

INTERIM REPORT AT 30 JUNE 2020

(Translation from the Italian original which remains the definitive version)

Posteitaliane

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REPORT ON OPERATIONS AT 30 JUNE 2020

Posteitaliane

INTRODUCTION

The Half-year financial report at 30 June 2020 of the Poste Italiane Group - approved by the Board of Directors on 30 July 2020, which authorised its public disclosure, also pursuant to IAS 10 - includes the Report on Operations at 30 June 2020 and the Condensed half-year consolidated financial statements.

The first half of 2020 was marked, starting at the end of February, by the impacts of Covid-19, which are illustrated in this Report on Operations also taking into account the recommendations issued by ESMA in March and May¹, as well as the Consob Attention Notice no. 8/20 of 16 July 2020.

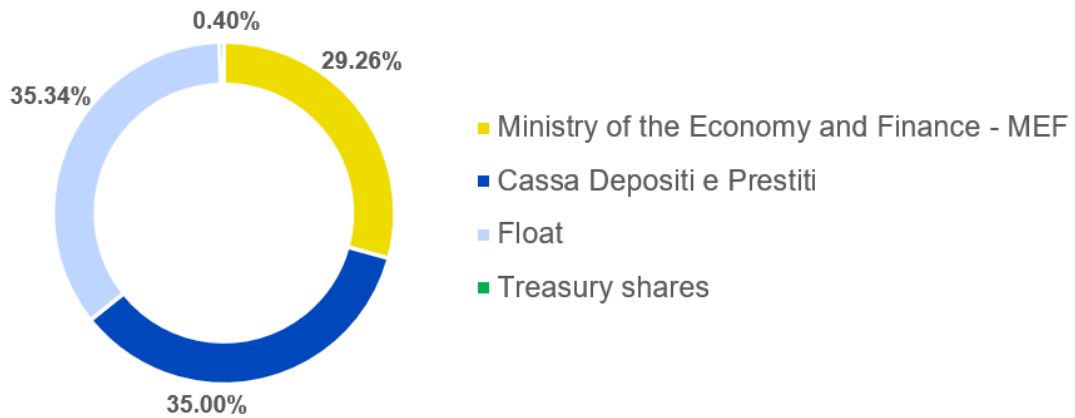
The required disclosures on the impacts of the COVID-19 pandemic on the statement of profit or loss are provided in the paragraph "Covid-19 Impacts" in the section on operating performance of this Report on Operations. Further information on the impacts of the pandemic (use of estimates, impairment tests, risk management, measures adopted to deal with the emergency) is provided in the continuation of this document and in the notes to the half-year consolidated financial statements.

Lastly, it is noted that amounts shown in millions of euros have been rounded, with the result that the sum of the rounded figures does not always tally with the rounded total.

¹ ESMA Guidelines published on 11 March 2020, ESMA Public Statement 32-63-951 of 25 March 2020 and ESMA Public Statement 32-63-972 of 20 May 2020.

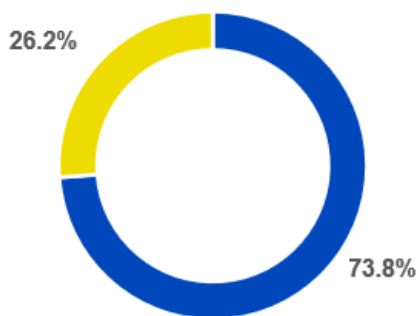
1. OWNERSHIP, GROUP AND ORGANISATIONAL STRUCTURES

OWNERSHIP



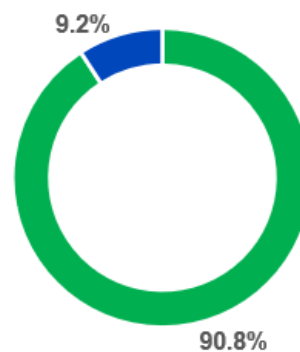
Poste Italiane has issued shares listed on the Mercato Telematico Azionario (Electronic Stock Exchange, MTA) organised and managed by Borsa Italiana SpA as of 27 October 2015. At 30 June 2020, the Company is 29.3% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti SpA (CDP), also controlled by the MEF. The remaining shares are held by institutional and retail investors.

Floating equity



■ Institutional Investors ■ Retail investors

Geographical breakdown Investors



■ Rest of the world ■ Italy

MANAGEMENT AND SUPERVISORY BODIES

Below is the representation of Poste Italiane SpA management and supervisory bodies. The Board of Directors was elected by the Annual General Meeting of Shareholders held on 15 May 2020 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 2022.

Board of Directors ⁽¹⁾			
Chairwoman		Maria Bianca Farina	
Chief Executive Officer and General Manager		Matteo Del Fante	
Directors		Giovanni Azzone Bernardo De Stasio Daniela Favrin Davide Iacovoni Mimi Kung Elisabetta Lunati Roberto Rossi	
Control and Risk Committee ⁽²⁾	Remuneration Committee ⁽²⁾	Appointment and Corporate Governance Committee ⁽²⁾	Related and Connected Parties Committee ⁽²⁾
Bernardo De Stasio (Chair) Davide Iacovoni Roberto Rossi	Giovanni Azzone (Chair) Daniela Favrin Elisabetta Lunati	Bernardo De Stasio (Chair) Giovanni Azzone Mimi Kung	Elisabetta Lunati (Chair) Bernardo De Stasio Mimi Kung
Sustainability Committee ⁽²⁾			
Daniela Favrin (Chair) Davide Iacovoni Roberto Rossi			
Board of Statutory Auditors ⁽³⁾			
Chairman		Mauro Lonardo	
Statutory auditors		Luigi Borrè Anna Rosa Adiutori	
Alternate auditors		Alberto De Nigro Maria Francesca Talamonti Antonio Santi	
Supervisory Board ⁽⁴⁾			
Chairman		Carlo Longari	
Members		Paolo Casati ⁽⁵⁾ Massimo Lauro	
Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane			
Piergiorgio Della Ventura ⁽⁶⁾			
Independent auditors			
Deloitte&Touche SpA ⁽⁷⁾			

⁽¹⁾ The Board of Directors was elected by the Annual General Meeting held on 15 May 2020 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 2022. Following the Board of Directors' resolution of 10 June 2020, the Co-General Manager and Head of Corporate Affairs participates in Board meetings without voting rights.

⁽²⁾ Committee members were appointed by the Board of Directors' meeting of 15 May 2020.

⁽³⁾ The Board of Statutory Auditors was elected by the Annual General Meeting of 28 May 2019 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 2021.

⁽⁴⁾ The Supervisory Board was appointed by the Board of Directors' meeting of 30 July 2019 for a three-year term and will remain in office until 30 July 2022.

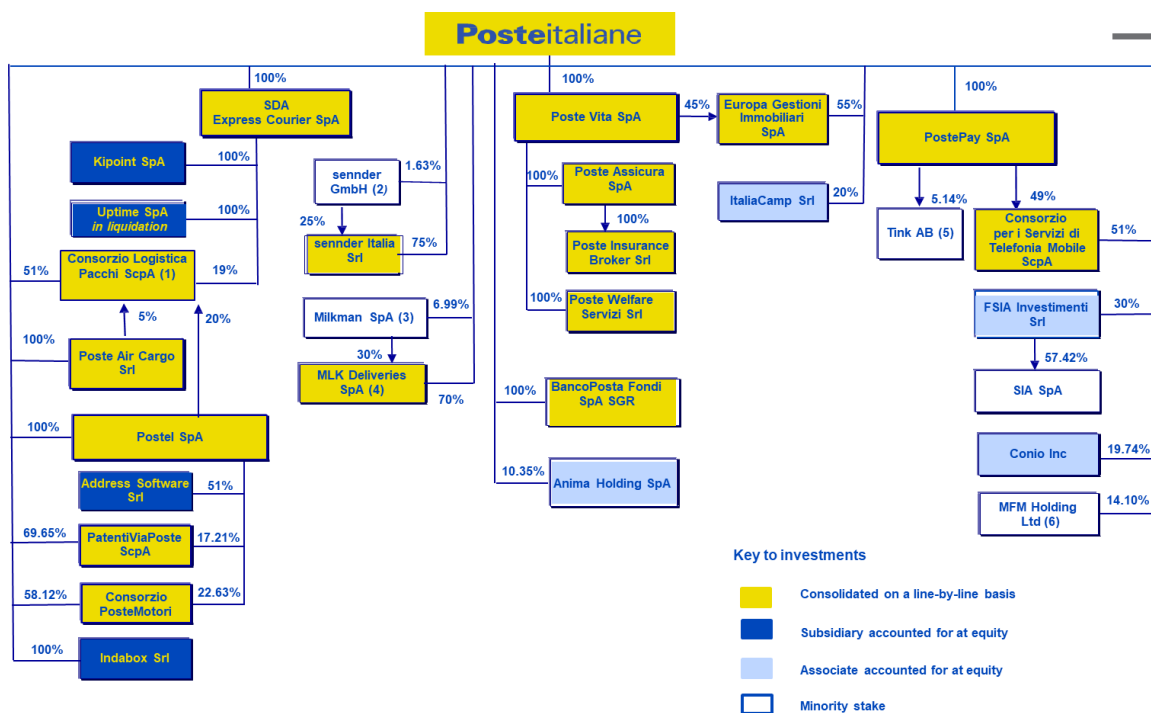
⁽⁵⁾ The only internal member, Head of Poste Italiane SpA's Internal Auditing.

⁽⁶⁾ Assigned by the Court of Auditors with effect from 1 January 2020.

⁽⁷⁾ Company appointed to audit the accounts for the financial years 2020 - 2028 by resolution of the Annual General Meeting of 28 May 2019. Deloitte&Touche has been appointed for the entire Group.

GROUP STRUCTURE AT 30 JUNE 2020

The following is a representation of the Poste Italiane Group's corporate structure.



(1) The remaining 5% of Consorzio Logistica Pacchi S.c.p.A. is held by Poste Assicura S.p.A.

(2) The investment in sennder GmbH fully diluted is equal to 1.50%

(3) The investment in Milkman S.p.A. fully diluted is equal to 6.34%

(4) The investment in MLK Deliveries S.p.A. fully diluted is 68.49%

(5) The investment in Tink AB fully diluted is 4.79%

(6) The investment in MFM Holding Ltd is equal to 14.10% of the shares with voting rights (15.16% of property rights).

(*) On 26 May 2020, the company Poste Tributi Scpa was removed from the Rome Register of Companies.

The following table shows the main activities of the Group companies, including them within the Strategic Business Units described in further detail in the section on the Group's Areas of operations and Organisation.

THE POSTE ITALIANE GROUP COMPANY BUSINESSES	
Companies by Strategic Business Unit	Business
MAIL, PARCELS AND DISTRIBUTION	
SDA Express Courier SpA	This is the Group's operational company. It mainly carries out activities to serve the logistics processes. It also operates on the Express Courier market, providing customised solutions to handle any type of transport.
Postel SpA	This company operates in communication services for businesses and the public administration, providing printing and delivery services, electronic document management solutions, direct marketing, e-procurement, IT services and website management (portals) for online payments.
Poste Air Cargo Srl (formerly <i>Mistral Air Srl</i>)	This company provides commercial air transport, cargo courier transport and insures, as the Group's sole provider, the air logistics in support of mail and parcel delivery.
Consorzio PosteMotori	This is a non-profit consortium that manages and reports on the payment of prices due by users for the proceedings for which the Transport Department of the Ministry of Infrastructure and Transport is competent (e.g. issue of "pink sheets", issue and renewal of copies of driving licences, registrations, MOTs, etc.).
Consorzio Logistica Pacchi ScpA	This consortium coordinates the activities of the consortium members (Poste Italiane, SDA, Postel and Poste Air Cargo, Poste Assicura) in transport overland, by air of postal effects, integrated logistics, printing and envelope filling, electronic document management, e-commerce, marketing and telemarketing.
PatentiViaPoste ScpA	Non-profit consortium that provides centralised printing services, the dispatch and delivery of new driving licences and copies of log books.
Address Software Srl	This company develops, mainly for Postel SpA, application software packages for the processing of personal and territorial data (normalisation of addresses, data cleaning and geomarketing).
Europa Gestioni Immobiliari SpA	This company manages and optimises Poste's real estate assets that are no longer instrumental; it carries out town planning and construction transformations, in order to assure the relative marketing (new leases and sales). It also operates on the electricity market as "wholesale" purchaser for the Group.
ItaliaCamp Srl	This company intermediates the supply and demand of ideas and solutions for the development of social, economic and scientific projects as well as consultancy for businesses and entities for the supply of services relating to projects, both in the public and private context.
Indabox Srl	This company develops IT and telematic systems offering logistics support to e-commerce, offering customers a collection service of parcels purchased online from authorised retailers.
Kipoint SpA	Through a network of franchise stores, this company sells national and international deliveries, products and services. Following the stipulation of the contract with Grandi Stazioni, it also manages luggage deposits at major railway stations.
Conio Inc.	This Californian company creates and offers innovative services in digital currencies. It controls 100% of Conio Srl, which is involved in the research, development and testing of results consisting of innovative electronic payment technological solutions (cryptocurrencies, bitcoins).
sennder Italia Srl owned by sennder GmbH	The Company carries out national and international long-distance road transport activities. The business model is based on highly digitised processes and proprietary IT platforms, creating optimised management of processes and distances covered.
MLK Deliveries SpA owned by Milkman SpA	Company that carries out home delivery activities for e-commerce through innovative and technologically advanced delivery services, such as Scheduled Delivery, which allows customers to customise deliveries by choosing the date and time of receipt and Same Day (the same day on which the purchase is made) and to have a detailed tracking service. The Company has an exclusive license to use the technology of Milkman SpA .
PAYMENTS AND MOBILE	
PostePay SpA	A company that integrates electronic money and payment services, acting as an Electronic Money Institution (EMI), and Mobile Virtual Network Operator (MVNO) services with the PosteMobile brand.
Consorzio per i Servizi di Telefonia Mobile ScpA	Consortium for the supply of services relating to the "Electronic Postman" platform, mobile telephony and integrating messaging services (device info services connected with financial instruments) exclusively for Poste Italiane.
Fsia Investimenti Srl	Holding company that holds 57.42% of SIA SpA , a company that manages infrastructures and provides technological services in the areas of payments, electronic money, network services and capital markets.
Tink AB	Swedish company accredited as a PSD2 operator with the FSA (Financial Supervisory Authority), present in more than 10 European countries (including Italy), is one of the main open banking platforms, providing banks and financial institutions with PSD2 technology solutions.
FINANCIAL SERVICES	
BancoPosta Fondi SpA SGR	Collective asset management company that operates through the establishment and management of mutual investment funds and the individual portfolio management service relative to institutional mandates assigned to the Group.
Anima Holding SpA	Investment holding company in the asset management sector. It controls 100% of Anima SGR, which, in turn, controls 100% of Anima Asset Management Ltd.
MFM Holding LTD	Digital asset management company, specialised in ETF (Exchange Traded Funds) portfolios.
INSURANCE SERVICES	
Poste Vita SpA	Insurance company that provides insurance and reinsurance in Life classes.
Poste Assicura SpA	Insurance company that provides personal protection (health and accident), property protection (home and assets) and credit protection (insurance of loans and mortgages from unforeseen events).
Poste Insurance Broker Srl	Insurance broker for the distribution and brokerage of insurance and reinsurance.
Poste Welfare Servizi Srl	Company that manages Supplementary Medical Funds, services for the acquisition and validation of databases, services and liquidation of services on behalf of private medical funds; it also supplies services for the management of Poste Vita Group health and welfare products.

CORPORATE ACTIONS DURING THE PERIOD

sennder GmbH – sennder Italia

As part of the collaboration with the German digital carrier *sennder* GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company *sennder Italia* Srl, acquiring 75% (25% is held by *sennder* GmbH). On 25 February 2020, on the basis of agreements between the parties to support business growth in the start-up phase, Poste Italiane made an additional capital contribution of €3 million.

TINK AB

During the first quarter of 2020, as part of the agreements signed in December 2019 with the Swedish company Tink AB, one of the leading open banking² platforms in Europe, the Poste Group, through its subsidiary Postepay S.p.A. and other investors, subscribed to a capital increase in TINK with an investment of approximately €20 million, acquiring an investment of 5.1% in the share capital issued, or 4.8% on a fully diluted basis in Tink capital. The subscription of the capital increase was completed on 10 March 2020.

Subsequently, on 18 June 2020, Postepay participated in a new capital increase with an investment of €0.63 million, keeping the investment of 4.8% unchanged. This capital increase by Tink was carried out to partially finance the acquisition of the Spanish company Eurobits Technologies S.L, Tink competitor in the open banking technology solutions market, which includes among its customers the main financial institutions in its reference market.

MLK DELIVERIES SPA

As part of its collaboration with technology start-up company Milkman SpA, which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries SpA, acquiring 70%. The remaining 30% of MLK Deliveries is owned by Milkman SpA.

MLK Deliveries will be responsible for providing Same Day and Scheduled³ delivery services for the Poste Group through the exclusive use of Milkman technology, which in turn will reposition itself as a pure technology provider. At the same time, Poste Italiane acquired about 7% in the share capital of Milkman by participating in a capital increase with an investment of €5 million. Finally, there are purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase 100% of MLK and ownership of the Milkman technology for e-commerce applications.

This operation is in line with the objectives of the Deliver 2022 Plan and is aimed at strengthening national e-commerce.

MFM Holding Ltd - MFM Investments Ltd

On 2 August 2019, Poste Italiane, in line with the strategic plan, launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset

² Open Banking is a collaborative model between several market players, banking and non-banking, introduced by PSD2 (the European directive on payment services effective from 14/09/2019), which uses open technology platforms, sharing knowledge, work environments, customer data and base, creates innovative services and products for the end customer and increases market competition.

³ "Same day" and "Scheduled Delivery" services allow e-Shoppers to request delivery on the same day as the purchase or on a desired day and in a specific time slot among those available.

management services. The agreement provides that Poste Italiane will distribute an asset management service in Exchange Traded Funds (ETF) with 7 investment lines of which 2 developed exclusively for its customers.

On 9 August 2019, Poste Italiane signed a contract with MFM Holding Ltd (the company that controls 100% of Moneyfarm) which provides for a capital increase by the latter for a value of approximately €40 million (£36 million) through the issue of convertible preference shares subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involved two phases. In the first, which ended in August 2019, Poste Italiane subscribed shares in MFM Holding Ltd for a total value of €15 million, representing 9.70% of voting rights (10.36% of property rights). In the second, additional MFM Holding shares were subscribed for a total value of approximately €9.6 million, with an increase in the investment of up to 14.10% of voting rights (15.16% of property rights). The latter was finalised on 13 May 2020 when the necessary authorisations were obtained by the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

Volanté Technologies Inc

On 26 June 2020, PostePay signed the agreements for the establishment of a strategic partnership with Volanté Technologies Inc (Volanté), a US company specialising in the development of technological solutions underlying payment processes. In addition to the provision to Poste Italiane under perpetual license of the Volpay payment platform for enabling instant bank transfers (SEPA Credit Transfer Instant) and support services for the development of advanced payment systems based on QR Code technology, these agreements also provide for the launch of a long-term strategic collaboration aimed at developing new solutions in the world of payments to enrich the Poste Group offer to customers.

As part of these agreements, Postepay also adhered, with other investors, to a capital increase in Volanté with an investment of approximately \$5 million. The operation will take effect on 2 July.

Other intra-group transactions

The sale of Poste Vita, Poste Assicura and Poste Welfare Servizi ICT management business units to Poste Italiane took effect on 1 March 2020, as resolved by the Board of Directors of Poste Italiane of 12 December 2019. The transaction is part of the process of making Poste Group ICT processes more efficient by centralising the management of the subsidiaries' information systems at the Parent Company.

On 25 May 2020, the Board of Directors of Consorzio Logistica Pacchi S.c.p.A. approved the sale of the business unit CLP Mercato in favour of Poste Italiane S.p.A., consisting of the following activities: i) "Gamma BOX", i.e. national and international shipping services for mainly business customers, contracted through the (former) SDA sales network; and ii) "IoInvio prepaid product", i.e. the online shipping platform for national and international EU mailings, open both to retail customers and business customers that require payment at the same time. The transaction, effective as of 1 July 2020, aims to concentrate within the Parent Company the commercial offer "parcels and express courier", both business and retail, also allowing CLP to focus on the captive activities that represent its main mission.

By notarial deed dated 30 June 2020, SDA Express Courier S.p.A. sold 5% of the shares held in Consorzio Logistica e Pacchi S.c.p.A. to Poste Assicura S.p.A..

AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP

In line with the strategic guidelines set out in the Deliver 2022 Strategic Plan, the Group's activities are divided into four Strategic Business Units (also referred to as operating segments in Poste Italiane's financial statements): Mail, Parcels and Distribution; Payments and Mobile; Financial Services; Insurance Services.

Strategic Business Units

Mail, Parcels and Distribution

In addition to its mail and parcel handling activities, the SBU also includes those relating to the sales network, post offices and the corporate functions of Poste Italiane SpA, which also support the other sectors of the Group.

Payments and Mobile

The SBU includes the activities of payment management, card payments services and mobile and fixed line telecommunications by Postepay SpA. Starting in 2020, and in line with the organisational changes that in 2019 saw the transfer of the digital channel control activities within the Mail, Parcels and Distribution SBU, the name of the Payments, Mobile and Digital SBU has been updated to Payments and Mobile.

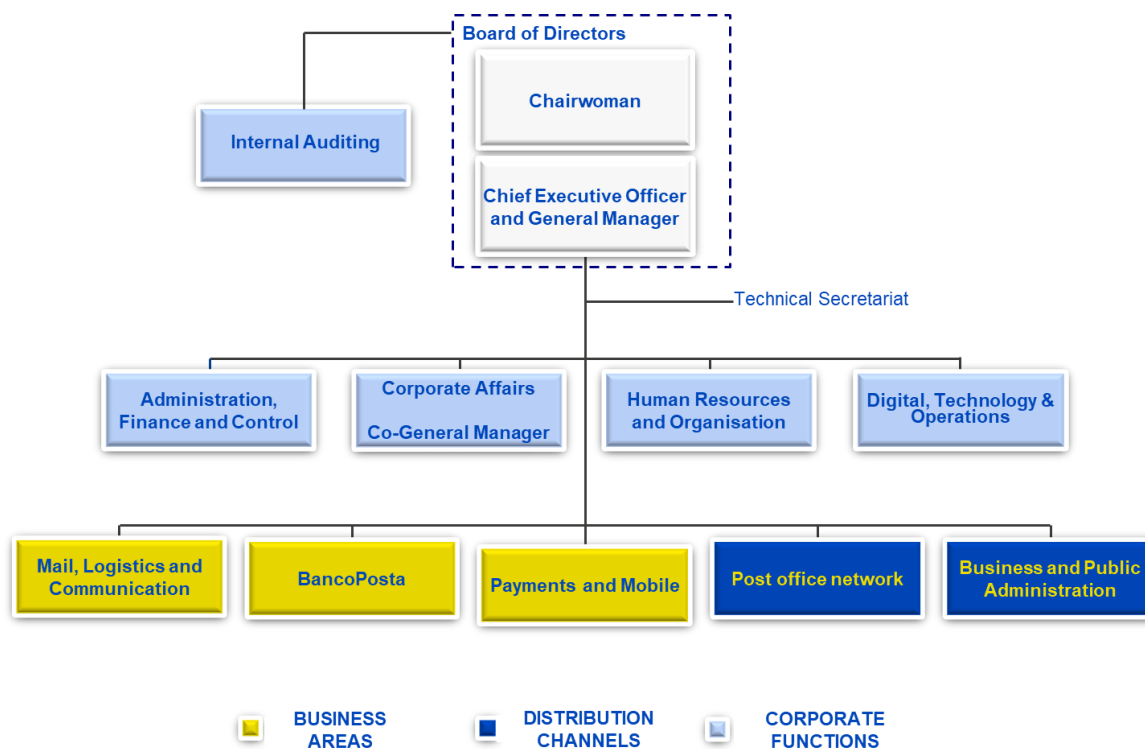
Financial Services

The SBU is engaged in the placement and distribution of financial and insurance services such as current accounts, postal savings products (on behalf of Cassa Depositi e Prestiti), mutual investment funds, loans provided by partner banks and policies.

Insurance Services

The SBU refers to activities involving the issuance of life and non-life insurance products.

POSTE ITALIANE SPA'S ORGANISATIONAL STRUCTURE



The organisation of Poste Italiane SpA presents **business functions** specialising in the main areas of offer and **two commercial channels** responsible for sales of the Group's products/services, which are supported by **corporate functions** of guidance, governance, control and provision of services in support of **business processes**.

With particular reference to corporate functions, the **Corporate Affairs** function plays a fundamental role of guidance and cohesion of the corporate structure; moreover, in May, the Head of Corporate Affairs was assigned the role of **Co-General Manager**.

The organisational structure of the **Communication** function was redefined during the first half of the year in the area of Corporate Affairs, including the communication facilities operating in the territory. This manoeuvre has led to the completion of the process of rationalisation of the territorial staff functions, going from 9 to 6 territorial structures.

The new **Digital, Technology & Operations** function has also been set up with the aim of creating an ecosystem of innovative product and service solutions that, in a platform logic, aggregates services and customer experiences, maximising customer satisfaction while enabling synchronous mechanisms between IT and operation components, so as to respond quickly and effectively to business needs.

The function guarantees the development and operational excellence of customer service activities and back office processes with a view to continuous improvement of customer experience, as well as the design,

development and operation of IT systems to support business processes and services with the ultimate goal of simplifying the value chain towards the Platform Company model.

The newly established function includes Information Systems, Chief Operating Office and the Customer Experience Transformation function.

With particular reference to the commercial channels, in June, the new commercial model was defined through the focus of the Post office network function on Retail customers and the repositioning of the commercial chain for the sale of Poste Italiane Group products and services to all corporate customers as part of the Business and Public Administration function, as described in further detail below in the paragraph "Business and Public Administration commercial network".

Further organisational interventions were carried out in July:

- in the Administration, Finance and Control area, the Investments Management function has been set up and its manager has been assigned the role of Deputy CFO;
- in the Digital, Technology & Operations area, the IT support activities and processes carried out at a territorial level by the Post office network and Mail, Logistics and Communication functions have been centralised in order to strengthen their governance and guarantee ever greater effectiveness and efficiency;
- in the Corporate Affairs area, the Group Strategic Real Estate function was set up with the aim of defining a new strategic structure for the Group's properties not used in operations.

DISTRIBUTION CHANNELS

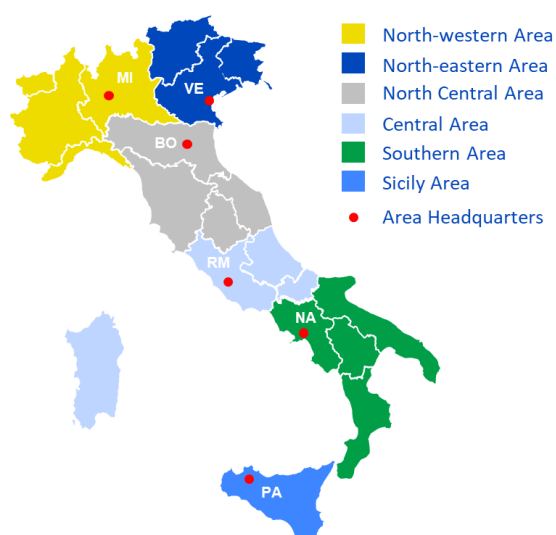
The Group has an integrated, multichannel distribution network, which serves the country's entire population via a physical network of post offices and staff on the ground and digital infrastructure with state-of-the-art multimedia channels.

The customer physical contact channels are managed by two Poste Italiane functions dedicated to the sale of products and services and specialised by type of customer: [Post Office Network and Business and Public Administration](#).

COMMERCIAL NETWORK - POST OFFICE NETWORK

The Post office network function governs a network of territorial Area Offices, Branches and Post Offices covering the whole national territory.

MACRO AREAS POST OFFICE NETWORK



GEOGRAPHICAL DISTRIBUTION OF POST OFFICES AND BRANCHES



COMMERCIAL NETWORK - BUSINESS AND PUBLIC ADMINISTRATION

The Business and Public Administration function of Poste Italiane guarantees the commercial supervision and sale of the Group's products and services for businesses and the Central and Local Public Administration through central and territorial supervision.

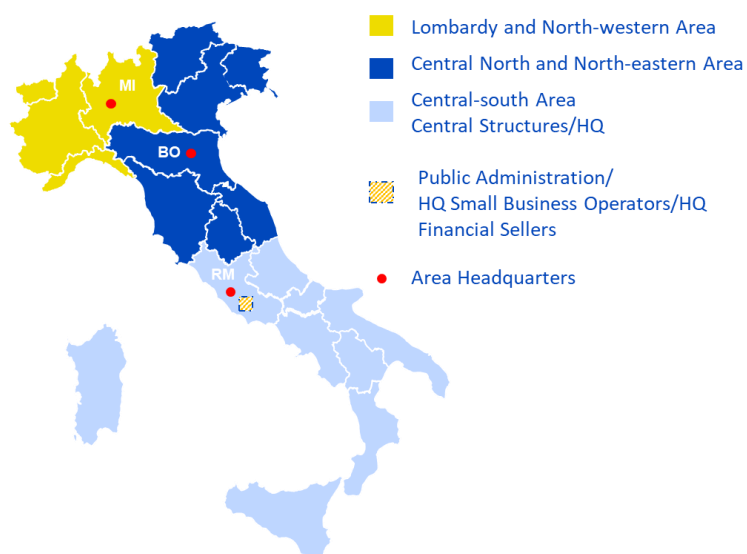
As of June 2020, the commercial supervision of the entire corporate clientèle has been unified in the function called Business and Public Administration, with merging from the Post office network channel of Small Business customer management activities.

The reorganisation also marks a change in the model of market control, which moves to a substantial specialisation of the sales force by type of product. The commercial oversight will be implemented through:

- 3 Sales Macro Areas (Lombardy North West, Central North and North East, Central South), with exclusive commercial responsibility for mail and communication revenue and commercial support function for the specialist sales force;

- 2 Sales areas dedicated to logistics and parcel products/services, specialised for the main industries (e.g. Health&Beauty, Electronics and IT, Food&Grocery&Pet, Homeliving&Fashion, etc.);
- 1 Commercial area specialising in the offer of financial and insurance products;
- 1 Commercial area for Central and Local Public Administration related to Metropolitan Regions and Cities;
- 1 Commercial area POE (Small Business) that will ensure the integration of the sales force dedicated to the Small Business customer segment.

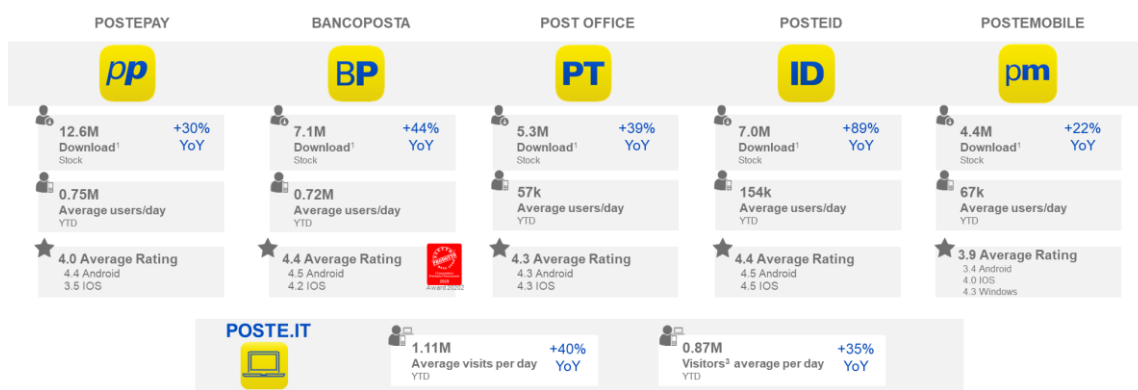
MACRO AREAS BUSINESS AND PUBLIC ADMINISTRATION



DIGITAL WEB CHANNELS AND APPS

Outside post offices, the Group's services are provided via digital channels, which in the first half of 2020, underwent significant development, amplified by the recent Covid-19 emergency and related travel restrictions.

Specifically, the Group's digital properties include:



Source: Webtrends, Adobe Analytics, Store iOS, Android, Windows, internal elaboration (DTO-D&E)

Notes:

1) IOS and Android users who downloaded the APP, for the PM app, it also includes Windows users

2) PdAICI/IRI 01/2020 research on 12,000 Italian consumers, on selection of products sold in Italy. Bancoposta APP for expense management services - Salvadanaio Digitale (Digital Money Box)

3) The number of visitors represents the count of the individual cookies (browsers) that visited the site during the observation period. The same user who visits the site using different browsers and/or different devices (PC/mobile) is counted several times

For further details on the performance of digital channels in the first half of the year, refer to the section on the Group operating results - Mail, Parcels and Distribution Strategic Business Unit.

POSTE ITALIANE'S LOGISTICS NETWORK

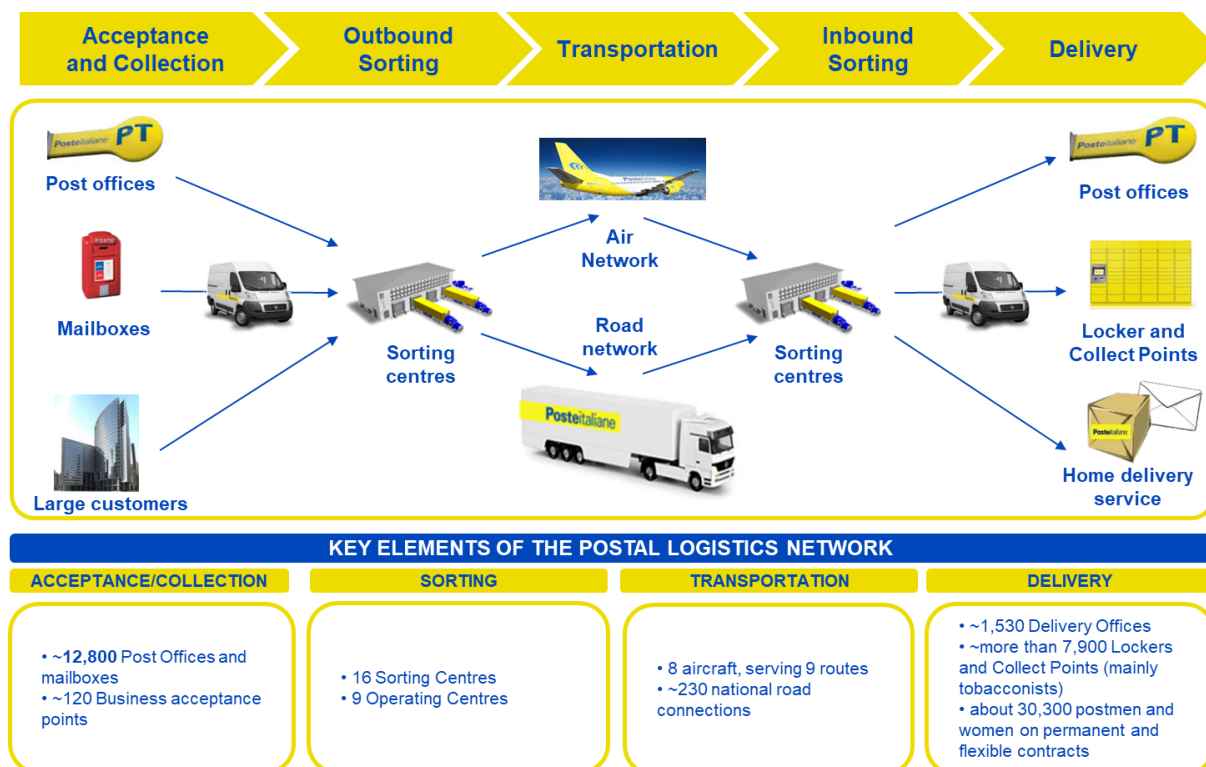
The Group's mail and parcel services are provided through 2 integrated and synergistic logistics networks in order to maximize the value of the various assets that characterise them: the [postal logistics network](#) for the management of mail, now evolved to allow the management of small parcels delivered by letter carriers and the [parcel logistics network](#) which, by taking advantage of the SDA Group's express courier assets, is also able to handle all types of parcel.

The integration between the two networks has been further strengthened as of January 2020 through a project aimed at increasing the interchange between the two networks of the volumes of small parcels carriable under 5 kilos using economic convenience as criterion. The delivery of these products on the Italian territory can be performed indistinctly by the Postal Logistics Network and the Parcel Logistics Network according to a dynamic approach, aimed at maximising efficiency for each area office.

POSTAL LOGISTICS NETWORK

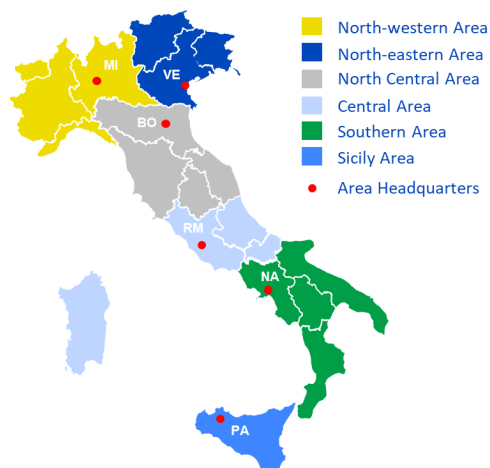
The postal logistics network accepts, sorts and delivers mail products and small parcels.

The following chart provides an overview of the postal logistics network value chain and the main quantitative drivers.



The organisational model for the postal logistics network consists of 6 Logistics Macro Areas, which handle all stages of the value chain: acceptance and collection, outbound sorting, transport, inbound sorting and delivery. This model makes it possible to simplify the decision-making chain.

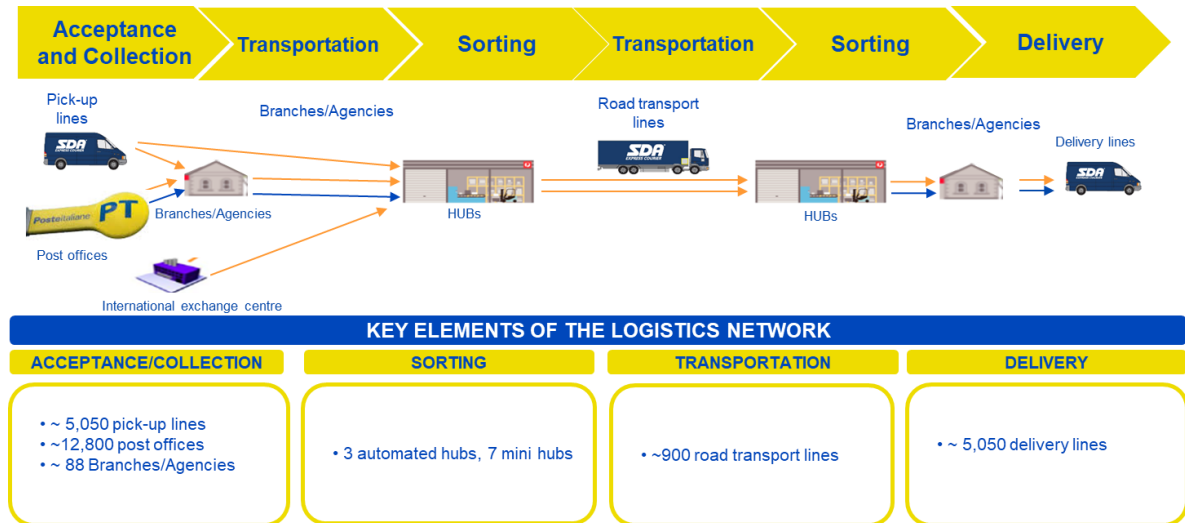
The model's macro areas are shown below.



PARCELS NETWORK

Large parcels and express courier products are delivered via the network operated by the subsidiary, SDA Express Courier.

SDA's logistics flow is shown below.



2. MACROECONOMIC ENVIRONMENT

Worldwide, the first half of the year was impacted by the health emergency due to the [Covid-19](#) pandemic. Governments have progressively implemented restrictive measures to contain the spread of contagion (lockdown), which has led to a rapid and sharp decline in economic activity. The shock of a real nature has affected both supply (closure of activities) and demand (collapse in consumption, reduction in incomes) and manifested itself with speed and intensity never seen historically.

The health emergency and related containment measures have generated a global recession that differs from previous historical episodes mainly in two aspects: the epidemiological origin, completely external to the typical sources of financial and economic imbalance, and the transmission channels that have involved both supply and demand at exceptional speed and intensity. The volume of world trade in goods, which had experienced a sharp slowdown in 2019 compared to the previous year due to various exogenous factors (Brexit, duty war, geopolitical tensions), in the first quarter of this year, recorded a sharp economic downturn (-2.5% from -0.5% in the fourth quarter of 2019⁴) and the evidence for the second quarter of 2020 indicates a fall in imports and exports in all advanced economies.

In April 2020, the International Monetary Fund (IMF) anticipated a 3% drop in world GDP for the current year, while in the World Economic Outlook of June 2020, an even greater decline of 4.9%⁵ is expected. The last weeks of June 2020 showed some signs of a recovery in production activity linked to the progressive easing of the lockdown, outlining a scenario in which the fall in GDP in all advanced countries could be concentrated in the first half of this year. The Purchasing Managers Indexes (PMIs) for the manufacturing sector and services, in June 2020, showed a widespread recovery in global economic activity, although they remained below the 50 mark, which marks the break between expansion and decline. The crisis was, at least in part, mitigated by the considerable countermeasures implemented by Governments and Central Banks.

The main international financial institutions responded promptly to the health emergency by adopting measures aimed at providing immediate economic support to the countries impacted.

The IMF has expanded its use of loans in emergency situations such as natural disasters and conflicts, which are not conditional on the adoption of an economic adjustment programme. Since the outbreak of the Covid-19 pandemic, more than 100 countries have turned to the Fund and more than 50 of them have received over \$20 billion in funding.

Monetary policy promptly focused on countering the economic emergency, easing monetary conditions and adopting broad packages of measures including more expansionary refinancing operations to support corporate liquidity and asset purchase programmes for the pandemic emergency.

The European Central Bank (ECB) in particular, in order to counter yield differentials, has expanded its purchases of securities through the already existing Expanded Asset Purchase Programme (APP). In addition, the ECB has introduced the Pandemic Emergency Longterm Refinancing Operations (PELTRO), to facilitate access to liquidity in the banking system, and with the Pandemic Emergency Purchase Program (PEPP), it has brought the plan for the purchase of euro area government securities to a total of €1,350 billion, operating with greater flexibility than the usual criteria for allocation among domestic securities. The

⁴ Central Planning Bureau

⁵ World Economic Outlook, June 2020

⁶ BI 2020 Annual Report

European Union (EU) has decided to temporarily suspend the deficit constraints provided for in the European Treaties and to allow public recapitalisation of companies. It then identified four financial instruments to counter the effects of the Covid-19 crisis. The European Stability Mechanism (ESM) offers loans without macroeconomic conditionality to meet healthcare costs, and makes €240 billion available to countries. The Support to mitigate Unemployment Risks in an Emergency (Sure), implemented by the European Commission, finances the European Integration Fund for €100 billion. The European Investment Bank (EIB) has set up a guarantee fund of €25 billion for bank loans to businesses. On 21 July 2020, an agreement was reached for the Recovery fund/Next Generation EU, which will provide States with €750 billion in grants (€390 billion) and loans (€360 billion), financed through the issue of securities.

In the [euro area](#) in February 2020, the Covid-19 epidemic spread to all countries, requiring national governments to adopt diversified measures. The lockdown and the blockage of economic activities in the area led to a 3.6%⁷ drop in GDP in the first quarter of 2020. To cope with the economic effects of the pandemic, national governments have put in place expansionary fiscal measures with a significant impact on public budgets, and the ECB has supported the fiscal effort through an exceptional expansion of asset purchase programmes over a time horizon that will be extended at least until the end of June 2021. The President of the ECB, Christine Lagarde, has stated that she will continue to maintain the PEPP until the critical phase linked to the Covid-19 pandemic is over⁸.

The prospect of a possible further worsening of the economic situation, with potential definitive company closures and an increase in unemployment (7.3% in April 2020⁹), has pushed many States to loosen restrictions with the gradual reopening of economic activities, favoured also by a progressive, but evident, decline in contagions. The effects immediately manifested and, in June, there was an improvement in the manufacturing sector and services with the PMIs rising to 47.4 points from 39.4¹⁰ in May 2020 and 48.3 from 30.5¹¹ in May 2020, although still below the 50 point threshold separating growth from decline. The end of the containment measures allowed an increase in consumption, which in May 2020, rose by 17.8% on a monthly basis albeit still down by 5.1% compared to May 2019¹². The Eurosystem baseline scenario published in June 2020, assuming that the spread of the virus is only partly contained and that there will be some recovery of contagion in the coming quarters, considers that the supporting factor provided by monetary and fiscal policy is such as to help maintain income levels and limit the scars that the health crisis would leave in the economic fabric. It is also assumed that such policies can avoid adverse amplification through financial channels. Based on these assumptions, projections indicate that real GDP in real terms in the euro area will decrease by 8.7% in 2020 (-10% according to the IMF) and return to growth of 5.2% in 2021 and 3.3% in 2022.

[Italy](#) was hit by the spread of the pandemic at the end of February 2020, affecting an already weak economy. The measures introduced by the Government and local administrations, which are essential to limit contagion and the health emergency, have blocked economic activities and the freedom of movement of people, generating a generalised shock that has involved supply and demand throughout the country.

⁷ Eurostat - GDP down by 3.6% and employment down by 0.2% in the euro area - 9 June 2020

⁸ Ansa - The ECB relaunches the pandemic Qe, another 600 billion - 5 June 2020

⁹ Eurostat - Euro area unemployment at 7.3% - 3 June 2020

¹⁰ IHS Markit - Euro area manufacturing sector moves towards stabilisation in June - 1 July 2020

¹¹ IHS Markit - Significant improvement of the euro area PMI, highest value in four months - 3 July 2020

¹² Eurostat - Volume of retail trade up by 17.8% in euro area - 6 July 2020

In the first quarter of 2020, GDP fell by 5.3%, mainly due to the decline in domestic demand, particularly marked for household spending and gross fixed investments. The contribution of foreign trade was also negative, as a result of a broader decline in exports than in imports. Value added fell in all sectors, especially in industry in the strict sense and construction, and there was a sharp drop in hours worked of -7.5%. According to the available information, the fall in GDP increased overall in the second quarter of 2020 to around 10%¹³. It was not until May 2020, with the gradual reopening of economic activities, that the country began to record an improvement in some of its leading indicators. The activity of Italian manufacturing companies declined in June 2020, although at a lower rate than the previous month: the manufacturing PMI index rose to 47.5 points from 45.4 points in May 2020. The services sector also showed a decline again with a PMI up to 46.4 points from 28.9 points in May 2020.

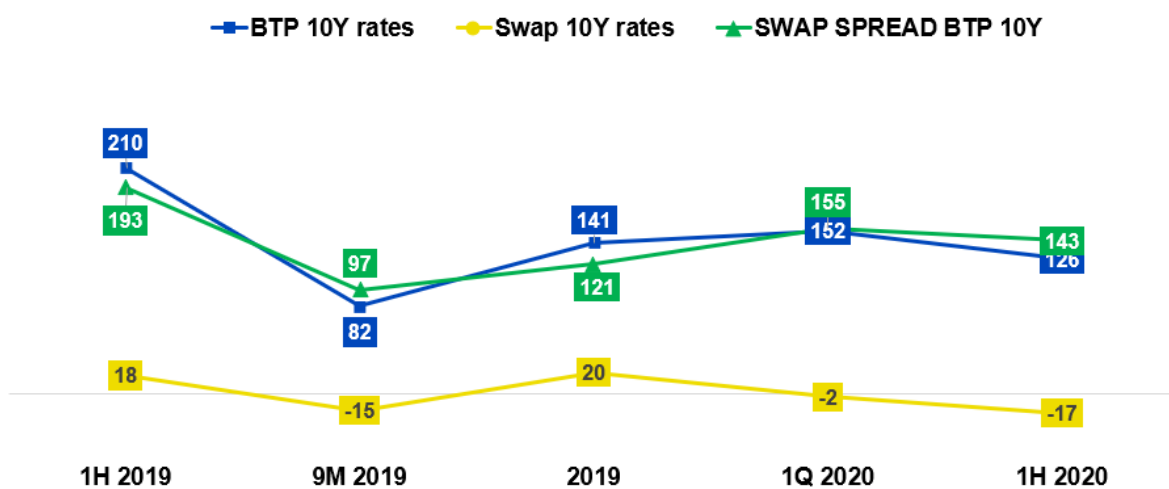
The expected recovery in the second half of 2020 will not prevent a significant drop in GDP for the whole year. The Bank of Italy estimates a fall in GDP of about 10% in 2020, relatively better than the -12.8% forecast by the IMF. Already low inflation at the beginning of the year was negative in May and June 2020, following the sharp fall in energy commodity prices. The base component remains very low. Business inflation expectations continue to predict weak price growth over the next twelve months.

The spread of the Covid-19 pandemic and the ensuing fiscal policy response had a major impact on public finances in the first part of this year. The impact is expected to increase in the coming months, with the full impact of the deteriorating macroeconomic environment and the expansionary measures approved so far. The fiscal policy response to the emergency has mainly pursued two objectives: on the one hand, it has increased the resources available for the health and civil protection system to cope with the health crisis; on the other hand, it has provided economic support to workers, families and businesses to limit the effects of the Covid-19 pandemic and in particular, of the forced interruption of production activity. According to the Government's forecasts, in 2020 net debt is expected to increase to 10.4% of GDP (from 1.6% in 2019) and the ratio of debt to GDP is expected to grow by almost 21 percentage points to 155.7%.

Overall, the most up-to-date data on economic trends in the world's major countries are encouraging. In Europe, the return to growth is differentiated between the four major euro area countries: the delay in recovery is visible in Italy and Germany, while data from France and Spain indicate more positive trends and an economic recovery already underway. The speed and intensity of the recovery and, in general, the outlook for the next two years, is subject to a very high degree of uncertainty regarding the future development of non-economic variables, such as the evolution of contagion in the different countries, including the possible re-emergence of new outbreaks, and the duration of the containment measures. A further element of uncertainty concerns the ability of the support policies adopted in the various countries to influence household confidence and consumption and the expectations and investments of businesses.

The performance of the yields on 10-year BTP in the first half, which closed at 126 bps, down from 152 bps at 31 March 2020 and 141 bps at 31 December 2019, is shown below.

¹³ Bankitalia Economic Bulletin no. 3/2020



3. RISK MANAGEMENT

POSTE ITALIANE'S INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In an environment marked by a high degree of operational and regulatory complexity, and by the need to compete increasingly efficiently in the Group's core markets, risk management and the related control systems have a central role to play in the decision-making and value creation processes.

In order to promote and maintain an adequate Internal Control and Risk Management System (also "SCIGR"), Poste Italiane uses a series of organisational, IT and regulatory tools to enable it to identify, measure, manage and monitor the Group's principal risk exposures.

This system is at the heart of Poste Italiane's corporate governance, allowing the Board of Directors to pursue its priority goal of creating value over the medium to long term whilst being able to determine the nature and level of risk that is compatible with the Company's business objectives.

For this reason, the Company has worked towards the adoption of a SCIGR oriented towards sustainable success, i.e. the creation of long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the company. In fact, the SCIGR of Poste Italiane is integrated both internally and externally with respect to the System. On the one hand, its components must be coordinated and interdependent with each other whilst, on the other, the overall system has to be integrated into the general organisational, administrative and accounting structures.

Poste Italiane's SCIGR is a set of tools, organisational structures, corporate rules and regulations designed to ensure sound and correct business practices, in line with the Group's objectives. This is done through an appropriate process for determining the related actors and the roles and responsibilities of the various oversight bodies and control functions, and for identifying, measuring, managing and monitoring key risks, as well as by ensuring that there are adequate information flows designed to ensure that everyone has the information they need.

In line with statutory requirements and the related best practices, the SCIGR consists of three levels of control and involves a range of actors within the organisation.

RISK MANAGEMENT AND RISK ASSESSMENT

Poste Italiane has adopted a Risk Management model based on the Enterprise Risk Management (ERM) framework, with the aim of providing an organic, integrated vision and an effective, standardised response to the risks to which the Group is exposed. The Group Risk Management function (GRM), which forms part of the Corporate Affairs function, is responsible for ensuring that these objectives are met. This is primarily done through the definition of an integrated risk management process that relies on the coordinated involvement of all the actors in the Internal Control and Risk Management System, above all the specialist forms of second-level control, the use of standardised models and metrics based on Group-wide criteria, and the design and implementation of shared tools for assessing and managing risk. In this latter regard, the Group implemented an integrated Governance, Risk and Compliance (GRC) platform in 2018 to support the integrated risk management process. This IT tool assesses and manages operational risk, in accordance with Legislative Decree no. 231/01 and the various fraud, IT security, strategic, ESG and reputational risks, as well as ensuring compliance with the statutory requirements applicable to financial and payment services. This is the tool that has enabled the Group to maximise integration of the risk management process, ensuring that risk assessment methods are shared across all the specialist second-level control functions. At the same time, it

has improved communication with senior management and corporate bodies and between the various control functions, minimising the risk of inadequate or redundant information.

The principal risks to which the Poste Italiane Group is exposed are described below.

Risk category	Description
Strategic	This category of risks could influence achievement of the goals set out in the Strategic Plan and are identified, classified and monitored with the involvement of management from the GRM function. This process describes the key nature of the risks, the triggers and the potential consequences or effects, in both financial terms (e.g. losses, increased costs due to delays or the failure to implement restructuring plans and efficiencies, reduced revenue), and in other terms (e.g. customer satisfaction).
Operational	Operational risks refer to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. Management of operational risk takes place at both the level of specialist units within the Group (the Risk Management functions within BancoPosta, the Poste Vita Group, BancoPosta Fondi SGR and PostePay), in compliance with the respective supervisory standards, and at an integrated level, involving the GRM function. The following risks, among others, are closely monitored: i) IT risk, above all the risk that malfunctions and/or shortcomings in information systems could result in the loss of data integrity, leaks of personal data or breaches of confidentiality, potentially causing disruption to the services provided to customers; ii) health and safety risk, with specific regard to the risk of workplace injury to employees or contractors as a result of operations (e.g. the collection, transport and sorting of parcels and letter post, and the delivery of postal products using motor vehicles); iii) physical security risk, relating to access to the headquarters premises of Group companies, to post offices or other private areas by unauthorised or unidentified persons, and the limited protection of Poste Italiane's assets and property against criminal behaviour (robberies, losses resulting from fraud, theft, ATM attacks, vandalism, etc.). Operational risk also includes disruption and/or obstacles to entry to the Group's operating facilities (mail sorting centres and delivery offices, etc.) due to industrial action or strikes.
Compliance	This refers to risks of breaches of existing laws and regulations, such as the risks connected with Legislative Decree no. 231/01, Law 262/05, Data Protection and Market Abuse regulations or the introduction of new legislation or regulations (or new interpretations legislation and regulations) of either general importance (e.g. regarding administrative, accounting, tax matters, etc.) or specific to the areas of operations in which the Poste Italiane Group operates. This risk category includes the risks linked to the introduction of new regulations governing the management and development of universal postal services and the related rates providing a return for Poste Italiane, and the risk of the failure to meet the service quality standards set by the regulator (the Autorità per le Garanzie nelle Comunicazioni or AGCom).
ESG	Risks arising from factors related to environmental, social and governance issues (in particular, related to human rights and climate change).

Risk category**Description****Financial and insurance**

Financial risks that are regulated and overseen by supervisory authorities (the Bank of Italy and IVASS, the insurance industry regulator) and the responsibility of the Risk Management units belonging to the various business units, coordinated by the function responsible for coordinating risk governance at Group level. Financial risks primarily relate to the operations of BancoPosta RFC and PostePay's ring-fenced EMI (the active management of the liquidity deriving from postal current account deposits, and of collections and payments carried out in the name of and on behalf of third parties), asset financing and the investment of liquidity and, as regards the Poste Vita Insurance Group, investments designed to cover contractual obligations to policyholders. Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, the terms and conditions of redemption, etc.). In technical terms, mortality is one of the main risk factors for Poste Vita, i.e. any risk associated with the uncertainty of a policyholder's life expectancy, alongside the risk associated with redemptions.

Spread

This is the risk of a potential fall in the value of the bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread on yields on government securities has on the fair value of euro area government and corporate securities. In the Poste Italiane Group's case, this risk particularly relates to the spread on Italian government securities, which influences the fair value of the Group's holdings of Italian government securities. The total nominal value of these securities at 30 June 2020 amounts to €131 billion (€154 billion in terms of total bonds). The first half of 2020 was characterised by a narrowing of the spread until February, and a sudden rise in the following month caused mainly by uncertainty in the markets due to the Covid-19 emergency, which was subsequently mitigated by ECB interventions. The BTP-Bund spread went from 199.4 bps in March 2020 to 171.2 bps at the end of June 2020. The fall in yields on Italian government securities led to a decrease in losses from valuation¹⁴.

The effect of the reduction in the spread is a reduction in the volatility adjustment which, together with the simultaneous sharp fall in Euroswap rates, had a negative effect on the Poste Vita Group Solvency II Ratio, which stood at 216% at 30 June 2020, compared with 226% at 31 March 2020 and 276% at December 2019. In addition, in August 2019, the Company was authorised by IVASS to use the Transitory Measures on technical provisions and the effect of this application allowed the Solvency Ratio to be raised to 250% at the end of June 2020 (259% at the end of March 2020). During 2018, the Company made use of the Ancillary Own Funds (AOF), i.e. non-asset items represented

¹⁴ The positions of Poste Italiane exposed to the risk in question mainly regard financial assets at fair value through other comprehensive income with a fair value at 30 June 2020 of €38 billion. The sensitivity analysis conducted on the portfolio shows that an upward shift in the spread of 100 bps would reduce fair value by approximately €3.6 billion before the related taxation. The fair value of fixed income instruments measured at amortised cost, entirely attributable to BancoPosta and amounting to €32.1 billion at 30 June 2020 (a fair value of €30.5 billion), would be reduced by approximately €3.5 billion following a 100 bps increase in the spread, with the change not reflected in the accounts. With regard to the Poste Vita group, on the other hand, the portfolio exposed to this form of risk at 30 June 2020 amounts to a total of €106.4 billion and primarily consists of financial assets at FVTOCI. The sensitivity analysis conducted on the portfolio as a whole shows that an upward shift of in the spread of 100 bps would reduce fair value by approximately €8.8 billion (€8.7 billion would be attributed to deferred liabilities to policyholders under the shadow accounting method).

Risk category	Description
	<p>by guarantees or signature commitments that can be included in own funds items.</p> <p>The transaction designed to strengthen the company's capital position through the use of AOFs was formalised in November 2018 with the Parent Company Poste Italiane S.p.A.'s signature of an unconditional, irrevocable commitment letter with a five-year term. The letter commits the Parent Company, merely at the request of the subsidiary, to subscribe for ordinary shares to be issued in future by Poste Vita, amounting to up to €1.8 billion. Following IVASS authorisation in February 2019, the commitment letter signed by the Parent Company in favour of Poste Vita S.p.A. is included among Tier-2 ancillary own funds (Tier 2 - AOF), together with the subordinated loan, the value of which amounted to €0.2 billion at 30 June 2020. Therefore, in accordance with the Solvency II Directive and the regulatory framework of reference for insurance, the Tier 2 elements eligible to cover the Capital Requirement amount to €2 billion at 30 June 2020.</p>
Price	<p>This is the risk that the value of a financial instrument fluctuates as a result of market price changes, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.</p>
Credit	<p>This is the risk of default of one of the counterparties to which there is an exposure, except for investments in equity instruments and mutual funds. In relation to revenue and receivables due from the state and from central and local government bodies, regulated by statute and specific agreements or contracts, prompt and full payment of the amounts due is dependent on availability of the necessary funds in the state budget or in the budgets of the related Public Administration entities.</p>
Liquidity	<p>This is the risk that the Poste Italiane Group is unable to meet its obligations deriving from financial instruments due to its inability to raise sufficient funds (funding liquidity risk) or to sell assets in the market (market liquidity risk) effectively or at market conditions.</p> <p>The Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term loans and counterparties, the availability of significant committed and uncommitted credit lines in terms of amounts and the number of banks, the gradual and consistent distribution of the maturities of medium/long-term borrowings and the use of dedicated analytical models to monitor the maturities of assets and liabilities.</p> <p>The Poste Italiane Group, in order to deal with any adverse scenarios linked to the COVID-19 pandemic, is arranging additional liquidity through the use of part of its credit lines and the signing of medium-term loans to cover any financial requirements. In this regard, further details are provided in the paragraph of the Consolidated Financial Statements entitled "Group Financial Position and Cash Flow" and in the paragraph entitled "Risk Management" in the Liquidity Risk section.</p>
Fair value interest rate	<p>This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates. This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or floating rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of</p>

Risk category	Description
	changes in interest rates on the fixed components (the interest spread) of floating rate financial instruments or fixed rate financial instruments converted to floating rate via fair value hedges. The impact of these risks is directly related to the financial instrument's duration.
Cash flow interest rate	This is defined as the uncertainty related to the generation of future cash flows, due to fluctuations in market interest rates. It may result from the misalignment - in terms of interest rates, indexation methods and maturities - of financial assets and liabilities that tend to remain in place until their contractual or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.
Cash flow inflation	This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.
Foreign exchange risk	This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency. This risk primarily regards trade receivables and payables due from and to overseas counterparties, investments in equity instruments and holdings in certain funds.
Downgrade of Poste Italiane¹⁵	<p>Risk of downgrading the Rating assigned to Poste Italiane. An eventual downgrade due to a significant deterioration in Poste Italiane's creditworthiness, above all to below investment grade, could have an impact on Poste Italiane's cost of funding and potentially restrict Poste Italiane's access to certain forms of financing, including the capital markets.</p> <p>The latest rating update is as follows:</p> <ul style="list-style-type: none"> • Standard & Poors: BBB/Negative (confirmed on 3 March 2020) • Moody's: Baa3/Stable (confirmed on 25 October 2019 by means of issue of Credit Opinion).

