WE’RE CHANGING
From one world to another

Annual Report 2017
We’re Competing
In 12 months we’ve gone from a loss making to a profitable business

+ €8.4m

2017

– €12.4m

2016
We’re Growing
We’ve done great work in 2017
to ensure long-term viability
Revenue
€840m

Profits
€8.4m vs (€12m) Loss

Costs

Balance Sheet Cash
€84m vs €26m

Pensions
99% Funded

Parcels
+30%
We’re Restructuring
From one company to **two world class** strategy-led businesses delivered by talented teams

**Mails & Parcels**
- €542.3m revenue
  - Mails USO
  - Parcel Business
  - Mail Media
  - Fulfilment

**Retail**
- €158.3m revenue
  - Ireland’s largest retail network
  - Financial Services (including Banking)
  - Government Services
  - Mails & eCommerce Out-of-Home
Management Board

Peter Quinn  
Chief Financial Officer

Pat Knight  
Human Resources Director

Debbie Byrne  
Managing Director – An Post Retail

David McRedmond  
Chief Executive Officer

Aoife Beirne  
Chief of Staff

Garrett Bridgeman  
Managing Director – An Post Mails & Parcels

We’re Restructuring
From one company to two world class strategy-led businesses delivered by talented teams

Mails & Parcels

€ 542.3m revenue

Mails USO

Parcel Business

Mail Media

Fulfilment

Retail

€ 158.3m revenue

Ireland’s largest retail network

Financial Services (including Banking)

Government Services

Mails & eCommerce Out-of-Home

From 1 Company 4 to 5
We’re Succeeding
Growing parcels and mail media sales, managing the impact of the changing mails industry

Mails & Parcels
- Delivering a quality mails service to every home and business nationwide
- Leading eCommerce supplier as the first choice for businesses and consumers enabled by Ireland’s largest retail network
- Growing demand for Mail Media

600,000,000
Items collected, delivered and forwarded in 2017

30m+
Parcels delivered per annum, 120,000 per day

2m
Letters and parcels delivered each day

2.2m+
Delivery points served each working day

250,000
Businesses served each working day

8,500+
Individual pick-ups each working day from post offices, post boxes and businesses

€50m
Revenue generated as Ireland’s largest direct marketing provider

1st
Amazon and DHL’s preferred delivery partner in Ireland

7,600
Employees (FTEs) spread across every town in Ireland
Letters and parcels delivered each day

2,800 Employees (FTEs) spread across every town in Ireland

€50m Revenue generated as Ireland’s largest direct marketing provider

2m Exam scripts for Department of Education and Skills each year

3 Only parcel operator to offer 3 delivery attempts with Saturday and evening delivery for all commercial parcel customers

2,800 Vehicles, Ireland’s largest fleet

350+ Delivery units nationwide, Ireland’s largest mails and parcels footprint

+30% Year-on-year growth in parcels

600,000,000 Items collected, delivered and forwarded in 2017
We’re Succeeding
Expanding our reach with extended delivery, financial and omnichannel services

Retail
- Managing more cash than any other organisation in Ireland
- A reimagined post office providing more services 24/7 through the network, in new co-locations and online
- Diversifying and growing financial services to provide products in more locations nationwide than any other organisation
- Trusted gateway to Government Services online and in person

99%
Of the population are within 10km of a post office

€20.4bn
Value of State Savings administered for the National Treasury Management Agency

47m+
Government Services transactions

100%
The new An Post SMART current account is available in all post offices
We’re Succeeding
Expanding our reach with extended delivery, financial and omnichannel services

Retail

Managing more cash than any other organisation in Ireland

A reimagined post office providing more services 24/7 through the network, in new co-locations and online

Diversifying and growing financial services to provide products in more locations nationwide than any other organisation

Trusted gateway to Government Services online and in person

99% Of the population use the post office

47m+ Government Services transactions

€20.4bn Value of State Savings administered for the National Treasury Management Agency

92% Of the population use the post office

76% Of the population use the post office

1.7m Customer visits per week to post offices

120m Electronic transactions across post office counters

580,000 Department of Employment Affairs and Social Protection clients paid every week

€14bn Value of transactions across post office counters

Over 1.4m TV licences issued

120m Electronic transactions across post office counters

160,000+ Post Insurance customers nationwide

€7.6bn Value of benefits paid on behalf of the Department of Employment Affairs and Social Protection

347,000 Passport applications

17m+ Customer transactions - market leader in bill payments

€1.6bn In cash transactions on behalf of AIB, Ulster Bank and Danske Bank

160,000+ Post Insurance customers nationwide

€300m+ In Foreign Exchange sales

580,000 Department of Employment Affairs and Social Protection clients paid every week
The postal environment worldwide continues to be extremely challenging with global mails volumes continuing to decrease, while vigorous growth in eCommerce is driving up parcel volumes.

