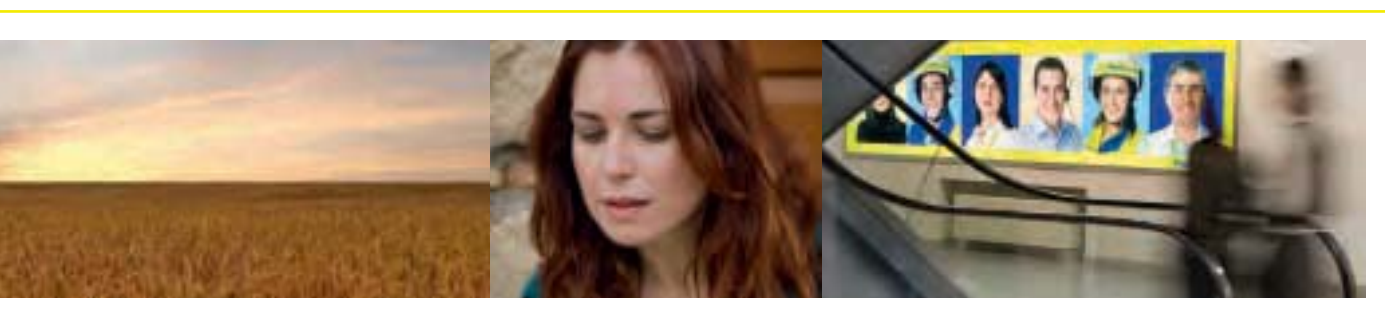


**Posteitaliane**



**Annual  
Report** **80.**







POSTE.E.

**Our primary mission is to keep  
the country communicating.**





# Summary

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# FINANCIAL AND OPERATIONAL HIGHLIGHTS

Poste Italiane Group			Results of operations (€m)	Poste Italiane SpA		
2006	2007	2008		2008	2007	2006
15,932	15,821	<b>15,906</b>	Revenues and earned premiums	<b>9,825</b>	9,809	9,503
			of which:			
5,339	5,537	<b>5,483</b>	Postal Services	<b>4,953</b>	5,019	4,849
4,383	4,500	<b>4,538</b>	Financial Services	<b>4,781</b>	4,709	4,594
5,994	5,541	<b>5,535</b>	Insurance Services	<b>n.a.</b>	n.a.	n.a.
216	242	<b>350</b>	Other Services	<b>91</b>	81	60
1,486	1,777	<b>1,473</b>	Operating profit	<b>1,242</b>	1,588	1,194
676.0	843.6	<b>882.6</b>	Profit/(Loss) for the year	<b>720.8</b>	704.4	483.0
9.3%	11.2%	<b>9.3%</b>	ROS (*)	<b>12.6%</b>	16.2%	12.6%
2.0%	2.3%	<b>1.8%</b>	ROI (**)	<b>2.4%</b>	3.1%	2.4%
66.9%	63.8%	<b>46.8%</b>	ROE (***)	<b>42.5%</b>	59.0%	51.6%

n. a.: not applicable.

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

(\*\*) 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.

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

Poste Italiane Group			Financial position (€m)	Poste Italiane SpA		
31 Dec 2006	31 Dec 2007	31 Dec 2008		31 Dec 2008	31 Dec 2007	31 Dec 2006
2,498	3,073	<b>3,422</b>	Equity	<b>3,089</b>	2,910	2,471
673	261	<b>(684)</b>	Net debt	<b>9</b>	876	1,205
3,171	3,334	<b>2,737</b>	Net invested capital	<b>3,098</b>	3,786	3,677

Poste Italiane Group			Other information (€m)	Poste Italiane SpA		
2006	2007	2008		2008	2007	2006
556	611	<b>712</b>	Investment	<b>654</b>	567	675
			of which:			
556	608	<b>712</b>	Capital expenditure	<b>636</b>	549	518
-	3	<b>0.3</b>	Financial investments	<b>18</b>	18	157
154,528	155,734	<b>155,732</b>	Average workforce (*)	<b>152,311</b>	152,474	151,470

Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

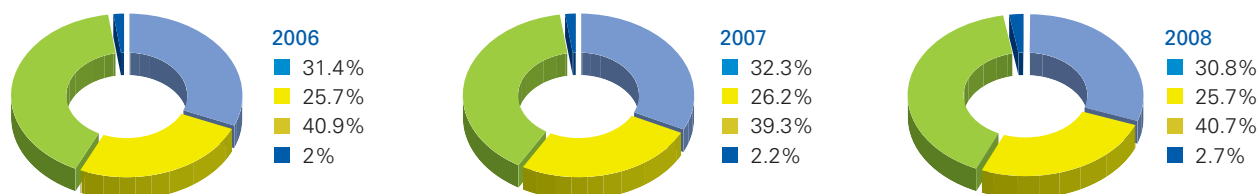
(\*) The average workforce (shown in full-time equivalent terms) includes the flexible workforce and excludes seconded and suspended staff.

## Other data for Poste Italiane SpA

	31 Dec 2006	31 Dec 2007	31 Dec 2008	
<b>Operational highlights (€m)</b>				
Current accounts (average for the period)	35,663	36,157	<b>33,723</b>	
Post Office savings books	70,583	76,287	<b>81,801</b>	
Interest-bearing postal certificates	176,162	184,136	<b>185,543</b>	
<b>Other indicators</b>				
Number of outstanding current accounts (000)	4,880	5,230	<b>5,383</b>	
Number of Post Offices	13,893	13,944	<b>13,991</b>	
<b>Levels of service</b>				
	delivered within	2006	2007	2008
Priority Mail	1 day	88.1%	88.2%	<b>90.6%</b>

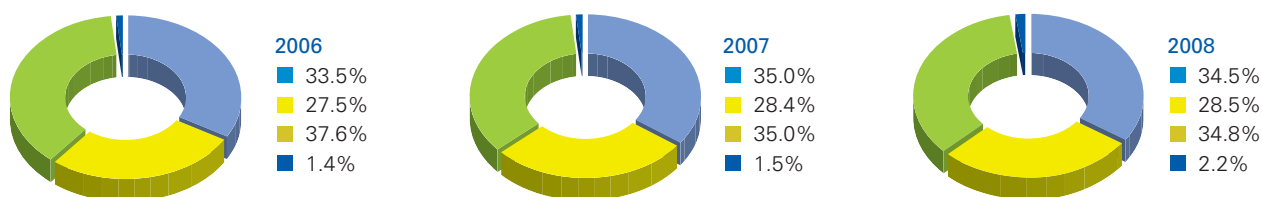
## POSTE ITALIANE GROUP

### Total revenues: segment information



(€m)	2006	2007	2008	2007 vs 2006	2008 vs 2007
Postal Services	5,351	5,553	5,506	3.8%	-0.8%
Financial Services	4,383	4,505	4,594	2.8%	2.0%
Insurance Services	6,976	6,750	7,268	-3.2%	7.7%
Other Services	346	379	484	9.5%	27.7%
<b>Total</b>	<b>17,056</b>	<b>17,187</b>	<b>17,852</b>	<b>0.8%</b>	<b>3.9%</b>

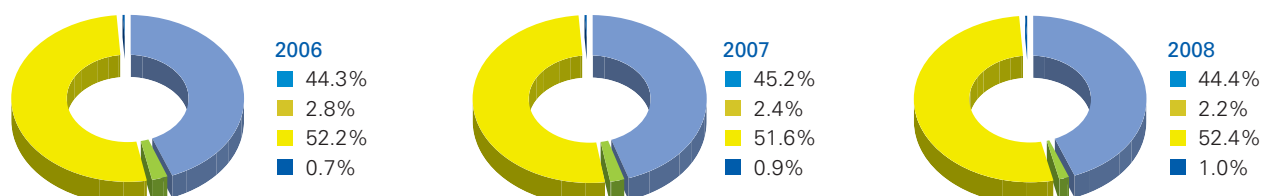
### Revenues and earned premiums: segment information



(€m)	2006	2007	2008	2008 vs 2007
Postal Services	5,339	5,537	5,483	-1.0%
Financial Services	4,383	4,500	4,538	0.8%
Insurance Services	5,994	5,541	5,535	-0.1%
Other Services	216	242	350	44.6%
<b>Total</b>	<b>15,932</b>	<b>15,821</b>	<b>15,906</b>	<b>0.5%</b>

## POSTE ITALIANE SPA

### External revenues

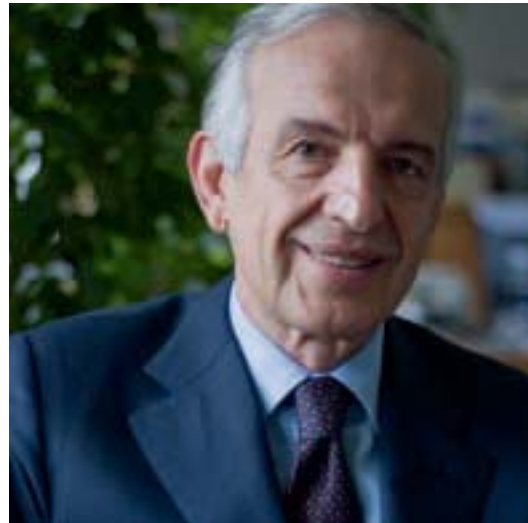


(€m)	2006	2007	2008	2007 vs 2006	2008 vs 2007
Mail and Philately	3,897	4,126	4,045	5.9%	-2.0%
Express Delivery and Parcels	248	218	202	-12.1%	-7.3%
BancoPosta Services	4,594	4,709	4,781	2.5%	1.5%
Other Revenues	60	81	91	35.0%	12.3%
<b>Total (*)</b>	<b>8,799</b>	<b>9,134</b>	<b>9,119</b>	<b>3.8%</b>	<b>-0.2%</b>

(\*) External revenues do not include publisher tariff subsidies and Servizio Postale Universale (Universal Service Obligation - USO) compensation, totalling 706 million euros (675 million euros in 2007).

# Corporate officers

Giovanni Ialongo



Massimo Sarmi

## Board of Directors<sup>(1)</sup>

	In office from 29 May 2008
Chairman	Giovanni Ialongo
Deputy Chairman	Nunzio Guglielmino
Chief Executive Officer and General Manager <sup>(2)</sup>	Massimo Sarmi
Directors	Roberto Colombo Mauro Michielon

	In office until 29 May 2008
Chairman	Vittorio Mincato
Deputy Chairman	Nunzio Guglielmino
Chief Executive Officer and General Manager <sup>(2)</sup>	Massimo Sarmi
Directors	Salvatore Biasco Roberto Colombo Franco Corlaita Angelo Mariano Mauro Michielon Filippo Milone Francesco Pizzo Giampaolo Rossi

## Board of Statutory Auditors<sup>(3)</sup>

Chairman	Silvana Amadori
Auditors	Ernesto Calaprice Francesco Ruscigno
Alternates	Valerio Amici Antonio Musella

## Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane SpA<sup>(4)</sup>

Bartolomeo Manna

## Independent Auditors<sup>(5)</sup>

PricewaterhouseCoopers SpA

- (1) The Board of Directors, which was elected by the General Meeting of 29 May 2008, has a term of office of three years, which will expire on approval of the financial statements for 2010. The Board of Directors' meeting of 9 June 2008 elected the Deputy Chairman and Chief Executive Officer (CEO).
- (2) The appointment as General Manager was approved by the Board of Directors' meeting of 24 May 2002.
- (3) The Board of Statutory Auditors was elected by the General Meeting of 14 May 2007 and has a term of office of three years, which will expire on approval of the financial statements for 2009.
- (4) The functions were assigned by the Council of the Presidency of the Court of Auditors, in its Resolution of 8-9 November 2006, with effect from 1 January 2007.
- (5) Appointed by the General Meeting of 14 May 2007 for three years.

# Directors' Report on Operations

at 31 December 2008





**To innovation that leaves spaces,  
skies and seas unspoilt.**



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# 1. CORPORATE GOVERNANCE

Poste Italiane SpA is 65% owned by the Ministry of the Economy and Finance and 35% owned by Cassa Depositi e Prestiti SpA. General Meetings of shareholders are held periodically to vote on matters reserved by law to shareholders.

The governance model adopted by Poste Italiane SpA is based on the traditional separation of the functions of the Board of Directors and those of the Board of Statutory Auditors. Responsibility for accounting controls has been assigned to an auditing firm.

The *Board of Directors* consists of 5 members. Certain amendments were made to the Company's Articles of Association at the General Meeting of shareholders of 28 May 2008, including setting a limit of five on the number of members of the Board of Directors, in line with the provisions of Law 244 of 24 December 2007 (2008 Finance Act) and additional clarifications notified by the Ministry of the Economy and Finance on 20 May 2008 regarding provisions relating to the obligations of companies controlled by the Treasury Department. The Board meets once a month to examine and vote on resolutions regarding the operating performance, the results of operations, proposals relating to the organisational structure and transactions of strategic importance. The Board met 11 times during 2008.

The *Chairman* exercises the powers assigned by the Articles of Association and those assigned to him by the Board of Directors' meeting of 9 June 2008.

The *Deputy Chairman* replaces the Chairman in the event of his temporary absence or impediment.

The *Chief Executive Officer* (CEO) and *General Manager* has full powers for the administration of the Company across the organisational structure, with the exception of the following powers that are reserved to the Board of Directors:

- the issue of bonds and the assumption of medium/long-term borrowings of amounts in excess of 25,000,000 euros, unless otherwise indicated in specific resolutions passed by the General Meeting or the Board of Directors itself;
- strategic agreements;
- arrangements (with ministries, local authorities, etc.) involving commitments in excess of 50,000,000 euros;
- the incorporation of new companies, and the acquisition and disposal of equity holdings;
- changes to the Company's basic organisational structure;
- the purchase, exchange and disposal of properties with a value of more than 5,000,000 euros;
- the approval of regulations governing supplies, tenders, services and sales;
- the appointment and termination of the Manager responsible for financial reporting, as proposed by the CEO and with the prior approval of the Board of Statutory Auditors, including the granting of adequate resources and powers.

The Board of Directors also examines and approves the long-term business plans and annual budgets prepared by the CEO, approving strategic guidelines and directives for Group companies proposed by the CEO. The Board must approve the CEO's proposals regarding the exercise of the Group's vote at the general meetings of subsidiaries and other investee companies. All key departments report to the CEO.

Specifically regarding matters relating to internal controls, under the new Articles of Association the Internal Auditing department reports to the Board of Directors, or alternatively, if necessary, to a Board Committee established for this purpose by the Board of Directors.

The *Board of Statutory Auditors* has 3 active members appointed by the General Meeting. Pursuant to art. 2403 of the Italian Civil Code, the Board verifies compliance with the law, the articles of association and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their operational effectiveness. In 2008 the Board met 24 times.

The General Meeting appoints a registered auditing firm to audit the Group's accounts, as required by art. 2409-ter of the Italian Civil Code. The appointed firm must also be enrolled on the Register held by the CONSOB. The engagement is for a three-year term and the current contract is due to expire on approval of the financial statements for 2009.

Poste Italiane SpA has recommended that its larger subsidiaries assign responsibility for accounting controls to an auditing firm (where possible, the same firm engaged by the Parent Company). The statutory auditors of other subsidiaries are to continue to carry out this activity.

The Board of Directors' has established a *Remuneration Committee*, which is responsible for making proposals to the Board regarding the remuneration of executive directors.

In accordance with Law 259 of 21 March 1958, which requires parliamentary scrutiny of the financial management of agencies to which the State contributes on an ordinary basis, Poste Italiane SpA is subject to controls by the Italian Court of Auditors, which examines its budget and financial management. The controls consist in ascertaining the legitimacy and regularity of management activities, as well as of the operation of internal controls.

The Poste Italiane Group has equipped itself with a system of behavioural and technical rules capable of guaranteeing the standard application of corporate governance regulations. This is ensured via coordination of decision-making processes regarding aspects, issues and activities of strategic interest and/or importance, or whose impact may involve significant financial risks for the Group. The rules are based on the Group's Interrelations Map, which was approved by the Board of Directors of Poste Italiane SpA on 19 January 2004 and updated on 26 March 2007.

The system for delegating powers entails the assignment of powers to the various departmental heads in relation to the activities carried out, via the granting of powers to specific persons.

The Supervisory Board consists of three external professionals with proven experience and expertise, backed up by a Technical Secretariat that comprises the heads of the departments involved in implementing the Organisational Model (Human Resources and Organisation, Legal Affairs, Finance, Corporate Affairs, Internal Auditing and Security & Safety). The Supervisory Board and the Technical Secretariat meet regularly throughout the year.

Poste Italiane SpA's internal control system consists of a systematic body of rules, procedures and organisational structures, which aim to prevent or limit the consequences of unexpected events and enable the Company to achieve its strategic and operating objectives (that is effective and efficient operations and safeguarding the Company's assets), comply with the relevant laws and regulations (compliance) and ensure the correctness and transparency of internal information.

In this context, the Internal Auditing department assists the organisation in the pursuit of its business and governance goals, supporting executives and management in the fulfilment of their roles in relation to the internal control system and

the management of risks. The aim is to promote continuous improvements in the Company's corporate governance mechanisms and in its risk management and control processes, thereby promoting the spread of an internal control culture within the framework of a single and extensive system covering the whole Company, and thus going beyond the management of legal aspects alone.

Audit activities usually lead to the preparation of action plans by the relevant managers, including timely improvement initiatives aimed at keeping risks at an acceptable level.

2008 saw an additional step in the progressive coverage of the main business processes (based on a risk analysis approach), aimed at constantly ensuring adequate assessment of the internal control system. This is based on an integrated approach, designed to bring all the audit procedures carried out, for various purposes, within the framework of an overall annual plan, thus giving priority to Company-wide processes that apply across all areas of business.

The initiatives carried out were designed to support the audit plans drawn up by the Supervisory Board pursuant to Legislative Decree 231/01, as well as the duties of the Manager responsible for financial reporting appointed in accordance with Law 262/05, the Savings Law, and subsequent provisions.

Regarding matters governed by Legislative Decree 231/01, in addition to ordinary assurance activities (independent assessments) designed to monitor the Organisational Model provided for by corporate procedures, further projects were launched including the drawing up of specific Guidelines aimed at rationalising information flows and reporting to the Supervisory Board.

Poste Italiane SpA's direct subsidiaries have also adopted their own Organisational Model for the purposes of Legislative Decree 231/01, which is monitored by a Supervisory Board appointed by the subsidiaries.

The Group's Code of Ethics, which was approved during the Board of Directors' meeting of 3 November 2003 and subsequently amended by the Board of Directors' meeting of 27 January 2006, establishes behavioural guidelines for employees, Directors and anyone acting on a permanent or temporary basis on the Group's behalf, which are to be followed during day-to-day activities and in conducting relations both inside and outside the Company.

As of 1 January 2008, pursuant to Legislative Decree 195/07, which has transposed the so-called EU Transparency Directive into Italian law, Poste Italiane SpA is one of Italy's listed issuers, due to the bonds previously listed in Luxembourg.

Consequently, the Company is subject to the regulations, where applicable, of Legislative Decree 58/98 (the Consolidated Finance Act)<sup>1</sup>, especially those provided for by articles 154-bis and 154-ter, as amended by the aforementioned Legislative Decree 195/07, regarding financial reporting.

Therefore, the position of Poste Italiane SpA's Manager responsible for financial reporting, introduced in 2007 with an amendment to the Articles of Association reflecting a voluntary decision made by the shareholders, has become a legal obligation. This has entailed the assignment of additional duties and responsibilities, thereby modifying the process of adaptation undertaken by the Company since the Manager's appointment.

1. The provisions include the mandatory preparation of interim financial statements by the Poste Italiane Group, which prior to 2008 were prepared on a voluntary basis.

## 2. ORGANISATION

### 2.1 ORGANISATIONAL STRUCTURE OF POSTE ITALIANE SPA

The organisation of Poste Italiane SpA breaks down into the following business functions:

<b>Business Unit Postal Services</b>
<b>Business Unit Express and Parcels</b>
<b>Business Unit Philately</b>
<b>Business Unit BancoPosta</b>
<b>Retail Market</b>
<b>Business Customers</b>
<b>Customer Services and Quality</b>

and the following staff functions:

<b>Purchasing</b>
<b>Legal Affairs</b>
<b>Corporate Affairs</b>
<b>Accountancy &amp; Control</b>
<b>Communication and Public Affairs</b>
<b>Internal Auditing</b>
<b>Finance</b>
<b>Real Estate</b>
<b>Strategic Planning</b>
<b>Human Resources and Organisation</b>
<b>Chief Information Office</b>
<b>Security &amp; Safety</b>

Business Unit Postal Services, Business Unit BancoPosta, Business Unit Express and Parcels, and Business unit philately are responsible for developing the related products and services and managing a part of the operations involved in their

supply.

Business Unit Postal Services is also responsible for planning and managing the logistics process, and for the provision of new integrated mail services.

Retail Market and Business Customers are the commercial channels responsible for developing and managing frontline commercial activities for all customer segments.

Another vital customer relations channel is Customer Services and Quality, which provides assistance to customers via the Contact Centres.

Staff functions are central departments that manage, control and provide business support services.

During 2008 some of the major components of the Company's macro-organisational model were revisited to enable the Company to tackle changes in the competitive environment. Partly deriving from imminent deregulation of postal services, the new scenario will also entail refinement of the targeting of policies and commercial processes in order to improve service quality and increase customer loyalty.

Within this context, the most important organisational initiatives included:

- creation of the Business Unit Postal Services function, together with the dissolution of the Mail Business Unit and the Chief Operating Office. This decision, which capitalised on the performance of the two former entities in terms of increased efficiency of the logistics process and product and service innovation, aims to take advantage of the close link between marketing and operating processes, in order to reduce time to market and increase the profitability of the products and services provided;
- specialisation of commercial channels through identification of two distinct organisational areas to manage the commercial processes of different target segments, which led to the creation of the Retail Market and Business Customers functions, together with dissolution of the Chief Network and Sales Office;
- reorganisation of Contact Centres, leading to the creation of the Customer Services and Quality function, aimed at enhancing and optimising existing assets and taking advantage of new business opportunities.

Other significant initiatives included:

- organisational consolidation of financial services, including establishment of the Financial and Insurance Products Committee, which will focus on developing the Group's range of financial and insurance products;
- establishment of an inter-departmental task force, aimed at identifying actions that would give greater operating and managerial powers to local units, with a view to developing competitive and operating capacity at local level.

## 2.2.1 RETAIL MARKET

The Retail Market function manages the commercial front end for all market segments: Retail, SME (SOHO-Small Office Home Office/SMB-Small to Medium Businesses), Business (Large and Medium Enterprises). The complex links with the commercial development activities for business customers are ensured by the coordinating role played by the Business Customers function in local units involved in business sales to Retail Market.

As shown in the table below, the organisation of the commercial network and related operational support processes breaks down into three levels:

- Multi-regional Area Offices (referred to as Retail Market Area Offices), which also include Business customer sales departments (for the Large and Medium Enterprise segments);
- Branches;
- Post Offices, which from a commercial point of view are classified as central, transit, relations, standard, service or support offices.

	31 December 2007		31 December 2008	
	Number	Workforce	Number	Workforce
Retail Market Area Offices	9	3,210	9	3,271
Branches	140	4,979	140	5,149
Post Offices	13,944	57,009	13,991	59,359

All workforce data is shown in full-time equivalent terms.

During the year a portion of financial back-office activities were centralised within Centralised Service Teams, 15 Local Deposits were introduced and commercial departments were strengthened, at both Area Office and Branch levels. The increase in the total number of staff employed in Post Offices, resulting from the key process of vertical mobility (the transfer of staff to counter positions), which eliminated the use of flexible staff in this area, is aimed at strengthening commercial operations.

## RETAIL

As well as comprising the main sales channel for postal and financial products and services to retail customers, in small communities Post Offices are also points of reference for social purposes and public services.

Via its network of Post Offices, the Company also provides a wide range of services to the public on behalf of the Public Sector, including the digitalisation of processes and as a partner in the external management of certain administrative procedures.

Back-office activities are partly carried out at Post Offices, and partly at 15 specialist service centres (Centralised Service Teams) spread around the country. These centres, which have been created with the goal of streamlining, standardising and speeding up back-office activities following the sale of financial services, also deal with opening current accounts and ancillary services, loan and mortgage approval processes and certain post-sales activities.

In order to improve service quality at Post Offices and develop the network's commercial potential, by differentiating service provision activities from those linked to higher value-added operations, special "Financial Products" and "PosteBusiness" areas have been created. These spaces are used exclusively to offer the latest in financial products and services aimed at Retail and SME customers. At 31 December 2008, the number of "Financial Products" areas, managed via a highly advanced reporting system, designed to promptly monitor commercial performance, amounted to 4,600.

Moreover, in order to achieve continual service quality improvement by optimising operational management of the area network, a Service Zone concept has been introduced. Under this system, all the Post Offices in a particular area are considered an integrated organisational service provision entity. Under this approach, within the scope of defined geographical areas, each Post Office will specialise in a specific range of products and services, taking into account geographically based demand analysis, whilst continuing to offer widespread availability and access for customers to all Poste Italiane products and services. This project has been implemented in so-called Sub-Post Office networks, which cover approximately 3,500 Post Offices.

The organisational model of Branch and Area Office commercial departments was also revisited during the year, in order to achieve more effective commercial management of sales channels and specialisation in Poste Italiane SpA's most strategic segments.

Specifically, the following were introduced:

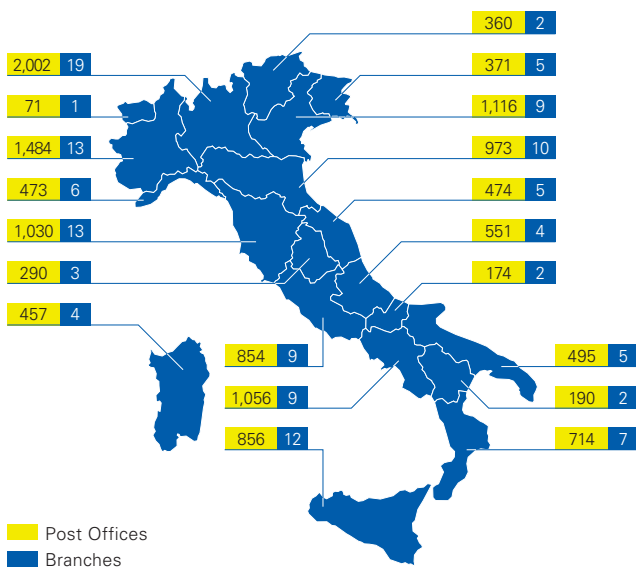
- segment specialists at Branch level, with a view to improving the knowledge of products among Post Office sales forces, providing ongoing training and giving adequate support to sales processes;
- commercial channel specialists, with a view to improving dissemination of commercial policies at Post Offices.

A new clustering of “commercial” Branches in terms of market potential was also defined, in order to identify targeted commercial initiatives and actions.

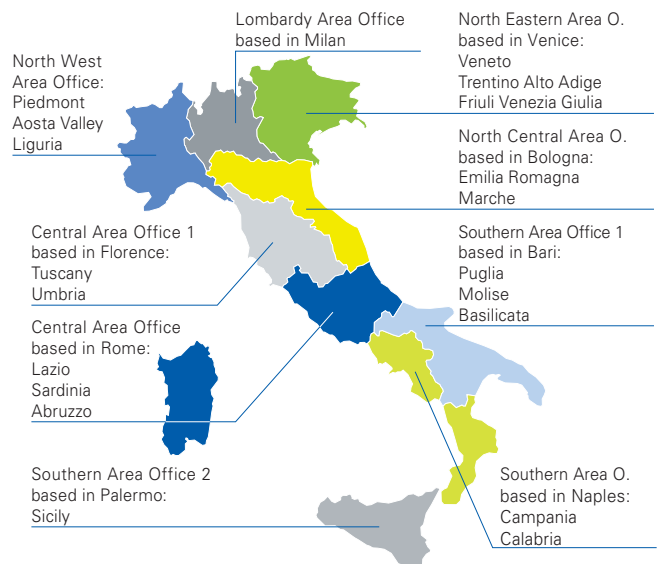
## SME

SME customers (segmented into Small Office/Home Office and Small to Medium Businesses) are managed as part of the Retail sales organisation, primarily through the PosteBusiness channel, which, in addition to traditional services, also offers numerous integrated products and services. This channel comprises around 1,150 outlets, including PosteBusiness Offices<sup>2</sup>, Specialist Areas<sup>3</sup> and Specialist Counters<sup>4</sup>.

### Geographical distribution of Post Offices and Branches



### Geographical distribution of Area Offices



## 2.2.2 BUSINESS CUSTOMERS

The Business Customers function is responsible for developing sales revenues for the Business and Public Sector segments.

Business customers (segmented into Top Account, Large Account, Medium Enterprise and Public Sector) are managed by the direct sales network, which operates on a centralised basis for Top and Central Government customers and, at area level, through the nine Commercial Business Areas within the Retail Market Area Offices, for other types of customer. Post-sales activities are taken care of by specific units at central level (for Top and Central Government customers) as well as at area level.

2. Offices exclusively dedicated to customers from this segment, either located within Central Post Offices or stand-alone.

3. PosteBusiness sales areas and counters located in traditional Post Offices.

4. PosteBusiness counters located in traditional Post Offices.

### 2.2.3 CUSTOMER SERVICES AND QUALITY

In addition to the physical distribution channels, another fundamental means of contact with customers is represented by the Contact Centre, an operating unit designed to help provide innovative services and integrate the Poste Italiane Group's offering. The Centre employs around 1,600 staff to provide customer assistance, process complaints and carry out tele-marketing activities. Poste Italiane SpA also offers new integrated Contact Centre solutions and services to the external market and currently manages call centre services for private companies and a number of major Public Sector organisations, as well as for certain Group companies (e.g. PosteMobile SpA).

### 2.2.4 BUSINESS UNIT POSTAL SERVICES

The Business Unit Postal Services department is responsible for planning and managing the logistics process<sup>5</sup>, providing innovative and integrated services and developing and managing the mail services portfolio by identifying new business opportunities, as well as planning, creating and launching new products and services.

The logistics network is organised on two levels, the first of which deals with coordination and is represented by Area Logistics Offices responsible for one or more regions, whilst the second is operational and includes sorting centres (mechanical and manual) and urban and provincial Delivery Offices.

The Area Logistics Offices coordinate and support the smooth running of logistics within their related areas, where both traditional and automated sorting centres are located. Moreover, the network of mail sorting centres is a dynamic and evolving structure, in terms of number and geographical distribution, aimed at adapting to customer requirements and thereby guaranteeing improved quality for postal services as well as provision of new services.

The Sorting Centres collect, transport and sort ordinary and registered mail, using highly automated equipment. Two of these centres (Rome Fiumicino and Milan Peschiera Borromeo) are also equipped with material handling facilities for internal handling of mail containers. Mail dispatched by large customers is also collected at these centres.

In provincial areas, the same activities are carried out manually by Operating Postal Centres, whilst collection, transport and delivery procedures are carried out at Delivery Logistics Centres.

Reorganisation of the delivery sector is nearing completion, via actions to correct the original model aimed at increasing the efficiency of the organisational system and guaranteeing higher service standards, as agreed with the labour unions on 6 and 29 February 2008. The new "Postal Delivery Innovation" project entails amalgamation of the former Dedicated and Special Delivery organisation into a new national organisation called the "Market Organisation", which will provide logistical support for the Universal Delivery service, connections to and from Post Offices and implementation of high-value-added services.

Redesign of the 932 Distribution Centres envisaged for the whole project, in accordance with the new guidelines, has enabled the re-launch of 729 Centres.

	31 December 2007		31 December 2008	
	Number	Workforce	Number	Workforce
Area Logistics Offices (*)	11	1,470	11	1,695
Sorting Centres	20	10,642	23	11,623
Operating Postal Centres	48	4,379	41	3,347
Delivery Logistics Centres	31	1,349	35	1,426
Delivery Offices (**)	4,606	49,486	4,103	50,641

All workforce data is shown in full-time equivalent terms.

(\*) At 31 December 2008 the geographical distribution is as follows: Piedmont, Aosta Valley and Liguria; Lombardy; Veneto, Trentino Alto Adige and Friuli Venezia Giulia; Emilia Romagna and Marche; Tuscany and Umbria; Lazio, Abruzzo and Molise; Sardinia; Campania; Puglia and Basilicata; Calabria; and Sicily.

(\*\*) Delivery staff include 43,654 mail carriers and mail carrier supervisors (42,979 at 31 December 2007).

5. Logistics management covers the entire process of collection, transport, sorting and delivery of postal products.

The process of implementing the new organisational structure for both logistics and delivery activities proceeded in 2008, with the aim of improving service quality and operating efficiency. This has involved the redeployment of staff and horizontal mobility designed to optimise use of the workforce. Specifically, the table shows decreases in staff in the Operating Postal Centres and Delivery Logistics Centres, deriving from the change in the number of operating units within these categories and efficiency improvements implemented; an increase in staff permanently employed at Sorting Centres deriving from the change in the number of operating units within these categories, compared with a reduction in use of flexible workers, partly offset by efficiency improvements implemented; and an overall increase in the number of staff at Delivery Offices and Distribution Centres, linked to the trend towards permanent employment (recruitment of staff from recruitment lists). This process, together with efficiency improvements implemented in the delivery sector, enabled a sharp reduction in the use of flexible workers.

### Distribution of Area Logistics Offices



### Distribution of Postal Network

	SC	OPC	DLC
Piedmont – Aosta Valley – Liguria	3	5	3
Lombardy (*)	4	1	8
Triveneto	3	5	5
Emilia Romagna – Marche	2	5	6
Tuscany – Umbria	2	7	1
Lazio (**) – Abruzzo – Molise	3	8	2
Campania	1	1	3
Puglia – Basilicata	1	2	2
Calabria	1	2	-
Sicily	2	3	4
Sardinia	1	2	1
<b>Total</b>	<b>23</b>	<b>41</b>	<b>35</b>

(\*) Including the International Exchange Centre.

(\*\*) Including the old Sorting Centre at Rome San Lorenzo.

The Operating Postal Centres include the Printing Centre at Rome Romanina.

The Business Unit Postal Services function also coordinates eleven Service Centres, nine of which provide integrated mail services (including the Integrated Notification Service and the Regularisation of Immigrant Workers), and two Electronic Communication Service Centres, which primarily manage operations relating to a number of online mail services.

The transport network uses both proprietary and leased vehicles operated by the Company, whilst the subsidiaries, Mistral Air Srl and Poste Italiane Trasporti SpA, provide air and land transportation, respectively.

## 2.2.5 OTHER BUSINESS FUNCTIONS

Business Unit BancoPosta, Business Unit Express and Parcels, and Business Unit Philately are centralised departments which – both directly and via a number of Group companies that report to them – create, design and manage the Group's ranges of postal products and services, financial services, express delivery and parcel services, and philatelic products. These functions also carry out certain operations involved in their areas of business at facilities located around the country, as shown below.

BancoPosta:

- five Unified Service Automation Centres, where the bills paid at Post Offices are sent and processed;
- two Cheque Centres for the processing of cleared cheques.

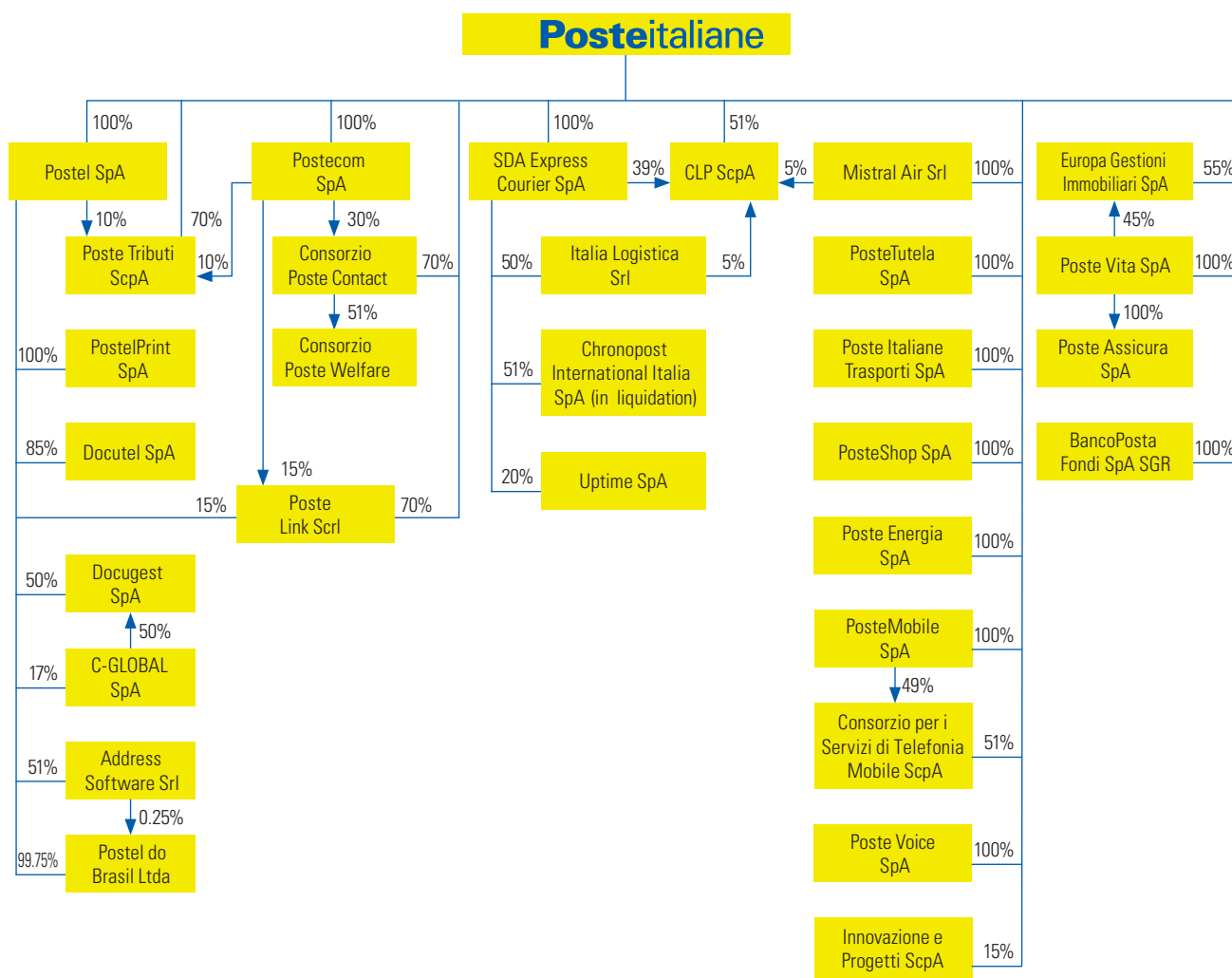
The Business Unit Express and Parcels function operates two international gateways that enable the international exchange of parcels and express mail items.

## 2.2.6 STAFF FUNCTIONS

Staff functions work closely with the Business departments in order to provide support across all areas of business with the aim of ensuring the smooth running of the Company. Certain functions (Human Resources and Organisation, Purchasing, Internal Auditing, Chief Information Office, Real Estate and Security & Safety) also have their own local units responsible for the correct operational implementation of guidelines laid down by the respective central functions.

## 2.3 STRUCTURE OF THE POSTE ITALIANE GROUP

Poste Italiane Group at 31 December 2008: main companies



## 3. FINANCIAL REVIEW

### 3.1 RISK MANAGEMENT FOR THE GROUP AND POSTE ITALIANE SPA

#### MACROECONOMIC ENVIRONMENT

Poste Italiane SpA's operating performance in 2008 was affected by the fallout from the crisis in the world's financial markets, by a general slowdown in global economic growth, resulting in a sharp decline in GDP growth, and a reduction in Italian retail sales and consumer spending. These various factors have dragged the world into a recession, which is still ongoing and is expected to continue throughout 2009.

In view of the less favourable macroeconomic and market environment compared with previous years, Poste Italiane SpA's strategic guidelines for the period 2009-2011 aim to support revenue growth over time, introducing new value-added services and maintaining a strong focus on efficiency.

#### MARKET CONDITIONS AND COMPETITION

Despite the reductions in market share due, on the one hand, to increased competition and, on the other, to the growing popularity of alternative and more advanced forms of communication, the Company's overall strategy in the postal market aims to speed up its response to market developments and customer expectations. This is reflected in organisational and operational changes that have resulted in the close integration of operations and marketing, ensuring a more agile reaction to market trends. New registered mail products have been launched at sorting centres, guaranteeing extremely rapid delivery times ("Raccomandata 1") and alterations have been made to handling processes, resulting in improvements in quality. In addition to the above-mentioned financial crisis, the Company's financial services are faced with growing competition from the banks, who are increasingly turning their attention to retail banking, where Poste Italiane SpA's presence has traditionally been strongest. In this area, the Company's strategy is to offer extremely low-risk, highly liquid savings products.

#### FRAUD AND EXTERNAL EVENT RISKS

Poste Italiane SpA pays great attention to security in order to protect both its staff and the Company's assets, and deal with the risks deriving from fraud or criminal actions committed by external agents. These risks are monitored via the antiphishing system, which identifies any attempts at phishing for customers' details, the Security Control Room, which will be described in the section on Investment, information campaigns aimed at customers, heightened fraud prevention initiatives and an increased internal investigation capacity, as well as greater synergies with the police and magistrates. 2008 witnessed a reduction in robberies compared with the previous year.

## FINANCIAL RISK MANAGEMENT

Definition and optimisation of the financial structure, over both the short and medium/long term, and management of the Group's related cash flows are the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Management of the Group's financial assets and liabilities is primarily attributable to the operations of the Parent Company and the insurance subsidiary, Poste Vita SpA.

Balanced financial management and monitoring of the main risk/return profiles are carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including via the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- a Risk Measurement and Control function carried out by appropriate functions established within the Parent Company and the subsidiaries that provide financial and insurance services (BancoPosta Fondi SpA SGR and Poste Vita SpA), and that operates on the basis of the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory committees, which are responsible for carrying out an integrated assessment of the main risk profiles. The outcomes of these assessments are then examined by a Risk Committee set up by the Parent Company.

With regard to the Parent Company, financial transactions regard BancoPosta's operations as governed by Presidential Decree 144/01. In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out in the Company's own name but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation, and the management of collections and payments in the name and on behalf of third parties, as well as the funding of assets and the investment of its own liquidity.

Following abandonment of the previous investment policy in compliance with the related legislation<sup>6</sup>, in 2008 BancoPosta was engaged in reinvesting the funds deriving from maturing government securities. This was done by taking account of the maturities of liabilities, in accordance with an amortisation schedule approved by the Board of Directors on the basis of a statistical/econometric model, developed by a leading consulting firm, that reflects the interest rates and maturities typical of postal current accounts. This model is updated continually<sup>7</sup>. Both types of investment (government securities and liquidity deposited with the MEF) are exposed to interest rate risk that is analysed and monitored on the basis of the financial nature of the instruments and managed via an appropriate hedging policy. In particular, intensification of the financial crisis, and the continued worsening of the macroeconomic situation in early 2009, could result in further cuts in interest

6. The 2007 Finance Act repealed the obligation for Poste Italiane SpA to transfer deposits made by BancoPosta's private customers with the MEF, and introduced the obligation to invest such deposits in euro area government securities.

7. In this regard, it is likely that in future the postal current account deposits of Public Sector customers will also be invested in euro area government securities. This reflects the European Commission's decision of 16 July 2008 relating to the level of interest rates paid to the Parent Company (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the 2006 Finance Act) on liquidity deriving from the postal current account deposits of Public Sector customers held on deposit with the MEF.

rates. This would, above all, impact on income from the investment of liquidity deriving from postal current account deposits, following the reinvestment of funds deriving from euro area government securities close to maturity. As a precaution, therefore, the Parent Company has purchased forward contracts to hedge its exposure to this kind of risk in respect of a large part of the securities maturing in 2009.

The Group's own liquidity is managed in accordance with investment guidelines approved by the Board of Directors, which require the Parent Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. The financial instruments held by the insurance company, Poste Vita SpA, primarily regard investments designed to cover its contractual obligations to policyholders who have taken out classic with profit life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes the five main subsidiaries and makes use, via the banking channel, of zero balance cash pooling. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

Poste Vita SpA's financial risks relate to separately managed accounts in the Branch I category sold by the company and, as is typical in the insurance business, deriving from the guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements of the measurement of the assets in which the technical provisions are invested.

Investments are continuously monitored by the company, which also uses some of the most advanced risk analysis methods (statistical matrix). The aim is to evaluate the compatibility of the estimated risks with how far they are sustainable, based on the size of the balance sheet and the returns earned. The results of overall investment activities and the above risk analysis are described to and discussed by the specially established Risk Committee.

With regard to life assurance products in Branch III, consisting of index-linked and unit-linked policies, which do not offer guaranteed capital or guaranteed minimum returns, the company has taken steps to safeguard its own and the Group's reputation and its operating capacity by monitoring changes in the risk profile, a practice that became even more rigorous during the year as the crisis in financial markets worsened<sup>8</sup>.

Particular attention was given to monitoring certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12. These instruments bring together different financial positions, including securitisation transactions and credit and financial derivatives, whose performances were affected by the financial and credit market crisis. Whilst it is true that, in accordance with the legal nature of the products in question, the related investment risk is transferred to policyholders, the company assesses the need to restructure its portfolios in order to safeguard its commercial interests, which could be prejudiced by widespread dissatisfaction among customers, and the potential impact on its reputation as a result of a general expression of discontent.

In this context, in response to the continuing decline in the value of the securities underlying Programma Dinamico's "Classe 3A Valore reale" and "Ideale" index-linked policies, in December 2008 Poste Vita SpA offered policyholders the opportunity to convert these policies into Branch I policies providing guaranteed minimum returns. This was done to allow policyholders to reduce their risk exposure, in view of the changed scenario.

Further information on financial risk management is provided in the notes to the consolidated and separate financial statements for the year ended 31 December 2008 (note 3 in both documents).

8. The crisis that came to the fore in 2008 has had a significant impact on the performances of all financial instruments on the market and, in particular, on margin accounts, which are exposed to higher degrees of risk and fair value volatility. The systemic significance of the crisis has also led all the major regulatory authorities to request a series of disclosures with the aim of, on the one hand, assessing the effective risks to which intermediaries and their debtors are exposed and, on the other, checking on compliance with the regulations designed to protect customers. In this regard, in October 2008 the Italian Antitrust Authority requested the Parent Company to provide information pursuant to "Regulations governing the investigation of unfair commercial practices", which the Company promptly provided.

## **RISKS CONNECTED TO HUMAN RESOURCES MANAGEMENT**

The significance of the Company's staff costs means that any changes in legislation, regarding contributions or other staff-related matters, can have a substantial impact on its operating results. For example, following the entry into force of art. 20 of Law 133/08 from 1 January 2009, Poste Italiane SpA is required to pay contributions to INPS to cover maternity, unemployment and sickness benefits, resulting in an increase in contributions costs.

In addition, the Company continues to be involved in labour disputes regarding its use of fixed-term contracts. This has resulted in a number of important labour union agreements designed to resolve the situation, as reported in the section on Industrial relations. The last of these agreements was signed on 10 July 2008.

Achievement of the Company's objectives is dependent on the ongoing development of its staff through training courses, run in collaboration with some of the best training schools, and e-learning initiatives designed to enhance the professional skills of the Company's employees. A further initiative, known as the "Professional Model", was introduced in 2008. By specifying workers' roles, the Model aims to fill in any gaps between labour legislation and the collective contract, improve relations with the unions and government bodies and reduce the number of disputes.

## **OTHER OPERATIONAL RISKS**

Certain trading relations are governed by specific agreements, some of which have expired. Negotiations regarding the related financial conditions and other aspects of their renewal are often complex.

In particular, the Company is continuing to manage postal savings services in early 2009, despite the related agreement having expired on 31 December 2008. Negotiations are now underway. It should also be noted that, with regard to trading relations with Cassa Depositi e Prestiti (CDP), a number of significant areas of disagreement have arisen with regard to achievement of the objectives set out in the related contract.

With regard to the subsidised tariffs for publishers provided by Poste Italiane SpA, the Cabinet Office does not have sufficient funds available in its budget to pay for a substantial portion of the services provided by the Company. Payment for the subsidies can only take place following specific measures that define the related procedures and the timing of additions to the budget.

This section provides a summary of the operating results and financial position of the Poste Italiane Group and the Parent Company, Poste Italiane SpA, in 2008.

## 3.2 OPERATING RESULTS

### INCOME STATEMENT

(€m)

Poste Italiane Group				Poste Italiane SpA					
Increase/ (Decrease)		Year ended 31 December		Year ended 31 December		Increase/ (Decrease)			
%	Amount	2007	2008	2008	2007	Amount	%		
0.9	92	10,279	10,371						
(0.1)	(6)	5,541	5,535	Revenues	9,825	9,809	16	0.2	
				Earned premiums	n.a.	n.a.	n.a.	n.a.	
				Other income from financial					
47.3	574	1,213	1,787	and insurance activities	55	6	49	n.s.	
2.6	4	154	158	Other operating income	139	142	(3)	(2.1)	
<b>3.9</b>	<b>664.3</b>	<b>17,187.2</b>	<b>17,851.5</b>	<b>Total revenues</b>	<b>10,019.5</b>	<b>9,956.7</b>	<b>62.8</b>	<b>0.6</b>	
4.9	122	2,465	2,587	Cost of goods and services	2,107	2,065	42	2.0	
n.s.	1	0.3	1	Profit/(Loss) on disposal of properties	n.a.	n.a.	n.a.	n.a.	
				Net change in technical provisions for					
(14.8)	(902)	6,082	5,180	insurance business and other claims expenses	n.a.	n.a.	n.a.	n.a.	
				Other expenses deriving from financial					
n.s.	1,370	317	1,687	and insurance activities	7	-	n.s.	n.s.	
3.0	178	5,864	6,042	Staff costs	5,880	5,715	165	2.9	
(5.8)	(33)	573	540	Depreciation, amortisation and impairments	492	528	(36)	(6.8)	
n.s.	(27)	(17)	(44)	Capitalised costs and expenses	(13)	-	n.s.	n.s.	
n.s.	260	126	386	Other operating costs	304	61	243	n.s.	
<b>(17.1)</b>	<b>(304)</b>	<b>1,777</b>	<b>1,473</b>	<b>Operating profit</b>	<b>1,242</b>	<b>1,588</b>	<b>(346)</b>	<b>(21.8)</b>	
10.3	24	234	258	Finance costs	236	233	3	1.3	
28.8	68	236	304	Finance income	269	232	37	15.9	
				Profit/(Loss) on investments accounted					
n.s.	0.7	(0.3)	0.4	for using the equity method	n.a.	n.a.	n.a.	n.a.	
<b>(14.6)</b>	<b>(260)</b>	<b>1,778</b>	<b>1,519</b>	<b>Profit before tax</b>	<b>1,275</b>	<b>1,587</b>	<b>(312)</b>	<b>(19.7)</b>	
(31.8)	(297)	934	637	Taxation	554	883	(329)	(37.3)	
<b>4.6</b>	<b>39</b>	<b>843.6</b>	<b>882.6</b>	<b>Profit for the year (*)</b>	<b>720.8</b>	<b>704.4</b>	<b>16</b>	<b>2.3</b>	

Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

n.a.: not applicable.

n.s.: not significant.

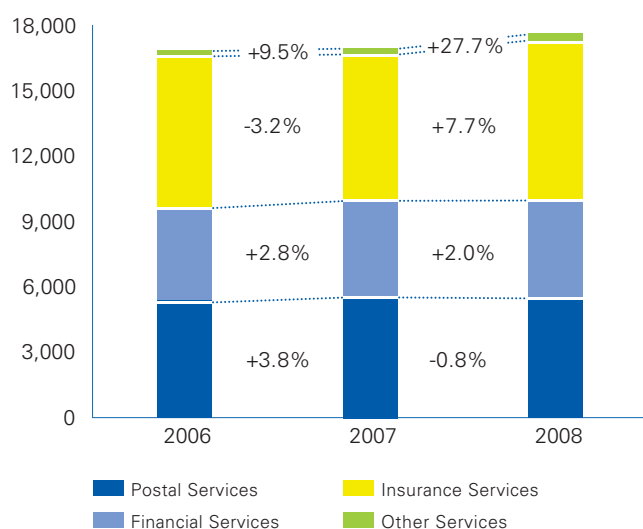
(\*) Profit is entirely attributable to shareholders of the Parent Company, and no portion is attributable to minority interest.

## OPERATING RESULTS OF THE POSTE ITALIANE GROUP (\*)

(€m)	Total revenues		Increase/(Decrease)	
	2007	2008	Amount	%
Postal Services	5,553	5,506	(47)	(0.8)
Financial Services	4,505	4,594	89	2.0
Insurance Services	6,750	7,268	518	7.7
Other Services	379	484	105	27.7
<b>Total Poste Italiane Group</b>	<b>17,187.2</b>	<b>17,851.5</b>	<b>664.3</b>	<b>3.9</b>

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

### Total Group revenues (€m)



A more detailed breakdown of revenues by type of revenue/income is shown below:

(€m)	Revenues			Earned premiums			Other income from financial and insurance activities			Other operating income		
	2007	2008	Inc./ (Dec.) %	2007	2008	Inc./ (Dec.) %	2007	2008	Inc./ (Dec.) %	2007	2008	Inc./ (Dec.) %
Postal Services	5,537	5,483	(1.0)	-	-	-	-	-	-	16	23	43.8
Financial Services	4,500	4,538	0.8	-	-	-	6	55	n.s.	0	-	n.s.
Insurance Services	-	-	-	5,541	5,535	(0.1)	1,207	1,732	43.5	1	1	n.s.
Other Services	242	350	44.6	-	-	-	-	-	-	137	134	(2.2)
<b>Total Poste Italiane Group</b>	<b>10,279</b>	<b>10,371</b>	<b>0.9</b>	<b>5,541</b>	<b>5,535</b>	<b>(0.1)</b>	<b>1,213</b>	<b>1,787</b>	<b>47.3</b>	<b>154</b>	<b>158</b>	<b>2.6</b>

n.s.: not significant.

Postal Services (€m)	Total revenues		Increase/(Decrease)	
	2007	2008	Amount	%
Poste Italiane SpA	5,019	4,953		
intercompany revenues	15	16		
<b>Poste Italiane SpA – external revenues</b>	<b>5,004</b>	<b>4,937</b>	<b>(67)</b>	<b>-1.3</b>
SDA Express Courier SpA	442	457		
intercompany revenues	158	151		
<b>SDA Express Courier SpA – external revenues</b>	<b>284</b>	<b>306</b>	<b>22</b>	<b>7.7</b>
Postel Group	451	362		
intercompany revenues	203	121		
<b>Postel Group – external revenues</b>	<b>248</b>	<b>241</b>	<b>(7)</b>	<b>-2.8</b>
Mistral Air Srl	21	24		
intercompany revenues	16	19		
<b>Mistral Air Srl – external revenues</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>
Poste Italiane Trasporti SpA	30	35		
intercompany revenues	30	34		
<b>Poste Italiane Trasporti SpA – external revenues</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>n.s.</b>
Italia Logistica Srl	28	33		
intercompany revenues	16	17		
<b>Italia Logistica Srl – external revenues</b>	<b>12</b>	<b>16</b>	<b>4</b>	<b>33.3</b>
Consorzio Logistica Pacchi ScpA	71	115		
intercompany revenues	71	115		
<b>Consorzio Logistica Pacchi ScpA – external revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n.s.</b>
<b>Total external revenues</b>	<b>5,553</b>	<b>5,506</b>	<b>(47)</b>	<b>-0.8</b>

n.s.: not significant.

The Group's *total revenues*, amounting to 17,852 million euros, are up 3.9% on 2007, reflecting a slight reduction for Postal Services (5,553 million euros in 2007 compared with 5,506 million euros for 2008), substantially stable revenues from Financial Services (up from 4,505 million euros in 2007 to 4,594 million euros for 2008) and an increase in revenues from Insurance Services (up from 6,750 million euros in 2007 to 7,268 million euros for 2008), despite the figure for earned premiums being substantially in line with 2007 (a reduction of 6 million euros in premiums and other income from Insurance Services compared with 2007). Total revenues from Insurance Services include 1,732 million euros (1,207 million euros in 2007) in other income from financial and insurance activities. The increase in this item compared with 2007 derives primarily from movements in the fair value of financial liabilities.

These results reflect the Group's ability to successfully respond to the challenges presented by the current economic downturn, which has resulted in a slowdown in the real economy, a fall in consumer spending and a reduction in savings capacity.

Revenues from Other Services, generated by activities unrelated to the postal, financial and insurance segments, primarily regard revenues from the following sources:

- income from property sales and leases generated by EGI SpA, totalling 87 million euros (37 million euros in 2007);
- sales through the Shop in Shop channel operating within the PosteShop network, amounting to 66 million euros (68 million euros in 2007);
- income from collective asset management activities carried out by BancoPosta Fondi SpA SGR, totalling 40 million euros (38 million euros in 2007);
- revenues from services provided in connection with the regularisation of immigrant workers, amounting to 28 million euros (33 million euros in 2007).

## COST ANALYSIS

Costs (€m)	2007	2008	Inc.//(Dec.) %
Cost of goods and services	2,465	2,587	4.9
Profit/(Loss) on disposal of properties	-	1	n.s.
Net change in technical provisions for insurance business and other claims expenses	6,082	5,180	(14.8)
Other expenses deriving from financial and insurance activities	317	1,687	n.s.
Staff costs	5,864	6,042	3.0
Depreciation, amortisation and impairments	573	540	(5.8)
Capitalised costs and expenses	(17)	(44)	n.s.
Other operating costs	126	386	n.s.
<b>Total costs</b>	<b>15,410</b>	<b>16,379</b>	<b>6.3</b>

n.s.: not significant.

Costs and other charges primarily regard the following items:

- the cost of goods and services, which are up 4.9% compared with 2007, as a result of rises in the cost of raw materials, increased expenses due to the new system of meal provision for staff (up 35 million euros on 2007) that extended the distribution of luncheon vouchers to all staff from 1 September, and the costs connected to marketing the PosteMobile service, which began operating in November 2007;
- losses resulting from the fair value measurement of financial instruments (investments linked to Branch III policies) held by Poste Vita;
- the net change in technical provisions linked to the performance of premiums earned in 2008 which, together with claims expenses, redemptions and other items, recorded a decline in obligations to policyholders;
- other operating costs, with the increase in this item primarily attributable to the Parent Company, as described below, and the expected charges to be incurred by Poste Vita in relation to the conversion of two index-linked policies.

Staff costs, which are shown in the following table, also contributed to the increase in operating costs:

Staff costs (€m)	2007	2008	Increase/(Decrease)	
			Amount	%
Salaries, social security contributions and sundry charges (*)	5,603	5,759	156	2.8
Net provisions for disputes	265	431	166	62.6
Provisions to/(Releases from) the solidarity fund	(6)	0	6	n.s.
Redundancy payments	57	55	(2)	(3.5)
<b>Total</b>	<b>5,919</b>	<b>6,245</b>	<b>326</b>	<b>5.5</b>
Income from temporary contract agreement	-	(203)	(203)	n.s.
Reduction in staff termination benefits (curtailment)	(55)	-	55	n.s.
<b>Total staff costs</b>	<b>5,864</b>	<b>6,042</b>	<b>178</b>	<b>3.0</b>

n.s.: not significant.

(\*) This includes the following items reported in note 37 to the consolidated financial statements: salaries and wages; social security contributions; staff termination benefits; temporary work; Directors' fees and expenses; other costs.

The ordinary component of staff costs, relating to salaries, wages, contributions and sundry expenses, reports an increase of 2.8%, which rises to 5.5% if provisions for liabilities and charges are taken into account. The increase from 5,919 million euros in 2007 to 6,245 million euros in 2008 is essentially due to salary increases linked to renewal of the National Collective Labour Contract for the four-year period 2007-2010, signed on 11 July 2007, and net provisions for disputes which, as in the past, are mainly linked to the dispute over fixed-term contracts.

After taking into account the impact of non-recurring income of 203 million euros, deriving from the agreement reached on 10 July 2008 between the Parent Company and the labour unions, regarding the re-employment by court order of staff previously employed by the Company on fixed-term contracts<sup>9</sup>, total staff costs amount to 6,042 million euros (5,864 million euros in 2007).

The above performance has resulted in *Operating profit* of 1,473 million euros (1,777 million euros in 2007). A breakdown by segment is shown in the following table.

Operating profit: segment information <sup>(*)</sup> (€m)	2007	2008	Increase/(Decrease)	
			Amount	%
Postal Services	121	(57)	(178)	n.s.
Financial Services	1,390	1,156	(234)	(16.8)
Insurance Services	210	232	22	10.5
Other Services	45	132	87	n.s.
Elimination <sup>(**)</sup>	11	10	(1)	(9.1)
<b>Total Poste Italiane Group</b>	<b>1,777</b>	<b>1,473</b>	<b>(304)</b>	<b>(17.1)</b>

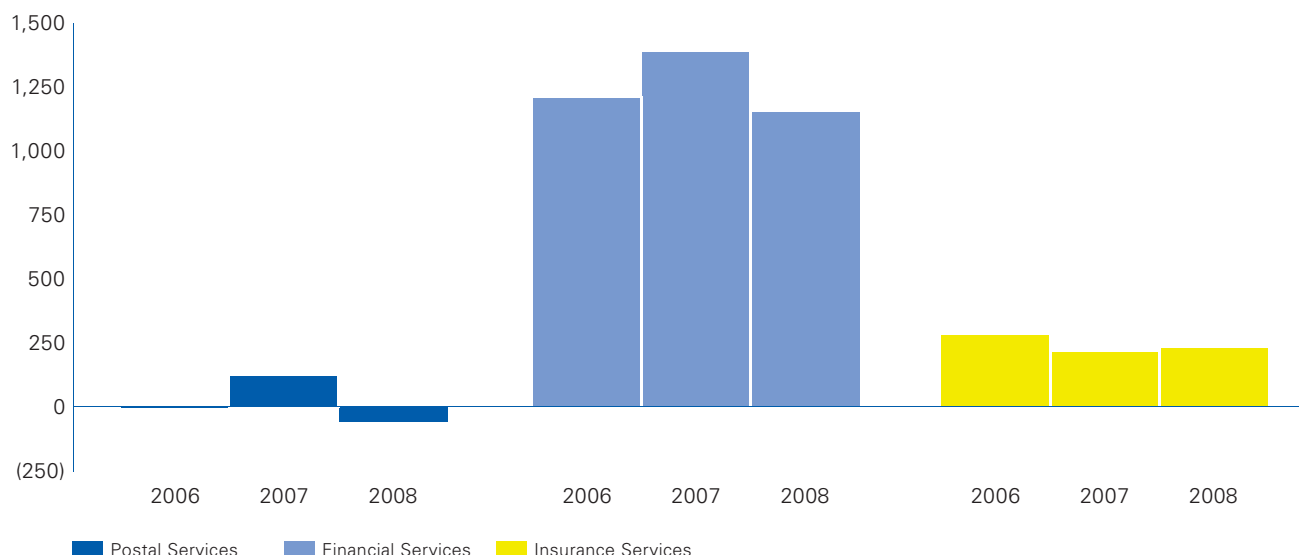
Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

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

(\*\*) Elimination of inter-segment transactions in the form of interest paid to Group companies and thus recognised in these companies' finance income.

n.s.: not significant.

#### Poste Italiane Group - EBIT by principal segment (€m)



After net finance income of 46 million euros (2 million euros in 2007), profit before tax amounts to 1,519 million euros (1,778 million euros in 2007). Whilst continuing to account for a high proportion of profit, above all due to the high tax rate applied by the Parent Company due to the large amount of non-deductible staff costs for the purposes of IRAP (regional

9. Under the agreement, staff who accept the related terms and conditions are required, as occurred following the agreement of 2006, to return any amounts paid by the Company, following the sentence that ordered their re-employment, for periods during which they did not work. These matters are discussed in the section "Industrial relations".

business tax), taxation was significantly down at 637 million euros in 2008, compared with 934 million euros for 2007. This reflects both reductions in tax rates (IRES or corporation tax is down from 33% to 27.5%, whilst the ordinary IRAP rate is down 0.35% from 4.25% to 3.90%), and the positive impact of the option, exercised by a number of consolidated companies, to deduct off-book tax deductions applied up to 31 December 2007. This enabled the Group to reduce deferred tax liabilities by 148 million euros in return for payment of total substitute tax of 83 million euros, thus representing a tax benefit of 65 million euros. The figure for taxation also reflects an IRES credit of 27.5 million euros. This derives from the decision to claim a rebate for IRES paid by consolidated companies, amounting to up to 10% of IRAP paid in previous years, as established by art. 6 of Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009.

Net profit for the year thus amounts to 883 million euros (844 million euros for 2007).

## OPERATING RESULTS OF POSTE ITALIANE SPA

Revenues (€m)	2007	2008	Increase/(Decrease)	
			Amount	%
Mail and Philately	4,126	4,045	(81)	(2.0)
Express Delivery and Parcels	218	202	(16)	(7.3)
<b>Total external revenues from Postal Services (*)</b>	<b>4,344</b>	<b>4,247</b>	<b>(97)</b>	<b>(2.2)</b>
<b>BancoPosta Services</b>	<b>4,709</b>	<b>4,781</b>	<b>72</b>	<b>1.5</b>
<b>Other revenues</b>	<b>81</b>	<b>91</b>	<b>10</b>	<b>12.3</b>
<b>External revenues</b>	<b>9,134</b>	<b>9,119</b>	<b>(15)</b>	<b>(0.2)</b>
<b>Servizio Postale Universale subsidies (**)</b>	<b>371</b>	<b>364</b>	<b>(7)</b>	<b>(1.9)</b>
<b>Tariff subsidies (**)</b>	<b>304</b>	<b>342</b>	<b>38</b>	<b>12.5</b>
<b>Total Poste Italiane SpA</b>	<b>9,809</b>	<b>9,825</b>	<b>16</b>	<b>0.2</b>
(*) External revenues from Business Unit Postal Services				
	4,344	4,247		
USO subsidies				
	371	364		
Tariff subsidies (**)				
	304	342		
<b>Total Business Unit Postal Services</b>	<b>5,019</b>	<b>4,953</b>	<b>(66)</b>	<b>(1.3)</b>

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

**Poste Italiane SpA's revenues** amount to 9,825 million euros, which is substantially in line with the previous year (up 0.2% on 2007) despite the recession.

External revenues are down from the 9,134 million euros of 2007 to 9,119 million euros, marking a reduction of 15 million euros on the previous year. This reflects a decline in revenues from Postal Services (down 97 million euros on 2007) due primarily, as discussed in the section on the various areas of business, to a reduction in unrecorded mail resulting from the impact of deregulation of the postal services market, and slight increases in revenues generated by BancoPosta (up 72 million euros) and Other Revenues (up 10 million euros). The result achieved by BancoPosta is particularly positive if viewed in the light of the negative conditions in the financial markets. Moreover, with regard to the management of postal savings deposits, it should be noted that, as a result of circumstances and events linked to the economic downturn and the crisis in financial markets, which was also reflected in a far higher redemption rate than expected, a number of significant areas of disagreement have arisen between Cassa Depositi e Prestiti and the Company with regard to achievement of the objectives set out in the related agreement. In this respect, the Directors believe that Poste Italiane SpA has, in any event, behaved perfectly correctly, an opinion also confirmed by external legal advisors. However, on the basis of talks between the two companies aimed at resolving the dispute, Poste Italiane SpA has made provisions based on a best estimate of the charges that may result from such a resolution, as described in the paragraph on costs for the year.

In the meantime, negotiation of a new contract has begun. This is of great operational importance for the Company, which is continuing to operate in early 2009 without a contractual agreement having been reached.

The annual performance was also influenced by the European Commission's Decision C42/2006 of 16 July 2008 which, as discussed below in the section on the various areas of business, in addition to requiring the Company to return certain amounts to the MEF, relating to what the Commission holds to be State aid received during the three-year period 2005-2007, has had an impact on income from the investment of current account deposits. The floating interest rate used to determine the return for 2008 has, in fact, been calculated on the basis set out in the Commission's decision.

A portion of Servizio Postale Universale (Universal Service Obligation - USO) subsidies of 364 million euros, amounting to 359 million euros, was calculated on the basis of the subsidy-cap mechanism envisaged by the Contratto di Programma (Planning Agreement) for 2006-2008, which was signed on 17 September 2008 by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, and Poste Italiane SpA. The remaining 5 million euros also relate to the above three-year period but, as will be explained below, are to be covered by a specific addendum.

The tariff subsidies due to the Company as a result of the legally required application of reduced-rate tariffs to certain sectors (publishing, non-profit organisations, election campaign material) are up from the 304 million euros of 2007 to 342 million euros for 2008, reflecting the increased amount of election campaign material sent compared with 2007 (14 million euros in 2007, compared with 70 million euros in 2008). This was a result of the general and local elections held during the year, which more than offset reduced publisher tariff subsidies received from the Cabinet Office.

## COST ANALYSIS

Costs (€m)	2007	2008	Inc.//(Dec) %
Cost of goods and services	2,065	2,107	2.0
Other expenses deriving from financial activities	-	7	n.s.
Staff costs	5,715	5,880	2.9
Depreciation, amortisation and impairments	528	492	(6.8)
Capitalised costs and expenses	-	(13)	n.s.
Other operating costs	61	304	n.s.
<b>Total costs</b>	<b>8,369</b>	<b>8,777</b>	<b>4.9</b>

n.s.: not significant.

Operating costs of 8,777 million euros (8,369 million euros in 2007) account for 88% of revenues, compared with 84% in 2007. The increase reflects:

- a rise in the cost of goods and services, reflecting increased expenses due to the new system of meal provision for staff (up 35 million euros on 2007) that extended the distribution of luncheon vouchers to all staff from 1 September. Thus, excluding this item and despite general rises in the cost of raw materials, the Company was able to keep such costs in line with the previous year, providing proof of its strong commitment to cost containment;
- an increase in staff costs, with the ordinary component, relating to salaries, wages, contributions and sundry expenses rising 2.6%, and provisions for liabilities and charges taking the increase to 2.9%. This, despite a substantially unchanged average workforce (both permanent and flexible workforce down 0.1% compared with 2007), is due to salary increases linked to renewal of the National Collective Labour Contract for the four-year period 2007-2010, signed on 11 July 2007, and net provisions for disputes which, as in the past, are mainly linked to the dispute over fixed-term contracts. However, total staff costs of 5,880 million euros benefited from the impact of non-recurring income of 203 million euros, deriving from the agreement reached on 10 July 2008 between the Parent Company and the labour unions, regarding the re-employment by court order of staff previously employed by the Company on fixed-term contracts<sup>10</sup>;

10. Under the agreement, staff who accept the related terms and conditions are required, as occurred following the agreement of 2006, to return any amounts paid by the Company, following the sentence that ordered their re-employment, for periods during which they did not work. These matters are discussed in the section "Industrial relations".

Staff costs (€m)	2007	2008	Increase/(Decrease)	
			Amount	%
Salaries, social security contributions and sundry charges (*)	5,456	5,596	140	2.6
Net provisions for disputes	262	432	170	64.9
Provisions to/(Releases from) the solidarity fund	(6)	-	6	n.s.
Redundancy payments	56	55	(1)	(1.8)
<b>Total costs</b>	<b>5,768</b>	<b>6,083</b>	<b>315</b>	<b>5.5</b>
Income from temporary contract agreement	-	(203)	(203)	n.s.
Reduction in staff termination benefits (curtailment)	(53)	-	53	n.s.
<b>Total</b>	<b>5,715</b>	<b>5,880</b>	<b>165</b>	<b>2.9</b>

n.s.: not significant.

(\*) This includes the following items reported in note 32.1 to the separate financial statements: salaries and wages; social security contributions; staff termination benefits; temporary work; Directors' fees and expenses; other costs.

- an increase in other operating costs from 61 million euros in 2007 to 304 million euros in 2008. Costs for the year primarily consist of impairments of receivables, operational risks associated with BancoPosta, provisions for liabilities and charges, and taxation. These costs include impairments of receivables due from the State, in order to take account of likely delays and difficulties in collecting the amounts due as a result of public finance requirements. The balance also includes provisions of 75 million euros representing an estimate of the charges that may result from a resolution of the dispute with Cassa Depositi e Prestiti described above in the paragraph on revenue. The increase also reflects the composition of the balance for 2007, which benefited from the release of provisions made in previous years and no longer held to be necessary.

After net finance income, *profit before tax* from ordinary activities amounts to 1,275 million euros (1,587 million euros in 2007). Whilst continuing to account for a high proportion of profit, above all due to the high tax rate applied by the Parent Company due to the large amount of non-deductible staff costs for the purposes of IRAP (regional business tax), taxation was significantly down at 554 million euros in 2008, compared with 883 million euros for 2007. This reflects both reductions in tax rates (IRES or corporation tax is down from 33% to 27.5%, whilst the IRAP rate applied on average is down from 4.67% to 4.33%), and the positive impact of the option, exercised by the Company, to deduct off-book tax deductions applied up to 31 December 2007. This enabled the Company to reduce deferred tax liabilities by 146 million euros in return for payment of substitute tax of 82 million euros, thus representing a tax benefit of 64 million euros. The figure for taxation also reflects an IRES credit of 26 million euros. This derives from the decision to claim a rebate for IRES paid for the years from 2004 to 2006, amounting to up to 10% of IRAP paid in the same years, as established by art. 6 of Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009.

### 3.3 FINANCIAL POSITION AND CASH FLOW

#### FINANCIAL POSITION AND CASH FLOW OF THE POSTE ITALIANE GROUP

The Poste Italiane Group's balance sheet reports **Net invested capital** of 2,737 million euros (3,334 million euros at 31 December 2007), financed entirely by equity.

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Non-current assets		3,731	3,872	141
Working capital		1,081	380	(701)
Staff termination benefits	[25]	(1,479)	(1,515)	(36)
<b>Net invested capital</b>		<b>3,334</b>	<b>2,737</b>	<b>(597)</b>

(\*) Notes to the consolidated financial statements.

At 31 December 2008 and 2007 **Non-current assets** break down as follows:

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Property, plant and equipment	[5]	3,142	3,236	94
Investment property	[6]	194	172	(22)
Intangible assets	[7]	385	453	68
Investments accounted for using the equity method	[8]	9	7	(2)
Non-current assets held for sale	[18]	1	4	3
<b>Non-current assets</b>		<b>3,731</b>	<b>3,872</b>	<b>141</b>

(\*) Notes to the consolidated financial statements.

Compared with the situation at the end of 2007, Non-current assets report a net increase of 141 million euros, following additions of 712.8 million euros and reductions of 571.8 million euros.

*Additions* regard:

- investments in *Property, plant and equipment*, amounting to 485.3 million euros, mainly carried out by the Parent Company and primarily relating to the reorganisation of delivery services (the restructuring of sorting offices, the purchase of equipment for the activities of the new delivery centres), and to the restructuring, modernisation and upgrading of Post Offices owned by the Company (purchases of hardware for new information technology systems for Post Offices and head office premises, and continued work on the restyling of Offices);
- investments in *Intangible assets*, amounting to 226 million euros, primarily by the Parent Company and the subsidiary, PosteMobile. The Parent Company's investments regard the purchase and entry into service of new software applications for both the maintenance and development of accounting systems and technology infrastructure used to support service provision, above all financial and insurance services. The investments carried out by PosteMobile SpA regard software for the ICT platform used in its role as a mobile virtual network operator;
- purchases of *Investment property*, amounting to 0.8 million euros;
- adjustments and reclassifications of 0.4 million euros;
- acquisitions of *Investments*, totalling 0.3 million euros and attributable to subscription of the entire share capital of the newly established Poste Voice SpA, amounting to 0.1 million euros, and the subsequent contribution of 0.2 million euros to recapitalise the company, whose share capital had been reduced to below the legally required minimum (art. 2447 of the Italian Civil Code).

*Reductions* regard:

- sales of *Investment property*, totalling 20 million euros, and of *Property, plant and equipment*, amounting to 8 million euros (primarily relating to the retirement of plant and the disposal of operating properties by the Parent Company);
- changes in the basis of consolidation, totalling 3.3 million euros, following the deconsolidation of the associate, C-GLOBAL SpA, which from 1 January 2008 is accounted for in *Financial assets* as a result of the reduction in the Group's interest to 17%;
- sales of industrial properties owned by the Parent Company and accounted for in *Non-current assets held for sale*, amounting to 0.5 million euros;
- depreciation, amortisation and impairments, totalling 540 million euros.

At 31 December 2008 and 2007 **Working capital** breaks down as follows:

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Inventories	[12]	54	53	(1)
Trade receivables and other current assets	[13] [15]	4,570	4,105	(465)
Trade payables and other current liabilities	[27] [29]	(3,376)	(3,452)	(76)
Current and deferred tax assets and liabilities	[10] [14] [28]	309	300	(9)
Provisions for liabilities and charges	[24]	(873)	(1,169)	(296)
Other non-current assets and liabilities	[11] [29]	398	543	145
<b>Working capital (**)</b>		<b>1,081</b>	<b>380</b>	<b>(701)</b>

(\*) Notes to the consolidated financial statements.

(\*\*) Working capital does not include the amount of 485 million euros payable by the Parent Company to parents, following the European Commission's Decision C42/2006 of 16 July 2008. This sum was paid into a fixed-term deposit account set up in favour of the Ministry of the Economy and Finance and paid to the MEF in January 2009.

**Working capital** amounts to 380 million euros, representing a decrease of 701 million euros compared with the end of 2007. The main movements include:

- a net decrease in *Trade receivables and other current assets* of 465 million euros, reflecting the receipt of 668 million euros due to the Parent Company in the form of Servizio Postale Universale (Universal Service Obligation) subsidies for previous years;
- an increase in *Provisions for liabilities and charges*, representing the balance of provisions of 742 million euros and uses/releases of 446 million euros. The principal provisions regarded various disputes with staff (505 million euros), primarily relating to fixed-term contracts used by the Parent Company. The principal uses/releases include 240 million euros regarding payments made to settle staff disputes during the year, again primarily attributable to the Parent Company.

At 31 December 2008 **Equity** amounts to 3,422 million euros (3,073 million euros at 31 December 2007) and breaks down as follows:

- Share capital 1,306 million euros
- Reserves 265.3 million euros
- Retained earnings 1,850.3 million euros.

Compared with 31 December 2007, Equity has increased by 348.6 million euros as a result of the following changes.

Additions:

- net profit for the year of 882.6 million euros;
- movements in the fair value reserves, amounting to 164.7 million euros after the related tax effect;
- movements in the cash flow hedge reserves, amounting to 61.2 million euros after the related tax effect.

Reductions:

- the amount payable to the MEF, totalling 458.5 million euros, following the European Commission's Decision C42/2006 of 16 July 2008;
- the payment of dividends to shareholders, totalling 245 million euros;
- the recognition in equity of the net balance of actuarial gains/(losses) on employee termination benefits, amounting to 56.4 million euros after the related tax effect.

At 31 December 2008 **Net funds**, which are analysed in the following schedule, do not include the Parent Company's fixed-term deposit set up in favour of the Ministry of the Economy and Finance, following the European Commission's Decision C42/2006 of 16 July 2008. The amount deposited was used to pay off the resulting amount payable to parents, totalling 485 million euros, in January 2009.

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
<b>Financial liabilities</b>	[26]	<b>8,138</b>	<b>7,544</b>	<b>(594)</b>
- Financial assets designated at fair value		3,637	2,816	(821)
- Bonds		771.6	771	(1)
- Shareholder loans		995	840	(155)
- Bank borrowings		703	667	(36)
- Other borrowings		197	153	(44)
- Other (**)		1,834	2,297	463
<b>Technical provisions for insurance business</b>	[23]	<b>24,929</b>	<b>28,333</b>	<b>3,404</b>
<b>Liabilities attributable to BancoPosta</b>	[16]	<b>37,335</b>	<b>37,064</b>	<b>(271)</b>
<b>Financial assets</b>	[9]	<b>(30,441)</b>	<b>(32,370)</b>	<b>(1,929)</b>
- Loans and receivables		(1,170)	(1,028)	142
- Investments held for sale		(17,057)	(19,502)	(2,445)
- Financial instruments designated at fair value through the income statement		(12,211)	(11,827)	384
- Other derivative financial instruments		(2)	(13)	(11)
<b>Assets attributable to BancoPosta</b>	[16]	<b>(38,940)</b>	<b>(38,909)</b>	<b>31</b>
<b>Technical provisions for claims attributable to reinsurers</b>	[11.1]	-	<b>(0.2)</b>	<b>(0.2)</b>
<b>Net liabilities/(assets)</b>		<b>1,020</b>	<b>1,662</b>	<b>642</b>
<b>Cash and cash equivalents</b>	[17]	<b>(759)</b>	<b>(2,346)</b>	<b>(1,587)</b>
<b>Net debt/(funds)</b>		<b>261</b>	<b>(684)</b>	<b>(945)</b>

(\*) Notes to the consolidated financial statements.

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

The above analysis reflects an improvement of 945 million euros, with net funds at 31 December 2008 amounting to 648 million euros, compared with net debt of 261 million euros at the end of 2007. This primarily reflects an increase in cash from operating activities, as reported below.

(€m)	2007	2008
<b>Cash and cash equivalents at beginning of year</b>	<b>1,416</b>	<b>759</b>
Cash flow from/(for) operating activities	(384)	2,562
Cash flow from/(for) investing activities	(749)	(629)
Cash flow from/(for) financing activities and shareholder transactions	476	(346)
<b>Net change in cash and cash equivalents</b>	<b>(657)</b>	<b>1,587</b>
<b>Cash and cash equivalents at end of year</b>	<b>759</b>	<b>2,346</b>

Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

**Liquidity** at 31 December 2008 stands at 2,346 million euros (759 million euros at the end of 2007).

The increase in liquidity primarily reflects cash temporarily held by Poste Vita whilst waiting to be invested, partly in view of the current situation in financial markets. Such investments are linked to Branch I policies.

The increase is also attributable to further cash generated by the Parent Company's operating activities, which in this way was also able to fund capital expenditure and financial investments, the payment of dividends to shareholders and payment (via the fixed-term deposit) of the amount payable to the MEF following the European Commission's Decision C42/2006 of 16 July 2008 regarding State aid.

Operating cash flow also benefited from the reduction in current tax expense, reflecting application of the historical method for calculating advances, and the receipt of Servizio Postale Universale (Universal Service Obligation) subsidies for previous years.

## FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SPA

Poste Italiane SpA's balance sheet reports **Net invested capital** of 3,098 million euros, 99.7% financed by equity and 0.3% by debt.

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Non-current assets		4,396	4,519	123
Working capital		842	66	(776)
Staff termination benefits	[22]	(1,452)	(1,487)	(35)
<b>Net invested capital</b>		<b>3,786</b>	<b>3,098</b>	<b>(688)</b>

(\*) Notes to the separate financial statements.

At 31 December 2008 and 2007 **Non-current assets** break down as follows:

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Property, plant and equipment	[4]	2,989	3,066	77
Investment property	[5]	108	91	(17)
Intangible assets	[6]	246	301	55
Investments	[7]	1,053	1,058	5
Non-current assets held for sale	[16]	0	3	3
<b>Non-current assets</b>		<b>4,396</b>	<b>4,519</b>	<b>123</b>

(\*) Notes to the separate financial statements.

Compared with the situation at the end of 2007, Non-current assets report a net increase of 123 million euros, following additions of 654 million euros and reductions of 531 million euros.

*Additions* regard:

- investments in *Property, plant and equipment*, amounting to 439 million euros, *Intangible assets*, totalling 196 million euros, and *Investment property*, amounting to 1 million euros, with 45% regarding information technology and telecommunications networks, 35% postal logistics and 20% the restructuring and upgrading of Post Offices;
- acquisition of *Investments*, totalling 18 million euros and attributable to: a contribution of 10 million euros paid to PosteMobile SpA, including 7 million euros to recapitalise the company and 3 million euros for future capital increases; a contribution of 7.4 million euros paid to Mistral Air Srl to recapitalise the company, whose share capital had been reduced to below the legally required minimum (art. 2482 of the Italian Civil Code); subscription of the entire share capital of the newly established Poste Voice SpA, amounting to 0.1 million euros, and the subsequent contribution of 0.2 million euros to recapitalise the company, whose share capital had been reduced to below the legally required minimum (art. 2447 of the Italian Civil Code).

*Reductions* regard:

- sales of *Investment property*, totalling 18 million euros, and of *Property, plant and equipment*, amounting to 8 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 1 million euros;
- *Other operating costs* of 12 million euros, regarding impairments of *Investments*;
- depreciation, amortisation and impairments of 492 million euros, which includes 349 million euros relating to depreciation of *Property, plant and equipment*, 144 million euros to amortisation of *Intangible assets* and 1 million euros regarding revaluations of *Investment property*.

At 31 December 2008 and 2007 **Working capital** breaks down as follows:

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/(Decrease)
Trade receivables and other current assets	[11] [13]	4,297	3,749	(548)
Trade payables and other current liabilities	[24] [26]	(3,144)	(3,241)	(97)
Current and deferred tax assets and liabilities	[9] [12] [25]	247	294	47
Provisions for liabilities and charges	[21]	(808)	(1,083)	(275)
Other non-current assets and liabilities	[10] [26]	250	347	97
<b>Working capital (**)</b>		<b>842</b>	<b>66</b>	<b>(776)</b>

(\*) Notes to the separate financial statements.

(\*\*) Working capital does not include the amount of 485 million euros payable to parents, following the European Commission's Decision C42/2006 of 16 July 2008. This sum was paid into a fixed-term deposit account set up in favour of the Ministry of the Economy and Finance and paid to the MEF in January 2009.

**Working capital** amounts to 66 million euros, representing a decrease of 776 million euros compared with the end of 2007. The main movements include:

- a net decrease in *Trade receivables and other current assets* of 548 million euros, reflecting the receipt of 668 million euros in the form of Servizio Postale Universale (Universal Service Obligation) subsidies for previous years;
- an increase in *Provisions for liabilities and charges*, representing the balance of provisions of 675 million euros and uses/releases of 400 million euros. The principal provisions regarded various disputes with staff (505 million euros), primarily relating to fixed-term contracts used by the Company. The principal uses/releases include 239 million euros regarding payments made to settle staff disputes during the year.

At 31 December 2008 **Equity** amounts to 3,089 million euros and breaks down as follows:

- Share capital 1,306 million euros
- Reserves 258.4 million euros
- Retained earnings 1,524.5 million euros.

Compared with 31 December 2007, **Equity** has increased by 178.9 million euros as a result of the following changes.

*Additions:*

- net profit for the year of 720.8 million euros;
- movements in the fair value reserves, amounting to 155.8 million euros after the related tax effect;
- movements in the cash flow hedge reserves, amounting to 61 million euros after the related tax effect.

*Reductions:*

- the amount payable to the MEF, totalling 458.5 million euros, following the European Commission's Decision C42/2006 of 16 July 2008;
- the payment of dividends to shareholders, totalling 245 million euros;
- the recognition in equity of the net balance of actuarial gains/(losses) on employee termination benefits, amounting to 55.2 million euros after the related tax effect.

At 31 December 2008 **Net debt**, which is analysed in the following schedule, does not include the fixed-term deposit set up in favour of the Ministry of the Economy and Finance, following the European Commission's Decision C42/2006 of 16 July 2008. The amount deposited was used to pay off the resulting amount payable to parents, totalling 485 million euros, in January 2009.

(€m)	Note (*)	31 December 2007	31 December 2008	Increase/ (Decrease)
<b>Financial liabilities</b>	[23]	<b>4,504</b>	<b>4,764</b>	<b>260</b>
- Bonds		772	771	(1)
- Shareholder loans		995	840	(155)
- Bank borrowings		699	657	(42)
- Other borrowings		144	111	(33)
- Other (**)		1,894	2,385	491
<b>Liabilities attributable to BancoPosta</b>	[14]	<b>37,500</b>	<b>37,206</b>	<b>(294)</b>
<b>Financial assets</b>	[8]	<b>(1,569)</b>	<b>(2,079)</b>	<b>(510)</b>
- Loans and receivables		(1,381)	(1,527)	(146)
- Financial instruments designated at fair value through the income statement		(1)	-	1
- Investments held for sale		(180)	(551)	(371)
- Derivative financial instruments		(8)	(1)	7
<b>Assets attributable to BancoPosta</b>	[14]	<b>(38,940)</b>	<b>(38,909)</b>	<b>31</b>
<b>Net liabilities/(assets)</b>		<b>1,495</b>	<b>982</b>	<b>(513)</b>
<b>Cash and cash equivalents</b>	[15]	<b>(619)</b>	<b>(973)</b>	<b>(354)</b>
<b>Net debt</b>		<b>876</b>	<b>9</b>	<b>(867)</b>

(\*) Notes to the separate financial statements.

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

Net debt has almost been reduced to zero at the end of 2008, having declined from 876 million euros at 31 December 2007 to 9 million euros at 31 December 2008. This primarily reflects cash from operating activities, as reported above with regard to the Group.

(€m)	31 December 2007	31 December 2008
<b>Cash and cash equivalents at beginning of year</b>	<b>1,071</b>	<b>619</b>
Cash flow from/(for) operating activities	(264)	1,494
Cash flow from/(for) investing activities	(668)	(863)
Cash flow from/(for) financing activities and shareholders transactions	481	(277)
<b>Net change in cash and cash equivalents</b>	<b>(452)</b>	<b>354</b>
<b>Cash and cash equivalents at end of year</b>	<b>619</b>	<b>973</b>

Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

## 4. AREAS OF BUSINESS

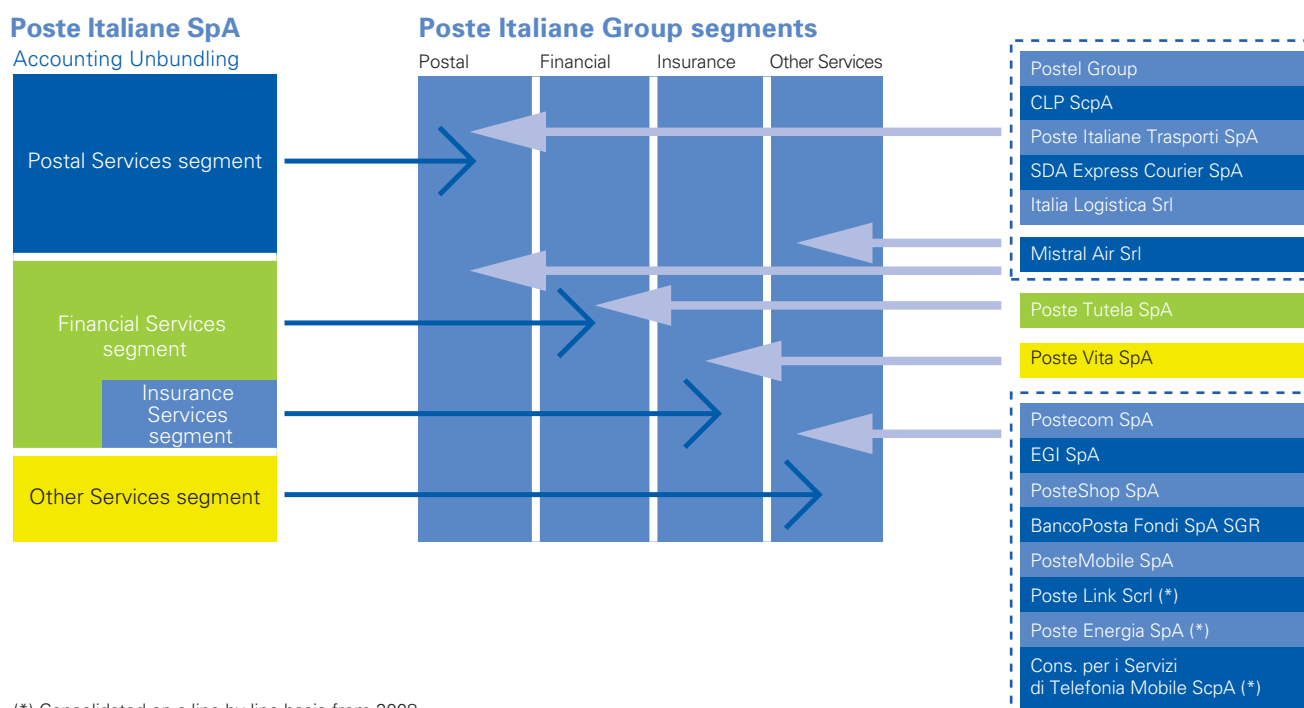
The Poste Italiane Group offers integrated communication, logistics and financial services and products throughout Italy through a network of around 14,000 Post Offices, its website and the contact centre. Poste Italiane SpA is obliged to supply a Universal Postal Service until 2015.

The Group increasingly aims to supply integrated services and innovative solutions to the general public, to businesses and the Public Sector (central and local government bodies) by taking advantage of its distribution channels, as well as the multiple and complementary capabilities of its organisational structure.

The Group also supplies the Public Sector with a variety of collection, payment and reporting services in keeping with the development of e-government processes. It is also extending the range of socially relevant activities carried out through its Post Office network, above all by providing access to public services of an administrative and financial nature, such as the "Rete Amiche" project and the "Social Card" initiative.

The business is organised into the three segments described below: Postal Services, Financial Services and Insurance Services.

- Postal Services, including Mail, Express Delivery and Parcels, and Philately activities carried out by Poste Italiane SpA and certain subsidiaries (SDA Express Courier SpA, the Postel Group, Poste Italiane Trasporti SpA, Mistral Air Srl, Consorzio Logistica Pacchi ScpA and Italia Logistica Srl);
- Financial Services, including the activities of BancoPosta and the subsidiary, Poste Tutela SpA;
- Insurance Services, including the activities carried out by Poste Vita SpA (whose products are distributed through Post Offices) and its subsidiary, Poste Assicura SpA;
- Other complementary activities carried out by Poste Italiane SpA, as well as those conducted by certain Group companies (BancoPosta Fondi SpA SGR, EGI SpA, Postecom SpA, PosteShop SpA, Poste Link Scrl, PosteMobile SpA, Poste Energia SpA and Poste Tributi SpA), which are allocated to the Other Services segment.



## 4.1 BUSINESS UNIT POSTAL SERVICES

This segment includes three areas of activity:

- Mail, comprising Poste Italiane SpA's provision of traditional postal services, as well as direct marketing and innovative services, within the broader sector of paper-based and electronic communications, and the services provided by the Postel Group in the Mass Printing sector;
- Business Unit Philately, which regards the marketing of Postage and Revenue Stamps and products for stamp collectors;
- Express Delivery and Parcels, including express delivery products offered on the deregulated market by Poste Italiane SpA to Retail and SME customers, and by SDA Express Courier to business customers, as well as the Standard Parcels service offered under the Servizio Postale Universale (Universal Service Obligation).

The subsidiaries, Mistral Air Srl and Poste Italiane Trasporti SpA, provide support services and air and road transport, whilst Consorzio Logistica Pacchi ScpA carries out sorting, handling and delivery activities relating to the parcels service.

On 28 February 2008 the agreement covering Italia Logistica Srl's absorption of the activities of Omnia Logistica (a Ferrovie dello Stato Group company) and SDA Logistica Srl (which, on execution of the agreement, changed its name to Italia Logistica Srl) was finalised. This has resulted in the creation of new logistics operator, capable of providing a combined rail and road transport offering for long-distance shipping.

The regulatory framework for the sector was affected by a number of events during 2008, as described below.

The approval procedure for the European Commission's **Third Directive**, regarding the European internal postal services market, was completed on 31 January 2008 with final approval being granted by the European Parliament. Directive 2008/6/CE, published in the EU's Official Gazette on 27 February 2008, has fixed 31 December 2010 as the date for full deregulation of national postal services.

After its approval by the Interministerial Committee for Economic Planning (CIPE) in July 2007 and by the relevant Parliamentary Committees in November 2007, the **Contratto di Programma (Planning Agreement) for 2006-2008** was also given a green light by the European Commission. The Commission's decision of 30 April 2008 found the public subsidies designed to partially cover the cost of providing the universal service between 2006 and 2008, as set out in the Agreement, were in compliance with European regulations governing State aid. The subsidies comply with EU regulations regarding compensation for the fulfilment of public service obligations, as they do not exceed the costs incurred by Poste Italiane SpA in providing the services, and therefore do not enable the Company to cross-subsidise other activities. Having received approval from the European Commission, the Contratto di Programma (Planning Agreement) for 2006-2008 was signed on 17 September 2008 by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, and Poste Italiane SpA. The text of the Agreement was published in the Italian Official Gazette no. 234 of 6 October 2008.

The Contratto di Programma (Planning Agreement) for 2006-2008 has postponed quantification of the remaining public subsidies payable for the three-year period 2006-2008, in order to cover the cost of the Universal Postal Service, until publication of a specific addendum. The draft addendum, which has been drawn up jointly by Poste Italiane SpA and the Ministry for Economic Development, was approved by the Interministerial Committee for Economic Planning on 18 December 2008 and is awaiting signature by the parties concerned.

In November 2008 the Ministry for Economic Development and Poste Italiane SpA began the process of joint preparation of the draft Contratto di Programma (Planning Agreement) for the period 2009-2011.

The **philately** business is also regulated by the Contratto di Programma (Planning Agreement) for 2006-2008, which governs the issuance of Postage and Revenue Stamps, by granting the Ministry for Economic Development the exclusive right to plan the issue of Postage and Revenue Stamps, with responsibility for distribution and marketing assigned to Poste Italiane SpA. The annual issue plan is subject to approval by the "Consulta per l'emissione delle Carte Valori Postali e la Filatelia" ("Council for the Issue of Postage and Revenue Stamps and Philately"), which is chaired by the relevant Minister.

