

INTERIM REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Posteitaliane

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1. INTRODUCTION



This consolidated interim report of the Poste Italiane Group at 30 September 2020 has been prepared on a voluntary basis, in accordance with the provisions of art. 82-ter of the Consob Issuers' Regulation "Additional Periodic Financial Information" in order to ensure continuity and regularity of information to the financial community, and in compliance with the recognition and measurement criteria established by the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 and in force at the end of the period. The consistency and correctness of the additional disclosures contained in the document, which has not been audited, is guaranteed, as is comparability of the related information with the corresponding disclosures included in previously published financial reports.

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

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.p

2. OWNERSHIP, GROUP AND ORGANISATIONAL STRUCTURES



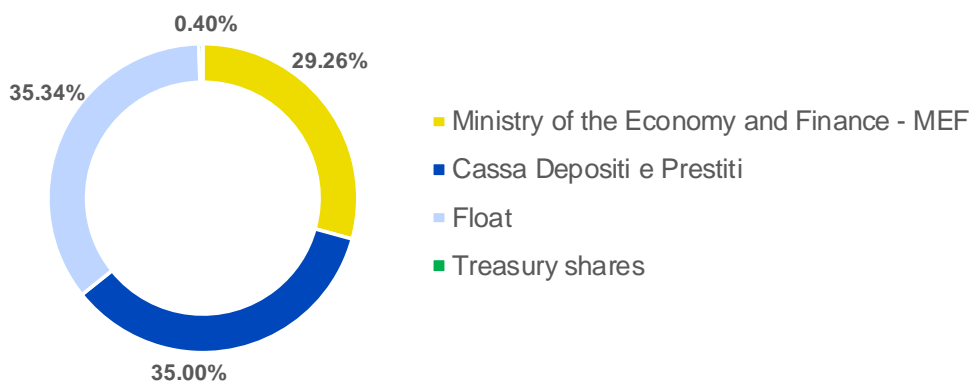
OWNERSHIP

MANAGEMENT AND SUPERVISORY BODIES

GROUP STRUCTURE AT 30 SEPTEMBER 2020

AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP

OWNERSHIP

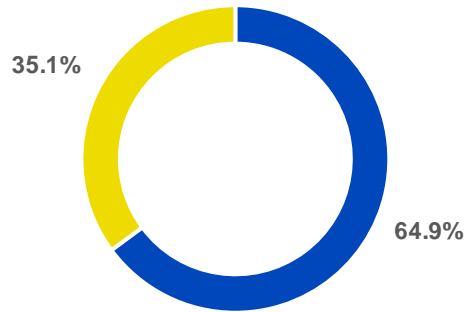


Poste Italiane has issued shares listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana SpA as of 27 October 2015. At 30 September 2020, the Company is 29.3% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa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

The share of institutional investors classified as ESG is 27%².

² Investors who take environmental, social and governance aspects into account in their investment activities (as of March 2020).

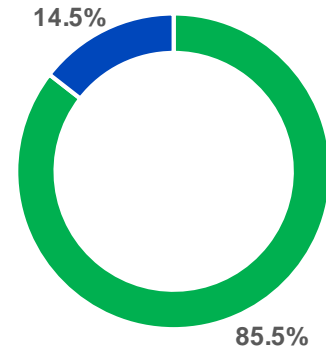
Floating equity



■ Institutional Investors ■ Retail investors

Updated 30 July 2020

Geographical breakdown Investors



■ Rest of the world ■ Italy

Updated 30 July 2020

MANAGEMENT AND SUPERVISORY BODIES



Poste Italiane's corporate governance system, i.e. the administration and control system designed to ensure the effective management of the company, is essentially oriented towards creating value for shareholders in the medium to long term, taking into account the interests of other stakeholders, also in view of the social importance of the activities carried out.

In 2015, with a view to listing on the stock exchange, the company adapted its governance structure to comply with the law, the relevant Consob regulations, the principles and recommendations contained in the Corporate Governance Code for listed companies and international best practices in this area.

The governance model of Poste Italiane, is "traditional", i.e. characterised by the dichotomy between the Board of Directors and the Board of Statutory Auditors. In particular, the Board of Directors in office 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⁾ | Appointments and Corporate Governance Committee ⁽²⁾ | Related and Connected Parties Committee ⁽²⁾ | Sustainability 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 | Daniela Favrin (Chair) Davide Iacovoni Roberto Rossi |

| Board of Statutory Auditors ⁽³⁾ | |
|--|--|
| Chairman | Mauro Lonardo |
| Statutory auditors | Luigi Borrè Anna Rosa Adiatori |
| 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 Ordinary 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.

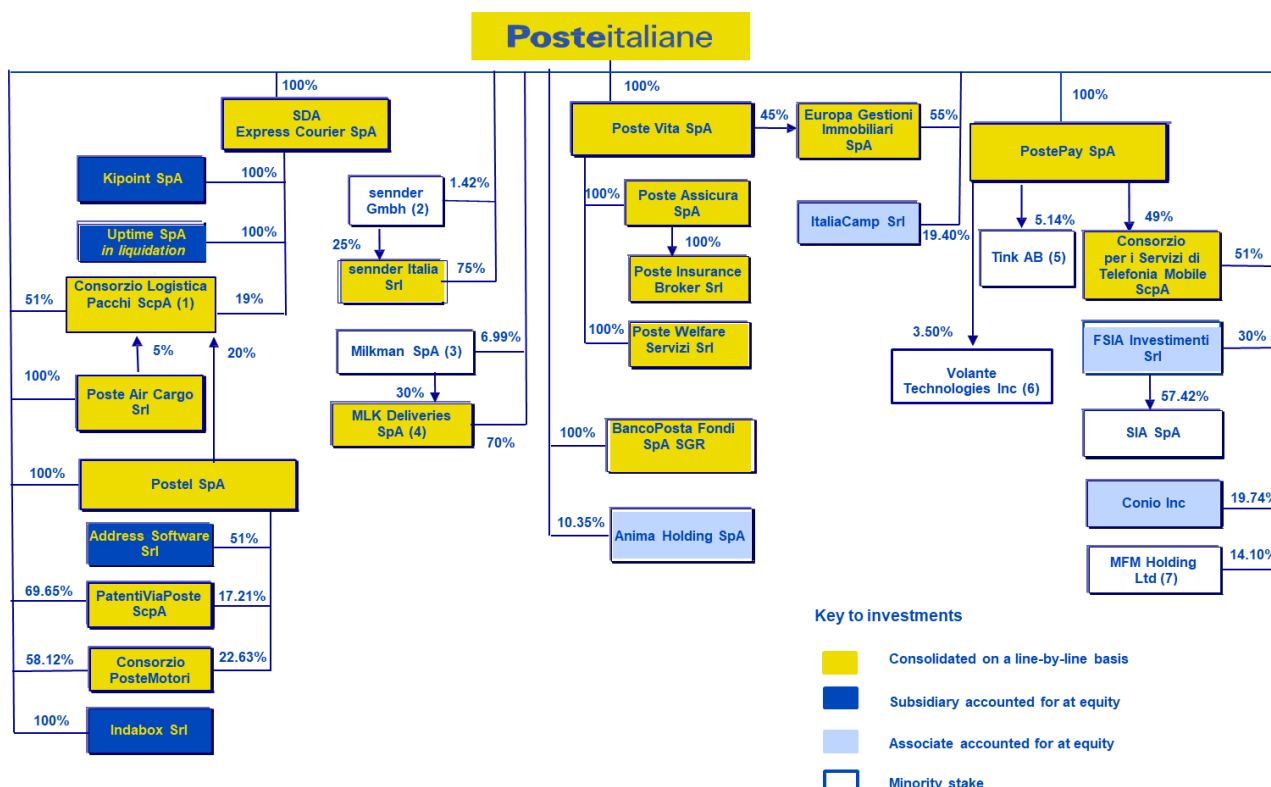
(7) Company appointed to audit the accounts for the financial years 2020 - 2028 by resolution of the Ordinary General Meeting of 28 May 2019.

Deloitte&Touche has been appointed for the entire Group.

GROUP STRUCTURE AT 30 SEPTEMBER 2020



At 30 September 2020, the Group held, directly and indirectly, equity investments in 30 companies and consortia, of which 16 are consolidated on a line-by-line basis, 4 are subsidiaries and valued using the equity method, 4 are associates and valued using the equity method and 6 represent minority stakes.



(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 1.31%

(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 equal to 68.49%

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

(6) The investment in Volante Technologies Inc fully diluted is equal to 2.94%

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

The following table describes the activities of the Group companies, including them within the Strategic Business Units described in further detail in the following paragraph "Areas of operations and Organisation of the Group".

| 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 and 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 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 not 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 | Organisation that develops social innovation processes with a positive impact for the country, creating connections between institutions, companies, associations and universities. |
| Indabox Srl | This company develops IT and telematic systems offering logistics support to e-commerce, proposing to 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 US company based in San Francisco, California 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 (25% 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 (30% 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 exclusively uses 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) 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) and present in more than 10 European countries (including Italy). It is one of the main open banking platforms and provides banks and financial institutions with technological solutions in a PSD2 perspective. |
| Volante Technologies Inc | American company specialising in the development of technological solutions underlying the payment and financial messaging processes on cloud and on-premise for the acceleration of digital transformation and the modernisation of financial services. |
| 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 Banking³ 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 Scheduled⁴ 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.

³ 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.

⁴ "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.

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 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).

Volante Technologies Inc

On 26 June 2020, PostePay signed the agreements for the establishment of a strategic partnership with Volante Technologies Inc (Volante), 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 Volante with an investment of approximately \$5 million. The operation will take effect on 2 July 2020.

Other intra-group transactions

As part of the process of making the Poste Group's Information Communication Technology processes more efficient by centralising the management of its subsidiaries' information systems at the Parent Company, the following corporate transactions were completed during the period:

- sale of Poste Vita, Poste Assicura and Poste Welfare Servizi ICT management business units to Poste Italiane. The transaction, approved by Poste Italiane's Board of Directors on 12 December 2019, took effect from 1 March 2020;
- sale of PostePay's ICT business unit, dedicated to telecommunication services and Electronic Postman to Poste Italiane. The transaction, approved by PostePay's Board of Directors on 23 September 2020, took effect from 1 October 2020.

In addition, on 1 July 2020, the transaction took effect, as approved by the Board of Directors of Consorzio Logistica Pacchi S.c.p.A. on 25 May 2020, for the sale of the BU 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 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.

Lastly, 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.

Other transactions

On 5 October 2020, Nexi SpA and SIA SpA announced that they had signed a memorandum of understanding concerning the integration of the two groups to be achieved through the merger by incorporation of SIA into Nexi. At 30 September 2020, Poste Italiane holds an indirect interest of 17.22% in SIA through its 30% interest in FSIA, which is valued at equity in the Group's consolidated financial statements and recognised at approximately €400 million.

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 SBUs (also referred to as operating segments in the Poste Italiane Group'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, electronic money services and mobile and fixed-line telephone 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 SBU, the name of the Payments, Mobile and Digital SBU has been updated to Payments and Mobile.

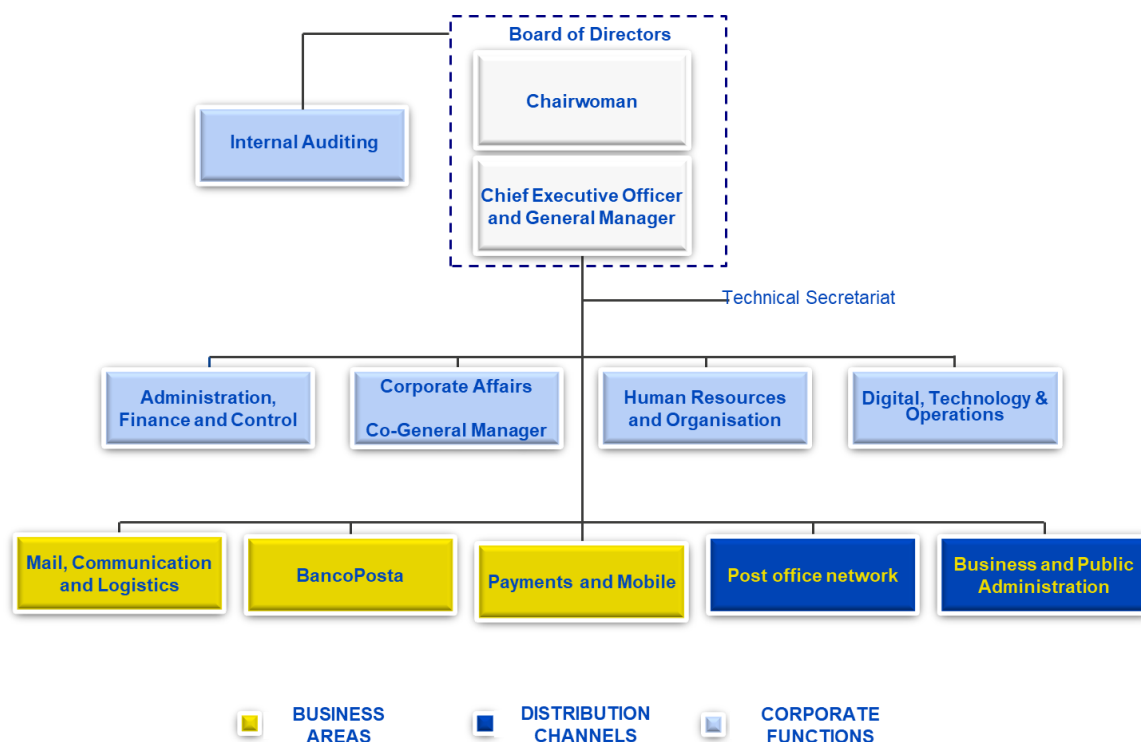
Financial Services

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 and Welfare services.

POSTE ITALIANE SPA'S ORGANISATIONAL STRUCTURE



The organisation of Poste Italiane SpA envisages **business areas** 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, **Corporate Affairs** plays a fundamental role of guidance and cohesion of the corporate structure; moreover, in May 2020, the Head of Corporate Affairs was assigned the role and office of **Co-General Manager**.

The organisational structure of the **Communication** function was redefined during the period 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 structure of the **Mail, Communication and Logistics** function has also been defined. It aims to maximize the integration between postal and express courier network, to develop partnerships for high value-added logistics and delivery services and to make operational processes more efficient by leveraging automation. The new model responds to the need to monitor the shipping market by aiming to satisfy end customers through integrated and synergistic use of all the design, operational and management levers available in the Group.

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 the period, 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 control of all Business 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 concerned:

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

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](#).

Further organisational units within Group companies provide further support for commercial initiatives.

COMMERCIAL NETWORK - POST OFFICE NETWORK

The Post Office Network function manages the commercial front end for the retail segment and is in charge of Macro Area offices, Branches and Post Offices covering the entire country.

In addition, the experimental Hub and Spoke model⁵ has been launched, which guarantees, especially for smaller Post Offices, efficiency and operational continuity in the event of lack of resources. The project ensures greater autonomy in the management of needs thanks to the creation of Post Office areas.

MACRO AREAS POST OFFICE NETWORK



DISTRIBUTION OF POST OFFICES AND BRANCHES



⁵ Network management and development system in which connections are made, using by analogy an expression referring to the bicycle wheel, from the spoke to the hub and vice versa.

COMMERCIAL NETWORK - BUSINESS AND PUBLIC ADMINISTRATION

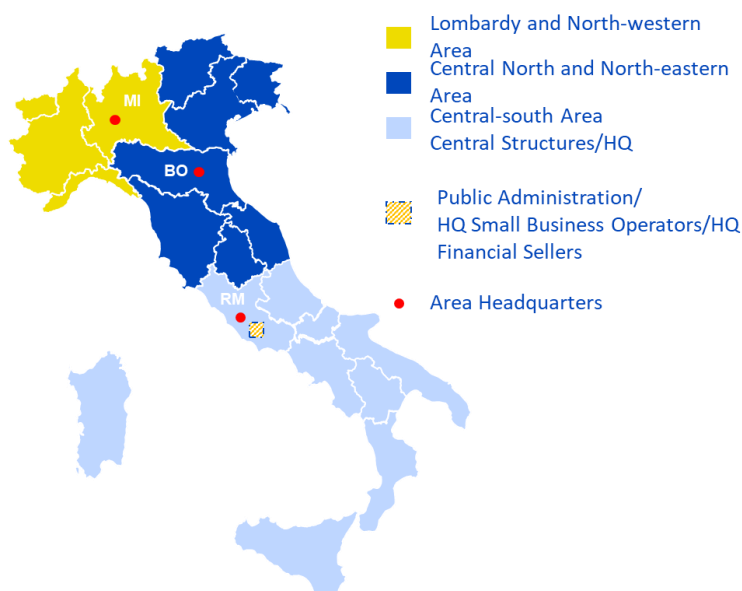
The Business and Public Administration function of Poste Italiane guarantees the commercial supervision and sale of the Group's products and services for businesses and the Central and Local Public Administration through central and territorial supervision.

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 and customer segment. The control is guaranteed by:

- 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 for the specialist sales force;
- 2 Sales areas dedicated to the commercial management of products/services of logistics and parcels and specialised by industry (1. Health&Beauty, Electronics and Informatics, Other Sectors; 2. Food&Grocery&Pet, Homeliving&Fashion, Platform&Solution Players);
- 1 Commercial area specialising in the offer of financial and insurance products for large customers;
- 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 segment to enable the development of a new service model.

MACRO AREAS BUSINESS AND PUBLIC ADMINISTRATION



DIGITAL WEB CHANNELS AND APPS

Outside post offices, the Group's services are provided via digital channels (Poste.it website and APPs), which in the first nine months of 2020 showed significant development, amplified by the recent Covid-19 emergency and related travel restrictions.

For further details on the performance of the first nine months of the digital channels, please refer to the chapter "Digital Properties and Main KPIs".

POSTE ITALIANE'S LOGISTICS NETWORK

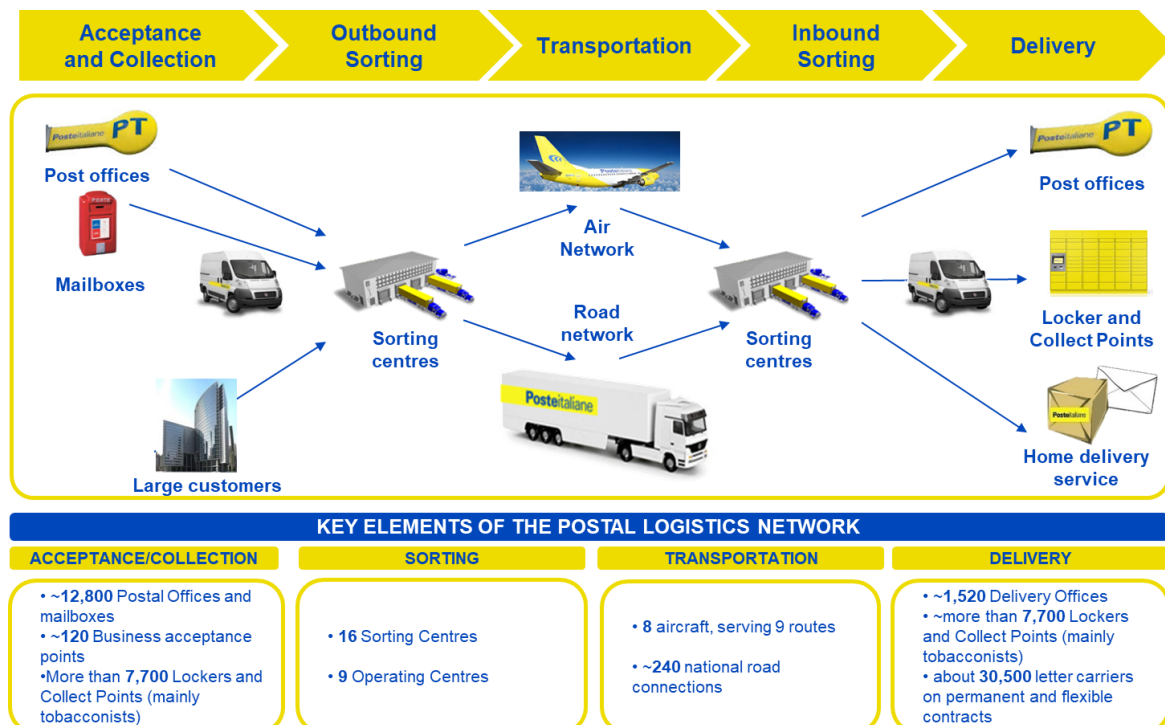
The Group's mail and parcel services are provided through 2 integrated and synergistic logistics networks: the [postal logistics network](#) for the management of mail, now evolved to allow the management of small parcels delivered by letter carriers and the [parcel logistics network](#) which, by taking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

The integration between the two networks was further strengthened as of January 2020 through a project aimed at increasing the interchange of small parcel volumes between the two networks (carriable parcels, i.e. under 5 kilos) using cost-effectiveness as a criterion. The delivery of these products in Italy can be carried out indistinctly by the Postal and Parcel Logistics Network according to a dynamic approach, aimed at maximising efficiency for each area.

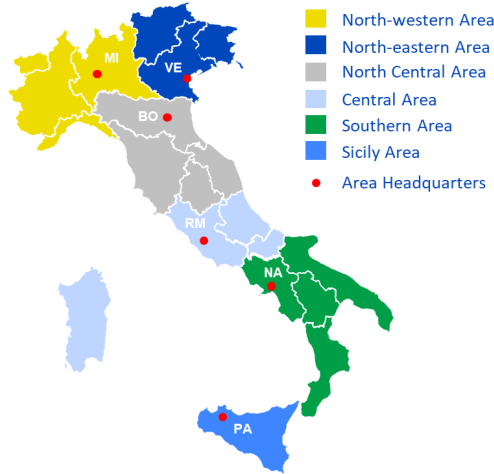
POSTAL LOGISTICS NETWORK

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.

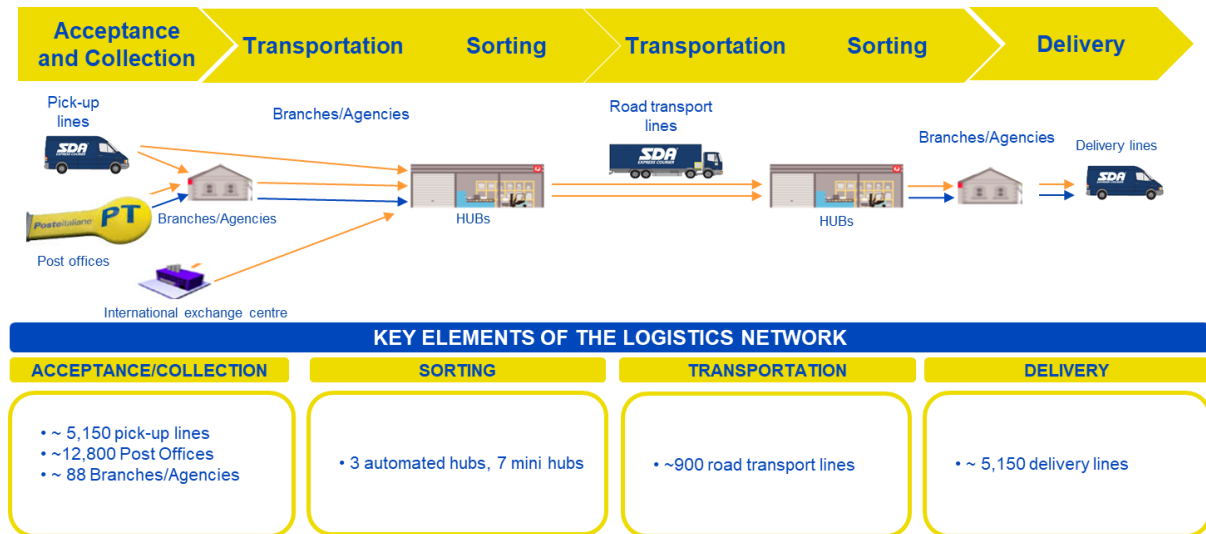


The organisational model for the postal logistics network consists of 6 Logistics Macro Areas, which handle all stages of the value chain: acceptance and collection, outbound sorting, transport, inbound sorting and delivery. This model makes it possible to simplify the decision-making chain. The model's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



3. MACROECONOMIC ENVIRONMENT



In the first nine months of 2020, the health emergency due to the spread of the Covid-19 pandemic forced many governments to implement restrictive measures to contain the spread of contagion. The social distancing measures taken to stem the spread of the virus have proven to be effective from a health point of view. However, they have resulted in an unprecedented halt of the economy in times of peace. Lockdowns have also reduced international trade in goods (-2.7% in the first quarter of 2020 and -12.5% in the second quarter of 2020⁶) with inevitable consequences on global value chains, making countries more vulnerable to supply shocks. Both the manufacturing and services sectors were negatively affected; the increased use of smart working allowed the continuation of various remote activities. However, for those for which this mode is precluded (as in the tourism, catering and commerce sectors), the effects on turnover were significant.

The progressive easing of the lockdown measures, following a clear improvement in the contagion situation, has allowed a recovery of some activities with significant rebound in international trade in June 2020, +7.6%⁷, outlining the possibility of a more positive scenario for the second half of 2020.

During the summer months, economic activity at international level showed a significant recovery that was distributed heterogeneously among the countries. In July 2020, the cyclical rebound in world trade of goods in volume continued, albeit decelerating compared to the previous month. With the rise in the epidemiological curve we have been witnessing in recent weeks, the continuation of the positive trend recorded in the summer months becomes uncertain.

However, the overall scenario continues to be dominated by the difficulties and uncertainties arising from the evolution of the pandemic, the recent worsening of which could significantly affect the short-term scenario. The most recent OECD analyses (Interim Economic Outlook of September 2020) place the change in GDP 2020 at -4.5%, an improvement from the -6% forecast in the Economic Outlook of June 2020⁸.

Therefore, the potential short-term uncertainties do not seem to come from economic data, but from the dynamics of the pandemic. The resumption of activities, the reopening of schools and greater social activity in enclosed spaces, typical of autumn-winter, means an increased risk of a second wave of contagion. In particular, contagions in Europe have been on the rise since September in many countries with a particularly worrying situation in Spain, France and the United Kingdom.

The global recession quickly led to an oversupply of raw materials. Brent rose from \$66 a barrel on 2 January 2020 to around \$20 at the end of April and then back above \$44 between July and August 2020, thanks to agreements between producers to limit production. At the end of September 2020, the price was around \$41⁹ confirming a still weak global demand. The International Energy Agency (IEA) has reduced its forecasts for 2020 in line with those of Opec¹⁰.

In the countries of the **Eurozone**, the partial block of economic activities has led to a historical fall in Euro Area GDP both in the first quarter, -3.6%¹¹ and in the second quarter of 2020, -11.8%¹². However, it has allowed a significant drop in the number of contagions that has enabled the reopening, since May 2020, of many companies. The effects were immediately evident and, in July 2020, the level of industrial production increased

⁶ ISTAT - Monthly report on the performance of the Italian economy - 8 August 2020

⁷ ISTAT - Monthly report on the performance of the Italian economy - 8 August 2020

⁸ Affari Italiani.it - OECD, estimates have improved for Italy: GDP -10.5% in 2020 - 16 September 2020

⁹ Il Sole 24ore - Brent Oil Price - September 2020

¹⁰ Reuters - Crude oil, rising prices, but darker outlook on demand - 15 September 2020

¹¹ Eurostat - GDP down by 11,8% and employment down by 2.9% main aggregates and employment estimates for first quarter of 2020 - 8 September 2020

¹² Eurostat - GDP down by 11,8% and employment down by 2.9% main aggregates and employment estimates for first quarter of 2020 - 8 September 2020

for the fourth month after the drop in March 2020¹³. The Euro/Coin index rose again in September 2020 to -0.31 from -0.64 in August 2020, interrupting the series of six consecutive falls. The indicator has benefited from improved consumer and business confidence and the more favourable trend in consumption of durable goods¹⁴. In September 2020, the European Central Bank (ECB) improved the Euro Area 2020 growth estimates to -8%¹⁵, from -8.7% estimated in June 2020¹⁶, however with uncertain and unbalanced recovery.

Economic policies have responded quickly to the crisis. In addition to the counter-cyclical measures taken by several states, similar to those already experienced in past recessions, unprecedented action has been taken at supranational level. In Europe, the Next Generation EU (NGEU) and the Pandemic Emergency Purchase Programme (PEPP) are new developments in common response capacity to a shock that has affected all Member States.

At the September 2020 Governing Council, the ECB left policy rates and the securities purchase programme unchanged, although it indicated that it was ready to adjust all instruments if necessary.

The continuation of post-Brexit negotiations add another potential element of uncertainty to the economic scenario, which could lead to a slower if not stagnant production dynamic.

Italy was hit by the pandemic at the end of February 2020 in an overall stagnant cyclical phase that deteriorated rapidly in the first half of this year. According to the latest quarterly economic accounts, Italy's GDP fell by 13% in the second quarter of 2020 (corresponding to a trend decrease of 18%); the change for 2020 is -14.8%. Compared to the ISTAT estimate of 31 August 2020, the cyclical and trend changes in GDP in the second quarter of 2020 have been revised downwards (by two and three-tenths of a point respectively).

In particular, household spending was affected not only by the phase of uncertainty but also by the employment crisis since, in the first half of the year, the number of people in employment fell sharply (-574 thousand) and the employment rate fell to 57.6%¹⁷. In the third quarter, the employment rate rose again to 58.2%, close to the end of 2019 (58.9%)¹⁸. The propensity to save in the current year is expected to grow substantially, mainly in relation to spending limitations and behaviour during the lockdown. The seasonally adjusted industrial production index increased on a monthly basis in May 2020 and June 2020, by 41.6% and 8.2% respectively¹⁹. The OECD, in the Interim Outlook of September 2020, forecast -10.5% for the Italian GDP in 2020. The figure is better than the value estimated in June 2020, -11.3%²⁰, by the Organisation but remains worse than the government forecast: -9%, included in the DEF Update Note²¹. Inflation, also with regard to the underlying component, remains very weak due to the sharp fall in energy commodity prices and the lack of aggregate demand. Preliminary ISTAT estimates for September 2020 show a decrease in consumer inflation (-0.5% for the NIC), while the underlying component remains barely positive (0.1%).

