

Bit Market Services

Informazione Regolamentata n. 1130-58-2016	Data/Ora Ricezione 09 Novembre 2016 17:40:17	MTA
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Societa' : POSTE ITALIANE

Identificativo : 81169

Informazione
Regolamentata

Nome utilizzatore : POSTEN03 - Fabo Ciammaglichella

Tipologia : IRAG 03

Data/Ora Ricezione : 09 Novembre 2016 17:40:17

Data/Ora Inizio : 09 Novembre 2016 17:55:18

Diffusione presunta

Oggetto : Poste Italiane: BoD approves results as of
September 30, 2016

Testo del comunicato

Vedi allegato.

POSTE ITALIANE: THE BOARD OF DIRECTORS APPROVES THE RESULTS AS AT 30 SEPTEMBER 2016. TURNOVER AND OPERATING MARGINS CONTINUE TO BE ON AN UPTREND

- Total consolidated revenue: € 25.7 billion, +7.6% (€ 23.9 billion at 30/9/2015)
- Consolidated operating profit: € 1,196 million, +28.6% (€ 930 million at 30/9/2015), € 1,075 million; +15.6% net of the Visa capital gain
- Consolidated net profit: € 807 million, +29.7% (€ 622 million at 30/9/2015); € 693 million, +11% net of the Visa capital gain
- Total Assets under Management/Administration: € 493 billion, +3.6% (€ 476 billion at 31/12/2015)
- Net industrial financial position: surplus of € 274 million (surplus of € 307 million at 31/12/2015)

Rome, 9 November 2016 – The Board of Directors of Poste Italiane S.p.A. (“Poste Italiane”), presided by Luisa Todini, today examined and approved the Interim Management Report as at 30 September 2016, prepared in compliance with international accounting principles (IAS/IFRS).

Key consolidated economic and financial data (EUR/million):

	First nine months of 2016	First nine months of 2015	Variation
Total revenue	25,729	23,921	+7.6%
Operating profit	1,196	930	+28.6%
Net profit	807	622	+29.7%
	30/9/2016	31/12/2015	Variation
Assets under Management/Administration	493,021	475,939	+3.6%
Net industrial financial position	274	307	-10.7%

Francesco Caio, CEO and General Manager, made the following comment:

“A year after Poste Italiane first listed on the stock exchange, the company has closed its results for the first three-quarters of 2016 with turnover and margins up strongly, accelerating the process of growth and innovation laid out in the Business Plan. These results confirm the validity of our strategic choices and the Group’s ability to implement them effectively under the framework of the far-reaching process of change underway, laying highly-robust foundations for further potential growth, both organic and through alliances and acquisitions. In this sphere, during the third quarter Poste purchased a 15% stake in SIA, a top-tier operator in the payments and digital transactions sector, a market that is evolving rapidly and in which the Group is keen to strengthen its presence and pursue further opportunities for growth and value creation. During the final quarter, we shall continue along the path of consolidating our results and, as in previous financial years, set aside provisions to cover the costs of the process of transformation planned for 2017.”

* * *

In addition to the standard financial measures defined by IFRS, Poste Italiane also utilises certain alternative performance measures, with a view of providing a clearer assessment of the business performance and financial position. The meaning and contents of such measures are described in the annex, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.

* * *

During the first nine months of 2016, the **total revenue** of the Group, including insurance premiums, recorded a 7.6% rise to € 25.7 billion compared to the same period of the previous year. The positive performance of the Insurance Services and Asset Management business, which recorded revenues of € 18.7 billion, up 10.4% from the same period of the previous year, and a stable performance by the financial services, which generated € 4.1 billion in revenue, have more than compensated the expected drop in third-party revenue from Postal and Business Services (-3.6% to € 2,728 million), mainly due to declining mail volumes (-10.3%). The express delivery, logistics and parcel business, which is worth € 461 million, is growing and shows a 6.9% rise from the same period of the previous year.

The **operating profit**, totalling € 1,196 million, recorded a 28.6% rise from the same period of the previous year (€ 930 million). The rise is linked to the growth in revenue combined with a slight drop in operating costs. Over the reporting period, operating costs dropped approximately 1.3% thanks to the implementation of management actions which began to produce a significant impact starting from the third quarter of the year. As already in the year 2015, the result of the first nine months also benefited from the timing of the realization of capital gains from the active management of the BancoPosta securities portfolio. It should also be pointed out that in the

month of June, as part of the global transaction for the acquisition of Visa Europe Ltd by Visa Incorporated, the Holding Company executed the sale of its equity holding in that company, with a non-recurring income of € 121 million.

