

# Management report

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Swiss Post operates in the communication, logistics, financial services and passenger transport markets. It generates around 85 percent of its sales in competition. The remaining 15 percent is generated by the monopoly on letters weighing less than 50 grams. Here, Swiss Post faces direct competition from electronic services. 86 percent of sales are generated in Switzerland.

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Comprehensive coverage of customer requirements.

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## Business activities

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### Markets, solutions and services

Swiss Post operates in the communication, logistics, financial services and passenger transport markets. In each market, it offers solutions, products and services that meet the fundamental needs of business and private customers.

Swiss Post generates around 85 percent of its sales in competition. The remaining 15 percent is accounted for by the monopoly on letters weighing less than 50 grams, where Swiss Post is in competition with electronic services.

Services provided for private customers include letters, parcels, courier and express shipments, financial services (payments, savings, investments, retirement planning and financing) and passenger transport services. Swiss Post also offers a customer-oriented range of third-party products across 1,464 post offices.

The services offered to business customers are structured partly as solutions along the e-commerce value chain and partly as specific products and services in the four markets.

#### Communication market

##### *Letters*

Various shipping options for individual letters and bulk mailings in Switzerland and abroad (urgent items, priority items, non time-critical items, and letters with Track & Trace), collections and deliveries, automated franking solutions, address management and online tools, as well as hybrid services combining physical and digital options for receipt and delivery.

##### *Direct marketing*

Addressed and unaddressed promotional mailings in Switzerland and abroad, individual direct marketing solutions, address management and response management.

##### *Print media*

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

##### *Document solutions*

Local integration of physical and digital processing of internal post at the customer's premises. Digitization of paper-based data and its introduction into electronic business and administrative processes to ensure the efficient processing, management and archiving of documents such as invoices, forms, orders or customer correspondence. Preparation of digital content for printing and mail processing.

#### Logistics market

##### *Parcels (national/international)*

Customized logistics solutions for sending parcels within Switzerland and abroad. Combination of physical logistics with integrated IT solutions and services to make it easy to send and receive parcels. International document and goods shipments in almost all countries with value-added services such as customs clearance and Track & Trace for consignment tracking.

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### Freight and warehousing

National and international freight and contract logistics from a single source with value-added services such as cross-docking and combined road and rail transport. Central warehousing locations and storage systems for all kinds of goods.

### E-commerce

Swiss Post is the only provider in Switzerland to offer a complete portfolio of services covering the entire e-commerce value chain: from the design of online shops to order processing and logistics. The YellowCube logistics solution covers all the logistics processes, from storage, assembly and packing parcels, through to shipping and returns management.

### Innight / Express / Courier

As a leading supplier of overnight logistics, Swiss Post transports tens of thousands of consignments, night after night and delivers them before the working day begins directly to where they are needed, for example a technician's vehicle, mechanic's workshop, shop or operating theatre. The service is also offered for consignments from abroad. With Courier and Express, urgent consignments reach their recipients in the shortest possible time by the most direct route.

### Financial services market

PostFinance is one of Switzerland's leading financial institutions and, as the market leader in payment transactions, ensures a seamless daily flow of liquidity. Whether dealing with payments, savings, investments, retirement planning or financing, PostFinance meets its customers on their level, speaks their language and offers them straightforward products at attractive conditions. This makes it the ideal partner for everyone who wants to manage their own finances as easily as possible.

### Passenger transport market

PostBus Switzerland Ltd is the market leader in public bus transport in Switzerland. PostBus is expanding its presence in Swiss cities and conurbations and increasingly positioning itself as a provider of sustainable and combined mobility services. It intends to set itself apart more and more by offering ground-breaking system management and other management services in conjunction with the roll-out of operational control systems and passenger information systems as well as sales systems including the entire IT infrastructure.

### Geographical segmentation

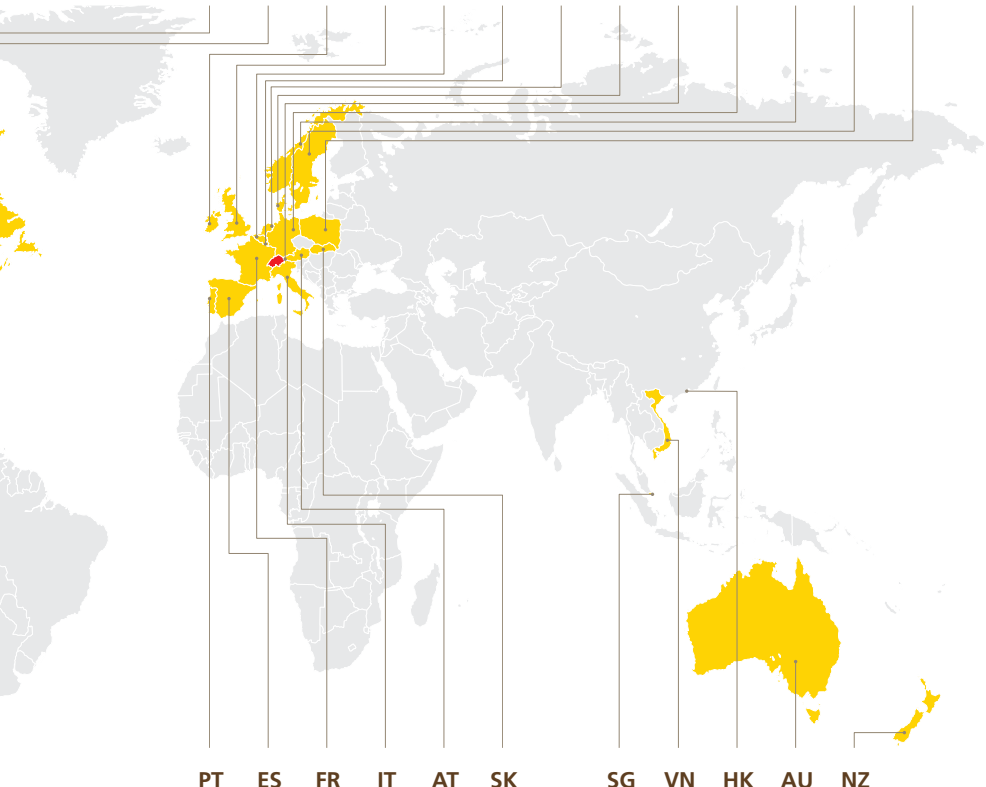
Present in Switzerland and selected countries abroad.

Swiss Post operates in 24 countries. In Europe, North America and Asia, it is represented by subsidiaries, franchise or cooperation partners and sales agents, depending on local requirements (see figure on following page). Cooperation with partners abroad gives it access to their global logistics networks. PostBus operates several bus networks in France through more than a dozen subsidiaries, as well as the entire regional transport network in Liechtenstein. Domestic business accounts for 86 percent of Group sales, with 14 percent generated abroad.

## Swiss Post abroad

2015

	US	CA	IE	UK	BE	LU	NL	DK	FL	DE	NO	SE	PL
International letters	■ <sup>2</sup>			■ <sup>2</sup>	■ <sup>2</sup>		■ <sup>2</sup>	■ <sup>2</sup>		■ <sup>2</sup>	■ <sup>2</sup>	■ <sup>2</sup>	
Passenger transport									■				
Document solutions	■	■	■	■	■	■	■			■		■ <sup>1</sup>	■ <sup>1</sup>

	PT	ES	FR	IT	AT	SK	SG	VN	HK	AU	NZ
International letters	■ <sup>2</sup>			■ <sup>2</sup>	■ <sup>2</sup>		■ <sup>2</sup>		■ <sup>2</sup>		
Passenger transport			■								
Document solutions	■ <sup>1</sup>	■	■	■	■	■	■	■	■	■ <sup>1</sup>	■ <sup>1</sup>

1 Partners.

2 Countries in which joint venture Asendia companies operate.

## Unique sales network with customer-centered access points.

### Customer access points in Switzerland

The distribution network in Switzerland is one of the most efficient, dense and diversified networks in the world. It covers the communication, logistics, financial services and passenger transport markets.

Swiss Post offers its customers a large number of access options with personal contact across Switzerland with 1,464 post offices, 735 agencies and 1,295 home delivery services. There is also a network of 43 PostFinance branches and 58 consulting offices where customers can speak to staff in person about financial services. 165 PostFinance employees advise small and medium-sized business customers directly at their premises. In the passenger transport market, PostBus passengers are looked after personally by drivers in 2,238 vehicles.

Almost 1,000 Postomats, 14,823 letter boxes and 372,700 P.O. Boxes are accessible throughout Switzerland around the clock. In addition, Swiss Post is building up a network of My Post 24 terminals where customers can collect and drop off consignments at any time. With PickPost, recipients can choose to collect parcels and registered letters at over 2,400 post offices, petrol stations and train stations well after normal post office opening hours. More than 46 acceptance points with a direct link to letter or parcel processing and 353 suitably equipped post office counters are available to meet the specific requirements of business customers.

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Swiss Post is continuing to develop its sales network to meet the changing needs of its customers. It serves each customer through the access points and sales channels that best match their usage behaviour. Swiss Post can be found at attractive locations with agencies that have extended opening hours. Meanwhile, the company's home delivery service allows the public to carry out postal transactions on their doorstep. With pick@home, private customers can manage individual collection options for parcels. In areas with many companies, Swiss Post now offers needs-based business customer solutions for mailing parcels and letters.

Beyond that, private and business customers can interact with Swiss Post via the Swiss Post Customer Center and via online services (e.g. [www.swisspost.ch](http://www.swisspost.ch), [www.postshop.ch](http://www.postshop.ch), [www.postfinance.ch](http://www.postfinance.ch) and [www.postbus.ch](http://www.postbus.ch)) and via mobile applications (e.g. Post-App, PostFinance App and PostBus App). Many customers also take advantage of social networks to communicate with Swiss Post.

For more information on developments in the network and universal service, see pages 13–18 of the Annual Report.

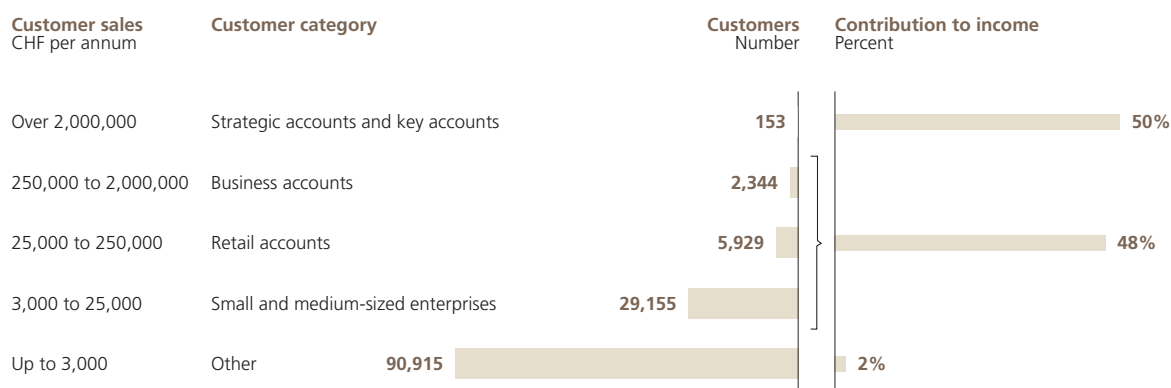
In the passenger transport market, PostBus offers 877 PostBus routes in Switzerland, covering 11,982 kilometres and 11,595 stops in the public transport network, as well as tourist routes and ScolaCar school buses. It also operates the PubliBike bike sharing service, providing 1,100 bikes at 118 stations.

## Customers

Swiss Post's communication and logistics customer base comprises several million individuals and around 129,000 companies ranging from small businesses to large multinationals. Most of Swiss Post's logistics income stems from its business customers. Its 153 key accounts are particularly important, generating around 50 percent of business customer income. The Group's business customers also include 2,344 business accounts with annual sales of between 250,000 and 2 million francs, 5,929 retail accounts (annual sales of 25,000–250,000 francs) and 29,155 small and medium-sized enterprises (SMEs, annual sales of 3,000–25,000 francs). The remaining 90,915 or so business customers in the communication and logistics market are micro-enterprises with sales of up to 3,000 francs.

Key accounts generate 50 percent of logistics income

Communication and logistics market | Income with business customers  
2015, Customer structure and contribution to income



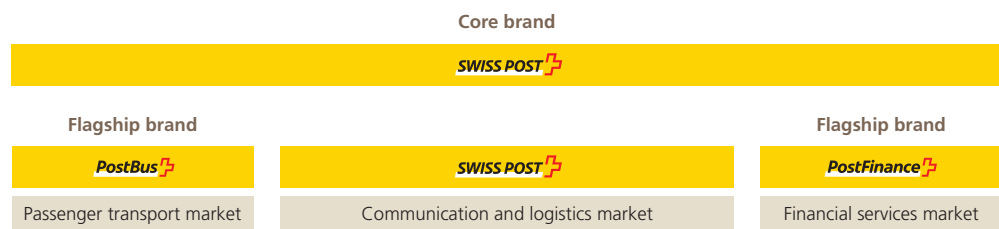
PostFinance's customer base in the retail financial market is similar. At year-end, 2.6 million private customers and 305,000 business customers (including 646 banks) maintained a business relationship with PostFinance.

## Brands

As one of the best-known brands in Switzerland, Swiss Post is very popular with customers. Thanks to the postal business, its core values “reliable”, “value-enhancing” and “sustainable” are firmly established with the Swiss population and business customers.

Confidence in Swiss Post is maintained at a persistently high level by continually enhancing brand strategy, which guarantees a consistent corporate image for the core brand and the two flagship brands PostFinance and PostBus. Synergy effects are achieved and the brands are brought to life across all the distribution channels by means of closely coordinated interplay between the different communication tools in terms of content, form and timing.

### Brands and markets



The “That’s Swiss Post too” positioning campaign was extended, building on Swiss Post’s core values and its characteristics “innovative”, “dynamic” and “flexible”. “The Yellow Tour” interactive campaign brought the new access points and innovative services closer to the general public. Swiss singer-songwriter Bastian Baker, the face and voice of the campaign, showed just how location- and time-independent Swiss Post services really are. Together with his band, he played seven public concerts in October and November 2015 across Switzerland. The entire tour was carried out with the help of Swiss Post services. Members of the public were given the opportunity to experience the access points and services at first hand during the tour. The campaign featured TV and print adverts, a number of online measures, trade fair appearances, events and a special campaign website.

The characteristics “innovation”, “dynamism” and “flexibility” require further active positioning in order to achieve the desired brand positioning consistent with the strategic thrusts and the new vision of Swiss Post. The most recent reputation measurement shows that Swiss Post remains the market leader in its core business, achieving a recognition value of 93 percent. Its scores in terms of “affinity”, “quality” and “professionalism” are also at a persistently high level. The Swiss population and companies nonetheless associate Swiss Post primarily with letter and parcel services and the characteristic “reliability”, and only to a lesser extent with the values “innovative”, “dynamic” and “flexible”. Around three quarters of those questioned are still unfamiliar with the new skills and services offered to connect the physical and digital worlds and therefore credit Swiss Post with relatively little professionalism in these areas.

The people surveyed who are already familiar or very familiar with these new skills and products perceive Swiss Post as a dynamic, flexible and innovative company and award Swiss Post significantly higher marks in a number of key areas than customers who mainly use traditional services. This result highlights the strategic importance of the new, physical-digital services from a business perspective and illustrates their potential to strengthen the core brand and market position of Swiss Post.

Swiss Post is setting new standards in its target markets thanks to the physical-digital interplay of the services offered. It aims to specifically integrate the underlying expertise at the interface between the physical and digital worlds into future brand communication and strengthen the perception of Swiss Post as a leading product and systems provider. This will enable Swiss Post to expand its role as the backbone of the universal service and to position itself more and more as an “integrated provider” that understands the needs of the state and of business and private customers while generating extensive customer benefit by providing easily accessible, user-friendly services both on and offline.

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## Development & Innovation

“Development & Innovation” is the name of the unit Swiss Post has established to combine and expand its innovation activities. Its goal is to support innovation in the core markets as well as to identify new business ideas and develop them into a business area. The unit draws on the innovative capacity of around 62,300 employees, connects units within Swiss Post and drives forward Group-wide projects.

## Sustainability

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Sustainability contributes to economic value added for Swiss Post.

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Swiss Post creates added value on all four markets through sustainable management of the company and provides its services in the most environmentally friendly way possible. It achieves this with energy-efficient buildings and vehicles, optimized logistics processes, innovative alternative technologies and the use of renewable energy. Swiss Post also enables its customers to act sustainably by offering products such as the carbon-neutral “pro clima” – Shipment service.

Swiss Post is aware of its social responsibility as the third-largest employer in Switzerland, and takes its role as a progressive employer seriously. It encourages its employees to participate in basic and advanced training and helps its staff remain healthy. Each year, it offers around 800 apprentices the chance to start a career. It also does its bit for society by proposing jobs in rural areas and taking responsibility for its supply chain.

