

Reports and Attestations



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REPORTS AND ATTESTATIONS





Attestation of the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2017 pursuant to art. 154-bis, paragraph 5 of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999

1. The undersigned, Matteo Del Fante, as Chief Executive Officer, and Luciano Loiodice, as Manager responsible for Poste Italiane SpA's financial reporting, having also taken account of the provisions of art.154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:

- the adequacy with regard to the nature of the Poste Italiane Group and
- the effective application of the administrative and accounting procedures adopted in preparation of the Poste Italiane Group's consolidated financial statements during the period from 1 January 2017 to 31 December 2017.

2. In this regard, it should be noted that:

- the adequacy of the administrative and accounting procedures adopted in preparation of the Poste Italiane Group's consolidated financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the Internal Control-Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the internal control system over financial reporting did not identify any material issues.

3. We also attest that:

3.1 the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2017:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
29 March 2018

Chief Executive Officer

Manager responsible for financial reporting

Matteo Del Fante

Luciano Loiodice

(original signed)

(original signed)

(This certification has been translated from the original which was issued in accordance with Italian legislation)

Attestation of the separate financial statements for the year ended 31 December 2017 pursuant to art. 154-bis, paragraph 5 of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999

1. The undersigned, Matteo Del Fante, as Chief Executive Officer, and Luciano Loiodice, as Manager responsible for Poste Italiane SpA's financial reporting, having also taken account of the provisions of art.154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company and
- the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the period from 1 January 2017 to 31 December 2017.

2. In this regard, it should be noted that:

- the adequacy of the administrative and accounting procedures adopted in preparation of Poste Italiane SpA's separate financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the Internal Control-Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the internal control system over financial reporting did not identify any material issues.

3. We also attest that:

3.1 the separate financial statements for the year ended 31 December 2017:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the issuer.

3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, Italy
29 March 2018

Chief Executive Officer

Manager responsible for financial reporting

Matteo Del Fante

Luciano Loiodice

(original signed)

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(This certification has been translated from the original which was issued in accordance with Italian legislation)

**REPORT TO SHAREHOLDERS BY THE
BOARD OF STATUTORY AUDITORS of POSTE ITALIANE SPA
pursuant to art. 153 of Legislative Decree 58/1998**

Dear Shareholders,

During the year ended 31 December 2017, Board of Statutory Auditors of Poste Italiane SpA (hereinafter also the “Company” or the “Parent Company”) fulfilled its statutory duties in accordance with the Italian Civil Code and Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, Legislative Decree 58/1998 (*Testo Unico della Finanza*, the Consolidated Law on Finance), pursuant to Presidential Decree 144/2001 “Regulations governing the services provided by BancoPosta”, and in accordance with the provisions applied to BancoPosta by the relevant authorities. In conducting its duties, the Board also took into account the indications contained in the Corporate Governance Code for Listed Companies, which the Company formally adopted with the Board of Directors’ resolution of 31 July 2015. The oversight activities required by law were also conducted in accordance with the standards for boards of statutory auditors drawn up by the Italian accounting profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) on 15 April 2015.

Election and activities of the Board of Statutory Auditors

The undersigned members of the Company’s Board of Statutory Auditors, elected by the Annual General Meeting of shareholders held on 24 May 2016, are Mauro Lonardo, Chairman, and Alessia Bastiani and Maurizio Bastoni, standing Auditors.

The Board of Statutory Auditors obtained the information necessary in order to carry out its appointed duties by attending all Board of Directors’ and Board Committee meetings, by taking part in the induction sessions organised by the Company, by holding meetings with the Company’s principal functions and - above all with internal auditing staff and the Supervisory Board - and with the Company’s management, as well as through ongoing contact with the Manager responsible for financial reporting and with the Independent Auditor, PricewaterhouseCoopers SpA, who are responsible for auditing the separate and consolidated financial statements.

On the above basis, the following information is provided in accordance with the provisions of CONSOB announcement DEM/1025564/2001, following the numerical order established thereby, as amended by announcement DEM/3021582 of 4 April 2003 and then by announcement DEM/6031329 of 7 April 2006.

A) Oversight of compliance with the law and the Company's By-laws and with correct corporate governance principles, the adequacy of the organisational structure and the administrative and accounting systems adopted by the Company, and with Legislative Decree 39/2010, as amended.

1. The most significant transactions having an impact on the results of operations and financial position and their compliance with the law and the By-laws.

The Board of Statutory Auditors verified compliance with the law and the By-laws, periodically receiving information from the Directors on the overall operating performance, the outlook for the Company and on the most significant transactions having an impact on the results of operations and financial position decided on and carried out by the Company and other Poste Italiane Group companies during the year.

Full disclosure regarding these transactions is provided in the Directors' Report on Operations, to which reference should be made.

The meetings were conducted in accordance with the By-laws, the related legislation and regulations governing their conduct and, within the scope of our responsibilities, the Board can provide reasonable assurance that the actions approved comply with the law, the By-laws and correct corporate governance principles and were not manifestly imprudent, risky or in conflict with resolutions approved by General Meeting, or such as to compromise the value of the Company; from the information provided during the Board of Directors' meetings, there is no evidence that the Directors have carried out transactions giving rise to a potential conflict of interest with the Company.

2. and 3. Exceptional or unusual transactions, including those with Group companies or related parties.

In this regard, the Board declares that:

- ✓ based on the assessments conducted, we are not aware of exceptional or unusual transactions with Group companies, third parties or other related parties;
- ✓ the procedures applied by the Company in conducting related party transactions comply with the principles contained in CONSOB Regulation 17221 of 12 March 2010;
- ✓ infra-group or related party transactions did not give rise to critical issues;
- ✓ with regard to transactions conducted by relevant persons and by persons closely associated with them (provisions relating to "Internal Dealing"), the Board verified

that the Company has adopted specific internal regulations and procedures for such disclosures following the revised interpretation provided by ESMA and the changes introduced by CONSOB Resolution 19925 of 22 March 2017.

The Board oversaw effective implementation of the rules governing related party transactions, by attending meetings of the Related and Connected Parties Committee. The Directors have provided adequate disclosure on intra-group and related party transactions in the Report on Operations and the notes to the separate and consolidated financial statements. Considering the very high number of related parties, the Board welcomes the fact that:

- a register of Related and Connected Parties (the “Single Database”) has been created using a secure IT platform and includes approximately 2,600 persons;
- during 2017, the “Single Database” was integrated with other databases within the Company and, specifically, with the SAP database for the purchasing cycle and, as regards the sales cycle, with the IR system used by the Business and Public Administration market function;
- as of the preparation of the final accounts for 2018, the responsible persons indicated by Company functions access the Single database directly from the Company’s intranet; migration of the database of transactions to a secure platform has begun. The IT system will – from the release date of 30 June 2018 - enable transactions to be loaded directly via a guided web interface, entering the contracts that are the responsibility of the department and, at the same time, automatically notifying the relevant function of any aspects that are of relevance with regard to related parties and for the correct reporting and management of the eventual authorisation process by the related committee.

Once the IT platform for tracking and reporting the numerous transactions has been completed, given their complexity and diverse nature, the Board recommends that the process be revised in line with the new IT system.

4. Oversight of the financial reporting process. Observations and proposals regarding any qualifications or emphases of matter contained in the Independent Auditor’s report.

The Board of Statutory Auditors, identified by art. 19, paragraph 2 of the Consolidated Law as the “Committee responsible for internal and statutory auditing”, oversaw the financial reporting process.

The Board of Statutory Auditors has verified the existence of adequate regulations and processes relating to the financial reporting process, examining the process that enables the Manager responsible for financial reporting, appointed pursuant to Law 262/2005, and the Company's and the Group's Chief Executive Officer to issue the attestations required by art. 154-*bis* of the Consolidated Law on Finance.

The administrative and accounting procedures adopted in preparation of the separate and consolidated financial statements, and of any other financial communication, have been drawn up under the responsibility of the Manager responsible for financial reporting who, together with the Chief Executive Officer, has attested to their adequacy with regard to the nature of Poste Italiane and to their effective application.

The Board of Statutory Auditors has also examined the reports prepared by the Independent Auditor, PricewaterhouseCoopers SpA, appointed by Annual General Meeting of Poste Italiane's shareholder to audit the separate and consolidated financial statements for the financial years from 2011 to 2019.

The Independent Auditor issued its reports on the separate and consolidated financial statements for the year ended 31 December 2017, prepared pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, on 20 April 2018. Both the form and the content of audit reports on financial statements have been significantly revised, following the changes introduced by the reform of the statutory auditing process implemented by Legislative Decree 135/2016, which has amended the provisions of Legislative Decree 39/2010.

