

Study for the European Commission, DG Internal Market and Services

# The Evolution of the European Postal Market since 1997

August 2009

A Report by:



&



## Annex Country Fiches

The opinions expressed do not necessarily reflect the views of the European Commission. Any errors remain the responsibility of ITA Consulting & WIK-Consult.

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## Australia

## Country Facts

Population '07:	20.7 million
Population growth (98-07):	10.9%
Population density '08:	3 / sqkm
Urbanisation rate '08:	88.8%
GDP '08 (PPS, billion):	EUR 663 billion
GDP/capita '08 (PPS):	n/a
Postal services/GDP '98/08:	1.00%/0.62%



## Macro-economic indicators Australia

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
GDP* growth (EUR) %	5.4	5.5	7.0	6.7	6.3	7.8	6.1	8.3	7.6	7.8	8.5
GDP*/capita (EUR)	8,043	8,385	8,865	9,335	9,806	10,446	10,953	11,691	12,385	13,119	13,965
Inflation (CPI)**	94.3	95.7	100.0	104.4	107.5	110.5	113.1	116.1	120.2	123.0	128.4
Unemployment rate %	7.4	6.6	6.3	6.9	6.1	5.7	5.1	5.1	4.6	4.3	4.7
Internet access*** %											
Broadband access*** %											72

\* GDP at market prices \*\*CPI = Consumer Price Index 2000 = 100 \*\*\*of total national households

Sources: Australian Bureau of Statistics, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
since 1994	250g	250g		4 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: Postal legislation

## Legal barriers to competition other than the reserved area

- Since 2000 postal services are not exempted from VAT (Goods and Services Taxes GST, standard rate 10%)
- Consolidation services and transport to offices responsible for bulk mail are explicitly exempted from the reserved area.

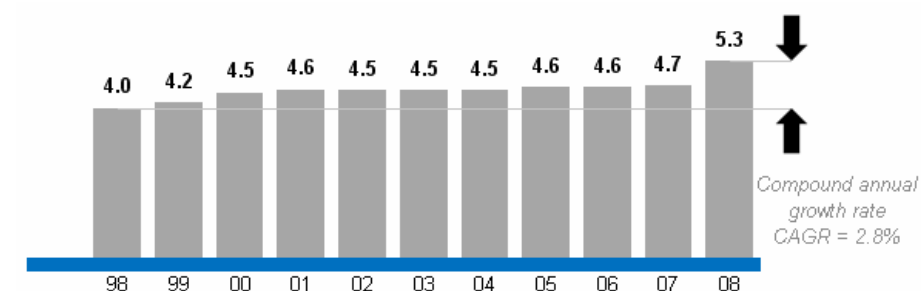
## National Regulatory Authority

Australian Competition & Consumer Commission (ACCC)

## Letter Post

Estimated market value: € 1.6 billion (2008)

## Domestic letter post volume (in billion items)



Notes: 2008 figure includes unaddressed advertising

Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	220	0.5%	
Unaddressed advertising	26	5.8%	
Cross-border outbound	7	-3.9%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Annual reports of incumbent postal operator, UPU

- The letter post volume per capita is comparable to many Western European countries. Similar to Europe, past growth was limited and considerably lower than economic growth.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	None	
Cross-border outbound letter post	Substantial	

No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- Because of the large reserved area the incumbent postal operator Australia Post is the only postal operator providing the delivery of letters. Competition in the delivery of domestic letter post items has not emerged, so far.

### Parcel & Express

#### Estimated total market value (in million EUR):

- Estimated market size (2004): 2.200 m €

Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Australia Post

- TNT, DHL, Toll Priority, FedEx, UPS, Allied Express Transport, Couriers Please, Greyhound Freight, Express Couriers Australia (ECA)

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): ~3-5%
- In 1992 Australia Post and Qantas founded the Joint venture Australia Air Express. In 2003 the company acquired the road express specialist company Star Track Express.

- Its membership in the Kahala Post Group enables Australia Post to offer low priced international express services.
- Australia Post (including subsidiaries) in top of the domestic market together with TNT and Toll Group.
- DHL, TNT, FedEx and UPS with an important role in the international market.
- DHL and New Zealand Post formed a joint venture (ECA) to target the Australian domestic express market. Previously DHL mostly focused on the international market.

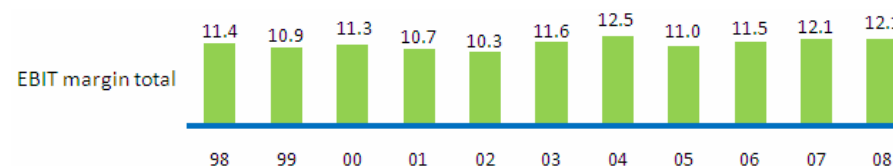
### Incumbent Postal Operator: Australia Post

Company form: Government business enterprise

1989: Corporatisation (State enterprise)

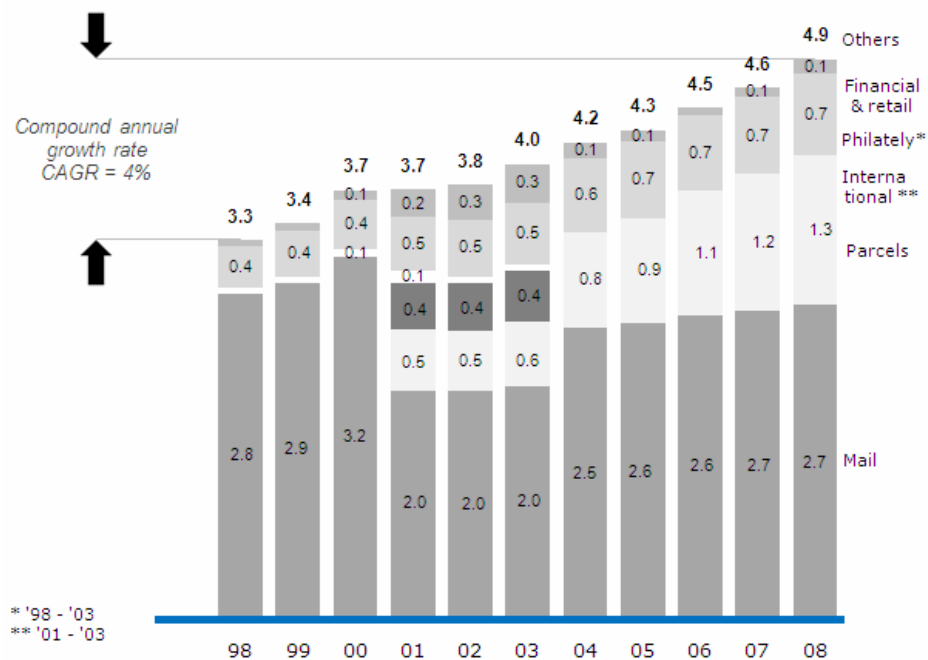
State ownership (31.12.2008): 100%

#### EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on annual reports of the incumbent postal operator

Corporate revenue in billion AUD by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	85.8	84.8	84.3	52.8	51.9	50.7	60.8	60.2	59.0	57.8	55.9
Domestic %*	74.2	73.7	73.2	89.2	89.0	88.8	89.6	91.2			
Labour cost %**	55.3	54.2	52.7	50.1	48.3	48.8	47.6	50.0	50.2	49.0	47.5
Headcount '000	36.5	35.0	35.4	35.5	35.8	35.4	35.0	34.8	34.6	34.5	35.0
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

Key developments of Australia Post since 1997

- Modernisation of letter post (mail processing and delivery) and retail operations started in the late 90ies ("FuturePost" programme)
- Extension of service offerings to upstream (mail production, support for direct mail campaigns) and downstream activities (mailroom management).
- Extension of service offerings in postal outlets (agency banking services, bill payment, retail merchandise, postal services).
- 2002: Founding member of the Kahala Postal Group aiming to face the strong competition from the Integrators, especially in the emerging Asian parcel market
- 2003: JV Australia Air Express (JV set up in 1992 between Australia Post and Qantas) takes over Euro Star Track Express (road-based freight express)
- 2003: Begin of efforts to restructure parcels business
- 2004: Australia Post and China Post set up the Joint Venture Sai Cheng Logistics
- 2004: Acquisition of express freight company Star Track Express together with Qantas as Joint Venture partner
- 2005: Launch of Express Courier International (ECI), an international, cost-effective courier service
- 2007: Introduction of Express Post International
- 2007: Acquisition of Beeline and Transmet Couriers to complement the corporation's Messenger Post Courier fleet by means of which Australia Post expects expansion opportunities in the domestic market

Universal Service

Universal service provider: Australia Post

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.5	2.5	2.4	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.0
Post offices %	20.1	18.9	19.2	18.7	18.9	18.8	18.7	18.8	19.0	19.1	19.0
20g tariff FSC in AU\$	0.45	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.55
100g tariff in % of 20g tariff											
20g tariff SSC in AU\$	No second class letter service for the general public										
20g tariff EU letter FSC in AU\$											

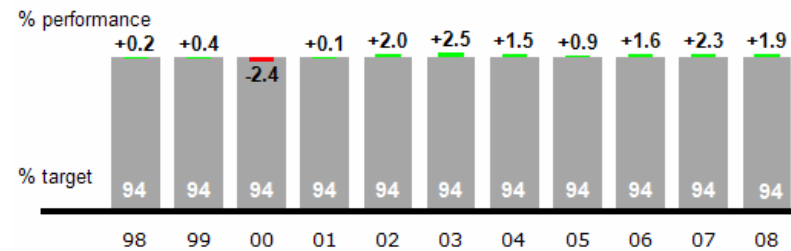
\* per 10,000 inhabitants

Sources: Based on annual reports of the incumbent postal operator

- The total number of postal outlets is fairly stable: CAGR (1998 – 2008) = -0.87%
- Delivery frequency per week: 5 days
- There are exemptions from 5 day delivery; the share of delivery points concerned has been reduced over time (especially in rural and remote areas). In total 1.3% of all delivery points are concerned by reduced delivery frequency.

**Transit time performance in %**

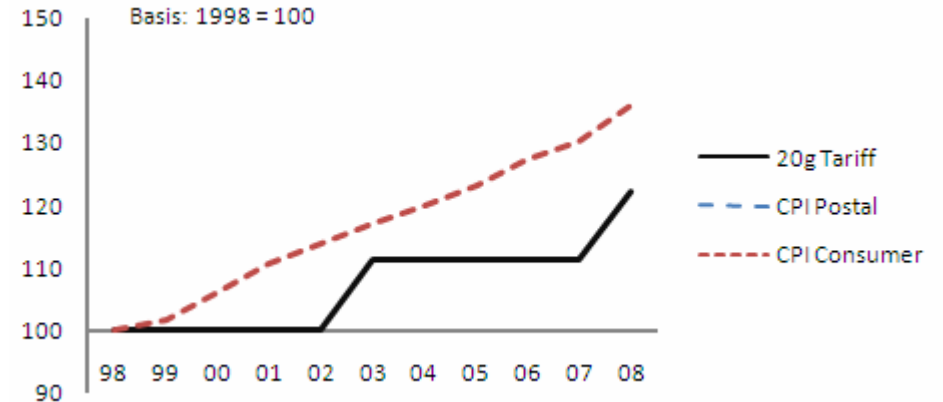
Deviation regulatory target and actual performance in percentage points



Sources: Based on annual reports of the incumbent postal operator

- The performance figure refers to a set of requirements (depending on within or outside a metropolitan area/city, intraState or interState letter services). Postal legislation requires that 94% of all letters up to 250g (i.e. reserved letters) have to meet this set of requirements.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on annual reports of incumbent postal operator, Australian Bureau of Statistics

- The introduction of the GST in 2000 has not resulted in an increase of the basic postal tariff.
- There are special pricing schedules for bulk mailers (volume and pre-sorting rebates, different tariffs for regular and off peak delivery).

**Customer View**

- Australia Post regularly measures customer satisfaction separately for individuals and business customers and achieves very high satisfaction figures in both groups (above 95%)

**Concluding Remarks**

- The letter post volume in Australia has slightly grown and achieved a level of more than 200 letter post items per capita. The letter post market appears to be quite mature and future growth potential appears to be limited (mainly driven by increasing population due to immigration).
- Australia Post is the only postal operator providing nationwide delivery services for letter post due to a reserved area encompassing all letter services weighing up to 250g.



- Transit time performance has recently been stable, postal tariffs for individuals have been increased (but lower than the CPI)
- Australia Post focuses on national postal services (letters and parcels) and has successfully extended its retail activities in the large and thinly populated country. Additional to the traditional postal services Australia Post is also active in the upstream and downstream segments in the letters market (mail production and document management; actively promoting the use of direct mail).
- The company is highly profitable and has a modern postal infrastructure which is also reflected in the transit time performance. Basic letter tariffs have been fairly stable in real terms.
- Quite mature parcel & express market with moderate growth rates.
- Australia Post maintains a dominant position in the domestic parcel & express market while the integrators play an important role in the international (cross border) market.

## Austria

## Country Facts

Population '08:	8.3 million
Population growth (98-08):	4.5%
Population density '08:	99 / sqkm
Urbanisation rate '08:	67.1%
GDP '08 (PPS, billion):	EUR 262.3
GDP/capita '08 (PPS):	EUR 31,478
Postal services/GDP '99/08:	0.87%/0.79%



## Macro-economic indicators Austria

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.6	3.3	3.7	0.5	1.6	0.8	2.5	2.9	3.4	3.1	1.8
GDP/capita (PPS)	22,355	23,406	25,056	24,806	25,897	26,336	27,560	28,147	29,431	30,907	31,478
Inflation (CPI)*	89.0	89.4	91.2	93.3	94.8	96.1	97.9	100.0	101.7	103.9	107.3
Unemployment rate %	4.5	3.9	3.6	3.6	4.2	4.3	4.9	5.2	4.8	4.4	
Internet access** %					33	37	45	47	52	60	69
Broadband access** %						10	16	23	33	46	54

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	350g	350g	350g	5 times	Direct mail is not part of the
2003	100g	100g		3 times	reserved area if sent without or in
2006	50g	50g		2.5 times	an open envelope

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- “Hausbriefachanlagen” (special private letter boxes) only accessible by Österreichische Post AG (about 33% of private letterboxes in urban areas)
- VAT exemption for all postal services provided by Österreichische Post AG excluding distribution of unaddressed items (VAT standard rate: 20%)

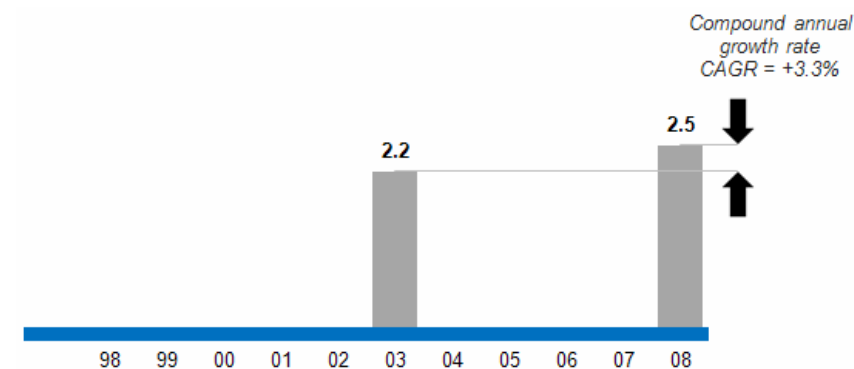
## National Regulatory Authority

Since 2008: Rundfunk und Telekom Regulierungsbehörde-GmbH (RTR),  
Until 2007: Bundesministerium für Verkehr, Innovation und Technologie (BMVIT)

## Letter Post

Estimated market value: € 1.5 billion (2008)

## Domestic letter post volume (in million items)



Letter post segment	Items per capita (2008)	CAGR (2003-2008)	Notes
Domestic letter post	305	3.3%	2007 figures not available
•Letters	227	4.9%	
••Correspondence	132	4.3%	
••Direct Mail	95	4.6%	
•Publications	78	-0.6%	
Unaddressed advertising	444	11.4%	Strong increase due to acquisition of Feibra
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on UPU and annual reports of the incumbent postal operator

- Well-developed letter post market with increasing volumes in correspondence and direct mail until 2008
- Little impact of emerging electronic alternatives for physical delivery in the past.
- 2009: decline especially in the segments correspondence and direct mail

### Competition

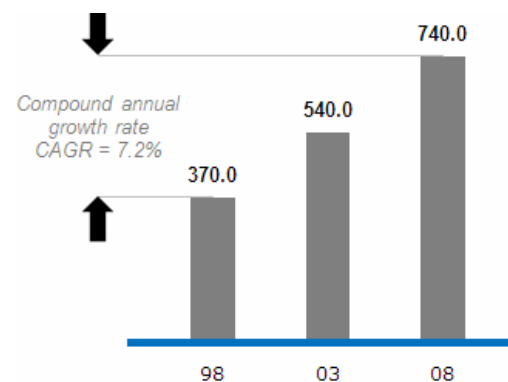
Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
•Correspondence	None	
•Direct mail	Emerging	Key competitor: Redmail
Unaddressed advertising	Substantial	Market dominant position of Österreichische Post
Cross-border outbound letter post	Intense	Estimation

Sources: WIK-Consult

- Österreichische Post AG has an outstanding market position in the delivery of letters and in the distribution of publications and unaddressed advertising (together with its subsidiary Feibra).
- Competition in the delivery of letter post (essentially direct mail and publications) is emerging but still considerably handicapped by limited access to private letter boxes ("Hausbriefachanlagen").
- Key competitor: Redmail (Joint venture between TNT Post and the Austrian Publisher Styria Media AG); active in the delivery of direct mail and unaddressed advertising and distribution of daily newspapers; estimated market share in the letter post market (excluding dailies): <2%.

### Parcel & Express

#### Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Österreichische Post AG

- DPD (B2B), DHL, UPS, Hermes (B2C)

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): 7.9%
- CAGR (03-08): 6.5%
- Volumes up by 3,3%/year since 2001
- Moderate price increase (CAGR 1.8%)
- Market very concentrated (TOP 5 aggregated market share >90%)
- Österreichische Post AG with a constant market share of approx. 30%
- The two market leaders Österreichische Post AG and DPD used to cooperate in the field of B2B parcels since the 1990s but stopped their cooperation in 2006 → increasing competition in the B2B segment
- B2C market dominated by Österreichische Post AG but new market entrant (Hermes) in 2007 lead to competition. Since spring 2009 Hermes cooperates with Österreichische Post and DPD.

- Competitors set up a network of parcel shops as pick-up and delivery option for private customers (mainly Hermes (1.200) and GLS (550))
- Österreichische Post AG started to set up a network of automatic parcel boxes (“post.24”) to improve possibilities for 2C deliveries. Currently this has only happened in Vienna.
- Österreichische Post AG started cooperation with OMV petrol stations to offer parcel services and to function as pick-up and delivery options.

**Incumbent Postal Operator: Österreichische Post AG**

Company form: public limited company since 2006

1996: Corporatisation: Foundation of Post und Telekom Austria AG

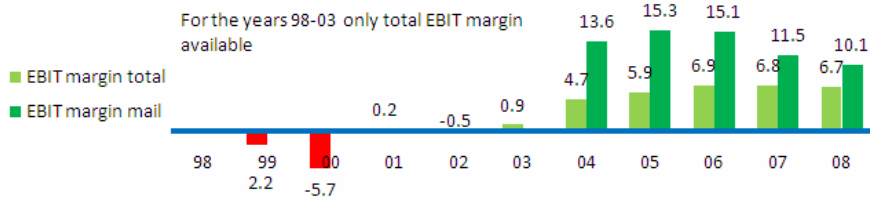
1999: Separation in Österreichische Post AG and Telekom Austria AG

2001: Separation of public transport business from Österreichische Post AG

2006: IPO of Österreichische Post AG

State ownership (31.12.2008): 52.8 % (indirect via ÖIAG)

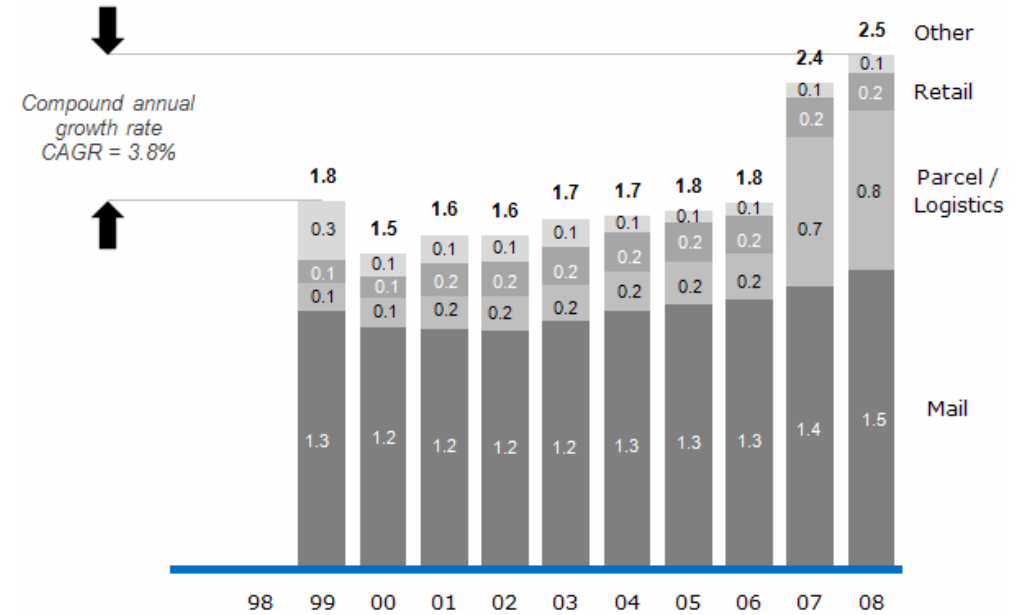
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- The mail segment of Österreichische Post AG has been very profitable while the other business segments have been substantially less profitable or even loss making.
- So far, the strategy to become less dependent on mail profits by extending the parcel and logistics services has not been very successful.

**Corporate revenue in billion EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	69.7	76.5	71.3	71.4	70.4	72.7	73.6	73.0	57.8	57.9	
Domestic %*						94.4	95.2	94.4	70.8	66.8	
Labour cost %**	63.8	64.1	62.7	62.0	60.0	63.6	64.5	63.5	50.3	47.5	
Headcount '000	37.5	33.6	32.2	31.4	29.6	28.3	27.2	26.4	27.9	29.3	
National employment %***	99.3	99.2	98.1	97.6	96.6	96.9	95.7	88.9	83.2		
Civil servants %****	61.5	58.3	57.2	54.2	52.0	5.7	51.4	51.4	47.7	44.3	

\*% of total revenue \*\*% of total operating expenses \*\*\*% share of company on corporate headcount \*\*\*\*% of total headcount  
Sources: Based on annual reports of the incumbent postal operator

**Key developments of Österreichische Post AG since 1997**

- Modernisation of postal operations completed 2003/04: Reduction of sorting centres and delivery offices, restructuring of the delivery organisation resulting in a decline of company employment of around 3% per year since 1999 (corporate employment declined less due to acquisitions)
- Ongoing restructuring of postal outlets with increasing share of postal agencies.
- Extension of letter services to upstream and downstream activities (mail production and document management services) within Austria and entering these segment in the neighbouring countries by acquisitions (especially Germany).
- 2002: Acquisition of Slovak Parcel Service, feibra AG (active in distribution of unaddressed items in Austria)
- 2003: Acquisition of Overseas Express (Croatia)
- 2006: IPO and acquisition of trans-o-flex (Germany) at an enterprise value of €225m
- 2007: Acquisition of Merland Express and Road Parcel (Hungary), DDS (NL) and VOP (BE) and City Express (Serbien), Scanpoint Europe (Germany, document management), meiller direct (DE, direct mail letter shop)
- 2008: Focus on market share expansion in the B2B segment in Austria / International Focus on niche markets (western Europe) and CEE, Expansion of EURODIS network (incl. Partners)

**Universal Service**

Universal Service Provider: Österreichische Post AG

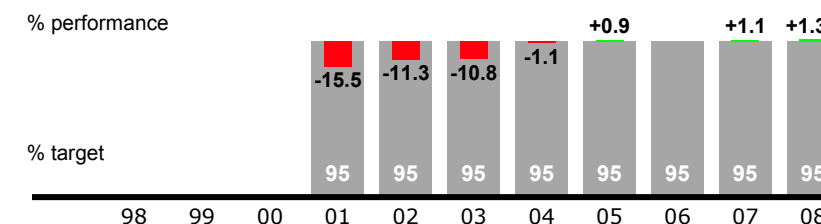
Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	3.2	3.2	3.1	3.0	2.6	2.5	2.5	2.4	2.3	2.3	2.3
Post offices %	90.9	91.6	93.2	94.4	80.6	82.6	82.5	68.7	68.7	68.2	68.1
20g tariff FSC in €	0.51	0.51	0.51	0.51	0.51	0.55	0.55	0.55	0.55	0.55	0.55
100g tariff in % of 20g tariff								182	182	182	182
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €								0.55	0.55	0.55	0.65

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -2.9%
- Delivery frequency per week: 5 days
- 2009: Plan to replace 300 post offices by agencies and to open additional 150 agencies

**D+1 Performance in %**

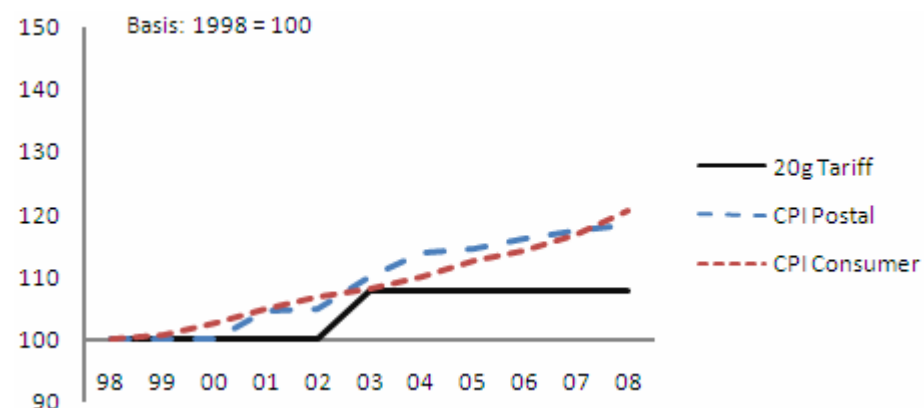
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult

- Transit time performance has been significantly improved in the course of modernisation of the postal operations
- Cross-border transit time performance in line with domestic performance

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of incumbent postal operator, Eurostat

- Standard tariff relatively stable

- Tariffs for business customers are not publicly available

### Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 93%)
Satisfaction Level	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 92%)
Satisfaction with service characteristics		no information available

Complaints statistics: Publication by Österreichische Post AG as part of the yearly universal service report for the ministry (number of complaints separately for the business segments), no time series information available

	Business Customers	
Satisfaction Level	Interviews*:	very satisfied: 40%; not very satisfied 60%
Importance of service characteristics	Interviews*:	Most important aspects are reliability, nationwide delivery and the price level
Development of service characteristics	Interviews*:	Improvements perceived in transit time performance, reliability and product & service range Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 with between 10,000 to 50,000 letter post items on average per month

### Concluding Remarks

- Based on statements of Österreichische Post AG the domestic letter post market has substantially grown in the last years achieving more than 300 letter post items per capita.
- Against this background future growth potential in the letter post market appears to be limited also due to the economic decline (2009 GDP growth rate -4%).
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for domestic letters services).
- The density of postal outlets has substantially declined since 2001.
- Transit time performance has substantially been improved after 2001
- Basic postal tariffs have been stable in real terms.
- Individuals have benefited from improving reliability and stable tariffs for correspondence
- Large business customers have most probably benefited from better service offerings and lower tariffs.

- Dominant market position of Österreichische Post AG in the domestic letter post market and in the distribution of unaddressed advertising
- Österreichische Post AG has established highly profitable letter post services and extended its activities to the upstream and downstream segments of the industrial postal value chain; letter post services still contributes the major part to total profits
- International expansion of business activities at regional level by acquisitions (mail production and document management services, delivery of unaddressed items, parcel and express services)
- Mature parcels market but increasing competition in B2C
- Österreichische Post AG with a dominant position in the 2C parcels market
- Increasing number of access point as some competitors set up parcel shop networks and Österreichische Post AG started cooperation with petrol stations and is testing automatic parcel stations.
- Österreichische Post AG and Hermes recently announced a co-operation in parcels delivery to private customers.

## Belgium

### Country Facts

Population '08:	10.7 million
Population growth (98-08):	4.7%
Population density '08:	349 / sqkm
Urbanisation rate '08:	97.4%
GDP '08 (PPS, billion):	EUR 317.6
GDP/capita '08 (PPS):	EUR 29,770
Postal services/GDP '98/08:	0.71%/0.77%



### Macro-economic indicators Belgium

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	1.7	3.4	3.7	0.8	1.5	1.0	3.0	1.8	3.0	2.8	1.1
GDP/capita (PPS)	20,870	21,913	24,001	24,463	25,649	25,525	26,186	26,928	28,083	29,506	29,770
Inflation (CPI)*	87.3	88.3	90.7	92.9	94.3	95.8	97.5	100.0	102.3	104.2	108.9
Unemployment rate %	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	
Internet access** %								50	54	60	64
Broadband access** %								41	48	56	60

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1999	350g	350g	350g	5 times	
2003	100g	100g		3 times	
2006	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Source: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption for universal postal service (VAT standard rate: 21%)

- State compensation for early delivery of newspapers

### National Regulatory Authority

- Belgisch Instituut voor postdiensten en telecommunicatie (BIPT)

### Letter Post

**Estimated market volume: € 1.9 billion (2008)**

**Domestic letter post volume (in billion items)**

Data not publicly available

- Domestic letter post volumes have declined driven by declining correspondence and publications
- Direct mail has increased
- 88% of letters are sent by business; thereof more than 60% to individuals (increasing trend)
- Substitution of physical by electronic delivery has gained momentum
- Cross-border outbound volumes have increased; cross-border inbound volumes have declined
- Number of unaddressed items distributed by De Post - La Poste has increased

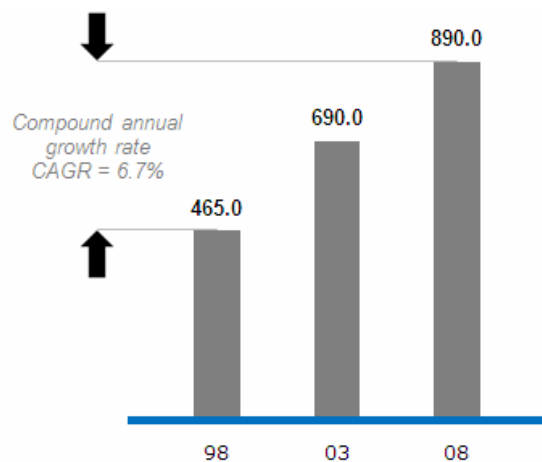
### Competition

Letter post segment	Level of competition	Notes
Domestic letters	None	
Unaddressed advertising	Intense	Main competitor: BD (TNT Post) 80%
Cross-border outbound letter post	Substantial	

No information available on degree of competition of the sub-segments correspondence and direct mail

Sources: WIK-Consult, Ecorys

- The Belgian postal operator De Post - La Poste is essentially the only company providing letters delivery services. Competition in the domestic letters market has not emerged, so far.

**Parcel & Express****Estimated total market value (in million EUR)**

Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of De Post – La Poste**

- DHL, TNT, FedEx, GLS, UPS, DPD

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 8.2%
- CAGR (03-08): 5.2%
- The Belgian market is very intensively connected to the ones in the Netherlands and Luxemburg. There are several interdependencies.
- De Post - La Poste with a decreasing market share over time
- Many small companies in the market, but increasing market concentration (2008: TOP 5 >80% market share) due to takeovers of local companies by the larger companies.
- First country where "Pick Points" (pick up locations for B2C parcels) were implemented in 2001 (Kiala). Today also other companies such as GLS operate parcel shops in Belgium.

**Incumbent Postal Operator: De Post - La Poste**

Company form: public limited company since 2000

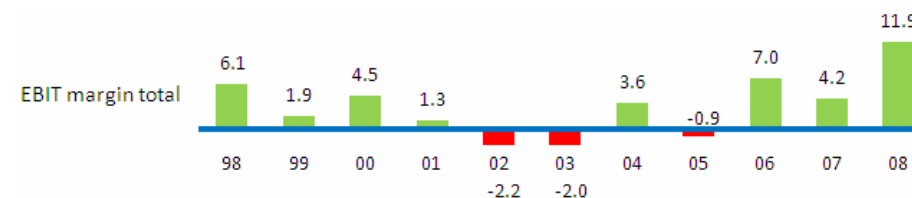
1991: Corporatisation (state enterprise)

2000: Transformation into public limited company

2006: Sale of 44.3% of shares to Post Invest Europe s.a.r.l., a consortium of Post Danmark A/S and the British private equity company CVC

2009: Takeover of Post Danmark A/S' shares by CVC announced

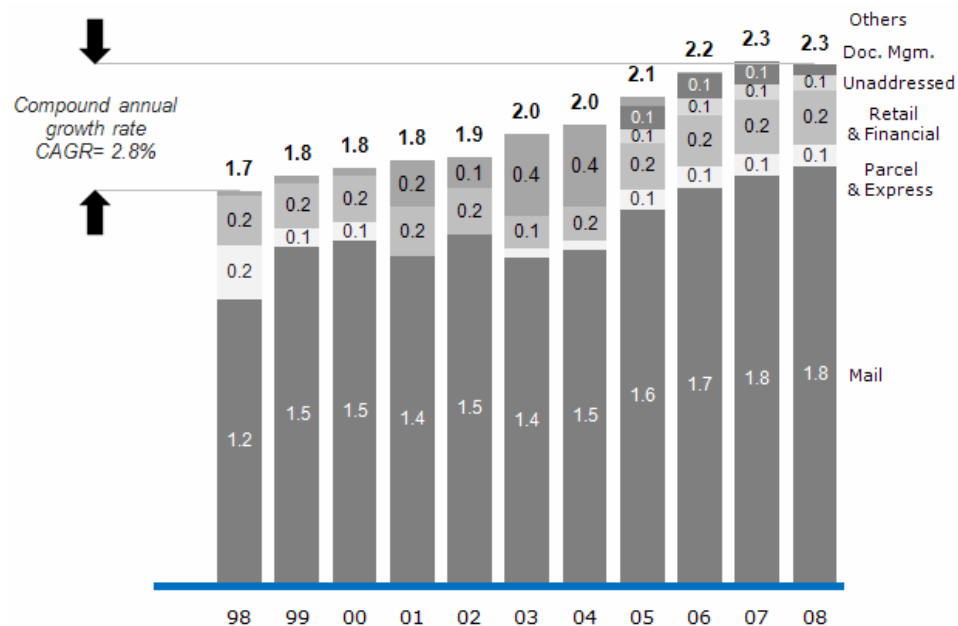
State ownership (31.12.2007): 50% + 1 share (24.1% direct, 25.9% indirect)

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

Sources: Based on annual reports of the incumbent postal operator



## Corporate revenue in billion EUR by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	72.2	82.5	82.3	77.0	81.9	72.3	72.7	76.7	77.3	78.1	80.4
Domestic %*											
Labour cost %**	79.5	73.7	75.5	77.0	76.3	72.7	74.1	66.0	67.5	68.2	68.0
Headcount '000	44.4	44.0	44.6	43.6	43.4	42.4	39.4	40.3	39.3	37.5	35.3
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %***	85.8	82.6	79.2	77.2	76.5	74.4	72.9		68.0	68.8	66.7

\*% of corporate revenue    \*\*% of total operating expenses    \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of De Post – La Poste since 1997

- 2000: Creation of three subsidiaries of De Post –La Poste: eXbo (document services), Vicindo (direct marketing) and e-Services (secure electronic information exchange)
- 2002: Creation of Certipost, a joint venture between Belgacom E-Trust and De Poste - La Poste eServices
- 2006: Three completely new sorting centers are opened. The construction of 4 new sorting centers are key steps in De Post-La Poste's modernisation plan
- 2007: De Post - La Poste sold its 100% shareholding in the Asterion group to Pitney Bowes
- Ongoing restructuring of postal outlets (mainly substitution of post offices by postal agencies)
- Modernisation, restructuring, and the sale of the Asterion group resulted in a decline of employment since 2002: Between 2002 and 2008 headcount has been reduced 3.4% per year.

## Universal Service

Universal Service Provider: De Post - La Poste

- By management contract De Post - La Poste has been obliged to provide further public services apart from universal postal service, among others financial postal services, in-house payment of pensions, the management of the State account treasury, early delivery of newspapers and certain periodicals at reduced rate, and the delivery of printed matters for elections at reduced rate
- De Post - La Poste has been compensated by the state for some of these extra services

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Post offices %	100.0	100.0	100.0	100.0	100.0	100.0	99.1	96.7	93.9	74.7	58.8
20g tariff FSC in €	0.42	0.42	0.42	0.42	0.42	0.49	0.50	0.50	0.52	0.52	0.54
100g tariff in % of 20g tariff	212	212	212	212	212	200	200	200	200	200	200
20g tariff SSC in €	no information before 2003					0.41	0.44	0.44	0.46	0.46	
20g tariff EU letter FSC in €	0.52	0.52	0.52	0.52	0.59	0.59	0.60	0.70	0.80	0.80	0.80

\* per 10,000 inhabitants

Sources: Based on WIK-Consult, price lists and annual reports of the incumbent postal operator

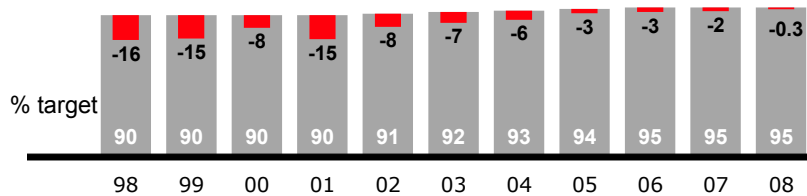
- Development in postal outlets: CAGR (1998 – 2008) = -0.33%
- Since 2006 considerable increase of postal agencies

- Delivery frequency per week: Reduction from 6 to 5 days in 1999
- Separate network for early delivery of newspapers (6 days per week)
- Stamped second class letter service for individuals was ceased at the end of 2007

**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points

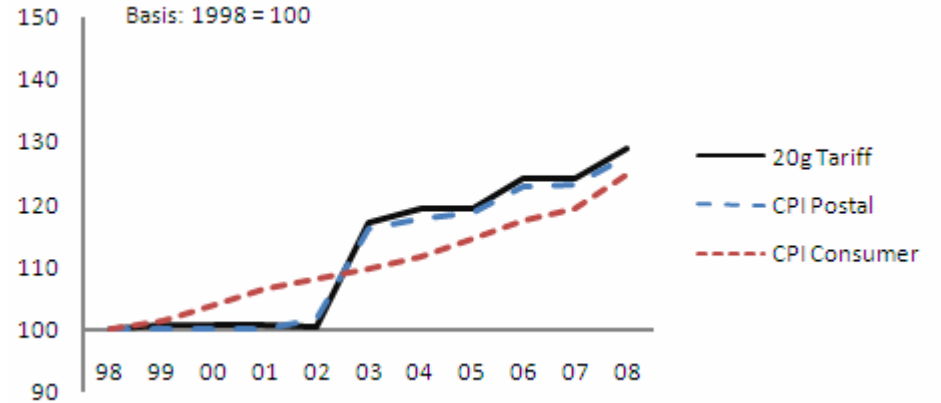
% performance



Sources: Based on WIK-Consult

- Significant improvement in transit time performance; in 2008 De Post / La Poste has firstly met the regulatory transit time target of 95%.
- Cross-border transit time performance is in line with domestic performance

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of incumbent postal operator, Eurostat

- Significant increase in public postal tariffs since 2002 (in parallel to the restructuring process of De Post - La Poste)
- Stop of stamped non-priority service at the end of 2007 resulted in price jump from EUR 0.46 to EUR 0.54 between 2007 and 2008.
- In 2009 standard tariff for priority service raised to EUR 0.59 (plus 9.3%)
- Second Class tariff for metered mail: EUR 0.53 in 2009

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 97%)
<b>Satisfaction Level</b>	USP ('03 - '08)	Increasing satisfaction from 74% (2003) to 82% (2008)
	NRA ('06)	Increasing satisfaction (2006: 85%)
	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 92%)
<b>Satisfaction with service characteristics</b>	no information available	

Complaints statistics: In 2008 De Post – La Poste published the number of complaints in their annual report for the first time (no time series information available)

	Business Customers	
Satisfaction Level	NRA (2007):	76% gives a score of at least 7 out of 10
	Interviews*:	very satisfied: 40%; not very satisfied 60%
Importance of service characteristics	NRA (2007):	D+1 is necessary for 41% >60% wish to get mail before 10 a.m. satisfied with delivery frequency (5 days)
	Interviews*:	Most important aspects are reliability and nationwide delivery
Development of service characteristics	Interviews*:	Improvements perceived in product & service range, pricing schemes and transit time performance

\* Interviews with 5 business customers carried out in May 2009 with different value of letter post items on average per month (2 with less than 1.000 and 2 with more than 50.000 letter post items on average per month)

#### Further interview results

- The Parcel & express services of International Operators instead of De Post / La Poste services are preferred because of better transit times and customer service.

#### Concluding Remarks

- The Belgian letter post market is well developed.
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for domestic letter services).
- The density of postal outlets has been stable while the share of postal agencies has substantially increased.
- Transit time performance has significantly been improved; in 2008 De Post / La Poste has firstly met the regulatory transit time target of 95%.
- Significant increase in public postal tariffs since 2002 (in parallel to the restructuring process of De Post - La Poste).
- Individuals have benefited from improving reliability but faced substantial tariff increases
- Large business customers have most probably benefited from better service offerings
- The company focuses on the national letter post market; parcel and express services play a minor role in its business so that De Post - La Poste has not benefited from the dynamic growth in the parcel/express market
- De Post - La Poste has now established highly profitable and reliable letter post services; letter post services contribute the major part to total profits
- The subsidiary Belgian Post International acts in a very competitive environment which limits profitability
- Parcels market increasingly consolidated

- Incumbent losing importance in the parcels market, as alternative access points for private customers rise.

## Bulgaria

### Country Facts

Population '08:	7.6 million
Population growth (98-08):	0.8%
Population density '08:	69 / sqkm
Urbanisation rate '08:	71.1%
GDP '08 (PPS, billion):	EUR 76.3
GDP/capita '08 (PPS):	EUR 9,987
Postal services/GDP '01/07:	0.17%/0.31%



### Macro-economic indicators Bulgaria

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4	2.3	5.4	4.1	4.5	5.0	6.6	6.2	6.3	6.2	6.0
GDP/capita (PPS)	4,556	4,786	5,273	5,603	6,307	6,693	7,268	7,710	8,609	9,302	9,987
Inflation (CPI)*	67.5	69.3	76.4	82.0	86.8	88.8	94.3	100.0	107.4	115.6	129.4
Unemployment rate %			16.4	19.5	18.2	13.7	12.1	10.1	9.0	6.9	
Internet access** %							10		17	19	25
Broadband access** %							4		10	15	21

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	350g		350g	5 times	Delivery of hybrid mail is not part of the reserved area
2006	150g		150g	3 times	
2007	50g		50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption for universal postal service (VAT standard rate: 20%)
- Licensing regime in Bulgaria

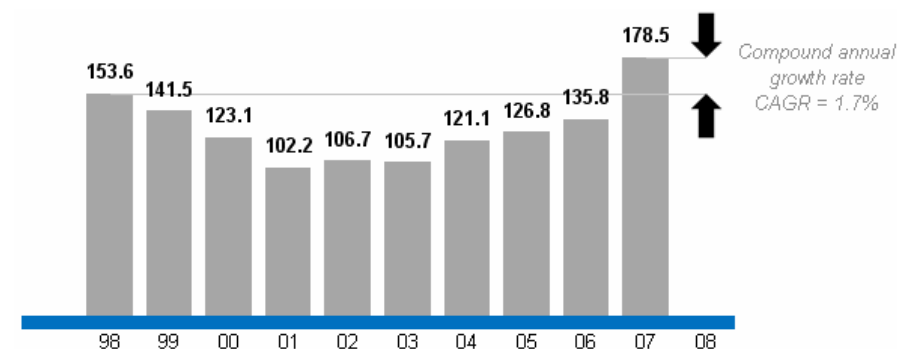
### National Regulatory Authority

Communications Regulation Commission (CRC)

### Letter Post

Estimated market value: € 29 million (2007)

Domestic letter post volume (in million items)



Notes: Since 2005 including hybrid mail delivered by Bulgarian Post PLC

Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	23	10.8%	Strong increase between 2006 and 2007 due to hybrid mail: Only including hybrid mail delivered by Bulgarian Post
•Letters	18	14.4%	
••Correspondence	17	13.0%	
••Direct Mail	1	88.9%	
•Publications	5	1.8%	
Unaddressed advertising	1	29.2%	
Cross-border outbound	1	-6.1%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator

- Very low letter post items per capita: The domestic letter post market is relatively small but dynamically growing
- The direct mail segment has not been well developed, so far
- Considerable growth potential in letter post market

*Market observation of CRC:*

- Demand structure (universal service incl. postal money orders and parcels): public sector (58%), retail and wholesale sector (26%), financial sector (16%)
- Strong growth of the non-universal postal segment comprising hybrid mail and courier services while the universal postal segment is stagnating (in terms of volume) and growing (in terms of revenues because of price increases between 2005 and 2006)
- Hybrid mail has dynamically grown between 2004 and 2007: From 1% to 16% of non-universal postal revenues (around BGN 22m compared to BGN 40m revenues generated by correspondence);
- It appears that business customers prefer using private postal operators (courier services and increasingly hybrid mail operators). This is reflected in the demand structure of the postal universal segment (B2X 55%, C2X 45%) and of the non-universal postal segment (B2X 94%, C2X 6%); the interviews with business customers confirm this view

**Competition**

Letter post segment	Level of competition	Notes
<b>Domestic letters</b>	Emerging	Delivery of hybrid mail is outside the universal service and the reserved area
<b>Unaddressed advertising</b>	Intense	
<b>Cross-border outbound letter post</b>	None	Part of the reserved area

No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: WIK-Consult

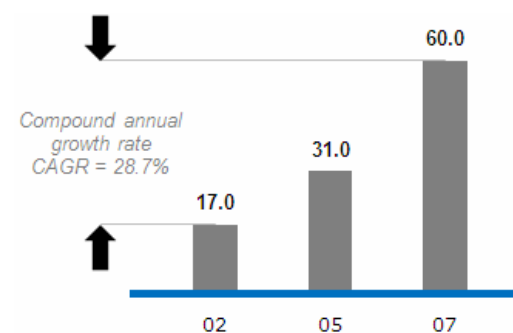
- In 2007 there were three operators with universal service license (Tip Top Courier Ltd., Exont Express Ltd. and the incumbent postal operator Bulgarian Posts plc).

*Market observation of CRC (letter post and parcel/express services):*

- Market position of Bulgarian Posts PLC has worsened in the postal market (declining revenue share from 42% in 2005 to 33% in 2007), but still dominates the universal postal segment
- Within the universal service segment (including parcels and postal money orders): Substantial competition has only emerged in the area of postal money orders (market share from 1% (2006) to 26% in 2007)
- Market share of competitors in the letter post segment of the universal postal service was less than 1% (2007)
- Intensified competition in the hybrid mail segment (outside the scope of universal service): Bulgarian Posts PLC has achieved a market share of around 12% in 2007

**Parcel & Express**

*Estimated total market value (in million EUR)*



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Bulgarian Posts PLC**

- DHL, UPS, TNT, GLS, FedEx, Interlogistica

**Key developments in the parcel & express market since 1997**

- CAGR (02-05): 22.2%; CAGR (05-07): 39.1%
- Strong growth rates according to the growing economy and the increasing demand for international trade.
- The market was positively impacted by the EU accession of Bulgaria in 2007
- The sector witnessed stiff competition over the given period, as many couriers, including Interlogistica, Econt Express & Tip-top Courier entered the market.
- Bulgarian Posts PLC with decreasing importance (<10% market share).
- Major Integrators with an aggregated market share of ~55% in 2007

**Incumbent Postal Operator: Bulgarian Posts PLC**

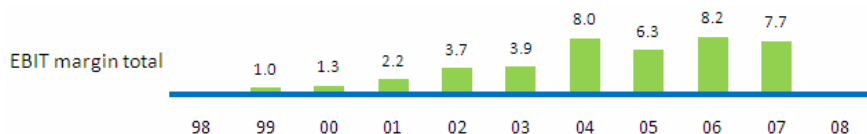
Company form: public limited company (PLC) since 1997

1993: Corporatisation (state enterprise)

1997: Transformation into a public limited company, Bulgarian Posts PLC

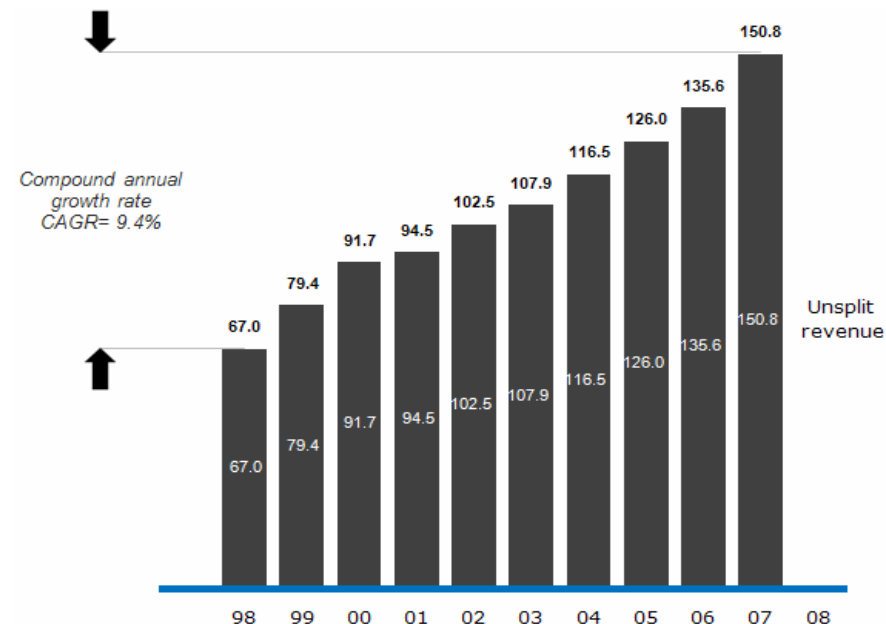
State ownership (31.12.2008): 100 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

**Corporate revenue in million BGN by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**		60.5	58.5	57.1	58.3			61.9	61.7	61.8	
Headcount '000	17.1	16.6	15.8	15.2	15.1	14.9	14.9	14.9	14.8	14.5	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Bulgarian Posts PLC since 1997**

- 2002: Introducing a system for quality monitoring, planning of transport and human resources based on electronic messaging system in compliance with standards specified by the Universal Postal Union.
- 2003: Agreements for cooperation with "Correios de Portugal" and with "La Poste France", are signed
- 2004: Bulgarian Posts PLC signs Memorandums of understanding with the Portuguese, French and Macedonian Posts, under which cooperation in different fields and under various projects has been performed
- 2004: A contract is concluded with DHL for providing its services on its behalf and at its expense at 22 post offices
- 2007: Opening of the first sorting centre responsible for domestic and international mail

**Universal Service**

Universal Service Provider: Bulgarian Post PLC

- Delivery of hybrid mail is not part of the universal postal service
- Postal money orders are part of the universal postal service
- Losses within the universal service business are compensated by the state: In 2007 no compensation has been needed as Bulgarian Post PLC has profitably provided the universal service. For 2008 compensation was not expected.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*					4.0	4.0	4.0	4.0	4.1	4.1	
Post offices %					95.0	95.3	95.5	95.3	95.4	95.5	
20g tariff FSC in BGN						0.44		0.45	0.45	0.55	0.55
100g tariff in % of 20g tariff						111		122	122	118	118
20g tariff SSC in BGN					No second class letter service for the general public						
20g tariff EU letter FSC in BGN								0.80	0.80	0.80	0.80

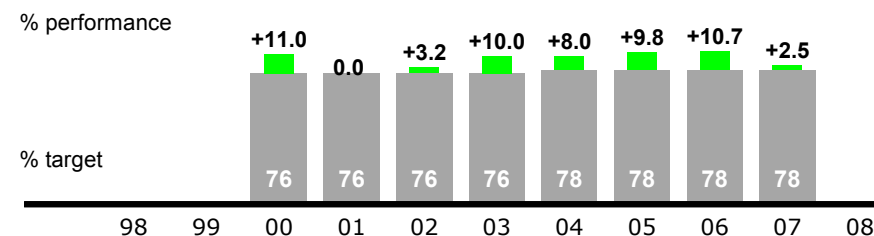
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- Number of postal outlets is fairly stable: CAGR (2002 – 2007) = -0.27%
- Delivery frequency per week: 5 days
- Relatively high density of postal outlets with low share of postal agencies

**D+1 Performance in %**

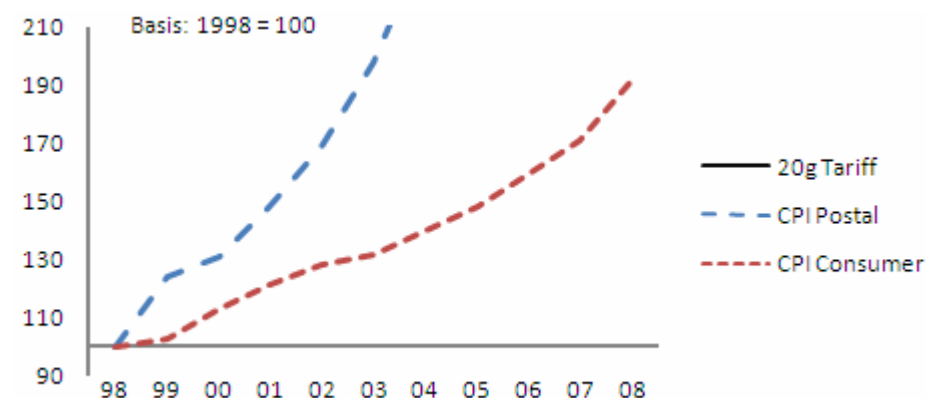
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, annual reports of the incumbent postal operator and the national regulatory authority

- Since 2006 transit time measurement complies with the CEN standard EN 13850
- Cross-border transit time performance has not met EU standard (D+3 85%); the regulatory target (D+3 60%, priority items) has not been achieved by Bulgarian Post: 51% (2007)

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of incumbent postal operator, Eurostat (No time-series price data before 2003)

- Price jump of basic tariff from BGN 0.45 to 0.55 between 2006 and 2007 resulted in higher revenues for Bulgarian Post PLC
- In 2009 standard tariff for priority service raised to BGN 0.60 (plus 9%)

### Customer Satisfaction

Consumer surveys: No publication found

Complaints statistics for universal and non-universal postal services are published by CRC; most complaints for universal postal services refer to international services and exclusively refer to Bulgarian Post PLC

	<b>Business Customers</b>	
<b>Satisfaction Level</b>	NRA ('06):	72% prefer using Bulgarian Post (major reason: affordable prices)
	Interviews*:	very satisfied: 0%; not very satisfied 100%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, customer service and nationwide delivery
<b>Development of service characteristics</b>	Interviews*:	No changes perceived because all respondents use express and courier services for business mail

\* Interviews with 5 business customers carried out in May 2009 with different value of letter post items on average per month (2 with less than 1.000 and 2 with between 10.000 and 50.000 letter post items on average per month)

Business customer survey (CRC 2006)

- Competing postal operators (mainly courier services) are mainly preferred because of their reliable and fast delivery services
- Generally, business customers wish improvements in customer service (qualification of personnel, modernisation of access, less administrative burden) and extension of service offerings

Further interview results

- All respondents prefer using courier services for their domestic business mail instead of postal services of Bulgarian Post PLC because delivery is unreliable and too slow, and customer service is weak (Bulgarian Post PLC does not offer pick up services)

### Concluding Remarks

- The Bulgarian letter post market has been dynamically growing and there is still substantial growth potential (very low number of items per capita).
- Electronic substitution has not substantially affected the letter post market, yet: the penetration rates of internet/broadband access are still low.
- Significant market segments are liberalised (Delivery of Hybrid mail is not part of the reserved area). Competition in the hybrid mail segment has promoted the development of the letter post market.
- The density of postal outlets is one of the highest within the EU. Most of the outlets are post offices.
- Transit time performance was relatively high but declined in 2007 (possibly change of the measurement method: since 2006 compliance with EN 13850).
- Basic postal tariffs have considerably been increased after 2006.
- Individuals (as senders) have not yet benefited as they have limited choice between postal operators, so far.
- Business customers have benefited from competition: They have the choice between different postal operators for domestic letter post services (courier services and hybrid mail service provider).
- Bulgarian Post Ltd. has recently started modernising and restructuring its postal operations and is significantly challenged by emerging competition.
- However, Bulgarian Post PLC has profitably provided universal postal service in 2007 for the first time.
- Parcel & express market still quite fragmented but with high growth rates
- Incumbent losing importance in the parcel & express market.



