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Regolamentata

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Oggetto : Poste Italiane: 2018 financial results and
guidance for 2019

Testo del comunicato

Vedi allegato.

POSTE ITALIANE: 2018 FINANCIAL RESULTS AND GUIDANCE FOR 2019

ALL FINANCIAL TARGETS FOR 2018 ACHIEVED

ALL SEGMENTS CONTRIBUTED TO IMPROVED OPERATING PROFIT

DELIVER 2022 STRATEGIC PLAN ON TRACK

2018 Group Financial Highlights

- **EBIT and net profit** for 2018 ahead of Deliver 2022 targets
- **Group revenues** up 2.2% at €10,864m in FY18, with recurring revenue growth and reduced reliance on capital gains
- **Total operating costs** down 1.5% fy/fy to €9,366m; early retirement provisions of €619m for FY18
- **EBIT** increased to €1,499m (+33.5% vs FY17) thanks to improving contributions from all segments and cost efficiencies
- **Net profit** at €1,399m (+€709m fy/fy) reflecting higher revenues and EBIT, including €385m one-off DTA
- **Total Financial Assets** (TFA) of €514bn as at 2018 year-end (+€4bn y/y) driven by €1.6bn net inflows with a significant contribution from retail inflows (€3.5bn), notwithstanding a volatile environment
- **Solvency II ratio** at 211% as of December 2018 thanks to proactive management actions; 235% pro-forma following recent approval of €1.75bn Ancillary Own Funds
- **Capex** at €538bn in line with Deliver 2022 targets
- **Group dividend** for FY18 up by 5% fy/fy to €0.441 subject to AGM approval, in line with Deliver 2022 commitment, supported by EPS at €1.07 in FY18.

2018 Segment Performance

- **Mail, Parcel & Distribution:** FY18 revenues at €3,580m (-1.4% y/y) and EBIT at -€430m (+16.7% y/y) as a result of B2C parcel growth and better than expected mail performance, supported by successful implementation of Joint Delivery Model and continuing network transformation
- **Payments, Mobile & Digital:** FY18 revenues at €592m (+11.4% y/y) and EBIT at €204m (+4.7% y/y) as a result of overall card stock and transactions growth, combined

with an increase in mobile and landline users

- **Financial Services:** FY18 revenues at €5,221m (+4.2% y/y) and EBIT at €859m (+33.1% y/y) as a result of expanded product portfolio and commercial efforts, driving TFA growth along with record product volumes
- **Insurance Services:** FY18 revenues at €1,470m (+1% y/y); EBIT at €866m (+8.4% y/y) as a result of retained leadership in life products and continued rebalance to capital-light and P&C business.

Deliver 2022 Progress Report – Strategic Plan on Track across all segments

- **Mail, Parcel & Distribution:** Successful rollout of Joint Delivery Model; new state-of-the-art automated equipment; transport network optimization
- **Payments, Mobile & Digital:** Building on payments leadership with new services and partnerships; driving mobile growth with more sustainable multi-monthly contracts and data-bundled offers: launch of PostePay Connect, ground breaking integrated mobile and digital payments product
- **Financial Services:** Improved product offer across wealth management, mutual funds, postal saving products and loan and mortgage distribution; enhanced commercial frontline with increased Relationship Manager coverage supported by digital tools; reduced reliance on capital gains thanks to effective active portfolio management
- **Insurance Services:** Ongoing diversification of insurance offer with growing P&C, increasing focus on product innovation. Proactive management actions strengthened Solvency II ratio to support business growth.

2019 Guidance – Pragmatic and achievable targets in line with Deliver 2022 trends

- **Achievable financial targets**, in line with the trends for Deliver 2022, with an expected net profit at €1.1bn
- **Revenues** are expected at €11bn, reflecting into EBIT and net profit thanks to focus on costs and low leverage
- **Mail, Parcel and Distribution** segment revenues in 2019 are expected down 1%. Parcel revenues (+12% y/y), offsetting the ongoing mail decline (-3% y/y). Operating profit will continue to improve, with an expected EBIT of €-0.3bn vs €-0.4bn in 2018
- **Payments, Mobile & Digital** revenues increase, reaching €0.7bn, up 14% y/y with card payment revenues strongly up (+25% y/y). Expected EBIT growth of 9%
- **Financial Services** segment revenues at €5.1bn, reducing reliance on capital gains (-20% y/y mostly already executed) thanks to net interest (€1.6bn), postal saving fees (€1.8bn), and focus on product distribution. As a result, EBIT forecast for 2019 is set

at €0.9bn

- **Insurance Services** segment revenues to increase 12% driven by consolidated leadership in life, shift from traditional life products to Multi-Class products and continued growth in P&C
- **Cost discipline confirmed.** Operating profit at €1.6bn, resulting in an EBIT margin of 15%, supported by underlying EBIT progression across all segments
- **Dividend policy confirmed** with a DPS increasing by 5% compared to 2018, supporting Deliver 2022 targets.

Rome, 19 March 2019, today the Board of Directors of Poste Italiane S.p.A. (“Poste Italiane” or the “Group”) approved 2018 financial results and 2019 guidance. The Board of Directors of Poste Italiane, chaired by Maria Bianca Farina, reviewed and approved the 2018 Annual Financial Report, prepared in compliance with IAS/IFRS.

Commenting on the results, Matteo Del Fante, Poste Italiane Chief Executive Officer and General Manager, said: *“Poste Italiane met all 2018 financial targets both at group and segment level thanks to a strong progression of underlying operating profit, driven by steady revenue growth, reduced reliance on capital gains and cost discipline.*

Our performance in 2018 demonstrates improved operating leverage, where increased revenues supported by cost efficiencies translated into EBIT progression. The strong balance sheet, with limited leverage created the same positive impact at the net profit level.

