

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2021

Translation from the Italian original which remains the definitive version

Posteitaliane

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1. INTRODUCTION

This consolidated interim report of the Poste Italiane Group at 31 March 2021 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 information contained in this document aims to provide an update on events and circumstances occurring between the end of 2020 and the date of approval of Poste Italiane Group's consolidated interim report for the three months ended 31 March 2021.

For more detailed information, reference should be made to the Annual Report for 2020, which will be submitted for approval by the Shareholders' Meeting of shareholders to be held on 28 May 2021.

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.

During the first quarter of the year, the Group continued its commitment to tackling the health emergency, also in support of institutions. In particular, the realisation of an IT platform has been completed to support the entire process of distribution of Covid-19 vaccines in Italy, from booking to logistics management, tracking and management of vaccine administration at the Vaccination Centres.

2. OWNERSHIP, GROUP AND ORGANISATIONAL STRUCTURES



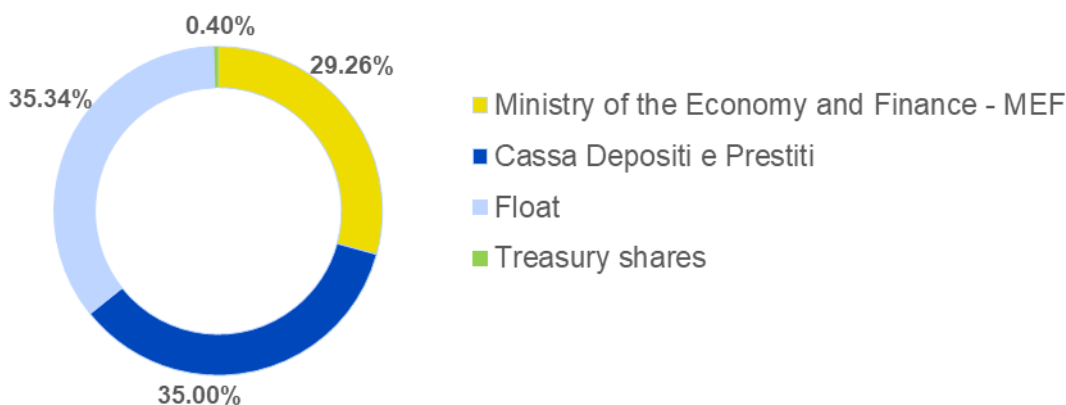
[POSTE ITALIANE SPA'S OWNERSHIP AND ORGANISATIONAL STRUCTURE](#)

[MANAGEMENT AND SUPERVISORY BODIES](#)

[GROUP STRUCTURE AT 31 MARCH 2021](#)

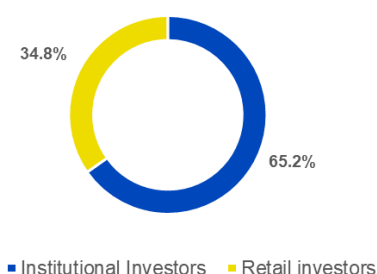
[AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP](#)

2.1 POSTE ITALIANE SPA'S OWNERSHIP AND ORGANISATIONAL STRUCTURE

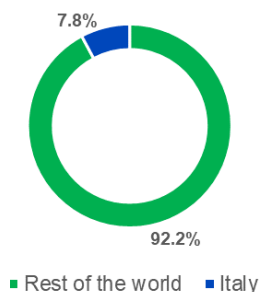


Poste Italiane has issued shares listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana S.p.A. as of 27 October 2015. At 31 March 2021, the Company is 29.26% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti S.p.A. (CDP), also controlled by the MEF. The remaining shares are held by institutional and retail investors. The proportion of Poste Italiane S.p.A.'s institutional investors who follow ESG criteria (Environment, Social, Governance) criteria in their investment decisions is 27%. The share capital of Poste Italiane S.p.A. consists of 1,306,110,000 ordinary shares, of which 1,300,852,035 are outstanding at 31 March 2021.

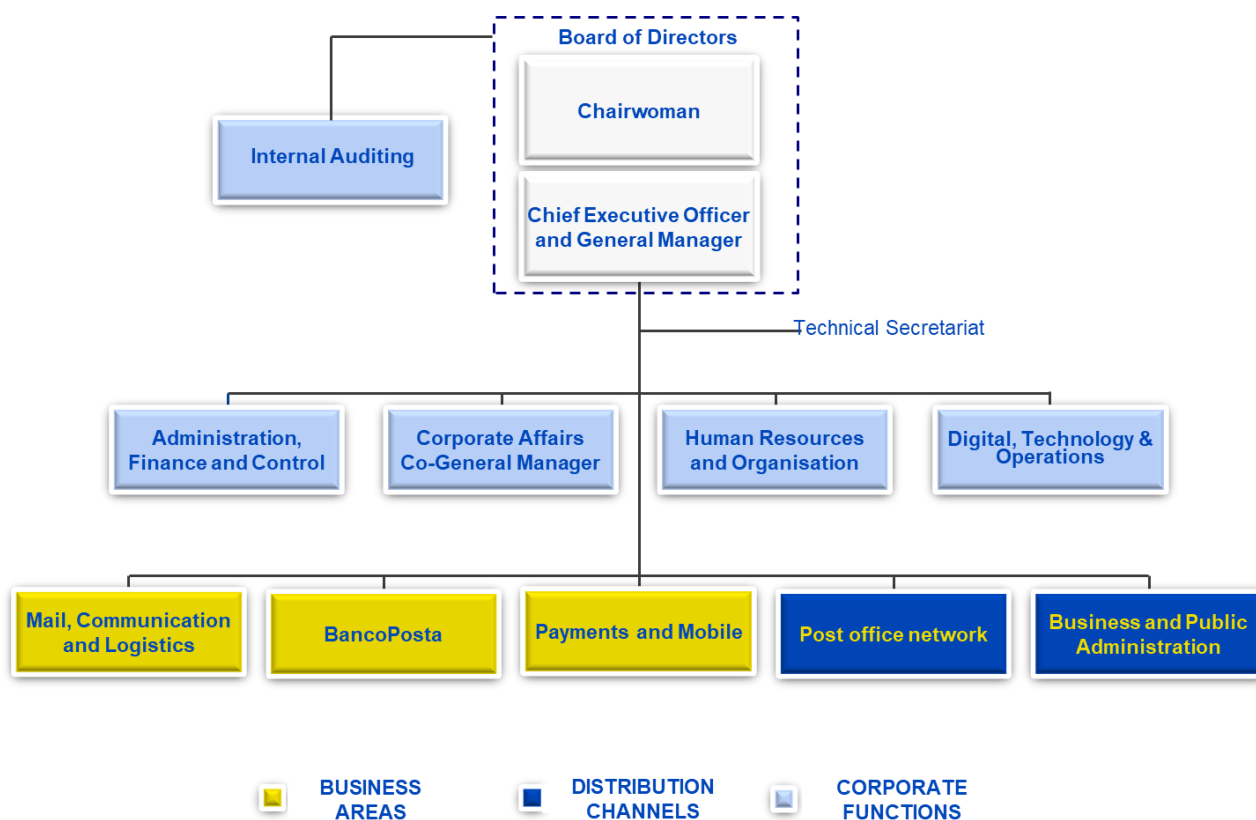
Floating equity profile



Geographical breakdown Institutional investors



Below is the organisational structure of Poste Italiane S.p.A.



The organisation of Poste Italiane S.p.A. envisages **business functions**¹ specialising in the main areas of offer that cover the Group's 4 business sectors and **two commercial channels** responsible for sales of 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 the latter, the **Corporate Affairs** function 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**.

During the first quarter of 2021, the **Human Resources and Organisation** functions previously operating at BancoPosta and Group companies (Postel, SDA, Poste Air Cargo, EGI, PostePay and PosteVita Group) were centralised at Poste Italiane, with the aim of recomposing the Human Resources professional family within a single organisational structure.

¹ These are the three functions of Poste Italiane: Mail, Communication and Logistics for mail and parcels, Payments and Mobile for payments and telephony, and BancoPosta as the placement agent for financial and insurance products. The fourth business area is covered by the Poste Vita Insurance Group.



2.2 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 companies² 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.

² In this regard, in December 2020, the company also aligned its governance structure with the recommendations of the new Corporate Governance Code.

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 Party 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 Adiutori
Alternate auditors	Alberto De Nigro Maria Francesca Talamonti Antonio Santi

Supervisory Board ⁽⁴⁾	
Chairman	Carlo Longari
Members	Paolo Casati ⁽⁵⁾ Massimo Lauro

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane	Piergiorgio Della Ventura ⁽⁶⁾
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Independent auditors	Deloitte&Touche SpA ⁽⁷⁾
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(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.

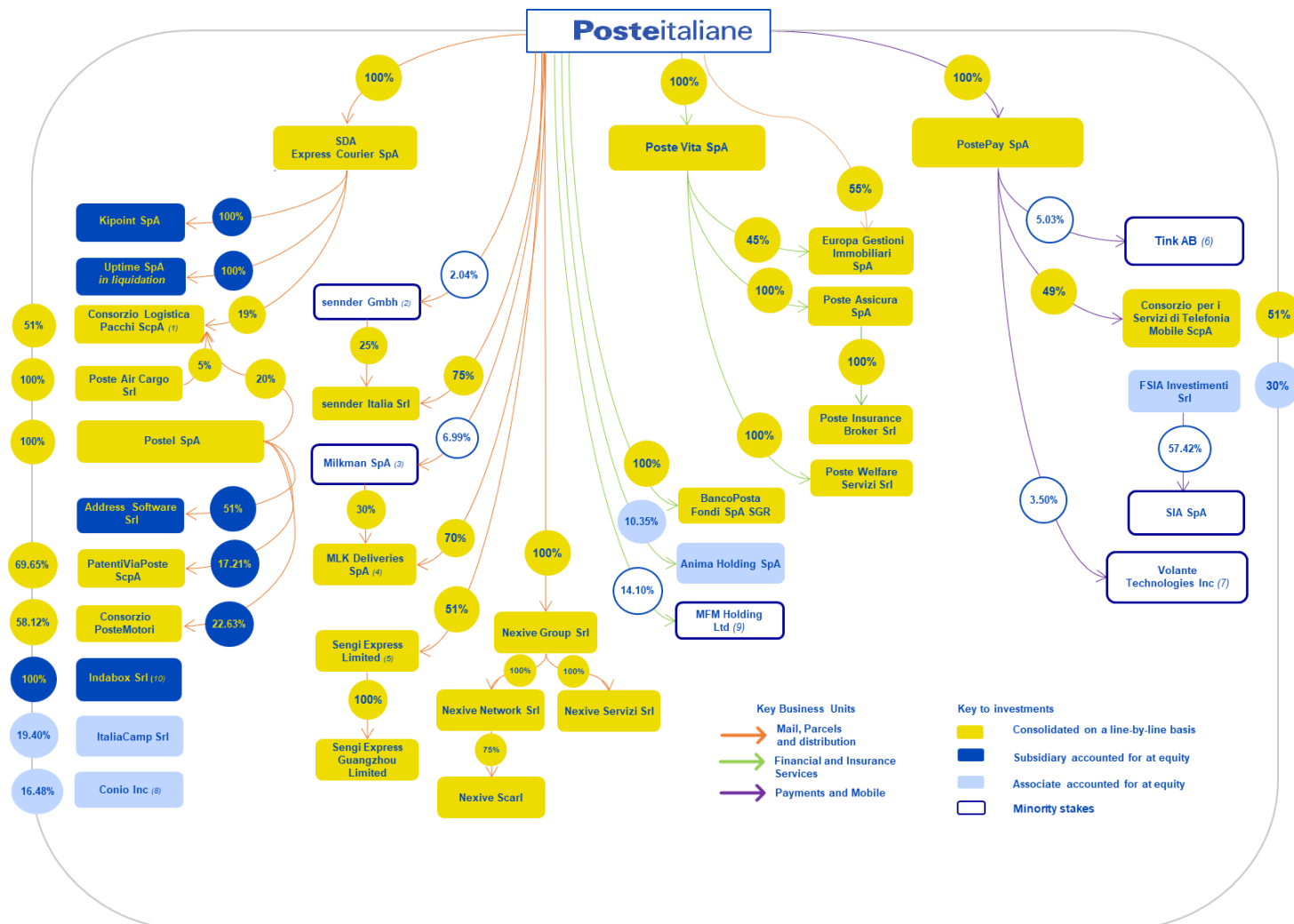
(6) Assigned by the Court of Auditors with effect from 1 January 2020.

(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.



2.3 GROUP STRUCTURE AT 31 MARCH 2021




At 31 March 2021, the Group held, directly and indirectly, equity investments in 36 companies and consortia, of which 22 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 1.85%
 (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 Sengi Express Limited is equal to 51% of the shares with voting rights (40% of property rights).
 (6) The investment in Tink AB fully diluted is equal to 4.73%
 (7) The investment in Volante Technologies Inc. fully diluted is equal to 2.94%
 (8) The investment in Conio Inc. fully diluted is equal to 14.50%
 (9) The investment in MFM Holding Ltd is equal to 14.10% of the shares with voting rights (15.16% of property rights).
 (10) The sale of Indabox S.r.l. to MLK Deliveries S.p.A. was completed with effect from 1 April 2021.

The following table describes the activities of the Group companies, including them within the respective Business Units described in further detail in the paragraph “Areas of operations and Organisation of the Group” to which reference is made for further information.

Business Unit	Company Name	Description
MAIL, PARCELS AND DISTRIBUTION	SDA Express Courier S.p.A.	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 S.p.A.	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 S.r.l. (formerly Mistral Air S.r.l.)	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 S.c.p.A.	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 S.c.p.A.	Non-profit consortium that provides centralised printing services, the dispatch and delivery of new licences and copies of log books.
	Address Software S.r.l.	This company develops, mainly for Postel S.p.A., application software packages for the processing of personal and territorial data (normalisation of addresses, data cleaning and geomarketing).
	Europa Gestioni Immobiliari S.p.A.	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 operated on the electricity market as "wholesale" purchaser for the Poste Italiane Group until 31 December 2020.
	ItaliaCamp S.r.l.	Organisation that develops social innovation processes with a positive impact for the country, creating connections between institutions, companies, associations and universities.
	Indabox S.r.l.	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 S.p.A.	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 S.r.l., which is involved in the research, development and testing of results consisting of innovative electronic payment technological solutions (cryptocurrencies, bitcoins).
	sennder Italia S.r.l. (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 S.p.A. (30% owned by Milkman S.p.A.)	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 S.p.A.
	Sengi Express Limited	Company based in Hong Kong that deals with the creation and management of cross-border logistics solutions for Chinese e-commerce players active in the Italian market. It offers a complete range of services to Chinese e-commerce operators, tailored to the specific needs of individual merchants, with competitive commercial solutions for each stage of the logistics chain connecting China to Italy.
	Sengi Express Guangzhou Limited (100% owned by Sengi Express Limited)	Operational company, based in China, of Sengi Express Limited to which it provides business support services (operations, IT services, back office, administrative services, etc.).
	Nexive Group S.r.l.	Holding company of the Nexive Group (Nexive Network S.r.l., Nexive Servizi S.r.l., Nexive Scarl).
	Nexive Servizi S.r.l. (100% owned by Nexive Group S.r.l.)	Company active in the parcel delivery sector serving the e-commerce market and at the same time, providing services to the other operating companies of the Nexive Group.
	Nexive Network S.r.l. (100% owned by Nexive Group S.r.l.)	A company that provides postal delivery, printing and digital services.
	Nexive Scarl (75% owned by Nexive Network S.r.l.)	Consortium company that coordinates the activities of consortium members for postal delivery activities mainly for Public Administration customers, awarded through participation in public tenders.

 FINANCIAL SERVICES	BancoPosta RFC	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. On 1 October 2018, the set of activities, assets and legal relationships constituting the e-money and payment services business unit was contributed to an earmarked asset within the subsidiary PostePay S.p.A. in order to enable the latter to operate as an Electronic Money Institution (EMI).
	BancoPosta Fondi S.p.A. 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 S.p.A.	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 S.p.A.	Insurance company that provides insurance and reinsurance in Life classes.
	Poste Assicura S.p.A.	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 S.r.l.	Insurance broker for the distribution and brokerage of insurance and reinsurance.
	Poste Welfare Servizi S.r.l.	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.
 PAYMENTS AND MOBILE	PostePay S.p.A.	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 S.c.p.A.	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. As of 1 October 2020, the provision of services relating to the "Electronic Postman" platform has been transferred to Poste Italiane S.p.A.
	Fsia Investimenti S.r.l.	Holding company that holds 57.42% of SIA S.p.A., 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.

CORPORATE ACTIONS DURING THE PERIOD



MAIL, PARCELS AND DISTRIBUTION

sennder
GmbH
sennder Italia

In January 2021, Poste Italiane took part in a capital increase promoted by sennder GmbH, investing €7.5 million and increasing its holding in the German company to 2.0% (1.8% on a fully diluted basis).

Moreover, it should be noted that, following the achievement by sennder Italia of all the financial and operating KPIs established in the agreements between Poste Italiane and sennder GmbH, following approval of the financial statements for the year ended 31 December 2020 by the Shareholders' Meeting, in April 2021, a capital increase was carried out at nominal value reserved for sennder GmbH, which increased the interest held in sennder Italia by 5% (from the current 25% to 30%). Following this increase, Poste Italiane's direct stake in sennder Italia went from 75% to 70%.



MAIL, PARCELS AND DISTRIBUTION

Nexive Group
S.r.l.

On 16 November 2020, Poste Italiane signed a preliminary agreement with the Dutch company PostNL European Mail Holdings B.V. (hereinafter referred to as "PostNL") and the German company Mutares Holding - 32 GmbH (hereinafter referred to as "Mutares Holding"), for the purchase of the entire share capital of Nexive Group S.r.l. (hereinafter "Nexive").

On 29 January 2021, the transaction was completed and Poste Italiane acquired the entire share capital of Nexive from PostNL and Mutares at a price of €34.4 million, based on an enterprise value of €50 million and net debt of €15.6 million.

Nexive is a postal operator active in Italy with a market share of around 12% in mail, equal to around 350 million volumes per year (of which around 5% recorded mail), and a market share of around 1% in parcels, equal to around 8 million items delivered in 2019. In 2019, Nexive reported pro-forma sales of around €200 million and employs 1,300 people and more than 5,000 people in external partner companies.

The acquisition will allow Poste Italiane to take advantage of potential economies of scale from the consolidation of Nexive operations, improving the level of service for customers of both companies.

The transaction was carried out pursuant to article 75 of Law Decree no. 104 of 14 August 2020 (converted into Law no. 126 of 13 October 2020), which provides that certain concentration transactions shall be considered authorised upon indication to the Antitrust Authority (AGCM) of suitable measures to prevent the risk of imposition of prices or other contractual conditions that could be costly for the user as a result of the transaction. The acquisition was authorised by the AGCM, which prescribed a number of behavioural measures for Poste Italiane. The company will send a report, half-yearly for the first year after closing, and annually thereafter, on compliance with the prescribed measures.

Continued



**MAIL, PARCELS
AND
DISTRIBUTION**

**Nexive Group
S.r.l.**

Continued

From a strategic point of view, as has happened in other European countries, the structural contraction of the postal market, which has been exacerbated by the effects of the restrictions adopted in response to the health emergency, makes it urgent to consolidate the mail business and the related logistical infrastructure in order to safeguard its sustainability, employment levels and the availability of services to customers. The transaction will contribute to the sustainability of the postal sector to the benefit of shareholders, employees in the sector, citizens, businesses, the Public Administration and the country as a whole.



**FINANCIAL
SERVICES**

BNL Finance

On 23 December 2020, Poste Italiane and BNL Gruppo BNP Paribas signed a binding framework agreement to strengthen their partnership in the sector of loans secured by the assignment of one-fifth of salary or pensions ("CQ Credits"). The framework agreement calls for Poste Italiane to acquire a 40% equity investment in BNL Finance, a BNL Gruppo BNP Paribas company that is a leader in the CQ Credits market.

Under the terms of the transaction, Poste Italiane will acquire a stake in the capital of BNL Finance following the demerger by the same in favour of its parent, BNL S.p.A., of its non-perimeter assets, primarily consisting of around €2 billion in loans compared with a total loan portfolio of over €2.8 billion at the end of 2020.

BNL Finance, as the product manufacturer, will distribute its CQ Credits through the post office network on the basis of a ten-year commercial agreement with Poste Italiane - BancoPosta RFC, in continuity with the existing commercial agreement.

The transaction is subject to regulatory approval and closing is expected by the first half of 2021.



**MAIL, PARCELS
AND DISTRIBUTION**

**Sengi Express
Limited**

On 19 January 2021, Poste Italiane and Cloud Seven Holding Limited signed a binding framework agreement aimed at strengthening the partnership in the e-commerce market between China and Italy. The framework agreement provides for the acquisition by Poste Italiane of 51% of the voting capital of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong. Sengi Express is a leading company in the creation and management of cross-border logistics solutions for Chinese e-commerce merchants active in the Italian market.

Sengi Express first foreign consolidated company in the Poste Italiane Group

The transaction is part of the development of the international B2C parcels business, a key element of the transformation strategy within Poste Italiane's Mail, Parcels and Distribution division, which exploits the exponential growth opportunities of e-commerce.

The closing of the transaction was completed on 1 March 2021.

Other intra-group transactions

On 27 January 2021 Poste Italiane's Board of Directors approved the removal of the restriction on the allocation of BancoPosta RFC regarding assets and legal relations constituting the “**Debit Business**”. This transaction, which is to be submitted for final approval to the Extraordinary Shareholders' Meeting, after obtaining all the necessary regulatory authorisations, marks the completion of the process of centralising electronic money services at the Electronic Money Institute (EMI) PostePay S.p.A., via the transfer of the “Debit Business” to the latter. The purpose of the transaction is to make the debit cards linked to the BancoPosta account also a PostePay S.p.A. product. BancoPosta account holders will be able to access the full functionality of the Postepay payment/cash collection ecosystem, thanks to integration of the functions of the BancoPosta debit card, without this entailing any changes to the product's economic conditions for customers. On 4 February 2021, PostePay's Extraordinary Shareholders' Meeting approved, among other things, a divisible capital increase to be subscribed and paid up by 30 September 2021, via the contribution in kind of the Debit Business by Poste Italiane.

With a notarial deed dated 30 March 2021, Poste Italiane S.p.A., sold 100% of its interest in **Indabox** S.r.l. to MLK Deliveries S.p.A., a company 70% owned by Poste Italiane S.p.A. and 30% owned by Milkman Tech S.p.A.. The transaction - effective from 1 April 2021 - is aimed at bringing under a single government two initiatives that, in a complementary manner, are based on the same target, with a focus on last mile services and with interesting potential synergies, also in terms of further optimisation of the customer experience.

Other transactions

On 10 February 2021, Nexi S.p.A., SIA S.p.A. and their respective principal shareholders signed binding agreements relating to the potential merger by **incorporation of SIA into Nexi**. The signing of the binding agreements follows the signing of a memorandum of understanding announced on 5 October 2020.

In addition, on 15 November 2020, Nexi announced that it had entered into a binding agreement with **Nets** to merge the two groups. Upon completion of the two transactions, the new group formed by the combination of Nexi and Nets will be one of Europe's leading companies.

At 31 December 2020, Poste Italiane holds an indirect interest of 17.22% in SIA through its 30% interest in FSIA, the latter valued at equity in the Group's consolidated financial statements and recognised at approximately €401 million.

The agreements between the parties envisage that, prior to completion of the merger of SIA into Nexi, the demerger of the FSIA vehicle will be carried out, following which Poste Italiane will directly hold the investment in SIA.

Therefore, on completion of the demerger of FSIA and the above-mentioned mergers, Poste Italiane will hold a direct stake of 3.6% in the new group (5.2% in the case of completion of the merger of SIA into Nexi alone).



2.4 AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP

OVERVIEW

OMNI-CHANNEL COMMERCIAL STRATEGY

ORGANISATION OF THE LOGISTICS NETWORK

MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT



OVERVIEW

In line with the strategic guidelines set out in the 2024 Sustain & Innovate Business Plan (hereinafter 24SI), 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 Services; Financial Services; Insurance Services and Payments and Mobile.

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 S.p.A., which also support the other sectors of the Group.

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 funds, loans provided by partner banks and policies.

Insurance Services

The SBU refers to activities involving the issuance of Life and P&C insurance products and Welfare

Payments and Mobile

The SBU includes the activities of payment management, e-money services and mobile and fixed-line telephone services by PostePay S.p.A.



OMNICHANNEL BUSINESS STRATEGY

The Group's integrated multi-channel platform provides for the monitoring of customers through 3 channels:

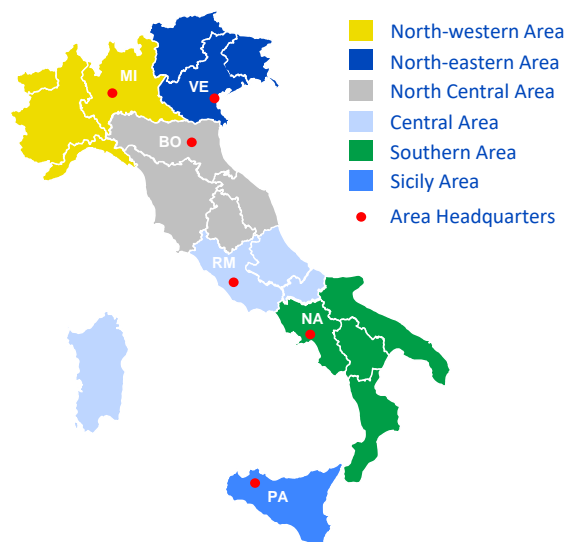
- the physical network of Post Offices flanked by a commercial network specialising in business customers;
- a digital infrastructure made up of all the Group's digital properties, capable of serving the entire national population;
- third-party networks, consisting of over 37 thousand retail outlets and the result of commercial partnership agreements for the marketing of Group products and services.

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. Additional organisational guidance is provided by Group companies to support commercial development.

PHYSICAL 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.

MACRO AREAS POST OFFICE NETWORK



GEOGRAPHICAL DISTRIBUTION OF POST OFFICES AND BRANCHES



During 2020 (with effect from 2 January 2021), the system for classifying post offices was reviewed and agreed with the trade unions, with the aim of making the service model increasingly consistent with new business needs and to take account of changes in customer habits and the type of services requested, which are increasingly consultancy-based and online-oriented. The new classification, which considers drivers of operations, commercial relevance and organisational complexity, has had an impact on around 2,200 post offices, and follows changes in the characteristics of the commercial network in recent years. Following the reclassification, which was shared with the trade unions, clusters of individual post offices were adjusted and the process of relocating staff affected by the manoeuvre was launched.

PHYSICAL 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.

The organisation of the sales force guarantees territorial coverage focused by product sector, through:

- 3 Sales Macro Areas (Lombardy North West, Central North and North East, Central South), with exclusive commercial responsibility for mail and communication revenue and commercial support 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 business customers and Public Administration;
- 1 Commercial area for Central and Local Public Administration related to Metropolitan Regions and Cities;
- 1 POE (Small Economic Operators) sales area, which guarantees the integration of the sales force dedicated to the Small Business segment to enable the development of a new service model carried out both with the use of direct salespeople specialising in the product and through the use of telesales salespeople³.

MACRO AREAS BUSINESS AND PUBLIC ADMINISTRATION



³ Salespeople responsible for telephone sales of parcel products.

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 past year, have shown 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, Third-party networks and Main KPIs](#)".

THIRD-PARTY NETWORKS

Third-party networks play a crucial role in the Group's omnichannel strategy. Over the past year, they have been strengthened to provide Poste Italiane's customers with a valid alternative to its own networks for access to transactional services, and have become particularly important in the context of the ongoing health emergency.

Poste Italiane has signed agreements with a large network of contact points (over 37 thousand at 31 March 2021). The main types of agreements entered into are listed below.

