INTERIM REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Posteitaliane

CONTENTS

1. INTRODUCTION

The Poste Italiane Group's consolidated interim report for the nine months ended 30 September 2017 has been prepared, on a voluntary basis, in accordance with art. 82-ter of the CONSOB's Regulations for Issuers, "Additional interim financial disclosures". The consistency and correctness of the additional disclosures contained in the document is guaranteed, as is comparability of the related information with the corresponding disclosures included in previously published financial reports.

2. MANAGEMENT AND SUPERVISORY BODIES

Board of Directors [(1)]	
Chairwoman	Maria Bianca Farina
Chief Executive Officer and General Manager	Matteo Del Fante
Directors	Giovanni Azzone Carlo Cerami Antonella Guglielmetti Francesca Isgrò Mimi Kung Roberto Rao Roberto Rossi

Board of Statutory Auditors [(2)]	
Chairman	Mauro Lonardo
Auditors	Alessia Bastiani Maurizio Bastoni
Alternates	Marina Colletta Antonio Santi Ermanno Sgaravato

Supervisory Board [(3)]	
Chairwoman	Nadia Fontana
Members	Paolo Casati [(4)] Giulia Bongiorno [(5)]

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane	
	Francesco Petronio

Independent Auditors	
	PricewaterhouseCoopersSpA

Audit and Risk Committee[(6)]	Remuneration Committee[(6)]	Nominations Committee[(6)]	Related and Connected Parties Committee[(7)]
Antonella Guglielmetti (Chairwoman) Giovanni Azzone Francesca Isgrò Roberto Rossi	Carlo Cerami (Chairman) Giovanni Azzone Roberto Rossi	Roberto Rao (Chairman) Antonella Guglielmetti Mimi Kung	Francesca Isgrò (Chairwoman) Carlo Cerami Mimi Kung Roberto Rao

(1) The Board of Directors was elected by the Annual General Meeting held on 27 April 2017 to serve for a period of three years, and will remain in office until the Annual General Meeting's approval of the financial statements for the year ended 31 December 2019.

(2) The Board of Statutory Auditors was elected by the Ordinary General Meeting of 24 May 2016 to serve for a period of three years and will remain in office until the General Meeting's approval of the financial statements for the year ended 31 December 2018. On 30 January 2017, the Alternate Auditor, Andrea Bonechi, resigned from his position with immediate effect. As a result, the Annual General Meeting of 27 April 2017 elected Antonio Santi to serve as an Alternate Auditor.

(3) At its meeting of 17 May 2016, the Board of Directors voted to assign supervisory responsibilities to two separate bodies: the Board of Statutory Auditors, which has maintained its existing responsibilities, and the Supervisory Board. As a result, the Board of Directors appointed the new Supervisory Board with effect from 24 May 2016. The Supervisory Board has three members. The Supervisory Board will remain in office for three years.

(4) The only internal member, Head of Poste Italiane SpA's Internal Auditing.

(5) This member was appointed by the Board of Directors' meeting of 22 June 2017 to replace Gennaro Terracciano, who resigned on 17 March 2017.

(6) This Committee was established by the Board of Directors on 10 September 2015. The current members were appointed by the Board of Directors' meeting of 28 April 2017.

(7) This Committee was established by the Board of Directors on 15 September 2016, with effect from 1 October 2016. The current members were appointed by the Board of Directors' meeting of 28 April 2017.

3. THE GROUP'S OPERATING SEGMENTS

1 Postal and Business Services

Letters Express Delivery. Logistics and Parcels, Philately and the activities carried out by the **Parent Company** for the other operating segments. This segment also icludes the following companies:

Postel SDA MISTRALAIR EGI Postetutela

2 Financial Services

The provision of current accounts and payment services, financial products and loan products arranged by third parties.

BancoPosta

3 Insurance Services and Asset Management

The sale of Class I, III, IV and V life insurance products through Poste Vita and of non-life insurance products through Poste Assicura. The marketing and distribution of mutual investment funds.

Postevita Posteassicura BancoPostaFondi SGR

4 Other Services

The activities carried out by Poste Mobile (MVNO and operator of the Group's telecommunications infrastructure).

Poste mobile

Following clearance from the relevant antitrust authorities and authorisation from the Bank of Italy, and following fulfilment of the other suspensive conditions provided for in the preliminary agreement signed on 16 September 2016, on 15 February 2017, Poste Italiane acquired a 30% stake in FSIA Investimenti Srl, a company with a 49.5% interest in SIA SpA, a wholly owned subsidiary of FSI Investimenti SpA. The latter company is controlled by CDP Equity SpA through its 77.1% interest in the company. The interest was acquired for a consideration of €278.3 million. As a result of the transaction, Poste Italiane indirectly holds a 14.85% interest in SIA. 80% of the transaction price was paid on completion. At the same time as the transaction completed, the shareholders' agreement between Poste Italiane and CDP Equity, covering the governance and ownership structures of FSIA and SIA, over which the parties will exercise joint control, became effective. The transaction qualifies as a related party transaction (as Poste Italiane and FSI Investimenti are subject to the common control of the Ministry of the Economy and Finance) and, pursuant to the applicable legislation and regulations, was approved by Poste Italiane's Board of Directors, with the prior consent of its Related and Connected Parties Committee.

As part of the process of simplifying the structure of the Group:

- the partial demerger of assets belonging to Postecom SpA to Postel SpA, consisting of Postecom's investments in PatentiViaPoste ScpA and Consorzio Poste Motori was effective for legal, accounting and tax purposes from 1 April 2017, as was the merger of what remained of the company with and into Poste Italiane;
- the relevant bodies approved the plan to merge Poste Tutela (a wholly owned subsidiary of Poste Italiane SpA) with and into Poste Italiane on 20 September 2017. Poste Tutela is the company that provides – primarily to the Group - transport, cash collection and counting, custody, armed security and porter services, by coordinating a widespread network of specialist third-party operators located throughout Italy.

Following issue of the relevant consents by the Ministry for Economic Development, the European Central Bank and the Bank of Italy, Poste Italiane and Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo d'Impresa SpA (Invitalia) completed the transfer of Poste Italiane's 100% interest in Banca del Mezzogiorno-Medio Credito Centrale to Invitalia on 7 August 2017. This qualifies as a related party transaction (as Poste Italiane and Invitalia are subject to the common control of the Ministry of the Economy and Finance), and, pursuant to the applicable legislation and regulations, was approved by Poste Italiane's Board of Directors, with the prior consent of its Related and Connected Parties Committee.

The following information regards other Group companies:

- the subsidiary, SDA Express Courier SpA, reports a net loss of €19.0 million for the period (a net loss of €20.7 million for the first nine months of 2016), requiring the company to apply art. 2447 of the Italian Civil Code (a reduction in capital due to losses in excess of one third of its capital)[1].
- the subsidiary, Mistral Srl, reports a net loss of €2.7 million (a net loss of €2.3 million for the first nine months of 2016) and having, at 31 March 2017, already fallen within the scope of art. 2482-ter of the Italian Civil Code (capital below the legal minimum), called an extraordinary general meeting of shareholders which, on 28 June 2017, approved a capital injection of €4 million.

4. MACROECONOMIC AND MARKET ENVIRONMENT

The global economy grew at a faster pace in the first nine months of 2017 than was expected in March/April (+0.2% for the OECD and 0.1% for the IMF). International trade appears to have turned a corner, as shown in recent trade figures and economic indicators, which continue to point to economic growth. The global recovery has yet to be reflected in commodity prices, above all the price of oil, which, despite upward revisions of demand and extension of the cuts in production agreed by OPEC members in November 2016, have yet to register significant increases (56.68 US dollars a barrel on 29 September 2017).

Among industrialised countries, after a slowdown in the early months of the year, the US economy has continued to grow, with GDP growth outpacing expectations at the beginning of the year. Growth was driven primarily by consumer spending, exports and non-residential fixed investment. In September, the Federal Reserve announced a gradual reduction in its purchases of securities from October and its intention to begin to progressively raise interest rates.
The UK economy remains in positive territory, with unemployment at historic lows. Sterling's weakness after the Brexit vote is, however, having a negative impact on inflation and the Bank of England has announced that there will soon be an increase in interest rates, the first after ten years.
The Japanese economy has continued to grow, thanks to internal demand and exports, whilst inflation is slowly rising. Monetary policy continues to be expansionary.

Emerging countries have also seen improved economic conditions. The Chinese economy continues to grow in line with expectations, despite the government having set a full-year growth target that is slightly down on 2016. This, together with rising public debt, has led to a downgrade by a number of rating agencies (Moody's has lowered its rating from A1 to Aa3 and Standard & Poor's from AA- to A+).
India continues to see growth, despite the slowdown caused by demonetisation (the withdrawal of higher value banknotes from circulation). Inflation is down and is moving towards the targets set by the central bank.
The Brazilian economy continues to perform positively, driven above all by consumer spending and an improved exchange rate, which have resulted in lower inflation. The end of the political crisis and the possibility of carrying out a reform of the country's pension system are helping to boost confidence in the country.

The Eurozone recovery continues to gather pace (+0.4-0.5% predicted by the IMF and OECD, respectively). Overall, increased demand for exports, rising employment and the European Central Bank's expansionary monetary policy should continue to support economic growth in the Eurozone. Early economic indicators continue to show an

[1] Poste Italiane SpA is committed to providing financial support to the subsidiaries SDA Express Courier SpA and Mistral Air Srl at least until 31 December 2017.

improvement (the €-COIN index has risen from 0.68 in January to 0.71 in September), having benefitted from consumer and business confidence. The ECB has repeated its view that there is still a need for an easy monetary policy do that inflation can get back to its target of 2%.

Against this positive international backdrop, the Italian economy has shown signs of picking up speed, with GDP estimates for 2017 being continually raised by all the relevant national and international bodies. The recovery, whilst lagging behind the average rate registered by the Eurozone as a whole, is starting to extend to all the various sectors and early indications from ISTAT and the Bank of Italy (the ITA-COIN index is up from 0.16 in March to 0.34 in September) reflect continued growth expectations. The strengthening economy is reflected in rising employment and the quality of lending to the private sector, enabling the banking system to reduce its exposure to doubtful loans, which has held back lending. Between December 2016 and August 2017, net doubtful loans (after impairments and provisions), declined by approximately 25% from €86.9 billion to €65.3 billion.

5. KEY PERFORMANCE INDICATORS AND GROUP FINANCIAL HIGHLIGHTS

Results of operations for the nine months ended 30 September (€m)	**2017**	2016	**Increase/(decrease)**	
Total revenue	26,253	25,729	524	2.0%
of which:				
from Postal and Business Services	2,660	2,728	(68)	-2.5%
from Financial Services	3,981	4,107	(126)	-3.1%
from Insurance Services and Asset Management	19,458	18,725	733	3.9%
from Other Services	154	169	(15)	-8.9%
EBITDA	1,589	1,635	(46)	-2.8%
Operating profit/(loss)	1,176	1,196	(20)	-1.7%
Profit for the period	724	807	(83)	-10.3%

Financial position (€m)	**at 30 September 2017**	at 31 December 2016	**Increase/(decrease)**	
Non-current assets	3,021	2,867	154	5.4%
Working capital	1,558	1,183	375	31.7%
Net invested capital	2,280	1,909	371	19.4%
Equity	7,738	8,134	(396)	-4.9%
Net (funds)/debt	(5,458)	(6,225)	(767)	-12.3%
Industrial net (funds)/debt (before adjusting for intersegment transactions)	(417)	(893)	(476)	-53.3%

Investment for the nine months ended 30 September (€m)	**2017**	2016	**Increase/(decrease)**	
Capital expenditure	283	252	31	12.3%

Other operational data	**at 30 September 2017**	at 31 December 2016	**Increase/(decrease)**	
Client assets (€m) [1]	505,237	492,707	12,530	2.5%
Outstanding customer current accounts ('000) [2]	6,311	6,377	(66)	-1.0%
Number of post offices	12,822	12,845	(23)	-0.2%

for the nine months ended September	**2017**	2016	**Increase/(decrease)**	
Letters handled by Group (volumes in million)	2,324	2,590	(266)	-10.3%
Express Delivery items and Parcels handled by Group (volumes in million)	81	68	13	19.1%
Total net inflows (in €m)	5,248	5,093	155	3.0%
Current account deposits (average for the period in €m) [3]	55,228	48,840	6,388	13.1%
Poste Vita group (gross premium revenue in €m)	16,429	15,421	1,008	6.5%
Number of PosteMobile SIM cards (average for the period in '000)	3,658	3,632	26	0.7%
Average workforce expressed in full-time equivalent terms	137,971	141,647	(3,676)	-2.6%

[1] These amounts include postal savings deposits, the mutual investment funds marketed, Poste Vita's technical provisions and current account deposits (current account deposits include Long-Term RePos).

