

Poste Italiane: Balancing innovation and tradition

Poste Italiane has undertaken a far-reaching process of redevelopment that has allowed the Group to raise the quality of its services and significantly expand the range of products it offers. Today its logistical and technological network is the most extensive in the country and boasts the highest coverage. Along with postal services, it also offers integrated products in the areas of communication, logistics, finance, insurance, and mobile telephone services to individuals, businesses, and public administration offices throughout Italy. With 14,000 post offices located throughout the country and a team of over 150,000 staff members, Poste Italiane guarantees services to 37 million customers. Its widespread presence throughout the country, long experience and attention to new technologies allow Poste Italiane to play a leading role in the process of economic and social development in Italy, as well as making it a natural partner for the public administration in the creation of new services for the public. In recent years, Poste Italiane has made its mark on the international scene as a successful case history and a business development model recognised worldwide for its ability to diversify and innovate. It is the only European postal company that has recorded a constant growth in volumes and revenue for the last nine consecutive years, with a profitability rate (13.3% in 2009) that places it at the top of the list of EU operators. The knowledge and skills acquired are also allowing Poste Italiane to transfer its know-how to other operators.

Thanks to the results obtained, Poste Italiane was included for the fifth year running among the US magazine Fortune's list of the "**World's Most Admired Companies**". In the 2011 edition of the list, its score improved, earning it a place among the world's top postal operators, as well as the third step on the podium of the Italian companies in the ranking. Fitch voiced its appreciation for Poste Italiane, confirming its positive rating (A+ and stable outlook), and Moody's has also confirmed its A2 rating with stable outlook.

First postal company worldwide to join the mobile telephone sector with PosteMobile

Aware of its role as a promoter of innovation and a key player in the economic and social development process of the country, three years ago Poste Italiane took on a new challenge, becoming the **first postal company worldwide to enter the mobile telephony sector** as a virtual operator with the PosteMobile brand. Thanks to the exclusive functions of the Poste Italiane SIM card, mobile phones become a tool that simplifies daily living. By **simply sending a command from your mobile phone**, it is possible to: **top up PosteMobile SIM cards from a BancoPosta account, pay bills, send telegrams, transfer money, top up mobile phones**, make purchases on Internet and pay for parking and public transport tickets in a number of Italian cities. Poste Mobile has achieved **a record of over 2.2 million Sim cards sold, with 75% of customers also using their mobile phones to make payments and to transfer money. This success has allowed Poste Italiane to strengthen its position as Italy's leading virtual operator, with a market share of 50%**. The PosteMobile Sim card will increasingly transform mobile phones into proper "electronic purses" to pay mobility and transport services such as taxis, buses and trains, as well as to make purchases. With PosteMobile it is already possible to transfer

money through MoneyGram, purchase tickets for public transport services in Rome and Milan as well as tickets for parking areas in 35 cities in Italy and to make purchases on Internet.

Financial results: nine years of ever-improving revenue

The Group headed by Massimo Sarmi has registered a positive result for the ninth consecutive year. Thanks to the results of the operational management, which also reflect the Group's commitment to improving efficiency and containing spending, Poste Italiane ended 2010 with a **net profit of € 1,018 million** (up 12.6% on 2009). **This result is especially significant if we consider the still-fragile economic situation**, which makes it increasingly difficult to maintain current levels of profitability. The figure also provides confirmation of the **boost given to the Group's accounts by the ability to innovate it has demonstrated over the last decade, modernising its processes and expanding its range of products and services.**

Total revenue has risen to €21.8 billion, an increase of **8.7%** compared to the 2009 figure of € 20.1 billion). There was also a significant improvement in the **Operating Result**, which stood at **€ 1,870 million (+16.9%** compared to 2009). A particularly significant effect on the Group's accounts was provided by the positive performance of its **Insurance Services**, with a premium collection of €9.5 billion, a 34% rise on the €7.1 billion figure recorded in the previous financial year.

Ahead of the field in the development of post-office systems

These figures demonstrate that Poste Italiane has successfully anticipated the relaunch of the post office system, and has also embarked on the exploration of new financial services. In this way, it has asserted itself on the European scene as the company that has paved the way for an innovative model that now serves to inspire the strategies of similar large groups within Europe. Proof of this can be seen in the business plans of France's La Banque Postale and Great Britain's Royal Mail: France and Great Britain have focused their attention on the relationship between technological innovation and increased productivity and on a new concept of the post office, which – as in Italy – is set to evolve into a multifunction financial services agency capable of accommodating and meeting the needs of an increasingly modern, heterogeneous customer base. In short, France and Great Britain are following a trail that Poste Italiane has already blazed. Numerous postal companies throughout the world have sought the collaboration of Poste Italiane for the development of their postal system, logistics infrastructure, payment platforms and telephone services.. The partnerships entered into are proof of the Italian company's ability to systematise cooperation at an international level and to play a guiding role, exporting its business model and experience in the field of technological innovation. Today **Poste Italiane is already exporting its know-how to Egypt, Albania, Russia and Lebanon.** In addition, the strategic guidelines for the evolution of the business model serve as a benchmark for postal operators in **Argentina, Saudi Arabia, UAE, Morocco, the Netherlands, San Marino and the Vatican City.**