- **Proximity networks:** partners that enable their local points of presence to offer Poste Italiane services to consumers (e.g.: tobacconists to pay slips, top up Postepay cards, accept/deliver parcels), ENI to pay slips, API to accept/deliver parcels, DO (organised distribution) and GDO (large organised distribution) to pay slips;
- **Placement Agents:** partners, authorised by the Bank of Italy, which sell Poste Italiane's financial products (e.g.: Lottomatica, which sells Poste Italiane's full acquiring to the tobacconist network);
- **Technology Enablers:** partners that enable Poste Italiane to sell its products to "third-party" customers via its own service platforms (iPratico, Team System for the sale of acquiring);
- **Partners:** legal entities that offer their associates/stores the purchase of products directly from Poste Italiane, through the stipulation of "framework agreements" (e.g.: ENI and its distributors for the purchase of acquiring).

Below are the products distributed through the third-party network:

- Phone top-ups
- Postepay top-ups
- Payment slips
- Acquiring⁴
- Acceptance, delivery and return of parcels



ORGANISATION OF THE 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 also to allow the management of small parcels and the **parcel logistics network** able to handle all types of parcel.

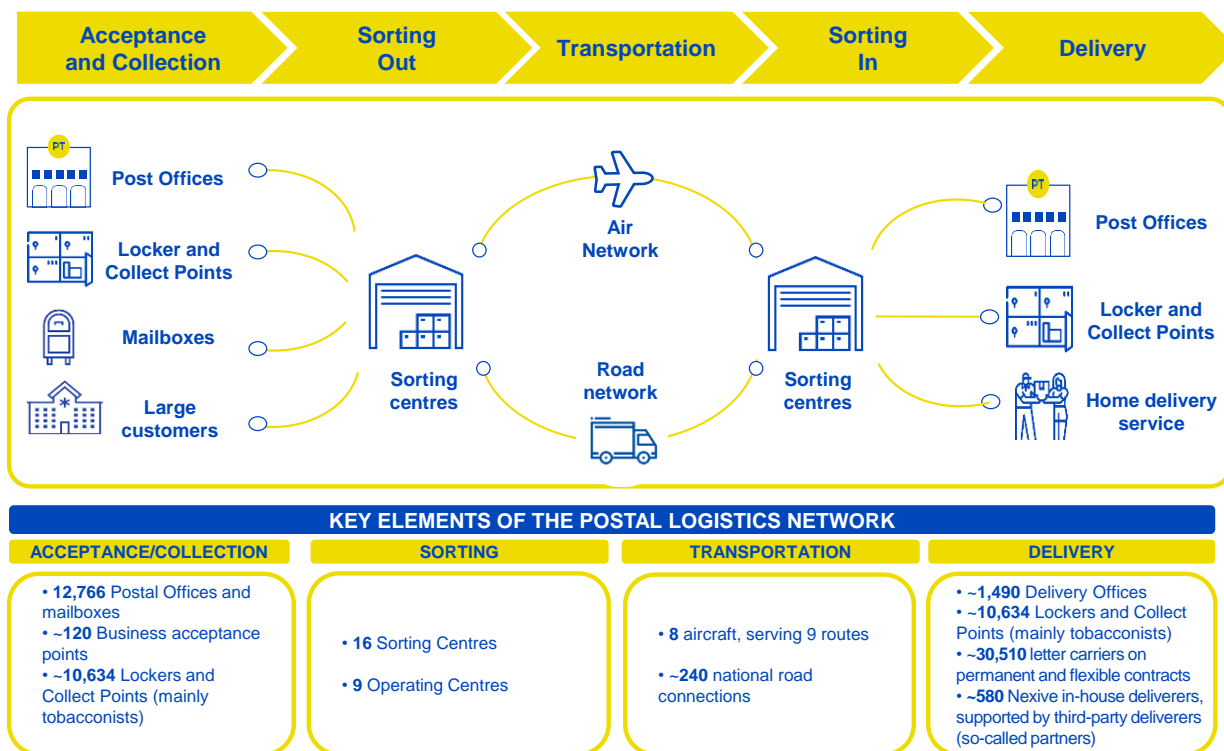
The integration between the two networks was strengthened in 2020 by increasing the interchange of small parcel volumes between the two networks (carriable parcels, i.e. under 5 kilos) using cost-effectiveness as a criterion. The delivery of these products in Italy can be carried out indistinctly by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

⁴ Acquiring services are provided by an independent entity (Acquirer) aimed at managing the authorizations of payments made with cards belonging to the National and International Circuits, by virtue of an agreement with the merchant.

In addition to the two existing delivery networks (letter carriers and SDA couriers), a third “last mile” network was added in 2020, operated by MLK Deliveries and focused mainly on parcel deliveries with value-added services (Same Day Delivery and Scheduled Delivery). With the acquisition of Nexive in the first quarter of 2021, a fourth delivery network has been added, which will be progressively focused on the delivery of parcels and mail primarily by signature.

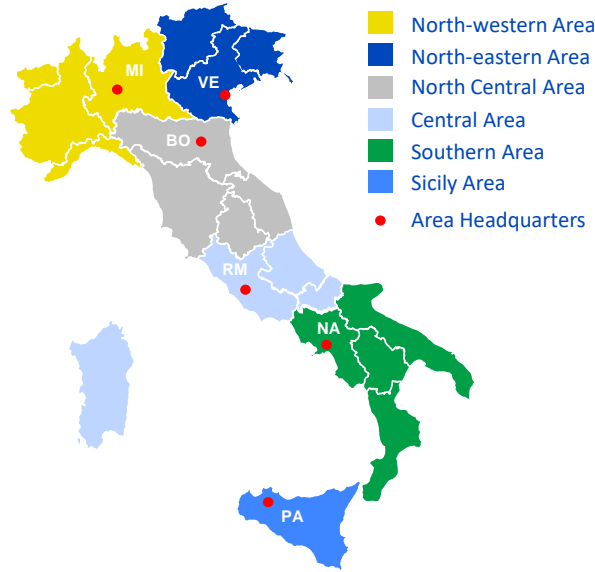
POSTAL LOGISTICS NETWORK ACTIVITIES

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 (MAL) which, coordinated centrally, internally handle all stages of the value chain: acceptance and collection, outbound sorting, transport, inbound sorting and delivery. At the same time, this model makes it possible to have a single management system for the entire territory and to be able to adapt it to each specific situation with targeted interventions.

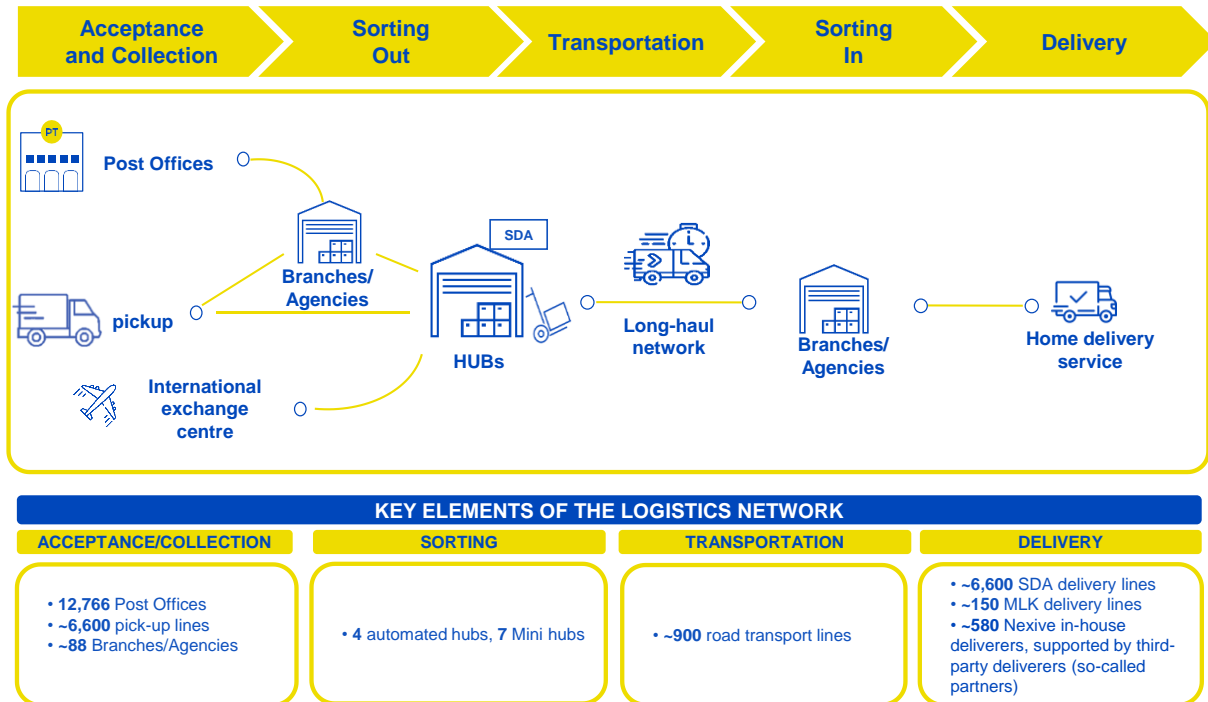
The model's macro areas are shown below.



PARCEL LOGISTICS NETWORK ACTIVITIES

Large parcels and express courier products are delivered via the network of the subsidiaries, SDA Express Courier, MLK and Nexive.

The logistics flow is shown below.





MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

2024 Sustain & Innovate Strategy



Mail, Parcels and Distribution

Key logistics player for a sustainable business, accelerating the transition to the growing parcel market

- Evolution of the logistics network
- B2C market leadership
- Growth in C2X and B2B markets

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 shipped.

E-Commerce confirmed as the key driver of growth in the parcels segment, mainly for light and low-value items⁵. Specifically, in Italy, there was a volume of parcels per capita of 6 units in the year 2020⁶, up compared to 4 units in 2019.

Moreover, the percentage of retail purchases made online went from 4% in 2015 to over 7% in 2019, reaching about 9%⁷ in 2020), with additional growth margins 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 37%⁸ in 2020.

In Italy, as in the rest of the world, in 2020, there was 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 also foreseen in the new 24SI Business Plan.

⁵ Source: Report IPC and other postal/logistics operators.

⁶ Source: Internal processing on historical data and forecasts, Cerved Databank, Netcomm Cerved Databank, Netcomm.

⁷ Source: Osservatorio eCommerce B2C - Politecnico Milano/Netcomm data

⁸ Source: Internal processing based on Cerved Databank, Netcomm data.

Regulatory Context

Expense 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.

On **1 December 2020**, the **European Commission approved the compensation** for public service obligations provided for in the 2020-2024 Service Contract in the amount of **€262 million per year**.

On **22 March 2021**, with **Resolution 79/21/CONS**, the public consultation phase was launched, aimed at acquiring, within 45 days of publication, comments and contributions from the Company and other interested parties regarding **the universal service charge** for the years **2017, 2018 and 2019**. The measure concludes that the charge incurred by the Company for the provision of the Universal Postal Service is unfair.

For the year 2017, the burden is quantified at €348 million. For the years 2018 and 2019, two alternative indicators of reasonable profit are proposed: the *Weighted Average Cost of Capital* ("WACC") and the *Ebit Margin*. Depending on the use of the first or the second indicator, the amounts put on consultation are respectively €329 million and €403 million for the year 2018; €170 million and €238 million for the year 2019. Given the period covered by the Service Contract, i.e. 2015-2019, and the compensation authorised by the European Commission under State aid rules, the cost of providing the Universal Postal Service over the entire period would, in any event, exceed the authorised compensation. Finally, in continuity with the decisions for previous years, in the above-mentioned public consultation AGCom does not consider it appropriate to proceed with the activation of a compensation fund for the years 2017, 2018 and 2019.

Publisher tariff subsidies

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**.

The 2021 Budget Law (Law No. 178 of 30 December 2020) provided an allocation of **€52.5 million for 2023**.

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.

Evolution of the regulatory scenario

Mail: Identification of relevant markets

AGCom resolution no. 330/20/CONS of 28 July 2020 - AGCom initiated a first phase of public consultation with particular regard to the identification of the relevant markets and in particular the following aspects: i) identification of the players active on the mail market from the demand and supply side; ii) analysis of the effects produced by e-substitution on the mail market iii) identification of the relevant markets.

AGCom Resolution 589/20/CONS of 25 November 2020 - the first phase of the market analysis is concluded, AGCom has approved the definition of the relevant markets for mail delivery services. In the subsequent procedural phase, the Authority, after further public consultation, will assess the degree of competitiveness of the identified markets and will define, if necessary, the appropriate regulatory interventions, including a possible resetting of the maximum tariffs of universal services.

Replicability of offers (EU2 areas)

AGCom Resolution 294/20/CONS of 10 July 2020: at the same time as updating the EU2 areas (areas in which Poste Italiane's competitors are not present), it made transitional changes to the structure of the replicability test. By **notice of 20 July 2020**, the procedure for revising the criteria for defining **EU2 areas** was initiated in order to arrive at a more objective method of identifying these areas.

With a request dated **18 January 2021**, the Authority expressed the need to acquire certain elements useful for defining new criteria and parameters for identifying EU2 areas and asked Poste Italiane to send a series of information. Poste Italiane has provided the information requested, where available. In this context, Poste Italiane has requested that the principles already established by current regulations remain valid, with specific reference to the definition of EU1/EU2 areas, to be supplemented by objective criteria designed to assess whether the areas currently not covered can still be considered replicable.

Competition in the parcel delivery market

On 1 July 2020, Resolution 212/20/CONS was published, by which the Authority has identified the relevant markets for parcel delivery services and assesses the level of competitiveness in each of them. The resolution highlights a predominant role for Poste Italiane in the C2X* 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 (previously 31 December 2020) was extended with **Resolution 703/20/CONS** to 31 March 2021. 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 to the Company 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.

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

Health emergency - AGCom

In view of the developments in the e-commerce segment caused by the health emergency, AGCom has also initiated proceedings to **promote the use of "Lockers"** (automated lockers for parcel collection and delivery) by online shoppers and to promote their dissemination. On 14 December 2020, with **Resolution 629/20/CONS**, AGCom initiated the public consultation, which ended on 28 January 2021; the Authority's determinations are pending.

Quality standards for the universal postal service

Starting from 2021, the **new quality standards** defined by **AGCom Resolution 331/20/CONS**, published on **31 July 2020**, shall apply 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. 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.

Mailboxes

In accordance with article 2, paragraph 7, of the 2020-2024 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 a **communication dated 21 January 2021**, AGCom initiated a procedure to define the criteria for remodelling the distribution of mailboxes in Italy. The time limit for concluding the procedure is 180 days, unless a reasoned extension is granted.

Digital notification of PA documents - new platform

Law Decree no. 76 of 16 July 2020 (the so-called 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**. 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.




Guidelines for the award of public contracts for postal services

With regard to the process of revising the "Guidelines for the awarding of public contracts for postal services", which aims to encourage the effective liberalisation of the postal services market, **the National AntiCorruption Authority (ANAC) and AGCom**, following the work of a technical roundtable on a draft document in which the Company also took part, **prepared the document revising the aforementioned Guidelines, which was submitted for public consultation until 31 December 2020** and as part of which the Company submitted its comments on 30 December 2020. Publication of the final measure is pending.

Operating review

Also in 2021, the Group continues with the process of reorganising its transport, sorting, delivery and customer experience activities, in line with the long-term objectives outlined in the new 24SI Business Plan, such as increasing efficiency, flexibility and quality in order to seize the opportunities arising from the development of e-commerce.

The following table shows the main activities of the Mail, Parcels and Distribution Strategic Business Unit for the period:

Segment	Operating review
	<p>The two new parcel hubs in Northern and Central Italy are now fully operational.</p> 
	<p>The Poste Delivery Box Express product sales service was launched at the Collect Points of the Federazione Italiana Tabaccai (FIT) network. About 9,000 points were activated in the first quarter.</p> 
Parcels	<p>Home delivery of medicines has been extended to large cities and medium-small municipalities, which are offered in instant mode (within 90 minutes of purchase), scheduled (at the desired time), next day (same day of purchase) in collaboration with Pharmap. The service is currently active in 48 municipalities.</p> <p>In March 2021, the acquisition was finalised of the majority interest in Sengi Express Limited, a reference point for Chinese-commerce merchants in the Italian market and a leader in the creation and management of cross-border logistics solutions.</p> 
Mail	<p>In January 2021, the acquisition of the entire share capital of Nexive was finalised, for the rationalisation of the mail market value chain.</p>

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 in 2020 by the competent authorities concerning the health risk related to the Coronavirus, some activities have been suspended.

The following is the summary of the main initiatives and results at 31 March 2021:

- there have been no post office closures
- a central office now provides dedicated support for small Municipalities
- 1,355 new ATMs have been installed in 1,348 Municipalities
- 1,104 architectural barriers have been removed in 1,041 Municipalities
- 7,096 high-definition video surveillance cameras installed in 2,584 Municipalities
- the treasury service was activated in the municipalities that requested it
- 9,857 red mailboxes have been installed in 4,778 Municipalities; 19 murals have been created to improve the urban decorum of the peripheral post offices
- 488 financial, digital and postal education events provided in 484 Municipalities
- 3,270 Schools licensed by the “Risparmio che fa scuola” programme in 2,684 municipalities
- 584 POS activated in 361 Municipalities
- 303 smart mailboxes installed in 232 municipalities
- 1,308 municipalities served by New Green Fleet.

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

2024 Sustain & Innovate Strategy



Financial Services

Most trusted financial institution in Italy, benefiting from an omnichannel approach

- Promoting diversification of asset allocation
- Expansion of omnichannel for the Customer
- Integration of non-life coverage into the investment offering

Market context*Financial markets*

The first quarter of 2021 was characterised by the continuation of the “reflation trade⁹” on the main global assets. In the US, with the start of the vaccination campaign and the consolidation of the Democratic majority in the Senate, risk appetite increased, which also allowed the EU equity index to recover the levels of early 2020.

Equity prices in the euro area and the United States generally rose, before declining only partially in the United States towards the end of January 2021 affected by the worsening health situation and, more importantly, by the increase in long-term rates due to the massive new US fiscal stimulus and the concern that the tone of the recovery and inflation risks could lead the Federal Reserve (FED) to bring forward the rise in short-term rates.

This was reflected in sell-offs¹⁰ on government bonds, with a consequent rise in interest rates at international level that also generated tensions on equity markets.

Central banks intervened on several occasions to alleviate concerns about inflationary risks and, in the case of the ECB, to counteract the decline in bond prices by temporarily increasing the pace of purchases: equity indices nevertheless remained volatile, penalised in part by the continuation of restrictive measures and the slowdown in vaccinations in Europe, but nevertheless closed the first quarter of 2021 on a positive note: the Eurostoxx50 index and the Dow Jones gained approximately 10% and 9%, respectively.

The quarterly rise also affected the Italian equity index (FTSE MIB +10.5%), which benefited from the improvement in economic prospects and the effects of the significant reduction in the BTP-Bund spread on bank prices, returning to just below the levels reached before the health emergency.

In contrast, bond markets started the year 2021 with slightly negative performance. Short-term rates in Europe have been negative for a long time and in the climate of economic recovery long-term rates have increased in the United States.

⁹ Price growth stimulated by fiscal or monetary policy in order to curb the effects of deflation in the months following a recession or period of economic uncertainty.

¹⁰ Selling securities or other investment assets during a period of declining prices to avoid achieving even greater capital losses.

Below is a table that represents the precise returns expressed in percentage terms at the end of the period for BTPs government bonds and interest rate swaps¹¹.

	1Q 2020	1H 2020	9M 2020	2020	1Q 2021
BTP 10Y	1.52	1.26	0.87	0.54	0.67
SWAP 10Y	(0.02)	(0.17)	(0.23)	(0.26)	0.07
BTP 15Y	1.92	1.68	1.23	0.92	1.06
SWAP 15Y	0.16	0.00	(0.05)	(0.08)	0.34
BTP 30Y	2.44	2.22	1.75	1.42	1.65
SWAP 30Y	0.17	0.04	(0.01)	(0.03)	0.48

The following graph shows the trend of the 10-year BTP-Bund spread in recent years with the values recorded up to 31 March 2021.



Banking system

On the basis of estimates provided by the Italian Banking Association (ABI) at 31 March 2021¹², total bank deposits in Italy increased by 7.1% annually to approximately €1,965 billion (+€6 billion compared to December 2020). The growth in the first quarter of 2021 stems from the significant increase in deposits from resident customers (on current accounts, deposit certificates and repurchase agreements), amounting to approximately €9 billion (+9.2% compared to March 2020), which is accompanied by a reduction of €2.6 billion in bond deposits (-7.2% compared to the same period in 2020).

In March 2021, the average cost of bank funding (which includes the return on deposits, bonds and repos from households and non-financial companies) was around 0.49%, in line with the figure recorded at the end of 2020.

Bank lending to the private sector and PA during the first quarter of 2021 increased by €6 billion (+3% compared to the same period in 2020) to €1,716 billion. Growth was driven exclusively by the private sector, particularly households and non-financial corporations. At the end of March 2021, the rate on euro loans to households for home purchases stood at 1.37%, up 12 bps from 31 December 2020. Of the total new mortgage disbursements, 88% are fixed-rate mortgages.

¹¹ Source: Bloomberg

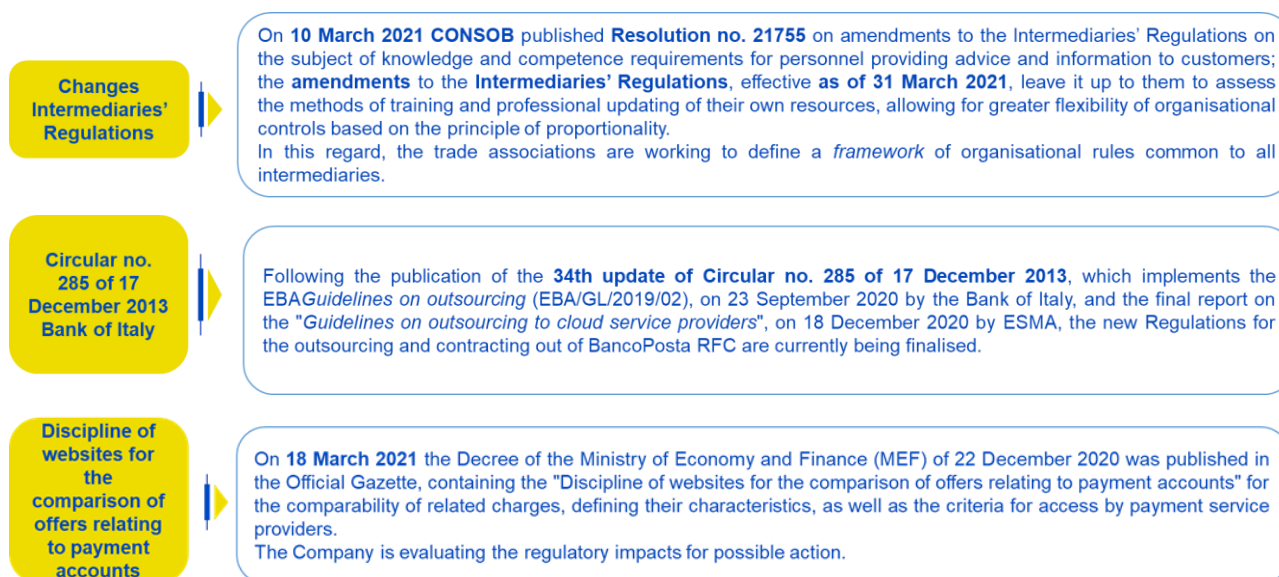
¹² ABI - Economy and Financial & Credit Markets - April 2021

The average rate on new euro-denominated loans to non-financial corporations fell to 1.20% in the first quarter of 2021.

Asset Management

Assogestioni figures at 31 March 2021¹³ showed total assets of about €2,445 billion, compared to about €2,421 billion at the end of December 2020 (+1%, as a result of the positive contribution of inflows of +0.97% and performance of +0.03%). With reference to portfolio management, assets amounted to approximately €1,215 billion, compared to about €1,220 billion at the end of December 2020 (-0.4%, as a result of the positive contribution from inflows of +0.7% and negative contribution from performance of -1.1%). With regard to collective asset management, assets went from about €1,201 billion at the end of December 2019 to about €1,230 billion at the end of March 2021 (+2.4%). With regard to open-ended mutual investment funds alone, customer assets at the end of March 2021 amounted to approximately €1,161 billion (approximately €1,133 billion at the end of December 2020, +2.5%, as a result of the positive contribution of inflows of +1.3% and performance of +1.2%). In terms of net inflows, the asset management industry recorded a total positive balance of about €23.5 billion in the first three months of 2021 (about -€13.7 billion in the same period of the previous year).



Regulatory Context



¹³ Assogestioni, Monthly map of asset management, 28 April 2021.

Operating review

The following table shows the main activities of the Financial Services Strategic Business Unit during the period:

Segment	Operating review
	<p>The placement of a Supersmart offer¹⁴ dedicated to new liquidity, which can only be activated on digital channels, has been concluded.</p>
Postal Savings	<p>Further implementations have been developed in the new methods of collection on digital channels (website and app) by means of the sending of subscription suggestions by the advisor, with or without interaction with the customer, in the reserved area for customers of interest-bearing postal certificates and the possibility of finalising these suggestions also via the app.</p> <p> Work continued on simplifying the opening of new Books completely online.</p>
	<p>The digital offer channel was strengthened with a promotion aimed at encouraging the opening of retail current accounts through the BancoPosta app and through the introduction of new digital services in the BancoPosta app, regarding information functions relating to direct debits from current accounts (Sepa Direct Debit).</p> 
Current accounts	<p>The “BancoPosta On Line” service has been made available to all BancoPosta accounts for retail customers, which can currently be activated at post offices and by the end of the first half of 2021 also through other channels (website, ATM, app).</p> <p>In the area of Business and PA current accounts, preparations continued for the launch of the new BancoPosta Business Link current account, which includes a modular offer¹⁵ aimed at the Small Business segment.</p> <p>During the first quarter, the tax credit transfer service dedicated to BancoPosta current account holders was extended to other categories of credit, such as those deriving from lease fees, the cost of sanitising and purchasing Personal Protective Equipment (PPE), as well as the cost of upgrading workplaces.</p>

¹⁴ The Supersmart offer allows allocating the sums deposited in the Smart book (known as “Allocated sums”) for pre-established periods, remunerating them at a higher rate than the base rate. 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.

¹⁵ Upon request, the customer can activate two modules, each available in two versions (“**Operation Module**”, which includes, in addition to 1 free chequebook, also 5 or 10 free transactions per month, depending on the version, and “**Utilities Module**” which, depending on the version chosen, includes respectively up to 3 or 5 utilities additional to the first one included in the Basic Module fee)

Asset management

The distribution was initiated of a new mutual fund, “**BancoPosta Focus Rilancio 2026**”, focusing on 6 current megatrends (technology, public health, consumption, climate change, infrastructure and smart cities), for which Anima SGR is the managing agent.



Distribution of third-party products

Together with the Partners for whom the **financing products** are distributed, the initiatives were confirmed for the first quarter of 2021 as envisaged by the regulations and those adopted on a voluntary basis during 2020 in relation to the health emergency, in support of businesses in difficulty, as well as in relation to access to credit, to protect households and small and medium-sized businesses.

In the area of loans to retail customers, promotional initiatives were launched with the aim of broadening the customer base for BancoPosta loans and building customer loyalty via offers relating to BancoPosta loans and the transfer of one-fifth of salary or pensions (“CQ Credits”).



INSURANCE SERVICES STRATEGIC BUSINESS UNIT



2024 Sustain & Innovate Strategy

Insurance Services

Market-leading insurance company with comprehensive and sustainable product portfolio

- Life products at the heart of the group's investment offering
- Profitable growth in the P&C market
- Full integration of ESG principles and reduction of underinsurance in Italy

Market context

Life business

New individual life insurance production of €15.1 billion at the end of February 2021 was down 8% compared to the same period in 2020, which was not yet impacted by the restrictive measures to address the pandemic. If new Life business reported by EU companies is taken into account, the figure reached €17.6 billion, down 4.8% compared to the same period of 2020.

Analysing the figures by class of insurance, Class I premiums amounted to €9.6 billion at the end of February 2021, down 11.8% given the health emergency, compared with the same period of the previous year.

The performance of Class III products (in the exclusive unit-linked form) was up (+2.6%) compared to the figure for the same period in 2020, with inflows of €5.4 billion. Residual inflows came from capitalisation products (€0.1 billion), which recorded a significant decrease at the end of February 2021 (-55.3%) compared to the figure for the same period in 2020.