In response to these structural challenges and the opportunities arising, the Company put in place a detailed strategic plan during the year for the medium to long term future of An Post. This work examined every aspect of the Group’s business and provides a clear vision of the future. This has resulted in one of the most radical transformation plans ever undertaken by any business in Ireland. Its success will prove to be invaluable to An Post going into the future and will ensure that the Company continues at the very heart of Irish business and the community.

A key part of this plan involved the re-organisation of the Company into two standalone businesses, An Post Mails & Parcels and An Post Retail, with new Managing Directors and management teams appointed to each. In addition, the transformation of the parcel business, cost containment and increased focus on the core businesses of Mails & Parcels and Post Office Retail have already begun to yield solid results.

At the start of 2017, the Company faced very serious financial challenges. New mails pricing arrangements under new legislation were introduced in order to bring postal prices in line with Europe and to provide the necessary time and space to implement the new strategy.

The Mails & Parcels business was very successful in exploiting the opportunities which eCommerce has presented. Following the re-launch and re-specification of the An Post’s Parcels business with evening and Saturday deliveries, later acceptance times and enhanced data, the Company has increased its parcel volumes this year and the business is well placed to continue growing its share of this highly competitive market.

There’s no doubt that challenging and testing times lie ahead for An Post but I have every confidence that the Board, the Executive Team and staff, working under the dynamic leadership of the CEO, David McRedmond, will succeed in transforming the Company.

I want to thank the staff and my fellow Board members who serve the Company so well. I want also to acknowledge the contribution of William Scally who completed his five year term of office in 2017 and welcome to the Board Ms Carol Bolger and Ms Deirdre Burns.

Finally, I wish to thank the Minister for Communications, Climate Action and Environment, Denis Naughten T.D. and his officials for their assistance and support during 2017.

Dermot Divilly
Chairperson
Board of Directors and Corporate Information

Dermot Divilly
Chairperson

Directors
1 Noel Adamson
2 Carol Bolger
3 Deirdre Burns
4 Thomas Devlin
5 Jennifer Loftus
6 David McRedmond,
Chief Executive Officer
7 William Mooney
8 Ed Murray
9 Tom O’Brien
10 Martina O’Connell
11 Niall Phelan
12 Lorraine Tormey
13 James Wynn
14 Brian Fay,
Company Secretary

Registered Office
General Post Office
O’Connell Street
Dublin 1
D01 F5P2

Solicitors
Matheson
10 Sir John Rogerson’s Quay
Grand Canal Dock
Dublin 2

Bankers
Bank of Ireland
2 College Green
Dublin 2

Auditors
Deloitte
Chartered Accountants
& Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Registered Number
98788
On a recent trip to Berlin (speaking at a Post & Parcels Conference), I witnessed the role of Deutsche Post as one of Germany’s most important companies and, literally, the vehicle for its domestic and international trade.

Across Europe postal organisations have restructured to become some of the most dynamic and sought-after businesses (for investors and employees alike). I have no doubt about the importance of the postal industry and I am determined that An Post will play a full role in Irish Economic life.

In late 2016 the urgent issue for An Post was financial sustainability. A decade of investment had ensured An Post was one of the highest quality postal systems in Europe but as prices were suppressed by an unrealistic price cap, and mail volumes were declining due to e-substitution, An Post had moved into financial difficulty. In 2016 the Company had a loss of €12.4m and a forecast loss for 2017 of €61m.

In this context big decisions were required. My urgent request to remove the price-cap was responded to by Minister Denis Naughten with admirable speed as he introduced the necessary legislation. The introduction of the €1 stamp marked the economic restoration of An Post. The scale of the increase, at 38%, reflected the severity of the challenge but also calibrated management decision-making: only big changes will deliver the Company that An Post needs to become.

CEOs of successful postal companies all advised me in my role at An Post to focus on the core business. Consequently, the strategy, devised with McKinsey & Co, saw the Company split into its two core activities: the Mails & Parcels business, and the Post Office business. Each requires its own plan to be viable, with a fifty-fifty split between growth and cost-cutting initiatives.

The management team embraced the challenge, not least in reducing the size of the top team from 11 to 6 executives, and to one with over 30% female representation. The work to split functions between business units is tough but the result is two focused teams under new leadership with strong strategic direction.

If management has been faced with making big decisions, the same is true of other stakeholders. Working collaboratively with our Unions (mainly the CWU) we have jointly implemented a step-change reduction on the number of employees.

