

Posteitaliane

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Poste Italiane Group			Results of operations	Poste Italiane SpA		
2008	2009	2010	(€m)	2010	2009	2008
15,907	17,456	19,639	Revenues from sales and services and earned premiums	9,572	9,841	9,826
			of which:			
5,483	5,210	5,050	Postal Services	4,505	4,709	4,953
4,539	4,796	4,665	Financial Services	4,962	5,039	4,781
5,535	7,112	9,505	Insurance Services	n/a	n/a	n/a
350	338	419	Other Services	105	93	92
1,470	1,599	1,870	Operating profit	1,452	1,399	1,239
883	904	1,018	Profit/(Loss) for the year	729	737	721
9.2%	9.2%	9.5%	ROS ⁽¹⁾	15.2%	14.2%	12.6%
1.8%	1.8%	2.0%	ROI ⁽²⁾	2.8%	2.7%	2.4%
46.8%	39.8%	42.1%	ROE ⁽³⁾	37.4%	38.2%	42.5%

n/a: not applicable

⁽¹⁾ ROS (Return on Sales) is the ratio of operating profit to revenues from ordinary activities.

⁽²⁾ ROI (Return on Investment) is the ratio of operating profit to average operating assets. Operating assets equal assets less investment property and non-current assets held for sale.

⁽³⁾ ROE (Return on Equity) is the ratio of profit before tax to equity for the two comparative periods.

Poste Italiane Group			Financial position	Poste Italiane SpA		
31 Dec 2008	31 Dec 2009	31 Dec 2010	(€m)	31 Dec 2010	31 Dec 2009	31 Dec 2008
3,422	4,575	4,383	Equity	3,613	4,077	3,089
(684)	(1,338)	(986)	Net (funds)/debt	75	(472)	9
2,737	3,237	3,397	Net invested capital	3,688	3,605	3,098

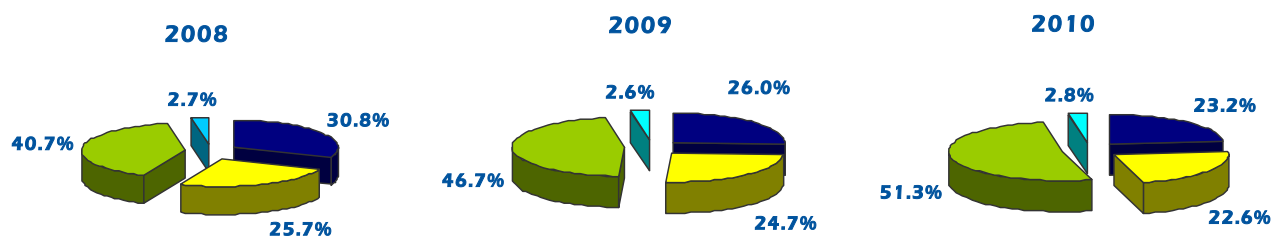
Poste Italiane Group			Other information	Poste Italiane SpA		
2008	2009	2010	(€m)	2010	2009	2008
712	513	436	Investment during the period	386	471	654
			of which:			
712	507	434	capital expenditure	380	454	636
0.3	6	2	financial investments (equity investments)	6	17	18
155,732	152,074	149,703	Average workforce ⁽¹⁾	146,014	148,550	152,311

⁽¹⁾ The average workforce (shown in full-time equivalent terms) includes the flexible workforce and excludes seconded and suspended staff.

Other information about Poste Italiane SpA			31 Dec 2008	31 Dec 2009	31 Dec 2010
Operational data (€m)					
Current accounts (average for the period)			33,723	34,741	35,949
Postal Savings Books			81,801	91,120	97,656
Interest-bearing Postal Certificates			185,543	192,618	198,489
Other indicators					
Number of outstanding current accounts ('000)			5,383	5,526	5,533
Number of post offices			13,991	13,992	14,005
Levels of service			2008	2009	2010
Priority mail	delivery within	1 day	90.6%	90.7%	92.0%

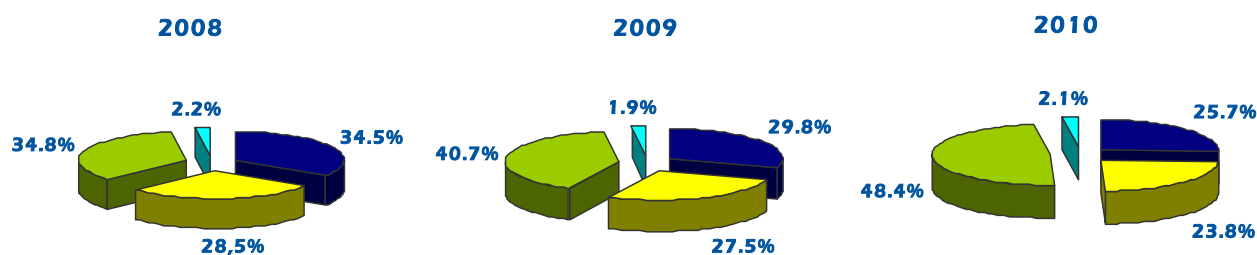
Poste Italiane Group

Total revenue – Operating segments



(€m)				<u>% increase/(decrease)</u>	
	2008	2009	2010	2009 vs 2008	2010 vs 2009
■ Postal Services	5,506	5,227	5,065	(5.1)	(3.1)
■ Financial Services	4,595	4,964	4,946	8.0	(0.4)
■ Insurance Services	7,268	9,376	11,206	29.0	19.5
■ Other Services	484	531	620	9.7	16.8
Total	17,853	20,098	21,837	12.6	8.7

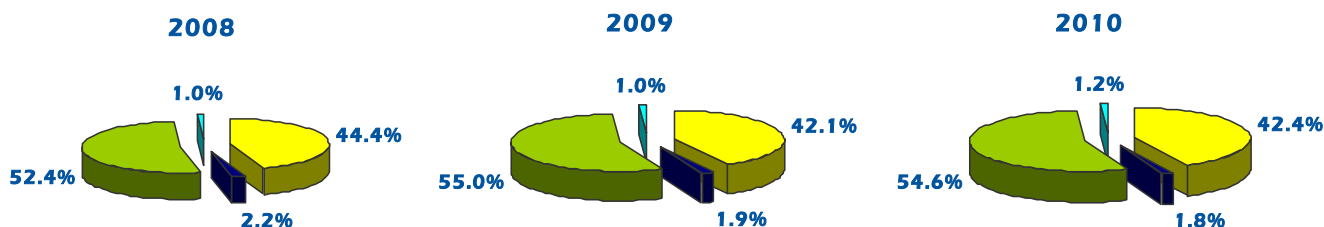
Revenues from sales and services and earned premiums – Operating segments



(€m)				<u>% increase/(decrease)</u>	
	2008	2009	2010	2009 vs 2008	2010 vs 2009
■ Postal Services	5,483	5,210	5,050	(5.0)	(3.1)
■ Financial Services	4,539	4,796	4,665	5.7	(2.7)
■ Insurance Services	5,535	7,112	9,505	28.5	33.6
■ Other Services	350	338	419	(3.4)	24.0
Total	15,907	17,456	19,639	9.7	12.5

Poste Italiane SpA

Market revenues



(€m)				% increase/(decrease)	
	2008	2009	2010	2009 vs 2008	2010 vs 2009
■ Mail and Philately	4,045	3,852	3,855	(4.8)	0.1
■ Express Delivery and Parcels	202	175	161	(13.4)	(8.0)
■ BancoPosta services	4,781	5,039	4,962	5.4	(1.5)
■ Other revenues	92	93	105	1.1	12.9
Total (*)	9,120	9,159	9,083	0.4	(0.8)

(*) Market revenues do not include publisher tariff subsidies and Universal Service Obligation (USO) subsidies, totalling 489 million euros (682 million euros in 2009)

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1. FINANCIAL REVIEW

This section provides a summary of the operating results, financial position and cash flow of the Poste Italiane Group and the Parent Company, Poste Italiane SpA, in 2010.

