# INTERIM REPORT 2019
JANUARY TO JUNE

SWISS POST

# SIMPLE YET SYSTEMATIC – SWISS POST.

## 3,596 million

francs in **operating income** in the first half of 2019, down 64 million francs year-on-year.

## 193 million

francs in **Group profit**, down 25 million francs year-on-year.

## 918.5 million

With a fall of 5.5 percent, the volume of **addressed letters** posted in Switzerland declined in the first half of 2019.

## 71.0 million

Thanks to booming online retail, PostLogistics delivered 6.4 percent more **parcels** in Switzerland.

## 119.1 billion

francs, down by 2.7 percent, represents the level of **average customer assets** held by PostFinance.

## 63.0 million

PostBus again travelled 2.2 million additional **kilometres** in the first half of 2019 due to the continuing trend towards public transport use.

# Interim Report January to June 2019

**Foreword**
by **Alex Glanzmann,** Head of Finance

Our aim is to continue to finance the universal service from our own resources in the coming years.

**Dear Reader**

Swiss Post is the lifeline for communication and logistics in Switzerland. It is an essential partner when it comes to payment transactions. It is the backbone of mobility and the third largest employer in Switzerland. It is present not only in cities, but also in more rural areas. Yet the world around Swiss Post does not stand still. The market situation and customer requirements are changing, which is having an impact on demand for traditional postal services.

But Swiss Post still has a solid financial basis. The result has decreased again, however: operating profit (EBIT) has declined by 19 million francs to 269 million francs. At 193 million francs, Group profit is 25 million francs down year-on-year.

The first six months of the year were influenced above all by challenges in the market environment and pressure on the core business: significantly lower interest income at PostFinance once again and capital accumulation requirements, combined with falling letter volumes, are increasing the pressure on Swiss Post's result. Although the increase in parcel volumes is encouraging, high investments will be needed in processes and infrastructure in order to continue to ensure parcel processing of the usual high standard.

It does not seem realistic to expect any change in the trend relating to letter volumes or the interest rate situation in the medium term. It is more likely that parcel processing volumes will continue to rise. Pressure on the Group result will – based on our forecasts – rise significantly in the next ten years. This casts doubt on our ability to finance the universal service from our own resources in the medium term. That means that we must act now and strike out in new directions. There is a window of two to three years during which Swiss Post can react to the major challenges it faces and set a new course for the future. Swiss Post needs to develop further, and this is exactly what we are doing as we draw up the new strategy which will shape Swiss Post from 2021.

During the past six months, the first milestone has been set with the implementation of the cross-unit "Harmonization of value streams" programme: the Group's complex SAP landscape is being simplified and financial management standardized as a result. The harmonization of value streams will help transform Swiss Post and ensure much greater transparency.

As at 30 September 2019* Swiss Post also completed the sale of CarPostal France. It has found a trustworthy buyer in Keolis S.A., a subsidiary of the French rail company, SNCF. Swiss Post is thereby ending the foreign commitments of PostBus in France and keeping another promise made during the clarification of events surrounding PostBus.

Swiss Post has been providing a universal service of the highest quality for years. Virtually no other country in the world has a denser network of access points or offers better value for money or more reliable delivery. Swiss Post should continue to provide people and companies in Switzerland with added value in the future and make their lives easier. That is our aim: to create a sustainable, relevant and modern Swiss Post for Switzerland. To do so, we need sufficient entrepreneurial freedom. We are discussing this issue with the owner as part of the holistic analysis of Swiss Post.

On behalf of Executive Management, I would like to thank all our employees for their great commitment to Swiss Post in their daily work. I would also like to thank our customers for the confidence they show in us.

**Alex Glanzmann**
Head of Finance

* The publication of the Interim Report was postponed due to the process to sell CarPostal France.

Presentation of figures
The amounts shown in the report are rounded. 0 is a rounded amount, indicating that the original figure was less than half of the unit used. A dash (–) in place of a figure indicates that the value is zero.

True-to-scale representation of figures in diagrams
Diagrams are shown to scale to present a true and fair view:
20 mm is equivalent to one billion francs.
Exceptions to this scale are noted in each case.
Percentages in charts are standardized as follows:
Horizontal: 75 mm is equivalent to 100 percent.
Vertical: 40 mm is equivalent to 100 percent.

Key for diagrams
- Current year
- Previous year
- Difference with positive effect on result
- Difference with negative effect on result

If the figures shown (e.g. due to a change in method or change in the scope of consolidation) are not comparable with the more recent figures, this is shown as follows:
- Non-comparable prior-year figure
- Non-comparable difference with positive effect on result
- Non-comparable difference with negative effect on result

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

# MANAGEMENT REPORT

Swiss Post operates in the communication, logistics, financial services and passenger transport markets. It generates the majority of its revenue in competition. The minority is accounted for by letters weighing less than 50 grams, where Swiss Post is in competition with electronic services. 85 percent of operating income is generated in Switzerland.

# Key figures

The challenges facing Swiss Post are reflected in the operating profit of 269 million francs. The prior-year figure stood at 288 million francs. Contributions to operating profit remained stable and even improved in the financial services and passenger transport markets respectively. This was the result of ongoing low interest income, which was offset into the first half of 2019 by the positive development of financial assets in particular. Although lower operating profit was generated in the communication and logistics markets, these two markets continue to make a significant contribution to operating profit. The lower results were due to declining volumes and restructuring projects in the communication market, as well as higher expenses for the provision of additional capacities in the logistics market. Between 1 January and 30 June 2019 Swiss Post generated a Group profit of 193 million francs, 25 million francs down on the previous year.

## Specific reporting points

As part of the reorganization of the business activities of PostBus, Swiss Post decided to sell the CarPostal France Group. As a result, it must be classified as a disposal group held for sale and a discontinued operation. The figures were therefore adjusted accordingly for 2019 and retroactively for 2018 – with the exception of the Group balance sheet items for 2018 – to remove contributions from the CarPostal France Group, whose business performance is no longer commented on. Unless otherwise specified, the figures in the interim financial statements refer to continuing activities.

| **Group** \| Key figures<br>2019 with prior year for comparison | | 2018<br>1.1 to 30.6. | 2019<br>1.1 to 30.6. |
|---|---|---|---|
| **Result** | | | |
| Operating income [1] | CHF million | 3,660 | 3,596 |
| generated abroad and in cross-border business [1, 2] | CHF million | 529 | 533 |
| | % of operating income | 14.5 | 14.8 |
| Operating profit [1] | CHF million | 288 | 269 |
| As a share of operating income | % | 7.9 | 7.5 |
| generated abroad and in cross-border business [1, 2] | CHF million | 43 | 42 |
| | % of operating profit | 14.9 | 15.6 |
| Group profit | CHF million | 218 | 193 |
| **Employees** | | | |
| Headcount at Swiss Post Group [1] | Full-time equivalents | 39,866 | 39,444 |
| Abroad [1, 2] | Full-time equivalents | 6,009 | 6,154 |
| **Investments** | | | |
| Investments | CHF million | 198 | 195 |
| Other property, plant and equipment, intangible assets | CHF million | 84 | 129 |
| Operating property | CHF million | 33 | 41 |
| Investment property | CHF million | 11 | 21 |
| Interests | CHF million | 70 | 4 |
| Degree of self-financed investment | % | 100 | 100 |
| **Value generation** | | | |
| Cash flow from operating activities | CHF million | 4,096 | 2,050 |
| Economic value added | CHF million | 11 | 9 |
| **Financing** | | 31.12.2018 | 30.6.2019 |
| Total assets | CHF million | 124,202 | 125,598 |
| Customer deposits (PostFinance) | CHF million | 111,141 | 110,800 |
| Equity | CHF million | 6,732 | 6,962 |

1 Figures for 2018 have been adjusted (see Notes to the 2019 Group interim financial statements, Accounting changes and Discontinued operations).
2 Definition of "abroad" in accordance with the segmentation in the Financial Report.

# General developments

## The economy

Global economic signals continue to be mixed. The global economy picked up worldwide as expected, with all large economies recording above-average expansion. However, manufacturing output again tended to weaken in many countries, accompanied by subdued investment spending and a reduction in global goods trade. Domestic final demand temporarily lost momentum, partly as a result of uncertainty in connection with the increased volatility on the financial markets. Growth picked up in the eurozone, above all in Germany, while Italy reported a rise in economic performance for the first time in a year. Private consumption and gross fixed capital formation remained strong overall. The picture in the other major emerging economies remained mixed. In Switzerland, the pace of growth picked up as expected at the beginning of the year. Growth was broad-based across the different sectors of the economy. The main driver was manufacturing; however, value added also rose considerably in many of the services industries.

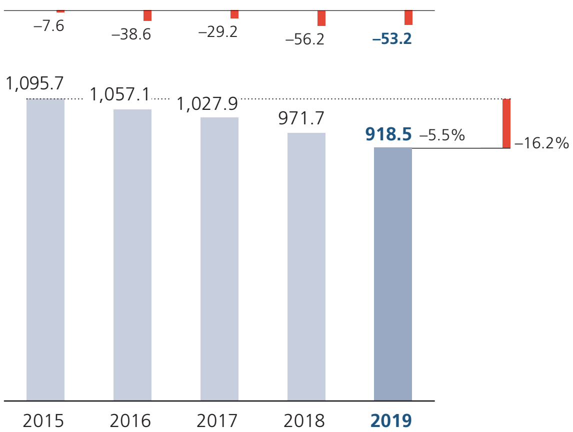
## Customers and sectors

### Communication market

Every day, Swiss Post handles around seven million addressed letters and half a million payments at the counter. Our products for private and business customers range from physical, hybrid or electronic letters and goods consignments to value-added services such as cash on delivery, registered letters and promotional mail. We face challenges because demand for physical services is falling. In the communication market the number of addressed letters was down 5.5 percent in the first half of 2019 and the number of payments processed declined by 6.3 percent year-on-year. The reliability and quality of these services continue to be guaranteed by the use of the latest technology and a mix of traditional and new access points. At Swiss Post Solutions, income from services provided rose by 5.9 percent year-on-year. The products offered by Swiss Post Solutions to help companies with the outsourcing of business processes and with innovative services in document solutions are meeting with growing demand and were expanded in July of last year to include the business process outsourcing HR processes business unit (payroll accounting, travel expense management and document processing).

Letter volumes continue to decline.

**Communication market | Addressed letters** in millions as at 30.6.
2015 to 2019
2015 = 100%

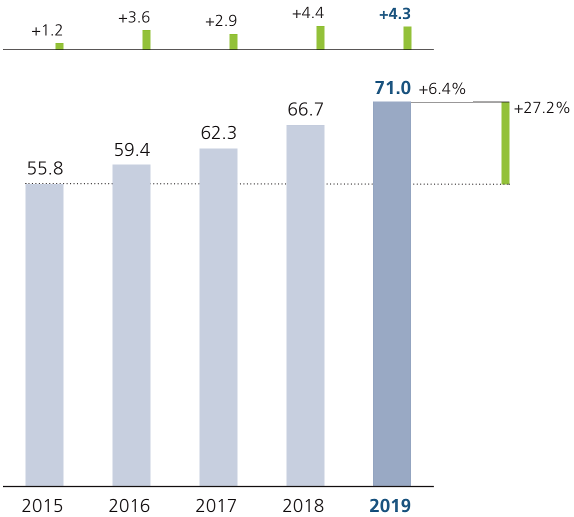


## Logistics market

We deliver over 500,000 parcels in Switzerland each working day on average, which makes us number one in the logistics market. Our comprehensive range of services in the national and international parcel business, digital/e-commerce, freight and warehousing, Innight, Courier and Express, fleet management, customs clearance and valuables logistics is experiencing increased demand. We are pleased to meet this demand by investing in new parcel centers, for example. Parcel volumes carried in Switzerland have grown year-on-year – as have import and export volumes. The overall increase stood at 6.4 percent.

Sustained growth in parcel volumes.