¹⁵ The ratings currently assigned to the Italian Republic are as follows: Standard & Poors: BBB/Negative (confirmed on 24 April 2020); Moody's: Baa3/Stable (confirmed on 10 September 2019 by means of issue of Credit Opinion); Fitch Ratings: BBB-/Stable (downgrading of 28 April 2020).

COVID-19 RISK MANAGEMENT AT POSTE ITALIANE

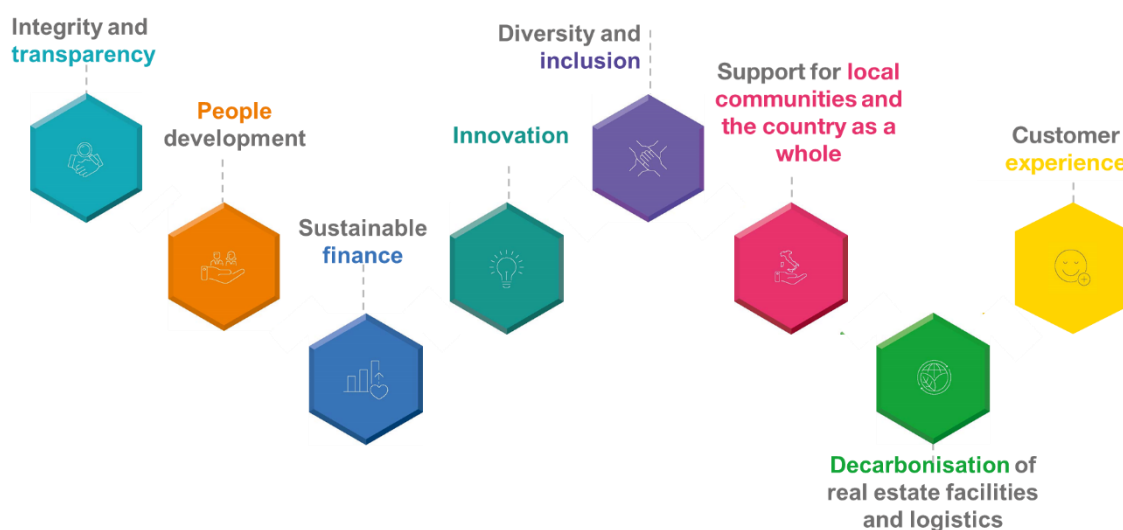
Poste Italiane, in compliance with government measures regarding virus containment and interpersonal distancing, continued during the period to guarantee the service throughout the country, in compliance with the pre-eminent need to protect the health of its workers and the community as a whole. The provision of services has been remodelled in light of the evolution of the epidemiological situation in progress and in constant alignment with the Government's measures in this area

The Company has considered of fundamental importance to guarantee first of all the safeguard of health and employees by using, on the one hand, flexible forms of work (Smart Working) and on the other hand - in relation to activities that are not compatible with Smart Working (e.g. postal-logistics but also PO network) - by providing all the necessary equipment to safely carry out operational activities (e.g. social distancing, use of protective masks and gloves, installation of plexiglass panels in workstations, etc.).

However, all this has involved an effort by the entire organisation to ensure continuity in the provision of services (with particular reference to delivery), strengthening all the necessary measures to maintain high standards in relation to the management of both "physical" and "digital" customer journeys.

The crisis situation resulting from the pandemic has led to a timely review of intervention priorities, focusing the Company's efforts to combat the contagion, while ensuring the protection of the health and safety of employees and users and the continuity of essential services to the country.

All actions undertaken since the start of the pandemic are consistent with the values recognised by Poste Italiane in relation to the sustainability strategy, based on eight pillars, and in line with the recommendations of the Global Compact Network Italy, the UN PRI (Principles for Responsible Investment) guidelines and the additional indications provided by the United Nations in relation to the impact of the COVID emergency on SDGs¹⁶:



¹⁶ "Shared Responsibility, Global Solidarity: responding to the socio-economic impacts of COVID-19", March 2020

ACTIONS TAKEN

OUR POSTE ITALIANE PEOPLE



<p>Establishment of bodies and tools aimed at a unified and nationally coordinated governance of containment and prevention actions (Coronavirus Risk Management Committee chaired by CEO and Deputy General Manager, Strategic Crisis Committee for Coronavirus Risk Management, which involved more than 500 people from the various corporate structures of Corporate Protection, Properties, Purchasing, Communication, Human Resources, Institutional Affairs, Regulatory Affairs, Information Systems and all Business Functions)</p>	
<p>Measures to reduce the level of contagion potential: organisational measures to remodulate operations for the network of counters and logistics-postal activities (reduction in the concentration of personnel to ensure the minimum interpersonal safety distance within the operational sites). Smart Working (about 80% of the resources working in central and territorial staff functions). Suspension of travel (international, national, intra-regional except travel that absolutely cannot be postponed), classroom training for internal events and participation in external events. Suspension of access for consultants, service providers and visitors to the management offices and, in a second phase, closure of in-house bars and canteens</p>	
<p>Constant distribution of PPE to exposed personnel (protective masks, disposable gloves, disinfectant gel); extraordinary cleaning and sanitisation of PO and SC workplaces and production sites, using alcohol-based detergents, as well as sanitisation of the company fleet (vehicle spraying devices)</p>	
<p>Extension of employee health policy: extension of the guarantees offered to Poste Assicura health policyholders and its employees who have adhered to the Group's Health Fund plan, with the aim of providing the best possible assistance to people infected by Covid-19</p>	
<p>Establishment of a dual communication channel to facilitate the flow of information (web portal to allow timely verification of the actions taken by Poste and a toll-free number to request further information)</p>	
<p>Agreement of 10 July by Poste with the trade unions: the Poste Italiane Group, in order to continue to contain the spread of the Covid-19 virus, has extended its agile working arrangements for August and September 2020, extending this opportunity beyond the end of the current emergency period scheduled for 31 July 2020.</p>	
<p>Solidarity initiatives by Executives: identification on a voluntary basis of managerial personnel interested in adhering to one or more initiatives (donation of the amount equivalent to the gross salary of up to four working days; redetermination in reduction from one to 5 days of leave entitlement referred to 2020; possibility for the executive to adhere to an extent greater than as specified above. Poste Italiane will supplement the amount collected with its own contribution in return for the availability shown by the executives)</p>	
<p>Installation of thermal cameras to detect body temperature at the headquarters (temperature control for all areas of forced access at the Rome EUR management offices, which houses over 6,000 employees), logistics and postal sorting centres and all other work environments with more than 150 employees, including logistics HUBs</p>	

CUSTOMERS



<p>Suspension of mortgages and loans (suspension of mortgage instalments for individuals, self-employed and freelance workers; "remote" suspension of BancoPosta loan instalments for Small and Medium-sized Enterprises (SMEs) and self-employed workers with VAT number)</p>	
<p>Adoption of measures to ensure spacing in the PO (e.g. safety strips on the floor at each counter, regulation of entrances, etc.)</p>	
<p>Multichannel and growth in the digital segment (which ensure the service also outside the traditional post offices). Adoption of tools to discourage the use of cash (e.g. ATM, App, digital channels, etc.)</p>	
<p>Continuity in the openings of PO, also taking into account the proportion with inhabitants (at least one day a week, at least one PO has been opened in each municipality to limit travel). Continuity in the provision of services (e.g. delivery, collection of pensions in March and April, etc.)</p>	
<p>Chatbot reinforcement: addition to the chat channel of the Digital Mail Assistant (chatbot) of the voice channel (voicebot), which has addressed numerous standardised and repetitive requests for assistance, giving valuable time to "human co-workers" for the management of more complex and emerging situations</p>	
<p>Communication activities to customers also through advertising campaigns. Information to the PO to have the security measures adopted to contain the spread of the virus (27 communications via e-mail, Intranet and push App; 40 messages/letters posted from time to time at all post offices to communicate the preventive measures taken and the required behaviour)</p>	
<p>Simplification of succession practices in order to offer special assistance in the regions most affected by Covid such as Lombardy, Piedmont, Liguria and Val d'Aosta. Citizens in these regions were able to start the claim online in a simplified way, thus avoiding having to go to the post office several times. With this request, citizens have obtained the Declaration of Credit, the document necessary for the submission of the declaration of succession to the tax authorities. Once the declaration of credit has been received online, the heir or legal successor can go to the post office selected to submit the declaration of inheritance together with the original documents, thus considerably reducing the time required for the entire request</p>	
<p>New claims reporting channels to make it easier for Poste Italiane Group customers and employees to report claims, in addition to the paper channel already available, to therefore speed up claims and avoid leaving home during health emergency periods. The new claim reporting channels available are as follows: from the Reserved Area (by logging in with credentials to the Reserved Area on the website www.poste-assicura.it); from the telephone channel (by contacting the Contact Center at 800.13.18.11) and from the e-mail channel (by sending the claim or the fully completed claim form to the e-mail address sinistri@poste-assicura.it)</p>	
<p>Opening BancoPosta account in Start and Start Giovani options also from BancoPosta App. It is sufficient to choose the type of account and follow the instructions in the App with health card and a valid identity document available. The account will be opened in a few days and</p>	

will be active immediately. Poste is offering more and more advanced and digital services in order to combine traditional channels with new solutions, also dedicated to young people

Installation of nearly 25,000 sustainable plexiglass barriers (polymethylmethacrylate - PMMA), protective panels installed at all PO that did not have them to protect staff and customers, as well as an additional 300 barriers in acceptance centres dedicated to business customers



INTERNATIONAL, NATIONAL AND LOCAL AUTHORITIES



Opening of an interactive channel with all the institutions potentially affected by the phenomenon starting from the Presidency of the Council. Interaction with government bodies in charge of crisis management: Civil Protection (stable and uninterrupted presence of Poste Italiane within the Civil Protection Operations Committee), Prefectures and law enforcement (Management of relations with Prefectures and law enforcement involved at local level), CODISE and COBAN (Poste Italiane participates in every meeting of CODISE and COBAN as the central operator of the country's economic-financial system). Daily monitoring of rules and regulations relating to measures adopted by the authorities



Agreements to maintain the service guarantee (e.g. agreements with AGCOM to be able to place all signed mail in the mailbox or alternatively, collect it from the post offices but with twice the usual storage time, opening of PO in each area office at least once a week).



Close collaboration with trade unions and constant updating with respect to the strengthening of measures to limit contagions and measures aimed at ensuring service continuity



ISO 26000 certification, an international standard for the adoption of sustainable development strategies and the promotion of virtuous choices and conduct in the ESG (environmental, social, governance) area. The assessment voluntarily adhered to by Poste Italiane, was carried out by the independent body DNV GL- Business Assurance and analysed the entire organisational perimeter of the Poste Italiane Group, which distinguished itself for its ability to identify and periodically review the priorities on which to focus, integrating them into the group's strategies and taking into account potential risks; the ability to take into account in its strategic, decision-making and operational processes, the requests of all stakeholders, integrating them into its governance system; the ability to plan and communicate social responsibility actions undertaken in a transparent and continuous manner


















Certification of its environmental management system according to the international standard UNI EN ISO 14001:2015 issued by IMQ-CSQ, one of the most authoritative accredited certification bodies at international level. The development of an Environmental Management System, certified in accordance with UNI EN ISO 14001, has made it possible to manage the environmental aspects of the processes in a systemic manner, with a view to efficiency and improvement of environmental performance, making it possible to obtain important advantages, also in a logic of sustainability, continuing the path that has allowed the Poste Italiane Group to achieve new goals in 2019, reported for the second year in the Integrated Report



Agreement between Poste Italiane and the Carabinieri for the provision and home delivery of pensions for citizens over 75 years of age. In addition, explicit request to the MEF, the



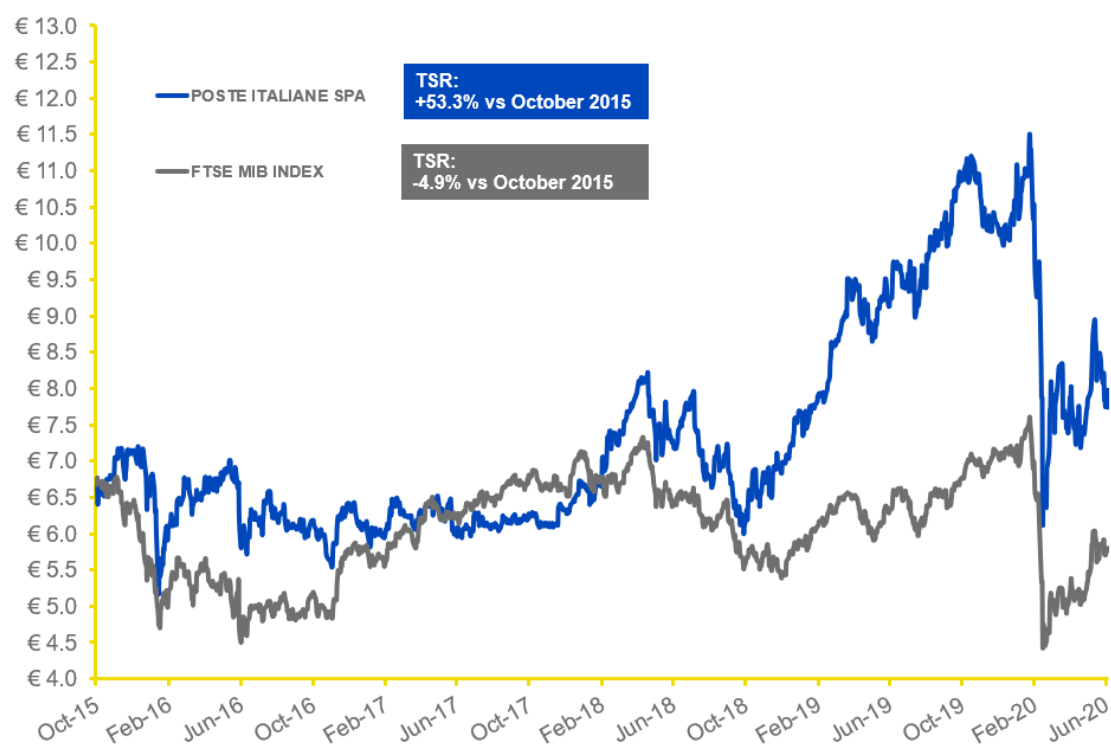
<p>Civil Protection, the Ministry of Labour, INPS and the Bank of Italy to identify a gradual payment method for pensions. At the same time, contracting more than 500 surveillance institutes and contact with all the Prefects, the Postal Police, the Carabinieri and the Civil Protection to request collaboration in the management of possible gatherings outside the PO</p>	
<p>Agreements with local administrations for the delivery of masks to the population. Listening strategy and proximity to institutions to offer, even in a limited time span, solutions to emerging critical issues</p>	
<p>Widespread campaigns of well-defined institutional communications addressed to the Mayors and Prefects of all the territories of the country with the aim of raising awareness and conveying them to citizens (over 26 thousand communications addressed to mayors and prefects), with particular focus on "red zones". Continuous communication activities to national and local institutions</p>	
<p>Cycle of meetings "Atlas of the Territories", presented by Poste Italiane and Fondazione Giangiacomo Feltrinelli in virtual form, a journey in 4 stages to discuss the aspirations and possibilities for change starting from the great themes of health, solidarity, housing and territorial fragility of internal areas. The pandemic crisis has highlighted more clearly the gaps, fragilities and contradictions between and within territories and has highlighted the need to embrace more resilient, sustainable and inclusive models of development</p>	
<p>The programme of Financial, Postal and Digital Education initiatives continues on the website www.poste.it in the dedicated web section in order to continue to provide citizens with "educational" support even remotely. New content has been added to the 12 short videos already published that deal with issues such as cyber security, e-mail and the correct use of social networks, designed to make people more aware and able to take advantage of the opportunities offered by technological and digital evolution. The page dedicated to Financial Education has been published on the website, to increase with 11 videos expertise in the financial, insurance and social security areas</p>	
<p>UNPRI engagement on Covid-19 response: adhesion to the PRI Association initiative, through which members ask the business community to adopt company welfare measures to mitigate the worst effects of the pandemic, for the benefit of the entire community, including financial markets. Moreover, adhesion to "European alliance for a green recovery", an initiative of the PRI Association that supports the appeal made to the European Union in support of a Green Recovery Plan</p>	
<p>Climate Action 100+ Engagement: through its investees PosteVita and BancoPosta SGR, the Group has adhered to Climate Action 100+, an unprecedented international collaborative engagement initiative to raise awareness of climate change among the world's largest greenhouse gas emitters. The initiative reached over 450 investors today (about \$40 trillion AUM). The target companies of the initiative accounted for 2/3 of annual global industrial emissions</p>	
<p>Monitoring of the ESG profiles of the investment portfolio: the Poste Vita Group and BancoPosta Fondi SGR commissioned VigeoEiris, an international social and environmental rating agency, to carry out a periodic ESG (Environmental, Social, Governance) analysis of its portfolio to assess its level of social responsibility. The assessment, carried out in accordance with universally accepted standards and conventions issued by international bodies regarding human rights, workers' rights and environmental protection (such as the UN, the OECD and the ILO), covered corporate issuers of both equity instruments and bonds, and ultimately measured their ability to manage stakeholder relations. The assessment process ended with the assignment of a final ESG score</p>	

<p>(between 0 and 100) to each company. At 30/06/2020, the weighted average score of the portfolios invested in corporate issuers was 51/100 in relation to the assets managed by the Poste Vita Group and 52/100 for those managed by BancoPosta Fondi SGR. This result confirms the performance of sustainability of investments, which is higher than the ESG score of the benchmark Ishares MSCI World ETF, used for comparison, of 39/100 at the same date</p>	
<p>Initiatives against gender-based violence: a memorandum of understanding was signed with the Ministry for Equal Opportunities and, on the monitors of the 7000 Postamat Atm, the toll-free number and app 1522 for the prevention and fight against violence, stalking and mistreatment of women was showed. The initiatives continue to support the reintegration into work of women leaving refuge homes, started in December with the D.i.Re Network and the Volunteer Association "Telefono Rosa".</p>	
<h2>SUPPLIERS</h2> 	
<p>Supplier assessment that includes the COVID risk by specific sector identified through the Ateco code (also based on the contents of the government-INAIL task force)</p>	
<p>Transparency in the management and maintenance of relations with the supply chain, based on stable and solid partnerships that allow reactivity of demand satisfaction (time-to-market) also thanks to the national geographic origin of suppliers</p>	
<p>Respect for payment methods and times towards suppliers</p>	
<p>Creation of a new logistics, ad hoc, supply network to import all the necessary safety devices. Immediate activation of channels worldwide to find masks (10 million pieces), disinfectant gels (1 million pieces), disposable gloves (50 million pieces) and surface disinfectant (300,000 pieces) (e.g. purchase of commercial space on scheduled flights to be able to load and receive materials continuously). Creation of a storage warehouse in Italy to be able to replenish the operational facilities on a daily basis (65,000 masks per day, in addition to gels, gloves and disinfectants)</p>	
<p>Engagement of specialised companies for sanitisation involving more than 13,000 headquarters, production sites, management offices, post offices, with a time schedule that has involved hundreds of different locations every day)</p>	
<p>Purchase and installation in every logistics site of chemical toilets for exclusive use of external couriers</p>	

4. FINANCIAL REVIEW

PERFORMANCE OF POSTE ITALIANE SHARES

During the first six months of 2020, Poste Italiane shares lost 24% on the stock market, from €10.12 at the beginning of the year to €7.74 at the end of June impacted by the events relating to the Covid-19 pandemic. Despite this, the stock has reached an all-time high since it was listed at €11.51 in February. From the date of listing on the stock exchange (27 October 2015) to 30 June 2020, Poste's share price increased by 15% (while the FTSEMIB index decreased by 14%), guaranteeing an overall return for shareholders (TSR¹⁷) of +53.3% while the main Italian stock exchange index recorded -4.9%.



¹⁷ The Total Shareholder Return (TSR) measures the total annual return for an investor and is calculated by adding the increase in the share price over a determinate period of time to the impact of dividends per share paid in the same period.

COVID-19 IMPACTS

Following the recommendations issued by ESMA in May (Public Statement ESMA 32-63-972 of 20 May 2020), and referred to by Consob on 16 July 2020 on the economic effects of the current pandemic, this paragraph is intended to represent the above effects in a single note, also through a comparison with the final figures for the comparison period.

The economic impact on the first half of the year for the Group was significant both in terms of reduction in turnover, as a result of the slowdown in operations, coinciding to a significant extent with the lockdown period following the spread of Covid-19 in Italy, and in terms of margins as a result of the higher extraordinary costs generated by the pandemic. On the other hand, as a reflection of the reduction in operations and the use of smart working, there were some effects that had a significant impact on the variable component of the Group's cost structure.

Specifically, the Group's EBIT and net result showed a negative variance, not provided for in the 2020 Budget approved in March 2020, compared with the same period in 2019, of 29.2% (-€315 million) and 28.5% (-€218 million) respectively. These results were significantly affected by the phenomena described above and their impact on revenue and costs for the period.

Specifically, the following impacts were recorded on the statement of profit or loss:

- a fall in revenue compared to the first half of 2019 (-7,9%, or -€438 million), due to restrictive measures to contain the spread of contagion (lockdown) and that led to a rapid and sharp fall in economic activity that penalised the Group's revenue from March onwards, with the decline concentrated above all in the second quarter of the year (-13,1%, or -€352 million compared to the same period in 2019). Information about the changes in the performance of the individual Strategic Business Units is provided in the paragraphs that follow;
- in terms of operating expenses, in the midst of the health emergency, the Group's priority has been to protect the health of its employees and customers and support institutions in managing the crisis. To this end, **one-off costs** of about €53 million were incurred in the first half of the year to cover extraordinary expenses, mainly for the following:
 - a) the purchase of personal protective equipment
 - b) the cost of sanitation of premises, vehicles, sorting equipment and the purchase of plexiglass
 - c) higher security costs at post offices for splitting pension payment days

In order to take into account the different macroeconomic scenarios characterised by higher risk and uncertainty profiles due to the current pandemic, impairment losses of about €20 million to trade receivables and securities were recognised in the valuation models for expected losses on the Group's financial assets.

On the other hand, the health emergency has generated **lower** variable **costs** linked to the slowdown in activities and lower costs linked to the adoption of smart working for over 16,000 employees. The main service cost items that decreased in the first half of the year compared with the first half of 2019 and the

reduction of which can be largely attributed to the effects of Covid-19 are the cost of personnel services (mainly for travel and canteen), fund handling expenses, energy and water utilities, etc.

The change in operational processes and working models (e.g. smart working) introduced by the emergency will make these cost savings structural, at least in part.

There were also clear recoveries in personnel expenses compared to the first half of 2019, partly attributable to the health emergency. In particular, during the period, there were cost recoveries of €48 million through recourse to the Solidarity Fund (details of which can be found in the section Other Information, paragraph Industrial Relations), as well as a marked reduction in certain variable elements of personnel costs, mainly MBO and commercial incentives.

With regard to developments in the second half of the year, the context remains characterised by general uncertainty in the face of the unpredictable evolution of the current pandemic. However, following Italy's exit from the lockdown phase, June already showed clear signs of a recovery in economic performance thanks to the Group's ability to adapt to the emerging characteristics of the "new normality" that emphasises and anticipates some macro-trends already foreseen in the Deliver 2022 Plan (decline in mail, digital transformation and e-commerce).

GROUP OPERATING RESULTS

The Group's overall results for the half-year were affected by the crisis scenario caused by the Covid-19 pandemic, starting in March.

The second quarter of the year was more affected by the impact of the emergency, and was partly mitigated as of June, which shows signs of business recovery based on the new trends already foreseen in the Deliver 2022 Plan and accelerated by the pandemic.

In order to allow a better evaluation of performance, and greater comparability of data between the two half-years, the Group's results are also represented with an adjusted perimeter¹⁸.

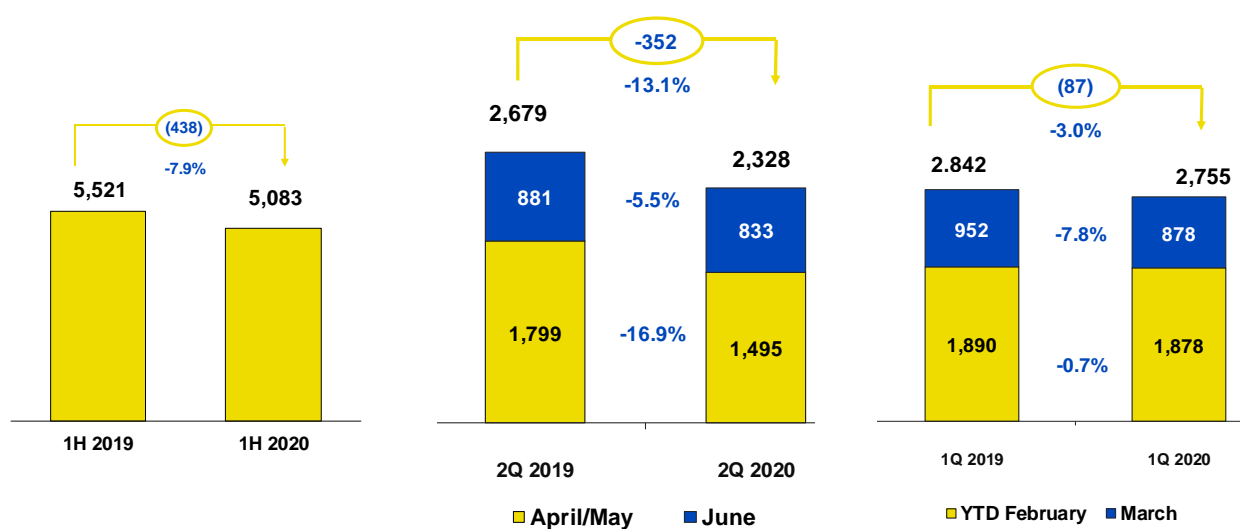
¹⁸ Adjusted revenue items: gains on securities (€291 million in 1H 2020, €261 million in 1H 2019), gain on fair value measurement of Visa shares (€17 million in 1H 2019 and gain on sale of Visa shares €1 million in 1H 2019).
Adjusted cost items: redundancy (€4 million in 1H 2020, €9 million in 1H 2019), release of provisions on real estate funds (€15 million in 1H 2020), losses on investment portfolio (€57 million in 1H 2020 and €6 million in 1H 2019), fair value measurement of Visa shares/derivatives (€10 million in 1H 2020 and €9 million in 1H 2019), impairment of Anima investment (€19 million in 1H 2020).

CONSOLIDATED OPERATING RESULTS

	1H 2019	1H 2020	CHANGES	
(€m)				
EXTERNAL REVENUE	5,521	5,083	(438)	-7.9%
<i>Adjusted external revenue</i>	5,242	4,792	(450)	-8.6%
TOTAL COSTS	4,441	4,317	(123)	-2.8%
<i>Total adjusted costs</i>	4,418	4,261	(157)	-3.5%
EBIT	1,081	766	(315)	-29.2%
<i>Adjusted EBIT</i>	825	531	(294)	-35.6%
EBIT margin %	19.6%	15.1%		
<i>Adjusted EBIT Margin %</i>	15.7%	11.1%		
NET PROFIT	763	546	(218)	-28.5%
<i>Adjusted net profit</i>	579	399	(180)	-31.0%
NET EARNINGS PER SHARE	0.59	0.42	(0.17)	-29%
CAPEX	230	210	(21)	-9%
<i>% of revenue</i>	4.2%	4.1%		

The Group's total revenue of €5.1 billion is down €438 million compared with the first half of 2019 (-7.9%). Revenue decreased for the Strategic Business Units Mail, Parcels and Distribution (-16.1%), Insurance Services (-7.2%) and Financial Services (-4.9%), partially offset by the positive contribution of the Payments and Mobile Strategic Business Unit (+10.3%) compared to the first half of 2019.

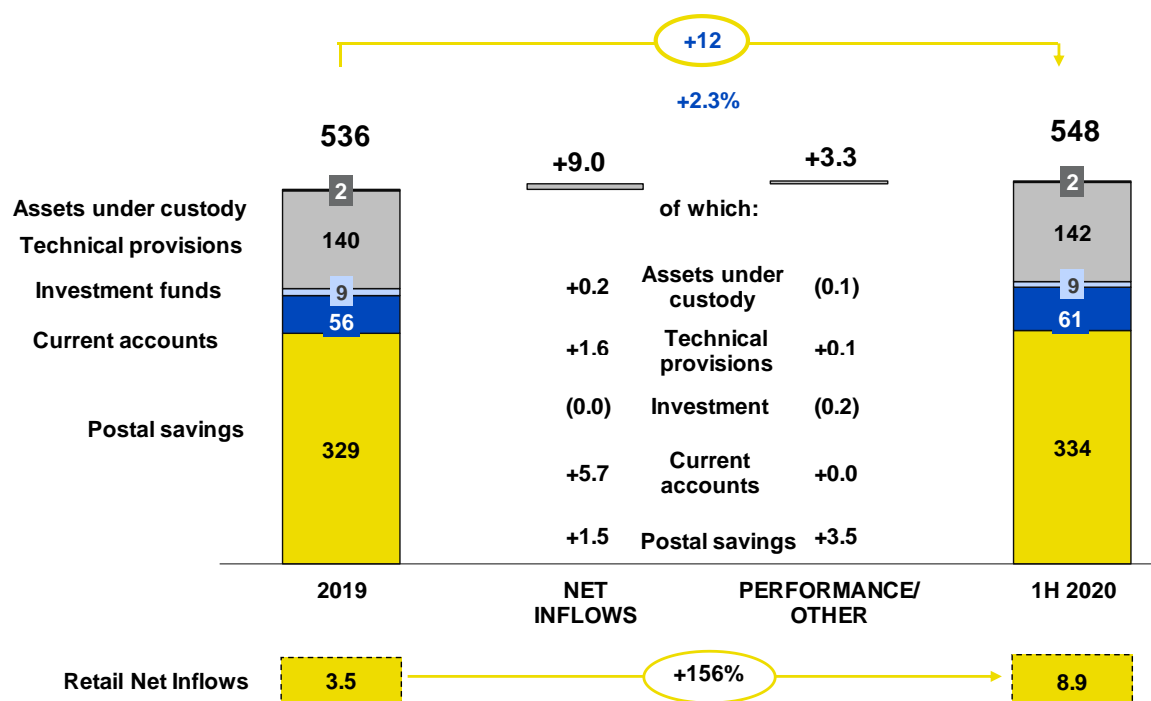
EXTERNAL REVENUE (€m)



The negative revenue performance in the first half was significantly affected by the lockdown effect that occurred from March onwards, which translated into a marked decline in both the post office network and delivery activities, and which was concentrated in the second quarter of the year (-13.1%).

TOTAL FINANCIAL ASSETS

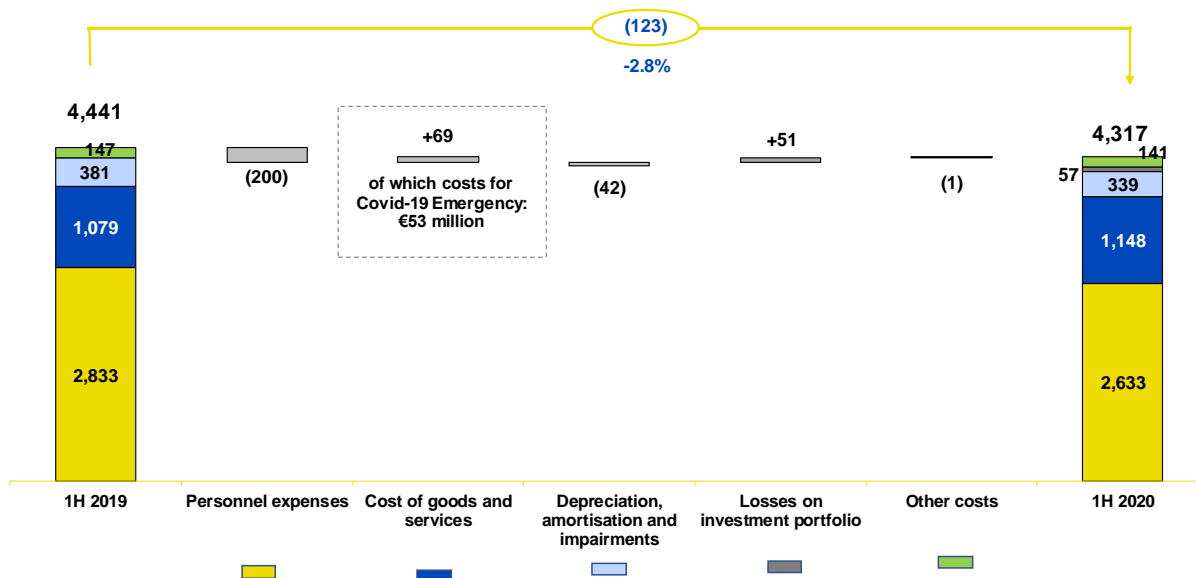
(€bn)



Assets under management amounted to €548 billion, an increase of approximately €12 billion (+2.3%) compared to 31 December 2019 due to the positive performance of postal savings, current accounts and the insurance sector.

TOTAL COSTS

(€m)



Total costs amounted to €4,317 million, down from €4,441 million in the first half of 2019 (-€123 million) due mainly to a reduction in personnel expenses totalling €2,633 million in the first half of the year, down €200 million compared to the corresponding period of the previous year.

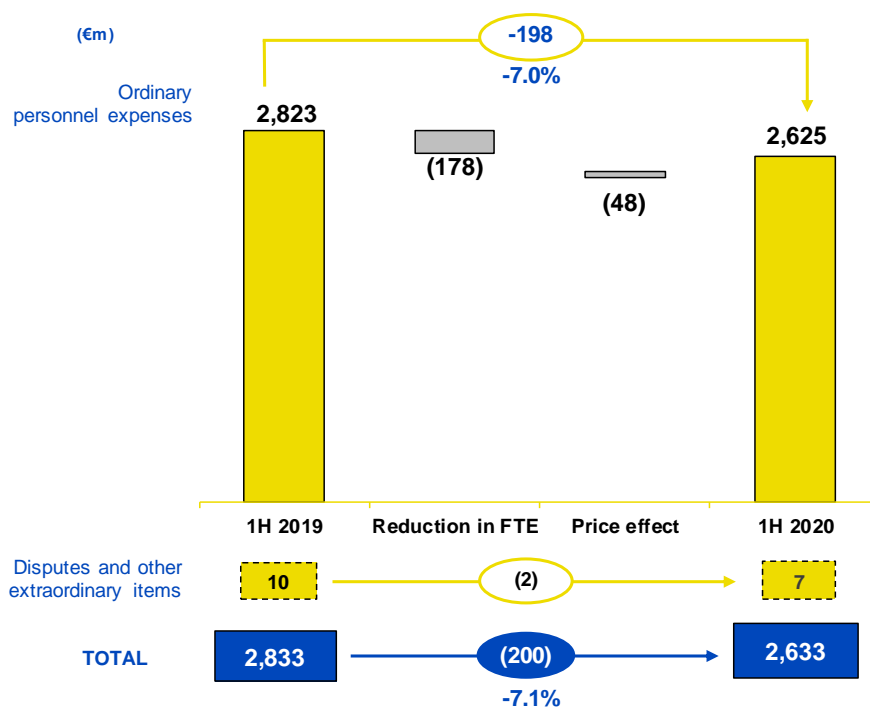
The decrease in personnel expenses was partly offset by other operating expenses, which amounted to €1,346 million, up €119 million compared with the first half of 2019 due to higher costs of goods and services (+€69 million), mainly related to extraordinary expenses incurred to contain Covid-19 (€53 million), as well as growth in variable costs from Telco traffic and the parcel business. The higher expenses from financial operations (+€61 million) were mainly due to losses on the restructuring of the investment portfolio (+€51 million), which were fully offset by gains realised in the half-year.

Costs for amortisation, depreciation and impairments decreased by €42 million from €381 million in the first half of 2019 to €339 million in the first half of 2020. The change is affected by a reduction in amortisation and depreciation recorded in the period following the redefinition of the remaining useful life of the Group's main corporate assets and the related residual value as of 1 January 2020, consistent with the provisions of the relevant accounting standards (IAS 16, IAS 40). As a result of this revision, the Group's amortisation and depreciation were €60 million lower than they would have been with the useful life and residual value assumptions used in previous years.

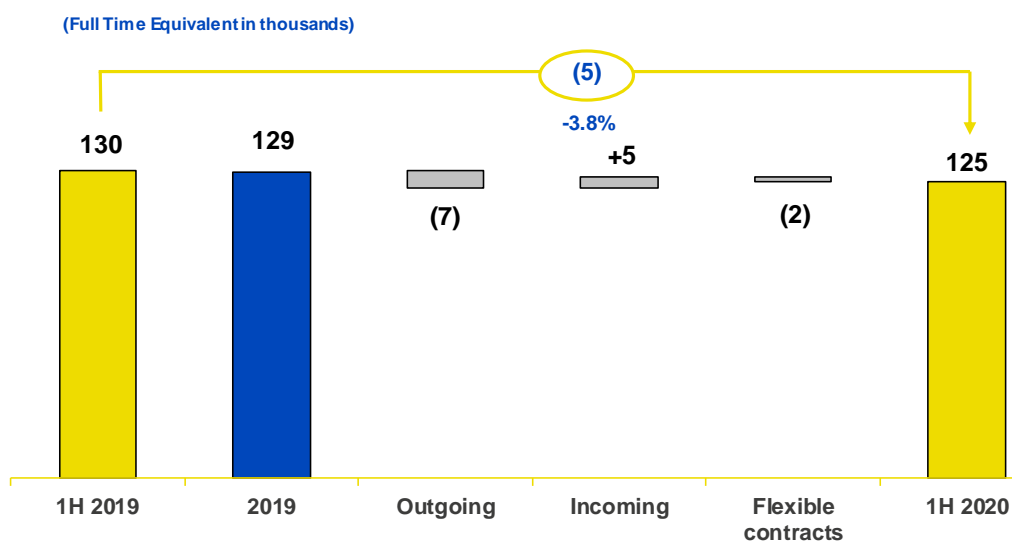
For further details, refer to the notes to the condensed half-year financial statements.

PERSONNEL EXPENSES

The total personnel expenses decreased by €200 million (-7.1%) compared to the first half of 2019. This change is attributable to a reduction in the ordinary component from €2,823 million in the first half of 2019 to €2,625 million in the same period in 2020, mainly due to a reduction in average workforce during the period (about 5,000 FTE less than in the first half of 2019), and the use of the Solidarity Fund to deal with the health emergency.

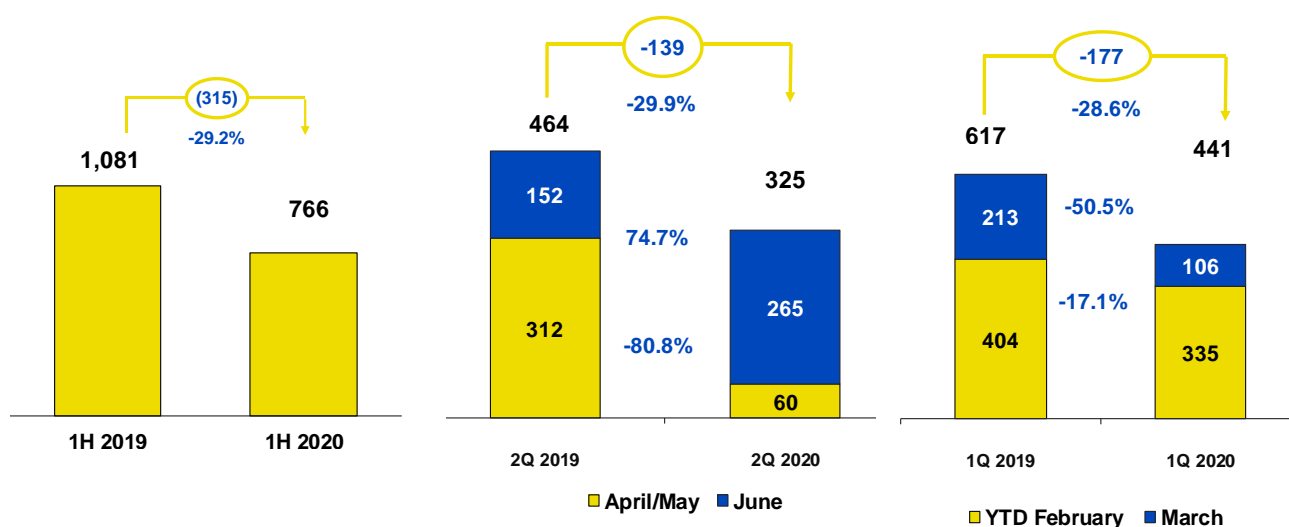


NUMBER OF RESOURCES



The price effect (-48 million) is mainly represented by lower costs for MBO management incentives and sales force commercial incentives and other miscellaneous indemnities, such as overtime and night time, as a result of reduced activity during the lockdown.

EBIT (€m)



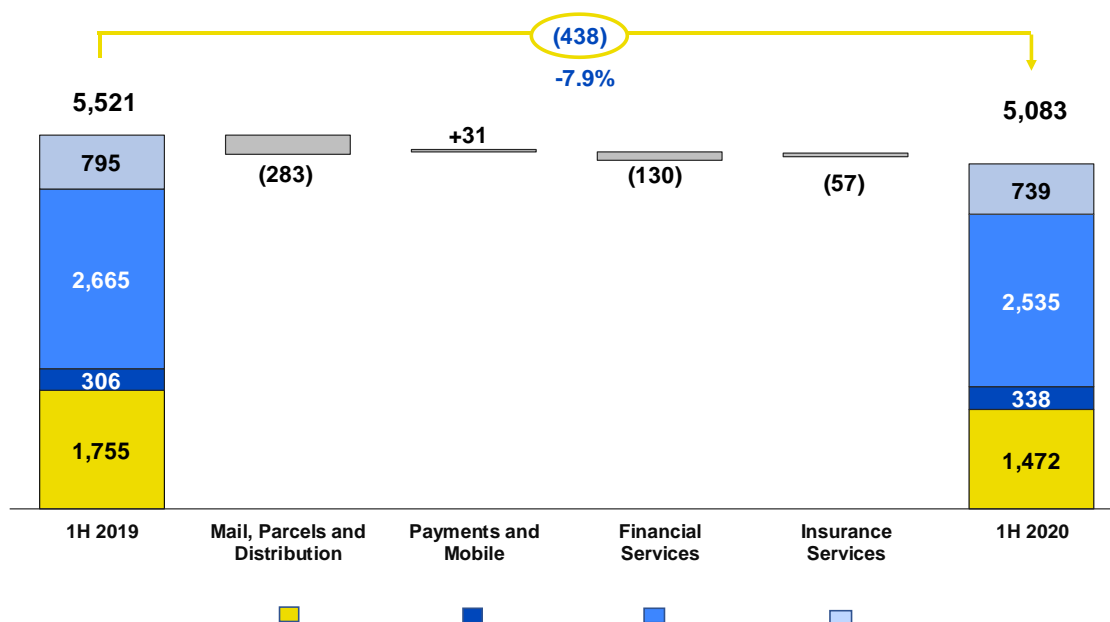
Consolidated EBIT of €766 million is down €315 million (-29.2%) compared with the same period of the previous year (€1,081 million). The combined effect of the decline in revenue related to the government's restrictive measures adopted to deal with the pandemic, and the higher costs incurred to contain the contagion, led to a negative change in operating profit concentrated in the months of the lockdown (March, April and May). The performance in the second quarter was partially mitigated by June, which showed positive performance (+74.7%) compared to the same period in 2019, due to signs of recovery in revenue and the effect of a reduction in operating expenses, mainly due to lower personnel expenses and lower depreciation and amortisation, as detailed in the comment on Group costs.

Taking into account the positive financial management of €8 million and taxes for the period (€228 million), the quarter closed with a Net profit of €546 million (€763 million in the first half of 2019).

SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT

The main economic results by Strategic Business Unit are shown below

EXTERNAL REVENUE (€m)



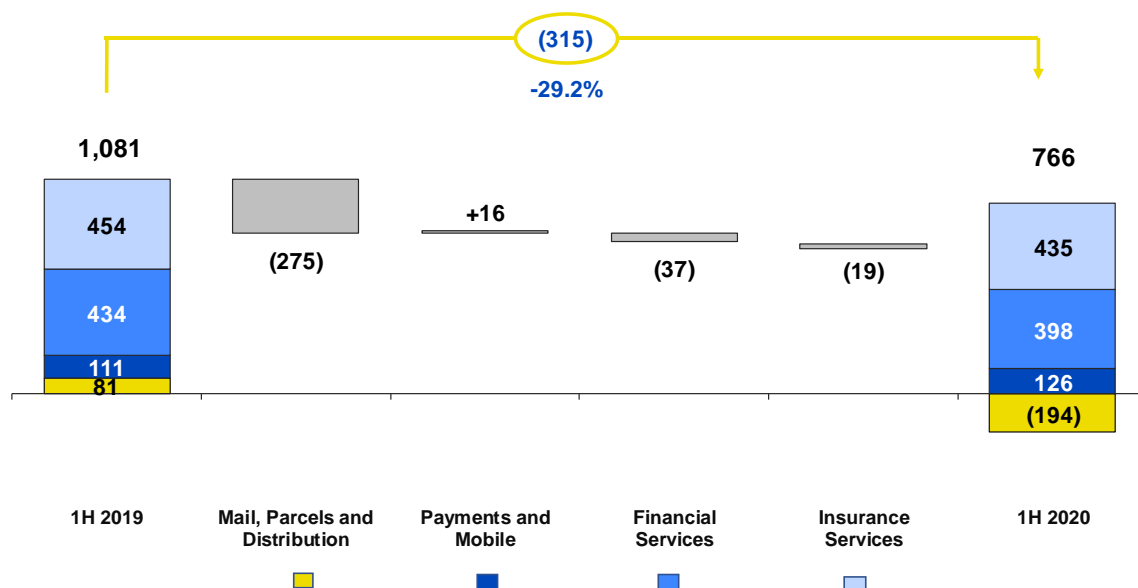
External revenue from the **Mail, Parcels and Distribution** Strategic Business Unit totalled €1,472 million, down 16.1% (–€283 million) compared with the first half of 2019, due to a reduction in revenue from the mail segment (–27.2%, or –€345 million), only partly mitigated by growth in the parcel segment (+18.7%, or +€75 million) due to the positive performance in the B2C segment, driven by the development of e-commerce.

The **Payments and Mobile** Strategic Business Unit contributed to total revenue of €338 million (+€31 million, +10.3%, compared to the same period in 2019), recording growth in both the electronic money and mobile segments. The negative effect of the pandemic on the electronic money segment was mitigated by the use of online channels.

The **Financial Services** Strategic Business Unit contributed €2,535 million to the Group's revenue, a negative change of €130 million (–4.9%) compared to the first half of 2019.

The **Insurance Services** Strategic Business Unit recorded external revenue of €739 million and a negative change of 7.2% (–€57 million) compared to the first half of 2019.

EBIT (€m)



The operating profit of the Mail, Parcels and Distribution Strategic Business Unit was negative for €194 million, down from €81 million in the first half of 2019 (-€275 million). The performance of the Payments and Mobile Strategic Business Unit, on the other hand, was positive with an operating profit of €126 million (+€16 million, +14%, compared with the same period of 2019). The Financial Services Strategic Business Unit contributed to the group's operating profit with a positive EBIT of €398 million, down €36 million (-8.4%) compared to the same period last year (€435 million). EBIT of the Insurance Services Strategic Business Unit amounted to €435 million, down 4% (-€19 million) compared with the first half of 2019.

MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

Market context

The postal services market is going through a phase of radical change, primarily linked to the digital transformation, which has influenced the volume of letters and parcels in circulation. The ongoing structural decline in traditional mail, replaced with digital forms of communication (e-mail, instant messaging, etc.) is accompanied by a significant increase in the volume of parcels sent, linked to the growth in e-commerce. In Italy, the percentage of retail purchases made online rose from 4% in 2015 to 7% in 2019¹⁹, and growth remains compared with the double-digit growth rates registered in the main European countries. Poste Italiane is now one of the leading operators in the sector with a market share (B2C - Business to Consumer) from 30% in 2017 to 35%²⁰ in 2019.

In 2020, all European and international markets are continuing to witness a decline in the mail market, partly offset by parcel growth. e-Commerce confirmed as the key driver of growth in this segment, mainly for light and low-value items.²¹ In particular, an increase in per capita parcels is expected in Italy (from 4 units in 2019 to 5 units in the current year).²²

In Italy, as in the rest of the world, the first months of 2020 show an even more significant decline in mail with historical trends due to the lockdown caused by the health emergency, which caused a general slowdown in the Italian economy.

With reference to the parcel segment, it is noted that, while in the first quarter of 2020, it had maintained the consolidated growth trend of recent years, in the second quarter of 2020, the sector recorded an exponential development, thanks to e-commerce, as a result of the change in buying patterns of Italians during the pandemic. This phenomenon has generated an acceleration of the growth trends already foreseen in the 2018-2022 business plan. All this represents a revolutionary change for the country, which until now had been late in penetrating the e-commerce phenomenon.

Regulatory environment

The Contratto di Programma (Service Contract) regulates relations between the Ministry for Economic Development and Poste Italiane SpA regarding provision of the Universal Postal Service. On 30 December 2019, the Parties signed the new Contract for the years 2020-2024; it is effective from 1 January 2020 to 31 December 2024. The procedure for the approval by the European Commission of the sums due to the Company to partially cover the universal service cost (OSU) is underway.

Regarding state contributions for publisher tariff subsidies applied by the Company, the 2020 Budget Law (Law no. 160 of 27 December 2019) redefined the appropriations for reimbursement, providing for a value of €53.1 million for 2020, €53.2 million for 2021 and €52.5 million for 2022. Law Decree no. 162 of 30 December 2019 - as converted by Law no. 8 of 28 February 2020 - ordered that reimbursements of publisher tariff

¹⁹ Source: Osservatorio eCommerce B2C - Politecnico Milano data.

²⁰ Internal processing based on Cerved Databank data, Netcomm 2019.

²¹ Source: Report IPC and other postal/logistics operators.

²² Source: Internal processing on historical Cerved Databank data and forecasts, Netcomm.

subsidies to Poste Italiane continue "for a duration equal to that of the universal postal service" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

On 5 February 2020, the Ministry of Justice, in order to encourage the full development of the liberalisation process of the notification services of judicial documents and violation of the Highway Code, which began with Law no. 124/2017 and continued with further legislative and regulatory measures, adopted the new Guidelines for training courses for employees responsible for notification by mail, enabling alternative operators with special licenses to actually enter the market.

As part of the measures adopted by the Government to deal with the Covid-19 epidemiological emergency, with Law Decree no. 18 of 17 March 2020 "Cura Italia" - Conversion Law no. 27 of 24 April 2020) and Law Decree no. 34 of 19 May 2020, specific urgent measures for the performance of the postal service were defined.

Specifically, the delivery of registered mail, insured mail, parcels and notifications by mail pursuant to Law no. 890/82 (court documents and fines) throughout the country and until 31 July 2020, is carried out, subject to verification of the presence of the recipient or the person authorised to collect the item, by placing the item in the home mailbox or other place indicated by the recipient at the same time.

Evolution of the regulatory scenario

In September 2019, AGCom, by means of Resolution 350/19/CONS, submitted for public consultation the draft measure concerning the analysis of the parcel delivery services market, aimed at monitoring the market in order to assess whether, and in what way, the current amendments have modified, or may modify, its competitive structure in the future. On 1 July 2020, Resolution 212/20/CONS was published, by which the Authority identifies the relevant markets for parcel delivery services and assesses the level of competitiveness in each of them. The resolution highlights a predominant role for Poste Italiane in the C2X market²³, which nevertheless has a marginal impact on the overall parcel market. The analysis represents an intermediate step in the procedure, the final deadline of which was extended with the approval resolution. In the next phase, further investigation will be carried out and possible regulatory remedies will be identified for operators with significant market power in one or more of the relevant markets identified.

In October 2019, AGCom launched an analysis of the mail services market and the maximum tariffs for universal postal services with the aim of updating the tariff system for universal services in light of the changing competitive environment and new user requirements. Participants have provided the regulator with the information requested, with a view to preparing a document to be submitted for public consultation.

In view of the developments in the e-commerce segment caused by the health emergency, AGCom has initiated proceedings to promote the use of "Lockers" (automated lockers for parcel collection and delivery) by online shoppers and to promote their dissemination. Interested parties were able to submit their comments on the issue in a pre-consultation phase; this will be followed by the publication of a draft measure that will be subject to public consultation and regarding which interested parties will be able to submit their comments.

²³ The "C2X" market identifies Consumer-to-Consumer/Business parcels i.e. parcels sent by consumers both to other consumers and to businesses.

Resolution 205/20/CONS of 1 June 2020 launched a public consultation to define quality standards for the continuity and reliability of the services provided in post offices, in relation to: a) delayed opening of post offices (both at national and regional level); b) early closure of post offices (both at national and regional level); c) waiting times for access to universal postal services; d) accessibility for the weaker categories of users (e.g., removal of architectural barriers in post offices); e) reduction in the time taken to deal with complaints filed at post offices. Interested parties were able to submit their comments by 1 July.

In accordance with article 2, paragraph 7, of the 2020-2024 Contratto di Programma (Service Contract), on 24 June, Poste Italiane submitted to AGCom a proposal to redefine the distribution criteria for mailboxes, taking into account the trend in postal volumes and their actual use by users.

MAIL, PARCELS AND DISTRIBUTION SBU OPERATING RESULTS

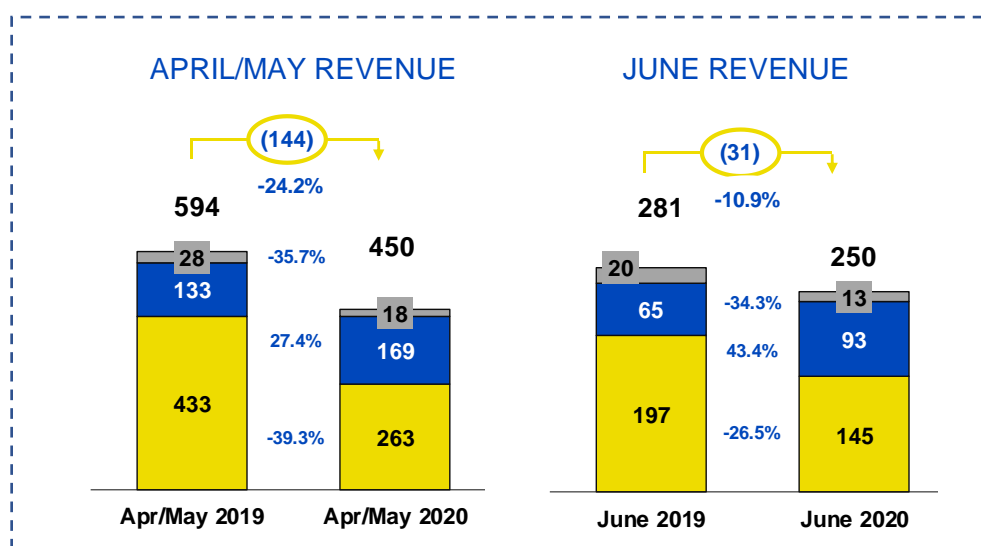
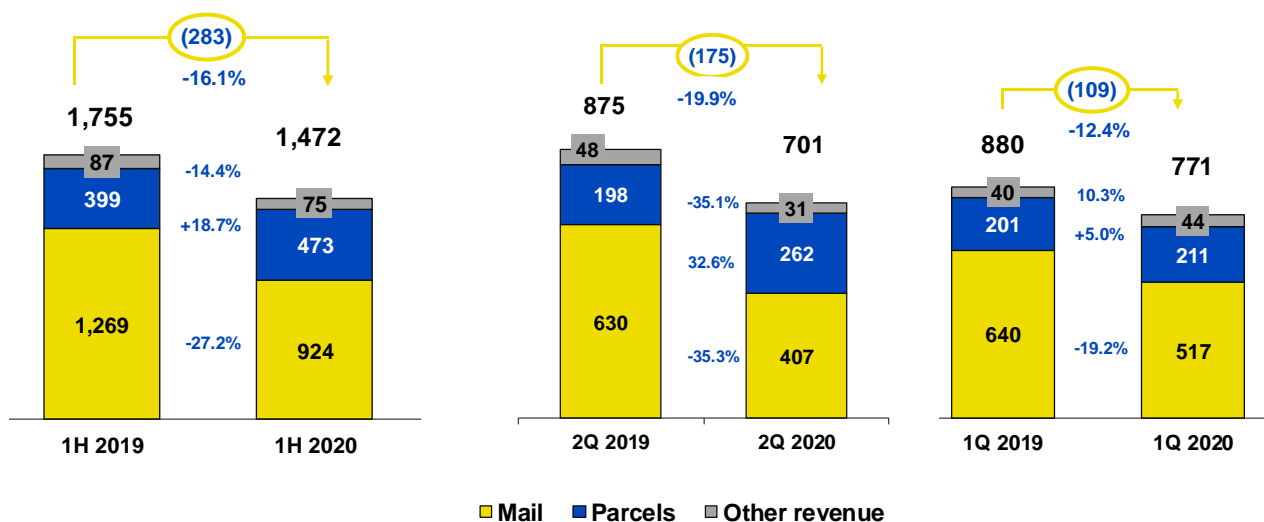
The SBU results for the first half of the year confirm the acceleration of the decline in the traditional mail sector caused by the effects of the lockdown, with a decrease that has continued even after the recovery and the losses of which are partially offset by the growth in the parcel sector that began in March and is also confirmed in subsequent months, thanks to the significant boost provided by e-commerce.

MAIL, PARCELS AND DISTRIBUTION	1H 2019	1H 2020	CHANGES	
(€m)				
External revenue	1,755	1,472	(283)	-16.1%
Revenue from other sectors	2,453	2,256	(197)	-8.0%
Total revenue	4,208	3,728	(480)	-11.4%
Total adjusted revenue	4,009	3,543	(466)	-11.6%
Costs	4,090	3,888	(202)	-4.9%
Costs vs other sectors	37	34	(3)	-8.9%
Total costs	4,127	3,922	(206)	-5.0%
Total adjusted costs	4,119	3,919	(200)	-4.9%
EBIT	81	(194)	(275)	-338.9%
Adjusted EBIT	(110)	(376)	(265)	-240.6%
EBIT margin %	1.9%	-5.2%		
NET RESULT	50	(135)	(185)	-369.5%

Main KPIs	1H 2019	1H 2020	CHANGES	
Mail and parcels				
Revenue/FTE (€k)	32.7	30.1	(3)	-8.0%
Parcels that can be delivered as standard mail (volumes in m)	23.5	33.3	10	41.7%
New Punto Poste Network (number of lockers and alternative collection points) ¹	6,288	7,898	1,610	25.6%
Distribution				
Number of Post Offices ¹	12,809	12,809	-	0.0%
Number of customers (m)	35.0	34.7	(0.3)	-0.7%
Rooms dedicated to consultancy	6,688	6,762	74	1.1%
Postamat ATM network	7,425	7,731	306	4.1%

¹ The figure indicated in column 1H 2019 refers to 31 December 2019.