In this difficult context, the 27 European countries reached an agreement in July 2020 on the next EU budget to which a Recovery Fund, called the Next Generation EU (NGEU), worth €750 billion, of which €209 billion allocated to Italy, is associated. The Italian Government's objective was to submit to the EU Commission by October 2020 the main lines of the National Recovery and Resilience Plan (NRRP) with the project clusters and the allocation of resources, together with the usual budget planning document. The government will

¹³ Eurostat - Industrial production up by 4.1% in both Euro Area and EU - 14 September 2020

¹⁴ Bankit - €-coin rose slightly in September, but remained negative - 30 September 2020

¹⁵ ECB - Press Conference - 10 September 2020

¹⁶ ECB - Press Conference - 4 June 2020

¹⁷ Il Sole 24ore - Work, employment collapse in the second quarter: -841,000 over the year. Half are under 35 - 11 September 2020

¹⁸ ISTAT - Employment rate - October 2020

¹⁹ ISTAT - Press Release: Industrial Production - 10 September 2020

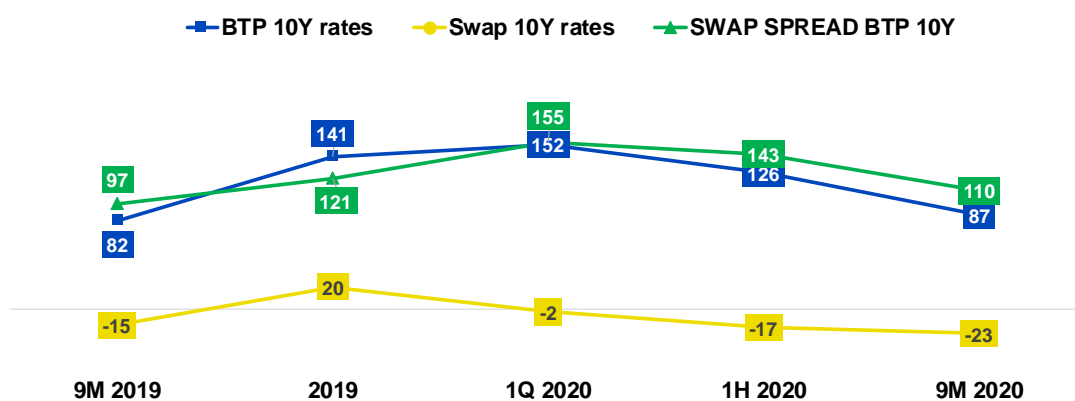
²⁰ Affaritaliani.it - OECD, estimates have improved for Italy: GDP -10.5% in 2020 - 16 September 2020

²¹ Il Sole 24ore - The second wave of Covid may cost over 3 points of GDP and recovery is postponed to 2022 - 4 October 2020

therefore be engaged in the difficult task of relaunching growth while at the same time ensuring balanced public finances and proactive participation in the European project.

The Group's investment portfolio has a significant component of investments in government and corporate securities. This characteristic exposes the Group to the spread risk that affects the fair value fluctuations of the portfolio invested in Italian government securities and the risk of interest rate fluctuations that can affect both returns and fair value, depending on the characteristics of the instrument and the presence or absence of hedging transactions. Furthermore, these market variables can also significantly affect the Group's capital solidity ratios (e.g.: Solvency Ratio of the Poste Vita Group), as well as the amount of unrealised gains/losses in the portfolio.

Below is the trend of the main market rates and spreads during the various quarters.



4. RISK MANAGEMENT



POSTE ITALIANE'S INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

RISK MANAGEMENT AND RISK ASSESSMENT

COVID-19 RISK MANAGEMENT AT POSTE ITALIANE

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 risks, 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 tool enables 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.

In view of recent regulatory developments and in line with leading practices (e.g. AGCM Guidelines), on 24 September 2020, Poste Italiane's Board of Directors approved the Compliance Programme for the protection of competition and consumers in line with the principles of integrity, transparency and legality implemented in all business contexts. As envisaged, the Programme Manager has been identified in the Regulatory Affairs and Relations with Authorities function, which operates within the Corporate Affairs function, and which reports directly to Top Management.

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

| Risk category | Description |
|---------------|--|
| Strategic | <p>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. 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).</p> |
| Operational | <p>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. 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.</p> |

| Risk category | Description |
|-------------------------|---|
| Compliance | <p>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 different interpretation of legislation and regulations) of either general importance (e.g. regarding administrative, accounting, tax matters, etc.) or specific to the sectors 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).</p> |
| ESG | <p>Risks arising from factors related to environmental, social and governance issues (in particular, related to human rights and climate change).</p> |
| Financial and insurance | <p>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 RFC²² and PostePay's ring-fenced EMI²³ (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.</p> |
| Spread | <p>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 September 2020 amounts to €133 billion (€157 billion in terms of total bonds). The first nine months of 2020 were characterised first, by a narrowing of the spread until February, and a sudden rise in the following month caused by uncertainty in the markets due to the Covid-19 emergency, which was subsequently mitigated by ECB interventions. The BTP-Bund spread went from 171.2 bps in June</p> |

²² On 14/04/2011, the Shareholders' Meeting of Poste Italiane S.p.A. resolved to set up assets for BancoPosta business as governed by Presidential Decree 144 of 14 March 2001 and determined the assets and legal relations included therein and the rules of organisation, management and control.

²³ On 29 May 2018, the Shareholders' Meeting of Poste Italiane, following the favourable outcome of the authorisation procedure by the Bank of Italy, approved the proposal to remove the restriction on BancoPosta RFC of all assets, goods and legal relations constituting the electronic money and payment services business unit. On 1 October 2018, this business unit was transferred to the subsidiary PostePay S.p.A. in assets earmarked for electronic money and payment services, in order to enable the latter to operate as an Electronic Money Institution (EMI).

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| | <p>2020 to 138.8 bps at the end of September 2020. The fall in yields on Italian government bonds led to an increase in gains from valuation²⁴.</p> <p>The significant reduction in the spread had a positive effect on the Poste Vita Group Solvency II Ratio, which stood at 250% at 30 September 2020, compared with 216% at 30 June 2020 and 276% at December 2019.</p> <p>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 286% at the end of September 2020 (250% at the end of June 2020). During 2018, the Company made use of the Ancillary Own Funds (AOF), i.e. non-asset items represented 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 September 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 September 2020 (€1.885 billion with transitional measures, €1.884 billion without transitional measures).</p> |
| <p>Price</p> | <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> |
| <p>Credit</p> | <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> |
| <p>Liquidity</p> | <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 borrowings and counterparties, the</p> |

²⁴ 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 September 2020 of €39 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 €3.86 billion before the related taxation. The fair value of fixed income instruments measured at amortised cost, entirely attributable to BancoPosta and amounting to €32.6 billion at 30 September 2020 (a fair value of €32.8 billion), would be reduced by approximately €3.82 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 September 2020 amounts to a total of €111 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 €9.4 billion (€9.3 billion would be attributed to deferred liabilities to policyholders under the shadow accounting method).

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| | <p>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>In order to deal with any adverse scenarios related to the COVID-19 pandemic, the Poste Italiane Group arranged additional liquidity during the period by taking out 3 medium/long-term loans totalling €750 million and by using uncommitted credit lines for short-term loans totalling €660 million. In this regard, further details are provided in the section of this Report entitled "Group Financial position and cash flow".</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 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.</p> |
| Cash flow interest rate | <p>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.</p> |
| Cash flow inflation | <p>This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.</p> |
| Foreign exchange risk | <p>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.</p> |
| Downgrade of Poste Italiane²⁵ | <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/Stable (27 October 2020) • Moody's: Baa3/Stable (confirmed on 23 October 2020 by means of issue of Credit Opinion). |

²⁵ The ratings currently assigned to the Italian Republic are as follows: Standard & Poors: BBB/Stable (23 October 2020); Moody's: Baa3/Stable (confirmed on 10 September 2019 by means of issue of Credit Opinion); Fitch Ratings: BBB-/Stable (confirmed on 10 July 2020).



COVID-19 RISK MANAGEMENT AT POSTE ITALIANE

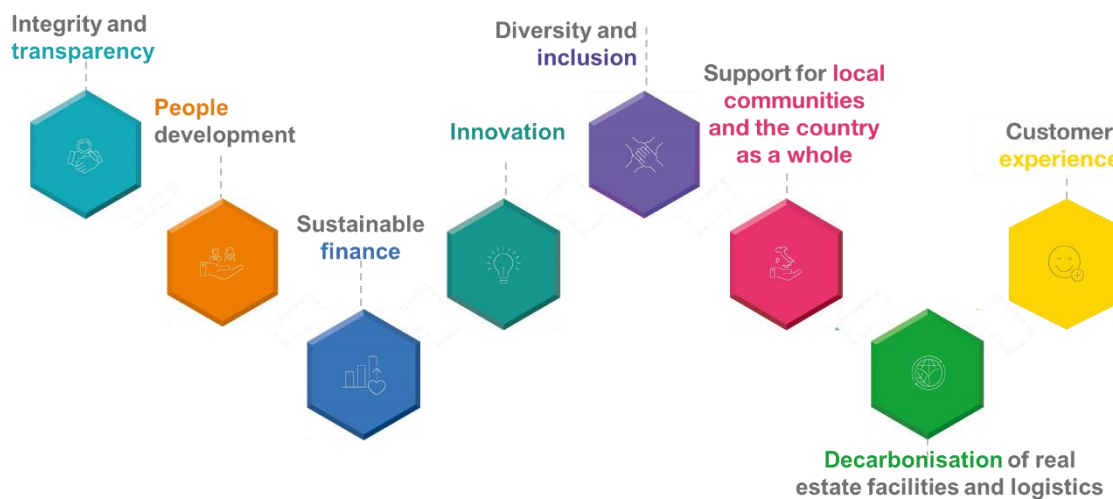
Poste Italiane, in compliance with government measures regarding virus containment and interpersonal distancing, continued during the period to guarantee the service throughout the country, in compliance with the pre-eminent need to protect the health of its workers and the community as a whole. The 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 SDGs²⁶:













²⁶ "Shared Responsibility, Global Solidarity: responding to the socio-economic impacts of COVID-19", March 2020



ACTIONS TAKEN

OUR POSTE ITALIANE PEOPLE









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|--|--|
| <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 Co-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 85% of resources working as central and territorial staff) with an expenditure for the purchase of laptops of over 4 million in the period. 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 (about 10 million pieces), disposable gloves: (about 50 million pieces), disinfectant gel (about 300 thousand pieces); 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). New interventions are being carried out on the forced aeration systems for the winter season. More than €80 million were incurred during the period for expenses to deal with the health emergency.</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>Result bonus: an annual agreement has been signed with the Trade Unions that provides for the payment of the bonus upon achievement of specific 2020 corporate objectives. The result bonus for 2019 was also paid.</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 8 October between Poste Italiane and Trade Unions: the Poste Italiane Group, in order to continue to contain the spread of the Covid-19 virus, has extended smart working for staff until 31 January 2021, by means of said agreement.</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> | |









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| <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), in the entire network of post offices, in logistics offices open to the public and in all other work environments with more than 150 employees, including logistics HUBs.</p> |  |
| <h2>CUSTOMERS</h2>  | |
| <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, etc.).</p> |  |
| <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>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 (communications via e-mail, Intranet and push App; 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> |  |






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| <p>BancoPosta account opening 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 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</p> |  |
| <p>Installation of about 27,000 sustainable plexiglass barriers (polymethylmethacrylate - PMMA), protective panels installed at all PO that did not have them and protective screens for consultants and Postepay corners, to protect staff and customers, as well as an additional 300 barriers in acceptance centres dedicated to business customers</p> |  |

INTERNATIONAL, NATIONAL AND LOCAL AUTHORITIES





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| <p>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.</p> |  |
| <p>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).</p> |  |
| <p>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.</p> |  |
| <p>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</p> |  |
| <p>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.</p> |  |
| <p>Poste Italiane participated in the second edition of the Green Postal Day, an initiative that the IPC (International Post Corporation) dedicated to the work carried out by postal operators</p> |  |





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| <p>during the emergency period, who guaranteed the delivery of mail and parcels, while ensuring utmost attention to sustainability and reducing environmental impact.</p> | |
| <p>Memorandum of Understanding (Poste-ACI): at the beginning of October, the Memorandum of Understanding was signed between Poste Italiane and ACI on driving safety and sustainability of mobility, with activities ending with shared communication campaigns focused on these issues. The Protocol provides for collaboration in employee training through courses, internships and awareness days.</p> |  |
| <p>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 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>Financial, digital and postal education programmes: 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. Digital Education webinar lessons are guaranteed, in addition to the 18 brief videos already published. In addition, by adhering to the third edition of Financial Education Month (#OttobreEdufin2020) concerning the management and programming of personal and family financial resources, it guarantees 6 free Financial Education, Insurance and Social Security webinars and provides a series of 10 brief videos.</p> |  |
| <p>The creation of the information channel, TG Poste, responds to the Poste Group's need to continue its mission of presence and proximity to its employees, including information and the intention to share national and international news, integrating it with corporate content, thus offering to the over 120,000 employees and the country in-depth knowledge of the largest and most widespread company in Italy. TG Poste is on the air every day, Monday to Friday, at 12 noon, visible for employees on demand from the company Intranet or the NoidiPoste app. It will soon be broadcast to the public via the web channel Postenews.it and, progressively, on post office screens.</p> |  |
| <p>Superbonus 110% and other tax bonuses: as part of the provisional measures provided for in the Relaunch Decree (Law Decree no. 34/2020), Poste Italiane offers the solution of assigning tax credits to Bancoposta companies and current account holders and specific insurance products, in line with its role in supporting the country. Since the end of September, Poste Italiane has made available, in the public area of its website, a "simulator" of the</p> |  |

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| <p>purchase price of the tax credits referred to in the Relaunch Decree. Available from October the transfer service for Superbonus 110% (Sismabonus and Ecobonus) both for companies and individuals through the online channel and at Post Offices.</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 Green Recovery: in line with the strategy adopted by the Group, PosteVita and BancoPosta Fondi SGR affirm their commitment to pursuing socially responsible management with the awareness that the financial sector can help to protect society, promote innovation and support economic growth. The companies have therefore signed an engagement with government institutions on climate change, in implementation of the guidelines for the exercise of voting rights and engagement activities and for investment in sensitive sectors. The initiative addresses the risk of climate change and biodiversity loss for activities and aims to unlock climate change in key economic sectors by working to bring portfolios to zero emissions. The objectives are to make European investments more ambitious and appropriate to the challenge of an ecological and climate transition that rests on three cornerstones: climate ambition to increase the share of climate funding in the Recovery Fund, stringent climate criteria to guide investments, and a list of exclusion of anti-climate activities not to be funded.</p> |  |
| <p>Access to Nutrition Index: Poste has joined a major Access to Nutrition Index initiative to raise awareness in the sector to address the dual global nutritional challenge of overnutrition and malnutrition, in line with the UN's sustainable development goals.</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> |  |
| <p>Italy's best employers for women 2021: Poste Italiane among the best employers for women in Italy. This is confirmed by the research "Italy's Best Employers for Women 2021" carried out by Istituto Tedesco Qualità ITQF in collaboration with the Media Partner La Repubblica Affari&Finanza. The 200 best employers for women in Italy have been identified by listening to the web in an innovative way and using artificial intelligence.</p> |  |

SUPPLIERS



| | |
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| <p>Supplier assessment by providing for the COVID risk analysis taking into account both the specific sector to which they belong, through the classification of economic activities adopted by the Italian National Institute of Statistics for national economic statistical surveys (ATECO code), and the April 2020 guidelines prepared by the Government-INAIL task force for the assessment of production sectors.</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> |  |

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| <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> |  |

5. FINANCIAL REVIEW



PERFORMANCE OF POSTE ITALIANE SHARES

GROUP OPERATING RESULTS

SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT

MAIL, PARCELS AND DISTRIBUTION SERVICES STRATEGIC BUSINESS UNIT

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

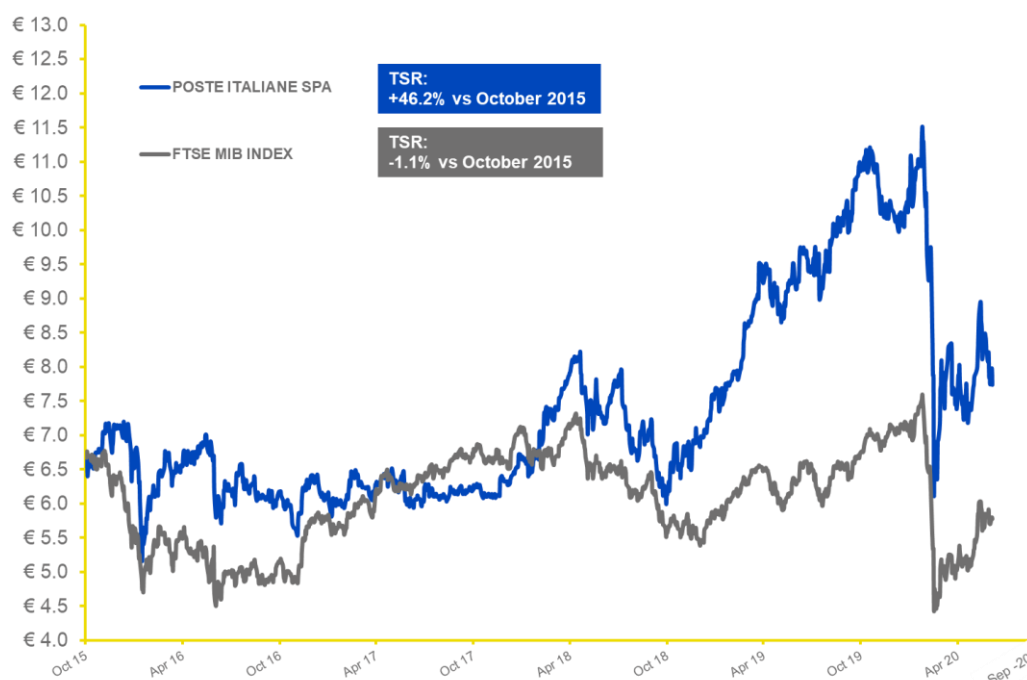
GROUP FINANCIAL POSITION AND CASH FLOW

DIGITAL PROPERTIES AND MAIN KPIs

PERFORMANCE OF POSTE ITALIANE SHARES



During the first nine months of 2020, Poste Italiane shares lost 22% on the stock market, from €10.12 at the beginning of the year to €7.56 at the end of September 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 September 2020, Poste's share price increased by 12% (while the FTSEMIB index decreased by 16%), guaranteeing an overall return for shareholders (TSR²⁷) of +46.2% while the main Italian stock exchange index recorded -1.1%.



²⁷ 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.

GROUP OPERATING RESULTS



The Group's overall results for the first nine months of 2020 were affected by the crisis scenario caused by the Covid-19 pandemic, starting in March.

The signs of the post-lockdown recovery, which began in June, are reflected in improved results for the third quarter both in terms of revenue and EBIT compared to the same period in 2019.

In order to allow a better evaluation of performance, and greater comparability of data between the two periods, the Group's results for the nine months are also represented with an adjusted perimeter²⁸.

CONSOLIDATED OPERATING RESULTS

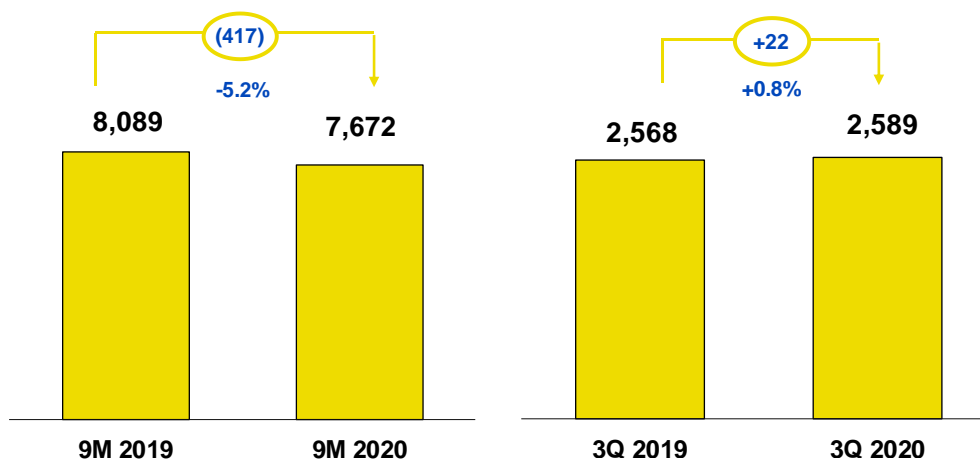
| | 9M 2019 | 9M 2020 | CHANGES | |
|----------------------------------|--------------|--------------|---------------|---------------|
| (€m) | | | | |
| EXTERNAL REVENUE | 8,089 | 7,672 | (417) | -5.2% |
| <i>Adjusted external revenue</i> | <i>7,807</i> | <i>7,374</i> | <i>(433)</i> | <i>-5.5%</i> |
| TOTAL COSTS | 6,549 | 6,428 | (121) | -1.8% |
| <i>Total adjusted costs</i> | <i>6,519</i> | <i>6,364</i> | <i>(155)</i> | <i>-2.4%</i> |
| EBIT | 1,540 | 1,244 | (296) | -19.2% |
| <i>Adjusted EBIT</i> | <i>1,288</i> | <i>1,010</i> | <i>(278)</i> | <i>-21.6%</i> |
| EBIT margin % | 19.0% | 16.2% | | |
| NET PROFIT | 1,083 | 898 | (185) | -17.1% |
| <i>Adjusted net profit</i> | <i>901</i> | <i>751</i> | <i>(150)</i> | <i>-16.7%</i> |
| NET EARNINGS PER SHARE | 0.83 | 0.69 | (0.14) | -17% |
| CAPEX | 389 | 370 | (19) | -5% |
| <i>% of revenue</i> | <i>4.8%</i> | <i>4.8%</i> | | |

The Group's total revenue of €7.7 billion is down €417 million compared with the first nine months of 2019 (-5.2%). Revenue decreased for the Strategic Business Units Mail, Parcels and Distribution Services (-11.9%), Financial Services (-3.4%) and Insurance Services (-2.2%), partially offset by the positive contribution of the Payments and Mobile Strategic Business Unit (+9.5%) compared to the first nine months of 2019.

²⁸ Adjusted revenue items: gains on securities (€292 million in 9M 2020, €261 million in 9M 2019), gain on fair value measurement of Visa shares/derivatives (€7 million in 9M 2020, €19 million in 9M 2019) and gain on sale of Visa shares €1 million in 9M 2019.

Adjusted cost items: costs related to incentivised redundancies (€12 million in 9M 2020, €13 million in 9M 2019), release of provisions on real estate funds (€15 million in 9M 2020), losses on investment portfolio (€58 million in 9M 2020 and €6 million in 9M 2019), fair value measurement of Visa shares/derivatives (€10 million in 9M 2020 and €11 million in 9M 2019), impairment of Anima investment (€19 million in 9M 2020).

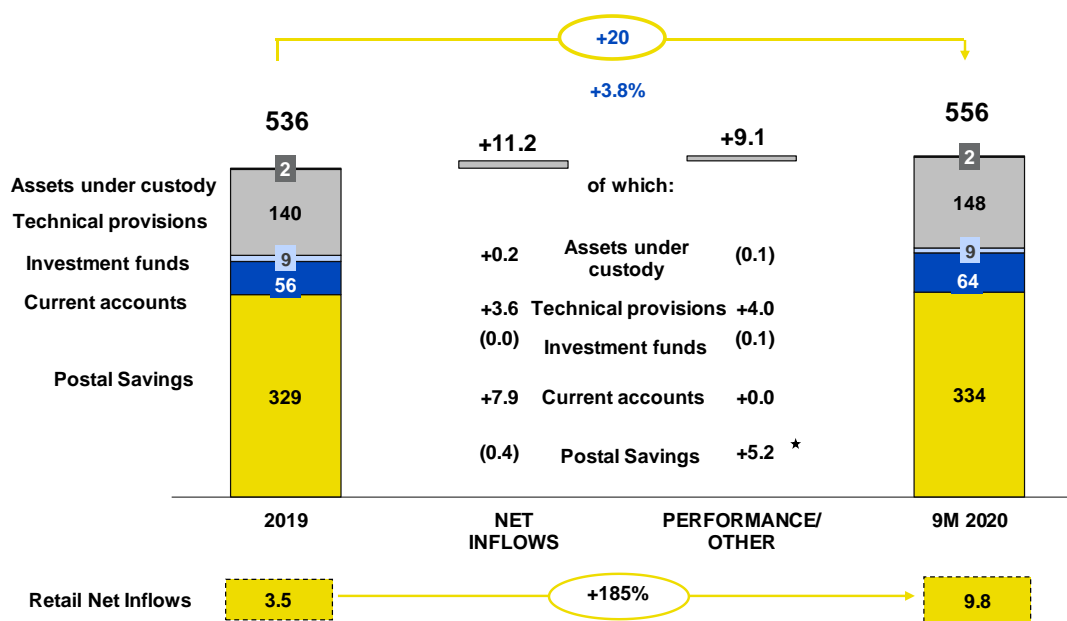
EXTERNAL REVENUE (€m)



The negative revenue performance in the period 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. The third quarter of the year was against the trend, reflecting signs of a gradual recovery in businesses with revenue up €22 million compared to the same period in 2019.

TOTAL FINANCIAL ASSET

(€bn)

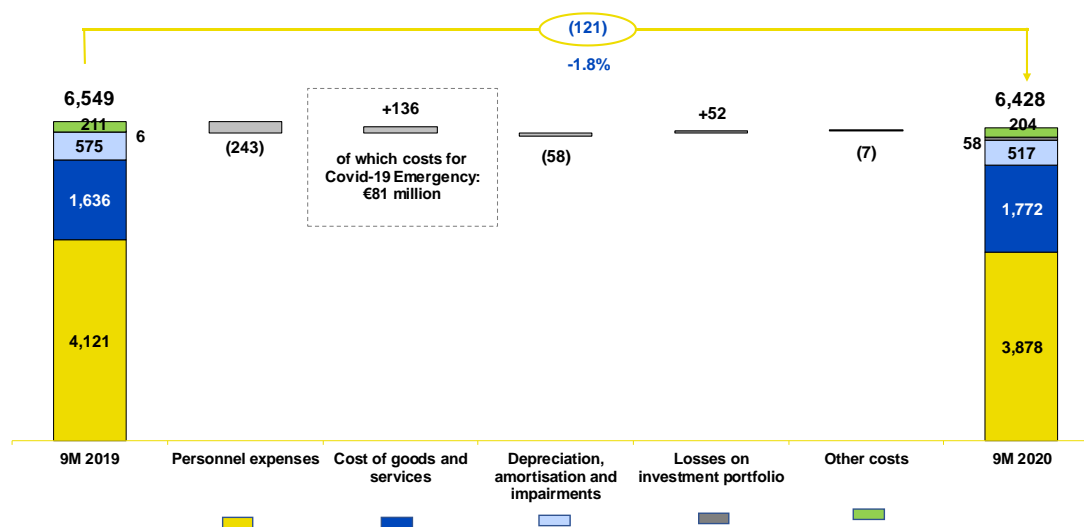


* Includes capitalisation of interest

Total financial asset amounted to €556 billion, an increase of €20 billion compared with 31 December 2019 (+3.8%). This is substantially due to the positive performance of current account deposits (+7.9 billion), and the positive performance of the insurance and postal savings businesses.

TOTAL COSTS

(€m)



Total costs amounted to €6,428 million, down from €6,549 million in the first nine months of 2019 (-€121 million), mainly due to a reduction in personnel expenses totalling €3,878 million in the first nine months of 2020, down €243 million compared to the corresponding period of the previous year.

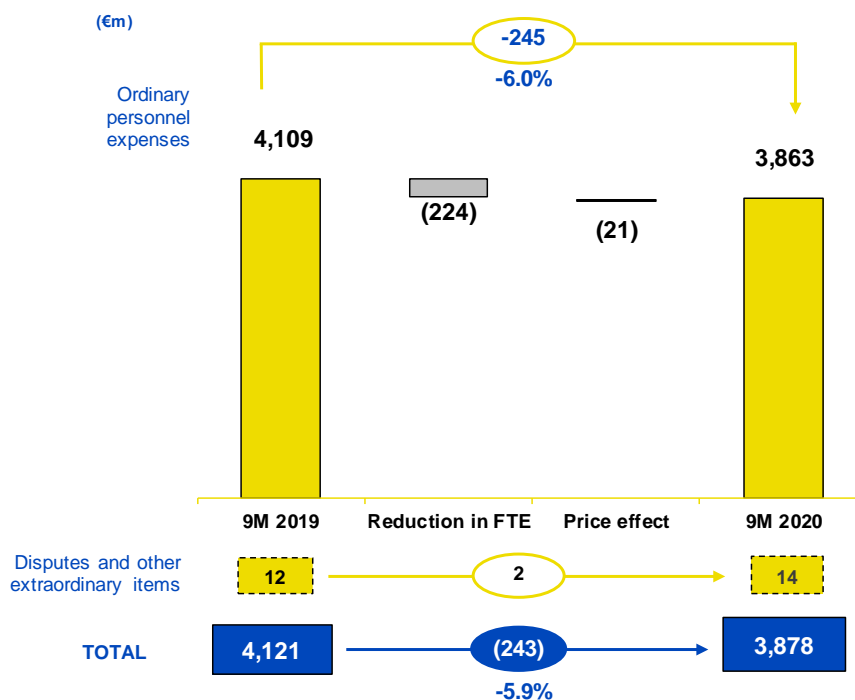
The decrease in personnel expenses was partly offset by other operating expenses, due to higher costs for goods and services (+€136 million), mainly related to extraordinary expenses incurred to contain Covid-19 (€81 million), as well as growth in variable costs from Telco traffic and the parcel business. Capital losses from the restructuring of the investment portfolio (+€52 million) were fully offset by capital gains realised during the period.