Details of the opinions and statements are provided in the reports issued by the Independent Auditor. In its reports on the financial statements, the Independent Auditor has:

- ✓ issued an opinion stating that Poste Italiane' separate and consolidated financial statements provide a true and fair view of the financial position of the Company and the Group at 31 December 2017 and of the results of operations and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and with the regulations issued in implementation of article 9 of Legislative Decree 38/05;
- ✓ stated that, as required by art. 14, paragraph 2.e) of Legislative Decree 39/10 and article 123-*bis*, paragraph 4 of Legislative Decree 58/98, it has performed the audit procedures

required under auditing standard (SA Italia) no. 720B in order to express an opinion of the consistency of the report on operations and of the specific information included in the report on corporate governance and the ownership structure, referred to in article 123-bis, paragraph 4 of Legislative Decree 58/98, with Poste Italiane's separate and consolidated financial statements for the year ended 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any. As a result, the Independent Auditor has also confirmed that the above report on operations and specific information included in the report on corporate governance and the ownership structure are consistent with Poste Italiane's separate and consolidated financial statements for the year ended 31 December 2017 and have been prepared in compliance with the law.

The Independent Auditor's reports do not contain qualifications or emphases of matter. The Independent Auditor's reports have been issued in the new format required by art. 10 of Regulation (EU) 537/2014. In particular, the reports include information on key matters covered by the audit and the related audit procedures applied. As referred to in the reports on the separate and consolidated financial statements, these key matters (the Recoverable amount of the "Mail, Parcels and Distribution" segment, Measurement of the technical provisions for the insurance business, Valuation of unlisted financial instruments measured at fair value and Recognition of acquisition of the investment in FSIA Investimenti Srl), and the opinions on the separate and consolidated financial statements, are in line with the contents of the supplementary report to the for the Board of Statutory Auditors in its role as committee responsible for internal and statutory auditing, prepared pursuant to article 11 of the above Regulation.

With regard to the recommendations made by the Independent Auditor in relation to 2016, as referred to in the previous Board of Statutory Auditors' report, (the need to further improve the adequacy of the design and effective functionality of the overall system of internal controls, and the need to strengthen implementation and development of the IT systems and supports used in the Company's and the Group's financial reporting), the Independent Auditor, following the steps taken by the Company in 2017 and the specific commitments given by management to complete the process in 2018, does not believe that the related issues constitute significant shortcomings in internal controls in 2017, partly in view of the targeted audit procedures carried out by Poste Italiane's Internal Auditing function at the specific request of the Board of Statutory Auditors. Therefore, from an assessment of the Independent Auditor's

recommendations with regard to 2017, in the light of the evidence made available to the Independent Auditor by the Company and the checks conducted, no significant deficiencies have been identified for 2017. In addition, the three observations in the letter of recommendations for 2016, and which have been followed up on, are not considered by the Independent Auditor to be significant deficiencies.

In addition, the Independent Auditor has not reported any events or circumstances identified during the audit that might cast significant doubt on the entity's ability to continue as a going concern, nor has it reported any significant deficiencies in the internal control system over financial reporting and/or in the accounting system, or any significant instances of non-compliance, whether effective or assumed, with laws and regulations or the By-laws, that have come to light during its audit.

The Independent Auditor has also today issued its report on the non-financial statement prepared pursuant to article 3, paragraph 10 of Legislative Decree 254/2016 and article 5 of CONSOB Regulation 20267. Based on the work performed, the Independent Auditor has stated that nothing has come to its attention that would cause it to believe that the Poste Italiane Group's non-financial statements for the year ended 31 December 2017 has not been prepared, in all material respects, in compliance with article 3 and 4 of the Decree and with the GRI Standards. Through specific meetings with both the function involved in preparing the statement and Independent Auditor, the Board of Statutory Auditors has overseen compliance with the provisions of Legislative Decree 254/2016, within the scope of the responsibilities assigned to us by law.

5. and 6. Information on any complaints presented pursuant to art. 2408 and petitions

During the year, and through to today's date, the Board has received five complaints pursuant to art. 2408 of the Italian Civil Code, all lodged by the same shareholder:

- i. *Complaint dated 31 March 2017*, relating to alleged irregularities in managing the shareholder register, the failure to computerise the register and the resulting shortcomings regarding its update. In this regard, the Board had already conducted a preliminary investigation, involving discussions with the Company's management and resulting in the conclusion that the Company had acted in accordance with the applicable regulations. Based on a further examination of the evidence, the Board believes that it is in a position to confirm that Company has met its statutory requirements. We have found that: the original shareholder register is held at the Company's headquarters located in Roma at Viale Europa 175; the

shareholder register may be consulted in digital form by accessing a dedicated platform; in accordance with the relevant statutory requirements, the register is updated on the occasion of General Meetings and when dividends are paid, with the latest dividend payment occurring in June 2017. As regards the possibility for a shareholder to consult the register in question via the dedicated platform, the Board of Statutory Auditors has recommended that steps be taken to ensure the confidentiality of information about other shareholders. The Board has also suggested that the Company consider insert specific rules into its By-laws, governing access to the shareholder register, when the By-laws are next revised.

- ii. *Complaint dated 18 September 2017*, in which, with reference to a newspaper report, the complainant requested the Board to find out if Poste Italiane SpA has transferred funds to its subsidiary, Mistral Air Srl, to cover the latter's losses and, if so, in what amount. The Board has on many occasions looked into the management and performance of the subsidiary, Mistral Air. With regard to the specific complaint in question, discussions with the relevant management have revealed that capital injections over the last 5 years amount to approximately €42 million. The financial support provided over the years by the Company, with the sole aim of ensuring that the airline is able to continue in operation, has been indispensable in enabling the subsidiary to meet the relevant regulatory standards for quality relating to delivery times for certain postal products (next-day), and in safeguarding an asset considered strategic in view of the growth of e-commerce.
- iii. *Complaint dated 18 September 2017*, in which the complainant drew attention to a parliamentary question, dated 14 September 2017, regarding problems with the mail delivery service in certain areas of the Lombardy region. Following an investigation, the Board, which looked at both the Company's conduct and the actions decided on in order to overcome the reported problems, believes that the disruption that occurred, and referred to in the complaint, were due to operational issues and not to wilful misconduct or gross negligence.
- iv. *Complaint dated 29 October 2017*, regarding Mistral Air Srl's decision to recognise a specific pilots' union. Based on our investigation, the Board that there are no grounds for the complaint. The Human Resources department had noted that the union referred to by the complainant did not have a wide membership base and, for this reason, did not have the rights established under title III of Law 300/1970 (to the so-called *Statuto dei Lavoratori* or Workers' Statute).

v. Finally, the last *complaint dated 15 January 2018*, regarding the fine of over €20 million imposed by the AGCM (*Autorità Garante della Concorrenza e del Mercato* – the Antitrust Authority) on 13 December 2017 for an abuse of Poste Italiane’s dominant market position as per art. 102 of the TFEU. This followed an investigation of the Company’s alleged anti-competitive behaviour in respect of the multi-item ordinary mail delivery market. The Board of Statutory Auditors had already carried out a preliminary examination of the matter, following a complaint from the sale shareholder dated 9 June 2016, in the period in which the AGCM was conducting its investigation. Based on the information obtained during meetings with the head of the Legal Affairs unit and our examination of the documentation prepared by him, in its report to shareholders on 2016, the Board reported that it had found no evidence of irregularities, but that it would continue to monitor developments as the investigation proceeded. Partly in response to developments in the dispute, the Board believes that there are no grounds for criticising the actions of the Company’s management, which has acted in the interests of the Company in taking steps to protect its postal business. The Board of Statutory Auditors has, however, recommended the arrangement of a process requiring that, prior to the launch of any new products or services, the marketing and commercial functions request an *ex-ante* assessment of the related antitrust risk on the part of the relevant legal affairs function. In addition, the Company has already included in the new Regulations for BancoPosta’s organisation and operations, approved by the Board of Directors on 29 March 2018, a process for overseeing the launch of new products and services. This involves *ex-ante* assessments by BancoPosta’s control functions and the resulting issue of a binding opinion, with each function focusing on its respective area of responsibility, in order to validate the new product and implement any subsequent initiatives or further action.

Briefly, in response to the complaints received, the Board of Statutory Auditors has conducted appropriate investigations with the support of the relevant functions, assessing the grounds for the complaints, the adequacy of the actions taken, and monitoring the process of identifying any individual responsibility. As a result of our checks, we have concluded that there are no irregularities to report to the Annual General Meeting.

In addition, during the year and to date, the Board of Statutory Auditors has received six reports/petitions from third parties, in response to which the Board requested action by the

relevant functions. In five of these cases, following the checks carried out, we did not identify any irregularities to be reported to the Annual General Meeting. In one case regarding a subsidiary, following checks carried out with the aid of the Internal Auditing function, the Board flagged the need to strengthen oversight of subsidiaries' procurement by the Group's Purchasing function, including in terms of the procedures applied. This was acted on by the Company through a review of its procurement model, a revision of internal procurement rules and the start-up of a progressive centralisation of the Group's purchasing, in keeping with the specific nature of the goods and services needed for each of the Group's areas of business.