[2] This figure does not include transaction accounts.

[3] These amounts include both private customer deposits (including the investment of liquidity by Group companies and amounts payable to financial institutions under repurchase agreements), and deposits by the Public Administration.

6. GROUP OPERATING RESULTS

Operating profit for the first nine months of 2017 amounts to €1,176 million, slightly down on the figure for the same period of the previous year (€1,196 million in the first nine months of 2016). This reflects reduced contributions from the Financial Services segment (down €99 million compared with the first nine months of 2016) and the Postal and Business Services segment (down €41 million compared with the first nine months of 2016), only partially offset by the positive contribution from the Insurance Services and Asset Management segment (up €120 million on the first nine months of 2016).

Profit for the period of €724 million (€807 million in the same period of the previous year) reflects an increase in finance costs (up from €14 million in the first nine months of 2016 to €81 million in the first nine months of 2017), reflecting the loss of €82 million resulting from the write off of the value of the Contingent Convertible Notes subscribed for by Poste Italiane in December 2014 and issued by Midco SpA. Further details are provided in the section on the Group's financial position.

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Postal and Business Services	2,660	2,728	(68)	-2.5%
Financial Services	3,981	4,107	(126)	-3.1%
Insurance Services and Asset Management	19,458	18,725	733	3.9%
Other Services	154	169	(15)	-8.9%
Total revenue	**26,253**	**25,729**	**524**	**2.0%**
Cost of goods and services	1,765	1,809	(44)	-2.4%
Net change in technical provisions for insurance business and other claims expenses	17,916	17,449	467	2.7%
Other expenses from financial and insurance activities	468	360	108	30.0%
Personnel expenses	4,241	4,333	(92)	-2.1%
Capitalised costs and expenses	(18)	(15)	(3)	20.0%
Other operating costs	292	158	134	84.8%
Total costs	**24,664**	**24,094**	**570**	**2.4%**
EBITDA	**1,589**	**1,635**	**(46)**	**-2.8%**
Depreciation, amortisation and impairments	413	439	(26)	-5.9%
Operating profit/(loss)	**1,176**	**1,196**	**(20)**	**-1.7%**
Finance income/(costs)	(81)	14	(95)	n/s
Profit/(loss) on investments accounted for using the equity method	12	7	5	71.4%
Profit/(Loss) before tax	**1,107**	**1,217**	**(110)**	**-9.0%**
Income tax expense	383	410	(27)	-6.6%
Profit for the period	**724**	**807**	**(83)**	**-10.3%**

n/s: not significant

Total revenue of €26.3 billion is up 2% on the first nine months of 2016, primarily due to the previously mentioned positive performance of insurance services and asset management.

A more detailed look shows that Postal and Business Services contributed total revenue of €2,660 million, registering a reduction of 2.5% compared with the first nine months of 2016, due to a decline in traditional letter post, which is down 10.3% from 2,590 million items in the first nine months of 2016 to 2,324 million. Express Delivery and Parcel services continued to perform well, with volumes up 19.1% from 68 million items handled (corresponding to revenue of €461 million) in the first nine months of 2016 to 81 million items handled (corresponding to revenue of €502 million).

Total revenue from Financial Services is down 3.1% from €4,107 million in the first nine months of 2016 to €3,981 million. As mentioned above, the figure for the comparative period benefitted from non-recurring income of €121 million, following the sale of the investment in Visa Europe Ltd.. After adjusting for this item, revenue for the two periods is in line.

The Insurance Services and Asset Management segment contributed €19.5 billion to total revenue (€18.7 billion in the same period of the previous year), with premium revenue amounting to €16.4 billion (premium revenue of €15.4 billion in the same period of 2016). This represents a good performance for the period, given the decline in the Life market compared with the positive performance of 2016 (market data for new business to August 2017 shows a contraction of approximately 8% at national level).

Total revenue from Other Services, provided by PosteMobile, amounts to €154 million (€169 million in the same period of 2016). This marks a reduction due to a decline in mobile service revenue, reflecting tough competition in the market.

OPERATING COSTS

Total costs, not including depreciation, amortisation and impairments, amount to €24.7 billion, having increased 2.4% compared with the first nine months of the previous year (when the figure was €24.1 billion). This is essentially due to an increase in the change in technical provisions, which are closely linked with the performance of premium revenue at the subsidiary, Poste Vita. This item is up from €17.4 billion in the first nine months of 2016 to €17.9 billion in the first nine months of 2017.

Controllable costs – represented by personnel expenses (described below), the cost of goods and services and amortisation and depreciation – amount to €6,419 million, down €162 million or 2.5% on the €6,581 million of the same period of 2016. This confirms the Group's commitment to achieving efficiencies and cutting costs.

PERSONNEL EXPENSES

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Salaries, social security contributions and sundry expenses (*)	4,243	4,322	(79)	-1.8%
Redundancy payments	12	14	(2)	-14.3%
Net provisions (uses) for disputes	(9)	4	(13)	n/s
Amounts recovered from staff due to disputes	(5)	(7)	(2)	-28.6%
Total personnel expenses	**4,241**	**4,333**	**(92)**	**-2.1%**

n/s: not significant

(*) This includes the following items: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; share-based payments; other costs (cost recoveries).

Personnel expenses are down 2.1% from €4,333 million in the first nine months of 2016 to €4,241 million in the same period of 2017, largely due to a reduction in the ordinary component, linked to salaries, contributions and sundry expenses (down €79 million or 1.8%). This reflects a reduction in the average workforce employed during the period (approximately 3,700 fewer full-time equivalents or FTEs compared with the same period of the previous year), which has offset the increased costs resulting from a rise in the average salary payable (linked primarily to the fact that staff cuts have mainly affected logistics and postal operations, where salaries are below the average for the Group as a whole).

The cost of early retirement incentives incurred during the first nine months of 2017 amounts to €12 million (€14 million in the same period of 2016) and regards management personnel. The cost of early retirement incentives for non-management staff was covered by a portion of the provisions for restructuring charges, made at the end of the previous year to cover the estimated costs to be incurred by Poste Italiane for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2018.

Finally, personnel expenses benefitted by €9 million due to the net release of provisions for disputes, following revision of the estimated liabilities and of the related legal expenses.

Other expenses from financial and insurance activities are up from the €360 million of the first nine months of 2016 to €468 million and, among other things, reflect the impairment loss recognised by PosteVita on its investment in the Atlante fund, amounting to €93 million. As this is an investment allocated to separately managed accounts, this amount has been deducted from deferred liabilities due to policyholders. The impact of the impairment on the Group's profit or loss for the period amounts to €12 million and relates to management of the company's free capital (further details are provided in the section on "Insurance Services and Asset Management").

OPERATING RESULTS BY OPERATING SEGMENT

for the nine months ended 30 September 2017 (€m)	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Adjustments and eliminations	Total
External revenue	2,660	3,981	19,458	154	-	26,253
Intersegment revenue	3,446	439	-	18	(3,903)	-
Total revenue	**6,106**	**4,420**	**19,458**	**172**	**(3,903)**	**26,253**
Costs	6,066	398	18,476	137	-	25,077
Intersegment costs	46	3,417	426	14	(3,903)	-
Total costs	**6,112**	**3,815**	**18,902**	**151**	**(3,903)**	**25,077**
Operating profit/(loss)	**(6)**	**605**	**556**	**21**	**-**	**1,176**

for the nine months ended 30 September 2016 (€m)	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Adjustments and eliminations	Total
External revenue	2,728	4,107	18,725	169	-	25,729
Intersegment revenue	3,529	413	-	38	(3,980)	-
Total revenue	**6,257**	**4,520**	**18,725**	**207**	**(3,980)**	**25,729**
Costs	6,154	313	17,894	172	-	24,533
Intersegment costs	68	3,503	395	14	(3,980)	-
Total costs	**6,222**	**3,816**	**18,289**	**186**	**(3,980)**	**24,533**
Operating profit/(loss)	**35**	**704**	**436**	**21**	**-**	**1,196**

POSTAL AND BUSINESS SERVICES

THE POSTAL SERVICES MARKET

European postal operators continued to see a decline in traditional letter post in the third quarter of 2017. The Italian market continues to see a decline in the use of paper-based forms of communication. This is driven by a number of structural factors, such as reduced use of Direct Marketing for advertising, and the declining use of paper statements by certain specific industries, such as banking and telecommunications, where prepaid forms of payment are in use.

In contrast, the market for Express Delivery and Parcel services continues to grow, primarily driven by the expansion of e-commerce.

REGULATORY ENVIRONMENT

Law 124 of 4 August 2017, the "Annual market and competition law", came into effect on 29 August 2017. The legislation provides for the repeal, from 10 September 2017, of art. 4 of Legislative Decree 261/1999 and amendment of the related articles, removing the exclusive right to offer services relating to legal process and the notification of violations of the Highway Code (art. 1, paragraph 57). The law also establishes that the issue of an individual licence to provide such services must be subject to specific requirements and a universal service obligation covering the security, quality, continuity, availability and provision of the services. As a result, the regulator (the *Autorità per le Garanzie nelle Comunicazioni* or AGCom) has ninety days from entry into effect of the legislation, following consultation with the Ministry of Justice, to adopt the above requirements and obligations. Subsequently, the Ministry for Economic Development is required to publish guidelines governing the issue of licences to interested parties. Whilst awaiting definition of the regulatory framework, Poste Italiane, as the universal service provider, is required to continue providing the service throughout Italy.

The regulator published Resolution 348/17/CONS on 15 September 2017, launching a public consultation on regulations governing the issue of licences to provide services relating to legal process and the notification of violations of the Highway Code. On 16 October 2017, the Company submitted its contribution to the consultation to AGCom.

POSTAL AND BUSINESS SERVICES SEGMENT PROFIT OR LOSS

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Revenue from sales and services	2,618	2,687	(69)	-2.6%
Other operating income	42	41	1	2.4%
Total external revenue	**2,660**	**2,728**	**(68)**	**-2.5%**
Intersegment revenue	3,446	3,529	(83)	-2.4%
Total revenue	**6,106**	**6,257**	**(151)**	**-2.4%**
Cost of goods and services	1,473	1,488	(15)	-1.0%
Personnel expenses	4,113	4,200	(87)	-2.1%
Capitalised costs and expenses	(18)	(15)	3	20.0%
Other operating costs	116	77	39	50.6%
Intersegment costs	46	68	(22)	-32.4%
Total costs	**5,730**	**5,818**	**(88)**	**-1.5%**
EBITDA	**376**	**439**	**(63)**	**-14.4%**
Depreciation, amortisation and impairments	382	404	(22)	-5.4%
Operating profit/(loss) (EBIT)	**(6)**	**35**	**(41)**	**n.s.**

The Postal and Business Services segment reports an operating loss of €6 million, a deterioration of €41 million compared with the operating profit of €35 million registered in the same period of the previous year. This reflects reductions in external revenue, due to the decline in traditional letter post (down €68 million compared with 2016), and in intersegment revenue (down €83 million compared with 2016), generated in accordance with specific internal operating guidelines for services provided to the Financial Services segment.

Similarly, total costs of €6,112 million are down on the first nine months of 2016 (a decline of €110 million), benefitting from falls in the cost of goods and services (down €15 million compared with the first nine months of 2016) and in personnel expenses (down €87 million on the same period of the previous year), both reflecting cost efficiencies achieved during the period. The reductions were offset by an increase of €39 million in other operating costs compared with the first nine months of 2016, which benefitted from the release of provisions for disputes with third parties as the related liabilities for which provision had been made in previous years failed to materialise.

The segment's results also reflect the fact that, from 10 September 2017, the subsidiary, SDA, was affected by industrial action that lasted a number of weeks until mid-October, causing delays in the collection and delivery of packages, above all heavy items.