Costs for amortisation, depreciation and impairments decreased by €58 million from €575 million in the first nine months of 2019 to €517 million in the first nine months 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 about €90 million lower than they would have been with the useful life and residual value assumptions used in previous years.

For further details, reference should be made to the paragraph Basis of preparation and Use of estimates.

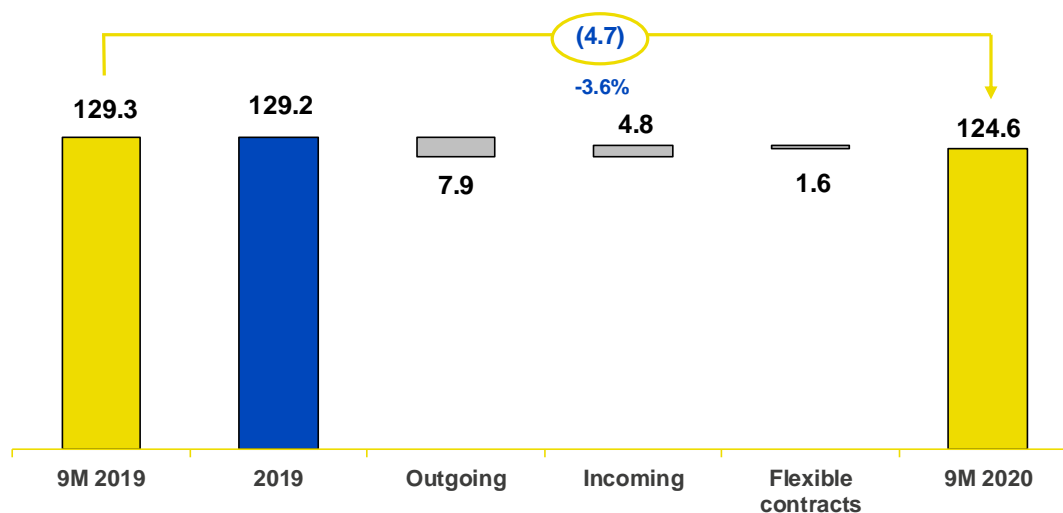
PERSONNEL EXPENSES

The total personnel expenses decreased by €243 million (-5.9%) compared to the first nine months of 2019. This change is attributable to a reduction in the ordinary component from €4,109 million in the first nine months of 2019 to €3,863 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 same period in 2019), and the use of the Solidarity Fund²⁹ to deal with the health emergency.



NUMBER OF RESOURCES

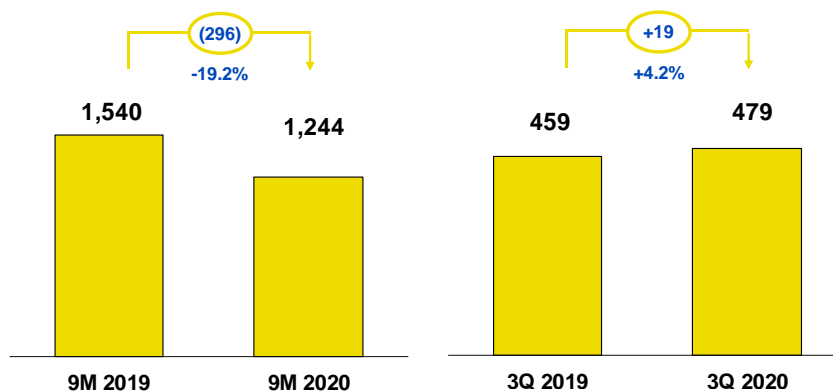
(Full Time Equivalent in thousands)



²⁹ Cassa Integrazione Guadagni - CIG (redundancy payments)

The price effect (€-21 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)



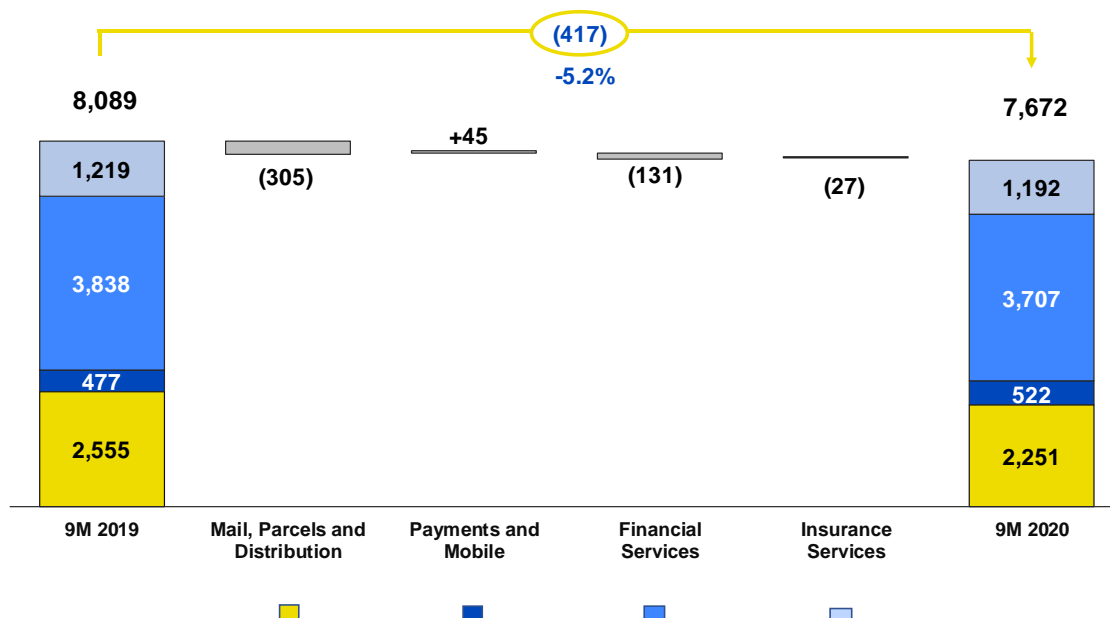
Consolidated EBIT of €1,244 million in the first nine months of 2020 was down €296 million (-19.2%) compared with the same period of the previous year (€1,540 million). The combined effect of the decline in revenue related to the government's restrictive measures adopted to deal with the pandemic, and the higher costs incurred to contain the contagion, significantly penalized the results of the first two quarters of the year. The positive performance in the third quarter (+€19 million, equal to +4.2% of EBIT compared with the third quarter of 2019) confirms the recovery in revenue seen since June. In a more favourable economic environment compared with the previous quarters, it shows the effectiveness of the Group's commercial activities in the various business sectors in which it operates and the validity of the digital channels and third-party networks on which it relies, as a valid alternative to the Post Office, which continue to have a higher incidence and importance than in the pre-Covid period. The positive performance of personnel expenses also contributed to the growth in EBIT for the third quarter, with a negative change of €43 million (-3.4%) due to efficiency actions on the FTE component.

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 €2,251 million, down 11.9% (€305 million) compared with the first nine months of 2019, due to a reduction in revenue from the mail segment (-24.9%, or -€456 million), only partly mitigated by growth in the parcel segment (+27.7%, or +€166 million) due to the positive performance in the B2C segment, driven by the development of e-commerce.

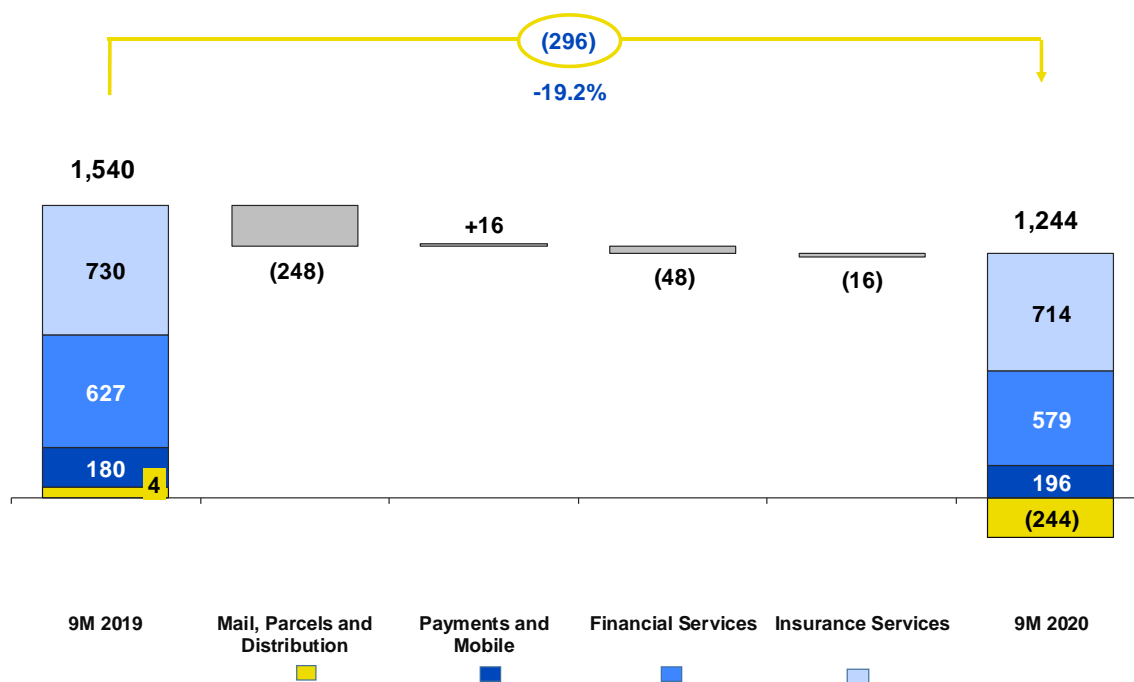
The **Payments and Mobile** Strategic Business Unit contributed to total revenue of €522 million (+€45 million, +9.5%, compared to the same period in 2019), recording growth in both the electronic money and mobile segments.

The **Financial Services** Strategic Business Unit contributed €3,707 million to the Group's revenue, a negative change of €131 million (-3.4%) compared to the first nine months of 2019.

The **Insurance Services** Strategic Business Unit recorded external revenue of €1,192 million and a negative change of 2.2% (€27 million) compared to the first nine months of 2019. Life business net revenue decreased by 2% (€22 million), mainly due to lower loadings following the decrease in gross inflows, while non-life business³⁰ reported a decrease of 4.2% (€5 million) compared to the same period in 2019.

³⁰ Including Poste Welfare Servizi and other revenue

EBIT (€m)



The EBIT of the Mail, Parcels and Distribution Strategic Business Unit was negative for €244 million, down from the positive value of €4 million in the first nine months of 2019 (-€248 million). The performance of the Payments and Mobile Strategic Business Unit, on the other hand, was positive with an EBIT of €196 million in the nine months of 2020 (+€16 million, +8.7%, 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 €579 million, down €48 million (-7.6%) compared to the same period last year (€627 million). EBIT of the Insurance Services Strategic Business Unit amounted to €714 million, down 2.2% (-€16 million) compared with the first nine months 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.

E-Commerce confirmed as the key driver of growth in the parcels segment, mainly for light and low-value items³¹. In particular, an increase in per capita parcels is expected in Italy (from 4 units in 2019 to 5 units in the current year)³².

In Italy, the percentage of retail purchases made online rose from 4% in 2015 to over 7% in 2019³³ (reaching about 9% in 2020), 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%³⁴ in 2019.

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 parcels sector, the pandemic, as a result of the change in buying habits of Italians, has generated an acceleration of the growth trends already foreseen in the 2018-2022 business plan.

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 Contratto di Programma (Service 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. On 16 October 2020, the Italian authorities notified the Contratto di Programma (Service Contract) to the European Commission, whose decision is expected by the end of the year.

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 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.

In August 2020, the procedure was initiated for pre-notification of the Service of General Economic Interest (SGEI) to the Commission for the period 2020-2026.

³¹ Source: Report IPC and other postal/logistics operators.

³² Source: Internal processing on historical Cerved Databank data and forecasts, Netcomm.

³³ Source: Osservatorio eCommerce B2C - Politecnico Milano/Netcomm data.

³⁴ Internal processing based on Cerved Databank data, Netcomm 2019.

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. On 21 October 2020, on the website of the Ministry of Justice, an update was published on operators holding special licenses who have communicated that these training courses have been held.

As part of the measures adopted by the Government to deal with the Covid-19 epidemiological emergency, (Law Decree no. 18 of 17 March 2020, Conversion Law no. 27 of 24 April 2020 and Law Decree no. 34 of 19 May 2020), specific urgent measures have been defined for the performance of the postal service. Specifically, the delivery of registered mail, insured mail, parcels and notifications by mail pursuant to Law 890/82 (court documents and fines) throughout the country and until 31 July 2020, was 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 C2X³⁵ market, 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 to 31 December 2020. 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. On 18 September 2020, AGCom also sent a request for information, stating that all clarifications must be provided concerning postal items with a thickness of more than 20 mm and a weight of no more than 31.5 kg. Poste Italiane sent a notice on 22 October 2020 stating that the European Parcel Regulation applies only to international items.

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. On 28 July 2020, with Resolution 330/20/CONS, AGCom launched a first phase of public consultation with particular regard to the identification of the relevant markets. Following the definition, AGCom will launch a further consultation on tariff rules.

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

³⁵ The C2X market identifies Consumer-to-Consumer/Business parcels i.e. parcels sent by consumers both to other consumers and to businesses.

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.

By means of Resolution 331/20/CONS, published on 31/07/2020, AGCom defined the quality standards for the universal postal service, relating to the continuity and reliability of the services provided in post offices, i.e.: a) regular opening/closing at national and regional level, b) progressive removal of architectural barriers in post offices that can be adapted. In addition, average wait times for counter service provision have been defined, the principle of counter priority for vulnerable groups (the disabled, pregnant women, etc.) and the procedures for accepting complaints about the postal service made at the offices have been strengthened. These standards will apply from 2021 onwards. In particular, with respect to the objectives under a), b), the Company will be measured on the basis of the results achieved annually against predefined objectives, rather than as part of individual sanction proceedings. With respect to the other standards, the Company is required to ensure implementation thereof in the manner deemed appropriate.

In accordance with article 2, paragraph 7, of the 2020-2024 Contratto di Programma (Service Contract), on 24 June 2020, Poste Italiane submitted to AGCom a proposal to adjust the number of mailboxes to the changed size of the market and customer needs, taking into account the trend in postal volumes and actual use by users. In connection with this proposal, AGCom will presumably launch a public consultation, as a result of which the new criteria for the distribution of mailboxes will be defined.

Finally, Law Decree no. 76 of 16 July 2020 (Simplifications), converted into Law no. 120 of 11 September 2020, by means of Article 26 regulates the implementation of the platform for the digital notification of public administration acts provided for by Article, paragraph 402, of Law no. 160 of 27 December 2019. The operator of the platform will be the company PagoPA, which may entrust its implementation, in whole or in part, to Poste Italiane as Universal Service Provider. Subsequent implementing measures will define the technical and operational modes of operation of the platform.

MAIL, PARCELS AND DISTRIBUTION SBU OPERATING RESULTS

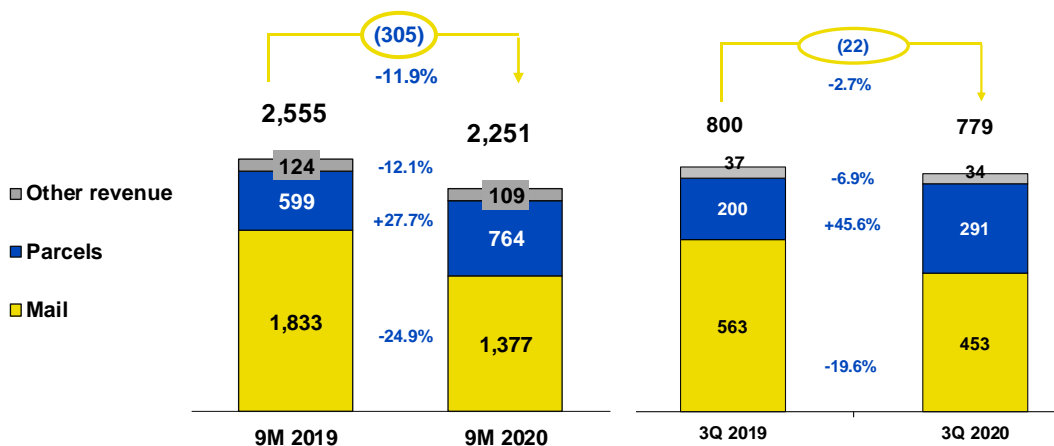
The SBU results for the first nine months of the year confirm the acceleration of the decline in the traditional mail sector caused by the effects of the lockdown, and the losses of which are only partially offset by the growth in the parcels segment that began in March and also continued in the months following the lockdown.

| MAIL, PARCELS AND DISTRIBUTION | 9M 2019 | 9M 2020 | CHANGES | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| (€m) | | | | |
| External revenue | 2,555 | 2,251 | (305) | -11.9% |
| Revenue from other sectors | 3,504 | 3,379 | (124) | -3.5% |
| Total revenue | 6,059 | 5,630 | (429) | -7.1% |
| Total adjusted revenue | 5,860 | 5,445 | (415) | -7.1% |
| Costs | 6,002 | 5,820 | (181) | -3.0% |
| Costs vs other sectors | 54 | 54 | (0) | -0.1% |
| Total costs | 6,055 | 5,874 | (181) | -3.0% |
| Total adjusted costs | 6,043 | 5,864 | (179) | -3.0% |
| EBIT | 4 | (244) | (248) | n/s |
| Adjusted EBIT | (183) | (419) | (236) | -128.8% |
| EBIT margin % | 0.1% | -4.3% | | |
| NET RESULT | (10) | (177) | (167) | n/s |

| Main KPIs | 9M 2019 | 9M 2020 | CHANGES | |
|--|----------------|----------------|----------------|-------|
| Mail and parcels | | | | |
| Revenue/FTE (€m) | 47.4 | 45.7 | (2) | -3.6% |
| Carriable parcels (volumes in m) | 37.3 | 52.9 | 16 | 41.6% |
| New Punto Poste Network (number of lockers and alternative collection points) ¹ | 6,288 | 7,737 | 1,449 | 23.0% |
| Distribution | | | | |
| Number of Post Offices ¹ | 12,809 | 12,809 | - | 0.0% |
| Number of customers (m) | 35.1 | 34.9 | (0.2) | -0.6% |
| Rooms dedicated to consultancy | 6,694 | 6,752 | 58 | 0.9% |
| Postamat ATM network | 7,588 | 7,757 | 169 | 2.2% |

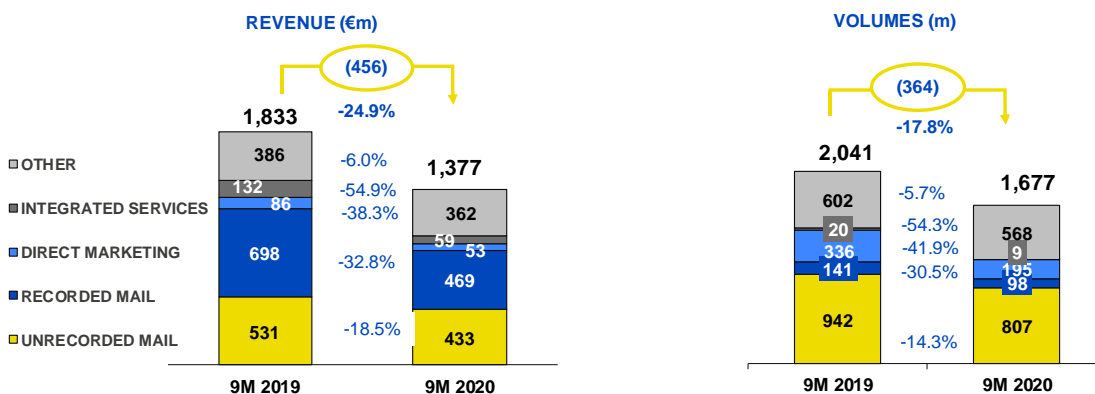
¹ The figure indicated in column 9M2019 refers to 31 December 2019.

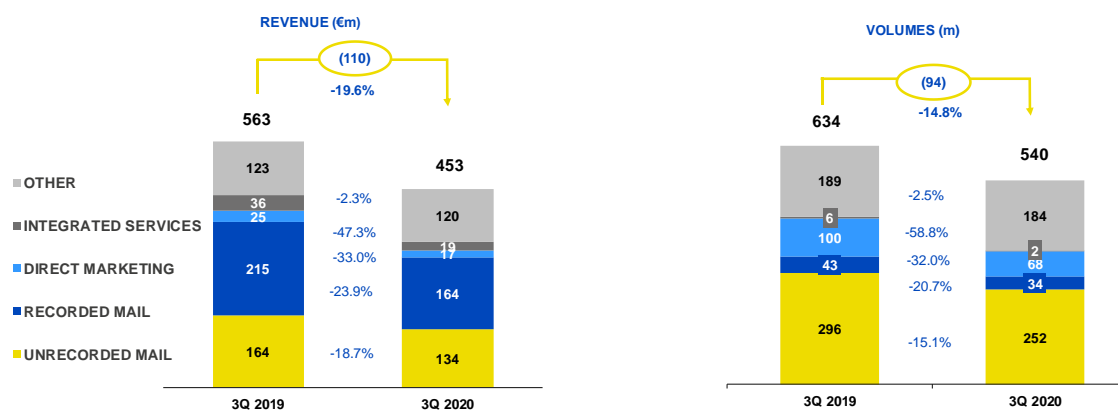
EXTERNAL REVENUE



External revenue went from €2,555 million in the first nine months of 2019 to €2,251 million in the same period of 2020 and show lower revenue from traditional mail (-€456 million, equal to -24.9% compared to the same period of 2019), only partially offset by the growth of the parcels segment (+€166 million, equal to +27.7%, 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 in the second quarter with the sector performance gradually deteriorating. The third quarter of the year saw a recovery in this segment, which was characterised by a drop in revenue from traditional mail (-€110 million compared to the third quarter of 2019, or -19.6%), largely offset by the excellent performance of revenue from the parcels segment (+€91 million or +45.6% compared to the same period of the previous year).

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 17.8% (-364 million items) and 24.9% (-€456 million), respectively, compared with the first nine months 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 nine months of 2020 is distributed indiscriminately across all product families, with Unrecorded and Recorded Mail showing a decrease in volumes of 14.3% and 30.5% respectively and in revenue of 18.5% and 32.8% compared to the same period of 2019. The third quarter saw an improvement in the performance of Recorded Mail, thanks to intensified operations at post offices and the resumption of mailings by a number of business customers.

Direct Marketing saw a 41.9% decrease in volumes (-141 million items) and a related 38.3% fall in revenue (-€33 million). This decrease was linked to the decline in the processing of commercial shipments due to the reduction of commercial mail sent by customers. The third quarter of the year showed a recovery from the trend of previous quarters.

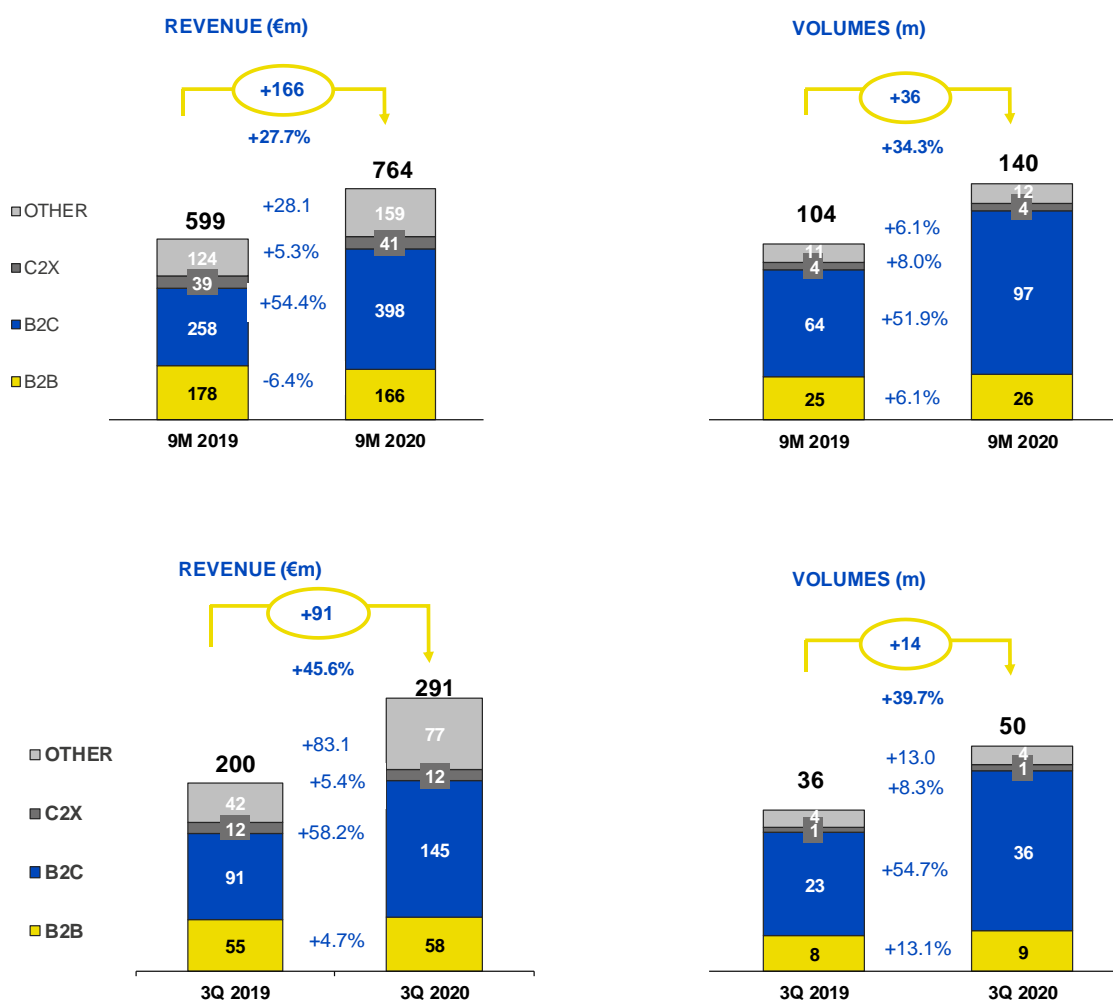
Volumes of Integrated services fell by 54.3% compared with the first nine months of 2019 (around 11 million fewer items) and revenue fell by 54.9% (-€72 million) due to the interruption in the mailing of tax collection notices and fines for blocking circulation, as well as the suspension of the payment of local taxes and the issue of residence permits³⁶. The third quarter, even though revenue was down compared to the same period of

³⁶ Service that falls within the scope of the Agreement stipulated between the Ministry of the Interior and Poste Italiane and that allows the various municipalities to manage the processes of issue/renewal of residence permits requested by non-EU citizens

2019, showed a recovery mainly due to the resumption of the processing of residence permit applications and the resumption of the mailing of fines following the end of the circulation blocking of motor vehicles.

Other revenue that also includes revenue from the Mass Printing services provided by the subsidiary, Postel, was down 5.7% in volume terms (-34 million items) compared with the same period of 2019, due to the decline in the market for printing services determined by the slowdown of the Italian economy. Corresponding revenue also includes publisher tariff subsidies (-€4 million compared to the first nine months of 2019), down due to a fall in mailings linked to publishing. The compensation covering the cost of the Universal Service for the first nine months of 2020 amounted to €197 million, in line with the revenue recorded in the first nine months of 2019.

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.

C2X: identifies Consumer-to-Consumer/Business parcels i.e. parcels sent by consumers both to other consumers and to businesses.

OTHER: includes international mailings, partnerships with logistics operators, dedicated services (for specific needs of P.A., Insurance companies, Banks and Large Customers), integrated logistics orders, and other revenue.

The performance of the Parcels segment showed very significant growth in the first nine months of 2020, with an increase in both volumes and revenue of +34.3% (+36 million items) and +27.7% (+€166 million), respectively, compared with the same period of the previous year. This change is due to the significant impetus that the lockdown has given to the development of e-commerce and the Group's B2C activities, which has been profoundly reinforced by the growing propensity of the population to purchase online which since March, has coexisted with the restrictive measures imposed by government decrees. In particular, the B2C sector generated revenue of €398 million, up 54.4% on the first nine months of 2019, compared with 97 million items (+51.9%), with a rising unit tariff, despite a highly competitive market.

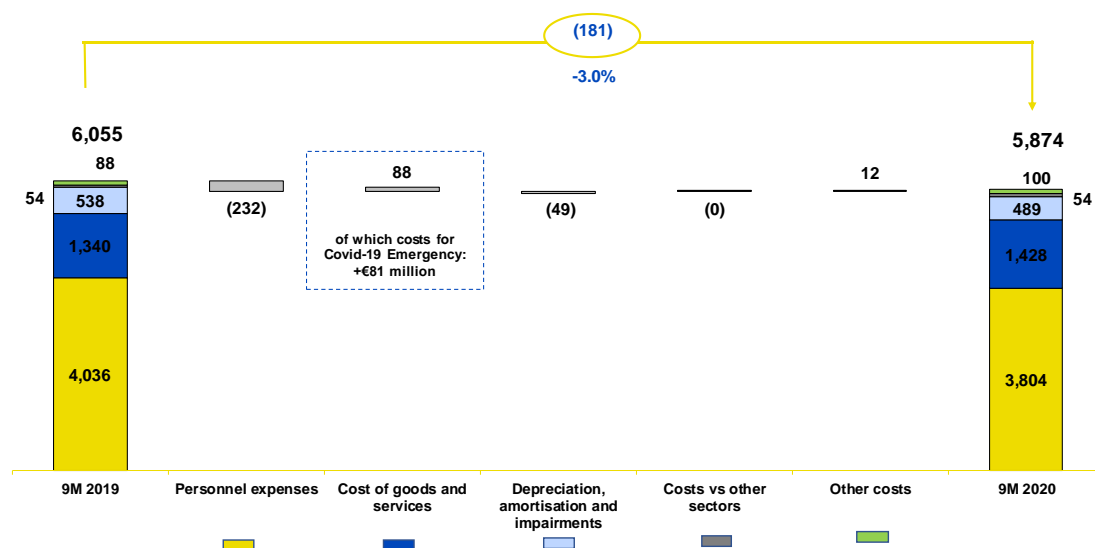
This propensity to buy online in March continued in the following months, leading to the conclusion that this phenomenon may become, at least in part, structural.