7. and 8. Oversight of the independence of the Independent Auditor. Disclosure of any additional non-audit engagements or ongoing relations with associates of the Independent Auditor and the related costs.

The Board of Statutory Auditors has received the Independent Auditor's annual declaration confirming its, prepared pursuant to art. 6, paragraph 2.a) of Regulation (EU) 537/2014 and paragraph 17 of ISA Italia 260, which confirms compliance with the ethical principles required by articles 9 and 9-bis of Legislative Decree 39/2010, not having identified situations that could compromise the Independent Auditor's independence in the period from 1 January 2017 until the date of issue of the declaration (20 April 2018).

In view of the application, from 17 June 2016, of Regulation (EU) 537/2014 regarding the statutory audit of public-interest entities, and the amendments to Legislative Decree 39/10 introduced by Legislative Decree 135/16, in force from 5 August 2016, in line with the Board of Statutory Auditors' recommendations, the Company has, under the Board's supervision, drawn up new Guidelines for the appointment of independent auditors, in accordance with the new regulations. The "Guidelines for the assignment of appointments to Poste Italiane's Independent Auditor" were submitted for examination by us and approved by the Board of Directors on 15 March 2017. The new guidelines govern the process of prior evaluation and approval of any non-audit engagements assigned to the Independent Auditors and monitoring of the cap on fees provided for in the EU Regulation at Group level.

Attached to the notes to the Company's separate financial statements is a section entitled "Disclosure of fees paid to the Independent Auditors in accordance with art. 149 *duodecies* of the CONSOB Regulations for Issuers", which includes a table showing the fees payable

to the Independent Auditors, PricewaterhouseCoopers SpA, and companies within its network for the year under review.

In view of:

- ✓ the declaration of independence issued by PricewaterhouseCoopers SpA pursuant to art. 6, paragraph 2.a) of Regulation (EU) 537/2014 and the transparency report prepared by them and published on their website pursuant to art. 13 of the above Regulation;

- ✓ the engagements assigned to the Independent Auditors and companies within its network by Poste Italiane SpA and Group companies;

the Board is not aware of any situations in which the Independent Auditors' independence has been compromised.

In accordance with the Poste Italiane Group's "Guidelines for the assignment of appointments to Poste Italiane's Independent Auditor", the Board of Statutory Auditors has issued the following favourable opinions on non-audit engagements of the Independent Auditor, or of companies within its network, in 2017:

Engagement	Amount
Addition to the engagement of PwC for the voluntary audit of the (annual and half-year) reporting packages prepared by Poste Vita SpA solely for the purpose of preparing the Poste Italiane Group's consolidated financial statements for the years from 2016 to 2019	€160,000 plus expenses capped at 5% of the fees and VAT (annual fee of €40,000)
Conduct of an audit, at the request of Cassa Depositi e Prestiti, regarding the distribution and management of postal savings products in 2016 (a descriptive report on the accounting system and controls connected with Postal Savings – Bancoposta RFC's operations and a report prepared by the Independent Auditor of Poste Italiane's financial statements on specific audits of the procedures that make up the above system within the scope of the services provided by Poste Italiane to CDP).	€55,000 plus €2,750 as reimbursement of out-of-pocket and administrative expenses and VAT
With regard to the annual update of Poste Italiane SpA's Euro Medium Term Note Programme (Bonds issued in June 2013 and listed on the Luxembourg Stock Exchange): the issue of a Comfort Letter, for the benefit of Poste Italiane and the dealer banks, and a review of the English translation of the consolidated financial statements for the year ended 31 December 2016 and of the interim report for the six months ended 30 June 2017.	€40,000 (plus expenses capped at 5% of the fees and VAT) for the Comfort Letter. €30,000 (plus expenses capped at 5% of the fees and VAT) for the review of the financial statements in English
Assurance of the "Consolidated Non-financial Statement" for the years from 2017 to 2019.	€270,000 plus VAT (€70,000 for each of the three years in the three-year period, in addition to €60,000 in the first year of the engagement for the conduct of certain preliminary activities)

Since approval of the new "Guidelines for the assignment of appointments to Poste Italiane's Independent Auditor", drawn up following the change in the regulatory

framework, the Parent Company's Board of Statutory Auditors is required to give its express approval for engagements assigned to the Independent Auditor by subsidiaries.

9. Disclosure of opinions issued pursuant to the law during the year.

Pursuant to art. 2389, paragraph 3 of the Italian Civil Code, with regard to the remuneration of directors with delegated powers, the Board issued favourable opinions on the fees payable to the Chairwoman of the Board of Directors, the Chief Executive Officer and members of Board Committees. The opinions in question, as defined by art. 2389, paragraph 3, solely regard compensation for the position of executive Director and do not relate to any employment relationship and the related MBO and LTI schemes.

Lastly, the Board issued a reasoned opinion for the next general meeting of shareholders on the payment of supplementary fees to the Independent Auditor for carrying out the additional activities required by the new Regulation (EU) 537/2014 and resulting from the application of the new accounting standards, IFRS 9 and IFRS 15.

10. Disclosure of the frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors

During the year, the Board of Statutory Auditors took part in a total of 91 meetings. The Board met on 40 occasions as the Board of Statutory Auditors (including 9 held jointly with the Audit and Risk Committee), with the meetings having an average duration of approximately 2 hours and 56 minutes. We attended all Board of Directors' meetings and all those of Board Committees. Specifically, the Board of Statutory Auditors attended 14 Board of Directors' meetings, 14 meetings of the Audit and Risk Committee (including 9 held jointly with the Board of Statutory Auditors), 5 meetings of the Nominations Committee, 14 meetings of the Related and Connected Parties Committee, 12 meetings of the Remuneration Committee, attended by at least one Statutory Auditor, and 1 Ordinary General Meeting.

The overall commitment for each member, including any further duties carried out by the Board of Statutory Auditors, amounts to approximately 500 hours per Statutory Auditor and approximately 600 hours in the case of the Chairman, marking a significant increase with respect to the volume of activity envisaged at the time of the Board's election by. The difference reflects an underestimate of both the work in general of the Board of Statutory Auditors and the work carried out in relation to the Corporate Governance Code, the impact of the various new regulatory and statutory requirements on the Board's duties (the

Non-financial Statement and the new accounting standards, IFRS 9 and 15) and the activities related to inspections by supervisory authorities.

The Magistrate appointed by the Italian Court of Auditors to oversee Poste Italiane was always invited to attend meetings of the Board of Statutory Auditors concerning the control system.

11. and 12. Observations on compliance with correct corporate governance principles and the adequacy of the organisational structure

The Board of Statutory Auditors oversaw, within the scope of our responsibilities, the adequacy of the Company's organisational structure and, more generally, that of the Poste Italiane Group as a whole, based on the information and constant updates provided by the Company's on its organisational arrangements. Given the complexity of the Company's and the Group's organisational structure, which is subject to continuous change, the Board of Statutory Auditors judges the organisational structure to be adequate. With regard to art. 1 of the Corporate Governance Code, and considering the new structure of the authorities assigned by the Board of Directors on 25 January 2018 and approval of the new strategic plan for the period 2018/2022, the Board of Statutory Auditors wishes to stress the need for the Board of Directors to ensure periodic assessment of the adequacy of the organisational structure.

13. Oversight of adequacy of the internal control system

With regard to the internal control and risk management system, the Board has noted the information on the system provided in the "Annual Report on Corporate governance and the Ownership Structure".

We have examined the Report for 2017 prepared by Poste Italiane SpA's Internal Auditing function, the corresponding report prepared by BancoPosta's Internal Auditing function and the document resulting from the assessment of the Group's internal control system conducted by Poste Italiane's Internal Auditing, according to which *"no evidence has emerged, at the date of this report, of any shortcomings in Poste Italiane's internal control and risk management system, taken as a whole"*, with the exception of a concern regarding the internal control system over management of the logistics processes for letter and parcel post. In this regard, noting that the Company has already decided on the action to be taken in order to strengthen the internal control system over this area, the Board of Statutory

Auditors recommends that the Board of Directors monitor effective implementation of the action plans within the indicated deadlines.

The Board of Statutory Auditors met periodically with the Group's Internal Auditing function and examined its report for 2017. The improvements and corrective measures, identified in response to the issues raised at Group level by the Internal Auditing function, require everyone involved to closely comply with the deadlines provided for.

With regard to the various recommendations made by the Board of Statutory Auditors in the previous report on the financial statements for 2016, relating to the need to strengthen the internal control system and Poste Italiane SpA's role in providing guidance, coordination and control, we welcome the fact that many of the recommendations have been implemented by the Company through the Corporate Affairs department, which has taken a number of important steps described below.

Firstly, the Company has revised its previous internal control system and risk management guidelines, dating back to July 2015. This has involved changing the form of the guidelines to reflect the effective separation of the role of the Supervisory Board, which until 2016 had been assigned to the Board of Statutory Auditors, and amending their substance by incorporating the structure of additional information flows regarding risks between the Company's functions and the Board of Statutory Auditors.