## Cyprus

### Country Facts

Population '08:	0.8 million
Population growth (98-08):	16.9%
Population density '08:	85 / sqkm
Urbanisation rate '08:	69.9%
GDP '08 (PPS, billion):	EUR 18.4
GDP/capita '08 (PPS):	EUR 23,353
Postal services/GDP '02/07:	0.32%/0.29%



### Macro-economic indicators Cyprus

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	5.0	4.8	5.0	4.0	2.1	1.9	4.2	3.9	4.1	4.4	3.7
GDP/capita (PPS)	14,805	15,652	16,994	18,081	18,396	18,627	19,810	20,679	21,505	22,765	23,353
Inflation (CPI)*	83.2	84.2	88.3	90.0	92.5	96.2	98.0	100.0	102.3	104.5	109.0
Unemployment rate %			4.9	3.8	3.6	4.1	4.7	5.3	4.6	4.0	
Internet access** %					24	29	53	32	37	39	43
Broadband access** %							2	4	12	20	33

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2002	350g	350g	350g	5 times	
2004	100g	100g	150g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption for all postal services provided by Cyprus Post (VAT standard rate 15%)

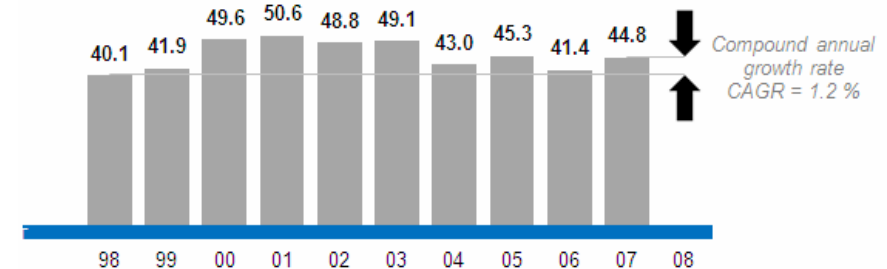
### National Regulatory Authority

Office of the Commissioner for Electronic Communication and Postal Regulation (OCECPR)

### Letter Post

Estimated market value: € 29 million (2007)

### Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	58	-1.7%	
•Letters	57	-1.5%	
•Publications	1	-11.4%	
Unaddressed advertising	13	24.7%	
Cross-border outbound	13	-1.0%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: Based on UPU

- Compared to the economic development and per capita income the letter post market appears to be relatively under-developed
- Cross-border letter post plays an important role (small country)
- Nearly 90% of letter post volume is sent by businesses thereof less than half to individuals

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	None	
Cross-border outbound letter post	None	Part of the reserved area

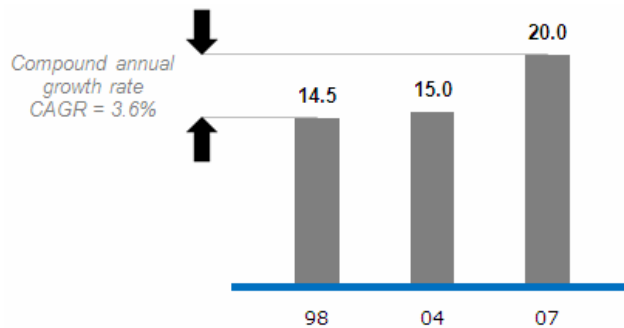
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- There is no competition in the letters segment
- National courier services play an important role (low market share of Cyprus Post) due to more reliable and faster postal services compared to Cyprus Post

**Parcel & Express**

*Estimated total market value (in million EUR)*



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Cyprus Post**

- DHL, FedEx, TNT, UPS

**Key developments in the parcel & express market since 1997**

- CAGR (98-04): 0.6%

- CAGR (04-07): 10.1%
- EU accession (2004) led to an increasing demand for international parcel & express services.

**Incumbent Postal Operator: Cyprus Post**

Company form: Governmental Department

To date: Ministry of Communications and Works

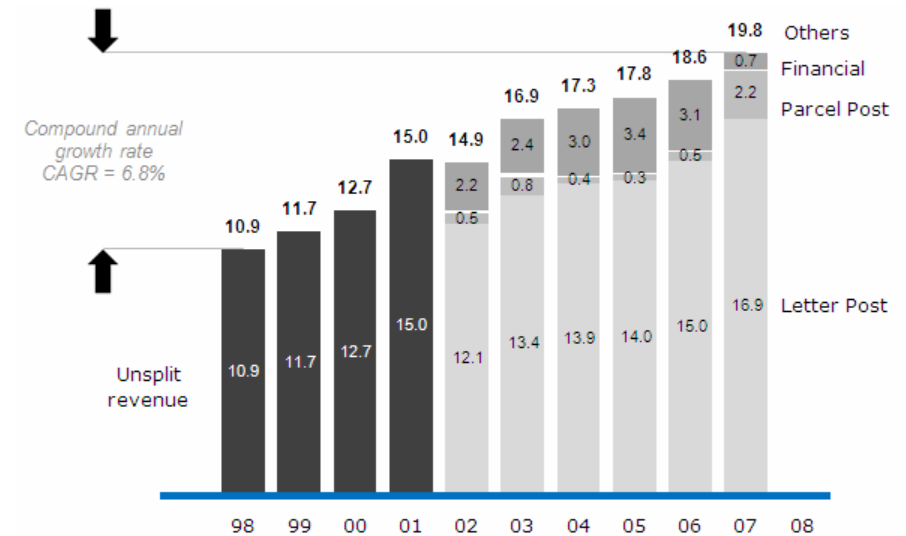
Corporatisation: Not yet corporatised

State ownership (31.12.2008): 100 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

- No valid financial data available to calculate EBIT margin

**Corporate revenue in million CYP by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*					81.2	79.4	80.2	78.8	80.5	85.2	
Domestic %*											
Labour cost %**	56.2	55.1	55.8	56.4	51.3						
Headcount '000	1.4	1.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on WIK-Consult and UPU

### Key developments of Cyprus Post since 1997

- Employment has remained fairly stable 2000 and 2007
- 2005: The automated mail sorting system is upgraded, with financial assistance from the special Quality Fund of the UPU
- 2006: The Department of Postal Services pilots the Accounting and Costing system. Its full implementation will make possible the rational costing of services and products offering by the Department

### Universal Service

Universal Service Provider: Cyprus Post

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	11.5	11.2	14.5	15.5	15.7	15.7	15.2	15.3	14.9	14.8	
Post offices %	6.7	6.8	5.2	4.8	4.7	4.6	4.7	4.5	4.5	4.6	
20g tariff FSC in €**	0.26	0.26	0.26	0.35	0.35	0.34	0.34	0.35	0.35	0.34	0.34
100g tariff in % of 20g tariff	133	133	133	125	125	125	125	125	125	126	126
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €	0.52	0.52	0.52	0.52	0.52	0.51	0.52	0.52	0.52	0.51	0.51

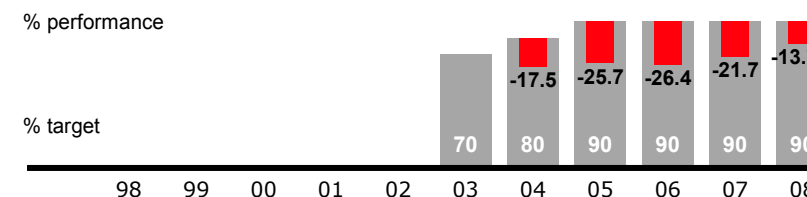
\* per 10,000 inhabitants \*\*variations in the tariffs after 2001 only due to exchange rate fluctuations

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = 4.47%
- Very high density of postal outlets mainly driven by the fact that agencies are responsible for collection and delivery of postal items (figure is therefore not directly comparable to density indicators of other countries)
- Delivery frequency per week: 5 days

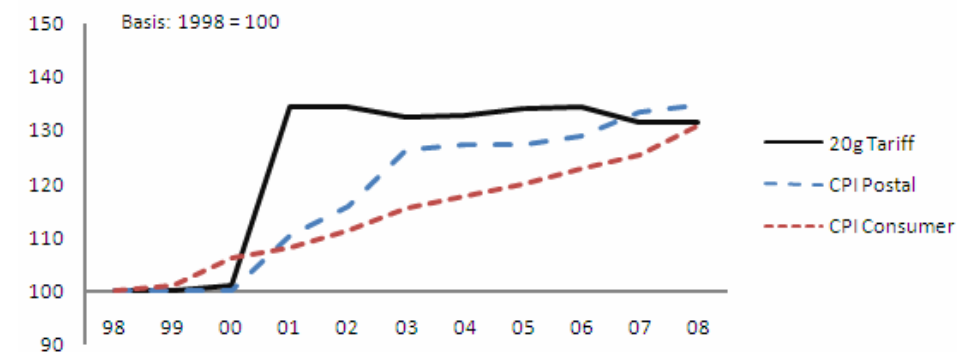
### D+1 Performance in %

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, Eurostat and annual reports of the incumbent postal operator

### Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of incumbent postal operator, Eurostat

- Price jump of the standard tariff in 2001
- Between 2001 and today fairly stable

**Customer Satisfaction**

		<b>Consumers</b>
<b>Use of postal services</b>	Eurobarometer ('03, '04, '06):	Unclear development of the use of postal services (2006: 87%)
<b>Satisfaction Level</b>	Eurobarometer ('03, '04, '06):	Increasing satisfaction with accessibility (2006: 93%)
<b>Satisfaction with service characteristics</b>		no information available

## Complaints Statistics

- No publications found
- The customers' disposition to made an complaint is low (2% in 2003 and in 2006) and remained stable (Eurobarometer)

		<b>Business Customers</b>
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 40%; not very satisfied 60%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are customer service, reliability and delivery on the next working day
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in reliability, product & service range and transit time performance

\* Interviews with 5 business customers carried out in May 2009 with up to 1,000 letter post items on average per month

**Concluding Remarks**

- The domestic letter post market is relatively under-developed; growth potential unclear
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for all letter services).
- Transit time performance has recently been improved, however there is still considerable potential for improvement (Cyprus is a very small country).
- Price jump of the standard tariff in 2001; however, between 2001 and today the price of the standard tariff is fairly stable.
- In the EU Cyprus Post is the only national postal operator that is not corporatised, so far. The financial situation of Cyprus Post is intransparent.
- Cyprus Post focuses on the domestic and especially cross-border letter post business. It appears that Cyprus Post is challenged by competition from the courier services.
- Business customers have a choice between Cyprus Post and private national and international courier companies

- Small parcel & express market shows an increasing demand for international shipments due to the countries EU accession in 2004.

## Czech Republic

### Country Facts

Population '08:	10.5 million
Population growth (98-08):	0.8 %
Population density '08:	132 / sqkm
Urbanisation rate '08:	73.5%
GDP '08 (PPS, billion):	EUR 215.9
GDP/capita '08 (PPS):	EUR 20,795
Postal services/GDP '01/07:	0.48%/0.46%



### Macro-economic indicators Česká Pošta

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	-0.8	1.3	3.6	2.5	1.9	3.6	4.5	6.3	6.8	6.0	3.2
GDP/capita (PPS)	11,956	12,379	13,035	13,837	14,415	15,213	16,255	17,080	18,327	20,035	20,795
Inflation (CPI)*	85.6	87.1	90.6	94.7	96.1	96	98.4	100	102.1	105.1	111.7
Unemployment rate %	6.4	8.6	8.7	8.0	7.3	7.8	8.3	7.9	7.2	5.3	
Internet access** %							15	19	19	29	35
Broadband access** %						1	4	5	17	18	36

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	350g	350g	350g	5 times	
2003	100g			3 times	
2006	50g			2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption for universal postal services (VAT standard rate 19%)

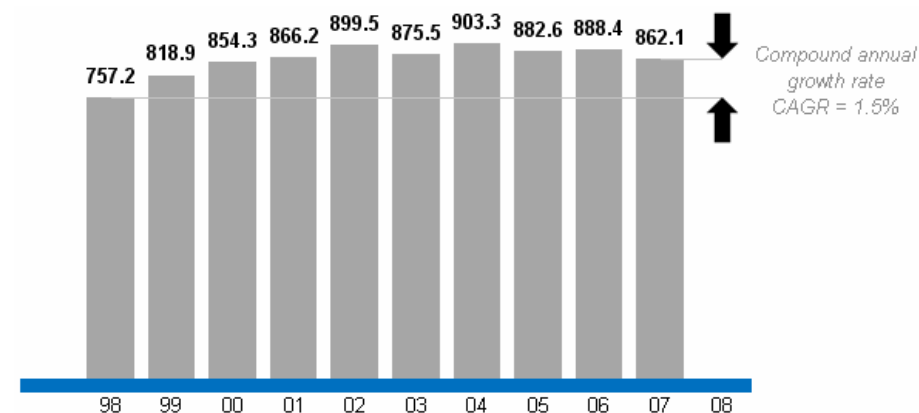
### National Regulatory Authority

Czech Telecommunication Office (CTO)

### Letter Post

Estimated market value: € 318 million (2007)

### Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	84	-0.8%	
•Letters	79	1.8%	
••Correspondence	64	n.a.	
••Direct Mail	15	n.a.	Based on Česká Pošta
•Publications	5	-21.0%	
Unaddressed advertising	172	10.7%	
Cross-border outbound	5	8.7%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on WIK-Consult, UPU and annual reports of the incumbent postal operator

- Growth in letter post volume limited despite of high economic growth rates
- Significant growth potential for direct mail: Addressed direct mail still underdeveloped; however market figures for direct mail may be significantly higher
- Decline in publications delivered by Česká Pošta due to loss of market shares to competitors (i.a. Mediaservic)
- But: Unaddressed advertising distributed by Česká Pošta has substantially grown
- Around 85% of letter post is sent by businesses thereof two third to individuals.

**Competition**

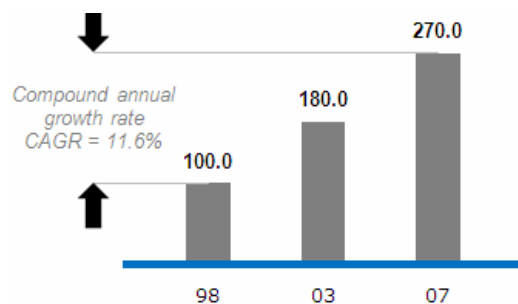
Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
•Correspondence	None	
•Direct mail	Emerging	Key competitor: Mediaservis
Unaddressed advertising	Intense	Key competitors: Mediaservis (8%) and TNT Post (>50%)
Cross-border outbound letter post	Substantial	

Sources: WIK-Consult, Ecorys

- Incumbent postal operator Česká Pošta s.p. still market dominant in the letter post segment
- However, the incumbent has lost market shares in the delivery of publications and possibly in the delivery of direct mail

**Parcel & Express**

**Estimated total market value (in million EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Česká Pošta**

- DHL, DPD, PPL, UPS, FedEx, Toptrans

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 12.5%
- CAGR (03-07): 10.7%
- Česká Pošta with a strong market position > 30% market leader in 2002, but losing market shares.
- International competitors gaining market shares through competition and acquisition of national companies (e.g. DHL acquired PPL in 2005/06).

**Incumbent Postal Operator: Česká Pošta**

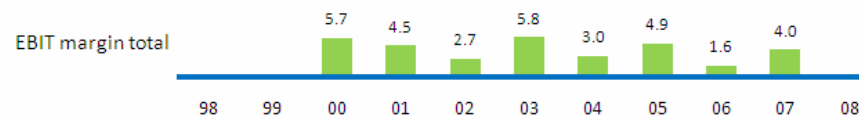
Company form: public limited liability company since 2009

1993: Corporatisation (state enterprise)

2009: Transformation to public limited company (per July 1)

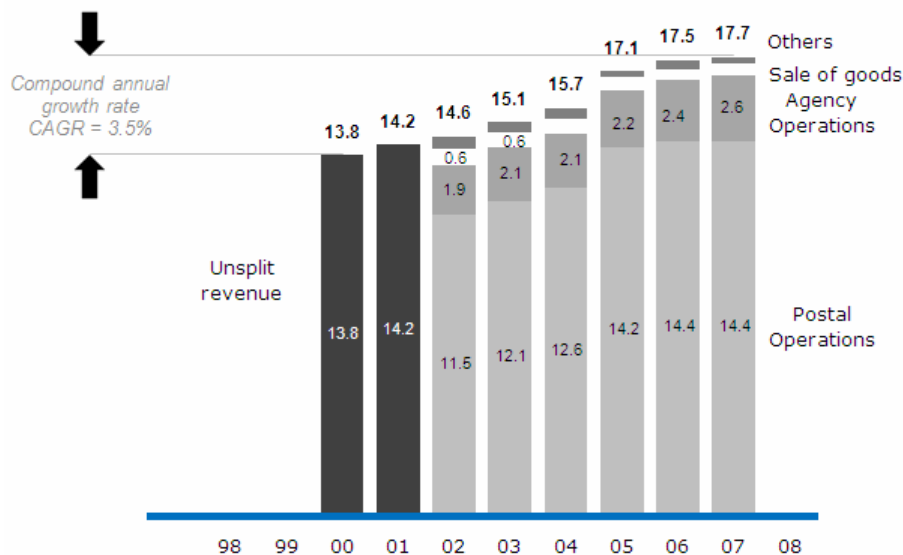
State ownership (31.12.2008): 100 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

Corporate revenue in billion CZK by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**	65.5	64.2	63.2	64.2	66.2	71.6	66.8	65.9	65.4	69.2	
Headcounts '000	44.0	42.5	40.3	40.2	39.6	38.9	38.8	38.3	37.2	37.0	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount  
Sources: Based on annual reports of the incumbent postal operator

Key developments of Česká Pošta since 1997

- 2002: Preparation of on-line services at post offices and electronic services
- 2006: Česká Pošta starts offering a range of new and modern electronic services
- 2007: The government approves a plan to transform the Česká Pošta into a joint stock company
- Ongoing process of transformation to a commercial postal company with a focus on domestic postal operations

- Employment has been reduced: CAGR (1998-2007) -1.8%
- Network of postal outlets still characterised by relatively high density and a very high share of post offices

Universal Service

Universal Service Provider: Česká Pošta

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	3.3	3.3	3.3	3.3	3.4	3.4	3.3	3.3	3.3	3.3	3.3
Post offices %	99.4	99.4	99.5	99.5	99.4	99.6	99.6	99.6	99.6	99.6	99.6
20g tariff FSC in CZK	4.60	4.60	5.40	5.40	6.40	6.50	6.50	7.50	7.50	7.50	10.00
100g tariff in % of 20g tariff			296	259	188	185	185	200	200	200	140
20g tariff SSC in CZK	No second class letter service for the general public										
20g tariff EU letter FSC in CZK			9.00	9.00	9.00	9.00	9.00	9.00			11.00

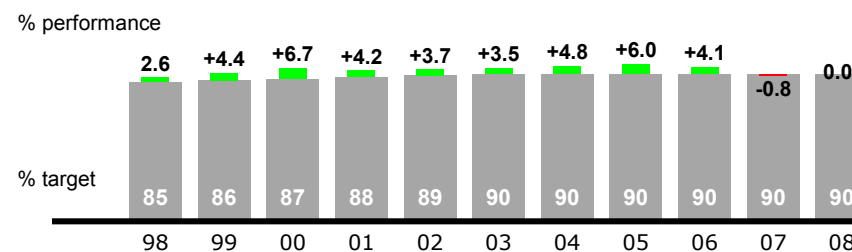
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -0.09%
- Delivery frequency per week: 5 days

D+1 Performance in %

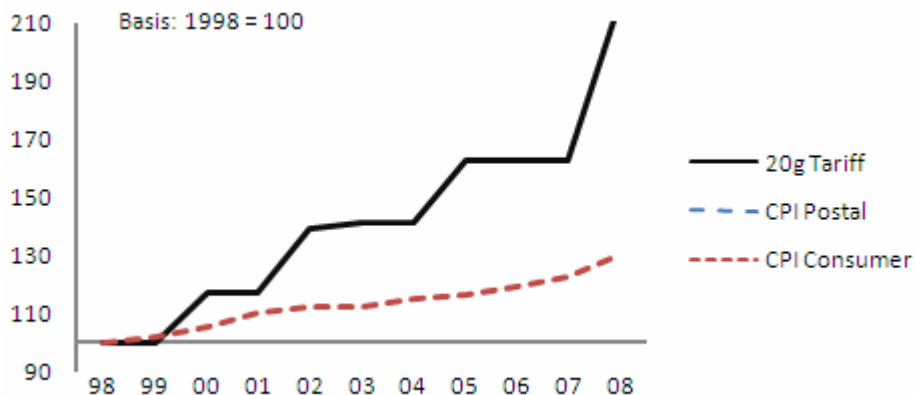
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, annual reports of the incumbent postal operator

- Cross-border transit time performance is in line with the domestic performance

Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Postal CPI published since 2000: CAGR (2000-2007) 7.8%
- Basic letter tariff: CAGR (2000-2007) 8%
- Significant increase in the basic tariff compared to the general inflation rate

Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('03, '04, '06):	Increasing use of postal services (2006: 94%)
Satisfaction Level	Eurobarometer ('03, '04, '06):	Increasing satisfaction with accessibility (2006: 92%)
Satisfaction with service characteristics		no information available

Complaints statistics:

- Since 2005 Česká pošta has published the proportion of complaints on 1 million mailings
- The customers' disposition to file a complaint has increased from 8% in 2003 to 9% in 2006 (Eurobarometer)

	Business Customers	
Satisfaction Level	Interviews*:	very satisfied: 20%; not very satisfied 80%
Importance of service characteristics	Interviews*:	Most important aspects are reliability, nationwide delivery and delivery on the next working day
Development of service characteristics	Interviews*:	Improvements perceived in reliability

\* Interviews with 5 business customers carried out in May 2009 with up to 10,000 letter post items on average per month

Concluding Remarks

- Growth in the letter post market limited despite of strong economic growth
- Significant market segments are liberalised (direct mail and cross-border outbound letters). Competition has emerged in the direct mail segment.
- Accessibility has not significantly changed over time; nearly all postal outlets are post offices.
- Basic postal tariffs have considerably been increased.
- Transit time performance has been fairly stable, however, in 2007 the quality has slightly declined.
- Customers have benefited from improved services offered by Česká Pošta
- Especially business customers have benefited from competition in the direct mail business
- Česká Pošta focuses on the domestic postal business (parcels and letter post)
- Česká Pošta provides reliable postal services and is fairly profitable (possibly supported by significant increases in postal tariffs)
- Strongly growing parcel & express market
- Incumbent still plays an important role for domestic parcel delivery



## Denmark

## Country Facts

Population '08:	5.5 million
Population growth (98-08):	3.4 %
Population density '08:	127 / sqkm
Urbanisation rate '08:	86.7%
GDP '08 (PPS, billion):	EUR 164.8
GDP/capita '08 (PPS):	EUR 30,092
Postal services/GDP '98/08:	1.01%/0.90%



## Macro-economic indicators Denmark

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	2.2	2.6	3.5	0.7	0.5	0.4	2.3	2.4	3.3	1.6	-1.1
GDP/capita (PPS)	22,428	23,336	25,110	25,325	26,329	25,763	27,238	27,843	29,101	29,955	30,092
Inflation (CPI)*	87.0	88.8	91.2	93.3	95.6	97.5	98.3	100.0	101.8	103.5	107.3
Unemployment rate %	4.9	5.2	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	
Internet access** %					56	64	69	75	79	78	82
Broadband access** %						25	36	51	63	70	74

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1999	250g	250g		5 times	
2004	100g	100g		3 times	
2007	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

- Addressed advertising and catalogues sent in transparent envelopes are not part of the reserved area

## Legal barriers to competition other than the reserved area

- VAT exemption for universal postal services (VAT standard rate: 25%)
- Subsidies for delivery of publications to Post Danmark A/S have been stopped in 2007

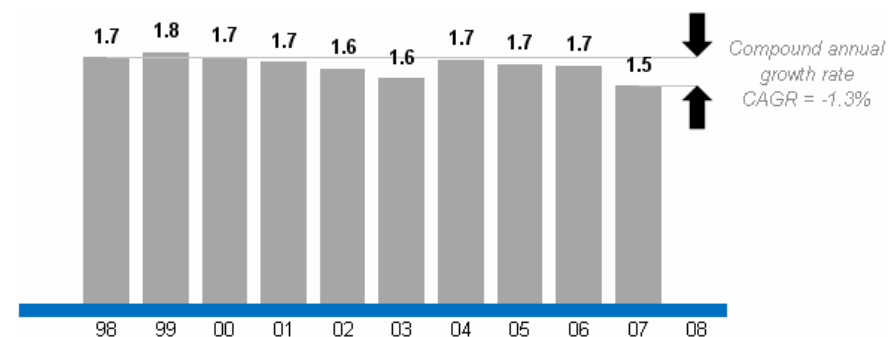
## National Regulatory Authority

Færdselsstyrelsen (Road Safety and Transport Agency, Postal Supervisory Department)

## Letter Post

Estimated market value: € 1.4 billion (2008)

## Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	279	-1.5%	Based on market data
•Letters	204	-4.0%	Based on Post Danmark CAGR (2003-2007)
••Correspondence	179	-4.2%	
••Direct Mail	26	-2.8%	
•Publications	47	-1.2%	
Unaddressed advertising	790	8.7%	Based on market data
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority and annual reports of the incumbent postal operator

- The letter post market is well-developed (especially correspondence)
- The direct mail segment (of Post Danmark A/S) appears to be less developed; this might be the result of more sophisticated unaddressed advertising.
- Especially Post Danmark A/S has continuously lost letter post volume since 2002 (compared to market volume).
- 94% of letter post is sent by businesses. The share of letters sent by individuals (C2X) has significantly declined between 2004 and 2008: From 15 to 6%.
- It appears that letters volumes has been also affected by electronic substitution (which explains the reduction in volume sent by individuals)

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	Market entry of Bring (Citymail) in 2007
•Correspondence	None	
•Direct mail	Emerging	
Unaddressed advertising	Intense	Market share of Post Danmark around 50%
Cross-border outbound letter post	Emerging	

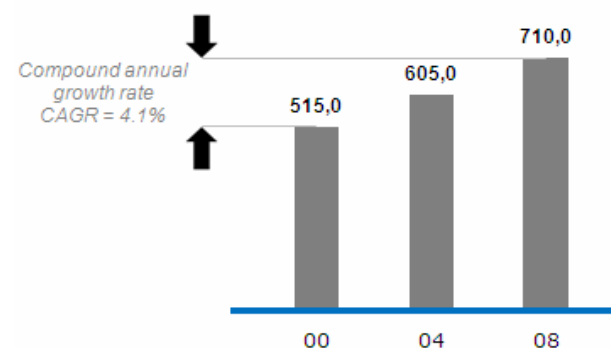
Sources: WIK-Consult

- Post Danmark A/S has still a market dominant position in the delivery of letters but competition is slowly emerging.

- The incumbent postal operator introduced a low budget product (C-class) to meet market entry of Citymail.

### Parcel & Express

#### Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Post Danmark

- UPS, DHL, DPD, GLS, TNT

#### Key developments in the parcel & express market since 1997

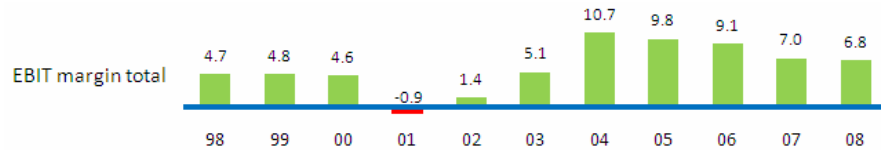
- CAGR (00-04): 4.1%
- CAGR (04-08): 4.1%
- Post Danmark A/S still with a comparable strong market position (>25% market share).
- Large international players strengthened their position by acquisitions of national companies.
- Post Danmark A/S has begun to set up a network (currently only a few) of automatic parcel boxes for parcel delivery to private customers.

- Competitors, such as GLS (~500 ) started to set up a network of parcel shops for pick-up and delivery of B2C and C2C parcels.

**Incumbent Postal Operator: Post Danmark A/S**

1995: Corporatisation (state enterprise)  
 2002: Transformation into a public limited company (Post Danmark A/S)  
 2005: Sale of 22% of shares to CVC Capital Partners (private equity company)  
 2009: Merger between Post Danmark A/S and Swedish Posten AB (ongoing)  
 Note: IPO planned in 3 to 5 years from completion of the merger  
 State ownership (31.12.2008): 75 % direct, 22% indirect via CVC Capital Partners

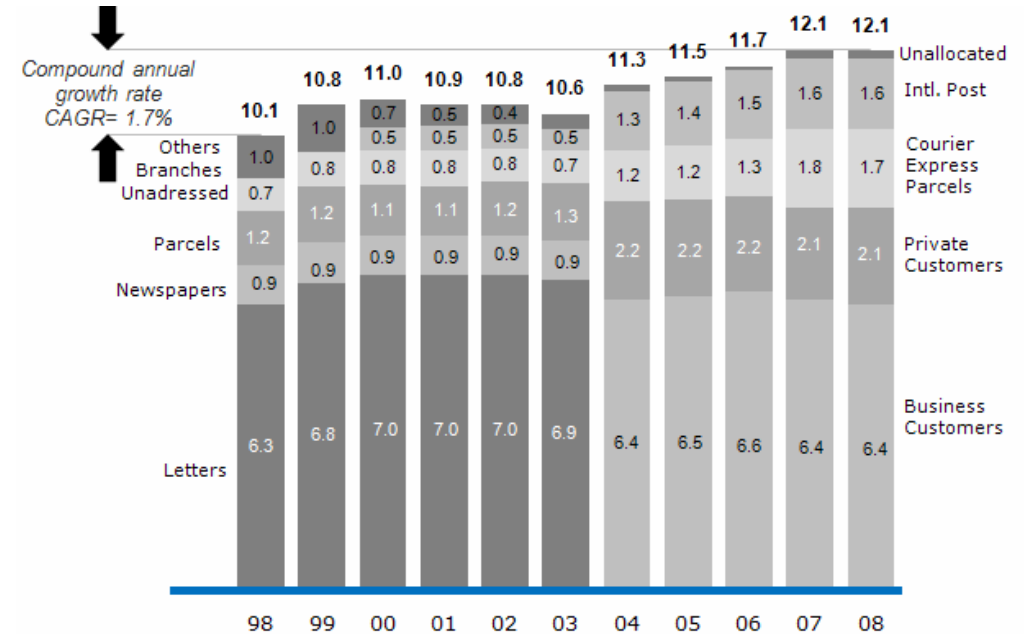
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- The letter post business (business segments Private Customers and Business Customers) is highly profitable with EBIT margins between 14% and 17% (2004-2007).

**Corporate revenue in billion DKK by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	62.5	63.1	63.9	64.6	64.7	64.8	61.2	66.8	65.8	63.6	64.6
Domestic %*											
Labour cost %**		69.5	69.0	70.4	70.4	69.3	68.4	68.0	66.8	64.9	64.2
Headcount '000		32.1	30.1	28.4	26.7	27.7	28.4	27.4	26.7	26.1	24.7
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %****		56.3	52.3	51.2	49.4	47.1	45.5	41.7	38.1	35.8	32.0

\*\*% of corporate revenue    \*\*\*% of total operating expenses  
 \*\*\*% headcount, total employment (employment outside Denmark not separately published)    \*\*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Post Danmark A/S since 1997**

- 1997: Foundation of Pan Nordic Logistics (PNL), a cooperation of national post operators of Sweden, Norway, Denmark, Finland
- 2001: Posten AB (Sweden) left cooperation of PNL

- 2002: Foundation of Post Danmark A/S (by legal act)
- 2005: CVC Capital Partners acquired 22 per cent of the shares in Post Danmark from the Danish State
- 2005: Post Danmark A/S and CVC Capital Partners acquired a 50% stake (minus one share) in the Belgian Post, De Post-La Poste
- 2009: Merger of Post Danmark A/S and Posten AB (Sweden), sale of Post Danmark's stake in Belgian Post to CVC
- Post Danmark A/S has considerably increased cost efficiency of postal operations and the retail network (declining number and simultaneously extremely increasing share of postal agencies)
- Decline in employment (headcount): CAGR (1999-2008) -2.9%

**Universal Service**

Universal postal service Provider: Post Danmark A/S

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.3	2.2	1.9	1.9	1.8	1.7	1.6	1.5	1.5	1.4	1.4
Post offices %	45.8	43.8	45.9	44.7	39.7	37.0	32.6	26.7	23.3	19.9	18.9
20g tariff FSC in DKK	3.75	4.00	4.00	4.00	4.00	4.25	4.25	4.50	4.75	4.75	5.50
100g tariff in % of 20g tariff	133	131	144	150	163	153	153	167	168	174	182
20g tariff SSC in DKK	3.50	3.75	3.75	3.75	3.75	4.00	4.00	4.25	4.50	4.50	5.00
20g tariff EU letter FSC in DKK	4.50	4.50	5.00	5.00	5.00	5.50	6.00	6.50	7.00	7.25	7.75

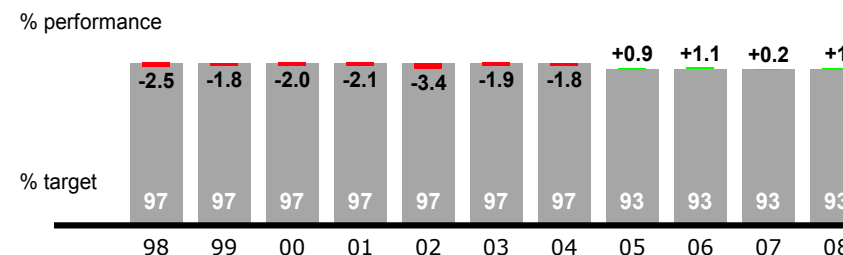
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, statistics published by the national regulatory authority (website) and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -4.62%
- Share of postal agencies have considerably been increased
- Delivery frequency per week: 6 days
- Individuals and small business customers have a choice between a priority and an economy service.

**D+1 Performance in %**

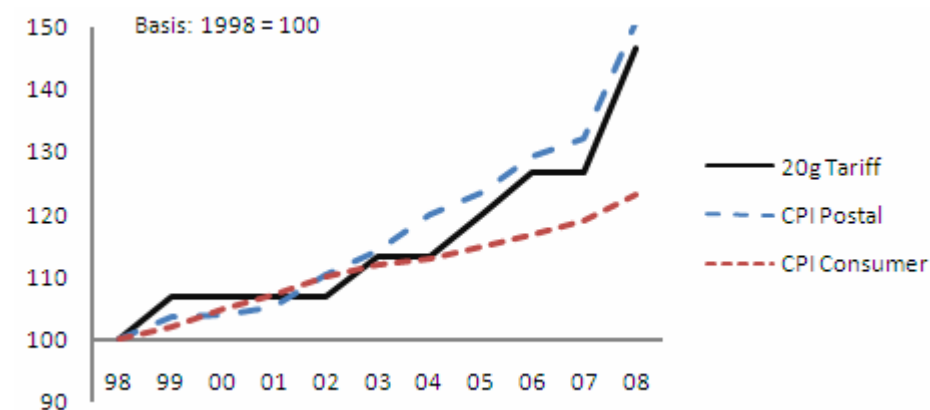
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and statistics published by the national regulatory authority (website)

- Domestic transit time performance is at a fairly high level which indicates technically well-organised postal operations.
- Cross-border transit time performance is in line with domestic transit time performance.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Significant price increases for basic postal services.
- Tariffs of heavier letters (100g) have increased at higher rates than the 20g letter

### Customer Satisfaction

		Consumers
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 98%)
<b>Satisfaction Level</b>	USP ('99 - '08):	Increasing satisfaction from 67% (1999) to 73% (2004), then declining satisfaction to 62% (2008)
	Eurobarometer ('02, '04, '06):	Declining satisfaction with accessibility (2006: 89%)
<b>Satisfaction with service characteristics</b>		no information available

#### Complaint statistics:

- Since 2001 Post Danmark A/S published the number of complaints (separately for different types of reasons for complaining)
- The rate of customers who made a complaint has increased from 4% in 2000 to 8% in 2006 (Eurobarometer)

		Business Customers
<b>Satisfaction Level</b>	USP ('99 - '08):	Increasing satisfaction from 63% (1999) to 69% (2004), then declining satisfaction to 60% (2008)
	Interviews*:	very satisfied: 20%; not very satisfied 80%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, nationwide delivery, delivery on the next working day and price
<b>Development of service characteristics</b>	Interviews*:	Mixed picture with regard to transit time performance, reliability; Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 with between 1,000 and 50,000 letter post items on average per month

#### Further interview results

- Reasons for dissatisfaction: insufficient customer service, unreliable delivery, problems with return mail, the price level, and absence of competitive pressure

### Concluding Remarks

- The Danish letter post market is well developed but volumes are declining.
- Reasons for decline: price increases of Post Danmark A/S, emerging electronic alternatives for businesses and individuals (also offered by a subsidiary of Post Danmark A/S "e-boks").
- Emerging competition in the letters market: Bring Citymail (Norway Post) has entered the Danish letter post market in 2006.
- Post Danmark has substantially reduced the number of postal outlets; the share of postal agencies has strongly increased.
- Transit time performance has slightly been improved
- Postal tariffs for individuals have been substantially increased (stronger than the CPI)
- Business customers as well as individuals appear to be increasingly unsatisfied with Post Danmark's services.
- In postal operations Post Danmark A/S has focused on cost efficiency in postal operations and the retail network which is reflected in considerably declining employment and especially in the reduction and restructuring of retail outlets.
- Competition in the Danish letter post market will help to strengthen the role of letters services in Denmark (at least for direct mail).
- The merger of Swedish Posten AB and Post Danmark A/S has not a direct impact on the domestic letter post markets. However, Swedish Posten is more experienced in operating under competitive conditions.
- Mature parcel & express market with constant but moderate growth.
- Incumbent has a comparable strong position in domestic parcel delivery.
- Additional access point due to competitors' parcel shops and automatic parcel boxes (currently only a few) by Post Danmark A/S.

## Estonia

## Country Facts

Population '08:	1.3 million
Population growth (98-08):	-0.4%
Population density '08:	30 / sqkm
Urbanisation rate '08:	69.4%
GDP '08 (PPS, billion):	EUR 22.5
GDP/capita '08 (PPS):	EUR 16,761
Postal services/GDP '02/07:	0.54%/0.41%



## Macro-economic indicators Estonia

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	5.4	-0.1	9.6	7.7	7.8	7.1	7.5	9.2	10.4	6.3	-3.6
GDP/capita (PPS)	7,185	7,541	8,500	9,114	10,204	11,272	12,390	13,733	15,428	16,911	16,761
Inflation (CPI)*	78.4	80.9	84.0	88.8	92.0	93.2	96.1	100	104.5	111.5	123.3
Unemployment rate %	9.2	11.3	12.8	12.4	10.3	10.0	9.7	7.9	5.9	4.7	
Internet access** %							31	39	46	53	58
Broadband access** %							20	30	37	48	54

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2001	Full market opening				
2006	50g			2.5 times	
2009	Full market opening				per April 1, 2009

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- License required for postal operators within the universal service area (excluding direct mail and publications); the license conditions include specific requirements with regard to the geographical coverage of a licensee
- VAT exemption for universal postal services (direct mail unclear) (VAT standard rate: 18%)

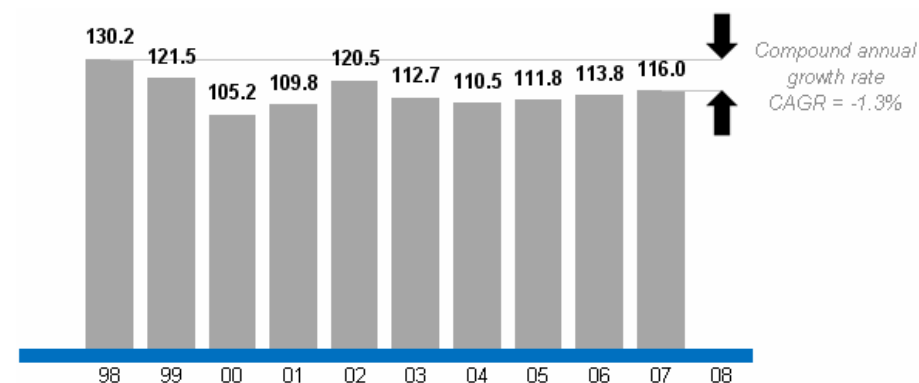
## National Regulation Authority (NRA)

Estonian Competition Authority (Konkurentsiamet)

## Letter Post

Estimated market value: € 40 million (2007)

## Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	86	2.5%	
•Letters	54	-1.2%	
••Correspondence	39	-4.0%	
••Direct Mail	15	9.3%	
•Publications	33	0.7%	
Unaddressed advertising	116	16.0%	
Cross-border outbound	2	-7.2%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator

- Despite considerable economic growth letter post volume growth was limited
- Direct mail has dynamically grown while correspondence has been declined. In 2008 both correspondence and advertising items (direct mail and unaddressed advertising) strongly declined (-10%, respectively -6%).
- Decline in correspondence possibly related to emerging electronic alternatives: Estonia is one of the Eastern European Member States with the best infrastructure with regard to internet and broadband access
- Considerable growth in the distribution of unaddressed items (by Eesti Posti Ltd.): Eesti Posti Ltd. delivers more unaddressed than addressed items
- Approximately 85% of letters are sent by business.
- Eesti Posti Ltd. also delivers newspapers (early delivery)

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
•Correspondence	None	
•Direct mail	Emerging	Three competitors with around 8% market share
Cross-border outbound letter post	Emerging	Estimation: Decline in volume of cross-border outbound mail collected by the Estonian Post

No information available on degree of competition in unaddressed advertising

Sources: Based on WIK-Consult, Ecorys and annual reports of national regulatory authority

- Despite full market opening Eesti Posti Ltd. still has a market dominant position in the delivery of letters. Competition has emerged in the direct mail segment which has been traditionally opened to competition.

### Parcel & Express

**Total market value (in million EUR):** No data available

### Parcel & express market - Main competitors of Eesti Posti Ltd.

- DHL, DPD, UPS (EKLT), TNT, FedEx, Sularahakeskus, D2D

### Key developments in the parcel & express market since 1997

- CAGR (98-03): ~ 7.0%
- CAGR (03-08): ~12.3%
- Eesti Post with a leading position in the domestic market (~40%), other domestic players are Sularahakeskus, D2D
- The cross border express market is dominated by the international companies DPD, DHL, UPS (EKLT) and TNT

### Incumbent Postal Operator: Eesti Posti Ltd.

Company form: public limited company since 2004

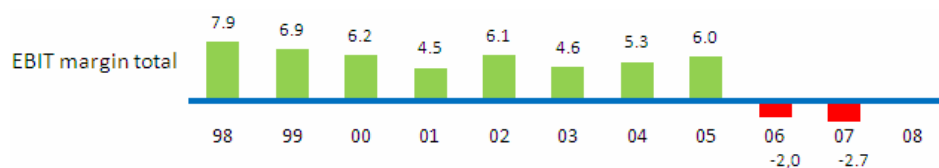
1991: Corporatisation (state enterprise)

2004: Transformation into a public limited company (Eesti Post Ltd.)

2010: Privatisation planned

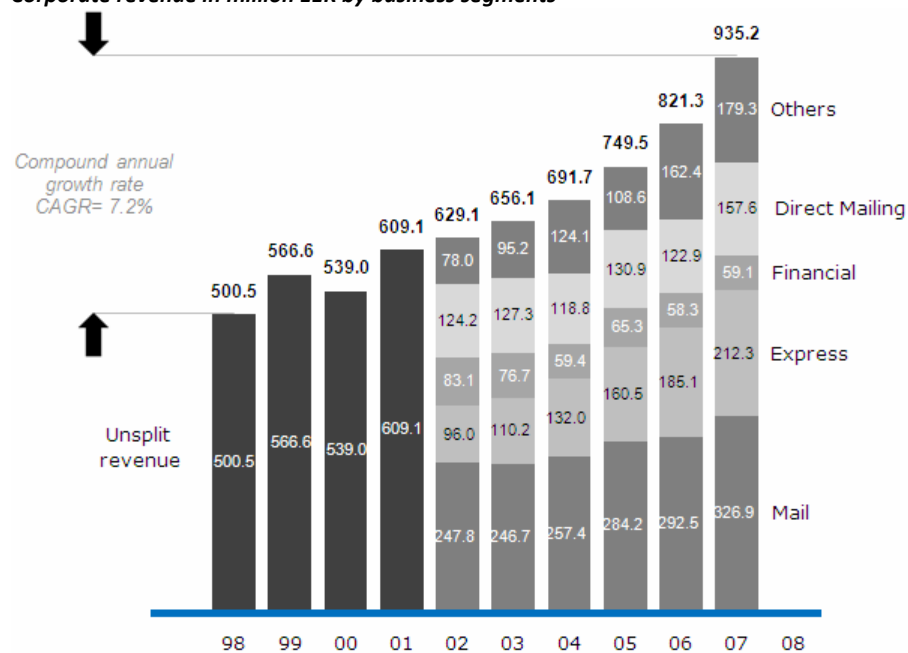
State ownership (31.12.2008): 100%

## EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on annual reports of the incumbent postal operator

## Corporate revenue in million EEK by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*					39.4	37.6	37.2	37.9	35.6	35.0	
Domestic %*											
Labour cost %**	41.2	41.5	43.4	43.8	45.2	59.8	59.9	58.9	57.5	60.3	
Headcount '000	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.2	4.2	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*\*% of corporate revenue \*\*\*% of total operating expenses \*\*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of Eesti Post Ltd. since 1997

- Employment has slightly declined: CAGR (1998-2007) -0.8%
- Share of labour cost has substantially increased due to increasing wages
- Factually no postal agencies
- Profitability is challenged by high wages and decline in correspondence: Operations were loss-making in 2006 and 2007
- In 2008 the company achieved a positive EBIT margin of less than 1% due to reduction in labour cost and increasing tariffs for postal services
- Eesti Posti Ltd. focuses on the domestic business offering parcel and letter post services. Business activities have been extended to information logistics

## Universal Service

Universal postal service Provider: Eesti Posti Ltd.

- Direct mail is not part of the universal postal service

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	4.0	3.9	4.2	4.2	4.0	4.0	4.0	4.0	4.2	3.7	
Post offices %	96.1	95.0	94.8	96.8	97.3	96.9	96.9	96.0	96.1	99.0	
20g tariff FSC in EEK	3.60	3.60	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	5.50
100g tariff in % of 20g tariff	119	119	120	120	120	120	120	120	120	120	118
20g tariff SSC in EEK	No second class letter service for the general public										
20g tariff EU letter FSC in EEK	5.50	5.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	9.00

\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

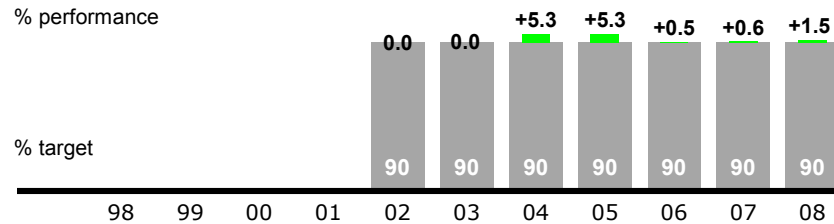
- Development in postal outlets: CAGR (1998 – 2007) = -1.21%
- Delivery frequency per week: 6 days in urban areas, 5 days in rural areas (5 days are required by postal legislation)



- Delivery frequency per working day:
  - up to 2002: 2 deliveries per working day (due to early delivery of newspapers)
  - since 2003: 2 deliveries per working day only in parts of the country

**D+1 Performance in %**

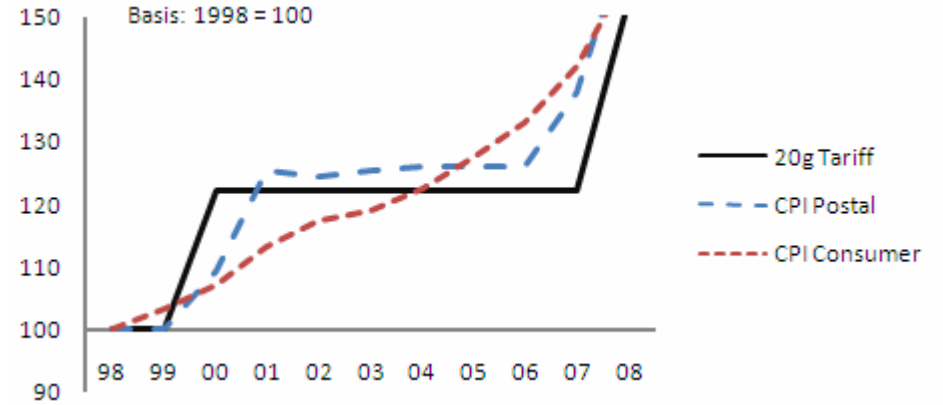
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, Eurostat and Ecorys

- According to Ecorys (2008) the transit time performance is not monitored by an independent organisation and is not consistent with the CEN standard.
- Cross-border transit time performance does not confirm domestic performance: the average transit time performance (% of letters delivered within three working days) of a cross-border letter sent to Estonia was 70% (average of all country to country relations within the EU-27 published by IPC)

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The development of the basic tariff has broadly been in line with the general development of consumer prices

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('03, '04, '06):	Increasing use of postal services (2006: 92%)
<b>Satisfaction Level</b>	Eurobarometer ('03, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 93%)
<b>Satisfaction with service characteristics</b>		no information available

Complaint statistics:

- Eesti Posti Ltd. as well as the National Regulation Authority does not publish any statistics on complaints and complaint handling
- The number of customers who made a complaint is stable by 4% (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 60%; not very satisfied 40%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, nationwide delivery and the price level
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in customer service, transit time performance and reliability Deterioration perceived in pricing schemes

\* Interviews with 5 business customers carried out in May 2009 with up to 10,000 letter post items on average per month

#### Further interview results

- Customers prefer using parcel and express services offered by Eesti Posti Ltd. (satisfied with quality of service)

#### Concluding Remarks

- The Estonian letters market is relatively less developed (in terms of per capita volume)
- There is still growth potential for direct mail, but the growth potential for correspondence appears to be limited (strong decline in 2007 and especially 2008): The drastic economic downturn in Estonia combined with emerging electronic alternatives for physical delivery may seriously affect the letter post and, of course, the business and profitability of Eesti Posti Ltd.
- The letters market is fully liberalised since April 1, 2009. Competition has emerged in the direct mail segment.
- The density of postal outlets is relatively high compared to other Member States; nearly all postal outlets are post offices.
- Transit time performance has recently been stable, postal tariffs for individuals have strongly been increased in 2000 and again in 2007 (but in line with the development of the CPI)
- There is still potential for better quality of service; the measurement method for transit time performance should be aligned with the mandatory measurement standard EN 13850.
- Eesti Posti Ltd. focuses on the national postal business (including IT services for postal communication) and has a strong market position in the letter post and parcel segment.
- The profitability of Eesti Posti Ltd. has worsened.
- Parcel & express market shows strong growth rates.
- Domestic parcel market lead by the incumbent while the international market is dominated by international integrators.

## Finland

### Country Facts

Population '08:	5.3 million
Population growth(98-08):	2.9%
Population density '08:	16 / sqkm
Urbanisation rate '08:	63.3%
GDP '08 (PPS, billion):	EUR 156.7
GDP/capita '08 (PPS):	EUR 29,563
Postal services/GDP '00/08:	0.86%/1.03%



### Macro-economic indicators Finland

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	5.2	3.9	5.1	2.7	1.6	1.8	3.7	2.8	4.9	4.2	0.9
GDP/capita (PPS)	19,434	20,531	22,361	22,921	23,614	23,448	25,220	25,751	27,202	28,912	29,563
Inflation (CPI)*	72.8	80.7	89.4	91.9	91.8	97.9	99.8	100.0	104.6	108.5	115.4
Unemployment rate %	11.4	10.2	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4
Internet access** %					44	47	51	54	65	69	72
Broadband access** %						12	21	36	53	63	66

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1991	Full market opening				
1997	Introduction of an extra tax for postal operators not providing postal services in rural areas				

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- Postal operators need a license to provide services within the universal postal service area. The license includes a universal service obligation. Additionally, an operator holding such a license must pay a tax equal to as much as 20 percent of turnover if the population density of the area served is above 250 inhabitants per square kilometre.
- Special law for the island group Åland (autonomous region of Finland)
- No VAT exemption for universal postal services

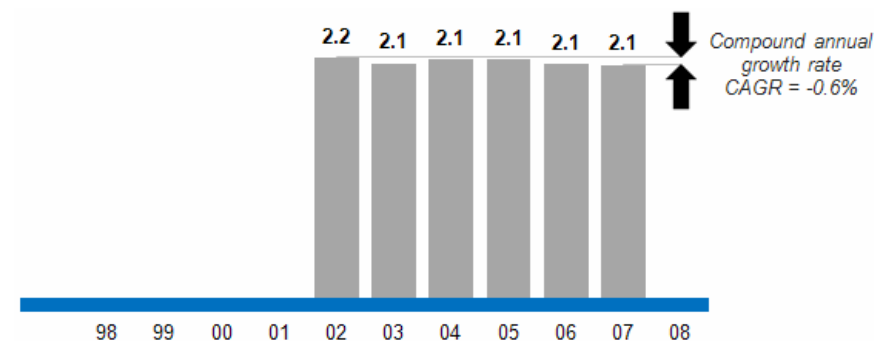
### National Regulation Authority (NRA)

Finnish Communications Regulatory Authority (FICORA)

### Letter Post

Estimated market value: € 1.1 billion (2008)

### Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	396	-0.6%	
•Letters	204	0.0%	
••Correspondence	153	2.4%	Based on Itella/UPU
••Direct Mail	54	-0.1%	Based on Itella/UPU
•Publications	182	3.6%	
Unaddressed advertising	331	10.7%	Based on market data
Cross-border outbound	4	-14.7%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority (postal statistics), UPU and annual reports of the incumbent postal operator

- Letter post volume has been relatively stable over time
- Itella Corporation has considerably increased delivery in correspondence and publications (extension to early delivery of newspapers)
- Direct mail per capita is relatively low but unaddressed advertising items have considerably grown
- Business customers sent more than 95% of letter post in 2008; the share of B2B on total business letter post has substantially decreased between 2004 and 2008: From 18 to 8% (possibly driven by use of electronic alternatives and e-invoicing).
- The share of letter post sent by individuals decreased from 6 to 4%.
- Recent developments in Itella's letter post volume (1<sup>st</sup> quarter 2009): 10% decline in first class letters, stable second class letters, minus 14% direct mail (possibly including unaddressed advertising, low decline in publications)

Competition

Letter post segment	Level of competition	Notes
Domestic letters	None	
Unaddressed advertising	Intense	Itella Corporation: Market share 40% in 2008
Cross-border outbound letter post	Emerging	Decline in volume of cross-border outbound mail collected by Itella Corporation

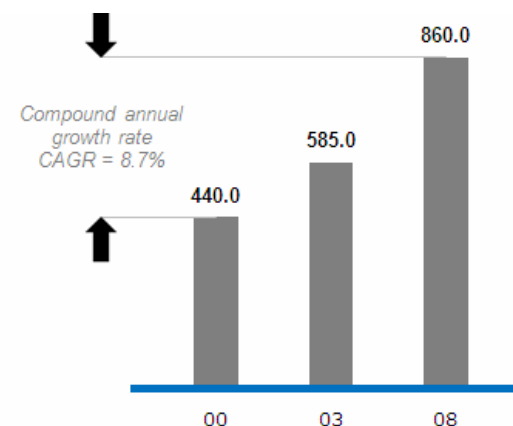
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: Based on WIK-Consult, Ecorys, annual reports of national regulatory authority

- Despite full market opening competition in the letters segment has not emerged: Itella Corporation (i.e. Posti) still has a market dominant position in the delivery of letters.
- Itella Corporation's market position in early delivery of newspapers has substantially improved: Itella claims a market share of 73% for 2008 in this segment
- Itella Corporation has actively promoted the use of electronic solutions by large postal customers by offering respective information logistics services

Parcel & Express

Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

Parcel & express market - Main competitors of Itella Corp.

- DHL, Schenker, TNT, UPS, Matkahuolto

Key developments in the parcel & express market since 1997

- CAGR (00-03): 10.0%
- CAGR (03-08): 8.3%

- Itella Corporation with a strong market position (>30%market share) but continuously lost market shares to competitors.
- Since 2001 steady growth in international volumes and turnover for alternative providers.
- Market concentration slightly increasing (TOP 5 Player with ~75% aggregated Market share compared to <70% in 2002)
- The growing market attracted also competitor from other Scandinavian countries e.g. Jetpak and Box Group (subsidiary of Norway Post) entered the market in 2005.