**Logistics market | Parcels** in millions as at 30.6.
2015 to 2019
2015 = 100%



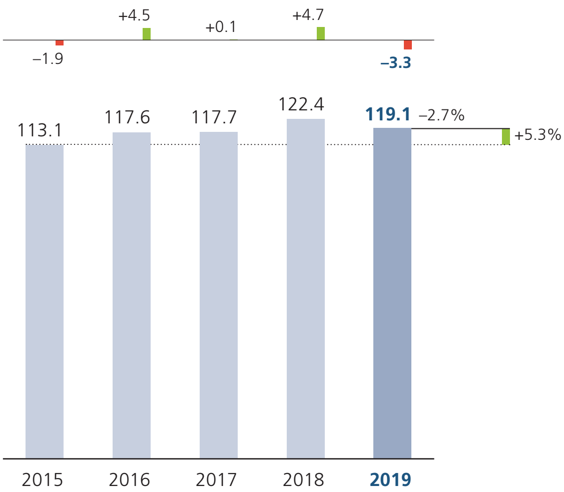

## Financial services market

We make a significant contribution to the functioning of the Swiss economy with payment transactions from PostFinance. In addition, we have a business relationship with virtually every household and SME in Switzerland. This obliges us to provide top performance, but also represents the basis for our motivation. The banking arm of Swiss Post is taking the current interest rates and changing customer requirements as an opportunity to consistently gear its strategy towards the transformation into a digital powerhouse. The aim is to help our customers manage their money as easily as possible.

No short-term measures can compensate for PostFinance's competitive disadvantage in not being able to issue its own loans and mortgages. In the medium to long term, new sources of revenue are being tapped into through innovation and the targeted expansion of business activities – particularly in the investment area.

## Slight reduction in customer assets.

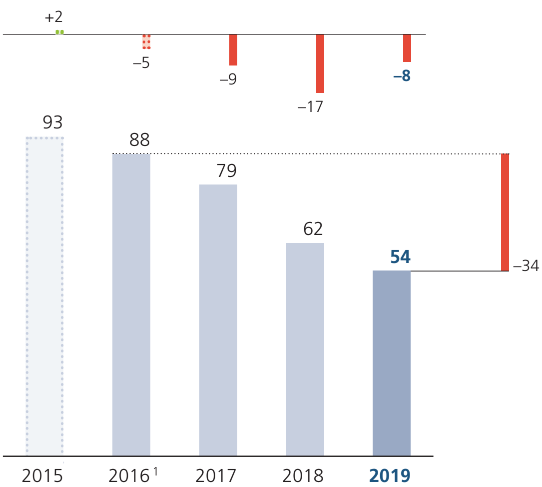
**Financial services market | Average customer assets** in CHF billion as at 30.6.
2015 to 2019
2015 = 100%




The interest differential business is the most important source of income for PostFinance. Special attention needs to be paid to the current low interest rate situation and prevailing operating framework. In autumn 2018 PostFinance announced pricing measures for key services as an appropriate way to respond to the above-mentioned operating framework. Average customer assets declined by 3.3 billion francs year-on-year, above all due to lower exemption limits for customer asset fees on sight deposit balances. An investment crisis continues on the assets side of the balance sheet, as reflected in the very high levels of liquidity at the Swiss National Bank. Interest margins fell by 8 basis points to 54 basis points year-on-year.

## Interest margin suffers further decline.

**Financial services market | Interest margin** in basis points as at 30.6.
2015 to 2019
2016 = 100%




1 The definition of the interest margin was modified for 2016. The figure from 2015 is not comparable.

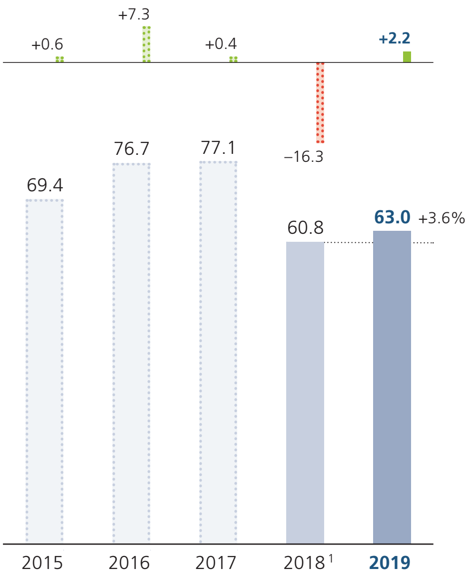
## Passenger transport market

PostBus is the market leader in public bus transport in Switzerland. It offers high-quality regional passenger transport services, innovative mobility solutions and system services aligned with the changing needs of today's customers. The comprehensive range of public transport services provided by PostBus continues to enjoy growing passenger demand. Rising demand is partly due to additional timetabled services and the resulting increase in the number of kilometres covered.

Innovation and sustainability continue to play an important role in the development of the PostBus network. For some time now, PostBus has been making increasing use of vehicles with alternative drives, such as a purely electrically powered vehicle on the Sarnen–Alpnach route. In addition, a new door-to-door shuttle service operating under the name "Kollibri" has been tested in the Brugg region in association with the canton of Aargau, the Federal Office of Transport (FOT) and partners AMAG and SBB. PostBus is thereby contributing to the social, economic and ecological benefits of public transport and the high quality of life in Switzerland.

Demand for transport services continues to rise.

**Passenger transport market | Kilometres covered** in millions of km as at 30.6.
2015 to 2019
2018 = 100%




1 The figures for 2018 have been adjusted due to the classification of the CarPostal France Group as a disposal group held for sale and a discontinued operation. The years 2015 to 2017 are not comparable.

# Strategy

In line with the Federal Council's financial goals, Swiss Post is expected to maintain and increase the company's value in the long term. Its chosen strategy for doing so has four strategic thrusts: adapt, grow, optimize, and help shape regulatory conditions. See also pages 7 to 16 of the Annual Report.

# Additions and disposals of subsidiaries, associates and joint ventures

On 31 January 2019, PostFinance Ltd, based in Berne, sold its shares (25 percent) in Swiss Euro Clearing Bank GmbH, based in Frankfurt am Main (Germany). The sales contract was signed on 3 September 2018. From this date, the company was no longer recognized using the equity method in the consolidated financial statements, but was reported under non-current assets held for sale in accordance with IFRS 5.

PostFinance Ltd, based in Berne, acquired a further 5.7 percent in Tilbago AG, based in Lucerne, on 1 March 2019, in addition to the 19 percent already held. Since this date Tilbago AG has been accounted for using the equity method (24.7 percent) in the consolidated financial statements.

On 27 March 2019, PostFinance Ltd, based in Berne, sold its shares (25 percent) in SIX Interbank Clearing Ltd, based in Zurich.

Post CH Ltd, based in Berne, acquired 100 percent of the shares in Distriba AG, based in Basel, on 2 May 2019. The company operates in the area of delivery of unaddressed consignments in the Basel region and employs 184 members of staff.

Lendico Schweiz AG, based in Zurich, was sold (100 percent) on 28 May 2019.

Post CH Ltd, based in Berne, acquired 100 percent of the shares in BLUESPED LOGISTICS Sàrl, based in Boncourt, and BLUESPED France Sàrl, based in Delle (France), on 11 June 2019. The companies operate in the areas of national and international transport and customs clearance. They employ a total of twelve members of staff. Thanks to the takeover of these two companies, Swiss Post is further expanding its services in the freight, express and warehousing international unit, including customs clearance, and increasing its presence in the area of Boncourt, crossing the border into France.

Swiss Post Solutions Holding Pte. Ltd., based in Singapore, was founded on 28 June 2019 (100 percent).

Overall, the effects of these changes on the consolidated financial statements are not material in nature.

# Finances

## Economic value added

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

In consultation with the Confederation, the method for calculating economic value added was modified on 1 January 2019. Thanks to the new method, a greater focus is placed on operating performance. The change is being undertaken on a prospective basis, and comparability with the previous year is limited. The main changes in the method for measuring economic value added apply to the points listed below:

– The PostBus segment is no longer taken into account to determine economic value added, as no profits can be generated in regional passenger transport.

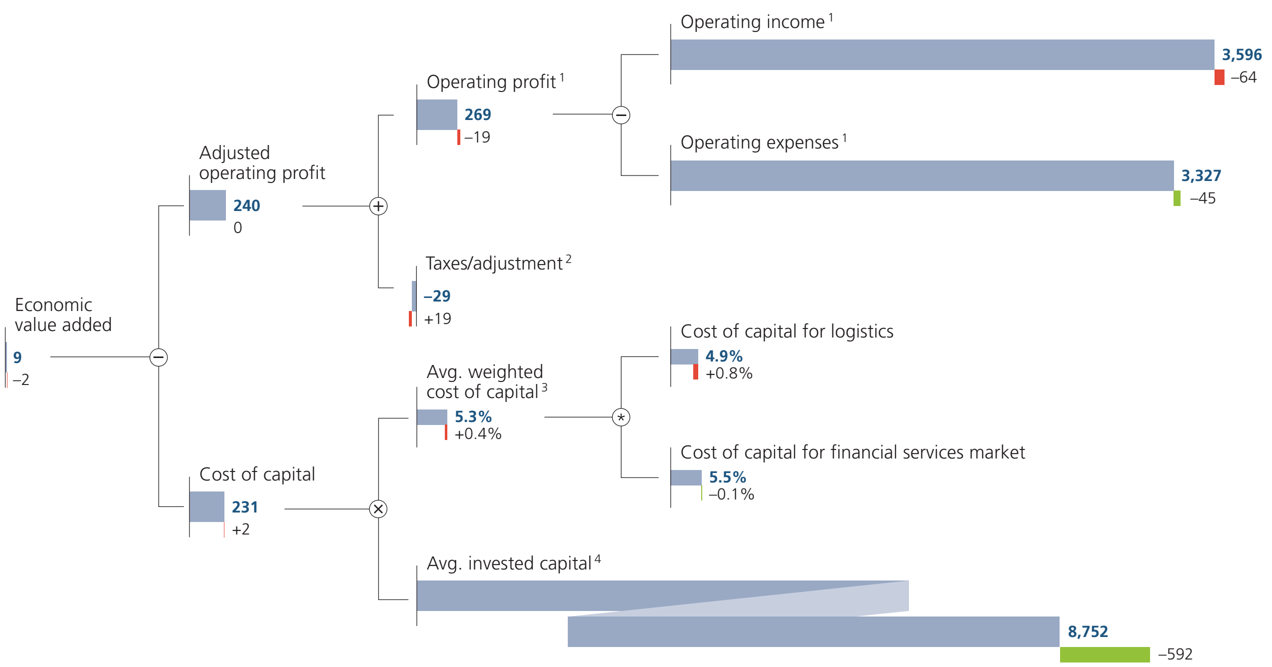
– The cost of capital is determined on the basis of returns expected in the long term. The weighted total cost of capital applied is based on an industry-specific business risk in individual segments and a target capital structure at the fair value of comparable companies.
– Employer contributions as per OPA are used instead of employee benefit expenses in accordance with IAS 19 to calculate economic value added.
– Tied equity capital is now taken into account to determine the economic value added produced in all segments.
– The liquid assets required for operational purposes are now used to determine economic value added.

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

As at 30 June 2019, Swiss Post met the financial expectations of the Federal Council and generated positive economic value added of 9 million francs. This figure was 2 million francs down year-on-year. The decline can be explained by the decrease in operating profit and higher capital costs.

Low economic value added.

**Group | Economic value added** in CHF million as at 30.6.
2019




⊙ Weighted with the average invested capital in logistics and in the financial services market (PostFinance).
1 The figure has been adjusted (see Notes to the Group Interim Report 2019, Accounting changes and Discontinued operations).
2 Deduction of –11 million francs taken into account in the PostBus operating result.
3 Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity for the financial services market.
4 At PostFinance corresponds to average equity in accordance with IFRS of 5,503 million francs and in logistics units to the average net operating assets (NOA) of 3,249 million francs.

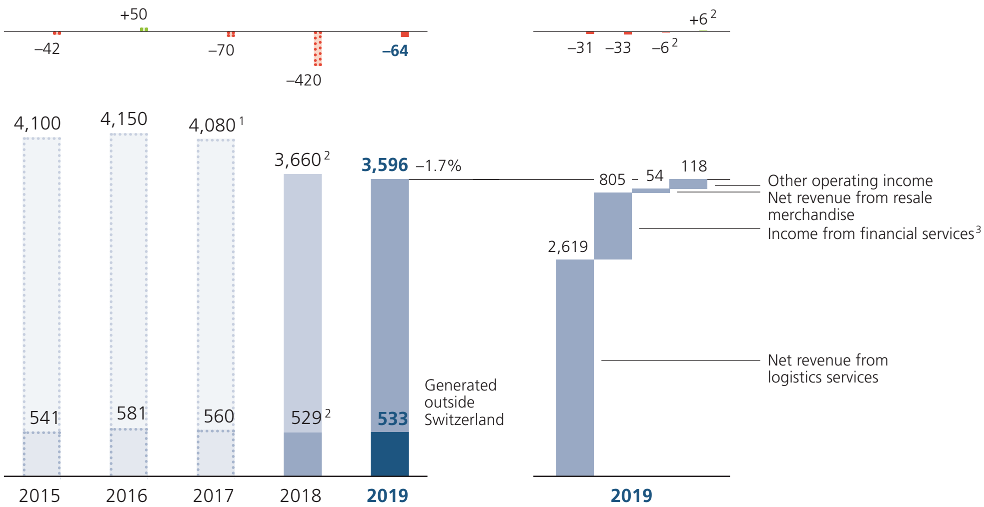
# Income statement

## Operating income

In the first half of 2019, operating income amounted to 3,596 million francs (previous year: 3,660 million francs). This represents a fall of about 1.7 percent. Operating income decreased as a result of the decline in net revenue from logistics services and lower income from financial services due to a drop in interest income.