With regard to the request, set out in the previous Board of Statutory Auditors' report, to define a number of cross-organisational roles, in order to ensure a unified approach to management of the Company's functions and its subsidiaries, the Board of Statutory Auditors welcomes the creation of the Corporate Affairs department, given specific responsibility for ensuring a consistent approach to managing the Poste Italiane Group's corporate legal affairs and corporate governance, defining the Group's procurement policies, supporting senior management in effectively implementing and conducting risk management at Group level, and ensuring definition of the Poste Italiane Group's corporate social responsibility guidelines and objectives.

Again with regard to the previous Board of Statutory Auditors' report, in relation to our invitation to review the system for delegating authority by the Board of Directors, we note that, in January 2018, the Company drew up criteria for identifying strategically important transactions entered into by the Company, with a significant impact on the financial position, results of operations and cash flow. The Company now requires such transactions to be examined and approved by the Board of Directors and prior information to be provided in the event of transactions carried out by other Group companies.

In addition, the Board of Directors has implemented various organisational initiatives designed to strengthen the internal control system, as follows:

- the new organisational model required by Legislative Decree 231/2001 was approved on 25 January 2018;
- on the same date, the new Guidelines for the application of Legislative Decree 231/2001 by the Poste Italiane Group was approved, setting out the general requirements to be met by all Group companies when adopting and revising their 231 models;
- new Group Risk Management Guidelines, setting out the Group Risk Management process, were approved on 20 March 2018;
- the Group's new Money Laundering Prevention Guidelines were approved on 25 January 2018;
- new guidelines for the "Corporate Governance System" have been approved, with the aim of establishing the basic principles, the structure and the lifecycles of the various classes of document and the roles and responsibilities of the various person involved, providing guidance for management of the system itself, including with a view to ensuring compliance with the rules set out in the integrated management system;
- the new internal Procurement Regulation was approved towards the end of 2017, which has also taken into account the provisions governing public tenders in Legislative Decree 50 of 18 April 2016, as amended. This was accompanied by approval of the "Group Supplier Qualification System Guidelines" and the "Group Supplier Register Regulations". In addition, work has started on a revised operating model for procurement, which entails a uniform, integrated approach to implementation, with the aim of ensuring the most cost-effective results, in terms of both external and internal costs. In this regard, the Board notes completion of the process with the issue of the above "Group Procurement Regulation", leading to adoption of the resulting procurement procedures, updated in response to suggested procedural improvements;
- the new "Poste Italiane Group Code of Ethics" was approved in April 2018, strengthening the criteria to be followed in relation to conduct and stakeholder engagement, including in response to a concern raised by the Board with regard to potential conflicts of interest;
- new whistleblowing guidelines were approved in April 2018, governing the channels and procedures to be used for reporting and handling irregularities or violations of the law or regulations (including for the purposes of Legislative Decree 231/2001) and also implementing a specific web portal, guaranteeing the anonymity of whistleblowers;

- the new Privacy Guidelines were approved in April 2018, in implementation of the new EU Data Protection regulations (GDPR, Regulation (EU) 2016/679).

The Board of Statutory Auditors also periodically met with the Supervisory Board to obtain information on its activities in 2017. The Board verified effective implementation of the 231 Model following adoption of the new Guidelines for the application of Legislative Decree 231/2001, and, together with the Supervisory Board, assessed the adequacy of, among other things, certain procedures out in place by the Company to monitor procurement. We are not aware of any critical issues regarding correct implementation of the organisational model requiring mention in this report.

In brief, the Board of Statutory Auditors is not aware of critical situations or events that might suggest shortcomings in the internal control system, taken as a whole.

14. Observations on the adequacy of the Company's administrative/accounting system and its reliability in representing operating activities

The Board of Statutory Auditors examined and oversaw, within the scope of our responsibilities, the adequacy of the Company's administrative/accounting system in reliably representing operating activities, the effectiveness of the internal control and risk management system and the financial reporting process, by: (i) gathering information from the heads of the various functions, from the Independent Auditor and from the Manager responsible for financial reporting; (ii) examining the annual report of the Manager responsible for financial reporting; (iii) taking part in the work of the Audit and Risk Committee and the Related and Connected Parties Committee; (iv) examining the annual report on the activities of Poste Italiane SpA's Internal Auditing function and on those of BancoPosta's Internal Auditing function; (v) examining the proposed Audit Plan for 2018, prepared by both Poste Italiane SpA's Internal Auditing function and BancoPosta's Internal Auditing function; (vi) examining reports prepared by Poste Italiane SpA's Internal Auditing function and BancoPosta's Internal Auditing function; (vii) by obtaining information and details of inspections and proceedings conducted by Italian government or European Union bodies and authorities, including those of an independent nature, details of which are provided in the section, "Principal relations with the authorities", in the notes to the financial statements.

The Board also notes the Attestations, dated 29 March 2018, of the separate and the consolidated financial statements for the year ended 31 December 2017 pursuant to art.154-bis, paragraph 5 of Legislative Decree 58/1998 and art. 81-ter of CONSOB

Regulation 11971 of 14 May 1999, in which the Chief Executive Officer and the Manager responsible for financial reporting declare, among other things, that the separate and consolidated financial statements:

- ✓ have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- ✓ are consistent with the underlying accounting books and records;
- ✓ give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

The Chief Executive Officer and the Manager responsible for financial reporting also declare that the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

15. Observations on the adequacy of the adequacy of the guidelines communicated by the Company to its subsidiaries pursuant to art. 11, paragraph 2 of Legislative Decree 58/1998

The Board verified the adequacy of the guidelines communicated by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of the Consolidated Law on Finance, following revision of the "Guidelines for management and publication of confidential information, and creation and maintenance of a register of persons with access to confidential information", approved by the Board of Directors on 22 June 2017. These guidelines and the "Internal Dealing Guidelines", also approved by the Board of Directors on 22 June 2017, are in compliance with the amendments to Italian legislation introduced from July 2016, in compliance with Regulation (EU) 596/2014 of the European Parliament and Council of 16 April 2014 relating to market abuse.

In addition, the Board of Statutory Auditors periodically held meetings with the boards of statutory auditors of the principal Group companies. In particular, the Board has noted the Company's issue of attestations regarding its binding commitment to provide financial support, in 2018, for SDA Express Courier SpA, Mistral Air Srl and, throughout its liquidation, a Poste Tributi ScpA (in liquidation). On 20 March 2017, the subsidiary, Poste Vita, was notified that IVASS (the insurance regulator) was to begin an inspection pursuant to art. 189 of Legislative Decree 209/2005 (the Private Insurance Code - *Codice*

delle Assicurazioni Private), with a view to checking the company's best estimates of its liabilities and the assumptions used in computing the necessary technical provisions and its present and future Solvency Capital Requirement (SCR), as reported in the Board's previous report. Finding that the degree of implementation of the Solvency II framework was satisfactory overall, the regulator did not identify any specific shortcomings, merely making a number of observations regarding methodology and relating to the governance and control system.

16. Oversight of the statutory audit of the annual and consolidated accounts and observations on any key aspects that came to light during meetings with the auditors pursuant to art. 150, paragraph 2 of Legislative Decree 58/1998

The Independent Auditor, with whom the Board held meetings on a periodic basis in compliance with art. 150, paragraph 3 of Legislative Decree 58/1998 (the Consolidated Law on Finance) in order to exchange information in the Board's possession, has not informed us of any actions or events deemed to merit criticism or to be of an irregular nature, requiring specific reports pursuant to art. 155, paragraph 2 of Legislative Decree 58/1998 (the Consolidated Law on Finance).

On 20 April 2018, the Independent Auditors issued the additional report required by article 11 of the Regulation (EU) 537/2014, of which the "Audit Plan 2017", the annual confirmation of independence and the "Letter of recommendations for 2017", previously presented to us by the Independent Auditors, are an integral part. The Board has already examined the contents of such documents during its meetings.

We have not been made aware of information regarding events or circumstances identified during the performance of the audit that might raise significant doubts about the entity's ability to continue to operate as a going concern, nor regarding any material shortcomings in its internal control system over financial reporting and/or in its accounting system, or any significant doubts over instances of non-compliance, whether effective or presumed, with laws, regulations or statutory requirements identified during the performance of the audit.

17. Oversight of application of the Corporate Governance Code for list companies

Pursuant to art. 149, paragraph 1, letter c-bis of the Consolidated Law on Finance, the Board oversaw the procedures involved in effective implementation of the rules provided for in the Corporate Governance Code adopted by the Board of Directors.

