

A network uniting the country

The Poste Italiane Group constitutes the largest service distribution network in Italy. Its activities range from letter and parcel delivery to financial and insurance services, payment systems and mobile telecommunications. With its 157-year history, a network of more than 12,800 post offices, a workforce of approximately 130 thousand, total financial assets of €530 billion and around 35 million customers, Poste Italiane is an integral part of Italy's social and economic fabric, occupying an unparalleled position in the country in terms of size, recognisability, reach and customer loyalty.

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

In 2018, the Group's activities involving the production and delivery of goods and services generated direct, indirect and induced impacts on the Italian economy amounting to approximately €12 billion in terms of GDP, employed a total of approximately 184 thousand workers and resulted in the distribution of income amounting to approximately €8 billion to workers.

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

Poste Italiane – Financial results for the first six months of 2019

Guidance for 2018 confirmed, pace of industrial transformation included in Deliver 2022 Plan stepped up

Poste Italiane is making solid progress in implementing its Deliver 2022 Plan, with the first-half performance providing confirmation of the positive effects of execution of the plan. All operating segments made a positive contribution to revenue growth, generating strong growth in operating profitability, whilst the Group's dependence on capital gains continued to decline. Poste Italiane expects to pay an interim dividend for 2019 in the fourth quarter of the year.

Revenue amounted to €5.521 billion (up 1.7% on the first half of 2018). Net profit rose strongly to €763 million, an increase of 3.9% compared with the first six months of 2018, whilst operating profit also performed well, rising 2.6% to €1.081 billion. Total financial assets amount to €530 billion, an increase of €16.1 billion compared with December 2018. Total revenue from the Financial Services Strategic Business Unit ("SBU") was down 1.5% to €2,665 million. After stripping out the impact of capital gains, revenue was up 4.1% compared with the first half of 2018 to €2,386 million.

Revenue generated by the Payments, Mobile and Digital SBU amounted to €306 million, an increase of 9.4% compared with the first half of 2018, with revenue from card payments up 20% to €161 million in the same period. The number of payments cards issued reached 26.9 million in the first half of 2019, with the number of Postepay Evolution cards rising 11% to 6.9 million and the Postepay Connect card, launched in the fourth quarter of 2018, registering over 185,000

cardholders. The number of customers who have registered with poste.it has exceeded 19.4 million, the number of active PostelDs totals 3.5 million and Poste Italiane's Apps have been downloaded more than 25.8 million times.

The Insurance Services SBU contributed revenue of €795 million, an increase of 16.2% compared with the same period of 2018, whilst the Poste Vita group's solvency ratio (Solvency II) was 242% in June 2019, compared with 214% in March 2019.

The Mail, Parcels and Distribution SBU recorded revenue of €1.755 billion, a reduction of 0.3% compared with the first half of 2018. Parcel revenue continued to grow, offsetting the fall in revenue from letter post. Parcel revenue growth in the first half of 2019 was driven by the B2C segment, which registered an increase in revenue of 28.7% to €167 million and 30% growth in volumes compared with the first half of 2018. Progress in delivering its industrial transformation has enabled Poste Italiane to become a partner for leading e-commerce businesses in Italy, as confirmed by the recent exclusive agreement with Zalando and the strengthening of its partnership with Amazon, which is now trialling a next-day delivery service in a number of Italian cities. Rollout of the new Joint Delivery Model is progressing, with over 80% of the projected target for 2019 achieved. Moreover, the innovative parcel sorting centre in Bologna was officially opened on 16 July. The fully operational, the new centre will be capable of handling 250,000 parcels a day. PuntoPoste, the alternative delivery network, continued to expand in line with the agreement entered into with the Federation of Italian Tobacconists. The network now offers 3,500 active collection points (3,100 more than in December 2018), supplementing those offered by traditional post offices.

Poste Italiane – Financial results for 2018

The ability to create value

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

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

The results achieved enabled poste Italiane to confirm the dividend policy set out in the Deliver 2022 Plan, which has targeted an annual 5% increase through to 2020 and a minimum 60% payout from 2021. The Annual General Meeting of shareholders approved payment of a dividend of €0.441 per share for 2018.

Mail, parcels and distribution

Delivering innovation

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

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

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

Payments, Mobile and Digital

Postepay SpA, the new digital ecosystem

Poste Italiane is one of Italy's leading payment system providers, exploiting the Group's integrated multichannel distribution platform based on its physical post office network and latest-generation digital infrastructure. At 31 December 2018, Poste Italiane had issued 26.2 payment cards, with the number of Postepay Evolution cards in circulation up 33% on 2017 to 6.3 million. In 2018, the Company established Postepay SpA, the new company specialising in the development and processing of mobile and digital payments. Postepay SpA aims to consolidate its leadership and take advantage of the opportunities created by convergence between physical and digital channels, whilst at the same time supporting delivery of the Group's overall strategy and guiding citizens, businesses and Public Administration entities through the transition from traditional payment systems to more advanced solutions. Postepay is the leader in payment systems, with a market share of 25% in online transactions and over 2.8 million e-wallets in use. In 2018, the new company launched its PostepayConnect service, combining the advantages of the Postepay Evolution card and PosteMobile SIM cards in order to offer customers the chance to manage their payment and SIM cards using the same App. The new solution allows users to transfer, free of charge and in real time, their data allowances from one PosteMobile Connect SIM to another ("g2g") and small sums of money between two Postepay cards ("p2p") within the Postepay community.