**Incumbent Postal Operator: Itella Corp.**

Company form: public limited company since 2001

1990: Corporatisation of Post and Telecommunications government department (Posti-Tele)

1994: Transformation of Posti-Tele into a public limited company (Suomen PT Oy)

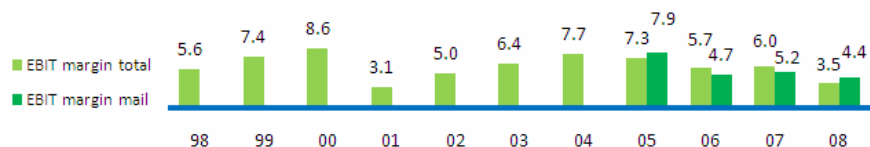
1998: Demerging of Suomen PT Group into Post Group and Telecommunication Group (renamed into Sonera)

2001: Transformation of Post Group into the public limited company Finland Post Corporation

2007: Change of the company name Finland Post into Itella Corporation

State ownership (31.12.2008): 100%

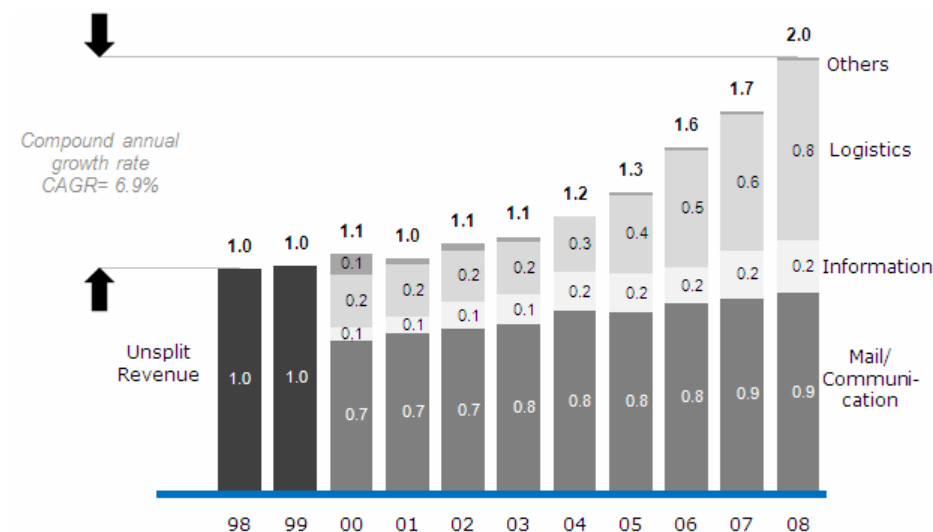
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- Profits have mainly been originated in the traditional mail segment: It has achieved considerably higher EBIT margins compared to the other business segments: between 10 and 13% (since the first publication year 2005).
- Logistics (incl. parcel) and information logistics have been less profitable or even loss-making

**Corporate revenue in billion EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*			63.3	67.6	65.3	65.5	65.4	59.5	54.3	50.7	45.6
Domestic %*			100.0	98.9	95.0	95.0	88.3	84.2	77.2	73.9	69.4
Labour cost %**	61.3	62.4	59.8	57.3	55.1	55.8	57.2	55.5	51.4	50.1	46.4
Headcount '000	26.3	25.3	24.8	22.8	22.5	23.7	23.3	24.4	24.8	25.2	31.7
National employment %***			86.4	88.8	75.3	69.7	71.5	87.6	88.4	85.7	69.5
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Itella Corporation since 1997**

- 1998: Finland Post Corporation and Sonera Oy became two separate state-owned enterprises
- 2001: Finland Post expands its information logistics operations (including i.a. (mail production and e-invoicing) to Sweden, Norway and Denmark by acquiring Capella Group AB
- 2002: Information logistics operations expand to Germany and logistics operations to Estonia
- 2004: Information logistics services expand to Estonia, Latvia and Lithuania
- 2006: Logistics services are expanded to Sweden and Norway

- 2007: The corporate name changes to Itella Corporation
- 2008: Itella Corporation acquires Connexions Company in Russia. Itella Corporation becomes the market leader in warehousing services in Russia through the acquisition of NLC (National Logistic Company)

**Universal Service**

Universal service provider: Itella Corporation

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	3.1	3.0	2.9	2.7	2.7	2.6	2.5	2.4	2.3	2.3	2.2
Post offices %	35.7	36.5	31.8	22.6	21.4	21.8	22.4	21.9	17.7	16.6	15.7
20g tariff FSC in €	0.50	0.50	0.59	0.61	0.60	0.65	0.65	0.65	0.65	0.70	0.70
100g tariff in % of 20g tariff	150	150	137	150	150	138	138	138		143	150
20g tariff SSC in €	0.40	0.40	0.50	0.50	0.50	0.55	0.55	0.55		0.60	0.60
20g tariff EU letter FSC in €	0.53	0.54	0.59	0.61	0.60	0.65	0.65	0.65		0.70	0.70

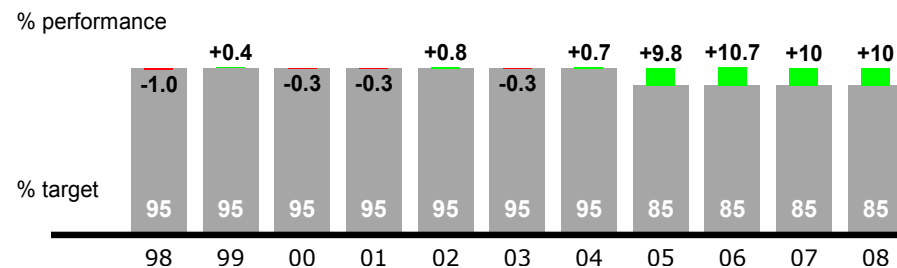
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- Minimum volume required for second class letter service: 20 items per consignment (collection only by postal outlets) since 2003
- Development in postal outlets: CAGR (1998 – 2008) = -3.25%
- Increasing share of postal operators during the same period
- Delivery frequency per week: 5 days
- In rural areas: delivery early in the morning (in combination with early delivery of newspapers)

**D+1 Performance in %**

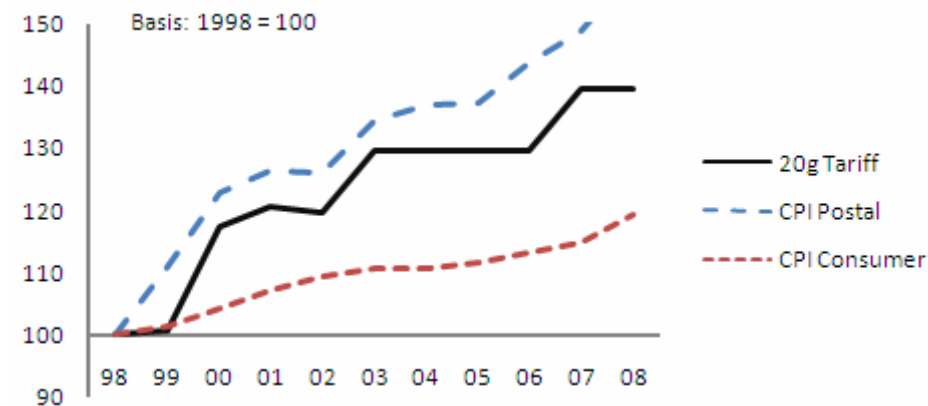
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, Eurostat, Ecorys and annual reports of the incumbent postal operator

- Reduction in regulatory target (after the decision of Itella Corporation to offer early delivery of newspapers) has not affected transit time performance
- Cross-border transit time performance in line with domestic transit time performance

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Basic tariff has grown at higher rates than the general inflation
- Tariffs include VAT (22%)
- In 2009 standard tariff for priority service raised to EUR 0.80 (plus 14%)
- Tariffs of business customers have increased with similar growth rates (business standard tariff FSC/SSC 20g, postage paid incl. VAT; around 70% of basic tariff, without VAT around 55% of basic tariff)

**Customer View**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 97%)
<b>Satisfaction Level</b>	NRA (every two years since '96)	Decline in satisfaction between 2004 and 2006 (from 78% to 73%); 2008 fairly stable
	USP ('98 - '08)	no clear trend before 2005; since then increasing 2007 - 08: >80%
	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 95%)
<b>Satisfaction with service characteristics</b>		no information available

## Complaint statistics:

- Itella Corporation as well as the National Regulation Authority does not publish any statistics on complaints and complaint handling
- The rate of complaints is stable by 7% (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	NRA (every two years since '96)	Declining satisfaction levels since 2004 (from 84% to 66% in 2008)
	USP ('98 - '08)	Fairly stable satisfaction with levels above 80%
	Interviews*:	very satisfied: 0%; not very satisfied 100%
<b>Importance of service characteristics</b>	NRA ('06)	47% would welcome competition in postal services, feeling that from the users point of view it would have a favourable impact on the price level, the number of post offices, the choice of products and the general quality of the service provided
	Interviews*:	Most important aspects are reliability, nationwide delivery and delivery on the next working day
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in transit time performance, customer service and product & service range

\* Interviews with 6 business customers carried out in May 2009 with different value of letter post items on average per month (the range goes from less than 1,000 up to more than 100,000 letter post items on average per month)

## Further interview results:

- Although the Finnish postal market is fully liberalised, nearly half of respondents say, that they have no choice between two or more postal operators.
- The main reasons for being not very satisfied are the price level as well as letters have often been not delivered on time or to the right address or even lost and there have been problems with return mail.

- Four respondents have outsourced parts of mail production (printing and mail preparation, so-called hybrid mail services) including the transport to the next access point to a third party.

**Concluding Remarks**

The Finnish letter post market has the highest number of items per capita in the EU

- Correspondence has increased until 2007 although Finland has very high penetration rates for internet and broadband access.
- Future growth potential appears limited because the Finnish letter post market is at a mature stage.
- Direct mail has considerably underperformed economic growth
- Letter post volume is substantially affected by economic downturn and will be further affected by increasing use of electronic alternatives under today's conditions.
- The postal market is fully liberalised since 1991. In the Finnish letters market competition has not emerged (license conditions). Itella Corporation is still the only provider for physical delivery of letter post items and has substantial stakes in the distribution of publications and unaddressed items.
- The density of postal outlets has substantially declined; most outlets are postal agencies.
- Transit time performance has recently been stable; the reduction in regulatory target has not affected transit time performance.
- Basic postal tariffs has grown at higher rates than the general inflation
- Individuals and business customers have been affected by considerably increasing tariffs for letters and a decline in accessibility (for individuals, in terms of postal outlets).
- Customers' satisfaction has declined (businesses as well as individuals). Business customers would appreciate more competition.
- Itella Corporation has actively promoted information logistics services (including mail production, e-invoicing, handling of physical and electronic delivery of letters items) domestically, and –at a regional level- in foreign markets. However, profitability is still below the profitability of traditional mail services.
- Additionally, Itella Corporation has promoted the delivery of publications to increase delivery volumes.
- Comparably strong growth in demand for parcel & express services.
- Incumbent remains a strong position in the parcels market.

## France

### Country Facts

Population '08:	63.8 million
Population growth (98-08):	6.4 %
Population density '08:	116 / sqkm
Urbanisation rate '08:	77.3%
GDP '08 (PPS, trillion):	EUR 1.7
GDP/capita '08 (PPS):	EUR 27,423
Postal services/GDP '98/07:	1.05%/0.93%



### Macro-economic indicators France

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.5	3.3	3.9	1.9	1.0	1.1	2.5	1.9	2.2	2.3	0.4
GDP/capita (PPS)	19,564	20,503	22,052	22,964	23,823	23,248	23,910	24,997	25,952	27,239	27,423
Inflation (CPI)*	88.34	88.84	90.46	92.07	93.86	95.89	98.14	100	101.91	103.55	106.82
Unemployment rate %	11.0	10.4	9.0	8.3	8.6	9.0	9.3	9.2	9.2	8.3	
Internet access** %					23	31	34		41	49	62
Broadband access** %									30	43	57

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2002	350g	350g	350g	5 times	
2005	100g	100g		3 times	
2007	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption of universal postal services (VAT standard rate: 19.6%)

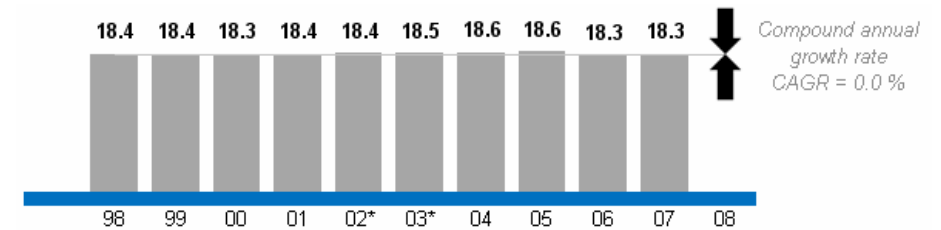
### National Regulatory Authority

- Since 2005: Autorité de Régulation des Communications Électroniques et des Postes (ARCEP)
- Until 2005: Ministry of Economics, department for postal regulation

### Letter Post

Estimated market value: € 10.9 billion (2007)

### Domestic letter post volume (in billion items)



\*data for 2002 and 2003 estimated



Letter post segment	Items per capita (2007)	CAGR (2005-2007)	Notes
Domestic letter post	289	-0.1%	Market data available since 2005
•Letters	262	0.2%	
••Correspondence	186	-0.5%	
••Direct Mail	76	0.0%	
•Publications	27	-2.1%	
Unaddressed advertising	308	1.6%	Based on market data CAGR (2004-2007)
Cross-border outbound	8	-5.6%	Based on market data

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refers to incumbent postal operators

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority and UPU

- Fairly stable letter post volumes, especially in correspondence and direct mail
- Substitution of physical delivery by emerging electronic alternatives appears to be limited, so far.
- La Poste states decline in letter post volume in 2008 and expects further decline in 2009 (due to economic downturn and emerging electronic alternatives)
- Around 85% of letter post is sent by businesses thereof more than three quarter to individuals.
- In 2007 ca. 60% of letters were industrial mail.
- 2008: La Poste states a decline in letter post of minus 3% compared to minus 1% in 2007

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	None	Market exit of Adrexco in February 2008
Unaddressed advertising	Intense	Key competitor of La Poste: Adrexco
Cross-border outbound letter post	Substantial	
Consolidation / upstream services	Intense	

No information available on degree of competition in the sub-segments correspondence and direct mail

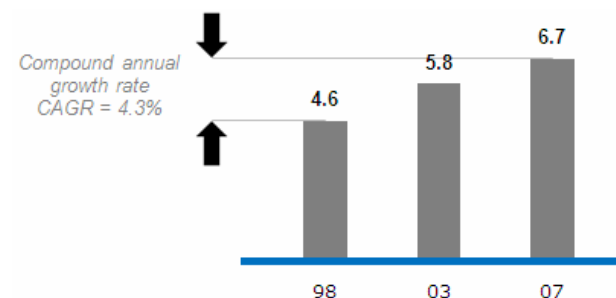
Sources: WIK-Consult, Ecorys and market surveys of the national regulatory authority

- Competition in the letters segment has not emerged; the only serious competitor with ambitions in delivery of letters has left the market in 2008.

- Highly competitive upstream services: Independent and subsidiaries of French La Poste and of other foreign postal operators (notably Deutsche Post) are active in this segment.
- In 2007 60% of industrial mail (or around one third of total letters) were processed by mailing houses: one third correspondence and two thirds direct mail.

**Parcel & Express**

Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of La Poste**

- DHL, TNT, France Express, UPS, GLS (Extand), TAT Express, FedEx

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 5.0%
- CAGR (03-07): 3.5%
- La Poste with a strong position in the market with Coliposte & Chronopost further strengthened its position by the acquisition of Exapaq (combined market share >30%)
- Consolidation of the market through acquisitions
- Mondial Relay (subsidiary of OTTO Group) established in the market as B2C expert offering ~3700 "Point Relay" as pick-up and delivery option for private customers.
- La Poste starting to set up automatic parcel boxes "Cityssimo" to improve B2C deliveries.

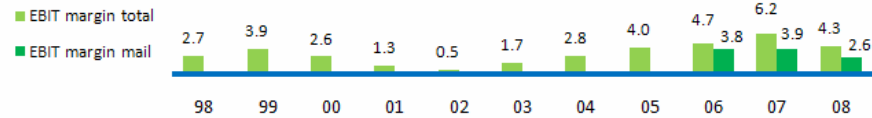
**Incumbent Postal Operator: La Poste**

Company form: State enterprise

1991: Foundation of state enterprise

State ownership (31.12.2007): 100%

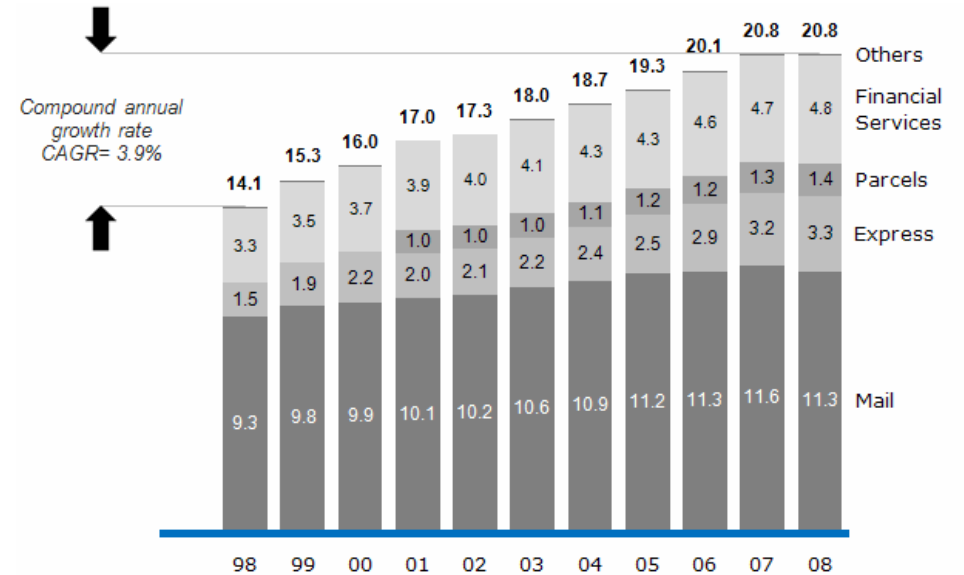
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- La Poste has continuously improved its profitability
- The dependency on mail profits has decreased: the EBIT margin of the mail business varied between nearly 5 (2008) to 7% (2006 and 2007)
- The parcel and express segments as well as financial services have been more profitable with EBIT margins around 7%, respectively 6-11%.

**Corporate revenue in billion EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	65.9	63.9	62.0	59.5	59.1	58.8	58.2	58.3	56.2	55.6	54.3
Domestic %*					90.8	90.8	90.0	88.8	88.0	87.1	86.5
Labour cost %*	69.6	66.9	66.2	64.6	64.2	64.0	63.5	62.3	66.8	64.5	63.2
FTE '000	306.6	312.4	322.5	313.9	312.9	315.4	309.3	303.4	303.4	299.0	296
National employment %***				94.3	93.5	91.6	90.8	90.8	89.6	88.6	87
Civil servants %**	77.1	73.8	70.9	69.3	67.2	63.7	61.5	59.5	56.6	54.3	51.5

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of company on corporate FTE \*\*\*\*% of total FTE

Sources: Based on annual reports of the incumbent postal operator

**Key developments of La Poste since 1997**

- Slightly declining employment: CAGR 1998-2008 -0.4%
- Continuously declining share of civil servants
- 2000: Foundation GeoPost fully owned by La Poste

- 2002: GeoPost: Consolidation of positions in Europe, intercontinental approach. Discontinuation of unprofitable operations. Foundation of ChronoExpres to bring together the operations of Chronopost Int, Tat Express and DPD Germany
- 2005: Expansion of Express business across Europe via GeoPost, particularly in Spain (SEUR, Bilbao, Soria) and Eastern Europe (Hungary)
- 2006: Acquisition of Exapaq to consolidate the position of GeoPost in the B2B parcel and express delivery sector in European markets
- 2006: Foundation of La Banque Postale (fully owned by La Poste)
- 2008: Acquisition of Pegasus by Armadillo (JV between GeoPost and Yurtiçi Kargo)
- Ongoing process of modernisation
- Transformation into a fully state owned Société Anonyme planned for 2009/2010 including additional capital from state budget (increase in capital EUR 2.7bn)

**Universal Service**

Universal service provider: La Poste

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Post offices %	82.5	82.7	82.5	83.1	83.3	83.0	81.0	79.0	73.2	70.0	
20g tariff FSC in €	0.46	0.46	0.46	0.46	0.46	0.50	0.50	0.53	0.53	0.54	0.55
100g tariff in % of 20g tariff	222	222	222	222	222	222	222	230	230	241	242
20g tariff SSC in €	0.41	0.41	0.41	0.41	0.41	0.45	0.45	0.48	0.48	0.49	0.50
20g tariff EU letter FSC in €	0.46	0.46	0.46	0.46	0.46	0.50	0.50	0.55	0.55	0.60	0.65

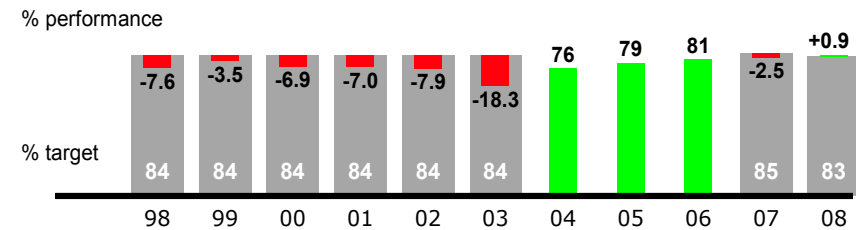
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

- Number of postal outlets fairly stable: CAGR (1998 – 2007) = 0.02%
- Relatively low share of postal agencies
- Delivery frequency per week: 6 days
- Individuals and small business customers have a choice between a priority and an economy service.

**D+1 performance in %**

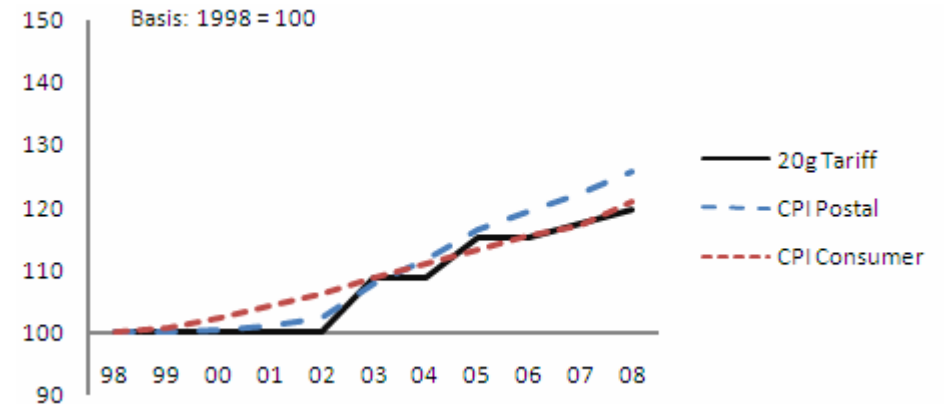
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and universal service reports of the incumbent postal operator

- La Poste has continuously improved D+1 transit time performance
- Share of urgent mail (D+1 and D+2) around one third of total domestic letters (2007): share of D+1 letters is below one third

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The basic postal tariff has not increased in real terms since 1998.

- Heavier letters are relatively expensive (more than double the basic tariff)
- La Poste has introduced new products for transactional and direct mail, notably a service with pay back guarantee if transit time target is not met (“tem’post”)
- In 2009 standard tariffs for priority and economy service raised to EUR 0.56 (plus 1.8%) respectively EUR 0.51 (plus 2%)

### Customer View

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 98%)
<b>Satisfaction Level</b>	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 93%)
<b>Satisfaction with service characteristics</b>	NRA ('06)	Delivery problems (delay, damage) addressed by more than 10% of respondents

### Complaints statistics:

- Since 2007 La Poste publishes the number of complaints (separately for different types of mailings) and the proportion of complaints on mailings
- In 2006, 16% of companies and 11% of households made a complaint to La Poste within the last 12 months.

### Concluding Remarks

- The letter post market is at a mature stage with relatively stable mail volume: Growth potential for correspondence and direct mail is limited and may be negatively affected by emerging electronic alternatives in future
- Economic downturn has negatively affected letter post volume
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for domestic letter services).
- End-to-end competition has not emerged; considerable upstream competition (mailing houses)
- La Poste is market dominant in the letter post business and plays an important role in the upstream activities
- The number of postal outlets has been fairly stable; the share of postal agencies is relatively low compared to other Western Member States.

- Transit time performance has been improved but on a low level, considerable improvements are possible. The development of the basic tariff has broadly been in line with the general development of consumer prices.
- Individuals have benefit from improvements in quality and accessibility (modern postal outlets) and fairly stable tariffs
- Business customers have benefited from considerable extension of business products and services and increasing quality of service.
- In the letter post business La Poste focuses on traditional, as well as on upstream and downstream letters services (mail production and document management services)
- La Poste has continuously improved the profitability of all business segments and has effectively reduced the dependence on the domestic mail market without considerable employment reductions or restructuring of the retail outlets (share of postal agencies relatively low compared to other Western Member States)
- Modernisation is ongoing and made considerable progress; there is still potential for quality improvements (transit time performance)
- In the parcel/express business La Poste has built up a well established European parcel and express network
- Parcel & express market quite mature with only slow growth and in consolidation progress
- Incumbent remains a strong market position through several subsidiaries targeting different customer groups.
- Additional access points for parcel pick-up and delivery due to competitors setting up parcel shop networks.

## Germany

## Country Facts

Population '08:	82.2 million
Population growth (98-08):	0.2 %
Population density '08:	230 / sqkm
Urbanisation rate '08:	73.6%
GDP '08 (PPS, trillion):	EUR 2.4
GDP/capita '08 (PPS):	EUR 29,048
Postal services/GDP '98/08:	0.89%/0.84%



## Macro-economic indicators Germany

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	2.0	2.0	3.2	1.2	0.0	-0.2	1.2	0.8	3.0	2.5	1.3
GDP/capita (PPS)	20,767	21,773	22,580	23,093	23,594	24,153	25,180	26,271	27,330	28,560	29,048
Inflation (CPI)*	90.5	91.1	92.4	94.1	95.4	96.4	98.1	100	101.8	104.1	107
Unemployment rate %	9.1	8.2	7.5	7.6	8.4	9.3	9.8	10.7	9.8	8.4	
Internet access** %					46	54	60	62	67	71	75
Broadband access** %						9	18	23	34	46	52

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	200g	50g	200 g	5 times	Value added letter services ("D licence") have been opened to competition
2003	100g	50g		3 times	Downstream access for consolidators since 2004
2006	50g	50g		2.5 times	
2008	Full market opening				

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- Introduction of minimum wages for letter service providers in 2008 (National court proceedings still pending; also complaint to the EC, which addressed this issue with the German authorities and is looking at the matter.)
- VAT exemption for universal postal services excluding business parcels (VAT standard rate: 19%)

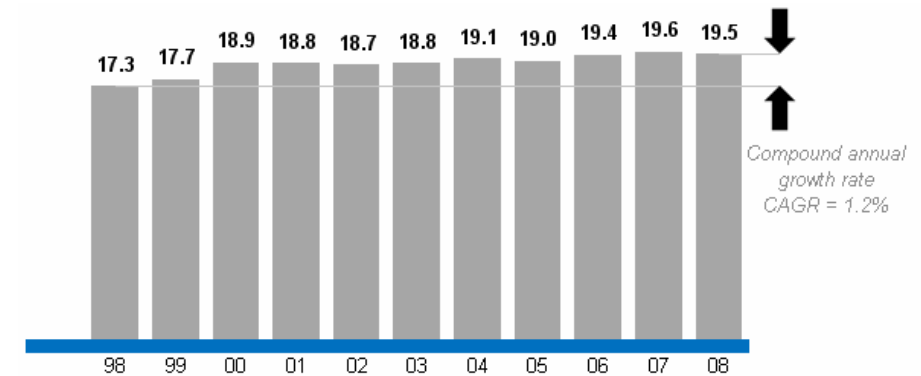
## National Regulatory Authority

Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen (BNetzA), former Regulierungsbehörde für Telekommunikation und Post

## Letter Post

Estimated market value: € 10.5 billion (2008)

## Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2003-2007)	Notes
Domestic letter post	238	0.8%	Market figures excluding cross-border outbound available since 2003
•Letters	206	1.1%	
••Correspondence	119	n.a.	
••Direct Mail	87	n.a.	
•Publications	25	-1.6%	
Unaddressed advertising	56	5.3%	2008: + 6%
Cross-border outbound	7	12.2%	Based on market data

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on market surveys of the national regulatory authority, and annual reports of the incumbent postal operator

- Letter post volume has been fairly stable over time
- Consolidation services: Considerably increasing volume: from 29m in 2005 to 1bn items in 2008
- More than 90% of letters sent by businesses: Private correspondence has substantially been declined since 2000 (minus 15% between 2000 and 2008)
- Business correspondence and direct mail have significantly increased
- Emerging electronic alternatives have not resulted in declining mail volumes, so far.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	Market share Deutsche Post 2008: 91.6% (volume) / 89.3% (revenue)
•Correspondence	Emerging	Key competitors: TNT Post, local mail operators
•Direct mail	Emerging	Key competitors: PrimeMail (Catalogues), TNT Post
Unaddressed advertising	Intense	
Cross-border outbound letter post	Substantial	Market share Deutsche Post 2008: 76% (volume) / 75% (revenue)
Consolidation services	Substantial	Key players: Williams Lea (Deutsche Post), Postcon (TNT Post), Freesort (Frankotyp Postalia)

Sources: Based on WIK-Consult, market surveys of the national regulatory authority and annual reports of the incumbent

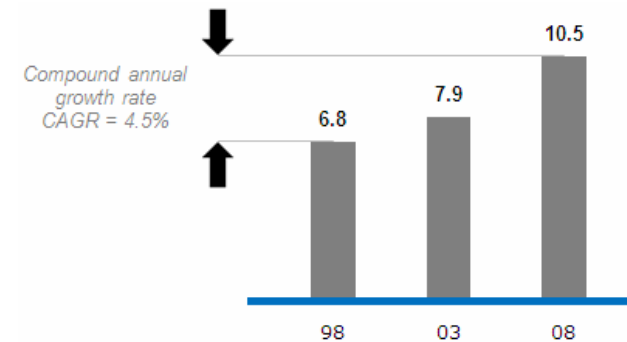
### Competition in end-to-end competition:

- Competition has emerged at local level (urban as well as rural areas especially in the Eastern part of Germany)

- Nationwide networks are going to be established by cooperation between licensees (e.g. TNT Post)
- Main competitors: TNT Post (~2% market share), PIN Group (until 2007), Publishing houses, local mail operators; ongoing consolidation process
- Market shares of competitors slowly increasing since 2000, 2008 decline in market share despite of full market opening in January 2008 (because of market exit of parts of PIN Group members and price reductions of Deutsche Post for business customers)
- Correspondence: Competitors' market share >12% (2007, in terms of revenues)
- Direct mail: Market share ~6% (2007)
- Since 2005 consolidation services have emerged: main providers: Williams Lea (Deutsche Post AG), Postcon (TNT Post), Freesort (Frankotyp Postalia)

### Parcel & Express

#### Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Deutsche Post AG

- DPD, UPS, Hermes, GLS, TNT, trans-o-flex, GO!, FedEx

**Key developments in the parcel & express market since 1997**

- CAGR(98-03): 3.0%
- CAGR(03-98): 6.0%
- In the early years competition was mainly focused on the B2B market.
- Competition in the growing B2C/C2C market increased since Hermes entered the market for private customers in 2003.
- Since 2004 Hermes (>13,000) and other competitors (DPD/GLS) set up parcel shop networks in competition to the post office network of Deutsche Post AG.
- Increasing market concentration TOP5 Players 1999: ~50% / 2008: ~70%. Over the years foreign postal companies entered the German Parcel/Express market by acquisition of leading local companies such as DPD (La Poste), GLS (Royal Mail) and trans-o-flex (Österreichische Post AG).

**Incumbent Postal Operator: Deutsche Post AG**

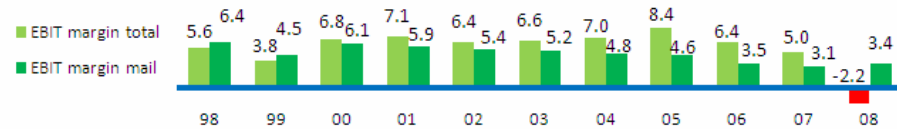
Company form: public limited company since 2000

1995: Corporatisation (Postreform II)

2000: Privatisation: IPO of Deutsche Post AG

State ownership (31.12.2008): 30.5 % (indirect via KfW)

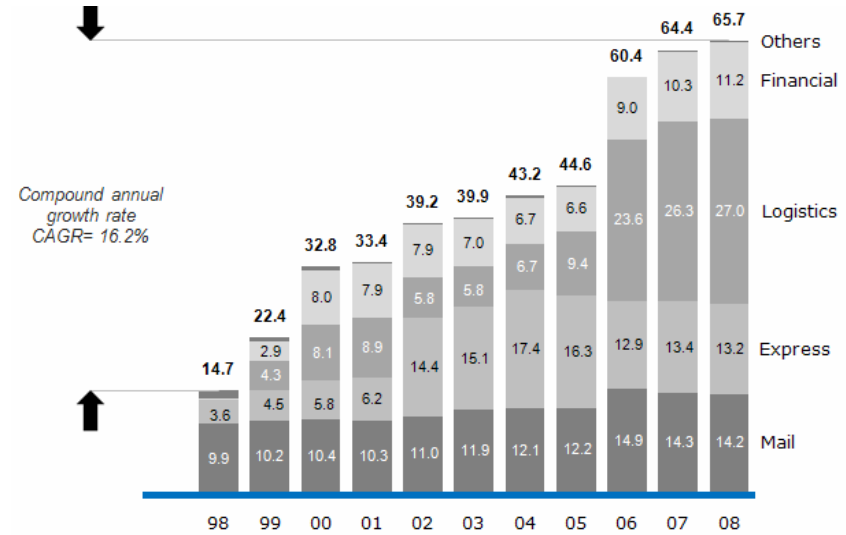
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- Persistent dependency of Deutsche Post AG from mail profits, overall loss in 2008 due to express business and Postbank with EBIT margins around 15% since 2000.

**Corporate revenue in billion EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	67.8	45.8	31.8	30.8	28.0	29.8	28.0	27.3	24.7	22.2	21.6
Domestic %*	97.9	78.4	70.8	67.1	58.8	56.8	52.3	50.3	41.0	38.9	25.5
Labour cost %**	71.2	53.7	36.3	36.3	36.4	36.0	34.5	35.1	32.8	30.2	28.8
Headcount '000	263.3	304.3	320.0	323.3	375.9	375.1	381.5	393.5	507.6	524.8	535.4
National employment %***	97.5	80.2	74.9	73.0	59.7	57.0	52.8	47.8	36.3	34.1	33.4
Civil servants %***	37.1	31.6	26.9	24.3	19.5	18.7	17.7	16.4	12.3	11.7	11.8

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Deutsche Post AG since 1997**

- Restructuring and optimisation of national letter and parcel logistics during the 90ies, ongoing modernisation (new sorting technology, including delivery sequency sorting) and restructuring of retail outlets (increasing share of postal agencies)
- Decreasing employment at Deutsche Post AG (company based, about 78 thousand or 30% since 1998, in headcount), partially compensated by increasing employment at competitors (about 48

thousand in 2007); in 2008 strong decrease in competitors' employment (minus 40 % compared to 2007 due to insolvency of the PIN group)

- Deutsche Post AG has entered foreign domestic letter post markets mainly by acquisition: France and UK (upstream and consolidation services), Netherlands and Spain (delivery services)
- 2002: Deutsche Post AG acquires 100% of DHL International
- 2005: acquisition of UK logistics company EXEL
- 2006: Partial sale of Postbank AG, full divestment planned for 2009
- 2008: Decision to exit the US American parcel/express market

### Universal Service

*Universal service provider:* Deutsche Post AG (without designation)

#### *Peculiarity of universal service obligation in Germany*

- No official designation of a universal service provider since full market opening (market forces). So far, universal service is provided by the market (de facto by Deutsche Post)

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	1.8	1.7	1.7	1.6	1.5	1.6	1.6	1.5	1.5	1.5	1.5
Post offices %	54.9	42.7	40.9	41.8	39.7	40.8	41.3	44.4	44.1	43.3	
20g tariff FSC in €	0.56	0.56	0.56	0.56	0.56	0.55	0.55	0.55	0.55	0.55	0.55
100g tariff in % of 20g tariff	273	273	273	273	273	262	262	262	264	264	264
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €						0.55	0.55	0.55	0.70	0.70	0.70

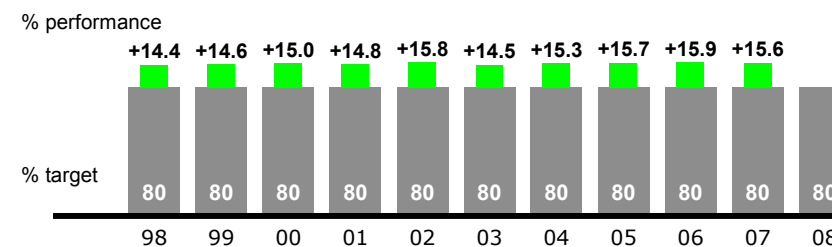
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, reports of the national regulatory authority and price lists of the incumbent postal operator

- Total number of Deutsche Post's postal outlets offering the full set of universal services decreased by 13% between 1998 and 2007 to 12,600 outlets
- Development in postal outlets: CAGR (1998 – 2008) = -1.7%
- Current share of postal outlets *owned* by Deutsche Post AG less than 10% of total, complete pull out announced for 2012 (current share of postal outlets with DPAG's employees: 43%)
- Establishment of additional postal service points offering a limited set of postal services
- Delivery frequency per week: 6 days
- Installation of automatic "Packstations" additional to postal outlets by Deutsche Post AG
- The major parcel competitor Hermes operates more than 13,000 outlets nationwide

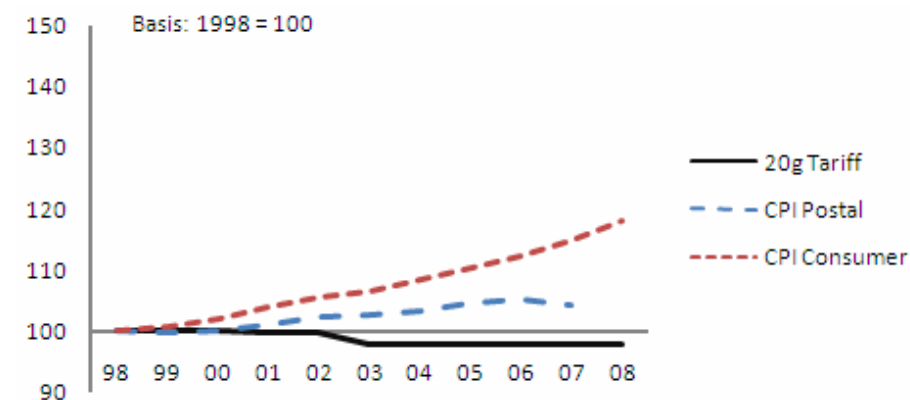
### D+1 Performance in %

*Deviation regulatory D+1 target and actual performance in percentage points*



Sources: Based on WIK-Consult and publications of the incumbent postal operator on quality of service (website)

### Price trend: 20g letter tariff (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The basic tariff is declined in real and nominal terms.
- Heavier correspondence is relatively expensive (more than double of the standard rate).
- Overall reduction in postal tariffs especially for industrial mail (introduction of rebate schemes for pre-sorted mail combined with downstream access)



- With full market opening Deutsche Post AG has further decreased the tariffs (by reducing volume thresholds for using access products)

### Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 97%)
Satisfaction Level	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 91%)
Satisfaction with service characteristics		no information available

Complaint statistics: Deutsche Post AG has not published any statistics on complaints and complaint handling. Since 1999 the National Regulation Authority publishes the number of complaints they received or had to resolve.

	Business Customers	
Satisfaction Level	NRA ('09):	91% are very or extremely satisfied with Deutsche Post; high satisfaction levels for competitors of Deutsche Post
	Interviews*:	very satisfied: 90%; not very satisfied 10%
Importance of service characteristics	NRA ('09):	Most important aspects are reliability, D+1 delivery and a good customer service
	Interviews*:	Interviews are in line with the conclusions from the NRA
Development of service characteristics	Interviews*:	Improvements perceived in customer service and pricing schemes

\* Interviews with 10 business customers carried out in May 2009 with more than 100,000 letter post items on average per month

### Further interview results

- All respondents have outsourced parts of the transport to the next access point. This includes consolidation services (mainly for office mail).
- Very large mailers are reluctant to outsource mail production to third parties (especially financial and insurance companies)

### Concluding Remarks

- The letter post market is at a mature stage with relatively stable mail volume: Growth potential for correspondence and direct mail is limited and may be negatively affected by emerging electronic alternatives in future ("De-Mail")

- Economic downturn has essentially affected direct mail (addressed and unaddressed), correspondence from businesses (delivered by Deutsche Post) seems to be fairly stable (possibly due to regaining market shares)
- The postal market is fully liberalised since 2008. Market shares of competing postal operators have increased until 2007. After full market opening competing postal operators have lost market shares. Future development of end-to-end competition is still at risk due to legislative barriers (minimum wage and VAT exemption)
- Access to postal services has improved (more access points, longer opening hours, more choice) with an ongoing trend to replace post offices by postal agencies.
- Transit time performance has been stable on a high level.
- Postal tariffs have declined for all customer groups: for large and medium-sized business mailers more than for consumers.
- The universal service has been provided at high quality level; full market opening in 2008 has had no negative impact on universal service provision (Deutsche Post still provides the universal service without legal obligation).
- Business customers have benefited from declining tariffs and an extension of service offerings. Especially small and medium-sized mailers often have the choice between different postal operators (consolidators or competing postal operators).
- Individuals have benefited from stable postal tariffs and improved accessibility and constantly reliable letters services.
- Deutsche Post AG has been developed to a multi-national corporation with a focus on logistics/express and letter post services (ongoing divestment of domestic parcel/express services in the US and of financial services in Germany)
- The incumbent postal operator Deutsche Post AG has been well prepared for competition in the letter market: (business) customer orientation and efficiency in service provision have been considerably improved
- The parcel and express markets have generated high growth rates in revenue
- Increasing competition in the parcel post segment (consumer parcels) resulted in declining prices and more choice for residential customers
- Quite mature parcel & express market with slow growth. Competitors increasingly focusing on the B2C market.
- Incumbent maintains a strong position in the market in both parcel and express, also due to the acquisition of DHL.
- Additional access points for parcel pick-up and delivery due to competitors setting up parcel shop networks.

## Greece

## Country Facts

Population '08:	11.2 million
Population growth (98-08):	3.8%
Population density '08:	85 / sqkm
Urbanisation rate '08:	60.9%
GDP '08 (PPS, billion):	EUR 273.3
GDP/capita '08 (PPS):	EUR 24,374
Postal services/GDP '00/07:	0.27%/0.31%



## Macro-economic indicators Greece

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.4	3.4	4.5	4.2	3.4	5.6	4.9	2.9	4.5	4.0	2.9
GDP/capita (PPS)	14,175	14,769	16,035	17,149	18,494	19,114	20,395	20,919	22,290	23,664	24,374
Inflation (CPI)*	80.1	81.8	84.2	87.3	90.7	93.8	96.6	100.0	103.3	106.4	110.9
Unemployment rate %	10.8	12.0	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	
Internet access** %					12	16	17	22	23	25	31
Broadband access** %						1	0	1	4	7	22

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	350g	350g	350g	5 times	
2003	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for universal postal services (VAT standard rate: 19%)

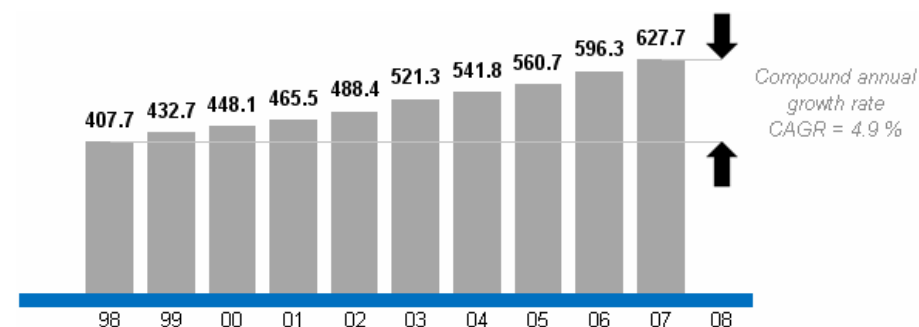
## National Regulatory Authority

Hellenic Telecommunications & Post Commission (EETT)

## Letter Post

Total market value: € 436 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	56	5.1%	
•Letters	49	5.8%	
••Correspondence	42	5.6%	
••Direct Mail	8	6.8%	
•Publications	7	1.1%	
Unaddressed advertising	3	30.7%	
Cross-border outbound	4	-5.0%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult and UPU

- Domestic letter post has considerably grown at high rates, especially correspondence and direct mail starting from a relatively low level in terms of items per capita.

- It does not appear that the emerging use of electronic alternatives have seriously affected the development of letter post in the past: The penetration rates for internet and broadband access are fairly low (compared to other EU-15 Member States)
- Cross-border outbound letter post has been considerably declining despite the reserved area.
- Around 85% of letter post is sent by businesses.
- Around two third of cross-border letter post (inbound and outbound) refer to destinations or originations within the European Union (2006)

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Cross-border		Decline in volume of cross-border outbound mail collected by ELTA; but part of the reserved area
outbound letter post	Emerging	

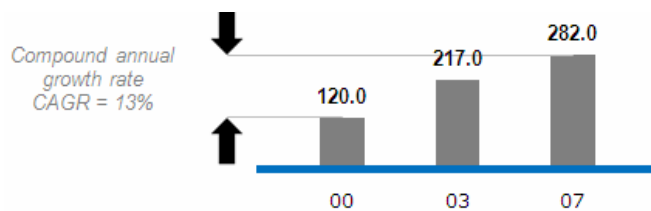
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- The market share of competitors within the universal service was around 1% in terms of volume and less than 0.5% in terms of revenues (2007)
- It appears that ELTA has lost market shares in the cross-border business; the considerable decline in cross-border outgoing mail is not consistent with the development in the domestic letter post business

**Parcel & Express**

**Estimated total market value (in million EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of ELTA**

- DHL, UPS, TNT, Interattica (DPD), ACS

**Key developments in the parcel & express market since 1997**

- CAGR (00-03): 21.8%
- CAGR (03-07): 6.8%
- Market increasingly dominated by the large international parcel and express companies.
- ELTA recently failed to sell its subsidiary Tachymetafores
- Many small and medium sized companies merged or started cooperations to compete with the large companies
- Increasing competition led (especially in the early years) to decreasing prices

**Incumbent Postal Operator: Hellenic Post (ELTA)**

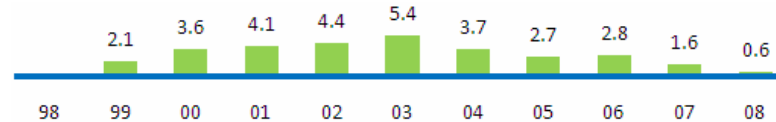
Company form: public limited company since 1996

1970: Corporatisation

1996: Transformation into a public limited company

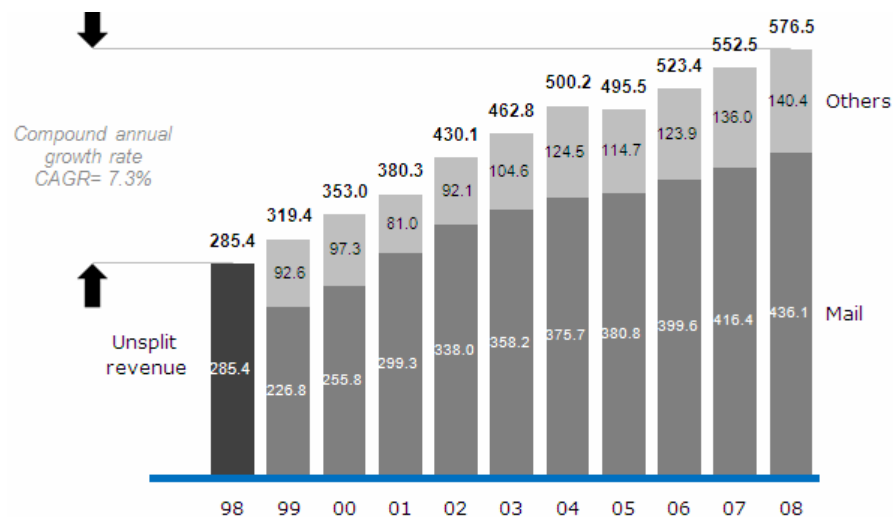
State ownership (31.12.2007): 90% direct, 10% held by Hellenic Postal Savings Bank

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) margin in % of corporate revenue**



Sources: Based on WIK-Consult and annual reports of the incumbent postal operator

## Corporate revenue in million EUR by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*		71.0	72.4	78.7	78.6	77.4	75.1	76.9	76.3	75.4	75.6
Domestic %*											
Labour cost %**		82.0	82.1	79.6	79.9	78.5	77.0	79.7	79.3	78.7	78.5
Headcount '000	11.1	11.0	10.8	10.6	11.3	11.4	11.4	11.5	11.3	11.3	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on WIK-Consult and annual reports of the incumbent postal operator

## Key developments of ELTA since 1997

- Until 1998 ELTA is a loss-making company whose losses were paid by the state.
- 1998: Establishment of the ELTA, as a commercial undertaking, that provides universal postal services in Greece
- Since 2000 ELTA has been profitable.

- 2001: ELTA Courier (Tachymetafores), a subsidiary of ELTA, provides courier services in Greece and cross border.
- 2008: A new two-year 2008-2009 enterprise-level agreement for ELTA employees has been concluded between POST and ELTA management
- ELTA focuses on the national letter post business; financial services are the second pillar in its business (around 15% of total revenues, UPU)

## Universal Service

Universal service provider: Hellenic Post (ELTA)

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.1	1.5	1.6	1.9	2.0	2.0	2.0	1.9	1.7	1.6	
Post offices %	82.1	60.7	55.0	48.1	45.2	43.4	43.7	46.0	50.7	49.2	
20g tariff FSC in €	0.30	0.37	0.39	0.41	0.45	0.47	0.49	0.50	0.52	0.52	0.57
100g tariff in % of 20g tariff	170	167	185	193	189	187	184	184			179
20g tariff SSC in €	0.27	0.34	0.36	0.38	0.40	0.42			0.47	0.47	0.51
20g tariff EU letter FSC in €	0.51	0.52	0.53	0.59	0.65	0.65	0.65	0.65	0.65	0.65	0.70

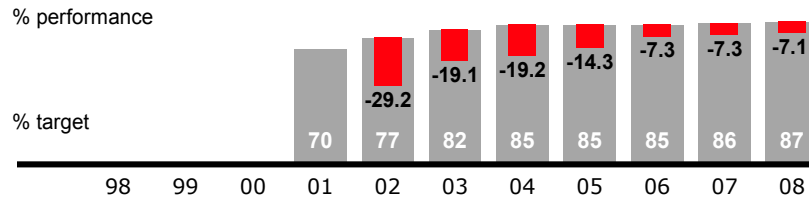
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = +3.93%; since 2003 the number of postal outlets has been declined by an average rate of minus 6%
- Delivery frequency per week: 5 days in urban areas, 3.5 days in rural areas
- Since 1998 the average delivery frequency in rural areas has steadily been reduced (UPU).
- Individuals and small business customers have a choice between a priority and an economy service.

**D+1 Performance in %**

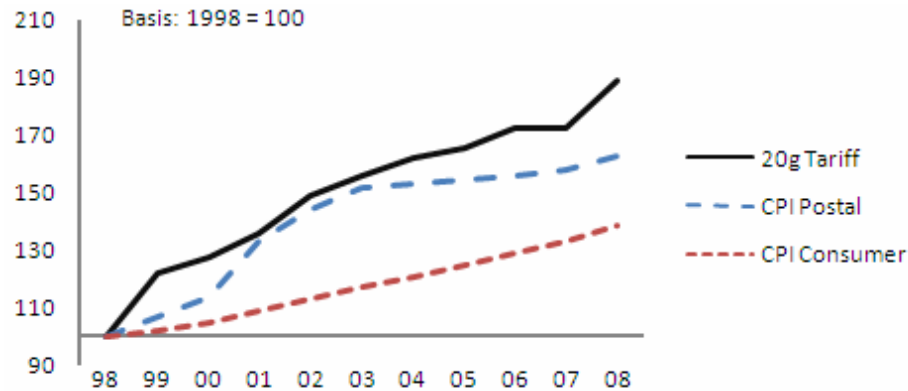
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and annual reports of the national regulatory authority

- The transit time performance was considerably improved between 2002 and 2006; since then the performance has fairly stagnated
- Combined with the declining average delivery frequency quality of service (UPU).

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The basic tariff has considerably increased since 1998: CAGR 1998-2008: 6.5%
- Revenues in the universal service area increased at a higher rate (CAGR 2000-2007 3.3%) than total volumes (including parcels, CAGR 2000-2007 7.9%)

- This indicates that postal tariffs have generally increased: for businesses as well as for individuals

**Customer Satisfaction**

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 91%)
Satisfaction Level	Eurobarometer ('02, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 95%)
Satisfaction with service characteristics		no information available

Complaints statistics: ELTA does not publish any statistics on complaints and complaint handling. Since 2006 the National Regulation Authority publishes the number of complaints the regulator has received and how the complaints have been settled.

	Business Customers	
Satisfaction Level	Interviews*:	very satisfied: 20%; not very satisfied 80%
Importance of service characteristics	Interviews*:	Most important aspects are customer service, reliability and product & service range
Development of service characteristics	Interviews*:	Improvements perceived in customer service, product & service range, transit time performance, reliability and pricing schemes

\* Interviews with 5 business customers carried out in May 2009 with up to 10,000 letter post items on average per month

**Concluding Remarks**

- Letter post, especially correspondence and direct mail, has considerably increased in the last years despite of increasing tariffs
- There is still some growth potential: The Greek economy appears to be less touched by the general economic downturn (estimated GDP growth rate for 2009: -0.9%) and the penetration of broadband and internet access is relatively low, so far.
- The letters market has not been substantially liberalised (maximum reserved area for all letter services).
- Competition in the traditional letter post business is very weak while the more dynamically growing courier segment (including express services) is very competitive
- It appears that business customers prefer using courier services for time-critical postal items.
- The number of postal outlets has declined since 2003; half of outlets are postal agencies.

- The transit time performance has been improved but appears to have reached its maximum at a level of around 80%. There is still some potential for improvements.
- The basic tariff has considerably increased since 1998 (stronger than CPI)
- Individuals were affected by strongly increasing basic postal tariffs and the reduction in the density of postal outlets since 2004.
- ELTA focuses on the domestic postal business as well as financial services.
- ELTA, the incumbent postal operator and Greek universal service provider, improved its profitability until 2003; since that year it is declining.
- However, in recent years ELTA has considerably reduced the number of postal outlets and operates about half as postal agencies.
- Strong growth in the parcel & express market at the beginning of the century, now growth is slowing down to a moderate level.
- Parcel & express market increasingly dominated by large international players

## Hungary

### Country Facts

Population '08:	10.0 million
Population growth (98-08):	2.3%
Population density '08:	108 / sqkm
Urbanisation rate '08:	67.5%
GDP '08 (PPS, billion):	EUR 159.8
GDP/capita '08 (PPS):	EUR 15,907
Postal services/GDP '02/07:	0.52%/0.68%



### Macro-economic indicators Hungary

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.9	4.2	5.2	4.1	4.4	4.3	4.7	3.9	4.0	1.2	0.5
GDP/capita (PPS)	8,928	9,515	10,673	11,622	12,541	13,080	13,649	14,189	15,013	15,569	15,907
Inflation (CPI)*	62.3	68.5	75.3	82.2	86.5	90.5	96.6	100.0	104.0	112.3	119.1
Unemployment rate %	8.4	6.9	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.4	
Internet access** %							14	22	32	38	48
Broadband access** %							6	11	22	33	42

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2001	350g	350g	350g	5 times	
2004	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption for all postal services provided by Magyar Posta Zrt. (VAT standard rate: 20%)

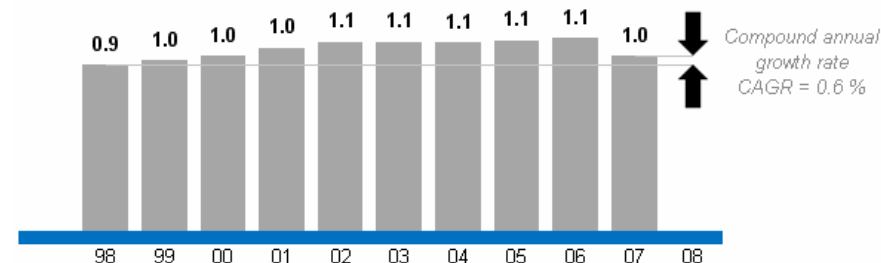
### National Regulatory Authority

National Communications Authority (Nemzeti Hírközlési Hatóság, NHH)

### Letter Post

Estimated market value: € 405 million (2007)

### Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	98	-1.5%	
•Letters	93	1.0%	
••Correspondence	90	0.7%	
••Direct Mail	3	20.6%	
•Publications	5	-23.1%	
Unaddressed advertising	70	15.5%	
Cross-border outbound	2	-1.3%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on UPU

- Decline in domestic letter post driven by two developments emerging in 2006/2007:  
Direct mail: Until 2006 direct mail has substantially increased (CAGR 2002-2006 of 67%).  
Between 2006 and 2007 direct mail volume declined from 87m to 29m items resulting from a revised product classification of Magyar Posta Zrt. in 2007: the product “direct mail” has been phased out; volumes and revenues migrated mainly to unaddressed advertising and catalogues.
- Publications: Successful market entry of an independent distribution network in 2006 resulted in a considerable decline in subscribed newspapers and periodicals formerly delivered by Magyar Posta Zrt.
- Growth in correspondence appears relatively low compared to the economic development of the country during the same period.
- Around 95% of letter post is sent by business customers; importance of private correspondence has been declined since 2004.