This performance made it possible to offset the loss recorded in the first nine months of 2020 by the B2B segment (-€11 million in revenue compared with the same period of 2019), a segment most affected by the lockdown due to the closure of production activities, albeit slightly recovering in the third quarter of 2020.

The contract awarded by Poste Italiane to the Ministry of the Interior for the delivery of personal protective equipment to the Public Administration contributed to the excellent performance of parcels revenue in the third quarter of the year.

COSTS

(€m)



Costs, including amortisation, depreciation and impairments, amounted to €5,874 million, down €181 million (-3.0%) compared with the first nine months of the previous year, essentially due to a reduction in personnel expenses. The latter totalled €3,804 million, down €232 million (-5.7% compared to the first nine months of 2019), due mainly to an average reduction in workforce (about 4,600 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 was partly offset by the growth in the cost of goods and services (+€88 million compared with the same period of 2019), mainly due to the costs incurred to ensure the safety of employees engaged in operating activities in the area and to deal with the health emergency (+€81 million), as well as the increase in variable costs (+€56 million), mainly related to the development of the parcel business. This was

offset by lower costs related to the slowdown in business activities, in particular expenses for staff services (mainly travel and canteen), fund handling expenses, energy and water utilities, etc.

Finally, there was a decrease in amortisation, depreciation and impairments of approximately €49 million (-9.2% compared with the first nine months 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 further outlined in the paragraph Basis of preparation and Use of estimates.

In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reported negative EBIT of €244 million for the first nine months, €248 million worse compared to the same period of 2019 (€4 million). The third quarter showed EBIT which, although negative (-€50 million), recorded a positive change compared to the same period of 2019 (-€77 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.

In order to support the significant business development, the Group will open two new sorting centres in the coming months, in northern and central Italy, equipped with advanced sorting technology and in compliance with the Group's ESG standards.

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 September, this consists of over 7,700 thousand active alternative collection points (of which about 7,400 Collect Points, mainly tobacconists and about 350 lockers), which are in addition to Post Offices. In September, an agreement was also signed with a new partner - Italiana Petroli - which will further expand the network with the points of the distributor network.

As part of the partnership with Zalando, since July, the Click & Collect network of Poste Italiane has also been active for outward items: all customers who purchase on the zalando.it website can pick up their purchases at the post office or alternative collection point.

During the period, the "Punto Poste Da Te" service was also 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 (32 Lockers installed at 30 September). 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 (without additional services such as return receipt/proof of delivery and cash on delivery), 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" logistics³⁷, on 24 April 2020, Poste Italiane acquired an investment of 70% in MLK Deliveries S.p.A, for Same Day and Scheduled Delivery services for the Poste Group. The Scheduled Delivery service is currently active in the main Italian cities.

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. In addition, the new release of the Poste Delivery Web Paperless service has been active since September, allowing parcels to be sent to Italy without the need to print the Waybill.

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.

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 initiatives underway at 28 September 2020:

- there have been no post office closures;
- a central office now provides dedicated support for small Municipalities;
- 1,026 new ATMs have been installed in 1,018 Municipalities;
- 947 architectural barriers have been removed in 896 Municipalities;

³⁷ 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.

- 5,866 video-surveillance systems have been installed in 2,266 Municipalities;
- the treasury service was activated in the municipalities that requested it;
- 9,542 new mailboxes have been installed in 4,664 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;
- 200 POS activated in 133 municipalities;
- 116 smart mailboxes installed in 97 municipalities;
- 1,308 municipalities served by New Green Fleet.

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT



Market context

The latest figures available³⁸ on the Italian payment card market reflected the sharp reduction in economic activity and consumption as a result of the lockdown, and showed a slowdown in the growth of overall domestic transactions, which in the first half of 2020, amounted to about €116 billion (-4.5% compared with the first half of 2019).

Debit cards continued to account for more than 50% of the total market. However, in the first half of 2020, there was a 2.8% decrease in transactions compared to the first half of 2019; prepaid cards continued to grow at a significant pace, with a 17% increase in transactions, while credit cards recorded a 16% decrease in transactions compared to the same period of 2019.

The number of cards active on the market exceeded 90 million (+0.2% compared to 31 December 2019) of which debit cards amounted to approximately 46 million (+0.7% compared to 31 December 2019) and prepaid cards to over 29 million (+0.4% compared to 31 December 2019).

According to the latest available figures³⁹, mobile market penetration, in terms of total mobile lines, stood at approximately 172% of the population, with MVNO (Mobile Virtual Network Operator) accounting for 15.8%⁴⁰. The total number of lines at 30 June 2020 amounted to 103.6 million, including approximately 25.5 million Machine to Machine (M2M) SIM cards. PosteMobile, with a total market share of approximately 4.2%, accounts for around 45.8% 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 Italy⁴¹ was published, the tax credit available to merchants (with revenue not exceeding €400,000), equal to 30% of the commissions charged by intermediaries for the

³⁸ Source: Internal processing and estimates on Bank of Italy data (supervisory reporting flows)

³⁹ Source: AGCom Communications Observatory no. 3/2020, Operators Report

⁴⁰ Source: Internal Estimate PostePay - Administration, Planning and Control

⁴¹ "Provisions for the implementation of art. 22, paragraph 5, of Law Decree no. 124 of 26 October 2019 (2020 Fiscal Decree),

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).

In the [telecommunications](#) sector with reference to voice call termination services⁴², 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. In this context, the Commission launched a public consultation on the proposed delegated deed open to all stakeholders, and which ended on 22 September 2020. Operators will have two months from the date of entry into force of the measure to implement the new termination values on the billing systems.

as amended by Conversion Law no. 157 of 19 December 2019"

⁴² 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.

PAYMENTS AND MOBILE SBU OPERATING RESULTS

The performance of the SBU was positive both in terms of revenue, which grew in the electronic money and telecommunications segments, and in terms of EBIT. 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 | 9M 2019 | 9M 2020 | CHANGES | |
|----------------------------|--------------|--------------|------------|--------------|
| (€m) | | | | |
| External revenue | 477 | 522 | +45 | +9.5% |
| Revenue from other sectors | 282 | 260 | (21) | -7.5% |
| Total revenue | 759 | 783 | +24 | +3.2% |
| Costs | 264 | 310 | +45 | +17.2% |
| Costs vs other sectors | 314 | 278 | (37) | -11.7% |
| Total costs | 579 | 587 | +8 | +1.5% |
| EBIT | 180 | 196 | +16 | +8.7% |
| EBIT margin % | 23.7% | 25.0% | | |
| NET PROFIT | 134 | 145 | +11 | +8.4% |

| Main KPIs | 9M 2019 | 9M 2020 | Δ | |
|---|---------|---------|-------|-------|
| Electronic money | | | | |
| Total value of card transactions (€m) ¹ | 23,260 | 27,256 | 3,997 | 17.2% |
| Number of cards (m) ² | 28.7 | 28.8 | 0.1 | 0.2% |
| of which Postepay cards (m) ³ | 21.5 | 21.6 | 0.1 | 0.5% |
| of which Postepay Evolution cards (m) ⁴ | 7.2 | 7.4 | 0.2 | 3.0% |
| Number of card transactions (m) | 1,037 | 1,112 | 75 | 7.2% |
| of which number of e-commerce transactions (m) | 171 | 275 | 104 | 60.6% |
| TLC | | | | |
| SIM PosteMobile landlines and mobile telephones (stock in t) ³ | 4,416 | 4,593 | 177 | 4.0% |

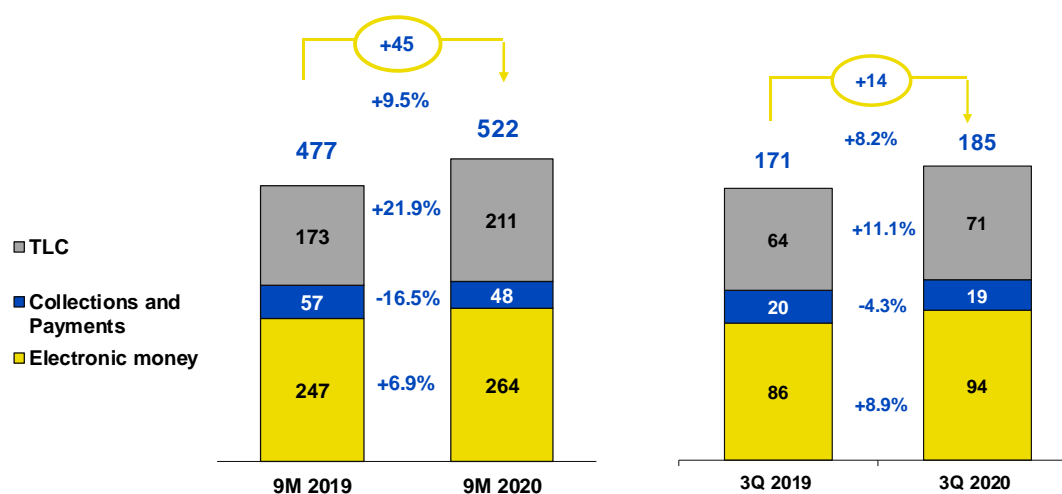
1 Transactions relative to payments made by Postamat and PostePay.

2 Includes PostePay cards and debit cards. The figure indicated in column 9M2019 refers to 31 December 2019.

3 The figure indicated in column 9M2019 refers to 31 December 2019.

4 Including business customers. The figure indicated in column 9M2019 refers to 31 December 2019.

EXTERNAL REVENUE (€m)



Collections and payments: tax payment service through acceptance of the F23 and F24 models; funds transfer for sending money abroad via Moneygram and Western Union, post giro transfers and direct debit made 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 (revenue from traffic, and the sale of mobile phones and routers from PO corners) and fixed line (PosteMobile Casa offer).

Total revenue for the first nine months of 2020 amounted to €783 million, up €24 million (+3.2%) on the same period of the previous year, thanks to significant growth in the Telecommunications segment and good performance in the Electronic money segment, partly offset by lower revenue from Collection and Payment services. External revenue in the first nine months of 2020 totalled €522 million, up €45 million (+9.5%) compared with the same period of 2019.

In detail, revenue from the Electronic money market grew by €17 million (+6.9%), from €247 million in the first nine months of 2019 to €264 million in 2020, due to increased payment card operations, higher fee income from prepaid cards and higher acquiring services due to the growth in transactions. External revenue from Collections and Payments, amounting to €48 million, decreased by €9 million (-16.5%) compared to the first nine months of 2019, mainly due to lower revenue from F23/F24 following the postponement of some 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 €173 million in the first nine months of 2019 to €211 million (+21.9%). The positive result was due to the increase in both Mobile and Fixed Telephony revenue, mainly due to a greater customer base active in both segments.

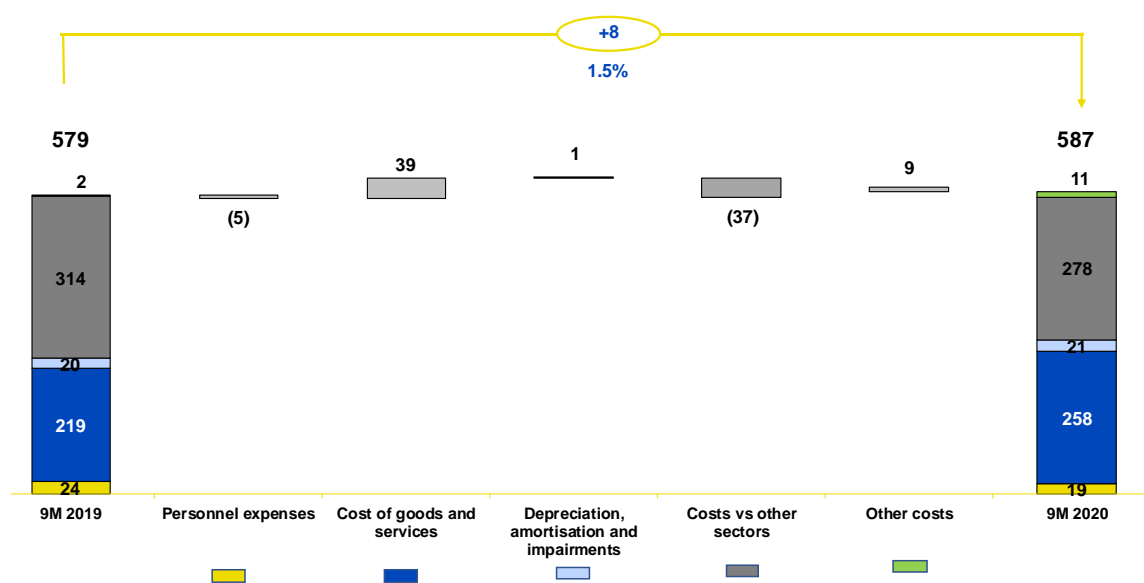
The trend in external revenue for the third quarter of 2020 alone showed signs of a post-lockdown recovery, with revenue up €14 million (+8.2%) compared to the same quarter of 2019. In particular, the excellent performance already recorded in previous quarters by the telecommunications sector was confirmed (+€7 million, or +11.1% compared to the third quarter of 2019), followed by growth in the Electronic money segment (+€8 million, or +8.9% compared to the same quarter of 2019), while revenue from collection and payment services fell slightly compared to the third quarter of 2019 (-€1 million, or -4.3%).

At 30 September 2020, there were 21.6 million Postepay cards in circulation (21.5 million at 31 December 2019), including about 7.4 million Postepay Evolution cards, an increase of 3% compared to 31 December 2019. During the first nine months of 2020, Postepay cards developed a total payment transaction of approximately €15.4 billion (+29% compared to €12 billion in the first nine months of 2019).

In the Acquiring segment, with approximately 137.5 thousand POS installed at 30 September (+6%, or +7.7 thousand POS compared to September 2019), transactions in the first nine months of the year amounted to 13.1 billion € (+3% or +€0.3 billion compared to the first nine months of 2019).

TOTAL COSTS

(€m)



Total costs, including amortisation, depreciation and impairments, amounted to €587 million, an increase of €8 million (+1.5%), compared to the first nine months of 2019. In particular, costs for goods and services increased by €39 million compared to the same period of the previous year, 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 €37 million compared with the same period of the previous year, primarily due to a reduction in commercial activities in the post office related to the health emergency and to mail efficiency initiatives implemented on information system management, back office, anti-money laundering and postal services. Personnel expenses decreased by €5 million compared to the same period 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 reported EBIT of €196 million at 30 September, an increase of 8.7% compared to the same period of the previous year.

Taking into account the positive financial management of €5.5 million (which includes income from the revaluation of the investment in FSIA Investimenti Srl for the same amount) and taxes for the period, the segment closed with a net result of €145 million, up 8.4% (+€11 million) compared to the same period of 2019.

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 period, 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. As of May, the request has been available to customers via the Postepay App, in full-digital mode.

In June 2020 was also the launch of the new Postepay Connect Back 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. As of July, the new offer has also been available via Postepay App.

The marketing has begun of the new Postepay PA card dedicated to the Public Administration for the management of funds and contributions to be distributed to citizens to deal with the emergency.

In September 2020 was the launch of Postepay Digital Evolution, the fully digital prepaid retail card, which can be requested directly via Postepay App, remotely activated and available in three different versions: digital without IBAN, digital with IBAN or physical card with IBAN.

In the Acquiring area, the "Postepay Code" was activated in January. The service allows merchants to make collections using the Postepay Code functionality which, included in the PostePay App, enables scanning QR codes directly into the App so as to return the payment option on screen and then proceed with the transaction. The Postepay Code service is active at all Post Offices.

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.

With reference to acquiring services for the Public Administration, the activation of the Postepay acquiring service of the State Notary Archives and the Guardia di Finanza was completed in 2020.

During the first nine months of 2020, the progressive activation of ENI operators participating in the offer of physical and digital Postepay POS acquiring services continued through the solution Paga con Postepay, displayed in the ENI Station app and the new cash back service⁴³ was released on some operators indicated by the partner ENI.

In the transport sector, in September 2020, the payment card acceptance service was launched through the Postepay acquiring service at Trenitalia's physical POS and as part of the virtual POS Corporate e-commerce acquiring service, the MO.TO. (Mail Order/Telephone Order) services were released for the acceptance of card payments via telephone channel, card on file payments and recurring payments.

Collections and Payments

In the Collections segment, activities in the first nine months of 2020 were oriented towards consolidating the role of Poste in the PagoPA system⁴⁴. 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.

⁴³ Cashback is an innovative service that allows customers holding a Postepay or BancoPosta card to obtain, at the same time as the payment of a good or service with a debit or prepaid card, a small amount of cash through a single POS payment transaction.

⁴⁴ 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.

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, at post offices, and the Portals of creditor entities.

Telecommunications

During 2020, following the Covid-19 health emergency, the Fixed Telephony market showed a constant focus on internet solutions marketed through digital channels.

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. The offer can only be purchased online, with a full-digital process.

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.

In this context and 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

The spread of the Covid-19 pandemic has resulted in a massive recomposition of investors' portfolios towards safer assets. In the financial markets of advanced countries, since the end of February 2020, severe turbulence has affected all sectors, in a context of high risk aversion, which then rose again significantly. In the summer months the European stock markets remained almost stable (STOXX Europe 600 +0.21%), while in the American and Chinese markets the recovery continued, leading the indices to exceed the values recorded at the beginning of the year. In the period January-September 2020, the S&P 500 gained 3.23%, while the EuroStoxx 50 and the Nikkei 225 lost 15.4% and 1.99% respectively.

The increase in direct purchases by central banks has been combined with unlimited credit lines for banks. In particular, in the first part of the year, the FED has opened 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 10-year spread between BTP and Bund at the end of September 2020 was thus slightly below the values at the beginning of the year (139 bps vs. 164 bps) and the yield on 10-year BTP fell from 1.42% to 0.87% in the nine-month period.

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 90 bps at the end of September 2020, an increase of around 30 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 30 bps to about 95 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.

| | 9M 2019 | 2019 | 1Q 2020 | 1H 2020 | 9M 2020 |
|----------|---------|------|---------|---------|---------|
| BTP 10Y | 0.82 | 1.41 | 1.52 | 1.26 | 0.87 |
| SWAP 10Y | (0.15) | 0.20 | (0.02) | (0.17) | (0.23) |
| BTP 15Y | 1.37 | 1.89 | 1.92 | 1.68 | 1.23 |
| SWAP 15Y | 0.07 | 0.46 | 0.16 | 0.00 | -0.05 |
| BTP 30Y | 1.91 | 2.47 | 2.44 | 2.22 | 1.75 |
| SWAP 30Y | 0.22 | 0.63 | 0.17 | 0.04 | -0.01 |



Banking system

The banking sector recorded a positive performance overall in the period January-September 2020. According to preliminary estimates from the Italian banking association (ABI⁴⁵), in September 2020, lending to the private sector, adjusted to take into account off-balance sheet securitised loans, was up 3.9% year on year (0.5% in September 2019) at €1,455 billion. In September 2020, loans to households and businesses increased by 4.8% compared to a year ago. Credit flows, which mainly concerned medium and long-term maturities, reflected the greater demand associated with the increase in liquidity requirements; demand for mortgages by households in September 2020 was in line with the previous month (+1.9% the year-on-year change) while consumer credit showed a slight deceleration (+0.7% the year-on-year change). Funding has seen strong growth since the beginning of the year. In September 2020, private sector deposits (current accounts, certificates of deposit and repurchase agreements) were up 8% (+€125 billion) year on year; funding through bond issues continued to decline, registering a fall of 6.3% in September 2020 (-1.6% in September 2019). Interest rates on the various forms of customer deposit were broadly unchanged. The overall average rate on deposits stabilised in September 2020 at around 0.33%, in line with the values of the previous months. The spread between the average rate charged on loans and the average rate payable on deposits by households and non-financial companies in September 2020 was 175 basis points (179 basis points in the previous month).

Asset Management

The Assogestioni data showed at 30 September 2020⁴⁶, total assets amounting to approximately €2,314 billion, compared to €2,307 billion at the end of December 2019 (+0.3%). With regard to Portfolio Management (Retail and Institutional), assets totalled approximately €1,193 billion, a slight increase compared to the end of December 2019, equal to €1,171 billion (+1.9% substantially due to the positive contribution of performance). With regard to collective asset management (open-end and closed-end mutual investment funds), customer assets went from about €1,136 billion at the end of December 2019 to about €1,121 billion at the end of September 2020 (-1.3%). With regard to open-ended mutual investment funds alone, assets amounted to approximately €1,058 billion, compared to approximately €1,072 billion at the end of December 2019 (-1.4%, as a result of the positive contribution of inflows of +1.0% and negative of the performance of -2.4%). In terms of net inflows, the asset management industry recorded, in the period January-September 2020, an overall

⁴⁵ ABI - Economy and Financial & Credit Markets - October 2020

⁴⁶ Monthly data (preliminary) with reference to September 2020; quarterly data (consolidated) with reference to 2019

positive balance of €13.8 billion, compared to €59.6 billion in the same period of the previous year (the 2019 result is largely attributable to intra-group transactions of Poste Italiane).

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 Payment Service Providers to adopt strong authentication systems to allow customers to make card payments, the activities are nearing completion, 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 procedure⁴⁷, 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.

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 12 August 2020, the Bank of Italy issued the new Provisions on out-of-court dispute resolution systems for banking and financial transactions and services. These provisions introduce, as of 1 October 2020, amendments regarding the extension to 60 days of the maximum response time to complaints submitted by customers and extend the protection offered by the Financial Banking Arbitrator (ABF) with the increase from €100 thousand to €200 thousand of the limit of competence for the value of disputes.

On 8 May 2020, Consob published a "Recommendation on ex post reporting of costs and charges related to the provision of investment and ancillary services" addressed to intermediaries. 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. In particular, in its meeting

⁴⁷ 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.

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. Said ban, subject to continuous monitoring by the Authority, was lifted in the second half of May 2020.

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 focuses on: i) compliance with Product Governance requirements; ii) information obligations towards customers and iii) the assessment of the adequacy of the products offered.

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.

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 Undertakings for Collective Investment (UCITS) and insurance contracts; these provisions govern contracts concluded between the date of entry into force of the state of emergency and its termination.

Moreover, in view of the current epidemiological emergency, Consob Resolution no. 21314 of 25 March 2020 extended by 60 days the deadline for submitting the "Report on investment services" scheduled for 31 March 2020. The Company submitted the aforementioned Report on 24 April 2020.

On 23 July 2020, Consob published a document in consultation that includes substantial changes to the Intermediaries' Regulations with regard to the requirements of knowledge and competence of the personnel responsible for the provision of consultancy services and the release of information and that removes the detailed requirements from the text of the Intermediaries' Regulations, leaving it to the intermediaries to identify the appropriate operating methods to comply with the required standards.

With reference to the amendments to the Intermediaries' Regulations referred to in Resolution no. 20307 of 15 February 2018 in order to implement the Insurance Distribution Directive (IDD) on the rules of conduct applicable to the distribution of Insurance-Based Investment Products (IBIPs), Consob, by Resolution no. 21466 of 29 July 2020, definitively issued the aforementioned Regulation introducing specific rules of conduct and information obligations in the distribution of IBIPs (Class I, Class III, and Multi-class in BancoPosta's current operations).

Finally, on 6 September 2020, CONSOB published an Operational Guide on Transaction Reporting in order to streamline and provide clarification on activities related to the management of reporting requirements under MiFID II.

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.

On 17 March 2020, the Insurance Supervisory Authority IVASS (Istituto per la Vigilanza sulle Assicurazioni) 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.

In addition, on 3 September 2020 was the entry into force of the IVASS Regulation implementing the SDR2 (Shareholder Rights Directive), which introduces obligations for BancoPosta (as intermediary offering custody and administration services for shares or holding securities accounts on behalf of shareholders) to inform customers/shareholders of particular corporate events and to provide, at the request of the issuing company, specific information regarding the identification of customers/shareholders.

FINANCIAL SERVICES SBU OPERATING RESULTS

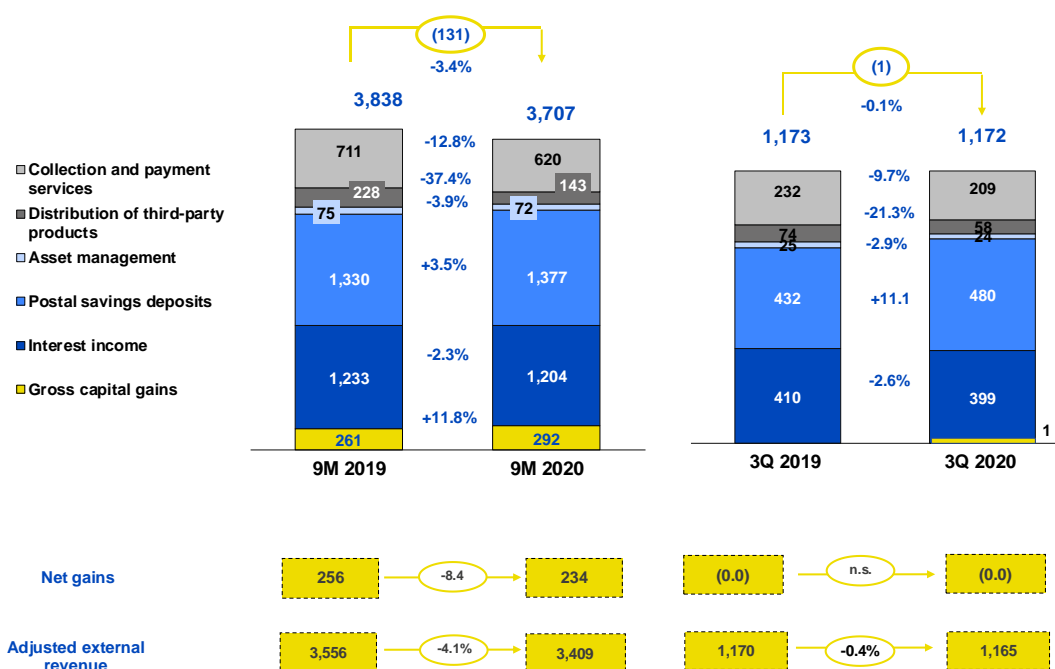
The SBU's operating results for the period were penalised by a reduction in operations caused by the lockdown, with recovery in revenue in June 2020 and stable performance in the third quarter compared with the same period of the previous year.

| FINANCIAL SERVICES | 9M 2019 | 9M 2020 | CHANGES | |
|-------------------------------|--------------|--------------|--------------|--------------|
| (€m) | | | | |
| External revenue | 3,838 | 3,707 | (131) | -3.4% |
| Revenue from other sectors | 535 | 500 | (35) | -6.5% |
| Total revenue | 4,373 | 4,208 | (165) | -3.8% |
| Total adjusted revenue | 4,091 | 3,909 | (182) | -4.4% |
| Costs | 175 | 200 | +25 | +14.4% |
| Costs vs other sectors | 3,571 | 3,429 | (143) | -4.0% |
| Total costs | 3,746 | 3,628 | (118) | -3.1% |
| Total adjusted costs | 3,529 | 3,390 | (139) | -3.9% |
| EBIT | 627 | 579 | (48) | -7.6% |
| Adjusted EBIT | 562 | 519 | (43) | -7.6% |
| EBIT margin % | 14.3% | 13.8% | | |
| NET PROFIT | 440 | 407 | (33) | -7.5% |

| Main KPIs | 9M 2019 | 9M 2020 | Δ | |
|---|---------|---------|---------|--------|
| Assets under management (€bn) ¹ | 536 | 556 | 20 | 3.8% |
| Net inflows (€m) | 4,872 | 11,207 | 6,335 | 130.0% |
| Latent capital gains/losses (€m) | 2,721 | 2,067 | (655) | -24.1% |
| Net capital gains (€m) | 256 | 234 | (21) | -8.4% |
| Current accounts (average deposits for the period in €bn) | 61.8 | 66.4 | 4.6 | 7.4% |
| Inflows total return | 2.59% | 2.35% | | |
| Postal savings (average deposits in €bn) | 311 | 316 | 5.3 | 1.7% |
| Loans (disbursed in €m) | 2,678 | 2,181 | (497.3) | -18.6% |

¹ The figure indicated in column 9M2019 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. Funding from private customers is used in Euro Area government bonds and funding from public customers is used in an interest-bearing deposit account with the MEF.

Gross Gains: Gains from the sale of securities in the BancoPosta Portfolio.

External revenue for the first nine months of 2020 amounted to €3,707 million, down €131 million from €3,838 million in the first nine months of 2019 (-3.4%).

In detail, the period under review shows: (i) Interest income slightly down compared to the first nine months of 2019 (-2.3%), essentially due to the lower yield on loans relating to funding on current accounts of the Public Administration (remunerated at floating rate linked 50% to the yield on the 10-year BTP and 50% to the 6-month BOT); (ii) Capital gains of €292 million, before Capital losses of €58 million, up €31 million compared to €261 million in 2019.

Revenue from postal savings collection and management services amounted to €1,377 million, up 3.5% (+€47 million) on the same period of 2019, due to the higher collection of Interest-bearing Postal Certificates⁴⁸, while

⁴⁸ Interest-bearing Postal Certificates issued as of 1 January 2018 and other than Ordinary Interest-bearing Postal Certificates (BFP). Ordinary Interest-bearing Postal Certificates include all Interest-bearing Postal Certificates issued up to 31 December 2017, as well as Interest-bearing Postal Certificates issued from 1 January 2018 of the "ordinary" and "dedicated to minors" types.