The trend in new premiums relating to long-term health policies (Class IV) continued to be limited (approximately €7.3 million), a significant increase (+24.1%) compared to the same period in 2020.

New contributions relating to the management of pension funds in the first two months of 2021 recorded inflows of €21.4 million, a slight decrease (-3.1%) compared to the same period in 2020.

Single premiums continued to be the preferred form of payment for policyholders, representing 94.6% of total premiums written and 60.2% of policies by number.

With regard, finally, to the distribution channel, around 66.1% of new business was obtained through banks and post offices until the end of February 2021, with premium revenue of about €10 billion, a decrease (-16.1%) compared with the same period of 2020. On the other hand, with regard to the agency channel, the volume of new business distributed in the first two months of 2021 reached €2.5 billion, a significant increase (+7.3%) compared to the figure for the same period in 2020 and with an incidence on total intermediated business of 16.8%.

The performance of new business obtained through authorised financial advisors was €2.4 billion, up (+23.8%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 16.1%.

Finally, the broker and distance sales channel recorded a decrease at the end of February 2021 of 23% compared to the same period in 2020, with a volume of premiums placed of €0.2 billion (or 1% of the total brokered).

New Life individual business by class ^(*)

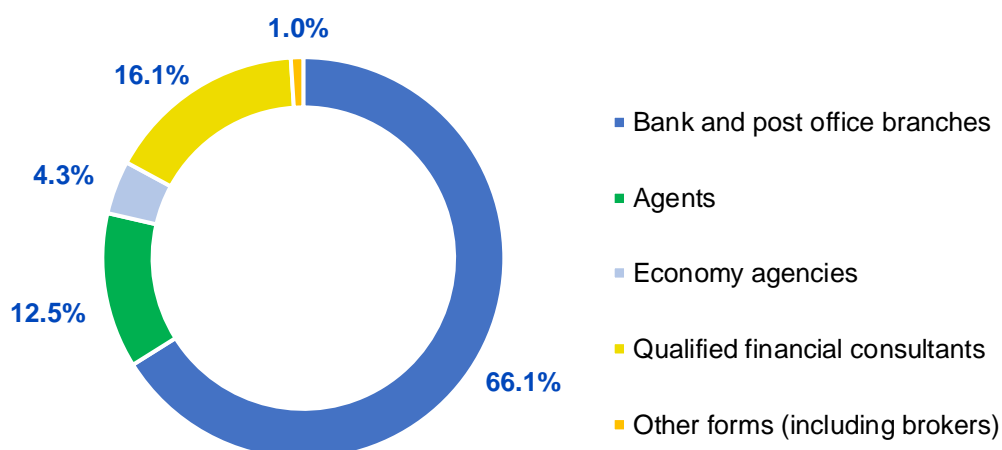
(data updated to February 2021 in €m)

Premiums by class/product	Premiums YTD	% change 02 2021 vs 02 2020
Life - class I	9,616	-11.8%
Unit - Linked - class III	5,366	2.6%
Capitalisations - class V	138	-55.3%
Class VI pension funds	21	-3.1%
Illness class IV	7	24.1%
Italian insurers - non-EU	15,149	-8.0%
EU insurers ^(**)	2,435	21.5%
Total	17,584	-4.8%

^(*) 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



Source: ANIA

P&C business

Total direct Italian premiums in the P&C insurance market, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) at the end of the fourth quarter of 2020, amounted to €38 billion, slightly down (-2.3%) compared to the same period in 2019, confirming the downward trend that began in March 2020 (-7.7%) and attributable exclusively to the health emergency that has heavily impacted the sales processes and operations of insurance companies.

This contraction is reflected in particular in the automotive sector (-4%). The Car TPL line of business recorded a reduction in premium income of 5.1%, while premiums in the Land Vehicles Hull line of business recorded a slight increase (+0.3%) in the fourth quarter of 2020; the latter trend remains in any case conditioned by the effects of the pandemic if we consider that at the end of 2019, these premiums recorded growth of almost 5%.

Other P&C business also decelerated significantly over the period with a 1% decline in Q4 2020 compared to the 5% growth recorded at the end of Q4 2019 (mainly due to the 9% decline recorded in April).

The classes with the largest incidence of premiums written, which were affected by the negative change, were: accident insurance with premiums of €3.6 billion, down 2.9%; health insurance with premiums of €3.1 billion, down 3%; and financial losses, down 23.9% compared to the same period last year.

On the other hand, the following lines of business showed growth in the last quarter of 2020 compared to the corresponding period of 2019: i) fire insurance (+3.3% and with premiums totalling €3 billion), ii) general liability insurance (+0.5% and with volumes of €4.5 billion), iii) other property damage insurance (+0.6% against premiums of €3.5 billion), iv) legal protection insurance (+6.8% compared to the December 2019 figure).

In terms of distribution channels, agents continue to lead the way with a market share of 74.2%, substantially in line with the figures for previous years (74.1 % in the fourth quarter of 2019). Brokers represent the second largest P&C premium distribution channel with a market share of 9.7% (9.1% in the same period of 2019), while bank and post offices recorded a market share of 6.8% (7.5% at the end of December 2019).

With regard to direct sales as a whole (including distance, telephone and internet sales), at the end of December 2020, it recorded an incidence of 8.9% (in line with the figure for the end of 2019). The remaining 0.4% (0.3% at the end of the fourth quarter of 2019) relates to premiums brokered by licensed financial advisors.

Direct P&C premiums by class (*)

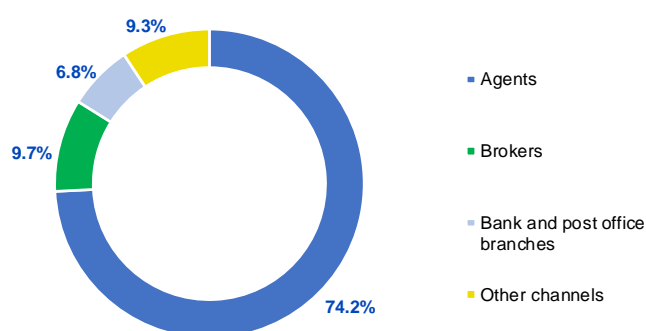
(data updated to December 2020 in €m)

Premiums by class (**)	Premiums YTD	% change 4Q 2020 vs 4Q 2019
Total motor segment	16,489	-4.0%
Other Non-Life classes	21,498	-1.0%
Total Non-Life classes	37,987	-2.3%

(*) Source: ANIA

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

Distribution of direct P&C premiums by distribution channel (*)

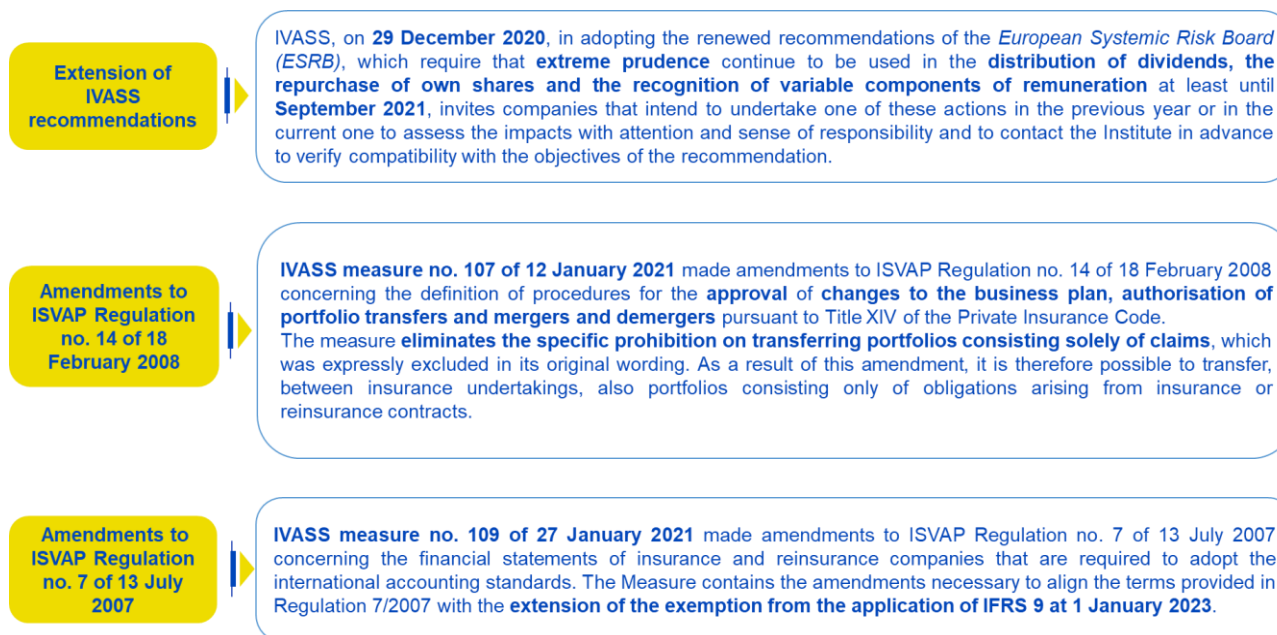


Source: ANIA

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


Data updated to December 2020

Regulatory Context



Operating review

The following table shows the main activities of the Insurance Services Strategic Business Unit during the period:

Segment	Operating review
	<p>The new multi-class policy, “Poste Progetto Dinamico”, has been launched. Its benefits are linked to the “Posta ValorePiù” segregated account ¹⁶ and to the value of the units of one of the two available Internal Insurance Funds. This policy provides the possibility of accessing the opportunities offered by the financial markets through a gradual approach with two internal insurance funds, one of which is ESG, and the service of gradual reallocation of risk as the product maturity date approaches.</p>
Insurance products	<p>After a start-up phase during which it was reserved for a limited number of customers (employees, pensioners and family members of the Group), the marketing of the “Poste Guidare Sicuri” Car TPL offer was extended to external customers, involving around 1,800 post offices.</p>  <p>Marketing of the new integrated Life/P&C insurance offer began, whereby subscribers to specific Life policies are offered a free P&C policy.</p> <p>Extended to 30 June 2021 to all subscribers of a health policy and to employees the per diem and reimbursement of medical expenses for hospitalisation for Covid-19.</p>

¹⁶ Poste Vita S.p.A. manages a portfolio of investments separately from the other assets held by the insurance company. This portfolio of investments, known as “Posta ValorePiù”, falls within the definition of a Separate Account pursuant to ISVAP Regulation 38 of 3 June 2011 (hereinafter ISVAP Regulation 38). Posta ValorePiù generates a return on which the benefits of the insurance contracts linked to it are revalued.



2024 Sustain & Innovate Strategy



Payments and Mobile

Innovative digital platform for an integrated payment, telephony and energy offering

- Strengthening leadership in digital payments
- New TLC offer, for both mobile and fixed lines
- Energy services from 2022, leveraging market liberalisation and customer confidence

Market context

The latest figures available¹⁷ on the Italian **payment card** market reflect the strong reduction in economic activity and consumption on physical channels resulting from the lockdown due to the global health emergency and show overall transactions of around €254 billion in December 2020 (-0.8% compared to December 2019).

The total number of transactions increased by 2.1% compared to the previous year, thanks to the greater adoption of payment cards favoured by the health emergency (e-commerce and contactless payments), albeit with a very different performance among the various types of cards.

Credit cards were the type most impacted, with a 15% decline in transactions compared to December 2019 mainly due to lower consumption in the business and in the tourism sector. Prepaid cards continue to grow at a rapid pace with transactions up 20% and transaction volume up 17% compared to 2019, due to both the development of e-commerce and the contribution of cards issued for Citizenship Income. Transactions and debit card transactions also grew slightly, up 2.6% and 1.3% respectively on the previous year.

At 31 December 2020, the number of cards active on the market exceeded 91 million (+1% compared to 31 December 2019) broken down as follows: debit cards amounted to 46.6 million (+1.7% compared to 31 December 2019), prepaid cards to 29.5 million (+1.8% compared to 31 December 2019) and credit cards to 15.2 million (-1.6% compared to 31 December 2019).

According to the latest available figures¹⁸, **Mobile telephony** market penetration, in terms of total mobile lines, stands at approximately 173% of the population, with MVNOs (Mobile Virtual Network Operator) accounting for 16.2%¹⁹. The total number of lines at 31 December 2020 amounted to 103.9 million, including approximately 26.3 million Machine to Machine (M2M) SIM cards. PosteMobile, with a total market share of approximately 4.2%, accounts for around 45.0% of the total customers of mobile virtual network operators.

¹⁷ Source: Internal processing and estimates on Bank of Italy data (supervisory reporting flows)

¹⁸ Source: AGCom Communications Observatory no. 1/2021, Operators Report




¹⁹ Source: Internal Estimate PostePay - Administration, Planning and Control

Regulatory Context

	<p>Comparison websites (art.126-terdecies of the Consolidated Law on Banking) On 18 March 2021 the Decree of the Ministry of Economy and Finance (MEF) of 22 December 2020 on the "Discipline of websites for the comparison of offers relating to payment accounts" was published in the Official Gazette, which regulates the use of websites for the comparability of charges. Payment service providers offering current accounts intended for consumers shall participate in one or more websites for the comparison of offers for payment accounts and shall indicate this on their website. PostePay, with reference to the IBAN-equipped Postepay card dedicated to consumer customers, will join one or more comparison websites, providing the website owners with the data needed to compare offers.</p>
	<p>On 18 December 2020, the European Commission set a single maximum termination rate* for voice calls on mobile networks, and on fixed networks, in the European Union. The delegated act will not require transposition into national law, but operators will have a few months from the date of entry into force of the measure (expected in the third quarter of 2021) to implement the new termination values on their billing systems.</p> <p>On 17 December 2018, the new Electronic Communications Code was published in the Official Journal of the European Union. The national transposition of the Code has been delayed due to the health emergency. However, the European Commission has initiated infringement proceedings for non-transposition. The countries involved are 24 out of 27, including Italy, which will have to respond to the Commission and notify the transposition procedure. For Italy, the new transposition deadline is expected to be indicated in the next European delegation law.</p> <p><small>*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.</small></p>
	<p>With Resolution 10/21/CONS of 5 February 2021, Agcom provided new regulatory provisions for the blocking and activation of premium subscription services provided both via SMS/MMS and via data connection on mobile networks. PostePay has taken the planned measures in accordance with the new framework as of 22 March 2021, as scheduled.</p>
	<p>On 24 February 2021, the European Commission proposed to extend the existing International Roaming Regulation for an additional 10 years (until 30 June 2032), while reducing the maximum wholesale rates charged between operators to ensure the sustainability of the provision of retail roaming services at domestic prices, while also introducing new measures to increase transparency and ensure an effective roaming experience at domestic rates ("roam-like-at-home") in terms of quality of service and access to emergency roaming services. The current EU Regulation (no. 531/2012) will cease to have effect from 30 June 2022. The Commission proposal is under assessment by the Parliament and the Council, which will have to agree on a legislative text, possibly amended (co-decision procedure).</p>

Operating review

The following table shows the main activities of the Payments and Mobile Strategic Business Unit for the period:

Segment	Operating review
Monetics	<div style="display: flex; align-items: flex-start;">  <div style="flex-grow: 1;"> <p>Marketing continued of Postepay Connect, the offer that integrates the Postepay Evolution prepaid card and the PosteMobile SIM card in a single app, focusing both on sales of the integrated card-SIM product and on subscription of the Connect offer for customers who already own Postepay Evolution. Evolutions have been introduced in the request funnel with the aim of simplifying the customer's User Experience more and more.</p> </div>  </div> <hr/> <p>As part of the Poste Italiane Group's sustainability plan, the first biodegradable Postepay Green card was launched in March 2021. The new sustainable prepaid card, designed for the target aged 10 to 17 year, is made of biodegradable material and offers new functions for children and their parents, from "parental control" to the "pocket money" service. These services can be used from both web and app channels.</p> 

In the Acquiring area, a trial of the new **SoftPOS** service has been launched, a new solution that allows Android devices and smartphones with Near-field Communication (NFC) technology to be transformed into terminals capable of accepting contactless payments without the need for any additional hardware.

Lottomatica points of sale have been enabled to accept bill payments using the **Postepay Code**²⁰.

The partnership with **ENI** continued with the progressive activation at service stations participating in the offer of Postepay acquiring services (physical and digital POS through the Paga con Postepay solution, included in the Eni Station APP).

Collections and payments

Work continued on the gradual migration of Central and Local Public Administration (PAC) payments to the **PagoPA** system²¹. A new technological platform has been developed for the management of CAP Payments on the pagoPA system, which allows citizens to pay for Ministry of Infrastructure and Transport practices on both the physical and digital channels of Poste Italiane.

The possibility of paying the PA postal account **slip** on the **CartaLIS**²² acceptance network has been extended.

As part of the funds transfer service, holders of Libretti di Risparmio Smart with IBAN were given the option of receiving **instant SEPA transfers**, as is already the case for BancoPosta account holders and holders of Postepay cards.

Telecommunications

Entry into the ultra-broadband market with the provision of **fibre optic** services using ultra-broadband technologies: in March, as a preview for Poste Italiane Group employees, **PostePay** launched **Poste Casa Ultraveloce**, the new “data only” offer, which can be subscribed to online, using a “full-digital” process, which enables users to surf the web from home at fibre speeds of up to 1Gbps without limits. The offer also includes a second connection on the 4G network to surf immediately without limits and take WiFi everywhere, a WiFi modem and a USB key supplied on loan for free.



²⁰ An innovative acceptance service that allows participating merchants to collect payments ordered by the customer directly from their Postepay app, by framing the QR code (a two-dimensional bar code that stores information that can be read by a mobile phone, using a special application) displayed by the merchant.

²¹ 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 Payment Service Providers (PSP) enabled, in order to allow electronic payments in favour of Credit Institutions.

²² Legal entity that enables the network of affiliated tobacconists to offer Poste Italiane services to consumer customers (payment of slips and top-up of Postepay cards).



3. MACROECONOMIC CONTEXT

One year after the start of the global crisis caused by the Covid-19 health emergency, the international economic picture for the first quarter of 2021 recorded the gradual recovery of activity on a global scale despite the fact that the governments of many countries continue to implement restrictive measures to contain the spread of infections.

Uncertainty continues to characterise the short-term economic outlook related to the ongoing vaccination campaigns. However, the expansion of stimulus plans, increased international trade²³ and improved confidence indices point to cautious optimism for the future. Therefore, the March 2021 Organisation for Economic Co-operation and Development (OECD) forecasts for global growth have been updated upwards, predicting an increase of 5.6% for the current year, compared to 4.2%, estimated in December 2020; the International Monetary Fund in its April 2021 World Economic Outlook²⁴ also forecast 6% growth (+0.5% compared to the January 2021 forecast). The Chinese economy, which will emerge from the crisis by 2020, and the US economy, which is showing an acceleration in its recovery, are driving international trade on the basis of massive fiscal stimuli, while the euro area is still burdened by uncertainties linked to the progress of vaccination campaigns in individual countries and the timing of implementation of the Next Generation EU.

The current recovery phase is accompanied by a strong recovery in demand for commodities, in particular the price of Brent²⁵, which, also aided by a reduction in supply (Saudi Arabia's unilateral production cut of one million barrels per day)²⁶, increased from \$51 per barrel on 31 December 2020 to \$63 on 31 March 2021²⁷ returning to pre-Covid prices.

The improvement in the inflationary scenario, which has also characterised the euro area recently, is fundamentally linked to a series of transitory factors (normalisation of VAT rates in Germany, revision of the Eurostat basket, etc.), which pushed the trend figure for March 2021 up to 1.3%. However, underlying price pressures remain subdued in a context of weak demand and significant unused capacity in labour and goods and services markets.

Financial markets in the first quarter of 2021 reached new highs discounting the benefits of ultra-expansive monetary and fiscal policies, while experiencing increasing volatility, a sign of investor fears that rising commodity demand and strong fiscal support could cause pressure on inflation expectations, with potential negative effects on interest rates²⁸.

In 2020, the **euro area** recorded a contraction in GDP of 6.6%²⁹; the continuation of the containment measures adopted in the main countries of the area may not allow the economy to return to positive values in the first quarter of 2021: the estimate, contained in the Eurozone Economic Outlook study carried out by Istat, Ifo Institute and Kof Swis Economic Institute, forecasts a drop of 0.4% in the period in question³⁰. The 1.6% growth expected in industrial production will not be able to offset the losses in the services sector, which is heavily affected by the restrictive measures. However, in March 2021, signs of improving demand were more pronounced: the Purchasing Managers' Index (PMI)³¹ manufacturing stood at 62.5 points, up sharply from 57.9 in February 2021³², while the composite PMI³³ rose to 53.2 points from 48.8 in February 2021. Only the Tertiary Activity Index³⁴ remained below the 50-point mark (49.6). However, thanks to rising levels of confidence about future prospects, service firms hired new staff for the second month in a row. In the manufacturing sector, record expansion in production and new orders has led to an increase in average delivery times for goods due to material

²³ World Trade Monitor – January 2021

²⁴ World Economic Outlook - April 2021

²⁵ Brent Crude is one of the benchmarks on oil used by traders trading oil futures and other oil derivatives.

²⁶ Istat - Monthly report on the performance of the Italian economy - February 2021

²⁷ Il Sole 24 Ore - Brent - 31 March 2021

²⁸ Financiallounge.com - Schroders sees the start of a new super cycle for commodities - 9 March 2021

²⁹ Istat - Eurozone Economic Outlook - 29 March 2021

³⁰ Istat - Eurozone Economic Outlook - 29 March 2021

³¹ Purchasing Managers Index: macroeconomic indicator used in the analysis of the manufacturing, services and construction sectors and is the result of a survey conducted among the Purchasing Managers of the companies sampled through surveys on the various aspects that characterise the performance of the company (number of employees, production trends, orders received, prices, distribution and future expectations). The figure is used to check the economic condition of the industry and provides a forecast of future growth or decline in the industry.

³² Purchasing Managers' Index - Euro area manufacturing sector expands to record high in March - 1 April 2021

³³ Purchasing Managers' Index - Euro area private sector returns to growth - 7 April 2021

³⁴ The outsourcing index of the economy, measured by the ratio of employment in the tertiary sector to total employment

shortages and pandemic-related logistical difficulties, creating inflationary pressures: as of March 2021, procurement costs have increased at the highest rate in ten years³⁵.

The launch of the vaccination campaigns reflects favourably on the outlook for the medium term. However, the timing and intensity of the recovery remains uncertain, as confirmed in mid-March 2021 by the President of the European Central Bank Christine Lagarde in her hearing before the Economic and Monetary Affairs Committee of the European Parliament³⁶.

The Italian economy ended 2020 with GDP down 8.9% for the full year and 1.9% in the fourth quarter. In early 2021, lockdown measures, albeit partial, continued to restrict some economic activities and people's freedom of movement leading to a compression on household consumption. The volume of non-food retail sales fell sharply (-7.2%), while food purchases remained substantially unchanged (+0.1%). In March 2021, the consumer confidence index is estimated to fall from 101.4 to 100.9³⁷ with widespread deterioration in opinions and expectations about the general and personal economic situation³⁸.

Cyclical information on the supply side, for the first quarter of 2021, still shows sectoral heterogeneity, although the differential in the degree of uncertainty between the manufacturing sectors (in clear recovery) and services (which have been most affected by the recession caused by Covid-19) is gradually decreasing. Centro Studi Confindustria estimates a growth in industrial production in the first quarter of 2021 of 1.0%³⁹, which thus demonstrates good resilience; consistently, qualitative surveys show in March 2021 an improvement in entrepreneurs' assessments of the current situation and moderate optimism about the prospects for demand in the coming months: the business confidence index marked an increase in the composite index⁴⁰ (from 93.3 to 93.9). On the other hand, confidence fell in services, especially in retail trade: the index fell from 85.7 to 85.3 in market services and from 93.7 to 90.9 in trade⁴¹.

Italy's growth forecast is conditioned by the advancement of vaccination. In particular, the quarterly profile for Italian GDP should be characterised by a strong rebound in the summer months that could extend into the autumn, a prospect that has led the OECD to forecast GDP growth for the whole of 2021 of 4.1%⁴².

³⁵ Purchasing Managers' Index - Euro area manufacturing sector expands to record high in March - 1 April 2021

³⁶ Il Sole 24 Ore - ECB: Lagarde, economy will improve in 2021, but uncertainties about pandemic and vaccination timing - 18 March 2021

³⁷ Formatresearch.com - ISTAT. Consumer and business confidence - 26 March 2021

³⁸ Istat - Consumer and business confidence - 26 March 2021

³⁹ Confindustria - CSC rapid survey on industrial production - 2 April 2021

⁴⁰ Main among the PMI indices produced and published by Markit Economics.

⁴¹ Formatresearch.com - ISTAT. Consumer and business confidence - 26 March 2021

⁴² OECD Economic Outlook - Volume 2020 - 9 March 2021

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](#)

4.1 POSTE ITALIANE'S INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In a context characterised by a high level of operational and regulatory complexity and the need to compete more and more efficiently in the reference markets, risk management and the related control systems take on a central role in the decision-making processes, with a view to creating long-term value to the benefit not only of the shareholders, but also in consideration of the interests of the other stakeholders of relevance to the company.

The Poste Italiane Internal Control and Risk Management System (SCIGR) is a combination of tools, procedures, rules and organisational structures, designed to ensure that the business is managed in a way that is sound, fair and consistent with the corporate objectives, and to pursue sustainable success, through an adequate definitions of players, duties and responsibilities of the various corporate bodies and control functions as well as through the identification, measurement, management and monitoring of the main risks, and through the structuring of adequate reporting lines to expedite the flow of information.

This system is a fundamental element of Poste Italiane's corporate governance system, as it enables the Board of Directors to guide the Company in its pursuit of long-term value creation, defining the nature and level of risk compatible with its strategic objectives, and including in its assessments all elements that may be relevant to sustainable success. In particular, in line with the main leading practices that place particular emphasis on the integration of sustainability into strategies, risk management and remuneration policies, Poste Italiane's SCIGR aims to contribute to the Company's sustainable success by defining ESG roles and responsibilities, information flows between the players involved in the internal control system and towards corporate bodies, and the methods of managing the related risks. Moreover, in order to achieve this objective, the Company has decided to promote dialogue with the relevant stakeholders, in order to ensure a constant exchange of views on business strategies and their implementation.

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. The second-level control units, whose role consists primarily of defining risk management models and carrying out monitoring activities, play a key role in the integration and overall functioning of the Internal Control and Risk Management System.

4.2 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 Sustainable Development, Risk and Compliance function (SSRCG), 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. In addition, during 2020, the platform was further expanded through evolutionary implementations and migration of new risk areas (tax, physical security, Integrated Compliance, privacy, IT security, corruption). This is the tool that has enabled the Group to maximise integration of the risk management process, ensuring that risk assessment methods are shared across all the specialist second-level control functions. At the same time, it has improved communication with senior management and corporate bodies and between the various control functions, minimising the risk of inadequate or redundant information.