**Competition**

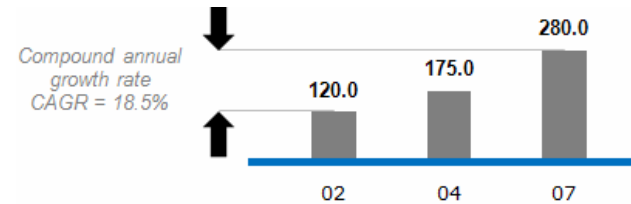
Letter post segment	Level of competition	Notes
Domestic letters	None	
Unaddressed advertising	Intense	
Cross-border outbound letter post	Emerging	

No information available on degree of competition in the sub-segments correspondence and direct mail  
Sources: WIK-Consult

- Publications: Successful market entry of an independent distribution network in Budapest and further 104 towns challenged the market position of Magyar Posta Zrt. in this business (MédialOG Fiege Zrt). Magyar Posta Zrt. stated that the company retained a significant market share by a changing product and tariff policy (Annual Report 2007).
- Competition in the letters segment has not emerged, so far.

**Parcel & Express**

Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Magyar Posta Zrt.**

- DHL, TNT, FedEx, UPS, GLS, Road Parcel Logistics

**Key developments in the parcel & express market since 1997**

- CAGR (02-04): 20.8%
- CAGR (04-07): 17.0%
- Magyar Posta Zrt. with a decreasing market share (2002: ~30% 2007:~15%)
- Increasing role of international companies
- Market concentration 2007: TOP 5 companies with ~75% market share
- GLS setting up a network of parcel shops (currently ~220)

**Incumbent Postal Operator: Magyar Posta Zrt.**

Company form: public limited company (Zrt.) since 1994

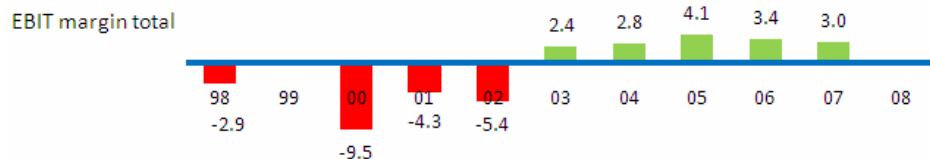
1983: Corporatisation of the Magyar Posta Office (telecommunications and postal services)

1990: Separation of the Telecommunications and Broadcasting companies from the Magyar Posta Office

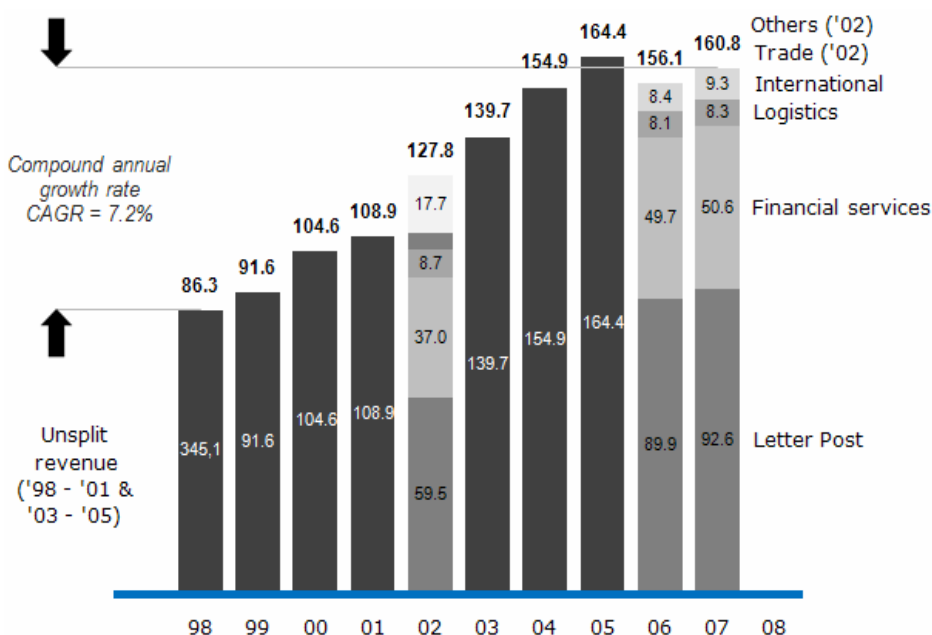
1994: Transformation into a public limited company (Magyar Posta Office Zrt.)

State ownership (31.12.2008): 100%



**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

Sources: Based on UPU and annual reports of the incumbent postal operator

**Corporate revenue in billion HUF by business segments**

Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*				47.5	44.3	48.3	42.6	43.4	49.8	50.2	
Domestic %*											
Labour cost %**				64.3	58.6	56.3	53.5	53.7	60.3	61.1	
Headcount '000	41.1	41.2	43.9	43.3	43.7	41.1	39.8	38.8	38.7	36.4	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*\*% of total revenue \*\*\*% of total operating expenses \*\*\*\*% of total headcount

Sources: Based on UPU and annual reports of the incumbent postal operator

**Key developments of Magyar Posta Zrt. since 1997**

- 2002/2003: Start of the modernisation programme; since 2002 employment has been reduced at an average rate of minus 3.6% per year. Reduction in employment has not resulted in declining labour costs.
- 2003: Postabank is successfully privatised, postal financial services are today the second important pillar of the business of Magyar Posta Zrt. (around 30% of turnover)
- 2004: Magyar Posta Zrt. sets up the logistics services business unit (MPL)
- 2005: In order to satisfy the quality requirements that come into force in 2004, harmonised measures are taken and there is an impressive improvement as regards delivery and waiting times
- 2005: Based on the five-year strategy, Magyar Posta Zrt. becomes a priority service provider in that year
- 2007: „Year of the Customer”, in which Magyar Posta Zrt. devotes heightened attention to the requirements and opinion of customers and to strengthening customer reaction

**Universal Service**

Universal service provider: Magyar Posta Zrt.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	3.1	3.2	3.2	3.2	3.2	3.1	2.8	2.8	2.8	2.9	
Post offices %	91.3	90.3	88.3	87.4	86.8	86.5	88.8	88.3	87.7	87.6	
20g tariff FSC in HUF	30	32	34	36	38	44	90	90	90	95	100
100g tariff in % of 20g tariff	152	152	149	152	152	149	178	178	179	175	
20g tariff SSC in HUF							48	50		62	70
20g tariff EU letter FSC in HUF					180	210		190		210	230

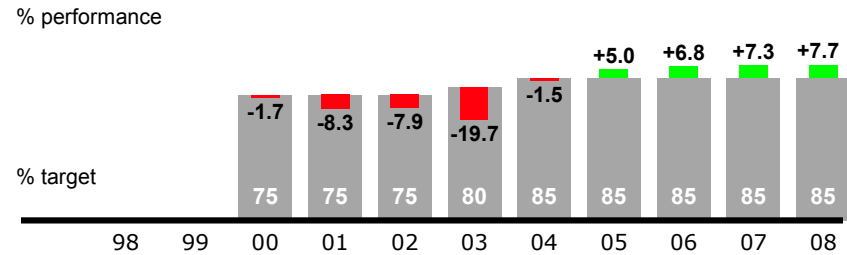
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -1.29%
- Share of postal agencies is relatively low: Magyar Posta Zrt. intends to increase the share of postal agencies to 40% in due time
- Delivery frequency per week: 5 days
- Introduction of a standard D+1 service in 2004

### D+1 Performance in %

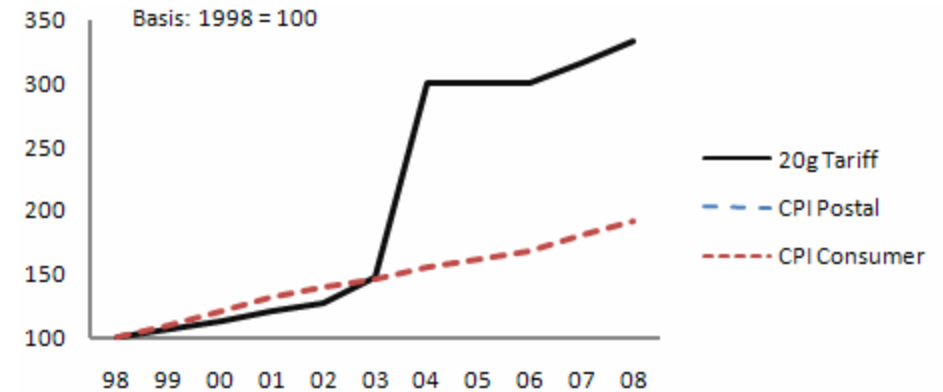
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, Eurostat and Ecorys

- One important result of the modernisation programme of Magyar Posta Zrt. started in 2003 is a considerable improvement in transit time performance and the introduction of a standard D+1 letter service in 2004.
- This improvement is also reflected in the transit time performance for cross-border letters originated in or destined to Hungary between 2005 and 2008.

### Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator and Eurostat

- Seemingly strong increase in the basic postal tariff between 2003 and 2004. Price jump was the result of upgrading the fastest standard category from a D+3 to a D+1 service; the D+3 service became the economy tariff in 2004.
- Priority service D+1: CAGR (2004-2008) 2.7%
- Economy service D+3: CAGR (1998-2008) 8.8% [CAGR (2004-2008) 9.9%]
- Share of D+1 on total correspondence substantially less than 10% (2006)
- Price increase in the basic economy service higher than general inflation rate (CPI)
- Postal CPI published since 2001: CAGR (2001-2008) 11.5% compared to the CAGR (2001-2008) 5.4% of the general CPI.
- Introduction of special products for large mailers (introduction of a new tariff system) in 2007, but phasing out of separate direct mail products

**Customer Satisfaction**

Consumers	
<b>Use of postal services</b>	Eurobarometer ('03, '04, '06): Use of postal services is fairly stable (2006: 94%)
<b>Satisfaction Level</b>	Eurobarometer ('03, '04, '06): Satisfaction with accessibility is fairly stable (2006: 96%)
<b>Satisfaction with service characteristics</b>	no information available

## Complaints statistics:

- Magyar Posta Zrt. as well as the National Regulation Authority does not publish any statistics on complaints and complaint handling
- In 2003 5% of consumers made a complaint, the proportion has been stable over the years (Eurobarometer '03, '04, and '06)

Business Customers	
<b>Satisfaction Level</b>	Interviews*: very satisfied: 40%; not very satisfied 60%
<b>Importance of service characteristics</b>	Interviews*: Most important aspects are reliability, product & service range, the price level and delivery on the next working day
<b>Development of service characteristics</b>	Interviews*: Improvements perceived in product & service range, transit time performance, reliability and customer service Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 with different value of letter post items on average per month (the range goes from 1,000 up to 50,000 and one respondent with more than 100,000 letter post items per month)

## Further interview results

- Respondents see no trend to substituting physical delivery by electronic alternatives.
- The Magyar Posta Zrt. tends also to be the main provider for the Parcel & Express services, customers being in general satisfied with the offered service

**Concluding Remarks**

- Growth in letter post volume was limited in the past and appears to be also limited for the next future
- Growth potential in correspondence depends on impact of new tariff structure of Magyar Posta Zrt. and the general economic situation

- Strong economic decline in Hungary (expected GDP growth rate 2009 minus 6.3%) may negatively affect letter post volume in 2008-2009
- Growth potential for direct mail appears limited (depends on pricing schedules for the economy service of Magyar Posta Zrt, the attractiveness of unaddressed advertising, and the general economic situation)
- So far, emerging electronic alternatives have not substantially affected letter post volume; this may change in the coming years as the penetration rates for internet and broadband are relatively high in Hungary
- The letters market has not been substantially liberalised (maximum reserved area for all letter services). Competition in the letters business has not evolved, so far.
- The number of postal outlets has moderately declined (still relatively high density compared to EU-15 Member States); the share of postal agencies has increased.
- Transit time performance has considerably increased, but coming from a low level. Basic 20g tariff has substantially been increased (more than general inflation rate).
- Individuals and business customers have benefited from improving reliability of postal services and more choice (introduction of standard priority service); additionally, business customers sending transactional mail may benefit from new pricing schedules.
- Magyar Posta Zrt. mainly focuses on national postal operations and postal financial services
- Magyar Posta Zrt. has considerably improved its market position by effectively modernising its postal operations and has improved its profitability;
- Cost flexibility appears limited (high share of post offices, increasing share of labour costs)
- Strong growth in the parcel & express market
- Incumbent with decreasing importance in the parcel & express segment, while international player rise their market shares.
- Additional access points for pick-up and delivery of parcels, as competitor GLS set up a network of ~220 parcel shops

## Iceland

## Country Facts

Population '08:	0.3 million
Population growth (98-08):	15.1%
Population density '08:	3 / sqkm
Urbanisation rate '08:	92.3%
GDP '08 (PPS, billion):	EUR 8.9
GDP/capita '08 (PPS):	EUR 28,572
Postal services/GDP '99/07:	0.52%/0.49%



## Macro-economic indicators Iceland

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	6.3	4.1	4.3	3.9	0.1	2.4	7.7	7.5	4.4	3.8	0.3
GDP/capita (PPS)	23,961	24,912	25,277	26,309	26,666	26,097	28,577	29,551	29,671	30,023	28,572
Inflation (CPI)*	79.4	81.1	84.7	90.3	95.1	96.4	98.6	100.0	104.7	108.5	122.3
Unemployment rate %											
Internet access** %						81	84	83	84		
Broadband access** %						45	63	72	76		

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	250g	250g	250g	5 times	
2003	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- Letter post services are VAT exempted (VAT standard rate 24.5%)

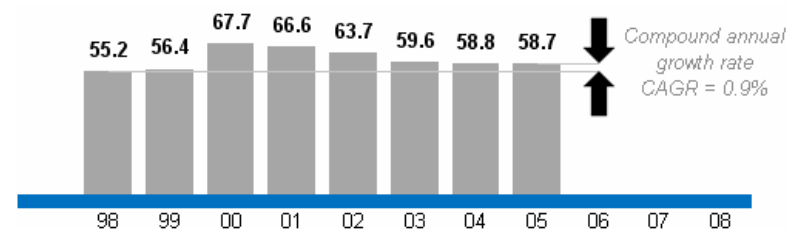
## National Regulatory Authority

Post and Telecom Administration (PTA)

## Letter Post

Estimated market value: € 64 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2005)	CAGR (2002-2005)	Notes
Domestic letter post	200	-2.7%	
•Letters	188	-1.6%	
•Publications	12	-15.4%	
Unaddressed advertising	189	25.4%	
Cross-border outbound	6	-5.0%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on UPU

- Data on letter post volume available until 2005 (UPU)
- Letter post market appears to be well developed in terms of items per capita but suffered a substantial decline in letter post volume
- Decline in publications delivered by Pósturinn also result from competition
- Decline of domestic and cross-border letter post may result from emerging electronic alternatives: Penetration of internet and broadband access is extremely high since years.

- Business customers sent 87% of letter post; the importance of private correspondence has declined since 2004.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	None	
Unaddressed advertising	Substantial	
Cross-border outbound letter post	None	

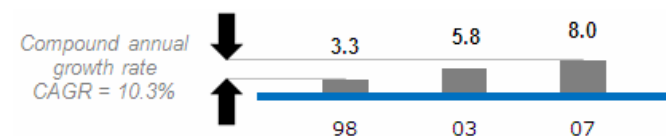
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: WIK-Consult, Ecorys

- Competition in the correspondence business has not emerged (very small letter post market in terms of population).
- Competition has emerged in the direct mail segment (Pósthúsið)

### Parcel & Express

#### Total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Pósturinn

- DHL, FedEx, TNT, UPS

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): 12.0%
- CAGR (03-07): 8.2%
- Due to the special geographic situation and the small size of Iceland, the parcel and express market is quite small shows special characteristics
- The large integrators DHL, FedEx, TNT and UPS are present in the market but besides them and the national postal operator it appears to be no further parcel and express service operator. On the international segment several Air Freight companies are offering their services.
- Iceland Post is agent for TNT Express

#### Incumbent Postal Operator: Pósturinn

Company form: State enterprise

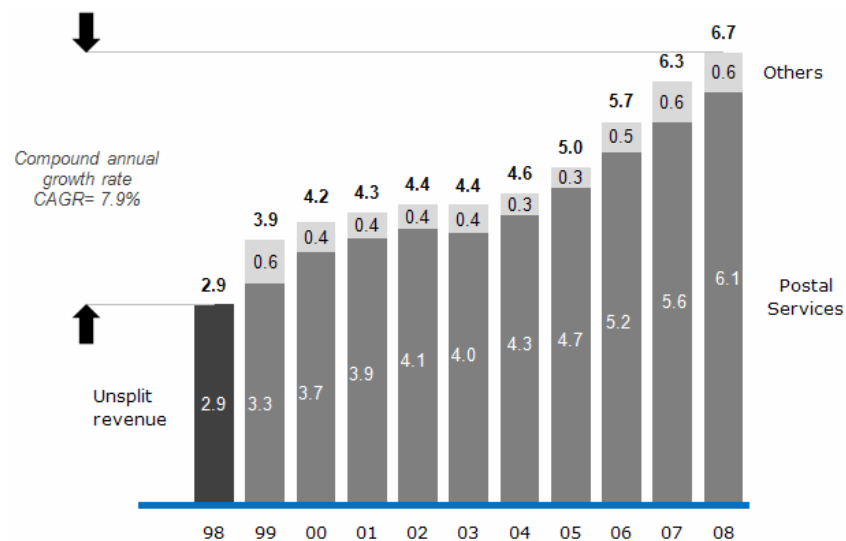
State ownership (31.12.2008): 100 %

#### EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on annual reports of the incumbent postal operator

Corporate revenue in billion ISK by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**		58.0	60.4	57.3	57.3	56.9	56.1	58.7	58.6	58.9	56.8
FTE '000		1.3	1.3	1.2	1.1	1.0	1.0	1.0	1.1	1.1	1.0
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %****											

\*% of total revenue \*\*% of total operating expenses \*\*\*\*% of total FTE

Sources: Based on annual reports of the incumbent postal operator

Key developments of Iceland Post since 1997

- 2002: For the first time, the Company's core operations yield a profit
- 2002: Software Poststod is introduced which operates along with the sender's sales system, prints out labels containing all delivery information and submits data electronically to Pósturinn
- 2004: Implementation of a quality-assurance system
- 2005: Purchase of the Telegram Services Division of Iceland Telecom

- Cost saving measures resulted in a decline in employment [CAGR (1999-2008)], postal outlets, and an increasing share of postal agencies.

Universal Service

Universal service provider: Pósturinn

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	3.7	3.6	3.5	3.3	3.2	3.4	3.2	3.2	3.0	2.7	
Post offices %	97.0	92.9	86.7	77.7	69.9	58.6	49.5	48.4		50.6	
20g tariff FSC in ISK	35	35	40	42	45	45	45	50	50	60	60
100g tariff in % of 20g tariff	157	157	150	143	144	144	144	140	140	133	133
20g tariff SSC in ISK	No second class letter service for the general public										
20g tariff EU letter FSC in ISK	45	50	50	55	60	60	65	70	70	75	80

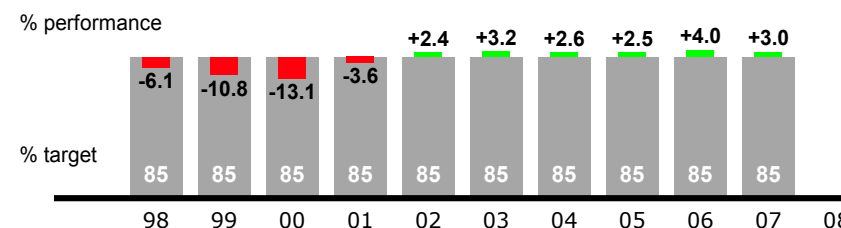
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, Eurostat, Ecorys and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -2.16%
- Delivery frequency per week: 5 days per week

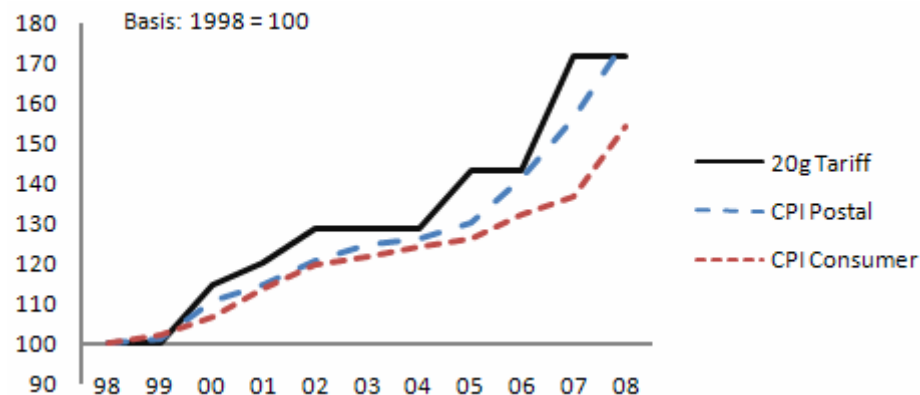
D+1 Performance in %

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and annual reports of the national regulatory authority

- Transit time performance has considerably improved between 2000 and 2002 but has remained below 90% until 2007

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**

Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Basic 20g tariff has substantially been increased (more than general inflation rate): CAGR (1998-2008) 5.5% (CAGR CPI: 3.3%)
- Tariffs of heavier letters have less been increased (CAGR 3.8%)
- Inflation in 2008 and 2009 boosted due to strong devaluation of the currency

**Customer View**

- No information found

**Concluding Remarks**

- Decline in letter post volumes in the past: Letters and publications appear to be substantially affected by emerging electronic alternatives
- Future growth potential very limited due to severe economic decline (2009: expected GDP growth rate -11.9%)
- The letters market has not been substantially liberalised resulting in very limited competition (reserved area for all letter services up to 50g).

- Competition in the letters business has emerged in the direct mail segment.
- The number of postal outlets has declined while the share of postal agencies has increased.
- Transit time performance has slightly improved since 2000. Basic postal tariffs have grown at higher rates than the general inflation.
- Benefits for Customers (Individuals and Business Customers)
- Pósturinn focuses on national postal operations, has improved quality of service, and operates fairly profitable
- The future of Pósturinn business will be negatively affected by the economic downturn and emerging electronic alternatives for physical delivery
- Small parcel & express market with little competition due to the geographic situation of Iceland and special market characteristics

## Ireland

## Country Facts

Population '08:	4.4 million
Population growth (98-08):	19.2%
Population density '08:	63 / sqkm
Urbanisation rate '08:	61.3%
GDP '08 (PPP, billion):	EUR 160.9
GDP/capita '08 (PPP):	EUR 36,577
Postal services/GDP '00/07:	0.57%/0.46%



## Macro-economic indicators Ireland

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	8.4	10.7	9.2	5.8	6.4	4.5	4.7	6.4	5.7	6.0	-2.3
GDP/capita (PPS)	20,663	22,570	25,095	26,400	28,426	29,323	30,984	32,720	35,192	37,803	36,577
Inflation (CPI)*	78.3	80.3	84.5	87.8	92.0	95.7	97.9	100.0	102.7	105.6	
Unemployment rate %	7.5	5.7	4.3	4.0	4.5	4.7	4.5	4.4	4.5	4.6	
Internet access** %						36	40	47	50	57	63
Broadband access** %						1	3	7	13	31	47

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	350g	350g	350g	5 times	
2003	100g	100g	100g	3 times	
2004	100g	100g		3 times	
2006	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for postal services provided by An Post excluding distribution of unaddressed items and courier services (VAT standard rate 21.5%)
- Lack of a postal code system: In 2008 Communications Minister Eamon Ryan has decided to recruit more consultants to establish a "more complete estimate of the costs and benefits" of postcodes to the public sector (additional to estimations of the National Postcode Project Board. The final decision is still pending.

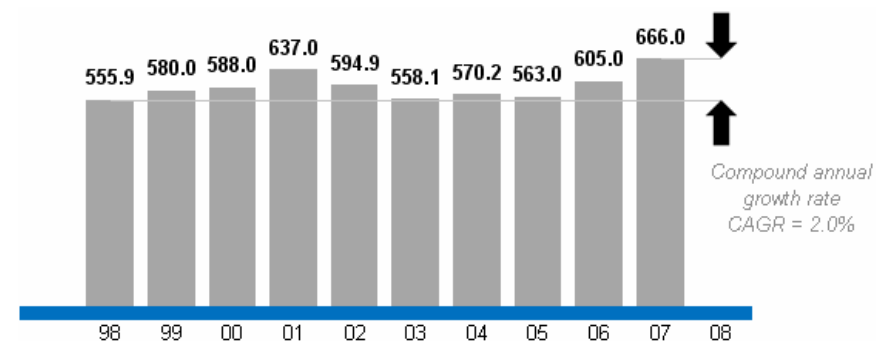
## National Regulatory Authority

Commission for Communications Regulation (ComReg)

## Letter Post

Estimated market value: € 646 million (2007)

Domestic letter post volume (in million items)





Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	154	2.3%	
•Letters	150	2.2%	
••Correspondence	141	2.8%	
••Direct Mail	9	-5.5%	
•Publications	4	6.5%	
Unaddressed advertising	34	13.3%	
Cross-border outbound	16	-4.2%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult and UPU

- Domestic letter post has grown until 2007. The growth was mainly driven by increasing correspondence, while the direct mail segment has been facing declining volumes.
- The direct mail segment appears underdeveloped compared to other national markets (especially in the Western Member States).
- The development of the direct mail business is hampered by the fact that the national postal operator An Post has not established a postal code system.
- Emerging electronic alternatives to physical delivery have not substantially affected the development in letter post volume. This may change in future.
- 2008: An Post states in its Annual Report that business volumes declined by 2% arising mainly in the second half of the year.
- Around 85% of letter post is sent by businesses; thereof two thirds to individuals

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	None	
Cross-border outbound letter post	Emerging	

No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

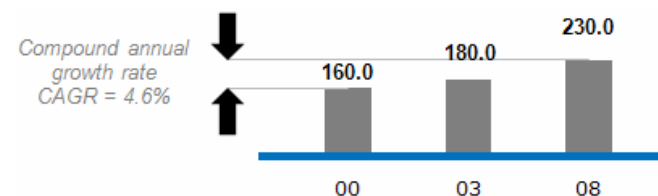
Sources: WIK-Consult

- In the domestic letters business competition has not emerged, (only niche players in document exchange and delivery of registered items). An Post is the only postal operator providing delivery services for letters.

- Emerging competition can be observed in the cross-border outbound segment that is relatively large compared to other Member States (confirmed by business customer surveys))

### Parcel & Express

#### Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of An Post

- DHL, TNT, Nightline, Interlink, UPS, FedEx

#### Key developments in the parcel & express market since 1997

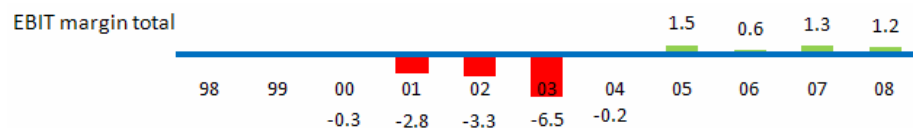
- CAGR (00-03): 4.0%
- CAGR (03-08): 5.0%
- An Post losing market shares but still an important player in the market.
- DHL established in the Top of the market as well followed by TNT and DPD (Interlink), UPS and FedEx have a less strong position but are present in the market.
- Nightline is the largest local company behind An Post.
- Some competitors like GLS (~80) and DHL (~45) setting up a network of access points.

#### Incumbent Postal Operator: An Post

Company form: limited company

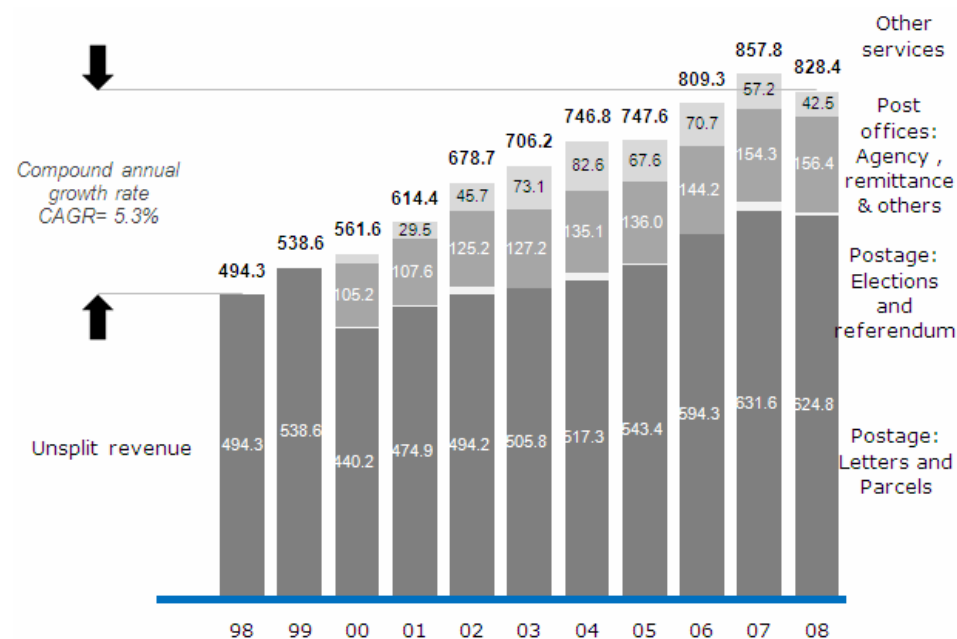
1983: Corporatisation of An Post as fully state-owned public limited company

State ownership (31.12.2007): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

Sources: Based on annual reports of the incumbent postal operator

- An Post has always stated "interest income" as part of the revenues. This position has been always positive. In our understanding the interest income is identical with the financial result and therefore not part of the EBIT.

**Corporate revenue in million EUR by business segments**

Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*			76.9	76.4	74.3	71.3	70.5	72.3	72.6	73.8	74.1
Domestic %*			100.0	100.0	98.4	95.1	94.6	96.9	96.8	96.8	97.2
Labour cost %**			68.9	69.7	68.4	66.6	67.1	69.8	71.9	71.0	73.2
Headcount '000	8.6	9.0	9.4	9.7	10.2	10.4	10.4	10.0	10.0	9.9	10.0
National employment %***	100	100	100	100	100	100	100	100	100	100	100
Civil servants %***											

\*% of total revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of An Post since 1997**

- 2002: An Post acquires the entire share capital of Kompass Ireland Publishers Limited in order to add business-to-business marketing databases to the Group's existing business-to-consumer database services provided by Precision Marketing Information Limited
- 2002: Purchase of the E.commerCell companies in the UK and Spain
- 2007: New pilot scheme e-Parcel in cooperation with eBay.
- 2007: An Post becomes a direct participant in the Irish retail banking sector with the launch of Postbank in May 2007 (joint venture with the large European banking and insurance group, Fortis)
- An Post's employment has been relatively stable, the share of labour costs on total operating expenses has steadily increased.

**Universal Service**

Universal service provider: An Post

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	5.2	5.1	5.1	4.7	4.5	4.2	4.0	3.8	3.6	3.4	3.2
Post offices %	5.1	5.1	5.1	5.4	5.4	5.5	5.6	5.6	5.5	5.1	4.3
20g tariff FSC in €	0.41	0.38	0.38	0.38	0.41	0.48	0.48	0.48	0.48	0.55	0.55
100g tariff in % of 20g tariff	141	150	150	150	146	100	100	100	100	100	100
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €	0.41	0.41	0.41	0.41	0.44	0.44	0.65	0.65	0.75	0.78	0.82

\* per 10,000 inhabitants

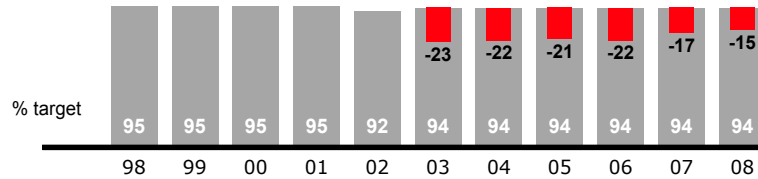
Sources: Based on WIK-Consult, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -2.89%
- Traditionally high share of postal agencies (subpostmasters)
- Delivery frequency per week: 5 days

**D+1 Performance in %**

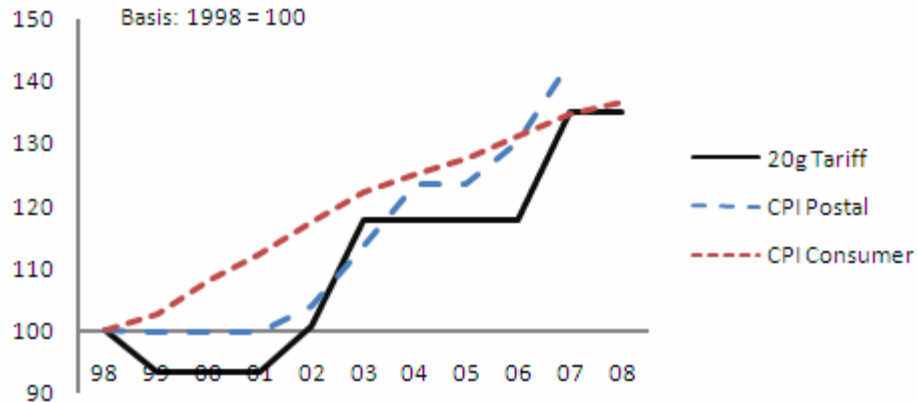
Deviation regulatory D+1 target and actual performance in percentage points

% performance



Sources: Based on WIK-Consult and quality of service reports published by the national regulatory authority

- Independent performance measurement since 2003 (commissioned by ComReg). Transit time performance has been improved since 2006 but is still below 80% (D+1).

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**

Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Since 1999 basic postal tariff has significantly increased: CAGR (1999-2008) 4.2% but not at higher rates than the general consumer price index.

**Customer View**

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Use of postal services is fairly stable (2006: 96%)
Satisfaction Level	NRA ('03 - '08):	Satisfaction level is fairly stable between 2002 and 2008 (nearly 90%)
	Eurobarometer ('02, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 96%)
Satisfaction with service characteristics	NRA ('03):	less satisfied with information provided by An Post with regard to postal services

Complaints statistics:

- Since 2003 An Post published the number of complaints (separately for different types of reasons)
- The incidence of reporting complaint about the postal service has remained relatively consistent over the years, with approximately one in five having registered a complaint. In ca. 80% the main reason for complaint were delivery issues (business customer survey yearly published by NRA)

	Business Customers	
Satisfaction Level	NRA ('03 - '08):	Satisfaction level declined between 2003 and 2006 then increasing from 48% to >60% in 2008
	Interviews*:	very satisfied: 0%; not very satisfied 100%
Importance of service characteristics	NRA ('03 - '08):	The major reason for dissatisfaction are problems in delivery
	Interviews*:	Most important aspects are reliability, D+1 delivery and the product & service range
Development of service characteristics	Interviews*:	Improvements perceived in pricing schemes and product & service range

\* Interviews with 3 business customers carried out in May 2009 with more than 50,000 letter post items on average per month

**Concluding Remarks**

- Growth in letter post volume appears to be limited because of drastic economic downturn (expected 2009 GDP growth rate -9%) and emerging electronic alternatives for physical delivery
- Direct mail development limited because of absent postal code system

- The letters market has not been substantially liberalised (maximum reserved area for domestic letter services). Competition has emerged in the cross-border but not in the domestic letters business (only small niche players)
- An Post has reduced the number of postal outlets; compared to other Western Member States the density is still relatively high. The share of subpostmasters and franchised postal outlets is traditionally very high.
- Quality of service has been improved but is still below 80%. Basic postal tariffs have significantly increased (but in line with the development of the general inflation rate).
- Business customers' satisfaction is low because of problems in reliability.
- An Post has traditionally focused on national postal operations. In 2007 An Post started building up a second pillar by establishing a postbank (joint venture with Fortis)
- Revenues especially in postal operations have strongly increased driven by increasing volumes and tariffs. However, the overall profitability of operations has achieved relatively low levels (below 2%).
- An Post's cost flexibility appears to be limited, i.e. in case of declining letter post volumes An Post may go into the red.
- Quite mature parcel & express market (CAGR 03-08: ~5%)
- Incumbent losing market shares but remains an important player in the parcel delivery market.

## Italy

## Country Facts

Population '08:	59.6 million
Population growth(98-08)	4.8%
Population density '08:	198 / sqkm
Urbanisation rate '08:	68%
GDP '08 (PPS, trillion):	EUR 1.5
GDP/capita '08 (PPS):	EUR 25,184
Postal services/GDP '99/08:	0.55%/0.54%



## Macro-economic indicators Italy

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	1.4	1.5	3.7	1.8	0.5	0.0	1.5	0.7	2.0	1.6	-1.0
GDP/capita (PPS)	20,326	20,944	22,272	23,311	22,978	23,063	23,210	23,613	24,535	25,327	25,184
Inflation (CPI)*	85.0	86.4	88.6	90.7	93.1	95.7	97.8	100.0	102.2	104.3	108.0
Unemployment rate %	11.4	11.0	10.1	9.1	8.6	8.5	8.1	7.7	6.8	6.1	
Internet access** %					34	32	34	39	40	43	47
Broadband access** %								13	16	25	31

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1999	350g		350g	5 times	Direct Mail: postings with more than 10,000 items are not reserved
2003	100g		100g	3 times	
2006	50g		50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for all postal services provided by Poste Italiane (VAT standard rate 20%)
- State compensation for delivery of publications

- State compensation for universal service provision  
(Total state compensation accounts for around 13% of postal revenues)

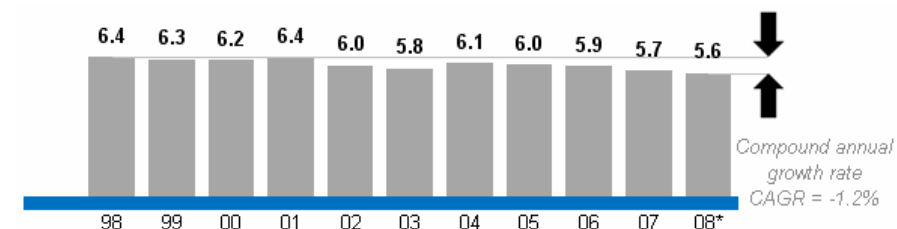
## National Regulatory Authority

Ministry of Communication, department for postal regulation

## Letter Post

Estimated market value: € 4.6 billion (2008)

Domestic letter post volume (in million items)



\* Data for 2008 estimated

Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	97	-0.9%	Based on Poste Italiane
•Letters	80	1.2%	
••Correspondence	56	-2.0%	
••Direct Mail	24	12.5%	
•Publications	17	-8.1%	
Unaddressed advertising	10	14.4%	2008: - 3.3%
Cross-border outbound	1	-6.3%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult, UPU and annual reports of the incumbent postal operator

- Correspondence (including cross-border inbound) has decreased since 2004 by an average rate of minus 2.2%. Tariff increases outweighed decline in letter post volume: letters revenues increased by in average 2% since 2004.
- The decline in letters partly resulted from phasing out the economy service for individuals and small business customers in 2006: In 2005 D+1 correspondence accounted for 12% of total correspondence; its share has increased to 46% in 2006.
- Simultaneously, Poste Italiane s.p.a. introduced a new service for non-urgent transactional mail (D+3, Posta Massiva): In 2007 Posta Massiva accounted for more than half of total correspondence.
- Impact of emerging electronic alternatives to physical delivery appears to be limited, so far.
- Traditionally, Poste Italiane s.p.a. offers hybrid mail services to improve service quality: CAGR (2001-2007) 14%
- Hybrid mail accounted for nearly 30% of total letters in 2007.
- Direct mail (Postatarget, D+5/7 service of Poste Italiane s.p.a.) has considerably increased
- Around 85% of letter post is sent by businesses.

### Competition

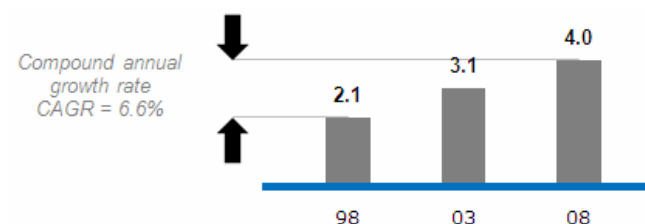
Letter post segment	Level of competition	Notes
<b>Domestic letters</b>	Emerging	
•Correspondence	Emerging	Key competitor of Poste Italiane: TNT Post (focus on unaddressed and registered items)
•Direct mail	Emerging	
<b>Cross-border outbound letter post</b>	Emerging	Part of the reserved area
No information available on degree of competition in unaddressed advertising		

Sources: WIK-Consult and Ecorys

- Emerging competition in the letters business; TNT Post appears to be the most important competitor
- Poste Italiane s.p.a. and TNT Post are active in the mail production business (hybrid mail)

### Parcel & Express

#### Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Poste Italiane s.p.a.

- DHL, TNT, Bartolini, UPS, GLS, FedEx

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): 7.9%
- CAGR (03-08): 5.2%
- In comparison to other European economies, the Italian Parcel & express market is of a relatively small size.
- The market has consolidated over the last years. It is dominated by 8 players who have a market share of ~75%. The top 4 collectively make up >50% of total market value.
- International companies established their business through acquisitions or cooperations with Italian companies.
- Poste Italiane s.p.a. (including its subsidiary SDA Express) still holds a market share of ~10-15%.

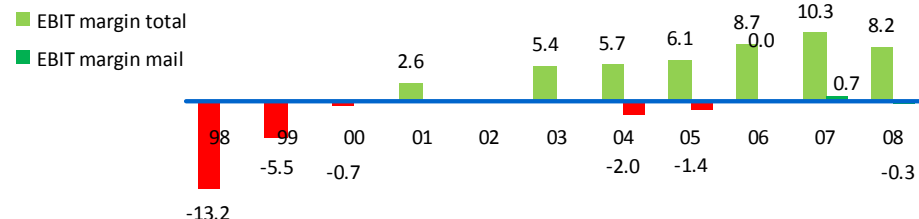
#### Incumbent Postal Operator: Poste Italiane s.p.a.

Company form: public limited company since 1994

1994: Transformation of the state enterprise into a public limited company (Poste Italiane s.p.a.)

State ownership (31.12.2008): 100% (65% direct, 35% indirect) via Cassa Depositi e Prestiti

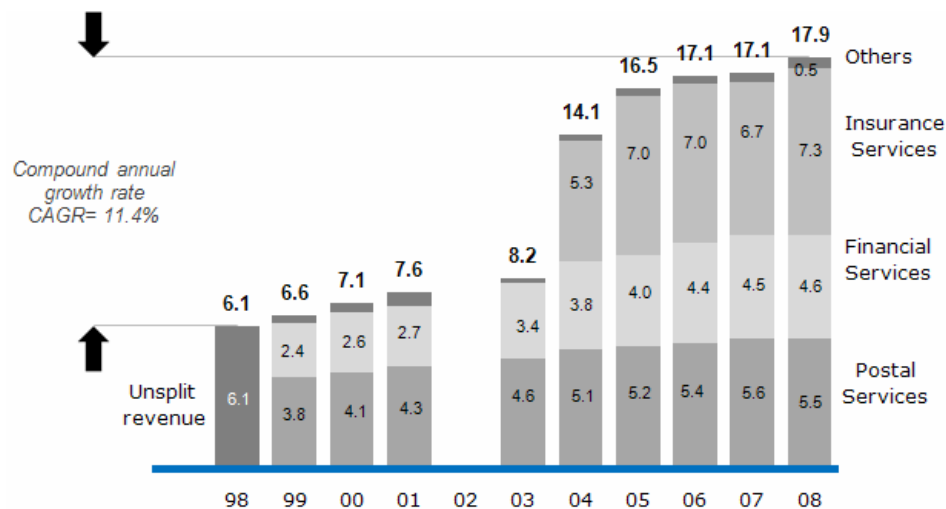
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- No data available for 2002
- Postal operations have been loss making (EBIT includes state compensation for postal operations)
- The financial business of Poste Italiane s.p.a. is highly profitable and has benefited from the financial crisis 2008/2009.

**Corporate revenue in million EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**	76.5	74.2	70.9	66.7		64.5	39.4	36.4	35.4	38.1	36.9
FTE '000	183.9	179.7	173.9	166.5	160.4	157.3	155.2	155.6	155.3	149.0	150.4
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total FTE  
Sources: Based on annual reports of the incumbent postal operator

**Key developments of Poste Italiane s.p.a. since 1997**

- 2000: Poste Italiane s.p.a. launches the Conto BancoPosta account. Upgrading of post offices begins
- 2003: Postepay, the most widely used prepaid credit card in Europe is created
- 2005: Online Recorded Delivery launched in cooperation with Microsoft
- 2007: First postal company worldwide to join the mobile telephone sector with PosteMobile
- Ongoing modernisation of postal operations and of retail outlets
- Corporate employment is fairly stable, employment in postal operations has increased between 2004 and 2008 (headcount): +2% per year

**Universal Service**

Universal service provider: Poste Italiane s.p.a.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.3
Post offices %	100	100	100	100	100	100	100	100	100	100	100.0
20g tariff FSC in €	0.62	0.62	0.62	0.62	0.62	0.62	0.60	0.60	0.60	0.60	0.60
100g tariff in % of 20g tariff		200	200	200	200	200	250	250	250	250	250
20g tariff SSC in €	0.41	0.41	0.41	0.41	0.41	0.41	0.45	0.45	0.45	0.45	0.45
20g tariff EU letter FSC in €		0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.65	0.65	0.65

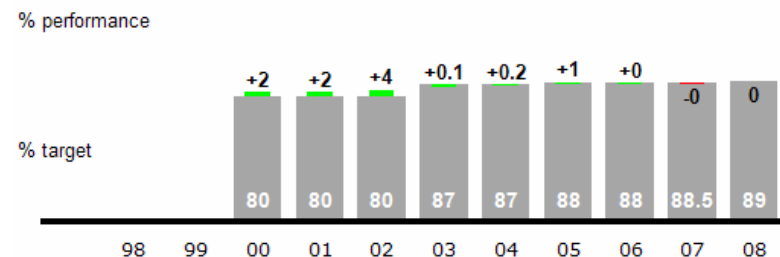
\* per 10,000 inhabitants  
Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- State compensation for universal postal services
- Establishment of a universal service fund
- Development in postal outlets: CAGR (1998-2008) = 0%
- No postal agencies.
- Delivery frequency per week: 6 days (one more than required by postal legislation)

- Second class letter service for individuals and small business customers was phased out in 2006.

**D+1 Performance in %**

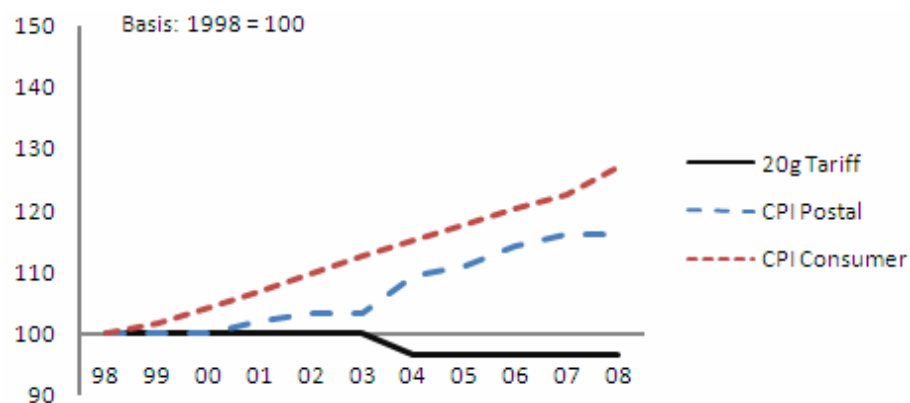
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, annual reports of the incumbent postal operator and the national regulatory authority

- Domestic transit time performance has improved due to modernisation activities of Poste Italiane s.p.a.; however, the performance is still below 90%.
- Improvements in domestic transit time performance are also reflected in the cross-border transit time performance

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Standard tariff for the D+1 service has declined in absolute terms.
- But: Phasing out of the economy service for individuals and small businesses resulted in a considerable price jump between 2006 and 2007: plus 33%
- Poste Italiane s.p.a. has revised the tariff structure of the economy service for business customers: The tariffs of the new D+3 product “Posta Massiva” are based on delivery zones (zonal tariffs). Three delivery zones depending on density of delivery points. The tariff for a standard 20g letter delivered in an urban area (“Aree Metropolitane”) is EUR 0.28 compared to delivery outside this area (“Aree Extra Urbane”) EUR 0.53. For letters up to 50g price differences between the three delivery zones are significant [max. difference EUR 0.25]; for heavier letters differences are fixed to EUR 0.05 [max. difference between the delivery zones EUR 0.10].

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Use of postal services is fairly stable (2006: 82%)
<b>Satisfaction Level</b>	Eurobarometer ('02, '04, '06):	Declining satisfaction with accessibility (2006: 78%)
<b>Satisfaction with service characteristics</b>		no information available

Complaints statistics:

- Since 2006 Poste Italiane s.p.a. published the number of complaints (separately for different types of reasons for complaining)
- The customers’ disposition to make a complaint has increased from 2% (2000) to 6% in 2006 (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 20%; not very satisfied 80%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, the price level, product & service range and delivery on the next working day
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in product & service range and transit time performance Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 with around 1,000 letter post items on average per month



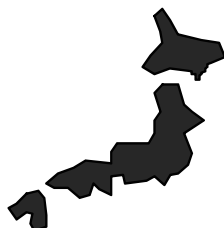
### Concluding Remarks

- Letter post volume has declined mainly due to changes in the tariff structure of Poste Italiane s.p.a. (phasing out of the economy mail product for the public) and less by emerging electronic alternatives to physical delivery.
- Direct mail items per capita appear relatively low, however, market figure might be higher (possibly competition in this area).
- Poste Italiane s.p.a. experienced significant growth in direct mail and in hybrid mail products
- Future growth prospects in direct mail limited by economic decline (2009 GDP growth rate - 4.4%).
- Significant market segments are liberalised (Direct Mail). Competition has emerged in the letters business; the major competitor TNT Post is also active in mail production.
- The number of postal outlets has been fairly stable; all postal outlets are post offices.
- Domestic transit time performance has improved due to modernisation activities of Poste Italiane s.p.a.; however, the performance is still below 90%. Standard tariff for the D+1 service has declined in absolute terms; but: Phasing out of the economy service for individuals and small businesses resulted in a considerable price jump between 2006 and 2007: plus 33%.
- Individuals and small businesses have benefited from better quality of service and better accessibility; however, they experienced a considerable price jump due to the abolishment of the economy service.
- Large business customers (transactional and direct mail) have at least partly benefited from new pricing schedules (Posta Massiva and Postatarget).
- Poste Italiane s.p.a. focuses on national postal and non-postal business activities and has substantially extended the financial and insurance businesses offered in its modernised post offices: In terms of revenues Poste Italiane s.p.a. is more a financial than a postal company.
- The profitability of Poste Italiane s.p.a. has been considerably improved mainly promoted by the financial and insurance businesses; postal operations are still loss-making and subject to ongoing state compensations.
- Postal operations has been modernised which is reflected in a better transit time performance. Nevertheless cost flexibility appears to be limited: Poste Italiane s.p.a. does not operate any postal agencies and employment in postal operations has even increased.
- The parcel & express market has consolidated over the last years. Poste Italiane s.p.a. remains an estimated market share of ~10-15%.
- Constant, but decreasing parcel & express market growth (CAGR 03-08: ~5%).

## Japan

## Country Facts

Population '08:	128 million
Population growth (98-08):	1.2%
Population density '08:	339 / sqkm
Urbanisation rate '08:	66.4%
GDP '08 (PPS, trillion):	EUR 3.6
GDP/capita '08 (PPS):	n/a
Postal services/GDP '03/07:	0.91%/0.90%



## Macro-economic indicators Japan

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.2	4.4	3.7	0.8	1.6	2.5	3.6	2.9	2.8	2.0	1.1
GDP/capita (PPP)	20,528	20,981	22,274	22,472	22,922	23,249	24,468	25,388	26,607	27,924	28,148
Inflation (CPI)*	101.1	100.7	100.0	99.2	98.4	98.1	98.1	97.8	98.1	98.1	99.5
Unemployment rate %	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	
Internet access** %					49	54	56	57			
Broadband access** %											64

\* CPI = Consumer Price Index 2000 = 100 \*\*of total national households

Sources: Eurostat, Japan Statistics Bureau, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2002	Full market opening				De facto monopoly for correspondence up to 250g and priced up to 1,000 Yen

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult and Ecorys

## Legal barriers to competition other than the reserved area

- To obtain a license for general correspondence delivery the licensee must fulfil the universal service requirements, i.a. nationwide delivery six days per week, installation of 100,000 collection boxes.

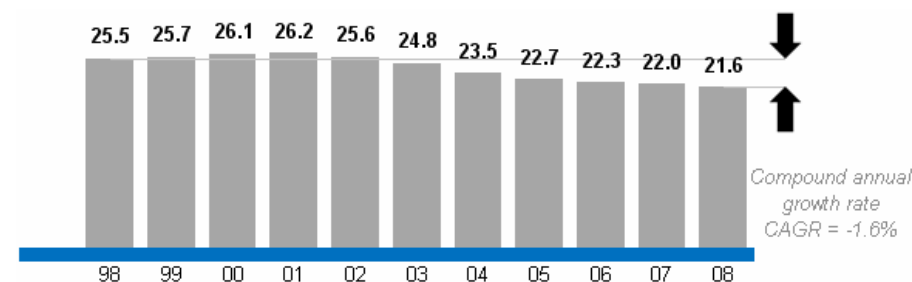
## National Regulatory Authority

Ministry of Internal Affairs and Communications (MIC), created in 2001 by the merger of the Ministry of Home Affairs, the Ministry of Posts and Telecommunications (MPT) and the Management and Coordination Agency

## Letter Post

Estimated market value: € 11.9 billion (2007)

Total letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	172	-3.0%	
•Letters	168	-3.2%	
•Publications	4	5.2%	
Unaddressed advertising	n.a.	n.a.	
Cross-border outbound	1	-5.2%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator

- Letter post volume has declined since 2001.
- Between 2007 and 2008 letter post volume further declined by -1.8% to less than 170 items per capita.

- Japan Post states that emerging electronic alternatives were the major reason for the ongoing decline.
- Nearly 80% of letter post is sent by business customers thereof more than three quarter to individuals. The share of letters sent between individuals (C2C) is extraordinarily high (20%, mainly postcards).

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	None	
Cross-border outbound letter post	Substantial	

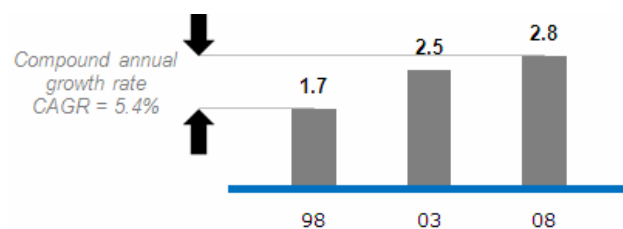
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult and Ecorys

- Competition in the letters segment has not emerged.

**Parcel & Express**

**Estimated total market value (in trillion JPY)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Japan Post**

- Yamato, Sagawa, Nippon Express, Fukuyama, DHL, FedEx, UPS, TNT

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 8.6%
- CAGR (03-08): 2.4%
- Market quite concentrated (TOP 5 companies accounting for >90% of the market already in the early 2000's)
- Door-to-Door Parcel delivery market dominated by Japanese companies (Yamato, Sagawa etc.) while the Express Market shows a dominance of international Integrators (DHL, FedEx, etc.)
- Japanese parcel operators offer a high number of parcel shops (Konbinis/ Takkyubin Shope) to their clients
- Japan Post neglected the parcel business for years, but is since 2003 trying to win customers. It has a slightly increasing position on the Express & Parcels market and shows a market share of ~7-9% in 2008.