1.1 OPERATING RESULTS

INCOME STATEMENT

(€m)

Poste Italiane Group				Poste Italiane SpA				
Increase/(Decrease)		Year ended 31 Dec		Year ended 31 Dec		Increase/(Decrease)		
%	Amount	2009	2010	2010	2009	Amount	%	
(2.0)	(210)	10,344	10,134					
33.6	2,393	7,112	9,505	Revenues from sales and services	9,572	9,841	(269)	(2.7)
(18.5)	(449)	2,431	1,982	Earned premiums	n/a	n/a	n/a	n/a
2.4	5	211	216	Other income from financial and insurance activities	281	168	113	67.3
8.7	1,739	20,098	21,837	Other operating income	169	194	(25)	(12.9)
1.9	48	2,550	2,598	Total revenue	10,022	10,203	(181)	(1.8)
18.1	1,564	8,626	10,190	Cost of goods and services	1,983	2,045	(62)	(3.0)
27.6	84	304	388	Net change in technical provisions for insurance business and other claims expenses	n/a	n/a	n/a	n/a
(3.5)	(217)	6,222	6,005	Other expenses from financial and insurance activities	5	1	4	n/s
(1.4)	(8)	555	547	Staff costs	5,821	6,052	(231)	(3.8)
30.0	(9)	(30)	(39)	Depreciation, amortisation and impairments	494	504	(10)	(2.0)
2.2	6	272	278	Capitalised costs and expenses	(9)	(10)	1	(10.0)
				Other operating costs	276	212	64	30.2
16.9	271	1,599	1,870	OPERATING PROFIT/(LOSS)	1,452	1,399	53	3.8
(14.4)	(27)	188	161	Finance costs	158	174	(16)	(9.2)
0.6	1	178	179	Finance income	144	144	n/s	n/s
n/s	(1.0)	1	-	Profit/(loss) on investments accounted for using the equity method	n/a	n/a	n/a	n/a
18.7	298	1,590	1,888	PROFIT/(LOSS) BEFORE TAX	1,438	1,369	69	5.0
26.8	184	686	870	Income tax expense	709	633	76	12.0
12.6	114.0	904.0	1,018.0	PROFIT FOR THE YEAR ⁽¹⁾	729.0	736.7	(7.7)	(1.0)

n/a: not applicable

n/s: not significant

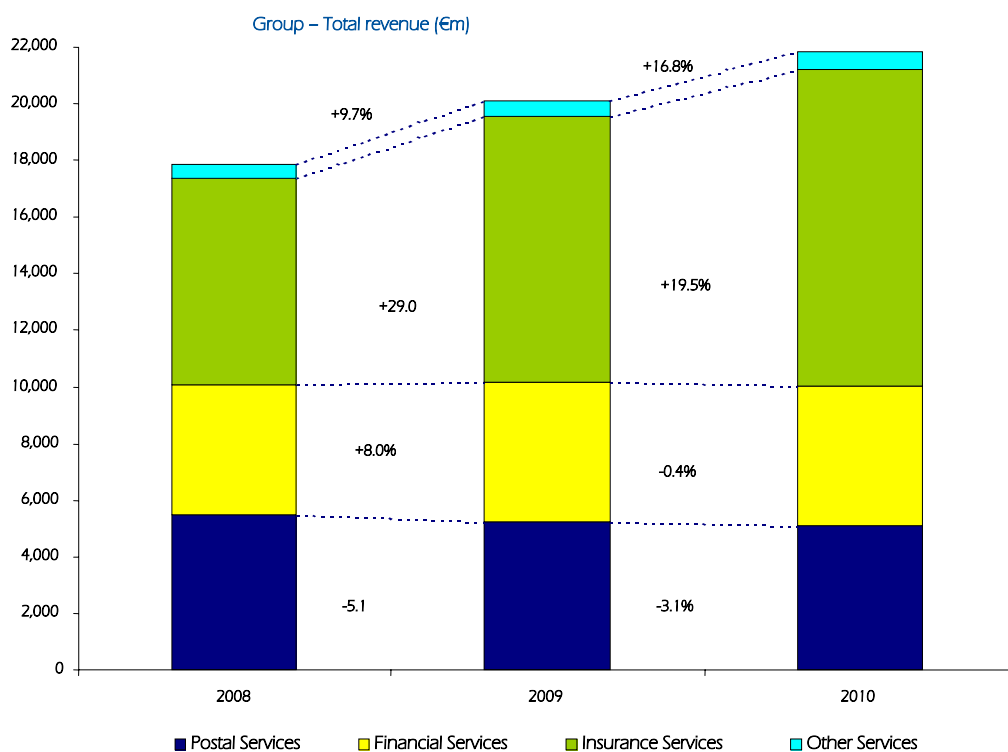
⁽¹⁾ Profit is entirely attributable to owners of the Parent, and no portion is attributable to non-controlling interests.

OPERATING RESULTS OF THE POSTE ITALIANE GROUP

Revenue by operating segment ^(*)

(€m)	Total revenue		Increase/(Decrease)	
	2009	2010	Amount	%
Postal Services	5,227	5,065	(162)	(3.1)
Financial Services	4,964	4,946	(18)	(0.4)
Insurance Services	9,376	11,206	1,830	19.5
Other Services	531	620	89	16.8
Total Poste Italiane Group	20,098	21,837	1,739	8.7

^(*) After consolidation adjustments and elimination of intercompany transactions.



(€m)	Revenues from sales and services			Earned premiums			Other income from financial and insurance activities			Other operating income		
	2009	2010	% inc./ (dec.)	2009	2010	% inc./ (dec.)	2009	2010	% inc./ (dec.)	2009	2010	% inc./ (dec.)
Postal Services	5,210	5,050	(3.1)	-	-	-	-	-	-	17	15	(11.8)
Financial Services	4,796	4,665	(2.7)	-	-	-	168	281	67.3	-	-	n/s
Insurance Services	-	-	-	7,112	9,505	33.6	2,263	1,701	(24.8)	1	-	n/s
Other Services	338	419	24.0	-	-	-	-	-	-	193	201	4.1
Total Poste Italiane Group	10,344	10,134	(2.0)	7,112	9,505	33.6	2,431	1,982	(18.5)	211	216	2.4

n/s: not significant

Postal Services

(€m)	Total revenue		Increase/(Decrease)	
	2009	2010	Amount	%
Poste Italiane SpA	4,709	4,505		
intercompany revenues	16	16		
Poste Italiane SpA - external revenue	4,693	4,489	(204)	(4.3)
SDA Express Courier SpA	423	438		
intercompany revenues	135	141		
SDA Express Courier SpA - external revenue	288	297	9	3.1
Postel Group	349	411		
intercompany revenues	132	164		
Postel Group - external revenue	217	247	30	13.8
Italia Logistica srl	37	44		
intercompany revenues	11	13		
Italia Logistica srl - external revenue	26	31	5	19.2
Mistral Air Srl	29	42		
intercompany revenues	26	41		
Mistral Air Srl - external revenue	3	1	(2)	(66.7)
Poste Italiane Trasporti SpA ⁽¹⁾	31	n/a		
intercompany revenues	31	n/a		
Poste Italiane Trasporti SpA - external revenue	0	n/a	n/s	n/s
Total external revenue	5,227	5,065	(162)	(3.1)

⁽¹⁾ On 20 December 2010 the deed for the merger of Poste Italiane Trasporti SpA with and into SDA Express Courier SpA was executed, with effect for legal purposes from 31 December 2010 and for accounting and tax purposes from 1 January 2010.

n/a: not applicable

n/s: not significant

The Poste Italiane Group's *Total revenue* for 2010, amounting to 21,837 million euros, is up 8.7% on the previous year (total revenue of 20,098 million euros in 2009). This reflects earned premiums which, at Group level, are up from 7,112 million euros in 2009 to 9,505 million euros in 2010 (an increase of 33.6%).

Total revenues from Postal Services are down from 5,227 million euros in 2009 to 5,065 million euros in 2010. This performance continues to reflect the fact that the market has reached maturity, with business customers reducing their demand for mail services, post being replaced by other forms of communication (electronic, for example), competitive pressures arising as a result of progressive deregulation of the postal sector, and the difficulties caused by the overall economic situation. Turnover was also adversely affected by new regulations abolishing subsidised tariffs for publishers from 1 April 2010, resulting in a reduction in the volume of mail sent by this category of customer.

Financial Services contributed 4,946 million euros to total revenue (4,964 million euros in 2009), with other income from financial activities (up 113 million euros) – designed to stabilise the income generated by the investment in securities of postal current account deposits – largely offsetting the downturn in revenues from sales and services (down 131 million euros). This reduction reflects, among other things, reduced fees earned on the placement of equities and bonds, an activity that the Parent Company only restored during the second half of 2010, partly in accordance with a specific company policy designed to reduce counterparty risk and offer customers products providing greater protection and guarantees.

As already noted above, the increase in revenues from Insurance Services, which are up from 9,376 million euros in 2009 to 11,206 million euros in 2010 (up 19.5%), played a key role in driving the Group's revenue growth. In addition to the continued sale of Branch I and V policies, which together account for over 65% of turnover, the rise in earned premiums reported by Poste Vita (up 2.4 billion euros) was also due to the commercial launch of three new Branch III products, which met with a positive response from customers.

Revenues from *Other Services*, generated by ordinary activities unrelated to the three main operating segments, regard, among other things:

- 162 million euros (92 million euros in 2009) in revenues generated by PosteMobile SpA from mobile telecommunications services;
- 54 million euros (59 million euros in 2009) in revenues deriving from the sale of goods through the "Shop in Shop" network;
- 43 million euros (26 million euros in 2009) in revenues from the freight and passenger charter services provided by the airline, Mistral Air SpA;
- 31 million euros (29 million euros in 2009) in revenues generated by the collective asset management activities carried out by BancoPosta Fondi SpA SGR.

