

POSTE ITALIANE: 3Q & 9M19 RESULTS

- **REVENUES AT** €8,089M IN 9M19 (+1.7% VS 9M18), €2,568M IN 3Q19 (+1.8% VS 3Q18)
- **NET PROFIT AT** €1,083M IN 9M19 (+2.6% VS 9M18), €320M IN 3Q19 (-0.4% VS 3Q18)
- **EBIT AT** €1,540M IN 9M19 (+2.1% VS 9M18), €459M IN 3Q19 (+0.8% VS 3Q18)
- DIVERSIFIED BUSINESS MODEL ADAPTABLE TO MACRO ENVIRONMENT DELIVERING SUSTAINABLE REVENUE AND OPERATING PROFIT GROWTH
- STRONG PLATFORM FOR INNOVATION AND CUSTOMER EXPERIENCE DRIVING GROWTH
- ON TRACK TO MEET 2019 TARGETS ACROSS ALL BUSINESS SEGMENTS
- 2019 INTERIM DIVIDEND OF €0.154 APPROVED; 1/3 OF FY19 DPS IMPLIED BY DELIVER 2022 OF €0.463

9M19 Group Financial Highlights

- **Revenues** at €8,089m (+1.7% vs 9m18); **adjusted revenues**¹ at €7,807m (+3.7% vs 9m18) with sustainable recurring revenues mix
- **Total Operating Costs** at €6,549m (+1.6% vs 9m18) with ongoing HR cost discipline thanks to accelerating FTE reduction; non-HR cost increase directly supporting growth
- **EBIT** at €1,540m (+2.1% vs 9m18); **adjusted EBIT**² increased by €122m to €1,288m (+10.5% vs 9m18) fully on track with 2019 guidance
- **Total Financial Assets** (TFA) at €540bn (+€26bn from December 2018) driven by positive market effect and positive net inflows
- **PosteVita Group Solvency II Ratio** at 295% as of September 2019 (June 2019: 242%): above managerial ambition through the cycle; improving BTP spreads offset impact of lower interest rates, with transitional measures that will provide additional buffer against potential future market volatility
- **Group Capex** at €389m (+49.6% vs 9m18) to support ongoing Deliver 2022 transformation; well on track with 2019 guidance

¹ Excluding capital gains and IFRS 9 impact on equity stake in Visa

² Excl. capital gains, IFRS 9 impact on equity stake in Visa, early retirement incentives, capital losses, hedging Visa equity stake derivatives, FV change and real estate funds provisions

3Q19 Segment Financial Highlights

- **Mail, Parcel & Distribution:** Revenues on track at €800m (-3.5% y/y); parcel revenues up 14% with B2C up 25%; mail revenues down 8%, compared to strong 3Q18 and due to fully embedded product re-pricing (July 2018). EBIT at -€77m also impacted by higher D&A and costs to support growth
- **Payments, Mobile & Digital:** Revenues at €171m (+10.6% y/y), thanks to increased card and transaction volumes and successful navigation of competitive telecoms environment; telecoms revenues up 17% to €64m driven by effective commercial initiatives including bundled payment cards and SIM offers; EBIT up 27% to €69m
- **Financial Services:** Revenues at €1,173m (-0.1% y/y) with strong recurring distribution fees performance; third party loan and mortgage distribution fees up 15% to €74m on growing volumes; postal savings fees down 4% to €432m; asset management fees up at €25m (+12.9% y/y) with mutual funds positive net inflows at €55m in the quarter; transaction revenues down 2% impacted by lower *bollettino* volumes; interest income up 2% thanks to proactive investments in 4Q18/1Q19; EBIT up 8.5% to €192m
- **Insurance Services:** Revenues at €423m (+16.5% y/y) supported by Life and P&C growth; Life revenues up 17% coupled with successful diversification to multiclass products (€1.3bn net inflows) and higher financial margin; P&C revenues up 13% driven by all product lines. EBIT up 19.3% to €275m

3Q19 Segment Operational Highlights

- **Mail, Parcel & Distribution:** Ongoing industrial transformation supported by activation of innovative delivery solutions; Joint Delivery Model now rolled out for 95% of targeted locations; Bologna parcel sorting hub now fully operational; PuntoPoste alternative delivery network reached 4,000 locations (above 2019 target of 3,500)
- **Payments, Mobile & Digital:** Expanding innovative payment services via Postepay app including high frequency payments solutions; Poste QR code payments pilot ongoing to target cash dominant consumer spending
- **Financial Services:** Integrating new offerings into an innovative asset gathering model leveraging digital properties; partnership with Moneyfarm adding digital investment services; Intesa Sanpaolo personal loans and UniCredit salary backed loans now in place, carrying no credit risk for Poste
- **Insurance Services:** Expanding multiclass policy offer designed for dedicated customer segments' needs, ranging from retail to private, enabling product and portfolio diversification

Rome, 6 November 2019, yesterday, the Board of Directors of Poste Italiane S.p.A. (“Poste Italiane” or the “Group”) chaired by Maria Bianca Farina approved 9M 2019 Financial Results (unaudited).