- ✓ With regard to the activities provided for in the Corporate Governance Code, during the year, the Board of Statutory Auditors not only held 40 of its own meetings, but also ensured its participation in all meetings of the Board of Directors and at all Board Committee meetings, in addition to general meetings of shareholders, making a total of 91 meetings. Given the large number and the complexity of such meetings, the Board hopes that Board Committee meetings will be scheduled so as to leave a reasonable period of time between them and Board of Directors' meetings, and shares the Board of Directors' desire, expressed at the time of their self-appraisal, to improve the prompt provision of information, above all on the occasion of Board Committee meetings, in spite of the good progress made.
- ✓ As noted above, with regard to the content of last year's report, in compliance with application criterion 1.C.1. letter f) of Corporate Governance Code, and in relation to the powers assigned to the Board of Directors, the Directors have approved guidance for the identification of transactions, carried out by the issuer and its subsidiaries, of strategic, economic or financial importance for the Parent Company, to be submitted for examination and/or approval by the Parent Company's Board of Directors. In this regard, the Board of Statutory Auditors has recommended that the scope of application be extended to include investment transactions carried out by regulated companies within the scope of separately managed accounts, and material purchases, including during initial consideration.
- ✓ With reference to the recommendation made by the Board in the previous report, regarding the establishment of specific guidelines setting out the adopted procedure for assessing the independence of members of the Board of Directors, defining materiality thresholds for the trading, financial or professional relations that could compromise their status as independent, we note that the process of drawing up such guidelines by the Nominations and Corporate Governance Committee is currently in progress. The aim is also to coordinate definition of the procedure with the provisions of the upcoming ministerial decree regarding fit and proper tests for Directors of banks and financial intermediaries, which are to include assessments of independence.
- ✓ In view of the complexity of the relevant transactions and the large number and varied nature of related parties, the Board of Statutory Auditors recommends a general strengthening of the relevant legal and corporate procedures, above all in terms of the recording, assessment and authorisation of related party transactions,

which should take place alongside a revision of the process following implementation of the new IT platform for related parties.

- ✓ We welcome the Board of Directors' decision, in January 2018, to extend the responsibilities of the Nominations and Corporate Governance Committee, also giving the Committee the task of aiding the Board of Directors in conducting assessments, making recommendations and providing advice regarding the Company's and the Group's corporate governance.
- ✓ Likewise, we welcome the Board of Directors' decision, again in January 2018, to give the Audit and Risk Committee, now renamed the Audit, Risk and Sustainability Committee, responsibility of overseeing matters relating to the sustainability of the Company's businesses.
- ✓ The Board of Statutory Auditors, within the scope of our responsibilities, and in accordance with the Corporate Governance Code, also verified the content of the above "Annual Report on Corporate governance and the Ownership Structure", prepared by the Directors in accordance with the instructions contained in Borsa Italiana SpA's Market Regulations and in the Consolidated Law on Finance. The Board, within the scope of our responsibilities, and in accordance with the Corporate Governance Code, also verified the content of the "Remuneration Report" prepared by the Directors. Section I of this report, which is also submitted for express approval by the Annual General Meeting of shareholders, has also been prepared in accordance with the instructions contained in Borsa Italiana SpA's Market Regulations and in the Consolidated Law on Finance. With regard to section II, the Board of Statutory Auditors advised in favour of providing disclosure on an individual basis, based on the different activities carried out in 2017.
- ✓ In 2017, the Board of Statutory Auditors verified correct application of the criteria and procedures used by the Board of Directors to assess the independence of Directors; the annual assessment was also conducted taking into account the Board of Statutory Auditors' recommendation that independence be assessed, in part, on the basis of information available to the entity on any economic or financial transactions and/or relationships between Poste Italiane Group companies, Directors and their related parties, in accordance with the provisions relating to independence requirements set out in art. 3.C.1, letter c) of the Corporate Governance Code. The Board of Directors conducted an assessment of the functionality, size and composition of the Board itself and of Board Committees with the support of a

leading consulting firm, reporting on its findings in the “Annual Report on Corporate Governance and the Ownership Structure”. With regard to assessment of the independence of the Board’s members, the Board of Statutory Auditors verified that all its members meet the related requirements provided for in both the Consolidated Law on Finance and the Corporate Governance Code. The process also took into account the outcome of checks conducted by the entity with regard to any outstanding economic or financial transactions and/or relationships with Poste Italiane Group companies.

Pursuant to the Corporate Governance Code, the Board of Statutory Auditors was also consulted by the Audit and Risk Committee in 2017 regarding the following:

- approval of the MBO plan for the head of the Internal Auditing function;
- definition of the audit plan;
- assessment of the results described in the Independent Auditor’s letter of recommendations and the section of its report on key audit matters in the financial statements for 2016;
- assessment of the correct use of accounting standards and their consistency for the purposes of preparation of the consolidated financial statements.

B) Oversight of BancoPosta RFC

During the year, and through to today’s date, the Board of Directors has approved various regulations and guidelines designed to strengthen the nature and effective functionality of the overall system of internal controls over BancoPosta RFC:

- i) the new “Regulations for BancoPosta’s organisation and operations”;
- ii) the new “General Guidelines governing the process of contracting out BancoPosta’s corporate functions to Poste Italiane”;
- iii) the “Outsourcing guidelines for BancoPosta RFC”;
- iv) investment services procedures;
- v) the “Market abuse guidelines”;
- vi) the “Guidelines for personal trading in financial instruments by relevant persons”;
- vii) the “Guidelines for conflict of interest transactions”.

In December, the Board of Directors also approved revised “Financial Management Guidelines for Poste Italiane” and adopted “IFRS 9 guidelines for the Poste Italiane Group”.

Finally, in January 2018, the Board of Directors approved the “Group Money Laundering Prevention Guidelines”, revised versions of the “Investment services procedures” and “Guidelines for conflict of interest transactions” to comply with MiFID2 requirements, and a further revision of the “Outsourcing guidelines for BancoPosta RFC”.

Lastly, in March 2018, the Board of Directors approved a new regulations governing the organisation of BancoPosta RFC, defining BancoPosta’s operating model, its current organisational structure and the related responsibilities assigned to the various functions.

As noted in the Board of Statutory Auditors’ report for the previous year, in 2017, the Bank of Italy conducted an inspection pursuant to art. 54 of Legislative Decree 385 of 1993 (the Consolidated Banking Law), with the aim of assessing the governance, control and operational and IT risk management systems in relation to BancoPosta’s operations. On 5 May 2017, the Bank of Italy issued an inspection report containing findings that were partly critical, but without imposing any sanctions. Based on the inspection report, a number of areas requiring corrective measure have been identified in relation to: i) risk governance, organisational and control structures; ii) risk management and measurement; iii) IT systems and iv) investment services. As of today, certain corrective measures have been rapidly implemented by the Company, whilst others are still in progress as they require more complex procedures that can often only be implemented with specialist external support. In this regard, the control functions are periodically monitoring implementation of the action plans and the Board of Directors is periodically reporting to the Supervisory Authority and the Board of Statutory Auditors on the progress made in implementing the plans. The Board of Statutory Auditors recommends that the initiatives communicated to the Bank of Italy should be completed, at the latest, within the proposed time-scale and that the control functions conduct checks on their effectiveness.

In addition, on 28 September 2017, the Banking Supervision department of the Rome Branch of the Bank of Italy began an inspection related to money laundering prevention at a sample of 14 post offices located around the country, with the aim of assessing the progress made in implementing the compliance initiatives communicated to the Bank by BancoPosta, following the inspection carried out in 2015. The Bank of Italy’s final inspection report is awaited.

The Board of Statutory Auditors oversaw BancoPosta RFC in accordance with:

- Presidential Decree 144/2001 “Regulations governing the services provided by BancoPosta”, the relevant regulations contained in the Consolidated Banking Law and in

the Consolidated Law on Finance and the implementing regulations for banks, deemed applicable to BancoPosta by the relevant authorities, and in compliance with the BancoPosta RFC Regulation approved by the General Meeting of shareholders held on 14 April 2011 and amended by the Extraordinary General Meeting of 31 July 2015. As required by the above By-laws, the Board of Statutory Auditors examined the specific issues regarding BancoPosta RFC separately, reporting the results in the minutes of Board meetings;

- the Supervisory Standards issued by the Bank of Italy on 27 May 2014 and, more generally, those in Circular 285 of 17 December 2013.

Based on the information received from the Manager responsible for financial reporting, the Independent Auditors, the management of BancoPosta and the heads of BancoPosta's control functions, and the Board's examination of the annual report of the Manager responsible for the internal control system relating to financial reporting, it should be noted that:

- i) BancoPosta RFC's organisation and accounts have been unbundled with respect to the Company's operations. In preparing the Separate Report for BancoPosta RFC, in compliance with the provisions of Law Decree 225/10, converted into Law 10/11, which introduced regulations applicable to BancoPosta RFC, requiring the accounting separation provided for in articles 2214 *et seq.* of the Italian Civil Code and preparation of a separate report, the Company introduced a specific dedicated system. Point 2 of Bank of Italy Circular 285/2013 – part IV of the Standards for particular intermediaries: Bancoposta section II – requires that, in addition to directly attributable revenues and costs, also the charges incurred for the services provided by Poste Italiane in order to enable Bancoposta to operate should be allocated to Bancoposta RFC, and that the allocation of these charges should be based on criteria that reflect the real contribution of the various functions to Bancoposta RFC's results and to those of the Company as a whole. The Board of Statutory Auditors verified, at least every six months, the adequacy of the criteria adopted and, within the scope of our responsibilities as an oversight body, without responsibility for accounting controls, compliance with the applicable statutory and regulatory requirements. Based on the available data and information, the Board of Statutory Auditors believes that the level of control over management of BancoPosta RFC's accounts is adequate;

- ii) as noted by the Directors in the Annual Report, Poste Italiane is in the process of transferring a part of BancoPosta RFC to Poste Mobile, which will in turn create a separate, ring-fenced entity specialising in e-money and payment services enabling it to operate as a hybrid electronic money institution, following receipt of all the necessary consents from the Bank of Italy.