These results have been driven by our ongoing business transformation plan Deliver 2022 that will allow Poste Italiane to capitalize on market growth opportunities.

This includes the transformation of our core Mail and Parcel business to capitalize on the rapid development of e-commerce, the expansion of our financial and insurance product offer across our unrivalled Postal Offices network, as well as continued opportunities arising from convergence in digital payments and mobile telecommunications.

In 2019 you will see a continuing improvement of our revenues, margins and profitability. Our plan is made of many small steps and we intend to consistently deliver on a quarter by quarter basis.

We are pleased with progress in the first year and remain focused on delivery given the significant operational transformation still underway.”

CAPITAL MARKETS DAY LONDON - 2018 RESULTS AND 2019 GUIDANCE

London, Wednesday 20 March 2019 – 10am CET

VIDEO WEBCAST

<https://www.posteitaliane.it/en/index.html>

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CONSOLIDATED FINANCIAL RESULTS SUMMARY

€m	4Q17	4Q18	4Q18/4Q17 %	FY17	FY18	FY18/FY17 %
GROUP						
Revenues	2,735	2,913	+6.5%	10,629	10,864	+2.2%
EBIT	-54	-10	+81.6%	1,123	1,499	+33.5%
Net Profit	-35	343	n.m.	689	1,399	+102.9%
MAIL, PARCEL & DISTRIBUTION						
Revenues	971	991	+2.1%	3,632	3,580	-1.4%
EBIT	-511	-608	-18.8%	-517	-430	+16.7%
Net Profit	-400	-467	-16.9%	-502	-372	+25.8%
PAYMENTS, MOBILE & DIGITAL						
Revenues	150	158	+5.5%	532	592	+11.4%
EBIT	52	48	-7.3%	194	204	+4.7%
Net Profit	39	36	-7.0%	146	153	+4.8%
FINANCIAL SERVICES						
Revenues	1,192	1,342	+12.6%	5,010	5,221	+4.2%
EBIT	132	274	+108.0%	646	859	+33.1%
Net Profit	128	190	+48.3%	499	617	+23.6%
INSURANCE SERVICES						
Revenues	423	422	-0.2%	1,456	1,470	+1.0%
EBIT	274	275	+0.6%	799	866	+8.4%
Net Profit	198	584	+194.9%	546	1,001	+83.3%

In addition to the standard financial indicators required by IFRS, Poste Italiane discloses alternative performance indicators to provide a better understanding of business performance and financial position. These indicators are described in the annex, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.

The Poste Italiane Group consolidated balance sheet, statement of profit/(loss), and statement of cash flows are attached to this release. The corresponding statements for Poste Italiane are also attached. The financial statements and the related notes have been delivered to the Board of Statutory Auditors and will be audited by Poste Italiane's Independent Auditors.

2018 CONSOLIDATED FINANCIAL RESULTS – SEGMENT REPORTING

Further to the contribution in kind by Poste Italiane to PostePay of the payment and electronic money business (which took place on 1 October 2018), FY18 and FY17 consolidated financial results by business segment have been pro-forma reclassified in order to offer a better understanding of the new segments' performance.

MAIL, PARCEL & DISTRIBUTION – NETWORK TRANSFORMATION ON TRACK

€m	4Q17	4Q18	4Q18/4Q17 %	FY17	FY18	FY18/FY17 %
SEGMENT REVENUES	971	991	+2.1%	3,632	3,580	-1.4%
INTERSEGMENT REVENUES	1,051	1,105	+5.1%	4,497	4,630	+3.0%
TOTAL REVENUES	2,022	2,096	+3.6%	8,129	8,210	+1.0%
EBIT	-511	-608	-18.8%	-517	-430	+16.7%
EBIT Margin (%)	-25.3%	-29.0%	n.m.	-6.4%	-5.2%	n.m.
NET PROFIT	-400	-467	-16.9%	-502	-372	+25.8%

KPI's						
Mail Volumes (#m)	816	754	-7.6%	3,124	2,951	-5.5%
Parcel Volumes (#m)	32	39	+21.2%	113	127	+12.6%
B2C Revenues (€m)	73.4	98.4	+34.0%	236	301	+27.8%

Mail, Parcel & Distribution segment revenues for FY18 were slightly down 1.4% fy/fy at €3,580m, but still better than Deliver 2022 target of €3.5bn. In particular, parcel revenues reached €761m in FY18 in line with Deliver 2022 projections, driven by strong growth in B2C parcels at 27.8% (€301m). Parcel volumes went up 12.6% in FY2018 at 127 million parcels, demonstrating the effectiveness of the new Joint Delivery Model. B2C volumes continue to grow, up 33% in 4Q18 q/q and 27% fy/fy in FY18. During 2018 Black Friday more than 1 million parcels were delivered in a single day, a record for Poste.

Mail volumes for FY18 decreased by 5.5% fy/fy and 7.6% for 4Q18 y/y, better than Deliver 2022 projections.

Poste Italiane has further extended its reach with the PuntoPoste network, supported by a distribution agreement with the Italian Federation of Tobacco Shops and the roll-out of parcel lockers. Poste Italiane continues to be the preferred delivery partner of an increasing number of e-merchants as well as a trusted deliverer for final customers.