## Organization

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

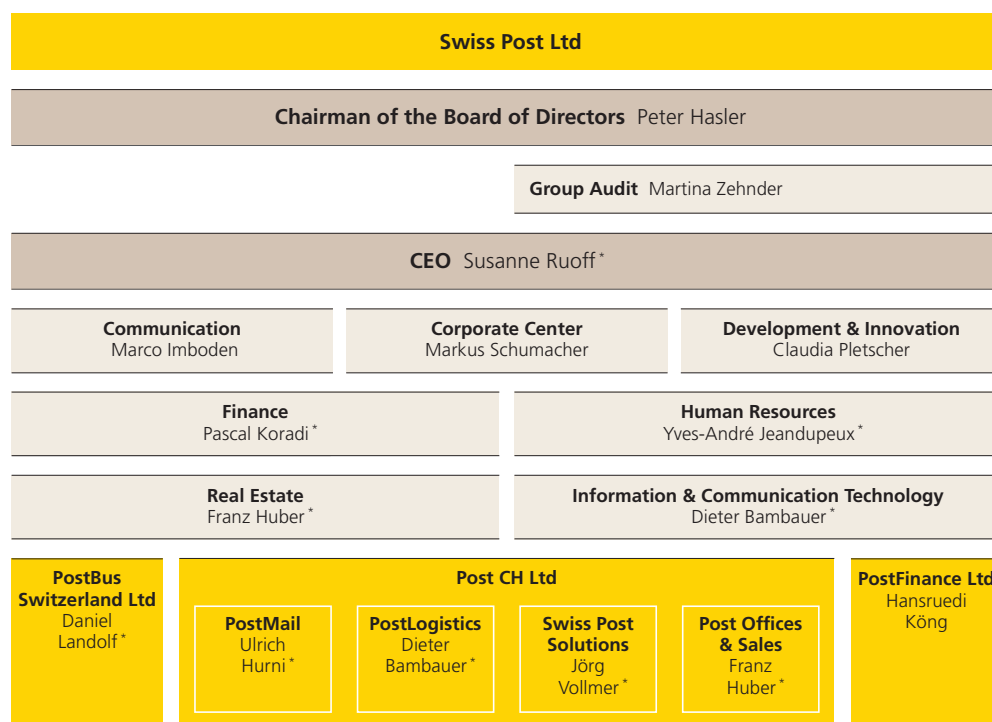
The vital importance of IT has been recognized since January 2015 with a new three-pillar model. An Informatics management unit led by the CIO (Chief Information Officer) has been set up alongside the existing Information & Communication Technology service unit and the decentralized IT units.

Management units (Finance, Human Resources, Communication, Corporate Center, Informatics, Development & Innovation) and service units (Information & Communication Technology and Real Estate) support the management of the Group and the provision of services by the product-carrying units. In the annual financial statements, the results for these units are included in Other.

The legal structure comprises the holding company Swiss Post Ltd and its strategic subsidiaries PostBus Switzerland Ltd, Post CH Ltd and PostFinance Ltd, which in turn have subsidiaries of their own.

### Organization chart

31.12.2015



\* Member of Executive Management

At the end of October 2015, the Federal Council approved the proposal to appoint Dr Urs Schwaller as the new Chairman of the Board of Directors at Swiss Post at the General Meeting of Swiss Post Ltd on 26 April 2016. Urs Schwaller will take over from Dr Peter Hasler, who is resigning as Chairman of the Board of Directors because he has reached the maximum age limit of 70 years.

More information on the Board of Directors and Executive Management can be found on pages 61–63 and 65–67.



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## Developments

### Trends in the environment

#### Legal and political: deregulation

#### Deregulation put to the test.

The European Union completed the full deregulation of the postal sector at the end of 2013. Previous experience in the EU has shown that competition only develops gradually, even in fully deregulated letters markets. In contrast, competition in the parcels and express markets is working well. Following the most recent comprehensive revision of postal legislation, Switzerland has decided against opening up the entire letters market. The Postal Services Act stipulates that the Federal Council has a maximum of three years from the implementation of the postal legislation on 1 October 2012 to submit an evaluation report to Parliament on the way forward as regards opening up the market. In September 2015, the Federal Council published its evaluation report on market deregulation in which it concluded that the residual monopoly in letter mail should remain in place. Arguments against the full deregulation of the market include experience to date in Switzerland and Europe as well as changes in the letter mail sector, according to the report. The parliamentary debate on the subject will take place in 2016.

#### Social: change in consumer culture

#### The physical and digital worlds are merging.

Mobile access to the Internet via smartphone and the use of the Internet for communication (via social media), for trading and banking transactions and, increasingly, for the Internet of things, are fuelling the digital transformation and speeding up the pace of our living and working environments. Freely available time is gaining in importance at the expense of money and material goods. The consumer society is gradually becoming a sharing society, combined with a growing awareness of sustainability. The challenge for Swiss Post is to give its customers flexibility by offering them a balance of physical and digital products (e.g. in city logistics) and to recognize the opportunities for playing new roles in sectors such as mobility solutions and the closed-loop economy.

#### Technological: digitization

There is a constant need to adapt to keep up with the ongoing digital transformation. Thanks to robotics, industry is fundamentally opening up to new possibilities with high-precision, cost-efficient production. In-store and digital concepts and channels in the retail trade are being completely transformed. The collection of large data volumes (big data) is being replaced by data mining (smart data): profile data is analysed, offers and services are customized to meet the needs of individual customers, and predictions regarding personal behaviour patterns are made. Intelligent automation can be used to synthesize large quantities of information and automate entire business processes. The challenge for Swiss Post is to identify the relevant opportunities from the variety of new business models and skills being created (e.g. document solutions, mobile production) and rise to meet them rapidly.

#### Economic: globalization and competition

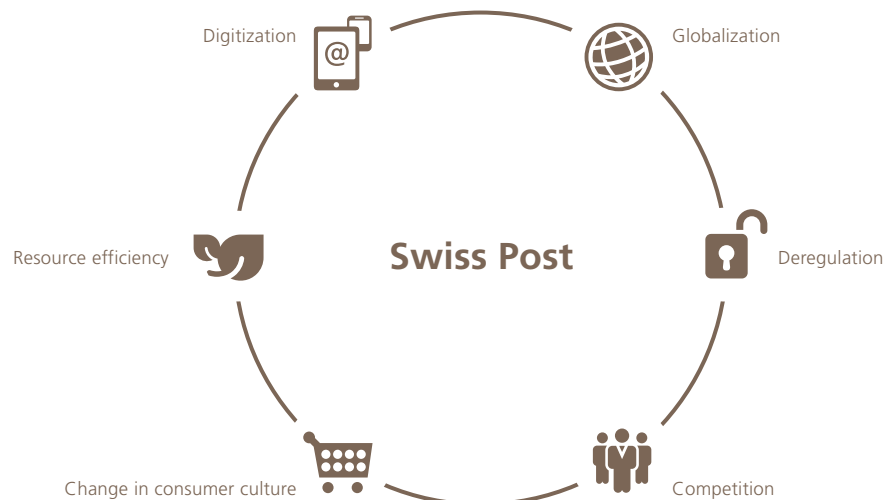
The weakened European economy and global competition are forcing companies and, further downstream, the public sector, to use their resources efficiently. Swiss Post needs to exploit comparative locational advantages in order to optimize costs whilst implementing joint initiatives to counter disadvantages resulting from size or geographical coverage and taking advantage of opportunities for new roles (e.g. in e-government).

#### Environmental: resource efficiency

The scarcity of natural resources is raising awareness about environmental sustainability among customers, investors and legislators. Demand for environmentally sustainable products continues. There is a growing awareness of the importance of environmentally sustainable logistics. An optimum mix of energy efficiency and renewable energy is becoming a critical factor for companies seeking to combat escalating costs or, in certain cases, to gain new competitive advantages. The challenge for Swiss Post is to combine business success with environmental awareness and social responsibility.

## Trends in the environment

2015



## Market trends

## Communication market

Potential in promotional mailings and document processing.

In the letters market, Swiss Post provides Switzerland's universal postal service. It fulfils this mandate with a statutory residual monopoly on letters up to 50 grams. Around 70 percent of all mail is already deregulated. This includes newspapers, unaddressed mail and addressed mail over 50 grams. However, the primary challenge for PostMail and Post Offices & Sales remains substitution by digital media. The growing number of customers switching to electronic channels continues to produce a drop in letter volumes and falling demand for conventional post office services. Competition is becoming more intense and pressure on margins is rising, increasing the need for cost and price flexibility within the industry and a targeted development of the postal network together with additional services in the communication market. At the same time, the market for promotional mailings offers growth opportunities. The international letters market remains fiercely competitive. Further mergers and partnerships can be expected in order to secure market positions. Driven by what is technologically possible, major corporations are increasingly outsourcing their paper-based business processes since these do not necessarily form part of their core business. There is still substantial growth potential in this area, which Swiss Post Solutions is gradually tapping into with innovative, sector-specific customer solutions.

## Logistics market

Growth: e-commerce is driving logistics.

Competition in the logistics market continues to grow. It is characterized by a rising level of internationally targeted, more aggressive competition and growing pressure on prices and margins. This is spreading to parcels and express deliveries. New providers from outside the sector are forcing their way into the logistics market. They do not need to make a profit in logistics as this can be generated in their core business. Customers, particularly business customers, are sensitive to prices, but expect high quality at the same time. There is demand for flexible recipient services and all-in solutions including cross-border services such as customs clearance and international networks. The need for faster processing times in the CEP segment (Courier, Express, Parcels) will increase further. This will result in more priority parcels. Swiss Post is testing the commercial use of drones in collaboration with partner companies. The focus is primarily on their use in exceptional cases or the transport of special

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items. Substantial rises in personnel expenses cannot be offset by pricing measures. Overall, the logistics market has the potential for growth, driven by the rapid rise in e-commerce business. The challenge for logistics is to convert customers' global procurement requirements into new, profitable business models. At the same time, the boundaries between parcel logistics and goods logistics continue to blur. PostLogistics intends to build on its position as lead logistics provider (lean logistics processes, optimized logistics networks and continuous improvement and cost reduction) and strengthen its presence in city logistics. With digitization and the increased transparency of business processes, customers want electronic data links along the entire transport chain, right into companies, to accompany the flow of goods. In goods logistics, Switzerland is becoming bound by the increasingly international network structures. The introduction of environmental and incentive taxes such as CO<sub>2</sub> taxes and the performance-related heavy goods vehicle tax are having a direct impact on the logistics margins that can be achieved.

#### Financial services market

#### Pressure on margins and increasing digitization.

The persistently low interest rates on the money and capital markets are having a significant effect on earnings. In order to guarantee long-term profitability in this market environment, it is essential for PostFinance to diversify its entire income structure and to tap into new business areas in which non-interest income can be generated. The digitization and development of digital banking services plays an increasingly important role in this respect. PostFinance is responding to this trend as the market and innovation leader in Switzerland in mobile payments. The increasing digitization of banking services is however also resulting in more and more global technology companies forcing their way onto the market. In order to safeguard and develop the current market position, PostFinance is keeping up with market developments and launching new customer solutions such as the contactless PostFinance Card and TWINT, the integrated payment and shopping app.

#### Passenger transport market

#### Combined, sustainable mobility.

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

As purchasers of regional public transport services, the Confederation and cantons will be less able to pay compensation to transport companies owing to scarcer financial resources. But public transport mobility requirements are constantly increasing, so a reduction in services is highly unlikely, and services will have to be provided at lower cost and with less public-sector compensation. An increase in tenders for bus services can also be expected. The Swiss market is not particularly attractive to foreign companies, since growth is quite small and the larger urban networks today are not currently put out to tender. Competitors in the international market are becoming significantly larger, not least due to company mergers. PostBus will have to maintain its position on an increasingly competitive national and international stage.

## Group strategy

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

Swiss Post's vision and strategy are derived from postal legislation and the directives of its owner. These directives are set out in the strategic goals of the Federal Council, which are revised every four years. Swiss Post's six strategic goals are, in turn, derived from the Federal Council's goals. Swiss Post seeks to create added value for Switzerland, for customers, employees and its owner by safeguarding the quality of its universal service, operating in a sustainable manner, increasing customer satisfaction and employee commitment, and meeting its owner's financial goals by achieving stable market positions. Swiss Post aims to ensure these goals are met by means of five strategic thrusts. Swiss Post is considering growth options that could be achieved through new business models in various development areas.

Group strategy

2014–2016

### Statutory mandate and strategic goals set by the Federal Council

Vision and core values Simple yet systematic – Swiss Post.				
“reliable”		“value-enhancing”		“sustainable”
Strategic goals Create added value for				
Switzerland	Our customers	Our employees	The owner	
<b>Universal service</b> Regulatory audit certification <b>Sustainability</b> Improve CO <sub>2</sub> efficiency by 10 percent by the end of 2016	<b>Customer satisfaction</b> At least 78 points (scale of 0–100)	<b>Employee commitment</b> At least 80 points (scale of 0–100)	<b>Finance</b> EBIT of CHF 700–900 million <b>Market position</b> Leading market positions in Switzerland and in e-commerce	
Strategic thrusts				
Exploiting and helping shape regulatory conditions	Defending and developing core business	Business performance and growth in selected markets	Optimizing costs and improving efficiency	Competitive prices
Strategic measures				

## Guidelines

### Statutory mandate

The Swiss Parliament adopted the postal legislation in December 2010. It came into force in October 2012. The revision aimed to harmonize effective competition and a high-quality universal service. The Postal Services Act aims to guarantee a sufficient, inexpensive universal service for the entire Swiss population in every part of the country. Swiss Post has a universal service obligation to provide postal services and payment transaction services respectively. In the Postal Ordinance, the Federal Council differentiates between the two mandates more clearly than before, paving the way for a customer-oriented, financially viable service in line with market needs. Swiss Post's monopoly on domestic letters up to 50 grams is an important pillar for financing the universal service.

The universal postal service obligation sets out guidelines concerning the range of services, prices and quality to be provided. The first objective is to meet the needs of sender customers. The second objective is to take into account the needs of recipient customers. High demands are placed on Swiss Post for home delivery (delivery method and nationwide coverage). A and B Mail are universal service products for which much stricter guidelines regarding delivery times must be met than in other coun-

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tries (97 percent of letters and 95 percent of parcels must be delivered on time). Individual consignments that form part of the universal service are offered in post offices and postal agencies. Access points should be accessible to 90 percent of the population within 20 minutes on foot or by public transport. In areas where Swiss Post offers a home delivery service, they must be less than 30 minutes away. Besides what it offers under the universal service, Swiss Post can also provide additional services outside the universal service.

The universal service for payment transactions includes opening an account and making transfers, inpayments and outpayments. Payment transaction services should be accessible to 90 percent of the population within 30 minutes on foot or by public transport. Unlike the universal postal service, the payment transaction service is formulated without reference to specific technologies, enabling the introduction of modern, more customer-friendly services.

#### Classification of services

2015	Monopoly services	Services open to competition
<b>Universal services</b>	Addressed letters up to 50 g	e.g. letters over 50 g, parcels up to 20 kg, payment transactions
<b>Services outside the universal service</b>		e.g. unaddressed items, express and courier consignments, savings accounts

#### Federal Council's strategic goals

Innovative,  
customer-focused  
and profitable in  
competition.

As the representative of the owner of Swiss Post, the Federal Council makes further stipulations in the form of its strategic goals. For the strategy period 2013–2016, the Federal Council expects Swiss Post to offer a high-quality universal service throughout Switzerland and according to the same principles. Swiss Post should also offer a high standard of marketable, innovative products and services in its core business in the communication, logistics, financial services and passenger transport markets. The aim is to generate profitable growth and to increase the company's earning power as a result of efficiency improvements. Swiss Post can enter into partnerships (interests, alliances, founding of companies or other types of cooperation) in Switzerland and abroad as far as its finances and human resources capacities allow. Swiss Post and its subsidiaries must be managed in a uniform manner. In financial terms, the Federal Council expects Swiss Post to maintain and increase the company's value in the long term, and to achieve industry-standard returns in all business areas. The profits it makes should be used to fund the equity required by PostFinance Ltd under banking law, and are partly distributed as dividends to the Confederation. Net debt must not exceed operating profit (EBITDA). Swiss Post will continue to pursue a progressive and socially responsible human resources policy to justify the confidence of its employees. To do so, it must offer attractive, competitive employment conditions, help employees to balance work and family commitments and encourage fair representation of gender and language region.

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## Simple yet systematic – Swiss Post.

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### Vision and core values

In 2014, Swiss Post set itself a new, Group-wide reference point for its future development.

#### **Simple yet systematic – Swiss Post.**

We connect the physical and digital worlds, setting new standards with our products and integrated solutions. We make it easier for our customers to operate in today's complex environment, giving them greater scope to succeed.