COST ANALYSIS

Costs (€m)	2009	2010	% inc./[dec.]
Cost of goods and services	2,550	2,598	1.9
Net change in technical provisions for insurance business and other claims expenses	8,626	10,190	18.1
Other expenses from financial and insurance activities	304	388	27.6
Staff costs	6,222	6,005	(3.5)
Depreciation, amortisation and impairments	555	547	(1.4)
Capitalised costs and expenses	(30)	(39)	30.0
Other operating costs	272	278	2.2
Total costs	18,499	19,967	7.9

An analysis of costs and other charges shows an increase of 7.9% (19,967 million euros in 2010, compared with 18,499 million euros in 2009), essentially due to:

- an increase in technical provisions for the insurance business (up 1,564 million euros on 2009) which, as they are made to cover charges linked to the payment, by Poste Vita, of obligations and claims and to cover changes in mathematical and technical provisions, are closely linked to growth in earned premiums during the year;
- a rise in other expenses from financial and insurance activities (up 84 million euros on 2009), reflecting an increase in impairments following the fair value measurement of financial instruments;
- an increase in the cost of goods and services (up 48 million euros on 2009), essentially due to a rise in variable operating costs linked to the growth of Poste Mobile's business and the resulting increase in the subsidiary's revenues.

A breakdown of staff costs is shown in the following table.

Staff costs (€m)	2009	2010	Increase/(Decrease)	
			Amount	%
Salaries, social security contributions and sundry expenses ⁽¹⁾	5,860	5,806	(54)	(0.9)
Redundancy payments	170	157	(13)	(7.6)
Net provisions for disputes	198	49	(149)	(75.3)
Provisions to the Solidarity Fund	-	59	59	n/s
Provisions for restructuring charges	115	-	(115)	n/s
Total	6,343	6,071	(272)	(4.3)
Income from fixed-term contract agreement	(121)	(66)	55	(45.5)
Total Staff costs	6,222	6,005	(217)	(3.5)

n/s: not significant

⁽¹⁾ This includes salaries and wages; social security contributions; staff termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

The ordinary component of staff costs, relating to salaries, wages and sundry expenses, is down 0.9% (a decrease of 54 million euros compared with 2009). This reflects a reduction in the average workforce during the year (a reduction of approximately 2,300 in the average number of staff employed in 2010, compared with the previous year).

Net provisions for disputes which, as in the past, are mainly linked to the dispute over fixed-term contracts, primarily regard updated estimates of the liabilities to be incurred essentially by the Parent Company. The estimates take account of both the overall amount of claims payable, and application of the so-called "Collegato lavoro" legislation, which has introduced a cap on compensation payable as a result of current and future claims brought by workers on fixed-term contracts who have been re-employed on permanent contracts by court order.

Provisions to the solidarity fund have been established following the union agreement of 27 July 2010 relating to the reorganisation of postal services. The provisions have been made within the scope of the Fondo di Solidarietà (the Solidarity Fund established by Ministerial Decree 178/2005) to provide income support for qualifying employees who decide to take early retirement.

Provisions for restructuring charges, made by the Parent Company in 2009, regard the cost incurred by the Company in the form of redundancy payments to approximately three thousand staff who left the Company by 31 December 2010. These provisions have been used in full.

Finally, staff costs also reflect the reduction in income deriving from agreements between the Parent Company and the labour unions regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item amounted to 121 million euros in 2009, compared with 66 million euros in 2010, marking an overall reduction of 3.5% (down 217 million euros on 2009).

The above performance of revenues and costs has resulted in Operating profit of 1,870 million euros (1,599 million euros in 2009), as shown in the following table.

Operating profit: operating segments ^(*)

(€m)	2009	2010	Increase/(Decrease)	
			Amount	%
Postal Services	(208)	(153)	55	(26.4)
Financial Services	1,422	1,390	(32)	(2.3)
Insurance Services	272	436	164	60.3
Other Services	107	197	90	84.1
Eliminations ^(**)	6	-	(6)	n/s
Total Poste Italiane Group	1,599	1,870	271	16.9

n/s: not significant

^(*) Determined on the basis of the accounting unbundling regime required by art. 7.c.1 of Legislative Decree 26/1/99, after consolidation adjustments and elimination of intercompany transactions.

^(**) Elimination of cost incurred by the Parent Company for interest paid to consolidated subsidiaries (recognised by the latter in finance income).

After net finance income of 18 million euros, profit before tax amounts to 1,888 million euros (1,590 million euros in 2009).

Income tax expense is up from 686 million euros for 2009 to 870 million euros for 2010, reflecting an effective tax rate of 46.1% (in 2009 the effective tax rate was 43.1%). The figure for 2009 benefitted from the positive impact generated by the exercise of certain options relating to taxation, which reduced income tax expense by 51 million euros. In addition, the figure for 2009 also reflects the IRES credit of 10.7 million euros deriving from the decision to claim a rebate for excess IRES paid by consolidated companies in 2007, corresponding to 10% of IRAP paid in that year, as permitted by art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009.

Finally, income tax expense for 2010 also reflects the impact of taxation of the "change in the technical reserves for life policies", introduced by the amendment to the draft legislation converting the budget measures of July 2010, which added 20 million euros to the tax charge payable by the subsidiary, Poste Vita, for the year.

Profit for the year is 1,018 million euros, up 12.6% on the 904 million euros of 2009.

OPERATING RESULTS OF POSTE ITALIANE SPA

Revenues from sales and services (€m)	2009	2010	Increase/(Decrease)	
			Amount	%
Mail and Philately	3,852	3,855	3	0.1
Express Delivery and Parcels	175	161	(14)	(8.0)
Total market revenues from Postal Services ^(*)	4,027	4,016	(11)	(0.3)
BancoPosta services	5,039	4,962	(77)	(1.5)
Other revenues	93	105	12	12.9
Market revenues	9,159	9,083	(76)	(0.8)
Universal Service Obligation (USO) subsidies ^(*)	372	364	(8)	(2.2)
Tariff subsidies ^(**)	310	125	(185)	(59.7)
Total Poste Italiane SpA	9,841	9,572	(269)	(2.7)
^(*) Market revenues from Postal Services	4,027	4,016		
USO	372	364		
Tariff subsidies ^(**)	310	125		
Total Postal Services	4,709	4,505	(204)	(4.3)

^(**) Subsidies for services provided at discounted rates under the relevant legislation.

Poste Italiane SpA's *Revenues from sales and services* amount to 9,572 million euros, down 2.7% on the previous year (9,841 million euros in 2009).

Market revenues are down 0.8% from 9,159 million euros in 2009 to 9,083 million euros in 2010, with Post Service revenues substantially in line (down 11 million euros compared with 2009) and a bigger decline in BancoPosta's service revenues (down 77 million euros on 2009).

Within the Postal Services segment, the resilience of Mail and Philately revenues (up 3 million euros on 2009), primarily attributable to the good performance of Integrated Services and Direct Marketing that offset the ongoing decline in Unrecorded Mail, contrasts with the reduction of 14 million euros in revenues from Express Delivery and Parcels compared with 2009, reflecting the progressive deterioration in volumes for both the international and domestic markets, and a downturn in publishers' mailings.

BancoPosta's market revenues are down 1.5% from 5,039 million euros in 2009 to 4,962 million euros in 2010, as growth in income from current accounts (up 43 million euros) was unable to offset the reduction in income from postal savings and investment (down 113 million euros). As noted in the above analysis of the Group's operating results, the asset and fund management component was also affected by the reduced fees earned on the placement of equities and bonds, an activity that the Parent Company only restored during the second half of 2010, partly in accordance with a specific company policy designed to reduce counterparty risk and offer customers products providing greater protection and guarantees. Postal savings products (the sale of Interest-bearing Postal Certificates and Postal Savings Book deposits managed on behalf of Cassa Depositi e Prestiti) recorded a net inflow of 2.6 billion euros in 2010 (5.5 billion euros in 2009).

Universal Service Obligation (USO) subsidies of 364 million euros are, whilst awaiting renewal of the *Contratto di Programma* (Planning Agreement) for the three-year period 2009-2011, estimated on the basis of the best available information from previous *Contratti di Programma* (Planning Agreements) and Interministerial Committee for Economic Planning (CIPE) "Guidelines for Regulation of the Postal Sector".

The tariff subsidies due to the Company as a result of legislation granting access to reduced-rate tariffs for certain sectors (publishers, non-profit organisations, election campaign material) are down from the 310 million euros of 2009

to 125 million euros in 2010. The reduction is due to a decrease in publisher tariff subsidies, which are down from 242 million euros in 2009 to 58 million euros in 2010. As described in greater detail below, during 2010 the publishing sector was affected by a number of major new regulations abolishing subsidised tariffs for publishers from 1 April 2010. The subsidies were then reinstated for charities and non-profit organisations by Law 70 of 22 May 2010, although final determination of the subsidies was, however, put off until the issue of a specific interministerial Decree. The subsidies paid for election candidates are in line with the previous year (67 million euros in 2009 and in 2010).

Total revenue of 10,022 million euros (10,203 million euros in 2009) also includes 281 million euros in other income from financial activities (168 million euros in 2009) and 169 million euros (194 million euros in 2009) in other operating income, including 65 million euros from the sale of properties (57 million euros in 2009).