Decrease due to declining volumes of addressed letters and low interest rate situation.

**Group | Operating income** in CHF million as at 30.6.
2015 to 2019
2018 = 100%




1 The figure has been adjusted (see Notes to the 2018 Group interim financial statements, Accounting changes).
2 The figure has been adjusted (see Notes to the Group Interim Report 2019, Accounting changes and Discontinued operations). The years 2015 to 2017 are not comparable with the years 2018 and 2019.
3 Including “Other revenue from financial services” of 448 million francs as at 30 June 2019 (as at 30 June 2018: 496 million francs).

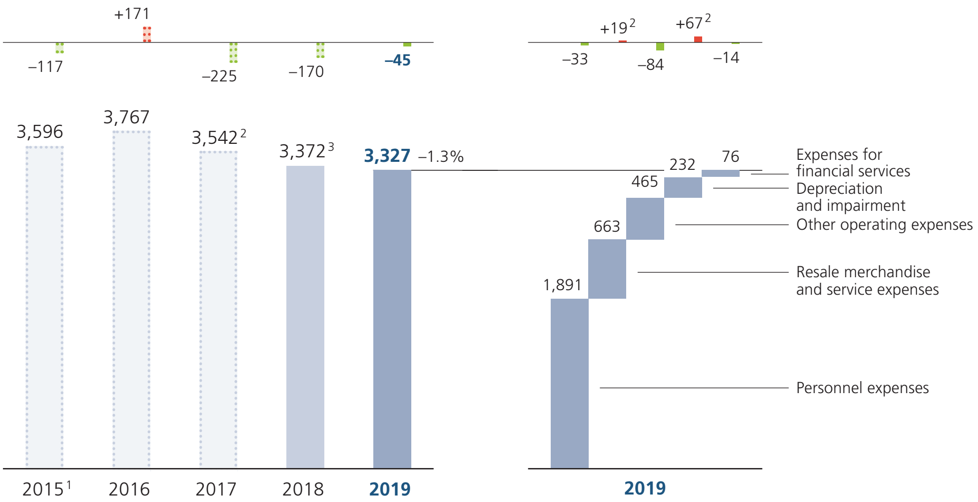
A decrease of around 1 percent in net revenue from logistics services was registered, while income from financial services declined by 33 million francs. This was mainly attributable to a 80 million franc fall in interest income due to the current market situation. In contrast, there was a rise in commission and service income and appreciation in the value of financial assets. Net revenue from resale merchandise suffered a decline of 6 million francs due to the adjustment of our product range. Other operating income increased by 6 million francs year-on-year.

## Operating expenses

Personnel expenses were down 33 million francs to 1,891 million francs due to the lower headcount – principally as a result of the reduction in costs for wages and salaries and the decrease in employee benefit expenses. Resale merchandise and service expenses increased by 19 million francs to 663 million francs. Rises in the costs of transport services and temporary employees were among the factors responsible. Expenses for financial services declined by 14 million francs to 76 million francs due to interest rate levels and the need for lower impairments. Other operating expenses decreased by 84 million francs. This was mainly attributable to a decrease in premises costs and in maintenance and repairs of property, plant and equipment together with a reduction in office and administrative expenses. Depreciation and impairment expenses rose by 67 million francs following the introduction of IFRS 16 – Leases.

Greater efficiency leads to reduction in expenses.

**Group | Operating expenses** in CHF million as at 30.6.
2015 to 2019
2018 = 100%




1 Normalized figure.
2 The figure has been adjusted (see Notes to the 2018 Group interim financial statements, Accounting changes).
3 The figure has been adjusted (see Notes to the Group Interim Report 2019, Accounting changes and Discontinued operations). The years 2015 to 2017 are not comparable with the years 2018 and 2019.

## Operating profit

Operating profit decreased by 19 million francs to 269 million francs year-on-year. This difference was mainly due to the change in operating income and heavily influenced by net revenue from logistics services and income from financial services, in particular the current market-related lower interest income.

## Group profit

3 million francs of income were generated from associated companies and joint ventures in the first half of 2019. The financial result expressed as the net balance of financial income (14 million francs) and financial expenses (35 million francs) was down 8 million francs year-on-year. Income tax expense was also down (42 million francs) due to the decline in the result. A loss of 16 million francs was recorded on discontinued operations. Group profit stood at 193 million francs, down 25 million francs year-on-year.

## Segment results

With the exception of the passenger transport market, all the markets contributed to operating profit.

| **Group** \| Segment results<br>1.1. to 30.6.2019 with prior-year period<br>CHF million, percent, full-time equivalents | Operating income [1]<br>CHF million<br>2018 [5] | <br><br>2019 | Operating result [1, 2]<br>CHF million<br>2018 [5] | <br><br>2019 | Margin [3]<br>Percent<br>2018 [5] | <br><br>2019 | Headcount [4]<br>Full-time equivalents<br>2018 [6] | <br><br>2019 |
|---|---|---|---|---|---|---|---|---|
| PostMail | 1,381 | 1,312 | 199 | 194 | 14.4 | 14.8 | 14,470 | 14,104 |
| Swiss Post Solutions | 286 | 303 | 14 | 17 | 4.9 | 5.6 | 6,720 | 6,776 |
| PostalNetwork | 374 | 343 | –60 | –73 | | | 4,879 | 4,368 |
| **Communication market** | **1,911** | **1,838** | **153** | **138** | **8.0** | **7.5** | **26,069** | **25,248** |
| PostLogistics | 820 | 843 | 73 | 68 | 8.9 | 8.1 | 5,266 | 5,531 |
| **Logistics market** | **820** | **843** | **73** | **68** | **8.9** | **8.1** | **5,266** | **5,531** |
| PostFinance [7] | 881 | 846 | 145 | 146 | | | 3,383 | 3,243 |
| **Financial services market** | **881** | **846** | **145** | **146** | | | **3,383** | **3,243** |
| PostBus [8] | 408 | 414 | –22 | –10 | | | 2,195 | 2,298 |
| **Passenger transport market** | **408** | **414** | **–22** | **–10** | | | **2,195** | **2,298** |
| Other [9] | 452 | 462 | –59 | –72 | | | 2,953 | 3,124 |
| Consolidation | –942 | –927 | –2 | –1 | | | | |
| **Group** | **3,660** | **3,596** | **288** | **269** | **7.9** | **7.5** | **39,866** | **39,444** |

1 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
2 Operating result corresponds to earnings before net non-operating financial income/expenses and taxes (EBIT).
3 The financial services market (PostFinance) uses the indicator return on equity; no EBIT margin is reported for PostBus with regard to its business model; no margin is calculated for "Other"; negative margins are not reported.
4 Average expressed in terms of full-time equivalents (excluding trainees).
5 Figures have been adjusted (see Notes to the 2019 Group interim financial statements, Accounting changes and discontinued operations).
6 In the PostMail segment, the calculation of average FTEs (excluding trainees) was revised for two subsidiaries, resulting in the adjustment of the prior-year figure. In the PostBus segment, figures for 2018 were adjusted due to the classification of CarPostal France Group as a disposal group held for sale and a discontinued operation.
7 PostFinance Ltd also applies the accounting rules for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.
8 Within the field of regional public transport, PostBus Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
9 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).

### Communication market

PostMail: operating profit virtually unchanged despite declining volumes.

PostMail recorded an operating profit of 194 million francs for the first half of 2019, falling short of the prior-year figure by 5 million francs.

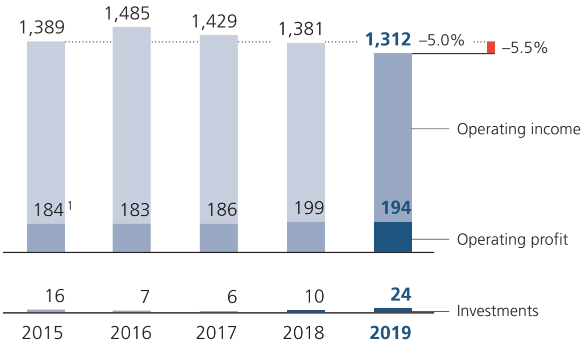
Operating income decreased by 69 million francs. Revenue from addressed letters registered a downturn of 41 million francs due to the decline in volumes caused by the digitization of business processes in the service area and cost savings by customers. Newspaper revenue dropped by 12 million francs year-on-year due to a decline in subscriber numbers. The same effects also had a negative impact on cross-border business.

Operating expenses decreased by 64 million francs, due partly to the lower volumes which affected operating income in the same way, and partly to the measures taken in response to these declining volumes. Significant reductions were principally seen in staff requirements as well as in payments for internal Swiss Post services.

Headcount fell by 366 full-time equivalents year-on-year due mainly to lower staff requirements in sorting and delivery associated with declining volumes, as well as to optimization projects relating to operations. Transfers of personnel due to the introduction of functional management and the associated central bundling of management functions also led to a decline of around 80 FTEs.

Stable result despite falling revenue.

**PostMail | Operating income, operating profit and investments** in CHF million as at 30.6.
2015 to 2019




1 Normalized figure.

Since 2015, PostMail has achieved an operating profit of over 180 million francs in the first half of each year, making a substantial contribution to the Group result. Declining average annual volumes of addressed letters of around 4 percent, as well as decreases in subscription newspapers, contributed to lower operating income. Thanks to ongoing optimizations in service provision processes, the fall in revenue seen in recent years was absorbed on the expense side each year.

The increase in operating income between 2015 and 2016 was due to the transfer of product responsibility for private customer letters from PostalNetwork to PostMail.

Investments of 13 million francs on average in the first half of the year ensured the continuing excellent quality of PostMail services. In recent years, investments have been made in distribution centers and in the optimization of sorting and delivery processes in particular.

Swiss Post Solutions: higher contribution to results.

### Swiss Post Solutions

Swiss Post Solutions achieved an operating profit of 17 million francs. Operating profit was 3 million francs higher than the prior-year figure. This represents an increase of 21 percent.

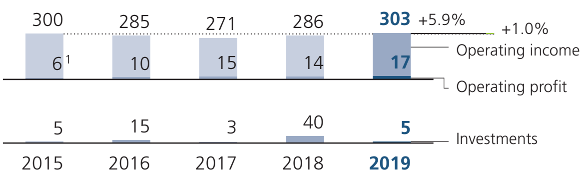
At 303 million francs, operating income was 17 million francs up on the previous year (+6 percent). This growth was due to a significant rise in new customer business, particularly abroad. Operating income from the HR BPO activities acquired from the DXC Technology Group in July 2018 also contributed to this growth.

Operating expenses totalled 286 million francs, up 14 million francs on the previous year.

Average headcount rose slightly by 56 to 6,776 full-time equivalents year-on-year. The higher staff requirements associated with this growth were largely offset by efficiency measures.

Increase in results thanks to rise in new customers.

**Swiss Post Solutions | Operating income, operating profit and investments** in CHF million as at 30.6.
2015 to 2019




1 Normalized figure.

Swiss Post Solutions has increased its operating profit every year for the past five years.

The constant positive trend in operating profit is the result of the consistent implementation of strategic measures, mainly to take advantage of opportunities for growth in the core business and to develop the service portfolio and industry-specific services. In support of this, the portfolio of solutions and investments has been permanently optimized in the past five years, recently by the acquisition of the HR BPO business unit in 2018. The ongoing implementation of projects to improve profitability and save costs in all countries also contributed to the improvement in the operating result.

PostalNetwork: decline in operating result.