PAYMENTS, MOBILE AND DIGITAL – CONTINUED GROWTH IN CARD PAYMENTS DRIVING REVENUE GROWTH

€m	4Q17	4Q18	4Q18/4Q17 %	FY17	FY18	FY18/FY17 %
SEGMENT REVENUES	150	158	+5.5%	532	592	+11.4%
<i>Cards Payments (€m)</i>	66	79	+20.1%	238	291	+22.3%
<i>Other Payments (€m)</i>	27	25	-6.9%	83	85	+2.9%
<i>Telecom Services (€m)</i>	57	54	-5.4%	211	217	+2.6%
INTERSEGMENT REVENUES	89	94	+5.5%	361	360	-0.3%
TOTAL REVENUES	239	252	+5.5%	892	952	+6.7%
EBIT	52	48	-7.3%	194	204	+4.7%
EBIT Margin (%)	21.8%	19.1%	n.m.	21.8%	21.4%	n.m.
NET PROFIT	39	36	-7.0%	146	153	+4.8%
KPI's						
Postpay cards (#m)	-	-	-	17.7	19.0	+7.6%
<i>of which Postpay Evolution cards (#m)</i>	-	-	-	4.7	6.3	+33.0%
Digital e-Wallets (#m)	-	-	-	1.7	2.8	+64.0%

Payments, Mobile & Digital segment revenues up 11.4% fy/fy to €592m in FY18. This continued growth was supported by increased revenues from card payments, up 22% in FY18, driven by a growing number of Postpay cards and higher transaction volumes. Postpay Evolution cards increased by 33% fy/fy to 6.3 million, again exceeding 2018 target of 6 million in 2018. E-Commerce transactions rose in line with expectations to 202m in FY18.

Telecom revenues for the full year were up 3% to €217m, proving PostePay to be successful in a competitive mobile telecoms environment in Italy, driven by new commercial initiatives supporting increasing mobile and land-lines sales, aiming at a progressively more loyal customer base.

The innovative Postpay Connect service was launched in 2018 bundling payments and mobile services with instant peer2peer payments and “Giga2Giga” real time bundle-data transfer.

FINANCIAL SERVICES – REVENUES UP WITH MORE SUSTAINABLE MIX LEADING TO HIGHER UNDERLYING PROFITABILITY

€m	4Q17	4Q18	4Q18/4Q17 %	FY17	FY18	FY18/FY17 %
SEGMENT REVENUES	1,192	1,342	+12.6%	5,010	5,221	+4.2%
INTERSEGMENT REVENUES	166	161	-3.4%	695	649	-6.6%
TOTAL REVENUES	1,358	1,503	+10.7%	5,705	5,871	+2.9%
EBIT	132	274	+108.0%	646	859	+33.1%
EBIT Margin (%)	9.7%	18.3%	n.m.	11.3%	14.6%	n.m.
NET PROFIT	128	190	+48.3%	499	617	+23.6%
KPI's						
TOTAL FINANCIAL ASSETS - TFAs (€bn)	510	514	+0.8%	510	514	+0.8%
Average Current Account Deposits (€m)	n.a.	n.a.	n.a.	55,545	58,679	+5.6%
Average Return Excluding cap. gains (%)	n.a.	n.a.	n.a.	2.64%	2.62%	n.m.
Average Postal Savings Deposits (€m)	305,611	307,581	+0.6%	305,611	307,581	+0.6%
Postal Savings Net Inflows (€m)	212	1	-99.5%	-7,883	-4,780	+39.4%
Unrealized gains (€m)	1,615	-1,687	-204.5%	1,615	-1,687	-204.5%
Product Sales (# mln)	2.0	2.1	5.0%	8.0	8.4	+4.1%

Financial Services segment revenues increased by 4.2% in FY18 to €5,221m or 8.9% on an adjusted basis (mainly excluding capital gains). Poste Italiane TFAs grew from €510bn in FY17 to €514bn in FY18, up 0.8%.

Postal savings net inflows significantly improved versus last year (up 39%), with fees up 17% to €1,827m thanks to new digital distribution channels and marketing initiatives, while there were positive net inflows of €5.7bn in life insurance and €2.7bn in retail deposits.

The Post Office network is now MIFID2 and IDD compliant, through fixed or mobile relationship managers, who are now supported by a new robo-for-adviser, a data-driven CRM and enhanced commercial front-end, thanks to Deliver 2022 IT investments.

INSURANCE SERVICES – ONGOING FOCUS ON GROWING P&C

INSURANCE SERVICES

€m	4Q17	4Q18	4Q18/4Q17 %	FY17	FY18	FY18/FY17 %
SEGMENT REVENUES	423	422	-0.2%	1,456	1,470	+1.0%
<i>Life (inc. Private Pension Plan)</i>	394	383	-2.8%	1,356	1,336	-1.5%
<i>P&C</i>	29	38	+31.4%	100	135	+35.0%
INTERSEGMENT REVENUES	0	0	n.m.	1	2	-91.7%
TOTAL REVENUES	423	423	-0.2%	1,457	1,472	+1.1%
EBIT	274	275	+0.6%	799	866	+8.4%
EBIT Margin (%)	64.6%	65.1%	n.m.	54.9%	58.8%	n.m.
NET PROFIT	198	584	+194.9%	546	1,001	+83.3%
KPI's						
Gross Written Premiums (€m)	3,967	4,029	+1.6%	20,404	16,797	-17.7%
GWP - Life + Private Pension Plans (€m)	3,931	3,984	+1.3%	20,263	16,610	-18.0%
GWP - P&C (€m)	36	44	+24.3%	141	187	+32.6%

Insurance Services segment revenues grew by 1% in FY18 to €1,470m. P&C revenues increased 35% fy/fy to €135m in FY18, fully in line with the ongoing diversification of the Group's insurance offer envisaged within Deliver 2022 plan.