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

Risk category	Description
Strategic	This category of risks could influence achievement of the goals set out in the Strategic Plan and are identified, classified and monitored with the involvement of management from the SSRGC function. This process describes the key nature of the risks, the triggers and the potential consequences or effects, in both financial terms (e.g. losses, increased costs due to delays or the failure to implement restructuring plans and efficiencies, reduced revenue), and in other terms (e.g. customer satisfaction).
Operational	Operational risks refer to the risk of losses resulting from inadequate or failed internal processes, people and systems at Group level, or from external events. Management of operational risk takes place at both the level of specialist units within the Group (BancoPosta Risk Management, Poste Vita Group Risk Office and PostePay Risk Management and Compliance), in compliance with the respective supervisory standards, and at an integrated level, involving the SSRGC function. The following risks, among others, are closely monitored: i) IT risk, above all the risk that malfunctions and/or shortcomings in information systems could result in the loss of data integrity, leaks of personal data or breaches of confidentiality, potentially causing disruption to the services provided to customers; ii) health and safety risk, with specific regard to the risk of workplace injury to employees or contractors as a result of operations (e.g. the collection, transport and sorting of parcels and letter post, and the delivery of postal products using motor vehicles); iii) physical security risk, relating to the headquarters premises of Group companies, to post offices or other private areas by unauthorised or unidentified persons, and risks deriving from limited protection of Poste Italiane's assets and property against criminal behaviour (robberies, losses resulting from fraud, theft, ATM attacks, vandalism, etc.). Operational risk also includes disruption and/or obstacles to entry to the Group's operating facilities (mail sorting centres and delivery offices, etc.) due to industrial action or strikes.
Compliance	This refers to risks of breaches of 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).
Reputational	This category regards the risks connected with a negative perception among the Group's stakeholders, in response to which the Group has adopted a stakeholder engagement

Risk category	Description
ESG	<p>framework in order to identify and assess this type of risk at source. The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiaries, Poste Vita and Poste Assicura, and mutual funds managed by BancoPosta Fondi SGR), and those linked to the perceived and effective quality of the services linked to letter post and parcel delivery.</p> <p>Risks arising from factors related to environmental, social and governance issues (in particular, linked to human rights, climate change and sustainable finance).</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 in SSRCG. Financial risks primarily relate to the operations of BancoPosta RFC⁴³ and PostePay's ring-fenced EMI⁴⁴ (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 nominal value of these securities at 31 March 2021 amounted to €139 billion (€164 billion in terms of total bond holdings). As regards the evolution of relevant risks, the first quarter of 2021 was characterised by a slight increase in the yields on Italian government securities, from a level of 0.54% at the end of December 2020 to 0.67% at the end of March 2021. The increase in yields on Italian government securities, combined with the rise in risk free rates, led to an increase in valuation gains⁴⁵.</p> <p>The reduction in the spread had a positive effect on the Poste Vita Group Solvency II Ratio, which stood at 301%⁴⁶ at 31 March 2021, compared with 267% at 31 December 2020 and 276% at December 2019.</p>

⁴³ 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.

⁴⁴ Following the receipt of clearance from the Bank of Italy, the General Meeting of Poste Italiane held on 29 May 2018 approved the proposed removal of the assets, liabilities and contractual rights attributable to the card payments and payment services business unit from the ring-fence that applies to BancoPosta RFC. 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).

⁴⁵ 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 31 March 2021 of €42 billion. Fixed income securities measured at amortised cost relating entirely to BancoPosta RFC amounted to €33,187 million at 31 March 2021 (with a fair value of €35,527 million). With regard to the Poste Vita Group, on the other hand, the portfolio exposed to this form of risk at 31 March 2021 amounts to a total of €116.6 billion and primarily consists of financial assets at FVTOCI.

⁴⁶ Value inclusive of the payment of dividends to the Parent Company for €429 million (approved by the Company's Board of Directors on 23 March 2021 and by the Shareholders' Meeting on 28 April 2021).

	<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 332% at the end of March 2021 (299% at the end of December 2020). Starting 2019, 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. 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 authorisation by IVASS in February 2019, the commitment letter signed by the Parent Company in favour of Company Poste Vita S.p.A. is counted among the elements of Tier 2 (AOF) ancillary funds, together with the subordinated loan, the value of which was €0.3 billion at 31 March 2021. 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 about €2 billion at 31 March 2021 (€1.9 billion).</p>
Price	<p>This is the risk that the value of a financial instrument fluctuates as a result of market price changes, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.</p>
Credit	<p>This is the risk of default of one of the counterparties to which there is an exposure, except for investments in equity instruments and mutual funds. In relation to revenue and receivables due from the state and from central and local government bodies, regulated by statute and specific agreements or contracts, prompt and full payment of the amounts due is dependent on availability of the necessary funds in the state budget or in the budgets of the related Public Administration entities.</p>
Liquidity	<p>This is the risk that the Poste Italiane Group is unable to meet its obligations deriving from financial instruments due to its inability to raise sufficient funds (funding liquidity risk) or to sell assets in the market (market liquidity risk) effectively or at market conditions.</p> <p>The Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term borrowings and counterparties, the availability of significant committed and uncommitted lines of credit 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. 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 variable 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 variable 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,</p>

	generate economic effects in terms of net interest income, reflecting on the income results of future periods.
Cash flow inflation	This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.
Foreign exchange risk	This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency. This risk primarily regards trade receivables and payables due from and to overseas counterparties, investments in equity instruments and holdings in certain funds.
Downgrade of Poste Italiane⁴⁷	<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 (30 March 2021) • Moody's: Baa3/Stable (confirmed on 23 October 2020 by means of issue of Credit Opinion).

⁴⁷ The ratings currently assigned to the Italian Republic are as follows: Standard & Poors: BBB/Stable (23 October 2020); Moody's: Baa3/Stable (06 November 2020).

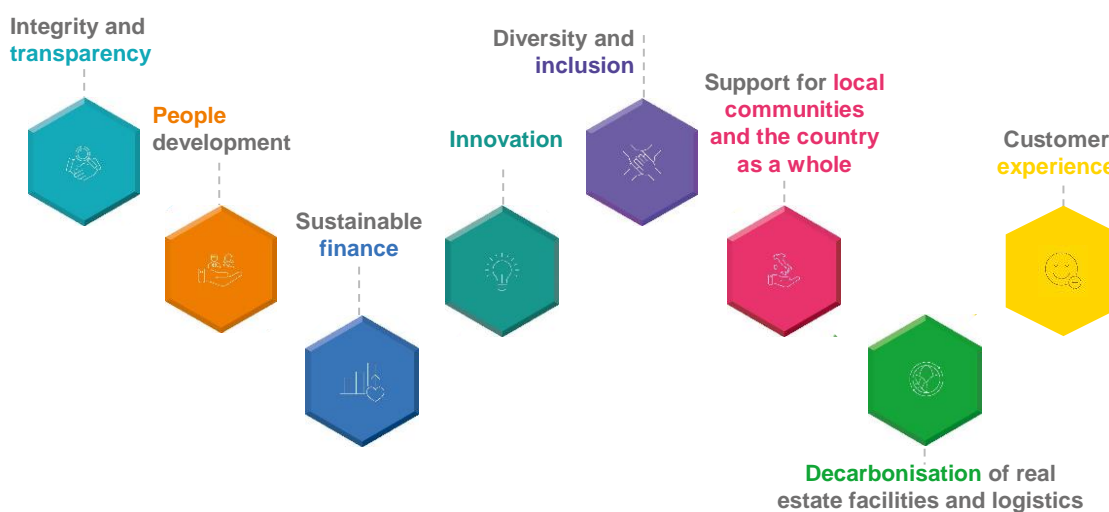


4.3 COVID-19 RISK MANAGEMENT AT POSTE ITALIANE

Poste Italiane is unique in Italy in terms of its size, recognition, capillarity and customer trust, and is an integral part of the economic, social and productive fabric of the country. Its role in relation to the entire nation makes the Group responsible for the well-being of the communities in which it operates, in the conviction that in such a critical period of Italian history its contribution can represent a valuable tool at the service of citizens and institutions. The Covid-19 pandemic, which has been part of everyday life for a long time, has taken the whole world by surprise, requiring great efforts from all economic operators to identify solutions aimed at ensuring people's health and, at the same time, continuity of their business. Poste Italiane, in compliance with government measures on virus containment and interpersonal distancing, has implemented various initiatives and made them possible thanks to the commitment of the entire organisation, making its contribution to the entire country.











The Group has reshaped the way in which it provides its services, constantly taking into account the evolution of the current epidemiological situation and the consequent Government measures on the subject. First of all, the Company has considered it of fundamental importance to guarantee the protection of health and of employees, adopting flexible forms of work (smart working) and providing personnel with all the tools and equipment they need to work in complete safety (e.g. PPEs, plexiglass panels, etc.), in cases of activities that are incompatible with the remote working model, such as postal and logistics activities.











The actions undertaken by the Group 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-19 emergency on SDGs⁴⁸:



⁴⁸ "Shared Responsibility, Global Solidarity: responding to the socio-economic impacts of Covid-19", March 2020.

ACTIONS TAKEN







OUR POSTE ITALIANE PEOPLE	
<p>Establishment of bodies and tools aimed at a unified and nationally coordinated governance of containment and prevention actions (Coronavirus Risk Management Committee chaired by CEO and 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 potential contagion: organisational measures to remodel operations for the branch network and for logistic-postal activities (reduction in the concentration of personnel to ensure the minimum interpersonal safety distance within the operating sites), smart working, suspension of travel (international, national, infra-regional except if absolutely unavoidable), of classroom training at internal events and participation in external events suspension of access by consultants, service providers and visitors to the management offices and, in a second phase, closure of internal bars and company canteens.</p>	
<p>Constant distribution of PPE to exposed personnel protective masks (about 7 million pieces), fabric/surgical masks (about 47.8 million pieces), hand gel (1.74 million litres), disinfectant kit (648,000 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 were activated on the forced aeration systems for the winter season.</p> <p><small>*Data for the period January-April 2021.</small></p>	
<p>Extension of employee health policy: extension of the guarantees offered to Poste Assicura health policyholders and its employees who have adhered to the Group's Health Fund plan, with the aim of providing the best possible assistance to people infected by Covid-19.</p>	
<p>Establishment of a dual communication channel to facilitate the flow of information (web portal to allow timely verification of the actions taken by Poste and a toll-free number to request further information).</p>	
<p>Extension smart working: 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 July 2021.</p>	
<p>Guaranteed that employees will be able to undergo free swabs: the Company initiated a Covid-19 testing campaign ensuring that all employees could undergo a free swab starting 12 March 2021.</p>	
<p>Free leave for Covid vaccines: The Company has set up paid leave for employees to take part in the Covid-19 vaccination campaign, further demonstrating the fundamental value that the Poste Italiane Group attaches to participation in the vast national anti-Covid-19 operation. All employees will be eligible for leave for up to two calendar days in total, one for the administration of each dose of vaccine, either full-day or hourly.</p>	
<p>Installation of thermal cameras to detect body temperature at the headquarters, 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>	

CUSTOMERS	
<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>Continued also in the first quarter of 2021 the 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 In over two and a half years, there have been 14 million interactions between toll-free number and chat.</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-19 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>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 on 31 March 2021 of about 29,200 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



<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>Close collaboration with Labour Unions and constant updating with respect to the strengthening of measures to limit contagions and measures aimed at ensuring service continuity.</p>	
<p>Agreement between Poste Italiane and the Carabinieri for the provision and home delivery of pensions for citizens over 75 years of age. Following agreements with the MEF, the Civil Protection, the Ministry of Labour, the Inps and the Bank of Italy, the staggered payment of pensions began in April 2020 and will continue in the first quarter of 2021. 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 Post Offices.</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>Collaboration with institutions on the disbursement of the Inps bonus and the advance payment of ordinary and special redundancy payments to BancoPosta and Postepay Evolution customers.</p>	
<p>Implementation of a platform to facilitate the vaccination campaign: Covid vaccine bookings can be made using the Poste Italiane online platform, developed and made available to the Italian regions, and totally free of charge.</p>	
<p>Logistical support for the delivery of vaccines: special vehicles, equipped with cold rooms, proceed with the delivery of vaccines to the appropriate locations.</p>	
<p>Continuous communication activities to national and local institutions aimed at raising awareness</p>	
<p>Among the free financial education initiatives for the public, Poste Italiane is providing educational webinars with the aim of spreading and increasing awareness of financial, insurance and pension matters.</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. Starting from the fourth quarter of 2020, it was 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 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.</p>	
<h2>SUPPLIERS</h2> 	
<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>	
<p>Respect for payment methods and times towards suppliers.</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>	



5. FINANCIAL REVIEW

PERFORMANCE OF POSTE ITALIANE SHARES

GROUP OPERATING RESULTS

SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT

MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

DIGITAL PROPERTIES, THIRD-PARTY NETWORKS AND MAIN KPIs

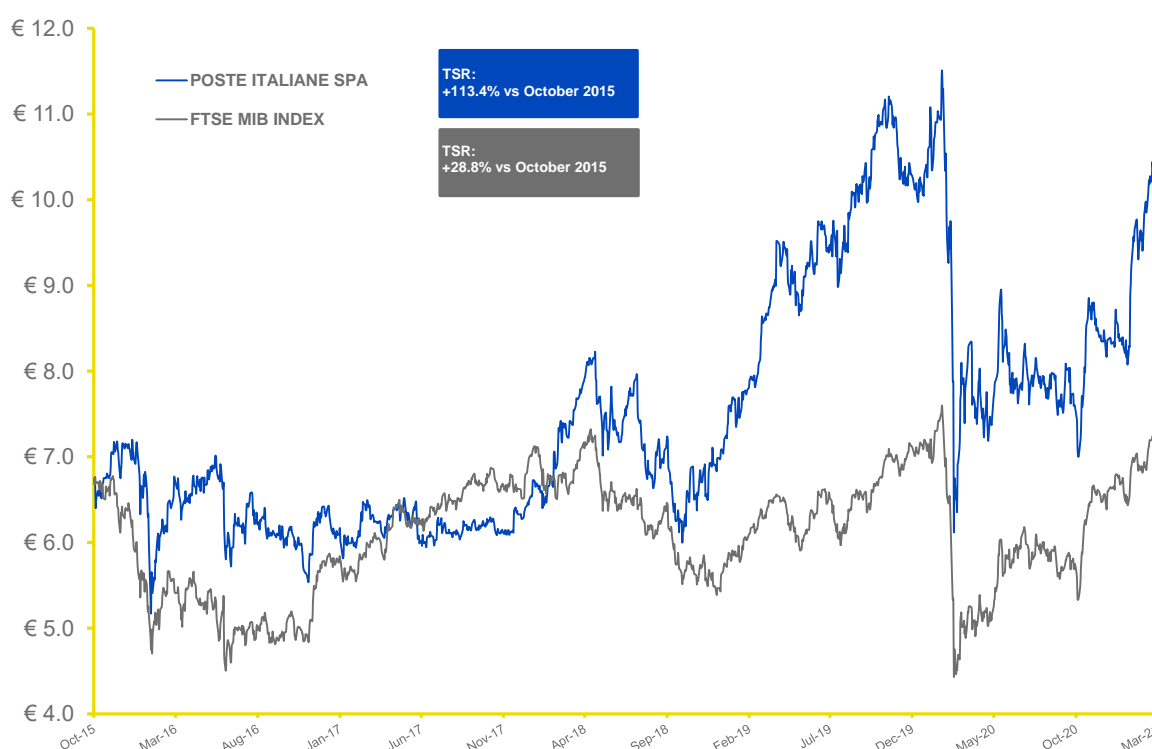
GROUP FINANCIAL POSITION AND CASH FLOW



5.1 PERFORMANCE OF POSTE ITALIANE SHARES

During the first three months of 2021, Poste Italiane shares increased 30% on the stock market, from €8.34 at the beginning of the year to €10.84 at the end of March 2021. Over the same period, the FTSEMIB increased 11%.

From the date of listing on the stock exchange (27 October 2015) to 31 March 2021, Poste's share price increased by 61% (while the FTSEMIB index increased by 9% in the same period), guaranteeing an overall return for shareholders (TSR) of +113.4% while the main Italian stock exchange index recorded an increase of 28.8%.





5.2 GROUP OPERATING RESULTS

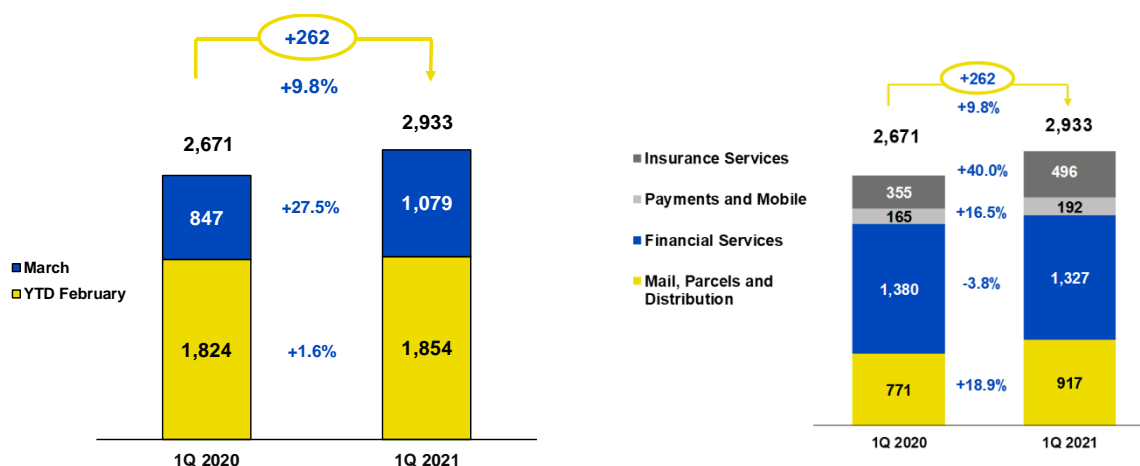
The Group's performance in the quarter was solid and up on the same period in 2020 thanks to the combined effect of revenue growth and cost rationalisation actions.

CONSOLIDATED OPERATING RESULTS

	1Q 2021	1Q 2020	CHANGES	
(€m)				
EXTERNAL REVENUE	2,933	2,671	+262	+9.8%
TOTAL COSTS	2,313	2,230	+82	+3.7%
EBIT	620	441	+180	+40.8%
EBIT margin %	21.2%	16.5%		
NET PROFIT	447	306	+141	+46.0%
NET EARNINGS PER SHARE	0.34	0.24	+0.11	+46.0%
CAPEX	116	97	+0.02	+19.3%
% of revenue	4.0%	3.6%		

Group revenues amounted to €2.9 billion, marking an increase of €262 million compared to the first three months of 2020 (+9.8%), confirming the resilience of the Group in an economic scenario that still reflects the consequences of the healthcare emergency and the effectiveness of the Group's strategic choices communicated in March with the presentation of the 24SI Strategic Plan.

EXTERNAL REVENUE (€m)

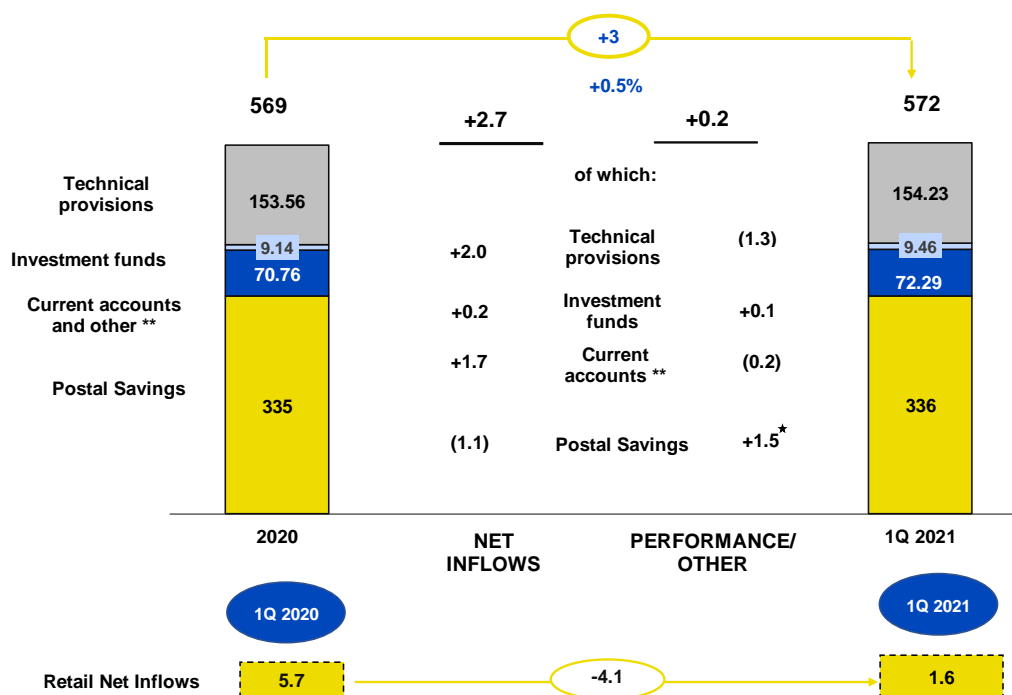


Specifically, the Strategic Business Units made a positive contribution: Mail, Parcels and Distribution Services (+€146 million or +18.9%), Insurance Services (+€142 million or +40.0%), Payments and Mobile (+€27 million or +16.5%), partly mitigated by the decline in revenues from Financial Services (-€53 million or -3.8%).

The growth in revenues in the first quarter is concentrated in March due to the significant drop in operations from March 2020 as a result of the restrictive measures adopted by the institutions to deal with the health emergency.

TOTAL FINANCIAL ASSETS

(€bn)



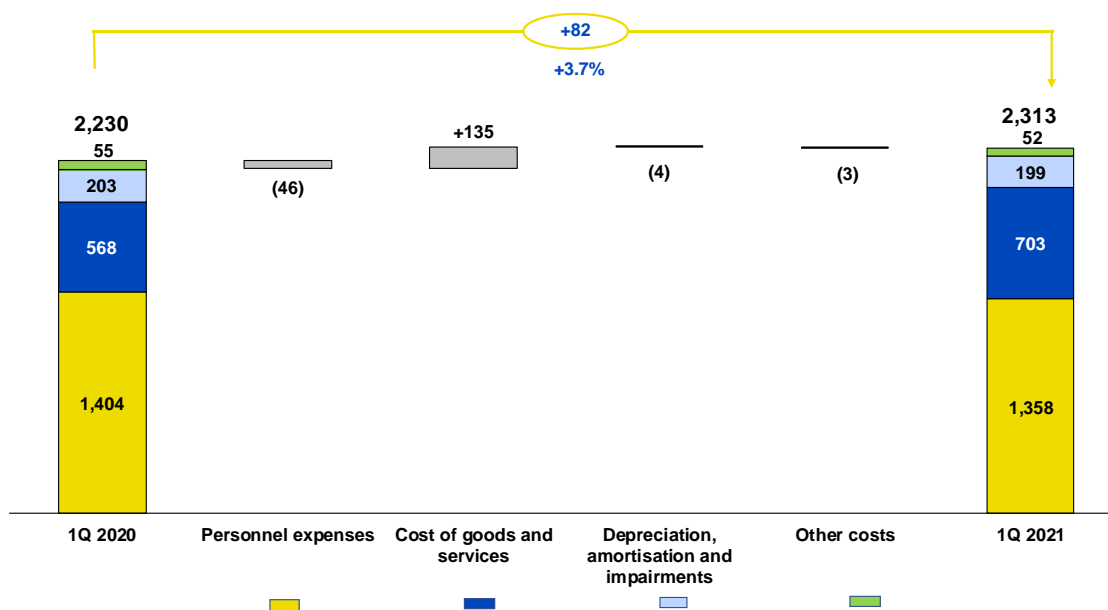
* Includes capitalisation of interest

** Includes current accounts and assets under administration. Current accounts do not include REPO and Poste Italiane's liquidity.

Total financial assets at 31 March 2021 amounted to €572 billion, up by €3 billion compared to 31 December 2020, as a result of the positive performance recorded mainly in current accounts (due to customers' preference for liquidity in scenarios marked by uncertainty) and in the insurance segment supported by the growth of Multi-class products.

TOTAL COSTS

(€m)

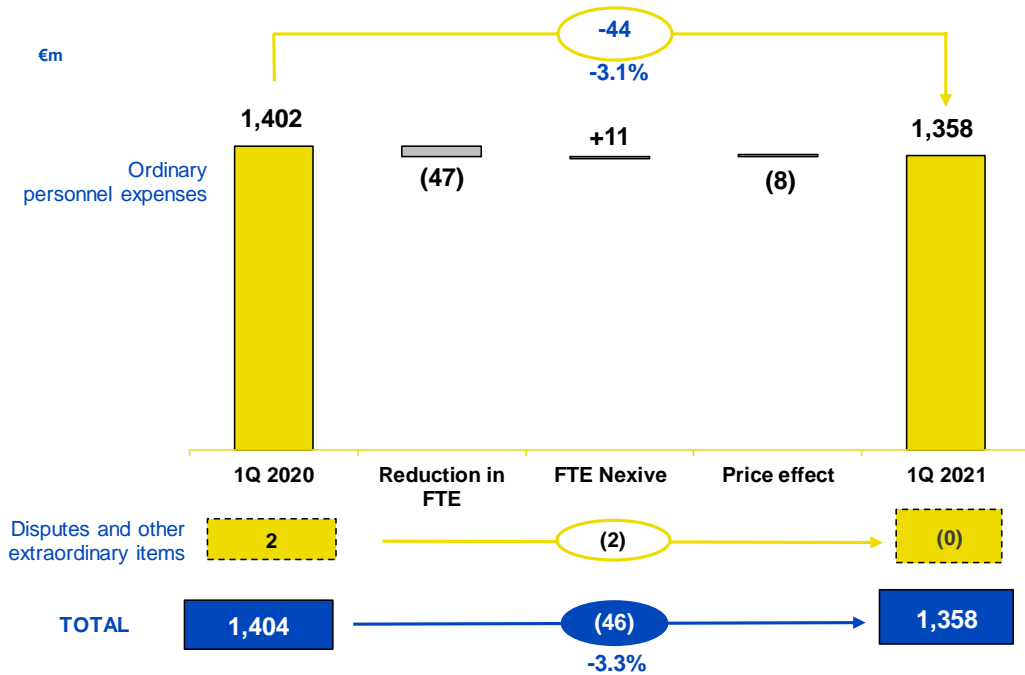


Total costs amounted to €2,313 million, up from €2,230 million in the first three months of 2020 (+€82 million), mainly as a result of higher costs for goods and services (+€135 million), linked to the increase in variable costs mainly of the parcels business, as well as the entry as of 1 January of Nexive Group, which contributes €35 million.

The increase in the cost of goods and services was partially offset by lower personnel expenses, which totalled €1,358 million in the first three months of 2021, down €46 million compared with the same period last year. The value at 31 March 2021 of costs for goods and services also includes expenses incurred to deal with the health emergency, which in the first quarter of 2021, amounted to €23 million (exactly in line with the value for the corresponding period in 2020).

PERSONNEL EXPENSES

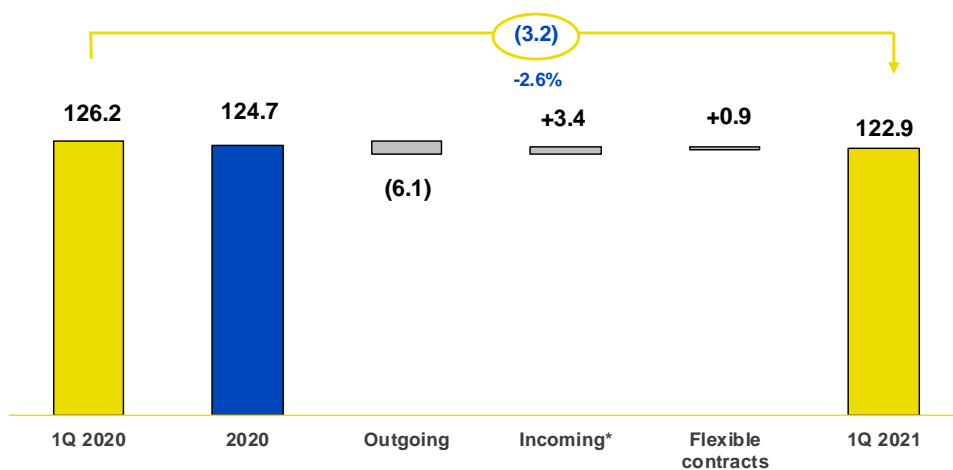
The total personnel expenses decreased by €46 million (-3.3%) compared to the first three months of 2020. This change is attributable to a reduction in the ordinary component from €1,402 million in the first three months of 2020 to €1,358 million in the same period in 2021, mainly due to a reduction in average workforce during the period (over 3,200 FTE less than in the same period in 2020), partially mitigated by the entry of Nexive resources (approximately 1,200 FTE), following the acquisition of the Group in January 2021.



The reorganisation and rationalisation of internal processes continued in the current year through incentive-based redundancies; exits in the first quarter of 2021 were higher than 6 thousand FTE against entries of approximately 3.4 thousand FTE on permanent contracts and approximately 0.9 thousand FTE on fixed-term contracts.