On 30 December 2015, SDA Express Courier SpA terminated its call centre service contracts with Uptime SpA (in which it had a 28.57% interest) and Gepin Contact SpA (Uptime SpA's majority shareholder) with effect from 1 July 2016.

In response, Gepin filed a claim for damages from SDA, amounting to €15.5 million, due to the unjustified nature of termination of the above contracts, and obtained an injunctive order for payment of approximately €3.7 million for uncontracted services. SDA has challenged the claims in court.

In December 2016, Gepin and Uptime served Poste Italiane and SDA with a writ of summons. The writ contains claims for compensation payable to Uptime (in liquidation), amounting to approximately €66.4 million, and to Gepin, amounting to approximately €16.2 million, as compensation for the damages incurred.

At the hearing in October 2017, Gepin Contact SpA's legal counsel announced the company's bankruptcy.

In September 2017, SDA subscribed for Uptime's entire share capital. The latter has filed for a voluntary early arrangement with creditors and is in the process of withdrawing its above claim for damages of €66.4 million against SDA and Poste Italiane.

FINANCIAL SERVICES

FINANCIAL MARKET TRENDS

Global equity markets performed well in the first nine months of 2017. In June, the US S&P500 index had risen 15% over the year to date, with similar performances recorded by European bourses (the Dow Jones Euro Stoxx index), which were up 9.7% over the same period. Italian equities outperformed the European average, with the FTSE Mib up 33.5% over the year to September.

On the bond markets, the spread between 10-year Treasury Notes (BTPs) and 10-year German Bunds was highly volatile in the first half of 2017, reaching peaks above 200 basis points before stabilising from July and settling at 171 basis points on 30 September 2017.

In the currency markets, following on from the rise in the US dollar at the end of 2016, in part reflecting optimism over the new US administration, the currency lost ground in the first nine months of 2017 (the euro/USD exchange rate at 30 September 2017 is 1.18, compared with 1.05 at 31 December 2016). After being broadly stable during the first half, sterling has also fallen, presumably as a result of uncertainty linked to the start of Brexit negotiations (the euro/GBP exchange rate at 30 September 2017 is 0.882, compared with 0.856 at 31 December 2016).

THE BANKING SYSTEM

Bank deposits by resident Italian savers rose in the first nine months of 2017, with deposits totalling approximately €1,719 billion in September 2017, an increase of 1.5%. This was due to growth of €70 billion in deposits (current accounts, certificates of deposit, repurchase agreements and bonds), which more than offset the €44 billion decline in funding through the issue of notes. Funding costs (deposits, bonds and repurchase agreements) are down compared with the figure for the end of 2016, with the average cost of customer deposits in September 2017 standing at 0.94% (0.99% in December 2016).

Bank lending rose in the first nine months of 2017. In September 2017, total lending to Italian residents (private and Public Administration) - excluding interbank loans – amounted to approximately €1,763 billion, marking a year-on-year increase of 1.3%. Consumer and corporate loans are also up, with mortgage lending up 2.6%, based on official data for July 2017, compared with July 2016. Doubtful loans within the banking system, after impairments and provisions made by banks themselves, amounted to €65 billion in August 2017, significantly down on the figure for December 2016 (€87 billion). In percentage terms, doubtful loans have fallen from 4.89% of total loans in December 2016 to 3.83% in August 2017. The average interest rate applied to consumer and corporate loans continues to be very low, with a figure of 2.76% in September 2017 (2.85% in December 2016 and 2.97% in September 2016).

REGULATORY ENVIRONMENT

In view of the introduction into Italian law, from January 2018, of European Directives 2015/2366/EU (so-called "PSD2, governing payment services in the internal market) and 2014/65/EU (so-called "MiFID2"), assessments of the related procedures and IT systems were carried out during the period. This was accompanied by activities concerning the planning of further initiatives designed to reinforce the processes involved in product governance, the provision of information to customers, customer profiling, advisory services and the training of post office personnel.

In addition, following transposition into Italian law of the EU's Money Laundering Directive IV (2015/849/EC), introduced into Italian law by Legislative Decree 90/2017 (in effect from 4 July 2017), an assessment of the measures adopted by the Group (organisational structure and internal controls) was conducted during the period. Work also began on planning the related compliance initiatives, including those linked with the training of staff.

FINANCIAL SERVICES SEGMENT PROFIT OR LOSS

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Net interest income	1,102	1,142	(40)	-3.5%
Interest and similar income	1,164	1,194	(30)	-2.5%
Interest and similar expense	62	52	10	19.2%
Net fee and commission income	2,699	2,685	14	0.5%
Fee and commission income	2,747	2,730	17	0.6%
Fee and commission expense	48	45	3	6.7%
Profits/(Losses) on trading, on disposals or repurchases and fair value adjustments in hedge accounting	524	581	(57)	-9.8%
Net interest and other banking income	**4,325**	**4,408**	**(83)**	**-1.9%**
Net losses /recoveries on impairment of loans and advances	(10)	(5)	(5)	n/s
Net income from banking activities	**4,315**	**4,403**	**(88)**	**-2.0%**
Administrative expenses:	3,558	3,645	(87)	-2.4%
personnel expenses	86	92	(6)	-6.5%
other administrative expenses	3,472	3,553	(81)	-2.3%
Net provisions for risks and charges	101	37	64	n/s
Other operating income/(expenses)	51	17	34	n/s
Operating expenses	**3,710**	**3,699**	**11**	**0.3%**
Operating profit/(loss) (EBIT)	**605**	**704**	**(99)**	**-14.1%**

n/s: not significant

Operating profit generated by the Financial Services segment in the first nine months of 2017 amounts to €605 million, down 14.1% on the same period of 2016 (€704 million). The comparative period, however, benefitted from non-recurring income generated by the sale of the Group's investment in Visa Europe, which resulted in a gain of €121 million in the first nine months of 2016.

The interest margin of €1,102 million is down 3.5% (down €40 million on the same period of 2016), reflecting a reduction in the returns on BancoPosta RFC's investments in securities and an increase in the differentials payable on Asset Swaps, entered into as part of the wider strategy to actively manage BancoPosta's investment portfolio.

Net fee and commission income of €2,699 million is up 0.5% (€14 million) on the same period of 2016, primarily reflecting the positive performance of insurance broking, the distribution of loan products and transaction banking, where commissions amount to €1,548 million (€1,520 million in the first nine months of 2016).

Net interest and other banking income is down from €4,408 million in the first nine months of 2016 to €4,325 million (down 1.9%). This includes gains on the sale of available-for-sale financial assets held by BancoPosta RFC, totalling €537 million (€594 million in the same period of the previous year, including the above-mentioned €121 million in non-recurring income resulting from the sale of the investment in Visa Europe Ltd.).

Net income from banking activities is thus down 2%, declining from €4,403 million for the first nine months of 2016 to €4,315 million in the same period of 2017. This is after impairment losses on loans of €10 million, including the impairment of overdrawn current accounts held by BancoPosta's customers.

Operating expenses are up 0.3% on the first nine months of 2016, reflecting, among other things, increased net provisions for risks and charges, due primarily to additional provisions made to cover the risks connected with investment products and services sold in the past and whose performances are not in line with customers' expectations. In this regard, the performance of the real estate funds marketed by Poste Italiane between 2002 and 2005 and that mature at the end of the current year and in the following year was monitored, in order to update the assessment of the potential liabilities to be met by the Group (an increase in net provisions of €61 million).

INSURANCE SERVICES AND ASSET MANAGEMENT

THE INSURANCE MARKET

Based on the available official data (source: ANIA), new business for life insurance policies in the first eight months of 2017 amounted to €54.2 billion (down 8% on the same period of the previous year). If new life business reported by EU insurers is taken into account, the figure rises to €66 billion, down 7.8% on the same period of 2016.

Analysing the composition and performance of new business, Class I premiums amount to €34.4 billion, down 22.4% compared with the same period of the previous year. New business for Class V policies also declined (down 23.1%), with premium revenue totalling €932 million. New business for unit-linked Class III life products bucked the trend, generating premium revenue of €18.7 billion (up 36.8%). The contribution from new inflows into individual pension plans was also positive, with inflows of €809 million up 5.3% on the same period of 2016. Single premiums continued to be the preferred form of payment for policyholders, representing 94% of total premiums written and 63% of policies by number.

With regard, finally, to distribution channel, most new business was obtained through banks, post offices and financial promoters, accounting for 86% of new business.

Total direct Italian premiums in the non-life insurance market, thus including policies sold by Italian and overseas insurers, amounted to €18.2 billion in the first half of 2017, based on the available official data. This was slightly up on the end of the first half of 2016 (an increase of 0.4%). This marked a reversal of the negative trend seen over the last 5 years (source: ANIA).

Growth recorded by other non-life classes (up 2.2% on the same period of the previous year) contributed to the improvement, whilst vehicle insurance declined, falling 1.6%. In detail, third-party land vehicle premiums amounted to €7.1 billion (down 3.1% on the second quarter of 2016).

In terms of distribution channel, based on the premium revenue of Italian and non-EU insurers, agents continued to lead the way with a market share of 76.6%, although this is slightly down on the figures for previous years (77.9% in the second quarter of 2016). Brokers represent the second most important channel, with an 8.4% share, followed by banks and post offices, which have seen their share rise to 6.5% (5.4% in the second quarter of 2016). In terms of direct sales channels, the share of in-house agents is practically unchanged at 3.7% (as in the same period of 2016), whilst online sales account for 3.4% (as in the same period of 2016).

INSURANCE SERVICES AND ASSET MANAGEMENT SEGMENT PROFIT OR LOSS

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Net insurance premium revenue	16,389	15,388	1,001	6.5%
gross premium revenue	16,429	15,421	1,008	6.5%
outward reinsurance premiums	40	33	7	21.2%
Fee and commission income	65	43	22	51.2%
Net financial income from assets related to traditional products	2,468	3,040	(572)	-18.8%
Net financial income from assets related to index- and unit-linked products	119	(70)	189	n/s
Net change in technical provisions	17,916	17,449	467	2.7%
Claims paid	9,229	5,750	3,479	60.5%
Change in technical provisions	8,707	11,714	(3,007)	-25.7%
Share attributable to reinsurers	(20)	(15)	5	33.3%
Investment management expenses	14	14	-	n/s
Acquisition and administration costs	517	481	36	7.5%
Net commissions and other acquisition costs	399	370	29	7.8%
Operating expenses	118	111	7	6.3%
Other revenue/(costs), net	(38)	(21)	(17)	81.0%
Operating profit/(loss) (EBIT)	**556**	**436**	**120**	**27.5%**

n/s: not significant

Operating profit generated by the Insurance Services and Asset Management segment amounts to €556 million, marking an increase of 27.5% on the same period of the previous year, primarily due to growth in assets under management

(mutual funds and technical provisions).
In a market that, as explained above, has seen a decline in business compared with 2016, the Poste Vita Group's total premium revenue in the first nine months of 2017, after the portion ceded to reinsurers, amounts to €16.4 billion, up 6.5% compared with the €15.4 billion of the first nine months of 2016. This was essentially generated by the sale of life products, amounting to €16.3 billion (€15.3 billion in the same period of 2016), whilst the contribution from non-life products, though registering strong growth, remains marginal, with net premium revenue of €73.3 million (€59.0 million in the same period of 2016). In terms of asset management, the positive performance of inflows and the resulting increase in assets under management have generated commission income of €65 million (up 51.2% on the same period of the previous year).
Net finance income from securities related to traditional products amounts to €2,468 million at the end of the period, marking a reduction with respect to the €3,040 million of the first nine months of 2016. Given the less favourable financial market trends, this result is primarily due to a reduction of approximately €698 million in net unrealised gains which, given that these investments are included in separately managed accounts, are attributed in full to policyholders under the shadow accounting method, and a reduction of approximately €116 million in realised gains. Thanks to growth in assets under management, these reductions were offset by an increase in ordinary income, which is up €242 million on the figure for the same period of 2016.

