
Interim Report 2020

January to June

■ 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.

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Foreword

by **Alex Glanzmann**, Head of Finance

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In this crisis, both the strength and the importance of Swiss Post are apparent: whether in the city or in the countryside – we ensure the provision of services in Switzerland.

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Dear Reader

The last few months have shown how important Swiss Post is for the Swiss people and the Swiss economy. COVID-19 has accelerated long-term trends and developments in our core markets, particularly in logistics. I'm impressed by the huge commitment shown by our employees. They, and, in turn, Swiss Post, have succeeded in ensuring that Switzerland is provided with essential services – in both urban and rural areas.

In recent months, the Swiss people have done considerably more of their shopping online: in the first half of 2020 alone, PostLogistics processed 87 million parcels (first half of 2019: 71 million) – for the month of April alone, the figure stood at 17 million parcels. This is a peak that we normally only reach in the run-up to Christmas. As a reference point: in December last year, PostLogistics processed 15.7 million parcels. At the other business units, by contrast, the coronavirus pandemic has led to a decline in earnings, in some cases substantial: PostMail saw a fall in revenue, particularly from direct marketing consignments and addressed letters; at PostFinance, the low interest rate situation and the decline in transactions made a significant contribution to the lower result; and Post-Bus is still a long way from achieving normal passenger numbers.

In the first six months of the year, Swiss Post generated operating profit of 61 million francs, down 208 million francs year-on-year. Group profit stood at 30 million francs, 163 million francs down year-on-year. COVID-19 will have a significant impact on the result for the current year: at present, we anticipate a negative effect on earnings amounting to the low hundreds of millions of francs.

This assessment does however depend on how the economic situation develops in the coming months. Regardless of this, Swiss Post has a strong financial foundation, providing a basis on

which we can make the investments required as part of the new "Swiss Post of tomorrow" Group strategy from our own resources.

In the longer term, we expect that existing trends such as the increase in the number of parcels and the decline in letter volumes will continue to accelerate, to some degree as a result of the coronavirus pandemic. This reinforces our belief that we want and need to continue to develop Swiss Post with our new strategy: in the 2021–2024 strategy, we are focusing on our growth areas of logistics and communication services and opening up the postal network to third parties. Because in a rapidly changing world, we want to remain relevant for Switzerland.

On behalf of Executive Management, I would like to thank our employees for the outstanding commitment they have shown over the past few months. I would also like to thank our customers for their trust in us, and not least for the great solidarity they have shown by purchasing the coronavirus special stamp. Launched in April, the solidarity stamp has so far raised more than 2.5 million francs. This money will benefit people in Switzerland who are in urgent need of assistance as a result of the coronavirus pandemic.

And on that note: stay healthy!



Alex Glanzmann
Head of Finance

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.

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Business performance in brief

In the first half of 2020, Swiss Post generated an operating profit of 61 million francs, impacted by the coronavirus crisis and a difficult operating framework in its core markets. The decline year-on-year was 208 million francs. In the logistics market, operating profit was up as a result of brisk mail order business and an insurance benefit received in connection with the robbery which took place in the previous year. In the communication, financial services and passenger transport markets, by contrast, operating profit was down. The impact of the long-standing low interest rate situation on the result in the financial services market continued. The trend towards substitution of physically addressed letters in the communication market also continued, and was indeed exacerbated by the coronavirus crisis. In addition, the coronavirus crisis had a negative impact on the result in the passenger transport market. In the period ending 30 June 2020, Swiss Post generated a Group profit of 30 million francs, down 163 million francs year-on-year.

In the first six months of the year, operating income amounted to 3,385 million francs. This represents a decline of almost 6 percent, or 204 million francs, year-on-year. All income types were down on the previous year. The sharpest decline was in income from financial services, due to lower revenues from foreign exchange trading, lower net income from changes in the fair value of financial assets and generally low interest rates.

In banking operations, the use of the increased exemption limit for interest-free deposits with the Swiss National Bank led to an inflow of funds, which is reflected in cash flow from operating activities. Investments in non-financial fixed assets declined slightly. Important projects for 2020 include the expansion of processing capacities and steps to automate processes in order to improve efficiency.

As at 30 June 2020, the net debt indicator (net debt/operating profit before depreciation and amortization (EBITDA)) remained below the target of a maximum of 1.

In the first half of 2020, Swiss Post generated negative economic value added of –121 million francs, which represents a decline of 130 million francs compared to the prior-year period and is primarily due to the lower operating profit.

As at 30 June 2020, Swiss Post Group's reported equity stood at 6,605 million francs. The distribution of 50 million francs of dividends from the 2019 appropriation of profit took place in the second quarter of 2020.

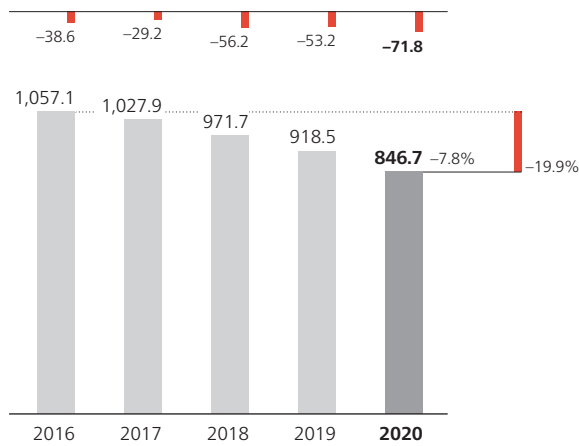
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Development of value drivers

The number of addressed letters was down 7.8 percent and the number of payments processed declined by 15.1 percent year-on-year. At Swiss Post Solutions, income from services provided fell by 10.6 percent year-on-year due to the coronavirus crisis and the long-term trend towards substitution.