Commenting on the results, Matteo Del Fante, Poste Italiane Chief Executive Officer and General Manager, said:

“Poste Italiane’s uniquely diversified business model is delivering continued growth and we are well on track to meet 2019 targets for all business segments. The flexibility of our model is best demonstrated by the strong performance of our Insurance Services and Payments, Mobile & Digital segments, which both boosted group results for the period.

The industrial transformation already carried out as part of the Deliver 2022 strategic plan, has laid the foundations for future growth focussed on innovation and customer experience and we are growing into a dynamic and digitally native company, actively supporting the lives of our 35 million customers.

The key to the Group’s success is our widespread national presence through our network – no other company understands local communities like Poste and we will continue to work together with local municipalities of all sizes through initiatives like Piccoli Comuni which has now been expanded.

All of this is made possible by the support of our employees who have embraced this transformation and are ensuring seamless execution as we seek opportunities to add further value.”

3Q19 and 9M19 RESULTS

Wednesday 6 November 2019 – 13:30 CET

WEBCAST

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CONSOLIDATED FINANCIAL RESULTS SUMMARY

€m	3Q18	3Q19	Y/Y%	9M18	9M19	9M/9M %
GROUP						
Revenues	2,522	2,568	+1.8%	7,951	8,089	+1.7%
Adjusted Revenues	2,514	2,565	+2.0%	7,531	7,807	+3.7%
EBIT	456	459	+0.8%	1,509	1,540	+2.1%
Adjusted EBIT	465	463	-0.2%	1,166	1,288	+10.5%
Net Profit	321	320	-0.4%	1,056	1,083	+2.6%
Adjusted Net Profit	326	321	-1.4%	807	891	+10.4%
MAIL, PARCEL & DISTRIBUTION						
Revenues	829	800	-3.5%	2,590	2,555	-1.3%
EBIT	(7)	(77)	n.m.	177	4	-97.8%
Adjusted EBIT	(5)	(73)	n.m.	(124)	(183)	-47.3%
Net Profit	(19)	(60)	n.m.	95	(10)	n.m.
PAYMENTS, MOBILE & DIGITAL						
Revenues	154	171	+10.6%	434	477	+9.8%
EBIT	55	69	+27.0%	155	180	+15.8%
Net Profit	41	51	+25.8%	117	134	+14.6%
FINANCIAL SERVICES						
Revenues	1,175	1,173	-0.1%	3,879	3,838	-1.1%
Segment Adjusted Revenues	1,168	1,170	+0.2%	3,459	3,556	+2.8%
EBIT	177	192	+8.5%	585	627	+7.1%
Adjusted EBIT	184	192	+4.1%	543	562	+3.4%
Net Profit	134	135	+0.9%	427	440	+3.0%
Adjusted Net Profit	139	135	-2.9%	396	391	-1.3%
INSURANCE SERVICES						
Revenues	364	423	+16.5%	1,048	1,219	+16.3%
EBIT	231	275	+19.3%	591	730	+23.4%
Net Profit	166	194	+17.0%	417	519	+24.5%

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 Interim Report for the nine months ended 30 September 2019, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.

MAIL, PARCEL & DISTRIBUTION – LOWER MAIL AND CONTINUED PARCEL REVENUE GROWTH; EBIT IMPACTED BY INTERCOMPANY REVENUES AND COSTS

€m	3Q18	3Q19	Y/Y%	9M18	9M19	9M/9M %
SEGMENT REVENUES	829	800	-3.5%	2,590	2,555	-1.3%
INTERSEGMENT REVENUES	1,069	1,051	-1.7%	3,525	3,504	-0.6%
TOTAL REVENUES	1,898	1,851	-2.5%	6,115	6,059	-0.9%
EBIT	(7)	(77)	n.m.	177	4	-97.8%
Adjusted EBIT	(5)	(73)	n.m.	(124)	(183)	-47.3%
EBIT Margin (%)	-0.3%	-4.2%	n.m.	2.9%	0.1%	n.m.
NET PROFIT	(19)	(60)	n.m.	95	(10)	n.m.
KPI's						
Mail Volumes (#m)	643	634	-1.5%	2,197	2,041	-7.1%
Parcels delivered by mailmen (#m)	11	14	+27.3%	30	37	+23.8%
Parcel Volumes (#m)	31	36	+17.1%	89	104	+17.6%
B2C Revenues (€m)	73	91	+24.8%	203	258	+27.3%

Parcel revenues continue to grow at a sustained pace, mitigating a weak mail revenue trend. Segment revenues were down 3.5% in 3Q19 and 1.3% in 9M19, in line with expectations for the full year 2019.