The **net profit** amounted to € 807 million, up from the € 622 million recorded in the same period of the previous year.

The Group's **net financial position** shows a surplus of € 7.7 billion compared to the € 8.7 billion at 31 December 2015, and is mainly affected by the drop in the *fair value* of financial instruments of € 1,188 million. The cash flow of non-financial operations was positive by € 858 million, after financing greater tax credits for the prepayment of withholding and substitute taxes on the capital gains of life insurances, and contributed to net industrial investments to the amount of € 245 million and distributed dividends for €444 million.

The **net industrial financial position** shows a surplus of € 274 million, with a slight drop of € 33 million from 31 December 2015..

Capital expenditure, before disposals, amounted to € 252 million for the period, and mainly refer to the digitalization of telecommunications networks and the modernization and upgrade of properties. In addition, the upgrading and digitalization of post offices was launched in 2016 with the roll-out of Wi-Fi connectivity in 2,199 post offices and the installation of the “new queue management system” in 1,543 offices, all of which are projects aimed at continuing the customer service improvement process, as also the opening on the national territory of multilingual desks in 19 offices to facilitate the access of “new Italians” to the Group's services.

During the first nine months of 2016, the **assets under management/administration** rose 3.6% to € 493 billion from € 476 billion at 31 December 2015. This growth was mainly driven by a rise in technical provisions in the life insurance sector and by BancoPosta's current account deposits in a period of substantial stability in postal savings.

As part of the efficiency effort and requalification of human resources included in the Business Plan, during the first nine months of 2016, about 1,000 new resources were introduced (including 450 conversions from part-time to full-time), while the total average headcount of the Group fell by about 2,000 units compared with September 2015. Moreover, 4,800 employees have already joined the pre-retirement plan, 2,500 of whom left at 31 October 2016. Lastly, over 1.9 million hours of training were provided to the Group's personnel.

With reference to the principal operating segments, notice should be taken of the following:

FINANCIAL SERVICES

- **External revenues of € 4.1 billion, up 4.0%**
- **The operating profit up 5.1% to € 704 million**
- **Bancoposta's average deposits total € 48.8 billion, up 8% on 31/12/2015**
- **2.9 million *Postepay Evolution* cards in circulation at 30 September 2016**

Total revenues of € 4.5 billion, up from the corresponding period in 2015, due to the non-recurring income deriving from the sale of the shareholding in Visa Europe Ltd, the increase in revenue from the active management of the BancoPosta's securities portfolio and the distribution fees on financial products.

Furthermore, Postepay Evolution, the rechargeable prepaid nominal card with an IBAN code number, has now exceeded a total of 3 million cards issued since its launch (in July 2014) with 1,281,000 issued in the first nine months of 2016.

Poste Italiane, through BancoPosta, continued to enhance the services offered to Italian households, by broadening the range of consumer loans and mortgages with different solutions in terms of duration, amount and flexibility in payback.

BancoPosta's deposits recorded an increase in the average stock to € 49 billion (including "*long term repo*"), up 8% from the € 45 billion at 31 December 2015.

The increase in operating costs is mostly linked to the rising costs of the retail network paid by BancoPosta to the Postal and Business Services operating unit in almost the same proportion as revenues.

The **operating profit** has grown by 5.1% to € 704 million compared to the same period of the previous year (€ 670 million).

INSURANCE SERVICES AND ASSET MANAGEMENT

- **Insurance and asset management revenue increased by 10.4%, accounting for € 18.7 billion**
- **Operating result of € 436 million, increased by 18.5%**

The **total revenue**, inclusive of other income from insurance operations, amounted to € 18.7 billion, with a 10.4 % increase compared to the same period in the previous year (€ 17.0 billion), and can be ascribed especially to premiums increase. Specifically, in fact, Poste Vita, a major

Italian insurer with technical reserves amounting to € 113.7 billion (€ 100.2 billion by the end of December 2015) achieved a premium collection of € 15.3 billion (€ 14.5 billion in the first nine months of 2015), mainly due to the sales of Class I products. The positive trend of life insurance premium revenues has found a natural compensation in the increase of technical insurance provisions. A 23% rise in non-life insurance premium was recorded, together with a 22% increase in assets under management. Although the impact on revenue is still marginal, the uptrend is a evidence of the customers' increasing interest in this offer, which is in line with the mid-term estimates. The **operating profit** amounted to € 436 million, with an 18.5% rise compared to the same period in the previous year (€ 368 million) mainly due to the above mentioned trade dynamics, supported by the positive results in investment management.