Sharper decline in volumes as a result of the extraordinary situation

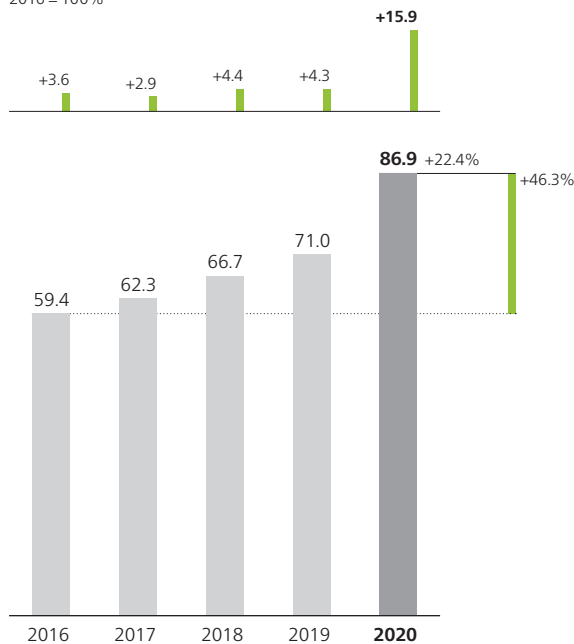
Communication market | Addressed letters in millions as at 30.6.
 2016 to 2020
 2016 = 100%



The coronavirus effect had an additional positive impact on online business and led to a significant increase in volumes year-on-year. The volume of parcels carried was up 22.4 percent.

Coronavirus effect has a positive impact on parcel volumes

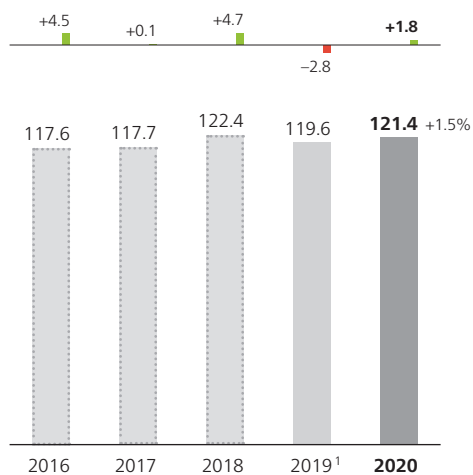
Logistics market | Parcels in millions as at 30.6.
 2016 to 2020
 2016 = 100%



The high level of confidence in Swiss Post's bank was confirmed. Despite negative interest rates, customer assets increased slightly.

Customer confidence remains high

Financial services market | Customer assets in CHF billion monthly avg. as at 30.6.
2016 to 2020
2019 = 100%

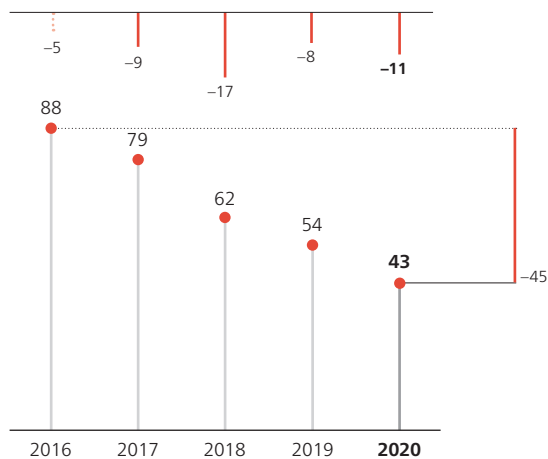


¹ The year 2019 was adjusted due to a change in the definition of average customer assets. The years 2016 to 2018 are not comparable.

Interest margins fell by 11 basis points to 43 basis points year-on-year.

Interest margin puts pressure on core business

Financial services market | Interest margin in basis points as at 30.6.
2016 to 2020

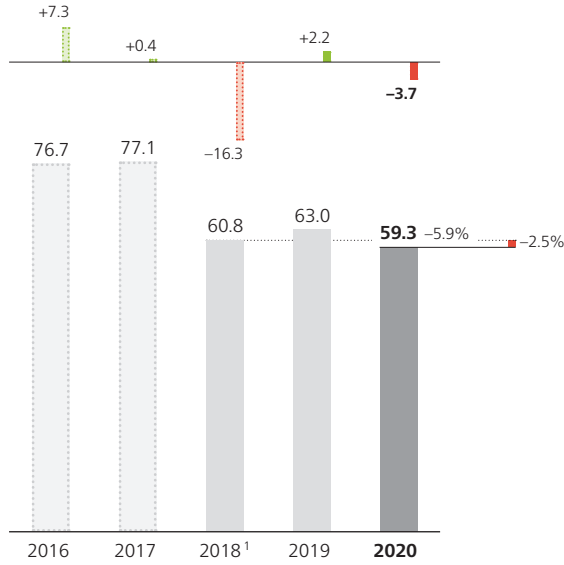


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Due to the measures ordered by the authorities as a result of the coronavirus pandemic, timetabled services were curtailed. This led to a 5.9 percent reduction in kilometres covered in the first half of 2020.