Mail revenues were down 5% in the first nine months of the year in line with long term expectations. The decline is a result of specific factors: 3Q19 was the first quarter not to benefit directly from mail products re-pricing which became effective in July 2018, while specific mailing volumes such as vehicle and road tax notifications, as well as ordinary banking bulk mail, have been postponed to 4Q19.

Parcel revenues continue to grow, up 14% in the quarter and 13% for the first nine months. E-commerce related B2C revenues were up 24.8% to €91m in the quarter (€258m in the first nine months of the year, +27.3%). B2B volumes continue a positive trend, leading to 9M19 revenues at €178m (+14.6% y/y).

EBIT was down to €4m in the first nine months of the year as a result of higher planned expenses related to business transformation along with increased D&A for CAPEX costs. The full implementation of key initiatives will contribute to generate efficiencies over the coming quarters. These include the new Bologna sorting hub (which required additional costs during ramp-up phase); the completion of the Joint Delivery model for mail and parcels by year-end 2019 as well as the creation of a SDA-Poste Italiane single commercial offer on parcels.

For the first nine months of the year, EBIT at €4m remains in line with guidance for the full year. The PuntoPoste network of alternative delivery locations has reached 4,000 points to date, ahead of our 2019 target, while the Joint Delivery Model for mail and parcel has now been rolled out across 95% of targeted locations.

PAYMENTS, MOBILE AND DIGITAL – CARD PAYMENTS AND TELCO PERFORMANCE DRIVING REVENUE GROWTH

€m	3Q18	3Q19	Y/Y%	9M18	9M19	9M/9M %
SEGMENT REVENUES	154	171	+10.6%	434	477	+9.8%
Cards Payments (€m)	78	86	+11.0%	212	247	+16.7%
Other Payments (€m)	22	20	-7.7%	60	57	-4.1%
Telecom Services (€m)	54	64	+17.4%	163	173	+6.0%
INTERSEGMENT REVENUES	86	92	+6.9%	266	282	+6.0%
TOTAL REVENUES	240	262	+9.3%	700	759	+8.4%
EBIT	55	69	+27.0%	155	180	+15.8%
EBIT Margin (%)	22.7%	26.4%	n.m.	22.2%	23.7%	n.m.
NET PROFIT	41	51	+25.8%	117	134	+14.6%
KPI's						
Postpay cards (#m) *	-	-	-	19.0	20.4	+7.3%
of which Postpay Evolution cards(#m)*	-	-	-	6.3	7.2	+15.2%
Total payment cards transactions (#bn)	-	-	-	0.87	1.04	+18.7%
of which eCommerce transactions (#m)	-	-	-	142	171	+20.1%
Mobile & land-line (#m) *	-	-	-	4.1	4.5	+10.3%
Digital e-Wallets (#m) *	-	-	-	2.8	4.8	+67.3%

* 9M18 figures refer to stock at 31 December 2018

Card payments and telecoms activities drove positive performance and revenue progression for Payments, Mobile & Digital.

Segment Revenues were up 10.6% in the quarter and 9.8% in the first nine months.

Card payments revenues were up 11% in 3Q19 and 16.7% in 9M19 as a result of a higher number of Postpay cards and a strong rise in payment volumes as well as an increased penetration of higher margin Postpay Evolution cards.

Telecoms revenues grew 17.4% in 3Q19 in a highly competitive market, driven by successful commercial initiatives. These include the Postpay Connect bundled telecoms and payments offer, which is improving customer loyalty and creating cross-selling and up-selling opportunities, leveraging the convergence between mobile and card payments businesses, supporting revenue growth. Postpay Connect captures value in both young segments, through IBAN backed Evolution cards and senior segments through SIM card sales.

During the period, Poste Italiane continued to expand its range of innovative services available via the Postpay app, including high frequency payment capabilities and a new user-friendly QR code payment service which is currently being tested in selected locations in Rome, targeting areas of consumer spending where cash is still dominant.

Operating profitability for Payments, Mobile and Digital was up 15.8% to €180m in 9M19 and on track with the full year targets.