Changing customer requirements are the basis for Swiss Post's actions. Based on its capacities in communication, logistics, financial services and passenger transport, Swiss Post increasingly represents integrated solutions and continues to offer individual products and services in modular form. Swiss Post understands the world as interlinked and builds bridges between physical and digital channels. It wants to win over customers by offering them products that are both easy to access and easy to use, while creating a consistent customer experience across all its points of contact. This will enable Swiss Post to develop and maintain a high-quality universal service.

In order to implement its vision, Swiss Post's actions are guided by its core values: "reliable", "value-enhancing" and "sustainable".

### Strategic framework

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

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

### Strategic goals

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

Added value for the owner:

- Swiss Post aims to achieve an annual EBIT of 700 to 900 million francs (see page 33)
- In Switzerland it aims to attain leading marketing positions with its business activities and in e-commerce (see page 35)

Added value for customers:

- Swiss Post attains a consistently high customer satisfaction rate of at least 78 points (on a scale of 0 to 100) (see page 45)

Added value for employees:

- Employee commitment remains at the high level of at least 80 points (on a scale of 0 to 100) (see page 46)

Added value for Switzerland:

- Swiss Post fulfils its mandate to provide a high-quality universal service (see page 51)
- It intends to increase its CO<sub>2</sub> efficiency by 10 percent by the end of 2016 (base year: 2010, see page 49)

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## Strategic thrusts

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

- Exploiting and helping shape regulatory conditions  
To enable Swiss Post to continue to develop sustainably in the long term, it is crucial to make optimal use of the regulatory conditions, particularly with a view to focusing even more closely on customer requirements and boosting competitiveness.
- Defending and developing core business  
Swiss Post offers its private and business customers consistently high-quality services. A high level of customer focus is crucial here, both in product development and in daily contact with customers across all channels. Swiss Post also ensures the continuous improvement of services and processes, the development of new, innovative products, and the implementation of top-class quality control and quality assurance.
- Business performance and growth in selected markets  
Swiss Post aims to ensure its growth is sustainable and profitable. In Switzerland and abroad, it consistently follows a growth plan that takes the long view and proceeds step by step. This enables it to manage and safeguard the profitability of its growth.
- Optimizing costs and improving efficiency  
In an increasingly dynamic marketplace, it is imperative that Swiss Post secures and improves efficiency. In the communication market in particular, it is facing far-reaching changes. It intends to meet these challenges in future with balanced, socially responsible solutions.
- Competitive prices  
Swiss Post was, is and will remain dependent on its ability to charge competitive prices in order to provide high-quality services. By doing so, it also seeks to fund a well-functioning universal service.

## Development areas

To ensure the fulfilment of its strategic goals, Swiss Post concentrates its resources on the further development of specific development areas for Swiss Post as a whole, and creates new business models within each area.

### E-commerce

Within this development area, Swiss Post systematically combines e-commerce-specific processes from the communication, logistics and financial services markets. By combining modular services from individual markets to form integrated system solutions, and consistently gearing its product portfolio and services to meet the needs of online retailers, Swiss Post can position itself as a key service provider along the e-commerce value chain. As the systems leader in Switzerland, Swiss Post offers a complete portfolio of services covering the entire e-commerce value chain: setting up and operating online shops, marketing, ordering and payments, logistics and customer care. With YellowCube, Swiss Post operates a highly automated solution that takes care of the entire logistics chain for online retailers. Swiss Post also simplifies online purchases thanks to greater customization of parcel receipt and the new central Swiss Post login that customers can use to log in to a range of online shops. In doing so, it is making a significant contribution to the development of the e-commerce market.

### Direct marketing

Direct marketing is one of the most effective marketing tools for customer acquisition and customer retention. Swiss Post provides business customers with a wide range of products and services for promotional letters. Further potential for growth is offered by the positioning in the advertising market, e.g. via the integration of direct marketing as a separate media category in the MA Strategy inter-media study (planning tool for advertisers) from WEMF AG for advertising media research or by the positioning of physical promotional mailings in online retail.

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Successful customers thanks to integrated solutions from Swiss Post.

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### Mobile banking

The shift of payment transactions to digital channels is being pushed ahead by technological developments. Swiss Post intends to continue to develop its role as the market and innovation leader in mobile payments, placing particular emphasis on customers who manage their own finances. In addition to e-finance as an entry portal, Swiss Post offers a wide range of new services such as mobile banking and the contactless PostFinance Card. Swiss Post has also launched TWINT, the first payment solution in Switzerland that can be used across different channels. Smartphones are used to make payments everywhere, easily and quickly – whether at store checkouts, terminals, on the Internet, in other apps, at events or between friends. Unlike familiar existing wallet solutions, TWINT does not require credit or debit cards and works with any postal or bank account as well as independently of telecom providers – it is just like paying in cash with a traditional wallet: first you load money, then you spend it.

### E-post

Swiss Post is focusing on e-post to pursue hybrid and digital growth initiatives in the postal sector. It is establishing hybrid systems such as E-Post Office, the intelligent online letter box. Recipients decide how they would like to receive their mail: on paper or in electronic form. Swiss Post is also transposing the high level of customer confidence it enjoys into the digital world by offering a digital postal ecosystem with a range of security products and services that inspire trust (such as secure e-mail with IncaMail). With vivates eHealth, Swiss Post operates a modular platform that provides a network for all healthcare professionals treating a patient and facilitates the secure exchange of electronic patient data.

### Document solutions

The administration processes in companies and public institutions are undergoing change through digital transformation. Swiss Post connects the physical and digital worlds by handling the efficient processing, management and archiving of documents such as invoices, forms, orders or customer correspondence on behalf of its customers. For example Swiss Post digitizes paper-based data and feeds it into customers' electronic business processes, archives old files and active documents both digitally and physically, prepares digital data for printing and high-circulation physical mailing or handles in-house post processing, either physically or digitally. Swiss Post wants to position itself as a key provider of document solutions both in Switzerland and abroad, and aims to benefit from market growth thanks to industry-focused integrated solutions.

### Mobility solutions

Personal mobility is in transition as individual means of transportation become more and more closely linked and transport users increasingly adopt the principle of sharing instead of feeling obliged to own a vehicle. Swiss Post aims to become a leading integrated provider in the mobility market by using its broad customer base from passenger transport and fleet management to develop new mobility solutions such as bike sharing and a mobility sharing network.

### Market strategies

The various market strategies represent further key elements to ensure the fulfilment of Swiss Post's goals.

### Communication

#### *PostMail*

By deploying the latest technology, PostMail is consolidating maximum reliability and quality with excellent value for money. Letters are specifically positioned as a means of communication that stand out from other competing media due to their stronger impact. Growth opportunities can be found in direct marketing, abroad in Asendia (the 50 percent joint venture with France's La Poste), in the



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international B2C business, and in the development of innovative solutions and products at the interface between the physical and the digital world.

### Swiss Post Solutions

Swiss Post Solutions (SPS) is expanding its leading position for comprehensive document processing services and solutions for outsourcing paper-based business processes. The employees at SPS serve business customers in the insurance, banking, telecommunications, media, retail, energy and travel and transport sectors. SPS operates in all the major economic areas around the globe. Its core markets remain Switzerland, Germany, the UK and the USA.

### Post Offices & Sales

Post Offices & Sales strives to provide customer-friendly, efficient services in communication, logistics and payment transactions. The unit is continually developing its sales network and its range of third-party products. The range of logistics products for private customers is to be further simplified and made available for use via new channels.

### Logistics

#### PostLogistics

PostLogistics has positioned itself as the quality and cost leader in the following segments: national and international parcels, small consignments and warehousing, Innight, Express, Courier and e-commerce. Its core business lies in the domestic parcels segment. PostLogistics intends to develop its position through consistent cost management, increased automation, investments in infrastructure and the expansion of value-added services for sender and recipient customers. In the international parcels segment, PostLogistics positions itself as a market leader in cross-border logistics and customs clearance. Small consignments, warehousing and Innight, Express and Courier complete the range. Within cross-border transport, PostLogistics plans to strengthen its presence and safeguard its connections to cross-border networks. PostLogistics offers a key service in e-commerce with its YellowCube logistics solution.

### Financial services

#### PostFinance

PostFinance wants to be the Swiss financial service provider that helps its customers manage their money as easily as possible. This makes it the first choice for all private and business customers who manage their own finances, any time and anywhere. PostFinance provides its customers with solutions that make it easier for them to manage their financial affairs and offer added value. It provides a tailor-made service to individual customers that fits in perfectly with their value chain.

### Passenger transport

#### PostBus

PostBus is building on its leading position in bus transport systems management, differentiating itself from the competition with the best value for money, and increasingly positioning itself as a provider of sustainable and combined mobility services. In its core business, PostBus aims to remain the number one in regional transport in Switzerland, to strengthen its market position in cities, conurbations, in integrated and mobility solutions (for instance, with PubliBike, the largest bike sharing provider in Switzerland), and to seek further targeted growth abroad.

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## Maintain the company's value in the long term.

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### Financial controlling

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The aim of financial controlling at Swiss Post Group is to achieve the financial goals of the Federal Council. In accordance with these goals, Swiss Post must maintain, and if possible increase the company's value. Value added is created when the adjusted operating profit exceeds the cost of average invested capital. In addition to the income statement, this approach also factors in the risks and the capital employed. The Federal Council also expects Swiss Post to be able to finance its investments from the generated cash flow.

In order for the above goals to be achieved, financial controlling within Swiss Post Group generally operates with target agreements and accountability for results. All business units are responsible for achieving the agreed goals. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration (please also see "Determination of remuneration" in the Annual Report), operating profit (before management, licence fees and net cost compensation) is an important financial goal. The units have a large degree of freedom within the framework of strategic planning. For individual plans such as investments, projects or acquisitions of interests with a considerable financial impact or for plans with strategic importance, Swiss Post's Executive Management or Board of Directors decides according to the funds required and the type of business.

Swiss Post's financial reporting is based on two main instruments: management reporting and the consolidated financial statements. The management reporting shows the contribution of the Group units and markets to the result. It indicates the financial success of the strategic market areas and product groups and provides information on the attainment of the annual goals as well as the implementation of the strategic measures. The management reporting, first and foremost, serves the management of the units and the Group. It is based on the same set of basic values as the consolidated financial statements.

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

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

- Income statement, balance sheet and cash flow statement  
These form the basis of financial management at unit and Group levels. The reporting on the income statement takes place monthly, that on the balance sheet and cash flow statement quarterly.
- Annual goals  
The annual goals are to help achieve the quantitative and qualitative goals formulated in the strategies. They cover the following areas: market, service provision, resources, management and organization. The success in meeting the annual goals is measured semi-annually.
- Key figures  
The key figures are divided up into finance, customers, employees, strategic measures and processes. They reflect the business and financial performance of the units and the Group. They also form a basis for setting targets with the CEO. The development of the key figures is reported as part of monthly reporting.

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- Identification of strategic market areas and product group accounting  
The identification of the strategic market areas and product groups as well as the strategic measures is used as a financial management tool for the Group units. Reporting takes place semi-annually.
- Commentary  
The comments are an integral component of the reporting at all levels. They are designed to provide insight into the main developments, plans as well as problems and measures in the relevant unit as well as the assessment from unit management. As well as showing change from the previous year, they describe the expectations for the current and following years. The periodicity of the commentary depends on the key figure on which it is based and the variance.

## Business performance

### Key figures

Group profit  
up slightly.

All four markets contributed to the positive result. Swiss Post generated normalized Group profit of 645 million francs in 2015. Normalized operating profit (EBIT) rose to 823 million francs. Reversals of impairment recognized during the reporting period and non-recurring portfolio value adjustments on financial investments related to the PostFinance business unit from the prior-year period resulted in a 20 million franc increase in normalized operating profit.

#### Group | Key figures

2015 with previous year for comparison

		2014	2015
<b>Results</b>			
Operating income	CHF million	8,371 <sup>1</sup>	8,224
Generated abroad <sup>2</sup>	CHF million	1,233	1,149
	% of operating income	14.7	14.0
Reserved services <sup>3</sup>	CHF million	1,213	1,225
	% of operating income	14.5	14.9
Operating profit <sup>4</sup>	CHF million	803	823
As a share of operating income	%	9.6	10.0
Generated abroad	CHF million	72	57
	% of operating profit	9.0	6.9
Group profit <sup>4</sup>	CHF million	638	645
<b>Employees</b>			
Headcount at Swiss Post Group	Full-time equivalents	44,681	44,131
Abroad	Full-time equivalents	7,627	7,449
<b>Financing</b>			
Total assets	CHF million	124,671	120,327
Customer deposits (PostFinance)	CHF million	112,150	107,380
Equity	CHF million	5,010	4,385
<b>Investments</b>			
Investments	CHF million	443	437
Other property, plant and equipment, intangible assets	CHF million	250	317
Operating property	CHF million	124	57
Investment property	CHF million	64	47
Interests	CHF million	5	16
Degree of self-financed investment	%	100	100
<b>Value generation</b>			
Cash flow from operating activities	CHF million	-1,925	-2,990
Value added <sup>5</sup>	CHF million	5,220	5,193
Economic value added	CHF million	207	169

1 Figure has been adjusted (see Note 2, Basis of accounting, Accounting changes).

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

3 Letters up to 50 g.

4 Normalized figures for 2015.

5 Value added = operating profit + personnel expenses + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and interests.

Additional key figures and explanatory notes can be found in the Annual Report key figures (for reference source, see page 196).

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## Drivers

### The economy

Global economic growth remained below expectations during the year. This was mainly the result of the weak industrial economic situation worldwide and sluggish global trade. Unlike industry, the service sector performed favourably thanks to strong domestic demand in most countries. Switzerland was also affected by the reduced momentum of the global economy. According to the first official estimate of the Swiss National Bank (SNB), gross domestic product (GDP) stagnated in the third quarter. The economic output reported was therefore lower than expected. Close examination of a wide range of indicators suggested somewhat more positive economic growth in the second half of the year. However, capacity utilization within the Swiss economy remained unsatisfactory, and labour demand was subdued.

Past and ongoing developments in exchange rates and interest rates are having an impact on all four of Swiss Post's target markets. Thanks to natural hedging, operating profit was largely unaffected by the translation effect (conversion of accounts managed in foreign currencies into the Group's reporting currency). The current negative interest situation represents a challenge for the financial services market in particular. Swiss Post will continue to closely monitor the ongoing difficult exchange rate and negative interest situation in Switzerland, Swiss Post's most important market.

### One-off items

Swiss Post's (Group) financial result includes three one-off items in 2015. However, they did not lead to any adjustment of the prior-year figures. The one-off items and their financial impact are explained in detail on page 34. The non-consideration, i.e. normalization, of the three items allows comparison with the prior year and provides an accurate representation of the current operating business performance.

### Communication market

Product volumes declined in the communication market. The number of addressed letters handled by PostMail and Post Offices & Sales in 2015 was 1.4 percent lower year-on-year. Unaddressed mail decreased by about 1.7 percent year-on-year. Newspaper delivery volumes saw negative performance (–3.7 percent) due to changes in customer behaviour. Post Offices & Sales registered a decline in the logistics products letters (–1.4 percent) and parcels (–3.1 percent). Mail import and export volumes fell 3.4 percent year-on-year. At Swiss Post Solutions, income from services provided fell year-on-year due to a business unit transfer and exchange rate trends.

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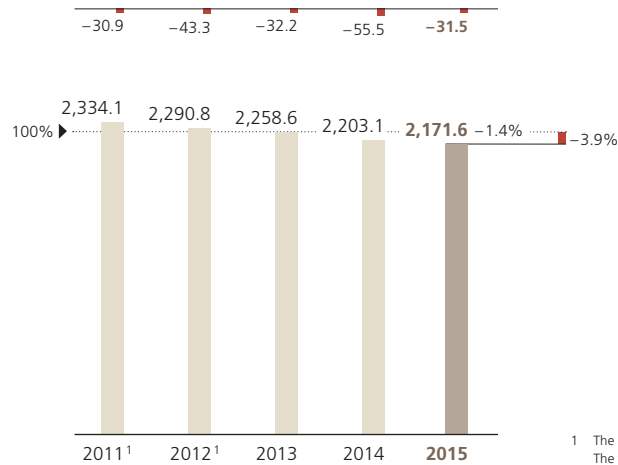
Slight decrease in volume trends in the communication market.

