

## A network uniting the country

The Poste Italiane Group constitutes the largest service distribution network in Italy. Its activities range from letter and parcel delivery to financial and insurance services, payment systems and mobile telecommunications. With its 157-year history, a network of more than 12,800 post offices, a workforce of approximately 134 thousand, total financial assets of €514 billion and around 35 million customers, Poste Italiane is an integral part of Italy's social and economic fabric, occupying an unparalleled position in the country in terms of size, recognisability, reach and customer loyalty.

In February 2018, Poste Italiane launched its new five-year Strategic Plan, Deliver 2022, which aims to maximise the value of the distribution network and take advantage of the market opportunities offered by digital transformation. This will involve a reorganisation of the mail and parcels segment, the expansion of financial services, consolidation of our leadership in the insurance sector and the development of payment systems. The Plan envisages investment of €2.8 billion, focusing on innovation in order to assist citizens, businesses and the Public Administration through the transition to the digital economy and offering increasingly innovative services.

Listed on the Milan Stock Exchange since 2015, Poste Italiane's leading shareholders include the Ministry of the Economy and Finance with a 29.26% stake and Cassa depositi e prestiti with a 35% interest. Since April 2017, Maria Bianca Farina has been the Company's Chairwoman and Matteo del Fante its Chief Executive Officer and General Manager.

## Poste Italiane – Financial results for 2018

### *The ability to create value*

In the first year in which the 2022 Plan was fully implemented, Poste Italiane achieved all its financial targets at both Group level and across all areas of business, delivering an improvement in operating profit. The results for 2018 confirmed the Group's ability to generate earnings, provide quality services to our customers and, at the same time, create value for our shareholders and employees. Revenue amounted to €10.864 billion (up 2.2% compared with 2017), whilst operating costs of €9.366 billion were down 1.5% compared with 2017. Net profit saw a significant improvement, rising to €1,399 million, an increase of €709 million compared with 2017, whilst operating profit rose to €1.499 billion, an increase of 33.5% compared with 2017.

Total financial assets amount to €514 billion, marking an increase of €4 billion compared with December 2017. Total revenue from the Financial Services Strategic Business Unit ("SBU") rose 4.2% to €5.221 billion in 2018. Revenue generated by the Payments, Mobile and Digital SBU amounted to €592 million, up 11.4% on 2017, whilst the contribution from the Insurance Services SBU amounted to €1,470 million, up 1% on the previous year. The Mail, Parcels and Distribution SBU recorded revenue of €3.58 billion, a reduction of 1.4% compared with 2017, but ahead of the target of €3.5 billion indicated in the Deliver 2022 Plan. Parcel revenue of €761 million in 2018 was driven by strong growth in the B2C segment, which registered an increase in revenue of 27.8% compared with 2017.

The results achieved enabled Poste Italiane to confirm the dividend policy set out in the Deliver 2022 Plan, which has targeted an annual 5% increase through to 2020 and a

minimum 60% payout from 2021. Following approval by the Annual General Meeting of shareholders, the Company will pay a dividend of €0.441 per share for 2018.

## **Mail, parcels and distribution**

### ***Delivering innovation***

These activities, which include mail delivery, logistics, parcels and express delivery, have always been a key part of Poste Italiane's identity and also include Italy's Universal Postal Service. We provide these services via a unique network, consisting of 27 thousand postmen and women and 1,825 distribution centres. In 2018, we handled approximately 3 billion items of mail and 127 million parcels, putting Poste Italiane in a particularly strong position to benefit from the opportunities linked to the growth in e-commerce, thanks also to our extensive payments and digital expertise.

Poste Italiane has continued with the progressive transformation of our logistics network, as envisaged in the Deliver 2022 Plan. In 2018, we launched the new Joint Delivery model, which has redesigned the service by introducing afternoon and weekend deliveries. The new delivery model, combined with the current transformation of the entire logistics chain and the plan to fully exploit the Group's airline, Mistral Air, and its express courier business, SDA, underpins Poste Italiane's strategy of consolidating the Company's position as Italy's most efficient and widespread distribution network. During the year, we continued to invest in new automated mail and parcel sorting systems, in order to increase the efficiency and quality of processes. The Company also focused on modernising its fleet, by making it more environmentally-friendly with the introduction of 345 fully electric, three-wheeled scooters, with greater load capacity to facilitate parcel delivery in cities and improve occupational safety.