Measures ordered in response to coronavirus impact vehicle kilometres covered

Passenger transport market | Domestic vehicle kilometres in millions of km as at 30.6
 2016 to 2020
 2018 = 100%



Market/segment results

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

Group Segment results 1.1. to 30.6.2020 with prior-year period CHF million, percent, full-time equivalents	Operating income ¹		Operating result ^{1,2}		Margin ³		Headcount ⁴	
	CHF million		CHF million		Percent		Full-time equivalents	
	2019 ⁵	2020	2019	2020	2019 ⁵	2020	2019	2020
PostMail	1,312	1,211	194	110	14.8	9.1	14,104	13,831
Swiss Post Solutions	303	271	17	8	5.6	3.0	6,776	6,660
PostalNetwork	343	305	-73	-72			4,368	4,024
Communication market	1,838	1,675	138	46	7.5	2.7	25,248	24,515
PostLogistics	836	919	68	108	8.1	8.5	5,531	5,749
Logistics market	836	919	68	108	8.1	8.5	5,531	5,749
PostFinance ⁶	846	748	146	60			3,243	3,238
Financial services market	846	748	146	60			3,243	3,238
PostBus ⁷	414	393	-10	-33			2,298	2,486
Passenger transport market	414	393	-10	-33			2,298	2,486
Other ⁸	462	449	-72	-120			3,124	3,183
Consolidation	-927	-911	-1	-				
Group	3,589	3,385	269	61	7.5	1.8	39,444	39,171

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 2020 Group interim financial statements, Accounting changes).

6 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks" (previous year: accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)).

There are differences between the RelV-FINMA / FINMA Circular 20/1 (previous year: ARB) results and the IFRS results.

7 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.

8 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).

Communication market

PostMail

PostMail: significant decline in earnings due to effects of coronavirus.

PostMail recorded an operating profit of 110 million francs for the first half of 2020, falling short of the prior-year figure by 84 million francs.

At 1,211 million francs, operating income was down 101 million francs year-on-year. In the months of April and May, the effects of the coronavirus crisis led to a sharp decline in volumes, particularly in direct marketing consignments. Together with the ongoing trend towards electronic substitution, this led to a contraction in revenues from addressed letters and unaddressed items of 72 million francs. For newspapers, the fall in revenues due to declining subscriber numbers was partially offset by monthly shifts in large print runs. In cross-border business, declining volumes of imports and exports led to significantly lower earnings. Here again, the effects of the coronavirus crisis had a negative impact on income, with the limited capacities available in air transport cutting back the volumes processed.

Operating expenses decreased by 17 million francs. As with income, the fall is due to the lower resource requirements associated with declining volumes and to optimization measures relating to operations. Lower project costs also contributed to the decline. The reduction was less severe than was to be expected on the basis of the decline in volumes because, as a further consequence of the coronavirus crisis, sickness-related and precautionary absences led to an increased need for staff.

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Headcount fell by 273 full-time equivalents year-on-year due to lower staff requirements in sorting and delivery associated with declining volumes, as well as to optimization projects relating to operations. Because more than 10 percent of the workforce had to forego work at times during the lockdown (for example as a result of being in a high-risk group or due to quarantine measures), and because cooperation with PostLogistics in the processing parcels was also intensified, there was no further decline in employee numbers during this phase.

Swiss Post Solutions

Swiss Post Solutions generated operating profit of 8 million francs, down 9 million francs year-on-year. The decline caused by the coronavirus crisis had a severe impact on all countries in which SPS operates. Despite the crisis, SPS was able to acquire a significant number of new customers and bring important projects for the acquisition of new customers to their conclusion. Notable examples include the conclusion of a contract with Amazon with an annual volume of 30 million francs and the successful go-live with the customer Vanguard in June this year.

At 271 million francs, operating income was down 32 million francs year-on-year, of which around 11 million francs is due to exchange rate trends – with the pound sterling deserving of special mention in this context. Earnings also fell sharply in local currencies, again due to the coronavirus pandemic.

Thanks to consistent cost management, operating expenses totalled 263 million francs, down 23 million francs year-on-year, despite the need to absorb the considerable fall in revenues and the fact that significant additional costs were incurred at the beginning of the coronavirus pandemic. These additional costs were due to the absence of employees assigned to a high-risk group and the need to reduce staff numbers as the pandemic progressed.

Average headcount fell by 116 to 6,660 full-time equivalents year-on-year. In the second quarter, the reduction in full-time equivalents was concentrated in particular in the USA and Vietnam. In all other countries, the reduction in staff numbers was significantly lower because of the availability of the option of short-time working.

PostalNetwork

Despite network development and the consistent adaptation of resources to meet volume trends, combined with efficiency increases, it was not possible to offset losses in the core business of letters and inpayments, which were intensified by the effects of the coronavirus crisis. As the previous year's result was negatively impacted by the recognition of a provision of 20 million francs, operating profit for the period under review nevertheless improved slightly by one million francs. In the first half of 2020, PostalNetwork generated a negative operating result of –72 million francs.

PostalNetwork generated operating income of 305 million francs in the first half of the year, down 38 million francs year-on-year. Income from logistics products fell by one million francs. This was essentially due to declining letter volumes in the network of just under 11 percent, while the number of parcels transported via the network increased by 19 percent. The level of substitution of payment transactions by e-banking, which has been evident for quite some time, saw an additional increase during the extraordinary situation (just under –15 percent). Declining volumes in payment transactions resulted in a 22 million franc drop in revenue from financial products. Net revenue from resale merchandise declined by 14 million francs due to adjustments to the range, a fall in sales and a reduction of the branch network.

At 377 million francs, operating expenses were cut by 39 million francs year-on-year. Personnel expenses were 29 million francs below the previous year's level, due largely to a drop in headcount attributable to network development and efficiency improvements, as well as the absence of the above-mentioned prior-year provision. Resale merchandise and service expenses fell by 3 million francs as a result of lower income. Other operating expenses and depreciation were reduced by a total of 7 million francs.

The headcount of 4,024 was reduced by 344 full-time equivalents year-on-year due to network development and efficiency improvements.

Swiss Post Solutions:
 lower contribution
 to earnings.

PostalNetwork:
 decline in operating
 profit in first half of
 year, exacerbated
 by effects of corona-
 virus.

PostLogistics:
parcel volumes grow
by 22 percent.