The Board periodically received information from BancoPosta's control functions and studied the outcomes of their audit activities, examining the annual reports prepared by the functions, which it oversaw in accordance with CONSOB Resolution 17297 of 2010.

Based on the activities carried out with regard to BancoPosta RFC, the Board reports that:

As reported above, during the year, and through to today's date, the structure of internal controls over BancoPosta RFC has been further strengthened, including measures already implemented.

The Board of Statutory Auditors held periodic meetings with BancoPosta's internal auditing function ("Internal Auditing"), which has confirmed that the framework for BancoPosta RFC's internal controls is being progressively strengthened and is under continuous development. The Board of Statutory Auditors agreed with the function's opinion that priority should be given to completing the corrective measures identified following the Bank of Italy's inspection of 2017, the CONSOB Plan and the process of ensuring compliance with MiFID2 requirements.

During the year, the Board oversaw, partly with reference to compliance with the Supervisory Standards contained in Bank of Italy Circular 285/2013, and in close conjunction with the Remuneration Committee, correct application of the regulations governing the remuneration of the heads of the Company's control functions.

With regard to control activities contracted out to Poste Italiane functions, the Board of Statutory Auditors, in line with the relevant Supervisory Standards, examined the costs, risks and benefits of the contract.

In terms of measures designed to combat money laundering, as described in the annual report prepared by the relevant function, despite the medium to high degree of "inherent risk" exposure deriving from the nature and extent of BancoPosta's operations, the

vulnerability of BancoPosta’s organisational structure and procedures was judged by the function to be of “little significance” and the processes and procedures adopted and reinforced over time have resulted in a low level of “residual risk”. The Board of Statutory Auditors has noted both the action plan implemented in 2017 and the new action plan for 2018, designed to strengthen internal controls and risk mitigation, recommending that action be taken in accordance with the timing proposed by the function with regard to i) adequate customer checks and profiling, ii) enhanced risk assessment, iii) the reporting of suspect transactions, iv) legal checks, v) the organisational structure, and vi) training. In addition, the Board recommends close monitoring of the reasons for the growing number of reports of suspect transactions (due partly to increases in volumes and the number of customers and to a welcome increase in awareness among post office managers) and the timing of the internal procedures involving in handling such reports.

The Compliance and Risk Management functions have periodically prepared their respective reports on compliance risk and significant risk exposures for BancoPosta, and on the state of progress of the initiatives undertaken as a result of the commitments given to the Bank of Italy (following both the checks carried out in 2015 in relation to the transparency of transactions, the fairness of relations with customers and money laundering, and the inspection conducted in 2016/2017 with the aim of assessing the governance, control and operational and IT risk management systems in relation to BancoPosta’s operations) and to the CONSOB (regarding the provision of investment services). In this regard, the Board of Statutory Auditors was questioned by the supervisory authority on the occasion of the Bank of Italy’s inspection, which was completed in 2017. In a letter from the CONSOB dated 17 January 2018, requesting data and information pursuant to art. 6-*bis*, paragraph 4, letter a) of Legislative Decree 58/1998, the Board was also asked to provide the supervisory authority with its views on specific aspects of investment services and regarding a request for an update on the progress made in implementing the initiatives launched following the inspection of 2014 and with regard to MiFID2 compliance.

BancoPosta’s Compliance function fully completed the action plan for 2017, reporting on the updated results of the assessment and the corrective measures planned for 2018. The function’s assessment of compliance with statutory requirements did not find any instances of “inadequate” compliance, merely a number of examples of partial “non-compliance”,

for which specific actions plans have been drawn up. In this regard, the Board recommends implementation of all the corrective measures relating to the investment services covered by MiFID 2, to insurance broking in connection with the IDD Directive, to banking services and postal savings (above all with regard to improved management of complaints), to the payment services regulated by the PSD2 Directive, to action on cross-functional areas with an indirect impact, above all efforts to strengthen the information system (with particular regard to the definition of Data Governance standards and the management of business continuity and the security of financial services), cash management and occupational health and safety.

The Board recommends continuing to closely monitor the underlying causes of the increased volume of complaints and fraud, so as to give priority to both compliance with EBA guidance on the security of payments, and consolidation of the databases used in assessing operational risk, including the range of sources (complaints, fraud, etc.). In particular, whilst Business Continuity Management is being progressively improved in compliance with the related supervisory requirements, the Board recommends that implementation of the measures needed to complete the compliance programme in 2018 should be speeded up. This is necessary in order to have a disaster recovery capability in place for all finance-related applications, and to overcome the technological and infrastructure obsolescence reported by the Compliance function.

Based on the above, the Board monitored the progress of preparations for the implementation, from 2018, of the new requirements contained in the new European directives regarding investment services (MiFID2), insurance broking (IDD) and the security of payment services (PSD2).

The Risk Management function reported periodically to the Board of Statutory Auditors on its monitoring activities and developments affecting BancoPosta's significant risk exposures. At 31 December 2017, indicators of capital adequacy show a high capital ratio (CET1 of 16.9%) and a high level of own funds which, thanks to a reduction in the exposure to interest rate risk, are than double the Pillar 2 capital requirement (46.1%). In this regard, the Board recommends continuous and close monitoring of the key indicators set out in the Company's Risk Appetite Framework ("RAF") for 2018, with particular regard to the leverage ratio and the cost of operational risks, which rose in 2017.

Operational risk losses recognised in profit or loss for the year were higher than in 2016, primarily due to past events. Despite this, in the Board's view, these events should be

closely monitored on a periodic basis by the Risk Management function to both analyse the related trends and the effects in terms of provisions and the assessment of reputational risk. The Board shares the Risk Management function's concerns regarding the need to further reinforce BancoPosta's capital position, primarily in order to ensure that its leverage ratio remains within the objectives established in the Risk Appetite Framework.

The Board repeats its earlier recommendation to the Board of Directors to periodically monitor financial risk, including on a projected, multi-year basis, checking, through an assessment conducted by the Audit, Risk and Sustainability Committee, the hedging policy. In addition, as in the previous report, in view of the composition of the Group's securities portfolio, persistently falling interest rates and spread risk, with the resulting effects on capital gains and unrealised gains, the Board recommends that the Board of Directors, as happened at the time of presenting the long-term business plan, continue to periodically monitor the key drivers for the Deliver 2022 Plan and the related sensitivity, checking the related controls and assessing the level of residual risk, specifically on a long-term basis.

In view of the assessment carried out, the ICAAP report for 2017/2018, approved in April 2018, shows that BancoPosta RFC's capital is adequate with respect to its current and future risk profile and under stress conditions. This reflects its ability to boost its capital by generating own funds, linked to strong earnings and resilience under stress scenarios.

Finally, in compliance with Bank of Italy's Supervisory Standards, the Board has conducted an assessment of its own adequacy in terms of authority, functionality and composition, disclosing the outcome of its assessment in a specific report.

18. and 19 Final considerations on the audit procedures performed and an indication of any proposals to be presented to the Annual General Meeting pursuant to art. 153, paragraph 2 of Legislative Decree 58/1998

In accordance with CONSOB requirements, we declare that in the performance of our duties we have not been made aware of omissions, instances of negligence, irregularities or evidence of inadequacies in the organisational structure, the internal control system or the administrative and accounting system.

Based on the results of the oversight activities conducted during the year, the Board is not aware of any reason that should prevent approval of Poste Italiane SpA's separate financial

statements or the Poste Italiane Group's consolidated financial statements for the year ended 31 December 2017, or of the Board of Directors' proposal to distribute a dividend.