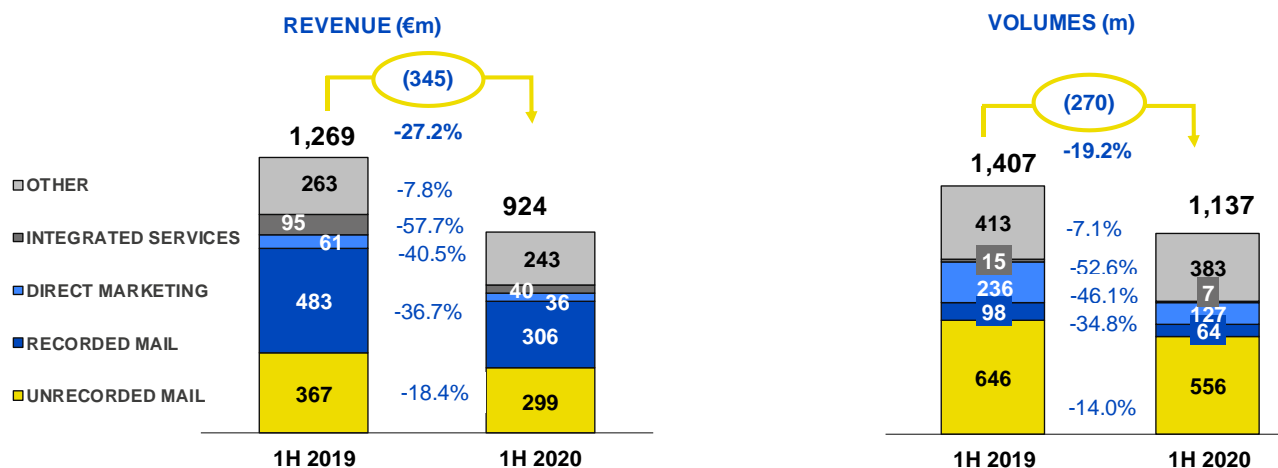
EXTERNAL REVENUE



External revenue rose from €1,755 million in the first half of 2019 to €1,472 million in the first half of 2020 and show lower revenue from traditional mail (-€345 million, equal to -27% compared to the same period of 2019), only partially offset by the growth of the parcel segment (+€75 million, equal to +18.7%, compared to the same period of the previous year), thanks to the positive performance of the B2C segment.

The decline in revenue in the segment already recorded in the first part of the year was exacerbated in March due to the lockdown imposed following the pandemic and the significant drop in operations that followed and continued in the second quarter with the sector performance gradually deteriorating (-19.9%, or -€175 million compared to the second quarter of 2019). Revenue for June show a lower decline compared to the corresponding month of the previous year (-10.9%), reflecting the signs of the beginning of a recovery.

Mail



Unrecorded Mail: Standard mail service with mailbox delivery.

Recorded Mail: Delivery to the person with proof of delivery and tracking for retail and business customers. This category includes in particular: registered mail, insured mail and judicial documents.

Direct Marketing: Service for the sending by companies and Public Administration entities of communications with advertising, promotional or informative content.

Integrated services: Integrated and customised offers for specific customer segments, in particular Public Administration, large companies and professional firms. The most relevant integrated service is the Integrated Notification Service, for the management of the entire process of notification of administrative and judicial documents (e.g. violations of the Highway Code).

Other: Services for publishers, multi-channel services, printing, document management, other basic services. This item also includes tariff subsidies relating to external revenue earned on products and services discounted in accordance with the law and the Universal Postal Service Compensation (also includes compensation relating to ordinary parcels).

The performance of the Group's Mail services saw volumes and revenue decrease by 19.2% (270 million fewer items) and 27.2% (-€345 million), respectively, compared with the first half of the previous year. The causes are mainly attributable to the aforementioned reduction in business as a result of the restrictive measures imposed by the lockdown, in addition to the effects of the expected e-substitution process of traditional mail, profoundly accelerated by the pandemic, with significant losses in volumes and turnover.

The reduction in volumes and revenue from traditional mail recorded in the first half of 2020 is distributed indiscriminately across all product families, with Unrecorded and Recorded Mail showing a decrease in volumes of 14% and 34.8% respectively and in revenue of 18.4% and 36.7% compared to the same period of 2019.

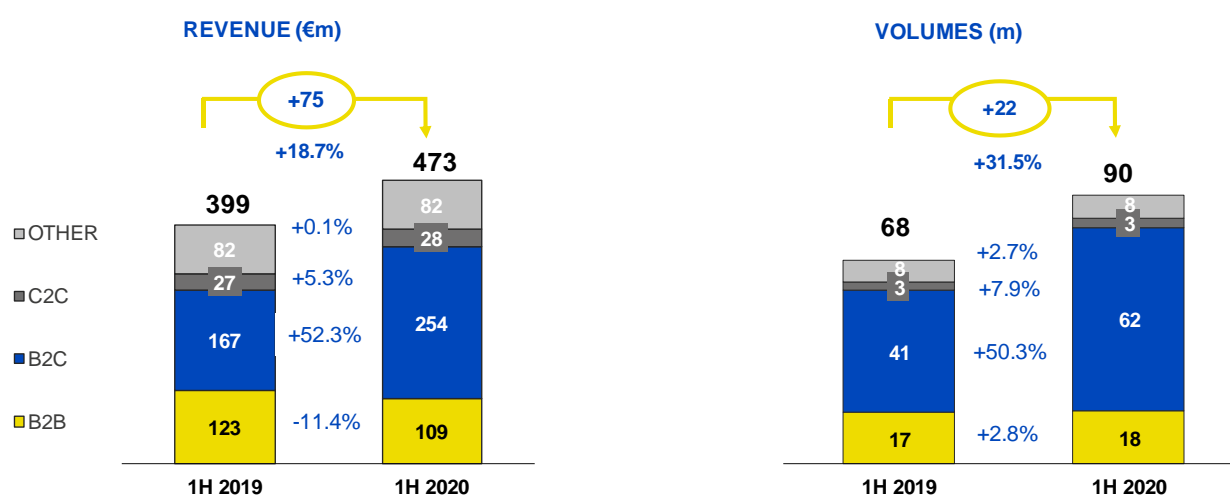
Direct Marketing saw a 46.1% decrease in volumes (109 million fewer items) and a related 40.5% fall in revenue (-€25 million). This decrease is linked to the decline in the processing of commercial shipments due to the reduction of commercial mail sent by customers.

Volumes of Integrated services fell by 52.6% compared with the first half of 2019 (around 8 million fewer items) and revenue fell by 57.7% (-€55 million) due to the interruption in the mailing of tax collection notices and fines for blocking circulation, as well as the suspension of the payment of local taxes and the issue of residence permits.

Other revenue that also includes revenue from the Mass Printing services provided by the subsidiary, Postel, is down 7.1% in volume terms (29 million fewer items) compared with the same period of 2019, due to a decline in the market for printing services determined by the slowdown of the Italian economy following the lockdown. Corresponding revenue also includes publisher tariff subsidies (-€4 million compared to the first half of 2019), down due to a fall in mailings linked to publishing. The compensation covering the cost of the Universal Service for the first half of 2020 amounts to €131 million, in line with the revenue recorded in the first half of 2019.

June 2020, compared with the same period in 2019, although down, shows a recovery in revenue and volumes compared with the months of full emergency and lockdown. This recovery is particularly evident in Unrecorded Mail and Direct Marketing.

Parcels



B2B: Acronym for Business to Business. Company to company shipping services. Offer that focuses on quality and reliability, with delivery options with defined delivery times, mainly multi parcel shipments.

B2C: Acronym for Business to Consumer. A modular offer created for e-commerce with a choice of additional services.

C2C: Acronym for Consumer to Consumer. Services for shipments from private user to private user. Basic offer focused on ease of access (post office network and website).

OTHER: Includes international parcels, partnerships with logistics operators, dedicated services, integrated logistics and other revenue.

The performance of the Parcels segment showed very significant growth in the first half of the year, with an increase in both volumes and revenue of +31.5% (+22 million items) and +18.7% (+€75 million), respectively, compared with the same period of the previous year. Growth was mainly concentrated in the second quarter, following the significant impetus given by the lockdown to the development of e-commerce (+18 million items, or +54%, and +€65 million in revenue, or +33% over the same period of the previous year).

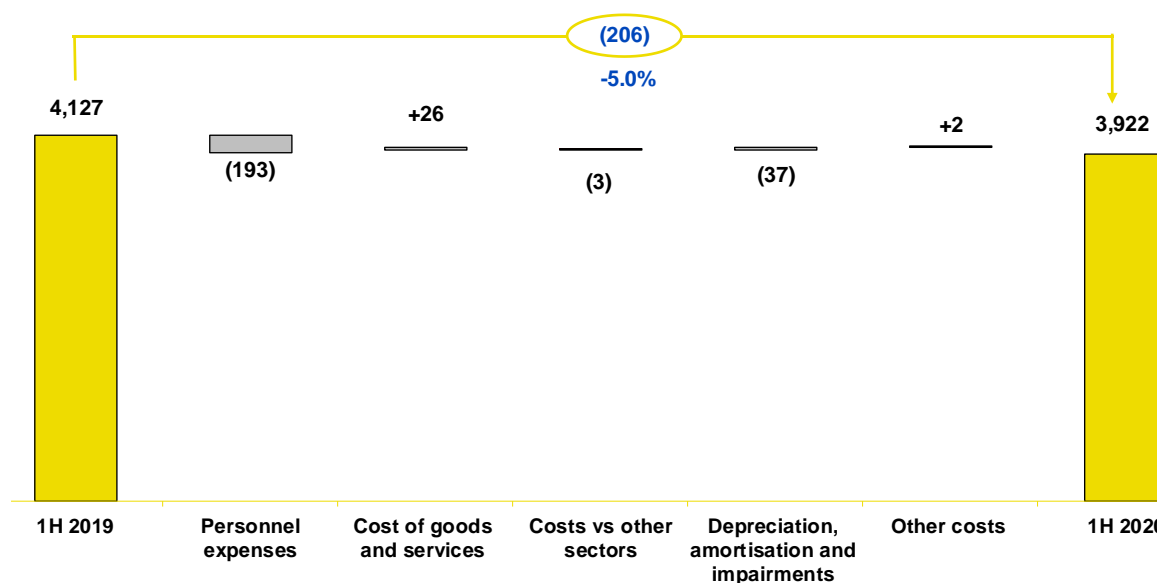
The result for the first half is primarily linked to the growing development of the Poste Italiane SpA B2C business, driven by e-commerce, which generated revenue of €254 million, up 52% on the first half of 2019, compared with 62 million shipments (up 50%). The unit tariff has grown despite a highly competitive reference

market. The development of B2C was significantly reinforced by the growing propensity of the population to buy online, which, since March, has coexisted with the restrictive measures imposed by the Government Decrees. This propensity to buy online in March continued in the following months, strengthening further in the second quarter and leading to the conclusion that this phenomenon may become, at least in part, structural. In the second quarter of 2020, the B2C segment saw very significant growth in both volumes and revenue compared with the same period of the previous year.

This performance made it possible to offset the loss recorded by the B2B segment (-€14 million in revenue compared with the same period of 2019), a segment most affected by the lockdown due to the closure of production activities.

COSTS

(€m)



Costs, including amortisation, depreciation and impairments, amounted to €3,922 million, down €206 million (-5.0%) compared with the first half of the previous year, essentially due to a reduction in personnel expenses. The latter totalled €2,581 million, down €193 million (-7% compared to the first half of 2019), due mainly to an average reduction in workforce (about 4,800 FTE less) and a reduction in the unit cost component, as described in the paragraph on the Group's operating results.

The trend in personnel expenses is partly offset by the increase in the cost of goods and services (+€26 million compared with the first half of 2019), mainly due to expenses incurred to ensure the safety of employees engaged in operations in the area and to deal with the health emergency. For further details on these expenses, refer to the paragraph "Covid-19 Impacts".

Finally, there was a decrease in amortisation, depreciation and impairments of approximately €37 million (-10% compared with the first half of 2019), mainly due to a review of the useful life and residual value of

certain Group assets, as described in the paragraph commenting on the Group's operating results and in the notes to the condensed consolidated financial statements.

In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reports negative EBIT of €194 million for the half-year, €275 million worse compared to 1H 2019 (€81 million).

Operating review

The Group continues to reorganise its transport, sorting, delivery and customer experience activities, in line with the long-term objectives outlined in the Deliver 2022 Plan, such as increasing efficiency, flexibility and quality in order to seize the opportunities arising from the development of e-commerce.

Parcels

With reference to transport, the development of air connections is continuing to favour, in line with market demand, the delivery of parcels within 24 hours throughout Italy, in particular Sicily and Sardinia. There are currently 9 air routes in operation, two of which were introduced in the first quarter of 2020 at the Fiumicino airport hub (towards Catania and Cagliari). The fleet consists of 8 aircraft, one more than in 2019, to meet the increased frequency of routes, in line with customer needs.

As part of the long-haul road transport optimisation programme launched in 2019, collaboration continued with the German digital carrier *sennder GmbH*. On 12 February 2020, this led to the acquisition of a 75% stake in "*sennder Italia Srl*" with the aim of increasing vehicle saturation and reducing road transport costs. The partnership with *sennder GmbH* will enable Poste Italiane to offer itself as a transport operator, both in the Italian and foreign markets, benefiting from economies of scale and technological optimisation, creating a full-tracked and full-digital operating model, in line with the needs of e-commerce.

With reference to sorting activities and the automation of production processes, the renewal of SDA plants continues and in particular, the construction of two new hubs located respectively in central and northern Italy.

As far as the delivery area is concerned, the development of the potential of the collaboration with Amazon continues, in line with the Poste Italiane strategy of growth in logistics linked to online purchases. This is also connected with expansion of the PuntoPoste network for collecting online purchases and sending returns. At June, this consists of about 7,900 thousand active alternative collection points, mainly tobacconists and lockers, which are in addition to post offices.

As part of the partnership with Zalando (management of customer returns in Italy), in the first half of 2020, the Poste Group was entrusted with approximately 1.1 million returns via pick-up, post offices or the PuntoPoste network (around 26% returned via the drop-off point).

Also as part of the evolution of the delivery service offering, the "Punto Poste Da Te" service was launched, which consists of offering new contact points in the territory for the use of Poste Italiane main core services directly at home through lockers installed inside condominiums and company sites (22 Lockers are active). Punto Poste Da Te can be used for a series of services, such as: delivery of prepaid and prefranked parcels by Poste Italiane; parcel collection, also by operators other than Poste Italiane, collection of registered mail,

feature in progress, payment of postal bills, Postepay prepaid card top-ups, and SIM top-ups, management of personal items. The innovative and entirely digital service, fully manageable through the Post Office APP, has received the innovation award "Elected Product of the Year 2020", based exclusively on consumer vote, for the category shipping and collection services.

With regard to the development of innovative and technologically advanced delivery services in "last mile" logistics²⁴, on 24 April 2020, Poste Italiane acquired an investment of 70% in MLK Deliveries S.p.A., which will provide Same Day and Scheduled Delivery services for the Poste Group. The Scheduled Delivery service is currently active in the cities of Milan, Rome, Turin, Brescia and Verona.

As part of the "Poste Delivery" parcel offer, the possibility of purchasing shipments directly from smartphones via the Post Office APP was introduced in April.

With regard to the business with China, which has seen an increasingly marked increase in inbound parcel volumes from 2018, collaboration has begun with the Chinese logistics operator Sengi Channel Supply Chain Limited, which will enable the Poste Group to consolidate and ship to Italy volumes purchased in China by Italian e-shoppers. In addition, as part of this collaboration and in line with the evolution of the needs of e-shoppers, testing has begun of the E2E (End to End) tracking of shipments that will allow for the first time verifying on the Poste Italiane website the status of the shipment along the entire supply chain, even beyond the borders of the Italian territory.

Small Municipalities Project

With reference to the programme launched in November 2018 in favour of the communities of Small Municipalities, aimed at promoting specific initiatives to support the development of the territory, Poste Italiane has achieved all the objectives presented at the time.

In continuity with the path started in 2018, on 28 October 2019, Poste Italiane organised the second edition of the event Mayors of Italy to illustrate the implementation of the commitments undertaken in 2018, and to present a new and articulated programme of initiatives in favour of Small Municipalities.

In addition to continuing with the commitments made in 2018 most requested by the territory - no closure of Post Offices in Small Municipalities, new Postamat for innovative services on the territory, treasury service provided together with Cassa Depositi e Prestiti, installation of video surveillance inside and outside the offices, removal of architectural barriers to facilitate the usability of the structures, property projects for urban decorum (murals), strengthening of resources in post offices in tourist areas - the Company has added new initiatives in favour of the communities, and specifically:

- digital, postal and financial education programmes;
- free payment and POS services for Municipalities;
- Punto Poste da Te;
- installation of new smart mailboxes;
- information services for citizens;

²⁴ Services that allow the e-shopper to request delivery of "tailor-made" online purchases, i.e. on the desired day or in a specific time slot among those available.

- philately programmes;
- new green fleet with reduced emissions (-40%);
- initiatives to enhance the artistic and cultural heritage of small Municipalities.

These additional investments in favour of young people, schools, people less exposed to training and the elderly in less densely populated communities confirm the Company's economic and social commitment to the support and development of Small Municipalities. Following the state of emergency on the national territory declared by the competent authorities concerning the health risk related to the Coronavirus, some activities have been suspended.

The following is the progress of the main data at 29 June 2020:

- there have been no post office closures;
- a central office now provides dedicated support for small Municipalities;
- 838 new ATMs have been installed in 836 Municipalities;
- 854 architectural barriers have been removed in 813 Municipalities;
- 4,756 video-surveillance systems have been installed in 1,975 Municipalities;
- the treasury service was activated in the municipalities that requested it;
- 8,883 new mailboxes have been installed in 4,333 Municipalities; 17 murals have been created to improve the urban decorum of the peripheral post offices;
- 24 financial, digital and postal education events provided in 24 municipalities;
- 2,295 Schools licensed by the "Risparmio che fa scuola" programme in 1,906 municipalities;
- 121 POS activated in 83 municipalities;
- 43 smart mailboxes installed in 30 municipalities;
- 1,166 municipalities served by New Green Fleet.

Digital Channels

The Italian Digital market consists of about 50 million people with online access and 35 million users active on social channels. The Poste Italiane digital web and app channels provide access to online services for 22.8 million retail users (19.4 million users at 30 June 2019 and 20.8 million at 31 December 2019) and operate as both direct sales and after-sales channels. The daily average of web and app users was about 2.6 million (1.9 million average daily users in the same period of 2019 and 2 million average daily users in 2019). Transactions on the digital channel are growing, reaching 40.4 million for a transaction value of €9.4 billion (26.7 million transactions up to June 2019 for a transaction value of €7.3 billion and 57.1 million transactions in 2019 for a transaction value of €15.6 billion).

Main KPI Digital	1H 2019	1H 2020	Δ	
Customers registered on Poste Italiane's digital channels (websites and apps) (m) ¹	20.8	22.8	2.0	9.7%
Daily users (website and apps) (m) ²	1.9	2.6	0.8	41.6%
Number of digital - consumer transactions (m)	26.7	40.4	13.7	51.3%
App downloads (m) ¹	30.8	36.5	5.7	18.7%
Poste Italiane Digital e-Wallets (m) ¹	5.4	6.4	1.0	17.9%
Digital identities (m) ¹	4.1	5.8	1.7	41.1%
Private digital identities (m) ¹	0.57	3.4	2.8	496.5%

¹ The figure in column 1H2019 refers to 31 December 2019

² Average daily values during reference period.

In the first half of 2020, activities aimed at simplifying and evolving customers' experience on digital channels in the use of Poste Italiane services in the areas of payments, financial services, mail and logistics

continued, in particular by introducing the possibility of subscribing directly to the Postepay Connect in the PP app and the Current Account in the BP app. On the website poste.it, the possibility has been given to subscribe with a totally online process an asset management service in collaboration with the partner Moneyfarm. On the payment side, new services have been enabled in the PP app such as the payment of car tax and the display and management of Postemobile SIM cards. The first APP dedicated to the business world was released, which in this first phase includes the management of collections through Postepay Code.

With reference to the Private Digital Identity solution (Poste Account), at the end of June 2020, more than 3.4 million Private Digital Identities were active. The Private Digital Identity was launched in 2019 and is functional to secure access to all digital properties (data, internet accounts and other rights in the digital world) of Poste.

[New agreement with Microsoft for the digitisation of the Group and the country](#)

In May, a significant step forward was taken in the Group's digital transformation process, with the new agreement signed between Poste Italiane and Microsoft, which aims to strengthen the collaboration between the two players, with the aim of accelerating the process of digital innovation at Poste Italiane by strengthening its network and the services offered thanks to Microsoft platforms, and to give new impetus to the innovation of SMEs and Public Administration, with the creation of innovative digital services on which they can leverage for their growth.

The collaboration with Microsoft has contributed over the years to the technological advancement of Poste and the country thanks to the modernisation of the infrastructure and services offered. The new partnership was signed in a historical period, which marked the first half of the year, in which digital platforms and channels showed their importance in terms of work organisation, in a global context marked by the Covid-19 pandemic. Poste Italiane has in fact leveraged the Microsoft Cloud and benefited from the partner's technologies to innovate the working model also in a smartworking logic, and to improve Customer Experience in all the Group's business areas. Poste has also evolved the IT infrastructure making it more scalable and secure.

The new agreement foresees that the two companies will work together to create an "Ecosystem Platform for SMEs" by providing the market with joint services to create local and tailor-made applications, and to support companies in learning the new digital skills required with training courses. In addition, it will aim to develop a National Hybrid Cloud Platform by combining the pillars of Poste Italiane DataCenter architecture with Microsoft Azure cloud solutions to enable the world of private companies and Public Administration to undertake digital transformation and modernisation of public services. The hybrid model will define which information and applications reside in the public cloud and which remain in the private cloud, with simplified and unified management to take full advantage of the two approaches. The two companies will develop a joint hybrid cloud services offering, and a Hybrid Cloud Competence Center will be launched to accelerate the adoption of cloud computing solutions.

With regard to the Digital Transformation process of Poste Italiane, the adoption of Microsoft technology will allow the transformation of existing applications and the development of new native cloud applications. Poste will also adopt a new Microsoft cloud technology in order to guide the cultural change of the new

working models that can inspire the whole Italian PA. Customer relationship channels will be innovated through the development of Artificial Intelligence solutions.

Finally, Poste Italiane employees will be provided with a Training Programme to update their skills, which will leverage Microsoft resources.

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

Market context

The first half of 2020 was significantly influenced by the Covid-19 pandemic, whose progressive spread at the global level forced many countries to adopt progressively more restrictive containment measures with a sharp reduction in economic activity.

In this general economic context, the latest data available²⁵ on the Italian payment card market show a slowdown in the growth of overall transactions, which amounted to €58.7 billion in the first quarter of 2020 (+1% compared to the first quarter of 2019). Growth also slowed down in total transactions, which amounted to 1.1 billion, with growth of 7.3% driven by prepaid cards, which recorded +25.6% compared to the same period in 2019.

The number of cards active on the market exceeds 90 million (+0.4% compared to 31 December 2019) of which debit cards are approximately 46 million and prepaid cards 29 million.

According to the latest available figures²⁶, mobile market penetration, in terms of total mobile lines, stands at approximately 171% of the population, with MVNO (Mobile Virtual Network Operator) accounting for 15.5%²⁷. The total number of lines at 31 March 2020 amounts to 103.1 million, including approximately 24.7 million Machine to Machine (M2M) SIM cards. PosteMobile, with a total market share of approximately 4.1%, accounts for around 45.6% of the total customers of mobile virtual network operators.

Regulatory environment

Electronic money

On 22 January 2020, the European Banking Authority (EBA) published the document amending the guidelines of September 2018 on the obligation to report fraud for Payment Service Providers (PSP) required by the Payment Services Directive (PSD2). This issue also has an impact on the activities of Bancoposta, to which reference should be made for further details.

On 30 April 2020, a Notice of the Bank of Italy was published²⁸, the tax credit available to merchants (with revenue not exceeding €400,000), equal to 30% of the commissions charged by intermediaries for the acceptance of transactions made with electronic payment instruments traceable from 1 July 2020, has been implemented in accordance with article 22 of the 2020 Fiscal Decree. This measure is intended for all payment service providers - including PostePay S.p.A. - that have agreed with merchants resident in Italy to accept payment instruments at their physical or online points of sale (acquiring services).

²⁵ Source: Internal processing and estimates on Bank of Italy data (supervisory reporting flows).

²⁶ Source: AGCom Communications Observatory no. 2/2020, Operators Report

²⁷ Source: Internal Estimate PostePay - Administration, Planning and Control

²⁸ Provisions for the implementation of art. 22, paragraph 5, of Law Decree no. 124 of 26 October 2019 (2020 Fiscal Decree), as amended by Conversion Law no. 157 of 19 December 2019",

In the [telecommunications](#) sector with reference to voice call termination services²⁹, by 31 December 2020, the European Commission must adopt a delegated act supplementing the directive establishing the European Electronic Communications Code, defining a single maximum termination rate for voice calls on mobile and fixed networks within the European Union.

PAYMENTS AND MOBILE SBU OPERATING RESULTS

The performance of the SBU was positive both in terms of external revenue, which grew in the electronic money and telecommunications segments, and in terms of operating profit. Increased operations of payment cards, also thanks to the use of online channels, and the growth of the customer base in TLC have mitigated the negative effects of the restrictive measures resulting from Covid-19.

PAYMENTS AND MOBILE	1H 2019	1H 2020	CHANGES	
(€m)				
External revenue	306	338	+31	+10.3%
Revenue from other sectors	190	172	(19)	-9.8%
Total revenue	496	509	+13	+2.6%
Costs	163	206	+43	+26.1%
Costs vs other sectors	223	177	(45)	-20.4%
Total costs	386	383	(3)	-0.7%
EBIT	111	126	+16	+14.2%
EBIT margin %	22.3%	24.8%		
NET PROFIT	83	90	+7	+9.0%

Main KPIs	1H 2019	1H 2020	Δ	
Electronic money				
Total value of card transactions (€m) ¹	14,647	16,848	2,201	15.0%
Number of cards (m) ²	28.7	28.8	0.1	0.5%
of which Postepay cards (m) ³	21.5	21.7	0.2	0.9%
of which Postepay Evolution cards (m) ⁴	7.2	7.3	0.1	0.9%
Number of card transactions (m)	679	697	19	2.8%
of which number of e-commerce transactions (m)	109	181	72	66.2%
TLC				
SIM PosteMobile landlines and mobile telephones (stock in thousands) ³	4,416	4,566	150.3	3.4%

¹ Transactions relative to payments made by Postamat and PostePay.

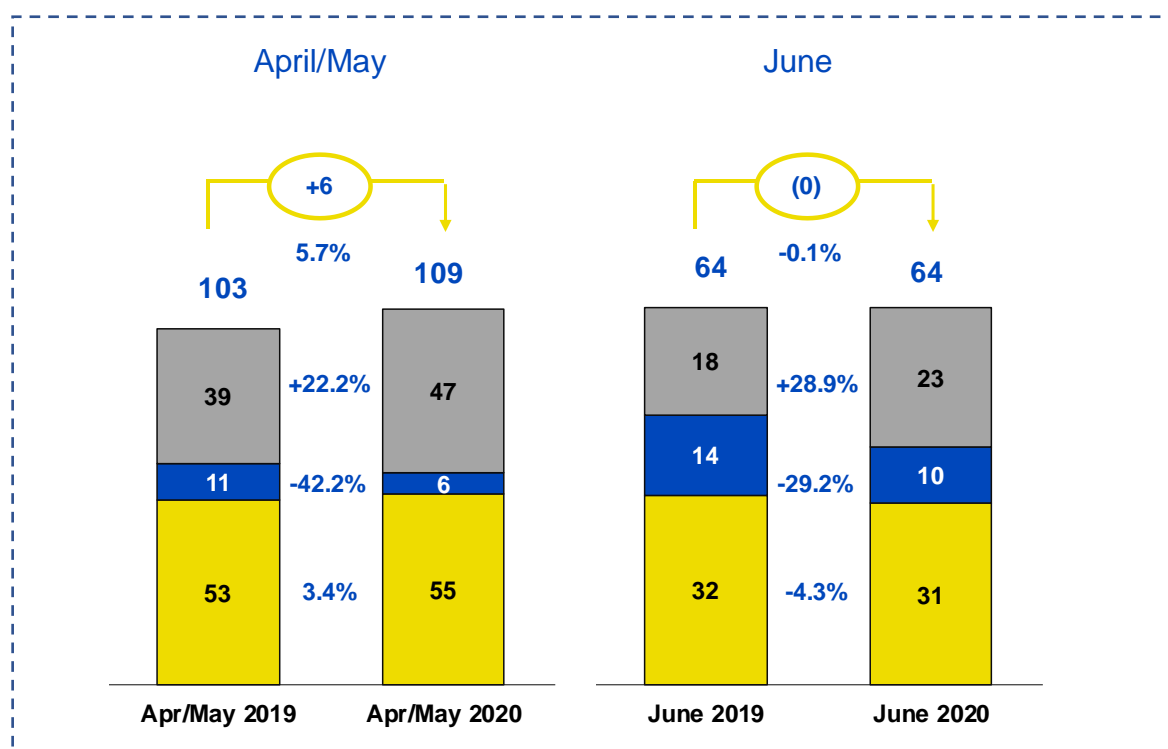
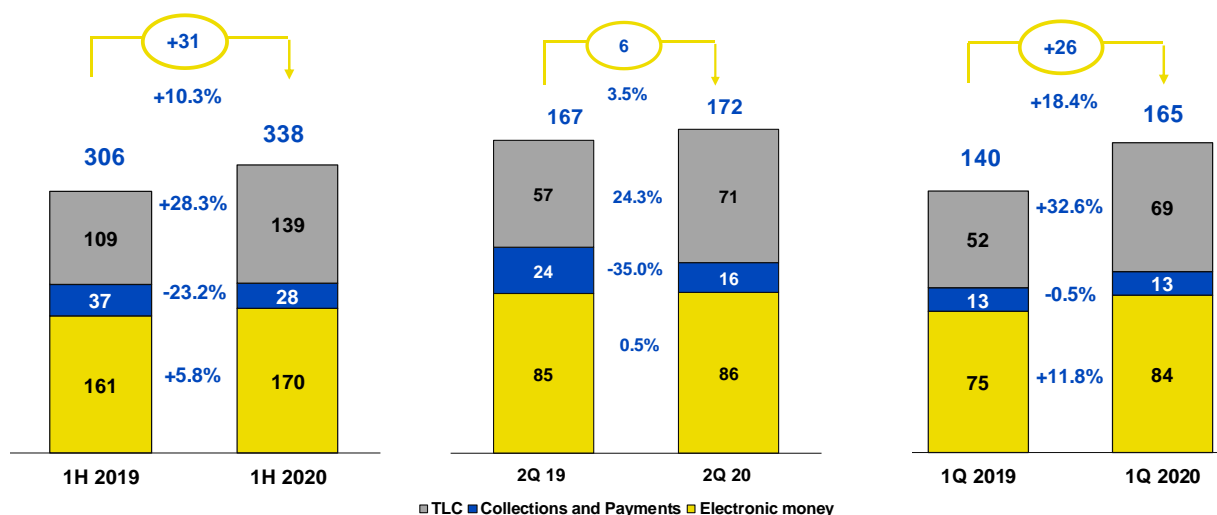
² Includes PostePay cards and debit cards. The figure indicated in column 1H 2019 refers to 31 December 2019.

³ The figure indicated in column 1H 2019 refers to 31 December 2019.

⁴ Including business customers. The figure indicated in column 1H 2019 refers to 31 December 2019.

²⁹ In order to ensure that subscribers to different fixed and mobile network operators are able to communicate with each other, networks must be interconnected and operators must therefore enter into interconnection contracts regarding the provision of one or more services.

EXTERNAL REVENUE (€m)



Collections and payments: Tax payment service by acceptance of the F23 and F24 forms; transfer of funds to send money abroad through Moneygram and Western Union, postagiato transfers and direct debit by Postepay Evolution.

Electronic money: Prepaid cards (top-ups, payments, withdrawals, fees, issuance), debit cards (postamat interchange fees on card transactions); acquiring services (fees on transactions, fees and services) related to the provision of POS (mobile, physical, virtual) for the acceptance of card payments (debit, credit, prepaid).

TLC: Mobile phones (traffic revenue, VAS value-added services, products) and fixed line (PosteMobile Casa offer).

Total revenue for the first half of 2020 amounted to €509 million, up 3% on the same period of the previous year, thanks to the positive contribution of Telecommunications and Electronic money revenues, partially offset by the decline in revenue from Collections and Payments. External revenue in the first half of 2020 amounted to €338 million, up 10% compared with the same period of the previous year.

In detail, revenue from the Electronic money market went from €161 million in the first half of 2019 to €170 million in the first half of 2020 (+5.8%) as a result of greater payment card transactions and increased acquiring services due to the growth in transactions, while revenue from Collections and Payments, amounting to €28 million, fell by €9 million (-23.2%), primarily due to lower revenue from F23/F24 following the postponement of certain tax maturities introduced by the Relaunch Law Decree (as converted by Law no. 77 of 17 July 2020).

The Telecommunications sector recorded an increase in external revenue from €109 million in June 2019 to €139 million (+28%). The positive result is due to both the increase in Mobile line telecommunications revenue due to a higher active customer base and the increase in average revenue per active customer (ARPU). Fixed line telecommunications revenue also increased due to the significant growth in the average customer base, which rose from 138 thousand lines in June 2019 to 210 thousand in June 2020 (+52%).

Although external revenue growth in the second quarter of 2020 alone was positive compared to the same period in 2019 (+€6 million), growth slowed during the period due to the effects of the pandemic and lockdown. In particular, the excellent performance already recorded in the first quarter by the telecommunications sector (+€14 million) and the Electronic money sector held up, whilst other collection and payment services fell compared to the same period in 2019 (-€9 million).

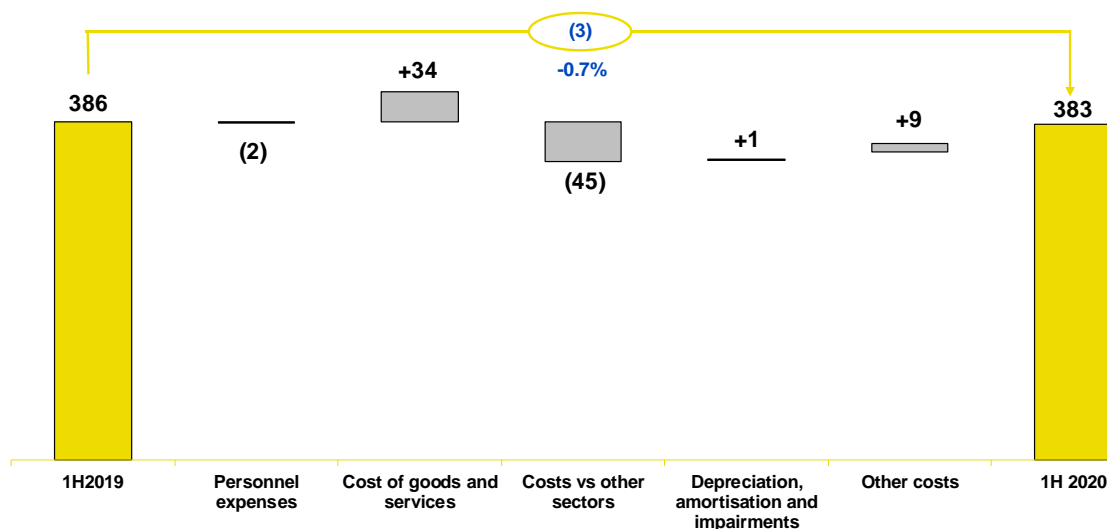
At 30 June 2020, there are 21.7 million Postepay cards in circulation (21.5 million at 31 December 2019), including about 7.3 million Postepay Evolution cards, an increase of 1% compared with 31 December 2019. During the first half of 2020, Postepay cards developed a total payment transaction of approximately €9.7 billion (+34% compared to €7.2 billion in the first half of 2019).

At 30 June 2020, Postamat cards in circulation, amounting to 7.1 million, were slightly down (-1%) compared to 31 December 2019 (7.2 million).

In the Acquiring segment, with approximately 134 thousand POS installed at 30 June (+5% or +6.6 thousand compared to June 2019), the number of transactions carried out during the first half of the year amounts to €8.5 billion (up 8% or €0.7 billion on the same period of 2019), with significant growth in transactions with third-party merchants, which more than compensates for the reduction in transactions at post offices due to lockdown.

TOTAL COSTS

(€m)



Total costs, including amortisation, depreciation and impairments, amounted to €383 million, a decrease of €3 million (-0.7%). In particular, costs for goods and services increased by €34 million, mainly due to higher variable traffic costs related to fixed-mobile telecommunications services and those related to card transactions.

The cost of services provided by other Poste Italiane functions fell by €45 million compared with the same period of the previous year, primarily due to a reduction in commercial activities in the post office, information systems management, back office, anti-money laundering and postal services. Personnel expenses decreased by €2 million compared with the first half of 2019 (mainly due to the confluence of digital channel oversight activities within the DTO function).

In light of the results described, the Payments and Mobile Strategic Business Unit reports EBIT of €126 million, an increase of 14% compared with the same period of the previous year.

After net finance income/costs and income tax expense in the period, the sector closed with a net result of €90 million, an increase of 9% (+€7 million) compared with the same period of the previous year.

Operating review

In line with the strategic guidelines of the Group's Business Plan, actions have been launched to start up the largest Italian ecosystem of payment services.

Electronic money

The marketing of Postepay Connect continued during the half-year, which, by integrating the Postepay Evolution card and PosteMobile SIM in a single App, has confirmed its unique and distinctive offer on the Italian market.

In this regard, from May, customers can proceed, via the Postepay App, with the request in fully digital mode.

The main additions concern the possibility to use the Postepay Evolution card, even before receiving the "physical" card and SIM, to make payments in the Postepay App, for contactless payment even at physical points via Android smartphone enabled for Google Pay service, to use Postepay services to pay for parking, tickets or refueling through the Postepay App. In June 2020 was also the launch of the new Postepay Connect offer that allows customers to receive monthly, for the Giga of the tariff plan not consumed, a cashback discount credited directly to the Postepay Evolution Card and usable for any type of expenditure.

In the Acquiring area, the "Postepay Code" was activated in January. The service, launched on an experimental basis at the end of 2019, allows merchants to make collections using the Postepay Code functionality which, included in the PostePay app, allows scanning QR codes directly into the app so as to return the payment option on screen and then proceed with the transaction.

Also in the acquiring area, with reference to the agreement with Lottomatica - LIS Istituto di Pagamento, the bill payments acceptance service is fully operational for the approximately 54 thousand points of sale in the network. In addition, since January 2020, the channel has been active for remote sale by LIS of the physical Postepay POS acquiring service on the entire network of affiliated tobacconists.

Always in the acquiring area, various initiatives in favour of the Public Administration have been concluded, including the completion of the activation of the Postepay acquiring service for the State Notary Archives and the Guardia di Finanza.

THE partnership with ENI continued with the activation at service stations participating in the offer, of the physical and digital Postepay POS acquiring services, through the Paga con Postepay solution, included in the Eni APP. Lastly, also in the first half of 2020, Postepay was awarded the tender launched by Trenitalia for merchant acquiring of payments made with cards issued by Poste through all ticket sales channels.

Collections and Payments

In the Collections segment, activities in the first half of 2020 were oriented towards consolidating the role of Poste in the PagoPA system³⁰. In this context, as of January 2020, in line with the roadmap of the planned releases for the Digital Transformation of payments for the Public Administration, it is possible to pay tax collection notices (former RAV) through Poste, which channels them to the PagoPA system. In addition, in February 2020, the offer of APPs was expanded with payment of car tax.

Finally, since May PostePay SpA, has been active as a payment service provider on PagoPA and therefore, payments can be made via the PagoPA service on all digital channels and at post offices.

Telecommunications

In the field of fixed line telecommunications, "PosteMobile Casa Web" has been introduced, the new 'data only' offer that can be purchased exclusively online and whose installation does not require the intervention of a technician and offers unlimited data traffic with high performance (speed up to 300 Mbps), and a Wi-Fi Modem included on loan for free use.

³⁰ The pagoPA system is the set of rules, standards, organisational structures and technological infrastructures made available by pagoPA S.p.A. to guarantee interconnection and interoperability between Public Administrations and enabled Payment Service Providers (PSP), in order to allow electronic payments in favour of Credit Institutions.

Always with regard to fixed line telecommunications, the range of PosteMobile Casa Standard offerings continued to be enriched with the voice only "PosteMobile Casa Standard" offer, and the "voice&data" "PosteMobile Casa Internet" offer continued, launched by PostePay at the end of 2019, which made it possible to expand the target market through a solution characterised by flexibility and convenience. In fact, the offer is entirely on the mobile radio network and this provides customers with maximum flexibility in using the data service that can be used anywhere (e.g. at home or at a second home), provided that the Wi-Fi modem is connected to an electrical outlet.

As part of the strategy of consolidating fixed line telecommunications services and expanding the range of offerings aimed at the consumer and business market, PostePay signed an agreement on 23 July with Open Fiber and one with TIM to bring advanced Internet connectivity solutions to individuals and businesses by providing the country with fibre optic services using ultra-broadband technologies.

The agreements with Open Fiber and TIM will strengthen the Group's ability to respond more effectively to the different needs of customers, confirming the central role of Poste Italiane in the process of digitisation and economic development of the country.

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

Market context

Financial markets

At the beginning of 2020, the expansionary policies of the main central banks had helped to keep conditions eased overall. Long-term interest rates had continued the decline that had begun towards the end of the previous year, and risk premiums had remained at historically low levels. Share prices had reached new all-time highs as expectations of a resumption of dialogue between the US and China and an agreement between the UK and the EU became more concrete, while increasing the likelihood of increased volatility. This phase of easing was abruptly interrupted by the spread of the Covid-19 pandemic, which resulted in a massive recomposition of investors' portfolios towards safer assets. In the financial markets of advanced countries, since the end of February, severe turbulence has affected all sectors, in a context of high risk aversion. In the worst moments of the crisis, share prices have accumulated losses of about 30% in just a few weeks, with peaks of 50% for securities in the worst affected sectors, such as air transport and oil, and risk premiums on US private bonds rose rapidly, up to 11% for high yield stocks and 5% for those with higher creditworthiness³¹. Since the end of March, interventions by central banks and governments have helped to ease tensions in global financial markets, allowing a partial recovery in the second quarter of the year from the levels seen at the beginning of the year. Specifically, in the first half of 2020, the S&P 500, the Nikkei 225 and the Eurostoxx 50 lost 4.04%, 5.78% and 13.65% respectively.

Corporate bond spreads in the euro area have increased. Overall, the spread on the bonds of non-financial investment grade companies in the euro area stood at around 120 bps at the end of June 2020, an increase of around 60 bps compared to the end of 2019. The debt spreads of the financial sector also increased, with the differential with respect to the risk-free rate increasing by about 55 bps to about 120 bps. Performance was affected, in a context of negative or near zero risk-free rates, by the impact of Covid-19 on markets and the resulting interventions by central banks and governments to support the economy.

The increase in direct purchases by central banks has been combined with unlimited credit lines for banks. In particular, the FED has provided a swap line to provide other central banks with US dollar liquidity: this has helped ease tensions on international money markets and allowed the euro/dollar exchange rate to stabilise. The decision of the FED to proceed with massive purchases of short-term US securities and the subsequent extension of the purchase programmes also to municipal bonds, issued by States and local authorities, reduced the pressure on intermediaries and markets, which did not seem able to cope with the significant increase in demand for liquidity. The ECB followed the FED and the use of the PEPP on securities with a maturity of even less than one year stabilised the money market. The ECB strategy has also provided support for BTP; thus, the yields on Italian government securities, after fluctuating at relatively high values, have declined across all maturities since mid-May 2020. The fall mainly reflected the decline in the sovereign risk premium. The 10-year spread between BTP and Bund at the end of June 2020 was slightly above the values at the beginning of the year (176 bps vs. 159 bps) and the yield on 10-year BTP fell from 1.43% to 1.33% in the six-month period.

In the foreign exchange market, the euro appreciated against the dollar, reaching 1.12 at the end of June 2020, fluctuating within a narrow range of values affected by the evolution of the Covid-19 pandemic in the respective continents.

³¹ Bankitalia report on 2019

	1H 2019	9M 2019	2019	1Q 2020	1H 2020
BTP 10Y	2.10	0.82	1.41	1.52	1.26
SWAP 10Y	0.18	(0.15)	0.20	(0.02)	(0.17)
BTP 15Y	2.55	1.37	1.89	1.92	1.68
SWAP 15Y	0.49	0.07	0.46	0.16	0.00
BTP 30Y	3.09	1.91	2.47	2.44	2.22
SWAP 30Y	0.72	0.22	0.63	0.17	0.04



Banking system

The banking sector recorded a positive performance overall in the first half of 2020. According to preliminary estimates from the Italian banking association (ABI³²), in June 2020, lending to the private sector, adjusted to take into account off-balance sheet securitised loans, was up 2.1% year on year (0.4% in June 2019) at €1,438 billion. In June 2020, loans to households and businesses increased by 2.8% compared to a year ago. Credit flows, which mainly related to medium and long-term maturities, reflected increased demand linked to increased liquidity needs, while household mortgage demand declined reflecting the worsening outlook for the residential property market and declining consumer confidence. Doubtful loans within the banking system, after impairments and provisions made from own funds, were down 19.5% year on year in May 2020, falling from €32.6 a billion to €26.2 billion. In percentage terms, doubtful loans have fallen significantly from 1.9% of total lending in May 2019 to 1.5% in May 2020. Funding saw positive growth in the early part of the year. In June 2020, private sector deposits (current accounts, certificates of deposit and repurchase agreements) were up 6.1% (+€93.5 billion) year on year; funding through bond issues continues to decline, registering a fall of 3.9% in June 2020 (-5.8% in June 2019). Interest rates on the various forms of customer deposit were broadly unchanged. The overall average rate on deposits stabilised in June 2020 at around 0.35%, in line with the values of the previous months. The spread between the average rate charged on loans and the

³² ABI - Economy and Financial & Credit Markets - July 2020

average rate payable on deposits by households and non-financial companies in June 2020 was 181 basis points (184 basis points in the previous month).

Asset Management

Assogestioni figures at 31 March 2020³³ showed total assets of approximately €2,140 billion, compared to €2,306 billion at the end of December 2019 (-7.2%, as a result of the negative contribution of performance of -6.7% and inflows of -0.5%). These results are significantly related to the health emergency situation that affected the whole world at the beginning of 2020. With regard to Portfolio Management (Retail and Institutional), assets totalled approximately €1,118 billion, down compared to the end of December 2019, equal to €1,171 billion (-4.5% essentially due to the negative contribution of performance). With regard to collective asset management (open-end and closed-end mutual investment funds), customer assets went from about €1,135 billion at the end of December 2019 to about €1,022 billion at the end of March 2020 (-9.9%). With regard to open-ended mutual investment funds alone, assets amounted to approximately €959 billion, compared to approximately €1,071 billion at the end of December 2019 (-10.5%, as a result of the negative contribution of inflows of -1.1% and performance of -9.4%). In terms of net inflows, the asset management industry recorded a total negative balance of €12 billion in 1Q 2020 (+55.4 billion in the same period of the previous year).

REGULATORY ENVIRONMENT

On 22 January 2020, the European Banking Authority (EBA) published the document amending the guidelines of September 2018 on the obligation to report fraud for Payment Service Providers (PSP) required by the Payment Services Directive (PSD2). The changes, which have become necessary following some clarifications by the European Commission regarding the application of Strong Customer Authentication (SCA) to certain types of transactions, were introduced as of 1 July 2020 and concern the reporting formats for fraud data related to certain means of payment. With reference to the obligation for PSP to adopt strong authentication systems to allow customers to make card payments, the necessary activities (migration plans, communication initiatives, etc.) were launched in the first half, as previously communicated by the Company to the Bank of Italy.

Legislative Decree no. 36 of 8 April 2020 was published in Official Journal no. 134 of 26 May 2020 containing corrective and supplementary provisions of the Legislative Decree implementing the PSD2 Directive. The new provisions are also aimed at adapting national legislation to Regulation (EU) no. 751/2015 on interchange fees on paper-based payment transactions.

Also in the PSD2 area, the Bank of Italy published a document on 8 April 2020 containing the Instructions on the exemption from the obligation to carry out the contingency procedure³⁴, the exemptions from the adoption of strong client authentication procedures for "corporate" payments and the methods for reporting problems with dedicated interfaces.

With regard to the transparency documents introduced by the PAD (Payment Account Directive) from 1 January 2020, the Company provides customers with the Fee Information Document and activities are being finalised for the preparation of the Statement of fees for the period ending 31 December 2020.

³³ Latest quarterly data available

³⁴ Payment service providers that hold accounts accessible online must provide an access interface to enable Third Party Providers to conduct their business. Where intermediaries choose to adopt a dedicated interface, they must put in place an emergency mechanism (fall-back solution or contingency procedure); national authorities may exempt payment service providers from the obligation to provide the fall-back solution under certain conditions.

Also with reference to the Transparency Provisions, on 10 January 2020, the Bank of Italy published on its website updates to the Guides on risk control, mortgage and consumer credit that Poste Italiane has incorporated into its offer documents.

On 30 April 2020 was the publication of the Bank of Italy Measure "Provisions for the implementation of art. 22, paragraph 5, of Law Decree no. 124 of 26 October 2019 (2020 Fiscal Decree)". In particular, the 2020 Fiscal Decree provides that merchants can enjoy a tax credit equal to 30% of the fees charged by intermediaries for the acceptance of electronic payment transactions as of 1 July 2020. The Bank of Italy Measure identifies the methods and criteria by which Payment Service Providers must provide merchants with a list of transactions and information relating to fees. The Company has started the analysis for the application of the provisions of the aforementioned measure for acquiring relations.

In relation to the provisions regarding investment services, on 8 May 2020, Consob, following the consultation with the market, published a "Recommendation on ex post reporting of costs and charges related to the provision of investment and ancillary services". This recommendation provides for specific indications: i) on the reorganisation of the sections of the current report; ii) on the representation of the client's portfolio broken down according to the type of investment service provided; iii) on the ease of reconciliation of the items set out in the analytical report and in the aggregate report; iv) on the timing of sending the Annual Report.

In light of the significant turbulence triggered by the Covid-19 pandemic, Consob adopted specific measures aimed at containing the volatility of financial markets and restoring market integrity, also in light of the exceptional measures adopted by ESMA and the supervisory authorities of Spain, France and Belgium; in particular, in its meeting of 18 March 2020, the Authority, by Resolution no. 21303, temporarily introduced a ban on short selling and other bearish transactions on all shares traded on the Italian regulated market, including through derivatives or other financial instruments. This ban, in relation to the gradual normalisation of general market conditions, was lifted in the second half of May, subject to continuous monitoring by the Authority.

Still taking into account the volatility of the markets and the consequent increase in market, credit and liquidity risks resulting from the Covid-19 pandemic, on 6 May 2020, ESMA issued an Attention Notice on the importance of complying with the conduct obligations under MiFID II. In particular, the Notice concerns attention regarding: i) compliance with Product Governance requirements; ii) disclosure obligations towards customers; and iii) assessing the adequacy of products offered with particular attention to the personal situation of customers and the risk profile of the financial instruments in their portfolio, in order to ensure that these instruments are adequate for the customer.

On 5 June 2020, ESMA also published the final version of the Guidelines on certain aspects of the MiFID II compliance function requirements, aimed at clarifying the application of certain aspects of the organisational, ownership and specific skills requirements of the Compliance function under MiFID II; in particular, ESMA has aligned the 2012 Guidelines to the renewed regulatory framework dictated by the MiFID II Directive, without however changing its substance.

Also in the area of the Covid-19 health emergency, on 13 May 2020, the "Relaunch Law Decree" (as converted into Law no. 77 of 17 July 2020) was approved, which introduced simplified procedures for the remote conclusion of contracts for the provision of investment services, adhesion to UCITS and insurance contracts; these provisions govern contracts concluded between the date of entry into force of the state of emergency and its termination.

In addition, since government measures to protect public health, implying strong restrictions in the mobility and contacts of individuals could have precluded the recipients of Resolution 17297/2010 from promptly fulfilling their obligations, Consob Resolution no. 21314 of 25 March 2020 extended by 60 days the deadline for sending the "Report on the procedures for the provision of investment services" scheduled for 31 March 2020. The Company submitted the aforementioned Report on 24 April 2020.

Lastly, Consob is about to issue amendments to the Intermediaries' Regulations pursuant to Resolution no. 20307 of 15 February 2018 in order to implement the Insurance Distribution Directive (IDD) on rules of conduct applicable to the distribution of insurance investment products (Insurance-Based Investment Products - IBIPs).

With reference to the entry into force of the Regulation of the Insurance Regulator (IVASS) containing provisions on Product Oversight Governance (POG³⁵), as well as the Measure amending and supplementing IVASS Regulations nos. 23/2008, 24/2008, 38/2018, 40/2018 and 41/2018³⁶, in both cases set for 31 March 2020, at present the aforementioned publication has not yet been published.

On 17 March 2020, IVASS and the Bank of Italy jointly published a letter to the market reiterating the importance of adopting the correct procedures for the sale of products combined with financing, also expressly mentioning the collaboration with the Antitrust Authority (AGCM), as it is transversally responsible for the protection of consumers. The letter provides a series of indications on the precautions to be adopted in order to ensure the correctness of customer relations and the effective awareness of customers about the characteristics, obligations and advantages deriving from the combination of the products offered. The deadline for the examination of the results of the verifications by the management and control bodies, originally set for 30 September 2020, has been extended to the end of the current year to take account of situations of objective impediment in carrying out the aforementioned verifications (Joint Communication from the Bank of Italy and IVASS on the extension of the deadline of 8 June 2020).

On 21 April 2020, the Bank of Italy published the 32nd update of Circular Letter no. 285 of 17 December 2013, which amends the interest rate risk (IRRBB - Interest rate risk in the banking book) and stress test of institutions. In this regard, Poste Italiane has defined an internal IRRBB model, which was approved by the Board of Directors on 5 March 2020.

³⁵ The provisions of the Regulation require companies and intermediaries that manufacture and distribute insurance products to adopt specific processes for the design, review, monitoring, verification and distribution of each new insurance product, before it is distributed to customers, or of an existing insurance product, before the adoption of a significant change.

³⁶ The IVASS measure complements the rules on the distribution of IBIP products for the channels for which IVASS is responsible, in order to ensure uniformity in the sale of these products regardless of the distribution channel (insurance companies or intermediaries) and the consistency and effectiveness of the IVASS and CONSOB supervisory system in their respective areas of competence.

FINANCIAL SERVICES SBU OPERATING RESULTS

The SBU operating results for the first half of the year were penalised by a reduction in operations caused by the lockdown.

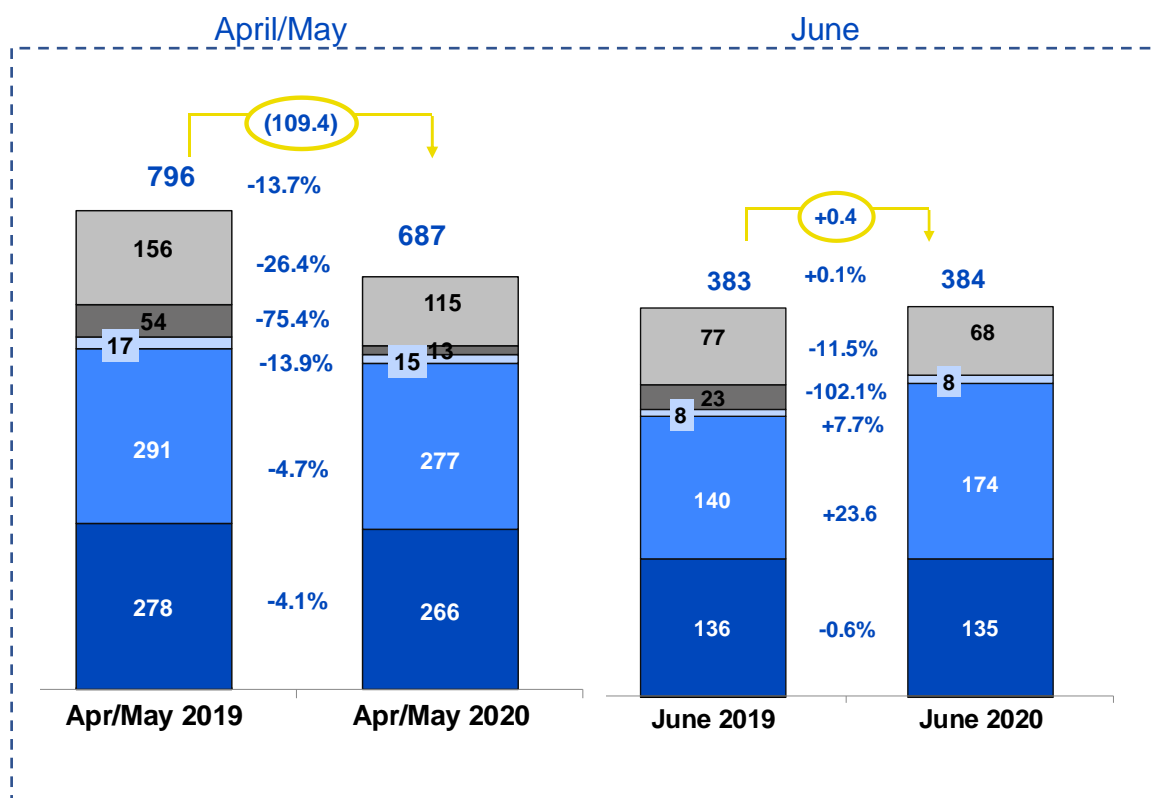
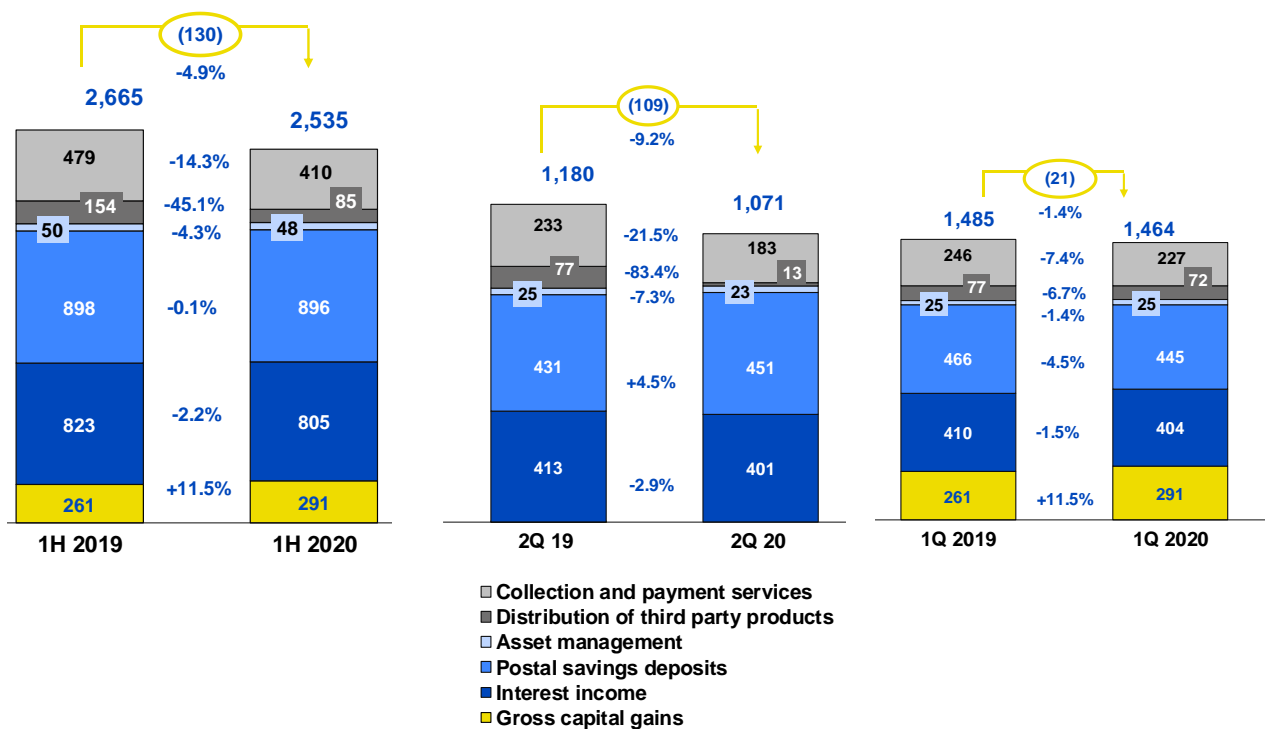
Performance of revenue was most impacted in the second quarter mitigated by a recovery in June.