With respect to **reduced rates** for printed matter, Law 222/07 linked to the 2008 Finance Act has introduced, from the 2008 financial year, a percentage reduction in accrued subsidies attributable to each publisher. The reduction has been set at 7% for publishers who have accrued subsidies of less than 1 million euros over the year and at 12% for sums in excess of this amount.

At the same time, Law 222/07 has introduced two changes to the requirements to be met in order to access the reduced rates:

- the limit of 45% on advertising material that may be inserted into periodicals and newspapers must be controlled on the basis of each issue rather than on an annual basis;
- “publications primarily designed to illustrate branded or other distinctly identifiable products and services” do not qualify for the reduced rates.

It should also be noted that the financial resources made available in the government’s budget in order to subsidise these reduced rates are not at all sufficient to cover the accrued amount due or about to fall due. Moreover, the Cabinet Office Decree of 19 December 2008, published in Official Gazette no. 25 of 31 January 2009, has made available only 1 million euros for subsidies in 2009 (and also for the following three years) and 44.5 million euros for subsidies relating to previous years, payment of which was to be distributed over a period of ten years.

Law 31 of 28 February 2008, which converted Law Decree 248/07 (the so-called “**Thousand postponements**” decree) into law, came into force from 1 March 2008. This legislation has introduced changes to the service of legal process by mail, as governed by Law 890/82<sup>11</sup>.

The Ministry for Economic Development Decree of 1 October 2008, published in Official Gazette no. 242 of 15 October 2008, contains the new “**General Conditions for provision of the Universal Postal Service**”, which came into force on 14 November 2008. The above decree specifies the individual products included in the Service and governs the procedures for acceptance, payment and delivery and the levels of service and rights that must be guaranteed to customers. The new text also brings the general conditions of the service into line with legislation introduced in recent years<sup>12</sup>.

Following its decision to launch an investigation into Poste Italiane SpA’s alleged abuse of its dominant position in markets for services which have been or will soon be deregulated, on 27 February 2008 Italy’s **Antitrust Authority** agreed to accept Poste Italiane SpA’s offer, made on 26 October 2007 and 15 November 2007, to enter into contractual commitments to delivery agents, thus making them binding on the Company. The Authority deemed that the commitments are sufficient to eliminate the barriers to competition, contained in Poste Italiane SpA’s contracts with former holders of concessions, that had led the delivery agents to originally refer the matter to the Authority.

On 14 May 2008 the Italian Antitrust Authority (AGCM) issued resolution 26/08/CIR, containing the “Numbering plan for the telecommunications sector and implementation provisions”, confirming Poste Italiane SpA’s right to use the number “186” for the provision of the service that allows customers to send telegrams by phone<sup>13</sup>.

The REIMS III Agreement, governing **international postal services**, came into effect from 1 January 2008. The primary innovation introduced by REIMS III regards a new category for certain types of mail, Level 2<sup>14</sup>, in addition to existing Levels 1 and 3 for traditional mail and Direct Entry, respectively.

The 24th Congress of the Universal Postal Union was held in Geneva between 23 July and 12 August 2008. At the end of the event, the final version of the Universal Postal Convention was approved. This governs cross-border mail and has revised various aspects in the Letter Post Regulations<sup>15</sup>.

In July 2008 Poste Italiane SpA joined forces with 18 consumer associations to publish a new version of its Quality Charter for postal products. The Charter sets out quality standards for each product, which the Company undertakes to comply with, and the main features of the complaints procedure, including the time within which a complaint may be made and within which they will be answered. Refunds are due in the event of failure to comply with the above standards. These not only cover compensation for lost or damaged items, as occurs in many other European countries, but also particularly lengthy delays. The Charter also establishes a maximum time limit, beyond which the delay is considered on a par with the loss of the mail or parcel sent and a refund paid.

11. The above legislation establishes that “If the document is not delivered to the addressee in person, the postal agent notifies the addressee that the legal process has been served by registered letter”. This change involves the issue of a registered letter every time legal process is served on a person other than the addressee, recognised by law as the legitimate addressee of the process.

12. The previous General Conditions of Service were governed by a Ministerial Decree of 9 April 2001.

13. Art. 30, paragraph 12 of Annex A to the resolution states that “Poste Italiane SpA may continue to use the three-digit code ‘186’ to allow customers to dictate telegrams by phone, until occurrence of the condition provided for by paragraph 9 of article 13”, that is the entry of competitors into the telegrams market.

14. Level 2 is for international business mail and creates a new method of remuneration (Terminal Dues) that are subject to specific requirements relating to the automation and segregation of mail.

15. Regulations that implement the part of the Convention relating to mail.

## 4.1.1 COMMERCIAL OFFERING

### Mail

Within the scope of **basic services**<sup>16</sup>, the geographical coverage of the new *Raccomandata 1* service, targeted at retail and SME customers, was extended. This product, which is offered in the three versions *Raccomandata 1*, *Raccomandata 1 con Prova di Consegna* (with Advice of Delivery) and *Raccomandata 1 in Contrassegno* (Cash on Delivery), is now available from approximately 11,000 Post Offices located in major cities and through the PosteBusiness network.

After earlier trials, Posta Pick Up services for SME customers and for business and Public Sector customers were launched in 2008. The former service involves letter carriers collecting mail up to 2 kg in weight at the same time as delivering any incoming mail, whilst the latter regards the collection of franked mail weighing no more than 30 kg from the customer's premises (including the additional cash on delivery and acknowledgement of receipt services). The service for SMEs is available at the main PosteBusiness Offices throughout the country.

The new multi-channel Postatarget range of services has been launched, with a view to catering more closely for different customer needs in relation of **Direct Marketing (DM)** services. The new range has also introduced improvements to quality via the automation of sorting procedures. The range includes Postatarget Card (postcards), Basic (mail shots that can be mechanised), Creative (creative mail shots), Catalog (product catalogues), magazine (corporate newsletters, house organs) and Gold (rapid and distinctive mail shots, with optional value added services).

The process of relaunching the offering has also led to the design and trial of other services aimed at further extending the range on offer to customers<sup>17</sup>.

In order to modernise and further automate delivery processes and the related technology platform, the Company has launched a project designed to gradually equip letter carriers with handheld computers connected to a mobile printer. In this way, they will be able to record delivery of an item of mail, memorising the date and time, and thus enabling the automatic tracking of mail and its delivery. Initial trials, involving 500 letter carriers, began in 2008.

The *Prenotazione Spedizioni della posta commerciale e di quella editoriale* system (a system for reserving mailings of business mail and publications) is also up and running. Customers who make a reservation are guaranteed a preferential service at the acceptance stage, resulting in improved service quality thanks to prompt planning of the logistics chain, and enabling full production capacity to be reached.

The *Sportelli Avanzati Mobili e Fissi* (Mobile and Fixed Advanced Counters) initiative, which regards the acceptance of mail directly at customers' logistics facilities, was implemented for the same purpose.

The **Postel Group** provides communications services for businesses and the Public Sector. In addition to printing and enveloping mail, which traditionally represents the Group's core business, its service offering includes *Mass Printing* (the group of services intended for outsourcers of large volumes of mail); *Direct Marketing* (integrated communications and marketing services combined with the printing of commercial documentation); *Door to Door* (corporate support services for "unaddressed" mail campaigns); and e-procurement (the management, distribution and supply of stationery, IT products, blank forms, printed matter, consumables and other products required by Poste Italiane SpA's network of 14,000 Post Offices).

2008 witnessed completion of the Group's restructuring, which aimed to increase synergies among Group companies and obtain industrial and commercial benefits in the form of efficiency improvements and cost savings. The restructuring, which began in 2007, entailed a "double spin-off" of PostelPrint SpA into Postel SpA and of Postel SpA into PostelPrint SpA. In 2008 acquisition of the "Offset Printing" unit of Baioni Stampa SpA was completed, with the goal of boosting the Group's presence in direct marketing and commercial printing.

The review of production processes and support information systems, in order to safeguard the quality of services and profitability, continued. In this regard, investment activity primarily focused on the purchase of advanced technologies for Mass Printing and e-procurement activities.

16. Basic services refer to standard addressed and unaddressed mail.

17. These services are: Posta Target Gold Link, giving customers the opportunity to promote their products and services and carry out market surveys through the letter carrier system; Posta Target Gold Monitor, providing external certification of delivery times; Posta Report Plus, offering certification of individual deliveries for addressed business mail, based on Audimail surveys.

## Online services

Online services are provided by an integrated electronic communications platform (NPCE), which, by interfacing with the various methods of accepting digital and multi-channel products, enables the Company to connect business customers to the web-service in order to send mail. The services on offer were extended with addition of the "Online Letters" service, which joins the "Online Registered Mail" and the "Online Telegrams" products, which are increasingly used by business customers, mainly SMEs and local government authorities.

Access to the services was extended with the addition of a new mobile phone channel for the sending of telegrams, usable in WAP mode.

The integrated e-commerce offering, "Postecommerce", was launched throughout Italy. This provides an all round, flexible and modular solution, ensuring total or partial coverage of the e-commerce value chain: from creation of the site to the platform for managing online payments, from the logistics and distribution system to the supply of promotional tools, via strategic partnerships with leading companies in the sector.

## Service quality

Quality targets are established by the Postal Market Regulator and regard delivery times, which must be guaranteed for certain percentages of mail. The table below shows actual quality levels for the three-year period 2006-2008 compared with targets set by the Ministry of Communications Decree of 13 March 2006, "Universal postal service quality indicators, 2006-2008", which are also contained in the Contratto di Programma (Planning Agreement) for 2006-2008.

	Delivery within	2007		2008	
		Target	Actual	Target	Actual
<b>Priority Mail</b> (*)	<b>1 day</b>	88.5%	88.2%	89.0%	90.6%
<b>International Mail</b> (**)					
inbound	<b>3 days</b>	85.0%	93.1%	85.0%	94.6%
outbound	<b>3 days</b>	85.0%	92.4%	85.0%	94.1%
<b>Registered Mail</b> (***)	<b>3 days</b>	92.5%	93.8%	92.5%	94.4%
<b>Insured Mail</b> (***)	<b>3 days</b>	92.5%	98.6%	92.5%	98.6%

(\*) Based on data certified by IZI on behalf of the Ministry for Economic Development.

(\*\*) Based on data certified by IPC - Unipost External Monitoring System (UNEX-Country System).

(\*\*\*) Monitored by an electronic tracking system.

## Business Unit Philately

The philately market is made up of approximately one and a half million stamp collectors, one of the largest groups of collectors in Italy.

The promotion of philatelic products takes place mainly through philatelic specialists<sup>18</sup>, who are, among other things, responsible for managing the supply of philatelic products to the 294 Philately Counters.

The products were also promoted during the year through the more than 2,000 temporary stands, offering philately services, set up for exhibitions and events during the year, and by the "Spazi Filatelia" shops, which grew in number with the opening of a new store in Naples<sup>19</sup>.

The Philately Programme for 2008 focused on prestigious and high quality content, with series dedicated to "Italian artistic and cultural heritage", "Made in Italy", the "Institutions", "Italian sport", "Folklore" and "Tourism". With the stamps issued during the year, the "Regions of Italy" and the "Schools and Universities" series came to an end. Technical experimentation with stamps also continued with the creation of two sets of stamps dedicated to the International Philately Festival and Holy Night and issued on gold laminated paper.

Series commemorating events of particular cultural and historical importance were the stamps issued to mark the 60th anniversary of the proclamation of the Italian Constitution, the 100 years since the foundation of the Voluntary Nursing Corps of the Italian Red Cross, the 200 years of the Italian Bourse, the 100 years of the first Olivetti factory, the International Philately Festival, "Italia 2009", and the centenary of the foundation of the Italian National Press Association.

Commemorative series also included stamps marking the one hundredth anniversary of the birth of Amintore Fanfani, the centenary of the birth of Anna Magnani, the centenary of the death of Edmondo De Amicis, the fourth centenary of the birth of Saint Francis Caracciolo, the 150th anniversary of the birth of Giacomo Puccini, and the centenary of the birth of Cesare Pavese.

18. These are dedicated personnel trained to support the promotion of the products offered.

19. Other "Spazio Filatelia" shops are located in Rome, Milan and Venice.

## Express Delivery and Parcels

In order to strengthen the Group's competitiveness in an increasingly deregulated market subject to an uncertain economic outlook, efforts continue to be made to improve the profitability of domestic products and to facilitate and further develop an international presence.

Availability of the pick-up service (an additional service offered in combination with the Postacelere 1 Plus, Paccocelere 1 Plus and Paccocelere 3 products) was extended to further areas of the country, with the service being offered in 27 major cities by the end of 2008<sup>20</sup>.

In line with the objectives included in the business plan, a new domestic express courier product, the electronic Lettera di Vettura, aimed at Retail and SME customers, was launched. This allows waybills to be processed and printed on a personal computer, with information on the terms and conditions of the service available online, thus saving time at the Post Office.

In operational terms, 2008 saw work on the design and development of initiatives aimed at rationalising, innovating and automating the processing of international products. The international transport system was re-engineered and new agreements were concluded with the various airlines who provide transport and delivery services for the most important overseas destinations in terms of traffic flows.

**SDA Express Courier SpA** has become one of the leading operators in the Italian Express Delivery sector, offering integrated solutions for distribution, logistics and catalogue sales, including:

- distribution of the postal products, domestic and international Paccocelere and standard and J+3 Parcels;
- integrated logistics services for third parties (procurement and stock management, production scheduling and transport management on customers' behalf).

The Company's long-term partnership with one of leading international operators in the sector enables it to offer an increasingly efficient international service, including customs clearance, available in over 200 countries.

In order to ensure a positive operating performance and continued growth despite the economic downturn, 2008 saw the Company proceed with the computerisation and automation of its operating processes and with initiatives aimed at safeguarding its market position. In this regard, commercial activities were boosted by the addition of specialist personnel.

Availability of the optional Time definite service, a more advanced form of express courier service, guaranteeing delivery by a certain time on the next working day after collection, was extended to include the Postacelere 1 Plus and Paccocelere 1 Plus products. For these two products, next-day delivery is guaranteed by 10am for a certain list of destinations. Services continued to be offered via the [www.sda.it](http://www.sda.it) website, which was accessed 11.5 million times during the year, with a total of 600,000 requests for collection being registered.

The above performance during 2008 enabled the Company to increase revenues from ordinary activities by 3%, compared with 2007. However, operating profit for 2008 was down on the previous year (1.5 million euros, compared with 6.7 million euros in 2007) due to the growth in operating costs. This primarily reflects the increased cost of fuel and a rise in distribution costs related to compliance with new transport regulations<sup>21</sup>.

## Online services

With regard to e-commerce, the Company continued in its efforts to offer tailor-made solutions for businesses who use Postecommerce, the integrated offering that, among its various functions, allows customers who make many shipments during the year to track their parcels and express courier products on line.

20. Milan and the neighbouring province, including Monza, Rome and province, Florence, Prato, Salerno, Verona, Vicenza, Bari, Bologna, Catania, Turin, Varese, Brescia, Lecce, Naples, Palermo, Pistoia, Rimini, Taranto, Genoa, Parma, Modena, Fermo, Ancona, Perugia, Pescara and Cagliari.

21. EC Regulation 561/2006, which came into force in April 2007. This regards the harmonisation of certain social legislation relating to road transport. The Regulation (which meets the need for clear and simple basic rules governing driving time and break and rest periods for drivers engaged in the road transport of people and goods) makes it obligatory to install a digital tachograph in vehicles entering circulation from 1 May 2006.

### Service quality

The table below shows the quality achieved by the postal service, compared (for Standard Parcels, subject to the Servizio Postale Universale) with the targets set for the three-year period 2006-2008 by the Ministry of Communications Decree of 13 March 2006, "Universal postal service quality indicators, 2006-2008" ("Indici di qualità del servizio postale universale, periodo 2006-2008"), which are also contained in the Contratto di Programma (Planning Agreement) for 2006-2008.

The targets for Postacelere and Paccocelere are contractually binding and were established by SDA and the Parent Company.

	Delivery within	2007		2008	
		Target	Actual	Target	Actual
<b>Standard Parcels</b>	<b>5 days</b>	93.5%	96.1%	94%	95.8%
<b>Postacelere Express Delivery</b>	<b>1 day</b>	90%	96.1%	90%	94.4%
<b>Paccocelere</b>	<b>3 days</b>	98%	99.3%	98%	99.1%

All products are monitored with an electronic tracking system.

### Other companies

**Poste Italiane Trasporti SpA** is a road haulier that operates primarily for the Parent Company and carries postal products over medium to long distances in addition to providing postal product clearing services at the Bologna and Rome Hubs.

In 2008 initiatives continued to be aimed at extending the range of services offered, particularly with respect to district and regional routes, while at the same time realising operating and management cost savings. The Company continued to provide country-wide transport services for customers outside the Group, with the aim of making inroads into the external market. The quality and punctuality of services and the rates offered met with a positive response from users.

**Mistral Air Srl** provides air mail services to Poste Italiane SpA in addition to air freight for other customers.

In 2008, thanks to the use of its three 737 Quick Change aircraft, the Company continued to carry mail during the night and operate cargo and passenger charter flights during the day.

The operating results continue to reflect the costs incurred during the Company's start-up, above all with regard to the addition of three 737 Quick Change aircraft to the fleet in 2007, which has not immediately resulted in increased revenues. The operating loss of 9.7 million euros for 2008 marks a deterioration compared with the loss of 5.6 million euros recorded in 2007, as the rise in operating costs outpaced revenue growth, partly reflecting the impact of higher fuel prices. Revenue growth (53 million euros in 2008, compared with 38 million euros in 2007) was essentially generated by an increase in cargo and passenger charter traffic.

During 2008 it was necessary to cover the losses made in 2007 and in the first half of 2008, as required, in both cases, by art. 2482-ter of the Italian Civil Code (capital below the legal minimum). This situation was repeated at 31 December 2008, with the Company reporting a loss of 7 million euros. Poste Italiane SpA responded in February 2009 by injecting a further 3 million euros into the Company, thereby meeting the requirements of art. 2482-ter.

Mistral Air has also drawn up a business plan setting out commercial initiatives and actions design to boost revenues, rationalise and contain costs. Based on the plan, management is reasonably confident that the Company will shortly break even and achieve satisfactory growth.

**Consorzio Logistica Pacchi ScpA**, which is a wholly owned subsidiary of the Group (51% by Poste Italiane SpA, 39% by SDA Express Courier SpA, 5% by Italia Logistica Srl and 5% by Mistral Air Srl), continued to coordinate, supplement and supervise consortium members' operating activities, and to engage in activities relating to the sorting, handling and delivery of Parcels that Poste Italiane SpA, in its role as a Universal Service provider, is required to carry out. The Consortium is also responsible for air mail letter and newspaper services (night flights) between seven Italian airports provided by the consortium member, Mistral Air, and for the integrated logistics and records management services provided by the consortium member, Italia Logistica Srl.

In order to achieve greater integration of the Group's activities, from May 2008 responsibility for Postacelere 1 Plus, Paccocelere 1 Plus and related services was transferred to the Consortium from SDA Express Courier.

### Italia Logistica Srl

As described above, following the agreed merger of Omnia Logistica (a Ferrovie dello Stato Group company) and SDA Logistica Srl, Italia Logistica Srl was established on 1 August 2008. The new company, which is jointly owned by FS Logistica SpA (a Ferrovie dello Stato Group company) and SDA Express Courier SpA, offers integrated logistics services, combining transport, storage, loading and unloading, preparation and final delivery services to third-party customers. It also manages, again on behalf of third parties, procurement logistics, accepting incoming goods from suppliers and dispatching them to the final customers. The Company also acts as a forwarding agent, manages and operates warehouses used for the storage of licensed, contracted or leased goods and acts as an agent for other Italian and international companies.

## 4.1.2 OPERATING RESULTS

### MAIL AND PHILATELY

	Volumes (000)			Revenues (€m)		
	2007	2008	Incr. (Decr.) %	2007	2008	Incr. (Decr.) %
Priority Mail	1,501,605	1,386,768	-7.6	1,129	999	-11.5
Bulk Mail	1,729,318	1,708,885	-1.2	936	935	n.s.
<b>Total Unrecorded Mail</b>	<b>3,230,923</b>	<b>3,095,653</b>	<b>-4.2</b>	<b>2,065</b>	<b>1,934</b>	<b>-6.3</b>
Registered Mail	250,442	247,616	-1.1	867	872	0.6
Insured Mail and Legal Process	40,005	40,351	0.9	215,0	215,4	0.2
<b>Total Recorded Mail</b>	<b>290,447</b>	<b>287,967</b>	<b>-0.9</b>	<b>1,082</b>	<b>1,087</b>	<b>0.5</b>
<b>Philatelic Products and Other Basic Services</b>	<b>n.s.</b>	<b>n.s.</b>		<b>142</b>	<b>181</b>	<b>27.5</b>
<b>Integrated Services</b>	<b>32,642</b>	<b>45,086</b>	<b>38.1</b>	<b>185</b>	<b>217</b>	<b>17.3</b>
<b>Digital and Multi-channel Services</b>	<b>17,811</b>	<b>17,860</b>	<b>0.3</b>	<b>81</b>	<b>77</b>	<b>-4.9</b>
<b>Direct Marketing</b>	<b>1,418,794</b>	<b>1,437,303</b>	<b>1.3</b>	<b>342</b>	<b>331</b>	<b>-3.2</b>
<b>Unaddressed Mail</b>	<b>611,116</b>	<b>590,858</b>	<b>-3.3</b>	<b>36</b>	<b>32</b>	<b>-11.1</b>
<b>Services for Publishers</b>	<b>1,016,779</b>	<b>969,604</b>	<b>-4.6</b>	<b>184</b>	<b>177</b>	<b>-3.8</b>
<b>Post Office Box rental</b>				<b>8,7</b>	<b>8,6</b>	<b>-1.1</b>
<b>Total market revenues</b>				<b>4,126</b>	<b>4,045</b>	<b>-2.0</b>
Including Philately Products and Revenue Stamps				166	219	31.9
<b>Electoral subsidies</b>				<b>14</b>	<b>70</b>	<b>n.s.</b>
<b>Publisher tariff subsidies</b>				<b>265</b>	<b>247</b>	<b>-6.8</b>
<b>Total Mail and Philately (*)</b>	<b>6,618,512</b>	<b>6,444,331</b>	<b>-2.6</b>	<b>4,405</b>	<b>4,362</b>	<b>-1.0</b>
<b>Postel Group - Third-party revenues</b>				<b>248</b>	<b>241</b>	<b>-2.8</b>

Certain amounts for 2007 have been reclassified in order to ensure comparability across the two years.

n.s.: not significant.

(\*) Overall mail volumes, including items handled by Postel and relating to Promoposta (114 million items), amount to approximately 6.6 billion items at 31 December 2008.

2008 saw a decline in postal volumes, with 6,444 million items handled compared with 6,619 million in 2007. This essentially reflects a general contraction of the market and the initial impact of the process of deregulating the postal market. These two factors were particularly evident in relation to Unrecorded Mail, which reports a reduction in volumes of 4.2% or 135 million items.

Market revenues, before publisher tariff and electoral subsidies (247 and 70 million euros, respectively), amount to 4,045 million euros, compared with 4,126 million euros in 2007 (down 2%). This reflects the above performance, although to varying degrees in the various segments.

The fall in Unrecorded Mail volumes is reflected in revenues, which are down 6.3% from 2,065 million euros in 2007 to 1,934 million euros for 2008.

Revenues from Recorded Mail substantially held up, rising 5 million euros or 0.5% with respect to 2007, despite a slight decline in volumes (down 0.9% on the previous year) due to a different product mix. Increased sales of the Raccomandata 1 product, whose growth was driven by the greater number of enabled Post Offices and an increase in Legal Process services, offset the reduction in more traditional registered mail products (Registered and Insured). This resulted in an increase in revenues, as the unit price charged for Raccomandata 1 is higher than the unit price for the more traditional products. Integrated services for the delivery of legal documents and tax demands also made a positive contribution to the operating result, with these services recording a 38.1% increase in volumes (12 million more items) and 17.3% revenue growth compared with 2007.

Digital and Multi-channel services saw a 4.9% reduction in revenues compared with 2007, reflecting the fact that the positive performance of the new services has yet to offset the natural decline in the more traditional services, such as telegrams.

Despite difficulties in the advertising market, Direct Marketing reports a 1.3% increase in volumes, accompanied by a reduction of 3.2% in revenues, reflecting a different mix of the Posta Target items handled. The increase in volumes was, in fact, concentrated in services (subscription campaigns and Direct Marketing services) with lower unit prices.

Volumes and revenues registered by Services for Publishers are down 4.6% and 3.8%, respectively, following a reduction in mailings by publishers enrolled on the ROC (the Unified Register of Communications Operators) and non-profit entities. This result primarily reflects the new access requirement introduced by Law 222/07, which has established that the limit of 45% on advertising material that may be inserted into periodicals and newspapers must be controlled on the basis of each issue, rather than on an annual basis. As a result, 2008 witnessed a reduction in Publisher tariff subsidies (down 6.8% on 2007), though this also reflected efforts to cut public spending. This form of subsidy is also subject to uncertainty over the effective recoverability of amounts payable to Poste Italiane SpA by the State to cover the reduced-rate tariffs offered to publishers. As in previous years, in 2008 it was necessary to take a prudential approach to recognition of the amount due. Electoral subsidies for 2008 recorded a positive result, with income of 70 million euros. This reflects the fact that the year witnessed both general and local elections.

**Philately** revenues, including those generated by the sale of Revenue Stamps, amount to 219 million euros (166 million euros in 2007). 2008 provided further confirmation of the strength of this market, despite the economic downturn, with stamp sales performing extremely well. Whilst the volume of purchases was higher than usual, loyal collectors and customers in general reduced spending on stamp-related items, which thus registered a slight decrease in sales.

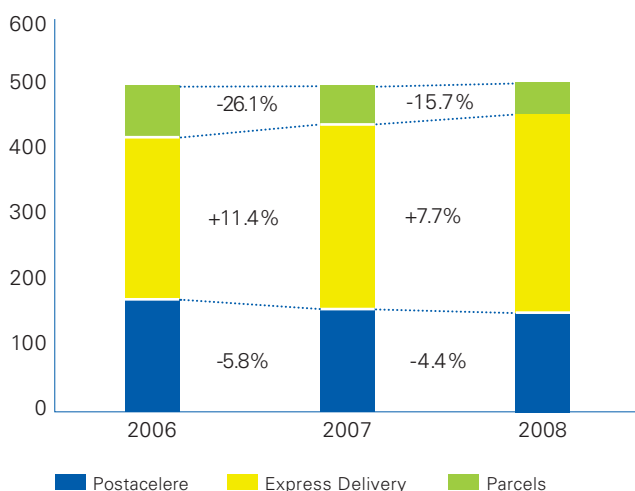
**Postel Group's** third-party revenues amount to 241 million euros (248 million euros in 2007). This performance reflects reduced volumes in the Mass Printing sector, where competition continues to be tough, partially offset by revenues from Direct Marketing services, which performed well, partly thanks to election campaign material sent out in 2008.

## EXPRESS DELIVERY AND PARCELS

	Volumes (000)			Revenues (€m)		
	2007	2008	Incr./ (Decr.) %	2007	2008	Incr./ (Decr.) %
<b>Postacelere</b>						
Domestic	11,350	10,681	-5.9	117.6	110.2	-6.3
<i>Postacelere 1 Plus, Paccocelere 1 Plus</i>	4,886	4,398	-10.0	57.8	52.2	-9.7
<i>Domestic Paccocelere J+3</i>	6,464	6,283	-2.8	59.8	58.0	-3.0
International	2,173	2,357	8.5	40.1	40.6	1.2
<i>Postacelere Internazionale Export, Paccocelere Internazionale Export</i>	569	527	-7.4	27.6	26.1	-5.4
<i>Postacelere Internazionale Import</i>	1,604	1,830	14.1	12.5	14.5	16.0
<b>Total Postacelere</b>	<b>13,523</b>	<b>13,038</b>	<b>-3.6</b>	<b>157.7</b>	<b>150.8</b>	<b>-4.4</b>
<b>SDA Express Courier SpA</b>						
Domestic Express Delivery	34,597	35,372	2.2	229.0	243.3	6.2
International Express Delivery	209	170	-18.7	8.3	8.3	n.s.
Tailor-made Services	n.r.	n.r.	n.a.	33.4	38.0	13.8
Other revenues	n.r.	n.r.	n.a.	13.3	16.3	22.6
<b>Total SDA Express Courier SpA - Third-party revenues</b>	<b>34,806</b>	<b>35,542</b>	<b>2.1</b>	<b>284.0</b>	<b>305.9</b>	<b>7.7</b>
<b>Total Express Delivery</b>	<b>48,329</b>	<b>48,580</b>	<b>0.5</b>	<b>441.7</b>	<b>456.7</b>	<b>3.4</b>

n.r.: not recordable as such data relates to tailor-made services supplied to banks and insurance companies that cannot be calculated in volume terms.  
n.a.: not applicable.  
n.s.: not significant.

### Express Delivery and Parcels (€m)



Total Express Delivery volumes are up 0.5% and revenues up 3.4% compared with 2007, essentially due to the good performance of Domestic Express Delivery services provided by SDA Express Courier, which account for 53% of total Express Delivery revenues.

The Postacelere segment registered a decrease of 3.6% in volumes and 4.4% in revenues compared with 2007, reflecting the impact of the weakening economy on demand for courier services during the period. This was particularly so in the case of higher prices services such as Postacelere1 Plus and Paccocelere1 Plus. The declines recorded by these products, with volumes down 10% and revenues down 9.7%, also reflect the migration of retail customers to other similar products, such as Raccomandata.

As mentioned above, **SDA Express Courier** contributed positively to this segment's revenues, above all thanks to its Domestic Express Delivery product, which saw volumes rise 2.2% on 2007 and revenues increase 6.2%. This reflects a commercial offering where the focus is on higher value products, such as Extralarge, the service launched two years ago with the aim of boosting the company's presence in the freight market, where SDA was almost absent.

Revenues from Tailor-made Services (flat-rate services predominantly for the banking sector) are up 13.8% on 2007, driven by the acquisition of major new customers at national level.

	Volumes (000)			Revenues (€m)		
	2007	2008	Incr./ (Decr.) %	2007	2008	Incr./ (Decr.) %
<b>Universal Parcels Service</b>						
Domestic Parcels	10,161	8,235	-19.0	38.4	29.8	-22.4
Parcels - international export	336	354	5.4	15.1	15.3	1.3
Parcels - international import	308	295	-4.2	4.7	3.7	-21.3
Other revenues (*)	-	-	-	1.5	1.5	-
<b>Total</b>	<b>10,805</b>	<b>8,884</b>	<b>-17.8</b>	<b>59.7</b>	<b>50.3</b>	<b>-15.7</b>
Publisher tariff subsidies	-	-	-	25.0	25.6	2.4
<b>Total Parcels</b>	<b>10,805</b>	<b>8,884</b>	<b>-17.8</b>	<b>84.7</b>	<b>75.9</b>	<b>-10.4</b>

(\*) Sales of parcel containers.

Universal Parcels Service revenues, before Publisher tariff subsidies, amount to 50.3 million euros, marking a decline of 15.7% on 2007. This is primarily due to a shift in customer demand towards higher value products.

## 4.2 FINANCIAL SERVICES

The Financial Services offering includes current accounts, payment services, financial products (including Post Office savings products such as Savings Books and Interest-bearing Postal Certificates distributed on behalf of Cassa Depositi e Prestiti) and loan products developed by third parties. The subsidiary, Poste Tutela SpA, provides backup services for the above-mentioned activities and is responsible for the organisation, coordination and management of funds and valuables in all Branches and Post Offices throughout the country.

Progressive adoption of the rules and recommendations published by the regulatory authorities (the Bank of Italy, the CONSOB and ISVAP) continued. In particular, in order to comply with the Bank of Italy's request for full application of the prudential supervisory and regulatory requirements currently envisaged for BancoPosta, implementation of the Business Continuity and Disaster Recovery (BC/DR) plan for financial and operating applications has been completed. This was

accompanied by the launch of Maintenance, Testing and Improvement activities, which ensure the ongoing alignment of the BC/DR plan with the Group's development and future changes to regulations regarding business continuity. With regard to the new measures relating to "institutions of systemic importance", in July the Bank of Italy notified Poste Italiane SpA of its classification among entities required to comply with stricter BC/DR requirements, designed to safeguard systemically important services, which include the payment of bills at Post Offices and the distribution of state pensions. Changes to the regulations in order to ensure compliance with the new requirements are currently underway and, according to information from Bank of Italy, should be ready by 31 December 2009.

Following the implementation in Italy of the EU's "Markets in Financial Instruments Directive" (MiFID), which came into effect on 1 November 2007, initiatives relating to the reception of orders and the distribution of financial products, designed to bring the related processes fully into line with the new requirements regarding transparency and integrity, were adopted. Moreover, following the Board of Directors' resolution of July, setting up a Steering Committee, it was decided to introduce an advice service in combination with the services offered. In October the guidelines for the new model were drawn up and subsequently submitted to the CONSOB, whilst the plan for gradual adoption envisages the start-up of the new service from 2010. The nature and size of the initiative will require changes to commercial policies, the introduction of adequacy tests, additions to existing network procedures, changes to information systems and a new staff training programme.

In response to anti-money laundering and anti-terrorism legislation and implementation of the measures contained in Legislative Decree 231 of 21 November 2007<sup>22</sup>, the Company has, among other initiatives, adopted a form designed to obtain all the information necessary to profile customers. From 30 April 2008 measures regarding limits on the use of cash and bearer securities were implemented<sup>23</sup>.

The Company also acquired a licence for connection to the World-Check Database, which will enable it to carry out more thorough, accurate and timely checks on people linked to the financing of international terrorism and those classified as "Politically Exposed Persons" (PEPs).

In March and April certain aspects of BancoPosta's business processes were subject to inspection by the Financial Information Unit (a unit set up by the Bank of Italy). The checks carried out included examination of a sample of transactions. In November Poste Italiane SpA was notified of the violation of art. 3 of Law 197 of 5 July 1991 and subsequent amendments and additions (failure to report suspect transactions) by a Post Office manager and, as having joint liability, Poste Italiane SpA. The total fine payable is between 0.1 and 1.5 million euros. The Company intends to appeal the findings.

In June 2008 the Bank of Italy began a general inspection of the BancoPosta business function, pursuant to art. 54 of Legislative Decree 385/93. The inspection was completed in November 2008 and the resulting findings communicated to the Company's corporate bodies by representatives of the Bank in February 2009.

The Company has responded to the inspectors' findings with its own observations and proposals regarding the initiatives it intends to take in order to resolve the problems identified.

The results of the European Commission's investigation into Poste Italiane SpA, as part of the proceedings brought about by a complaint by the Italian Bankers' Association (ABI) in December 2005, alleging that State aid had been given in the form of fees paid for the distribution of postal savings products and the remuneration received in return for the use of current accounts to attract deposits, were announced on 21 October. The Commission declared that it had found that the payments made to Poste Italiane SpA by Cassa Depositi e Prestiti in return for the distribution of postal savings products between 2000 and 2006 were in compliance with market regulations (in that lower than the benchmark established by the Commission), did not give undue advantages to the Company and did not, therefore, constitute State aid.

22. Legislative Decree 231/07 has transposed European Parliament and Council Directive III (2005/60/EC), regarding prevention of the use of the financial system for money laundering and the financing of terrorism, and Directive 2006/70/EC, which contains implementing measures, into Italian law.

23. For example, by issuing cheques bearing the pre-printed phrase "non transferable", unless requested otherwise by the customer and subject to payment of 1.50 euros in stamp duty for each form, by ensuring that the balances of bearer savings books, which can no longer be equal to or more than 5 thousand euros, etc.

With regard to the proceedings regarding alleged State aid in the form of remuneration in return for the use of current accounts to attract deposits, which is received from the MEF under the agreement of 23 February 2006, on 16 July 2008 the Commission found against the arguments submitted by the Italian authorities. The Commission maintains that the interest rates paid to the Company (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the "2006 Finance Act"), in terms of both the method of calculation and the level of movement in the base rate, are higher than those that would be paid by a "private borrower". The Commission, therefore, found that the above remuneration for the years 2005, 2006 and 2007 constitutes State aid, as being incompatible with art. 88, paragraph 3 of the EU Treaty. The Italian government is thus required to recover the difference between the amount paid to Poste Italiane SpA and the assumed market rate of return<sup>24</sup>.

On 17 September the MEF notified Poste Italiane SpA that it was required to repay the sum of 443 million euros plus interest of 41 million euros. This decision naturally also had an impact on returns on liquidity held at the Central Treasury. As a result, a new agreement governing such returns from 1 January 2008 is being drawn up.

The Company has repaid the requested amounts and on 1 December 2008 filed appeal against the Commission's decision before the European Community's Court of First Instance.

#### 4.2.1 COMMERCIAL OFFERING

In response to markets that are becoming increasingly competitive and aggressive, in terms of offerings and pricing, the Company launched a new online account, called "ContoBancoPosta Click", in 2008. The new product aims to boost BancoPosta's position in the internet banking market by satisfying the rapidly changing and increasingly advanced needs of customers, who prefer to have direct access to manage their current accounts. ContoBancoPosta Click, which can be accessed from the web or by mobile phone via a Poste Mobile SIM card, is linked up to the Post Office network. There are no fees or fixed charges and the PostamatBancoPostaClick debit card, which offers highly innovative security standards, is free. A further innovation is the possibility of applying to open an account directly on the website at [www.banco-postaclick.it](http://www.banco-postaclick.it), which gives access to all the classic current account services. At 31 December 2008 a total of 27,000 Click accounts had been opened.

The Postamat Maestro Card (over 6 million cards in issue at 31 December 2008) and the Postepay card (over 4.6 million cards in circulation at 31 December 2008) continue to make a significant contribution to the Electronic Money product range. This area has benefited from a number of customer surveys and the segmentation of current account holders, which has resulted in the implementation of tailor-made initiatives targeted on the basis of spending habits and use of the Postamat card. A new prepaid card, called Postepay NewGift, was launched. This is the first top-up card to give as a present and can be converted to a more advanced version thanks to a simple procedure at the Post Office.

The range of "Enti Previdenziali" (welfare-related) cards was extended with the launch of the INPS Card Vendemmia 2008, to which the wages paid to seasonal labourers during the grape harvest can be credited.

At 31 December 2008 there were 300 thousand BancoPosta credit cards in issue. The range was extended with the launch of CREDit-easy, the revolving card linked to an online current account.

From the end of 2008 the range of prepaid cards can also be topped up at over 20,000 SISAL betting shops, thus expanding the network and making it easier to top up.

Integration with mobile telecommunications services was also extended thanks to synergies with PosteMobile and use of the mobile channel for payments systems (current account and prepaid cards). In particular, 2008 witnessed the launch of value-added services linked to BancoPosta accounts or Postepay cards linked to a PosteMobile SIM card. These services include the ability to top up Postepay cards, make transfers and pay bills. Integration with other operators makes it possi-

24. Moreover, art. 1, paragraph 1097 of Law 296 of 27 December 2006, the "2007 Finance Act", repealed the obligation to transfer current account deposits made by private customers to the MEF, progressively relaxed the requirement for such funds to be placed with the Ministry and introduced the obligation to invest such deposits in euro area government securities.

ble for Postepay holders to obtain information regarding their cards.

2008 also saw the start of trials, limited to the north west of the country, of a physical POS linked to BancoPosta Office accounts. This initiative, developed in collaboration with the Banca Sella Group, enables SMEs who have a BancoPosta current account to accept payments using electronic cards, with the relevant amount credited directly to their BancoPosta account.

The Money Transfer segment not only witnessed the launch of the Vaglia Circolare (giro draft) product, closely resembling a banker's draft, but also saw the careful repositioning of its international products in order to recover market share and relaunch the service.

Participation in the National SEPA Migration Committee resulted in obligatory adoption of the IBAN as a means of identifying BancoPosta accounts for all interbank transfers. Poste Italiane SpA guaranteed the reachability of domestic and international transfers according to SEPA specifications from the launch of the new system on 28 January 2008.

In line with the strategy of expanding the range of reliable, easy-to-access Loan products, the Company launched ProntissimoBancoPosta, an innovative form of consumer credit that is also available to people without a current account and can be repaid monthly at Post Office counters. A type of personal loan secured by the borrower's salary, called "Quinto BancoPosta" was also launched at the 225 Post Offices with specialist areas for the sale of loan products. This product is aimed at pensioners, people in full-time employment and INPDAP pensioners.

From 29 August the holders of floating rate BancoPosta mortgages granted prior to 28 May 2008 were offered the chance to renegotiate their mortgage based on the criteria established in the agreement between the Italian Bankers' Association (ABI) and the MEF. In addition, in order help mortgage holders at a time of particular difficulty, when mortgage repayments were rising along with the increases in interest rates registered until October, from September the Company began offering another two renegotiation options. These consisted of the chance to increase the mortgage term, resulting in a reduction in repayments, or transformation of the mortgage from floating to fixed rate, thus fixing the instalments still to pay.

In general, the turbulence in the financial markets during the second half of the year had a significant impact on sales of investment products and postal savings. The tensions in the market gradually altered customers' preferences and behaviour, complicating the job of selling the Company's products through Post Offices.

As part of the ongoing process of launching new products and consolidating the Company's role in postal savings, 2008 witnessed the launch of a new Savings Plan linked to Interest-bearing Postal Certificates for children, which allows the holders of Post Office savings books or of a BancoPosta account to purchase the Certificates for children, in dematerialised form, for the Plan beneficiary.

As a result of Presidential Decree 116 of 22 June 2007 regarding dormant accounts, a total of 326.9 million euros was transferred to the Dormant Postal Savings Deposit Fund.

In the Investment Products sector, in order to guarantee the highest degree of protection for investors in respect of issuer risk, the Company decided to limit the range of bond issuers handled to European issuers during the first half of the year and to Italian issuers during the second half. The classic low-risk offering, with a high fixed rate component, continues to focus on the Reload family of products, in addition to the following products: StarSystem BancoPosta, issued by Banco Popolare and linked to the performance of four emerging market equity indexes; and TopTen BancoPosta, issued by Deutsche Bank and linked to the performances of 10 leading international blue chips. Both products are aimed at customers wishing to diversify their portfolios and who are attracted by market opportunities.

Activities in the Public and Corporate sectors continued to be aimed at enhancing the Company's role as a provider of integrated payment collection services and the related electronic reporting. This saw the Company operate in accordance with a number of important agreements with the Bank of Italy regarding the electronic reporting of collections that are transferred to treasury accounts; the Ministry of the Economy and Finance to continue the payment of bonuses to families who have carried out an international adoption; the tax authorities to enable BancoPosta current account holders to have tax refunds paid directly into their accounts, and all Italian citizens to receive the cash payment of refunds at Post Offices.

### Online services

In 2008 BancoPosta Online, the web banking service offered in combination with BancoPosta retail accounts, again chalked up a high number of unique visits by customers who carry out transactions on line, with 747 thousand consumer customers (641 thousand at the end of 2007) and the more than 154 thousand business customers (120 thousand at the end of 2007). The Bollettino Online (the online payment of bills) once more proved to be one of the most popular services, with approximately 2.2 million bills paid on line during 2008 by consumer customers (1.8 million in 2007). The number of web transactions was also significant, including approximately 1.2 million online transfers (923 thousand in 2007) and 4.5 million phone top-ups (3.3 million in 2007).

The number of customers using e-commerce payments, which is a service related to BancoPostalImpresa and BancoPosta Office for companies selling goods and services on the Internet, increased to 350 and is a major component of the integrated "Postcommerce" offering. This service can also be used to pay for all the postal services offered at [www.poste.it](http://www.poste.it). Internet services were also extended with conclusion of an agreement with PayPal, an Ebay group company, designed to improve the acceptance and provision of new services linked to Postepay cards.

Work on improving and boosting the efficiency of the online BancoPostalImpresa and BancoPosta Office channels continued in 2008. The year also saw the commercial launch of the platform for the bulk payment of bills, enabling large organisations, such as banks and financial institutions, to pay bills electronically in bulk after having collected all the various payments from their customers.

### Poste Tutela SpA

Poste Tutela operates in the private security market, in particular in the segment comprising the following services:

- money transfer (transport, security escorts, safe custody, the counting of valuables);
- fixed and mobile surveillance;
- IT security;
- protection of sensitive information.

Since 2006 the company has also provided transport and escort services for "postal valuables" (including Postage and Revenue Stamps, Interest-bearing Postal Certificates and Savings Books, and Valuable Parcels).

The company's workforce consists mainly of technical staff, qualified to provide prevention and protection services in the workplace.

## 4.2.2 OPERATING RESULTS

### BancoPosta

Revenues (€m)	2007	2008	Increase/ (Decrease) %
<b>Current Accounts</b>	<b>2,671</b>	<b>2,545</b>	<b>-4.7</b>
Bills	638	611	-4.2
Income from investment of customer deposits	1,492	1,383	-7.3
Other Revenues from current accounts	541	551	1.8
<b>Money Transfers <sup>(*)</sup></b>	<b>84</b>	<b>82</b>	<b>-2.4</b>
<b>Post Office savings and investment</b>	<b>1,661</b>	<b>1,863</b>	<b>12.2</b>
Post Office Savings Books and Certificates	1,210	1,364	12.7
Government securities	12.7	12.2	-3.9
Equities and bonds	206	229	11.2
Life Assurance policies	178	211	18.5
Investment funds	26	20	-23.1
Securities Deposits	28.1	26.7	-5.0
<b>Delegated Services</b>	<b>210</b>	<b>190</b>	<b>-9.5</b>
<b>Loan products</b>	<b>52</b>	<b>70</b>	<b>34.6</b>
<b>Other products <sup>(**)</sup></b>	<b>31</b>	<b>31</b>	<b>1.2</b>
<b>Total Revenues</b>	<b>4,709</b>	<b>4,781</b>	<b>1.5</b>

(\*) This item includes all revenues from domestic and international money orders and inbound and outbound Eurogiros.

(\*\*) This item includes revenues from tax collection forms and tax returns, and revenue stamps.

Deposits (€m)	31 December 2007	31 December 2008	Increase/ (Decrease) %
Current Accounts <sup>(*)</sup>	36,157	33,723	-6.7
Post Office Savings Books <sup>(**)</sup>	76,287	81,801	7.2
Interest-bearing Postal Certificates	184,136	185,543	0.8

(\*) Average deposits for the year.

(\*\*) Deposits include accrued interest for the period.

Number of transactions (000)	2007	2008	Increase/ (Decrease) %
Bills processed	619,206	580,364	-6.3
Domestic postal orders	9,926	9,391	-5.4
International postal orders	1,505	1,446	-3.9
Pensions and other standing orders	89,638	88,717	-1.0
Tax services	9,951	10,468	5.2

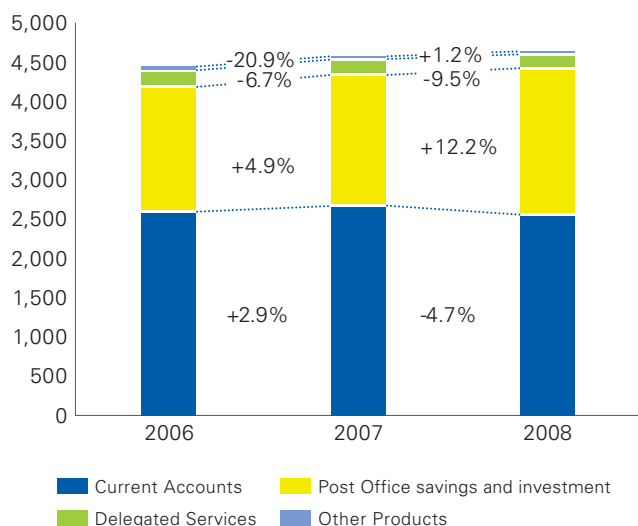
Volumes (000)	31 December 2007	31 December 2008	Increase/ (Decrease) %
Number of customer Current Accounts <sup>(*)</sup>	5,230	5,383	2.9
Number of Credit Cards	266	300	12.8
Number of Debit Cards <sup>(**)</sup>	5,957	6,073	1.9
Number of Prepaid Cards <sup>(***)</sup>	3,526	4,554	29.2

(\*) Includes 27.3 thousand Click accounts.

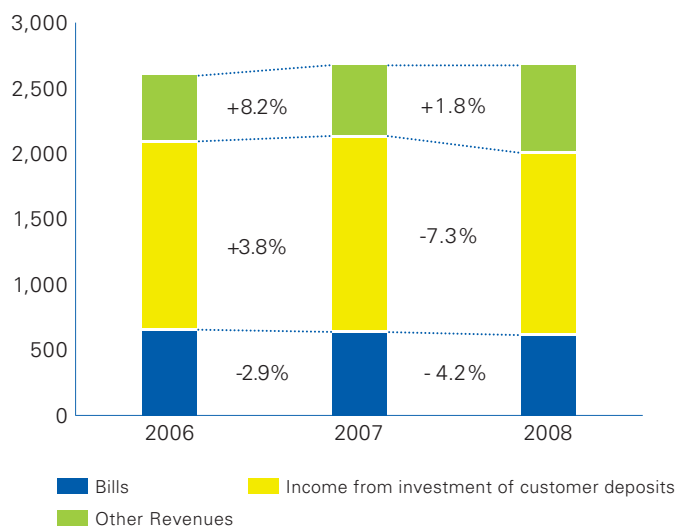
(\*\*) Includes Office and Click cards.

(\*\*\*) Includes Gift cards.

### BancoPosta Revenues (€m)



### Revenues from Current Accounts (€m)



BancoPosta's revenues are up 1.5% from 4,709 million euros at 31 December 2007 to 4,781 million euros at 31 December 2008. This performance reflects a reduction in revenues from current accounts, which was offset by the performances of Post Office savings and asset and fund management.

In particular, revenues from current accounts are down 4.7% compared with 2007, due to a decrease in average daily deposits (33.7 billion euros in 2008, compared with 36.2 billion euros in 2007), largely attributable to Public Sector entities. The number of bills processed during the year is down 6.3% (580 million euros in 2008, compared with 619 million euros in 2007), representing a 4.2% reduction in revenues. This was partly due to the exemption of people's main home from municipal property tax (ICI), introduced by Law Decree 93 of 27 May 2008 ("Urgent measures to safeguard the buying power of consumers"). This was only partially offset by an increase in bill payment fees from 1 October 2008. Income from the investment of current account deposits is down 7.3% from 1,492 million euros in 2007 to 1,383 million euros in 2008. This regards:

- interest on securities (1,040 million euros) deriving from the investment of deposits by private customers in euro area government securities, as required by law;
- interest receivable on deposits of 343 million euros held at the Ministry of the Economy and Finance, which was negatively influenced by both the decline in deposits and a reduction in the rate of return, which was changed<sup>25</sup> in response to the European Commission's decision of 16 July regarding the interest paid by the MEF on deposits from Public Sector entities, as described above.

Other revenues from current accounts increased by 1.8% from 541 million euros in 2007 to 551 million euros in 2008. This was a result of an increase in the number of current accounts (up from 5.2 million at 31 December 2007 to 5.4 million at 31 December 2008) and the increased use of electronic money, for which the Company now leads in the provision of new electronic payment instruments.

Revenues from Money Transfers decreased 2.4% as a result of the fall in the number of domestic payments (the number of Domestic postal orders decreased from 9.9 million in 2007 to 9.4 million in 2008) as well as international payments (Eurogiro and Moneygram transactions are down 4%).

25. Renewal of the agreement with the MEF is underway. This will establish a revised rate of return applicable from 1 January 2008, as requested by the European Commission.

The traditional savings segment (the distribution of Interest-bearing Postal Certificates and Post Office Savings Books) posted an increase in revenues of 12.7% (1,364 million euros in 2008, compared with 1,210 million euros in 2007). In detail, total Post Office Savings Books deposits were 81.8 billion euros, marking an increase of 7.2% compared with the 76.3 billion euros of 31 December 2007, whilst Interest-bearing Postal Certificates in issue amount to 185.5 billion euros (184.1 billion euros at the end of 2007).

The performance of Interest-bearing Postal Certificates was particularly significant, with inflows amounting to 27.7 billion euros, up 30% on 2007. This form of investment, however, felt the impact of financial market turbulence, above all in the second half of the year, resulting in a change in customer behaviour and a large and unexpected increase in redemptions compared with original forecasts.

Asset and fund management<sup>26</sup> reported a 11% increase (revenues are up from 451 million euros in 2007 to 499 million euros in 2008). This was driven primarily by the performance of equities and bonds (up 11.2%), revenues from which increased from 206 million euros in 2007 to 229 million euros in 2008.

Revenues from the distribution and trading of government securities are down 3.9% from 12.7 million euros in 2007 to 12.2 million euros in 2008. Revenues from securities trading are down 29% on 2007, offset by increased revenues from subscriptions, which rose from 3 million in 2007 to 3.6 million in 2008.

The performance and volatility of the financial markets, against the backdrop of a weakening economic situation, continues to weigh heavily on revenues from investment funds, which are down 23.1% from 26 million euros in 2007 to 20 million euros in 2008. The reduction is partly due to a downturn in gross inflows, and partly to renegotiation of the agreement with the subsidiary, BancoPosta Fondi SpA SGR, in accordance with recent regulatory instructions regarding the issue of inducement, which led to a decline in distribution fees.

Revenues from Delegated Services amount to 189.5 million euros (210.2 million euros in 2007) and primarily related to revenues from the payment of INPS (National Social Insurance Institute) pensions, totalling 108 million euros (119 million euros in 2007) and INPDAP pensions, totalling 17 million euros (18 million euros in 2007). Revenues from the payment of Ministry of the Economy and Finance pensions and other expenses are 50.7 million euros (56.7 euros in 2007).

Revenues from the distribution of loan products<sup>27</sup> are up 34.6%, primarily due to an increase in new loans, which was in contrast to market trends, which reflected more prudent demand in response to the recession. New loans are up 14% to 1,071 million euros in 2008, compared with 942 million euros in 2007, whilst revenues are up 29% (44.6 million euros in 2008, compared with 34.6 million euros in 2007). Mortgage origination recorded growth of 89.7% (907 million euros in 2008, compared with 478 million euros in 2007), with revenues up 35% (14.6 million euros in 2008, compared with 10.8 million euros in 2007).

**Poste Tutela SpA** reports sales and service revenues for 2008 of 78 million euros (75 million euros in 2007), relating almost exclusively to the transport of cash (73 million euros in 2008), which is currently the company's core business.

## 4.3 INSURANCE SERVICES

The insurance business is run by Poste Vita SpA, a wholly owned subsidiary of Poste Italiane SpA. PosteVita is permitted to engage in ministerial Life Insurance Branches I, III and V through the network of 9 thousand Poste Italiane Post Offices that are authorised to distribute policies and in which 16 thousand agents work who are licensed to distribute insurance policies. From the second half of 2007, the company has been authorised by Isvap to expand its accident and medical insurance business (ministerial non-life insurance Branches I and II). Poste Assicura SpA, which provides insurance services to Group companies, is a wholly owned subsidiary of the company. It also jointly owns 45% of Europa Gestioni Immobiliari SpA together with the Parent Company.

26. Asset and fund management includes the distribution of government securities, equities, bonds, life assurance policies, mutual investment funds and commissions on safe custody accounts.

27. Personal loans, mortgages, overdrafts and credit protection.

### 4.3.1 COMMERCIAL OFFERING

In response to the crisis in financial markets during 2008, the Company opted to ensure the continuity and implementation of the strategic objectives set out in its three-year plan, which involve maintaining the primary focus of attention on inflows into Branch I products and a strong focus on pension and personal protection products.

Several new Branch I products were launched during 2008. The first, Postafuturo Multiutile, has a significant insurance component and offers both investment returns and capital accumulation, combining the classic financial content of a product linked to a separately managed account with specific complementary accident and medical cover. A further two products of a more financial nature, but again offering insurance cover, were also launched. In October the company launched its first risk protection policy, "Affetti Protetti", offering temporary life assurance. Although this product was initially only marketed through certain Post Offices, the company successfully extended its availability to all Post Offices in early 2009. Two index-linked Branch III products (Riserva attiva and Stereo), offering annual interest payments, were launched during the year. With regard to certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12, as described in the section on risk management, in December 2008 the company offered policyholders the opportunity to convert these policies into Branch I policies providing guaranteed minimum returns. This was done to allow policyholders to reduce their risk exposure, in view of the changed scenario.

The company pension products registered strong growth, in contrast with the overall market. The PIP Postaprevidenza Valore product achieved a financial performance that enabled it to pay net returns on subscribers' contributions that were higher than the benchmark for this type of product, represented by returns on staff termination benefits.

### 4.3.2 OPERATING RESULTS

Operating within a difficult insurance market, Poste Vita's strategy paid dividends: compared with an 18.5% reduction in new life assurance policies in the Italian market as a whole, the company closed the year substantially on a par with 2007, with 5,523 million euros in premiums written (down 0.2% on 2007, when the volume of life policies sold was 5,535 million euros).

Technical provisions, calculated analytically for each contract in compliance with the related legislation and based on appropriate actuarial assumptions, total 31.5 billion euros, marking an increase of approximately 10% on 2007. Non-life and life technical provisions amount to 20,908 million euros (18,119 million euros in 2007), representing a 15% increase on 31 December 2007 and accounting for 66% of total provisions. These provisions are made to cover all the company's obligations and include mathematical provisions (20,780 million euros), outstanding claims provisions (35 million euros) and other technical provisions (93 million euros).

Technical provisions for Branch III, Index- and Unit-linked products, where investment risk is transferred to policyholders, amount to 10,578 million euros overall, representing a 2% increase with respect to 2007 (10,745 million euros) and accounting for 34% of total provisions.

Class C investments, which are intended to cover contractual obligations to policyholders, increased from 18,253 million euros at the beginning of the year to 20,016 million euros at 31 December 2008. 92.7% (18,561 million euros) was invested in bonds and other fixed income instruments, demonstrating the company's extremely prudent investment management policies.

## 4.4 OTHER SERVICES

This segment includes the complementary services provided by Poste Italiane SpA and certain other Group companies, including BancoPosta Fondi SpA SGR, EGI SpA, Postecom SpA, PosteShop SpA, Poste Link Scrl, PosteMobile SpA and Poste Energia SpA.

### 4.4.1 COMMERCIAL OFFERING

#### Poste Italiane SpA

##### Public services

Within the context of its role as a provider of public services, Poste Italiane SpA has signed up to the **Reti Amiche** project promoted by the Ministry for the Public Administration and Innovation, providing logistical and technological support designed to make it easier to access public services and resources. In this initial phase, the relevant memorandum of understanding requires the Company to assume responsibility for the issue and renewal of passports and residence permits, the collection of social security contributions, the collection of domestic accident insurance premiums and INPS Card services. These services are provided through the 5,470 Post Offices equipped with "Sportello Amico" counters. The Company also launched an initiative designed to enable the "Sportello Amico" channel to offer services aimed at an "ethnic" target, with 830 high-potential Post Offices now specialising in this type of offering. In this regard, management of the process of issuing and renewing residence permits (**Emersione Lavoratori Immigrati** or "**ELI 2**") continued under the agreement with the Ministry of the Interior, designed to simplify the application procedure involved in the regularisation of non-EU workers. During 2008 the Company began work on developing an applications solution that will enable applicants to be given an appointment directly on collection of their application at the Post Office, which will issue a receipt indicating the information needed for the application to be processed at police headquarters.

The supply of **Mail Room** document management services (centralised incoming mail collection and electronic recording) continued in accordance with commercial agreements with central and local government entities and agencies (including the Ministry of Health, INPS and the tax authorities). The "Bonus Adozioni" project was also implemented in collaboration with the International Adoptions Committee, regarding the distribution of cash payments to married couples who have begun the process of applying for an international adoption at 31 December 2007.

Poste Italiane SpA's close and widespread links with the general public have led, over the years, to the development of multiple relationships with the Public Sector so that, alongside activities strictly relating to the Company's area of business, it has also become nationwide point of contact for all members of the public. In this regard, the Company continued to provide services aimed at improving relations between the public, businesses and the Public Sector. This saw the Group respond to recommendations from the National Public Sector Information Technology Centre (CNIPA) by developing integrated product and service solutions designed to improve the performance of public entities, offer innovative services for the public and for businesses, and provide innovative information and telecommunications technologies.

Finally, in December Poste Italiane SpA, in collaboration with the Ministry of the Economy and Finance, began issuing the **Social Card** at 9,342 Post Offices to applicants who satisfy the necessary requirements, and who need help in paying their food, electricity and gas bills. At 31 December 2008 approximately 520 thousand cards had been issued at Post Offices, a major achievement made possible thanks to the creation and adaptation of the applications used in managing the technical and financial aspects involved.

#### BancoPosta Fondi SpA SGR

BancoPosta Fondi SpA SGR is the Poste Italiane Group's asset management company responsible for the collective management of savings and the individual management of investment portfolios on behalf of third parties. In 2008 the company began marketing open-ended investment funds set up by third parties and for which Poste Italiane SpA acts as inter-

mediary with investors. In this connection, two mutual investment funds, “Global Double Time” and “Global Double Time II 2008”, were launched on the Italian market. These are French-registered funds promoted and managed by Crédit Agricole Structured Asset management, marketed in Italy by BancoPosta Fondi SpA SGR and distributed to customers via the Parent Company’s sales network. These are the first formula funds to be distributed by the Group and are linked to the performances of three international equity market indexes.

The company has appointed Pioneer Investment Management SGRpA, pursuant to art. 36 of the Consolidated Finance Act, to manage the above third-party funds it markets. As a result of this new management model, as of 1 January 2009 BancoPosta Fondi now acts as a promoter company responsible for promoting and organising the funds, and for managing relations with investors, whilst Pioneer Investment Management SGRpA manages all the financial aspects of the funds. In terms of proprietary funds, in 2008 the company launched “BancoPosta Azionario Euro”, a mutual investment fund created to expand the range of equity funds on offer without exposure to exchange rate fluctuations, given that the fund invests in stock markets in the euro area.

The company operates at the more than 6 thousand Post Offices specially enabled to provide such services. The opened harmonised EU funds managed by the company are classified according to the underlying investment options.

### Europa Gestioni Immobiliari SpA

The company operates in the real estate sector and is engaged in the management and development of properties transferred from the Parent Company in 2001. Due to the type of properties it owns, the service is mainly provided to large – often Public Sector – customers. The company bases its decisions on the best marketing strategy to use with reference to market conditions.

### Postecom SpA

This company provides IT services and solutions for the Group and external customers, with particular regard to the Public Sector. Over the years, it has played an important role in systems integration, applications outsourcing and information systems, based on its experience in the design, development and management of ICT services combined with advanced IT security solutions. Its main areas of expertise are certification and security solutions and services, messaging, online payments and collection, data management, web portals, e-government, e-procurement and e-learning.

2008 witnessed the introduction of changes to the regulations governing electronic certification and communication services. Above all, Law Decree 185<sup>28</sup>, which was approved by the Cabinet on 29 November, has, among other things, introduced new measures designed to encourage the spread of digital culture among businesses and the Public Sector. Article 16 is designed to speed up the adoption, consultation and use of certified electronic mail by public sector entities, businesses and registered professionals. It also makes it possible for the holder of the paper document to conserve unique originals in analogue format, adding their digital signature in accordance with the regulations in the Digital Administration Code.

During 2008 the company continued to operate as a systems integrator, serving both external customers and the Group. This included development of new functions and applications combining BancoPosta services with the mobile phone services provided by the mobile operator, PosteMobile.

Postecom proceeded with the development of integrated electronic communications solutions for electronic messaging and digital communications. This included development and release of the new web mail application for the [www.poste.it](http://www.poste.it) website, incorporating the full range of electronic and hybrid communications. Design work was also carried out in preparation for the launch of the new PosteKey product. This is a self-installing USB stick enabling use of Postecert’s digital signature services, management of the smart card, access to the Internet and the complementary services offered by Postecom.

With regard to the integrated “PosteSalute” offering, based on a portal specialising in health-related services developed by the Group, the company released “Electronic Medical Records”, an interactive service designed to make it easier for people to access their medical records. The service, available at [www.postesalute.it](http://www.postesalute.it), which provides access to the Group’s online health services, was adopted on a trial basis by the Health Trust in Treviso.

28. Urgent measures to support families, workers, employment and businesses and revisit the national strategic framework with regard to anti-crisis measures.

## PosteShop SpA

The company, which has been operating since 2002, markets items related to Poste Italiane SpA's core business (letter boxes for houses, bill holders, envelopes, delivery boxes) and products from external suppliers (including books, music CDs, DVDs and stationery), using various sales channels featuring the PosteShop logo (including three types: "Shop in Shop", "Basic" and "Self Service") and the KiPoint logo, franchise retail outlets that offer express delivery services (domestic and international), document management, communication services (direct marketing, broadband Internet and the reception of faxes) and the sale of office products. Operations in 2008, which were negatively affected by the economic downturn, focused on a number of business development initiatives, including rationalisation of the product ranges directly sold through Post Offices (the Basic network), which have been differentiated on the basis of potential, and the launch of a major update of sales applications and operating processes, which will result in streamlined administrative procedures and enhanced commercial efficiency.

## Poste Link Scrl

On 18 November 2008 Consorzio Poste Link was converted to a limited liability consortium, as defined by art. 2500-octies of the Italian Civil Code, whilst maintaining its business purpose. The company provides IT, electronic document management, Internet, contact centre and direct marketing services. The provision of services to Linea Comune and Consip continued, with a new 24-month contract being signed with the latter on 28 July 2008. In order to avoid any interruption to the services provided under the contract with INPS (National Social Insurance Institute) and INAIL (National Insurance Institute for Industrial Accidents), which expired on 31 July 2007, Poste Link agreed to continue to provide the services until 31 January 2009. On 9 October 2008 INPS called for fresh tenders, with the company applying to take part in the process on 19 November 2008.

## PosteMobile SpA

Established in March 2007, PosteMobile is an MVNO (Mobile Virtual Network Operator). It operates in the telecommunications sector as a mobile Enhanced Service Provider. The company proceeded to grow in 2008, in terms of both customer acquisitions (a total of approximately 565 thousand SIM cards were sold) and the launch of new value-added services and promotions, including the Semplifica services for the payment of bills, the sending of telegrams and the payment of bank transfers; the new "Con il mio Paese" price plan for immigrants (around 40 thousand customers); the "Convenienza" price plan for customers transferring their numbers from other operators in accordance with number portability. The company's workforce also grew, with PosteMobile employing 70 people at the end of December.

## Poste Energia SpA

The purpose of the company, which was established in September 2007, is to procure energy over the national grid to cover the Poste Italiane Group's needs. During the year the company continued to pursue achievement of its pre-established targets, primarily relating to energy procurement, contract management and the provision of value-added energy services.

### 4.4.2 OPERATING RESULTS

#### BancoPosta Fondi SpA SGR

BancoPosta Fondi's collective asset management activities registered a net outflow of 530 million euros (a net outflow of 36 million euros in 2007), which was the difference between gross inflows of 215 million euros (778 million euros in 2007) and redemptions of 745 million euros (814 million euros in 2007). The composition of the company's gross inflows reflects

general trends observed on the Italian market, with investors preferring money market and bond funds which, with inflows of 154 million euros, accounted for 72% of all inflows during the year. As mentioned earlier, the trend reflects the crisis in financial markets and the resulting lack of demand from investors. Against this backdrop, in 2008 the Italian mutual funds market recorded a net outflow of 143.7 billion euros, whilst the net outflow in 2007 was 52 billion euros.

Open-ended investment funds set up by third parties registered a net inflow of 315 million euros, with redemptions amounting to 4 million euros.

Total assets under management amount to 8,036 million euros (3,767 million euros at 31 December 2007), of which 2,695 million euros regards proprietary funds, (3,275 million euros at 31 December 2007), 5,019 million euros individual accounts (493 million euros at 31 December 2007) and 322 million euros the new third-party funds marketed by the company.

### **Europa Gestioni Immobiliari SpA**

During the year, work costing approximately 3.1 million euros (including technical consultancy fees) was either started or, in some cases, continued on the upgrading of properties held for sale and those held for rent, in order to assure they are fully occupied.

Five properties were sold during the year for 78.9 million euros, on which the company realised gains of 47.7 million euros (75.5 million euros at consolidated level). Rental income was 21 million euros and profit for the year was 37.6 million euros (11.7 million euros in 2007). The improvement in the boom line essentially reflects gains recorded in 2008 (47.7 million euros, compared with 9.6 million euros in 2007).

### **Postecom SpA**

Sales and service revenues (including external revenues and those generated on intercompany transactions) amount to 68.9 million euros, marking an increase of 12.9% on the previous year (61.1 million euros in 2007). External revenues, generated by assistance supplied to the Ministry of Infrastructure and Transport - Department of Land Transport regarding use of the [www.ilportaledellautomobilista.it](http://www.ilportaledellautomobilista.it) site, accounted for 22 million euros, whilst a further 3 million euros relates to messaging and digital signature services. Operating profit of 6.2 million euros (8.8 million euros in 2007) was affected by reduced margins on intercompany transactions, following renegotiation of the prices paid for services provided to the Parent Company. The operating results of the [www.poste.it](http://www.poste.it) website are reported in the section on distribution channels.

### **PosteShop SpA**

The company's revenue for the year is 66 million euros (68 million euros in 2007), whilst operating profit is 0.9 million euros (2.3 million euros in 2007). In addition to the above-mentioned decline in sales, the results are due to reduced margins on products sold, reflecting changes to the product mix (primarily high-technology).

### **PosteMobile SpA**

Sales and service revenues in 2008 amount to 36.3 million euros (1.4 million euros in 2007). The company closed 2008 with a loss of 16 million euros (12.7 million euros at consolidated level), again reflecting its start-up costs. During the year the Parent Company injected fresh capital into the company to cover the losses made during the first half of 2008, after its share capital was reduced to below the legally required minimum (art. 2447 of the Italian Civil Code).

## 5. DISTRIBUTION CHANNELS

Numerous channels have been dedicated to customers over the years: Branch Counters, Consulting Rooms, PosteShops, the PT-Business network, pre- and post-sales units, the Contact Centre and the website. All of these aim to achieve the common objectives of improving process efficiency, product innovation, service quality and customer relations in order to meet all customer needs via a complete and integrated range of products and services.

The contact and sales channels for Retail and Small and Medium Enterprise (SME, broken down into Small Office Home Office and Small to Medium Businesses) customers are supervised by the Retail Market function, whilst the Business Customers function is responsible for developing commercial activities for the Business and Public Sector segments.

### 5.1 RETAIL/SME

Work on customer satisfaction continued by improving Offices throughout the country while complying with Universal Service requirements and strengthening commercial aspects in implementation of marketing policies.

Important initiatives included the addition of 400 new ATMs, bringing the total number to around 4,800 across the country and thus providing quick access to the Company's services. Customer service was also improved through the increase in the number of queuing systems installed in Post Offices, with a total of 2,350 installed at the end of 2008.

Video communications systems were also installed in 462 Post Offices. The systems consist of plasma screens showing entertainment and news features interspersed with commercials promoting the Company's products.

Work and service quality management meeting ISO 9001/2000 standards were also expanded to 5 of the 15 Centralised Services Teams in Trento, Trieste, Reggio Calabria, Genoa and Cagliari, which thus take their place alongside the 303 RINA certified Post Offices.

In December 2008, in collaboration with the Ministry of the Economy and Finance, Poste Italiane SpA activated in 9,342 Post Offices a delivery service for Carta Acquisti (Social Card), aimed at citizens who apply for one and meet the legal requirements. This card may be used to buy food and pay gas and electricity bills. At 31 December 2008 around 520 thousand had been delivered.

An important contribution to SME revenues was made by the PosteBusiness and PosteShop networks. The PosteBusiness channel was also important for the growth in the number of customers served: over 1.8 million customers by 31 December 2008 and approximately 610 thousand (compared with 800 thousand customers and 510 thousand PT-Business Card holders at 31 December 2007). This performance derives from the consolidation of the positioning strategy regarding new stand-alone retail outlets in areas with a high concentration of SMEs (industrial districts and other industrial zones), as well as the proactive efforts of the SME development network aimed at acquiring new customers. The channel comprises 1,150 outlets including PosteBusiness Offices<sup>29</sup>, Specialist Areas<sup>30</sup> and Specialist Counters<sup>31</sup>.

29. Offices exclusively dedicated to customers from this segment, which may be connected to traditional retail Post Offices or independent (stand-alone).

30. PosteBusiness sales areas and counters located in traditional Post Offices.

31. PosteBusiness counters located in traditional Post Offices.

## 5.2 BUSINESS AND PUBLIC SECTOR

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As already mentioned in the note regarding the performance of financial assets, 2008 saw a contraction in current account deposits and consequently in financial service revenues from the Public Sector segment. The changed economic situation has increasingly spurred the Group to plan new services to meet customer requirements.

In the Business and Public Sector segment, the Company stepped up customer management and development in all phases of the marketing process: pre-sales, sales and after-sales. The priority objective continued to be the protection of large customer relationships from the ever present threat of competition, through offering products to rationalise conventional postal services and reduce paper work (e.g., electronic payment of utilities bills). This was combined with the identification of new markets, above all for highly innovative products and services.

Additional steps were taken to consolidate the development and management of Top and Public Sector customers by analysis of customers' internal operations to understand their needs; tailoring products and services; and combination of Public Sector processes and BancoPosta payment services.

An agreement was signed with the Public Sector in June 2008 regarding payment of salaries and other staff remuneration. As well as regulating the various means of salary payment, this agreement also governs the delivery of cash to customers' premises and current account management. This model, in line with existing services, lays the foundations for possible extension to other institutions.

A new "intermediate" sales channel was also introduced in 2008 on an experimental basis, initially only for bulk mail and the delivery of legal process, which will enable commercial management of around 20 operators who pool mail for third-party carriers. Via this channel the Company aims to develop integrated and supplementary services in order to defend its market share from increasing competition. In 2009 it is aimed to extend these new sales channels to other operators as well as to other mail products and services.

### 5.3 THE CONTACT CENTRE AND THE INTERNET

In February 2008 Poste Italiane SpA's Contact Centre became Customer Services, a new identity for a channel which continues to provide support to Business functions, traditional commercial channels and Group companies in the management of information, promotional and commercial activities, and after-sales services.

Customer Services proposes integrated and innovative solutions to the captive (70%) and external (30%) markets, and manages around 30 million contacts per year.

Customer Services primarily supports internal Group activities via:

- management services regarding BancoPosta's customer relations. Specifically, online services have been developed regarding BancoPosta Click and information and assistance requests, as well as offline services regarding the processing of new account applications and ancillary services, and arrangements concerning the revolving credit card associated with the Credit Easy account, which were previously handled by an operator;
- commercial and promotional services regarding the management and provision of in and outbound campaigns, as well as ever more integrated sales process phases in synergy with other commercial channels. Regarding the outbound telemarketing campaigns in support of commercial initiatives, around 1 million customers across all segments were managed in 2008;
- information and assistance services, regarding use of the new password generator (PCR) via the BancoPosta voice portal service, on 800 00 33 22, and assistance in disseminating the new Poste Email Sicura as an internet service.

Public Sector initiatives in 2008 included the launching of the Clean Campania Call Centre for the Department of Civil Protection, designed to gather reports from residents in Campania regarding the non-collection of refuse and provide information on recycling methods. As part of the agreement between the Treasury Department of the Ministry of the Economy and Finance and Poste Italiane SpA, a Carta Acquisti (Social Card) Call Centre was also set up to provide information and assistance regarding the programme and the card.

Other initiatives regarded customer satisfaction campaigns, and specific claim satisfaction campaigns designed to monitor customer satisfaction throughout the claims management process. The average annual customer satisfaction score for Customer Services during the complaint registering phase was 7.6 on a scale from 1 to 10.

Finally, Customer Services' "Quality Management System" certification was renewed, in compliance with ISO 9001:2000, following inspection by the Certifying Body, TUV Italia.

Commercial services offered on the internet at [www.poste.it](http://www.poste.it) continue to be very successful, with over 3.7 million registered customers (2.8 million in December 2007) and more than 747 thousand BancoPosta internet consumer banking segment customers (641 thousand in December 2007) and more than 154 thousand Business customers (120 thousand in December 2007). The success of the site as a point of access for online services is a result of integrated and secure electronic payments services for the entire range of products and services offered on the web.

Due to its efficiency, Poste Italiane SpA's IT network continues to be used for Central and Local Government online services, via provision of integrated value-added services (communication services, mail management, e-government services, tax collection) that are linked into the internet portal. E-government projects included the continuation of [www.ilportaledel-lautomobilista.it](http://www.ilportaledel-lautomobilista.it) support services for the Ministry of Infrastructure and Transport, while at the same time new customer services were developed, such as the EC Vehicle Validation service (to obtain validation documentation from car manufacturers), the Bill Order service (to order and send paper bills), and an online service for driving schools to book driving tests for mopeds and small motorcycles.

Partially as a result of the new Electronic Communications platform that provides new functions for standard products, through integration with the entire Group's messaging and digital communications software, development of integrated communication solutions continued, with the help of the subsidiary, Postecom. In particular, with a view to creating a single central access and control point for the Group's electronic communication services, the new web mail service at [www.poste.it](http://www.poste.it) was developed.

In addition, EPCM (Electronic Postal Certification Mark), a technology created by Poste Italiane SpA for the Universal Postal Union in technological partnership with Microsoft, was developed. EPCM enables electronic “certification” of documents and digital events, and has been granted legal recognition via a Ministerial Decree issued by the Ministry of Communications.

EPCM, which will be made available to all member countries of the Postal Union, is a platform on which new services can be developed for post office customers worldwide.

## 6. HUMAN RESOURCES

### 6.1 WORKFORCE

The workforce employed by the Poste Italiane Group and the Parent Company breaks down as follows:

#### Poste Italiane Group

	Number of employees <sup>(*)</sup>			
	Average		End of the reporting period	
	2007	2008	31 December 2007	31 December 2008
<b>Permanent workforce</b>				
Senior managers	726	756	728	744
Middle managers	13,672	14,148	13,551	14,477
Frontline staff	131,930	130,149	129,245	129,517
Back-office staff	2,669	5,326	3,376	6,248
<b>Total workforce on permanent contracts</b>	<b>148,997</b>	<b>150,379</b>	<b>146,900</b>	<b>150,986</b>
Traineeships	720	144	139	171
Apprenticeships	67	32	42	27
<b>Total</b>	<b>149,784</b>	<b>150,555</b>	<b>147,081</b>	<b>151,184</b>

Flexible workforce	Average	
	2007	2008
Temporary contracts	247	373
Fixed-term contracts	6,496	5,539
<b>Total</b>	<b>6,743</b>	<b>5,912</b>
<b>Total permanent and flexible workforce</b>	<b>156,527</b>	<b>156,467</b>

(\*) All workforce data is expressed in full-time equivalent terms.

## Poste Italiane SpA

	Number of employees <sup>(*)</sup>			
	Average		End of the reporting period	
	2007	2008	31 December 2007	31 December 2008
<b>Permanent workforce</b>				
Senior managers	633	643	625	629
Middle managers - A1	5,204	5,674	5,278	5,686
Middle managers - A2	7,753	7,701	7,514	7,973
Grades B, C and D	130,094	128,146	127,349	127,469
Grades E and F	2,560	5,242	3,282	6,165
<b>Total workforce on permanent contracts <sup>(**)</sup></b>	<b>146,244</b>	<b>147,406</b>	<b>144,048</b>	<b>147,922</b>
Traineeships	652	78	74	111
Apprenticeships	12	3	6	-
<b>Total</b>	<b>146,908</b>	<b>147,487</b>	<b>144,129</b>	<b>148,033</b>
** including:				
- Seconded	305	238	292	30
- Suspended without pay	488	497	400	377
- Seconded to Group companies	102	103	118	115

	Average	
	2007	2008
<b>Flexible workforce</b>		
Temporary contracts	31	185
Fixed-term contracts	6,430	5,477
<b>Total</b>	<b>6,461</b>	<b>5,662</b>
<b>Total permanent and flexible workforce</b>	<b>153,369</b>	<b>153,149</b>

(\*) All workforce data is expressed in full-time equivalent terms.

## 6.2 CORPORATE SOCIAL RESPONSIBILITY AND TRAINING

The progress of sustainable development regarding Corporate Social Responsibility (CSR), which is described annually in the Social Report, was further consolidated thanks to the activities of the joint management and labour union watchdog provided for by the Memorandum of Understanding. The watchdog identified ethics and lifetime employment issues for priority treatment. At the same time, regional involvement in CSR was initiated via management meetings, including an exploratory session and a plan to create new initiatives for implementation. With a view to encouraging new work organisation methods, telecommuting continued at Contact Centres and in the IT sector on an experimental basis. Regarding EU matters, monitoring activities continued relating to human resources, social and environmental sustainability, telecommuting, work-life balance, social affairs and staff training and development.

In continuation of the direction taken in previous years, training in 2008 was aimed at providing a concrete response to the organisational changes of recent years. This has entailed the introduction of new training methods, such as coaching and action learning, which are designed to foster the skills of each employee. In particular, action learning has been used in training area managers from the Business Unit Postal Services department.

296 thousand person days of training were provided, of which 179 thousand "in the classroom" and almost 117 thousand through e-learning, broken down among the different departments and categories, as shown in the tables below:

### Classroom courses (person days)

	31 December 2008				Total
	Postal Services	Financial Services	Private and Business Customers	Central Functions	
Grades B-C-D-E-F	25,080	847	98,952	5,333	130,212
Middle managers (A1 and A2)	6,285	305	37,512	3,850	47,951
Senior managers	222	85	197	569	1,072
<b>Total</b>	<b>31,586</b>	<b>1,236</b>	<b>136,661</b>	<b>9,751</b>	<b>179,235</b>

### E-learning modules (hours)

	Postal Services	Financial Services	Private and Business Customers	Central Functions	Total
Grades B-C-D-E-F	10,097	454	659,842	11,643	682,036
Middle managers (A1 and A2)	1,911	150	151,625	5,315	159,001
Senior managers	0	1	76	60	137
<b>Total hours</b>	<b>12,008</b>	<b>605</b>	<b>811,543</b>	<b>17,018</b>	<b>841,174</b>
<b>Total person days</b>	<b>1,668</b>	<b>84</b>	<b>112,714</b>	<b>2,364</b>	<b>116,830</b>

### Business support

Training courses for staff working in specialist marketing areas, aimed at improving their relationship skills and the effectiveness of marketing initiatives, were continued. The objective was to refine their ability to make distinctions between customers, boost activation of after-sales initiatives and develop planning and organisational skills for marketing.

## Professional skills

Training courses regarding **innovation of operating processes** were primarily aimed at IT, area network and logistics staff including, respectively, development of methods and tools for project management programmes, development of staff tools relating to the skills of central department managers and specialists operating at Branch level, and development of staff skills for quality management personnel.

Training courses designed to strengthen **technological expertise** for the Company's new Information & Communication Technology (ICT) projects, regarding management of business processes and product competitiveness innovation, were continued. The most important training initiative, regarding the VOIP (Voice Over IP) project, involved the entire telecommunications network sector.

Intense use was made of e-learning, with a rise of 23% in the number of training hours provided compared with 2007 (almost 683 thousand at 31 December 2007). Twenty new online training courses were provided and, for the first time, e-learning was extended to include approximately 750 mail carriers who took part in the initiative. Training courses primarily focused on skills development for front-end staff, and approximately 86% of enrolments regarded Post Office staff. An extensive training programme for Post Office staff was dedicated to security and the prevention of the risk of robbery, which broke down into two main areas: the correct use of anti-robbery devices, including the standards and procedures to follow; and information on how to deal with a robbery and the adoption of behaviour aimed at ensuring the physical safety of both staff and customers. At 31 December 2008, 38 thousand members of staff had attended the foundation course.

Finally, as part of the Corporate Social Responsibility programme, the training course, "Reintegration of staff after extended leave", was held for the thirteenth time.

## 6.3 HUMAN RESOURCES MANAGEMENT

Action to improve the qualitative mix of staff continued in 2008 with the recruitment of more than 700 people, of whom approximately 80% are employed in commercial departments and Post Offices, with the objective of providing the best response to the increasingly sophisticated and demanding requirements of customers. This included the Multilingual Staff Recruitment Project, entailing recruitment of 200 staff with special language skills in Post Offices frequented by a high number of foreign customers.

Other recruitments regarded young graduates, mostly with technical and business degrees, and professionalized staff with special skills and substantial experience in technological and process innovation and commercial fields.

Young graduates are selected via internships lasting 12 months on average. In 2008, 70 interns were recruited, most of whom were hired on permanent contracts at the end of their internship.

Moreover, Group companies recruited 90 staff and 15 interns.

Also regarding labour mobility issues, access to special funding from the Solidarity Fund (Legislative Decree 178/05) and the consequent termination of 1,988 employment contracts, allowed for recruitment from the recruitment list of a significant number of staff for the Delivery and Postal Network Centres, pursuant to point 2 of the labour union agreement of 13 January 2006. This process enabled the transfer of a considerable number of staff (around 3,500) to Post Office counters, by using the internal Job Posting selection system (defined under the labour union agreement of 13 February 2008).

As usual, in applying staff management, development and training policies, the Company used the performance appraisal procedure for executives and other staff members in 2008, involving appraisal of approximately 66 thousand employees (compared with around 60 thousand in 2007) and more than 4,000 appraisers. Particular attention was paid to improving the quality of manager-subordinate feedback (conducted for almost 90% of employees) via training of managers and process innovations aimed at guaranteeing the actual involvement of the appraised employee in notifying the performance achieved and sharing objectives for the coming year.

During the year, assessment of potential using the Assessment Centre method involved 80 executives in 10 sessions,

aimed at identifying staff suitable for senior management positions, as well as 404 white-collar staff in 68 sessions, aimed at identifying staff to career path as executives.

Regarding compensation initiatives, 2008 saw the usual application of various incentive schemes<sup>32</sup> and a merit-based approach linked to performance appraisals. The incentive mechanisms adopted vary according to how they work and their purpose, as well as in terms of whom they target.

In 2008 a bonus system was tried out in the Postal Services sector, aimed at certain Delivery positions and focusing on certain quality and cost-cutting targets to be achieved by reducing absenteeism.

These structured incentive schemes are accompanied by a merit-based approach that rewards outstanding performance on a selective basis, taking into account the fairness of internal remuneration and comparable remuneration outside the Company for key managers.

## 6.4 INDUSTRIAL RELATIONS

In 2008 the Company and Labour Unions dealt with contractual, organisational and social issues in support of the Company's development and innovation phase, in line with the competitiveness requirements deriving from the upcoming deregulation of the postal market.

The process of modernisation undertaken regarding variable salary increase mechanisms and criteria continued with negotiations on the performance-related bonus for the four-year period 2008-2011. Payment of the bonus will be linked to achievement of quality, profitability and efficiency targets in line with strategic objectives for the relative period and in the context of a closer link between bonuses and actual performance at local level. Absenteeism will be strongly penalised, offset by greater rewards to encourage regular work attendance.

In accordance with contractual commitments, the new meals arrangements, which extend provision of luncheon vouchers to all Company staff, came into force on 1 September 2008. Pursuant to art. 82 of the National Collective Labour Contract of 11 July 2007, paper or electronic luncheon vouchers were granted to employees, worth either €4.5 or €3, depending on the work schedule of a particular employee's department. Luncheon vouchers previously granted to employees also rose in value from €4 to €4.50.

On the organisational front, discussions continued on matters relating to the branch network, delivery services and actions in support of labour mobility.

Regarding the new organisational model for delivery services, progress was made on the analysis and monitoring phases of implementing the project introduced via the agreement of 15 September 2006. Specifically, with the agreements of January and February 2008, actions were identified to make changes to the organisational model. Such changes are constantly monitored by the parties during the implementation phase.

Via the agreements of 19 and 20 February 2008, with a view to rebalancing and improving staff distribution within the Company, the parties activated voluntary mobility plans to transfer staff to Delivery and Postal Network Centres. Partly due to new legislation, as well as the above agreement of 20 February 2008, the Company also undertook to provide information about available full-time positions to employees recruited on temporary contracts<sup>33</sup>.

Also regarding organisation, meetings continued with regard to the Branch network and, on 12 June 2008, an agreement

32. The incentive schemes used include:

- MBO (Management by Objectives) for managers, aimed at translating senior management strategy into specific, clear and measurable business and financial, quality, operational and planning objectives. MBO measures and enhances the contribution of individual manager to overall corporate performance;
- a commercial incentive scheme, aimed at the sales force in order to maximise achievement of commercial budget targets, whilst also taking into account the vital importance of customer satisfaction and loyalty;
- a Target-based Incentive Scheme, an appraisal and compensation mechanism that links payment of a bonus to the performance of key managers with important operating roles.

33. Staff whose contracts were converted from full-time to part-time as of 1 January 2008 will take precedence in any staff recruitment (thereby converting from a part-time to a full-time contract) entailing the same or equivalent duties as those in the part-time contract.

was signed relating to staff numbers at Post Offices. Via this agreement the parties determined the Post Office quotas for 2008 based on the experimental introduction of a new method for calculating staff numbers. This agreement will be assessed in the early months of 2009.

On 31 July 2008 an agreement was signed regarding the Business Support Competence Centre project. With this agreement, in recognition of the project's value, the parties identified guidelines to be followed in its implementation, including criteria for re-employment of staff, training courses and establishment of an industrial relations system.

Regarding training, specific agreements were signed with the labour unions on 21 July 2008 and, in particular, a "framework" agreement on the role of Company training, which identified the main lines of action. This agreement enabled the Company to implement training projects and committed the parties to developing an organised training plan, targeting the following areas: safety, development of managerial skills in the Business Unit Postal Services department; and development of marketing and relational skills for the Retail Market segment.

In November 2008 elections were held to appoint new unified union representatives and employees' health and safety representatives.

An important agreement was signed on 10 July 2008, which continues the regulatory process regarding temporary employment contracts, associated with necessary policies to stabilise the labour mix.

The agreement breaks down into three areas:

- the first is aimed at staff on the recruitment list pursuant to point 2 of the Agreement of 13 January 2006. Under this agreement any employees still on the national recruitment list at 30 June 2009 will be called in to choose a vacant position within the period from 1 July 2009 to 30 June 2010;
- the second regards conversion to permanent contracts for persons who previously worked for Poste Italiane SpA on temporary contracts, and who currently work for the Company under a court order that has yet to become final. Employees who decide to accept the agreement may obtain permanent contracts by withdrawing from litigation and agreeing to repay remuneration paid by the Company, either for work not carried out or to meet claims for damages;
- the third regards employees who have been removed from employment, as of 22 July 2008, due to an adverse court order. Such employees will be able to join a national recruitment list, which the Company will draw on for permanent positions in delivery and logistical operations as of 1 July 2010.

The agreement will have significant financial implications connected with the re-employment plans signed individually by employees on settlement and the decrease in legal fees, as well as operational impact, which will specifically encourage development and enhancement of the Company's staff.

With respect to litigation, although claims regarding temporary employment contracts remained the single most important category of job-related law suits, there was a further reduction in the number of complaints filed (2,300 in 2008 compared to 2,700 in 2007).

The further overall reduction in this type of litigation – which also saw the positive effects of the agreement of 13 January 2006 registered in 2007 – is primarily due to introduction of the new "single" grounds in the 2006 Finance Act (art. 2, paragraph 1 bis, Presidential Decree 368/01). Additional positive repercussions derive from the above-mentioned Agreement of 10 July 2008, which offered a new possibility of "consolidation" under the same conditions as the previous agreement and extended the terms of validity of the recruitment lists for gaining access to stable employment. A complete assessment of the overall effects will be possible during 2009.

Regarding the outcome of these disputes, also taking into account the effects of the above-mentioned agreements, the percentage of cases lost is around 50%.

The Company was cited during the year in 525 (473 in 2007) disputes relating to "flexible work" (temporary and contract work).

Regarding disputes arising from new contractual terms and conditions, now that the disputes arising from the labour organisation defined by the previous Collective Labour Contract of 11 July 2003 have concluded, such disputes can be considered to be at normal levels, given the number of staff employed.

## 7. INVESTMENT

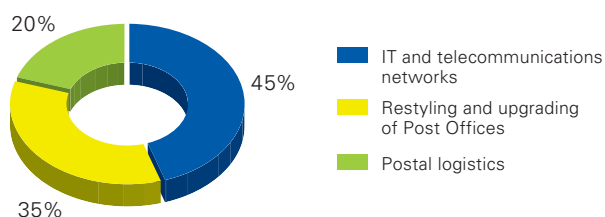
(€m)	2006	2007	2008
Intangible assets	163	153	197
Property, plant and equipment	355	396	439
<b>Total Capital expenditure</b>	<b>518</b>	<b>549</b>	<b>636</b>
Financial investments	157	18	18
<b>Total Investment</b>	<b>675</b>	<b>567</b>	<b>654</b>

### 7.1 FINANCIAL INVESTMENTS

Regarding subsidiaries, in 2008 development of new initiatives and the consolidation of activities in support of business processes (postal, financial and insurance) continued. The amounts invested substantially relate to the coverage of losses and the recapitalisation of certain subsidiaries.

### 7.2 CAPITAL EXPENDITURE

The diagram below shows capital expenditure broken down by macro area.



#### 7.2.1 IT AND TELECOMMUNICATIONS NETWORKS

The Company's Information & Communication Technology (ICT) activities continued to make a vital contribution to business evolution and development in 2008.

Poste Italiane SpA's plan to acquire real-time control and monitoring infrastructure continued, thus enabling effective oversight of service provision and proactive adaptation to unforeseeable difficult situations in line with the models of a "real-

time company” and modern concepts of management and the processing of complex events, which are precisely those connected with business.

In 2008 the Service Control Room, which controls systems and services provided in previous years, was joined by the first of the Logistic Control Rooms, which control logistics flows for postal service processing and delivery activities, and the Security Room, which deals with IT and physical threats to the Company (IT security for the protection of data and information, with analysis of the related risks; security relating to management and coordination of occupational safety; anti-fraud monitoring to prevent fraud and manage any unlawful acts; and business intelligence security to manage critical events regarding both IT and physical security).

A 100-square-metre Demo Room also entered service, equipped with cutting-edge audio, videoconferencing and projection equipment, where research and development specialists demonstrate new technological solutions and services, with the dual purpose of presenting customers the opportunities offered by the company service infrastructure platforms that support business initiatives, and constantly updating the Company’s departments regarding high-tech innovations.

Consolidation of infrastructure platforms was also made possible by the development of applications that are able to integrate the Company’s complex IT infrastructure and the related Customer Relationship Management (CRM) and Enterprise Data Warehouse (EDWH) projects were continued. As part of the CRM project, aimed at creating a single, integrated and inter-functional system to support marketing and commercial activities and processes, the release of the country-wide analytical and operational CRM systems that support direct interaction with SME customers was completed. As part of the Enterprise Data Warehouse (EDWH) project, work continued on development of the Data Management technological infrastructure that enables the creation, management, use, archiving and retrieval of corporate data.

As part of the computerisation of financial and insurance services, the upgrading of the payment system regulated at European level, TARGET2<sup>34</sup> (Trans-European Automated Real-Time Gross Settlement Express Transfer System), was completed. Work also continued on upgrading technological equipment used in Post Office and Administrative departments.

In connection with the Telecommunications Network Development project, the new centralised architecture of the corporate telephony network was completed, with the entry into service of the Enterprise IPCentrex<sup>35</sup> facility, concentrated at the three main Data Centres (Rome, Milan and Bari). This enables transfer of telephone traffic between company offices via the internet, with consequent savings in service costs. Technological platforms were also built for the provision of new basic and advanced network services, such as fax server, voice mail, and audio-videoconference and video-communication services.

VoIP (Voice over IP)<sup>36</sup> technology, which was developed as part of the new data and telephony network with a view to integrating new services by cutting telephony operating costs within the Company, was extended to all postal network centres and the migration of Post Office telephone networks was also launched.

Work continued on building the platform for the Content Delivery Network project, with the entry into service of the central infrastructure and around 2 thousand peripheral devices. The construction of this platform enabled improvement of transmission quality and extension of data transportation capacity.

Work continued on improving infrastructure platform management, with a view to enhancing the service quality of the Group’s Server Farms by concentrating them at a reduced number of equipped sites. During 2008 the amalgamation of nine sites into three units was completed.

Service innovation continued with the implementation of services on the PosteMobile SpA channel. A special highlight was the activation of mobile phone financial services, making Poste Italiane SpA the first financial services provider in Italy to enable its customers to carry out financial transactions via their mobile phones. The success of the top-up service for the prepaid Postepay card via PosteMobile SIM cards charged to a BancoPosta current account (more than 48 thousand transactions as of April 2008, with an average of 140 euros per transaction) confirms the important role played by this electronic money facility, which acts as a financial bridge with the world of mobile telephony.

The Multichannel Services Development project continued through the creation of the New Electronic Communications

34. The European, real-time, regulation system, TARGET2, uses a Single Shared Platform (SSP) built and operated by the Bank of Italy, Deutsche Bundesbank and Banque de France, which serves European financial systems. Moreover, in operational and legal terms, they report to the respective central banks, in accordance with harmonised standards.

35. A virtual telephone switchboard, designed to replace traditional telephone switchboard services by using VoIP technologies.

36. Voice over Internet Protocol.

Platform (NECP) which is the interface between the acceptance of digital products and multiple channels for the reduction of administrative-accounting costs for the Company and customers and to facilitate the introduction of new products and services as well as monitoring the behaviour of consumer customers. Work in that respect led to the closure of Telegram Delivery Centres during the year, which are no longer usable as in terms of service development their technology is obsolete.