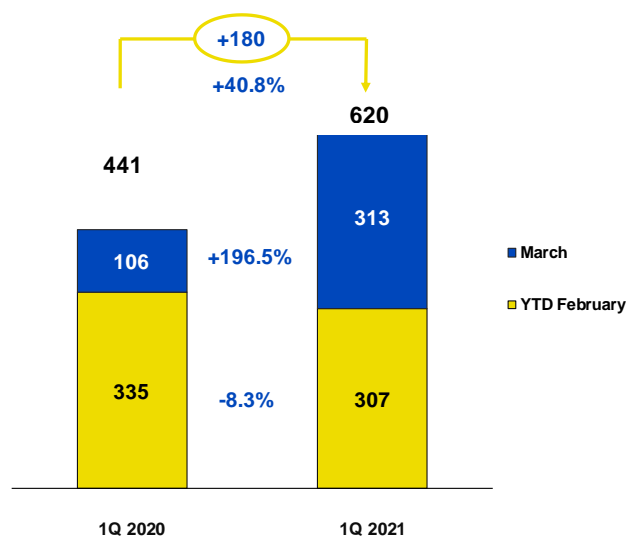
WORKFORCE

(Full Time Equivalent in thousands)



* Including approximately 1,200 FTE incoming from Nexive Group

EBIT (€m)



Consolidated operating income for the first quarter of 2021 amounted to €620 million, an increase of €180 million (+40.8%) compared with the same period last year (€441 million), due to the sustained growth in revenues achieved in a macroeconomic context which, although still characterised by the health emergency, was more favourable. The development of revenues also testifies to the solidity of the various business and the validity of the strategic choices outlined in the new 24SI Plan.

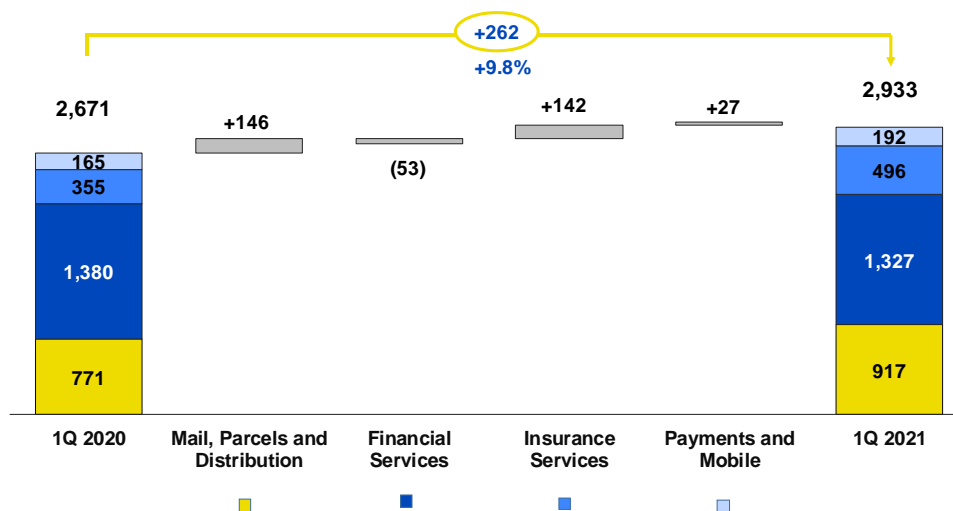
The growth in operating profit was also due to the positive performance of personnel expenses as a result of the aforementioned efficiency measures on the FTE component.

5.2.1 SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT



The main economic results by Strategic Business Unit are shown below.

EXTERNAL REVENUE (€m)



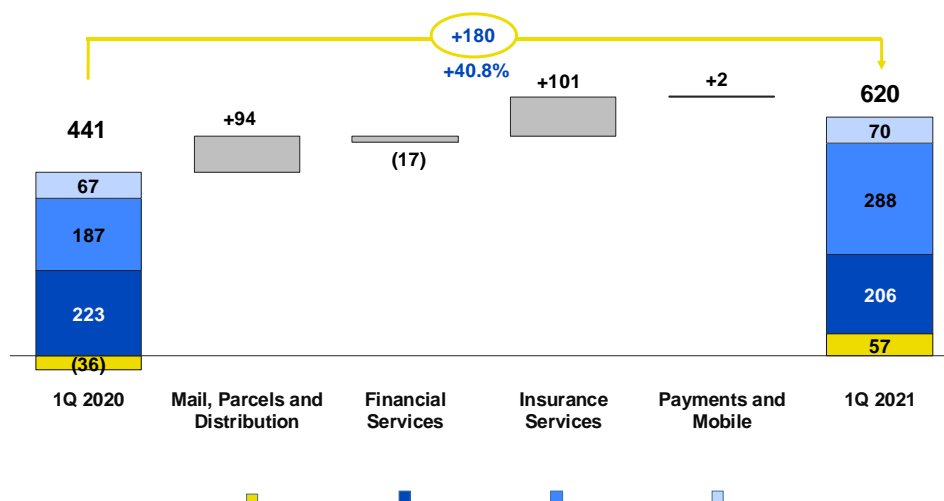
External revenues of the **Mail, Parcels and Distribution** Strategic Business Unit amounted to €917 million, up €146 million compared to the first quarter of 2020, due to the significant growth of the parcels business in all segments, partly offset by the decline in the mail business, which has nevertheless benefited from the consolidation of the Nexive Group from January 2021.

The **Financial Services** Strategic Business Unit contributed €1,327 million to the Group's revenue, a negative change of €53 million compared to the first quarter of 2020.

The **Insurance Services** Strategic Business Unit recorded external revenue of €496 million and a positive change of €142 million compared to the first quarter of 2020. In detail, Life net revenues amounted to €459 million, up by €140 million compared to the first quarter 2020, mainly due to higher loadings and the investment margin, which benefited from the increase in average assets under management and the diversification of the product mix. P&C net revenue increased and amounted to €35 million (+€1 million compared to the first quarter 2020).

The **Payments and Mobile** Strategic Business Unit contributed to total revenue with €192 million (+€27 million, compared to the same period in 2020), recording growth in all segments.

EBIT (€m)



The operating profit of the Mail, Parcels and Distribution Strategic Business Unit was positive for €57 million, up from the negative value (-€36 million) realised in the first quarter of 2020 (+€94 million). Positive performance also for the Payment and Mobile Services Strategic Business Unit and the Insurance Services Strategic Business Unit, which recorded in the first quarter of 2021 respectively operating income of €70 million (+€2 million compared to the same period in 2020) and €288 million (+€101 million compared to the first quarter of 2020).

The Financial Services Strategic Business Unit contributed to the group's operating profit with a positive EBIT of €206 million, down €17 million compared to the same period last year (€223 million).



5.2.2 MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

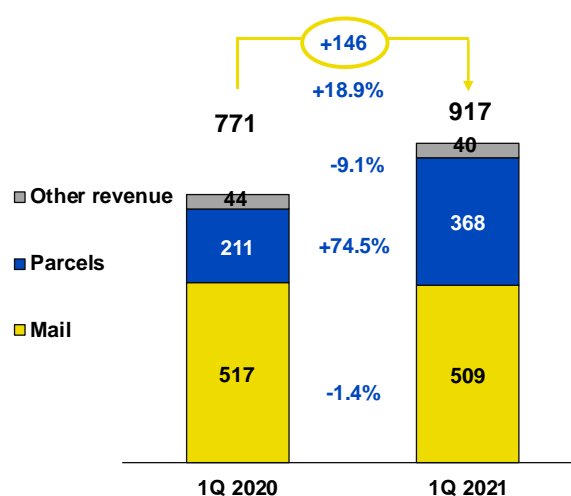
The positive performance of the Strategic Business Unit in the first quarter of 2021 reflects growth in revenue driven by the significant development of the parcels business in all categories and with the mail business benefiting from the contribution of the acquisition of Nexive Group.

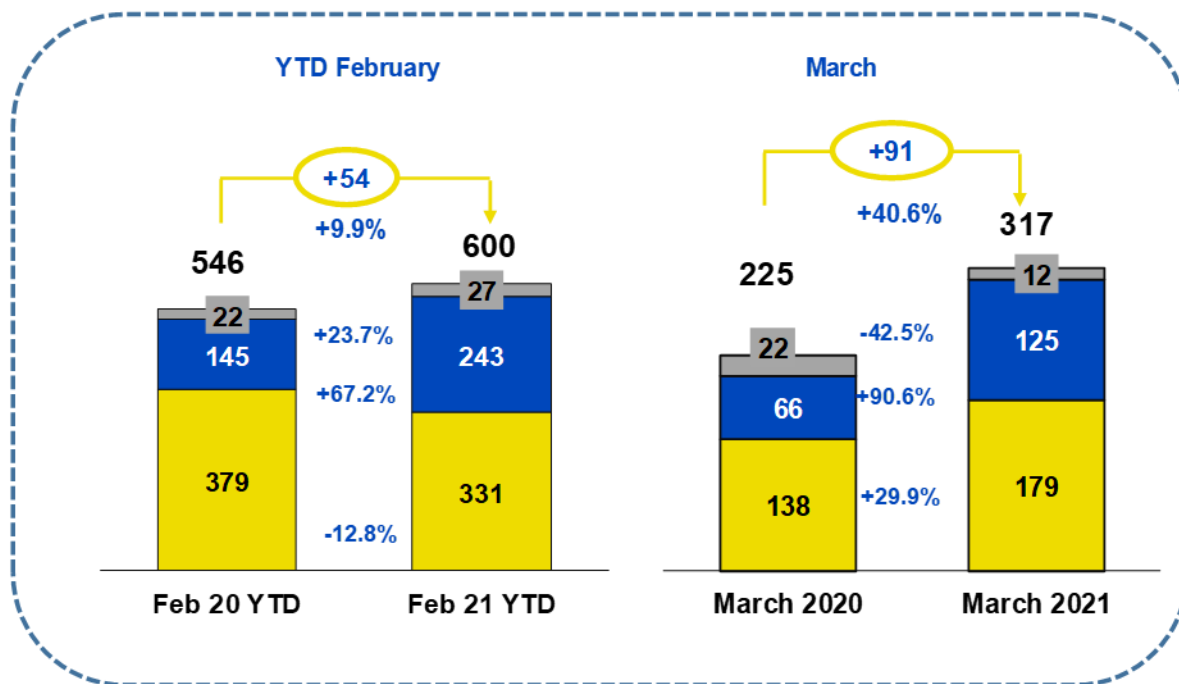
MAIL, PARCELS AND DISTRIBUTION	1Q 2021	1Q 2020	CHANGES	
(€m)				
External revenue	917	771	+146	+18.9%
Revenue from other sectors	1,275	1,260	+15	+1.2%
Total revenue	2,192	2,031	+161	+7.9%
Costs	2,115	2,050	+64	+3.1%
Costs vs other sectors	19	17	+2.5	+15.1%
Total costs	2,134	2,067	+67	+3.2%
EBIT	57	(36)	+94	n/s
EBIT margin %	2.6%	-1.8%		
NET RESULT	38	(31)	+69	n/s

Main KPIs	1Q 2021	1Q 2020	CHANGES	
Mail and parcels				
Revenue/FTE (€K)	18	16	1.7	10.7%
Parcels that can be delivered as standard mail (volumes in m)	21	14	6.5	45.6%
New Punto Poste Network (number of lockers and alternative collection points)*	10,634	10,799	(165)	-1.5%
Distribution				
Number of Post Offices*	12,766	12,765	1.0	0.0%
Number of customers (m)	35	35	0.2	0.6%
Rooms dedicated to consultancy	6,865	6,751	114	1.7%
Postamat ATM network	7,986	7,707	279	3.6%

*The figure reported in 1Q 2020 refers to 31.12.2020

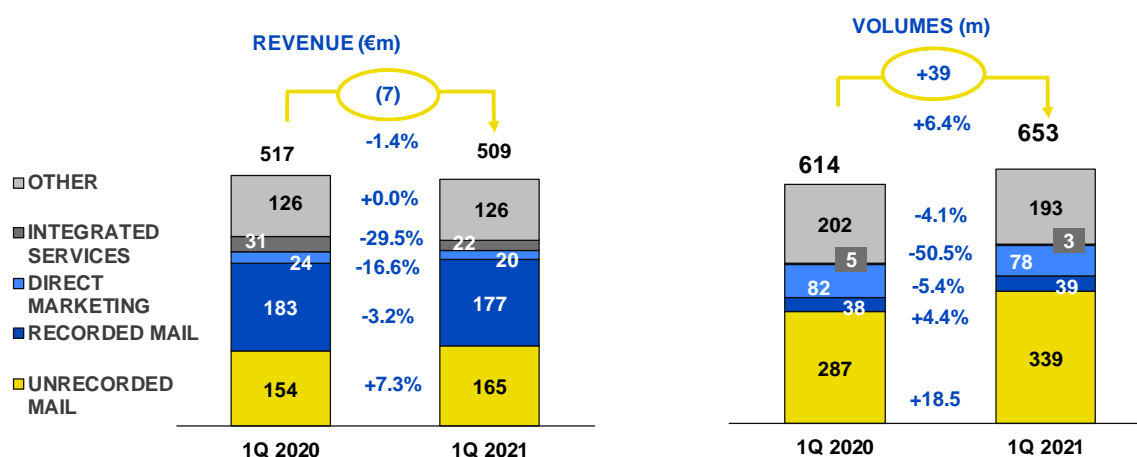
EXTERNAL REVENUES (€m)





First-quarter external revenues increased from €771 million in 2020 to €917 million in 2021 (+€146 million; +18.9%). This performance is the combined result of a reduction in revenue from traditional mail (down €7 million, equal to -1.4% compared with 2020) and the particularly positive performance of the parcels segment (revenues up €157 million, equal to +74.5%, compared with the same period of the previous year), primarily due to the development of the Group's activities in the B2C segment. It should be noted that the results for the first quarter of 2021 benefited from the contribution of Nexive Group companies, which generated revenue of €45.5 million (of which €33 million in revenue from the mail business and €13 million in revenue from the parcels business).

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).

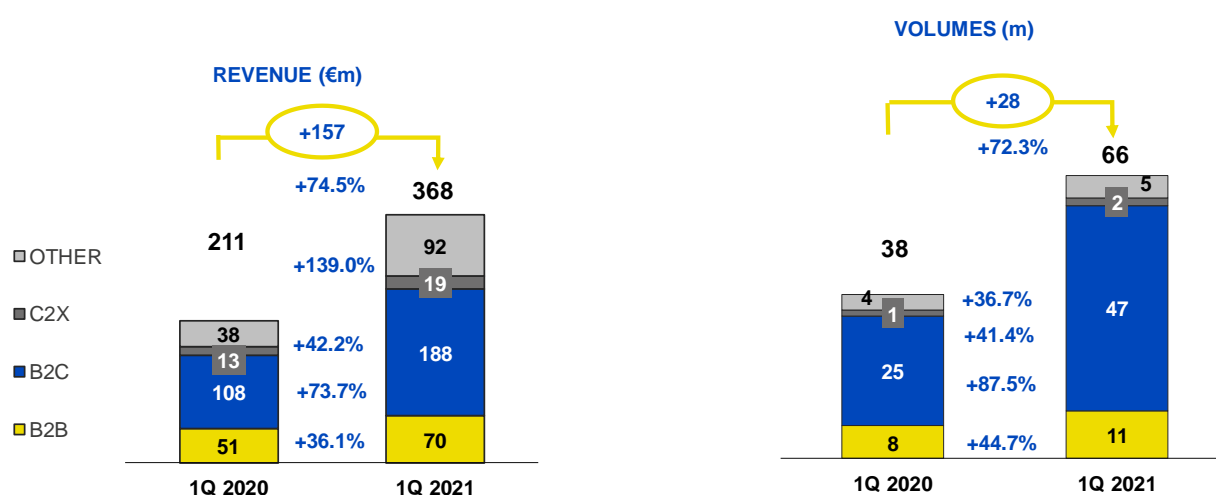
The performance of the Group's Mail services in the first quarter of 2021 saw a growth in volumes and a reduction in revenue respectively of +6.4% (+39 million items) and 1.4% (-€7 million), compared to the same period the previous year. This performance is attributable to the different product mix recorded in the first quarter of this year compared with the first quarter of 2020, with a reduction in volumes of certain higher value-added products in Recorded Mail and Integrated Services due to the delayed resumption of sending of tax collection notices and payment notifications. This decline was not offset in terms of revenue by the growth, albeit encouraging, in volumes of Unrecorded Mail.

In detail, Unrecorded Mail posted growth in volumes and revenues of +18.5% (+53 million items) and +7.3% (€11 million) respectively. Recorded Mail increased in the quarter in volumes +4.4% (+1.7 million items), however with a 3.2% fall in revenue (-€6 million). Integrated Services reported decreases in both volumes and revenue, of 50.5% (-2.6 million items) and 29.5% (-€9.1 million) respectively.

During the first quarter, Direct Marketing recorded a 5.4% decrease in volumes (-4.4 million items) and a related 16.6% fall in revenue (-€3.9 million). This decrease is linked to the contraction in commercial mailings due to a reduction in the number of items sent by customers, as a result of the slow recovery of business activities, as well as the replacement of traditional communications with digital ones (so-called e-substitution), a process accelerated by the ongoing pandemic.

Other revenue that also includes services provided by the subsidiary, Postel, was down 4.1% in volume terms (-8.3 million items) compared with the first quarter of 2020, essentially due to the decline in the market for printing services determined by the slowdown of the Italian economy. Other also includes the Universal Service Charge (€65.6 million) and additional publisher tariff subsidies: both revenue items are in line with the previous year.

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.

In the first quarter of 2021, the parcels business continued to show significant development of performance, with a positive change in both volumes and revenue respectively of +72.3% (+28 million items) and +74.5% (+€157 million) compared with the same period of the previous year.

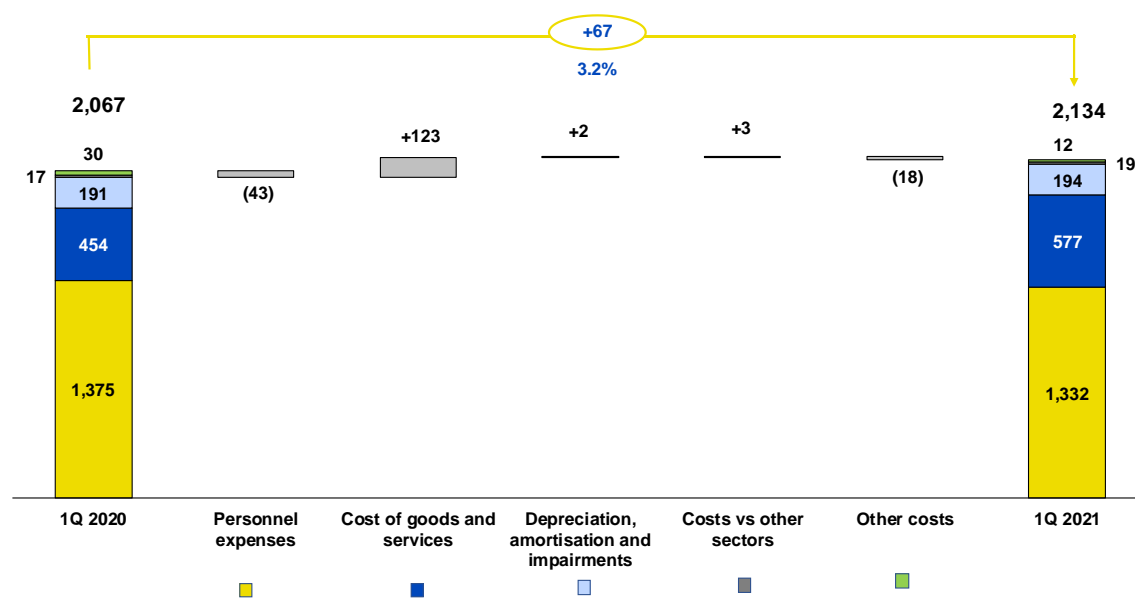
This performance is particularly concentrated in the B2C segment, thanks to the strong development of e-commerce, strengthened by the growing propensity to shop online. This process, which we had already been witnessing progressively in previous years and which has undergone a strong acceleration generated by the pandemic, with the modification of the population's purchasing patterns, now seems to be consolidating as a structural phenomenon. In particular, the B2C sector generated revenue of €188 million, up 73.7% (+€80 million) with respect to the first quarter of 2020, compared with 47 million items (+87.5%, +22.2 million items).

The first quarter of 2021 also saw a recovery in the B2B segment resulting from a recovery in the economy and a reopening, albeit still partial, of manufacturing activities. In particular, the B2B sector generated revenue of €70 million, up 36.1% with respect to the first quarter of 2020, compared with 11 million items (+44.7%).

The performance of the parcels business in the first quarter, in the item Other, reflects the integrated logistics contract awarded to Poste Italiane by the Ministry of the Interior in May 2020 for the delivery of personal protective equipment to Public Administration entities.

TOTAL COSTS

(€m)



Costs, including amortisation, depreciation and impairments, amounted to €2,134 million, an increase of €67 million (+3.2%), compared to the first quarter of 2020.

This performance is essentially due to the increase in the cost of goods and services of €123 million (+27.2%), in particular the variable costs incurred to support the development of the parcels business. Included in the cost of goods and services is €23 million for extraordinary expenses related to the Covid-19 emergency, in line with the amount incurred in the corresponding period of 2020.

This growth was only partially mitigated by the reduction in personnel expenses, which stood at €1,332 million at 31 March 2021, down €43 million compared to the same quarter of the previous year, primarily due to the reduction in average workforce (approximately 3,100 FTE less).

In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reported positive EBIT of €57 million for the first quarter of 2021, an improvement of €94 million compared to the first quarter of 2020 (-€36.5 million).

5.2.3 FINANCIAL SERVICES STRATEGIC BUSINESS UNIT



The financial results of the SBU for the quarter continued to be resilient against the general economic backdrop still characterised by the healthcare emergency. Lower market revenues compared to the first quarter of 2020 were partially mitigated by higher inter-segment revenue thanks to the positive contribution of the growth in insurance products.

The CET1 ratio at March 2021 stood at 19.4%, confirming the capital solidity of BancoPosta.

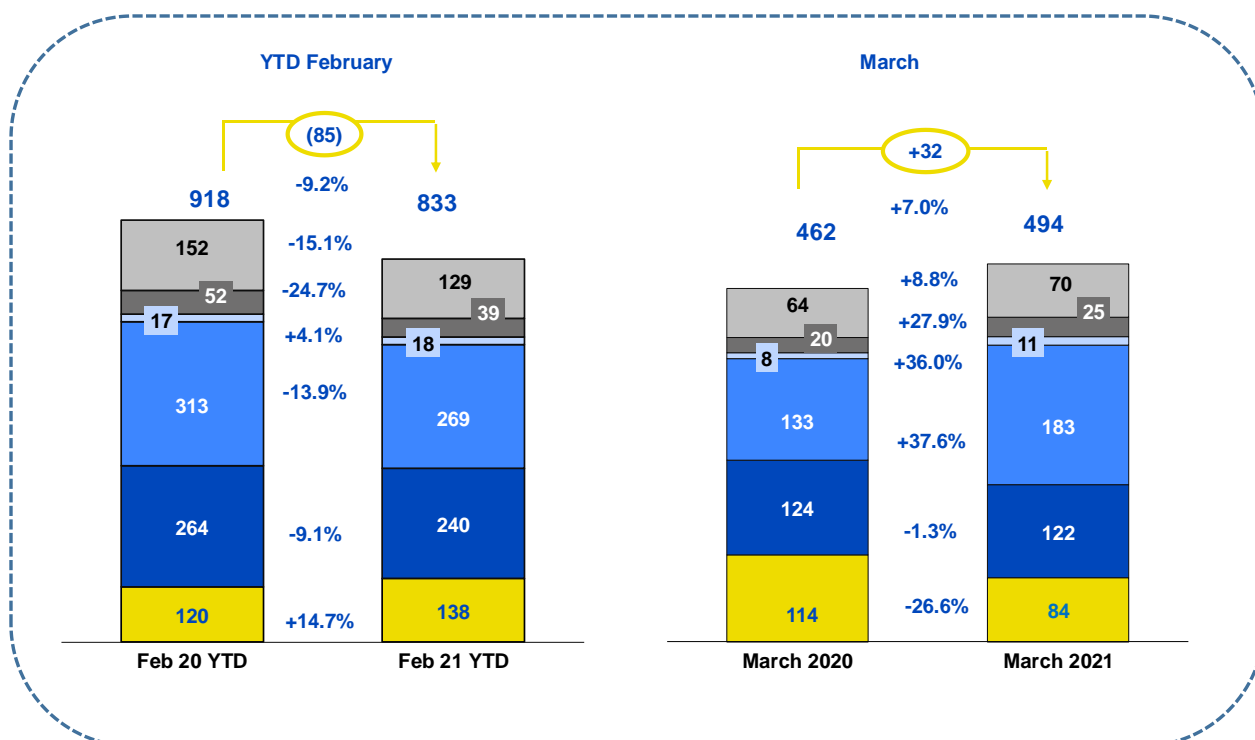
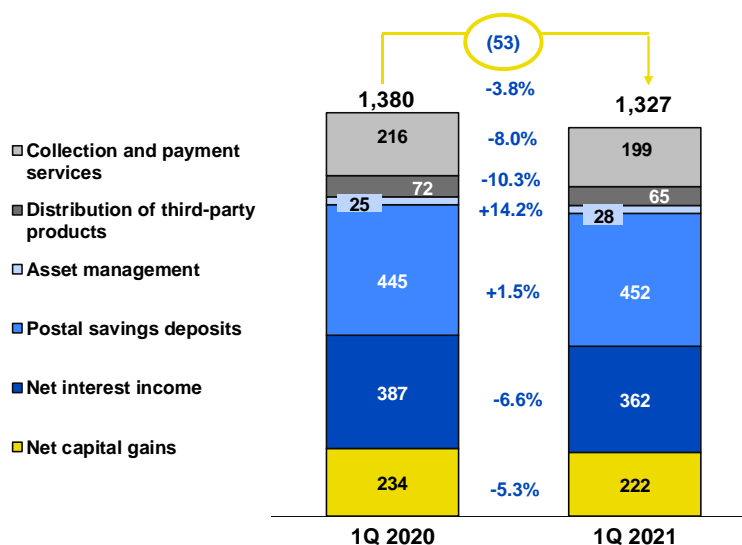
FINANCIAL SERVICES	1Q 2021	1Q 2020	CHANGES	
(€m)				
External revenue	1,327	1,380	(53)	-3.8%
Revenue from other sectors	199	160	+39	+24.6%
Total revenue	1,527	1,540	(13)	-0.9%
Costs	52	39	+13	+33.1%
Costs vs other sectors	1,268	1,278	(9)	-0.7%
Total costs	1,321	1,317	+4	+0.3%
EBIT	206	223	(17)	-7.6%
EBIT margin %	13.5%	14.5%		
NET PROFIT	152	155	(4)	-2.4%

Main KPIs	1Q 2021	1Q 2020	CHANGES	
Total Financial Assets (€bn)*	571.5	568.6	2.9	0.5%
Net inflows (€m)	2,725	6,415	(3,690)	-57.5%
Unrealized capital gains/losses (€m)	6,074	(2,224)	8,299	373.1%
Net capital gains (€m)	222	234	(13)	-5.3%
Current accounts (average deposits for the period in €bn)	74.9	64.3	10.6	16.6%
Investment portfolio return ¹	2.0%	2.5%		
Postal savings (average deposits in €bn)	320.2	315.9	4.3	1.4%
Loans (disbursed in €m)	797	766	31	4.0%
BTP portfolio duration (no. of years)	6.2	6.2	0.0	0.2%

* The figure indicated in column 1Q 2020 refers to 31 December 2020.

¹ Excluding capital gains

EXTERNAL REVENUES (€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.

Net interest income: Income from investment of liquidity revenue via postal current account deposits, net of interest expense and other financial transaction costs.

Net capital gains: Gains from the sale of securities in the BancoPosta Portfolio, net of losses.

External revenues for the first three months of 2021 amounted to €1,327 million, down €53 million from €1,380 million in the first three months of 2020 (-3.8%).

