divided up into finance, customers, employees and processes. They reflect the business and financial performance of the units and the Group, and also form the basis for target agreements between Executive Management and the unit heads. The development of the key figures is reported as part of monthly reporting.
- Identification of strategic market fields, product group accounting and strategic measures
The identification of the strategic market areas and product groups as well as the strategic measures is used as a financial management tool for the Group units. The Finance unit conducts the reporting semi-annually.
- Commentary
The comments are an integral component of the reporting on all levels. They are designed to provide insight into the main developments, plans as well as problems and measures in respect of the corresponding unit as well as the assessment of the reporting. Comments are made on the achievability of the forecasts as well as on prior-year and budget variance. The periodicity of the commentary depends on the key figure on which it is based and the variance.

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Business performance

Key figures

Operating result and Group profit slightly below previous year

Both the operating result (890 million francs) and group profit of 859 million francs remained high despite continuing difficulties in the economic environment. Operating income fell by 17 million francs year-on-year. The decline is due primarily to lower income from financial services and lower other operating income. The positive performance of net sales from logistics services was unable to fully compensate for these declines. Operating expenses of 7,692 million francs remained at the previous year's level.

Group Key figures		2012	2011
2012 with previous year for comparison			
Results			
Operating income	CHF million	8,582	8,599
Generated abroad	CHF million ¹	1,025	1,095
	% of operating income	11.9	12.7
Reserved services	CHF million ²	1,360	1,378
	% of operating income	15.9	16.0
Operating result	CHF million	890	908
As a share of operating income	%	10.4	10.6
Generated abroad	CHF million ¹	27	52
	% of operating result	3.0	5.7
Group profit	CHF million	859	904
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44,605	44,348
Abroad	Full-time equivalents	6,621	6,645
Financing			
Total assets	CHF million	120,016	108,254
Customer deposits (PostFinance)	CHF million	110,531	100,707
Equity	CHF million	5,625	4,879
Investments			
Investments	CHF million	443	429
Other property, plant and equipment, intangible assets	CHF million	228	239
Operating property	CHF million	162	168
Investment property	CHF million	19	11
Investments	CHF million	34	11
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities	CHF million	13,422	19,679
Value added	CHF million ³	5,314	5,187
Economic value added	CHF million	308	390

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

² Letters up to 50 g.

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 explanatory notes can be found in the table of figures (see page 137).

Drivers

The economy

According to the Swiss National Bank, global economic growth remained weak in 2012. The eurozone continued to experience a mild recession and economic output in Japan fell sharply. Meanwhile, the United States saw a moderate upturn thanks to a domestic recovery. Developments in the emerging economies were mixed. While economic momentum in some countries saw little improvement, growth stabilised somewhat in others, helped by supportive economic policies, particularly in China and Brazil. Economic activity in Switzerland revived to some extent. This positive development is due to a revival in exports. However, given the weak global economic environment, this effect is likely to be temporary. The domestic economy continued to lose momentum. Consumer spending increased only slightly, while investment in plant and equipment declined further. The labour market situation deteriorated further. The number of unemployed rose slightly in the autumn. According to initial estimates from the State Secretariat for Economic Affairs SECO, gross domestic product in Switzerland, Swiss Post's most important market, rose by 1.0 percent in real terms year-on-year.

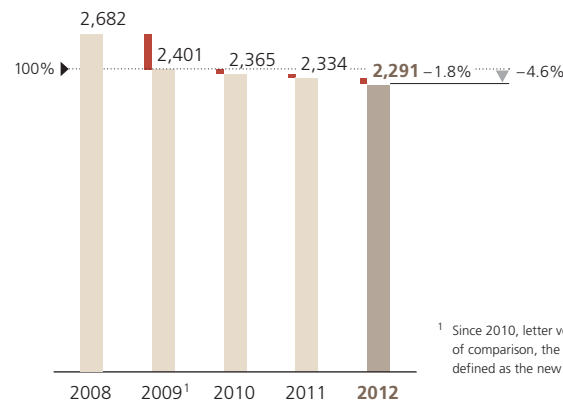
Communication market

Performance between products in the communication market varied widely. The number of addressed letters handled by PostMail and Post Offices & Sales in 2012 was lower year-on-year. Unaddressed mail increased by around 51 percent year-on-year as a result of acquisitions. On the other hand, newspaper delivery volumes were negatively affected (-1.8 percent) by changes in customer behaviour. Post Offices & Sales recorded a further downturn in over-the-counter payment transactions. By contrast, net sales of non-postal brand name items saw positive growth. Import and export volumes (mail) fell year-on-year. At Swiss Post Solutions, growth in the United States and in the Document Output unit had a positive impact on the income from services provided.

Difficult economic situation has mixed impact on the communication market

Substitution of the traditional letter business through electronic media continues

Communication market | Addressed letters
2008 to 2012 showing change from prior year / over four years
2009 = 100%¹, figures expressed in millions



¹ Since 2010, letter volumes have been calculated using a new method. For the purposes of comparison, the prior-year figure was adjusted accordingly and the figure for 2009 was defined as the new base value. Comparability with results for 2008 is therefore limited.

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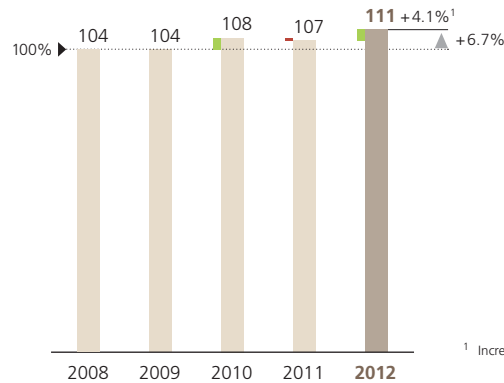
Increase mainly due to rise in online business

Logistics market

The logistics sector continues to be characterised 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 dispatch. Parcel volumes increased year-on-year (+ 4.1 percent), and import and export volumes (parcels) grew as well when compared to 2011. This is due to the increase in online business and the partial recovery of import parcel processing from Germany.

Parcel volumes up by 4.1 percent

Logistics market | Parcels
2008 to 2012 showing change from prior year / over five years
2008 = 100%, figures expressed in millions



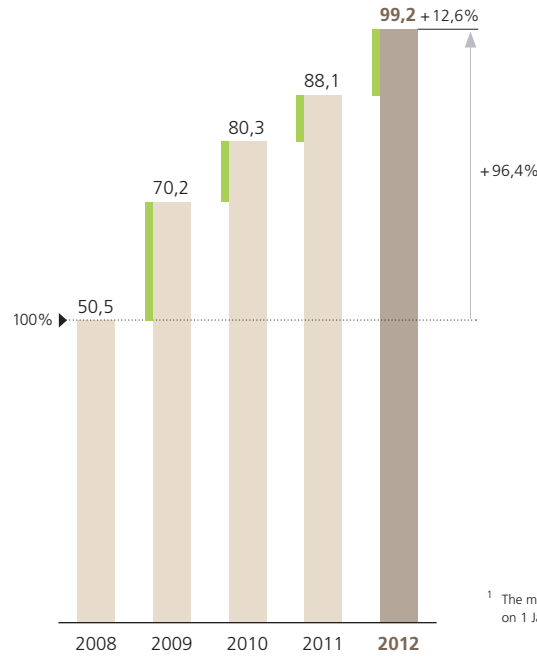
Inflow of customer deposits continues unabated

Retail financial market

PostFinance recorded a further inflow of customer deposits year-on-year. Swiss Post's financial arm continues to enjoy the trust of customers who manage their own finances and who appreciate a simple, inexpensive range of services. Average customer deposits in 2012 totalled 99,158 million francs. This represents an increase of 12.6 percent year-on-year.

Customers retain confidence in PostFinance

Retail financial market | Average customer deposits (PostFinance)¹
2008 to 2012 showing change from prior year / over five years
2008 = 100%, CHF billion



¹ The method for calculating average customer deposits was changed on 1 January 2009. The prior-year amount was adjusted accordingly.

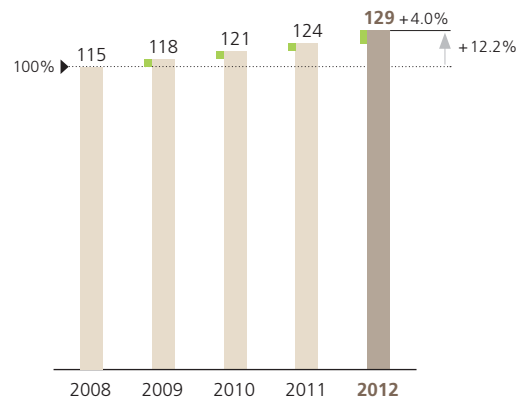
Public passenger transport market

Continued growth
in public passenger
transport

The national public passenger transport market is growing steadily. As the budgets of public sector organisations which act as contracting bodies for transport services are squeezed once again, the pressure on costs is set to increase substantially, slowing a further expansion in public transport. PostBus has been operating urban bus networks and bus routes in France and the Principality of Liechtenstein for a number of years. PostBus Switzerland carried a total of around 129 million passengers in 2012. This represents an increase of about 4 percent over the previous year.

Steady growth in public passenger transport market

Public passenger transport market | Number of passengers (Switzerland)
2008 to 2012 showing change from prior year / over five years
2008 = 100%, passengers in millions



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Profit situation

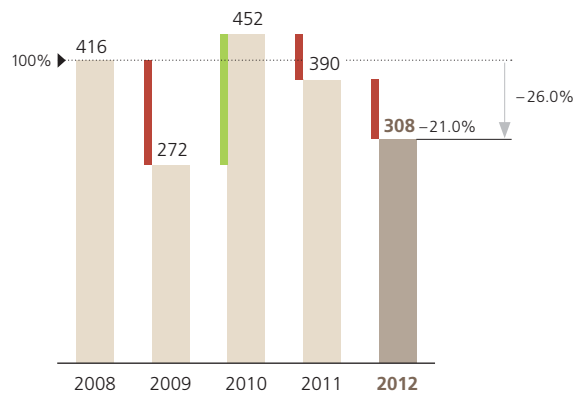
Economic value added

Higher capital costs
reduce economic
value added

As at 31 December 2012, Swiss Post met the financial expectations of the Federal Council and generated economic value added of 308 million francs. This represents a decline of about 21 percent on the previous year (390 million francs).

Rise in invested capital leads to higher capital costs.

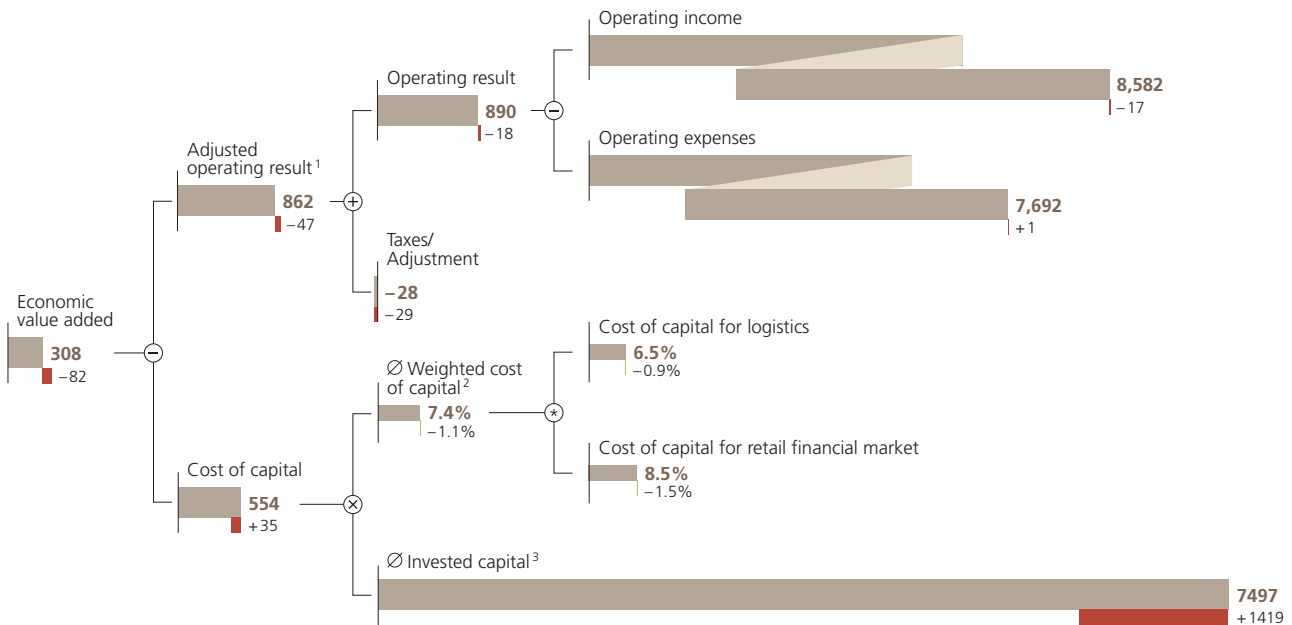
Group | Economic value added
2008 to 2012 showing change from prior year / over five years
2008 = 100%, CHF million



The reduced economic value added is primarily due to the lower adjusted operating result and increased capital costs on account of higher average invested capital. The average invested capital increased at PostFinance and the other Group units, primarily due to increased equity requirements at PostFinance.

Higher capital costs reduce economic value added

Group | Economic value added
2012 showing change from prior year
CHF million, percentage points



① Weighted with the average invested capital in logistics and in the retail financial 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 capital for the retail financial market (PostFinance).
 3 At PostFinance corresponds to average equity in accordance with Basel II (CHF 3,306 m) and in logistics units to the average net operating assets (NOA) of CHF 4,191 million.

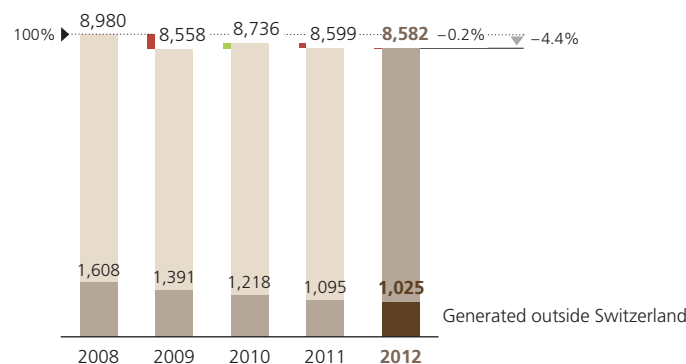
Statement of comprehensive income

Operating income

Operating income stood at 8,582 million francs in 2012 (previous year: 8,599 million francs). This represents a fall of 0.2 percent. The decline in operating income abroad is due to the Asendia transaction. The increase in net sales from logistics services could not fully offset the fall in income from financial services and in other operating income.

Operating income declines only marginally by 0.2 percent

Group | Operating income
2008 to 2012 showing change from prior year / over five years
2008 = 100%, CHF million



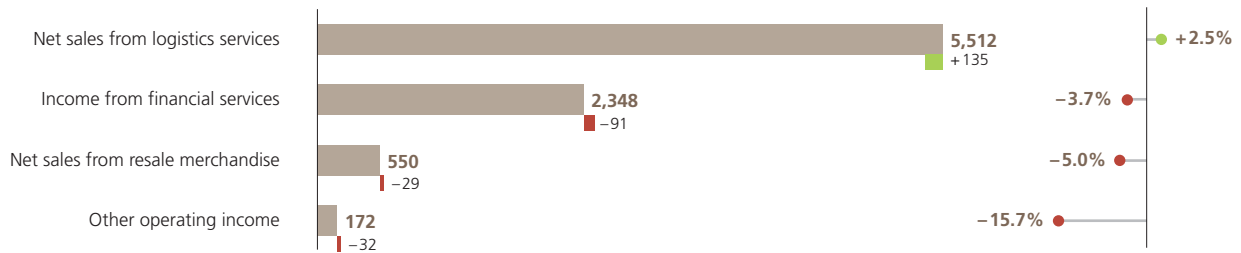
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Higher sales from logistics services offsets other decline

Net sales from logistics services increased by 135 million francs year-on-year. This was primarily due to increased sales from parcels and transport services as well as the fact that the fully-acquired Direct Mail Company Group was included for the first time. Net sales from resale merchandise fell, primarily in the communication market (Post Offices & Sales) due to a new booking system for philately products (stamps sales for franking purposes are now included in net sales from logistics services). The decline in income from financial services was primarily due to lower interest income. Other operating income fell, chiefly as a result of lower proceeds from the disposal of property, plant and equipment.

Operating income almost at previous year's level

Group | Operating income
2012 showing change from prior year
CHF million, percent



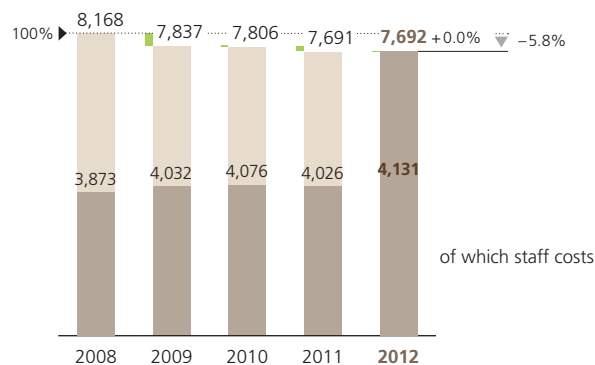
Operating expenses remain virtually unchanged year-on-year

Operating expenses

Operating expenses increased only slightly over the previous year (up by one million francs). The share of staff costs in total operating expenses increased further and stood at about 54 percent in 2012.

Share of staff costs to total expenses rises again

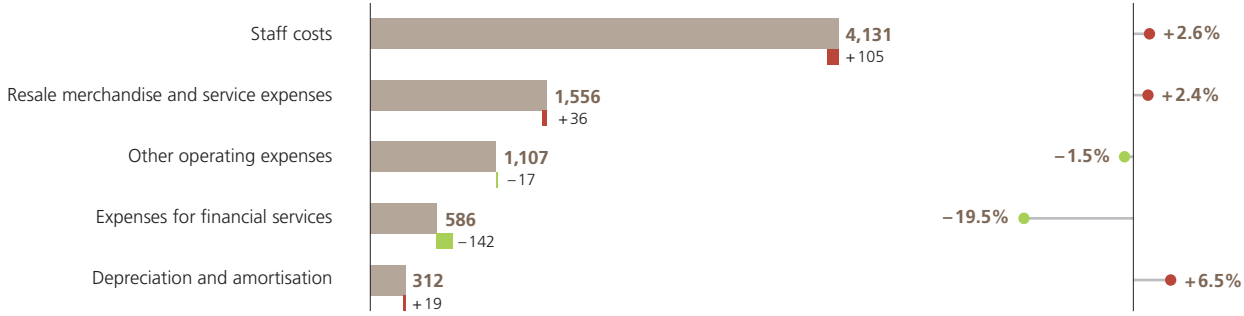
Group | Operating expenses
2008 to 2012 showing change from prior year / over five years
2008 = 100%, CHF million



The increase in staff costs year-on-year was primarily due to the higher average headcount and higher employee benefit expenses. Resale merchandise and service expenses increased by 36 million francs. The increase is largely due to higher third-party charges and the acquisition of the Direct Mail Company Group. Expenses for financial services fell due to lower interest expenses and lower impairment losses. Other operating expenses fell by 1.5 percent year-on-year. Due to the higher depreciation on vehicles, operating property and intangible assets, depreciation and amortisation expenses increased by 19 million francs year-on-year.

Increase and decrease in operating expenses offset each other

Group | Operating expenses
2012 showing change from prior year
CHF million, percent

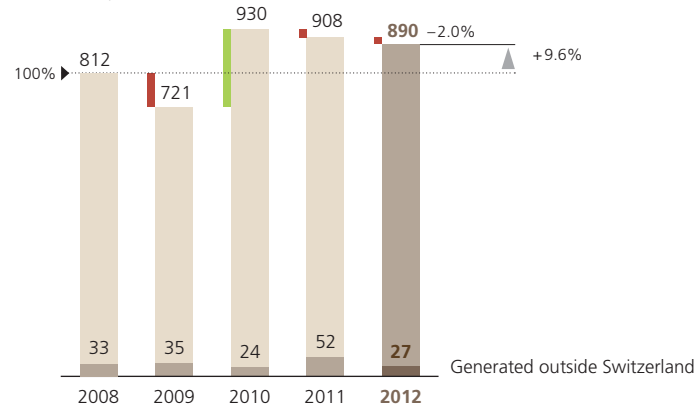


Operating result

The decline in the operating result is due to lower interest rates on the financial market, increased staff costs and lower income from the disposal of properties. The aforementioned expense and income trends led to a fall in the operating result of 18 million francs, representing a decrease of around 2 percent year-on-year.

Operating result down 2 percent year-on-year

Group | Operating result
2008 to 2012 showing change from prior year / over five years
2008 = 100%, CHF million



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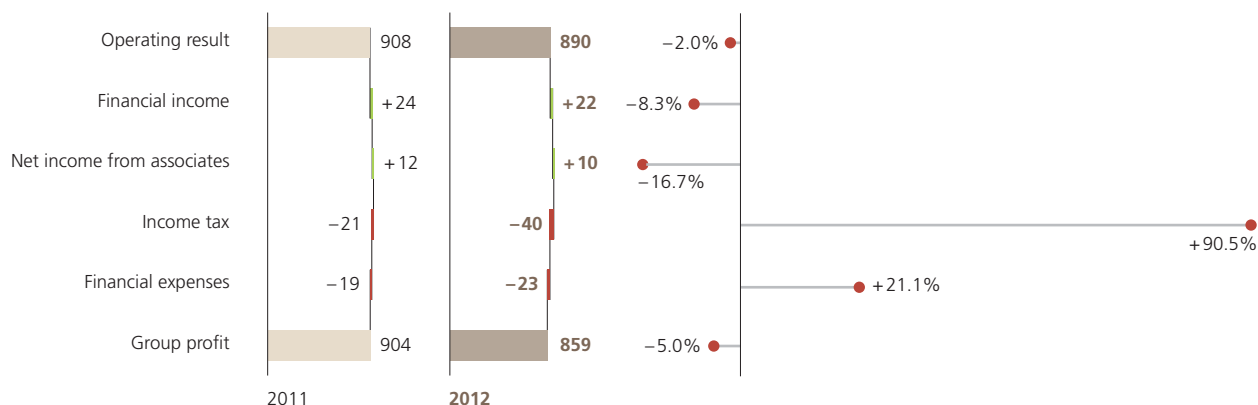
Group profit down year-on-year

Group profit

The share attributable to associates in the result declined by 2 million francs year-on-year to reach 10 million francs. Financial expenses were affected by higher losses from the sale of financial assets and increased by 4 million francs. Financial income declined by 2 million francs year-on-year. The main reason for the fall was the lower interest income. Income tax increased by 19 million francs to 40 million francs. The increase is due to higher current income tax expenses.

Group profit down 5 percent year-on-year

Group | Reconciliation of operating result to Group profit
2011 and 2012 showing change from prior year
CHF million, percent



Segment results

Overview

The segments made varying contributions to the positive operating result.

Group Segment results 1.1. to 31.12.2012 with prior-year period CHF million, percent	Operating income		Operating result ¹		Margin ²	
	2012	2011	2012	2011	2012	2011
Communication market	4,779	4,774	61	111	1.3	2.3
PostMail ³	3,103	3,141	178	251	5.7	8.0
Swiss Post Solutions	547	549	3	11	0.5	2.0
Post Offices & Sales	1,689	1,706	-120	-151		
Logistics market						
PostLogistics ³	1,535	1,501	152	162	9.9	10.8
Retail financial market						
PostFinance	2,362	2,451	627	591		
Public passenger transport market						
PostBus ⁴	778	719	6	33	0.8	4.6
Other⁵	970	945	44	11		
Consolidation³	-2,402	-2,413				
	8,582	8,599	890	908		

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

2 The retail financial market (PostFinance) uses the indicator return on equity, which is not shown here; no margin is calculated for "Other"; negative margins are not reported.

3 With the integration of the Swiss Post International segment as at 1 January 2012, the previous year's figures were adjusted.

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

5 Includes service units (Real Estate, Information Technology, Corporate Purchasing and Language Services) and management units (e.g. Human Resources, Finance and Communication).

PostMail: makes largest con- tribution to result in communication market

Communication market

PostMail

In 2012, PostMail registered an operating result of 178 million francs, some 73 million francs less than the previous year primarily as a result of higher employee benefit expenses.

Operating income decreased by 38 million francs year-on-year due to a range of special factors, and stood at 3,103 million francs. Sales from unaddressed mail increased by 79 million francs due to the complete takeover of the DMC Group. The letter business continues to be affected by the decline in volumes, with an impact of around 30 million francs. In international business, the decline was 122 million francs, mainly due to the outsourcing of cross-border mail activities to Asendia, the joint venture with France's La Poste.

Operating expenses totalled 2,925 million francs, an increase of 35 million francs year-on-year. In addition to the increase resulting from the complete takeover of the DMC Group, the rise in expenses was chiefly attributable to the increase in employee benefit expenses of 40 million francs. However, productivity improvements in sorting and delivery and the transfer of international activities to Asendia led to lower staff costs.