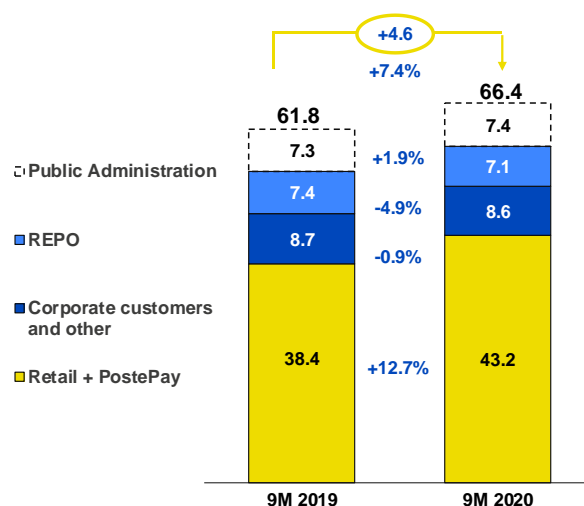
revenue from collection and payment services amounted to €620 million, down 12.8% (-€91 million) on the same period of the previous year, primarily due to lower volumes on bills.

Revenue from distribution of third-party products totalled €143 million, down €85 million compared to €228 million in 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 (-3.9%).

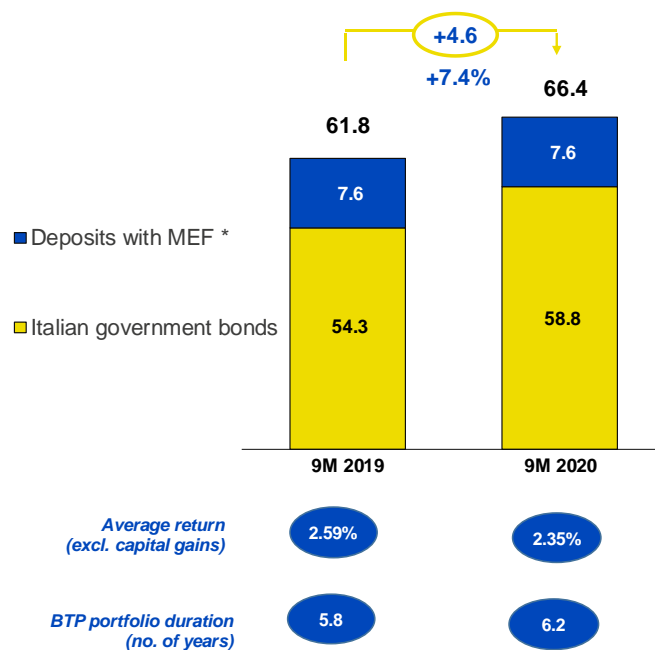
The third quarter of 2020 showed external revenue substantially in line with the third quarter of 2019 (-€1 million), due to the combined effect of growth in revenue from postal savings collection services (+€48 million), offset by a decline in both revenue from collection and payment services (-€22 million), and from the distribution of financing products (-€16 million) mainly attributable to lower personal loans, and interest income (-€11 million) essentially due to lower remuneration related to the investment portfolio in which current account deposits relating to private customers are used.

AVERAGE CURRENT ACCOUNT DEPOSIT (€BN)



At 30 September 2020, the average current account deposit increased from €61.8 billion to €66.4 billion. This increase, amounting to €4.6 billion, was mainly attributable to the positive contribution from retail customers and Postepay (+€4.8 billion). On the other hand, there was a slight decline in the Corporate Customer segment due to lower inflows and less recourse to REPO transactions.

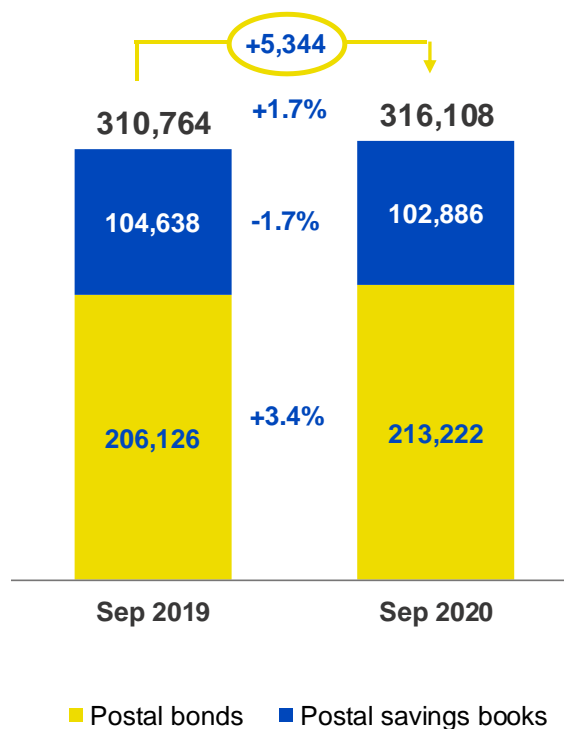
COMPOSITION OF INVESTMENT PORTFOLIO (€BN)



* Includes liquidity on the Buffer and excludes the liquidity of Poste Italiane

The market context characterised by interest rates at historic lows has had the effect of inevitably reducing the average yield of portfolio securities and marginally increasing their Duration. The impact in absolute terms of the reduction in returns on the portfolio interest income was, however, partially offset by the increase in average deposits during the period considered. Lending at the MEF, which tended to be in line with the first nine months of 2019, was characterised by lower profitability due to lower market rates than the previous year.

POSTAL SAVINGS (AVERAGE DEPOSIT IN €M) ⁴⁹



| €m | 9M 2019 | 9M 2020 | Change | Change % |
|----------------------------|---------|---------|--------|----------|
| Postal savings net inflows | (4,025) | (426) | 3,599 | 89.4% |

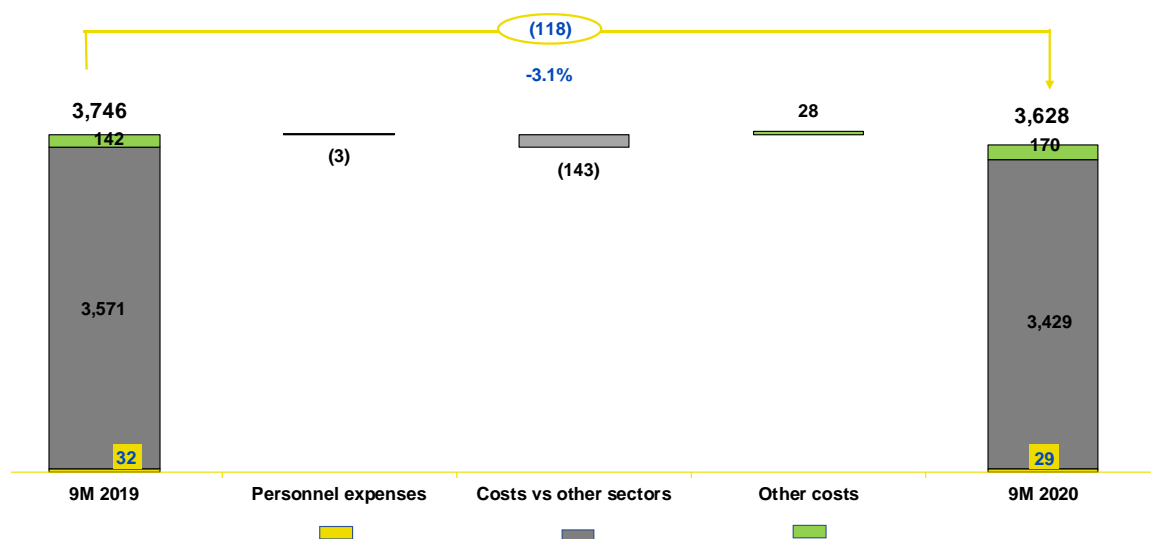
At 30 September 2020, net inflows of postal savings amounted to -€426 million, up over €3,600 million compared to the same period of the previous year. This increase was due to the increased liquidity in savings books due to the Covid-19 health emergency and the market context, which have influenced patterns of customers, making them more orientated to the use of liquidity products. In addition, the increase in net inflows takes account of the economic initiatives undertaken, aimed at dealing with the health emergency (in particular, the credits advanced to September 2020 on the Postal Savings Books for pensions relating to October 2020), and at managing the high amount of Interest-Bearing Postal Certificates maturing.

Compared to the same period of 2019, the average deposit of Interest-Bearing Postal Certificates showed a significant increase, which more than offset the decrease in the average deposit of Postal Savings Books.

⁴⁹ Average value excluding both the capitalisation of interest for the period and interest accrued, but not yet due, on Interest-Bearing Postal Certificates that have not expired at the reporting date.

TOTAL COSTS

(€m)



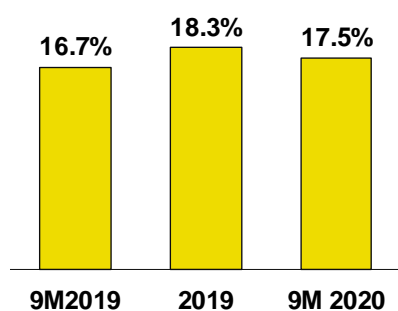
The total costs of the sector amounted to €3,628 million, down €118 million (-3.1%) compared to €3,746 million in the first nine months of 2019, mainly due to lower payments to the commercial network, against a slight increase recorded in the item other operating expenses equal to €28 million. This latter increase was mainly due to the higher capital losses incurred during the period (+€52 million) on the investment portfolio (more than offset by gains realised as part of the same), partially offset by the release of provisions for risks (€15 million) related mainly to the voluntary customer protection initiative completed in 2019 for the Europa Immobiliare fund.

The EBIT of the sector for the period January-September 2020 amounted to €579 million, down 7.6% compared to the same period of the previous year (-€48 million).

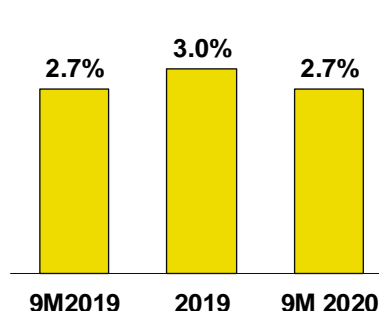
Taking into account financial management (negative for €11 million) and taxes for the period (€161 million), the sector closed with a net result of €407 million, down €33 million compared to €440 million in the first nine months of 2019 (-7.5%).

| €m | 9M 2019 | 2019 | 9M 2020 |
|----------------------------|---------|--------|---------|
| CET1 CAPITAL | 2,285 | 2,388 | 2,383 |
| TOTAL ASSETS | 90,917 | 85,010 | 99,100 |
| RWA - Risk Weighted Assets | 13,679 | 13,020 | 13,635 |

CET1 RATIO



LEVERAGE RATIO



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 30 September 2020. The CET 1 ratio at 30 September 2020 stood at 17.5%, confirming the capital solidity of BancoPosta and recording a decline mainly related to the fall in interest rates, which led to an increase in collateral paid to counterparties in hedging derivative transactions.

Operating review

Investment portfolio management

The investment portfolio, in which deposits from private customers on current accounts with a nominal value of about €57.5 billion are used, consists of about €53.7 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). During the second half of 2020, the actions taken by central banks to contain the negative effects of the pandemic (in particular, the government bond purchase programmes launched by the ECB and the agreement on the Recovery Fund reached by European heads of government) led to a progressive reduction in volatility on financial markets. The BTP-Bund spread narrowed from around 170 bps at the end of June 2020 to around 140 bps at the end of September 2020.

In this context, management focused on completing the programme to realise the capital gains expected in 2020 and starting next year's programme by executing forward sales with 2021 value date.

With regard to purchases, during the period in which the average spread level was around 150 bps, investments in securities maturing during the reporting period were completed and the incremental liquidity recorded in current accounts was invested.

In addition, in order to block the currently low monetary interest rates, repos with a maturity of up to 4 years were stipulated.

Postal Savings

In the Postal Savings area, with a view to improving the customer experience and the quality of the service offered to customers, the possibility of opening the Smart Book⁵⁰ directly from the BancoPosta APP was introduced at the end of July, and online operations on BancoPosta current accounts were expanded for the purchase of Interest-bearing Postal Certificates in 24/7 mode.

To support online inflows on digital channels (Web and APPs) and increase the customer base, at the end of September 2020, the new edition of the Supersmart Offer "Premium Digital" was launched, dedicated to customers who bring new liquidity. Finally, also with a view to facilitating inflows and, at the same time, promoting the dissemination of products dedicated to minors, the possibility has been introduced for legal representatives to stipulate certificates dedicated to minors.

Current accounts

In the Retail current account sector, the promotion on Start, Medium and Plus options⁵¹ was extended from 30 June to 31 July 2020, which provides a discount on the monthly fee for a period of 12 months exclusively for new openings.

⁵⁰ The Libretto Smart (Smart Book) is a version of the Libretto Nominativo Ordinario (Ordinary Nominative Book) that allows customers to make transaction orders also through the website poste.it and the BancoPosta App. Smart Book holders are also given the possibility to carry out specific operations, such as the activation of Supersmart Offers or the transfer of money to/from their own book or BancoPosta current account via gyro funds.

⁵¹ Options of the current Consumer account offer, which have different fees depending on the services included.

As part of the Premium service model, dedicated to customers with high capitalisation and sophisticated needs, the possibility has been released to manage and perform remote consultancy after which the customer can sign the necessary documents by advanced electronic signature in the dedicated area of poste.it.

In the Business and Public Administration current accounts segment, in order to increase new value acquisitions and customer loyalty, the new promotion was extended until the end of 2020 that provides for the reimbursement of account maintenance fees for customers who stipulate, even if not at the same time, the opening of a BancoPosta Affari current account, combined with the Postepay Code service⁵² or the Tandem POS Fisico acquiring service (which allows the acceptance of payments by credit, debit or prepaid cards, also in contactless mode).

As part of the measures provided for in Law Decree no. 34/2020, converted with amendments into Law no. 77 of 17 July 2020 (Relaunch Decree), in order to support the economic recovery of the country, Poste Italiane has launched a tax credit transfer service to offer citizens and BancoPosta current account holders the possibility of obtaining liquidity in exchange for the transfer to Poste Italiane of the credits provided for by the regulations.

For businesses, the credit transfer service was launched on 21 September 2020, through the online channel and initially only for "Holiday Bonus" credit. As of 19 October 2020, the transfer service for Superbonus 110% has also been available both for companies and individuals through the online channel and at Post Offices.

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.

With regard to Assets under custody, in July 2020, Poste Italiane participated in the placement of the BTP Futura linked to the Italian GDP trend and launched as part of the Government's measures to deal with the emergency generated by Covid-19.

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, the adhesion period was extended to 31 October 2020.

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, with reference to the offer of BancoPosta Retail Loans, the "Riparti Italia" promotion was launched, with advantageous economic conditions, to give new impetus to the current difficult economic

⁵² The Postepay Code service is the innovative acceptance service that allows affiliated merchants to collect payments ordered by customers directly from their Postepay App, via the QR code displayed by the merchant.

situation in the country. 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.

During the period in question, the offer of a medium/long-term unsecured loan, assisted by the Central Fund Guarantee, in an amount equal to 100%, as defined pursuant to art. 13, paragraph 1, letter m) of Law Decree no. 23 of 8 April 2020 (Liquidity Decree) converted into Law no. 40 of 5 June 2020), was launched for Italian micro, small and medium-sized enterprises (including sole proprietorships), the business of which was negatively impacted by the Covid-19 emergency. The loan is placed by Poste Italiane and is provided by Mediocredito Centrale.

In April 2020, the product was launched for the advance payment of ordinary redundancy payments and in derogation dedicated to BancoPosta and PostePay Evolution customers with salary direct debit. Also in relation to the measures connected with the health emergency, in agreement with the lending banks, BancoPosta loan holders have been given the possibility of using the Solidarity Fund managed by Consap, for first home mortgages, up to a maximum of 18 months with a contribution covering 50% of the interest accrued during the suspension period while, for those that do not meet the requirements of the Fund, the possibility of suspending the mortgage for a maximum of 12 months has been provided.

Other assets

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.

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.

INSURANCE SERVICES STRATEGIC BUSINESS UNIT



Market context

Life business

On the basis of official data available at the end of August 2020⁵³ due to the lockdown, new Life individual insurance policies of €48.7 billion at the end of August 2020, decreased by 12.7% compared to the same period in 2019. If new Life business reported by EU companies is taken into account, the figure reached €55.1 billion, down (-14.2%) compared to the same period of 2019. Analysing the figures by class of insurance, Class I premiums amounted to €33.7 billion at the end of August 2020, significantly down (-16.8%) given the aforementioned health emergency, compared with the same period of the previous year. On the other hand, inflows of Class III products (in the exclusive unit-linked form) was stable compared to the figure for the same period in 2019, with inflows at the end of the period of €14.3 billion. Residual inflows came from capitalisation products (€0.6 billion), down in the first eight months of the year (-26.9%) compared to the end of August 2019. The trend in new premiums relating to long-term health policies (Class IV) continued to be limited (approximately €18.4 million), and slightly down (-1.2%) compared to the same period in 2019.

New contributions relating to the management of open-ended pension funds at the end of August 2020 amounted to €63 million, a decrease of 10.8% compared to the same period in 2019.

Single premiums continued to be the preferred form of payment for policyholders, representing 95.2% of total premiums written and 63.7% of policies by number.

With regard, finally, to the distribution channel, around 68.1% of new business was obtained through banks and post offices until August 2020, with premium revenue of about €33.2 billion, a decrease (-15.2%) 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 €8.1 billion at the end of August 2020, a decrease of 2.1% compared to the figure for the same period in 2019 and with an incidence on total intermediated business of 16.6%.

The performance of new business obtained through authorised financial advisors was €6.8 billion, down (-13.7%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 14%.

⁵³ Source: ANIA Trends, new Life business (August 2020)

New Life individual business by class ^(*)

(figures updated to August 2020 in €m)

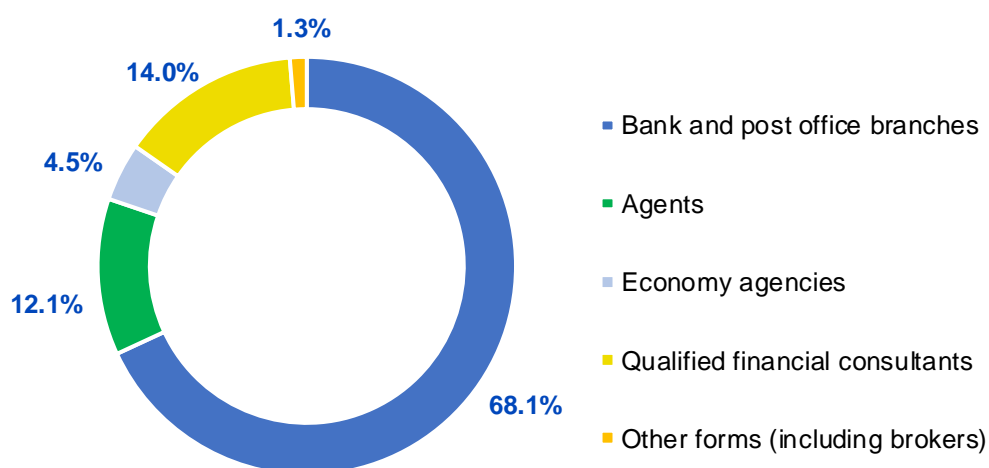
| Premiums by class/product | Premiums YTD | % change 2020 vs 2019 |
|------------------------------------|-----------------|--------------------------|
| Life - class I | 33,720 | -16.8% |
| Unit - Linked - class III | 14,304 | -0.3% |
| Capitalisations - class V | 642 | -26.9% |
| Other | 80 | - |
| Italian insurers - non-EU | 48,746 | -12.7% |
| EU insurers ^(**) | 6,377 | -24.3% |
| Total | 55,123 | -14.2% |

^(*) 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 August 2020 in €m)



Source: ANIA

Non-life business

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) at the end of the second quarter of 2020, amounted to €18.6 billion (-3.7%) compared to the same period in 2019, confirming the downward trend that began in March and attributable exclusively to the emergency situation linked to the spread of the Covid-19 virus that has heavily impacted the sales processes and operations of insurance companies. This performance was mainly due to the sharp decline in the Auto sector (-6.1%), which recorded a 6.3% reduction in premiums, concentrated in April 2020 (-20%). Premiums in the land vehicle hulls business, which grew by almost 5% at the end of the second quarter of 2019, also fell sharply in the second quarter of 2020 (-4.9%), by around 30% in April alone. The other non-life classes also experienced a sharp slowdown. While growth was 6% at the end of the second quarter of 2019, at the end of June 2020, there was a decrease of 1.7%, mainly

due to a decline of more than 10% in April alone. With regard to non-motor line of business, the classes that recorded above-average changes were the illness class with premiums of €1.6 billion, down 2.4%, the accident class with premiums of €1.7 billion and a decrease of 3.7%, the general liability class with premiums of €2.1 billion, stable compared to 2019, the legal protection class with premiums of €0.3 billion and growth of 7.3%, the financial loss class with premiums of €0.3 billion and a decrease of 29%, and the other damage to property class with volumes of €1.7 billion and growth of 2.3%.

In terms of distribution channels, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continued to lead the way with a market share of 74.2%, albeit slightly down on the figure at the end of June 2019 (74.5%). Brokers recorded a market share of 9.1%, representing the second largest distribution channel. There was also a decline, albeit limited, in the market share of bank and post office branches, which stood at 7% (7.7% at the end of June 2019).

The percentage of direct sales (management, telephone and internet sales) at the end of the second quarter was 9.4%, slightly up on the figure for the same period in 2019 (9.1%). The remaining 0.3% refers to premiums brokered by licensed financial advisors.

Direct non-life premiums by class (*)

(figures updated to June 2020 in €m)

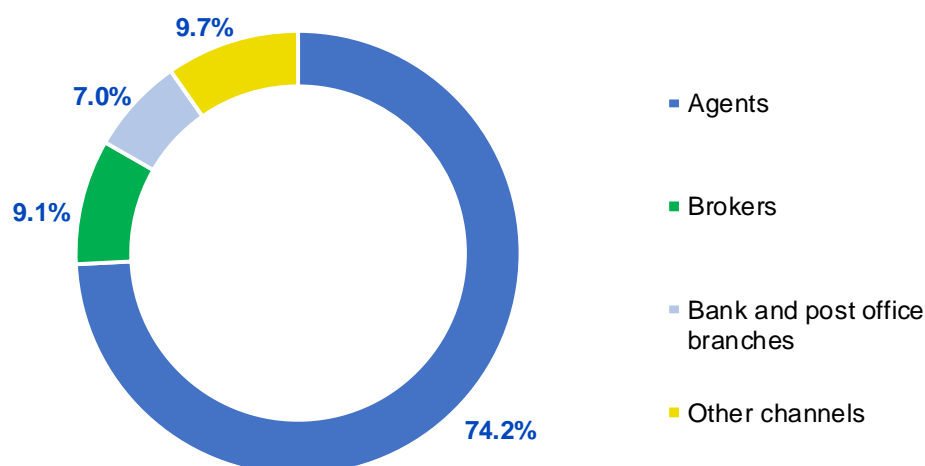
| Premiums by class (**) | Premiums YTD | % change 2Q 2020 vs 2Q 2019 |
|-------------------------------|-----------------|--------------------------------|
| Total motor segment | 8,283 | -6.1% |
| Other Non-Life classes | 10,335 | -1.7% |
| Total Non-Life classes | 18,618 | -3.7% |

(*) 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 June 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.

IVASS Regulation no. 45 of 4 August 2020 laying down provisions on governance and control requirements for insurance products pursuant to Legislative Decree no. 209 of 7 September 2005 ("Private Insurance Code")

The Regulation, which will enter into force on 31 March 2021:

- identifies the tasks and responsibilities of the corporate bodies involved in the process of approval and distribution of insurance products;
- identifies the rules and elements to be taken into account for the identification of the reference market and the negative reference market;
- defines the information flows between producer insurance companies and distributors by means of an agreement to be signed on a mandatory basis and subject to periodic review;
- regulates the distribution mechanisms for insurance products;
- prescribes specific control obligations on the part of the unit or structure responsible for insurance distribution for distributors of insurance products registered in sections A, B and F of the Single Register of Intermediaries and regulates free collaboration relations between intermediaries involved in the distribution of such products in order to ensure full compliance with the obligations set out in the Regulation.

IVASS measure no. 97 of 4 August 2020 - Additional requirements for the distribution of insurance investment products

The measure, which will enter into force on 31 March 2021, completes the rules on the distribution of IBIPs (Insurance Based Investment Products) for the channels under IVASS jurisdiction and contains references to the rules of the IBIPs Delegated Regulation and the provisions of Delegated Regulation (EU) 2017/565, supplementing Mifid II Directive as regards organisational requirements and operating conditions for investment firms with reference to independent consultancy. Specifically, some additional provisions are introduced concerning in particular: pre-contractual information, combined sale, documentation storage, professional training and updating. The measure also contains additions and amendments to Regulations nos. 23/2008, 24/2008, 38/2018, 40/2018 and 41/2018 with the aim of rationalising and simplifying the obligations on operators and increasing the level of protection for contracting parties.

INSURANCE SERVICES SBU OPERATING RESULTS

Results of the period affected by the pandemic and lockdown with greater impacts in the first part of the year. Revenue grew in the third quarter thanks to the gradual recovery in premium revenue (+€0.9 billion compared to the corresponding quarter of the previous year).

The capital solidity of the insurance segment is confirmed, with a Solvency ratio that exceeds both regulatory constraints and managerial ambition (>200%).

| INSURANCE SERVICES | 9M 2019 | 9M 2020 | CHANGES | |
|----------------------------|--------------|--------------|-------------|--------------|
| (€m) | | | | |
| External revenue | 1,219 | 1,192 | (27) | -2.2% |
| Revenue from other sectors | 0 | 0 | (0) | -43.8% |
| Total revenue | 1,219 | 1,192 | (27) | -2.2% |
| Costs | 109 | 99 | (10) | -9.1% |
| Costs vs other sectors | 381 | 380 | (1) | -0.2% |
| Total costs | 490 | 479 | (11) | -2.2% |
| EBIT | 730 | 714 | (16) | -2.2% |
| EBIT margin % | 59.8% | 59.9% | | |
| NET PROFIT | 519 | 523 | 3 | +0.7% |

| Main KPIs | 31 December 2019 | 30 September 2020 | CHANGES | |
|--|------------------|-------------------|---------|--------|
| Net technical provisions Poste Vita Group (€bn) | 140.2 | 147.9 | 7.6 | 5.4% |
| Solvency Ratio | 276% | 250% | | |
| Life business | 9M 2019 | 9M 2020 | CHANGES | |
| Gross premium revenue - Life (€m) ¹ | 13,722 | 12,239 | (1,483) | -10.8% |
| of which: Classes I-IV-V | 12,245 | 10,784 | (1,461) | -11.9% |
| of which: Class III | 1,477 | 1,455 | (21) | -1.5% |
| Incidence of Multi-class premiums on total | 35% | 34% | | |
| Non-life business | 9M 2019 | 9M 2020 | CHANGES | |
| Gross premium revenue - Non-Life (€m) ¹ | 186.0 | 184.7 | -1.3 | -0.7% |
| Loss ratio ² | 30.4% | 41.5% | | |
| Expenses ratio (ANIA) ³ | 26.4% | 29.1% | | |
| Combined ratio (ANIA) ⁴ | 56.8% | 70.6% | | |

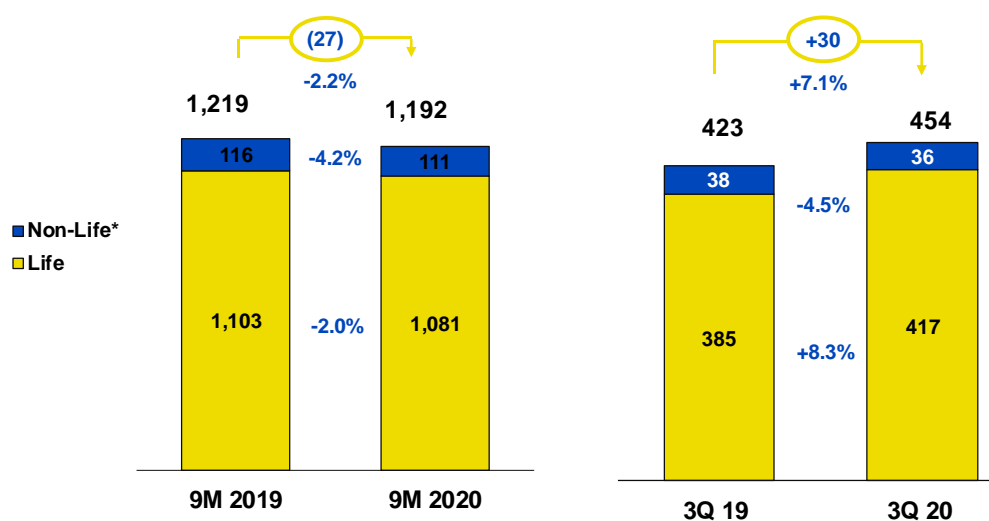
¹ Includes gross premium revenue before the premium reserve and outward reinsurance premiums.

² Corresponds to the ratio of claims settlement costs 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 €714 million in the first 9 months of the year, down 2.2% on the same period of the previous year (€730 million).

External revenue went from €1,219 million in the first nine months of 2019 to €1,192 million in the corresponding period of 2020 (-2.2%), essentially due to the performance of the Life business, which contributed €1,081 million, whilst the non-life business contributed €105 million, net of Poste Welfare Servizi⁵⁴ revenue and other revenue.