As regards investments linked to index- and unit-linked products, finance income and commission income from management of the internal funds connected with unit-linked products amounts to €119 million, compared with losses of approximately €70 million in the same period of 2016. This amount, which reflects market volatility, is almost entirely matched by a corresponding change in technical provisions.
As a result of the above operating performance and the corresponding revaluation of insurance liabilities due to the financial performance, the matching change in technical provisions, after the portion ceded to reinsurers, amounts to €17.9 billion, compared with €17.4 billion of the same period of the previous year. Claims paid to customers amount to €9.2 billion (€5.8 billion in the same period of 2016), inclusive of policy expirations of €6.2 billion (€3.0 billion in the same period of 2016), including €4.0 billion relating to Class III products. Total surrenders amount to €2.2 billion (€1.9 billion in the first nine months of 2016) and accounted for 2.8% of initial provisions (3.0% at 30 September 2016), a figure that continues to be well below the market average.
Investment management expenses, amounting to €14 million, are in line with the figure for 2016 and primarily regard portfolio management fees and fees for the custody of securities.
Given the positive operating performance, commissions for distribution and collection amount to €399 million (€370 million in the same period of 2016). These commissions benefit the Group's Financial Services segment, which is responsible for marketing the products, and the Postal and Business Services segment in return for the distribution services provided.

Operating expenses are up from €111 million in the first nine months of 2016 to €118 million, an increase of 6.3%.
Net other costs of €38 million (€21 million in the first nine months of 2016) reflect the reversal, in the period under review, of premium revenue for previous years and provisions made in the period for the *Partecipa* product, which envisages the return of initial premium loadings to policyholders chosen by lot.

As a result of the above operating and financial performance, technical provisions for the direct Italian portfolio amount to €112.6 billion (€104.3 billion at the end of 2016), including approximately €107.7 billion in mathematical provisions for Class I and V products (€95.9 billion at the end of 2016). Provisions for products where the investment risk is borne by policyholders amount to approximately €3.4 billion, down from the €6.8 billion of 31 December 2016, primarily due to Class III products reaching maturity. Deferred Policyholder Liability (DPL) provisions, linked to the change in the fair value of the financial instruments covering the provisions, are down from €9.3 billion at the end of 2016 to €7.8 billion.

Technical provisions for the non-life business, before the portion ceded to reinsurers, amount to €163.5 million at the end of the period, up 14% compared with the end of 2016 (€143 million).
Finally, with regard to the mutual investment funds business, gross inflows from retail customers during the period amount to €1,455 million, down 21% on the €1,839 million of the same period of the previous year. The performance of redemptions has resulted in net inflows of €697 million (€1,228 million at 30 September 2016, representing a fall of 43%). As a consequence and in the light of financial market trends, the retail customer assets are up from €7,269 million at the end of 2016 to €8,006 million at 30 September 2017. Taking into account the portion of the Poste Vita group's technical provisions under management, total assets managed by BancoPosta Fondi SGR at 30 September 2017 have risen to €86.8 billion (up €7 billion compared with the end of 2016).

In continuity with the strategic and business priorities established in 2016, during the first nine months of 2017, the Poste Vita insurance group proceeded to:

- strengthening its leadership in the life insurance market and consolidating its competitive position*,*
- boosting its position in the protection and welfare segment.

Thanks in part to its constant focus on products, on strengthening the support provided to the distribution network and on boosting customer loyalty, the commercial strategy focused almost entirely on sales of Class I and V investment and savings products (traditional separately managed accounts), with premium revenue, after the portion ceded to reinsurers, amounting to €15.9 billion (€14.9 billion in the same period of 2016). The contribution from the sale of Class III products, totalling €423 million, was marginal (€404 million in the first nine months of 2016).
Sales of regular premium products also performed well (*Multiutile Ricorrente*, *Long Term Care*, *Posta Futuro Da Grande*), with over 67 thousand policies sold in the period, as did sales of the *PostaPrevidenzaValore* product which, with almost 62 thousand policies sold during the period and a total number of members amounting to approximately 930 thousand, has enabled Poste Vita to consolidate its role in the pensions market.
Sales of pure risk policies (term life insurance) also performed well. These are sold either in stand-alone versions (not bundled together with products of a financial nature), with almost 29 thousand new policies of this type sold during the first nine months of 2017, or bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network, with over 25 thousand were new policies (not including those cancelled during the period), again of a pure risk nature, sold during the period.

Management of the non-life business was also along the lines set out in the business plan, seeking to meet the new needs of customers in the areas of welfare and health insurance. While the contribution to the Group's results is still limited, the segment recorded an extremely positive performance, with total premium revenue for the period of €105.6 million[2], up 21% on the same period of 2016 (€87.2 million). This performance was accompanied by a positive technical performance as a result of a reduced volume of claims with respect to the growth in sales.

In terms of investments during the period, against a backdrop marked by increasingly volatile interest rates and yields on government securities – above all those with medium/long-term maturities -, the investment policy continues to be marked by the utmost prudence. The portfolio is primarily invested in Italian government securities and corporate bonds, with an overall exposure that, whilst lower than in 2016, represents around 82% of the entire portfolio. In addition, in the first nine months of 2017, whilst maintaining a moderate risk appetite, the company continued with the gradual process of diversifying investments by increasing its exposure to equities (up from 14.2% of the portfolio at the end of 2016 to the current 18%), above all multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type.

[2] Gross premium revenue for the period amounts to €97 million.

Finally, with regard to distribution, work began on compliance with Directive 2016/97/EU (so-called "IDD"), which will come into effect from February 2018. This Directive aims to boost protections for customers during the distribution of insurance products.

Atlante and Atlante 2 funds

In April 2016, Poste Vita decided to invest approximately €260 million in an alternative investment fund called "Atlante", and, on 27 July 2016, invested approximately a further €200 million in the alternative investment fund named "Atlante 2". Both funds, which are managed by Quaestio Capital Management, are closed-end funds restricted to institutional investors, investing primarily in financial instruments issued by banks looking to strengthen their capital and/or non-performing loans held by various Italian banks.

At 30 September 2017, Poste Vita has subscribed for €228 million in capital called up by the Atlante fund, including €202 million allocated to the separately managed account, *PostaValorePiù*, and €26 million allocated to the company's free capital. The Atlante 2 fund's subscribed and called up capital amounts to €70.7 million, allocated entirely to the separately managed account, *PostaValorePiù*.

With specific regard to measurement of the value of the Atlante fund, already when preparing its financial statements for 2016, PosteVita had recognised an impairment loss equal to approximately 50% (€106 million, including approximately €93 million recognised in deferred liabilities due to policyholders). Subsequently, based on the value of units in the fund at 30 June 2017 announced by the management company, representing a reduction of around 80% with respect to the nominal value of the investment, the Group decided to write down the remaining 50% of its investment, with the sole exception of the amount invested in the Atlante 2 fund.

The impairment losses recognised in 2017 total €105 million. Of this amount, €93 million, allocated to separately managed accounts, has been deducted from deferred liabilities due to policyholders, whilst the €12 million relating to the insurance company's free capital has been recognised in finance costs.

The total impairment loss recognised at 30 September 2017 thus amounts to €211 million. Of this amount, finance costs recognised in relation to the investment of PosteVita's free capital in 2016 and in the first half of 2017 amount to a total of €24 million.

Instead, the value of the Atlante 2 fund's units announced by the management company at 30 June 2017 (the latest figure available) reflects the historical cost of the investments made.

OTHER SERVICES

THE MOBILE TELECOMMUNICATIONS MARKET

During the first nine months of 2017, the mobile market was marked by highly aggressive acquisition strategies adopted by the leading operators, involving the launch of deeply discounted offers, targeted at the customers of mobile virtual network operators, partly in response to the approaching market entry of new players, such as Kena Mobile, TIM's second brand, which has been positioned as a low-cost, no-frills virtual operator, operating from 29 March 2017, and Iliad, the price leader in the French market, whose entry is expected in early 2018.

The strategies adopted are based on CRM and Win-Back[3] offerings. At the same time, the trend towards convergent landline and mobile services has strengthened, as has the development of varying degrees of partnership between the suppliers of digital content and the operators of telecommunications networks. The Italian market has seen slight movements in market share in 2017, with Wind-3 losing some ground, despite remaining the market leader with 32.1% of active SIMs, following by TIM with 30.3% and Vodafone with 30.2% (source: AGCom data).

[3] Win-Back offerings aim to regain former customers who can opt for mobile number portability (MNP).

OTHER SERVICES SEGMENT PROFIT OR LOSS

for the nine months ended 30 September (€m)	2017	2016	Increase/(decrease)	
Revenue from sales and services	154	168	(14)	-8.3%
Other operating income	-	1	(1)	n/s
Total external revenue	**154**	**169**	**(15)**	**-8.9%**
Intersegment revenue	18	38	(20)	-52.6%
Total revenue	**172**	**207**	**(35)**	**-16.9%**
Cost of goods and services	108	133	(25)	-18.8%
Personnel expenses	11	13	(2)	-15.4%
Depreciation, amortisation and impairments	17	24	(7)	-29.2%
Other operating costs	1	2	(1)	-50.0%
Intersegment costs	14	14	-	n/s
Total costs	**151**	**186**	**(35)**	**-18.8%**
Operating profit/(loss) (EBIT)	**21**	**21**	-	**n/s**

n/s: not significant

The Other Services segment, which includes PosteMobile, reports operating profit of €21 million for the first nine months of 2017, in line with the same period of the previous year. This reflects the performance of revenue, amounting to €172 million and down 16.9% (total revenue of €207 million in the first nine months of 2016). This reflects the demerger of the fixed line telecommunications business and its transfer to Poste Italiane SpA, in accordance with the deed executed on 27 April 2016, which has resulted in a reduction of €20 million in intersegment revenue in the first nine months of 2017. Mobile revenue is also down due to the high degree of market competition, which has led to a decline in the customer base. This was only partially offset by the new *PosteMobile Casa* offering, launched in April 2017.

In line with the performance of revenue, the cost of goods and services is also down, declining from €133 million in the first nine months of 2016 to €108 million. This primarily reflects the impact of the above demerger of the fixed line telecommunications business (a reduction of €14 million compared with the first nine months of 2016), and the reduction in traffic and the cost efficiencies resulting from the migration of SIM cards from the ESP (Enhanced Service Provider) platform to the Full MVNO (Full Mobile Virtual Network Operator) platform.

Personnel expenses of €11 million are down €2 million, reflecting the reduction in the workforce deriving from the demerger of the fixed line telecommunications business.

7. GROUP FINANCIAL POSITION AND CASH FLOW

Net invested capital and related funding

(€m)	at 30 September 2017	at 31 December 2016	Increase/(decrease)	
Non-current assets:				
Property, plant and equipment	1,979	2,080	(101)	-4.9%
Investment property	53	56	(3)	-5.4%
Intangible assets	486	513	(27)	-5.3%
Investments	503	218	285	n.s.
Total non-current assets (a)	**3,021**	**2,867**	**154**	**5.4%**
Working capital:				
Inventories	136	137	(1)	n.s.
Trade receivables and other receivables and assets	6,081	5,843	238	4.1%
Trade payables and other liabilities	(4,529)	(4,724)	195	-4.1%
Current tax assets and liabilities	(130)	(73)	(57)	n.s.
Total working capital: (b)	**1,558**	**1,183**	**375**	**31.7%**
Gross invested capital (a+b)	**4,579**	**4,050**	**529**	**13.1%**
Provisions for risks and charges	(1,346)	(1,507)	161	-10.7%
Provisions for employee termination benefits and pension plans	(1,239)	(1,347)	108	-8.0%
Deferred tax assets/(liabilities)	249	53	196	n.s.
Non-current assets and disposal groups held for sale and Liabilities related to assets held for sale	37	660	(623)	-94.4%
Net invested capital	**2,280**	**1,909**	**371**	**19.4%**
Equity	**7,738**	**8,134**	**(396)**	**-4.9%**
Net debt/(funds)	**(5,458)**	**(6,225)**	**767**	**-12.3%**

n/s: not significant

(€m)

	Property, plant and equipment	Investment property	Intangible assets	Investments	Total
Balance at 31 December 2016					
Cost	7,844	142	2,985	218	11,189
Accumulated amortisation and impairments	(5,764)	(86)	(2,472)	-	(8,322)
Carrying amount	**2,080**	**56**	**513**	**218**	**2,867**
Movements during the period					
Additions	139	-	144	284	567
Reclassifications	-	-	-	-	-
Transfers and disposals	(1)	-	-	-	(1)
Amortisation and impairments	(239)	(3)	(171)	-	(413)
Other changes	-	-	-	1	1
Total movements	**(101)**	**(3)**	**(27)**	**285**	**154**
Balance at 30 September 2017					
Cost	7,871	141	3,127	503	11,642
Accumulated amortisation and impairments	(5,892)	(88)	(2,641)	-	(8,621)
Carrying amount	**1,979**	**53**	**486**	**503**	**3,021**

The Poste Italiane Group's net invested capital at 30 September 2017 amounts to €2,280 million (€1,909 million at 31 December 2016).