POSTAL AND BUSINESS SERVICES

- **External revenues of € 2.7 billion, drop by 3.6%**
- **Revenue from other operating segments of € 3.5 billion, rise by 4.9%**

The **total revenue** is about € 6.3 billion (inclusive of € 3.5 billion captive revenue, mainly from distribution services for BancoPosta). The drop in External revenues correlates with the expected drop in mail volumes which affected some products, including in the Universal Postal Service. The rise in revenues from other sectors may be ascribed, as mentioned earlier, to the trend of the revenue obtained from BancoPosta RFC.

Initiatives to improve the quality of traditional postal services and the upgrading of the relevant industrial processes, have been carried on.

Moreover, the first experimentation phase of the new Universal Service has been completed, as listed in the AGCOM 395/15 resolution of June 2015, which envisages the progressive introduction of the every-second- day delivery covering up to 23% of the Italian population. The new regulatory framework will better cater to the changing needs of the customers.

Parcels services highlight a 14% increase in volume compared to the same period of the previous year, accounting for a total of 68.2 million parcels handled in the first nine months of 2016, also due to the increasing development of e-commerce in Italy.

Operating costs of this sector have dropped by about 1.7% in the mentioned period, mainly due to the effects of management actions performed.

The operating profit is of € 35 million (€ -137 million in the same period of the previous year).

It is worth mentioning that, as occurred in previous years, the transformation costs for further upgrading the efficiency, as envisaged in the business plan, will be allocated in the fourth quarter of 2016, only after taking formal commitments with the trade unions.

RECENT EVENTS AND BUSINESS OUTLOOK

Key events during the period

On 27 April 2016, the carve out of the branch known as “Rete Fissa TLC” of PosteMobile S.p.A. subsidiary was stipulated in favour of Poste Italiane. The operation, whose accounting and fiscal aspects have come into effect as of 1st May 2016, was carried out in accordance with the Group’s strategic plan.

On 21 June 2016, Poste Italiane SpA, as principal member of Visa Europe Ltd, transferred its shareholding in Visa Europe as part of the global transaction for the acquisition and merger of said company into the US based company Visa Incorporated. The overall fair value of the consideration received amounted to € 121 million, with a corresponding positive economic effect on the income statement of the above mentioned nine months.

On 12 September 2016, Poste Italiane, Postecom and Postel approved the demerger and merger project regarding the Postecom corporate restructuring, consisting of two steps: 1) carve out of the branch regarding the activities of the shareholdings PatentiViaPoste ScpA and Consorzio Poste Motori from Postecom in favour of Postel; 2) merger of Postecom into Poste Italiane. The operation will be effective from a legal, accounting and fiscal standpoint as of 1st April 2017.

On 16 September 2016, Poste Italiane and Cassa Depositi e Prestiti (CDP) entered into a preliminary agreement providing for the transfer of an indirect shareholding in SIA SpA - a leading company providing services in the field monetics, and web-based payments - from FSI Investimenti SpA (a company of the CDP Group) to Poste Italiane. The agreement establishes that Poste Italiane purchases, with an overall investment estimated to € 278 million, a 30% share in FSIA Investimenti Srl (a company holding 49.5% of SIA), 100% owned by FSI Investimenti SpA, in turn a subsidiary of CDP Equity SpA with a shareholding of 77%. Following the operation, Poste Italiane will hold an indirect shareholding of 14.85% of SIA , as well as some significant governance powers. The completion of the operation is subject to the approval by antitrust authorities and Banca d’Italia.

On 31 May 2016, the Council of Ministers approved, following a proposal submitted by the Minister of Economy and Finance, the draft Decree of the President of the Council of Ministers (DPCM) defining the privatization criteria and the terms for the disposal of another share held by the Ministry of Economy and Finance (MEF) in Poste Italiane SpA, in order to keep a public shareholding also through Cassa Depositi e Prestiti (CDP) of the company's capital of at least 35%, to be assigned to CDP's Separate Account, under the guidance and management of MEF.