## PostalNetwork

Thanks to network development and the consistent adaptation of resources to meet volume trends, combined with efficiency increases, losses in the core business of letters and inpayments were significantly offset. A provision recognized for the announced restructuring measures had a negative impact of 20 million francs on the operating result at PostalNetwork in the first half of the year. It totalled –73 million francs in the first half of the year, 13 million francs lower than in the previous year.

In the first six months of the year, the disclosure of revenue was modified at PostalNetwork without affecting profit or loss. An explanation can be found on page 34 of the notes to the interim financial statements together with a statement of the effects on the comparative figures for 2018.

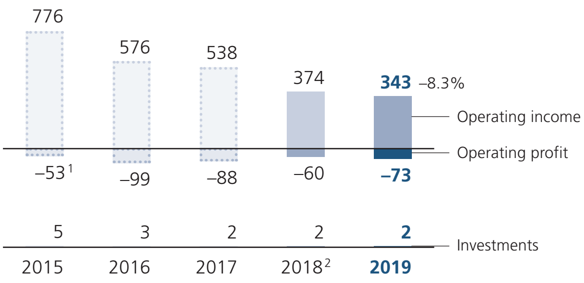
PostalNetwork generated operating income of 343 million francs in the first half of 2019, down 31 million francs year-on year. Net revenue from resale merchandise declined by 6 million francs due to adjustments to the range. Income from logistics products dropped by 12 million francs. This was essentially due to declining letter volumes in the network of over 2 percent, while the number of parcels transported via the network increased by more than 3 percent. The decrease in payment transactions which has been observed for quite some time continued due to substitution with e-banking (–6 percent). Declining volumes in payment transactions resulted in a 12 million franc drop in revenue from financial products overall.

At 416 million francs, operating expenses were cut by 18 million francs year-on-year. Personnel expenses saw a decline of 13 million francs, which was cushioned by the recognition of the above-mentioned provision. Other operating expenses and depreciation declined by a total of 2 million francs.

Headcount of 4,368 employees fell by 511 full-time equivalents year-on-year due to network development and efficiency increases.

The path chosen for network development is being pursued.

**PostalNetwork | Operating income, operating result and investments** in CHF million as at 30.6.
2015 to 2019




1 Normalized figure.
2 The figures have been adjusted (see Notes to the 2019 Group interim financial statements, Accounting changes). The years 2015 to 2017 are not comparable with the years 2018 and 2019.

Responsibility for private customer products was transferred to PostMail and PostLogistics in 2016. As already mentioned, the disclosure of revenue was modified in 2019 without affecting profit or loss. The figures are therefore only comparable to a limited extent. The focus during the observation period has been on reducing the negative contribution to results. Network development plays an important role in this. Further efficiency increases in the network led to a significant improvement in results from 2017.

Constant investments in recent years have ensured that PostalNetwork meets part of the universal service obligation.

## Logistics market

### PostLogistics

PostLogistics: decline in operating profit.

PostLogistics posted operating profit of 68 million francs in the first half of 2019, which was 5 million francs lower than the previous year's level. The decline was mainly due to expenses for capacity expansion in the parcels segment.

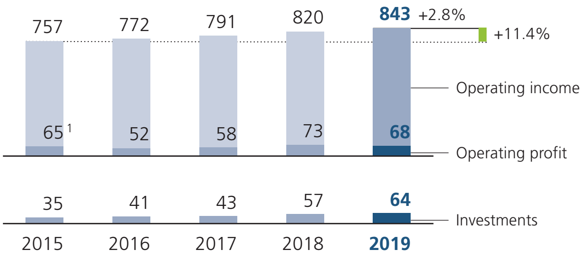
Operating income totalled 843 million francs, exceeding the previous year's total by 23 million francs. This rise was due to the acquisition of companies in 2018 and higher parcel volumes.

Operating expenses increased by 28 million francs year-on-year to 775 million francs. The rise was mainly attributable to volume-related higher expenses and the above-mentioned expenses for capacity expansion in the parcels segment, as well as to the acquisition of companies.

Average headcount increased by 265 to 5,531 full-time equivalents due to the effects mentioned above.

Higher operating income due to rising parcel volumes.

**PostLogistics | Operating income, operating profit and investments** in CHF million as at 30.6.
2015 to 2019




1 Normalized figure.

Operating profit in the first half of 2019 was above the average level seen in recent years, primarily due to higher parcel volumes and ongoing optimizations in freight and warehousing. Lower operating profit was generated in 2016 and 2017 in relation to previous years. This was mainly due to the transfer of product responsibility for private customer parcels from PostalNetwork on 1 January 2016.

In the first half of 2019, operating income also reached its highest level in five years. This was principally due to the continued rise in parcel volumes caused by growth in digital/e-commerce and to the acquisition of companies.

Investments in the first half of 2019 were at the highest level seen in recent years. This was attributable to investments in new parcel centers to process increasing volumes.

## Financial services market

### PostFinance

PostFinance: operating profit on a par with the previous year.

In the first half of 2019, PostFinance recorded an operating profit of 146 million francs, representing an increase of 1 million francs year-on-year.

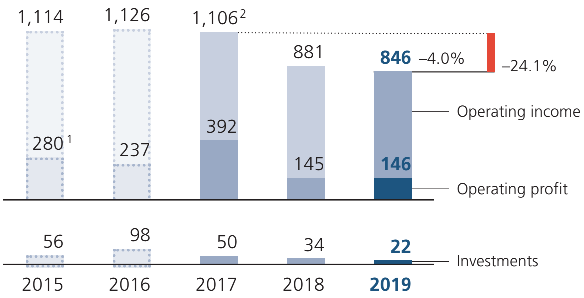
Operating income was down 35 million francs to 846 million francs. This was mainly attributable to a 82 million franc decline in interest income due to the market situation. This decrease was partially offset by additional income resulting from market fluctuations in net trading income (33 million francs) and in commission and service income (16 million francs).

Operating expenses totalled 700 million francs, down 36 million francs on the previous year's figure. The fall was mainly due to a 22 million franc decline in personnel expenses.

Average headcount stood at 3,243 full-time equivalents, down 140 full-time equivalents year-on-year. As part of its strategic focus, PostFinance is placing an emphasis on the simplification and digitization of its processes. Vacant positions were therefore only partly filled.

Low interest rate environment continues, leading to lower revenue.

**PostFinance | Operating income, operating profit and investments** in CHF million as at 30.6.
2015 to 2019
2017 = 100%




1 Normalized figure.
2 The figure has been adjusted (see Notes to the 2018 Group interim financial statements, Accounting changes). The years 2015 and 2016 are not comparable with the years 2017 to 2019.

The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation has eroded interest margins and had a negative effect on interest income, leading operating income to decline in the last few years. This situation will remain a challenge for PostFinance over the next few years.

Non-interest related revenue in net service and commission income and trading activities has had a positive effect on operating income in the past few years.

The business activities of PostFinance were integrated into a private limited company under private law in 2013. As part of its capitalization, PostFinance Ltd acquired a real estate portfolio, which it has continued to invest in ever since. Investments were also made in modernizing the core banking system, which was successfully rolled out at the end of March 2018. It is also constantly investing in the transformation into a digital powerhouse.

## Passenger transport market

### PostBus

PostBus: operating result impacted by one-off effects.

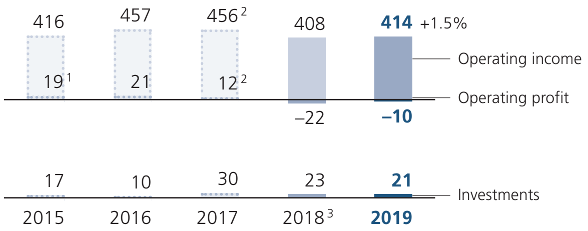
PostBus recorded an operating result of –10 million francs, including impairment losses on fixed assets. Due to the non-recurring repayment of excess subsidies to the purchaser (for the years 2004–2006 in particular), the operating result improved by 12 million francs year-on-year.

At 414 million francs, operating income exceeded the previous year’s figure. Operating expenses decreased by 6 million francs. This decline is principally in connection with the repayments mentioned above.

Average headcount fell by 103 to 2,298 full-time equivalents, mainly as a result of the expansion of services and the associated appointment of additional drivers.

Ongoing reorganization has an impact.

**PostBus | Operating income, operating result and investments** in CHF million as at 30.6.
2015 to 2019




1 Normalized figures.
2 The figures have been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting). The figures from 2015 to 2016 are not comparable with the figures from 2017.
3 The figures for 2018 have been adjusted due to the classification of the CarPostal France Group as a disposal group held for sale and a discontinued operation. The years 2015 to 2017 are not comparable with the years 2018 and 2019.

The negative trend in the operating result witnessed over the past two years is due to one-off effects such as the reimbursement of compensatory payments and impairment losses on fixed assets. In addition, the classification of the CarPostal France Group as a disposal group held for sale and a discontinued operation is reflected in the figures from 2018 onwards.

During the period under review, operating income in continuing business activities nonetheless rose steadily thanks to the ongoing expansion of services.

Average investments for continuing and discontinued operations stood at around 20 million francs in the first six months of each of the past five years. These investments mainly concerned replacements and new acquisitions in the vehicle fleet. Investment amounts varied between 2015 and 2019 as a result of vehicle procurement cycles and the expansion of services.

### Function units

Function units: decline in operating profit.

The Other segment recorded a decline in the operating result of 13 million francs to –72 million francs in the first six months of 2019.

Operating income rose by 10 million francs to 462 million francs due to higher internal cost allocation.

The increase in operating expenses of more than 23 million francs to 534 million francs was partly attributable to the higher headcount. This was due to the introduction of functional management and the associated centralization of management functions. This project and the harmonization of value streams led to additional project costs.

Headcount rose by 171 to 3,124 full-time equivalents for the above reasons.

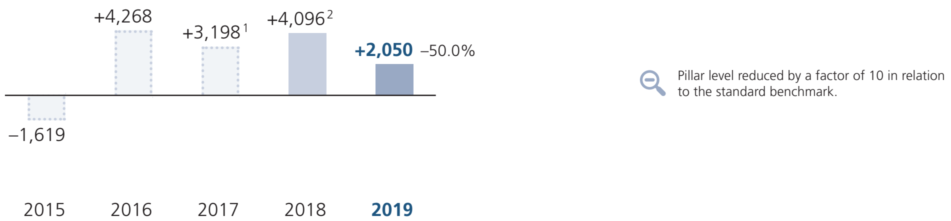
## Cash flow and investments

A positive cash flow from operating activities of 2,050 million francs was recorded in the first half of 2019. This increase is partly due to the sale of investment positions. Cash flow reporting includes the changes in items in the PostFinance balance sheet. For more information on the consolidated cash flow statement, see page 30.

Operating cash flow is affected by banking operations from the PostFinance segment. Higher customer deposits lead to an increase in operating cash flow, while investment activities on the assets side result in outflows on the investment date.

Cash flow underpinned by sale of investment positions.

**Group | Operating cash flow** in CHF million as at 30.6.
2015 to 2019



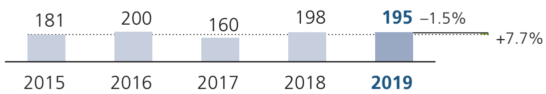

1 The figure has been adjusted (see Notes to the 2018 Group interim financial statements, Accounting changes).
2 The figure has been adjusted (see Notes to the 2019 Group interim financial statements, Accounting changes).
The years 2015 to 2017 are not comparable with the years 2018 and 2019.

Investments totalled 195 million francs, representing a decrease of 3 million francs year-on-year. The total investment volume is made up of 158 million francs of property, plant and equipment, 21 million francs of investment property, 12 million francs of intangible assets and 4 million francs of investments in subsidiaries, associates and joint ventures.

Investments in the first half of each year have been between 150 and 200 million francs in recent years. On an annual basis, investments represent between 400 and 450 million francs. Swiss Post will invest in automation steps to increase efficiency and achieve inorganic growth once again this year.

Constant investment volumes.

**Group | Investments** in CHF million as at 30.6.
2015 to 2019




## Net debt

For the indicator net debt/operating profit before depreciation and amortization (EBITDA) Swiss Post has set a maximum figure of 1 as its target. Customer deposits and financial investments of PostFinance Ltd are not included in the calculation of this indicator. Values above the target are possible in the short term. Values below the target indicate financial leeway. The target was met as at 30 June 2019.

# Consolidated balance sheet

## Amounts due from banks

In comparison with 31 December 2018, amounts due from banks rose by 2,284 million francs. This increase was due to the transfer of financial assets on the assets side of the balance sheet and higher other financial liabilities on the liabilities side.