EBIT for FY18 was €866m overperforming Deliver 2022 target. Net profit well on track with 2018 target at €1,001m up 83% fy/fy including positive DTA effects of €385m.

Net inflows amount to over €5.7bn thanks to positive contribution from all products. In particular, Unit Linked and Multi Assets net inflows reached €1.3bn. Positive flows more than offset market performance, delivering net technical provisions of almost €125bn.

At the end of December 2018, the Poste Vita Group's Solvency II Ratio stood at 211%, supported by positive market trends and effective capital management actions as well as benefitting from the impact of €385m one-off DTA in 4Q18.

Including Ancillary Own Funds approved by IVASS in February 2019, the proforma Solvency II ratio would be 235% benefitting from about 24 p.p. As result of a disciplined risk appetite framework, The Group is targeting a Solvency ratio of around 200% through the cycle.

30 May 2019 is the expiry date of the bond loans issued by Poste Vita on 30 May 2014 for a nominal value of €750m (book value at 31 December 2018 €762m).

RECENT EVENTS AND BUSINESS OUTLOOK

Key events during the period

On 6 March 2018, Poste Italiane and Anima Holding signed an agreement to strengthen their partnership in the asset management sector through, among other things, the partial spin-off from BancoPosta Fondi SGR in favour of Anima SGR of assets and obligations related to Poste Vita's Class I insurance products (totalling over €70bn) extending the existing partnership for 15 years. At the closing (1 November 2018) Poste Italiane transferred all its shares in Anima SGR to Anima Holding for the price of €120m.

On 12 April 2018, Poste Italiane exercised his capital increase option in Anima Holding for approximately €30m retaining a 10.04% equity stake in such company.

Pursuant to resolutions of the Board of Directors' of 25 January 2018 and of the Annual General Meeting of 29 May 2018, on 27 September 2018 Poste Italiane completed the €210m cash capital increase of BancoPosta.

Following the approval by Bank of Italy of the spin-off from Poste Italiane SpA of all the assets and liabilities related to the payment and electronic money business, on 1 October 2018, PosteMobile was renamed PostePay and started its operation as a "hybrid" payments and electronic money institution and mobile virtual network operator.

Main events subsequent to 31 December 2018

Following clearance by Bank of Italy, BancoPosta granted to BancoPosta Fondi SGR, effective from 1 January 2019, a mandate to manage its government bond portfolio.

In compliance with Law Decree 4 of 28 January 2019, Poste Italiane will manage requests of the newly introduced "citizenship granted income" (Reddito di Cittadinanza) through its widespread network of over 12,800 Post Offices and, through PostePay, will issue the cards necessary to access the related financial benefits.

On 8 March 2019, an agreement was signed with the labour unions regarding key aspects of the plans to reorganise Logistic activities, central and local staff and the Post Offices' network which will enable reorganization of activities in line with Deliver 2022.

Business outlook

Poste Italiane will continue to focus on implementing the Deliver 2022 plan and, with specific regard to 2019, will focus on the targets set out in the 2019 budget approved by the Board of Directors on 19 March 2019 and presented to the market.

In 2019 the Mail, Parcel and Distribution Strategic Business Unit will be engaged in completing implementation of the new Joint Delivery Model through the reorganisation of further 405 delivery area (in addition to the 350 reorganised in 2018) and completing the transformation of mail and parcel sorting capacity with the aim of boosting efficiency and quality of the process. The Group is also introducing alternative electric delivery vehicles (3-wheeled vehicles) to improve safety and adopt eco-friendly forms of transportation.

PostePay aims to confirm its leadership in the payment business leveraging on convergence between payments and mobile technology.

In the Financial Services segment, the Group will continue with efforts to leverage the customer base, distribution network and brand. The focus on postal savings will continue with commercial focus and dedicated initiatives while granting an active portfolio management with the aim of stabilising overall returns.

In line with the strategic guidelines set out in the Deliver 2022 plan, PosteVita will continue to consolidate its position in the life insurance market offering integrated savings and investment products. The Group is committed to deliver growth targets for the non-life business above all be on welfare.

Finally, with regard to motor insurance, after sounding the market for potential partnerships in 2018, Poste Italiane expects to launch a pilot offer to Group employees.

ALTERNATIVE PERFORMANCE INDICATORS

The meaning and the content of alternative performance indicators, not provided for in IAS/IFRS, are described below. These indicators are used to provide a clearer basis for assessment of the Group's operating and financial performance.

EBIT MARGIN: is calculated as the ratio of operating profit (EBIT) to total revenue.

NET FINANCIAL POSITION OF THE GROUP: is the sum of financial liabilities, technical reserves for the insurance business, financial assets, technical reserves attributable to reinsurers, cash and deposits attributable to BancoPosta and cash and cash equivalents.