Non-current assets amount to €3,021 million, marking an increase of €154 million compared with the end of 2016. In addition to depreciation, amortisation and impairments (including reversals of impairments) of €413 million, movements in non-current assets reflect acquisition of the investment in FSIA Investimenti Srl for €278 million and capital expenditure of €283 million, including €239 million invested by Poste Italiane SpA and primarily relating to IT assets. In particular, work on developing hardware, storage and backup systems continued, as did work on the rationalisation and consolidation of the Group's 7 Data Centres. Over the first nine months of 2017, Poste Vita's Disaster Recovery solution in the Turin Data Centre has been upgraded and the infrastructure needed to host the ICT systems used by SDA group companies, now located at the Rome site, has been installed.

The upgrade of IT hardware also proceeded at local level (post offices, head offices and delivery offices), as did the optimisation of applications, including enhancement of the OMP platform (the order management system for postal services), which aims to completely reengineer the undelivered mail service, in order to reduce waiting times for customers and provide a more efficient service.
To support the planned Digital Transformation, improvements were made to the retail section of the poste.it website and the Post Office APP during the period. As regards Insurance Services, improvements were made to the platforms involved in the provision of services for the sale and after-sales management of insurance contracts. The changes will enable compliance with the insurance broking regulations in force.
Initiatives in the Postal Logistics segment continued during the period, focusing on three areas of intervention in the postal network: "Postal network operations", with procurement of the necessary equipment for use in guaranteeing operational continuity at offices and delivery centres; "Optimisation of the postal network", with completion of the process for collecting business post; and "Evolution of the postal network", involved the installation of new sorting equipment.
There was further investment in the modernisation and renovation of buildings, in keeping with Poste Italiane's property development strategy. Work continued on planned renovation and non-routine maintenance work, with the aim of upgrading and improving property used in operations in order to meet workplace needs and those related to the services provided, as well as initiatives designed to improve staff health and safety. Non-routine maintenance works (heating and air-conditioning units, electrical and fire prevention equipment, etc.) were also carried out during the period, as well as work on restoring normal service at post offices where criminal acts had taken place.

Working capital amounts to €1,558 million at 30 September 2017, marking an increase of €375 million compared with the end of 2016. This reflects both the movement in payments on account of withholding tax and substitute tax on capital gains on life insurance policies, and a reduction in amounts payable to staff linked to early retirement incentives for employees leaving the Group's employment during 2017.
The decrease in provisions for risks and charges, amounting to €161 million, represents the balance of new provisions and uses/releases. This primarily reflects the use of provisions for restructuring charges, made at the end of the previous year to cover the estimated costs to be incurred by Poste Italiane for early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2018.
The increase in net deferred tax assets, after offsetting against deferred tax liabilities, amounts to €196 million. This is largely due to the net positive effect on taxation of increased fair value losses on investments in available-for-sale financial assets.
The net balance of "Non-current assets and disposal groups held for sale" and "Liabilities related to assets held for sale" marks a decrease of €623 million, following completion of the sale to Invitalia of the 100% interest in Banca del Mezzogiorno – MedioCredito Centrale on 7 August 2017.

Equity amounts to €7.7 billion at 30 September 2017, a reduction of €396 million compared with 31 December 2016. This reflects the payment of dividends totalling €509 million and movements in the fair value reserves (€626 million, after tax), reflecting positive and negative movements in the fair value of investments in available-for-sale financial assets. The above reductions were partially offset by profit for the period of €724 million.

ANALYSIS OF NET (FUNDS)/DEBT

Group net (funds)/debt by operating segment

Net debt/(funds) at 30 September 2017

(€m)

Balance at 30 September 2017	Postal and Business Services	Financial Services	Insurance Services and Asset	Other Services	Eliminations	Consolidated amount
Financial liabilities	**2,598**	**63,383**	**1,013**	**2**	**(2,071)**	**64,925**
Postal current accounts	-	51,574	-	-	(522)	51,052
Bonds	806	-	755	-	-	1,561
Borrowings from financial institutions	400	5,602	-	-	-	6,002
Other borrowings	-	-	-	-	-	-
Finance leases	-	-	-	2	-	2
MEF account, held at the Treasury	-	-	-	-	-	-
Derivative financial instruments	40	1,673	-	-	-	1,713
Other financial liabilities	72	4,517	6	-	-	4,595
Intersegment financial liabilities	1,280	17	252	-	(1,549)	-
Technical provisions for insurance business	**-**	**-**	**120,613**	**-**	**-**	**120,613**
Financial assets	**(1,136)**	**(62,519)**	**(120,372)**	**(48)**	**1,529**	**(182,546)**
Loans and receivables	(304)	(8,663)	(12)	-	-	(8,979)
Held-to-maturity financial assets	-	(12,846)	-	-	-	(12,846)
Available-for-sale financial assets	(563)	(39,298)	(93,285)	-	-	(133,146)
Financial assets at fair value through profit or loss	-	-	(26,717)	-	-	(26,717)
Derivative financial instruments	-	(665)	(193)	-	-	(858)
Intersegment financial assets	(269)	(1,047)	(165)	(48)	1,529	-
Technical provisions attributable to reinsurers	**-**	**-**	**(75)**	**-**	**-**	**(75)**
Net financial liabilities/(assets)	**1,462**	**864**	**1,179**	**(46)**	**(542)**	**2,917**
Cash and deposits attributable to BancoPosta	**-**	**(3,148)**	**-**	**-**	**-**	**(3,148)**
Cash and cash equivalents	**(1,821)**	**(372)**	**(3,502)**	**(12)**	**480**	**(5,227)**
Net debt/(funds)	**(359)**	**(2,656)**	**(2,323)**	**(58)**	**(62)**	**(5,458)**

Net debt/(funds) at 31 December 2016

(€m)

Balance at 31 December 2016	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Eliminations	Consolidated amount
Financial liabilities	**1,947**	**59,225**	**1,012**	**2**	**(1,265)**	**60,921**
Postal current accounts	-	45,456	-	-	(331)	45,125
Bonds	812	-	759	-	-	1,571
Borrowings from financial institutions	402	5,381	-	-	-	5,783
Other borrowings	-	-	-	-	-	-
Finance leases	6	-	-	2	-	8
MEF account, held at the Treasury	-	2,429	-	-	-	2,429
Derivative financial instruments	51	2,305	-	-	-	2,356
Other financial liabilities	13	3,634	2	-	-	3,649
Intersegment financial liabilities	663	20	251	-	(934)	
Technical provisions for insurance business	**-**	**-**	**113,678**	**-**	**-**	**113,678**
Financial assets	**(1,236)**	**(58,681)**	**(115,596)**	**(29)**	**1,180**	**(174,362)**
Loans and receivables	(140)	(7,915)	(54)	-	-	(8,109)
Held-to-maturity financial assets	-	(12,683)	-	-	-	(12,683)
Available-for-sale financial assets	(574)	(37,263)	(90,406)	-	-	(128,243)
Financial assets at fair value through profit or loss	-	-	(24,903)	-	-	(24,903)
Derivative financial instruments	-	(191)	(233)	-	-	(424)
Intersegment financial assets	(522)	(629)	-	(29)	1,180	-
Technical provisions attributable to reinsurers	**-**	**-**	**(66)**	**-**	**-**	**(66)**
Net financial liabilities/(assets)	**711**	**544**	**(972)**	**(27)**	**(85)**	**171**
Cash and deposits attributable to BancoPosta	**-**	**(2,494)**	**-**	**-**	**-**	**(2,494)**
Cash and cash equivalents	**(1,556)**	**(1,320)**	**(1,324)**	**(21)**	**319**	**(3,902)**
Net debt/(funds)	**(845)**	**(3,270)**	**(2,296)**	**(48)**	**234**	**(6,225)**

Total net funds at 30 September 2017 amount to €5,458 million, down compared with the figure of €6,225 million at 31 December 2016. This primarily reflects a decrease in the fair value reserve for available-for-sale financial assets of approximately €886 million, before the related taxation, largely due to the performance of BancoPosta RFC's investments in securities.

FINANCIAL ASSETS AND LIABILITIES BY OPERATING SEGMENT

POSTAL AND BUSINESS SERVICES

Financial assets

At 30 September 2017, financial assets include:

- available-for-sale investments in Treasury Notes (BTPs) with a nominal value of €500 million (a fair value of €550 million);
- receivables of €304 million, including €256 million relating to the remaining amount due from Invitalia SpA in return for the sale of BdM-MCC SpA on 7 August 2017;
- other investments of €7 million, represented by the fair value of *equity mutual investment funds*. This item also consists of equity instrument (pursuant to art. 2346 paragraph 6 of the Italian Civil Code) deriving from the conversion of Contingent Convertible Notes[4] held by Poste Italiane SpA, whose value at 30 September 2017 is zero.

Financial liabilities

At 30 September 2017, financial liabilities include:

- bonds with a nominal value of €800 million issued in 2013 and accounted for at an amortised cost of €806 million;
- EIB loans with a total nominal value of €400 million;
- the remaining €56 million relating to the acquisition of the interest in FSIA Investimenti Srl;
- derivative instruments with fair value losses of €40 million, consisting of nine asset swaps used as fair value hedges to protect the value of BTPs with a nominal value of €375 million against movements in interest rates, and a swap contract entered into in 2013 to hedge the cash flows of a €50 million bond.

FINANCIAL SERVICES

Financial assets

At 30 September 2017, loans and receivables primarily include:

- amounts deposited with the MEF, totalling €5,525 million, including public sector customers' current account deposits, which earn a variable rate of return, calculated on a basket of government securities and money market indices;
- the balance of the Parent Company's MEF account, held at the Treasury, amounting to €1,741 million, primarily due to the amount receivable following the transfer of excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta and the balance of cash flows from the management of postal savings, carried out on behalf of CDP SpA;
- guarantee deposits of €1,047 million, relating to €978 million provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes) and €69 million provided to counterparties in repurchase

[4] These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the airline, Alitalia SAI SpA, The Notes were subscribed by Poste Italiane SpA on 23 December 2014, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI, without giving rise to any involvement on the part of Poste Italiane in the management of the issuer or its subsidiary. Interest and principal payments were provided for in the relevant terms and conditions if, and to the extent that, there was available liquidity. The loan was convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument pursuant to art. 2346 paragraph 6 of the Italian Civil Code, carrying the same rights associated with the Notes. From 1 January 2015, the Notes paid a nominal rate of interest of 7% per annum. On 2 May 2017, following a general meeting of Alitalia SAI's shareholders, which noted the serious financial difficulties faced by the airline, the withdrawal of support by shareholders and the impossibility of quickly finding alternative solutions, the airline's board of directors decided to file for extraordinary administration, granted by Ministry for Economic Development decree. On 11 May 2017, the Court of Civitavecchia declared Alitalia SAI SpA to be insolvent and, on 17 May 2017, the appointed administrators invited expressions of interest from parties wishing to acquire the airline and take it out of extraordinary administration. On 5 July 2017, a general meeting of Midco SpA's shareholders approved the company's financial statements for the year ended 31 December 2016, in which its investment in Alitalia SAI was written off. The financial statements showed that the company's equity had been reduced to such an extent as to trigger conversion of the Notes held by Poste Italiane SpA into equity instruments. Based on the above events, at 30 September 2017 the Notes, accounted for at a total value of €82 million at 31 December 2016, including interest recognised, have been written off and the related impairment loss, of a non-recurring nature, has been recognised in finance costs for the nine months under review.

agreements involving fixed-income securities (with collateral contemplated by specific Global Master Repurchase Agreements).