## Financial assets

In comparison with the end of 2018, financial assets decreased by 1,012 million francs as a result of the maturing of various assets and the lack of alternative investments. The resources freed as a result were invested with other financial institutions as a temporary solution.

## Property, plant and equipment

The carrying amount for property, plant and equipment fell by 66 million francs compared with 31 December 2018. In the first six months of 2019, depreciation and impairment on property, plant and equipment stood at around 134 million francs, up 6 million francs year-on-year.

## Customer deposits

Since 31 December 2018, customer deposits at PostFinance decreased by 341 million francs to 110,800 million francs. As at 30 June 2019, customer deposits accounted for around 88 percent of the Group's total assets.

## Other liabilities (provisions)

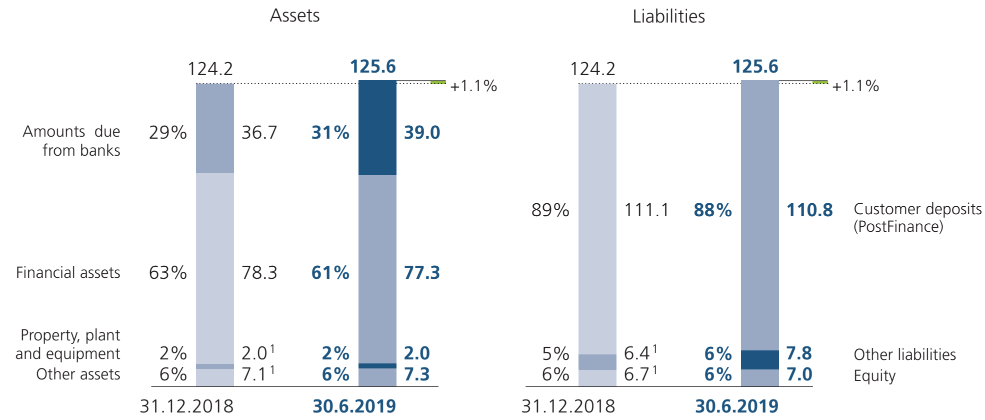
Provisions increased by 9 million francs to 494 million francs in relation to year-end 2018. Employee benefit obligations amounted to 2,602 million francs. This represents a decline of 9 million francs.

## Equity

Consolidated equity as at 30 June 2019 amounted to 6,962 million francs, net of the appropriation of profit for 2018 of 200 million francs. The General Meeting was held in April 2019.

Higher total assets due to tax reconciliation and new accounting standard.

**Group | Balance sheet structure** in CHF billion
As at 31.12.2018 and 30.6.2019




1 The figures have been adjusted (see Notes to the Group Interim Report 2019, Discontinued operations).

# Outlook

The Swiss National Bank (SNB) expects that growth will be in line with potential over the coming quarters. In the advanced economies, expansionary monetary policy and the robust situation on the labour market are lending support, as is fiscal policy in some countries. Inflationary pressure is likely to remain moderate.

Growth prospects for the US remain positive. Indicators point to domestic demand picking up overall. Nevertheless, manufacturing activity is still muted. In the eurozone, signals from the company surveys show that the economy is likely to advance at a modest pace for the time being. In manufacturing, in particular, expectations with regard to exports remain muted. The SNB assumes, however, that growth will gradually firm in the further course of the year, underpinned by favourable financing conditions and robust growth in household income. The outlook for the Swiss economy remains favourable overall. The SNB anticipates sound economic growth in the medium term. Global economic developments are continuing to stimulate demand, which is also boosted by population growth, while low interest rates are still supporting growth.

There is not yet any foreseeable end to the low interest rate situation in continental Europe. This remains a particular challenge for PostFinance Ltd, which operates in the financial services market. The regulatory framework in the communication, logistics and passenger transport markets is undergoing transformation. Swiss Post is adjusting to the changing environment and continuously adapting to customer requirements. Swiss Post continues to face a challenging environment, despite positive prospects for the economy as a whole. Swiss Post is convinced that in continuing along its chosen path, it can continue to achieve the goals set for the future. However, it is likely to become more difficult to attain its targets in the coming years.

# GROUP INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements include all of Swiss Post's subsidiaries. They were prepared in accordance with IAS 34 "Interim Financial Reporting", are reviewed, and meet the requirements of the Postal Services Organization Act.

# Consolidated income statement

| **Group** \| Income statement<br>CHF million | 2018<br>1.1 to 30.6<br>reviewed[1] | 2019<br>1.1 to 30.6<br>reviewed |
|---|---|---|
| **Continuing operations** | | |
| Revenue | 3,548 | 3,478 |
| of which interest income as per effective interest method | 379 | 300 |
| Other operating income | 112 | 118 |
| **Total operating income** | **3,660** | **3,596** |
| Personnel expenses | –1,924 | –1,891 |
| Resale merchandise and service expenses | –644 | –663 |
| Expenses for financial services | –90 | –76 |
| Depreciation and impairment | –165 | –232 |
| Other operating expenses | –549 | –465 |
| **Total operating expenses** | **–3,372** | **–3,327** |
| **Operating profit** | **288** | **269** |
| Financial income | 13 | 14 |
| Financial expenses | –26 | –35 |
| Net income from associates and joint ventures | 7 | 3 |
| **Group profit before tax from continuing operations** | **282** | **251** |
| Income taxes | –57 | –42 |
| **Group profit from continuing operations** | **225** | **209** |
| **Discontinued operations** | | |
| Group loss from discontinued operations | –7 | –16 |
| **Group profit** | **218** | **193** |
| Group profit attributable to | | |
| Swiss Confederation (owner) | 218 | 193 |
| Non-controlling interests | 0 | 0 |

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

# Consolidated statement of comprehensive income

| **Group** \| Statement of comprehensive income<br>CHF million | 2018<br>1.1 to 30.6<br>reviewed | 2019<br>1.1 to 30.6<br>reviewed |
|---|---|---|
| **Group profit** | **218** | **193** |
| **Other comprehensive income** | | |
| Revaluation of employee benefit obligations | 408 | 30 |
| Change in unrealized gains/losses from fair value reserves in equity instruments FVTOCI | 26 | 51 |
| Change in deferred income taxes | –86 | –50 |
| **Items not reclassifiable in the consolidated income statement, after tax** | **348** | **31** |
| Change in currency translation reserves | –2 | –1 |
| Change in share of other comprehensive income from associates and joint ventures | 1 | 0 |
| Change in unrealized gains/losses from fair value reserves in debt instruments FVTOCI | –83 | 292 |
| Unrealized gains/losses from cash flow hedges | 72 | 90 |
| Realized gains/losses from cash flow hedges reclassified to the income statement | –38 | –125 |
| Change in deferred income taxes | 10 | –51 |
| **Reclassifiable items in consolidated income statement, after tax** | **–40** | **205** |
| **Total other comprehensive income** | **308** | **236** |
| **Total comprehensive income** | **526** | **429** |
| Total comprehensive income attributable to | | |
| Swiss Confederation (owner) | 526 | 429 |
| Non-controlling interests | 0 | 0 |

# Consolidated balance sheet

**Group** | Balance sheet

| CHF million | 31.12.2018 audited | 30.6.2019 reviewed |
|---|---|---|
| **Assets** | | |
| Cash | 2,081 | 1,747 |
| Amounts due from banks | 36,688 | 38,972 |
| Interest-bearing amounts due from customers | 543 | 424 |
| Trade accounts receivable | 762 | 661 |
| Contract assets | 261 | 274 |
| Other receivables | 1,352 | 1,233 |
| Inventories | 59 | 51 |
| Assets held for sale | 25 | 184 |
| Current income tax assets | 10 | 0 |
| Financial assets | 78,307 | 77,295 |
| Investments in associates and joint ventures | 153 | 142 |
| Property, plant and equipment | 2,083 | 2,017 |
| Investment property | 304 | 320 |
| Intangible assets and goodwill | 518 | 489 |
| Right-of-use assets | – | 660 |
| Deferred income tax assets | 1,056 | 1,129 |
| **Total assets** | **124,202** | **125,598** |
| **Liabilities** | | |
| Customer deposits (PostFinance) | 111,141 | 110,800 |
| Other financial liabilities | 1,608 | 2,930 |
| Trade accounts payable | 302 | 192 |
| Contract liabilities | 291 | 287 |
| Other liabilities | 897 | 892 |
| Liabilities associated with assets held for sale | – | 111 |
| Current income tax liabilities | 19 | 15 |
| Provisions | 485 | 493 |
| Employee benefit obligations | 2,611 | 2,602 |
| Deferred income tax liabilities | 116 | 314 |
| **Total liabilities** | **117,470** | **118,636** |
| Share capital | 1,300 | 1,300 |
| Capital reserves | 2,279 | 2,279 |
| Retained earnings | 3,752 | 3,745 |
| Profits and losses recorded directly in other comprehensive income | –599 | –363 |
| **Equity attributable to the owner** | **6,732** | **6,961** |
| Non-controlling interests | 0 | 1 |
| **Total equity** | **6,732** | **6,962** |
| **Total equity and liabilities** | **124,202** | **125,598** |

# Consolidated statement of changes in equity

**Group** | Statement of changes in equity

| CHF million | Share capital | Capital reserves | Retained earnings | Gains and losses recorded directly in other comprehensive income | Equity attributable to the owner | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1.1.2018** | **1,300** | **2,279** | **3,545** | **–575** | **6,549** | **0** | **6,549** |
| Group profit | | | 218 | | 218 | 0 | 218 |
| Other comprehensive income | | | | 308 | 308 | 0 | 308 |
| **Total comprehensive income** | | | **218** | **308** | **526** | **0** | **526** |
| Dividends | | | –200 | | –200 | – | –200 |
| **Total transactions with the owner** | | | **–200** | | **–200** | **–** | **–200** |
| **Balance as at 30.6.2018** | **1,300** | **2,279** | **3,563** | **–267** | **6,875** | **0** | **6,875** |
| **Balance as at 1.1.2019** | **1,300** | **2,279** | **3,752** | **–599** | **6,732** | **0** | **6,732** |
| Group profit | | | 193 | | 193 | 0 | 193 |
| Other comprehensive income | | | | 236 | 236 | 0 | 236 |
| **Total comprehensive income** | | | **193** | **236** | **429** | **0** | **429** |
| Dividends | | | –200 | | –200 | – | –200 |
| Capital increase from non-controlling interests | | | | | | 1 | 1 |
| **Total transactions with the owner** | | | **–200** | | **–200** | **1** | **–199** |
| **Balance as at 30.6.2019** | **1,300** | **2,279** | **3,745** | **–363** | **6,961** | **1** | **6,962** |

# Consolidated cash flow statement

**Group** | Cash flow statement

| CHF million | 2018 1.1 to 30.6 reviewed[1] | 2019 1.1 to 30.6 reviewed |
|---|---|---|
| Group profit before tax from continuing operations | 282 | 251 |
| Group profit before tax from discontinued operations | –7 | –16 |
| Interest expense/(income) and dividends | –372 | –296 |
| Depreciation and impairment | 175 | 255 |
| Net income from associates and joint ventures | –7 | –3 |
| Net gains on disposal of property, plant and equipment, and interests | –23 | –22 |
| Gains/losses from the derecognition of financial assets | 5 | 0 |
| Net increase in provisions | 26 | 30 |
| Other non-cash expenses/(income) | –21 | 58 |
| Change in net current assets: | | |
| (Increase)/Decrease in receivables, inventories and other assets | –38 | 162 |
| Decrease in accounts payable and other liabilities | –41 | –59 |
| Items from financial services: | | |
| Change in customer deposits (PostFinance)/interest-bearing amounts due from customers | 1,545 | –222 |
| Change in other financial liabilities, derivatives | 3,595 | 347 |
| Change in financial assets FVTPL including derivatives | 77 | 874 |
| Acquisition of financial assets at amortized cost | –16,623 | –12,581 |
| Disposal and reimbursement of financial assets at amortized cost | 15,525 | 12,789 |
| Acquisition of financial assets FVTOCI | –350 | – |
| Disposal and reimbursement of financial assets FVTOCI | 0 | 160 |
| Interest and dividends received | 459 | 387 |
| Interest paid | –19 | –12 |
| Income taxes paid | –92 | –52 |
| **Cash flow from operating activities** | **4,096** | **2,050** |
| Purchases of property, plant and equipment | –102 | –158 |
| Acquisition of investment property | –11 | –21 |
| Purchases of intangible assets (excl. goodwill) | –15 | –12 |
| Purchases of subsidiaries, net of cash and cash equivalents acquired | –60 | –3 |
| Purchases of associates and joint ventures | –10 | –1 |
| Purchases of other financial assets | –43 | –71 |
| Proceeds from disposal of property, plant and equipment | 37 | 36 |
| Proceeds from disposal of subsidiaries, net of cash proceeds | 0 | 0 |
| Proceeds from disposal of associates and joint ventures | 0 | 40 |
| Proceeds from disposal of other financial assets | 7 | 7 |
| Dividends received (excl. financial services) | 9 | 0 |
| Interest received (excl. financial services) | 9 | 4 |
| **Cash flow from investing activities** | **–179** | **–179** |