COST ANALYSIS

Costs (€m)	2009	2010	% inc./{dec.}
Cost of goods and services	2,045	1,983	(3.0)
Other expenses from financial activities	1	5	n/s
Staff costs	6,052	5,821	(3.8)
Depreciation, amortisation and impairments	504	494	(2.0)
Capitalised costs and expenses	(10)	(9)	(10.0)
Other operating costs	212	276	30.2
Total costs	8,804	8,570	(2.7)

n/s: not significant

An analysis of costs and other charges shows a reduction of 234 million euros from 8,804 million euros in 2009 to 8,570 million euros in 2010. This reflects a reduction in the cost of goods and services (down 62 million euros on 2009), as a result of close monitoring and effective costs controls in line with the Company's long-standing commitment to containing such costs, and a decrease in Staff costs (down 231 million euros on 2009). The cost of goods and services also includes interest paid to current account holders, which is down 41 million euros following the decision to lower the rate of interest paid from 0.25% to 0.15% from 10 May 2010.

Other operating costs of 276 million euros (212 million euros in 2009) include provisions for disputes with third parties, which are made to cover expected liabilities linked to disputes of various nature with suppliers and others.

Staff costs break down as follows.

Staff costs (€m)	2009	2010	Increase/(Decrease)	
			Amount	%
Salaries, social security contributions and sundry expenses (*)	5,691	5,624	(67)	(1.2)
Redundancy payments	170	157	(13)	(7.6)
Net provisions for disputes	197	47	(150)	(76.1)
Provisions to the Solidarity Fund	-	59	59	n/s
Provisions for restructuring charges	115	-	(115)	n/s
Total	6,173	5,887	(286)	(4.6)
Income from fixed-term contract agreement	(121)	(66)	55	(45.5)
Total Staff costs	6,052	5,821	(231)	(3.8)

n/s: not significant

(*) This includes salaries and wages; social security contributions; staff termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

The ordinary component of staff costs, relating to salaries, wages and sundry expenses, is down 1.2%, primarily, as part of a prudent staff management policy, due to both a reduction in the average permanent workforce during the year (a decrease of 2 thousand full time equivalents or FTEs compared with 2009) and to reduced use of fixed-term staff. In this regard, the Company recruited 10,979 people on fixed-term contracts (12,808 in 2009) in 2010, equal to 10,176 FTEs (12,270 FTEs in 2009), of which 10,898 correspond to 10,095 FTEs pursuant to art. 2, paragraph 1-bis of Legislative Decree 368/2001¹. The permanent workforce at 1 January 2010² amounted to 147,753 (150,631 at 1 January 2009), equal to 144,902 FTEs (147,922 FTEs in 2009).

As previously described in the analysis of the Group's staff costs, net provisions for disputes take account of both the overall amount of claims payable, and application of the so-called "Collegato lavoro" legislation, which has introduced a cap on compensation payable as a result of current and future claims brought by workers on fixed-term contracts who have been re-employed on permanent contracts by court order.

Finally, staff costs also reflect the reduction in income deriving from agreements between the Company and the labour unions regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item amounted to 121 million euros in 2009, compared with 66 million euros in 2010, marking an overall reduction of 3.8% (down 231 million euros on 2009).

After net finance income, Profit before tax from ordinary activities amounts to 1,438 million euros (1,369 million euros in 2009).

Income tax expense is up from 633 million euros for 2009 to 709 million euros for 2010, reflecting an effective tax rate of 49.3% (in 2009 the effective tax rate was 46.2%). The figure for 2009 benefitted from the positive impact generated by the exercise of certain options relating to taxation, which reduced income tax expense by 42 million euros. In addition, the figure for 2009 also reflects the IRES credit of 10 million euros deriving from the decision to claim a rebate for excess IRES paid by consolidated companies in 2007, corresponding to 10% of IRAP paid in that year, as permitted by art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009.

¹ Art. 2, paragraph 1-bis of Legislative Decree 368/01 requires, among other things, that fixed-term contracts must not represent more than 15% of a company's workforce at 1 January of the year in which the staff are recruited. In 2009 all fixed-term contracts were entered into in accordance with art. 2.

² The workforce at 1 January of each year is identical to the workforce at 31 December of the previous year.

1.2 FINANCIAL POSITION AND CASH FLOW

FINANCIAL POSITION AND CASH FLOW OF THE POSTE ITALIANE GROUP

The Poste Italiane Group's **Net invested capital** amounts to 3,397 million euros (3,237 million euros at 31 December 2009), financed entirely by equity.

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Non-current assets	3,807	3,654	(153)
Working capital	876	1,066	190
Staff termination benefits	(1,446)	(1,323)	123
Net invested capital	3,237	3,397	160

Non-current assets break down as follows at 31 December 2009 and 2010.

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Property, plant and equipment	3,124	2,957	(167)
Investment property	154	163	9
Intangible assets	514	521	7
Investments accounted for using the equity method	14	7	(7)
Non-current assets held for sale	1	6	5
Non-current assets	3,807	3,654	(153)

Compared with the situation at the end of 2009, Non-current assets report a net decrease of 153.6 million euros as a result of reductions of 589.2 million euros and additions totalling 435.6 million euros.

Reductions regard:

- sales of *Investment property*, totalling 11.8 million euros, of *Property, plant and equipment*, amounting to 3 million euros, and of *Intangible assets*, totalling 0.4 million euros;
- sales of industrial properties owned by the Parent Company and accounted for in *Non-current assets held for sale*, amounting to 3.7 million euros;
- depreciation, amortisation and impairments, totalling 560.6 million euros, of which 377.7 million euros regards *Property, plant and equipment*, 176.3 million euros *Intangible assets* and 6.6 million euros depreciation and impairments of *Investment property*, after reversals of impairments. Impairments of 16.6 million euros include 13.4 million euros relating to the impairment of goodwill arising from consolidation of SDA Express Courier SpA, via the use of provisions made in 2009 to take account of any future deterioration in the indicators used as the basis for drawing up the long-term business plans for the Group companies that provide postal services;
- a change in the basis of consolidation, amounting to 9.2 million euros;
- adjustments and reclassifications of 0.5 million euros.

Additions regard:

- investments in *Property, plant and equipment*, amounting to 247 million euros, primarily by the Parent Company and largely attributable to the purchase of hardware to renew the technology used in the Group's offices and to the modernisation and upgrade of the post office network and other industrial sites;
- investments in *Intangible assets*, amounting to 185.7 million euros, primarily by the Parent Company and

regarding the purchase, and entry into service, of both new software applications for the maintenance and development of the technology infrastructure used to support the provision of financial services, and new software applications for innovative Mail, *WEB Oriented* and BancoPosta services;

- acquisitions of *Investments*, totalling 1.7 million euros, including: 1 million euros for SDA Express Courier SpA's establishment of Kipoint SpA (with initial share capital of 0.5 million euros and subsequent capital contributions amounting to a further 0.5 million euros); 0.6 million euros deriving from the Parent Company's subscription of 32.45% of the share capital of Telma Sapienza Scarl; 0.1 million euros relating to SDA Express Courier SpA's subscription of 28.57% of the share capital of Uptime SpA;
- purchases of *Investment property*, amounting to 1.2 million euros.

Working capital of 1,066 million euros breaks down as follows at 31 December 2010:

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Inventories	53	44	(9)
Trade receivables and other current assets	4,684	4,518	(166)
Trade payables and other current liabilities	(3,578)	(3,462)	116
Current and deferred tax assets and liabilities	198	474	276
Provisions for liabilities and charges	(1,234)	(1,264)	(30)
Other non-current assets and liabilities	753	756	3
Working capital	876	1,066	190

The increase in Working capital (up190 million euros compared with the end of 2009) is primarily due to the following changes:

- a net reduction in *Trade receivables and other current assets* of 166 million euros, due to both the collection of accumulated amounts due to the Parent Company from the Publishing department of the Cabinet Office, and to a reduction in revenues, and therefore receivables, in the form of fees and commissions due from Cassa Depositi e Prestiti SpA for the collection of postal savings deposits;
- an increase in net *Current and deferred tax assets* of 276 million euros, reflecting fair value losses on investments in securities, and the absorption of deferred tax liabilities on components of Equity, after reclassification to the income statement of the positive balance of the fair value reserve deriving from the sale of available-for-sale securities by the Parent Company.

At 31 December 2010 **Equity** amounts to 4,383 million euros (4,575 million euros at 31 December 2009) and breaks down as follows:

- Share capital 1,306.1 million euros
- Reserves (58.4) million euros
- Retained earnings 3,135.4 million euros.

Compared with 31 December 2009 Equity is down 191.8 million euros as a result of the following changes.

Additions:

- profit for the year of 1,017.9 million euros;
- changes in the cash flow hedge reserves, amounting to 81.7 million euros net of tax;
- the balance of actuarial gains and losses on provisions for staff termination benefits, totalling 50.9 million euros net of tax.