On 24 June 2016, CDP's Extraordinary Shareholders' Meeting approved an increase of the share capital reserved to MEF amounting to € 2.930 billion. To release such a share capital increase, on 20 October 2016, the MEF granted CDP a shareholding in Poste Italiane accounting for 457,138,500 ordinary shares (35% of the share capital). Downstream from that operation, the MEF holds a share of approximately 29.7 % of Poste Italiane.

Business outlook

Regarding traditional postal services, the Group intends to press ahead with the restructuring of the sector throughout the last quarter of 2016. The Group will do so by leveraging its new regulatory framework, on the one hand, and capitalizing on the increase in efficiency secured by the implementation of a new model of delivery, in agreement with trade unions, on the other.

The Group is committed to promoting activities that optimize and simplify its different product portfolios, both in the target retail and business sectors, with a view to improving the service quality it provides to all its customers. Special attention will be paid to parcels and the express courier market, where the focus will still be on B2C, a growing e-commerce-driven segment.

Also the BancoPosta RFC will continue to pursue the implementation of its strategic goals by paying special attention to :

- (i) Enhancing its current client base;
- (ii) Strengthening its positioning in the field of monetics, collections and payments, and promoting the digitalization of the PA;

- (iii) Focusing on the growth of the consumer credit market and promoting its “digital” repositioning within a larger multichannel strategy of Poste Italiane.

BancoPosta will further develop its strategy regarding the active management of its securities portfolio, which is aimed at stabilizing the total return generated by interests and capital gains. Moreover, executing the resolution approved by the Board of Directors and in agreement with the CDP Equity shareholder, a technical discussion has started with SIA with a view to identify all possible synergies between the two companies.

Regarding the Insurance and Asset Management sector, the Group will continue to focus on strengthening its activities targeting Ramo I products, with a view to capitalizing on Poste Vita’s leadership position. The Group’s expansion into Mutual Funds and Ramo III segments continues in line with its stated strategies in compliance with relevant legislation.

In line with the Group’s strategic priorities, the Insurance Services business will focus on renewing current products while developing solutions that answer the growing needs of health, casualty and property and pension insurance schemes.

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It should be noted that this release regarding the interim financial report at 30 September 2016 has been prepared on a voluntary basis, consistently with the past, awaiting developments of the regulatory framework outlined by Italian Legislative Decree No. 25 of 15 February 2016 (the “Decree”), which removed the obligation for the listed companies to publish quarterly financial reports, delegating Consob to evaluate the possible reintroduction of the obligation to publish “additional periodic financial information” with the limits and conditions set out in said Decree. In this context, the Interim Financial Report as of 30 September 2016 will be published by 14 November 2016, made available to the public at the Company’s head office, on the Company’s website (www.posteitaliane.it), on the website of the authorized storage system “NIS-Storage” (www.emarketstorage.com), and filed with Borsa Italiana S.p.A. (www.borsaitaliana.it), the Italian stock exchange management company. The disclosure regarding the filing will be issued in due course.

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A conference call will be held at 6 p.m. today, 9 November 2016, in order to present the results for the first nine months of 2016 to financial analysts and institutional investors, Journalists will be able to listen to the call. Supporting material will be made available in the “Investors” section of the website www.posteitaliane.it as the conference call begins.

Tables showing the results of the individual business units (before intersegment eliminations) are provided below, together with the period accounts (consolidated statement of financial position, consolidated statement of profit/loss for the period, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows).

A brief description of the “alternative performance indicator” used is also provided.

The manager responsible for financial reporting, Luciano Loiodice, pursuant to art. 154 bis, paragraph 2 of the Consolidated Law on Finance, declares that the accounting information contained in this release is consistent with the underlying documents, accounting books and records.

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Condensed financial information on the operating segments.

In compliance with the provisions of IFRS 8 – Operating Segments, an operating segment is a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Following is the key financial information on the operating segments of the Poste Italiane Group.