Continued

| CHF million | 2018 1.1 to 30.6 reviewed [1] | 2019 1.1 to 30.6 reviewed |
|---|---|---|
| Increase in other financial liabilities | – | 346 |
| (Decrease) in other financial liabilities | –5 | –70 |
| Interest paid (excl. financial services) | –7 | –8 |
| Dividends paid to the owner | –200 | –200 |
| **Cash flow from financing activities** | **–212** | **68** |
| Foreign exchange gains/(losses) on cash and cash equivalents | 0 | –2 |
| **Change in cash and cash equivalents** | **3,705** | **1,937** |
| Cash and cash equivalents at 1 January | 40,465 | 38,319 |
| **Cash and cash equivalents at the end of the reporting period** | **44,170** | **40,256** |
| Cash and cash equivalents include: | | |
| Cash | 1,837 | 1,747 |
| Amounts due from banks with an original term of less than 3 months | 42,333 | 38,509 |
| Cash and cash equivalents do not include: | | |
| Amounts due from banks with an original term of more than 3 months | 450 | 520 |

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

# Notes to the interim financial statements

## Business activities

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

## Basis of accounting

The condensed consolidated interim financial statements of Swiss Post Group as at 30 June 2019 were prepared in accordance with IAS 34 Interim Financial Reporting and reviewed.

When drawing up the condensed interim financial statements in accordance with IAS 34 Interim Financial Reporting, the management must make judgements, estimates and assumptions that affect the application of policies in the Group and reported amounts of assets and liabilities, income and expenses. The actual amounts may differ from these estimates. The results achieved so far in the 2019 financial year are not necessarily indicative of future business performance. For more information on estimation uncertainty and management's judgement during the preparation of the financial statements, please refer to the Financial Report 2018, pages 107 and 108.

As a rule, the accounting policies applied in the condensed interim financial statements are based on the same policies used in the Group financial statements for the 2018 financial year, with the exception of the IFRS standards listed below, which have been applied throughout the Group since 1 January 2019.

For more information on the accounting principles concerning "non-current assets and disposal groups held for sale", please see page 107 of the Financial Report 2018. In addition, a disposal group is classed as a discontinued operation if it represents a separate major line of business or geographical operation or if it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical operation.

### Revised and new International Financial Reporting Standards (IFRSs)

Swiss Post Group has applied IFRS 16 Leases since 1 January 2019. Since 1 January 2019, various amendments to existing International Financial Reporting Standards (IFRS) and interpretations have also been applied that have no material impact on the result or financial situation of the Group (see Financial Report 2018, page 98).

The consolidation methods and accounting policies modified as a result of the introduction of IFRS 16 Leases and the associated effects on the consolidated financial reporting are explained below.

As a lessee, Swiss Post determines upon conclusion of a contract whether a lease exists in accordance with IFRS 16. If this is the case, a right-of-use asset and lease liability are recognized. As an exception, short-term leases (less than twelve months) and leases for assets with a replacement value of less than 5,000 francs are charged to expenses in the income statement.

Total lease liabilities are calculated according to the present value of future lease payments at the start of the lease agreement. Payments are discounted using the interest rate implicit in the lease contract or – if that rate cannot be readily determined – Swiss Post's incremental borrowing rate in the relevant market.

Right-of-use assets are initially recognized at amortized cost. Amortized cost is derived mainly from the above-mentioned present value of future lease payments plus any advance payments made, lease incentives received, reconversion obligations or initial direct costs. Right-of-use assets are depreciated on a linear basis over the useful life or the term of the lease, if shorter, and impairment losses are recognized if necessary.

In the course of the transition to IFRS 16 Leases, assets for right-of-use assets on lease items and lease liabilities of 676 million francs respectively were recognized as at 1 January 2019. The changeover to IFRS 16 was carried out according to the modified retrospective approach. Comparative figures from the previous years were not adjusted. For the application of IFRS 16, Swiss Post Group is taking advantage of authorized exemptions. Accounting rules are not applied to leases whose term comes to an end within twelve months of the date of initial application or to leases of low-value assets (replacement value of less than 5,000 francs), for example. In such cases, the resulting expenses are recognized in operating expenses. Based on operating lease liabilities as at 31 December 2018, reconciliation in the opening balance of lease liabilities as at 1 January 2019 was as follows:

Reconciliation

| CHF million | 1.1.2019 |
|---|---|
| **Operating lease liabilities as at 31.12.2018** | **369** |
| Minimum lease payments (nominal value) from liabilities from financial leases as at 31.12.2018 | +25 |
| Simplified application for short-term leases | –3 |
| Simplified application for leases of low-value assets | 0 |
| Effect of callable leases | +428 |
| Other effects | +19 |
| **Gross lease liabilities as at 1.1.2019** | **838** |
| Discounting of interest | –138 |
| **Lease liabilities as at 1.1.2019** | **700** |
| Present value of liabilities from financial leases as at 31.12.2018 | –24 |
| **Additional lease liabilities due to the initial application of IFRS 16 as at 1.1.2019** | **676** |

Lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019 on each class of right-of-use asset depending on the remaining term. The interest rates applied were between 1.2 percent and 3.5 percent. The average interest rate stood at 1.97 percent.

The following values were recognized as at 1 January 2019 and 30 June 2019 in the balance sheet and from 1 January to 30 June 2019 in the income statement:

Leases in the balance sheet

| CHF million | 1.1.2019 | 30.6.2019 |
|---|---|---|
| **Assets** | | |
| Other receivables | 1,352 | 1,233 |
| of which receivables from finance leases | 156 | 153 |
| Right-of-use assets | 706 | 660 |
| of which net right-of-use assets for land and buildings | 113 | 112 |
| of which net right-of-use assets for operating property | 523 | 509 |
| of which net right-of-use assets for operating equipment, machinery and IT plant | 15 | 13 |
| of which right-of-use assets for furnishings, vehicles and other assets | 55 | 26 |
| **Liabilities** | | |
| Other financial liabilities | 2,308 | 2,930 |
| of which lease liabilities | 700 | 659 |

Right-of-use assets include assets recognized as finance leases in accordance with IAS 17 until 31 December 2018. Hence the lease liabilities also recognize finance leases in accordance with IAS 17 at the balance sheet date.

Leases in the income statement

| CHF million | 2019 1.1 to 30.6 |
|---|---|
| **Other operating income** | **118** |
| Rental income | 48 |
| Other income | 44 |
| of which rental income from other lease contracts | 5 |
| **Depreciation and impairment** | **–232** |
| of which right-of-use assets | –65 |
| **Other operating expenses** | **–465** |
| Expenses from leases | –4 |
| of which short-term leases | –4 |
| of which leases with low-value assets | 0 |
| **Financial income** | **14** |
| Other financial income | 9 |
| of which interest income from finance leases | 0 |
| **Financial expenses** | **–35** |
| Other financial expenses | –20 |
| of which interest expense on leases | –7 |

## Accounting changes

### Changes in the disclosure of revenue from resale merchandise and resale merchandise expenses

In the second quarter of 2019, PostalNetwork modified the disclosure of net revenue from contracts with customers from resale merchandise and the associated resale merchandise expenses, without affecting profit or loss. As part of the renewal of supplier agreements and the related analysis of revenue recognition, Swiss Post came to the conclusion that for certain contracts, gross recognition is not an appropriate presentation of transactions, and merely disclosing the margin in revenue is correct. For these contracts, net revenue and the associated net resale merchandise expenses are now recognized in net revenue from contracts with customers from resale merchandise. These modifications have no effect on the result.

The effect of the retroactive change on the consolidated income statement from 1 January to 30 June 2018 is shown below.

### Discontinued operations

The passenger transport business of PostBus in France was classified as held for sale in the second quarter of 2019. Since then, this operation has been shown separately in the consolidated income statement under discontinued operations and is no longer included in the segment disclosure or in revenue. The previous year was adjusted for the purposes of comparison.

The effect of the retroactive change on the consolidated income statement from 1 January to 30 June 2018 is shown below. More information can be found under discontinued operations in the notes.

**Group** | Income statement
1.1. to 30.6.2018

| CHF million | Reported | | Adjustment | Adjusted |
|---|---|---|---|---|
| Revenue[1] | 3,752 | ./. resale merchandise | –141 | |
| | | ./. discontinued operations | –63 | 3,548 |
| Other operating income | 114 | ./. discontinued operations | –2 | 112 |
| Personnel expenses | –1,957 | + discontinued operations | +33 | –1,924 |
| Resale merchandise and service expenses | –785 | + resale merchandise | +141 | –644 |
| Depreciation and impairment | –171 | + discontinued operations | +6 | –165 |
| Other operating expenses | –582 | + discontinued operations | +33 | –549 |
| Group loss from discontinued operations | – | ./. discontinued operations | –7 | –7 |

1 The modification of the disclosure of income from direct and networked traffic carried out in 2018 has no impact on the figures published as at 30 June 2018.

## Changes in the balance sheet disclosure of services provided and received in the international letter and parcel business

At the end of 2018, PostMail modified the balance sheet disclosure of services provided and received in the international letter and parcel business. For more information, see page 94 of the Financial Report 2018.

The effect of the change on the consolidated cash flow statement from 1 January to 30 June 2018 is shown below.

**Group** | Cash flow statement
1.1. to 30.6.2018

| CHF million | Reported | | Adjustment | Adjusted |
|---|---|---|---|---|
| (Increase)/decrease in receivables, inventories and other assets | 4 | ./. Int. letter and parcel business | –42 | –38 |
| Increase in accounts payable and other liabilities | –83 | + int. letter and parcel business | +42 | –41 |

## Segment information

### Result by business segment

| Up to or as at 30.6.2018<br>CHF million | PostMail | Swiss Post Solutions | PostalNet-work | PostLogistics | PostFinance [1] | PostBus [2] | Other [3] | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | |
| from customers | 1,312 | 268 | 51 | 667 | 837 | 393 | 20 | | 3,548 |
| from other segments | 67 | 15 | 322 | 124 | 3 | 0 | 212 | –743 | – |
| Other operating income | 2 | 3 | 1 | 29 | 41 | 15 | 220 | –199 | 112 |
| **Total operating income [4, 5]** | **1,381** | **286** | **374** | **820** | **881** | **408** | **452** | **–942** | **3,660** |
| **Operating profit [4, 5]** | **199** | **14** | **–60** | **73** | **145** | **–22** | **–59** | **–2** | **288** |
| Net financial income | | | | | | | | | –13 |
| Net income from associates and joint ventures | 2 | – | – | 4 | 1 | 0 | 0 | | 7 |
| Income taxes | | | | | | | | | –57 |
| **Group profit from continuing operations [5]** | | | | | | | | | **225** |
| Headcount [6, 7] | 14,470 | 6,720 | 4,879 | 5,266 | 3,383 | 2,195 | 2,953 | | 39,866 |

| Up to or as at 30.6.2019<br>CHF million | PostMail | Swiss Post Solutions | PostalNet-work | PostLogistics | PostFinance [1] | PostBus [2] | Other [3] | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | |
| from customers | 1,246 | 284 | 44 | 687 | 805 | 395 | 17 | | 3,478 |
| from other segments | 64 | 16 | 298 | 123 | 3 | 0 | 233 | –737 | – |
| Other operating income | 2 | 3 | 1 | 33 | 38 | 19 | 212 | –190 | 118 |
| **Total operating income [4]** | **1,312** | **303** | **343** | **843** | **846** | **414** | **462** | **–927** | **3,596** |
| **Operating profit [4]** | **194** | **17** | **–73** | **68** | **146** | **–10** | **–72** | **–1** | **269** |
| Net financial income | | | | | | | | | –21 |
| Net income from associates and joint ventures | 6 | – | – | 0 | –4 | 0 | 1 | | 3 |
| Income taxes | | | | | | | | | –42 |
| **Group profit from continuing operations** | | | | | | | | | **209** |
| Headcount [6] | 14,104 | 6,776 | 4,368 | 5,531 | 3,243 | 2,298 | 3,124 | | 39,444 |

1 PostFinance Ltd also applies the Swiss accounting standards for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.
2 Within regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
3 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
4 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
5 Figures have been adjusted (see Notes, Accounting changes)
6 The average is expressed in terms of full-time equivalents (excluding trainees).
7 In the PostMail segment, the calculation of average FTEs (excluding trainees) was revised for two subsidiaries, resulting in the adjustment of the prior-year figure. In the PostBus segment, figures for 2018 were adjusted due to the classification of CarPostal France Group as a disposal group held for sale and a discontinued operation.