Reductions:

- changes in the fair value reserves, amounting to 842.3 million euros net of tax;
- the payment of dividends to shareholders, totalling 500 million euros.

Net funds at 31 December 2010 are summarised below:

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Financial liabilities	5,882	5,331	(551)
- Financial assets at fair value	1,691	721	(970)
- Bonds	771	770	(1)
- Amount payable to Cassa Depositi e Prestiti	679	513	(166)
- Bank borrowings	261	950	689
- Other borrowings	110	61	(49)
- Other (*)	2,370	2,316	(54)
Technical provisions for insurance business	35,927	41,739	5,812
Liabilities attributable to BancoPosta	37,718	37,811	93
Financial assets	(39,313)	(45,112)	(5,799)
- Loans and receivables	(864)	(750)	114
- Available-for-sale financial assets	(27,776)	(33,035)	(5,259)
- Financial instruments at fair value through profit or loss	(10,638)	(11,198)	(560)
- Other derivative financial instruments	(35)	(129)	(94)
Assets attributable to BancoPosta	(39,512)	(39,654)	(142)
Technical provisions for claims attributable to reinsurers	(1.0)	(8.0)	(7.0)
Net liabilities/(assets)	701	107	(594)
Deposits and cash in hand	(2,039)	(1,093)	946
Net debt/(funds)	(1,338)	(986)	352

(*) Includes derivative instruments, financial liabilities payable to subsidiaries and other financial liabilities.

Net funds at 31 December 2010 amount to 986 million euros (at the end of 2009 the balance was 1,338 million euros). The change is due to the above change in the fair value reserves (down 842 million euros) and, therefore, to the mere accounting mismatch between assets (government securities) measured at fair value and liabilities (postal current account deposits) measured at cost.

(€m)	31 Dec 2009	31 Dec 2010
Deposits and cash in hand at beginning of year	2,346	2,039
Cash flow from/(for) operating activities	859	1,179
Cash flow from/(for) investing activities	(657)	(2,211)
Cash flow from/(for) financing activities	(359)	586
Cash flow from/(for) shareholder transactions	(150)	(500)
Net change in cash and cash equivalents	(307)	(946)
Deposits and cash in hand at end of year	2,039	1,093

Liquidity at 31 December 2010 amounts to 1,093 million euros (2,039 million euros at the end of 2009).

FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SpA

Poste Italiane SpA's **Net invested capital** amounts to 3,688 million euros (3,605 million euros at 31 December 2009), which is 98% financed by Equity and 2% by net debt.

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Non-current assets	4,464	4,276	(188)
Working capital	560	710	150
Staff termination benefits	(1,419)	(1,298)	121
Net invested capital	3,605	3,688	83

Non-current assets break down as follows at 31 December 2009 and 2010:

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Property, plant and equipment	2,966	2,806	(160)
Investment property	77	92	15
Intangible assets	345	358	13
Investments	1,075	1,017	(58)
Non-current assets held for sale	1	3	2
Non-current assets	4,464	4,276	(188)

Compared with the situation at the end of 2009, Non-current assets report a net reduction of 187.5 million euros, following additions of 386.5 million euros and reductions of 574 million euros.

Additions regard:

- investments in *Property, plant and equipment*, amounting to 224 million euros, *Intangible assets*, totalling 155.8 million euros, and *Investment property*, amounting to 0.5 million euros, with 56% regarding information technology and telecommunications networks, 16% postal logistics and 28% the modernisation and upgrade of properties;
- acquisition of *Investments*, totalling 6.2 million euros, including: 3.5 million euros in capital contributions to Mistral Air Srl to cover the loss reported at 30 September 2009 and to establish an extraordinary reserve; 1.7 million euros relating to subscription of the capital increase carried out by SDA Express Courier SpA via Poste Italiane SpA's contribution of 100% of its stake in Poste Italiane Trasporti SpA; 1 million euros deriving from subscription of 32.45% of the share capital of Telma Sapienza Scrl and payment of the related admission fee.

Reductions regard:

- sales of *Investment property*, totalling 10.9 million euros, and of *Property, plant and equipment*, amounting to 1.7 million euros (primarily relating to the disposal of operating properties and the retirement of obsolete plant);
- sales of *Non-current assets held for sale*, totalling 3.7 million euros;
- reductions in *Investments*, totalling 1.7 million euros and including: the above contribution of the stake in Poste Italiane Trasporti SpA to SDA Express Courier SpA; 0.04 million euros regarding the transfer of the Company's entire interest in Poste Voice SpA to Poste Link Scrl. In addition, the merger of the Poste Contact consortium with and into the subsidiary, Poste Link Scrl, on 24 February 2010 generated an increase of 0.08 million euros and a matching reduction of 0.08 million euros;
- depreciation, amortisation and impairments of 556 million euros, which includes 347.9 million euros relating to depreciation of *Property, plant and equipment*, 142.4 million euros to amortisation of *Intangible assets* and 3.6

million euros regarding the depreciation of *Investment property*, inclusive of revaluations; 61.4 million euros refers to the reduction in the value of the investment in SDA Express Courier SpA based on impairment tests and available future projections.

Working capital breaks down as follows at 31 December 2009 and 2010:

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Trade receivables and other current assets	4,412	4,124	(288)
Trade payables and other current liabilities	(3,268)	(3,129)	139
Current and deferred tax assets and liabilities	176	536	360
Provisions for liabilities and charges	(1,181)	(1,199)	(18)
Other non-current assets and liabilities	421	378	(43)
Working capital	560	710	150

Working capital amounts to 710 million euros, representing an increase of 150 million euros compared with the end of 2009. The rise is essentially due to the following:

- a net reduction in *Trade receivables and other current assets*, primarily due to:
 - a) the collection of amounts due to the Company from the Publishing department of the Cabinet Office for subsidies covering preferential tariffs for publishers for 2008 and previous years;
 - b) a reduction in revenues in the form of fees and commissions due from Cassa Depositi e Prestiti SpA for the collection of postal savings deposits, in view of the extraordinary inflows reported in 2009;
- an increase in net *Current and deferred tax assets* of 360 million euros, reflecting fair value losses on investments in securities, and the absorption of deferred tax liabilities on components of Equity, after reclassification to the income statement of the positive balance of the fair value reserve deriving from the sale of available-for-sale securities.

At 31 December 2010 **Equity** amounts to 3,613.2 million euros and breaks down as follows:

- Share capital 1,306.1 million euros
- Reserves (44.4) million euros
- Retained earnings 2,351.5 million euros.

Compared with 31 December 2009, Equity is down 463.7 million euros as a result of the following changes.

Additions:

- profit for the year of 729 million euros;
- changes in the cash flow hedge reserves, amounting to 81.4 million euros net of tax;
- the balance of actuarial gains and losses on provisions for staff termination benefits, totalling 49.9 million euros net of tax.

Reductions:

- changes in the fair value reserves, amounting to 824 million euros net of tax;
- the payment of dividends to shareholders, totalling 500 million euros.

(€m)	31 Dec 2009	31 Dec 2010	Increase/ (Decrease)
Financial liabilities	4,437	4,782	345
- Bonds	771	770	(1)
- Amount payable to Cassa Depositi e Prestiti	679	513	(166)
- Bank borrowings	251	938	687
- Other borrowings	76	39	(37)
- Other (*)	2,660	2,522	(138)
Liabilities attributable to BancoPosta	37,810	38,077	267
Financial assets	(1,608)	(2,219)	(611)
- Loans and receivables	(1,347)	(1,598)	(251)
- Available-for-sale financial assets	(261)	(598)	(337)
- Derivative financial instruments	-	(23)	(23)
Assets attributable to BancoPosta	(39,512)	(39,657)	(145)
Net liabilities/(assets)	1,127	983	(144)
Deposits and cash in hand	(1,599)	(908)	691
Net debt/(funds)	(472)	75	547

(*) Includes derivative instruments, financial liabilities payable to subsidiaries and other financial liabilities.

Net debt amounts to 75 million euros at 31 December 2010 (net funds of 472 million euros at the end of 2009). The difference is due to the above change in the fair value reserves (down 824 million euros) and, therefore, to the mere accounting mismatch between assets (government securities) measured at fair value and liabilities (postal current account deposits) measured at cost.

(€m)	31 Dec 2009	31 Dec 2010
Deposits and cash in hand at beginning of year	973	1,599
Cash flow from/(for) operating activities	1,547	1,865
Cash flow from/(for) investing activities (*)	(595)	(2,555)
Cash flow from/(for) financing activities	(176)	499
Cash flow from/(for) shareholder transactions	(150)	(500)
Net change in cash and cash equivalents	626	(691)
Deposits and cash in hand at end of year	1,599	908

(*) This item includes BancoPosta's portfolio of held-to-maturity investments.

Liquidity at 31 December 2010 amounts to 908 million euros (1,599 million euros at 31 December 2009).