FINANCIAL SERVICES	1H 2019	1H 2020	CHANGES	
(€m)				
External revenue	2,665	2,535	(130)	-4.9%
Revenue from other sectors	372	309	(63)	-16.9%
Total revenue	3,037	2,844	(193)	-6.3%
Total adjusted revenue	2,758	2,553	(205)	-7.4%
Costs	114	155	+42	+36.6%
Costs vs other sectors	2,488	2,291	(198)	-7.9%
Total costs	2,602	2,446	(156)	-6.0%
Total adjusted costs	2,388	2,208	(179)	-7.5%
EBIT	435	398	(37)	-8.4%
Adjusted EBIT	370	345	(25)	-6.8%
EBIT margin %	14.3%	14.0%		
NET PROFIT	305	273	(32)	-10.5%

Main KPIs	1H 2019	1H 2020	Δ	
Total Financial Assets (€bn) ¹	536	548	12	2.3%
Net inflows (€m)	5,233	8,964	3,731	71.3%
Latent capital gains/losses (€m)	(1,889)	(1,411)	478	25.3%
Net capital gains (€m)	256	234	(21)	-8.4%
Current accounts (average deposits for the period in €bn)	61.6	65.4	3.7	6.1%
Inflows total return	2.63%	2.40%		
Postal savings (average deposits in €bn)	311	316	4.9	1.6%
Loans (disbursed in €m)	1,863	1,299	(564.0)	-30.3%

¹ The figure indicated in column 1H 2019 refers to 31 December 2019.

EXTERNAL REVENUE (€m)



Distribution of third-party products: Distribution of products disbursed/issued by third-party partners (financing, mortgages, loans, credit cards, etc.)

Collection and payment services: Slips, collections and payments PP.AA., transfer of funds and ancillary services for current accounts.

Asset management: Collective asset management through mutual investment funds and management of individual portfolios relating to institutional mandates attributable to the Group.

Postal savings deposits: Savings deposits through Interest-bearing Postal Certificates and Postal Savings Books issued by Cassa Depositi e Prestiti.

Interest income: Interest from investment of liquidity revenue via postal current account deposits.

Gross Capital Gains: Gains from the sale of securities in the Bancoposta Portfolio.

External revenue for the first half of 2020 amounted to €2,535 million, down €130 million from €2,665 million in the first six months of 2019 (-4.9%).

In detail, the period under review shows: (i) Interest income down slightly compared to the figure for the first half of 2019 (-2.2%), essentially due to the lower return on loans relating to current account deposits of the Public Administration; (ii) gains of €291 million, gross of losses of €57 million (€6 million in the first half 2019), up €30 million compared to €261 million in 2019.

Revenue from postal savings collection and management services amounted to €896 million, in line with the first half of 2019, whilst revenue from collection and payment services amounted to €410 million, down 14.3% on the same period of last year (-€68 million), primarily due to lower volumes of slips.

Revenue from distribution of third-party products totalled €85 million, down €70 million compared to €154 million in the first half of 2019, due mainly to a decrease in volumes of personal loans.

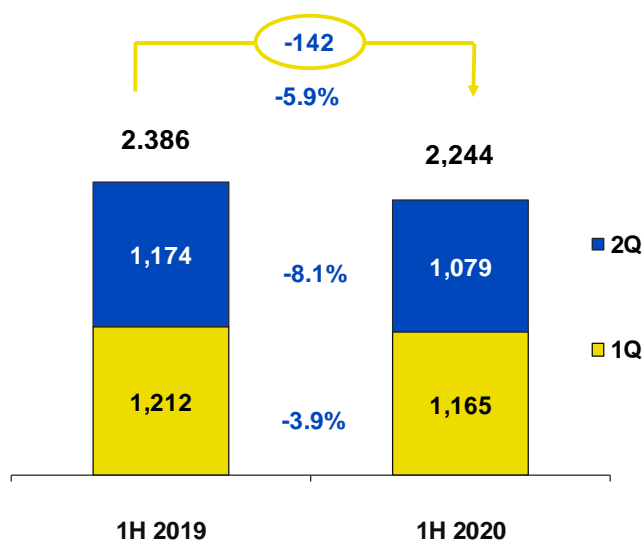
Revenue from asset management showed a slight decrease compared with the same period of the previous year (-4.3%).

The second quarter of 2020 was the most affected by the effects of the lockdown, with revenue down by €109 million, partly mitigated by the recovery in June, when revenue was substantially in line with the same period of 2019 (+0.4%), thanks above all to the growth in revenue from the postal savings collection service (+23.6%).

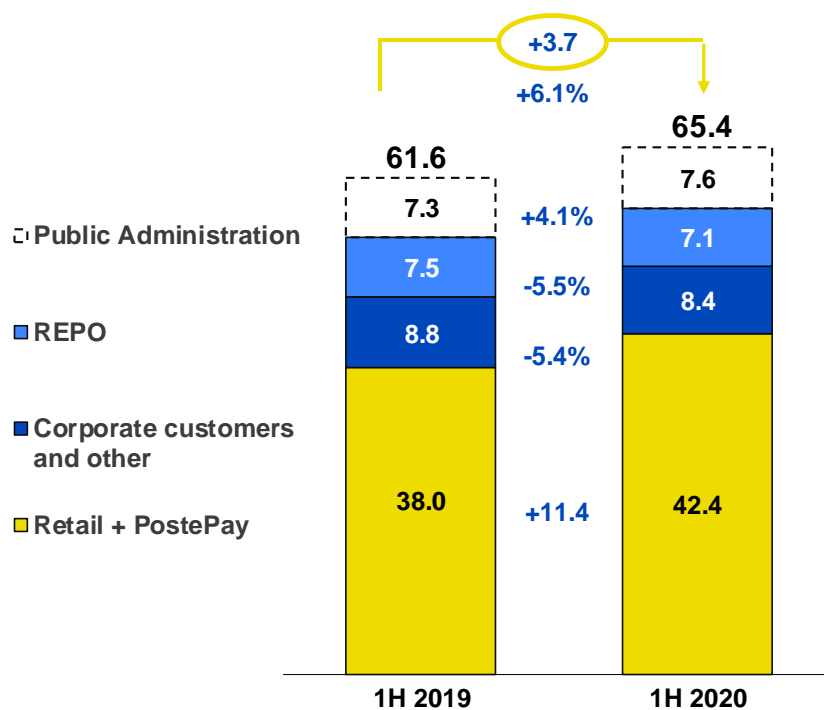
Adjusted external revenue³⁷ also fell €142 million (-5.9%) compared to the first half of 2019.

³⁷ Adjusted revenue items: gains on securities (€291 million in 1H 2020, €261 million in 1H 2019), gain on fair value measurement of Visa shares (€17 million in 1H 2019 and gain on sale of Visa shares €1 million in 1H 2019).

Adjusted external revenue (€m)

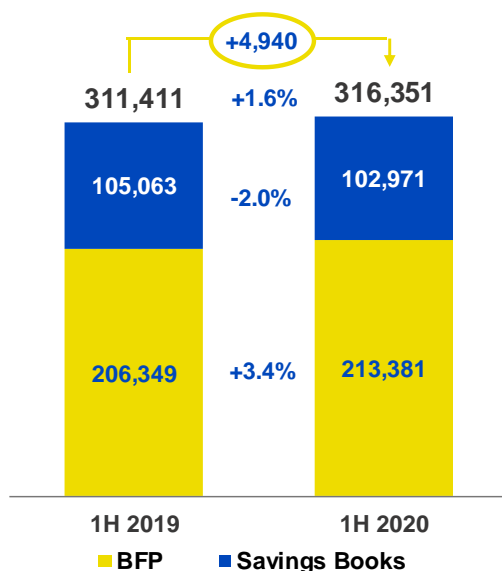


AVERAGE CURRENT ACCOUNT DEPOSIT (€BN)



At 30 June 2020, the average current account deposit increased from €61.6 billion to €65.4 billion. This increase, amounting to €3.7 billion, is mainly attributable to the positive contribution from retail customers. On the other hand, there was a slight decline in the Corporate Customer segment due to lower inflows and less recourse to REPO transactions.

POSTAL SAVINGS (AVERAGE DEPOSIT IN €M)

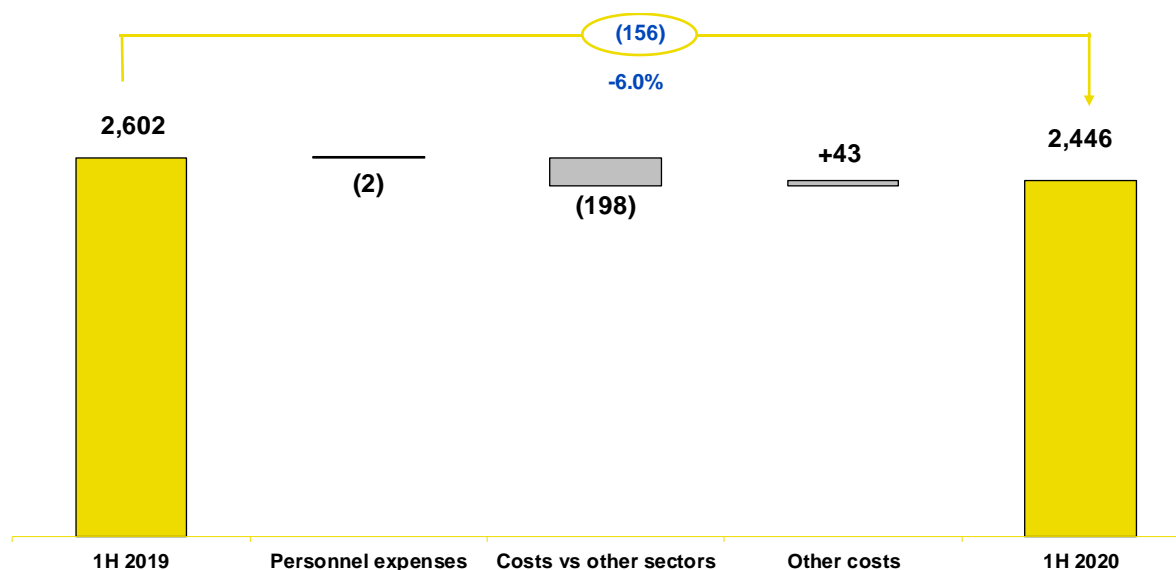


€m	1H 2019	1H 2020	Change	Change %
Postal savings net inflows	(3,653)	1,491	5,144	140.8%

The first half of 2020 recorded positive net inflows of €1,491 million, up over €5,000 million compared with the same period of the previous year. This increase is explained by the increased liquidity in savings books due to the Covid-19 health emergency and the market context, which have influenced patterns of customers, making them more orientated to the use of liquidity products. The performance of net inflows of savings books was also affected by the different timing of the INPS pension credit in July, which, also due to the Covid-19 emergency, was anticipated to the end of June 2020.

TOTAL COSTS

(€m)

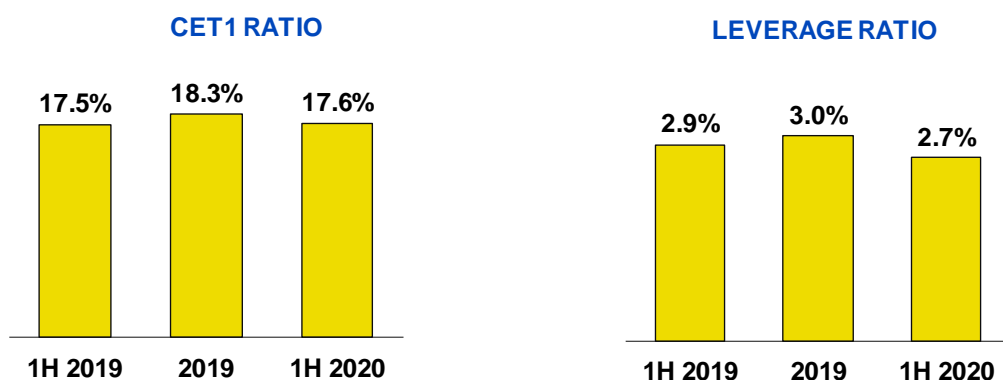


Total costs in the sector amounted to €2,446 million, compared to €2,602 million in the first half of 2019 (-€156 million, -6.0%), primarily due to lower internal costs with the commercial network, which more than offset the increase in other operating expenses (+€43 million). This increase is mainly due to the higher losses incurred during the period (+€51 million) on the investment portfolio (more than offset by gains realised as part of the restructuring process), partially offset by the release of provisions for risks (€15 million) related mainly to the voluntary protection initiative completed in 2019 for the Europa Immobiliare fund.

The operating profit (EBIT) of the sector for the first half of 2020 amounted to €398 million, down 8.4% compared to the same period of the previous year (-€37 million).

Taking into account financial management (negative for €14 million) and taxes for the period (€112 million), the sector closed with a net result of €273 million, down €32 compared to €305 million in the first half of 2019 (-10.5%).

€m	1H 2019	2019	1H 2020
CET1 CAPITAL	2,285	2,388	2,383
TOTAL ASSETS	84,629	85,010	95,362
RWA - <i>Risk Weighted Assets</i>	13,052	13,020	13,539



With regard to the BancoPosta RFC structure, it is noted that, as a result of the growth in volumes of inflows and changes in the market scenario, the Leverage Ratio fell, reaching 2.7% at the end of the first half of 2020. The CET 1 Ratio at 30 June 2020 was 17.6%, confirming BancoPosta capital strength and recording a decline mainly related to the fall in interest rates.

Operating review

Investment portfolio management

The investment portfolio, in which deposits from private customers on current accounts with a nominal value of about €57 billion are used, consists of about €53.2 billion of Italian fixed income government securities and about €3.8 billion of debt securities issued by Cassa Depositi e Prestiti (guaranteed by the Italian government).

The first two months of 2020 were characterised by rather stable markets in line with the end of 2019; in particular, the BTP-Bund spread had a downward trend reaching 130 basis points around mid-February. In this context was the continuation of the gains programme as well as the efficiency improvement of the asset swap portfolio started at the end of 2019. The strategy has provided for the replacement of asset swaps with ten-year maturity by asset swaps with longer maturity improving the interest income profile in the short/medium-term.

Since March, due to the Covid-19 pandemic, there has been a progressive increase in volatility in all world markets and the situation has gradually worsened as the pandemic expanded, leading to a general collapse of financial markets.

Government spreads widened and, in particular, the 10-year BTP-Bund spread from the beginning of March onwards averaged around 207 bps.

On the BancoPosta current accounts side, there was a significant increase in inflows, which led to a significant expansion of the investments programme. On several occasions, some 4.3 billion new inflows have been invested. The investments were made on almost all the nodes of the Italian government curve; in fact, the securities purchased have a maturity of between 2 and 30 years. Securities in the 3-10 year area are

fixed rate, those in the 20- and 30-year area have been hedged against interest rate risk by means of fixed versus floating interest rate swaps.

The increase in returns deriving from the widening of Italy's credit spread represented an investment opportunity for the BancoPosta investment portfolio, in addition to the use of new inflows, also for the early renewal of securities maturing during the year.

Moreover, in the various widening phases of the spread, operations were carried out to hedge the parameter to which the return of Public Administration inflows deposited at the MEF is linked. Lastly, given the low levels of monetary interest rates, new funding repos with a maturity of up to 4 years were stipulated with the aim of early renewal of structural funding repos of the portfolio with a residual maturity of less than 18 months.

Postal Savings

With regard to postal savings, with the aim of improving the quality of the offer to customers and the customer experience, online operations (via the website poste.it and the BancoPosta app) have been implemented in the area of vouchers and savings books for minors. In addition, with the resumption of business at post offices, the economic conditions of the range of Interest-bearing Postal Certificates have been revised upwards as of 8 May 2020. In June 2020, three new offers were launched: the "Buono Rinnova" (Voucher for Renewal) dedicated to the reinvestment of maturities of Interest-bearing Postal Certificates, the "Premium Digital" supersmart offer dedicated to new liquidity and the "Buono Soluzione Eredità" (Voucher for Inheritance) addressed to the beneficiaries of a succession procedure. In order to increase online inflows on digital channels (Web and App) and increase the customer base, the range of online offers was expanded with the "Buono Rinnova" (Voucher for Renewal) (for the first time also subscribable online) and the "Premium Digital" Supersmart offer was dedicated exclusively to the digital channel.

In addition, new features have been added to the Salvadanaio (money box) digital service (24-hour operation, recurring and automatic payments from Conto BancoPosta and Postepay Evolution) to improve the customer experience of its digital savings books customers.

Current accounts

In the Retail current accounts segment, innovation in the offer continued in order to evolve the positioning of the BancoPosta account towards the digital world and reach an evolved target of customers. The service model called "PostePremium", dedicated to customers with particularly sophisticated needs, was launched on an experimental basis. The trial period, which ended in June 2020, showed very positive feedback from customers.

In the Business and Public Administration current accounts segment, in order to increase new value acquisitions and customer loyalty, a new promotion was activated from February to June that provides for the reimbursement of account maintenance fees for customers who request, even if not at the same time, the opening of a BancoPosta Affari current account, combined with the Postepay "Code" service (which allows payments to be made using a QR-Code via App) or the "Tandem POS Fisico" acquiring service (which allows the acceptance of payments by credit, debit or prepaid cards, also in contactless mode).

In May 2020, a new "remote" channel was activated for the BancoPosta account opening request (in the Youth and Start options) represented by the BancoPosta APP.

Asset management

Regarding asset management, the distribution of two new mutual funds has begun: a re-edition of "BancoPosta Focus Digital 2025", focusing on the potential of the information technology and robotics sectors, of which Anima SGR is the delegated manager, and the "Poste Investo Sostenibile" Fund, which focuses on financial instruments with sustainable investment criteria (ESG), of which Amundi SGR is the delegated manager.

Distribution of third-party products

During the reporting period, in relation to the Covid-19 pandemic, numerous legislative provisions were enacted to introduce urgent measures to support businesses in difficulty, as well as access to credit, to protect households, micro, small and medium-sized enterprises. In this context, the Group, together with the partners for whom it places its financing products, has implemented all the initiatives provided for by the regulations, as well as those on a voluntary basis promoted by individual intermediaries or trade associations. In this regard, the "Riparti Italia" promotion was launched, at extremely advantageous economic conditions to give new impetus to the country's difficult economic situation linked to the Covid-19 pandemic. In addition, promotional activities continued on Prestito BancoPosta Online, to encourage the use of the remote channel, and the option of suspending instalments for BancoPosta Retail and Small Business loans throughout Italy was introduced.

In April 2020, Poste Italiane launched the product for the advance payment of ordinary redundancy payments and in derogation dedicated to BancoPosta and PostePay Evolution customers with salary direct debit. With this initiative, Poste Italiane intended to offer concrete support to workers receiving one of the ordinary or exceptional wage supplementation to help them face the economic needs related to the Covid-19 emergency. With specific reference to the offer of mortgages, and in agreement with partners, customers have been provided with a form for the request of suspension of instalments up to a maximum of 18 months for access to the Solidarity Fund, managed by Consap, for mortgages requested for the purchase of the first home (Gasparri Fund). The Fund intervenes by reimbursing 50% of the interest accrued during the suspension to the Banks.

In regard to the real estate funds marketed in the period from 2002 through 2005, Poste Italiane took steps to protect both its customers and the Group's excellent reputation and operational capabilities, which were founded on trust and transparency. This involved giving investors in the "Fondo Obelisco" fund a second chance to take advantage of the initiative designed to protect their interests from 19 March to 30 June 2020. Due to the health emergency, and the resulting restrictive measures, it was decided to extend the adhesion period until 31 October 2020.

Other assets

With reference to the Business and Public Administration segment, in March, the service was activated for the transfer to the treasury account of sums collected through the PagoPA system for Public Administrations and public service operators. This service allows automatically transferring the amounts collected via postal current account slip to the treasury account.

In June, the PagoPA service was also activated on the Remote Banking BancoPosta Impresa Online (BPIOL) channel. In the investments area, the Group has adapted its "go to market" model to the standards of the "new normality", with the launch of a "remote" advisory model for the placement of life insurance policies (from 8 May 2020) and postal savings (from 3 June 2020). This option, which is appropriately combined with

the post office proposition, is an alternative for customers who are most exposed to Covid-19 risk and for whom it is appropriate to limit their physical presence at post offices, as well as, pro futuro, offering a multi-channel approach to strengthen and simplify customer relations.

In addition, on 20 February 2020, the Board of Directors approved the renewal of the 2020-2022 three-year agreement between Poste Italiane and the Ministry of the Economy and Finance, which regulates treasury services and the movement of funds on behalf of the State.

Other information

Bank of Italy

On 26 February 2020, the Bank of Italy launched an ordinary and general inspection of BancoPosta Fondi S.p.A. SGR, in accordance with article 6-ter of Legislative Decree no. 58 of 24 February 1998. Subsequently, on 22 May 2020, the Authority communicated the interruption of the inspection, in relation to the impossibility - due to the health emergency in progress - to remotely complete some verification activities and that for the above reasons, the delivery of an ordinary inspection report is not expected.

On 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 22 May to 19 July 2019 at 24 Post Offices, which concerned, among other things: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. The Company, in accordance with the requirements of the Authority, is preparing a plan containing the corrective measures to be put in place with an indication of the implementation methods and timing.

CONSOB

In January 2020, the CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MIFID II legislation. This inspection is still ongoing.

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

Market context

Life business

On the basis of official data available at the end of May 2020³⁸ due to the lockdown, as a result of the health emergency, new Life individual insurance policies, amounting to €29.8 billion at the end of May 2020, decreased by 19.6% compared to the same period in 2019. If new Life business reported by EU companies is taken into account, the figure reaches €33.3 billion, down (-18.5%) compared to the same period of 2019.

Analysing the figures by class of insurance, Class I premiums amounted to €20.6 billion at the end of May 2020, significantly down (-24.6%) given the health emergency, compared with the same period of the previous year. Class III products (in exclusive unit-linked form), on the other hand, recorded performance not particularly negative despite the unfavourable market context, with a 4.6% decrease in premiums to €8.7 billion compared with the corresponding period of 2019.

Residual inflows came from capitalisation products (€0.5 billion), down in the first five months of the year (-20%) compared to the end of May 2019.

The trend in new premiums relating to long-term health policies (Class IV) was positive with a volume that, although still limited (approximately €11.7 million), grew (+4.8%) compared to the same period in 2019.

Single premiums continued to be the preferred form of payment for policyholders, representing 95.1% of total premiums written and 63.9% of policies by number.

With regard, finally, to the distribution channel, around 67.3% of new business was obtained through banks and post offices until May 2020, with premium revenue of about €20.1 billion, a significant decrease (-22.5%) compared with the same period of 2019. On the other hand, with regard to the entire agency channel, the volume of new business distributed reached €5.2 billion at the end of May 2020, a decrease of 4% compared to the figure for the same period in 2019 and an incidence on total intermediated business of 17.3%.

The performance of new business obtained through authorised financial advisors was €4.2 billion, down (-24%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 13.9%.

³⁸ Source: ANIA Trends, new Life business (May 2020)

New Life individual business by class (*)

(figures updated to May 2020 in €m)

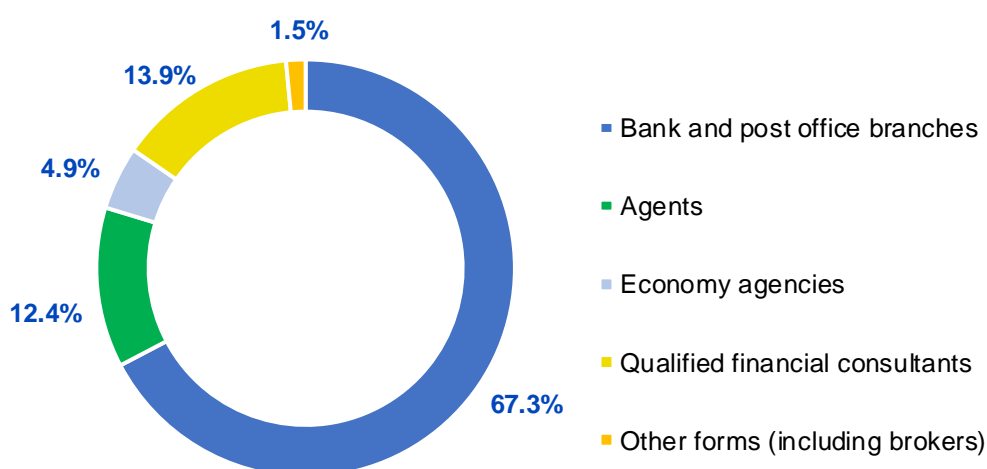
Premiums by class/product	Premiums YTD	% change 2020 vs 2019
Life - class I	20,584	-24.6%
Unit-Linked - class III	8,703	-4.6%
Capitalisations - class V	483	-20.0%
Other	52	-
Italian insurers - non-EU	29,822	-19.6%
EU insurers (**)	3,509	-7.5%
Total	33,331	-18.5%

(*) Source: ANIA

(**) The term "EU insurers" refers to the Italian subsidiaries of undertakings with a registered office in an EU country operating under the right of establishment and freedom to provide services. The figures refer solely to undertakings taking part in the survey.

New Life individual business by distribution channel

(figures updated to May 2020 in €m)



Source: ANIA

Non-life

Total direct Italian premiums in the **Non-life insurance market**, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) amounted to €9.4 billion at the end of the first quarter of 2020, slightly down (-0.5%) compared to the first quarter of 2019. The reversal in the growth trend is attributable exclusively to the emergency situation linked to the spread of the Covid-19 virus, which has heavily affected the sales processes and operations of insurance companies, resulting in a 7% decrease in volumes collected in March alone compared to the same month in 2019.

In particular, there was a sharp drop in the Auto sector (-4.3%): the class Auto Civil Liability recorded a 5.5% reduction in premiums, which was concentrated in March 2020 (-12%).

The other non-life lines of business also experienced a sharp slowdown and while growth exceeded 6% at the end of the first quarter of 2019, by the end of March 2020, this growth had more than halved (+2.7%) due to the decline recorded in March alone (-2.4%).

In terms of distribution channels, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continue to lead the way with a market share of 72.3%, albeit down on the figure at the end of March 2019 (73.9%). Brokers recorded a market share of 9.7%, representing the second largest distribution channel. There was also growth, albeit very limited, in the market share of bank and post office branches, which stood at 7.8% (7.7% at the end of March 2019).

The percentage of direct sales (management, telephone and internet sales) at the end of March 2020 was 9.8%, slightly up on the figure for the same period in 2019 (9.4%). The remaining 0.4% refers to premiums brokered by licensed financial advisors.

Direct non-life premiums by class ^(*)

(figures updated to March 2020 in €m)

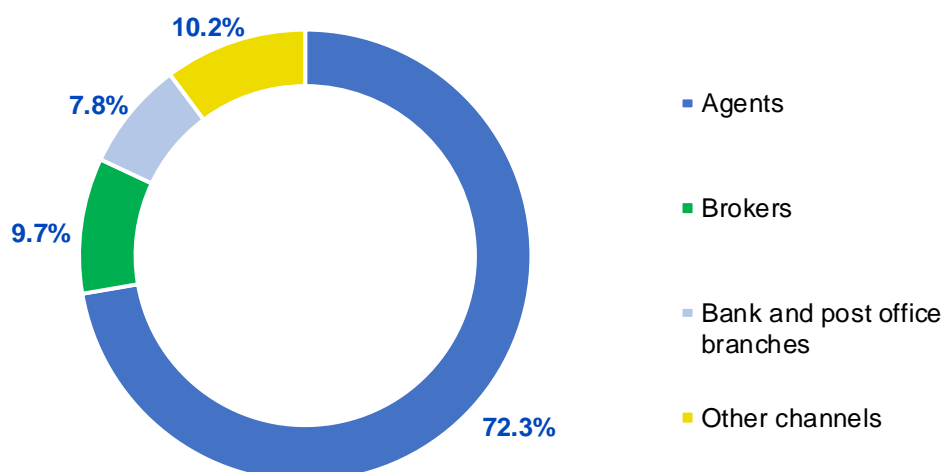
Premiums by class ^(**)	Premiums YTD	% change 1Q 2020 vs 1Q 2019
Total motor segment	4,113	-4.3%
Other Non-Life classes	5,330	2.7%
Total Non-Life classes	9,443	-0.5%

^(*) Source: ANIA

^(**) Premiums refer to Italian and non-EU undertakings and EU undertakings.

Distribution of direct non-life premiums by distribution channel ^(*)

(figures updated to March 2020 in €m)



Source: ANIA

^(*) Italian insurers and non-EU insurer representatives operating as an establishment.

Regulatory environment

[Letter to the market of 17 March 2020 - Joint Communication IVASS - Bank of Italy: offering products combined with loans.](#)

IVASS announced that banks, financial intermediaries and insurance companies that intend to offer products combined with loans, will have to apply and adopt specific organisational and internal control procedures that ensure continuous risk assessment and compliance with a set of rules, in order to ensure compliance with the relevant regulations and preserve the integrity of the relationship of trust with customers. Failure to comply with the rules in force, in addition to entailing the application of the sanctions provided for the violation of the obligations of conduct towards customers, may expose operators to significant legal and reputational risks, with the eventual possibility of an increase in the capital requirements of the competent Supervisory Authorities.

INSURANCE SERVICES SBU OPERATING RESULTS

Results for the half-year were penalised by the pandemic and the lockdown, mainly reflected in the performance in the second quarter, with revenue down in both Life and Non-Life, partially mitigated by the recovery in June.

The insurance Group's capital solidity is confirmed, with a Solvency ratio that exceeds both regulatory constraints and managerial ambition.

INSURANCE SERVICES	1H 2019	1H 2020	CHANGES	
(€m)				
External revenue	795	739	(57)	-7.2%
Revenue from other sectors	0	0	(0)	-72.8%
Total revenue	796	739	(57)	-7.2%
Costs	75	69	(5)	-6.9%
Costs vs other sectors	267	234	(32)	-12.2%
Total costs	341	304	(38)	-11.0%
EBIT	454	435	(19)	-4.3%
EBIT margin %	57.1%	58.9%		
NET PROFIT	325	317	(8)	-2.5%

Main KPIs	31 December 2019	30 June 2020	CHANGES	
Net technical provisions Poste Vita Group (€bn)	140.2	142.0	1.7	1.2%
Life business	1H 2019	1H 2020	CHANGES	
Gross premium revenue - Life (€m) ¹	10,039	7,617	(2,422)	-24.1%
of which: Classes I-IV-V	8,995	6,710	(2,285)	-25.4%
of which: Class III	1,044	907	(137)	-13.2%
Non-Life business	1H 2019	1H 2020	CHANGES	
Gross premium revenue - Non-Life (€m) ¹	133.3	128.4	-4.9	-3.7%
Loss ratio ²	28.4%	41.9%		
Expenses ratio (ANIA) ³	23.5%	27.5%		
Combined ratio (ANIA) ⁴	51.9%	69.5%		

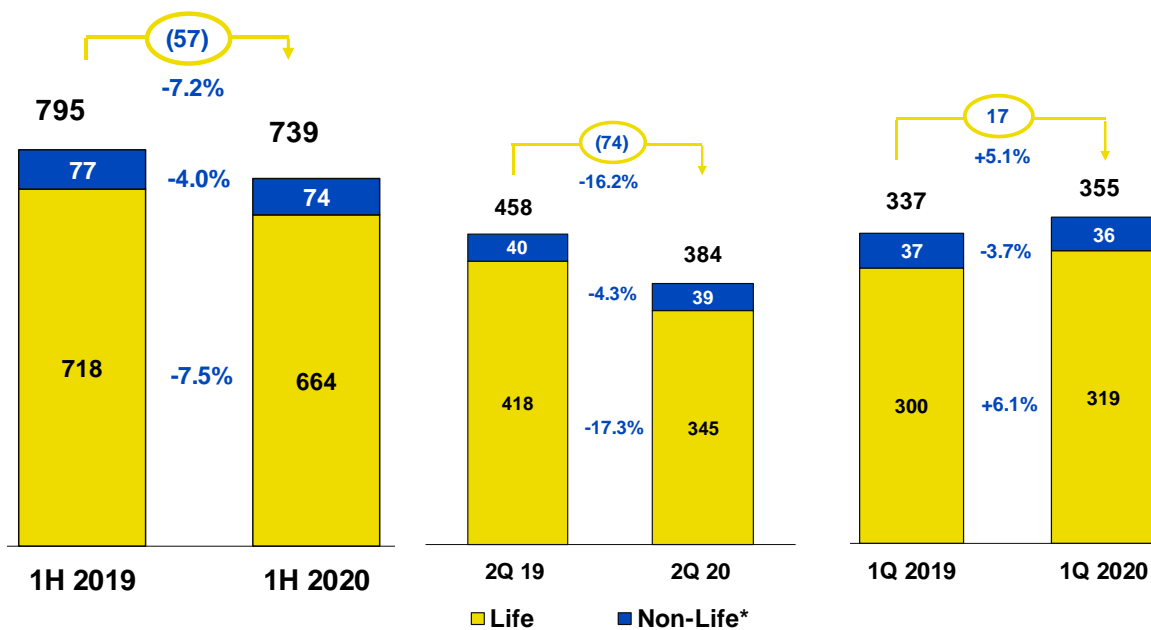
¹ Includes gross premium revenue before the premium reserve and outward reinsurance premiums.

² Corresponds to the ratio of the expenses from claim liquidation and gross premiums

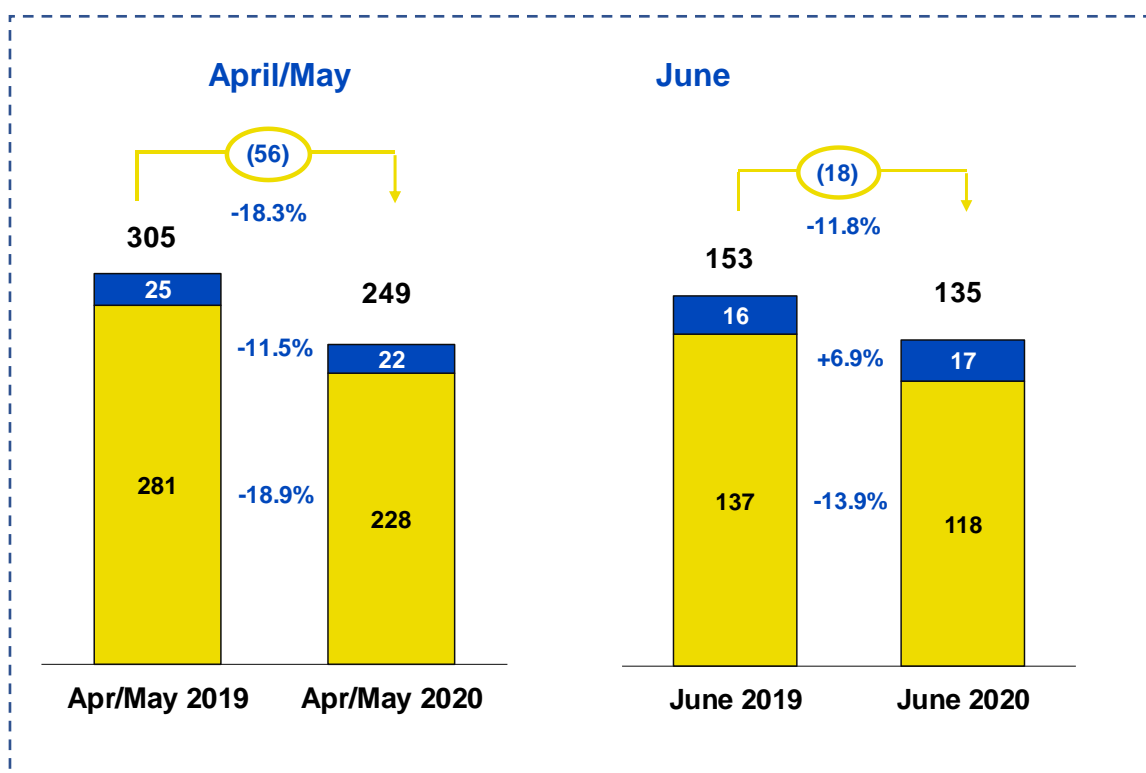
³ Corresponds to the ratio of operating costs + commission and gross premium revenue.

⁴ Equal to the sum of the Loss and Expenses ratio

EXTERNAL REVENUE (€m)



*Includes Poste Welfare Servizi and other revenue



The Insurance Services Strategic Business Unit generated EBIT of €435 million in the first half of 2020, down 4.3% on the same period of the previous year (€454 million).

External revenue went from €795 million in 1H 2019 to €739 million in 2020 (-7.2%), essentially due to the performance of the Life business, which contributed €664 million, whilst the non-life business contributed €70 million, net of Poste Welfare Servizi revenue and other revenue.

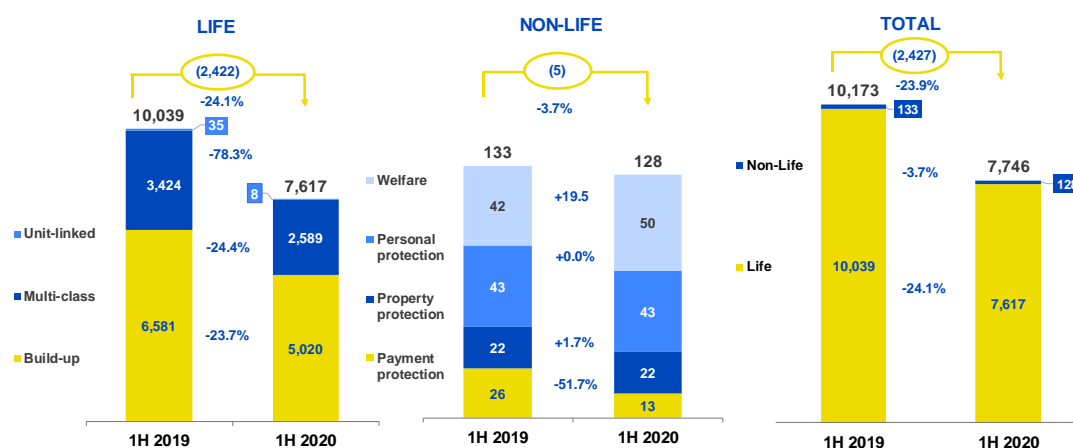
In particular, in the first half of the year, Life net revenue decreased by 7.5% (-€54 million) compared to the first half of 2019, mainly due to lower loadings (-€59 million) and lower Life protection margin (-€7 million) due to the decrease in gross premium revenue during the period (-€2.4 billion compared to the first half of 2019), as well as changes in other technical provisions (-€10 million), whose performance was mainly affected by the change in the expense reserve, due to the positive one-off recorded in June 2019, related to the IVASS discount rate update. These negative changes were partially offset by the higher financial margin (+€22 million compared to the first half of 2019), which benefited from the increase in average assets under management.

Net Non-life revenue totalled €70 million, or 2% less than in the first half of 2019, due mainly to changes in the technical provision and claims settlement costs, which were affected in the first half of 2020 by lower releases compared with the same period in 2019, partially offset by business growth (gross premiums, +€10 million or +9%)

The second quarter of 2020 was the one most affected by the effects of the lockdown, with revenue down by €74 million, -16,2% compared to the second quarter of 2019. This trend is due to both the lower loadings linked to the decrease in gross inflows and the evolution of the expense reserve described above.

The performance of premium revenue for the Life and Non-life business is shown below:

GROSS PREMIUM REVENUE (€m)

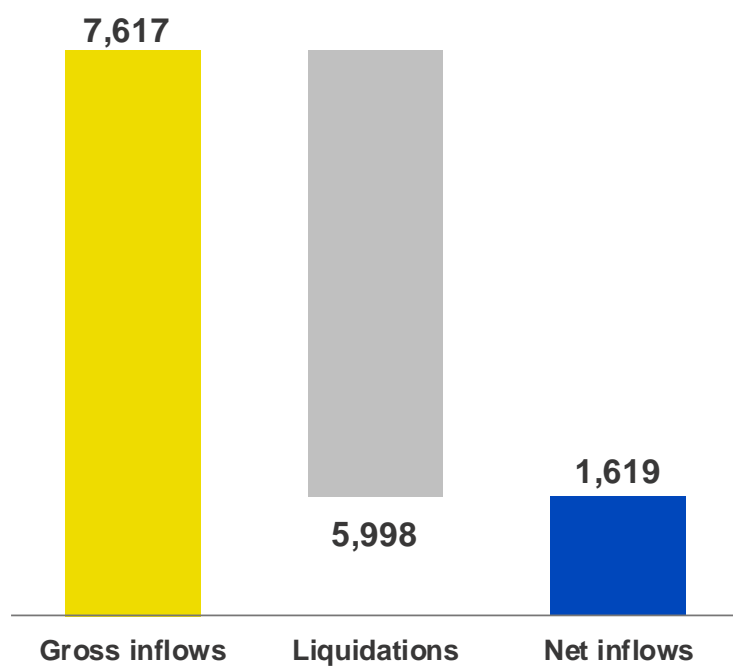


Gross Life and Non-Life premium revenue in the first half of 2020 was affected by restrictions on the movement of persons and the closure of post offices in March and April following the Covid-19 health emergency.

Life gross premium revenue amounted to €7.6 billion, down 24.1% compared to 2019, with the product mix remaining stable compared to the first half of 2019 with Multi-class products contributing 34% and policies that can be revalued contributing 66% of total life gross premium revenue.

Gross premium revenue in the Non-life business amounted to €128 million, down 3.7% (-€5 million) compared to the same period of 2019, with lower revenue in the Payment Protection line (-52%, -€14 million), partially offset by higher revenue in the Welfare (+19.5%, +€8 million) and in Property Protection (+1.7%) segments.

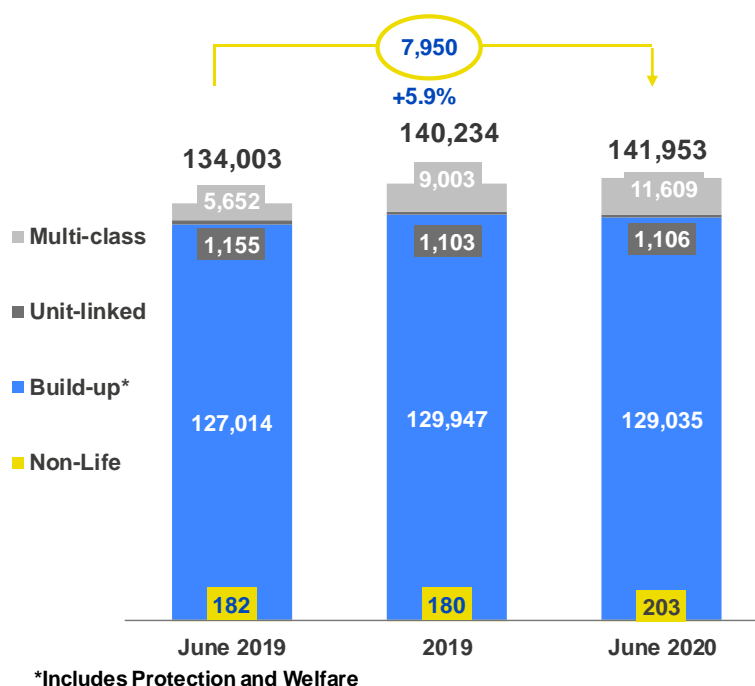
NET LIFE PREMIUM REVENUE 1H 2020 (€m)



Net Life premium revenue amounted to €1.6 billion and remained positive on all the separately managed account and internal fund portfolios.

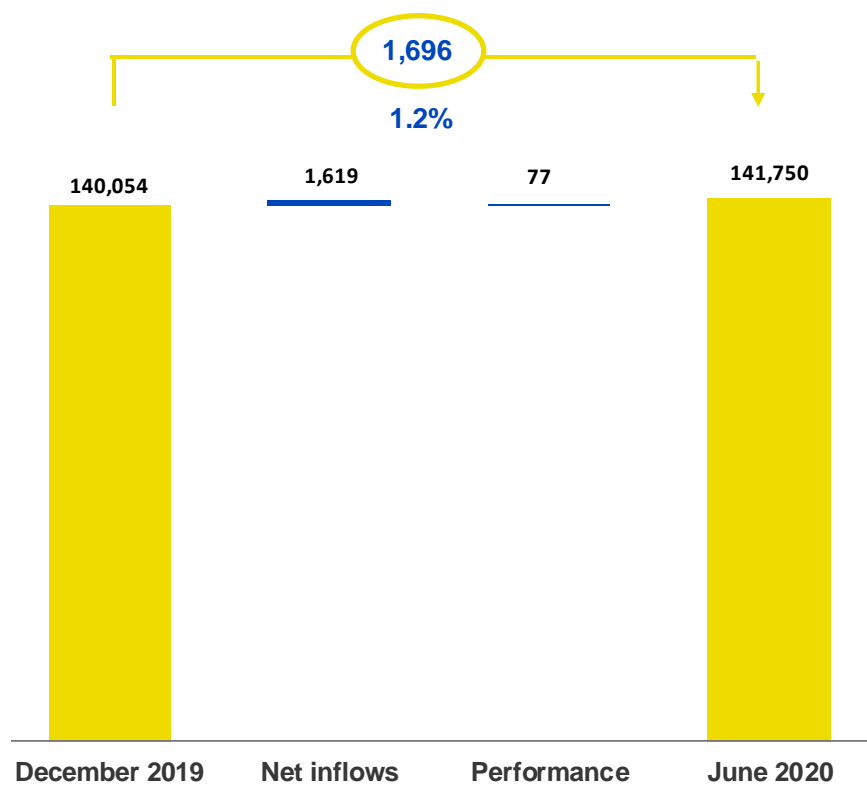
The redemption rate recorded in the first half of 2020 was 2.5%, a decrease compared to the first half of 2019 (3.1%), also due to driving restrictions and the partial closure of post offices following the lockdown.

NET TECHNICAL PROVISIONS (€m)



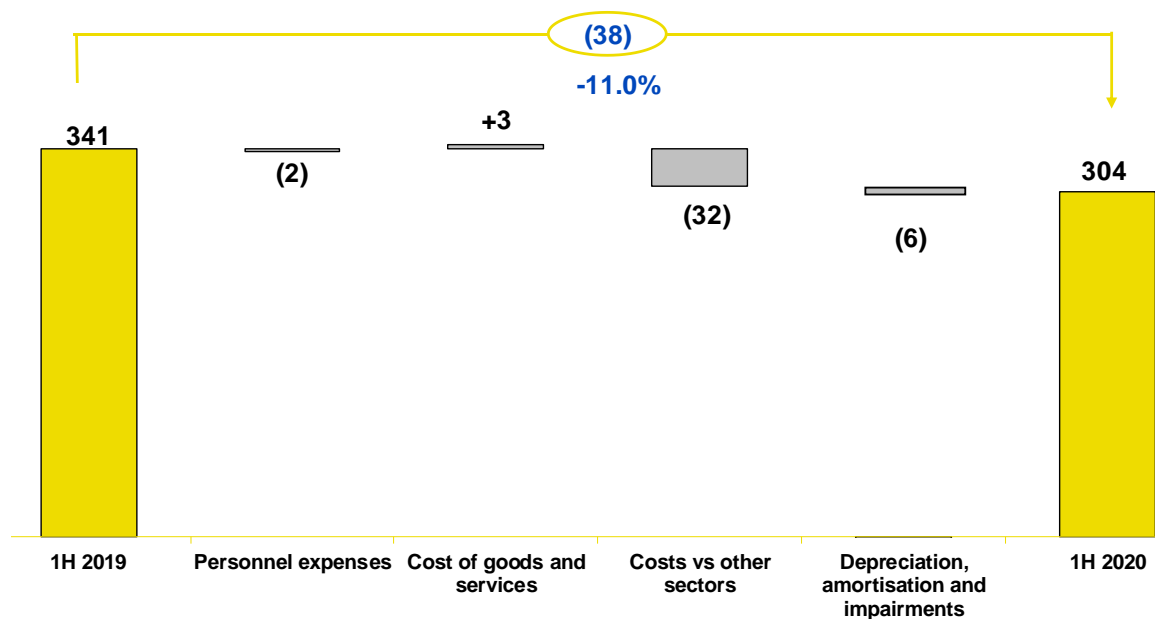
Life business technical provisions amounted to €141.9 billion and increased by €1.7 billion compared to 31 December 2019 mainly as a result of growth in mathematical provisions (+€2.2 billion), supported by positive net premium revenue, partially offset by the performance of Deferred Policyholder Liabilities (-€0.9 billion), which includes changes in the fair value of financial instruments used to hedge policies issued. Technical provisions for the Non-life business, net of outward reinsurance premiums, amount to €203 million at the end of the period (€228 million gross of outward reinsurance premiums), an increase of 13% compared with the end of 2019 (€180 million; €207 million gross of outward reinsurance premiums).

CHANGES IN NET TECHNICAL PROVISIONS FOR LIFE BUSINESS (€m)



COSTS

(€m)

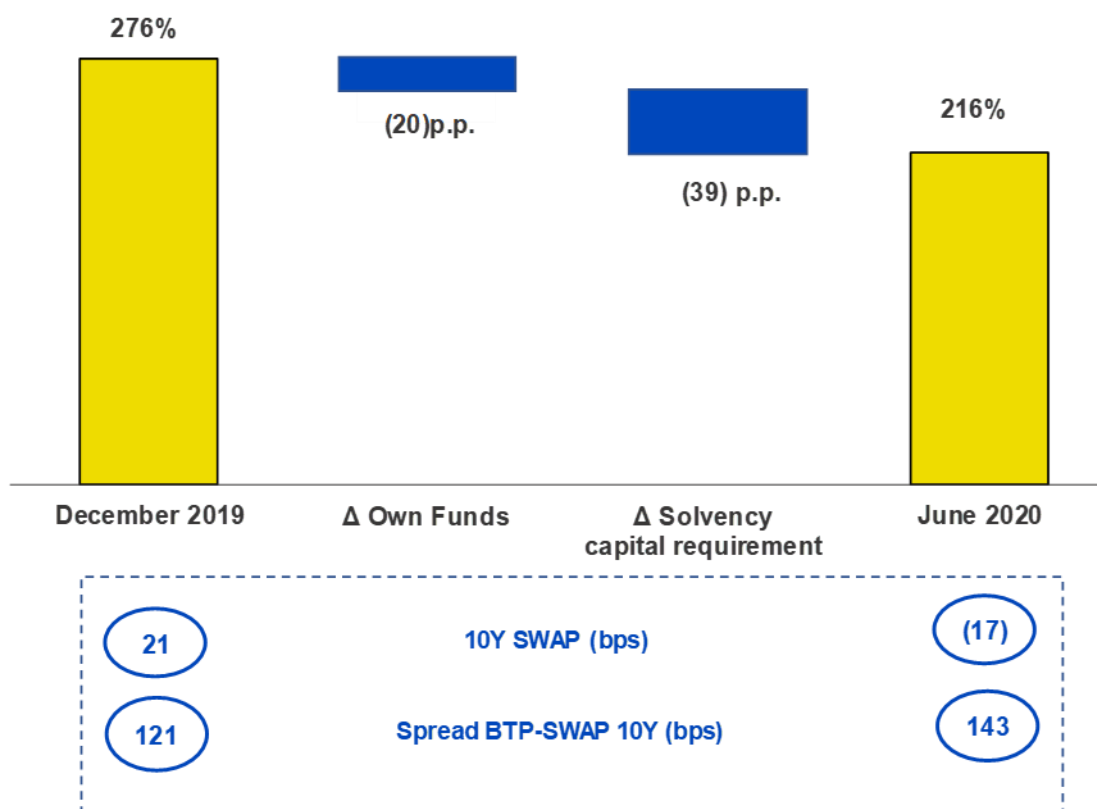


Total costs of €304 million are down €38 million compared with the figure for the same period of 2019, primarily due to the performance of internal costs, essentially linked to lower fees paid for distribution, collection and maintenance services related to the decrease in gross premium revenue.

In light of the results illustrated, the Insurance Services Strategic Business Unit generated EBIT of €435 million in 1H 2020, a decrease of 4.3% compared with the same period of the previous year (€454 million).

After tax expense for the period (€133 million), the Business Unit closed with a net result of €317 million, down 3% compared with the €325 million of the first half of 2019.

SOLVENCY RATIO



In a market context of extreme volatility and uncertainty, the Insurance Group's Solvency Ratio at 30 June 2020 was 216%, down from 276% at December 2019 (-60 p.p.) and continues to remain at higher levels than the regulatory constraints.

The change in the half-year is due to the reduction in available own funds due to the increase in technical provisions, following the negative dynamics of the financial markets with a reduction in interest rates and the higher value of minimum guarantees held by policyholders.

Given the unfavourable market context, there was also an increase in the capital requirement, due to the higher capital absorption required for market and counterparty risks, only partially offset by the lower technical life risks associated with the lower value of the redemption capital due to the market trend.

The inclusion of the transitional measures on technical provisions approved in 2019 has resulted in an increase in eligible own funds allowing an increase in the Solvency Ratio to 250% at 30 June 2020 (312% at 31 December 2019).

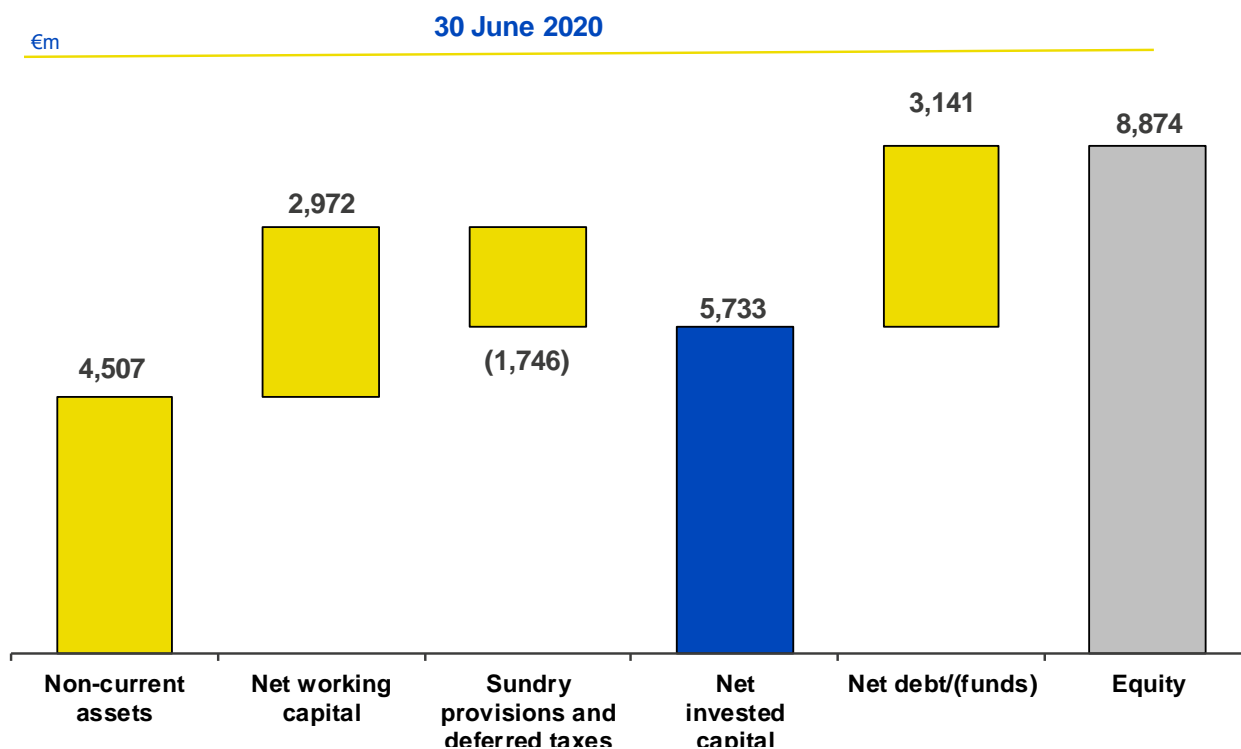
Operating review

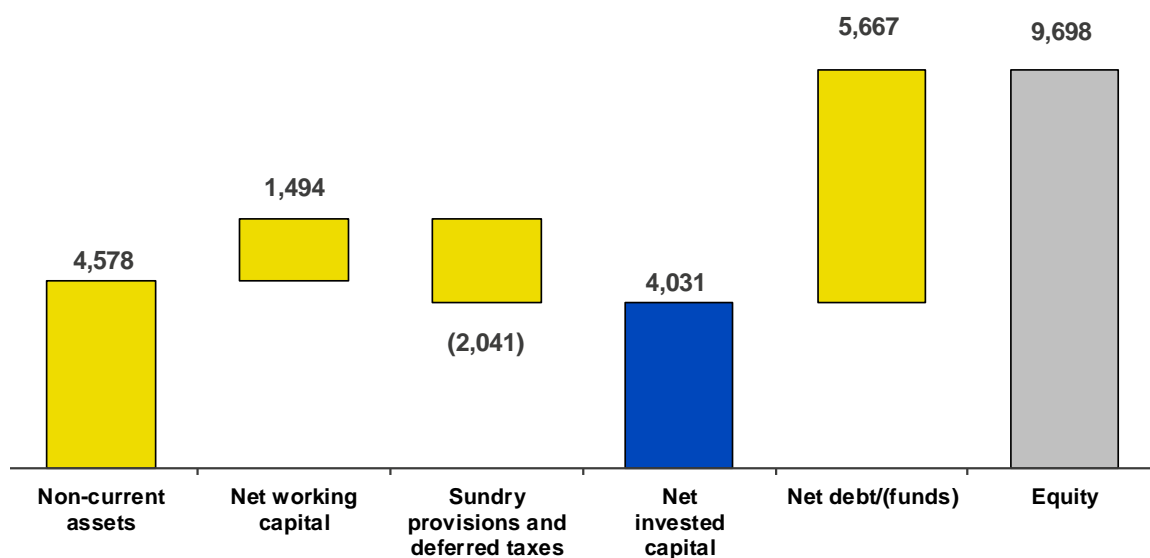
In the first half of 2020, in continuity with as already initiated in 2019, in order to provide additional and more comprehensive services to customers, Poste Vita continued the evolution of the Multi-class range with the launch of "Poste Nuovi Progetti Futuri", which provides access to the opportunities offered by the financial markets through a gradual approach. With regard to Protection services, the adoption of the new "tailor made" model has begun, which has led to the launch of "Poste Vivere Protetti", a single product that offers customised solutions for protection, assistance and services in the areas of individuals, properties and assets that can be integrated and modulated. As a result of the [Covid-19](#) pandemic, Poste Italiane extended specific per diem and indemnity coverage to employees who have adhered to the Group's Health Fund and to Poste Assicura's health policyholders; the extension was free of charge and with retroactive effect for employees who have adhered to the Health Fund and for portfolio customers.

Finally, on 1 June 2020, the first 10 post offices were authorised to issue the new "Poste Guidare Sicuri" car protection product, offered in partnership with Poste Insurance Broker and dedicated to Poste Italiane Group employees and pensioners and their families.