## 7.2.2 RESTYLING AND UPGRADING OF POST AND DELIVERY OFFICES

Supporting the expansion of the Post Office network through establishing sales outlets with reference to demand, and the redesign of Post Offices to suit commercial and operating requirements, entailed the continuation of projects for the restyling, modernisation and upgrading of Post Offices in the form of the New Model Post Office. Projects relating to the siting of Post Offices in locations to improve regional coverage, and thus relationships with customers, were started in 452 Post Offices, of which 297 were completely renewed and opened to the public. Additional work on enhancement of the Company's commercial buildings consisted of improving the customer friendliness of Post Offices to make it possible to expand the range of services provided, including the allocation of space to the PosteBusiness and PosteShop sales networks at major Post Offices. The project regarding the expansion of the PosteBusiness sales network, resulted in a total of 1,150 sales outlets by the end of 2008.

The reorganisation and computerisation of delivery services, as explained in previous sections, led to the redesign, in accordance with the guidelines of the new "Postal Delivery Services Innovation" project, of 729 Distribution Centres out of a total of 932 planned for the entire project.

## 7.2.3 POSTAL LOGISTICS

There was an ongoing commitment by the Company to modernising logistics facilities, through the upgrading of equipment and the rationalisation and standardisation of processes. Investment in technology primarily regarded development and upgrading of the logistics network and the constantly changing market, via extension of the range of integrated and high value-added products and services.

The reorganisation of collection and distribution logistics hubs continued via concentration of productive activities in Sorting Centres. The high degree of automation at these facilities enables maximisation of output. Development of the integrated logistics platform on which the mail delivery service is based enabled activation of three Logistics Control Rooms<sup>37</sup>, which constantly monitor Poste Italiane SpA's logistical assets and the efficiency and quality of the entire postal process nationwide, including mail collection, sorting and delivery. The complete network envisages 12 operational control rooms, one for each Logistics Area, and one central control room for coordination at national level.

Reorganisation of sorting centres relating to the New Network project continued, with the mechanisation of the Novara and Pisa Sorting Centres, activation of a Sorting Centre in Pescara and further upgrading of the sorting capacity at the Sorting Centres in Verona, Turin, Milan Roserio, Genoa and Florence.

The re-engineering involved for all of these projects led to the full mechanisation of sorting so that 9 million pieces of mail are bundled for direct distribution to letter carriers every day.

Finally, preliminary work began in 2008 on the "Electronic Postman" project which, as of 2009, will enable monitoring of the mail delivery process until the "last mile", namely from the sorting office to the final destination. Thanks to the electronic connection with an operator equipped with a palmtop computer, it is possible to certify the date and time of receipt, thus enabling monitoring of mail across the entire logistics network.

37. One located at Rome EUR, one in Naples at the Southern Logistics Area Office and one in Peschiera Borromeo at the Lombardy Logistics Area Office.

## 8. THE ENVIRONMENT

Every year Poste Italiane SpA prepares a Social Report, including an account of the Company's activities and performance regarding economic, social and environmental sustainability. Regarding the environment, it is considered useful to present a summary of the main initiatives carried out in 2008 in this Report.

Poste Italiane SpA's approach to environmental sustainability considers the environment to be the ecosystem where the Company operates and on which it has an impact in carrying out its day-to-day activities. The Company's organisational dimensions and the number of its operators impose a constant everyday commitment throughout the national economy, based on efforts to rationalise energy consumption and to protect the environment. This has resulted in the establishment of the Parent Company's Energy Management department which, in synergy with Poste Energia SpA, oversees the utilisation of energy resources with a view to curbing consumption and consequently reducing the environmental impact in terms of the amount of greenhouses gases produced.

2008 saw a steady rise in commodity prices, which had an extremely negative influence on energy costs, without the possibility of fully benefiting from the decline in energy prices in the last quarter of the year due to the fall in demand linked to the global economic downturn. In this context, Poste Italiane SpA implemented measures to reduce energy expenditure, measured the impact of real estate assets in terms of their greenhouse gas emissions and continued to gather and publish data as part of PostEurop's international programme to reduce CO<sub>2</sub> emissions in which Poste Italiane SpA participates. Moreover, the policy to purchase electricity from renewable sources was stepped up, with extension of this technical requirement to low voltage supplies and the attainment of an overall percentage of electricity from renewable sources, certified by RECS (Renewable Energy Certificate System), amounting to around 15% of the electricity consumed by Poste Italiane SpA.

2008 also witnessed continuation of experimental initiatives regarding vehicles that are increasingly compatible with environmental requirements and waste management: the "Green Post" project and the "Waste Management" project.

The "Green Post" project, coordinated by Poste Italiane SpA and funded by the European Union as part of the "Intelligent Energy for Europe" (IEE) programme, was included in the campaign "Sustainable Energy Europe - SEE", which is promoted by the European Commission and in Italy is under the responsibility of the Ministry of the Environment.

The project aims to reduce the environmental impact of delivery vehicles and provides for the experimental use of 57 electric and hybrid quad bikes for mail delivery in the old town centre of Perugia. The "Free Duck" is a lightweight quad bike, designed by Ducati Energia, in compliance with EU directives on energy cost reductions. The vehicle boasts high-tech safety, speed control and braking features, and derives from the Group's insight to combine innovation and environmental protection, by raising occupational safety standards, including for mail delivery. Therefore, the project gives value to the universal mission associated with Poste Italiane SpA's role in Italy and recognises "Corporate Social Responsibility" as a strategic engine for the achievement of growth and sustainable development goals.

Since March 2008, a separate waste collection programme has been implemented in the headquarters at Rome EUR. This includes waste from the Company dining hall, and household waste such as paper and plastic, as well as packaging, metallic waste, toners, wood, electrical items, etc.

The plan involved the introduction of separate waste collection centres, where the Company's waste is separated before being sent to the refuse dump.

The first results of the separate recycling initiative break down as follows on an average monthly basis:

- 14,600 kg of paper and cardboard;
- 2,200 kg of plastic;
- 1,900 kg of metallic waste;
- 7,800 kg of wood.

Specifically regarding paper and cardboard, a peak was registered in April with 20,000 kg recycled. This is equivalent to the amount of waste disposed of by a village of 6,000 inhabitants that separates its rubbish.

Regarding the process of managing and disposing of the "special" waste produced by Sorting Centres and Operating Postal Centres, a special tender procedure has been prepared with the aim of standardising the collection of such waste nationwide.

## 9. EVENTS AFTER 31 DECEMBER 2008

No major events occurred after 31 December 2008.

A number of events of minor importance occurring after year end have been described in other sections of the Report.

## 10. OUTLOOK

The difficult and complex economic situation, the crisis in financial markets, the change underway in the postal system and ever keener competition across all the sectors in which the Group operates call for a great deal of care in drawing up Poste Italiane SpA's strategies, aimed on the one hand at increasing the Group's competitive capacity, via cutting-edge organisational and technological solutions, and, on the other, at offering innovative services to meet new customer requirements.

In the **Business Unit Postal Services** segment, partly in response to the upcoming full deregulation of the market, the Group will give priority to the revenues and volumes of Unrecorded and Recorded Mail and develop the Direct Marketing, Integrated Services and Digital areas of business. This objective will be pursued via specific marketing action priorities as well as by increasing operating efficiency in all the phases of collection, sorting transport and delivery.

In particular, in 2009 the Company will be involved in developing the Posta Time product, aimed at major customers with special requirements, which certifies delivery dates and times via palmtop computers that will be supplied to letter carriers, and the extension of the range of Priority Mail services with the development of an added-value service that will enable the Company to record contracts sent by business customers online or by telephone. Ancillary services will see the launch of a Pick Up counter, which entails collection of large quantities of mail from a customer's premises, with prior online booking, and subsequent transport to Poste Italiane centres. In line with Poste Italiane SpA's ongoing commitment to provide a valuable service to the nation's economy, in 2009 innovations in Integrated Services will include creation of an Integrated Notification Service (INS) for fines, which will exploit the potential of the new INS platform, as well as horizontal development of the service via the introduction of new modules, such as management of fines levied outside Italy and the management of driving licence points.

In addition to the normal new issues in connection with various current events, the 2009 **Philately** Programme will include issues with a high degree of commercial impact dedicated to cultural and artistic content commemorating individuals, events and exhibitions such as the International Philately Festival "Italia 2009", an important international philatelic event that will be organised by Poste Italiane SpA with the FSFI, a federation of the Italian Philatelic Society and the AFIP, the Association of Professional Italian Philatelists; a commemorative stamp for the bicentenary of the birth of Charles Darwin; and the 13th Water Sports Championship. The programme also includes a new series on Italian Masters of the 20th Century, which will be added to the Motorbike, Made in Italy, Folklore, Italian Cultural and Artistic Heritage, Tourism, Institutions and Italian Sport series.

In the **Express Delivery and Parcels** segment of Business Unit Postal Services, the Company will continue its efforts to strengthen its domestic market positioning. In this regard, Consignment Notes will be extended to the Business segment, and a bulky Parcel option will be launched on an experimental basis. This will allow Paccocelere 1 Plus and Paccocelere 3 Plus parcels that exceed the permitted size but are less than the maximum weight limit of 30 kg to be sent to Post Offices and Postal Network Centres that are geared up for this service, at no extra cost.

Activities in the **Financial Services** segment will be aimed at creating new added-value services and a new range of current account services that meet varying customer requirements. In particular, the BancoPosta account for retail customers will be enhanced with a new offering which, by encouraging acquisition of loyalty-building products, will enable the forging of a valuable customer relationship through to the purchase phase.

Regarding SME customers, the “New BancoPosta SME Product” will aim to increase the loyalty of current customers and acquire new ones, by extending the range of services and customising the offering. In particular, the new account provides access to personalised products designed to meet the varying needs of traders, self-employed professionals and administrators of apartment buildings, as well as all kinds of small and medium enterprise.

In order to boost BancoPosta’s presence in alternative channels, as well as promoting the new BancoPosta Click account, certain security innovations will be implemented for online transactions. In particular, the migration of around 800 thousand BancoPostaOnline and BancoPosta customers to the strong authentication system will be gradually completed, with the adoption of a “disposable” password mechanism based on the use of the new Postamat card with microchip and an electronic device that will be supplied free of charge to all online account holders. This system replaces the old standard based on a static password and is a remarkable step forward compared with the security systems currently used in Italy, thus making BancoPosta a frontrunner in the fight against online fraud. Together with the new strong authentication system, customers will be given a Secure Electronic Mailbox, which will end the problem of phishing once and for all.

The Loan products segment will see the launch of the Quinto BancoPosta product for INPS pensioners, and innovations have been planned for the loan product with a view to making it more flexible and user-friendly. New types of mortgage product will also be made available online.

In 2009 the Electronic Money segment will see continued migration towards payment cards with microchips, for pre-paid as well as debit cards.

In the light of Poste Italiane SpA’s recent membership of the CBI Consortium, an organisation established to manage Interbank Corporate Banking that enables hundreds of thousands of companies to interact with the banks with whom they hold current accounts, via a single data transmission link, in 2009 the Company will release new products and services to add to the existing bank offering. Joining the CBI provides a great opportunity to strengthen and consolidate relations with companies and the Public Sector, above all by developing Group synergies to support customers in the process of increasing efficiency and cutting costs. In particular, an innovative electronic billing service will be offered. Under the 2008 Finance Act, mandatory use of electronic billing by companies in all trading relations with the Public Sector was introduced.

In the important postal savings segment, it should be noted that negotiations regarding the agreement with Cassa Depositi e Prestiti, which expired on 31 December 2008, have been launched. However, the Company has continued to operate in early 2009 without a contractual agreement having been reached. Finalisation of the new agreement is of vital operational importance for the Company.

In 2009, Insurance Services will witness strengthened leadership in the Life market, including expansion of the pension product offering, with the introduction of products for specific customer targets, and improvement of the after-sales service by taking advantage of Group synergies.

Regarding the organisation and development of human resources, actions designed to optimise the use of staff will continue via further development of the organisational model which, by strengthening the delegation system, will increase the autonomy of local structures in order to more effectively achieve strategic goals.

Growth prospects for the world economy have further deteriorated, and in 2009 the current recession in Italy is set to continue. In such a difficult context, the corporate mission and strategy will be aimed at long-term preservation of revenues, by innovating and creating higher value services and guaranteeing efficient cost control.

However, the tensions affecting markets and the Italian and global economies will make it difficult to maintain current levels of profitability.

## 11. OTHER INFORMATION

### **Related party transactions**

The principal transactions conducted by the Group regard its shareholders, the Ministry of the Economy and Finance and Cassa Depositi e Prestiti, with particular reference to the management of postal current account services and postal savings deposits.

Details of the related party transactions of the Poste Italiane Group and the Parent Company are provided in note 43 in the consolidated financial statements and in note 37 in the separate financial statements.

### **Legislative Decree 196 of 30 June 2003**

In compliance with Legislative Decree 196 of 30 June 2003, the "Data Protection Act" ("Codice in materia di protezione dei dati personali"), the Company has prepared its Data Protection Planning Document Security for 2008, which describes the Company's overall organisation, its technology infrastructure, and the distribution of roles and responsibilities within the departments involved in the processing of personal data.

## 12. BOARD OF DIRECTORS' PROPOSALS TO SHAREHOLDERS

The Board of Directors proposes that the General Meeting of shareholders:

- approves the financial statements of Poste Italiane SpA for the year ended 31 December 2008, consisting of the balance sheet, income statement, cash flow statement, the statement of changes in equity, the statement of recognised income and expense and the notes, accompanied by the Directors' Report on Operations;
- allocates profit for the year of 720,796,454 euros as follows:
  - a) 36,039,823 euros to the legal reserve;
  - b) the remaining amount in accordance with the resolutions to be passed by the General Meeting, giving due emphasis to the Company's capitalisation requirements, and also taking account of the payment made by the Company in compliance with the European Commission ruling of 16 July 2008.

## APPENDIX - KEY DATA FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

The figures shown in the tables below reflect the balance sheet, income statement and operational data (deduced from the consolidation packages) of the main 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)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	304,860	264,169	(40,691)	(13.3)
Net operating profit	(5,285)	22,292	27,577	n.s.
Profit for the year	(14,536)	12,354	26,890	n.s.
Investment (*)	7,878	36,696	28,818	n.s.
Equity	106,541	118,396	11,855	11.1
Workforce at end of year	917	992	75	8.2
Flexible workforce - average	96	116	20	20.8

(\*) The figure for investment takes account of goodwill amounting to 2,840 thousand euros regarding the acquisition of the "Baioni Stampa" unit. The company employed on average 8 people seconded from the Parent Company (8 in 2007).  
n.s.: not significant.

### PostelPrint SpA

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	146,571	101,679	(44,892)	(30.6)
Net operating profit	17,143	8,811	(8,332)	(48.6)
Profit for the year	10,086	5,489	(4,597)	(45.6)
Investment	1,444	1,025	(419)	(29.0)
Equity	22,995	28,466	5,471	23.8
Workforce at end of year	236	233	(3)	(1.3)
Flexible workforce - average	72	35	(37)	(51.4)

**SDA Express Courier SpA**

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	441,715	455,508	13,793	3.1
Net operating profit/(loss)	6,878	1,686	(5,192)	(75.5)
Profit/(loss) for the year	535	302	(233)	(43.6)
Investment	14,222	17,349	3,127	22.0
Equity	104,740	104,460	(280)	(0.3)
Workforce at end of year	1,221	1,246	25	2.0
Flexible workforce - average	39	40	1	2.6

**Italia Logistica Srl (\*)**

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	28,054	46,156	18,102	64.5
Net operating profit	1,471	295	(1,176)	(79.9)
Profit for the year	529	(546)	(1,075)	n.s.
Investment (**)	631	11,334	10,703	n.s.
Equity	3,416	11,390	7,974	n.s.
Workforce at end of year	34	77	43	n.s.
Flexible workforce - average	4	5	1	25.0

(\*) Since 1 August 2008 the company has been accounted for using proportionate consolidation.

(\*\*) The figure for investment takes account of goodwill amounting to 8,492 thousand euros regarding FS Logistica's contribution of its Omnia Logistica unit. n.s.: not significant.

**Poste Tutela SpA**

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	75,522	78,940	3,418	4.5
Net operating profit	1,488	1,249	(239)	(16.1)
Profit for the year	943	842	(101)	(10.7)
Investment	12	3	(9)	(75.0)
Equity	5,564	6,406	842	15.1

The company employed on average 7 people seconded from the Parent Company (8 in 2007).

### Poste Vita SpA <sup>(\*)</sup>

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Premiums written less outward reinsurance premiums	5,535,500	5,523,308	(12,192)	(0.2)
Profit for the year <sup>(*)</sup>	91,855	64,122	(27,733)	(30.2)
Financial assets	29,063,127	30,773,239	1,710,112	5.9
Balance of technical account for life assurance and financial liabilities at fair value	28,566,346	31,149,080	2,582,734	9.0
Equity	892,697	965,561	72,864	8.2
Workforce at end of year	104	124	20	19.2

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

The company employed on average 4 people seconded from the Parent Company (6 in 2007).

### BancoPosta Fondi SpA SGR

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Fee income	40,022	40,432	410	1.0
Net fee income	12,215	18,377	6,162	50.4
Profit for the year	4,946	9,795	4,849	98.0
Financial assets (liquidity and securities)	34,746	43,446	8,700	25.0
Equity	24,401	34,303	9,902	40.6
Workforce at end of year	7	11	4	57.1

The company employed on average 27 people seconded from the Parent Company (28 in 2007).  
n.s.: not significant.

### Postecom SpA

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	61,062	68,980	7,918	13.0
Net operating profit	8,779	6,226	(2,553)	(29.1)
Profit for the year	6,752	3,756	(2,996)	(44.4)
Investment	5,638	6,254	616	10.9
Equity	37,609	41,297	3,688	9.8
Workforce at end of year	228	241	13	5.7
Flexible workforce - average	12	9	(3)	(25.0)

The company employed on average 1 person seconded from the Parent Company (1 in 2007).

**PosteMobile SpA (\*)**

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenues	1,411	38,176	36,765	n.s.
Net operating profit	(17,373)	(15,866)	1,507	(8.7)
Profit for the year	(12,073)	(12,689)	(616)	5.1
Investment	27,327	8,392	(18,935)	(69.3)
Equity	5,417	2,715	(2,702)	(49.9)
Workforce at end of year	35	70	35	100.0

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

**Europa Gestioni Immobiliari SpA**

(€000)	2007	2008	Increase/(Decrease)	
			Amount	%
Revenue	34,247	77,449	43,202	n.s.
Net operating profit	15,071	53,098	38,027	n.s.
Profit for the year	11,746	37,592	25,846	n.s.
Investment	486	354	(132)	(27.2)
Equity	359,748	397,342	37,594	10.5
Workforce at end of year	7	7	0	n.s.

n.s.: not significant.

## GLOSSARY

**Action learning:** A training method based on case studies for which participants have to develop action plans outside the classroom to be graded in the following training session.

**Coaching:** A training method that aims to develop the potential of trainees. Unlike traditional training methods, coaching does not try to teach skills or impart information, but offers tools enabling each individual to find the resources within themselves to implement precise, targeted action plans.

**Content Delivery Network (CDN):** otherwise known as Enterprise Content Delivery Network (ECDN), this term was coined towards the end of the 1990s to describe a system of computers networked together across the Internet that cooperate transparently to deliver content (especially large media content) to end users.

**Contratto di Programma (Planning Agreement):** This Agreement regulates relations between the government and Poste Italiane SpA regarding provision of the Universal Postal Service, and also defines the amounts paid by the government to the Company every three years for this service.

**Delivery Logistics Centres:** Centres for the management of collection, transport and delivery activities.

**Distribution centres:** Physical sites serving their local area, carrying out the basic delivery service, internal handling, support services for the transport network, other external activities not directly linked to distribution and, on occasion, other high-value-added services.

**E-government:** The computerisation of Public Sector processes, enabling documents to be processed and managed in digital format, by using information and communication technologies with a view to optimising the work of public authorities and offering customers (the general public and companies) faster services, as well as new services via, for example, the websites of the authorities concerned.

**E-procurement:** Management, distribution and supply of stationery, IT products, printed matter and forms.

**Hub:** A type of junction around which any type of network is created (computer, satellite, telephone, transport, internet, marketing), which unites, multiplies and channels access to the network.

**International gateways:** Facilities that enable the international exchange of parcels and Postacelere (express parcel) items.

**Local deposits:** These are deposits serving their local area, distributing products that require high standards of security, such as stamped paper, philately products and revenue stamps. They have resulted from the merger of provincial deposits.

**Mass Printing:** Outsourced services relating to the management of large quantities of mail.

**Materials Handling:** A term used in logistics to define the process that technically begins with the collection of raw materials from suppliers and ends with the delivery of the finished product. At Poste Italiane SpA it means the physical management of mail from collection through to sorting (storage, movement, placement in racks, etc.).

**Operating Postal Centres:** Centres for managing registered mail collection, transport and manual sorting activities, and limited to provincial catchment areas.

**Phishing:** An attempt to criminally and fraudulently acquire sensitive information by masquerading as a trustworthy entity in an electronic communication.

**RINA:** Italian Shipping Register.

**SEPA:** Simple Euro Payments Area.

**Server farms:** An IT term used to indicate a group of servers located in a single place in order to centralise their management, maintenance and security. Server farms are usually set up in air-conditioned environments and protected from unauthorised access. The creation of a server farm enables the construction and management costs of a secure facility to be spread and also cuts connectivity costs. When server farms are specifically created with a view to hiring out the space, they are referred to as Data Centres or Network Operating Centres.

**Small to Medium Business (SMB):** This customer segment includes small and medium enterprises that, in the course of business, regularly use postal and financial services.

**SOHO (Small Office/Home Office):** This customer segment includes professional people who, in the course of business, regularly use postal and financial services.

**Sorting Centres:** Centres for managing mail collection, transport and sorting activities using highly automated equipment.

**Strong authentication:** Authentication with two elements, or authentication with several elements, is a system based on the joint use of two methods of individual authentication.

**Temporary services:** These services are provided by Post Offices on a temporary basis for conferences, congresses, rallies, trade fairs, exhibitions, celebrations of historical events, stamp exhibitions, sporting and other events of public interest that may raise Poste Italiane SpA's visibility. Operations available at these temporary facilities include mail collection, collection and formation of ordinary and special despatches, sale of postage and revenue stamps and philately products.

**Unified Service Automation Centres:** Centres where the bills paid at Post Offices are collected and processed.

**Web Service:** a software system designed to support interoperable Machine to Machine interaction over a network.

**World Check:** a databank containing detailed profiles of parties, companies and organisations, and persons associated with them, who pose a potential risk in more than 230 countries and territories. The website gives access to various risk categories, including money launderers, arms and drug traffickers, financial crimes, embargos and all the lists of electronic official sanctions issued by the supervisory authorities of various countries.

# Poste Italiane Group Consolidated financial statements

for the year ended 31 December 2008  
Statements and notes





**To all the needs satisfied in every Post Office.**



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# BALANCE SHEET

## ASSETS

(€000)	Note	31 December 2008	related party transactions (note 43)	31 December 2007	related party transactions (note 43)
<b>Non-current assets</b>					
Property, plant and equipment	[5]	3,236,323	-	3,142,409	-
Investment property	[6]	172,425	-	193,812	-
Intangible assets	[7]	452,962	-	384,961	-
Investments accounted for using the equity method	[8]	7,448	7,448	9,444	9,444
Financial assets	[9]	27,806,343	665,518	25,761,616	683,724
Deferred tax assets	[10]	641,285	-	570,182	-
Other assets	[11]	688,941	-	614,225	-
<b>Total</b>		<b>33,005,727</b>		<b>30,676,649</b>	
<b>Assets attributable to BancoPosta</b>	[16]	<b>38,909,191</b>	<b>5,546,358</b>	<b>38,940,311</b>	<b>6,870,168</b>
<b>Current assets</b>					
Inventories	[12]	53,479	-	53,619	-
Trade receivables	[13]	3,573,672	1,798,394	4,160,741	2,592,266
Current tax assets	[14]	43,063	-	129,361	-
Other current receivables and assets	[15]	530,614	77	409,707	47
Financial assets	[9]	4,563,836	343,448	4,679,704	461,411
Cash and cash equivalents	[17]				
Fixed-term deposit (EC Decision of 16 July 2008)		485,572	-	-	-
Deposits and cash in hand		2,346,134	-	759,438	-
<b>Total</b>		<b>11,596,370</b>		<b>10,192,570</b>	
<b>Non-current assets held for sale</b>	[18]	<b>3,472</b>	<b>-</b>	<b>543</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>83,514,760</b>		<b>79,810,073</b>	

## LIABILITIES AND EQUITY

(€000)	Note	31 December 2008	related party transactions (note 43)	31 December 2007	related party transactions (note 43)
<b>Equity</b>					
Share capital	[19]	1,306,110	-	1,306,110	-
Reserves	[22]	265,245	-	2,140	-
Retained earnings		1,850,294	-	1,764,770	-
<b>Equity attributable to shareholders of the Parent Company</b>		<b>3,421,649</b>		<b>3,073,020</b>	
Minority interest		13	-	-	-
<b>Total Equity</b>		<b>3,421,662</b>		<b>3,073,020</b>	
<b>Non-current liabilities</b>					
Technical provisions for insurance business	[23]	28,333,062	-	24,929,307	-
Provisions for liabilities and charges	[24]	339,486	33,393	349,596	41,315
Staff termination benefits	[25]	1,514,928	-	1,478,650	-
Financial liabilities	[26]	4,878,090	679,517	6,286,751	840,235
Deferred tax liabilities	[10]	310,226	-	362,976	-
Other liabilities	[29]	146,249	6	216,539	6
<b>Total</b>		<b>35,522,041</b>		<b>33,623,819</b>	
<b>Liabilities attributable to BancoPosta</b>	[16]	<b>37,063,652</b>	<b>576,817</b>	<b>37,334,548</b>	<b>799,667</b>
<b>Current liabilities</b>					
Provisions for liabilities and charges	[24]	829,180	89,440	523,813	17,311
Trade payables	[27]	1,855,513	314,513	1,785,918	278,046
Current tax liabilities	[28]	73,647	-	27,271	-
Other liabilities	[29]				
Other current payables and liabilities		1,596,875	65,486	1,590,440	56,390
Amount payable to parent (EC Decision of 16 July 2008)		485,572	485,572	-	-
Financial liabilities	[26]	2,666,618	161,542	1,851,244	155,971
<b>Total</b>		<b>7,507,405</b>		<b>5,778,686</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>83,514,760</b>		<b>79,810,073</b>	

## INCOME STATEMENT

(€000)	Note	2008	<i>related party transactions (note 43)</i>	2007	<i>related party transactions (note 43)</i>
Revenues	[30]	10,371,381	2,541,320	10,279,284	2,924,275
<i>of which non-recurring</i>		-	-	-	-
Earned premiums	[31]	5,534,985	-	5,541,365	-
Other income from financial and insurance activities	[32]	1,787,139	-	1,212,689	-
Other operating income	[33]	158,001	4,816	153,823	3,605
<i>of which non-recurring</i>		-	-	-	-
<b>Total revenues</b>	[4]	<b>17,851,506</b>		<b>17,187,161</b>	
Cost of goods and services	[34]	2,586,719	192,045	2,465,230	192,907
Movement in trading properties		1,371	-	267	-
Movement in technical provisions for insurance business and other claims expenses	[35]	5,180,313	-	6,082,180	-
Other expenses deriving from financial and insurance activities	[36]	1,686,522	-	317,102	-
Staff costs	[37]	6,042,107	18,476	5,864,223	13,681
<i>of which non-recurring costs/(income)</i>		(203,104)	-	(54,919)	-
Depreciation, amortisation and impairments	[38]	539,952	-	572,959	-
Capitalised costs and expenses	[39]	(44,217)	-	(17,745)	-
Other operating costs	[40]	386,151	117,809	126,193	(48,051)
<i>of which non-recurring</i>		-	-	-	-
<b>Operating profit/(Loss)</b>		<b>1,472,588</b>	-	<b>1,776,752</b>	-
Finance costs	[41]	257,510	59,180	234,525	46,812
<i>of which non-recurring</i>		19,673	-	-	-
Finance income	[41]	303,903	122,265	235,826	164,015
<i>of which non-recurring</i>		4,000	-	-	-
Profit/(Loss) on investments accounted for using the equity method	[8]	355	-	(266)	-
<b>Profit/(Loss) before tax</b>		<b>1,519,336</b>		<b>1,777,787</b>	
Taxation	[42]	636,754	-	934,138	-
<i>of which non-recurring expense/(benefit)</i>		(92,518)	-	28,062	-
<b>PROFIT FOR THE YEAR</b>		<b>882,582</b>		<b>843,649</b>	
Attributable to shareholders of the Parent Company		882,582		843,649	
Attributable to minority interest		-		-	
<b>Earnings per share</b>	[21]	<b>0.676</b>		<b>0.647</b>	
<b>Diluted earnings per share</b>	[21]	<b>0.676</b>		<b>0.647</b>	

# CASH FLOW STATEMENT

(€000)	Note	2008	2007
<b>Cash and cash equivalents at beginning of period</b>		<b>759,438</b>	<b>1,416,299</b>
Profit/(Loss) before tax		1,519,336	1,777,787
Depreciation, amortisation and impairments	[38]	539,952	572,959
Net provisions for staff	[37]	431,428	258,802
Net provisions for liabilities and charges	[40]	135,569	95,238
Use of provisions for liabilities and charges	[24]	(307,497)	(362,520)
Provisions for staff termination benefits	[25]	430	28,290
Termination benefits paid	[25]	(125,666)	(121,398)
Movement in technical provisions for insurance business		3,264,895	3,978,911
(Gains)/Losses on disposals	[33]	(33,204)	(25,171)
(Gains)/Losses on assets/(liabilities) measured at fair value		643,514	(235,163)
Non-cash (income)/losses deriving from financial and insurance activities (Dividends)	[41]	(275,922)	(369,493)
Dividends received		1,310	202
(Finance income realised)	[41]	(28,517)	(13,037)
(Finance income in form of interest)	[41]	(259,793)	(217,491)
Interest received		269,323	152,921
Interest expense and other finance costs	[41]	252,101	229,408
Interest paid		(148,149)	(144,950)
Losses and impairments/(Recoveries) on receivables	[40]	114,377	(79,711)
Tax and withholding tax paid		(690,922)	(1,248,380)
Other movements		(3,734)	(30,278)
<b>Cash generated by operating activities before movements in working capital</b>	<b>[a]</b>	<b>5,297,203</b>	<b>4,246,689</b>
<i>Movements in working capital:</i>			
(Increase)/Decrease in Inventories	[12]	140	713
(Increase)/Decrease in Trade receivables		524,610	243,287
(Increase)/Decrease in Other receivables and assets		(241,045)	(31,522)
Increase/(Decrease) in Trade payables	[27]	69,595	117,237
Increase/(Decrease) in Other liabilities		(42,681)	78,236
<b>Cash generated by/(used in) movements in working capital</b>	<b>[b]</b>	<b>310,619</b>	<b>407,951</b>
(Increase)/Decrease in liabilities attributable to BancoPosta		(282,001)	(2,672,367)
Liabilities linked to financial contracts issued by insurance companies	[26]	(213,707)	(487,010)
Net cash generated by/(used in) financial assets at fair value through the income statement		(863,657)	(906,905)
Net cash generated by/(used in) financial assets held for trading	[16]	(1,141,552)	-
Net cash generated by/(used in) available-for-sale financial assets		(1,563,400)	(2,182,924)
(Increase)/Decrease in other assets attributable to BancoPosta		1,018,392	1,211,478
<b>Cash generated by/(used in) financial assets and liabilities attributable to BancoPosta and insurance activities</b>	<b>[c]</b>	<b>(3,045,925)</b>	<b>(5,037,728)</b>
<b>Net cash flow from/(for) operating activities</b>	<b>[d]=[a+b+c]</b>	<b>2,561,897</b>	<b>(383,088)</b>
<b>- of which related party transactions</b>		<b>2,044,048</b>	<b>4,997,545</b>
<i>Investing activities:</i>			
Property, plant and equipment	[5]	(485,382)	(418,944)
Investment property	[6]	(862)	(1,651)
Intangible assets	[7]	(226,409)	(188,068)
Investments	[8]	(319)	(2,540)
Other financial assets		(604,173)	(1,484)
Net cash used by held-to-maturity investments attributable to BancoPosta (*)	[16]	(1,778,988)	(187,137)
<i>Disposals:</i>			
Property, plant and equipment, investment property and assets held for sale		57,771	44,438
Investments	[8]	4,000	-
Other financial assets		147,039	5,952
Net cash generated by held-to-maturity investments attributable to BancoPosta (*)	[16]	2,256,737	-
Change in basis of consolidation		1,437	-
<b>Net cash flow from/(for) investing activities (*)</b>	<b>[e]</b>	<b>(629,149)</b>	<b>(749,434)</b>
<b>- of which related party transactions</b>		<b>(187,462)</b>	<b>(92,330)</b>
Proceeds from/(Repayments of) long-term borrowings		(181,774)	(188,518)
(Increase)/Decrease in loans and receivables	[9]	197,077	223,273
Increase/(Decrease) in short-term borrowings		369,217	670,075
Dividends paid	[20]	(245,000)	(229,169)
Establishment of fixed-term deposit (EC Decision of 16 July 2008)	[17]	(485,572)	-
<b>Net cash flow from/(for) financing activities and shareholder transactions</b>	<b>[f]</b>	<b>(346,052)</b>	<b>475,661</b>
<b>- of which related party transactions</b>		<b>(203,070)</b>	<b>(181,074)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>[g]=[d+e+f]</b>	<b>1,586,696</b>	<b>(656,861)</b>
<b>Cash and cash equivalents at end of period</b>	<b>[17]</b>	<b>2,346,134</b>	<b>759,438</b>

(\*) This item includes BancoPosta's investments in held-to-maturity investments.

## STATEMENT OF CHANGES IN EQUITY

(€000)	Note	Equity			Total	Minority interest
		Share capital	Reserves	Retained earnings/ (Accumulated losses)		
<b>Restated balance at 1 January 2007</b>		<b>1,306,110</b>	<b>57,963</b>	<b>1,134,279</b>	<b>2,498,352</b>	-
Appropriation of profit to Reserves	[22]	-	24,997	(24,997)	-	-
Actuarial gains/(Losses) on Staff termination benefits recognised in Equity (after tax effect of 15,773 thousand euros)	[25.1]	-	-	41,008	<b>41,008</b>	-
Gains/(Losses) on available-for-sale financial assets recognised in Equity (after tax effect of 45,146 thousand euros)	[22]	-	103,440	-	<b>103,440</b>	-
Movement in Cash flow hedge reserve (after tax effect of 86,263 thousand euros)	[22]	-	(184,260)	-	<b>(184,260)</b>	-
Shareholder transactions	[20]	-	-	(229,169)	<b>(229,169)</b>	-
Profit/(Loss) for 2007	[19.1]	-	-	843,649	<b>843,649</b>	-
<b>Restated balance at 31 December 2007</b>		<b>1,306,110</b>	<b>2,140</b>	<b>1,764,770</b>	<b>3,073,020</b>	-
Appropriation of profit to Reserves	[22]	-	37,195	(37,195)	-	-
Actuarial gains/(Losses) on Staff termination benefits recognised in Equity (after tax effect of 40,201 thousand euros)	[25.1]	-	-	(56,405)	<b>(56,405)</b>	-
Gains/(Losses) on available-for-sale financial assets recognised in Equity (after tax effect of 79,284 thousand euros)	[22]	-	164,672	-	<b>164,672</b>	-
Movement in Cash flow hedge reserve (after tax effect of 28,848 thousand euros)	[22]	-	61,238	-	<b>61,238</b>	-
Shareholder transactions	[20]	-	-	(245,000)	<b>(245,000)</b>	-
Other shareholder transactions (after tax effect of 5,779 thousand euros)		-	-	(458,458)	<b>(458,458)</b>	-
Changes in basis of consolidation		-	-	-	-	13
Profit/(Loss) for 2008	[19.1]	-	-	882,582	<b>882,582</b>	-
<b>Balance at 31 December 2008</b>		<b>1,306,110</b>	<b>265,245</b>	<b>1,850,294</b>	<b>3,421,649</b>	<b>13</b>

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

(€000)	Note	2008	2007
Available-for-sale financial assets:			
Increase/(Decrease) in fair value during the year	[22.1]	287,882	147,768
Transfers to the income statement	[22.1]	(43,926)	818
Cash flow hedges:			
Increase/(Decrease) in fair value during the year	[22.1]	23,646	(334,147)
Transfers to the income statement	[22.1]	66,440	63,624
Actuarial gains/(Losses) on Staff termination benefits	[25.1]	(96,606)	56,781
Tax on items recognised directly in, or transferred to, Equity	[10.2]	(67,931)	25,344
<b>Income/(Expenses) recognised directly in Equity</b>		<b>169,505</b>	<b>(39,812)</b>
<b>Profit/(Loss) for the year</b>		<b>882,582</b>	<b>843,649</b>
<b>TOTAL RECOGNISED INCOME/(EXPENSE) FOR THE YEAR</b>		<b>1,052,087</b>	<b>803,837</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 - INTRODUCTION

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Poste Italiane SpA (hereinafter also referred to as the "Parent Company") derives from the conversion of the Public Entity, Poste Italiane, under Resolution 244 of 18 December 1997 passed by the Interministerial Economic Planning Committee. The Company's registered office is at Viale Europa 190, Rome (Italy) and it is 65% owned by the Ministry of the Economy and Finance (hereinafter also referred to as the "MEF") and 35% owned by Cassa Depositi e Prestiti SpA (CDP).

The Group provides a Universal Postal Service in Italy, whilst offering integrated communication, logistics, financial and insurance products and services throughout the country via its national network of around 14,000 Post Offices. The Group operates in the three segments of Postal Services, Financial Services and Insurance Services, which are supplied by the various business units and Group companies. Postal Services include Mail, Express Delivery, Logistics and Parcels, and Philately. Financial Services regard the activities of BancoPosta listed in art. 2 of Presidential Decree 144 of 14 March 2001, and primarily refer to the collection of public deposits in all their forms, the supply of payment services, foreign currency trading, the promotion and marketing of loans issued by banks and other authorised financial institutions, and the provision of investment services. Insurance Services are provided by the subsidiary, Poste Vita, which operates in ministerial life assurance Branches I, III and V, and in ministerial non-life insurance Branches I and II.

The Group increasingly aims to supply integrated services and innovative solutions to the general public, to firms and to central and local government by exploiting its own distribution channels as well as the multiple and complementary competencies of Group companies.

These consolidated financial statements for the year ended 31 December 2008 have been prepared in euros, the currency of the economy in which the Group operates. They consist of the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of recognised income and expense and the following notes. All amounts in the consolidated financial statements and the notes are shown in thousands of euros, unless otherwise stated.

## 2 - BASIS OF ACCOUNTING

### 2.1 - BASIS OF PREPARATION

The Poste Italiane Group prepares its consolidated financial statements under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union in EC Regulation 1606/2002 of 19 July 2002, and pursuant to Legislative Decree 38 of 20 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee or SIC), adopted by the European Union and contained in the EU regulations published through to 23 March 2009, the date on which the Board of Directors of Poste Italiane SpA approved these consolidated financial statements.

Legislative Decree 195 of 6 November 2007, which implemented Directive 2004/109/EC that standardised the transparency requirements relating to the information published by issuers whose financial instruments are traded on a regulated market (the so-called Transparency Directive), has amended Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act), introducing the definition "listed issues whose home member State is Italy". Given that Poste Italiane SpA falls within this definition as an issuer of bonds listed on the Luxembourg Stock Exchange, during preparation of this document the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 were taken into account.

The basis of consolidation and the accounting policies adopted reflect the fact that the Group will remain fully operational in the foreseeable future, in accordance with the going concern assumption. The basis of consolidation and the accounting policies are described in notes 2.2 and 2.3, and are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2007. The balance sheet has been prepared on the basis of the current/non-current distinction. The format of the income statement is based on the nature of expenses. The cash flow statement has been prepared in accordance with the indirect method<sup>1</sup>.

As required by CONSOB Resolution 15519 of 27 July 2006, each item in the balance sheet, income statement and statement of cash flows shows the amounts deriving from related party transactions. The income statement also shows, where present, income and expenses deriving from material non-recurring transactions or from non-recurring events.

In order to allow comparison on a like-for-like basis with the amounts for 2008, certain items in the consolidated financial statements for the year ended 31 December 2007 have been reclassified. Above all, two new items have been added to the consolidated income statement for 2008, referring to Other income and expenses deriving from financial and insurance activities, whilst in the statement of cash flows certain movements in Assets attributable to financial and insurance activities have been classified in a more analytical manner.

At the date of approval of these consolidated financial statements, there is no established practice on which to base interpretation and application of the many new, or revised, international accounting standards. Moreover, at the date of approval of these consolidated finance statements the tax authorities had yet to issue systematic official interpretations regarding all the effects of the tax-related measures contained in Legislative Decree 38 of 20 February 2005. In addition, the decrees implementing Law 244 of 24 December 2007 (the 2008 Finance Act), regarding numerous changes to IRES and IRAP, have yet to be enacted. The consolidated financial statements have, therefore, been prepared on the basis of the best available knowledge of IFRS and taking account of best practice in this regard. Any future changes or updated interpretations will be reflected in subsequent years, in accordance with the specific procedures provided for by the related standards.

### 2.2 - BASIS OF CONSOLIDATION

The Poste Italiane Group's consolidated financial statements include the financial statements of the Parent Company and of the companies over which it directly or indirectly exercises control from the date on which control is obtained until the date on which control is no longer held by the Group. Control is exercised both via direct or indirect ownership of a major-

1. Under the indirect method, net cash from operating activities is determined by adjusting profit/(Loss) for the year to reflect the impact of non-cash items, any deferral or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

ity of the voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly on the basis of contractual or legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.

The financial statements used for consolidation purposes have been specifically prepared at 31 December, after appropriate adjustment, where necessary, to bring them into line with the accounting standards of the Parent Company.

Subsidiaries that, in terms of their size or operations, are irrelevant to a true and fair view of the Group's results of operations and financial position, are not consolidated.

Programma Dinamico SpA, a vehicle set up under Law 130 of 30 April 1999 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12, is not consolidated as its separate balance sheet, income statement and cash flows are not material. Certain index-linked policies sold by Poste Vita SpA have invested in the synthetic securities issued by this company in previous years and held in separately managed accounts (see the description in note 3 - Financial risk management - Other risks - Reputational risk). These securities are accounted for in the company's financial statements in Class D investments, where the risk is transferred to policyholders. In the Poste Italiane Group's consolidated financial statements these synthetic securities are accounted for in financial assets, with corresponding technical provisions accounted for in liabilities.

The criteria adopted for consolidation on a line-by-line basis are as follows:

- the assets, liabilities, costs and revenues of consolidated entities are accounted for on a line-by-line basis, where applicable attributing the minority interest in Equity and the profit/(Loss) for the period to specific items reported separately in consolidated Equity and the consolidated income statement;
- business combinations, entailing the acquisition of control of an entity, are accounted for using the purchase method. The cost of acquisition is calculated on the basis of the fair values of the assets given, the liabilities incurred and the equity instruments issued by the acquirer, plus any directly attributable acquisition costs incurred. After re-determination of the fair values of the assets and liabilities acquired and the cost of acquisition, any difference between the cost of acquisition and the fair values of the assets and liabilities acquired is, if positive, recognised as Goodwill arising from consolidation, or, if negative, in the income statement;
- acquisitions of minority interests in entities already controlled by the Group are not accounted for as acquisitions, but as movements in equity; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of equity acquired in Equity;
- significant transactions between companies consolidated on a line-by-line basis and unrealised gains and losses on such transactions are eliminated, with the related tax effects, as are intercompany payables and receivables, costs and revenues, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in the income statement based on the difference between the sale price and the corresponding share of consolidated equity sold.

Investments in joint ventures are accounted for using proportionate consolidation, reporting the Group's share of jointly controlled entities' assets, liabilities, income and expenses on a line-by-line basis. The carrying amounts of these entities' current and non-current assets and liabilities, income and expenses are reported in note 45.2.

Investments in subsidiaries and joint ventures (note 45.3) that are not significant and not consolidated either on a line-by-line basis or using proportionate consolidation, and those in companies over which the Group exerts significant influence (associates in which it is assumed that the Group holds an interest of between 20% and 50%), are accounted for using the equity method. An exception is made for instances in which it is evident that application of this method of accounting does not influence the Group's results of operations or financial position. In such cases, the investment is recognised at cost less any impairment losses.

The equity method is as follows:

- the Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company's losses that exceed the carrying amount of the investment, to the extent that the Group has incurred legal or constructive obligations to cover such losses; movements in the equity of companies accounted for using the equity method not related to the profit/(Loss) for the year are recognised directly in Equity;

- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group's interest in the associate, unless the unrealised loss provides evidence of an impairment.

The following table shows the number of subsidiaries and associates by method of consolidation and measurement.

Subsidiaries	31 December 2008	31 December 2007
Consolidated on a line-by-line basis	16	14
Consolidated using proportionate consolidation	1	-
Consolidated using the equity method	9	11
<b>Total companies</b>	<b>26</b>	<b>25</b>

The following transactions took place during 2008:

- Poste Voice SpA, a wholly owned subsidiary of the Parent Company, was established on 22 January; its purpose is to provide IT and computer-related services;
- on 26 February 2008 SDA Logistica Srl, a wholly owned subsidiary of SDA Express Courier SpA, changed its name to Italia Logistica Srl. This event took place within the context of the memorandum of understanding between Poste Italiane SpA and Ferrovie dello Stato SpA, which was signed on 28 February 2008 with the aim of creating a major new national logistics provider. The understanding, which was effective as of 1 August 2008, involved creation of a joint venture 50% owned by SDA Express Courier SpA and 50% by FS Logistica SpA, an FS Group company. The new company was established via a capital increase carried out by Italia Logistica Srl and restricted to FS Logistica SpA;
- on 17 November 2008 Consorzio Poste Link was converted to a limited liability consortium, with share capital of 200 thousand euros, obtained by conversion of the pre-existing consortium fund of 100 thousand euros, with the remaining amount deriving from the transfer of retained earnings. The consortium is owned by Poste Italiane SpA (70%), Postecom SpA (15%) and Postel SpA (15%).

From 2008 the subsidiaries, Poste Link Scrl, Poste Energia SpA and Consorzio per i Servizi di Telefonia Mobile ScpA have been consolidated on a line-by-line basis. From 1 August 2008 the joint venture, Italia Logistica Srl, has been accounted for using proportionate consolidation.

A list of subsidiaries consolidated on a line-by-line basis and key information is supplied in note 45.1.

In addition to the above subsidiaries, two associates and other minor SDA Group companies (see note 8.3) also form part of the Poste Italiane Group and are accounted for using the equity method.

## 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS AND POLICIES

The Poste Italiane Group's consolidated financial statements have been prepared on a historical cost basis, with the exception of certain items that must be measured at fair value. The significant accounting standards and policies are described below.

### Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. The cost includes any directly attributable costs of making the asset ready for its intended use, and the cost of dismantling and removing the asset to be incurred as a result of legal obligations requiring the asset to be restored to its original condition. Interest expense attributable to the purchase or construction of property, plant and equipment is immediately recognised in the income statement.

The costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement in the year in which they are incurred. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by the Group or held under lease is carried out to the extent that they qualify for separate classification as an asset or as a component of an asset, applying the component approach, which states that each component with a different useful life and value is recognised separately. The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, with reference to the asset's expected useful life.

The useful life and residual value of property, plant and equipment are reviewed annually and adjusted, where necessary, at the end of each year. Land is not depreciated. When a depreciable asset consists of separately identifiable components, with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately, in application of the component approach, over a period that does not, however, exceed the life of the principal asset. The Group has estimated the following useful lives for the various categories of property, plant and equipment:

Category	No. of years
Buildings	25-33
Structural improvements to own assets	20
Plant	3-10
Electronic stations	6
Light constructions	10
Equipment	5-8
Furniture and fittings	5-8
Electrical and electronic office equipment	3-10
Motor vehicles	4-10
Automobiles	4
Leasehold improvements	estimated lease term <sup>(*)</sup>
Other assets	3-10

(\*) Or the useful life of the improvement if lower than the estimated lease term.

Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in the income statement in the year the transaction takes place.

## Investment property

Investment property regards land or buildings held to earn rentals or for capital appreciation or both, thus producing cash flows that are largely separate from other assets. The same accounting standards and policies are applied to investment property as those applied to property, plant and equipment.

## Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controlled by the Group and from which future economic benefits are expected to flow to it. Intangible assets are recognised at cost, including any directly attributable costs of making the asset ready for its intended use, less accumulated amortisation, where applicable, and any accumulated impairment losses. Interest expense accrued attributable to the development of intangible assets is immediately recognised in the income statement. Amortisation is applied from the date the asset is ready for use and is provided systematically on the basis of the remaining useful life of the asset, or its estimated useful life.

## Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Goodwill attributable to investments accounted for

using the equity method is included in the carrying amount of the investment itself. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment. This test is performed with reference to the cash generating unit to which the goodwill is attributable. An impairment loss is recognised in the income statement at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, represented by the present value of the future cash flows expected to be derived from the cash generating unit and from its disposal at the end of its useful life. Value in use is determined on the basis of the method described below in "Impairment of assets". Impairment losses are not reversed if the circumstances that resulted in the charge no longer exist.

When the impairment resulting from the test is higher than the carrying amount of the goodwill attributed to the cash generating unit, the residual amount is attributed to the assets included in the cash generating unit in proportion to their carrying amount. The minimum attributable amount is the higher of:

- the related fair value of the asset less costs to sell;
- the related value in use, as defined above.

### **Industrial patents, intellectual property rights, licences and similar rights**

The costs of acquiring industrial patents, intellectual property rights, licences and similar rights are capitalised. Amortisation is applied on a straight-line basis, in order to allocate the purchase cost over the shorter of the expected useful life and the related contract term from the date the right may be exercised.

### **Software**

Costs associated with developing or maintaining software programmes are recognised in the income statement in the period in which they are incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits beyond one year, are recognised as intangible assets. Identifiable and measurable direct costs include the cost of staff involved in software development and an appropriate portion of the relevant overheads. Amortisation is calculated on the basis of the estimated useful life of the software, which is as a rule three years. Software specially developed for use in the provision of mobile telecommunications services is amortised over a period of seven years.

### **Leased assets**

Assets held under finance leases, where the risks and rewards of ownership are substantially transferred to the lessee, are recognised at fair value or, if lower, at the present value of the minimum lease payments. Depreciation is calculated on a straight-line basis, based on the useful lives of the various categories of asset, estimated applying the same procedures previously described for property, plant and equipment and intangible assets. The corresponding liability, represented by the capital element of future lease payments and accrued interest, is recognised in the balance sheet as a financial liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### **Impairment of assets**

At the end of each reporting period, the Group reviews the value of its property, plant and equipment and intangible assets with finite lives to assess whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment loss to be recognised in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the business. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit to which the asset belongs. An impairment loss is recognised for the

amount by which the carrying amount of the asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. When an impairment no longer exists, the carrying amount of the asset is reinstated and the reversal recognised in the income statement. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and had depreciation or amortisation been charged.

## Financial instruments

Financial instruments include financial assets and liabilities that are classified on initial recognition, based on the business purpose for which they were acquired. Purchases and sales of financial instruments are recognised in each category on the transaction date, representing the date on which the Group commits to purchase or sell the asset, or, in the case of the insurance business and BancoPosta's operations, at the settlement date<sup>2</sup>. In BancoPosta's case, this almost always coincides with the transaction date.

Changes in fair value between the transaction date and the settlement date are, in any event, recognised in the consolidated financial statements.

### Financial assets

On initial recognition, financial assets are classified in one of the following four categories and accounted for as follows:

- **Financial assets at fair value through the income statement**

This category includes: (a) financial assets held for trading, (b) those that qualify for designation at fair value through the income statement on initial recognition, and (c) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets in this category are accounted for at fair value and movements during the period of ownership are recognised in the income statement. Financial instruments in this category are classified as short-term if they are "held for trading" or if they are expected to be realised within twelve months of the end of the reporting period. Derivative instruments are treated as assets and liabilities depending on whether the fair value is positive or negative. Fair value gains and losses on outstanding transactions with the same counterparty are offset, where contractually permitted.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and primarily regard amounts due from customers, including trade receivables. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. These assets are carried at amortised cost<sup>3</sup> using the effective interest method.

If there is objective evidence of an impairment, a provision for impairment is established on the basis of the present value of estimated future cash flows. The resulting impairment loss is recognised in the income statement. When an impairment no longer exists, the carrying amount of the asset is reinstated on the basis of the value that would have resulted from application of the amortised cost method. The estimation procedure adopted in determining provisions for doubtful debts primarily reflects the identification and measurement of elements resulting in specific reductions in the value of individually significant assets. Financial assets with similar risk profiles are subsequently measured collectively, taking account, among other things, of the age of the receivable, the nature of the counterparty, past experience of losses and collections on similar positions and information on the related markets.

- **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and maturities that the Group has a positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, adjusted to reflect any impairment loss. The same policies as described in relation to loans and receivables are applied if there is an impairment.

2. This is possible for transactions carried out on organised markets (the so-called "regular way").

3. The amortised cost of a financial asset or liability means the amount recognised initially, less principal repayments and plus or minus accumulated amortisation, using the effective interest method, of the difference between the initial amount and the maturity amount, after reductions for impairment and insolvency. The effective interest rate is the rate that exactly discounts contractual (or expected) future cash payments or receipts over the expected life of the asset or liability to its initial carrying amount. Calculation of amortised cost must also include external costs and income directly attributable to the asset or liability on initial recognition.

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not attributable to any of the other categories described above. These financial instruments are recognised at fair value and any resulting fair value gains or losses are recognised in an Equity reserve. This reserve is only recycled through the income statement when the financial asset is effectively disposed of (or extinguished) or, in the event of accumulated losses, when there is evidence that the impairment recognised in Equity cannot be recovered. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after the impairment loss was recognised in the income statement, the value of the financial instrument is reinstated and the reversal recognised in the income statement. Moreover, the recognition of returns on debt securities under the amortised cost method takes place through the income statement, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific Equity reserve. The classification of an asset as current or non-current depends on the strategic choice regarding how long to hold the asset and its effective negotiability. As a result, financial instruments expected to be realised within twelve months of the end of the reporting period are classified as current assets.

Financial assets are derecognised when the Group no longer has the right to receive cash flows from the investment and it has substantially transferred all the related risks and rewards and control.

On 15 October 2008, EU Regulation 1004/2008 was published, under an urgent procedure, in the Official Gazette. This Regulation, which was applicable from 1 July 2008, has revised IAS 39 and IFRS 7 regarding the reclassification of non-derivative financial assets from the "available-for-sale" and "at fair value through the income statement" categories. These changes have not had any impact on these consolidated financial statements, in that the Group has not carried out any of the permitted reclassifications.

## Financial liabilities

Financial liabilities, including borrowings, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities linked to investment contracts issued by the subsidiary, Poste Vita SpA, are accounted for at fair value through the income statement.

Financial liabilities are derecognised on settlement and when the Group has substantially transferred all the related risks and rewards.

## Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and if they do not qualify for hedge accounting. Gains and losses arising from changes in fair value after initial recognition are accounted for as finance income or finance costs in the income statement for the period.

If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below.

The Group documents the relationship between each hedging instrument and the hedged item, as well as its risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and on an ongoing basis.

- **Fair value hedge**

Both changes in the value of fair value hedges and changes in the value of the hedged item are recognised in the income statement when the hedge regards recognised assets or liabilities or an unrecognised firm commitment<sup>4</sup>. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion is recognised as a finance cost or as finance income in the income statement for the period.

4. Fair value hedge: a hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on the income statement.

- **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges<sup>5</sup> after initial recognition are recognised in a specific Equity reserve (Cash flow hedge reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as, the forward purchase of fixed income debt securities), the reserve is recycled as a gain or a loss in the income statement for the period or in the periods in which the asset or liability, subsequently accounted for and connected to the above transaction, will affect profit or loss (as, for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in the income statement for the period.

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the Cash flow hedge reserve are immediately taken to the income statement for the period as finance income or finance costs. On the other hand, when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the Cash flow hedge reserve at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the income statement.

### Estimating the fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers and on valuation techniques primarily based on objective financial variables, as well as by taking account, where possible, of prices in recent transactions and quoted market prices for substantially similar instruments.

### Taxation

The charge for current taxation (both IRES, or corporation tax, and IRAP, or regional business tax) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Moreover, under IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in the income statement, with the exception of taxes charged or credited directly to Equity. In this case the tax effect is recognised directly in the specific item in Equity.

At the date of preparation of these consolidated financial statements the Ministerial Decree that should implement the tax regulations contained in Law 244 of 24 December 2007 is in the process of enactment. Where the treatment adopted by the Group does not correspond to this Decree and the subsequent official interpretations of the tax authorities, it may be necessary to apply reclassifications to current and deferred taxes.

Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same tax paying entity, which has the legally exercisable right to offset the amounts recognised, and when the entity intends to exercise this right. As a result, even if accounted for in liabilities, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against the matching assets deriving from withholding tax or advances paid.

5. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on the income statement.

The Group's tax expense and its accounting treatment reflect the effects deriving from the fact that Poste Italiane SpA has adopted a tax consolidation arrangement, which it has elected to apply in accordance with the related law together with the following subsidiaries: Europa Gestioni Immobiliari SpA, PosteMobile SpA, Poste Vita SpA and SDA Express Courier SpA. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Consolidated tax expense is determined on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid. Other taxes not related to income are included in Other operating costs.

## Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of fungible assets and goods for resale is calculated using the weighted average cost formula. The above cost is adjusted, if necessary, by provisions for obsolete or slow moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the end of the reporting period.

In the case of non-fungible assets, such as properties held for sale, cost is represented by the fair value of each asset at the date of acquisition, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.

Long-term contract work is measured using the percentage of completion method, using cost to cost accounting<sup>6</sup>.

## Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2008 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less.

Current account overdrafts are accounted for in current liabilities.

## Non-current assets held for sale

This category refers to non-current assets or assets included in disposal groups where the carrying amount is to be recovered primarily through a sale transaction rather than through continued use. Assets held for sale are accounted for at the lower of the net carrying amount and fair value less costs to sell. When a depreciable asset is reclassified in this category, the depreciation process is halted at the date of the reclassification.

## Equity

### Share capital

The share capital is represented by the Parent Company's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the Share capital, net of any deferred tax effect.

### Reserves

These regard capital or revenue reserves established for a specific purpose. They include, among others, the Parent Company's Legal reserve, the Fair value reserve, relating to items recognised at fair value through Equity, and the Cash flow hedge reserve, deriving from recognition of the effective portion of hedging instruments outstanding at the end of the reporting period.

6. This method is based on the ratio of costs incurred as of a given date divided by the estimated total project cost. The resulting percentage is then applied to estimated total revenue, obtaining the value to be attributed to the contract work completed and accrued revenue at the given date.

## Retained earnings

This item includes the portion of profit for the period and for previous periods that was neither distributed nor taken to reserves or used to cover losses, and actuarial gains and losses deriving from the calculation of the liability for staff termination benefits. This item also includes transfers from other equity reserves, when they have been released from the restrictions to which they were subject (see also note 20).

## Insurance contracts

Insurance contracts are classified and measured as insurance contracts or investment contracts, based on their prevalent features. Contracts issued by the Group's insurance company primarily regard life assurance. The company began marketing accident and medical insurance during the second half of 2007.

The Group applies the following basis for classification and measurement of these contracts:

### Insurance contracts

Insurance products include Branch I and V life assurance policies, in addition to index-linked policies that qualify as insurance contracts. These products are accounted for as follows:

- earned premiums are recognised as income and classified in revenues; they include annual or single premiums accruing during the period and deriving from insurance contracts outstanding at the end of the reporting period, less the value of lapsed policies;
- technical provisions are made in respect of earned premiums to cover obligations to policyholders; the provisions are calculated on an analytical basis for each contract using the prospective method, based on actuarial assumptions appropriate to cover all outstanding obligations. Movements in technical provisions and the cost of claims are recognised as expenses in a specific item in the income statement.

A Liability Adequacy Test (LAT) is performed in order to check the adequacy of technical provisions, by measuring the capacity of future cash flows, deriving from insurance contracts, to cover the liabilities payable to policyholders. If necessary, technical provisions are adjusted through the income statement.

### Contracts for separately managed accounts with discretionary participation features

Contracts for separately managed accounts with discretionary participation features<sup>7</sup> are accounted for as follows:

- premiums, movements in technical provisions and the cost of claims are recognised in the same way as the insurance contracts described above;
- portions of unrealised gains and losses attributable to policyholders are attributed to them and recognised in technical provisions, under the shadow accounting method.

### Investment contracts not linked to separately managed accounts

Investment contracts not linked to separately managed accounts, and which include a portion of index-linked contracts, are accounted for under IAS 39, as follows:

- technical provisions are accounted for as financial liabilities and stated at fair value, whilst the related financial instruments are accounted for in assets;
- premiums and movements in technical provisions are not recognised in income, with only revenue components, represented by front-end loads and fees, and cost components, represented by commissions and other charges, recognised in the income statement. In more detail, IAS 18 and 39 require that revenues and costs attributable to the contracts in question be allocated over the contract term, based on the service supplied.

7. A contractual right of investors to receive returns on the assets under management.

## Provisions for liabilities and charges

Provisions for liabilities and charges represent provisions for liabilities or losses that are either likely or certain to be incurred, but that are uncertain as to the amount or as to the date on which they will arise.

Provisions for liabilities and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the expenditure required to settle the obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the type of liability concerned.

Liabilities that may only possibly give rise to an outflow of resources are reported in a specific section of the notes on contingent assets and liabilities and no provisions are made.

## Employee benefits

Post-employment benefits are of two types: defined contribution plans and defined benefit plans. Under defined contribution plans the contributions paid by the Group are recognised in the income statement when incurred, based on the related face value. Under defined benefit plans, given that the benefit to be paid can only be quantified after the termination of employment, the related impact on the income statement and balance sheet is recognised on the basis of actuarial calculations, in accordance with IAS 19.

### Post-employment benefits: defined benefit plans

Defined benefit plans, which include staff termination benefits payable to employees pursuant to article 2120 of the Italian Civil Code, break down into two categories:

- for all companies with at least 50 employees, covered by the reform of supplementary pension provision, from 1 January 2007 vesting staff termination benefits must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. A company's liabilities deriving from defined benefit plans thus only regard provisions made up to 31 December 2006<sup>8</sup>;
- in the case of companies with less than 50 employees, to which the reform of supplementary pension provision does not apply, vested staff termination benefits continue to represent an accumulated liability for the company.

The liability represents the present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method to take account of the time that will pass before effective payment of the benefits. Calculation of the liability recognised in the financial statements is carried out by independent actuaries.

The calculation takes account of vested termination benefits for the period of service to date and is based on actuarial assumptions. These primarily regard the use of interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related obligation and staff turnover. In the case of companies with at least 50 employees, given that the company is not liable for staff termination benefits accruing after 31 December 2006<sup>8</sup>, the actuarial calculation of staff termination benefits no longer takes account of future rises in salary.

Actuarial gains and losses are recognised at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the above actuarial assumptions. These gains and losses are recognised directly in Equity.

### Termination benefits and incentive schemes: defined contribution plans

Termination benefits are recognised in liabilities when a Group company is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date, and to providing termination benefits to the employee or group of employees as a result of an offer made to encourage voluntary redundancy. The above benefits are recognised immediately in Staff costs as they are not capable of generating future economic benefits for the Group.

8. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested staff termination benefits, the Group has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested staff termination benefits have been paid into a supplementary pension fund.

## Foreign currency translation

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## Revenue recognition

Revenue is always recognised at the fair value of the consideration received, net of rebates and discounts. Revenue from the rendering of services is recognised when it can be reliably measured on the basis of the stage of completion of the transaction. Revenue from activities carried out in favour of or on behalf of the State is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, and in relation to amounts allocated in government budgets. Remuneration of deposits with the MEF of funds deriving from current account deposits are recognised on a time proportion basis, using the effective interest method. This income is classified in Revenues from ordinary activities. The same classification is applied to income from euro area government securities, in which deposits paid into current accounts by private customers are invested.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

## Government grants

Government grants are recognised on a time proportion basis in direct correlation with the costs incurred, once they have been formally allocated to the Group by the public entity concerned. Grants related to income are recognised in the income statement as other operating income.

Any grants related to assets, regarding property, plant and equipment, are accounted for as deferred income. Deferred income is recognised in the income statement on a straight-line basis with reference to the useful life of the asset to which the grant received is directly attributable.

## Finance income and costs

Finance income and costs are recognised on a time-proportion basis, using the effective interest method.

## Dividends

Dividends are recognised when the right to receive payment is established, which generally corresponds with approval of the distribution by the General Meeting of shareholders of the investee company.

## Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

### Diluted

At the date of preparation of these financial statements no financial instruments have been issued that might potentially have dilutive effects<sup>9</sup>.

9. Diluted earnings per share is calculated by taking into account of the dilutive effect of all the instruments potentially convertible into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all dilutive potential ordinary shares.

## Related parties

Related parties within the Group refer to Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group regard the parent, the MEF, the shareholder, Cassa Depositi e Prestiti SpA, entities controlled by the MEF, and the Group's key management personnel. The State and other public sector entities, other than the MEF and the entities it controls, are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

## New accounting standards and interpretations

EC Regulation 1358/2007 was published in the Official Gazette in November 2007. This regulation adopts IFRS 8 - *Operating segments*, which is effective from 1 January 2009, in place of IAS 14 - *Segment reporting*.

Following publication in the Official Gazette, the endorsement process for the following accounting standards, amendments and interpretations was completed in 2008, in readiness for their entry into effect from 1 January 2009.

- EC Regulation 1260/2008, IAS 23 - *Borrowing Costs* (revised 2007);
- EC Regulation 1261/2008, revision of IFRS 2 - *Share-based Payments*;
- EC Regulation 1262/2008, interpretation of IFRIC 13 - *Customer Loyalty Programmes*;
- EC Regulation 1274/2008, IAS 1 - *Presentation of Financial Statements* (revised 2007).

Moreover EC Regulations 53, 69 and 70 were published in the Official Gazette in January 2009. These regulations regard:

- amendment to IAS 32 - *Financial Instruments: Presentation*, and IAS 1 - *Presentation of Financial Statements* (applicable from 1 January 2009);
- amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, and IAS 27 - *Consolidated and Separate Financial Statements - cost of investments in subsidiaries, jointly controlled entities and associates* (applicable from 1 January 2009);
- improvements to *International Financial Reporting Standards* applicable from 1 January 2009, with the exception of certain amendments of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, and amendments to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, both applicable from 1 January 2010.

Poste Italiane SpA has not opted for early adoption of endorsed accounting standards, amendments and interpretations applicable to the Group (IFRS 8, IAS 1, IAS 23 and IFRIC 13), which are not expected to have a material impact on financial reporting.

At the date of approval of these consolidated financial statements, the IASB has issued the following accounting standards and amendments, which have yet to be endorsed by the European Union:

- revised version of IFRS 3 - *Business Combinations*, issued in January 2008;
- amendment to IAS 27 - *Consolidated and Separate Financial Statements*, issued in January 2008;
- amendment to IAS 39 - *Financial Instruments: Recognition and Measurement*, issued in July and November 2008 and March 2009;
- revised version of IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, issued in November 2008;
- amendment to IFRS 7 - *Financial Instruments: Disclosures*, issued in March 2009;
- amendment to IFRIC 9 - *Reassessment of Embedded Derivatives*, issued in March 2009.

Finally, the IASB has also issued the following interpretations, which have yet to be endorsed by the European Union:

- Service Concession Arrangements (IFRIC 12);
- Agreements for the Construction of Real Estate (IFRIC 15);
- Hedges of a Net Investment in a Foreign Operation (IFRIC 16);
- Distribution of Non-cash Assets to Owners (IFRIC 17);
- Transfers of Assets from Customers (IFRIC 18).

The potential impact on the Group's financial reporting of the accounting standards, amendments and interpretations awaiting endorsement by the European Commission is currently being examined and assessed.

## 2.4 - USE OF ESTIMATES AND CRITICAL ACCOUNTING STANDARDS

Preparation of the consolidated financial statements requires management to apply accounting standards and methods that are at times based on complex judgements and estimates, linked to historical experience, and assumptions that are considered reasonable and realistic under the related circumstances. Use of these estimates and assumptions influences the amounts reported in the financial statements, with reference to the balance sheet, the income statement and the cash flow statement, as well as the notes. The actual amounts of items for which the above estimates and assumptions have been applied may diverge from those reported in previous financial statements, due to uncertainties regarding assumptions and the conditions on which estimates are based. The estimates and assumptions are periodically reviewed and the impact of any changes reflected in the financial statements for the period in which the estimated is revised, if the revision only influences the current period, or also in future periods if the revision influences the current and future periods.

This section provides a description of accounting treatments that, more than others, require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Group's consolidated financial statements.

### Revenue and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and public sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

Whilst awaiting renewal of agreements with the MEF, INPS and the tax authorities, which expired in 2007, in 2008 Poste Italiane SpA continued to provide the related delegated services as normal. In these cases, revenue recognition is based on the tariffs established in the previous agreements and which it is reasonable to expect will be confirmed. These tariffs represent the lowest potential tariff, estimated on the basis of the state of negotiations with the entity concerned.

At 31 December 2008, over 300 million euros of amounts due to the Parent Company from the MEF and the Cabinet Office has not been budgeted for by the government, including more than 30 million euros deriving from cuts in public spending introduced by the 2007 and 2008 Finance Acts. Impairment losses have been recognised on these receivables.

Following signature of the Contratto di Programma (Planning Agreement) for 2006-2008 on 17 September 2008, a portion of the outstanding amounts due in the form of Universal Service subsidies for 2006 and 2007 was collected under the new agreement. Receipt of the remaining amounts due for 2006 and 2007, and of the full amount due for 2008, can, on the other hand, only take place once an addendum to the Contratto di Programma (Planning Agreement) has been signed. The draft addendum, which was approved by the Interministerial Committee for Economic Planning on 18 December 2008, sets out the necessary resources and the procedures to be followed in paying the amount due to the Parent Company.

With regard to the subsidised tariffs for publishers, the Cabinet Office does not have sufficient funds available in its budget to pay for a substantial portion of the services, which have been regularly billed by Poste Italiane SpA. Payment for the subsidies can only take place following specific measures that define the related procedures and the timing of additions to the budget.

The problem of insufficient public funds also affects the receivables due to the Parent Company in the form of electoral subsidies and other minor items.

On this basis, given that it is not currently possible to forecast with any degree of certainty under what procedures the State will acknowledge each of the receivables due to the Group, without prejudice to the Parent Company's full entitlement and related rights, in 2008 provisions for doubtful receivables due from the parent, the MEF, reflect the best estimate based on the above circumstances and the financial impact of the above situation.

In the past, changes to the relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing the income statement. The above circumstances mean that management cannot exclude the possibility that, as a result of future legislation or the negotiations currently underway, the operating results for the financial years after 2008 will reflect changes to the estimates in question.

## Provisions

The Group makes provisions for potential liabilities deriving from disputes with staff, suppliers, third parties and, in general, for liabilities deriving from present obligations. Among other things, these provisions cover the costs to be incurred by Poste Vita SpA as a result of its conversion of two index-linked policies into policies offering guaranteed capital or guaranteed minimum returns (note 3 - Financial risk management - Other risks - Reputational risk). The amount of such costs depends on the number of customers who take up the company's offer and on several actuarial assumptions. In addition, provisions have also been made in relation to an estimate of the liabilities that could result from legal action relating to the form of fixed-term contract applied by Poste Italiane SpA in previous years. In the course of this dispute, the plaintiffs have at times attempted to seize the Parent Company's liquidity, and an estimate of the liabilities linked to this factor is included in the calculation of the related provisions. Determination of the provisions involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing the consolidated financial statements.

## Goodwill and measurement of assets that have indefinite useful lives

In measuring the value of these assets, the current economic and financial crisis, which has resulted in highly volatile markets and great uncertainty with regard to economic projections, makes it difficult to produce forecasts that can, without any uncertainty, be defined as reliable.

### Goodwill

Goodwill is tested annually to assess whether or not it has suffered any impairment to be recognised in the income statement. Above all, the test involves the allocation of goodwill to the various cash generating units and the subsequent measurement of the related fair value. If the resulting fair value is lower than the carrying amount of the cash generating unit, it is necessary to reduce the value of goodwill allocated to the unit. The allocation of goodwill to cash generating units and the measurement of their fair value involve the use of estimates based on factors that may change over time, with resulting effects, of a potentially significant nature, on the measurements performed.

The impairment tests carried out at 31 December 2008 were based on three-year plans, covering the period 2009-2011, for the relevant cash generating units (Group companies or their subsidiaries). The figures for the last year of the plan were used to project cash flows for subsequent years over an indefinite time horizon. The Discounted Cash Flow (DCF) method was then applied to the resulting amounts. In calculating value in use, NOPLAT (Net Operating Profit Less Adjusted Taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted Average Cost of Capital). A zero growth rate was used in the tests carried out at 31 December 2008.

### Measurement of assets that have indefinite useful lives

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing for the above indicators requires the use of subjective judgements based on the information available within the Group and in the market, and on historical experience. Moreover, when an impairment is recognised the Group calculates the entity of the impairment using appropriate measurement techniques. The correct identification of events or changes in circumstances indicating an impairment, and the estimates used in their calculation, are linked to factors that may change over time, with a resulting impact on the measurements and estimates performed.

At 31 December 2008, the fair value of the Parent Company's operating properties was significantly higher than their carrying amount. In determining the net carrying amount of operating land and buildings, the Company also took account of indications that, in specific cases, these assets may be impaired. In this regard, and with particular reference to properties used as Post Offices and Sorting Centres, Poste Italiane SpA's Universal Service Obligation was taken into account. The process thus took account of the inseparability of the cash flows generated by the large number of properties that provide this service, which the Company is required to operate throughout the country regardless of the expected profitability of each location. The unique nature of the operating processes involved and the substantial overlap between postal and banking activities within the same outlets, represented by Post Offices, were also taken into consideration. On this basis, the

value in use of the Parent Company's operating land and buildings is relatively unaffected by movements in the commercial value of the properties concerned and, under particularly critical market conditions, certain properties may have values that are significantly higher than their mere commercial value, without this having any negative impact on the Company's cash flows or overall earnings.

### **Depreciation and amortisation of property, plant and equipment and intangible assets**

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of purchase and based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, including new technologies. The effective useful life may, therefore, differ from the estimated useful life. The Group periodically assesses changes in technology and in the industry, in dismantling costs and in the recoverable amount of assets in order to update their residual useful lives. This periodic update may lead to a change in the depreciation or amortisation period and thus on charges for depreciation or amortisation in the current and in future years.

### **Deferred tax assets**

Accounting for deferred tax assets is based on expectations of taxable income in future years. Assessments of expected taxable income to be used in order to account for deferred taxes depend on factors that may change over time, with a significant impact on the measurement of this balance sheet item. The 2008 Finance Act altered the nominal tax rates effective from 1 January 2008, lowering the IRES rate from 33% to 27.5% and the IRAP rate from 4.25% to 3.90%. The resulting impact on deferred taxes was reflected in full in the financial statements for 2007.

### **Provisions for doubtful debts**

Provisions for doubtful debts reflect estimated losses on receivables, taking account, in the case of specific items receivable from the public sector, of legislation restricting public spending. Provisions for expected losses reflect the estimated credit risk associated with historical experience of similar receivables, an analysis of past due items (both current and historical), losses and collections, and monitoring of the current and future economic conditions in the related markets.

### **Fair value of unquoted financial instruments**

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers and on valuation techniques primarily based on objective financial variables, as well as by taking account, where possible, of prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk.

### **Staff termination benefits**

Calculation of staff termination benefits is carried out by independent actuaries. The calculation takes account of vested termination benefits for the period of service to date and is based on actuarial assumptions of both a demographic and economic and financial nature. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

### 3 - RISK MANAGEMENT

Definition and optimisation of the Poste Italiane Group's financial structure, over both the short and medium/long term, and management of the related cash flows are the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Management of the Group's financial assets and liabilities and of the associated risks is primarily attributable to the operations of the Parent Company and the insurance subsidiary, Poste Vita SpA.

#### Poste Italiane SpA

With regard to the Parent Company, financial transactions primarily regard BancoPosta's operations as governed by Presidential Decree 144/01. In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out under the Company's own name but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation, and the management of collections and payments in the name and on behalf of third parties, as well as the funding of assets and the investment of its own liquidity.

The 2007 Finance Act repealed the obligation for Poste Italiane SpA to transfer deposits made by BancoPosta's private customers with the MEF, and introduced the obligation to invest such deposits in euro area government securities. Following abandonment of the previous investment policy in compliance with the related legislation, in 2008 BancoPosta was engaged in reinvesting the funds deriving from maturing government securities. This was done by taking account of the maturities of liabilities, in accordance with an amortisation schedule approved by the Board of Directors on the basis of a statistical/econometric model, developed by a leading consulting firm, that reflects the interest rates and maturities typical of postal current accounts. This model is updated continually<sup>10</sup>.

The Group's own liquidity is managed in accordance with investment guidelines approved by the Board of Directors, which require the Parent Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits.

#### Poste Vita SpA

The financial instruments held by the insurance company, Poste Vita SpA, primarily regard investments designed to cover its contractual obligations to policyholders who have taken out classic with profit life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

Traditional life policies, classified under Branch I, include products whose benefits are revaluated in keeping with the return generated through the management of separate pools of financial assets, which enjoy a certain autonomy, though only in accounting terms, from the rest of the company's assets (so-called separate portfolio management). On these products, the company provides a minimum rate of return payable upon maturity of the policy. It follows that the impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions. In particular, this absorption depends on the level and structure of the minimum guaranteed returns and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses conducted with the aid of an internal financial-actuarial model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions.

Index- and unit-linked products, classified under Branch III, include policies where premiums collected are invested in structured bonds or in mutual fund shares. For these products, the company does not guarantee capital or a minimum return, thus the associated financial risks are borne by the policyholder. The company monitors constantly changes in the risk profile of the individual products, with special emphasis on the issuer's solvency risk

10. In this regard, it is likely that in future the postal current account deposits of Public Sector customers will also be invested in euro area government securities. This reflects the European Commission's decision of 16 July 2008 relating to the level of interest rates paid to the Parent Company (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the 2006 Finance Act) on liquidity deriving from the postal current account deposits of Public Sector customers held on deposit with the MEF.

### Financial risk management

Within this context, balanced financial management and monitoring of the main risk/return profiles are carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including via the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- a Risk Measurement and Control function carried out by appropriate functions established within the Parent Company and the subsidiaries that provide financial and insurance services (BancoPosta Fondi SpA SGR and Poste Vita SpA), and that operates on the basis of the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory committees, which are responsible for carrying out an integrated assessment of the main risk profiles. The outcomes of these assessments are then examined by a Risk Committee set up by the Parent Company.

The risk environment is defined on the basis of the framework established by IFRS 7, which distinguishes between four main types of risk (a non-exhaustive classification):

- market risk;
- credit risk;
- liquidity risk;
- cash flow interest rate risk.

Market risk regards:

- price risk: this is the risk that the value of a financial instrument fluctuates as a result of market price movements, including both movements deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: this is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the presentation currency;
- fair value interest rate risk: this is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

In constructing the Risk Model adopted in order to monitor credit, liquidity and cash flow interest rate risks, the Group has also taken account of the authoritative regulatory yardstick provided by the Bank of Italy's prudential supervisory standards, despite the fact that the Parent Company is not required to apply such standards.

## MARKET RISK

### Price risk

This type of risk regards financial assets that the Group has classified as "Held for trading" or "Available-for-sale". The following sensitivity analysis relates to the principal positions potentially exposed to fluctuations in value, excluding certain minor items not traded on an active market. The amounts accounted for in the financial statements at 31 December 2007 and 31 December 2008 were subjected to a stress test, based on historical volatility during the years in question, which was held to be representative of potential market movements.

The principal financial assets subject to price risk and the results of the analysis are shown in the following table.

### 3.1 - Market risk - Price

Date of reference of the analysis	Position	Change in value		Effect on deferred liabilities towards policyholders		Pre-tax profit		Equity reserves	
		+Vol	-Vol	+Vol	-Vol	+Vol	-Vol	+Vol	-Vol
<b>2007 Effects</b>									
Available-for-sale financial assets	1,473,923	144,550	(144,550)	112,364	(112,364)	-	-	32,186	(32,186)
Equity instruments	72,241	32,333	(32,333)	629	(629)	-	-	31,704	(31,704)
Other investments	1,401,682	112,217	(112,217)	111,735	(111,735)	-	-	482	(482)
Financial instruments at fair value through the income statement	10,808,029	712,774	(712,774)	708,322	(708,322)	4,452	(4,452)	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Structured bonds	10,327,262	679,613	(679,613)	675,179	(675,179)	4,434	(4,434)	-	-
Other investments	480,767	33,161	(33,161)	33,143	(33,143)	18	(18)	-	-
<b>Changes at 31 December 2007</b>	<b>12,281,952</b>	<b>857,324</b>	<b>(857,324)</b>	<b>820,686</b>	<b>(820,686)</b>	<b>4,452</b>	<b>(4,452)</b>	<b>32,186</b>	<b>(32,186)</b>
<b>2008 Effects</b>									
Available-for-sale financial assets	1,284,495	186,459	(186,459)	164,415	(164,415)	-	-	22,044	(22,044)
Equity instruments	36,711	22,380	(22,380)	1,044	(1,044)	-	-	21,336	(21,336)
Other investments	1,247,784	164,079	(164,079)	163,371	(163,371)	-	-	708	(708)
Financial instruments at fair value through the income statement	10,621,695	1,115,705	(1,115,705)	1,110,770	(1,110,770)	4,935	(4,935)	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Structured bonds	9,976,781	1,074,064	(1,074,064)	1,069,176	(1,069,176)	4,888	(4,888)	-	-
Other investments	644,914	41,641	(41,641)	41,594	(41,594)	47	(47)	-	-
<b>Changes at 31 December 2008</b>	<b>11,906,190</b>	<b>1,302,164</b>	<b>(1,302,164)</b>	<b>1,275,185</b>	<b>(1,275,185)</b>	<b>4,935</b>	<b>(4,935)</b>	<b>22,044</b>	<b>(22,044)</b>

Available-for-sale financial assets refer primarily to Equity instruments, reflecting investments made by the Parent Company, and the position of Poste Vita SpA in Other investments, including mainly shares in equity funds.

Equity instruments included 350,628 Class B shares in MasterCard Incorporated (500,628 shares at 31 December 2007), totalling 34,134 thousand euros, and 11,144 Class C shares in Visa Incorporated (not yet held at 31 December 2007), totalling 273 thousand euros. These shares are not publicly traded in a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, when the periods provided for by both issuers' articles of association expire. For the purposes of the sensitivity analysis, the shares held have been priced as the Class A shares, minus an adequate discount, and their volatility associated with that shown by these shares on the NYSE. Poste Vita SpA's investments in mutual funds, amounting to 1,245,146 thousand euros, cover certain obligations to the policyholders within the context of separately managed accounts (Branch I). As a result of the analysis, movements in the value of this financial instrument do not have an impact on the minimum guaranteed return paid to policyholders and, in accordance with the shadow accounting approach, are reflected in insurance liabilities.

Financial assets recognised at fair value through the income statement include investments by Poste Vita SpA (note 9.5), used nearly entirely to cover Branch III index- and unit-linked policies, whose risk is borne by policyholders. These include structured bonds and investments in equity funds. The residual effects on the income statement shown in the above table were originated by marginal investments made by the Company with its free capital.

## Foreign exchange risk

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position held to be material. It was decided to apply an exchange rate movement based on volatility during the year, which was held to be representative of potential market movements. The results of the analysis are shown below.

### Trade receivables/payables due from and to overseas correspondents

The most significant net position (approximately 99% of the reported foreign exchange exposure) is that denominated in SDRs (Special Drawing Rights), a synthetic currency determined by the weighted average of the exchange rates of four major currencies (Euro, US dollar, British pound, Japanese yen) used worldwide to settle commercial positions among Postal Operators. At 31 December 2008 this position amounted to 4,111 thousand euros (5,814 thousand euros at 31 December 2007).

### 3.2 - Market risk - SDRs

Date of reference of the analysis	Position in SDRs/000	Position in €/000	Change in value		Pre-tax profit		Equity reserves	
			+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days
<b>2007 Effects</b>								
Current assets in SDRs	71,481	76,733	2,384	(2,384)	2,384	(2,384)	-	-
Current liabilities in SDRs	(66,065)	(70,919)	(2,203)	2,203	(2,203)	2,203	-	-
<b>Exposure to forex movements at 31 December 2007</b>	<b>5,416</b>	<b>5,814</b>	<b>181</b>	<b>(181)</b>	<b>181</b>	<b>(181)</b>	-	-
<b>2008 Effects</b>								
Current assets in SDRs	73,033	80,829	5,757	(5,757)	5,757	(5,757)	-	-
Current liabilities in SDRs	(69,318)	(76,718)	(5,464)	5,464	(5,464)	5,464	-	-
<b>Exposure to forex movements at 31 December 2008</b>	<b>3,715</b>	<b>4,111</b>	<b>293</b>	<b>(293)</b>	<b>293</b>	<b>(293)</b>	-	-

At 31 December 2008, the net position in US dollars amounts to 20 thousand euros (1,171 thousand euros at 31 December 2007), a negligible sum for the purposes of this analysis.

### Financial assets

At 31 December 2008 this item reflected mainly Posta Vita SpA's investments in bonds and equity instruments held by the Parent Company (note 3.1), both denominated in US dollars.

### 3.3 - Market risk - US dollar

Date of reference of the analysis	Position in USD/000	Position in €/000	Position in GBP/000	Position in €/000	Effect on deferred liabilities towards policyholders		Pre-tax profit		Equity reserves	
					+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days
<b>2007 Effects</b>										
Available-for-sale financial assets	102,964	69,944	-	-	-	-	-	-	4,362	(4,362)
Equity instruments	102,402	69,562	-	-	-	-	-	-	4,362	(4,362)
Fixed income instruments	562	382	-	-	-	-	-	-	-	-
Financial instruments at FV through the income statement	830,317	564,035	2,513	3,427	(236)	236	-	-	-	-
Fixed income instruments	830,317	564,035	2,513	3,427	(236)	236	-	-	-	-
<b>Exposure to forex movements at 31 December 2007</b>	<b>933,281</b>	<b>633,979</b>	<b>2,513</b>	<b>3,427</b>	<b>(236)</b>	<b>236</b>	-	-	<b>4,362</b>	<b>(4,362)</b>
<b>2008 Effects</b>										
Available-for-sale financial assets	48,242	34,664	-	-	-	-	-	-	4,915	(4,915)
Equity instruments	47,884	34,407	-	-	-	-	-	-	4,915	(4,915)
Fixed income instruments	358	257	-	-	-	-	-	-	-	-
Financial instruments at FV through the income statement	738,822	530,877	-	-	(6,332)	6,332	-	-	-	-
Fixed income instruments	738,822	530,877	-	-	(6,332)	6,332	-	-	-	-
<b>Exposure to forex movements at 31 December 2008</b>	<b>787,064</b>	<b>565,541</b>	-	-	<b>(6,332)</b>	<b>6,332</b>	-	-	<b>4,915</b>	<b>(4,915)</b>

At 31 December 2008 Poste Vita SpA's position in fixed income instruments, related to commitments made for Branch I policies, amounted to 739.2 million US dollars (of which 738.8 million US dollars are classified as financial instruments at fair value through the income statement). This position is hedged against exchange rate fluctuations through the use of derivatives recognised at fair value through the income statement. This hedge is the synthetic result of forward sales and purchases for 896.2 million US dollars and 95.3 million US dollars, respectively, for a net notional amount of 800.9 million US dollars. This resulted in a net exposure to variations in exchange rates of 61.7 million US dollars which, following the volatility stress test, determined effects attributable to changes in the fair value of the derivatives that reflect on liabilities towards policyholders

### Fair value interest rate risk

Concerning the effects of changes in interest rates on the price of fixed income and fixed rate securities held by the Parent Company, mainly in relation to BancoPosta's activities, and by Poste Vita SpA, the following interest rate sensitivity analysis was based on movements in fair value following a parallel shift in the forward yield curve (+/- 100 bps).

### 3.4 - Market risk - Interest rate on fair value

Date of reference of the analysis	Notional	Fair value	Effect on deferred liabilities towards policyholders		Pre-tax profit		Equity reserves	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2007 Effects</b>								
Assets attributable to BancoPosta <sup>1</sup>	12,500,000	12,532,099	-	-	-	-	(505,713)	537,472
Available-for-sale financial assets	12,895,731	12,851,695	(537,079)	581,278	-	-	(10,095)	10,364
Fixed income instruments	12,895,731	12,851,695	(537,079)	581,278	-	-	(10,095)	10,364
Financial instruments at FV through the income statement	46,451	46,967	(2,044)	2,156	-	-	-	-
Fixed income instruments	46,451	46,967	(2,044)	2,156	-	-	-	-
<b>Exposure to interest rate movements at 31 December 2007</b>	<b>25,442,182</b>	<b>25,430,761</b>	<b>(539,123)</b>	<b>583,434</b>	-	-	<b>(515,808)</b>	<b>547,836</b>
<b>2008 Effects</b>								
Assets attributable to BancoPosta <sup>2</sup>	12,630,200	12,993,663	-	-	-	-	(566,332)	602,610
Available-for-sale financial assets	15,500,778	16,012,859	(658,568)	713,362	-	-	(22,434)	24,333
Fixed income instruments	15,500,778	16,012,859	(658,568)	713,362	-	-	(22,434)	24,333
Financial instruments at FV through the income statement	93,992	84,589	(827)	857	-	-	-	-
Fixed income instruments	93,992	84,589	(827)	857	-	-	-	-
<b>Exposure to interest rate movements at 31 December 2008</b>	<b>28,224,970</b>	<b>29,091,111</b>	<b>(659,395)</b>	<b>714,219</b>	-	-	<b>(588,766)</b>	<b>626,943</b>

1. At 31 December 2007 the notional portfolio analysed amounted to 12.5 billion euros, equivalent to the notional value of 12.7 billion euros, minus sales of 200 million euros settled – and recognised – on 2 January 2008.

2. At 31 December 2008, held-for-trading financial assets for 1.15 million euros (fair values through the income statement) were not considered, as these are not subject to the risk in question as they were hedged through forward sales with settlement in January 2009.

#### Assets attributable to BancoPosta

BancoPosta's investment securities (note 16.3) were nearly equally split between Held-to-maturity (HTM) and Available-for-sale (AFS). While a change in fair value does not have an impact in terms of financial position or operating performance for HTM financial assets, which are initially recognised at fair value and subsequently are reported at amortised cost, it does have an effect in terms of financial position for AFS financial assets, which are recognised at fair value with any change accounted for in equity, making it necessary to monitor constantly the unrealised gains and losses of these assets. The sensitivity analysis shown concerns AFS financial assets.

This item included fixed income government securities (ordinary BTPs), for a nominal amount of 10,955,250 thousand euros, and positions in inflation-linked BTPs (BTP€i) purchased during the year, for a nominal amount of 1,674,950 thousand euros. The BTP€i, which carry floating rates indexed to European inflation, have been swapped for fixed rate bonds so as to hedge cash flows against interest rate risk (cash flow hedges).

#### Available-for-sale financial assets

The fixed income instruments considered in this analysis had a fair value of 15,692,590 thousand euros (compared with a notional amount of 15,189,278 thousand euros), and consisted of Poste Vita SpA's euros fixed income investments for 15,203,092 thousand euros, to cover Branch I contractual commitments, and for 489,498 thousand euros related to the company's free capital. This item included also investments by the Parent Company in short-term bank instruments with a notional value of 300,000 thousand euros, of which 200,000 thousand euros in fixed rate instruments and 100,000 thousand euros in floating rate instruments. The floating rate instruments were swapped into fixed rate securities.

#### Financial instruments at fair value through the income statement

The fixed income instruments considered, for 84,589 thousand euros, were intended to cover the Branch I commitments of Poste Vita SpA.

## CREDIT RISK

Credit risk regards the risk that a debtor might default on a payment or go into liquidation. This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- average residual terms to maturity of investments no higher than five years;
- monitoring of changes in the ratings of counterparties.

At 31 December 2008 the following positions are subject to this risk:

### Financial assets

Below, for each category of financial instrument the relevant credit exposure is shown. The ratings reported in the table have been assigned by Moody's.

#### 3.5 - Credit risk - Financial assets

Item	Balance at 31 December 2008				Balance at 31 December 2007			
	From Aaa to Aa3	From A1 to Baa3	From Ba1 to not rated	Total	From Aaa to Aa3	From A1 to Baa3	From Ba1 to not rated	Total
Loans and receivables	960,304	52,286	15,083	1,027,673	1,158,160	-	11,808	1,169,968
Loans	-	-	1,237	1,237	-	-	450	450
Receivables	960,304	52,286	13,846	1,026,436	1,158,160	-	11,358	1,169,518
Available-for-sale financial assets	15,277,831	2,756,638	175,817	18,210,286	13,802,127	1,678,241	97,798	15,578,166
Credit instruments Posta Vita Branch I	14,244,271	2,735,488	175,003	17,154,762	13,248,190	1,660,288	97,785	15,006,263
Credit instruments Posta Vita Branch II	-	-	-	-	-	-	-	-
Credit instruments Posta Vita Free capital	516,336	12,121	800	529,257	433,244	17,953	-	451,197
Other instruments and deposits	517,224	9,029	14	526,267	120,693	-	13	120,706
Financial instruments at FV through the income statement	9,672,788	1,475,866	33,361	11,182,015	11,499,526	144,434	80,192	11,724,152
Credit instruments Posta Vita Branch I	947,881	218,641	33,361	1,199,883	1,187,232	120,648	80,192	1,388,072
Credit instruments Posta Vita Branch II	8,689,766	1,245,688	-	9,935,454	10,264,039	-	-	10,264,039
Credit instruments Posta Vita Free capital	35,141	11,537	-	46,678	47,951	23,496	-	71,447
Other instruments and deposits	-	-	-	-	304	290	-	594
Derivative financial instruments	13,213	-	156	13,369	8,393	431	149	8,973
Cash flow hedges	1,116	-	24	1,140	1,967	431	-	2,398
Fair value hedges	-	-	-	-	-	-	17	17
Fair value through the income statement	12,097	-	132	12,229	6,426	-	132	6,558
<b>Total</b>	<b>25,924,136</b>	<b>4,284,790</b>	<b>224,417</b>	<b>30,433,343</b>	<b>26,468,206</b>	<b>1,823,106</b>	<b>189,947</b>	<b>28,481,259</b>

In the last quarter of 2008, the International financial crisis, which was exacerbated after Lehman Brothers' bankruptcy, enhanced specific and systemic credit risk, resulting in widespread downgrades of financial/insurance companies, due to their exposure to the consequences of the crisis. This entailed a significant review of credit ratings by the main agencies, with a substantial number of downgraded companies. Also the Group's position bore the brunt of the changed picture, as its exposure features a lower average rating for its counterparties than in the past, even though these counterparties continue to rank among the most creditworthy.

Receivables (note 9.2) reflected mainly Parent Company claims on the parent, the MEF, amounting to 905,548 thousand euros (1,144,615 thousand euros at 31 December 2007) and banks with investment grade ratings, represented by term

deposits totalling 102,998 thousand euros opened during the year. This item included also receivables with a face value of 9,677 thousand euros, a sum that was written down during the year by 8,777 thousand euros, as it was due from a bank that had been declared bankrupt.

Available-for-sale financial assets are described in note 9.3. In terms of this analysis, no account was taken of equity instruments or equity funds, whose risk was discussed in the analysis of price risk.

Financial instruments at fair value through the income statement are described in note 9.5. These included Poste Vita SpA's investments in structured bonds of 9,976,781 thousand euros, which are subject to credit risk in connection with the crisis that characterized the financial markets. As these were financial instruments designed to cover Branch III insurance policies, any impairment of elements classified under this item translates into lower liabilities towards customers. However, reference should be made to the following section on Other risks - Reputational risk.

Derivative instruments with a positive fair value are described in note 9.6 and, at 31 December 2008, amounted to 13,369 thousand euros. Credit risk arising from derivative transactions is mitigated through rating and counterparty concentration limits. Exposure is monitored at current value, in accordance with the Bank of Italy's prudential supervisory instructions.

### Assets attributable to BancoPosta

The Parent Company's operational characteristics, related in particular to BancoPosta's investment activities, gave rise to a significant exposure toward the Italian State, involving essentially deposits with the MEF and the purchase of Italian government securities. Such exposure amounted to 34,249,078 thousand euros (equivalent to 86% of the total) out of a total of 39,699,371 thousand euros. The remaining 5,450,292 thousand euros were invested mainly in government securities of other EU countries (Germany and France), certified cheques and money orders, forward trading activities and positions in asset swaps. Such asset swaps, in particular, were entered in 2008 to hedge against the interest rate risk associated with the inflation-linked BTPs available in the BancoPosta portfolio. At 31 December 2008, the counterparties for these asset swaps all had investment grade ratings. Moreover, of these positions, approximately 90% is supported by credit support annexes entered into in the second half of 2008. According to these contracts, counterparty risk is limited through periodic margining, whereby if the fair value of the derivative instrument exceeds a set value, the debtor must post adequate collateral with the creditor.

Overall, the type of credit risk involved may be defined via the grouping together of the various positions based on the quality of issuer or counterparty, as represented by the following ratings:

- Italian Republic: **A+** for S&P and **Aa2** for Moody's;
- French Republic: **AAA** for S&P and **Aaa** for Moody's;
- German Republic: **AAA** for S&P and **Aaa** for Moody's.