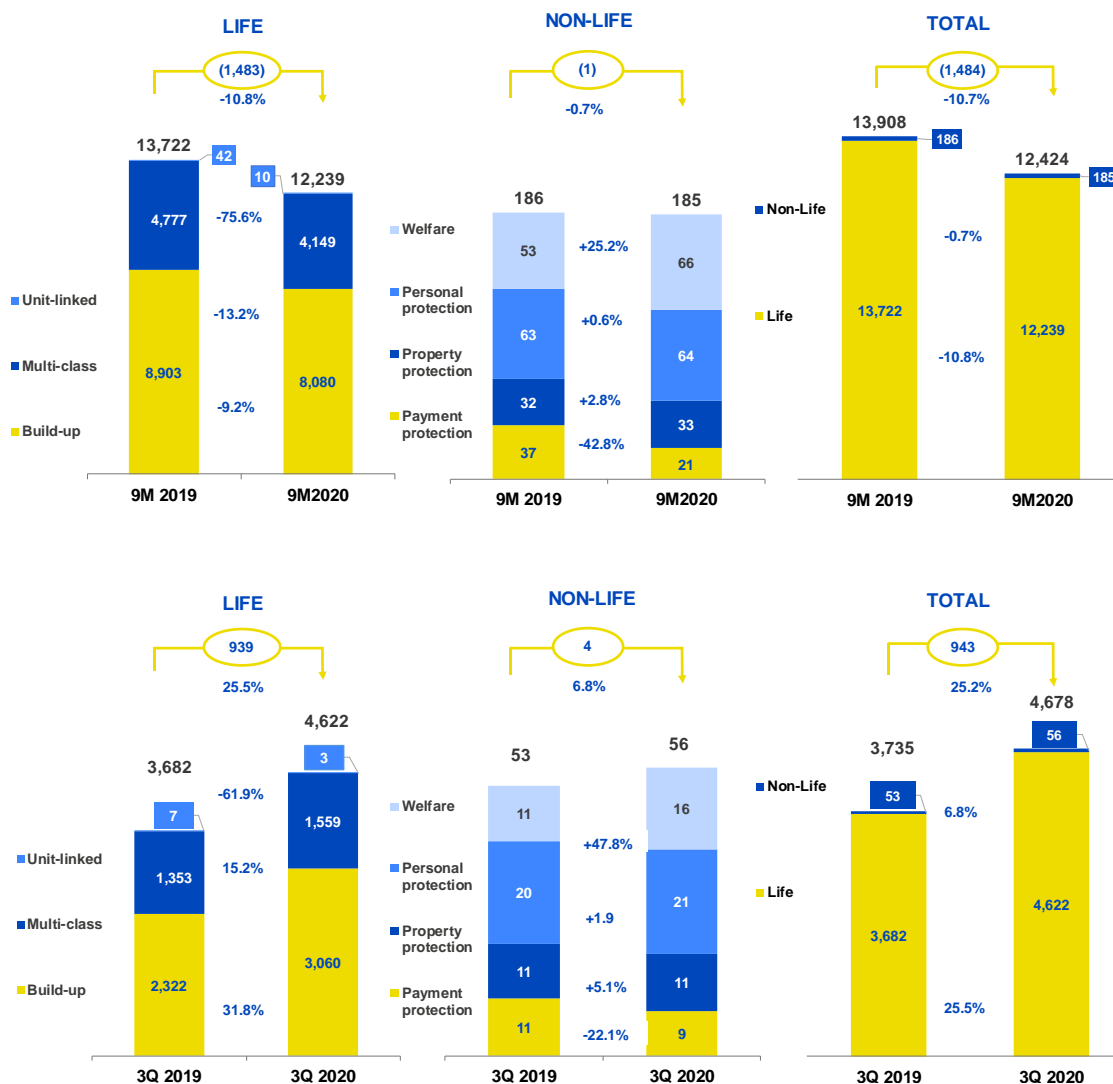
In particular, Life net revenue decreased by 2% (-€22 million) compared to the previous period, mainly due to lower loadings (-€46 million) and lower Life protection margin (-€4 million) due to the decrease in gross premium revenue during the period (-€1.5 billion compared to the first 9 months of 2019), as well as changes in other technical provisions (-€15 million), mainly due to the positive one-off recorded in 1H 2019 on the expense reserve, related to the IVASS discount rate update. These negative changes were partially offset by the higher financial margin (+€43 million compared to the first nine months of 2019), which benefited from the increase in average assets under management.

Non-life net revenue totalled €105 million, down 3% (-€3 million) compared to the same period of 2019, due mainly to changes in the technical provision and claims settlement costs, which were affected in the first nine months of 2020 by lower releases (-€14 million) compared to the same period of 2019, in which previous provisions were released to the claims reserve as they were not used, partially offset by business growth (gross premiums, +€12 million or +7%).

⁵⁴ Poste Welfare Servizi is the health services company of the Poste Italiane Group. Poste Welfare Servizi activities are focused on the management and administrative outsourcing of Healthcare Funds, management of a Healthcare Network of affiliated structures, and ICT services for public and private institutions. As of November 2015, it joined the Poste Vita Group as a strategic complement to the health welfare insurance offering.

The third quarter of 2020 showed revenue up €30 million, +7.1% compared to the third quarter of 2019. This performance was attributable to the higher loadings linked to the growth in Life gross premium revenue compared to the third quarter of the previous year (+€0.9 billion) as well as to the improvement in the Life financial margin, which grew in the third quarter due to both growth in assets and growth in the average margin. The performance of premium revenue for the **Life** and **Non-life** business is shown below:

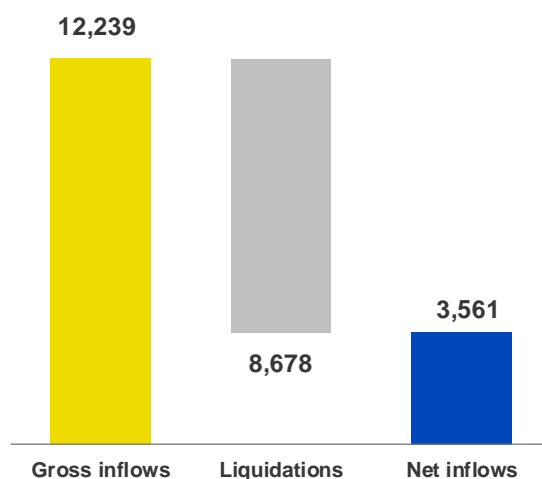
GROSS PREMIUM REVENUE (€m)



Life and Non-Life gross premium revenue at 30 September 2020 was affected by restrictions on the movement of persons and the partial closure of post offices in March and April following the Covid-19 health emergency. Life gross premium revenue amounted to €12.2 billion, down 10.8% compared to the corresponding period of 2019, with the product mix remaining stable compared to the first nine months of 2019 with Multi-class products contributing 34% and policies that can be revalued contributing 66% of total Life gross premium revenue. In the third quarter, gross premium revenue benefited from the easing of restrictions on the movement of persons, recording premiums of €4.6 billion, €0.9 billion higher than in the same quarter of 2019.

Gross premium revenue in the Non-life business amounted to €185 million, substantially in line with the same period of 2019 (-0.7%), with lower revenue in the Payment Protection line (-42.8%, -€16 million), offset by higher revenue in the Welfare segment (+25.2%, +€13 million) and in Property Protection (+2.8%).

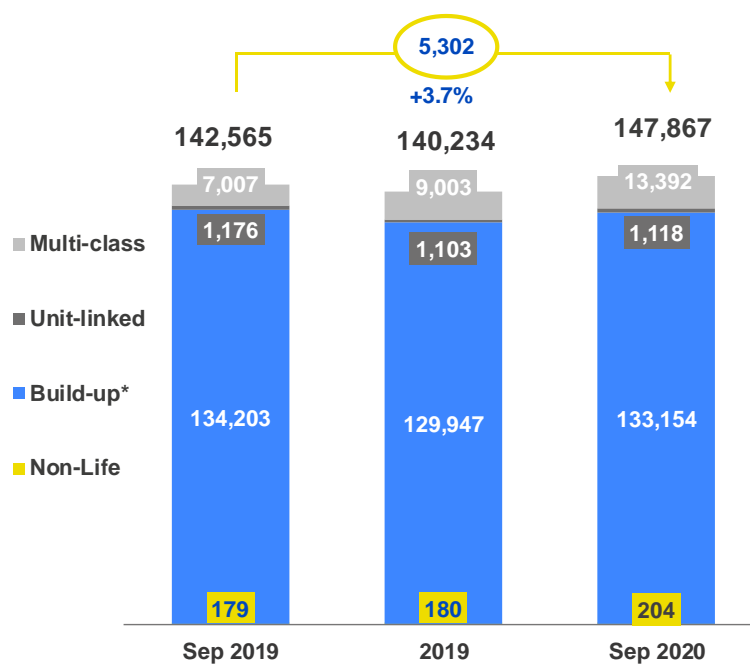
NET LIFE PREMIUM REVENUE 9M 2020 (€m)



Net Life premium revenue amounted to €3.6 billion and remained positive on all the separately managed account and internal fund portfolios.

The redemption rate recorded in the first 9 months of 2020 was 2.6%, a decrease compared to 2019 (2.9%), also due to driving restrictions and the partial closure of post offices following the lockdown.

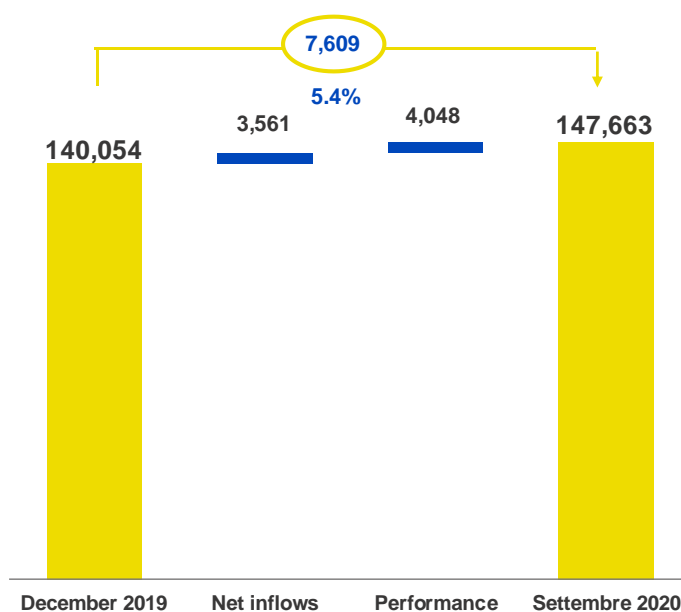
TECHNICAL PROVISIONS (€m)



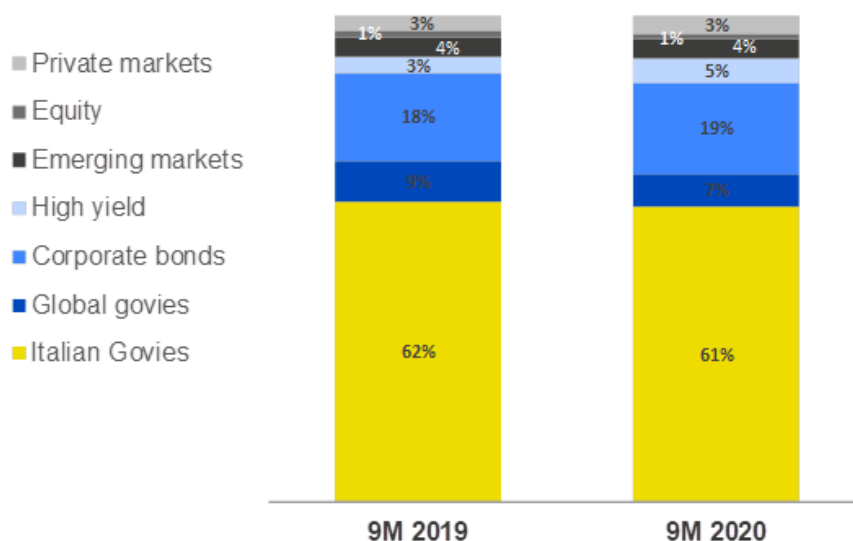
*Includes Protection and Welfare

Life business technical provisions amounted to €147.7 billion and increased by €7.6 billion compared to 31 December 2019, mainly as a result of growth in mathematical provisions (+€4.5 billion), supported by positive net premium revenue, and the performance of Deferred Policyholder Liabilities (+€2.8 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, amounted to €204 million at the end of the period (€204 million or €228 million gross of outward reinsurance premiums), an increase of 13% compared with the end of 2019 (€180 million or €207 million gross of outward reinsurance premiums).

CHANGES IN TECHNICAL PROVISIONS FOR LIFE BUSINESS (€m)



DISTRIBUTION OF THE INVESTMENT PORTFOLIO

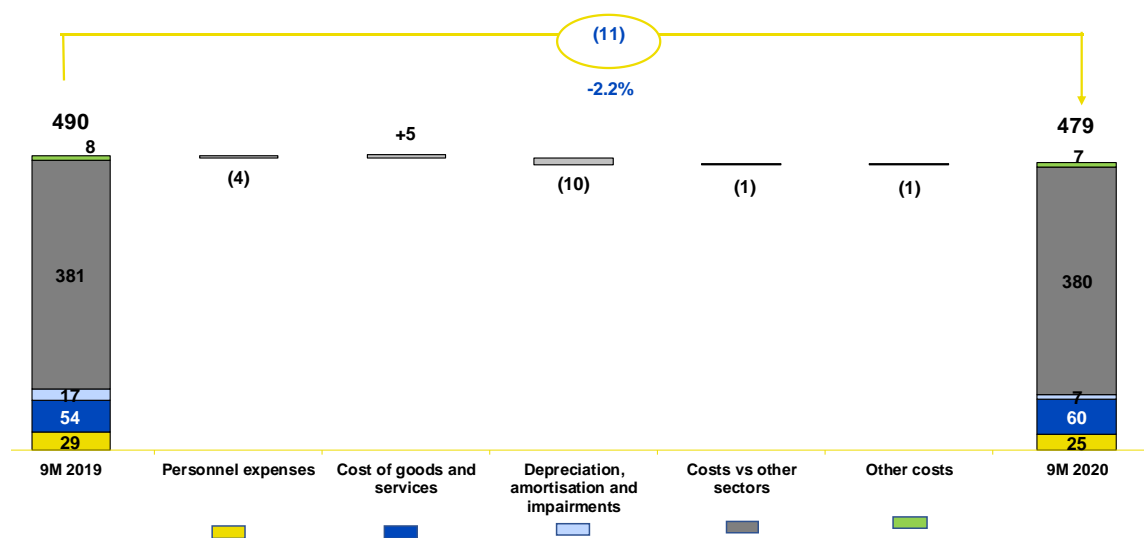


Starting in 2019 and up to the present day, in line with the company's latest approved asset allocation, a process of portfolio diversification is underway that sees a reduction in the concentration of risk in Italy, which has taken the form of the sale of Italian government bonds, in favour of asset classes with a lower correlation to this risk (Investment Grade and High Yield corporate bonds).

Within multi-asset funds, diversification has been evident in a reduction in the concentration of risk associated with global government bonds.

COSTS

(€m)

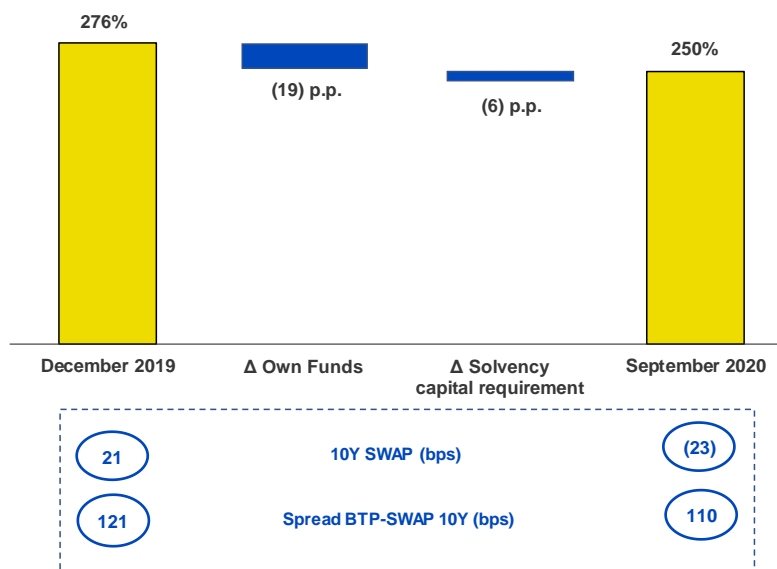


Total costs amounted to €479 million, down €11 million on the same period of 2019, primarily due to a reduction in amortisation, depreciation and impairments (-€10 million), linked to the sale of the Poste Vita, Poste Assicura and Poste Welfare Servizi businesses, relating to ICT management activities in favour of Poste Italiane, which took effect on 1 March 2020.

In light of the results illustrated, the Insurance Services Strategic Business Unit generated EBIT of €714 million in the first nine months of 2020, a decrease of 2.2% compared with the same period of the previous year (€730 million).

Taking into account financial management (positive for €27 million) and taxes for the period (€218 million), the Business Unit closed with a net result of €523 million, up 0.7% compared to €519 million in the first nine months of 2019.

SOLVENCY RATIO



In a market context of extreme volatility and uncertainty, the Poste Vita Group Solvency Ratio at 30 September 2020 was 250%, down from 276% at December 2019 (-26 p.p.) and continues to remain at higher levels than the regulatory constraints.

The change in the period 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.

Considering the reduction in interest rates, 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 lower operational and technical life risks related to lower production volumes.

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 286% at 30 September 2020 (312% at 31 December 2019).

Operating review

In order to provide additional and more comprehensive services to customers, during the period, 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. As of July 2020, the offer of insurance investment products was further enriched with the launch of "Poste Progetti Futuri Dinamica", a new multi-class policy dedicated to Affluent customers, which combines the guarantee of Class I with the opportunity to invest in one of the two internal insurance funds Poste Vita Selezione Multipla and Poste Vita Soluzione Sostenibile (ESG Fund). It is characterised by a gradual approach to the opportunities offered by the financial markets.

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. In addition, Poste Italiane has extended until 31 December 2020, the free extension of per diem guarantees and

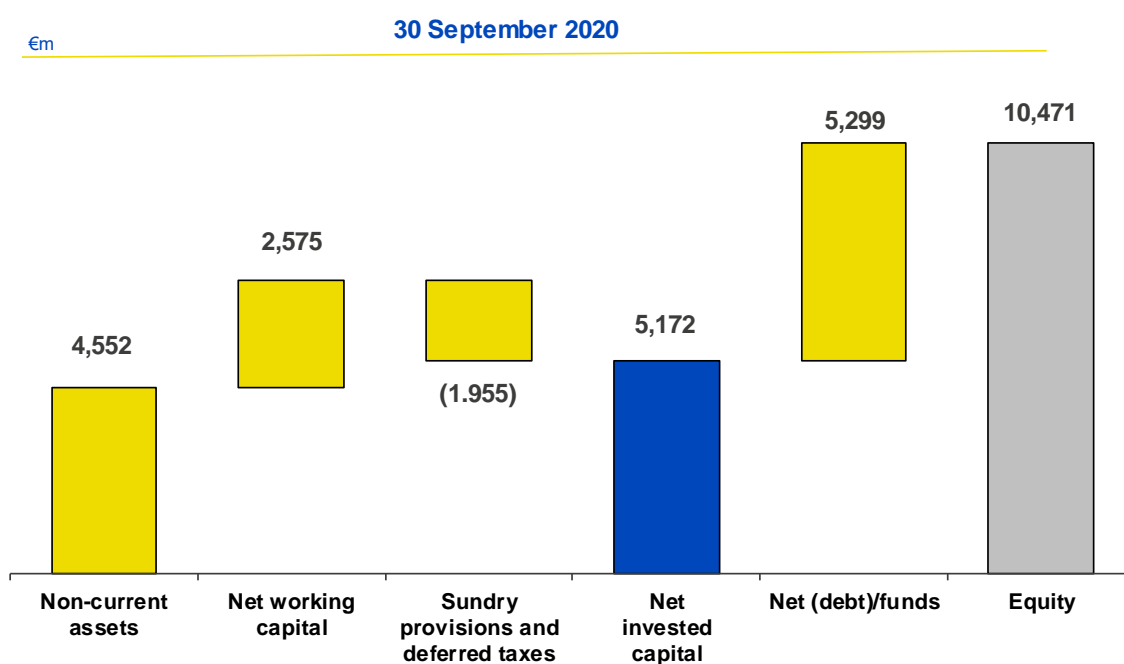
reimbursement of medical expenses from hospitalisation in case of contagion from COVID-19 for all health policyholders.

Lastly, the launch of the car offer for Poste Italiane employees began during the period and work continued on launching the offer on the free market.

GROUP FINANCIAL POSITION AND CASH FLOW

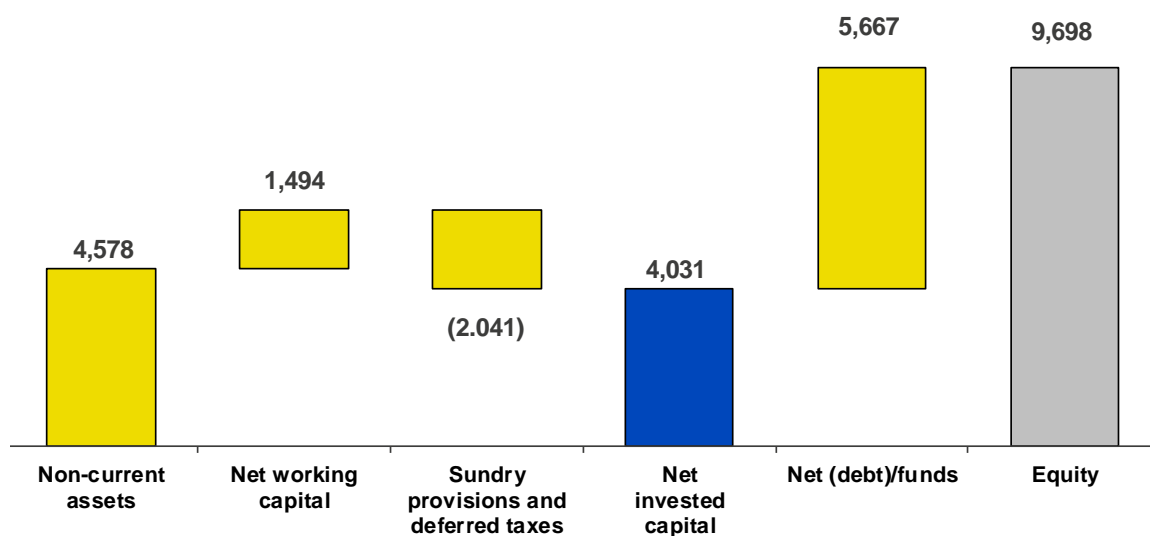


| €m | 31 December 2019 | 30 September 2020 | Changes | |
|---|------------------|-------------------|---------|-------|
| NON-CURRENT ASSETS | 4,578 | 4,552 | (26) | -1% |
| NET WORKING CAPITAL | 1,494 | 2,575 | +1,081 | +72% |
| GROSS INVESTED CAPITAL | 6,072 | 7,127 | +1,055 | +17% |
| SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES | (2,041) | (1,955) | +86 | -4% |
| NET INVESTED CAPITAL | 4,031 | 5,172 | +1,141 | +28% |
| EQUITY | 9,698 | 10,471 | +773 | +8% |
| NET DEBT/(FUNDS) | (5,667) | (5,299) | +368 | -6% |
| <i>Net debt/(funds) of the Mail, Parcels and Distribution SBU</i> | 815 | 1,746 | +931 | +114% |



€m

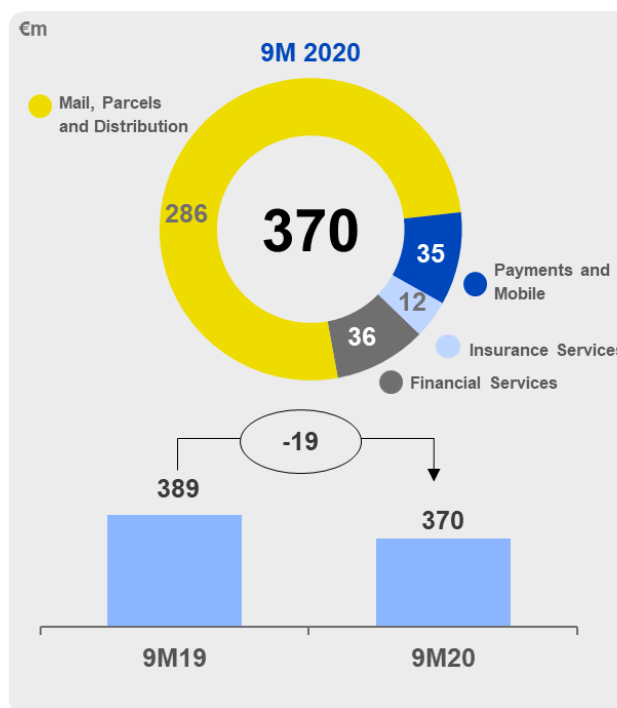
31 December 2019



The Poste Italiane Group's **non-current assets** at 30 September 2020 amounted to €4,552 million, a decrease of €26 million compared with the end of 2019. Investments of €370 million and an increase of €143 million in rights of use for the stipulation of new contracts, more than offset by amortisation and depreciation of €517 million, contributed to the formation of non-current assets.

This item includes investments accounted for using the equity method totalling €610 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 period, an adjustment of €19 million was made following the impairment test on the value of goodwill implicit in the value of the investment. For further details, reference should be made to the paragraph *Basis of preparation and Use of estimates*.

The Group's investments in the first nine months of 2020 amounted to €370 million, a 5% decrease compared with the first nine months of 2019 (-€19 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.



In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 77% of the Group's investment (€286 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 (approximately 2,000 new vehicles to date). 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. Furthermore, the particular shape of three-wheeled vehicles with low environmental impact increases their stability and safety for the driver and allows 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 third quarter, a further 191 new three-wheeled electric vehicles were added to the 650 in the first half, for a total to date of 841 (out of a total of 850 planned for 2020).

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 operators (activation of Voice bot pension withdrawal, remote Call Centre and Back Office activities).

Net working capital at 30 September 2020 amounted to €2,575 million and increased by €1,081 million compared to the end of 2019. The following contributed to this change:

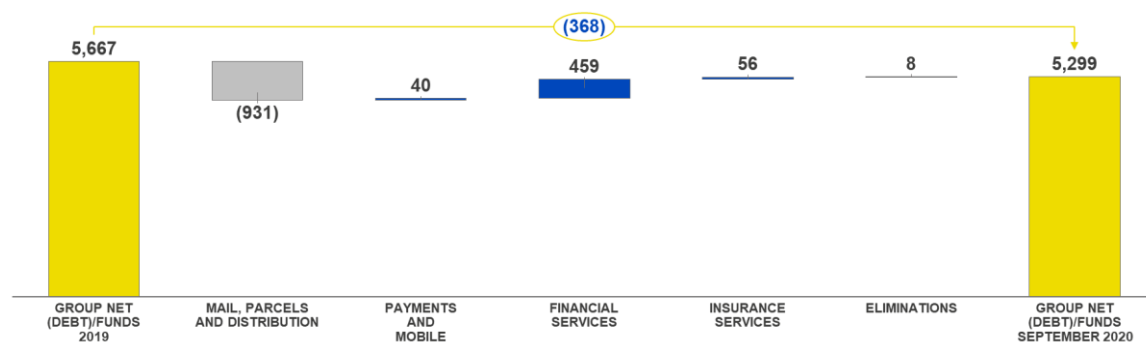
- an increase of €359 million in receivables, mainly due to the increase of €202 million in trade receivables from the MEF and €115 million in amounts due from other customers;
- a decrease of €570 million in payables, due mainly to a decrease of €253 million in amounts due to employees (includes incentives and other items related to a one-time payment to cover the 2019 contractual *vacatio*), a decrease of €273 million in tax payables (largely attributable to a reduction in tax liability on insurance technical provisions, partially offset by the increase in payables for stamp duty).

The balance of **Sundry provisions and other assets and liabilities** at 30 September 2020 amounted to €1,955 million, substantially in line with 31 December 2019 (decrease of €86 million). The balance of Provisions for risks and charges contributed to this item, which amounted to €1,083 million (€1,218 million at the end of December 2019) and includes Provisions for early retirement incentives of €259 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 €207 million (€241 million at 31 December 2019) and the provision for disputes with third parties amounting to €287 million (€313 million at 31 December 2019).

Equity amounted to €10,471 million at 30 September 2020, an increase of €773 million compared with 31 December 2019. The change that occurred during the period reflected primarily the profit for the period of €898 million and an increase of €270 million in the fair value reserve, due to positive changes in the value of investments classified as FVTOCI, net of sales made during the period, held mainly by the Financial Services SBU, partially offset by the distribution of dividends totalling €402 million as the balance for 2019 (advance of €200 million already paid in November 2019).

Group Net (Debt)/Funds

€m



Total net (debt)/funds at 30 September 2020 showed a surplus of €5,299 million, down €368 million from 31 December 2019 (€5,667 million). This change was primarily attributable to positive operating income of €1.3 billion (including €898 million attributable to profit for the period) and the increase 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 €0.6 billion, partially offset by the negative change in working capital totalling €1.0 billion, the distribution of dividends amounting to €402 million and investments amounting to €370 million.

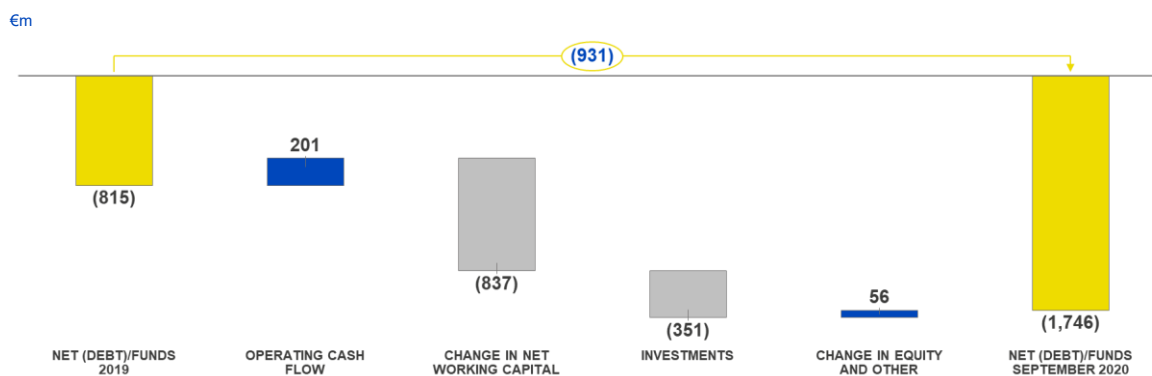
With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the period was positive by approximately €4.0 billion and was recognised in a specific equity reserve for positive

€0.6 billion for the portion not hedged by fair value hedges, and through profit or loss for positive €3.4 billion for the portion hedged, offset by the negative fair value change of fair value hedging derivatives. At 30 September 2020, the total balance of derivatives in fair value hedge was negative for €8.4 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 €2.5 billion.