Composition of net financial position* (€m):

	MAIL, PARCEL AND DISTRIBUTION	PAYMENTS, MOBILE AND DIGITAL	FINANCIAL SERVICES	INSURANCE SERVICES	ADJUSTMENTS	CONSOLIDATED
Balance at 31 December 2018						
Financial liabilities	1,259	4,307	67,022	1,034	-6,693	66,929
Technical reserves for the insurance business	0	0	0	125,148	0	125,148
Financial assets	-1,417	-4,097	-64,578	-126,545	5,773	-190,864
Technical reserves attributable to reinsurers	0	0	0	-71	0	-71
Cash and deposits attributable to BancoPosta	0	0	-3,318	0	0	-3,318
Cash and cash equivalents	-973	-246	-1,323	-1,574	921	-3,195
Net Financial Position*	-1,131	-36	-2,197	-2,008	0	-5,372
Balance at 31 December 2017						
Financial liabilities	2,249	3,249	62,274	1,017	-5,545	63,244
Technical reserves for the insurance business	0	0	0	123,650	0	123,650
Financial assets	-1,587	-3,283	-60,688	-125,860	4,652	-186,766
Technical reserves attributable to reinsurers	0	0	0	-71	0	-71
Cash and deposits attributable to BancoPosta	0	0	-3,196	0	0	-3,196
Cash and cash equivalents	-1,997	-21	-396	-907	893	-2,428
Net Financial Position*	-1,335	-55	-2,006	-2,171	0	-5,567

* Net financial position: (Surplus) / Net debt

The net financial position of the Mail, Parcel & Distribution segment as at 31 December 2017 reflects a pro-forma financial receivable of €490m due to the reclassification made in the last quarter 2018 of the Poste Italiane's interests in (i) Anima Holding and (ii) FSIA into the Financial Services segment for €211m and Payment, Mobile & Digital segment for €279m respectively.

ANNUAL GENERAL MEETING AND DIVIDEND

The Board of Directors held on 19 March 2019 also convened the Annual General Meeting of the Shareholders on 28 May 2019, on single call.

Such Annual General Meeting is called to approve Poste Italiane separate financial statements for the year ending 31 December 2018, examine the consolidated financial statements and resolve upon the distribution of a dividend of €0.441 per share, paid entirely out of 2018 net profits of Poste Italiane.

The proposed ex-dividend date is 24 June 2019, record date is 25 June 2019 and payment date is 26 June 2019.

The Annual General Meeting is also called to:

- resolve upon the appointment of the Board of Statutory Auditors, due to expiry of the mandate of the current Board;
- pass a non-binding resolution on Poste Italiane's remuneration policy with regard to salaries of Directors, General Manager and Executives with strategic responsibilities, and resolve upon the remuneration policy for the staff in charge of BancoPosta ring-fenced assets;
- resolve upon incentive plans based upon financial instruments. For a detailed description of such plans, please refer to the information statement which will be prepared and published pursuant to article 114-bis of Legislative Decree 58/1998 (Consolidated Finance Bill);
- resolve upon a fee-adjustment for the fiscal year 2018 for the current Independent Auditor engaged by Poste Italiane;
- resolve upon the appointment of a new Group Independent Auditor for the nine-year period 2020-2028.

Documentation regarding matters to be submitted to the Annual General Meeting will be made available to the public within the terms provided for by law.

2018 INTEGRATED ANNUAL REPORT

Poste Italiane Group will publish the first Integrated Report for 2018, just over a year after the launch of "Deliver 2022" Strategic Plan.

For Poste Italiane being 'sustainable' means defining a single Group strategy that integrates the financial and operational targets with a distinct vision on environmental, social and governance issues.

The ESG Strategic Plan embedded in the Deliver 2022 plan is integrated in Poste Italiane's organization and is based on 6 pillars, with which Poste Italiane wishes to contribute to the achievement of the United Nations Sustainable Development Goals.

TABLES

POSTE ITALIANE GROUP'S FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	2018	2017
ASSETS		
Non-current assets		
Property, plant and equipment	1,945	2,001
Investment property	48	52
Intangible assets	545	516
Investments accounted for using the equity method	497	508
Financial assets	170,922	171,004
Trade receivables	7	9
Deferred tax assets	1,368	869
Other receivables and assets	3,469	3,043
Technical provisions attributable to reinsurers	71	71
Total	178,872	178,073
Current assets		
Inventories	136	138
Trade receivables	2,192	2,026
Current tax assets	117	93
Other receivables and assets	1,111	954
Financial assets	19,942	15,762
Cash and deposits attributable to BancoPosta	3,318	3,196
Cash and cash equivalents	3,195	2,428
Total	30,011	24,597
Non-current assets and disposal groups held for sale	-	-
TOTAL ASSETS	208,883	202,670
LIABILITIES AND EQUITY		
Equity		
Share capital	1,306	1,306
Reserves	1,531	1,611
Retained earnings	5,268	4,633
Equity attributable to owners of the Parent	8,105	7,550
Equity attributable to non-controlling interests	-	-
Total	8,105	7,550
Non-current liabilities		
Technical provisions for insurance business	125,149	123,650
Provisions for risks and charges	656	692
Employee termination benefits	1,187	1,274
Financial liabilities	7,453	5,044
Deferred tax liabilities	701	546
Other liabilities	1,379	1,207
Total	136,525	132,413
Current liabilities		
Provisions for risks and charges	863	903
Trade payables	1,583	1,332
Current tax liabilities	12	23
Other liabilities	2,319	2,249
Financial liabilities	59,476	58,200
Total	64,253	62,707
Liabilities related to assets held for sale	-	-
TOTAL EQUITY AND LIABILITIES	208,883	202,670

CONSOLIDATED STATEMENT OF NET PROFIT (LOSS) OF THE YEAR

(€m)