Logistics market

PostLogistics

PostLogistics posted operating profit of 108 million francs in the first half of 2020, up 40 million francs year-on-year. The increase was mainly due to additional parcel volumes during the coronavirus crisis, as well as the insurance benefits received and the release of provisions in relation to the attack on a van transporting cash in 2019.

Operating income totalled 919 million francs, exceeding the previous year's total by 83 million francs. This rise was mainly due to higher parcel volumes.

Operating expenses increased by 43 million francs year-on-year to 811 million francs. The increase was mainly due to volume-related higher expenses and costs for capacity expansion in the parcels segment, which were partly offset by the above-mentioned insurance benefits received and the release of provisions.

Average headcount increased by 218 to 5,749 full-time equivalents due to the effects mentioned above.

Financial services market

PostFinance

As at 30 June 2020, PostFinance recorded an operating profit of 60 million francs, representing a decline of 86 million francs year-on-year.

Operating income was down 98 million francs to 748 million francs. The decline is mainly due to net trading income, which fell by 45 million francs year-on-year as a result of the absence of market value gains. In addition, interest income fell by 31 million francs due to market conditions. Income from commission and services is 20 million francs lower year-on-year as a result of the continuing decline in service transactions during the coronavirus crisis.

Operating expenses totalled 688 million francs, down 12 million francs on the previous year's figure. General and administrative expenses declined by 16 million francs due to lower consultancy expenses and depreciation. Expenses for financial services fell by 10 million francs year-on-year due to interest rate cuts on savings and investment accounts as at 1 November 2019. Personnel expenses were up 14 million francs year-on-year due to higher employee benefit expenses, employee credits and higher outstanding time credits.

Average headcount stood at 3,238 full-time equivalents, down 5 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.

Passenger transport market

PostBus

The recommendation of the Federal Council to the public following the outbreak of the corona pandemic that public transport should generally be avoided led to a marked reduction or thinning out of transport services and, as a result, to a significant decline in demand and revenue. Income from transport services fell by 17.8 percent year-on-year.

The decline in variable expenses offset only a small part of the lost income. In addition, general additional expenses and the expansion of services caused higher operating expenses. Operating profit fell by 23 million francs year-on-year.

As a result of the expansion of services and the transfer of PostBus operators to municipal operations, the number of full-time equivalents increased by 188 year-on-year.

PostBus: impact of
coronavirus weighs
heavily on public
transport.

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Function units: measures taken to deal with extraordinary situation put pressure on contribution to result.

Other: function units

In the first six months of 2020, the function units posted an operating result of –120 million francs, representing an additional decline of 48 million francs. This is partly due to measures taken to deal with the coronavirus crisis, including for example the procurement of disinfectants, the implementation of protective measures and the payment of a bonus to the company's operations staff.

Operating income fell by 13 million francs to 449 million francs, while operating expenses rose by 35 million francs to 569 million francs. In addition to declining gains from the sale of property, plant and equipment no longer required, there were, in particular, higher personnel expenses compared with the previous year's figure. Headcount rose by 59 to 3,183 full-time equivalents.

Outlook

The measures implemented to combat the spread of coronavirus have now been relaxed in many countries. The future, however, remains uncertain. Initial indicators show that economic activity has now picked up again. Further steps to ease the restrictions should contribute to a significant recovery of the economy in the third quarter.

With the loosening of restrictions, the economic situation in Switzerland has also improved somewhat. Various sectors have been able to resume operations. In addition, the fiscal and monetary policy measures that have been taken are helping to cushion the impact of the coronavirus crisis on companies and households. Nevertheless, the containment measures are likely to continue to have an impact for some time. It is therefore to be expected that consumption and investment will remain subdued for some time in view of the loss of income due to the recession and weaker growth abroad.

In these challenging times for society as a whole, it has become clear that Swiss Post's services are central to the economy and the public. To ensure that Swiss Post can continue to play this important role in Switzerland in the future, the company is taking a very close look at its fundamental and still challenging operating framework with a view to the new 2021–2024 strategy period. Its aspiration, to be able to provide an economically viable universal service, remains unchanged.

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.

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Consolidated income statement

Group Income statement	2019 1.1 to 30.6. reviewed ¹	2020 1.1 to 30.6. reviewed
CHF million		
Continuing operations		
Revenue	3,471	3,290
of which interest income as per effective interest method	276	200
Other operating income	118	95
Total operating income	3,589	3,385
Personnel expenses	-1,891	-1,932
Resale merchandise and service expenses	-664	-668
Expenses for financial services	-76	-83
Depreciation and impairment	-232	-210
Other operating expenses	-457	-431
Total operating expenses	-3,320	-3,324
Operating profit	269	61
Financial income	14	11
Financial expenses	-35	-32
Net income from associates and joint ventures	3	8
Group profit before tax from continuing operations	251	48
Income taxes	-42	-18
Group profit from continuing operations	209	30
Discontinued operations		
Group loss from discontinued operations	-16	-
Group profit	193	30
Group profit attributable to		
Swiss Confederation (owner)	193	32
Non-controlling interests	0	-2

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

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Consolidated statement of comprehensive income

Group Statement of comprehensive income	2019 1.1 to 30.6. reviewed	2020 1.1 to 30.6. reviewed
CHF million		
Group profit	193	30
Other comprehensive income		
Revaluation of employee benefit obligations	30	-217
Change in unrealized gains / losses from fair value reserves in equity instruments FVTOCI	51	21
Change in share of other comprehensive income from associates and joint ventures	-	0
Change in deferred income taxes	-50	32
Items not reclassifiable in the consolidated income statement, after tax	31	-164
Change in currency translation reserves	-1	-5
Change in share of other comprehensive income from associates and joint ventures	0	-1
Change in unrealized gains / losses from fair value reserves in debt instruments FVTOCI	292	-38
Unrealized gains / losses from cash flow hedges	90	101
Realized gains / losses from cash flow hedges reclassified to the income statement	-125	-111
Change in deferred income taxes	-51	9
Reclassifiable items in consolidated income statement, after tax	205	-45
Total other comprehensive income	236	-209
Total comprehensive income	429	-179
Total comprehensive income attributable to		
Swiss Confederation (owner)	429	-177
Non-controlling interests	0	-2