Headcount increased by 22 full-time equivalents to 17,912 year-on-year. The increase through the acquisition of the DMC Group was offset by a decline in headcount due to the reorganisation of international business and increased productivity in the provision of services.

Swiss Post Solutions

Swiss Post Solutions: restructuring costs weigh on result

The operating result posted by Swiss Post Solutions was 8 million francs lower than the previous year. Besides the moderate slowdown in business operations, the result was primarily affected by restructuring costs in France and in the Cards unit, as well as a decline in project business at Global Services.

Operating income of 547 million francs remained at the previous year's level. The net positive currency translation effect year-on-year stood at 3 million francs. Growth was recorded in the US with +11 percent (+6 percent, adjusted for currency) and in Vietnam (+21 percent). In addition to the negative currency translation effect of 5 million francs, business activities in Germany were hit by the withdrawal from the Managed Media Services business unit and the lower administration services for MEILLERGHP GmbH. The additional income losses were due to falling project revenues from Global Services and declining processing volumes in France.

At 544 million francs, operating expenses were around 1 percent up on the previous year. The increase was mainly driven by a disproportionately high increase in staff costs. In the US, additional employees were recruited to keep pace with the growth in sales. For the declining activities, however, staff costs could not be reduced quickly enough and significant restructuring costs were incurred, particularly in France.

Headcount rose by 95 full-time equivalents year-on-year to 6,502. Additional employees were recruited in the US (+87 full-time equivalents) and Vietnam (+129 full-time equivalents) in light of the growth in business. In the other countries, a net change of -121 full-time equivalents was recorded. This was primarily due to the planned reduction of fixed-term work contracts involved in the population census project in Germany and to the cutbacks in France.

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Post Offices & Sales: consistently moving in the right direction

Post Offices & Sales

Successful cost management paid off: Declining operating income and increasing staff costs were more than offset through major savings in service and other operating expenses, improving the overall result by 31 million francs. In 2012, Post Offices & Sales achieved an operating result of – 120 million francs. Sales of stamps for franking parcels and letters are no longer recorded in Philately but in logistics products. The traditional stamp collection products continue to be recorded in Philately.

Operating income fell by 17 million francs, or almost 1 percent, year-on-year to 1,689 million francs. Despite the fall in volumes of logistics products, particularly in domestic and international letters, sales increased by 10 million francs. In contrast, sales from resale merchandise fell by 26 million francs because – as mentioned above – the sale of stamps for franking purposes is now recorded in the net sales from logistics services. The long-standing decline in over-the-counter payment transactions continued in 2012, with a fall of more than 4 percent due to substitution through e-banking. However, the associated fall in revenue of around 4 million francs was offset by increased income from the opening of postal accounts and customer appointment referrals at PostFinance. Income with business customers fell by approximately 4 million francs. Net sales of non-postal brand name items continued to register an encouraging rise. Sales increased by 3 million francs year-on-year to reach 498 million francs, although key sales drivers, such as the cycle permit for example, have been lost. Noteworthy here are gift cards, which remain very popular, together with the incorporation of Apple products and the successful marketing of fan bands during Euro 2012.

Operating expenses were cut by 48 million francs year-on-year to 1,809 million francs. The postal product volume trends triggered a fall in service expenses of 47 million francs. The saving of 18 million francs achieved in other operating expenses made it possible to absorb the increase in staff costs of 15 million francs, which was primarily due to the increase in employee benefit expenses.

Headcount of 6,724 employees fell by 103 full-time equivalents year-on-year due to developments in the post office network.

Logistics market

PostLogistics

PostLogistics achieved an operating result of 152 million francs. This represents a fall of 10 million francs year-on-year, but lies above internal targets due to planned one-off items. Significantly higher parcel volumes had a positive impact on the result, while negative influences included higher employee benefit expenses and increased costs for third-party transporters, IT and various comprehensive restructuring measures.

Operating income totalled 1,535 million francs, exceeding the previous year's total by 34 million francs. This increase can be attributed to increased parcel volumes and increased sales in the fuel business and fleet management.

Operating expenses increased by 44 million francs to 1,383 million francs year-on-year. Staff costs exceeded the previous year's figure by 3 million francs due to increased employee benefit expenses. Resale merchandise and service expenses increased by 20 million francs year-on-year due to higher costs for third-party transporters. This increase was caused by higher parcel volumes and greater reliance on third-party transporters instead of in-house drivers. Other operating expenses increased by 13 million francs year-on-year. This was due to higher IT costs, higher vehicle maintenance costs and higher fuel costs. Depreciation and amortisation exceeded the previous year's value by 7 million francs. This was primarily due to the fact that goodwill had to be written off in a subsidiary because of the loss of the two largest customers.

Average headcount fell by 47 to 5,520 full-time equivalents. This was due to the optimisation of the transport unit.

PostLogistics: solid operating result achieved

PostFinance: continued rise in customer deposits

Retail financial market

PostFinance

In 2012, PostFinance recorded an operating result of 627 million francs, representing an increase of 36 million francs (+6 percent) year-on-year.

Interest income fell by 72 million francs (–6 percent) year-on-year. This fall was caused by the difficult market environment, which offers significantly less profitable investment opportunities. Appreciation in the value of financial assets and losses on payment transactions produced a surplus of +19 million francs (previous year: –91 million francs in impairment losses). As a result, net interest income after impairment stands at 1,062 million francs, up 39 million (+4 percent) on the previous year. PostFinance achieved net commission and service income of 303 million francs (+2 million francs, +1 percent). The lower income from the declining inpayments in post offices was more than offset primarily by higher earnings from credit cards and mortgages. Overall, operating income remained high at 1,534 million francs (previous year: 1,474 million francs, +4 percent).

Operating expenses including depreciation and amortisation of 907 million francs rose by 24 million francs (+3 percent) year-on-year. Non-staff costs (426 million francs) remained at the previous year's levels. At 472 million francs, staff costs were 6 percent higher than the previous year, primarily due to increased employee benefit expenses.

PostFinance employed an additional 54 full-time equivalents in comparison with the previous year (+1.6 percent), reaching a total of 3,479 full-time equivalents.

Public passenger transport market

PostBus

The first-time payment of the management and licence fee to Swiss Post, the parent, had a significant impact on the operating result. This produced a decrease of 27 million francs in the operating result year-on-year. The operating result in Switzerland improved slightly. In France, profitable growth was achieved through the winning of new orders and the acquisition of a bus company.

PostBus increased its operating income by 8.2 percent to 778 million francs. The renewed expansion of the range of services in Switzerland generated 39 million francs. Received settlements exceeded the previous year by 16 million francs, and transport revenue and transport-related compensation generated an additional 20 million francs. With the takeover of the Rochette Group in France, sales increased by almost half to 67 million francs.

Driven by growth and inflation, operating expenses increased by 55 million francs. Operating expenses increased by a further 31 million francs to 772 million francs due to the management and licence fees.

Expansion of the service in Switzerland combined with market growth in France enabled PostBus to cover an additional 9 million kilometres. This in turn led to a need for more staff, representing 70 full-time equivalents in Switzerland and 170 full-time equivalents abroad, equivalent to 12 percent of the total. PostBus employed 2,307 full-time equivalents in 2012.

Other: management and service units

In 2012, the Other segment recorded an operating result of 44 million francs (previous year: 11 million francs).

Operating income of 970 million francs increased by 25 million francs year-on-year. This was primarily due to an increase in management and licence fees (+31 million francs). The higher management and licence fees more than offset lower profits from the sale of real estate.

Operating expenses decreased by 8 million francs to 926 million francs, contributing further to the increase in the operating result. The decrease in operating expenses was mainly due to a fall of about 24 million francs in staff costs. The decrease in staff costs was primarily within management. The reason for the fall was a one-off costs item in 2011. Hence, the decline in staff costs was higher than the rise in other operating expenses (+6 million francs) and depreciation and amortisation (+7 million francs).

Headcount fell by four year-on-year to 2,161 full-time equivalents.

PostBus: growth at home and abroad

Other: significantly higher operating result achieved

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Acquisitions

Switzerland

On 6 January 2012, Swiss Post, the parent, acquired all shares in Direct Mail Company AG and Direct Mail Logistik AG. Swiss Post previously held a 50 percent share in both companies. With the acquisition of all shares in Intermail AG, which in turn holds the remaining 50 percent of both companies, Swiss Post became the sole shareholder of Direct Mail Company AG and Direct Mail Logistik AG. Swiss Post also acquired all shares of IN-Media AG as well as 50 percent of DMB Direct Mail Biel-Bienne AG. Based in Basel, the Direct Mail Company Group provides products and services within direct marketing and the delivery of unaddressed mail. Throughout Switzerland, the DMC Group employs 135 permanent staff and around 2,500 part-time staff at its sites in Lausanne, Biel, Thun, Zurich, Domat / Ems and Niederbipp.

On 29 February 2012, Direct Mail Company AG took over the delivery business of AWZ AG and its subsidiary ADZ Agentur für Direktwerbung AG, which discontinued its activity in this area on the same date. The company and its subsidiary provide products and services in direct marketing, operating in the Berne, Aargau/Solothurn, Zug and Ticino areas and employing around 1,500 staff.

On 25 April 2012, PostBus Switzerland Ltd purchased all the shares in Lausanne-based velopass SARL. velopass SARL is currently the largest bike-sharing provider in Switzerland and operates eleven self-hire networks in more than 20 cities in western Switzerland and Ticino. With this takeover, PostBus has become the new leader on the Swiss bike-sharing market. velopass SARL has nine employees.

On 1 November 2012, PostLogistics Ltd took over the storage logistics and small consignment operations of the transport company GATRA AG in Pfungen. The takeover gives PostLogistics a stronger position in the greater Zurich area and better access to the southern German market. The acquisition also includes customers and approximately 20 of the company's employees.

France

On 27 February 2012, CarPostal France SAS took over all the shares in the Rochette Group, a family business specialising in passenger transport in the Loire département in France. With this takeover, the company strengthens its presence in the local public transport sector in France. The group, based near the city of Saint-Etienne, comprises the holding company Rochette Participations SAS and four transport companies: Archimbaud Frères SARL, Rochette Plaine SARL, Rochette Nord SARL and Caporin Voyages SARL, with 90 percent of their services in regular service operations. The Rochette Group employs around 140 staff.

Overall, the effects of the acquisitions mentioned on the consolidated accounts are not material.

For detailed information on the changes in the consolidated Group, see page 119.

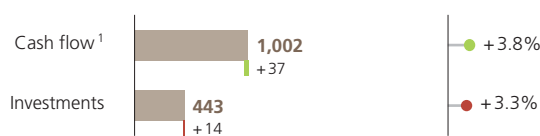
Assets and financial situation

Cash flow and investments

Cash flow increased by 37 million francs to 1,002 million francs year-on-year.

Investments in 2012 were again entirely self-financed

Group | Internal financing
2012 showing change from prior year
CHF million, percent



¹ before appropriation of profit

Overall, investments in property, plant and equipment (346 million francs), investment property (19 million francs), intangible assets (44 million francs) and investments (34 million francs) were up 14 million francs on the previous year. The increase was primarily due to greater investments in shareholdings. Investment volumes over the past year were again financed entirely from Swiss Post's own resources.

Balance sheet

Receivables due from banks

In comparison with 31 December 2011, receivables due from banks increased by around 14 billion francs. This increase was primarily due to the additional cash reserves held mostly at the Swiss National Bank.

Financial assets

Financial assets fell by around 2.3 billion francs compared with the end of 2011. The decrease can be attributed to the desired shortening of the average duration of PostFinance financial assets.

Property, plant and equipment

The carrying amount of property, plant and equipment increased by 40 million francs compared with 31 December 2011. This was primarily attributable to the increase in operating property and vehicles. In 2012, depreciation and amortisation increased by 15 million francs, reaching around 275 million francs.

Customer deposits (PostFinance)

In 2012, customer deposits at PostFinance increased by 9,824 million francs to reach a total of 110,531 million francs. As at 31 December 2012, customer deposits accounted for around 92 percent of the Group's total assets.

Other liabilities (provisions)

Provisions (including employee benefit obligations) fell by 190 million francs. This was essentially due to the fall in employee benefit obligations of 221 million francs. This reduction is above all justified by the employer's contribution reserves. The remaining increase in provisions amounted to around 31 million francs.

Total assets of
around 120 billion
francs

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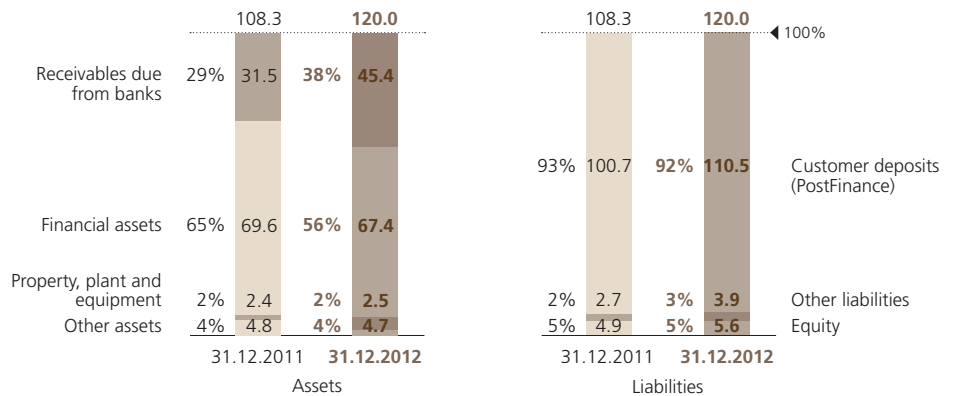
Sufficient equity available

Equity

Consolidated equity increased further year-on-year. With regard to the upcoming conversion of Swiss Post into a public limited company under special law and PostFinance into a public limited company regulated by the Swiss Financial Market Supervisory Authority FINMA, sufficient equity will be available to the Group and its subsidiaries.

Total assets exceeded the 120 billion franc mark at end-2012

Group | Balance sheet structure
As at 31.12.2011 and 31.12.2012
CHF billion



Distribution of one-third of parent company profit

Appropriation of profit

The Federal Council expects Swiss Post to finance the pension fund out of the profit it generates and to strengthen the equity base in stages. As the owner, the Confederation also expects an adequate dividend on its equity. Given the existing shortfall in the Swiss Post pension fund and the need to further strengthen the Group's equity base, a request will be submitted to the Federal Council to use the profit of Swiss Post, the parent, of 732 million francs as follows:

- Employer's contribution reserve for Swiss Post pension fund: 100 million francs
- Dividend paid to the owner: 200 million francs
- Reserves for Swiss Post, the parent: 432 million francs

In accordance with generally accepted commercial accounting principles, the parent's equity amounts to 5,687 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 has equity of 5,625 million francs. (For details, see the table "Consolidated statement of changes in equity" on page 60).

Non-financial results of a material nature

In addition to the financial target (EBIT of between 700 and 800 million francs) and the aim of holding the leading market position in Switzerland, Swiss Post has set itself the following strategic objectives (see pages 12 and 17):

- Customer satisfaction: at least 75 points on a scale of 0 – 100
- Employee commitment: at least 80 points on a scale of 0 – 100
- Sustainability: – 15,000 t CO₂ emissions/year until the end of 2013
- Basic service: unrestricted regulatory audit certificate

Customer satisfaction

Swiss Post's customer satisfaction rating has remained high for several years

The 2012 customer survey gave the high value of 79 points on a scale of 0 – 100 points for the entire Group, bearing out the previous year's result. Figures above 80 are considered as very good, whereas figures below 60 are seen as critical.

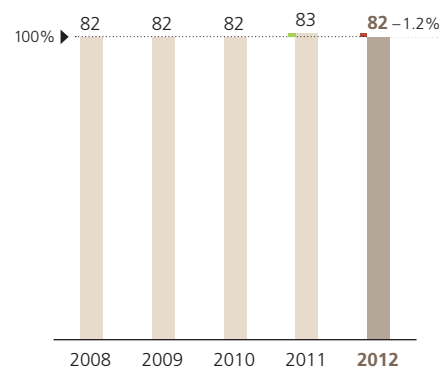
Private customers

Swiss Post's private customers returned a satisfaction score of 82 points. They rated all business units at between 74 and 86 out of a maximum of 100 points. The overall result was very high, despite the loss of a significant point at PostFinance (85 pts), Post Offices & Sales (86 pts) and in Passenger Transport (74 pts) among commuters. Meanwhile leisure travellers confirmed last year's high score, awarding 83 points for Passenger Transport.

Recipients rated delivery quality at 92 points, one point higher than the previous year. Customers particularly appreciate the friendliness and discretion of mail carriers. The indexes on customer satisfaction and delivery quality were produced using different criteria, which means they are not directly comparable to one another.

Stable and very high overall level of satisfaction among private customers

Group | Private customer satisfaction
2008 to 2012 showing change from prior year / over five years
2008 = 100%, index



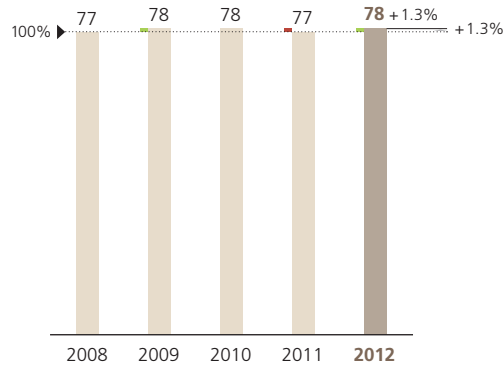
Business customers

Swiss Post's business customers returned a satisfaction score of 78 points. They rated all business units at between 73 and 84 out of a maximum of 100 points. This improvement is due to the increase for Swiss Post Solutions (83 pts) and PostFinance (84 pts), with each gaining one point. PostMail (78 pts) and PostLogistics (78 pts) maintained last year's result.

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Business customers again more satisfied than previous year

Group | Business customer satisfaction
2008 to 2012 showing change from prior year / over five years
2008 = 100%, index



Committed and satisfied employees at Swiss Post

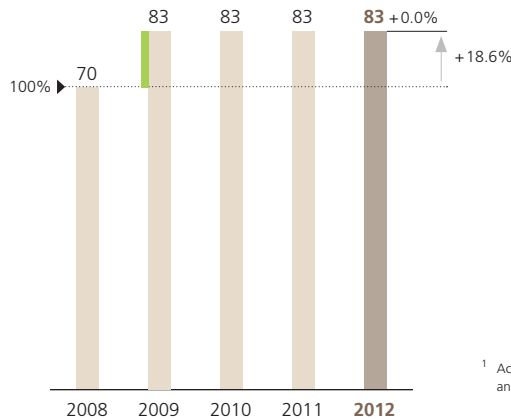
Employee commitment

Swiss Post employees exhibit a high level of commitment and are satisfied with their employer. This was borne out by the 2012 employee survey, which was sent to over 50,000 employees in 20 countries. With nearly 38,000 employees completing the survey, the response rate was good at 75 percent.

Many employees are proud to work for their company. They are behind the products and services in their unit and are willing to provide above-average performance. The rating for personal commitment again came out on top, remaining unchanged at a high 83 points out of 100. The commitment index is made up of questions on the attitudes and behaviour of employees (motivation, identification and staff turnover) and is the central element of the measurement model.

Employee commitment remains high in 2012

Group | Employee commitment
2008 to 2012 showing change from prior year / over five years
2008 = 100%, index¹



¹ According to the survey model, figures of 60 to 74 represent an average positive rating, and figures of 75 to 84 a high positive rating.

Taking the Group as a whole, the picture that emerged was similar to last year. The rating for employee satisfaction was again at 75 points, while the rating for customer focus reached 79. The quality factors for work situation and unit fitness showed the only significant change at Group level: The rating for team collaboration, both within the units and for the Group as a whole rose by one point to 73 points.

As in previous years, the questions concerning Swiss Post's strategy scored an average positive value of 68 points. These include questions such as whether Swiss Post has changed for the better and whether the divisions are moving in the right direction. Achieving an average positive value of 71 points, management's rating also remained at last year's levels.

Further information on employees can be found in the Annual Report on page 37.

Sustainability

Swiss Post consistently implements its 2011–2013 sustainability strategy in day-to-day operations. In terms of its objective of reducing CO₂ emissions by 15,000 tonnes per year by 2013, Swiss Post has saved almost 11,000 tonnes per year with the measures to date.

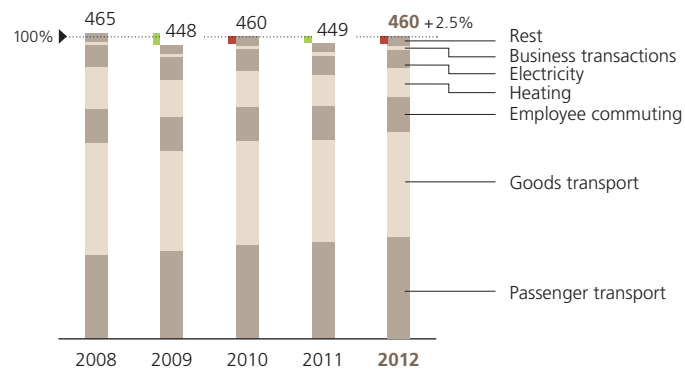
Since 2008 Swiss Post has improved its energy performance by 2.0 percent and its CO₂ performance by 1.0 percent. In doing so, it has not only been able to reduce its absolute CO₂ emissions but also its relative greenhouse gas emissions per employee or operating income.

There was a modest increase in CO₂ emissions compared with 2011 due to higher transport capacity. However, CO₂ efficiency in the logistics market and the public passenger transport market improved during the same period.

CO₂ emissions cut by almost 11,000 tonnes per year

Higher transport capacity leads to moderate increase in 2012

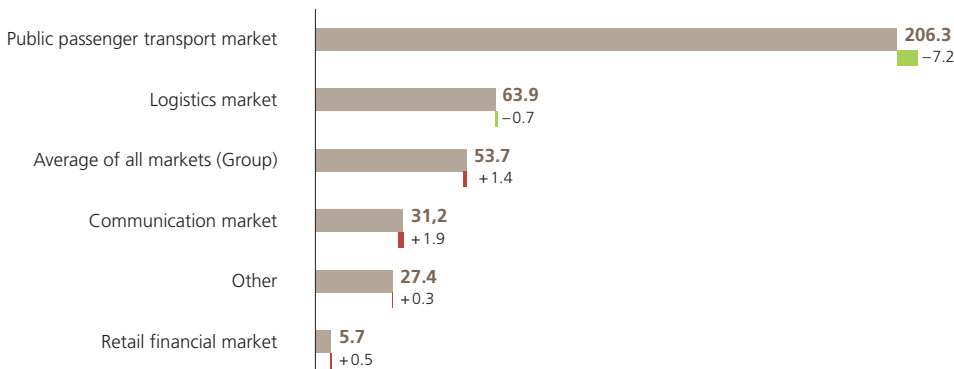
Group | Direct and indirect greenhouse gas emissions by process
2008 to 2012 *showing change from previous year
2010 = 100%, 1000 t CO₂ equivalent



* Recalculation of 2008–2011 on the basis of the methodological and qualitative adjustments of environmental accounting.

Relative greenhouse gas emission figures improve in CO₂-intensive markets

Group | Direct and indirect greenhouse gas emissions by market
2012 showing change from previous year
Relative, t CO₂ equivalent per million CHF operating income



Further information on sustainability can be found in the Annual Report on page 43.

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High quality services at affordable prices

Basic service

The basic services are tailored to customers' current needs, are reasonably priced and are provided on the same basis for everyone through a nationwide network of access points. Swiss Post aims to fulfil its legal mandate by focusing on its customers and providing them with a consistently high-quality service.

The basic service as laid down by postal legislation encompasses services for the acceptance, transport and delivery of letters, parcels up to 20 kilograms, newspapers and magazines in permanently inhabited areas on at least five working days a week, as well as payment transaction services (see also Statutory mandate on page 12). PostCom commissions external auditors every year to check the regulatory statements. They have confirmed compliance with the postal legislation each time. The last available audit certificate from March 2012 concerns the 2011 financial year.

Swiss Post regards the mandate to provide the basic service, and the related directives set out in the Federal Council's strategic objectives as an opportunity to prove that the trust placed in it will continue to be justified in the future. Hence, it considers the legally mandated basic service as a minimum target. It actually delivers much more, both in terms of the quality and the scope of the services it provides, and finances the basic service from its own funds. At the same time, it takes account of complex political, regulatory and commercial demands. It is only by balancing these demands that Swiss Post will be able to fulfil its basic service mandate in the long term without having to make drastic adjustments to its services in the future.

Risk report

Risk management principles

Every company's operating environment changes constantly. The success factors are the early recognition and control of opportunities and threats (risk awareness), and taking account of capital and yield considerations (risk-bearing capacity). In doing so, the risk process makes a decisive contribution to the quality of decisions, and to increasing the company's value and ensuring its future.