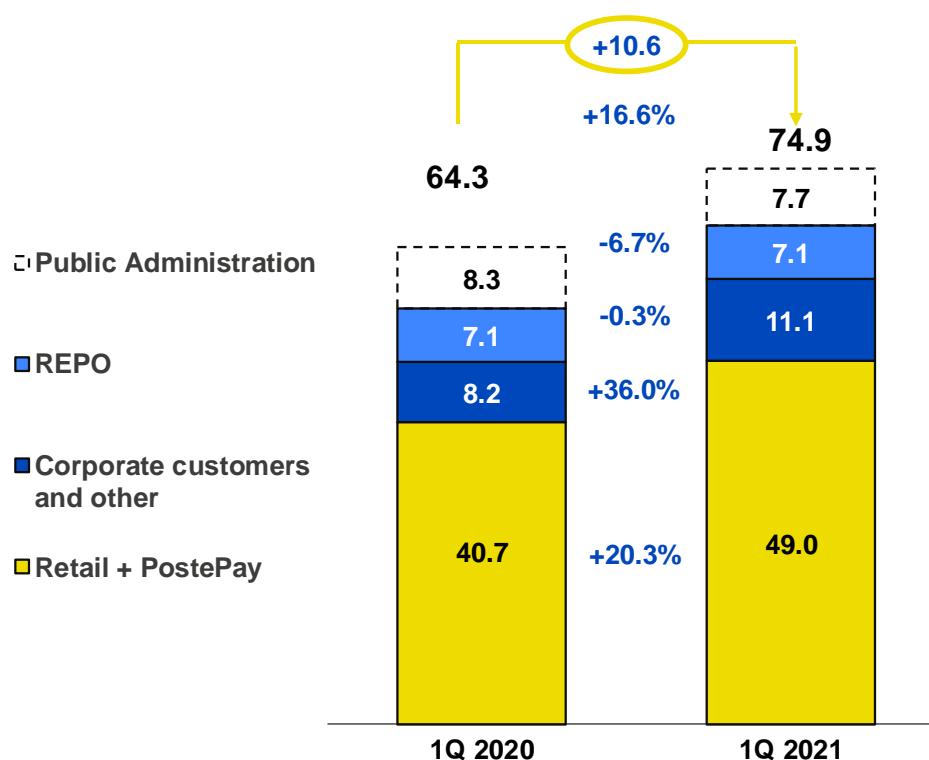
In detail, the period under review shows: (i) Net interest income down compared to the first three months of 2020 (-6.6%), essentially due to lower yields caused by the market scenario with falling rates and only partially mitigated by the increase in loans due to a higher balance on customer deposits; (ii) Net gains of €222 million, down €13 million compared to €234 million in 2020.

Revenue from the collection and management of postal savings amounted to €452 million, determined - pending the signing of a new agreement with Cassa Depositi e Prestiti S.p.A. - based on activity rendered during the quarter pursuant to the key provisions of the agreement that governed service during the 2018-2020 period, substantially in line with the comparable 2020 period. Revenue from collection and payment services amounted to €199 million, down 8% (-€17 million) on the same period of last year, mainly due to lower volumes of payment slips and the progressive increase in payments accepted through third-party networks and digital channels, which have lower unit acceptance fees.

Revenue from distribution of third-party products totalled €65 million, down €7 million compared to €72 million in 2020, due mainly to a slight decrease in revenue from the financing sector and the decline in revenue from credit cards.

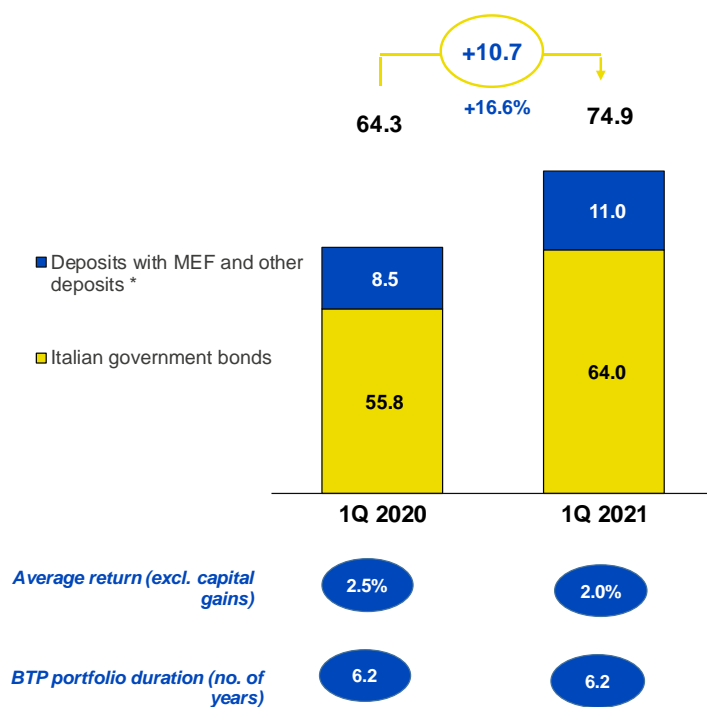
Revenue from asset management showed an increase compared with the same period of the previous year (+14.2% or +€4 million).

AVERAGE CURRENT ACCOUNT DEPOSIT (€bn)



At 31 March 2021, the average current account balance increased from €64.3 billion to €74.9 billion. This increase, amounting to €10.6 billion, was mainly attributable to the positive contribution from retail and Postepay customers (+€8.3 billion) and Corporate customers (+€2.9 billion). On the other hand, there was a decline in deposits from the Public Administration of €0.6 billion.

COMPOSITION OF INVESTMENT PORTFOLIO (AVERAGE BALANCE IN €bn)



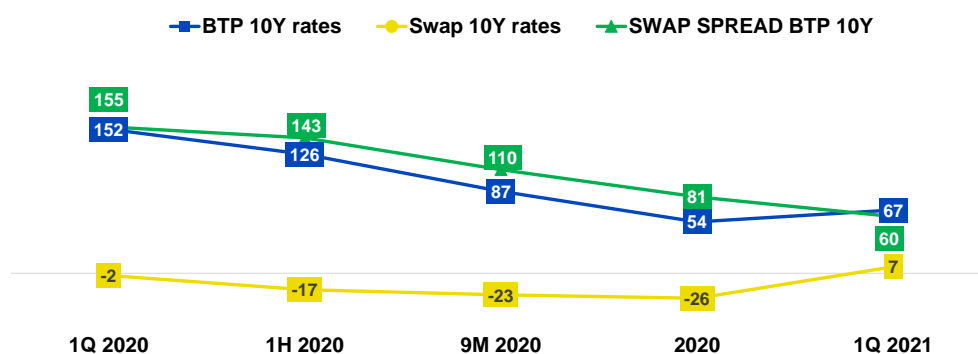
* Includes liquidity on the Buffer, deposits with other financial institutions, additional short-term lending (< 12 months) and excludes liquidity of Poste Italiane.

The average balance of the investment portfolio consists primarily of Italian government securities and debt securities issued by Cassa Depositi e Prestiti and guaranteed by the Italian State (approximately €64 billion), in which funding from private customers on postal current accounts is invested, and deposits with the MEF (approximately €7.7 billion) represented by funding from postal current accounts belonging to public customers.

The financial market in the first quarter of 2021 was predominantly affected by the exacerbation of the second wave of the Covid-19 pandemic. In Italy, political tensions in January-February 2021 led to an increase in the BTP-Bund spread, which reached 125 bps; following the establishment of the current government, the spread subsequently settled at an average level of 100 bps.

As part of investment portfolio management, in the first part of the quarter 2021, given the relatively high levels of the spread, most of the planned purchases were made mainly on medium and long maturities, taking advantage of the steepness of the Italian government curve and the large amount of issues on the primary market by the MEF. The securities purchased were hedged against interest rate risk by means of Interest Rate Swaps.

In addition, beginning in the second half of February 2021, the program resumed to restructure the portion of the securities portfolio in asset swaps.



The market context, characterised by interest rates at historic lows and by a progressive reduction in the 10-year BTP-Bund spread, had the effect of inevitably reducing the average yield of the securities in the portfolio. 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 was characterised by lower profitability due to lower market rates than the previous year.

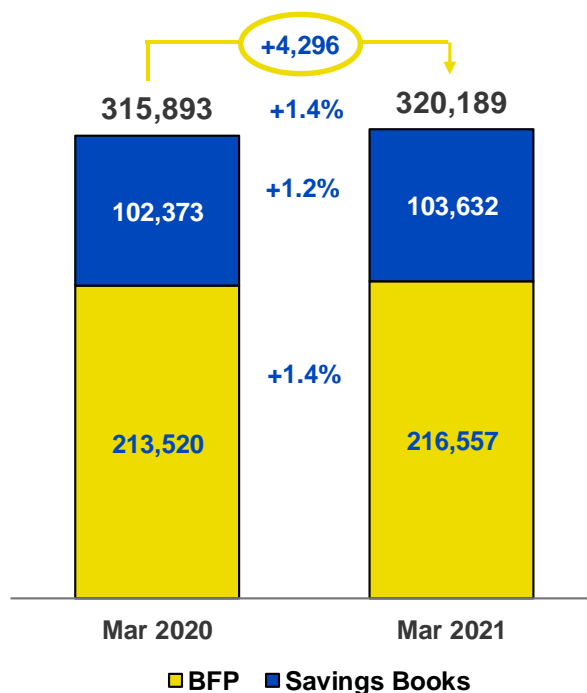
POSTAL SAVINGS NET INFLOWS (€m)

€m	1Q 2020	1Q 2021	Changes	Changes
Postal savings net inflows	1.250	(1.132)	(2.382)	n/s

At 31 March 2021, net inflows of postal savings amounted to -€1,132 million, about €2,382 million less compared to the same period of the previous year. This negative change affected both products in the segment. There was a negative change of approximately €1,389 million in books compared to the first quarter of 2020, mainly attributable to the circumstance of the double crediting of pensions in March 2020 (March and April 2020 accrual) in relation to the initiatives taken to manage the Covid-19 health emergency.

The decrease of €993 million in Interest-bearing Postal Certificates reflects the large amount of maturing certificates repaid in the first quarter of 2021 that were not fully converted into new subscriptions, despite the fact that the latter increased by 40% during the period compared with the same period of 2020.

POSTAL SAVINGS AVERAGE DEPOSITS* (€m)

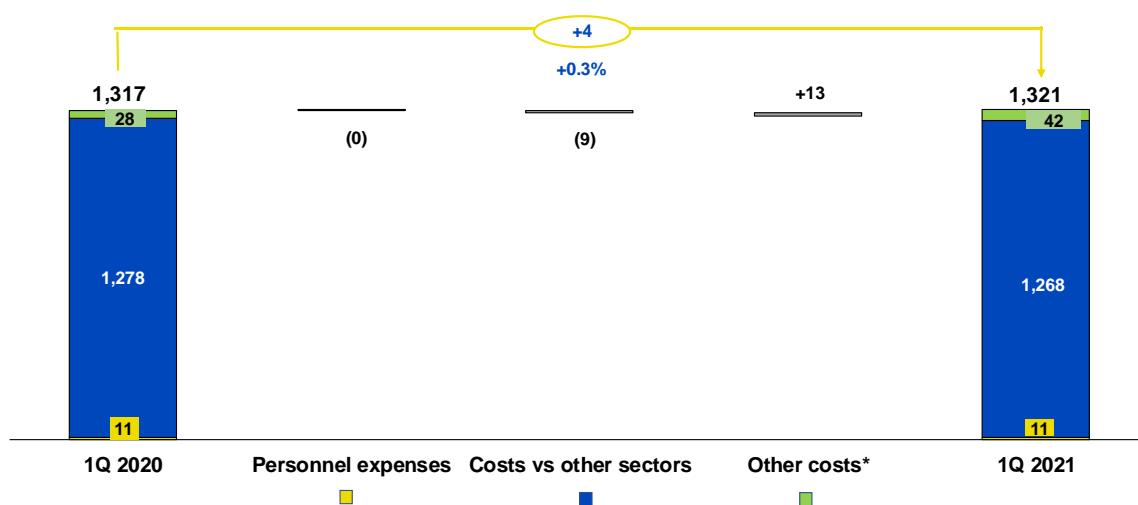


* Average value excluding both the capitalisation of interest for the period and interest accrued, but not yet due, on Interest-Bearing Postal Certificates that have not expired at the reporting date.

The postal savings average balance rose by approximately €4.3 billion compared with 31 March 2020. The figure for books was positively impacted by liquidity acquired during the health emergency period, whilst the increase in the average balance of Interest-bearing Postal Certificates (BFP) in the first quarter of 2021 is primarily attributable to the capitalisation of interest.

TOTAL COSTS

(€m)



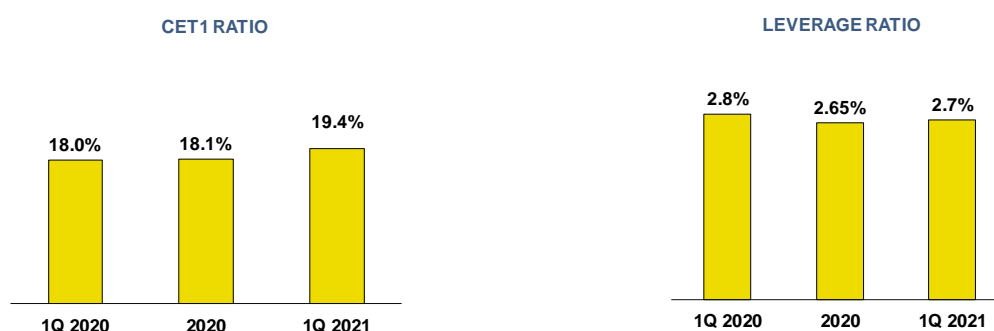
* This item includes costs for goods and services, adjustments/reversals and other costs and expenses.

Total sector costs amounted to €1,321 million, representing a slight increase of €4 million (up 0.3%) compared with the €1,317 million of the first quarter of 2020, primarily due to higher provisions for potential risks relating to activities linked to the collection of postal savings, partially offset by a reduction in costs relating to the activities entrusted to Poste Italiane and regulated by the Operating Guidelines.

The EBIT of the sector for the period January-March 2021 amounted to €206 million, down 7.6% compared to the same period of the previous year (-€17 million).

Taking into account financial management (positive for €5 million) and taxes for the period (€59 million), the sector closed with a net result of €152 million, down €4 million compared to €155 million in the first three months of 2020 (-2.4%).

€m	1Q 2020	2020	1Q 2021
CET1 CAPITAL	2,383	2,449	2,443
TOTAL ASSETS	95,068	103,981	101,312
RWA - Risk Weighted Assets	13,256	13,502	12,573



With regard to the BancoPosta RFC structure, it is noted that, as a result of the growth in volumes of inflows recorded in 2020 and that continued in the first quarter of 2021, as well as the change in the market scenario, the Leverage Ratio remained substantially unchanged compared to the end of 2020, reaching 2.7% at 31 March 2021. The CET 1 ratio at 31 March 2021 stood at 19.4%, confirming the capital solidity of BancoPosta and recording an increase mainly related to decrease in collateral paid to counterparties in hedging derivative transactions.



5.2.4 INSURANCE SERVICES STRATEGIC BUSINESS UNIT

Growth in results supported by sales volumes and increased assets under management. The Solvency Ratio of 301% at the end of the quarter confirms the solidity of the insurance Group.

INSURANCE SERVICES	1Q 2021	1Q 2020	CHANGES	
(€m)				
External revenue	496	355	+142	+40.0%
Revenue from other sectors	1	0	+1	n/s
Total revenue	497	355	+142	+40.2%
Costs	37	40	(3)	-7.3%
Costs vs other sectors	172	127	+44	+34.9%
Total costs	209	167	+41	+24.8%
EBIT	288	187	+101	+53.9%
EBIT margin %	58.0%	52.8%		
NET PROFIT	210	131	+79	+60.5%

Main KPIs	31 March 2021	31 December 2020	CHANGES	
Net technical provisions Poste Vita Group (€bn)	154.4	153.7	0.7	0.5%
Solvency Ratio	301%	267%		
Life business	1Q 2021	1Q 2020	CHANGES	
Gross premium revenue - Life (€m) ¹	5,749	4,522	1,227	27.1%
of which: Classes I-IV-V	4,778	3,908	870	22.3%
of which: Class III	971	614	357	58.1%
Incidence of Multi-class premiums on total	46.0%	39.2%		
Incidence of capital light policies ²	65.4%	39.3%		
Unrealized capital gains (€bn)	16.1	6.6	9.5	142.5%
Lapse Rate	2.9%	2.7%		
P&C business	1Q 2021	1Q 2020	CHANGES	
Gross premium revenue - P&C (€m) ¹	98	77	21	28%
Loss ratio ³	51.9%	45.3%		
Expenses ratio ⁴	28.2%	32.1%		
Combined ratio (net reinsurance) ⁵	85.4%	82.0%		
Intermediated premiums on motor (€t)	406.4	-	406.4	n/s

¹ Includes gross premium revenue before the premium reserve, outward reinsurance premiums and intra-group portions.

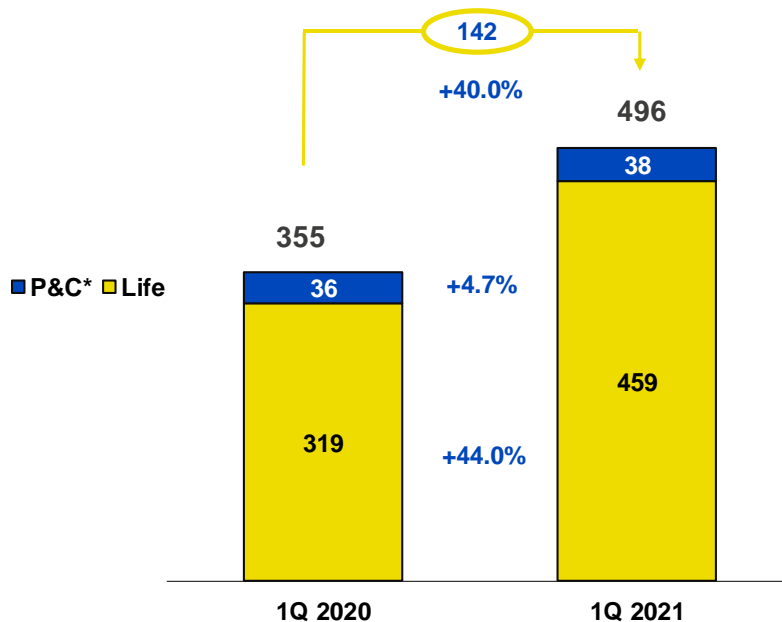
² Includes Class I Capital Light, Multi-class I and III, Unit Linked

³ Corresponds to the ratio of the expenses from claim liquidation and gross premiums

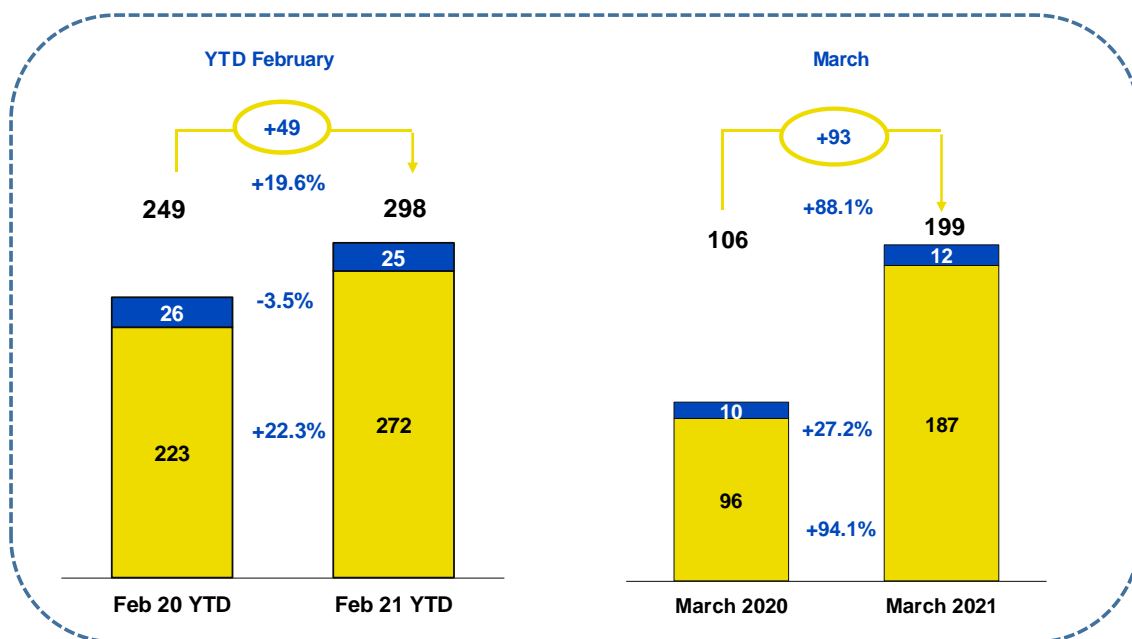
⁴ Calculated as: (operating costs + commissions for the year)/gross premiums earned

⁵ Corresponds to the ratio between the total amount of costs incurred (commissions for the year + charges relating to claims + balance of business ceded + operating costs + other technical expenses and income) and gross premiums earned.

EXTERNAL REVENUE (€m)



*Includes Poste Welfare Servizi, Poste Insurance Broker and other revenue



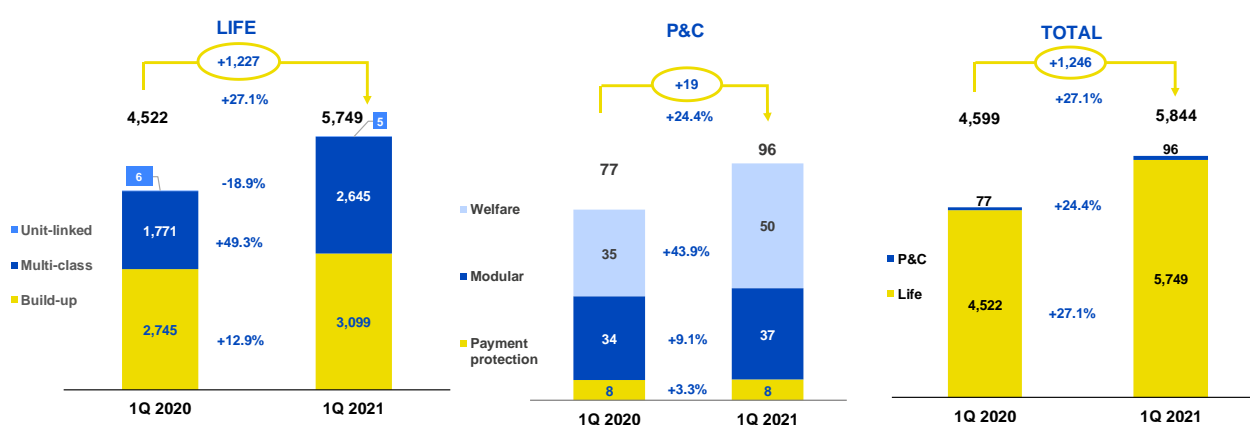
External revenue went from €355 million in the first three months of 2020 to €496 million in 2021 (+40.0%), essentially due to the performance of the Life business, which contributed €459 million, whilst the P&C business contributed €35 million, net of the revenue of Poste Welfare Servizi, Poste Insurance Broker and other revenue.

In particular, Life net revenue increased compared to the first quarter of 2020 by 44% (+€140 million), mainly due to the effect of the financial margin (+€125 million compared to the same quarter of 2020), which benefited from the increase in average assets under management and the diversification of the product mix, and higher loadings.

P&C net revenue amounted to €35 million, up 3.8% (+€1 million) compared with the first quarter of 2020, mainly due to the growth of the business (gross revenue up by €11 million, i.e. +18%) partially offset by a higher claims rate, as a result of the greater incidence of the Welfare business (the Combined Ratio, net of reinsurance, stood at 85%, up 3 p.p. compared to the corresponding first quarter 2020).

The performance of premium revenue for the Life and P&C business is shown in the graphs below:

GROSS PREMIUM REVENUE (€m)

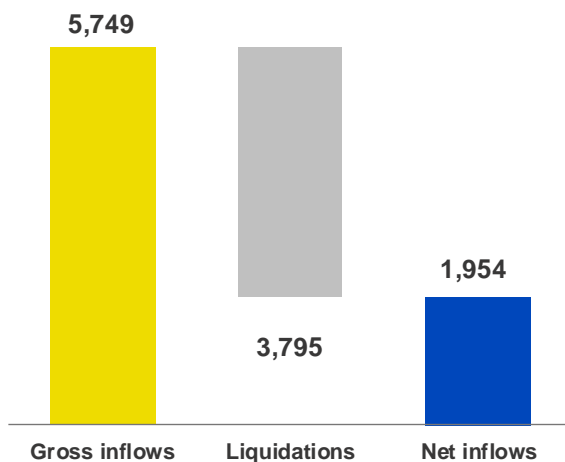


Gross revenue from the Life business amounted to €5.7 billion, up 27.1% compared to the first quarter 2020 with a product mix supported by inflows from Multi-class products, which accounted for 46% of total volumes (39% in the same period of the previous year).

Gross premium revenue of the P&C business amounted to €96 million, up by €19 million (+24.4%) compared with the first quarter of 2020 thanks to the contribution of the Welfare segment and the Modular offer⁴⁹ (+€15 million, or 44%, and +€3 million, or +9%, respectively). During the period, the new integrated Life/P&C offer was successfully launched, generating €2.5 million in revenue in line with expectations.

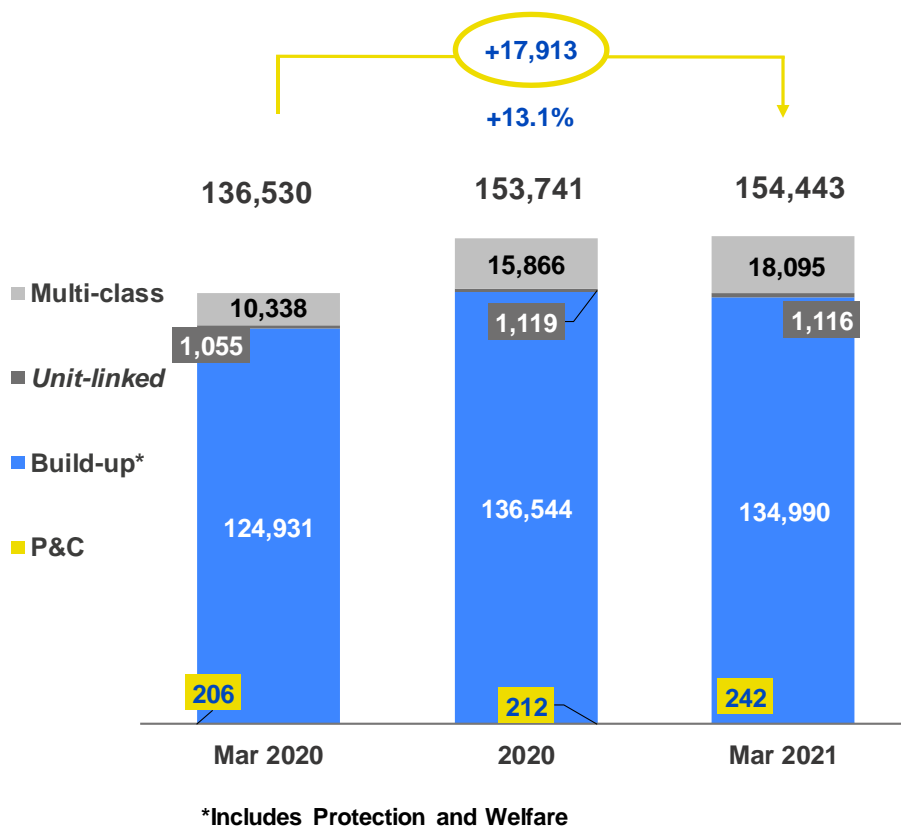
⁴⁹ The new modular policy "Poste Vivere Protetti" complements the protection coverage available to retail customers, to protect their health, home and pets. Modules and related coverages can always be added or removed as customers' needs change, and the coverages, which are indicated in the policy, always form a single contract.

LIFE PREMIUM REVENUE - 1Q 2021 (€m)



Life net inflows amounted to €2.0 billion and remained positive on all the separately managed account and internal fund portfolios. The redemption rate was 2.9%, up on the same period last year (2.7%) but still well below the market average.