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## Moderate decline in letter volumes in 2015

## Communication market | Addressed letters

2011 to 2015, showing change from prior year/over several years  
2013 = 100%, figures expressed in millions



## Logistics market

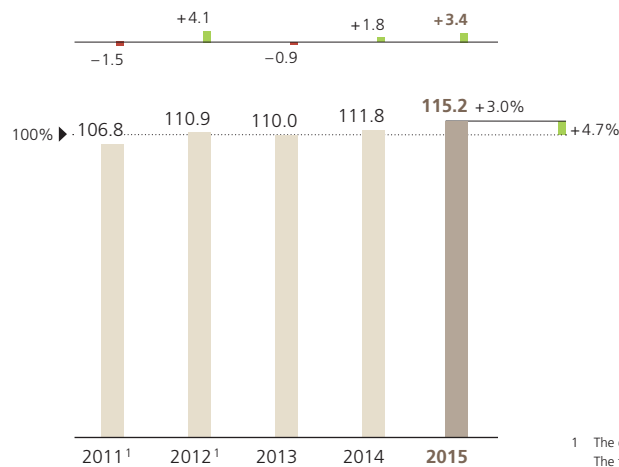
Ongoing positive trend in parcel volumes.

The logistics market continues to be characterized by intense competition and price pressure, both nationally and internationally. Customers remain price-sensitive and have high expectations as regards quality. As a result of changing customer needs, there is increasing overlap between the courier, express and parcels segments and traditional forwarding. Domestic parcel volumes increased year-on-year (+3.0 percent). Import and export volumes also rose by 2.9 percent. An increase of 3.0 percent was therefore registered in terms of volumes.

## A further increase in parcel volumes

## Logistics market | Parcels

2011 to 2015, showing change from prior year/over several years  
2013 = 100%, figures expressed in millions



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## Financial services market

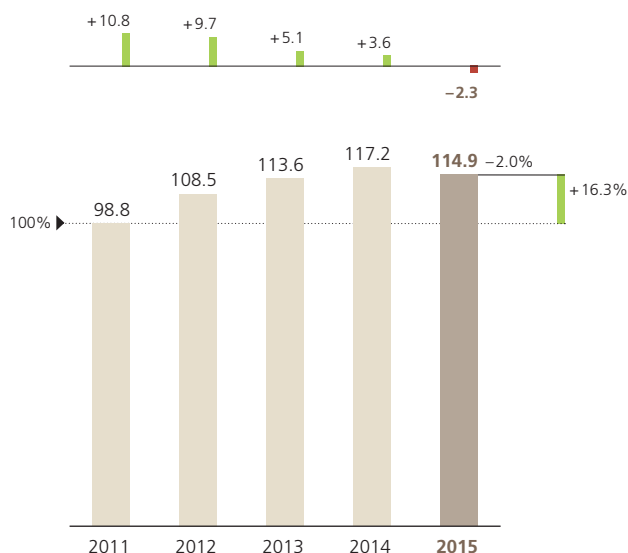
In January 2015, the SNB reduced the interest rate for sight deposit balances that exceed a specific exemption limit by 0.5 percentage points to –0.75 percent. Since 22 January 2015, PostFinance has paid negative interest on the part of its sight deposit balance at the SNB that exceeds the exemption limit. Interest rate movements are monitored on an ongoing basis and appropriate measures are taken to control customer deposits if necessary.

Although PostFinance recorded a slight decrease in customer assets year-on-year, Swiss Post's banking arm continues to enjoy the trust of customers who manage their own finances and who appreciate a simple and inexpensive range of services. Average customer assets fell by 2.3 billion francs to 114.9 billion francs year-on-year. The decline is due to targeted measures to control customer deposits in connection with the introduction of negative interest rates by the SNB noted above.

### Decrease in customer assets in 2015

#### Financial services market | Average customer assets

2011 to 2015, showing change from prior year/over several years  
2011 = 100%, CHF billion

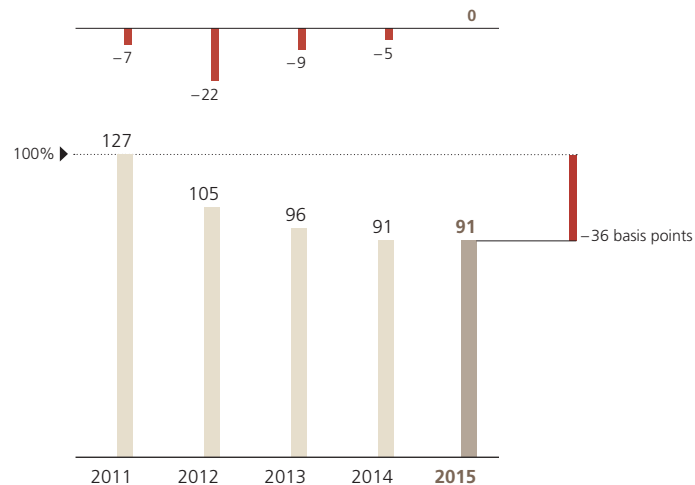


Interest margins are one of the important key figures for PostFinance Ltd. Interest margins are an indicator of the bank's future earning power. The multi-year trend towards lower margins came to an end in the 2015 reporting period. Changes in interest rates are monitored on a permanent basis in order to react to changes within a reasonable period of time if necessary. PostFinance anticipates that the situation regarding interest margin developments will remain tense in the future. An increase is not expected at present.

## Interest margin stabilization in 2015

## Financial services market | Interest margin

2011 to 2015, showing change from prior year/over several years  
2011 = 100%, basis points as at 31.12.2015



## Passenger transport market

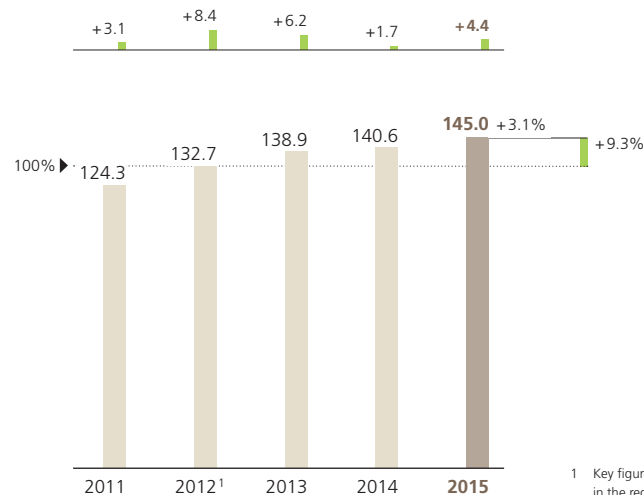
## Thriving passenger transport market.

The national passenger transport market is growing steadily. As the budgets of public sector organizations acting as contracting bodies for transport services are being squeezed, pricing pressure will increase even more, slowing the further expansion of the public transport network. PostBus has also been operating urban bus networks and bus routes in France for a number of years. In 2015, PostBus increased the number of kilometres covered by 3 percent, recording a total of 142 million kilometres. The expansion of services in Switzerland and France contributed to this rise. PostBus transported around 145 million passengers in Switzerland in 2015. This represents an increase of 3.1 percent over the previous year.

## Further increase in the number of passengers in Switzerland

## Passenger transport market | Number of passengers (Switzerland)

2011 to 2015, showing change from prior year/over several years  
2012 = 100%, number of passengers expressed in millions.



<sup>1</sup> Key figures adjusted due to the switch to system-based levies in the regions of Ticino and Valais.

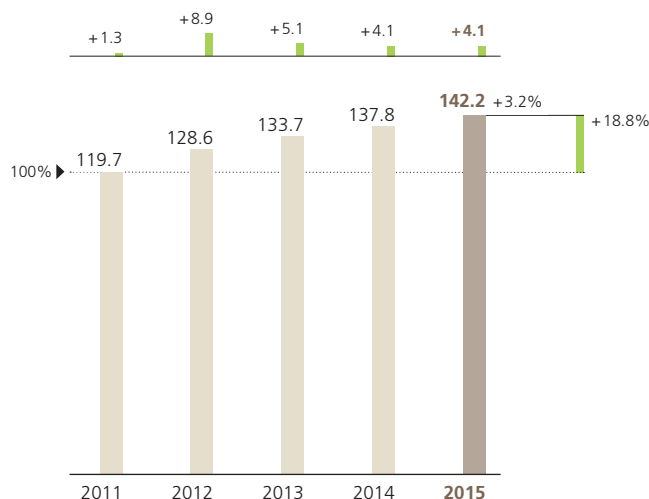


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## Further increase in the number of kilometres covered

### Passenger transport market | Kilometres covered

2011 to 2015, showing change from prior year/over several years  
2011 = 100%, number of kilometres expressed in millions



## Profit situation

### Economic value added

## Positive economic value added.

In line with the Federal Council's financial goals, Swiss Post is expected to maintain the positive economic value added in the long term. Economic 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 order to meet the stated financial goal, economic value added is included as a key figure in the calculation of the variable performance component of management remuneration, (please also see "Determination of remuneration" on page 68).

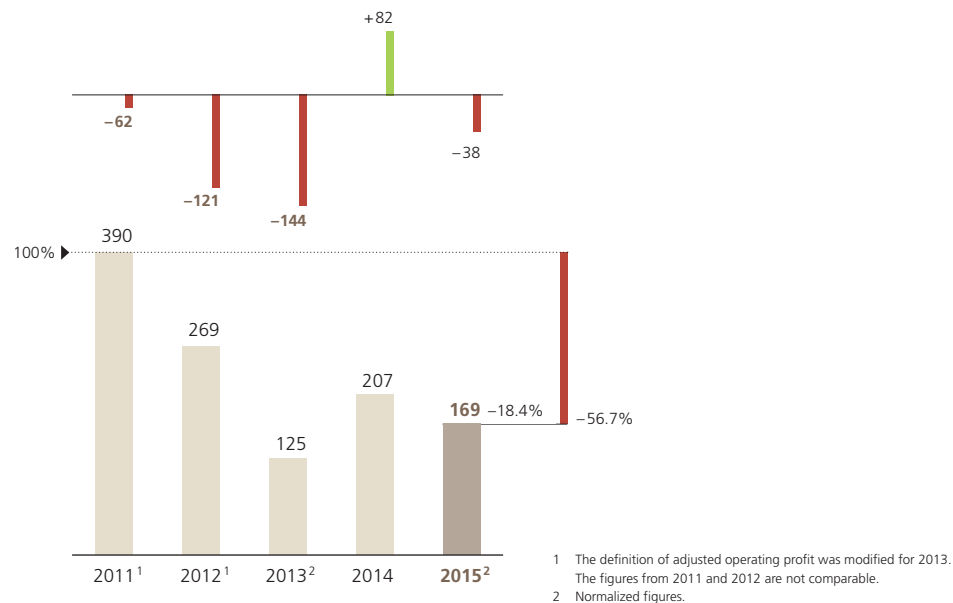
Economic value added in the communication, logistics and passenger transport markets is calculated from adjusted operating profit minus capital costs (cost of capital for logistics multiplied by average invested capital). In the financial services market, it is calculated from earnings before tax in accordance with IFRS minus capital costs (cost of capital in the financial services market multiplied by relevant average capital amount).

As at 31 December 2015, Swiss Post met the financial expectations of the Federal Council and generated normalized economic value added of 169 million francs. The decrease year-on-year is mainly due to the higher capital employed. Despite lower interest levels, this resulted in an increase in capital costs in the past financial year.

## Economic value added generated once again

**Group | Normalized economic value added**

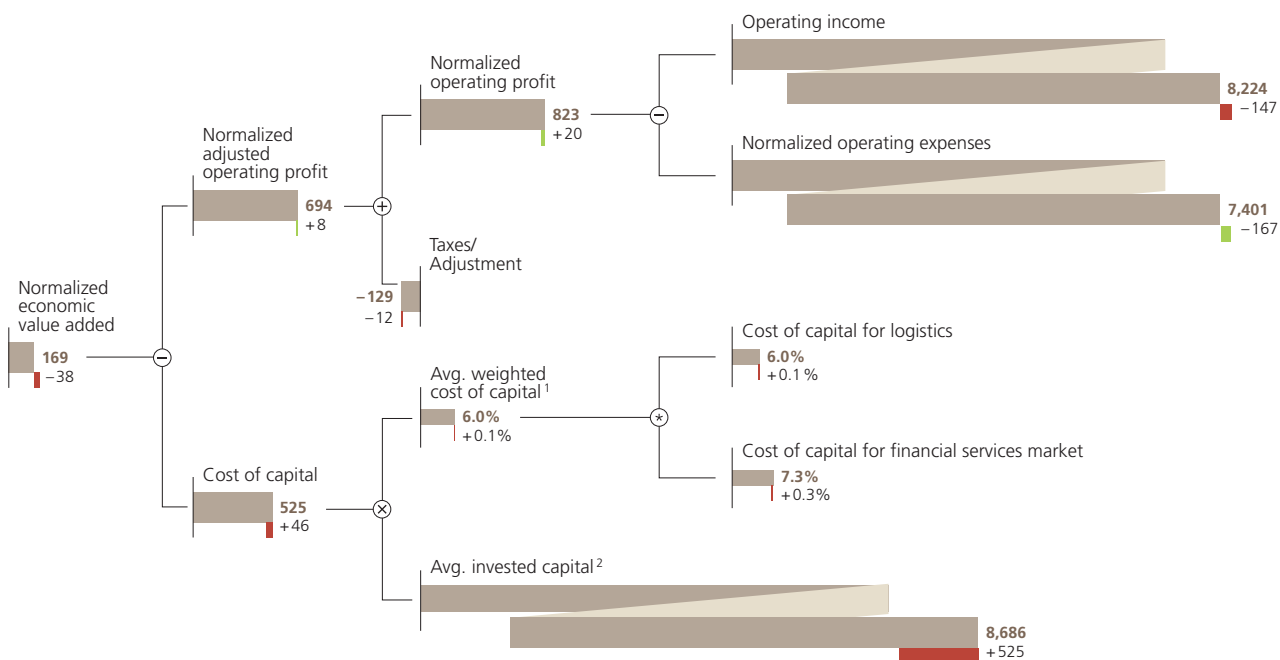
2011 to 2015, showing change from prior year/over several years  
2011 = 100%, CHF million



## Higher capital costs affect normalized economic value added

**Group | Normalized economic value added**

2015, showing change from prior year, CHF million, percentage points



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

<sup>1</sup> Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity for the financial services market.

<sup>2</sup> In logistics units corresponds to the average net operating assets (NOA) of 4,409 million francs and at PostFinance to average equity in accordance with Basel III of 4,277 million francs.

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## Income statement

### Operating income

Operating income stood at 8,224 million francs in 2015 (previous year: 8,371 million francs), down 147 million francs year-on-year. This was mainly due to interest rate-related decreases in revenue and declining volumes.

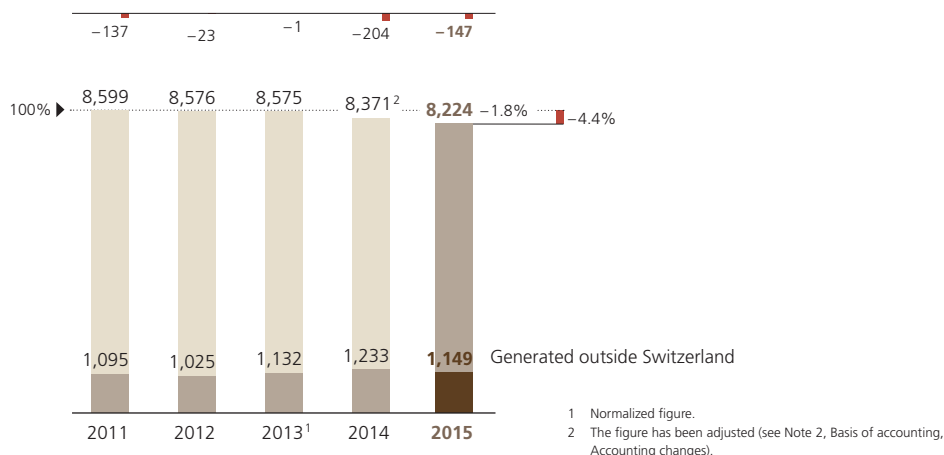
## Decline in operating income.

### Decline in operating income in 2015

#### Group | Operating income

2011 to 2015, showing change from prior year/over several years

2011 = 100%, CHF million



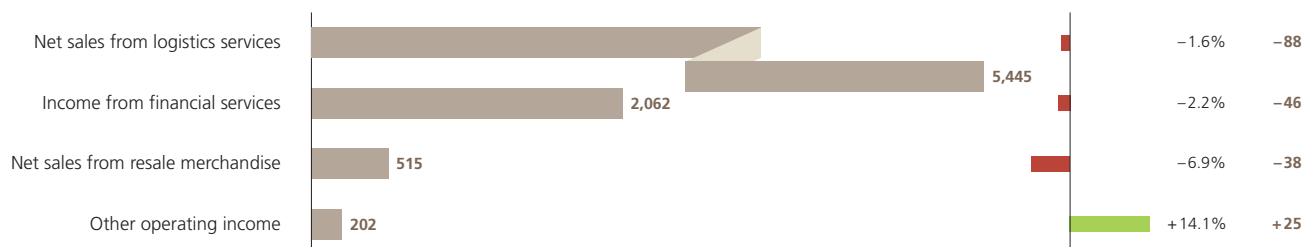
Net sales from logistics services fell by 88 million francs year-on-year to 5,445 million francs. This decline was the result of lower volumes and a decrease in revenue due to intense competition. Modifications to the telecommunications range and lower revenue from the sale of tickets for events led to a 38 million franc decline in net sales from resale merchandise. Lower income from financial services as a result of interest rates could not be fully offset by other sources of revenue. As a result, it declined by 46 million francs. Other operating income rose year-on-year thanks to higher revenue from the sale of property, plant and equipment (25 million francs).