Risk management system

The Board of Directors sets out the primary guidelines and principles for Swiss Post's risk management system and the risk policy. The risk managers at 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. 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 Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

In the first quarter of 2012, in the interests of the continuous improvement of the risk management system, the Board of Directors approved the implementation of the detailed plan for the aggregation and simulation of risk-bearing capacity using a Monte Carlo model of high-level risks. The implementation was completed in late 2012.

The topics considered during the risk identification and analysis process include strategy/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, communications/reputation and legal aspects.

Risk control

For all risks that exceed an acceptable level, corresponding measures for reduction are defined. The respective risk owners are responsible for their implementation and monitoring.

At Group level, the top risks are closely controlled using strategic measures, usually combined with further precautions that are individually adapted to the respective risk. For all top risks it is specifically defined who is responsible for a particular measure, which deadlines apply, who performs the controlling and what the current status of the implementation is.

Risk position

In 2012, Swiss Post identified and evaluated the top ten risks that Executive Management and the Board of Directors address and control with defined measures where possible. Three of these high-level risks were categorised under "political operating conditions", three under "market risks" and four under "endogenous risk".

The trends in the risk situation remained stable compared with the previous year. Twelve further potential risks are being monitored as a precaution and actively controlled using appropriate measures where possible, including for example pandemic, natural hazards and demographic issues.

For more information on risk management at Swiss Post, see page 109.

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. In doing so, it ensures high-quality financial reporting. 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 that an ICS is in place in conducting their regular audit.

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Outlook

Moderate global economic recovery in sight

A gradual recovery is still assumed for the global economy as a whole. Compared to the previous assessment, the Swiss National Bank has adjusted its expectations for 2013 slightly downwards. The adjustment is based primarily on the short-term outlook for the eurozone. The Swiss National Bank expects the eurozone to only come out of the recession in the course of 2013. In the US, the moderate recovery is likely to continue as a result of the continuing stabilisation of the construction industry. In the emerging economies, growth is expected to gain momentum gradually. Nevertheless, there is still the significant risk of a downturn in the global economy. The crisis in the eurozone continues to weigh on growth prospects.

The growth outlook for Switzerland has not changed significantly. The eurozone remains in a recession in the short term. For Switzerland's main trading partners, the economic situation is only likely to improve slowly. The situation remains uncertain, particularly in the manufacturing sector. Low capacity utilisation and subdued demand from abroad will continue to weigh on investment activity. With higher unemployment and only modest increases in income, domestic demand is also expected to remain muted in the coming quarters. According to estimates by the Swiss National Bank, economic growth in 2013 is likely to remain below potential at 1–1.5 percent. If, contrary to expectations, the Swiss economy weakens further, the negative impact will also be felt by Swiss Post. This is despite the fact Swiss Post operates in less economically sensitive markets and is therefore less susceptible to economic fluctuations than other companies in Switzerland.

This economic outlook, coupled with increasingly fierce competition, ongoing substitution effects, mailing optimisation measures by business customers, and the need to further strengthen the equity base, bears out Swiss Post's conviction that it is right to implement the defined strategy.

Corporate governance

For years Swiss Post has based its actions on the Swiss Code of Best Practice for Corporate Governance drawn up by *economiesuisse*, and has structured its reporting in line with the SWX Directive for listed companies.

Group structure and shareholders

Legal form and ownership

Swiss Post is an autonomous institution under public law and is solely owned by the Swiss Confederation. The organisation chart on page 11 shows the Group's organisational units. The "Consolidated Group" section on page 116 of the Financial Report outlines the shareholdings. More information can be found about changes due to take place at Swiss Post towards the middle of the current year in the Annual Report on page 53.

Swiss Confederation in control

The Confederation controls Swiss Post by setting strategic goals and checking that these are being met, using for this purpose annual reporting and a report on staff (Public Officials Act/Ordinance on Executive Pay). See also the information policy section on page 55.

Statement of the costs of the universal service

In accordance with the regulator's directive to state the costs of the universal service and provide a statement regarding adherence to the ban on cross-subsidies, Swiss Post is obliged to state the costs, earnings and results of the universal service and of competitive services, as well as specific details of the costs of the nationwide post office network. As the auditor appointed by the regulatory authorities, KPMG AG checks annually to see whether Swiss Post has met these requirements. In 2012 the costs of the universal service stood at around 3.6 billion francs. Swiss Post was again able to cover them this year out of earnings from its monopoly business and from non-reserved services.

In the year under review, the infrastructure contribution was 184 million francs (compared to 187 million francs the previous year). This includes structural costs for acceptance and sales outside the operationally necessary post office network, but does not include the structural costs for delivery. This notional figure does not influence the financial results of Swiss Post in any way, but does influence the segment results for PostMail and Post Offices & Sales.

Capital structure

In 1998 the Confederation provided Swiss Post with interest-free endowment capital of 1.3 billion francs. Since 2004 Swiss Post has used the profits to pay an annual figure in the triple-digit millions into its pension fund (2012: 100 million francs). A further share of the profits is distributed to the Confederation (2012: 200 million francs). The remainder is retained for the purpose of accumulating equity; on the reference date this equity stood at 5,625 million (previous year: 4,879 million) francs.

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Board of Directors

Composition

The Federal Council elects Swiss Post's Board of Directors every four years. On the reference date (31 December 2012), it had nine members. Under the Postal Organization Act, the Board of Directors exercises a steering function in addition to its control and monitoring function in strategic matters.

Members do not have any business relationships with Swiss Post or its subsidiaries, nor have they been involved in an executive capacity for Swiss Post or any affiliates in the past three years. In accordance with postal legislation, employees have the right to appropriate representation on the Board of Directors. In 2012, this representation was once again provided by Susanne Blank and Michel Gobet.

There were no changes in the year under review.



.....
Andreas Schlöpfer	Nicola Thibaudeau	Philippe Milliet	Marco Durrer	Susanne Blank	Dominique Freymond	Adriano P. Vassalli	Peter Hasler	Kerstin Büchel	Michel Gobet

Peter Hasler

Chairman of the Board of Directors, 1946, Switzerland, member since 2010, Dr. jur.

Committees: Organisation, Nomination & Remuneration; Audit & Risk; Investment, Mergers & Acquisitions, Alliances; PostFinance

Professional background: Directorships and foundation mandates; Member of various federal commissions; Vice-Chairman of the Swiss National Accident Insurance Fund (Suva); Director of the Swiss Employers Union; Director of Association of Swiss Engineering Employers ASM; Secretary of ASM; Corporate lawyer and Assistant to the Chairman of the Board of Flug- und Fahrzeugwerke Altenrhein AG (FFA); Assistant at the Zurich Guardianship Authority

Key posts: Zurich University Hospital (Chairman of the Board); Reka Swiss Travel Fund (Chairman of the Cooperative Society); SIZ AG, Schweizerisches Informatik-Zertifikat (Vice-Chairman of the Board of Directors)

Dominique Freymond

Vice-Chairman of the Board of Directors, 1954, Switzerland, member since 2002, lic. ès sciences naturelles.

Committees: Organisation, Nomination & Remuneration (Head)

Professional background: mas management & advisory services ltd (co-owner and partner); Groupe TKS-Teknosoft SA (CEO); Unisys Central Europe (Vice-President and Country Manager Switzerland); Canton Vaud (State Chancellor); Unisys Switzerland and Austria (Member of the Executive Board, Head of Customer Service); IBM Switzerland and IBM Europe (positions in sales, marketing and management)

Key posts: Corti AG (Member of the Board of Directors); mas ltd and mas investments ltd (Member of the Board of Directors); SolvAxis SA (Chairman of the Board of Directors); STERCI SA (Member of the Board of Directors); Swiss Institute for Board Members sigv (Vice-President)

Andreas Schläpfer

Vice-Chairman of the Board of Directors, 1947, Switzerland, member since 2009, lic. oec. Univ. of St. Gallen

Committees: Investment, Mergers & Acquisitions, Alliances (Head)

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

Key posts: None

Nicola Thibaudeau

Member of the Board of Directors, 1960, Switzerland/Canada, member since 2006, Dipl. Ing. Mech. École Polytechnique de Montréal

Committees: PostFinance

Professional background: MPS Micro Precision Systems AG (CEO, Delegate of the Board of Directors); Independent consultant; Mecanex SA (owner, CEO); Cicorel SA (business manager); IBM Canada (research assistant)

Key posts: CSS Kranken-Versicherung AG (Member of the Board of Directors); CSS Personalstiftung (member); MPS Micro Precision Systems AG (Delegate of the Board of Directors); MPS Décolletage SA, Court (Présidente du conseil d'administration); SLS-TT AG, Paul Scherrer Institute Würenlingen (member)

Susanne Blank

Member of the Board of Directors, Human Resources representative, 1972, Switzerland, member since 2008, lic. rer. pol.

Committees: Audit & Risk

Professional background: Travail.Suisse umbrella organisation for employees (Head of Economic Policy and Member of the Executive Board); Federal Statistical Office (Audits of Swiss Consumer Price Index)

Key posts: Swiss National Accident Insurance Fund – Suva (Member of the Board of Directors); Member of Federal Tripartite Commission for Ancillary Measures relating to Free Movement of Persons; Member of Supervisory Commission for the Compensation Fund for Unemployment Insurance

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Marco Durrer

Member of the Board of Directors, 1952, Switzerland, member since 2009, Dr. ès sc. pol. (Relations internationales), MALD, The Fletcher School, Tufts University, USA

Committees: PostFinance (Head); Audit PostFinance

Professional background: Independent financial consultant; Valiant Privatbank AG, Bern (CEO and member of Executive Management Valiant Holding AG); Lombard, Odier, Darier, Hentsch & Cie, Geneva/Zurich (Group Management, Branch Manager Zurich); Deutsche Bank (Switzerland) SA, Geneva (Head of Sales and Trading); Schweizerische Kreditanstalt Lausanne/New York/Zurich (Assistant to Josef Ackermann/Investment Banking)

Key posts: PostFinance Ltd (Member of the Board of Directors); Picard Angst Asset Management Ltd (Vice-Chairman of the Board of Directors); Piguët Galland & Cie SA (Member of the Board of Directors); DGM Immobilien AG (Chairman of the Board of Directors); COMUNUS SICAV, Montreux (Vice-Chairman of the Board of Directors)

Adriano P. Vassalli

Member of the Board of Directors, 1954, Switzerland, member since 2010, federal diploma in auditing

Committees: Audit & Risk (Head); PostFinance; Audit PostFinance

Professional background: Studio di consulenza e di revisione (founder and owner); Arthur Andersen (founder and head of the Lugano and Berne branches, worldwide partner); Revisuisse AG (auditor and management consultant in Berne and founder of the Lugano branch)

Key posts: PostFinance Ltd (Member of the Board of Directors); Istituto di previdenza del Cantone Ticino (Board member); Swiss Red Cross (member of the Executive Committee of the Conference of Red Cross Cantonal Associations); Croce Rossa Svizzera, Sezione del Luganese (Chairman)

Philippe Milliet

Member of the Board of Directors, 1963, Switzerland, member since 2010, degree in pharmacy, University of Lausanne; MBA, Faculty of Business and Economics, University of Lausanne

Committees: Investment, Mergers & Acquisitions, Alliances

Professional background: Bobst Group (Member of Group Executive Committee, Head of Business Unit Sheet-Fed); Galenica AG (Head of Health Division, Member of the Corporate Executive Committee); Unicable (CEO); Galenica AG (responsible for distribution centres, responsible for operations and CEO of Galexis AG); Pharmatic AG (analyst/programmer and project manager); McKinsey (associate, project manager); Galenica Holding AG (analyst/programmer and Assistant to the Chairman of the Corporate Executive Committee)

Key posts: None

Michel Gobet

Member of the Board of Directors, Human Resources representative, 1954, Switzerland, member since 2010, lic. phil. hist.

Committees: Investment, Mergers & Acquisitions, Alliances; Organisation, Nomination & Remuneration

Professional background: Swiss communication workers union (Central Secretary); PTT-Union (Central Secretary and Vice-Secretary General); Archaeological Service of the Canton of Fribourg (Head of Archaeological Sites)

Key posts: Swisscom (Switzerland) Ltd (Member of the Board of Directors); UNI Global Union (Treasurer, Member of World Executive Committee, Member of European ICTS Steering Committee)

Kerstin Büchel

General Secretary, 1970, Switzerland/Germany/Sweden, member since 2009, lic. rer. pol.

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

Key posts: None

Board of Directors' role and working method

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 remuneration for the members of Executive Management. In the year under review, the Board of Directors met a total of ten times. The Chief Executive Officer and Head of Finance usually attend Board meetings in an advisory capacity.

The Board of Directors is responsible for its own structure. The Chairman of the Board appoints the General Secretary. All members of the Board are subject to an age limit of 70 years. There is also a twelve-year limit for terms of office. There are four standing committees, which have an advisory role and prepare the way for decisions. The Chairman of the Board is ex officio a member of all these committees. In addition, the Board of Directors may appoint non-standing committees and working groups for an individual transaction at any time. 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 the body 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 & Risk Committee

The three-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. The committee checks the findings and recommendations of the internal and external audit teams and submits corresponding proposals to the Board as appropriate. Eight meetings were held during the last financial year. The CEO, the Head of Finance and the Head of Internal Auditing attend the meetings.

Organisation, Nomination & Remuneration Committee

The committee met seven times during the last financial year. It 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.

Investment, Mergers & Acquisitions, Alliances Committee

This 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. The committee met five times during the year under review.

PostFinance Committee

The PostFinance Committee focuses on the governance of PostFinance's investment business, monitors PostFinance's operational risks and is overseeing the project for its transition to PostFinance Ltd. In 2012 the committee met four times.

All duties not expressly reserved for the Board of Directors fall within the authority of Executive Management. The duties and responsibilities of the 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 issued by the Board of Directors.

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Information and supervisory tools

Reporting

The Board of Directors receives monthly reports setting out the situation of the Group and its individual operating units as compared with the previous year. These reports also contain budgeted and expected figures as well as key data relating to markets, human resources and innovation.

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. In addition, it receives Executive Management meeting minutes and quarterly reports from Risk Management (see page 109), Treasury, Communication and Internal Auditing. At each meeting of the Board of Directors, the CEO and the Head of Finance provide information on the company's current business situation.

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 financial processes and bookkeeping and accounting risks. The Board of Directors and Executive Management receive a report on the progress of the ICS once a year.

Internal Auditing

Internal Auditing submits ongoing reports to the Audit & Risk Committee and an annual report to the whole Board of Directors. The Chairman of the Board of Directors, the members of the Audit & Risk Committee and the external auditors receive a copy of all audit reports. Internal Auditing works in accordance with international standards and, in particular, adhere to principles relating to integrity, objectivity, confidentiality, technical expertise and quality assurance. Internal Auditing reports to the Chairman of the Board of Directors and is thus independent of operational Executive Management.

Directly subordinated as financial intermediary

Since 1 December 2011 Swiss Post has been subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA) concerning money laundering, and has thus been regulated in line with industry standards for around a year now. PostFinance has already carried out significant preliminary work during the year under review in this important area with regard to approval under the Banking Act.

Executive Management

Composition

The eight members of Executive Management and the CEO are elected by the Board of Directors. Each is responsible for the operational management of the organisational unit assigned to them. The CEO represents the Executive Management to the Board of Directors. There are no management contracts with companies or individuals outside the Group.



Yves-André
Jeandupeux

Pascal
Koradi

Frank
Marthaler

Ulrich
Hurni

Daniel
Landolf

Susanne
Ruoff

Hansruedi
Köng

Patrick
Salamín

Dieter
Bambauer

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Susanne Ruoff

CEO, 1958, Switzerland, member since 1 September 2012, Marketing planner, Master's Degree from the University of Freiburg, Executive MBA

Professional background: Swiss Post (CEO); British Telecom Switzerland (CEO BT Switzerland Ltd); IBM Switzerland (Management Board member Global Technology Services); IBM Switzerland (Head of Public Sector Division); various management positions in services, marketing and sales

Key posts: PostFinance Ltd (Member of the Board of Directors); Geberit (Member of the Board of Directors)

Ulrich Hurni

Head of PostMail, Deputy CEO, 1958, Switzerland, member since 2009, commercial employee and business secretary at Swiss Post, EMBA University of Zurich

Professional background: Swiss Post (PostMail: Deputy Head and Head; Swiss Post International: Managing Director; telecoms: Unit/project controller; PostFinance: IT systems development)

Key posts: Asendia (Chairman of the Board of Directors); TNT SwissPost (Member of the Board of Directors); search.ch (Member of the Board of Directors)

Daniel Landolf

Head of PostBus, 1959, Switzerland, member since 2001, Bachelor of Science (B.Sc.), business administration

Professional background: Swiss Post (management assistant for automobile services, Head of Business Development at PostBus, Deputy Manager of PostBus, Manager of PostBus, Head of PostBus/PostBus Switzerland Ltd); PTT General Management (Business Administration, Central Marketing and Strategies & Analyses Department); Credit Suisse AG (foreign exchange trader, international payment transactions)

Key posts: Reka Swiss Travel Fund (Administrative member of the Cooperative Society); Association of Public Transport (Board and committee member); LITRA public transport information service (Board and committee member); Sensetalbahn AG (Vice-Chairman of the Board of Directors)

Yves-André Jeandupeux

Head of Human Resources, 1958, Switzerland, member since 2005, lic. sc. soc. et pol., ment. psychology, University of Lausanne

Professional background: Swiss Post (Head of Human Resources); SKYGUIDE (Head of Human Resources); CC&T SA, management consultants (associate partner, responsible for skills management); Canton Neuchâtel (Head of Human Resources); Posalux SA, machine tools factory (Head of Human Resources); GastroSuisse, Lausanne (Head of office for western Switzerland); Careers Advisory Service for Canton Jura (careers advisor)

Key posts: Swiss Post Pension Fund (Vice-Chairman of Foundation Board); Pensimo Management AG (Member of the Board of Directors)

Frank Marthaler

Head of Swiss Post Solutions, 1964, Switzerland, since 2007, lic. oec. University of St. Gallen, business administration

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

Key posts: MEILLERGHGmbH (member of shareholders' committee); Asendia (Member of the Board of Directors)

Patrick Salamin

Head of Post Offices & Sales, 1958, Switzerland/Ireland, member since 2007, lic. oec. University of St. Gallen, lic. sc. pol., business administration and political science

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

Key posts: None

Dieter Bambauer

Head of PostLogistics, 1958, Switzerland/Germany, member since 2009, Dr. oec. WWU, JLU

Professional background: Swiss Post (Head of PostLogistics); Hangartner AG (CEO); Schenker Schweiz AG (CEO); Deutsche Bahn AG (EVP freight logistics); Kühne + Nagel Management AG (Member of the Executive Board); MD Papier (Member of the Executive Board, logistics, IT); AGRAVIS (Head of Logistics Unit); Dr. Waldmann & Partner (management consulting)

Key posts: Asendia (member of the Board of Directors); TNT SwissPost (member of the Board of Directors); Member of the Management Committee of the Chair for Logistics Management at the University of St Gallen (HSG)

Hansruedi Köng

Head of PostFinance, 1966, Switzerland, member since 2012, lic. rer. pol. University of Bern, Business Administration and Economics Advanced Executive Program, Swiss Finance Institute Zurich

Professional background: Swiss Post (PostFinance: Head of Treasury, Head of Finance, Head of PostFinance); BVgroup Berne (Deputy Managing Director); PricewaterhouseCoopers AG (Senior Manager); Basler Kantonalbank (Member of Executive Management); Schweizerische Volksbank (Head of Asset & Liability Management)

Key posts: Swiss Post pension fund (member of Foundation Board and Chairman of Investment Committee); Q-Net AG (Member of the Board of Directors)

Pascal Koradi

Head of Finance, 1972, Switzerland, member since 1 March 2012, lic. oec. publ. University of Zurich, CFA (Chartered Financial Analyst)

Professional background: Swiss Post (Head of Finance); Neue Aargauer Bank AG / NAB (Head of Trading, CFO/Member of the Executive Team); Credit Suisse UK, London (Project Restructuring in the Onshore Banking Division); Neue Aargauer Bank AG / NAB (Employee in the Controlling Department, Head of the Treasury Department)

Key posts: Swiss Post Insurance AG (Chairman of the Board of Directors); PostFinance Ltd (Member of the Board of Directors); Swiss Post pension fund (Member of the Foundation Board)

Changes in the year under review

In June, Susanne Ruoff, the designated new CEO, began to familiarise herself with her work. At the beginning of September she replaced Jürg Bucher as Swiss Post CEO.

Pascal Koradi took over from the Interim Head of Finance, Thomas Egger, at the beginning of March.

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Remuneration

Policy

Corporate risk, the size of area of responsibility and the Confederation's Ordinance on Executive Pay are taken into account when determining the remuneration due to members of Executive Management. Remuneration of the Board of Directors is determined by the Swiss Federal Council.

Determination

Remuneration for members of Executive Management is comprised of a fixed base salary plus a performance-related component, which may amount to a maximum of 40 percent of the gross annual base salary (50 percent for the CEO). It is determined on the basis of individual components of the Group (40 percent) and the group unit (40 percent) as well as the individual's own performance (20 percent). At Group level, the assessment is based on the variable share of economic value added (weighting: 28 percent) as well as the share of very satisfied customers (weighting: 12 percent). At Group unit level, financial components and qualitative indicators are used to calculate the variable component. Both are weighted at 20 percent. The financial components consist of the EBIT of the respective Group unit and, for PostFinance, the return on equity.

Members of Executive Management receive a first-class GA travelcard, a company car, a mobile phone and a monthly expense account. Swiss Post pays the insurance premiums for a risk insurance policy. Individual bonuses may be paid to reward special personal contributions.

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 base salary and the performance component are insured for members of Executive Management up to a maximum of 334,080 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 Swiss Code of Obligations. No agreements exist with members of either Executive Management or the Board of Directors regarding possible severance payments. The notice period for members of Executive Management is twelve months.

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 2012, the members of the Board (including the Chairman) received total remuneration of 1,050,100 francs (fees and fringe benefits). For 2012, the fringe benefits totalling 265,100 francs are stated in the total remuneration. In 2012, the fee of the Chairman of the Board totalled 225,000 francs. The fringe benefits amounted to 26,700 francs.

Executive Management

In 2012, the nine members of Executive Management received total remuneration of 5,095,378 francs (base salaries, fringe benefits, performance-based components and severance package). The fringe benefits of 375,289 francs are stated in the total remuneration. The performance-related component paid out to members of Executive Management in 2013, which is based on attainment of targets in 2011 and 2012, amounts to 1,305,088 francs.

The base salary paid out to members of the Executive Management amounted to a total of 668,334 francs (Jürg Bucher 376,667 francs for eight months, Susanne Ruoff 291,667 francs for seven months), the additional performance-related component amounted to 324,480 francs (Jürg Bucher 207,813 francs, Susanne Ruoff 116,667 francs).

Remuneration 2012, CHF	Total	Average
Chairman of the Board of Directors		
Fees	225,000	
Fringe benefits		
Expenses and representation allowance	22,500	
First-class GA travelcard	4,200	
Total remuneration	251,700	
Other members of the Board of Directors (8)		
Fees	560,000	70,000
Fringe benefits		
Expenses and representation allowance	58,200	7,275
Additional fringe benefits	180,200	22,525
Total remuneration	798,400	99,800
Entire Board of Directors (9)		
Fees	785,000	87,222
Fringe benefits	265,100	29,456
Total remuneration	1,050,100	116,678
CEO (15 months¹)		
Fixed base salary	668,334	
Performance-related component (payable in 2013)	324,480	
Fringe benefits		
Expenses and representation allowance	37,500	
Additional fringe benefits ²	29,162	
Additional payments ³	0	
Total remuneration	1,059,476	
annualised	847,581	
Other members of Executive Management (8⁴)		
Fixed base salary	2,746,667	350,788
Performance-related component (payable in 2013)	980,608	125,237
Fringe benefits		
Expenses and representation allowance	150,400	19,208
Additional fringe benefits ²	158,227	20,208
Additional payments ³	0	0
Total remuneration	4,035,902	515,441
All members of Executive Management (9)		
Fixed base salary and performance-related component	4,720,089	524,454
Fringe benefits	375,289	41,699
Total remuneration	5,095,378	566,153

1 Jürg Bucher eight months, Susanne Ruoff seven months

2 Additional fringe benefits constitute: first-class GA travelcard, a company car, a mobile phone as well as insurance premiums for a risk insurance policy.

3 No agreements exist regarding possible severance payments.

4 Head of Finance only since 1.3.2012

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Auditor

Since 1998, KPMG AG have been the auditors appointed by the Federal Council for the parent company. They also act as Group auditors, with Head Auditor Orlando Lanfranchi in charge of the work for the third year running. In the year under review Swiss Post paid KPMG a total of 3.0 million francs in auditing and consultancy fees.

Information policy

In addition to the report concerning the strategic objectives and the report on staff (see Page 44), an annual report is submitted to the Confederation's regulator. Finally, Swiss Post submits its Annual Report to the owner for approval. Ongoing discussions on key areas of business are held during regular Postrapport meetings between Confederation representatives and Swiss Post bodies.