FINANCIAL SERVICES

Results (EUR/million):

	First nine months of 2016	First nine months of 2015	Variation
External revenues	4,107	3,949	4.0%
Intersegment revenue	413	388	6.7%
Total revenue	4,520	4,337	4.2%
Operating profit	704	670	5.1%

INSURANCE SERVICES AND ASSET MANAGEMENT

Results (EUR/million):

	First nine months of 2016	First nine months of 2015	Variation
External revenues	18,725	16,962	10.4%
Intersegment revenue	-	-	-
Total revenue	18,725	16,962	10.4%
Operating profit	436	368	18.5%

POSTAL AND BUSINESS SERVICES

Results (EUR/million):

	First nine months of 2016	First nine months of 2015	Variation
External revenues	2,728	2,829	-3.6%
Intersegment revenue	3,529	3,364	4.9%
Total revenue	6,257	6,193	1.0%
Operating profit	35	(137)	n.s.

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ALTERNATIVE PERFORMANCE MEASURES

We are reporting below the meaning and content of the “alternative performance measures”, which are not defined by IAS/IFRS but have been used in this release in view of providing a clearer assessment of the Group’s operating performance and financial position.

GROUP NET FINANCIAL POSITION: the sum of financial liabilities, insurance technical provisions, financial assets, reinsurers’ share of technical provisions, BancoPosta cash and deposits and cash and cash equivalents.

NET INDUSTRIAL FINANCIAL POSITION: the sum of the net financial position of the Postal and Business Services segment and of the net financial position of the Other Services segment, before adjusting for intersegment transactions.

Breakdown of Net Financial Position (EUR/million):

	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Eliminations	Consolidated
Balance at 30 September 2016						
Financial liabilities	(2,288)	(61,978)	(1,163)	(2)	2,034	(63,397)
Technical provisions for insurance business			(113,878)			(113,878)
Financial assets	1,447	63,307	116,499	47	(1,728)	179,572
Technical Provisions attributable to Reinsurers			66			66
Cash and deposits attributable to BancoPosta		2,918				2,918
Cash and cash equivalents	1,061	422	1,187	9	(306)	2,373
Net Financial Position	220	4,669	2,711	54	-	7,654
Net Industrial Financial Position	220			54		274
Balance at 31 December 2015						
Financial liabilities	(2,442)	(55,418)	(1,218)	(4)	1,604	(57,478)

Technical provisions for insurance business			(100,314)			(100,314)
Financial assets	1,396	57,574	102,409	26	(1,315)	160,090
Technical Provisions attributable to Reinsurers			58			58
Cash and deposits attributable to BancoPosta		3,161				3,161
Cash and cash equivalents	1,315	485	1,615	16	(289)	3,142
Net Financial Position	269	5,802	2,550	38	-	8,659
Net Industrial Financial Position	269			38		307

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FINANCIAL STATEMENTS OF POSTE ITALIANE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

ASSETS	at 30 September 2016	<i>of which, related party transactions</i>	at 31 December 2015	<i>of which, related party transactions</i>
Non-current assets				
Property, plant and equipment	2,062	-	2,190	-
Investment property	57	-	61	-
Intangible assets	483	-	545	-
Investments accounted for using the equity method	215	215	214	214
Financial assets	159,808	3,880	139,310	3,988
Trade receivables	48	-	54	-
Deferred tax assets	650	-	623	-
Other receivables and assets	2,503	1	2,303	1
Technical provisions attributable to reinsurers	66	-	58	-
Total	165,892		145,358	
Current assets				
Inventories	137	-	134	-
Trade receivables	2,278	801	2,292	904
Current tax assets	180	-	72	-
Other receivables and assets	1,086	4	897	2
Financial assets	19,764	6,484	20,780	7,274
Cash and deposits attributable to BancoPosta	2,918	-	3,161	-
Cash and cash equivalents	2,373	365	3,142	391
Total	28,736		30,478	
TOTAL ASSETS	194,628		175,836	
LIABILITIES AND EQUITY				
Equity				
Share capital	1,306	-	1,306	-
Reserves	3,166	-	4,047	-
Retained earnings	4,555	-	4,305	-
Equity attributable to owners of the Parent	9,027		9,658	
Equity attributable to non-controlling interests	-	-	-	-
Total	9,027		9,658	
Non-current liabilities				
Technical provisions for insurance business	113,878	-	100,314	-
Provisions for risks and charges	608	48	634	50
Employee termination benefits and pension plans	1,478	-	1,361	-
Financial liabilities	10,164	84	7,598	77
Deferred tax liabilities	927	-	1,177	-
Other liabilities	856	-	920	-
Total	127,911		112,004	
Current liabilities				
Provisions for risks and charges	557	10	763	11
Trade payables	1,332	195	1,453	174
Current tax liabilities	354	-	53	-
Other liabilities	2,214	75	2,025	91
Financial liabilities	53,233	20	49,880	3
Total	57,690		54,174	
TOTAL EQUITY AND LIABILITIES	194,628		175,836	