Consolidated balance sheet

Group Balance sheet	31.12.2019 audited	30.6.2020 reviewed
CHF million		
Assets		
Cash	1,938	1,554
Amounts due from banks	46,677	56,352
Interest-bearing amounts due from customers	500	777
Trade accounts receivable	687	648
Contract assets	247	241
Other receivables	1,131	1,121
Inventories	47	35
Assets held for sale	1	1
Current income tax assets	1	0
Financial assets	76,458	77,793
Investments in associates and joint ventures	132	142
Property, plant and equipment	2,118	2,125
Investment property	328	332
Intangible assets and goodwill	484	478
Right-of-use assets	722	692
Deferred income tax assets	1,073	1,111
Total assets	132,544	143,402
Liabilities		
Customer deposits (PostFinance)	108,669	110,198
Other financial liabilities	12,064	21,368
Trade accounts payable	310	216
Contract liabilities	274	280
Other liabilities	766	869
Current income tax liabilities	7	2
Provisions	486	472
Employee benefit obligations	2,824	3,074
Deferred income tax liabilities	310	318
Total liabilities	125,710	136,797
Share capital	1,300	1,300
Capital reserves	2,279	2,279
Retained earnings	3,834	3,816
Gains and losses recorded directly in other comprehensive income	-580	-789
Equity attributable to the owner	6,833	6,606
Non-controlling interests	1	-1
Total equity	6,834	6,605
Total equity and liabilities	132,544	143,402

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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 1.1.2019	1,300	2,279	3,779	-599	6,759	0	6,759
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	3,772	-363	6,988	1	6,989
Balance as at 1.1.2020	1,300	2,279	3,834	-580	6,833	1	6,834
Group profit			32		32	-2	30
Other comprehensive income				-209	-209	-	-209
Total comprehensive income			32	-209	-177	-2	-179
Dividends			-50		-50	-	-50
Total transactions with the owner			-50		-50	-	-50
Balance as at 30.6.2020	1,300	2,279	3,816	-789	6,606	-1	6,605

Consolidated cash flow statement

Group Cash flow statement	2019 1.1 to 30.6. reviewed	2020 1.1 to 30.6. reviewed
CHF million		
Group profit before tax from continuing operations	251	48
Group loss before tax from discontinued operations	-16	-
Interest expense / (income) and dividends	-296	-272
Depreciation and impairment	255	223
Net income from associates and joint ventures	-3	-8
Net gains on disposal of property, plant and equipment, and interests	-22	-11
Gains from the derecognition of financial assets	0	-9
Net increase in provisions	30	20
Other non-cash expenses	58	121
Change in net current assets:		
Decrease in receivables, inventories and other assets	162	65
Increase / (Decrease) in accounts payable and other liabilities	-59	2
Items from financial services:		
Change in customer deposits (PostFinance) / interest-bearing amounts due from customers	-222	1,252
Change in other financial liabilities, derivatives	347	9,381
Change in financial assets FVTPL including derivatives	874	117
Acquisition of financial assets at amortized cost	-12,581	-17,059
Disposal and reimbursement of financial assets at amortized cost	12,789	15,864
Acquisition of financial assets FVTOCI	-	-819
Disposal and reimbursement of financial assets FVTOCI	160	384
Interest and dividends received	387	355
Interest paid	-12	-9
Income taxes paid	-52	-45
Cash flow from operating activities	2,050	9,600
Purchases of property, plant and equipment	-158	-125
Acquisition of investment property	-21	-10
Purchases of intangible assets (excl. goodwill)	-12	-21
Purchases of subsidiaries, net of cash and cash equivalents acquired	-3	-1
Purchases of associates and joint ventures	-1	-3
Purchases of other financial assets	-71	-112
Proceeds from disposal of property, plant and equipment	36	18
Proceeds from disposal of subsidiaries, net of cash proceeds	0	0
Proceeds from disposal of associates and joint ventures	40	-
Proceeds from disposal of other financial assets	7	7
Dividends received (excl. financial services)	0	0
Interest received (excl. financial services)	4	4
Cash flow from investing activities	-179	-243

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Continued	2019 1.1 to 30.6. reviewed	2020 1.1 to 30.6. reviewed
CHF million		
Increase in other financial liabilities	346	90
Decrease in other financial liabilities	-70	-207
Interest paid (excl. financial services)	-8	-8
Dividends paid to the owner	-200	-50
Cash flow from financing activities	68	-175
Foreign exchange losses on cash and cash equivalents	-2	-2
Change in cash and cash equivalents	1,937	9,180
Cash and cash equivalents as at 1 January	38,319	47,886
Cash and cash equivalents at the end of the reporting period	40,256	57,066
Cash and cash equivalents include:		
Cash	1,747	1,554
Amounts due from banks with an original term of less than 3 months	38,509	55,512
Cash and cash equivalents do not include:		
Amounts due from banks with an original term of more than 3 months	520	840

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 2020 were prepared in accordance with IAS 34 Interim Financial Reporting and are 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 2020 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 2019, pages 100 and 101.

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 2019 financial year, with the exception of the IFRS standards listed in the following section, which have been applied throughout the Group since 1 January 2020.

The coronavirus crisis is having a direct impact on Swiss Post's business operations. The existing estimation uncertainties were reviewed on 30 June 2020 in light of the coronavirus crisis. With regard to the current goodwill positions, there are no indications of impairment at present despite the aforementioned crisis. The assessment of the medium to long-term effects of the coronavirus crisis remains challenging. Swiss Post will also carry out a new assessment if indications of impairment occur. This situation will be constantly monitored over the remainder of the year so that measures can be taken if necessary.