Annual financial statements

The consolidated annual 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.

Group

Consolidated statement of comprehensive income

Group Statement of comprehensive income			
CHF million	Notes	2012	2011
Net sales from logistics services		5,512	5,377
Net sales from resale merchandise		550	579
Income from financial services	6	2,348	2,439
Other operating income	7	172	204
Total operating income	5	8,582	8,599
Staff costs	8, 9	-4,131	-4,026
Resale merchandise and service expenses	10	-1,556	-1,520
Expenses for financial services	6	-586	-728
Amortisation and impairment losses	24-26	-312	-293
Other operating expenses	11	-1,107	-1,124
Total operating expenses		-7,692	-7,691
Operating result	5	890	908
Financial income	12	22	24
Financial expenses	13	-23	-19
Net income from associates and joint ventures	23	10	12
Group profit before tax		899	925
Income taxes	14	-40	-21
Group profit		859	904
Other comprehensive income			
Change in fair value reserves		87	-26
Change in hedging reserves		-6	-8
Change in currency translation reserves		8	-1
Change in deferred taxes		-1	-1
Total other comprehensive income		88	-36
Total comprehensive income		947	868
Group profit attributable to			
Swiss Confederation (owner)		859	904
Non-controlling interests		0	0
Total comprehensive income attributable to			
Swiss Confederation (owner)		947	868
Non-controlling interests		0	0

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Consolidated balance sheet

Group Balance sheet				
CHF million		Notes	31.12.2012	31.12.2011
Assets				
Cash			2,146	2,067
Receivables due from banks	15		45,358	31,534
Interest-bearing amounts due from customers	15		93	81
Trade accounts receivable	15		1,045	927
Other receivables	15		956	1,071
Inventories	16		87	77
Non-current assets held for sale	36		1	1
Financial assets	17–22		67,357	69,629
Investments in associates and joint ventures	23		99	53
Property, plant and equipment	24		2,461	2,421
Investment property	25		68	49
Intangible assets	26		300	296
Deferred income tax assets	14		45	48
Total assets			120,016	108,254
Liabilities				
Customer deposits (PostFinance)	27		110,531	100,707
Other financial liabilities	27		1,372	22
Trade accounts payable			725	651
Other liabilities			828	874
Provisions	28		456	425
Employee benefit obligations	9		465	686
Current income tax liabilities			1	2
Deferred income tax liabilities	14		13	8
Total liabilities			114,391	103,375
Endowment capital			1,300	1,300
Capital reserves			2,332	2,231
Retained earnings			1,954	1,398
Currency translation reserves			–50	–58
Gains and losses recognised in other comprehensive income			88	8
Equity attributable to the owner			5,624	4,879
Non-controlling interests			1	0
Total equity			5,625	4,879
Total liabilities			120,016	108,254

Consolidated statement of changes in equity

Group Statement of changes in equity									
CHF million	Notes	Endowment capital	Capital reserves	Retained earnings	Currency translation reserves	Gains and losses recognised in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2011		1,300	2,131	805	-57	43	4,222	2	4,224
Group profit				904			904	0	904
Decrease in fair value reserves for available-for-sale financial assets						-28	-28		-28
Gains transferred to statement of comprehensive income due to disposal of financial assets	17					-4	-4		-4
Amortisation of fair value reserves for financial assets reclassified as held to maturity	17					6	6		6
Change in unrealised gains/losses on hedging reserves for cash flow hedges (net)						-56	-56		-56
Gains/losses transferred to statement of comprehensive income from cash flow hedges						48	48		48
Change in deferred taxes						-1	-1		-1
Change in currency translation reserves					-1		-1		-1
Total other comprehensive income					-1	-35	-36	0	-36
Total comprehensive income				904	-1	-35	868	0	868
Dividends				-300			-300	-2	-302
Capital contribution	9		100				100		100
Acquisition of non-controlling interests	35			-11			-11	0	-11
Balance as at 31.12.2011		1,300	2,231	1,398	-58	8	4,879	0	4,879
Balance at 1.1.2012		1,300	2,231	1,398	-58	8	4,879	0	4,879
Group profit				859			859	0	859
Increase in fair value reserves for available-for-sale financial assets						108	108		108
Gains transferred to statement of comprehensive income due to disposal of financial assets	17					-22	-22		-22
Amortisation of fair value reserves for financial assets reclassified as held to maturity	17					1	1		1
Change in unrealised gains/losses on hedging reserves for cash flow hedges (net)						-54	-54		-54
Gains/losses transferred to statement of comprehensive income from cash flow hedges						48	48		48
Change in deferred taxes						-1	-1		-1
Change in currency translation reserves					8		8	0	8
Total other comprehensive income					8	80	88	0	88
Total comprehensive income				859	8	80	947	0	947
Dividends				-300			-300	0	-300
Capital contribution	9		100				100		100
Change in non-controlling interests	35		1	-3			-2	1	-1
Balance at 31.12.2012		1,300	2,332	1,954	-50	88	5,624	1	5,625

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Consolidated cash flow statement

Group Cash flow statement			
CHF million	Notes	2012	2011
Profit before tax		899	925
Depreciation and amortisation	24–26	312	293
Net gain on disposal of property, plant and equipment	7, 11	–19	–40
Net impairment of financial assets	17	–20	84
Change in fair value of financial assets		131	210
Net (decrease) in provisions		–123	–254
Other net financial income/(finance expense)		–28	–18
Other non-cash income/(expense)		–10	–11
Change in net current assets:			
Decrease/(increase) in receivables		–108	4
(Decrease)/increase in liabilities		83	–11
(Increase) in other non-interest-bearing current assets		–10	–2
Change in items from financial services:			
Decrease in receivables due from banks (term of 3 months or more)		119	287
Decrease in financial assets		2,255	3,094
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		9,812	15,406
Change in other receivables/liabilities from financial services		139	–275
Income taxes		–10	–13
Net cash from operating activities		13,422	19,679
Purchases of property, plant and equipment	24	–346	–377
Acquisition of investment property	25	–19	–11
Purchases of intangible assets (excl. goodwill)	26	–44	–30
Payments to acquire subsidiaries, net of cash and cash equivalents acquired	35	–25	–11
Payments to acquire associates and joint ventures	23/35	–9	–
Proceeds from disposal of property, plant and equipment	24	55	89
Disposal of subsidiaries, net of cash proceeds	35	–27	–
Proceeds from sale of (payments to acquire) other (non-operating) financial assets (net)		4	6
Interest received (excl. financial services)		25	24
Cash flow from investing activities		–386	–310
Increase in financial liabilities		1,280	–
Increase/(decrease) in other financial liabilities		3	–36
Interest received/(paid)		4	–2
Payments to acquire non-controlling interests	35	–1	–11
Transfer from profit available for appropriation to Swiss Post pension fund	9	–100	–100
Dividends paid to the owner		–200	–200
Dividends paid to non-controlling interests		0	–2
Cash flow from financing activities		986	–351
Foreign exchange losses on liquid assets		0	–1
Change in cash and cash equivalents		14,022	19,017
Cash and cash equivalents at 1 January		33,439	14,422
Cash and cash equivalents at 31 December		47,461	33,439
Cash and cash equivalents include:			
Cash		2,146	2,067
Receivables due from banks with an original term of less than 3 months	15	45,315	31,372

Notes

1 | Business activities

Swiss Post (hereinafter also referred to as Swiss Post, the parent) is a public organisation 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 accounting

The consolidated annual financial statements comprise the annual financial statements of Swiss Post, the parent and its subsidiaries. They 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 recognised 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 expenses from financial services and the underlying cash flows are shown as operating income, expenses or cash flows. Financial income and expenses from other Group units are disclosed as non-operating financial income or expenses (excluding financial services) and the relevant cash flows as investment or financing transactions.

Revised and new International Financial Reporting Standards (IFRSs)

Since 1 January 2012, Swiss Post has applied various changes to the existing IFRSs and interpretations, which have no major influence on the result or financial situation of the Group.

Certain new IFRSs or supplements thereto enter into force on or after 1 January 2013. Swiss Post will refrain from applying them ahead of schedule. Hence, this consolidated financial reporting does not contain any effects resulting from these changes. With the exception of amendments to IAS 19, no significant financial effects are expected from the supplements and revisions planned for 1 January 2013.

The revised IAS 19 will be applied for the first time in 2013. The revised standard will come into force in financial years beginning on or after 1 January 2013 at the latest. The revised IAS 19 standard no longer applies the corridor approach, which Swiss Post currently uses. In future, all changes to the present value of employee benefit obligations and the fair value of plan assets will be recognised immediately in the period in which they occur. Fluctuations in actuarial gains and losses will be recognised in other comprehensive income (OCI). Swiss Post will apply this change to the basis of accounting retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This will not only affect net liability from defined benefit pension plans in the consolidated balance sheet but also items reported in the consolidated statement of comprehensive income.

As at 31 December 2012, unrecognised actuarial losses of Swiss Post amounted to 3,011 million francs (previous year: 2,335 million francs). With the adoption of the revised IAS 19 standard, this amount will be recognised in equity. Swiss Post's total equity would be reduced by 2,544 million francs, taking account of as-yet unrecognised gains from plan changes of 35 million francs, and the required assumption of risk of the employees of 432 million francs as revised in IAS 19.

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In addition, the revised standard will define how changes to net liabilities from employee benefit plans are posted. Past service cost and net interest on net liabilities from defined benefit plans will be recognised in the consolidated statement of comprehensive income, while the remeasurement of the net liability from defined benefit plans will be recognised in other comprehensive income. Currently all recognised changes, including the recognised part of actuarial gains and losses in accordance with the corridor method are reported in the consolidated statement of comprehensive income.

Pursuant to the revised IAS 19 standard, employee benefits arising from defined benefit plans, recognised in profit and loss in the consolidated statement of comprehensive income will be made up of past service cost and net interest expense on the net liability from defined benefit plans. The net interest expense will be based on the discount rate that is used for discounting the obligation.

If the revised IAS 19 had been applied to financial year 2012, employee benefit expenses for defined benefit plans would have amounted to 398 million francs. They would have consisted of past service cost of 339 million francs and net interest expense of 58 million francs. Net interest expense in the financial result is produced by the interest expense for the obligations of 402 million francs and an interest income item for the plan assets of 344 million francs. The discount rate that is used to discount interest accrued on employee benefit obligations is used to calculate both values. The figures are shown prior to income tax effects.

Accounting changes

Segment reporting

As of the 2012 financial year, Swiss Post International no longer exists as an independent segment. Assets and liabilities have been divided up between the PostMail and PostLogistics segments and the prior-year figures have been adjusted accordingly.

3 | Consolidation methods and accounting policies

The consolidated annual financial statements of Swiss Post comprise Swiss Post, the parent, 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 unrealised 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 within the consolidated statement of comprehensive income.

Investments in associates where Swiss Post has 20 to 50 percent of the voting rights and/or significant influence but which it does not control are not consolidated, but accounted for using the equity method and reported under "Investments in associates". Joint ventures with 50 percent of the voting rights which Swiss Post controls together with a third party are recognised 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 and joint ventures. 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 on which control is lost, which is usually the date of sale.

Please see Note 34 (Consolidated Group) for an overview of Swiss Post associates and joint ventures.

Currency translation

The consolidated annual financial statements of Swiss Post are presented 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 unrealised foreign exchange gain or loss recognised directly in equity.

Assets and liabilities in balance sheets of fully consolidated companies that have been prepared in a foreign currency are translated into Swiss francs at the rate applicable on the balance sheet date. The statement of comprehensive income, 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 statements of comprehensive income of foreign subsidiaries are recognised in consolidated equity.

Recognition of income

Income is recognised 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 recognised after sales deductions at the time the service is provided. Income from the sale of products is recognised in the statement of comprehensive 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 recognised in profit or loss on an accrual basis.

Commission and service income from financial services is recognised 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 rate 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 amortised 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 recognised. Individual impairment charges are charged to a separate allowance account. The receivable is derecognised 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 recognised based on statistical analyses of credit risk.

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognised at amortised cost, which usually corresponds to the face value, minus an impairment charge for doubtful receivables. Specific impairment charges are charged to a separate allowance account. The receivable is derecognised 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 recognised based on statistical analyses of credit risk.

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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 net realisable value. The historical or manufacturing cost is determined according to the weighted average cost method. Appropriate impairments are recognised 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 recognised 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 recognised in the statement of comprehensive income. 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 recognised at amortised cost using the effective interest method. The effective interest method spreads the difference between historical cost and the repayment amount (premium /discount) over the term of the asset in question using the present value 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 recognised at their fair value. Unrealised gains and losses are recognised under “Fair value reserves for financial assets” directly in equity and are transferred to the statement of comprehensive income only when the financial asset is sold or if an impairment is recognised. Currency translation differences on monetary financial assets classified as “available for sale” are recognised in profit or loss.

Loans granted by Swiss Post are recognised at amortised 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 recognised 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 of the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is recognised in profit or loss as an impairment. If an impairment is recognised on an available-for-sale financial asset, the cumulative net loss on this asset recognised directly in equity 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 charge is recognised 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 recognised directly in equity. Impairment charges are recognised 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. No reversals of impairment losses are recognised in profit or loss until the assets' disposal; in this case, positive changes in value are recognised directly in equity. Individual impairment charges on held-to-maturity financial assets and loans are charged to a separate allowance account. The financial asset is derecognised once there are firm indications that the receivable is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges (hereafter referred to as general impairment charges) are also recognised for held-to-maturity assets and loans based on statistical analyses of previous 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 recognised in profit and loss in the statement of comprehensive income.

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

The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (present value 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.

Repurchase, reverse repurchase and securities lending transactions

Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets obtained from transactions as collateral are not recognised in the balance sheet. Transactions are entered in the balance sheet at the settlement date. Interest income from reverse repurchase transactions is accounted for using the accrual-based accounting principle.

Financial assets transferred as collateral continue to be recognised in the balance sheet under "Financial assets". The cash inflow is reported under "Other financial liabilities". Interest expenses from repurchase transactions are accounted for using 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 recognised in the balance sheet as financial assets.

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

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Investment property

Investment property comprises land and buildings, or parts of buildings, or both, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. This also includes facilities under construction, which are built as investment property for future use.

Investment property must be valued at its acquisition or production cost on entry. The transaction costs must be included in the initial valuation.

According to the initial approach, investment property in Swiss Post Group must be measured and recognised at its acquisition or production cost less the accumulated amortisation and accumulated impairment losses.

The investment property is depreciated on a straight-line basis in accordance with the estimated useful life (unlimited for plots of land and 20–60 years for operating properties). Facilities under construction are not depreciated.

Expenses for the replacement, renovation or refurbishment of an investment property or a component thereof are capitalised as replacement investments. Maintenance costs are not capitalised. Such costs are recognised immediately in comprehensive income.

Transfers to or from the stock of investment property must be made if there is a corresponding change of use.

Property, plant and equipment

Property, plant and equipment is recognised 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	indefinite
Operating property	20–60 years
Equipment	3–20 years
Machinery	3–15 years
IT equipment	3–10 years
Furniture	3–20 years
Railroad rolling stock	10–30 years
Other vehicles	3–10 years

Tenant fit-outs and installations in rented premises that are recognised as part of the cost of the assets are depreciated over the estimated useful life or the duration of the rental agreement, if shorter. The components of an item of property, plant and equipment that have different useful lives are recognised and depreciated separately. The useful lives of items of property, plant and equipment are reviewed on an annual basis.

Major renovations and other costs that add value are recognised as part of the cost of the assets and depreciated over their estimated useful lives. Costs for repairs and maintenance are recognised as expenses. Borrowing costs for assets under construction are capitalised.

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. At inception of the lease, the asset and liability under a finance lease are recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is broken down into amortisation and interest expense components. The amortisation component is deducted from the recognised lease obligation.

The other lease agreements where Swiss Post is either the lessee or the lessor are recognised as operating leases. The lease payments are recognised in the statement of comprehensive income over the term of the lease.

In classifying long-term property leases, land and building elements are assessed separately. Subject to certain conditions, land and buildings are accounted for as finance leases.

Intangible assets

In the event of a business combination, the identifiable assets, liabilities and any non-controlling interest in the acquiree are recognised and measured at fair value in applying the acquisition method. Any excess over the purchase price is recognised as goodwill at cost less impairment.

Additions of intangible assets not acquired through business combinations are recognised 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 usually less than ten years.

Impairment charges (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 impairment. If this is the case, the carrying amount is compared with the recoverable amount (the higher of fair value less costs to sell 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 recognised 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 amortised cost, which usually corresponds to the face value.

Other financial liabilities

Other financial liabilities comprise amounts due to banks (which are measured at amortised cost), derivatives measured at fair value, finance lease obligations and repurchase transactions.

Provisions

Provisions are recognised 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 recognised 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 recognised for expected expenses arising from claims incurred that are not insured externally.

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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, amongst other things, are made as to future wage trends.

The effects of plan amendments are recognised in profit or loss, provided they resulted in justifiably acquired rights. Other effects are recognised in the statement of comprehensive income after being spread equally over the assumed average remaining working lives of the participating employees. Actuarial and asset-related cumulative gains and losses are recognised 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 comprehensive 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 senior management and top executive employees.

Income taxes

In accordance with Article 13 of the Postal Organization Act (POA), Swiss Post, the parent, 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

Non-current assets (e.g. property, plant and equipment and intangible assets) or groups of assets (e.g. an entire operation) are classified as "held for sale" if their carrying amount is to be realised first and foremost through a sale and not through continued use and Swiss Post intends to dispose of them. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and no longer depreciated.

4 | Estimation uncertainty and management's judgement

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 judgements are also explained.

Estimation uncertainty in applying accounting policies

Useful lives of items of property, plant and equipment

The useful lives of items of property, plant and equipment (carrying amount as at 31.12.2012: 2,461 million francs) 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 (carrying amount as at 31.12.2012: 465 million francs) 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 (carrying amount as at 31.12.2012: 67,357 million francs) that are not traded publicly on a stock exchange are measured using recognised 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 unlisted available-for-sale financial assets. The discounted cash flows are 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 (carrying amount as at 31.12.2012: 204 million francs). 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.

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Management's judgement 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 amortised cost but at fair value.

Impairment of available-for-sale and held-to-maturity financial assets and loans

In order to determine whether there is evidence of impairment, Swiss Post follows the guidance set out in IAS 39 "Financial Instruments: recognition and measurement". In measuring impairment, the management takes into account various factors such as maturity, sector, outlook, technological conditions, etc.

5 | Segment information

Principles

The operating segments were determined based on the organisational units for which information is reported to the management of the Group. In doing so, no operating segments were aggregated. Transactions between the segments are based on a range of services and a transfer pricing concept. 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 logistics products for private customers, non-postal 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 34 (Consolidated Group) shows the segments to which the accounting units of the parent and the subsidiaries have been assigned.

Segmentation

Segmentation	Description
Communication market	
PostMail	Services relating to addressed letters, newspapers, unaddressed items (domestic, import and export)
Swiss Post 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.
Logistics market	
PostLogistics	Courier, express and parcels deliveries, transport, logistics services, mailing and receipt of parcels to and from other countries
Retail financial market	
PostFinance	Services relating to payments, setting money aside, investments, retirement planning and financing
Public passenger transport market	
PostBus	Road-based passenger transport and supplementary services
Other	Units of the parent which cannot be assigned to the segments such as service (Real Estate, Information Technology, Purchasing and Language Services) and management units (incl. HR, Finance and Communication)
Consolidation	Effects of intra-Group elimination

Geographical information

Geographical information is disclosed as follows. Information is presented, firstly, according to the location of the revenue-generating subsidiary (Europe, Americas, Asia) and, secondly, according to the location at which the revenue was generated, which is either Switzerland or "International and cross-border" (see pages 74–75). The "International and cross-border" segment includes revenue from all 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 regulator 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 incoming international mail) segment.

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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.

State compensation

For providing legally required services Swiss Post receives the following compensation from the Swiss Confederation, which is disclosed under Net sales from logistics services:

- PostMail segment: 50 million francs (previous year: 30 million francs) for non-covered costs incurred in transporting newspapers.
- PostBus segment: 169 million francs (previous year: 156 million francs) for public passenger transport services provided.

Composition of segment assets and liabilities

If possible, the assets and liabilities resulting from a segment's operating activities are assigned to the appropriate segments. As the PostFinance segment result includes financial income and expenses relating to operations, the corresponding interest-bearing assets and liabilities are accounted for in the segment's assets and liabilities.

The "Other" column mainly includes the following items in the segment's assets and liabilities:

- the carrying amounts of the parent's centrally managed properties
- employee benefit obligations

Unallocated assets and liabilities comprise those (primarily loans, e.g. to PostBus operators) that are essentially financial and therefore not assigned to segment assets or segment liabilities.

Further information

Non-cash income and expenses primarily include those incurred in recognising and reversing provisions without affecting cash.

As of the 2012 financial year, Swiss Post International will no longer exist as an independent segment. Assets and liabilities have been divided up among the PostMail and PostLogistics segments and the prior-year figures have been adjusted accordingly.

Results by business segment and region

Result by business segment										
2012										
CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post-Logistics	Post-Finance	PostBus ¹	Others ²	Consolidation	Group
Operating income										
from customers		2,715	482	1,053	1,098	2,351	774	109		8,582
from other segments		388	65	636	437	11	4	861	-2,402	-
Total operating income		3,103	547	1,689	1,535	2,362	778	970	-2,402	8,582
Operating result										
		178	3	-120	152	627	6	44		890
Financial result	12, 13									-1
Result of associates and joint ventures	23	-1	-3	-	8	5	0	1		10
Income taxes	14									-40
Group profit										859
Segment assets										
		813	311	508	554	114,724	379	5,855	-4,157	118,987
Associates and joint ventures		53	2	-	15	22	2	5		99
Unallocated assets ³										930
Total assets										120,016
Segment liabilities										
		740	155	629	461	113,531	231	835	-4,157	112,425
Unallocated liabilities ³										1,966
Total liabilities										114,391
Investment in property, plant and equipment, intangible assets and investment property										
	24-26	45	18	10	78	22	42	194		409
Depreciation and amortisation	24-26	50	18	9	63	8	38	121		307
Impairment	17, 24-26	6	-	-	5	7	-	-		18
Reversal of impairment	24-26	-	-	-	-	33	-	-		33
Other non-cash (expenses)/income		-25	-7	-1	-18	0	-24	-271		-346
Headcount⁴		17,912	6,502	6,724	5,520	3,479	2,307	2,161		44,605

1 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.

2 Includes service units (Real Estate, Information Technology, Corporate Purchasing and Language Services) and management units (e.g. Human Resources, Finance and Communication).

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).

Result by region										
2012										
CHF million	Notes	Europe	Americas	Asia	Consolidation ¹	Group	Switzerland	International and cross-border	Consolidation ¹	Group
Operating income from customers		8,482	81	19	-	8,582	7,557	1,025	-	8,582
Operating result		886	2	2	-	890	863	27	-	890
Segment assets		119,878	36	3	-930	118,987	119,105	812	-930	118,987
Investment in property, plant and equipment and intangible assets	24-26	408	1	0	-	409	378	31	-	409

1 Contains assets that do not contribute to the operating result, and are therefore not allocated to segment assets.

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Result by business segment										
2011										
CHF million	Notes	PostMail ⁵	Swiss Post Solutions	Post Offices & Sales	Post-Logistics ⁵	Post-Finance	PostBus ¹	Others ²	Consolidation ³	Group
Operating income										
from customers		2,694	484	1,072	1,078	2,440	713	118		8,599
from other segments		447	65	634	423	11	6	827	-2,413	-
Total operating income		3,141	549	1,706	1,501	2,451	719	945	-2,413	8,599
Operating result										
		251	11	-151	162	591	33	11		908
Financial result	12, 13									5
Result of associates and joint ventures	23	1	-5	-	13	3	0	0		12
Income taxes	14									-21
Group profit										904
Segment assets										
		856	310	498	529	104,321	280	4,802	-4,281	107,315
Associates and joint ventures		18	6	-	5	18	2	4		53
Unallocated assets ³										886
Total assets										108,254
Segment liabilities										
		696	172	650	377	103,247	332	1,569	-4,281	102,762
Unallocated liabilities ³										613
Total liabilities										103,375
Investment in property, plant and equipment, intangible assets and investment property										
	24-26	33	20	13	67	19	56	210		418
Depreciation	24-26	45	17	7	63	10	30	114		286
Impairments	17, 24-26	9	-	-	0	95	-	-		104
Reversal of impairment	24-26	-	-	-	-	12	-	-		12
Other non-cash (expenses)/income		-12	-5	-3	-19	-2	-20	-188		-249
Headcount⁴		17,890	6,407	6,827	5,567	3,425	2,067	2,165		44,348

1 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.

2 Includes service units (Real Estate, Information Technology, Corporate Purchasing and Language Services) and management units (e.g. Human Resources, Finance and Communication).

3 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses 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).

5 The previous year's figures were adjusted in line with the discontinuation of the Swiss Post International segment as of 1 January 2012.