Ready to face the challenge of liberalisation

Poste Italiane is ready to face the challenge of the full liberalisation of the European postal market as of January 1 2011. The company firmly believes that moving beyond the "domestic" vision of competition can represent an important growth opportunity. One of the reasons behind this firm belief is the extensive modernisation carried out in recent years, which enables the company to

open up towards new markets and offer increasingly innovative products. The challenge of liberalisation has gone hand in hand with a programme of major investment in infrastructures and staff training, thanks also to e-learning activities.

Working hand in hand with global players

International and domestic cooperation are also important features in Poste Italiane's development plans. One example of this is the strategic agreement entered into with the British banking and financial group **Hsbc**, which allowed both companies to win the international contract tendered by the Indian Postal Service for the development of prepaid cards, and with the **US giant Ups**, dictated by the **need for growth** on the **international** express courier services **market**. An important partnership is the one with **Finmeccanica**, Italy's leading global group in the production of systems and technological platforms applied to a wide range of production sectors, to supply solutions for the technological improvement and development of Egypt's postal operator. The path to key partnerships was paved by the agreement reached with Microsoft, by virtue of which Poste Italiane became the first operator worldwide to have its own icon on the MS Office toolbar. Another example of how the company is now a world leader is the Electronic Postal Certification Mark (EPCM), also developed with Microsoft for the Universal Postal Union, which assures the integrity of digital communication. Also on behalf of the UPU, Poste Italiane is creating the web domain .post, reserved for postal operators all over the world.

Other important technological partnerships have been formed with **IBM**, to study the quality of the services offered to customers; **with HP**, for servers and storage; with **Cisco** in order to improve the communication infrastructure of the Poste Italiane Group, and the latest agreement, signed with **Vodafone**, the operator that is providing access to its network infrastructure for PosteMobile services.

The partnership with **Ferrovie dello Stato** is of strategic importance for the business diversification and specialisation policy and to provide support for the production system. Said partnership has led to the creation of **Italia Logistica**, an integrated logistics company which can avail itself of an extensive network of collection and mailing points covering the whole of Italy, thanks to the ability to combine handling of large volumes of goods (FS) with widespread delivery (Poste Italiane).

BancoPosta, an outsider in the financial services area

Poste Italiane's progress toward the constant enhancement of its product and service offer has yielded outstanding results, particularly in the area of finance. In this area, Poste Italiane has gained a position of supremacy in Italy and set the trend for Europe, thanks to the creation of BancoPosta towards the end of the 1990s and the introduction into the marketplace of a wide range of financial services products (BancoPosta account, Postepay prepaid card, insurance policies, bonds, investment funds, personal loans, and mortgages), which have taken their place alongside Poste Italiane's traditional passbook savings accounts and interest-bearing bonds. Among Poste Italiane's products, the Postepay prepaid card, introduced at the end of 2003, represents the most outstanding success in Poste Italiane's recent history. Over 7 million people in Italy have chosen the prepaid Postepay card, which can be topped up and which allows customers to make purchases and withdraw cash from automatic teller machines. Postepay's success confirms the front-line role that Poste Italiane has played in the development of new tools for electronic purchasing. In all, PosteItaliane has issued over 13 million payment cards, making the

company a leader in the sector in Europe. The innovative prepaid card launched by Poste Italiane has, for the second year running, received the **AIFIN Golden Circle Award for Financial Innovation, in the "Payment products"** category.

The development of the financial services promoted by Poste Italiane over recent years has also played a leading role in the gradual integration of the new immigrant population. 13,000 post office counters enabled to perform foreign money transfers have been dedicated to these customers. The service is provided via a partnership with MoneyGram.

Leader in insurance services in Italy with Poste Vita

With a volume of premiums issued totalling € 9,501 million (€ 7,091 million in 2009), the Group's insurance company **Poste Vita** achieved the highest turnover in its history, with a rise of 34% compared to 2009, thus increasing its market share by around two points to almost 11%. In its first nine months, the Casualty insurance company **Poste Assicura**, in business since 1 April 2010, has obtained extremely significant commercial results, with around **179 thousand policies** sold. Savings and deposits, distributed evenly over the various product lines, totalled **around € 24.7 million**. These positive results are due to the accessibility, flexibility and completeness of the guarantees and the competitive price of the products offered throughout the extensive network of over 12 thousand Post Offices authorised to sell insurance products.