## Significant changes in segment assets and liabilities

There were significant changes in segment assets and liabilities in relation to 31 December 2018 in the PostFinance and "Other" segments. In comparison with 31 December 2018, the segment assets of PostFinance rose by 524 million francs to 118,398 million francs, particularly with regard to amounts due from banks and financial assets. Assets in the "Other" segment were up 803 million francs to 4,307 million francs compared with 31 December 2018, mainly due to the recognition of right-of-use assets for leased assets resulting from the transition to the new accounting standard IFRS 16 – Leases. There were no significant changes in segment assets and liabilities in relation to 31 December 2018 in the remaining segments.

## Revenue

### Breakdown of net revenue from contracts with customers

| Up to or as at 30.6.2018<br>CHF million | PostMail | Swiss Post Solutions | PostalNetwork | PostLogistics | PostFinance | PostBus | Other | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| Net revenue from contracts with customers | | | | | | | | | |
| of which logistics services | 1,379 | 283 | 322 | 779 | – | 393 | 232 | –738 | 2,650 |
| of which resale merchandise | – | – | 51 | 12 | – | 0 | – | –3 | 60 |
| of which financial services and commission business | – | – | – | – | 344 | – | – | –2 | 342 |
| **Total net revenue from contracts with customers** [1] | **1,379** | **283** | **373** | **791** | **344** | **393** | **232** | **–743** | **3,052** |
| Other revenue from financial services [2] | | | | | | | | | 496 |
| **Total revenue** [1] | | | | | | | | | **3,548** |
| Other operating income [1] | | | | | | | | | 112 |
| **Total operating income** [1] | | | | | | | | | **3,660** |

| Up to or as at 30.6.2019<br>CHF million | PostMail | Swiss Post Solutions | PostalNetwork | PostLogistics | PostFinance | PostBus | Other | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|
| Net revenue from contracts with customers | | | | | | | | | |
| of which logistics services | 1,310 | 300 | 298 | 798 | – | 395 | 249 | –731 | 2,619 |
| of which resale merchandise | – | – | 44 | 12 | – | 0 | 1 | –3 | 54 |
| of which financial services and commission business | – | – | – | – | 360 | – | – | –3 | 357 |
| **Total net revenue from contracts with customers** | **1,310** | **300** | **342** | **810** | **360** | **395** | **250** | **–737** | **3,030** |
| Other revenue from financial services [2] | | | | | | | | | 448 |
| **Total revenue** | | | | | | | | | **3,478** |
| Other operating income | | | | | | | | | 118 |
| **Total operating income** | | | | | | | | | **3,596** |

1 Figures have been adjusted (see Notes, Accounting changes).
2 Other revenue from financial services mainly comprises income on financial assets, interest income and net income from foreign exchange trading at PostFinance.

## Additions and disposals of subsidiaries, associates and joint ventures

On 31 January 2019, PostFinance Ltd, based in Berne, sold its shares (25 percent) in Swiss Euro Clearing Bank GmbH, based in Frankfurt am Main (Germany). The sales contract was signed on 3 September 2018. From this date, the company was no longer recognized using the equity method in the consolidated financial statements, but was reported under non-current assets held for sale in accordance with IFRS 5.

PostFinance Ltd, based in Berne, acquired a further 5.7 percent in Tilbago AG, based in Lucerne, on 1 March 2019, in addition to the 19 percent already held. Since this date Tilbago AG has been accounted for using the equity method (24.7 percent) in the consolidated financial statements.

On 27 March 2019, PostFinance Ltd, based in Berne, sold its shares (25 percent) in SIX Interbank Clearing Ltd, based in Zurich.

Post CH Ltd, based in Berne, acquired 100 percent of the shares in Distriba AG, based in Basel, on 2 May 2019. The company operates in the area of delivery of unaddressed consignments in the Basel region and employs 184 members of staff.

Lendico Schweiz AG, based in Zurich, was sold (100 percent) on 28 May 2019.

Post CH Ltd, based in Berne, acquired 100 percent of the shares in BLUESPED LOGISTICS Sàrl, based in Boncourt and BLUESPED France Sàrl, based in Delle (France), on 11 June 2019. The companies operate in the areas of national and international transport and customs clearance. They employ a total of twelve members of staff. Thanks to the takeover of these two companies, Swiss Post is further expanding its services in the freight, express and warehousing international unit, including customs clearance, and increasing its presence in the area of Boncourt, crossing the border into France.

Swiss Post Solutions Holding Pte. Ltd., based in Singapore, was founded on 28 June 2019 (100 percent).

Overall, the effects of these changes on the consolidated financial statements are not material in nature.

## Discontinued operations

On 11 June 2018 Swiss Post announced its intention to review an orderly exit from the passenger transport business in France. In the second quarter of 2019 the Board of Directors decided to sell CarPostal France SAS, based in Saint-Priest (France), together with its subsidiaries. The CarPostal France Group was subsequently classed as a disposal group and a discontinued operation from the second quarter of 2019. Since then, the group has no longer been included in the segment disclosure or in revenue. PostBus Ltd, based in Berne, signed an exclusivity agreement for the sale on 16 May 2019. The sale is expected to take place in the third quarter of 2019.

CarPostal France SAS has the following interests.

Subsidiaries:
- CarPostal Riviera SAS, Menton (France)
- CarPostal Haguenau SAS, Haguenau (France)
- CarPostal Interurbain SAS, Voreppe (France)
- CarPostal Dole SAS, Dole (France)
- CarPostal Foncière SCI, Saint-Priest (France)
- CarPostal Villefranche-sur-Saône SAS, Arnas (France)
- CarPostal Méditerranée SAS, Agde (France)
- CarPostal Agde SAS, Agde (France)
- CarPostal Bourgogne Franche-Comté SAS, Foucherans (France)
- CarPostal Loire SARL, Montverdun (France)
- Holding Rochette Participations SAS, Montverdun (France)
- CarPostal Bourg-en-Bresse SAS, Bourg-en-Bresse (France)
- CarPostal Salon de Provence SAS, Salon-de-Provence (France)
- CarPostal Bassin de Thau SAS, Sète (France)
- GR4 SAS, Crolles (France)
- Autocars et Transports Grindler SAS, Vif (France)
- Autocars Trans-Azur SAS, Salon-de-Provence (France)

Associates:
- SCI Les Romarins, Salon-de-Provence (France)

Due to the classification as "held for sale", an impairment loss of –19 million francs was recognized as at 30 June 2019 and the carrying amount of the assets of the CarPostal France Group was reduced by fair value less costs to sell. This was a non-recurring measurement of fair value. Fair value was assigned to level 3.

Intra-Group transactions were fully eliminated. Eliminations were allocated to the continuing operations and the discontinued operation in such a way that each elimination was recorded where the affected item was disclosed (e.g. the receivable with the creditor and the liability with the debtor).

**CarPostal France Group** | Income statement

| CHF million | 2018<br>1.1 to 30.6 | 2019<br>1.1 to 30.6 |
|---|---|---|
| Net revenue from contracts with customers | 63 | 59 |
| Other operating income | 2 | 2 |
| **Operating income** | **65** | **61** |
| Operating expenses | –72 | –58 |
| **Operating profit** | **–7** | **3** |
| Impairment expense due to revaluation at fair value less costs to sell | – | –19 |
| **Group loss before tax from discontinued operations** | **–7** | **–16** |
| Income tax associated with profit before tax from usual business activities during the reporting period | 0 | 0 |
| Income tax due to revaluation at fair value less costs to sell | – | 0 |
| **Group loss after tax from discontinued operations** | **–7** | **–16** |

As at 30 June 2019 currency translation reserves in relation to the discontinued operation included in other comprehensive income amounted to –14 million francs.

**CarPostal France Group** | Net cash flows

| CHF million | 2018<br>1.1 to 30.6 | 2019<br>1.1 to 30.6 |
|---|---|---|
| Cash flow from operating activities | 0 | 3 |
| Cash flow from investing activities | –2 | –1 |
| Cash flow from financing activities | –2 | –2 |
| **Change in cash and cash equivalents** | **–4** | **0** |

**CarPostal France Group** | Balance sheet

| CHF million | 30.6.2019 |
|---|---|
| **Assets** | |
| Amounts due from banks | 6 |
| Trade accounts receivable | 18 |
| Other receivables | 12 |
| Inventories | 1 |
| Investments in associates | 1 |
| Property, plant and equipment and intangible assets | 26 |
| Right-of-use assets | 26 |
| Income tax assets | 12 |
| **Total assets held for sale of discontinued operation** | **102** |
| **Liabilities** | |
| Other financial liabilities | 28 |
| Trade accounts payable | 3 |
| Other liabilities | 22 |
| Income tax liabilities | 4 |
| **Total liabilities associated with assets held for sale of discontinued operation** | **57** |
| **Net assets of discontinued operation** | **45** |

## Disposal groups held for sale

Post CH Ltd, based in Berne, decided to sell Swiss Post SAT Holding AG, based in Berne, (PostLogistics segment), for strategic reasons. Swiss Post SAT Holding AG holds 100 percent of the shares in Société d'Affrètement et de Transit S.A.T. SAS, Société de Transports Internationaux S.T.I. SARL and SCI S.A.T., all of which are based in Bartenheim (France), Trans-Euro GmbH, based in Weil am Rhein (Germany), and Société d’Affrètement et de Transit S.A.T. SA, based in Brussels (Belgium). Due to the status of negotiations, the SAT Group was classed as a disposal group held for sale in the first half of 2019. The sale will take place in the third quarter of 2019.

The net worth of the SAT Group as at 30 June 2019 is indicated below. The proceeds from the sale are expected to exceed the carrying amount of net assets. Consequently, no impairment losses were recognized when classifying the SAT Group as “held for sale”.

**SAT Group** | Balance sheet

| CHF million | 30.6.2019 |
|---|---|
| **Assets** | |
| Amounts due from banks | 51 |
| Trade accounts receivable | 13 |
| Other receivables | 3 |
| Property, plant and equipment and intangible assets, incl. goodwill | 15 |
| **Total assets held for sale of disposal group** | **82** |
| **Liabilities** | |
| Other financial liabilities | 2 |
| Trade accounts payable | 2 |
| Other liabilities | 48 |
| Income tax liabilities | 2 |
| **Total liabilities associated with assets held for sale of disposal group** | **54** |
| **Net assets from the disposal group** | **28** |

As at 30 June 2019 currency translation reserves in relation to the disposal group included in other comprehensive income amounted to –3 million francs.

# Financial instruments

## Carrying amounts and fair values of financial instruments

The carrying amounts and the corresponding fair values of financial assets and liabilities are as follows on 31 December 2018 and 30 June 2019:

| Fair values and carrying amounts of financial instruments and other assets | 31.12.2018 | | 30.6.2019 | |
|---|---|---|---|---|
| CHF million | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets measured at fair value** | | | | |
| Financial assets | | | | |
| FVTOCI | | | | |
| Shares | 147 | 147 | 198 | 198 |
| Bonds | 8,597 | 8,597 | 8,615 | 8,615 |
| FVTPL obligatory | | | | |
| Shares | 9 | 9 | 11 | 11 |
| Bonds | 5 | 5 | 2 | 2 |
| Funds | 1,107 | 1,107 | 305 | 305 |
| Positive replacement values | 102 | 102 | 132 | 132 |
| **Financial assets not measured at fair value** | | | | |
| Financial assets | | | | |
| Amortized cost | | | | |
| Bonds | 52,935 | 53,680 | 52,541 | 53,953 |
| Loans | 15,405 | 15,624 | 15,490 | 15,953 |
| **Financial liabilities measured at fair value** | | | | |
| Other financial liabilities | | | | |
| Negative replacement values | 479 | 479 | 472 | 472 |
| Deferred purchase price payments (earn out) | 4 | 4 | 2 | 2 |
| **Financial liabilities not measured at fair value** | | | | |
| Other financial liabilities | | | | |
| Private placements | 970 | 1,014 | 970 | 1,076 |

The carrying amounts of cash holdings, amounts due from banks, interest-bearing amounts due from customers, trade accounts receivable and payable, contract assets, other receivables and liabilities, customer deposits (PostFinance) and other financial liabilities (excl. private placements) represent a reasonable estimate of fair value. These financial instruments are therefore not reported above.