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

Financial and insurance products

Credibility is our goal

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

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

Sustainability at the heart of the Company's strategy

In 2018, Poste Italiane devised a new Sustainability Strategy that, by bringing financial and operating objectives together within a clear vision of environmental, social and governance issues, aims to deliver sustainable performance over time, reduce the risk profile and act in line with the principles of integrity and transparency. To implement our sustainability policies, the Company has drawn up an ESG (Environmental, Social and Governance) Strategic Plan, setting out sustainability goals in keeping with the business strategies set out in the "Deliver 2022" plan and with our concrete commitment to deliver on a series of quantitative and qualitative targets within established time-scales. The objectives regard six key areas: integrity and transparency, people development,

support for local communities and the country, customer experience, the decarbonisation of real estate and logistics and sustainable finance. These objectives form the pillars on which the Plan is based and have been set on the basis of both national and international social and environmental development targets, corresponding with the United Nations Sustainable Development Goals, and the contribution that Poste Italiane can make to their achievement.

The process of integrating ESG principles

The process of integrating the ESG principles within the Group's organisation regarded a series of business processes and had led us to strengthen or introduce new ESG procedures within the various areas of the Group. Among the initiatives adopted, Poste Italiane has signed up to the United Nations Principles for Responsible Investments (PRI) and the Principles for Sustainable Insurance (PSI), which aim to drive the adoption of sustainable investment and insurance policies. In this way, the Company has begun an organic process that aims to integrate ESG principles at all levels: in its strategy, governance and business processes.

We have also initiated the process of introducing ESG principles into our stakeholder relations, with particular regard to suppliers, as part of efforts to promote sustainable management of the Group's entire supply chain. We have also boosted our Anti-corruption System, becoming the first Italian company in the financial and communications sector to obtain ISO 37000:2016 certification.

In keeping with this approach, Poste Italiane has reconfirmed our support for local areas and our focus on local communities, establishing ten commitments to small towns in 2018. This project has produced concrete local development solutions, guaranteeing the continuity and availability of services, improving access to infrastructure, facilitating the digital transformation and confirming the strategic role played by the post office network in the country's economic and social development.

Environmental sustainability policies

Poste Italiane's environmental sustainability policies aim to reduce the impact of our activities, above all in relation to the use of real estate and transport and logistics.

The Company has for some time adopted energy saving initiatives in its buildings, with a positive impact on the habits of employees in terms of energy and water use and their approach to waste. 96% of the electricity used by Poste Italiane is also generated from renewable sources, as certified under the GO (Guarantee of Origin) scheme, with a small proportion produced from the Company's own photovoltaic plants.

Our commitment to protecting the environment and the current transformation of logistics operations linked to the growth in e-commerce have led the Company to revisit the mix of vehicles that make up the fleet used in "last mile" logistics, with the introduction 345 electric tricycles (adding to the electric quadricycles already in use). This new means of transport is energy self-sufficient, enabling postmen and women to complete their daily delivery round with a single charge. The special shape of the three-wheeled vehicle also increases its stability and safety. Adoption of the new Joint Delivery model has also cut both the number of vehicles used and the length of trips.

Our commitment to safety and sustainability also takes the form of initiatives designed to promote sustainable transport among employees, including agreements with local transport providers, car-pooling initiatives and the creation of special areas for workers who come to work by bicycle.

People development

Poste Italiane is the country's largest employer. Over the duration of the Deliver 2022 Strategic Plan, the Company expects to provide over 20 million hours of staff training. The Company has also launched programmes for talented young staff within the Group, made use of mentoring and coaching to support personnel development and adopted flexible and remote forms of working with the aim of improving the work-life balance. Poste Italiane is also committed to promoting equal opportunities and boosting the number of women in management positions: 44% of the members of the Board of Directors are women, whilst 45% of the Company's middle and senior managers are women (figures for 2018). This situation has been made possible in part by the implementation of a number of welfare initiatives, such as the provision of crèches, the introduction of flexible forms of working and the launch of innovative training initiatives, such as Maam U, which has transformed the birth of a child into an opportunity to develop skills that are useful during both motherhood and at work. Maternity pay at Poste Italiane is also higher than required by law, both during the initial period of leave and during the first six months of the child's life.

Also in line with the Company's objective of ensuring a work-life balance, Poste Italiane has set up its own national football team, aimed in to use sport as a means to creating a sense of unity and belonging among employees. The plan is to extend this initiative to other forms of sport.

The latest employment contract for Poste Italiane's staff has established a free Health Care Fund for employees, marking a major step towards improving the protections available to staff and bringing Poste Italiane into line with best practices in the field of staff welfare.

In June 2018, the Company reached an important agreement with the labour unions governing a series of initiatives that will involve 6 thousand workers in the three-year period 2018-2020, including the recruitment of new staff, the conversion of fixed-term contracts to permanent contracts and conversions from part-time to full-time, in line with the guidelines in the Deliver 2022 Strategic Plan. In particular, within the framework established under last June's agreement, the Company and the unions have agreed on the recruitment of 3,170 new hires in 2019.