Result by region										
2011										
CHF million	Notes	Europe	Americas	Asia	Consolidation ¹	Group	Switzerland	International and cross-border	Consolidation ¹	Group
Operating income from customers		8,484	87	28	-	8,599	7,504	1,095	-	8,599
Operating result		905	1	2	-	908	856	52	-	908
Segment assets		108,154	36	11	-886	107,315	107,405	796	-886	107,315
Investment in property, plant and equipment and intangible assets	24-26	415	2	1	-	418	380	38	-	418

1 Contains assets that do not contribute to the operating result, and therefore are not allocated to segment assets.

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 million	2012	2011
Interest income		
Interest income on amounts due from banks	1	5
Interest income on securities lending and reverse repurchase transactions	11	22
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on financial assets	1,414	1,540
Interest expense		
Interest expense for customer deposits (PostFinance)	-398	-468
Interest expense for amounts due to banks	0	0
Interest expense on repurchase transactions	0	0
Net interest income	1,037	1,108
Impairment of financial assets	25	-83
Losses on payment transactions	-6	-8
Net interest income, net of impairment	1,056	1,017
Commission income on lending business	87	85
Commission income on securities and investment business	29	29
Commission income on other services	53	44
Commission expenses	-117	-103
Net income from services	493	496
Net services and commission income	545	551
Net trading income	147	149
Net income from FVTPL ¹ : designated	0	-2
Net income from the disposal of available-for-sale financial assets	23	4
Other net financial income/finance costs	-9	-8
Net income from financial services	1,762	1,711
Shown in the consolidated statement of comprehensive income under:		
Income from financial services	2,348	2,439
Expenses for financial services	-586	-728

1 FVTPL: Fair value through profit or loss (designated).

7 | Other operating income

Other operating income CHF million	2012	2011
Rental income	68	59
Profits on the sale of property, plant and equipment	21	44
Other income	83	101
Total other operating income	172	204

The remaining amounts consist mainly of fees for management services in public transport, sale of advertising space, military mail and charges for the collection of VAT and customs duties.

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8 | Staff costs

Composition

Breakdown of staff costs CHF million	Notes	2012	2011
Wages and salaries		3,347	3,343
Social security benefits		361	360
Employee benefit expenses	9	305	213
Other staff costs		118	110
Total staff costs		4,131	4,026

Headcount

Headcount Number of employees ¹	2012	2011
Employees at Swiss Post Group (excluding trainees)	44,605	44,348
Employees at Swiss Post, the parent (excluding trainees)	29,673	30,088
Trainees at Swiss Post Group	2,056	1,979

¹ Average expressed in terms of full-time equivalents

9 | Staff pension plan

There are various employee benefit institutions in Switzerland and abroad. Most of the employees are insured with the Swiss Post pension fund foundation under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Swiss Federal Law on Occupational Old-age, Survivors' and Disability Pension Plans (BVG). The plans insure staff employed by Swiss Post, affiliated organisations and companies and PostBus operators (to the extent that the latter are deployed in operating PostBus routes) against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Risk cover commences on 1 January after employees reach 17 years of age. Retirement insurance then commences on 1 January after insured employees reach 21 years of age if they have entered into a regular contract of employment under which they are compensated by way of a monthly salary for more than three months and the applicable annual salary exceeds two eighths of the maximum old age pension under Swiss Old Age and Survivors' Insurance (AHV). The calculations in accordance with IAS 19 also factor in 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 Percent	2012	2011
Discount rate	2.50	2.75
Expected long-term return on plan assets	3.50	4.00
Actuarial assumptions at 31 December Percent	2012	2011
Discount rate	2.00	2.50
Expected change in wages	2.00	2.00
Pension indexation	0.00	0.00
Staff turnover	3.87	3.89

Long-term employee benefits are shown and described under Note 28, Provisions.

Annual costs

Employee benefit expenses CHF million	2012	2011
Accrued benefit claims	528	504
Interest on employee benefit obligations	409	444
Expected return on assets	-481	-559
Amortisation of actuarial losses	62	0
Employee contributions	-209	-187
Other	-1	14
Employee benefit expenses arising from defined benefit plans	308	216
Employee benefit expenses for PostBus operators recognised under "Compensation paid to PostBus operators"	-11	-8
Employee benefit expenses for other benefit plans	8	5
Group employee benefit expenses	305	213
Actual return on plan assets	865	100

Transactions between the Swiss Post pension fund foundation and Swiss Post are subject to standard market terms and conditions.

Cover status

Statement of recognised employee benefit obligations arising from material defined benefit plans, mainly from the Swiss Post pension fund foundation and the SPS Group:

Summary of cover status CHF million	31.12.2012	31.12.2011
Present value of employee benefit obligations including assets set aside	18,010	16,760
Benefit plan assets at fair value	-14,587	-13,780
Shortfall	3,423	2,980
Unrecognised actuarial losses ¹	-3,011	-2,335
Non-amortised plan amendment costs	35	34
Employee benefit obligations excluding assets set aside	7	6
Total recognised employee benefit obligations arising from defined benefit plans	454	685
Employee benefit obligations arising from other benefit plans	11	1
Total recognised employee benefit obligations	465	686

¹ This amount corresponds to cumulative actuarial gains/losses arising from the difference between assumed and actual amounts and from adjustments to actuarial assumptions.

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Performance of recognised benefit obligations from defined benefit plans

Performance of recognised benefit obligations from defined benefit plans		
CHF million	2012	2011
Balance at 1 January	685	1,037
Employee benefit expenses arising from defined benefit plans	308	216
Employer contributions	-439 ¹	-468 ¹
Appropriation of profits ²	-100	-100
Benefits paid directly by the employer	-1	-1
Translation differences	0	0
Additions to the consolidated Group	1	1
Balance at 31 December	454	685
of which:		
current, i.e. payments falling due within the next twelve months	270	275
non-current	184	410

1 In both 2011 and 2012, 150 million francs was deposited in the employer's reserve of the Swiss Post pension fund. In 2012, restructuring contributions of around 17 million francs were also made (previous year: 40 million francs).

2 In accordance with a decision by the Swiss Federal Council, a further 100 million francs was deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2011 (previous year: 100 million francs). As a result of such an appropriation of profit, capital reserves increased by the same amount.

Change in employee benefit obligations

Change in employee benefit obligations		
CHF million	2012	2011
Balance at 1 January	16,766	16,278
Accrued benefit claims	528	504
Benefits paid from plan assets	-806	-803
Benefits paid directly by the employer	-1	-1
Interest on employee benefit obligations	409	444
Company acquisitions	2	3
Actuarial (gains)/losses	1,122	317
Translation differences	0	0
Other effects	-3	24
Balance at 31 December	18,017	16,766
Employee benefit obligations including assets set aside	18,010	16,760
Employee benefit obligations excluding assets set aside	7	6
Total employee benefit obligations	18,017	16,766

Change in plan assets

Change in fair value of plan assets CHF million	2012	2011
Balance at 1 January	13,780	13,717
Employee contributions	208	187
Employer contributions	439 ¹	468 ¹
Benefits paid	-805	-803
Expected return on assets	481	560
(Losses)/Gains on plan assets	385	-460
Additions to the consolidated Group	1	11
Appropriation of profits ²	100	100
Translation differences	0	0
Other effects	-2	0
Balance at 31 December	14,587	13,780

1 In both 2010 and 2011, 150 million francs were deposited in the employer's reserve of the Swiss Post pension fund. In 2011, restructuring contributions of around 40 million francs were also made (previous year: 40 million francs).

2 In accordance with a decision by the Swiss Federal Council, a further CHF 100 million was deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2011 (previous year: 100 million francs). As a result of profit being thus appropriated, capital reserves increased by the same amount.

Asset classes

Asset classes and expected return Percent	Expected long-term return	Percentage of total assets measured at fair value	
		31.12.2012	31.12.2011
Bonds	1.67	51	54
Shares	5.67	28	27
Real estate	4.17	9	8
Other	4.81	12	11
Total	3.50	100	100

The assets of the Swiss Post pension fund do not include any Swiss Post assets or real estate leased by Swiss Post.

Change in the shortfall

Change in the shortfall CHF million	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Employee benefit obligations	18,010	16,760	16,278	15,170	15,205
Plan assets	-14,587	-13,780	-13,717	-12,934	-11,651
Shortfall	3,423	2,980	2,561	2,236	3,554
Experience adjustments to plan liabilities					
Amount	170	-63	143	63	131
In percent	0.9	-0.4	0.4	0.4	0.9
Experience adjustments to plan assets					
Amount	385	-460	115	597	-2,445
In percent	2.6	-3.3	0.8	4.6	-21.0

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

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10 | Resale merchandise and service expenses

Resale merchandise and service expenses CHF million	2012	2011
Working materials, semi-finished and finished goods	31	56
Resale merchandise expenses	463	470
Service expenses	128	50
Compensation paid to PostBus operators	312	306
Compensation paid to forwarding companies	338	353
Compensation paid for international postal traffic	179	182
Temporary employees	105	103
Total resale merchandise and service expenses	1,556	1,520

The adjusted accounting methodology in foreign SPS companies led to adjustments between expenditure on working materials, semi-finished and finished goods, service expenses and other expenses in 2012.

11 | Other operating expenses

Other operating expenses CHF million	2012	2011
Premises	232	220
Maintenance and repairs of property, plant and equipment	227	224
Energy and fuel	69	62
Operating materials	61	58
Office and administrative expenses	203	204
Marketing and communications	94	94
Loss on disposal of property, plant and equipment	2	4
Other expenses	219	258
Total other operating expenses	1,107	1,124

12 | Financial income

Financial income CHF million	Notes	2012	2011
Interest income on other loans		10	13
Gains on the sale of financial assets	23	9	5
Foreign currency gains		1	4
Other financial income		2	2
Total financial income		22	24

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

13 | Financial expenses

Financial expenses CHF million	Notes	2012	2011
Interest expense on other financial liabilities		0	1
Gains on the sale of financial assets		13	0
Present value adjustments to provisions		0	0
Interest charges on finance leases	27	0	1
Foreign currency losses		2	12
Other financial expenses		8	5
Total finance costs		23	19

Losses from selling financial assets have mainly been caused by the deconsolidation of the group companies brought into the Asendia joint venture as well as from disposals of associates (Direct Mail Company AG, Direct Mail Logistik AG).

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

14 | Income taxes

Income taxes CHF million	2012	2011
Expense for current income taxes	34	13
Expense for deferred income taxes	6	8
Total income tax expense	40	21

With the exception of profits from competitive services, the vast majority of the Swiss Post organisation's business is not subject to tax. With the conversion of Swiss Post from an institution under public law into a public limited company under special law, Swiss Post will be fully subject to tax from 1 January 2013. This conversion will have a significant effect on the tax burden as of 1 January 2013.

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Deferred taxes relating to balance sheet items:

Deferred taxes relating to balance sheet items: CHF million	31 December 2012			31 December 2011		
	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	0	0	0
Intangible assets	8	-4	4	10	-2	8
Other financial liabilities	1	0	1	0	0	0
Other liabilities	0	-2	-2	0	-1	-1
Provisions	0	-3	-3	0	-2	-2
Employee benefit obligations	22	0	22	21	0	21
Other balance sheet items	1	-2	-1	2	-3	-1
Deferred taxes arising from temporary differences	32	-13	19	33	-8	25
Tax assets recognised for loss carryforwards	13		13	15		15
Deferred tax assets/liabilities, gross	45	-13	32	48	-8	40
Deferred tax assets/liabilities, prior year	-48	8	-40	-58	6	-52
Changes in the composition of the Group	-3	4	1	0	3	3
Deferred taxes taken to other comprehensive income	0	1	1	0	1	1
Translation differences	0	0	0	0	0	0
Deferred taxes recognised in the statement of comprehensive income	-6	0	-6	-10	2	-8

Deferred tax assets of 45 million francs (previous year: 48 million francs) are comprised mainly of tax loss carryforwards, temporary differences on intangible assets and employee benefit provisions in accordance with IAS 19 that are not accepted for tax purposes. Deferred tax assets are recognised only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realised.

Deferred tax liabilities of 13 million francs (previous year: 8 million francs) are mainly the result of temporary differences between the carrying amounts of Group assets and tax base of intangible assets and other balance sheet items as well as temporary differences arising on provisions.

Unused loss carryforwards

Unused loss carryforwards CHF million	31 December 2012			31 December 2011		
	Recognised	Not recognised	Total	Recognised	Not recognised	Total
1 year	2	5	7	3	5	8
2 to 6 years	31	23	54	45	140	185
In more than 6 years	15	6	21	12	12	24
Total unused loss carryforwards	48	34	82	60	157	217

Tax loss carryforwards of 34 million francs (previous year: 157 million francs) were not recognised as assets at Swiss Post Group, as it seems uncertain that they will be utilised in the future. Most tax loss carryforwards expire after seven years.

Analysis of the expense for income taxes

The following breakdown shows the reconciliation from taxable profit to the provision for income taxes accounted for. The weighted average tax rate to be applied is 16.9 percent (previous year: 22.6 percent). The decrease in the Group tax rate amounts to 5.7 percent. The reduction is mainly due to the fact that the loss carryforwards available to the parent in 2012 were used up, and the ratio of residual taxable profit from the parent was high compared with the subsidiaries. The parent's profit is taxed at a proportionally low rate.

Reconciliation from taxable profit to provision for income taxes accounted for CHF million	2012	2011
Profit before tax	899	925
Profits of the parent exempt from tax on earnings	606	795
Taxable profit	293	130
Weighted average tax rate	16.9%	22.6%
Provision for income taxes at average weighted tax rate	50	29
Reasons for surplus /shortfall:		
Use of non-recognised loss carryforwards	-14	-22
Waiver of recognition of deferred taxes on period loss	-	-
Non-deductible goodwill writedowns	1	-
Other expenses not deductible for tax purposes	-	-
Back taxes and tax refunds from previous years	-1	2
Profit/loss at different tax rates	-	-
Change in impairment for deferred tax assets	-2	-3
Change in tax rates	0	0
Other effects	6 ¹	15 ¹
Expenses for income taxes stated	40	21

1 Predominantly use of loss carryforwards and changes in temporary differences.

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15 | Receivables

A receivable is entered during a reverse repurchase transaction. This reflects the right of Swiss Post to retain the cash deposit. Securities received as part of reverse repurchase transactions are recognised in the balance sheet only if risks and opportunities are entered. The fair values of the securities received are monitored to provide or reclaim additional collateral, where required.

Furthermore, no assets have been pledged (as collateral) for receivables.

Receivables by due date	31 December 2012			31 December 2011		
	Gross	Impairment	Net	Gross	Impairment	Net
CHF million						
Receivables due from banks ¹	45,455	97	45,358	31,631	97	31,534
Interest-bearing amounts due from customers	96	3	93	84	3	81
Trade accounts receivable	1,055	10	1,045	938	11	927
Other receivables	958	2	956	1,073	2	1,071
Total receivables	47,564	112	47,452	33,726	113	33,613
¹ of which receivables from the reverse repurchase transaction			1,611			14,038
and covered by securities with a market value of			1,611			14,038

Due dates of receivables

Receivables by due date	31 December 2012			31 December 2011		
	Total	Due in up to 3 months	Due in over 3 months	Total	Total due in up to 3 months	Due in over 3 months
CHF million						
Receivables due from banks	45,358	45,315	43	31,534	31,372	162
Interest-bearing amounts due from customers	93	93	–	81	81	–
Trade accounts receivable	1,045	683	362	927	649	278
Other receivables	956	111	845	1,071	134	937
Total receivables	47,452	46,202	1,250	33,613	32,236	1,377

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 recognised on a daily basis at current fair values.

Receivables due from banks rose by around 14 billion francs compared with 31 December 2011. The increase is due mainly to additional liquid reserves deposited for the most part at the Swiss National Bank.

Interest-bearing amounts due from customers comprise technical overdrafts on postal accounts and receivables from reverse repo transactions with insurance companies.

In the reporting period, interest income calculated in accordance with the effective interest method stood at one million francs (previous year: 6 million francs) on receivables due from banks and 9 million francs on interest-bearing amounts due from customers (previous year: 9 million francs).

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 recognised

Swiss Post writes down receivables if it expects a loss in respect of those receivables because the debtor is likely to 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 recognised CHF million	31 December 2012				31 December 2011			
	1-90 days	91-180 days	181-365 days	> 1 year	1-90 days	91-180 days	181-365 days	> 1 year
Receivables due from banks	6	-	-	-	-	-	-	-
Interest-bearing amounts due from customers	84	4	4	4	73	3	5	3
Trade accounts receivable	72	12	7	7	71	2	5	8
Other receivables	3	0	1	7	2	1	1	4
Total receivables	165	16	12	18	146	6	11	15

Receivables for which impairment charges are recognised

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 recognised CHF million	31 December 2012			31 December 2011		
	Gross	Impairment charges	Net	Gross	Impairment charges	Net
Individual impairment charges						
Receivables due from banks	101	-97	4	107	-97	10
Interest-bearing amounts due from customers	-	-	-	0	0	0
Trade accounts receivable	19	-6	13	10	-7	3
Other receivables	4	-2	2	4	-2	2
Total receivables for which individual impairment charges are recognised	124	-105	19	121	-106	15
General impairment charges						
Interest-bearing amounts due from customers	97	-3	94	85	-3	82
Trade accounts receivable	934	-4	930	801	-4	797
Other receivables	1	0	1	1	0	1
Total receivables for which general impairment charges are recognised	1,032	-7	1,025	887	-7	880

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Change in impairment of receivables

Change in impairment of receivables	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
CHF million								
As at 1.1.2012	97	–	0	3	7	4	2	0
Impairment	–	–	–	0	1	2	–	–
Reversal of impairment	0	–	0	–	0	0	0	0
Reclassifications	–	–	–	–	1	–1	–	–
Exits	–	–	–	–	–3	–1	0	–
Translation differences	–	–	–	–	0	0	0	–
As at 31.12.2012	97	–	–	3	6	4	2	0
As at 1.1.2011	97	–	0	3	7	5	2	0
Impairment	–	–	–	0	2	1	0	0
Reversal of impairment	0	–	0	1	–	–	–	–
Reclassifications	–	–	–	–	0	0	–	–
Exits	–	–	–	–	–	–	–	–
Translation differences	–	–	–	–	0	0	0	–
As at 31.12.2011	97	–	0	3	7	4	2	0

16 | Inventories

Inventories	31.12.2012	31.12.2011
CHF million		
Resale merchandise	55	39
Fuel and operating materials	23	26
Production materials	8	10
Work in progress and finished goods	2	2
Impairment charge for inventories which are not easily marketable	–1	0
Total inventories	87	77

17 | Financial assets

Financial assets CHF million		FVTPL ¹ designated	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
	Notes	18	19	20	21	22	
As at 1.1.2012		–	56,234	1,115	127	12,153	69,629
Entries		–	2,397	2,609	–	2,649	7,655
Change in value recognised in profit and loss		–	–148	8	–	21	–119
Change in value recognised directly in equity		–	–	70	–	–	70
Change in value of derivatives		–	–	–	–33	–	–33
Reversal of impairment, net		–	33	–6	–	–7	20
Exits		–	–6,149	–483	–	–3,233	–9,865
As at 31.12.2012		–	52,367	3,313	94	11,583	67,357
As at 1.1.2011		–	60,104	1,476	191	11,272	73,043
Entries		–	4,545	60	–	5,014	9,619
Change in value recognised in profit and loss		–	–196	–17	–	–5	–218
Change in value recognised directly in equity		–	–	–27	–	–	–27
Change in value of derivatives		–	–	–	–64	–	–64
Impairment, net		–	–88	–7	–	11	–84
Exits		–	–8,131	–370	–	–4,139	–12,640
As at 31.12.2011		–	56,234	1,115	127	12,153	69,629

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

Despite another strong inflow of customer deposits in 2012, no further build-up was carried out due to extraordinarily low interest rates in capital markets and an intended shortening of the duration of financial assets. Available-for-sale financial assets and derivative financial instruments are presented at fair value if the latter can be directly derived from prices on publicly organised or standardised 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 amortised 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 decrease in derivative financial instruments (positive fair values) is due mainly to exchange rate movements. 80 million francs (previous year: 124 million francs) were 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 recognised on financial assets in 2012 totalled 20 million francs. In the case of fixed rate assets of the held-to-maturity category, general impairment charges totalling 33 million francs for bonds were reclassified. This resolution is mainly due to lower credit spreads. Due to a negative trend in share prices, an impairment charge of 6 million francs on equity holdings was formed.

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For loans to public bodies in Switzerland, general impairment charges of one million were formed. Individual impairment charges on other loans totalled 6 million francs.

Financial assets from repurchase and securities lending transactions are pledged as follows:

Securities lending and repurchase transactions			
As at 31. December			
CHF million	Notes	31.12.2012	31.12.2011
Receivables			
Receivables from cash collateral in reverse repurchase transactions	15	1,611	14,038
of which recognised in receivables due from banks	15	1,611	14,038
Commitments			
Commitments from cash collateral in securities lending transactions		0	0
of which recognised in financial liabilities – other financial liabilities		0	0
Commitments from cash collateral in repurchase transactions	27	30	0
of which recognised in financial liabilities – other financial liabilities	27	30	0
Securities cover			
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	17	8,513	8,756
of which securities for which an unrestricted right to dispose of or pledge was granted		8,513	8,756
of which recognised in financial assets – held to maturity		7,783	8,256
of which recognised in financial assets – available for sale		730	500
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions		0	0
of which repledged or sold securities		0	0

18 | At fair value through profit or loss, designated

On 31 December 2012 and 31 December 2011, there were no financial assets at fair value through profit or loss, designated.

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	Total	Term to maturity		
		Up to 1 year	1–5 years	Over 5 years
CHF million				
31 December 2012				
Bonds	52,367	6,393	27,718	18,256
Total held to maturity	52,367	6,393	27,718	18,256
Measured at fair value	55,578			
31 December 2011				
Bonds	56,234	6,158	26,062	24,014
Total held to maturity	56,234	6,158	26,062	24,014
Measured at fair value	58,499			

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 1,155 million francs (previous year: 1,261 million francs).

Overdue held-to-maturity financial assets for which individual impairment charges are not recognised

There were no overdue held-to-maturity financial assets for which individual impairment charges were not recognised as at either 31 December 2012 or 31 December 2011.

Held-to-maturity financial assets for which impairment charges are recognised

In particular, fair value changes and downgrades of existing investments are given consideration as indications of possible impairment. Individual impairment charges are recognised 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 recognised CHF million	31 December 2012			31 December 2011		
	Gross	Impairments	Net	Gross	Impairments	Net
Individual impairment charges						
Bonds	16	-8	8	16	-8	8
Total held-to-maturity financial assets for which individual impairment charges are recognised	16	-8	8	16	-8	8
General impairment charges						
Bonds	52,490	-131	52,359	56,382	-164	56,218
Total held-to-maturity financial assets for which general impairment charges are recognised	52,490	-131	52,359	56,382	-164	56,218
Total held-to-maturity financial assets	52,506	-139	52,367	56,398	-172	56,226

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 million	Individual impairment charges	General impairment charges	Total
As at 1.1.2012	8	164	172
Reversal of impairment	-	-33	-33
As at 31.12.2012	8	131	139
As at 1.1.2011	-	85	85
Impairment	8	79	87
As at 31.12.2011	8	164	172

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20 | Financial assets available for sale

Financial assets available for sale CHF million	Total	Up to 1 year	1 – 5 years	Over 5 years	Term to maturity
					None
31 December 2012					
Bonds	2,527	146	1,627	754	–
Shares	542	–	–	–	542
Other	244	0	0	–	244
Total available for sale	3,313	146	1,627	754	786
31 December 2011					
Bonds	865	282	506	77	–
Shares	249	–	–	–	249
Other	1	1	0	–	0
Total available for sale	1,115	283	506	77	249

The fair value of the available-for-sale financial assets was determined as follows:

Fair value of available-for-sale financial assets CHF million	31 December 2012				31 December 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Bonds	2,527	363	2,164	–	865	174	691	–
Shares	542	540	1	1	249	248	0	1
Funds	244	53	191	–	1	1	0	–
Total available for sale	3,313	956	2,356	1	1,115	423	691	1

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 almost unchanged year on year at around one million francs.

No financial assets were transferred between Level 1 and Level 2 in either the reporting or the prior-year period.

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 23 million francs (previous year: 4 million francs). 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 21 million francs (previous year: 34 million francs).

Overdue available-for-sale financial assets for which individual impairment charges are not recognised

There were no overdue available-for-sale financial assets for which individual impairment charges were not recognised as at either 31 December 2012 or 31 December 2011.

Available-for-sale financial assets for which impairment charges are recognised

In particular, fair value changes and downgrades of existing investments are given consideration as indications of the possible impairment of fixed-rate assets. Individual impairment charges are recognised 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 recognised 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 recognised directly in equity under "Fair value reserves" are reclassified to the statement of comprehensive income.

In the course of 2012, impairment charges of 6 million francs were recognised for equity holdings (previous year: 7 million francs). No impairment charges were necessary for bonds, either for the year under review or for the previous year.

No assets have been pledged (as collateral) for available-for-sale financial assets.