CONSOLIDATED STATEMENT OF PROFIT/LOSS FOR THE PERIOD

(€m)

Third quarter 2016		Third quarter 2015			For the nine months ended 30 September 2016	of which, related party transactions	For the nine months ended 30 September 2015	of which, related party transactions
2,090	2,108	Revenue from sales and services	6,406	1,704	6,498	1,836		
4,837	5,069	Insurance premium revenue	15,388	-	14,543	-		
1,106	773	Other income from financial and insurance activities	3,887	64	2,828	74		
-	-	<i>of which, non-recurring income</i>	121	-	-	-		
14	21	Other operating income	48	1	52	4		
8,047	7,971	Total revenue	25,729		23,921			
594	635	Cost of goods and services	1,809	118	1,874	130		
5,505	5,090	Net change in technical provisions for insurance business and other claims expenses	17,449	-	15,475	-		
51	369	Other expenses from financial and insurance activities	360	-	674	-		
1,348	1,387	Personnel expenses	4,333	29	4,370	29		
140	136	Depreciation, amortisation and impairments	439	-	425	-		
(7)	(9)	Capitalised costs and expenses	(15)	-	(21)	-		
63	71	Other operating costs	158	10	194	4		
353	292	Operating profit/(loss)	1,196		930			
21	15	Finance costs	69	1	76	-		
26	29	Finance income	83	1	117	2		
1	-	Profit/(Loss) on investments accounted for using the equity method	7	-	-	-		
359	306	Profit/(Loss) before tax	1,217		971			
117	119	Income tax expense	410	-	349	-		
-	-	<i>of which, non-recurring costs/(income)</i>	-	-	(17)	-		
242	187	PROFIT FOR THE PERIOD	807		622			
242	187	of which, attributable to owners of the Parent	807		622			
-	-	of which, attributable to non-controlling interests	-		-			
0.186	0.143	Earnings per share	0.618		0.476			
0.186	0.143	Diluted earnings per share	0.618		0.476			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

Third quarter 2016	Third quarter 2015		For the nine months ended 30 September 2016	For the nine months ended 30 September 2015
242	187	Profit/(Loss) for the period	807	622
		Items to be reclassified in the Statement of profit or loss for the period		
		<i>Available-for-sale financial assets</i>		
335	1,124	Increase/(decrease) in fair value during the period	(607)	902
(106)	(83)	Transfers to profit or loss	(588)	(433)
		<i>Cash flow hedges</i>		
(12)	57	Increase/(decrease) in fair value during the period	35	18
(7)	(27)	Transfers to profit or loss	(28)	(66)
(58)	(345)	Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period	306	(133)
-	-	Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-
		Items not to be reclassified in the Statement of profit or loss for the period		
(36)	-	Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	(162)	86
11	-	Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period	49	(27)
-	-	Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-
127	726	Total other components of comprehensive income	(995)	347
369	913	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(188)	969
369	913	of which, attributable to owners of the Parent	(188)	969
-	-	of which, attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity									Total equity	
	Share capital	Reserves				Reserve for investees accounted for using equity method	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests		
		Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve						
Balance at 1 January 2015	1,306	299	1,000	1,813	48	-	3,952	8,418	-	8,418	
Total comprehensive income for the period	-	-	-	320	(32)	-	681	969	-	969	
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	
Dividends paid	-	-	-	-	-	-	(250)	(250)	-	(250)	
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	
Other changes	-	-	-	-	-	-	-	-	-	-	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	
Balance at 30 September 2015	1,306	299	1,000	2,133	16	-	4,383	9,137	-	9,137	
Total comprehensive income for the period	-	-	-	606	(7)	-	(78)	521	-	521	
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	-	
Changes due to share-based payments	-	-	-	-	-	-	1	1	-	1	
Other changes	-	-	-	-	-	-	-	-	-	-	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	
Other shareholder transactions	-	-	-	-	-	-	(1)	(1)	-	(1)	
Balance at 31 December 2015	1,306	299	1,000	2,739	9	-	4,305	9,658	-	9,658	
Total comprehensive income for the period	-	-	-	(887)	5	-	694	(188)	-	(188)	
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	
Dividends paid	-	-	-	-	-	-	(444)	(444)	-	(444)	
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	
Other changes	-	-	-	-	-	1	-	1	-	1	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	
Balance at 30 September 2016	1,306	299	1,000	1,852	14	1	4,555	9,027	-	9,027	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