Revised and new International Financial Reporting Standards (IFRSs)

PostFinance Ltd has applied the changes to IFRS 9, IAS 39 and IFRS 7 in relation to the effects of the IBOR reform (phase 1) since 1 January 2020. PostFinance Ltd has identified all contracts, systems and models concerned and the resulting adjustment requirements due to the replacement of LIBOR with alternative reference interest rates. Based on the current commitments and business model, PostFinance Ltd is less severely affected by the replacement of LIBOR than other institutions and the changes have no significant effect on the Group's result or financial position.

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Accounting changes

Changes in the disclosure of revenue and expenses from logistics services (fleet management)

In the fourth quarter of 2019, Post Company Cars Ltd (PostLogistics segment) modified the disclosure of net revenue from contracts with customers from logistics services (fleet management) and the associated expenses, without affecting profit or loss. As part of the review of Post Company Cars' service range and the related analysis of revenue recognition, Swiss Post came to the conclusion that for certain services, gross recognition is not an appropriate presentation of transactions, and merely disclosing the margin in revenue is correct. For these services, net revenue and the associated expenses are now recognized in net revenue from contracts with customers. These adjustments have no effect on the result.

Group | Income statement

1.1. to 30.6.2019 CHF million	Reported		Adjustment	Adjusted
Revenue	3,478	./. Logistics services	-7	3,471
Total operating income	3,596		-7	3,589
Resale merchandise and service expenses	-663	./. Logistics services	-1	-664
Other operating expenses	-465	+ Logistics services	+8	-457
Total operating expenses	-3,327		+7	-3,320

Changes in the disclosure of net interest income

In the fourth quarter of 2019, Swiss Post made a change with no effect on profit or loss to the disclosure of net interest income from financial instruments. On verifying the disclosure and related analysis, Swiss Post came to the conclusion that the previous disclosure was not an appropriate presentation of the situation, and that the modified disclosure is correct. In the income statement, interest income was adjusted according to the effective interest method by 24 million francs from 300 million to 276 million francs for the period from 1 January to 30 June 2019. Interest effects from derivatives used to hedge bonds at amortized cost were not taken into account in the original disclosure.

Change in provision for other long-term employee benefits

In the fourth quarter of 2019, Swiss Post changed the disclosure of other long-term employee benefits. The review of the group of beneficiaries showed that there have no longer been any prospective entitlements since the collective employment contract entered into force from 2016. The retroactive adjustment has no effect on the figures stated for the previous year.

The provisions for other long-term benefits were increased on a prospective basis by 30 million francs as at 30 June 2020 due to a change to the regulations on loyalty bonuses for long-serving employees as part of the collective employment contracts of Post CH Ltd and PostFinance Ltd valid from 1 January 2021.

Segment information

Result by business segment

Up to or as at 30.6.2019 CHF million	PostMail	Swiss Post Solutions	Postal- Network	PostLogistics	PostFinance ¹	PostBus ²	Other ³	Consolidation	Group
Revenue									
from customers	1,246	284	44	680	805	395	17		3,471
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^{4,5}	1,312	303	343	836	846	414	462	-927	3,589
Operating profit⁴	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
Up to or as at 30.6.2020 CHF million									
Revenue									
from customers	1,135	252	29	772	709	373	20		3,290
from other segments	74	16	275	117	3	0	237	-722	-
Other operating income	2	3	1	30	36	20	192	-189	95
Total operating income⁴	1,211	271	305	919	748	393	449	-911	3,385
Operating profit⁴	110	8	-72	108	60	-33	-120	0	61
Net financial income									-21
Net income from associates and joint ventures	6	-	-	4	-2	0	0		8
Income taxes									-18
Group profit from continuing operations									30
Headcount ⁶	13,831	6,660	4,024	5,749	3,238	2,486	3,183		39,171

¹ PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks" (previous year: accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)). There are differences between the RelV-FINMA / FINMA Circular 20/1 (previous year: ARB) results and the IFRS results.

² Within 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.

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).

Significant changes in segment assets and liabilities

In comparison with 31 December 2019, PostFinance's segment assets increased by 10,788 million francs to 136,300 million francs, particularly with regard to amounts due from banks and financial assets. PostFinance's segment liabilities rose by 10,792 million francs to 130,559 million compared to 31 December 2019 – in particular in other financial liabilities and customer deposits.

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Revenue

Breakdown of net revenue from contracts with customers

Up to or as at 30.6.2019 CHF million	PostMail	Swiss Post Solutions	Postal-Network	PostLogistics	PostFinance	PostBus	Other	Consolidation	Group
Net revenue from contracts with customers									
of which logistics services	1,310	300	298	791	–	395	249	–731	2,612
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 customers¹	1,310	300	342	803	360	395	250	–737	3,023
Other revenue from financial services ²									448
Total revenue¹									3,471
Other operating income									118
Total operating income¹									3,589

Up to or as at 30.6.2020
CHF million

Net revenue from contracts with customers									
of which logistics services	1,209	268	275	880	–	373	257	–718	2,544
of which resale merchandise	–	–	29	9	–	0	–	–1	37
of which financial services and commission business	–	–	–	–	341	–	–	–3	338
Total net revenue from contracts with customers	1,209	268	304	889	341	373	257	–722	2,919
Other revenue from financial services ²									371
Total revenue									3,290
Other operating income									95
Total operating income									3,385

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

² Other revenue from financial services mainly comprises income from financial assets, interest income and net income from foreign exchange trading at PostFinance.

Additions and disposals of subsidiaries, associates and joint ventures

SPS Holding Ltd, based in Zurich, was founded on 18 June 2020. Swiss Post Ltd, based in Berne, holds 100 percent of the shares.