FINANCIAL SERVICES – STRONG RECURRING REVENUE CONTRIBUTION; IMPROVING OPERATING PROFITABILITY

€m	3Q18	3Q19	Y/Y%	9M18	9M19	9M/9M %
SEGMENT REVENUES	1,175	1,173	-0.1%	3,879	3,838	-1.1%
ADJUSTED SEGMENT REVENUES	1,168	1,170	+0.2%	3,459	3,556	+2.8%
INTERSEGMENT REVENUES	150	163	+8.4%	488	535	+9.5%
TOTAL REVENUES	1,325	1,336	+0.8%	4,368	4,373	+0.1%
EBIT	177	192	+8.5%	585	627	+7.1%
ADJUSTED EBIT	184	192	+4.1%	543	562	+3.4%
EBIT Margin (%)	13.4%	14.4%	n.m.	13.4%	14.3%	n.m.
NET PROFIT	134	135	+0.9%	427	440	+3.0%
ADJUSTED NET PROFIT	139	135	-2.9%	396	391	-1.3%
KPI's						
TOTAL FINANCIAL ASSETS - TFAs (€bn) *	-	-	-	514	540	+5.0%
Average Current Account Deposits (€m)	-	-	-	58,297	61,820	+6.0%
Average Postal Savings Deposits (€m)	-	-	-	308,037	310,764	+0.9%
Postal Savings Net Inflows (€m)	(268)	(372)	-38.6%	(4,781)	(4,025)	+15.8%
Unrealized gains (€m)	-	-	-	(2,690)	2,721	n.m.
Product Sales (# mln)	2.1	1.8	-14.2%	6.3	6.0	-4.8%

* figures in 9M18 column refer to FY2018

Financial Services continues to deliver strong recurring distribution revenue generation, improving operating margins with a reduced reliance on capital gains.

Segment revenues were broadly stable in the third quarter and the first nine months. Excluding the impact from capital gains, revenues were up 2.8% for 9M19.

Interest Income was up 7.2% in 9M19 and 1.7% in 3Q19 benefiting from previous proactive investments, providing visibility on 2019 targets in a low interest rate environment. Fees from Postal Savings distribution were in line with the 2019 target, down by 1% in 9M19. Distribution revenues from third party loans and mortgages were up a healthy 18.4% in 9M19 while revenues from asset management fees have increased by 12.4% in the same period proving the success of our innovative controlled open platform for both asset management and loan and mortgages distribution. Total Financial Assets increased by €26bn at the end of September, to €540bn driven by positive market effects and improving contributions from all product lines with net inflows at €4.9bn.

Poste Italiane continues to build on its innovative asset gathering business model, integrating new services to expand its multichannel wealth management offer through a partnership with Moneyfarm, an independent digital wealth management company. Third party product distribution focus is increasing with the Intesa personal loans and UniCredit salary backed loans now available to customers through our platform.

EBIT rose 8.5% in the quarter and 7.1% in 9M19, on track to meet 2019 targets.

**INSURANCE SERVICES – EBIT GROWTH DRIVEN BY STRONG PERFORMANCE
ACROSS ALL BUSINESS LINES**

€m	3Q18	3Q19	Y/Y%	9M18	9M19	9M/9M %
SEGMENT REVENUES	364	423	+16.5%	1,048	1,219	+16.3%
<i>Life (inc. Private Pension Plan)</i>	330	385	+16.8%	952	1,103	+15.9%
<i>P&C</i>	34	38	+13.5%	96	116	+20.0%
INTERSEGMENT REVENUES	0	0	n.m.	1	0	-75.1%
TOTAL REVENUES	364	423	+16.3%	1,049	1,219	+16.2%
EBIT	231	275	+19.3%	591	730	+23.4%
EBIT Margin (%)	63.4%	65.0%	n.m.	56.3%	59.8%	n.m.
NET PROFIT	166	194	+17.0%	417	519	+24.5%
KPI's						
Gross Written Premiums (€m)	3,856	3,735	-3.1%	12,768	13,908	+8.9%
GWP - Life + Private Pension Plans (€m)	3,810	3,682	-3.3%	12,625	13,722	+8.7%
GWP - P&C (€m)	46	53	+13.9%	143	186	+30.3%

All insurance product lines contributed to a strong performance for the segment.

Segment revenues grew by 16.5% in 3Q19 and 16.3% in 9M19, driven by both life and non-life products. Life insurance revenues grew by 16.8% in 3Q19 and up 15.9% in 9M19 as a result of business growth coupled with the successful diversification to a multiclass offer and higher investment margin and lower cost provisioning.

