

## **A network covering the entire country**

The Poste Italiane Group is 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 a history going back more than 150 years, a network of more than 12,800 post offices, a workforce of over 134 thousand, total financial assets of €513 billion and over 34 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.

Last February, Poste Italiane presented 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 is 64.26%-owned by the Ministry of the Economy and Finance and Cassa depositi e prestiti. 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 the first nine months of 2018**

### ***Results in line with objectives for 2018 in Deliver 2022 Plan***

Poste Italiane is on track to achieve the objectives in its Deliver 2022 Plan, with the performance in the first nine months of 2018 providing confirmation of how execution of the plan is having a positive effect. Revenue amounts to €7.9 billion (up 0.7% compared with the first nine months of 2017), whilst operating costs of €6.4 billion are down 4.1% compared with the same period of 2017. Net profit saw a significant improvement, rising to €1,056 million, an increase of 45.9% compared with the first nine months of 2017. Operating profit also recorded strong growth to €1.5 billion, an increase of 28.3% compared with the same

period of 2017, after positive performances across all operating segments. Total client assets amount to €513 billion, marking an increase of €7 billion compared with December 2017. Total revenue from Financial Services is up 1.7% in the first nine months of 2018 to €3.8 billion. Revenue generated by the Payments, Mobile and Digital segment amounts to €470 million, up 11.4% on the first nine months of 2017, whilst the contribution from the Insurance Services segment amounts to €1,048 million, up 1.6% on the first nine months of 2017. The Mail, Parcels and Distribution segment recorded revenue of €2.6 billion, a reduction of 2.7% compared with the first nine months of 2017, whilst parcel revenue generated by the B2C segment is up 25% on the first nine months of 2017.

## **Poste Italiane – Financial results 2017**

### ***The ability to create value***

The Poste Italiane Group generated total revenue of €10.6 billion in 2017, in line with the figure for 2016. Net profit of €689 million was up 10.8% compared with the €622 million of the previous year, whilst operating profit of €1,123 million marked a 7.9% increase compared with 2016.

Revenue from Financial Services was broadly stable at €5 billion, with revenue generated by the Payments, Mobile and Digital segment amounting to €586 million, up 2.8% on 2016, and by the Insurance Services segment totalling approximately €1.5 billion (up 17.2% on 2016).

The Mail, Parcels and Distribution segment generated revenue of €3.6 billion, down 5% compared with 2016. Parcel revenue of €693 million was up 6.8% on 2016, mitigating the impact of the ongoing decline in letter post. Capital expenditure of €467 million in 2017 primarily regarded investment in logistics, the upgrade of sorting equipment, the development of ICT and workplace safety.

The objectives set out in the Strategic Plan, *Deliver 2022*, are based on the Poste Italiane Group achieving sustainable growth over the coming years in order to create value for shareholders. The Company paid a dividend of €0.42 per share in 2017 out of profit for the year. The Strategic Plan has targeted an annual 5% increase through to 2020, after which the aim is to provide a minimum payout of 60% from 2021.

## **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 30 thousand postmen and women and over 2,000 distribution centres. In 2017, we handled over 3 billion items of mail and more than 113

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 recently launched a new Joint Delivery model, which has redesigned the service by introducing afternoon and weekend deliveries. The new delivery model, combined with the plan to fully exploit the Group's airline, Mistral Air, and its express courier business, SDA, forms the basis of Poste Italiane's logistics strategy.

The development of e-commerce logistics has led to the creation of PuntoPoste, the new last-mile network, providing a complementary alternative to post offices for the collection and return of online purchases and for sending prefranked and prepaid parcels. The network consists of lockers located at various points around cities, offering a non-stop 24-hour, 7-day service, and collection points placed within participating retail outlets and tobacconists' shops.

The significant increase in parcel revenue in 2017 (up €43 million compared with 2016) mitigated the decline in revenue from letter post. The volume of parcels handled was up 17% on 2016, with a total of 113 million parcels delivered during the year.

## **Payments, Mobile and Digital**

### ***A launch pad for the digital world***

The Poste Italiane Group is Italy's leading provider of payment services, exploiting the Group's integrated multichannel distribution platform based on its physical post office network and latest-generation digital infrastructure. Our services are available to the country's entire population and respond to the changing needs of customers through innovation of the services provided. In this way, we are able to help citizens, businesses and the Public Administration to take advantage of the opportunities offered by digitalisation.

Over 1.5 million people a day visit our post offices and 1.4 million visit our website at poste.it or use Poste Italiane's Apps each day. One out of every four online purchases in Italy is paid for using Postepay, the Group's prepaid card, whilst we are the leading provider of digital payments with a 25% share of the e-commerce transactions market and over 2 million e-wallets in use.

The Group aims to help guide citizens through the transition from traditional forms of payment to the latest digital and mobile payment systems. With this goal in mind, the Group has established PostePay SpA, the new company specialising in payment services, mobile telecommunications and digital applications. PostePay uses technological innovation to develop new services and products, primarily for e-commerce and mobile payments. At 31 December 2017, Poste Italiane had issued over 25 million payment cards, whilst 15.2 million customers were registered with poste.it and our App had been downloaded more than 15 million times. With 5.1 million cards

issued, Postepay Evolution had recorded growth of around 40% in the number of cards circulation in just 12 months.