### Non-current assets - Other assets

#### 3.6 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Trade receivables due from the public sector	281,169	-	309,031	-
Trade receivables due from tax authorities	244,600	-	221,149	-
Receivables due from staff under fixed-term contracts settlement	154,214	(2,189)	76,792	(2,189)
Guarantee deposits paid to suppliers	5,476	-	5,090	-
Third-party deposits in Postal Savings Books registered in the name of Poste Italiane SpA	3,248	-	2,140	-
Technical provisions for claims attributable to reinsurers	234	-	23	-
<b>Total</b>	<b>688,941</b>		<b>614,225</b>	
<b>of which past due</b>	-		-	

## Current assets - Trade receivables

### 3.7 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Private customers	910,513	(41,027)	875,895	(31,629)
Due from parents	903,515	(54,019)	1,800,221	(7,874)
Public sector	770,179	(96,044)	577,256	(67,433)
Cassa Depositi e Prestiti	734,825	(20,556)	656,863	(20,556)
Foreign Post Offices	243,708	-	240,701	-
Due from subsidiaries, joint ventures and associates	10,799	-	9,486	-
Prepayments to suppliers	133	-	319	-
<b>Total</b>	<b>3,573,672</b>		<b>4,160,741</b>	
<b>of which past due</b>	<b>541,492</b>		<b>645,144</b>	

The nature of the Group's customers, the structure of revenues and the method of collection mean that there is a limited risk of default on trade receivables. These receivables are in any event subject to specific monitoring and reporting procedures to support credit collection activities.

## Other current receivables and assets

### 3.8 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Tax assets	279,582	-	223,562	-
Receivables due from others	240,454	(108,397)	177,405	(97,020)
Other amounts due from subsidiaries	73	-	6	-
Accrued income and prepaid expenses	10,504	-	8,734	-
<b>Total</b>	<b>530,613</b>		<b>409,707</b>	
<b>of which past due</b>	<b>8,864</b>		<b>7,083</b>	

## LIQUIDITY RISK

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may regard the inability to sell financial assets quickly at an amount close to fair value or by the need to raise funds at unfair rates.

The Poste Italiane Group applies a financial strategy that aims to minimise this type of risk as follows:

- diversification of the various forms of short- and long-term borrowings and counterparties;
- the availability of lines of credit in terms of amount and the number of banks;
- the gradual and consistent distribution of the maturities of medium/long-term borrowings;
- the adoption of analysis models designed to monitor the maturities of assets and liabilities.

At 31 December 2008 liquidity risk regards the potential exposure deriving from obligations to current account customers and the holders of Branch I insurance policies issued by Poste Vita SpA.

In terms of the Parent Company, the liquidity risk associated with BancoPosta's activities regards the investment of customers' current account deposits in euro area government securities, which began during 2007. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to

current account holders. This potential mismatch between assets and liabilities is monitored via the use of a maturity schedule resulting from a statistical approach, which has led to the creation of a model based on the performance of current account deposits according to an amortisation schedule that assumes the total withdrawal of deposits equally distributed over a period of ten years. Investment policies have been based on this model. This approach is also in line with the Bank of Italy's prudential supervisory requirements.

The balance sheet items most subject to liquidity risk at 31 December 2008 are described below. The amounts shown refer to the Group's obligations at maturity (face value plus accrued interest).

### Liabilities attributable to BancoPosta

In order to analyse liquidity risk at 31 December 2008, the timing of withdrawals from Postal current accounts (with a carrying amount of 37,966,254 thousand euros, including the balance of current accounts held in the names of Group companies) was determined as follows:

- in the case of private customers' deposits, whose funds are invested in euro area government securities, on the basis of the amortisation schedule deriving from application of the statistical model developed in order to model the behaviour of current account holders;
- in the case of public sector customers, by taking account of the fact that the Parent Company is required to deposit the resulting liquidity with the MEF, and that all movements in the amount due to current account holders is matched exactly in the balance of the amount deposited with the Ministry after a delay of three bank working days. For this reason both items have been classified as being available on demand.

The following table shows liabilities increased by the expected cash flows generated by the related interest expense. Postal current accounts are net of the postal current accounts held by Group companies.

### 3.9 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Cassa Depositi e Prestiti and the MEF for management of postal savings	572,456	-	-	572,456	797,622	-	-	797,622
Other payables	528,137	52,341	-	580,478	922,064	49,699	-	971,763
Derivative financial instruments	913,486	-	-	913,486	-	-	-	-
Postal current accounts	13,474,953	10,453,649	12,764,945	36,693,547	14,338,733	9,925,969	12,105,773	36,370,475
<b>Total liabilities</b>	<b>15,489,032</b>	<b>10,505,990</b>	<b>12,764,945</b>	<b>38,759,967</b>	<b>16,058,419</b>	<b>9,975,668</b>	<b>12,105,773</b>	<b>38,139,860</b>

At 31 December 2008 these liabilities are invested in the following types of financial instrument. Investments in fixed income instruments (a carrying amount of 26,765,256 thousand euros, as described in note 16.2) are shown on the basis of the expected cash flows, consisting of the redemption value of the securities and the coupon interest to be collected as it falls due.

### 3.10 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Amounts due from the MEF	6,336,538	-	-	6,336,538	7,430,544	-	-	7,430,544
Poste Italiane SpA's own liquidity held in postal current accounts	(790,180)	-	-	(790,180)	(589,300)	-	-	(589,300)
Amounts due from the Italian Treasury	2,775,665	-	-	2,775,665	1,884,154	-	-	1,884,154
Other receivables	1,434,826	-	-	1,434,826	2,295,032	-	-	2,295,032
Cash and cash equivalents	2,319,734	-	-	2,319,734	2,075,007	-	-	2,075,007
Derivative financial instruments	1,447,903	-	-	1,447,903	-	-	-	-
Fixed income instruments (C+I)	3,279,431	13,631,728	15,239,390	32,150,549	4,636,837	12,867,227	13,407,680	30,911,744
<b>Total assets</b>	<b>16,803,917</b>	<b>13,631,728</b>	<b>15,239,390</b>	<b>45,675,035</b>	<b>17,732,274</b>	<b>12,867,227</b>	<b>13,407,680</b>	<b>44,007,181</b>

The liquidity risk profile at 31 December 2008 was largely unchanged from the preceding year, featuring the same use characteristics. A decrease in demand deposits from government agencies was offset by an increase in retail demand deposits, which is typically more stable. Nevertheless, mindful that this might be also a consequence of the financial crisis, the Parent Company continues to monitor closely the deposit base.

### Technical provisions for insurance business

In order to analyse its liquidity risk profile, Poste Vita SpA uses Asset-liability management (ALM) to effectively manage assets in relation to its obligations to policyholders, whilst also developing prospective analyses of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics). At 31 December 2008 liabilities attributable to Branch I policies have an average term to maturity of 6.5 years, compared with an average term to maturity of the matching assets of 3.9 years. The financial instruments intended to cover the technical provisions for Branch III have maturities that match those of the liabilities.

### Financial liabilities

Expected cash flows for financial liabilities accounted for at the end of the reporting period, broken down by maturity, are shown below. Repayments of principal at face value are increased by interest payments calculated on the basis of the interest rate curve applicable at 31 December 2008 and 31 December 2007.

#### 3.11 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities at fair value	-	2,816,018	-	2,816,018	-	3,637,039	-	3,637,039
Borrowings	718,736	1,891,536	131,341	2,741,613	350,330	2,226,595	511,455	3,088,380
Derivative financial instruments	8,001	6,452	297,357	311,810	4,525	11,072	-	15,597
Current account balances of subsidiaries	824	-	-	824	1,288	-	-	1,288
Other financial liabilities	1,979,554	80,916	191,364	2,251,834	1,574,404	72,731	182,470	1,829,605
<b>Total</b>	<b>2,707,115</b>	<b>4,794,922</b>	<b>620,062</b>	<b>8,122,099</b>	<b>1,930,547</b>	<b>5,947,437</b>	<b>693,925</b>	<b>8,571,909</b>

### Current liabilities - Trade payables

#### 3.12 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Suppliers	1,513,683	-	-	1,513,683	1,450,560	-	-	1,450,560
Subsidiaries, joint ventures and associates	23,193	-	-	23,193	13,813	-	-	13,813
Prepayments from customers	206,684	-	-	206,684	193,764	-	-	193,764
Interest payable to current account holders	111,953	-	-	111,953	127,781	-	-	127,781
<b>Total</b>	<b>1,855,513</b>	<b>-</b>	<b>-</b>	<b>1,855,513</b>	<b>1,785,918</b>	<b>-</b>	<b>-</b>	<b>1,785,918</b>

## CASH FLOW INTEREST RATE RISK

This regards uncertainty over future cash flows following fluctuations in market interest rates. It may be caused by a mismatch - in terms of type of rate, indexation method and term to maturity - between financial assets and liabilities that tends to last until contractual and/or expected maturity (the banking book), and which, as such, generates an impact on the interest margin, which is thus reflected in the operating results for future periods.

At 31 December 2007 and 31 December 2008, sensitivity to interest rate risk of the cash flow generated by the instruments concerned is summarised in the table below, and calculated to reflect changes resulting from a parallel shift in the forward yield curve (+/- 100 bps).

### 3.13 - Cash flow interest rate risk and hedging policy

Date of reference of the analysis	Nominal position	Effect on deferred liabilities towards policyholders		Pre-tax profit		Equity reserves		Total equity	
		+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2007 Effects</b>									
Financial assets									
Fixed income (floating rate) securities	3,984,891	39,180	(39,180)	669	(669)	-	-	669	(669)
Other investments	107,500	-	-	1,075	(1,075)	-	-	1,075	(1,075)
Assets attributable to BancoPosta									
Due from MEF <sup>11</sup>	6,841,244	-	-	32,952	(43,872)	-	-	32,952	(43,872)
Cash and cash equivalents									
Bank and post office deposits	745,525	-	-	7,455	(7,455)	-	-	7,455	(7,455)
Financial liabilities									
Borrowings	(650,000)	-	-	(3,000)	3,000	1,885	(1,885)	(1,115)	1,115
Borrowings (overdrafts)	(49,200)	-	-	(492)	492	-	-	(492)	492
<b>Exposure to interest rate movements at 31 December 2007</b>									
	<b>10,979,960</b>	<b>39,180</b>	<b>(39,180)</b>	<b>38,659</b>	<b>(49,579)</b>	<b>1,885</b>	<b>(1,885)</b>	<b>40,544</b>	<b>(51,464)</b>
<b>2008 Effects</b>									
Non-current financial assets									
Fixed income (floating rate) securities	3,813,937	36,488	(36,488)	1,651	(1,651)	-	-	1,651	(1,651)
Other investments	107,500	-	-	1,075	(1,075)	-	-	1,075	(1,075)
Assets attributable to BancoPosta									
Due from MEF	5,546,358	-	-	55,464	(55,464)	-	-	55,464	(55,464)
Cash and cash equivalents									
Bank and post office deposits	2,333,722	-	-	23,337	(23,337)	-	-	23,337	(23,337)
Financial liabilities									
Borrowings	(650,000)	-	-	(3,550)	3,550	1,468	(1,481)	(2,082)	2,069
Borrowings (overdrafts)	(13,731)	-	-	(137)	137	-	-	(137)	137
<b>Exposure to interest rate movements at 31 December 2008</b>									
	<b>11,137,786</b>	<b>36,488</b>	<b>(36,488)</b>	<b>77,840</b>	<b>(77,840)</b>	<b>1,468</b>	<b>(1,481)</b>	<b>79,308</b>	<b>(79,321)</b>

11. At 31 December 2007, the effects of the sensitivity analysis are shown net of the hedges in place. At this date, the amounts invested with the MEF, totalling 6,841,244 thousand euros, were hedged by Constant Maturity Treasury Swaps (CMTs) with a total notional value of 3 billion euros (subsequently raised to 4 billion euros). Following the Decision of the European Commission of 16 July 2008 (note 18) on the interest rates charged by the Parent Company to the MEF, this replication and hedge mechanism was unwound.

### Financial assets - Fixed income instruments

Cash flow interest rate risk concerns investments in floating rate financial instruments that, at 31 December 2007 and 31 December 2008, were recognised as Available-for-Sale and at Fair Value through the income statement.

Based on the analysis as of 31 December 2008, the effects of the risk in question on the cash flows related to the investments of the Branch I policies sold by Posta Vita were not such as to affect the minimum guaranteed return to policyholders and reflected entirely on the liabilities towards policyholders. In terms of consolidated income statement, the effects of this risk were related to the investment of Poste Vita SpA's free capital and the Parent Company's cash.

The effects of the interest rate risk on the cash flows designed to generate a return for Branch III index- or unit-linked policyholders are not illustrated in the above table. Considering the peculiar composition of such investments, consisting of structured bonds yielding returns linked closely to bond and equity markets, a sensitivity analysis based solely on changes in interest rates might determine unreliable or misleading results. In any case, any effect of changes in interest rates on cash flows is reflected in the Liabilities towards policyholders (technical provisions and financial liabilities recognised at fair value). On the other hand, sensitivity to changes in interest rates generates a reputational risk that can affect the company's business, in connection with policyholders' expectations, as described in note 3.

### Assets attributable to BancoPosta

At 31 December 2008, most of the risk in question is linked to the investment activity in the euro area of the cash held by retail customers in postal current accounts, as well as to the cash held by public sector entities in current accounts with the Parent Company, which is required to place it with the MEF. Returns on the investment of these funds are related to general trends in interest rates, as the Parent Company takes a commercial approach to their management, and interest paid on these deposits is not index-linked:

- investments in euro area government securities yield a return based on the interest rates prevailing at the time of purchase; BancoPosta's Securities portfolio is currently invested in fixed income instruments, or floating rate instruments that yield fixed interest payments thanks to the interest rate swaps discussed above (note 3.4). For this reason, the preceding table does not show the effect of changes in interest rates on this portfolio;
- from 1 January 2008, the funds deposited with the MEF yield floating interest payments calculated in accordance with the method provided for by the European Commission in its Decision of 16 July 2008, which is described briefly in note 20. The Commission requires interest payments to be linked to a basket of short/medium-term market returns whilst the method utilised between 1 January 2005 and 31 December 2007 called for interest payments to be linked to a basket of medium/long-term government securities.

Both types of investment are associated with an interest rate risk profile that is analysed and monitored with respect to the financial characteristics of the instruments and is managed through an adequate hedging policy (note 16.4). In particular, the exacerbation of the financial crisis and the deterioration of the economy, also in the early months of 2009, might entail further cuts in interest rates. Such cuts would affect mainly the returns on the investments made with the funds placed in current accounts in new euro-denominated government securities, as the ones currently held in portfolio mature shortly. Under these circumstances, in connection with the above-mentioned hedging policy, the Parent Company has prudently made forward purchases to replace a significant portion of bonds maturing in 2009.

### Non-current financial liabilities - Borrowings - Bank borrowings

At 31 December 2008, there were interest rate swaps in place to hedge a notional amount of 295 million euros to reduce the Parent Company's exposure to changes in interest rates affecting the cost of funds. The table shows the overall sensitivity to movements in interest rate of the net positions.

### 3.14 - Cash flow interest rate risk and hedging policy

Item	31 December 2008			31 December 2007		
	Bank borrowings	IRS	Exposure sensitive to interest rate risk 2009	Bank borrowings	IRS	Exposure sensitive to interest rate risk 2008
Balance	650,000	295,000	355,000	650,000	350,000	300,000
Shift	1%	1%	1%	1%	1%	1%
<b>Movement in finance expense (+100 bps)</b>	<b>6,500</b>	<b>(2,950)</b>	<b>3,550</b>	<b>6,500</b>	<b>(3,500)</b>	<b>3,000</b>
<b>Movement in finance expense (-100 bps)</b>	<b>(6,500)</b>	<b>2,950</b>	<b>(3,550)</b>	<b>(6,500)</b>	<b>3,500</b>	<b>(3,000)</b>

## OTHER RISKS

### Operational risk

In line with the prudential supervisory requirements, issued by the Bank of Italy in December 2006, and adopted by Poste Italiane SpA as benchmarks, the Parent Company has formalised and agreed a methodological and organisational framework to manage the operating risk related to the products/processes of the BancoPosta unit and the asset management company BancoPosta Fondi SpA SGR.

The main developments during the year under review are discussed below.

- The Parent Company joined DIPO, an intercompany database for operating losses implemented by the Italian Banking Association, and began to transfer its own data and to receive the aggregated data of the other members. These information flows made it possible to start benchmark analyses and to supplement, with external data, the time series collected internally. In 2009, an initial recalculation of operating risk should be conducted in line with the Prudential Supervisory rules on the adoption of "internal" methods to manage such risks.
- The Parent Company completed the second cycle of Risk Self-Assessment on all the BancoPosta products, the result of which made it possible to:
  - activate the priority mitigation actions;
  - calculate overall risk, taking into account the organisational changes occurred.
- During the year, BancoPosta Fondi SpA SGR continued to perform the activities required by the operating risk management models developed. Specifically, it produced six-monthly reports that, in line with sector regulations, summarised the main findings of the risk mapping and evaluation activities, indicating the various mitigation actions proposed and implemented.
- In 2009, as the Parent Company and BancoPosta Fondi SpA SGR progress with their projects, Poste Vita SpA, building on the work performed so far, should implement an "Operational Risk" project in line with the approach and methodologies adopted by the Parent Company. Also in this case, the initiative is both an effective management tool and an activity consistent with the regulatory framework for the sector (so-called "Solvency 2"). In terms of methodology, risk management and organisational impact, the project will tend to maximise synergies with the Parent Company and harness the wealth of information that the company gathered in past surveys conducted through quality mapping methodologies.

### Insurance risk

This type of risk arises with the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.).

The risks to which Poste Vita is exposed primarily relate to separately managed accounts in the Branch I category sold by the company and, as is typical in the insurance business, deriving from the guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements of the measurement of the assets in which the technical provisions are invested.

Against this backdrop, Poste Vita has adopted a management approach based on the utmost prudence and designed to:

- increasingly correlate investments with the structure of its obligations to policyholders;
- maintain a portfolio capable of guaranteeing continuous returns;
- achieve a risk/return profile capable of always ensuring optimum technical equilibrium.

As a result, the investment policy, which also takes account of the guidelines approved by the company's board of directors, focuses mainly on bonds (above all government securities and high-quality corporate bonds), with equities and mutual investment funds accounting for a small proportion of the portfolio. Moreover, during the year foreign exchange risk on foreign currency securities was hedged via forward currency trading.

Investments are continuously monitored by the company, which also uses some of the most advanced risk analysis methods (statistical matrix). The aim is to evaluate the compatibility of the estimated risks – calculated with regard to both guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements – with how far they are sustainable, based on the size of the balance sheet and the returns earned. The results of overall investment activities and the above risk analysis are described to and discussed by the specially established Risk Committee.

In strictly technical terms, mortality is one of the main risk factors in life insurance, i.e. any risk associated with the uncertainty of a policyholder's life expectancy.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if death frequencies exceed the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when death frequencies are lower than the death probabilities realistically calculated.

Nevertheless, at 31 December 2008, the mortality risk was limited for the Company and concerned mainly the repayment of the premiums paid, in case of death of holders of Branch III index- and unit-linked policies,<sup>12</sup> and the minimum guaranteed capital in case of death, as required by the contracts for separate portfolio products.

As to pricing risk, i.e. the risk of incurring losses due to the inadequate premiums charged for the insurance products sold, this may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have cash value build-up features, accumulating in accordance with a pre-established interest rate, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is no pricing risk associated with the choice of technical basis in Poste Vita's portfolio.

The same considerations apply to Branch III, for which the investment risk is not borne by the company.

The options embedded in the policies held in portfolio include:

- surrender option;
- minimum return guarantee option;
- annuity conversion option;

For nearly all the products in the portfolio there are no surrender penalties. This might create problems in recovering commissions in case of annual premiums, but these types of deferred premiums are not present in the portfolio, as there are only single premiums or recurring single premiums. The surrender risk becomes significant in the event of mass surrenders, which have a low probability of occurrence.

The minimum return guaranteed by contract is 1.5%<sup>13</sup> per non-consolidated event,<sup>14</sup> thus showing a very low risk significance compared with the returns generated to date by the separate portfolios, as determined by the asset-liability management analyses performed for the purposes of ISVAP Regulations 21 of 28 March 2008.

12. In the event that the surrender value is lower than the premiums paid, the Company makes up for the difference up to 5,000 euros.

13. For a residual share of the portfolio, there is no guaranteed return.

14. In case of death, surrender and expiration.

## Reputational risk

The Group's business is sensitive to elements of reputational risk, associated mainly with the placement of index-linked bonds issued by other credit institutions and/or insurance policies issued by Poste Vita SpA.

In this respect, in July 2008, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), the Parent Company adopted the "consulting service" model, which is currently being implemented. The terrible crisis that took place in 2008 had profound effects on the performance of all the financial instruments placed in the market, especially those whose returns are magnified and are inevitably exposed to higher risk and volatility of their fair value. The systemic extent of the phenomenon led also all the main Supervisory Authorities to request, during the year, information intended, on one side, to evaluate the actual risk environment for the intermediaries and their debtors and, on the other, to check compliance with the rules to protect customers. Accordingly, in October 2008, the Antitrust Authority requested the Parent Company to provide information pursuant to "Regulations governing the investigation of unfair commercial practices", which the Company promptly provided.

Even though the Group has developed over time prudential policies in the customers' best interests, which entails the selection of domestic and foreign issuers solely with investment grade ratings, the situation prompted closer scrutiny, so as to ensure full awareness of the performance of the products placed and the risks for the customers that, to this day, characterise these products.

To this end, Poste Vita issued over the years Branch III index- and unit-linked policies that call for the investment of the premiums paid in a structured bond or in mutual funds whose increase in value reflects on the value of the policies. There is no capital or minimum return guarantee for these products and, as such, the credit and financial risks associated with them are borne by the customer. In order to protect its own good name and reputation, and those of its Group, as well as its credentials as a capable operator, the company constantly monitors developments in the risk profile. Particular attention was given to monitoring certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12. These instruments bring together different financial positions, including securitisation transactions and credit and financial derivatives (CDO - Collateralised Debt Obligations), whose performances were affected by the financial and credit market crisis. Whilst it is true that, in accordance with the legal nature of the products in question, the related investment risk is transferred to policyholders, the company assesses the need to restructure its portfolios in order to safeguard its commercial interests, which could be prejudiced by widespread dissatisfaction among customers, and the potential impact on its reputation as a result of a general expression of discontent.

In this context, in response to the continuing decline in the value of the securities underlying Programma Dinamico's "Classe 3A Valore reale" and "Ideale" index-linked policies, in December 2008 Poste Vita SpA offered policyholders the opportunity to convert these policies into Branch I policies providing guaranteed minimum returns. This was done to allow policyholders to reduce their risk exposure, in view of the changed scenario. The maturity of the contracts, which was originally set in the first half of 2012, has been extended to 31 December 2015 and the capital sum paid at such date will be equal to 105% of the premium collected. The costs of the conversion, which will take place in 2009, depend mainly by the number of policyholders who accept the offer. Account was taken of this, to estimate the amount of provisions (note 24.2) at the date of preparation of these consolidated financial statements.

## INFORMATION ABOUT THE GROUP

With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes the five main subsidiaries, and makes use, with regard to the banking channel, of zero balance cash pooling. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

## FINANCIAL STRUCTURE

The Group's financial structure at 31 December 2008 is solid and balanced, and adequately protected from liquidity or refinancing risks. Overall borrowings are primarily medium/long-term, except for bank overdrafts, which are of a limited amount, and the use of short-term lines of credit. Medium/long-term debt is sufficient to cover the Group's financial needs over the two-year period 2008-2009.

At the end of the reporting period the Group has unused uncommitted lines of 1,121.2 million euros available. The Group also has overdraft facilities in place totalling 95.3 million euros, of which 13.7 million euros has been temporarily used, and bank guarantee facilities with a value of approximately 142.5 million euros (with 74.5 million euros available to the Parent Company), of which guarantees with a value of 90.2 million euros have been used.

Derivative instruments at 31 December 2008 regard:

- an asset swap with a notional value of 1,675 million euros to hedge the cash flows from the inflation-indexed government securities in the BancoPosta portfolio against interest rate risk (note 16.4);
- forward sale contracts with a notional value of 1,450 million euros entered into at the time of purchase of financial assets held for trading in the BancoPosta portfolio (note 16.4);
- forward purchase contracts of securities held in the BancoPosta portfolio with a notional value of 958.8 million euros to hedge the cash flow generated from these securities against interest rate risk (note 16.4);
- net forward currency sales with a notional value of 800.9 million US dollars by Poste Vita SpA to hedge the value of certain financial assets against exchange rate risk (note 9.6);
- two forward purchase contracts with a notional value of 420.8 million euros by Poste Vita SpA to lock in the price of the expected investments related to the conversion of the two index-linked products (note 9.6);
- two forward sales contracts with a notional value of 338.2 million euros by Poste Vita SpA to lock in the price of the expected investments related to the conversion of the two index-linked products (note 9.6);
- interest rate swaps with a notional value of 295 million euros entered into by the Parent Company to convert part of the floating rate exposure of bank borrowings into a fixed rate (note 9.6);
- an interest rate swap with a notional value of 100 million euros, hedging the cash inflows from a floating rate fixed income security held by the Parent Company (note 9.6);
- a currency forward with a notional value of 15.2 million US dollars, by which Mistral Air Srl has hedged its exposure to the foreign exchange risk associated with future lease payments for three aircraft;
- a currency forward with a notional value of 0.5 million US dollars, by which Mistral Air Srl has hedged its exposure to the foreign exchange risk associated with a guarantee deposit given.

The Parent Company and its subsidiary, Poste Vita SpA, invest excess liquidity in financial instruments on a prudential basis and in line with their core businesses. Investments are primarily short term in nature, including deposits and readily convertible assets.

## 4 - SEGMENT INFORMATION

(€m)						
2008	Postal Services	Financial Services	Insurance Services	Other Services	Eliminations	Total
Revenues:						
- Segment revenues	5,506	4,593	7,268	484	-	17,852
- Inter-segment revenues	279	7	-	135	(420)	0
<b>Total revenue</b>	<b>5,785</b>	<b>4,600</b>	<b>7,268</b>	<b>619</b>	<b>(420)</b>	<b>17,852</b>
<b>Segment profit/(loss)</b>	<b>(57)</b>	<b>1,156</b>	<b>232</b>	<b>132</b>	<b>10*</b>	<b>1,473</b>
Operating profit/(loss)	-	-	-	-	-	1,473
Finance income/(costs) and profit/(loss) on investments accounted for using the equity method	-	-	-	-	(10)*	47
Taxation for the year	-	-	-	-	-	(637)
Profit for the year	-	-	-	-	-	883
<b>Assets</b>						<b>83,515</b>
- Segment	6,421	41,295	31,649	883	-	80,248
- Unallocated	-	-	-	-	-	3,267
<b>Liabilities</b>						<b>80,093</b>
- Segment	5,174	40,845	31,363	202	-	77,584
- Unallocated	-	-	-	-	-	2,509
<b>Other information</b>						
Depreciation and amortisation	489	-	1	50	-	540
Non-cash costs	462	164	3,282	5	-	3,913
Investment	653	-	1	59	-	713

(\*) Elimination of interest paid by Poste Italiane SpA to Group companies that hold current accounts and of the finance income recognised by these companies.

2007	Postal Services	Financial Services	Insurance Services	Other Services	Eliminations	Total
Revenues:						
- Segment revenues	5,553	4,505	6,750	379	-	17,187
- Inter-segment revenues	268	5	-	72	(345)	-
<b>Total revenue</b>	<b>5,821</b>	<b>4,510</b>	<b>6,750</b>	<b>451</b>	<b>(345)</b>	<b>17,187</b>
<b>Segment profit/(loss)</b>	<b>121</b>	<b>1,390</b>	<b>210</b>	<b>45</b>	<b>11*</b>	<b>1,777</b>
Operating profit/(loss)	-	-	-	-	-	1,777
Finance income/(costs) and profit/(loss) on investments accounted for using the equity method	-	-	-	-	(11)*	1
Taxation for the year	-	-	-	-	-	(934)
Profit for the year	-	-	-	-	-	844
<b>Assets</b>						<b>79,810</b>
- Segment	6,330	41,486	29,002	885	-	77,703
- Unallocated	-	-	-	-	-	2,107
<b>Liabilities</b>						<b>76,738</b>
- Segment	4,952	40,434	28,795	176	-	74,356
- Unallocated	-	-	-	-	-	2,382
<b>Other information</b>						
Depreciation and amortisation	515	-	1	57	-	573
Non-cash costs	161	49	3,999	3	-	4,212
Investment	548	-	1	60	-	609

(\*) Elimination of interest paid by Poste Italiane SpA to Group companies that hold current accounts and of the finance income recognised by these companies.

The Group considers business segment information to be primary, where the benefits that flow to the Group are significantly influenced by differences in the services rendered.

The identified segments are: 1) Postal Services, 2) Financial Services, 3) Insurance Services. The "Postal Services" segment includes Mail, Express Delivery, Logistics and Parcels, and Philately. The "Financial Services" segment includes the collection of public deposits on behalf of Cassa Depositi e Prestiti and the management of postal current accounts and related services, the payment of pensions under authority, the transfer of funds via postal order, collection services for third parties. The "Insurance Services" segment regards the sale of life assurance products in Branches I, III and V. The remaining "Other Services" segment includes segments which, based on the indications in IAS 14 - *Segment Reporting*, are not significant within the context of the Group's operations. This segment includes the remaining services carried out by Poste Italiane SpA and those conducted by certain Group companies, including BancoPosta Fondi SpA SGR, an asset management company, EGI SpA, which operates in the property sector, and PosteMobile SpA, a mobile virtual network operator. Segment information regards revenue components and is prepared on the basis of the Accounting Unbundling that Poste Italiane SpA is required to carry out at the end of each reporting period in accordance with the law (Legislative Decree 261/99 and Legislative Decree 144/01).

The cost allocation method adopted is based on the absorption of resources (staff, external costs, plant, etc.) by the various business segments.

The Group has not identified secondary segments at the end of the reporting period. Secondary segments could be based on the geographical areas in which the various Group companies are based, or on the location of the Group's customers. At 31 December 2008 all Group companies consolidated on a line-by-line basis are based in Italy. The Group's customers are also essentially located in Italy. Revenue from overseas customers does not account for a significant proportion of total revenue and is limited to inbound and outbound postal services.

## 5 - PROPERTY, PLANT AND EQUIPMENT

The following table shows movements in property, plant and equipment in 2007 and 2008:

### 5.1 - Movements in property, plant and equipment

	Land	Operating properties	Plant and equipment	Industrial and commer. equipment	Leasehold improvem.	Other	Assets in the course of construction and prepay.	Total
<b>Balance at 1 January 2007</b>								
Cost	80,561	2,529,713	2,138,599	252,108	437,827	989,734	133,330	6,561,872
Accumulated depreciation	-	(703,515)	(1,398,785)	(171,535)	(329,819)	(768,338)	-	(3,371,992)
Accumulated impairments	-	(7,496)	(42,401)	(770)	-	(107)	(2,913)	(53,687)
<b>Carrying amount</b>	<b>80,561</b>	<b>1,818,702</b>	<b>697,413</b>	<b>79,803</b>	<b>108,008</b>	<b>221,289</b>	<b>130,417</b>	<b>3,136,193</b>
<b>Movements during the year</b>								
Purchases	76	20,285	39,896	9,421	13,906	68,835	266,525	418,944
Adjustments	2	83	-	(21)	-	(8)	(93)	(37)
Reclassifications	(4,335)	45,914	127,733	55	19,860	16,287	(205,278)	236
Disposals	(395)	(2,734)	(1,397)	-	-	(272)	(63)	(4,861)
Depreciation	-	(92,735)	(167,163)	(21,187)	(39,488)	(86,317)	-	(406,890)
Impairments	-	-	(1,173)	-	-	(3)	-	(1,176)
<b>Total movements</b>	<b>(4,652)</b>	<b>(29,187)</b>	<b>(2,104)</b>	<b>(11,732)</b>	<b>(5,722)</b>	<b>(1,478)</b>	<b>61,091</b>	<b>6,216</b>
<b>Balance at 31 December 2007</b>								
Cost	75,909	2,592,013	2,214,247	260,373	471,468	1,073,134	194,421	6,881,565
Accumulated depreciation	-	(795,002)	(1,489,284)	(191,532)	(369,182)	(853,272)	-	(3,698,272)
Accumulated impairments	-	(7,496)	(29,654)	(770)	-	(51)	(2,913)	(40,884)
<b>Carrying amount</b>	<b>75,909</b>	<b>1,789,515</b>	<b>695,309</b>	<b>68,071</b>	<b>102,286</b>	<b>219,811</b>	<b>191,508</b>	<b>3,142,409</b>
<b>Movements during the year</b>								
Purchases	408	29,213	128,831	17,118	27,842	63,734	218,236	485,382
Adjustments <sup>(1)</sup>	721	-	-	(4)	-	(1)	(25)	691
Reclassifications <sup>(2)</sup>	(50)	13,302	15,285	(31)	14,265	34,088	(82,793)	(5,934)
Disposals <sup>(3)</sup>	(468)	(4,595)	(2,300)	(17)	(230)	(343)	(49)	(8,002)
Change in basis of consolidation <sup>(4)</sup>	-	(148)	(88)	(27)	-	(349)	(35)	(647)
Depreciation	-	(92,221)	(152,997)	(20,973)	(25,527)	(85,189)	-	(376,907)
Impairments	-	(1)	(636)	-	(34)	-	-	(671)
<b>Total movements</b>	<b>611</b>	<b>(54,450)</b>	<b>(11,905)</b>	<b>(3,934)</b>	<b>16,316</b>	<b>11,940</b>	<b>135,334</b>	<b>93,912</b>
<b>Balance at 31 December 2008</b>								
Cost	76,520	2,617,351	2,302,340	277,355	481,907	1,163,092	326,842	7,245,407
Accumulated depreciation	-	(880,804)	(1,588,238)	(212,448)	(363,304)	(931,291)	-	(3,976,085)
Accumulated impairments	-	(1,482)	(30,698)	(770)	(1)	(48)	-	(32,999)
<b>Carrying amount</b>	<b>76,520</b>	<b>1,735,065</b>	<b>683,404</b>	<b>64,137</b>	<b>118,602</b>	<b>231,753</b>	<b>326,842</b>	<b>3,236,323</b>
<b>Adjustments <sup>(1)</sup></b>								
Cost	721	-	-	(4)	-	1	(25)	693
Accumulated depreciation	-	-	-	-	-	(2)	-	(2)
<b>Total</b>	<b>721</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>(25)</b>	<b>691</b>
<b>Reclassifications <sup>(2)</sup></b>								
Cost	(50)	11,687	15,021	(37)	15,027	34,094	(82,793)	(7,051)
Accumulated depreciation	-	1,615	1,396	6	(762)	(6)	-	2,249
Accumulated impairments	-	-	(1,132)	-	-	-	-	(1,132)
<b>Total</b>	<b>(50)</b>	<b>13,302</b>	<b>15,285</b>	<b>(31)</b>	<b>14,265</b>	<b>34,088</b>	<b>(82,793)</b>	<b>(5,934)</b>
<b>Disposals <sup>(3)</sup></b>								
Cost	(468)	(14,974)	(55,304)	(54)	(32,430)	(6,815)	(2,962)	(113,007)
Accumulated depreciation	-	4,364	52,280	37	32,167	6,469	-	95,317
Accumulated impairments	-	6,015	724	-	33	3	2,913	9,688
<b>Total</b>	<b>(468)</b>	<b>(4,595)</b>	<b>(2,300)</b>	<b>(17)</b>	<b>(230)</b>	<b>(343)</b>	<b>(49)</b>	<b>(8,002)</b>
<b>Change in basis of consolidation <sup>(4)</sup></b>								
Cost	-	(588)	(455)	(41)	-	(1,056)	(35)	(2,175)
Accumulated depreciation	-	440	367	14	-	707	-	1,528
Accumulated impairments	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(148)</b>	<b>(88)</b>	<b>(27)</b>	<b>-</b>	<b>(349)</b>	<b>(35)</b>	<b>(647)</b>

The principal movements during 2008 are described below.

Capital expenditure of 485,382 thousand euros, including 2,448 thousand euros in capitalised costs and expenses, primarily regard:

- 29,213 thousand euros relating primarily to the purchase and maintenance of properties owned by the Group, including 21,574 thousand euros relating to the extraordinary maintenance of Post Offices, local head offices and mail sorting offices, and 7,361 thousand euros regarding the purchase of premises used as Post Offices;
- 128,831 thousand euros relating to plant, with the most significant items regarding the Parent Company and relating to the purchase of sorting equipment used at Sorting Centres (62,381 thousand euros), plant used in buildings (18,150 thousand euros), implementation of the Service Control Room (11,988 thousand euros), and the purchase and installation of data transmission cables and networks (11,309 thousand euros). The total also includes capital expenditure carried out by the Postel Group, totalling 12,140 thousand euros and primarily relating to printing and enveloping systems, and by the SDA Express Courier SpA, totalling 5,596 thousand euros and regarding the process of installing automated sorting equipment and other investments;
- 17,118 thousand euros primarily relating to the purchase of security equipment for Post Office entrances and for the deposit of cash and documents;
- 27,842 thousand euros invested almost entirely by the Parent Company in structural improvements (15,939 thousand euros) and plant (11,868 thousand euros) for properties held under lease;
- 63,734 thousand euros regarding Other assets and primarily relating to the Parent Company. This includes 28,203 thousand euros for the purchase of furniture and fittings in connection with the new layouts for Post Offices, 16,944 thousand euros for new computer hardware for Post Offices and head offices and the expansion of storage systems, and 8,754 thousand euros for the purchase of other durable goods used in delivery activities;
- 218,236 thousand euros, primarily referring to the Parent Company's investments in progress, with 62,865 thousand euros relating to the restyling of Post Offices, 58,353 thousand euros to the restructuring of Sorting Centres, 54,015 thousand euros for the purchase of computer hardware yet to be put into use, and 15,953 thousand euros for renovation of head office premises. The total also includes 11,222 thousand euros invested by Postel SpA and regarding the purchase of latest-generation printing and enveloping equipment that has yet to enter use.

Reclassifications from Assets in the course of construction, totalling 82,793 thousand euros, primarily regard the purchase cost of assets that became available and ready for use during the year. Above all, such assets regard the completion of work on the equipment used at Sorting Centres, completion of the restructuring of Group-owned and leased Post Offices, and the rollout of hardware held in storage.

Disposals, with a net carrying amount of 8,002 thousand euros, primarily regard the sale of operating properties (4,595 thousand euros) and the disposal of obsolete production plant (2,300 thousand euros). The impact of these disposals on the income statement is described in note 33.2.

The following table shows a breakdown by category of property, plant and equipment held under finance leases at 31 December 2008 and 2007:

## 5.2 - Assets held under finance leases

Item	31 December 2008			31 December 2007		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Buildings held under finance leases	17,043	(3,323)	13,720	17,043	(2,812)	14,231
Plant and equipment held under finance leases	71,429	(64,667)	6,762	71,482	(60,035)	11,447
Other assets (Hardware)	6,824	(1,303)	5,521	6,824	(383)	6,441
<b>Total</b>	<b>95,296</b>	<b>(69,293)</b>	<b>26,003</b>	<b>95,349</b>	<b>(63,230)</b>	<b>32,119</b>

The following table provides further information about the Group's finance leases at 31 December 2008:

### 5.3 - Reconciliation of total future lease payments and present value

Item	31 December 2008		
	Payments from 1 Jan 2009 to end of lease term	Interest	Present value
Buildings	16,473	3,618	12,855
Plant and equipment	8,001	259	7,742
Other assets	5,885	611	5,274
<b>Total</b>	<b>30,359</b>	<b>4,488</b>	<b>25,871</b>

### 5.4 - Financial liabilities by maturity

Item	31 December 2008			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Buildings	757	3,395	8,703	12,855
Plant and equipment	4,255	3,487	-	7,742
Other assets	1,049	4,225	-	5,274
<b>Total</b>	<b>6,061</b>	<b>11,107</b>	<b>8,703</b>	<b>25,871</b>

## 6 - INVESTMENT PROPERTY

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, properties owned by the subsidiary, EGI SpA, and residential accommodation previously used by Post Office managers. The following movements in investment property took place in 2008 and 2007:

### 6.1 - Movements in investment property

	2008	2007
<b>Balance at 1 January</b>		
Cost	272,342	290,650
Accumulated depreciation	(59,367)	(56,885)
Accumulated impairments	(19,163)	(20,056)
<b>Carrying amount</b>	<b>193,812</b>	<b>213,709</b>
<b>Movements during the year</b>		
Purchases	862	1,651
Reclassifications <sup>(1)</sup>	777	6
Disposals <sup>(2)</sup>	(19,907)	(12,773)
Depreciation	(9,211)	(8,815)
Impairments	6,092	34
<b>Total movements</b>	<b>(21,387)</b>	<b>(19,897)</b>
<b>Balance at 31 December</b>		
Cost	238,645	272,342
Accumulated depreciation	(57,484)	(59,367)
Accumulated impairments	(8,736)	(19,163)
<b>Carrying amount</b>	<b>172,425</b>	<b>193,812</b>
<b>Reclassifications <sup>(1)</sup></b>		
Cost	(1,403)	6
Accumulated depreciation	1,021	-
Accumulated impairments	1,159	-
<b>Total</b>	<b>777</b>	<b>6</b>
<b>Disposals <sup>(2)</sup></b>		
Cost	(33,156)	(19,965)
Accumulated depreciation	10,073	6,333
Accumulated impairments	3,176	859
<b>Total</b>	<b>(19,907)</b>	<b>(12,773)</b>

The fair value of investment property at 31 December 2008 amounts to 341 million euros (342 million euros at 31 December 2007). This value includes 119 million euros (140 million euros at 31 December 2007) representing the sale price applicable to the Parent Company's former service accommodation under Law 560 of 24 December 1993. The balance regards the market prices of the other investment property held by the Group, based primarily on independent valuations. Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that the Group retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six months notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

## 7 - INTANGIBLE ASSETS

The following table shows movements in intangible assets in 2007 and 2008:

### 7.1 - Movements in intangible assets

	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangible assets in progress and prepayments	Goodwill	Goodwill arising from consolidation	Other	Total
<b>Balance at 1 January 2007</b>							
Cost	694,206	28,047	7,005	29,725	69,284	107,423	935,690
Accumulated amortisation	(459,925)	(21,890)	-	-	-	(92,037)	(573,852)
Accumulated impairments	(1,127)	-	(99)	-	-	(6,690)	(7,916)
<b>Carrying amount</b>	<b>233,154</b>	<b>6,157</b>	<b>6,906</b>	<b>29,725</b>	<b>69,284</b>	<b>8,696</b>	<b>353,922</b>
<b>Movements during the year</b>							
Purchases	147,791	5,887	32,495	-	-	1,895	188,068
Adjustments	(41)	(6)	-	-	-	-	(47)
Reclassifications	3,099	-	(5,143)	-	-	1,272	(772)
Disposals	-	-	(15)	-	-	-	(15)
Amortisation	(143,684)	(5,124)	-	-	-	(7,137)	(155,945)
Impairments	-	(250)	-	-	-	-	(250)
<b>Total movements</b>	<b>7,165</b>	<b>507</b>	<b>27,337</b>	<b>-</b>	<b>-</b>	<b>(3,970)</b>	<b>31,039</b>
<b>Balance at 31 December 2007</b>							
Cost	845,100	33,934	34,342	29,725	69,284	110,795	1,123,180
Accumulated amortisation	(603,654)	(27,020)	-	-	-	(99,379)	(730,053)
Accumulated impairments	(1,127)	(250)	(99)	-	-	(6,690)	(8,166)
<b>Carrying amount</b>	<b>240,319</b>	<b>6,664</b>	<b>34,243</b>	<b>29,725</b>	<b>69,284</b>	<b>4,726</b>	<b>384,961</b>
<b>Movements during the year</b>							
Purchases	133,278	4,018	79,240	7,094	-	2,779	226,409
Adjustments <sup>(1)</sup>	(54)	-	(38)	-	-	-	(92)
Reclassifications <sup>(2)</sup>	32,921	-	(33,068)	-	-	1,847	1,700
Disposals <sup>(3)</sup>	-	-	(9)	-	-	-	(9)
Change in basis of consolidation <sup>(4)</sup>	(33)	-	-	-	-	3	(30)
Amortisation	(148,537)	(4,982)	-	-	-	(5,246)	(158,765)
Impairments	-	-	-	-	(1,212)	-	(1,212)
<b>Total movements</b>	<b>17,575</b>	<b>(964)</b>	<b>46,125</b>	<b>7,094</b>	<b>(1,212)</b>	<b>(617)</b>	<b>68,001</b>
<b>Balance at 31 December 2008</b>							
Cost	1,010,315	37,930	80,467	36,819	69,284	113,815	1,348,630
Accumulated amortisation	(751,315)	(31,980)	-	-	-	(103,016)	(886,311)
Accumulated impairments	(1,106)	(250)	(99)	-	(1,212)	(6,690)	(9,357)
<b>Carrying amount</b>	<b>257,894</b>	<b>5,700</b>	<b>80,368</b>	<b>36,819</b>	<b>68,072</b>	<b>4,109</b>	<b>452,962</b>
<b>Adjustments <sup>(1)</sup></b>							
Cost	(54)	-	(38)	-	-	-	(92)
Accumulated amortisation	-	-	-	-	-	-	-
<b>Total</b>	<b>(54)</b>	<b>-</b>	<b>(38)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(92)</b>
<b>Reclassifications <sup>(2)</sup></b>							
Cost	32,921	-	(33,068)	-	-	238	91
Accumulated amortisation	-	-	-	-	-	1,609	1,609
<b>Total</b>	<b>32,921</b>	<b>-</b>	<b>(33,068)</b>	<b>-</b>	<b>-</b>	<b>1,847</b>	<b>1,700</b>
<b>Disposals <sup>(3)</sup></b>							
Cost	-	(22)	(9)	-	-	-	(31)
Accumulated amortisation	-	22	-	-	-	-	22
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>
<b>Change in basis of consolidation <sup>(4)</sup></b>							
Cost	(930)	-	-	-	-	3	(927)
Accumulated amortisation	876	-	-	-	-	-	876
Accumulated impairments	21	-	-	-	-	-	21
<b>Total</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(30)</b>

Investment in intangible assets during 2008 amounts to 226,409 thousand euros, including 41,769 thousand euros (of which 12,302 thousand euros attributable to Poste Italiane SpA) regarding software developed in-house by the Group. The increase of 133,278 thousand euros in industrial patents and intellectual property rights, before amortisation for the year, primarily refers to:

- 123,955 thousand euros regarding the purchase and entry into service of new software applications used by the Parent Company for innovative Mail services, WEB Oriented services and in relation to administration and control. New software was also purchased for use in the maintenance, evolution and development of the technology infrastructures used in the sale of BancoPosta services and in updating Asset and Configuration Management;
- 7,924 thousand euros deriving from recent development of the software component for the ICT platform used in the provision of virtual mobile services by PosteMobile SpA.

During the year, the Group effected reclassifications from Intangible assets in progress to Industrial patents and intellectual property rights, amounting to 32,921 thousand euros. This primarily reflects the release and entry into service of new software programmes and the evolution of existing programmes.

At 31 December 2008 intangible assets include software held under finance leases, the net carrying amount of which is as follows:

## 7.2 - Assets held under finance leases

Item	31 December 2008			31 December 2007		
	Cost	Accumulated amortisation	Net carrying amount	Cost	Accumulated amortisation	Net carrying amount
Industrial patents and intellectual property rights	28,398	(4,167)	24,231	20,474	(1,150)	19,324
<b>Total</b>	<b>28,398</b>	<b>(4,167)</b>	<b>24,231</b>	<b>20,474</b>	<b>(1,150)</b>	<b>19,324</b>

In 2007 PosteMobile signed a contract for the supply of the hardware and software platform to be used in the provision of virtual mobile services. The contract, which expires on 31 December 2014, envisages payment to the supplier of a set-up fee and a series of annual fees. On the natural expiry of the contract, or in the event of termination, for whatever motive, the supplier is obliged to transfer to PosteMobile all the infrastructure hardware and software components, including the transfer of the licences obtained from third parties and a licence for internal use of the infrastructure software, for which the supplier owns the intellectual property rights. In application of the relevant international accounting standards and interpretations (IAS 17 - *Leases*, and IFRIC 4 - *Determining whether an Arrangement contains a Lease*), the contract has been accounted for as a finance lease. At 31 December 2008 the software component amounts to 24,231 thousand euros after accumulated amortisation. The hardware component is accounted for under Other assets, in Property, plant and equipment (note 5), at a carrying amount of 5,521 thousand euros after accumulated depreciation.

The following table provides further information about the related finance leases:

## 7.3 - Reconciliation of total future lease payments and present value

Item	31 December 2008		
	Payments from 1 Jan 2009 to end of lease term	Interest	Present value
Industrial patents and intellectual property rights	17,655	1,833	15,822
<b>Total</b>	<b>17,655</b>	<b>1,833</b>	<b>15,822</b>

## 7.4 - Financial liabilities by maturity

Item	31 December 2008			Total
	Within 12 months	Between 1 and 5 years	Over 5 years	
Industrial patents and intellectual property rights	3,146	12,676	-	15,822
<b>Total</b>	<b>3,146</b>	<b>12,676</b>	<b>-</b>	<b>15,822</b>

Goodwill primarily derives from acquisitions and subsequent mergers of companies carried out by the subsidiaries, Postel SpA and PostelPrint SpA, less accumulated amortisation until 1 January 2004. The increase in this item regards:

- 4,246 thousand euros, deriving from FS Logistica's contribution of its "Omnia Logistica" unit to Italia Logistica Srl (note 2.2);
- 2,848 thousand euros, regarding the purchase by the subsidiary, Postel SpA, of the "Baioni Stampa" unit that provides printing services, graphic solutions and the creation of catalogues, brochures and advertising material.

Goodwill arising from consolidation, generated by the process of eliminating the value of the investment consolidated in a line-by-line basis and representing the difference between the acquisition price and the fair value of the assets and liabilities acquired, regards the following companies:

## 7.5 - Goodwill arising from consolidation

Name	Balance at 31 December 2008	Balance at 31 December 2007
Poste Italiane Trasporti SpA	2,416	2,416
SDA Express Courier SpA	46,010	46,010
Postel SpA	14,712	14,712
Mistral Air Srl	4,934	6,146
<b>Total</b>	<b>68,072</b>	<b>69,284</b>

Goodwill arising from consolidation has been tested for impairment, in accordance with the relevant accounting standards. Based on the prospective information available, it was deemed necessary to write down Goodwill arising from consolidation previously attributed to Mistral Air Srl by 1,212 thousand euros.

## 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the following:

### 8.1 - Investments

Item	Balance at 31 December 2008	Balance at 31 December 2007
Investments in subsidiaries	6,439	6,540
Investments in joint ventures	24	24
Investments in associates	985	2,880
<b>Total</b>	<b>7,448</b>	<b>9,444</b>

Movements in investments accounted for using the equity method during 2007 and 2008 are as follows:

## 8.2 - Movements in investments in 2007

Investment	Balance at 1 Jan 2007	Additions/ (Reductions)	Changes in the basis of consolidation	Adjustments		Balance at 31 Dec 2007
				accounted for using the equity method	dividend adjustments	
<b>Subsidiaries</b>						
Address Software Srl	77	-	-	36	-	113
Consorzio Poste Contact <sup>(1)</sup>	120	-	-	-	-	120
Consorzio Poste Link	100	-	-	211	-	311
Consorzio per i Servizi di Telefonia Mobile ScpA	-	120	-	-	-	120
Chronopost International Italia SpA (in liquidation)	85	-	-	(31)	-	54
Docutel SpA	1,033	-	-	135	-	1,168
PosteMobile SpA	2,490	-	(2,490)	-	-	-
Poste Assicura SpA	1,330	-	-	815	-	2,145
Poste Energia SpA	-	120	-	64	-	184
Poste Tributi ScpA	18	2,307	-	-	-	2,325
Postel do Brasil Ltda	68	-	-	(68)	-	-
<b>Total subsidiaries</b>	<b>5,321</b>	<b>2,547</b>	<b>(2,490)</b>	<b>1,162</b>	<b>-</b>	<b>6,540</b>
<b>Joint ventures</b>						
Uptime SpA	24	-	-	-	-	24
<b>Total joint ventures</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>
<b>Associates</b>						
Aspheria Holding SA	1,428	-	-	(1,428)	-	-
Docugest SpA	796	-	-	-	-	796
C-GLOBAL SpA (formerly Ge.Po SpA)	2,055	-	-	-	-	2,055
Consorzio ANAC	10	-	-	-	-	10
Other SDA Group associates	26	(7)	-	-	-	19
<b>Total associates</b>	<b>4,315</b>	<b>(7)</b>	<b>-</b>	<b>(1,428)</b>	<b>-</b>	<b>2,880</b>
<b>Total</b>	<b>9,660</b>	<b>2,540</b>	<b>(2,490)</b>	<b>(266)</b>	<b>-</b>	<b>9,444</b>

1. Consorzio Poste Contact is 51% owned by Consorzio Poste Welfare.

## 8.3 - Movements in investments in 2008

Investment	Balance at 1 Jan 2008	Additions/ (Reductions)	Changes in the basis of consolidation	Adjustments		Balance at 31 Dec 2008
				accounted for using the equity method	dividend adjustments	
<b>Subsidiaries</b>						
Address Software Srl	113	-	-	(53)	-	60
Consorzio Poste Contact <sup>(1)</sup>	120	-	-	250	-	370
Poste Link Scrl <sup>(2)</sup>	311	-	(311)	-	-	-
Consorzio per i Servizi di Telefonia Mobile ScpA	120	-	(120)	-	-	-
Chronopost International Italia SpA (in liquidation)	54	-	-	(54)	-	-
Docutel SpA	1,168	-	-	92	-	1,260
Poste Assicura SpA	2,145	-	-	54	-	2,199
Poste Energia SpA	184	-	(184)	-	-	-
Poste Tributi ScpA	2,325	-	-	-	-	2,325
Poste Voice SpA	-	319	-	(94)	-	225
Postel do Brasil Ltda	-	-	-	-	-	-
<b>Total subsidiaries</b>	<b>6,540</b>	<b>319</b>	<b>(615)</b>	<b>195</b>	<b>-</b>	<b>6,439</b>
<b>Joint ventures</b>						
Uptime SpA <sup>(3)</sup>	24	-	-	-	-	24
<b>Total joint ventures</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>
<b>Associates</b>						
Aspheria Holding SA	-	-	-	-	-	-
Docugest SpA <sup>(3)</sup>	796	-	-	160	-	956
C-GLOBAL SpA (formerly Ge.Po SpA)	2,055	-	(2,055)	-	-	-
Consorzio ANAC	10	-	-	-	-	10
Other SDA Group associates	19	-	-	-	-	19
<b>Total associates</b>	<b>2,880</b>	<b>-</b>	<b>(2,055)</b>	<b>160</b>	<b>-</b>	<b>985</b>
<b>Total</b>	<b>9,444</b>	<b>319</b>	<b>(2,670)</b>	<b>355</b>	<b>-</b>	<b>7,448</b>

1. Consorzio Poste Contact is 51% owned by Consorzio Poste Welfare.

2. On 17 November 2008 Consorzio Poste Link was converted to a limited liability consortium.

3. Measurement using the equity method was based on the latest available financial statements for the year ended 31 December 2007.

Movements in 2008 regard:

- the Parent Company's subscription, on 22 January 2008, of the entire share capital of the newly established Poste Voice SpA, amounting to 120 thousand euros, and the subsequent contribution of 199 thousand euros to recapitalise the company, whose share capital had been reduced to below the legally required minimum (art. 2447 of the Italian Civil Code); the company's business purpose is to supply IT and data transmission services;
- the sale, on 16 July 2008, of the interest in Aspheria Holding SA held by the subsidiary, Postel SpA, resulting in a non-recurring gain of 4 million euros (note 41.1);
- deconsolidation, from 1 January 2008, of C-GLOBAL SpA, which is now accounted for in Financial assets since the Group has reduced its interest to 17%;
- line-by-line consolidation, from 1 January 2008, of Poste Energia SpA, Consorzio per i Servizi di Telefonia Mobile ScpA and Poste Link Scrl, which were previously consolidated using the equity method.

## 9 - FINANCIAL ASSETS

At 31 December 2008 and 2007 financial assets break down as follows:

### 9.1 - Financial assets

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	574,732	452,941	1,027,673	691,069	478,899	1,169,968
Loans	50	1,187	1,237	-	450	450
Receivables	574,682	451,754	1,026,436	691,069	478,449	1,169,518
Available-for-sale financial assets	15,414,300	4,087,908	19,502,208	12,876,450	4,181,009	17,057,459
Equity instruments	41,832	2,304	44,136	74,932	2,679	77,611
Fixed income instruments	14,028,293	4,081,519	18,109,812	11,303,734	4,172,920	15,476,654
Other investments	1,344,175	4,085	1,348,260	1,497,784	5,410	1,503,194
Financial assets at fair value through the income statement	11,817,155	9,774	11,826,929	12,193,010	11,910	12,204,920
Fixed income instruments	1,195,464	9,770	1,205,234	1,385,839	11,646	1,397,485
Structured bonds	9,976,777	4	9,976,781	10,326,668	-	10,326,668
Other investments	644,914	-	644,914	480,503	264	480,767
Derivative financial instruments	156	13,213	13,369	1,087	7,886	8,973
Cash flow hedges	24	1,116	1,140	938	1,460	2,398
Fair value hedges	-	-	-	17	-	17
Fair value through the income statement	132	12,097	12,229	132	6,426	6,558
<b>Total</b>	<b>27,806,343</b>	<b>4,563,836</b>	<b>32,370,179</b>	<b>25,761,616</b>	<b>4,679,704</b>	<b>30,441,320</b>

## LOANS AND RECEIVABLES

### Receivables

Receivables break down as follows:

### 9.2 - Receivables

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from parent	565,518	340,030	905,548	683,724	460,891	1,144,615
repayment of loans accounted for in liabilities	565,518	298,190	863,708	683,724	340,272	1,023,996
repayment of interest on loan (Law 887/84)	-	29,434	29,434	-	43,534	43,534
interest on Poste Italiane SpA's liquidity	-	12,406	12,406	-	77,085	77,085
Due from buyers of service accommodation	9,097	-	9,097	7,259	-	7,259
Due from overseas Post Offices for international money orders	-	3,665	3,665	-	3,365	3,365
Due from others	67	116,836	116,903	86	14,193	14,279
Provisions for doubtful receivables	-	(8,777)	(8,777)	-	-	-
<b>Total</b>	<b>574,682</b>	<b>451,754</b>	<b>1,026,436</b>	<b>691,069</b>	<b>478,449</b>	<b>1,169,518</b>

At 31 December 2008, the fair value of receivables, totalling 863,708 thousand euros, due from the parent, the MEF, as repayment of loans accounted for in liabilities, amounts to 878,377 thousand euros. At 31 December 2007, the fair value of this item, which at the time had a carrying amount of 1,023,996 thousand euros, was 1,027,031 thousand euros. The carrying amount of the other receivables in this category approximates to fair value.

Receivables due from the parent, the MEF, amounting to 905,548 thousand euros, primarily regard a receivable of 863,708 thousand euros relating to the residual principal to be repaid on loans accounted for in liabilities, and which, in accordance with the laws that authorised the relevant loans, are to be repaid by the parent. This receivable is represented by the amortised cost<sup>15</sup> of a receivable with a face value of 971,704 thousand euros, which is expected to be collected by 2016. During 2008 the Parent Company collected receivables with a face value of 197,077 thousand euros and estimated accrued finance income on the present value of the receivables to be 36,789 thousand euros.

On the basis of the laws referred to below, these receivables are non-interest-bearing as they relate to loans for which only the principal is to be repaid by the government, with the exception of the loan linked to Law 887/84, for which interest is also to be repaid. However, from 2001 provision is no longer made in the government's budget for this interest payment, which is thus charged to Poste Italiane SpA's income statement<sup>16</sup>.

The face value of these receivables is as follows.

Legislation	Face value of receivable
Law 227/75 (mechanisation of PO services)	29,389
Law 39/82 (subsequent changes to PO services)	571,542
Law 887/84	368,251
Law 41/86	2,522
<b>Total</b>	<b>971,704</b>

Such items represent repayments of loans formerly disbursed by Cassa Depositi e Prestiti, in accordance with the above laws, to the former Post and Telecommunications Office in order to fund investment between 1975 and 1993. On conversion of the former Public Entity into a joint-stock company, the accounts payable to Cassa Depositi e Prestiti (the provider of the loans) and the accounts receivable from the parent, the MEF, to which the relevant laws assigned the burden of repayment, were posted in the accounts. Poste Italiane SpA is liable for interest expense through to full repayment of the loans. The difference of 149,566 thousand euros between the face value of the receivable and the face value of the liability of 822,138 thousand euros (note 26.2), which corresponds to the amortised cost, is due to repayment of the principal falling due in 2008, which was collected in full in March 2009.

Receivables due from the parent, the MEF, also include:

- receivables of 29,434 thousand euros relating to interest on the loan granted under Law 887/84 (of which 13,625 thousand euros accruing in 2008 and 15,809 thousand euros accruing in previous years), which was acknowledged by the parent, the MEF, at the same time as collection in March 2009;
- receivables of 12,406 thousand euros due as accrued interest on the deposit of Poste Italiane SpA's liquidity with the MEF in 2008.

Amounts due from others, totalling 116,903 thousand euros, include:

- 102,998 thousand euros in term bank deposits made by the Parent Company during the year, including 2,998 thousand euros in accrued income;
- 9,677 thousand euros due from a bankrupt counterparty, after write-downs of 8,777 thousand euros. This refers to 9,000 thousand euros due to Poste Vita SpA in relation to the redemption of matured securities, and to 677 thousand euros resulting from early termination of two Interest Rate Swaps carried out by the Parent Company in accordance with the related contracts terms. The impact of the write-down on the income statement was offset by a corresponding 8,100 thousand euro reduction in mathematical provisions;
- 4,044 thousand euros in differentials on 7 Constant Maturity Treasury swaps (CMTs) accruing to the Parent Company at 31 December 2008 (a description is provided in note 9.6).

15. The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

16. Moreover, the reimbursements received in 2007 and 2008 also included interest payable to Poste Italiane SpA for previous years.

## AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets break down as follows:

### 9.3 - Available-for-sale financial assets

Item	Balance at 31 December 2008		Balance at 31 December 2007	
Equity instruments		44,136		77,611
Fixed income instruments		18,109,812		15,476,654
Mutual investment funds	1,247,784		1,401,682	
Fiduciary deposits	100,476		101,512	
Other investments		1,348,260		1,503,194
<b>Total</b>		<b>19,502,208</b>		<b>17,057,459</b>

The following movements took place during the year:

### 9.4 - Movements in available-for-sale financial assets

	Note	Equity instruments	Fixed income instruments	Other investments	Total
<b>Balance at 1 January 2007</b>		<b>14,526</b>	<b>14,601,298</b>	<b>111,050</b>	<b>14,726,874</b>
Additions/Disbursements		7,768	9,683,309	1,400,000	11,091,077
Fair value gains and losses	[22.1]	65,816	(148,926)	(8,212)	(91,322)
Transfers to the income statement		(60)	18,068	-	18,008
Change in amortised cost		-	(10,319)	-	(10,319)
Accrued income		-	273,183	1,322	274,505
Reductions/Settlement of accrued income		(10,439)	(8,939,959)	(966)	(8,951,364)
<b>Balance at 31 December 2007</b>		<b>77,611</b>	<b>15,476,654</b>	<b>1,503,194</b>	<b>17,057,459</b>
Additions/Disbursements		6,865	9,257,013	49,264	9,313,142
Fair value gains and losses	[22.1]	(9,476)	386,107	(204,323)	172,308
Transfers to the income statement		107	23,425	-	23,532
Impairments		-	(63,480)	-	(63,480)
Change in amortised cost		-	(10,619)	-	(10,619)
Accrued income		-	332,794	1,447	334,241
Reductions/Settlement of accrued income		(30,971)	(7,292,082)	(1,322)	(7,324,375)
<b>Balance at 31 December 2008</b>		<b>44,136</b>	<b>18,109,812</b>	<b>1,348,260</b>	<b>19,502,208</b>

Financial instruments classified as Available-for-sale financial assets report an increase in fair value of 172,308 thousand euros for 2008. This amount reflects:

- fair value gains of 182,549 thousand euros deriving from the measurement of securities held by Poste Vita SpA, with 172,802 thousand euros transferred to policyholders, whilst a contra-entry is made in technical provisions, without therefore having any impact on consolidated Equity;
- net fair value losses of 10,240 thousand euros deriving from the measurement of other financial instruments, with 10,400 thousand euros on equity instruments, fixed income instruments and deposits held by the Parent Company.

The sum of the above movements in the fair value of Available-for-sale financial assets during 2008 results in a net reduction in the relevant Equity reserve of 493 thousand euros (note 22).

## Equity instruments

Equity instruments primarily include:

- 34,134 thousand euros relating to the fair value of 350,628 class B shares in Mastercard Incorporated (at 31 December 2007, 500,628 shares with a fair value of 69,562 thousand euros). In accordance with the issuer's memorandum of association, the class B shares are convertible into class A shares, which are quoted on the New York Stock Exchange, at an exchange ratio of one for one from May 2010. During the year Poste Italiane SpA sold 150,000 of the shares in its portfolio (see note 9.6), realising a gain of 26,636 thousand euros. The movement in the fair value of Equity instruments shown in table 9.4 refers almost entirely to the remaining holding of these shares;
- 4,500 thousand euros regarding the historical cost of the Parent Company's 15% interest in Innovazione e Progetti ScpA, the value of which is unchanged with respect to the previous year.

## Fixed income instruments

Fixed income instruments regard investments held by Poste Vita SpA, totalling 17,684,020 thousand euros. This refers to listed instruments with a face value of 17,307,228 thousand euros issued by European governments and major European companies. 17,154,762 thousand euros of this amount is linked to separately managed accounts. Under the shadow accounting method applied, unrealised gains and losses on these instruments are entirely transferred to policyholders and recognised in technical provisions. The remaining amount regards the insurance company's investment of free capital. During the year fixed income instruments held by the subsidiary, Poste Vita SpA, and issued by a counterparty subsequently declared bankrupt were fully written down by 63,480 thousand euros, including 54,275 thousand euros transferred to policyholders as above. The loss on the investment of the company's free capital was 9,205 thousand euros and this has been taken to Finance costs.

This item also includes fixed income instruments with a value of 408,978 thousand euros purchased by the Parent Company in 2008. These instruments include securities issued by banks in the form of private placements, having a face value of 300,000 thousand euros (of which 100,000 thousand euros issued by Cassa Depositi e Prestiti SpA). The balance regards Italian Treasury Certificates (CCT) with a face value of 100,000 thousand euros.

## Other investments

Other investments regard:

- units of mutual investment funds, primarily equity funds, with a value of 1,247,784 thousand euros. Of this amount, 1,245,146 thousand euros are held by Poste Vita SpA and allocated to the insurance company's separately managed accounts. The balance is made up by 2,638 thousand euros relating to the fair value of units of mutual investment funds held by the Parent Company as temporary investments of liquidity;
- a fiduciary deposit with a face value of 107,500 thousand euros, established by the Parent Company in 2002 and expiring on 5 July 2012, and paying interest at a floating rate: the fair value of the fiduciary deposit at 31 December 2008 is 100,476 thousand euros (101,512 thousand euros at 31 December 2007).

The deposit was established on the assignment of an official rating to Poste Italiane SpA and represents liquidity reserves designed to guarantee bondholders and provide positive elements on which rating agencies can base their assessments<sup>17</sup>.

17. At 31 December 2008 approximately 74% of the deposit is held as liquidity, with the remainder invested in bonds. The Parent Company has an option on the deposit which, in the event of exercise, guarantees the recovery of approximately 84% of the face value. In addition, the depositor has entered into credit derivatives, where protection from certain issuers' credit risk has been sold to third parties, with a notional value of 75 million euros.

## FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

Movements in financial assets at fair value through the income statement were as follows in 2007 and 2008:

### 9.5 - Movements in financial assets at fair value through the income statement

	Fixed income instruments	Equity instruments	Other investments	Total
<b>Balance at 1 January 2007</b>	<b>792,078</b>	<b>9,689,608</b>	<b>480,596</b>	<b>10,962,282</b>
Additions/Disbursements	1,345,976	3,991,207	18,355	5,355,538
Fair value gains and losses through the income statement	(23,686)	347,694	35	324,043
Accrued income	11,052	-	-	11,052
Reductions/Settlement of accrued income	(727,935)	(3,701,841)	(18,219)	(4,447,995)
<b>Balance at 31 December 2007</b>	<b>1,397,485</b>	<b>10,326,668</b>	<b>480,767</b>	<b>12,204,920</b>
Additions/Disbursements	350,181	3,067,033	193,812	3,611,026
Fair value gains and losses through the income statement	(165,653)	(1,109,889)	24,714	(1,250,828)
Accrued income	9,770	4	-	9,774
Reductions/Settlement of accrued income	(386,549)	(2,307,035)	(54,379)	(2,747,963)
<b>Balance at 31 December 2008</b>	<b>1,205,234</b>	<b>9,976,781</b>	<b>644,914</b>	<b>11,826,929</b>

Financial instruments classified as at fair value through the income statement are held by the subsidiary, Poste Vita SpA, and regard:

- fixed income instruments consisting of corporate bonds with a face value of 1,684,659 thousand euros issued by blue-chip companies and primarily linked to separately managed accounts in Branch I;
- structured bonds with a face value of 10,289,241 thousand euros, relating to investments whose returns are linked to the performances of particular market indexes, primarily designed to cover the insurance company's obligations to the holders of Branch III index-linked policies; the item includes instruments issued by the securitisation vehicle, Programma Dinamico SpA, with a fair value of 900,672 thousand euros;
- other investments regarding units of mutual investment funds primarily acquired to cover obligations to the holders of Branch III unit-linked policies.

## DERIVATIVE FINANCIAL INSTRUMENTS

Movements in derivatives receivable and payable are as follows:

### 9.6 - Movements in derivative financial instruments

	Note	2008				2007			
		Cash flow hedges	Fair value hedges	Fair value through income statement	Total	Cash flow hedges	Fair value hedges	Fair value through income statement	Total
<b>Balance at 1 January</b>		<b>1,507</b>	<b>17</b>	<b>4,688</b>	<b>6,212</b>	<b>7,901</b>	<b>-</b>	<b>87</b>	<b>7,988</b>
Fair value gains and losses	[22.1]	(1,398)	12,374	(25,278)	(14,302)	(44,979)	17	4,631	(40,331)
Differentials due		(2,370)	(12,394)	(7,493)	(22,257)	38,585	-	(30)	38,555
<b>Balance at 31 December</b>		<b>(2,261)</b>	<b>(3)</b>	<b>(28,083)</b>	<b>(30,347)</b>	<b>1,507</b>	<b>17</b>	<b>4,688</b>	<b>6,212</b>
of which:									
Derivatives receivable	[9.1]	1,140	-	12,229	<b>13,369</b>	2,398	17	6,558	<b>8,973</b>
Derivatives payable	[26.1]	(3,401)	(3)	(40,312)	<b>(43,716)</b>	(891)	-	(1,870)	<b>(2,761)</b>

## Cash flow hedges

These hedges primarily regard plain vanilla swaps, by which floating rates are exchanged for fixed rates, and currency forwards.

Derivatives receivable, totalling 1,140 thousand euros, include 1,116 thousand euros regarding the fair value<sup>18</sup> of an Interest Rate Swap (IRS) entered into in July 2008 and maturing on 30 July 2009. The swap has been entered into to hedge cash inflows from the fixed income securities with a face value of 100 million euros described in note 9.4. Under the swap Poste Italiane SpA has purchased a fixed rate of 5.217% (settled annually) and sold a floating rate of 6-month Euribor plus 3 bps (settled six-monthly).

Derivatives payable, amounting to 3,401 thousand euros, include 3,381 thousand euros regarding the fair value of seven residual Interest Rate Swaps (IRSs) entered into in December 2003 and maturing on 15 September 2009. These represent cash flow hedges of a notional amount of 295 million euros, representing a portion of the EIB loan of 400 million euros (note 26.3). Under the swaps Poste Italiane SpA has purchased a fixed rate of 4.075% (the weighted average of the rates provided for in the seven contracts) and sold a floating rate, at 31 December 2008, of 3.329%. Two similar IRSs of a notional amount of 55 million euros, as described in note 9.2, were terminated in 2008.

## Fair value hedges

In June 2008 the Parent Company entered into a Zero Cost Collar agreement to minimise the impact of potential movements in the price of its holding of 150,000 shares in Mastercard Inc. The instrument expired on 19 December 2008, when the price of the Mastercard shares was below the in-the-money floor. The Company exercised the option contained in the instrument, thus selling the underlying 150,000 shares described in note 9.4.

## Derivative financial instruments at fair value through the income statement

At 31 December 2008, outstanding transactions primarily regard the following forward transactions entered into by the insurance company, Poste Vita SpA:

- forward sales of 896.2 million US dollars and forward purchases of 95.3 million US dollars, designed to hedge the redemption values at maturity of securities denominated in this currency. These instruments have total positive fair values of 9,246 thousand euros and negative fair values of 35,359 thousand euros;
- two forward purchase and two forward sale contracts involving securities, with the aim of stabilising (hedging against exposure to movements in the price of the securities to be exchanged) the expected cost of converting two index-linked products (note 3 - Reputational risk). A breakdown of the transactions described is as follows:

### 9.7 - Forward purchases and sales of securities

Trade date	Description	Notional	Fair value
12 Dec 2008	Forward purchase	215,150	409
22 Dec 2008	Forward sale	(109,000)	2,442
<b>Total derivatives receivable</b>			<b>2,851</b>
15 Dec 2008	Forward purchase	205,650	(2,478)
18 Dec 2008	Forward sale	(229,200)	(2,475)
<b>Total derivatives payable</b>			<b>(4,953)</b>

18. The fair value of these derivative instruments is based on the present value of expected cash flows deriving from the differentials to be swapped.

Movements in the fair value of the derivatives shown in table 9.6 also refer to:

- seven Constant Maturity Treasury Swaps (CMTs) that matured on 31 December 2008, including five entered into during the second half of 2007 (with a fair value of 5,460 thousand euros at 31 December 2007) of a notional amount of 3 billion euros, and two entered into in the first half of 2008 of a notional amount of 1 billion euros. The aim of these contracts is to hedge exposure to fluctuations in the index-linked returns on the Parent Company's liquidity held on deposit with the parent, the MEF. The differential on maturity of 4,044 thousand euros has been recognised in Loans and receivables (note 9.2);
- a forward currency sale contract entered into by the Parent Company on 20 November 2008 to hedge the sale value of 150,000 shares in Mastercard Inc. (note 9.4); the realised gain was 3,449 thousand euros.

## 10 - DEFERRED TAXES

The following table shows deferred tax assets and liabilities:

### 10.1 - Deferred taxes

Item	Balance at 31 December 2008	Balance at 31 December 2007
Deferred tax assets	641,285	570,182
Deferred tax liabilities	(310,226)	(362,976)
<b>Total</b>	<b>331,059</b>	<b>207,206</b>

The nominal tax rates provided for in the 2008 Finance Act are 27.5% for IRES and 3.90% for IRAP (+/- 0.92% as a result of regional surtaxes and/or relief).

Movements in deferred tax assets and liabilities are shown below:

### 10.2 - Movements in deferred tax assets and liabilities

Item	2008	2007
<b>Balance at 1 January</b>	<b>207,206</b>	<b>311,549</b>
Deferred tax income/(expenses) recognised in the income statement	192,273	(129,638)
Deferred tax income/(expenses) recognised in Equity <sup>(*)</sup>	(68,005)	25,295
Change in the basis of consolidation	(415)	-
<b>Balance at 31 December</b>	<b>331,059</b>	<b>207,206</b>

(\*) Total deferred tax expense recognised in Equity amounts to 62,152 thousand euros, of which 5,853 thousand euros deriving from a reduction in current tax expense.

The movement in the balance of Deferred taxes in 2008 includes non-recurring income of 161,635 thousand euros (including 13,637 thousand euros recognised in Equity and entirely due to recalculation of the actuarial value of staff termination benefits). This derives from the recalculation of Deferred tax liabilities following the exemption of off-book tax deductions applied in the years between 2004 and 2007, and the resulting definition of the substitute tax charge of 83,010 thousand euros, recognised in Current tax expense for the year (note 42).

The following table shows a breakdown of movements in deferred tax assets and liabilities according to principal event that generated the movement.

### 10.3 - Movements in deferred tax assets

Item	Property, plant and equipment	Fees to be amortised	Financial assets and liabilities	Accum. adjustments to assets	Provisions for liabilities and charges	Trade and other receivables	Staff costs	Other	Total
<b>Balance at 1 January 2007</b>	<b>24,132</b>	<b>37,056</b>	<b>68,668</b>	<b>128,840</b>	<b>254,354</b>	<b>29,958</b>	<b>50,524</b>	<b>25,707</b>	<b>619,239</b>
Deferred tax income/(expenses) recognised in the income statement	37,229	(15,053)	(22,627)	(38,627)	(68,698)	3,150	(17,197)	(17,616)	(139,439)
Deferred tax income/(expenses) recognised in Equity	-	-	90,496	-	-	-	-	(114)	90,382
<b>Balance at 31 December 2007</b>	<b>61,361</b>	<b>22,003</b>	<b>136,537</b>	<b>90,213</b>	<b>185,656</b>	<b>33,108</b>	<b>33,327</b>	<b>7,977</b>	<b>570,182</b>
Deferred tax income/(expenses) recognised in the income statement	(12,575)	(6,860)	(9,464)	30,431	84,546	(6,013)	2,668	(93)	82,640
Deferred tax income/(expenses) recognised in Equity	-	-	(11,243)	-	-	-	-	130	(11,113)
Change in basis of consolidation	-	-	-	-	10	-	-	(434)	(424)
<b>Balance at 31 December 2008</b>	<b>48,786</b>	<b>15,143</b>	<b>115,830</b>	<b>120,644</b>	<b>270,212</b>	<b>27,095</b>	<b>35,995</b>	<b>7,580</b>	<b>641,285</b>

Deferred tax assets represent the benefit expected to derive from reduced future tax charges due to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. They primarily reflect the expected benefit of the future deductibility of certain provisions for liabilities (270,212 thousand euros), of adjustments to assets (120,644 thousand euros), of amounts due to staff (35,995 thousand euros), of the impairment and discounting of trade receivables (27,095 thousand euros) and of deferred fee income payable to Poste Vita SpA, in application of IAS 18, over the term of individual policies (15,143 thousand euros). Deferred tax assets also reflect temporary differences arising between the tax bases of financial assets and liabilities their carrying amounts, as a result of application of IAS 39 (115,830 thousand euros). Finally, deferred tax assets on Property, plant and equipment (48,786 thousand euros) primarily regard the properties transferred from Poste Italiane to the subsidiary, EGI SpA, in 2001, recognising the deferred tax benefits generated by calculation, at the time of the transfer, of taxation on the higher taxable value recognised for Investment property.

### 10.4 - Movements in deferred tax liabilities

Item	Property, plant and equipment	Intangible assets	Financial assets and liabilities	Deferred gains	Discounted staff termination benefits	Other	Total
<b>Balance at 1 January 2007</b>	<b>153,103</b>	<b>38,379</b>	<b>21,112</b>	<b>28,740</b>	<b>58,189</b>	<b>8,167</b>	<b>307,690</b>
Deferred tax expenses/(income) recognised in the income statement	(9,541)	(7,084)	12,957	(8,610)	3,673	(1,196)	(9,801)
Deferred tax expenses/(income) recognised in Equity	-	-	49,428	-	15,659	-	65,087
<b>Balance at 31 December 2007</b>	<b>143,562</b>	<b>31,295</b>	<b>83,497</b>	<b>20,130</b>	<b>77,521</b>	<b>6,971</b>	<b>362,976</b>
Deferred tax expenses/(income) recognised in the income statement	8,676	2,041	27,794	7,332	(5,757)	(1,721)	38,365
Deferred tax expenses/(income) recognised in Equity	-	-	96,819	-	(26,327)	37	70,529
Deferred tax expenses/(income) recognised in the income statement (exemption off-book deductions)	(104,436)	(24,057)	-	-	(17,629)	(1,876)	(147,998)
Deferred tax expenses/(income) recognised in Equity (exemption off-book deductions)	-	-	-	-	(13,637)	-	(13,637)
Change in basis of consolidation	-	-	-	-	(9)	-	(9)
<b>Balance at 31 December 2008</b>	<b>47,802</b>	<b>9,279</b>	<b>208,110</b>	<b>27,462</b>	<b>14,162</b>	<b>3,411</b>	<b>310,226</b>

Deferred tax liabilities reflect the benefit obtained as the result of a lower current tax charge due to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These liabilities primarily refer to taxable temporary differences between the tax bases and carrying amounts of property, plant and equipment (47,802 thousand euros) and intangible assets (9,279 thousand euros), the deferral of gains (27,462 thousand euros), and the difference between the actuarial value and the tax base of provisions for staff termination benefits (14,162 thousand euros). Deferred tax liabilities also derive from temporary differences arising between the tax bases of financial assets and liabilities and their carrying amounts, as a result of application of IAS 39 (208,110 thousand euros). The increase in this last type of deferred tax liability during 2008 is primarily due to the movements in the fair value reserve described in note 22.1.

At 31 December 2008 and 2007 deferred tax assets and liabilities recognised directly in Equity are as follows:

### 10.5 - Deferred tax assets and liabilities recognised in Equity

Item	Increases/(Decreases) in Equity	
	2008	2007
Fair value reserve for available-for-sale financial assets	(79,358)	(45,195)
Cash flow hedge reserve for hedging derivatives	(28,848)	86,263
Actuarial gains/(Losses) on staff termination benefits	40,201	(15,773)
<b>Total</b>	<b>(68,005)</b>	<b>25,295</b>

## 11 - OTHER NON-CURRENT ASSETS

### 11.1 - Other non-current assets

Item	Note	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term portion of trade receivables due from public sector	[13.2]	281,169	309,031
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2006		65,975	78,981
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2008		90,428	-
Provisions for doubtful receivables due from staff		(2,189)	(2,189)
		154,214	76,792
Tax assets	[15.1]	244,600	221,149
Guarantee deposits paid to suppliers		5,476	5,090
Third-party deposits in Postal Savings Books registered in the name of Poste Italiane SpA		3,248	2,140
Technical provisions for claims attributable to reinsurers		234	23
<b>Total</b>		<b>688,941</b>	<b>614,225</b>

Trade receivables are described in note 13.

The long-term portion of receivables due from staff consists of salaries and the relevant contributions to be recovered following the agreements of 13 January 2006 and 10 July 2008 between the Parent Company and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. As shown in the following table, these receivables regard remaining amounts due at 31 December 2008 of 238,480 thousand euros (after provisions for doubtful receivables). This amount is recoverable in the form of variable instalments, the last of which is due in 2023. The face value of the receivable, totalling approximately 274 million euros, has been discounted on the basis of the forward interest rate curve for government securities at the date of the agreement.

## 11.2 - Receivables due from staff under fixed-term contracts settlement

Item	31 December 2008				31 December 2007			
	Non-current assets	Current assets	Total	Face value	Non-current assets	Current assets	Total	Face value
Receivables deriving from agreement of 2006 <sup>1</sup>	65,975	19,701	85,676	96,883	78,981	29,725	108,706	123,479
Receivables deriving from agreement of 2008 <sup>2</sup>	90,428	64,565	154,993	176,889	-	-	-	-
Provisions for doubtful receivables	(2,189)	-	(2,189)	-	(2,189)	-	(2,189)	-
<b>Total</b>	<b>154,214</b>	<b>84,266</b>	<b>238,480</b>		<b>76,792</b>	<b>29,725</b>	<b>106,517</b>	

1. Discounted on the basis of the forward interest rate curve for government securities at 30 June 2006.

2. Discounted on the basis of the forward interest rate curve for government securities at 31 December 2008.

The current portion of 84,266 thousand euros is accounted for in Other current receivables and assets (note 15).

Tax assets include 244,466 thousand euros relating to a total receivable of 312,300 thousand euros (including 67,834 thousand euros accounted for in Current assets, as described in note 15.1), representing advance payment by Poste Vita SpA of withholding tax and substitute tax on capital gains on life assurance policies for the years 2004 to 2008. Of this amount, the sum of 68,910 thousand euros, calculated on the basis of provisions at 31 December 2008, regards the amount still to be paid and accounted for in Other tax liabilities (note 29.4).

## 12 - INVENTORIES

Net inventories break down as follows:

### 12.1 - Inventories

Item	Balance at 31 December 2008	Balance at 31 December 2007	Increase/(Decrease)
Properties held for sale	11,680	13,051	(1,371)
Work in progress, semi-finished and finished goods and goods for resale	25,106	24,358	748
Raw, ancillary and consumable materials	8,606	7,726	880
Work in progress	8,087	8,087	-
Advances	-	397	(397)
<b>Total</b>	<b>53,479</b>	<b>53,619</b>	<b>(140)</b>

Properties held for sale regard a number of properties in EGI SpA portfolio that are to be sold. The fair value of these properties at 31 December 2008 amounts to approximately 83 million euros (approximately 114 million euros at 31 December 2007). During 2008 the Parent Company transferred a property purchased specifically from EGI SpA in 2007 to the MEF, in accordance with certain obligations established in the Memorandum of Understanding executed on 20 December 2006 by Poste Italiane SpA, the Ministry of Communications (now the Ministry for Economic Development) and the Ministry of the Economy and Finance. The Memorandum identifies the rights of the three parties in respect of certain properties belonging to the former Post Office. The value of the above property was fully written down in 2007 and the transaction did not, therefore, generate any impact on the income statement for 2008.

Work in progress, semi-finished and finished goods and goods for resale primarily refer to stocks of goods to be sold by PosteShop SpA, which are held in stock at Post Offices, and stationary and forms used in the Postel Group's e-procurement activities.

Raw, ancillary and consumable materials primarily include the materials used by the Postel Group for printing and enveloping, and the SIM cards and scratch cards used by PosteMobile SpA and mainly held in stock at Post Offices.

Work in progress refers to the value of a long-term contract awarded to Consorzio BRPOSTAL, a consortium of which the Postel Group is a member, regarding the sale of an integrated hybrid e-mail platform in Brazil. Work on this contract, which was halted in 2006 for reasons beyond the consortium's control and then re-started, was again suspended by the Brazilian authorities in 2007, due to alleged irregularities in the tender process organised by the Brazilian Post Office (*Empresa Brasileira de Correios e Telegrafos-ECT*). In 2008 the Brazilian authorities recommended that ECT cancel the contract award. The consortium appealed cancellation of the contract and the outcome is awaited. In compliance with paragraph 32 of IAS 11, in 2007 Postel SpA made provisions for contract risks (note 24.2). Based on the information currently available, the provisions are held to be sufficient to cover the risk of a potential breach of contract by the Brazilian customer.

## 13 - TRADE RECEIVABLES

Trade receivables break down as follows:

### 13.1 - Trade receivables

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	281,169	2,659,225	2,940,394	309,031	2,350,715	2,659,746
Parents	-	903,515	903,515	-	1,800,221	1,800,221
Subsidiaries	-	4,646	4,646	-	6,832	6,832
Associates	-	3,104	3,104	-	2,508	2,508
Joint ventures	-	3,049	3,049	-	146	146
Prepayments to suppliers	-	133	133	-	319	319
<b>Total</b>	<b>281,169</b>	<b>3,573,672</b>	<b>3,854,841</b>	<b>309,031</b>	<b>4,160,741</b>	<b>4,469,772</b>

## CUSTOMERS

These items break down as follows:

### 13.2 - Customers

Item	Balance at 31 December 2008			Balance at 31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	755,381	755,381	-	677,419	677,419
Ministries and public sector entities	281,169	927,941	1,209,110	309,031	688,835	997,866
Unfranked mail delivered on behalf of third parties and other value-added services	-	442,245	442,245	-	427,051	427,051
Overseas correspondents	-	250,354	250,354	-	247,347	247,347
Parcel, express courier and express parcel services	-	143,299	143,299	-	136,353	136,353
Users of telegraphic services	-	46,811	46,811	-	50,653	50,653
Property management	-	31,880	31,880	-	27,016	27,016
Other trade receivables	-	341,925	341,925	-	319,700	319,700
Provisions for doubtful debts	-	(280,611)	(280,611)	-	(223,659)	(223,659)
<b>Total</b>	<b>281,169</b>	<b>2,659,225</b>	<b>2,940,394</b>	<b>309,031</b>	<b>2,350,715</b>	<b>2,659,746</b>

## Cassa Depositi e Prestiti

This regards 734,825 thousand euros in accrued fees for the management of postal savings accounts in 2008, with the remainder regarding previous years.

## Ministries and public sector entities

These items regard amounts due from the following entities:

- Cabinet Office - Publishing Department: 557,141 thousand euros due to the Parent Company, corresponding to a face value of 631,581 thousand euros, relating to publisher tariff subsidies for the financial years from 2001 to 2008. The receivable is accounted for at its present value to take account of the time it is expected to take to collect the amount due in accordance with the regulations in force and the best information available. For this reason the sum of 281,169 thousand euros (corresponding to a face value of 355,609 thousand euros) is classified in Other non-current assets;
- 101,049 thousand euros due to the Parent Company from the Ministry of Internal Affairs, including 56,246 thousand euros as payment for postage and 44,803 thousand euros for integrated notification services;
- 66,937 thousand euros due to the Parent Company from the tax authorities, primarily deriving from the postage of unfranked mail (18,808 thousand euros), the collection of tax returns (15,659 thousand euros), the collection of government taxes (8,271 thousand euros), integrated mail services (6,507 thousand euros) and the payment of tax rebates (6,332 thousand euros);
- 71,792 thousand euros due from INPS and INAIL, including 59,674 thousand euros due to the Parent Company for the payment of pensions and attributable entirely to 2008, and 6,161 thousand euros due to the subsidiary, Poste Link Scrl, for the Contact Centre service;
- 51,594 thousand euros due to the Parent Company from the Ministry for Economic Development, including 48,020 thousand euros as reimbursement of the costs associated with the management of property, vehicles and security (including 3,213 thousand euros in amounts accrued during the year);
- 48,431 thousand euros payable to the Parent Company by the Ministry of Justice, primarily for the legal process by mail service (25,424 thousand euros) and for the payment service for legal system expenses (19,229 thousand euros);
- 33,899 thousand euros due to the Parent Company from Lombardy Regional Authority for the integrated notification service, including 14,257 thousand euros regarding amounts accrued during the year;
- 36,160 thousand euros due from the Municipality of Rome, including 33,130 thousand euros due to the Parent Company for the integrated notification service (including 21,118 thousand euros in amounts accrued during the year) and 3,030 thousand euros due to Poste Link Scrl for the Contact Centre service;
- 22,115 thousand euros due to the Parent Company from "La Sapienza" University, Rome following the sale of a property in the San Lorenzo district of Rome in 2006. Collection of this amount is subject to complete vacation of the property by certain units of Poste Italiane SpA, which is expected to take place shortly.

## Unfranked mail delivered on behalf of third parties and other value-added services

307,810 thousand euros of this item regards receivables deriving from the Bulk Mail service and other value-added services, whilst a further 134,435 thousand euros regards receivables deriving from the delivery of unfranked mail on behalf of third parties.

## Overseas correspondents

249,551 thousand euros regards amounts due to the Parent Company from overseas correspondents for postal services carried out on behalf of foreign Post Offices, whilst 803 thousand euros derives from international telegraphic services.

## Parcel, express courier and express parcel services

These receivables refer to services provided by the subsidiary, SDA Express Courier SpA, and to the mailing of parcels by the Parent Company.

## Users of telegraphic services

These receivables regard telegrams ordered by telephone (32,514 thousand euros) and other telegraphic services (14,297 thousand euros).

## Property management

These receivables primarily derive from the sale of residential and commercial properties, and from the lease of commercial and residential properties and units housing canteens and bars. The sum of 17,054 thousand euros regards the subsidiary, EGI SpA, and primarily includes:

- 6,720 thousand euros as the balance due on the sale of a property located in Via Ausonia to the Municipality of Palermo in 2007;
- 5,026 thousand euros in rental income due from the Ministry of the Economy and Finance;
- 1,555 thousand euros in rental income due from Campania Regional Council.

## Other trade receivables

Other trade receivables primarily include the following items relating to the Parent Company:

- fees and charges due from current account holders, totalling 153,595 thousand euros;
- receivables deriving from the sale of insurance and banking products, and from personal loans, overdrafts and mortgages disbursed on behalf of third parties (62,837 thousand euros);
- receivables deriving from unfranked mail on own behalf (28,433 thousand euros);
- receivables deriving from the distribution of telephone directories (9,053 thousand euros).

## Provisions for doubtful debts

Movements in provisions for doubtful debts are as follows:

### 13.3 - Movements in provisions for doubtful debts

Item	Balance at 1 Jan 2007	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2007	Net provisions	Deferred revenues	Uses	Change in the basis of consolid.	Balance at 31 Dec 2008
Overseas Post Offices	8,431	(1,785)	-	-	6,646	-	-	-	-	6,646
Public sector entities	175,165	(44,735)	(3,570)	(1,024)	125,836	46,362	3,213	-	-	175,411
Private customers	65,629	15,983	5,867	(740)	86,739	10,470	1,144	(4,680)	(23)	93,650
	<b>249,225</b>	<b>(30,537)</b>	<b>2,297</b>	<b>(1,764)</b>	<b>219,221</b>	<b>56,832</b>	<b>4,357</b>	<b>(4,680)</b>	<b>(23)</b>	<b>275,707</b>
For overdue interest	3,808	2,972	-	(2,342)	4,438	2,939	-	(2,473)	-	4,904
<b>Total</b>	<b>253,033</b>	<b>(27,565)</b>	<b>2,297</b>	<b>(4,106)</b>	<b>223,659</b>	<b>59,771</b>	<b>4,357</b>	<b>(7,153)</b>	<b>(23)</b>	<b>280,611</b>

Provisions for doubtful debts regarding amounts due from public sector entities refer to amounts that may not be recoverable as a result of legislation restricting public spending, delays in payment and problems at debtor entities. These provisions are accounted for in the income statement in Other operating costs (note 40.1) or, if they refer to amounts accruing during the year, via deferral from the related revenue.

## PARENTS

Amounts receivable entirely regard trade receivables due to the Parent Company from the Ministry of the Economy and Finance. The following table shows a breakdown:

### 13.4 - Trade receivables due from parents

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Universal Service	-	469,673	469,673	-	773,768	773,768
Remuneration of current account deposits	-	343,157	343,157	-	934,438	934,438
Publisher tariff and electoral subsidies	-	60,233	60,233	-	1,424	1,424
Payment for delegated services	-	56,037	56,037	-	68,159	68,159
Payment for distribution of euro coins	-	6,950	6,950	-	14,330	14,330
Other	-	21,484	21,484	-	15,976	15,976
Provisions for doubtful debts due from parents	-	(54,019)	(54,019)	-	(7,874)	(7,874)
<b>Total</b>	-	<b>903,515</b>	<b>903,515</b>	-	<b>1,800,221</b>	<b>1,800,221</b>

Universal Service subsidies include 363,646 thousand euros representing the amount accrued during 2008 and 33,642, 63,722 and 8,663 thousand euros regarding residual amounts accrued in 2007, 2006 and 2005. Partly as a result of finalisation of the Contratto di Programma (Planning Agreement) for the period 2006-2008 on 17 September 2008, in 2008 the Parent Company collected numerous accumulated receivables. Receipt of the remaining amounts due has not yet taken place, as it is dependent on finalisation of an addendum to the recently signed Contratto di Programma (Planning Agreement) and has been affected by legislation restricting public spending. The remuneration of current account deposits refers entirely to amounts accruing in 2008 and almost entirely regards the deposit of funds deriving from accounts opened by public sector entities. In 2007 this item also included remuneration of deposits collected from private customers, which the Group is now required to invest in euro area government securities. The method of calculating this remuneration has had to be revised as a result of the European Commission's Decision of 16 July 2008. The reduction in the balance compared with 31 December 2007 thus reflects these factors.

Electoral subsidies refer entirely to amounts accruing in 2008. At 31 December 2008 these receivables have not been budgeted for by the government.

Payments for delegated services regard fees for treasury services carried out on behalf of the State under the Agreement for 2003-2007. The amount accrued in 2008 totals 50,658 thousand euros, whilst 5,379 thousand euros regards the residual amount due for 2007.

Payment due for the distribution of euro coins includes 6,026 thousand euros for the supply and delivery of euro converters, carried out at the time on behalf of the Cabinet Office (at 31 December 2008 these receivables have not been budgeted for by the government), and 924 thousand euros for the distribution of euro coins.

Other receivables due from parents essentially refer to the transport and franking of mail on credit and the supply of call centre services provided as part of the "Vola con Internet" project, which aimed to encourage the purchase of information technology by young people.

### 13.5 - Movements in provisions for doubtful debts

Item	Balance at 1 Jan 2007	Provisions	Deferred revenues	Uses	Balance at 31 Dec 2007	Provisions	Deferred revenues	Uses	Balance at 31 Dec 2008
Provisions for doubtful debts	65,770	(57,896)	-	-	7,874	46,145	-	-	54,019

Provisions for doubtful debts due from parents take account, overall, of the potential impact of legislation and other policies regarding the government's management of the public finances, which could make it difficult to collect receivables recognised on the basis of contracts and agreements in force at the time of recognition. The provisions reflect the best estimate of unrecoverable amounts in view of the fact that these receivables have not been budgeted for by the government and based on the related financial effects.