21 | Derivative financial instruments

Derivative financial instruments	31 December 2012				31 December 2011			
	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
CHF million								
Notes	17		27		17		27	
Cash flow hedges								
Currency	69	241	–	–	122	424	–	–
Interest rates	0	168	–	–	2	137	–	–
Fair value hedges								
Currency	3	196	0	21	–	–	1	200
Interest rates	8	766	40	2,099	–	–	2	50
Other								
Currency	14	521	2	240	3	145	7	249
Interest rates	–	–	0	5	–	–	0	5
Total derivative financial instruments	94	1,892	42	2,365	127	706	10	504

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The fair value of the derivative financial instruments was determined as follows:

Fair value of derivative financial instruments CHF million	31 December 2012				31 December 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Positive fair values	94	–	94	–	127	–	127	–
Negative fair values	42	–	42	–	10	–	10	–

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 affecting net income from sales and from the measurement at fair value of derivative financial assets are stated in net trading income. In the reporting period, they amounted to a net gain of less than one million francs (previous year: net loss of 2 million francs).

Derivatives due dates

Due dates of derivative financial instruments CHF million	31 December 2012				31 December 2011			
	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	17		27		17		27	
Cash flow hedges								
Less than 1 year	36	292	–	–	54	316	–	–
1 to 5 years	33	117	–	–	70	245	–	–
Over 5 years	–	–	–	–	–	–	–	–
Fair value hedges								
Less than 1 year	3	196	2	71	–	–	–	–
1 to 5 years	8	716	26	920	–	–	2	50
Over 5 years	0	50	12	1,129	–	–	1	200
Other								
Less than 1 year	14	511	2	230	3	143	6	247
1 to 5 years	0	10	0	15	0	2	1	7
Over 5 years	–	–	–	–	–	–	–	–
Total derivative financial instruments	94	1,892	42	2,365	127	706	10	504

Fair value

The fair value corresponds to the market value of a derivative financial instrument, i.e. the price that would have to be paid for the conclusion of a substitute transaction if the counterparty defaults. Positive fair values are exposed to the credit risk and represent the maximum loss that the bank would suffer on the due date if the counterparty were to default. Negative fair values result if the substitute transactions were possible on more favourable terms.

Contract volume

Corresponds to the receivables side of the derivative financial instruments' underlying values.

Swiss Post acquires financial instruments predominantly for hedging purposes. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. Derivatives for which hedge accounting is not applied are treated like trading instruments.

Cash flow hedges

Swiss Post is exposed both to currency fluctuations and interest rate changes. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations of the future interest cash flows on financial assets are hedged by interest rate swaps with various maturities. The hedging reserve is reconciled to the statement of comprehensive income at the time when the underlying transaction takes place.

On 31 December 2012, the hedging reserve stood at 3 million francs (previous year: 9 million francs). The overall fair value changes of the hedging instruments are included in the hedging reserves directly in equity. Subsequently, the net interest accrued and paid/received (one million francs; previous year: 4 million francs) and the foreign currency share (47 million francs; previous year: 48 million francs) are transferred to the statement of comprehensive income (recycling). Thus the residual fair value change of the hedging instruments remains in the cash flow hedge reserve.

Fair value hedges

Fluctuations in fair value as a result of changes in market interest rates (Libor) are partly hedged using interest rate swaps. The risks associated with foreign currency variable rate bond investments as a result of currency fluctuations are hedged using currency swaps. In both the reporting period and the previous year, the amount recognised in profit or loss was less than one million francs.

See also Note 33, Risk management, Risk management at PostFinance, types of financial risk and their evaluation.

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22 | Loans

Loans	Term to maturity				
	Total	Up to 1 year	1 – 5 years	Over 5 years	None
CHF million					
31 December 2012					
Cantons, cities and municipalities ¹	7,801	1,971	3,621	2,209	–
Banks	2,960	744	1,491	725	–
PostBus operators	184	30	96	58	–
Other ²	638	146	313	179	0
Total loans	11,583	2,891	5,521	3,171	0
31 December 2011					
Cantons, cities and municipalities ¹	6,706	2,011	2,860	1,835	–
Banks	3,420	810	1,505	1,105	–
PostBus operators	215	32	107	76	–
Other ²	1,812	295	1,037	479	1
Total loans	12,153	3,148	5,509	3,495	1

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 (one million francs; previous year: one million francs) which were assumed by PostFinance.

In the reporting period, interest income calculated in accordance with the effective interest method stood at 239 million francs (previous year: 246 million francs).

Overdue loans for which individual impairment charges are not recognised

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 recognised as at either 31 December 2012 or 31 December 2011.

Loans for which impairment charges are recognised

Loans for which impairment charges are recognised	31 December 2012			31 December 2011		
	Gross	Impairment charges	Net	Gross	Impairment charges	Net
CHF million						
Individual impairment charges						
Loans to others	14	–7	7	1	–1	–
Total loans for which individual impairment charges are recognised	14	–7	7	1	–1	–
General impairment charges						
Loans to cantons, cities, municipalities, banks and other entities	10,769	–9	10,760	10,133	–8	10,125
Total loans for which general impairment charges are recognised	10,769	–9	10,760	10,133	–8	10,125

Individual impairment charges are recognised 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 million	Individual impairment charges	General impairment charges	Total
As at 1.1.2012	1	8	9
Impairment	6	1	7
Reversal of impairment	0	–	0
As at 31.12.2012	7	9	16
As at 1.1.2011	0	20	20
Impairment	1	–	1
Reversal of impairment	–	–12	–12
As at 31.12.2011	1	8	9

23 | Investments in associates and joint ventures

No substantial participation in associated companies or joint ventures exists. In addition, there were no material transactions between the Group and any associated companies and joint ventures (see Appendix Note 32, Related parties and key employees). Further details on associates and joint ventures can be found in Note 35, Changes in the consolidated Group.

Investments in associates and joint ventures CHF million	2012	2011
Balance at 1 January	53	50
Additions of associates and joint ventures	53	–
Disposals of associates and joint ventures	–2	0
Dividends received	–15	–11
Share of net profit (after taxes)	10	11
Capital increase/injection	–	3
Currency translation differences	0	0
Balance at 31 December	99	53

Net income from associates and joint ventures

Net income from associates and joint ventures CHF million	2012	2011
Share of net profit (after taxes)	10	11
Gain on disposal (net)	–	1
Total net income from associates and joint ventures	10	12

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Changes in associates and joint ventures

2012

On 6 January 2012, Swiss Post, the parent, acquired 100% of Direct Mail Company AG and Direct Mail Logistik AG. Up until this point, Swiss Post had held a 50 per cent share of these companies. With the acquisition of all the shares in Intermail AG, which holds the remaining 50 per cent of both companies, Swiss Post is now sole shareholder of Direct Mail Company AG and Direct Mail Logistik AG. Both companies have been fully consolidated since January 2012 and are no longer measured at equity. Revaluation of existing investments at fair value in a takeover produced a profit of 9 million francs, which is entered in the statement of comprehensive income under "Financial income".

Since 6 July 2012, France's La Poste and Swiss Post, two of the main European postal service providers have merged their respective cross-border activities in the mail sector in order to expand and further develop their international mail business. The joint venture, Asendia, is equally owned by La Poste and Swiss Post, and is one of the most important players in this sector. Asendia Holding AG has subsidiaries and sales agents in more than 25 locations in Europe, Asia and North America. To begin with, around 1,000 Asendia employees in 15 countries will generate an annual turnover of around 400 million euros. A joint customer-focused range of products and services will be gradually introduced in 2013. For Swiss Post this means that the 23 companies it brought into the venture will no longer be fully consolidated as of July 2012, but will be reported in the consolidated financial statements in the context of the joint venture, Asendia, using the equity method.

For further information, please see Note 35, Changes in the consolidated Group.

2011

The associate Hermes Porta a Porta S.p.A. based in Tribiano was sold to the majority shareholder on 18 July 2011.

MEILLERGHP GmbH received an injection into capital reserves of some 5.9 million euros, i.e. 7.4 million francs, (Swiss Post share: 35 percent) on 30 June 2011.

24 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 39 million francs (previous year: 122 million francs). The decrease is due primarily to progress made in the managed properties of the headquarters of PostFinance and Geneva 2.

As at 31 December 2012, as in the previous year, no items of property, plant and equipment had been pledged in relation to mortgages.

In 2012, borrowing costs of around 3 million francs were capitalised (previous year: one million francs).

Property, plant and equipment 2012 CHF million	Operating property	Assets under construction: Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: Other asset classes	Total
Acquisition cost						
As at 1.1.2012	5,108	159	1,015	680	27	6,989
Additions due to acquisition of subsidiaries	5	–	3	10	–	18
Entries	2 ¹	160	68	88	28	346
Exits	–88	–11	–72	–31	0	–202
Reclassifications	162	–162	33	14	–48	–1
Disposals arising from reclassifications in accordance with IFRS 5	–3	–	–	–35	–	–38
Currency translation differences	0	0	0	0	0	0
As at 31.12.2012	5,186	146	1,047	726	7	7,112
Cumulative amortisation						
As at 1 January 2012	3,716	–	524	328	–	4,568
Depreciation	103	–	92	80	–	275
Impairment	–	–	–	–	–	–
Exits	–80	–	–58	–22	–	–160
Reclassifications	0	–	0	0	–	0
Disposals arising from reclassifications in accordance with IFRS 5	–2	–	–	–30	–	–32
Currency translation differences	0	–	0	0	–	0
As at 31.12.2012	3,737	–	558	356	–	4,651
Carrying amount as at 31.12.2012	1,449	146	489	370	7	2,461
of which assets in leasing	0	0	0	0	0	0

Property, plant and equipment 2011 CHF million	Operating property	Assets under construction: Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: Other asset classes	Total
Acquisition cost						
As at 1.1.2011	5,182	99	1,004	667	14	6,966
Additions due to acquisition of subsidiaries	0	–	–	0	–	0
Entries	–5 ¹	173	79	101	29	377
Exits	–101	–9	–77	–51	–2	–240
Reclassifications	35	–104	10	3	–14	–70
Disposals arising from reclassifications in accordance with IFRS 5	–2	–	–	–38	–	–40
Currency translation differences	–1	–	–1	–2	–	–4
As at 31.12.2011	5,108	159	1,015	680	27	6,989
Cumulative amortisation						
As at 1 January 2011	3,746	–	508	323	0	4,577
Depreciation	96	–	89	75	–	260
Impairment	–	–	–	–	–	–
Exits	–92	–	–72	–37	–	–201
Reclassifications	–32	–	0	–	–	–32
Exits arising from reclassifications in accordance with IFRS 5	–2	–	–	–32	–	–34
Currency translation differences	0	–	–1	–1	–	–2
As at 31.12.2011	3,716	–	524	328	0	4,568
Carrying amount as at 31.12.2011	1,392	159	491	352	27	2,421
of which assets in leasing	0	0	0	0	0	0

¹ Includes 10 million francs from subsidies for railway track installations for 2011, but nothing for 2012.

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25 | Investment property

Investment property	31 December 2012			31 December 2011		
	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
CHF million						
Acquisition cost						
Balance at 1 January	8	41	49	–	–	–
Additions due to acquisition of subsidiaries	–	–	–	–	–	–
Disposals due to sale of subsidiaries	–	–	–	–	–	–
Entries	–	19	19	8	3	11
Exits	–	0	0	–	–	–
Reclassifications from property, plant and equipment	–	–	–	–	38	38
Disposals arising from reclassifications in accordance with IFRS 5	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Balance at 31 December	8	60	68	8	41	49
Cumulative amortisation						
Balance at 1 January	0	–	0	–	–	–
Depreciation	0	–	0	0	–	0
Impairment	–	–	–	–	–	–
Disposals due to sale of subsidiaries	–	–	–	–	–	–
Exits	–	–	–	–	–	–
Reclassifications from property, plant and equipment	–	–	–	–	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Balance at 31 December	0	–	0	0	–	0
Carrying amount as at 31 December	8	60	68	8	41	49

There are investment commitments for investment property of 209 million francs (previous year: 246 million francs).

The fair value expert assessments of the investment properties on 31 December 2012 were formed exclusively by independent experts, who have the necessary expertise. The fair value expert assessments of the investment properties will, in future, be carried out at regular intervals.

– Measurement: Investment property under construction (PostParc)

As at 31 December 2012, the property is measured using the capitalised earnings method based on a discounted cash flow approach. The fair value of the property on the due evaluation date is calculated from the sum of the anticipated cash flows (including future investments) discounted on the due date and not taking into account any change of ownership, profit from sale of land, value added tax or other costs or commissions arising if selling the property.

The following assumption was made for the fair value expert opinion:

- Letting of the property at market terms
- The operating and maintenance costs considered during the valuation are guided primarily by past experience from the property accounts of the past years and the benchmarks from the database of the evaluator
- The discounting is based on a risk-compliant real interest rate of 4.74 per cent

- Measurement: Investment property (Bellinzona Autorimessa)
The valuation as at 31 December 2011 is based on the earnings value method. The earnings were discounted. In the discount rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the earnings value calculated.

The following assumptions were made for the fair value expert opinion:

- Letting of the property at sustainable tenancy terms
- Average discount rate: 7.73 percent.
- Deducted provisions accrued of 1.9 million francs

On 31 December 2012, the fair value of the asset under construction (PostParc) was around 107 million francs and that of the investment property most recently valued (Bellinzona Autorimessa) on 31 December 2011 around 8 million francs.

The following amounts from investment property were recognised in the result:

- Rental income: 1.2 million francs (previous year: 565,000 francs)
- Operating expenses (incl. depreciation): 1.5 million francs (previous year: 2.5 million francs)

On 31 December 2012, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale. Leasehold contracts with monthly credit balances of 26,000 francs existed for the asset under construction. There were no other contractual obligations.

26 | Intangible assets and goodwill

Intangible assets and goodwill	31 December 2012				31 December 2011			
	Goodwill ¹	Other intangible assets	Other intangible assets under construction	Total	Goodwill ¹	Other intangible assets	Other intangible assets under construction	Total
CHF million								
Acquisition cost								
Balance at 1 January	260	164	4	428	260	137	0	397
Entries due to acquisition of subsidiaries	18	19	–	37	4	10	–	14
Exits due to sale of subsidiaries	–49	–11	–	–60	–	–	–	–
Entries	–	14	30	44	–	26	4	30
Exits	–	–8	0	–8	–	–8	–	–8
Subsequent adjustment of acquisition costs	0	0	–	0	–2	0	–	–2
Reclassifications	–	11	–11	0	–	–	–	–
Currency translation differences	1	0	0	1	–2	–1	–	–3
Balance at 31 December	230	189	23	442	260	164	4	428
Cumulative amortisation								
Balance at 1 January	32	100	–	132	27	81	–	108
Depreciation	–	32	–	32	–	27	–	27
Badwill reversal	0	–	–	0	–2	–	–	–2
Impairment	5 ²	–	–	5	7	1	–	8
Exits	–	–7	–	–7	–	–8	–	–8
Exits due to sale of subsidiaries	–11	–9	–	–20	–	–	–	–
Currency translation differences	0	0	–	0	0	–1	–	–1
Balance at 31 December	26	116	–	142	32	100	–	132
Carrying amount as at 31 December	204	73	23	300	228	64	4	296

¹ Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of these equity interests (see Note 23, Investments in associates and joint ventures).

² See information below under "Reviewing the recoverable amount of goodwill".

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Other intangible assets mainly comprise purchased standard software.

Investment commitments for intangible assets amount to 10 million francs (previous year: 20 million francs).

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.

The goodwill refers to the following segments or subsidiaries:

Goodwill by segment	31 December 2012					31 December 2011				
	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus
CHF million										
SPS Group	33	–	–	33	–	32	–	–	32	–
Swiss Post Solutions Ltd	9	–	–	9	–	9	–	–	9	–
Swiss Post Solutions Inc.	33	–	–	33	–	33	–	–	33	–
Swiss Post Solutions Ltd	25	–	–	25	–	25	–	–	25	–
Swiss Post Solutions SAS Group	1	–	–	1	–	2	–	–	2	–
FMC Insights Limited	2	–	–	2	–	2	–	–	2	–
Presto Presse-Vertriebs AG	41	41	–	–	–	41	41	–	–	–
Direct Mail Company AG	16	16	–	–	–	–	–	–	–	–
PostLogistics Ltd	28	–	28	–	–	27	–	27	–	–
Swiss Post International Logistics Ltd	4	–	4	–	–	4	–	4	–	–
Swiss Post SAT Holding SA	9	–	9	–	–	9	–	9	–	–
MDS Media Data Services AG ¹	–	–	–	–	–	4	4	–	–	–
Swiss Post International Netherlands B.V. ¹	–	–	–	–	–	2	2	–	–	–
Swiss Post Porta a Porta S.p.A. ¹	–	–	–	–	–	12	12	–	–	–
Swiss Post International Singapore Pte Ltd ¹	–	–	–	–	–	4	4	–	–	–
Swiss Post International Scandinavia AB ¹	–	–	–	–	–	3	3	–	–	–
SPI-Spain Group ¹	–	–	–	–	–	2	2	–	–	–
Swiss Post International (UK) Ltd ¹	–	–	–	–	–	2	2	–	–	–
Group Edigroup SA ¹	–	–	–	–	–	8	8	–	–	–
IT ServiceHouse AG ²	–	–	–	–	–	5	–	5	–	–
Other	3	–	1	–	2	2	2	0	–	–
Total	204	57	42	103	2	228	80	45	103	–

¹ Inclusion of the joint venture Asendia on 6 July 2012 retroactively from 1 July 2012.

² Goodwill of around 5 million francs was impaired.

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2012 based on the discounted cash flow method, the following parameters were set per country. In addition, a market risk premium of approx. 5 percent (Switzerland and abroad) and depending on the risks a small cap premium of between 0 and 4 percent as well as a debt premium of 2 to 6 percent were applied for the calculation.

Parameters for the determination of the recoverable amount of goodwill by country Percent	2012			2011
	Interest rate ¹	Tax rate ²	WACC ³	WACC ³
Switzerland	0.5	21	3.3–6.0	5.0–9.1
United Kingdom	1.7	28	5.2	6.5–8.8
Germany	1.5	29	4.9	6.9–7.7
US	1.6	40	5.9	7.8
France	2.2	33	6.3–7.0	9.2
Ireland	4.9	13	8.4	–

1 Yield on ten-year bonds of the relevant country.

2 Tax rate of the acquired company's country.

3 Weighted average cost of capital.

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27 | Financial liabilities

Financial liabilities CHF million	On demand	Callable ¹	Up to 1 year	1–5 years	Over 5 years	Total
31 December 2012						
Postal accounts	73,501	–	–	–	–	73,501
Deposito and investment accounts	–	36,834	–	–	–	36,834
Medium-term notes for customers	–	–	40	127	28	195
Money market investments for customers	–	0	1	–	–	1
Total customer deposits (PostFinance)	73,501	36,834	41	127	28	110,531
Due to banks	5	0	5	0	–	10
Derivative financial instruments	–	–	3	27	12	42
Other financial liabilities						
Finance leases	–	–	2	2	0	4
Repurchase transactions	–	–	30	–	–	30
Other	1	–	0	1	1,284	1,286
Total other financial liabilities	6	0	40	30	1,296	1,372
Total financial liabilities	73,507	36,834	81	157	1,324	111,903
31 December 2011						
Postal accounts	66,524	–	–	–	–	66,524
Deposito and investment accounts	–	33,866	–	–	–	33,866
Medium-term notes for customers	–	–	81	118	36	235
Money market investments for customers	–	0	82	–	–	82
Total customer deposits (PostFinance)	66,524	33,866	163	118	36	100,707
Due to banks	1	0	7	0	–	8
Derivative financial instruments	–	–	6	3	1	10
Other financial liabilities						
Finance leases	–	–	1	1	0	2
Repurchase transactions	–	–	0	–	–	0
Other	0	0	0	1	1	2
Total other financial liabilities	1	0	14	5	2	22
Total financial liabilities	66,525	33,866	177	123	38	100,729

¹ Call deposits for which no notice of withdrawal has been given, recallable provided an agreed notice period is observed.

The fourth quarter of 2012 saw the borrowing of funds by means of a private placement as long-term funds of 1.28 billion francs were raised on the capital market from major domestic private and institutional investors. Several tranches were issued with an average duration of around 11 years.

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. As a rule, collateral is provided for the full amount of the repurchase transactions.

In accordance with hedge accounting requirements, 40 million francs (previous year: 4 million francs) was posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 398 million francs in the reporting period (previous year: 468 million francs).

Cash value of the commitments from finance leases

Cash value of the commitments from finance leases CHF million	31 December 2012			31 December 2011		
	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	2	0	2	1	0	1
Due within 1 to 5 years	2	0	2	1	0	1
Due date longer than 5 years	0	–	0	0	0	0
Total	4	0	4	2	0	2

28 | Provisions

Provisions CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks	Other	Total
As at 1.1.2012	335	5	37	20	28	425
Additions due to acquisition of subsidiaries	1	–	–	–	0	1
Recognition	31	15	11	3	36	96
Present value adjustment	7	–	–	1	0	8
Use	–26	–3	–8	–2	–16	–55
Reversal	–	–1	–4	–12	–2	–19
Subsequent adjustment of acquisition costs	–	–	–	–	0	0
Reclassifications	–	–	–	0	0	0
Currency translation differences	0	0	–	0	0	0
As at 31.12.2012	348	16	36	10	46	456
of which short term	11	13	8	1	40	73
As at 1.1.2011	328	16	38	17	26	425
Additions due to acquisition of subsidiaries	–	–	–	–	4	4
Recognition	26	1	11	7	17	62
Present value adjustment	8	0	–	–	0	8
Use	–27	–7	–9	–2	–17	–62
Reversal	–	–2	–3	–2	–3	–10
Subsequent adjustment of acquisition costs	–	–	–	0	–2	–2
Reclassifications	0	–3	–	–	3	0
Currency translation differences	0	0	0	0	0	0
As at 31.12.2011	335	5	37	20	28	425
of which short term	27	5	10	1	15	58

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Other long-term employee benefits

Other long-term employee benefits essentially comprise bonuses for anniversaries for numbers of years of service (loyalty bonuses) and staff vouchers (predominantly for retired employees). The performance can be found in the following breakdown.

The following parameters were applied:

Assumptions for the calculation as at	Loyalty bonuses		Staff vouchers	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Discount rate	1.75%	2.25%	2.00%	2.50%
Annual change in salaries	2.00%	2.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	95.00%
Leave share	55.80%	55.80%	–	–
Voluntary turnover	7.46%	7.63%	3.93%	3.94%
Average remaining service in years	9.33	9.89	10.35	11.15

Change in other long-term employee benefits

Other long-term employee benefits CHF million	Loyalty bonuses ¹		Staff vouchers	
	2012	2011	2012	2011
Balance at 1.1.	220	217	115	111
Accrued claims	12	13	3	2
Benefits paid	–21	–22	–5	–5
Interest on employee benefit obligations	5	5	3	3
Expenses arising from plan amendments	1	0	0	0
Additions to the consolidated Group	–	0	–	–
(Gains)/losses resulting from changes in assumptions	7	7	9	4
Actuarial (gains)	–1	0	0	0
Balance at 31.12.	223	220	125	115

¹ The loyalty bonuses also include sabbaticals for management employees.

Expenses booked under staff costs

Expenses booked under staff costs CHF million	Loyalty bonuses		Staff vouchers	
	2012	2011	2012	2011
Accrued claims	12	13	3	2
Interest on employee benefit obligations	5	5	3	3
Expenses arising from plan amendments	1	0	0	0
Actuarial losses	6	7	9	4
Total expenses for other long-term employee benefits	24	25	15	9

29 | Equity

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

Bearing in mind economic viability and cover requirements, insurance risks are financed primarily through a self-insurance solution, as a result of which exceptional claims may affect the result. 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.

In accordance with a decision by the Swiss Federal Council, a total of 300 million francs was distributed in appropriating profit for 2011. Of this amount, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund and 200 million francs were distributed to the owner.

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 recognised in profit and loss through the statement of comprehensive income.

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.

30 | Operating leases

Swiss Post as lessee

Minimum commitments under non-cancellable lease and rental agreements break down as follows:

Commitments under operating leases CHF million	31.12.2012	31.12.2011
Future commitments under operating leases due in		
Less than 1 year	85	89
1 to 5 years	177	191
Over 5 years	60	60
Future payment commitments under operating leases	322	340
Minimum lease payments	144	144
Conditional lease payments	9	8
Lease expenses for the period	153	152
Income from sub-letting in the past financial year	20	18
Future income from sub-letting	31	29

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 optimisation, has been sub-let to third parties until the lease expires.

Conditional lease payments occur if the lease is index-linked.

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Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 44 million francs in the reporting period (previous year: 39 million francs). 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 million	31.12.2012	31.12.2011
Future minimum lease payments due under agreements in		
Less than 1 year	79	70
1 to 5 years	209	192
Over 5 years	62	53
Total	350	315

31 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2012:

Guarantees

Guarantees and guarantee obligations amount to 5 million francs (previous year: 6 million francs).