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

- an increase in postal current account deposits of €5.7 billion;
- an increase of €3.8 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 €7.6 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 €2.2 billion; the total fair value fluctuation of the period was positive for €2.3 billion;
- a decrease in the deposit with the MEF of €0.2 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 September 2020 showed a debt of €1,746 million, worse €931 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 €1,216 million, net debt/(funds) showed debt of €530 million (at 31 December 2019, it showed funds of €436 million).

More specifically, the movement mainly reflected:

- positive operating income of €201 million (of which €489 million relating to amortisation and depreciation for the period, partially offset by the negative result for the period of €177 million and the net negative change in provisions for risks and charges, employee termination benefits and other non-monetary items for €111 million);
- the negative change in working capital for €549 million mainly related to the decrease in amounts due to staff (includes incentives and other items related to the one-off payment to cover the 2019 contractual *vacatio*), and the net change in trade receivables and payables, as well as negative cash flow for the payment of the balance and advances for current taxes for €288 million;
- investments for €351 million;
- a positive cash flow from dividends of €287 million, which takes into account dividends paid to shareholders (€402 million), the increase in net financial lease liabilities for €145 million, the recognition of the financial liability for the purchase of minority stakes in MLK Deliveries SpA for €49 million, and the negative cash flow of €39 million relating to the sale of the business units pertaining to the ICT management activities of the Poste Vita Group to Poste Italiane.

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

- three medium and long-term loans signed in the period for a total of €750 million;
- use during the period 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 September 2020 | 31 December 2019 | Changes | |
|---|----------------------|---------------------|----------------|---------------|
| A. Liquidity | (2,367) | (851) | (1,516) | 178.1% |
| B. Current financial receivables | (527) | (135) | (392) | 290.4% |
| C. Current due to banks | 1,173 | 1 | 1,172 | - |
| D. Current lease payables | 216 | 215 | 1 | 0.5% |
| E. Current portion of non-current debt | - | - | - | - |
| F. Other current borrowings | 14 | 15 | (1) | -6.7% |
| G. Current financial debt (C+D+E+F) | 1,403 | 231 | 1,172 | 507.4% |
| H. Current net debt/(funds) (A+B+G) | (1,491) | (755) | (736) | 97.5% |
| I. Non-current due to banks | 1,323 | 573 | 750 | - |
| L. Bonds issued | 50 | 50 | - | - |
| M. Non-current lease payables | 1,000 | 1,036 | (36) | -3.5% |
| N. Other non-current liabilities | 60 | 18 | 42 | 233.3% |
| O. Non-current financial debt (I+L+M+N) | 2,433 | 1,677 | 756 | 45.1% |
| P. Net debt/(funds) (ESMA) (H+O) | 942 | 922 | 20 | 2.2% |
| Non-current financial assets | (92) | (474) | 382 | -80.6% |
| Net debt/(funds) | 850 | 448 | 402 | 89.7% |
| Intersegment financial receivables and borrowings | 896 | 367 | 529 | 144.1% |
| Net debt/(funds) including intersegment transactions | 1,746 | 815 | 931 | 114.2% |

Existing cash and credit lines are commensurate to cover expected financial requirements. More specifically, at 30 September 2020, cash amounted to €2.4 billion (of which €2.3 billion relating to the Parent Company), while unused committed and uncommitted lines to support liquidity totalled approximately €2.1 billion. The table below provides details of the credit lines at 30 September 2020 and 31 December 2019.

(€m)

| Description | Balance at 30.09.2020 | Balance at 31.12.2019 |
|---------------------------------|-----------------------|-----------------------|
| Committed credit lines | 1,750 | 2,000 |
| Short-term loans | 1,750 | 2,000 |
| Uncommitted credit lines | 1,896 | 1,964 |
| Short-term loans | 1,020 | 1,009 |
| Current account overdrafts | 173 | 173 |
| Unsecured loans (*) | 703 | 782 |
| Total | 3,646 | 3,964 |
| Uncommitted uses | 1,015 | 356 |
| Short-term loans | 660 | - |
| Unsecured loans | 355 | 356 |
| Total | 1,015 | 356 |

(*) At 30 September 2020, the Parent Company had €595 million in unsecured loans (€675 million at 31 December 2019).

DIGITAL PROPERTIES AND MAIN KPIS



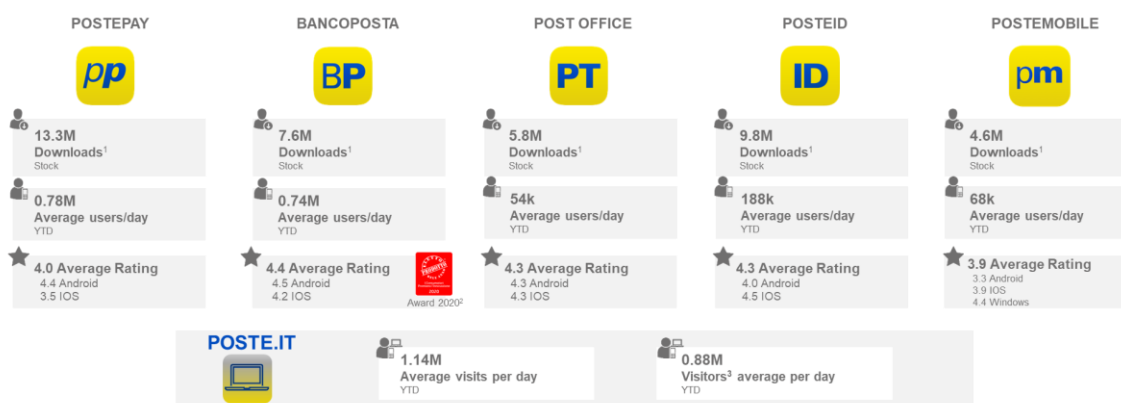
In line with the strategic guidelines of the Deliver 2022 Business Plan, the Group has implemented a programme of "digital transformation" of all its service and offer models in order to guarantee its customers excellent full digital contact experiences, in addition and complementary to the physical assets of post offices and the letter carrier network. This programme was significantly accelerated in 2020, in view of the effects of the current health emergency, in order to make the Group's products available to customers in conditions of absolute safety and, if required, without the need to be present at post offices.

Market context

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 24.6 million retail users (20.1 million users at 30 September 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 over 2.7 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 62.7 million for a transaction value of €15.1 billion (40.6 million transactions in the first nine months of 2019 for a transaction value of €11.1 billion and 57.1 million transactions in 2019 for a transaction value of €15.6 billion).

Digital Properties mapping and main KPIs in the Poste Italiane Group

The Group's digital properties include, in addition to the Poste.it website, the following APPs:



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) PdA@IIRI 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

Below are the performances of the main KPIs over the nine months of 2020 with a comparison with those recorded in the same period of 2019.

| Digital main KPIs | 9M 2019 | 9M 2020 | Δ | |
|---|---------|---------|------|--------|
| Customers registered on Poste Italiane's digital channels (websites and apps) (m) | 20.8 | 24.6 | 3.8 | 18.3% |
| Daily users (website and apps) (m) ² | 1.9 | 2.7 | 0.8 | 42.2% |
| Number of digital - consumer transactions (m) | 40.6 | 62.7 | 22.0 | 54.2% |
| App downloads (m) ¹ | 30.8 | 41.1 | 10.4 | 33.7% |
| Poste Italiane Digital e-Wallets (m) ¹ | 5.4 | 6.7 | 1.3 | 24.1% |
| Digital identities (m) ¹ | 4.1 | 8.5 | 4.4 | 106.1% |
| Private digital identities (m) ³ | 0.6 | 4.4 | 3.8 | 633.3% |

¹ The figure in column 9M 2019 refers to 31 December 2019

² Average daily values during reference period.

³ The figure in column 9M 2019 refers to 31 December 2019. Private Digital Identities are the IDs issued for the use of the Poste Italiane Group's online services; they are therefore private IDs and represent the evolution of access credentials to the poste.it website and all the verticals connected to it.

The use of the Group's digital channels continues even after the lockdown period: in particular, at 30 September, the web recorded higher traffic volumes than in the pre-pandemic period, going from an average of around 0.7 million daily visitors in January and February 2020 to an average of around 0.93 million in the period March-September 2020; the apps also showed increasing volumes, going from 1.65 to 1.94 million daily visitors. The number of transactions carried out on digital channels is now stable at 7.5 million transactions per month (+37% compared to the pre-pandemic period), while the value of transactions increased from an average of €1.4 billion in January and February 2020 to an average of €1.8 billion in March-September 2020.

In the first nine months 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, by introducing the possibility of subscribing directly to the Postepay Connect in the PP app, the new monthly offer with cashback, and the Current Account (Start and Youth option) and the Smart Book in the BP app. It is also possible to acquire the shipment of a parcel directly from the Post Office app with delivery of the same to the Post Office or courier. 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 evolution of the new Postepay Code system continues. Since July 2020, all Post Offices have been enabled to the new payment system. Also the roll out continued of the new APP dedicated to the business world, 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 September 2020, more than 4.4 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.

With regard to the Public Digital Identity service, PostelD enabled to SPID, which can be used to access the online services of the Public Administration and private suppliers participating in the SPID circuit, there has been a significant acceleration in the growth of Poste Italiane's customer base. At the end of September, approximately 8.5 million SPID identities were active, an increase of +118% compared to the same period in 2019. Poste Italiane holds over 80% of the identities issued in the Public Digital Identity System.

[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 smart-working 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.

6. OUTLOOK



The economic situation during the period, characterised by the ongoing health emergency, generated a sharp decline in the national economies in the first half of the year, also having a significant impact on the Poste Italiane Group's economic and financial results for the nine months. The recovery of the economy during the summer months, marked by the progressive loosening of the restrictions imposed by the Government following the fall in the contagion curve, was reflected in a gradual improvement in the Group's performance, which in the third quarter of the year recorded an increase in revenue and EBIT compared to the same period of 2019. In recent weeks, we are witnessing an evolution of the pandemic, with the number of infections increasing significantly, with repeated regulatory interventions by national institutions to stem the spread of the virus. This context contributes to conditioning the short-term scenario in which the Group will operate in the coming months, thus making it significantly uncertain and difficult to predict realistic forecasts of its economic and financial results at the end of the year. In this context, the Group has nevertheless shown resilience in its ability to generate cash and positive economic results and high capital strength, as demonstrated by the BancoPosta's CET1 Ratio and the Insurance Group's Solvency II Ratio.

In line with the dividend policy approved in 2019, the Group deemed that the conditions were met for the resolution of the advance payment of part of the ordinary dividend for 2020 for a total amount of approximately €211 million.

In the last part of the year, Poste Italiane will continue its commitment to protect the health of its employees and customers, supporting national communities and institutions in managing the crisis, intercepting and guiding the change in the habits of consumers, businesses and Public Administration, thanks to its characteristics as a systemic company.

The Group will continue to develop new operating and business models in order to offer customers innovative and integrated products and services, leveraging on the valorisation of its physical assets and human capital, the evolution of digital properties (website and Apps) and enhancing the use of third-party networks.

In terms of costs and investments, the Group has implemented a 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.

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 of trends already outlined: a decline in mail and growth in e-commerce parcels.

In relation to parcels, in order to support the significant business development, the Group will open two new sorting centres in the coming months, in northern and central Italy, equipped with advanced sorting technology and in compliance with the Group's ESG standards.

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 as of March for the advance payment of pensions.

As part of the evolution process of the multi-channel approach to product distribution, the Group will continue its commitment to the development of digital solutions to support remote consulting and sales and improve the customer experience.

With regard to the Insurance Services segment, a new range of products will continue to be offered to customers, both class I and Multi-class, also integrating savings and protection products with the aim of consolidating the leading position in the market, gradually rebalancing funding activities towards products that, while respecting the needs of our customers as a priority, are also capital light.

The Payments and Mobile segment 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.

The Group 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 additional and differentiating elements, such as payments through Postepay "Code", or other digital payment services through the Postepay App.

During the coming months, it is also planned to expand some features of the Postepay App such as the sale from the App of the Postepay Evolution card with delivery of the physical card to the address indicated by the customer, and the service to top up directly from the App by debiting any bank account with online banking service, using the Payment Initiation Service⁵⁵ (PIS), as required by PSD2.

⁵⁵ Online payment order placement services, regulated by PSD2, which allow a user to arrange a payment through a payment service provider other than the one with which the user holds the account.

7. OTHER INFORMATION



EVENTS AFTER 30 SEPTEMBER 2020

SIGNIFICANT TRANSACTIONS

INDUSTRIAL RELATIONS

CORPORATE UNIVERSITY

WELFARE

*TAX AND SOCIAL SECURITY PROCEEDINGS PENDING AND
PRINCIPAL RELATIONS WITH THE AUTHORITIES*

EVENTS AFTER 30 SEPTEMBER 2020



The events after the end of the interim reporting period at 30 September 2020 have been described in other sections of the document.

On 11 November 2020, Poste Italiane's Board of Directors, in light of the financial position and results of operations of Poste Italiane SpA at 30 June 2020, the performance for the following months, the business outlook and the related expected economic prospects at 31 December 2020, and in line with the Group's dividend policy approved in 2019, resolved to bring forward, as an interim dividend, part of the ordinary dividend for 2020. To this end, the Company has prepared a Report and Financial Statements pursuant to article 2433-bis of the Italian Civil Code, which show that the Company's financial position, results of operations and cash flows allow such distribution. The opinion of the independent auditors was obtained on these documents.

The interim dividend of €0.162 per share, gross of any legal withholding taxes, will be paid with effect from 25 November 2020, with "ex-dividend date" of coupon no. 7 coinciding with 23 November 2020 and record date (i.e. the date on which the dividend was entitled to be paid) coinciding with 24 November 2020.

Based on the number of shares outstanding at 11 November 2020, which amounted to 1,300,852,035, the total amount of the interim dividend was €211 million.

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, 8 repurchase agreements, 2 Interest Rate Swaps for interest rate risk hedging purposes, and 27 trades in government securities were carried out from 1 January to 30 September 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.

In addition, on 29 July 2020, the levers of active policies and related numbers valid for the year 2020 were defined in an agreement with all Trade Unions. The agreement envisages, for the Post Office Network, 500 hiring of part-time counter operators (250 FTE), 440 proposals for part-time to full-time conversions (220 FTE), 220 proposals for national voluntary mobility, 480 counters and 650 hiring of specialists; as regards Mail, Communication and Logistics, 1,000 proposals for part-time to full-time conversions (500 FTE), 700 proposals for national voluntary mobility and a number of stabilisations of fixed-term contracts that will be defined on the basis of the posts (part-time/full-time) that will not be filled or that will be vacant as a result of the conversion or mobility processes.

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 personnel](#).

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 extended 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" can 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. On 8 October, in view of the continuing emergency phase, it was agreed to extend the terms for the use of Agile Work in the Poste Italiane Group until 31 January 2021, also in accordance with the provisions of Law Decree 125/2020.

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, Communication and Logistics

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.

At the end of July 2020, the Company presented the Trade Unions with a new classification of post offices, consistent with both the changes in the network's characteristics and the new business requirements, as well as a new organisational model for the network itself, based on a "Hub & Spoke" logic. In this respect, on 22 July 2020, the Parties signed minutes defining the launch of an experimental phase on the two projects mentioned above, involving a sample of 6 branches.

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 period, 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 period, a total of approximately 3.7 million training hours were managed, 14% of which were provided in the classroom and 86% 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 has been made available with over 200 courses provided according to the logic of self-training. Facility Managers were provided with training content on the development of managerial skills, knowledge of the context and comparison with other markets. In September, the online course "Enterprise and Protection of Human Rights" was made available to the entire corporate population, with the aim of contributing to the creation and dissemination of a corporate culture aware and attentive to human rights issues, as well as promoting knowledge of the guiding principles adopted by the United Nations Human Rights Council.

WELFARE



The company's commitment to safeguarding the wellbeing of people continues through initiatives aimed at strengthening the welfare system with interventions in favour of employees and their families.

As part of the initiatives in support of the new generations, school orientation actions have been carried out in favour of the children of employees and young people from vulnerable social realities, including the Next Generation programme, in which young people have participated in hackathons, challenging themselves on the issues of digital innovation.

In addition, in the health area, prevention initiatives on correct lifestyles continue, which have seen the involvement of parents and children in digital laboratories, the implementation of information campaigns on the risks of smoking and the offer of free visits to company offices on certain oncological risk factors.

TAX AND SOCIAL SECURITY 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 in the first nine months of 2020. For full details, please refer to the Financial Statements at 31 December 2019.

Tax disputes

Between 2009 and 2011, the Regional Tax Office for Large Taxpayers (Agenzia delle Entrate - Direzione Regionale del Lazio - Ufficio Grandi Contribuenti) notified **Poste Vita** of a number of alleged violations of the VAT regulations in the 2004, 2005 and 2006 tax years, resulting in fines of approximately €2.3 million for the alleged failure to pay VAT on invoices for service commissions. With regard to these disputes, currently pending before the Supreme Court of Cassation, the company, bearing in mind the Court's by now consistent approach with regard to such matters, decided to take advantage of the option granted by Law Decree 119 of 23 October 2018. This involved settlement of the existing disputes in return for concessions via the payment of a sum amounting to €0.35 million, equal to 15% of the total penalties imposed in relation to the three alleged violations. The evaluation of adhering to the faculty granted by the aforementioned Law Decree no. 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree no. 128 of 5 August 2015 (Cooperative Compliance). Since by the deadline of 31 July 2020 (deadline set forth in paragraph 12 of art. 6 of Law Decree no. 119/2018) the Company has not received any denial notices from the tax authorities, the settlement of the disputes can be considered correctly completed. The Company then released the amount set aside in the provision for risks (about €2.3 million).

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. With reference to the latter:

- for the 2013 tax period, on 24 June 2020, after the deadline for the appeal had expired, the decision in favour of the Company became final;
- for the 2014 tax period, at the hearing held on 30 September 2020, the Provincial Tax Tribunal of Rome, having acknowledged the decision issued by the tax authorities to annul the contested assessment notice in its entirety with a concurrent request for the extinction of the proceedings due to

the discontinuance of the dispute and compensation for litigation expenses, reserved the right to decide.

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 €24.9 million at 30 September 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 September 2020 amount to €10.76 million.

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 has prepared a plan containing the corrective measures to be put in place with an indication of the implementation methods and timing, which was communicated to the Bank of Italy on 3 July 2020.

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. In July 2020, Consob formalised a request concerning the checks carried out on the Transaction Reporting valuation criteria. The relevant feedback was provided on 24 August 2020.

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 imposed a fine of €5 million at the end of the proceedings. The Company took the fine into account when

calculating the Provisions for disputes with third parties at 30 September 2020. Poste Italiane has appealed against the above proceedings to the Lazio Regional Administrative Court and is now awaiting the hearing on the merits to be scheduled.

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 presumably 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.

[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, for the part of the fine not annulled by the Court, to the Court of Cassation, which rejected the appeal filed by the Company and upheld the fine of €0.34 million. We are waiting for the Data Protection Authority to summarise the judgement before the Court of Rome, as pronounced by the Court of Cassation.

Despite the pending judgement at the Court of Cassation referred to above, 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 reimburse the legal costs.

8. CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020



BASIS OF PREPARATION AND USE OF ESTIMATES FINANCIAL STATEMENTS

BASIS OF PREPARATION AND USE OF ESTIMATES



Basis of preparation

The accounting standards used, the recognition and measurement criteria and the consolidation criteria and methods applied in the preparation of this Interim Report are the same as those adopted for the preparation of the Annual Report at 31 December 2019, to which reference should be made for further details. In addition to the accounting standards adopted for the preparation of the Annual Report, the following are the standards, interpretations and amendments to existing standards, relevant to the Poste Italiane Group, that were first adopted on 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 Reform⁵⁶. 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 report, 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 should also be noted that on 12 October 2020 an amendment to IFRS 16 - Covid-19 Related Rent Concessions was published in the Official Journal of the European Union. 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

⁵⁶ 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".

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. The application of this amendment, which was introduced with effect from 1 June 2020 for years beginning on or after 1 January 2020, has not shown any significant effects in this Interim Report.

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 this Interim Report, more extensive use was made of estimation methods than in the Annual Report, also taking into account the current health emergency, linked to the pandemic spread of the Coronavirus, which will have a decisive impact on the economic and social context in the coming months and which makes it difficult to make realistic forecasts of the economic and financial evolution of the market and the Poste Italiane Group in the last period of 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 current 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.

In addition, taking into account the requirements of ESMA⁵⁷, as well as the Consob Attention Notice no. 6/20 of 9 April 2020, the Group has conducted an analysis in order to identify the items for which a greater use of assumptions and estimates is expected and which may be more influenced by the economic and financial performance in the coming months.

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.

⁵⁷ ESMA Guidelines published on 11 March 2020 and ESMA Public Statement 32-63-951 of 25 March 2020.

As far as trade receivables are concerned, 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.

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 this Interim Report, the Group deemed it appropriate to continue to use the forecast scenarios, updated during preparation of the Interim Report, 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 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;
- 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.

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 even significant effects in the valuation of items subject to testing.

At 30 September 2020, in the presence of trigger events resulting from the health emergency and in compliance with the provisions of IAS 36 - Impairment of Assets, the impairment tests on the value of goodwill and other fixed assets were updated. The method adopted was the same as that used for carrying out the impairment tests for the Annual Report at 31 December 2019, to which reference should be made for further details.

The impairment tests performed at 30 September 2020 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 September 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 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 long-term growth rate of 1.1% and a WACC of 4.80% were used. The analysis made it possible to conclude positively on the appropriateness of the figures of the financial statements, as well as the related sensitivity analyses on the significant variables that have largely confirmed the book values.

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 1.1% (1.14% at 31 December 2019) and the most updated cost of equity (ke) of 7.42% (compared to 7.54% used at 31 December 2019). On the basis of the results of the test, there was no need to further adjust the carrying amount of the investment compared to as already carried out in the first half of 2020, in which an impairment loss was recognised with a corresponding negative effect of €19 million on the consolidated result.

Property, plant and equipment and intangible assets

During the period under review, as part of the broader process of updating the Business Plan, which included a strategic analysis of the Group's assets, a complex evaluation and articulation of the real estate portfolio was carried out in homogeneous clusters with the technical/specialist support of a third party, 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 amortisation and depreciation for the period ended 30 September 2020, calculated in accordance with the restated values at 1 January, is approximately €90 million lower than the amortisation and depreciation 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 |
| Plants | 4-10 | 8-23 |
| Light constructions | 10 | 10 |
| Equipment | 3-10 | 3-10 |
| Furniture and fittings | 3-8 | 3-8 |
| Electrical and electronic office machinery | 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 reports, will be further verified also when the business plan is updated.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



| | (€m) | |
|--|-------------------|------------------|
| ASSETS | 30 September 2020 | 31 December 2019 |
| Non-current assets | | |
| Property, plant and equipment | 2,040 | 2,015 |
| Investment property | 28 | 44 |
| Intangible assets | 666 | 648 |
| Right-of-use assets | 1,208 | 1,254 |
| Investments accounted for using the equity method | 610 | 617 |
| Financial assets | 207,216 | 194,207 |
| Trade receivables | 5 | 5 |
| Deferred tax assets | 1,181 | 1,199 |
| Other receivables and assets | 3,565 | 3,729 |
| Technical provisions attributable to reinsurers | 55 | 58 |
| Total | 216,574 | 203,776 |
| Current assets | | |
| Inventories | 169 | 140 |
| Trade receivables | 2,483 | 2,166 |
| Current tax assets | 277 | 52 |
| Other receivables and assets | 1,115 | 938 |
| Financial assets | 30,027 | 24,727 |
| Cash and deposits attributable to BancoPosta | 4,272 | 4,303 |
| Cash and cash equivalents | 5,875 | 2,149 |
| Total | 44,218 | 34,475 |
| TOTAL ASSETS | 260,792 | 238,251 |
| LIABILITIES AND EQUITY | | |
| | 30 September 2020 | 31 December 2019 |
| Equity | | |
| Share capital | 1,306 | 1,306 |
| Reserves | 2,958 | 2,646 |
| Treasury shares | (40) | (40) |
| Retained earnings | 6,241 | 5,786 |
| Total equity attributable to owners of the Parent | 10,465 | 9,698 |
| Equity attributable to non-controlling interests | 6 | - |
| Total | 10,471 | 9,698 |
| Non-current liabilities | | |
| Technical provisions for insurance business | 147,892 | 140,261 |
| Provisions for risks and charges | 462 | 501 |
| Employee termination benefits | 1,032 | 1,135 |
| Financial liabilities | 18,664 | 13,964 |
| Deferred tax liabilities | 1,021 | 887 |
| Other liabilities | 1,407 | 1,525 |
| Total | 170,478 | 158,273 |
| Current liabilities | | |
| Provisions for risks and charges | 621 | 717 |
| Trade payables | 1,589 | 1,627 |
| Current tax liabilities | 347 | 274 |
| Other liabilities | 1,696 | 2,110 |
| Financial liabilities | 75,590 | 65,552 |
| Total | 79,843 | 70,280 |
| TOTAL LIABILITIES AND EQUITY | 260,792 | 238,251 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

| Third quarter 2020 | Third quarter 2019 | | First nine months 2020 | First nine months 2019 |
|--------------------|--------------------|---|---------------------------|---------------------------|
| 779 | 800 | Revenue from Mail, Parcels and other | 2,251 | 2,555 |
| 185 | 171 | Revenue from Payments and Mobile | 522 | 477 |
| 1,172 | 1,174 | Revenue from Financial Services | 3,707 | 3,838 |
| 453 | 424 | Revenue from Insurance Services after movements in technical provisions and other claims expenses | 1,192 | 1,219 |
| 4,673 | 3,728 | <i>Insurance premium revenue</i> | 12,393 | 13,854 |
| 882 | 1,273 | <i>Income from insurance activities</i> | 2,441 | 4,537 |
| (5,354) | (4,526) | <i>Net change in technical provisions for insurance business and other claim expenses</i> | (13,041) | (17,006) |
| 252 | (51) | <i>Expenses from insurance activities</i> | (601) | (166) |
| 2,589 | 2,568 | Net operating revenue | 7,672 | 8,089 |
| 624 | 557 | Cost of goods and services | 1,773 | 1,637 |
| 16 | 18 | Expenses from financial activities | 111 | 53 |
| 1,246 | 1,289 | Personnel expenses | 3,878 | 4,121 |
| 178 | 194 | Depreciation, amortisation and impairments | 517 | 575 |
| (9) | (7) | Capitalised costs and expenses | (27) | (21) |
| 47 | 54 | Other operating costs | 111 | 150 |
| 9 | 5 | Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets | 65 | 34 |
| 478 | 459 | Operating profit/(loss) | 1,244 | 1,540 |
| 19 | 19 | Finance costs | 54 | 59 |
| 30 | 22 | Finance income | 83 | 76 |
| - | - | Impairment losses/(reversals of impairment losses) on financial assets | 1 | - |
| 9 | 2 | Profit/(Loss) on investments accounted for using the equity method | (1) | 6 |
| 498 | 464 | Profit/(Loss) before tax | 1,271 | 1,563 |
| 146 | 144 | Income tax expense | 373 | 480 |
| 352 | 320 | PROFIT FOR THE PERIOD | 898 | 1,083 |
| 352 | 320 | of which attributable to owners of the Parent | 898 | 1,083 |
| - | - | of which attributable to non-controlling interests | - | - |
| 0.271 | 0.246 | Earnings per share | 0.691 | 0.833 |
| 0.271 | 0.246 | Diluted earnings per share | 0.691 | 0.833 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

| Third quarter 2020 | Third quarter 2019 | | First nine months 2020 | First nine months 2019 |
|-----------------------|-----------------------|---|---------------------------|---------------------------|
| 352 | 321 | Profit/(Loss) for the period | 898 | 1,083 |
| | | Items to be reclassified in the Statement of profit (loss) for the period | | |
| | | <i>FVOCI debt instruments</i> | | |
| 1,774 | 2,651 | Increase/(decrease) in fair value during the period | 598 | 2,744 |
| 1 | (2) | Transfers to profit or loss | (230) | (213) |
| - | - | Increase/(Decrease) for expected losses | 7 | 3 |
| | | <i>Cash flow hedges</i> | | |
| (30) | 61 | Increase/(decrease) in fair value during the period | 75 | 122 |
| (15) | (6) | Transfers to profit or loss | (19) | (86) |
| (494) | (771) | Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit/(loss) for the period | (122) | (732) |
| - | - | Share of after-tax comprehensive income/(loss) of investees accounted for using equity method | - | (1) |
| - | - | After-tax increase/(decrease) in reserves related to group of assets and liabilities held for sale | - | - |
| | | Items not to be reclassified in the Statement of profit/(loss) for the period | | |
| | | <i>FVOCI equity instruments</i> | | |
| - | - | Increase/(decrease) in fair value during the period | 1 | - |
| - | - | Transfers to equity | - | - |
| 10 | (52) | Actuarial gains /(losses) on employee termination benefits | 10 | (115) |
| (2) | 15 | Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit/(loss) for the period | (2) | 33 |
| - | - | Share of after-tax comprehensive income/(loss) of investees accounted for using equity method | - | - |
| 1,244 | 1,895 | Total other comprehensive income | 318 | 1,754 |
| 1,596 | 2,215 | TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD | 1,216 | 2,837 |
| 1,596 | 2,215 | of which attributable to owners of the Parent | 1,216 | 2,838 |
| - | - | of which attributable to non-controlling interests | - | - |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

| | Equity | | | | | | | | | | | |
|---|---------------|-----------------|---------------|------------------------|-------------------------|-----|-----|---|-------------------------|-------------------|---|--|
| | Share capital | Treasury shares | Legal reserve | BancoPosta RFC reserve | Reserves | | | Reserve for investees accounted for using equity method | Incentive plans reserve | Retained earnings | Total equity attributable to owners of the Parent | Equity attributable to non-controlling interests |
| Fair value reserve | | | | | Cash flow hedge reserve | | | | | | | |
| Balance at 1 January 2019 | 1,306 | - | 299 | 1,210 | (69) | 89 | 2 | - | 5,268 | 8,105 | - | 8,105 |
| Total comprehensive income for the period | - | - | - | - | 1,812 | 26 | (2) | - | 1,000 | 2,837 | - | 2,837 |
| Dividends paid | - | - | - | - | - | - | - | - | (574) | (574) | - | (574) |
| Other changes | - | (40) | - | - | - | - | - | - | - | (40) | - | (40) |
| Balance at 30 September 2019 | 1,306 | (40) | 299 | 1,210 | 1,743 | 115 | - | - | 5,694 | 10,329 | - | 10,329 |
| Total comprehensive income for the period | - | - | - | - | (725) | 1 | - | - | 291 | (433) | - | (434) |
| 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 comprehensive income for the period | - | - | - | - | 270 | 40 | - | - | 906 | 1,216 | - | 1,216 |
| Dividends paid | - | - | - | - | - | - | - | - | (402) | (402) | - | (402) |
| Transactions with minority shareholders | - | - | - | - | - | - | - | - | (49) | (49) | - | (49) |
| Incentive plans | - | - | - | - | - | - | - | 2 | - | 2 | - | 2 |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - | - | 6 | 6 |
| Balance at 30 September 2020 | 1,306 | (40) | 299 | 1,210 | 1,288 | 155 | 2 | 4 | 6,241 | 10,465 | 6 | 10,471 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

| | First nine months 2020 | First nine months 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 | 898 | 1,083 |
| Depreciation, amortisation and impairments | 517 | 575 |
| Losses and impairment losses/(reversals of impairment losses) on receivables | 49 | 27 |
| (Gains)/Losses on disposals | (2) | 1 |
| (Increase)/Decrease in Inventories | (29) | (6) |
| (Increase)/Decrease Receivables and Other assets | (512) | (188) |
| Increase/(Decrease) Payables and Other liabilities | (594) | 34 |
| Change in provisions for risks and charges | (134) | (393) |
| Change in employee termination benefits and Provision for retirement benefits | (94) | (109) |
| Difference in accrued finance expenses and income (cash adjustment) | 37 | 97 |
| Other changes | 38 | (40) |
| Net cash flow from/(for) non-financial operating activities | [a] 174 | 1,081 |
| Increase/(Decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance | 9,851 | 10,660 |
| Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring and insurance | (10,626) | (13,879) |
| (Income)/Expense and other non-cash components | (1,262) | (3,279) |
| Increase/(Decrease) in net technical provisions for insurance business | 4,623 | 6,160 |
| Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance | [b] 2,586 | (338) |
| Net cash flow from/(for) operating activities | [c]=[a+b] 2,760 | 743 |
| <i>Investing activities:</i> | | |
| Property, plant and equipment, Inv. property and intangible assets | (370) | (389) |
| Investments | (2) | - |
| Other financial assets | (36) | (15) |
| <i>Disposals:</i> | | |
| Property, plant and equipment, inv. property, intangible assets and assets held for sale | 4 | 1 |
| Investments | - | 1 |
| Other financial assets | 8 | 27 |
| Net cash flow from/(for) investing activities | [d] (396) | (375) |
| Proceeds from/(Repayments of) borrowings | 1,763 | (958) |
| (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 | [e] 1,362 | (1,572) |
| Net increase/(decrease) in cash | [f]=[c+d+e] 3,726 | (1,204) |
| Cash and cash equivalents at the end of the period | 5,875 | 1,991 |
| Cash and cash equivalents at the end of the period | 5,875 | 1,991 |
| Restricted cash and cash equivalents at the end of the period | (3,222) | (821) |
| Unrestricted net cash and cash equivalents at the end of the period | 2,653 | 1,170 |

9. ATTESTATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING



The manager responsible for financial reporting, Alessandro Del Gobbo, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim report for the three months ended 30 September 2020 is consistent with the underlying accounting records.