27 April 2018

Mauro Lonardo - Chairman

Alessia Bastiani - Auditor

Maurizio Bastoni - Auditor

***Independent auditor's report***

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Poste Italiane SpA***Consolidated Financial Statements
as of 31 December 2017***



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Poste Italiane SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Poste Italiane Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Poste Italiane SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

PricewaterhouseCoopers SpA

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditing procedures performed in response to key audit matters
<p>Recoverable amount of the “Mail, Parcels and Distribution” business segment</p> <p><i>Note 2.3 to the consolidated financial statements as of 31 December 2017 “Accounting policies adopted – Impairment of assets”</i></p> <p><i>Note 2.5 to the consolidated financial statements as of 31 December 2017 “Use of estimates”, paragraphs “Impairment test and cash generating units” and “Measurement of other non-current assets”</i></p> <p><i>Note C1 to the consolidated financial statements as of 31 December 2017 “Statement of profit or loss – Revenue from letter post, parcels and other”</i></p> <p><i>Note 4.4 to the consolidated financial statements as of 31 December 2017 “Operating segments”</i></p> <p>The persistent decline of the postal market in which the Poste Italiane Group operates makes the ability to forecast future cash flows and the related prospective operating results of the “Mail, Parcels and Distribution” business segment significantly uncertain. Within this context, based on the new Group Business Plan for the period 2018 – 2022 approved by the Board of Directors of Poste Italiane on 26 February 2018 (the “Business Plan”), the Cash Generating Unit (“CGU”) represented by the “Mail, Parcels and Distribution” business segment was subject to an impairment test, in compliance with IAS36 “<i>Impairment of assets</i>”. Such test was aimed at verifying that the book value of the assets allocated to the CGU, which also includes properties used as post offices and sorting</p>	<p>As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:</p> <ul style="list-style-type: none"> • in-depth technical analysis of the principal hypotheses and assumptions of the Business Plan with reference to the “Mail, Parcels and Distribution” business segment, also through discussions with management of Poste Italiane SpA; verification of the events after the end of the reporting period and reading of the minutes of the corporate governance bodies’ meetings; • update of our understanding of the method to identify the CGU “Mail, Parcels and Distribution” at the level of the parent company Poste Italiane SpA and the method to determine the related recoverable amount in compliance with IAS36 “<i>Impairment of assets</i>” and valuation best practices, verifying that the criteria adopted in prior years have continued to be applied; • obtainment and critical analysis of the impairment test prepared by Poste Italiane SpA based on the aforementioned method, as well as verification of the consistency between the cash flows considered in the abovementioned test with the related book values and data in the Business Plan; • verification of the logical and



centres, can be recovered through their use in operations. In this regard, the “value in use” of the CGU was calculated, which represented the estimate of the future cash flows expected from the use of the assets included in the CGU within the context of regular corporate operations and considering the Universal Postal Service obligation. Such cash flows were discounted at an appropriate rate and account was taken of the transfer prices by which BancoPosta’s Ring-fenced Capital is expected to remunerate the services provided, through the sole and widespread network used by the Group and allocated to the CGU.

Therefore, as part of our audit for the financial year 2017, we focused on the determination of the recoverable amount of the “Mail, Parcels and Distribution” business segment, as well as the reasonableness of the most significant underlying assumptions and hypotheses.

mathematical correctness of the determination of the cash flows in the context of the impairment test mentioned above, as well as of the overall reasonableness of the calculation of the weighted average cost of capital (“WACC”) and of the consistency of the assumptions related to the “terminal value”, that is the value that represents the ability of the company to generate cash flows, estimated beyond the explicit forecast period 2018 – 2022 in the Business Plan;

- verification of the sensitivity analyses prepared by Poste Italiane SpA vis-à-vis any change in key assumptions, comparing the reasonableness of the related results with those deriving from the sensitivity analyses performed by us independently;
- verification of disclosures provided in the consolidated financial statements as of 31 December 2017.

Measurement of the technical provisions for insurance business

Note 2.3 to the consolidated financial statements as of 31 December 2017 “Accounting policies adopted – Insurance contracts”

Note 2.5 to the consolidated financial statements as of 31 December 2017 “Use of estimates – Technical provisions for insurance business”

Note B5 to the consolidated financial statements as of 31 December 2017 “Liabilities – Technical provisions for insurance business”

Note C4 to the consolidated financial statements as of 31 December 2017 “Statement of profit or loss – Revenue from insurance services net of changes in technical provisions for insurance business and cost of claims”

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of the walkthrough analysis and of our understanding of the insurance “provisioning” process, that is the corporate process aimed at determining the liabilities representing the contractual obligations undertaken at the reporting date and in relation to the issued premiums, on the part of an insurance company towards its policyholders;
- update of the analysis of the design and effectiveness, on a sample basis, of the



*Note 6 to the consolidated financial statements
as of 31 December 2017 “Risk management –
Other risks – Insurance risks”*

The technical provisions for the insurance business represent the estimate at the reporting date of the obligations in relation to the issuance of premiums towards the holders of insurance policies entered into by the subsidiaries Poste Vita SpA and Poste Assicura SpA (hereinafter also the “Companies”).

The technical provisions for the insurance business, equal to about Euro 123,650 million, represent about 61% of total liabilities and equity of the Poste Italiane Group as of 31 December 2017. In particular, the mathematical provisions for life insurance amount approximately to Euro 111,014 million, thus constituting almost all of the abovementioned technical provisions for the insurance business recognised in the consolidated financial statements of the Poste Italiane Group as of 31 December 2017.

The technical provisions for the insurance business represent an item the estimate of which is predominant and requires a significant level of professional judgement, depending on diverse and significant assumptions of a technical, actuarial, demographic and financial nature, as well as on the forecasts of future cash flows deriving from the insurance contracts entered into by the Companies and existing at the reporting date.

Therefore, as part of our audit activity, we paid particular attention to the analysis of the measurement techniques and methods of the technical provisions for the insurance business in the consolidated financial statements as of 31 December 2017.

significant controls performed on said provisioning process, also with reference to the quality of the input data used and the consistency between information in the IT systems used by the Companies and the related supporting documentation obtained;

- performance of procedures aimed at verifying the agreement and reconciliation, if any, of the management information with the accounting information used by the Companies, for the purpose of estimating the technical provisions;
- critical analysis of the methods, hypotheses and assumptions adopted by the Companies for estimating the insurance technical provisions;
- comparison of the methods and assumptions mentioned above with the sector regulations and with valuation best practices, as well as verification of whether the criteria adopted in prior years have continued to be applied;
- obtainment and analysis of the documentation prepared by Poste Vita SpA to measure the ability of future cash flows, deriving from the assets in the investment portfolio, to cover obligations towards the policyholders as at 31 December 2017 and, therefore, to verify the adequacy of the measurement of the technical provisions recognised in the consolidated financial statements of the Poste Italiane Group at such date (the so-called: “Liability Adequacy Test”).



Valuation of the unlisted financial instruments measured at fair value

Note 2.5 to the consolidated financial statements as of 31 December 2017 "Use of estimates – Fair value of unquoted financial instruments"

Note 2.6 to the consolidated financial statements as of 31 December 2017 "Determination of fair value"

Note A.5 to the consolidated financial statements as of 31 December 2017 "Financial assets - Fair value hierarchy"

Note B.8 to the consolidated financial statements as of 31 December 2017 "Financial liabilities – Fair value hierarchy"

Note 6 to the consolidated financial statements as of 31 December 2017 "Risk management"

Financial assets classified in levels 2 and 3 of the fair value hierarchy were recognised for an amount of approximately Euro 27,785 million and Euro 1,676 million respectively in the financial statements as of 31 December 2017; moreover, financial liabilities classified in level 2 of the fair value hierarchy were recognised for an amount of approximately Euro 1,676 million.

Level 2 of the fair value hierarchy comprises the measurement of financial instruments based on inputs other than quoted prices in organised and regulated markets ("level 1"), and directly and indirectly observable in the market with reference to the same instruments. On the contrary, level 3 of the fair value hierarchy includes the measurement of financial instruments based also on inputs that are not directly or indirectly observable in the market.

As part of our audit activity, we paid particular attention to the analysis of the measurement

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of the analyses of the design and the effectiveness of the internal control system and the specific corporate guidelines governing IT systems and applications used by the Group for the calculation of the fair value under levels 2 and 3;
- verification, on a sample basis, of the reasonableness of the input assumptions and parameters underlying the valuation techniques used to determine level 2 and level 3 fair value of the financial instruments;
- requests for confirmation and for information from external banks and financial counterparties about financial instrument transactions carried out in 2017;
- verification of disclosures provided in the consolidated financial statements as of 31 December 2017, in compliance with IFRS7 "Financial instruments: disclosures".



techniques and methods of financial instruments that are unquoted on regulated markets and measured at fair value in the financial statements as of 31 December 2017. In particular, the use of estimates mainly concerns specific types of structured securities and derivatives classified in levels 2 and 3 of the fair value hierarchy in compliance with IAS39 “*Financial instruments: recognition and measurement*” and IFRS13 “*Fair value measurement*”.

Recognition of the acquisition of the stake in FSIA Investimenti Srl

Note 2.5 to the consolidated financial statements as of 31 December 2017 “Use of estimates - Goodwill”

Note 3.1 to the consolidated financial statements as of 31 December 2017 “Significant events in the year – principal corporate actions”

Note A4 to the consolidated financial statements as of 31 December 2017 “Investments accounted for using the equity method”

The analysis of the purchase price allocation (equal to about Euro 279 million) of the 30% stake in FSIA Investimenti Srl, which is jointly controlled by Poste Italiane SpA and CDP Equity SpA, and of the consequent measurement at 31 December 2017 of the goodwill included in the value of such stake (equal to about Euro 254 million), represented one of the main activities of our audit process, considering the complexity of the valuation methods and estimates adopted.