Legal cases

As regards claims or legal cases for which provisions have not been recognised, 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 5 million francs (previous year: 10 million francs).

32 | Related parties and key employees

Within the meaning of the IFRSs, Swiss Post Group has relationships with related parties such as subsidiaries, associates, joint ventures 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 the related parties are carried out at market conditions. As the owner of Swiss Post, the Swiss Confederation paid compensation for newspaper and passenger transport of 50 million francs (previous year: 30 million francs) and 169 million francs (previous year: 156 million francs) in the year under review.

Transactions between Swiss Post and its subsidiaries were eliminated during the consolidation and are no longer included 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 million	Sale of goods and services		Purchases of goods and services		Receivables and loans with related parties		Liabilities to related parties	
	2012	2011	2012	2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Companies with joint management or significant influence	415	384	121	205	591	549	2,439	3,132
Swiss Confederation	248	221	21	70	3	3	1,527	1,449
Swisscom	107	112	33	50	356	509	69	58
Swiss Federal Railways SBB	54	50	67	85	32	36	839	1,625
RUAG	2	1	0	0	0	1	4	0
SKYGUIDE	4	0	0	0	200	0	0	0
Transactions with minority shareholders of subsidiaries	14	0	0	1	1	1	0	2
Associates and joint ventures	79	14	22	19	39	3	5	2
Other related parties	1	15	4	5	0	0	667¹	135¹

¹ Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

Remuneration paid to key employees

In the past financial year, remuneration including fringe benefits of 6.8 million francs (previous year: 6.1 million francs) and pension benefits of around 0.86 million francs (previous year: around 0.73 million francs) 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 2012 was based on target attainment in 2010 and 2011 and amounted to around 1.19 million francs (previous year: around 1.15 million francs). There are no loan agreements in place with key employees.

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33 | Risk management

Risk management (corporate risk management)

Organisation

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 Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate the monitoring of risks by the risk owners and reporting both to their management and to the Group risk manager. At a functional level, they report to the management and are responsible for providing independent risk control. The risk managers monitor the necessary controls and limits as well as the positions and potential risks. The risk management process ensures that all detectable 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/reputation.

The risk management process is coordinated with 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 Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk position

The following areas are considered during the risk identification or analysis: 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/reputation.

At the Group level, Swiss Post identified and assessed ten top risks in 2012, with which the Executive Management and the Board of Directors are dealing actively, and which they are controlling as far as possible using defined procedures. These risks each entail potential losses of at least 50 million francs. Three concern (political) operating conditions, three are market-related and four are endogenous risks. Thanks to the effect of controlling measures, refined analysis methods and conducting stress tests, it was possible to assess the damage extent of the top four risks. This was carried out in greater detail in the second of the two annual assessment phases than in the first six months of the year.

Twelve potential risks are being monitored as a precaution and, wherever possible, controlled actively (e.g. pandemic, natural hazards, questions regarding demography).

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 the Board of Directors' PostFinance 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.

Organisation

At PostFinance, Swiss Post operates an appropriate financial and operational risk management system based on the banking regulation requirements. The specific business risks faced by PostFinance, namely market, credit and operational risks, are managed using industry-standard tools and methods.

Independently of the operational side of the business, the PostFinance Risk Management and Risk Control departments identify, measure and control risks as well as the observance of limits, and report 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 sublimits 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 organisational, human resources, technical and methodology terms.

The key measures and limits for market risks at the portfolio level are value-at-risk (VaR) values. 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 freshly assessed on the basis of historical changes to the risk factors (interest rate movements, changes in credit margins by rating classes and foreign exchange rates). As such, the historic volatilities of the individual risk factors and the historically implemented correlations between the individual risk factors are directly included in 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.

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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 in the statement of comprehensive income.

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, revolving tranches with different terms to maturity are compiled using the replicating portfolio method so as to measure and control margin variability.

Customer deposits are invested both in the money market (repo and custody transactions) and in the capital market, where consideration is given mainly to fixed-rate 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 optimise 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 2012 and 2011 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. Compared with the previous year’s annual report, the value-at-risk values for each risk factor are now reported excluding diversification effects. The corresponding prior-year values are shown in parentheses. Excluding the diversification effects of other risk factors, the interest rate VaR of PostFinance’s banking book was 26.6 million as at 31 December 2012 (previous year: 24.0 million francs). The interest rate VaR of the trading book represented a risk of 0.0 million francs – no risk – at the end of the reporting period (previous year: 0.0 million francs).

– Foreign currency risk

The term “foreign currency risk” refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. The currency risks faced by Swiss Post result from financial assets and business operations.

The values from the following “Financial instruments by currency” table correspond to the balance sheet values. Currency risks that result from financial assets in foreign currency are immunised against exchange rate fluctuations by hedging the associated cash flows in foreign currency (coupons and par value repayment) with maturity-matching currency swaps as well as currency futures. Currency swaps and interest rate swaps as well as currency futures are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Market risks arising from currency transactions are measured and managed daily, at the level of both the individual portfolio and the overall balance sheet, using the value-at-risk method. Excluding the diversification effects of other risk factors, the currency VaR of PostFinance’s banking book was 8.1 million francs on 31 December 2012 (previous year: 6.8 million francs). The currency VaR in the banking book was 22.3 million francs as at the balance sheet date (previous year: 18.5 million francs).

Financial instruments by currency (Group)

CHF million

31 December 2012	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	2,023	122	0	0	1	2,146
Receivables due from banks	44,856	66	365	33	38	45,358
Interest-bearing amounts due from customers	93	0	0	0	0	93
Trade accounts receivable	600	323	10	34	78	1,045
Other receivables	887	58	3	8	0	956
Financial assets	64,059	2,512	536	117	133	67,357
Held for trading and derivatives	24	50	19	1	0	94
Held to maturity	50,162	2,115	90	–	–	52,367
Available for sale	2,348	289	427	116	133	3,313
Loans	11,525	58	–	–	–	11,583
Liabilities						
Customer deposits (PostFinance)	107,601	2,408	454	32	36	110,531
Other financial liabilities	1,324	46	1	0	1	1,372
Trade accounts payable	354	283	2	5	81	725
Other liabilities	766	51	2	8	1	828
31 December 2011						
	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	1,943	123	0	0	1	2,067
Receivables due from banks	30,509	551	380	43	51	31,534
Interest-bearing amounts due from customers	81	–	–	–	–	81
Trade accounts receivable	554	258	13	24	78	927
Other receivables	987	70	4	7	3	1,071
Financial assets	66,789	2,480	301	46	13	69,629
Held for trading and derivatives	3	99	24	0	1	127
Held to maturity	54,147	1,985	102	–	–	56,234
Available for sale	543	339	175	46	12	1,115
Loans	12,096	57	–	–	–	12,153
Liabilities						
Customer deposits (PostFinance)	97,496	2,649	475	33	54	100,707
Other financial liabilities	9	9	1	2	1	22
Trade accounts payable	354	213	3	5	76	651
Other liabilities	809	49	3	11	2	874

– Equity price risk

The equity price risk is understood to be the risk of loss resulting from value changes in equity indices or individual equities.

PostFinance has invested in equities since 2005 for the purposes of diversification, which means that it is exposed to the equity price risk. The equity price risk is monitored and limited with VaR measurement. Limits are monitored on a daily basis. The equity VaR in PostFinance's banking book was 53.4 million francs on 31 December 2012 (previous year: 21.7 million francs). No equities were held for trading in either financial year 2012 or 2011.

Including the diversification effects among the risk factors, the VaR for the entire banking book was 48.1 million francs as at 31 December 2012 (previous year: 28.8 million francs). Across all risk factors, the VaR in the trading book was 8.1 million francs at the end of the reporting period (previous year: 6.8 million francs). In terms of total market risk in the banking and trading books, the VaR amounted to 56.2 million francs as at 31 December 2012 (previous year: 35.6 million francs).

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– 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. Among other things, limits apply at counterparty, portfolio and rating structure level and also to country risks. 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 recognised rating agencies and qualified banks.

Rating structure of fixed-rate financial assets ¹	31.12.2012	31.12.2011
Rating category in percent		
AAA	77	79
AA	16	16
A	5	4
<A	2	1

¹ Includes receivables due from banks (excluding secured loans) and financial assets; 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 counterparties ¹	31.12.2012	31.12.2011
CHF million		
Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich	9,478	8,783
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	3,139	3,373
Swiss Confederation, Berne	2,366	2,504

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

The following financial commitments exist in the most affected EU countries (PIIGS):

Financial assets in the PIIGS states	31.12.2012	31.12.2011
Carrying amounts in CHF million		
Spain	669	777
Ireland	276	179
Italy	43	43
Greece	8	8
Portugal	0	0

In 2012, repayments due on prescribed dates totalled 208 million francs, and were made within the prescribed time limit (previous year: 491 million francs).

Lending business

The mortgage lending solutions offered in cooperation with Münchener Hypothekbank eG (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank. Since autumn 2009, PostFinance has worked with Valiant Bank AG on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its customer offering in the retail financial market. Since autumn 2010, PostFinance has also worked with Valiant Bank on mortgage lending to private customers. The credit risks resulting from the two areas of cooperation are assumed by Valiant Bank.

Liquidity risk

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 asset side of the balance sheet based on replicating portfolios. Products with no maturity account for around 97 percent (previous year: 90 percent) of the liabilities side of PostFinance's 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 (BBB ratings and higher) means that the securities can be used as collateral at any time in order to obtain liquidity. See also Note 27, 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.

Organisation

PostFinance operates an operational risk management system that is controlled 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 Management Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of the operational risk management policy.

Each department and team functions as its own decentralised operational risk controller, gathering the relevant information in its role as coordinator for its organisational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses.

A decentralised operational risk manager is responsible for each of the largest operational risks at PostFinance (2012: six 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 Management Committee for Internal Control (GLA IK), on a quarterly basis.

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Tools

PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data 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 Management Committee for Internal Control (GLA IK) to obtain a good overview of the company's entire risk position.

In addition, the measures decided upon by the Management Committee for Internal Control (GLA IK) to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralised units to promptly identify any change in the risk position.

Reporting

The Management Committee for Internal Control (GLA IK) receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, Swiss Post's Board of Directors is notified of PostFinance's risk position on a regular basis via the Board of Directors' PostFinance 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 appropriate return for the owner;
- to achieve the strategic objectives set by the owner with regard to increasing the value of the company;
- to guarantee 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 5,625 million francs (previous year: 4,879 million francs).

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Acctg. method	Segment	Company	Domicile	Endowment or share capital		Equity interest in percent	
				Currency	in 000s	as at 31.12.2012	as at 31.12.2011
Switzerland							
F	1-7	Swiss Post (parent)	Berne	CHF	1,300,000		
F	1	Presto Presse-Vertriebs AG	Berne	CHF	100	100*	100*
F	1	Epsilon SA	Lancy	CHF	100	100*	100*
F	1	PostMail Ltd	Berne	CHF	100	100*	100*
F	1	Direct Mail Company AG ¹	Basel	CHF	420	100*	–
F	1	Direct Mail Logistik AG ¹	Basel	CHF	100	100	–
F	1	IN-Media AG ²	Basel	CHF	100	100	–
F	1	Intermail AG ³	Zug	CHF	150	–	–
F	1	EDS Export & Distribution Services AG ⁴	Meilen	CHF	150	–	100
F	1	MDS Media Data Services AG ⁴	Kriens	CHF	200	–	100
F	1	Swiss Post International Holding Ltd	Berne	CHF	63,300	100*	100*
F	1	Swiss Post International Management Ltd	Berne	CHF	1,000	100	100
F	1	Edigroup SA ⁴	Chêne-Bourg	CHF	200	–	100
F	1	R & M Routage & Mailing SA ⁵	Chêne-Bourg	CHF	100	–	100
F	2	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100*	100*
F	2	SwissSign AG	Opfikon	CHF	450	100*	100*
F	4	Mobility Solutions Ltd	Berne	CHF	100	100*	100*
F	4	Mobility Solutions Management Ltd	Berne	CHF	100	85*	85*
F	4	PostLogistics Ltd	Dintikon	CHF	20,000	100*	100*
F	4	SecurePost Ltd	Oensingen	CHF	4,000	100*	100*
F	4	Dispodrom Ltd	Schlieren	CHF	2,000	100*	100*
F	4	IT ServiceHouse Ltd	Köniz	CHF	100	100*	100*
F	4	Swiss Post International Logistics Ltd	Basel	CHF	1,000	100*	100
F	4	Swiss Post SAT Holding Ltd	Berne	CHF	2,000	100*	100
F	5	PostFinance Ltd	Berne	CHF	100	100*	100*
F	5	Debitoren Service AG	Berne	CHF	1,000	100*	100*
F	6	PostBus Switzerland Ltd ⁶	Berne	CHF	72,000	100*	100*
F	6	velopass SARL ⁷	Lausanne	CHF	21	100	–
F	7	InfraPost AG	Berne	CHF	1,000	100*	100*
F	7	Post CH Ltd ⁸	Berne	CHF	100	100*	–
F	7	Post Real Estate Ltd ⁸	Berne	CHF	100	100*	–
E	1	Direct Mail Company AG ⁹	Basel	CHF	420	–	50*
E	1	Direct Mail Logistik AG ⁹	Basel	CHF	100	–	50*
E	1	AZ Vertriebs AG	Aarau	CHF	100	25	25
E	1	search.ch AG ¹⁰	Zug	CHF	100	25*	25*
E	1	SCHAZO AG	Schaffhausen	CHF	300	50	50
E	1	SÜDOSTSCHWEIZ PRESSEVERTRIEB AG	Chur	CHF	100	35	35
E	1	DMB Direct Mail Biel-Bienne AG ¹¹	Biel/Bienne	CHF	100	50	–
E	1	Asendia Holding Ltd ¹²	Berne	CHF	100	50	–
E	4	TNT Swiss Post AG	Buchs (AG)	CHF	1,000	50*	50
E	5	SIX Interbank Clearing AG	Zurich	CHF	2,100	25*	25*
E	6	Sensetalbahn AG	Laupen	CHF	2,890	34	34*
E	6	Société des Auto-transports du Pied du Jura Vaudois S.A.P.J.V.	L'Isle	CHF	1,200	35	35*

* Equity interest is held by Swiss Post, the parent.

1 Purchase of shares (50 percent) acquired with effect from 6.1.2012.

2 Purchase of shares and takeover of control of Direct Mail Company AG and Direct Mail Logistik AG with effect from 6.1.2012.

3 Shares (100 percent) acquired on 6.1.2012. Merger with Direct Mail Company AG on 3.4.2012 with retroactive effect to 29.2.2012.

4 Inclusion of the joint venture Asendia on 6.7.2012 retroactive to 1.7.2012.

5 Merger with Edigroup SA on 22.5.2012 retroactive to 1.1.2012.

6 Increase in capital of 47 million francs with effect from 20./25.6.2012.

7 Shares (100 percent) acquired on 25.4.2012 retroactive to 1.1.2012.

8 Established on 12.7.2012.

9 Purchase of shares (50 percent) on 6.1.2012. Company will be newly fully consolidated.

10 New head office, previously Küssnacht (SZ).

11 Purchase of shares (50 percent) and takeover of control of Direct Mail Company AG and Direct Mail Logistik AG with effect from 6.1.2012.

12 Establishment of Joint Venture with French La Poste (share 50 percent) with effect from 6.7.2012.

Acctg. method

F = fully consolidated
E = accounted for under the equity method

Segment

1 = PostMail
2 = Swiss Post Solutions
3 = Post Offices & Sales
4 = PostLogistics

5 = PostFinance
6 = PostBus
7 = Other

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Acctg. method	Segment	Company	Domicile	Currency	Endowment or share capital in 000s	Equity interest in percent as at 31.12.2012	Equity interest in percent as at 31.12.2011
Belgium							
F	1	Swiss Post International Belgium BVBA ¹	Vilvoorde	EUR	20	–	100
F	1	Edigroup Belgique SPRL ¹	Brussels	EUR	19	–	100
China							
F	1	Swiss Post International Hong Kong Ltd ¹	Hong Kong	HKD	10	–	100
Germany							
F	1	Swiss Post International Germany GmbH ¹	Troisdorf	EUR	100	–	100
F	1	Swiss Post International Operations GmbH & Co. KG ¹	Dietzenbach	EUR	1,176	–	100
F	1	Swiss Post International Operations Verwaltungs-GmbH ¹	Dietzenbach	EUR	25	–	100
F	1	PrimeMail GmbH ¹	Hamburg	EUR	1,000	–	50
F	2	CF Card Factory GmbH	Hessisch-Lichtenau	EUR	500	51	51
F	2	Client Vela GmbH	Munich	EUR	31	100	100
F	2	Fortuna Beteiligungs GmbH	Bamberg	EUR	50	100	100
F	2	Swiss Post Solutions GmbH ²	Munich	EUR	50	–	100
F	2	Swiss Post Solutions GmbH ³	Bamberg	EUR	5,000	38.3/60	38.3/60
F	2	GHP Immobilien GmbH & Co. KG ⁴	Bamberg	EUR	200	–	100
F	2	GHP Immobilien Verwaltungs GmbH ⁵	Bamberg	EUR	25	–	100
F	2	Swiss Post Solutions Holding GmbH	Bamberg	EUR	25	100*	100*
F	2	Swiss Post Solutions GmbH (formerly systemform MediaCard GmbH)	Prien	EUR	1,050	100	100
F	2	Swiss Post Solutions GmbH ⁶	Waltershausen	EUR	1,026	–	100
F	2	Swiss Post Solutions GmbH	Pulsnitz	EUR	100	100*	100*
F	4	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
F	4	Zollagentur Imlig GmbH	Rheinfeldern	EUR	25	100*	100
E	2	eSourceONE GmbH	Hallstadt	EUR	25	50	50
E	2	MEILLERGHP GmbH (previously: meiller GHP GmbH)	Schwandorf	EUR	280	35	35
E	5	Swiss Euro Clearing Bank GmbH	Frankfurt am Main	EUR	10,000	25*	25*
France							
F	1	Swiss Post International (France) SAS ¹	Chassieu	EUR	300	–	100
F	1	G.P.A. Gestion & Promotion d'Abonnements SARL ¹	Gaillard	EUR	20	–	100
F	2	Swiss Post Solutions Holding SAS	Paris	EUR	32,213	100*	100*
F	2	Swiss Post Solutions SAS ⁷	Paris	EUR	3,914	–	100
F	4	Société d'Affrètement et de Transit S.A.T. SAS	Bartenheim	EUR	200	100	100
F	4	Société de Transports Internationaux S.T.I. SARL	Bartenheim	EUR	8	100	100
F	4	SCI S.A.T.	Bartenheim	EUR	1	100	100

* Equity interest is held by Swiss Post, the parent.

1 Inclusion of the joint venture Asendia on 6.7.2012 retroactively to 1.7.2012.

2 Merger with Swiss Post Solutions GmbH, Bamberg as at 11.9.2012.

3 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.

4 Merger with Swiss Post Solutions GmbH, Bamberg as at 23.1.2012.

5 Merger with Swiss Post Solutions GmbH, Bamberg as at 19.1.2012.

6 Merger with Swiss Post Solutions GmbH, Bamberg as at 11.9.2012.

7 Merger with Swiss Post Solutions Holding SAS Paris, as at 31.12.2012.

Acctg. method

F = fully consolidated
E = accounted for under the equity method

Segment

1 = PostMail
2 = Swiss Post Solutions
3 = Post Offices & Sales
4 = PostLogistics

5 = PostFinance
6 = PostBus
7 = Other

Acctg. method	Segment	Company	Domicile	Endowment or share capital		Equity interest in percent	
				Currency	in 000s	as at 31.12.2012	as at 31.12.2011
France (continued)							
F	6	CarPostal France SAS ¹	Saint-Priest	EUR	200	100	100*
F	6	CarPostal Bourg-en-Bresse SAS	Bourg-en-Bresse	EUR	190	100	100
F	6	CarPostal Haguenau SAS	Haguenau	EUR	464	100	100
F	6	CarPostal Obernai SAS	Obernai	EUR	50	100	100
F	6	CarPostal Interurbain SAS ²	Voreppe	EUR	250	100	100
F	6	CarPostal Mâcon SAS	Mâcon	EUR	300	100	100
F	6	CarPostal Dole SAS	Dole	EUR	300	100	100
F	6	CarPostal Foncière SCI ³	Saint-Priest	EUR	50	100	100
F	6	CarPostal Villefranche-sur-Saône SAS ⁴	Arnas	EUR	150	100	100
F	6	CarPostal Agde SAS	Agde	EUR	250	100	100
F	6	CarPostal Bourgogne Franche-Comté SAS	Mâcon	EUR	300	100	100
F	6	CarPostal Méditerranée SAS	Agde	EUR	420	100	100
F	6	CarPostal Pyrénées SAS ⁵	Saint-Priest	EUR	250	100	100
F	6	Holding Rochette Participations SAS ⁶	Montverdun	EUR	400	100	–
F	6	Archimbaud Frères SARL ⁶	Juré	EUR	8	100	–
F	6	Rochette Plaine SARL ⁷	Montverdun	EUR	277	–	–
F	6	Rochette Nord SARL ⁶	Montverdun	EUR	124	100	–
F	6	Caporin Voyages SARL ⁶	Saint-Etienne	EUR	546	100	–
United Kingdom							
F	1	Swiss Post International (UK) Ltd ⁸	Hounslow, Middlesex	GBP	500	–	100
F	2	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100*	100*
Italy							
F	1	Swiss Post Porta a Porta S.p.A. ⁹	Milan	EUR	2,000	–	80
F	2	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
Ireland							
F	2	FMC Insights Limited ¹⁰	Cork	EUR	0	100*	100*
Liechtenstein							
F	6	PostAuto Liechtenstein Anstalt (formerly PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt) ¹¹	Vaduz	CHF	1,000	100	100*
F	7	Swiss Post Insurance AG	Vaduz	CHF	30,000	100*	100*
E	7	Liechtensteinische Post AG	Vaduz	CHF	5,000	25*	25*
Malaysia							
F	1	Swiss Post International Malaysia Sdn Bhd ⁸	Selangor	MYR	100	–	100
The Netherlands							
F	1	Swiss Post International Netherlands B.V. ⁸	Son en Breugel	EUR	20	–	100
Norway							
F	1	Swiss Post International Norway AS ⁸	Son	NOK	100	–	100
Austria							
F	1	Swiss Post International Austria GmbH ⁸	Biedermannsdorf	EUR	51	–	100
F	2	Swiss Post Solutions GmbH ¹²	Vienna	EUR	35	100*	100*

* Equity interest is held by Swiss Post, the parent.

1 New head office, previously Dole.

2 New head office, previously Narbonne.

3 New head office, previously Bourg-en-Bresse.

4 New head office, previously Gleize.

5 New head office, previously Narbonne.

6 Acquisition of Rochette Group (100 percent) on 27.2.2012.

7 Acquisition of Rochette Group (100 percent) on 27.2.2012.

8 Merger with Caporin Voyages SARL on 1.8.2012 retroactive to 1.1.2012.

9 Inclusion of the joint venture Asendia on 6.7.2012 retroactive to 1.7.2012.

10 Acquisition of non-controlling interest of 20 percent on 9.2.2012.

11 Inclusion of the joint venture Asendia on 6.7.2012 retroactive to 1.7.2012.

12 New head office, previously Dublin.

13 Capital increase of 0.97 million francs on 20.12.2012.

14 New head office, previously Biedermannsdorf.

Acctg. method

F = fully consolidated

E = accounted for under the equity method

Segment

1 = PostMail

2 = Swiss Post Solutions

3 = Post Offices & Sales

4 = PostLogistics

5 = PostFinance

6 = PostBus

7 = Other

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Acctg. method	Segment	Company	Domicile	Currency	Endowment or share capital in 000s	Equity interest in percent as at 31.12.2012	Equity interest in percent as at 31.12.2011
Sweden							
F	1	Swiss Post International Scandinavia AB ¹	Stockholm	SEK	105	–	100
Singapore							
F	1	Swiss Post International Singapore Pte Ltd ¹	Singapore	SGD	400	–	100
Slovakia							
F	2	Swiss Post Solutions s.r.o.	Bratislava	EUR	15	100	100
Spain							
F	1	Allied Business Company of Mail Servicios Postales Internacionales España S.L. ¹	Coslada	EUR	3	–	100
F	1	Mail Partners Spain S.L. ¹	Coslada	EUR	3	–	100
USA							
F	1	Priority Post Company Inc. ¹	Emigsville, PA	USD	3	–	100
F	2	Swiss Post Solutions Inc.	New York	USD	45	100	100
F	2	Swiss Post US Holding Inc.	New York	USD	10,100	100*	100*
Vietnam							
F	2	GHP Far East Co. Ltd	Ho Chi Minh City	VND	1,821,446	86	86

* Equity interest is held by Swiss Post, the parent.

¹ Inclusion of the joint venture Asendia on 6.7.2012 retroactive to 1.7.2012.