### Decline in operating income in the core business

#### Group | Operating income

2015, showing change from prior year

CHF million, percent



## Reduction in normalized operating expenses.

### Normalized operating expenses

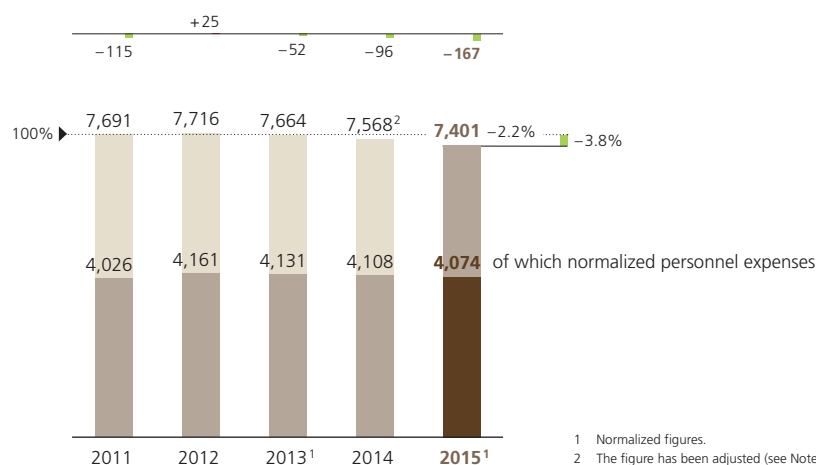
Normalized operating expenses declined by 167 million francs to 7,401 million francs year-on-year (previous year: 7,568 million francs). Normalized personnel expenses in relation to total operating expenses remained relatively stable and stood at around 55 percent in 2015.

#### Reduction in normalized operating expenses

##### Group | Normalized operating expenses

2011 to 2015, showing change from prior year/over several years

2011 = 100%, CHF million



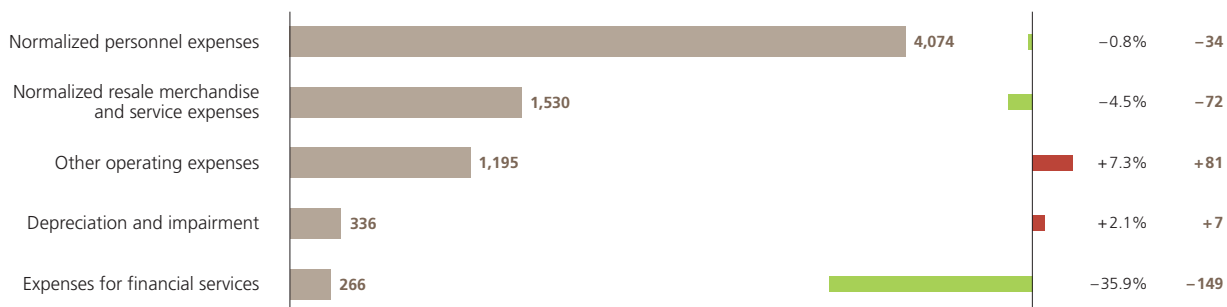
The decline in normalized personnel expenses year-on-year was mainly due to lower costs for wages and salaries and for social security benefits. Normalized resale merchandise and service expenses decreased by 70 million francs due to changes in volumes. Expenses for financial services fell by 149 million francs. This decline was due to generally low interest rates and non-recurring additional portfolio value adjustments in the PostFinance business unit. Other operating expenses increased by 80 million francs in 2015. This rise was primarily due to the tenant fit-out of the new Swiss Post headquarters, which was partly recognized in profit or loss. Expenses for depreciation and impairment remained stable.

#### Significant reduction in expenses for financial services

##### Group | Normalized operating expenses

2015, showing change from prior year,

CHF million, percent



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### Normalized operating profit

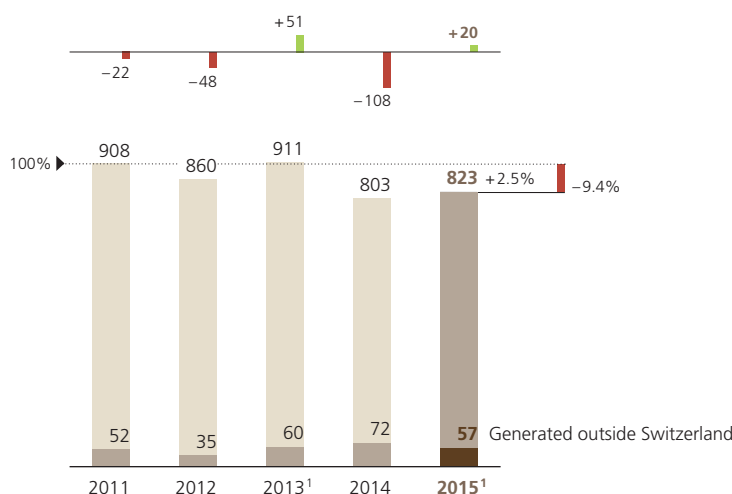
Swiss Post generated a normalized operating profit of 823 million francs in 2015 (before normalization: 876 million francs). This represents an increase of 20 million francs year-on-year, mainly as a result of non-recurring portfolio value adjustments in the PostFinance business unit in 2015.

Increase in normalized operating profit thanks to reversals of impairment

#### Group | Normalized operating profit

2011 to 2015, showing change from prior year/over several years

2011 = 100%, CHF million



<sup>1</sup> Normalized figures.

Slight increase  
in normalized  
Group profit.

### Normalized Group profit

At 12 million francs, net income from associates and joint ventures was lower than the previous year (16 million francs). Financial income and financial expenses increased by 10 and 12 million francs respectively, however. Normalized expenses for income taxes rose by 7 million francs year-on-year. Normalized Group profit amounted to 645 million francs in 2015 (before normalization: 631 million francs).

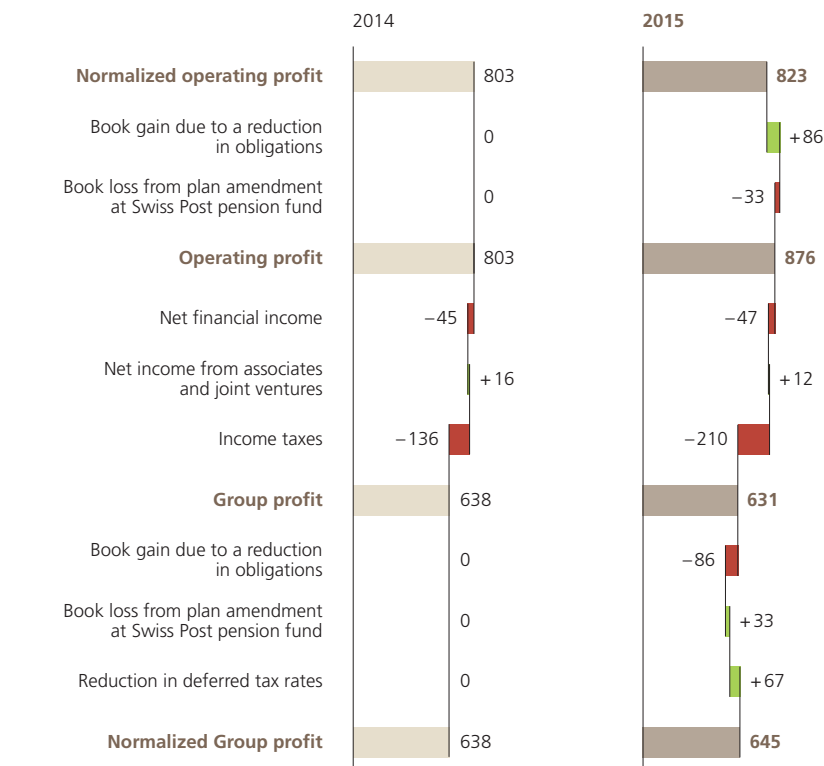
### One-off items in 2015

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

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

#### Operating profit and Group profit affected by one-off items

Group | One-off items in operating profit and Group profit  
2014 and 2015  
CHF million



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## Segment results

### Overview

All four markets contributed to the positive operating profit.

Group   Segment results	Operating income <sup>1</sup>		Operating result <sup>1,2</sup>		Margin <sup>3</sup>		Headcount <sup>4</sup>	
1.1. to 31.12.2015 with prior-year period CHF million, percent, full-time equivalents	2014 <sup>5</sup>	2015	2014	2015 <sup>6</sup>	2014	2015 <sup>6</sup>	2014	2015
Communication market	4,848	4,678	246	263	5.1	5.6	30,953	29,970
PostMail	2,887	2,820	334	358	11.6	12.7	16,979	16,494
Swiss Post Solutions	659	609	12	15	1.8	2.5	7,466	7,177
Post Offices & Sales	1,663	1,601	-100	-110			6,508	6,299
Logistics market								
PostLogistics	1,562	1,552	141	145	9.0	9.3	5,304	5,219
Financial services market								
PostFinance <sup>7</sup>	2,175	2,143	382	459			3,466	3,594
Passenger transport market								
PostBus <sup>8</sup>	835	849	30	29	3.6	3.4	2,789	2,939
Other <sup>9</sup>	886	941	4	-73			2,169	2,409
Consolidation	-2,296	-2,291	-	-				
	<b>8,371</b>	<b>8,224</b>	<b>803</b>	<b>823</b>			<b>44,681</b>	<b>44,131</b>

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

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

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

<sup>4</sup> Average expressed in terms of full-time equivalents (excluding trainees).

<sup>5</sup> Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

<sup>6</sup> Normalized figures.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).

### Communication market

#### PostMail

## PostMail: stable profit trend.

PostMail generated a normalized operating profit of 358 million francs in 2015 (before normalization: 383 million francs), exceeding the previous year's figure by 24 million francs.

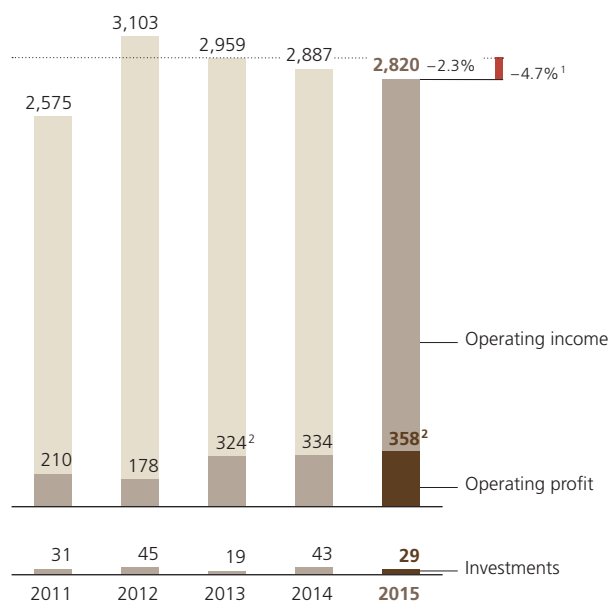
Operating income decreased by 67 million francs to 2,820 million francs. At -1.4 percent, the decline in volumes of addressed letters was only moderate in relation to the previous year, but nonetheless had a negative effect on operating income. Income from international consignments was below the previous year's level due to lower volumes and negative currency effects on import consignments. Income from newspaper deliveries decreased by 1 percent despite moderate price increases.

Normalized operating expenses totalled 2,462 million francs, down 91 million francs year-on-year. Normalized personnel expenses decreased by 48 million francs year-on-year due to the lower headcount. The strong franc resulted in lower delivery costs in international business.

Headcount fell by 485 full-time equivalents year-on-year. This was due to the ongoing impact of measures to optimize processes, as well as to declining volumes.

## Fall in revenue partially offset by process optimization

**PostMail | Operating income, normalized operating profit and investments**  
2011 to 2015, showing change from prior year/over several years  
CHF million



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

Since 2013, PostMail has achieved an operating profit of over 300 million francs, making a substantial contribution to the Group result. The years 2011 and 2012 are not comparable. The increase in operating profit between 2012 and 2013 was due to the new postal legislation which came into force in 2013. The integration of Swiss Post International took effect between 2011 and 2012, and Asendia was established as a joint venture with France's La Poste between 2012 and 2013.

Not taking into account the above effects, operating income has decreased constantly over the past few years. Declining average annual volumes of addressed letters contributed to the reduction in revenue, as did decreases in newspaper subscriptions and import consignments.

Annual investments of 30 million francs on average ensure the continuing excellent quality of Post-Mail services. In recent years, investments have been made in the expansion of distribution centers and in the optimization of automatic sequencing in particular.

## Swiss Post Solutions

Swiss Post Solutions achieved a normalized operating profit of 15 million francs (before normalization: 16 million francs). Normalized operating profit was therefore 3 million francs higher than the previous year's figure.

Operating income decreased by 50 million francs to 609 million francs. The decline was essentially due to a business unit transfer as well as to translation effects (conversion of accounts managed in foreign currencies into the Group's reporting currency). In contrast, higher operating income was achieved from new business and greater volumes were generated, particularly in Switzerland and the United States.

Normalized operating expenses totalled 594 million francs, down 53 million francs on the previous year's figure. As well as measures to increase efficiency and improvement projects, translation effects also contributed to the decline in expenses.

Average headcount fell by 289 to 7,177 full-time equivalents year-on-year, principally as a result of the representation in Vietnam and a business unit transfer.

Swiss Post Solutions:  
positive trend in  
operating profit.

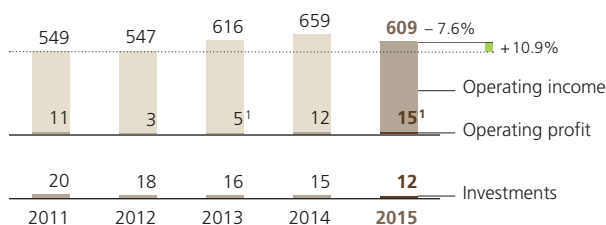


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## Expansion of market position for comprehensive services

### Swiss Post Solutions | Operating income, normalized operating profit and investments

2011 to 2015, showing change from prior year/over several years  
CHF million



<sup>1</sup> Normalized figures.

The progression of the Swiss Post Solutions business unit has been heavily influenced by the optimization of the portfolio of products and interests over the past five years. As a result, average operating profit amounted to 9 million francs.

During the same period, operating income and investments were principally characterized by acquisitions and demergers of associate companies, together with restructuring and cost reduction measures.

The material changes in terms of investments concerned the divestment of the DirectMail business into a joint venture in 2011, the acquisition of the document solutions business from Pitney Bowes in the UK in 2013, and a business unit transfer in the past financial year.

### Post Offices & Sales

Post Offices & Sales generated a normalized operating result of –110 million francs in 2015 (before normalization: –100 million francs), down 10 million francs on the previous year. The fall in sales resulting from declining letter and parcel volumes and inpayments at the post office counter could not be fully offset despite the ongoing transformation of the post office network.

Operating income fell by 62 million francs year-on-year to 1,601 million francs. The decline in volumes of the logistics products letters and parcels, combined with the decrease in payment transactions, led to a fall in revenue of 30 million francs. Income from non-postal brand name items also fell by 30 million francs. Income with business customers was maintained.

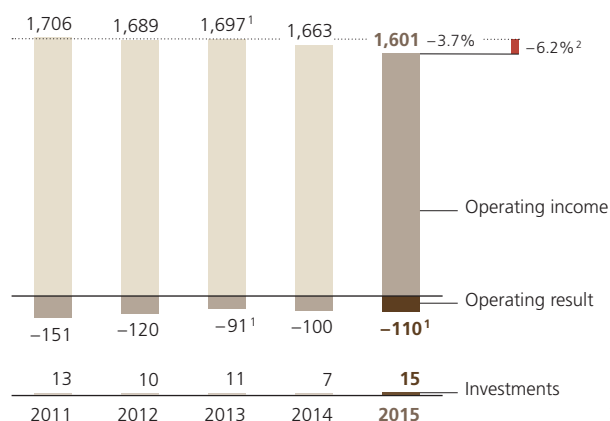
Normalized operating expenses were cut by 52 million francs year-on-year to 1,711 million francs. The negative income trends from postal and non-postal products were reflected in lower expenses for sorting, transport and delivery as well as for resale merchandise. Normalized personnel expenses fell by 27 million francs due to lower headcount.