GROUP FINANCIAL POSITION AND CASH FLOW

€m	31 December 2019	30 June 2020	Changes	
NON-CURRENT ASSETS	4,578	4,507	(71)	-2%
NET WORKING CAPITAL	1,494	2,972	+1,478	+99%
GROSS INVESTED CAPITAL	6,072	7,479	+1,407	+23%
SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES	(2,041)	(1,746)	+295	-14%
NET INVESTED CAPITAL	4,031	5,733	+1,702	+42%
EQUITY	9,698	8,874	(824)	-8%
NET DEBT/(FUNDS)	(5,667)	(3,141)	+2,526	-45%
<i>Net debt/(funds) of the Mail, Parcels and Distribution SBU</i>	815	1,502	+687	+84%

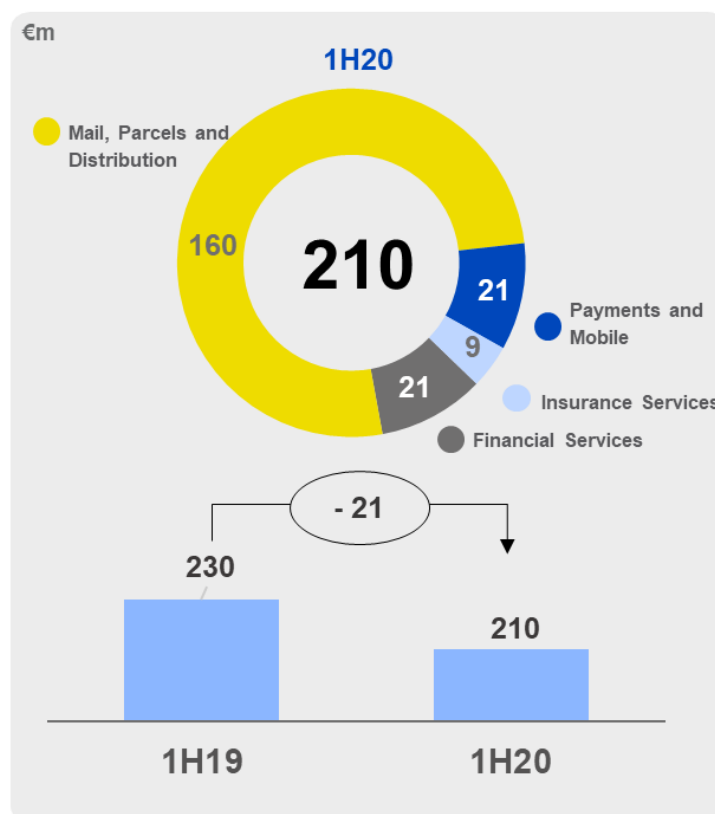




The Poste Italiane Group's non-current assets at 30 June 2020 amount to €4,507 million, a decrease of €71 million compared with the end of 2019. Investments of €210 million contributed to the formation of non-current assets, more than offset by depreciation and amortisation of €339 million.

This item includes investments accounted for using the equity method totalling €600 million almost entirely related to the investments in Anima Holding S.p.A. and FSIA Investimenti S.r.l. With regard to the investment in Anima Holding S.p.A., it should be noted that in the first half of the year, an impairment adjustment of €19 million was made following the impairment test on the value of goodwill implicit in the value of the investment, which was carried out at 30 June 2020. For further details see paragraph 2.4 - Use of estimates.

The Group's **investment** in the first half of 2020 amounts to €210 million, a 9% decrease compared with the first half of 2019 (-€21 million). As a consequence of the particular context due to the Covid-19 emergency, the Group has revised its investment plan to verify its consistency with the peculiar characteristics of the "new normality" (e.g.: social distancing, preference for full digital solutions, etc.) and to take into account the reduced production capacity of suppliers.



To cope with the health emergency (Covid-19), all the necessary tools have been enabled to ensure the continuity of remote operations. This has led to the distribution of laptops, the massive adoption of Office 365 and Teams, and the activation of VPN connections and a dedicated Service Desk. In addition, the processes for securing activities have been reviewed to ensure the operational continuity of post office clerks, letter carriers and Customer Care staff (activation of Voice bot pension withdrawal, remote Call Centre and Back Office activities). In addition, "Termo scanners" have been installed, able to detect changes in body temperature at over 300 company buildings and almost all the Sorting Centres. The ICT operation model has also been adapted, enabling 100% remote control of activities.

In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 75% of the Group's investment (€160 million) focused on the transformation of the **Mail, Parcels and Distribution** Strategic Business Unit.

In particular, within this Business Unit, the modernisation of the delivery facilities, the automation of the sorting centres and the renewal of the SDA and mail sorting plants continued.

Work continued on the renewal of the company's fleet, which already in the first quarter led to the completion of the supply of Euro4 two-wheeled vehicles (to date around 2,000 new vehicles) and, with the end of the lockdown, activities were resumed to strengthen the green fleet, which is one of the objectives of Poste

Italiane to significantly reduce polluting emissions. This initiative passes through the inclusion in the fleet of three-wheel electric or low polluting class vehicles, which also due to their particular conformation have greater stability and safety for the driver and allow the installation of a special trunk that increases the amount of parcels and letters that can be transported, allowing to support the increase in the volume of parcels delivered as a result of the important development of e-commerce registered due to the lockdown. In the second quarter, a further 350 new three-wheel electric vehicles were added to the 300 in the first quarter, for a total to date of 650 (out of a total of 850 planned for 2020).

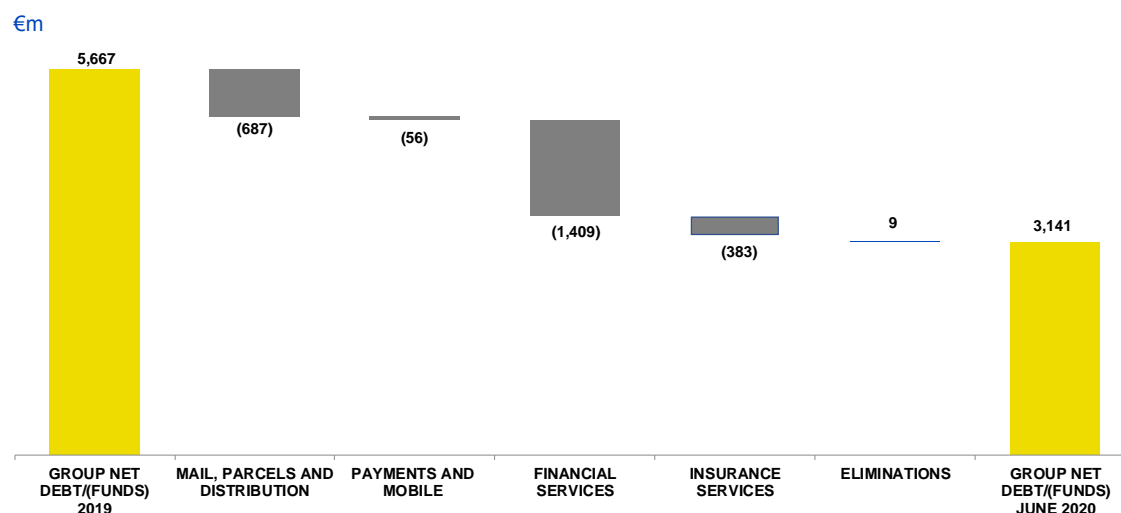
Net working capital at 30 June 2020 amounted to €2,972 million and increased by €1,478 million compared to the end of 2019. The following contributed to this change:

- an increase of €152 million in receivables, due mainly to an increase in trade receivables due from the MEF;
- a decrease of €982 million in payables, due mainly to a decrease of €451 million in amounts due to employees (incentives and other items related to a one-time payment to cover the 2019 contractual *vacatio*), a decrease of €383 million in tax payables (largely attributable to a reduction in tax liability on insurance technical provisions) and the payment of €166 million in amounts due to suppliers.

The balance of **Sundry provisions and Other assets/liabilities** at 30 June 2020 amounted to €1,746 million and increased by €295 million compared to 31 December 2019 mainly due to higher net deferred tax assets of €293 million largely attributable to the negative change in the fair value of financial instruments classified as FVTOCI. The balance of Provisions for risks and charges contributed to this item, which amounted to €1,279 million (€1,218 million at the end of December 2019) and includes Provisions for early retirement incentives of €329 million (€421 million at 31 December 2019). The balance also includes the provision for operational risks relating primarily to liabilities arising from BancoPosta's operations amounting to €211 million (€241 million at 31 December 2019) and the provision for disputes with third parties amounting to €291 million (€313 million at 31 December 2019).

Equity amounted to €8,874 million at 30 June 2020, a decrease of €824 million compared with 31 December 2019. The change that occurred during the period reflects primarily a decrease of €998 million in the fair value reserve, due to sales made during the first half of the year and changes in the value of investments classified as FVTOCI held mainly by the Financial Services SBU and the distribution of dividends totalling €402 million as the balance for 2019 (€200 million already paid in November 2019), offset in part by the profit for the period of €546 million.

Group Net Debt/(Funds)



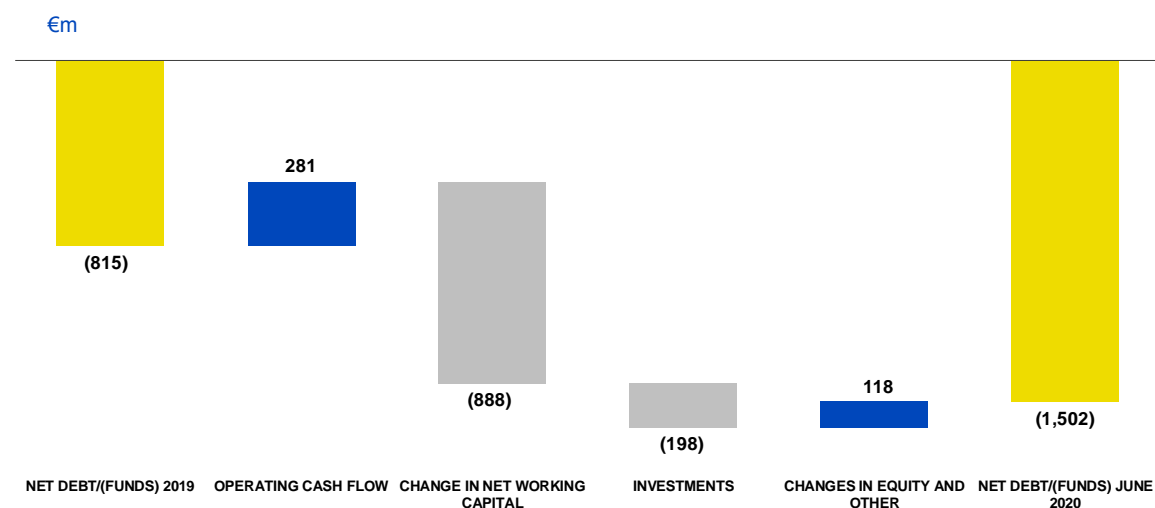
Total net debt/(funds) at 30 June 2020 shows funds of €3,141 million, down €2,526 million from 31 December 2019 (€5,667 million). The change primarily reflects the decrease in the fair value of investments classified as FVTOCI held by the Financial Services SBU relating to the portion not hedged by fair value hedges amounting to €1.2 billion, the negative change in working capital totalling €1.4 billion, the distribution of dividends amounting to €402 million and investments amounting to €210 million, partially offset by profit for the period of €546 million.

With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the period was positive by approximately €2.1 billion and was recognised in a specific equity reserve for negative €1.2 billion for the portion not hedged by fair value hedges, and through profit or loss for positive €3.3 billion for the portion hedged, offset by the negative fair value change of fair value hedging derivatives. At 30 June 2020, the total balance of derivatives in fair value hedge was negative for €8.3 billion (€5.4 billion at 31 December 2019). In addition, as part of these hedging transactions, as a result of the negative change in derivatives, the Parent Company increased its guarantee deposits in favour of counterparties by approximately €2.2 billion.

At 30 June 2020, the Financial Services SBU also included the following equity changes compared with 31 December 2019:

- an increase in postal current account deposits of €4.7 billion;
- an increase of €4.1 billion in amounts due to financial institutions, largely attributable to repurchase agreements payable and ordinary financing transactions, both aimed at investments in Italian fixed income government securities and as funding for incremental deposits used as collateral in collateralisation transactions;
- a net increase of €7 billion in fixed income instruments measured at amortised cost (including the positive change of €1.7 billion in profit or loss relating to the portion hedged by fair value hedges);
- a net increase in fixed income instruments classified as FVTOCI of €0.5 billion; the total fair value fluctuation of the period was positive for €0.4 billion;
- an increase in the deposit with the MEF of €1.5 billion.

Analysis of the net debt/(funds) of the Mail, Parcels and Distribution Strategic Business Unit



Total net debt/(funds) of the Mail, Parcels and Distribution Strategic Business Unit at 30 June 2020 shows a debt of €1,502 million, worse €687 million compared to 31 December 2019 (when there was a net debt of €815 million). Net of the financial lease liabilities provided for by IFRS 16 for €1,212 million, net debt/(funds) show debt of €290 million (at 31 December 2019, it showed funds of €436 million).

More specifically, the movement mainly reflects:

- positive operating income of €281 million (including €319 million for depreciation and amortisation for the period, €97 million for the net change in provisions for risks and charges, provision for employee termination benefits and other non-monetary items partially offset by a net loss of €135 million);
- a negative cash flow for the change in net working capital for a total of €888 million mainly related to the decrease in amounts due to staff (incentives and other items related to the one-off payment to cover the 2019 contractual *vacatio*), the net change in trade receivables and payables and the payment of the balance and advances for current taxes;
- investments for €198 million;
- an positive cash flow of €287 million from dividends, after the payment of dividends to shareholders (€402 million), the recognition of net financial lease liabilities of a further €121 million.

The payables shown in the net debt/(funds) primarily regard the following:

- three medium and long-term loans signed in the first half of 2020 for a total of €750 million;
- use during the first half of the year of uncommitted credit lines for short-term loans for a total of €660 million;
- loans through repurchase agreements on government securities for approximately €508 million;
- an EIB loan of €173 million maturing in March 2026;
- an EIB loan of €400 million maturing in October 2026;
- a private placement of approximately €50 million.

Analysis of the net debt/(funds) of the Mail, Parcels and Distribution Strategic Business Unit

(€m)				
ESMA net debt/(funds)	30 June 2020	31 December 2019	Changes	
A. Liquidity	(1,977)	(851)	(1,126)	132.3%
B. Current financial receivables	(535)	(135)	(400)	296.3%
C. Current due to banks	1,172	1	1,171	-
D. Current lease payables	222	215	7	3.3%
E. Current portion of non-current debt	-	-	-	-
F. Other current borrowings	19	15	4	26.7%
G. Current financial debt (C+D+E+F)	1,413	231	1,182	511.7%
H. Current net debt/(funds) (A+B+G)	(1,099)	(755)	(344)	45.6%
I. Non-current due to banks	1,323	573	750	-
L. Bonds issued	50	50	-	-
M. Non-current lease payables	990	1,036	(46)	-4.4%
N. Other non-current liabilities	62	18	44	244.4%
O. Non-current financial debt (I+L+M+N)	2,425	1,677	748	44.6%
P. Net debt/(funds) (ESMA) (H+O)	1,326	922	404	43.8%
Non-current financial assets	(92)	(474)	382	-80.6%
Net debt/(funds)	1,234	448	786	175.4%
Intersegment financial receivables and borrowings	268	367	(99)	-27.0%
Net debt/(funds) including intersegment transactions	1,502	815	687	84.3%

n/s: not significant

Existing cash and credit lines are commensurate to cover expected financial requirements. More specifically, at 30 June 2020, cash amounted to €2.0 billion (of which €1.9 billion relating to the Parent Company), while unused committed and uncommitted lines to support liquidity totalled approximately €2.1 billion; in particular:

- unused committed credit lines of €1,750 million;
- uncommitted lines that may be used for short-term loans for €1,026 million³⁹, used for €660 million.

³⁹ There is an additional €683 million in lines for personal guarantees, used for €352 million in favour of third parties and €173 million for account overdraft.

5. OUTLOOK

The current health emergency, linked to the spread of the Coronavirus, has had a significant economic and financial impact on the country system and therefore also on the Poste Italiane Group. March and April were characterised by the government's restrictive measures progressively reduced in the following months but, to date, it is not yet possible to precisely outline what will be the "new normality"; this makes it premature to make realistic forecasts on the Group's economic and financial evolution during 2020.

In the health and humanitarian emergency that Covid-19 has represented in recent months, the Group's priority from the outset has been to protect the health of its employees and customers, supporting communities and national institutions in the management of the crisis, guaranteeing a continuous level of public utility services on a national scale. The considerable organisational and economic effort made has enabled the Group to adapt the post office and delivery network to the new safety standards, often anticipating the Government's instructions, in order to guarantee business continuity.

Poste Italiane is an asset for institutions in emergency management and has established itself as a reference point for all national companies in what will be the "new normality".

Poste Italiane has overcome the crisis period and is facing the new context by leveraging its characteristics as a systemic company, a fundamental backbone for the operational continuity of the country, especially in times of emergency.

The diversified business model highlighted segments penalised by the crisis, such as mail, but also growing segments such as parcels, where demand has received a strong boost from e-commerce orders. The Group's digital properties (website and APP) and third-party networks offer customers a valid alternative to the post office, increasing their relevance and impact.

Its cash flow generation has remained solid and it continues to hold significant net cash.

BancoPosta and Poste Vita have a high level of capital strength, as demonstrated by BancoPosta's CET1 and the Insurance Group's Solvency II Ratio. BancoPosta's business model, the investments of which are limited to the subscription of securities issued by institutional investors, is resilient to credit risk fluctuations, as well as capital light.

In terms of costs and investments, the Group has implemented a broad and strict reduction program, with the main objective of achieving structural savings in the medium and long term. In particular, the Group has used the flexibility levers on cost of labour to reduce the workforce and has adopted extraordinary measures on costs linked to commercial performance and managerial incentives (reduced by 50% the MBO bonus). The Group also appealed to the Solidarity Fund in relation to personnel whose work has been reduced/suspended during the health emergency.

In the emergency, the Group activated smart working in record time for all resources applied to compatible activities (over 16,000 people). This measure has had a positive impact on productivity and cost containment. Lastly, the Group has launched a programme that will aim to structure interventions to enhance the value of its real estate assets; the strategic lines of these initiatives will be outlined in the Business Plan, the finalisation of which is expected in the fourth quarter of 2020.

The main developmental initiatives currently underway in the individual SBU are reviewed below.

In the Mail, Parcels and Distribution segment, the emergency led to a sharp acceleration into the future, albeit based on trends already outlined: a decline in mail and growth in e-commerce parcels. In order to cope with and support this sharp increase in parcels, the Group is accelerating the construction of two new sorting centres, in northern and central Italy, and is strengthening its partnership with Chinese operators active in inbound e-commerce.

With the end of the lockdown, activities to strengthen the green fleet, one of the objectives of Poste Italiane to significantly reduce polluting emissions, have resumed.

In the area of Financial and Insurance Services, the Group will continue to support Institutions, also by proactively agreeing on the implementation of all measures useful for emergency management, as it has done since March for the advance payment of pensions. Poste Italiane will make new services available to customers on the digital channel, such as the possibility of signing consultancy contracts and profiling for MiFID II purposes and of stipulating Asset Management Accumulation Plans.

With regard to investment insurance products, a new multi-class policy was launched in July 2020, allowing gradual access to markets, with the aim of safeguarding the return on investment of our customers from market volatility, and responsible investment options according to Environmental, Social and Governance (ESG) criteria.

Poste Italiane, moreover, in partnership with a leading banking institution, will continue to offer customers with salary direct deposit the possibility to receive redundancy payments (CIG) in advance, at no additional cost.

Among the actions to support the economic recovery of the country, within the framework of the "Relaunch" Decree, Poste Italiane will offer its customers, through physical and digital channels, a service of tax credit transfer as transferee.

With regard to the Payments and Mobile segment, PostePay S.p.A. continues to pursue its strategic mission to become the main payment ecosystem in Italy and ensure the convergence between payments and telco and between physical and digital channels, seeking to guide the change in customer patterns.

In line with the progressive process of digitalisation and expansion of the offer of advanced services, PostePay will be engaged in the development of a new card, Postepay Debit, which will gradually replace the current BancoPosta debit card, thus guaranteeing to customers all the services currently available on the BancoPosta Card, plus the additional and differentiating elements of the Postepay Ecosystem, such as payments through Postepay "Code", or other digital payment services through the Postepay App.

Also planned is the launch of a full digital prepaid card that can be requested directly via the Postepay App.

The acquiring side envisages the expansion of the sales channels of the Postepay Code, thanks to the launch of online sales and remote sales from call centres and the strengthening of partnerships with ENI and Lottomatica LIS, expanding the affiliated points of sale and the functionalities/services offered.

In the Telephony area, investments will be in the development of the offer by exploiting online channels, in order to intercept a complementary target to the usual post office visitors.

6. OTHER INFORMATION

EVENTS AFTER 30 JUNE 2020

Events after the end of the reporting period to which the 2020 Interim Report refers are described in other sections of this document.

SIGNIFICANT TRANSACTIONS

Within the scope of the transactions with Monte dei Paschi di Siena Capital Services Banca per le Imprese SpA authorised by the Board of Directors on 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, a repurchase agreement, two Interest Rate Swaps for interest rate risk hedging purposes, as well as 17 trades in government securities were carried out at 30 June 2020.

INDUSTRIAL RELATIONS

COVID-19 Emergency

In March 2020, following the spread of the epidemiological emergency relating to COVID-19, the Company and the trade unions signed some agreements aimed at ensuring, through the adoption of preventive measures, the safety of people and containment of the virus.

On **23 March 2020**, in order to monitor the evolution of the situation and adopt extraordinary measures to implement the measures taken from time to time by the competent Authorities, an **OPN Committee** (Joint National Body for Health and Safety at Work) was established at national level with the task of applying and verifying the rules identified in the "Shared protocol for the regulation of measures to combat and contain the Covid-19 virus in the workplace" signed by the Government and Social Parties on 14 March 2020. The OPN Committee, which avails itself of the direct and constant collaboration of the members of the Joint National Body, works in close synergy with the Joint Regional Bodies in order to enhance the knowledge of the territorial specificities and to favour effective and timely coordination between the centre and the territory. In this regard, the Committee paid particular attention to the safety measures suitable to allow the performance of work activity (e.g. mask, gel, gloves, respect for social distancing, cleaning and sanitisation), encouraging the use of smart working and reorganising work activities to reduce as much as possible the presence of workers on duty and therefore their concentration within the workplace. Furthermore, in order to adopt an integrated approach to the assessment and management of the risk associated with the pandemic emergency, the Company, in agreement with the National Secretariats of the Trade Unions and the OPN Committee, has prepared specific Protocols for the main organisational areas as well as the additions to the Risk Assessment Document (DVR) of the Production Units and the related Operating Safety Instructions, updated in accordance with the various regulatory provisions that have been introduced and consistent with the Guidelines issued by INAIL.

A further Agreement was signed also on 23 March 2020 which, taking into account the company's organisational restructuring, temporarily suspended all actions regarding active labour policies, to be reactivated as soon as the conditions allow for it. In this regard, taking into account the progressive easing of the restriction measures ordered by the Government and the gradual reactivation of business processes, in May 2020, the Company reactivated some levers of active policies such as the transformation from part time

to full time in the national context, the request of letter carriers in the south of Italy and the counter job posting.

On 30 April, the Company and the Trade Unions signed an agreement on recourse to the [Solidarity Fund](#) for employees of Group Companies that apply the National Collective Labour Agreement for non-executive staff of Poste Italiane. The activation of the Solidarity Fund, which represents an alternative social security buffer instrument to the Wages Guarantee Fund, will make it possible to cover absences resulting from the suspension or reduction of work activities, linked to the need to proceed with the sanitisation of workplaces, as well as those resulting from the time required to supply protection/safety devices. For these absences, the Company has made itself available to guarantee 100% of the fixed and continuous pay due, taking on the responsibility of supplementing the salary that the Solidarity Fund recognises in the maximum amounts provided for the social security buffers; the periods will also be considered useful for the maturation of direct, indirect, immediate and deferred economic and regulatory institutions (e.g. holidays, paid leave, former bank holidays, accruals of 13th and 14th months, employee termination benefits) and will not lead to any reduction in the score in the territorial and national mobility procedures.

With the same understanding, it has been defined that personnel will have until 30 September 2021 to recover the permits granted by the Company to meet the needs of employees who, in relation to the health emergency, have been unable to work (children under 14 years of age, family members living together in situations of disability or immunosuppression, cancellation of public transport, etc.). As an alternative to recovery, the workers concerned may opt, at their request, for the use of holidays, paid leave or leave for cancelled bank holidays.

Also on 30 April, the parties signed another agreement for solidarity purposes, concerning the activation of the [Ora Etica](#); this agreement allowed employees of Group Companies to donate, on a voluntary basis, the amount equivalent to the net salary of one hour of their work, through a deduction from their payroll. The Poste Italiane Group, in turn, will contribute to the initiative through a donation equal to the amount collected from employees.

The contributions will be paid into the current account of the Civil Protection Department, with the aim of providing concrete support in actions to counter the spread of contagion and to meet the needs of the population related to the epidemiological emergency.

On 14 April 2020, the Company signed with [Assidipost-Federmanager](#) an agreement on support initiatives for the institutions most involved in the health emergency and for colleagues and their families affected by the contagion. The agreement provides that executives, on a voluntary basis, may donate part of their gross salary and holidays. The Company will supplement the donations with its own contribution in return for the availability shown by the executives.

Finally, in line with the values of solidarity and closeness to people and attention to corporate sustainability and taking into account the unprecedented collective effort in which the entire country is engaged, the Company has decided to [reduce 50% of the "MBO 2020" bonus for all executive staff](#).

In order to give an immediate sign of closeness to the families of deceased colleagues, a number of support measures have also been adopted, including financial support through the recognition of a subsidy, the

opportunity to evaluate recruitment measures in favour of family members in line with current company forecasts and emblematic and commemorative initiatives in memory of colleagues.

In addition, in order to protect people infected with Covid-19, the coverage offered to employees by the Group Health Fund has been expanded. In particular, the introduction of a specific per diem - differentiated in case of hospitalisation in intensive care - as well as lump-sum compensation in cases of quarantine at home imposed following a positive Covid-19 swab test have been provided. The aforementioned services can be cumulated with each other, operate retroactively and will be effective until 31/12/2020; moreover, the services are also extended to employees' families, if included in the health coverage.

On 10 July 2020, the Company and Trade Unions signed an agreement that provides for the extension until 30 September 2020 of the possibility of using the Agile Work activated in relation to the health emergency related to the Covid-19. The agreement also provides that, for actual organisational needs, "returns" may be arranged at the headquarters that will be communicated in advance by the Manager taking into account, however, the need to protect the health of the worker, in compliance with the provisions in force on social distancing and health condition of the workplace. The agreement signed concerns all Poste Group companies that apply the national collective labour agreement for non-executive staff of Poste Italiane SpA.

National Collective Labour Agreement for non-executive staff of Poste Italiane

In January, a discussion (still ongoing) was started with the Trade Unions for the renewal of the National Collective Labour Agreement. In this context, three commissions have been set up to revise the contractual text with reference to the system of industrial relations and trade union rights, the regulation of the employment relationship and the system of supplementary health care.

Pending the definition of the renewal of the National Collective Labour Agreement, an agreement was signed on 18 February 2020 for the recognition of an amount, paid in April 2020, by way of all-inclusive contractual entitlements covering the entire year 2019.

Active labour policies in the Post office network and Mail, Logistics and Communication

With reference to the measures of active policies in the Post office network, on 14 January 2020, a new agreement was reached identifying the management levers (front-end, hiring from the external market on a part-time basis and elastic clauses) that will be considered taking into account territorial peculiarities, in order to enable the strengthening of customer service with a consequent improvement in quality standards.

With reference to the initiatives aimed at guaranteeing the coverage and full operation of the delivery service, on 20 February 2020, the Parties signed an agreement for the activation of the special elastic clause pursuant to the current National Collective Labour Agreement for part-time personnel.

On 7 July 2020, an agreement was reached with the Trade Unions that defined, in line with the previous reorganisation agreements that affected the function, procedures to manage the employment repercussions arising from the implementation of the new organisational model of the Post office network commercial chain. This model focuses on a geographical logic and on strengthening the control of commercial activities at Branch level, moving from a system defined on individual channels/areas to a territorial model that aims to

meet the overall needs of customers, while maintaining a dedicated commercial support on specific products/services (Loans and Protection) at Macro Area level.

The implementation of the project will be monitored through national and territorial labour union verification tables.

Economic and regulatory treatment of employees of Poste Welfare Servizi S.r.l.

On 11 February 2020, following Poste Welfare Servizi's willingness to apply Poste Italiane's National Collective Labour Agreement instead of the Trade Agreement, the Parties reached an agreement which defined the economic and regulatory treatment to be applied to its own workers as well as to those impacted, from 1 March 2020, by the sale of the business unit relating to Poste Welfare Servizi's ICT management activities to Poste Italiane.

Bilateral Body for Professional Training and Retraining

In the first half of 2020, the activities of the Ente Bilaterale per la Formazione e Riqualificazione del Personale (Bilateral Body for Training and Retraining of Personnel) continued, which, through technical in-depth work, supported the development, presentation and activation of certain projects, as well as the signing of agreements to enable the Company to access funding provided by Fondimpresa and the Solidarity Fund.

Particular attention has been paid to online training and to its financial feasibility, in view of the important role that said training method has taken on in the context of the emergency situation related to the spread of the COVID-19 virus, as well as the increased use of the same by the Company to comply with government indications and to ensure the necessary safety and health protection measures for employees.

Performance-related bonus

On 23 July 2020, the agreement on the performance-related bonus for Poste Italiane and Poste Vita Group companies, Poste Assicura, EGI, BancoPosta Fondi SGR and Postepay, was signed by the trade unions and validated by the trade union representation (RSU) National Coordination. The agreement, which has a one-year validity, allows to further emphasise the contribution made by staff towards the achievement of corporate objectives in 2020. The agreement confirmed the option for employees to allocate all or part of their performance-related bonus to the Open-end Fund for Supplementary Assistance Poste Vita, Fondo Poste or other supplementary pension funds or opt for welfare services with high social impact.

CORPORATE UNIVERSITY

During the first half of 2020, a total of approximately 2.5 million training hours were managed, 16% of which were provided in the classroom and 84% online.

In relation to the new context of health emergency and social distancing, the Corporate University has remodelled the 2020 training plan, making available a training offer entirely online, also made possible by the recent launch of the new training platform (HCM Oracle). At the same time, the adoption of the Microsoft Office365 package throughout the company has allowed the creation of training courses in Webinar or Virtual Classroom mode, enabling the continuation of frontal teaching and classroom context although remote. In

relation to this, the Adoptions Office 365 path has been provided to guarantee transversal knowledge of the Teams tool (and in general of the O365 suite).

Among the most relevant initiatives at transversal level, an Open Learning Area (OLA) platform was provided with over 200 courses made available according to the logic of self-training and for facility managers, the Ambrosetti Online Platform, regarding technical training, managerial conduct, context knowledge and comparison with other markets. In addition, a series of meetings initially planned as workshops have been redesigned in webinar mode.

7. APPENDIX

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	1H 2020	1H 2019	CHANGES		2Q 2020	2Q 2019	CHANGES	
(€m)								
Revenue	5,083	5,521	(438)	-7.9%	2,328	2,679	(352)	-13.1%
<i>of which:</i>								
Mail, Parcels and Distribution Services	1,472	1,755	(283)	-16.1%	701	875	(174)	-19.9%
Payments and Mobile Services	338	306	31	10.3%	172	167	6	3.3%
Financial Services	2,535	2,665	(130)	-4.9%	1,071	1,180	(109)	-9.2%
<i>of which capital gains</i>	291	261	30	11.5%	0	0	(0)	-
Insurance Services	739	795	(57)	-7.2%	384	458	(74)	-16.2%
Costs	3,978	4,060	(81)	-2.0%	1,867	2,023	(156)	-7.7%
<i>of which:</i>								
Total personnel expenses	2,633	2,833	(200)	-7.1%	1,228	1,395	(167)	-12.0%
<i>of which ordinary personnel expenses</i>	2,625	2,823	(198)	-7.0%	1,223	1,389	(166)	-11.9%
<i>of which early retirement incentives</i>	4	9	(5)	-53.3%	3	6	(3)	-45.5%
<i>of which disputes and other extraordinary items</i>	3	1	2	257.3%	2	1	1	157.8%
Other operating expenses	1,346	1,227	119	9.7%	638	627	11	1.7%
EBITDA	1,105	1,462	(357)	-24.4%	461	657	(196)	-29.8%
Depreciation, amortisation and impairments	339	381	(42)	-11.0%	136	193	(57)	-29.5%
EBIT	766	1,081	(315)	-29.2%	325	464	(139)	-29.9%
EBIT Margin	15.1%	19.6%			14.0%	17.3%		
Finance income/(costs)	8	18	(10)	-57.3%	1	12	(11)	-89.3%
Gross profit	773	1,099	(326)	-29.6%	326	476	(149)	-31.4%
Taxes	228	336	(108)	-32.1%	87	151	(64)	-42.4%
Net profit	546	763	(218)	-28.5%	239	324	(85)	-26.2%
Net earnings per share (€)	0.42	0.59	(0.17)	-28.5%	0.18	0.25	(0.07)	-26.2%

CONTRIBUTION OF STRATEGIC BUSINESS UNITS TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1H 2020	Mail, Parcels and Distribution	Payments and Mobile	Financial	Insurance	Adjustments and eliminations	Total
(€m)						
Total revenue	3,728	509	2,844	739	(2,737)	5,083
Revenue from third parties	1,472	338	2,535	739		5,083
Intersegment revenue	2,256	172	309	0	(2,737)	-
Total costs	3,922	383	2,446	304	(2,737)	4,317
Total personnel expenses	2,581	13	20	18		2,633
<i>of which ordinary personnel expenses</i>	2,576	13	20	17		2,625
<i>of which early retirement incentives</i>	3	0	1	1		4
<i>of which disputes and other extraordinary items</i>	3	0	0	0		3
Other operating expenses	987	178	134	46		1,346
Depreciation, amortisation and impairments	319	15	0	6		339
Intersegment costs	34	177	2,291	234	(2,737)	-
EBIT	(194)	126	398	435		766
EBIT MARGIN	-5.2%	24.8%	14.0%	58.9%		15.1%
Finance income/(costs)	6	(0)	(14)	15		8
Gross profit	(187)	126	384	450		773
Taxes	(53)	36	112	133		228
Net profit	(135)	90	273	317		546

STATEMENTS OF PROFIT OR LOSS BY STRATEGIC BUSINESS UNIT

STATEMENT OF PROFIT OR LOSS FOR THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT (€m)	1H 2020	1H 2019	CHANGES		2Q 2020	2Q 2019	CHANGES	
Revenue	3,728	4,208	(480)	-11.4%	1,697	1,997	(300)	-15.0%
Mail	924	1,269	(345)	-27.2%	407	630	(222)	-35.3%
Parcels	473	399	75	18.7%	262	198	65	32.6%
Other revenue	75	87	(13)	-14.4%	31	48	(17)	-35.1%
Intersegment revenue	2,256	2,453	(197)	-8.0%	996	1,122	(126)	-11.2%
Costs	3,602	3,770	(168)	-4.5%	1,726	1,884	(157)	-8.3%
<i>of which:</i>								
Total personnel expenses	2,581	2,775	(193)	-7.0%	1,206	1,368	(162)	-11.8%
<i>of which ordinary personnel expenses</i>	2,576	2,766	(190)	-6.9%	1,201	1,362	(160)	-11.8%
<i>of which early retirement incentives</i>	3	8	(5)	-66.1%	3	6	(3)	-53.7%
<i>of which disputes and other extraordinary items</i>	3	1	2	257.3%	2	1	1	164.5%
Other operating expenses	987	959	29	3.0%	504	499	5	1.0%
Intersegment costs	34	37	(3)	-8.9%	17	17	(0)	-1.8%
EBITDA	126	438	(312)	-71.3%	(29)	114	(143)	-125.8%
Depreciation, amortisation and impairments	319	357	(37)	-10.5%	128	181	(53)	-29.2%
EBIT	(194)	81	(275)	-338.9%	(157)	(67)	(90)	-134.8%
EBIT Margin	-5.2%	1.9%			-9.3%	-3.4%		
Finance income/(costs)	6	4	2	47.7%	3	2	2	99.6%
Gross profit	(187)	85	(273)	-319.5%	(154)	(65)	(89)	-135.7%
Taxes	(53)	35	(88)	-248.7%	(50)	(14)	(36)	-257.2%
Net profit	(135)	50	(185)	-369.5%	(104)	(51)	(52)	-102.4%

STATEMENT OF PROFIT OR LOSS FOR THE PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT (€m)	1H 2020	1H 2019	CHANGES		2Q 2020	2Q 2019	CHANGES	
Revenue	509	496	13	2.6%	254	261	(7)	-2.8%
Electronic money	170	161	9	5.8%	86	85	0	0.5%
Other payments	28	37	(9)	-23.2%	16	24	(9)	-35.0%
TLC	139	109	31	28.3%	71	57	14	24.3%
Intersegment revenue	172	190	(19)	-9.8%	81	94	(13)	-13.8%
Costs	368	372	(4)	-1.1%	188	200	(13)	-6.3%
<i>of which:</i>								
Total personnel expenses	13	15	(2)	-15.5%	6	6	(0)	-5.3%
<i>of which ordinary personnel expenses</i>	13	15	(2)	-15.5%	6	6	(0)	-5.3%
<i>of which early retirement incentives</i>	0	0	0	-	0	0	0	-
Other operating expenses	178	134	44	32.5%	91	62	30	47.8%
Intersegment costs	177	223	(45)	-20.4%	90	132	(42)	-31.7%
EBITDA	141	124	17	13.7%	66	61	5	8.9%
Depreciation, amortisation and impairments	15	13	1	9.3%	7	7	0	0.2%
EBIT	126	111	16	14.2%	59	54	5	10.0%
EBIT Margin	24.8%	22.3%			23.2%	20.5%		
Finance income/(costs)	(0)	4	(4)	-101.3%	(3)	2	(6)	-253.4%
Gross profit	126	115	12	10.1%	56	56	(0)	-0.7%
Taxes	36	32	4	13.1%	16	15	1	7.7%
Net profit	90	83	7	9.0%	39	41	(2)	-3.9%

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL SERVICES STRATEGIC BUSINESS UNIT (€m)	1H 2020	1H 2019	CHANGES		2Q 2020	2Q 2019	CHANGES	
Revenue	2,844	3,037	(193)	-6.3%	1,214	1,359	(145)	-10.7%
Gross capital gains	291	261	30	11.5%	0	0	(0)	-
Interest income	805	823	(18)	-2.2%	401	413	(12)	-2.9%
Postal savings deposits	896	898	(1)	-0.1%	451	431	20	4.5%
Collection and payment services	410	479	(68)	-14.3%	183	233	(50)	-21.5%
Distribution of third party products	85	154	(70)	-45.1%	13	77	(65)	-83.4%
Asset management	48	50	(2)	-4.3%	23	25	(2)	-7.3%
Intersegment revenue	309	372	(63)	-16.9%	143	179	(36)	-20.1%
Costs	2,446	2,602	(156)	-0.7%	1,038	1,185	(147)	-12.4%
<i>of which:</i>								
Total personnel expenses	20	22	(2)	-7.3%	10	10	(1)	-5.2%
<i>of which ordinary personnel expenses</i>	20	21	(1)	-4.6%	9	10	(1)	-9.4%
<i>of which early retirement incentives</i>	1	1	(0)	-29.0%	1	0	0	368.2%
Other operating expenses	134	91	43	47.4%	22	48	(26)	-54.7%
Intersegment costs	2,291	2,488	(198)	-7.9%	1,007	1,127	(120)	-10.7%
EBITDA	398	435	(37)	-8.4%	176	174	2	1.0%
Depreciation, amortisation and impairments	236.6	321.0	(84.4)	-26.3%	0.1	0.3	(0)	-51.3%
EBIT	398	434	(37)	-8.4%	175	174	2	1.1%
EBIT Margin	14.0%	14.3%			14.5%	12.8%		
Finance income/(costs)	(14)	(2)	(11)	-503.1%	(12)	(4)	(8)	-222.9%
Gross profit	384	432	(48)	-11.0%	163	170	(6)	-3.8%
Taxes	112	128	(16)	-12.4%	46	55	(9)	-16.8%
Net profit	273	305	(32)	-10.5%	117	114	3	2.5%

STATEMENT OF PROFIT OR LOSS FOR THE INSURANCE SERVICES STRATEGIC BUSINESS UNIT (€m)	1H 2020	1H 2019	CHANGES		2Q 2020	2Q 2019	CHANGES	
Revenue	739	796	(57)	-7.2%	384	458	(74)	-16.1%
Up Front Life	135	194	(59)	-30.3%	55	80	(25)	-30.8%
Financial margin life	506	484	22	4.5%	273	279	(6)	-2.2%
Protection margin life	15	23	(7)	-32.0%	10	13	(4)	-27.4%
Change to other technical provisions and other technical income/expenses	8	18	(10)	-54.8%	7	45	(38)	-83.6%
Net revenue life	664	718	(54)	-7.5%	345	418	(72)	-17.3%
Insurance premium revenue	118	108	10	8.9%	57	54	2	3.8%
Change in technical provisions and other claim expenses	(46)	(28)	(18)	-63.9%	(20)	(14)	(6)	-47.0%
Reinsurance results	(2)	(9)	6	72.8%	(1)	(5)	4	85.5%
Net Non-Life income	1	0	1	308.0%	1	1	0	4.9%
Net Non-Life revenue	70	72	(1)	-1.9%	37	37	(0)	-1.1%
Other operating income	4	6	(2)	-30.0%	2	3	(1)	-41.0%
Intersegment revenue	0	0	(0)	-72.8%	0	0	0	311.0%
Costs	298	330	(32)	-9.6%	135	149	(14)	-9.3%
<i>of which:</i>								
Total personnel expenses	18	20	(2)	-11.3%	7	10	(3)	-29.7%
<i>of which ordinary personnel expenses</i>	17	20	(3)	-15.5%	7	10	(3)	-29.7%
<i>of which early retirement incentives</i>	1	0	1	-	0	0	0	-
Other operating expenses	46	43	3	7.0%	21	20	1	3.6%
Intersegment costs	234	267	(32)	-12.2%	107	118	(11)	-9.7%
<i>of which commissions</i>	208	252	(45)	-17.7%	91	111	(20)	-18.1%
EBITDA	440	466	(25)	-5.4%	249	309	(60)	-19.4%
Depreciation, amortisation and impairments	6	11	(6)	-51.3%	1	6	(4)	-76.7%
EBIT	435	454	(19)	-4.3%	248	303	(56)	-18.4%
EBIT Margin	58.9%	57.1%			64.5%	66.2%		
Finance income/(costs)	15	12	3	23.9%	13	12	2	15.7%
Gross profit	450	466	(17)	-3.5%	261	315	(54)	-17.1%
Taxes	133	141	(8)	-5.8%	75	95	(20)	-21.2%
Net profit	317	325	(8)	-2.5%	186	220	(34)	-15.3%

FINANCIAL POSITION

NET INVESTED CAPITAL AND RELATED FUNDING

(€m)	30/06/2020	31/12/2019	Changes	
Tangible fixed assets	2,042	2,059	(17)	-0.8%
Intangible fixed assets	656	648	8	1.2%
Right-of-use assets	1,209	1,254	(45)	-3.6%
Investments	600	617	(17)	-2.8%
Non-current assets	4,507	4,578	(71)	-1.6%
Trade receivables, Other receivables and assets and Inventories	7,130	6,978	152	2.2%
Trade payables and Other liabilities	(4,280)	(5,262)	982	-18.7%
Current tax assets/(liabilities)	122	(222)	344	-155.0%
Net working capital	2,972	1,494	1,478	98.9%
Gross invested capital	7,479	6,072	1,407	23.2%
Provisions for risks and charges	(1,279)	(1,218)	(61)	5.0%
Employee termination benefits	(1,072)	(1,135)	63	-5.6%
Prepaid/deferred tax assets/(liabilities)	605	312	293	93.9%
Net invested capital	5,733	4,031	1,702	42.2%
Equity	8,874	9,698	(824)	-8.5%
<i>of which profit for the period</i>	546	1,342	(796)	-59.3%
<i>of which fair value reserve</i>	20	1,018	(998)	-98.0%
Financial liabilities	92,671	79,516	13,155	16.5%
Net technical provisions for insurance business	141,922	140,203	1,719	1.2%
Financial assets	(228,175)	(218,934)	(9,241)	4.2%
Cash and deposits attributable to BancoPosta	(4,222)	(4,303)	81	-1.9%
Cash and cash equivalents	(5,337)	(2,149)	(3,188)	148.3%
Net debt/(funds)	(3,141)	(5,667)	2,526	-44.6%

(€m)

30/06/2020	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
Tangible fixed assets	2,013	25	1	3	-	2,042
Intangible fixed assets	619	19	-	18	-	656
Right-of-use assets	1,177	14	2	25	(9)	1,209
Investments	1,433	395	203	157	(1,588)	600
Non-current assets	5,242	453	206	203	(1,597)	4,507
Trade receivables, Other receivables and assets and Inventories	2,805	386	2,820	2,535	(1,416)	7,130
Trade payables and Other liabilities	(2,605)	(529)	(2,232)	(331)	1,417	(4,280)
Current tax assets/(liabilities)	128	(32)	(3)	29	-	122
Net working capital	328	(175)	585	2,233	1	2,972
Gross invested capital	5,570	278	791	2,436	(1,596)	7,479
Provisions for risks and charges	(966)	(8)	(285)	(20)	-	(1,279)
Employee termination benefits	(1,064)	(3)	(3)	(2)	-	(1,072)
Prepaid/deferred tax assets/(liabilities)	436	16	15	138	-	605
Net invested capital	3,976	283	518	2,552	(1,596)	5,733
Equity	2,474	429	2,789	4,768	(1,586)	8,874
<i>of which profit for the period</i>	<i>(135)</i>	<i>91</i>	<i>273</i>	<i>317</i>	<i>-</i>	<i>546</i>
<i>of which fair value reserve</i>	<i>5</i>	<i>-</i>	<i>(23)</i>	<i>38</i>	<i>-</i>	<i>20</i>
Financial liabilities	4,894	6,701	89,685	324	(8,933)	92,671
Net technical provisions for insurance business	-	-	-	141,922	-	141,922
Financial assets	(1,415)	(6,815)	(85,723)	(142,413)	8,191	(228,175)
Cash and deposits attributable to BancoPosta	-	-	(4,222)	-	-	(4,222)
Cash and cash equivalents	(1,977)	(32)	(2,011)	(2,049)	732	(5,337)
Net debt/(funds)	1,502	(146)	(2,271)	(2,216)	(10)	(3,141)

(€m)

31/12/2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
Tangible fixed assets	2,023	25	1	10	-	2,059
Intangible fixed assets	576	21	-	51	-	648
Right-of-use assets	1,218	9	1	27	(1)	1,254
Investments	1,434	393	221	157	(1,588)	617
Non-current assets	5,251	448	223	245	(1,589)	4,578
Trade receivables, Other receivables and assets and Inventories	2,720	233	2,843	2,428	(1,246)	6,978
Trade payables and Other liabilities	(3,048)	(398)	(2,078)	(984)	1,246	(5,262)
Current tax assets/(liabilities)	(149)	(9)	1	(65)	-	(222)
Net working capital	(477)	(174)	766	1,379	-	1,494
Gross invested capital	4,774	274	989	1,624	(1,589)	6,072
Provisions for risks and charges	(857)	(10)	(330)	(21)	-	(1,218)
Employee termination benefits	(1,126)	(3)	(3)	(3)	-	(1,135)
Prepaid/deferred tax assets/(liabilities)	392	16	(349)	253	-	312
Net invested capital	3,183	277	307	1,853	(1,589)	4,031
Equity	2,368	479	3,987	4,452	(1,588)	9,698
<i>of which profit for the period</i>	<i>(306)</i>	<i>271</i>	<i>640</i>	<i>737</i>	<i>-</i>	<i>1,342</i>
<i>of which fair value reserve</i>	<i>6</i>	<i>-</i>	<i>971</i>	<i>41</i>	<i>-</i>	<i>1,018</i>
Financial liabilities	3,061	5,539	78,219	295	(7,598)	79,516
Net technical provisions for insurance business	-	-	-	140,203	-	140,203
Financial assets	(1,395)	(5,645)	(77,078)	(141,936)	7,120	(218,934)
Cash and deposits attributable to BancoPosta	-	-	(4,303)	-	-	(4,303)
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)
Net debt/(funds)	815	(202)	(3,680)	(2,599)	(1)	(5,667)

(€m)

Changes 1H 2020 vs FY 2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
Tangible fixed assets	(10)	-	-	(7)	-	(17)
Intangible fixed assets	43	(2)	-	(33)	-	8
Right-of-use assets	(41)	5	1	(2)	(8)	(45)
Investments	(1)	2	(18)	-	-	(17)
Non-current assets	(9)	5	(17)	(42)	(8)	(71)
Trade receivables, Other receivables and assets and Inventories	85	153	(23)	107	(170)	152
Trade payables and Other liabilities	443	(131)	(154)	653	171	982
Current tax assets/(liabilities)	277	(23)	(4)	94	-	344
Net working capital	805	(1)	(181)	854	1	1,478
Gross invested capital	796	4	(198)	812	(7)	1,407
Provisions for risks and charges	(109)	2	45	1	-	(61)
Employee termination benefits	62	-	-	1	-	63
Prepaid/deferred tax assets/(liabilities)	44	-	364	(115)	-	293
Net invested capital	793	6	211	699	(7)	1,702
Equity	106	(50)	(1,198)	316	2	(824)
<i>of which fair value reserve</i>	<i>(1)</i>	<i>-</i>	<i>(994)</i>	<i>(3)</i>	<i>-</i>	<i>(998)</i>
Financial liabilities	1,833	1,162	11,466	29	(1,335)	13,155
Net technical provisions for insurance business	-	-	-	1,719	-	1,719
Financial assets	(20)	(1,170)	(8,645)	(477)	1,071	(9,241)
Cash and deposits attributable to BancoPosta	-	-	81	-	-	81
Cash and cash equivalents	(1,126)	64	(1,493)	(888)	255	(3,188)
Net debt/(funds)	687	56	1,409	383	(9)	2,526

ALTERNATIVE PERFORMANCE INDICATORS

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

NET WORKING CAPITAL - this indicator represents the sum of inventories, trade receivables and other receivables and assets, current tax assets, trade payables and other liabilities, and current tax liabilities.

This indicator is also shown separately for each Strategic Business Unit.

NON-CURRENT ASSETS - this indicator represents the sum of property, plant and equipment, intangible assets and investments measured using the equity method. This indicator is also shown separately for each Strategic Business Unit.

NET INVESTED CAPITAL - this indicator represents the sum of non-current assets and net working capital, deferred tax assets, deferred tax liabilities, provisions for risks and charges and employee termination benefits. This indicator is also shown separately for each Strategic Business Unit.

CET 1 CAPITAL: this indicator includes initial capital and retained earnings (Tier 1 capital), applied on a transitional basis (Regulation (EU) 2017/2395).

CET 1 RATIO: this ratio measures the adequacy of Tier 1 capital with respect to Pillar 1 risks (operational, credit, counterparty and foreign exchange). It is the ratio of CET1 Capital to total Risk Weighted Assets (RWA).

COMBINED RATIO - it is a measure of profitability, calculated by taking total claim-related losses and general business costs and dividing them by the value of gross earned premiums and gross premium revenue. It is the sum of the Loss Ratio and the Expense Ratio.

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

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

EBITDA (*Earnings Before Interest, Taxes, Depreciation and Amortisation*) - this is an indicator of operating profit before financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets.

EXPENSE RATIO - it is calculated as the ratio of total expenses (operating costs and fees and commissions) and gross premium revenue.

LEVERAGE RATIO - this is the ratio of CET1 Capital to total assets, the latter after adjustments for derivative financial instruments and off-balance sheet exposures.

LOSS RATIO - it is a measure of the technical performance of an insurance company providing Non-life cover and is calculated as the ratio of total losses incurred (including settlement expenses) and gross earned premiums.

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

NET DEBT/(FUNDS) OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT - this is the sum of the following items, shown according to the format recommended by ESMA, the European

Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

TOTAL ASSETS - total assets in the Statement of Financial Position of BancoPosta Ring-Fenced Capital - RFC.

RWA (Risk Weighted Assets) - this indicator measures the risk exposure of assets in accordance with Basel III regulations. Risk-Weighted Assets, or RWA, are calculated by applying a weighting to assets that takes into account the level of exposure to credit, counterparty, market and operational risk.

TSR (Total Shareholder Return) - it measures the total annual return for an investor and is calculated by adding the increase in the share price over a determinate period of time to the impact of dividends per share paid in the same period.

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

Reconciliation of values from reported to adjusted	1H2019	1H2020
REPORTED REVENUE	5,521	5,083
ADJUSTMENT	279	291
<i>Capital gains</i>	261	291
<i>VISA shares (valuation at FV pursuant to IFRS 9/ changes in FV derivative)</i>	17	0
<i>Visa capital gain on sale of shares</i>	1	0
ADJUSTED REVENUE	5,242	4,792
REPORTED COSTS	4,441	4,317
ADJUSTMENT	23	56
<i>Early Retirements</i>	9	4
<i>Provision made for Real estate funds</i>	0	(15)
<i>Capital losses on Gross Capital Gains</i>	6	57
<i>VISA shares (valuation at FV pursuant to IFRS 9/ changes in FV derivative)</i>	9	10
ADJUSTED COSTS	4,418	4,261
REPORTED EBIT	1,081	766
TOTAL ADJ ITEMS	(256)	(235)
ADJUSTED EBIT	825	531
REPORTED FINANCIAL MANAGEMENT	18	8
ADJUSTMENT	0	19
<i>Impairment Anima</i>	0	19
ADJUSTED FINANCIAL MANAGEMENT	18	27
REPORTED EBT	1,099	773
ADJUSTED EBT	843	558
REPORTED NET RESULT	763	546
ADJUSTMENT	(185)	(147)
<i>ADJ OVER EBIT (NET OF THE TAX EFFECT)</i>	(185)	(166)
<i>ADJ OVER FINANCIAL MANAGEMENT (NET OF THE TAX EFFECT)</i>	0	19
ADJUSTED NET RESULT	579	399

KEY PERFORMANCE INDICATORS FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

The figures shown in the tables below reflect the financial and operational indicators of the principal Group companies, prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the boards of directors of the respective companies.

POSTE ITALIANE SPA (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	4,649,047	4,428,097	(220,950)	-
Operating profit	565,204	319,459	(4,329,588)	(93.1)
Net result	403,190	274,944	(290,260)	(51.4)
Investments	194,883	190,416	(212,774)	(52.8)
Equity (*)	6,327,895	5,279,778	5,084,895	n/s
Permanent workforce - average	119,454	116,234	(6,211,661)	(98.2)
Flexible workforce - average	7,013	5,615	(113,839)	(95.3)

(*) The value indicated in column 1H 2019 refers to 31 December 2019

Postel SpA (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	100,418	86,348	(14,070)	(14.0)
Operating profit	669	(2,932)	(3,601)	n/s
Net result	442	(2,073)	(2,515)	n/s
Investments	2,651	1,034	(1,617)	(61.0)
Equity (*)	83,798	81,596	(2,202)	(2.6)
Permanent workforce - average	1,016	975	(41)	(4.0)
Flexible workforce - average	35	60	25	71.4

(*) The value indicated in column 1H 2019 refers to 31 December 2019

SDA Express Courier SpA (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	319,778	408,361	88,583	27.7
Operating profit	(25,721)	28,168	53,889	n/s
Net result	(20,896)	17,630	38,526	n/s
Investments	13,738	5,446	(8,292)	(60.4)
Equity (*)	14,177	31,779	17,602	n/s
Permanent workforce - average	1,272	1,026	(246)	(19.3)
Flexible workforce - average	65	39	(26)	(40.0)

n/s: not significant

(*) The value indicated in column 1H 2019 refers to 31 December 2019

Europa Gestioni Immobiliari SpA (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	47,812	40,712	(7,100)	(14.8)
Operating profit	1,571	1,510	(61)	(3.9)
Net result	424	601	177	41.7
Investments	190	72	(118)	(62.1)
Equity (*)	238,413	239,009	596	0.2
Permanent workforce - average	29	30	1	3.4
Flexible workforce - average	-	-	-	-

n/s: not significant

(*) The value indicated in column 1H 2019 refers to 31 December 2019

Poste Air CarGo Srl (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	21,493	28,776	7,283	33.9
Operating profit	991	1,737	746	75.3
Net result	202	829	627	n/s
Investments	13	78	65	n/s
Equity (*)	1,213	1,995	782	64.5
Permanent workforce - average	82	90	8	9.8
Flexible workforce - average	4	4	0	0.0

n/s: not significant

(*) The value indicated in column 1H 2019 refers to 31 December 2019

BancoPosta Fondi SpA SGR (€k)	1H 2019	1H 2020	Changes	
			Values	%
Fee and commission income	57,051	56,886	(165)	(0.3)
Net fee and commission income	21,020	24,322	3,302	15.7
Net result	7,562	9,074	1,512	20.0
Financial assets (liquidity + securities) ^(*)	56,812	76,876	20,064	35.3
Equity (*)	47,516	40,227	(7,289)	(15.3)
Permanent workforce - average	39	58	19	48.5
Flexible workforce - average	-	-	0	-

(*) The value indicated in column 1H 2019 refers to 31 December 2019

During the first half of 2020, the company approved the distribution of dividends for €16 million.

Poste Vita SpA ^(*) (€k)	1H 2019	1H 2020	Changes	
			Values	%
Insurance premium revenue ^(**)	10,039,480	7,617,266	(2,422,214)	-
Net result	296,268	292,858	(3,410)	(1.2)
Financial assets ^(***)	141,575,299	142,018,311	443,012	0.3
Technical provisions for insurance business ^(***)	140,053,883	141,750,361	1,696,478	1.2
Equity ^(***)	4,294,623	4,586,768	292,145	6.8
Permanent workforce - average	392	363	(29)	(7.4)
Flexible workforce - average	6	3	(3)	(50.0)

n/s: not significant

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the Interim Report prepared in accordance with the Italian Civil Code and under Italian GAAP.

(**) Premium revenue is reported gross of outward reinsurance premiums

(***) The value indicated in column 1H 2019 refers to 31 December 2019.

Poste Assicura SpA ^(*) (€k)	1H 2019	1H 2020	Changes	
			Values	%
Insurance premium revenue ^(**)	108,366	117,984	(9,618)	-
Net result	26,028	22,450	(3,578)	(13.7)
Financial assets ^(***)	361,260	395,109	33,849	9.4
Technical provisions for insurance business ^(***)	206,709	228,040	21,331	10.3
Equity ^(***)	194,730	216,428	21,698	11.1
Permanent workforce - average	60	66	6	10.0
Flexible workforce - average	-	-	0	-

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared in accordance with the Italian Civil Code and under Italian GAAP.

(**) Insurance premium revenue is reported gross of outward reinsurance premiums.

(***) The value indicated in column 1H 2019 refers to 31 December 2019.

PostePay SpA (€k)	1H 2019	1H 2020	Changes	
			Values	%
Revenue from sales and services	493,438	508,946	15,508	3.1
Operating profit	110,560	125,444	14,884	13.5
Net result	78,942	89,633	10,691	13.5
Investments	9,517	12,428	2,911	30.6
Equity (*)	382,223	331,682	(50,541)	(13.2)
Permanent workforce - average	324	320	(4)	(1.2)
Flexible workforce - average	-	1	1	-

During the first half of 2020, the company approved the distribution of dividends for €140 million.

(*) The value indicated in column 1H 2019 refers to 31 December 2019.

**CONDENSED CONSOLIDATED
HALF-YEAR FINANCIAL
STATEMENTS AT 30 JUNE 2020**

Posteitaliane

1. INTRODUCTION

Poste Italiane SpA (the "Parent Company") is the company formed following conversion of the former Public Administration entity, "Poste Italiane", under Resolution 244 of 18 December 1997. Its registered office is at Viale Europa 190, Rome (Italy).

Poste Italiane's shares have been listed on the Mercato Telematico Azionario (Electronic Stock Exchange - MTA) since 27 October 2015. At 30 June 2020, the Company is 35% owned by CDP and 29.3% owned by the MEF, with the remaining shares held by institutional and retail investors. At 30 June 2020, the Parent Company holds 5,257,965 of its treasury shares (equal to 0.4026% of the share capital). Poste Italiane SpA continues to be under the control of the MEF.

These condensed consolidated financial statements refer to the six months ended 30 June 2020 and have been prepared in euros, the currency of the economy in which the Group operates. They consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the condensed statement of cash flows and the notes. Amounts in the financial statements and the notes are shown in millions of euros, unless otherwise stated.

The Group's activities are not significantly subject to seasonality and/or cyclicity.

The Condensed Consolidated Half-year Financial Statements are accompanied by the attestation of the Chief Executive Officer and the Manager responsible for financial reporting pursuant to article 154-bis of Legislative Decree no. 58/1998 and is subject to a limited audit by the independent auditors Deloitte & Touche SpA.

2. BASIS OF PRESENTATION, METHODOLOGIES AND ACCOUNTING STANDARDS APPLIED

2.1 COMPLIANCE WITH IAS/IFRS

These condensed consolidated half-year financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) endorsed by the European Union with EU Regulations and in force at 30 June 2020, for which no exceptions have been made.