	2018	2017
Revenue from Mail, Parcel & other	3,579	3,631
Revenue from Payments, Mobile & Digital	628	586
Revenue from Financial Services	5,186	4,956
<i>of which, non-recurring income</i>	120	91
Revenue from Insurance Services after movements in technical provisions and other claims expenses	1,471	1,456
Insurance premium revenues	16,720	20,343
Income from insurance activities	3,604	3,925
Net change in technical provisions for insurance business and other claim expenses	(17,111)	(22,335)
Expenses from insurance activities	(1,742)	(477)
Net operating revenue	10,864	10,629
Cost of goods and services	2,343	2,370
Expenses from financial activities	46	57
Personnel expenses	6,137	6,093
Depreciation, amortisation and impairments	570	545
<i>of which, non-recurring costs/(income)</i>	33	-
Capitalised costs and expenses	(17)	(24)
Other operating costs	239	410
Impairment loss/(reversal) on debt instruments, receivables and other assets	47	55
Operating profit/(loss)	1,499	1,123
Finance costs	71	94
<i>of which, non-recurring costs</i>	-	-
Finance income	106	115
<i>of which, non-recurring income</i>	-	3
Impairment loss/(reversal) on financial instruments	20	94
<i>of which, non-recurring expense/(income)</i>	-	82
Profit/(Loss) on investments accounted for using the equity method	(24)	17
Profit/(Loss) before tax	1,490	1,067
Income tax expense	91	378
<i>of which, non-recurring expense/(income)</i>	(351)	(9)
PROFIT FOR THE YEAR	1,399	689
of which, attributable to owners of the Parent	1,399	689
of which, attributable to non-controlling interests	-	-
Earnings per share	1.071	0.528
Diluted earnings per share	1.071	0.528

CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

	Note	2018	2017
Cash and cash equivalents at beginning of year		2,428	3,902
Profit/(Loss) before tax		1,490	1,067
Depreciation, amortisation and impairments		537	545
Impairment of goodwill/goodwill arising from consolidation		33	-
Net provisions for risks and charges		579	707
Use of provisions for risks and charges		(656)	(617)
Provisions for employee termination benefits		1	1
Employee termination benefits		(92)	(96)
Impairment of disposal groups		-	3
(Gains)/Losses on disposals		(120)	(2)
Impairment/(reversal) of financial activities		20	94
(Dividends)		-	-
Dividends received		-	-
(Finance income realised)		(7)	(9)
(Finance income in form of interest)		(95)	(94)
Interest received		94	102
Interest expense and other finance costs		66	80
Interest paid		(59)	(57)
Losses and impairments/(Recoveries) on receivables		46	55
Income tax paid		(351)	(472)
Other changes		42	(1)
Cash flow generated by operating activities before movements in working capital	[a]	1,528	1,306
<i>Movements in working capital:</i>			
(Increase)/decrease in Inventories		(2)	(1)
(Increase)/decrease in Trade receivables		(201)	80
(Increase)/decrease in Other receivables and assets		(428)	(202)
Increase/(decrease) in Trade payables		222	(176)
Increase/(decrease) in Other liabilities		104	97
Movement in group of assets and liabilities held for sale		-	(12)
Cash flow generated by/(used in) movements in working capital	[b]	(305)	(214)
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring		4,513	2,911
Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring		(2,585)	(2,290)
(Increase)/decrease in cash and deposits attributable to BancoPosta		(122)	(702)
(Income)/Expenses and other non-cash components from financial activities		(1,065)	(1,405)
Cash generated by/(used for) assets and liabilities attributable to financial activities	[c]	741	(1,486)
Net cash generated by/(used for) financial assets attributable to insurance activities		(5,860)	(9,941)
Increase/(decrease) in net technical provisions for insurance business		6,369	11,185
(Gains)/Losses on financial assets/liabilities measured at fair value		1,444	(348)
(Income)/Expenses and other non-cash components from insurance activities		(1,320)	(1,211)
Cash generated by/(used for) assets and liabilities attributable to insurance activities	[d]	633	(315)
Net cash flow from/(for) operating activities	[e]=[a+b+c+d]	2,597	(709)
<i>Investing activities:</i>			
Property, plant and equipment		(260)	(241)
Investment property		-	(1)
Intangible assets		(278)	(225)
Investments		(30)	(228)
Other financial assets		-	-
<i>Disposals:</i>			
Property, plant and equipment, investment property, intangible assets and assets held for sale		2	5
Investments		120	-
Other financial assets		165	296
Disposal groups		-	131
Net cash flow from/(for) investing activities	[f]	(281)	(263)
Proceeds from/(Repayments of) long-term borrowings		-	4
(Increase)/decrease in loans and receivables		-	1
Increase/(decrease) in short-term borrowings		(1,000)	1
Dividends paid		(549)	(509)
Net cash flow from/(for) financing activities and shareholder transactions	[g]	(1,549)	(503)
Cash and cash equivalents reclassified from non-current assets and disposal groups held for sale	[h]	-	1
Net increase/(decrease) in cash	[i]=[e+f+g+h]	767	(1,474)
Cash and cash equivalents at end of year		3,195	2,428
Cash and cash equivalents at end of year		3,195	2,428
Cash subject to investment restrictions		(53)	-
Escrow account with the Italian Treasury		(72)	(55)
Cash attributable to technical provisions for insurance business		(1,392)	(358)
Amounts that cannot be drawn on due to court rulings		(18)	(15)
Current account overdrafts		0	(1)
Cash received on delivery (restricted) and other restrictions		(21)	(21)
Unrestricted net cash and cash equivalents at end of year		1,639	1,978