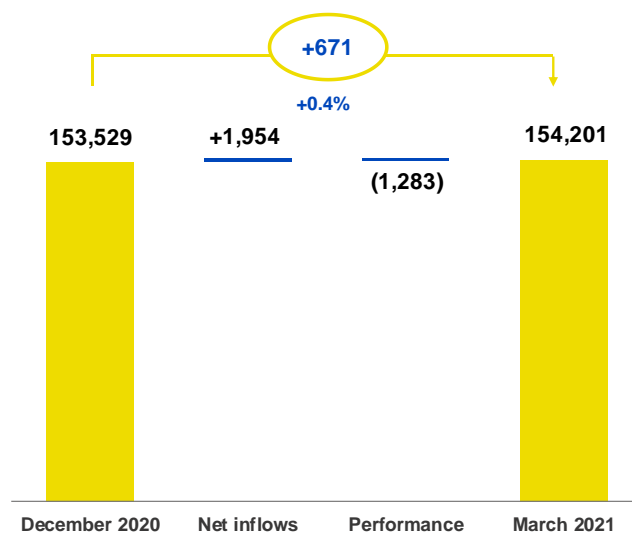
NET TECHNICAL PROVISIONS (€m)



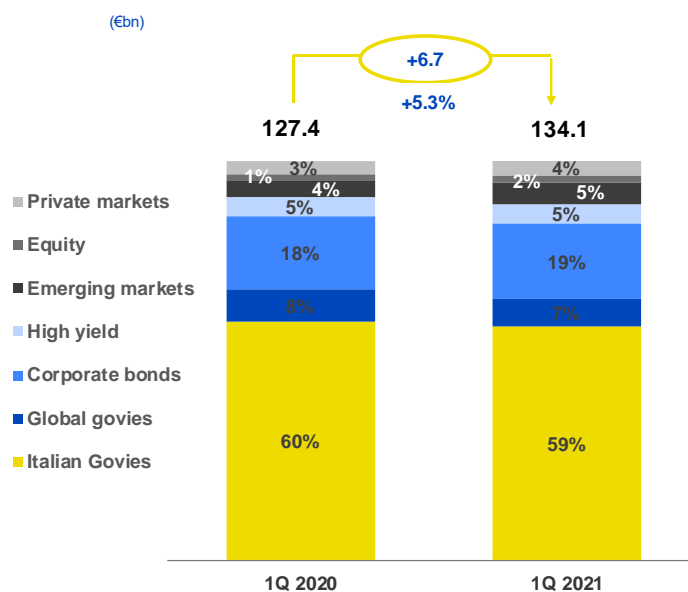
Life business technical provisions amounted to €154.2 billion and increased by €0.7 billion compared to 31 December 2020, mainly as a result of growth in mathematical provisions (+€2.3 billion), supported by positive net premium revenue,

and the performance of Deferred Policyholder Liabilities (-€1.8 billion), which includes changes in the fair value of financial instruments used to hedge policies issued. technical provisions for the P&C business, after the portion ceded to reinsurers, amount to €242 million at the end of the period (€266 million before the portion ceded to reinsurers), an increase of 14% compared to 31 December 2020 (€212 million; €236 million before the portion ceded to reinsurers).

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



BREAKDOWN OF THE INVESTMENT PORTFOLIO (€bn)



In the first quarter of 2021, in line with the latest asset allocation approved by the Company, the process of portfolio diversification continued, with the aim of reducing the concentration of Italy risk, in favour of asset classes with a lower correlation to the risk associated with Italian government securities (e.g. Investment Grade Corporate securities).

Within investment funds, diversification has been evident with a reduction in the concentration of risk associated with global government securities.

TOTAL COSTS

(€m)

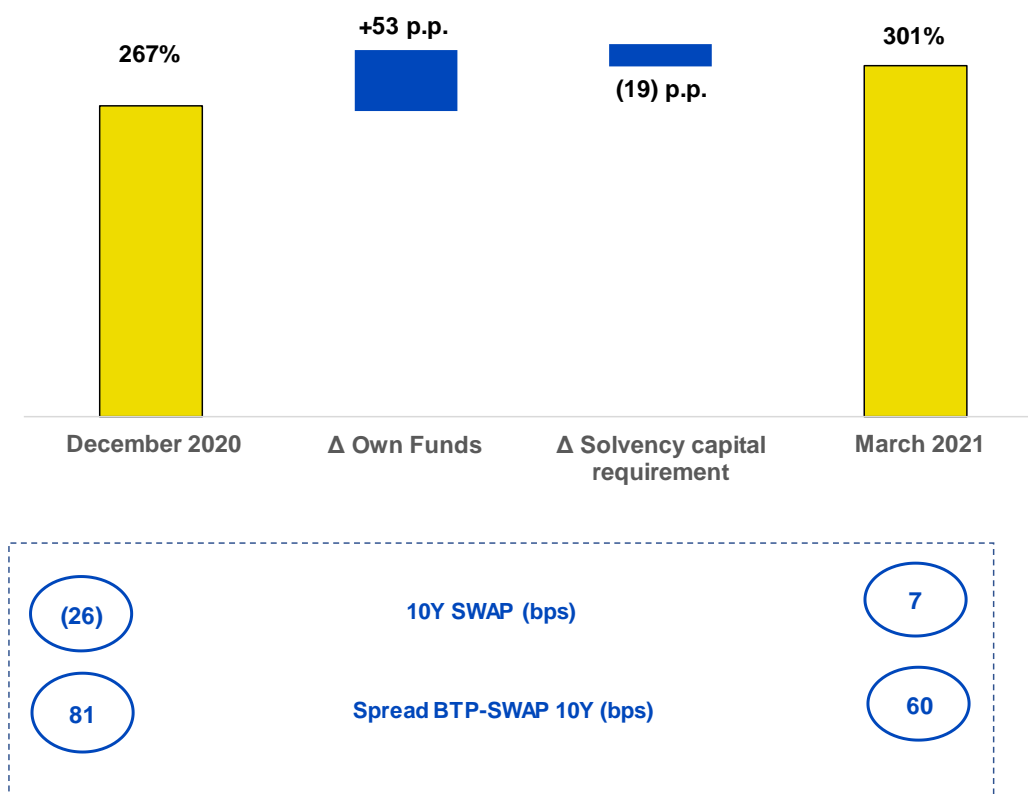


Total costs of €209 million are up €41 million compared with 2020, primarily due to the performance of inter-segment costs, essentially linked to higher fees paid to BancoPosta for distribution, collection and maintenance following the growth in gross inflows. The sale of the Poste Vita, Poste Assicura and Poste Welfare Servizi business units, relating to ICT management activities to Poste Italiane, which took effect on 1 March 2020, resulted, in the first quarter of the year, in a reduction in personnel expenses and amortisation and depreciation in favour of an increase in costs in other segments for IT services provided by the Parent Company compared to the same period of 2020.

In light of the results illustrated, the Insurance Services Strategic Business Unit generated EBIT of €288 million in the first three months of 2021, an increase of 53.9% compared with the same period of the previous year (€187 million).

Taking into account financial management (positive for €11 million) and taxes for the period (€90 million), the Business Unit closed with a net result of €210 million, up 60.5% compared to €131 million in the first three months of 2020.

SOLVENCY RATIO



The Poste Vita Group's Solvency Ratio stood at 301%⁵⁰ at 31 March 2021, up on the 267% reported at December 2020 (+34 p.p.), and remains well above the regulatory requirements and management's expectations (200%).

The change in the period is due to the increase in available capital (+53 p.p.) following the positive dynamics of the interest rate trend (+33 bps 10-year swap rate) and the BTP-Swap spread (-21 bps 10-year spread) partially offset by an increase in the capital requirement.

The increase in the capital requirement (-19 p.p.) is due to higher underwriting, counterparty and operational risks, not fully mitigated by the decrease in market risks.

The inclusion of the transitional measures on technical provisions approved in 2019 has resulted in an increase in eligible own funds bringing the Solvency Ratio to 332% at 31 March 2021 (299% at 31 December 2020).

⁵⁰ Value inclusive of the payment of dividends to the Parent Company for €429 million (approved by the Company's Board of Directors on 23 March 2021 and by the Shareholders' Meeting on 28 April 2021).



5.2.5 PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

The performance of the Strategic Business Unit in the first quarter shows revenue growth in all segments with significant development in payment card transactions, growth in the customer base in fixed and mobile telephony and growth in revenue from F23/F24.

Net income was down due to the results of financial management, which were related to the valuation of the investment in FSIA.

PAYMENTS AND MOBILE	1Q 2021	1Q 2020	CHANGES	
(€m)				
External revenue	192	165	+27	+16.5%
Revenue from other sectors	83	90	(7)	-7.5%
Total revenue	276	255	+20	+8.0%
Costs	108	101	+7	+6.8%
Costs vs other sectors	98	87	+11	+13.0%
Total costs	206	188	+18	+9.7%
EBIT	70	67	+2	+3.4%
EBIT margin %	25.2%	26.3%		
NET PROFIT	48	51	(3)	-6.1%
Main KPIs	1Q 2021	1Q 2020	CHANGES	
E-money				
Total value of card transactions ("on us" e "off us") (€m) ¹	13,094	10,491	2,602.8	24.8%
Total value of card transactions ("off us") (€m) ²	10,493	8,286	2,207.1	26.6%
Number of cards (m) ^{3*}	29.2	28.9	0.3	0.9%
of which Postepay cards (m)*	21.9	21.7	0.2	0.8%
of which Postepay Evolution cards (m) ^{4*}	8.0	7.7	0.3	3.4%
Number of card transactions (m)	452	354	97.0	27.4%
of which number of e-commerce transactions (m) ⁵	123	81	41.8	51.4%
Telecom				
SIM PosteMobile landlines and mobile telephones (stock in thousands)*	4,784	4,623	161.7	3.5%
of which mobile Sim (stock in thousands)*	4,520	4,380	140.1	3.2%
of which Casa Sim (stock in thousands)*	264	243	21.6	8.9%
MNP (Mobile Number Portability) - terminations (in thousands)	98	140	(41.8)	-29.9%
DATA usage (GB per active SIM per month)	7.5	4.4	3.1	71.2%
VOICE usage (min per active SIM per month)	460	416.6	43.4	10.4%

1 Transaction relating to payments made with Postamat and Postepay on internal and external payment circuits ("on us" and "off us").

2 Transactions relating to payments made with Postamat and Postepay on external payment circuits ("off us").

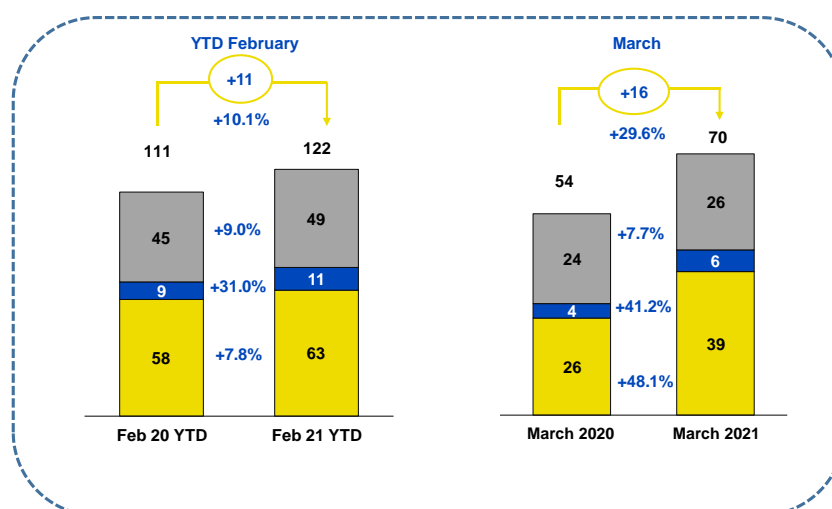
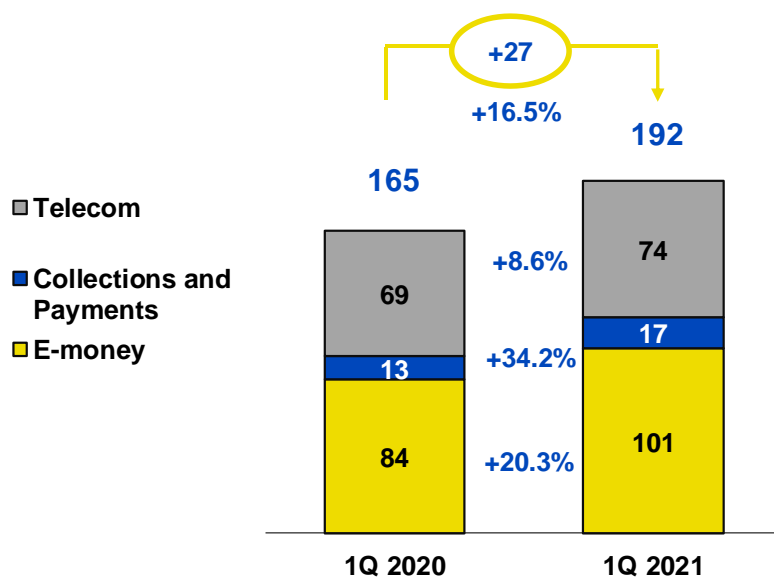
3 Includes Postepay cards and debit cards.

4 Including business customers.

5 Includes e-commerce transactions + web (on Poste Italiane's digital properties)

* The figure indicated in column 1Q 2020 refers to 31 December 2020.

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, payments on the PagoPA system.

E-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).

Telecom: mobile phones (revenue from traffic, and the sale of mobile phones and routers from PO corners) and fixed line (PosteMobile Casa offer).

External revenues in the first quarter amounted to €192 million, an increase of €27 million compared to the same period of 2020 (+16.5%) thanks to the positive contribution of all segments.

In detail, revenue from the Electronic money market grew by €17 million (+20.3%), from €84 million in the first three months of 2020 to €101 million in 2021, thanks to increased revenue from payment card operations, and to the sustained growth in revenue from and higher acquiring services for the growth in transactions.

Revenue from the Collection and Payment services market, amounting to €17 million, increased 34.2% (+€4 million) on the first three months of 2020, essentially due to higher revenue from bank transfers from Postepay Evolution⁵¹, higher revenue from F23/F24 and the contribution of the PagoPA payment service to Public Sector entities (service launched in May 2020).

The Telecommunications sector recorded an increase in external revenue from €69 million in the first three months of 2020 to €74 million (+8.6%). 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 performance in the quarter shows growth compared to the corresponding period of 2020 both in the first two months of the year (+10.1%) and in March 2021 compared to March 2020 (+29.6%); the latter was affected by the effects of the health emergency that was reflected in particular on the Payments and E-money segments in the face of the restrictive measures imposed by the Authority (closure of shops).

As at 31 March 2021, the total stock of prepaid and debit cards amounted to 29.2 million (28.9 as at 31 December 2020), with total transactions⁵² in the first quarter of 2021 of €13.1 billion, up by approximately €2.6 billion (+24.8%) compared to the first quarter of 2020 thanks to the driving effect of prepaid cards.

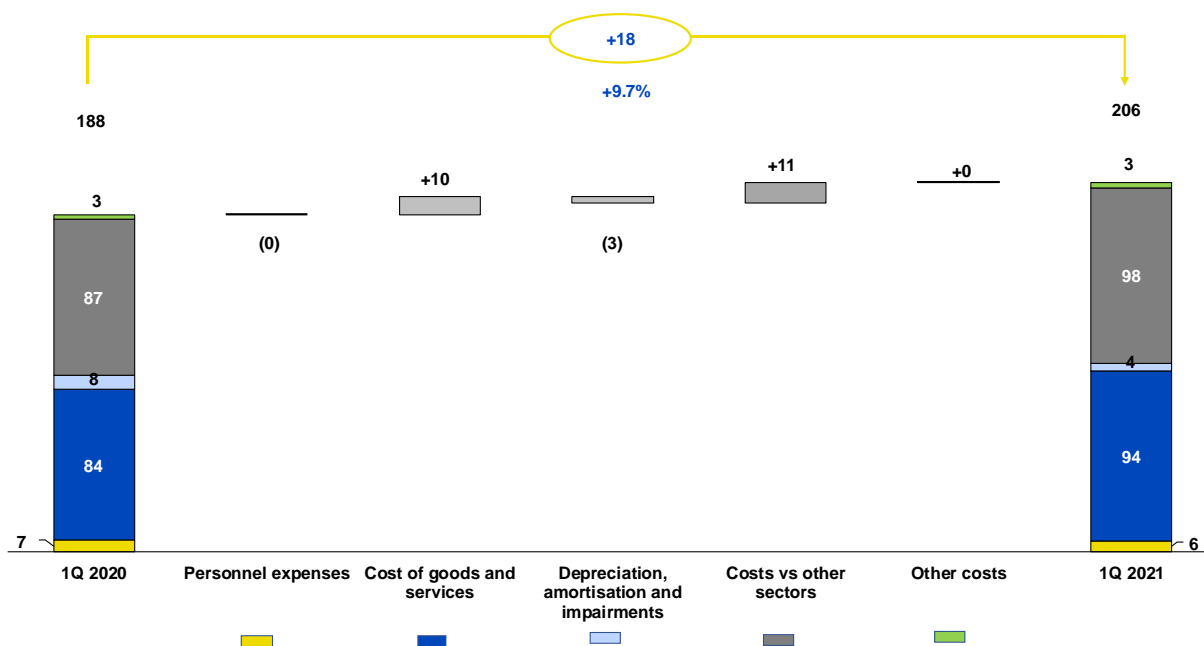
In detail, Postepay cards amounted to 21.9 million at 31 March 2021 (up 0.8% on the 21.7 million Postepay cards at 31 December 2020) and of these, around 8 million are represented by Postepay Evolution cards, whose stock at the end of the first quarter of 2021 was up 3.4% on 31 December 2020.

During the first quarter of 2021, there was a 27.4% increase in payment card transactions compared to the same period in 2020, driven by strong momentum in e-commerce transactions.

In Telecommunications, the customer base related to mobile services, at 31 March 2021, is represented by approximately 4.5 million lines, up 3.2% compared to the end of 2020. With reference to fixed telephony services, the “PosteMobile Casa” offer shows growth of 8.9% (264 thousand lines in March 2021 compared with 243 thousand lines at 31 December 2020).

TOTAL COSTS

(€m)



⁵¹ Prepaid card with IBAN that allows the holder to transfer/receive money to/from a bank account or another prepaid card with IBAN.

⁵² “On us” and “off us” transactions

Total costs, including amortisation, depreciation and impairments, amounted to €206 million, an increase of €18 million (+9.7%), compared to the first three months of 2020. In particular, costs for goods and services increased by €10 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 Poste Italiane's other departments has increased by €11 million compared with the same period of the previous year, essentially due to the higher cost of outsourcing telecommunications services as a result of the sale of ICT operations to the Parent Company, which became effective on 1 October 2020, and higher distribution and back office services.

Depreciation, amortisation and impairments decreased by €3 million due to the sale of the business operations mentioned above, which resulted in the disposal of the assets related to ICT management activities. For further details, please refer to the Annual Report 2020 in the section "Corporate information during the year" in the Report on Operations.

In light of the results described, the Payments and Mobile Strategic Business Unit in the first quarter 2021 reported EBIT of €70 million, an increase of 3.4% compared with the same period of the previous year.

Financial management in the first quarter of 2021 was negative by €2 million and worse (-€5 million) than in the first quarter of 2020, in which it benefited from income from the revaluation of the investment in FSIA Investimenti S.r.l. (approximately €4 million). In the first quarter of 2021, this item was negative by approximately €2 million due to the renegotiation of an important contract on worse terms.

The result for the period amounted to €48 million, down €3 million (-6.1%) compared with the same period of 2020.

5.3 DIGITAL PROPERTIES, THIRD-PARTY NETWORKS AND MAIN KPIS



THIRD-PARTY NETWORKS

The growth in the contribution made by physical networks other than post offices to the provision of the Group's services was confirmed in the first quarter of 2021. The third-party networks, with more than 37 thousand affiliated contact points throughout the territory, represent a valid alternative for customers, particularly in a context still characterised by the health emergency, in which reduced mobility leads to a preference for local services.

DIGITAL PROPERTIES

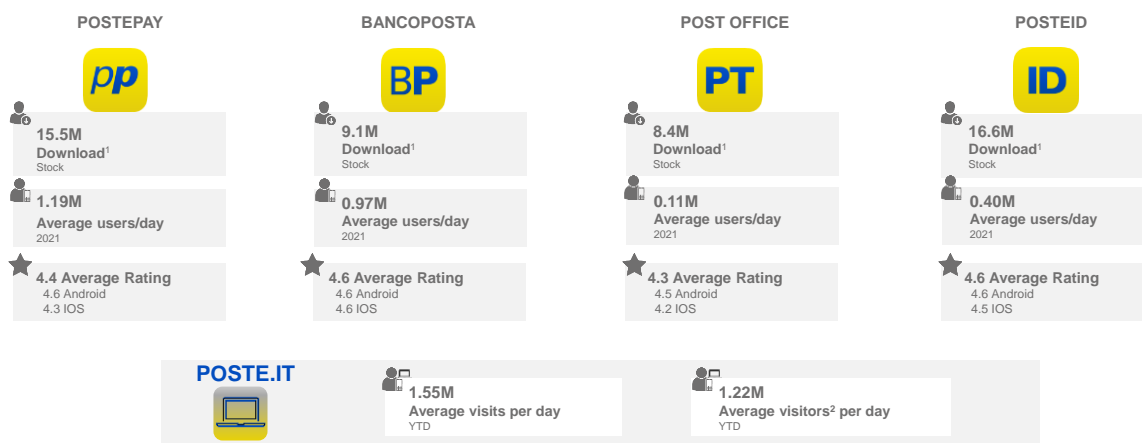
Also in line with the new strategic guidelines of the 24 SI Business Plan, the Group has implemented a programme of “digital transformation” of all its service and offer models in order to guarantee its customers full digital contact experiences. This programme was significantly accelerated in 2020, 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.

6.1 million daily visits on the Group's digital channels in 1Q 2021

Digital Market - In Italy, more than 50 million people are accessing online (over 1 million people connected to the internet for the first time during 2020, an increase of 2.2% compared to 2019) and 41 million are present and active on social channels (over 2 million new users, an increase of almost 6% compared to 2019). 97% of Italians use a smartphone and 74% a desktop or laptop computer, while almost doubling the penetration of smart home devices in Italians' homes (14% penetration in 2020 compared to 8% in 2019). As for e-commerce, 24% more money was spent in 2020 in Italy than in 2019 in the consumer goods world.

Source: <https://wearesocial.com/it/blog/2021/02/digital-2021---i-dati-italiani>

Below is the main information about the Poste Italiane Group's digital properties:



Source: Webtrends, Adobe Analytics, Store iOS, Android, Windows, internal elaboration DTO

Notes:

1) iOS and Android users who have downloaded the APP

2) 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

The Poste Italiane digital web and app channels provide access to online services for 29.5 million retail users (21.7 million at 31 March 2020) and operate as both direct sales and after-sales channels. The daily average of web and app users for the first quarter of 2021 was nearly 4 million (2.4 million average daily users in the first quarter 2020). Digital channel

transactions also grew, and in the first quarter of 2021 amounted to 28.5 million for a transaction value of €7.1 billion (17.9 million transactions in the first quarter of 2020 for a transaction value of €4.4 billion).

MAIN KPIs

In the first quarter of 2021, more than 50% of customer interactions with Poste Italiane Group were through the new channels (digital channels and third-party networks), confirming the incidence reached at the end of 2020. In terms of total transactions, the overall incidence on the Group total continues to grow (from 27% in 2020 to 32% in the first quarter of 2021).

Key KPIs Digital and Third-Party Networks (B2B2C)	1Q 2021	1Q 2020	CHANGES	
<i>KPIs Digital + B2B2C</i>				
Digital+contact center+B2B2C interactions/Total daily interactions*	50.3%	50.0%		
Digital transactions + B2B2C/Total transactions	32%	27%		
<i>KPIs Digital</i>				
Customers registered on Poste Italiane's digital channels (websites and apps) (m)*	29.5	27.1	2.4	8.9%
Daily users (website and apps) (m) ¹	3.9	2.4	1.5	62.5%
Number of digital - consumer transactions (m)	28.5	17.9	10.6	59.2%
App downloads (m)*	54.3	48.1	6.2	12.9%
Poste Italiane Digital e-Wallets (m)*	8.0	7.4	0.6	8.1%
Digital identities (number in m)*	15.0	12.2	2.8	23.0%
Private digital identities (m)*	7.1	6.6	0.5	7.6%
Digitally enabled customers (%) ²	60.6%	n/a	n/s	n/s
Customers who use Poste's services digitally (%) ³	16.2%	n/a	n/s	n/s
<i>KPIs Third-Party Networks (B2B2C)</i>				
Payslip volumes (m)	18.6	12.7	5.9	46.0%
Postepay top-ups (m)	14.3	10.1	4.2	41.4%
Postemobile top-ups (m)	2.7	2.7	0.0	0.8%
Parcels delivered (m)	0.8	0.4	0.4	108.7%

n/a: not applicable

n/s: not significant

* The figure indicated in 1Q 2020 refers to 31 December 2020.

¹ Average daily values during reference period.

² Customers who have access credentials to digital channels

³ Customers who have made a payment on digital channels using Poste's payment instruments

Traffic growth in visits and visitors of digital channels continues in 2021, rising from 4.7 million average daily visits in 2020 to 6.1 million average daily visits in March 2021. In particular, web traffic went from an average of around 1.04 million visitors in the period March-December 2020 (post pandemic emergency)

15 million digital identities issued to allow access to PA platforms and services

to 1.22 million visitors in the first 3 months of 2021; apps also recorded increasing volumes, from 2.06 million to 2.68 million daily visitors. The average monthly number of transactions carried out on digital channels was approximately 9.5 million (+59% compared to Q1 2020) with monthly transactions of approximately €2.38 billion (+61% compared to Q1 2020).

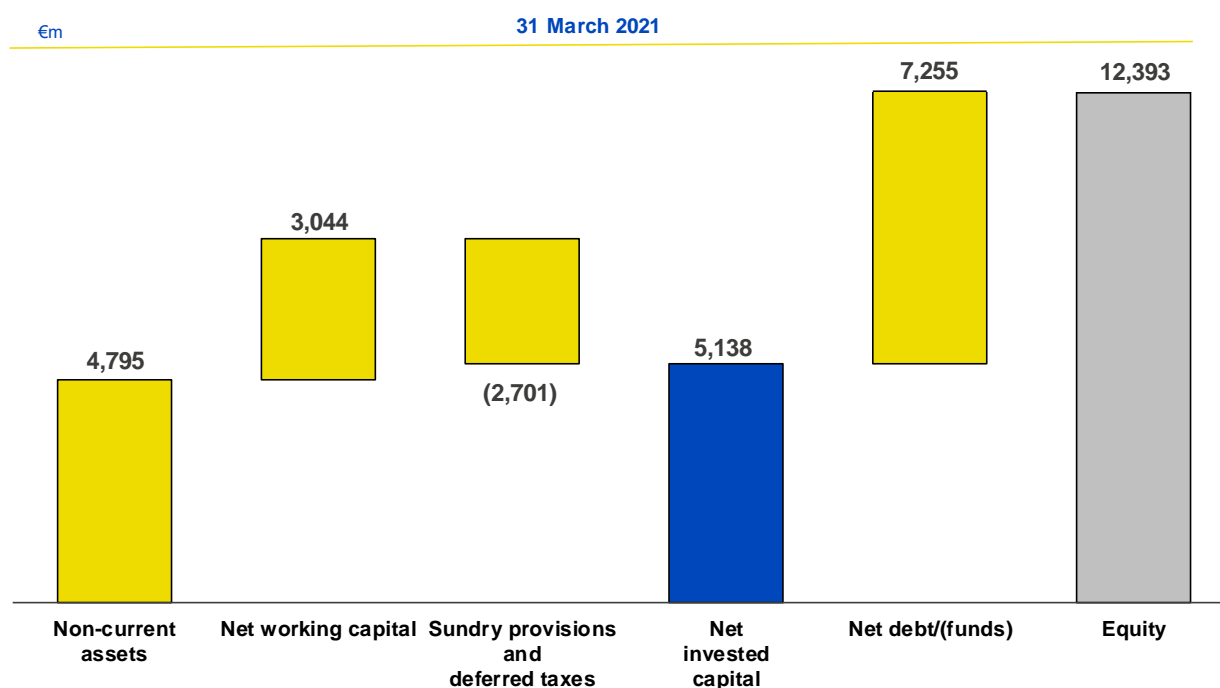
As at 31 March 2021, more than 7 million Private Digital Identities (Poste Italiane Accounts) are active, providing functional and secure access to all the Group's digital properties (data, Internet accounts and other digital rights).