## SUBSIDIARIES

Trade receivables due from unconsolidated subsidiaries are as follows:

### 13.6 - Trade receivables due from subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
Docutel SpA	1,831	1,087
Poste Tributi ScpA	1,029	596
Consorzio Poste Contact	983	668
Poste Assicura SpA	444	424
Address Software Srl	246	261
Poste Voice SpA	88	-
Consorzio Poste Welfare	25	12
Chronopost International Italia SpA (in liquidation)	-	5
Poste Energia SpA (consolidated on a line-by-line basis from 2008)	-	54
Poste Link Scrl (consolidated on a line-by-line basis from 2008)	-	3,725
<b>Total</b>	<b>4,646</b>	<b>6,832</b>

## ASSOCIATES

This item amounts to 3,104 thousand euros (2,508 thousand euros at 31 December 2007) and primarily includes amounts due from small companies in the SDA Group.

## JOINT VENTURES

This item amounts to 3,049 thousand euros (146 thousand euros at 31 December 2007) and primarily includes 3,008 thousand euros representing the portion of a receivable due from Italia Logistica Srl not accounted for using proportionate consolidation.

## 14 - CURRENT TAX ASSETS

Under IAS 12 - *Income Taxes*, IRES and IRAP credits are accounted for less the corresponding Current tax liabilities, given that they are taxes applied by the same tax authority to the same tax paying entities. A breakdown is as follows:

### 14.1 - Current tax assets

Name	Balance at 31 December 2008	Balance at 31 December 2007
IRES credits	35,242	119,992
IRAP credits	7,821	9,369
<b>Total</b>	<b>43,063</b>	<b>129,361</b>

IRES credits at 31 December 2008, which are primarily attributable to the Parent Company, include 27,530 thousand euros represented by excess taxation paid by Group companies as a result of the non-deductibility of 10% of IRAP between 2004 and 2006. The right to a rebate arose following a specific claim filed previously and was recognised pursuant to art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009.

## 15 - OTHER CURRENT RECEIVABLES AND ASSETS

These items break down as follows:

### 15.1 - Other current receivables and assets

Name	Balance at 31 December 2008	Balance at 31 December 2007
Tax assets	279,582	223,562
Receivables due from others	352,028	277,642
Provisions for doubtful debts due from others	(111,573)	(100,237)
Accrued income and prepaid expenses from trading transactions	10,504	8,734
Other amounts due from subsidiaries	73	6
<b>Total</b>	<b>530,614</b>	<b>409,707</b>

## TAX ASSETS

These primarily include 201,958 thousand euros in advances that the Parent Company has paid to the tax authorities, including 162,732 thousand euros in stamp duty to be paid in virtual form in 2009, and 39,226 thousand euros as withholding tax on interest paid to current account holders for 2008. A further 67,834 thousand euros regards tax credits attributable to Poste Vita SpA, as described in note 11.1.

## RECEIVABLES DUE FROM OTHERS

These primarily regard:

- 84,266 thousand euros (29,725 thousand euros at 31 December 2007) relating to the current portion of the receivable described in note 11.2 and due from staff previously employed by the Parent Company on fixed-term contracts who have been subsequently re-employed after acceptance of the settlements of 13 January 2006 and 10 July 2008;
- 69,574 thousand euros payable to BancoPosta by the heirs of INPS pensioners, following the collection of pension payments after the death of the pensioners concerned (49,677 thousand euros at 31 December 2007);
- 63,157 thousand euros deriving from the recharging of third-party postal current account holders of stamp duty paid by the Parent Company in virtual form in accordance with existing legislation (62,919 thousand euros at 31 December 2007);
- 27,837 thousand euros (23,101 thousand euros at 31 December 2007) due to the subsidiary, Poste Vita SpA, including 18,900 thousand euros from customers who have subscribed and have to pay for units in mutual investment funds and 8,500 thousand euros in amounts receivable from co-insurers;
- 22,694 thousand euros (24,539 thousand euros at 31 December 2007) due from ministries and public sector entities in the form of pay and contributions for personnel seconded to them by Poste Italiane SpA<sup>19</sup>;
- amounts to be recovered by BancoPosta from the holders of postal savings books, totalling 16,530 thousand euros (19,008 thousand euros at 31 December 2007), due to transactions in the process of being settled;
- 13,079 thousand euros in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud. This amount is currently held by an overseas bank and may only be recovered once completion of the necessary legal formalities enables it to be released and returned to Poste Italiane SpA.

19. During 2008 the number of seconded staff gradually fell from 289 at 1 January to 24 at 31 December.

## PROVISIONS FOR DOUBTFUL DEBTS DUE FROM OTHERS

Movements in provisions for doubtful debts are as follows:

### 15.2 - Movements in provisions for doubtful debts due from others

Item	Balance at 1 Jan 2007	Provisions	Uses	Balance at 31 Dec 2007	Provisions	Uses	Balance at 31 Dec 2008
Sundry receivables attributable to BancoPosta	64,165	4,523	(3)	68,685	17,437	(18)	86,104
Public sector entities for sundry services	22,305	(1,980)	-	20,325	(6,779)	-	13,546
Other	8,712	2,515	-	11,227	737	(41)	11,923
<b>Total</b>	<b>95,182</b>	<b>5,058</b>	<b>(3)</b>	<b>100,237</b>	<b>11,395</b>	<b>(59)</b>	<b>111,573</b>

Provisions for sundry receivables attributable to BancoPosta regard amounts that the Group is expected to have difficulty in recovering from private customers for transactions to be settled.

Provisions for amounts due from public sector entities regard payments for the Parent Company's staff seconded to ministries and public sector entities, dating back to before 2003. A portion of these provisions was released to the income statement in 2008, following collection of certain items originally held to be unrecoverable.

## 16 - ASSETS AND LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

These items refer to the balances of financial transactions carried out by the Parent Company pursuant to Presidential Decree 144/01. In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out under the BancoPosta name, but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation. The transactions also regard the management of collections and payments in the name and on behalf of third parties. These include the collection of postal savings (savings books and savings certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by public sector entities. Among other things, these transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF, which is currently due for renewal, requires BancoPosta to provide daily cash flow statements, with a delay of three bank working days with respect to the transaction date.

The liquidity deriving from current account deposits by public sector entities must be invested with the MEF. From 1 January 2005 to 31 December 2007 these amounts were remunerated at a floating rate determined on the basis of a basket of government securities. Whilst awaiting renewal of the specific agreement with the MEF, the floating rate used to determine the remuneration due from 1 January 2008 was calculated on the same basis as set out in the European Commission Decision of 16 July 2008 (note 20).

In compliance with the 2007 Finance Act, with effect from 2007, the funds deriving from deposits paid into postal current accounts by private customers had to be invested by the Parent Company in euro area government securities.

As a result of changes to certain articles in the Agreement, approved by Ministerial Decree of 14 December 2007, a limited portion of the funds deriving from deposits paid into postal current accounts by private customers may be invested in a specific account held at the MEF, with the aim of ensuring a certain flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a rate equal to the average yield on Short-term Italian Treasury Certificates (BOT) in the relevant six-month period.

## ASSETS ATTRIBUTABLE TO BANCOPOSTA

These assets are shown less the Group's liquidity (note 16.7) and include:

### 16.1 - Assets attributable to BancoPosta

Item	Balance at 31 December 2008	Balance at 31 December 2007
Investments in securities	26,765,256	25,844,874
Derivative financial instruments	67,352	-
Amounts due from the MEF	6,336,538	7,430,544
Amounts due from the Italian Treasury	2,775,665	1,884,154
Other receivables	1,434,826	2,295,032
Cash and cash equivalents	2,319,734	2,075,007
<b>Total assets attributable to BancoPosta</b>	<b>39,699,371</b>	<b>39,529,611</b>
Poste Italiane SpA's own liquidity held in postal current accounts	(790,180)	(589,300)
<b>Total</b>	<b>38,909,191</b>	<b>38,940,311</b>

### Investments in securities

This item regards investments in fixed income euro area government securities with a par value of 26,300,000 thousand euros, including 24,768,000 thousand euros invested in Italian government bonds, 1,103,000 thousand euros invested in French government bonds ("OAT") and 429,000 thousand euros invested in German government bonds.

Investments break down as follows:

### 16.2 - Investments in securities

Securities	Maturing			Total	Face value
	Within 12 months	Between 1 and 5 years	Over 5 years		
Held-to-maturity (HTM)	2,048,283	4,680,961	6,387,933	13,117,177	13,000,000
Available-for-sale (AFS)	1,635,282	5,438,091	5,654,324	12,727,697	12,700,000
Held for trading (at fair value through the income statement)	-	-	-	-	-
<b>Balance at 31 December 2007</b>	<b>3,683,565</b>	<b>10,119,052</b>	<b>12,042,257</b>	<b>25,844,874</b>	<b>25,700,000</b>
Held-to-maturity (HTM)	1,309,278	5,263,433	6,053,282	12,625,993	12,519,800
Available-for-sale (AFS)	926,088	5,384,927	6,682,648	12,993,663	12,630,200
Held for trading (at fair value through the income statement)	551,195	498,524	95,881	1,145,600	1,150,000
<b>Balance at 31 December 2008</b>	<b>2,786,561</b>	<b>11,146,884</b>	<b>12,831,811</b>	<b>26,765,256</b>	<b>26,300,000</b>

The composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes are based on appropriate statistical models developed by a leading market player. An Asset & Liability Management system has been created to manage financial relations between customer deposits and investments.

Movements in investments in securities in 2007 and 2008 were as follows:

### 16.3 - Movements in investments in securities

Securities	HTM		AFS		FV through Inc. St.		Total	
	Face value	Carrying amount	Face value	Fair value	Face value	Fair value	Face value	Fair value
<b>Balance at 31 December 2006</b>	-	-	-	-	-	-	-	-
Purchases	13,000,000	13,187,136	13,000,000	13,049,116	-	-	26,000,000	26,236,252
Sales	-	-	(300,000)	(307,569)	-	-	(300,000)	(307,569)
Redemptions	-	-	-	-	-	-	-	-
Transfers to Equity reserves	-	(127,043)	-	(162,169)	-	-	-	(289,212)
Increase/(Decrease) in accrued income	-	45,299	-	30,592	-	-	-	75,891
Changes in amortised cost	-	11,785	-	23,719	-	-	-	35,504
Changes in fair value	-	-	-	94,008	-	-	-	94,008
<b>Balance at 31 December 2007</b>	<b>13,000,000</b>	<b>13,117,177</b>	<b>12,700,000</b>	<b>12,727,697</b>	-	-	<b>25,700,000</b>	<b>25,844,874</b>
Purchases	1,772,700	1,778,988	7,229,400	7,247,463	2,150,000	2,125,834	11,152,100	11,152,285
Sales	(110,000)	(113,837)	(5,808,100)	(5,807,798)	(1,000,000)	(984,282)	(6,918,100)	(6,905,917)
Redemptions	(2,142,900)	(2,142,900)	(1,491,100)	(1,491,100)	-	-	(3,634,000)	(3,634,000)
Transfers to Equity reserves	-	(15,263)	-	613	-	-	-	(14,650)
Increase/(Decrease) in accrued income	-	(12,871)	-	(9,337)	-	936	-	(21,272)
Changes in amortised cost	-	14,699	-	37,750	-	-	-	52,449
Changes in fair value	-	-	-	288,375	-	3,112	-	291,487
<b>Balance at 31 December 2008</b>	<b>12,519,800</b>	<b>12,625,993</b>	<b>12,630,200</b>	<b>12,993,663</b>	<b>1,150,000</b>	<b>1,145,600</b>	<b>26,300,000</b>	<b>26,765,256</b>

At 31 December 2008 the fair value of the held-to-maturity portfolio, accounted for at amortised cost, is 12,951,907 thousand euros, including 200,219 thousand euros in accrued daily interest payments. Sales of this category of security took place close to maturity and did not have a significant impact on the income statement.

The fair value of the available-for-sale portfolio is 12,993,663 thousand euros, including 170,694 thousand euros in accrued daily interest payments. A fair value gain of 288,375 thousand euros was recorded during the period under review and recognised in the relevant Equity reserve.

Securities held for trading at fair value through the income statement were purchased during the year to invest funds resulting from a temporary increase in deposits. At 31 December 2008 the value of the instruments held in this portfolio is 1,145,600 thousand euros (including 7,909 thousand euros in accrued daily interest payments). The related face value of 1,150,000 thousand euros does not include 300,000 thousand euros in spot purchases of securities on 30 December 2008 but with a settlement date of 5 January 2009. Overall movements in the fair value of securities purchased in 2008, recognised in Other income and expenses deriving from financial activities, amount to a gain of 3,112 thousand euros.

### Derivative financial instruments

Movements in derivative financial instruments during the year are as follows:

## 16.4 - Movements in derivative financial instruments

	Cash flow hedges				FV through Inc. St.		Total	
	Forward transactions		Asset swaps		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value
<b>Balance at 1 January 2007</b>	-	-	-	-	-	-	-	-
Fair value gains/(Losses)	24,729,000	(289,168)	-	-	-	-	24,729,000	(289,168)
Forward points discounts/(premiums) <sup>20</sup>	-	(1,809)	-	-	-	-	-	(1,809)
Transactions settled <sup>(*)</sup>	(24,729,000)	290,977	-	-	-	-	(24,729,000)	290,977
<b>Balance at 31 December 2007</b>	-	-	-	-	-	-	-	-
Fair value gains/(Losses)	3,373,150	34,016	1,674,950	(8,972)	3,970,000	(7,149)	9,018,100	17,895
Forward points discounts/(premiums) <sup>20</sup>	-	(3,196)	-	-	-	300	-	(2,896)
Transactions settled <sup>(*)</sup>	(2,414,400)	19,750	-	12,929	(2,520,000)	4,769	(4,934,400)	37,448
<b>Balance at 31 December 2008</b>	<b>958,750</b>	<b>50,570</b>	<b>1,674,950</b>	<b>3,957</b>	<b>1,450,000</b>	<b>(2,080)</b>	<b>4,083,700</b>	<b>52,447</b>
Including:								
Derivatives receivable	958,750	50,570	1,020,000	16,508	500,000	274	2,478,750	67,352
Derivatives payable	-	-	654,950	(12,551)	950,000	(2,354)	1,604,950	(14,905)

(\*) Forward transactions settled, differentials matured and maturing at 31 December.

During 2008, the Parent Company entered into the following cash flow hedges:

- Cash flow hedges of forecast transactions of a total notional amount of 3,373,150 thousand euros, including 958,750 thousand euros yet to mature at 31 December 2008. In this regard, following a change in market conditions, on 23 January 2009 Poste Italiane SpA reported discontinued cash flow hedges of a notional amount of 768,750 thousand euros;
- Asset swaps of a notional amount of 1,674,950 thousand euros, with which the Parent Company has purchased a fixed rate of 4.78% (the weighted average of the rates provided for in the contracts) and sold a floating rate on Italian Long-term Treasury Certificates indexed to inflation; similar hedging derivatives were purchased in early 2009.

These instruments recorded an overall increase in fair value of 25,044 thousand euros during the year, which is reflected in the cash flow hedge reserve.

In addition, during 2008 the Parent Company carried out forward sales of securities with a notional value of 3,970,000 thousand euros. These instruments regard:

- securities with a notional value of 2,450,000 thousand euros, including 1,450,000 thousand euros yet to mature at 31 December 2008, entered into at the same time as spot purchases of securities held for trading, in order to minimise the interest rate risk exposure of the related cash flows;
- securities with a notional value of 1,520,00 thousand euros, consisting of sales of securities in the AFS portfolio, settled in full in the short time necessary.

These instruments recorded an overall increase in fair value of 6,849 thousand euros, which has been recognised in the income statement in Other income and expenses deriving from financial activities as a net fair value gain of 7,149 thousand euros, and in Finance income and costs as net forward points of 300 thousand euros.

20. Forward points are the difference between the forward price of a security, established at the date of execution of the forward transaction, and the contractual spot price of the security at the same date. This difference represents the premium (or discount) on the forward transaction.

## Amounts due from the MEF

This item includes liquidity, amounting to 5,546,358 thousand euros, deriving from the postal current account deposits of public sector entities transferred to the parent under the restriction established by the Regent's Decree of 22 November 1945. It also includes 790,180 thousand euros in deposits provided for in the above change to the Agreement with the MEF approved by the Ministerial Decree of 14 December 2008.

## Amounts due from the Italian Treasury

This item breaks down as follows:

### 16.5 - Amounts receivable from/(payable to) the Italian Treasury

Item	Balance at 31 December 2008	Balance at 31 December 2007
Amounts receivable from the Italian Treasury	3,004,733	2,098,642
MEF postal current accounts and other payables	(892,058)	(3,103,209)
	<u>2,112,675</u>	<u>(1,004,567)</u>
Ministry of Justice	(21,348)	(61,076)
Ministry of the Economy and Finance	684,338	2,949,797
<b>Total</b>	<b>2,775,665</b>	<b>1,884,154</b>

The net balance of amounts payable to and receivable from the Italian Treasury is represented by advances from the MEF to meet the cash requirements of Post Offices, less transfers of deposits and any excess liquidity by Poste Italiane SpA. At 31 December 2008 the balance of this item is in credit.

## Other receivables

Other receivables primarily relate to bank and postal cheques and bankers' drafts, amounting to 945,268 thousand euros.

## Cash and cash equivalents attributable to BancoPosta

### 16.6 - Cash and cash equivalents

Item	Balance at 31 December 2008	Balance at 31 December 2007
Cash in hand	2,197,948	1,905,348
Cheques	566	31,446
Bank deposits	121,220	138,213
<b>Total</b>	<b>2,319,734</b>	<b>2,075,007</b>

Cash essentially regards cash in hand held at Post Offices and by companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury.

## LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

Liabilities attributable to BancoPosta are accounted for after deducting the Group's liquidity held in postal current accounts in the names of consolidated companies. These liabilities break down as follows:

### 16.7 - Liabilities attributable to BancoPosta

Item	Note	Balance at 31 December 2008	Balance at 31 December 2007
Payables deriving from postal current accounts		37,966,254	37,615,352
Balance of cash flows from management of postal savings		572,456	797,622
Other payables		580,478	971,763
Derivative financial instruments	[16.4]	14,905	-
<b>Total liabilities attributable to BancoPosta</b>		<b>39,134,093</b>	<b>39,384,737</b>
Amounts payable to consolidated companies for postal current accounts		(2,070,441)	(2,050,189)
<b>Total</b>		<b>37,063,652</b>	<b>37,334,548</b>

### Payables deriving from postal current accounts

These payables regard amounts due to Poste Italiane Group companies, totalling 99,223 thousand euros (167,667 thousand euros at 31 December 2007). This includes 38,550 thousand euros deposited in postal current accounts by Poste Vita SpA (128,074 thousand euros at 31 December 2007).

### Balance of cash flows from management of postal savings

This item represents the balance of deposits less withdrawals during the last three days of the year and cleared early in the subsequent year. The balance at 31 December 2008 consists of 692,650 thousand euros payable to Cassa Depositi e Prestiti (1,001,962 thousand euros at 31 December 2007), after deducting a receivable due from the MEF for issues falling within its competence, totalling 120,194 thousand euros (204,340 thousand euros at 31 December 2007).

### Other payables

Other payables regard 435,115 thousand euros in cheques presented for payment into postal savings books.

### Amounts payable to consolidated companies for postal current accounts

At 31 December 2008 the Group's liquidity held in postal current accounts to be deducted from BancoPosta's liabilities amounts to 2,070,441 thousand euros. 1,280,261 thousand euros of this amount is invested in securities (note 17), whilst the remaining 790,180 thousand euros (note 16.1) is deposited with the MEF.

## 17 - CASH AND CASH EQUIVALENTS

These items break down as follows:

### 17.1 - Cash and cash equivalents

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Fixed-term deposit (EC Decision of 16 July 2008)</b>	<b>485,572</b>	-
Bank and Post Office deposits	3,613,983	2,206,414
Cash in hand	<u>12,412</u>	<u>13,913</u>
	3,626,395	2,220,327
Group's postal deposits invested in securities (Assets attributable to BancoPosta)	<u>(1,280,261)</u>	<u>(1,460,889)</u>
<b>Deposits and cash in hand</b>	<b>2,346,134</b>	<b>759,438</b>
<b>Total</b>	<b>2,831,706</b>	<b>759,438</b>

### Fixed-term deposit (EC decision of 16 July 2008)

In execution of the European Commission's Decision of 16 July 2008 regarding State aid (note 20), and whilst awaiting the Commission's confirmation of the amount to be repaid, on 17 November 2008 Poste Italiane SpA deposited the sum of 483,910 thousand euros in a specific fixed-term bank account in favour of the MEF. This consists of 443,223 thousand euros in principal and 40,687 thousand euros in interest (of which 21,014 thousand euros accrued at 31 December 2007 and 19,673 thousand euros accruing between 1 January 2008 and the date of the deposit). On 9 January 2009 the MEF notified the Parent Company that on 17 December 2008 the Commission had confirmed the amount to be repaid, and on 15 January 2009 Poste Italiane SpA effected payment, releasing the sum deposited to the MEF. The balance of the fixed-term deposit, amounting to 485,572 thousand euros, reflects the amount made available to the MEF on 17 November 2008 and bank interest of 1,662 thousand euros accrued to 31 December 2008.

### Deposits and cash in hand

Cash is primarily deposited in postal current accounts. These deposits are remunerated in the same way as deposits paid into postal current accounts by Poste Italiane SpA's private customers. Remuneration of these cash deposits is shown separately in Finance income (note 41.1), as opposed to revenue deriving from the investment of deposits from third parties (note 30.4).

Bank and Post Office deposits include 7,514 thousand euros that has been frozen as a result of court orders relating to a number of legal actions.

The Group's postal deposits invested in securities reflect the fact that, in compliance with the provisions of the 2007 Finance Act, funds deriving from deposits paid into postal current accounts by private customers, and therefore also the liquidity of Group companies held in postal current accounts (note 16.6), have been invested in euro area government securities, which are accounted for in Assets attributable to BancoPosta (note 16.1).

## 18 - NON-CURRENT ASSETS HELD FOR SALE

These items break down as follows:

### 18.1 - Non-current assets held for sale

Item	2008	2007
<b>Balance at 1 January</b>		
Cost	808	1,806
Accumulated depreciation	(265)	(342)
<b>Carrying amount</b>	<b>543</b>	<b>1,464</b>
<b>Movements during the year</b>		
Reclassifications <sup>(1)</sup>	3,457	529
Disposals <sup>(2)</sup>	(528)	(1,450)
<b>Total movements</b>	<b>2,929</b>	<b>(921)</b>
<b>Balance at 31 December</b>		
Cost	(6,146)	808
Accumulated depreciation	9,618	(265)
<b>Carrying amount</b>	<b>3,472</b>	<b>543</b>
<b>Reclassifications <sup>(1)</sup></b>		
Cost	6,734	793
Accumulated depreciation	(3,277)	(264)
<b>Total</b>	<b>3,457</b>	<b>529</b>
<b>Disposals <sup>(2)</sup></b>		
Cost	(13,688)	(1,791)
Accumulated depreciation	13,160	341
<b>Total</b>	<b>(528)</b>	<b>(1,450)</b>

These assets refer to industrial buildings belonging to the Parent Company for which the related sales have been completed.

## 19 - SHARE CAPITAL

The share capital consists of 1,306.11 million ordinary shares with a par value of 1 euro each. The shares are held as follows:

- 848,971,500 ordinary shares, representing 65% of the share capital, held by the Ministry of the Economy and Finance;
- 457,138,500 ordinary shares, representing 35% of the share capital, held by Cassa Depositi e Prestiti Società per Azioni (CDP SpA).

At 31 December 2008 all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Parent Company does not hold treasury shares.

The following table shows a reconciliation of the Parent Company's equity and profit/(loss) for the year with the consolidated amounts:

### 19.1 - Reconciliation of Equity

	Equity 31 Dec 2008	Changes in Equity 2008	Profit/(Loss) for year 2008	Equity 31 Dec 2007	Changes in Equity 2007	Profit/(Loss) for year 2007	Equity 1 Jan 2007
<b>Financial statements of Poste Italiane SpA</b>	<b>3,088,988</b>	<b>(541,920)</b>	<b>720,796</b>	<b>2,910,112</b>	<b>(265,675)</b>	<b>704,366</b>	<b>2,471,421</b>
- Undistributed profit/(loss) of investee companies	499,752	-	117,187	382,565	-	67,951	314,614
- Investments accounted for using the equity method	(8)	-	355	(363)	-	(266)	(97)
- Balance of FV and CFH reserves of investee companies	(17,079)	9,166	-	(26,245)	(4,780)	-	(21,465)
- Accounting treatment of actuarial gains and losses on staff termination benefits of investee companies	(604)	(1,199)	-	595	1,474	-	(879)
- Fees to be amortised relating to Poste Vita SpA (*)	(24,040)	-	10,695	(34,735)	-	12,352	(47,087)
- Effects of contributions and transfers of business units between Group companies:							
SDA Express Courier SpA	(49,567)	-	2,156	(51,723)	-	(7,271)	(44,452)
EGI SpA	(80,676)	-	22,212	(102,888)	-	62,797	(165,685)
PostelPrint SpA	(12,837)	-	-	(12,837)	-	-	(12,837)
Kipoint Srl	664	-	-	664	-	-	664
- Effects of intercompany transactions	(1,893)	-	-	(1,893)	-	-	(1,893)
- Elimination of adjustments to value of consolidated investments	88,742	-	11,777	76,965	-	7,565	69,400
- Amortisation until 1 Jan 2004/ impairment of goodwill arising from consolidation	(71,028)	-	(1,212)	(69,816)	-	-	(69,816)
- Other consolidation adjustments	1,235	-	(1,384)	2,619	-	(3,845)	6,464
<b>Equity attributable to shareholders of the Parent Company</b>	<b>3,421,649</b>	<b>(533,953)</b>	<b>882,582</b>	<b>3,073,020</b>	<b>(268,981)</b>	<b>843,649</b>	<b>2,498,352</b>
- Minority interest excluding profit/(loss)	13	13	-	-	-	-	-
- Minority interest in profit/(loss)	-	-	-	-	-	-	-
<b>Minority interest in equity</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total consolidated equity</b>	<b>3,421,662</b>	<b>(533,940)</b>	<b>882,582</b>	<b>3,073,020</b>	<b>(268,981)</b>	<b>843,649</b>	<b>2,498,352</b>

(\*) This adjustment regards deferment of the fees payable for the distribution of financial products by Poste Vita SpA. As distribution takes place via Poste Italiane SpA's network, the deferment is eliminated.

## 20 - SHAREHOLDER TRANSACTIONS

In accordance with the resolution passed by the General Meeting of shareholders on 28 May 2008, the Parent Company paid dividends amounting to 245,000 thousand euros (based on a dividend of 0.19 euros per share).

Other shareholder transactions of 458,458 thousand euros<sup>21</sup>, as shown in the statement of changes in equity, refer to execution of the European Commission's Decision C42/2006 of 16 July 2008. As a result of this ruling, Poste Italiane SpA repaid the MEF, as both a shareholder and the paying entity, amounts constituting State aid in violation of EU law.

The repayment derives from a complaint by the Italian Bankers' Association (ABI) in December 2005, alleging that Poste Italiane SpA had benefited from State aid, including with regard to the remuneration received on postal current account deposits, which the Parent Company is required to deposit with the MEF. With regard to the method of calculation of this remuneration, on 16 July 2008 the European Commission issued the above Decision finding against the arguments submitted by the Italian authorities. The Commission maintains that the interest rates paid to the Parent Company between 1 January 2005 and 31 December 2007 (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the "2006 Finance Act"), in terms of both the method of calculation and the level of movement in the base rate, are higher than those that would be paid by a "private borrower". The Commission, therefore, found that the above remuneration constitutes State aid, as being incompatible with art. 88, paragraph 3 of the EU Treaty. The Italian government is thus required to recover the difference, over the three-year period, between the amount paid to Poste Italiane SpA under the Agreement with the MEF and the amount calculated on the basis of the rate of return applied by the European Commission, less the increased taxation paid by the Parent Company. The difference amounted to 443,223 thousand euros, whilst the related interest due, calculated on a compound basis from the date of payment of the remuneration until the date of repayment, totalled 21,014 thousand euros at 31 December 2007. The Company filed appeal against the Commission's decision before the European Community's Court of First Instance on 1 December 2008.

Repayment of the amounts due until 31 December 2007 has thus taken place via use other equity reserves "ideally" established with a portion of the remuneration on Poste Italiane SpA's deposits with the MEF, held to be improper by the European Commission and, in substance, constituting a capital contribution benefiting an entity controlled by the Italian government. The MEF's recovery of the amounts due to the State was thus charged directly to the Parent Company's retained earnings. The remaining portion of the interest due, amounting to 19,673 thousand euros, for the period between 1 January 2008 and 17 November 2008, the date on which Poste Italiane SpA deposited funds in the related fixed-term account in favour of the MEF (note 17), has been charged to the income statement for the year ended 1 December 2008. This charge offsets the finance income earned on the funds to be repaid.

21. A breakdown of this amount is shown below:

Year of reference	Repayment of principal			Interest due	Grand total
	Difference in remuneration	Taxes paid on difference	Total principal		
2005	373,342	(138,780)	234,562	-	234,562
2006	231,814	(86,557)	145,257	5,263	150,520
2007	101,152	(37,748)	63,404	15,751	79,155
<b>Total</b>	<b>706,308</b>	<b>(263,085)</b>	<b>443,223</b>	<b>21,014</b>	<b>464,237</b>
Tax on interest					(5,779)
<b>Other shareholder transactions</b>					<b>458,458</b>

## 21 - EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (EPS) was based on the Group's profit for the year. The denominator used in the calculation of both basic and diluted EPS is represented by the number of the Parent Company's shares in issue, given that no financial instruments with potentially dilutive effects have been issued at 31 December 2008 or 31 December 2007.

## 22 - RESERVES

Reserves break down as follows:

### 22.1 - Reserves

	Legal reserve	Fair value reserve	Cash flow hedge reserve	Total
<b>Balance at 1 January 2007</b>	<b>50,119</b>	<b>2,507</b>	<b>5,337</b>	<b>57,963</b>
Increases/(Decreases) in fair value during the year	-	147,768	(334,147)	(186,379)
Tax effect of movements in fair value	-	(44,834)	107,009	62,175
Amounts recycled to income statement	-	818	63,624	64,442
Tax effect of amounts recycled to income statement	-	(312)	(20,746)	(21,058)
Gains/(Losses) recognised directly in Equity	-	103,440	(184,260)	(80,820)
Appropriation of remaining profit for 2006	24,997	-	-	24,997
<b>Balance at 31 December 2007</b>	<b>75,116</b>	<b>105,947</b>	<b>(178,923)</b>	<b>2,140</b>
Increases/(Decreases) in fair value during the year	-	287,882	23,646	311,528
Tax effect of movements in fair value	-	(92,116)	(7,588)	(99,704)
Amounts recycled to income statement	-	(43,926)	66,440	22,514
Tax effect of amounts recycled to income statement	-	12,832	(21,260)	(8,428)
Gains/(Losses) recognised directly in Equity	-	164,672	61,238	225,910
Appropriation of remaining profit for 2007	37,195	-	-	37,195
<b>Balance at 31 December 2008</b>	<b>112,311</b>	<b>270,619</b>	<b>(117,685)</b>	<b>265,245</b>

The fair value reserve regards movements in the fair value of Available-for-sale financial assets. During the year movements totalling 287,882 thousand euros included:

- 288,375 thousand euros relating to the fair value gain on BancoPosta's investments in securities described in note 16.3;
- 493 thousand euros regarding the net fair value loss on other investments described in note 9.4.

The cash flow hedge reserve, which substantially relates to the Parent Company, reflects movements in the fair value of the effective portion of cash flow hedges outstanding. Total fair value gains of 23,646 thousand euros during 2008, which have resulted in an increase in the reserve, included:

- a net gain of 25,044 thousand euros in the value of derivative financial instruments described in note 16.4;
- a net loss of 1,398 thousand euros in the value of derivative financial instruments described in note 9.6.

## 23 - TECHNICAL PROVISIONS FOR INSURANCE BUSINESS

These provisions refer to obligations that the subsidiary, Poste Vita SpA, has made to its policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method. They break down as follows:

### 23.1 - Technical provisions for insurance business

Item	Balance at 31 December 2008	Balance at 31 December 2007
Mathematical provisions	20,780,219	17,984,246
Outstanding claims provisions	35,264	38,766
Technical provisions where investment risk is transferred to policyholders	7,757,396	7,107,909
Other provisions	(240,507)	(201,696)
for operating costs	93,046	89,198
for deferred liabilities due to policyholders	(333,553)	(290,894)
Technical provisions for claims	690	82
<b>Total</b>	<b>28,333,062</b>	<b>24,929,307</b>

Details of changes are shown in the table regarding Movements in technical provisions for insurance business and other claims expenses (note 35).

## 24 - PROVISIONS FOR LIABILITIES AND CHARGES

Movements in provisions are as follows:

### 24.1 - Movements in provisions in 2007

Item	Balance at 31 Dec 2006	Provisions	Finance costs	Released to income statement	Uses	Change in basis of consolidation	Balance at 31 Dec 2007
Provisions for non-recurring charges	103,647	23,271	-	(17,558)	(10,917)	-	98,443
Provisions for disputes with third parties	253,086	69,195	1,446	(33,644)	(52,565)	-	237,518
Provisions for disputes with staff	355,654	298,181 <sup>(1)</sup>	73	-	(251,291)	-	402,617
Solidarity fund provisions	156,946	3	6,110	(5,867)	(157,189) <sup>(3)</sup>	-	3
Provisions for invalidated postal savings certificates	19,936	-	679	-	(1,148)	-	19,467
Provisions for taxation/social security contributions	26,408	-	14	(6,679) <sup>(2)</sup>	(3,148)	-	16,595
Other provisions <sup>(6)</sup>	49,834	64,058	-	(3,776)	(11,350) <sup>(4)</sup>	-	98,766
<b>Total</b>	<b>965,511</b>	<b>454,708</b>	<b>8,322</b>	<b>(67,524)</b>	<b>(487,608)<sup>(5)</sup></b>	-	<b>873,409</b>
Overall analysis of provisions:							
- non-current portion	487,790						349,596
- current portion	477,721						523,813
	<b>965,511</b>						<b>873,409</b>

(1) Including 264,666 thousand euros for staff costs and 33,515 thousand euros for service costs (legal assistance).

(2) Including 371 thousand euros for tax liabilities for the year.

(3) Including 119,951 thousand euros reclassified in Other liabilities.

(4) Including 5,137 thousand euros reclassified as an adjustment to Properties held for sale.

(5) Uses after the reclassifications referred to in points (3) and (4) amount to 362,520 thousand euros.

(6) Including 35 million euros attributable to Poste Vita SpA at 31 December 2007.

### 24.2 - Movements in provisions in 2008

Item	Balance at 31 Dec 2007	Provisions	Finance costs	Released to income statement	Uses	Change in basis of consolidation	Balance at 31 Dec 2008
Provisions for non-recurring charges	98,443	78,591	-	(3,722)	(13,088)	-	160,224
Provisions for disputes with third parties	237,518	118,311	1,863	(72,321)	(12,119)	(13)	273,239
Provisions for disputes with staff <sup>(1)</sup>	402,617	505,201	-	(40,695)	(240,480)	-	626,643
Provisions for invalidated postal savings certificates	19,467	-	624	-	(643)	-	19,448
Provisions for taxation/social security contributions	16,595	167	13	-	(4,490)	-	12,285
Other provisions	98,769	37,349	25	(22,639)	(36,677)	-	76,827
<b>Total</b>	<b>873,409</b>	<b>739,619</b>	<b>2,525</b>	<b>(139,377)</b>	<b>(307,497)</b>	<b>(13)</b>	<b>1,168,666</b>
Overall analysis of provisions:							
- non-current portion	349,596						339,486
- current portion	523,813						829,180
	<b>873,409</b>						<b>1,168,666</b>

(1) Including 431,428 thousand euros for staff costs and 33,078 thousand euros for service costs (legal assistance).

Provisions for non-recurring charges regard operating risks connected with the Group's financial and insurance activities. These include liabilities deriving from the reconstruction of BancoPosta's operating balances at the date of incorporation of the Parent Company, fraud, adjustments and revised amounts for revenues recognised in previous years, among other liabilities. Provisions for the year amount to 78,591 thousand euros and primarily regard expected charges to be incurred by Poste Vita SpA as a result of the conversion of two index-linked policies (note 3 - Reputational risk), potential revisions of fees received for the distribution of financial products where the amount received is dependent on the behaviour of subscribers, and a number of fines that may result from investigations of Poste Italiane SpA by supervisory authorities. Provisions of 13,088 thousand euros were used to cover liabilities either arising or settled during the year. The amount released to the income statement, totalling 3,722 thousand euros, is due to the reversal of liabilities identified in the past. Provisions are based on the present value of identified liabilities.

Provisions for disputes with third parties regard expected liabilities deriving from different types of legal and out-of-court dispute with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers (note 30.3). These provisions also regard contract risks deriving from Postel SpA's Brazilian activities (note 12). Provisions, which reflect the present value of identified liabilities, were increased by the estimated value of new liabilities (118,311 thousand euros), measured on the basis of the expected outcomes of certain disputes, legal actions and negotiations, and by the value of interest on pre-existing liabilities (1,863 thousand euros). Reductions primarily relate to the value of disputes settled (12,119 thousand euros) and the non-occurrence of liabilities identified in the past (72,321 thousand euros).

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types, but largely attributable to the Parent Company's use of fixed-term employment contracts. On 10 July 2008 Poste Italiane SpA and the principal labour unions reached a new agreement that, like the similar agreement reached in 2006, will enable the Parent Company to recoup certain costs incurred in previous years in relation to these disputes (see note 37). Moreover, as a result of the new agreement, a number of the staff involved have withdrawn their claims against the Parent Company and a portion of the related provisions, totalling 40,695 thousand euros, has been released to the income statement. Provisions of 505,201 thousand euros regard an updated estimate, based on the level of negative outcomes deriving from the related litigation and union agreements, of the estimated liabilities and related legal expenses. Uses, amounting to 240,480 thousand euros, include amounts used to cover the cost of settling disputes arising during the year, including 22,342 thousand euros in the form of asset seizures by the Parent Company's creditors (note 26.7). Provisions are based on the present value of identified liabilities, which are believed to be short term.

Provisions for invalidated postal savings certificates, relating to the Parent Company, have been made to cover the cost of redeeming invalidated certificates relating to specific issues. The provisions represent amounts recognised in revenue in the income statements of the Parent Company in the years in which the certificates became invalid. The provisions were made in response to the Parent Company's decision to redeem such certificates even if invalidated. At 31 December 2008 the provisions represent the present value of total liabilities, based on a face value of 23,428 thousand euros, which are expected to be progressively paid off by 2023. The Parent Company redeemed certificates with a total face value of 643 thousand euros in 2008, and made provisions for finance costs totalling 624 thousand euros.

Provisions for taxation/social security contributions have been made to cover potential future tax liabilities. Uses of 4,490 thousand euros reflect the settlement of a number of sundry taxes.

The other provisions cover probable liabilities of various types, including estimated liabilities deriving from the risk that specific legal actions to be undertaken in order to reverse seizures of the Parent Company's assets may be insufficient to recover the related amounts, claims for rent arrears on properties used free of charge by Poste Italiane SpA, and payment of accrued interest expense to certain suppliers. Uses of 36,677 thousand euros during the year primarily regard the settlement of liabilities attributable to Poste Vita SpA, following verification of the related amounts in 2007.

## 25 - STAFF TERMINATION BENEFITS

Following the reform of supplementary pension provision, from 1 January 2007 companies with over 50 employees must pay vested staff termination benefits into a supplementary pension fund or into a Treasury Fund set up by INPS (should the employee have exercised the specific option provided for by the new legislation). Staff termination benefits qualify as a defined contribution plan and thus represent an expense to be recognised at face value in staff costs. In the case of certain Group companies, however, staff termination benefits vesting up to 31 December 2006 continue to represent accumulated liabilities qualifying as a defined benefit plan, for which actuarial calculation is necessary. A similar treatment is applied to vested staff termination benefits at Group companies with less than 50 employees.

The following movements in staff termination benefits took place in 2008 and 2007:

### 25.1 - Movements in staff termination benefits

	2008	2007
<b>Balance at 1 January</b>	<b>1,478,650</b>	<b>1,608,381</b>
Curtailment	-	(54,919)
current service cost	430	28,290
interest component	74,886	75,077
effect of actuarial gains/(losses)	<u>96,606</u>	<u>(56,781)</u>
Provisions for the year:	171,922	46,586
Uses during the year	(125,666)	(121,398)
Change in basis of consolidation	(247)	-
Reduction due to fixed-term contracts settlement of 2008	(9,731)	-
<b>Balance at 31 December</b>	<b>1,514,928</b>	<b>1,478,650</b>

The current service cost is recognised in staff costs, whilst the interest component is recognised in finance costs.

During 2008, net uses of provisions for staff termination benefits amounted to 125,666 thousand euros, represented by benefits paid, totalling 127,913 thousand euros, and substitute tax of 5,537 thousand euros. Additions of 7,784 thousand euros regard the transfer of provisions for disputes with staff formerly on fixed-term contracts who have been re-employed by the Parent Company.

Following acceptances of the agreement of 10 July 2008, described in note 37, provisions for staff termination benefits have been reduced by a further 9,731 thousand euros.

The major actuarial assumptions applied in calculating staff termination benefits are as follows:

	2008	2007
Discount rate	4.60%	4.70%
Staff turnover <sup>22</sup> (summary data)	0.49%	0.59%

22. Frequency of early termination of employment due to resignations and dismissals.

## 26 - FINANCIAL LIABILITIES

These items break down as follows:

### 26.1 - Financial liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Financial liabilities at fair value	2,816,018	-	2,816,018	3,637,039	-	3,637,039
Borrowings	1,789,770	642,547	2,432,317	2,393,957	273,345	2,667,302
Bonds	751,801	19,386	771,187	752,261	19,343	771,604
Shareholder loans	679,517	160,718	840,235	840,235	154,683	994,918
Bank borrowings	250,000	417,870	667,870	650,000	53,298	703,298
Other borrowings	108,452	44,573	153,025	151,461	46,021	197,482
Derivative financial instruments	23	43,693	43,716	554	2,207	2,761
Cash flow hedges	20	3,381	3,401	554	337	891
Fair value hedges	3	-	3	-	-	-
Fair value through the income statement	-	40,312	40,312	-	1,870	1,870
Financial liabilities due to subsidiaries	-	824	824	-	1,288	1,288
Other financial liabilities	272,279	1,979,554	2,251,833	255,201	1,574,404	1,829,605
Amounts deriving from liability for robberies	156,826	10,556	167,382	166,090	7,114	173,204
Sundry financial liabilities	115,453	1,968,998	2,084,451	89,111	1,567,290	1,656,401
<b>Total</b>	<b>4,878,090</b>	<b>2,666,618</b>	<b>7,544,708</b>	<b>6,286,751</b>	<b>1,851,244</b>	<b>8,137,995</b>

### FINANCIAL LIABILITIES AT FAIR VALUE

Financial liabilities at fair value through the income statement are linked to investment contracts entered into by the subsidiary, Poste Vita SpA. Movements are reported in note 32.1. Compared with the previous year, these liabilities have decreased following redemptions of 213,707 thousand euros and as a result of price movements totalling 607,314 thousand euros.

### BORROWINGS

Borrowings are unsecured and are not subject to financial covenants, requiring Group companies to comply with certain financial ratios, or maintain a certain level of rating. The bonds in issue and bank borrowings are subject to standard negative pledge clauses<sup>23</sup>.

### Bonds

Bonds regard fixed rate bonds issued by the Parent Company, paying coupon interest of 5.25% and with a par value of 750 million euros. The bonds, which were issued in two tranches in 2002, are listed on the Luxembourg Stock Exchange and were placed in the form of a public offering to institutional investors. These 10-year bonds are to be redeemed in a lump sum in July 2012. The current portion of the loan represents accrued interest expense. The fair value ("mid price") of the bonds at 31 December 2008 is 790,950 thousand euros (766,725 thousand euros at 31 December 2007).

23. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with the pre-existing creditors, unless the same degree of protection is offered to them also.

## Shareholder loans

This item refers to fixed rate loans issued to the Parent Company by Cassa Depositi e Prestiti. The laws authorising the expenditure financed by the loans also establish the methods of repayment, as shown in the following table.

### 26.2 - Shareholder loans

Issuer	Loans to be repaid in full by Poste Italiane	Loans with principal to be repaid by parent	Loans with principal and interest to be repaid by parent <sup>(2)</sup>	Total
Law 15/74	17,307	-	-	17,307
Law 34/74	790	-	-	790
Law 227/75 (serv. acc.) <sup>(1)</sup>	-	25,772	-	25,772
Law 39/82 (subsequent changes to PO services) <sup>(1)</sup>	-	478,843	-	478,843
Law 887/84 <sup>(1)</sup>	-	-	315,277	315,277
Law 41/86 <sup>(1)</sup>	-	2,246	-	2,246
<b>Total</b>	<b>18,097</b>	<b>506,861</b>	<b>315,277</b>	<b>840,235</b>

(1) Loans to be repaid by the Ministry of the Economy and Finance (principal: 822,138 thousand euros).

(2) From 2001 interest was no longer paid by the government but by Poste Italiane SpA. From 2006 interest has been paid to the parent Company.

The fair value of the loans is 853,789 thousand euros (987,675 thousand euros at 31 December 2007).

The outstanding principal assigned by law to the Ministry of the Economy and Finance is offset by a receivable, accounted for in Financial assets, due from the parent. Collection of the amount receivable is linked to the repayment schedules for the loans (note 9.2).

## Bank borrowings

These items refer mainly to the Parent Company and break down as follows:

### 26.3 - Bank borrowings

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Floating rate 7-year loan from EIB maturing 15 Sept 2009	-	400,000	400,000	400,000	-	400,000
Floating rate loan from DEPFA Bank maturing 30 Sept 2013	250,000	-	250,000	250,000	-	250,000
Current account overdrafts	-	13,731	13,731	-	49,200	49,200
Accrued interest expense	-	4,139	4,139	-	4,098	4,098
<b>Total</b>	<b>250,000</b>	<b>417,870</b>	<b>667,870</b>	<b>650,000</b>	<b>53,298</b>	<b>703,298</b>

The value of the above financial liabilities approximates to fair value.

Drawdowns on the Group's total committed and uncommitted lines of credit, totalling 1,216,541 thousand euros, amount to 13,731 thousand euros. The lines of credit are unsecured.

## Other borrowings

This item regards:

- 110,993 thousand euros in fixed rate loans issued to the Parent Company by CPG - Società di Cartolarizzazione arl. These two loans, totalling 309,874 thousand euros, denominated "Logistics 2002" and "Layout 2002", were sold without recourse by Cassa Depositi e Prestiti to CPG - Società di Cartolarizzazione arl in 2003. The two ten-year loans were used to finance certain projects. The fair value of these borrowings is 116,537 thousand euros (149,365 thousand euros at 31 December 2007);
- 42,032 thousand euros (including 339 thousand euros in accrued interest) regarding the outstanding principal due on financial liabilities due to suppliers of durable goods acquired under finance leases, with the right to acquire ownership at the end of the lease (note 5 and 7).

## DERIVATIVE FINANCIAL INSTRUMENTS

This item, amounting to 43,716 thousand euros, regards contracts described in note 9.6.

## FINANCIAL LIABILITIES DUE TO SUBSIDIARIES

These liabilities regard intercompany current accounts paying interest at market rates. The following table shows a breakdown.

### 26.4 - Financial liabilities due to subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
Poste Tributi ScpA	804	1,263
Poste Assicura SpA	20	23
Poste Link Scrl (consolidated on a line-by-line basis from 2008)	-	2
<b>Total</b>	<b>824</b>	<b>1,288</b>

## OTHER FINANCIAL LIABILITIES

### Amounts deriving from liability for robberies

The Parent Company is liable to the Italian Treasury for losses resulting from robberies and fraud. The loss of cash resulting from these criminal acts has to be made up for, in order to ensure that Post Offices can carry out their daily operations. This is done via withdrawals from the Treasury. Movements in this liability are as follows.

### 26.5 - Movements in amounts deriving from liability for robberies

	Note	2008	2007
<b>Balance at 1 January</b>		<b>173,204</b>	<b>201,188</b>
Liabilities deriving from robberies during the year	[40.1]	10,997	13,867
Repayments made		(16,819)	(41,851)
<b>Balance at 31 December</b>		<b>167,382</b>	<b>173,204</b>

During 2008 the Parent Company made repayments of 7,555 thousand euros to the Treasury for robberies that took place in the second half of 2007, in addition to payment of the sum of 9,264 thousand euros following a sentence issued by the Italian Court of Auditors regarding robberies up to 31 December 1993.

## Sundry financial liabilities

Sundry financial liabilities break down as follows:

### 26.6 - Sundry financial liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Italian Treasury for operational risks	108,971	-	108,971	89,111	-	89,111
Amounts due on bills paid	-	910,144	910,144	-	771,062	771,062
Amounts due on prepaid cards	-	432,724	432,724	-	327,339	327,339
National and international money transfers	-	361,703	361,703	-	145,611	145,611
Endorsed checks	-	168,391	168,391	-	189,825	189,825
Tax collection	-	73,845	73,845	-	74,362	74,362
Other	6,482	22,191	28,673	-	59,091	59,091
<b>Total</b>	<b>115,453</b>	<b>1,968,998</b>	<b>2,084,451</b>	<b>89,111</b>	<b>1,567,290</b>	<b>1,656,401</b>

Amounts due to the Italian Treasury for operational risks refer to advances obtained as a result of BancoPosta's operations and which subsequently gave rise to liabilities that are either certain or likely to be incurred. Movements in these liabilities are as follows.

### 26.7 - Movements in amounts due to the Italian Treasury for operational risks

	Note	2008	2007
<b>Balance at 1 January</b>		<b>89,111</b>	<b>82,673</b>
New liabilities for operational risks		5,430	8,197
Operational risks that did not occur		<u>(2,546)</u>	<u>(17,316)</u>
	[40.1]	2,884	(9,119)
Repayments made		(5,366)	(4,715)
Uses of provisions for disputes with staff	[24.2]	22,342	20,272
<b>Balance at 31 December</b>		<b>108,971</b>	<b>89,111</b>

Amounts due on bills paid regard sums collected on payment of bills and yet to be allocated to the accounts of beneficiaries. Amounts due on prepaid cards represent amounts due to Postepay and Pensione card customers who have topped up their prepaid cards. Amounts due on national and international money transfers represent the exposure to customers for money orders and transfers, to Moneygram for customer transactions in process and amounts due to foreign Post Offices for international money orders. Endorsed checks represent the exposure to customers for endorsed checks in circulation. Tax collection payables represent the amount due to tax collection agents and the tax authorities for payments of tax effected by customers.

The non-current portion of Other financial liabilities, totalling 6,361 thousand euros, regards the collateral provided by the Parent Company, under the Credit Support Annex, to certain counterparties with which it has entered into asset swap transactions. These transactions form part of its cash flow hedge policy for the BancoPosta business unit (note 16.4). The current portion, totalling 16,347 thousand euros, represents cash on delivery payments collected by SDA Express Courier SpA.

## Analysis of net debt/(funds)

The Group's net debt or net funds at 31 December 2008 and 31 December 2007 is as follows:

### 26.8 - Net debt/(funds)

Item	Note	Balance at 31 Dec 2008	related party transactions	Balance at 31 Dec 2007	related party transactions
<b>Financial liabilities</b>	[26]	<b>7,544,708</b>		<b>8,137,995</b>	
Financial assets designated at fair value		2,816,018	-	3,637,039	-
Bonds		771,187	-	771,604	-
Shareholder loans		840,235	840,235	994,918	994,918
Bank borrowings		667,870	-	703,298	-
Other borrowings		153,025	-	197,482	-
Other		2,296,373	824	1,833,654	1,288
<b>Technical provisions for insurance business</b>	[23]	<b>28,333,062</b>	-	<b>24,929,307</b>	-
<b>Liabilities attributable to BancoPosta</b>	[16]	<b>37,063,652</b>	<b>576,817</b>	<b>37,334,548</b>	<b>799,667</b>
<b>Financial assets</b>	[9]	<b>(32,370,179)</b>		<b>(30,441,320)</b>	
Loans and receivables		(1,027,673)	(906,736)	(1,169,968)	(1,145,135)
Investments held for sale		(19,502,208)	(102,230)	(17,057,459)	-
Financial instruments designated at fair value through the income statement		(11,826,929)	-	(12,204,920)	-
Derivative financial instruments		(13,369)	-	(8,973)	-
<b>Assets attributable to BancoPosta</b>	[16]	<b>(38,909,191)</b>	<b>(5,546,358)</b>	<b>(38,940,311)</b>	<b>(6,870,168)</b>
<b>Technical provisions for claims attributable to reinsurers</b>	[11.1]	<b>(234)</b>		<b>(23)</b>	-
<b>Net liabilities/(assets)</b>		<b>1,661,818</b>		<b>1,020,196</b>	
<b>Cash and cash equivalents</b>	[17]	<b>(2,346,134)</b>	-	<b>(759,438)</b>	-
<b>Net debt/(funds)</b>		<b>(684,316)</b>		<b>260,758</b>	

## 27 - TRADE PAYABLES

These items break down as follows:

### 27.1 - Trade payables

Item	Balance at 31 December 2008	Balance at 31 December 2007
Amounts due to suppliers	1,513,683	1,450,560
Prepayments and advances from customers	206,684	193,764
Interest payable to current account holders	111,953	127,781
Amounts due to joint ventures	10,396	4,919
Amounts due to subsidiaries	9,496	5,672
Amounts due to associates	3,301	3,222
<b>Total</b>	<b>1,855,513</b>	<b>1,785,918</b>

## AMOUNTS DUE TO SUPPLIERS

### 27.2 - Amounts due to suppliers

Item	Balance at 31 December 2008	Balance at 31 December 2007
Italian suppliers	1,351,883	1,290,766
Overseas suppliers	18,856	17,035
Overseas correspondents <sup>(1)</sup>	142,944	142,759
<b>Total</b>	<b>1,513,683</b>	<b>1,450,560</b>

(1) The amount due to overseas correspondents regard fees payable by the Parent Company to foreign Post Offices and companies in return for postal and telegraphic services provided.

## PREPAYMENTS AND ADVANCES FROM CUSTOMERS

These items refer to amounts received from customers as prepayment for the following services to be rendered:

### 27.3 - Prepayments and advances from customers

Item	Balance at 31 December 2008	Balance at 31 December 2007
Mechanised franking	69,103	70,968
Prepayments from overseas correspondents	89,600	66,945
Unfranked mail	25,561	27,603
Postage-paid mailing services	10,510	9,828
Other services	11,910	18,420
<b>Total</b>	<b>206,684</b>	<b>193,764</b>

## INTEREST PAYABLE TO CURRENT ACCOUNT HOLDERS

This refers to interest accrued on postal current accounts during the year, less the related withholding tax.

## AMOUNTS DUE TO JOINT VENTURES

Amounts payable to joint ventures, totalling 10,396 thousand euros (4,919 thousand euros at 31 December 2007), include 6,188 thousand euros for the portion of a payable due to Italia Logistica Srl not accounted for using proportionate consolidation and 4,208 thousand euros due to Uptime SpA.

## AMOUNTS DUE TO SUBSIDIARIES

This item represents amounts due to unconsolidated subsidiaries, as shown in the following table:

### 27.4 - Amounts due to subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
Docutel SpA	3,493	2,746
Poste Tributi ScpA	2,270	1,483
Poste Assicura SpA	1,648	615
Address Software Srl	1,067	568
Poste Voice SpA	1,018	-
Poste Energia SpA (consolidated on a line-by-line basis from 2008)	-	239
Chronopost International Italia SpA (in liquidation)	-	18
Consorzio Poste Contact	-	3
<b>Total</b>	<b>9,496</b>	<b>5,672</b>

## AMOUNTS DUE TO ASSOCIATES

Amounts payable to associates, totalling 3,301 thousand euros (3,222 thousand euros at 31 December 2007) primarily include amounts due to Docugest SpA.

## 28 - CURRENT TAX LIABILITIES

Under IAS 12 - *Income Taxes*, IRES and IRAP liabilities are offset against the corresponding current tax assets receivable by the same tax paying entity from the same tax authority. This item breaks down as follows:

### 28.1 - Current tax liabilities

Item	Balance at 31 December 2008	Balance at 31 December 2007
IRAP	7,379	3,255
IRES	7,442	24,016
Substitute tax	58,826	-
<b>Total</b>	<b>73,647</b>	<b>27,271</b>

Substitute tax refers to the remaining two payments to be made in 2009 and 2010, following the exemption of off-book deductions applied between 2004 and 2007 (note 10).

## 29 - OTHER LIABILITIES

These items break down as follows:

### 29.1 - Other liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	705,392	705,392	-	709,589	709,589
Amounts due to social security agencies	81,284	459,543	540,827	122,299	478,376	600,675
Amounts due to the parent	-	12,140	12,140	-	12,140	12,140
Other tax liabilities	-	267,657	267,657	-	263,043	263,043
Other amounts due to joint ventures	-	59	59	-	-	-
Other amounts due to associates	6	-	6	6	-	6
Sundry payables	7,245	127,195	134,440	11,966	105,129	117,095
Accrued expenses and deferred income from trading transactions	57,714	24,889	82,603	82,268	22,164	104,432
<b>Other liabilities</b>	<b>146,249</b>	<b>1,596,875</b>	<b>1,743,124</b>	<b>216,539</b>	<b>1,590,441</b>	<b>1,806,980</b>
<b>Amount payable to parent (EC Decision of 16 July 2008)</b>	<b>-</b>	<b>485,572</b>	<b>485,572</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>146,249</b>	<b>2,082,447</b>	<b>2,228,696</b>	<b>216,539</b>	<b>1,590,441</b>	<b>1,806,980</b>

## AMOUNTS DUE TO STAFF

These items primarily regard accrued amounts that have yet to be paid at 31 December 2008. The following table shows a breakdown.

### 29.2 - Amounts due to staff

Item	31 December 2008	31 December 2007
Accrued vacation pay	107,026	115,069
Fourteenth month salaries	240,558	234,102
Incentives and productivity bonuses	235,500	239,048
Other amounts due to staff	122,308	121,370
<b>Total</b>	<b>705,392</b>	<b>709,589</b>

## AMOUNTS DUE TO SOCIAL SECURITY AGENCIES

These items break down as follows:

### 29.3 - Amounts due to social security agencies

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
IPOST	-	293,986	293,986	-	323,920	323,920
INPS	-	32,143	32,143	-	25,667	25,667
INAIL	59,136	4,640	63,776	61,546	4,650	66,196
Pension funds	-	61,011	61,011	-	49,713	49,713
Amounts due to the Solidarity Fund	22,148	51,349	73,497	60,753	59,198	119,951
Other agencies	-	16,414	16,414	-	15,228	15,228
<b>Total</b>	<b>81,284</b>	<b>459,543</b>	<b>540,827</b>	<b>122,299</b>	<b>478,376</b>	<b>600,675</b>

Amounts due to IPOST regard pension and social security contributions due to the institute on behalf of the Group's employees, calculated on both the salaries paid as of 31 December 2008 and accrued amounts due, as reported in the item Amounts payable to staff.

Amounts due to INPS primarily regard provisions for vested staff termination benefits to be paid into the agency's Treasury fund at 31 December 2008 (note 25).

Amounts due to INAIL essentially regard the Parent Company and primarily derive from charges for injury compensation paid to employees for injuries occurring up to 31 December 1998. This amount, originally amounting to 82,633 thousand euros, is repayable in thirty years from 31 December 1999, based on a straight-line amortisation schedule and an annual interest rate of 2.5%.

Amounts payable to pension funds refer essentially to the Parent Company (59,903 thousand euros) and regard to sums due to FondoPoste and other pension funds following the decision by certain employees to join a supplementary fund.

Amounts due from the Parent Company to the Solidarity Fund (set up by Ministerial Decree 178 of 1 July 2005) regard amounts designed to cover redundancy payments and income support for employees who, having qualified for participation, decide to take voluntary early retirement. The residual amount payable at 31 December 2008 represents the present value of total liabilities with a face value of 75,471 thousand euros, which are expected to be progressively paid off by 2011. During the year this payable increased due to accrued finance income of 4,443 thousand euros, whilst the reduction reflected contributions paid and redundancy payments effected, totalling 50,897 thousand euros.

## AMOUNTS DUE TO THE PARENT

This item refers to 12,140 thousand euros due to the Ministry of the Economy and Finance for pensions paid by the Ministry to former employees of the Parent Company for the period 1 January to 31 July 1994.

## OTHER TAX LIABILITIES

These items break down as follows:

### 29.4 - Other tax liabilities

Item	Balance at 31 December 2008	Balance at 31 December 2007
Withholding tax on employees' and consultants' salaries	105,166	94,177
Tax due on insurance provisions	68,910	85,888
Withholding tax on postal current accounts	42,384	43,584
Stamp duty	12,326	14,824
Substitute tax	736	2,301
Other taxes due	38,135	22,269
<b>Total</b>	<b>267,657</b>	<b>263,043</b>

Amounts due on salaries paid to employees and consultants regards withholding tax paid to the tax authorities by Group companies in January and February 2009.

Tax due on insurance provisions regard Poste Vita SpA and are described in note 11.1.

Withholding tax on postal current accounts refers to amounts withheld by the Parent Company on interest accrued on customers' current accounts.

Stamp duty is payable to the tax authorities by the Parent Company as duty to be paid in virtual form. The balance includes the adjustment paid in 2009 pursuant to note 3bis of art. 13 of the Tariffs provided for by Presidential Decree 642/72.

Substitute tax represents the balance payable by Group companies on the revaluation of staff termination benefits in 2008. Other taxes due include the balance of VAT payable of 22,901 thousand euros (14,507 thousand euros at 31 December 2007).

## SUNDRY PAYABLES

These items break down as follows:

### 29.5 - Sundry payables

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	-	86,104	86,104	-	68,685	68,685
Guarantee deposits	7,245	1,605	8,850	11,964	-	11,964
Other	-	39,486	39,486	2	36,444	36,446
<b>Total</b>	<b>7,245</b>	<b>127,195</b>	<b>134,440</b>	<b>11,966</b>	<b>105,129</b>	<b>117,095</b>

Sundry payables attributable to BancoPosta refer to 69,574 thousand euros due to INPS for pensions paid by Poste Italiane SpA to pensioners after their death and which are in the process of being recovered. A further 16,530 thousand euros is due to Cassa Depositi e Prestiti as a result of amounts registered in customers' Postal savings books and in the process of verification.

Guarantee deposits primarily regard amounts collected from the Parent Company's customers as a guarantee of payment for certain services (postage-paid mailing services, the use of Post Office boxes, lease contracts, telegraphic service contracts, etc.).

## ACCRUED EXPENSES AND DEFERRED INCOME FROM TRADING TRANSACTIONS

The nature and composition of accrued expenses and deferred income is as follows:

### 29.6 - Accrued expenses and deferred income

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	2,014	2,014	-	1,769	1,769
Deferred income	57,714	22,875	80,589	82,268	20,395	102,663
<b>Total</b>	<b>57,714</b>	<b>24,889</b>	<b>82,603</b>	<b>82,268</b>	<b>22,164</b>	<b>104,432</b>

Deferred income primarily regards:

- 50,813 thousand euros (74,767 thousand euros at 31 December 2007) in deferred income earned by Poste Vita SpA over the duration of individual insurance policies of the Branch III type, in application of IAS 18;
- 16,776 thousand euros (14,822 thousand euros at 31 December 2007) in fees on Postamat cards collected in advance by the Parent Company;
- 6,931 thousand euros (including 6,616 thousand euros relating to income accruing after 2009) regarding the Parent Company's advance collection of the rental on a thirty-year lease of a pneumatic postal machine in Rome.

## AMOUNT PAYABLE TO PARENT (EC DECISION OF 16 JULY 2008)

This item regards 485,572 thousand euros (note 17) payable to the parent as a result of the European Commission's Decision of 16 July 2008 (note 20).

## 30 - REVENUES

Revenues of 10,371,381 thousand euros break down as follows:

### 30.1 - Revenues

Item	2008	2007
Postal Services	5,482,895	5,536,965
Financial Services	4,538,547	4,500,020
Other sales of goods and services	349,939	242,299
<b>Total</b>	<b>10,371,381</b>	<b>10,279,284</b>

## POSTAL SERVICES

Revenues from Postal Services break down as follows:

### 30.2 - Postal Services

Item	2008	2007
Unfranked mail	1,810,274	1,826,725
Mechanised franking by third parties and at Post Offices	1,337,405	1,401,231
Stamps	563,366	616,469
Express parcel and express courier services	294,226	274,876
Integrated services	201,469	150,511
Postage-paid mailing services	190,956	200,011
Overseas mail and parcels	138,637	149,874
Telegrams and online services	75,280	80,199
Innovative services	71,882	81,535
Other postal services	93,359	80,163
<b>Total external revenue</b>	<b>4,776,854</b>	<b>4,861,594</b>
Universal Service subsidies	363,646	371,473
Publisher and electoral tariff subsidies <sup>(1)</sup>	342,395	303,898
<b>Total</b>	<b>5,482,895</b>	<b>5,536,965</b>

1. Subsidies to compensate for tariffs discounted in accordance with the law.

Unfranked mail includes revenues from the mailing of correspondence by large customers from certain network centres and enabled Post Offices, including mailings carried out under the Bulk Mail formula.

Mechanised franking by third parties or at Post Offices, which refers entirely to the Parent Company, regards revenues from the mailing of correspondence franked directly by customers or at Post Offices using a franking machine.

Stamp sales refer to the sale of postage stamps through Post Offices and authorised outlets and sales of stamps used for franking on credit.

Express parcel and express courier services regard services provided by the subsidiary, SDA Express Courier SpA.

Integrated services, which refer entirely to Poste Italiane SpA, regard the notification service for administrative notices and fines, amounting to 157,809 thousand euros, the integrated notification service for legal process (Notifications, Enforcements and Complaints Offices), totalling 29,133 thousand euros, and revenues deriving from the agreement with the tax authorities regarding bulk and registered services, amounting to 14,527 thousand euros.

Postage-paid mailing services, which refer entirely to the Parent Company, regard revenues from the delivery of periodicals and mail-order goods on behalf of publishers who benefit from preferential rates, as provided for by Law 46 of 27 February 2004, which converted Legislative Decree 353 of 24 December 2003.

Overseas mail and parcels, which refer to Poste Italiane SpA, relate to revenues from the international exchange of such items.

Telegrams and online services primarily regard the telegram service provided by the Parent Company by phone or at Post Offices, and amounting to 46,439 thousand euros and 14,492 thousand euros, respectively.

Revenues from innovative services, referring to the Postel Group, include 26,522 thousand euros from the door-to-door service, 21,877 thousand euros from direct mailing, 21,694 thousand euros from commercial printing and 1,789 thousand euros from other "added value" services.

Universal Service subsidies regard the subsidies paid by the Ministry of the Economy and Finance to cover the costs of fulfilling the Servizio Postale Universale (Universal Service Obligation - USO). These subsidies are calculated on the basis of best available information regarding their probable recognition. The amount for the year, totalling 363,646 thousand euros, was calculated on the basis of the Contratto di Programma (Planning Agreement) for 2006-2008, which was signed on 17 September 2008, and the addendum to the Agreement that is currently being finalised.

Publisher and electoral tariff subsidies include:

- 272,601 thousand euros representing the amounts due from the Cabinet Office - Publishing Department to cover the cost of the preferential rates offered to publishers and non-profit organisations. The amount due was calculated on the basis of the tariffs established in the Ministry of Communications (now the Ministry for Economic Development) Decree of 23 November 2002 and governed by Law 46 of 27 February 2004. With regard to the financial year ended 31 December 2008, the amount allocated in the Cabinet Office's budget, totalling 72,965 thousand euros, is insufficient to fund the subsidies granted by the Company;
- 69,794 thousand euros in amounts paid by the State to cover reductions and preferential prices granted to election candidates under Law 515/93. The amount allocated in the MEF's budget is also insufficient to cover the amount due in full.

## FINANCIAL SERVICES

Revenues from Financial Services, which regard the Parent Company, break down as follows:

### 30.3 - Financial Services

Item	2008	2007
Income from investment of postal current account deposits	1,383,380	1,491,859
Fees for collection of postal savings deposits	1,364,548	1,210,373
Commissions on bills processed	611,135	638,510
Other revenues from current account services	550,633	540,648
Commissions on credit certificates	241,219	219,104
Income from delegated services	189,516	210,171
Money transfers	81,919	84,472
Distribution of loan products	60,209	47,198
Securities custody	26,680	28,180
Other financial products and services	29,308	29,505
<b>Total</b>	<b>4,538,547</b>	<b>4,500,020</b>

Income from the investment of postal current account deposits breaks down as follows:

### 30.4 - Income from investment of postal current account deposits

Item	2008	2007
Income from investments in securities	1,040,223	592,517
Interest income on HTM securities	510,292	365,098
Interest income on AFS financial assets	528,412	229,372
Interest income on securities held for trading	936	-
Interest income on asset swaps of AFS financial assets	12,929	-
Remuneration of Group's own liquidity recognised in finance income	(12,346)	(1,953)
Income from deposits held with the MEF	343,157	899,342
Remuneration of current account deposits (deposited with the MEF)	355,564	1,011,524
Differentials on hedging derivatives	-	(38,820)
Remuneration of Group's own liquidity recognised in finance income	(12,407)	(73,362)
<b>Total</b>	<b>1,383,380</b>	<b>1,491,859</b>

### Income from investments in securities

Interest income on securities derives from the investment of deposits paid into postal current accounts by private customers, which, in compliance with the 2007 Finance Act, have, with effect from the previous year, been progressively invested in euro area government securities (note 16). The total includes the impact of the cash flow hedges described in note 16.4.

### Income from deposits held with the MEF

Remuneration of postal current account deposits represents accrued interest for the year on deposits held with the MEF. From 1 January 2008, the floating rate used to determine the remuneration for the year under review has been calculated on the same basis as set out in the European Commission Decision of 16 July 2008 (note 20).

Remuneration of deposits of the Group's own liquidity with the MEF and its investment in securities is shown separately in Finance income (note 41).

The fees for the collection of savings deposits regard payment for managing, issuing and redeeming Postal Savings Certificates and payments into and withdrawals from Postal Savings books. These services are provided by the Parent Company on behalf of Cassa Depositi e Prestiti. The services and the related fees are based on a series of objectives, governed by a specific agreement that expired on 31 December 2008. The accrued amount for 2008, totalling 1,364,548 thousand euros, was calculated on the basis of the volume of activity carried out and the results achieved. As a result of circumstances and events linked to the economic downturn and the crisis in financial markets, which was also reflected in a far higher redemption rate than expected, a number of significant areas of disagreement have arisen between Cassa Depositi e Prestiti and the Company with regard to achievement of the objectives set out in the related agreement. In this respect, the Directors believe that Poste Italiane SpA has, in any event, behaved perfectly correctly, an opinion also confirmed by external legal advisors. Cassa Depositi e Prestiti and Poste Italiane SpA have so far not reached formally agreement on the method of calculating the fees payable under the agreement. However, immediately prior to preparation of these financial statements, talks were held between the two companies, with the active involvement of the MEF, aimed at resolving the dispute in view of their mutual interest in continuing their strategic commercial relationship. As a result of the dispute, Poste Italiane SpA has prudently made provisions of 75 million euros (note 24.2), based on a best estimate of the charges that may result from a resolution of the dispute. In the meantime, negotiation of a new contract has begun. This is of great operational importance for the Company, which is continuing to operate in early 2009 without a contractual agreement having been reached.

Other revenues from current account services primarily regard current account charges (181,496 thousand euros), fees on amounts collected and on statements of account sent to large business customers (133,412 thousand euros), annual fees on debit cards (59,284 thousand euros) and on debit card transactions (61,441 thousand euros), and fees on the issue and use of prepaid cards (49,132 thousand euros).

Commissions on credit certificates primarily regard income from the placement of bonds issued by leading credit institutions (229,033 thousand euros) and from government securities (12,186 thousand euros).

Income from delegated services primarily regards amounts received by the Parent Company for the payment of pensions disbursed by INPS (107,941 thousand euros) and INPDAP (17,201 thousand euros), and for treasury services carried out by the Company in 2008 on the basis of the Agreement between Poste Italiane and the MEF (50,658 thousand euros).

Revenues from money transfers primarily regard commissions collected on national money orders (59,619 thousand euros), Moneygram transfers (15,634 thousand euros) and Eurogiros (6,213 thousand euros).

Revenues from the distribution of loan products by the Parent Company regard commissions on the sale of personal loans and mortgages provided by third parties (60,209 thousand euros).

Revenues from other financial products and services primarily include revenues from the tax collection service (4,794 thousand euros).

## OTHER SALES OF GOODS AND SERVICES

This relates to income from ordinary activities that is not directly attributable to the specific Postal, Financial and Insurance Services segments, to which it is allocated for the purposes of segment reporting in accordance with the relevant accounting standards. The main components are described below:

- 87,046 thousand euros (37,110 thousand euros in 2007), primarily from property sales carried out by EGI SpA in 2008;
- 67,073 thousand euros earned by the Parent Company (69,254 thousand euros in 2007), including fees received for collecting applications for residence permits and other permits (27,580 thousand euros), income from ancillary franking and packaging services (11,081 thousand euros) and income from call centre services (5,550 thousand euros);
- revenues from the sale of products via the "shop-in-shop" channel or by catalogue and mail order, primarily by the subsidiary, PosteShop SpA, amounting to 65,885 thousand euros (68,387 thousand euros in 2007);
- 39,660 thousand euros (38,475 thousand euros in 2007) from collective asset management carried out by BancoPosta Fondi SpA SGR, consisting primarily of management fees of 28,138 thousand euros and subscription and redemption fees of 482 thousand euros;
- 32,996 thousand euros (19,486 thousand euros in 2007) in revenues generated by Mistral Air Srl, primarily from the supply of air transport services;
- 30,040 thousand euros (359 thousand euros in 2007) generated by PosteMobile SpA from the provisions of mobile telecommunications services.

## 31 - EARNED PREMIUMS

### 31.1 - Earned premiums

Item	2008	2007
Earned premiums	5,523,308	5,535,500
Life Branch I	4,006,648	4,106,004
Life Branch III	1,515,474	1,429,383
Life Branch V	1	11
Accident insurance	1,185	102
Other income from insurance services	11,677	5,865
<b>Total</b>	<b>5,534,985</b>	<b>5,541,365</b>

## 32 - OTHER INCOME FROM FINANCIAL AND INSURANCE ACTIVITIES

### 32.1 - Other income from financial and insurance activities

Item	2008	2007
Income from financial instruments at fair value through the income statement	339,428	537,967
Interest	211,014	153,251
Fair value gains	120,386	326,812
Realised gains	8,078	57,904
Remuneration of Group's own liquidity recognised in finance income	(50)	-
Income from available-for-sale financial assets	776,163	639,987
Interest	670,025	633,342
Realised gains	106,843	6,645
Remuneration of Group's own liquidity recognised in finance income	(705)	-
Change in fair value of financial liabilities	607,314	-
Other income	64,234	34,735
<b>Total</b>	<b>1,787,139</b>	<b>1,212,689</b>

The impact of the serious crisis in the financial markets resulted in a reduction in income (note 32.1) and an increase in fair value losses (note 36.1) on financial instruments measured at fair value through the income statement, which are attributable in their entirety to Poste Vita SpA's portfolio and, for the most part, to investments linked to Branch III policies. This is partly reflected in the movement in the fair value of financial liabilities (note 32.1). As reported in note 2.3, in preparation of these consolidated financial statements Poste Italiane SpA has not exercised the option granted by EU Regulation 1004/2008 (which has revised IAS 39) to reclassify financial instruments from categories of asset measured at fair value to categories of asset measured at amortised cost.

## 33 - OTHER OPERATING INCOME

This item primarily regards the following:

### 33.1 - Other operating income

Item	2008	2007
Gains on disposals	35,189	27,107
Lease rentals	11,749	14,085
Increases to estimates for previous years	37,673	54,835
Recovery of contract expenses and other recoveries	20,822	16,455
Recovery of cost of seconded staff	10,853	12,181
Invalidated money orders	3,029	2,848
Grants related to income	914	873
Other income	37,772	25,439
<b>Total</b>	<b>158,001</b>	<b>153,823</b>

## GAINS ON DISPOSALS

### 33.2 - Gains on disposals

Item	2008	2007
Gains on disposal of operating property and land	22,942	18,290
Gains on disposal of investment property	9,134	7,126
Gains on disposal of other operating assets	3,113	1,627
Gains on disposal of investments	-	64
<b>Total</b>	<b>35,189</b>	<b>27,107</b>

For the purposes of reconciliation with the cash flow statement, in 2008 the net gains in question amount to 33,204 thousand euros, including 4,000 thousand euros from the sale of the investment in Aspheria Holding SA (note 41.1), after losses of 5,985 thousand euros (note 40). In 2007, this item amounted to 25,171 thousand euros, after losses of 1,936 thousand euros.

## LEASE RENTALS

### 33.3 - Lease rentals

Item	2008	2007
Rental income from investment property	4,971	4,931
Rental income on commercial property	3,402	4,915
Recovery of expenses, transaction costs and other income <sup>(1)</sup>	3,376	4,239
<b>Total</b>	<b>11,749</b>	<b>14,085</b>

(1) This item primarily regards the recovery of costs incurred directly by the Group and recharged to tenants. This category does not include extraordinary maintenance costs.

This item regards the management of properties owned by the Parent Company, which is held to be of a residual nature and separate from the ordinary activities of the subsidiary, EGI SpA.

Under the relevant lease agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes. No significant extraordinary maintenance costs were transferred to tenants via increases in rents.

## 34 - COST OF GOODS AND SERVICES

This item breaks down as follows:

### 34.1 - Cost of goods and services

Item	2008	2007
Services	1,866,796	1,775,691
Lease expense	331,212	313,991
Raw, ancillary and consumable materials and goods for resale	236,005	215,706
Interest expense paid to current account holders	152,706	159,842
<b>Total</b>	<b>2,586,719</b>	<b>2,465,230</b>

## SERVICES

This item breaks down as follows:

### 34.2 - Services

Item	2008	2007
Transport of mail, parcels and forms	578,774	566,806
Routine maintenance and technical assistance	231,950	212,348
Outsourcing fees and other external service charges	145,161	138,654
Energy and water	129,316	113,571
Personnel services	123,087	98,777
Telecommunications and data transmission <sup>(*)</sup>	105,315	76,050
Transport of cash	88,992	84,042
Printing and enveloping services	88,342	89,992
Mail, telegraph and telex	86,787	80,458
Cleaning, waste disposal and security	83,315	83,026
Consultants' fees and legal expenses	50,244	60,052
Advertising and promotions	48,120	63,497
Credit and debit card fees and charges	37,812	34,648
Agents' commissions and other	21,264	23,427
Insurance premiums	18,325	17,669
Sundry consultants' fees	13,151	14,315
Securities custody fees	10,923	12,627
Fees payable for asset management	2,111	2,394
Remuneration of Statutory Auditors	1,401	1,369
Other	2,406	1,969
<b>Total</b>	<b>1,866,796</b>	<b>1,775,691</b>

(\*) This item includes 16,784 thousand euros regarding the cost of providing mobile telecommunications services to PosteMobile SpA's customers.

Details of the remuneration paid to Statutory Auditors are provided below:

### 34.3 - Remuneration of Statutory Auditors

Item	2008	2007
Remuneration	1,175	1,169
Expenses	226	200
<b>Total</b>	<b>1,401</b>	<b>1,369</b>

## LEASE EXPENSE

Lease expense breaks down as follows:

### 34.4 - Lease expense

Item	2008	2007
Property rentals and ancillary costs	171,108	157,824
Vehicle leases	73,912	74,029
Equipment hire and software licenses	46,563	50,667
Other lease expense	39,629	31,471
<b>Total</b>	<b>331,212</b>	<b>313,991</b>

The cost of leasing operating properties almost entirely regards the buildings from which the Group operates (Post Offices, Delivery Logistics Centres and Sorting Centres). Under the relevant lease agreements, rents are increased annually on the basis of the price index published by the National Office of Statistics (ISTAT). Lease terms are generally six years, renewable for a further six. Renewal is assured via the clause stating that the lessor "waives the option of refusing renewal on expiry of the first term", by which the lessor, once the agreement has been signed, cannot refuse to renew the lease, except in cases of force majeure. Moreover, the companies, in accordance with the standard contract form, have the right to withdraw from the contract at any time, giving six months' notice.

## RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

This item breaks down as follows:

### 34.5 - Raw, ancillary and consumable materials and goods for resale

Item	Note	2008	2007
Consumables and goods for resale		122,501	116,497
Fuels and lubricants		66,610	54,078
Printing of postage and revenue stamps		23,572	24,708
Printed matter, stationery and advertising material		22,274	21,133
SIM cards and scratch cards		1,427	1,095
Movement in inventories of work in progress, semi-finished and finished goods and goods for resale	[12.1]	(748)	826
Movement in inventories of raw, ancillary and consumable materials	[12.1]	(880)	(2,718)
Other		1,249	87
<b>Total</b>		<b>236,005</b>	<b>215,706</b>

## INTEREST EXPENSE PAID TO CURRENT ACCOUNT HOLDERS

The rate paid to customers in 2008 was 0.5%, which is unchanged with respect to the previous year.

## 35 - MOVEMENT IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

### 35.1 - Movement in technical provisions for insurance business and other claims expenses

Item	2008	2007
Claims paid	1,970,560	2,113,827
Movement in outstanding claims provisions	(3,088)	17,896
Movement in mathematical provisions	2,795,299	2,961,770
Movement in other technical provisions	(238,802)	(18,260)
Movement in technical provisions where investment risk is transferred to policyholders	656,340	1,006,911
Claims expenses and movement in other provisions – Non-life	4	36
<b>Total</b>	<b>5,180,313</b>	<b>6,082,180</b>

Movement in technical provisions for insurance business and other claims expenses refers to:

- claims paid, policies redeemed and the related expenses incurred by Poste Vita SpA, totalling 1,970,560 thousand euros;
- the movement in mathematical provisions, totalling 2,795,299 thousand euros, reflecting increased obligations to policyholders;
- the movement in technical provisions where investment risk is transferred to policyholders (so-called class D), totalling 656,340 thousand euros.

## 36 - OTHER EXPENSES DERIVING FROM FINANCIAL AND INSURANCE ACTIVITIES

### 36.1 - Other expenses deriving from financial and insurance activities

Item	2008	2007
Expenses deriving from financial instruments at fair value through the income statement	1,543,904	151,998
Fair value losses	1,504,784	115,731
Realised losses	39,120	36,267
Expenses deriving from available-for-sale financial assets	87,200	56,793
Impairments (note 9.3)	54,275	-
Realised losses	32,925	56,793
Realised losses on held-to-maturity securities	42	-
Change in fair value of financial liabilities	-	88,924
Remuneration of Group's own liquidity recognised in finance income	(68)	-
Other expenses	55,444	19,387
<b>Total</b>	<b>1,686,522</b>	<b>317,102</b>

See note 32 for further details.

## 37 - STAFF COSTS

Staff costs include the cost of staff seconded to other organisations. The recovery of such expenses is posted to Other operating income. Staff costs break down as follows:

### 37.1 - Staff costs

Item	Note	2008	2007
Wages and salaries		4,377,675	4,260,910
Social security contributions		1,106,975	1,083,008
Provisions for staff termination benefits: current service cost	[25.1]	430	28,290
Provisions for staff termination benefits: supplementary pension funds and INPS		258,622	213,126
Temporary staff		17,063	11,573
Remuneration and expenses paid to Directors		2,935	4,627
Redundancy payments		54,747	56,984
Net provisions for disputes with staff	[24.2]	431,428	264,666
Solidarity Fund provisions (releases of provisions)		-	(5,864)
Other staff costs/(cost recoveries)		(4,664)	1,822
<b>Total costs</b>		<b>6,245,211</b>	<b>5,919,142</b>
Income from fixed-term contracts settlement of 10 July 2008		(203,104)	-
Curtailment of staff termination benefits	[25.1]	-	(54,919)
<b>Total</b>		<b>6,042,107</b>	<b>5,864,223</b>

Cost items relating to staff termination benefits are described in note 25.

The General Meeting of Poste Italiane SpA's shareholders held on 29 May 2008 elected the new Board of Directors, reducing the number of members from 11 to 5. Details of the remuneration paid to Directors are provided below:

### 37.2 - Remuneration and expenses paid to Directors

Item	2008	2007
Remuneration	2,707	4,432
Expenses	228	195
<b>Total</b>	<b>2,935</b>	<b>4,627</b>

Net provisions for disputes with staff are described in note 24.2.

Cost recoveries relating to the Parent Company primarily regard the partial reimbursement of training expenses received from the Solidarity Fund set up by INPS to provide income support. This item also refers to revised estimates for previous years. As in 2006, income from the fixed-term contracts settlement derives from the agreement reached on 10 July 2008 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. The agreement has resulted in conversion of the previous temporary contracts to permanent arrangements for approximately 6,000 staff who, at 10 July 2008, were employed by the Company by virtue of a judicial ruling that had not yet become final. This was effected by means of individual agreements, under which each member of staff waived any legal or financial claim deriving from the sentence requiring their re-employment. Moreover, at 31 December 2008 approximately 5,000 staff agreed to return any amounts paid by the Company for periods during which they did not work, and which the Company had charged to the income statement in previous years. These amounts, which are to be repaid in variable interest-free instalments by 2023, total approximately 225 million euros, representing gross salaries, contributions attributable to the Company and accrued termination benefits. Compared with the above face value of the amounts to be returned, the amount of 203,104 thousand euros recognised in the income statement for the year represents the present value of income deriving from the settlement. This present value was calculated on the basis of the expected cash flows deriving from collection of the amounts due, as established in the individual agreements, based on the forward yield curve for government securities at 31 December 2008. Further individual agreements have been reached in 2009.

The following table shows the Group's average and year-end headcounts by category:

### 37.3 - Headcount

Item	Average number		Year-end number	
	2008	2007	31 December 2008	31 December 2007
Senior managers	756	726	744	728
Middle managers	14,148	13,672	14,477	13,551
Operating units	130,149	131,930	129,517	129,245
General services	5,326	2,669	6,248	3,376
<b>Total permanent staff (*)</b>	<b>150,379</b>	<b>148,997</b>	<b>150,986</b>	<b>146,900</b>

(\*) Figures expressed in full-time equivalent terms.

Taking account of staff on flexible contracts, the average number of full-time equivalent staff in 2008 was 156,467 (156,527 in 2007).

## 38 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

These items break down as follows:

### 38.1 - Depreciation, amortisation and impairments

Item	2008	2007
Depreciation of property, plant and machinery	376,907	406,890
Operating properties	92,221	92,735
Plant and machinery	152,997	167,163
Industrial and commercial equipment	20,973	21,187
Leasehold improvements	25,527	39,488
Other assets	85,189	86,317
Impairments/Recoveries/Adjustments of property, plant and equipment	(51)	1,093
Depreciation of investment property	9,211	8,815
Impairments/Recoveries/Adjustments of investment property	(6,092)	(34)
Amortisation of intangible assets	158,765	155,945
Industrial patents and intellectual property rights	148,537	143,684
Concessions, licences, trademarks and similar rights	4,982	5,124
Other	5,246	7,137
Impairments/Recoveries/Adjustments of intangible assets	-	250
Impairment of goodwill arising from consolidation	1,212	-
<b>Total</b>	<b>539,952</b>	<b>572,959</b>

## 39 - CAPITALISED COSTS AND EXPENSES

This item breaks down as follows:

### 39.1 - Capitalised costs and expenses

Item	Note	2008	2007
Property, plant and equipment	[5]	2,448	2,785
Intangible assets	[7]	41,769	14,960
<b>Total</b>		<b>44,217</b>	<b>17,745</b>

## 40 - OTHER OPERATING COSTS

Other operating costs break down as follows:

### 40.1 - Other operating costs

Item	Note	2008	2007
Provisions and losses on doubtful debts (uses of provisions)		114,377	(79,711)
Provisions for receivables due from customers	[13.3]	56,832	(30,537)
Provisions for receivables due from parent	[13.5]	46,145	(57,896)
Provisions for receivables deriving from fixed-term contracts settlement	[11.1]	-	2,189
Provisions for sundry receivables	[15.2]	11,395	5,058
Impairments of receivables		5	1,475
Occurrence of operational risks		32,134	13,540
Robberies during the year	[26.5]	10,997	13,867
Reversal of BancoPosta assets, net of recoveries	[26.7]	2,884	(9,119)
Other operating losses of BancoPosta		18,253	8,792
Net provisions for liabilities and charges made/(used)		135,569	101,546
for disputes with third parties	[24.2]	45,990	35,551
for non-recurring charges	[24.2]	74,869	5,713
for other liabilities and charges	[24.2]	14,710	60,282
Losses		5,985	1,936
Municipal property tax, urban waste tax and other taxes and duties		46,088	30,430
Revised estimates and assessments for previous years		21,641	21,962
Other current costs		30,357	36,490
<b>Total</b>		<b>386,151</b>	<b>126,193</b>

## 41 - NET FINANCE INCOME/(COSTS)

### FINANCE INCOME

#### 41.1 - Finance income

Item	2008	2007
Income from available-for-sale financial assets	67,580	33,257
Interest/Other income <sup>(1)</sup>	37,435	19,983
Realised gains <sup>(2)</sup>	28,517	13,037
Dividends	1,628	237
Income from financial instruments at fair value through the income statement <sup>(1)</sup>	1,116	2,308
Non-recurring income from investments (note 8.3)	4,000	-
Other finance income <sup>(1)</sup>	221,242	195,200
Interest from parent <sup>(3)</sup>	82,202	117,524
Interest on investment of Parent Company's liquidity in BancoPosta portfolio	13,033	1,953
Interest on bank current accounts	32,890	15,155
Interest on fixed-term bank accounts	26,045	-
Finance income on discounted receivables <sup>(4)</sup>	57,817	49,343
Overdue interest	3,030	3,006
Impairment of amounts due as overdue interest	(2,939)	(2,972)
Finance income on forward purchases	1,320	9,186
Income from subsidiaries	78	60
Other	7,766	1,945
Foreign exchange gains	9,965	5,061
<b>Total</b>	<b>303,903</b>	<b>235,826</b>

Income from financial instruments other than those in which deposits collected by Poste Vita and BancoPosta are invested.

- For the purposes of reconciliation with the cash flow statement, for 2008 these items amount to 259,793 thousand euros (217,491 thousand euros in 2007).
- Including 26,636 thousand euros deriving from the sale of 150,000 Mastercard Inc. shares (note 9.4).
- Interest income from the parent includes:
  - interest earned by Poste Italiane SpA on its own liquidity deposited with the MEF, totalling 12,407 thousand euros (note 30.4);
  - 69,434 thousand euros as interest payable by the MEF under Law 887/84, to cover the accrued portion of the interest due on the loans issued by Cassa Depositi e Prestiti (note 9.2), including 13,625 thousand euros accrued in 2008 and 55,809 thousand euros accrued in previous years;
  - 361 thousand euros in interest on the Parent Company's account held at the Italian Treasury.
- Finance income on discounted receivables regards: 36,789 thousand euros in accrued interest on the amount due from the MEF (note 9.2), 16,585 thousand euros in interest on amounts due for the publisher tariff subsidies described in note 12.2, 3,566 thousand euros in interest on amounts due from staff under the fixed-term contracts settlement (note 11.1), and 877 thousand euros in interest on amounts due as Servizio Postale Universale (Universal Service Obligation) subsidies for 2005 and as payment for the distribution of euro converters, for which the collection period has been extended as a result of the 2006 Finance Act.

## FINANCE COSTS

### 41.2 - Finance costs

Item	Note	2008	2007
Finance costs on financial liabilities		119,660	129,515
On bonds		38,958	38,873
On shareholder loans		38,746	45,550
On bank borrowings		32,766	34,316
On other borrowings		8,692	9,776
Paid to the parent		315	437
On derivative financial instruments		146	498
On amounts payable to subsidiaries		37	65
Finance costs on sundry financial activities <sup>(1)</sup>		20,334	-
Realised losses on available-for-sale financial assets		907	-
Impairment of available-for-sale financial assets		9,205	-
Fair value losses on financial instruments at fair value through the income statement		5,269	-
Realised losses on financial instruments at fair value through the income statement		4,953	-
Finance costs on provisions for staff termination benefits	[25.1]	74,886	75,077
Interest on amounts payable under EC Decision of 16 July 2008	[20]	19,673	-
Other finance costs		17,548	24,816
Finance costs on provisions for liabilities	[24.2]	2,525	8,322
Finance costs on discounted amounts payable to Solidarity Fund		4,442	-
Finance costs on forward purchases		4,216	10,995
Other		6,365	5,499
Foreign exchange losses <sup>(2)</sup>		5,409	5,117
<b>Total</b>		<b>257,510</b>	<b>234,525</b>

(1) This item regards charges incurred on financial instruments other than those in which deposits collected by Poste Vita and BancoPosta are invested.

(2) For the purposes of reconciliation with the cash flow statement, for 2008 finance costs, after foreign exchange losses, amount to 252,101 thousand euros (229,408 thousand euros in 2007).

## 42 - TAXATION

### 42.1 - Taxation

Item	2008	2007
Current tax expense	746,017	804,500
Substitute tax	83,010	-
Deferred tax assets	(82,640)	139,439
Deferred tax liabilities	(109,633)	(9,801)
<b>Total</b>	<b>636,754</b>	<b>934,138</b>

Current taxation for 2008 includes 27,530 thousand euros represented by the recovery of excess taxation paid by Group companies, as a result of the non-deductibility of 10% of IRAP between 2004 and 2006. The right to a rebate arose following a specific claim filed previously and was recognised pursuant to art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009 (note 14).

During 2008 the Parent Company and the subsidiaries, Postel SpA, PostelPrint SpA and SDA Express Courier SpA exercised the option to deduct off-book tax deductions applied between 2004 and 2007 in return for payment of the related charge for substitute tax of 83,010 thousand euros. As a result, deferred tax liabilities were recalculated, giving rise to non-recurring income of 147,998 thousand euros (note 10.4). The net effect of this transaction was to reduce tax expense by 64,988 thousand euros.

Based on the above, taxation for the year has benefited from non-recurring income of 92,518 thousand euros.

## **43 - RELATED PARTY TRANSACTIONS**

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### **IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The impact of related party transactions on the financial position and results of operations is shown in the following tables 43.1 and 43.4.

## 43.1 - Impact of related party transactions on the financial position at 31 December 2008

Name	Balance at 31 December 2008							
	Financial assets	Assets attrib. to BancoPosta	Trade receivables	Other assets	Financial liabilities	Liabilities attrib. to BancoPosta	Trade payables	Other liabilities
<b>Subsidiaries</b>								
Address Software Srl	-	-	246	62	-	5	1,067	-
Consorzio Poste Contact	-	-	983	-	-	1,489	4	-
Consorzio Poste Welfare	-	-	25	-	-	1,203	1	-
Docutel SpA	-	-	1,831	11	-	1	3,493	-
Poste Assicura SpA	-	-	444	-	20	33	1,649	-
Poste Tributi ScpA	-	-	1,029	-	804	64	2,270	-
Poste Voice SpA	-	-	88	-	-	1,543	1,021	-
<b>Joint ventures</b>								
Italia Logistica Srl	1,187	-	3,008	-	-	3	6,188	59
Uptime SpA	-	-	41	-	-	-	4,208	-
<b>Associates</b>								
Docugest SpA	-	-	435	-	-	-	2,632	-
Consorzio ANAC	-	-	-	-	-	20	-	-
Other SDA Group associates	-	-	2,669	-	-	-	669	6
<b>Related parties external to the Group</b>								
Ministry of the Economy and Finance	905,549	5,546,358	1,034,104	6,302	-	(120,194)	158,359	497,712
Direct relations	905,549	5,546,358	957,534	6,302	-	(120,194)	-	497,712
Agencies and other local offices	-	-	76,570	-	-	-	-	-
Former government procurement department	-	-	-	-	-	-	158,359	-
Cassa Depositi e Prestiti SpA	102,230	-	755,381	-	840,235	692,650	-	-
Anas SpA	-	-	48	-	-	-	-	-
CONI Servizi SpA	-	-	69	-	-	-	19	-
Consap SpA	-	-	1	-	-	-	-	-
Consip SpA	-	-	880	-	-	-	-	-
Enav SpA	-	-	176	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	2,520	-
Fondoposte Pension Fund	-	-	-	-	-	-	-	53,287
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	-	-	24	-	-	-	-	-
Alitalia Group	-	-	954	-	-	-	14,197	-
Enel Group	-	-	49,725	-	-	-	1,788	-
Eni Group	-	-	12,243	-	-	-	19,212	-
Equitalia Group	-	-	17,646	-	-	-	921	-
Ferrovie dello Stato Group	-	-	542	-	-	-	8,602	-
Finmeccanica Group	-	-	33	-	-	-	84,228	-
Fintecna Group	-	-	19	-	-	-	-	-
RAI Group	-	-	15	-	-	-	1	-
GSE - Gestione Servizi Elettrici SpA	-	-	1	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	-	-	71	-	-	-	1,464	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	-	-	2	-	-	-	-	-
Sogei SpA	-	-	203	-	-	-	-	-
Provisions for doubtful receivables from related parties external to the Group	-	-	(84,542)	(6,298)	-	-	-	-
<b>Total</b>	<b>1,008,966</b>	<b>5,546,358</b>	<b>1,798,394</b>	<b>77</b>	<b>841,059</b>	<b>576,817</b>	<b>314,513</b>	<b>551,064</b>

At 31 December 2008 Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Group and regarding trading relations amount to 122,833 thousand euros.

