

## **Poste Italiane: Balancing innovation and tradition**

In recent years, Poste Italiane has undertaken a complex process of redevelopment aimed at increasing the quality of its services and expanding its product offer. This strategic vision, along with a program for heavy investment in infrastructure and training, has allowed the company to raise efficiency standards significantly and very quickly, increase employees' professional qualifications, upgrade post office facilities, maintain growing customer satisfaction and close financial statements with a profit. **The profitability index places Poste Italiane at the top of the list of Europe's major postal service providers.**

During this accelerated process of development, Poste Italiane has remained committed to the principles of its corporate mission, expressed through its widespread presence throughout Italy – with **14,000 post offices** and a staff of **more than 150,000 employees** – and to its traditional mission of responding to the needs of its customers, be they ordinary citizens, businesses, or public administration offices.

Thanks to the results obtained, Poste Italiane was included for the fourth year running among the US magazine Fortune's list of the "**World's Most Admired Companies**". In the 2010 edition of the list, its score improved, allowing it to move up the rankings and to take its place among the world's top postal companies. Poste Italiane is ahead of giants such as France's La Poste and Britain's Royal Mail, and just behind Deutsche Post and Japan Post, gaining an enviable third position among the Italian companies featured on the list. Fitch also voiced its appreciation for Poste Italiane, confirming its positive rating (A+ and stable outlook), while in a report on the European postal service in the run-up to liberalisation, Standard&Poor's placed the company among the top runners in the sector for its ability to diversify business.

## **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, in November 2007 Poste Italiane took up a new challenge: its entry into the mobile telephony sector as a virtual operator with the PosteMobile brand. It is the **first postal company worldwide to enter the mobile telephone 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: transfer money through wire or postal transfers, top up PosteMobile SIM cards from a BancoPosta account, pay bills, send telegrams, transfer money from and to Postepay prepaid cards, top up mobile phones by taking the amount from a Postepay card, and check the balance and recent movements of a BancoPosta account. In less than two years of activity, Poste Mobile has sold a record 1.3 million Sim cards, 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 later transform mobile phones into proper “electronic purses” with which it will be possible, for example, to pay mobility and transport services like taxis, buses and trains. With PosteMobile it is already possible to transfer money through MoneyGram, purchase tickets for public transport services in Rome and tickets for parking areas in 35 cities in Italy.

### **Financial results: Eight years of ever improving financial statements**

The combination of innovation and efficiency has laid the foundations for success, which can be clearly seen from the company's figures: financial statements with ever increasing profits for eight years running, a memorable milestone after 50 years of red ink. In 2009 the Group, led by Massimo Sarmi, announced a positive operating performance, recording Net Profit of € 904 million, up 2.4% (€ 882.6 million in 2008), and EBIT up to € 1.6 billion (1.5 in 2008). Total revenues increased by 12.6%, reaching € 20.1 billion, with a particularly noteworthy performance in the insurance services area, which recorded a 29% increase compared to the previous FY. The growth trend was also consolidated in the financial services area, with a rise of 8%. Particularly significant are the postal savings deposits figure, standing at around 5.5 billion. Postal services recorded a drop of 5%, affected by a decrease in volume of mail common to all the developed economies, due to the increasingly intensive use of internet. Poste Italiane is making use of digital technology to respond to the changing needs of customers, who are increasingly oriented towards digital products. In 2009 Poste Vita, Poste italiane's insurance company, registered the highest turnover in its history, thus becoming one of the leading companies in the field in Italy. Premiums issued were € 7.1 billion, compared to € 5.5 billion in 2008 (+28.4%). The development strategy for the business area will be given a further boost with the set-up of Poste Assicura, the company the Group has created in order to enter the Casualty Branch. With regard to telephone services, in 2009 the Poste Italiane Group consolidated the market presence of the PosteMobile operator, with a rise in SIM cards sold from 671 thousand in 2008 to 1.3 million at the end of 2009, partly thanks to its entry into the business segment.

### **Dominance in the development of post-office systems – Italy leads and Europe follows**

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. Indeed, 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 – in the case of Italy – is transformed into a multifunction financial services agency capable of accommodating and meeting consumer demands in a modern society. In short, France and Great Britain are just setting out on a trail that Poste Italiane has already blazed.

### **With a view to liberalisation: ready for the challenge**

Poste Italiane is ready to face the challenge of complete liberalisation of the European postal market, scheduled for January 1 2011. The company firmly believes that getting past the “domestic” vision of competition will 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 tackle new markets and offer increasingly innovative products. The challenge of liberalisation goes hand in hand with a programme of major investment in infrastructures and staff training, thanks also to e-learning activities.

### **Poste Italiane alongside global players**

There is no lack of focus on international and domestic cooperation in Poste Italiane’s development plans. One example of this is the agreement entered into with the **US giant UPS** which springs from the **need to expand** in the **international** express courier market, a sector offering great potential thanks above all to e-commerce development. An important partnership is the one entered into with **Finmeccanica**, Italy’s leading global group in the production of systems and technological platforms applied to a wide range of production sectors, aimed at supplying solutions for the technological improvement and development of Egypt Post, 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 to send recorded deliveries directly from any PC. **Another example of how the company is now a world leader is the Electronic Postal Certification Mark (EPCM)**, developed with Microsoft for the Universal Postal Union, which **assures the integrity of digital communication**.

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 territory, 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. Poste Italiane has gained a position of supremacy in Italy and set the trend for Europe. The creation of BancoPosta toward 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 took their place alongside Poste Italiane's traditional passbook savings accounts and interest-bearing bonds, are all to be credited for such a positive outcome. 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 5.6 million individuals 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. A total of over 11 million payment cards have been issued, **making Poste Italiane a leader in the European sector**. 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.

### **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 the enhancement of 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 modernization. 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", equipped with a palmtop computer and a small printer, who are already at work in the main Italian cities. That infrastructure, in turn, allows Poste Italiane to improve its products and services through the simplification and expansion of services which 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 5.740 "**Sportello Amico**" counters, a particular type of **post office counter where** customers can renew their passports and pay INPS Italian social security contributions.

## **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** (according to RECS - Renewable Energy Certificate System parameters). Furthermore, with over 1300 bi-fuel (methane /petrol) vehicles, it has **the largest methane fleet in Europe**. As part of the **EU Intelligent Energy for Europe programme**, Poste Italiane is also leader of a project whose aim is to reduce the environmental impact of delivery vehicles through the use of "green cars" (electric quadricycles and hybrid vehicles), currently on trial in Perugia.

## **Poste Italiane Group**

Poste Italiane's many 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 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.