## **Financial and insurance products**

### ***Credibility, an enduring attribute***

Poste Italiane has built its savings and loan business by taking advantage of its distribution network and the brand's long-standing reputation for dependability. We are the sole distributor of postal savings products – Savings Books and Interest-bearing Postal Certificates –and offer our customers current accounts and third-party consumer credit products.

In December 2017, Poste Italiane signed a new agreement with Cassa depositi e prestiti for the three-year period 2018-2020 with the intention of consolidating the role played by Interest-bearing Postal Certificates and Savings Books in the Italian savings market. In the same month, the Company entered into a partnership with Anima Holding SpA (in which Poste Italiane holds a 10.04% interest) in the asset management sector. This will result in a more extensive offering of products capable of meeting the investment needs of Italian families. In April 2018, Poste Italiane and Intesa Sanpaolo signed a three-year framework agreement with the aim of expanding the range of products Poste Italiane offers through its distribution network, including mutual funds, mortgages and personal loans.

At 31 December 2017, the number of BancoPosta current accounts stood at over 6.3 million and average deposits amounted to €55.8 billion, up 12.3% on 2016.

**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 insurance provider with technical provisions of €123.6 billion in 2017. The growth strategy for the coming years will see the group further diversify its offering through the provision of individual pension plans and unit-linked investment products. The strategy is also based on expansion of the non-life business, combining its in-house expertise with the distribution of third-party products and the creation of insurance products specifically designed for small and medium enterprises.

The Poste Vita group again consolidated its market leadership in 2017, generating total premium revenue of approximately €20.2 billion. This marked an increase of 2%, achieved despite the 5.2% decline in new business in the Italian insurance market in 2017 (source: ANIA).

## **Our people**

### ***Equal opportunities and health care***

Poste Italiane is the country's largest employer. The Strategic Plan, Deliver 2022, envisages over 20 million hours of staff training in the next five years. The various initiatives include the launch of

programmes for talented young staff within the Group, the use of mentoring and coaching to support personnel development and the adoption of flexible and remote forms of working.

Poste Italiane is committed to promoting equal opportunities and boosting the number of women in management positions. 54% of our employees are women, a figure that is higher than the national average for Italy, which is below 50%. 44% of the members of the Board of Directors are women, whilst 55% of the Company's heads of department and 58% of post office managers are women. This situation has been made possible by the implementation of a number of welfare initiatives, such as the provision of crèches, the introduction of flexible forms of working and the launch of innovative training initiatives, such as Maam U, which has transformed the birth of a child into an opportunity to develop skills that are useful during both motherhood and at work. Maam U, which was initially only available to mothers, was recently extended to include fathers. Maternity pay at Poste Italiane is higher than required by law, both during the initial period of leave and during the first six months of the child's life. The employment contract for Poste Italiane's staff, which was renewed at the end of 2017, has established a free Health Care Fund for employees, marking a major step towards improving the protections available to staff and bringing Poste Italiane into line with best practices in the field of staff welfare. The Deliver 2022 Plan envisages the recruitment of 10 thousand new staff, including 5 thousand financial advisors.

## **Sustainability**

### ***The centrality of respect***

Poste Italiane has taken concrete steps to reduce the environmental impact of its activities and to ensure ethical conduct throughout the supply chain. A new Code of Ethics was drawn up in April 2018, with the aim of updating and expanding on the rules of conduct to be complied with in relations with all the stakeholders with which the Company engages, with particular attention to suppliers, partners, the market and shareholders. Poste Italiane is also working on the dematerialisation of millions of pages of documents held at post offices, thanks to the introduction of digitally signed e-documents. At the end of 2017, the procedures for managing dematerialised documents had been adopted by 9,943 post offices (equal to 78% of the total) and approximately 5 thousand consulting rooms (75% of the total). These documents now account for 90% of our main customer records and 96% of the related transactions.

Poste Italiane also has a long-standing commitment to saving energy at all its 15 thousand offices. This has also had a positive impact on the habits of employees in terms of energy use, water consumption and the treatment of waste. Each year, the Company sets targets for reducing consumption and CO<sub>2</sub> emissions linked to the consumption of electricity and gas, and carry out work designed to boost the energy efficiency of our equipment and infrastructure. More than 95%

of the electricity consumed by Poste Italiane comes from renewable sources, as certified under the GO (Guarantee of Origin) scheme, with a small portion of 0.4% produced by the Company's own photovoltaic plants.

Poste Italiane owns the largest fleet of electrically powered vans in Italy, with 4,370 out of a total of 38 thousand vehicles using alternative fuels (electric, LPG, bi-fuel and natural gas). Safety and sustainability are also taken into account when purchasing new vehicles for the fleet and through sustainable mobility initiatives aimed at employees, such as agreements with local transport companies, car-pooling initiatives and the creation of special areas for people who come to work by bicycle.