**Incumbent Postal Operator: Japan Post (Nippon Yūsei Kōsha)**

Company form: State enterprise

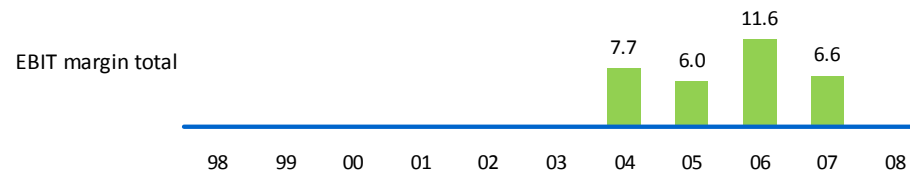
2001: Establishment of Postal Service Agency

2003: Corporatisation of Japan Post (Japan Post)

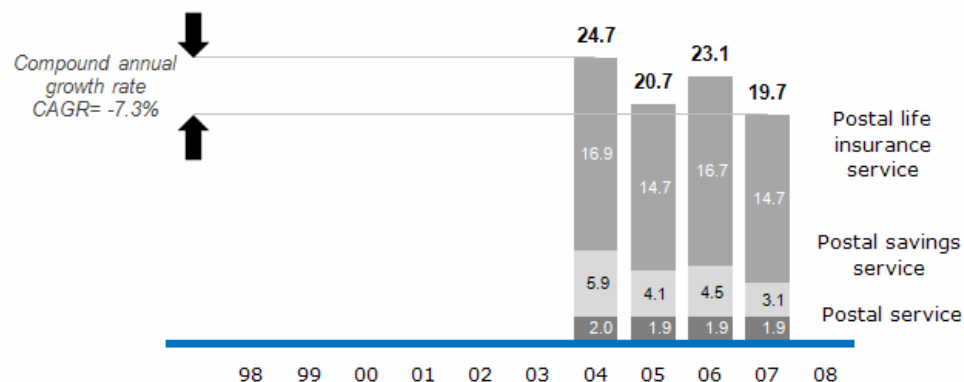
2006/2007: Establishment of Japan Post Group (Holding with the subsidiaries Japan Post Service, Japan Post Bank, and Japan Post Insurance)

State ownership (31.12.2008): 100 % via Ministry of Finance (plan to reduce the share to 33.3% until 2017)

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Corporate revenue in trillion JPY by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*					8.0	9.4	9.4	8.3	9.8		
Domestic %*					100.0	100.0	100.0	100.0	100.0		
Labour cost %**											
Headcount '000					271.4	262.0	256.6	254.2	247.1	240.1	
National employment %***					100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of postal on corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

Key developments of Japan Post since 1997

- 2002: Founding member of the Kahala Postal Group (together with public postal operators from USA, China, Australia, Korea and Hong Kong). The KPG aims to face the strong competition from the Integrators, especially in the emerging Asian packet market
- 2003: Foundation of Japan Post Co., Ltd. as a public corporation, replacing the old Postal Services Agency
- 2005: Strategic agreement between Japan Post and ANA for cooperation in the field of international cargo

- 2006: 1. Creation of the airline AJV, having as shareholders: ANA 51,7%, Japan Post 33,3%, Nippon Express 10% and Mitsui OSK 5% 2. Starting of the "preparation period" for the privatisation process. JP will be split up into four companies under a holding company: Postal service corporation, Post Office Corporation, Postal Savings Bank Corporation Postal Life Insurance Corporation
- 2007: 1. Starting of the "Transition Period" of the privatisation process from Oct. 1 2007 through March 31, 2017; it appears that the privatisation process has been slowed down or even stopped because of the financial crisis and doubts that the postal bank should be privatised (Wall Street Journal, Japan Post Privatisation Takes Fresh Hit, June 15, 2009)
- 2. Agreement between Japan Post and Nippon Express for domestic parcel delivery merger
- Employment Japan Post Service (~100,000) has been significantly reduced since 1998 (around 40,000 or 30%).

Universal Service

Universal service provider: Japan Post (Nippon Yūsei Kōsha)

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Post offices %	81.4	81.5	81.6	81.7	81.8	81.9	82.0	82.1	82.3	84.0	
20g tariff FSC in JPY								80	80	80	80
100g tariff in % of 20g tariff								175	175	175	175
20g tariff SSC in JPY								No second class service			
20g tariff EU letter FSC in JPY											

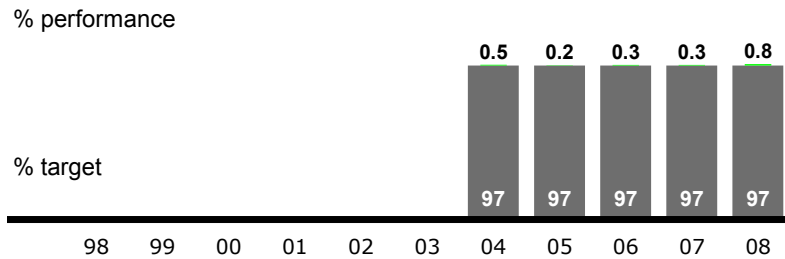
\* per 10,000 inhabitants

Sources: Based on UPU, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -0.06%
- Delivery frequency per week: 6 days
- The second class service offered by Japan Post Services refers to postcards (also a D+3 service, 50 JPY)

**D+3 Performance in %**

Deviation regulatory D+3 target and actual performance in percentage points



Sources: Based on annual reports of the incumbent postal operator

- Japan Post does not offer a regular D+1 service.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**

- No time-series information available

**Customer View**

- No information available

**Concluding Remarks**

- In Japan the Letter post volume has declined since 2001: from around 200 items per capita to less than 170 in 2008 possibly due to emerging electronic alternatives.
- Private correspondence (postcards) plays an important role in the business and account for one fifth of total letter post.
- The postal market is fully liberalised since 2002. Due to strict license conditions competition has not emerged in the correspondence segment (no information on direct mail).
- Stable number of postal outlets with a high share of post offices

- Japan Post is more a financial and insurance company than a postal service provider: Postal service provision accounts for less than 10% of total revenues.
- Since 2007 every business segment (bank, insurances and postal services) become an own legal entity owned by state-owned Japan Post Holding.

## Latvia

## Country Facts

Population '08:	2.3 million
Population growth (98-08):	-6.2%
Population density '08:	35 / sqkm
Urbanisation rate '08:	68.1%
GDP '08 (PPS, billion):	EUR 30.8
GDP/capita '08 (PPS):	EUR 13,568
Postal services/GDP '02/07:	0.33%/0.53%



## Macro-economic indicators Latvia

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.8	3.3	6.9	8.0	6.5	7.2	8.7	10.6	12.2	10.0	-4.6
GDP/capita (PPS)	6,014	6,393	6,966	7,630	8,409	8,956	9,859	10,894	12,381	13,578	13,568
Inflation (CPI)*	93.2	94.5	95.5	97.0	97.3	96.3	97.4	100.0	103.8	109.8	122.0
Unemployment rate %	14.3	14.0	13.7	12.9	12.2	10.5	10.4	8.9	6.8	6.0	
Internet access** %					4	6	12	16	35	44	51
Broadband access** %							5	14	23	32	40

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2004	100g	100g	100g	3 times	Before May 2004 the weight
2006	50g	50g	50g	2.5 times	threshold was 2kg

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for reserved letters services (VAT standard rate 21%)

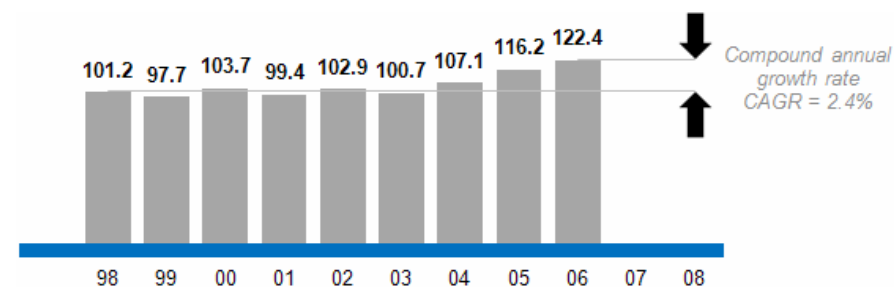
## National Regulatory Authority

Public Utilities Commission (PUC)

## Letter Post

Estimated market value: € 36 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2006)	CAGR (2002-2006)	Notes
Domestic letter post	54	3.5%	2007 figures not available
•Letters	26	5.3%	2007: +1.7%
••Correspondence	24	5.4%	
••Direct Mail	2	21.0%	
•Publications	28	3.6%	2007 figures not available
Unaddressed advertising	27	6.9%	
Cross-border outbound	2	4.9%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on UPU

- Domestic letter post has substantially increased, but at lower growth rates than real GDP.
- Emerging electronic alternatives have possibly limited growth in correspondence: the penetration rates of internet and broadband access are relatively high.

- The direct mail is not well-developed, so far; unaddressed advertising plays a more important role
- Publications (subscribed newspapers and periodicals) have been half of domestic letter post delivered
- Around 85% of letter post is sent by businesses, thereof more than 80% to individuals.

**Competition**

LV	Level of competition	Notes
Domestic letters	None	
Cross-border outbound letter post	None	

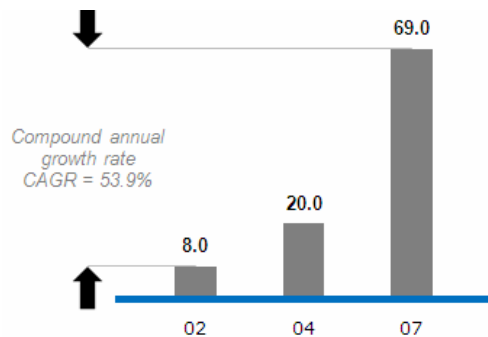
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- Competition has not emerged, so far.

**Parcel & Express**

**Estimated total market value (in million EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Latvijas Pasts**

- DHL, TNT, UPS, DPD

**Key developments in the parcel & express market since 1997**

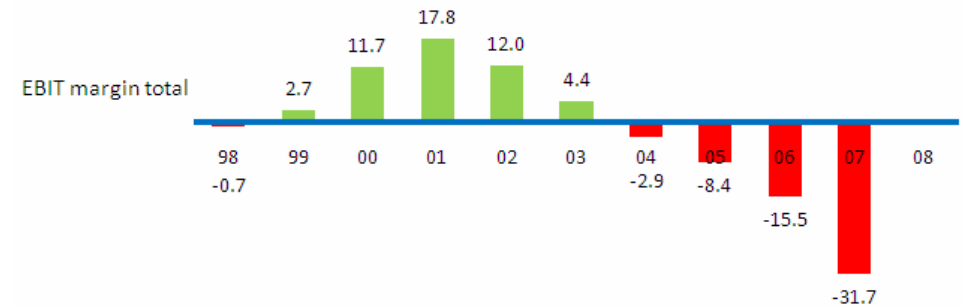
- CAGR (02-04): 53.8%
- CAGR (04-07): 51.9%
- Strong market growth (especially in the cross-border market segment) due to rising economy and the EU accession in 2004.
- Latvijas Pasts losing market shares but still remains an important player (~15% market share)
- International companies took control of the market by acquisitions over the last years.

**Incumbent Postal Operator: Latvijas Pasts**

Company form: public limited company

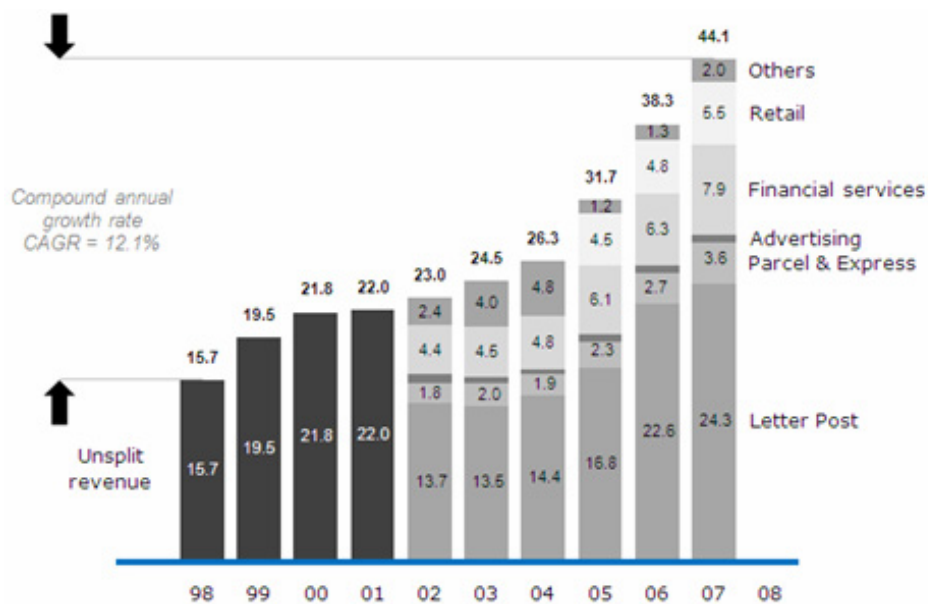
State ownership (31.12.2008): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on UPU and annual reports of the incumbent postal operator

## Corporate revenue in million LVL by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*					59.6	54.9	54.8	53.0	58.8	55.1	
Domestic %*											
Labour cost %**					62.4	61.0	59.5	53.8	55.8	51.7	
Headcount '000	7.6	7.5	7.4	7.2	7.2	7.3	7.5	7.6	7.8	6.9	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on UPU and annual reports of the incumbent postal operator

## Key developments of Latvijas Pasts since 1997

- 2004: Latvijas Pasts continues extensive renovation at post offices across Latvia, it implements new services and improves mail delivery

- 2005: Latvijas Pasts joins the UNEX 2005 mail quality measurements to monitor speed of mail delivery
- 2005: Latvijas Pasts is the sole provider of social payment delivery in cash to the residence of the customers
- 2006: Latvijas Pasts and the secretariat of the Electronic Management Division of the Special Affairs Minister sign an agreement on the delivery of the means for developing a safe electronic signature and the services connected with e-signature for the Republic of Latvia
- The Baltic incumbent postal operators (Latvian, Lithuanian, and Estonian Post) form the Baltic Postal Union.
- Latvijas Pasts faces severe financial problems with very high losses seriously jeopardising the company (see EBIT margin). The losses resulted from substantial increases in costs (especially labour cost). In order to save costs more than 200 outlets were closed in 2007 and employment was significantly reduced (minus 12%). To raise revenues postal tariffs have been increased in 2006, 2007, and 2009.

## Universal Services – Key Statistics and Performance Indicators

Universal service provider: Latvijas Pasts

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.3	3.1	
Post offices %	100	100	100	100	100	100	100	100	100	100	
20g tariff FSC in LVL	0.10	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.22	0.32	0.32
100g tariff in % of 20g tariff	160	233	233	233	233	233	233	233			213
20g tariff SSC in LVL										0.22	0.22
20g tariff EU letter FSC in LVL	0.48	0.50	0.30	0.30	0.30	0.30	0.30	0.30			0.45

\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the national regulatory authority

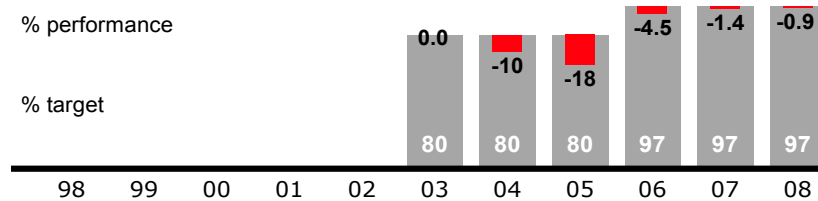
- Development in postal outlets: CAGR (1998 – 2007) = -3.53%; in 2007 Latvijas Pasts closed more than 200 post offices.
- Delivery frequency per week: up to 2004: 6 days; since 2005: 5-6 days (5 days are required by postal legislation)
- Delivery frequency per working day:
  - up to 2001: 3 deliveries per working day
  - since 2002: 2 deliveries per working day (due to early delivery of newspapers)
- Tariffs for letters weighing more than 50g include VAT (21%)



- Individuals and small business customers have a choice between a priority and an economy service since 2007.

**D+1 Performance in %**

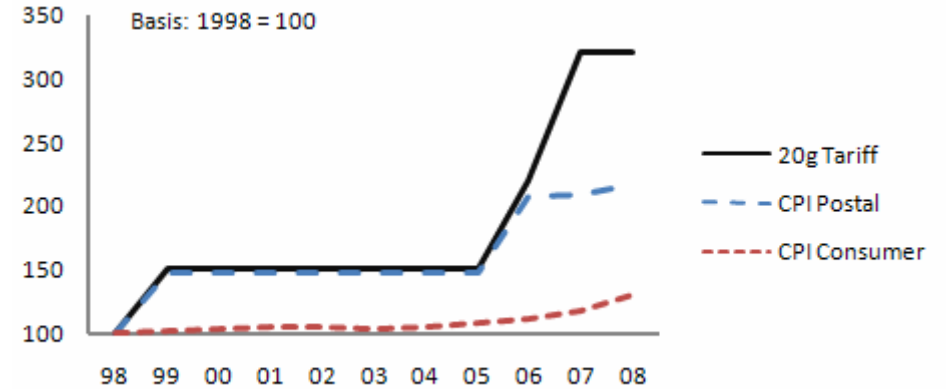
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and annual reports of the national regulatory authority

- Introduction of D+1 standard letters service in 2007 (priority service).
- Former D+3 letters service is now the economy service
- Significant increase in transit time performance after establishing the priority service (Latvijas Pasts states that the priority service accounted for 11 percent of total letters in 2006.
- So far, the improvements in the domestic transit time are not reflected by the cross-border transit time performance.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The price jump of the FSC resulted from the introduction of a standard D+1 service in 2007.
- Tariff development of the 20g D+3 service: CAGR (1998-2008): 8.2%
- In 2009 standard tariffs for priority and economy service raised to LVL 0.40 (plus 25%) respectively LVL 0.35 (plus 59%)

**Customer Satisfaction**

	Consumers	
Use of postal services	Eurobarometer ('03, '04, '06):	Increasing use of postal services (2006: 96%)
Satisfaction Level	Eurobarometer ('03, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 96%)
Satisfaction with service characteristics		no information available

Complaints statistics:

- Latvijas Pasts as well as the National Regulation Authority does not publish any statistics on complaints and complaint handling
- In 2003 1.5% of customers made a complaint; the proportion was stable over the years (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 40%; not very satisfied 60%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, nationwide delivery and price level
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in reliability, product & service range and transit time performance Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 with up to 10,000 letter post items on average per month

#### Further interview results:

- Most respondents have already switched a part of their physical mail to electronic delivery but at different degree. In their view substitution of physical by electronic delivery will increase.

#### Concluding Remarks

- Until 2006 all segments (correspondence, direct mail, and publications) have substantially grown. However, the direct mail segment is characterised by very low items per capita (2 items per capita).
- We expect that in 2008 and 2009 letter post volume declines due to several reasons: strong decline in GDP (2009 GDP growth rate: -13.1%, already negative in 2008), substantially increasing postal tariffs, and emerging electronic alternatives (relatively high penetration rates for internet and broadband access)
- The letters market has not been substantially liberalised (maximum reserved area for all letter services). Competition has not emerged, so far.
- The density of postal outlets has substantially declined between 2006 and 2007. All postal outlets are post offices.
- Significant increase in transit time performance after establishing the priority service; up to 2006 increase of basic tariffs are in line with the development of the general inflation rate, the following price jump resulted from the introduction of a standard D+1 service in 2007.
- Customers have benefited from improvements in transit time performance and a recently introduced standard D+1 service.
- However, individuals as well as business customers have been affected by substantial tariff increases since

- Latvijas Pasts focuses on the national postal business and postal financial services. Since 2004 the company made considerable losses resulting in drastic cost saving measures and increases in postal tariffs.
- Small but strongly growing parcel & express market.
- Incumbent with losing market shares in the parcels & express market but still with a significant market share.

## Lithuania

## Country Facts

Population '08:	3.4 million
Population growth (98-08):	0.5%
Population density '08:	52 / sqkm
Urbanisation rate '08:	66.9%
GDP '08 (PPS, billion):	EUR 52.1
GDP/capita '08 (PPS):	EUR 15,465
Postal services/GDP '01/07:	0.40%/0.40%



## Macro-economic indicators Lithuania

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	7.5	-1.5	4.2	6.7	6.9	10.2	7.4	7.8	7.8	8.9	3.0
GDP/capita (PPS)	6,790	6,879	7,466	8,193	9,016	10,147	10,896	11,853	13,087	14,776	15,465
Inflation (CPI)*	78.1	79.8	81.9	83.9	85.6	88.1	93.6	100.0	106.6	117.3	135.2
Unemployment rate %	13.2	13.7	16.4	16.5	13.5	12.5	11.4	8.3	5.6	4.3	
Internet access** %					4	6	12	16	35	44	51
Broadband access** %						2	4	12	19	34	43

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2001	350g	350g	350g	5 times	
2004	100g	100g		3 times	
2006	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for letter post services part of the universal service (VAT standard rate 19%)

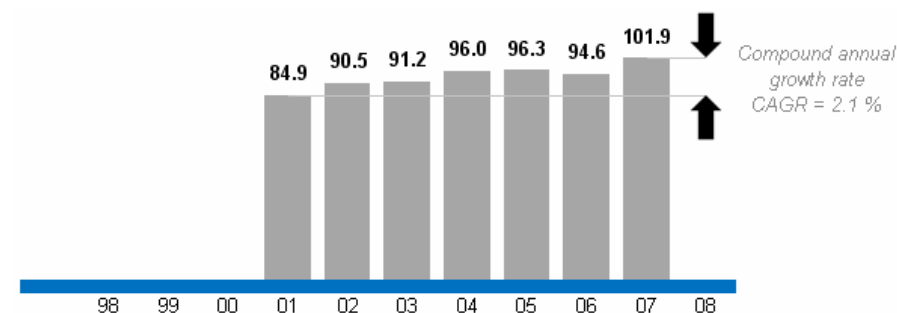
## National Regulatory Authority

Communications Regulatory Authority of The Republic Of Lithuania (RRT)

## Letter Post

Estimated market value: € 49 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	30	2.4%	
•Letters	16	2.9%	
••Correspondence	16	2.3%	
••Direct Mail	1	n.a.	
•Publications	14	1.8%	
Unaddressed advertising	30	39.1%	
Cross-border outbound	1	-2.2%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult and UPU

- The letter post market is characterised by very low letter post items per capita. About half of letter post delivered by Lietuvos Paštas is subscribed publications. The direct mail segment has recently started emerging.
- Growth in correspondence is limited compared to high GDP growth rates.
- The penetration rate of broadband and internet access is relatively high which may further limit the development of the letters market.
- Around 70% of letter post is sent by businesses.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Cross-border outbound letter post	None	

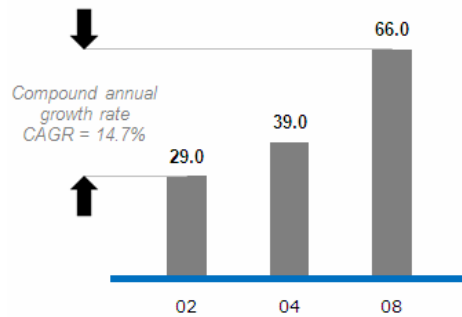
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: Based on WIK-Consult and annual reports of national regulatory authority

- Competition has emerged in the letters segment: The national postal regulator states that competitors have achieved a market share of 2.5% in terms of revenues (2007).

### Parcel & Express

#### Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Lietuvos Paštas

- DHL, DPD, TNT, UPS

#### Key developments in the parcel & express market since 1997

- CAGR (02-04): 14.9%
- CAGR (04-08): 14.4%
- Market continuously growing thanks to the EU accession in 2004 and economic growth.
- Lietuvos Paštas with low importance in the Parcel & Express market (~5% market share)

#### Incumbent Postal Operator: Lietuvos Paštas

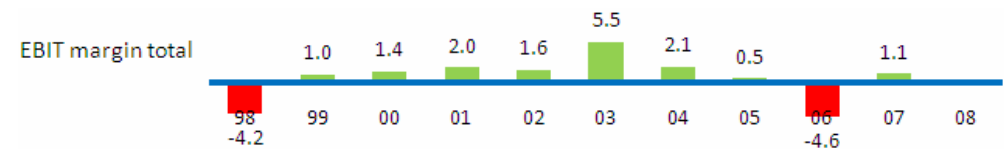
Company form: public limited company

1992: Corporatisation (state enterprise)

2006: Transformation into a public limited company

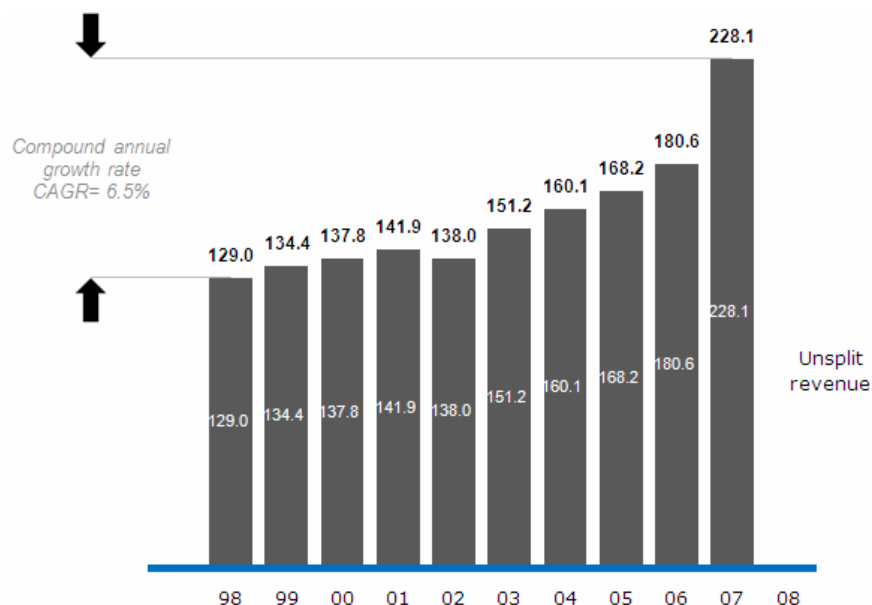
State ownership (31.12.2008): 100%

#### EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on WIK-Consult, UPU and annual reports of the incumbent postal operator

## Corporate revenue in million LTL by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**	61.9	65.4	67.1	65.7	62.8	61.9			58.4	58.8	
Headcount '000	8.8	8.7	8.6	8.3	8.1	8.1	8.2	8.3	8.2	8.1	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on WIK-Consult, UPU and annual reports of the incumbent postal operator

## Key developments of Lietuvos Paštas since 1997

- Lietuvos Paštas focuses on national postal operations and postal financial services.
- In 2007 the company started modernising its postal operations and cost accounting system and implementing an independent quality of service measurement.

- The financial figures are based on UPU statistics. It appears that Lietuvos Paštas is not very profitable.
- Employment has slightly been reduced, in average about 1 percent per year.

## Universal Service

Universal service provider: Lietuvos Paštas

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.7	2.8	2.8	2.7	2.7	2.7	2.8	2.8	2.7	2.7	
Post offices %	99.2	99.3	99.4		100	98.9	99.0	99.1		98.5	
20g tariff FSC in LTL	0.70	0.70	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.55	1.55
100g tariff in % of 20g tariff	157	157	140	140	140	140	140	140	140	116	116
20g tariff SSC in LTL										1.35	1.35
20g tariff EU letter FSC in LTL	1.35	1.35	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	2.45

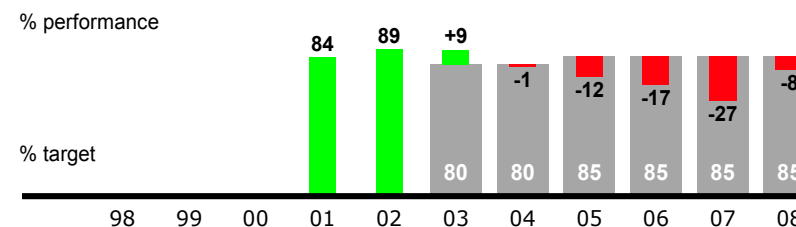
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -0.82%
- Delivery frequency per week: 5 days
- Delivery frequency per working day:
  - up to 2002: 2 deliveries per working day
  - since 2003: 1.5 deliveries per working day (due to early delivery of newspapers)
- Individuals and small business customers have a choice between a priority and an economy service since 2007.

## D+1 Performance in %

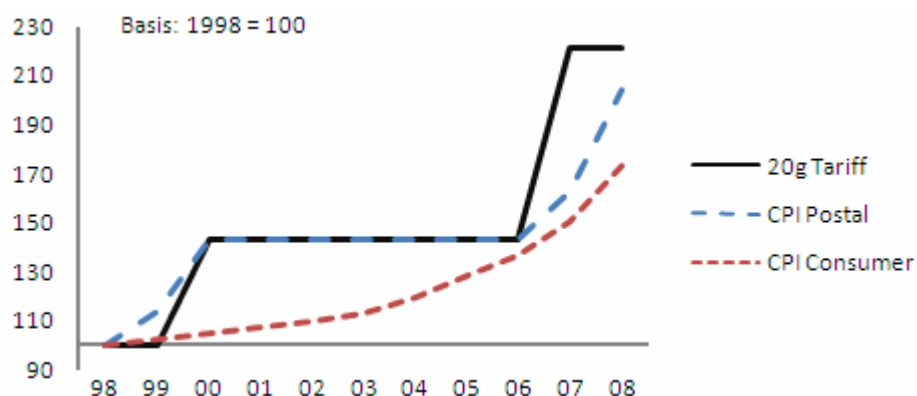
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and Eurostat

- A standard D+1 service was introduced in 2007; the former FSC (D+3 service) became the economy service.
- Since 2007 transit time measurement complies with the standard EN 13850.
- Transit time performance has improved after 2007. Until 2007 the performance has considerably declined (plus change in measurement method in 2007)

#### Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The price jump between 2006 and 2007 resulted from the introduction of a standard D+1 service.
- Tariff development of the economy service: CAGR (1998-2008): +6.8% (no tariff increase in 2009)

#### Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('03, '04, '06):	Increasing use of postal services (2006: 89%)
Satisfaction Level	NRA ('05 - '06)	Increasing satisfaction level from 72% in 2005 to 90% in 2006
	Eurobarometer ('03, '04, '06):	Increasing satisfaction with accessibility (2006: 94%)
Satisfaction with service characteristics	no information available	

Complaints statistics: Lietuvos Paštas published the number of complaints in its annual reports.

	Business Customers	
Satisfaction Level	Interviews*:	very satisfied: 33%; not very satisfied 67%
Importance of service characteristics	Interviews*:	Most important aspects are reliability, the price level and delivery on the next working day
Development of service characteristics	Interviews*:	Improvements perceived in transit time performance, reliability, product & service range and customer service

\* Interviews with 6 business customers carried out in May 2009 with different value of letter post items on average per month (there are 4 respondents with up to 1,000 letter post items and 2 respondents with more than 100,000 letter post items per month)

- In 2005, 60% of the respondents think, that more competition in Postal services for regular mail will reduce prices. 75% think that the quality of the postal service would improve if there was more competition in the sector. 48% of the customers think that accession to the European Union will have a positive impact on postal services for regular mail (Customer survey 2005)

#### Further interview results:

- Overall, customers consider that the electronic delivery will increasingly replace the physical mail delivery and a tendency in this direction can be already noticed
- In the Parcel & Express segment private operators are more appreciated because of better transit times, especially for international deliveries.

#### Concluding Remarks

- The letter post segment is characterised by very low items per capita. Until 2007 letter post volume has substantially grown (correspondence and publications); the direct mail segment has not been well developed, so far.
- Future growth potential is limited by emerging electronic alternatives to physical delivery and the strong economic decline (2009 estimated GDP growth rate -11%).

- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for domestic letter services).
- The density of postal outlets has not significantly changed. Nearly all outlets are post offices.
- Transit time performance has improved after 2007. Until 2007 the performance has considerably declined (plus change in measurement method in 2007). Up to 2006 the increase of basic tariffs are in line with the development of the general inflation rate. The price jump between 2006 and 2007 resulted from the introduction of a standard D+1 service.
- Customers have benefited from improvements in transit time performance and a recently introduced standard D+1 service. However, the transit time performance is still below 80%.
- Individuals as well as business customers have been affected by tariff increases since 2006 which may accelerate substitution of physical mail by electronic alternatives.
- Lietuvos Paštas focuses on the national postal business and postal financial services. The company is not very profitable and cost flexibility appears limited.
- Continuous double digit growth rate in the parcel & express market
- Parcel & express market dominated by international integrators. Incumbent with relatively small importance.

## Luxembourg

## Country Facts

Population '08:	0.5 million
Population growth (98-08):	14.6%
Population density '08:	187 / sqkm
Urbanisation rate '08:	82.4%
GDP '08 (PPS, billion):	EUR 32.7
GDP/capita '08 (PPS):	EUR 67,629
Postal services/GDP '98/07:	0.81%/0.59%



## Macro-economic indicators Luxembourg

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	6.5	8.4	8.4	2.5	4.1	1.5	4.5	5.2	6.4	5.2	-0.9
GDP/capita (PPS)	37,289	42,784	46,957	46,574	49,430	51,719	55,246	57,623	63,582	66,839	67,629
Inflation (CPI)*	83.1	83.9	87.1	89.2	91.0	93.4	96.4	100.0	103.0	105.7	110.0
Unemployment rate %	2.7	2.4	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.1	
Internet access** %					40	45	59	65	70	75	80
Broadband access** %						7	16	33	44	58	61

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	350g	350g	350g	5 times	
2003	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for universal postal services (VAT standard rate 15%)

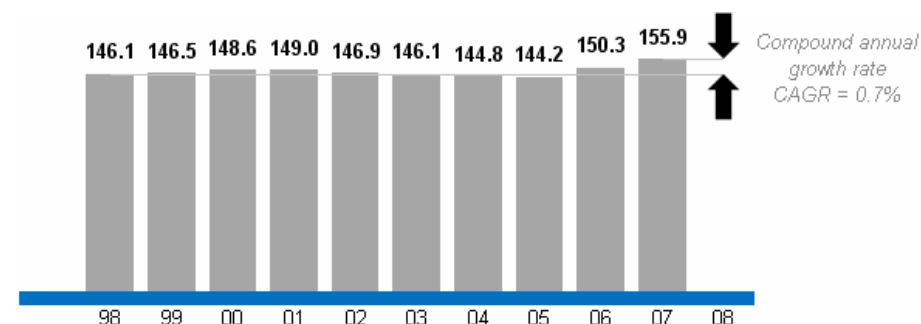
## National Regulatory Authority

Institut Luxembourgeoise de Régulation (ILR)

## Letter Post

Estimated market value: € 124 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	327	1.2%	
•Letters	233	1.0%	
••Correspondence	145	1.5%	2006; CAGR (2002-2006)
••Direct Mail	82	-1.4%	2006; CAGR (2002-2006)
•Publications	95	1.8%	
Unaddressed advertising	73	7.1%	
Cross-border outbound	73	-5.0%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on UPU and annual reports of the incumbent postal operator

- The letter post market is characterised by very high items per capita and has grown until 2007.
- Cross-border letter post account for a relatively high share of total letter post.
- 88% of letter post is sent by businesses thereof 60% to individuals.



**Competition**

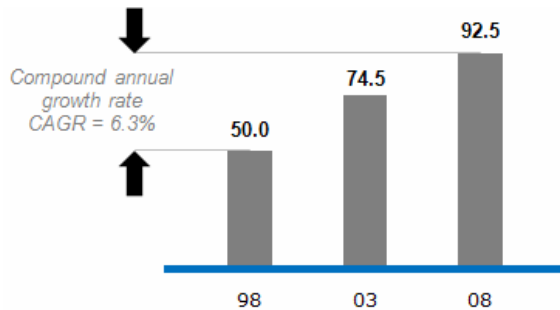
Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
•Correspondence	None	
•Direct mail	Emerging	Key competitor: Dintec
Unaddressed advertising	Intense	
Cross-border outbound letter post	Emerging	Decline in volume of cross-border outbound mail collected by EPT But: part of the reserved area

Sources: WIK-Consult, Ecorys

- Competition has emerged in the direct mail segment and in cross-border letter post.

**Parcel & Express**

*Estimated total market value (in million EUR)*



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of P&T Luxembourg**

- DHL, TNT, UPS, FedEx

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 8.3%
- CAGR (03-08): 4.4%
- The Parcel and Express market is pretty much connected to the Belgian market, therefore the key competitors of the national postal operator are the same as in Belgium.

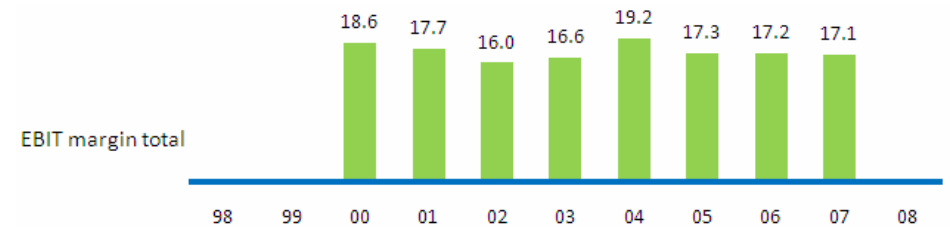
**Incumbent Postal Operator: P&T Luxembourg**

Company form: State enterprise

1992: Corporatisation

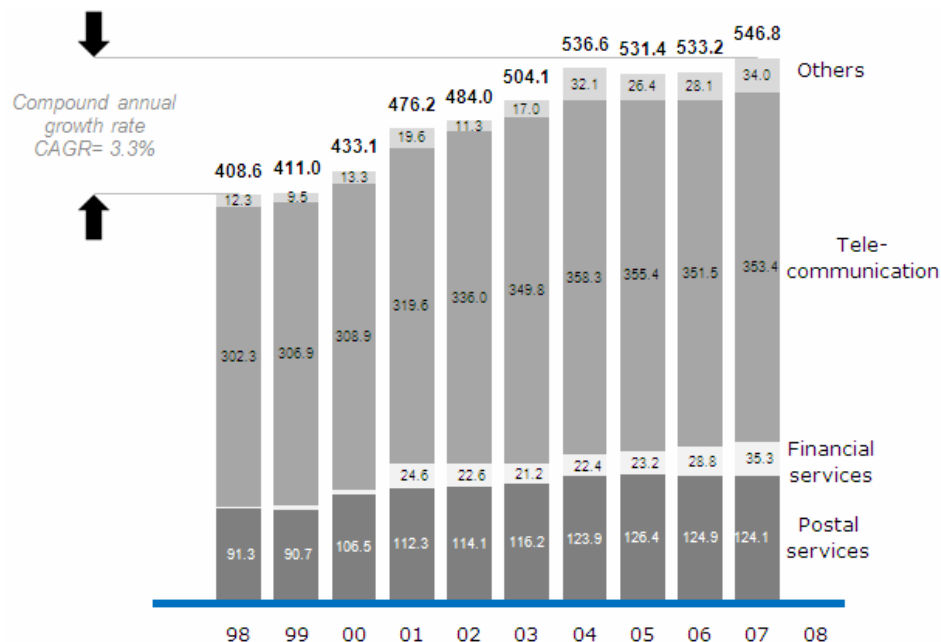
State ownership (31.12.2008): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

Corporate revenue in million EUR by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*				80.7	86.7	86.8	84.8	85.2	85.0	84.5	
Labour cost %**			37.2	35.7	36.0	35.9	36.1	36.7	38.2	38.7	
Headcount '000	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.9	2.9	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***	100.0	100.0	100.0	99.3	98.3	97.3	96.4				

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

Key developments of P&T Luxembourg since 1997

- P & T Luxembourg is the only company in the EU that offers both telecommunications and postal services.
- Employment has slightly decreased; share of postal employment is not published. Since 2005 the number of civil servants has not been published separately.
- For express and parcel services P & T Luxembourg cooperates with TNT (joint venture between P & T Luxembourg and TNT, TNT Express Luxembourg S.A.).

Universal Service

Universal service provider: P&T Luxembourg

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	
Post offices %	100	100	97.2	97.2	97.2	97.2	96.3	98.1	96.3	96.3	
20g tariff FSC in €	0.39	0.40	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50
100g tariff in % of 20g tariff	200	200	200	200	200	200	200	200	200	200	200
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €	0.39	0.40	0.52	0.52	0.52	0.60	0.60	0.70	0.70	0.70	0.70

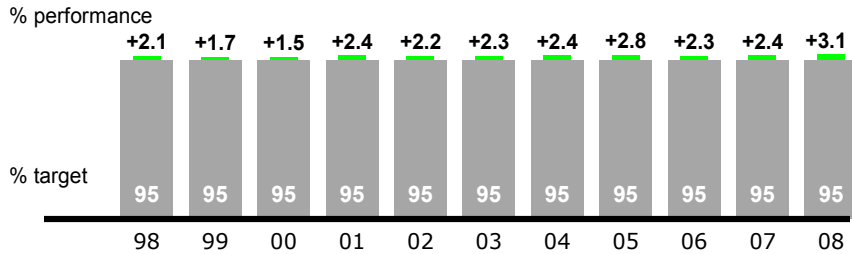
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = 0.21%
- Delivery frequency per week: 5 days

**D+1 Performance in %**

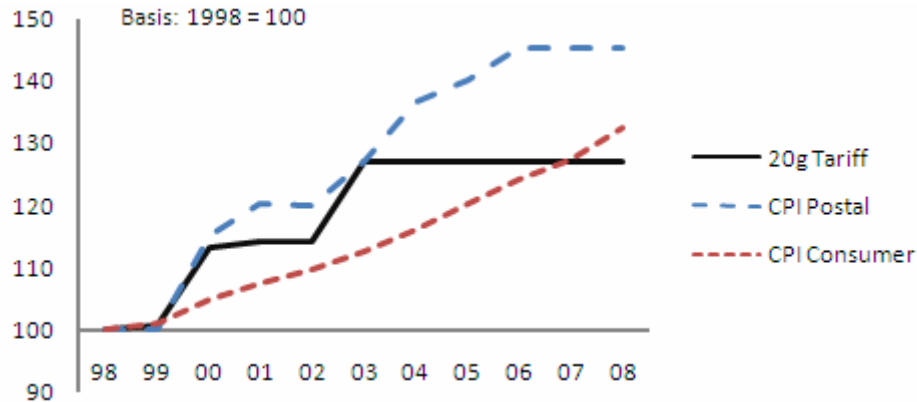
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, annual reports of the incumbent postal operator

- Transit time performance has been constantly above 95% (Luxembourg is a small and densely populated country).

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The standard tariffs for domestic letters have been stable since 2003 while cross-border tariffs for letters within the EU have substantially been increased between 1998 and 2005.

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 98%)
<b>Satisfaction Level</b>	Eurobarometer ('02, '04, '06):	Declining satisfaction with accessibility (2006: 91%)
<b>Satisfaction with service characteristics</b>		no information available

Complaints statistics:

- Since 2003 P&T Luxembourg published the number of complaints and the proportion of complaints on mailings
- In 2004 2% of customers made an complaint, the share has slightly increased over the years (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 100%; not very satisfied 0%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, nationwide delivery and customer service
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in customer service, product & service range and pricing schemes

\* Interviews with 3 business customers carried out in May 2009 with between 10,000 and 50,000 letter post items on average per month

Further interview results:

- The respondents state that they prefer using international operators for their parcel & express services because of a better product portfolio.

**Concluding Remarks**

- The domestic letter post market is characterised by very high items per capita and grown volume especially after 2005.

- The future growth potential appears to be limited in the next years due to economic decline (2009 GDP growth rate -3%) combined with high penetration rates of internet and broadband access.
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for domestic letter services).
- Little competition has emerged in the direct mail segment. However, Luxembourg is the only Western Member State that is allowed to postpone full market opening until end of 2012.
- The density of postal outlets has slightly declined. Most outlets are post offices.
- Transit time performance has been constantly above 95%, the standard tariffs for domestic letters have been stable since 2003.
- Customers have benefited from a constantly high level of quality of service, stable accessibility and fairly stable postal tariffs.
- Benefits for Customers (Individuals and Business Customers)
- The incumbent postal operator P & T Luxembourg provides on telecommunications and postal services and is highly profitable.
- Parcel & Express market pretty much connected to the Belgian market.

## Malta

### Country Facts

Population '08:	0.4 million
Population growth (98-08):	9.0%
Population density '08:	1,298 / sqkm
Urbanisation rate '08:	94.3%
GDP '08 (PPS, billion):	EUR 8.3
GDP/capita '08 (PPS):	EUR 19,821
Postal services/GDP '00/08:	0.43%/0.40%



### Macro-economic indicators Malta

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %				-1.6	2.6	-0.3	1.2	3.8	3.3	3.9	2.7
GDP/capita (PPS)	13,987	14,771	16,342	15,473	16,335	16,291	16,775	17,607	18,201	19,418	19,821
Inflation (CPI)*	84.0	85.9	88.6	90.8	93.1	95.0	97.5	100.0	102.6	103.3	108.1
Unemployment rate %			6.7	7.6	7.5	7.6	7.4	7.2	7.1	6.4	
Internet access** %								41	53	54	59
Broadband access** %								23	41	44	55

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	350g	350g	350g	5 times	
2004	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- VAT exemption on universal postal services (VAT standard rate 18%)

### National Regulatory Authority

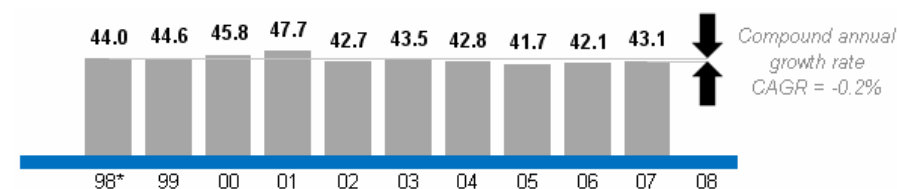
Malta Communications Authority (MCA)

### Letter Post

Estimated market value: € 18 million (2008)

Domestic letter post volume (in million items)

\* Data for 1998 estimated



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	106	0.1%	
Unaddressed advertising	n.a	n.a	
Cross-border outbound	11	-4.6%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult and UPU

- Letter post volume has been fairly stable over time.
- Cross-border outgoing plays an important role (Malta is a small country) but has been declined.
- No further information letter post segments and on demand structure.

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	Market entry of Premiere Post Ltd in March 2007 (delivery of registered items)
Cross-border outbound letter post	Emerging	Estimation: Decline in volume of cross-border outbound mail collected by Maltapost plc; but part of the reserved area

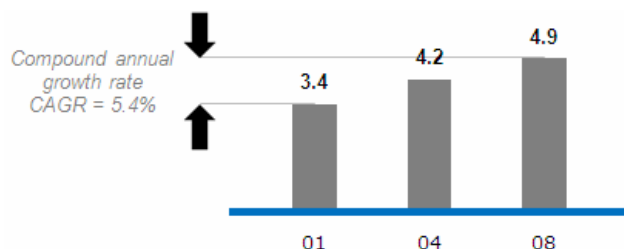
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult, Ecorys

- Some competition has emerged in the delivery of registered items (above price threshold).
- It appears that in the cross-border business Maltapost plc. competes with international companies (cross-border outgoing letter post volume has declined despite of economic growth). This is also confirmed by interviews with business customers.

**Parcel & Express**

**Estimated total market value (in million EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Maltapost plc.**

DHL, TNT, UPS, FedEx, Miles Express Cargo, Commercial Couriers, BAS, Security Service Malta Ltd.

**Key developments in the parcel & express market since 1997**

- CAGR (01-04): 7.2%
- CAGR (04-08): 3.5%
- Market very small due to the geographic situation in Malta
- Most of the market revenue is generated by international shipments.

**Incumbent Postal Operator: Maltapost plc.**

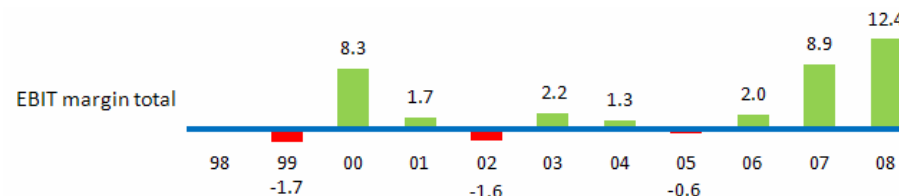
Company form: public limited company since 1998

1998: Transformation of Maltapost plc. into a public limited company

2008: IPO on the Malta Stock Exchange

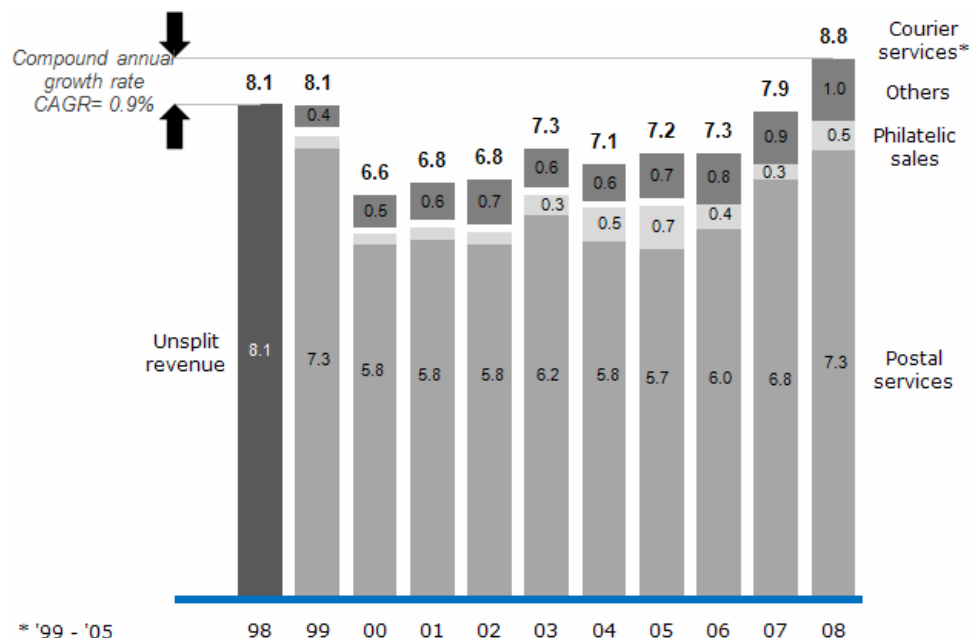
State ownership (31.12.2008): 0%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

## Corporate revenue in million MTL by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*								85.3	89.0	88.9	88.5
Labour cost %*		73.0	73.7	69.5	69.1	63.2	58.6	58.8	60.4	58.7	56.8
Headcount '000		0.9	0.9	0.8	0.8	0.8	0.6	0.6	0.6	0.6	0.6
National employment %***		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %**											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of Maltapost plc. since 1997

- 2002: Maltapost plc. is partially privatised with the Maltese government selling 35 percent to Transend Worldwide Ltd, a subsidiary company of New Zealand Post Ltd
- 2007: The government sells 25 percent of its shareholding to Lombard Bank plc where Lombard Bank effectively becomes the majority shareholder in Maltapost plc. with 60 percent shareholding
- 2008: IPO (40 percent of the shares); the privatisation of Maltapost plc has been accomplished.
- Strong decline in employment since 1999: in average minus 4% per year

## Universal Service

Universal service provider: Maltapost plc.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.5	
Post offices %	58.8	58.8	59.6	60.8	60.0	60.0	60.8	60.8	61.5	52.5	
20g tariff FSC in MTL	0.06	0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.08	0.08
100g tariff in % of 20g tariff	167	167	167	167	157	157	157	157		137	137
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in MTL	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16

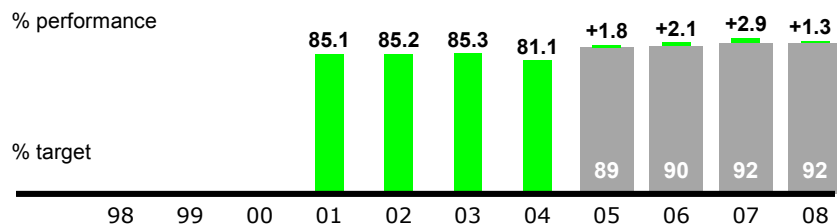
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = 2.01%
- The number of postal outlets was fairly stable between 1998 and 2006 (around 50) and increased to 61 due to increasing number of postal agencies in 2007.
- Delivery frequency per week: 6 days (one more than required by postal legislation)

**D+1 Performance in %**

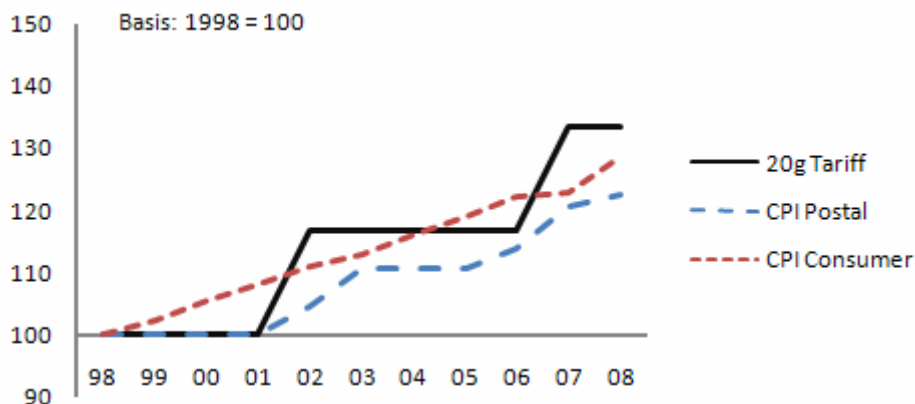
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and annual reports of the national regulatory authority

- Targets have been introduced in 2005.
- Transit time performance has been improved after 2004.
- Cross-border transit time performance is relatively low: in 2008 the average D+3 transit time performance for letters sent to Malta from all EU country-to-country relations was below 60%.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The basic 20g tariff increased by 2.9% per year (in average). The basic tariff for heavier items remained fairly stable over time.

**Customer Satisfaction**

	Consumers	
Use of postal services	Eurobarometer ('03, '04, '06):	Declining use of postal services (2006: 97%)
Satisfaction Level	Eurobarometer ('03, '04, '06):	Declining satisfaction with accessibility (2006: 89%)
Satisfaction with service characteristics	NRA ('06)	High satisfaction with registered items; less satisfied with transit time

Complaints statistics:

- Since 2005 Maltapost plc. published the number of complaints quarterly (separately for different types of reasons for complaining)
- In 2006 only 13 % of all respondents (residents and businesses) stated that they had made a personal complaint to Maltapost plc. over the last 12 months. 64.1% of them said, that the way their complaint was dealt with were very or fairly well (customer survey 2006)

Business customer survey (NRA)

- 80% of business customers are satisfied with quality of service provided by Maltapost plc..
- Emerging electronic alternatives to physical delivery are seen as major reason for declining letters volume.
- 50% of the customers think, that more competition in Postal services for regular mail will reduce price. 85% of the customers think that the quality of the postal service would improve if there was more competition in the sector. 48% of the customers think that accession to the European Union will have a positive impact on postal services for standard mail.

**Concluding Remarks**

- Letter post volume has not substantially changed over time despite of increasing per capita income. Emerging electronic alternatives have possibly limited the development: Malta has relatively high penetration shares of internet and broadband access of households.



- The growth potential in the Maltese letter post market appears to be limited under the current conditions but will most probably not substantially be affected by the economic decline (2009 GDP growth rate -0.9%).
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for all letter services). Competition in the domestic letter post market has emerged in a niche segment (registered items).
- The density of postal outlets has been slightly increased; approximately half of the outlets are postal agencies.
- Transit time performance has been improved after 2004; the basic 20g tariff increased by 2.9% per year (in average). The basic tariff for heavier items remained fairly stable over time.
- Customers have benefited from improvements in the accessibility (increasing number of postal outlets), in transit time performance, and fairly stable postal tariffs.
- Benefits for customers (Individuals and Business Customers)
- Maltapost plc. is the second incumbent postal operator that has fully been privatised. The company has substantially improved its profitability mainly by modernising its postal operations and respective cost saving measures (decline in employment).
- The company has not substantially grown in terms of revenues and focuses on domestic and cross-border letter post activities.
- Very small parcel & express market with very low market growth. Market dominated by international shipments.