## Fair value hierarchy

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

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

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

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

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

Fair values are determined as follows:

| Fair value of financial instruments | 31.12.2018 | | | | 30.6.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| FVTOCI | | | | | | | | |
| Shares | 147 | 69 | – | 78 | 198 | 77 | – | 121 |
| Bonds | 8,597 | 7,997 | 600 | – | 8,615 | 8,002 | 613 | – |
| FVTPL obligatory | | | | | | | | |
| Shares | 9 | – | – | 9 | 11 | 0 | – | 11 |
| Bonds | 5 | – | 1 | 4 | 2 | 0 | 0 | 2 |
| Funds | 1,107 | – | 1,107 | – | 305 | 0 | 305 | – |
| Positive replacement values | 102 | 0 | 102 | – | 132 | 0 | 132 | – |
| Amortized cost | | | | | | | | |
| Bonds | 53,680 | 44,095 | 9,585 | – | 53,953 | 44,735 | 9,218 | – |
| Loans [1] | 15,624 | – | 15,579 | 45 | 15,953 | – | 15,908 | 45 |
| Negative replacement values | 479 | 1 | 478 | – | 472 | 3 | 469 | – |
| Deferred purchase price payments (earn out) | 4 | – | – | 4 | 2 | – | – | 2 |
| Private placements | 1,014 | – | 1,014 | – | 1,076 | – | 1,076 | – |

1 In the case of the loans to PostBus companies (24 million francs, 31.12.2018: 30 million francs) and "Other" (40 million francs, 31.12.2018: 45 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

No reclassifications were carried out within the different levels as at 31 December 2018 and 30 June 2019. Reclassifications between the different levels are carried out at the end of each reporting period.

## Amounts due from banks

In comparison with 31 December 2018, amounts due from banks increased by 2,284 million francs. Cash reserves remain high, and are mostly held at the Swiss National Bank.

## Credit risk

Impairment losses on amounts due from banks, interest-bearing amounts due from customers and financial assets can be broken down as follows between levels 1 to 3 as at 31 December 2018 and 30 June 2019:

Impairment losses on financial instruments

| | 31.12.2018 | | | | 30.6.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Total | Level 1 | Level 2 | Level 3 | Level | Level 1 | Level 2 | Level 3 |
| ECL on amounts due from banks | –47 | 0 | – | –47 | –47 | 0 | – | –47 |
| ECL on interest-bearing amounts due from customers | –8 | –2 | –2 | –4 | –7 | –1 | –2 | –4 |
| ECL on financial assets at amortized cost | –13 | –7 | – | –6 | –13 | –8 | 0 | –5 |
| **The following impairments were calculated based on the simplified approach** | | | | | | | | |
| ECL on trade accounts receivable [1] | –9 | | | | –8 | | | |
| ECL on other receivables [1] | –2 | | | | –2 | | | |

1 In each case, the figure matches the expected loss over the remaining term to maturity.

## Breakdown of major country exposures

Country risks are controlled by establishing country portfolio limits which encourages a broad diversification of international financial assets. An overview of major country exposures as at 31 December 2018 and 30 June 2019 is given below:

Summary of main country exposures [1]

| CHF million | 31.12.2018 | 30.6.2019 |
|---|---|---|
| Switzerland | 46,799 | 47,070 |
| USA | 5,639 | 5,600 |
| France | 3,709 | 3,064 |

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

## Investment commitments

As at 30 June 2019, investment commitments totalled 173.9 million francs (31 December 2018: 135.4 million francs).

## Seasonal nature

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

## Appropriation of profit

The General Meeting of Swiss Post Ltd held on 16 April 2019 decided to pay a dividend totalling 200 million francs. The dividend was paid on 7 May 2019.

## Related companies and parties

The transactions between Swiss Post and related companies and parties carried out in the first six months of 2019 are comparable with the transactions mentioned in the 2018 consolidated annual financial statements (see Financial Report 2018, pages 180 and 181).

## Events after the reporting period

Post CH Ltd, based in Berne, sold Swiss Post SAT Holding AG, based in Berne, (PostLogistics segment), on 9 July 2019. Swiss Post SAT Holding AG holds 100 percent of the shares in Société d'Affrètement et de Transit S.A.T. SAS, Société de Transports Internationaux S.T.I. SARL and SCI S.A.T., all of which are based in Bartenheim (France), Trans-Euro GmbH, based in Weil am Rhein (Germany), and Société d’Affrètement et de Transit S.A.T. SA, based in Brussels (Belgium). For more information about the disposal group, see Notes, Disposal group held for sale.

Prior to the approval of this Interim Report by the Swiss Post Ltd Board of Directors’ Audit, Risk & Compliance Committee on 26 August 2019, no further events came to light which either would have resulted in changes to the carrying amounts of the Group’s assets and liabilities or would have to be disclosed in this section of the Report.

To the Board of Directors of
Swiss Post Ltd, Berne

Berne, 28. August 2019

# Report on the review of interim consolidated financial statements

## Introduction

We have reviewed the interim consolidated financial statements (consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes on pages 26 to 44) of Swiss Post Ltd for the period from 1 January 2019 to 30 June 2019.

The interim consolidated financial statements for the period ended 30 June 2018 and the consolidated annual financial statements for the year ended 31 December 2018 were reviewed and audited, respectively, by another auditor who had expressed an unmodified conclusion on the interim consolidated financial statements on 25 September 2018 and an unmodified opinion on the consolidated annual financial statements on 4 March 2019.

The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Ernst & Young Ltd

| | |
|---|---|
| Olivier Mange<br>Licensed audit expert<br>(Auditor in charge) | Michel Wälchli<br>Licensed audit expert |

# POSTFINANCE INTERIM FINANCIAL STATEMENTS

PostFinance Ltd reports to the Group in accordance with Group IFRS guidelines and issues its financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 “Accounting – banks”).

# Reconciliation of profit

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

**PostFinance Ltd** | Reconciliation of profit

| CHF million | 2018 1.1 to 30.6 | 2019 1.1 to 30.6 |
|---|---|---|
| **PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation** | **145** | **146** |
| Management/licence fees/net cost compensation | 0 | 2 |
| **PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation** | **145** | **148** |
| Net income from associates | 1 | –4 |
| Net financial income | –20 | –20 |
| **PostFinance segment earnings before tax (EBT)** | **126** | **124** |
| Income tax | –24 | –30 |
| **PostFinance segment profit** | **102** | **94** |
| Consolidation effects from associates | 0 | 25 |
| Consolidation effects from subsidiaries | –1 | 2 |
| **PostFinance Ltd profit before reconciliation** | **101** | **121** |
| Amortization of revalued held-to-maturity financial investments/amortized cost | –3 | – |
| Valuation differences for financial assets as per ARB | 3 | –9 |
| Reversal of impairment/impairment on financial assets and receivables, incl. taxes | 73 | – |
| Realized gains from (earlier than scheduled) sales | 0 | 7 |
| Valuation differences between IAS 19 and Swiss GAAP ARR 16 | 5 | 5 |
| Valuation differences, IFRS 16 Leases | – | 0 |
| Depreciation of revalued real estate | –2 | –2 |
| Amortization of goodwill | –100 | –100 |
| Valuation differences for investments as per ARB | –3 | –1 |
| Realized gains from investments | – | 0 |
| Adjustment of deferred tax effects as per IFRS | 20 | 27 |
| **PostFinance Ltd profit as per ARB** | **94** | **48** |

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

- The goodwill capitalized as part of the conversion to a private limited company in 2013 is amortized by 200 million francs annually.
- The transition as per IFRS 9 for the measurement of impairment as at 1 January 2018 was carried out the previous year and recognized directly in equity in the IFRS financial statements. This measurement of impairment was also applied in the ARB financial statements, leading to a positive impact on the result after tax of around 73 million francs.

# POSTFINANCE LTD STATUTORY INTERIM FINANCIAL STATEMENTS

The following pages show the PostFinance Ltd statutory financial statements in accordance with the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 “Accounting – banks”).

# Balance sheet

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

| CHF million | 31.12.2018 | 30.6.2019 |
|---|---|---|
| **Assets** | | |
| Liquid assets | 37,201 | 38,704 |
| Amounts due from banks | 4,595 | 4,476 |
| Amounts due from securities financing transactions | 21 | 211 |
| Amounts due from customers | 11,676 | 11,735 |
| Mortgage loans | 0 | 0 |
| Positive replacement values of derivative financial instruments | 102 | 132 |
| Financial investments | 62,547 | 61,008 |
| Accrued income and prepaid expenses | 468 | 459 |
| Participations | 124 | 107 |
| Tangible fixed assets | 1,200 | 1,185 |
| Intangible assets | 800 | 700 |
| Other assets | 321 | 388 |
| **Total assets** | **119,055** | **119,105** |
| Total subordinated claims | 5 | 6 |
| of which subject to mandatory conversion and/or debt waiver | – | – |
| **Liabilities** | | |
| Amounts due to banks | 1,095 | 1,087 |
| Liabilities from securities financing transactions | – | 200 |
| Amounts due in respect of customer deposits | 110,501 | 110,382 |
| Negative replacement values of derivative financial instruments | 478 | 470 |
| Cash bonds | 80 | 75 |
| Accrued expenses and deferred income | 94 | 114 |
| Other liabilities | 5 | 3 |
| Provisions | 54 | 44 |
| Bank´s capital | 2,000 | 2,000 |
| Statutory capital reserve | 4,682 | 4,682 |
| of which tax-exempt capital contribution reserve | 4,682 | 4,682 |
| Statutory retained earnings reserve | – | – |
| Voluntary retained earnings reserves | – | – |
| Profit carried forward | – | – |
| Profit | 66 | 48 |
| **Total liabilities** | **119,055** | **119,105** |
| Total subordinated liabilities | – | 203 |
| of which subject to mandatory conversion and/or debt waiver | – | 203 |
| **Off-balance-sheet transactions** | | |
| Contingent liabilities | 88 | 98 |
| Irrevocable commitments | 723 | 717 |

# Income statement

**PostFinance Ltd** | Income statement as per ARB

| CHF million | 2018 1.1 to 30.6 | 2019 1.1 to 30.6 |
|---|---|---|
| Interest and discount income | 71 | 71 |
| Interest and dividend income from financial investments | 301 | 215 |
| Interest expense | 2 | 12 |
| **Gross result from interest operations** | **374** | **298** |
| Changes in value adjustments for default risks and losses from interest operations | 85 | 0 |
| **Net result from interest operations** | **459** | **298** |
| Commission income from securities trading and investment activities | 30 | 32 |
| Commission income from lending activities | 10 | 11 |
| Commission income from other services | 304 | 317 |
| Commission expenses | –206 | –192 |
| **Result from commission business and services** | **138** | **168** |
| **Result from trading activities and the fair value option** | **111** | **103** |
| Result from the disposal of financial investments | – | 7 |
| Income from participations | 6 | 10 |
| Result from real estate | 34 | 33 |
| Other ordinary income | 43 | 52 |
| Other ordinary expenses | –12 | – |
| **Other result from ordinary activities** | **71** | **102** |
| **Operating income** | **779** | **671** |
| Personnel costs | –241 | –220 |
| General and administrative expenses | –274 | –274 |
| **Operating expenses** | **–515** | **–494** |
| Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets | –140 | –142 |
| Changes to provisions and other value adjustments, and losses | –4 | –4 |
| **Operating result** | **120** | **31** |
| Extraordinary income | 0 | 26 |
| Extraordinary expenses | – | –1 |
| Taxes | –26 | –8 |
| **Half-year profit** | **94** | **48** |

Swiss Post Ltd
Wankdorfallee 4
P.O. Box
3030 Berne
Switzerland

Tel. +41 58 338 11 11
www.swisspost.ch