Headcount totalled 6,299 full-time equivalents, 209 fewer than the previous year, mainly as a result of developments in the post office network.

Post Offices & Sales:  
operating result  
affected by declining  
core business.

## Transformation of the post office network required due to ongoing decline in operating income

**Post Offices & Sales: Operating income, normalized operating result and investments**  
2011 to 2015, showing change from prior year / over several years  
CHF million



<sup>1</sup> Normalized figures.

<sup>2</sup> Difference since new postal legislation came into force in 2013.

The contribution to the operating result has remained negative in the past few years. The decline in operating income was attenuated in the operating result thanks to constant efficiency improvements. The figures from 2011 and 2012 are not comparable with those from 2013 to 2015 (new postal legislation from 2013).

Operating income has decreased at a rate of around 2 percent per annum. This is due to a decline in letter volumes and inpayments at the post office counter. Through cautious network development, Post Offices & Sales was able to maintain the number of customer access points (around 3,500 post offices, postal agencies and home delivery services) and even increase customer satisfaction among both private customers and SMEs by one percentage point each. Non-postal brand name items contributed approximately half a billion francs to operating income respectively.

Average investments stood at 11 million francs per year. These sums were predominantly invested in the image and appearance of post offices.

### Logistics market

#### PostLogistics

PostLogistics generated a normalized operating profit of 145 million francs in 2015 (before normalization: 152 million francs), up 4 million francs year-on-year.

Operating income totalled 1,552 million francs, down 10 million francs on the previous year. This decline was due to the loss of customers in small consignment transport and warehousing, combined with lower income in the fuel business. Higher parcel volumes, increased demand for value logistics solutions and a company takeover only partially offset the decrease in operating income.

Normalized operating expenses decreased by 14 million francs year-on-year to 1,407 million francs. This was mainly the result of the decline in headcount and lower fuel prices. Savings were also made in expenses for rent and third party transport.

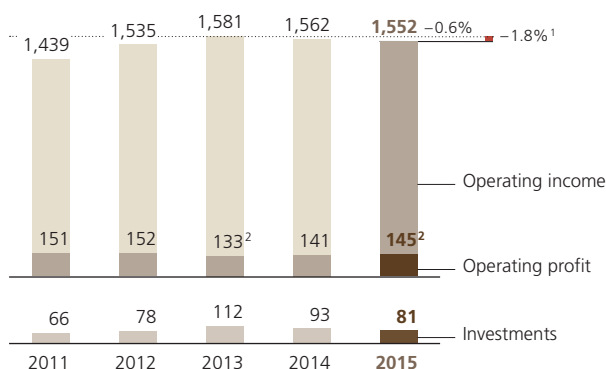
Average headcount fell by 85 to 5,219 full-time equivalents as a result of optimization measures in small consignment transport and warehousing.

PostLogistics:  
operating profit up  
year-on-year.

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## Stable profit trend over the last five years

**PostLogistics | Operating income, normalized operating profit and investments**  
2011 to 2015, showing change from prior year/over several years  
CHF million



PostLogistics achieved an increase in operating profit in each of the past two years. Operating profit declined in 2013. The recent rise in operating profit is the result of the consistent implementation of optimization measures and efficiency improvements.

Operating income has been subject to fluctuations in the past five years, but has increased overall. A number of factors have had an impact on operating income. The most important of these is the change in parcel volumes. It has recorded an increase in the last few years. This has mainly been due to growth in online trade. However, growth has only been registered for business customers, while parcel volumes for private customers have been declining for years. Small consignment transport and warehousing face intense competition. PostLogistics has registered a loss of customers in this area, particularly in the year under review.

Average investments stood at over 80 million francs per year. The investments made in the past three years exceeded those of 2011 and 2012. This was primarily due to investments to increase the capacity of the parcel centers in order to be able to continue processing rising parcel volumes.

## Financial services market

### PostFinance

PostFinance generated a normalized operating profit of 459 million francs in 2015 (before normalization: 463 million francs), up 77 million francs year-on-year. Portfolio reversals of impairment on financial investments of 25 million francs were recorded in the reporting period. In contrast, the creation of portfolio value adjustments of 84 million francs had a negative effect on the result in the prior-year period.

Operating income was down 32 million francs to 2,143 million francs. The fall in the result from interest operations could not be offset by reversals of impairment on the investment portfolio, additional income from fees on customer deposit credit balances and repo investments in commission and service income, as well as sharply higher net trading income following the lifting of the minimum exchange rate. Capital gains realized from the sale of equity holdings in the prior-year period were not repeated in the period under review.

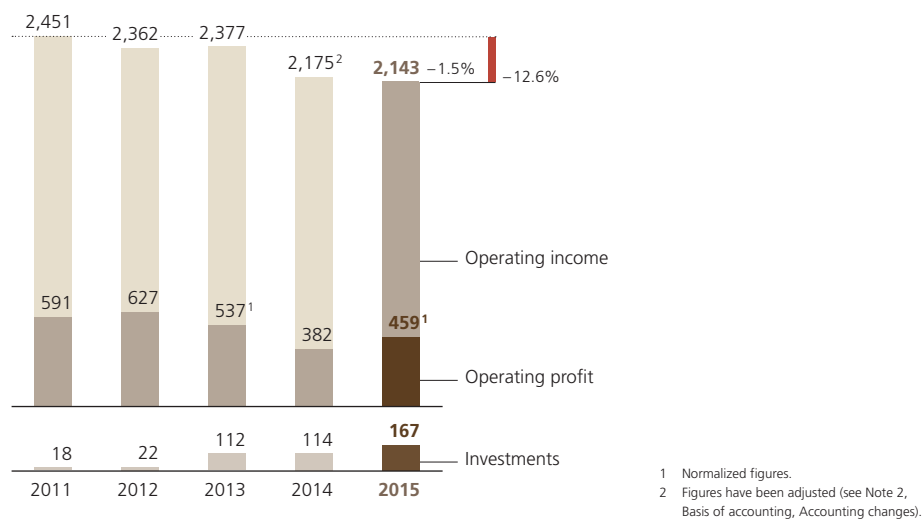
Normalized operating expenses decreased by 109 million francs year-on-year to 1,684 million francs. Higher normalized personnel expenses and higher expenses for strategic projects were offset by lower interest expense and lower value adjustments needed on the investment portfolio.

Headcount rose by 128 full-time equivalents year-on-year to an average of 3,594 full-time equivalents. Strategic projects led to an increase in staff requirements.

PostFinance:  
significant increase  
in operating profit.

Highly volatile operating profit due to portfolio value adjustments and low interest rates

**PostFinance | Normalized operating income, normalized operating profit and investments**  
2011 to 2015, showing change from prior year/over several years  
CHF million



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

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

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

### Passenger transport market

#### PostBus

#### PostBus: slight drop in operating profit.

PostBus generated a normalized operating profit of 29 million francs in 2015 (before normalization: 33 million francs), falling short of the previous year's figure by one million francs. This was due to a reduction in compensation for existing services and an increase in project expenses. Operating income was up 14 million francs to 849 million francs. This was primarily due to the expansion of services in Switzerland. A new network resulted in additional operating income in France. The translation effect (conversion of accounts managed in foreign currencies into the Group's reporting currency) led to a 3 million franc reduction in operating income.

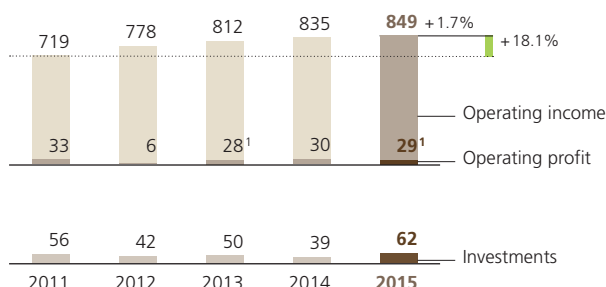
Normalized operating expenses increased by 15 million francs to 820 million francs. The increase was due primarily to the greater number of kilometres covered and to the higher staff levels required as a result. These effects were partly offset by the downward trend in fuel prices and translation effects on the expenses side.

Headcount rose by 150 to 2,939 full-time equivalents due to the expansion of transport and system services in Switzerland and additional services in France.

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## Constant growth in the domestic passenger transport market

**PostBus | Operating income, normalized operating profit and investments**  
2011 to 2015, showing change from prior year/over several years  
CHF million



1 Normalized figures.

Operating profit has fallen by around 3 percent in the past 5 years, but has remained stable over the past 3 years at just under 30 million francs. Despite constant growth in public transport and system services, the growing pressure of purchasers on compensation in regional transport could not be offset.

Operating income increased by an average of 4 percent during the same period. The lower growth in operating income in 2015 was due to the abandoning of the minimum euro exchange rate by the SNB, and is reflected in the translation effect (conversion of accounts managed in foreign currencies into the Group's reporting currency). Without this effect, growth would have been slightly higher year-on-year.

Investments increased constantly, growth remaining roughly on a par with the increase in operating income.

### Management and service units

The management and service units generated a normalized operating result of –73 million francs in 2015 (before normalization: –71 million francs). The result was therefore 77 million francs lower year-on-year.

At 941 million francs, operating income rose by 55 million francs year-on-year. The increase is essentially due to property sales and the takeover of a business unit from Swiss Post Solutions.

Normalized operating expenses increased by 132 million francs to 1,014 million francs. In addition to the tenant fit-out in the new Swiss Post headquarters that was partly charged to the income statement, the business unit transfer noted above also had a negative impact on expenses. Normalized personnel expenses increased by 38 million francs.

Headcount rose by 240 to 2,409 full-time equivalents,

Management and service units: decline in operating result.

## Acquisitions

### Switzerland

Post CH Ltd, based in Berne, acquired the company Tele-Trans AG, based in Basel and its subsidiary Tele-Trans SA, based in Saint-Louis (France) on 19 February 2015. This acquisition enables PostLogistics to strengthen its international unit, to expand its current service portfolio and to safeguard its presence in the customs clearance market in the Basel area. Tele-Trans AG and its subsidiary offer services in the field of European transport and customs clearance, and employ seven members of staff.

SecurePost Ltd, based in Oensingen, took over banknote processing from UBS AG, based in Zurich and Basel, on 1 September 2015. SecurePost Ltd becomes the largest banknote processor in Switzerland as a result of the acquisition. The takeover includes operating materials as well as around 40 members of staff.

Post CH Ltd, based in Berne, acquired APZ Direct AG, based in Schaffhausen, on 1 October 2015. The acquisition enables PostMail to strengthen its position in the growth area of direct marketing. APZ Direct AG specializes in the delivery of unaddressed and addressed mail, and employs around 230 members of staff.

Post CH Ltd, based in Berne, acquired IWARE SA, based in Morges, on 2 October 2015. The acquisition enables PostMail to strengthen its position in the publishing business. IWARE SA operates in fields including subscription management and the issuing of publications, and employs 13 members of staff.

Post CH Ltd, based in Berne, acquired health care research institute AG (hcri), based in Zurich, on 15 October 2015. Thanks to this acquisition, Swiss Post is strengthening its market position, and positioning itself as an innovative, integrated service provider in the healthcare sector. health care research institute AG (hcri) is the market leader in the data-driven quality management of processes and information processing in the healthcare sector, and employs 19 members of staff.

Post CH Ltd, based in Berne, acquired Botec Boncourt S.A. and Botec Logistic SA, both based in Boncourt, and Botec Sàrl, based in Fèche-l'Église (France), on 30 October 2015. Thanks to these acquisitions, PostLogistics is strengthening the freight, express and warehousing international unit, including customs clearance, and increasing its presence in the area of Boncourt, crossing the border into France. As well as customers, the takeover includes the infrastructure, with a customs clearance office in Boncourt, and nine members of staff.

Post CH Ltd, based in Berne, acquired Allenbach Verzollungsagentur GmbH, based in Münchenstein, on 30 November 2015. This acquisition enables PostLogistics to strengthen its international forwarding and customs clearance unit, to expand its current service portfolio and to boost its presence in the customs clearance market. Allenbach Verzollungsagentur GmbH has two sites in Münchenstein and Basel-Weil, and employs three members of staff.

### France

CarPostal France SAS, based in Saint-Priest (France), acquired the two associates Grindler Autocars et Transports Grindler and Les Cars du Trièves, both based in Vif (France), on 1 December 2015. With this acquisition, PostBus is expanding its vehicle depots to all three valleys around Grenoble, strengthening its presence in the department of Isère. The Grindler family business, which employs 90 people, is one of the most important transport companies in the Grenoble region.

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

For detailed information on the changes in the consolidated Group, see page 145.

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## Assets and financial situation

### Cash flow and investments

Cash flow from operating activities totalled –2,990 million francs in 2015. Cash flow from operating activities of –1,925 million francs was recorded in the 2014 comparison period. The outflow of funds in 2015 mainly concerned the financial services business. For more information on changes in the consolidated cash flow statement, see page 78.

#### Self-financing of investments

**Group | Internal financing**  
2015, showing change from prior year  
CHF million



Overall, investments in property, plant and equipment (279 million francs, mainly in operating property and vehicles), as well as in investment property (47 million francs), intangible assets (95 million francs) and interests (16 million francs) were down 6 million francs on the previous year. Excluding the positions from financial services reported in the balance sheet, cash flow was sufficiently high for the company to finance its own investments. In the coming year, Swiss Post will continue to take steps to automate its processes in order to improve efficiency, which is reflected in higher planned investments of around 500 to 600 million francs in comparison with the previous financial year. Investments will mainly be made in property, plant and equipment, predominantly in Switzerland.

### Net debt

For the indicator net debt/EBITDA (operating profit before depreciation and amortization) Swiss Post has set a maximum figure of 1 as its target. Customer deposits and financial assets of PostFinance Ltd are not included in the calculation of this indicator. Values above the target are possible in the short term. Values below the target indicate financial leeway. The target was met as at 31 December 2015.

### Consolidated balance sheet

#### Amounts due from banks

In comparison with 31 December 2014, amounts due from banks decreased by 3,610 million francs.

#### Financial assets

In comparison with the end of 2014, financial assets fell by 354 million francs.

#### Property, plant and equipment

The carrying amount for property, plant and equipment fell by 54 million francs compared with 31 December 2014. Depreciation and impairment increased by 7 million francs, reaching 336 million francs in 2015.

### Customer deposits

Since the end of the previous year, customer deposits at PostFinance have decreased by 4,770 million francs to 107,380 million francs. As at 31 December 2015, customer deposits accounted for around 89 percent of the Group's total assets.

### Other liabilities (provisions)

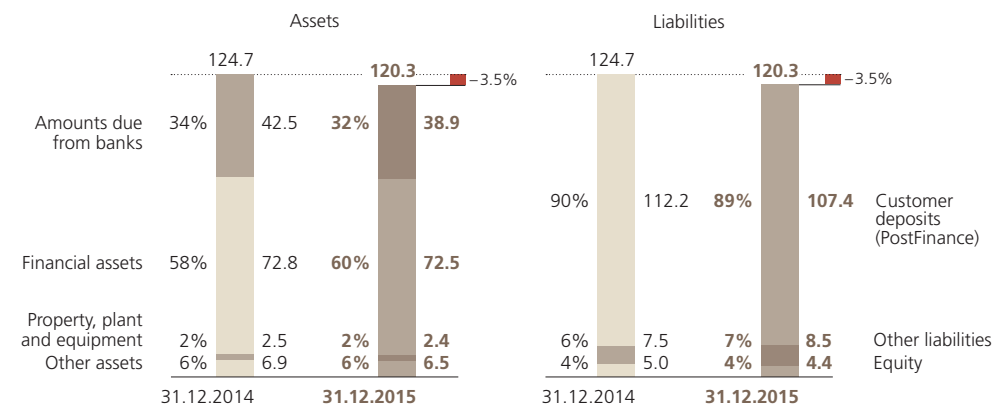
Provisions including employee benefit obligations increased by 1,297 million francs in comparison with the previous year-end figure. This was essentially due to an increase in employee benefit obligations of 1,358 million francs associated with discount rates. The discount rate had to be reduced due to interest trends on the financial markets. All other provisions changed only marginally in comparison with the previous year.

### Equity

Consolidated equity as at 31 December 2015 (4,385 million francs) was calculated net of the appropriation of profit for 2014.

#### Decrease in total assets year-on-year

**Group | Balance sheet structure**  
As at 31.12.2014 and 31.12.2015  
CHF billion



### Appropriation of profit

The appropriation of profit is determined by legal provisions and by the requirements of the business. The key issue is an appropriate capital structure. The amount remaining after the payment of the dividend to the owner is transferred to the reserves.

The proposed appropriation of profit of Swiss Post Ltd can be found on page 160.