## Netherlands

## Country Facts

Population '08:	16.4 million
Population growth(98-08):	4.8%
Population density '08:	395 / sqkm
Urbanisation rate '08:	81.9%
GDP '08 (PPS, billion):	EUR 547.8
GDP/capita '08 (PPS):	EUR 33,389
Postal services/GDP '00/07:	0.99%/0.79%



## Macro-economic indicators Netherlands

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.9	4.7	3.9	1.9	0.1	0.3	2.2	2	3.4	3.5	2.1
GDP/capita (PPS)	21,896	23,382	25,673	26,542	27,377	26,860	28,007	29,428	30,945	32,633	33,389
Inflation (CPI)*	83.4	85.1	87.1	91.5	95.1	97.2	98.5	100.0	101.7	103.3	105.5
Unemployment rate %	3.8	3.2	2.8	2.2	2.8	3.7	4.6	4.7	3.9	3.2	2.8
Internet access** %					58	61		78	80	83	86
Broadband access** %						20		54	66	74	74

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2000	100g			5 times	
2006	50g			3 times	
2009	Full market opening				per April 1 2009

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption only for universal service products: Since full market opening only letters priced at the public tariff are exempted from VAT

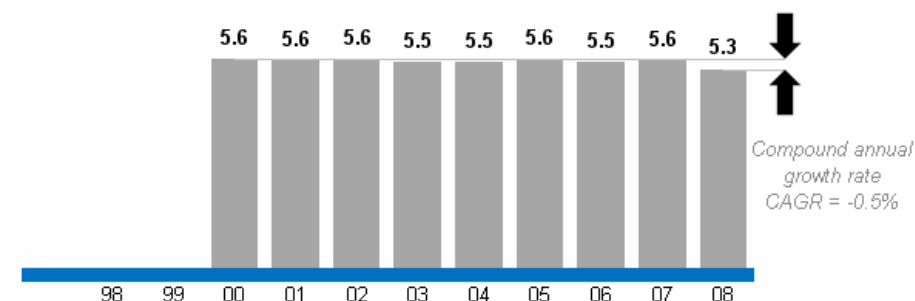
## National Regulatory Authority

Onafhankelijke Post en Telecommunicatie Autoriteit (OPTA)

## Letter Post

Estimated market value: € 2.9 billion (2007)

Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	342	0.0%	
•Letters	293	n.a.	Based on 2005 data
••Correspondence	148	n.a.	Based on 2005 data
••Direct Mail	145	n.a.	Based on 2005 data
•Publications	44	n.a.	Based on 2005 data
Unaddressed advertising	n.a.	n.a.	
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on Ecorys, annual reports of the national regulatory authority, annual reports of the incumbent postal operator, and RBB, Postmarktmonitor 2005-2006 (2005 segments figures)

- Until 2007 letter post volume has been fairly stable

- However, the structure of letter post volume has changed because competing postal operators have only been active in the delivery of direct mail and publications.
- The share of publications and direct mail has increased while the share of correspondence has declined (growth in direct mail and publications has outweighed the decline in correspondence until 2007).
- Correspondence appears to be substantially affected by emerging electronic alternatives: in the Netherlands the penetration rate for internet and broadband access is exceptionally high and we assume that the share of correspondence on total letter post volume has declined.
- In 2008 letter post volume has substantially declined: minus 4.4%. TNT Post announced a further decline in TNT's letter post volume for the first quarter 2009: minus 4.7% compared to the first quarter 2008 (decline in single piece items is higher than in bulk mail items).
- 92% of letter post is sent by businesses (no further segmentation provided)

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	Estimated market share of TNT Post (2008): ~88% (2007: 86%); Increase in market share result from introduction of a low cost product of TNT Post
•Correspondence	None	
•Direct mail	Substantial	Key competitors of TNT Post: Sandd and Selektmail (Deutsche Post AG)
Unaddressed advertising	Substantial	Market share TNT (incl. Subsidiary VSP) nearly 50%
Cross-border outbound letter post	Intense	

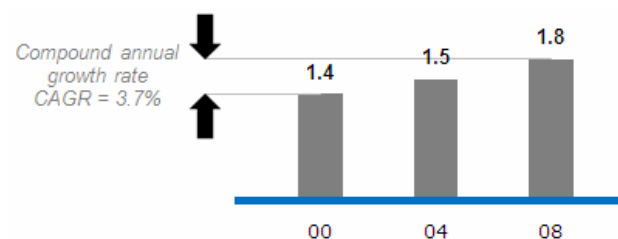
Sources: WIK-Consult estimations based on WIK-Consult, Ecorys, annual reports of the national regulatory authority and annual reports of the incumbent postal operator

- The "printed matter" segment has been traditionally open to competition. For this reason sustainable competition has emerged in the direct mail and publications segments (direct mail defined as identical copies of advertising).
- The main competitors are Sandd and Selektmail (owned by Deutsche Post) both offering nationwide delivery services (two times per week).
- In 2008 TNT Post has stabilised its market share after the introduction of a low budget direct mail product delivered once a week by its subsidiary VSP (together with unaddressed items). Development of competition after full market opening in April 2009 unclear because of the

economic decline. We do not expect that the market share of competing postal operators will substantially increase in the next years.

**Parcel & Express**

Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of TNT Post**

- DHL, GLS, UPS, DPD, FedEx

**Key developments in the parcel & express market since 1997**

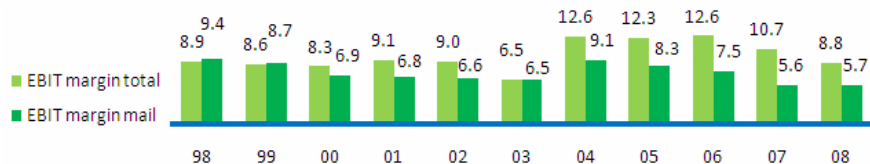
- CAGR (00-04): 3.3%
- CAGR (04-08): 4.0%
- Market dominated by TNT & DHL accounting for more than half of the market value
- The Netherlands is a country where international services are quite important (above EU average). The market is pretty much connected to Belgium and Luxembourg.
- Several acquisitions took place over the last years strengthening the market position of the international companies (DHL, GLS etc.).
- Competitors (DHL, GLS, DPD) and Kiala setting up their own networks of access points.

**Incumbent Postal Operator: TNT N.V.**

Company form: public limited company since 1997

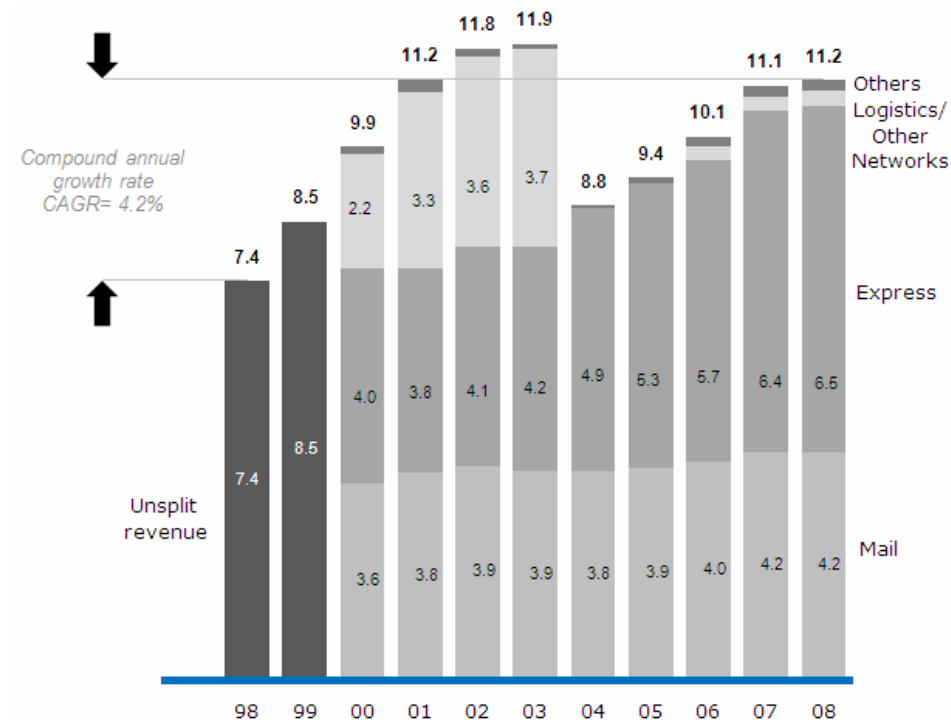
- 1989: Transformation of PTT Post into a public limited company (PTT Nederland NV), a combined postal/telecommunications company
- 1994: Renaming to Royal PTT Nederland N.V. (KPN) and IPO (1994: 30% share, 1995: additional 25%)
- 1996: Acquisition of TNT
- 1997: Incorporation of TNT Postgroep (TPG)
- 1998: Listing of TPG (56.7% of the shares)
- 2001: Renaming from TNT Postgroep N.V. to TPG N.V.
- 2005: Renaming from TPG N.V. to TNT N.V.
- 2006: Full privatisation of TNT NV
- State ownership (31.12.2008): 0 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

**Corporate revenue in billion EUR by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*			36.4	34.0	33.5	32.5	43.5	41.9	39.8	37.8	37.5
Domestic %*	42.9	38.3	36.2	33.1	31.9	31.5	41.2	39.2	35.9	32.6	32.0
Labour cost %**	40.6	38.1	35.4	37.6	37.6	37.5	41.6	40.4	38.2	36.4	35.4
Headcount '000	104.8	116.5	129.7	138.6	150.4	163.0	128.1	126.3	139.2	161.6	163.2
National employment %***	59.2	55.3	50.9	49.3	47.0	42.3	54.6	50.7	44.0	38.5	38.3
Civil servants %***											

\*% of corporate revenue    \*\*% of total operating expenses    \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of TNT N.V. since 1997**

- 2002: Royal PTT Post changes its name to Royal TPG Post. TPG announces that it acquires a 50% stake in DFDS Transport Logistics, a subsidiary of DSV A/S, through its division TNT Logistics
- 2004/2005: Divestment of the business segment Logistics
- 2005: In its first year of achieving a rank in the Dow Jones Sustainability Index (DJSI), TNT also achieves the highest score in its industry. The company enters the DJSI with an overall score of 75
- 2006: TPG Post changes name to TNT Post
- 2009: Full opening of the Dutch letter market
- TNT focuses on national and international mail and express business. Both business segments are profitable; the mail segment has achieved EBIT margins between 15% and 20%, the express business has achieved margins between 5% and 9%.
- TNT has established or acquired numerous delivery companies for addressed or unaddressed items in many European countries; the company is especially active in Austria, Germany, Italy, and UK under its brand TNT Post offering the delivery of letter post and unaddressed advertising as well as upstream activities (consolidation services in UK and Germany, mail production in Italy).
- TNT has fundamentally modernised its national postal operations during the nineties. Business optimisation (including introduction of delivery sequency sorting machines) has been an ongoing process.
- National employment of TNT Post has remained fairly stable and is characterised by an exceptionally high share of part-time workers: in 2007 approximately 60 percent of employees are part-time workers (Mail Netherlands, based on UPU).

**Universal Service**

Universal service provider: TNT Post

*Peculiarity of universal service obligation in the Netherlands*

- After full market opening only single piece letters (priced at the standard tariff) are part of universal postal service; bulk mail products are excluded

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.5	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Post offices %	19.9		21.8	21.8	14.5	15.8	15.4	13.7	13.1	12.3	11.8
20g tariff FSC in €	0.36	0.36	0.36	0.39	0.39	0.39	0.39	0.39	0.39	0.44	0.44
100g tariff in % of 20g tariff	300	300	300	300	300	300	300	300	300	300	300
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €	0.45	0.45	0.50	0.50	0.54	0.59	0.61	0.65	0.69	0.72	0.75

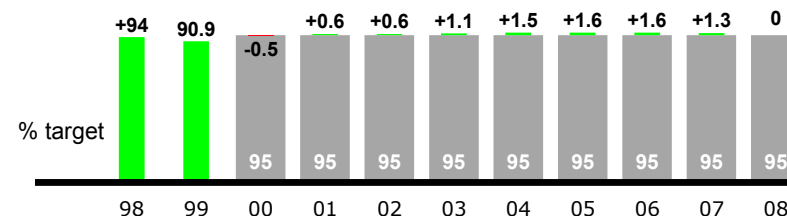
\* per 10,000 inhabitants  
Sources: Based on WIK-Consult, annual reports of the national regulatory authority, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -1.2%
- High share of postal agencies: TNT Post plans to fully replace post offices by postal agencies in the next years
- Delivery frequency per week: 6 days

**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points

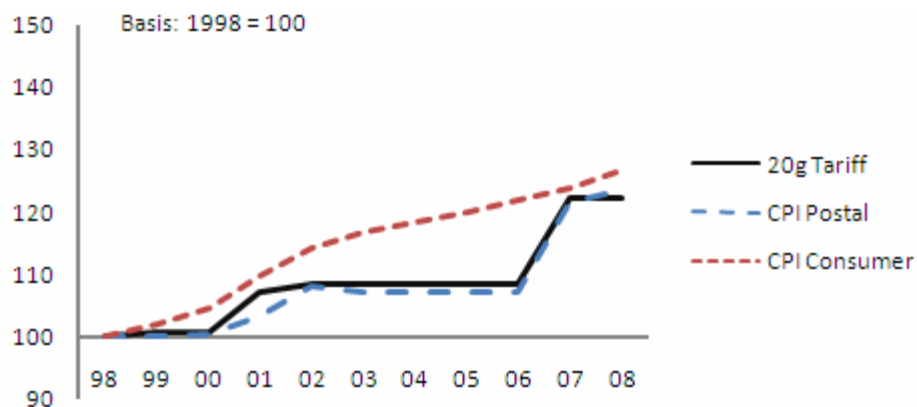
% performance



Sources: Based on WIK-Consult, annual reports of the national regulatory authority

- Transit time performance has been 95% or more since 2000 (the Netherlands is a very densely populated country).

Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The public tariffs have been fairly stable (in real terms, no change in 2009)
- Heavier letters are relatively expensive (100g letter costs 3 times the tariff of a 20g letter).
- TNT Post offers a broad range of products for business customers including services with a specified quality requirement and a pay back guarantee.

Customer Satisfaction

		Consumers
Use of postal services	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 97%)
Satisfaction Level	USP:	Increasing satisfaction from 86% in 2002 to 92% in 2008
	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 94%)
Satisfaction with service characteristics	Ministry (TNS Nipo 2005)	Satisfied with accessibility, quality of delivery, and delivery time Important service characteristic: Next day delivery at the correct address

Complaints statistics: TNT Post published the number of complaints as part of its regulatory report.

		Business Customers
Satisfaction Level	Interviews*:	very satisfied: 20%; not very satisfied 80%
Importance of service characteristics	Interviews*:	Most important aspects are product & service range, the price level and the customer service
Development of service characteristics	Interviews*:	Improvements perceived in pricing schemes, customer service and product & service range

\* Interviews with 5 business customers carried out in May 2009 with different value of letter post items on average per month (the range goes from less than 1,000 up to more than 100,000 letter post items on average per month)

Concluding Remarks

- The letter post market is characterised by very high items per capita.
- In the past “printed matter” (direct mail and publications) have dynamically grown; correspondence has declined in relative and absolute terms.
- Future growth in the letter post market appears to be limited: in the short term volume (especially direct mail) will be affected by the economic decline (2009 GDP growth rate -3.5%) and generally, by emerging electronic alternatives for physical delivery.
- The postal market is fully liberalised since April 1, 2009. Substantial competition has already emerged in the delivery of printed matter with two additional players in the market.
- The density of postal outlets is stable; nearly 90 percent of the outlets are postal agencies. The share has continuously grown in the last years.
- Transit time performance has been 95% or more since 2000.
- The public tariffs have been fairly stable.
- Individuals have benefited from fairly stable letter tariffs and reliable postal services.
- Business customers have benefited from more choice: between products and operators (in case of “printed matter”)
- TNT focuses on domestic and cross-border postal services (incl. express) in the Dutch as well as in foreign national markets (in the mail and parcel business with a focus on Europe, in the express business with a focus on Europe and Asia).
- TNT is a fully privatised and highly profitable company and has successfully reduced its dependency on the national letter post business.
- Mature parcel & express market showing moderate growth over the last years.
- TNT remains in a strong position for parcel & express services.
- Competitors like DHL, GLS, DPD as well as Kiala are setting up their own network of access points.

## New Zealand

### Country Facts

Population '07:	4.2 million
Population growth (98-07):	9.5 %
Population density '07:	15 / sqkm
Urbanisation rate '08:	86.5%
GDP '07 (PPS, billion):	EUR 101.1 (estimate)
GDP/capita '07 (PPS):	n/a
Postal services/GDP '01/08:	1.26%/0.96 %



### Macro-economic indicators New Zealand

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
GDP* growth (EUR) %	3.7	1.7	6.0	5.7	7.5	5.1	6.8	7.2	5.0	5.4	7.4
GDP*/capita (EUR)	26,637	26,959	28,421	29,869	31,567	32,530	34,236	36,272	37,613	39,222	41,712
Inflation (CPI)**			84.3	86.9	89.1	91.3	92.8	95.3	98.5	100.0	104.4
Unemployment rate %	6.8	7.4	6.6	5.7	5.3	5.1	4.5	3.8	3.7	3.7	
Internet access*** %											
Broadband access*** %											57

\* GDP at market prices \*\*CPI = Consumer Price Index 2006 = 100 \*\*\*of total national households

Sources: New Zealand Bureau of Statistics, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	Full market opening				

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- Universal postal services are not VAT exempted.

### National Regulatory Authority

Ministry of Economic Development (MED)

### Letter Post

Estimated market value: € 455 million (2008)

Domestic letter post volume (in million items): No data available

- During the financial year 2006/2007 (ending June 30) New Zealand Post Ltd. processed around 1bn mail items (ca. 230 items per capita) thereof 50% coming from the largest 1,300 customers.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Cross-border outbound letter post	Substantial	

No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult, Ecorys

- Competition has started emerging but with very limited success: only niche players have been established. Possible reasons: relatively low postal tariffs (very efficient postal operator) and the introduction of attractive access products by New Zealand Post
- After full market opening a competing postal operator, Pete's Post, tried to enter the market; today the company provides upstream services (personalised prepaid envelopes) and has an access agreement with New Zealand Post Ltd. for final delivery.
- Another registered postal operator is Fastway Post that has established a competing network of retail outlets. However, similar to Pete's Post Fastway Post has an access agreement with New Zealand Post for final delivery of national letter post and international postal items (including parcels). It offers delivery of national parcels by Fastway Couriers.

**Parcel & Express**

*Estimated Total market value (in million EUR): No data available*

**Parcel & express market - Main competitors of New Zealand Post Ltd.**

- Express Courier Limited, Freightways, Toll, TNT, UPS, FedEx

**Key developments in the parcel & express market since 1997**

- Market size 2004: ~ 400 mln €
- CAGR (98-03): ~8-10%
- CAGR (03-08): ~4-7%
- New Zealand Post formed a joint venture Express Courier Limited (CourierPost) with DHL in 2005. In 2008 the joint venture acquired the domestic road transport firm Roadstar Transport
- Domestic market very concentrated and dominated by Express Courier Limited and Freightways (aggregated market share ~80%)
- International market dominated by DHL. Other important market players are FedEx, TNT and UPS.
- Market shows large interdependencies to the Australian market

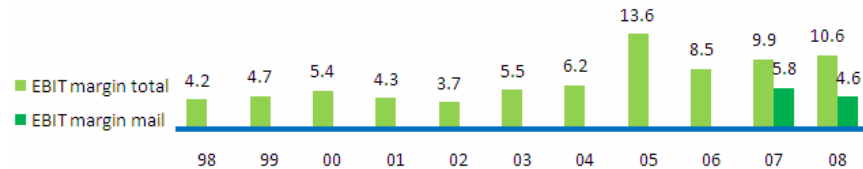
**Incumbent Postal Operator: New Zealand Post Ltd.**

Company form: state enterprise

1987: Corporatisation: Establishment of New Zealand Post Ltd.

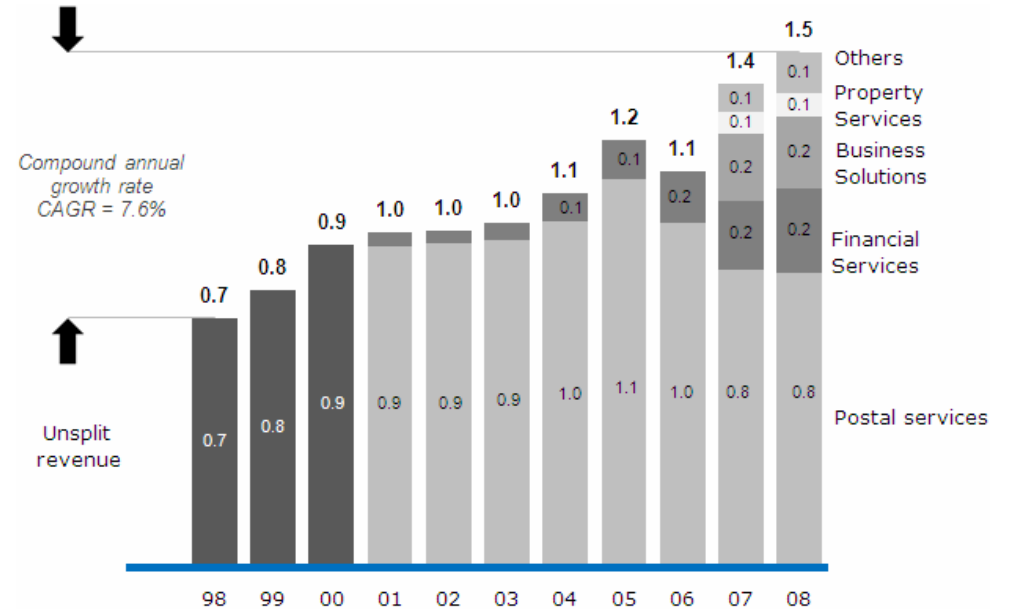
State ownership (31.12.2008): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

**Corporate revenue in billion NZD by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*				95.9	96.5	95.5	93.4	91.9	88.3	70.8	65.1
Domestic %*										90.8	89.7
Labour cost %*										42.0	41.6
Headcount '000		9.4	9.4	9.1	9.5	9.6	9.3	9.8	8.6	8.9	9.4
National employment %***		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %**											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator



**Key developments of New Zealand Post Ltd. since 1997**

- 2000: Acquisition of Couriers Please
- 2002: Establishment of Kiwibank
- 2005: Formed in 2004, Express Couriers Limited (ECL) transforms into a 50:50 joint venture between New Zealand Post and DHL in January 2005, encompassing the brands of CourierPost, Pace and Contract Logistics, as well as road and air linehaul operations
- 2005: Start of 5-year modernising programme for postal operations (new mail centres)
- 2006: DHL and the New Zealand Post Group jointly sign a contract with Air New Zealand to provide all domestic and international express freight services
- 2007: Acquisition of Roadstar Transport Ltd. by ECL
- 2008: Introduction of a new pricing scheme for letter post services (“pricing in proportion”)

**Universal Service**

Universal service provider: New Zealand Post Ltd.

*Peculiarity of universal service obligation in New Zealand*

- The universal service requirements have been fixed in a “Deed of understanding” between the company and the government.
- The “Deed of Understanding” explicitly forbids the re-introduction of fees for rural delivery (flat fee to be paid by the recipients, abolished in 1995)

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3
Post offices %	30.1	30.4	30.6	30.8	30.9	31.1	31.6	32.5	32.8	32.9	33.1
20g tariff FSC in NZD (D+2/3)	0.40	0.40	0.40	0.40	0.40	0.40	0.45			0.50	0.50
100g tariff in % of 20g tariff											100
20g tariff SSC in NZD											
20g tariff EU letter FSC in NZD											

\* per 10,000 inhabitants

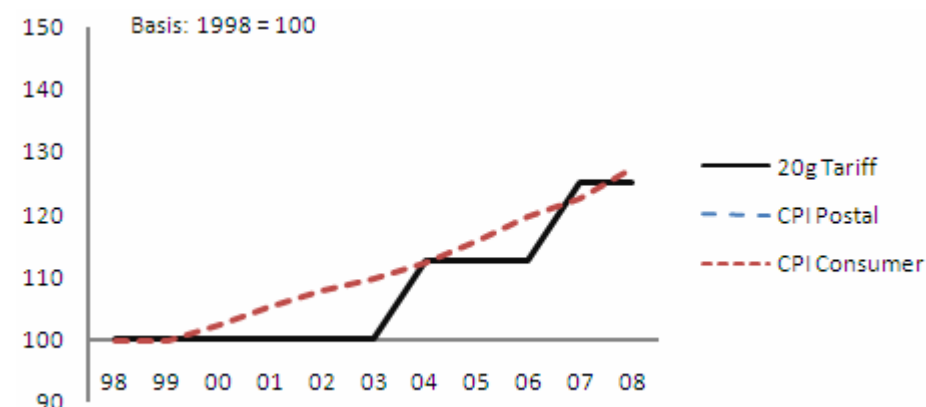
Sources: Based on annual reports and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -0.43%
- Delivery frequency per week: 6 days; exemptions from 6-day delivery are allowed up to specified limits (defined in the Deed of Understanding)

**D+1 Performance in %**

- New Zealand Post Ltd. does not have a D+1 standard product and is not subject to regulatory transit time targets (sets internal targets)
- New Zealand Post Ltd. states in its annual reports that these internal targets have been met for more than 95% of the standard letters

**Price trend: 20g letter (SSC) vs. consumer and postal price indices**



Sources: Based on price lists of the incumbent postal operator, New Zealand Bureau of Statistics

- 20g New Zealand standard tariff refers to D+2/3 product
- The tariff has been fairly stable over time (in real terms)
- Pricing in proportion introduced in 2008

**Customer View**

- No information available

### Concluding Remarks

- It appears that letter post volume is declining in New Zealand Post Ltd., but exact figures are not available (based on statements of New Zealand Post Ltd.)
- The postal market is fully liberalised since 1998. Competition has only emerged in niche markets; so far, upstream competition has emerged but the incumbent postal operator is still responsible for final delivery (access agreements)
- Customers have benefited from improving quality of service, fairly stable tariffs and an increasing range of postal services.
- New Zealand Post Ltd. is a highly profitable postal operator with a focus on national postal operations and financial services (Kiwibank). Additional to traditional postal services New Zealand Post Ltd. also offers the whole range of upstream (mail production) and downstream services (document management).
- Parcel & express market very concentrated. New Zealand Post Ltd. is one of the two dominant market parties through their joint venture Express Courier

## Norway

### Country Facts

Population '08:	4.7 million
Population growth (98-08):	7.2 %
Population density '08:	12 / sqkm
Urbanisation rate '08:	77.5%
GDP '08 (PPS, billion):	EUR 213.7
GDP/capita '08 (PPS):	EUR 45,118
Postal services/GDP '98/08:	1.5% / 1.0%



### Macro-economic indicators Norway

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.3	3.1	2.1
GDP/capita (PPS)	23,562	25,888	31,513	31,931	31,778	32,479	35,704	39,767	43,613	44,675	45,118
Inflation (CPI)*	88.2	90	92.8	95.3	96.1	97.9	98.5	100	102.5	103.2	106.7
Unemployment rate %	3.2	3.2	3.4	3.6	3.9	4.5	4.4	4.6	3.5	2.6	
Internet access** %						60	60	64	69	78	84
Broadband access** %						23	30	41	57	67	73

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	350g	350g	350g	5 times	
2003	100g	100g		3 times	
2006	50g	50g		2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- Postal services are not exempted from VAT (VAT standard rate 24%)

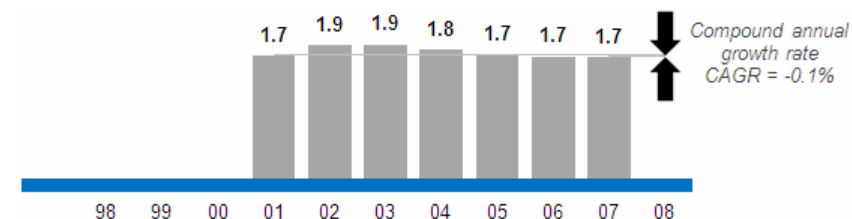
### National Regulatory Authority

Norwegian Post and Telecommunication Authority (NPT)

### Letter Post

Estimated market value: € 1.9 billion (2008)

Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	362	-1.8%	
•Letters	207	-0.3%	
•Publications	155	-3.5%	
Unaddressed advertising	501	9.9%	Around 60% distributed by Norway Post
Cross-border outbound	8	-0.8%	

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority

- The number of letters is fairly stable over time; it appears that emerging electronic alternatives has limit potential growth (the penetration rate of internet and broadband access is very high).
- 2008: Posten Norge's letter post volume (including unaddressed advertising) declined 3.3% (due to reductions in direct mail and unaddressed advertising -6.2%; correspondence (A and B mail) has increased 0.7%)
- 2009, 1<sup>st</sup> quarter: further decline in direct mail and unaddressed advertising -25%; no change in correspondence, but volumes shifted from A- to B-mail.
- More than 90% of letter post is sent by businesses thereof less than half to individuals.

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	None/Emerging	
Unaddressed advertising	Intense	Norway Post lost market shares (in terms of volume) in the last years
Cross-border outbound letter post	None	

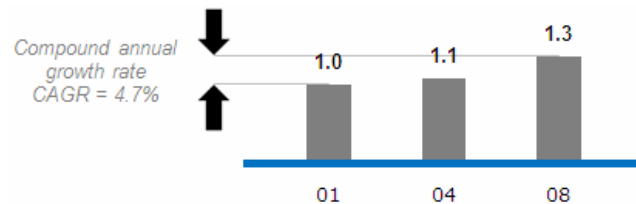
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: WIK-Consult and market surveys of the national regulatory authority

- Competition in the letters business has not emerged, so far.
- In the delivery of periodicals and catalogues Posten Norge’s market share (in terms of volume) was around 90% in 2007. In the delivery of subscribed newspapers the market share of Norway Post was 10%.
- In the distribution of unaddressed advertising the market share of Posten Norge was between 55 and 60%.

**Parcel & Express**

**Total market value (in billion EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Posten Norge**

- DHL, UPS, TNT, Jetpak, Tollpost, Schenker

**Key developments in the parcel & express market since 1997**

- CAGR (01-04): 2.7%
- CAGR (04-08): 6.3%
- Though Posten Norge has lost market shares, it still remains market leader ahead of DHL and Tollpost.
- Home delivery is not a standard. Since 2007 Norway Post started to set up “MyQuickBox” automatic parcel boxes to improve B2C deliveries.

**Incumbent Postal Operator: Posten Norge**

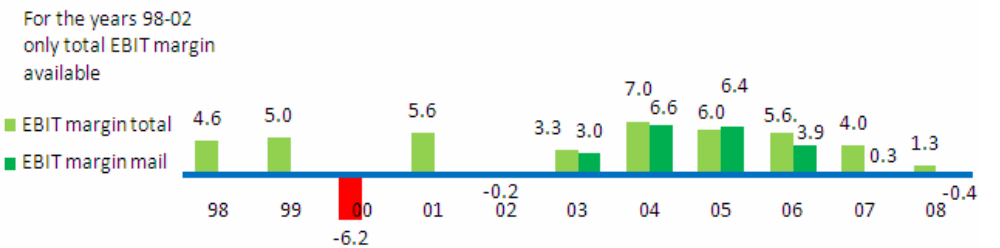
Company form: public limited company since 2002

1996: Corporatisation (state enterprise)

2002: Transformation into a public limited company

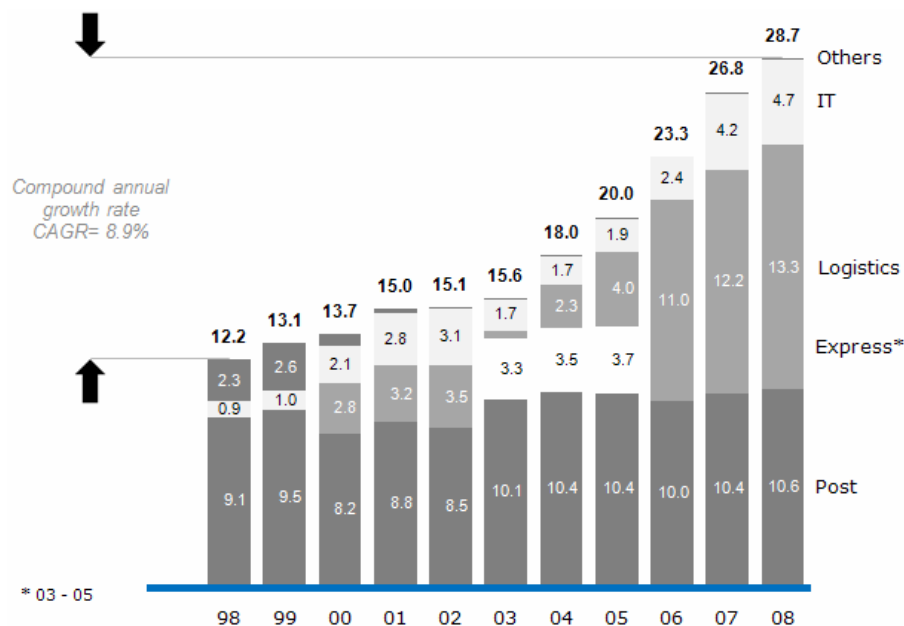
State ownership (31.12.2007): 100 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

## Corporate revenue in billion NOK by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	74.5	72.5	60.0	58.7	56.1	64.7	58.1	52.0	42.8	38.8	37.1
Domestic %*						91.3	90.0	87.2	80.2	75.2	72.9
Labour cost %**	67.0	64.1	57.4	58.7	56.0	54.4	49.3	46.0	41.1	41.5	42.9
Headcount '000	31.6	31.6	32.4	29.6	26.9	24.5	24.5	23.9	24.5	27.1	28.3
National employment %***	96.6	92.5	84.0	85.0	84.8	86.1	83.2	79.4	74.8	68.0	64.8
Civil servants %****											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of company on corporate headcount \*\*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of Posten Norge since 1997

- 2001: Posten Norge launches the new business Parcel Express
- 2002: Acquisition of Swedish Citymail, the key competitor of Sweden Post in the domestic letters business.
- 2004: Agreement with TNT Express for selling the product "Global Express"
- 2006: Foundation of Citymail Denmark (for competing with Post Danmark in the domestic and cross-border letters business).
- 2007: Posten Norge acquires the Swedish transport and logistics group Transflex.
- 2008: Foundation of new company within the Norwegian information logistics market together with Finnish Itella: Itella Information AS (49% Norway Post, 51% Itella).
- Posten Norge has steadily reduced its company employment: CAGR (1998-2008) -4%.

## Universal Service

Universal service provider: Posten Norge

- Until 2005 Posten Norge received state compensation for universal postal service (in 2005 around NOK 300m).
- The Parliament recently decided to pay NOK 518m for universal postal service in 2009.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.9	2.8	2.8	2.9	3.2	3.2	3.3	3.3	3.2	3.1	3.1
Post offices %	71.1	70.1	69.8	32.5	21.0	20.5	20.1	20.2	20.4	20.7	
20g tariff FSC in NOK	3.80	4.00	4.20	5.50	5.50	5.50	6.00	6.00	6.50	7.00	7.00
100g tariff in % of 20g tariff	197	200	190	200	200	200	200	200	200	200	200
20g tariff SSC in NOK	3.40	3.60	3.60	5.00	5.00	5.00	5.50	5.50	6.00	6.50	6.50
20g tariff EU letter FSC in NOK	4.50	5.00	5.00	7.00	7.00	7.00	7.50	7.50	8.00	8.50	8.50

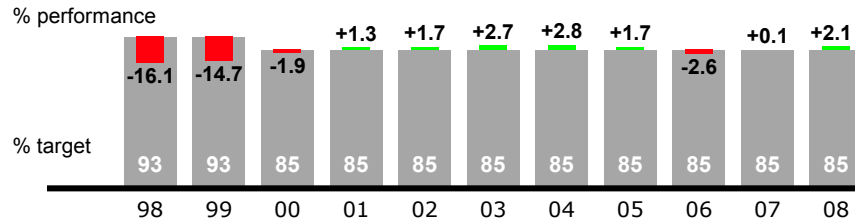
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = 1.5%
- High share of postal agencies; Posten Norge intends to transform additional 124 post offices into postal agencies until end of 2010 (the share of post offices would decline to 12%)
- Delivery frequency per week: 6 days
- Delivery of parcels at the premises of the household only against an extra fee (not part of the universal service)

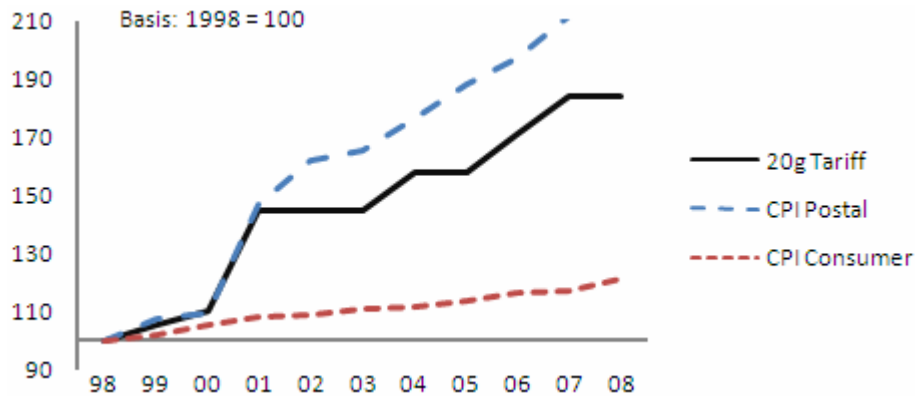
**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and publications of national regulatory authority (website)

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The public tariffs have considerably increased between 2000 and 2008 (CAGR 1998-2008 6.3%).
- In 2009 the tariffs increase further: for A-Mail to NOK 8.00 (plus 14.3%) and for B-Mail to NOK 7.50 (plus 15.4%).

**Customer View**

- No information available.

**Concluding Remarks**

- Letter post development, especially direct mail, has been substantially affected by economic decline in 2008 and 2009 (2009 GDP growth rate -3.4%).
- Mail revenues come additionally under pressure because of cost saving measures of mailers (using the economy service instead of the priority service). This shift was possibly enforced by significant tariff increases in 2009.
- The letters market has not been substantially liberalised resulting in very limited competition (reserved area for domestic letter services up to 50g).
- The density of postal outlets has slightly increased; since 2002 80 percent of outlets are postal agencies.
- The transit time performance is fairly stable on a level of 85% since 2000; the public tariffs have considerably increased between 2000 and 2008 (stronger than CPI)
- Accessibility of postal services has been safeguarded by an increasing number of retail outlets increasingly organised as postal agencies.
- The incumbent postal operator and universal service provider Posten Norge focus on postal and logistics operations in the Scandinavian region. Subsidiaries of Posten Norge (CityMail) compete with the incumbent postal operators in the Danish and Swedish letters market.
- The company was fairly profitable but especially the mail business was loss-making in 2007 and 2008 which resulted in resumption of state compensation for loss-making universal service elements in 2009.
- Parcel & express market shows recent annual growth rate of >5%. Posten Norge remains a leader player in the market.

## Poland

### Country Facts

Population '08:	38.1 million
Population growth (98-08):	1.4%
Population density '08:	118 / sqkm
Urbanisation rate '08:	61.2%
GDP '08 (PPS, billion):	EUR 535.2
GDP/capita '08 (PPS):	EUR 14,043
Postal services/GDP '01/07:	0.45%/0.49%



### Macro-economic indicators Poland

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	5.0	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.6	5.0
GDP/capita (PPS)	8,032	8,563	9,098	9,406	9,881	10,129	10,961	11,543	12,356	13,283	14,043
Inflation (CPI)*	74.1	79.4	87.4	92.0	93.8	94.5	97.9	100.0	101.3	103.9	108.3
Unemployment rate %	10.2	13.4	16.1	18.3	20.0	19.7	19.0	17.8	13.9	9.6	
Internet access** %					11	14	26	30	36	41	48
Broadband access** %							8	16	22	30	38

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2004	350g	350g	350g	5 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- All postal services provided by Poczta Polska are VAT exempted.
- Accessibility of private mail boxes (the issue is addressed by legislation).

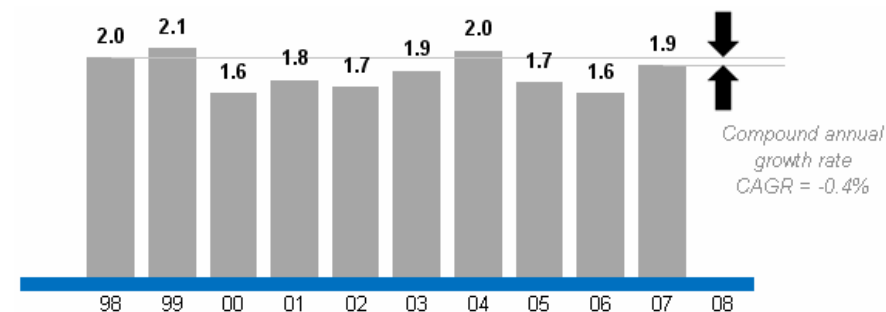
### National Regulatory Authority

Since 2006 Office of Electronic Communications (UKE): UKE succeeded the Office of Telecommunications and Post Regulation (URTIP) which was established in 2002.

### Letter Post

Estimated market value: € 902 million (2007)

Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2003-2007)	Notes
Domestic letter post	50	2.2%	Market data since 2003
•Letters	47	4.3%	CAGR (2005-2007)
••Correspondence	42	3.3%	
••Direct Mail	5	14.0%	
•Publications	n.a.	n.a.	
Unaddressed advertising	84	42.6%	Based on market data
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority and UPU

- Letter post volume has substantially increased; however, the figures considerably vary (even the figures of UKE since 2003)

- The Polish letter post market is still less developed in terms of items per capita.
- Around 75% of letter post is sent by business thereof three-quarter to individuals. The B2B share is relatively low which indicates that business customers make substantial use of competing courier companies (better quality of service).

**Competition**

Letter post segment	Level of competition	Notes
<b>Domestic letters</b>	Emerging	Key competitor: InPost (developed the "50g envelope")
<b>Unaddressed advertising</b>	Intense	
<b>Cross-border outbound letter post</b>	Emerging	

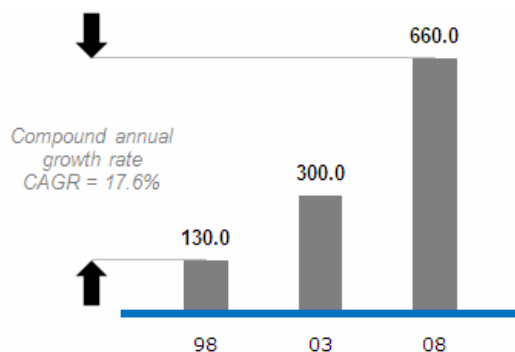
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: Based on WIK-Consult, Ecorys, market surveys of national regulatory authority

- Competition is emerging in the letters segment. According to statements of the main competitor in this segment, InPost, the market share of competing operators in the correspondence segment was 2.5 %.( 2007).

**Parcel & Express**

*Estimated total market value (in million EUR)*



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Poczta Polska**

- DHL, UPS, TNT, DPD, GLS, OPEK

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 18.2%.
- CAGR (03-08): 17.1%
- After Poland joined the EU, the volume of international shipments increased significantly and now makes up almost a quarter of the market.
- Over the last years international companies acquired polish companies. As a result DHL is the clear market leader, followed by UPS. Both companies took over successful leading Polish companies in the past.
- The biggest of the Polish companies is OPEK which only has ~5% share of the total market
- Poczta Polska has lost importance in this market with a low market share.

**Incumbent Postal Operator: Poczta Polska**

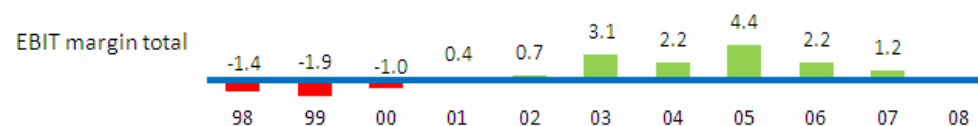
Company form: Public limited company since 1 September 2009

1997: Corporatisation (state enterprise)

2009: Transformation into a public limited company (Poczta Polska SA)

State ownership (31.12.2008): 100%

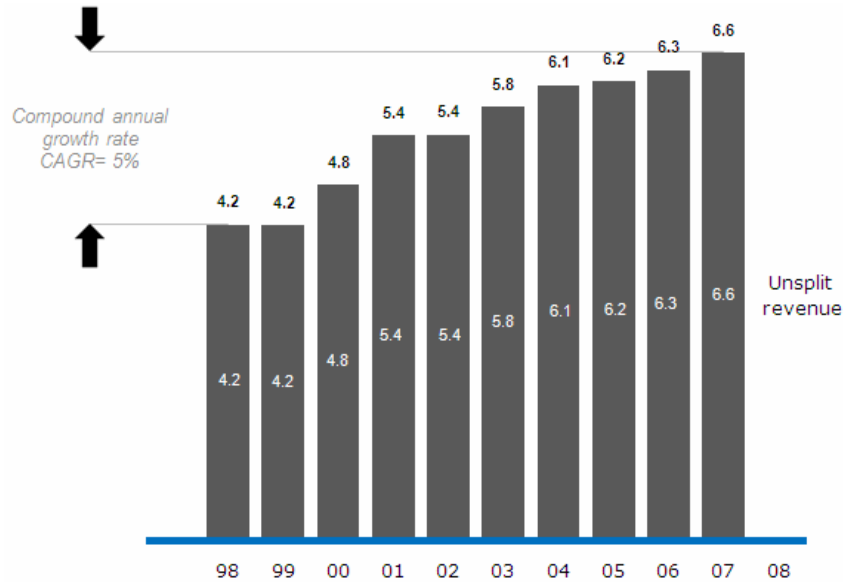
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on UPU



**Corporate revenue in billion PLN by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*				50.0	29.6	53.7	37.8	51.8	51.7	52.1	
Domestic %*											
Labour cost %*											
Headcount '000	101.2	99.3	101.4	101.0	101.8	100.8	101.1	100.0	101.1	100.4	
National employment %***											
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on UPU

**Key developments of Poczta Polska since 1997**

- No information available (annual reports of Poczta Polska are not publicly available)

**Universal Service**

Universal service provider: Poczta Polska

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Post offices %	95.3	89.5	83.4	77.0	74.6	72.1	68.4	67.5	66.6	65.5	
20g tariff FSC in PLN	0.55	0.70	0.80	1.00	1.80	1.80	1.90	2.00	2.00	2.10	2.10
100g tariff in % of 20g tariff					117	117	116	110	110	110	124
20g tariff SSC in PLN					1.10	1.20			1.30	1.35	1.45
20g tariff EU letter FSC in PLN					2.60	2.60	2.60	2.80	3.00	3.00	3.00

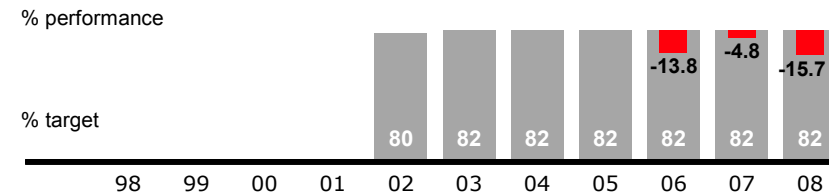
\* per 10,000 inhabitants

Sources: Based on UPU and annual reports of the national regulatory authority

- Development in postal outlets: CAGR (1998 – 2007) = 0.89%
- Poczta Polska has substantially increased the share of postal agencies.
- In 2006 a competing postal operator, Inpost, started rolling out a network of retail outlets offering letter services to individuals and business customers. Inpost states to have established already 800 retail outlets in 200 Polish cities.
- Delivery frequency per week: 5 days
- In 2002 Poczta Polska has introduced a standard D+1 service for correspondence which replaced the former D+3 as fastest standard category.

**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points

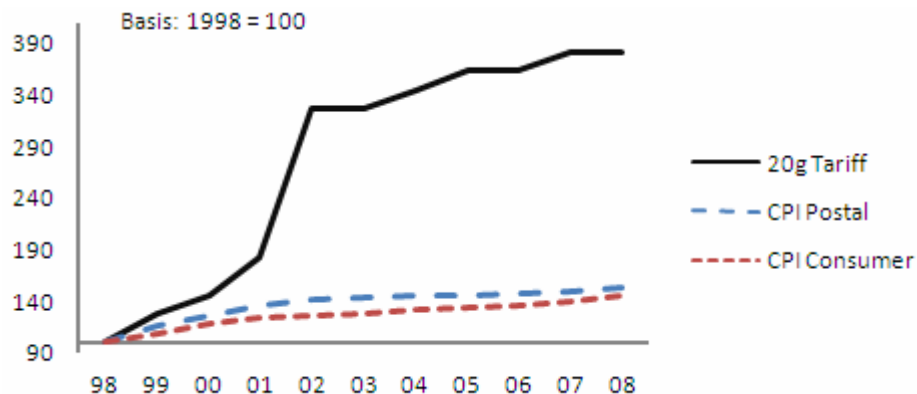


Sources: Based on WIK-Consult and annual reports of the national regulatory authority

- Neither the priority nor the economy letter services have met the regulatory transit time targets. The regulator states that the transit time performance is higher for letters sent within a city or region.

- The transit time performance has been measured once a year by an independent company commissioned by UKE.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- The price jump between 2001 and 2002 resulted from the introduction of a D+1 service as standard service. Between 2002 and 2008 the tariff for the D+1 20g letter increased 2.6% per year in average (CAGR 2002-2008).
- The tariff for the D+3 20g letter (now the economy service) increased 4.7% in average per year during the same period.
- Since 1998 the tariff for the D+3 service increased 10.2% in average per year.

**Customer Satisfaction**

		Consumers
Use of postal services	Eurobarometer ('03, '04, '06):	Use of postal services is fairly stable (2006: 94%)
Satisfaction Level	NRA ('06)	Satisfaction level of 83% (2006)
	Eurobarometer ('03, '04, '06):	Declining satisfaction with accessibility (2006: 93%)
Satisfaction with service characteristics	NRA ('06)	Individuals are unsatisfied with service in postal outlets (long waiting time)

Complaints statistics:

- Since 2007 UKE published the number of complaints (separately for different types of mailings and separately for different types of reasons for complaining) based on information of Poczta Polska

Consumer surveys (Eurobarometer)

- 76% of the Polish consumers think that more competition in Postal services for regular mail will reduce prices. 85% of the customers think that the quality of the postal service would improve if there was more competition in the sector. 63% of the customers think that accession to the European Union will have a positive impact on postal services for regular mail.

		Business Customers
Satisfaction Level	NRA ('06)	Moderate satisfaction levels with letter services of Polish Post
	Interviews*:	very satisfied: 20%; not very satisfied 80%
Importance of service characteristics	Interviews*:	Most important aspects are reliability and product & service range
Development of service characteristics	Interviews*:	Improvements perceived in product & service range, customer service and transit time performance

\* Interviews with 5 business customers carried out in May 2009 with up to 10,000 letter post items on average per month

**Concluding Remarks**

- The Polish letter post market is characterised by relatively low items per capita.
- Due to the size of the country (in terms of population) there is considerable growth potential despite of emerging electronic alternatives. It appears that Poland is less affected by the economic decline than other EU Member States (2009 GDP growth rate -0.9%). Additionally, the fast and dynamic development of the courier segment indicates strong demand for reliable postal services.
- The letters market has not been substantially liberalised (maximum reserved area for all letter services). However, competition is emerging in the letters segment despite of the reserved area.
- The density of postal outlets is fairly stable; Polish Post has increased the share of postal agencies to more than 30 percent (the highest share within the Eastern Member States)
- Neither the priority nor the economy letter services have met the regulatory transit time targets of 82%. The price jump between 2001 and 2002 resulted from the introduction of a D+1 service as standard service; between 2002 and 2008 the tariff for the D+1 20g letter increased 2.6% per year in average (stronger than CPI).

- At least urban customers (individuals and business customers) have benefited from improvements in accessibility due to emerging competition.
- Business customers have benefited from the growing courier sector and emerging competition in the letters segment. Tariffs for standard postal services have considerably increased without corresponding quality improvements.
- Poczta Polska focuses on national postal operations and postal financial services. Its position in the parcel and express market is weak.
- The incumbent postal operator Poczta Polska appears to be at the very beginning of a necessary modernisation process which is indicated by the low level of transit time performance.
- Strong growth in the parcel & express market
- Poczta Polska only plays a minor role in the parcel & express market.

## Portugal

## Country Facts

Population '08:	10.6 million
Population growth (98-08):	5.0%
Population density '08:	115 / sqkm
Urbanisation rate '08:	59.5%
GDP '08 (PPS, billion):	EUR 202.7
GDP/capita '08 (PPS):	EUR 19,090
Postal services/GDP '00/08:	0.69%/0.73%



## Macro-economic indicators Portugal

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.9	3.8	3.9	2.0	0.8	-0.8	1.5	0.9	1.4	1.9	0.0
GDP/capita (PPS)	13,023	13,977	14,908	15,345	15,828	15,942	16,192	17,334	18,067	18,976	19,090
Inflation (CPI)*	81.4	83.1	85.5	89.2	92.5	95.5	97.9	100.0	103.0	105.5	108.3
Unemployment rate %	5.0	4.5	4.0	4.1	5.1	6.4	6.7	7.7	7.8	8.1	
Internet access** %					15	22	26	31	35	40	46
Broadband access** %						8	12	20	24	30	39

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1999	350g	350g	350g	5 times	
2003	100g	100g	100g	3 times	
2006	50g	50g	50g	2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- All postal services provided by CTT Correios de Portugal S.A are VAT exempted (VAT standard rate 20%)

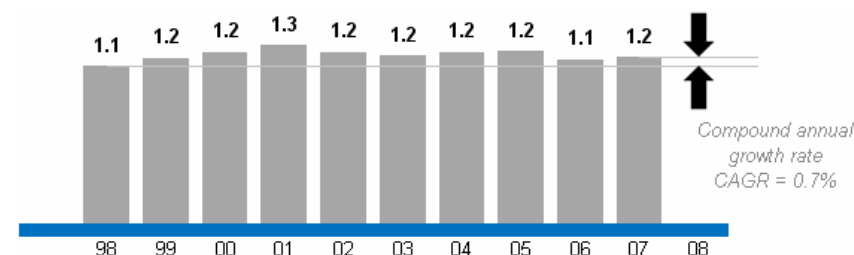
## National Regulatory Authority

Autoridade Nacional De Comunicações (ANACOM)

## Letter Post

Estimated market value: € 651 million (2008)

Domestic letter post volume (in billion items)



	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	110	-0.6%	
•Letters	103	-0.2%	
••Correspondence	87	0.4%	
••Direct Mail	16	-2.8%	
•Publications	7	-5.9%	
Unaddressed advertising	54	6.1%	
Cross-border outbound	4	-7.1%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator

- Letter post volume has broadly stagnated: while correspondence has slightly grown direct mail volume has declined since 2002.
- Emerging electronic alternatives for physical delivery have not substantially affected the development in letter post volume in the past.

- The declining number of publications delivered by CTT Correios de Portugal S.A is at least partly the result of emerging competition in this segment.
- 95% of letter post is sent by businesses thereof 60% to individuals.

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Cross-border outbound letter post	Emerging	Decline in volume of cross-border outbound mail collected by CTT Correios despite the reserved area

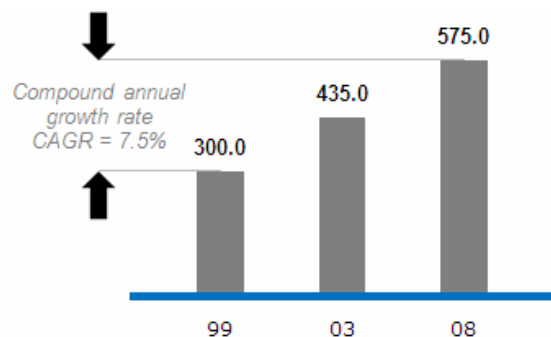
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- Competition in the letters segment is emerging but is still very limited: according to Anacom the market share of CTT Correios was 99 percent in 2007.

**Parcel & Express**

**Estimated total market value (in million EUR)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of CTT Correios de Portuga, S.A.**

- DHL, TNT, UPS, Seur, MRW, GLS

**Key developments in the parcel & express market since 1997**

- CAGR (99-03): 9.7%
- CAGR (03-08): 5.7%
- CTT Correios de Portugal S.A still market leader though the company has lost market shares to their competitors (2003: ~49%, 2008: ~25%)
- Market in the process of consolidation but still many small companies (Top 5 companies: ~75% of market value)
- Express carriers are increasingly tailoring their services to specific sectors in order to meet better the customers' needs.
- Competitors to CTT Correios de Portugal S.A like GLS (~55 parcel shiops) and DHL (~17 Service Points) are setting up their own network of access points.

**Incumbent Postal Operator: CTT Correios de Portugal, S.A.**

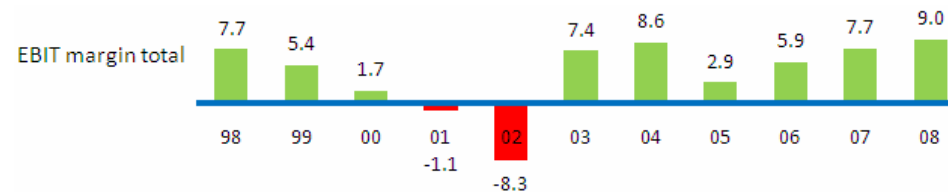
Company form: public limited company since 1992

1970: Corporatisation

1992: Transformation into a public limited company (CTT Correios de Portugal S.A.)