2.2 BASIS OF PRESENTATION

The consolidated half-year financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and article 154-ter (paragraph 3) of the Consolidated Law on Finance, and with the provisions of articles 2 and 3 of Legislative Decree 38/2005, on a going concern basis for the Parent Company Poste Italiane SpA, and its subsidiaries and consolidated companies.

The Poste Italiane Group has deemed it appropriate to provide in this interim report certain information normally required for annual financial statements in order to allow a better understanding of the impact on the financial position and results of operations in accordance with the requirements of ESMA Public Statement 32-63-972 of 20 May 2020. However, they provide less information than the annual financial statements, as they are intended to provide an update on the activities, events and circumstances occurred in the reference half - to the extent considered relevant - as well as certain minimum additional information; accordingly, they

do not duplicate information previously reported in the consolidated financial statements of the Poste Italiane Group for the year ended 31 December 2019.

The accounting standards and the recognition, measurement and classification criteria adopted are consistent with those used to prepare the Consolidated Financial Statements at 31 December 2019.

For comparative purposes, the corresponding value for the previous year or period is shown for each item in the consolidated financial statements. In this regard, it should be noted that, in order to allow uniform comparison with the figures for the first half of 2019, certain detailed notes have been reclassified.

In accordance with CONSOB Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the condensed statement of cash flows show amounts deriving from related party transactions. The statement of profit or loss also shows, where applicable, income and expenses deriving from material non-recurring transactions, or transactions that occur infrequently in the normal course of business.

With regard to the interpretation and application of newly published, or revised, international accounting standards, and to certain aspects of taxation⁴⁰, where the related interpretations are based on examples of best practice or case-law that cannot yet be regarded as exhaustive, the financial statements have been prepared on the basis of the relevant best practices. Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

2.3 BASIS OF CONSOLIDATION

The criteria and basis of consolidation adopted in these interim financial statements are consistent with those adopted in preparing the consolidated financial statements for the year ended 31 December 2019.

The financial statements consolidated on a line-by-line basis have been specifically prepared at 30 June 2020, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

During the half year, the Parent Company concluded the following business combinations by virtue of which it acquired control of the entities.

sennder Italia Srl

As part of the collaboration with the German digital carrier sennder GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company sennder Italia Srl, acquiring 75%

⁴⁰ The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP. In addition, the new standards are subject to the rules contained in the endorsement tax decrees issued by the Ministry of the Economy and Finance, in application of the provisions of Law no. 10 of 26 February 2011 (Decreto Milleproroghe).

(25% is held by sender GmbH). On 25 February 2020, to support business needs in the start-up phase, Poste Italiane made an additional capital contribution of €3 million.

Below is the carrying amount of the assets acquired and liabilities assumed at the date of acquisition:

	(€k)
	Carrying amount
<i>Net assets acquired</i>	
Intangible assets	41
Property, plant and equipment	107
Trade and other receivables and other assets	292
Cash and cash equivalents	222
Employee termination benefits	(13)
Trade and other payables	(597)
Total net assets acquired	52
Equity attributable to non-controlling interests	13
Portion of net assets acquired by the Group	39
Goodwill	216
Total fee	255

Below are the economic values of the acquired company included in the consolidated statement of profit or loss from the date of acquisition:

	(€k)
	From the date of acquisition to 30 June 2020
Revenue	22,070
Operating profit	(311)
Profit/(loss) for the period	(236)

MLK Deliveries SpA

As part of its collaboration with technology start-up company Milkman SpA, which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries SpA, acquiring 70%; the remaining 30% is held by Milkman SpA.

Moreover, the acquisition includes purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA.

As a result of this acquisition, the following were recognised in the consolidated financial statements:

- portions of equity attributable to non-controlling interests;
- the financial liability estimated to take account of the possible exercise of the options, as a matching entry to the Group's equity. Subsequent changes in the value of the financial liability are reflected in the Group's statement of profit or loss.

Below is the carrying amount of the assets acquired and liabilities assumed at the date of acquisition:

	(€k)
	Carrying amount
<i>Net assets acquired</i>	
Intangible assets	193
Property, plant and equipment	49
Trade and other receivables and other assets	761
Cash and cash equivalents	15,000
Employee termination benefits	(89)
Trade and other payables	(878)
Total net assets acquired	15,036
Equity attributable to non-controlling interests	4,511
Portion of net assets acquired by the Group	10,525
Goodwill	4,475
Total fee	15,000

Below are the economic values of the acquired company included in the consolidated statement of profit or loss from the date of acquisition:

	(€k)
	From the date of acquisition to 30 June 2020
Revenue	2,731
Operating profit	10
Profit/(loss) for the period	10

For the two corporate actions described above, Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combinations within twelve months of the acquisition date.

At the date of preparation of this interim report, the provisional difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3 in proportion to the recognised amounts of the identifiable net assets acquired, is equal respectively to:

- sennder Italia Srl: €216 thousand and
- MLK Deliveries SpA: €4,475 thousand.

This difference at 30 June 2020 is recognised under Intangible assets pending completion of the process of valuation of the individual components of the acquired assets.

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries and joint ventures	30/06/2020	31/12/2019
Consolidated on a line-by-line basis	16	15
Accounted for using the equity method	4	4
Total companies	20	19

In the first half of 2020, in addition to the transactions described above, which led to the entry of the subsidiaries, sennder Italia and MLK Deliveries, into the scope of consolidation, the liquidation of Poste Tributi S.c.p.A. was concluded with consequent removal from the Register of Companies.

A list of companies consolidated on a line-by-line basis and using the equity method is provided in note 11 Additional information - Key information on investments.

2.4 USE OF ESTIMATES

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in the financial statements may also vary significantly as a result of changes in the subjective valuations used.

In preparing these Interim Financial Statements, more extensive use was made of estimation methods than in the Annual Report, also taking into account the effects of the health emergency, linked to the pandemic spread of the Coronavirus, which had a decisive impact on the economic and social context and which makes it difficult to make realistic forecasts of the economic and financial evolution of the market and the Poste Italiane Group during 2020.

This context of significant uncertainty makes it particularly complex to make estimates that, in any case, are usually based on complex subjective evaluations and assumptions linked to historical experience and from time to time considered reasonable and realistic according to the relevant circumstances. Therefore, taking

into account the exceptional economic and social context due to the pandemic, the factors used to determine the estimates may also be subject to significant revision in the future, with even material effects on the values of future financial statements.

The accounting treatments that require greater subjectivity in the preparation of estimates are described below, also taking into account (in line with ESMA requests⁴¹, as well as Consob's Attention Notices no. 6/20 of 9 April 2020 and no. 8/20 of 16 July 2020) the economic context significantly influenced by the pandemic. With reference to the impact of the Covid-19 epidemic on the economic results for the period and the qualitative/quantitative assessments made by management, see note 5 - Risk management.

Revenue and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Administration entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finance. The legal framework of reference is still subject to change and, as has at times been the case, circumstances were such that estimates made in relations to previous financial statements, with effects on the statement of profit or loss, had to be changed. The complex process associated with the determination of receivables, which has not been completed yet, may result in changes in the results for the accounting periods after the period ended 30 June 2020 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

At 30 June 2020, Poste Italiane Group's amounts outstanding due from central and local authorities amounted to €768 million (€693 million at 31 December 2019), gross of provisions for doubtful debts.

The table below summarises amounts due from Public Administration entities.

	(€m)	
Receivables	30/06/2020	31/12/2019
Universal Service expense	162	31
Remuneration of current account deposits	29	28
Delegated services	21	15
Electoral subsidies	1	1
Other	3	2
Trade receivables due from the MEF	216	77
Shareholder transactions:		
Amount due following cancellation of Decision EC 16/07/2008	39	39
Total amounts due from the MEF	255	116
Amounts due from Ministries and Public Administration entities: Chair of the Cabinet		
Office for publisher tariff subsidies	38	50
Amounts due from Ministries and Public Administration entities: Ministry for Econ. Dev.	81	80
Other trade receivables due from Public Administration entities	337	390
Trade receivables due from Public Administration entities	456	520
Other receivables and assets:		
Sundry receivables due from Public Administration entities	1	1
Amounts receivable for IRES refund	55	55
Amounts receivable for IRAP refund	1	1
Current tax assets and related interest	56	56
Total amounts due from MEF and the Public Administration	768	693

⁴¹ ESMA Guidelines published on 11 March 2020, ESMA Public Statement 32-63-951 of 25 March 2020 and Public Statement 32-63-972 of 20 May 2020.

At 30 June 2020, provisions for doubtful debts reflect receivables for which no provision had been made in the state budget and uncertainty regarding past due amounts due from Public Administration entities. For further details, see notes A8 - Trade receivables and A9 - Other receivables and assets.

Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated as of every close of the accounts for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

Provisions for risks and charges

The Group makes provisions for probable liabilities deriving from disputes with staff, suppliers, and third parties and, in general, for liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the provisions for risks and charges involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Impairment and stage allocation for financial instruments

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated by the Poste Italiane Group are as follows, relating to the internal model developed for Sovereign, Banking and Corporate:

- estimate of ratings by counterparty;
- estimate of the Probability of Default "PD" for counterparties.

With regard to trade receivables, on the other hand, the Poste Italiane Group does not apply stage allocation in accordance with the Simplified Approach. Impairment, for these items in the financial statements, is based on:

- analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
- forfeit impairment: elaboration of a provision matrix for historical losses.

For further details, see Note 5 - Risk management.

Impairment tests of goodwill, cash generating units and equity investments

Impairment testing involves the use of estimates based on factors that may change over time, potentially resulting in effects that may also be significantly different from the valuation of items subject to testing in previous years.

The provisions of IAS 36 require that goodwill and other non-current assets with indefinite useful life be subjected to an impairment test at least once a year and that certain qualitative and quantitative indicators of presumption of impairment be continuously monitored in order to verify the possible existence of impairment indicators requiring the test to be repeated more frequently.

At 30 June 2020, trigger events were identified in relation to the COVID-19 health emergency and its impact on the real economy of the country, in light of deviations from budget forecasts and in relation to financial market trends.

In this context, following the indications of ESMA, the following have been done in particular:

- in determining the recoverable value - given the context of uncertainty - a careful assessment was made of the projection of future cash flows to take into account the impacts of COVID-19 and the projections of future cash flows considered (where possible) the definition of multiple scenarios appropriately weighted on the basis of reasonable and sustainable estimates and assumptions;
- the sensitivity analyses have been updated also considering a widening of the range of variation of the significant variables.

The impairment tests at 30 June 2020 were performed on the basis of the business plans of the CGUs (cash generating units) concerned or the latest available projections (except as specified below). Where required, the Discounted Cash Flow (DCF) method was applied to the resulting amounts. For the determination of values in use, NOPLAT (Net Operating Profit Less Adjusted Taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted Average Cost of Capital)⁴².

The impairment tests provided for in IAS 36 - *Impairment of assets* at 30 June 2020 therefore refer to:

Mail, Parcels and Distribution CGU

The current environment - which has resulted in highly volatile markets and great uncertainty with regard to economic projections, further aggravated by the ongoing pandemic, and the decline of the postal market in which the Group operates, make it difficult to produce forecasts that can, with certainty, be defined as reliable. In this context, at 30 June 2020, in part in view of the content of the Group's Strategic Plan for 2018-2022, approved by the Parent Company's Board of Directors on 26 February 2018, and the ongoing decline of the postal sector, the Parent Company's Mail, Parcels and Distribution CGU was tested for impairment in order to determine a value in use to compare with the total carrying amount of net invested capital.

In order to estimate the value in use of the CGU, reference was made to the economic forecasts of the 2018-2022 Business Plan updated, however, to take into account, on the one hand, the final figures for 2019 and, on the other, the possible effects of the lockdown on the current and subsequent years. Based on the information available and the revision of the underlying estimates, various scenarios, weighted with respect to their probability of occurrence, and the related results used to perform the impairment test were developed. The determination of the terminal value, calculated on the basis of the latest explicit projection year, was

⁴² In the test carried out at 30 June 2020, use was made of an assumed long-term growth rate of 1.40%, while the WACC, determined in accordance with best market practices and for each operating segment, ranged from a minimum of 5.45% to 8.29%. The cost of equity (Ke) is estimated at 7.97% for banking activities and 8.54% for asset management activities.

based on normalised earnings, also taking into account the existence of potential positive elements whose value was not reflected in the explicit projections over the life of the plan. Reference was also made to the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's distribution network. A WACC of 5.45% was used. The impairment test determined that the related carrying amounts are fair, as well as the related sensitivity analyses on the significant variables that have amply confirmed the carrying amounts.

Investment in Anima Holding SpA

With reference to the impairment test of the investment in Anima Holding SpA, the value in use was determined taking into account available 2020-2022 forecasts, a long-term growth rate of 1.40% (1.14% at 31 December 2019) and the most updated cost of equity (ke) of 8.54% (compared to 7.54% used at 31 December 2019). Based on the results of the test, it emerged that the carrying amount of the investment needed to be adjusted, with a corresponding negative effect of €19 million on the consolidated result.

Investments in FSIA Investimenti Srl

With regard to the impairment test of the investment in FSIA Investimenti Srl, given the absence of reliable medium-term projections, the fair value of the investment at 30 June 2020 was determined (level 3 in the hierarchy) using market multiples. To identify the market multiple to use, reference was made to studies of comparable companies by leading investment banks. The multiple used was 12x based on EBITDA for 2021. The test result did not reveal any critical issues.

Property, plant and equipment and intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of acquisition and is based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life.

As part of the broader process of updating the Business Plan, the finalisation of which is expected for the last quarter of the current year, a strategic analysis of the Group's real estate assets has been initiated. During this analysis, with the technical/specialist support of a third party, a complex evaluation and articulation activity of the real estate portfolio was carried out in homogeneous clusters, which highlighted useful lives and residual values of certain categories of fixed assets other than those previously estimated.

Consequently, in accordance with the reference accounting standards, the residual economic-technical life of certain categories of assets has been extended and the relative residual value has been restated. The Group's depreciation and amortisation for the six months ended 30 June 2020, calculated in accordance with the restated values at 1 January, is approximately €60 million lower than the depreciation and amortisation that would have been determined on the basis of forecasts of useful lives and residual values estimated in previous years.

The useful life of the main asset classes of the Group, restated as a result of the above analyses, is detailed in the following table:

Property, plant and equipment	Years (until 31 December 2019)	Years (from 1 January 2020)
Properties used in operations	25-33	40-59
Structural improvements to own properties	20	18-31
Plant	4-10	8-23
Light constructions	10	10
Equipment	3-10	3-10
Furniture and fittings	3-8	3-8
Electrical and electronic office equipment	3-10	3-10
Motor vehicles, automobiles, motorcycles	4-10	4-10
Leasehold improvements	estimated lease term*	estimated lease term*
Other assets	3-5	3-5

(*) or the useful life of the improvement if shorter than the estimated lease term

Investment property	Years (until 31 December 2019)	Years (from 1 January 2020)
Properties	25-33	39-42
Structural improvements to own properties	20	17-18

The useful life and residual value, the periodic review of which is required by the accounting standards when preparing financial disclosure, will be further verified also when the business plan is updated.

Technical provisions for insurance business

The measurement of technical provisions for the insurance business is based on the calculations performed by actuaries employed by the Poste Vita group, based on a series of material assumptions, including technical, actuarial, demographic and financial assumptions, as well as on projections of future cash flows from the insurance contracts entered into by Poste Vita and Poste Assicura and effective at the end of the period. In order to verify the adequacy of the technical provisions, the Liability Adequacy Test (LAT) is performed periodically to measure the ability of future cash flows from insurance contracts to cover liabilities to the policyholder. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claims expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

Share-based payments

As described in more detail in Note 11 - Additional information - Share-based payment arrangements, an internal pricing tool was used to assess the Share-based payment arrangements in place within the Poste Italiane Group at the close of these interim financial statements, which adopts simulation models consistent with the requirements of the relevant accounting standards and takes account of the specific characteristics of the Plans. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of

operation, compliance with certain capital adequacy and liquidity/solvency requirements. For these reasons, measurement of the liabilities, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Determination of the lease liability

To determine the financial lease liability, the Group has opted to use an incremental borrowing rate or (IBR) in line with a hypothetical loan obtained in the current economic environment, and applied to groups of contracts with similar remaining terms and to similar companies. In particular, each IBR takes account of the risk-free rate identified on the basis of factors such as the economic environment, currency, contract term and credit spread reflecting the companies' organisation and financial structure. The IBR associated with the commencement of each contract will be reviewed whenever there is a lease modification, meaning substantial and significant changes to the contract conditions over the life of the agreement (e.g. the lease term or the amount of future lease payments).

With regard instead to determination of the lease term at the commencement date or of the remaining term at a later date (in the event of substantial and significant changes to contract conditions) and, in particular, for property leases, the Group uses a valuation approach based primarily on the expected duration of the obligation as per the agreement between the parties and/or in the legal framework of reference (Law 392 of 27 July 1978), and it expects an extension of the lease due to an interpretation/forecast of events, circumstances and future intentions, including of a strategic nature, of both the lessor and the lessee. This has resulted in a set of rules for determining the lease term, to be applied to leased properties classified previously in three distinct clusters: properties where the lease is subject to legal restrictions and high commercial-value properties; properties for civilian use, such as the company accommodation for Group employees and executives; and other properties used in operations. The lease term for all of the other agreements was set as equal to the duration of the obligation agreed upon between the parties, in keeping with future intent in wanting and being able to complete the term and past experience.

Options on minority interests⁴³

As mentioned in the above paragraphs, as part of the transaction that led to the holding of 70% of the share capital of MLK Deliveries SpA, purchase and sale options are envisaged that will allow Poste Italiane to purchase a further 30% of the company, the exercise price of which is determined on the basis of a formula

⁴³ An option contract that allows an entity to purchase the interests of minority shareholders of a subsidiary in exchange for cash or other financial assets gives rise to a financial liability in the consolidated financial statements for the present value of the amount payable. Any change in the financial liability from the date of recognition is accounted for with a different matching entry depending on whether it refers to:

- minority shareholders directly interested in the performance of the subsidiary's business with regard to the transfer of risks and benefits on the shares subject to the option. One of the indicators of this interest is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group makes a case-by-case assessment of the facts and circumstances that characterise existing transactions. In this case, the discounted value of the option is initially deducted from the Group's equity reserves. Any subsequent changes in the valuation of the exercise price of the option are reflected in the statement of profit or loss;
- minority shareholders not directly interested in the performance of the business (e.g. exercise price of the predetermined option). The exercise price of the option, duly discounted, is deducted from the corresponding amount of Capital and Reserves pertaining to non-controlling interests. Any subsequent changes in the valuation of the option exercise price follow the same logic, with no impact on the statement of profit or loss.

that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA. In the consolidated financial statements, a financial liability has been recognised (in addition to the portion of equity attributable to non-controlling interests), to take account of the possible exercise of options, as matching entry to Group's equity, the value of which depends on estimates made internally and which could change even significantly in the current and future years. Subsequent changes in the value of the financial liability will be reflected in the Group's statement of profit or loss.

2.5 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS AND THOSE SOON TO BE EFFECTIVE

Accounting standards and interpretations applicable from 1 January 2020

- Amendments to references to the Conceptual Framework in the body of IFRS. The amendments update some of the references and citations in IFRS standards and interpretations so that they refer to the revised Conceptual Framework or specify the version of the Conceptual Framework to which they refer;
- Amendments to **IAS 1 - Presentation of Financial Statements** and **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors** aimed at clarifying the definition of "material" in order to make it easier for companies to express opinions about materiality and to improve the relevance of information in the notes to the financial statements;
- Amendments to **IFRS 9 - Financial Instruments**, **IAS 39 - Financial Instruments: Recognition and Measurement** and **IFRS 7 - Financial Instruments: additional disclosure**, which introduced temporary and limited exceptions to the application of the hedge accounting provisions so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed as a result of the Interest Rate Benchmark Reform⁴⁴. The purpose of the derogations is to avoid the effects of discontinuing due to the mere uncertainty of the interest rate reform. In particular, for the assessment of the economic relationship, the changes introduced require the entity to assume that the benchmark interest rate index for the hedged instrument and the hedging instrument will not be modified as a result of the rate reform;
- Amendments to **IFRS 3 - Business Combinations** providing clarification on the definition of "business activities" in order to simplify practical implementation.

It is also noted that on 28 May 2020, the IASB published an amendment to the accounting standard IFRS 16 - Covid-19 Related Rent Concessions. The document provides lessees with the right to account for the reductions in fees related to Covid-19 without having to evaluate, through contract analysis, whether the definition of lease modification of IFRS 16 is respected. Therefore, lessees that apply this option may account for the effects of the reductions in the lease fees directly in the statement of profit or loss on the effective date of the reduction. This amendment, although applicable to financial statements starting on 1 June 2020, except for the possibility for a company of early application to financial statements starting on 1 January 2020, has not yet been approved by the European Union, and therefore, was not applied by the Poste Italiane Group at

⁴⁴ The reform of reference indices for the determination of interest rates refers to the reform, which concerns the entire market, of a reference index for the determination of interest rates, including the replacement of a reference index for the determination of interest rates by an alternative reference rate, such as that resulting from the recommendations contained in the July 2014 report of the Financial Stability Board "Reforming Major Interest Rate Benchmarks".

30 June 2020. No significant effects are expected from the application of this amendment in the Group's consolidated financial statements.

Accounting standards and interpretations soon to be effective

As of the reporting date for this interim report, the IASB has issued certain financial reporting standards, amendments and interpretations not yet endorsed by the European Commission:

- IFRS 17 - Insurance Contracts;
- Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Annual improvements to IFRS 3 - Business Combinations, IAS 16 - Property, Plant and Equipment and IAS 37 - Provisions, Contingent Liabilities and Contingent Assets;
- Amendments to IFRS 17 and IFRS 4 - Insurance Contracts - deferral of IFRS 9.

The potential impact on the Poste Italiane Group's financial disclosure of the accounting standards, amendments and interpretations due to come into effect is currently being assessed.

3. MATERIAL EVENTS DURING THE PERIOD

3.1 PRINCIPAL CORPORATE ACTIONS

- sennder Italia Srl

As part of the collaboration with the German digital carrier sennder GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company sennder Italia Srl, acquiring an investment of 75% of the share capital (25% is held by sennder GmbH). Lastly, on 25 February 2020, on the basis of agreements between the parties to support business needs in the start-up phase, Poste Italiane made an additional capital contribution of €3 million. (For accounting, equity and income details of the investment acquired, refer to paragraph 2.3 - Basis of consolidation).

- Partnership with Tink AB

On 20 December 2019, Poste Italiane signed agreements for the establishment of a strategic partnership with the Swedish company Tink AB, one of the leading *Open banking* platforms in Europe. As part of these agreements, on 10 March 2020, the Poste Group, through its subsidiary Postepay S.p.A., completed the subscription of the Tink AB capital increase with an investment of approximately €20 million, against an investment of 5.1% in the issued share capital, or 4.8% on a fully diluted basis. In addition, on 18 June 2020, PostePay participated in a new capital increase with an investment of €0.63 million, keeping the investment of 4.8% unchanged.

- MLK Deliveries SpA

As part of its collaboration with technology start-up company Milkman SpA, which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries SpA, acquiring 70%. The remaining 30% of MLK Deliveries is owned by Milkman SpA. At the same time, Poste Italiane acquired about 7% in the share capital of Milkman by participating in a capital increase with an investment of €5 million. Purchase and sale options are provided that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries and ownership of the Milkman technology for e-commerce applications. (For accounting, equity and income details of the investment acquired, refer to paragraph 2.3 - Basis of consolidation).

- Partnership with MFM Investments Ltd (Moneyfarm)

On 2 August 2019, Poste Italiane launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset management services. As part of this partnership, on 9 August 2019, Poste Italiane signed a contract with MFM Holding Ltd (the company that controls 100% of Moneyfarm) which provides for a capital increase by the latter for a value of approximately €40 million (£36 million) through the issue of convertible preference shares to be subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involved two phases. In the first, which ended in August 2019, Poste Italiane subscribed shares in MFM Holding Ltd for a total value of €15 million, representing 9.70% of voting rights (10.36% of property rights). In the second, additional MFM Holding shares were subscribed for a total value of approximately €9.6 million, with an increase in the investment of up to 14.10% of voting rights (15.16% of property rights). The latter was finalised on 13 May 2020 when the necessary authorisations were obtained by the supervisory authorities Bafin and FCA.

- Partnership with Volanté Technologies Inc

On 26 June 2020, PostePay signed the agreements for the establishment of a strategic partnership with Volanté Technologies Inc (Volanté), a US company specialising in the development of technological solutions underlying payment processes. In addition to the provision to Poste Italiane under perpetual license of the Volpay payment platform for enabling instant bank transfers (SEPA Credit Transfer Instant) and the development of payments based on QR Code, these agreements also provide for the launch of a long-term strategic collaboration aimed at developing new solutions in the world of payments to enrich the Poste Group offer to customers.

As part of these agreements, Postepay also adhered, with other investors, to a capital increase in Volanté with an investment of approximately \$5 million for an investment of 3.5% in the share capital issued, or 2.9% on a fully diluted basis. The operation will take effect on 2 July.

The following corporate actions also took place in the first half of 2020:

- The sale of Poste Vita, Poste Assicura and Poste Welfare Servizi ICT management business units to Poste Italiane took effect on 1 March 2020. The transaction is part of the process of making Poste Group ICT processes more efficient by centralising the management of the subsidiaries' information systems at the Parent Company.

- On 19 May 2020, the General Meeting of Shareholders of Poste Tributi S.c.p.A. in liquidation approved the Company's final liquidation financial statements and on 26 May 2020, the Company was removed from the Register of Companies.
- On 25 May 2020, the Board of Directors of Consorzio Logistica Pacchi S.c.p.A. approved the sale of the business unit "CLP Mercato" in favour of Poste Italiane S.p.A. The transaction will take effect on 1 July 2020.
- On 30 June 2020, the Board of Directors of SDA Express Courier S.p.A. approved the sale of 5% of the shares held in Consorzio Logistica e Pacchi S.c.p.A. to Poste Assicura S.p.A.. The transaction will take effect on 30 June 2020.

4. POSTE ITALIANE GROUP - FINANCIAL STATEMENTS AT 30 JUNE 2020

Posteitaliane

4.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)					
ASSETS	Note	30 June 2020	<i>of which related parties</i>	31 December 2019	<i>of which related parties</i>
Non-current assets					
Property, plant and equipment	[A1]	2,014	-	2,015	-
Investment property	[A2]	28	-	44	-
Intangible assets	[A3]	656	-	648	-
Right-of-use assets	[A4]	1,209	-	1,254	-
Investments accounted for using the equity method	[A5]	600	600	617	617
Financial assets	[A6]	201,331	3,881	194,207	4,522
Trade receivables	[A8]	5	-	5	-
Deferred tax assets	[C13]	1,503	-	1,199	-
Other receivables and assets	[A9]	3,570	1	3,729	1
Technical provisions attributable to reinsurers		56	-	58	-
Total		210,972		203,776	
Current assets					
Inventories	[A7]	173	-	140	-
Trade receivables	[A8]	2,334	747	2,166	664
Current tax assets	[C13]	272	-	52	-
Other receivables and assets	[A9]	1,048	3	938	2
Financial assets	[A6]	26,844	7,235	24,727	7,220
Cash and deposits attributable to BancoPosta	[A10]	4,222	-	4,303	-
Cash and cash equivalents	[A11]	5,337	1,979	2,149	495
Total		40,230		34,475	
TOTAL ASSETS		251,202		238,251	
LIABILITIES AND EQUITY					
Equity					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	1,721	-	2,646	-
Treasury shares		(40)	-	(40)	-
Retained earnings		5,881	-	5,786	-
Total equity attributable to owners of the Parent		8,868		9,698	
Equity attributable to non-controlling interests		6	-	-	-
Total		8,874		9,698	
Non-current liabilities					
Technical provisions for insurance business	[B5]	141,978	-	140,261	-
Provisions for risks and charges	[B6]	471	61	501	58
Employee termination benefits	[B7]	1,072	-	1,135	-
Financial liabilities	[B8]	19,589	237	13,964	132
Deferred tax liabilities	[C13]	898	-	887	-
Other liabilities	[B10]	1,449	-	1,525	-
Total		165,457		158,273	
Current liabilities					
Provisions for risks and charges	[B6]	808	9	717	12
Trade payables	[B9]	1,486	62	1,627	98
Current tax liabilities	[C13]	150	-	274	-
Other liabilities	[B10]	1,345	75	2,110	74
Financial liabilities	[B8]	73,082	2,966	65,552	4,820
Total		76,871		70,280	
TOTAL LIABILITIES AND EQUITY		251,202		238,251	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

	Note	For the six months ended 30 June 2020	of which, related party transactions	For the six months ended 30 June 2019	of which, related party transactions
Revenue from Mail, Parcels & other	[C1]	1,472	200	1,755	250
Revenue from Payments & Mobile	[C2]	337	14	306	26
Revenue from Financial Services	[C3]	2,535	989	2,664	1,013
Revenue from Insurance Services after movements in technical provisions and other claims expenses	[C4]	739	8	795	8
Insurance premium revenue		7,720	-	10,126	-
Income from insurance activities		1,559	8	3,264	8
Net change in technical provisions for insurance business and other claims expenses		(7,687)	-	(12,480)	-
Expenses from insurance activities		(853)	-	(115)	-
Net operating revenue		5,083		5,520	
Cost of goods and services	[C5]	1,149	89	1,080	87
Expenses from financial activities	[C6]	95	2	35	3
Personnel expenses	[C7]	2,632	40	2,832	23
Depreciation, amortisation and impairments	[C8]	339	-	381	-
Capitalised costs and expenses	[C9]	(18)	-	(14)	-
Other operating costs	[C10]	64	1	96	1
Impairment loss/(reversal) on debt instruments, receivables and other assets	[C11]	56	2	29	-
Operating profit/(loss)		766		1,081	
Finance costs	[C12]	35	2	40	-
Finance income	[C12]	53	-	54	-
Impairment loss/(reversal) on financial instruments		1	-	-	-
Profit/(Loss) on investments accounted for using the equity method	[A5]	(10)	-	4	-
Profit/(Loss) before tax		773		1,099	
Income tax expense	[C13]	227	-	336	-
NET PROFIT FOR THE PERIOD		546		763	
of which, attributable to owners of the Parent		546		763	
of which, attributable to non-controlling interests		-		-	
Earnings per share	[B1]	0.419		0.587	
Diluted earnings per share		0.419		0.587	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

	Note	1H 2020	FY 2019	1H 2019
Profit/(Loss) for the period		546	1,342	763
Items to be reclassified in the Statement of profit (loss) for the period				
FVOCI debt instruments				
Increase/(decrease) in fair value during the period	[tab. B4]	(1,176)	1,767	93
Transfers to profit or loss from realisation	[tab. B4]	(231)	(244)	(211)
Increase/(Decrease) for expected losses		7	(2)	3
Cash flow hedges				
Increase/(decrease) in fair value during the period	[tab. B4]	105	95	61
Transfers to profit or loss	[tab. B4]	(4)	(59)	(80)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit/(loss) for the period		372	(445)	39
Share of after-tax comprehensive income/(loss) of investees accounted for using the equity method		-	(1)	(1)
Items not to be reclassified in the Statement of profit/(loss) for the period				
FVOCI equity instruments				
Increase/(decrease) in fair value during the period		1	1	-
Transfers to equity		-	-	-
Actuarial gains/(losses) on employee termination benefits	[tab. B7]	-	(70)	(62)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit/(loss) for the period		-	20	18
Share of after-tax comprehensive income/(loss) of investees accounted for using the equity method		-	-	-
Total other comprehensive income		(926)	1,062	(140)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(380)	2,404	623
of which attributable to owners of the Parent		(380)	2,404	622
of which attributable to non-controlling interests		-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

	Equity										Total equity	
	Share capital	Treasury shares	Legal reserve	Reserves				Incentive plans reserve	Retained earnings	Total equity attributable to owners of the Parent		Equity attributable to non-controlling interests
BancoPosta RFC reserve				Fair value reserve	Cash flow hedge reserve	Reserve for investments accounted for using the equity method						
Balance at 1 January 2019	1,306	-	299	1,210	(69)	89	2	-	5,268	8,105	-	8,105
Total other comprehensive income for the period	-	-	-	-	(81)	(14)	(1)	-	719	623	-	623
Dividends paid	-	-	-	-	-	-	-	-	(574)	(574)	-	(574)
Other changes	-	(40)	-	-	-	-	-	-	-	(40)	-	(40)
Balance at 30 June 2019	1,306	(40)	299	1,210	(150)	75	1	-	5,413	8,114	-	8,114
Total other comprehensive income for the period	-	-	-	-	1,168	40	-	-	573	1,781	-	1,781
Interim dividend	-	-	-	-	-	-	-	-	(200)	(200)	-	(200)
Incentive plans	-	-	-	-	-	-	-	2	-	2	-	2
Other changes	-	-	-	-	-	-	1	-	-	1	-	1
Balance at 31 December 2019	1,306	(40)	299	1,210	1,018	115	2	2	5,786	9,698	-	9,698
Total other comprehensive income for the period	-	-	-	-	(998)	72	-	-	546	(380)	-	(380)
Dividends paid	-	-	-	-	-	-	-	-	(402)	(402)	-	(402)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	(48)	(48)	-	(48)
Incentive plans	-	-	-	-	-	-	-	1	-	1	-	1
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	6	6
Balance at 30 June 2020	1,306	(40)	299	1,210	20	187	2	3	5,881	8,868	6	8,874

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

	1H 2020	1H 2019
Unrestricted net cash and cash equivalents at the beginning of the period	1,265	1,639
Unrestricted net cash and cash equivalents at the beginning of the period	884	1,556
Cash and cash equivalents at the beginning of the period	2,149	3,195
Cash and cash equivalents at the beginning of the period	2,149	3,195
Result for the period	546	763
Depreciation, amortisation and impairments	339	381
Losses and impairment losses/(Reversals of impairment losses) on receivables	42	22
(Gains)/Losses on disposals	(1)	1
(Increase)/decrease in Inventories	(34)	(5)
(Increase)/Decrease Receivables and Other assets	(242)	(186)
Increase/(Decrease) Payables and Other liabilities	(1,248)	(190)
Change in provisions for risks and charges	61	(149)
Change in employee termination benefits and Provision for retirement benefits	(63)	(62)
Difference in accrued finance expenses and income (cash adjustment)	25	20
Other changes	98	(7)
Net cash flow from/(for) non-financial operating activities [a]	(477)	588
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance	8,392	9,273
Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring and insurance	(6,686)	(11,858)
(Income)/Expense and other non-cash components	(1,326)	(3,278)
Increase/(decrease) in net technical provisions for insurance business	2,095	4,793
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance [b]	2,475	(1,070)
Net cash flow from/(for) operating activities - of which related parties [c]=[a+b]	1,998	(482)
Net cash flow from/(for) operating activities - of which related parties	(1,222)	(7,752)
<i>Investing activities:</i>		
Property, plant and equipment, Inv. property and intangible assets	(209)	(230)
Investments	(2)	-
Other financial assets	(35)	(1)
<i>Disposals:</i>		
Property, plant and equipment, inv. property, intangible assets and assets held for sale	2	-
Investments	-	1
Other financial assets	7	23
Change in scope of consolidation	-	-
Net cash flow from/(for) investing activities - of which related parties [d]	(237)	(207)
Net cash flow from/(for) investing activities - of which related parties	(18)	19
Proceeds from/(Repayments of) borrowings	1,828	(367)
(Purchase)/Sale of treasury shares	-	(40)
Dividends paid	(402)	(574)
Other transactions with minority shareholders	1	-
Net cash flow from/(for) financing activities and shareholder transactions - of which related parties [e]	1,427	(981)
Net cash flow from/(for) financing activities and shareholder transactions - of which related parties	(260)	(364)
Net increase/(decrease) in cash [f]=[c+d+e]	3,188	(1,670)
Cash and cash equivalents at the end of the period	5,337	1,525
Cash and cash equivalents at the end of the period	5,337	1,525
Restricted cash and cash equivalents at the end of the period	(2,702)	(617)
Unrestricted net cash and cash equivalents at the end of the period	2,635	908

4.2 NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT (€2,014 million)

tab. A1 - Movements in property, plant and equipment

(€m)

	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	76	3,055	2,296	331	567	1,969	89	8,383
Accumulated depreciation	-	(1,984)	(1,886)	(283)	(350)	(1,777)	-	(6,290)
Impairment losses	-	(56)	(10)	(1)	(9)	(2)	-	(78)
Balance at 1 January 2020	76	1,015	400	37	208	190	89	2,015
Changes during the year								
Additions	-	9	11	4	8	19	22	73
Reclassifications	-	26	9	-	7	5	(32)	15
Disposals	-	-	-	-	-	-	-	-
Depreciation	-	(14)	(23)	(6)	(19)	(44)	-	(106)
(Impairment losses)/Reversal of impairment losses	-	19	-	-	(1)	-	-	18
Balance at 30 June 2020	-	40	(3)	(2)	(5)	(20)	(10)	-
Cost	76	3,133	2,307	335	582	1,975	79	8,487
Accumulated depreciation	-	(2,041)	(1,900)	(299)	(369)	(1,804)	-	(6,413)
Impairment losses	-	(37)	(10)	(1)	(10)	(2)	-	(60)
Balance at 30 June 2020	76	1,055	397	35	203	169	79	2,014

At 30 June 2020, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €42 million.

Investments of €73 million in the first half of 2020 consists largely of:

- €9 million mainly relating to extraordinary maintenance of post offices around the country and staff premises;
- €11 million for plants, including €7 million for the construction of plants related to buildings;
- €8 million invested in the upgrade of plant and the structure of properties held under lease;
- €19 million relating to "Other assets", of which €12 million incurred by the Parent Company was for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems (€7 million) and for the renewal of the owned fleet to carry out mail and distribution activities (€5 million). In addition, Postepay SpA has incurred investment of around €4 million in the purchase of electronic equipment for services relating to the telematic letter carrier (€2 million) and "PosteMobile Casa" devices (€2 million).

Reclassifications from Property, plant and equipment in progress amounted to €32 million and refer mainly to the purchase cost of assets that became available and ready for use during the period; in particular, they refer to the Parent Company for the completion of extraordinary renovations of owned properties (€17 million), improvements to leased properties (€7 million) and technological assets placed in the production cycle (€4 million).

With regard to the revision of the residual useful lives and residual values of the main categories of non-current assets, reference should be made to paragraph 2.4 - Use of estimates.

A2 - INVESTMENT PROPERTY (€28 million)

Investment property relates to service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993 and residential accommodation previously used by post office directors.

tab. A2 - Movements in investment property (€m)

	Balance at 30/06/2020
Cost	139
Accumulated depreciation	(95)
Impairment losses	-
Period opening balance	44
Period changes	
Additions	-
Reclassifications	(15)
Disposals	-
Depreciation	(1)
(Impairments)/Reversal of impairment losses	-
Total changes	(16)
Cost	80
Accumulated depreciation	(52)
Impairment losses	-
Period closing balance	28
Fair value at end of period	70

The fair value of investment property at 30 June 2020 includes €64 million representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company⁴⁵.

With regard to the revision of the residual useful lives and residual values of the main categories of non-current assets, reference should be made to paragraph 2.4 - Use of estimates.

⁴⁵ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation and other investment property qualify for level 3.

A3 - INTANGIBLE ASSETS (€656 million)

tab. A3 - Movements in intangible assets

(€m)

	Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Cost	3,354	221	120	106	3,801
Accumulated amortisation and impairments	(2,951)	-	(102)	(100)	(3,153)
Balance at 1 January 2020	403	221	18	6	648
Period changes					
Additions	60	76	5	-	141
Reclassifications	160	(160)	-	-	-
Transfers and disposals	-	(1)	-	-	(1)
Amortisation and impairments	(132)	-	-	(1)	(133)
Balance at 30 June 2020	88	(85)	5	(1)	7
Cost	3,574	136	125	106	3,942
Accumulated amortisation and impairments	(3,083)	-	(102)	(101)	(3,286)
Balance at 30 June 2020	492	136	23	5	656

Investments in the first half of 2020 amounts to €141 million, including about €16 million in software and the related expenses developed within the Group, primarily relating to personnel expenses (€13 million). Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

The increase in the item Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights totalling €60 million relates primarily to the entry into service of new software programmes and the acquisition of software licences.

The balance of intangible assets under construction includes activities conducted by the Parent Company, primarily regarding the development for software relating to the infrastructure platform (€58 million), for BancoPosta services (€31 million), for use in providing support to the sales network (€20 million) and for the postal products platform (€18 million).

During the period, the Group effected reclassifications from intangible assets under construction to industrial patents and intellectual property rights amounting to €160 million, reflecting the completion and commissioning of new software and the upgrade of existing software.

The breakdown of the item Goodwill is as follows:

tab. A3.1 - Goodwill

(€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Poste Welfare Servizi Srl	18	18
MLK Deliveries SpA	5	-
sender Italia Srl	-	-
Total	23	18

Goodwill allocated to the subsidiary, Poste Welfare Servizi Srl, has been tested for impairment as required by IAS 36. Based on the information available and the impairment tests conducted, there has been no need to recognise impairment losses on the goodwill recognised.

In the first half of 2020, the Parent Company acquired the subsidiaries MLK Deliveries SpA and sender Italia Srl; the provisional difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, valued in accordance with IFRS 3, is recorded

as goodwill of €4,475 thousand and €216 thousand, respectively, pending completion of the valuation process of the individual components of acquired assets. For details of the transactions, refer to paragraph 2.3 - Basis of consolidation.

A4 - RIGHT-OF-USE ASSETS (€1,209 million)

tab. A4 - Movements in right-of-use assets

(€m)

	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,285	136	19	43	1,482
Accumulated depreciation, amortisation and impairments	(146)	(61)	(5)	(16)	(227)
Balance at 1 January 2020	1,139	76	13	26	1,254
Period changes					
New contract acquisitions	56	21	1	-	78
Adjustments	2	1	(1)	-	2
Reclassifications	-	-	-	-	-
Contract terminations	(10)	-	-	-	(10)
Depreciation, amortisation and impairments	(73)	(33)	(3)	(6)	(115)
Balance at 30 June 2020	(25)	(11)	(3)	(6)	(45)
Cost	1,331	158	18	42	1,549
Accumulated depreciation, amortisation and impairments	(217)	(94)	(8)	(21)	(340)
Balance at 30 June 2020	1,114	64	10	21	1,209

Acquisitions in the period mainly refer to the Parent Company (€68 million) and concern new contracts and renewal of existing real estate contracts at the beginning of the year (€45 million) and the rental of company vehicles (€22 million). The item "Adjustments" refers to contractual changes during the period, e.g. for changes in duration due to extension, revision of economic conditions, etc.

A5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (€600 million)

tab. A5 - Investments (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Investments in associates	598	615
Investments in subsidiaries	2	2
Total	600	617

tab. 5.1 - Movements in investments (€m)

Investments	Balance at 01/01/2020	Increases / (Reductions)	Impairment losses		Balance at 30/06/2020
			accounted for using the equity method	Dividend adjustments	
in associates					
Anima Holding SpA	221	-	(10)	(8)	203
Fsia Investimenti Srl	393	2	-	-	395
Total associates	614	2	(10)	(8)	598
in subsidiaries					
Kipoint SpA	1	-	-	-	1
Indabox Srl	1	-	-	-	1
Total subsidiaries	2	-	-	-	2
Total	616	2	(10)	(8)	600

The item **Investments in associates** (accounted for using the equity method) refers to the companies Anima Holding and FSIA Investimenti Srl.

The changes in the first half of the year in the associate Anima Holding are due to a net negative adjustment to the carrying amount of about €18 million, of which:

- an increase of €9 million for the share of the economic results achieved by the investee company between 30 September 2019 and 31 March 2020, the date of the last financial statements available;
- an impairment adjustment of €19 million following the impairment test on the value of goodwill implicit in the value of the investment, which was carried out at 30 June 2020;
- a decrease of €8 million due to dividends received from the result for 2019.

The changes in the half-year of the associate FSIA Investimenti are mainly due to the capital contribution made by the Parent Company on 23 June 2020 for approximately €1.5 million.

A6 - FINANCIAL ASSETS (€228,175 million)

tab. A6 - Financial assets

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
	(€m)					
Financial assets at amortised cost	31,531	18,110	49,641	25,260	16,061	41,321
Financial assets at FVTOCI	133,267	8,409	141,676	131,560	8,284	139,844
Financial assets at FVTPL	36,423	313	36,736	37,318	378	37,696
Financial derivatives	110	12	122	69	4	73
Total	201,331	26,844	228,175	194,207	24,727	218,934

Financial assets by type of activity

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
	(€m)					
FINANCIAL SERVICES	63,315	21,792	85,107	58,285	18,092	76,377
Financial assets at amortised cost	29,767	17,835	47,602	23,637	15,765	39,402
Financial assets at FVTOCI	33,375	3,945	37,320	34,508	2,323	36,831
Financial assets at FVTPL	63	-	63	71	-	71
Financial derivatives	10	12	22	69	4	73
INSURANCE SERVICES	137,903	4,396	142,299	135,448	6,385	141,833
Financial assets at amortised cost	1,706	135	1,841	1,586	156	1,742
Financial assets at FVTOCI	99,837	3,948	103,785	96,615	5,851	102,466
Financial assets at FVTPL	36,360	313	36,673	37,247	378	37,625
Financial derivatives	-	-	-	-	-	-
POSTAL AND BUSINESS SERVICES	92	535	627	474	135	609
Financial assets at amortised cost	58	19	77	37	25	62
Financial assets at FVTOCI	34	516	550	437	110	547
Financial assets at FVTPL	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-
PAYMENT SERVICES AND CARD PAYMENTS	21	121	142	-	115	115
Financial assets at amortised cost	-	121	121	-	115	115
Financial assets at FVTOCI	21	-	21	-	-	-
Total	201,331	26,844	228,175	194,207	24,727	218,934

Financial assets break down as follows by type of activity:

- Financial Services, relate primarily to the financial assets of BancoPosta RFC and the company, BancoPosta Fondi SpA SGR;
- Insurance Services, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Postal and business services, representing all the other financial assets held by the Parent Company (different from those held by BancoPosta) and the other financial assets held by companies that provide postal and business services;
- Payment Services and Card Payments, representing the financial assets held by the ring-fenced EMI.

FINANCIAL SERVICES

Financial assets at amortised cost

tab. A6.1 - Movements in financial assets at amortised cost

	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2020	14,338	25,064	39,402
Purchases		6,169	6,169
Changes in amortised cost	-	(41)	(41)
Transfers to equity reserves	-	1	1
Changes in fair value through profit or loss	(1)	1,666	1,665
Changes in cash flow hedges transactions (*)	-	-	-
Changes in impairment	-	(7)	(7)
Net changes	1,162		1,162
Effects of sales on profit or loss	-	(9)	(9)
Accruals	-	228	228
Sales, redemptions and settlement of accruals		(968)	(968)
Balance at 30 June 2020	15,499	32,103	47,602

(*) The item, "Changes in cash flow hedges transactions", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Loans and receivables

tab. A6.1.1 - Loans and receivables at amortised cost

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	-	925	925	-	1,158	1,158
Receivables	-	14,574	14,574	-	13,180	13,180
Deposits with the MEF	-	6,245	6,245	-	7,064	7,064
Receivables	-	6,248	6,248	-	7,066	7,066
Provisions for doubtful amounts deposited with MEF	-	(4)	(4)	-	(3)	(3)
Other financial receivables	-	8,329	8,329	-	6,116	6,116
Total	-	15,499	15,499	-	14,338	14,338

The item **Loans** refers to outstanding repurchase agreements entered into with Cassa di Compensazione e Garanzia SpA (the Central Counterparty)⁴⁶. These transactions are guaranteed by government securities for a total nominal value of €900 million.

The item **Receivables** includes:

- **Deposits with the MEF**, including public customers' postal current account deposits, which earn a variable rate of return, calculated on a basket of government securities and money market indices⁴⁷. The deposit has been adjusted to reflect a provision for doubtful amounts of approximately €4 million, to reflect the risk of counterparty default. During the first half of 2020, the Parent Company entered into hedging derivative contracts (operating) of the 10-year indexed component to which the remuneration of Public Administration funding is linked through forward purchases of government securities for a nominal value of €165 million.

⁴⁶ The Central Counterparty is an entity that acts as an intermediary in a transaction between two parties, avoiding the parties' exposure to the risk that one of the counterparties to the agreement may default and guaranteeing successful completion of the transaction.

⁴⁷ The floating rate in question is calculated as follows: 50% is based on the return on 6-month BOTs, with the remaining 50% based on the ten-year BTP return.

- **Other financial receivables** include: guarantee deposits of €7,887 million, including €7,413 million for amounts paid to counterparties with whom interest rate swaps are executed (collateral provided by special Credit Support Annexes), €324 million for amounts paid as collateral in connection with the Clearing System with Central Counterparties (Default Fund)⁴⁸ and €150 million for amounts paid to counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements).

Fixed income instruments

These are euro area fixed income instruments held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €25,397 million. Their carrying amount of €32,103 million reflects the amortised cost of unhedged fixed income instruments, totalling €12,359 million, the amortised cost of fair value hedged fixed income instruments, totalling €15,238 million, increased by €4,506 million to take into account the effects of the hedge. Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 30 June 2020 amount to approximately €15 million (€8 million at 31 December 2019).

At 30 June 2020, the fair value⁴⁹ of these securities was €30,505 million (including €228 million in accrued income).

The change in fair value in profit or loss for the positive amount of €1,666 million refers to changes in the value of the securities subject to fair value hedge during the period.

This category of financials asset includes fixed rate instruments, nominal €3,750 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 30 June 2020, their carrying amount totals €4,040 million).

⁴⁸ A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

⁴⁹ In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €26,409 million of the total amount qualifies for inclusion in level 1 and €4,096 million for inclusion in level 2.

Financial assets at fair value through other comprehensive income

tab. A6.2 - Movements in financial assets at FVTOCI

(€m)

	Fixed income instruments
Balance at 1 January 2020	36,831
Purchases	9,614
Transfers to equity reserves	(219)
Changes in amortised cost	(18)
Fair value gains and losses through equity	(1,170)
Changes in fair value through profit or loss	1,625
Changes in cash flow hedges transactions (*)	(19)
Effects of sales on profit or loss	243
Accruals	291
Sales, redemptions and settlement of accrued income	(9,858)
Balance at 30 June 2020	37,320

(*) The item, "Changes in cash flow hedges transactions", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

These are euro area fixed income instruments held primarily by BancoPosta RFC, consisting of government securities issued by the Italian government with a nominal value of €31,588 million.

Total fair value gains for the period amount to €455 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (negative amount of €1,170 million) and recognised through profit or loss in relation to the hedged portion (positive amount of €1,625 million).

Accumulated impairments at 30 June 2020 amount to €18 million (€11 million at 31 December 2019).

Financial assets at fair value through profit or loss

tab. A6.3 - Movements in financial assets at FVTPL

(€m)

	Receivables	Equity instruments	Total
Balance at 1 January 2020	-	71	71
Purchases	-	-	-
Changes in fair value through profit or loss	-	(8)	(8)
Net changes	-	-	-
Accruals	-	-	-
Effects of sales on profit or loss	-	-	-
Sales/Settlement of accrued income	-	-	-
Balance at 30 June 2020	-	63	63

This item, totalling €63 million, reflects the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016. These shares are convertible at the rate of 13,722⁵⁰ ordinary shares for each C share,

⁵⁰ Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.

minus a suitable illiquidity discount⁵¹. Fair value losses in the period under review, amounting to €8 million, have been recognised in profit or loss in "Expenses from financial activities".

In 2019, the Parent Company entered into a forward sale agreement for 400,000 ordinary Visa Incorporated shares at a price of US\$153.46 per share and at an exchange rate of 1.2037. The total consideration is €51 million and the settlement date is 1 March 2021. The ordinary shares involved in the forward sale amount to approximately 29,150 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 30 June 2020. The fair value of the forward sale is negative by €2 million in the reporting period, reflecting movements in both the market price of the shares in US dollars and the euro/dollar exchange rate (tab. A6.4). This reduction has been recognised in profit or loss in "Expenses from financial activities". At 30 June 2020, the derivative in question has negative fair value of €17 million.

Financial derivatives

tab. A6.4 - Movements in financial derivatives

	(€m)													
	Cash flow hedges						Fair value hedges				FVTPL		Total	
	Forward purchases		Forward sales		Interest rate swaps		Interest rate swaps		Forward purchases		Forward sales		nominal	fair value
nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value			
Balance at 1 January 2020	-	-	1,280	(36)	1,670	(4)	25,690	(5,439)	-	-	-	-	28,640	(5,494)
Increases/(decreases) *	100	2	-	17	50	86	3,684	(3,293)	165	3	-	(2)	3,999	(3,187)
Gains/(Losses) through profit or loss **	-	-	-	-	-	-	-	(3)	-	-	-	-	-	(3)
Transactions settled ***	-	-	(1,280)	19	-	(15)	(2,160)	431	-	-	-	-	(3,440)	436
Balance at 30 June 2020	100	2	-	-	1,720	67	27,214	(8,304)	165	3	-	(17)	29,199	(8,248)
Of which:														
Derivative assets	100	2	-	-	1,180	116	115	-	110	4	-	-	1,505	122
Derivative liabilities	-	-	-	-	540	(49)	27,099	(8,304)	55	(1)	-	(17)	27,694	(8,370)

* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

** Gains/(losses) through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.

*** Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

Cash flow hedges in the form of interest rate swaps and forward purchases relate to instruments classified as FVTOCI, with nominal values of €1,720 million and €100 million, respectively.

In the period, cash flow interest rate risk hedges recorded a total fair value gain of €105 million on the effective portion, reflected in the cash flow hedge reserve.

Fair value hedges in the form of interest rate swaps regard securities classified as at amortised cost, with a nominal value of €13,640 million, and instruments securities as FVTOCI, with a nominal value of €13,574 million.

Fair value hedging instruments underwent a net negative effective change in fair value of €3,293 million in the first half.

In the period under review, the Parent Company carried out the following transactions:

- the settlement of forward sales outstanding at 31 December 2019, totalling €1,280 million;
- the conclusion of new fair value interest rate swaps with a nominal value of €3,684 million;
- the unwinding of fair value interest rate swaps hedging securities that have been sold, with a notional amount of €2,160 million.

⁵¹ These shares can be converted into several tranches starting from the fourth year after closing and up to the twelfth year. On 21 June 2020, (fourth year after closing) the process began for determining the proportion of convertibility and the related rate of Visa Incorporated Series C Convertible Participating Preferred Stock Shares. The process will be completed during the third quarter of 2020.

INSURANCE SERVICES

Financial assets at amortised cost

tab. A6.5 - Movements in financial assets at amortised cost

	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2020	13	1,729	1,742
Purchases		140	140
Changes in amortised cost	-	2	2
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges (*)	-	-	-
Changes in impairment			-
Net changes	18		18
Effects of sales on profit or loss	-	-	-
Accruals	-	18	18
Sales, redemptions and settlement of accruals		(79)	(79)
Balance at 30 June 2020	31	1,810	1,841

Receivables

Financial receivables of €31 million regard receivables for management commissions of Poste Vita internal funds and receivables for portions of funds sold but not yet collected.

Fixed income instruments

Fixed income instruments exclusively regard the free capital of Poste Vita SpA and Poste Assicura SpA. At 30 June 2020, the fair value⁵² of these instruments is €2,038 million. These instruments are adjusted to take into account the related impairments, with accumulated impairments at 30 June 2020 amounting to approximately €1 million.

Financial assets at fair value through other comprehensive income

tab. A6.6 - Movements in financial assets at FVTOCI

	Fixed income instruments	Other instruments	Total
Balance at 1 January 2020	101,927	539	102,466
Purchases	12,338	-	12,338
Transfers to equity reserves	(136)	-	(136)
Changes in amortised cost	75	-	75
Changes in fair value through equity	(238)	(7)	(245)
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges (*)	-	-	-
Effects of sales on profit or loss	19	-	19
Accruals	724	-	724
Sales, redemptions and settlement of accruals	(11,456)	-	(11,456)
Balance at 30 June 2020	103,253	532	103,785

These financial instruments have recorded net fair value losses of €245 million. This includes €242 million deriving primarily from net losses from valuation of securities held by Poste Vita SpA and transferred to policyholders, with a contra-entry made in technical provisions in accordance with the shadow accounting method, and a portion of €3 million reflected in a matching negative change in the related equity reserve.

⁵² In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €1,739 million of the total amount qualifies for inclusion in level 1 and €299 million for inclusion in level 2.

Fixed income instruments

At 30 June 2020, fixed income instruments relate primarily to investments held by Poste Vita SpA, totalling €103,253 million (a nominal value of €93,172 million) and issued by European governments and leading European companies. These instruments are mainly intended to cover separately managed accounts, where gains and losses are transferred in full to policyholders and recognised in technical provisions using the shadow accounting method. This item comprises bonds issued by CDP SpA, with a fair value of €754 million. Accumulated impairments at 30 June 2020 amount to approximately €56 million, almost entirely transferred to policyholders using the shadow accounting method.

Other investments

At 30 June 2020, Other investments consist of a Cassa Depositi e Prestiti private placement of a Constant Maturity Swap, classified at FVTOCI, amounts to €532 million. Fair value losses registered during the period, totalling €7 million, have been transferred to policyholders using the shadow accounting method.

Financial assets at fair value through profit or loss

tab. A6.7 - Movements in financial assets at FVTPL

	Receivables	Fixed income instruments	Other instruments	Equity instruments	Other instruments	Total
Balance at 1 January 2020	-	1,499	35,928	177	21	37,625
Purchases	-	345	2,875	103	-	3,323
Changes in fair value through profit or loss	-	(75)	(471)	(22)	-	(568)
Net changes	-	-	-	-	-	-
Effects of sales on profit or loss	-	(3)	(46)	(11)	-	(60)
Accruals	-	19	-	-	-	19
Sales, redeptions and settlement of accruals	-	(247)	(3,336)	(83)	-	(3,666)
Balance at 30 June 2020	-	1,538	34,950	164	21	36,673

Fixed income instruments

At 30 June 2020, fixed income instruments, amounting to €1,538 million, consisted of €1,483 million in corporate instruments issued by primary issuers and €55 million in stripped Zero Coupon BTPs. The financial instruments in question are used to hedge products connected to separately managed accounts for €1,136 million, €288 million to cover Class III policies and the remaining €59 million refer to the Company's free capital.

Units of mutual investment funds

At 30 June 2020, units of mutual investment funds amounting to €34,950 million are used to cover Class I products (€31,306 million) and Class III products (€3,638 million); the remaining relates to investment of the company's free capital (€6 million); in this regard, refer also to as indicated in Note 11 - *Additional information - Unconsolidated structured entities*. Net divestments in the funds during the period amounts to €461 million and the fair value has decreased by approximately €471 million, almost entirely transferred to policyholders using the shadow accounting method.

At 30 June 2020, the investments which primarily regard equity funds total €32,197 million, units in mutual real estate funds total €1,692 million, and mutual funds that primarily invest in bonds total €1,061 million.

Equity instruments

Equity instruments amount to €164 million, and cover the contractual obligations arising on Class I products linked to separately managed accounts and Class III policies. The change over the period mainly reflects the combined effect of net investments of approximately €20 million and the fair value losses of approximately €22 million.

Other investments

Other investments of €21 million relate to a Constant Maturity Swap placed by Cassa Depositi e Prestiti (a nominal value of €22 million) and covering products linked to separately managed accounts.

POSTAL AND BUSINESS SERVICES

Financial assets at amortised cost

tab. A6.8 - Loans and receivables at amortised cost

(€m)

	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	21	-	21	-	-	-
Receivables	37	19	56	37	25	62
Guarantee deposits	-	17	17	-	23	23
Amounts due from the purchasers of service accommodati	3	2	5	4	2	6
Amounts due from others	34	20	54	33	20	53
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)
Total	58	19	77	37	25	62

The item **Loans** of €21 million refers to the loan granted to the associate FSIA Investimenti Srl on 23 June 2020 and repayable in one instalment on 29 September 2023.

Guarantee deposits relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

Amounts due from others, with a nominal value of €50 million, regard the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA on 7 August 2017.