2. FINANCIAL STATEMENTS

Consolidated statement of financial position

	(€000)			
ASSETS	31 December 2010	<i>of which related party transactions</i>	31 December 2009	<i>of which related party transactions</i>
Non-current assets				
Property, plant and equipment	2,956,784	-	3,123,942	-
Investment property	162,945	-	153,676	-
Intangible assets	521,358	-	513,550	-
Investments accounted for using the equity method	6,671	6,671	14,659	14,659
Financial assets	40,499,401	324,834	34,016,430	536,693
Deferred tax assets	760,014	-	644,844	-
Other non-current assets	838,076	1,466	838,744	1,466
Total	45,745,249		39,305,845	
Assets attributable to BancoPosta	39,653,994	6,173,454	39,512,159	6,804,803
Current assets				
Inventories	44,190	-	52,595	-
Trade receivables	3,915,400	2,139,963	4,177,952	2,214,918
Current tax assets	52,408	-	50,358	-
Other current receivables and assets	603,234	33	506,338	52
Financial assets	4,612,096	416,822	5,296,526	335,169
Cash and cash equivalents	1,093,145	-	2,038,783	-
Total	10,320,473		12,122,552	
Non-current assets held for sale	5,582	-	1,285	-
TOTAL ASSETS	95,725,298		90,941,841	
LIABILITIES AND EQUITY	31 December 2010	<i>of which related party transactions</i>	31 December 2009	<i>of which related party transactions</i>
Equity				
Share capital	1,306,110	-	1,306,110	-
Reserves	(58,421)	-	663,618	-
Retained earnings	3,135,376	-	2,605,182	-
Total Equity attributable to owners of the Parent	4,383,065		4,574,910	
Non-controlling interests	13	-	13	-
Total	4,383,078		4,574,923	
Non-current liabilities				
Technical provisions for insurance business	41,738,868	-	35,927,121	-
Provisions for liabilities and charges	422,235	30,276	335,201	33,011
Staff termination benefits	1,323,481	-	1,445,954	-
Financial liabilities	2,390,440	371,122	3,536,032	512,668
Deferred tax liabilities	293,795	-	417,328	-
Other liabilities	73,903	6	84,701	6
Total	46,242,722		41,746,337	
Liabilities attributable to BancoPosta	37,810,862	74,405	37,718,321	80,457
Current liabilities				
Provisions for liabilities and charges	841,554	10,321	898,984	13,963
Trade payables	1,688,813	239,871	1,789,900	288,949
Current tax liabilities	43,888	-	79,570	-
Other liabilities	1,773,255	90,608	1,787,837	87,630
Financial liabilities	2,941,126	149,552	2,345,969	168,200
Total	7,288,636		6,902,260	
TOTAL LIABILITIES AND EQUITY	95,725,298		90,941,841	

Consolidated income statement

	(€000)			
	2010	<i>of which related party transactions</i>	2009	<i>of which related party transactions</i>
Revenues from sales and services	10,133,509	<i>2,666,138</i>	10,343,768	<i>2,690,980</i>
Earned premiums	9,504,804	-	7,112,404	-
Other income from financial and insurance activities	1,982,500	-	2,431,018	-
Other operating income	216,130	<i>4,389</i>	210,641	<i>12,202</i>
Total revenue	21,836,943		20,097,831	
Cost of goods and services	2,597,716	<i>152,288</i>	2,550,186	<i>162,233</i>
Net change in technical provisions for insurance business and other claims expenses	10,190,477	-	8,626,318	-
Other expenses from financial and insurance activities	388,332	-	303,400	-
Staff costs	6,004,505	<i>29,511</i>	6,222,356	<i>29,022</i>
<i>of which non-recurring costs/(income)</i>	<i>(66,320)</i>	-	<i>(121,007)</i>	-
Depreciation, amortisation and impairments	547,232	-	555,115	-
Capitalised costs and expenses	(38,447)	-	(30,338)	-
Other operating costs	277,609	<i>13,850</i>	271,300	<i>31,251</i>
Operating profit/(loss)	1,869,519		1,599,494	
Finance costs	160,671	<i>26,964</i>	188,497	<i>33,474</i>
Finance income	179,094	<i>46,306</i>	177,354	<i>88,248</i>
Profit/(loss) on investments accounted for using the equity method	(490)	-	1,212	-
Profit/(Loss) before tax	1,887,452		1,589,563	
Income tax expense	869,531	-	685,573	-
<i>of which non-recurring expense/(benefit)</i>	-	-	<i>(62,145)</i>	-
PROFIT FOR THE YEAR	1,017,921		903,990	
attributable to owners of the Parent	1,017,921		903,990	
attributable to non-controlling interests	-		-	
Earnings per share	0.779		0.692	
Diluted earnings per share	0.779		0.692	

Consolidated statement of comprehensive income

	(€000)	
	2010	2009
Profit/(Loss) for the year	1,017,921	903,990
Available-for-sale financial assets		
Increase/(Decrease) in fair value during the period	(896,610)	566,332
Transfers to profit or loss	(339,167)	(32,651)
Cash flow hedges		
Increase/(Decrease) in fair value during the period	86,659	3,701
Transfers to profit or loss	33,252	(6,409)
Actuarial gains/(losses) on provisions for staff termination benefits	70,003	50,766
Taxation of items recognised directly in, or transferred from, Equity	336,097	(182,468)
Total other components of comprehensive income	(709,766)	399,271
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	308,155	1,303,261
attributable to owners of the Parent	308,155	1,303,261
attributable to non-controlling interests	-	-

Consolidated statement of changes in consolidated equity

(€000)

	Equity							Total Equity
	Share capital	Reserves			Retained earnings/ (Accumulated losses)	Total Equity attributable to owners of the Parent	Non-controlling interests	
		Legal reserve	Fair value reserve	Cash flow hedge reserve				
Balance at 1 January 2009	1,306,110	112,311	270,619	(117,685)	1,850,294	3,421,649	13	3,421,662
Total comprehensive income for the year	-	-	363,969	(1,636)	940,928	1,303,261	-	1,303,261
Appropriation of Profit to Reserves	-	36,040	-	-	(36,040)	-	-	-
Dividends paid	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance at 31 December 2009	1,306,110	148,351	634,588	(119,321)	2,605,182	4,574,910	13	4,574,923
Total comprehensive income for the year	-	-	(842,383)	81,704	1,068,834 *	308,155	-	308,155
Appropriation of Profit to Reserves	-	38,640	-	-	(38,640)	-	-	-
Dividends paid	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Balance at 31 December 2010	1,306,110	186,991	(207,795)	(37,617)	3,135,376	4,383,065	13	4,383,078

Consolidated statement of cash flows

	2010	2009
	(€000)	
Deposits and cash in hand at beginning of year	2,038,783	2,346,134
Profit/(loss) for the year	1,887,452	1,589,563
Depreciation, amortisation and impairments	547,232	555,115
Impairment of goodwill/goodwill arising from consolidation	13,390	-
Net provisions for liabilities and charges	443,791	461,196
Use of provisions for liabilities and charges	(415,295)	(391,220)
Provisions for staff termination benefits	502	399
Staff termination benefits paid	(111,746)	(82,644)
Changes in technical provisions for insurance business	6,960,498	6,966,613
(Gains)/losses on disposals	(100,976)	(60,326)
(Gains)/losses on financial assets/liabilities measured at fair value	(139,946)	(960,856)
(Income)/Expenses from financial and insurance activities	(739,713)	(428,891)
(Dividends)	(376)	(154)
Dividends received	358	131
(Finance income realised)	(40,020)	(502)
(Finance income in form of interest)	(132,726)	(171,906)
Interest received	84,694	149,930
Interest expense and other finance costs	154,652	185,312
Interest paid	(77,682)	(114,559)
Losses and impairments/(Recoveries) on receivables	10,459	31,692
Income tax paid	(782,891)	(716,994)
Other changes	(4,179)	(36,071)
Cash generated by operating activities before changes in working capital	[a] 7,557,478	6,975,828
<i>Changes in working capital:</i>		
(Increase)/Decrease in Inventories	8,405	884
(Increase)/Decrease in Trade receivables	268,003	(629,914)
(Increase)/Decrease in Other receivables and assets	(125,010)	(168,805)
Increase/(Decrease) in Trade payables	(101,087)	(65,613)
Increase/(Decrease) in Other liabilities	(17,266)	162,119
Cash generated by/(used in) changes in working capital	[b] 33,045	(701,329)
Increase/(Decrease) in liabilities attributable to Bancoposta	95,122	576,492
Payment of liabilities linked to financial contracts issued by insurance segment	(1,005,189)	(1,291,815)
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance segment	(480,268)	2,276,353
Net cash generated by/(used for) financial assets held for trading attributable to BancoPosta	112,716	1,041,786
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance segment	(5,602,437)	(7,578,508)
Net cash generated by/(used for) available-for-sale financial assets attributable to BancoPosta	(281,413)	(1,504,262)
(Increase)/Decrease in other assets attributable to Bancoposta	750,209	1,064,366
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta and insurance segment	[c] (6,411,260)	(5,415,588)
Net cash flow from/(for) operating activities	[d]=[a+b+c] 1,179,263	858,911
- of which related party transactions	635,471	(2,258,960)
<i>Investing activities:</i>		
Property, plant and equipment	(247,056)	(288,896)
Investment property	(1,180)	(607)
Intangible assets	(185,745)	(218,180)
Investments	(1,700)	(5,999)
Other financial assets	(550,916)	(204,454)
Cash used for investments in held-to-maturity investments attributable to BancoPosta (*)	(2,814,133)	(3,281,112)
<i>Disposals:</i>		
Property, plant and equipment, investment property and assets held for sale	120,119	85,623
Investments	-	-
Other financial assets	156,397	516,280
Cash generated by investments in held-to-maturity investments attributable to BancoPosta (*)	1,304,091	2,740,493
Change in basis of consolidation	9,131	-
Net cash flow from/(for) investing activities (*)	[e] (2,210,992)	(656,852)
- of which related party transactions	(29,837)	(53,036)
Proceeds from/(Repayments of) long-term borrowings	(175,718)	(216,439)
(Increase)/Decrease in loans and receivables	152,308	145,484
Increase/(Decrease) in short-term borrowings	609,501	(288,455)
Dividends paid	(500,000)	(150,000)
Net cash flow from/(for) financing activities and shareholder transactions	[f] 86,091	(509,410)
- of which related party transactions	(507,886)	(650,279)
Net increase/(decrease) in cash and cash equivalents	[g]=[d+e+f] (945,638)	(307,351)
Deposits and cash in hand at end of year	1,093,145	2,038,783