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## Non-financial results of a material nature

In addition to the financial goal (EBIT of between 700 and 900 million francs) and the aim of holding “the leading market position in Switzerland”, Swiss Post has set itself the following strategic goals (see pages 16 and 18):

- Customer satisfaction: at least 78 points on a scale of 0–100
- Employee commitment: at least 80 points on a scale of 0–100
- Sustainability: 10 percent improvement in CO<sub>2</sub> efficiency by the end of 2016 in comparison with 2010
- Universal service: unrestricted regulatory audit certification

### Customer satisfaction

Customers have been very satisfied with Swiss Post for years.

Swiss Post endeavours to adapt to changing customer requirements and to develop its products and services accordingly. For 17 years Swiss Post has commissioned an independent institute to conduct and evaluate an annual satisfaction survey among around 24,000 private and business customers throughout Switzerland and in selected countries abroad for quality assurance and improvement purposes. Data is collected regarding satisfaction with Swiss Post – both in general and specifically in relation to the range of products and services, customer contact, customer advisors, prices (or value for money) and problem solving.

#### Group | Customer satisfaction

2015 with previous two years for comparison  
Index 100 = maximum

	2013	2014	2015
Swiss Post Group	80	80	80
Business customers (Switzerland)			
PostMail (national consignments)	78	79	79
PostMail mail (international consignments)	79	77	77
PostLogistics	78	77	77
PostFinance <sup>1</sup>	83	82	79
Swiss Post Solutions	79	82	79
Post Offices & Sales	82	82	82
Postal agencies – SMEs	81	– <sup>2</sup>	80
Private customers			
PostFinance <sup>1</sup>	85	84	80
Post Offices & Sales	86	86	87
Home delivery service	84	– <sup>2</sup>	84
Agencies	79	– <sup>2</sup>	79
PostBus, commuters	74	76	74
PostBus, leisure travellers	83	84	83

<sup>1</sup> 2015 results not comparable with those of previous years due to changes in the sampling procedure.

<sup>2</sup> Data only collected every two years.

#### Group | Recipient customer index

2015 with previous two years for comparison  
Index 100 = maximum

	2013	2014	2015
Overall delivery quality (recipient customer index)	92 <sup>1</sup>	91	91

<sup>1</sup> Because of changes to the questionnaires, the 2013 figure cannot be compared directly with that of the following years.

The results have remained very high for several years. At 80 out of a possible 100 points, this year's Group-wide customer satisfaction index confirms the record for the second time. Customers indicate that they particularly appreciate the quality of services and personal advice provided. Figures above 80 are considered to reflect very high levels of satisfaction, whereas figures below 65 are seen as critical.

*Private customers*

The 14,000 private customers questioned in the customer satisfaction survey rated individual Group units very highly, as they did last year. The highest number of points (87) was achieved by the Post Offices & Sales unit. Private customers generally award the individual Swiss Post units good marks, with ratings between 74 and 87 points.

The quality of letter deliveries was rated by 12,800 private recipient customers in a separate survey – the recipient customer index – achieving a very high 91 points on a scale of 0 to 100. For many years now, the highest values have been for the professional and friendly manner of delivery staff. This survey has been carried out and evaluated by an independent institute since 2004.

The customer satisfaction index and recipient customer index are produced using different criteria, which means they are not directly comparable to one another.

*Business customers*

The 8,000 or so business customers questioned once more assigned high scores of between 77 and 82 to individual units, with the post offices again receiving very good grades of 82 out of a possible 100 points. For the second year running, business customers rated national letter mail with a high 79 points, and international letter mail with a solid 77 points in terms of overall satisfaction. They awarded the Logistics division of Swiss Post the same score.

On the basis of the survey results, Swiss Post implements various initiatives and measures in order to strengthen customer proximity and to meet the needs of different customer groups more effectively. Customers continue to regard problem-solving as the area with the most potential for improvement. By finding out what is important to its customers, Swiss Post can optimize and constantly adapt the entire customer experience chain.

*Simply closer to the customer*

Swiss Post is in contact with a large number of very different private and business customers who all have their own individual requirements. The results of the customer satisfaction survey indicate how good Swiss Post is at providing individual guidance from the customer's perspective. In e-commerce it already offers tailored solutions that adapt to customer requirements and make their everyday lives easier. Swiss Post wants to prove that it is capable of doing the same in other areas, including complaints management. To ensure greater proximity to its customers in this area, Swiss Post has made a range of amendments and introduced optimized processes, including more straightforward goodwill guidelines at post office counters for private customers, as well as for business customers with the revision of complaints management and with it the planned introduction of a new system for Swiss-Express "Innight", transport and warehousing services. Furthermore, the Post Offices & Sales unit has been responsible for coordinating and managing customer access points since 1 January 2016, while the development of logistics products for private and business customers has been integrated at Post-Mail and PostLogistics. This will enable Swiss Post to address the different needs of its customer groups more effectively and to continue its development.

*Employees**Employee commitment*

Employees regard Swiss Post as an attractive employer. In the 2015 employee satisfaction survey, they confirmed that they are committed to their work and to the company's success. This is reflected in the result in a high positive rating, with 82 out of 100 points for personal commitment. The commitment index is the central element of the survey and consists of three components: identification, staff turnover and motivation.

*Good working conditions and pleasant working relationships*

The results remain stable year-on-year at a high level, with a medium to high positive rating across the Group. With 76 points, the work situation (work content, processes, workload and working conditions) was rated one point higher than the previous year. In their everyday work, employees are particularly positive with respect to cooperation and mutual support within and between teams, their perceived ability to contribute to the company, and work-life balance. Employee satisfaction again scored 75 points.

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Committed and  
satisfied employees  
at Swiss Post.

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### Further development and customer focus in the spotlight

Employees see Swiss Post as an innovative company that is developing positively with its strategic focus. They appreciate the transparent flow of information and have confidence in its management. The unit fitness score derived from this improved by one point to 73 points. This encompasses the factors strategy, management, information and communication, change and innovation, cooperation, and development. The rating for customer focus from an internal perspective remained at a stable high level with 79 points. However, staff also saw potential for improvement here, and various measures have been taken to address the relevant issues together.

### Measurement categories unchanged over seven years

For the survey in May 2015, Swiss Post used the same measurement model for the seventh year running. Values from 60 to 74 points are considered an "average positive" rating, while values between 75 and 84 points are rated "high positive". The questionnaire was distributed to 49,400 employees in 16 countries in seven different languages. The response rate was around 78 percent (previous year: 79 percent).

#### Group | Employee satisfaction survey

2015 with previous year for comparison  
Index 100 = maximum

	2014	2015
Commitment	82	82
Identification	81	81
Staff turnover	80	80
Motivation	86	86
Work situation	76	75
Unit fitness <sup>1</sup>	72	73
Customer focus	79	79
Employee satisfaction	75	75

<sup>1</sup> Unit fitness encompasses the factors strategy, management, information and communication, change and innovation, cooperation, and development.

Promote the performance and development of employees.

### Investment in staff

Swiss Post is successful when its employees put the corporate strategy to practical use in their daily work with motivation and professionalism. To achieve this, Swiss Post relies on exemplary employment conditions and provides employees at every level and of every age with opportunities for development. By doing so, Swiss Post aims to improve the performance of its employees and to promote market-oriented action.

#### Support for apprentices and young talent

2,077 apprentices received training in 15 professions at Swiss Post in 2015. This represents 5.7 percent of its headcount in Switzerland. This makes Swiss Post one of the largest training companies in Switzerland. The success rate in final apprenticeship examinations stood at 98.9 percent in 2015. Four out of every five newly-qualified professionals continued to work for Swiss Post. Furthermore, Swiss Post enabled 24 university graduates to enter the working world as part of its in-house trainee programme.

#### Internal advanced training measures

The skills and competencies required in the company are enhanced by means of appropriate specialist training courses. Around 640 internal specialist and management courses in the form of face-to-face training in German, French and Italian are registered in the central system. More than 3,400 courses have been organized, enabling almost 36,000 employees to attend training events lasting an average of one to one and a half days. In addition, Swiss Post employees have access to 900 e-learning courses in German, French, Italian and English which have been completed around 100,000 times.

One key aspect of internal basic and advanced training at Swiss Post is the militia principle which enables in-depth expert knowledge and the strong practical relevance of the input from specialists to benefit the different Group units. In future, the main focus of internal training courses will be to promote the development of skills specific to Swiss Post. The leadership development programmes for current and future managerial staff in the units remain of high relevance. An in-house training format was developed and implemented for top management at Swiss Post in 2015. A cross-unit

programme for the HR and organizational units has been developed in order to provide efficient support for the achievement of the strategic goals.

#### External individual basic and advanced training

Last year, Swiss Post provided almost 5.5 million francs of financial support for external basic and advanced training requested by its employees. Around 1,000 members of staff were able to benefit from the necessary time and/or funding. This generous contribution reflects the company's interest in keeping employee training at a persistently high level.

#### Social counselling service, Job Center

Helping employees, managers and HR advisors in difficult situations, pointing out prospects, and encouraging personal responsibility and motivation: these are the responsibilities of Swiss Post's social counselling service and Job Center. The core tasks carried out by the social counselling service involve offering professional support to employees experiencing difficult situations in their lives. 2,476 people were given advice in 2015; 494 employees received financial support from the Swiss Post Personnel Fund or were granted a loan. Swiss Post's internal Job Center is a point of contact where staff can ask questions about their professional situation and personal advancement. 653 career counselling sessions were held and 52 interviews given on professional re-orientation, making the Job Center a vital part of Swiss Post's socially responsible human resources policy. 859 diagnostic test instruments were used during counselling sessions.

#### Employment conditions

##### Collective employment contract

Negotiations on new collective employment contracts (CEC) for more than 30,000 employees of Post CH Ltd, PostBus Switzerland Ltd and PostFinance Ltd were successfully completed in March 2015. The focus was on future salary policy, working hours regulations and other subjects such as loyalty bonuses or paternity and maternity leave. The new employment conditions came into force on 1 January 2016. The new CEC establishes the necessary organizational framework for Swiss Post to remain an attractive employer on the labour market. Swiss Post will also continue to be a socially responsible employer that offers fair working conditions in the future.

##### Equal pay

Swiss Post employees are entitled to receive equal pay for work of equivalent value. This is guaranteed for CEC staff by means of function levels based on a non-discriminatory functional evaluation system. The danger of wage inequality is thereby minimized. Swiss Post sets great store by equal pay and was one of the pioneering companies to take part in equal pay dialogue. The very good results from a study on equal pay confirm the effectiveness of the Swiss Post salary system.

##### Diversity at Swiss Post

Swiss Post creates an operating framework which empowers staff members to combine the different aspects of their lives. This includes flexible working models. Around 23,600 employees work part-time and 4,000 take advantage of teleworking. Opportunities for job sharing are also very popular. Swiss Post also contributes 600,000 francs towards external childcare, making it easier for employees to achieve a good work-life balance.

##### Retirement planning, social security

The Group's own employee benefits institution, the Swiss Post pension fund, with total assets of around 16 billion francs, insures 44,000 Swiss Post employees in Switzerland and pays 735 million francs in pensions to 29,000 pensioners each year. The level of cover stood at 99.4 percent at the end of 2015. The foundation board, formed jointly by employer and employee representatives, is responsible for the management of the foundation. The Swiss Post pension fund exceeds the statutory minimum requirements (Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan, BVG). Swiss Post employer contributions represent 270 million francs per year. From 2016, the conversion rate that determines the pension amount will be 5.35 percent at the age of 65.

More information on employees can be found in the Annual Report on page 45.

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Swiss Post will remain a socially responsible employer in the future.

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Stability at the Swiss Post pension fund.

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## Sustainability

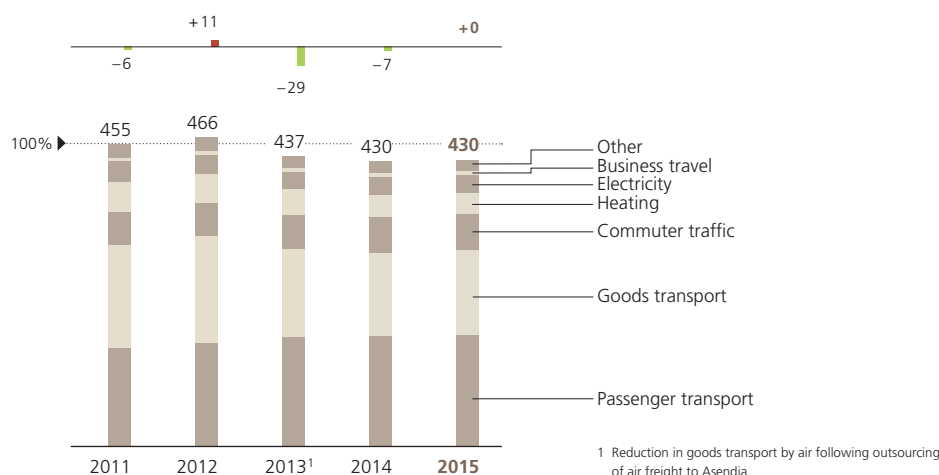
### Extended sustainability objectives.

With its sustainability strategy for 2014–2016, Swiss Post is aiming to achieve a CO<sub>2</sub> efficiency increase of at least 10 percent by the end of 2016 (base year: 2010). This Group goal is defined in relation to the core services of the units: Swiss Post is looking to reduce greenhouse gas emissions for every consignment transported, every passenger carried, every transaction, and every heated square metre in its buildings.

The current social commitment is now being integrated into the sustainability strategy in the form of objectives in the fields of education, health and procurement. In the interests of employees and their safety, Swiss Post has defined the quantitative goals of maintaining the proportion of trainees at 5 percent and reducing occupational accidents by 3 percent by 2016 (base year: 2013). With respect to procurement, Swiss Post is examining the issues more closely and introducing new sustainability criteria.

Swiss Post's greenhouse gas performance is stable.

**Group | Greenhouse gas emissions by process**  
2011 to 2015  
2011 = 100%, 1,000 t CO<sub>2</sub> equivalents (within and outside Swiss Post)



Swiss Post's greenhouse gas emissions remain stable, despite an increase in parcel volumes and business growth at PostBus. Heat requirements have been continually reduced.

Swiss Post achieved an increase in CO<sub>2</sub> efficiency of 13 percent by the end of 2015. In order to reduce its CO<sub>2</sub> emissions, Swiss Post has implemented a comprehensive package of measures.

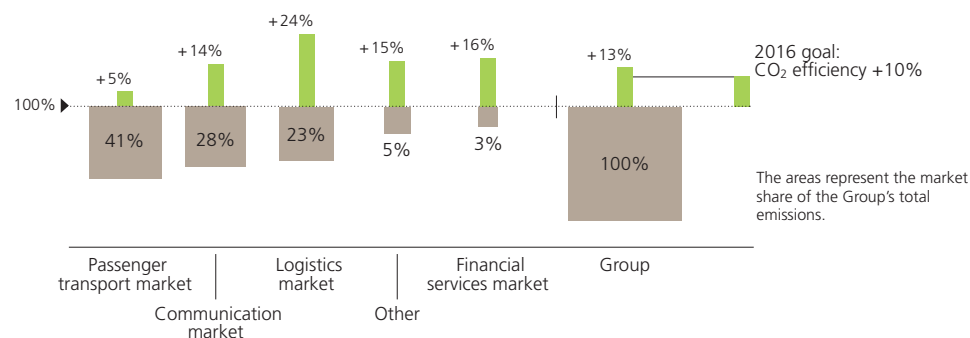
- As a transport-intensive company, it is constantly testing alternative drive systems and fuels, and utilizing them wherever possible. Biodiesel, eco-electricity and biogas have already become standard fuels for Swiss Post's vehicle fleet. PostBus operates five fuel cell buses and 31 diesel hybrid buses on Swiss roads. 26 Mobility Solutions Ltd petrol stations offer diesel containing 7 percent biodiesel made from residues from edible oil production. The electric scooter fleet has increased to 5,772 vehicles that run on environmentally friendly eco-electricity. The 100 or so gas vans are fuelled with 100 percent Swiss biogas. In addition, the use of vehicle capacities and routes are continually being optimized.
- Potential energy savings in building services and in post offices have been identified and appropriate measures introduced. The MINERGIE®-compliant Swiss Post headquarters in Berne's Wankdorf City district is the first office building in Switzerland to receive the international DGNB certificate in gold.

- Swiss Post covers 100 percent of its electricity requirements with “naturemade basic” certified renewable energy from Switzerland, which contains 5 percent of “naturemade star” certified green electricity. Swiss Post operates ten photovoltaic systems on its roofs, feeding approximately 5 GWh of solar electricity into the grid each year.
- With “pro clima” – Shipment, all domestic letters sent by Swiss Post have been carbon neutral since 2012 at no extra charge for customers. Swiss Post is funding the construction of the first gold standard Swiss Post climate protection project in Switzerland: it consists of 30 biogas plants and farms that reuse manure and other organic waste to generate electricity.
- Raising employees’ awareness of sustainability is a recurring theme of internal communication that is explored in depth at workshops and other events.