The new Mails & Parcels team under Garrett Bridgeman’s leadership, reduced the required staffing for Collection & Delivery by 316 employees at the end of 2017.

The CWU led by Steve Fitzpatrick also encouraged the Company to reinvent its parcels’ service. The introduction of Saturday deliveries and later cut-off times has seen An Post regain share rapidly of the burgeoning parcel market.

As the digital world closes one door on An Post’s mails’ business with e-substitution, it opens another with the world of eCommerce.

The World Wide Open campaign emphasised An Post’s role to ensure a person in Ballina has access to the same range of goods as someone in Berlin or Boston.

Government too has had to face big decisions for An Post. The 38% price increase was the largest in the history of the State (although it only brought An Post’s pricing to the EU average). Government also backed the restructuring plans by extending a €30m loan to the Company.

Management has worked intensively with a group across the Departments of Communications, Public Expenditure & Reform, Finance and New Era. I am grateful for the work of all the officials towards the restoration of An Post’s viability.

Employees have had to embrace the changes notably with the business unit split and staff reductions in the postal network. Our commitment to being a responsible employer, and advocates against the excesses of the gig economy and zero-hour contracts, is matched by a drive for efficiency.
Our customers have faced large price increases but have stood by the Company. Mail volume declines after the price increase were less than econometric modelling had indicated, a credit to the strength of the An Post brand, the quality of service and its good value. It is a strong inheritance.

Restoring An Post’s centrality to Ireland’s social and economic life will require more big decisions in 2018.

We are reinventing the Post Office Network, under the leadership of Debbie Byrne and her team. An Post Retail manages €14bn of transactions every year; it is the backbone of the social welfare system; and is often the last shop standing in towns and villages across the State. It is a vital network which will be transformed by delivering customer needs through new products and new formats. The Retail team is focused on developing three areas: out-of-home eCommerce with longer opening hours; the one-stop-shop for Government Services, extending the current range; and leading the way in trusted, local financial services for citizens and SMEs.

An Post will also provide vital solutions to the Brexit challenges. An Post’s World Wide Open campaign emphasises a world without borders, facilitating international trade. With over 60% of international traffic currently originating in the UK, the Company will prepare for new trading relationships including moving up the fulfilment supply-chain.

I am conscious as the CEO of the need to implement decisions faster and at greater scale. The restructuring of the central overhead has been too slow; and introducing new, scaled products will be a key skill. Our digital interfaces require a complete overhaul, especially the development of omnichannel services. And most vitally we need to extend An Post’s relevance for younger and more diverse demographics.

The greatest challenge is the war for talent. While the Company’s focus was on driving quality over the past decade, An Post had largely ceased recruitment. No new graduates have been brought in for over a decade. Renewing capability, with a future-looking culture is my primary task. An Post is a great company: we need to persuade good graduates to join.

We have done great work in 2017 to ensure long term viability. Bringing great products and services into every community is at the heart of An Post but how we do this matters too. An Post will always be a ‘force for good’. In 2018 we will strengthen our commitment as a responsible employer by increasing diversity in our workforce, and at all levels in the organisation; and in developing ecologically-sound practices as a major physical infrastructure across the State.

I want to acknowledge and thank the management teams across An Post, our stakeholders in Government and the Unions, Postmasters across the country, and all of An Post’s employees for their skilled dedication in a difficult year of change. I owe personal thanks to my colleagues on the management board for their immensely hard work and tolerance through the restructuring. And finally I wish to thank An Post’s Chairman Dermot Divilly and the directors for good advice, good listening and moral support.

David McRedmond
Chief Executive Officer

The combined results from the big decisions in 2017 are rewarding:

- A profit for 2017 of €8.4m against a prior year loss of €12.4m, and a forecast loss of €61m;
- A re-launched parcels business growing share, with volumes up 30% on prior year;
- An efficiency programme eliminating 333 roles (completed in Q1 2018);
- Two business units with strong leadership and agreed long-term strategies;
- Re-based economics with a cost-reflective pricing model, and supported by a breakthrough international pricing agreement negotiated by An Post;
- And a strengthened balance sheet to accelerate the momentum on strategic initiatives.
Financial Review

The trading results for the financial year 2017 show a significant improvement from 2016.