Post CH Communication Ltd, based in Berne, was founded on 29 June 2020. Swiss Post Ltd, based in Berne, holds 100 percent of the shares.

Post CH Network Ltd, based in Berne, was founded on 29 June 2020. Swiss Post Ltd, based in Berne, holds 100 percent of the shares.

The changes mentioned have no effect on the Group accounts.

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 2019 and 30 June 2020:

Fair values and carrying amounts of financial instruments	31.12.2019		30.6.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
CHF million				
Financial assets measured at fair value				
Financial assets				
FVTOCI				
Shares	186	186	208	208
Bonds	8,279	8,279	8,563	8,563
FVTPL mandatory				
Shares	20	20	21	21
Bonds	5	5	4	4
Funds	164	164	133	133
Positive replacement values	163	163	176	176
Financial assets not measured at fair value				
Financial assets				
Amortized cost				
Bonds	52,369	53,549	53,628	54,292
Loans	15,272	15,715	15,060	15,405
Financial liabilities measured at fair value				
Other financial liabilities				
Negative replacement values	342	342	331	331
Deferred purchase price payments (earn out)	3	3	2	2
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	845	941	845	928

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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.

A minor interest from the FVTOCI category (PostFinance) was sold in the reporting period. The cumulative loss (less than one million francs) was reclassified from other comprehensive income to retained earnings within equity.

Fair value hierarchy

The above financial instruments disclosed at fair value are assigned to one of three levels in the fair value hierarchy on the reference date. Detailed notes on classification within the fair value hierarchy and on the valuation policies can be found in the Financial Report 2019 from page 132.

The fair values as at 31 December 2019 and 30 June 2020 were determined as follows:

Fair value of financial instruments	31.12.2019				30.6.2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
CHF million								
FVTOCI								
Shares ¹	186	85	–	101	208	111	–	97
Bonds	8,279	7,670	609	–	8,563	7,952	611	–
FVTPL mandatory								
Shares ¹	20	0	–	20	21	0	–	21
Bonds	5	–	–	5	4	–	–	4
Funds	164	–	164	–	133	–	133	–
Positive replacement values	163	0	163	–	176	0	176	–
Amortized cost								
Bonds	53,549	44,930	8,619	–	54,292	46,676	7,616	–
Loans ²	15,715	–	15,671	44	15,405	–	15,363	42
Negative replacement values	342	2	340	–	331	7	324	–
Deferred purchase price payments (earn out)	3	–	–	3	2	–	–	2
Private placements	941	–	941	–	928	–	928	–

¹ Discretionary estimates or input factors not observable on the market are applied for the measurement of shares using the discounted cashflow method or the venture capital approach.

² In the case of the loans to PostBus companies (level 2: 14 million francs, 31.12.2019: 18 million francs) and "Other" (level 3: 42 million francs, 31.12.2019: 44 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

The FVTPL mandatory and FVTOCI level 3 financial assets underwent the following changes in the first half-year 2019 and 2020:

Fair value hierarchy: changes in level 3

CHF million	FVTPL mandatory	FVTOCI
as at 1 January 2019	13	78
Gains / losses recorded in the income statement	0	–
Gains / losses recorded in other comprehensive income	–	43
Additions	1	0
Disposals	–1	–
as at 30 June 2019	13	121
as at 1 January 2020	25	101
Gains / losses recorded in the income statement	–2	–
Gains / losses recorded in other comprehensive income	–	–4
Additions	3	–
Disposals	–1	0
as at 30 June 2020	25	97

No reclassifications were carried out within the levels as at 30 June 2019 and 30 June 2020.

Amounts due from banks

The amounts due from banks rose by 9,674 million francs compared with 31 December 2019. The increase is due to the use of the increased exemption limit on interest-free deposits at the Swiss National Bank.

Interest-bearing amounts due from customers

Up to 30 June 2020, the Confederation provided guaranteed limits for emergency loans amounting to 843 million francs of which 327 million francs had been used by the reference date.

Credit risk

Impairments 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 2019 and 30 June 2020:

Impairment losses on financial instruments CHF million	31.12.2019				30.6.2020			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
ECL on amounts due from banks	–46	0	0	–46	–46	0	0	–46
ECL on interest-bearing amounts due from customers	–8	–2	–2	–4	–8	–2	–2	–4
ECL on financial assets at amortized cost	–20	–8	0	–12	–30	–17	0	–13
The following impairments were calculated based on the simplified approach								
ECL on trade accounts receivable ¹	–9				–9			
ECL on other receivables ¹	–2				–1			

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

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To combat the coronavirus crisis the Federal Council adopted extensive and drastic measures, which resulted in the interruption of business activities in many units. These measures may also have an impact on the credit quality of bonds and receivables. In the current situation the assessment of the effects is still subject to a high degree of uncertainty. The effects on the ECL portfolio of financial assets and receivables were taken into account by updating the ECL model parameters, which led to an increase in impairments required of 13 million francs in the current financial year.

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 2019 and 30 June 2020 is given below:

Summary of main country exposures ¹		
CHF million	31.12.2019	30.6.2020
Switzerland	47,101	47,113
USA	5,720	5,809
France	2,755	3,248

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

Further information on risk management and assessment can be found in the Financial Report 2019 from page 102.

Investment commitments

The investment commitments amounted to 261.0 million francs in total as at 30 June 2020 (31 December 2019: 256.6 million francs).

Seasonal nature

Swiss Post's business activity is affected by several 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. The coronavirus crisis led to increased demand in parcel delivery in contrast to a reduction in travel on passenger transport and an acceleration in the decline in addressed letter volumes in the year under review.

Appropriation of profit

The General Meeting of Swiss Post Ltd held on 28 April 2020 decided to pay a dividend totalling 50 million Swiss francs (previous year: 200 million francs). The dividend was paid on 11 May 2020.