The successful multiclass offer recorded strong net inflows of €4.7bn in the first nine months of the year (€576m in the same period last year).

The multiclass offer now represents 37% of Gross Written Premiums in 3Q19, in line with the long-term target embedded in the Deliver 2022 strategic plan thanks to a tailored product offer differentiated for diverse customer segments, from retail to private.

P&C related revenue grew strongly – up 20% in the first nine months underpinned by solid growth across all products offered, leveraging on a diverse product portfolio.

Life insurance (excluding Private Pension Plans) revenues were up 17.7% in 3Q19 and 16.3% in 9M19.

At the end of September 2019, Poste Vita Group's Solvency II Ratio stood at 295% (June 2019: 242%). The ratio is above the Group's managerial ambition to maintain a level of 200% through the cycle.

Solvency II increased as a result of the positive progression of the BTP markets more than offsetting a further reduction in risk free interest rates. Ongoing investment portfolio and product diversification will contribute to Solvency II ratio resiliency over the plan horizon. Transitional measures recently approved by the regulator, part of the capital management actions put in place in recent quarters, will provide an additional buffer. EBIT grew consequently by 19.3% in the quarter and by 23.4% in 9M19 to €730m, in line with 2019 targets.

INTERIM DIVIDEND

As anticipated to the market on 31 July 2019 at the presentation of the first half-year results, the adoption of a dividend policy across the duration of the Deliver 2022 Strategic Plan was confirmed, with the distribution of the annual dividend in two tranches: one as an interim dividend and one as a balance dividend.

Specifically, as to the fiscal year 2019 the Board of Directors – considering the financial and equity position and income statement results achieved by Poste Italiane S.p.A. in the first half of 2019, as well as the information regarding the economic prospects and business outlook for the current financial year, and taking into account the issue on 5 November 2019 by the Auditing Company PricewaterhouseCoopers (PwC) of the opinion required under Article 2433-bis of the Italian Civil Code – resolved to pay the ordinary interim dividend for the present year in the amount of €0.154 per share gross of any due withholdings, for each ordinary share in circulation on the day scheduled as the ex-dividend date (as subsequently indicated), excluding treasury shares on that date. The interim dividend will be payable from 20 November 2019, with “ex-dividend” date of coupon no. 5 on 18 November 2019 and record date (i.e. date of dividend payment eligibility) on 19 November 2019.

SUSTAINABILITY 3Q19 HIGHLIGHTS

- On September 20th 2019, Poste Italiane took part in the Green Postal Day, organized by the International Post Corporation (IPC) with the aim of increasing awareness of the results achieved by IPC members in reducing CO2 emissions and in fighting climate change.
- On September 16th 2019, for the first time, Poste Italiane was included in the World Dow Jones Sustainability Index (DJSI World) and in the Europe Dow Jones Sustainability Index, confirming the results achieved in implementing a structured sustainability strategy.
- On September 12th 2019, Diamond Eurozone Office (DEO), Poste Vita's real estate fund managed by UBS, scored five stars in terms of compliance to ESG principles, qualifying as a green star investment on the basis of the assessment performed by GRESB. In 2019 both Poste Vita and Bancoposta Fondi SGR adopted the UN Principles for Responsible Investments (PRI) and Poste Vita specifically adopted the Principles for Sustainable Insurance (PSI) in order to integrate ESG criteria in its investment process with the objective of becoming one of the most influential players in promoting a sustainable culture for insurance operations.
- On July 16th 2019, the new logistics Hub in Bologna became operational. With a total investment of €50m, the new hub has a sorting capacity of 250,000 parcels per day thanks to state-of-the-art technology and the use of latest generation robots. Solar panels are installed on the roof, across a total surface of 5,500 square meters. With their energy production they deliver CO2 emissions reductions of 225 tons per year.

RECENT EVENTS AND BUSINESS OUTLOOK

Poste Italiane will continue to implement the objectives outlined in the five-year Deliver 2022 Plan, approved by the Board of Directors on 26 February 2018 and, with specific regard to 2019, will focus on the targets set out in the budget approved by the Board of Directors on 19 March 2019 and presented to the market.

The Mail, Parcel and Distribution Strategic Business Unit will continue to focus on completing the implementation of the Joint Delivery Model throughout the country. In addition, as part of the process of modernising its fleet of delivery vehicles, the Group will continue to introduce alternative electric vehicles (3- and 4-wheeled vehicles). This will improve occupational safety and extend the process, launched in recent years, of adopting eco-friendly forms of transport.