Financial assets at fair value through other comprehensive income

tab. A6.9 - Movements in financial assets at FVTOCI

(€m)

	Fixed income instruments	Equity instruments	Total
Balance at 1 January 2020	524	23	547
Purchases	-	15	15
Transfers to equity reserves	-	-	-
Changes in amortised cost	-	-	-
Changes in fair value through equity	(3)	1	(2)
Changes in fair value through profit or loss	(5)	-	(5)
Changes in cash flow hedges (*)	-	-	-
Effects of sales on profit or loss	-	-	-
Accruals	5	-	5
Sales, redemptions and settlement of accruals	(5)	(5)	(10)
Balance at 30 June 2020	516	34	550

Fixed income instruments

This item regards BTPs with a total nominal value of €500 million. Of these, instruments with a value of €375 million have been hedged using interest rate swaps designated as fair value hedges.

Equity instruments

The item includes:

- for €75 million the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and written off in 2014;
- €24 million in MFM Investments Ltd, acquired on 9 August 2019 for the first tranche of €15 million and on 13 May 2020 for the second tranche of €9 million;

- €5 million for the investment in sennder GmbH acquired on 11 November 2019;
- €5 million for the investment in Milkman SpA acquired on 24 April 2020.

Lastly, on 9 April 2020, the company, Innovazione e Progetti ScpA, which was already in liquidation, was removed from the Register of Companies.

Corporate actions in the half-year 2020, are described in note 3.1 - Principal corporate actions.

Financial assets at fair value through profit or loss

This item consists of participating financial instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes⁵³, whose value at 30 June 2020 is zero.

⁵³ 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 for 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. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into participating financial instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same property rights associated with the Notes.

Financial derivatives

tab. A6.10 - Movements in financial derivatives

(€m)

	1H 2020			Total
	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	
Balance at 1 January 2020	(6)	(16)	-	(22)
Increases/(decreases)	-	-	1	1
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled (*)	(1)	5	-	4
Balance at 30 June 2020	(7)	(11)	1	(17)
of which:				
Derivative assets	-	-	1	1
Derivative liabilities	(7)	(11)	-	(18)

* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 30 June 2020, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B8 - *Financial liabilities*); with this transaction, the Parent Company assumed the obligation to pay the fixed rate of 4.035% and sold the floating rate of the bond, which at 30 June 2020 was 0.953%;
- nine interest rate swaps used as fair value hedges in 2010 to protect the value of BTPs with a notional amount of €375 million. These instruments have enabled the Parent Company to sell the fixed rate on the securities of 3.75% and purchase a floating rate;
- three swap contracts entered into by the Parent Company during the first half of 2020 to cover the cost of fuel for the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl, during the three-year period 2020-2022.

PAYMENT SERVICES AND CARD PAYMENTS

Financial assets at amortised cost

Financial assets at amortised cost refer solely to financial receivables due to the ring-fenced EMI, amounting to €121 million.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income refer entirely to the investment in Tink AB for an amount of €21 million (see also Note 3.1 - *Principal corporate actions*).

A7 - INVENTORIES (€173 million)

tab. A7 - Inventories

Description	Balance at 31/12/2019	Increase / (decrease)	Balance at 30/06/2020
Properties held for sale	123	3	126
Work in progress, semi-finished and finished goods and goods for resale	9	-	9
Raw, ancillary and consumable materials	8	30	38
Total	140	33	173

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value⁵⁴ at 30 June 2020 amounts to approximately €297 million.

The change in raw, ancillary and consumable materials mainly refers to protective equipment, disinfectant gel and other materials purchased during the first half of the year and which will be used in the coming months.

A8 - TRADE RECEIVABLES (€2,339 million)

tab. A8 - Trade receivables

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Amounts due from customers	5	2,144	2,149	5	2,113	2,118
Amounts due from Parent company (MEF)	-	183	183	-	45	45
Amounts due from subsidiaries, associates and joint ventures	-	1	1	-	1	1
Prepayments to suppliers	-	6	6	-	7	7
Total	5	2,334	2,339	5	2,166	2,171

Amounts due from customers

tab. A8.1 - Amounts due from customers

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	-	456	456	-	520	520
Cassa Depositi e Prestiti	-	440	440	-	451	451
Parcel express courier and express parcel services	-	537	537	-	327	327
Overseas counterparties	-	419	419	-	357	357
Unfranked mail delivered and other value added services	17	235	252	17	240	257
Overdraw n current accounts	-	38	38	-	38	38
Amounts due for other BancoPosta services	-	115	115	-	105	105
Property management	-	10	10	-	8	8
Other trade receivables	1	455	456	1	579	580
Provisions for doubtful debts due from customers	(13)	(561)	(574)	(13)	(512)	(525)
Total	5	2,144	2,149	5	2,113	2,118

Specifically⁵⁵:

Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:

- Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €151 million.
- Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the Ministry for Economic Development, totalling €80 million⁵⁶, including €62

⁵⁴ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 3.

⁵⁵ At 30 June 2020, the balance of trade receivables includes €11 million, net of the related provisions for doubtful debts, relating to rental income falling within the scope of IFRS 15 – *Revenue from Contracts with Customers*.

million involved in legal action brought by Poste Italiane in order to claim sundry costs resulting from the use of properties. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MiSE and the latter appealed before the Court of Appeal with a hearing, to date, set for 30 November 2020.

- Unfranked mail services provided on credit, totalling €63 million, to central and local government authorities.
- Compensation for the discounts applied to publishers, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office - Publishing department), amounting to €38 million, of which €12 million accrued in the half-year. Of these receivables, approximately €13 million were not covered in the State Budget and were fully written down.
- The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €21 million.

In general, there are delays in collecting amounts due from central and local government authorities due primarily to the fact that no provision has been made in the related budgets or to the execution of contracts or agreements. In this regard, actions continue aimed at renewing expired agreements⁵⁷ and soliciting requests for appropriations.

Provisions for doubtful debts due from customers are described in Note 5 - Risk management.

Amounts due from Parent company (MEF)

tab. A8.2 - Amounts due from the Parent Company (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Universal Service	162	31
Delegated services	29	28
Remuneration of current account deposits	21	15
Publisher tariff and electoral subsidies	1	1
Other	3	2
Provision for doubtful debts due from the Parent Company	(33)	(32)
Total	183	45

⁵⁶ See "Revenue and receivables due from the State", showing overall amounts due from the Ministry for Economic Development (€81 million), including amounts due for postal and other services.

⁵⁷ The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.

Universal Service compensation includes:

tab. A8.2.1 - Universal Service compensation receivable (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Fist half 2020	131	-
Remaining balance for 2012	23	23
Remaining balance for 2005	8	8
Total	162	31

During the first half of 2020, receivables totalling €131 million had accrued and had not yet been collected at 30 June 2020. The amount of the compensation was recognised on the basis of as defined in the new 2020-2024 Contratto di Programma (Service Contract), in force since 1 January 2020, for which the procedure for approval by the European Commission is in progress.

- Payments for **delegated services** relate to fees accrued solely in the half-year under review for treasury services performed by BancoPosta on behalf of the State in accordance with a specific agreement with the MEF signed on 22 May 2020 for the three-year period 2020-2022.
- The **remuneration of current account deposits** refers entirely to amounts accruing during the period and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.

Provisions for doubtful debts due from the Parent Company are described in Note 5 - Risk management.

A9 - OTHER RECEIVABLES AND ASSETS (€4,618 million)

tab. A9 - Other receivables and assets (€m)

Description	Note	Balance at 30/06/2020			Balance at 31/12/2019		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		3,487	591	4,078	3,645	548	4,193
Amounts due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	149	149	-	94	94
Receivables relating to fixed-term contract settlements		61	80	141	66	81	147
Receivables for amounts that cannot be drawn on due to court rulings		-	81	81	-	79	79
Accrued income and prepaid expenses from trading transactions		-	17	17	-	12	12
Tax assets		-	15	15	-	17	17
Interest accrued on IRES refund		-	47	47	-	47	47
Interest accrued on IRAP refund		-	-	-	-	-	-
Sundry receivables		23	204	227	19	205	224
Provisions for doubtful debts due from others		(1)	(136)	(137)	(1)	(145)	(146)
Total		3,570	1,048	4,618	3,729	938	4,667

Specifically:

- **Substitute tax paid** refers mainly to:
 - €2,185 million on non-current receivables paid in advance by Poste Vita SpA for the financial years 2014-2019, relating to withholding and substitute tax paid on capital gains on life policies⁵⁸;
 - €1,300 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 30 June 2020⁵⁹; this amount is balanced by a matching entry in

⁵⁸ Of the total amount, €65 million, assessed on the basis of provisions at 30 June 2020, has yet to be paid and is accounted for in "Other tax payables" (tab. B10.3).

⁵⁹ Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided

"Other tax payables" until expiration or early termination of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);

- €496 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2020 and 2021 and to be recovered from customers by Poste Italiane.
- Receivables relating to **fixed-term contract settlements** consist of salaries to be recovered following the agreements between Poste Italiane SpA and the trade unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of €141 million due from staff, from INPS and pension funds. Specifically, the item includes a receivable from INPS (formerly IPOST) of €42 million, considered to be fully collectable, consisting of six instalments of €6.9 million each falling due between 30 June 2012 and 31 December 2014; negotiations are underway for the recovery of the same and, in case of negative outcome, Poste Italiane reserves the right to take all necessary measures for the best protection of its rights.
- Amounts due from **social security agencies and pension funds** refer for €48 million to sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and which, following access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the trade union agreement of 30 April 2020, will be recovered by means of an adjustment with the contributions due to the Social Security Agency.
- **Amounts that cannot be drawn on due to court rulings** include €68 million in amounts seized and not assigned to creditors, in the process of recovery, and €13 million in amounts stolen from the Poste Italiane SpA in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed. The risks associated with collection of these items are taken into account in the provisions for doubtful debts due from others.
- **Interest accrued on IRES refund**, refers to interest accruing up to 30 June 2020 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on cost of labour and almost entirely attributable to the Parent Company. With regard to the remaining overall tax credit, amounting to €55 million, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the tax authorities in Rome to refund the amounts claimed. The tax authorities appealed both rulings before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the tax authorities' appeal against one of the rulings. Poste Italiane has appealed this ruling before the Supreme Court of Cassation. In the last quarter of 2019, however, the Court of Cassation had the opportunity to rule on other proceedings concerning the operation of the reimbursement pursuant to Law Decree no. 201/11; with respect to the judgement issued, there is a homogeneity of legal-formal circumstances that lead to the conclusion that the principle of law, referred to in the aforementioned judgement of the Court of legitimacy, can also have its effects in existing judgements. Elements of uncertainty about the final outcome of the case are taken into account in the provision for doubtful debts due from others.

Provisions for doubtful debts due from others are described in Note 5 - Risk management.

for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree no. 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

A10 - CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA (€4,222 million)

tab. A10 - Cash and deposits attributable to BancoPosta (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Cash and cash equivalents in hand	2,062	3,487
Bank deposits	2,160	816
Total	4,222	4,303

This item relates exclusively to BancoPosta RFC assets.

The cash and cash equivalents in hand are derived from deposits made in postal current accounts and postal savings products (subscription of Interest-bearing Postal Certificates and payments into post office savings books), or from advances withdrawn from the Italian Treasury to guarantee the operations of post offices. These funds, which are held at post offices (€892 million) and at service⁶⁰ companies (€1,170 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. Bank deposits relate to BancoPosta RFC's operations and include amounts deposited in an account with the Bank of Italy to be used in interbank settlements.

A11 - CASH AND CASH EQUIVALENTS €5,337 million

tab. A11 - Cash and cash equivalents (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Bank deposits and amounts held at the Italian Treasury	3,332	1,638
Deposits with the MEF	1,979	495
Cash and cash equivalents in hand	26	16
Total	5,337	2,149

At 30 June 2020, the item includes restricted cash of approximately €2,702 million, including €1,766 million in liquidity covering technical provisions for the insurance business, €902 million in amounts deposited with the MEF in a buffer account, consisting of customer deposits subject to restrictions on their use, €20 million restricted as a result of judicial measures relating to disputes of various kinds and €14 million for cash received on delivery and other restrictions.

⁶⁰ They carry out transport and custody of valuables awaiting payment to the Italian Treasury.

EQUITY

B1 - EQUITY (€8,874 million)

The following table shows the reconciliation of the Parent Company's equity and profit for the period and consolidated equity and profit for the period:

tab. B1 - Reconciliation of equity

(€m)

	Equity at 30/06/2020	Changes in equity 1H 2020	Result 1H 2020	Equity at 31/12/2019
Financial statements of Poste Italiane SpA	5,280	(1,323)	275	6,328
- Profit (loss) of consolidated companies	5,621	-	433	5,188
- Investments accounted for using the equity method	105	-	(10)	115
- Balance of FV and CFH reserves of investee companies	15	(4)	-	19
- Actuarial gains and losses on employee termination benefits of investee companies	(5)	-	-	(5)
- Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	(33)	-	1	(34)
- Effects of contributions and transfers of business units between Group companies	(70)	-	-	(70)
- Effects of intercompany transactions (including dividends)	(2,397)	-	(164)	(2,233)
- Elimination of adjustments to value of consolidated companies	594	-	11	583
- Amortisation until 1 January 2004/impairment of goodwill	(138)	-	-	(138)
- Impairments of disposal groups	(40)	-	-	(40)
- Recognition of liabilities for call options	(49)	(49)	-	-
- Other consolidation adjustments	(15)	-	-	(15)
Equity attributable to owners of the Parent	8,868	(1,376)	546	9,698
- Equity attributable to non-controlling interests (excluding net profit/(loss))	6	6	-	-
- Net profit/(loss) attributable to non-controlling interests	-	-	-	-
Equity attributable to non-controlling interests	6	6	-	-
TOTAL CONSOLIDATED EQUITY	8,874	(1,370)	546	9,698

At 30 June 2020, earnings per share is €0.419 (€0.587 at 30 June 2019).

B2 - SHARE CAPITAL (€1,306 million)

The share capital of Poste Italiane SpA consists of 1,306,110,000 no-par value ordinary shares.

At 30 June 2020, the Parent Company holds 5,257,965 of its treasury shares (equal to 0.4026% of the share capital). All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B3 - SHAREHOLDER TRANSACTIONS

As approved by the General Meeting of Shareholders of 15 May 2020, on 24 June 2020, the Parent Company distributed dividends of €402 million (dividend per share equal to €0.309) as the balance for 2019, taking into account the interim dividend of €200 million (dividend per share equal to €0.154) already paid in November 2019.

B4 - RESERVES (€1,721 million)

tab. B4 - Reserves

(€m)

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investments accounted for using the equity method	Incentive plans reserve	Total
Balance at 1 January 2020	299	1,210	1,018	115	2	2	2,646
Increases/(decreases) in fair value during the year	-	-	(1,175)	105	-	-	(1,070)
Tax effect of changes in fair value	-	-	335	(30)	-	-	305
Transfers to profit or loss from realisation	-	-	(231)	(4)	-	-	(235)
Tax effect of transfers to profit or loss	-	-	66	1	-	-	67
Increase/(Decrease) for expected losses	-	-	7	-	-	-	7
Share of after-tax comprehensive income/(loss) of investees accounted for using the equity method	-	-	-	-	-	-	-
Gains/(losses) recognised in equity	-	-	(998)	72	-	-	(926)
Reserves related to disposal groups and liabilities held for sale	-	-	-	-	-	-	-
Incentive plans	-	-	-	-	-	1	1
Other changes	-	-	-	-	-	-	-
Balance at 30 June 2020	299	1,210	20	187	2	3	1,721

The **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. Fair value losses in the first half of 2020, totalling €1,175 million, regard:

- a net decrease of €1,170 million in financial assets attributable to the Group's Financial Services;
- a net decrease of €3 million in financial assets attributable to the Group's Insurance Services;
- a net decrease of €2 million in financial assets attributable to the Group's Postal and Business Services.

The **cash flow hedge reserve** reflects changes in the fair value of the effective portion of cash flow hedges. In the first half of 2020, fair value gains of €105 million were attributable primarily to the value of BancoPosta RFC financial derivatives.

The **Incentive Plans reserve** includes the estimate of the valuations for the period relating to the long-term "ILT Performance Share" incentive plan and the MBO short-term incentive plan, carried out on the basis of the provisions of IFRS 2.

LIABILITIES

B5 - TECHNICAL PROVISIONS FOR INSURANCE BUSINESS (€141,978 million)

These provisions refer to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method, as follows:

tab. B5 - Technical provisions for insurance business

(€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Mathematical provisions	125,741	123,820
Outstanding claims provisions	1,074	663
Technical provisions where investment risk is transferred to policyholders	4,238	3,930
Other provisions	10,697	11,641
for operating costs	75	79
for deferred liabilities to policyholders	10,622	11,562
Technical non-life provisions	228	207
Total	141,978	140,261

The **provisions for deferred liabilities to policyholders** include portions of gains and losses attributable to policyholders under the shadow accounting method.

Details of the net change in technical provisions for insurance business and other claim expenses are provided in the notes to the consolidated statement of profit or loss.

B6 - PROVISIONS FOR RISKS AND CHARGES (€1,279 million)

tab. B6 - Movements in Provisions for risks and charges 1H 2020

(€m)

Description	Balance at 1 January 2020	Provisions	Finance costs	Transfers to profit or loss	Uses	Balance at 30/06/2020
Provisions for operational risk	241	7	-	(20)	(17)	211
Provisions for disputes with third parties	313	7	-	(23)	(6)	291
Provisions for disputes with staff (1)	54	11	-	-	(6)	59
Provisions for personnel expenses	68	221	-	(2)	(11)	276
Provisions for early retirement incentives	421	-	-	-	(92)	329
Provisions for taxation/social security contributions	22	1	-	-	(3)	20
Other provisions for risks and charges	99	1	-	(3)	(4)	93
Total	1,218	248	-	(48)	(139)	1,279
Overall analysis of provisions for risks and charges:						
- non-current portion	501					471
- current portion	717					808
	<u>1,218</u>					<u>1,279</u>

(1) Net provisions for personnel expenses amount to €9 million. Service costs (legal assistance) amounted to about €2 million.

Specifically:

- **Provisions for operational risk** primarily relate to operational risks arising from the Group's financial services, for which BancoPosta is responsible. Provisions for the period mainly reflect risks associated with the distribution of postal savings products issued in previous years and expenses to be incurred as a result of seizures suffered by BancoPosta as a third party. Absorption in the statement of profit or loss is

due to the elimination of liabilities identified in the past and refers mainly to the voluntary protection initiative, undertaken and concluded during 2019, for the Europa Immobiliare I fund. Uses are mainly attributable to risks associated with the distribution of postal savings products.

- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the period primarily regard updated estimates of liabilities and uses to cover the value of disputes settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. Net provisions of €11 million regard an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to personnel expenses, certain or probable. It increased during the period by the estimated amount of new liabilities (€221 million), and decreased as a result of defined liabilities (€11 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the trade unions for a determinate number of employees who will leave the Company by 31 December 2021. Provisions totalling €92 million were used during the first half.

B7 - EMPLOYEE TERMINATION BENEFITS (€1,072 million)

tab. B7 - Movements in provisions for employee termination benefits (€m)

	1H 2020
Balance at 1 January	1,135
Current service cost	-
Interest component	4
Effect of actuarial (gains)/losses	-
Uses for the period	(67)
Reductions following CTD 2012 and 2013 agreements	-
Adjustments	-
Reclassifications	-
Period closing balance	1,072

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs.

The main actuarial assumptions applied in calculating **employee termination benefits**, are as follows:

tab. B7.1 - Economic and financial assumptions

	30/06/2020	31/12/2019
Discount rate	0.450%	0.550%
Inflation rate	1.500%	1.500%
Annual rate of increase of employee termination benefits	2.625%	2.625%

tab. B7.2 - Demographic assumptions

	30/06/2020
Mortality	ISTAT 2018 differentiated by gender
Disability	INPS 1998 table differentiated by gender
Rate of employee turnover	Specific table with rates differentiated by length of service
Advance rate	Specific table with rates differentiated by length of service
Pensionable age	In accordance with rules set by INPS

Demographical assumptions have not undergone changes during the period under review.

B8 - FINANCIAL LIABILITIES (€92,671 million)

tab. B8 - Financial liabilities

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Financial liabilities at amortised cost	11,185	73,050	84,235	8,424	65,502	73,926
Payables deriving from postal current accounts	-	53,026	53,026	-	48,317	48,317
Loans	10,173	8,697	18,870	7,364	5,454	12,818
Bonds	50	-	50	50	-	50
Amounts due to financial institutions	10,123	8,697	18,820	7,314	5,454	12,768
Lease payables	1012	226	1238	1060	219	1279
MEF account, held at the Treasury	-	2,964	2,964	-	4,542	4,542
Other financial liabilities	-	8,137	8,137	-	6,970	6,970
Financial liabilities at FVTPL	49	-	49	-	-	-
Financial liabilities for purchase of non-controlling interests	49	-	49	-	-	-
Financial derivatives	8,355	32	8,387	5,540	50	5,590
Cash flow hedges	58	(3)	55	76	31	107
Fair value hedges	8,297	17	8,314	5,449	18	5,467
Fair value through profit or loss	-	18	18	15	1	16
Total	19,589	73,082	92,671	13,964	65,552	79,516

Payables deriving from postal current accounts

Payables deriving from postal current accounts represent BancoPosta's direct deposits.

Loans

Other than the guarantees described in the following notes, loans are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree to repay the loan. Standard negative pledge clauses do apply, however⁶¹.

Bonds

Bonds with an amortised cost of €50 million, issued by Poste Italiane under its €2 billion EMTN - Euro Medium Term Note programme and listed by the Company in 2013 on the Luxembourg Stock Exchange. These bonds were issued through a private placement on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% (fixed) for the first two years and floating thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in Note A6 - *Financial assets*. The fair value⁶² of this loan at 30 June 2020 is €50 million.

⁶¹ A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.

⁶² In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Amounts due to financial institutions

tab. B8.1 - Amounts due to financial institutions

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	8,800	8,034	16,834	6,741	5,453	12,194
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400
Other loans	750	660	1,410	-	-	-
Current account overdrafts	-	-	-	-	-	-
Accrued interest expense	-	3	3	-	1	1
Total	10,123	8,697	18,820	7,314	5,454	12,768

TV: Finanziamento a tasso variabile (floating rate loan). TF: Finanziamento a tasso fisso (fixed rate loan)

Amounts due to financial institutions are subject to standard negative pledge clauses⁶³.

Outstanding liabilities for repurchase agreements relate to contracts entered into by the Parent Company with primary financial institutions and Central Counterparties. The related liabilities (€16,834 million, with a total nominal value of committed securities of €15,970 million) include €7,118 million in Long Term Repos and €9,716 million in ordinary loan operations, with the resources invested in Italian fixed income government securities and as funding for incremental deposits used as collateral in collateralisation transactions. At 30 June 2020, the carrying amount of repurchase agreements approximates their fair value⁶⁴.

At 30 June 2020, the fair value⁶⁵ of the two EIB loans totalling €573 million is €607 million.

During the first half of 2020, in order to obtain additional liquidity and face any adverse scenarios related to the COVID-19 pandemic, the Parent Company took out three medium-term loans totalling €750 million and used uncommitted credit lines for short-term loans totalling €660 million.

At 30 June 2020, the fair value of medium-term loans is €784 million;

At 30 June 2020, the committed and uncommitted credit lines are as follows:

⁶³ A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking pari passu with existing creditors, unless the same degree of protection is also offered to them.

⁶⁴ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

⁶⁵ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

(€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Committed credit lines	1,750	2,000
Short-term loans	1,750	2,000
Uncommitted credit lines	1,882	1,964
Short-term loans	1,026	1,009
Current account overdrafts	173	173
Unsecured loans (*)	683	782
Total	3,632	3,964
Committed uses	-	-
Short-term loans	-	-
Uncommitted uses	1,012	356
Short-term loans	660	-
Unsecured loans	352	356
Total	1,012	356

(*) At 30 June 2020, the Parent Company had €575 million in unsecured loans (€675 million at 31 December 2019).

No collateral has been provided to secure the credit lines obtained.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC.

In addition, starting from 26 June 2020, BancoPosta's RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €716 million, and the facility is unused at 30 June 2020.

Lease payables

Total cash outflows for leases in the first half of the year amounted to €126 million.

MEF account, held at the Treasury

tab. B8.2 - MEF account, held at the Treasury

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Balance of cash flows for advances	-	3,200	3,200	-	4,397	4,397
Balance of cash flows from management of postal savings	-	(429)	(429)	-	(47)	(47)
Amounts payable due to theft	-	161	161	-	158	158
Amounts payable for operational risks	-	32	32	-	34	34
Total	-	2,964	2,964	-	4,542	4,542

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. B8.2.1 - Balance of cash flows for advances

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Net advances	-	3,200	3,200	-	4,397	4,397
MEF postal current accounts and other payables	-	671	671	-	670	670
MEF - State pensions	-	(671)	(671)	-	(670)	(670)
Total	-	3,200	3,200	-	4,397	4,397

The decrease in the item Net advances, compared to 31 December 2019, is mainly due to the advance payment, made in the last working days of June, of the July pension accrual due to the provisions of the Ordinance of the Head of the Civil Protection Department no. 680 of 11 June 2020 in order to comply with the measures to contain the spread of the COVID-19 virus.

The **balance of cash flows from the management of postal savings**, amounting to a positive €429 million, represents the balance of withdrawals less deposits during the last two days of the period and cleared early in the following period. The balance at 30 June 2020 consists of €394 million receivable from Cassa Depositi e Prestiti, less €35 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from post offices of €161 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Italian Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

Amounts payable for operational risks for €32 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount.

tab. B8.3 - Other financial liabilities

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	6,332	6,332	-	5,193	5,193
Domestic and international money transfers	-	883	883	-	668	668
Payables for items in process	-	193	193	-	246	246
Guarantee deposits	-	162	162	-	112	112
Amounts to be credited to customers	-	162	162	-	167	167
Cashed cheques	-	154	154	-	255	255
Endorsed cheques	-	145	145	-	140	140
Other amounts payable to third parties	-	90	90	-	164	164
Other	-	16	16	-	26	26
Total	-	8,137	8,137	-	6,970	6,970

Liabilities for **prepaid card management** refer to the subsidiary PostePay SpA.

The increase in the item **Domestic and international money transfers** is mainly due to the greater use of money orders and transfers by customers in the last days of June.

Guarantee deposits refer to amounts received from counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements).

Financial liabilities for purchase of non-controlling interests

The item refers to the estimate of the amount (purchase and sale options) that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and

ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA.

Financial derivatives

Movements in financial derivatives during the first half are described in note A6 - *Financial assets*.

B9 - TRADE PAYABLES (€1,486 million)

tab. B9 - Trade payables (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Amounts due to suppliers	1,108	1,274
Contract liabilities	369	345
Amounts due to subsidiaries	2	1
Amounts due to associates	7	7
Amounts due to joint ventures	-	-
Total	1,486	1,627

Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers (€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Italian suppliers	970	1,129
Overseas suppliers	19	34
Overseas counterparties (1)	119	111
Total	1,108	1,274

(1) The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Contract liabilities

tab. B9.2 - Movements in contract liabilities (€m)

Description	Balance at 1 January 2020	Change due to recognition of revenue for period	Other changes	Balance at 30 June 2020
Prepayments and advances from customers	274	-	11	285
Other contract liabilities	48	(36)	36	49
Liabilities for fees to be refunded	20	28	(17)	31
Liabilities for volume discounts	3	-	1	4
Total	345	(8)	32	369

Prepayments and advances from customers

Prepayments and advances from customers relate to amounts received from customers as prepayment for the following services to be rendered:

tab. B9.2.1 -Prepayments and advances from customers

(€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Prepayments from overseas counterparties	198	196
Automated franking	42	38
Unfranked mail	18	16
Postage-paid mailing services	6	6
Other services	21	18
Total	285	274

Other contract liabilities primarily regard Postamat and "Postepay Evolution" card fees collected in advance.

Liabilities for fees to be refunded represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

B10 - OTHER LIABILITIES (€2,794 million)

tab. B10 - Other liabilities

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	17	477	494	21	786	807
Social security payables	30	362	392	30	500	530
Other taxes payable	1,300	386	1,686	1,370	699	2,069
Sundry payables	94	79	173	94	93	187
Accrued liabilities and deferred income	8	41	49	10	32	42
Total	1,449	1,345	2,794	1,525	2,110	3,635

Amounts due to staff

tab. B10.1 - Amounts due to staff

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
For 13th and 14th month salaries	-	224	224	-	219	219
Incentives	17	98	115	21	358	379
Accrued vacation pay	-	102	102	-	56	56
Other amounts due to staff	-	53	53	-	153	153
Total	17	477	494	21	786	807

The reduction in the payable for **incentives** is due to the combined effect of the settlements made during the period and certain liabilities to personnel, the amount of which is still in the process of being defined, which at 30 June 2020 were allocated to the provision for personnel expenses.

The reduction in **Other amounts due to staff** is due to the one-off payment to cover the 2019 contractual *vacatio*, which occurred in April 2020.

Social security payables

tab. B10.2 - Social security payables

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	2	271	273	2	393	395
Pension funds	-	71	71	-	87	87
INAIL	28	-	28	28	-	28
Other agencies	-	20	20	-	20	20
Total	30	362	392	30	500	530

The decrease in **amounts due to INPS** is partly due to the payment of the one-off contribution component mentioned above.

Other tax payables

tab. B10.3 - Other tax payables

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	1,300	121	1,421	1,370	8	1,378
Tax due on insurance provisions	-	65	65	-	487	487
Withholding tax on employees' and consultants' salaries	-	78	78	-	92	92
VAT payable	-	58	58	-	39	39
Substitute tax	-	21	21	-	36	36
Withholding tax on postal current accounts	-	5	5	-	10	10
Other tax payables	-	38	38	-	27	27
Total	1,300	386	1,686	1,370	699	2,069

Specifically:

- **Stamp Duty** is shown gross of payments on account. The non-current portion relates to the amount accrued at 30 June 2020 on Interest-bearing Postal Certificates outstanding and on Class III and V insurance policies pursuant to the new law referred to in note A9 - *Other receivables and assets*.
- **Tax due on insurance provisions** relates to Poste Vita SpA and is described in note A9.

Sundry payables

tab. B10.4 - Sundry payables

(€m)

Description	Balance at 30/06/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	74	11	85	74	8	82
Guarantee deposits	11	1	12	12	1	13
Other payables	9	67	76	8	84	92
Total	94	79	173	94	93	187

Sundry payables attributable to BancoPosta primarily relate to prior period balances currently being verified.

4.3 NOTES TO THE STATEMENT OF PROFIT OR LOSS

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers		(€m)	
Description	Note	1H 2020	1H 2019
Revenue from Mail, Parcels & other	[C1]	1,472	1,755
of which Revenue from contracts with customers		1,406	1,732
recognised at a point in time		197	279
recognised over time		1,209	1,453
Revenue from Payments, Mobile & Digital	[C2]	337	306
of which Revenue from contracts with customers		345	306
recognised at a point in time		131	131
recognised over time		214	175
Revenue from Financial Services	[C3]	2,535	2,664
of which Revenue from contracts with customers		1,388	1,511
recognised at a point in time		159	209
recognised over time		1,229	1,303
Revenue from Insurance Services after movements in technical provisions and other claims expenses	[C4]	739	795
Insurance premium revenue		7,720	10,126
Income from insurance activities		1,559	3,264
Net change in technical provisions for insurance business and other claims expenses		(7,687)	(12,480)
Expenses from insurance activities		(853)	(115)
of which Revenue from contracts with customers		5	5
recognised at a point in time		-	-
recognised over time		5	5
Total		5,083	5,520

Revenue from contracts with customers breaks down as follows:

Revenue from mail, parcels & other refer to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at a point in time given the number of transactions handled through the various sales channels (post offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally earned as a result of annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and handled. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.

Revenue from payments, mobile and digital refers to:

- Electronic money, relating primarily to the cards issued by Postepay recognised at a point in time when issued and the services linked to them recognised over time as the service is used by the customer. These services include interchange fees recognised by international circuits on payment transactions with debit cards detected over time.
- Mobile and fixed line telecommunications services, including: revenue from "standard telecommunications offerings" recognised over time using the output method and based on the traffic offered (voice, text and data) to the customer; revenue generated by the fixed line "PosteMobile Casa" offering, recognised over time using the output method and based on the fee charged to the customer; revenue in the form of SIM activation fees recognised at a point in time when the SIM card is handed over to the customer. Within the Poste Italiane Group, the only mobile and fixed line telecommunications contracts used are in the form of bundles combining two performance obligations to which the implicit discount is allocated on the basis of the related fair

value. The revenue from this type of offer, however, is not significant in terms of total revenue from payments, mobile and digital services.

- Payment services mainly relating to revenue from the processing of tax payments using forms F23/F24 are recognised over time based on the level of service rendered.

Revenue from financial services, which breaks down as follows:

- revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
- revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
- revenue from fees on the processing of payment slips: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale.

C1 - REVENUE FROM MAIL, PARCELS & OTHER (€1,627 million)

tab. C1 - Revenue from Mail, Parcels & other

(€m)

Description	1H 2020	1H 2019
Mail	924	1,269
Parcels	473	399
Other revenue	75	87
Total external revenue	1,472	1,755
Universal Service compensation	131	131
Publisher tariff subsidies	24	29
Total revenue	1,627	1,915

External revenue show a significant decrease due to the decrease in revenue from Mail, only partially offset by the increase in revenue from Parcels. This trend reflects the critical issues that emerged as a result of the health emergency that has affected Italy since March 2020 and has had a significant impact on normal operations.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Compensation for services rendered during the period, amounting to €131 million (€262 million on an annual basis), is recognised on the basis of the new Contratto di Programma (Service Contract) for 2020-2024,

which took effect on 1 January 2020, for which the procedure for approval by the European Commission is in progress.

Publisher tariff subsidies⁶⁶ relate to the amount receivable by Poste Italiane from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office - Publishing department) as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012.

C2 - REVENUE FROM PAYMENTS AND MOBILE SERVICES (€337 million)

tab. C2 - Revenue from Payments and Mobile

Description	1H 2020	1H 2019
Electronic money	170	161
Fees for issue and use of prepaid cards	140	132
Acquiring	-	1
Other fees	30	28
Mobile	139	108
Payment services	28	37
Payment Slips	1	2
Commissions for processing tax payments using forms F23/F24	14	25
Money transfers	13	10
Total	337	306

This item primarily regards revenue from the mobile telecommunications services and electronic money and payment services provided by Postepay SpA.

C3 - REVENUE FROM FINANCIAL SERVICES (€2,535 million)

tab. C3 - Revenue from Financial Services

(€m)

Description	1H 2020	1H 2019
Financial services	2,235	2,383
Income from financial activities	297	281
Other operating income	3	-
Total	2,535	2,664

This revenue regards revenue generated by the Parent Company's BancoPosta RFC and the subsidiary, BancoPosta Fondi SGR.

⁶⁶ Law no. 8 of 28 February 2020 ordered that reimbursements of publisher tariff subsidies to Poste Italiane continue "for a duration equal to that of the universal postal service" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

tab. C3.1 - Revenue from financial services

(€m)

Description	1H 2020	1H 2019
Fees for collection of postal savings deposits	896	898
Income from investment of postal current account deposits	801	823
Other revenue from current account services	200	205
Commissions on payment of bills by payment slip	150	197
Distribution of loan products	72	145
Mutual fund management fees	48	50
Income from delegated services	53	48
Money transfers	8	10
Commissions from securities trading	3	2
Securities custody	1	2
Other products and services	3	3
Total	2,235	2,383

Revenue from financial services show a significant decrease compared to the comparison period due to the health emergency that has affected our country since March 2020 and that has significantly affected normal operations. The largest decreases refer to revenue from commissions on payment of bills by payment slip and commissions for the distribution of loan products.

- **Fees for collection of postal savings deposits** relate to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 14 December 2017 to cover the three-year period 2018-2020.
- **Income from investment of postal current account deposits** breaks down as follows:

tab. C3.1.1 - Income from investment of postal current account deposits

(€m)

Description	1H 2020	1H 2019
Income from investments in securities	777	776
Interest income on securities at amortised cost	312	260
Interest income on securities at FVOCI	448	497
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	11	(1)
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	(16)	-
Interest income on repurchase agreements	22	20
Income from deposits held with the MEF	23	46
Other	1	2
Total	801	824

Income from investments in securities relates to accrued interest on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A6 - *Financial assets*.

Income from deposits held with the MEF primarily represents accrued interest for the period on amounts deposited by Public Administration entities.

- **Income from financial activities** breaks down as follows:

tab. C3.2 - Income from financial activities (€m)

Description	1H 2020	1H 2019
Income from financial assets at FVOCI	291	261
Realised gains	291	261
Income from equity instruments at FVTPL	-	18
Gains from valuation	-	17
Realised gains	-	1
Income from financial assets at FVTPL	4	-
Gains from valuation	4	-
Foreign exchange gains	2	2
Realised gains	2	2
Total	297	281

Other income from financial activities increased by €16 million compared to half-year 2019, mainly due to higher profits from the sale of financial assets at FVTOCI (+€30 million), partly offset by the zeroing of gains from valuation of instruments at FVTPL (-€17 million).

C4 - REVENUE FROM INSURANCE SERVICES AFTER MOVEMENTS IN TECHNICAL PROVISIONS AND OTHER CLAIMS EXPENSES (€738 million)

tab. C4 - Revenue from Insurance Services after movements in technical provisions and other claims expenses (€m)

Description	1H 2020	1H 2019
Insurance premium revenue	7,720	10,126
Income from insurance activities	1,559	3,264
Net change in technical provisions for insurance business and other claim expenses	(7,688)	(12,480)
Expenses from insurance activities	(853)	(115)
Total	738	795

A breakdown of insurance premium revenue, showing outward reinsurance premiums, is as follows:

tab. C4.1 - Insurance premium revenue (€m)

Description	1H 2020	1H 2019
Class I	7,158	8,931
Class III	392	1,044
Classes IV and V	67	64
Gross "life" premiums	7,617	10,039
Outward reinsurance premiums	(5)	(7)
Net "life" premiums	7,612	10,032
Non-life premiums	118	108
Outward reinsurance premiums	(10)	(15)
Net "non-life" premiums	108	94
Total	7,720	10,126

Life gross premiums amounted to €7,617 million, down 24% compared to the first half of 2019, mainly due to the health emergency that has affected Italy since March 2020. However, the contribution of Multi-class products remains significant and stable (34% of the entire revenue).

Income from insurance activities is as follows:

tab. C4.2 - Income from insurance activities (€m)

Description	1H 2020	1H 2019
Income from financial assets at amortised cost	2	2
Interest	2	2
Income from financial assets at FVTPL	264	1,936
Interest	142	203
Gains from valuation	95	1,698
Realised gains	27	35
Income from financial assets at FVOCI	1,257	1,300
Interest	1,191	1,255
Realised gains	66	45
Other income	36	26
Total	1,559	3,264

The increase in Income from insurance activities (€1,705 million compared with the first half of 2019) primarily reflects a decrease in Gains from valuation relating to financial assets at FVTPL, reflecting the negative performance of the financial markets in the reporting half-year with respect to the comparison period, impacted by the known health emergency. These gains from valuation, which are almost exclusively related to investments included in separately managed accounts, were almost entirely transferred to policyholders through the shadow accounting method.

A breakdown of the net change in technical provisions and other claims expenses, showing outward reinsurance premiums, is as follows:

tab. C4.3 - Net change in technical provisions for insurance business and other claim expenses (€m)

Description	1H 2020	1H 2019
Claims paid	5,587	7,671
Change in mathematical provisions	1,926	2,951
Change in outstanding claim provisions	411	(45)
Change in Other technical provisions	(584)	1,554
Change in technical provisions where investment risk is transferred to policyholders	308	329
Total net change in technical provisions for insurance business and other claims expenses: Life	7,648	12,460
Reinsurers' share: Life	(2)	(6)
Total net change in technical provisions for insurance business and other claims expenses: Non-life	46	28
Reinsurers' share: Non-life	(4)	(2)
Total	7,688	12,480

The net change in technical provisions for the insurance business and other claims expenses primarily reflect:

- claims paid, policies redeemed and the related expenses incurred by Poste Vita SpA during the period;
- the change in mathematical provisions reflecting increased obligations to policyholders;
- the change in Other technical provisions is entirely attributable to the change recorded in the period in the DPL reserve, related to the valuation of securities included in the separately managed accounts and classified in the FVTPL category;
- the change in technical provisions where investment risk is transferred to policyholders so-called Class D.

Expenses from insurance activities break down as follows:

tab. C4.4 - Expenses from insurance activities (€m)

Description	1H 2020	1H 2019
Expenses from financial assets at FVPL	771	58
Losses from valuation	661	35
Realised losses	110	23
Expenses from financial assets at FVOCI	50	32
Interest	3	2
Realised losses	47	30
Net losses/recoveries due to credit risk	19	10
Other expenses	13	14
Total	853	115

The increase in Expenses from insurance activities (€738 million compared to the first half of 2019) is mainly due to the negative trends in financial markets during the first half of the year compared to the reference period, which resulted in the recognition of losses from valuation of €661 million in the first six months of 2020 compared to €35 million in the same period of 2019.

C5 - COST OF GOODS AND SERVICES (€1,149 million)

tab. C5 - Cost of goods and services (€m)

Description	1H 2020	1H 2019
Service costs	1,027	989
Lease expense	41	33
Raw , ancillary and consumable materials and goods for resale	81	58
Total	1,149	1,080

Costs for goods and services increased by a total of €69 million compared to the first half of 2019, mainly due to extraordinary expenses incurred to deal with the health emergency (€53 million for the purchase of personal protective equipment, plexiglass screens, sanitation expenses, extraordinary cleaning of premises, communication expenses, etc.).

Service costs

tab. C5.1 - Service costs

(€m)

Description	1H 2020	1H 2019
Transport of mail, parcels and forms	347	324
Routine maintenance and technical assistance	118	117
Outsourcing fees and external service charges	102	95
Personnel services	58	69
Energy and water	55	65
Mobile telecommunication services for customers	83	52
Credit and debit card fees and charges	57	47
Transport of cash	36	44
Cleaning, waste disposal and security	48	36
Mail, telegraph and telex	23	32
Telecommunications and data transmission services	24	25
Advertising and promotions	15	25
Electronic document management, printing and enveloping services	10	12
Consultants' fees and legal expenses	8	9
Asset management fees	18	15
Remuneration and expenses paid to Auditors	1	1
Other	24	21
Total	1,027	989

Lease expense

tab. C5.2 - Lease expense

(€m)

Description	1H 2020	1H 2019
Real estate leases and ancillary costs	4	4
Vehicle leases	1	1
Equipment hire and software licences	29	24
Other lease expense	7	4
Total	41	33

Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

(€m)

Description	Note	1H 2020	1H 2019
Consumables, advertising materials and goods for resale		87	34
Fuels and lubricants		23	25
Printing of postage and revenue stamps		1	3
SIM cards and scratch cards		1	1
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[tab. A7]	(1)	(2)
Change in inventories of raw, ancillary and consumable materials	[tab. A7]	(30)	-
Change in property held for sale	[tab. A7]	(3)	(3)
Other		3	-
Total		81	58

The increase in consumables is due to the health emergency that has made it necessary to procure personal protective equipment (such as masks, gloves, detergent gels and disinfectants) in order to guarantee the maintenance of operations both at post offices and at mail processing and sorting centres.

C6 - EXPENSES FROM FINANCIAL ACTIVITIES (€95 million)

tab. C6 - Expenses from financial activities (€m)

Description	1H 2020	1H 2019
Expenses from financial assets at FVTOCI	48	-
Realised losses	48	-
Expenses from financial instruments at FVTPL	1	9
Losses from valuation	1	9
Expenses from equity instruments at FVTPL	8	-
Losses from valuation	7	-
Realised losses	1	-
Expenses from financial assets at amortised cost	9	6
Realised losses	9	6
Expenses from cash value hedges	2	-
Losses from valuation	2	-
Expenses from fair value hedges	3	2
Losses from valuation	3	2
Interest expense	23	18
in customers' favour	1	4
on repurchase agreements	3	5
due to the Parent Company	3	3
Interest on guarantee deposits	16	6
Other expenses	1	-
Total	95	35

Expenses from financial activities increased by €60 million compared with the first half of 2019, mainly due to higher realised losses from the sale of financial assets at FVTOCI (+€48 million) and the increase in expenses from equity instruments at FVTPL (+€8 million).

C7 - PERSONNEL EXPENSES (€2,632 million)

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses, determined by the relevant chargebacks, is posted to other operating income. Personnel expenses break down as follows:

Description	Note	1H 2020	1H 2019
Wages and salaries		1,940	2,093
Social security contributions		557	600
Employee termination benefits: current service cost	[tab. B7]	-	-
Employee termination benefits: supplementary pension funds and INPS		120	126
Agency staff		12	7
Remuneration and expenses paid to Directors		1	1
Early retirement incentives		4	8
Net provisions (reversals) for disputes with staff	[tab. B6]	9	3
Provisions for early retirement incentives	[tab. B6]	-	-
Amounts recovered from staff due to disputes		(6)	(3)
Share-based payments		2	6
Other personnel expenses/(cost recoveries)		(7)	(9)
Total		2,632	2,832

Personnel expenses decreased by €200 million overall compared with the first half of 2019, mainly due to the ordinary component of personnel expenses, which was affected by the reduction in the average workforce during the period (approximately 5 thousand FTE less than in the first half of 2019). The reduction is also affected by the mobilisation of the Solidarity Fund, the estimated effects of which amount to about €48 million.

Cost recoveries refer mainly to changes in estimates made in previous years.

The following table shows the Group's average headcount for the period:

tab. C7.1 - Number of employees

Category	Staff (*)	
	1H 2020	1H 2019
Executives	697	673
Middle managers	14,812	15,184
Operational staff	97,907	105,075
Back-office staff	4,790	1,505
Total permanent workforce	118,206	122,437

Taking account of staff on flexible contracts, the total average number of full-time equivalent staff in the period is 125,003 (in the first half of 2019: 129,880).

C8 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS (€339 million)

tab. C8 - Depreciation, amortisation and impairments (€m)

Description	1H 2020	1H 2019
Depreciation of property, plant and equipment	106	159
Properties used in operations	14	57
Plant and machinery	23	37
Industrial and commercial equipment	6	4
Leasehold improvements	19	17
Other assets	44	44
Impairments/recoveries/adjustments of property, plant and equipment	(18)	(3)
Depreciation of investment property	1	2
Depreciation and amortisation of right-of-use assets	115	109
Properties used in operations	73	74
Company fleet	33	30
Vehicles for mixed use	3	2
Other assets	6	3
Impairments/recoveries/adjustments of right of use	2	-
Amortisation and impairments of intangible assets	133	114
Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights	132	113
Other	1	2
Total	339	381

Depreciation, amortisation and impairments decreased by €42 million compared with the first half of 2019, due mainly to lower depreciation/amortisation (-€60 million) recognised as a result of the revision of the residual useful lives and residual values of the main categories of non-current assets (for more details, see paragraph 2.4 - Use of Estimates), offset in part by higher amortisation of intangible assets (+€20 million) resulting from the completion and commissioning of new software programs and the development of existing ones.

C9 - CAPITALISED COSTS AND EXPENSES (€18 million)

tab. C9 - Capitalised costs and expenses (€m)

Description	Note	1H 2020	1H 2019
Property, plant and machinery:	[A1]	2	1
Cost of goods and services		2	-
Personnel expenses		-	1
Intangible assets:	[A3]	16	13
Cost of goods and services		2	4
Personnel expenses		13	8
Depreciation and amortisation		1	1
Total		18	14

C10 - OTHER OPERATING COSTS (€64 million)

tab. C10 - Other operating costs (€m)

Description	Note	1H 2020	1H 2019
Operational risk events		16	14
Thefts		3	2
Loss of BancoPosta assets, net of recoveries		1	1
Other operating losses of BancoPosta		12	11
Net provisions for risks and charges made/(released)		(30)	8
for disputes with third parties	[tab. B6]	(16)	6
for operational risks	[tab. B6]	(13)	4
for other risks and charges	[tab. B6]	(1)	(2)
Capital losses		-	1
Municipal property tax, urban waste tax and other taxes and duties		50	48
Other recurring expenses		28	25
Total		64	97

The decrease of €33 million in Other operating costs is due mainly to the net reversal of provisions for risks and charges (-€30 million), for which reference is made to note B6 - *Provisions for risks and charges*.

C11 - IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON DEBT INSTRUMENTS, RECEIVABLES AND OTHER ASSETS (€56 million)

tab. C11 - Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€m)

Description	1H 2020	1H 2019
Net impairment losses and losses on receivables and other assets (uses of provisions)	41	23
Impairment losses (reversals of impairment losses) on amounts due from customers	40	20
Impairment losses (reversals of impairment losses) on sundry receivables	1	3
Impairment losses (reversals of impairment losses) on debt instruments at FVTOCI	7	3
Impairment losses (reversals of impairment losses) on debt instruments at amortised cost	8	3
Total	56	29

The increase of €27 million compared with the first half of 2019 primarily reflects an increase in impairment losses on trade receivables (+€18 million) and debt instruments at FVTOCI and amortised cost (+€9 million). The estimates were partly influenced by the effect of the crisis triggered by the current health emergency. For further details, reference should be made to Note 5 - *Risk management*.

C12 - FINANCE INCOME (€53 million) AND COSTS (€35 million)

Income from and costs incurred on financial instruments relate to assets other than those in which deposits collected by BancoPosta and the financial and insurance businesses are invested.

Finance income

tab. C12.1 - Finance income

(€m)

Description	1H 2020	1H 2019
Income from financial assets at FVOCI	16	20
Interest	22	20
Accrued differentials on fair value hedges	(6)	(5)
Realised gains	-	5
Income from financial assets at amortised cost	28	27
Income from financial assets at FVTPL	1	2
Other finance income	6	4
Finance income on discounted receivables	1	3
Income from subsidiaries	-	-
Other	5	1
Foreign exchange gains	2	1
Total	53	54

For the purposes of reconciliation with the statement of cash flows, in the half-year of 2020 finance income after both realised gains and foreign exchange gains amounted to €51 million (€48 million in the half-year of 2019).

Finance costs

tab. C12.2 - Finance costs

(€m)

Description	Note	1H 2020	1H 2019
Finance costs on financial liabilities		18	26
on bonds		-	10
on amounts due to financial institutions		4	1
on lease payables		13	14
on financial derivatives		1	1
Sundry costs on financial assets		2	-
Losses from valuation on financial assets at FVTPL		2	-
Finance costs on provisions for employee termination benefits	[tab. B7]	4	9
Other finance costs		8	3
Foreign exchange losses		3	2
Total		35	40

For the purposes of reconciliation with the statement of cash flows, in the half-year of 2020 finance costs after foreign exchange losses amounted to €32 million (€38 million in 2019).

Finance costs are down compared with the first half of 2019, primarily due to a reduction in expenses on bonds (€10 million) following the redemption, in May 2019, of the €750 million bond issued by Poste Vita.

C13 - INCOME TAX EXPENSE (€227 million)

The nominal rate for IRES is 24%, whilst the Group's average statutory rate for IRAP, calculated at 31 December 2019, was 5.84%⁶⁷.

tab. C13 - Income tax expense

(€m)

Description	1H 2020			1H 2019		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	122	26	148	272	73	345
Deferred tax assets	(32)	(15)	(47)	23	4	27
Deferred tax liabilities	98	28	126	(28)	(8)	(36)
Total	188	39	227	267	69	336

Current tax expense decreased significantly due to the decrease in profit (loss) before tax compared to 30 June 2019. This effect is partly offset by the increase in deferred tax liabilities, the increase in which is essentially attributable to the higher profit (loss) before tax reported by Poste Vita in the reporting package prepared in accordance with IAS/IFRS for the purposes of Group consolidation compared with the statutory financial statements prepared in accordance with national accounting standards. In the first half of 2020, this difference led to the allocation of deferred tax liabilities for the purposes of the consolidated financial statements.

Current tax expense

tab. C13.1 - Movements in current tax assets/(liabilities)

(€m)

Description	Current taxes 1H 2020		
	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	(160)	(62)	(222)
Payments	370	116	486
on account for the current year	167	49	216
of balance payable for the previous year	203	67	270
Claim for IRAP refund	-	-	-
Provisions to profit or loss	(122)	(26)	(148)
Provisions to equity	-	-	-
Other	6 ^(*)	-	6
Period closing balance	94	28	122
of which:			
Current tax assets	218	54	272
Current tax liabilities	(124)	(26)	(150)

At 30 June 2020, current tax assets do not include payments on account of IRES for 2020 made by the Parent Company and the companies participating in the tax consolidation arrangement, with settlement of outstanding amounts on 1 July 2020.

At 30 June 2020, current tax assets/(liabilities) also include:

⁶⁷ The nominal rate for IRAP is 3.90% for most taxpayers, 4.20% for companies that operate under concession arrangements other than motorway and tunnel construction and operating companies, 4.65% for banks and other financial entities and 5.90% for insurance companies (+/-0.92%, representing regional increases and cuts and +0.15% representing an increase for regions that showed a healthcare deficit).

- the substitute tax credit of €32 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10 *ter* of Law Decree no. 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- the remaining IRES receivable of €8 million to be recovered on the failure to deduct IRAP resulting from the requests filed pursuant to art. 6 of Law Decree no. 185 of 29 November 2008 and art. 2 of Law Decree no. 201 of 6 December 2011, which provided for a partial deductibility of IRAP for IRES purposes (in this regard, see as reported on receivables for related interest in Note A9).

Deferred tax assets and liabilities

tab. C13.2 - Deferred taxes

(€m)

Description	Balance at 30/06/2020	Balance at 31/12/2019
Deferred tax assets	1,503	1,199
Deferred tax liabilities	(898)	(887)
Total	605	312

Movements in deferred tax assets and liabilities are shown below:

tab. C13.3 - Movements in deferred tax assets and liabilities

(€m)

Description	1H 2020	FY 2019
Balance at 1 January	312	667
Net income/(expense) recognised in profit or loss	(79)	74
Net income/(expense) recognised in equity	372	(429)
Period closing balance	605	312

At 30 June 2020, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C13.4 - Deferred tax assets and liabilities recognised in equity

(€m)

Description	1H 2020	FY 2019
Fair value reserve for financial assets at FVOCI	401	(435)
Cash flow hedge reserve for hedging derivatives	(29)	(10)
Actuarial gains/(losses) on employee termination benefits	-	16
Total	372	(429)

4.4 - OPERATING SEGMENTS

The identified operating segments, which are in line with the Group's new strategic guidelines reflected in the Strategic Plan for the period 2018-2022 and the subsequent organisational changes, are as follows:

- Mail, Parcels and Distribution
- Payments and Mobile
- Financial Services
- Insurance Services

In addition to managing the mail and parcel service, the Mail, Parcels and Distribution segment also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to the other segments in which the Group operates. In this regard, separate General Operating Guidelines have been approved by Parent Company's Board of Directors which, in implementation of BancoPosta RFC's By-laws, identify the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated.

The Payment and Mobile Services Sector includes the activities of payment management, electronic money services and mobile and fixed line telecommunications services by Postepay SpA. Starting in 2020, and in line with the organisational changes that in 2019 saw the transfer of the digital channel control activities within the Mail, Parcels and Distribution Services Sector, the name of the Payments, Mobile and Digital Sectors has been updated to Payments and Mobile.

The Financial Services segment includes the activities of BancoPosta RFC, and BancoPosta Fondi SpA SGR.

The Insurance Services segment includes the activities carried out by the Poste Vita group.

The result for each segment is based on operating profit/(loss) and gains/losses on intermediation. All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these condensed consolidated half-year financial statements.

The following results, which are shown separately in accordance with the management view and with applicable accounting standards, should be read in light of the integration of the services offered by the distribution network within the businesses allocated to all four identified operating segments, also considering the obligation to carry out the Universal Postal Service.

						(€m)
1H 2020	Mail, Parcel & Distribution	Payments, Mobile & Digital	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	1,472	337	2,535	739	-	5,083
Net intersegment revenue from ordinary activities	2,257	172	309	-	(2,738)	-
Net revenue from ordinary activities	3,729	509	2,844	739	(2,738)	5,083
Operating profit/(loss)	(193)	126	398	435	-	766
Finance income/(costs)	(18)	-	(4)	40	-	18
(Impairment losses)/reversal on debt instruments, receivables and other assets	-	-	-	(1)	-	(1)
Profit/(Loss) on investments accounted for using the equity method	-	-	(10)	-	-	(10)
Intersegment finance income/(costs)	24	-	-	(24)	-	-
Income tax expense	52	(35)	(111)	(133)	-	(227)
Profit/(loss) for the period	(135)	91	273	317	-	546
External revenue from contracts with customers	1,406	345	1,388	5	-	3,144
Recognition at a point in time	197	131	159	-	-	487
Recognition over time	1,209	214	1,229	5	-	2,657

						(€m)
1H 2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	1,755	306	2,664	795	-	5,520
Net intersegment revenue from ordinary activities	2,453	191	372	-	(3,015)	1
Net operating revenue	4,208	497	3,036	795	(3,015)	5,521
Operating profit/(loss)	81	111	435	454	-	1,081
Finance income/(costs)	(21)	-	(1)	36	-	14
(Impairment losses)/reversals of impairment losses on debt instruments, receivables and other assets	-	-	-	-	-	-
Profit/(Loss) on investments accounted for using the equity method	-	4	-	-	-	4
Intersegment finance income/(costs)	25	-	(1)	(24)	-	-
Taxes for the period	(35)	(32)	(128)	(141)	-	(336)
Profit/(loss) for the period	50	83	305	325	-	763
External revenue from contracts with customers	1,732	306	1,512	5	-	3,556
Recognition at a point in time	279	131	209	-	-	619
Recognition over time	1,453	175	1,303	5	-	2,936

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 30 June 2020, all the entities consolidated on a line-by-line basis are based in Italy and customers are mainly located in Italy: revenue from foreign customers does not represent a significant percentage of total revenue.

4.5 - RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and profit or loss

Impact of related party transactions on financial position at 30 June 2020

(€m)

Name	Balance at 30/06/2020						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
FSIA Srl	21	-	-	-	-	-	-
External related parties							
MEF	6,248	308	13	1,979	2,968	6	8
Cassa Depositi e Prestiti Group	4,595	441	-	-	-	4	-
Enel Group	-	20	-	-	-	-	-
Eni Group	-	2	-	-	-	13	-
Leonardo Group	-	1	-	-	-	27	-
Montepaschi Group	229	7	-	-	231	-	-
Other external related parties	48	7	-	-	3	3	67
Provision for doubtful debts owing from external related parties	(25)	(39)	(9)	-	-	-	-
Total	11,116	747	4	1,979	3,203	62	75

At 30 June 2020, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to €70 million (substantially unchanged compared to €70 million at 31 December 2019).

Impact of related party transactions on financial position at 31 December 2019

(€m)

Name	Balance at 31/12/2019						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
Indabox	-	-	-	-	-	-	-
External related parties							
MEF	7,066	191	3	495	4,546	9	8
Cassa Depositi e Prestiti Group	4,508	453	-	-	-	1	-
Enel Group	-	25	-	-	-	4	-
Eni Group	-	8	-	-	-	10	-
Equitalia Group	-	-	-	-	-	-	-
Leonardo Group	-	1	-	-	-	47	-
Montepaschi Group	143	9	-	-	400	-	-
Other external related parties	49	16	-	-	5	18	66
Provision for doubtful debts owing from external related parties	(24)	(39)	-	-	-	-	-
Total	11,742	664	3	495	4,952	98	74

Name	1H 2020												
	Revenue					Costs							
	Revenue from sales and services	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after movements in technical provisions and other claims	Finance income	Investments		Current expenditure					Finance costs
Property, plant and equipment						Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/(reversals of impairment losses) on debt instruments, receivables and		
Subsidiaries													
Kipoint SpA	-	-	-	-	-	-	-	1	-	-	-	-	-
Associates													
Anima Holding Group	2	-	-	-	-	-	-	13	-	-	-	-	-
FSIA Sri	-	-	-	-	-	-	-	-	-	-	-	-	-
External related parties													
MEF	167	13	54	-	-	-	-	-	-	-	2	1	1
Cassa Depositi e Prestiti Group	-	-	932	8	-	-	1	4	-	-	-	1	1
Enel Group	17	1	2	-	-	-	-	-	-	-	-	-	-
Eni Group	4	-	1	-	-	-	-	39	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	4	16	-	-	-	-	-
Montepaschi Group	6	-	-	-	-	-	-	-	-	-	-	-	-
Other external related parties	2	-	-	-	-	-	-	15	40	1	-	-	-
Total	200	14	989	8	-	-	5	89	40	1	2	2	2

Name	1H 2019												
	Revenue					Costs							
	Revenue from sales and services	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after movements in technical provisions and other claims expenses	Finance income	Investments		Current expenditure					Finance costs
Property, plant and equipment						Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets		
Subsidiaries													
Kipoint SpA	-	-	-	-	-	-	-	1	-	-	-	-	-
Associates													
Anima Holding Group	2	-	-	-	-	-	-	12	-	-	-	-	-
External related parties													
MEF	178	25	75	-	-	-	-	1	-	1	3	-	-
Cassa Depositi e Prestiti Group	1	-	935	8	-	-	-	3	-	-	-	-	-
Enel Group	25	1	2	-	-	-	-	-	-	2	-	-	-
Eni Group	9	-	1	-	-	-	-	33	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	3	15	-	-	-	-	-
Montepaschi Group	8	-	-	-	-	-	-	-	-	-	-	-	-
Other external related parties	27	-	-	-	-	-	-	22	23	1	-	-	-
Total	250	26	1,013	8	-	-	3	87	23	2	3	-	-

The nature of the Parent Company's principal transactions with related parties external to the Group is summarised below:

- Amounts received from the MEF relate primarily to payment for carrying out the universal service (USO), the management of postal current accounts, as payment for delegated services, mail shipments and for the integrated notification service.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services. The costs incurred primarily relate to the supply of gas and electricity.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware.

- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

Impact of related party transactions and positions

Impact of related party transactions

(€m)

Description	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
	Balance at 30/06/2020			Balance at 31/12/2019		
Financial position						
Financial assets	228,175	11,116	4.9	218,934	11,742	5.4
Trade receivables	2,339	747	31.9	2,171	664	30.6
Other receivables and assets	4,618	4	0.1	4,667	3	0.1
Cash and cash equivalents	5,337	1,979	37.1	2,149	495	23.0
Provisions for risks and charges	1,279	70	5.5	1,218	70	5.7
Financial liabilities	92,671	3,203	3.5	79,516	4,952	6.2
Trade payables	1,486	62	4.2	1,627	98	6.0
Other liabilities	2,794	75	2.7	3,635	74	2.0
Liabilities related to assets held for sale	-	-	n.a.	-	-	n.a.
Profit or loss						
Revenue from Mail, Parcels & other	1,472	200	13.6	1,755	250	14.2
Revenue from Payments and Mobile	337	14	4.2	306	26	8.5
Revenue from Financial Services	2,535	989	39.0	2,664	1,013	38.0
Revenue from Insurance Services after movements in technical provisions and other claims expenses	739	8	1.1	795	8	1.0
Cost of goods and services	1,149	89	7.7	1,080	87	8.1
Expenses from financial activities	95	2	2.1	35	3	8.6
Personnel expenses	2,632	40	1.5	2,832	23	0.8
Other operating costs	64	1	1.6	96	1	1.0
Finance costs	35	2	5.7	40	-	n.a.
Finance income	53	-	n.a.	54	-	n.a.
Cash flows						
Net cash flow from/(for) operating activities	1,998	(1,222)	n.a.	(482)	(7,752)	1608.3
Net cash flow from/(for) investing activities	(237)	(18)	7.6	(207)	19	n.a.
Net cash flow from/(for) financing activities and shareholder transactions	1,427	(260)	n.a.	(981)	(364)	37.1

Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors and of the Supervisory Board, managers at the first organisational level of the Parent Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, of such key management personnel as defined above is as follows:

Remuneration of key management personnel

(€k)

Description	1H 2020	1H 2019
Remuneration to be paid in short/medium term	5,248	7,351
Post-employment benefits	242	237
Other benefits to be paid in longer term	309	842
Termination benefits	-	854
Share-based payments	836	3,104
Total	6,635	12,388

Remuneration and expenses paid to Auditors

(€k)

Name	1H 2020	1H 2019
Remuneration	647	632
Expenses	8	13
Total	655	645

The remuneration paid to members of the Parent Company's Supervisory Board amounts to approximately €49 thousand for the first half of 2020. In determining the remuneration, the amounts paid to executives of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the period and, at 30 June 2020, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with staff pension funds

The Parent Company and the subsidiaries that apply the National Collective Bargaining Agreement are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the General Meeting.

Other related party disclosures

No related party transactions as defined by art. 5, paragraph 8 of the "Related Party Transactions Regulations" - CONSOB Resolution 17221 of 12 March 2010, as amended, were concluded in the first six months of 2020.

5. RISK MANAGEMENT

INTRODUCTION

The note "Risk management" provides an analysis of the equity and income items subject to financial risks in accordance with IFRS 7 - Financial instruments: disclosures. With regard to other risks, in particular with regard to COVID risk, reference should be made to the section on Risk management - Covid risk management at Poste Italiane in the Report on Operations.

This Interim Report provides more extensive disclosures than those required by IAS 34 - Interim Financial Reporting in accordance with the provisions of ESMA Public Statement 32-63-972 of 20 May 2020.

FINANCIAL RISK

Poste Italiane SpA financial activities, related to treasury management, medium-term funding transactions, including capital market transactions, and extraordinary and subsidised finance are the responsibility of the Parent Company's Administration, Finance and Control function.

Management of the Group's financial transactions and of the associated risk profiles relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- **Poste Italiane SpA's** financial management primarily relate to BancoPosta's operations, asset financing and liquidity investment.

BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds deposited by private account holders in postal current accounts are invested in euro area government securities⁶⁸, whilst deposits by Public Administration entities are deposited with the MEF. The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of postal current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank of Italy Circular Letter 285/2013 require Bancoposta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular Letter 285, which, among other things, requires definition of a Risk Appetite Framework (RAF), the containment of risks within the limits set by

⁶⁸ The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee (as provided by Law no. 296 of 27 December 2006, and subsequent amendments provided by the 2015 Stability Law, no. 190 of 23 December 2014).

the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

With reference to BancoPosta RFC, following the positive development in revenue volumes and the change in the market scenario, the Leverage Ratio fell during the period to 2.7% at 30 June 2020.

- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

With regard to Traditional life policies, classified under Class I and V, gains and losses from valuation are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method.

The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separately managed account" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset & Liability Management) model which simulates, for each separately managed account, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

Unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in portfolios managed according to the logic of mutual investment funds. The Company constantly monitors the evolution of the risk profile of individual products.

Fair value interest rate risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or floating rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of floating rate financial instruments or fixed rate financial instruments converted to floating rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration.

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the market forward interest rate curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 30 June 2020 for the Poste Italiane Group's positions.

Description	Risk exposure		Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2020 effects										
Financial assets										
Financial assets at FVTOCI	125,759	141,621	(8,520)	8,444	(7,554)	7,554	-	-	(966)	890
Fixed income instruments	125,259	141,090	(8,518)	8,442	(7,552)	7,552	-	-	(966)	890
Other investments	500	531	(2)	2	(2)	2	-	-	-	-
Financial assets at FVTPL	1,585	2,620	(296)	296	(293)	293	(3)	3	-	-
Fixed income instruments	1,545	1,538	(67)	67	(64)	64	(3)	3	-	-
Other investments*	40	1,082	(229)	229	(229)	229	-	-	-	-
Financial derivatives	210	2	(9)	10	-	-	-	-	(9)	10
Cash flow hedges	100	2	(9)	10	-	-	-	-	(9)	10
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Fair value though profit or loss	110	4	-	-	-	-	-	-	-	-
Financial liabilities										
Financial derivatives	105	(7)	2	(1)	-	-	-	-	2	(1)
Fair value though profit or loss	55	(1)	-	-	-	-	-	-	-	-
Cash flow hedges	50	(6)	2	(1)	-	-	-	-	2	(1)
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 30 June 2020	127,659	144,236	(8,823)	8,749	(7,847)	7,847	(3)	3	(973)	899

(*) For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity instrument

In terms of **financial assets measured at fair value through other comprehensive income**, the risk in question primarily relates to:

- fixed income government securities held by Poste Vita SpA, for fair value totalling €86,480 million, almost entirely used to cover Class I and V policies linked to separately managed accounts;
- fixed income government securities held by BancoPosta RFC for fair value totalling €37,288 million, which consist of: fixed rate securities amounting to €15,840 million; floating rate securities converted into fixed rate securities via interest rate swaps designated as cash flow hedges, totalling €2,065 million, inflation-linked securities amounting to €2,406 million, and fixed or floating rate securities converted to floating rate positions via fair value hedges amounting to €16,977 million (including €14,263 million in forward starts);
- €17,067 million in non-government debt securities held by Poste Vita SpA, used mainly to meet obligations towards policyholders.

Financial assets at fair value through profit or loss, which are recognised at risk, are held almost entirely by Poste Vita SpA and are primarily used to cover commitments to policyholders. These relate to a portion of investments in fixed income instruments totalling €1,538 million and the position in Other investments consisting mainly of units in mutual funds amounting to €1,082 million.

Within the context of **financial derivatives**, the risk in question primarily concerns forward sales of government securities with a nominal value of €100 million, classified as cash flow hedging derivatives and forward purchase contracts for government securities with a nominal value of €165 million, classified as operating derivatives, entered into by BancoPosta RFC.

Spread risk

This is the risk of a potential fall in the value of bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro area government and corporate securities, reflecting the market's perception of the credit rating of issuers.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire investment portfolio, meaning both the fixed and floating rate components. In this latter case, in fact, fair value derivatives, used to

convert floating rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and floating rate instruments.

The first half of 2020 was initially characterised by a reduction in the yields on Italian government securities until February, and a subsequent rise in March, caused mainly by uncertainty on the markets due to the Covid-19 emergency, which brought the return on the ten-year Italian government security close to 1.5% at 31 March 2020. This rise in returns was subsequently mitigated by the ECB intervention, to reach a level close to 1.3% at the end of the reporting period, bringing the BTP-Bund spread to 171.2 bps at 30 June 2020.

The performance of the Group's portfolio in the period under review is as follows:

- (i) the portfolio of *Financial assets at fair value through other comprehensive income* held by Poste Italiane SpA (notional amount of approximately €32 billion) has undergone an overall net increase in fair value of approximately €0.4 billion: this change was partly recognised in profit or loss for a positive amount of approximately €1.6 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the negative change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in consolidated equity for approximately €1.2 billion;
- (ii) an overall net fair value decrease of approximately €0.2 billion in the Poste Vita insurance group's *Financial assets at fair value through other comprehensive income* (a notional amount of the fixed income instruments of approximately €93 billion), almost entirely transferred to policyholders and recognised in specific technical provisions under the shadow accounting method.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government securities.

The table below shows the results of the sensitivity analysis⁶⁹ to spread risk of the most significant positions in the portfolios of both the Parent Company and the Poste Vita Group at 30 June 2020.

Poste Italiane SpA - Effect of credit spread on fair value								(€m)	
Description	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation		
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	
2020 effects									
Financial assets									
Financial assets at FVTOCI	32,057	37,804	(3,635)	4,279	-	-	(3,635)	4,279	
Fixed income instruments	32,057	37,804	(3,635)	4,279	-	-	(3,635)	4,279	
Other investments	-	-	-	-	-	-	-	-	
Financial derivatives	210	6	(19)	21	(10)	11	(9)	10	
Cash flow hedges	100	2	(9)	10	-	-	(9)	10	
Fair value hedges	-	-	-	-	-	-	-	-	
Fair value through profit or loss	110	4	(10)	11	(10)	11	-	-	
Financial liabilities									
Financial derivatives	55	(1)	(5)	5	(5)	5	-	-	
Fair value through profit or loss	55	(1)	(5)	5	(5)	5	-	-	
Cash flow hedges	-	-	-	-	-	-	-	-	
Variability at 30 June 2020	32,322	37,809	(3,659)	4,305	(15)	16	(3,644)	4,289	

⁶⁹ For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of about -17 bps and the spread of the BTP compared to the 10-year swap rate of about 143 bps).

Description	Risk exposure		Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Notional	Fair Value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2020 effects										
Financial assets										
Financial assets at FVTOCI	93,672	103,785	(8,489)	8,489	(8,377)	8,377	-	-	(112)	112
Fixed income instruments	93,172	103,254	(8,471)	8,471	(8,359)	8,359	-	-	(112)	112
Other investments	500	531	(18)	18	(18)	18	-	-	-	-
Financial assets at FVTPL	1,584	2,621	(361)	361	(355)	355	(6)	6	-	-
Fixed income instruments	1,544	1,539	(131)	131	(125)	125	(6)	6	-	-
Other investments*	40	1,082	(230)	230	(230)	230	-	-	-	-
Financial liabilities										
Financial derivatives	-	-	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 30 June 2020	95,256	106,406	(8,850)	8,850	(8,732)	8,732	(6)	6	(112)	112

For the purposes of full disclosure, a movement in the spread would have no direct accounting effects on financial assets held by the Group and measured at amortised cost, but would only impact unrealised gains and losses. In other words, fixed income instruments measured at amortised cost attributable mainly to BancoPosta RFC, which at 30 June 2020 amounted to €32,103 million (nominal value of €25,397 million) and have a fair value of €30,505 million, would be reduced in fair value by approximately €3.5 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Cash flow interest rate risk

This is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. It may result from the misalignment - in terms of interest rates, indexation methods and maturities - of financial assets and liabilities that tend to remain in place until their contractual and/or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.

The following analysis refers to the uncertainty over future cash flows generated by floating rate instruments, also created through fair value hedges, following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the market forward interest rate curve of +/- 100 bps.

Sensitivity to cash flow interest rate risk at 30 June 2020 on the Poste Italiane Group's positions is shown in the table below.

Description	Risk exposure	Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
2020 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	6,248	62	(62)	-	-	62	(62)
Other financial receivables	7,904	79	(79)	-	-	79	(79)
Fixed income instruments	3,535	35	(35)	-	-	35	(35)
Financial assets at FVTOCI							
Fixed income instruments	13,051	131	(131)	78	(78)	53	(53)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	30	-	-	-	-	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	2,160	22	(22)	-	-	22	(22)
Cash and cash equivalents							
Bank deposits	2,337	23	(23)	13	(13)	10	(10)
Deposits with the MEF	1,979	21	(21)	-	-	21	(21)
Financial liabilities							
Loans							
Bonds	-	-	-	-	-	-	-
Amounts due to financial institutions	(750)	(7)	7	-	-	(7)	7
Financial liabilities due to subsidiaries	-	-	-	-	-	-	-
Other financial liabilities	(164)	(2)	2	-	-	(2)	2
Variability at 30 June 2020	36,852	369	(369)	96	(96)	273	(273)

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- a portion of the investment portfolio held by Poste Vita SpA, with a total nominal value of €8,756 million;
- fixed rate government securities held by the Parent Company and swapped into floating rate through fair value hedges, with a total nominal amount of €8,229 million; in addition to an inflation-linked bond issued by the Italian Republic, with a nominal value of €100 million, both of which have been fair value hedged;
- receivables totalling €7,904 million, reflecting collateral posted to secure liabilities arising in relation to financial derivatives and repurchase agreements held by BancoPosta RFC;
- investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €6,248 million.

Credit risk

This is the risk of default of one of the counterparties to which there is an exposure, with the exception of equity instruments and units of mutual funds.

In view of the situation of high volatility of the current macroeconomic scenario and uncertainty of future prospects, some European authorities (such as the ECB and ESMA) have provided some recommendations regarding the application of the methodology for the impairment of financial instruments, inviting entities not to automatically classify any receivables that show signs of deterioration in the non-performing portfolio, considering instead the need to consider the moratoria and support measures put in place by the various States affected by the Covid-19 emergency.

In order to comply with the provisions of IFRS 9, which requires the inclusion of a forward looking approach in the calculation of expected losses on financial instruments, also taking into account the effects of the Covid-

19 pandemic, for these Interim Financial Statements, the Group deemed it appropriate to update the forecast scenarios to take into account new elements based on the EU Commission's estimates for the year 2020, which led to a change in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Annual Report at 31 December 2019. With regard to Corporate and Banking counterparties, the methodology used for this purpose is to increase PD in line with the increase in sectoral risk recorded by the rating agencies in the first five months of 2020 for each rating level.

With regard to trade receivables, in order to reflect the effects of the Covid-19 pandemic, the following steps were taken:

- for trade receivables subject to analytical impairment, the level of PD was increased in line with the increase in sectoral risk recorded by the rating agencies in the first five months of 2020;
- for trade receivables subject to forfeit impairment, on the other hand, in order to calculate expected losses, homogeneous customer clusters representing the composition of the receivable portfolio were identified. Each cluster was associated with different forfeit impairment percentages, broken down by past due age bands, which varied on the basis of the increase in risk historically recorded during phases of acute stress.

Exposure to credit risk

With regard to the **financial assets** exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the Poste Italiane Group's exposure at 30 June 2020, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Poste Italiane Group - Credit risk - Ratings (€m)

Description	from AAA to AA-		from A+ to BBB-		from BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
2020 effects									
Financial assets at amortised cost									
Loans	-	-	945	-	-	-			945
Receivables	685	-	13,327	-	233	-			14,245
Fixed income instruments	-	-	29,424	-	-	-			29,424
Other investments	-	-	-	-	-	-			-
Gross carrying amount - Total	685	-	43,696	-	233	-			44,614
Provision to cover expected losses	-	-	(40)	-	-	-			(40)
Total amortised cost at 30 June 2020	685	-	43,656	-	233	-	561	4,506	49,614
2020 effects									
Financial assets at FVTOCI									
Fixed income instruments	1,475	-	124,023	-	1,366	60			126,924
Other investments	-	-	500	-	-	-			500
Gross carrying amount - Total	1,475	-	124,523	-	1,366	60			127,424
Carrying amount - Fair value at 30 June 2020	1,577	-	138,694	-	1,293	56			141,620

With regard to analysis of the concentration of credit risk by class of financial asset on the basis of counterparty, at 30 June 2020, the Poste Italiane Group is primarily exposed to Sovereign counterparties (gross carrying amount of €142 billion compared with the value of the total portfolio of assets at amortised cost and assets at fair value through other comprehensive income of €172 billion).

ECL measurement

The following tables show, for each class of financial instrument, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

Financial assets

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description	Amortised cost		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	23	9	32
Impairment of securities / receivables held at the beginning of the period	1	4	5
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	3	3
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	-	-
Balance at 30 June 2020	24	16	40

At 30 June 2020, estimated expected losses on financial instruments measured at amortised cost amount to approximately €40 million. The increase in the expected credit loss provisions takes account of the increased risk caused by the current pandemic.

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description	FVTOCI		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	-	13	13
Impairment of securities / receivables held at the beginning of the period	-	5	5
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	4	4
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(2)	(2)
Balance at 30 June 2020	-	20	20

At 30 June 2020, estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to approximately €20 million. The increase in the expected credit loss provisions takes account of the increased risk caused by the current pandemic.

Trade receivables

The Poste Italiane Group's exposure to credit risk, in relation to each class of **trade receivables** at 30 June 2020, is shown separately depending on whether or not the model used to estimate ECL is based on an analytical or a forfeit assessment.

Poste Italiane Group - Credit risk - Trade receivables impaired on the analytical basis

(€m)

Description	30/06/2020	
	Gross Carrying amount	Provision to cover expected losses
Trade receivables		
Amounts due from customers	1,627	320
Cassa Depositi e Prestiti	440	-
Ministries and Public Administration entities	303	125
Overseas counterparties	265	2
Private customers	619	193
Amounts due from the Parent Company	213	31
Other receivables	1	-
Total	1,841	351

Poste Italiane Group - Credit risk - Trade receivables impaired on the basis of the provision matrix

(€m)

Range of past due	30/06/2020	
	Gross Carrying amount	Provision to cover expected losses
Not past due trade receivables	554	16
Past due 0 - 1 year	171	9
Past due 1 - 2 years	123	22
Past due 2 - 3 years	38	15
Past due 3 - 4 years	12	9
Past due > 4 years	67	65
Positions subject to legal recovery and/or insolvency proceedings	140	120
Total	1,105	256

Movements in the expected credit loss provisions for trade receivables (due from customers and the Parent Company) are as follows:

Details of the provision to cover expected losses on trade receivables

(€m)

Description	Balance at 31/12/2019	Net provisions	Uses	Balance at 30/06/2020
Private customers	291	32	(1)	322
Public Administration entities	162	5	-	167
Overseas postal operators	12	2	-	14
	465	39	(1)	503
Interest on late payments	60	13	(2)	71
Amounts due from Parent Company	33	-	-	33
Total	558	52	(3)	607

Other receivables and assets

Movements in the expected credit loss provisions for other receivables and assets are shown below.

Poste Italiane Group - Movements in Provisions for doubtful debts due from others

(€m)

Description	Balance at 31/12/2019	Net provisions	Uses	Balance at 30/06/2020
Interest accrued on IRES refund	46	-	-	46
Public Administration entities for sundry services	1	-	-	1
Receivables relating to fixed-term contract settlements	12	-	-	12
Other receivables	86	3	(10)	79
Total	145	3	(10)	138

Price risk

This is the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.

Price risk relates to financial assets classified as measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL"), and certain financial derivatives where changes in value are recognised in profit or loss.

The sensitivity analysis at 30 June 2020 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements.

The results of the sensitivity analysis for price risk carried out at 30 June 2020 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk										(€m)
Description	Risk exposure	Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation		
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	
2020 effects										
Financial assets										
Financial assets at FVTPL	34,117	6,597	(6,597)	6,570	(6,570)	27	(27)	-	-	
Equity instruments	227	93	(93)	66	(66)	27	(27)	-	-	
Other investments	33,890	6,504	(6,504)	6,504	(6,504)	-	-	-	-	
Financial derivatives	(17)	(29)	29	-	-	(29)	29	-	-	
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	
Fair value through profit or loss (liabilities)	(17)	(29)	29	-	-	(29)	29	-	-	
Variability at 30 June 2020	34,100	6,568	(6,568)	6,570	(6,570)	(2)	2	-	-	

In relation to **financial assets measured at fair value through profit or loss**, price risk concerns the following:

- investments in units of mutual funds held by Poste Vita SpA, with a fair value of €33,890⁷⁰ million, including approximately €30,246 million used to cover Class I policies, approximately €3,638 million used to cover Class III policies and a residual amount relating to the free capital;
- equity instruments held by Poste Vita SpA, totalling €164 million, used to cover Class I policies linked to separately managed accounts and to cover Class III policies;
- Visa Incorporated (Series C Convertible Participating Preferred Stock) preference shares held by BancoPosta RFC for a total of €63 million. For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.

In the area of **Financial derivatives**, price risk mainly relates to the forward sale contract for 400,000 of Visa Incorporated ordinary shares entered into by the Parent Company in 2019.

Lastly, during 2019 and in the first months of 2020, shares in *Moneyfarm*, *sennder GmbH*, *Milkman* and *Tink*, classified as **financial assets measured at fair value through other comprehensive income** and not subject to sensitivity in the table above, were acquired by the Parent Company, as described in further detail in the table above.

⁷⁰ Funds with a prevalent bond composition are not subject to price risk and therefore not considered in the analysis.

Cash flow inflation risk

This is defined as the uncertainty related to future cash flows due to changes in the inflation rates observed in the market.

At 30 June 2020, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges. Of the total nominal value, securities totalling €9,811 million are held by Poste Vita SpA and securities totalling €2,142 million by BancoPosta RFC.

Foreign exchange risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency.

At 30 June 2020, the following were exposed to foreign exchange risk:

- Parent Company's equity investments in Visa (\$70 million) and Moneyfarm (£22 million);
- shares in certain funds held by Poste Vita SpA (\$74 million);
- derivative contract on Visa Incorporated ordinary shares entered into by the Parent Company in 2019 (at 30 June fair value negative of \$19 million).

Liquidity risk

This is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments.

In order to face this risk, the Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term loans and counterparties; availability of relevant credit lines in terms of amounts and the number of banks; gradual and consistent distribution of the maturities of medium/long-term loans; and use of dedicated analytical models to monitor the maturities of assets and liabilities.

At 30 June 2020, unrestricted cash and cash equivalents amounted to €2.6 billion (of which €1.9 billion relating to the Parent Company). The committed and uncommitted credit lines available to the Group and the related uses are summarised in the table below.

Description	Balance at 30/06/2020	Balance at 31/12/2019
Committed credit lines	1,750	2,000
Short-term loans	1,750	2,000
Uncommitted credit lines	1,882	1,964
Short-term loans	1,026	1,009
Current account overdrafts	173	173
Unsecured loans (*)	683	782
Total	3,632	3,964
Uncommitted uses	1,012	356
Short-term loans	660	-
Unsecured loans	352	356
Total	1,012	356

No collateral has been provided to secure the credit lines obtained.

At present, the Poste Italiane Group believes that it has adequate sources of funding to meet its foreseeable financial needs. In particular, in order to cope with the adverse scenarios linked to the COVID-19 pandemic, it has obtained additional liquidity commensurate with any financial needs by means of:

- the conclusion of three medium-term loans totalling €750 million, granted at floating rates for more flexible debt management, as they allow early repayment;
- the use of €660 million in uncommitted credit lines for short-term loans.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC. In addition, from 26 June 2020, BancoPosta's RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion. Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €716 million, and the facility is unused at 30 June 2020.

At 30 June 2020, the Parent Company had an EMTN - Euro Medium Term Note program of €2 billion in place, thanks to which the Group can raise an additional €1.95 billion on the capital market. As part of this programme, in 2013, Poste Italiane placed a 10-year loan of €50 million on the Luxembourg Stock Exchange.

6. DETERMINATION OF FAIR VALUE

6.1 Fair value measurement techniques

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for the fair value measurement of financial instruments have not changed compared to 31 December 2019, except for the appropriate integration to include the models supporting the measurement of unlisted shares described below, and have been identified in compliance with the indications from the reference accounting standards and the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13 - Fair Value Measurement**, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds quoted on active markets:

- **Bonds issued by EU government bodies or Italian or foreign corporate bonds:** measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third;
- **Financial liabilities:** measurement is based on the ask prices quoted by CBBT (Composite Bloomberg Bond Trader).

Equity instruments and ETFs (Exchange Traded Funds) listed on active markets: the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange.

Quoted open-end investment funds: measurement is based on the daily closing market price as provided by Bloomberg or the fund manager. Level 1 bond price quotations incorporate a credit risk component. Exchange rates published by the European Central Bank are used in determining the value of financial instruments denominated in currencies other than the euro.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, exchange rates provided by the European Central Bank, ranges of

rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds either quoted on inactive markets or not at all:

- **Straight Italian and international government and non-government bonds:** valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

Unquoted equity instruments: this category may be included here provided it is possible to use the price of quoted Equity instruments of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount, quoted by primary market counterparties, which represents the implicit cost in the process to align the value of the unquoted shares to the quoted ones.

Unquoted open-end investment funds: measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

Financial derivatives:

- **Interest Rate Swaps:**

Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the financial derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.

- **Bond forwards:** valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.

- **Warrants:** considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.
- **Currency forwards:** valuation is based on the differential between the reciprocal currency registered at the measurement date and the reciprocal currency fixed at the trade date.

The financial derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty's creditworthiness. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the creditworthiness.

Fixed rate and floating rate instruments: measurement is based on discounted cash flow. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market;
- use of yield curves based on the specific issuer's quoted bond prices.

Financial liabilities either quoted on inactive markets or not at all:

- **Straight bonds:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

- **Borrowings:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements:** are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the creditworthiness.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed and floating rate loans: the measurement is carried out using discounted cash flow techniques. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

Closed-end unquoted funds: these include funds that invest mainly in unquoted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (excluding former service accommodation) and inventories of properties held for sale: the fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the lease contracts and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Investment property (former service accommodation): the value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the lessee, i.e. the minimum selling price if the asset is sold through a public auction.

Unquoted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market. For these types of instruments, fair value is determined by considering the implicit valuation at the time of acquisition, adjusted by value adjustments to take account of any changes in price resulting from significant transactions⁷¹ observable on the market in the 12 months prior to the reporting date. Alternatively, and in the absence of significant transactions, the fair value of the share is determined using alternative methods (verification of financial data that can be inferred from the company's Business Plans if available and analysis of the company's performance, multiple market use, etc.).

⁷¹ A relevant transaction in this context is defined as a minimum investment of €10 million or at least 5% of the share capital of the investee entity over the last twelve months from the reporting date.

6.2 Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 30 June 2020, classified by level in the fair value hierarchy.

Fair value hierarchy									(€m)
Description	30/06/2020				31/12/2019				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Financial assets									
Financial assets at FVTOCI	131,954	9,667	55	141,676	130,322	9,499	23	139,844	
Equity instruments	-	-	55	55	-	-	23	23	
Fixed income instruments	131,954	9,136	-	141,090	130,322	8,960	-	139,282	
Other investments	-	531	-	531	-	539	-	539	
Financial assets at FVTPL									
Receivables	3,304	29,408	4,024	36,736	3,235	30,613	3,848	37,696	
Equity instruments	-	-	-	-	-	-	-	-	
Fixed income instruments	163	-	64	227	177	-	71	248	
Other investments	1,375	163	-	1,538	1,309	191	-	1,500	
Financial derivatives	1,766	29,245	3,960	34,971	1,749	30,422	3,777	35,948	
Financial derivatives	-	122	-	122	-	73	-	73	
Total	135,258	39,197	4,079	178,534	133,557	40,185	3,871	177,613	
Financial liabilities									
Financial liabilities at fair value	-	-	-	-	-	-	-	-	
Financial derivatives	-	(8,370)	(17)	(8,387)	-	(5,575)	(15)	(5,590)	
Total	-	(8,370)	(17)	(8,387)	-	(5,575)	(15)	(5,590)	

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance group, are shown below:

Transfers from Level 1 to Level 2					(€m)
Description	From Level 1 to Level 2		From Level 2 to Level 1		
	Level 1	Level 2	Level 1	Level 2	
Transfers of financial assets		(341)	341		(340)
Financial assets at FVTOCI					
Equity instruments	-	-	-	-	-
Fixed income instruments	(295)	295	322	(322)	
Structured bonds	-	-	-	-	-
Other investments	-	-	-	-	-
Financial assets at FVTPL					
Receivables	-	-	-	-	-
Equity instruments	-	-	-	-	-
Fixed income instruments	(46)	46	18	(18)	
Other investments	-	-	-	-	-
Net transfers		(341)	341		(340)

Reclassifications from level 1 to level 2, totalling €341 million, regard financial instruments whose value, at 30 June 2020, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, totalling €340 million, on the other hand, regard financial instruments whose value, at 30 June 2020, is observable in a liquid and active market.

Movements in level 3 during the period are shown below:

Changes in financial instruments - level 3 (€m)				
Description	Financial assets			Total
	Financial assets at FVTOCI	Financial assets at FVTPL	Financial derivatives	
Balance at 1 January 2020	23	3,848	-	3,871
Purchases/Issues	35	377	-	412
Sales/Extinguishment of initial accruals	-	(102)	-	(102)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	(8)	-	(8)
Changes in fair value through equity	1	-	-	1
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Changes in amortised cost	-	-	-	-
Write-off	-	(91)	-	(91)
Other changes (including accruals at end of period)	(4)	-	-	(4)
Balance at 30 June 2020	55	4,024	-	4,079

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA.

In the case of the Group's insurance company, instruments in level 3 regard funds that invest primarily in unlisted instruments, whose fair value measurement is based on the latest available NAV (Net Asset Value) as announced by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers and occurring between the latest NAV date and the measurement date. These financial instruments primarily consist of investments in private equity funds and, to a lesser extent, real estate funds associated entirely with Class I products related to separately managed accounts. Movements during the period regard the purchase of new investments, redemptions of units of unquoted close-end funds and changes in fair value during the period.

Level 3 changes in the fair value hierarchy during the period also affected financial liabilities after the Parent Company, Poste Italiane SpA, entered into a forward contract in 2019 for the sale of 400,000 Visa Incorporated ordinary shares. The fair value of the forward sale is negative by €2 million in the reporting period, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate.

7. PROCEEDINGS PENDING AND PRINCIPAL RELATIONS WITH THE AUTHORITIES

The following information, provided in accordance with accounting standard IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*, only covers ongoing proceedings where there have been significant developments during the first half of 2020.

TAX DISPUTES

With reference to **Postel**, an audit regarding income tax and withholding tax came to an end on 8 October 2015, with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP, in relation to the alleged failure to pay social security contributions for employees and/or contractors used by a supplier between 2010 and 2014. In relation to the notices of assessment for the 2010 and 2011 periods, Postel has decided to avail itself of the facilitated definition pursuant to article 11 of Law Decree no. 50 of 24 April 2017, while with regard to the other assessment periods for which the tax authorities assessed higher VAT, IRES, IRAP and withholding taxes, Postel appealed. On 24 June 2020, after the deadline for the appeal had expired, the decision in favour of the Company for the 2013 tax period became final.

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** some payment orders, for a total amount payable of €21.6 million at 30 June 2020. According to INPS, this amount represents social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa.

Taking into account the judgements, the reasons given for the judgements and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges based on the opinion of its legal advisors.

Provisions recognised in the financial statements at 30 June 2020 amount to €11.04 million.

PRINCIPAL PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

[Autorità Garante della Concorrenza e del Mercato \(AGCM - the Italian Antitrust Authority\)](#)

On 19 November 2019, the AGCM initiated proceedings against Poste Italiane in order to ascertain allegedly unfair commercial practice in the delivery of mail and, in particular, registered mail, in possible violation of articles 20, 21 and 22 of the Consumer Code. In particular, some customers reported that: (i) the advertised features of the 'registered mail delivery' service were not reflected in the service actually provided; (ii) they did not clearly state that the 'digital collection of registered mail' service may no longer be free of charge in the future. In January 2020, a number of consumer associations were admitted to the proceedings. The Authority communicated the deadline for the conclusion of the investigation phase of the procedure at 27 July 2020, specifying the objections contained in the opening deed and setting a deadline of 27 July 2020 for the submission of pleadings and documents.

On 6 April 2020, pursuant to art. 9, paragraph 3-bis of Law 192/98 and art. 14 of Law 287/90, the AGCM initiated proceedings against Poste Italiane, following a complaint by a third-party supplier that Poste Italiane had imposed unjustifiably burdensome contractual clauses. In particular, following the termination of contractual relations in mid-2017, the supplier was not, in fact, able to otherwise offer the services it was providing on the market because of the obligation to comply with rules and organisational parameters considered such as to make the company structure excessively rigid, making it unsuitable to operate with parties other than Poste Italiane. A hearing was held on 8 June 2020 at which Poste Italiane stated its position and, subsequently, the Authority requested the delivery of documentation. The proceedings are still in the pre-trial phase.

Bank of Italy

On 26 February 2020, the Bank of Italy launched an ordinary and general inspection of BancoPosta Fondi SpA SGR, pursuant to article 6-ter of Legislative Decree no. 58 of 24 February 1998. On 22 May 2020, the Authority announced the interruption of the inspection, in relation to the impossibility, due to the health emergency in progress, to remotely complete some verification activities that are typically carried out on-site. For these reasons, an ordinary inspection report is not required.

On 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 22 May to 19 July 2019 at 24 Post Offices, which concerned, among other things aspects relating to broader areas such as: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. In accordance with the requirements of the Authority, the Company is working on the preparation of a plan containing the corrective measures to be implemented with an indication of the implementation methods and the expected time frame for the completion of the related activities.

CONSOB

In January 2020, the CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID II legislation. This inspection is still ongoing.

Garante per la protezione dei dati personali (the Data Protection Authority)

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €0.34 million on **Postel**, which the company accounted for in its financial statements for 2013. The company appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation, which was accepted by the judge with a ruling on 16 June 2014. On 21 January 2016, the designated judge reduced the fine by €0.1 million, rejecting the other preliminary exceptions raised on the merits. The Company appealed against the above judgement before the Court of Cassation for the part of the sanction not annulled by the Court. Postel has not yet been notified of the verdict at the conclusion of the Council Chamber hearing held on 12 November 2019. On 21 March 2017, the tax authorities notified the company of a payment order in which, in addition to requesting payment of a fine of €0.24 million, as reduced by the judgement from the Court of Rome, it also applied, among other things, an additional amount of €0.12 million. Postel appealed the order, resulting in cancellation of the fine of €0.12 million by the Court of Rome. The Authority appealed against this judgement to the Court of Cassation, notified on 3 August 2018, and Postel took steps to duly institute legal proceedings. The Court of Cassation, fully adhering to the Company's arguments, declared the appeal filed by the Authority inadmissible, also ordering it to pay the legal costs. The

company has filed a formal request with the Authority in order to recover the sums in question (already paid by Postel following the Authority's seizure of the related amounts from a third party) and, has also applied to the tax authorities for a refund, a response to which has yet to be received.

8. MATERIAL NON-RECURRING EVENTS AND/OR TRANSACTIONS

Under the definition provided by CONSOB ruling DEM/6064293 of 28 July 2006, the Poste Italiane Group has not been a party to material non-recurring events and transactions⁷² in the first half of 2020.

9. EXCEPTIONAL AND/OR UNUSUAL TRANSACTIONS

Under the definition provided by the CONSOB ruling of 28 July 2006, the Poste Italiane Group did not conclude any exceptional and/or unusual transactions⁷³ in the first half of 2020.

10. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period are described in the above notes and no other significant events have occurred after 30 June 2020.

⁷² Events and transactions are defined as such when their occurrence is non-recurring, being transactions or events that do not recur frequently in the ordinary course of business.

⁷³ Such transactions are defined as transactions that due to their significance/materiality, the nature of the counterparties, the purpose of the transaction, the manner of determining the transfer price and timing of the transaction may give rise to doubts over the correctness and/or completeness of the disclosures in the financial statements, over a conflict of interest, safeguards for the Company's financial position and protections for non-controlling shareholders.

11. ADDITIONAL INFORMATION

Net debt/(funds)

The following table provides an analysis of the Poste Italiane Group's net debt/(funds) at 30 June 2020.

Poste Italiane Group

Net debt/(funds) at 30 June 2020							
(€m)							
Balance at 30/06/2020	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Eliminations	Consolidated	of which related parties
Financial liabilities	4,894	6,701	89,685	324	(8,933)	92,671	
Financial liabilities at amortised cost	3,772	6,333	74,791	72	(733)	84,235	3,203
Payables deriving from postal current accounts	-	-	53,759	-	(733)	53,026	1
Bonds	50	-	-	-	-	50	-
Amounts due to financial institutions	2,495	-	16,325	-	-	18,820	-
Other borrowings	-	-	-	-	-	-	-
Lease payables	1212	1	-	25	-	1238	7
MEF account, held at the Treasury	-	-	2,964	-	-	2,964	2,964
Other financial liabilities	15	6,332	1743	47	-	8,137	-
Financial liabilities at FVTPL	49	-	-	-	-	49	-
Financial liabilities for purchase of non-controlling interests	49	-	-	-	-	49	-
Financial derivatives	17	-	8,370	-	-	8,387	231
Intersegment financial liabilities	1,056	368	6,524	252	(8,200)	-	-
Technical provisions for insurance business	-	-	-	141,978	-	141,978	-
Financial assets	(1,415)	(6,815)	(85,723)	(142,413)	8,191	(228,175)	
Financial instruments at amortised cost	(77)	(121)	(47,602)	(1,841)	-	(49,641)	(10,563)
Financial instruments at FVTOCI	(550)	(21)	(37,320)	(103,785)	-	(141,676)	(531)
Financial instruments at FVTPL	-	-	(63)	(36,673)	-	(36,736)	(21)
Financial derivatives	-	-	(122)	-	-	(122)	(1)
Intersegment financial assets	(788)	(6,673)	(616)	(114)	8,191	-	-
Technical provisions attributable to reinsurers	-	-	-	(56)	-	(56)	-
Net debt/(net financial surplus)	3,479	(114)	3,962	(167)	(742)	6,418	
Cash and deposits attributable to BancoPosta	-	-	(4,222)	-	-	(4,222)	-
Cash and cash equivalents	(1,977)	(32)	(2,011)	(2,049)	732	(5,337)	(1,979)
Net debt/(funds)	1,502	(146)	(2,271)	(2,216)	(10)	(3,141)	

Net debt/(funds) at 31 December 2019

Net debt/(funds) at 31 December 2019							
(€m)							
Balance at 31/12/2019	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Eliminations	Consolidated	of which related parties
Financial liabilities	3,061	5,539	78,219	295	(7,598)	79,516	
Financial liabilities at amortised cost	1,886	5,194	67,281	42	(477)	73,926	4,829
Payables deriving from postal current accounts	-	-	48,794	-	(477)	48,317	1
Bonds	50	-	-	-	-	50	-
Amounts due to financial institutions	574	-	12,194	-	-	12,768	265
Other borrowings	-	-	-	-	-	-	-
Lease payables	1251	1	-	27	-	1,279	9
MEF account, held at the Treasury	-	-	4,542	-	-	4,542	4,542
Other financial liabilities	11	5,193	1,751	15	-	6,970	2
Financial derivatives	22	-	5,567	1	-	5,590	123
Intersegment financial liabilities	1,153	345	5,371	252	(7,121)	-	-
Technical provisions for insurance business	-	-	-	140,261	-	140,261	-
Financial assets	(1,395)	(5,645)	(77,078)	(141,936)	7,120	(218,934)	
Financial instruments at amortised cost	(62)	(115)	(39,402)	(1,742)	-	(41,321)	(11,181)
Financial instruments at FVTOCI	(547)	-	(36,831)	(102,466)	-	(139,844)	(539)
Financial instruments at FVTPL	-	-	(71)	(37,625)	-	(37,696)	(21)
Financial derivatives	-	-	(73)	-	-	(73)	(1)
Intersegment financial assets	(786)	(5,530)	(701)	(103)	7,120	-	-
Technical provisions for insurance business	-	-	-	(58)	-	(58)	-
Net debt/(net financial surplus)	1,666	(106)	1,141	(1,438)	(478)	785	
Cash and deposits attributable to BancoPosta	-	-	(4,303)	-	-	(4,303)	-
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)	(495)
Net debt/(funds)	815	(202)	(3,680)	(2,599)	(1)	(5,667)	

The total **Net debt/(funds)** at 30 June 2020 showed funds of €3,141 million, or €2,526 million less than at 31 December 2019, when it had funds of €5,667 million); this change reflects primarily the decrease of €1.2 billion in the fair value of investments classified as FVTOCI held by the Financial Services SBU, the negative

change of €1.4 billion in working capital, the dividend distribution of €402 million and investments of €210 million, partially offset by the profit for the period of €545 million.

An analysis of the Net debt/(funds) of the Mail, Parcels and Distribution segment at 30 June 2020, in accordance with ESMA recommendation 319/2013, is provided below:

ESMA net debt/(funds)	(€m)	
	At 30 June 2020	At 31 December 2019
A. Liquidity	(1,977)	(851)
B. Current financial receivables	(535)	(135)
C. Current due to banks	1,172	1
D. Current lease payables	222	215
E. Current portion of non-current debt	-	-
F. Other current borrowings	19	15
G. Current financial debt (C+D+E+F)	1,413	231
H. Current net debt/(funds) (A+B+G)	(1,099)	(755)
I. Non-current due to banks	1,323	573
L. Bonds issued	50	50
M. Non-current lease payables	990	1,036
N. Other non-current liabilities	62	18
O. Non-current financial debt (I+L+M+N)	2,425	1,677
P. Net debt/(funds) (ESMA) (H+O)	1,326	922
Non-current financial assets	(92)	(474)
Net debt/(funds)	1,234	448
Intersegment financial receivables and borrowings	268	367
Net debt/(funds) including intersegment transactions	1,502	815

EXPOSURE TO SOVEREIGN DEBT

With regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the Group's exposure to sovereign debt at 30 June 2020 is shown in the table below.

Poste Italiane Group - Exposure to sovereign debt securities (€m)						
Description	30/06/2020			31/12/2019		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Italy	131,153	152,166	150,828	125,322	143,188	143,000
Financial assets at amortised cost	23,393	29,851	28,513	19,100	22,825	22,637
Financial assets at FVTOCI	107,710	122,262	122,262	106,170	120,308	120,308
Financial assets at FVTPL	50	53	53	52	55	55
Austria	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Belgium	89	110	110	89	107	107
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	89	110	110	89	107	107
Financial assets at FVTPL	-	-	-	-	-	-
Finland	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
France	151	219	219	151	203	203
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	151	219	219	151	203	203
Financial assets at FVTPL	-	-	-	-	-	-
Germany	79	102	102	52	62	62
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	77	100	100	50	60	60
Financial assets at FVTPL	2	2	2	2	2	2
Ireland	10	14	14	10	13	13
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	10	14	14	10	13	13
Financial assets at FVTPL	-	-	-	-	-	-
Holland	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Portugal	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Spain	1,119	1,754	1,753	1,159	1,780	1,781
Financial assets at amortised cost	3	4	3	3	3	4
Financial assets at FVTOCI	1,116	1,750	1,750	1,156	1,777	1,777
Financial assets at FVTPL	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
USA	59	59	59	1	1	1
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	59	59	59	1	1	1
Financial assets at FVTPL	-	-	-	-	-	-
Other countries	-	-	-	20	20	20
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	20	20	20
Financial assets at FVTPL	-	-	-	-	-	-
Total	132,660	154,424	153,085	126,804	145,374	145,187

UNCONSOLIDATED STRUCTURED ENTITIES

In order to make investments as consistent as possible with the risk/return profiles of the policies issued, ensuring management flexibility and efficiency, Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 - *Consolidated Financial Statements*. However, these Funds fall within the definition of unconsolidated structured entities: a structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

Nature of the involvement in the unconsolidated structured entity

(€m)

ISIN - Name	Nature of entity	Activity of the Fund	% investment	NAV At	Amount
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	5,769
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	4,931
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	4,679
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	4,164
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	4,079
LU1500341240 - MULTIFLEX-LT OPTIMAL MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	698
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	578
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	572
LU1500341752 - MULTIFLEX-DYNAMIC LT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	544
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	486
PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100	19/06/2020	423
IT0005174450 - FONDO DIAMOND EUROZONE OFFICE UBS	Closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100	31/03/2020	377
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/06/2020	301
IT0005247819 - Diamond Core	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	31/12/2019	277
QU0006744795 - Prima European Direct Lending 1 Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/03/2020	273
QU0006738052 - Prima EU Private Debt Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/03/2020	250
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	31/12/2019	163
IT0005215113 - FONDO CBRE DIAMOND	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and in units of alternative real estate funds	100	31/03/2020	135
QU0006738854 - Prima Credit Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/03/2020	118
QU0006745081 - Prima Real Estate Europe Fund I	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	25/05/2020	103
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and euro-denominated	100	31/03/2020	103
LU1081427665 - SHOPPING PROPERTY FUND 2	Closed-end harmonised fund	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office building and alternative sectors. It does not invest in property debt	65	31/03/2020	77
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/05/2020	77
IT0005210593 - DIAMOND OTHER SECTOR ITALIA	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets	100	31/12/2019	71
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/03/2020	58
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Closed-end non-harmonised fund of funds	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86	31/03/2020	20
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	24/06/2020	8

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government securities. The entities primarily regard open-end harmonised funds that invest in a mix of assets, such as corporate bonds, government bonds and equities, and closed-end real estate funds that invest in property and property rights. Certain details are provided below.

(€m)						
ISIN - Name	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure	
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Financial assets FVPL	5,769	986	4,783	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Financial assets FVPL	4,931	961	3,970	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Financial assets FVPL	4,679	995	3,684	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Financial assets FVPL	4,164	827	3,337	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets FVPL	4,079	906	3,174	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1500341240 - MULTIFLEX-LT OPTIMAL MA-CM	Financial assets FVPL	698	151	547	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Financial assets FVPL	578	109	469	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Financial assets FVPL	572	124	448	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU1500341752 - MULTIFLEX-DYNAMIC LT MA-CM	Financial assets FVPL	544	60	484	VaR 99.5% over a 5-year time horizon and 1-year half life	
LU2051218035 - OLYMPIUM SEVERUM FUND	Financial assets FVPL	486	92	394	VaR 99.5% over a 1-year time horizon	
PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Financial assets FVPL	423	53	370	Provided by fund management company	
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Financial assets FVPL	301	23	279	VaR 99.5% over a 5-year time horizon and 1-year half life	
IT0005174450 - FONDO DIAMOND EUROZONE OFFICE UBS	Financial assets FVPL	377	158	220	VaR 99.5% over a 1-year time horizon	
IT0005247819 - Diamond Core	Financial assets FVPL	277	90	186	VaR 99.5% over a 1-year time horizon	
QU0006744795 - Prima European Direct Lending 1 Fund	Financial assets FVPL	273	64	209	VaR 99.5% over a 1-year time horizon	
QU0006738052 - Prima EU Private Debt Opportunity Fund	Financial assets FVPL	250	34	216	VaR 99.5% over a 1-year time horizon	
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Financial assets FVPL	163	50	114	VaR 99.5% over a 1-year time horizon	
IT0005215113 - FONDO CBRE DIAMOND	Financial assets FVPL	135	51	84	VaR 99.5% over a 1-year time horizon	
QU0006738854 - Prima Credit Opportunity Fund	Financial assets FVPL	118	38	80	VaR 99.5% over a 1-year time horizon	
QU0006745081 - Prima Real Estate Europe Fund I	Financial assets FVPL	103	48	55	VaR 99.5% over a 1-year time horizon	
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Financial assets FVPL	103	36	66	VaR 99.5% over a 1-year time horizon	
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Financial assets FVPL	77	28	49	VaR 99.5% over a 1-year time horizon	
IT0005210593 - DIAMOND OTHER SECTOR ITALIA	Financial assets FVPL	71	22	48	VaR 99.5% over a 1-year time horizon	
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Financial assets FVPL	58	27	31	VaR 99.5% over a 1-year time horizon	
LU1081427665 - SHOPPING PROPERTY FUND 2	Financial assets FVPL	50	21	29	VaR 99.5% over a 1-year time horizon	
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Financial assets FVPL	17	9	8	VaR 99.5% over a 1-year time horizon	
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Financial assets FVPL	8	3	4	VaR 99.5% over a 1-year time horizon	

Risk nature

The company's investments in the funds in question are reported at fair value through profit or loss (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting method.

SHARE-BASED PAYMENT ARRANGEMENTS

LONG-TERM INCENTIVE SCHEME: PHANTOM STOCK PLAN

The General Meeting of Shareholders of Poste Italiane SpA held on 24 May 2016 approved the information circular for the "Long-term Incentive Plan for 2016-2018 (LTIP) - Phantom Stock Plan", prepared in accordance with art 84-bis of Issuer Regulations. The LTIP, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2016-2018

Following the one-year retention period to which the 139,604 Phantom Stocks resulting from the finalisation of the Plan that matured in 2018 were subject, the cash value of the units disbursed in June 2020 is approximately €1.1 million. The cost recognised for the first half is approximately €0.1 million, whilst the liability recognised in amounts due to staff is approximately €0.4 million.

Second Cycle 2017-2019

Also the Second Cycle of the "Phantom Stock LTIP", awarded in 2017 (2017-2019), vested in 2019. The final number of phantom stocks awarded under the Plan totals 645,673, including 207,320 stocks subject to a one-year retention period. The cash value of the stocks granted in June 2020 was approximately €4.7 million. The cost recognised for the first half is approximately €0.1 million, whilst the liability recognised in amounts due to staff is approximately €1.6 million.

Third Cycle 2018-2020

At 30 June 2020, the total number of phantom stocks awarded for the Third Cycle of the Plan amount to 624,869. The cost recognised for the first half is approximately €0.3 million, whilst the liability recognised in amounts due to staff is approximately €4.7 million.

LONG-TERM INCENTIVE SCHEME: PERFORMANCE SHARE PLAN

The General Meeting of Shareholders of Poste Italiane SpA held on 28 May 2019 approved the information circular for the "Equity-based incentive plan (ILT) - Performance Share Plan", prepared in accordance with art 84-bis of Issuer Regulations. This incentive scheme aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2019-2021

The total number of rights to receive shares awarded overall for the First Cycle of the Plan was 639,113. The cost recorded for the half year was approximately €1.3 million, while the equity reserve specifically created for this new case amounts to approximately €3.1 million. The unit fair value of each right is equal to its nominal value at the grant date (determined on the basis of stock exchange prices), discounted by the expected dividend rate and the risk-free interest rate.

SHORT-TERM INCENTIVE SCHEMES: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Provisions for BancoPosta (Part IV, Chapter I, "BancoPosta" including in Circular Letter no. 285 of 17 December 2013 "Prudential supervisory provisions for banks") which, in taking into account BancoPosta's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta and Poste Italiane SpA. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular Letter no. 285). These standards, only applicable to the Parent Company Poste Italiane SpA, provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

Determination of fair value and effects on profit or loss

At 30 June 2020, the number of Phantom Stocks relating to the 2017 and 2018 MBO short-term incentive plans in place was 174,665, relating mainly to personnel employed by the Parent Company. The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. The liability recognised at 30 June 2020 is about €1.3 million, and payments of €0.4 million were made in the reporting half-year.

At 30 June 2020, the number of Rights to receive Shares deriving from the MBO 2019 short-term incentive plan was 52,803, relating to personnel employed by the Parent Company. The actuarial valuation of the plan

at 30 June 2020 led to a cost adjustment of approximately €0.1 million, while the equity reserve amounts to approximately €0.4 million.

SEVERANCE PAYMENTS ON TERMINATION OF EMPLOYMENT

Severance payments to BancoPosta RFC Risk Takers on early termination are paid in accordance with the same procedures applied to short-term variable remuneration as regards deferral, payment in financial instruments and verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC.

At 30 June 2020, the number of outstanding phantom stocks totals 180,100 and the liability recognised is about €1.4 million. The actuarial valuation of the plan at 30 June 2020 led to a cost adjustment of €0.3 million.

KEY INFORMATION ON INVESTMENTS

List of investments consolidated on a line-by-line basis

(€k)

Name (Registered office)	% interest	Share capital	Result for the period	Equity
BancoPosta Fondi SpA SGR (Rome)	100.00%	12,000	9,074	40,227
Consorzio Logistica Pacchi ScpA (Rome)	100.00%	516	-	738
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome)	100.00%	120	-	116
Consorzio PosteMotori (Rome)	80.75%	120	-	120
Europa Gestioni Immobiliari SpA (Rome)	100.00%	103,200	601	239,009
MLK Deliveries SpA (Milan) (*)	70.00%	333	10	14,990
Poste Air Cargo Srl (Rome) (**)	100.00%	1,000	829	1,995
PatentiViaPoste ScpA (Rome)	86.86%	120	-	124
PostePay SpA (Rome)	100.00%	7,561	89,633	331,682
Poste Tributi ScpA - in liquidation (Rome) (*) (**)	100.00%	-	901	-
Poste Vita SpA (Rome) (*)	100.00%	1,216,608	292,858	4,586,768
Poste Assicura SpA (Rome) (*)	100.00%	25,000	22,450	216,428
Postel SpA (Rome)	100.00%	20,400	(2,073)	81,596
SDA Express Courier SpA (Rome) (**)	100.00%	5,000	17,630	31,779
sennder Italia Srl (Milan)	75.00%	40	(236)	4,153
Poste Welfare Servizi Srl (Rome)	100.00%	16	868	15,234
Poste Insurance Broker Srl (Rome)	100.00%	600	(62)	499

(*) The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.

List of investments accounted for using the equity method

(€k)

Name (Registered office)	Nature of investment	Carrying amount	% interest	Assets	Liabilities	Equity	Revenue from sales and services	Result for the period
Address Software Srl (Rome)	Subsidiary	314	51.00%	1,203	586	617	535	41
Anima Holding SpA (Milan) (c)	Associate	203,000	10.04%	2,288,543	1,095,869	1,192,674	289,996 ⁽¹⁾	38,564
Conio Inc. (San Francisco) (a)	Associate	378	19.74%	1,611	551	1,060	180	(1,155)
FSIA Investimenti Srl (Milan) (b)	Associate	394,666	30.00%	1,394,866	80,593	1,314,273	1,648 ⁽²⁾	1,428
Indabox Srl (Rome)(a)	Subsidiary	358	100.00%	4,920	179	313	413	(424)
ItaliaCamp Srl (Rome) (a)	Associate	235	20.00%	2,878	1,487	1,391	2,840	444
Kipoint SpA (Rome)	Subsidiary	1,244	100.00%	4,097	2,853	1,244	2,479	75
Uptime SpA - in liquidation (Rome) (a)	Subsidiary	-	100.00%	3,147	2,972	175	-	(2)
Other SDA Express Courier associates	Associate	4						

- Figures taken from the company's latest financial statements approved by the Board at 31.12.2019.
- Figures including measurement of the SIA Group using the equity method and recognition of the related effects with regard to Purchase Price Allocation.
- Figures taken from the company's latest financial statements approved by the Board at 31.03.2020

(*) The amount includes fee and commission income and interest and similar income.

(**) The amount includes the amount represented by dividends and measurement of the investments at equity.

POSTAL SAVINGS

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

Postal savings (€m)		
Description	30/06/2020	31/12/2019
Post office savings books	104,550	101,842
Interest-bearing Postal Certificates	229,485	227,163
Cassa Depositi e Prestiti	169,635	165,548
Ministry of the Economy and Finance - MEF	59,850	61,615
Total	334,035	329,005

ASSETS UNDER MANAGEMENT

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the period, amounted to €9,499 million at 30 June 2020.

COMMITMENTS

The Group's commitments break down as follows.

Commitments (€m)		
Description	30/06/2020	31/12/2019
Lease arrangements	40	50
Contracts to purchase property, plant and equipment	134	94
Contracts to purchase intangible assets	66	54
Total	240	198

At 30 June 2020, EGI SpA has given commitments to purchase electricity, with a total value of €12.4 million, on regulated forward markets in the second half of 2020. At 30 June 2020, the corresponding market value is €8.4 million.

GUARANTEES

Unsecured guarantees issued by the Group are as follows:

Guarantees (€m)		
Description	30/06/2020	31/12/2019
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	353	357
by the Group in its own interests in favour of third parties	111	55
Total	464	412

THIRD-PARTY ASSETS

Third-party assets held by Group companies are shown below. This type of asset refers solely to the Parent Company, Poste Italiane SpA.

Third-party assets (€m)		
Description	30/06/2020	31/12/2019
Bonds subscribed by customers held at third-party banks	2,941	3,375
Total	2,941	3,375

ASSETS IN THE PROCESS OF ALLOCATION

At 30 June 2020, the Parent Company has paid a total of €97 million in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Italian Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

12. ATTESTATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING AND INDEPENDENT AUDITORS' REPORT

Attestation of the Condensed Half-year Consolidated Financial Statements at 30 June 2020 pursuant to art. 154-bis, paragraph 5, of Legislative Decree no. 58/1998 and art. 81-ter of Consob Regulation no. 11971 of 14 May 1999

1. The undersigned Matteo Del Fante, as Chief Executive Officer, and Alessandro Del Gobbo, as Manager Responsible for Financial Reporting of Poste Italiane S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, attest to:

- the adequacy, in relation to the characteristics of the Poste Italiane Group, and
- the effective application of the administrative and accounting procedures for the formation of the Condensed Half-year Consolidated Financial Statements of the Poste Italiane Group in the period between 1 January 2020 and 30 June 2020.

2. In this regard, please note that:

- the adequacy of the administrative and accounting procedures for the formation of the Condensed Half-year Consolidated Financial Statements of the Poste Italiane Group was verified by evaluating the internal control system on financial disclosure. This evaluation was performed by taking as a reference the criteria laid out in the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- no significant aspects emerged from the evaluation of the internal control system on financial disclosure.

3. It is also attested that:

3.1 The Condensed Half-year Consolidated Financial Statements of the Poste Italiane Group for the year ended 30 June 2020:

- a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the information contained in the accounting ledgers and records;
- c) provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.

3.2 The interim report on operations contains a reliable analysis of the key events that took place during the first six months of the year and of their impact on the half-year condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim Report on operations also contains a reliable analysis of disclosures on significant transactions with related parties.

Rome, 30 July 2020

Chief Executive Officer

Matteo Del Fante

Manager Responsible for Financial Reporting

Alessandro Del Gobbo

(This report has been translated from the original issued in accordance with Italian legislation)

REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Poste Italiane S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of Poste Italiane S.p.A. and its subsidiaries ("Poste Italiane Group"), which comprise the consolidated statement of financial position as of June 30, 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the six month period then ended and the related notes. The Directors are responsible for the preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Poste Italiane Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

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Other Matter

The consolidated financial statements of Poste Italiane Group for the period ended as of December, 31 2019 and the condensed interim consolidated financial statements as at June 30, 2019 have been respectively audited and reviewed by other auditors that on March 25, 2020 and on August 1, 2019 expressed an unmodified opinion and an unmodified conclusion on those consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Rome, Italy
August 5, 2020

This report has been translated into the English language solely for the convenience of international readers.