Related companies and parties

The transactions between Swiss Post and related companies and parties carried out in the first six months of 2020 are comparable with the transactions mentioned in the 2019 consolidated annual financial statements (see Financial Report 2019, page 176).

Events after the reporting period

Prior to the approval of this Interim Report by the Board of Directors of Swiss Post Ltd on 25 August 2020, 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.

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To the Board of Directors of
Swiss Post Ltd, Berne

Berne, 25. August 2020

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 16 to 30) of Swiss Post Ltd for the period from 1 January 2020 to 30 June 2020.

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 AG

Olivier Mange
Licensed audit expert
(Auditor in charge)

Michel Wälchli
Licensed audit expert

PostFinance interim financial statements

PostFinance Ltd issues financial statements in accordance with Group International Financial Reporting Standards (IFRS) guidelines and the FINMA Accounting Ordinance together with FINMA Circular 2020/1 "Accounting – banks".

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Reconciliation of profit

PostFinance Ltd reports to the Group in accordance with Group IFRS guidelines and issues its financial statements pursuant to the FINMA Accounting Ordinance (ReIV-FINMA) and FINMA Circular 2020/1 (FINMA-RS 20/1) "Accounting – banks" (until 31 December 2019: Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB), FINMA Circular 2015/1 "Accounting – banks").

The valuation policies in accordance with ReIV-FINMA / FINMA-RS 20/1 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 ReIV FINMA / FINMA-RS 20/1.

PostFinance Ltd Reconciliation of profit	2019 1.1. to 30.6.	2020 1.1. to 30.6.
CHF million		
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	146	60
Management / licence fees / net cost compensation	2	-2
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	148	58
Net income from associates	-4	-2
Net financial income	-20	-18
PostFinance segment earnings before tax (EBT)	124	38
Income tax	-30	16
PostFinance segment profit	94	54
Consolidation effects from associates	25	1
Consolidation effects from subsidiaries	2	-
PostFinance Ltd profit before reconciliation	121	55
Valuation differences for financial assets	-9	14
Reversal of impairment / impairment on financial assets and receivables, incl. taxes	-	0
Realized gains from (earlier than scheduled) sales	7	-6
Valuation differences between IAS 19 and Swiss GAAP ARR 16	5	45
Valuation differences, IFRS 16 Leases	0	0
Depreciation of revalued real estate	-2	-2
Amortization of goodwill	-100	-
Valuation differences for investments	-1	-1
Adjustment of deferred tax effects as per IFRS	27	-16
PostFinance Ltd profit as per Accounting – banks	48	89

The goodwill capitalized as part of the conversion to a private limited company in 2013 was completely impaired at the end of the 2019 financial year. Consequently, there is no longer any amortization of goodwill in 2020.



PostFinance Ltd statutory interim financial statements

The following pages show the PostFinance Ltd statutory financial statements in accordance with the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks".

Balance sheet

PostFinance Ltd | Balance sheet as per Accounting – banks

CHF million	31.12.2019	30.6.2020
Assets		
Liquid assets	46,946	56,282
Amounts due from banks	3,889	3,714
Amounts due from securities financing transactions	22	–
Amounts due from customers	12,075	12,277
Mortgage loans	0	0
Trading portfolio assets	–	–
Positive replacement values of derivative financial instruments	162	176
Other financial instruments at fair value	–	–
Financial investments	60,406	61,936
Accrued income and prepaid expenses	383	357
Participations	105	107
Tangible fixed assets	1,166	1,145
Intangible assets	–	–
Other assets	420	445
Total assets	125,574	136,439
Total subordinated claims	11	11
of which subject to mandatory conversion and / or debt waiver	1	–
Liabilities		
Amounts due to banks	1,324	787
Liabilities from securities financing transactions	9,125	18,773
Amounts due in respect of customer deposits	108,469	110,116
Trading portfolio liabilities	–	–
Negative replacement values of derivative financial instruments	340	323
Liabilities from other financial instruments at fair value	–	–
Cash bonds	71	16
Bond issues and central mortgage institution loans	–	–
Accrued expenses and deferred income	105	144
Other liabilities	5	58
Provisions	35	33
Reserves for general banking risks	–	–
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 / loss carried forward	–	–582
Profit / loss	–582	89
Total liabilities	125,574	136,439
Total subordinated liabilities	203	203
of which subject to mandatory conversion and / or debt waiver	203	203
Off-balance-sheet transactions		
Contingent liabilities	52	61
Irrevocable commitments	699	1,215

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Income statement

PostFinance Ltd Income statement as per Accounting – banks		
CHF million	2019 1.1. to 30.6.	2020 1.1. to 30.6.
Interest and discount income	71	65
Interest and dividend income from financial investments	215	148
Interest expense	12	66
Gross result from interest operations	298	279
Changes in value adjustments for default risks and losses from interest operations	0	-15
Net result from interest operations	298	264
Commission income from securities trading and investment activities	32	41
Commission income from lending activities	11	11
Commission income from other services	317	288
Commission expenses	-192	-174
Result from commission business and services	168	166
Result from trading activities and the fair value option	103	89
Result from the disposal of financial investments	7	3
Income from participations	10	3
Result from real estate	33	32
Other ordinary income	52	31
Other ordinary expenses	-	-
Other result from ordinary activities	102	69
Operating income	671	588
Personnel costs	-220	-193
General and administrative expenses	-274	-257
Operating expenses	-494	-450
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	-142	-38
Changes to provisions and other value adjustments, and losses	-4	-6
Operating result	31	94
Extraordinary income	26	-
Extraordinary expenses	-1	0
Changes in reserves for general banking risks	-	-
Taxes	-8	-5
Profit	48	89

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SWISS POST 