10. APPENDIX



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS | 9M 2020 | 9M 2019 | CHANGES | | 3Q 2020 | 3Q 2019 | CHANGES | |
|--|--------------|--------------|---------------|----------------|--------------|--------------|-------------|---------------|
| (€m) | | | | | | | | |
| Revenue | 7,672 | 8,089 | (417) | -5.2% | 2,589 | 2,568 | 22 | 0.8% |
| <i>of which:</i> | | | | | | | | |
| Mail, Parcels and Distribution Services | 2,251 | 2,555 | (305) | -11.9% | 779 | 800 | (22) | -2.7% |
| Payments and Mobile Services | 522 | 477 | 45 | 9.5% | 185 | 171 | 14 | 8.2% |
| Financial Services | 3,707 | 3,838 | (131) | -3.4% | 1,172 | 1,173 | (1) | -0.1% |
| <i>of which capital gains</i> | <i>292</i> | <i>261</i> | <i>31</i> | <i>11.8%</i> | <i>1</i> | <i>(0)</i> | <i>1</i> | <i>-</i> |
| Insurance Services | 1,192 | 1,219 | (27) | -2.2% | 454 | 423 | 30 | 7.1% |
| Costs | 5,911 | 5,974 | (63) | -1.1% | 1,933 | 1,915 | 18 | 1.0% |
| <i>of which:</i> | | | | | | | | |
| Total personnel expenses | 3,878 | 4,121 | (243) | -5.9% | 1,245 | 1,288 | (43) | -3.4% |
| <i>of which ordinary personnel expenses</i> | <i>3,863</i> | <i>4,109</i> | <i>(245)</i> | <i>-6.0%</i> | <i>1,238</i> | <i>1,285</i> | <i>(48)</i> | <i>-3.7%</i> |
| <i>of which early retirement incentives</i> | <i>12</i> | <i>13</i> | <i>(2)</i> | <i>-13.4%</i> | <i>8</i> | <i>5</i> | <i>3</i> | <i>59.1%</i> |
| <i>of which disputes and other extraordinary items</i> | <i>3</i> | <i>(1)</i> | <i>4</i> | <i>-337.1%</i> | <i>(0)</i> | <i>(2)</i> | <i>2</i> | <i>-79.1%</i> |
| Other operating expenses | 2,034 | 1,853 | 181 | 9.7% | 688 | 626 | 62 | 9.8% |
| EBITDA | 1,761 | 2,115 | (354) | -16.7% | 656 | 653 | 3 | 0.5% |
| Depreciation, amortisation and impairments | 517 | 575 | (58) | -10.1% | 178 | 194 | (16) | -8.3% |
| EBIT | 1,244 | 1,540 | (296) | -19.2% | 479 | 459 | 19 | 4.2% |
| EBIT Margin | 16.2% | 19.0% | | | 18.5% | 17.9% | | |
| Finance income/(costs) | 27 | 23 | 4 | 19.3% | 19 | 4 | 15 | 334.2% |
| Gross profit | 1,271 | 1,563 | (291) | -18.7% | 498 | 464 | 34 | 7.4% |
| Taxes | 373 | 480 | (107) | -22.2% | 145 | 144 | 1 | 0.9% |
| Net profit | 898 | 1,083 | (185) | -17.1% | 353 | 320 | 33 | 10.3% |
| Net earnings per share (€) | 0.69 | 0.83 | (0.14) | -17.1% | 0.27 | 0.25 | 0.03 | 10.3% |

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

| 9M 2020 | Mail, Parcels and Distribution | Payments and Mobile | Financial | Insurance | Adjustments and eliminations | Total |
|--|--------------------------------|---------------------|--------------|--------------|------------------------------|--------------|
| (€m) | | | | | | |
| Total revenue | 5,630 | 783 | 4,208 | 1,192 | (4,140) | 7,672 |
| Revenue from third parties | 2,251 | 522 | 3,707 | 1,192 | | 7,672 |
| Intersegment revenue | 3,379 | 260 | 500 | 0 | (4,140) | (1,403) |
| Total costs | 5,874 | 587 | 3,628 | 479 | (4,140) | 6,428 |
| Total personnel expenses | 3,804 | 19 | 29 | 25 | | 3,878 |
| <i>of which ordinary personnel expenses</i> | <i>3,791</i> | <i>19</i> | <i>29</i> | <i>24</i> | | <i>3,863</i> |
| <i>of which early retirement incentives</i> | <i>10</i> | <i>0</i> | <i>1</i> | <i>1</i> | | <i>12</i> |
| <i>of which disputes and other extraordinary items</i> | <i>3</i> | <i>0</i> | <i>0</i> | <i>0</i> | | <i>3</i> |
| Other operating expenses | 1,528 | 269 | 170 | 67 | | 2,034 |
| Depreciation, amortisation and impairments | 489 | 21 | 0 | 7 | | 517 |
| Intersegment costs | 54 | 278 | 3,429 | 380 | (4,140) | - |
| EBIT | (244) | 196 | 579 | 714 | | 1,244 |
| EBIT MARGIN | -4.3% | 25.0% | 13.8% | 59.9% | | 16.2% |
| Finance income/(costs) | 5 | 6 | (11) | 27 | | 27 |
| Gross profit | (238) | 201 | 568 | 741 | | 1,271 |
| Taxes | (62) | 56 | 161 | 218 | | 373 |
| Net profit | (177) | 145 | 407 | 523 | | 898 |

STATEMENTS OF PROFIT OR LOSS BY STRATEGIC BUSINESS UNIT

| STATEMENT OF PROFIT OR LOSS FOR THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT (€m) | 9M 2020 | 9M 2019 | CHANGES | | 3Q 2020 | 3Q 2019 | CHANGES | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|-----------|--------------|
| Revenue | 5,630 | 6,059 | (429) | -7.1% | 1,902 | 1,851 | 51 | 2.8% |
| Mail | 1,377 | 1,833 | (456) | -24.9% | 453 | 563 | (110) | -19.6% |
| Parcels | 764 | 599 | 166 | 27.7% | 291 | 200 | 91 | 45.6% |
| Other revenue | 109 | 124 | (15) | -12.1% | 34 | 37 | (3) | -6.9% |
| Intersegment revenue | 3,379 | 3,504 | (124) | -3.5% | 1,123 | 1,051 | 73 | 6.9% |
| Costs | 5,385 | 5,517 | (132) | -2.4% | 1,783 | 1,747 | 36 | 2.1% |
| <i>of which:</i> | | | | | | | | |
| Total personnel expenses | 3,804 | 4,036 | (232) | -5.7% | 1,222 | 1,261 | (38) | -3.0% |
| <i>of which ordinary personnel expenses</i> | 3,791 | 4,024 | (233) | -5.8% | 1,215 | 1,258 | (43) | -3.4% |
| <i>of which early retirement incentives</i> | 10 | 12 | (2) | -18.5% | 7 | 4 | 3 | 69.1% |
| <i>of which disputes and other extraordinary items</i> | 3 | (1) | 4 | -335.5% | (0) | (2) | 2 | 79.4% |
| Other operating expenses | 1,528 | 1,428 | 100 | 7.0% | 541 | 470 | 71 | 15.2% |
| Intersegment costs | 54 | 54 | (0) | -0.1% | 20 | 17 | 3 | 19.5% |
| EBITDA | 245 | 542 | (297) | -54.8% | 119 | 104 | 15 | 14.3% |
| Depreciation, amortisation and impairments | 489 | 538 | (49) | -9.2% | 170 | 181 | (12) | -6.5% |
| EBIT | (244) | 4 | (248) | - | (50) | (77) | 27 | 34.7% |
| EBIT Margin | -4.3% | 0.1% | | | -2.6% | -4.2% | | |
| Finance income/(costs) | 5 | 6 | (1) | -13.5% | (1) | 2 | (3) | -142.4% |
| Gross profit | (238) | 10 | (249) | n/s | (51) | (75) | 24 | 31.7% |
| Taxes | (62) | 20 | (82) | -401.5% | (9) | (15) | 6 | 38.7% |
| Net profit | (177) | (10) | (167) | n/s | (42) | (60) | 18 | 30.0% |

| STATEMENT OF PROFIT OR LOSS FOR THE PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT (€m) | 9M 2020 | 9M 2019 | CHANGES | | 3Q 2020 | 3Q 2019 | CHANGES | |
|---|--------------|--------------|-----------|-------------|--------------|--------------|------------|-------------|
| Revenue | 783 | 759 | 24 | 3.2% | 274 | 262 | 11 | 4.3% |
| Electronic money | 264 | 247 | 17 | 6.9% | 94 | 86 | 8 | 8.9% |
| Other payments | 48 | 57 | (9) | -16.5% | 19 | 20 | (1) | -4.3% |
| TLC | 211 | 173 | 38 | 21.9% | 71 | 64 | 7 | 11.1% |
| Intersegment revenue | 260 | 282 | (21) | -7.5% | 89 | 92 | (3) | -3.0% |
| Costs | 566 | 559 | 7 | 1.2% | 197 | 186 | 11 | 5.9% |
| <i>of which:</i> | | | | | | | | |
| Total personnel expenses | 19 | 24 | (5) | -19.1% | 6 | 9 | (2) | -25.6% |
| <i>of which ordinary personnel expenses</i> | 19 | 24 | (5) | -19.1% | 6 | 9 | (2) | -25.6% |
| <i>of which early retirement incentives</i> | 0 | 0 | 0 | - | 0 | 0 | 0 | - |
| Other operating expenses | 269 | 221 | 48 | 22.0% | 91 | 86 | 5 | 5.4% |
| Intersegment costs | 278 | 314 | (37) | -11.7% | 100 | 92 | 9 | 9.3% |
| EBITDA | 217 | 200 | 17 | 8.6% | 76 | 76 | 0 | 0.3% |
| Depreciation, amortisation and impairments | 21 | 20 | 1 | 7.4% | 7 | 7 | 0 | 3.4% |
| EBIT | 196 | 180 | 16 | 8.7% | 69 | 69 | (0) | 0.0% |
| EBIT Margin | 25.0% | 23.7% | | | 25.3% | 26.4% | | |
| Finance income/(costs) | 6 | 6 | (0) | -2.9% | 6 | 2 | 4 | 232.7% |
| Gross profit | 201 | 186 | 15 | 8.3% | 75 | 71 | 4 | 5.5% |
| Taxes | 56 | 51 | 4 | 8.2% | 20 | 20 | 0 | 0.4% |
| Net profit | 145 | 134 | 11 | 8.4% | 55 | 51 | 4 | 7.5% |

| STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL SERVICES STRATEGIC BUSINESS UNIT (€m) | 9M 2020 | 9M 2019 | CHANGES | | 3Q 2020 | 3Q 2019 | CHANGES | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Revenue | 4,208 | 4,373 | (165) | -3.8% | 1,364 | 1,336 | 27 | 2.1% |
| Gross capital gains | 292 | 261 | 31 | 11.8% | 1 | (0) | 1 | - |
| Interest income | 1,204 | 1,233 | (29) | -2.3% | 399 | 410 | (11) | -2.6% |
| Postal savings deposits | 1,377 | 1,330 | 47 | 3.5% | 480 | 432 | 48 | 11.1% |
| Collection and payment services | 620 | 711 | (91) | -12.8% | 209 | 232 | (22) | -9.7% |
| Distribution of third-party products | 143 | 228 | (85) | -37.4% | 58 | 74 | (16) | -21.3% |
| Asset management | 72 | 75 | (3) | -3.9% | 24 | 25 | (1) | -2.9% |
| Intersegment revenue | 500 | 535 | (35) | -6.5% | 191 | 163 | 28 | 17.3% |
| Costs | 3,628 | 3,746 | (118) | -0.7% | 1,182 | 1,144 | 38 | 3.3% |
| <i>of which:</i> | | | | | | | | |
| Total personnel expenses | 29 | 32 | (3) | -8.8% | 9 | 10 | (1) | -11.9% |
| <i>of which ordinary personnel expenses</i> | 29 | 31 | (1) | -4.6% | 9 | 10 | (1) | -10.4% |
| <i>of which early retirement incentives</i> | 1 | 1 | (0) | -35.6% | 0 | 0 | (0) | -46.1% |
| Other operating expenses | 170 | 142 | 28 | 19.7% | 36 | 51 | (15) | -30.1% |
| Intersegment costs | 3,429 | 3,571 | (143) | -4.0% | 1,138 | 1,083 | 55 | 5.1% |
| EBITDA | 579 | 627 | (48) | -7.6% | 181 | 192 | (11) | -5.7% |
| Depreciation, amortisation and impairments | 0.4 | 0.4 | 0.0 | -0.1% | 0.0 | 0.0 | 0 | 171.0% |
| EBIT | 579 | 627 | (48) | -7.6% | 181 | 192 | (11) | -5.7% |
| EBIT Margin | 13.8% | 14.3% | | | 13.3% | 14.4% | | |
| Finance income/(costs) | (11) | (4) | (7) | -169.2% | 2 | (2) | 4 | 222.0% |
| Gross profit | 568 | 623 | (55) | -8.8% | 183 | 190 | (7) | -3.5% |
| Taxes | 161 | 183 | (22) | -11.9% | 49 | 55 | (6) | -10.5% |
| Net profit | 407 | 440 | (33) | -7.5% | 134 | 135 | (1) | -0.6% |

| STATEMENT OF PROFIT OR LOSS FOR THE INSURANCE SERVICES STRATEGIC BUSINESS UNIT (€m) | 9M 2020 | 9M 2019 | CHANGES | | 3Q 2020 | 3Q 2019 | CHANGES | |
|---|--------------|--------------|-------------|--------------|--------------|--------------|------------|--------------|
| Revenue | 1,192 | 1,219 | (27) | -2.2% | 454 | 423 | 30 | 7.1% |
| Up Front - Life | 221 | 267 | (46) | -17.2% | 86 | 73 | 13 | 17.4% |
| Financial margin - Life | 830 | 786 | 43 | 5.5% | 324 | 303 | 21 | 7.1% |
| Protection margin - Life | 23 | 27 | (4) | -15.4% | 7 | 4 | 3 | 77.4% |
| Change to other technical provisions and other technical income/expenses | 8 | 23 | (15) | -65.5% | (0) | 5 | (5) | -100.7% |
| Life net revenue | 1,081 | 1,103 | (22) | -2.0% | 417 | 385 | 32 | 8.3% |
| Insurance premium revenue | 176 | 164 | 12 | 7.4% | 58 | 56 | 2 | 4.4% |
| Change in technical provisions and claims settlement costs | (68) | (45) | (23) | -49.9% | (22) | (17) | (5) | -27.2% |
| Reinsurance results | (5) | (12) | 8 | 61.0% | (2) | (4) | 1 | 32.4% |
| Non-Life net income | 1 | 2 | (0) | -15.8% | 1 | 1 | (1) | -59.8% |
| Non-Life net revenue | 105 | 108 | (3) | -3.0% | 34 | 36 | (2) | -5.3% |
| Other operating income | 6 | 8 | (2) | -20.0% | 2 | 2 | 0 | 10.3% |
| Intersegment revenue | 0 | 0 | (0) | -43.8% | 0 | 0 | 0 | 69.1% |
| Costs | 472 | 472 | (0) | -0.1% | 174 | 142 | 31 | 22.1% |
| <i>of which:</i> | | | | | | | | |
| Total personnel expenses | 25 | 29 | (4) | -13.1% | 7 | 9 | (1) | -17.2% |
| <i>of which ordinary personnel expenses</i> | 24 | 29 | (5) | -16.1% | 7 | 9 | (2) | -17.8% |
| <i>of which early retirement incentives</i> | 1 | 0 | 1 | - | 0 | 0 | 0 | - |
| Other operating expenses | 67 | 63 | 4 | 7.0% | 21 | 20 | 1 | 6.9% |
| Intersegment costs | 380 | 381 | (1) | -0.2% | 145 | 114 | 32 | 27.7% |
| <i>of which commissions</i> | 337 | 360 | (22) | -6.2% | 130 | 107 | 22 | 20.8% |
| EBITDA | 721 | 747 | (27) | -3.5% | 280 | 281 | (1) | -0.4% |
| Depreciation, amortisation and impairments | 7 | 17 | (10) | -60.3% | 1 | 6 | (5) | -77.8% |
| EBIT | 714 | 730 | (16) | -2.2% | 279 | 275 | 3 | 1.2% |
| EBIT Margin | 59.9% | 59.8% | | | 61.4% | 65.0% | | |
| Finance income/(costs) | 27 | 15 | 12 | 84.0% | 12 | 3 | 10 | 359.3% |
| Gross profit | 741 | 744 | (4) | -0.5% | 291 | 278 | 13 | 4.6% |
| Taxes | 218 | 225 | (7) | -3.1% | 85 | 84 | 1 | 1.4% |
| Net profit | 523 | 519 | 3 | 0.7% | 206 | 194 | 12 | 6.0% |

FINANCIAL POSITION

NET INVESTED CAPITAL AND RELATED FUNDING

| (€m) | 30 September 2020 | 31 December 2019 | Changes | |
|---|-------------------|------------------|--------------|--------------|
| Tangible fixed assets | 2,068 | 2,059 | 9 | 0.4% |
| Intangible fixed assets | 666 | 648 | 18 | 2.8% |
| Right-of-use assets | 1,208 | 1,254 | (46) | -3.7% |
| Investments | 610 | 617 | (7) | -1.1% |
| Non-current assets | 4,552 | 4,578 | (26) | -0.6% |
| Trade receivables, Other receivables and assets and Inventories | 7,337 | 6,978 | 359 | 5.1% |
| Trade payables and Other liabilities | (4,692) | (5,262) | 570 | -10.8% |
| Current tax assets/(liabilities) | (70) | (222) | 152 | -68.5% |
| Net working capital | 2,575 | 1,494 | 1,081 | 72.4% |
| Gross invested capital | 7,127 | 6,072 | 1,055 | 17.4% |
| Provisions for risks and charges | (1,083) | (1,218) | 135 | -11.1% |
| Employee termination benefits | (1,032) | (1,135) | 103 | -9.1% |
| Prepaid/deferred tax assets/(liabilities) | 160 | 312 | (152) | -48.7% |
| Net invested capital | 5,172 | 4,031 | 1,141 | 28.3% |
| Equity | 10,471 | 9,698 | 773 | 8.0% |
| <i>of which profit for the period</i> | 898 | 1,342 | (444) | -33.1% |
| <i>of which fair value reserve</i> | 1,288 | 1,018 | 270 | 26.5% |
| Financial liabilities | 94,254 | 79,516 | 14,738 | 18.5% |
| Net technical provisions for insurance business | 147,837 | 140,203 | 7,634 | 5.4% |
| Financial assets | (237,243) | (218,934) | (18,309) | 8.4% |
| Cash and deposits attributable to BancoPosta | (4,272) | (4,303) | 31 | -0.7% |
| Cash and cash equivalents | (5,875) | (2,149) | (3,726) | 173.4% |
| Net debt/(funds) | (5,299) | (5,667) | 368 | -6.5% |

(€m)

| 30 September 2020 | Mail, Parcels and Distribution | Payments and Mobile | Financial Services | Insurance Services | Eliminations and adjustments | Consolidated |
|---|--------------------------------|---------------------|--------------------|--------------------|------------------------------|----------------|
| Tangible fixed assets | 2,039 | 26 | 1 | 2 | - | 2,068 |
| Intangible fixed assets | 629 | 20 | - | 18 | (1) | 666 |
| Right-of-use assets | 1,177 | 14 | 2 | 24 | (9) | 1,208 |
| Investments | 1,434 | 400 | 207 | 157 | (1,588) | 610 |
| Non-current assets | 5,279 | 460 | 210 | 201 | (1,598) | 4,552 |
| Trade receivables, Other receivables and assets and Inventories | 3,091 | 469 | 2,895 | 2,563 | (1,681) | 7,337 |
| Trade payables and Other liabilities | (2,911) | (640) | (2,354) | (469) | 1,682 | (4,692) |
| Current tax assets/(liabilities) | 149 | (52) | (6) | (162) | 1 | (70) |
| Net working capital | 329 | (223) | 535 | 1,932 | 2 | 2,575 |
| Gross invested capital | 5,608 | 237 | 745 | 2,133 | (1,596) | 7,127 |
| Provisions for risks and charges | (781) | (8) | (276) | (18) | - | (1,083) |
| Employee termination benefits | (1,023) | (3) | (3) | (2) | (1) | (1,032) |
| Prepaid/deferred tax assets/(liabilities) | 381 | 16 | (471) | 234 | - | 160 |
| Net invested capital | 4,185 | 242 | (5) | 2,347 | (1,597) | 5,172 |
| Equity | 2,439 | 484 | 4,134 | 5,002 | (1,588) | 10,471 |
| <i>of which profit for the period</i> | <i>(177)</i> | <i>145</i> | <i>407</i> | <i>523</i> | <i>-</i> | <i>898</i> |
| <i>of which fair value reserve</i> | <i>4</i> | <i>67</i> | <i>1,217</i> | <i>-</i> | <i>-</i> | <i>1,288</i> |
| Financial liabilities | 5,521 | 6,973 | 91,782 | 321 | (10,343) | 94,254 |
| Net technical provisions for insurance business | - | - | - | 147,837 | - | 147,837 |
| Financial assets | (1,408) | (7,175) | (89,629) | (148,105) | 9,074 | (237,243) |
| Cash and deposits attributable to BancoPosta | - | - | (4,272) | - | - | (4,272) |
| Cash and cash equivalents | (2,367) | (40) | (2,020) | (2,708) | 1,260 | (5,875) |
| Net debt/(funds) | 1,746 | (242) | (4,139) | (2,655) | (9) | (5,299) |

| 31 December 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 9M 2020 vs FY 2019 | Mail, Parcels and Distribution | Payments and Mobile | Financial Services | Insurance Services | Eliminations and adjustments | Consolidated |
|---|--------------------------------|---------------------|--------------------|--------------------|------------------------------|--------------|
| Tangible fixed assets | 16 | 1 | - | (8) | - | 9 |
| Intangible fixed assets | 53 | (1) | - | (33) | (1) | 18 |
| Right-of-use assets | (41) | 5 | 1 | (3) | (8) | (46) |
| Investments | - | 7 | (14) | - | - | (7) |
| Non-current assets | 28 | 12 | (13) | (44) | (9) | (26) |
| Trade receivables, Other receivables and assets and Inventories | 371 | 236 | 52 | 135 | (435) | 359 |
| Trade payables and Other liabilities | 137 | (242) | (276) | 515 | 436 | 570 |
| Current tax assets/(liabilities) | 298 | (43) | (7) | (97) | 1 | 152 |
| Net working capital | 806 | (49) | (231) | 553 | 2 | 1,081 |
| Gross invested capital | 834 | (37) | (244) | 509 | (7) | 1,055 |
| Provisions for risks and charges | 76 | 2 | 54 | 3 | - | 135 |
| Employee termination benefits | 103 | - | - | 1 | (1) | 103 |
| Prepaid/deferred tax assets/(liabilities) | (11) | - | (122) | (19) | - | (152) |
| Net invested capital | 1,002 | (35) | (312) | 494 | (8) | 1,141 |
| Equity | 71 | 5 | 147 | 550 | - | 773 |
| <i>of which fair value reserve</i> | <i>(2)</i> | <i>67</i> | <i>246</i> | <i>(41)</i> | <i>-</i> | <i>270</i> |
| Financial liabilities | 2,460 | 1,434 | 13,563 | 26 | (2,745) | 14,738 |
| Net technical provisions for insurance business | - | - | - | 7,634 | - | 7,634 |
| Financial assets | (13) | (1,530) | (12,551) | (6,169) | 1,954 | (18,309) |
| Cash and deposits attributable to BancoPosta | - | - | 31 | - | - | 31 |
| Cash and cash equivalents | (1,516) | 56 | (1,502) | (1,547) | 783 | (3,726) |
| Net debt/(funds) | 931 | (40) | (459) | (56) | (8) | 368 |

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 risks.

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 | 9M 2019 | 9M 2020 |
|---|----------------|----------------|
| REPORTED REVENUE | 8,089 | 7,672 |
| ADJUSTMENT | 282 | 298 |
| <i>Capital gains</i> | 261 | 292 |
| <i>VISA shares (valuation at FV pursuant to IFRS 9/ changes in FV derivative)</i> | 19 | 7 |
| <i>Visa capital gain on sale of shares</i> | 1 | 0 |
| ADJUSTED REVENUE | 7,807 | 7,374 |
| REPORTED COSTS | 6,549 | 6,428 |
| ADJUSTMENT | 30 | 64 |
| <i>Early Retirements</i> | 13 | 12 |
| <i>Provision made for Real estate funds</i> | 0 | (15) |
| <i>Capital losses on Gross Capital Gains</i> | 6 | 58 |
| <i>VISA shares (valuation at FV pursuant to IFRS 9/ changes in FV derivative)</i> | 11 | 10 |
| ADJUSTED COSTS | 6,519 | 6,364 |
| REPORTED EBIT | 1,540 | 1,244 |
| TOTAL ADJ ITEMS | (252) | (234) |
| ADJUSTED EBIT | 1,288 | 1,010 |
| REPORTED FINANCIAL MANAGEMENT | 23 | 27 |
| ADJUSTMENT | 0 | 19 |
| <i>Impairment Anima</i> | 0 | 19 |
| ADJUSTED FINANCIAL MANAGEMENT | 23 | 46 |
| REPORTED EBT | 1,563 | 1,271 |
| ADJUSTED EBT | 1,311 | 1,056 |
| REPORTED NET RESULT | 1,083 | 898 |
| ADJUSTMENT | (182) | (148) |
| <i>ADJ OVER EBIT (NET OF THE TAX EFFECT)</i> | (182) | (167) |
| <i>ADJ OVER FINANCIAL MANAGEMENT (NET OF THE TAX EFFECT)</i> | 0 | 19 |
| ADJUSTED NET RESULT | 901 | 751 |