	For the nine months ended 30 September 2016	For the nine months ended 30 September 2015
Unrestricted net cash and cash equivalents at beginning of period	1,783	747
Cash subject to investment restrictions	1	511
Cash attributable to technical provisions for insurance business	1,324	415
Amounts that cannot be drawn on due to court rulings	11	11
Current account overdrafts	5	8
Cash received on delivery (restricted) and other restrictions	18	12
Cash and cash equivalents at beginning of period	3,142	1,704
Cash and cash equivalents at beginning of period	3,142	1,704
Profit/(loss) for the period	807	622
Depreciation, amortisation and impairments	439	425
Losses and impairments/(recoveries) on receivables	23	5
(Gains)/Losses on disposals	2	-
Impairment of available for sale investments	-	-
(Increase)/decrease in inventories	(3)	(1)
(Increase)/decrease in receivables and Other assets	(458)	111
Increase/(decrease) in Payables and Other liabilities	293	277
Movement in provisions for risks and charges	(232)	(125)
Movement in provisions for employee termination benefits and pension plans	(46)	(29)
Differences in accrued finance costs and income (cash correction)	(18)	(46)
Other changes	51	20
Net cash flow generated by/(used in) non-financial operating activities [a]	858	1,259
Increase/(decrease) in liabilities attributable to financial activities	4,419	(180)
Net cash generated by/(used for) held for trading financial assets attributable to financial activities	-	-
Net cash generated by/(used for) available for sale financial assets attributable to financial activities	(3,637)	(361)
Net cash generated by/(used for) held to maturity financial assets attributable to financial activities	498	1,404
(Increase)/decrease in cash and deposits attributable to BancoPosta	242	234
(Increase)/decrease in other assets attributable to financial activities	(672)	(712)
(Income)/expenses from financial activities	(779)	(680)
Cash generated by/(used for) assets and liabilities attributable to financial activities [b]	71	(295)
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities	(4,233)	(6,239)
Increase/(decrease) in net technical provisions for insurance business	11,431	10,097
Net cash generated by/(used for) available for sale financial assets attributable to insurance activities	(5,837)	(3,610)
(increase)/decrease in other assets attributable to insurance activities	(60)	(122)
(Gains)/losses on financial assets/liabilities measured at fair value	(1,009)	366
(Income)/expenses from insurance activities	(779)	(663)
Cash generated by/(used for) assets and liabilities attributable to insurance activities [c]	(487)	(171)
Net cash flow from/(for) operating activities [d]=[a+b+c]	442	793
- of which, related party transactions	1,037	(804)
<i>Investing activities</i>		
Property, plant and equipment, investment property and intangible assets	(252)	(229)
Investments	-	(211)
Other financial assets	(105)	-
<i>Disposals</i>		
Property, plant and equipment, investment property and intangible assets and assets held for sale	5	2
Investments	-	-
Other financial assets	100	6
Change in scope of consolidation	-	-
Net cash flow from/(for) investing activities [e]	(252)	(432)
- of which, related party transactions	(22)	(212)
Proceeds from/(Repayments of) borrowings	(517)	(608)
(Increase)/decrease in loans and receivables	2	114
Dividends paid	(444)	(250)
Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court	-	535
Net cash flow from/(for) financing activities and shareholder transactions [f]	(959)	(209)
- of which, related party transactions	(285)	397
Net increase/(decrease) in cash [g]=[d+e+f]	(769)	152
Cash and cash equivalents at end of period	2,373	1,856
Cash and cash equivalents at end of period	2,373	1,856
Cash subject to investment restrictions	-	(315)
Cash attributable to technical provisions for insurance business	(669)	(939)
Amounts that cannot be drawn on due to court rulings	(12)	(11)
Current account overdrafts	-	-
Cash received on delivery (restricted) and other restrictions	(16)	(14)
Unrestricted net cash and cash equivalents at end of period	1,676	577

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