The Financial Services segment's investments in securities and equity instruments include:

- held-to-maturity financial assets accounted for at an amortised cost of €12,846 million (a fair value of €14,287 million);
- available-for-sale financial assets with a fair value of €39,298 million, including €39,170 million in Italian government securities and €128 million in equity instruments. In September, Poste Italiane SpA sold 300,000 Class B shares in MasterCard Incorporated with a settlement date of 10 October 2017; further sales of a total of 376,280 shares were completed in October 2017. These transactions generated total gains of €81 million, which will be recognised in profit or loss for the last quarter of 2017.

  Fair value losses on available-for-sale financial assets in the period amount to €1,284 million. The balance includes a loss of €279 million, regarding the portion not hedged by fair value hedges, accounted for in the relevant equity reserve, and a loss of €1,005 million, relating to the hedged portion, accounted for in profit or loss.

At 30 September 2017, derivative assets attributable to the Financial Services segment amount to €665 million.

Financial liabilities

At 30 September 2017, financial liabilities include:

- payables deriving from postal current accounts, totalling €51,574 million, representing BancoPosta's direct deposits;
- borrowings from financial institutions, totalling €5,602 million, regarding repurchase agreements entered into by the Parent Company with major financial institutions, with a total nominal value of €5,048 million;
- derivative financial instruments with fair value losses of €1,673 million, entirely represented by hedges of BancoPosta RFC's investments.

  In particular, BancoPosta RFC holds cash flow hedges deriving from investments with a nominal value of €1,910 million (€1,790 million at 31 December) and fair value hedges with a nominal value of €20,055 million (€16,150 million at 31 December 2016).

During the period under review, the effective portion of cash flow hedges recorded an overall net fair value loss of €15 million, reflected in the cash flow hedge reserve. Fair value losses on these derivative instruments amount to approximately €46 million at 30 September 2017 (losses of €61 million at 31 December 2016).

During the period under review, the effective portion of fair value hedges recorded an overall net fair value gain of €963 million, whilst the hedged securities recorded a net fair value loss of €1,005 million, with the difference of €42 million due to differentials paid. At 30 September 2017, net fair value losses on all these derivative instruments are approximately €962 million (losses of €2,052 million at 31 December 2016).

INSURANCE SERVICES AND ASSET MANAGEMENT

Financial assets

Available-for-sale financial assets, amounting to €93,285 million, include €91,946 million in bonds issued by European governments and prime corporates and, to a lesser extent, units in mutual funds and equities. During the period under review, the financial instruments in question recorded fair value losses of €1,499 million, of which €1,477 million was transferred to policyholders and recognised in technical provisions under the shadow accounting method.

Financial instruments at fair value through profit or loss consist of:

- fixed income securities, amounting to €6,009 million, including €2,165 million in coupon stripped and hybrid BTPs;
- structured bonds, amounting to €553 million and used primarily to cover contractual obligations deriving from Class III products;
- other investments, amounting to €20,111 million and relating to units of mutual investment funds;

- equity instruments, amounting to €44 million.

At 30 September 2017, outstanding derivatives primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies with a fair value of €193 million and a nominal value of €2,149 million.

Financial liabilities and technical provisions

At 30 September 2017, the segment's financial liabilities primarily regard the subordinated loan with a nominal value of €750 million issued by Poste Vita SpA in 2014 and having an amortised cost of €755 million.

At the same date, technical provisions for the insurance business after the portion ceded to reinsurers, amount to €120,538 million.

Industrial net (funds)/debt, in accordance with ESMA guidelines

ESMA net financial indebtedness (€m)

	at 30 September 2017	at 31 December 2016
A. Cash	(2)	(2)
B. Other cash equivalents	(1,831)	(1,575)
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	**(1,833)**	**(1,577)**
E. Current loans and receivables	**(277)**	**(63)**
F. Current bank borrowings	200	2
G. Current portion of non-current debt	757	14
H. Other current financial liabilities	74	22
I. Current financial debt (F+G+H)	**1,031**	**38**
J. Current net debt/(funds) (I+E+D)	**(1,079)**	**(1,602)**
K. Non-current bank borrowings	200	400
L. Bond issues	49	798
M. Other non-current liabilities	40	50
N. Non-current financial debt (K+L+M)	**289**	**1,248**
O. Industrial net debt/(funds) (ESMA guidelines) (J+N)	**(790)**	**(354)**
Non-current financial assets	(590)	(651)
Industrial net debt/(funds)	**(1,380)**	**(1,005)**
Intersegment loans and receivables	(269)	(522)
Intersegment financial liabilities	1,232	634
Industrial net debt/(funds) including intersegment transactions	**(417)**	**(893)**
of which:		
- Postal and Business Services	(359)	(845)
- Other	(58)	(48)

for the nine months ended 30 September (€m)	2017	2016
Industrial net (funds)/debt at beginning of period	**(893)**	**(307)**
Operating activities	265	(29)
Investing activities	169	237
Movements in equity	42	(175)
Industrial net (funds)/debt at end of period	**(417)**	**(274)**

Industrial net funds amount to €417 million at 30 September 2017, marking a reduction from the €893 million of 31 December 2016.

Cash used in operating activities amounts to €265 million, primarily reflecting movements in working capital and in provisions for risks and charges (provisions to cover early retirement incentives for personnel leaving the Group in the first nine months of 2017).

Cash used in investing activities amounts to €169 million, reflecting capital expenditure of €275 million and the impact of acquisition of the investment in FSIA Investimenti Srl (€278 million) and of the sale of BdM-MCC SpA (approximately €390 million).

8. OUTLOOK

In the coming months, the Poste Italiane Group will be engaged in drawing up the new Business Plan, which will aim to achieve sustainable growth of the business.

In the Logistics-Postal segment, the Group will continue with the restructuring process embarked on in recent years, through the use of new automation technologies in support of operational processes. The aim is to boost the efficiency and quality of postal services by exploiting synergies in the postal logistics network. The Group is also committed to improving competitiveness in the Express Delivery and Parcels market.

In the Financial Services segment, the Group will be engaged in actively managing the securities portfolio with the aim of stabilising the overall return, and in the collection and management of savings, developing the customer base, through targeted offerings of products and services capable of consolidating customer relations and boosting both deposits and the related investments in financial instruments.
With specific regard to Postal Savings, the process of renewing the Agreement governing the provision of intermediation services on behalf of Cassa Depositi e Prestiti SpA is under way.
With regard to the partnership agreements between Poste Italiane SpA and Anima Holding, work on exploiting the potential synergies between the Group's distribution capabilities and the investee's industry know-how will continue.

In the coming months, the Group will also focus on its position in the transaction/digital banking market, with particular attention to developing collection and payment services. The aim is to create a single unit responsible for the Group's offerings for retail, business and Public Administration customers. This will enable the Group to maximise growth and integration, whilst building a service model capable of taking full advantage of physical distribution channels and, at the same time, expanding digital banking activities.
The Insurance Services and Asset Management business, in addition to consolidating its leadership in the life market, the Group will continue to expand its presence in the market for funds and Class III policies, guaranteeing transparency and close attention to the needs of customers. The segment will also continue to expand its presence in the market for protection and welfare products, partly by developing and reinforcing its integrated offerings and services (Pensions, Health and Care).

9. OTHER INFORMATION

RELATED PARTY TRANSACTIONS

At a meeting on 20 September 2017, Poste Italiane's Board of Directors, having obtained the consent of the Related and Connected Parties Committee, authorised the spot and forward purchase and sale of securities issued and/or guaranteed by the Italian government and the execution of repurchase agreements and reverse repos and of hedging derivatives by BancoPosta RFC, with Monte Paschi Capital Services Banca per le Imprese SpA acting as counterparty. This company qualifies as a related party of Poste Italiane as it is also controlled by the Ministry of the Economy and Finance through Banca Monte dei Paschi di Siena SpA[5]. The operations regard a range of transactions, with the amount and duration of each transaction not known in advance, but defined over time.

Given the size of BancoPosta RFC's portfolio of financial instruments in which it invests the funds deposited by private account holders and in view of the average amount involved in this type of transaction, which are carried out under standard terms and conditions and form part of BancoPosta's ordinary financial management, the transaction has been prudently classified as an ordinary transaction of greater significance, in accordance with CONSOB Resolution 17221 of 2010, as amended.

INDUSTRIAL RELATIONS

National Collective Labour Contract for non-managerial Poste Italiane staff

As part of negotiations with the labour unions, regarding renewal of the National Collective Labour Contract, the committees involved have, in addition to agreeing on the proposed establishment of a Health Fund to provide supplementary insurance cover, agreed on the need to make a number of alterations to the text of the contract, partly in order to reflect several changes to the related legislation. The process has also led to the signature of two important protocols regarding "tenders" and "harassment and violence at work".

Performance-related bonus

On 19 July 2017, an agreement was reached on performance-related bonuses for Poste Italiane SpA, Poste Vita SpA, Poste Assicura SpA, Postetutela SpA, Poste Tributi ScpA (in liquidation), EGI SpA and BancoPosta Fondi SpA SGR.

The agreement, which is valid for one year, enables assessment of the contributions made by staff towards the achievement of corporate objectives in 2017, postponing definition of the structure of bonuses for the next three years until an agreement to be reached by 30 November 2017. The agreement has also introduced two major changes regarding the option for employees to pay all or a part of their bonus into the Fondo Poste pension fund or into other supplementary pension funds, and extending payment of performance-related bonuses to staff on fixed-term contracts who have been employed for at least six months, including on a non-consecutive basis, in the year to which the bonus relates.

Mail, Logistics and Communication

In relation to the contract with "Amazon", and above all management of the increased volume of Promopacco Plus mail, a statement of agreement was signed on 4 August 2017 with the aim of expanding sorting and delivery processes. The agreement has also introduced new shift patterns, which will be implemented once subsequent agreements have been reached at local level.

[5] MPS Capital Services is 99.97% owned by Banca Monte dei Paschi di Siena SpA, which is in turn controlled by the Ministry of the Economy and Finance through its 52% interest in the bank.

In addition to the above statement of agreement, 4 August also saw signature of a statement of agreement with all the labour unions, setting out plans for a number of meetings designed to lead to solutions for a number of specific issues, (completion of the rollout of the alternate day delivery model in Regulated Rural Areas[6]).

Finally, on 5 September 2017, a statement of agreement was signed with all the labour unions covering planned changes to international mail logistics at the Milan Borromeo and Milan Roserio sorting centres. The agreement sets out both the timing of the progressive transfer of operations to the Milan Roserio centre and the procedures for managing the personnel affected by the reorganisation.

10. PRINCIPAL RELATIONS WITH THE AUTHORITIES

AUTORITA' GARANTE DELLA CONCORRENZA E DEL MERCATO (AGCM - THE ANTITRUST AUTHORITY)

In June 2016, the AGCM notified Poste Italiane of the launch of investigation A493 pursuant to art. 14 of Law 287/90, aimed at determining whether behaviour towards Nexive SpA, in multi-item ordinary mail delivery markets, constitutes an abuse of its dominant market position as per art. 102 of the TFEU. On 4 August 2017, the AGCM notified Poste Italiane of the results of its investigation, which will be completed by 31 December 2017.

In March 2017, the AGCM notified Poste Italiane SpA of the launch of investigation pursuant to art. 27, paragraph 3 of the Consumer Code, with the aim of assessing whether or not the unilateral changes to the *Bancopostaclick* contract and to the fees applicable to the Postamat payment card constitute unfair commercial practices.
In October 2017, the AGCM published its final ruling, accepting the commitments submitted by Poste Italiane and rendering them obligatory, without ruling that the Company's conduct had violated the regulations.

AUTORITÀ PER LE GARANZIE NELLE COMUNICAZIONI (AGCOM - THE ITALIAN COMMUNICATIONS AUTHORITY)

Poste Italiane introduced a number of changes to the prices charged for certain postal services falling within the scope of the universal services (signed-for products) from 10 January 2017, in keeping with the limits and requirements established by AGCom in Resolution 728/13/CONS.
The new price list and the related acts are the subject of a legal challenge brought by the consumers' association, CODACONS. A date for the hearing on the merits of the case is awaited.
In addition, on 7 July 2017, the Company applied to AGCom for permission to reformulate the rates charged for the ordinary international parcel service for various destination areas. The application was accepted by the regulator and the new rates came into effect from 11 September 2017.