(*) This item includes BancoPosta's portfolio of held-to-maturity investments.

Poste Italiane SpA's statement of financial position

ASSETS	31 December 2010	<i>of which related party transactions</i>	31 December 2009	<i>of which related party transactions</i>
(€)				
Non-current assets				
Property, plant and equipment	2,805,563,230	-	2,965,692,335	-
Investment property	92,023,096	-	77,017,157	-
Intangible assets	358,346,118	-	344,913,756	-
Investments	1,017,399,927	1,017,399,927	1,074,632,600	1,074,632,600
Financial assets	1,501,810,890	980,063,391	1,013,265,835	847,533,069
Deferred tax assets	660,248,178	-	550,163,995	-
Other assets	447,922,075	1,465,574	494,165,864	1,465,574
Total	6,883,313,514		6,519,851,542	
Assets attributable to BancoPosta	39,656,830,000	6,173,454,799	39,512,159,351	6,804,803,566
Current assets				
Trade receivables	3,670,299,839	2,346,923,019	3,965,438,745	2,440,741,256
Current tax assets	38,456,667	-	37,701,684	-
Other current receivables and assets	453,286,099	77,669	446,204,856	1,088,964
Financial assets	717,838,969	613,642,081	595,289,454	532,290,150
Cash and cash equivalents	907,979,930	-	1,598,563,915	-
Total	5,787,861,504		6,643,198,654	
Non-current assets held for sale	2,963,967	-	1,285,006	-
TOTAL ASSETS	52,330,968,985		52,676,494,553	
LIABILITIES AND EQUITY				
	31 December 2010	<i>of which related party transactions</i>	31 December 2009	<i>of which related party transactions</i>
Equity				
Share capital	1,306,110,000	-	1,306,110,000	-
Reserves	(44,430,537)	-	659,587,199	-
Retained earnings	2,351,545,997	-	2,111,223,261	-
Total	3,613,225,460		4,076,920,460	
Non-current liabilities				
Provisions for liabilities and charges	365,965,967	30,275,996	286,437,335	33,010,996
Staff termination benefits	1,297,780,519	-	1,419,160,550	-
Financial liabilities	1,655,077,019	371,122,638	1,823,509,546	512,667,533
Deferred tax liabilities	139,270,751	-	345,634,313	-
Other liabilities	70,152,243	-	72,919,430	-
Total	3,528,246,499		3,947,661,174	
Liabilities attributable to BancoPosta	38,077,163,518	340,706,571	37,810,095,612	172,232,170
Current liabilities				
Provisions for liabilities and charges	832,608,654	10,321,165	894,482,141	13,963,084
Trade payables	1,593,339,587	518,854,509	1,652,096,792	493,554,062
Current tax liabilities	23,254,937	-	65,694,979	-
Other liabilities	1,536,084,280	105,152,001	1,615,575,988	98,276,750
Financial liabilities	3,127,046,050	373,062,797	2,613,967,407	492,268,365
Total	7,112,333,508		6,841,817,307	
TOTAL LIABILITIES AND EQUITY	52,330,968,985		52,676,494,553	

Poste Italiane SpA's income statement

	2010	<i>of which related party transactions</i>	2009	<i>of which related party transactions</i>
Revenues from sales and services	9,571,584,813	2,967,539,321	9,841,166,028	2,924,996,138
Other income from financial activities	281,082,134	-	167,973,157	-
Other operating income	169,298,042	16,130,464	194,195,191	22,529,920
Total revenue	10,021,964,989		10,203,334,376	
Cost of goods and services	1,982,576,519	722,367,831	2,045,092,280	713,752,592
Other expenses from financial activities	5,488,779	-	1,310,700	-
Staff costs	5,820,609,638	31,499,060	6,051,933,698	31,400,980
<i>of which non-recurring costs/(income)</i>	<i>(66,319,745)</i>	<i>-</i>	<i>(121,006,911)</i>	<i>-</i>
Depreciation, amortisation and impairments	493,928,305	-	504,421,623	-
Capitalised costs and expenses	(9,183,898)	-	(9,908,163)	-
Other operating costs	276,446,438	7,534,496	211,855,645	32,956,971
Operating profit/(loss)	1,452,099,208		1,398,628,593	
Finance costs	157,727,593	27,691,368	173,978,500	33,967,800
Finance income	143,649,699	64,193,963	144,524,373	105,849,715
Profit/(Loss) before tax	1,438,021,314		1,369,174,466	
Income tax expense	708,986,503	-	632,514,327	-
<i>of which non-recurring expense/(benefit)</i>	<i>-</i>	<i>-</i>	<i>(52,118,963)</i>	<i>-</i>
PROFIT FOR THE YEAR	729,034,811		736,660,139	

(€)

Poste Italiane SpA's statement of comprehensive income

(€)

	2010	2009
Profit/(Loss) for the year	729,034,811	736,660,139
Available-for-sale financial assets		
Increase/(Decrease) in fair value during the period	(860,640,367)	569,546,591
Transfers to profit or loss	(348,048,366)	(31,744,412)
Cash flow hedges		
Increase/(Decrease) in fair value during the period	86,062,091	3,521,945
Transfers to profit or loss	33,375,608	(6,204,094)
Actuarial gains/(losses) on provisions for staff termination benefits	68,866,129	49,848,585
Taxation of items recognised directly in, or transferred from, Equity	327,655,094	(183,696,695)
Total other components of comprehensive income	(692,729,811)	401,271,920
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	36,305,000	1,137,932,059

Poste Italiane SpA's statement of changes in equity

(€)

	Equity					Total
	Share capital	Reserves			Retained earnings/ (Accumulated losses)	
		Legal reserve	Fair value reserve	Cash flow hedge reserve		
Balance at 1 January 2009	1,306,110,000	112,311,085	263,467,836	(117,363,240)	1,524,462,720	3,088,988,401
Total comprehensive income for the year	-	-	366,746,024	(1,614,329)	772,800,364	1,137,932,059
Appropriation of Profit to Reserves	-	36,039,823	-	-	(36,039,823)	-
Dividends paid	-	-	-	-	(150,000,000)	(150,000,000)
Balance at 31 December 2009	1,306,110,000	148,350,908	630,213,860	(118,977,569)	2,111,223,261	4,076,920,460
Total comprehensive income for the year	-	-	(824,016,935)	81,359,181	778,962,754	36,305,000
Appropriation of Profit to Reserves	-	38,640,018	-	-	(38,640,018)	-
Dividends paid	-	-	-	-	(500,000,000)	(500,000,000)
Balance at 31 December 2010	1,306,110,000	186,990,926	(193,803,075)	(37,618,388)	2,351,545,997	3,613,225,460

* This item includes profit for the year of 729,035 thousand euros, actuarial gains on staff termination benefits of 68,866 thousand euros after the related current tax expense of 18,939 thousand euros.