Acctg. method
F = fully consolidated
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Segment
1 = PostMail
2 = Swiss Post Solutions
3 = Post Offices & Sales
4 = PostLogistics

5 = PostFinance
6 = PostBus
7 = Other

35 | Changes in the consolidated Group

Year 2012

On 6 January 2012, Swiss Post, the parent, acquired 100% of Direct Mail Company AG and Direct Mail Logistik AG. Up until this point, Swiss Post had held a 50 per cent share of these companies. With the acquisition of all the shares in Intermail AG, which holds the remaining 50 per cent of both companies, Swiss Post is now sole shareholder of Direct Mail Company AG and Direct Mail Logistik AG. All shares in IN-Media AG as well as 50 percent of DMB Direct Mail Biel-Bienne AG were acquired at the same time. The Direct Mail Company Group, whose headquarters are in Basel, provides products and services in direct marketing and the delivery of unaddressed items. Throughout Switzerland and at locations in Lausanne, Biel, Thun, Zurich, Domat/Ems and Niederbipp, the DMC Group employs 135 salaried employees and 2,500 part-time staff.

GHP Immobilien Verwaltungs GmbH was accrued to Swiss Post Solutions GmbH, Bamberg on 19 January 2012 and GHP Immobilien GmbH & Co. KG was merged with Swiss Post Solutions GmbH, Bamberg on 23 January 2012.

On 9 February 2012, the remaining shares (20 percent) in Swiss Post Porta a Porta S.p.A. were acquired. This meant that Swiss Post held 100 percent of the share capital of Swiss Post Porta a Porta S.p.A. until the company's disposal in July 2012. The resulting difference from the sale of minority interests is reported directly in equity.

CarPostal France SAS took over all the shares of the Rochette company group on 27 February 2012. The family company specialises in passenger transport in the Loire area. With this takeover, the company is able to strengthen its presence in the local public transport network in France. The Group, which is based in the Saint-Etienne area, constitutes the holding company Rochette Participations SAS and the four transport companies, Archimbaud Frères SARL, Rochette Plaine SARL, Rochette Nord SARL

and Caporin Voyages SARL, which provide 90 percent of their services on scheduled routes. The Rochette Group currently has 140 employees.

As of 29 February 2012, Direct Mail Company AG took over the delivery operations of AWZ AG and its subsidiary, ADZ Agentur für Direktwerbung AG, which terminated its delivery operations as of this date. This part of the company provides products and services within direct marketing and operates in the Berne, Aargau/Solothurn, Zug and Ticino areas, employing around 1,500 staff.

Intermail AG was merged with Direct Mail Company AG on 3 April 2012 with retroactive effect as of 29 February 2012.

On 25 April 2012, PostBus Switzerland Ltd purchased all the shares in velopass SARL, which is headquartered in Lausanne. velopass SARL is currently the biggest bike-sharing provider in Switzerland and operates eleven networks of self-service bikes in over 20 cities in Western Switzerland and in Ticino. With this takeover, PostBus has become the new number one on the bike-sharing market in Switzerland. velopass SARL has a workforce of nine staff.

On 22 May 2012, R & M Routage & Mailing SA was merged with Edigroup SA with retroactive effect from 1 January 2012.

At PostBus Switzerland Ltd, headquartered in Berne, a capital increase of 47 million francs was conducted as at 25 June 2012.

Rochette Plaine SARL was merged with Caporin Voyages SARL on 1 August 2012 with retroactive effect to 1 January 2012.

Swiss Post Solutions GmbH, Munich and Swiss Post Solutions GmbH, Waltershausen were merged with Swiss Post Solutions GmbH, Bamberg, on 11 September 2012.

As at 1 November 2012, PostLogistics Ltd took over warehousing logistics and small goods transport of the transport company, GATRA AG, in Pfungen. Thanks to this takeover, PostLogistics is able to position itself better in the greater Zurich area and will have better access to Southern Germany. The takeover includes customers as well as about 20 members of staff.

On 20 December 2012, capital was increased at PostBus Liechtenstein Anstalt, headquartered in Vaduz, by 0.97 million francs.

Swiss Post Solutions SAS Paris was merged with Swiss Post Solutions Holding SAS Paris on 31 December 2012.

The year 2011

The operating activities of MCM Direct Limited, Southampton, Southern England were transferred to Swiss Post International (UK) Ltd, based in Hounslow, Middlesex, on 3 January 2011, and the application for deletion of the company as of 31 December 2011 was submitted to the UK authorities.

With effect from 3 January 2011, Swiss Post International Holding Ltd acquired all shares in two companies based in Switzerland and Germany that are non-material from a Group perspective. The Swiss company was merged with Swiss Post International Logistics Ltd on 15 July 2011 with retroactive effect to 3 January 2011.

On 22 June 2011, GBS + Temps GmbH was merged with Swiss Post Solutions GmbH, Waltershausen.

Hamburg-based PrimeMail GmbH withdrew from the letter and catalogue segment and reduced its operations in that segment considerably with effect from 1 July 2011. Although no new customer contracts will be signed, existing contracts will be continued until the end of their term.

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Swiss Post Solutions GmbH, Oberhausen was merged on 2 August 2011 with Swiss Post Solutions GmbH, Munich and Swiss Post Solutions GmbH, Dettingen was merged with Swiss Post Solutions GmbH, Bamberg on 5 September 2011.

Graphic Data (UK) Ltd was wound up on 11 October 2011.

On 1 December 2011 the remaining shares (34 percent) in Epsilon SA were acquired. Swiss Post now holds 100 percent of the capital stock in Epsilon SA. Swiss Post already owned the clear majority of shares with its holding of 66 percent. The difference resulting from the transactions was recognised directly in equity.

On 5 December 2011 all shares in FMC Insights Limited, Dublin, Ireland, were purchased. FMC offers IT-based solutions and services in the loyalty catalyst, promo analysis and data mining areas. The enterprise is an integrated part of the solutions portfolio of Swiss Post Solutions.

On 9 December 2011 the remaining shares (48 percent) of GHP Immobilien GmbH & Co. KG were acquired, giving Swiss Post a 100 percent holding. Swiss Post already owned the clear majority of shares with its holding of 52 percent. The difference resulting from the transactions was recognised directly in equity.

At PostBus Switzerland Ltd, headquartered in Vaduz, capital was increased by 5 million francs as at 23 December 2011.

Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated, based on temporary figures, in connection with acquisitions of subsidiaries:

Assets and liabilities arising from acquisitions	31 December 2012	31 December 2011
	Total fair values ¹	Total fair values ²
CHF million		
Cash and cash equivalents	2	4
Trade accounts receivable and other receivables	27	9
Inventories	0	–
Property, plant and equipment, intangible assets and investments	38	10
Other financial liabilities	–11	0
Trade accounts payable	–13	–6
Provisions and other liabilities	–25	–4
Fair value of net assets	18	13
Goodwill	18	4
Cash and cash equivalents acquired ³	–2	–4
Fair value of existing investments ⁴	–9	–
Purchase price payments falling due at a later date (earn-outs)	0	–2
Payment of liabilities from acquisitions in previous years	0	0
Net cash outflow for acquisitions	25	11

1 Composition: Direct Mail Company AG, Direct Mail Logistik AG, IN-Media AG, business unit AWZ-Gruppe, Holding Rochette Participations SAS, Archimbaud Frères SARL, Rochette Plaine SARL, Rochette Nord SARL, Caporin Voyages SARL, velopass SARL, business unit, GATRA AG.

2 Composition: Zollagentur Imlig AG, Zollagentur Imlig GmbH, FMC Insights Limited.

3 Composition: Cash and current receivables due from banks.

4 Shares already held in Direct Mail Company AG and Direct Mail Logistik AG were remeasured at fair value.

The acquisition costs for the companies acquired in 2012 and for parts of companies amount to a total of 27 million francs. The amount was largely settled in cash and cash equivalents. The purchase price payments (earn-outs) which will be due at a later date, amount to roughly 0.1 million francs and are therefore not material in nature.

The goodwill arising from these transactions consists of assets that are not separately identifiable or cannot be reliably determined, primarily acquired expertise and synergies expected within the Group. Goodwill is not tax deductible.

The directly attributable acquisition expense amounts to less than 0.4 million and is recognised in the statement of comprehensive income under "Other operating expenses".

Since the acquisition date, the acquired entities have contributed 129 million francs to operating income.

Overall, the effects on the consolidated financial statements of the above acquisitions are not material in nature.

Assets and liabilities arising from disposals

The following assets and liabilities were deconsolidated in connection with disposals of subsidiaries:

Assets and liabilities arising from disposals	31 December 2012	31 December 2011
	Total carrying amount ¹	Total carrying amount
CHF million		
Cash and cash equivalents	27	–
Receivables	58	–
Inventories	0	–
Property, plant and equipment, intangible assets, investments and financial assets	62	–
Other financial liabilities	–9	–
Trade accounts payable	–34	–
Provisions and other liabilities	–51	–
Carrying amount of net assets disposed of	53	–
Proceeds from disposals	53	–
of which paid in cash and cash equivalents	–	–
Compensation payment	9	–
Loss from disposals ²	9	–

¹ Composition: EDS Export & Distribution Services AG, MDS Media Data Services AG, Edigroup SA, Swiss Post International Belgium BVBA, Edigroup Belgique SPRL, Swiss Post International Hong Kong Ltd, Swiss Post International Germany GmbH, Swiss Post International Operations GmbH & Co. KG, Swiss Post International Operations Verwaltungs-GmbH, PrimeMail GmbH, Swiss Post International (France) SAS, G.P.A. Gestion & Promotion d'Abonnements SARL, Swiss Post International (UK) Ltd, Swiss Post Porta a Porta S.p.A., Swiss Post International Malaysia Sdn Bhd, Swiss Post International Netherlands B.V., Swiss Post International Norway AS, Swiss Post International Austria GmbH, Swiss Post International Scandinavia AB, Swiss Post International Singapore Pte Ltd, Allied Business Company of Mail Servicios Postales Internacionales España S.L., Mail Partners Spain S.L., Priority Post Company Inc.

² Losses from disposals were reported in financial expenses in the statement of comprehensive income.

The net outflow of cash and cash equivalents, arising from disposals, amounted to 36 million francs. The subsidiaries disposed of were sold in exchange for shares in the joint venture, Asendia. A compensation payment was also made.

The share of the individual items in the statement of comprehensive income and the cash flow statement attributable to the subsidiaries disposed of was not material from a consolidated perspective.

There were no disposals of subsidiaries in the previous year.

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Companies founded and renamed

Year 2012

Post CH Ltd and Post Real Estate Ltd were founded on 8 July 2012.

systemform MediaCard GmbH, based in Prien, was renamed Swiss Post Solutions GmbH on 31 December 2012.

Year 2011

meiller GHP GmbH, based in Schwandorf, was renamed MEILLERGHP GmbH on 7 June 2011.

PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt changed its name to PostAuto Liechtenstein Anstalt and simultaneously relocated its head office from Triesen to Vaduz on 1 December 2011.

On 22 October 2011 Swiss Post International Norway AS, based in Son (Vestby, Norway), was established.

36 | Non-current assets held for sale

“Non-current assets held for sale” are no longer systematically amortised and will probably be sold within one year.

Non-current assets held for sale		Other property, plant and equipment		Total
CHF million	Operating property			
As at 1.1.2012	0	1		1
Additions arising from reclassifications in accordance with IFRS 5	1	5		6
Disposals	0	-6		-6
As at 31.12.2012	1	0		1
As at 1.1.2011	2	1		3
Additions arising from reclassifications in accordance with IFRS 5	0	6		6
Disposals	-2	-6		-8
As at 31.12.2011	0	1		1

37 | Key exchange rates

The following exchange rates were applied in translating the financial statements of foreign subsidiaries into Swiss francs:

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2012	31.12.2011	31.12.2012	31.12.2011
1 euro	EUR	1.21	1.22	1.21	1.23
1 US dollar	USD	0.92	0.94	0.94	0.89
1 pound sterling	GBP	1.48	1.45	1.49	1.42

38 | Events after the reporting period

Adjusting events

Prior to the approval of the 2012 consolidated annual financial statements by Swiss Post's Board of Directors on 18 March 2013, 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.

Acquisitions of subsidiaries between 1 January and 18 March 2013

Prior to the approval of the present 2012 annual financial statements by Swiss Post's Board of Directors on 18 March 2013, no significant acquisitions were made that would have to be disclosed in this section of the Report.

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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 58 to 124 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 2012.

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 2012 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

Orlando Lanfranchi	Stefan Andres
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Gümligen-Berne, 18 March 2013

Swiss Post (parent)**Income statement**

Income statement CHF million	2012	2011
Net sales from logistics services	4,019	3,938
Net sales from resale merchandise	547	577
Income from financial services	2,389	2,440
Other operating income	243	275
Total operating income	7,198	7,230
Staff costs	-3,189	-3,214
Resale merchandise and service expenses	-1,387	-1,345
Expenses for financial services	-560	-674
Depreciation of property, plant and equipment and amortisation of intangible assets	-226	-216
Other operating expenses	-1,052	-1,085
Total operating expenses	-6,414	-6,534
Operating result	784	696
Financial income	58	58
Financial expenses	-86	-143
Profit before tax	756	611
Income taxes	-24	-
Profit for the year	732	611

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Balance sheet

Balance sheet CHF million	31.12.2012	31.12.2011
Assets		
Cash	2,068	2,024
Receivables due from banks	45,310	31,462
Interest-bearing amounts due from customers	94	81
Trade accounts receivable	863	847
Other receivables	871	982
Inventories	67	65
Non-current assets held for sale	1	1
Financial assets	67,329	69,606
Investments	320	211
Property, plant and equipment	2,163	2,099
Intangible assets	82	78
Total assets	119,168	107,456
Liabilities		
Customer deposits (PostFinance)	110,571	100,738
Other financial liabilities	1,542	146
Trade accounts payable	658	572
Other liabilities	550	601
Provisions	160	144
Total liabilities	113,481	102,201
Endowment capital	1,300	1,300
Reserves	3,655	3,344
Profit for the year	732	611
Total equity	5,687	5,255
Total liabilities	119,168	107,456

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 proposal on the appropriation of profit for the year comply with the Postal Organization Act (POG Arts. 11 and 12).

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, Swiss Post International, Swiss Post Solutions, service (Real Estate, Information Technology, Group Purchasing and Language Services) and the management units (incl. Finance, Human Resources, Communications). The figures for the PostBus accounting unit were reconciled retroactively from 1 January 2012 to PostBus (Switzerland) Ltd and are therefore no longer included in these financial statements as of 31 December 2012.

The subsidiaries controlled by the parent are not consolidated but carried in the balance sheet under "Investments" at cost less any necessary impairment.

Differences in accounting policies compared with the IFRS consolidated financial statements

The financial statements of Swiss Post were largely 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 amortised 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 recognised and presented under "Expenses for financial services". Loans granted by the parent to subsidiaries are carried in the balance sheet at amortised cost less any necessary impairment. Impairment charges are recognised under "Financial expenses". Derivatives (positive fair values) are assessed at the lowest value.

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 employee benefit expenses recognised at Swiss Post, the parent, 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 recognised when they are incurred; provisions are not recognised systematically over the years of service of employees.

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Reconciliation of profit

The aforementioned differences in accounting policies for the result of Swiss Post, the parent, in accordance with the Swiss Code of Obligations (CO)/POA versus those applied in the IFRS consolidated financial statements are as follows:

Reconciliation of profit CHF million	2012	2011
Swiss Post profit for the year under CO/POA	732	611
Reversal of impairment of receivables, loans and investments in subsidiaries	-17	-19
Impairment of receivables, loans and investments in subsidiaries	97	140
Foreign exchange losses/(gains) on loans classified as equity	-12	2
Measurement of derivatives at the lower of cost or market value (positive fair values)	-26	-57
Recognition/reversal through profit or loss of impairment of available-for-sale bonds (Income/expense from financial services)	-40	2
Amortisation of other intangible assets	10	10
Reversal of employee benefit provisions no longer required	-	-34
Non-application of IAS 19 at Swiss Post under Swiss Code of Obligations/POA	-26	88
Transfer to the employer's reserve ¹	150	150
Swiss Post profit for the year under IFRSs	868	893

¹ Transfer by Swiss Post, the parent to the employer's reserve of the Swiss Post pension fund.

Risk management

Risk management system

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 (PostFinance, PostMail, PostLogistics, Swiss Post Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate the monitoring of risks by the risk owners and reporting both to their management and to the Group risk manager. At a functional level, they report to the management and are responsible for providing independent risk control. The risk managers monitor the necessary controls and limits as well as the positions and potential risks. The risk management process ensures that all detectable 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, communications/reputation and legal aspects.

The risk management process is coordinated with 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 Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk situation

At the Group level, Swiss Post identified and assessed ten top risks in 2011, with which the Executive Management and the Board of Directors are dealing actively, and which they are controlling as far as possible using defined procedures. These risks each entail potential losses of at least CHF 50 million. Three concern (political) operating conditions, three are market-related and four are endogenous risks. The risk situation tends to have remained stable in comparison with the previous year.

Twelve potential risks are being monitored as a precaution and, wherever possible, controlled actively (e.g. pandemic, natural hazards, questions regarding demography).

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.

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Explanatory notes

Contingent liabilities

As at 31 December 2012, guarantees and guarantee obligations amount to 22 million francs (previous year: 21 million francs).

Under the system of group taxation for value added tax, Swiss Post, the parent (tax group leader) is liable in respect of all companies subject to group taxation.

On 31 December 2012, Letters of Comfort to third parties existed, deposited by Swiss Post, the parent.

Assets pledged as security for own obligations

On 31 December 2012 assets (bonds that are part of PostFinance's securities lending operations) with carrying amounts totalling some 8,513 million francs (previous year: 8,756 million francs) were pledged as collateral for own obligations.

Lease obligations

Lease obligations not recognised in the balance sheet (operating leases) totalled 309 million francs on 31 December 2012 (previous year: 322 million francs).

Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment total 5,418 million francs at 31 December 2012 (previous year: 5,327 million francs).

Investments

Please see Note 34, 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 recognised under "Financial expenses".

Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund totalled 4 million francs at 31 December 2012 (previous year: 5 million francs). A provision of 17 million francs was also recognised for the restructuring of the Swiss Post pension fund.

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 732 million francs be allocated as follows:

- 100 million francs to be deposited in the employer's reserve of the Swiss Post pension fund
- 200 million francs to be distributed to the owner
- 432 million francs to be allocated to the reserves of Swiss Post, the parent.

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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 126 to 132 of the financial report, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

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 2012 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

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 18 March 2013

Additional information about PostFinance

The following financial statements are based on the principles of the IFRS and include the PostFinance financial statements without including the subsidiaries and associates. Intra-Group transactions with other segments (including services purchased by Post Offices & Sales and PostMail) have not been eliminated.

Income statement

Income statement CHF million	2012	2011
Interest income		
Interest income on amounts due from banks	1	6
Interest income on securities lending and reverse repurchase transactions	11	22
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on financial assets	1,414	1,540
Interest expense		
Interest expense for customer deposits	-392	-461
Interest expense for amounts due to banks	0	-1
Interest expense on repurchase transactions	0	0
Net interest income	1,043	1,115
Change in impairment of financial assets	25	-83
Losses on payment transactions	-6	-8
Net interest income, net of impairment	1,062	1,024
Commission income on lending, securities and investment business	120	119
Commission income on other services	53	44
Income from services	543	542
Expenses from commission and services	-413	-404
Net services and commission income	303	301
Net trading income	148	146
Realised gains and losses on financial assets	23	5
Other operating income	-2	-2
Total operating income	1,534	1,474
Staff costs	-471	-446
General overheads	-426	-426
Depreciation and amortisation	-8	-10
Total operating expenses	-905	-882
Operating profit	629	592
Net investment income from associates	2	1
Income from intra-Group financing	-0	-2
Profit for the year	631	591

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Balance sheet

Balance sheet CHF million	31.12.2012	31.12.2011
Assets		
Cash and cash equivalents	2,068	2,024
Receivables due from banks	44,028	31,461
Interest-bearing amounts due from customers	93	81
Derivative financial instruments	94	127
Financial assets	67,040	69,269
Investments	15	15
Property, plant and equipment	47	34
Prepaid expenses	784	853
Other assets	570	473
Total assets	114,739	104,337
Liabilities		
Due to banks	34	1
Due to customers on Deposito and investment accounts	37,030	34,183
Other amounts due (to customers)	76,232	68,850
Derivative financial instruments	42	10
Deferred income	79	71
Provisions	5	5
Other liabilities	108	129
Total liabilities	113,530	103,249
Allocated equity ¹	500	500
Fair value reserves	75	-12
Hedging reserves	3	9
Profit for the year	631	591
Total equity	1,209	1,088
Total liabilities	114,739	104,337

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.

Reporting

Reporting structure

The Swiss Post annual reporting documents for 2012 include:

- Annual Report 2012
- Financial Report 2012 (management report, corporate governance, annual financial statements)
- Table of key figures (comprehensive set of key data)
- GRI index (contents in accordance with the requirements of the Global Reporting Initiative) and including confirmation of Global Reporting Initiative Application Level B+.

These documents are available in electronic form at www.swisspost.ch/annualreport. The Annual Report and Financial Report are also available in printed form.

Order

Additional print versions of the Annual Report and Financial Report can be ordered online at www.swisspost.ch/order-annualreport. Swiss Post employees may order copies through the usual channels.

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Five-year overview of key figures

		2012	2011	2010	2009	2008
Results						
Operating income	CHF m	8,582	8,599	8,736	8,558	8,980
generated in competition	% of operating income	84.1	84.0	83.2	80.8	79.6
generated abroad	% of operating income	11.9	12.7	13.9	16.3	17.9
Operating result	CHF m	890	908	930	721	812
generated abroad	% of operating income	3.0	5.7	2.6	4.9	4.0
Group profit	CHF m	859	904	910	728	825
Equity	CHF m	5,625	4,879	4,224	3,534	2,857
Value generation						
Economic value added	CHF million	308	390	452	272	416
Added value generated	CHF million	5,314	5,187	5,268	4,983	4,875
to employees	CHF million	4,131	4,026	4,076	4,032	3,873
to creditors	CHF million	23	14	20	14	22
to public sector	CHF million	34	13	12	9	10
to owner	CHF million	200	200	200	200	170
to company	CHF million	926	934	960	728	800
Jobs						
Headcount (excluding trainees)	Full-time equivalents	44,605	44,348	45,129	44,803	44,178
abroad	%	14.8	15.0	16.1	15.6	14.2
Trainees	Persons	2,015	1,942	1,824	1,690	1,571
Jobs in Switzerland	Swiss Post employees per 100 employees	1.37	1.31	1.34	1.33	1.30
Jobs in peripheral regions	Persons	20,172	20,418	20,603	20,776	21,319
Turnover rate (voluntary departures)	As % of average headcount	3.7	3.9	3.5	3.1	5.3
Notice given by employer for economic reasons	Persons	316	95	116	99	97
Employment conditions, salaries and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	62.7	64.3	65.4	66.5	71.2
Minimum salary Swiss Post CEC	CHF per annum	45,047	44,823	44,379	44,071	42,746
Average salary for employees	CHF per annum	82,554	81,293	81,082	80,361	78,141
Average remuneration paid to members of Executive Management	CHF per annum	515,441	504,986	495,590	491,200	492,781
Salary bandwidth*	Factor	6.2	6.2	6.1	6.1	6.3
Health management						
Occupational accidents	Number per 100 FTEs	7.3	6.9	7.5	6.5	6.3
Days lost to illness and accidents	Days per employee	11.0	10.8	10.5	10.4	10.7
Diversity						
Men	%	52.5	52.3	52.1	51.5	51.5
Women	%	47.5	47.7	47.9	48.5	48.5
Nationalities represented	Number	140	140	133	117	121
Women on Board of Directors	%	22.2	22.2	22.2	25.0	20.0
Women in Executive Management	%	11.1	0.0	0.0	0.0	0.0
Women in senior management	%	8.0	7.6	8.2	8.7	7.7
Women in lower and middle management	%	23.0	23.2	22.6	21.5	21.3
Demographics						
Average age of workforce	Years	44.7	44.4	44.2	43.4	43.2
Resource consumption						
Energy consumption	Gigajoules	3,199,878	3,131,103	3,224,440	3,158,211	3,265,716
Direct energy consumption (scope 1)	Gigajoules	2,638,709	2,561,346	2,593,125	2,520,381	2,579,871
Renewable share	%	0.01	0.91	0.47	0.47	0.40
Indirect energy consumption (scope 2–3)	Gigajoules	561,169	569,757	631,315	637,830	685,845
Renewable share	%	94	94	93	96	92
Carbon footprint (Scope 1–3)						
Carbon footprint	t CO ₂ -equivalent	460,464	449,366	459,857	447,721	465,196
CO ₂ -intensity of value added	t CO ₂ -equiv. per CHF million value added	86.7	86.6	87.3	89.8	95.4
CO ₂ -intensity of jobs	t CO ₂ -equiv. per full-time equivalent	9.9	9.7	9.8	9.6	10.2

* Average remuneration paid to Members of Executive Management vs. average employee salary.

Additional key figures and explanatory notes can be found in the table of figures, which is available to download at www.swisspost.ch/annualreport.

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