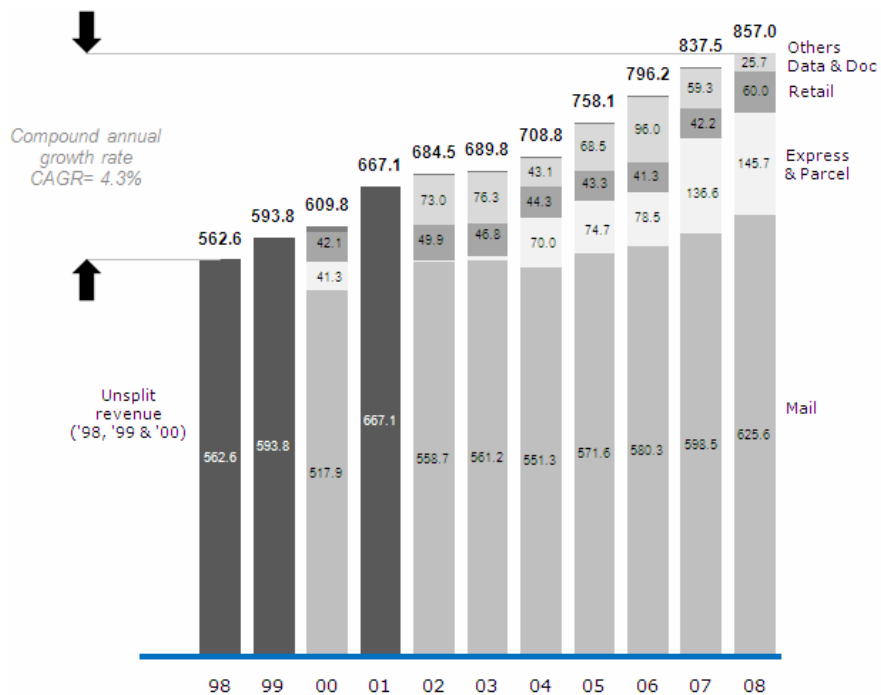
State ownership (31.12.2007): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

Corporate revenue in million EUR by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*			84.9	81.6	81.4	77.8	75.4	72.9	71.5	73.0	
Domestic %*			94.6	93.8	94.6	92.3	92.4	89.5	88.8	89.0	
Labour cost %**	70.3	69.2	68.8	68.2	68.8	62.9	57.6	56.9	58.1	55.9	53.9
Headcount '000	16.6	17.2	18.1	18.4	17.8	16.6	15.7	15.7	15.4	15.4	
National employment %***	100.0	100.0	95.7	96.2	99.3	98.9	98.3	95.1	94.7	90.8	85.7
Civil servants %****											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of company on corporate headcount \*\*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

Key developments of CTT Correios de Portugal S.A since 1997

- 2001: Campos Envelopagem is acquired by CTT Correios de Portugal S.A as a strategic option to protect the mail business by actively participating in mail production and preparation for large and medium sized customers
- 2005: CTT Correios de Portugal S.A signs partnerships with DHL Portugal and Chronoexpres
- 2005: The process of integrating the hybrid mail unit Telepost into Mailtec operational management processes is concluded: New offers for mail production and hybrid mail services
- 2005: Purchase of express service provider Tourline Express (Spain)
- 2006: Launch of ViaCTT ( a free electronic mailbox where all citizens residing in Portuguese territory can receive, organise and store all their correspondence in a digital format)
- 2006: Development of international businesses: signing of a co-operation agreement with PUASP (Postal Union of the Americas Spain and Portugal) on the development of EMS traffic and parcels
- Since 2001/2002 CTT Correios de Portugal S.A has implemented effective cost saving measures reflected in the development of the group as well as the company employment which has substantially declined since 2001: -2.6% (group) and -3.9% (company) in average per year.

Universal Service

Universal service provider: CTT Correios de Portugal S.A

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	3.7	3.7	3.7	3.7	3.7	3.4	2.9	2.8	2.7	2.7	2.7
Post offices %	28.7	28.4	28.3	28.1	28.2	30.4	33.1	33.9	33.5	32.4	32.2
20g tariff FSC in €	0.40	0.40	0.42	0.42	0.43	0.43	0.45	0.45	0.45	0.45	0.45
100g tariff in % of 20g tariff	150	150	143	143	140	140	138	144			156
20g tariff SSC in €	0.25	0.25	0.26	0.26	0.28	0.30	0.30	0.30	0.30	0.30	0.30
20g tariff EU letter FSC in €**	0.50	0.47	0.50	0.52	0.54	0.55	0.56	0.57	0.60	0.61	0.61

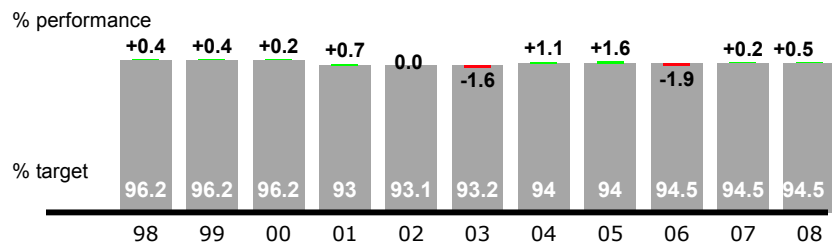
\* per 10,000 inhabitants \*\* Economy service

Sources: Based on WIK-Consult, statistical data published by the national regulatory authority and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -2.64%
- Delivery frequency per week: 5 days
- Individuals and small business customers have a choice between a priority and an economy service.
- Cross-border priority letters: EUR 1.85 (2008)

**D+1 Performance in %**

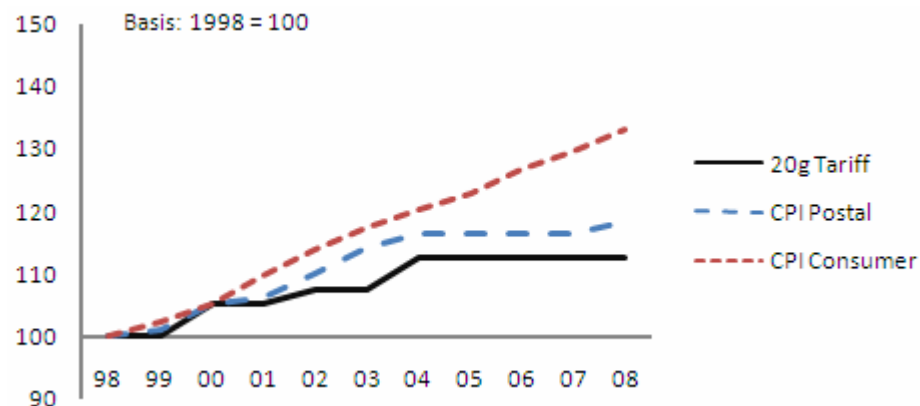
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, statistical data published by the national regulatory authority and annual reports of the incumbent postal operator

- High transit time performances of the D+1 service indicate that postal operations at CTT Correios are well-organised.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Basic postal tariffs have been fairly stable in real terms for the first and second class service.
- After 5 years of stability the 20g tariffs for priority and economy services were increased to EUR 0.47 (plus 4.4%) and respectively EUR 0.32 (plus 6.7%) in 2009.
- CTT Correios de Portugal S.A offers special tariffs for business customers (correspondence and direct mail, price lists are publicly available)

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 93%)
<b>Satisfaction Level</b>	NRA ('98, '99, '01, '02, '06, '06):	Increasing satisfaction from 47% in 2005 to 69% in 2007
	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 94%)
<b>Satisfaction with service characteristics</b>		no information available

Complaints statistics:

- Since 2005 CTT Correios de Portugal S.A has published the number of complaints (separately for different types of mailings)
- Approximately 10% of consumers have already filed a complaint at post offices. The main reasons for complaint were 'delivery at wrong address' and 'delay in delivery' (customer surveys, 1998 – 2006, published by NRA)

	Business Customers	
<b>Satisfaction Level</b>	NRA ('08)	CTT, generally, achieve high satisfaction levels (above 7 out of 10) Satisfaction level with competitors the same level, sometimes higher
	Interviews*:	very satisfied: 20%; not very satisfied 80%
<b>Importance of service characteristics</b>	NRA ('08)	Most important aspects are nationwide delivery, reliability and delivery on the next working day and a good customer service
	Interviews*:	Interviews are in line with the conclusions from the NRA
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in transit time performance, product & service range, reliability and customer service

\* Interviews with 5 business customers carried out in May 2009 with between 1,000 and 10,000 letter post items on average per month

### Concluding Remarks

- Stagnating letter post volume, growth potential unclear (perhaps limited) 2009 GDP growth rate -3.9%, impact of emerging electronic alternatives unclear
- The letters market has not been substantially liberalised resulting in very limited competition (maximum reserved area for all letter services). Competition in letters market is emerging but still very limited; CTT Correios de Portugal S.A is the best known and mostly used postal operator in Portugal (at least for letters).
- The density of postal outlets has substantially declined since 2002; around one third of outlets are post offices.
- High transit time performances of the D+1 service indicate that postal operations at CTT Correios are well-organised.
- Basic postal tariffs have been fairly stable in real terms for the first and second class service. After 5 years of stability the 20g tariffs for priority and economy services were increased in 2009.
- Business customers have benefited by an extending service portfolio and fairly stable postal tariffs.
- CTT Correios de Portugal S.A focuses on national postal operations and has extended its mail activities into the mail production and hybrid mail segment.
- After financial problems in 2001/2002 CTT Correios de Portugal S.A has made substantial progress in cost efficiency and productivity: today, CTT Correios de Portugal S.A is a very profitable postal operator.
- Parcel & express market in the process of consolidation, showing decreasing annual market growth.
- CTT Correios de Portugal S.A losing market shares but still market leader in the parcel & express market.



## Romania

## Country Facts

Population '08:	21.5 million
Population growth (98-08):	-4.4%
Population density '08:	90 / sqkm
Urbanisation rate '08:	54.2%
GDP '08 (PPS, billion):	EUR 245.8
GDP/capita '08 (PPS):	EUR 11,419
Postal services/GDP '01/07:	0.15%/0.22%



## Macro-economic indicators Romania

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %		-1.2	2.1	5.7	5.1	5.2	8.5	4.2	7.9	6.2	7.1
GDP/capita (PPS)	4,572	4,619	4,922	5,440	6,008	6,479	7,378	7,853	9,052	10,475	11,419
Inflation (CPI)*	20.3	29.6	43.2	58.0	71.1	81.9	91.7	100.0	106.6	111.8	120.7
Unemployment rate %		7.1	7.3	6.8	8.6	7.0	8.1	7.2	7.3	6.4	
Internet access** %							6		14	22	30
Broadband access** %									5	8	13

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2002	350g		350g	5 times	
2004	100g			3 times	
2006	50g			2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: Eurostat, United Nations

## Legal barriers to competition other than the reserved area

VAT exemption for universal postal service (VAT standard rate 19%)

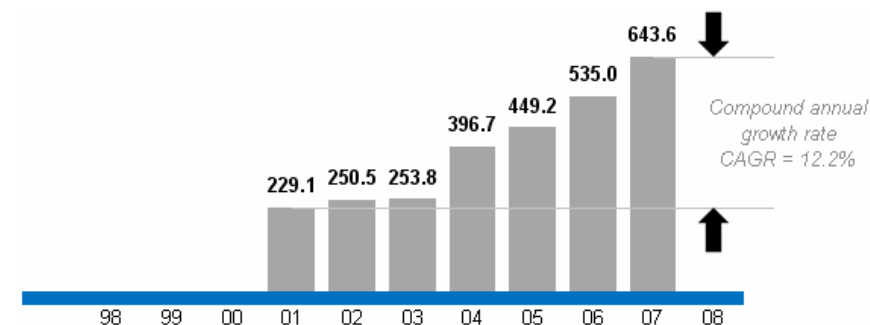
## National Regulatory Authority

National Regulatory Authority for Communications (ANCOM, Autoritatea Nationala pentru Administrare si Reglementare in Comunicatii)

## Letter Post

Estimated market value: € 92 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2004-2007)	Notes
Domestic letter post	30	20.8%	Market data since 2004
•Letters	26	n.a.	
••Correspondence	23	n.a.	
••Direct Mail	3	n.a.	
•Publications	n.a.	n.a.	
Unaddressed advertising	1	61.7%	Based on market data
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority and UPU

- The Romanian letter post market is relatively under-developed in terms of items per capita.
- Starting from a very low level letter post volume has substantially grown between 2004 and 2007. The growth rate in letter post volume has even outperformed economic growth.
- Emerging electronic alternatives have not substantially affected the development in the letter post market (the penetration rates of internet and broadband access are still relatively low).
- No information on demand structure.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Cross-border outbound letter post	Emerging	

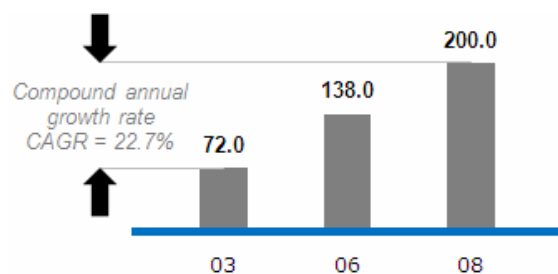
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- Competition is emerging in the letters segment (domestic and cross-border). In 2007 94% of letter post items have been handled by CNPR, 6% by competing postal operators (compared to 2.2% in 2006).
- Competitors of Poșta Română in the delivery of letter post are mostly courier companies. They compete with Poșta Română in the segment of value added letter post services (i.e. outside the universal service segment).

### Parcel & Express

#### Estimated total market value (in million EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Poșta Română

- DHL, TNT, Fan Courier, Curiero, UPS, FedEx, GLS

#### Key developments in the parcel & express market since 1997

- CAGR (03-06): 24.2%
- CAGR (06-08): 20.4%
- Market still quite young as only in 1998 Fan Courier Express entered the market as first competitor to Cargus, which was the only player on the domestic market.
- Market shows continuous strong growth and many new market entrants, due to the EU accession of Romania and strong demand for express services.
- Parcel & Express market still quite fragmented with many small companies, though TOP 3 players account for ~66% of the market.
- Market consolidation: DHL (Cargus), Geopost (Pegasus) and UPS (TCS) recently took over Romanian companies.
- International integrators DHL and TNT and national player Fan Courier are at the top of the market.
- GLS only entered the market in 2007
- Posta Română with low importance in the market

#### Incumbent Postal Operator: Poșta Română (CNPR)

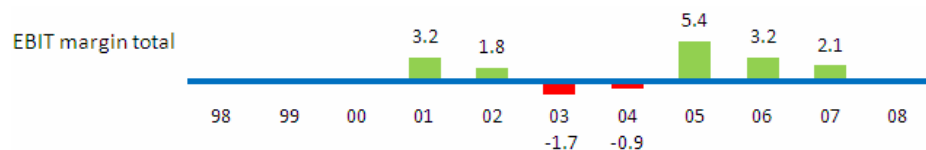
Company form: public limited company since 1998

1991: Corporatisation of Poșta Română (state enterprise)

1998: Transformation into a public limited company

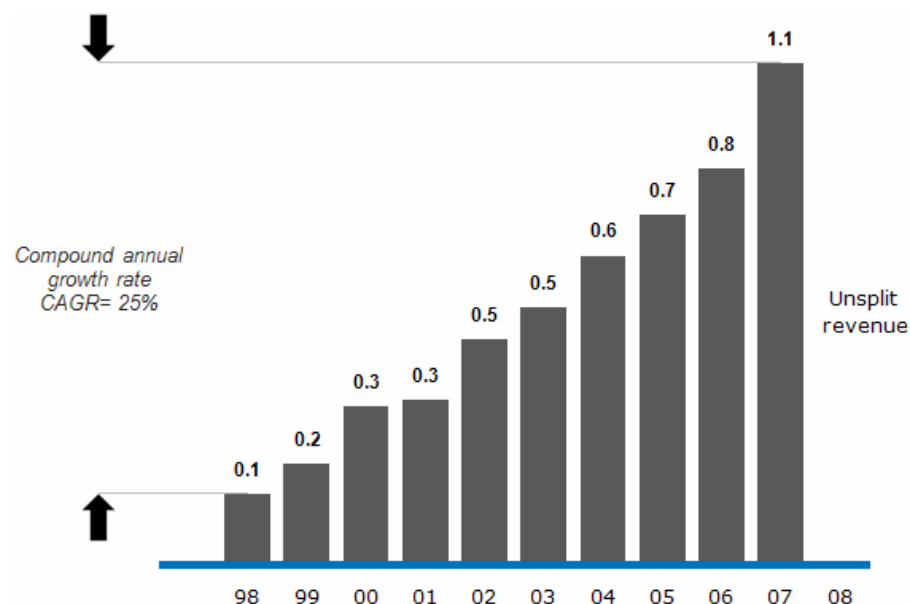
State ownership (31.12.2008): 100 %

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator and UPU

**Corporate revenue in billion RON by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**											
Headcount '000	35.9	35.8	35.7	35.8	34.9	35.9	36.1	36.3	35.6	36.4	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator and UPU

**Key developments of Poșta Română since 1997**

- 1999 Poșta Română started the process of computerisation of its postal offices in order to support the provision of the financial postal services: On-line money orders, Western Union money transfers, Eurogiro transactions
- 1999 Poșta Română started collaboration with Western Union offering money transfer services
- 2002: Launch of the service E-Post that offers the possibility to send and receive the correspondence by internet.
- 2002: Launch of the international express service SkyPak in partnership with TNT Romania.
- 2005: The Romanian government announced that it plans to restructure and then privatise Poșta Română by 2008
- 2007: EBRD (European Bank for Reconstruction and Development) is providing Poșta Română with a € 50 million loan to finance the construction in Bucharest of the country's first fully automated sorting centre and the modernisation of an existing sorting centre in the north-western city of Cluj
- 2008: launch of the service ExpediPrint, which is a hybrid postal service (electronic a physical delivery). The service focuses companies that have high volumes of commercial correspondence to a high number of clients.
- 2008: Starting the international expansion of its network by opening six offices in Spain.
- 2008: The privatisation of Poșta Română is postponed to 2012
- 2008: Poșta Română cooperates with Blue Air for transport services. Contract costs: €44.84m

**Universal Service**

Universal service provider: Posta Română

**Peculiarity of universal service obligation in Romania:**

- Direct mail and value added postal services are not part of the universal postal service. Value added characteristics are for example tracking & tracing, pick up service, or guaranteed delivery time. The regulator states that more than half of postal volume (thereof three-quarter correspondence) are outside the universal service area (2007).

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	2.8	2.9	3.0	2.9	3.1	3.2	3.2	3.2	3.2	3.2	
Post offices %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
20g tariff FSC in RON**	0.09	0.15	0.20	0.25	0.30	0.40	0.50	0.50	0.50		1.00
100g tariff in % of 20g tariff	218	180	185	184	183	200	200	200	200		200
20g tariff SSC in RON											
20g tariff EU letter FSC in RON	0.49	0.89	1.04	1.65	2.05	2.10	2.10	2.10	2.10	2.10	2.10

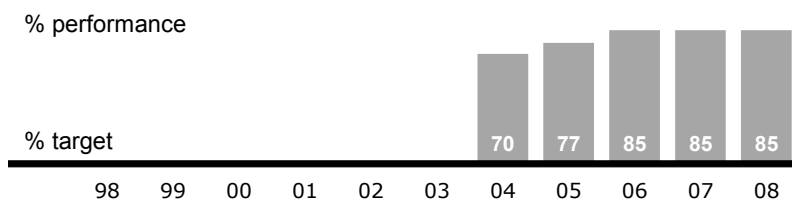
\* per 10,000 inhabitants \*\*D+5 service

Sources: Based on WIK-Consult, UPU, price lists of the incumbent postal operator and market surveys of the national regulatory authority

- Development in postal outlets: CAGR (2005 – 2007) = 0.88%
- Delivery frequency per week: 5 days
- Individuals and small business customers have a choice between a priority and an economy service since 2009.

**D+1 Performance in %**

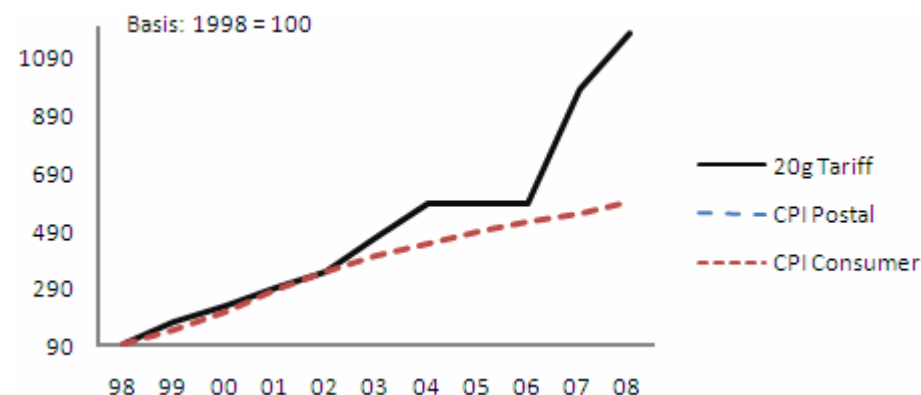
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult

- So far, the domestic D+1 transit time performance has not been published.
- It appears that in the past Poșta Română had not provided a standard D+1 service.
- Since 2009 there is a separately priced D+1 service; the former fastest standard category (D+5) is now the economy class.

Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Introduction of a separately priced priority letter service (D+1) in 2009: 20g tariff RON 1.6. (compared to RON 1.0 for the standard D+5 service).
- Introduction of rebates (pre-sorting, volume) for business customers.

**Customer Satisfaction**

Consumer surveys: No publications found

Complaints statistics: Since 2006 Poșta Română publishes a detailed complaints statistic on its website (last publication for 2007).

	Business Customers
Satisfaction Level	Interviews*: very satisfied: 0%; not very satisfied 100%
Importance of service characteristics	Interviews*: Most important aspects are reliability, nationwide delivery and delivery on the next working day
Development of service characteristics	Interviews*: No clear trend for improvements Deterioration perceived in customer service

\* Interviews with 5 business customers carried out in May 2009 (2 with less than 1,000 and 3 with more than 1,000 up to 50,000 letter post items on average per month)

### Further interview results:

- Respondents state that they would replace physical mail delivery by electronic alternatives but low levels of internet access and computer ownership slow down the process.
- Respondents prefer using private national or international operators for Parcel & Express services because of a more diversified product portfolio and more reliable and faster delivery services.

### Concluding Remarks

- The Romanian letter post market is characterised by very low letter post items per capita.
- For this reason we see considerable growth potential despite some economic decline (2009 GDP growth rate -4%). This growth potential would even be promoted by substantial improvements in the reliability of postal services.
- Emerging electronic alternatives for physical delivery have not yet challenged the postal business; the penetration rates for internet and broadband access are relatively low.
- Significant market segments are liberalised (Direct Mail and Cross-border outbound mail). Competition has emerged outside the universal service area (value-added services).
- The density of postal outlets has increased; all outlets are post offices.
- Neither Posta Romana nor the regulatory authority have published the transit time performance of the fastest standard category.
- Postal tariffs have substantially increased since 2006.
- Customers start benefiting from the efforts of Poșta Română to improve quality of service provision. However, it appears that especially business customers still rely more on private operators than on services provided by Poșta Română.
- The incumbent postal operator Poșta Română focuses on national postal operations (including value added services).
- Operations have been profitable; however, profitability is declining.
- Poșta Română is still in the process of modernisation; however, neither the company nor the regulatory authority has published figures on the transit time performance.
- Strong growth in the parcel & express market.
- Poșta Română with low importance in the parcels & express market.

## Slovakia

## Country Facts

Population '08:	5.4 million
Population growth (98-08):	0.2%
Population density '08:	110 / sqkm
Urbanisation rate '08:	56.5%
GDP '08 (PPS, billion):	EUR 96.7
GDP/capita '08 (PPS):	EUR 17,897
Postal services/GDP '01/07:	0.32%/0.42%



## Macro-economic indicators Slovakia

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.4	0.0	1.4	3.4	4.8	4.7	5.2	6.5	8.5	10.4	6.4
GDP/capita (PPS)	8,847	9,008	9,550	10,357	11,086	11,499	12,368	13,553	15,017	16,694	17,897
Inflation (CPI)*	60.7	67.1	75.3	80.7	83.5	90.5	97.3	100.0	104.3	106.2	110.4
Unemployment rate %	12.6	16.4	18.8	19.3	18.7	17.6	18.2	16.3	13.4	11.1	
Internet access** %							23	23	27	46	58
Broadband access** %							4	7	11	27	35

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2004	100g	100g	100g	3 times	Delivery of hybrid mail was not considered as a postal service
2006	50g	50g	50g	2.5 times	Delivery of hybrid mail has been added to the reserved area
2008					

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

- The Commission issued an Article 86 decision against Slovakia because of the extension of the reserved area in 2008.

## Legal barriers to competition other than the reserved area

- VAT exemption for universal postal services (VAT standard rate 19%)

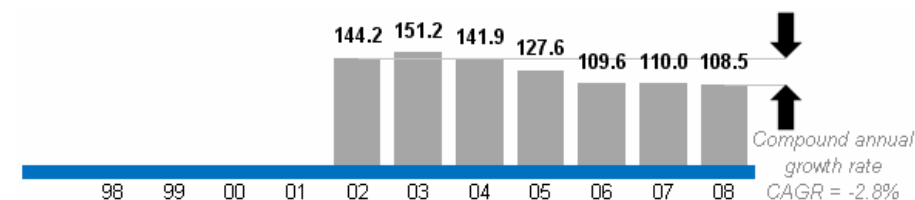
## National Regulatory Authority

Postal Regulatory Office

## Letter Post

Estimated market value: € 155 million (2007)

## Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	20	-5.3%	Based on Slovenská Pošta
•Letters	18	-3.3%	
••Correspondence	10	-7.1%	
••Direct Mail	8	3.3%	
•Publications	2	-15.4%	
Unaddressed advertising	41	16.1%	
Cross-border outbound	3	0.0%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on WIK-Consult and information provided by the incumbent postal operator

- Domestic letter post has substantially declined driven by volume reductions in correspondence and publications (delivered by Slovenská Pošta a.s.). It is unclear whether the volume development actually reflects the market development (maybe loss of market share of Slovenská Pošta a.s. due to hybrid mail).

- Direct mail delivered by Slovenská Pošta has increased and continued increasing in 2008 (+5.8%)
- Hybrid mail is a growing segment in the Slovakian letter post market mainly used by business customers coming from the financial industry.
- 75% of letter post delivered by Slovenská Pošta a.s. is sent by businesses thereof three quarter to individuals. The share of B2B mail on total letter post has substantially declined between 2004 and 2008: from 37% to 18%.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	
Unaddressed advertising	Intense	
Cross-border outbound letter post	Emerging	Part of the reserved area

No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: WIK-Consult

- Competition is emerging in the letters segment. The market share of Slovenská Pošta a.s. was around 98% in this segment.
- After April 1, 2008 (extension of the reserved area to delivery of hybrid mail items) competitors have lost market shares. The current status of competition is unclear (after the decision of the European Commission that this extension are contrary to Article 86(1) in conjunction with Article 82 of the EC Treaty Slovakia is preparing the amendment of postal legislation).

### Parcel & Express

**Total market value (in million EUR):** No data available

#### Parcel & express market - Main competitors of Slovenská Pošta a.s.

- TNT, DHL, UPS, DPD, GLS, Ten Express

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): ~20%
- CAGR (03-08): ~25-30%
- Strong market growth partly driven by the EU accession of the country and the increasing demand for international trade.
- Slovenská Pošta a.s. still with a leading position in the parcels market (~60%) and with a market share of 15% in the express segment.

#### Incumbent Postal Operator: Slovenská Pošta a.s.

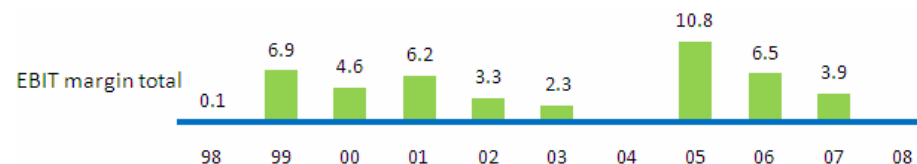
Company form: public limited company since 2004

1993: Corporatisation (state enterprise)

2004: Transformation into a public limited company

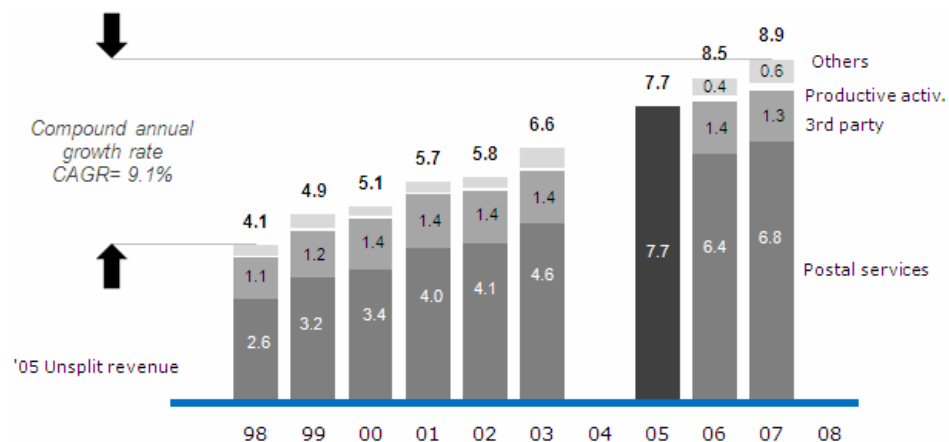
State ownership (31.12.2008): 100%

#### EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on annual reports of the incumbent postal operator

## Corporate revenue in billion SKK by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**	65.6	63.6	64.2	63.7	63.4	59.0		65.7	56.1	55.3	
Headcount '000	18.6	18.7	18.5	18.5	18.3	18.2	17.5	17.1	16.1	15.8	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***											

\*% of total revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of Slovenská Pošta a.s. since 1997

- 1999: The implementation of "The Project of Development of Postal Services by the Year 2000" terminates. The main emphasis is put on solving technologically and financially demanding projects
- 2002: Establishment of the first hybrid mail centre in Bratislava.
- 2004: Transformation of the Slovenská Pošta a.s. state corporation enables transformation of the Slovak Post into an economically independent and competitive entity

- 2006: The Slovenská Pošta a.s. becomes member of the EPG-network (E Parcel Group); establishment of the second hybrid mail centre in Kosice
- 2007: Establishment and extension of a key account management for the 1,000 most important customers. Ongoing modernisation of the sorting centres (implementation of new sorting machines).
- The company faces a decline in profitability since 2005 and meets this decline by measures to increase cost efficiency which is reflected in declining employment: Since 2004 the number of employees declined on average 3.4% per year resulting in a significantly lower share of labour costs on total operating expenses.

## Universal Service

Universal service provider: Slovenská Pošta a.s.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/lnh.*	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.9	3.0	2.9	
Post offices %	100	100	100	100	100	99.6	98.7	98.5	98.4	98.5	
20g tariff FSC in SKK	11	12	12.5	13	13	12	14	15	16	16	16
100g tariff in % of 20g tariff	127	142	152	154	154	133	129	120	113	113	113
20g tariff SSC in SKK	3	4	4	5.5	6	7	8.00	9	9.00	10.00	10.00
20g tariff EU letter SSC in SKK						13	16	20	20	20	20

\* per 10,000 inhabitants

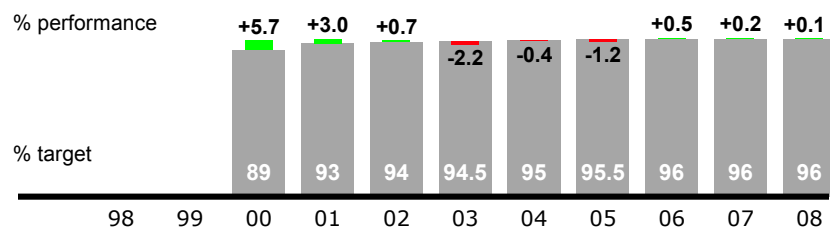
Sources: Based on WIK-Consult, price lists and annual reports of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2007) = -0.23%
- The share of postal agencies is very low; nearly all postal outlets are operated by Slovenská Pošta a.s. itself.
- Delivery frequency per week: 5 days
- Cross-border priority letters: SKK 23 (2008)



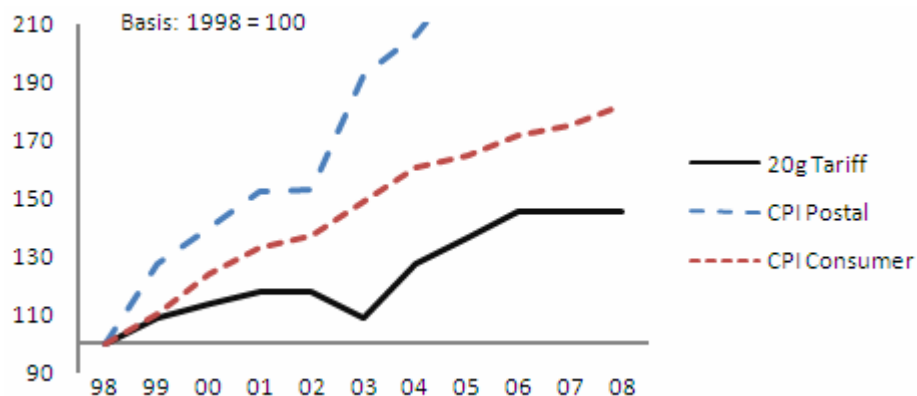
**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, annual reports of the national regulatory authority

- Constantly high levels in transit time performance indicate that postal operations are well organised at Slovenská Pošta a.s. and that the company provides reliable postal services since years.

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**

Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Compared to the substantial increase in consumer prices the basic letter tariff increased less (reduction in real terms).
- The tariff of the economy service increased at a higher rate than consumer prices or tariff of the priority service: CAGR (1998-2008) +12.8% compared to 6.2% (CPI) or 3.8% (priority service).
- No change of the tariffs in 2009, so far.

**Customer Satisfaction**

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('03, '04, '06):	Increasing use of postal services (2006: 98%)
<b>Satisfaction Level</b>	USP ('03 - '08):	Slightly increased satisfaction from 61% in 2003 to 65% in 2008
	Eurobarometer ('03, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 92%)
<b>Satisfaction with service characteristics</b>	USP ('04 - '08):	In 2008 the share of respondents satisfied with specific service characteristics considerably increased in all categories compared to previous years: affordability, security, speed, simplicity of postal services, accessibility, employee behaviour, provision of information, opening hours, waiting time in post offices, clearing of letter boxes, and complaints handling.

Complaints statistics:

- Since 2006 Slovenská Pošta a.s. publishes the number of complaints in its annual report.
- The customers' disposition to make a complaint is stable over the years (6-8%) (Eurobarometer)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 20%; not very satisfied 80%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, customer service and delivery on the next working day
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in transit time performance, product & service range, reliability and customer service

\* Interviews with 5 business customers with up to 10,000 letter post items on average per month (carried out in May 2009)

**Concluding Remarks**

- The Slovakian letter post market is characterised by very low letter post items per capita (the lowest figure within the EU). The figure is surprisingly low in the light of activities performed by the incumbent and competing postal operators to develop the market.
- For this reason there should be considerable growth potential despite some economic decline (2009 GDP growth rate -2.6%).

- Competition has emerged in the hybrid mail segment (including delivery of hybrid mail which had been open to competition before 2008). The development was interrupted by the extension of the reserved area to delivery of hybrid mail items.
- The density of postal outlets has been fairly stable; nearly all outlets are post offices.
- Constantly high levels in transit time performance indicate that postal operations are well organised at Slovenská Pošta a.s. and that the company provides reliable postal services since years. Compared to the substantial increase in consumer prices the basic letter tariff increased less (reduction in real terms).
- Individuals have benefited from improved service provision and accessibility which is reflected in improved satisfaction figures.
- Business customers have benefited from extended postal services, choice between alternative operators (at least temporarily), and increasing customer awareness of the incumbent postal operator.
- The incumbent postal operator Slovenská Pošta a.s. focuses on national postal operations (including express services). In the last years the company has substantially modernised its services and provides traditional as well as hybrid mail services.
- Operations have been profitable; however, profitability appears to be challenged by emerging competition in the letters segment (decline in delivered correspondence).
- Strong growth in the parcel & express market.
- Slovenská Pošta a.s. still with a strong position in the parcel & express market.

## Slovenia

## Country Facts

Population '08:	2 million
Population growth(98-08):	2.1%
Population density '08:	100 / sqkm
Urbanisation rate '08:	48.5%
GDP '08 (PPS, billion):	EUR 47.0
GDP/capita '08 (PPS):	EUR 23,190
Postal services/GDP '01/07:	0.45%/0.51%



## Macro-economic indicators Slovenia

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.6	5.4	4.4	2.8	4.0	2.8	4.3	4.3	5.9	6.8	3.5
GDP/capita (PPS)	13,331	14,400	15,208	15,772	16,850	17,303	18,710	19,678	20,763	22,318	23,190
Inflation (CPI)*	66.1	70.1	76.4	82.9	89.1	94.2	97.6	100	102.5	106.4	112.3
Unemployment rate %	7.4	7.3	6.7	6.2	6.3	6.7	6.3	6.5	6.0	4.9	
Internet access** %							47	48	54	58	59
Broadband access** %							10	19	34	44	50

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
2002	100g	100g		3 times	
2004	100g			3 times	
2006	50g			2.5 times	

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- No VAT exemption for universal postal services

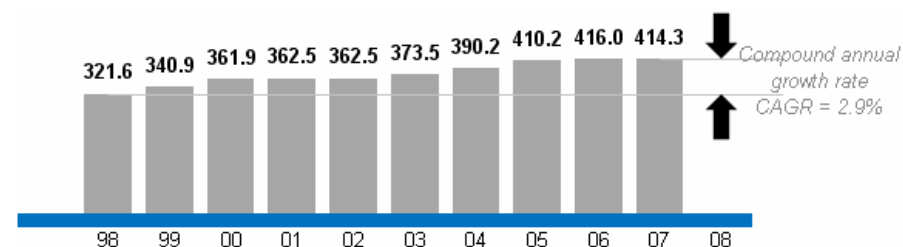
## National Regulatory Authority

Post and Electronic Communications Agency of the Republic of Slovenia (APEK)

## Letter Post

Estimated market value: € 131 million (2007)

Domestic letter post volume (in million items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	206	2.7%	Based on Posta Slovenjje
•Letters	n.a.	n.a.	
••Correspondence	162	1.4%	
••Direct Mail	44	7.3%	Includes publications
•Publications	n.a.	n.a.	
Unaddressed advertising	291	20.8%	
Cross-border outbound	4	1.5%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator

- The Slovenian letter post market has constantly grown mainly driven by the direct mail segment.
- It does not appear that emerging electronic alternatives have substantially affected the development in letter post: Correspondence has increased, too and has achieved a high level in terms of items per capita (even higher than in some Western Member States).

- 96% of letter post is sent by business customers thereof nearly 60% to individuals.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	None/Emerging	
•Correspondence	None	
•Direct mail	None/Emerging	Direct mail is not part of the reserved area
Unaddressed advertising	None/Substantial	Key competitor: Euromedia
Cross-border outbound letter post	None	

Sources: WIK-Consult, Ecorys

- In the Slovenian letter post market significant competition has not emerged, so far.
- Slovenian Post has even in the distribution of unaddressed advertising and in the delivery of publications an outstanding market position.

### Parcel & Express

#### Estimated total market value (in million EUR)

- Estimated market size (2006): 35m €

#### Parcel & express market - Main competitors of Pošta Slovenije

- TNT, DHL, GLS, DPD, Intereuropa, Speed, ACK

#### Key developments in the parcel & express market since 1997

- CAGR (04-06): ~17%
- The number of Documents and Parcels in domestic and international traffic is increasing. Especially the number of parcels in the international market.
- Pošta Slovenije still has a dominant position in the market (>60% in 2006) but is facing increasing competition that is attracted by opportunities from the constant market growth.

- Pošta Slovenije offered very competitive prices to business customers for years but is now forced to increase their prices.
- TNT acquired local company "Door-to-door" in 2006
- Österreichische Post AG entered the market through their subsidiary Yellologistics but stepped out of the market in 2006.

### Incumbent Postal Operator: Pošta Slovenije

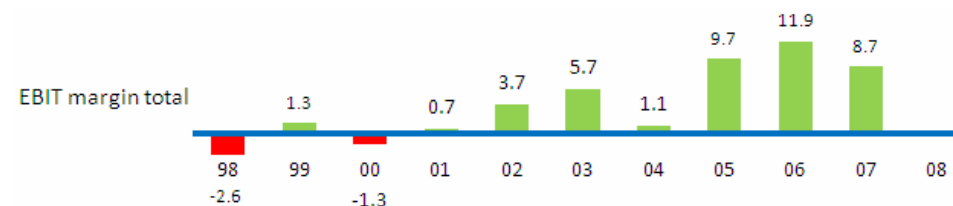
Company form: public limited company since 2002

1995: Corporatisation of Pošta Slovenije (state enterprise)

2002: Transformation into a public limited company

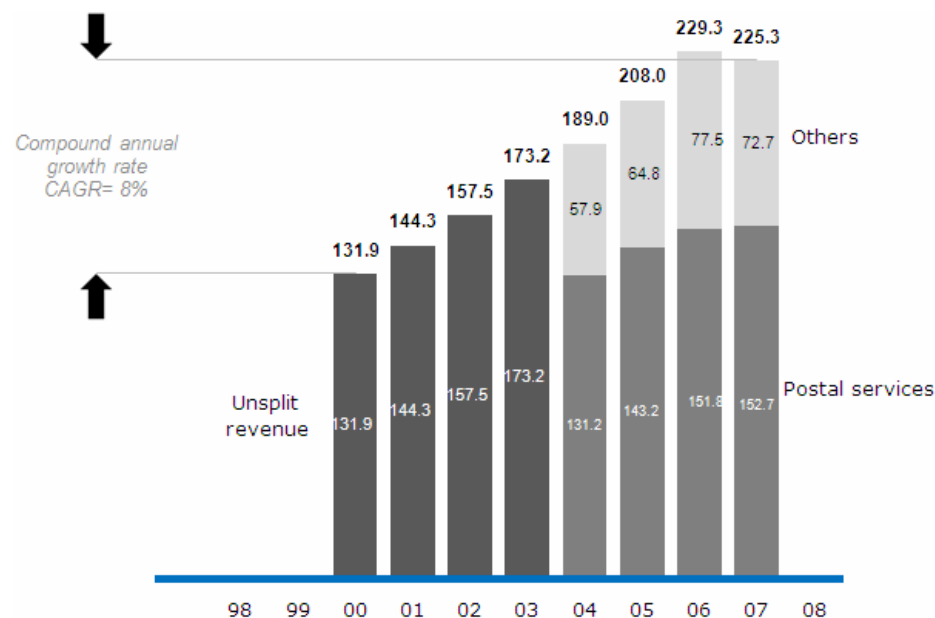
State ownership (31.12.2008): 100 %

#### EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Sources: Based on annual reports of the incumbent postal operator

## Corporate revenue in million EUR by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %*	61.7	61.1	59.6	59.7	63.8	65.8	62.4	65.0	64.1	66.5	
Headcount '000	5.7	5.8	5.8	6.0	6.1	6.1	6.3	6.4	6.3	6.4	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %**											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

## Key developments of Pošta Slovenije since 1997

- 2005: The year is marked by IT system modernisation. Pošta Slovenije provides IT support to numerous new services available at the universal post office counter

- 2006: Pošta Slovenije actively participates in the quality project groups (UNEX), terminal costs (REIMS), EPG (E Parcel Group) working group, and the PostEurop working group for preparation of the new EU postal service directive
- 2007: Modernisation of parcel services and the introduction of the international business parcel services, as well as the introduction of EMS mail for Croatia, Serbia, Macedonia and Montenegro
- 2007: Mail tracking for registered and insured letter, parcel, and express items is introduced, ongoing optimisation of delivery organisation
- Growing business resulted in increasing employment at Pošta Slovenije: CAGR (1998-2007) 1.3%.

## Universal Service

Universal service provider: Pošta Slovenije

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	
Post offices %	98.9	99.5	99.8					99.4	99.4	99.4	
20g tariff FSC in €	0.07	0.08	0.09	0.11	0.14	0.19	0.20	0.20	0.20	0.20	0.23
100g tariff in % of 20g tariff	186	188	189	192	181	173	200	200	235	240	209
20g tariff SSC in €	no information before 2002				0.13	0.16					
20g tariff EU letter FSC in €	0.48	0.46	0.44	0.49	0.47	0.46	0.45	0.40	0.40	0.40	0.40

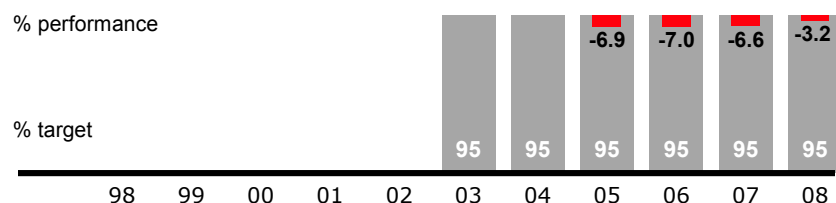
\* per 10,000 inhabitants

Sources: Based on UPU and publications of the national regulatory authority

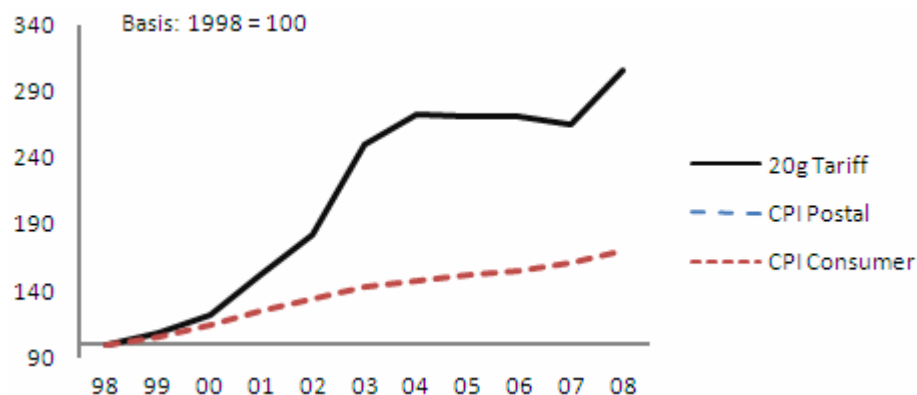
- Development in postal outlets: CAGR (1998 – 2007) = -0.04%
- Nearly all postal outlets are operated by Pošta Slovenije.
- Delivery frequency per week: 5-6 days (5 days are required by postal legislation): 65.8% of households receive postal items six days per week. (the share declined by ca. 5 percentage points since 2005)
- The economy service was phased out in 2004 and replaced by a standard D+1 service.

**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult and publications of the national regulatory authority

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**

Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- CAGR (2002-2008): 9% compared to consumer price growth of 4.2% during the same period
- 2009: increase to EUR 0.26, other rates unchanged

**Customer View**

	Consumers	
Use of postal services	Eurobarometer ('03, '04, '06):	Use of postal services is fairly stable (2006: 95%)
Satisfaction Level	Eurobarometer ('03, '04, '06):	Declining satisfaction with accessibility (2006: 93%)
Satisfaction with service characteristics	NRA (2007)	Very satisfied with service provision in postal outlets

Complaint statistics:

- Since 2007 Pošta Slovenije published the number of complaints and how they deal with them (based on the CEN standard EN 14012)
- 5 % of the respondents have filed a written complaint (customer survey 2007, published by the NRA)

	Business Customers	
Satisfaction Level	NRA (2007)	Average satisfaction score: 4.13 (scale from 1 to 5), 83% of business customers are satisfied or very satisfied
	Interviews*:	very satisfied: 40%; not very satisfied 60%
Importance of service characteristics	Interviews*:	Most important aspects are reliability, nationwide delivery and delivery on the next working day
Development of service characteristics	Interviews*:	Improvements perceived in product & service range, transit time performance, customer service and reliability

\* Interviews with 5 business customers with up to 10,000 letter post items on average per month (carried out in May 2009)

**Concluding Remarks**

- The Slovenian letter post market has substantially grown and achieved the level of most Western European Member States.
- Growth is driven by direct mail and to a minor extent by correspondence. Emerging electronic alternatives have not substantially affected the development.
- The future growth potential appears to be limited due to the economic decline and the already achieved high level of letter post volume (2009 GDP growth rate -3.4%).
- Significant market segments are liberalised (Direct Mail and cross-border outbound mail). Significant competition has not emerged in the domestic letter post market; in all segments (including unaddressed advertising and publications) Pošta Slovenije has an outstanding market position.

- The density of postal outlets has been fairly stable; most of the outlets are post offices.
- Transit time performance is fairly stable between 85 and 90%.
- Between 2002 and 2008 the public tariff has substantially increased (average growth rate of 9% compared to consumer price growth of 4.2%).
- Business customers have benefited from extended postal services, increasing customer awareness and the introduction of a reliable D+1 service.
- Pošta Slovenije focuses on national postal services and operates very profitably. The company is still in the process of modernisation reflected in steadily improving transit time performances which achieve levels above 90%.
- Comparable small parcels & express market but with double digit growth rates since the countries EU accession in 2004.
- Pošta Slovenije remains a leading players in the parcel & express market

## Spain

## Country Facts

Population '08:	45.3 million
Population growth (98-08):	14.2%
Population density '08:	89 / sqkm
Urbanisation rate '08:	77.1%
GDP '08 (PPS, trillion):	EUR 1.2
GDP/capita '08 (PPS):	EUR 26,428
Postal services/GDP '01/07:	0.54%/0.60%



## Macro-economic indicators Spain

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.5	4.7	5.0	3.6	2.7	3.1	3.3	3.6	3.9	3.7	1.2
GDP/capita (PPS)	16,217	17,211	18,645	19,525	20,748	21,100	22,046	23,122	24,767	26,483	26,428
Inflation (CPI)*	80.8	82.6	85.5	87.9	91.0	93.9	96.7	100.0	103.6	106.5	110.9
Unemployment rate %	15.0	12.5	11.1	10.3	11.1	11.1	10.6	9.2	8.5	8.3	
Internet access** %						28	34	36	39	45	51
Broadband access** %							15	21	29	39	45

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1998	350g		350g	5 times	Intra-city delivery services have
2003	100g		100g	3 times	never been part of the reserved
2006	50g		50g	2.5 times	area.

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- VAT exemption for reserved postal services

- In 2006 adoption of a decree which regulates competitors' access to the infrastructure of Correos y Telégrafos S.A. (Real Decreto 1298/2006)

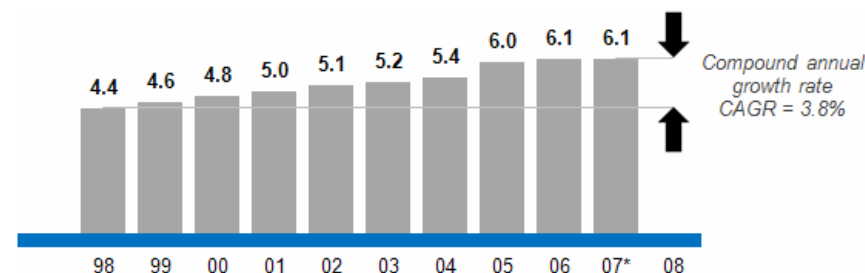
## National Regulatory Authority

Ministerio de Fomento / Subdireccion General For Regulation Of Postal Services

## Letter Post

Estimated market value: EUR 2.1 billion (2007)

Domestic letter post volume (in billion items)



\* Data for 2007 estimated; 1998-2004 based on Correos y Telégrafos S.A.

Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	139	n.a.	Based on market estimation (2006)
•Letters	n.a.	n.a.	
••Correspondence	94	1.3%	Based on Correos
••Direct Mail	27	-0.9%	Includes publications
•Publications	n.a.	n.a.	
Unaddressed advertising	n.a.	n.a.	
Cross-border outbound	3	-9.5%	Based on 2006 data (02-06)

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, UPU and annual reports of the incumbent postal operator



- The Spanish letter post market has strongly grown since 1998. It appears that volume growth has substantially slowed down since 2005 which might be a result of emerging electronic alternatives.
- The direct mail segment appears relatively underdeveloped; however, the figures do not include direct mail delivered by competing postal operators. The decline (despite significant growth of the economy) indicates that Correos y Telégrafos S.A. has possibly lost market shares in this business.
- More than 90% of letter post is sent by businesses.

### Competition

Letter post segment	Level of competition	Notes
Domestic letters	Emerging	Key competitor: Unipost Market share Correos (2006) ~88% (in volume) and ~93% (in revenues)
Cross-border outbound letter post	Intense	Decline in volume of cross-border outbound mail collected by Correos; but part of the reserved area

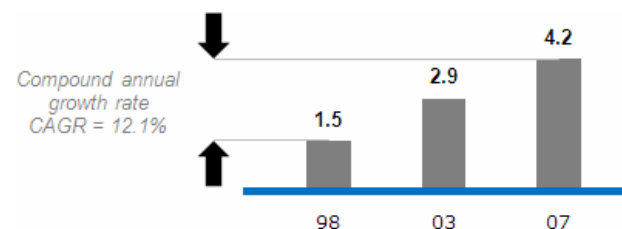
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult, Ecorys

- In the Spanish letter post market substantial competition has emerged. The actual market share of competing postal operators is unknown but should be higher than 10% in terms of letter post volume.
- The key competitor of the incumbent postal operator Correos y Telégrafos S.A. is Unipost, a network of 19 local postal operators which focus on intra-city delivery of postal items (traditionally open to competition in Spain).
- Unipost was founded 2001. Since 2004 the company is partly owned by Deutsche Post (38%). The company focuses on domestic and cross-border letter post services and works exclusively for business customers.

### Parcel & Express

#### Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Correos y Telégrafos S.A.

- DHL, MRW, Seur, TNT, UPS, FedEx, Tourline (CTT Portugal), Nacex, Azkar, Ochoa, Integra 2, Mex

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): 13.9%
- CAGR (03-07): 9.8%
- Correos y Telégrafos (incl. Chronoexpres) with low importance in the market (5-10% market share)
- DHL and Geopost established themselves in time through acquisitions on the Spanish market.
- Though to recent acquisitions, the market remains quite fragmented (TOP 4 account only for ~45% aggregated market share)
- Most of these players are currently focusing on investments in ground infrastructure.
- Relatively few developments at present in terms of product and service enhancement.
- In the early days the market was influenced by the regional structure of many companies in the market. Due to the economic growth in Spain and the integration into the European Union this has changed over the last few years.

**Incumbent Postal Operator: Correos y Telégrafos S.A.**

Company form: State enterprise

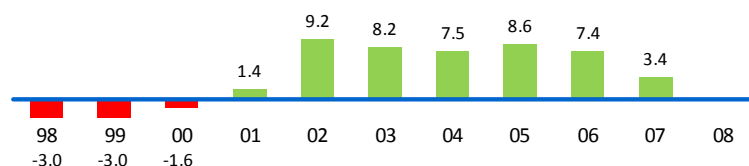
1992: Corporatisation (Entidad Pública Correos y Telégrafos)

2001: Transformation into a Sociedad Estatal Correos y Telégrafos, S.A (state enterprise organised as a public limited company)

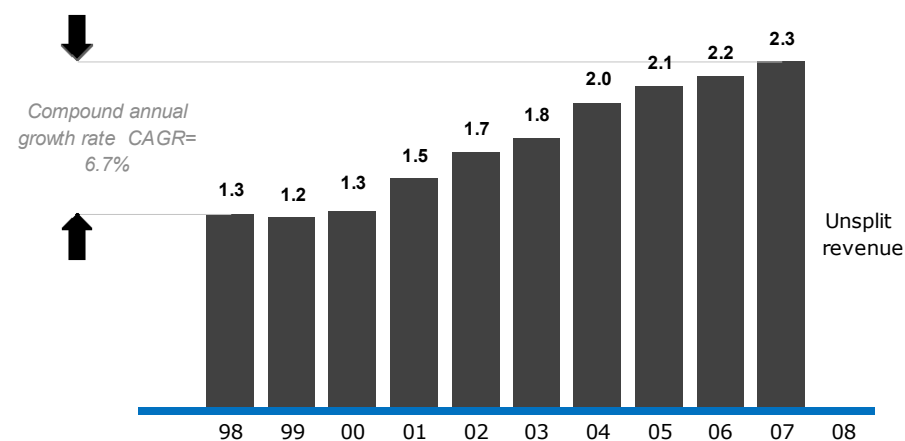
State ownership (31.12.2008): 100%

**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

EBIT margin total



Sources: Based on UPU and annual reports of the incumbent postal operator

**Corporate revenue in billion EUR by business segments**

Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*											
Domestic %*											
Labour cost %**	74.1	78.0	77.1	74.2	73.6	73.0	69.2	69.7	70.6	71.3	
Headcount '000	64.9	64.5	64.2	63.9	63.2	63.5	64.9	66.4	67.1	68.2	
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Civil servants %***	72.1	70.3	70.0	66.5	63.9	61.0	59.1	53.6	50.8	47.1	

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on UPU and annual reports of the incumbent postal operator

**Key developments of Correos y Telégrafos S.A. since 1997**

- 2000: Establishment of Correo Híbrido (hybrid mail services); in 2007 the subsidiary handled 360m items (about 7% of domestic letter post handled by Correos y Telégrafos S.A.).
- 2001: Correos y Telégrafos S.A. merges express service with France's La Poste express service in Spain, creating ChronoExpress
- 2001: The company spends nearly EUR 50 million opening 54 new branches; the company also begins modernising a number of its existing offices
- 2005: Correos y Telégrafos S.A. continues to expand its telecommunications operations, contracting with Telefonica to upgrade and manage the company telephone and internet system
- 2006: Correos y Telégrafos S.A. launches network of 30,000 Telecentros Internet access terminals for rural market
- Delivery quality plan: Ongoing modernisation of postal operations (sorting centres and delivery organisation) to improve transit time performance
- Employment is fairly stable over time while the share of labour cost on total operating expenses has slightly declined. However, with more than 70% this share is relatively high compared to other European postal operators.