<table>
<thead>
<tr>
<th></th>
<th>2017 €m</th>
<th>2016 €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) before pension interest and taxation excluding one off items</td>
<td>8.4</td>
<td>(12.4)</td>
</tr>
<tr>
<td>Profit on disposal of properties</td>
<td>36.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Premier Lotteries Ireland equity dividend</td>
<td>9.0</td>
<td>–</td>
</tr>
<tr>
<td>Profit/(loss) before pension interest and taxation as per Income Statement</td>
<td>54.2</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Revenue</td>
<td>840.0</td>
<td>825.2</td>
</tr>
<tr>
<td>Net assets (before pension liability)</td>
<td>230.4</td>
<td>187.1</td>
</tr>
</tbody>
</table>

€8.4m compares favourably with a loss of €12.4m in the prior year. The results also include two significant one off transactions, namely the sale of a facility in Cardiff Lane, Dublin 2, (€36.8m), and an equity dividend from the investment in Premier Lotteries Ireland (€9.0m).

Revenue

Group revenue increased to €840.0m from €825.2m. Mails & Parcels revenue was €15.6m higher than in 2016. The mix in the revenue continues to change with traditional mail volume declining, offset by price increases and the addition of increased value-added mail services. The impact of increased pricing added €60m to revenue in 2017. In April 2017 the company changed the price of a single piece stamp to €1. This was the first significant price increase for a very considerable time. This pricing was implemented to bring Ireland closer to the norm for mail services as observed in other countries.

The rate of decline of traditional mail volume at 8% (2016, 5.2%) was greater than the experience in the previous year.

Global trends in the postal sector are similar in developed countries and in 2017 most nations saw a continuation of this trend. It represents a structural change in the postal industry with e-substitution being the main driver.

Revenue in the Post Office and Retail division at €158.3m was broadly in line with the previous year figure of €161.8m. Revenue from areas such as foreign currency transactions at €8.0m and banking transactions at €9.6m is very welcome and demonstrates the potential that there is in the network to offer relevant financial service offerings.

The Company launched a payment account during the year and is further developing successful relationships with companies across the banking and insurance sectors. The Retail division expanded the range of National Lottery products and provided these throughout the Post Office and PostPoint networks.

An Post continued the management of the State Savings products, now with a combined value of over €20 billion and the cash payments business for the Department of Employment Affairs and Social Protection.

Subsidiaries

The revenue of subsidiary companies for 2017 was €138.0m. Each of these businesses are in a strong position in their particular market and they maximise the benefit of their linkage with the An Post network and brand. The continued strong performance of Post Insurance (rebranded from One Direct), PostPoint, the sustained growth of the Gift Voucher Shop and the continued growth of Air Business in the UK are positive indicators for the year ahead.

Costs

Change programme implementation continued over the course of the year. There are plans for further cost efficiencies. The reduction in labour FTE in the business since the commencement of decline in mail volumes in 2008 has reached over 2,000. Efficiency improvements year on year have been achieved whilst the Quality of Service is improved and the number of delivery points increased.
As the fortunes of the Irish economy have improved, wage inflation has once again been established as a business norm with an increase of 2% from 1st August 2017. Non pay costs continued to be managed tightly and consequently, non pay costs in the Group at €273.2m were €4.6m lower.

Premier Lotteries Ireland
Premier Lotteries Ireland whose investors are An Post, the Ontario Teachers’ Pension Plan and the An Post Pension Plan is the operator of the National Lottery licence for a period of twenty years. The investment is meeting the targets set and we expect the investment will continue to prove its worth to the Group in the years ahead. An equity dividend of €9m was received in 2017.

Government Loan
In December 2017 having regard to the Services of General Economic Interest it provides, An Post received a loan of €30m from the Minister for Finance to assist in the restructuring of the Company. The loan is for a 5 year term with the potential for a 2 year extension.

Pension Scheme
The An Post statement of financial position at 31 December 2017 includes a pension deficit of €55.1m (€283.4m in 2016). Assumptions used in the calculation of pension cost charges and the future pension obligations are primarily a discount rate of 2% and long run pensionable pay inflation of 1.5%. The schemes’ assets increased by €146.7m, 4.9% in the year.

Outlook
The financial results for 2017 are encouraging. The improvement in profits before pension interest and taxation by €20.8m to €8.4m in the year, along with the benefit of one off transactions in respect of the Cardiff Lane sale and the receipt of the PLI equity dividend have stabilised the finances of the Group.

The Group will proceed to implement the new strategic direction and rationalisation. All of this will be addressed to ensure that there is a solid foundation for the future of the national postal service.

The successful addition of new revenue generating products and services, implementing appropriate pricing, maintaining the high quality of service performance and cost efficiency in the core business are vital for the business in the medium term.

Peter Quinn
Chief Financial Officer
We’re Ambitious
Meet some of our **clients** and **partners**

- DHL
- Royal Mail
- Bord Gáis Energy
- AIB
- Bank of Ireland
- Electric Ireland
- SMYTHS
- **home store**
- **more**