Following a dispute brought by the operator GPS (Globe Postal Services), AGCom adopted Resolution 621/15/CONS regarding regulations governing the return of items of mail entrusted to other postal operators that finish up in Poste Italiane's network.
In addition, Given the financial impact this ruling may have on Poste Italiane – especially the possibility of only being able to recover additional costs with the new rates –, the Company appealed the ruling before the Lazio Regional Administrative Court. In September 2016, the Court published its judgment, upholding the appeal insofar as it relates to the principle under which the additional costs alone may be recovered and establishing Poste Italiane's right to recover the full cost of the service through the prices charged.

[6] "Regulated Rural Areas", together with "Provincial capitals and unregulated rural areas" and "Metropolitan areas", have been defined as part of the process of reorganising delivery operations and are differentiated on the basis of volume of mail and the specific nature of the service provided.

AGCom, Nexive and GPS appealed to the Council of State which, in September 2017, upheld the appeal and the legality of Resolution 621/15/CONS.

With regard to quantification of the cost of the Universal Service, in September 2017, the regulator published Resolution 298/17/CONS relating to its assessment of the net cost of the universal postal service incurred by the Company for 2013 and 2014 and the applicability of the mechanism for allocating such cost. In detail, the regulator has assessed the cost of providing the universal service for 2013 and 2014 to be €393 million and €409 million, respectively, compared with revenue of €343 million and €277 million recognised in Poste Italiane SpA's statement of profit or loss in previous years.. The regulator has also announced that the compensation fund to cover the cost of providing the universal service for the years 2013 and 2014, as provided for in art. 10 of Legislative Decree 261/1999, has not been set up.

With regard to the issue of right of access to the universal postal network, in October 2017 the regulator published Resolution 384/17/CONS containing "*Changes to the provisions governing access to Poste Italiane's postal network and infrastructure*", with which it has repealed art. 6 of Resolution 728/13/CONS, establishing a new regime for access to the universal postal network based on the following points: i) retention of the obligation to provide equal and reasonably free access throughout the country, in addition to – in postcodes without the presence of an alternative operator – an obligation to provide access in accordance with conditions based on the effective pertinent costs incurred, after appropriate efficiencies; ii) obligations to give third-party operators access to PO boxes located at post offices and to ensure market transparency in the event of changes to postcodes;
iii) establishment of an "access mail collection" service for operators where large amounts of their customers' mail finishes up in the universal network;
iv) the definition, with a subsequent ruling, of a test of competitors' ability to replicate Poste Italiane's offerings.

TAX DISPUTES

A tax audit of Postel SpA regarding direct taxes and VAT for the tax years from 2009 to 2012, carried out previously by the tax authorities, came to an end on 25 November 2014, with delivery of a tax audit report in which the right to deduct VAT from certain purchases in 2010 and 2011 was contested.
In addition, on 8 October 2015, a tax inspection relating to income tax and withholding tax, and regarding the company's alleged failure to pay social security contributions for employees and/or contractors used by a supplier between 2010 and 2014, came to an end with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP.
As a result of the above controls, the tax authorities notified the company that it had issued two separate tax notice of assessments for the 2010 and 2011 tax years. In particular:

- In the case of 2010, on 21 December 2015, the tax authorities requested the settlement of unpaid VAT of €5.6 million, plus penalties and interest, and unpaid VAT, IRES, IRAP and withholding tax totalling €0.2 million, plus penalties and interest. On 18 May 2016, the company appealed the notice of assessment, whilst at the same time making a provisional payment of approximately €2.3 million as unpaid VAT.
- In the case of 2011, on 18 October 2016, the tax authorities requested the settlement of unpaid VAT, IRES, IRAP and withholding tax of €1.2 million, plus penalties and interest. On 16 December 2016, the company appealed the notice of assessment, whilst at the same time making a provisional payment of approximately €0.5 million.

Furthermore, based on the findings set out in the tax audit report of 8 October 2015:

- In the case of the 2012 tax year, on 25 November 2016, the tax authorities requested the settlement of unpaid VAT, IRES, IRAP and withholding tax of €0.1 million, plus penalties and interest. On 19 January 2017, the company appealed the notice of assessment, whilst at the same time making a provisional payment of approximately half of this amount. A date for the appeal hearing has yet to be fixed.

- In the case of the 2013 tax year, on 24 July 2017, the tax authorities requested the settlement of unpaid VAT, IRES, IRAP and withholding tax of €0.2 million, plus penalties and interest. On 23 October 2017, the company appealed the notice of assessment, whilst at the same time making a provisional payment of approximately half of this amount.

With regard to the notice of assessments for 2010 and 2011, the company opted to take advantage of the settlement concessions offered by art. 11 of Law Decree 50 of 24 April 2017, which allows the taxpayer to pay tax and interest on the unpaid amount for up to 60 days following receipt of the relevant demand, except for penalties and overdue interest. Any amounts already paid in accordance with existing regulations governing pending disputes are deductible from the amounts payable. In this case, the amount due from the company amounts to €8.4 million. As a result, the company, having already paid €2.8 million whilst waiting for its appeal to be heard, proceeded to pay the sum of €5.6 million. The provisions of €8.3 million made in previous years were used in full.

The appeal against the notice of assessment for the 2010 tax year was heard on 17 October 2017. The Tribunal noted the request for a suspension of payment and the company's willingness to settle pending disputes, adjourning the hearing in order to allow the tax authorities to check the validity of the request and compliance with the requirements of article 11 of Law Decree 50/2017, thus rendering the settlement valid. The appeal hearing relating to the notice of assessment for the 2011 tax year is scheduled for 6 December 2017.

SOCIAL SECURITY DISPUTES

Since 2012, the *Istituto Nazionale per la Previdenza Sociale* (INPS, the National Institute of Social Security) office at Genoa Ponente has issued Postel SpA and Postelprint SpA (regarding which an agreement relating to a merger with Postel SpA was signed on 27 April 2015, effective for accounting and tax purposes from 1 January 2015) a number of notices of adjustment, some of which have resulted in payment orders, for a total amount payable of €17.4 million at 30 September 2017. According to INPS, this amount represents social security contributions that the two companies failed to pay and which are used to provide income support, extraordinary income support, unemployment benefit and family benefits not provided by IPOST. The companies immediately challenged the grounds for the payment orders, initially through administrative channels before the Administrative Committee for Employee Pensions, and then in the form of legal action before the Court of Genoa. On 20 October 2016, the Ministry of Labour stated that the social security contributions system applicable to Poste Italiane also applies to all the other Group companies, with the sole exception of those that provide air transport, banking and express delivery services.

With regard to the three combined actions bringing together the five pending before the Court of Genoa, on 11 July 2017, the court announced its judgement, only partially upholding the claim brought by INPS, amounting to €9 million. As a result, Postel was ordered merely to pay the difference in contributions between the family allowances paid by Postel to the employees and the amount claimed by INPS in the form of family benefit contributions. This means that Postel was ordered to pay just €0.2 million. On 20 October 2017, the company proceeded to pay this sum. The term for appealing this judgement expires on 12 March 2018.

Over time, given the degree of uncertainty linked to the outcome of the pending court cases, Postel, in consultation with its legal counsel, has made provisions for risks and charges based on the estimated liabilities arising in the period between receipt of the first notice from INPS and 30 September 2017. This has been done taking into account the amount already formally claimed by INPS in the form of payment orders and notices of adjustment, and amounts for periods for which no formal claims had been made, after deducting amounts paid directly by the company to its employees in the form of family allowances.

BANK OF ITALY

In 2017, the Bank of Italy conducted an inspection pursuant to art. 54 of Legislative Decree 385 of 1993, with the aim of assessing the governance, control and operational and IT risk management systems in relation to BancoPosta's operations. The inspection began on 10 February 2017 and ended on 5 May 2017. The related Inspection Report was issued on 20 July 2017. Poste Italiane responded within the required deadline by submitting its views in September 2017.

In addition, on 28 September 2017, the Bank of Italy began an inspection pursuant to art. 53 of Legislative Decree 231/2007, again with regard to BancoPosta's operations. The inspection related to money laundering prevention at a sample of post offices. The process, having the nature of a follow-up to the inspection conducted in 2015, aimed to assess the progress made in implementing the compliance initiatives communicated to the Bank, partly through an assessment of the related regulations, procedures and controls.

CONSOB

The process of rolling out the "guided consultancy" service around the Poste Italiane's post office network continued, in accordance with the roll-out plan included in the information provided to the CONSOB in December 2016. At 30 September 2017, the new platform, introducing standardised procedures designed to aid in identifying the best investment solution for the customer, enabling a systematic record of manager-customer relations to be kept, is present in approximately 4,400 post offices (covering around 87% of the target customers).

Istituto per la Vigilanza sulle Assicurazioni (IVASS - the insurance regulator)

On 27 September 2017, IVASS sent Poste Vita the results of the inspection conducted pursuant to art. 189 of the Private Insurance Code (Legislative Decree 209 of 7 September 2005) between March and June 2017. The focus of the inspection was "an audit of the best estimate of liabilities and the assumptions used in computing such liabilities and solvency capital requirements (SCR), including on a prospective basis". 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 the methodologies adopted for both the company's governance and control systems. These require further attention and corrective action. The company has reserved the right to submit its considerations regarding the outcome of the inspection to IVASS within the deadline provided for in the related regulations.

ITALIAN NATIONAL ANTI-CORRUPTION AUTHORITY (ANAC)

On 18 November 2016, the Italian National Anti-Corruption Authority (ANAC) notified Postel SpA that it was launching an investigation following a report from the commissioning body, Fondimpresa, after Postel's exclusion from a tender called to award a contract for the provision of digital mail and document storage services. The total value of the contract was €0.4 million. The exclusion was based on the fact that Postel, subjected to the checks required by art. 48, paragraph 2 of Legislative Decree 163/2006, did not provide evidence, within the required deadline, that it could meet the related financial and technical and organisational requirements contained in the tender terms and conditions. On 9 August 2017, the Authority notified Postel and the commissioning body that it had decided to take no further action and that no fine was to be imposed.

11. EVENTS AFTER 30 SEPTEMBER 2017

Events after the end of the reporting period have been described in other sections of the report and no other material events have occurred after 30 September 2017.

12. CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

ASSETS	at 30 September 2017	at 31 December 2016
Non-current assets		
Property, plant and equipment	1,979	2,080
Investment property	53	56
Intangible assets	486	513
Investments accounted for using the equity method	503	218
Financial assets	166,894	155,819
Trade receivables	5	4
Deferred tax assets	775	799
Other receivables and assets	2,894	2,682
Technical provisions attributable to reinsurers	75	66
Total	**173,664**	**162,237**
Current assets		
Inventories	136	137
Trade receivables	2,200	2,168
Current tax assets	193	15
Other receivables and assets	982	989
Financial assets	15,652	18,543
Cash and deposits attributable to BancoPosta	3,148	2,494
Cash and cash equivalents	5,227	3,902
Total	**27,538**	**28,248**
Non-current assets and disposal groups held for sale	**55**	**2,720**
TOTAL ASSETS	**201,257**	**193,205**

LIABILITIES AND EQUITY	at 30 September 2017	at 31 December 2016
Equity		
Share capital	1,306	1,306
Reserves	1,734	2,374
Retained earnings	4,698	4,454
Equity attributable to owners of the Parent	**7,738**	**8,134**
Equity attributable to non-controlling interests	-	-
Total	**7,738**	**8,134**
Non-current liabilities		
Technical provisions for insurance business	120,613	113,678
Provisions for risks and charges	641	658
Employee termination benefits and pension plans	1,239	1,347
Financial liabilities	5,204	8,404
Deferred tax liabilities	526	746
Other liabilities	1,018	1,071
Total	**129,241**	**125,904**
Current liabilities		
Provisions for risks and charges	705	849
Trade payables	1,323	1,506
Current tax liabilities	323	88
Other liabilities	2,188	2,147
Financial liabilities	59,721	52,517
Total	**64,260**	**57,107**
Liabilities related to assets held for sale	**18**	**2,060**
TOTAL EQUITY AND LIABILITIES	**201,257**	**193,205**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