The Unit will also continue with the adoption of new automation technologies to support production processes, with the aim of boosting the efficiency and quality of sorting.

The Payments, Mobile and Digital Strategic Business Unit aims to maintain its position as Italy's leading payments ecosystem, ensuring convergence between payments and mobile technology, and between physical and digital channels. PostePay SpA intends to lead changes in consumer habits, businesses and Public Administration through the introduction of new integrated products and services.

The promotion of mobile telecommunications services as part of the integrated Postepay Connect offering will continue in the last quarter of the year. This bundled offering aims to take advantage of customer loyalty through innovative pricing strategies and by attracting new online customers.

With regard to collection services, the possibility to make payments to the Public Administration using payment slips will be extended to third-party networks which Poste Italiane has agreements with, while work on the development of digital payments for Public Administration will continue, including new methods of interaction between the Public Administration and the public.

In acquiring, merchants, above all SMEs, will be offered the Paga con Postepay service for instore payments, enabling them to accept payments directly from the customer's Postepay App, without the need for a physical device for accepting cards (POS or Mobile POS). The payment process relies on either geolocation or the scan of a QR code provided by the merchant.

In line with the Deliver 2022 Plan, the Financial Services Strategic Business Unit will

continue with initiatives designed to take advantage of the opportunities resulting from the recent regulatory changes brought about by MiFID II and IDD, leveraging the Group's customer base, distribution network and brand.

Within the framework of the Cassa Depositi e Prestiti agreement, work on the progressive simplification of front-end operations will continue, with the aim of boosting efficiency and improving the quality of the customer experience both in sales and post-sales services for Postal Savings products.

As part of the planned digital transformation and acceleration of Poste Italiane's service model, a new area of the Company's website - targeted at customers most likely to use digital channels – will be created, with the aim of offering digital wealth management solutions in partnership with Moneyfarm.

In terms of loan products' distribution, the agreements with our banking partners will continue: Intesa Sanpaolo with regard to property mortgages and personal loans and UniCredit for salary loans.

In line with the first nine months of 2019, the offering of the Insurance Services Strategic Business Unit will aim to consolidate the Group's leadership in the Italian market, supported by a progressive rebalancing of the offering to provide greater value added (multiclass) products with moderate risk-return profiles in line with the Group's customer profile while potentially offering more attractive investment returns. In the P&C segment, the aim is to continue to achieve growth in the welfare and non-vehicle sectors by exploiting unrealised potential.

ALTERNATIVE PERFORMANCE INDICATORS

In keeping with the guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415), in addition to the financial disclosures required by IFRS, Poste Italiane has included a number of indicators in this report that have been derived from them. These provide management with a further tool for measuring the Group's performance.

The following alternative performance indicators are used:

EBIT (Earnings before interest and taxes) - this is an indicator of operating profit before financial expenses and taxation.

EBIT margin – this is an indicator of the operating performance and is calculated as the ratio of operating profit (EBIT) to total revenue. This indicator is also presented separately for each Strategic Business Unit.

GROUP NET CASH POSITION - the sum of financial assets, cash and deposits attributable to BancoPosta, cash and cash equivalents, technical provisions for the insurance business (shown net of technical provisions attributable to reinsurers) and financial liabilities. This indicator is also shown separately for each Strategic Business Unit.

NET CASH POSITION OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT – this is the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

ADJUSTED EBIT, NET PROFIT AND ROE – to provide an improved basis for assessment and comparison, the following statement shows the reconciliation of reported EBIT, net profit and ROE and adjusted EBIT, net profit and ROE:

EXPLANATORY NOTES ON ADJUSTED FIGURES

(€m)	3Q 2018	3Q 2019	Y1Y%	9M 2018	9M 2019	9M18/9M19%
REPORTED REVENUES	2,522	2,568	1.8%	7,951	8,089	1.7%
Gross Capital Gains On Investment Portfolio	0	0		404	261	
Visa - Itrs 9 Valuation	7	3		17	19	
Visa - Capital Gain On Shares Disposal	0	0		0	1	
ADJUSTED REVENUES	2,514	2,565	2.0%	7,531	7,807	3.7%
REPORTED COSTS	2,066	2,108	2.0%	6,443	6,549	1.6%
Capital Losses On Investment Portfolio	0	0		25	6	
Early Retirement Incentives	9	5		29	13	
Real Estate Funds Provisions	7	0		24	0	
Visa - Fair Value Hedge	0	2		0	11	
ADJUSTED COSTS	2,050	2,101	2.5%	6,365	6,519	2.4%
REPORTED EBIT	456	459	0.8%	1,509	1,540	2.1%
ADJUSTED EBIT	465	463	-0.2%	1,166	1,288	10.5%
REPORTED NET PROFIT	321	320	-0.4%	1,056	1,083	2.6%
ADJUSTED NET PROFIT	326	321	-1.4%	807	891	10.4%