POSTE ITALIANE SPA'S FINANCIAL STATEMENTS

POSTE ITALIANE SPA - BALANCE SHEET

	(€m)	
ASSETS	at 31 December 2018	at 31 December 2017
Non-current assets		
Property, plant and equipment	1,834	1,912
Investment property	48	52
Intangible assets	448	385
Investments	2,198	2,081
Financial assets attributable to BancoPosta	51,543	49,388
Financial assets	815	834
Trade receivables	6	5
Deferred tax assets	863	762
Other receivables and assets	1,288	1,148
Total	59,043	56,567
Current assets		
Trade receivables	2,255	2,014
Current tax assets	89	77
Other receivables and assets	866	894
Financial assets attributable to BancoPosta	12,320	10,659
Financial assets	168	363
Cash and deposits attributable to BancoPosta	3,318	3,196
Cash and cash equivalents	2,127	2,039
Total	21,143	19,242
TOTAL ASSETS	80,186	75,809
LIABILITIES AND EQUITY	at 31 December 2018	at 31 December 2017
Equity		
Share capital	1,306	1,306
Reserves	1,546	1,432
Retained earnings	2,607	2,774
Total	5,459	5,512
Non-current liabilities		
Provisions for risks and charges	608	668
Employee termination benefits	1,158	1,244
Financial liabilities attributable to BancoPosta	7,376	4,010
Financial liabilities	77	286
Deferred tax liabilities	376	315
Other liabilities	1,343	1,183
Total	10,938	7,706
Current liabilities		
Provisions for risks and charges	823	870
Trade payables	1,488	1,211
Current tax liabilities	6	5
Other liabilities	1,771	1,593
Financial liabilities attributable to BancoPosta	59,383	57,843
Financial liabilities	318	1,069
Total	63,789	62,591
TOTAL LIABILITIES AND EQUITY	80,186	75,809

POSTE ITALIANE SPA – BALANCE SHEET – SUPPLEMENTARY STATEMENT
SHOWING BANCOPOSTA'S RING FENCED SHAREHOLDERS' EQUITY AT 31
DECEMBER 2018

	(€m)			
ASSETS	Capital outside the ring-fence	BancoPosta RFC	Adjustments	Total
Non-current assets				
Property, plant and equipment	1,834	-	-	1,834
Investment property	48	-	-	48
Intangible assets	448	-	-	448
Investments	2,198	-	-	2,198
Financial assets attributable to BancoPosta	-	51,543	-	51,543
Financial assets	815	-	-	815
Trade receivables	6	-	-	6
Deferred tax assets	356	507	-	863
Other receivables and assets	90	1,198	-	1,288
Total	5,795	53,248	-	59,043
Current assets				
Trade receivables	1,364	891	-	2,255
Current tax assets	89	-	-	89
Other receivables and assets	322	544	-	866
Financial assets attributable to BancoPosta	-	12,320	-	12,320
Financial assets	168	-	-	168
Cash and deposits attributable to BancoPosta	-	3,318	-	3,318
Cash and cash equivalents	809	1,318	-	2,127
Total	2,752	18,391	-	21,143
Intersegment relations net amount	(357)	-	357	-
TOTAL ASSETS	8,190	71,639	357	80,186
LIABILITIES AND EQUITY	Capital outside the ring-fence	BancoPosta RFC	Adjustments	Total
Equity				
Share capital	1,306	-	-	1,306
Reserves	319	1,227	-	1,546
Retained earnings	955	1,652	-	2,607
Total	2,580	2,879	-	5,459
Non-current liabilities				
Provisions for risks and charges	191	417	-	608
Employee termination benefits	1,155	3	-	1,158
Financial liabilities attributable to BancoPosta	-	7,376	-	7,376
Financial liabilities	77	-	-	77
Deferred tax liabilities	4	372	-	376
Other liabilities	69	1,274	-	1,343
Total	1,496	9,442	-	10,938
Current liabilities				
Provisions for risks and charges	729	94	-	823
Trade payables	1,329	159	-	1,488
Current tax liabilities	6	-	-	6
Other liabilities	1,732	39	-	1,771
Financial liabilities attributable to BancoPosta	-	59,383	-	59,383
Financial liabilities	318	-	-	318
Total	4,114	59,675	-	63,789
Intersegment relations net amount	-	(357)	357	-
TOTAL LIABILITIES AND EQUITY	8,190	71,639	357	80,186

POSTE ITALIANE SPA – BALANCE SHEET – SUPPLEMENTARY STATEMENT
SHOWING BANCOPOSTA'S RING FENCED SHAREHOLDERS' EQUITY AT 31
DECEMBER 2017

	(€m)			
ASSETS	Capital outside the ring-fence	BancoPosta RFC	Adjustments	Total
Non-current assets				
Property, plant and equipment	1,912	-	-	1,912
Investment property	52	-	-	52
Intangible assets	385	-	-	385
Investments	2,081	-	-	2,081
Financial assets attributable to BancoPosta	-	49,388	-	49,388
Financial assets	834	-	-	834
Trade receivables	5	-	-	5
Deferred tax assets	356	406	-	762
Other receivables and assets	108	1,040	-	1,148
Total	5,733	50,834	-	56,567
Current assets				
Trade receivables	1,225	789	-	2,014
Current tax assets	77	-	-	77
Other receivables and assets	287	607	-	894
Financial assets attributable to BancoPosta	-	10,659	-	10,659
Financial assets	363	-	-	363
Cash and deposits attributable to BancoPosta	-	3,196	-	3,196
Cash and cash equivalents	1,648	391	-	2,039
Total	3,600	15,642	-	19,242
Intersegment relations net amount	(247)	-	247	-
TOTALE ATTIVO	9,086	66,476	247	75,809
LIABILITIES AND EQUITY	Capital outside the ring-fence	BancoPosta RFC	Adjustments	Total
Equity				
Share capital	1,306	-	-	1,306
Reserves	315	1,117	-	1,432
Retained earnings	1,132	1,642	-	2,774
Total	2,753	2,759	-	5,512
Non-current liabilities				
Provisions for risks and charges	218	450	-	668
Employee termination benefits	1,227	17	-	1,244
Financial liabilities attributable to BancoPosta	-	4,010	-	4,010
Financial liabilities	286	-	-	286
Deferred tax liabilities	7	308	-	315
Other liabilities	68	1,115	-	1,183
Total	1,806	5,900	-	7,706
Current liabilities				
Provisions for risks and charges	777	93	-	870
Trade payables	1,148	63	-	1,211
Current tax liabilities	5	-	-	5
Other liabilities	1,528	65	-	1,593
Financial liabilities attributable to BancoPosta	-	57,843	-	57,843
Financial liabilities	1,069	-	-	1,069
Total	4,527	58,064	-	62,591
Intersegment relations net amount	-	(247)	247	-
TOTAL LIABILITIES AND EQUITY	9,086	66,476	247	75,809