Third quarter 2017	Third quarter 2016		For the nine months ended 30 September 2017	For the nine months ended 30 September 2016
2,042	2,090	Revenue from sales and services	6,279	6,406
5,291	4,837	Insurance premium revenue	16,389	15,388
873	1,106	Other income from financial and insurance activities	3,538	3,887
18	14	Other operating income	47	48
8,224	**8,047**	**Total revenue**	**26,253**	**25,729**
568	594	Cost of goods and services	1,765	1,809
5,745	5,505	Net change in technical provisions for insurance business and other claims expenses	17,916	17,449
88	51	Other expenses from financial and insurance activities	468	360
1,307	1,348	Personnel expenses	4,241	4,333
132	140	Depreciation, amortisation and impairments	413	439
(5)	(7)	Capitalised costs and expenses	(18)	(15)
60	63	Other operating costs	292	158
329	**353**	**Operating profit/(loss)**	**1,176**	**1,196**
23	21	Finance costs	165	69
-	-	*of which, non-recurring costs*	*82*	-
26	26	Finance income	84	83
3	1	Profit/(Loss) on investments accounted for using the equity method	12	7
335	**359**	**Profit/(Loss) before tax**	**1,107**	**1,217**
121	117	Income tax expense	383	410
-	-	*of which, non-recurring costs/(income)*	*(9)*	-
214	**242**	**PROFIT FOR THE PERIOD**	**724**	**807**
214	242	of which, attributable to owners of the Parent	724	807
-	-	of which, attributable to non-controlling interests	-	-

0.164	**0.185**	**Earnings per share**	**0.554**	**0.618**
0.164	**0.185**	**Diluted earnings per share**	**0.554**	**0.618**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

Third quarter 2017	Third quarter 2016		For the nine months ended 30 September 2017	For the nine months ended 30 September 2016
214	**242**	**Profit/(Loss) for the period**	**724**	**807**
		Items to be reclassified in the Statement of profit or loss for the period		
		Available-for-sale financial assets		
315	335	Increase/(decrease) in fair value during the period	(276)	(607)
(14)	(106)	Transfers to profit or loss	(610)	(588)
		Cash flow hedges		
5	(12)	Increase/(decrease) in fair value during the period	(13)	35
(9)	(7)	Transfers to profit or loss	(10)	(28)
(83)	(58)	Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period	267	306
-	-	Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-
3	-	After-tax increase/(decrease) in reserves related to group of assets and liabilites held for sale	2	-
		Items not to be reclassified in the Statement of profit or loss for the period		
-	(37)	Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	41	(162)
-	11	Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period	(12)	49
-	-	Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-
217	**126**	**Total other comprehensive income**	**(611)**	**(995)**
431	**368**	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**	**113**	**(188)**
431	368	of which, attributable to owners of the Parent	113	(188)
-	-	of which, attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

	Equity										
		Reserves									
	Share capital	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserves related to disposal groups and liabilites held for sale	Reserve for investees accounted for using equity method	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2016	**1,306**	**299**	**1,000**	**2,739**	**9**	**-**	**-**	**4,305**	**9,658**	**-**	**9,658**
Total comprehensive income for the period	-	-	-	(887)	5	-	-	694	(188)	-	**(188)**
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(444)	(444)	-	**(444)**
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	1	-	1	-	**1**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	**-**
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	**-**
Balance at 30 September 2016	**1,306**	**299**	**1,000**	**1,852**	**14**	**-**	**1**	**4,555**	**9,027**	**-**	**9,027**
Total comprehensive income for the period	-	-	-	(761)	(32)	-	-	(105)	(898)	-	**(898)**
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	-	-	-	**-**
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	-	-	**-**
Reclassifications to reserves related to disposal groups and liabilites held for sale	-	-	-	1	-	(1)	1	-	1	-	**1**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	**-**
Other shareholder transactions	-	-	-	-	-	-	-	4	4	-	**4**
Amount due from MEF following cancellation of EC Decision of 16 July 2008	-	-	-	-	-			6	6	-	**6**
Taxation	-	-	-	-	-			(2)	(2)	-	**(2)**
Balance at 31 December 2016	**1,306**	**299**	**1,000**	**1,092**	**(18)**	**(1)**	**2**	**4,454**	**8,134**	**-**	**8,134**
Total comprehensive income for the period	-	-	-	(626)	(16)	2	-	753	113	-	**113**
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(509)	(509)	-	**(509)**
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	-	-	**-**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	**-**
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-	**-**
Balance at 30 September 2017	**1,306**	**299**	**1,000**	**466**	**(34)**	**1**	**2**	**4,698**	**7,738**	**-**	**7,738**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

		For the nine months ended 30 September 2017	For the nine months ended 30 September 2016
Unrestricted net cash and cash equivalents at beginning of period		**2,292**	**1,783**
Cash subject to investment restrictions		780	1
Cash attributable to technical provisions for insurance business		799	1,324
Amounts that cannot be drawn on due to court rulings		12	11
Current account overdrafts		2	5
Cash received on delivery (restricted) and other restrictions		17	18
Cash and cash equivalents at beginning of period		**3,902**	**3,142**
Cash and cash equivalents at beginning of period		**3,902**	**3,142**
Profit/(loss) for the period		724	807
Depreciation, amortisation and impairments		413	439
Losses and impairments/(recoveries) on receivables		31	23
(Gains)/Losses on disposals		(2)	2
Impairment of disposal groups		-	-
Impairment of available-for-sale investments		12	-
Impairment loss on Contingent Convertible Notes		82	-
(Increase)/decrease in inventories		-	(3)
(Increase)/decrease in receivables and other assets		(333)	(458)
Increase/(decrease) in payables and other liabilities		(79)	293
Movement in group of assets and liabilites held for sale		7	-
Movement in provisions for risks and charges		(157)	(232)
Movement in provisions for employee termination benefits and pension plans		(67)	(46)
Differences in accrued finance costs and income (cash correction)		(7)	(18)
Other changes		60	51
Net cash flow generated by/(used in) non-financial operating activities	[a]	684	858
Increase/(decrease) in liabilities attributable to financial activities		4,575	4,419
Net cash generated by/(used for) held for trading financial assets attributable to financial activities		-	-
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities		(3,283)	(3,637)
Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities		(108)	498
(Increase)/decrease in cash and deposits attributable to BancoPosta		(654)	242
(Increase)/decrease in other assets attributable to financial activities		(748)	(672)
(Income)/expenses from financial activities		(790)	(779)
Cash generated by/(used for) assets and liabilities attributable to financial activities	[b]	(1,008)	71
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities		(1,258)	(4,233)
Increase/(decrease) in net technical provisions for insurance business		8,586	11,431
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities		(3,895)	(5,837)
(Increase)/decrease in other assets attributable to insurance activities		42	(60)
(Gains)/losses on financial assets/liabilities measured at fair value		(380)	(1,009)
(Income)/expenses from insurance activities		(819)	(779)
Cash generated by/(used for) assets and liabilities attributable to insurance activities	[c]	2,276	(487)
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**	**1,952**	**442**
Investing activities			
Property, plant and equipment, investment property and intangible assets		(283)	(252)
Investments		(228)	-
Other financial assets		250	(105)
Disposals			
Property, plant and equipment, investment property and intangible assets and assets held for sale		3	5
Investments		-	-
Other financial assets		10	100
Disposal groups		131	-
Net cash flow from/(for) investing activities	**[e]**	**(117)**	**(252)**
Proceeds from/(Repayments of) borrowings		(2)	(517)
(Increase)/decrease in loans and receivables		1	2
Dividends paid		(509)	(444)
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(510)**	**(959)**
Net increase/(decrease) in cash	**[g]=[d+e+f]**	**1,325**	**(769)**
Cash and cash equivalents at end of period		**5,227**	**2,373**
Cash and cash equivalents at end of period		**5,227**	**2,373**
Cash subject to investment restrictions		-	-
Cash attributable to technical provisions for insurance business		(2,931)	(669)
Amounts that cannot be drawn on due to court rulings		(13)	(12)
Current account overdrafts		-	-
Cash received on delivery (restricted) and other restrictions		(15)	(16)
Unrestricted net cash and cash equivalents at end of period		**2,268**	**1,676**

EXPOSURE TO SOVEREIGN DEBT

The following table shows the Group's exposure to sovereign debt at 30 September 2017, including details of the nominal value, carrying amount and fair value of each type of portfolio.

Exposure to sovereign debt (€m)

Item	at 30 September 2017			at 31 December 2016		
	Nominal value	Carrying amount	Fair Value	Nominal value	Carrying amount	Fair Value
Italy	**121,372**	**129,170**	**130,611**	**114,065**	**125,851**	**127,615**
Held-to-maturity financial assets	12,692	12,846	14,287	12,392	12,683	14,447
Available-for-sale financial assets	106,482	114,120	114,120	95,479	106,924	106,924
Financial assets at FV through profit or loss	2,161	2,165	2,165	5,445	5,451	5,451
Non-current assets and disposal groups held for sale	37	39	39	749	793	793
Austria	**-**	**-**	**-**	**40**	**42**	**42**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	40	42	42
Financial assets at FV through profit or loss	-	-	-	-	-	-
Belgium	**95**	**98**	**98**	**95**	**103**	**103**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	95	98	98	95	103	103
Financial assets at FV through profit or loss	-	-	-	-	-	-
Finland	**-**	**-**	**-**	**35**	**36**	**36**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	35	36	36
Financial assets at FV through profit or loss	-	-	-	-	-	-
France	**151**	**167**	**167**	**151**	**176**	**176**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	151	167	167	151	176	176
Financial assets at FV through profit or loss	-	-	-	-	-	-
Germany	**13**	**21**	**21**	**13**	**22**	**22**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	13	21	21	13	22	22
Financial assets at FV through profit or loss	-	-	-	-	-	-
Ireland	**10**	**10**	**10**	**-**	**-**	**-**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	10	10	10	-	-	-
Financial assets at FV through profit or loss	-	-	-	-	-	-
Spain	**1,601**	**1,842**	**1,842**	**1,566**	**1,850**	**1,850**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	1,601	1,842	1,842	1,566	1,850	1,850
Financial assets at FV through profit or loss	-	-	-	-	-	-
Slovenia	**20**	**22**	**22**	**93**	**104**	**104**
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	20	22	22	93	104	104
Financial assets at FV through profit or loss	-	-	-	-	-	-
Total	**123,262**	**131,330**	**132,771**	**116,058**	**128,184**	**129,948**

13. DECLARATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

The manager responsible for financial reporting, Luciano Loiodice, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim report for the nine months ended 30 September 2017 is consistent with the underlying accounting records.

APPENDIX: PERFORMANCE INDICATORS

In keeping with the guidelines of the European Securities and Markets Authority (ESMA/2015/1415), in addition to the financial disclosures required by International Financial Reporting Standards (IFRS) that have been used in the preparation of the consolidated financial statements at and for the nine months ended 30 September 2017, Poste Italiane has included a number of indicators in this interim report that have been derived from them. These provide management with a further tool for measuring the Group's performance.

In particular, in addition to the operating segment disclosures required by IFRS 8, management has proceeded to reclassify the statements of profit and loss for the Financial Services and Insurance Services and Asset Management segments solely for the purpose of integrating and enhancing its assessment of the operating performance of the specific segments in which the Group operates.

The following alternative performance indicators are used:

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – this is an indicator of a company's operating profit before non-operating financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets and investment property.

NON-CURRENT ASSETS – this indicator represents the sum of property, plant and equipment, investment property, intangible assets and investments measured using the equity method.

WORKING CAPITAL – the sum of inventories, trade receivables and other receivables and assets, current tax assets, trade payables and other liabilities, and current tax liabilities.

NET INVESTED CAPITAL – the sum of non-current assets and working capital, deferred tax assets, deferred tax liabilities, provisions for risks and charges, provisions for employee termination benefits and pension plans and non-current assets and disposal groups held for sale and liabilities related to assets held for sale.

GROUP NET (FUNDS)/DEBT - the sum of financial liabilities, technical provisions for the insurance business, financial assets, technical provisions attributable to reinsurers, cash and deposits attributable to BancoPosta and cash and cash equivalents. This indicator is also shown separately for each operating segment before adjusting for intersegment transactions.

INDUSTRIAL NET (FUNDS)/DEBT, IN ACCORDANCE WITH ESMA GUIDELINES, for the Postal and Business Services and Other Services segments - the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.