Composition of net financial position* (€m):

	MAIL, PARCEL AND DISTRIBUTION	PAYMENTS, MOBILE AND DIGITAL	FINANCIAL SERVICES	INSURANCE SERVICES	ADJUSTMENTS	CONSOLIDATED
Balance at 30 September 2019						
Financial liabilities	3,175	5,463	83,032	400	-7,966	84,104
Technical reserves for the insurance business	0	0	0	142,629	0	142,629
Financial assets	-1,396	-5,588	-83,766	-144,171	7,461	-227,460
Technical reserves attributable to reinsurers	0	0	0	-64	0	-64
Cash and deposits attributable to BancoPosta	0	0	-3,703	0	0	-3,703
Cash and cash equivalents	-801	-98	-334	-1,257	499	-1,991
Net Financial Position*	978	-223	-4,771	-2,463	-6	-6,485
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

* Net financial position: (Surplus) / Net debt

TABLES

POSTE ITALIANE GROUP'S FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS	at 30 September 2019	at 31 December 2018
Non-current assets		
Property, plant and equipment	1,919	1,945
Investment property	45	48
Intangible assets	545	545
Right-of-use assets	1,283	-
Investments accounted for using the equity method	494	497
Financial assets	197,738	170,922
Trade receivables	5	7
Deferred tax assets	1,119	1,368
Other receivables and assets	3,468	3,469
Technical provisions attributable to reinsurers	64	71
Total	206,680	178,872
Current assets		
Inventories	141	136
Trade receivables	2,253	2,192
Current tax assets	185	117
Other receivables and assets	1,092	1,111
Financial assets	29,722	19,942
Cash and deposits attributable to BancoPosta	3,703	3,318
Cash and cash equivalents	1,991	3,195
Total	39,087	30,011
TOTAL ASSETS	245,767	208,883
LIABILITIES AND EQUITY		
Equity		
Share capital	1,306	1,306
Reserves	3,368	1,531
Own shares	(40)	-
Retained earnings	5,695	5,268
Equity attributable to owners of the Parent	10,329	8,105
Equity attributable to non-controlling interests	-	-
Total	10,329	8,105
Non-current liabilities		
Technical provisions for insurance business	142,629	125,149
Provisions for risks and charges	575	656
Employee termination benefits	1,194	1,187
Financial liabilities	14,818	7,453
Deferred tax liabilities	1,116	701
Other liabilities	1,279	1,379
Total	161,611	136,525
Current liabilities		
Provisions for risks and charges	552	863
Trade payables	1,556	1,583
Current tax liabilities	509	12
Other liabilities	1,924	2,319
Financial liabilities	69,286	59,476
Total	73,827	64,253
TOTAL EQUITY AND LIABILITIES	245,767	208,883

CONSOLIDATED STATEMENT OF NET PROFIT (LOSS) OF THE PERIOD

Third quarter 2019	Third quarter 2018		For the nine months ended 30 September 2019	For the nine months ended 30 September 2018
800	828	Revenue from Mail, Parcels & other	2,555	2,589
171	163	Revenue from Payments, Mobile & Digital	477	470
1,174	1,168	Revenue from Financial Services	3,838	3,844
424	363	Revenue from Insurance Services after movements in technical provisions and other claims expenses	1,219	1,048
3,728	3,837	<i>Insurance premium revenue</i>	<i>13,854</i>	<i>12,708</i>
1,273	939	<i>Income from insurance activities</i>	<i>4,537</i>	<i>2,668</i>
(4,526)	(4,400)	<i>Net change in technical provisions for insurance business and other claim expenses</i>	<i>(17,006)</i>	<i>(13,479)</i>
(51)	(13)	<i>Expenses from insurance activities</i>	<i>(166)</i>	<i>(850)</i>
2,568	2,522	Net operating revenue	8,089	7,951
548	569	Cost of goods and services	1,637	1,695
18	6	Expenses from financial activities	53	41
1,289	1,305	Personnel expenses	4,121	4,151
194	133	Depreciation, amortisation and impairments	575	406
(7)	(4)	Capitalised costs and expenses	(21)	(10)
63	54	Other operating costs	150	146
5	3	Impairment loss/(reversal) on debt instruments, receivables and other assets	34	13
459	456	Operating profit/(loss)	1,540	1,509
19	15	Finance costs	59	54
22	31	Finance income	76	85
-	-	Impairment loss/(reversal) on financial instruments	-	-
2	5	Profit/(Loss) on investments accounted for using the equity method	6	13
464	477	Profit/(Loss) before tax	1,563	1,552
144	156	Income tax expense	480	496
320	321	NET PROFIT FOR THE PERIOD	1,083	1,056
320	321	of which, attributable to owners of the Parent	1,083	1,056
-	-	of which, attributable to non-controlling interests	-	-
0.246	0.246	Earnings per share	0.833	0.809
0.246	0.246	Diluted earnings per share	0.833	0.809