## 43.2 - Impact of related party transactions on the financial position at 31 December 2007

Name	Balance at 31 December 2007							
	Financial assets	Assets attrib. to BancoPosta	Trade receivables	Other assets	Financial liabilities	Liabilities attrib. to BancoPosta	Trade payables	Other liabilities
<b>Subsidiaries</b>								-
Address Software Srl	-	-	261	-	-	-	568	-
Chronopost International Italia SpA (in liquidation)	-	-	5	-	-	-	18	-
Consorzio Poste Contact	-	-	668	-	-	291	3	-
Consorzio Poste Link	-	-	3,725	-	2	1,441	5	-
Consorzio Poste Welfare	-	-	12	-	-	24	-	-
Docutel SpA	-	-	1,087	6	-	1	2,746	-
Poste Assicura SpA	-	-	424	-	23	112	637	-
Poste Energia SpA	-	-	54	-	-	120	239	-
Poste Tributi ScpA	-	-	596	-	1,263	9	1,483	-
Postel do Brasil Ltda	70	-	-	-	-	-	-	-
<b>Joint ventures</b>								
Uptime SpA	450	-	146	-	-	-	4,919	-
<b>Associates</b>								
Docugest SpA	-	-	171	-	-	-	1,198	-
C - GLOBAL SpA (formerly GE.Po.)	-	-	158	-	-	29	1,310	-
Consorzio ANAC	-	-	-	-	-	18	-	-
Other SDA Group associates	-	-	2,179	-	-	-	714	6
<b>Related parties external to the Group</b>								
Ministry of the Economy and Finance	1,144,615	6,870,168	1,878,446	6,475	-	(204,340)	142,145	12,140
Direct relations	1,144,615	6,870,168	1,808,095	-	-	(204,340)	-	12,140
Agencies and other local offices	-	-	70,351	6,475	-	-	-	-
Former government procurement department	-	-	-	-	-	-	142,145	-
Cassa Depositi e Prestiti SpA	-	-	677,419	-	994,918	1,001,962	-	-
Anas SpA	-	-	48	-	-	-	-	-
CONI Servizi SpA	-	-	66	-	-	-	13	-
Consap SpA	-	-	1	-	-	-	-	-
Consip SpA	-	-	7	-	-	-	-	-
Enav SpA	-	-	174	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	2,564	-
Fondoposte Pension Fund	-	-	-	-	-	-	-	44,250
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	-	-	31	-	-	-	-	-
Alitalia Group	-	-	914	-	-	-	11,882	-
Enel Group	-	-	41,447	-	-	-	1,200	-
Eni Group	-	-	11,049	-	-	-	18,475	-
Equitalia Group	-	-	9,037	-	-	-	987	-
Ferrovie dello Stato Group	-	-	64	-	-	-	293	-
Finmeccanica Group	-	-	14	-	-	-	85,512	-
RAI Group	-	-	26	-	-	-	8	-
GSE - Gestione Servizi Elettrici SpA	-	-	2	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	-	-	56	-	-	-	1,127	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	-	-	4	-	-	-	-	-
Sogei SpA	-	-	273	-	-	-	-	-
Provisions for doubtful receivables from related parties external to the Group	-	-	(36,298)	(6,434)	-	-	-	-
<b>Total</b>	<b>1,145,135</b>	<b>6,870,168</b>	<b>2,592,266</b>	<b>47</b>	<b>996,206</b>	<b>799,667</b>	<b>278,046</b>	<b>56,396</b>

## 43.3 - Impact of related party transactions on the results of operations

Name	2008								
	Revenues			Costs					
	Revenues	Other operating income	Finance income	Investment		Current expenditure			
				PPE	Intangible assets	Goods and services	Staff costs	Other operating costs	Finance costs
<b>Subsidiaries</b>									
Address Software Srl	9	61	-	-	-	2,088	-	-	-
Chronopost International Italia SpA (in liquidation)	-	5	-	-	-	-	-	-	-
Consorzio Poste Contact	300	1	-	-	-	5	-	1	-
Consorzio Poste Welfare	22	-	-	-	-	1	-	-	-
Docutel SpA	28	1,997	-	-	-	4,809	-	-	-
Poste Assicura SpA	62	621	-	-	-	1,033	-	-	1
Poste Tributi ScpA	310	1,360	-	-	-	-	-	2,011	36
Poste Voice SpA	100	-	-	-	-	1,811	-	-	-
Postel do Brasil Ltda	-	-	38	-	-	-	-	-	199
<b>Joint ventures</b>									
Italia Logistica Srl	1,129	191	40	-	-	4,057	-	-	2
Uptime SpA	-	56	-	-	-	13,226	-	-	-
<b>Associates</b>									
Docugest SpA	134	52	-	-	-	5,263	-	-	-
<b>Related parties external to the Group</b>									
Ministry of the Economy and Finance	915,485	366	119,868	-	-	-	-	48,109	19,988
Direct relations	839,827	366	119,868	-	-	-	-	46,010	19,988
Agencies and other local offices	75,658	-	-	-	-	-	-	2,099	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti SpA	1,364,729	-	2,230	-	-	-	-	-	38,746
Anas SpA	603	-	-	-	-	-	-	-	-
CONI Servizi SpA	1,248	-	-	-	-	87	-	-	-
Consap SpA	129	-	-	-	-	-	-	-	-
Consip SpA	910	-	-	-	-	-	-	-	-
Enav SpA	231	58	-	-	-	-	-	-	-
EUR SpA	-	-	-	-	54	3,054	-	-	-
Fondoposte Pension Fund	84	35	-	-	-	-	18,411	-	-
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	82	-	-	-	-	-	-	-	-
Alitalia Group	616	-	-	-	-	26,936	-	-	-
Cinecittà Group	6	-	-	-	-	-	-	-	-
Enel Group	147,776	13	-	-	-	6,381	-	26	-
Eni Group	30,781	-	-	-	-	47,817	-	40	-
Equitalia Group	52,761	-	-	-	-	677	-	-	-
Ferrovie dello Stato Group	526	-	89	-	-	3,313	65	-	208
Finmeccanica Group	167	-	-	77,524	9,395	53,752	-	-	-
Fintecna Group	66	-	-	-	-	-	-	-	-
RAI Group	17,692	-	-	-	-	24	-	-	-
SACE Group	20	-	-	-	-	-	-	-	-
GSE - Gestione Servizi Elettrici SpA	87	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	4,728	-	-	-	-	17,711	-	156	-
Italia Lavoro SpA	11	-	-	-	-	-	-	-	-
Sicot Srl	56	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	11	-	-	-	48	-	-	-	-
Sogei SpA	421	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,541,320</b>	<b>4,816</b>	<b>122,265</b>	<b>77,524</b>	<b>9,497</b>	<b>192,045</b>	<b>18,476</b>	<b>50,343</b>	<b>59,180</b>

At 31 December 2008 Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Group and regarding trading relations amount to 67,466 thousand euros. The net amount includes provisions of 75,000 thousand euros described in note 30.3.

## 43.4 - Impact of related party transactions on the results of operations

Name	2007								
	Revenues			Costs					
	Revenues	Other operating income	Finance income	Investment		Current expenditure			
				PPE	Intangible assets	Goods and services	Staff costs	Other operating costs	Finance costs
<b>Subsidiaries</b>									
Address Software Srl	67	250	16	-	-	2,342	-	-	-
Chronopost International Italia SpA (in liquidation)	-	302	-	-	-	11	-	31	-
Consorzio Poste Contact	559	-	4	-	-	-	-	-	-
Consorzio Poste Link	3,839	45	-	-	-	6	-	-	1
Consorzio Poste Welfare	20	-	-	-	-	-	-	-	-
Docutel SpA	1,280	293	-	-	-	4,477	-	-	-
Poste Assicura SpA	63	744	-	-	-	30	-	615	1
Poste Energia SpA	1	53	-	-	-	239	-	-	-
PosteMobile SpA	-	-	-	-	-	-	-	-	-
Poste Tributi SpA	42	1,032	1	-	-	-	-	1,194	63
Postel do Brasil Ltda	-	-	39	-	-	-	-	-	760
<b>Joint ventures</b>									
Uptime SpA	-	132	-	-	-	14,227	-	-	-
<b>Associates</b>									
Docugest SpA	388	69	252	-	-	5,250	-	-	-
C-GLOBAL SpA (formerly Ge.Po.)	39	-	-	-	-	1,243	-	-	-
<b>Related parties external to the Group</b>									
Ministry of the Economy and Finance	1,464,802	370	163,703	-	-	-	-	(56,743)	437
Direct relations	1,389,991	-	163,703	-	-	-	-	(57,877)	437
Agencies and other local offices	74,811	370	-	-	-	-	-	1,134	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti SpA	1,210,592	-	-	-	-	-	-	-	45,550
Anas SpA	663	-	-	-	-	-	-	-	-
CONI Servizi SpA	1,136	-	-	-	-	380	-	-	-
Consap SpA	78	-	-	-	-	-	-	-	-
Consip SpA	50	-	-	-	-	-	-	-	-
Enav SpA	235	51	-	-	-	-	-	-	-
EUR SpA	-	-	-	3	-	3,656	-	-	-
Fondoposte Pension Fund	16	-	-	-	-	-	13,681	-	-
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	98	-	-	-	-	-	-	-	-
Alitalia Group	1,094	247	-	-	-	26,942	-	-	-
Cinecittà Group	15	-	-	-	-	-	-	-	-
Enel Group	143,237	17	-	119	-	22,216	-	80	-
Eni Group	27,407	-	-	-	-	31,729	-	-	-
Equitalia Group	45,669	-	-	-	-	280	-	-	-
Ferrovie dello Stato Group	387	-	-	-	-	1,062	-	-	-
Finmeccanica Group	109	-	-	88,789	2,460	60,387	-	-	-
Fintecna Group	25	-	-	-	-	-	-	-	-
RAI Group	15,722	-	-	-	-	64	-	-	-
SACE Group	33	-	-	-	-	-	-	-	-
GSE - Gestione Servizi Elettrici SpA	56	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	5,401	-	-	-	-	18,362	-	259	-
Italia Lavoro SpA	30	-	-	-	-	-	-	-	-
Sicot Srl	58	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	10	-	-	-	-	4	-	-	-
Sogei SpA	1,054	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,924,275</b>	<b>3,605</b>	<b>164,015</b>	<b>88,911</b>	<b>2,460</b>	<b>192,907</b>	<b>13,681</b>	<b>(54,564)</b>	<b>46,812</b>

The nature of the principal transactions between the Parent Company and related parties external to the Group is summarised below.

- Amounts received from the MEF primarily refer to payment for carrying out the Servizio Postale Universale (Universal Service Obligation - USO), the management of postal current accounts, as reimbursement for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, and for collection of tax returns. The costs incurred primarily regard the supply of paper, forms, stamps and printed matter.
- Amounts received from CDP SpA primarily refer to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily refer to payment bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services, etc. The costs incurred primarily regard the supply of electricity.
- Amounts received from the ENI Group primarily refer to payment for bulk mail shipments, etc. The costs incurred primarily regard the supply of fuel for motorcycles and vehicles and the supply of gas.
- Amounts received from the Equitalia Group primarily refer to payment for the integrated notification service and for unfranked mail. The costs incurred primarily regard electronic transmission of tax collection data.
- Amounts received from the Finmeccanica Group primarily refer to payment per mail franked directly using mechanised franking machines. The costs incurred primarily regard the supply of equipment, maintenance and technical assistance for mechanised sorting equipment (Elsag), and systems and IT assistance regarding the creation of document storage facilities, specialist consulting and software maintenance, and the supply of software licences (Datamat).
- Finally, the costs incurred for services provided to the Alitalia Group, which from 2009 is no longer a related party, primarily regard the supply of air transport for mail.

## KEY MANAGEMENT PERSONNEL

Key management personnel refers to Directors of the Parent Company, Poste Italiane SpA's first-line managers and senior management in the most important Group companies. The related remuneration, including social and pension contributions, is as follows:

### 43.5 - Remuneration of key management personnel

Item	2008	2007
Remuneration paid in short term	13,546	14,594
Post-employment benefits	3,261	2,590
<b>Total</b>	<b>16,807</b>	<b>17,184</b>

No loans were granted to key management personnel during the year and at the end of the reporting period the Parent Company does not report receivables in respect of loans granted to such personnel.

## TRANSACTIONS WITH STAFF PENSIONS FUNDS

The Parent Company and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, which is the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's Bylaws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. Among other things, the Fund's Board of Directors takes decisions regarding:

- the general criteria for the allocation of investment risk and for investment policies;
- the choice of fund manager and depositary bank.

## 44 - OTHER INFORMATION

### POSTAL SAVINGS DEPOSITS

Postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti are shown in the table below, which breaks deposits down by category.

#### 44.1 - Postal savings deposits

Item	Balance at 31 December 2008	Balance at 31 December 2007
Postal savings books	81,800,655	76,286,935
Interest-bearing Postal Certificates:	185,542,713	184,136,133
<i>Cassa Depositi e Prestiti</i>	95,696,530	82,953,266
<i>Ministry of the Economy and Finance</i>	89,846,183	101,182,867
<b>Total</b>	<b>267,343,368</b>	<b>260,423,068</b>

The above amounts include accrued and unpaid interest.

### ASSETS UNDER MANAGEMENT

Total assets under management by BancoPosta Fondi SpA SGR, consisting of the fair value of units measured on the last working day of the year, are shown below:

#### 44.2 - Assets under management

Item	Balance at 31 December 2008	Balance at 31 December 2007
Collective funds		
Internally managed funds	2,351,197	2,880,631
Third-party fund management	343,435	394,001
<b>Total</b>	<b>2,694,632</b>	<b>3,274,632</b>

Average assets under management within the context of BancoPosta Fondi SpA SGR's proprietary mutual investment funds amount to 2,969 million euros for 2008 (3,352 million euros for 2007). The company also manages Poste Vita SpA's investments linked to its separately managed accounts.

## COMMITMENTS

Purchase commitments given primarily by the Parent Company are summarised below. Commitments regarding securities relate to the subsidiary, BancoPosta Fondi SpA SGR.

### 44.3 - Commitments

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Purchase commitments:</b>		
Goods and services	617,576	556,357
Property leases	466,931	429,719
Property, plant and equipment	183,128	253,110
Intangible assets	88,404	99,143
Investment property	33	78
<b>Securities repurchase and resale agreements:</b>		
Securities to be delivered for transactions to be settled	27,549	173,769
Securities to be received for transactions to be settled	7,425	172,619
<b>Total</b>	<b>1,391,046</b>	<b>1,684,795</b>

Future commitments with respect to property leases (see note 34.4), which may generally be broken off with six months' notice, break down as follows according to due date:

### 44.4 - Property lease commitments

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Lease rentals due:</b>		
Within 12 months	134,583	123,864
Between 2 and 5 years	312,245	283,566
After 5 years	20,103	22,289
<b>Total</b>	<b>466,931</b>	<b>429,719</b>

## GUARANTEES

Personal guarantees issued by the Group are as follows:

### 44.5 - Guarantees

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Sureties and other guarantees issued</b>		
Issued by the Group in its own interests in favour of third parties	4,475	5,244
Issued by banks in the interests of Group companies in favour of third parties	90,236	70,509
<b>Total</b>	<b>94,711</b>	<b>75,753</b>

## THIRD-PARTY ASSETS

### 44.6 - Third-party assets

Item	Balance at 31 December 2008	Balance at 31 December 2007
Securities subscribed by customers held by third-party banks	23,659,959	21,364,251
Other assets	350,000	1,270,400
<b>Total</b>	<b>24,009,959</b>	<b>22,634,651</b>

Other third-party assets almost entirely relate to revenue stamps that the Parent Company was required to sell and distribute under the Agreement with the MEF of 17 March 1995.

From 1 January 2007, the 2007 Finance Act requires stamp duty to be paid electronically via the issue of a specific receipt by the authorised intermediary. As a result, based on the instructions contained in a memorandum issued by the tax authorities on 29 December 2006, from 1 January 2007 Poste Italiane SpA has suspended the distribution and sale (including on its own behalf) of all revenue stamps, with the exception of forms for bills of exchange. Despite the fact that there is limited market demand for the stamps held in stock by the Parent Company, Poste Italiane SpA is required to continue to hold them.

## ASSETS IN THE PROCESS OF ALLOCATION

At 31 December 2008 the Parent Company has paid a total of 399,265 thousand euros in claims on behalf of the Ministry of Justice (488,942 thousand euros at 31 December 2007), for which, under the agreement between Poste Italiane and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

## LITIGATION

In 2008 the Court of Naples notified the Parent Company that it had completed its preliminary investigation of an alleged non-compliance with certain requirements of Legislative Decree 231/01, committing all the defendants for trial. Poste Italiane SpA is accused, as a result of failing to implement appropriate preventive measures at organisational and operational level, of permitting the deliberate overestimation of postal savings deposits in 2003, in order to receive an unjustifiable amount of fees from the Cassa Depositi e Prestiti. Whilst it is not possible to predict the outcome of the trial, it should be noted that the financial and commercial effects of the dispute have been reflected in the financial statements for previous years, and that Poste Italiane SpA has for some time now taken appropriate organisational and operational steps to comply with the requirements of Legislative Decree 231/01.

## PROCEEDINGS PENDING BEFORE THE AUTHORITIES

### European Commission

The European Commission's investigation of the Parent Company, in response to the complaint filed by the Italian Bankers' Association (ABI) in 2005, alleging that State aid had been given in the form of fees paid for the distribution of postal savings products and the remuneration received in return for the use of current accounts to attract deposits, was completed during the year.

The investigation of the fees received from Cassa Depositi e Prestiti for the distribution of post office savings books was resolved to the Parent Company's satisfaction in November 2006, whilst the Commission's investigation of the distribution and management of Postal Certificates was completed on 21 October 2008, with the decision that the related fees received during the period 2000-2006 did not constitute State aid.

With respect to the remuneration on postal current account deposits received from the MEF under the Agreement of 23 February 2006, on 16 July 2008 the European Commission issued a Decision finding against the arguments submitted by the Italian authorities. The resulting impact is described in note 18. The Company filed appeal against the Commission's decision before the European Community's Court of First Instance on 1 December 2008.

## 45 - INFORMATION ON INVESTMENTS

### 45.1 - List of investments consolidated on a line-by-line basis

Name (registered office)	% interest	Share capital	Profit/(Loss) for year	Equity
Banco Posta Fondi SpA SGR (Rome)	100%	12,000	9,795	34,303
Consorzio Logistica Pacchi ScpA (Rome)	97.5%	516	-	516
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome) <sup>(*)</sup>	100%	120	-	120
Europa Gestioni Immobiliari SpA (Rome)	100%	103,200	37,592	397,342
Mistral Air Srl (Rome)	100%	530	(7,056)	(1,322)
Postecom SpA (Rome)	100%	6,450	3,756	41,297
PosteMobile SpA (Rome) <sup>(*)</sup>	100%	2,582	(12,689)	2,715
Poste Energia SpA (Rome) <sup>(*)</sup>	100%	120	227	411
Poste Italiane Trasporti SpA (Rome)	100%	1,020	258	4,619
Poste Link Scrl (Rome) <sup>(*)</sup>	100%	200	1,713	2,054
Poste Tutela SpA (Rome)	100%	153	842	6,406
Poste Vita SpA (Rome) <sup>(*)</sup>	100%	561,608	64,122	965,561
Postel SpA (Rome)	100%	20,400	12,354	118,396
PostelPrint SpA (Rome)	100%	7,140	5,489	28,466
PosteShop SpA (Rome)	100%	2,582	484	7,326
SDA Express Courier SpA (Rome)	100%	54,600	302	104,460

(\*) The figures for these companies have been calculated under IFRS, and are not, therefore, consistent with those contained in the financial statements prepared under Italian GAAP.

### 45.2 - List of investments accounted for using proportionate consolidation

Name (registered office)	% interest	Assets		Liabilities		Revenues	Profit/(Loss) for year
		current	non-current	current	non-current		
Italia Logistica Srl (Rome) <sup>(*)</sup>	50%	46,917	13,248	47,407	1,367	45,641	(546)

(\*) From 1 August 2008 the company is accounted for using proportionate consolidation. The number of staff at 31 December 2008 totals 77.

### 45.3 - List of investments in entities accounted for using the equity method

Name (registered office)	% interest	Assets	Liabilities	Revenues	Profit/(Loss) for the year
Address Software Srl (Rome)	51.00%	1,387	1,272	2,685	(104)
Chronopost International Italia SpA (in liquidation) (Rome) <sup>(a)</sup>	51.00%	575	469	11	(57)
Consorzio ANAC (Rome)	30.00%	42	9	-	-
Consorzio Poste Contact (Rome)	100.00%	3,938	3,568	4,271	250
Consorzio Poste Welfare (Rome) <sup>(b)</sup>	51.00%	1,532	1,522	1,111	-
Docugest SpA (Parma) <sup>(c)</sup>	50.00%	6,099	3,231	10,226	320
Docutel Communications Services SpA (Siena)	85.00%	4,937	3,474	6,136	108
Poste Assicura SpA (Rome)	100.00%	2,723	524	1,000	53
Poste Tributi ScpA (Rome)	90.00%	3,561	978	105	-
Poste Voice SpA (Rome)	100.00%	2,652	2,428	1,970	(94)
Postel do Brasil Ltda (Brasilia) <sup>(c)</sup>	99.88%	834	756	-	12
Programma Dinamico SpA (Rome) <sup>(d)</sup>	-	241	114	112	7
Uptime SpA (Rome) <sup>(c)</sup>	20.00%	8,945	8,823	17,422	(119)

(a) Figures taken from the company's liquidation balance sheet at 6 June 2007.

(b) The Group's investment in Consorzio Poste Welfare is held by Consorzio Poste Contact.

(c) Figures taken from the company's latest approved financial statements for the year ended 31 December 2007.

(d) Figures taken from the company's latest approved financial statements for the year ended 31 December 2007; Group companies do not hold investments in Programma Dinamico SpA (note 2.2).

## 46 - EVENTS AFTER 31 DECEMBER 2008

Events after the end of the reporting period are described in the above notes. No other material events have taken place after 31 December 2008.

# ATTESTATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

## **Attestation of the separate and consolidated financial statements for the year ended 31 December 2008 pursuant to art. 154-bis of Legislative Decree 58/1998**

1. The undersigned, Massimo Sarmi, as Chief Executive Officer, and Alessandro Zurzolo, as Manager responsible for Poste Italiane SpA's financial reporting, having taken account:

- that Poste Italiane SpA, as a listed issuer which elected Italy as Home Member State, is required to comply with art.154-bis of Legislative Decree 58/1998 (Consolidated Law on Finance, here in after TUF), as amended by art.1 of Legislative Decree 195 of 2007, which implemented EU Directive 2004//109/EC (the Transparency Directive) into Italian law;
- of the events described in point 2 below,

attest to:

- the adequacy with regard to the nature of the Company and
- the effective application

of the administrative and accounting procedures adopted in preparation of the separate and consolidated financial statements during 2008

2. In this regard, it should be noted that:

2.1 as highlighted in the Internal Control-Integrated framework model issued by the Committee of Sponsoring Organization of the Treadway Commission, which represents the international standard body of generally accepted principles of internal control, as expressly referred to by Confindustria (the main organisation representing Italian manufacturing and services companies) in its Guidelines for the role of Manager responsible for financial reporting pursuant to art.154-bis of the TUF, an internal control system, no matter how well is designed and operated, can only provide reasonable, not absolute assurance that the company's objectives will be achieved, including true and fair financial reporting;

2.2 the rationalization process of the existing administrative and accounting procedures, with a view to focusing such procedures on the internal control system applied to financial reporting, has been completed. Other activities, including the review of the effective application of administrative and accounting procedures, are in progress and a number are expected to be completed after the end of 2009.

3. We also attest that:

3.1 the separate and consolidated financial statements:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the Company and its subsidiaries included in the basis of consolidation.

3.2 the Directors' Report on Operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy 23 March 2009

Chief Executive Officer  
Massimo Sarmi

Manager responsible for financial reporting  
Alessandro Zurzolo

*(This certification has been translated from the original which was issued in accordance with Italian legislation)*

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE POSTE ITALIANE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

## To the Shareholders of Poste Italiane SpA

The consolidated financial statements of the Poste Italiane Group for the year ended 31 December 2008, which report profit for the year of 882,582 thousand euros (843,649 thousand euros for the year ended 31 December 2007), have been prepared by the Parent Company, in accordance with the provisions of EC Regulation 1606/2002, under international financial reporting standards (IFRS). The financial statements consist of the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of recognised income and expense and the notes to the financial statements, accompanied by the Directors' Report on Operations.

The notes also provide a clear description of the basis of accounting used, the specific accounting standards chosen and applied, and the nature and value of related party transactions.

The balance sheet format uses the current/non-current distinction, whilst the income statement has been prepared using the nature of expense method, and the cash flow statement using the indirect method.

In addition, notes have systematically been provided regarding each item in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the statement of recognised income and expense, as required by IAS 1.

The reports of the boards of statutory auditors and independent auditors of consolidated companies, as submitted to Poste Italiane SpA, do not indicate critical issues of any significance.

The Board acknowledges that the independent auditors, PricewaterhouseCoopers SpA, issued their opinion on the consolidated financial statements on 8 April 2009.

Our review of the criteria adopted in the preparation of the consolidated financial statements, with particular reference to the basis of consolidation and the consistent application of accounting standards, did not reveal any significant aspects or information to be included in this Report.

Rome, Italy 7/8 April 2009

## THE BOARD OF STATUTORY AUDITORS

Silvana Amadori	- Chairperson
Ernesto Calaprice	- Auditor
Francesco Ruscigno	- Auditor

# INDEPENDENT AUDITORS' REPORT



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE  
2409 – TER OF THE CIVIL CODE**

**POSTE ITALIANE SPA**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2008**



PricewaterhouseCoopers SpA

## AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409 – TER OF THE CIVIL CODE

To the Shareholders of  
Poste Italiane SpA

- 1 We have audited the consolidated financial statements of Poste Italiane SpA and its subsidiaries ("Poste Italiane Group") as of 31 December 2008, which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of income and expenses recognised directly in equity and the related notes. The directors of Poste Italiane SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
  - 2 We conducted our audit in accordance with the Italian standards on auditing. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion. The responsibility for the audit of the financial statements of a subsidiary, representing 0.06 per cent of consolidated assets and 0.23 per cent of the consolidated revenues, lies with other auditors.
- For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.
- 3 In our opinion, the consolidated financial statements of Poste Italiane SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Poste Italiane Group for the year then ended.

Seedi legale e amministrativa: Milano 20149 Via Merle Pese 81 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.408,00 Euro (i.e., C.F. e P.IVA e Reg. Imp. Milano 12079880155 iscritta al n. 43 dell'Albo Coesisti - Altri Uffici: Bari 70125 Viale della Repubblica 110 Tel. 0804238863 - Bologna 40122 Via delle Lanze 111 Tel. 05126611 - Brescia 25123 Via Borgo Piero Wulfer 23 Tel. 030397921 - Firenze 50123 Viale Milton 85 Tel. 0554027100 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Napoli 80121 Piazza del Martiri 58 Tel. 08136181 - Padova 35137 Largo Europa 16 Tel. 0498762677 - Palermo 90141 Via Marchese Ugo 80 Tel. 091346737 - Parma 43100 Viale Tanara 20/A - Tel. 0521242448 - Ravenna 48154 Largo Foschelli 23 Tel. 05470251 - Treviso 31129 Corso Montebellio 37 Tel. 042252771 - Trieste 34108 Via Garibaldi 73 Tel. 0431337054 - Treviso 31100 Viale Fossard 90 Tel. 0422866611 - Trieste 34125 Via Cesare Battisti 18 Tel. 0431480781 - Udine 33100 Via Pascoffe 43 Tel. 043223789 - Verona 37122 Corso Porta Nuova 125 Tel. 045832581



- 4 We draw your attention to the disclosure provided by the directors in note no. 20 "Transactions with shareholders" of the financial statements of Poste Italiane SpA as at 31 December 2008 regarding the decision of the European Commission dated 16 July 2008. Such decision designated as a State aid the remuneration of current accounts received, in compliance with the applicable law, by Poste Italiane SpA for the three years 2005, 2006 and 2007 from the Ministry of Economy and Finance.
- 5 The directors of Poste Italiane SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 2409 – ter, paragraph 2, letter e), of the Civil Code. For this purpose, we have performed the procedures required under Auditing Standard n.001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the consolidated financial statements of Poste Italiane SpA as of 31 December 2008.

Roma, 8 April 2009

PricewaterhouseCoopers SpA

Signed by

Luciano Festa  
(Partner)

**"This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report".**

(2)

# Poste Italiane SpA Financial statements

for the year ended 31 December 2008  
Statements and notes



Titolari  
Postamat

Pagamenti  
e Spedizioni

Titolari  
Postam

PosteSelf

**Versamenti  
Prelievi  
Risparmio**



**To those who entrust us with their message.  
We know how important it is.**

**Pagamenti  
e Spedizioni**





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# BALANCE SHEET

## ASSETS

(€)	Note	31 December 2008	related party transactions (note 37)	31 December 2007	related party transactions (note 37)
<b>Non-current assets</b>					
Property, plant and equipment	[4]	3,065,542,343	-	2,989,108,737	-
Investment property	[5]	90,932,287	-	108,127,410	-
Intangible assets	[6]	301,101,727	-	245,674,599	-
Investments	[7]	1,058,132,600	1,058,132,600	1,052,749,927	1,052,749,927
Financial assets	[8]	1,267,840,327	1,020,838,092	961,236,361	778,723,624
Deferred tax assets	[9]	553,771,084	-	469,878,751	-
Other assets	[10]	441,754,223	-	390,581,206	-
<b>Total</b>		<b>6,779,074,591</b>		<b>6,217,356,991</b>	
<b>Assets attributable to BancoPosta</b>	[14]	<b>38,909,191,471</b>	<b>5,546,358,076</b>	<b>38,940,311,289</b>	<b>6,870,168,285</b>
<b>Current assets</b>					
Trade receivables	[11]	3,333,804,732	1,998,429,586	3,958,008,232	2,796,213,661
Current tax assets	[12]	30,581,485	-	114,114,418	-
Other current receivables and assets	[13]	414,787,093	1,992,895	339,276,557	2,186,855
Financial assets	[8]	811,496,268	488,746,888	607,700,431	577,866,036
Cash and cash equivalents	[15]				
Fixed-term deposit (EC Decision of 16 July 2008)		485,572,317	-	-	-
Deposits and cash in hand		972,911,119	-	618,524,814	-
<b>Total</b>		<b>6,049,153,014</b>		<b>5,637,624,452</b>	
<b>Non-current assets held for sale</b>	[16]	<b>3,471,862</b>	-	<b>543,641</b>	-
<b>TOTAL ASSETS</b>		<b>51,740,890,938</b>		<b>50,795,836,373</b>	

## LIABILITIES AND EQUITY

(€)	Note	31 December 2008	related party transactions (note 37)	31 December 2007	related party transactions (note 37)
<b>Equity</b>					
Share capital	[17]	1,306,110,000	-	1,306,110,000	-
Reserves	[19]	258,415,681	-	4,479,268	-
Retained earnings		1,524,462,720	-	1,599,522,646	-
<b>Total Equity</b>		<b>3,088,988,401</b>		<b>2,910,111,914</b>	
<b>Non-current liabilities</b>					
Provisions for liabilities and charges	[21]	257,919,500	33,393,254	290,921,479	41,315,320
Staff termination benefits	[22]	1,486,766,219	-	1,451,781,270	-
Financial liabilities	[23]	2,029,562,067	679,517,331	2,608,689,331	840,235,277
Deferred tax liabilities	[9]	231,816,596	-	319,852,186	-
Other liabilities	[26]	95,090,246	-	141,143,696	-
<b>Total</b>		<b>4,101,154,628</b>		<b>4,812,387,962</b>	
<b>Liabilities attributable to BancoPosta</b>	[14]	<b>37,206,088,506</b>	<b>671,679,728</b>	<b>37,500,168,708</b>	<b>965,288,018</b>
<b>Current liabilities</b>					
Provisions for liabilities and charges	[21]	825,287,193	89,439,541	517,005,523	17,311,116
Trade payables	[24]	1,751,142,184	541,345,963	1,676,957,120	468,871,027
Current tax liabilities	[25]	58,399,127	-	16,691,809	-
Other liabilities	[26]				
Other current payables and liabilities		1,489,894,998	103,716,732	1,467,376,188	75,612,771
Amount payable to parent (EC Decision of 16 July 2008)		485,572,317	485,572,317	-	-
Financial liabilities	[23]	2,734,363,584	306,478,262	1,895,137,149	233,629,852
<b>Total</b>		<b>7,344,659,403</b>		<b>5,573,167,789</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>51,740,890,938</b>		<b>50,795,836,373</b>	

## INCOME STATEMENT

(€)	Note	2008	<i>related party transactions (note 37)</i>	2007	<i>related party transactions (note 37)</i>
Revenues	[27]	9,825,420,194	2,783,208,954	9,809,497,168	3,131,418,710
<i>of which non-recurring</i>		-	-	-	-
Other income from financial activities	[28]	54,762,323	-	5,460,354	-
Other operating income	[29]	139,295,289	14,114,643	141,758,291	13,569,710
<i>of which non-recurring</i>		-	-	-	-
<b>Total revenues</b>		<b>10,019,477,806</b>		<b>9,956,715,813</b>	
Cost of goods and services	[30]	2,107,449,072	752,951,196	2,064,656,915	659,557,876
Other expenses deriving from financial activities	[31]	7,068,835	-	-	-
Staff costs	[32]	5,879,992,958	20,227,819	5,715,056,937	14,440,106
<i>of which non-recurring costs/(income)</i>		<i>(203,103,825)</i>	-	<i>(53,360,973)</i>	-
Depreciation, amortisation and impairments	[33]	492,034,658	-	527,855,821	-
Capitalised costs and expenses		(12,301,600)	-	-	-
Other operating costs	[34]	303,515,463	118,575,235	60,985,072	(45,889,269)
<i>of which non-recurring</i>		-	-	-	-
<b>Operating profit/(loss)</b>		<b>1,241,718,420</b>		<b>1,588,161,068</b>	
Finance costs	[35]	236,308,630	63,744,370	232,864,638	48,790,167
<i>of which non-recurring</i>		<i>19,673,038</i>	-	-	-
Finance income	[35]	269,813,396	146,503,901	232,034,863	193,063,772
<i>of which non-recurring</i>		-	-	-	-
<b>Profit/(Loss) before tax</b>		<b>1,275,223,186</b>		<b>1,587,331,293</b>	
Taxation	[36]	554,426,732	-	882,965,083	-
<i>of which non-recurring expense/(benefit)</i>		<i>(89,632,370)</i>	-	<i>25,464,379</i>	-
<b>PROFIT FOR THE YEAR</b>		<b>720,796,454</b>		<b>704,366,210</b>	

# CASH FLOW STATEMENT

(€)	Note	2008	2007
<b>Cash and cash equivalents at beginning of period</b>		<b>618,524,814</b>	<b>1,070,541,747</b>
Profit/(Loss) before tax		1,275,223,186	1,587,331,293
Depreciation, amortisation and impairments	[33]	492,034,658	527,855,821
Impairments of investments	[34]	12,336,556	3,904,176
Net provisions for staff	[32]	432,360,309	256,223,142
Net provisions for liabilities and charges	[34]	69,304,639	49,633,069
Use of provisions for liabilities and charges	[21]	(265,822,357)	(357,781,894)
Provisions for staff termination benefits	[22]	-	27,125,530
Termination benefits paid	[22]	(123,774,964)	(119,294,057)
(Gains)/Losses on disposals	[29]	(29,293,264)	(25,186,237)
(Dividends)	[35]	(1,200,976)	(17,237,582)
Dividends received		883,324	17,202,349
(Finance income realised)	[35]	(27,091,912)	(12,978,486)
(Finance income in form of interest)	[35]	(231,876,240)	(196,820,226)
Interest received		237,103,800	132,206,030
Interest expense and other finance costs	[35]	231,182,175	227,875,643
Interest paid		(128,437,849)	(145,501,418)
Losses and impairments/(Recoveries) on receivables	[34]	102,321,934	(86,132,409)
Tax and withholding tax paid		(636,517,972)	(1,117,269,694)
Other movements		32,157,949	(82,991,126)
<b>Cash generated by operating activities before movements in working capital</b>	<b>[a]</b>	<b>1,440,892,996</b>	<b>668,163,924</b>
<i>Movements in working capital:</i>			
(Increase)/Decrease in Trade receivables		573,777,046	262,029,503
(Increase)/Decrease in Other receivables and assets		(172,620,115)	44,099,586
Increase/(Decrease) in Trade payables	[24]	74,185,064	20,565,736
Increase/(Decrease) in Other liabilities		(45,278,870)	77,790,172
<b>Cash generated by/(used in) movements in working capital</b>	<b>[b]</b>	<b>430,063,125</b>	<b>404,484,997</b>
(Increase)/Decrease in liabilities attributable to BancoPosta		(305,184,447)	(2,682,334,937)
Net cash generated by/(used in) financial assets held for trading	[14]	(1,141,552,756)	-
Net cash generated by/(used in) available-for-sale investments	[14]	51,434,032	(41,547,916)
(Increase)/Decrease in other assets attributable to BancoPosta		1,018,391,739	1,387,066,132
<b>Cash generated by/(used in) financial assets and liabilities attributable to BancoPosta</b>	<b>[c]</b>	<b>(376,911,432)</b>	<b>(1,336,816,721)</b>
<b>Net cash flow from/(for) operating activities</b>	<b>[d]=[a+b+c]</b>	<b>1,494,044,689</b>	<b>(264,167,800)</b>
<b>- of which related party transactions</b>		<b>2,033,561,586</b>	<b>5,163,304,907</b>
<i>Investing activities:</i>			
Property, plant and equipment	[4]	(438,617,961)	(394,926,115)
Investment property	[5]	(651,892)	(1,197,518)
Intangible assets	[6]	(196,555,342)	(152,460,452)
Non-current assets held for sale	[16]	-	(12,895,200)
Investments	[7]	(17,719,229)	(18,486,654)
Other financial assets		(888,544,455)	(1,483,048)
Net cash used in held-to-maturity investments attributable to BancoPosta	[14]	(1,778,988,490)	(187,136,588)
<i>Disposals:</i>			
Property, plant and equipment, investment property and assets held for sale		55,489,969	44,602,775
Other financial assets		145,593,461	55,539,311
Net cash generated by held-to-maturity investments attributable to BancoPosta	[14]	2,256,737,700	-
<b>Net cash flow from/(for) investing activities (*)</b>	<b>[e]</b>	<b>(863,256,239)</b>	<b>(668,443,489)</b>
<b>- of which related party transactions</b>		<b>(517,085,836)</b>	<b>(87,089,016)</b>
Proceeds from/(Repayments of) long-term borrowings		(170,798,818)	(211,531,617)
(Increase)/Decrease in loans and receivables	[8]	197,076,706	223,273,273
Increase/(Decrease) in short-term borrowings		427,892,284	698,021,224
Dividends paid	[18]	(245,000,000)	(229,168,524)
Establishment of fixed-term deposit (EC Decision of 16 July 2008)	[15]	(485,572,317)	-
<b>Net cash flow from/(for) financing activities and shareholder transactions</b>	<b>[f]</b>	<b>(276,402,145)</b>	<b>480,594,356</b>
<b>- of which related party transactions</b>		<b>(135,792,830)</b>	<b>(157,198,384)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>[g]=[d+e+f]</b>	<b>354,386,305</b>	<b>(452,016,933)</b>
<b>Cash and cash equivalents at end of period</b>	<b>[15]</b>	<b>972,911,119</b>	<b>618,524,814</b>

(\*) This item includes BancoPosta's investments in held-to-maturity investments.

## STATEMENT OF CHANGES IN EQUITY

(€)	Note	Equity			Total
		Share capital	Reserves	Retained earnings/ (Accumulated losses)	
<b>Restated balance at 1 January 2007</b>		<b>1,306,110,000</b>	<b>55,521,662</b>	<b>1,109,789,758</b>	<b>2,471,421,420</b>
Appropriation of profit to Reserves	[19]	-	24,996,930	(24,996,930)	-
Actuarial gains/(Losses) on Staff termination benefits recognised in Equity (after tax effect of 15,400,428 euros)	[22.1]	-	-	39,532,132	39,532,132
Gains/(Losses) on available-for-sale financial assets recognised in Equity (after tax effect of 46,522,774 euros)	[19]	-	107,615,373	-	107,615,373
Movement in Cash flow hedge reserve (net of tax effect of 86,033,044 euros)	[19]	-	(183,654,697)	-	(183,654,697)
Shareholder transactions	[18]	-	-	(229,168,524)	(229,168,524)
Profit/(Loss) for 2007		-	-	704,366,210	704,366,210
<b>Restated balance at 31 December 2007</b>		<b>1,306,110,000</b>	<b>4,479,268</b>	<b>1,599,522,646</b>	<b>2,910,111,914</b>
Appropriation of profit to Reserves	[19]	-	37,194,917	(37,194,917)	-
Actuarial gains/(Losses) on Staff termination benefits recognised in Equity (after tax effect of 39,748,165 euros)	[22.1]	-	-	(55,203,053)	(55,203,053)
Gains/(Losses) on available-for-sale financial assets recognised in Equity (after tax effect of 75,063,859 euros)	[19]	-	155,786,750	-	155,786,750
Movement in Cash flow hedge reserve (net of tax effect of 28,739,815 euros)	[19]	-	60,954,746	-	60,954,746
Shareholder transactions	[18]	-	-	(245,000,000)	(245,000,000)
Other shareholder transactions (after tax effect of 5,778,941 euros)	[18]	-	-	(458,458,410)	(458,458,410)
Profit/(Loss) for 2008		-	-	720,796,454	720,796,454
<b>Balance at 31 December 2008</b>		<b>1,306,110,000</b>	<b>258,415,681</b>	<b>1,524,462,720</b>	<b>3,088,988,401</b>

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

(€)	Note	2008	2007
Available-for-sale financial assets:			
Increase/(Decrease) in fair value during the year	[19.1]	277,974,863	154,269,669
Transfers to the income statement		(47,124,254)	(131,522)
Cash flow hedges:			
Increase/(Decrease) in fair value during the year	[19.1]	23,643,069	(333,312,249)
Transfers to the income statement		66,051,492	63,624,508
Actuarial gains/(losses) on Staff termination benefits	[22.1]	(94,951,218)	54,932,561
Tax on items recognised directly in, or transferred to, Equity	[9.2]	(64,055,509)	24,109,842
<b>Income/(Expenses) recognised directly in Equity</b>		<b>161,538,443</b>	<b>(36,507,191)</b>
<b>Profit/(Loss) for the year</b>		<b>720,796,454</b>	<b>704,366,210</b>
<b>TOTAL RECOGNISED INCOME/(EXPENSE) FOR THE YEAR</b>		<b>882,334,897</b>	<b>667,859,019</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1 - INTRODUCTION

---

Poste Italiane SpA derives from the conversion of the Public Entity, Poste Italiane, under Resolution 244 of 18 December 1997 passed by the Interministerial Economic Planning Committee. The Company's registered office is at Viale Europa 190, Rome (Italy) and it is 65% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti SpA (CDP).

The Company provides a Universal Postal Service in Italy, whilst offering integrated communication, logistics, financial and insurance products and services throughout the country via its national network of around 14,000 Post Offices. The Company operates in the three segments of Postal Services, Financial Services and Insurance Services, which are supplied by the various business units and Group companies. Postal Services include Mail, Express Delivery, Logistics and Parcels, and Philately. Financial Services regard the activities of BancoPosta listed in art. 2 of Presidential Decree 144 of 14 March 2001, and primarily refer to the collection of public deposits in all their forms, the supply of payment services, foreign currency trading, the promotion and marketing of loans issued by banks and other authorised financial institutions, and the provision of investment services. Poste Italiane SpA increasingly aims to supply integrated services and innovative solutions to the general public, to firms and to central and local government by exploiting its own distribution channels as well as the multiple and complementary competencies of its business units.

These financial statements for the year ended 31 December 2008 have been prepared in euros, the currency of the economy in which the Company operates. The financial statements consist of the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of recognised income and expense and the following notes to the financial statements. All amounts shown in the notes to the financial statements are in thousands of euros, unless otherwise stated.

Poste Italiane SpA's consolidated financial statements are published together with this document.

## 2 - BASIS OF ACCOUNTING

### 2.1 - BASIS OF PREPARATION

Poste Italiane SpA prepares its financial statements under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union in EC Regulation 1606/2002 of 19 July 2002, and pursuant to Legislative Decree 38 of 20 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee or SIC), adopted by the European Union and contained in the EU regulations published through to 23 March 2009, the date on which the Board of Directors of Poste Italiane SpA approved these financial statements. Legislative Decree 195 of 6 November 2007, which implemented Directive 2004/109/EC that standardised the transparency requirements relating to the information published by issuers whose financial instruments are traded on a regulated market (the so-called Transparency Directive), has amended Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act), introducing the definition "listed issues whose home member State is Italy". Given that Poste Italiane SpA falls within this definition as an issuer of bonds listed on the Luxembourg Stock Exchange, during preparation of this document the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 were taken into account.

The accounting policies adopted reflect the fact that the Company will remain fully operational in the foreseeable future, in accordance with the going concern assumption. The accounting policies are described in note 2.2 and are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2007.

The balance sheet has been prepared on the basis of the current/non-current distinction. The format of the income statement is based on the nature of expenses. The cash flow statement has been prepared in accordance with the indirect method<sup>1</sup>.

As required by CONSOB Resolution 15519 of 27 July 2006, each item in the balance sheet, income statement and statement of cash flows shows the amounts deriving from related party transactions. The income statement also shows, where present, income and expenses deriving from material non-recurring transactions or from non-recurring events.

In order to allow comparison on a like-for-like basis with the amounts for 2008, certain items in the financial statements for the year ended 31 December 2007 have been reclassified. Above all, two new items have been added to the income statement for 2008, referring to Other income and expenses deriving from financial activities, whilst in the statement of cash flows certain movements in Assets attributable to BancoPosta have been classified in a more analytical manner.

At the date of approval of these financial statements, there is no established practice on which to base interpretation and application of the many new, or revised, international accounting standards. Moreover, at the date of approval of these financial statements the tax authorities had yet to issue systematic official interpretations regarding all the effects of the tax-related measures contained in Legislative Decree 38 of 20 February 2005. In addition, the decrees implementing Law 244 of 24 December 2007 (the 2008 Finance Act), regarding numerous changes to IRES and IRAP, have yet to be enacted. The financial statements have, therefore, been prepared on the basis of the best available knowledge of IFRS and taking account of best practice in this regard. Any future changes or updated interpretations will be reflected in subsequent years, in accordance with the specific procedures provided for by the related standards.

### 2.2 - SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS AND POLICIES

Poste Italiane SpA's financial statements have been prepared on a historical cost basis, with the exception of certain items that must be measured at fair value. The significant accounting standards and policies are described below.

1. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferral or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

## Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. The cost includes any directly attributable costs of making the asset ready for its intended use, and the cost of dismantling and removing the asset to be incurred as a result of legal obligations requiring the asset to be restored to its original condition. Interest expense attributable to the purchase or construction of property, plant and equipment is immediately recognised in the income statement.

The costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement in the year in which they are incurred. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by the Company or held under lease is carried out to the extent that they qualify for separate classification as an asset or as a component of an asset, applying the component approach, which states that each component with a different useful life and value is recognised separately. The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, with reference to the asset's expected useful life.

The useful life and residual value of property, plant and equipment are reviewed annually and adjusted, where necessary, at the end of each year. Land is not depreciated. When a depreciable asset consists of separately identifiable components, with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately, in application of the component approach, over a period that does not, however, exceed the life of the principal asset. The Company has estimated the following useful lives for the various categories of property, plant and equipment:

Category	No. of years
Buildings	33
Structural improvements to own assets	20
Plant	5-10
Electronic stations	6
Light constructions	10
Equipment	8
Furniture and fittings	8
Electrical and electronic office equipment	5
Motor vehicles	4-5
Leasehold improvements	estimated lease term(*)
Other assets	3-5

(\*) Or the useful life of the improvement if lower than the estimated lease term

Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in the income statement in the year the transaction takes place.

## Investment property

Investment property regards land or buildings held to earn rentals or for capital appreciation or both, thus producing cash flows that are largely separate from other assets. The same accounting standards and policies are applied to investment property as those applied to property, plant and equipment.

## Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controlled by the Company and from which future economic benefits are expected to flow to it. Intangible assets are recognised at cost, including any directly attributable costs of making the asset ready for its intended use, less accumulated amortisation and any accumulated impairment losses. Interest expense accrued attributable to the development of intangible assets is immediately recognised in the income statement. Amortisation is applied from the date the asset is ready for use and is provided systematically on the basis of the remaining useful life of the asset, or its estimated useful life.

The costs of acquiring industrial patents, intellectual property rights, licences and similar rights are capitalised. Amortisation is applied on a straight-line basis, in order to allocate the purchase cost over the shorter of the expected useful life and the related contract term from the date the right may be exercised.

Amortisation is calculated on the basis of the estimated useful life of the software, which is as a rule three years.

### Leased assets

Assets held under finance leases, where the risks and rewards of ownership are substantially transferred to the Company, are recognised at fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability, represented by the capital element of future lease payments, is recognised in the balance sheet as a financial liability. These assets are depreciated applying the same policies and rates previously described for property, plant and equipment.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Impairment of assets

At each balance sheet date, the Company reviews the value of its property, plant and equipment and intangible assets with finite lives to assess whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the recoverable amount of the asset in order to determine the impairment loss to be recognised in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the business. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit to which the asset belongs. An impairment loss is recognised for the amount by which the carrying amount of the asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. When an impairment no longer exists, the carrying amount of the asset is reinstated and the reversal recognised in the income statement. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and had depreciation or amortisation been charged.

### Investments

Investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment is recognised in the income statement as an impairment loss. When an impairment no longer exists, the carrying amount of the asset is reinstated and the reversal recognised in the income statement. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.

### Financial instruments

Financial instruments include financial assets and liabilities that are classified on initial recognition, based on the business purpose for which they were acquired. Purchases and sales of financial instruments are recognised in each category on the transaction date, representing the date on which the Group commits to purchase or sell the asset, or, in the case of the insurance business and BancoPosta's operations, at the settlement date<sup>2</sup>. In BancoPosta's case, this almost always coincides with the transaction date. Changes in fair value between the transaction date and the settlement date are, in any event, recognised in the financial statements.

### Financial assets

On initial recognition, financial assets are classified in one of the following four categories and accounted for as follows:

- **Financial assets at fair value through the income statement**

This category includes: (a) financial assets held for trading, (b) those that qualify for designation at fair value through the income statement on initial recognition, and (c) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets in this category are accounted for at fair value and

2. This is possible for transactions carried out on organised markets (the so-called "regular way").

movements during the period of ownership are recognised in the income statement. Financial instruments in this category are classified as short-term if they are “held for trading” or if they are expected to be realised within twelve months of the balance sheet date. Derivative instruments are treated as assets and liabilities depending on whether the fair value is positive or negative. Fair value gains and losses on outstanding transactions with the same counterparty are offset, where contractually permitted.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and primarily regard amounts due from customers, including trade receivables. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. These assets are carried at amortised cost<sup>3</sup> using the effective interest method.

If there is objective evidence of an impairment, a provision for impairment is established on the basis of the present value of estimated future cash flows. The resulting impairment loss is recognised in the income statement. When an impairment no longer exists, the carrying amount of the asset is reinstated on the basis of the value that would have resulted from application of the amortised cost method. The estimation procedure adopted in determining provisions for doubtful debts primarily reflects the identification and measurement of elements resulting in specific reductions in the value of individually significant assets. Financial assets with similar risk profiles are subsequently measured collectively, taking account, among other things, of the age of the receivable, the nature of the counterparty, past experience of losses and collections on similar positions and information on the related markets.

- **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and maturities that the Company has a positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, adjusted to reflect any impairment loss. The same policies as described in relation to loans and receivables are applied if there is an impairment.

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not attributable to any of the other categories described above. These financial instruments are recognised at fair value and any resulting fair value gains or losses are recognised in an Equity reserve. This reserve is only recycled through the income statement when the financial asset is effectively disposed of (or extinguished) or, in the event of accumulated losses, when there is evidence that the impairment recognised in Equity cannot be recovered. Solely in the case of debt securities, if the fair value subsequently increases as the objective result of an event that took place after the impairment loss was recognised in the income statement, the value of the financial instrument is reinstated and the reversal recognised in the income statement. Moreover, the recognition of returns on debt securities under the amortised cost method takes place through the income statement, as do the effects of movements in exchange rates, whilst movements in exchange rates relating to available-for-sale equity instruments are recognised in a specific Equity reserve. The classification of an asset as current or non-current depends on the strategic choice regarding how long to hold the asset and its effective negotiability. As a result, financial instruments expected to be realised within 12 months of the balance sheet date are classified as current assets.

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment and it has substantially transferred all the related risks and rewards and control.

On 15 October 2008, EU Regulation 1004/2008 was published, under an urgent procedure, in the Official Gazette. This Regulation, which was applicable from 1 July 2008, has revised IAS 39 and IFRS 7 regarding the reclassification of non-derivative financial assets from the “available-for-sale” and “at fair value through the income statement” categories. These changes have not had any impact on these financial statements, in that the Company has not carried out any of the permitted reclassifications.

3. The amortised cost of a financial asset or liability means the amount recognised initially, less principal repayments and plus or minus accumulated amortisation, using the effective interest method, of the difference between the initial amount and the maturity amount, after reductions for impairment and insolvency. The effective interest rate is the rate that exactly discounts contractual (or expected) future cash payments or receipts over the expected life of the asset or liability to its initial carrying amount. Calculation of amortised cost must also include external costs and income directly attributable to the asset or liability on initial recognition.

## Financial liabilities

Financial liabilities, including borrowings, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities are derecognised on settlement and when the Company has substantially transferred all the related risks and rewards.

## Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and if they do not qualify for hedge accounting. Gains and losses arising from changes in fair value after initial recognition are accounted for as finance income or finance costs in the income statement for the period.

If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below.

The Company documents the relationship between each hedging instrument and the hedged item, as well as its risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and on an ongoing basis.

- **Fair value hedge**

Both changes in the value of fair value hedges and changes in the value of the hedged item are recognised in the income statement when the hedge regards recognised assets or liabilities or an unrecognised firm commitment<sup>4</sup>. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion is recognised as a finance cost or as finance income in the income statement for the period.

- **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges<sup>5</sup> after initial recognition are recognised in a specific Equity reserve (Cash flow hedge reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

In the case of hedges associated with a highly probable forecast transaction (such as, the forward purchase of fixed income debt securities), the reserve is recycled as a gain or a loss in the income statement for the period or in the periods in which the asset or liability, subsequently accounted for and connected to the above transaction, will affect profit or loss (as, for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in the income statement for the period.

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the Cash flow hedge reserve are immediately taken to the income statement for the period as finance income or finance costs. On the other hand, when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the income statement.

4. Fair value hedge: a hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on the income statement.

5. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on the income statement.

## Estimating the fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) at the balance sheet date. The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers and on valuation techniques primarily based on objective financial variables, as well as by taking account, where possible, of prices in recent transactions and quoted market prices for substantially similar instruments.

## Taxation

The charge for current taxation (both IRES, or corporation tax, and IRAP, or regional tax) is based on taxable profit for the period and the related regulations, applying the rates in force.

Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Moreover, under IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in the income statement, with the exception of taxes charged or credited directly to Equity. In this case the tax effect is recognised directly in the specific item in Equity.

At the date of preparation of these financial statements the Ministerial Decree that should implement the tax regulations contained in Law 244 of 24 December 2007 is in the process of enactment. Where the treatment adopted by the Company does not correspond to this Decree and the subsequent official interpretations of the tax authorities, it may be necessary to apply reclassifications to current and deferred taxes.

Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same tax paying entity, which has the legally exercisable right to offset the amounts recognised, and when the entity intends to exercise this right. As a result, even if accounted for in liabilities, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against the matching assets deriving from withholding tax or advances paid.

The Company's tax expense and its accounting treatment reflect the effects deriving from the fact that Poste Italiane SpA has adopted a tax consolidation arrangement, which it has elected to apply in accordance with the related law together with the following subsidiaries: Europa Gestioni Immobiliari SpA, PosteMobile SpA, Poste Vita SpA and SDA Express Courier SpA. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, to which the positive or negative income components adjusted in the process of consolidation refer, Poste Italiane SpA shall attribute such reductions or increases in tax expense to the above companies. 50% of the economic benefit deriving from tax losses for the period transferred to the Parent Company from companies included in the tax consolidation is passed on to these companies by Poste Italiane SpA. The remaining benefit is covered by specific provisions for tax consolidation losses, which is offset by a corresponding reduction in tax liabilities and attributed to the companies that generated such benefit, should there be reasonable certainty that such companies will produce sufficient future taxable income to enable them to recover the related deferred tax assets, had they not been included in the tax consolidation. Should such conditions not occur, the provisions, which represent the Parent Company's potential debt to its subsidiaries, will be taken to Poste Italiane SpA's income statement as a tax consolidation gain. Consolidated tax expense is determined on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid.

Other taxes not related to income are included in Other operating costs.

## Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of fungible assets and goods for resale is calculated using the weighted average cost formula. The above cost is adjusted, if necessary, by provisions for obsolete or slow moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the balance sheet date.

## Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2008 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less.

Current account overdrafts are accounted for in current liabilities.

## Non-current assets held for sale

This category refers to non-current assets or assets included in disposal groups where the carrying amount is to be recovered primarily through a sale transaction rather than through continued use. Assets held for sale are accounted for at the lower of the net carrying amount and fair value less costs to sell. When a depreciable asset is reclassified in this category, the depreciation process is halted at the date of the reclassification.

## Equity

### Share capital

The share capital is represented by the Company's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

### Reserves

These regard capital or revenue reserves established for a specific purpose. They include, among others, the fair value reserve, relating to items recognised at fair value through Equity, and the Cash flow hedge reserve, deriving from recognition of the effective portion of hedging instruments outstanding at the balance sheet date.

### Retained earnings

This item includes the portion of profit for the period and for previous periods that was neither distributed nor taken to reserves or used to cover losses, and actuarial gains and losses deriving from the calculation of the liability for staff termination benefits. This item also includes transfers from other Equity reserves, when they have been released from the restrictions to which they were subject (see also note 18).

## Provisions for liabilities and charges

Provisions for liabilities and charges represent provisions for liabilities or losses that are either likely or certain to be incurred, but that are uncertain as to the amount or as to the date on which they will arise. Provisions for liabilities and charges are made when the Company has a present (legal or constructive) obligation as a result of a past event, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the expenditure required to settle the obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the type of liability concerned. Liabilities that may only possibly give rise to an outflow of resources are reported in a specific section of the notes on contingent assets and liabilities and no provisions are made.

## Employee benefits

Post-employment benefits are of two types: defined contribution plans and defined benefit plans. Under defined contribution plans the contributions paid by the Company are recognised in the income statement when incurred, based on the related face value. Under defined benefit plans, given that the benefit to be paid can only be quantified after the termination of employment, the related impact on the income statement and balance sheet is recognised on the basis of actuarial calculations.

### Post-employment benefits: defined benefit plans

Defined benefit plans include staff termination benefits payable to employees pursuant to article 2120 of the Italian Civil Code. Benefits vesting up to 31 December 2006<sup>6</sup>, which are covered by the reform of supplementary pension provision, must, from 1 January 2007, be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. A company's liabilities deriving from defined benefit plans thus only regard provisions made up to 31 December 2006<sup>6</sup>. The liability represents the present value of the defined benefit obligation at the balance sheet date, calculated using the projected unit credit method to take account of the time that will pass before effective payment of the benefits. Calculation of the liability recognised in the financial statements is carried out by independent actuaries. The calculation takes account of vested termination benefits for the period of service to date and is based on actuarial assumptions. These primarily regard the use of interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related obligation and staff turnover. Given that the Company is not liable for staff termination benefits accruing after 31 December 2006<sup>6</sup>, the actuarial calculation of staff termination benefits no longer takes account of future rises in salary. Actuarial gains and losses are recognised at each balance sheet date, based on the difference between the carrying amount of the liability and the present value of the Company's obligations at the end of the period, due to changes in the above actuarial assumptions. These gains and losses are recognised directly in Equity.

### Termination benefits and incentive schemes: defined contribution plans

Termination benefits are recognised in liabilities when the Company is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date, and to providing termination benefits to the employee or group of employees as a result of an offer made to encourage voluntary redundancy. The above benefits are recognised immediately in Staff costs as they are not capable of generating future economic benefits for the Company.

## Foreign currency translation

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## Revenue recognition

Revenue is always recognised at the fair value of the consideration received, net of rebates and discounts. Revenue from the rendering of services is recognised when it can be reliably measured on the basis of the stage of completion of the transaction. Revenue from activities carried out in favour of or on behalf of the State is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, and in relation to amounts allocated in government budgets. Remuneration of deposits with the MEF of funds deriving from current account deposits are recognised on a time proportion basis, using the effective interest method. This income is classified in Revenues from ordinary activities. The same classification is applied to income from euro area government securities, in which deposits paid into BancoPosta current accounts by private customers are invested. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

6. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested staff termination benefits, the Company has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested staff termination benefits have been paid into a supplementary pension fund.

## Government grants

Government grants are recognised on a time proportion basis in direct correlation with the costs incurred, once they have been formally allocated to the Company by the public entity concerned. Grants related to income are recognised in the income statement as other operating income.

## Finance income and costs

Finance income and costs are recognised on a time-proportion basis, using the effective interest method.

## Dividends

Dividends are recognised when the right to receive payment is established, which generally corresponds with approval of the distribution by the General Meeting of shareholders of the investee company.

## Related parties

Related parties within the Group refer to Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group regard the parent, the MEF, the shareholder, Cassa Depositi e Prestiti SpA, entities controlled by the , and the Company's key management personnel. The State and other public sector entities, other than the MEF and the entities it controls, are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

## New accounting standards and interpretations

EC Regulation 1358/2007 was published in the Official Gazette in November 2007. This regulation adopts IFRS 8 - *Operating segments*, which is effective from 1 January 2009, in place of IAS 14 - *Segment reporting*.

Following publication in the Official Gazette, the endorsement process for the following accounting standards, amendments and interpretations was completed in 2008 in readiness for their entry into effect from 1 January 2009.

- EC Regulation 1260/2008, IAS 23 - *Borrowing Cost*, (revised 2007);
- EC Regulation 1261/2008, revision of IFRS 2 - *Share-based Payments*;
- EC Regulation 1262/2008, interpretation of IFRIC 13 - *Customer Loyalty Programmes*;
- EC Regulation 1274/2008, IAS 1 - *Presentation of Financial Statement*, (revised 2007).

Moreover EC Regulations 53, 69 and 70 were published in the Official Gazette in January 2009. These regulations regard:

- amendment to IAS 32 - *Financial Instruments: Presentation*, and IAS 1 - *Presentation of Financial Statements* (applicable from 1 January 2009);
- amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, and IAS 27 - *Consolidated and Separate Financial Statements – cost of investments in subsidiaries, jointly controlled entities and associates* (applicable from 1 January 2009);
- improvements to *International Financial Reporting Standards* applicable from 1 January 2009, with the exception of certain amendments of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, and amendments to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, both applicable from 1 January 2010.

Poste Italiane SpA has not opted for early adoption of endorsed accounting standards, amendments and interpretations applicable to the Group (IFRS 8, IAS 1, IAS 23 and IFRIC 13), which are not expected to have a material impact on financial reporting.

At the date of approval of these consolidated financial statements, the IASB has issued the following accounting standards and amendments, which have yet to be endorsed by the European Union:

- revised version of IFRS 3 - *Business Combinations*, issued in January 2008;
- amendment to IAS 27 - *Consolidated and Separate Financial Statements*, issued in January 2008;
- amendment to IAS 39 - *Financial Instruments: Recognition and Measurement*, issued in July and November 2008 and March 2009;
- revised version of IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, issued in November 2008;
- amendment to IFRS 7 - *Financial Instruments: Disclosures*, issued in March 2009;
- amendment to IFRIC 9 - *Reassessment of Embedded Derivatives*, issued in March 2009.

Finally, the IASB has also issued the following interpretations, which have yet to be endorsed by the European Union:

- Service Concession Arrangements (IFRIC 12);
- Agreements for the Construction of Real Estate (IFRIC 15);
- Hedges of a Net Investment in a Foreign Operation (IFRIC 16);
- Distribution of Non-cash Assets to Owners (IFRIC 17);
- Transfers of Assets from Customers (IFRIC 18).

The potential impact on the Group's financial reporting of the accounting standards, amendments and interpretations awaiting endorsement by the European Commission is currently being examined and assessed.

## 2.3 - USE OF ESTIMATES AND CRITICAL ACCOUNTING STANDARDS

Preparation of the financial statements requires management to apply accounting standards and methods that are at times based on complex judgements and estimates, linked to historical experience, and assumptions that are considered reasonable and realistic under the related circumstances. Use of these estimates and assumptions influences the amounts reported in the financial statements, with reference to the balance sheet, the income statement and the cash flow statement, as well as the notes. The actual amounts of items for which the above estimates and assumptions have been applied may diverge from those reported in previous financial statements, due to uncertainties regarding assumptions and the conditions on which estimates are based. The estimates and assumptions are periodically reviewed and the impact of any changes reflected in the financial statements for the period in which the estimated is revised, if the revision only influences the current period, or also in future periods if the revision influences the current and future periods.

This section provides a description of critical accounting standards, which more than others require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Company's financial statements.

### Revenues and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and public sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

Whilst awaiting renewal of agreements with the MEF, INPS and the tax authorities, which expired in 2007, in 2008 Poste Italiane SpA continued to provide the related delegated services as normal. In these cases, revenue recognition is based on the tariffs established in the previous agreements and which it is reasonable to expect will be confirmed. These tariffs represent the lowest potential tariff, estimated on the basis of the state of negotiations with the entity concerned.

At 31 December 2008, over 300 million euros of amounts due to the Company from the MEF and the Cabinet Office has not been budgeted for by the government, including more than 30 million euros deriving from cuts in public spending introduced by the 2007 and 2008 Finance Acts. Impairment losses have been recognised on these receivables.

Following signature of the Contratto di Programma (Planning Agreement) for 2006-2008 on 17 September 2008, a portion of the outstanding amounts due in the form of Universal Service subsidies for 2006 and 2007 was collected under the new agreement. Receipt of the remaining amounts due for 2006 and 2007, and of the full amount due for 2008, can, on the other hand, only take place once an addendum to the Contratto di Programma (Planning Agreement) has been signed. The draft addendum, which was approved by the Interministerial Committee for Economic Planning on 18 December 2008, sets out the necessary resources and the procedures to be followed in paying the amount due to the Company.

With regard to the subsidised tariffs for publishers, the Cabinet Office does not have sufficient funds available in its budget to pay for a substantial portion of the services, which have been regularly billed by Poste Italiane SpA. Payment for the subsidies can only take place following specific measures that define the related procedures and the timing of additions to the budget.

The problem of insufficient public funds also affects the receivables due to the Company in the form of electoral subsidies and other minor items.

On this basis, given that it is not currently possible to forecast with any degree of certainty under what procedures the State will acknowledge each of the receivables due to the Company, without prejudice to Poste Italiane SpA's full entitlement and related rights, in 2008 provisions for doubtful receivables due from the parent, the MEF, reflect the best estimate based on the above circumstances and the financial impact of the above situation.

In the past, changes to the relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing the income statement. The above circumstances mean that management cannot exclude the possibility that, as a result of future legislation or the negotiations currently underway, the operating results for the financial years after 2008 will reflect changes to the estimates in question.

## Provisions

The Company makes provisions for potential liabilities deriving from disputes with staff, suppliers, third parties and, in general, for liabilities deriving from present obligations. These provisions cover, among other things, an estimate of the liability that may arise as a result of legal action relating to the form of fixed-term contract. In the course of this dispute, the plaintiffs have at times attempted to seize the Company's liquidity, and an estimate of the liabilities linked to this factor is included in the calculation of the related provisions. Determination of the provisions involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing the financial statements.

## Impairment of assets that have indefinite useful lives

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing for the above indicators requires the use of subjective judgements based on the information available within the Company and in the market, and on historical experience. Moreover, when an impairment is recognised the Company calculates the entity of the impairment using appropriate measurement techniques. The correct identification of events or changes in circumstances indicating an impairment, and the estimates used in their calculation, are linked to factors that may change over time, with a resulting impact on the measurements and estimates performed. The current economic and financial crisis, which has resulted in highly volatile markets and great uncertainty with regard to economic projections, has made it difficult to produce forecasts that can, without any uncertainty, be defined as reliable. At 31 December 2008, the fair value of the Company's operating properties was significantly higher than their carrying amount. In determining the net carrying amount of operating land and buildings, the Company also took account of indications that, in specific cases, these assets may be impaired. In this regard, and with particular reference to properties used as Post Offices and Sorting Centres, Poste Italiane SpA's Servizio Postale Universale (Universal Service Obligation) was taken into account. The process thus took account of the inseparability of the cash flows generated by the large number of properties that provide this service, which the Company is required to operate throughout the country regardless of the expected profitability of each location. The unique nature of the operating processes involved and the substantial overlap between postal and banking activities within the same outlets, represented by Post Offices, were also taken into consideration. On this basis, the value in use of the Company's operating land and buildings is relatively unaffected by movements in the commercial value of the properties concerned and, under particularly critical market conditions, certain properties may have values that are significantly higher than their mere commercial value, without this having any negative impact on the Company's cash flows or overall earnings.

## Depreciation and amortisation of property, plant and equipment and intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of purchase and based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, including new technologies. The effective useful life may, therefore, differ from the estimated useful life. The Company periodically assesses changes in technology and in the industry, in dismantling costs and in the recoverable amount of assets in order to update their residual useful lives. This periodic update may lead to a change in the depreciation or amortisation period and thus on charges for depreciation or amortisation in the current and in future years.

### Deferred tax assets

Accounting for deferred tax assets is based on expectations of taxable income in future years. Assessments of expected taxable income to be used in order to account for deferred taxes depend on factors that may change over time, with a significant impact on the measurement of this balance sheet item. The 2008 Finance Act altered the nominal tax rates effective from 1 January 2008, lowering the IRES rate from 33% to 27.5% and the IRAP rate from 4.25% to 3.90%. The resulting impact on deferred taxes was reflected in full in the financial statements for 2007.

### Provisions for doubtful debts

Provisions for doubtful debts reflect estimated losses on receivables, taking account, in the case of specific items receivable from the public sector, of legislation restricting public spending. Provisions for expected losses reflect the estimated credit risk associated with historical experience of similar receivables, an analysis of past due items (both current and historical), losses and collections, and monitoring of the current and future economic conditions in the related markets.

### Fair value of unquoted financial instruments

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers and on valuation techniques primarily based on objective financial variables, as well as by taking account, where possible, of prices in recent transactions and quoted market prices for substantially similar instruments.

### Staff termination benefits

Calculation of staff termination benefits is carried out by independent actuaries. The calculation takes account of vested termination benefits for the period of service to date and is based on actuarial assumptions of both a demographic and economic and financial nature. These assumptions, which are based on the Company's experience and relevant best practices, are subject to periodic reviews.

## 3 - RISK MANAGEMENT

Definition and optimisation of Poste Italiane SpA's financial structure, over both the short and medium/long term, and management of the related cash flows are the responsibility of the Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Management of Poste Italiane SpA's finances primarily regards BancoPosta's operations as governed by Presidential Decree 144/01. In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out in the Company's own name but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation, and the management of collections and payments in the name and on behalf of third parties, as well as the funding of assets and the investment of its own liquidity.

The 2007 Finance Act repealed the obligation for Poste Italiane SpA to transfer deposits made by BancoPosta's private customers with the MEF, and introduced the obligation to invest such deposits in euro area government securities. Following abandonment of the previous investment policy in compliance with the related legislation, in 2008 BancoPosta was engaged in reinvesting the funds deriving from maturing government securities. This was done by taking account of the maturities of liabilities, in accordance with an amortisation schedule approved by the Board of Directors on the basis of a statistical/econometric model, developed by a leading consulting firm, that reflects the interest rates and maturities typical of postal current accounts. This model is updated continually<sup>7</sup>.

7. In this regard, it is likely that in future the postal current account deposits of Public Sector customers will also be invested in euro area government securities. This reflects the European Commission's decision of 16 July 2008 (note 18) relating to the level of interest rates paid to the Parent Company (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the 2006 Finance Act) on liquidity deriving from the postal current account deposits of Public Sector customers held on deposit with the MEF.

Poste Italiane SpA's own liquidity is managed in accordance with investment guidelines approved by the Board of Directors, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits.

Balanced financial management and monitoring of the main risk/return profiles are carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including via the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- a Risk Measurement and Control function carried out by an appropriate function that operates on the basis of the organisational separation of risk assessment from risk management activities. Where necessary, this function coordinates its activities with similar functions established within subsidiaries. The results of these activities are examined by a Financial Risk Committee, which meets at least every three months and is responsible for carrying out an integrated assessment of the main risk profiles.

The risk environment is defined on the basis of the framework established by IFRS 7, which distinguishes between four main types of risk (a non-exhaustive classification):

- market risk;
- credit risk;
- liquidity risk;
- cash flow interest rate risk.

Market risk regards:

- price risk: this is the risk that the value of a financial instrument fluctuates as a result of market price movements, including both movements deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: this is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the presentation currency;
- fair value interest rate risk: this is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

In constructing the Risk Model adopted in order to monitor credit, liquidity and cash flow interest rate risks, the Company has also taken account of the authoritative regulatory yardstick provided by the Bank of Italy's prudential supervisory standards, despite the fact that the Company is not required to apply such standards.

## MARKET RISK

### Price risk

This type of risk regards financial assets that the Company intends to sell and that are subject to price risk.

The following sensitivity analysis relates to the principal positions potentially exposed to fluctuations in value, excluding certain minor items not traded on an active market. The amounts accounted for in the financial statements at 31 December 2007 and 31 December 2008 were subjected to a stress test, based on historical volatility during the year in question, which was held to be representative of potential market movements.

The principal financial assets subject to price risk and the results of the analysis are shown in the following table.

### 3.1 - Market risk - Price

Date of reference of the analysis	Position	Change in value		Pre-tax profit		Equity reserves	
		+Vol	-Vol	+Vol	-Vol	+Vol	-Vol
<b>2007 Effects</b>							
Available-for-sale financial assets							
Equity instruments	69,562	31,704	(31,704)	-	-	31,704	(31,704)
Other investments	4,088	482	(482)	-	-	482	(482)
<b>Changes at 31 December 2007</b>	<b>73,650</b>	<b>32,186</b>	<b>(32,186)</b>	-	-	<b>32,186</b>	<b>(32,186)</b>
<b>2008 Effects</b>							
Available-for-sale financial assets							
Equity instruments	34,407	21,336	(21,336)	-	-	21,336	(21,336)
Other investments	2,638	708	(708)	-	-	708	(708)
<b>Changes at 31 December 2008</b>	<b>37,045</b>	<b>22,044</b>	<b>(22,044)</b>	-	-	<b>22,044</b>	<b>(22,044)</b>

The relevant items (note 8.4) regard investments in equity instruments and available-for-sale (AFS) shares in equity funds. Equity instruments include 350,628 Class B shares in Mastercard Incorporated (500,628 shares at 31 December 2007) and 11,144 Class C shares in Visa Incorporated (not yet held at 31 December 2007). These shares are not publicly traded in a regulated market but may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange, when the periods provided for by both issuers' articles of association expire. For the purposes of the sensitivity analysis, the shares held have been priced as the Class A shares, minus an adequate discount, and their volatility associated with that shown by these shares on the NYSE.

### Foreign exchange risk

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position held to be material. It was decided to apply an exchange rate movement based on volatility during the year, which was held to be representative of potential market movements. The results of the analysis are shown below.

### Trade receivables/payables due from and to overseas correspondents

The most significant net position (approximately 99% of the reported foreign exchange exposure) is that denominated in SDRs (Special Drawing Rights), a synthetic currency determined by the weighted average of the exchange rates of four major currencies (Euro, US dollar, British pound, Japanese yen) used worldwide to settle commercial positions among Postal Operators. At 31 December 2008 this position amounted to 4,111 thousand euros (5,814 thousand euros at 31 December 2007).

### 3.2 - Market risk - SDRs

Date of reference of the analysis	Position in SDRs/000	Position in €/000	Change in value		Pre-tax profit		Equity reserves	
			+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days
<b>2007 Effects</b>								
Current assets in SDRs	71,481	76,733	2,384	(2,384)	2,384	(2,384)	-	-
Current liabilities in SDRs	(66,065)	(70,919)	(2,203)	2,203	(2,203)	2,203	-	-
<b>Exposure to forex movements at 31 December 2007</b>	<b>5,416</b>	<b>5,814</b>	<b>181</b>	<b>(181)</b>	<b>181</b>	<b>(181)</b>	-	-
<b>2008 Effects</b>								
Current assets in SDRs	73,033	80,829	5,757	(5,757)	5,757	(5,757)	-	-
Current liabilities in SDRs	(69,318)	(76,718)	(5,464)	5,464	(5,464)	5,464	-	-
<b>Exposure to forex movements at 31 December 2008</b>	<b>3,715</b>	<b>4,111</b>	<b>293</b>	<b>(293)</b>	<b>293</b>	<b>(293)</b>	-	-

At 31 December 2008, the net position in US dollars amounts to 20 thousand euros (1,711 thousand euros at 31 December 2007), a negligible sum for the purposes of this analysis.

## Financial assets

This position primarily regards the shares in Mastercard Incorporated and Visa Incorporated (note 3.1), both denominated in US dollars.

### 3.3 - Market risk - US dollar

Date of reference of the analysis	Position in USD/000	Position in €/000	Change in value		Pre-tax profit		Equity reserves	
			+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days	+Vol 260days	-Vol 260days
<b>2007 Effects</b>								
Available-for-sale financial assets	102,402	69,562	4,362	(4,362)	-	-	4,362	(4,362)
Equity instruments	102,402	69,562	4,362	(4,362)	-	-	4,362	(4,362)
<b>Exposure to forex movements at 31 December 2007</b>								
	<b>102,402</b>	<b>69,562</b>	<b>4,362</b>	<b>(4,362)</b>	-	-	<b>4,362</b>	<b>(4,362)</b>
<b>2008 Effects</b>								
Available-for-sale financial assets	47,884	34,407	4,915	(4,915)	-	-	4,915	(4,915)
Equity instruments	47,884	34,407	4,915	(4,915)	-	-	4,915	(4,915)
<b>Exposure to forex movements at 31 December 2008</b>								
	<b>47,884</b>	<b>34,407</b>	<b>4,915</b>	<b>(4,915)</b>	-	-	<b>4,915</b>	<b>(4,915)</b>

## Fair value interest rate risk

Concerning the effects of changes in interest rates on the price of fixed income and fixed rate securities held by Poste Italiane SpA, mainly in relation to BancoPosta's activities, as a result of the investment of deposits paid into postal current accounts by private customers, the following interest rate sensitivity analysis was based on movements in fair value following a parallel shift in the forward yield curve (+/- 100 bps).

### 3.4 - Market risk - Interest rate on fair value

Date of reference of the analysis	Notional	Fair value	Change in value		Pre-tax profit		Equity reserves	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2007 Effects</b>								
Assets attributable to BancoPosta <sup>1</sup>	12,500,000	12,532,099	(505,713)	537,472	-	-	(505,713)	537,472
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Fixed income instruments	-	-	-	-	-	-	-	-
<b>Exposure to interest rate movements at 31 December 2007</b>								
	<b>12,500,000</b>	<b>12,532,099</b>	<b>(505,713)</b>	<b>537,472</b>	-	-	<b>(505,713)</b>	<b>537,472</b>
<b>2008 Effects</b>								
Assets attributable to BancoPosta <sup>2</sup>	12,630,200	12,993,663	(566,332)	602,610	-	-	(566,332)	602,610
Available-for-sale financial assets	300,000	308,708	(1,482)	1,489	-	-	(1,482)	1,489
Fixed income instruments	300,000	308,708	(1,482)	1,489	-	-	(1,482)	1,489
<b>Exposure to interest rate movements at 31 December 2008</b>								
	<b>12,930,200</b>	<b>13,302,371</b>	<b>(567,814)</b>	<b>604,099</b>	-	-	<b>(567,814)</b>	<b>604,099</b>

- At 31 December 2007 the notional portfolio analysed amounted to 12,500 million euros, equivalent to the notional value of 12,700 million euros, minus sales of 200 million euros settled – and recognised – on 2 January 2008.
- At 31 December 2008, held-for-trading financial assets totalling 1.15 million euros (fair values through the income statement) were not considered, as these are not subject to the risk in question as they were hedged through forward sales with settlement in January 2009.

### Assets attributable to BancoPosta

BancoPosta's investment securities (note 14.3) were nearly equally split between Held-to-maturity (HTM) and Available-for-sale (AFS). While a change in fair value does not have an impact in terms of financial position or operating performance for HTM financial assets, which are initially recognised at fair value and subsequently are reported at amortised cost, it does have an effect in terms of financial position for AFS financial assets, which are recognised at fair value with any change accounted for in equity, making it necessary to monitor constantly the unrealised gains and losses of these assets. The sensitivity analysis shown concerns AFS financial assets.

This item included fixed income government securities (ordinary BTPs), for a nominal amount of 10,955,250 thousand euros, and positions in inflation-linked BTPs (BTP€i) purchased during the year, for a nominal amount of 1,674,950 thousand euros. The BTP€i, which carry floating rates indexed to European inflation, have been swapped for fixed rate bonds so as to hedge cash flows against interest rate risk (cash flow hedges).

In addition to the above sensitivity analysis, the Company monitors the fair value interest rate risk to which BancoPosta's available-for-sale securities are exposed through the calculation of VaR (Value at Risk). This is estimated over a time horizon of 3 days and with a probability of 99%. At 31 December 2008 the maximum VaR amounts to 169,957 thousand euros (85,583 thousand euros at 31 December 2007).

### Available-for-sale financial assets

Available-for-sale financial assets exposed to this risk consist of short-term bank instruments with a notional value of 300,000 thousand euros (note 8.4), of which 200,000 thousand euros in fixed rate instruments and 100,000 thousand euros in floating rate instruments. The floating rate instruments have been swapped into fixed rate securities until 30 July 2009 (cash flow hedges). The VaR for this portfolio, calculated on the above basis, amounts to a maximum of 312 thousand euros.

## CREDIT RISK

Credit risk regards the risk that a debtor might default on a payment or go into liquidation. This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- average residual terms to maturity of investments no higher than five years;
- a ban on investments in subordinated financial instruments, with the sole exception of the subsidiary, Poste Vita SpA;
- monitoring of changes in the ratings of counterparties.

At 31 December 2008 the following positions are subject to this risk:

### Financial assets

Below, for each category of financial instrument the relevant credit exposure is shown. The ratings reported in the table have been assigned by Moody's.

### 3.5 - Credit risk - Financial assets

Item	Balance at 31 December 2008				Balance at 31 December 2007			
	from Aaa to Aa3	from A1 to Baa3	from Ba1 to not rated	Total	from Aaa to Aa3	from A1 to Baa3	from Ba1 to not rated	Total
Loans and receivables	960,304	52,286	514,568	1,527,158	1,158,160	-	222,599	1,380,759
Loans	-	-	501,806	501,806	-	-	211,975	211,975
Receivables	960,304	52,286	12,762	1,025,352	1,158,160	-	10,624	1,168,784
Financial instruments at FV through the income statement	-	-	-	-	304	290	-	594
Available-for-sale financial assets	500,425	9,029	-	509,454	101,512	-	-	101,512
Other instruments and deposits	500,425	9,029	-	509,454	101,512	-	-	101,512
<b>Derivative financial instruments</b>	<b>1,116</b>	<b>-</b>	<b>-</b>	<b>1,116</b>	<b>7,427</b>	<b>431</b>	<b>-</b>	<b>7,858</b>
Cash flow hedges	1,116	-	-	1,116	1,967	431	-	2,398
Fair value hedges	-	-	-	-	-	-	-	-
Fair value through the income statement	-	-	-	-	5,460	-	-	5,460
<b>Total</b>	<b>1,461,845</b>	<b>61,315</b>	<b>514,568</b>	<b>2,037,728</b>	<b>1,267,403</b>	<b>721</b>	<b>222,599</b>	<b>1,490,723</b>

In the last quarter of 2008, the International financial crisis, which was exacerbated after Lehman Brothers' bankruptcy, enhanced specific and systemic credit risk, resulting in widespread downgrades of financial/insurance companies, due to their obvious exposure to the consequences of the crisis. This entailed a significant review of credit ratings by the main agencies, with a substantial number of downgraded companies. Poste Italiane SpA's position also bore the brunt of the changed picture, as its exposure features a lower average rating for its counterparties than in the past, even though these counterparties continue to rank among the most creditworthy.

#### Loans and receivables

Loans of 501,806 thousand euros at 31 December 2008 (211,975 thousand euros at 31 December 2007) refer entirely to loans (note 8.1) granted to Group companies and intercompany current accounts (note 8.2), with both types of transaction conducted on an arm's length basis. These loans include subordinated loans of 345 million euros to the insurance company, Poste Vita SpA (95 million euros at 31 December 2007).

Receivables (note 8.3) mainly regard claims on the parent, the MEF, amounting to 905,548 thousand euros (1,144,615 thousand euros at 31 December 2007) and banks with investment grade ratings, represented by term deposits totalling 102,998 thousand euros opened during the year.

#### Available-for-sale financial assets

Other instruments and deposits include investments in fixed rate securities (note 8.4) purchased during 2008 and issued by banks, with a fair value of 308,708 thousand euros (a face value of 300 million euros), Italian Treasury Certificates (CCT) with a fair value of 100,270 thousand euros (a face value of 100 million euros) and a Fiduciary deposit established in 2002 with a fair value of 100,476 thousand euros (a face value of 107.5 million euros). The Fiduciary deposit benefits from an embedded put option guaranteeing repayment of 84% of the face value of the investment. At 31 December the deposit has undergone a reduction in fair value of 1,036 thousand euros compared with 31 December 2007, primarily due to the average performance of the Credit Default Swap (CDS) component, following a deterioration in creditworthiness as a result of the international financial crisis. This has been partially offset by an increase in the value of the option hedging the associated risk.

#### Derivative financial instruments

Credit risk arising from derivative transactions is mitigated through rating and counterparty concentration limits. Exposure is monitored at current value, in accordance with the Bank of Italy's prudential supervision instructions.

At 31 December 2008 the amount receivable from Poste Italiane SpA's counterparties under derivatives contracts is 1,116 thousand euros. This regards the fair value of Interest Rate Swaps hedging underlying available-for-sale fixed income instruments with a value of 100 million euros.

## Assets attributable to BancoPosta

The Parent Company's operational characteristics, related in particular to BancoPosta's investment activities, gave rise to a significant exposure toward the Italian State, involving essentially deposits with the MEF and the purchase of Italian government securities. Such exposure amounted to 34,249,078 thousand euros (equivalent to 86% of the total) out of a total of 39,699,371 thousand euros. The remaining 5,450,292 thousand euros were invested mainly in government securities of other EU countries (Germany and France), certified cheques and money orders, forward trading activities and positions in asset swaps. Such asset swaps, in particular, were entered in 2008 to hedge against the interest rate risk associated with the inflation-linked BTPs available in the BancoPosta portfolio. At 31 December 2008, the counterparties for these asset swaps all had investment grade ratings. Moreover, of these positions, approximately 90% is supported by credit support annexes entered into in the second half of 2008. According to these contracts, counterparty risk is limited through periodic margining, whereby if the fair value of the derivative instrument exceeds a set value, the debtor must post adequate collateral with the creditor.

Overall the type of credit risk involved may be defined via the grouping together of the various positions based on the quality of issuer or counterparty, as represented by the following ratings:

- Italian Republic: **A+** for S&P and **Aa2** for Moody's;
- French Republic: **AAA** for S&P and **Aaa** for Moody's;
- German Republic: **AAA** for S&P and **Aaa** for Moody's.

## Non-current assets - Other assets

### 3.6 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Trade receivables due from the public sector	281,169	-	309,031	-
Trade receivables due from the MEF	-	-	-	-
Receivables due from staff under fixed-term contracts settlement	154,214	(2,189)	76,792	(2,189)
Guarantee deposits paid to suppliers	3,123	-	2,618	-
Third-party deposits in Postal Savings Books registered in the name of Poste Italiane SpA	3,248	-	2,140	-
<b>Total</b>	<b>441,754</b>		<b>390,581</b>	
<b>of which past due</b>	<b>-</b>		<b>-</b>	

## Current assets - Trade receivables

### 3.7 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Cassa Depositi e Prestiti	734,825	(20,556)	656,863	(20,556)
Foreign Post Offices	243,708	-	240,701	-
Public sector	756,883	(96,044)	577,256	(67,433)
Private customers	444,336	(33,913)	438,960	(30,804)
Due from subsidiaries	250,493	-	244,000	-
Due from associates	45	-	7	-
Due from parents	903,515	(54,019)	1,800,221	(7,874)
<b>Total</b>	<b>3,333,805</b>		<b>3,958,008</b>	
<b>of which past due</b>	<b>470,610</b>		<b>457,897</b>	

The nature of the Company's customers, the structure of revenues and the method of collection mean that there is a limited risk of default on trade receivables. These receivables are in any event subject to specific monitoring and reporting procedures to support credit collection activities.

## Other current receivables and assets

### 3.8 - Credit risk

Item	31 December 2008		31 December 2007	
	Carrying amount	Specific impairments	Carrying amount	Specific impairments
Tax assets	203,206	-	185,413	-
Other amounts due from subsidiaries	1,989	-	2,145	-
Receivables due from others	206,155	(108,397)	149,436	(97,020)
Accrued income and prepaid expenses	3,437	-	2,283	-
<b>Total</b>	<b>414,787</b>		<b>339,277</b>	
<b>of which past due</b>	<b>9,209</b>		<b>6,336</b>	

## LIQUIDITY RISK

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may regard the inability to sell financial assets quickly at an amount close to fair value or by the need to raise funds at unfair rates.

Poste Italiane SpA applies a financial strategy that aims to minimise this type of risk as follows:

- diversification of the various forms of short- and long-term borrowings and counterparties;
- the availability of lines of credit in terms of amount and the number of banks;
- the gradual and consistent distribution of the maturities of medium/long-term borrowings;
- the adoption of analysis models designed to monitor the maturities of assets and liabilities.

At 31 December 2008 liquidity risk regards the potential exposure deriving from obligations to current account customers. The liquidity risk associated with BancoPosta's activities regards the investment of customers' current account deposits in euro area government securities, which began during 2007. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via the use of a maturity schedule resulting from a statistical approach, which has led to the creation of a model based on the performance of current account deposits according to an amortisation schedule that assumes the total withdrawal of deposits equally distributed over a period of ten years. Investment policies have been based on this model. This approach is also in line with the Bank of Italy's prudential supervisory requirements.

The balance sheet items most subject to liquidity risk at 31 December 2008 are described below. The amounts shown refer to the Company's obligations at maturity (face value plus accrued interest).

### Liabilities attributable to BancoPosta

In order to analyse liquidity risk at 31 December 2008, the timing of withdrawals from Postal current accounts (with a carrying amount of 38,013,829 thousand euros, including the balance of current accounts held in the name of Poste Italiane SpA) was determined as follows:

- in the case of private customers' deposits, whose funds are invested in euro area government securities, on the basis of the amortisation schedule deriving from application of the statistical model developed in order to model the behaviour of current account holders;

- in the case of public sector customers, by taking account of the fact that the Company is required to deposit the resulting liquidity with the MEF, and that all movements in the amount due to current account holders is matched exactly in the balance of the amount deposited with the Ministry after a delay of three bank working days. For this reason both items have been classified as being available on demand.

The following table shows liabilities increased by the expected cash flows generated by the related interest expense. Postal current accounts are net of the postal current accounts held in the name of Poste Italiane SpA.

### 3.9 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Cassa Depositi e Prestiti and the MEF for management of postal savings	572,456			572,456	797,622			797,622
Other payables	528,137	52,341		580,478	922,064	49,699		971,763
Derivative financial instruments	913,486	-	-	913,486				-
Postal current accounts	13,528,422	10,495,130	12,815,598	36,839,150	14,405,506	9,972,192	12,162,147	36,539,846
<b>Total liabilities</b>	<b>15,542,501</b>	<b>10,547,471</b>	<b>12,815,598</b>	<b>38,905,570</b>	<b>16,125,193</b>	<b>10,021,891</b>	<b>12,162,147</b>	<b>38,309,232</b>

At 31 December 2008 these liabilities are invested in the following types of financial instrument. Investments in fixed income instruments (a carrying amount of 26,765,256 thousand euros, as described in note 14.2) are shown on the basis of the expected cash flows, consisting of the redemption value of the securities and the coupon interest to be collected as it falls due.

### 3.10 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Amounts due from the MEF	6,336,538	-	-	6,336,538	7,430,544	-	-	7,430,544
Poste Italiane SpA's own liquidity held in postal current accounts	(790,180)	-	-	(790,180)	(589,300)	-	-	(589,300)
Amounts due from the Italian Treasury	2,775,665	-	-	2,775,665	1,884,154	-	-	1,884,154
Other receivables	1,434,826	-	-	1,434,826	2,295,032	-	-	2,295,032
Cash and cash equivalents	2,319,734	-	-	2,319,734	2,075,007	-	-	2,075,007
Derivative financial instruments	1,447,903	-	-	1,447,903	-	-	-	-
Fixed income instruments (Capital + Interest)	3,279,431	13,631,728	15,239,390	32,150,549	4,636,837	12,867,227	13,407,680	30,911,744
<b>Total assets</b>	<b>16,803,917</b>	<b>13,631,728</b>	<b>15,239,390</b>	<b>45,675,035</b>	<b>17,732,274</b>	<b>12,867,227</b>	<b>13,407,680</b>	<b>44,007,181</b>

The liquidity risk profile at 31 December 2008 was largely unchanged from the preceding year, featuring the same use characteristics. A decrease in demand deposits from government agencies was offset by an increase in retail demand deposits, which is typically more stable. Nevertheless, mindful that this might be also a consequence of the financial crisis, the Company continues to monitor closely the deposit base.

## Financial liabilities

Expected cash flows for financial liabilities accounted for at the end of the reporting period, broken down by maturity, are shown below. Repayments of principal at face value are increased by interest payments calculated on the basis of the interest rate curve applicable at 31 December 2008 and 31 December 2007.

### 3.11 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Borrowings	696,793	1,864,399	121,486	2,682,678	350,330	2,195,526	502,055	3,047,911
Derivative financial instruments	3,381	-	-	3,381	-	4	-	4
Current account balances of subsidiaries	145,760	-	-	145,760	78,947	-	-	78,947
Other financial liabilities	1,963,171	80,916	191,364	2,235,451	1,559,628	72,731	182,470	1,814,829
<b>Total</b>	<b>2,809,105</b>	<b>1,945,315</b>	<b>312,850</b>	<b>5,067,270</b>	<b>1,988,905</b>	<b>2,268,261</b>	<b>684,525</b>	<b>4,941,691</b>

## Current liabilities - Trade payables

### 3.12 - Liquidity risk

Item	31 December 2008				31 December 2007			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Suppliers	1,172,399	-	-	1,172,399	1,156,237	-	-	1,156,237
Subsidiaries	253,553	-	-	253,553	199,706	-	-	199,706
Prepayments from customers	206,157	-	-	206,157	193,233	-	-	193,233
Interest payable to current account holders	119,033	-	-	119,033	127,781	-	-	127,781
<b>Total</b>	<b>1,751,142</b>	<b>-</b>	<b>-</b>	<b>1,751,142</b>	<b>1,676,957</b>	<b>-</b>	<b>-</b>	<b>1,676,957</b>

## CASH FLOW INTEREST RATE RISK

This regards uncertainty over future cash flows following fluctuations in market interest rates. It may be caused by a mismatch – in terms of type of rate, indexation method and term to maturity – between financial assets and liabilities that tends to last until contractual and/or expected maturity (the banking book), and which, as such, generates an impact on the interest margin, which is thus reflected in the operating results for future periods.

At 31 December 2007 and 31 December 2008, sensitivity to interest rate risk of the cash flow generated by the instruments concerned is summarised in the table below, and calculated to reflect changes resulting from a parallel shift in the forward yield curve (+/- 100 bps).

