

The country's most reliable and efficient distribution network

Poste Italiane is the largest service distribution network in Italy. Its activities range from letter and parcel delivery to financial and insurance services, payment systems and mobile telecommunications. With a history going back more than 150 years, a network of over 12,800 post offices, a workforce of over 135 thousand, €510 billion invested in financial assets and over 34 million customers, Poste Italiane is an integral part of Italy's social and economic fabric, occupying an unparalleled position in the country in terms of size, recognisability, reach and customer loyalty.

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

Listed on the Milan Stock Exchange since 2015, Poste Italiane is 64.26%-owned by the Ministry of the Economy and Finance and Cassa depositi e prestiti. Since April 2017, Maria Bianca Farina has been the Company's Chairwoman and Matteo del Fante its Chief Executive Officer and General Manager.

Poste Italiane - Financial results for the first half of 2018

Objectives for 2018 on track and implementation of key parts of Deliver 2022 plan launched

Poste Italiane is on track to achieve the objectives in its Deliver 2022 Plan, with the performance in the first half of 2018 a reflection of how execution of the plan is already having a positive effect. Revenue amounts to €5.4 billion (down 1.3% on the first half of 2017), whilst operating costs of €4.4 billion are down 5.9% compared with the same period of 2017. Net profit saw a significant improvement, rising to €753 million, an increase of 44.1% compared with the first six months of 2017. Operating profit also recorded strong growth to €1.1 billion, an increase of 24.3% compared with the same period of 2017, after positive performances across all operating segments. Total client assets amount to €510 billion, marking an increase of €4 billion compared with December

2017. The volume of B2C parcels handled is up 40%, after including international parcels. Total revenue from Financial Services is up 7.6% in the first half of 2018 to €2.7 billion, with revenue generated by the Payments, Mobile and Digital segment amounting to €307 million, up 10% on the first half of 2017, and by the Insurance Services segment totalling €685 million, down 1.9% in the first half of 2018. The Mail, Parcels and Distribution segment recorded revenue of €1.8 billion, down 2.8% compared with the first half of 2017, with the 2.9% increase in parcel revenue to €352 million mitigating the impact of the decline in letter post.

Poste Italiane - Financial results 2017

The ability to create value

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

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

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

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

Mail, parcels and distribution

A widespread, innovative network

These activities, which include mail delivery, logistics, parcels and express delivery, have always been a key part of Poste Italiane's identity and also include Italy's Universal Postal Service. We provide these services via a unique network, consisting of 30 thousand postmen and women and over 2,000 distribution centres. In 2017, we handled over 3 billion items of mail and more than 113 million parcels, putting Poste Italiane in a particularly strong position to benefit from the

opportunities linked to the growth in e-commerce, thanks also to our extensive payments and digital expertise.

Poste Italiane recently launched a new Joint Delivery model, which has redesigned the service by introducing, in certain circumstances, afternoon and weekend deliveries. The new delivery model, together with plans to exploit the potential of the airline, Mistral Air, and the express courier, SDA, forms the basis of Poste Italiane's logistics strategy, putting us in an ideal position to benefit from the opportunities linked to the growth in e-commerce in Italy. The development of e-commerce logistics has led to the creation of PuntoPoste, the new last-mile network, providing a complementary alternative to post offices for the collection and return of online purchases and for sending prefranked and prepaid parcels. The network consists of lockers located at various points around cities, offering a non-stop 24-hour, 7-day service, and collection points placed within participating retail outlets and tobacconists' shops.

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

Payments, Mobile and Digital

An "ecosystem" built around our customers

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

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

The Payments, Mobile and Digital segment was recently launched by Poste Italiane with the aim of taking advantage of the opportunities resulting from convergence in the sector and helping to guide citizens through the transition from traditional forms of payment to the latest digital and mobile payment systems. To consolidate our leadership in digital payments, Poste Italiane has recently decided to transform the Group's mobile operator, Poste Mobile, into an electronic money institution. As a result, this company will offer a full range of payment services, applying the latest technologies to financial services and enabling the creation of new channels and products, above all for e-commerce and mobile payments.

At 31 December 2017, Poste Italiane had issued more than 25 million payment cards, whilst 15.2 million customers were registered with poste.it and our App had been downloaded more than 15 million times. With 5.1 million cards issued, Postepay Evolution had recorded growth of around 40% in the number of cards circulation in just 12 months.

Financial and insurance products

The most extensive platform in Italy

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

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

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

Insurance services are provided by the Poste Vita group, which offers customers a range of solutions designed to meet demand for supplementary pensions, personal and property protection and asset management. The group is the leading Italian insurance provider with technical provisions of €123.6 billion in 2017 (up 9%). The growth strategy for the coming years will see the group further diversify its offering through the provision of individual pension plans and unit-linked investment products. The strategy is also based on expansion of the non-life business, combining its in-house expertise with the distribution of third-party products and the creation of insurance products specifically designed for small and medium enterprises.

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

Our people

Equal opportunities and health care

Poste Italiane is the country's largest employer. The Strategic Plan, Deliver 2022, envisages over 20 million hours of staff training in the next five years. The various initiatives include the launch of programmes for talented young staff within the Group, the use of mentoring and coaching to support personnel development and the adoption of flexible and remote forms of working.

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

Sustainability

Respect for the environment and ethical conduct

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

Poste Italiane also has a long-standing commitment to saving energy at all its 15 thousand offices. This has also had a positive impact on the habits of employees in terms of energy use, water

consumption and the treatment of waste. Each year, we set targets for reducing consumption and CO₂ emissions linked to the consumption of electricity and gas, and carry out work designed to boost the energy efficiency of our equipment and infrastructure. More than 95% of the electricity consumed by Poste Italiane comes from renewable sources, as certified under the GO (Guarantee of Origin) scheme, with a small portion of 0.4% produced by the Company's own photovoltaic plants.

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