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the nine months ended 30 September 2019	For the nine months ended 30 September 2018
Unrestricted net cash and cash equivalents at beginning of period	1,639	1,978
Unrestricted net cash and cash equivalents at beginning of period	1,556	448
Current account overdrafts	-	1
Cash and cash equivalents at beginning of period	3,195	2,428
Cash and cash equivalents at beginning of period	3,195	2,428
Profit/(loss) for the period	1,083	1,056
Depreciation, amortisation and impairments	575	406
Losses and impairments/(recoveries) on receivables	27	15
(Gains)/Losses on disposals	1	-
(Increase)/decrease in inventories	(6)	(2)
(Increase)/decrease in receivables and other assets	(188)	(592)
Increase/(decrease) in payables and other liabilities	34	118
Movement in provisions for risks and charges	(393)	(402)
Movement in provisions for employee termination benefits and pension plans	(109)	(62)
Differences in accrued finance costs and income (cash correction)	97	(19)
Other changes	(40)	313
Net cash flow generated by/(used in) non-financial operating activities	[a] 1,081	831
Increase/(decrease) in financial liabilities attributable to financial, payment service, card payment and insurance activities	10,660	3,868
Cash generated by/(used for) financial assets attributable to financial, payment service, card payment and insurance activities	(13,879)	(9,427)
(Income)/Expenses and other non-cash components	(3,279)	(1,157)
Increase/(decrease) in net technical provisions for insurance business	6,160	7,162
Cash generated by/(used for) financial assets attributable to financial, payment service, card payment and insurance activities	[b] (338)	446
Net cash flow from/(for) operating activities	[c]=[a+b] 743	1,277
<i>Investing activities</i>		
Property, plant and equipment, investment property and intangible assets	(389)	(260)
Investments	-	(30)
Other financial assets	(15)	-
<i>Disposals</i>		
Property, plant and equipment, investment property and intangible assets and assets held for sale	1	2
Investments	1	-
Other financial assets	27	169
Net cash flow from/(for) investing activities	[d] (375)	(119)
Proceeds from/(Repayments of) borrowings	(958)	(978)
(Increase)/decrease in loans and receivables	-	-
(Purchase)/disposal of own shares	(40)	-
Dividends paid	(574)	(549)
Net cash flow from/(for) financing activities and shareholder transactions	[e] (1,572)	(1,527)
Net increase/(decrease) in cash	[f]=[c+d+e] (1,204)	(369)
Cash and cash equivalents at end of period	1,991	2,059
Cash and cash equivalents at end of period	1,991	2,059
Restricted net cash and cash equivalents at the end of period	(821)	(1,088)
Unrestricted net cash and cash equivalents at end of period	1,170	971

* * *

Poste Italiane reports its quarterly financial reports on a voluntary basis, with a focus on business highlights in compliance with art. 82-ter of the CONSOB Issuers Regulations (as amended by CONSOB Resolution no. 19770 of 26 October 2016), which gives listed companies whose Member State of origin is Italy, the faculty to voluntarily publish additional periodic financial information besides their annual and half-yearly reports.

The document containing the Interim Financial Report as of 30 September 2019 will be published by the deadline set out by the law, made available to the public at the Company's head office, on the Company's website (www.posteitaliane.it), on the website of the authorised storage system "eMarket Storage" (www.emarketstorage.com), and filed with Borsa Italiana S.p.A. (www.borsaitaliana.it), the Italian stock exchange.

* * *

Declaration by the Executive responsible for preparing the corporate accounting documents

The undersigned, Alessandro Del Gobbo, in his capacity as Executive responsible for preparing Poste Italiane's corporate accounting documents (Dirigente Preposto)

DECLARES

that, pursuant to art. 154-BIS, par. 2, of the Consolidated Financial Bill of February 24, 1998, accounting information disclosed in this document corresponds to document results and accounting books and records.

This document includes summary financial information and should not be considered a substitute for Poste Italiane Group Interim Financial Report as of 30 September 2019.

Rome, 6 November 2019