## 3.13 - Cash flow interest rate risk and hedging policy

Date of reference of the analysis	Note	Notional	Pre-tax profit		Equity reserves		Total equity	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2007 Effects</b>								
Non-current financial assets								
Loans	[8.1]	95,000	950	(950)	-	-	950	(950)
Fixed income instruments	[8.4]	-	-	-	-	-	-	-
Other investments	[8.4]	107,500	1,075	(1,075)	-	-	1,075	(1,075)
Assets attributable to BancoPosta								
Due from MEF <sup>8</sup>	[14.1]	6,841,244	32,952	(43,872)	-	-	32,952	(43,872)
Current financial assets								
Loans	[8.2]	116,618	1,166	(1,166)	-	-	1,166	(1,166)
Cash and cash equivalents								
Bank and post office deposits	[15.1]	608,444	6,084	(6,084)	-	-	6,084	(6,084)
Financial liabilities								
Borrowings	[23.3]	(650,000)	(3,000)	3,000	1,885	(1,885)	(1,115)	1,115
Borrowings (overdrafts)	[23.3]	(45,246)	(452)	452	-	-	(452)	452
Borrowings (from subsidiaries)	[23.4]	(78,947)	(789)	789	-	-	(789)	789
<b>Exposure to interest rate movements at 31 December 2007</b>		<b>6,994,613</b>	<b>37,986</b>	<b>(48,906)</b>	<b>1,885</b>	<b>(1,885)</b>	<b>39,871</b>	<b>(50,791)</b>
<b>2008 Effects</b>								
Non-current financial assets								
Loans	[8.1]	355,320	3,553	(3,553)	-	-	3,553	(3,553)
Fixed income instruments	[8.4]	100,000	1,000	(1,000)	-	-	1,000	(1,000)
Other investments	[8.4]	107,500	1,075	(1,075)	-	-	1,075	(1,075)
Assets attributable to BancoPosta								
Due from MEF	[14.1]	5,546,358	55,464	(55,464)	-	-	55,464	(55,464)
Current financial assets								
Loans	[8.2]	142,188	1,422	(1,422)	-	-	1,422	(1,422)
Cash and cash equivalents								
Bank and post office deposits	[15.1]	962,472	9,625	(9,625)	-	-	9,625	(9,625)
Financial liabilities								
Borrowings	[23.3]	(650,000)	(3,550)	3,550	1,468	(1,481)	(2,082)	2,069
Borrowings (overdrafts)	[23.3]	(2,782)	(28)	28	-	-	(28)	28
Borrowings (from subsidiaries)	[23.4]	(145,760)	(1,458)	1,458	-	-	(1,458)	1,458
<b>Exposure to interest rate movements at 31 December 2008</b>		<b>6,415,296</b>	<b>67,103</b>	<b>(67,103)</b>	<b>1,468</b>	<b>(1,481)</b>	<b>68,571</b>	<b>(68,584)</b>

8. At 31 December 2007, the effects of the sensitivity analysis are shown net of the hedges in place. At this date, the amounts invested with the MEF, totalling 6,841,244 thousand euros, were hedged by Constant Maturity Treasury Swaps (CMTs) with a total notional value of 3 billion euros (subsequently raised to 4 billion euros). Following the Decision of the European Commission of 16 July 2008 (note 18) on the interest rates charged by the Parent company to the MEF, this replication and hedge mechanism was unwound.

## Assets attributable to BancoPosta

At 31 December 2008, most of the risk in question is linked to the investment activity in the euro area of the cash held by retail customers in postal current accounts, as well as the cash held by public sector entities in current accounts with Poste Italiane SpA, which is required to place it with the MEF. Returns on the investment of these funds are related to general trends in interest rates, as the Company takes a commercial approach to their management, and interest paid on these deposits is not index-linked:

- investments in euro area government securities yield a return based on the interest rates prevailing at the time of purchase; BancoPosta's Securities portfolio is currently invested in fixed income instruments, or floating rate instruments that yield fixed interest payments thanks to the interest rate swaps discussed above (note 3.4). For this reason, the preceding table does not show the effect of changes in interest rates on this portfolio;
- from 1 January 2008, the funds deposited with the MEF yield floating interest payments calculated in accordance with the method provided for by the European Commission in its Decision of 16 July 2008, which is described briefly in note 18. The Commission requires interest payments to be linked to a basket of short/medium-term market returns whilst the method utilised between 1 January 2005 and 31 December 2007 called for interest payments to be linked to a basket of medium/long-term government securities.

Both types of investment are associated with an interest rate risk profile that is analysed and monitored with respect to the financial characteristics of the instruments and is managed through an adequate hedging policy (note 14.4). In particular, the exacerbation of the financial crisis and the deterioration of the economy, also in the early months of 2009, might entail further cuts in interest rates. Such cuts would affect mainly the returns on the investments made with the funds placed in current accounts in new euro-denominated government securities, as the ones currently held in portfolio mature shortly. Under these circumstances, in connection with the above-mentioned hedging policy, the Company has prudently made forward purchases to replace a significant portion of bonds maturing in 2009.

## Non-current financial liabilities - Borrowings - Bank borrowings

At 31 December 2008, there were interest rate swaps in place to hedge a notional amount of 295 million euros to reduce the Company's exposure to changes in interest rates affecting the cost of funds. The table shows the overall sensitivity to movements in interest rate of the net positions.

### 3.14 - Cash flow interest rate risk and hedging policy

Item	31 December 2008			31 December 2007		
	Bank borrowings	IRS	Exposure sensitive to interest rate risk 2009	Bank borrowings	IRS	Exposure sensitive to interest rate risk 2008
Balance	650,000	295,000	355,000	650,000	350,000	300,000
Shift	-	-	-	-	-	-
<b>Movement in finance expense (+100 bps)</b>	<b>6,500</b>	<b>(2,950)</b>	<b>3,550</b>	<b>6,500</b>	<b>(3,500)</b>	<b>3,000</b>
<b>Movement in finance expense (-100 bps)</b>	<b>(6,500)</b>	<b>2,950</b>	<b>(3,550)</b>	<b>(6,500)</b>	<b>3,500</b>	<b>(3,000)</b>

## OTHER RISKS

### Operational risk

In line with the prudential supervisory requirements for banks, issued by the Bank of Italy in December 2006, and adopted by Poste Italiane SpA as benchmarks, the Company has formalised and agreed a methodological and organisational framework to manage the operating risk related to the products/processes of the BancoPosta unit.

The main developments during the year under review are discussed below.

- Poste Italiane SpA joined DIPO, an intercompany database for operating losses implemented by the Italian Banking Association. The membership agreements require the Company to report operating losses above the threshold of 5,000 euros registered from 1 January 2005 to the end of 2008. In addition, at the end of the year the consortium supplied initial feedback regarding the banking system since January 2005. This feedback enabled the Company to develop benchmark analyses and to supplement, with external data, the time series collected internally. The aim is to calculate an integrated risk measurement in line with Supervisory rules.
- The Company completed the second cycle of Risk Self-Assessment on all the BancoPosta products, the result of which made it possible to:
  - activate the priority mitigation actions;
  - calculate overall risk, taking into account the organisational changes occurred.
- The functional analyses that will lead to development and implementation of key risk indicators, designed to predict potential risks, have been completed.
- The principal rules governing the correct functioning of operational risk management procedures (consisting of the Model for identifying and managing Types of Operating Loss; the Loss Data Management process; the Measurement methodology model; the Mapping process; the Risk self-assessment process) were issued. Once fully implemented, these procedures will improve the operational risk management system and make it more efficient.

## Reputational risk

Poste Italiane SpA's business is sensitive to elements of reputational risk, associated mainly with the placement of index-linked bonds issued by other credit institutions and/or insurance policies issued by Poste Vita SpA.

In this respect, in July 2008, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), Poste Italiane SpA adopted the "consulting service" model, which is currently being implemented. The terrible crisis that took place in 2008 had profound effects on the performance of all the financial instruments placed in the market, especially those whose returns are magnified and are inevitably exposed to higher risk and volatility of their fair value. The systemic extent of the phenomenon led also all the main Supervisory Authorities to request, during the year, information intended, on one side, to evaluate the actual risk environment for the intermediaries and their debtors and, on the other, to check compliance with the rules to protect customers. Accordingly, in October 2008, the Antitrust Authority requested Poste Italiane SpA to provide information pursuant to "Regulations governing the investigation of unfair commercial practices", which the Company promptly provided.

Even though the Company has developed over time prudential policies in the customers' best interests, which entails the selection of domestic and foreign issuers solely with investment grade ratings, the situation prompted closer scrutiny, so as to ensure full awareness of the performance of the products placed and the risks for the customers that, to this day, characterise these products

To this end, Poste Vita issued over the years Branch III index- and unit-linked policies that call for the investment of the premiums paid in a structured bond or in mutual funds whose increase in value reflects on the value of the policies. There is no capital or minimum return guarantee for these products and, as such, the credit and financial risks associated with them are borne by the customer. In order to protect its own good name and reputation, and those of its Group, as well as its credentials as a capable operator, the company constantly monitors developments in the risk profile. Particular attention was given to monitoring certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12. These instruments bring together different financial positions, including securitisation transactions and credit and financial derivatives (CDO - Collateralised Debt Obligations), whose performances were affected by the financial and credit market crisis. Whilst it is true that, in accordance with the legal nature of the products in question, the related investment risk is transferred to policyholders, the company assesses the need to restructure its portfolios in order to safeguard its commercial interests, which could be prejudiced by widespread dissatisfaction among customers, and the potential impact on its reputation as a result of a general expression of discontent.

In this context, in response to the continuing decline in the value of the securities underlying Programma Dinamico's "Classe 3A Valore reale" and "Ideale" index-linked policies, in December 2008 Poste Vita SpA offered policyholders the opportunity to convert these policies into Branch I policies providing guaranteed minimum returns. This was done to allow policyholders to reduce their risk exposure, in view of the changed scenario. The maturity of the contracts, which was originally set in the first half of 2012, has been extended to 31 December 2015 and the capital sum paid at such date will be equal to 105% of the premium collected. The costs of the conversion, which will take place in 2009, depend mainly by the number of policyholders who accept the offer. Account was taken of this in estimating the amount of provisions to be made in the subsidiary's financial statements for the year ended 31 December 2008. The best estimate of the related charges has also been reflected in the Group's consolidated financial statements for the year then ended.

## INFORMATION ABOUT THE GROUP

With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes the five main subsidiaries, and makes use, with regard to the banking channel, of zero balance cash pooling. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

## FINANCIAL STRUCTURE

Poste Italiane SpA's financial structure at 31 December 2008 is solid and balanced, and adequately protected from liquidity or refinancing risks. Overall borrowings are primarily medium/long-term, except for bank overdrafts and intercompany borrowings, which are of a limited amount, and the use of short-term lines of credit. Medium/long-term debt is sufficient to cover the Group's financial needs over the two-year period 2008-2009.

At the end of the reporting period the Company has unused uncommitted lines of 1,121.2 million euros available. The Company also has overdraft facilities in place totalling 70.7 million euros, of which 2.8 million euros has been temporarily used, and bank guarantee facilities with a value of approximately 74.5 million euros, of which guarantees with a value of 48 million euros have been used in the interests of the Company and 6.5 million euros in the interest of Group companies (note 38.4).

Derivative instruments at 31 December 2008 regard:

- an interest rate swap with a notional value of 100,000 thousand euros, hedging the cash inflows from a fixed income security (note 8.6);
- forward purchase contracts of securities held in the BancoPosta portfolio with a notional value of 958,750 thousand euros (note 14.4);
- forward sale contracts for securities held in the BancoPosta portfolio with a notional value of 1,450,000 thousand euros (note 14.4);
- an asset swap with a notional value of 1,674,950 thousand euros to hedge inflation-indexed government securities (note 14.4);
- interest rate swaps with a notional value of 295,000 thousand euros to convert part of the floating rate exposure of bank borrowings into a fixed rate (note 8.5).

Poste Italiane SpA invests excess liquidity in financial instruments on a prudential basis and in line with its core businesses. Investments are primarily short term in nature, including deposits and readily convertible assets.

## 4 - PROPERTY, PLANT AND EQUIPMENT

The following table shows movements in property, plant and equipment in 2007 and 2008:

### 4.1 - Movements in property, plant and equipment

	Land	Operating properties	Plant and equipment	Industrial and commercial equipment	Leasehold improvements	Other	Assets in the course of construction and prepayments	Total
<b>Balance at 1 January 2007</b>								
Cost	76,284	2,328,649	1,956,630	248,656	429,431	946,673	133,026	6,119,349
Accumulated depreciation	-	(589,855)	(1,273,050)	(168,699)	(322,242)	(740,765)	-	(3,094,611)
Accumulated impairments	-	(7,496)	(34,481)	(770)	-	(1)	(2,913)	(45,661)
<b>Carrying amount</b>	<b>76,284</b>	<b>1,731,298</b>	<b>649,099</b>	<b>79,187</b>	<b>107,189</b>	<b>205,907</b>	<b>130,113</b>	<b>2,979,077</b>
<b>Movements during the year</b>								
Purchases	76	19,998	31,464	9,119	13,855	57,764	262,650	394,926
Adjustments	2	83	-	(21)	-	(10)	(93)	(39)
Reclassifications	(4,335)	45,914	127,448	106	19,861	16,287	(205,144)	137
Disposals	(395)	(2,734)	(1,388)	-	-	(82)	-	(4,599)
Depreciation	-	(89,110)	(149,680)	(20,926)	(39,070)	(80,431)	-	(379,217)
Impairments	-	-	(1,173)	-	-	(3)	-	(1,176)
<b>Total movements</b>	<b>(4,652)</b>	<b>(25,849)</b>	<b>6,671</b>	<b>(11,722)</b>	<b>(5,354)</b>	<b>(6,475)</b>	<b>57,413</b>	<b>10,032</b>
<b>Balance at 31 December 2007</b>								
Cost	71,632	2,390,661	2,025,686	257,851	463,160	1,020,039	190,439	6,419,468
Accumulated depreciation	-	(677,716)	(1,348,182)	(189,616)	(361,325)	(820,603)	-	(3,397,442)
Accumulated impairments	-	(7,496)	(21,734)	(770)	-	(4)	(2,913)	(32,917)
<b>Carrying amount</b>	<b>71,632</b>	<b>1,705,449</b>	<b>655,770</b>	<b>67,465</b>	<b>101,835</b>	<b>199,432</b>	<b>187,526</b>	<b>2,989,109</b>
<b>Movements during the year</b>								
Purchases	408	28,950	106,867	17,014	27,807	55,297	202,276	438,619
Adjustments <sup>(1)</sup>	721	-	-	(4)	-	(1)	(25)	691
Reclassifications <sup>(2)</sup>	-	15,030	14,311	(31)	14,265	30,297	(78,993)	(5,121)
Disposals <sup>(3)</sup>	(468)	(4,595)	(2,146)	(17)	(230)	(230)	(14)	(7,700)
Depreciation	-	(89,771)	(135,739)	(20,797)	(25,278)	(77,800)	-	(349,385)
Impairments	-	(1)	(636)	-	(34)	-	-	(671)
<b>Total movements</b>	<b>661</b>	<b>(50,387)</b>	<b>(17,343)</b>	<b>(3,835)</b>	<b>16,530</b>	<b>7,563</b>	<b>123,244</b>	<b>76,433</b>
<b>Balance at 31 December 2008</b>								
Cost	72,293	2,418,053	2,092,277	274,798	473,752	1,100,655	310,770	6,742,598
Accumulated depreciation	-	(761,509)	(1,432,204)	(210,398)	(355,386)	(893,659)	-	(3,653,156)
Accumulated impairments	-	(1,482)	(21,646)	(770)	(1)	(1)	-	(23,900)
<b>Carrying amount</b>	<b>72,293</b>	<b>1,655,062</b>	<b>638,427</b>	<b>63,630</b>	<b>118,365</b>	<b>206,995</b>	<b>310,770</b>	<b>3,065,542</b>
<b>Adjustments <sup>(1)</sup></b>								
Cost	721	-	-	-	-	-	-	721
Other liabilities	-	-	-	(4)	-	1	(25)	(28)
Accumulated depreciation	-	-	-	-	-	(2)	-	(2)
<b>Total</b>	<b>721</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>(25)</b>	<b>691</b>
<b>Reclassifications <sup>(2)</sup></b>								
Cost	-	13,416	14,066	(37)	15,027	30,303	(78,993)	(6,218)
Accumulated depreciation	-	1,614	245	6	(762)	(6)	-	1,097
<b>Total</b>	<b>-</b>	<b>15,030</b>	<b>14,311</b>	<b>(31)</b>	<b>14,265</b>	<b>30,297</b>	<b>(78,993)</b>	<b>(5,121)</b>
<b>Disposals <sup>(3)</sup></b>								
Cost	(468)	(14,974)	(54,342)	(26)	(32,242)	(4,985)	(2,927)	(109,964)
Accumulated depreciation	-	4,364	51,472	9	31,979	4,752	-	92,576
Accumulated impairments	-	6,015	724	-	33	3	2,913	9,688
<b>Total</b>	<b>(468)</b>	<b>(4,595)</b>	<b>(2,146)</b>	<b>(17)</b>	<b>(230)</b>	<b>(230)</b>	<b>(14)</b>	<b>(7,700)</b>

The principal movements during 2008 are described below.

Capital expenditure of 438,619 thousand euros primarily regarded:

- 28,950 thousand euros relating primarily to the purchase and maintenance of properties owned by the Company, including 21,574 thousand euros relating to the extraordinary maintenance of Post Offices, local head offices and mail sorting offices, and 7,361 thousand euros regarding the purchase of premises used as Post Offices;
- 106,867 thousand euros relating to plant, with the most significant items relating to the purchase of sorting equipment used at Sorting Centres (62,381 thousand euros), plant used in buildings (18,150 thousand euros), implementation of the Service Control Room (11,988 thousand euros), and the purchase and installation of data transmission cables and networks (11,309 thousand euros);
- 17,014 thousand euros primarily relating to the purchase of security equipment for Post Office entrances and for the deposit of cash and documents;
- 27,807 thousand euros invested in structural improvements (15,939 thousand euros) and plant (11,868 thousand euros) for properties held under lease;
- 55,297 thousand euros regarding other assets, including 28,203 thousand euros for the purchase of furniture and fittings in connection with the new layouts for Post Offices, 16,944 thousand euros for new computer hardware for Post Offices and head offices and the expansion of storage systems, and 8,754 thousand euros for the purchase of other durable goods used in delivery activities;
- 202,276 thousand euros regarding investments in progress, with 62,865 thousand euros relating to the restyling of Post Offices, 58,353 thousand euros to the restructuring of Sorting Centres, 54,015 thousand euros for the purchase of computer hardware yet to be put into use, and 15,953 thousand euros for the renovation of Head Office premises.

Reclassifications from assets in the course of construction, totalling 78,993 thousand euros, primarily regard the purchase cost of assets that became available and ready for use during the year. Above all, such assets regard the completion of work on the equipment used at Sorting Centres, completion of the restructuring of Company-owned and leased Post Offices, and the rollout of hardware held in storage.

Disposals, with a net carrying amount of 7,700 thousand euros, primarily regard the sale of operating properties (4,595 thousand euros) and the disposal of obsolete production plant (2,146 thousand euros). The impact of these disposals on the income statement is described in note 29.2.

## 5 - INVESTMENT PROPERTY

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by Post Office managers. The following movements in investment property took place in 2008 and 2007:

### 5.1 - Movements in investment property

	2008	2007
<b>Balance at 1 January</b>		
Cost	180,410	198,365
Accumulated depreciation	(53,120)	(52,615)
Accumulated impairments	(19,163)	(20,056)
<b>Carrying amount</b>	<b>108,127</b>	<b>125,694</b>
<b>Movements during the year</b>		
Purchases	652	1,198
Reclassifications <sup>(1)</sup>	(1,004)	6
Disposals <sup>(2)</sup>	(17,846)	(13,203)
Depreciation	(5,089)	(5,602)
Reversals of impairments/(Impairments)	6,092	34
<b>Total movements</b>	<b>(17,195)</b>	<b>(17,567)</b>
<b>Balance at 31 December</b>		
Cost	147,584	180,410
Accumulated depreciation	(47,916)	(53,120)
Accumulated impairments	(8,736)	(19,163)
<b>Carrying amount</b>	<b>90,932</b>	<b>108,127</b>
<i>Fair value at 31 December</i>	<i>132,038</i>	<i>150,247</i>
<b>Reclassifications <sup>(1)</sup></b>		
Cost	(3,184)	6
Accumulated depreciation	1,021	-
Accumulated impairments	1,159	-
<b>Total</b>	<b>(1,004)</b>	<b>6</b>
<b>Disposals <sup>(2)</sup></b>		
Cost	(30,294)	(19,159)
Accumulated depreciation	9,272	5,097
Accumulated impairments	3,176	859
<b>Total</b>	<b>(17,846)</b>	<b>(13,203)</b>

The fair value of investment property at 31 December 2008 amounts to 132,038 thousand euros (150,247 thousand euros at 31 December 2007). This amount includes 118,558 thousand euros referring to the sale price applicable to the former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, whilst the residual amount refers to internal estimates of market prices.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

## 6 - INTANGIBLE ASSETS

The following table shows movements in intangible assets in 2007 and 2008:

### 6.1 - Movements in intangible assets

	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangible assets in progress and prepayments	Other	Total
<b>Balance at 1 January 2007</b>					
Cost	668,852	2,008	3,181	68,868	742,909
Accumulated amortisation	(437,374)	(1,646)	-	(67,983)	(507,003)
<b>Carrying amount</b>	<b>231,478</b>	<b>362</b>	<b>3,181</b>	<b>885</b>	<b>235,906</b>
<b>Movements during the year</b>					
Purchases	126,637	2	25,821	-	152,460
Adjustments	(41)	-	-	-	(41)
Reclassifications	2,497	-	(3,169)	-	(672)
Disposals	-	-	-	-	-
Amortisation	(141,279)	(180)	-	(519)	(141,978)
<b>Total movements</b>	<b>(12,186)</b>	<b>(178)</b>	<b>22,652</b>	<b>(519)</b>	<b>9,769</b>
<b>Balance at 31 December 2007</b>					
Cost	797,990	2,010	25,833	68,868	894,701
Accumulated amortisation	(578,698)	(1,826)	-	(68,502)	(649,026)
<b>Carrying amount</b>	<b>219,292</b>	<b>184</b>	<b>25,833</b>	<b>366</b>	<b>245,675</b>
<b>Movements during the year</b>					
Purchases	123,955	-	72,600	-	196,555
Adjustments <sup>(1)</sup>	(54)	-	(38)	-	(92)
Reclassifications <sup>(2)</sup>	28,437	-	(25,769)	-	2,668
Amortisation	(143,247)	(91)	-	(366)	(143,704)
<b>Total movements</b>	<b>9,091</b>	<b>(91)</b>	<b>46,793</b>	<b>(366)</b>	<b>55,427</b>
<b>Balance at 31 December 2008</b>					
Cost	950,328	2,010	72,626	68,868	1,093,832
Accumulated amortisation	(721,945)	(1,917)	-	(68,868)	(792,730)
<b>Carrying amount</b>	<b>228,383</b>	<b>93</b>	<b>72,626</b>	<b>-</b>	<b>301,102</b>
<b>Adjustments <sup>(1)</sup></b>					
Cost	(54)	-	(38)	-	(92)
Accumulated amortisation	-	-	-	-	-
<b>Total</b>	<b>(54)</b>	<b>-</b>	<b>(38)</b>	<b>-</b>	<b>(92)</b>
<b>Reclassifications <sup>(2)</sup></b>					
Cost	28,437	-	(25,769)	-	2,668
Accumulated amortisation	-	-	-	-	-
<b>Total</b>	<b>28,437</b>	<b>-</b>	<b>(25,769)</b>	<b>-</b>	<b>2,668</b>

Investment in intangible assets during 2008 amounts to 196,555 thousand euros, including 12,302 thousand euros regarding software developed in-house.

The increase of 123,955 thousand euros in industrial patents and intellectual property rights, before amortisation for the period, is primarily attributable to the purchase and entry into service of new software applications for innovative Mail services, WEB Oriented services and in relation to administration and control. New software was also purchased for use in the maintenance, evolution and development of the technology infrastructures used in the sale of BancoPosta services and in updating Asset and Configuration Management.

During the year, the Company effected reclassifications from intangible assets in progress to industrial patents and intellectual property rights (28,437 thousand euros), relating to the release and entry into service of new software programmes and the development of existing programmes.

## 7 - INVESTMENTS

This item includes the following:

### 7.1 - Investments

Item	Balance at 31 December 2008	Balance at 31 December 2007
Investments in subsidiaries	1,058,132	1,052,749
Investments in associates	-	-
<b>Total</b>	<b>1,058,132</b>	<b>1,052,749</b>

Movements in investments in subsidiaries during 2007 and 2008 are as follows:

### 7.2 - Movements in investments in 2007

Investment	Balance at 1 Jan 2007	Additions		Reductions	Adjustments		Balance at 31 Dec 2007
		Subscriptions/ Capital contributions	Acquisitions	Sales, liquidations, mergers	Revalu- ations	Impair- ments	
<b>Subsidiaries</b>							
BancoPosta Fondi SpA SGR	12,000	-	-	-	-	-	12,000
CLP ScpA	263	-	-	-	-	-	263
Consorzio Poste Contact	84	-	-	-	-	-	84
Consorzio Poste Link	70	-	-	-	-	-	70
Cons. Servizi di Telefonia Mobile ScpA	-	61	-	-	-	-	61
EGI SpA	191,410	-	-	-	-	-	191,410
Mistral Air Srl	10,098	1,511	-	-	-	(3,904)	7,705
Poste Energia SpA	-	120	-	-	-	-	120
Poste Italiane Trasporti SpA	1,739	-	-	-	-	-	1,739
PosteMobile SpA	2,551	15,000	-	-	-	-	17,551
PosteShop SpA	5,815	-	-	-	-	-	5,815
Poste Tributi ScpA	14	1,794	-	-	-	-	1,808
Poste Tutela SpA	818	-	-	-	-	-	818
Poste Vita SpA	563,481	-	-	-	-	-	563,481
Postecom SpA	12,789	-	-	-	-	-	12,789
Postel SpA	131,575	-	-	-	-	-	131,575
SDA Express Courier SpA	105,460	-	-	-	-	-	105,460
<b>Total</b>	<b>1,038,167</b>	<b>18,486</b>	-	-	-	<b>(3,904)</b>	<b>1,052,749</b>

### 7.3 - Movements in investments in 2008

Investment	Balance at 1 Jan 2008	Additions		Reductions	Adjustments		Balance at 31 Dec 2008
		Subscriptions/ Capital contributions	Acquisitions	Sales, liquidations, mergers	Revalu- ations	Impair- ments	
<b>Subsidiaries</b>							
BancoPosta Fondi SpA SGR	12,000	-	-	-	-	-	12,000
CLP ScpA	263	-	-	-	-	-	263
Consorzio Poste Contact	84	-	-	-	-	-	84
Poste Link Scrl <sup>(1)</sup>	70	-	-	-	-	-	70
Cons. Servizi di Telefonia Mobile ScpA	61	-	-	-	-	-	61
EGI SpA	191,410	-	-	-	-	-	191,410
Mistral Air Srl	7,705	7,401	-	-	-	(12,337)	2,769
Poste Energia SpA	120	-	-	-	-	-	120
Poste Italiane Trasporti SpA	1,739	-	-	-	-	-	1,739
PosteMobile SpA	17,551	10,000	-	-	-	-	27,551
PosteShop SpA	5,815	-	-	-	-	-	5,815
Poste Tributi ScpA	1,808	-	-	-	-	-	1,808
Poste Tutela SpA	818	-	-	-	-	-	818
Poste Vita SpA	563,481	-	-	-	-	-	563,481
Poste Voice SpA	-	319	-	-	-	-	319
Postecom SpA	12,789	-	-	-	-	-	12,789
Postel SpA	131,575	-	-	-	-	-	131,575
SDA Express Courier SpA	105,460	-	-	-	-	-	105,460
<b>Total</b>	<b>1,052,749</b>	<b>17,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,337)</b>	<b>1,058,132</b>

(1) On 17 November 2008 Consorzio Poste Link was converted to a limited liability consortium.

Movements during 2008 are as follows:

- payment of 7,401 thousand euros to Mistral Air Srl in order to recapitalise the company, whose share capital had been reduced to below the legally required minimum (pursuant to art. 2482-ter of the Italian Civil Code);
- payment of 10,000 thousand euros to PosteMobile SpA, which began operating in 2007, including 7,000 thousand euros to recapitalise the company, whose share capital had been reduced to below the legally required minimum (pursuant to art. 2447 of the Italian Civil Code), and 3,000 thousand euros for future capital increases;
- subscription of the entire share capital of the newly established Poste Voice SpA, amounting to 120 thousand euros, and the subsequent contribution of 199 thousand euros to recapitalise the company, whose share capital had been reduced to below the legally required minimum (art. 2447 of the Italian Civil Code); the company supplies IT and data transmission services.

The following transactions also took place without modifying the value of the Company's direct interests in the companies concerned:

- on 26 February 2008 SDA Logistica Srl, a wholly owned subsidiary of SDA Express Courier SpA, changed its name to Italia Logistica Srl. This event took place within the context of the memorandum of understanding between Poste Italiane SpA and Ferrovie dello Stato SpA, which was signed on 28 February 2008 with the aim of creating a major new national logistics provider. The understanding, which was effective 1 August 2008, involved creation of a joint venture 50% owned by SDA Express Courier SpA and 50% by FS Logistica SpA, an FS Group company. The new company was established via a capital increase carried out by Italia Logistica Srl and restricted to FS Logistica SpA;
- on 17 November 2008 Consorzio Poste Link was converted to a limited liability consortium, with share capital of 200 thousand euros, obtained by conversion of the pre-existing consortium fund of 100 thousand euros, with the remaining amount deriving from the transfer of retained earnings. The consortium is owned Poste Italiane SpA (70%), Postecom SpA (15%) and Postel SpA (15%).

In addition, the following transactions have taken place in early 2009:

- on 26 January 2009 the Board of Directors of Poste Italiane SpA authorised the merger of Consorzio Poste Contact, which is 70% owned by Poste Italiane SpA and 30% owned by Postecom SpA, with and into the subsidiary, Poste Link Scrl;
- on 28 January 2009, following preparation of a new business plan for 2009-2011, the board of directors of Mistral Air Srl requested the Parent Company, Poste Italiane SpA, to make a capital contribution of 3,000 thousand euros. This payment had already been authorised by the Board resolution of 28 July 2008.

Investments have been tested for impairment as required by the related accounting standards. The impairment tests carried out were based on three-year plans, covering the period 2009-2011, for the relevant cash generating units (Group companies or their subsidiaries). The figures for the last year of the plan were used to project cash flows for subsequent years over an indefinite time horizon. The Discounted Cash Flow (DCF) method was then applied to the resulting amounts. In calculating value in use, NOPLAT (Net Operating Profit Less Adjusted Taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted Average Cost of Capital). A zero growth rate was used in the tests carried out at 31 December 2008.

Based on the prospective information available and the results of the impairment tests, the value of the investment in Mistral Air Srl has been written down by 12,337 thousand euros.

The following table shows a list of investments in subsidiaries at 31 December 2008:

#### 7.4 - List of investment in subsidiaries

Name	% interest	Share capital <sup>(1)</sup>	Profit/(Loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31 Dec 2008	Difference between carrying amount and share of equity
BancoPosta Fondi SpA SGR	100	12,000	9,795	34,303	34,303	12,000	22,303
CLP ScpA	51	516	-	516	263	263	-
Consorzio Poste Contact	70	120	250	370	259	84	175
Poste Link Scrl <sup>(2)</sup>	70	200	1,713	2,054	1,438	70	1,368
Consorzio per i Servizi di Telefonia Mobile ScpA <sup>(2)</sup>	51	120	-	120	61	61	-
EGI SpA	55	103,200	37,592	397,342	218,538	191,410	27,128
Mistral Air Srl	100	530	(7,056)	(1,322)	(1,322)	2,769	(4,091)
Poste Energia SpA <sup>(2)</sup>	100	120	227	411	411	120	291
Poste Italiane Trasporti SpA	100	1,020	258	4,619	4,619	1,739	2,880
PosteMobile SpA <sup>(2)</sup>	100	2,582	(12,689)	2,715	2,715	27,551	(24,836)
PosteShop SpA	100	2,582	484	7,326	7,326	5,815	1,511
Poste Tributi ScpA	70	2,583	-	2,583	1,808	1,808	-
PosteTutela SpA	100	153	842	6,406	6,406	818	5,588
Poste Vita SpA <sup>(2)</sup>	100	561,608	64,122	965,561	965,561	563,481	402,080
Poste Voice SpA	100	120	(94)	224	224	319	(95)
Postecom SpA	100	6,450	3,756	41,297	41,297	12,789	28,508
Postel SpA	100	20,400	12,354	118,396	118,396	131,575	(13,179)
SDA Express Courier SpA	100	54,600	302	104,460	104,460	105,460	(1,000)

(1) Consortium fund in the case of consortia. The registered offices of subsidiaries are all located in Rome.

(2) The figures for these companies have been calculated under IFRS, and are not, therefore, consistent with those contained in the financial statements prepared under Italian GAAP.

At 31 December 2008, the higher value of the carrying amount of certain investments compared with the corresponding share of the subsidiary's Equity, including any goodwill purchased at the time of acquisition, is justified by the present value of the expected net cash flows from these investments, which have been calculated on the basis of the company's business plans and the best available information.

## 8 - FINANCIAL ASSETS

At 31 December 2008 and 2007 financial assets break down as follows:

### 8.1 - Financial assets

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	929,935	597,223	1,527,158	785,983	594,776	1,380,759
Loans	355,320	146,486	501,806	95,000	116,975	211,975
Receivables	574,615	450,737	1,025,352	690,983	477,801	1,168,784
Financial assets at fair value through the income statement	-	-	-	-	594	594
Available-for-sale investments	337,905	213,157	551,062	174,315	5,410	179,725
Equity instruments	38,970	-	38,970	74,125	-	74,125
Fixed income instruments	199,906	209,072	408,978	-	-	-
Other investments	99,029	4,085	103,114	100,190	5,410	105,600
Derivative financial instruments	-	1,116	1,116	938	6,920	7,858
Cash flow hedges	-	1,116	1,116	938	1,460	2,398
Fair value through the income statement	-	-	-	-	5,460	5,460
<b>Total</b>	<b>1,267,840</b>	<b>811,496</b>	<b>2,079,336</b>	<b>961,236</b>	<b>607,700</b>	<b>1,568,936</b>

## LOANS AND RECEIVABLES

### Loans

Loans refer entirely to amounts due from Group companies, and break down as follows:

#### Non-current portion:

- 345,000 thousand euros relating to three loans issued to Poste Vita SpA, in order to bring the subsidiary's capitalisation into line with the growth in premium income, in compliance with the specific regulations governing the insurance sector. This lending consists of a subordinated loan of 250,000 thousand euros issued on an arm's length basis on 18 April 2008, and two 7-year subordinated loans of 95,000 thousand euros (50,000 and 45,000 thousand euros issued on an arm's length basis in 2003 and 2005);
- 10,320 thousand euros relating to two 5-year loans (8,400 and 1,920 thousand euros), repayable in six-monthly instalments paid in arrears, issued to Postel SpA on 31 March and 30 September 2008, respectively, in order to fund the purchase of capital goods. The amount classified as current totals 2,880 thousand euros (table 8.2).

#### Current portion:

- 142,188 thousand euros in short-term loans and overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis, as described in table 8.2, and including accrued interest income of 82 thousand euros;
- 4,298 thousand euros in interest accrued at 31 December 2008 on loans to the subsidiaries, Poste Vita SpA and Postel SpA, accounted for in the non-current portion above.

## 8.2 - Current portion of loans and receivables

Item	31 December 2008			31 December 2007		
	Loans	C/a overdrafts	Total	Loans	C/a overdrafts	Total
<b>Direct subsidiaries</b>						
Mistral Air Srl	-	3,491	3,491	-	3,817	3,817
Postel SpA	2,880	88,264	91,144	-	86,972	86,972
SDA Express Courier SpA	20,082	27,471	47,553	-	25,829	25,829
	22,962	119,226	142,188	-	116,618	116,618
Accrued interest on non-current loans	4,298	-	4,298	357	-	357
<b>Total</b>	<b>27,260</b>	<b>119,226</b>	<b>146,486</b>	<b>357</b>	<b>116,618</b>	<b>116,975</b>

## Receivables

Receivables break down as follows:

### 8.3 - Receivables

	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from parent	565,518	340,030	905,548	683,724	460,891	1,144,615
Repayment of loans accounted for in liabilities	565,518	298,190	863,708	683,724	340,272	1,023,996
Repayment of interest on loan (Law 887/84)	-	29,434	29,434	-	43,534	43,534
Interest on Poste Italiane SpA's liquidity	-	12,406	12,406	-	77,085	77,085
Due from buyers of service accommodation	9,097	-	9,097	7,259	-	7,259
Due from overseas Post Offices for international money orders	-	3,665	3,665	-	3,365	3,365
Due from others	-	107,719	107,719	-	13,545	13,545
Provisions for doubtful receivables	-	(677)	(677)	-	-	-
<b>Total</b>	<b>574,615</b>	<b>450,737</b>	<b>1,025,352</b>	<b>690,983</b>	<b>477,801</b>	<b>1,168,784</b>

At 31 December 2008, the fair value of receivables, totalling 863,708 thousand euros, due from the parent, the MEF, as repayment of loans accounted for in liabilities, amounts to 878,377 thousand euros. At 31 December 2007, the fair value of this item, which at the time had a carrying amount of 1,023,996 thousand euros, was 1,027,031 thousand euros. The carrying amount of the other receivables in this category approximates to fair value.

Receivables due from the parent, the MEF, amounting to 905,548 thousand euros, primarily regard a receivable of 863,708 thousand euros relating to the residual principal to be repaid on loans accounted for in liabilities, and which, in accordance with the laws that authorised the relevant loans, are to be repaid by the parent. This receivable is represented by the amortised cost<sup>9</sup> of a receivable with a face value of 971,704 thousand euros, which is expected to be collected by 2016. During 2008 the Company collected receivables with a face value of 197,077 thousand euros and estimated accrued finance income on the present value of the receivables to be 36,789 thousand euros.

On the basis of the laws referred to below, these receivables are non-interest-bearing as they relate to loans for which only the principal is to be repaid by the government, with the exception of the loan linked to Law 887/84, for which interest is also to be repaid. However, from 2001 provision is no longer made in the government's budget for this interest payment, which is thus charged to Poste Italiane SpA's income statement<sup>10</sup>.

9. The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

10. Moreover, the reimbursements received in 2007 and 2008 also included interest payable to Poste Italiane SpA for previous years.

The face value of these receivables is as follows.

Legislation	Face value of receivable
Law 227/75 (mechanisation of PO services)	29,389
Law 39/82 (subsequent changes to PO services)	571,542
Law 887/84	368,251
Law 41/86	2,522
<b>Total</b>	<b>971,704</b>

Such items represent repayments of loans formerly disbursed by Cassa Depositi e Prestiti, in accordance with the above laws, to the former Post and Telecommunications Office in order to fund investment between 1975 and 1993. On conversion of the former Public Entity into a joint-stock company, the accounts payable to Cassa Depositi e Prestiti (the provider of the loans) and the accounts receivable from the parent, the MEF, to which the relevant laws assigned the burden of repayment, were posted in the accounts. Poste Italiane SpA is liable for interest expense through to full repayment of the loans. The difference of 149,566 thousand euros between the face value of the receivable and the face value of the liability of 822,138 thousand euros (note 23.2), which corresponds to the amortised cost, is due to repayment of the principal falling due in 2008, which was collected in full in March 2009.

Receivables due from the parent, the MEF, also include:

- receivables of 29,434 thousand euros relating to interest on the loan granted under Law 887/84 (of which 13,625 thousand euros accruing in 2008 and 15,809 thousand euros accruing in previous years), which was acknowledged by the parent, the MEF, at the same time as collection in March 2009;
- receivables of 12,406 thousand euros due as accrued interest on the deposit of Poste Italiane SpA's liquidity with the MEF in 2008.

Amounts due from others, totalling 107,719 thousand euros, include:

- 102,998 thousand euros in term bank deposits made by the Company during the year, including 2,998 thousand euros in accrued income;
- 4,044 thousand euros in differentials on 7 Constant Maturity Treasury swaps (CMTs) accruing at 31 December 2008 (a description is provided in note 8.6);
- 677 thousand euros resulting from early termination of two Interest Rate Swaps carried out by the Company in accordance with the related contracts terms. This amounts has been fully written down following the counterparty's declaration of bankruptcy in September 2008.

## AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments break down as follows:

### 8.4 - Available-for-sale investments

Item	Balance at 31 December 2008	Balance at 31 December 2007
Equity instruments	38,970	74,125
Fixed income instruments	408,978	-
Fiduciary deposits	100,476	101,512
Mutual investment funds	<u>2,638</u>	<u>4,088</u>
Other investments	103,114	105,600
<b>Total</b>	<b>551,062</b>	<b>179,725</b>

The following movements took place during the year:

### 8.5 - Movements in available-for-sale financial assets

	2008				2007				
	Note	Equity instruments	Fixed income instruments	Other instruments	Total	Equity instruments	Fixed income instruments	Other instruments	Total
<b>Balance at 1 January</b>		<b>74,125</b>	-	<b>105,600</b>	<b>179,725</b>	<b>8,755</b>	-	<b>111,050</b>	<b>119,805</b>
Additions/Disbursements		285	500,464	-	500,749	-	-	-	-
Fair value gains and losses	[19.1]	(7,954)	165	(2,611)	(10,400)	66,068	-	(5,806)	60,262
Change in amortised cost		-	(229)	-	(229)	-	-	-	-
Accrued income		-	8,642	1,447	10,089	-	-	1,322	1,322
Reductions/Settlement of accrued income		(27,486)	(100,064)	(1,322)	(128,872)	(698)	-	(966)	(1,664)
<b>Balance at 31 December</b>		<b>38,970</b>	<b>408,978</b>	<b>103,114</b>	<b>551,062</b>	<b>74,125</b>	-	<b>105,600</b>	<b>179,725</b>

### Equity instruments

Equity instruments include:

- 34,134 thousand euros relating to the fair value of 350,628 class B shares in Mastercard Incorporated (at 31 December 2007, 500,628 shares with a fair value of 69,562 thousand euros). In accordance with the issuer's memorandum of association, the class B shares are convertible into class A shares, which are quoted on the New York Stock Exchange, at an exchange ratio of one for one from May 2010. During the year, Poste Italiane SpA sold 150,000 of the shares in its portfolio (see note 8.6), realising a gain of 26,636 thousand euros. The movement in the fair value of Equity instruments shown in table 8.5 refers almost entirely to the remaining holding of these shares;
- 4,500 thousand euros regarding the historical cost of the Company's 15% interest in Innovazione e Progetti ScpA, the value of which is unchanged with respect to the previous year;
- 273 thousand euros relating to the fair value of 11,144 class C shares in Visa Incorporated (zero at 31 December 2007). In accordance with the issuer's memorandum of association, the class C shares are non-transferable and are convertible into class A shares, which are quoted on the New York Stock Exchange, at an exchange ratio of one for one from March 2011. Poste Italiane SpA received the shares during the year as a dividend in kind from Visa Europe Ltd., following the restructuring of the VISA network of which the Company is a member. Poste Italiane SpA's interest in Visa Europe Ltd derives from its role in the VISA network, has a par value of 10 euros and did entail any expense on the part of the Company;
- 63 thousand euros regarding the historical cost of the 9.091% interest in Eurogiro Holding A/S, which is unchanged with respect to the previous year.

### Fixed income instruments

This item regards fixed income instruments with a face value of 400,000 thousand euros, maturing by 2010 and purchased by the Parent Company in 2008. These instruments include securities issued by listed banks in the form of private placements, having a face value of 200,000 thousand euros (a fair value of 206,478 thousand euros), of which 100,000 thousand euros was issued by Cassa Depositi e Prestiti SpA in the form of bonds (a fair value of 102,230 thousand euros). The balance regards Italian Treasury Certificates (CCT) with a face value of 100,000 thousand euros (a fair value of 100,270 thousand euros).

### Other investments

Other investments regard:

- a fiduciary deposit with a face value of 107,500 thousand euros, established in 2002 and expiring on 5 July 2012, and paying interest at a floating rate: the fair value of the fiduciary deposit at 31 December 2008 is 100,476 thousand euros (101,512 thousand euros at 31 December 2007);

The deposit was established when the official rating was assigned to Poste Italiane SpA and represents liquidity reserves designed to guarantee Poste Italiane SpA's bondholders and provide the rating agencies with a basis for their analysis<sup>11</sup>. At 31 December 2008 approximately 74% of the deposit is held as liquidity, with the remainder invested in bonds. The Company has an option on the deposit which, in the event of exercise, guarantees the recovery of approximately 84% of the face value. In addition, the depositor has entered into credit derivatives, where protection from certain issuers' credit risk has been sold to third parties, with a notional value of 75 million euros;

- units of equity mutual funds with a fair value of 2,638 thousand euros, representing the temporary investment of liquidity (4,088 thousand euros at 31 December 2007).

## DERIVATIVE FINANCIAL INSTRUMENTS

Movements in derivatives receivable and payable are as follows:

### 8.6 - Movements in derivative financial instruments

	Note	2008			2007				
		Cash flow hedges	Fair value hedges	Fair value through income statement	Total	Cash flow hedges	Fair value hedges	Fair value through income statement	Total
<b>Balance at 1 January</b>		<b>2,398</b>	-	<b>5,460</b>	<b>7,858</b>	<b>7,901</b>	-	-	<b>7,901</b>
Fair value gains and losses	[19.1]	(1,401)	12,419	2,033	13,051	(44,144)	-	5,460	(38,684)
Differentials due and paid/(collected)	[23.6]	(3,262)	(12,419)	(7,493)	(23,174)	38,641	-	-	38,641
<b>Balance at 31 December</b>		<b>(2,265)</b>	-	-	<b>(2,265)</b>	<b>2,398</b>	-	<b>5,460</b>	<b>7,858</b>
of which:									
Derivatives receivable	[8.1]	1,116	-	-	<b>1,116</b>	2,398	-	5,460	<b>7,858</b>
Derivatives payable	[23.1]	(3,381)	-	-	<b>(3,381)</b>	-	-	-	-

### Cash flow hedges

These hedges regard plain vanilla swaps, by which floating rates are exchanged for fixed rates.

Derivatives receivable, totalling 1,116 thousand euros, regard the fair value<sup>12</sup> of an Interest Rate Swap (IRS) entered into in July 2008 and maturing on 30 July 2009. The swap has been entered into to hedge cash inflows from the fixed income securities with a face value of 100 million euros described in note 8.5. Under the swap Poste Italiane SpA has purchased a fixed rate of 5.217% (settled annually) and sold a floating rate of 6-month Euribor plus 3 bps (settled six-monthly).

Derivatives payable, amounting to 3,381 thousand euros, regard the fair value of seven residual Interest Rate Swaps (IRSs) entered into in December 2003 and maturing on 15 September 2009. These represent cash flow hedges of a notional amount of 295 million euros, representing a portion of the EIB loan of 400 million euros (note 23.3). Under the swaps Poste Italiane SpA has purchased a fixed rate of 4.075% (the weighted average of the rates provided for in the seven contracts) and sold a floating rate, at 31 December 2008, of 3.329%. Two similar IRSs of a notional amount of 55 million euros, as described in note 8.3, were terminated in 2008.

The value of the floating rates is subject to future movements in market rates.

11. The initial deposit (215,000 thousand euros) was calculated in 2002 based on the level of borrowing costs generated in a calendar year on Poste Italiane SpA's debt. In response to the subsequent reduction in borrowing costs, the face value of the investment has been progressively reduced by 107,500 thousand euros. In addition to guaranteeing a return, the deposit aims to provide additional assurances to the market and rating agencies. The establishment of the deposit in 2002 helped Poste Italiane SpA receive ratings that resulted in benefits in terms of borrowing costs.

12. The fair value of these derivative instruments is based on the present value of expected cash flows deriving from the differentials to be swapped.

## Fair value hedges

In June 2008 the Company entered into a Zero Cost Collar agreement to minimise the impact of potential movements in the price of its holding of 150,000 shares in Mastercard Inc. The instrument expired on 19 December 2008, when the price of the Mastercard shares was below the in-the-money floor. The Company exercised the option contained in the instrument, thus selling the underlying 150,000 shares described in note 8.5.

## Derivative financial instruments at fair value through the income statement

Movements in the fair value of the derivatives shown in table 8.6 also refer to:

- seven Constant Maturity Treasury swaps (CMTs) that matured on 31 December 2008, including five entered into during the second half of 2007 (with a fair value of 5,460 thousand euros at 31 December 2007) of a notional amount of 3 billion euros, and two entered into in the first half of 2008 of a notional amount of 1 billion euros. The aim of these contracts is to hedge exposure to fluctuations in the index-linked returns on the Company's liquidity held on deposit with the parent, the MEF. The differential on maturity of 4,044 thousand euros has been recognised in Loans and receivables (note 8.3);
- a forward currency sale contract entered into on 20 November 2008 to hedge the sale value of 150,000 shares in Mastercard Inc. (note 8.5); the realised gain was 3,449 thousand euros.

## 9 - DEFERRED TAXES

The following table shows deferred tax assets and liabilities based on maturity.

### 9.1 - Deferred taxes

Item	Balance at 31 December 2008	Balance at 31 December 2007
Deferred tax assets	553,770	469,879
Deferred tax liabilities	(231,816)	(319,852)
<b>Total</b>	<b>321,954</b>	<b>150,027</b>

The nominal tax rates provided for in the 2008 Finance Act are 27.5% for IRES and 3.90% for IRAP (+/- 0.92% as a result of regional surtaxes and/or relief). The weighted average rate for the latter tax is 4.37%.

Movements in deferred tax assets and liabilities are shown below:

### 9.2 - Movements in deferred tax assets and liabilities

Item	2008	2007
<b>Balance at 1 January</b>	<b>150,027</b>	<b>272,809</b>
Deferred tax income/(expenses) recognised in the income statement	236,057	(146,843)
Deferred tax income/(expenses) recognised in Equity <sup>(*)</sup>	(64,130)	24,061
<b>Balance at 31 December</b>	<b>321,954</b>	<b>150,027</b>

(\*) Total deferred tax income recognised in Equity amounts to 58,277 thousand euros, of which 5,853 thousand euros deriving from a reduction in current tax expense.

The movement in the balance of Deferred taxes in 2008 includes non-recurring income of 159,185 thousand euros (including 13,637 thousand euros recognised in Equity and entirely due to recalculation of the actuarial value of staff termination benefits). This derives from the recalculation of Deferred tax liabilities following the exemption of off-book tax deductions applied in the years between 2004 and 2007, and the resulting definition of the substitute tax charge of 81,932 thousand euros, recognised in Current tax expense for the year (note 36).

The following table shows a breakdown of movements in deferred tax assets and liabilities according to principal event that generated the movement.

### 9.3 - Movements in deferred tax assets

Item	Investment property	Financial assets and liabilities	Accum. adjustments to assets	Provisions	Trade and other receivables	Staff costs	Other	Total
<b>Balance at 1 January 2007</b>	<b>18,654</b>	<b>65,955</b>	<b>127,631</b>	<b>246,831</b>	<b>29,958</b>	<b>50,384</b>	<b>2,271</b>	<b>541,684</b>
Deferred tax income/(expenses) recognised in the income statement	(2,171)	(22,348)	(42,541)	(77,341)	3,150	(17,188)	(2,248)	(160,687)
Deferred tax income/(expenses) recognised in Equity	-	88,882	-	-	-	-	-	88,882
<b>Balance at 31 December 2007</b>	<b>16,483</b>	<b>132,489</b>	<b>85,090</b>	<b>169,490</b>	<b>33,108</b>	<b>33,196</b>	<b>23</b>	<b>469,879</b>
Deferred tax income/(expenses) recognised in the income statement	(2,955)	(10,152)	26,228	78,400	(6,013)	2,643	2,799	90,950
Deferred tax income/(expenses) recognised in Equity	-	(7,059)	-	-	-	-	-	(7,059)
<b>Balance at 31 December 2008</b>	<b>13,528</b>	<b>115,278</b>	<b>111,318</b>	<b>247,890</b>	<b>27,095</b>	<b>35,839</b>	<b>2,822</b>	<b>553,770</b>

Deferred tax assets represent the benefit expected to derive from reduced future tax charges due to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. They primarily reflect the expected benefit of the future deductibility of certain provisions for liabilities (247,890 thousand euros), of adjustments to assets (111,318 thousand euros), amounts due to staff (35,839 thousand euros), accumulated depreciation of investment property (13,528 thousand euros), and of the impairment and discounting of trade receivables (27,095 thousand euros). Deferred tax assets also reflect temporary differences arising between the tax bases of financial assets and their carrying amounts, as a result of application of IAS 39 (115,278 thousand euros).

### 9.4 - Movements in deferred tax liabilities

Item	Property, plant and equipment	Intangible assets	Financial assets and liabilities	Deferred gains	Discounted staff termination benefits	Other	Total
<b>Balance at 1 January 2007</b>	<b>152,746</b>	<b>24,933</b>	<b>6,552</b>	<b>25,740</b>	<b>57,263</b>	<b>1,642</b>	<b>268,876</b>
Deferred tax expenses/(income) recognised in the income statement	(9,447)	(1,752)	(110)	(5,743)	3,319	(112)	(13,845)
Deferred tax expenses/(income) recognised in Equity	-	-	49,421	-	15,400	-	64,821
<b>Balance at 31 December 2007</b>	<b>143,299</b>	<b>23,181</b>	<b>55,863</b>	<b>19,997</b>	<b>75,982</b>	<b>1,530</b>	<b>319,852</b>
Deferred tax expenses/(income) recognised in the income statement	8,709	302	(221)	(1,259)	(5,560)	(1,530)	441
Deferred tax expenses/(income) recognised in Equity	-	-	96,819	-	(26,111)	-	70,708
Deferred tax expenses/(income) recognised in the income statement (exemption off-book deductions)	(104,436)	(23,483)	-	-	(17,629)	-	(145,548)
Deferred tax expenses/(income) recognised in Equity (exemption off-book deductions)	-	-	-	-	(13,637)	-	(13,637)
<b>Balance at 31 December 2008</b>	<b>47,572</b>	<b>-</b>	<b>152,461</b>	<b>18,738</b>	<b>13,045</b>	<b>-</b>	<b>231,816</b>

Deferred tax liabilities reflect the benefit obtained as the result of a lower current tax charge due to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These liabilities primarily refer to taxable temporary differences between the tax bases and carrying amounts of property, plant and equipment (47,572 thousand euros), the deferral of gains (18,738 thousand euros), and the difference between the actuarial value and the tax base of provisions for staff termination benefits (13,045 thousand euros). Deferred tax liabilities also derive from temporary differences arising between the tax bases of financial assets and liabilities and their carrying amounts, as a result of application of IAS 39 (152,461 thousand euros). The increase in this last type of deferred tax liability during 2008 is primarily due to the movements in the fair value reserve described in note 19.1.

At 31 December 2008 and 2007 deferred tax assets and liabilities recognised directly in Equity are as follows:

### 9.5 - Deferred tax assets and liabilities recognised in Equity

Item	Increases/(Decreases) in Equity	
	2008	2007
Fair value reserve for available-for-sale financial assets	(75,138)	(46,572)
Cash flow hedge reserve for hedging derivatives	(28,740)	86,033
Actuarial gains/(losses) on staff termination benefits	39,748	(15,400)
<b>Total</b>	<b>(64,130)</b>	<b>24,061</b>

## 10 - OTHER NON-CURRENT ASSETS

### 10.1 - Other non-current assets

Item	Note	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term portion of trade receivables due from public sector	[11.2]	281,169	309,031
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2006		65,975	78,981
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2008		90,428	-
Provisions for doubtful receivables due from staff		(2,189)	(2,189)
		154,214	76,792
Guarantee deposits paid to suppliers		3,123	2,618
Third-party deposits in Postal Savings Books registered in the name of Poste Italiane SpA		3,248	2,140
<b>Total</b>		<b>441,754</b>	<b>390,581</b>

Trade receivables are described in note 11.

The long-term portion of receivables due from staff consists of salaries and the relevant contributions to be recovered following the agreements of 13 January 2006 and 10 July 2008 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. As shown in the following table, these receivables regard remaining amounts due at 31 December 2008 of 238,480 thousand euros (after provisions for doubtful receivables). This amount is recoverable in the form of variable instalments, the last of which is due in 2023. The face value of the receivable, totalling approximately 274 million euros, has been discounted on the basis of the forward interest rate curve for government securities at the date of the agreement.

## 10.2 - Receivables due from staff under fixed-term contracts settlement

Item	31 December 2008				31 December 2007			
	Non-current assets	Current assets	Total	Face value	Non-current assets	Current assets	Total	Face value
Receivables deriving from agreement of 2006 <sup>(1)</sup>	65,975	19,701	85,676	96,883	78,981	29,725	108,706	123,479
Receivables deriving from agreement of 2008 <sup>(2)</sup>	90,428	64,565	154,993	176,889	-	-	-	-
Provisions for doubtful receivables	(2,189)	-	(2,189)		(2,189)	-	(2,189)	
<b>Total</b>	<b>154,214</b>	<b>84,266</b>	<b>238,480</b>		<b>76,792</b>	<b>29,725</b>	<b>106,517</b>	

(1) Discounted on the basis of the forward interest rate curve for government securities at 30 June 2006.

(2) Discounted on the basis of the forward interest rate curve for government securities at 31 December 2008.

The current portion of 84,266 thousand euros is accounted for in Other current receivables and assets (note 13).

## 11 - TRADE RECEIVABLES

Trade receivables break down as follows:

### 11.1 - Trade receivables

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	281,169	2,179,752	2,460,921	309,031	1,913,780	2,222,811
Subsidiaries	-	250,493	250,493	-	244,000	244,000
Associates	-	45	45	-	7	7
Parents	-	903,515	903,515	-	1,800,221	1,800,221
<b>Total</b>	<b>281,169</b>	<b>3,333,805</b>	<b>3,614,974</b>	<b>309,031</b>	<b>3,958,008</b>	<b>4,267,039</b>

## CUSTOMERS

These items break down as follows:

### 11.2 - Customers

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Cassa Depositi e Prestiti	-	755,381	755,381	-	677,419	677,419
Overseas correspondents	-	250,354	250,354	-	247,347	247,347
Ministries and public sector entities	281,169	914,645	1,195,814	309,031	684,544	993,575
Users of telegraphic services	-	46,811	46,811	-	50,653	50,653
Unfranked mail delivered on behalf of third parties	-	134,435	134,435	-	123,794	123,794
Lease rentals due	-	14,744	14,744	-	16,616	16,616
Other trade receivables	-	317,529	317,529	-	321,369	321,369
Provisions for doubtful debts	-	(254,147)	(254,147)	-	(207,962)	(207,962)
<b>Total</b>	<b>281,169</b>	<b>2,179,752</b>	<b>2,460,921</b>	<b>309,031</b>	<b>1,913,780</b>	<b>2,222,811</b>

## Cassa Depositi e Prestiti

This regards 734,825 thousand euros in accrued fees for the management of postal savings accounts in 2008, with the remainder regarding previous years.

## Overseas correspondents

249,551 thousand euros regards amounts due from overseas correspondents for postal services carried out on behalf of foreign Post Offices, whilst 803 thousand euros derives from international telegraphic services.

## Ministries and public sector entities

These items regard amounts due from the following entities:

- Cabinet Office - Publishing Department: 557,141 thousand euros, corresponding to a face value of 631,581 thousand euros, relating to publisher tariff subsidies for the financial years from 2001 to 2008. The receivable is accounted for at its present value to take account of the time it is expected to take to collect the amount due in accordance with the regulations in force and the best information available. For this reason the sum of 281,169 thousand euros (corresponding to a face value of 355,609 thousand euros) is classified in Other non-current assets;
- 101,049 thousand euros due from the Ministry of Internal Affairs, including 56,246 thousand euros as payment for postage and 44,803 thousand euros for integrated notification services;
- 66,937 thousand euros due from the tax authorities, primarily deriving from the postage of unfranked mail (18,808 thousand euros), the collection of tax returns (15,659 thousand euros), the collection of government taxes (8,271 thousand euros), integrated mail services (6,507 thousand euros) and the payment of tax rebates (6,332 thousand euros);
- 65,631 thousand euros due from INPS, including 59,674 thousand euros for the payment of pensions and attributable entirely to 2008;
- 51,594 thousand euros due from the Ministry for Economic Development, including 48,020 thousand euros as reimbursement of the costs associated with the management of property, vehicles and security (including 3,213 thousand euros in amounts accrued during the year);
- 48,431 thousand euros payable by the Ministry of Justice, primarily for the legal process by mail service (25,424 thousand euros) and for the payment service for legal system expenses (19,229 thousand euros);
- 33,899 thousand euros due from Lombardy Regional Authority for the integrated notification service, including 14,257 thousand euros regarding amounts accrued during the year;
- 33,130 thousand euros due from the Municipality of Rome for the integrated notification service, including 21,118 thousand euros in amounts accrued during the year;
- 22,115 thousand euros due from "La Sapienza" University, Rome following the sale of a property in the San Lorenzo district of Rome in 2006. Collection of this amount is subject to complete vacation of the property by certain units of Poste Italiane SpA, which is expected to take place shortly.

## Users of telegraphic services

These receivables regard telegrams ordered by telephone (32,514 thousand euros) and other telegraphic services (14,297 thousand euros).

## Unfranked mail delivered on behalf of third parties

This item regards receivables deriving from the delivery of unfranked mail on behalf of third parties, primarily regarding Bulk Mail. As with the pre-existing Hybrid E-mail service, collection of these receivables is delegated to the authorised agents who provide the service.

## Lease rentals due

These receivables primarily derive from the lease of commercial and residential properties, and of units housing canteens and bars.

## Other trade receivables

Other trade receivables primarily include the following items:

- fees and charges due from current account holders, totalling 153,595 thousand euros;
- receivables deriving from the sale of insurance and banking products, and from personal loans, overdrafts and mortgages disbursed on behalf of third parties (62,837 thousand euros);
- receivables deriving from unfranked mail on own behalf (28,433 thousand euros);
- receivables deriving from parcel post operations (13,387 thousand euros);
- receivables deriving from the distribution of telephone directories (9,053 thousand euros).

## Provisions for doubtful debts

Movements in provisions for doubtful debts are as follows:

### 11.3 - Movements in provisions for doubtful debts

Item	Balance at 1 Jan 2007	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2007	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2008
Overseas Post Offices	8,431	(1,785)	-	-	6,646	-	-	-	6,646
Public sector entities	175,165	(44,735)	(3,570)	(1,024)	125,836	46,362	3,213	-	175,411
Private customers	55,638	9,560	5,867	(23)	71,042	(1,583)	1,144	(3,417)	67,186
	<b>239,234</b>	<b>(36,960)</b>	<b>2,297</b>	<b>(1,047)</b>	<b>203,524</b>	<b>44,779</b>	<b>4,357</b>	<b>(3,417)</b>	<b>249,243</b>
For overdue interest	3,808	2,972	-	(2,342)	4,438	2,939	-	(2,473)	4,904
<b>Total</b>	<b>243,042</b>	<b>(33,988)</b>	<b>2,297</b>	<b>(3,389)</b>	<b>207,962</b>	<b>47,718</b>	<b>4,357</b>	<b>(5,890)</b>	<b>254,147</b>

Provisions for doubtful debts regarding amounts due from public sector entities regard amounts that may not be recoverable as a result of legislation restricting public spending, delays in payment and problems at debtor entities. These provisions are accounted for in the income statement in Other operating costs (note 34.1) or, if they refer to amounts accruing during the year, via deferral from the related revenue.

## DIRECT AND INDIRECT SUBSIDIARIES

Trade receivables due from subsidiaries are as follows:

### 11.4 - Trade receivables due from subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	9,452	12,468
CLP ScpA	2,817	2,271
Consorzio per i Servizi di Telefonia Mobile ScpA	30	-
Consorzio Poste Contact	839	572
EGI SpA	496	400
Mistral Air Srl	319	181
Poste Energia SpA	654	54
Poste Italiane Trasporti SpA	270	145
Poste Link Scrl	4,032	3,025
Poste Tributi ScpA	724	562
Poste Tutela SpA	359	314
Poste Vita SpA	42,340	33,804
Poste Voice SpA	88	-
Postecom SpA	757	372
Postel SpA	169,821	179,223
PosteMobile SpA	10,952	3,576
PosteShop SpA	3,065	4,831
SDA Express Courier SpA	1,968	1,697
<b>Indirect subsidiaries</b>		
Address Software Srl	3	3
Consorzio Poste Welfare	25	12
Docutel SpA	9	43
Italia Logistica Srl <sup>(1)</sup>	1,122	333
Poste Assicura SpA	62	43
PostelPrint SpA	249	57
Uptime SpA <sup>(1)</sup>	40	14
<b>Total</b>	<b>250,493</b>	<b>244,000</b>

(1) Joint venture.

Trade receivables include:

- Postel SpA (160,296 thousand euros), mainly relating to receivables deriving from the delivery of Bulk Mail by Poste Italiane SpA and collected by the subsidiary;
- Poste Vita SpA (41,870 thousand euros), largely regarding fees from the sale of insurance policies through Poste Italiane SpA's Post Offices.

## ASSOCIATES

This item amounts to 45 thousand euros and refers to the indirect associate, Docugest SpA.

## PARENTS

Amounts receivable entirely regard trade receivables due from the Ministry of the Economy and Finance. The following table shows a breakdown:

### 11.5 - Trade receivables due from parents

Item	31 December 2008			31 December 2007		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Universal Service	-	469,673	469,673	-	773,768	773,768
Remuneration of current account deposits	-	343,157	343,157	-	934,438	934,438
Publisher tariff and electoral subsidies	-	60,233	60,233	-	1,424	1,424
Payment for delegated services	-	56,037	56,037	-	68,159	68,159
Payment for distribution of euro coins	-	6,950	6,950	-	14,330	14,330
Other	-	21,484	21,484	-	15,976	15,976
Net provisions for doubtful debts due from parents	-	(54,019)	(54,019)	-	(7,874)	(7,874)
<b>Total</b>	-	<b>903,515</b>	<b>903,515</b>	-	<b>1,800,221</b>	<b>1,800,221</b>

Universal Service subsidies include 363,646 thousand euros representing the amount accrued during 2008 and 33,642, 63,722 and 8,663 thousand euros regarding residual amounts accrued in 2007, 2006 and 2005. Partly as a result of finalisation of the Contratto di Programma (Planning Agreement) for the period 2006-2008 on 17 September 2008, in 2008 the Company collected numerous accumulated receivables. Receipt of the remaining amounts due has not yet taken place, as it is dependent on finalisation of an addendum to the recently signed Contratto di Programma (Planning Agreement) and has been affected by legislation restricting public spending.

The remuneration of current account deposits refers entirely to amounts accruing in 2008 and almost entirely regards the deposit of funds deriving from accounts opened by public sector entities. In 2007 this item also included remuneration of deposits collected from private customers, which the Company is now required to invest in euro area government securities. The method of calculating this remuneration has had to be revised as a result of the European Commission's Decision of 16 July 2008. The reduction in the balance compared with 31 December 2007 thus reflects these factors.

Electoral subsidies refer entirely to amounts accruing in 2008. At 31 December 2008 these receivables have not been budgeted for by the government.

Payments for delegated services regard fees for treasury services carried out on behalf of the State under the Agreement for 2003-2007. The amount accrued in 2008 totals 50,658 thousand euros, whilst 5,379 thousand euros regards the residual amount due for 2007.

Payment due for the distribution of euro coins includes 6,026 thousand euros for the supply and delivery of euro converters, carried out at the time on behalf of the Cabinet Office (at 31 December 2008 these receivables have not been budgeted for by the government), and 924 thousand euros for the distribution of euro coins.

Other receivables due from parents essentially refer to the transport and franking of mail on credit and the supply of call centre services provided as part of the "Vola con Internet" project, which aimed to encourage the purchase of information technology by young people.

### 11.6 - Movements in provisions for doubtful debts

Item	Balance at 1 Jan 2007		Deferred revenues		Balance at 31 Dec 2007		Deferred revenues		Balance at 31 Dec 2008	
	Provisions	Uses	Provisions	Uses	Provisions	Uses	Provisions	Uses	Provisions	Uses
Provisions for doubtful debts	65,770	(57,896)	-	-	7,874	46,145	-	-	54,019	

Provisions for doubtful debts due from parents take account, overall, of the potential impact of legislation and other policies regarding the government's management of the public finances, which could make it difficult to collect receivables recognised on the basis of contracts and agreements in force at the time of recognition. The provisions reflect the best estimate of unrecoverable amounts in view of the fact that these receivables have not been budgeted for by the government and based on the related financial effects.

## 12 - CURRENT TAX ASSETS

Under IAS 12 - *Income/Taxes*, IRES and IRAP credits are deducted from Current tax liabilities, given that they are taxes applied by the same tax authority, thereby granting the right to offset the amounts recognised.

A breakdown is as follows:

### 12.1 - Current tax assets

Item	Balance at 31 December 2008	Balance at 31 December 2007
IRES credits	30,581	114,114
IRAP credits	-	-
<b>Total</b>	<b>30,581</b>	<b>114,114</b>

IRES credits at 31 December 2008 regard 26,987 thousand euros (including 971 thousand euros attributable to the companies included in the tax consolidation arrangement) represented by excess taxation paid as a result of the non-deductibility of 10% of IRAP between 2004 and 2006. The right to a rebate arose following a specific claim filed previously and was recognised pursuant to art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009. The remaining credits are primarily due to the mechanism used to determine advance payments, which, in the case of certain companies included in the tax consolidation arrangement, have been calculated on a historical basis. The resulting amount payable was higher than the effective charge for 2008.

## 13 - OTHER CURRENT RECEIVABLES AND ASSETS

These items break down as follows:

### 13.1 - Other current receivables and assets

Item	Balance at 31 December 2008	Balance at 31 December 2007
Tax assets	203,206	185,413
Receivables due from others	317,022	248,926
Provisions for doubtful debts due from others	(110,867)	(99,490)
Other amounts due from subsidiaries	1,989	2,145
Accrued income and prepaid expenses from trading transactions	3,437	2,283
<b>Total</b>	<b>414,787</b>	<b>339,277</b>

## TAX ASSETS

These primarily include 201,958 thousand euros in advances that the Company has paid to the tax authorities, including 162,732 thousand euros in stamp duty to be paid in virtual form in 2009, and 39,226 thousand euros as withholding tax on interest paid to current account holders for 2008.

## RECEIVABLES DUE FROM OTHERS

These primarily regard:

- 84,266 thousand euros (29,725 thousand euros at 31 December 2007) relating to the current portion of the receivable described in note 10.2 and due from staff previously employed by the Company on fixed-term contracts who have been subsequently re-employed after acceptance of the settlements of 13 January 2006 and 10 July 2008;
- 69,574 thousand euros payable to BancoPosta by the heirs of INPS pensioners, following the collection of pension payments after the death of the pensioners concerned (49,677 thousand euros at 31 December 2007);
- 63,157 thousand euros deriving from the recharging of third-party postal current account holders of stamp duty paid by the Company in virtual form in accordance with existing legislation (62,919 thousand euros at 31 December 2007);
- 22,694 thousand euros (24,539 thousand euros at 31 December 2007) due from ministries and public sector entities in the form of pay and contributions for personnel seconded to them by Poste Italiane SpA<sup>13</sup>;
- amounts to be recovered by BancoPosta from the holders of postal savings books, totalling 16,530 thousand euros (19,008 thousand euros at 31 December 2007), due to transactions in the process of being settled;
- 13,079 thousand euros in amounts stolen from the Company in December 2007 as a result of an attempted fraud. This amount is currently held by an overseas bank and may only be recovered once completion of the necessary legal formalities enables it to be released and returned to Poste Italiane SpA.

## PROVISIONS FOR DOUBTFUL DEBTS DUE FROM OTHERS

Movements in provisions for doubtful debts are as follows:

### 13.2 - Movements in provisions for doubtful debts due from others

Item	Balance at 1 Jan 2007	Provisions	Uses	Balance at 31 Dec 2007	Provisions	Uses	Balance at 31 Dec 2008
Sundry receivables attributable to BancoPosta	64,165	4,523	(3)	68,685	17,437	(18)	86,104
Public sector entities for sundry services	22,305	(1,980)	-	20,325	(6,779)	-	13,546
Other	7,965	2,515	-	10,480	737	-	11,217
<b>Total</b>	<b>94,435</b>	<b>5,058</b>	<b>(3)</b>	<b>99,490</b>	<b>11,395</b>	<b>(18)</b>	<b>110,867</b>

Provisions for sundry receivables attributable to BancoPosta regard amounts that the Company is expected to have difficulty in recovering from private customers for transactions to be settled.

Provisions for amounts due from public sector entities regard payments for the Company's staff seconded to ministries and public sector entities, dating back to before 2003. A portion of these provisions was released to the income statement in 2008, following collection of certain items originally held to be unrecoverable.

13. During 2008 the number of seconded staff gradually fell from 289 at 1 January to 24 at 31 December.

## OTHER AMOUNTS DUE FROM SUBSIDIARIES

Other amounts due from subsidiaries break down as follows:

### 13.3 - Other amounts due from subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
<b>Direct subsidiaries</b>		
EGI SpA	1,978	-
PosteShop SpA	11	-
<b>Indirect subsidiaries</b>		
PostelPrint SpA	-	2,145
<b>Total</b>	<b>1,989</b>	<b>2,145</b>

This item includes IRES of 1,632 thousand euros payable by EGI SpA to Poste Italiane SpA as the consolidating entity for the tax consolidation arrangement, in addition to other residual items.

## 14 - ASSETS AND LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

These items refer to the balances of financial transactions carried out by the Company pursuant to Presidential Decree 144/01. In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out under the BancoPosta name, but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation. The transactions also regard the management of collections and payments in the name and on behalf of third parties. These include the collection of postal savings (savings books and savings certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by public sector entities. Among other things, these transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF, which is currently due for renewal, requires BancoPosta to provide daily cash flow statements, with a delay of three bank working days with respect to the transaction date.

The liquidity deriving from current account deposits by public sector entities must be invested with the MEF. From 1 January 2005 to 31 December 2007 these amounts were remunerated at a floating rate determined on the basis of a basket of government securities. Whilst awaiting renewal of the specific agreement with the MEF, the floating rate used to determine the remuneration due from 1 January 2008 was calculated on the same basis as set out in the European Commission Decision of 16 July 2008 (note 18).

In compliance with the 2007 Finance Act, with effect from 2007, the funds deriving from deposits paid into postal current accounts by private customers had to be invested by the Company in euro area government securities.

As a result of changes to certain articles in the Agreement, approved by Ministerial Decree of 14 December 2007, a limited portion of the funds deriving from deposits paid into postal current accounts by private customers may be invested in a specific account held at the MEF, with the aim of ensuring a certain flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a rate equal to the average yield on Short-term Italian Treasury Certificates (BOT) in the relevant six-month period.

## ASSETS ATTRIBUTABLE TO BANCOPOSTA

These assets are shown less Poste Italiane SpA's liquidity (note 14.7) and include:

### 14.1 - Assets attributable to BancoPosta

Item	Balance at 31 December 2008	Balance at 31 December 2007
Investments in securities	26,765,256	25,844,874
Derivative financial instruments	67,352	-
Amounts due from the MEF	6,336,538	7,430,544
Amounts due from the Italian Treasury	2,775,665	1,884,154
Other receivables	1,434,826	2,295,032
Cash and cash equivalents	2,319,734	2,075,007
<b>Total assets attributable to BancoPosta</b>	<b>39,699,371</b>	<b>39,529,611</b>
Poste Italiane SpA's own liquidity held in postal current accounts	(790,180)	(589,300)
<b>Total</b>	<b>38,909,191</b>	<b>38,940,311</b>

### Investments in securities

This item regards investments in fixed income euro area government securities with a par value of 26,300,000 thousand euros, including 24,768,000 thousand euros invested in Italian government bonds, 1,103,000 thousand euros invested in French government bonds ("OAT") and 429,000 thousand euros invested in German government bonds.

Investments break down as follows:

### 14.2 - Investments in securities

Securities	Maturing			Total	Face value
	Within 12 months	Between 1 and 5 years	Over 5 years		
Held-to-maturity (HTM)	2,048,283	4,680,961	6,387,933	13,117,177	13,000,000
Available-for-sale (AFS)	1,635,282	5,438,091	5,654,324	12,727,697	12,700,000
Held for trading (at fair value through the income statement)	-	-	-	-	-
<b>Balance at 31 December 2007</b>	<b>3,683,565</b>	<b>10,119,052</b>	<b>12,042,257</b>	<b>25,844,874</b>	<b>25,700,000</b>
Held-to-maturity (HTM)	1,309,278	5,263,433	6,053,282	12,625,993	12,519,800
Available-for-sale (AFS)	926,088	5,384,927	6,682,648	12,993,663	12,630,200
Held for trading (at fair value through the income statement)	551,195	498,524	95,881	1,145,600	1,150,000
<b>Balance at 31 December 2008</b>	<b>2,786,561</b>	<b>11,146,884</b>	<b>12,831,811</b>	<b>26,765,256</b>	<b>26,300,000</b>

The composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes are based on appropriate statistical models developed by a leading market player. An Asset & Liability Management system has been created to manage financial relations between customer deposits and investments.

Movements in investments in securities in 2007 and 2008 were as follows:

### 14.3 - Movements in investments in securities

Securities	HTM		AFS		FV through Inc. St.		Total	
	Face value	Carrying amount	Face value	Fair value	Face value	Fair value	Face value	Fair value
<b>Balance at 31 December 2006</b>	-	-	-	-	-	-	-	-
Purchases	13,000,000	13,187,136	13,000,000	13,049,116	-	-	26,000,000	26,236,252
Sales	-	-	(300,000)	(307,569)	-	-	(300,000)	(307,569)
Redemptions	-	-	-	-	-	-	-	-
Transfers to Equity reserves	-	(127,043)	-	(162,169)	-	-	-	(289,212)
Increase/(Decrease) in accrued income	-	45,299	-	30,592	-	-	-	75,891
Changes in amortised cost	-	11,785	-	23,719	-	-	-	35,504
Changes in fair value	-	-	-	94,008	-	-	-	94,008
<b>Balance at 31 December 2007</b>	<b>13,000,000</b>	<b>13,117,177</b>	<b>12,700,000</b>	<b>12,727,697</b>	-	-	<b>25,700,000</b>	<b>25,844,874</b>
Purchases	1,772,700	1,778,988	7,229,400	7,247,463	2,150,000	2,125,834	11,152,100	11,152,285
Sales	(110,000)	(113,837)	(5,808,100)	(5,807,798)	(1,000,000)	(984,282)	(6,918,100)	(6,905,917)
Redemptions	(2,142,900)	(2,142,900)	(1,491,100)	(1,491,100)	-	-	(3,634,000)	(3,634,000)
Transfers to Equity reserves	-	(15,263)	-	613	-	-	-	(14,650)
Increase/(Decrease) in accrued income	-	(12,871)	-	(9,337)	-	936	-	(21,272)
Changes in amortised cost	-	14,699	-	37,750	-	-	-	52,449
Changes in fair value	-	-	-	288,375	-	3,112	-	291,487
<b>Balance at 31 December 2008</b>	<b>12,519,800</b>	<b>12,625,993</b>	<b>12,630,200</b>	<b>12,993,663</b>	<b>1,150,000</b>	<b>1,145,600</b>	<b>26,300,000</b>	<b>26,765,256</b>

At 31 December 2007 the fair value of the held-to-maturity portfolio, accounted for at amortised cost, is 12,951,907 thousand euros, including 200,219 thousand euros in accrued daily interest payments. Sales of this category of security took place close to maturity and did not have a significant impact on the income statement.

The fair value of the available-for-sale portfolio is 12,993,663 thousand euros, including 170,694 thousand euros in accrued daily interest payments. A fair value gain of 288,375 thousand euros was recorded during the period under review and recognised in the relevant Equity reserve.

Securities held for trading at fair value through the income statement were purchased during the year to invest funds resulting from a temporary increase in deposits. At 31 December 2008 the value of the instruments held in this portfolio is 1,145,600 thousand euros (including 7,909 thousand euros in accrued daily interest payments). The related face value of 1,150,000 thousand euros does not include 300,000 thousand euros in spot purchases of securities on 30 December 2008 but with a settlement date of 5 January 2009. Overall movements in the fair value of securities purchased in 2008, recognised in Other income and expenses deriving from financial activities, amount to a gain of 3,112 thousand euros.

## Derivative financial instruments

Movements in derivative financial instruments during the year are as follows:

### 14.4 - Movements in derivative financial instruments

	Cash flow hedges				FV through Inc. St.		Total	
	Forward transactions		Asset swap		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value
<b>Balance at 1 January 2007</b>	-	-	-	-	-	-	-	-
Fair value gains/(losses)	24,729,000	(289,168)	-	-	-	-	24,729,000	(289,168)
Forward points discounts/(premiums) <sup>(14)</sup>	-	(1,809)	-	-	-	-	-	(1,809)
Transactions settled <sup>(*)</sup>	(24,729,000)	290,977	-	-	-	-	(24,729,000)	290,977
<b>Balance at 31 December 2007</b>	-	-	-	-	-	-	-	-
Fair value gains/(losses)	3,373,150	34,016	1,674,950	(8,972)	3,970,000	(7,149)	9,018,100	17,895
Forward points discounts/(premiums) <sup>(14)</sup>	-	(3,196)	-	-	-	300	-	(2,896)
Transactions settled <sup>(*)</sup>	(2,414,400)	19,750	-	12,929	(2,520,000)	4,769	(4,934,400)	37,448
<b>Balance at 31 December 2008</b>	<b>958,750</b>	<b>50,570</b>	<b>1,674,950</b>	<b>3,957</b>	<b>1,450,000</b>	<b>(2,080)</b>	<b>4,083,700</b>	<b>52,447</b>
Including:								
Derivatives receivable	958,750	50,570	1,020,000	16,508	500,000	274	2,478,750	67,352
Derivatives payable	-	-	654,950	(12,551)	950,000	(2,354)	1,604,950	(14,905)

(\*) Forward transactions settled, differentials matured and maturing at 31 December.

During 2008, the Company entered into the following cash flow hedges:

- cash flow hedges of forecast transactions of a total notional amount of 3,373,150 thousand euros, including 958,750 thousand euros yet to mature at 31 December 2008. In this regard, following a change in market conditions, on 23 January 2009 the Company reported discontinued cash flow hedges of a notional amount of 768,750 thousand euros;
- asset swaps of a notional amount of 1,674,950 thousand euros, with which the Company has purchased a fixed rate of 4.78% (the weighted average of the rates provided for in the contracts) and sold a floating rate on Italian Long-term Treasury Certificates indexed to inflation; similar hedging derivatives were purchased in early 2009.

These instruments recorded an overall increase in fair value of 25,044 thousand euros during the year, which is reflected in the cash flow hedge reserve.

In addition, during 2008 the Company carried out forward sales of securities with a notional value of 3,970,000 thousand euros. These instruments regard:

- securities with a notional value of 2,450,000 thousand euros, including 1,450,000 thousand euros yet to mature at 31 December 2008, entered into at the same time as spot purchases of securities held for trading, in order to minimise the interest rate risk exposure of the related cash flows;
- securities with a notional value of 1,520,00 thousand euros, consisting of sales of securities in the AFS portfolio, settled in full in the short time necessary.

14. Forward points are the difference between the forward price of a security, established at the date of execution of the forward transaction, and the contractual spot price of the security at the same date. This difference represents the premium (or discount) on the forward transaction.

These instruments recorded an overall increase in fair value of 6,849 thousand euros, which has been recognised in the income statement in Other income and expenses deriving from financial activities as a net fair value gain of 7,149 thousand euros, and in Finance income and costs as net forward points of 300 thousand euros.

### Amounts due from the MEF

This item includes liquidity, amounting to 5,546,358 thousand euros, deriving from the postal current account deposits of public sector entities transferred to the parent under the restriction established by the Regent's Decree 822 of 22 November 1945. It also includes 790,180 thousand euros in deposits provided for in the above change to the Agreement with the MEF approved by the Ministerial Decree of 14 December 2008.

### Amounts due from the Italian Treasury

This item breaks down as follows:

#### 14.5 - Amounts receivable from/(payable to) the Italian Treasury

Item	Balance at 31 December 2008	Balance at 31 December 2007
Amounts receivable from/(payable to) the Italian Treasury	3,004,733	2,098,642
MEF postal current accounts and other payables	(892,058)	(3,103,209)
	<b>2,112,675</b>	<b>(1,004,567)</b>
Ministry of Justice	(21,348)	(61,076)
Ministry of the Economy and Finance	684,338	2,949,797
<b>Total</b>	<b>2,775,665</b>	<b>1,884,154</b>

The net balance of amounts payable to and receivable from the Italian Treasury is represented by advances from the MEF to meet the cash requirements of Post Offices, less transfers of deposits and any excess liquidity by the Company. At 31 December 2008 the balance of this item is in credit.

### Other receivables

Other receivables primarily relate to bank and postal cheques and bankers' drafts, amounting to 945,268 thousand euros.

### Cash and cash equivalents attributable to BancoPosta

#### 14.6 - Cash and cash equivalents

Item	Balance at 31 December 2008	Balance at 31 December 2007
Cash in hand	2,197,948	1,905,348
Cheques	566	31,446
Bank deposits	121,220	138,213
<b>Total</b>	<b>2,319,734</b>	<b>2,075,007</b>

Cash essentially regards cash in hand held at Post Offices and by companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury.

## LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

Liabilities attributable to BancoPosta are accounted for after deducting Poste Italiane SpA's liquidity held in postal current accounts in the names of consolidated companies. These liabilities break down as follows:

### 14.7 - Liabilities attributable to BancoPosta

Item	Note	Balance at 31 December 2008	Balance at 31 December 2007
Payables deriving from postal current accounts		38,013,829	37,615,352
Balance of cash flows from management of postal savings		572,456	797,622
Other payables		580,478	971,763
Derivative financial instruments	[14.4]	14,905	-
<b>Total liabilities attributable to BancoPosta</b>		<b>39,181,668</b>	<b>39,384,737</b>
(Amounts payable to Poste Italiane SpA as a current account holder)		(1,975,579)	(1,884,568)
<b>Total</b>		<b>37,206,089</b>	<b>37,500,169</b>

### Payables deriving from postal current accounts

These payables regard amounts due to Poste Italiane Group companies, totalling 99,223 thousand euros (167,667 thousand euros at 31 December 2007). This includes 38,550 thousand euros deposited in postal current accounts by Poste Vita SpA (128,074 thousand euros at 31 December 2007).

### Balance of cash flows from management of postal savings

This item represents the balance of deposits less withdrawals during the last three days of the year and cleared early in the subsequent year. The balance at 31 December 2008 consists of 692,650 thousand euros payable to Cassa Depositi e Prestiti (1,001,962 thousand euros at 31 December 2007), after deducting a receivable due from the MEF for issues falling within its competence, totalling 120,194 thousand euros (204,340 thousand euros at 31 December 2007).

### Other payables

Other payables regard 435,115 thousand euros in cheques presented for payment into postal savings books.

### Amounts payable to Poste Italiane SpA as a current account holder

At 31 December 2008 Poste Italiane SpA's liquidity held in postal current accounts to be deducted from BancoPosta's liabilities amounts to 1,975,579 thousand euros. 1,185,399 thousand euros of this amount is invested in securities (note 15), whilst the remaining 790,180 thousand euros (note 14.1) is deposited with the MEF.

## 15 - CASH AND CASH EQUIVALENTS

These items break down as follows:

### 15.1 - Cash and cash equivalents

Item	Balance at 31 Dec 2008	Balance at 31 Decr 2007
<b>Fixed-term deposit (EC Decision of 16 July 2008)</b>	<b>485,572</b>	-
Bank and Post Office deposits	2,147,871	1,903,712
Cash in hand	<u>10,440</u>	<u>10,081</u>
	2,158,311	1,913,793
Postal deposits invested in securities (Assets attributable to BancoPosta)	<u>(1,185,399)</u>	<u>(1,295,268)</u>
<b>Deposits and cash in hand</b>	<b>972,912</b>	<b>618,525</b>
<b>Total</b>	<b>1,458,484</b>	<b>618,525</b>

### Fixed-term deposit (EC Decision of 16 July 2008)

In execution of the European Commission's Decision of 16 July 2008 regarding State aid (note 18), and whilst awaiting the Commission's confirmation of the amount to be repaid, on 17 November 2008 Poste Italiane SpA deposited the sum of 483,910 thousand euros in a specific fixed-term bank account in favour of the MEF. This consists of 443,223 thousand euros in principal and 40,687 thousand euros in interest (of which 21,014 thousand euros accrued at 31 December 2007 and 19,673 thousand euros accruing between 1 January 2008 and the date of the deposit). On 9 January 2009 the MEF notified the Parent Company that on 17 December 2008 the Commission had confirmed the amount to be repaid, and on 15 January 2009 Poste Italiane SpA effected payment, releasing the sum deposited to the MEF. The balance of the fixed-term deposit, amounting to 485,572 thousand euros, reflects the amount made available to the MEF on 17 November 2008 and bank interest of 1,662 thousand euros accrued to 31 December 2008.

### Deposits and cash in hand

Cash is primarily deposited in postal current accounts. These deposits are remunerated in the same way as deposits paid into postal current accounts by Poste Italiane SpA's private customers. Remuneration of Poste Italiane SpA's cash deposits is shown separately in Finance income (note 35.1), as opposed to revenue deriving from the investment of deposits from third parties (note 27.4).

Bank and Post Office deposits include 7,514 thousand euros that has been frozen as a result of court orders relating to a number of legal actions.

The Company's postal deposits invested in securities reflect the fact that, in compliance with the provisions of the 2007 Finance Act, funds deriving from deposits paid into postal current accounts by private customers, and therefore also the Company's liquidity held in postal current accounts (note 14.7), have been invested in euro area government securities, which are accounted for in Assets attributable to BancoPosta (note 14.1).

## 16 - NON CURRENT ASSETS HELD FOR SALE

These items break down as follows:

### 16.1 - Non-current assets held for sale

Item	2008	2007
<b>Balance at 1 January</b>		
Cost	13,703	1,806
Accumulated depreciation	(265)	(342)
Impairments	(12,895)	-
<b>Carrying amount</b>	<b>543</b>	<b>1,464</b>
<b>Movements during the year</b>		
Purchases	-	12,895
Reclassifications of non-current assets <sup>(1)</sup>	3,457	529
Disposals <sup>(2)</sup>	(528)	(1,450)
Reclassification from provisions	-	(12,895)
<b>Total movements</b>	<b>2,929</b>	<b>(921)</b>
<b>Balance at 31 December</b>		
Cost	6,749	13,703
Accumulated depreciation	(2,118)	(265)
Impairments	(1,159)	(12,895)
<b>Carrying amount</b>	<b>3,472</b>	<b>543</b>
<b>Reclassifications <sup>(1)</sup></b>		
Cost	6,734	793
Accumulated depreciation	(2,118)	(264)
Accumulated impairments	(1,159)	-
<b>Total</b>	<b>3,457</b>	<b>529</b>
<b>Disposals <sup>(2)</sup></b>		
Cost	(13,688)	(1,791)
Accumulated depreciation	265	341
Accumulated impairments	12,895	-
<b>Total</b>	<b>(528)</b>	<b>(1,450)</b>

These assets refer to industrial buildings for which the related sales have been completed.

During 2008 the Company transferred a property purchased specifically from EGI SpA in 2007 to the MEF, in accordance with certain obligations established in the Memorandum of Understanding executed on 20 December 2006 by Poste Italiane SpA, the Ministry of Communications (now the Ministry for Economic Development) and the Ministry of the Economy and Finance. The Memorandum identifies the rights of the three parties in respect of certain properties belonging to the former Post Office. The value of the above property was fully written down in 2007, with the related provisions totalling 12,895 thousand euros. The transaction did not, therefore, generate any impact on the income statement for 2008.

## 17 - SHARE CAPITAL

The share capital consists of 1,306.11 million ordinary shares with a par value of 1 euro each. The shares are held as follows:

- 848,971,500 ordinary shares, representing 65% of the share capital, held by the Ministry of the Economy and Finance;
- 457,138,500 ordinary shares, representing 35% of the share capital, held by Cassa Depositi e Prestiti Società per Azioni (CDP SpA).

At 31 December 2008 all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Company does not hold treasury shares.

## 18 - SHAREHOLDER TRANSACTIONS

In accordance with the resolution passed by the General Meeting of shareholders on 28 May 2008, in June 2008 the Company paid dividends amounting to 245,000 thousand euros (based on a dividend of 0.19 euros per share).

Other shareholder transactions of 458,458 thousand euros<sup>15</sup>, as shown in the statement of changes in equity, refer to execution of the European Commission's Decision C42/2006 of 16 July 2008. As a result of this ruling, the Company repaid the MEF, as both a shareholder and the paying entity, amounts constituting State aid in violation of EU law.

The repayment derives from a complaint by the Italian Bankers' Association (ABI) in December 2005, alleging that Poste Italiane SpA had benefited from State aid, including with regard to the remuneration received on postal current account deposits, which the Company is required to deposit with the MEF. With regard to the method of calculation of this remuneration, on 16 July 2008 the European Commission issued the above Decision finding against the arguments submitted by the Italian authorities. The Commission maintains that the interest rates paid to the Company between 1 January 2005 and 31 December 2007 (pursuant to art. 1, paragraph 31 of Law 266 of 23 December 2005, the "2006 Finance Act"), in terms of both the method of calculation and the level of movement in the base rate, are higher than those that would be paid by a "private borrower". The Commission, therefore, found that the above remuneration constitutes State aid, as being incompatible with art. 88, paragraph 3 of the EU Treaty. The Italian government is thus required to recover the difference, over the three-year period, between the amount paid to Poste Italiane SpA under the Agreement with the MEF and the amount calculated on the basis of the rate of return applied by the European Commission, less the increased taxation paid by the Company. The difference amounted to 443,223 thousand euros, whilst the related interest due, calculated on a compound basis from the date of payment of the remuneration until the date of repayment, totalled 21,014 thousand euros at 31 December 2007. The Company filed appeal against the Commission's decision before the European Community's Court of First Instance on 1 December 2008.

Repayment of the amounts due until 31 December 2007 has thus taken place via use other equity reserves "ideally" established with a portion of the remuneration on Poste Italiane SpA's deposits with the MEF, held to be improper by the European Commission and, in substance, constituting a capital contribution benefiting an entity controlled by the Italian government. The MEF's recovery of the amounts due to the State was thus charged directly to the Company's retained earnings. The remaining portion of the interest due, amounting to 19,673 thousand euros, for the period between 1 January 2008 and 17 November 2008, the date on which Poste Italiane SpA deposited funds in the related fixed-term account in favour of the MEF (note 15), has been charged to the income statement for the year ended 31 December 2008. This charge offsets the finance income earned on the funds to be repaid.

15. A breakdown of this amount is shown below:

Year of reference	Repayment of principal			Interest due	Grand total
	Difference in remuneration	Taxes paid on difference	Total principal		
2005	373,342	(138,780)	234,562	-	234,562
2006	231,814	(86,557)	145,257	5,263	150,520
2007	101,152	(37,748)	63,404	15,751	79,155
<b>Total</b>	<b>706,308</b>	<b>(263,085)</b>	<b>443,223</b>	<b>21,014</b>	<b>464,237</b>
Tax on interest					(5,779)
<b>Other shareholder transactions</b>					<b>458,458</b>

## 19 - RESERVES

Reserves break down as follows:

### 19.1 - Reserves

	Legal reserve	Fair value reserve	Cash flow hedge reserve	Total
<b>Balance at 1 January 2007</b>	<b>50,119</b>	<b>66</b>	<b>5,337</b>	<b>55,522</b>
Increases/(Decreases) in fair value during the year	-	154,270	(333,312)	(179,042)
Tax effect of movements in fair value	-	(46,572)	106,779	60,207
Amounts recycled to income statement	-	(132)	63,624	63,492
Tax effect of amounts recycled to income statement	-	49	(20,746)	(20,697)
Gains/(Losses) recognised directly in Equity	-	107,615	(183,655)	(76,040)
Appropriation to retained earnings	-	-	-	-
Appropriation of remaining profit for 2006	24,997	-	-	24,997
<b>Balance at 31 December 2007</b>	<b>75,116</b>	<b>107,681</b>	<b>(178,318)</b>	<b>4,479</b>
Increases/(Decreases) in fair value during the year	-	277,975	23,643	301,618
Tax effect of movements in fair value	-	(88,930)	(7,587)	(96,517)
Amounts recycled to income statement	-	(47,124)	66,052	18,928
Tax effect of amounts recycled to income statement	-	13,866	(21,153)	(7,287)
Gains/(Losses) recognised directly in Equity	-	155,787	60,955	216,742
Appropriation to retained earnings	-	-	-	-
Appropriation of remaining profit for 2007	37,195	-	-	37,195
<b>Balance at 31 December 2008</b>	<b>112,311</b>	<b>263,468</b>	<b>(117,363)</b>	<b>258,416</b>

The fair value reserve, which is undistributable pursuant to art. 6, 1-b of Legislative Decree 38 of 28 February 2005, regards movements in the fair value of Available-for-sale financial assets. During the year movements totalling 277,975 thousand euros included:

- 288,375 thousand euros relating to the fair value gain on BancoPosta's investments in securities described in note 14.3;
- 10,400 thousand euros regarding the net fair value loss on other available-for-sale financial assets described in note 8.5.

The cash flow hedge reserve reflects movements in the fair value of the effective portion of cash flow hedges outstanding at 31 December 2008. Total fair value gains of 23,643 thousand euros during 2008, which have resulted in an increase in the reserve, included:

- a net gain of 25,044 thousand euros in the value of derivative financial instruments described in note 14.4;
- a net loss of 1,401 thousand euros in the value of derivative financial instruments described in note 8.6.

## 20 - TAXATION OF RESERVES AND RETAINED EARNINGS ON DISTRIBUTION

Law 244 of 24 December 2007 (the 2008 Finance Act) abolished, with effect from 2008, the regulations governing off-book tax deductions contained in article 109, paragraph 4.b of Presidential Decree 917 of 22 December 1986 (the Consolidated Income Tax Act). At the same time, taxpayers were given the option of paying substitute tax in order to exempt total off-book tax deductions applied up to 31 December 2007 from further taxation. Payment of the substitute tax enables the taxpayer to once again deduct the above amounts in accordance with ordinary regulations and based on ordinary tax rates, as well as eliminate the need to pay tax on reserves equal to the total off-book tax deductions less the related deferred tax liabilities. Poste Italiane SpA has exercised this option (note 9), thereby rendering the reserves accounted for at 31 December 2007 no longer taxable on distribution.