The evolution of e-commerce logistics has led to the creation of PuntoPoste, the new readily accessible network that complements the network of over 12,800 post offices, enabling the collection and return of online purchases and the sending of pre-franked or prepaid parcels. In 2018, 417 PuntoPoste points were already operating, and the network will be expanded to include 3,500 units in 2019. The network consists of lockers located at various points around cities, offering a non-stop 24-hour, 7-day service, and participating physical delivery points, such as retail outlets. In May 2018, an important agreement was signed with the Federation of Italian Tobacconists, representing a network of around 50,000 tobacconists' shops. The significant increase in B2C parcel revenue in 2018 (up from €236 million in 2017 to the existing €301 million) helped to mitigate the decline in revenue from letter post. The volume of parcels handled was up 12.6% compared with 2017.

## **Payments, Mobile and Digital**

### ***Postepay SpA, the new digital ecosystem***

Poste Italiane is one of Italy's leading payment system providers, exploiting the Group's integrated multichannel distribution platform based on its physical post office network and latest-generation digital infrastructure. At 31 December 2018, Poste Italiane had issued 26.2 payment cards, with the number of Postepay Evolution cards in circulation up 33% on 2017 to 6.3 million. In 2018, the Company established Postepay SpA, the new company specialising in the development and processing of mobile and digital payments. Postepay SpA aims to consolidate its leadership and take advantage of the opportunities created by convergence between physical and digital channels, whilst at the same time supporting delivery of the Group's overall strategy and guiding citizens, businesses and Public Administration entities through the transition from traditional payment systems to more advanced solutions. Postepay is the leader in payment systems, with a market share of 25% in online transactions and over 2.8 million e-wallets in use. In 2018, the new company launched its PostepayConnect service, combining the advantages of the Postepay Evolution card and PosteMobile SIM cards in order to offer customers the chance to manage their payment and SIM cards using the same App. The new solution allows users to transfer, free of

charge and in real time, their data allowances from one PosteMobile Connect SIM to another (“g2g”) and small sums of money between two Postepay cards (“p2p”) within the Postepay community.

In 2018, customers registered with the poste.it website exceeded 17.5 million, whilst the number of Poste IDs created reached 2.6 million and Poste Italiane’s Apps were downloaded more than 21.5 million times. 1.5 million people now visit the website or use our Apps each day.

## **Financial and insurance products**

### ***Credibility is our goal***

Poste Italiane plays a leading role in the distribution of savings and loan products, thanks to our distribution network and the brand’s long-standing reputation for dependability. We are the sole distributor on behalf of Cassa Depositi e Prestiti of postal savings products – Savings Books and Interest-bearing Postal Certificates – and offer our customers current account services and third-party consumer credit products. Poste Italiane has taken decisive steps to diversify its offering in order to maximise the value of our distribution network. Significant progress in this direction was made in 2018, both by extending the range of products and services offered as a result of our long-standing relationship with Cassa Depositi e Prestiti and under agreements with other partners such as Anima SGR, and by entering into new loan distribution agreements with Intesa Sanpaolo and UniCredit. This strategy has already borne fruit and aims to enable Poste Italiane to successfully respond to all the financial and insurance needs of the customers who use our post offices every day, offering them the chance to access the best solutions available on the market. The results achieved in 2018 were made possible partly thanks to changes to the customer service model: the network of financial consultants was strengthened, with particular focus on creating roles with responsibility for several post offices, and a new digital platform was introduced to help customers make the right choice and boost consultants’ effectiveness. This acceleration has increased the proportion of customers with a personal consultant from 7% to 20%. At 31 December 2018, the number of BancoPosta current accounts stood at over 6.3 million and average deposits amounted to €58.7 billion, up 5.6% on 2017.

Insurance services are provided by the Poste Vita group, which offers customers a range of solutions designed to meet demand for supplementary pensions, personal and property protection and asset management. The group is the leading Italian life insurance provider, generating revenue of €1.470 billion in 2018, a 1% increase on 2017, and having technical provisions in excess of €125 billion. The growth strategy for the coming years will see the group further diversify its offering, with a greater emphasis on innovative insurance products, thanks to the transition from traditional life products to multiclass products. The strategy is also based on expansion of the P&C business, combining in-house expertise with the distribution of third-party products and the creation of insurance products specifically designed for small and medium enterprises. The Group’s insurance company is also putting together a team of 100 P&C specialists to work alongside consultants around the country. P&C revenue was up 35% in 2018 to €135 million, in line with the process of diversifying the insurance offering envisaged in the Deliver 2022 Plan. At 31 December 2018, the Poste Vita group’s solvency ratio (Solvency II) was 211%, rising to 235% if the ancillary own funds approved by the industry regulator, IVASS, in February 2019 are taken into account.