The constant increase in CO<sub>2</sub> efficiency is achieved by implementing a range of measures to reduce greenhouse gas emissions and to improve the efficiency of the core services it provides.

#### CO<sub>2</sub> efficiency improved in all markets

**Group | CO<sub>2</sub> efficiency and proportion of CO<sub>2</sub> emissions by market**  
2015  
CO<sub>2</sub> efficiency index<sup>1</sup>, 2010 = 100%, proportion of emissions in percent



<sup>1</sup> The CO<sub>2</sub> efficiency index is measured as the change in CO<sub>2</sub> equivalents per core service unit in the financial year in comparison with the base year 2010. The core service is defined according to unit (item, transaction, passenger kilometres, kilometres, full-time equivalent, etc.).

The number of occupational accidents has been reduced thanks to the consistent introduction and implementation of operating group solutions in each individual unit. The Group target of reducing occupational accidents by 3 percent between 2013 and 2016 was exceeded significantly by 11 percent from as early as 2014. The proportion of trainees stands at over 5 percent.

In procurement, sustainability criteria have been defined for each product group, and the purchasers trained accordingly. In turn, Swiss Post advocates socially acceptable working conditions and environmental measures at its suppliers across the entire procurement chain. Swiss Post has been a member of the Fair Wear Foundation (FWF) since 2012 to ensure the socially responsible production of its work clothing. Swiss Post has now completed the clothing cycle by sorting old Swiss Post uniforms according to their condition, and either recycling them or having them transformed into industrial materials.

Swiss Post supports numerous foundations and charitable organizations, and is particularly committed to helping children and young people. It answers children's letters in the Santa Claus campaign, enables people in need in Switzerland and Eastern Europe to receive Christmas gifts with the 2 x Christmas campaign, and also supports Pro Patria and Pro Juventute.

More information on sustainability can be found in the Annual Report on page 51 and in the GRI report, available at [www.annualreport.swisspost.ch](http://www.annualreport.swisspost.ch).

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## Universal service

Swiss Post's core services are determined by statutory mandates.

The universal postal service defined in the Postal Services Act encompasses the transport of letters (up to one kilogram), parcels (up to 20 kilograms), newspapers and magazines. These services must be reasonably accessible via Swiss Post's access points, and deliveries must be made to permanently inhabited areas on at least five working days a week. Swiss Post also has a mandate to provide a universal service for payment transactions (more information about the statutory framework can be found on page 16).

Swiss Post aims to fulfil its statutory mandate by focusing on its customers and providing them with consistent high quality. Swiss Post finances the universal service from its own revenue; it does not receive any financial compensation in return. Each year, external auditors carry out checks for Post-Com to ensure compliance with the legal requirements for financing the universal service. The last available audit certification from March 2015 concerns the 2014 financial year.

Swiss Post's core products and services are determined by the statutory mandates for the universal service. In addition to its universal service obligations, Swiss Post must also meet the strategic goals of the Federal Council. Swiss Post regards both as opportunities to prove that the trust placed in it is justified. Swiss Post exceeds the requirements, both in terms of the quality and the scope of services it provides, and finances the universal service from its own funds. Swiss Post's success should not be taken for granted. The regulatory framework must remain balanced in the future to enable Swiss Post to take account of complex political, regulatory and commercial demands.

## Risk report

### Risk management principles

Today's business environment is constantly changing. The success of a company greatly depends on the early recognition and control of opportunities and threats (risk awareness), and taking account of capital and yield considerations (risk appetite and risk-bearing capacity). Risk management can thereby make an important contribution to the quality of decisions and help increase the company's value.

### Risk management system

The Board of Directors sets out the primary guidelines and principles for the risk management system and defines risk policy at Swiss Post Ltd. Risk management at Group level is in charge of the risk management process and ensures that risks are identified and recorded in the reporting system twice a year. Executive Management carries out a risk analysis on the basis of this overview. The results are presented to the Board of Directors' Audit, Risk & Compliance Committee and the Board of Directors.

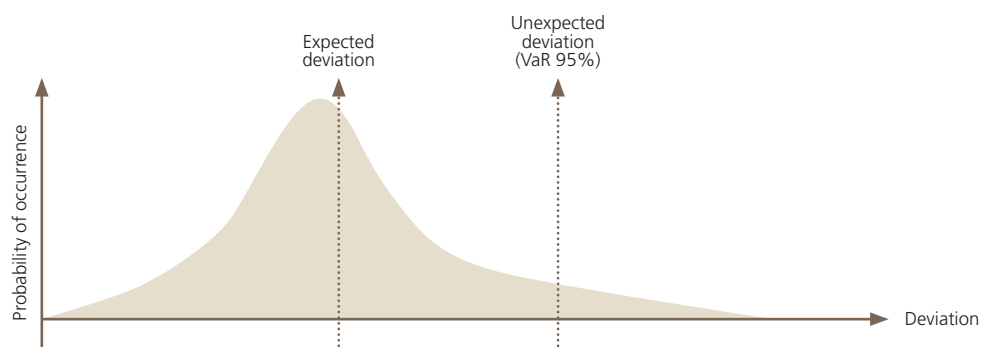
### Risk simulation

Monte Carlo simulation techniques are used in risk management to calculate risk indicators that are aggregated on the basis of correlations. The extent of loss or profit that could result from each risk is identified by means of risk simulation. Risks are assessed according to scenario analyses and/or historic event data.

### Risk indicators

A picture of the risk situation of a company or of individual units is obtained by simulating individual risks and groups of risks to obtain risk indicators. Expected value and value-at-risk (VaR) are also calculated. Expected value shows the expected EBIT deviation for the next twelve months, while value-at-risk (95 percent) is used for unexpected EBIT deviations. In addition, the expected EBIT deviation for 2024 is simulated and aggregated to identify the strategic risk situation.

#### Risk indicators





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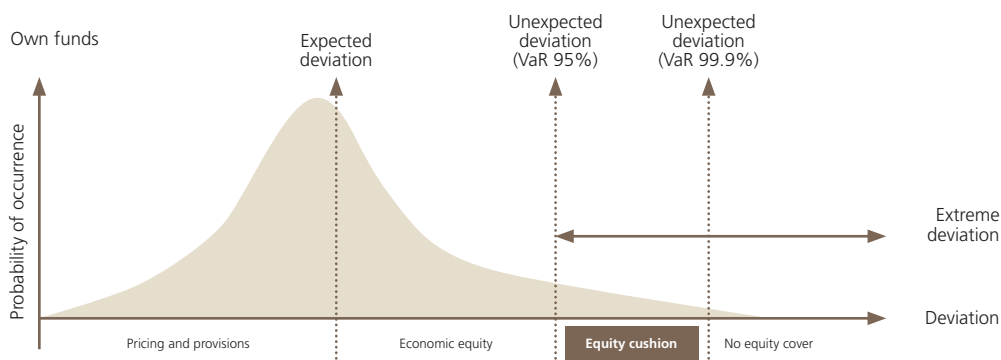
## Aggregation levels

Expected value and value-at-risk (95 percent) risk indicators are identified for the Group, its strategic subsidiaries and their units.

## Risk appetite and risk-bearing capacity

Risk appetite and risk-bearing capacity are illustrated and checked using these indicators across all three aggregation levels. Risk appetite corresponds to the expected value obtained from the risk simulation, and represents the deviation that is to be expected. Risk appetite should not exceed envisaged operating income. Risk-bearing capacity is achieved if unexpected deviations are covered by economic equity.

### Risk appetite and risk-bearing capacity



The expected deviation obtained from the simulation should for instance be absorbed when setting prices or by means of a provision factored into the planning. While unexpected deviations (VaR 95 percent) are covered by the allocation of economic equity, an equity cushion should be made available to cover extreme deviations. This equity cushion is sufficient to represent a comfort zone and has an impact on the Group's rating. An extreme deviation has an extremely low probability of occurrence, but could entail very high potential losses. Covering extreme events with equity is uneconomical and therefore only partially possible.

## Risk management process

The risk management process at Swiss Post comprises the following five stages:

### Risk management process



#### – Risk identification

Risks and opportunities are defined as potential deviations from planned earnings before tax. Group strategy and a company-wide basic catalogue of risks form the basis for risk identification.

- Risk assessment  
Every six months, managers and technical specialists measure the risks that have been identified. Risks are assessed on the basis of scenario analyses (best, realistic and worst case scenarios) or by means of event data. Risk indicators for individual risks are measured via Monte Carlo simulation techniques.
- Definition of measures  
As part of the risk management process, the Group units define appropriate measures in order to take advantage of opportunities whilst avoiding, reducing, or passing on risks to third parties. At Group level, Group risks are controlled mainly via strategic measures that are often combined with further precautions individually tailored to specific risks.
- Control of measures  
Comprehensive checks are carried out to ensure that risks are being controlled efficiently by the measures in place. Additional measures are defined if necessary.
- Reporting  
Reports are submitted to the Management Board, Executive Board, Group Executive Management, Board of Directors' Audit, Risk & Compliance Committee and Board of Directors.

#### Networking of risk management

Swiss Post aims to take an integral approach to risk management. Risk management is therefore combined with the Strategy, Accounting, Controlling, Crisis Management and Group Audit units, as well as Compliance (from 2016). The different organizational units coordinate their processes, integrate their reporting documents and pool their analysis findings.

#### Risk situation

An analysis of the risk situation at Swiss Post in 2015 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In addition, the expected losses do not exceed the planned operating profit. Risk appetite is therefore covered.

Based on the latest measurements (Monte Carlo simulation), the Group's expected potential loss in the next twelve months (2016) amounts to around 7 million francs (previous year: 28 million francs). An unexpected potential loss (VaR 95 percent) of 122 million francs was also calculated (previous year: 209 million francs). The lower risk indicators year-on-year are mainly due to the lower volatility of the Group-wide pension risk and the increased identification of opportunities. In the case of PostFinance, reported risks only concern earnings at risk or the risk of the Group having to make additional payments, measured according to the earnings at risk approach. The risk situation from PostFinance's standpoint, measured according to the value at risk approach, is described in the "Risk management at PostFinance" section on page 127.

#### Threats

The following risks may have a major impact on the income, financial and asset situation of the Group in light of the current position. Risk management distinguishes between endogenous and exogenous risks. Risk identification can never encompass all the risks that the Group is exposed to. Swiss Post's business activities could also be affected by other factors that are not yet known.

#### *Exogenous threats*

The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation, interest rate movements for the PostFinance business unit, and the substitution of several business areas by electronic media.

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Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. Earnings performance at PostFinance is highly dependent on interest rate movements. Technological changes resulting in an increased use of digital services are also aggravating the downward trend in the letters business and in some post office services.

#### *Endogenous threats*

Potential material damage and liability insurance losses, outage risks in important letter and logistics centers and risks related to profit trends at individual units are the largest internal risks.

#### *Opportunities*

Swiss Post's business area is affected by a range of external factors that offer potential opportunities as well as risks. Trends in e-commerce and the demand for digital postal and banking services are opportunities for the Group. Further market opportunities pursued by various Swiss Post business units are described in the "Group strategy" section on page 16.

For more information on risk management at Swiss Post, see page 126.

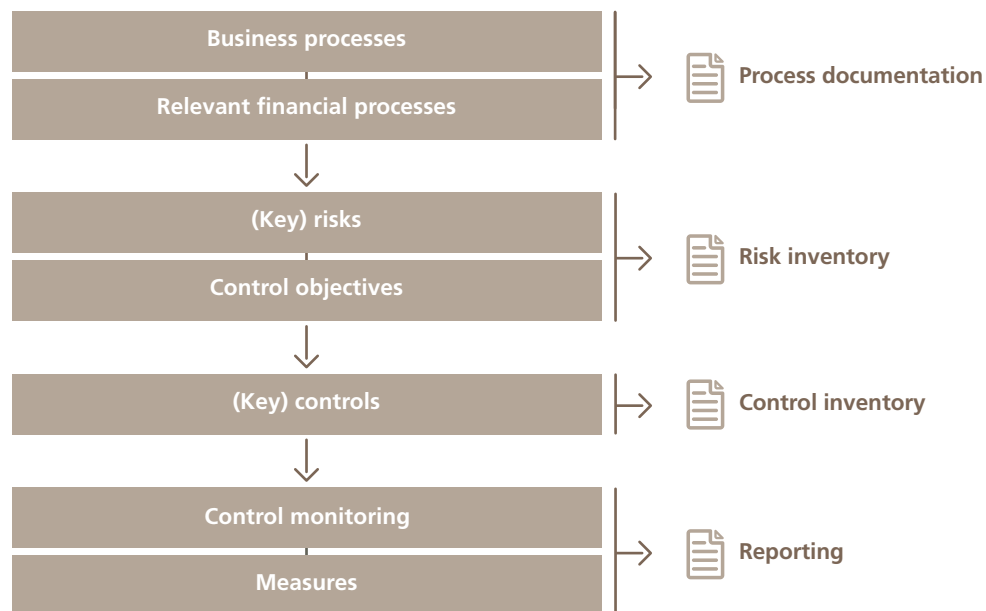
### Internal control system

The Finance Internal Control System (ICS) at Swiss Post Ltd encompasses the procedures and measures that ensure proper bookkeeping and rendering of accounts, and accordingly forms the basis of all financial reporting. In accordance with Article 728 a, paragraph 1, section 3 of the Swiss Code of Obligations, the external auditors check that an ICS is in place in conducting their regular audit.

The ICS at Swiss Post is based on the COSO method. Executive Management and the Board of Directors approve the principles each year with the "Swiss Post Ltd" ICS Finance Regulation. ICS-relevant processes are identified each year by means of scoping before being documented in a comprehensible and straightforward manner for third party experts.

For each activity, the potential risks are determined from the process documentation, evaluated, and assigned financial control objectives. Key risks are given priority treatment by the ICS. Further risks are also included in ICS documentation as required. This approach ensures that the number of ICS-relevant risks and hence the number of checks to be made are limited early on in the process. Controls are concepts, procedures, practices and organizational structures that create a degree of certainty that the control targets can be met and that unwanted events can be prevented or detected and corrected. The control inventory lists the controls required for the risks identified in the risk inventory. ICS-relevant IT systems are covered at financial process, application and IT infrastructure level.

## ICS



By taking a systematic approach to ICS monitoring, Swiss Post guarantees the relevance, usefulness and efficiency of the system. Checks are made during the year to ensure that controls are implemented in accordance with the documentation and that risks are minimized as a result. At the end of the reporting period, an additional assessment of processes and controls is carried out by means of pre-set questionnaires (maturity assessment). The ICS maturity level is determined on a scale of 1 to 5. Swiss Post Ltd has set itself the goal of achieving a maturity level of at least 3 – standardized. Following the assessment, measures are taken to improve the ICS maturity level. ICS reporting documents drawn up on the basis of the maturity assessment results are submitted to Executive Management and the Board of Directors of Swiss Post Ltd.

In the year under review 2015, a total of 222 processes were documented as ICS-relevant and assessed as such. The number of relevant processes decreased slightly year-on-year (– 1.3 percent). This is principally due to a summary of business processes in the ICS framework. Of these relevant processes, 464 material risks – referred to as key risks – were identified before being covered and managed by means of 616 key controls.

The maturity of the ICS-relevant processes and key controls were assessed in the course of self-audits. 79 percent of the processes were classed as maturity level 3 – standardized, while 21 percent reached the higher maturity level of 4 – integrated. The expected maturity levels were also achieved in the applicable controls. The required maturity level of 3 – standardized, was determined in 78 percent of the key controls. 22 percent even reached a higher maturity level.

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## Outlook

The SNB has provided a slightly more favourable outlook of the international economic situation. Many companies are looking ahead to the coming year with somewhat more confidence as the measures taken following the raising of the minimum rate slowly take effect and they expect better margins for 2016. Headcounts in industry are likely to continue to decline moderately, while the willingness to invest overall remains at the current level.

The outlook for 2016 remains highly cautious. A moderate rise in real sales is expected for the coming months. Cautious optimism has continued to grow particularly in the industrial sector. Service companies are also cautiously optimistic overall. This is being driven by the hope of a further improvement in the economic situation in Europe as well as somewhat improved exchange rate conditions. The results of measures to boost productivity and to reduce costs are tending to lead to greater confidence for margin developments. In terms of employment plans, manufacturing industry anticipates a further slight reduction in headcount. The construction industry is also seeing a slight seasonally adjusted decline. By contrast, staff levels in the service sector are likely to rise slightly. Many companies had issued an immediate freeze on investment following the lifting of the minimum exchange rate, which remains in force in many places. Investment plans for the coming twelve months continue to indicate no recovery overall.

Given these economic prospects as well as increased competition, the sustained substitution effects, the optimization of business customer shipping operations and the need to maintain the equity base, Swiss Post is convinced that it should continue to pursue the defined strategy.