**Universal Service**

Universal service provider: Correos y Telégrafos S.A.

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	
Post offices %	100	100	100	100	100	100	100	100	100	100	
20g tariff FSC in € (D+3)	0.21	0.21	0.21	0.24	0.25	0.26	0.27	0.28	0.29	0.30	0.31
100g tariff in % of 20g tariff	214	214	214	188	216	208	204	196	190	233	235
20g tariff SSC in €	No second class letter service for the general public										
20g tariff EU letter FSC in €							0.52	0.52	0.53	0.58	0.60

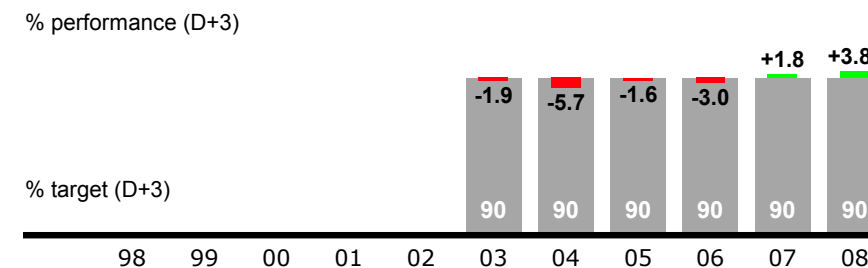
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, UPU, price lists and annual reports of the incumbent postal operator

- The fastest standard product in Spain is a D+3 letter service which is subject to a regulatory target.
- Delivery requirements have been relaxed: Delivery at the premises of the addressee only if the distance to the next main street is less than 250m.
- Development in postal outlets: CAGR (1998 – 2007) = -2.58%
- Correos y Telégrafos S.A. has not established any postal agencies, so far, but have opting for using mobile postal offices
- Spain has traditionally the lowest density of postal outlets within the EU; in order to safeguard accessibility Correos y Telégrafos S.A. use “rural linkages” (postal services offered essentially by the postmen).
- Delivery frequency per week: 5 days

**D+3 Performance in %**

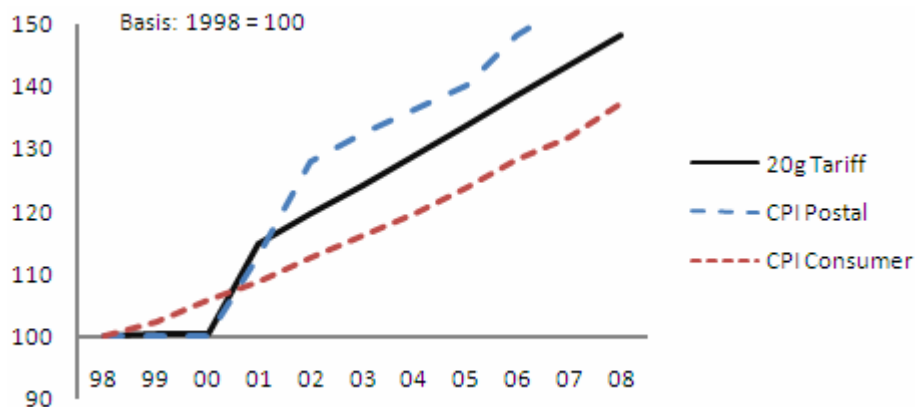
Deviation regulatory D+3 target and actual performance in percentage points



Sources: Based on WIK-Consult and annual reports of the incumbent postal operator

- The universal service provider Correos does not provide a standard D+1 letter service; the performance refers to D+3 standard product (“basic line”).
- Correos y Telégrafos S.A. offers a separate express product (“urgent line”) that is delivered the next working day (around 20-25m items per year, current tariff for 20g letter EUR 2.70).
- The D+1 performance of the standard D+3 product has improved from 50.8% to 64.1% between 2003 and 2008.
- Even not providing a standard D+1 product the cross-border transit performance meets the target set by the Postal Directive according to information of Correos y Telégrafos S.A. (at least in average of all country-to-country relations) for inbound and outbound cross-border mail since 2004.

Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- 20g standard tariff refers to D+3 product. Since 2000 its tariff has increased every year.
- 2009: Further increase to EUR 0.32 (domestic) and 0.62 (EU letter).

Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 91%)
Satisfaction Level	USP ('06 - '08):	Satisfaction with accessibility is fairly stable (2008: 70%)
	Eurobarometer ('02, '04, '06):	Satisfaction with accessibility is fairly stable (2006: 95%)
Satisfaction with service characteristics	no information available	

Complaint statistics:

- Since 2003 Correos y Telégrafos S.A. published the number of complaints and claims as well as the proportion of complaints on mailings: the total number of complaints has substantially increased between 2003 and 2008 (nearly doubled from 56 to 107 thousands)
- 2% of consumers have filed a complaint, the proportion is stable over the years (Eurobarometer)

Concluding Remarks

- Letter post volume has substantially grown in Spain; however, due to limited data current market volumes are unknown.
- Most probably, volume development will be affected by the economic decline (2009 GDP growth rate -3.2%).
- Significant market segments are liberalised (intra-city delivery services as well as delivery of direct mail). Competition in these segments has emerged and promoted the development of the Spanish letter post market.
- If the recently introduced downstream access regime runs smoothly (guaranteeing non-discriminatory access of competing postal operators to the postal infrastructure of Correos y Telégrafos S.A.) this may further promote the market development.
- The density of postal outlets has declined (it is the lowest within EU-27); all outlets are post offices; in rural areas access to postal services is safeguarded by the postmen
- Correos is the only public postal operator within the EU-27 that does not offer a standard D+1 service but a D+3 service. However, more than half of these mail items are delivered the next working day (the D+1 performance has slightly increased but is still below 60%).
- The standard postal tariff has been fairly stable (in real terms) since 2001.
- The incumbent postal operator Correos focuses on the national letter post business and offers traditional as well as hybrid mail services (mail production).
- Correos y Telégrafos S.A. has considerably improved its profitability after 2000 but is still in a modernisation process. The relatively high share of wage costs indicates that Correos' cost flexibility is limited.
- Parcel & express market quite fragmented with many players active in the market.
- Above average growth rates in the parcel & express market over the last years.
- Correos y Telégrafos S.A. with relatively low market share in the overall parcel & express market.

## Sweden

## Country Facts

Population '08:	9.2 million
Population growth (98-08):	3.8 %
Population density '08:	20.4 sqkm
Urbanisation rate '08:	84.5%
GDP '08 (PPS, billion):	EUR 281.8
GDP/capita '08 (PPS):	EUR 30,685
Postal services/GDP '01/08:	1.35%/1.39%



## Macro-economic indicators Sweden

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.8	4.6	4.4	1.1	2.4	1.9	4.1	3.3	4.2	2.6	-0.2
GDP/capita (PPS)	20,793	22,339	24,175	24,058	24,837	25,472	27,068	27,108	28,810	30,533	30,685
Inflation (CPI)*	90.01	90.51	91.67	94.12	95.94	98.18	99.18	100	101.5	103.2	106.65
Unemployment rate %	8.2	6.7	5.6	4.9	4.9	5.6	6.3	7.4	7.0	6.1	6.2
Internet access** %								73	77	79	84
Broadband access** %								40	51	67	71

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

## Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
1993	Full market opening				

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

## Legal barriers to competition other than the reserved area

- No VAT exemption for postal services

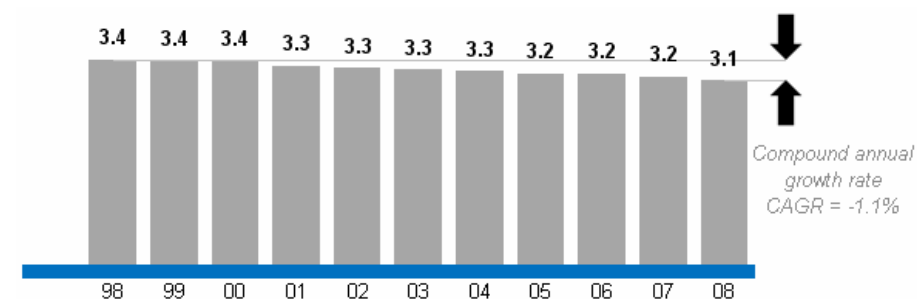
## National Regulatory Authority

Post & Telestyrelsen (PTS)

## Letter Post

Estimated market value: € 2.9 billion (2008)

Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	346	-0.9%	2008: - 2.1%
Unaddressed advertising	279	n.a.	
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: Based on market surveys of the national regulatory authority and annual reports of the incumbent postal operator

- The Swedish letter post is characterised by very high letter post items per capita. Market volume has continuously declined especially between 2007 and 2008.
- Letter post development has been significantly affected by emerging electronic alternatives: the penetration rates for internet and broadband access are considerable high.
- Posten AB states that during the first quarter 2009 direct mail (including unaddressed advertising) has significantly declined and customers have shifted letters from priority to economy products to save costs.

- More than 90% of letter post is sent by business customers thereof three quarter to individuals. Industrial mail accounts for 70% of total letters, office mail for around 20%. The remaining letters are posted in letterboxes.

### Competition

Letter post segment	Level of competition	Notes
<b>Domestic letters</b>	Emerging	Key competitor of Posten AB: Bring Citimail with focus on industrial mail Market share Posten AB (2008): 89% (in volume)
<b>Unaddressed advertising</b>	Substantial	Market share Posten AB: 64%
<b>Cross-border outbound letter post</b>	Substantial	

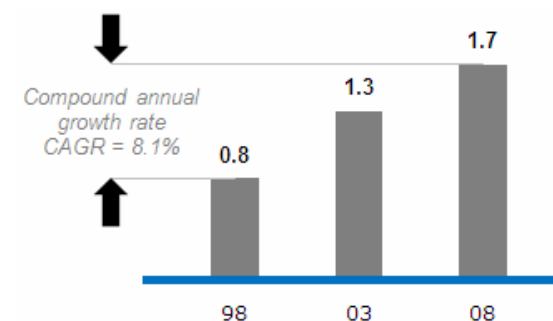
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: WIK-Consult

- Significant competition has emerged in the segment for industrial mail that accounts for about 70% of total letters.
- There are more than 30 active postal operators in the Swedish letter post market. Bring Citymail is by far the largest competing postal operator.
- Bring Citymail (founded in 1991 and owned by Norway Post since 2002). Bring Citymail delivers mail two times a week and covers 54% of Swedish households (in the more densely populated southern part of Sweden, 2008). Between 1997 and 2008 mail volume delivered by Bring Citymail has grown 18% per year in average (from 55m to 330m items per year). Since 2006 the company has been profitable. The market share of Bring Citymail is 10.7% (2008)
- The vast majority of the other operators are small companies that provide local letter post services. In most cases, they use their own stamps and letter boxes and each operator handles volumes between 150-2500 letters a day (Post & Telestyrelsen, 2007).

### Parcel & Express

#### Estimated total market value (in billion EUR)



Source: ITA Consulting market analysis/CEP-Research

#### Parcel & express market - Main competitors of Posten AB

- DHL, Schenker, TNT, UPS, FedEx, Jetpak, PNL (Post Norge)

#### Key developments in the parcel & express market since 1997

- CAGR (98-03): 11.1%
- CAGR (03-08): 5.1%
- The market is very concentrated; a few large companies dominate the market.
- The Swedish market showed comparably high growth rates nearly over the last decade. Lower growth rates in the last few years.
- Thanks to the high level of internet penetration e-commerce and distance selling turned out to be a market driver for the Swedish market recently.
- Posten AB plays an important role in Parcels and Express services
- PNL (subsidiary of Norway Post) setting up some automatic parcel boxes ("MyQuickBox") (only in main cities).

**Incumbent Postal Operator: Posten AB**

Company form: public limited company since 1994

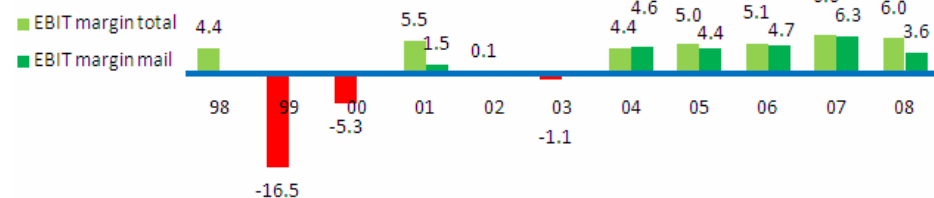
1994: Transformation into a public limited company (Posten AB)

2009: Merger of Posten AB and Post Danmark (Holding company Posten Norden AB, 60% owned by the Swedish state and 40% by the Danish state, but equal voting rights 50/50)

State ownership (31.12.2008): 100 %

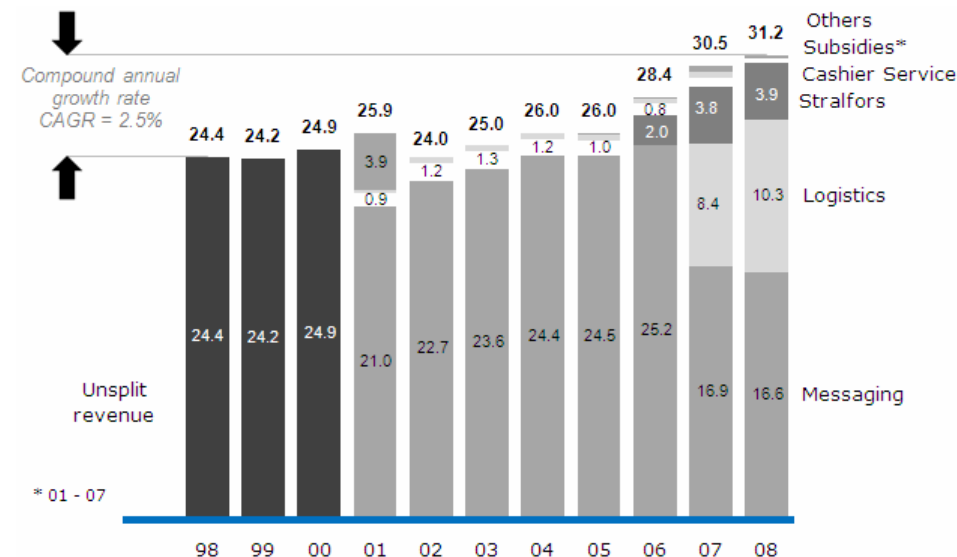
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**

For the years 98 - 00 and 02 - 03 only total EBIT margin available



Sources: Based on annual reports of the incumbent postal operator

**Corporate revenue in billion SEK by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*									67.4	68.9	65.5
Domestic %*					88.2	89.0	87.2	86.2	81.7	79.1	72.6
Labour cost %**		45.8	48.5	57.5	54.6	51.5	50.0	50.4	48.6	46.8	45.4
Headcount '000	42.1	41.8	41.5	41.7	39.6	37.9	35.7	33.5	32.9	32.4	32.3
National employment %***	99.5	98.9	98.7	98.3	95.8	95.2	96.0	97.5	96.8	95.5	91.9
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Posten AB since 1997**

- 2000: Divestment of Postgirot (sale of Postgirot Bank AB to Nordbanken AB) and creation of postal cashier services (required by legislation): Posten AB has been mandated to create a competition-neutral cashier network in which all banks will be given the opportunity to offer basic cashier services to their customers.

- 2001: Acquisition of Danish operator DSV, Finland's DPD and the Norwegian Tollpost Globe group; Posten signed a 15-year franchising agreement to provide DPD parcel service in Sweden, Norway, Denmark, Finland, and Iceland.
- 2006: In May 2006 Posten AB acquired the Nordic region's leading information logistics company, Stralfors (hybrid mail, e-invoicing).
- 2007: Takeover of smaller Finnish firm Suomen Logistiikkatalo
- 2008: Acquisition of remaining 50% of Tollpost; Posten Logistik extends its MyPack B2C Parcels Network into Finland in cooperation with a local travel and transport company, Matkahuolto
- 2008: Phasing out of the cashier services (parts were sold to Nordea).
- 2009: Merger of Posten AB and Post Danmark (accomplished June 25, 2009); Posten AB and Post Danmark A/S become subsidiaries of the holding company Posten Norden AB.

**Universal Service**

Universal service provider: Posten AB

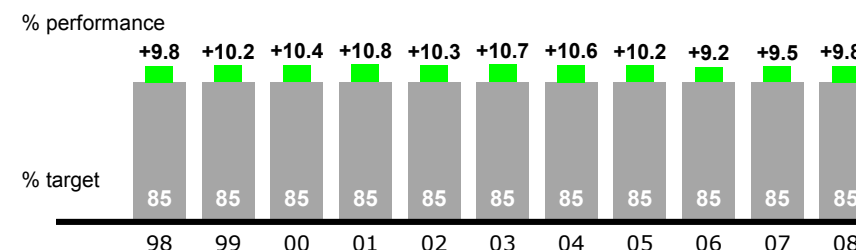
Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	2.0	2.1	2.0	2.0	2.5	2.3	2.3	2.2	2.2	2.2	2.1
Post offices %	57.0	53.0	49.1	48.9	19.9	20.9	21.1	18.9	18.8	18.8	18.4
20g tariff FSC in SEK	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.50	5.50
100g tariff in % of 20g tariff						200	200	200	200	200	200
20g tariff SSC in SEK					5.00	5.00	5.00	5.00	5.00	5.00	5.00
20g tariff EU letter FSC in SEK					10.00	10.00	10.00	10.00	10.00	11.00	11.00

Sources: Based on WIK-Consult, UPU, publications of the national regulatory authority and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = 0.9%
- After the divestment of Postgirot Bank AB Sweden Post has fundamentally changed the structure of its retail outlets.
- The number of postal outlets has been fairly stable over time while the share of postal agencies has substantially been increasing between 2000 and 2002.
- Delivery frequency per week: 5 days

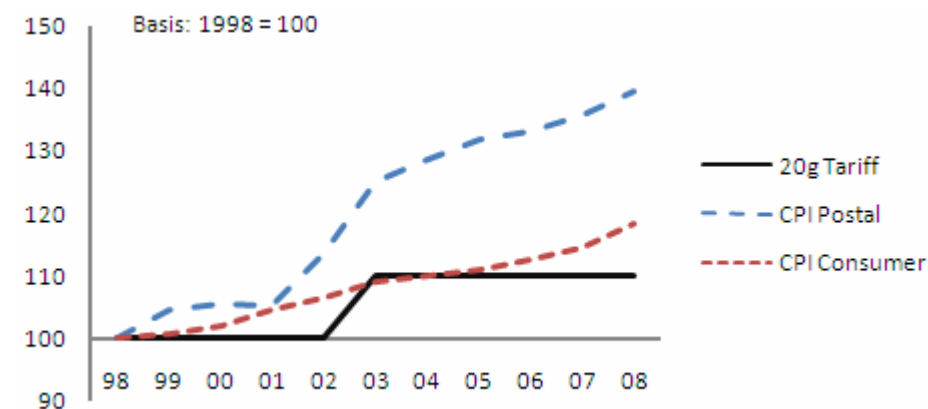
**D+1 Performance in %**

Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, publications of the national regulatory authority

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Since 1998 basic postal tariffs have been fairly stable in real terms. Before 1998 basic tariffs had increased substantially due to a loophole in the postal legislation.
- Business tariffs have declined: PTS states that tariffs for industrial mail has considerably declined since FMO due to competition in this segment.



- Additionally, Posten AB has introduced zonal tariffs for selected bulk mail products (correspondence with consignments above 5,000 items, national and metropolitan delivery).
- In 2009 standard tariffs for priority and economy service raised to SEK 6.0 (plus 9%) respectively SEK 5.5 (plus 10%).

### Customer Satisfaction

	Consumers	
<b>Use of postal services</b>	Eurobarometer ('02, '04, '06):	Increasing use of postal services (2006: 98%)
<b>Satisfaction Level</b>	USP ('98 - '08)	Slightly improving but alternating within a range from 60% to 64%
	Eurobarometer ('02, '04, '06):	Declining satisfaction with accessibility (2006: 77%), because of a very high level of dissatisfaction in 2006
<b>Satisfaction with service characteristics</b>	NRA ('05 - '08)	Postal outlets: Increasing satisfaction levels with: (2002 / 2008) - distance to the next outlet (67% / 80%) - opening hours (67% / 86%) - waiting time (53% / 73%) Delivery conditions: high satisfaction level since 2006 (>90%)

Complaints statistics: Since 2000 Posten AB published the number of complaints (separately for different types of reasons)

	Business Customers	
<b>Satisfaction Level</b>	Interviews*:	very satisfied: 67%; not very satisfied 33%
<b>Importance of service characteristics</b>	Interviews*:	Most important aspects are reliability, nationwide delivery and product & service range
<b>Development of service characteristics</b>	Interviews*:	Improvements perceived in reliability and customer service

\* Interviews with 6 business customers carried out in May 2009 with different value of letter post items on average per month (the range goes from less than 1,000 up to more than 100,000 letter post items on average per month)

Further interview results

- Four respondents have switched parts of their letters from physical to electronic delivery in the last years. All respondents think that the substitution of physical delivery of letters to electronic alternatives continues increasing.

### Concluding Remarks

- The Swedish letter post market is characterised by very high level of letter post items per capita.

- The Swedish letter post market has been shrinking (in terms of volume). This decline will continue in 2009 mainly driven by reduced direct mail volume due to the economic downturn (2009 GDP growth rate -4%).
- Emerging electronic alternatives to physical delivery have substantially affected the development in letter post volume and will further negatively affect letter post volume.
- The postal market is fully liberalised since 1993. Competition has emerged in the segment of industrial mail. The key competitor Citymail has achieved a market share of more than 10% in terms of volume and delivers mail two times a week to 54% of Swedish households.
- The incumbent postal operator and universal service provider Posten AB has remained market dominant in the letters business.
- The density of postal outlets has slightly declined; more than 80% of the outlets are postal agencies.
- The transit time is stable on a high level (95%); also since 1998 basic postal tariffs have been fairly stable in real terms.
- Individuals have benefited from improvements in accessibility and fairly stable postal tariffs.
- Business customers have benefited from broadened product portfolio and declining postal tariffs; large business customers have additionally benefited from the choice between two postal operators.
- Posten AB focuses on the national letters business and the Scandinavian parcel/logistics market. With the acquisition of Stralfors Posten has entered the Scandinavian information logistics market (plus UK, France, Poland, and Switzerland) to offer a broad range of communication, mail production, and fulfillment services.
- After financial problems at the end of the 90ies and a substantial restructuring of the business Posten AB has considerably improved its profitability. In 2008 all business segments operated profitable; however, the traditional letters services still contribute the major part of total profit.
- In June 2009 the first merger between two national postal operators, Post Danmark and Posten AB, has been accomplished.
- Concentrated parcel & express market dominated by a few large companies.
- Parcel & express market showed high growth rates over the last decade which lowered in the last few years.
- Posten AB with an important position in the parcel & express market.

## United Kingdom

### Country Facts

Population '08:	61.6 million
Population growth(98-08):	4.8%
Population density '08:	252/ sqkm
Urbanisation rate '08:	90%
GDP '08 (PPS, trillion):	EUR 1.8
GDP/capita '08 (PPS):	EUR 29,832
Postal services/GDP '99/08:	0.95%/0.84%



### Macro-economic indicators United Kingdom

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	3.6	3.5	3.9	2.5	2.1	2.8	2.8	2.1	2.8	3.0	0.7
GDP/capita (PPS)	19,992	21,024	22,718	23,737	24,738	25,293	26,794	27,456	28,530	29,649	29,832
Inflation (CPI)*	91.1	92.3	93.1	94.2	95.4	96.7	98.0	100.0	102.3	104.7	
Unemployment rate %	6.1	5.9	5.4	5.0	5.1	5.0	4.7	4.8	5.4		
Internet access** %					50	55	56	60	63	67	71
Broadband access** %						11	16	32	44	57	62

\* CPI = Consumer Price Index 2005 = 100 \*\*of total national households

Sources: Eurostat, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold** *	Notes
1998	350g	350g		1 GBP	
2003	100g	100g			Bulk mail services for mailings with more than 4,000 items have been opened to competition

2006 Full market opening

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

- Postal services provided by Royal Mail plc. are VAT exempted (VAT standard rate 15%)

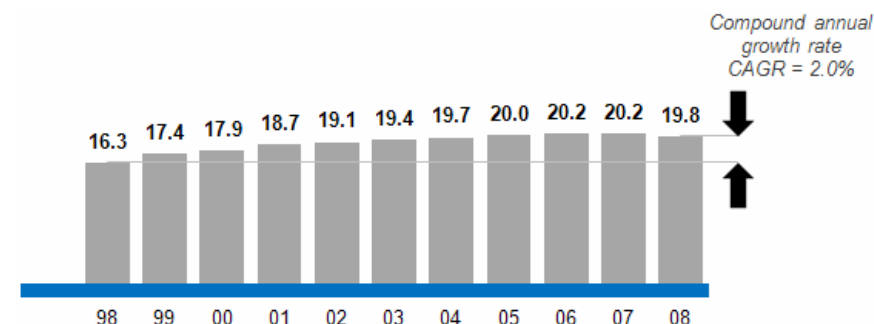
### National Regulatory Authority

Postal Services Commission (Postcomm)

### Letter Post

Estimated market value: € 8.6 billion (2008)

Domestic letter post volume (in billion items)\*



\*Figures refer to the financial year (FY) of Royal Mail that ends on March 31 (e.g. 98 refers to the FY 1997/98 and 05 refers to the FY 2004/05)

Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	326	0.2%	CAGR (2003/04-2006/07) 2007/08: - 1.8% 2008/09: - 6% expected
Unaddressed advertising	214	5.0%	Based on market data
Cross-border outbound	n.a.	n.a.	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on market surveys of the national regulatory authority, annual reports and regulatory financial statements of the incumbent postal operator

- The UK letters market is characterised by a very high level of items per capita.
- Letter post volume has declined since the FY 2005/06 mainly driven by a reduction in direct mail.
- A further strong decline is announced for the financial year 2008/09 of minus 6%.
- 87% of letter post is sent by business customers thereof 70% to individuals.
- Half of letter post volume is sent by the largest 100 business customers.

**Competition**

Letter post segment	Level of competition	Notes
<b>Domestic letters</b>	Emerging	Refers to delivery services; Key competitor: DX Group
<b>Unaddressed advertising</b>	Intense	Market share of Royal Mail: 25%
<b>Cross-border outbound</b>	Intense	Market share of Royal Mail: 33%
<b>Consolidation/upstream services</b>	Substantial	Key service providers: UK Mail and TNT Post; Royal Mail is not active in this business

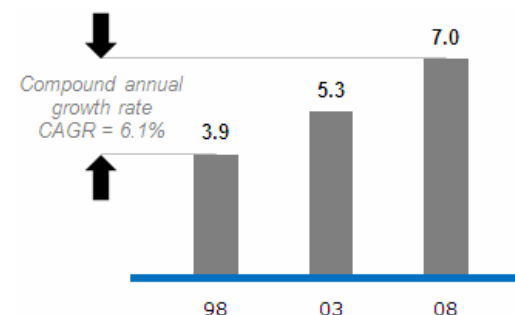
No information available on degree of competition in the sub-segments correspondence and direct mail

Sources: Based on WIK-Consult and market surveys of the national regulatory authority

- Substantial competition has emerged in the upstream activities of the traditional postal value chain, i.e. collection, transport, and sorting of letter post items since 2004/05. During the financial year 2008/09 access volumes accounted for nearly 30% of total letter post thereof around two thirds handed over by competing postal operators (“Operator Access”) and one third by customers directly (“Customer Direct Access”).
- The most important competitors in this segment are UK Mail, TNT Post, and DHL Global Mail. Royal Mail plc. is not active in this business segment; its subsidiary Royal Mail Wholesale is responsible for the sale of the access products.
- End-to-end competition has only emerged in market niches: After establishing the access regime the market share of competing postal operators has declined from 0.2 to 0.13% of total volume. The key competitor is DX Group mainly offering high quality B2B services. The major part of its business lays outside the universal service (document exchange services).

**Parcel & Express**

*Estimated total market value (in billion EUR)*



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of Royal Mail plc.**

- DHL, TNT, UPS, City Link, DPD (Parceline) & Interlink (both Geopost), FedEx, Business Post, HDN, Hermes (Parcelnet)

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 6.3%
- CAGR (03-08): 5.8%
- Royal Mail plc. through Parcelforce only with a market share of <10%
- Distance selling makes a relatively high share of the market and is one of the market drivers.
- Traditionally price-based competition in the originally fragmented market and higher operating costs have put pressure on profit margins. This has hit small domestically focused companies but also made it difficult for the larger Integrators to become profitable.
- As a result the UK market saw a lot of acquisitions over the last few years. DHL (Securicor 1998), Geopost (Parceline & Interlink), UPS (Lynx 2005), Amtrak (Nightspeed 2005), City Link (Target Express 2006) and FedEx (ANC 2006) all made large acquisitions and consolidated the market.

**Incumbent Postal Operator: Royal Mail plc.**

Company form: public limited company since 2001

1969: Corporatisation (state enterprise offering postal and telecommunication services)

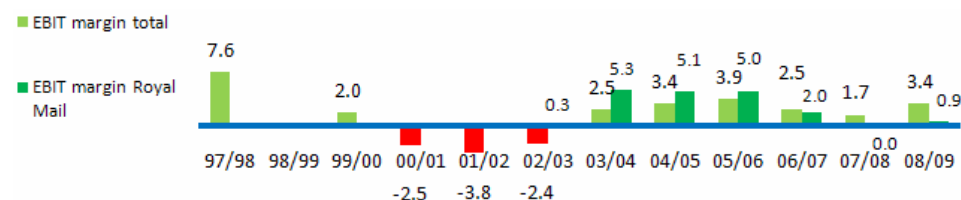
1984: Separation of the telecommunications business

2001: Transformation of The Post Office into a public limited company and renaming to Consignia plc. with the subsidiaries Royal Mail, Parcelforce, Post Office Ltd., and General Logistics System (GLS)

2002: Renaming of Consignia plc to Royal Mail (Holding) plc

State ownership (31.12.2008): 100 %

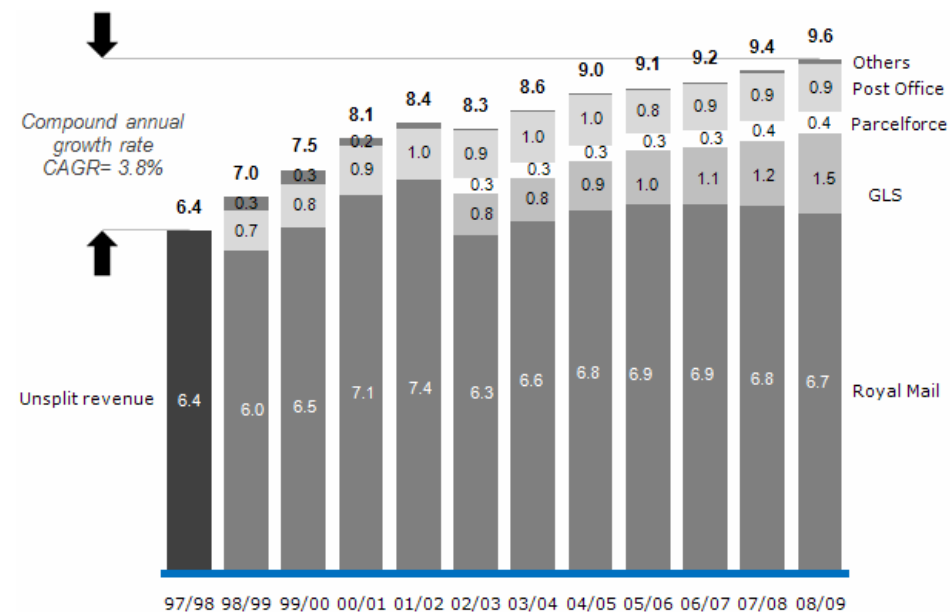
**EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue**



Sources: Based on annual reports of the incumbent postal operator

- The profitability of the national business (Royal Mail plc., Parcelforce, and Post Offices Ltd.) is relatively low while the European parcel business (GLS) has steadily increased its EBIT margin to levels above 8% since 2004/05.
- Post Offices Ltd. even receives state aid to safeguard its survival (approved by the EU Commission).

**Corporate revenue in billion GBP by business segments**



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*		85.6	85.7	86.9	87.4	75.8	75.9	75.5	75.7	74.7	72.8
Domestic %*			95.9	92.5	92.2	90.1	90.3	89.8	88.5	88.2	86.9
Labour cost %**	62.5	61.9	55.8	57.0	56.1	57.8	57.3	65.8	68.6	68.7	65.2
Headcount '000						227.2	218.6	211.3	211.5	204.4	199.0
National employment %***						95.4	95.2	95.1	95.0	94.3	93.6
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

**Key developments of Royal Mail plc since 1997**

- 1999: Acquisition of German Parcel and start of the establishment of GLS in Europe (General Logistics Systems B.V. Amsterdam)
- 2001/02: Start of a modernisation process and a cost saving programme

- 2006: Establishment of Royal Mail Wholesale (responsible for downstream access products of Royal Mail)
- 2007: Royal Mail’s European operation, General Logistics Systems (GLS), continues to grow and develop its operations as the “Quality leader in European parcels logistics”
- Royal Mail Holding plc. faces severe financial problems due the increasing and highly volatile pension deficit (resulting in negative equity figures).
- Since the publication of the Hooper-Report in 2008 there is an ongoing political discussion to partly privatise Royal Mail plc. (Recommendation of the Hooper-Report and subject of the currently discussed Postal Bill which shall also resolve Royal Mail’s pension problem).

**Universal Service**

Universal service provider: Royal Mail plc.

*Peculiarity of universal service obligation in UK*

- Some bulk mail products have been excluded from the universal postal service (including the access products).

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	3.3	3.2	3.1	3.0	2.9	2.7	2.4	2.4	2.4	2.3	2.2
Post offices %	3.2	3.2	3.3	3.3	3.3	3.5	3.7	3.8	3.2	3.0	3.0
20g tariff FSC in GBP	0.26	0.26	0.27	0.27	0.27	0.28	0.28	0.30	0.30	0.34	0.36
100g tariff in % of 20g tariff	150	150	152	152	152	150	150	153	153	100	100
20g tariff SSC in GBP	0.20	0.20	0.19	0.19	0.19	0.20	0.20	0.21	0.21	0.24	0.27
20g tariff EU letter FSC in GBP	0.30	0.30	0.36	0.37	0.37	0.38	0.38	0.42	0.42	0.48	0.50

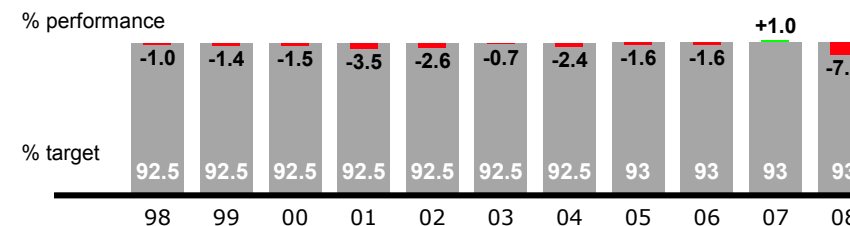
\* per 10,000 inhabitants

Sources: Based on WIK-Consult, annual network reports of the national regulatory authority and price lists of the incumbent postal operator

- Development in postal outlets: CAGR (1998 – 2008) = -3.32%
- Traditionally high share of postal agencies (sub-postmasters account for 87% of total outlets, franchised postal outlets account for 4%, outreach services for 6%).
- It is planned to reduce the number of postal outlets from currently around 13,500 to 12,000 until 2010/11 (“Network Change Programme”).
- Delivery frequency per week: 6 days
- In 2002 Royal Mail plc. abolished the second daily delivery in urban areas (postal legislation only requires one delivery per working day).

**D+1 Performance in %**

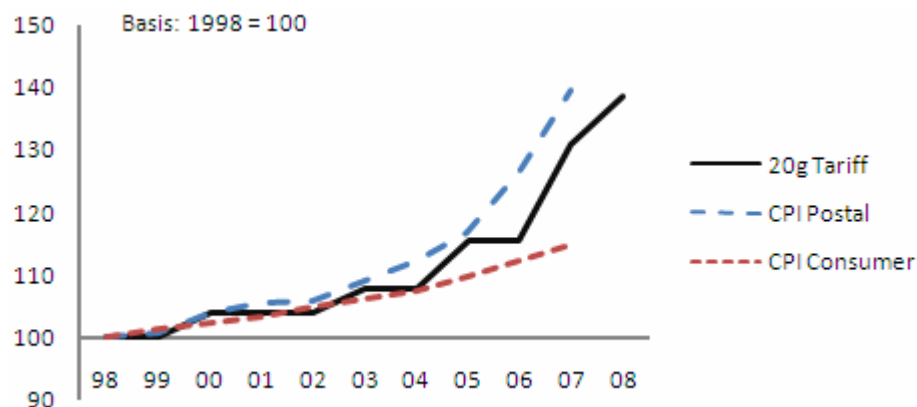
Deviation regulatory D+1 target and actual performance in percentage points



Sources: Based on WIK-Consult, quality of service reports of the incumbent postal operator and publications of the national regulatory authority

- The transit time performance during the financial year 2007/08 was substantially affected by industrial actions. The transit time performance of the retail priority service has improved to 93% in 2008/09 and has met the regulatory target for the first time.
- Between 2000/01 and 2006/07 transit time performance has continuously improved (Postcomm may impose a financial penalty in case that Royal Mail miss the targets)

Price trend: 20g letter (FSC) vs. consumer and postal price indices



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- Phasing out of a weight based pricing schedule and introduction of “Pricing in proportion” in 2006 (tariffs based on weight and format).
- Access products are not part of the universal service and can therefore be priced non-uniformly: Royal Mail plc. has established zonal tariffs for access products.
- Basic postal tariffs for domestic services have considerably been increased since 1998: about 3% per year. However, compared to other Western European universal service provider the tariffs are still relatively low.
- In 2009 the retail prices for first and second class letters have been further increased to GBP 0.39 (plus 8.3%) and GBP 0.30 (plus 11%). The tariff of the EU letter increased to GBP 0.56 (plus 12%).

Customer Satisfaction

	Consumers	
Use of postal services	Eurobarometer ('02, '04, '06):	Use of postal services is fairly stable (2006: 98%)
Satisfaction Level	NRA ('07 - '08):	Increasing satisfaction from 94% in 2006 to 100% in 2008
	USP ('06 - '08):	
Satisfaction with service characteristics	Eurobarometer ('02, '04, '06):	Increasing satisfaction with accessibility (2006: 96%)
	NRA ('07 - '08):	High satisfaction level with delivery frequency, reliability of delivery and time of day mail delivered

Complaint statistics:

- Royal Mail plc. publishes the number of complaints yearly.
- In 2008, although 11% of consumers and 17% of SMEs have had cause to complain to Royal Mail plc. in the past year, they are generally dissatisfied with the way Royal Mail plc. handled their complaint (Customer survey 2008, published by Postcomm)

	Business Customers	
Satisfaction Level	NRA ('04 - '08)	High level of satisfaction with Royal Mail letter mail services (large businesses and SME's)
	Interviews*:	very satisfied: 33%; not very satisfied 67%
Importance of service characteristics	NRA ('04 - '08)	Most import service aspect of of SMEs: reliability/consistency of delivery time each day Most important service aspect of large mailers: more tailored services and better feedback and reporting on deliveries
	Interviews*:	Most important aspects are reliability, customer service, nationwide delivery and delivery on the next working day
Development of service characteristics	Interviews*:	Improvements perceived in customer service and product & service range

\* Interviews with 3 business customers carried out in May 2009 with different value of letter post items on average per month

Business customer surveys (yearly published by Postcomm)

- Overall in 2008, nearly a quarter of all respondents were using multiple providers. Switching levels are much higher among large mailers than among small mailers.
- There are three key drivers of satisfaction among consumers: reliability/consistency of delivery time each day, time mail is delivered each day and the number of days mail is delivered each week. However there is only one key driver for SMEs: reliability/consistency of delivery time each day.

- Customers want more efficiency, greater reliability and more flexibility in postal services. They want a postal services provider that is customer friendly, approachable and willing to develop more tailored solutions.

### Concluding Remarks

- The UK letters market is characterised by a very high level of items per capita. However, since 2005 letter post has slightly declined (mainly driven by declining volumes in direct mail).
- This decline has been continued in 2008 and will continue 2009 also due to the economic decline (2009 GDP growth rate -3.8%).
- In future emerging electronic alternatives may affect more substantially the development in letter post volume (especially correspondence).
- The postal market is fully liberalised since 2006. End-to-end competition has not really emerged, so far, in contrast to competition in the upstream segments of postal delivery (collection, transport, and sorting). Today access products account for nearly one third of total letter post sent.
- The postal density has been declined; the share of subpostmasters (postal agencies) is traditionally very high.
- Transit time performance is stable above 90%. The transit time performance of the retail priority service has improved to 93% in 2008/09 and has met the regulatory target for the first time. Basic tariffs have considerably increased (since 2004 stronger than the CPI).
- Individuals have benefited from improvements in quality of service but suffered from tariff increases and the decline in the density of postal outlets. However, individuals appear to be very satisfied with the services offered by Royal Mail plc.
- Business customers have benefited from improvements in quality of service, increase in service offerings and decline in postal tariffs (due to the introduction of the low-cost access products).
- The incumbent postal operator and universal service provider Royal Mail plc. focuses on the one hand on traditional postal services (letters and parcels) in the UK and has on the other hand successfully built up a very profitable European parcel network (GLS).
- The profitability of the national business is low and the company is additionally challenged by a substantial pension deficit.
- Modernisation is ongoing but partly limited by considerable industrial action. Employment has been reduced as well as the number of postal outlets. Transit time performance has substantially improved during the last years.
- Very competitive parcel & express market, which is still quite fragmented and already saw some major acquisitions over the last few years.
- Royal Mail plc. (Parcelforce) with a parcel & express market share <10%.
- Distance selling one of the main market drivers for parcel & express leads to increasing competition in this market segment

## United States of America

### Country Facts

Population '08:	305.8 million
Population growth (98-08):	9.6%
Population density '07:	32 / sqkm
Urbanisation rate '08:	81.7%
GDP '08 (PPS, trillion):	EUR 11.5
GDP/capita '08 (PPS):	n/a
Postal services/GDP '98/08:	1.11% / 0.82%



### Macro-economic indicators USA

Macro-economic indicators	98	99	00	01	02	03	04	05	06	07	08
Real GDP growth rate %	4.2	4.4	3.7	0.8	1.6	2.5	3.6	2.9	2.8	2.0	1.1
GDP/capita (PPP)	27,716	29,416	30,299	30,516	31,105	31,925	33,599	35,202	36,796	38,083	38,415
Inflation (CPI)**	94.7	96.7	100.0	102.8	104.5	106.8	109.7	113.4	117.1	120.4	125.0
Unemployment rate %	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	
Internet access*** %						55					
Broadband access*** %						20					60

\* CPI = Consumer Price Index 2000 = 100 \*\*of total national households

Sources: Eurostat, U.S. Census Bureau, United Nations

### Milestones in Postal Liberalisation since 1997

Year	Corresp.*	Direct Mail	Cross-border**	Price threshold***	Notes
Mailbox monopoly					

\*Correspondence \*\*Cross-border outgoing

\*\*\*related to the standard tariff of the FSC of the lowest weight step

Sources: WIK-Consult

### Legal barriers to competition other than the reserved area

Postal services provided by USPS are exempted from sales taxes

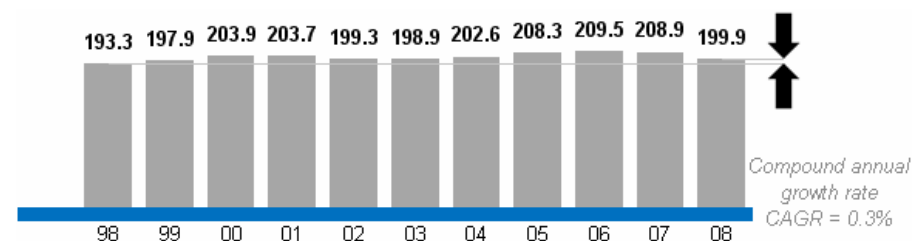
### National Regulatory Authority

Postal Regulatory Commission (PRC, formerly Postal Rate Commission)

### Letter Post

Estimated market value: € 41.5 billion (2008)

### Domestic letter post volume (in billion items)



Letter post segment	Items per capita (2007)	CAGR (2002-2007)	Notes
Domestic letter post	693	0.9%	2008: -4.3%
•Letters	663	1.1%	2008: -4.5%
••Correspondence	320	-1.2%	First class letters 2008: -4.8%
••Direct Mail	344	3.5%	Standard mail 2008: -4.3%
•Publications	30	-1.0%	2008: -2.2%
Unaddressed advertising	0	0.0%	Mailbox monopoly: Items need an address to be delivered by USPS
Cross-border outbound	3	0.3%	

Data on the segments publications, unaddressed advertising, and cross-border outbound generally refer to incumbent postal operator / universal service provider

Sources: WIK-Consult estimations based on annual reports of the incumbent postal operator



- The US has the highest letter post items per capita in the world. This is also driven by the mailbox monopoly (only USPS is allowed to deliver to and collect from private mailboxes) and specific requirements of USPS: items must be at least partly addressed to be delivered by USPS.
- Letter post volume has been substantially affected by the economic decline: USPS states in the first quarter of its financial year 2008/2009 (Oct-Dec 2008) a decline in letter post volume of minus 9 % compared to the respective quarter the year before (First class -7.2%; Standard Mail -11%, Publications -3.5%) and in the second quarter (Jan-Mar 2009) a decline in letter post volume of minus 14% (First class -10%; Standard Mail -20%, Publications -7.8%).

**Competition**

Letter post segment	Level of competition	Notes
Domestic letters	None	
Cross-border		
outbound letter post	Substantial	

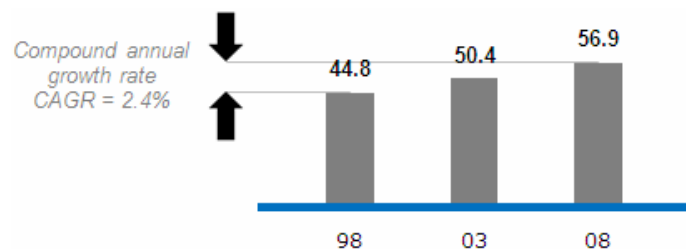
No information available on degree of competition in the sub-segments correspondence and direct mail, and in unaddressed advertising

Sources: WIK-Consult

- Due to the mailbox monopoly USPS is the only postal operator providing letter post delivery services.
- There is considerable upstream competition emerging after the introduction of worksharing rebates (rebates for pre-sorting, transport) in the 70ies: Today, around three quarter of total letter post volume is subject to worksharing rebates.

**Parcel & Express**

**Estimated total market value (in billion USD)**



Source: ITA Consulting market analysis/CEP-Research

**Parcel & express market - Main competitors of USPS**

- UPS, FedEx

**Key developments in the parcel & express market since 1997**

- CAGR (98-03): 2.4%
- CAGR (03-08): 2.5%
- The US market is the largest Express & Parcel market worldwide
- Market very concentrated, FedEx and UPS dominating the market with an aggregated market share of >75%.
- National Postal operator USPS is number three in the market but has only a low market share of <10%.
- DHL acquired Airborne Express in 2003 to compete in the US domestic market, but never managed to become profitable. As a result the company - that had a market share of ~10% - stepped out of the US domestic business at the end of 2008.
- Due to the slowing US economy and the successive economic crisis, the US Parcel & express market is struggling already for some time.

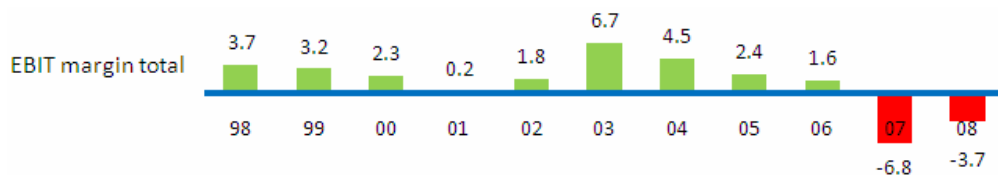
**Incumbent Postal Operator: United States Postal Service (USPS)**

Company form: Government Department with a special status

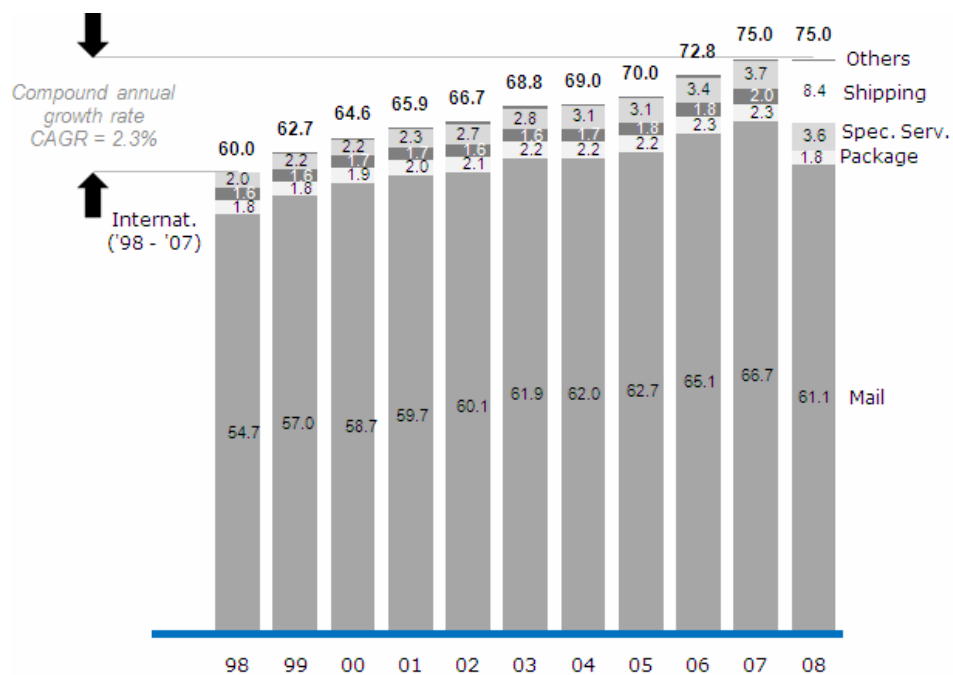
1970: Post Reorganisation Act (1970): The Post Office Department was transformed into the United States Postal Service, an independent establishment of the executive branch of the Government of the United States (start of operations in 1971).

State ownership (31.12.2008): 100%

EBIT (Earnings Before Interest and Taxes) margin in % of corporate revenue



Corporate revenue in billion USD by business segments



Key indicators	98	99	00	01	02	03	04	05	06	07	08
Mail %*	91.1	90.9	91.1	90.8	90.5	90.3	89.9	89.6	89.4	89.0	81.5
Domestic %*											
Labour cost %**				76.8	79.0	80.4	79.3	76.8	76.3	67.6	68.9
Headcount '000	904.6	905.8	901.2	891.0	854.4	827.0	807.6	803.0	796.2	786.0	765.1
National employment %***	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Civil servants %***											

\*% of corporate revenue \*\*% of total operating expenses \*\*\*% of total headcount

Sources: Based on annual reports of the incumbent postal operator

Key developments of USPS since 1997

- USPS has been strongly regulated in terms of postal tariffs as well as in terms of service provision and the introduction of new products. This has been relaxed to some extent by the new postal legislation (PAEA Postal Accountability and Enhancement Act) coming into force end of 2006.
- However, commercial flexibility of USPS is very limited compared to private companies. The business focus of USPS still lays on traditional postal services; USPS is not active in other elements of the industrial postal value chain.
- Ongoing cost saving efforts resulted in a significant decline of employment: CAGR (1998-2008): -1.6%; since 1999 the number of employees has been reduced by around 140,000.
- 2001: Business alliance with FedEx is formed
- 2001: Internet change of address is instituted
- 2002: Founding member of the Kahala Postal Group (together with public postal operators from Australia, China, Japan, Korea and Hong Kong). The KPG aims to face the strong competition from the Integrators, especially in the emerging Asian packet market
- 2007: The Intelligent Mail Barcode is introduced that offers mailers improved service quality, visibility, and cost data about individual mailings
- 2008: Change of the business structure to better reflect the requirements of the new postal legislation: the Mail segment comprise the traditional letter post services subject to the monopoly (market dominant position of USPS) while the newly introduced Shipping segment comprises the competitive services (domestic and international priority mail, express mail, and domestic parcel services). Until 2007 these activities were part of the Mail segment.

**Universal Service**

Universal service provider: United States Postal Service (USPS)

Universal service indicators	98	99	00	01	02	03	04	05	06	07	08
Postal outlets/Inh.*	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2
Post offices %	88.1	88.2	88.5	88.4	89.4	88.8	89.2	88.9	89.3	89.0	89.2
20g tariff FSC in USD	0.32	0.33	0.33	0.33	0.34	0.37	0.37	0.37	0.39	0.41	0.42
100g tariff in % of 20g tariff											312
20g tariff SSC in USD	No second class letter service for the general public										
20g tariff EU letter FSC in USD											

\* per 10,000 inhabitants

Sources: Based on WIK-Consult, price lists and annual reports of the incumbent postal operator

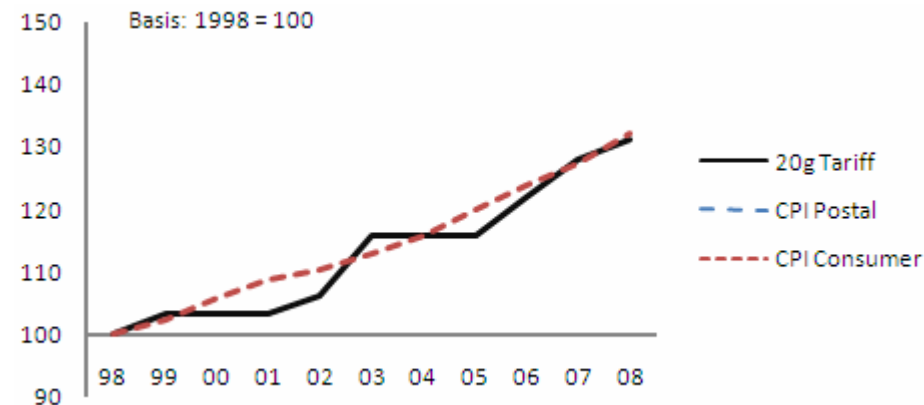
- Development in postal outlets: CAGR (1998 – 2008) = -0.38%
- Delivery frequency per week: 6 days

**D+1 Performance in %**

- Since 2006 USPS publishes the share of First Class mail delivered on time overnight, after two (2-Day-Delivery) and after three day (3-Day-Delivery) per quarter.
- The performance for overnight delivery increased from 95% (2006) to 96.5% (2008)
- The performance of 2-Day Delivery increased from 90% of First Class Mail to 94%.
- The performance of 3-Day Delivery increased from 88% to 92%

Sources: Based on WIK-Consult, price lists and annual reports of the incumbent postal operator

**Price trend: 20g letter (FSC) vs. consumer and postal price indices**



Sources: Based on WIK-Consult, price lists of the incumbent postal operator, Eurostat

- In the last years postal tariffs have considerably grown to meet emerging financial problems faced by USPS. This increase continues in 2009: USD 0.44. However, in real terms the basic rate has been fairly stable.

**Customer View**

- USPS yearly measures the satisfaction of residentials with services offered since 2002. Constantly more than 90% of the residentials have rated their experience with the Postal Service as excellent, very good or good.

**Concluding Remarks**

- The US letter post market is characterised by a very high letter post items per capita. The US letter post market is at a mature stage; the economic decline substantially affects volume development (seemingly more than in the EU).
- Due to the traditional mailbox monopoly which only allows USPS to deliver to or collect from private mailboxes competition in the delivery of letters has not emerged.

- The density of postal outlets is fairly stable; approximately 90% of the outlets are post offices
- The performance for overnight delivery increased from 95% (2006) to 96.5% (2008). In the last years postal tariffs have considerably grown to meet emerging financial problems faced by USPS. However, in real terms the basic rate has been fairly stable.
- USPS is a government department with a special status and limited commercial flexibility. The business focus lays on national postal operations, especially traditional letter post services.
- Due to regulation profitability of USPS was limited (rate of return regulation) in the past. After 2006 USPS was even loss making. The considerable decline in letter post volume will result in substantial losses in USPS' business in the current financial year.
- Mature parcel & express market with moderate growth rates
- Parcel & express market dominated by UPS and FedEx. USPS is number three in this market but far behind the two integrators.

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