Poste Italiane SpA's statement of cash flows

(€000)	2010	2009
Deposits and cash in hand at beginning of year	1,598,564	972,912
Profit/(Loss) before tax	1,438,021	1,369,174
Depreciation, amortisation and impairments	493,928	504,422
Impairments of investments	61,671	-
Net provisions for liabilities and charges	440,083	415,889
Use of provisions for liabilities and charges	(426,391)	(319,058)
Staff termination benefits paid	(110,223)	(80,532)
(Gains)/losses on disposals	(63,825)	(54,893)
(Gains)/Losses on financial transactions	(281,344)	(70,245)
(Dividends)	(121)	(154)
Dividends received	103	131
(Finance income realised)	(35,810)	-
(Finance income in form of interest)	(102,119)	(139,861)
Interest received	53,810	120,343
Interest expense and other finance costs	152,084	171,050
Interest paid	(76,160)	(101,609)
Losses and impairments/(Recoveries) on receivables	3,554	27,796
Tax and withholding tax paid	(747,543)	(681,021)
Other changes	686	4,183
Cash generated by operating activities before changes in working capital	[a] 800,404	1,165,615
<i>Changes in working capital:</i>		
(Increase)/Decrease in Trade receivables	309,009	(646,133)
(Increase)/Decrease in Other receivables and assets	16,298	(126,116)
Increase/(Decrease) in Trade payables	(58,757)	(99,045)
Increase/(Decrease) in Other liabilities	(50,395)	125,082
Cash generated by/(used in) changes in working capital	[b] 216,155	(746,212)
Increase/(Decrease) in liabilities attributable to Bancoposta	269,648	525,830
Net cash generated by/(used for) financial assets held for trading	112,716	1,041,786
Net cash generated by/(used for) available-for-sale financial assets	(281,413)	(1,504,262)
(Increase)/Decrease in other assets attributable to Bancoposta	747,373	1,064,366
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	[c] 848,324	1,127,720
Net cash flow from/(for) operating activities	[d]=[a+b+c] 1,864,883	1,547,123
- of which related party transactions	959,864	(2,333,968)
<i>Investing activities:</i>		
Property, plant and equipment	(223,968)	(268,955)
Investment property	(469)	(288)
Intangible assets	(155,800)	(184,483)
Investments	(4,480)	(16,500)
Other financial assets	(887,604)	(165,687)
Cash used for investments in held-to-maturity investments attributable to BancoPosta	(2,814,133)	(3,281,112)
<i>Disposals:</i>		
Property, plant and equipment, investment property and assets held for sale	80,146	76,337
Investments	42	-
Other financial assets	147,622	504,739
BancoPosta	1,304,091	2,740,493
Net cash flow from/(for) investing activities ⁽¹⁾	[e] (2,554,553)	(595,456)
- of which related party transactions	(403,925)	(89,674)
Proceeds from/(Repayments of) long-term borrowings	(167,914)	(205,555)
(Increase)/Decrease in loans and receivables	152,308	145,484
Increase/(Decrease) in short-term borrowings	514,692	(115,944)
Dividends paid	(500,000)	(150,000)
Net cash flow from/(for) financing activities and shareholder transactions	[f] (914)	(326,015)
- of which related party transactions	(608,445)	(471,148)
Net increase/(decrease) in cash and cash equivalents	[g]=[d+e+f] (690,584)	625,652
Deposits and cash in hand at end of year	907,980	1,598,564

⁽¹⁾ This item includes BancoPosta's portfolio of held-to-maturity investments.

3. KEY PERFORMANCE INDICATORS FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

The figures shown in the tables below reflect the financial and operational indicators (as deduced from the related reporting packages) of the principal Group companies prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the boards of directors of the respective companies.

POSTEL SPA (€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	249,764	296,469	46,705	18.7
Operating profit	20,762	23,305	2,543	12.2
Profit for the period	19,505	9,692	(9,813)	(50.3)
Investment	21,423	20,640	(783)	(3.7)
Equity	138,400	148,625	10,225	7.4
Permanent workforce - end of period	1,020	1,046	26	2.5
Flexible workforce - average	115	115	n/s	n/s

The company employed on average 7 people seconded from the Parent Company (9 in 2009).

n/s: not significant

POSTELPRINT SPA (€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	98,789	115,007	16,218	16.4
Operating profit	6,302	6,400	98	1.6
Profit for the period	4,237	4,058	(179)	(4.2)
Investment	1,212	538	(674)	(55.6)
Equity	32,768	36,891	4,123	12.6
Permanent workforce - end of period	233	231	(2)	(0.9)
Flexible workforce - average	24	23	(1)	(4.2)

SDA EXPRESS COURIER SPA ⁽¹⁾ (€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	422,492	437,736	15,244	3.6
Operating profit	(23,444)	(41,535)	(18,091)	77.2
Profit for the period	(23,529)	(34,508)	(10,979)	46.7
Investment	6,840	6,225	(615)	(9.0)
Equity	81,198	52,449	(28,749)	(35.4)
Permanent workforce - end of period	1,276	1,334	58	4.5
Flexible workforce - average	1	13	12	n/s

⁽¹⁾ The figures for 2010 take account of Poste Italiane Trasporti SpA which was merged with and into the company on 31 December 2010, with effect for accounting and tax purposes from 1 January 2010.

n/s: not significant

ITALIA LOGISTICA SRL ⁽¹⁾ (€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	73,185	87,473	14,288	19.5
Operating profit	(5,365)	(3,627)	1,738	(32.4)
Profit for the period	(6,011)	(3,544)	2,467	(41.0)
Investment	4,714	1,786	(2,928)	(62.1)
Equity	5,453	1,876	(3,577)	(65.6)
Permanent workforce - end of period	80	66	(14)	(17.5)
Flexible workforce - average	4	16	12	n/s

⁽¹⁾ Since 2008 the company has been accounted for using proportionate consolidation. In the previous table it was consolidated on a line-by-line basis.

n/s: not significant

POSTE TUTELA SPA

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	79,949	81,325	1,376	1.7
Operating profit	1,338	1,501	163	12.2
Profit for the period	771	971	200	25.9
Investment	112	21	(91)	(81.3)
Equity	7,177	8,146	969	13.5
Permanent workforce - end of period	4	4	n/s	n/s

The company employed on average 3 people seconded from the Parent Company (9 in 2009).

n/s: not significant

POSTE VITA SPA (*)

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Earned premiums (**)	7,091,501	9,500,212	2,408,711	34.0
Profit for the period	107,878	188,058	80,180	74.3
Financial assets	38,279,074	43,677,787	5,398,713	14.1
Balance of technical account for life assurance and Financial liabilities at fair value	37,617,920	42,450,276	4,832,356	12.8
Equity	1,070,734	1,240,577	169,843	15.9
Permanent workforce - end of period	148	168	20	13.5
Flexible workforce - average	-	4	4	ns.

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared under Italian GAAP and in accordance with the Italian Civil Code.

(**) Earned premiums are reported gross of outward reinsurance premiums.

n/s: not significant

The company employed on average 6 people seconded from the Parent Company (6 in 2009).

BANCOPOSTA FONDI SPA SGR

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Fee income	31,242	35,074	3,832	12.3
Net fee income	27,405	31,172	3,767	13.7
Profit for the period	15,122	17,210	2,088	13.8
Financial assets (liquidity and securities)	52,443	65,556	13,113	25.0
Equity	49,377	66,467	17,090	34.6
Permanent workforce - end of period	11	38	27	n/s

The company employed on average 5 people seconded from the Parent Company (25 in 2009).

n/s: not significant

POSTECOM SPA

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	57,059	75,891	18,832	33.0
Operating profit	423	84	(339)	(80.1)
Profit for the period	(1,612)	(1,106)	506	(31.4)
Investment	6,101	6,301	200	3.3
Equity	39,770	38,721	(1,049)	(2.6)
Permanent workforce - end of period	241	244	3	1.2
Flexible workforce - average	11	8	(3)	(27.3)

The company employed on average 7 people seconded from the Parent Company (3 in 2009).

POSTEMOBILE SPA

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	98,533	172,927	74,394	75.5
Operating profit	(8,048)	9,542	17,590	n/s
Profit for the period	(6,795)	5,464	12,259	n/s
Investment	14,231	16,500	2,269	15.9
Equity	9,415	14,886	5,471	58.1
Permanent workforce - end of period	110	164	54	49.1
Flexible workforce - average	1	0	(1)	n/s

The company employed on average 5 people seconded from the Parent Company (5 in 2009).

n/s: not significant

EUROPA GESTIONI IMMOBILIARI SPA

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	44,919	44,908	(11)	n/s
Operating profit	29,294	30,116	822	2.8
Profit for the period	19,941	18,338	(1,603)	(8.0)
Investment	353	779	426	n/s
Equity	417,278	435,616	18,338	4.4
Permanent workforce - end of period	7	11	4	57.1

The company employed on average 1 person seconded from the Parent Company (4 in 2009).

n/s: not significant

POSTESHOP SPA ^(*)

(€000)	2009	2010	Increase/(Decrease)	
			Amount	%
Revenues from sales and services	60,115	56,195	(3,920)	(6.5)
Operating profit	(1,436)	(2,289)	(853)	59.4
Profit for the period	(1,545)	(2,500)	(955)	61.8
Investment	261	254	(7)	(2.7)
Equity	5,806	3,307	(2,499)	(43.0)
Permanent workforce - end of period	38	27	(11)	(28.9)

The company employed on average 17 people seconded from the Parent Company (28 in 2009).

^(*) The transfer of the business unit known as "Kipoint" from Poste Shop SpA to Kipoint SpA was finalised on 27 October 2010.

The manager responsible for Poste Italiane SpA's financial reporting, Alessandro Zurzolo, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document is consistent with the underlying accounting records.

Rome, Italy 7 March 2011