POSTE ITALIANE SPA - STATEMENT OF NET PROFIT (LOSS) AS OF 2018

(€m)

	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue from sales and services	8,419	8,060
Other income from financial activities	418	646
<i>of which non-recurring income</i>	-	91
Other operating income	452	584
<i>of which non-recurring income</i>	116	14
Total revenue	9,289	9,290
Cost of goods and services	1,725	1,666
Expenses from financial activities	50	40
Personnel expenses	5,947	5,877
Depreciation, amortisation and impairments	474	480
Capitalised costs and expenses	(13)	(12)
Other operating costs	306	430
Impairment loss/(reversal) on debt instruments, receivables and other assets	22	29
Operating profit/(loss)	778	780
Finance costs	70	68
Finance income	44	43
<i>of which non-recurring costs</i>	-	3
Impairment loss/(reversal) on financial instruments	20	82
<i>of which non-recurring costs</i>	-	82
Profit/(Loss) before tax	732	673
Income tax for the year	148	56
<i>of which, non-recurring expense/(income)</i>	-	(9)
PROFIT FOR THE YEAR	584	617

POSTE ITALIANE SPA – STATEMENT OF CASH FLOWS

	(€m)	
	For the year ended 31 December 2018	For the year ended 31 December 2017
Cash and cash equivalents at beginning of year	2,039	2,715
Profit/(Loss) before tax	732	673
Depreciation, amortisation and impairments	474	480
Impairments/(Reversals of impairments) of investments	121	22
Net provisions for risks and charges	564	737
Use of provisions for risks and charges	(669)	(607)
Employee termination benefits paid	(89)	(94)
(Gains)/losses on disposals	(116)	(15)
Impairment loss/(reversal) on financial instruments	20	-
(Dividends)	(17)	(8)
Dividends received	17	8
(Finance income on disposals)	-	(4)
(Finance income in form of interest)	(23)	(20)
Interest received	20	26
Interest expense and other finance costs	66	55
Impairment loss on Contingent Convertible Notes	-	82
Interest paid	(59)	(33)
Losses and impairments/(Recoveries) on receivables	21	29
Income tax paid	(268)	(401)
Cash generated by operating activities before movements in working capital [a]	794	930
<i>Movements in working capital:</i>		
(Increase)/decrease in Trade receivables	(216)	69
(Increase)/decrease in Other receivables and assets	144	253
Increase/(decrease) in Trade payables	286	(208)
Increase/(decrease) in Other liabilities	137	34
Cash generated by/(used in) movements in working capital [b]	351	148
Increase/(decrease) in financial liabilities attributable to BancoPosta	4,722	3,324
Net cash generated by/(used for) financial assets	(1,772)	(2,605)
(Increase)/decrease in other financial assets attributable to BancoPosta	(935)	315
(Increase)/decrease in cash and deposits attributable to BancoPosta	(122)	(702)
(Income)/Expenses and other non-cash components attributable to financial activities	(1,064)	(1,404)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta [c]	829	(1,072)
Net cash flow from / (for) operating activities [d]=[a+b+c]	1,974	6
<i>Investing activities:</i>		
Property, plant and equipment	(216)	(208)
Investment property	-	(1)
Intangible assets	(242)	(193)
Investments	(242)	(228)
Other financial assets	(11)	(2)
<i>Disposals:</i>		
Property, plant and equipment, investment property and assets held for sale	2	135
Investments	120	-
Other financial assets	187	310
Mergers	4	6
Net cash flow from / (for) investing activities [e]	(398)	(181)
Increase/(decrease) in financial instruments	-	1
Increase/(decrease) in short-term borrowings	(938)	7
Dividends paid	(549)	(509)
Net cash flow from / (for) financing activities and shareholder transactions [f]	(1,487)	(501)
Net increase / (decrease) in cash [g]=[d+e+f]	89	(676)
Cash and cash equivalents at end of year	2,127	2,039
Cash and cash equivalents at end of year	2,127	2,039
Cash subject to investment restrictions	(930)	-
Restricted deposits with the Italian Treasury	(72)	(56)
Amounts that cannot be drawn on due to court rulings	(18)	(15)
Unrestricted net cash and cash equivalents at end of year	1,107	1,968

Declaration by the Manager responsible for preparing the financial reports

The undersigned, Tiziano Ceccarani, in his capacity as the Manager in charge of preparing Poste Italiane S.p.A.'s financial reports

DECLARES

That, pursuant to Article 154 bis, paragraph 2, of the "Consolidated Law on Financial Intermediation" the information disclosed in this document corresponds to the accounting documents, books and records.

This document includes forward-looking statements that are not a guarantee of future performance as well as summary financial information that should not be considered a substitute for Poste Italiane's full financial statements.

Rome, March 19, 2019

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