A constant commitment to innovation in products and services

Poste Italiane is constantly in pursuit of technological innovation and the modernisation of systems and processes aimed at enhancing overall quality. **Investments in innovation** to date have allowed the company to guarantee its customers cutting-edge services, and have made it an important factor in Italy's growth and modernisation. Today, the entire postal system is governed by a technological infrastructure that is among the most advanced in the world: over 80% of correspondence is sorted using automated systems, a central structure controls the whole logistics process, and delivery is guaranteed by the "electronic postmen and women", equipped with a palmtop computer and a small printer that allows customers to have a wide range of postal and financial services delivered to their door. There are now **18,500** postmen and women equipped with a palmtop computer and printer in service all over Italy, and this allows Poste Italiane to improve its products and services through the simplification and expansion of services that can be accessed via Internet, telephone, self-service machines, and soon even through DTTV (digital terrestrial TV).

The numbers offer a clear picture of customer satisfaction: every day a million and a half people visit post offices, over 22 million items are handled and 20 million real-time financial transactions carried out. Thanks to its excellent results in the field of technology and infrastructures, Poste Italiane has received the "**Postal Technology International Award**" **2009**, presented to the year's top Service Provider for outstanding performance in terms of research and development and process innovation. In 2007, the company had already won the Best Corporate IP Network of the Year category in the **Cisco Networkers Innovation Awards 2007**, for the ICT Plus project, deemed the best case history of the year.

Working hand in hand with the Public Administration to offer services to citizens

Its widespread presence throughout the country, long experience in the management of services and attention to new technologies allow Poste Italiane to play a leading role in the process of economic and social development in Italy, as well as making it a natural partner for the Public Administration in the creation and strengthening of networks at the service of citizens. Italy already boasts 5740 "**Sportello Amico**" counters, a particular type of **post office counter where** customers can, for instance, renew their passports, pay INPS Italian social security contributions and obtain cadastral documents. In addition, citizens of Milan, Rome, Perugia and Viterbo can also request registry office certificates. In addition to **Posta Certificata@**, the service created in conjunction with Postecom and Telecom for the Ministry for the Public Administration and Innovation that allows citizens to communicate with central and local bodies through a certified e-mail box, Poste Italiane has come up with **a series of solutions for the world of healthcare** and **Posta Check up@**, which allows users to have diagnostic and clinical test results delivered to their home address or sent via e-mail.

An international benchmark for cyber security

Poste Italiane has promoted the creation of the Global Cyber Security Center – GCSEC – set up on a public-private partnership model. Its aim is to promote study, information, research and training in the field of internet communication security, help raise awareness and develop an IT security culture among businesses, public institutions, police forces and the general public. Its members include leading Italian and overseas firms, while cooperation relationships have already been established with national government bodies, international agencies, universities, study and research centres and investigative organisations. It recently signed a memorandum of understanding with **ICANN**, (Internet Corporation for Assigned Names and Numbers), the international non-profit organisation that assigns web addresses. This agreement provides for collaboration on a wide range of activities, such as the training of experts in Cyber Security, joint research and development workshops, the management of research projects financed by European and international institutional bodies and information sharing through the set-up of an information platform.

Environmental commitment

On environmental issues, Poste Italiane has already achieved important results with projects that make it a cutting-edge leader, and not only in Italy. The Company is committed to cutting greenhouse gas emissions and reducing air and noise pollution in its delivery service. **Today, 50% of all electric energy consumed by Poste Italiane already comes from renewable sources.** The company also aims to cut the environmental impact of its own vehicles. Among Italian **utilities**, it is the company with the largest, most complex fleet (two and three-wheel light and heavy motor vehicles). Of the entire fleet of 43,500 vehicles, **around 1600** are low-environmental-impact vehicles (electric vehicles and dual-fuel petrol/methane vehicles) and as regards two-wheel vehicles (around 26,000), these are to be gradually phased out and replaced by around 18,000 Euro3 two-wheel vehicles and 1800 fully electric quadricycles (238 already in use). For four-wheel vehicles, Poste Italiane aims to make greater use of methane-powered vehicles as well as electrical vehicles. The current number of 1365 vehicles is expected to rise to 2000 by the end of the year.

Poste Italiane Group

The Poste Italiane Group's partners include: **SDA**, national specialists in express courier services; **Postel**, a market leader in the field of "hybrid" electronic mail services; **Poste Vita**, active in the life insurance and casualty insurance market; **Postecom**, which develops and manages online services; and **BancoPosta Fondi SGR**, which manages investment funds; **PosteMobile**, active in the telephony sector as a virtual mobile operator.