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- critical analysis of the documents supporting the transaction, including the minutes of the corporate governance bodies’ meetings, as well as discussions with the corporate functions involved in the determination of the cost of the transaction;
- understanding and assessment of the method used to calculate the fair value of the acquired stake;
- analysis of the accounting for the transaction and of the related disclosures provided in the consolidated financial statements as of 31 December 2017, in compliance with IAS28 “*Investments in Associates and Joint Venture*” and IFRS3 Revised “*Business Combinations*”.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Poste Italiane SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



- expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 April 2011, during the annual general meeting, the shareholders of Poste Italiane SpA appointed us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending 31 December 2011 to 31 December 2019.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No.537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as the audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No.39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

Management of Poste Italiane SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Poste Italiane Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Poste Italiane Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Poste Italiane Group as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and the environment in which it operates obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of Poste Italiane SpA is responsible for the preparation of the non-financial disclosure statement pursuant to Legislative Decree No. 254 of 30 December 2016.



We have verified that management approved the non-financial disclosure statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial disclosure statement is the subject of a separate statement of compliance issued by us.

Rome, 20 April 2018

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.



Independent auditor's report

*in accordance with article 14 of Legislative Decree No. 39 of 27
January 2010 and article 10 of Regulation (EU) No. 537/2014*

Poste Italiane SpA

Financial Statements as of 31 December 2017



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Poste Italiane SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Poste Italiane SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverable amount of the “Mail, Parcels and Distribution” business segment

Note 2.3 to the financial statements as of 31 December 2017 “Accounting policies adopted – Impairment of assets”

Note 2.5 to the financial statements as of 31 December 2017 “Use of estimates”, paragraphs “Impairment test and cash generating units” and “Measurement of other non-current assets”

Nota C1 to the financial statements as of 31 December 2017 “Statement of profit or loss – Revenue from sales and services – Revenue for postal services”

Note 4.4 to the financial statements as of 31 December 2017 “Operating segments”

The persistent decline of the postal market in which Poste Italiane operates makes the ability to forecast future cash flows and the related prospective operating results of the “Mail, Parcels and Distribution” business segment significantly uncertain. Within this context, based on the new Business Plan of the Poste Italiane Group for the period 2018 – 2022 approved by the Board of Directors of Poste Italiane on 26 February 2018 (the “Business Plan”), the Cash Generating Unit (“CGU”) represented by the “Mail, Parcels and Distribution” business segment was subject to an impairment test, in compliance with IAS36 “*Impairment of assets*”. Such test was aimed at verifying that the book value of the assets allocated to the CGU, which also includes properties used as post offices and sorting centres, can be recovered through their use in operations. In this regard, the “value in use” of the CGU was calculated, which represented the estimate of the future cash flows expected from the use of the assets included in the

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- in-depth technical analysis of the principal hypotheses and assumptions of the Business Plan with reference to the “Mail, Parcels and Distribution” business segment, also through discussions with management of Poste Italiane SpA; verification of the events after the end of the reporting period and reading of the minutes of the corporate governance bodies’ meetings;
- update of our understanding of the method to identify the CGU “Mail, Parcels and Distribution” and to determine the related recoverable amount in compliance with IAS36 “*Impairment of assets*” and valuation best practices, verifying that the criteria adopted in prior years have continued to be applied;
- obtainment and critical analysis of the impairment test prepared by Poste Italiane SpA based on the aforementioned method, as well as verification of the consistency between the cash flows considered in the abovementioned test with the related book values and data in the Business Plan;
- verification of the logical and mathematical correctness of the determination of the cash flows in the context of the impairment test mentioned above, as well as of the overall reasonableness of the calculation of the weighted average cost of capital (“WACC”) and the consistency of the assumptions related to the “terminal value”, that is the value that represents the ability of the



CGU within the context of regular corporate operations and considering the Universal Postal Service obligation. Such cash flows were discounted at an appropriate rate and account was taken of the transfer prices by which BancoPosta's Ring-fenced Capital is expected to remunerate the services provided, through the sole and widespread network used by the Company and allocated to the CGU.

Therefore, as part of our audit for the financial year 2017, we focused on the determination of the recoverable amount of the "Mail, Parcels and Distribution" business segment, as well as of the reasonableness of the most significant underlying assumptions and hypotheses.

company to generate cash flows, estimated beyond the explicit forecast period 2018 – 2022 in the Business Plan;

- verification of the sensitivity analyses prepared by Poste Italiane SpA vis-à-vis any change in key assumptions, comparing the reasonableness of the related results with those deriving from the sensitivity analyses performed by us independently;
- verification of disclosures provided in the financial statements as of 31 December 2017.

Valuation of the unlisted financial instruments measured at fair value

Note 2.5 to the financial statements as of 31 December 2017 "Use of estimates – Fair value of unquoted financial instruments"

Note 2.6 to the financial statements as of 31 December 2017 "Determination of fair value"

Note A.5 to the financial statements as of 31 December 2017 "Financial assets attributable to BancoPosta - Fair value hierarchy of financial assets attributable to BancoPosta"

Note B.6 to the financial statements as of 31 December 2017 "Financial liabilities attributable to BancoPosta – Derivative financial instruments"

Note 6 to the financial statements as of 31 December 2017 "Risk management"

Financial assets attributable to BancoPosta, classified in levels 2 and 3 of the fair value hierarchy were recognised for an amount of approximately Euro 3,254 million and Euro 37

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of the analyses of the design and the effectiveness of the internal control system and the specific corporate guidelines governing IT systems and applications used by the Company for the calculation of the fair value under levels 2 and 3;
- verification, on a sample basis, of the reasonableness of the input assumptions and parameters underlying the valuation techniques used to determine level 2 and level 3 fair value of the financial instruments;
- requests for confirmation and for information from external banks and financial counterparties about the financial instrument transactions carried out in 2017;
- verification of disclosures provided in the financial statements as of 31 December 2017, in compliance with IFRS7 "Financial instruments: disclosures".



million respectively in the financial statements as of 31 December 2017; moreover, financial liabilities attributable to BancoPosta, represented by derivative financial instruments, classified in level 2 of the fair value hierarchy were recognised for an amount of approximately Euro 1,638 million.

Level 2 of the fair value hierarchy comprises the measurement of financial instruments based on inputs other than quoted prices in organised and regulated markets ("level 1"), and directly and indirectly observable in the market, with reference to the same instruments. On the contrary, level 3 of the fair value hierarchy includes the measurement of financial instruments based also on inputs that are directly not or indirectly observable in the market.

As part of our audit activity, we paid particular attention to the analysis of the measurement techniques and methods of the financial instruments that are unquoted on regulated markets and measured at fair value in the financial statements as of 31 December 2017. In particular, the use of estimates mainly concerns specific types of structured securities and derivatives classified in levels 2 and 3 of the fair value hierarchy in compliance with IAS39 "*Financial instruments: recognition and measurement*" and IFRS13 "*Fair value measurement*".

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;



- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 14 April 2011, during the annual general meeting, the shareholders of Poste Italiane SpA appointed us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No.537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as the audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Poste Italiane SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Poste Italiane SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Poste Italiane SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Poste Italiane SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and the environment in which it operates obtained in the course of the audit, we have nothing to report.

Rome, 20 April 2018

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.



**INDEPENDENT AUDITOR'S REPORT ON THE
CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT
TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE
NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION
NO. 20267**

POSTE ITALIANE SPA

YEAR ENDED 31 DECEMBER 2017



Independent auditor's report on the Consolidated Non-Financial Statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267

To the Board of Directors of Poste Italiane SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (hereafter, the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Poste Italiane SpA (hereafter, also the "Parent Company") and its subsidiaries (hereafter, the "Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree, presented in the specific section No. 6 of the report on operations to the consolidated financial statements of the Group, and approved by the Board of Directors on 29 March 2018 (hereafter, the "NFS").

Responsibility of Management and Those Charged with Governance for the NFS

Management is responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - *Global Reporting Initiative* (hereafter, the "GRI Standards"), identified by them as the reporting standards.

Management is responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Management is responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Management is responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

PricewaterhouseCoopers SpA

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Those charged with governance are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted.



2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree.
3. Understanding of the following matters:
 - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4, a) below.

4. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
In particular, we held meetings and interviews with the management of Poste Italiane SpA and with the personnel of Poste Vita SpA, SDA Express Courier SpA, Postel SpA, Mistral Air SpA and Poste Mobile SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the Parent Company level:
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the Parent Company and the following subsidiaries: Poste Vita SpA, SDA Express Courier SpA, Postel SpA, Mistral Air SpA and Poste Mobile SpA, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Poste Italiane Group for the year ended 31 December 2017 is not prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Rome, 27 April 2018

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

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