## 21 - PROVISIONS FOR LIABILITIES AND CHARGES

Movements in provisions are as follows:

### 21.1 - Movements in provisions in 2007

Item	Balance at 31 Dec 2006	Provision	Finance costs	Released to income statement	Uses	Balance at 31 Dec 2007
Provisions for non-recurring charges	103,082	23,271	-	(17,558)	(10,917)	97,878
Provisions for disputes with third parties	241,576	57,579	1,381	(33,046)	(49,324)	218,166
Provisions for disputes with staff	352,988	295,605 <sup>(1)</sup>	-	-	(250,514)	398,079
Solidarity fund provisions	156,946	-	6,110	(5,867)	(157,189) <sup>(3)</sup>	-
Provisions for invalidated postal savings certificates	19,936	-	679	-	(1,148)	19,467
Provisions for taxation/social security contributions	25,052	-	-	(6,308)	(3,244)	15,500
Other provisions	49,073	29,471	-	(3,776)	(18,291) <sup>(4)</sup>	56,477
	<b>948,653</b>	<b>405,926</b>	<b>8,170</b>	<b>(66,555)</b>	<b>(490,627) <sup>(5)</sup></b>	<b>805,567</b>
Provisions for tax consolidation liabilities	-	2,360 <sup>(2)</sup>	-	-	-	2,360
<b>Total</b>	<b>948,653</b>	<b>408,286</b>	<b>8,170</b>	<b>(66,555)</b>	<b>(490,627)</b>	<b>807,927</b>
Overall analysis of provisions:						
- non-current portion	470,371					290,921
- current portion	478,282					517,006
	<b>948,653</b>					<b>807,927</b>

(1) Including 262,090 thousand euros for staff costs and 33,515 thousand euros for service costs (legal assistance).

(2) These provisions are offset by a reduction in current tax liabilities.

(3) Including 119,951 thousand euros reclassified in Other liabilities.

(4) Including 12,895 thousand euros reclassified in Accumulated impairments of Non-current assets held for sale.

(5) Uses after the reclassifications referred to in points (3) and (4) amount to 357,781 thousand euros.

## 21.2 - Movements in provisions in 2008

Item	Balance at 31 Dec 2007	Provision	Finance costs	Released to income statement	Uses	Balance at 31 Dec 2008
Provisions for non-recurring charges	97,878	13,591	-	(3,722)	(13,088)	94,659
Provisions for disputes with third parties	218,166	113,122	1,749	(72,322)	(7,768)	252,947
Provisions for disputes with staff <sup>(1)</sup>	398,079	504,501	-	(39,062)	(239,169)	624,349
Provisions for invalidated postal savings certificates	19,467	-	624	-	(643)	19,448
Provisions for taxation/social security contributions	15,500	-	-	-	(4,467)	11,033
Other provisions	56,477	37,645	-	(19,011)	(686)	74,425
	<b>805,567</b>	<b>668,859</b>	<b>2,373</b>	<b>(134,117)</b>	<b>(265,821)</b>	<b>1,076,861</b>
Provisions for tax consolidation liabilities	2,360	3,986 <sup>(2)</sup>	-	-	-	6,346
<b>Total</b>	<b>807,927</b>	<b>672,845</b>	<b>2,373</b>	<b>(134,117)</b>	<b>(265,821)</b>	<b>1,083,207</b>
Overall analysis of provisions:						
- non-current portion	290,921					257,920
- current portion	517,006					825,287
	<b>807,927</b>					<b>1,083,207</b>

(1) Including 432,361 thousand euros for staff costs and 33,078 thousand euros for service costs (legal assistance).

(2) These provisions are offset by a reduction in current tax liabilities.

Provisions for non-recurring charges almost entirely regard operating risks attributable to BancoPosta. These include liabilities deriving from the reconstruction of operating balances at the date of incorporation of the Company, fraud, adjustments and revised amounts for revenues recognised in previous years, among other liabilities. Provisions for the year amount to 13,591 thousand euros and regard, among other things, potential revisions of fees received for the distribution of financial products where the amount received is dependent on the behaviour of subscribers, and a number of fines that may result from investigations of the Company by supervisory authorities. Provisions of 13,088 thousand euros were used to cover liabilities either arising or settled during the year. The amount released to the income statement, totalling 3,722 thousand euros, is due to the reversal of liabilities identified in the past. Provisions are based on the present value of identified liabilities.

Provisions for disputes with third parties regard expected liabilities deriving from different types of legal and out-of-court dispute with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers (note 27.3). Provisions, which reflect the present value of identified liabilities, were increased by the estimated value of new liabilities (113,122 thousand euros), measured on the basis of the expected outcomes of certain disputes, legal actions and negotiations. Reductions primarily relate to the value of disputes settled (7,768 thousand euros) and the reversal of liabilities identified in the past (72,322 thousand euros).

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types, but largely attributable to the use of fixed-term employment contracts. On 10 July 2008 Poste Italiane SpA and the principal labour unions reached a new agreement that, like the similar agreement reached in 2006, will enable the Company to recoup certain costs incurred in previous years in relation to these disputes (see note 32). Moreover, as a result of the new agreement, a number of the staff involved have withdrawn their claims against the Company and a portion of the related provisions, totalling 39,062 thousand euros, has been released to the income statement. Provisions of 504,501 thousand euros regard an updated estimate, based on the level of negative outcomes deriving from the related litigation and union agreements, of the estimated liabilities and related legal expenses. Uses, amounting to 239,169 thousand euros, include amounts used to cover the cost of settling disputes arising during the year, including 22,342 thousand euros in the form of asset seizures by the Parent Company's creditors (note 23.7). Provisions are based on the present value of identified liabilities, which are believed to be short term.

Provisions for invalidated postal savings certificates have been made to cover the cost of redeeming invalidated certificates relating to specific issues. The provisions represent amounts recognised in revenue in the income statements of the Company in the years in which the certificates became invalid. The provisions were made in response to the Company's decision to redeem such certificates even if invalidated. At 31 December 2008 the provisions represent the present value of total liabilities, based on a face value of 23,428 thousand euros, which are expected to be progressively paid off by 2023. The Company redeemed certificates with a total face value of 643 thousand euros in 2008, and made provisions for finance costs totalling 624 thousand euros.

Provisions for taxation/social security contributions have been made to cover potential future tax liabilities. Uses of 4,467 thousand euros reflect the settlement of a number of sundry taxes.

The other provisions cover probable liabilities of various types, including estimated liabilities deriving from the risk that specific legal actions to be undertaken in order to reverse seizures of the Company's assets may be insufficient to recover the related amounts, claims for rent arrears on properties used free of charge by the Company, and payment of accrued interest expense to certain suppliers. Uses during the year primarily regard the payment of rent arrears. Provisions and released to the income statement during 2008 reflect updated estimates of different liabilities.

Provisions for tax consolidation losses represent the Company's potential debt to Group companies included in the tax consolidation, equal to 50% of the economic benefit deriving from tax losses for the period transferred by such companies. In accordance with the Group's rules for consolidation, this amount may be attributed to these companies, should there be reasonable certainty that they will produce sufficient future taxable income to enable them to recover the related deferred tax assets. Should such condition not occur, the provisions will be taken to Poste Italiane SpA's income statement as a tax consolidation gain. The provisions of 3,986 thousand euros made during 2008 reflect the tax loss transferred to the Group by the subsidiaries, PosteMobile SpA and SDA Express Courier SpA.

## 22 - STAFF TERMINATION BENEFITS

Following the reform of supplementary pension provision, from 1 January 2007 companies must pay vested staff termination benefits into a supplementary pension fund or into a Treasury Fund set up by INPS (should the employee have exercised the specific option provided for by the new legislation). Staff termination benefits qualify as a defined contribution plan and thus represent an expense to be recognised at face value in staff costs. Staff termination benefits vesting up to 31 December 2006, however, continue to represent accumulated liabilities qualifying as a defined benefit plan, for which actuarial calculation is necessary.

The following movements in staff termination benefits took place in 2008 and 2007:

### 22.1 - Movements in staff termination benefits

	2008	2007
<b>Balance at 1 January</b>	<b>1,451,781</b>	<b>1,578,474</b>
Curtailment	-	(53,361)
Current service cost	-	27,126
Interest component	73,540	73,769
Effect of actuarial gains/(losses)	94,951	(54,933)
Provisions for the year:	168,491	45,962
Uses during the year	(123,775)	(119,294)
Reduction due to fixed-term contracts settlement of 2008	(9,731)	-
<b>Balance at 31 December</b>	<b>1,486,766</b>	<b>1,451,781</b>

The current service cost is recognised in staff costs, whilst the interest component is recognised in finance costs.

During 2008, net uses of provisions for staff termination benefits amounted to 123,775 thousand euros, represented by benefits paid, totalling 126,087 thousand euros, and substitute tax of 5,472 thousand euros. Additions of 7,784 thousand euros regard the transfer of provisions for disputes with staff formerly on fixed-term contracts who have been re-employed by the Company. Following acceptances of the agreement of 10 July 2008, described in note 32, provisions for staff termination benefits have been reduced by a further 9,731 thousand euros.

The major actuarial assumptions applied in calculating staff termination benefits are as follows:

	2008	2007
Discount rate	4.60%	4.70%
Staff turnover <sup>16</sup>	0.49%	0.59%

16. Frequency of early termination of employment due to resignations and dismissals.

## 23 - FINANCIAL LIABILITIES

These items break down as follows:

### 23.1 - Financial liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Borrowings	1,757,284	622,052	2,379,336	2,353,488	256,563	2,610,051
Bonds	751,801	19,386	771,187	752,261	19,343	771,604
Shareholder loans	679,517	160,718	840,235	840,235	154,683	994,918
Bank borrowings	250,000	406,921	656,921	650,000	49,344	699,344
Other borrowings	75,966	35,027	110,993	110,992	33,193	144,185
<i>Derivative financial instruments</i>	-	3,381	3,381	-	-	-
Financial liabilities due to subsidiaries	-	145,760	145,760	-	78,947	78,947
Other financial liabilities	272,278	1,963,171	2,235,449	255,201	1,559,628	1,814,829
Amounts deriving from liability for robberies	156,826	10,556	167,382	166,090	7,114	173,204
Sundry financial liabilities	115,452	1,952,615	2,068,067	89,111	1,552,514	1,641,625
<b>Total</b>	<b>2,029,562</b>	<b>2,734,364</b>	<b>4,763,926</b>	<b>2,608,689</b>	<b>1,895,138</b>	<b>4,503,827</b>

## BORROWINGS

Borrowings are unsecured and are not subject to financial covenants, requiring the Company to comply with certain financial ratios, or maintain a certain level of rating. The bonds in issue and bank borrowings are subject to standard negative pledge clauses<sup>17</sup>.

### Bonds

Bonds regard fixed rate bonds, paying coupon interest of 5.25% and with a par value of 750 million euros. The bonds, which were issued in two tranches in 2002, are listed on the Luxembourg Stock Exchange and were placed in the form of a public offering to institutional investors. These 10-year bonds are to be redeemed in a lump sum in July 2012. The current portion of the loan represents accrued interest expense. The fair value ("mid price") of the bonds at 31 December 2008 is 790,950 thousand euros (766,725 thousand euros at 31 December 2007).

### Shareholder loans

This item refers to fixed rate loans issued by Cassa Depositi e Prestiti. The laws authorising the expenditure financed by the loans also establish the methods of repayment, as shown in the following table.

17. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with the pre-existing creditors, unless the same degree of protection is offered to them also.

## 23.2 - Shareholder loans

Issuer	Loans to be repaid in full by Poste Italiane	Loans with principal to be repaid by parent	Loans with principal and interest to be repaid by parent <sup>(2)</sup>	Total
Law 15/74	17,307	-	-	17,307
Law 34/74	790	-	-	790
Law 227/75 (serv. acc.) <sup>(1)</sup>	-	25,772	-	25,772
Law 39/82 (subsequent changes to PO services) <sup>(1)</sup>	-	478,843	-	478,843
Law 887/84 <sup>(1)</sup>	-	-	315,277	315,277
Law 41/86 <sup>(1)</sup>	-	2,246	-	2,246
<b>Total</b>	<b>18,097</b>	<b>506,861</b>	<b>315,277</b>	<b>840,235</b>

(1) Loans to be repaid by the Ministry of the Economy and Finance (principal: 822,138 thousand euros).

(2) From 2001 interest was no longer paid by the government but by Poste Italiane SpA. From 2006 interest has been paid to the Company.

The fair value of the loans is 853,789 thousand euros (987,675 thousand euros at 31 December 2007).

The outstanding principal assigned by law to the Ministry of the Economy and Finance is offset by a receivable, accounted for in Financial assets, due from the parent. Collection of the amount receivable is linked to the repayment schedules for the loans (note 8.3).

## Bank borrowings

These items break down as follows:

### 23.3 - Bank borrowings

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Floating rate 7-year loan from EIB maturing 15 Sept 2009	-	400,000	400,000	400,000	-	400,000
Floating rate loan from DEPFA Bank maturing 30 Sept 2013	250,000	-	250,000	250,000	-	250,000
Current account overdrafts	-	2,782	2,782	-	45,246	45,246
Accrued interest expense	-	4,139	4,139	-	4,098	4,098
<b>Total</b>	<b>250,000</b>	<b>406,921</b>	<b>656,921</b>	<b>650,000</b>	<b>49,344</b>	<b>699,344</b>

The value of the above financial liabilities approximates to fair value.

Drawdowns on the Company's total committed and uncommitted lines of credit, totalling 1,191,900 thousand euros, amount to 2,782 thousand euros. The lines of credit are unsecured.

## Other borrowings

This item regards fixed rate loans issued by CPG - Società di Cartolarizzazione arl. Two loans totalling 309,874 thousand euros, denominated "Logistica 2002" and "Layout 2002", were sold without recourse by Cassa Depositi e Prestiti to CPG - Società di Cartolarizzazione arl in 2003. The two ten-year loans were used to finance certain projects. The fair value of these borrowings is 116,537 thousand euros (149,365 thousand euros at 31 December 2007).

## DERIVATIVE FINANCIAL INSTRUMENTS

This item, amounting to 3,381 thousand euros, regards contracts described in note 8.6.

## FINANCIAL LIABILITIES DUE TO SUBSIDIARIES

These liabilities regard intercompany current accounts paying interest at market rates. The following table shows a breakdown.

### 23.4 - Financial liabilities due to subsidiaries not consolidated on a line-by-line basis

Name	Balance at 31 December 2008	Balance at 31 December 2007
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	25,114	13,141
CLP ScpA	120	115
Consorzio Poste Link	2	2
EGI SpA	99,295	22,158
Poste Energia SpA	5,774	-
Poste Italiane Trasporti SpA	1,986	307
Poste Tributi ScpA	804	1,263
Poste Tutela SpA	9,586	14,635
Poste Vita SpA	1,842	102
Postecom SpA	758	11,868
PosteMobile SpA	320	14,992
PosteShop SpA	139	341
<b>Indirect subsidiaries</b>		
Poste Assicura SpA	20	23
<b>Total</b>	<b>145,760</b>	<b>78,947</b>

## OTHER FINANCIAL LIABILITIES

### Amounts deriving from liability for robberies

The Company is liable to the Italian Treasury for losses resulting from robberies and fraud. The loss of cash resulting from these criminal acts has to be made up for, in order to ensure that Post Offices can carry out their daily operations. This is done via withdrawals from the Treasury. Movements in this liability are as follows.

### 23.5 - Movements in amounts deriving from liability for robberies

	Note	2008	2007
<b>Balance at 1 January</b>		<b>173,204</b>	<b>201,188</b>
Liabilities deriving from robberies during the year	[34.1]	10,997	13,867
Repayments made		(16,819)	(41,851)
<b>Balance at 31 December</b>		<b>167,382</b>	<b>173,204</b>

During 2008 the Company made repayments of 7,555 thousand euros to the Treasury for robberies that took place in the second half of 2007, in addition to payment of the sum of 9,264 thousand euros following a sentence issued by the Italian Court of Auditors regarding robberies up to 31 December 1993.

## Sundry financial liabilities

Sundry financial liabilities break down as follows:

### 23.6 - Sundry financial liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Italian Treasury for operational risks	108,971	-	108,971	89,111	-	89,111
Amounts due on bills paid	-	910,144	910,144	-	771,062	771,062
Amounts due on prepaid cards	-	432,724	432,724	-	327,339	327,339
National and international money transfers	-	361,703	361,703	-	145,611	145,611
Endorsed checks	-	168,391	168,391	-	189,825	189,825
Tax collection	-	73,845	73,845	-	74,362	74,362
Other	6,481	5,808	12,289	-	44,315	44,315
<b>Total</b>	<b>115,452</b>	<b>1,952,615</b>	<b>2,068,067</b>	<b>89,111</b>	<b>1,552,514</b>	<b>1,641,625</b>

Amounts due to the Italian Treasury for operational risks refer to advances obtained as a result of BancoPosta's operations and which subsequently gave rise to liabilities that are either certain or likely to be incurred. Movements in these liabilities are as follows.

### 23.7 - Movements in amounts due to the Italian Treasury for operational risks

	Note	2008	2007
<b>Balance at 1 January</b>		<b>89,111</b>	<b>82,673</b>
New liabilities for operational risks		5,430	8,197
Operational risks that did not occur		<u>(2,546)</u>	<u>(17,316)</u>
	[34.1]	2,884	(9,119)
Repayments made		(5,366)	(4,715)
Uses of provisions for disputes with staff	[21.2]	22,342	20,272
<b>Balance at 31 December</b>		<b>108,971</b>	<b>89,111</b>

Amounts due on bills paid regard sums collected on payment of bills and yet to be allocated to the accounts of beneficiaries. Amounts due on prepaid cards represent amounts due to Postepay and Pensione card customers who have topped up their prepaid cards. Amounts due on national and international money transfers represent the exposure to customers for money orders and transfers, to Moneygram for customer transactions in process and amounts due to foreign Post Offices for international money orders and Eurogiros. Endorsed checks represent the exposure to customers for endorsed checks in circulation. Tax collection payables represent the amount due to tax collection agents and the tax authorities for payments of tax effected by customers.

The non-current portion of Other financial liabilities, totalling 6,361 thousand euros, regards the collateral provided, under the Credit Support Annex, to certain counterparties with which it has entered into asset swap transactions. These transactions form part of its cash flow hedge policy for the BancoPosta business unit (note 14.4).

## Analysis of net debt/(funds)

The Company's net debt or net funds at 31 December 2008 and 31 December 2007 is as follows:

### 23.8 - Net debt/(funds)

Item	Note	Balance at 31 Dec 2008	<i>related party transactions</i>	Balance at 31 Dec 2007	<i>related party transactions</i>
<b>Financial liabilities</b>	[23.1]	<b>4,763,926</b>		<b>4,503,827</b>	
Bonds		771,187	-	771,604	-
Shareholder loans		840,235	840,235	994,918	994,918
Bank borrowings		656,921	-	699,344	-
Other borrowings		110,993	-	144,185	-
Other		2,384,590	145,760	1,893,776	78,947
<b>Liabilities attributable to BancoPosta</b>	[14.7]	<b>37,206,089</b>	<b>671,679</b>	<b>37,500,169</b>	<b>965,289</b>
<b>Financial assets</b>	[8.1]	<b>(2,079,336)</b>		<b>(1,568,936)</b>	
Loans and receivables		(1,527,158)	(1,407,355)	(1,380,759)	(1,356,590)
Investments held for sale		(551,062)	(102,230)	(179,725)	-
Financial instruments designated at fair value through the income statement		-	-	(594)	-
Derivative financial instruments		(1,116)	-	(7,858)	-
<b>Assets attributable to BancoPosta</b>	[14.1]	<b>(38,909,191)</b>	<b>(5,546,358)</b>	<b>(38,940,311)</b>	<b>(6,870,168)</b>
<b>Net liabilities/(assets)</b>		<b>981,488</b>		<b>1,494,749</b>	
<b>Cash and cash equivalents</b>	[15.1]	<b>(972,912)</b>	-	<b>(618,525)</b>	-
<b>Net debt/(funds)</b>		<b>8,576</b>		<b>876,224</b>	

## 24 - TRADE PAYABLES

These items break down as follows:

### 24.1 - Trade payables

Item	Balance at 31 December 2008	Balance at 31 December 2007
Amounts due to suppliers	1,172,399	1,156,237
Amounts due to subsidiaries	253,553	199,706
Prepayments from customers	206,157	193,233
Interest payable to current account holders	119,033	127,781
<b>Total</b>	<b>1,751,142</b>	<b>1,676,957</b>

## AMOUNTS DUE TO SUPPLIERS

### 24.2 - Amounts due to suppliers

Item	Balance at 31 December 2008	Balance at 31 December 2007
Italian suppliers	1,017,894	1,000,356
Overseas suppliers	11,561	13,122
Overseas correspondents <sup>(1)</sup>	142,944	142,759
<b>Total</b>	<b>1,172,399</b>	<b>1,156,237</b>

(1) The amount due to overseas correspondents regards fees payable to foreign Post Offices and companies in return for postal and telegraphic services provided.

## AMOUNTS DUE TO SUBSIDIARIES

This item breaks down as follows:

### 24.3 - Amounts due to subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	-	510
CLP ScpA	55,388	33,941
Consorzio per i Servizi di Telefonia Mobile ScpA	2,496	-
Consorzio Poste Contact	-	3
EGI SpA	895	2,790
Mistral Air Srl	106	140
Poste Energia SpA	9,248	239
Poste Italiane Trasporti SpA	8,612	7,977
Poste Link Scrl	76	-
Poste Tributi ScpA	1,470	1,483
Poste Tutela SpA	33,518	25,759
Poste Vita SpA	-	6
Postecom SpA	54,471	32,877
Postel SpA	3,768	1,570
PosteMobile SpA	5,409	1,325
PosteShop SpA	328	315
SDA Express Courier SpA	23,327	41,939
<b>Indirect subsidiaries</b>		
Chronopost International Italia SpA	-	18
Poste Assicura SpA	1,648	615
PostelPrint SpA	52,580	45,811
Italia Logistica Srl <sup>(1)</sup>	213	2,388
<b>Total</b>	<b>253,553</b>	<b>199,706</b>

(1) Joint venture.

## PREPAYMENTS FROM CUSTOMERS

These items refer to amounts received from customers as prepayment for the following services to be rendered:

### 24.4 - Prepayments from customers

Item	Balance at 31 December 2008	Balance at 31 December 2007
Mechanised franking	69,103	70,968
Prepayments from overseas correspondents	89,600	66,945
Unfranked mail	25,561	27,603
Postage-paid mailing services	10,510	9,828
Other services	11,383	17,889
<b>Total</b>	<b>206,157</b>	<b>193,233</b>

## INTEREST PAYABLE TO CURRENT ACCOUNT HOLDERS

This refers to interest accrued on postal current accounts during the year, less the related withholding tax.

Accrued interest payable to subsidiaries at 31 December 2008 amounts to 7,088 thousand euros (7,858 thousand euros at 31 December 2007).

## 25 - CURRENT TAX LIABILITIES

Under IAS 12 - *Income Taxes*, IRES and IRAP liabilities are offset against the corresponding current tax assets (note 12) receivable by the same tax paying entity from the same tax authority. This was done as they are taxes applied by the same tax authority to the same tax paying entity, which has the right to offset the amounts recognised and intends to exercise this right. This item breaks down as follows:

### 25.1 - Current tax liabilities

Item	Balance at 31 December 2008	Balance at 31 December 2007
IRAP	328	16,692
Substitute tax	58,071	-
<b>Total</b>	<b>58,399</b>	<b>16,692</b>

Substitute tax refers to the remaining two payments to be made in 2009 and 2010, following the exemption of off-book deductions applied between 2004 and 2007 (notes 9 and 10).

## 26 - OTHER LIABILITIES

These items break down as follows:

### 26.1 - Other liabilities

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	690,461	690,461	-	696,403	696,403
Amounts due to social security agencies	81,284	448,382	529,666	122,299	468,062	590,361
Other tax liabilities	-	170,023	170,023	-	156,597	156,597
Amounts due to the parent	-	12,140	12,140	-	12,140	12,140
Other amounts due to subsidiaries	-	38,883	38,883	-	19,918	19,918
Sundry payables	7,190	111,714	118,904	11,914	97,646	109,560
Accrued expenses and deferred income from trading transactions	6,616	18,292	24,908	6,931	16,610	23,541
<b>Other liabilities</b>	<b>95,090</b>	<b>1,489,895</b>	<b>1,584,985</b>	<b>141,144</b>	<b>1,467,376</b>	<b>1,608,520</b>
<b>Amount payable to parent (EC Decision of 16 July 2008)</b>	<b>-</b>	<b>485,572</b>	<b>485,572</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>95,090</b>	<b>1,975,467</b>	<b>2,070,557</b>	<b>141,144</b>	<b>1,467,376</b>	<b>1,608,520</b>

## AMOUNTS DUE TO STAFF

These amounts primarily represent accrued compensation yet to be paid at 31 December 2008. A breakdown is as follows:

### 26.2 - Amounts due to staff

Item	31 December 2008	31 December 2007
Accrued vacation pay	103,983	112,051
Fourteenth month salaries	237,807	231,752
Incentives and productivity bonuses	233,712	238,717
Other amounts due to staff	114,959	113,883
<b>Total</b>	<b>690,461</b>	<b>696,403</b>

## AMOUNTS DUE TO SOCIAL SECURITY AGENCIES

These items break down as follows:

### 26.3 - Amounts due to social security agencies

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
IPOST	-	288,535	288,535	-	321,151	321,151
INPS	-	28,738	28,738	-	21,785	21,785
INAIL	59,136	4,354	63,490	61,546	4,434	65,980
Pension fund	-	59,903	59,903	-	48,619	48,619
Amounts due to the Solidarity Fund	22,148	51,349	73,497	60,753	59,198	119,951
Other agencies	-	15,503	15,503	-	12,875	12,875
<b>Total</b>	<b>81,284</b>	<b>448,382</b>	<b>529,666</b>	<b>122,299</b>	<b>468,062</b>	<b>590,361</b>

Amounts due to IPOST regard pension and social security contributions due to the institute on behalf of the Company's employees, calculated on both the salaries paid as of 31 December 2008 and accrued amounts due, as reported under the item Amounts payable to staff.

Amounts due to INPS regard provisions for vested staff termination benefits to be paid into the agency's Treasury fund at 31 December 2008 (note 22).

Amounts due to INAIL primarily derive from charges for injury compensation paid to employees for injuries occurring up to 31 December 1998. This amount, originally amounting to 82,633 thousand euros, is repayable in thirty years from 31 December 1999, based on a straight-line amortisation schedule and an annual interest rate of 2.5%.

Amounts payable to the pension fund refer to sums due to FondoPoste and other pension funds following the decision by certain employees to join a supplementary fund.

Amounts due to the Solidarity Fund (set up by Ministerial Decree 178 of 1 July 2005) regard amounts designed to cover redundancy payments and income support for employees who, having qualified for participation, decide to take voluntary early retirement. The residual amount payable at 31 December 2008 represents the present value of total liabilities with a face value of 75,471 thousand euros, which are expected to be progressively paid off by 2011. During the year this payable increased due to accrued finance income of 4,443 thousand euros, whilst the reduction reflected contributions paid and redundancy payments effected, totalling 50,897 thousand euros.

## OTHER TAX LIABILITIES

These items break down as follows:

### 26.4 - Other tax liabilities

Item	Balance at 31 December 2008	Balance at 31 December 2007
Withholding tax on employees' and consultants' salaries	102,320	91,208
Withholding tax on postal current accounts	42,384	43,584
Substitute tax	469	2,263
Stamp duty	12,326	14,824
Other taxes due	12,524	4,718
<b>Total</b>	<b>170,023</b>	<b>156,597</b>

Amounts due on salaries paid to employees and consultants regards withholding tax paid to the tax authorities by the Company in January and February 2009.

Withholding tax on postal current accounts refers to amounts withheld on interest accrued on customers' current accounts. Substitute tax represents the balance payable by the Company on the revaluation of staff termination benefits in 2008.

Stamp duty is payable to the tax authorities as duty to be paid in virtual form. The balance includes the adjustment paid in 2009 pursuant to note 3-bis of art. 13 of the Tariffs provided for by Presidential Decree 642/72.

Other taxes due include urban waste tax of 5,131 thousand euros and VAT payable of 7,391 thousand euros, at 31 December 2008 due almost entirely to the effect of the increase in the non-deductible portion of the Company's VAT.

## AMOUNTS DUE TO THE PARENT

This item refers to 12,140 thousand euros due to the Ministry of the Economy and Finance for pensions paid by the Ministry to former employees of Poste Italiane SpA for the period 1 January to 31 July 1994.

## OTHER AMOUNTS DUE TO SUBSIDIARIES

### 26.5 - Other amounts due to subsidiaries

Name	Balance at 31 December 2008	Balance at 31 December 2007
<b>Direct subsidiaries</b>		
EGL SpA	-	1,618
Poste Vita SpA	30,481	14,239
Postel SpA	175	-
PosteMobile SpA	3,164	2,366
PosteShop SpA	4	322
SDA Express Courier SpA	4,985	1,373
<b>Indirect subsidiaries</b>		
Postel Print SpA	74	-
<b>Total</b>	<b>38,883</b>	<b>19,918</b>

This item primarily regards the amount payable by Poste Italiane SpA, as the consolidating entity, to subsidiaries in return for the transfer of tax credits for advance payments, withholding taxes paid and tax paid overseas, less IRES payable by subsidiaries to the Parent Company, and the benefit linked to the tax losses transferred from PosteMobile SpA and SDA Express Courier SpA during 2008.

## SUNDRY PAYABLES

These items break down as follows:

### 26.6 - Sundry payables

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	-	86,104	86,104	-	68,685	68,685
Guarantee deposits	7,190	-	7,190	11,914	-	11,914
Other	-	25,610	25,610	-	28,961	28,961
<b>Total</b>	<b>7,190</b>	<b>111,714</b>	<b>118,904</b>	<b>11,914</b>	<b>97,646</b>	<b>109,560</b>

Sundry payables attributable to BancoPosta refer to 69,574 thousand euros due to INPS for pensions paid by Poste Italiane SpA to pensioners after their death and which are in the process of being recovered. A further 16,530 thousand euros is due to Cassa Depositi e Prestiti as a result of amounts registered in customers' Postal savings books and in the process of verification.

Guarantee deposits primarily regard amounts collected from customers as a guarantee of payment for certain services (postage-paid mailing services, the use of Post Office boxes, lease contracts, telegraphic service contracts, etc.).

## ACCRUED EXPENSES AND DEFERRED INCOME FROM TRADING TRANSACTIONS

The nature and composition of accrued expenses and deferred income is as follows:

### 26.7 - Accrued expenses and deferred income

Item	31 December 2008			31 December 2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Accrued expenses	-	341	341	-	165	165
Deferred income	6,616	17,951	24,567	6,931	16,445	23,376
<b>Total</b>	<b>6,616</b>	<b>18,292</b>	<b>24,908</b>	<b>6,931</b>	<b>16,610</b>	<b>23,541</b>

Deferred income primarily regards:

- 16,776 thousand euros in fees on Postamat cards collected in advance;
- 6,931 thousand euros (including 6,616 thousand euros relating to income attributable to years after 2009) deriving from advance collection of the rental on a thirty-year lease of a pneumatic postal machine in Rome.

## AMOUNT PAYABLE TO PARENT (EC DECISION OF 16 JULY 2008)

This item regards 485,572 thousand euros (note 15) payable to the parent as a result of the European Commission's Decision of 16 July 2008 (note 18).

## 27 - REVENUES

Revenues of 9,825,420 thousand euros break down as follows:

### 27.1 - Revenues

Item	2008	2007
Postal Services	4,952,582	5,019,121
BancoPosta Services	4,781,127	4,708,893
Other sales of goods and services	91,711	81,483
<b>Total</b>	<b>9,825,420</b>	<b>9,809,497</b>

## POSTAL SERVICES

Revenues from Postal Services break down as follows:

### 27.2 - Postal Services

Item	2008	2007
Unfranked mail	1,671,136	1,681,070
Mechanised franking by third parties and at Post Offices	1,337,405	1,401,231
Stamps	563,421	616,588
Integrated services	201,469	150,511
Postage-paid mailing services	193,068	200,011
Overseas mail and parcels	138,637	149,874
Telegrams and online services	75,858	80,683
Other postal services	65,547	63,782
<b>Total external revenue</b>	<b>4,246,541</b>	<b>4,343,750</b>
Servizio Postale Universale (Universal Service Obligation) subsidies	363,646	371,473
Publisher and electoral tariff subsidies <sup>(1)</sup>	342,395	303,898
<b>Total</b>	<b>4,952,582</b>	<b>5,019,121</b>

(1) Subsidies to compensate for tariffs discounted in accordance with the law.

Unfranked mail includes revenues from the mailing of correspondence by large customers from certain network centres and enabled Post Offices, including mailings carried out under the Bulk Mail formula.

Mechanised franking by third parties or at Post Offices regards revenues from the mailing of correspondence franked directly by customers or at Post Offices using a franking machine.

Stamp sales refer to the sale of postage stamps through Post Offices and authorised outlets and sales of stamps used for franking on credit.

Integrated services regard the notification service for administrative notices and fines, amounting to 157,809 thousand euros, the integrated notification service for legal process (Notifications, Enforcements and Complaints Offices), totalling 29,133 thousand euros, and revenues deriving from the agreement with the tax authorities regarding bulk and registered services, amounting to 14,527 thousand euros.

Postage-paid mailing services regard revenues from the delivery of periodicals and mail-order goods on behalf of publishers who benefit from preferential rates, as provided for by Law 46 of 27 February 2004, which converted Legislative Decree 353 of 24 December 2003.

Overseas mail and parcels relate to revenues from the international exchange of such items.

Telegrams and online services primarily regard the telegram service provided by phone or at Post Offices, and amounting to 46,439 thousand euros and 14,492 thousand euros, respectively.

Universal Service subsidies regard the subsidies paid by the Ministry of the Economy and Finance to cover the costs of fulfilling the Servizio Postale Universale (Universal Service Obligation - USO). These subsidies are calculated on the basis of best available information regarding their probable recognition. The amount for the year, totalling 363,646 thousand euros, was calculated on the basis of the Contratto di Programma (Planning Agreement) for 2006-2008, which was signed on 17 September 2008, and the addendum to the Agreement that is currently being finalised.

Publisher and electoral tariff subsidies include:

- 272,601 thousand euros representing the amounts due from the Cabinet Office - Publishing Department to cover the cost of the preferential rates offered to publishers and non-profit organisations. The amount due was calculated on the basis of the tariffs established in the Ministry of Communications (now the Ministry for Economic Development) Decree of 23 November 2002 and governed by Law 46 of 27 February 2004. With regard to the financial year ended 31 December 2008, the amount allocated in the Cabinet Office's budget, totalling 72,965 thousand euros, is insufficient to fund the subsidies granted by the Company;
- 69,794 thousand euros in amounts paid by the State to cover reductions and preferential prices granted to election candidates under Law 515/93. The amount allocated in the MEF's budget is also insufficient to cover the amount due in full.

## BANCOPOSTA SERVICES

These revenues break down as follows:

### 27.3 - BancoPosta services

Item	2008	2007
Income from investment of postal current account deposits	1,383,380	1,491,859
Fees for collection of postal savings deposits	1,364,548	1,210,373
Commissions on bills processed	611,135	638,510
Other revenues from current account services	550,896	540,648
Commissions on credit certificates	241,219	219,104
Commissions on the sale of life assurance products	210,696	177,599
Income from delegated services	189,516	210,171
Money transfers	81,919	84,472
Distribution of loan products	70,345	52,078
Securities custody	26,680	28,180
Distribution of investment funds	19,944	25,409
Other financial products and services	30,849	30,490
<b>Total</b>	<b>4,781,127</b>	<b>4,708,893</b>

Income from the investment of postal current account deposits breaks down as follows:

#### 27.4 - Income from investment of postal current account deposits

Item	2008	2007
Income from investments in securities	1,040,223	592,517
Interest income on HTM securities	510,292	365,098
Interest income on AFS financial assets	528,412	229,372
Interest income on securities held for trading	936	-
Interest income on asset swaps of AFS financial assets	12,929	-
Remuneration of Company's own liquidity recognised in finance income	(12,346)	(1,953)
Income from deposits held with the MEF	343,157	899,342
Remuneration of current account deposits (deposited with the MEF)	355,564	1,011,524
Differentials on hedging derivatives	-	(38,820)
Remuneration of Company's own liquidity recognised in finance income	(12,407)	(73,362)
<b>Total</b>	<b>1,383,380</b>	<b>1,491,859</b>

#### Income from investments in securities

Interest income on securities derives from the investment of deposits paid into postal current accounts by private customers, which, in compliance with the 2007 Finance Act, have, with effect from the previous year, been progressively invested in euro area government securities (note 14). The total includes the impact of the cash flow hedges described in note 14.4.

#### Income from deposits held with the MEF

Remuneration of postal current account deposits represents accrued interest for the year on deposits held with the MEF. From 1 January 2008, the floating rate used to determine the remuneration for the year under review has been calculated on the same basis as set out in the European Commission Decision of 16 July 2008 (note 18).

Remuneration of deposits of the Company's own liquidity with the MEF and its investment in securities is shown separately in Finance income (note 35).

The fees for the collection of savings deposits regard payment for managing, issuing and redeeming Postal Savings Certificates and payments into and withdrawals from Postal Savings books. These services are provided by the Company on behalf of Cassa Depositi e Prestiti. The services and the related fees are based on a series of objectives, governed by a specific agreement that expired on 31 December 2008. The accrued amount for 2008, totalling 1,364,548 thousand euros, was calculated on the basis of the volume of activity carried out and the results achieved. As a result of circumstances and events linked to the economic downturn and the crisis in financial markets, which was also reflected in a far higher redemption rate than expected, a number of significant areas of disagreement have arisen between Cassa Depositi e Prestiti and the Company with regard to achievement of the objectives set out in the related agreement. In this respect, the Directors believe that Poste Italiane SpA has, in any event, behaved perfectly correctly, an opinion also confirmed by external legal advisors. Cassa Depositi e Prestiti and Poste Italiane SpA have so far not reached formally agreement on the method of calculating the fees payable under the agreement. However, immediately prior to preparation of these financial statements, talks were held between the two companies, with the active involvement of the MEF, aimed at resolving the dispute in view of their mutual interest in continuing their strategic commercial relationship. As a result of the dispute, Poste Italiane SpA has prudently made provisions of 75 million euros (note 21.2), based on a best estimate of the charges that may result from a resolution of the dispute. In the meantime, negotiation of a new contract has begun. This is of great operational importance for the Company, which is continuing to operate in early 2009 without a contractual agreement having been reached.

Other revenues from current account services primarily regard current account charges (181,496 thousand euros), fees on amounts collected and on statements of account sent to large business customers (133,412 thousand euros), annual fees on debit cards (59,284 thousand euros) and on debit card transactions (61,441 thousand euros), and fees on the issue and use of prepaid cards (49,132 thousand euros).

Commissions on credit certificates primarily regard income from the placement of bonds issued by leading credit institutions (229,033 thousand euros) and from government securities (12,186 thousand euros).

Income from delegated services primarily regards amounts received by the Company for the payment of pensions disbursed by INPS (107,941 thousand euros) and INPDAP (17,201 thousand euros), and for treasury services carried out by the Company in 2008 on the basis of the Agreement between Poste Italiane SpA and the MEF (50,658 thousand euros).

Revenues from money transfers primarily regard commissions collected on national money orders (59,619 thousand euros), Moneygram transfers (15,634 thousand euros) and Eurogiros (6,213 thousand euros).

Revenues from the distribution of loan products regard commissions on the sale of personal loans and mortgages provided by third parties (70,345 thousand euros).

Revenues generated by the distribution of investment funds from the second half of 2008 do not include management fees which, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), are attributable entirely to the manager, BancoPosta Fondi SpA SGR.

Revenues from other financial products and services primarily include revenues from the tax collection service (4,794 thousand euros).

## OTHER SALES OF GOODS AND SERVICES

This income from ordinary activities is not attributable to the specific Postal and BancoPosta Services segments. The main components include: fees received for collecting applications for residence permits and other permits, totalling 27,580 thousand euros (33,101 thousand euros in 2007), income from the provision of ancillary franking and packaging services, totalling 11,081 thousand euros (9,571 thousand euros in 2007) and income from call centre services, amounting to 5,550 thousand euros (4,897 thousand euros in 2007).

## 28 - OTHER INCOME FROM FINANCIAL ACTIVITIES

Other income from financial activities breaks down as follows:

### 28.1 - Other income from financial activities

Item	2008	2007
Income from financial instruments at fair value through the income statement	4,372	5,460
Fair value gains	3,612	5,460
Realised gains	810	-
Remuneration of Company's own liquidity recognised in finance income	(50)	-
Income from available-for-sale financial assets	50,390	-
Realised gains	51,095	-
Remuneration of Company's own liquidity recognised in finance income	(705)	-
<b>Total</b>	<b>54,762</b>	<b>5,460</b>

In 2008 fair value gains on financial assets recognised in the income statement and realised gains on available-for-sale financial assets regard the measurement, at the end of the reporting period, and the sale of securities in which the Company invests postal current account deposits. A portion of these items relates to investment of the Company's own liquidity and is thus classified in Finance income.

## 29 - OTHER OPERATING INCOME

This item primarily regards the following:

### 29.1 - Other operating income

Item	2008	2007
Gains on disposals	35,187	26,996
Lease rentals	14,044	15,895
Increases to estimates for previous years	36,492	51,850
Recovery of cost of seconded staff	16,070	18,020
Recovery of contract expenses and other recoveries	13,276	9,818
Invalidated money orders	3,029	2,848
Grants related to income	259	38
Other income	20,938	16,293
<b>Total</b>	<b>139,295</b>	<b>141,758</b>

## GAINS ON DISPOSALS

### 29.2 - Gains on disposals

Item	2008	2007
Gains on disposal of operating property and land	22,940	18,243
Gains on disposal of investment property	9,134	7,126
Gains on disposal of other operating assets	3,113	1,627
<b>Total</b>	<b>35,187</b>	<b>26,996</b>

For the purposes of reconciliation with the cash flow statement, in 2008 the net gains in question amount to 29,293 thousand euros, after losses of 5,894 thousand euros (note 34). In 2007, this item amounted to 25,186 thousand euros, after losses of 1,810 thousand euros.

## LEASE RENTALS

### 29.3 - Lease rentals

Item	2008	2007
Rental income from investment property	4,971	4,931
Residential properties	4,965	4,923
Service accommodation	6	8
Rental income on commercial property	5,697	6,725
Commercial properties	-	2,147
Intercompany rentals	2,412	1,761
Antenna sites	849	1,352
Other rental income	2,436	1,465
Recovery of expenses, transaction costs and other income <sup>(1)</sup>	3,376	4,239
<b>Total</b>	<b>14,044</b>	<b>15,895</b>

(1) This item primarily regards the recovery of costs incurred directly by Poste Italiane SpA and recharged to tenants. This category does not include extraordinary maintenance costs.

Under the relevant lease agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes. No significant extraordinary maintenance costs were transferred to tenants via increases in rents.

## 30 - COST OF GOODS AND SERVICES

This item breaks down as follows:

### 30.1 - Cost of goods and services

Item	2008	2007
Services	1,533,946	1,503,984
Lease expense	277,677	263,404
Interest expense paid to current account holders	162,405	170,568
Raw, ancillary and consumable materials and goods for resale	133,421	126,701
<b>Total</b>	<b>2,107,449</b>	<b>2,064,657</b>

## SERVICES

This item breaks down as follows:

### 30.2 - Services

Item	2008	2007
Transport of mail, parcels and forms	439,412	454,674
Routine maintenance and technical assistance	165,343	164,613
Energy and water	119,710	105,710
Personnel services	113,223	89,830
Outsourcing fees and other external service charges	110,166	103,790
Mail, telegraph and telex	88,689	80,458
Transport of cash	87,500	86,585
Telecommunications and data transmission	82,875	70,856
Cleaning, waste disposal and security	80,487	76,287
Printing and enveloping services	59,317	57,307
Consultants' fees and legal expenses	45,041	55,260
Advertising and promotions	39,577	53,022
Credit and debit card fees and charges	37,812	34,648
Automated services for the Department of Land Transportation	25,941	28,123
Agents' commissions and other	15,203	16,430
Insurance premiums	12,536	12,237
Securities custody fees	10,923	13,975
Remuneration of Statutory Auditors	191	179
<b>Total</b>	<b>1,533,946</b>	<b>1,503,984</b>

Details of the remuneration paid to Statutory Auditors are provided below:

### 30.3 - Remuneration of Statutory Auditors

Item	2008	2007
Remuneration	151	151
Expenses	40	28
<b>Total</b>	<b>191</b>	<b>179</b>

## LEASE EXPENSE

Lease expense breaks down as follows:

### 30.4 - Lease expense

Item	2008	2007
Property rentals	153,775	141,850
Lease rentals	145,315	133,310
Ancillary costs	8,460	8,540
Vehicle leases	71,655	72,110
Equipment hire and software licenses	43,340	41,562
Other lease expense	8,907	7,882
<b>Total</b>	<b>277,677</b>	<b>263,404</b>

The cost of leasing operating properties regards the buildings from which the Company operates (Post Offices, Delivery Offices, Sorting Centres). Under the relevant lease agreements, rents are increased annually on the basis of the price index published by the National Office of Statistics (ISTAT). Lease terms are generally six years, renewable for a further six. Renewal is assured via the clause stating that the lessor "waives the option of refusing renewal on expiry of the first term", by which the lessor, once the agreement has been signed, cannot refuse to renew the lease, except in cases of force majeure. Moreover, Poste Italiane SpA, in accordance with the standard contract form, have the right to withdraw from the contract at any time, giving six months' notice.

## INTEREST EXPENSE PAID TO CURRENT ACCOUNT HOLDERS

The rate paid to customers in 2007 was 0.5%, which is unchanged with respect to the previous year.

## RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

This item breaks down as follows:

### 30.5 - Raw, ancillary and consumable materials and goods for resale

Item	2008	2007
Fuels and lubricants	52,341	46,043
Printed matter and stationery	33,324	31,100
Printing of postage and revenue stamps	23,632	24,790
Consumables and goods for resale	24,124	24,768
<b>Total</b>	<b>133,421</b>	<b>126,701</b>

## 31 - OTHER EXPENSES DERIVING FROM FINANCIAL ACTIVITIES

Other expenses deriving from financial activities break down as follow:

### 31.1 - Other expenses deriving from financial activities

Item	2008	2007
Expenses deriving from financial instruments at fair value through the income statement	5,609	-
Fair value losses	2,499	-
Realised losses	3,110	-
Realised losses on available-for-sale financial assets	1,486	-
Realised losses on held-to-maturity securities	42	-
Remuneration of Company's own liquidity recognised in finance income	(68)	-
<b>Total</b>	<b>7,069</b>	<b>-</b>

## 32 - STAFF COSTS

Staff costs include the cost of staff seconded to other organisations. The recovery of such expenses is posted to Other operating income. Staff costs break down as follows:

### 32.1 - Staff costs

Item	Note	2008	2007
Wages and salaries		4,262,713	4,160,252
Social security contributions		1,074,701	1,053,966
Provisions for staff termination benefits: current service cost	[22.1]	-	27,126
Provisions for staff termination benefits: supplementary pension funds and INPS		252,082	207,857
Temporary staff		9,664	3,801
Remuneration and expenses paid to Directors		1,176	2,921
Redundancy payments		54,747	55,737
Net provisions for disputes with staff	[21.2]	432,361	262,090
Solidarity Fund provisions (releases of provisions)		-	(5,867)
Other staff costs/(cost recoveries)		(4,347)	535
<b>Total costs</b>		<b>6,083,097</b>	<b>5,768,418</b>
Curtailment of staff termination benefits	[22.1]	-	(53,361)
Income from fixed-term contracts settlement of 10 July 2008		(203,104)	-
<b>Total</b>		<b>5,879,993</b>	<b>5,715,057</b>

The General Meeting of Poste Italiane SpA's shareholders held on 29 May 2008 elected the new Board of Directors, reducing the number of members from 11 to 5. Details of the remuneration paid to Directors are provided below:

### 32.2 - Remuneration and expenses paid to Directors

Item	2008	2007
Remuneration	1,086	2,802
Expenses	90	119
<b>Total</b>	<b>1,176</b>	<b>2,921</b>

Cost items relating to staff termination benefits are described in note 22.

Net provisions for disputes with staff are described in note 21.2.

Cost recoveries primarily regard the partial reimbursement of training expenses received from the Solidarity Fund set up by INPS to provide income support. This item also refers to revised estimates for previous years.

As in 2006, income from the fixed-term contracts settlement derives from the agreement reached on 10 July 2008 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. The agreement has resulted in conversion of the previous temporary contracts to permanent arrangements for approximately 6,000 staff who, at 10 July 2008, were employed by the Company by virtue of a judicial ruling that had not yet become final. This was effected by means of individual agreements, under which each member of staff waived any legal or financial claim deriving from the sentence requiring their re-employment. Moreover, approximately 5,000 staff agreed to return any amounts paid by the Company for periods during which they did not work, and which the Company had charged to the income statement in previous years. These amounts, which are to be repaid in variable interest-free instalments by 2023, total approximately 225 million euros, representing gross salaries, contributions attributable to the Company and accrued termination benefits. Compared with the above face value of the amounts to be returned, the amount of 203,104 thousand euros recognised in the income statement for the year represents the present value of income deriving from the settlement. This present value was calculated on the basis of

the expected cash flows deriving from collection of the amounts due, as established in the individual agreements, based on the forward yield curve for government securities at 31 December 2008. Further individual agreements have been reached in 2009.

The following table shows the average and year-end headcounts by category:

### 32.3 - Headcount

Category	Average number		Year-end number	
	2008	2007	31 Dec 2008	31 Dec 2007
Senior managers	643	633	629	625
A1	5,674	5,204	5,686	5,278
A2	7,701	7,753	7,973	7,514
B, C, D	128,146	130,094	127,469	127,349
E, F	5,242	2,560	6,165	3,282
<b>Total permanent staff (*)</b>	<b>147,406</b>	<b>146,244</b>	<b>147,922</b>	<b>144,048</b>

(\*) Figures expressed in full-time equivalent terms.

Taking account of staff on flexible contracts, the average number of full-time equivalent staff in 2008 was 153,149 (153,369 in 2007).

## 33 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

These items break down as follows:

### 33.1 - Depreciation, amortisation and impairments

Item	2008	2007
Depreciation of property, plant and machinery	349,385	379,217
Operating properties	89,771	89,110
Plant and machinery	135,739	149,680
Industrial and commercial equipment	20,797	20,926
Leasehold improvements	25,278	39,070
Other assets	77,800	80,431
Impairments/Recoveries/Adjustments of property, plant and equipment	(51)	1,093
Depreciation of investment property	5,089	5,602
Impairments/Recoveries/Adjustments of investment property	(6,092)	(34)
Amortisation of intangible assets	143,704	141,978
Industrial patents and intellectual property rights	143,247	141,279
Concessions, licences, trademarks and similar rights	91	180
Other	366	519
<b>Total</b>	<b>492,035</b>	<b>527,856</b>

## 34 - OTHER OPERATING COSTS

Other operating costs break down as follows:

### 34.1 - Other operating costs

Item	Note	2008	2007
Provisions and losses on doubtful debts (uses of provisions)		102,321	(86,134)
Provisions for receivables due from customers	[11.3]	44,779	(36,960)
Provisions for receivables due from parent	[11.6]	46,145	(57,896)
Provisions for receivables deriving from fixed-term contracts settlement	[10.1]	-	2,189
Provisions for sundry receivables	[13.2]	11,395	5,058
Impairments of receivables		2	1,475
Occurrence of operational risks		32,134	13,540
Robberies	[23.5]	10,997	13,867
Reversal of BancoPosta assets, net of recoveries	[23.7]	2,884	(9,119)
Other operating losses of BancoPosta		18,253	8,792
Net provisions for liabilities and charges made/(used)		69,303	55,941
for disputes with third parties	[21.2]	40,800	24,533
for non-recurring BancoPosta liabilities	[21.2]	9,869	5,713
other	[21.2]	18,634	25,695
Losses		5,894	1,810
Other taxes and duties		39,485	23,999
Municipal property tax		16,590	16,580
Urban waste tax		8,216	7,264
Other		14,679	6,463
Net provisions (uses) of provisions for taxation and social security contributions	[21.2]	-	(6,308)
Revised estimates and assessments for previous years		20,145	21,825
Impairments of investments	[7.3]	12,337	3,904
Other current costs		21,896	26,100
<b>Total</b>		<b>303,515</b>	<b>60,985</b>

## 35 - NET FINANCE INCOME/(COSTS)

### FINANCE INCOME

#### 35.1 - Finance income

Item	2008	2007
Dividends from subsidiaries	-	17,003
Income from subsidiaries <sup>(1)</sup>	24,407	12,356
Interest on receivables due from subsidiaries	19,040	4,865
Interest on intercompany current accounts	5,367	7,491
Income from available-for-sale investments	48,350	17,995
Interest on fiduciary deposits <sup>(1)</sup>	5,632	4,781
Interest on Postal Savings Certificates <sup>(1)</sup>	14,425	-
Realised gains <sup>(2)</sup>	27,092	12,979
Dividends from other investments	1,201	235
Other finance income <sup>(1)</sup>	187,412	179,682
Interest from parent <sup>(3)</sup>	82,202	117,524
Interest on investment of Company's liquidity in BancoPosta portfolio	13,033	1,953
Interest on fixed-term bank accounts	26,045	-
Finance income on discounted receivables <sup>(4)</sup>	57,817	49,343
Overdue interest	2,941	3,006
Impairment of amounts due as overdue interest	(2,939)	(2,972)
Finance income on forward purchases	1,320	9,186
Other	6,993	1,642
Foreign exchange gains	9,644	4,999
<b>Total</b>	<b>269,813</b>	<b>232,035</b>

(1) For the purposes of reconciliation with the cash flow statement, for 2008 these items amount to 231,876 thousand euros (196,819 thousand euros in 2007).

(2) Including 26,636 thousand euros deriving from the sale of 150,000 Mastercard Inc. shares (note 8.5).

(3) Interest income from the parent includes:

- interest earned by Poste Italiane SpA on its own liquidity deposited with the MEF, totalling 12,407 thousand euros (note 27.4);
- 69,434 thousand euros as interest payable by the MEF under Law 887/84, to cover the accrued portion of the interest due on the loans issued by Cassa Depositi e Prestiti (note 8.3), including 13,625 thousand euros accrued in 2008 and 55,809 thousand euros accrued in previous years;
- 361 thousand euros in interest on the account held at the Italian Treasury.

(4) Finance income on discounted receivables regards: 36,789 thousand euros in accrued interest on the amount due from the MEF (note 8.3), 16,585 thousand euros in interest on amounts due for the publisher tariff subsidies described in note 11.2, 3,566 thousand euros in interest on amounts due from staff under the fixed-term contracts settlement (note 10.1), and 877 thousand euros in interest on amounts due as Universal Service subsidies for 2005 and as payment for the distribution of euro converters, for which the collection period has been extended as a result of the 2006 Finance Act.

## FINANCE COSTS

### 35.2 - Finance costs

Item	Note	2008	2007
Finance costs <sup>(1)</sup>		122,997	131,383
On bonds		38,958	38,873
On shareholder loans		38,746	45,550
On bank borrowings		32,410	34,143
On other borrowings		7,412	9,150
Paid to the parent		315	437
On derivative financial instruments		146	427
On amounts payable to subsidiaries		5,010	2,803
Finance costs on provisions for staff termination benefits <sup>(1)</sup>	[22.1]	73,540	73,769
Finance costs on provisions for liabilities <sup>(1)</sup>	[21.2]	2,373	8,170
Finance costs on discounted amounts payable to Solidarity Fund <sup>(1)</sup>		4,442	-
Finance costs on forward purchases <sup>(1)</sup>		4,216	10,995
Interest on amounts payable under EC Decision of 16 July 2008 <sup>(1)</sup>	[18]	19,673	-
Other finance costs <sup>(1)</sup>		3,942	3,515
Foreign exchange losses		5,126	4,989
Write-downs <sup>(1)</sup>		-	44
<b>Total</b>		<b>236,309</b>	<b>232,865</b>

(1) For the purposes of reconciliation with the cash flow statement, for 2008 these items amount to 231,183 thousand euros (227,876 thousand euros in 2007).

## 36 - TAXATION

### 36.1 - Taxation

Item	2008			2007		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	438,688	269,864	708,552	442,245	293,877	736,122
Substitute tax	81,932	-	81,932	-	-	-
Deferred tax assets	(85,566)	(5,384)	(90,950)	159,459	1,229	160,688
Deferred tax liabilities	(127,237)	(17,870)	(145,107)	(14,441)	596	(13,845)
<b>Total</b>	<b>307,817</b>	<b>246,610</b>	<b>554,427</b>	<b>587,263</b>	<b>295,702</b>	<b>882,965</b>

The effective tax rate for 2008 is 43.4% and breaks down as follows.

### 36.2 - Reconciliation between statutory and effective tax rate

Item	2008			2007		
	IRES	IRAP	Total	IRES	IRAP	Total
Profit before tax	1,275,223			1,587,331		
Statutory tax rate	27.5%			33.0%		
Effect of increases/(decreases) on statutory tax rate						
Adjustment of deferred taxes for new IRES and IRAP rates introduced by 2008 Finance Act	-			1.7%		
Contingent liabilities and other permanent differences	2.0%			2.6%		
Non-deductible taxes (municipal property tax)	0.3%			0.3%		
Adjustment to deferred tax assets	-			-0.5%		
<b>Tax rate for the year</b>	<b>29.8%</b>	<b>21.1%</b>	<b>50.9%</b>	<b>37.1%</b>	<b>18.9%</b>	<b>56.0%</b>
Exemption of off-book deductions and taxation for previous years	-5.7%	-1.8%	-7.5%	-0.1%	-0.3%	-0.4%
<b>Effective rate</b>	<b>24.1%</b>	<b>19.3%</b>	<b>43.4%</b>	<b>37.0%</b>	<b>18.6%</b>	<b>55.6%</b>

The exemption of off-book deductions and taxation for previous years primarily regard:

- 81,932 thousand euros deriving from assessment, in June 2008, of the amount due as substitute tax to be paid by the Company in order to be able to exercise the option to exempt off-book tax deductions applied between 2004 and 2007 from taxation (notes 20 and 25.1). As a result of this, deferred tax liabilities were recalculated, giving rise to non-recurring income of 145,548 thousand euros (note 9.4), including 17,401 thousand euros for IRAP;
- 26,016 thousand euros represented by the recovery of excess taxation paid as a result of the non-deductibility of 10% of IRAP between 2004 and 2006. The right to a rebate arose following a specific claim filed previously and was recognised pursuant to art. 6 of the Law Decree of 29 November 2008, converted into Law 2 of 28 January 2009 (note 12).

The net effect of the above transactions resulted in non-recurring income of 89,632 thousand euros.

The high tax rate for IRAP is essentially due to the non-deductibility of the main components of staff costs and other related expenses, totalling 4,643 million euros (4,538 million euros in 2007).

## 37 - RELATED PARTY TRANSACTIONS

### IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

The impact of related party transactions on the financial position and results of operations is shown in the following tables 37.1 and 37.4.

## 37.1 - Impact of related party transactions on the financial position at 31 December 2007

Name	Balance at 31 December 2007							
	Financial assets	Assets attrib. to BancoPosta	Trade receivables	Other assets	Financial liabilities	Liabilities attrib. to BancoPosta	Trade payables	Other liabilities
<b>Direct subsidiaries</b>								
BancoPosta Fondi SpA SGR	-	-	12,468	-	13,141	559	517	-
CLP ScpA	-	-	2,271	-	115	-	33,941	-
Consorzio Poste Contact	-	-	572	-	-	291	3	-
Consorzio Poste Link	-	-	3,025	-	2	1,441	5	-
EGI SpA	-	-	400	-	22,158	18,485	2,847	1,618
Mistral Air Srl	3,817	-	181	-	-	63	141	-
Poste Energia SpA	-	-	54	-	-	120	239	-
Poste Italiane Trasporti SpA	-	-	145	-	307	32	7,978	-
PosteMobile SpA	-	-	3,576	-	14,992	2,808	1,331	2,366
Poste Tributi ScpA	-	-	562	-	1,263	9	1,483	-
Poste Tutela SpA	-	-	314	-	14,635	224	25,769	-
Poste Vita SpA	95,357	-	33,804	-	102	128,074	7,692	14,239
Postecom SpA	-	-	372	-	11,868	759	32,891	-
Postel SpA	86,972	-	179,223	-	-	2,691	1,594	-
PosteShop SpA	-	-	4,831	-	341	6,415	330	322
SDA Express Courier SpA	25,829	-	1,697	-	-	590	41,942	1,373
<b>Indirect subsidiaries</b>								
Address Software Srl	-	-	3	-	-	-	-	-
Consorzio Poste Welfare	-	-	12	-	-	24	-	-
Chronopost International Italia SpA	-	-	-	-	-	-	18	-
Docutel SpA	-	-	43	-	-	1	-	-
Poste Assicura SpA	-	-	43	-	23	112	637	-
PostelPrint SpA	-	-	57	2,145	-	4,336	45,816	-
SDA Logistica Srl	-	-	333	-	-	586	2,390	-
Uptime SpA <sup>(1)</sup>	-	-	14	-	-	-	-	-
<b>Associates</b>								
C-GLOBAL SpA	-	-	7	-	-	29	-	-
Consorzio ANAC	-	-	-	-	-	18	-	-
<b>Related parties external to the Company</b>								
Ministry of the Economy and Finance	1,144,615	6,870,168	1,874,607	6,475	-	(204,340)	142,145	12,140
Direct relations	1,144,615	6,870,168	1,808,095	-	-	(204,340)	-	12,140
Agencies and other local offices	-	-	66,512	6,475	-	-	-	-
Former government procurement department	-	-	-	-	-	-	142,145	-
Cassa Depositi e Prestiti SpA	-	-	677,419	-	994,918	1,001,962	-	-
Anas SpA	-	-	15	-	-	-	-	-
Arcus SpA	-	-	-	-	-	-	-	-
CONI Servizi SpA	-	-	60	-	-	-	13	-
Consap SpA	-	-	1	-	-	-	-	-
Consip SpA	-	-	-	-	-	-	-	-
Enav SpA	-	-	174	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	2,498	-
Expo 2015 SpA	-	-	-	-	-	-	-	-
Fondoposte Pension Fund	-	-	-	-	-	-	-	43,553
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	-	-	31	-	-	-	-	-
Alitalia Group	-	-	136	-	-	-	11,880	-
Cinecittà Group	-	-	-	-	-	-	-	-
Enel Group	-	-	25,634	-	-	-	1,083	-
Eni Group	-	-	999	-	-	-	17,965	-
Equitalia Group	-	-	9,037	-	-	-	987	-
Ferrovie dello Stato Group	-	-	64	-	-	-	293	-
Finmeccanica Group	-	-	-	-	-	-	83,316	-
Fintecna Group	-	-	-	-	-	-	-	-
RAI Group	-	-	26	-	-	-	-	-
SACE Group	-	-	-	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	-	-
GSE - Gestore Servizi Elettrici SpA	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	-	-	25	-	-	-	1,127	-
Italia Lavoro SpA	-	-	-	-	-	-	-	-
Rete Autostradale Mediterranee SpA	-	-	-	-	-	-	-	-
Sicot Srl	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	-	-	4	-	-	-	-	-
Sogei SpA	-	-	273	-	-	-	-	-
Sogesid SpA	-	-	-	-	-	-	-	-
Provisions for doubtful receivables from related parties external to the Company	-	-	(36,298)	(6,434)	-	-	-	-
<b>Total</b>	<b>1,356,590</b>	<b>6,870,168</b>	<b>2,796,214</b>	<b>2,186</b>	<b>1,073,865</b>	<b>965,289</b>	<b>468,871</b>	<b>75,611</b>

(1) Joint venture.

## 37.2 - Impact of related party transactions on the financial position at 31 December 2008

Name	Balance at 31 December 2007							
	Financial assets	Assets attrib. to BancoPosta	Trade receivables	Other assets	Financial liabilities	Liabilities attrib. to BancoPosta	Trade payables	Other liabilities
<b>Direct subsidiaries</b>								
BancoPosta Fondi SpA SGR	-	-	9,452	-	25,114	371	9	-
CLP ScpA	-	-	2,817	-	120	-	55,388	-
Consorzio Servizi Telefonia Mobile ScpA	-	-	30	-	-	188	2,497	-
Consorzio Poste Contact	-	-	839	-	-	1,489	4	-
EGI SpA	-	-	496	1,978	99,295	33,258	969	-
Mistral Air Srl	3,491	-	319	-	-	267	110	-
Poste Energia SpA	-	-	654	-	5,774	191	9,251	-
Poste Italiane Trasporti SpA	-	-	270	-	1,986	36	8,612	-
Poste Link Scrl	-	-	4,032	-	2	4,805	82	-
PosteMobile SpA	-	-	10,952	-	320	4,387	5,425	3,164
Poste Tributi ScpA	-	-	724	-	804	64	1,470	-
Poste Tutela SpA	-	-	359	-	9,586	825	33,529	-
Poste Vita SpA	349,089	-	42,340	-	1,842	38,550	6,877	30,481
Poste Voice SpA	-	-	88	-	-	1,543	3	-
Postecom SpA	-	-	757	-	758	933	54,486	-
Postel SpA	101,673	-	169,821	-	-	4,525	3,786	175
PosteShop SpA	-	-	3,065	11	139	2,744	339	4
SDA Express Courier SpA	47,553	-	1,968	-	-	600	23,329	4,985
<b>Indirect subsidiaries</b>								
Address Software Srl	-	-	3	-	-	5	-	-
Consorzio Poste Welfare	-	-	25	-	-	1,203	1	-
Chronopost International Italia SpA	-	-	-	-	-	-	-	-
Docutel SpA	-	-	9	-	-	1	-	-
Poste Assicura SpA	-	-	62	-	20	33	1,649	-
PostelPrint SpA	-	-	249	-	-	3,179	52,612	74
Uptime SpA <sup>(1)</sup>	-	-	40	-	-	-	-	-
Italia Logistica Srl <sup>(1)</sup>	-	-	1,122	-	-	6	213	-
<b>Associates</b>								
Docugest SpA	-	-	45	-	-	-	-	-
Consozio ANAC	-	-	-	-	-	20	-	-
<b>Related parties external to the Company</b>								
Ministry of the Economy and Finance	905,549	5,546,358	1,029,078	6,302	-	(120,194)	158,359	497,712
Direct relations	905,549	5,546,358	957,534	6,302	-	(120,194)	-	497,712
Agencies and other local offices	-	-	71,544	-	-	-	-	-
Former government procurement department	-	-	-	-	-	-	158,359	-
Cassa Depositi e Prestiti SpA	102,230	-	755,381	-	840,235	692,650	-	-
Anas SpA	-	-	14	-	-	-	-	-
Arcus SpA	-	-	-	-	-	-	-	-
CONI Servizi SpA	-	-	67	-	-	-	19	-
Consap SpA	-	-	1	-	-	-	-	-
Consip SpA	-	-	-	-	-	-	-	-
Enav SpA	-	-	173	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	2,520	-
Expo 2015 SpA	-	-	-	-	-	-	-	-
Fondoposte Pension Fund	-	-	-	-	-	-	-	52,693
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	-	-	24	-	-	-	-	-
Alitalia Group	-	-	85	-	-	-	14,194	-
Cinecittà Group	-	-	-	-	-	-	-	-
Enel Group	-	-	27,732	-	-	-	1,760	-
Eni Group	-	-	1,974	-	-	-	18,312	-
Equitalia Group	-	-	17,632	-	-	-	921	-
Ferrovie dello Stato Group	-	-	140	-	-	-	248	-
Finmeccanica Group	-	-	2	-	-	-	82,908	-
Fintecna Group	-	-	-	-	-	-	-	-
RAI Group	-	-	15	-	-	-	-	-
SACE Group	-	-	-	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	-	-
GSE - Gestore Servizi Elettrici SpA	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	-	-	53	-	-	-	1,464	-
Italia Lavoro SpA	-	-	-	-	-	-	-	-
Rete Autostradale Mediterranee SpA	-	-	-	-	-	-	-	-
Sicot Srl	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	-	-	2	-	-	-	-	-
Sogei SpA	-	-	61	-	-	-	-	-
Sogesid SpA	-	-	-	-	-	-	-	-
Provisions for doubtful receivables from related parties external to the Company	-	-	(84,542)	(6,298)	-	-	-	-
<b>Total</b>	<b>1,509,585</b>	<b>5,546,358</b>	<b>1,998,430</b>	<b>1,993</b>	<b>985,995</b>	<b>671,679</b>	<b>541,346</b>	<b>589,288</b>

(1) Joint venture.

At 31 December 2008 Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Company and regarding trading relations amount to 122,833 thousand euros.

## 37.3 - Impact of related party transactions on the results of operations

Name	2007								
	Revenues			Costs					
	Revenues	Other operating income	Finance income	Investment		Goods and services	Current expenditure		
				PPE	Intangible assets		Staff costs	Other operating costs	Finance costs
<b>Direct subsidiaries</b>									
BancoPosta Fondi SpA SGR	26,269	2,108	-	-	-	1,357	-	-	336
CLP ScpA	490	17	-	806	-	83,783	-	277	4
Consorzio Poste Contact	463	-	4	-	-	-	-	-	-
Consorzio Poste Link	3,137	45	-	-	-	6	-	-	1
EGI SpA	185	534	17,003	12,895	-	10,018	-	95	1,554
Mistral Air Srl	197	36	147	-	-	1,836	-	-	-
Poste Energia SpA	1	53	-	-	-	239	-	-	-
Poste Italiane Trasporti SpA	78	161	30	-	-	35,496	-	-	21
PosteMobile SpA	2,783	1,271	-	-	-	1,264	-	-	79
Poste Tributi ScpA	37	942	1	-	-	-	-	1,194	63
Poste Tutela SpA	180	1,373	-	-	-	88,235	-	158	384
Poste Vita SpA	179,894	338	4,784	-	-	10,529	6	-	41
Postecom SpA	989	1,160	-	1,180	11,939	52,039	-	-	295
Postel SpA	11,728	1,276	6,566	698	82	55,089	701	203	-
PosteShop SpA	6,194	1,759	20	-	-	58	-	2	12
SDA Express Courier SpA	1,478	1,153	793	24	-	109,911	-	1,427	12
<b>Indirect subsidiaries</b>									
Address Software Srl	3	-	-	-	-	-	-	-	-
Consorzio Poste Welfare	20	-	-	-	-	-	-	-	-
Chronopost International Italia SpA	-	296	-	-	-	11	-	31	-
Docutel SpA	49	-	-	-	-	-	-	-	-
Poste Assicura SpA	3,929	50	-	-	-	30	-	615	1
PostelPrint SpA	57	-	-	-	195	53,274	51	-	-
SDA Logistica Srl	117	312	11	461	-	1,816	-	-	-
Uptime SpA <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
<b>Associates</b>									
C-GLOBAL SpA	-	-	-	-	-	-	-	-	-
Consorzio ANAC	-	-	-	-	-	-	-	-	-
<b>Related parties external to the Company</b>									
Ministry of the Economy and Finance	1,458,127	370	163,703	-	-	-	-	(56,743)	437
Direct relations	1,389,991	-	163,703	-	-	-	-	(57,877)	437
Agencies and other local offices	68,136	370	-	-	-	-	-	1,134	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti SpA	1,210,567	-	-	-	-	-	-	-	45,550
Anas SpA	581	-	-	-	-	-	-	-	-
Arcus SpA	-	-	-	-	-	-	-	-	-
CONI Servizi SpA	1,105	-	-	-	-	380	-	-	-
Consap SpA	78	-	-	-	-	-	-	-	-
Consip SpA	28	-	-	-	-	-	-	-	-
Enav SpA	235	51	-	-	-	-	-	-	-
EUR SpA	-	-	-	3	-	2,774	-	-	-
Expo 2015 SpA	-	-	-	-	-	-	-	-	-
Fondoposte Pension Fund	16	-	-	-	-	-	13,681	-	-
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	98	-	-	-	-	-	-	-	-
Alitalia Group	691	247	-	-	-	26,936	-	-	-
Cinecittà Group	6	-	-	-	-	-	-	-	-
Enel Group	134,506	17	-	119	-	20,724	-	80	-
Eni Group	18,595	-	-	-	-	26,343	-	-	-
Equitalia Group	45,669	-	-	-	-	280	-	-	-
Ferrovie dello Stato Group	386	-	-	-	-	1,062	-	-	-
Finmeccanica Group	106	-	-	88,789	2,460	57,726	-	-	-
Fintecna Group	25	-	-	-	-	-	-	-	-
RAI Group	15,722	-	-	-	-	-	-	-	-
SACE Group	33	-	-	-	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	-	-	-
GSE - Gestore Servizi Elettrici SpA	53	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	5,360	-	-	-	-	18,336	-	259	-
Italia Lavoro SpA	30	-	-	-	-	-	-	-	-
Rete Autostradale Mediterranee SpA	-	-	-	-	-	-	-	-	-
Sicot Srl	58	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	10	-	-	-	-	4	-	-	-
Sogei SpA	1,054	-	-	-	-	-	-	-	-
Sogesid SpA	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,131,417</b>	<b>13,569</b>	<b>193,062</b>	<b>104,975</b>	<b>14,676</b>	<b>659,556</b>	<b>14,439</b>	<b>(52,402)</b>	<b>48,790</b>

(1) Joint venture.

## 37.4 - Impact of related party transactions on the results of operations

Name	2008								
	Revenues			Costs					
	Revenues	Other operating income	Finance income	Investment		Current expenditure			
PPE				Intangible assets	Goods and services	Staff costs	Other operating costs	Finance costs	
<b>Direct subsidiaries</b>									
BancoPosta Fondi SpA SGR	20,741	2,117	-	-	-	12	-	6	473
CLP ScpA	551	92	-	4,714	-	131,994	-	273	5
Consorzio Servizi Telefonica Mobile ScpA	30	-	-	-	24	783	1,372	77	-
Consorzio Poste Contact	276	1	-	-	-	5	-	-	-
EGI SpA	182	739	-	-	-	10,035	-	17	1,825
Mistral Air Srl	215	142	166	-	-	6	-	-	1
Poste Energia SpA	558	55	20	-	-	85,144	-	-	93
Poste Italiane Trasporti SpA	130	522	100	-	-	40,945	-	-	26
Poste Link Scrl	3,939	267	-	-	-	9	-	76	1
PosteMobile SpA	10,141	540	-	-	-	4,132	-	-	164
Poste Tributi ScpA	70	1,340	-	-	-	-	-	1,470	36
Poste Tutela SpA	210	1,573	-	-	-	92,220	-	-	404
Poste Vita SpA	212,311	253	17,870	-	-	9,421	-	-	1,577
Postecom SpA	1,052	1,224	-	20,130	1,107	47,393	40	-	385
Postel SpA	12,518	1,589	4,558	-	-	25	605	2	-
PosteShop SpA	5,737	1,592	-	6	-	402	21	1	19
Poste Voice SpA	100	-	-	-	-	4	-	-	-
SDA Express Courier SpA	2,062	598	1,693	-	86	67,285	-	113	-
<b>Indirect subsidiaries</b>									
Address Software Srl	8	-	-	-	-	-	-	-	-
Consorzio Poste Welfare	22	-	-	-	-	1	-	-	-
Chronopost International Italia SpA	-	-	-	-	-	-	-	-	-
Docutel SpA	22	-	-	-	-	-	-	-	-
Poste Assicura SpA	62	-	-	-	-	1,033	-	-	1
PostelPrint SpA	186	179	-	-	1,231	116,161	-	777	-
Uptime SpA <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
Italia Logistica Srl <sup>(1)</sup>	80	820	-	-	-	24	-	-	-
<b>Associates</b>									
Docugest SpA	-	-	-	-	-	-	-	-	-
Consorzio ANAC	-	-	-	-	-	-	-	-	-
<b>Related parties external to the Company</b>									
Ministry of the Economy and Finance	911,994	366	119,868	-	-	-	-	48,109	19,988
Direct relations	839,827	-	119,868	-	-	-	-	46,010	19,988
Agencies and other local offices	72,167	366	-	-	-	-	-	2,099	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti SpA	1,364,705	-	2,230	-	-	-	-	-	38,746
Anas SpA	559	-	-	-	-	-	-	-	-
Arcus SpA	-	-	-	-	-	-	-	-	-
CONI Servizi SpA	1,231	-	-	-	-	87	-	-	-
Consap SpA	124	-	-	-	-	-	-	-	-
Consip SpA	28	-	-	-	-	-	-	-	-
Enav SpA	224	58	-	-	-	-	-	-	-
EUR SpA	-	-	-	-	54	2,286	-	-	-
Expo 2015 SpA	-	-	-	-	-	-	-	-	-
Fondoposte Pension Fund	84	35	-	-	-	-	18,191	-	-
Agenzia Nazionale Attrazione Investimenti e Sviluppo Impresa Group	82	-	-	-	-	-	-	-	-
Alitalia Group	298	-	-	-	-	26,936	-	-	-
Cinecittà Group	6	-	-	-	-	-	-	-	-
Enel Group	138,399	13	-	-	-	5,519	-	13	-
Eni Group	18,471	-	-	-	-	38,939	-	19	-
Equitalia Group	52,681	-	-	-	-	677	-	-	-
Ferrovie dello Stato Group	501	-	-	-	-	809	-	-	-
Finmeccanica Group	108	-	-	77,524	8,634	52,955	-	-	-
Fintecna Group	26	-	-	-	-	-	-	-	-
RAI Group	17,692	-	-	-	-	-	-	-	-
SACE Group	20	-	-	-	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	-	-	-
GSE - Gestore Servizi Elettrici SpA	84	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato SpA	4,199	-	-	-	-	17,711	-	156	-
Italia Lavoro SpA	11	-	-	-	-	-	-	-	-
Rete Autostradale Mediterranee SpA	-	-	-	-	-	-	-	-	-
Sicot Srl	56	-	-	-	-	-	-	-	-
Sviluppo Mercato Fondi Pensione SpA (MEFOP)	11	-	-	-	48	-	-	-	-
Sogei SpA	409	-	-	-	-	-	-	-	-
Sogesid SpA	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,783,206</b>	<b>14,115</b>	<b>146,505</b>	<b>102,374</b>	<b>11,184</b>	<b>752,952</b>	<b>20,229</b>	<b>51,109</b>	<b>63,744</b>

(1) Joint venture.

In 2008 Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Company and regarding trading relations amount to 67,466 thousand euros. The net amount includes provisions of 75,000 thousand euros described in note 27.3.

The nature of the principal transactions with related parties external to the Company is summarised below.

- Amounts received from the MEF primarily refer to payment for carrying out the Servizio Postale Universale (Universal Service Obligation - USO), the management of postal current accounts, as reimbursement for electoral tariff reductions and subsidies, and as payment for delegated services, integrated e-mail services, the franking of mail on credit, and for collection of tax returns. The costs incurred primarily regard the supply of paper, forms, stamps and printed matter.
- Amounts received from CDP SpA primarily refer to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily refer to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services, etc. The costs incurred primarily regard the supply of electricity.
- Amounts received from the ENI Group primarily refer to payment for bulk mail shipments, etc. The costs incurred primarily regard the supply of fuel for motorcycles and vehicles and the supply of gas.
- Amounts received from the Equitalia Group primarily refer to payment for the integrated notification service and for unfranked mail. The costs incurred primarily regard electronic transmission of tax collection data.
- Amounts received from the Finmeccanica Group primarily refer to payment for mail franked directly using mechanised franking machines. The costs incurred primarily regard the supply of equipment, maintenance and technical assistance for mechanised sorting equipment (Elsag), and systems and IT assistance regarding the creation of document storage facilities, specialist consulting and software maintenance, and the supply of software licences (Datamat).
- Finally, the costs incurred for services provided to the Alitalia Group, which from 2009 is no longer a related party, primarily regard the supply of air transport for mail.

## KEY MANAGEMENT PERSONNEL

Key management personnel refers to Directors of Poste Italiane SpA and the Company's first-line managers. The related remuneration, including social and pension contributions, is as follows:

### 37.5 - Remuneration of key management personnel

Item	2008	2007
Remuneration paid in short term	11,804	13,329
Post-employment benefits	3,261	1,254
<b>Total</b>	<b>15,065</b>	<b>14,583</b>

No loans were granted to key management personnel during the year and at the end of the reporting period the Company does not report receivables in respect of loans granted to such personnel.

## TRANSACTIONS WITH STAFF PENSIONS FUNDS

Poste Italiane SpA and its subsidiaries that apply the National Collective Labour Contract are members of the FondoPoste Pension Fund, which is the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of FondoPoste's Bylaws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. Among other things, the Fund's Board of Directors takes decisions regarding:

- the general criteria for the allocation of investment risk and for investment policies;
- the choice of fund manager and depositary bank.

## 38 - OTHER INFORMATION

### POSTAL SAVINGS DEPOSITS

Postal savings deposits collected in the name of and on behalf of Cassa Depositi e Prestiti are shown in the table below, which breaks deposits down by category.

#### 38.1 - Postal savings deposits

Item	Balance at 31 December 2008	Balance at 31 December 2007
Postal savings books	81,800,655	76,286,935
Interest-bearing Postal Certificates:	185,542,713	184,136,133
<i>Cassa Depositi e Prestiti</i>	95,696,530	82,953,266
<i>Ministry of the Economy and Finance</i>	89,846,183	101,182,867
<b>Total</b>	<b>267,343,368</b>	<b>260,423,068</b>

The above amounts include accrued and unpaid interest.

## COMMITMENTS

Purchase commitments given by Poste Italiane SpA are summarised below.

#### 38.2 - Purchase commitments

Item	Balance at 31 December 2008	Balance at 31 December 2007
Property, plant and equipment	183,128	253,110
Investment property	33	78
Intangible assets	88,404	99,143
Goods and services	601,128	534,659
Property leases	466,931	429,719
<b>Total</b>	<b>1,339,624</b>	<b>1,316,709</b>

Future commitments with respect to property leases (see note 30.4), which may generally be broken off with six months notice, break down as follows according to due date:

### 38.3 - Property lease commitments

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Lease rentals due</b>		
Within 12 months	134,583	123,864
Between 2 and 5 years	312,245	283,566
After 5 years	20,103	22,289
<b>Total</b>	<b>466,931</b>	<b>429,719</b>

## GUARANTEES

Personal guarantees issued by Poste Italiane SpA are as follows:

### 38.4 - Guarantees

Item	Balance at 31 December 2008	Balance at 31 December 2007
<b>Sureties and other guarantees issued</b>		
Issued by Poste Italiane SpA in its own interests in favour of third parties	6,517	5,817
Issued by banks in the interests of Poste Italiane SpA in favour of third parties	48,012	33,666
Letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	16,058	20,806
<b>Total</b>	<b>70,587</b>	<b>60,289</b>

## THIRD-PARTY ASSETS

### 38.5 - Third-party assets

Item	Balance at 31 December 2008	Balance at 31 December 2007
Securities subscribed by customers held by third-party banks	23,659,959	21,364,251
Other assets	350,590	1,271,217
<b>Total</b>	<b>24,010,549</b>	<b>22,635,468</b>

Other third-party assets almost entirely relate to revenue stamps that the Company was required to sell and distribute under the Agreement with the MEF of 17 March 1995. From 1 January 2007, the 2007 Finance Act requires stamp duty to be paid electronically via the issue of a specific receipt by the authorised intermediary. As a result, based on the instructions contained in a memorandum issued by the tax authorities on 29 December 2006, from 1 January 2007 Poste Italiane SpA has suspended the distribution and sale (including on its own behalf) of all revenue stamps, with the exception of forms for bills of exchange. Despite the fact that there is limited market demand for the stamps held in stock, Poste Italiane SpA is required to continue to hold them.

The balance of Other third-party assets includes 590 thousand euros representing the cost of goods owned by the subsidiary, PosteMobile SpA, and held in stock at Post Offices.

## ASSETS IN THE PROCESS OF ALLOCATION

At 31 December 2008 the Company has paid a total of 399,265 thousand euros in claims on behalf of the Ministry of Justice (488,942 thousand euros at 31 December 2007), for which, under the agreement between Poste Italiane SpA and the MEF, the Company – which has already been reimbursed by the Treasury – is awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

## LITIGATION

In 2008 the Court of Naples notified the Company that it had completed its preliminary investigation of an alleged non-compliance with certain requirements of Legislative Decree 231/01, committing all the defendants for trial. Poste Italiane SpA is accused, as a result of failing to implement appropriate preventive measures at organisational and operational level, of permitting the deliberate overestimation of postal savings deposits in 2003, in order to receive an unjustifiable amount of fees from Cassa Depositi e Prestiti. Whilst it is not possible to predict the outcome of the trial, it should be noted that the financial and commercial effects of the dispute have been reflected in the financial statements for previous years, and that the Company has for some time now taken appropriate organisational and operational steps to comply with the requirements of Legislative Decree 231/01.

## PROCEEDINGS PENDING BEFORE THE AUTHORITIES

### European Commission

The European Commission's investigation of the Company, in response to the complaint filed by the Italian Bankers' Association (ABI) in 2005, alleging that State aid had been given in the form of fees paid for the distribution of postal savings products and the remuneration received in return for the use of current accounts to attract deposits, was completed during the year.

The investigation of the fees received from Cassa Depositi e Prestiti for the distribution of post office savings books was resolved to the Company's satisfaction in November 2006, whilst the Commission's investigation of the distribution and management of Postal Certificates was completed on 21 October 2008, with the decision that the related fees received during the period 2000-2006 did not constitute State aid.

With respect to the remuneration on postal current account deposits received from the MEF under the Agreement of 23 February 2006, on 16 July 2008 the European Commission issued a Decision finding against the arguments submitted by the Italian authorities. The resulting impact is described in note 18. The Company filed appeal against the Commission's decision before the European Community's Court of First Instance on 1 December 2008.

## **39 - EVENTS AFTER 31 DECEMBER 2008**

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Events after the end of the reporting period are described in the above notes. No other material events have taken place after 31 December 2008.

# ATTESTATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

## **Attestation of the separate and consolidated financial statements for the year ended 31 December 2008 pursuant to art. 154-bis of Legislative Decree 58/1998**

1. The undersigned, Massimo Sarmi, as Chief Executive Officer, and Alessandro Zurzolo, as Manager responsible for Poste Italiane SpA's financial reporting, having taken account:

- that Poste Italiane SpA, as a listed issuer which elected Italy as Home Member State, is required to comply with art.154-bis of Legislative Decree 58/1998 (Consolidated Law on Finance, here in after TUF), as amended by art.1 of Legislative Decree 195 of 2007, which implemented EU Directive 2004//109/EC (the Transparency Directive) into Italian law;
- of the events described in point 2 below,

attest to:

- the adequacy with regard to the nature of the Company and
- the effective application

of the administrative and accounting procedures adopted in preparation of the separate and consolidated financial statements during 2008

2. In this regard, it should be noted that:

2.1 as highlighted in the Internal Control-Integrated framework model issued by the Committee of Sponsoring Organization of the Treadway Commission, which represents the international standard body of generally accepted principles of internal control, as expressly referred to by Confindustria (the main organisation representing Italian manufacturing and services companies) in its Guidelines for the role of Manager responsible for financial reporting pursuant to art.154-bis of the TUF, an internal control system, no matter how well is designed and operated, can only provide reasonable, not absolute assurance that the company's objectives will be achieved, including true and fair financial reporting;

2.2 the rationalization process of the existing administrative and accounting procedures, with a view to focusing such procedures on the internal control system applied to financial reporting, has been completed. Other activities, including the review of the effective application of administrative and accounting procedures, are in progress and a number are expected to be completed after the end of 2009.

3. We also attest that:

3.1 the separate and consolidated financial statements:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the Company and its subsidiaries included in the basis of consolidation.

3.2 the Directors' Report on Operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy 23 March 2009

Chief Executive Officer  
Massimo Sarmi

Manager responsible for financial reporting  
Alessandro Zurzolo

*(This certification has been translated from the original which was issued in accordance with Italian legislation)*

# STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF POSTE ITALIANE SPA FOR THE YEAR ENDED 31 DECEMBER 2008

## To the Shareholders of Poste Italiane SpA

During the year ended 31 December 2008 the Board of Statutory Auditors carried out its activities in accordance with the law, based on the recommendations issued by the Italian Accounting Profession.

In particular, the Board of Statutory Auditors states that:

- we have verified compliance with the law and the articles of association and with correct corporate governance principles;
- we attended 12 Board of Directors' meetings during 2008, which were conducted in accordance with the articles of association, the related legislation and regulations governing their conduct and, in accordance with our duties, can provide reasonable assurance that the actions approved comply with the law, the articles of association and correct corporate governance principles. We also attended one General Meeting of shareholders held in ordinary and extraordinary session;
- we obtained information on the overall operating performance and outlook, and on the most significant transactions, in terms of size or nature, carried out by the Company and its subsidiaries from the Directors and/or authorised personnel during the 24 meetings held in 2008 (and the 8 meetings held in 2009 prior to preparation of this Report), which were attended by the magistrate from the Italian Court of Auditors, who is responsible for carrying out controls pursuant to art. 12 of Law 259/1958. As a result, in accordance with our duties, we can provide reasonable assurance that the actions carried out comply with the law, the articles of association and correct corporate governance principles;
- in view of events in the financial markets, we closely examined the related risk profiles for the Company and the Group, holding meetings in this regard with the Board of Statutory Auditors and the Chief Executive Officer of the subsidiary, Poste Vita SpA, in order to obtain specific information on the company's index-linked policies;
- we held specific meetings with PricewaterhouseCoopers SpA, the firm appointed by the General Meeting of 14 May 2007 as the Company's independent auditors for the three-year period 2007-2009. The independent auditors were invited to participate in all meetings of the Board of Statutory Auditors, which did not reveal significant aspects or information to be included in this Report;
- we held specific meetings with the Supervisory Board set up under Legislative Decree 231/01, above all with respect to application and updating of the Company's organisational model;
- we obtained information from the Company's management on the operating performances of subsidiaries, which did not reveal significant aspects or information to be included in this Report;
- we examined the Company's organisational structure and its effective functioning, verifying its adequacy via both analysis of company documents and the collection of information during specific meetings with heads of the various functions, including the head of the Internal Auditing department, taking account of the Bank of Italy's findings described below;
- we assessed the administrative and accounting systems, including the capacity of such accounting system to provide a fair view of operations, and compliance with correct corporate governance principles, via direct observation and the gathering of information from departmental heads, from the independent auditors and from the Manager responsible for financial reporting;
- we complied with the requirements established by art. 52, paragraph 1 of the Consolidated Banking Act.

We also declare that during the year under review:

- we did not receive reports pursuant to art. 2408 of the Italian Civil Code;
- the Board was required to issue opinions pursuant to art. 2389 of the Italian Civil Code, based on the proposals of the Remuneration Committee.

The financial statements for the year ended 31 December 2008, which have been prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and contained in the related EU Regulations, report profit for the year of 720,796,454 euros (704,366,210 euros for the year ended 31 December 2007).

Equity at 31 December 2008, including the profit for 2008, amounts to 3,088,988,401 euros (2,910,111,914 at 31 December 2007).

In view of the fact that we were not assigned responsibility for analysing the contents of the financial statements on their merits, we have verified the general presentation and overall compliance with the laws relating to form and content.

The Board also verified compliance with the regulations governing preparation of the Directors' Report on Operations.

The Board obtained information on the criteria used to determine provisions for impairments, liabilities and charges, and the related uses. As reported in the notes, such provisions were made to cover losses or liabilities that are either likely or certain to be incurred but are uncertain as to the amount or as to the date on which they will arise.

With reference to the European Commission's Decision C42/2006 of 16 July 2008, the effect of which on the financial statements are amply described in the Directors' Report on Operations, the Board acknowledges that repayment of the alleged State aid accrued up to 31 December 2007, totalling 458.5 million euros, is to be charged directly to the Company's Retained earnings, and will thus result in a reduction in Equity at the end of the reporting period.

With regard to the findings resulting from the Bank of Italy's general inspection of the BancoPosta business unit, which, as noted in the Directors' Report on Operations, were notified to Poste Italiane SpA in February 2009, the Board of Statutory Auditors states that, whilst noting the related observations and counter-arguments, it is monitoring implementation of initiatives being adopted by the Company in order to remove the causes of the violation discovered by the Bank of Italy's inspectors.

After also taking account of the attestation of the financial statements under review issued by the Chief Executive Officer and the manager responsible for financial reporting, in addition to the results of the audit procedures carried out by the independent auditors, PricewaterhouseCoopers SpA, as described in the opinion accompanying the financial statements, dated 8 April 2009, in accordance with our duties we recommend that you approve the financial statements for the year ended 31 December 2008, as prepared by the Board of Directors.

Dear Shareholders,


With regard to the appropriation of profit for the year, partly in view of the above-mentioned reduction in Equity during the year, the Board wishes to express its agreement with the proposal of the Board of Directors.

Rome, Italy 7/8 April 2009

THE BOARD OF STATUTORY AUDITORS

Silvana Amadori	- Chairperson
Ernesto Calaprice	- Auditor
Francesco Ruscigno	- Auditor

# INDEPENDENT AUDITORS' REPORT

**PRICEWATERHOUSECOOPERS** 

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE  
2409 – TER OF THE CIVIL CODE**

**POSTE ITALIANE SPA**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008**

## AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409 – TER OF THE CIVIL CODE

To the Shareholders of  
Poste Italiane SpA

- 1 We have audited the financial statements of Poste Italiane SpA as of 31 December 2008, which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of income and expenses recognised directly in equity and the related notes. The directors of Poste Italiane SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.
  - 2 We conducted our audit in accordance with the Italian standards on auditing. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion. The responsibility for the audit of the financial statements of a subsidiary, representing 1.13 per cent of investments in subsidiaries, associates and other entities and 0.02 per cent of the total assets, lies with other auditors.
- For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.
- 3 In our opinion, the financial statements of Poste Italiane SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Poste Italiane SpA for the year then ended.

Sede legale e amministrativa: Milano 20148 Via Monte Rosa 91 Tel. 0277861 Fax 027762248 Cap. Soc. 3.754.400,00 Euro (i.e., C.F. e P.IVA e Reg. Imp. Milano 12975690155 Iscritta al n. 43 dell'Albo Consulenti - Altri Uffici: Bari 70126 Viale della Repubblica 110 Tel. 0804278662 - Bologna 40123 Via delle Lanze 111 Tel. 051526611 - Brescia 25123 Via Borgo Pietro Wahner 23 Tel. 0303697501 - Firenze 50129 Viale Milton 65 Tel. 0554627100 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Napoli 80121 Piazza dei Martiri 30 Tel. 08130181 - Padova 35137 Largo Europa 16 Tel. 049762627 - Palermo 90141 Via Michele Ugo 80 Tel. 091349757 - Parma 43108 Viale Tanaro 20/A Tel. 0521242848 - Roma 00154 Largo Fieschi 29 Tel. 06570251 - Torino 10128 Corso Moncalvoglio 37 Tel. 011598771 - Treviso 30130 Via Giustiniani 73 Tel. 042233704 - Trento 31108 Viale Patroeni 96 Tel. 0462868611 - Trieste 34125 Via Cesare Battelli 16 Tel. 0432483781 - Udine 33100 Via Pascoletti 43 Tel. 043225789 - Verona 37122 Corso Porta Nuova 125 Tel. 0458002581



- 4 We draw your attention to the disclosure provided by the directors in note no. 18 "Transactions with shareholders" of the financial statements of Poste Italiane SpA as at 31 December 2008 regarding the decision of the European Commission dated 16 July 2008. Such decision designated as a State aid the remuneration of current accounts received, in compliance with the applicable law, by Poste Italiane SpA for the three years 2005, 2006 and 2007 from the Ministry of Economy and Finance.
- 5 The directors of Poste Italiane SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 2409 – ter, paragraph 2, letter e), of the Civil Code. For this purpose, we have performed the procedures required under Auditing Standard n.001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the financial statements of Poste Italiane SpA as of 31 December 2008.

Roma, 8 April 2009

PricewaterhouseCoopers SpA

Signed by

Luciano Festa  
(Partner)

**"This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report."**

(2)

# POSTE ITALIANE

## Registered Office

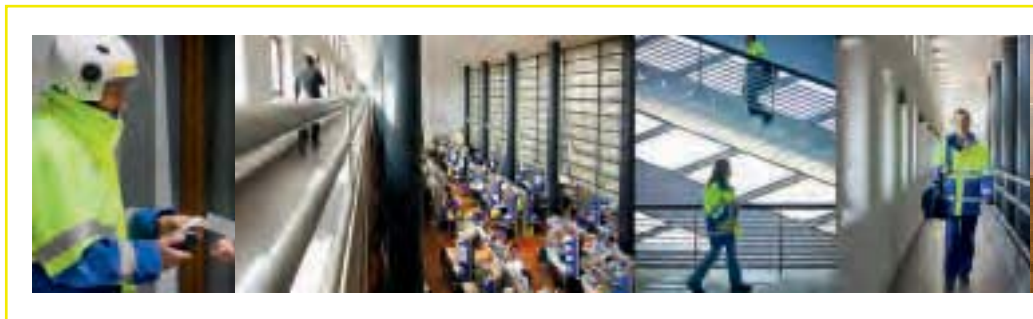
viale Europa, 190  
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**tel** +39 06 5958.1  
**fax** +39 06 5958.9100  
**e-mail** [info@posteitaliane.it](mailto:info@posteitaliane.it)  
**www.poste.it**

## Corporate information

Share capital: 1,306,110,000 euros  
Rome Companies Register no. 584565/1996  
Business Registration Number REA 842633  
Tax Code 97103880585  
VAT Number 01114601006

**Annual  
Report 08**

# Posteitaliane



**Poste Italiane SpA**

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