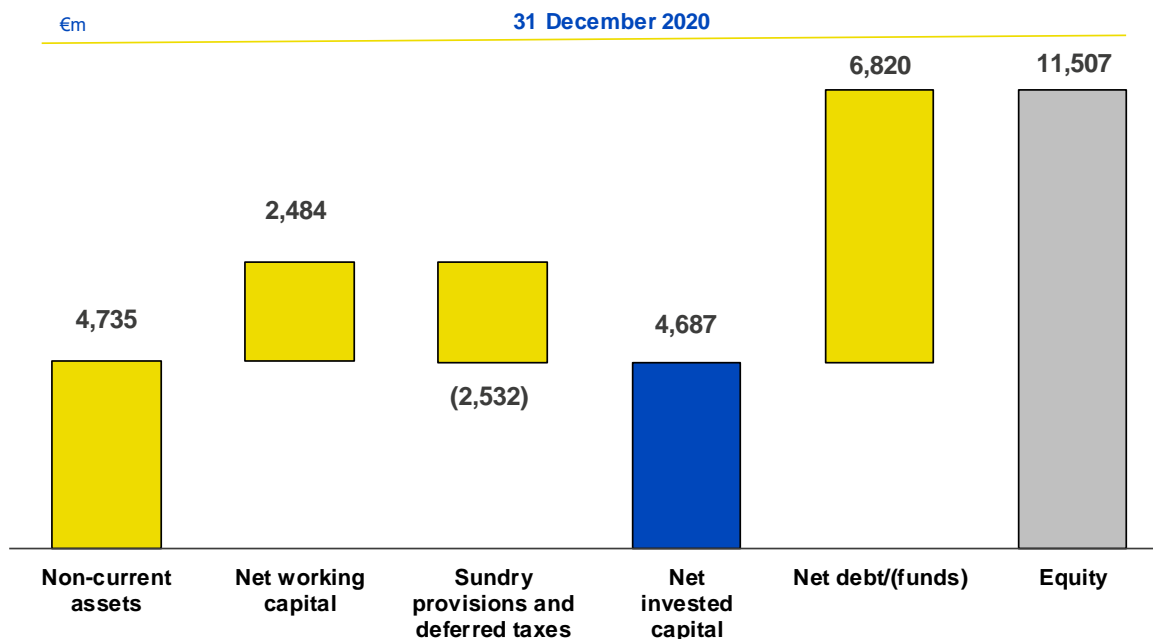
On the third-party network side, customers' preference for paying slips through this channel increased (year-on-year growth of 46% in volumes). Similarly, PostePay top-ups carried out at tobacconists and other points of agreement have grown by 40%. Finally, the number of parcels delivered on the alternative networks is also gradually increasing, although the volumes are still small.

5.4 GROUP FINANCIAL POSITION AND CASH FLOW



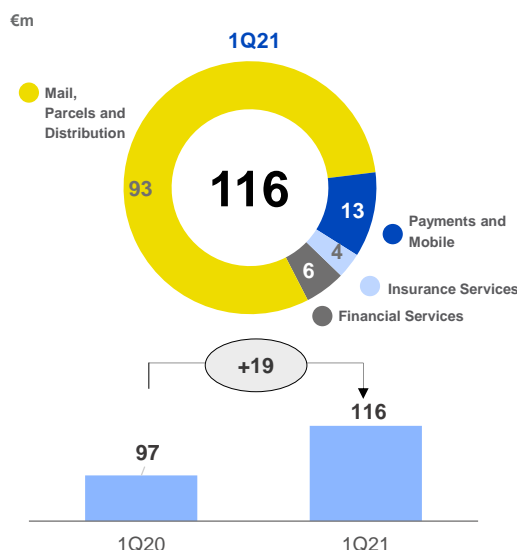
€m	31 March 2021	31 December 2020	CHANGES	
NON-CURRENT ASSETS	4,795	4,735	+60	+1%
NET WORKING CAPITAL	3,044	2,484	+560	+23%
GROSS INVESTED CAPITAL	7,839	7,219	+620	+9%
SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES	(2,701)	(2,532)	(169)	-7%
NET INVESTED CAPITAL	5,138	4,687	+451	+10%
EQUITY	12,393	11,507	+886	+8%
NET DEBT/(FUNDS)	(7,255)	(6,820)	(435)	-6%
<i>Net debt/(funds) of the Mail, Parcels and Distribution SBU</i>	<i>2,088</i>	<i>1,874</i>	<i>214</i>	<i>+11%</i>





The Poste Italiane Group's **non-current assets** at 31 March 2021 amount to €4,795 million, an increase of €60 million compared with the end of 2020. In addition to an increase of €13 million resulting from the first-time consolidation of the Nexive Group and the provisional recognition of goodwill for the acquisitions of Nexive for €36 million and Sengi Express for €16 million, investments of €116 million and an increase of €67 million in user fees for new contracts within the scope of IFRS 16 contributed to the formation of non-current assets. This change was partially offset by depreciation and amortisation of €199 million. This item also includes investments accounted for using the equity method totalling €619 million almost entirely related to the investments in Anima Holding S.p.A. and FSIA Investimenti S.r.l.

The Group's **investments** in the first quarter of 2021 amounts to €116 million, a 19% increase compared with the first quarter of 2020 (+€19 million). Investments classified as ESG, i.e. complying with the reference principles of the Group's 8 Pillars of Sustainability, represent over 60% of the total value. The main projects include energy efficiency measures for real estate, the introduction of three-wheeled vehicles for deliveries, improving the customer experience of products and services offered to customers from a multi-channel and digital perspective, and the adoption of management systems, equipment and infrastructure for health and safety.



In line with the investment programme for the period 2021-2024, designed to support the objectives of the new 24SI Strategic Plan, around 80% of the Group's investments (€93 million) focused on the automation and modernisation of the [Mail, Parcels and Distribution Strategic Business Unit](#). In particular, the process of improving real estate facilities and the renewal of the new delivery fleet continues. In the first three months of 2021, around 2,000 new vehicles were added to the fleet, most of which were tricycles, and the SDA new sorting centre in Northern Italy in Landriano (province of Pavia) became fully operational, in addition to the new sorting centre in Central Italy at Passo Corese near Rome, launched at the end of 2020.

Activities continue to address the needs related to the ordinary management of safety in the workplace and IT security through threat prevention activities and the combat against cyber attacks. During the first quarter of 2021, Poste Italiane's video surveillance service was further extended to sites not yet served and existing systems were upgraded by gradually replacing obsolete digital video recorders (DVRs) and intrusion detection units. In particular, more than 170 new cameras were installed, replacing more than 260, and 10 new Intrusion Control Panels were installed, replacing more than 170. Property investments mainly concerned the redevelopment of post offices, the creation of new spaces for commercial specialists and mobile consultants. With regard to the containment of environmental impacts, activities aimed at reducing electricity consumption continued through the replacement of lamps with LED technology (17,000 in 1Q 2021).

As part of IT operations, Digital Transformation activities continued, leading to the adoption of the following Microsoft Cloud platforms:

- Dynamics to guarantee the unique vision of the customer and optimise the Customer Experience on all channels
- Azure for a more scalable and secure IT structure that enables the company to be agile and fast in innovating on business from logistics to financial services
- Microsoft 365 to enable a new way of working that is more collaborative and productive

The 2021 - 2024 Partnership Agreement between Poste Italiane and Microsoft was also signed. On the one hand, this will enable Poste Italiane to increase its internal cloudification level, thanks to the adoption of Microsoft's Cloud, and on the other hand, to export the technological and process architectures, as well as the physical-digital integration of the Poste Italiane/Microsoft union, to the external market and to the Public Administration.

In the **Financial Services Strategic Unit**, total investments amounted to €6 million and regarded the development of the remote offering and the expansion of the range of postal savings, life assurance and funds. In particular, investments continued to ensure the release of functions relating to the methods of distance selling from BP app and the possibility of receiving instant credit transfers on ordinary and smart books was made available. Regarding the New Service Model (NMdS), in order to boost the efficiency of value added services also at peripheral post offices that do not have a permanent consultant, in a context of reduced mobility, a pilot project was launched to provide remote consultancy services by Mobile Consultant Specialists (SCMs). Through a remote connection carried out by SCMs at another Poste Italiane location, it is possible to provide consultancy, execute orders, deliver contractual documentation and collect signatures in safety, making use of the presence of the Post Office Director for customer reception, identification and contractual assistance.

With regard to the **Insurance Services Strategic Business Unit**, Poste Assicura S.p.A., design activities continued in 1Q 2021 to support industrial development and the continuous functional/infrastructural improvement of the most important business support systems. The investments underway support the development of the offer, the initiatives to support the country's recovery after the health emergency and the strong and integrated control of all channels taking into account customer expectations. Finally, work continued on upgrading systems to comply with regulatory requirements. Total investment in the quarter amounted to €4 million.

Investment in the **Payments and Mobile Strategic Business Unit** amounted to €13 million. In TLC, developments continued in support of the fixed and mobile network offer, with the goal of boosting market competitiveness. Developments continued aimed at launching the new debit cards issued by PostePay to replace BancoPosta cards, with the aim of integrating current functions with those that enable BancoPosta account holders to access the Postepay ecosystem. Developments were completed leading to the launch of the first biodegradable Postepay Green card in March 2021. Work began on the creation of the P.A.C. (Central Public Administration) platform for the management of payments to the P.A.C. with a P.A. slip and work continued on upgrading the PagoPA acceptance system for the management of multi-beneficiary collections.

Net working capital at 31 March 2021 amounted to €3,044 million and increased by €560 million compared to the end of 2020 (of which €12 million from the first consolidation of Nexive). The following mainly contributed to this change:

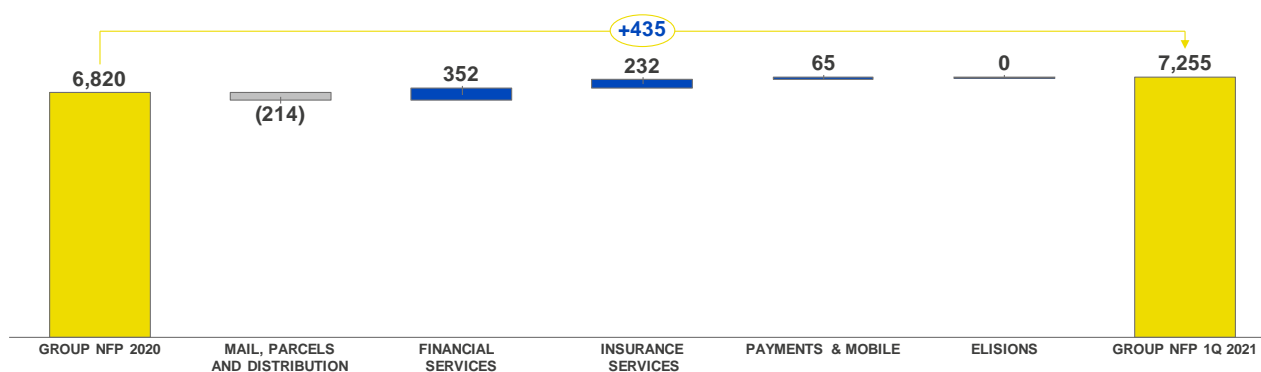
- other receivables and assets with an increase of €227 million, attributable for €447 million to an increase in receivables related to the “Relaunch Decree”⁵³ (which will be used to offset, in the years from 2021 to 2030, tax, social security or fiscal payables based on the provisions of the Tax Authorities with reference to the very characteristics of the individual receivables), partially offset by a decrease of €240 million in withholding tax receivables related to the operations of the Insurance Services and Financial Services SBUs;
- other liabilities decreased by €88 million, mainly due to a €199 million decrease in payables to employees and social security institutions (including early retirement incentives for the period and payment of the fourteenth month's salary), partially offset by a €71 million increase in sundry tax payables;
- an increase in Trade receivables of €360 million and a decrease in Trade payables of €74 million;
- net current tax payables increased by €188 million, due mainly to the recognition of income taxes for the period.

⁵³D.L. no. 34/2020 converted with amendments into Law no. 77/2020.

The balance of **Sundry provisions and Other assets/liabilities** at 31 March 2021 amounted to €2,701 million and increased by €169 million compared to 31 December 2020 mainly due to higher net deferred tax payables of €154 million largely attributable to the positive change in the fair value of financial instruments classified as FVTOCI, recorded in the specific equity reserve. The balance of provisions for risks and charges also contributed to this item, which amounted to €1,474 million (€1,396 million at the end of December 2020) and includes Provisions for early retirement incentives of €528 million (€576 million at 31 December 2020). The balance also includes the provision for operational risks relating primarily to liabilities arising from the Financial Services SBU's operations amounting to €149 million (€139 million at 31 December 2020) and the provision for disputes with third parties amounting to €272 million (€267 million at 31 December 2020).

Equity amounted to €12,393 million at 31 March 2021, an increase of €886 million compared with 31 December 2020. The change that occurred during the period reflected primarily the profit for the period of €447 million and an increase of €450 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).

Group Net Debt/Funds (€m)



Total net debt/(funds) at 31 March 2021 showed funds of €7,255 million, up €435 million from 31 December 2020 (funds of €6,820 million). This change was primarily attributable to positive operating income of €672 million (including €447 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 €629 billion, partially offset by the negative change attributable to the change in working capital and taxes for about €560 billion and investments for €116 million. Finally, the negative effects of the acquisitions of Nexive and Sengi for a total of €64 million (total investment of €41 million, in addition to the net financial position acquired of €23 million) and the increase in financial liabilities for leases (mainly due to the signing of new contracts in the period) for €81 million falling under the scope of IFRS 16 contributed to the change.

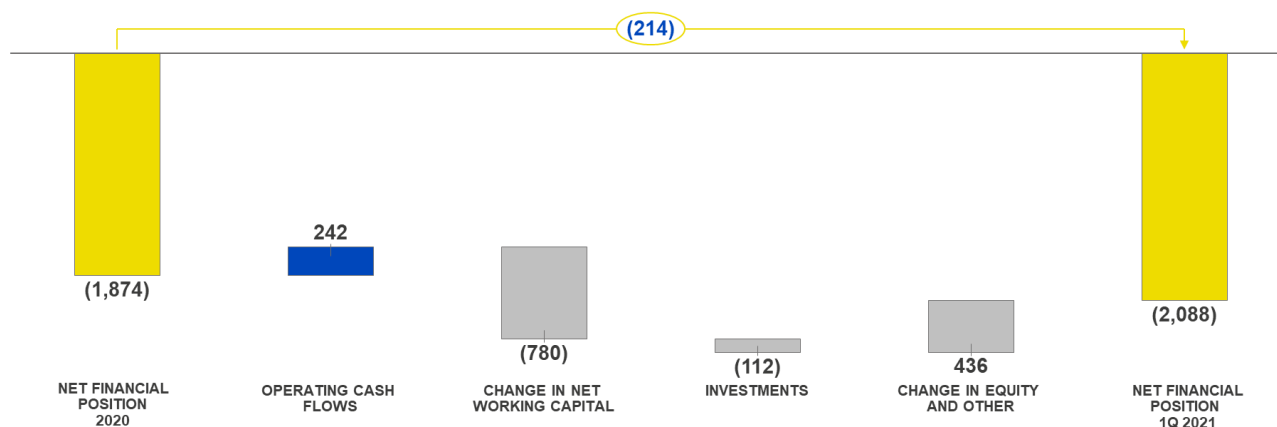
With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the year was negative by approximately €2.4 billion and was recognised in a specific equity reserve for positive €0.9 billion for the portion not hedged by fair value hedges, and through profit or loss for negative €3.3 billion for the portion hedged, offset by the positive fair value change of fair value hedging derivatives. At 31 March 2021, the total balance of derivatives in fair value hedge was negative for €4.6 billion (€8.1 billion at 31 December 2020). In addition, as part of these hedging transactions, as a result of the positive change in derivatives, the Parent Company decreased guarantee deposits in favour of counterparties by approximately €3.3 billion.

At 31 March 2021, the Financial Services SBU also included the following equity changes compared with 31 December 2020:

- an increase in postal current account deposits of €1.4 billion;
- a decrease in borrowings from financial institutions of €1.6 billion, largely attributable to the progressive improvement in the fair value of derivatives, which reduced the need for liquidity on the repurchase agreement market;
- a net decrease of €0.1 billion in fixed income instruments measured at amortised cost (including the negative change of €1.7 billion in profit or loss relating to the portion hedged by fair value hedges);
- a net decrease in fixed income instruments classified as FVTOCI by €0.5 billion; the total fair value fluctuation of the period was negative for €0.7 billion.

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

(€m)



Total (net debt)/funds of the Mail, Parcels and Distribution Strategic Business Unit at 31 March 2021 showed a debt of €2,088 million, worse €214 million compared to 31 December 2020 (when there was a net debt of €1,874 million). Net of the financial lease liabilities provided for by IFRS 16 for €1,246 million, net debt/(funds) showed debt of €842 million (at 31 December 2020, it showed debt of €663 million).

The movement reflects:

- a positive operating result of €242 million: in addition to the positive result for the period of €38 million, depreciation and amortisation of €194 million are the main contributors;
- an increase in net working capital of €780 million attributable largely to an increase in other receivables related to the Relaunch Decree no. 34/2020 (about €447 million), which will be used to offset, in the years from 2021 to 2030, tax, social security or fiscal payables based on the provisions of the Tax Authorities with reference to the characteristics of the individual receivables. The change is also attributable to the decrease in payables to personnel and social security institutions (approximately €206 million), which includes the early retirement incentives for the period and the payment of the fourteenth month's salary, and the decrease in trade payables (approximately €150 million);
- new investments for €112 million;
- a positive cash flow from dividends of €579 million and other increases in debt of €143 million included in "Change in equity and other", mainly due to an increase of €81 million in financial liabilities for leases (mainly for new contracts signed during the period) that qualify for IFRS 16 treatment. The change also includes the negative

effect of the acquisitions of Nexive and Sengi for a total of €64 million (total investment of €41 million, in addition to the net financial position acquired of €23 million).

Debt represented in the net debt/(funds) of the Mail, Parcel and Distribution SBU primarily relates to:

- use of uncommitted credit line for short-term loans for a total of €275 million;
- an EIB loan of €173 million maturing in March 2026;
- an EIB loan of €400 million maturing in October 2026;
- private placement of about €50 million maturing in October 2023;
- two senior unsecured bonds issued on 10 December 2020 with a total nominal value of €1 billion, the first of €500 million maturing in December 2024 and the second of €500 million maturing in December 2028.

It should also be noted that a medium-term bank loan of €250 million was repaid in January 2021.

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

(€m)	31 March 2021	31 December 2020	CHANGES	
A. Liquidity	(2,292)	(2,254)	(38)	-1.7%
B. Current financial receivables	(9)	(425)	416	97.9%
C. Current due to banks	276	665	(389)	-58.5%
D. Current lease payables	236	212	24	11.3%
E. Current portion of non-current debt	1	0	1	n/s
F. Other current borrowings	13	17	(4)	-23.5%
G. Current financial debt (C+D+E+F)	526	894	(368)	-41.2%
H. Current net debt/(funds) (A+B+G)	(1,775)	(1,785)	10	0.6%
I. Non-current due to banks	573	823	(250)	-30.4%
L. Bonds issued	1,046	1,046	0	0.0%
M. Non-current lease payables	1,010	999	11	1.1%
N. Other non-current liabilities	56	51	5	9.8%
O. Non-current financial debt (I+L+M+N)	2,685	2,919	(234)	-8.0%
P. Net debt/(funds) (ESMA) (H+O)	910	1,134	(224)	-19.8%
Non-current financial assets	(108)	(97)	(11)	-11.3%
Net debt/(funds)	802	1,037	(235)	-22.7%
Intersegment financial receivables and borrowings	1,286	837	449	53.6%
Net debt/(funds) including intersegment transactions	2,088	1,874	214	11.4%

n/s: not significant

Existing cash and credit lines are amply sufficient to cover expected financial requirements. More specifically, at 31 March 2021, the cash of the Mail, Parcels and Distribution SBU amounted to €2.3 billion (of which €2.2 billion relating to the Parent Company), while unused committed and uncommitted lines to support liquidity totalled approximately €2.5 billion.

The table below provides details of the credit lines at 31 March 2021 and 31 December 2020.

	€m	
Description	31.03.2021	31.12.2020
Committed credit lines	1,750	1,750
Short-term loans	1,750	1,750
Uncommitted credit lines	1,937	1,893
Short-term loans	1,015	1,017
Current account overdrafts	145	148
Unsecured loans (*)	776	728
Total	3,687	3,643
Uncommitted uses	656	633
Short-term loans	275	250
Unsecured loans	381	383
Total	656	633

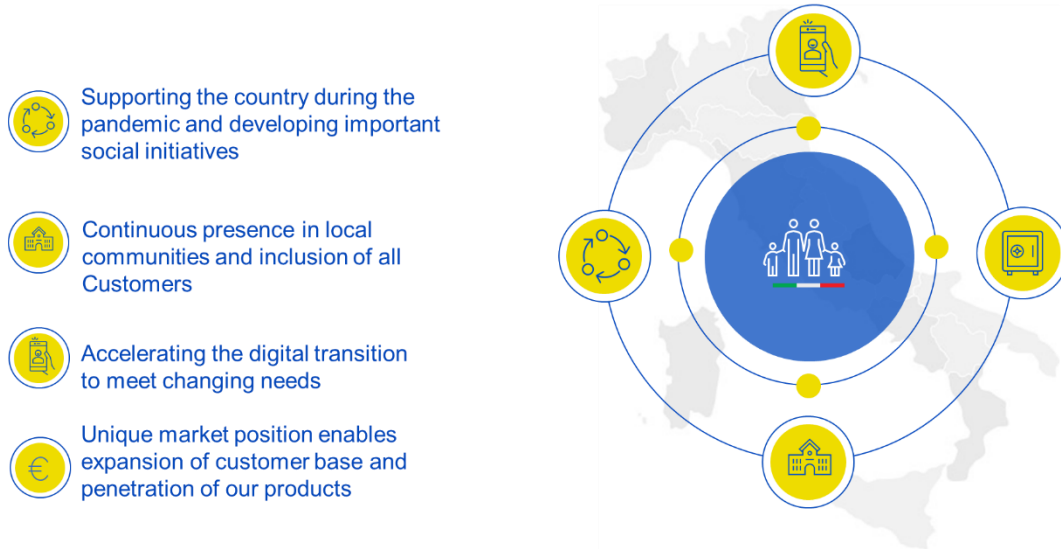
(*) At 31 March, the Parent Company had €636 million in unsecured loans (€620 million at 31 December 2020)



6. OUTLOOK

The year 2021 began in a general economic scenario still significantly affected by the ongoing health emergency but with encouraging prospects for recovery thanks to vaccination programmes and expansionary policies adopted to support the economy⁵⁴.

A STRATEGIC PILLAR FOR ITALY



In this context, the Group has confirmed its **role as a systemic operator at national level**, as a flexible and resilient company, not only with reference to its economic and financial performance, but also in relation to its social responsibility to support the country in overcoming the health emergency and relaunching production and investment. In this sense, of significance is the Group's active role in the **distribution campaign for vaccines⁵⁵ and in the management of the IT platform for booking vaccinations, through which one in three Italians, including the entire population of Lombardy, will be vaccinated.**

The new **24SI** Strategic Plan, presented on 19 March 2021, aims to confirm the company's role as a **strategic pillar for the country**, with renewed attention to the issues of sustainability of business strategies and omnichannel service models.

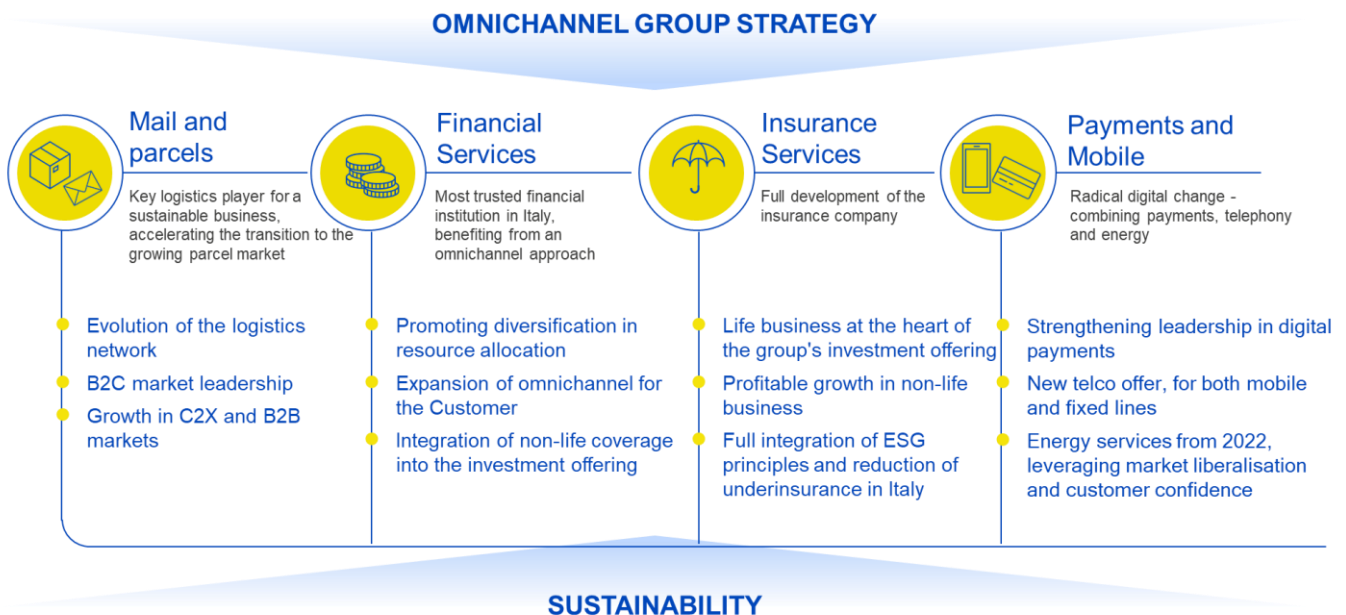
The vision for the future is clear: to maximise the value of **Italy's leading omnichannel distribution network** by leveraging the increased reputation and trust of customers. To this end, significant investments in technology and logistics are planned in order to accelerate the **Group's transformation process**, innovating the business model and expanding the range of products and services in terms of content, channels and delivery methods.

The Group's activities aim to create a positive impact for customers, communities and all stakeholders by promoting **integrity**, transparency and **ethical** and **responsible** management. The company invests in its people to build an inclusive work environment that ensures equal opportunities.

⁵⁴ The UN Conference on Trade and the Economy issued an official statement in March 2021 in which it sees the post-Covid global economic recovery as more positive than initially expected. According to the report, Gross Domestic Product in 2021 will grow globally by 4.7%, after the contraction of 3.9% in 2020, involving all the states of the planet, both developing countries and the richest.

⁵⁵ In the first four months of 2021, Poste Italiane contributed to the Covid-19 vaccination campaign through the management of the logistics chain for the distribution of several million doses of vaccine and made available its online IT platform for managing bookings.

STRATEGY IMPLEMENTATION



The **implementation of the strategy** in the 24SI plan is spread across the Group's 4 Strategic Business Units and includes:

Mail, Parcels and Distribution Strategic Business Unit

- The evolution of the logistics network with reference to the entire value chain in order to seize the potential of the growing parcel market, thanks to the consolidation of B2C leadership and growth in the B2B area
- Completion of the new service model in the C2X segment; entry into new market segments (pharma and food), which are currently only partially covered; development of operations outside Italy, taking advantage of the acquisition of the Chinese operator Sengi Express
- Increasing productivity through the strengthening and integration of its distribution networks to support the offer
- The modernisation and automation of logistics processes by leveraging the strategic partnerships made during 2020 with specialised and innovative players in the logistics value chain (sennder, MLK Deliveries)
- Integration with the Nexive Group, with the exploitation of synergies, guaranteeing the safeguarding of the sustainability of the mail market and service levels for customers.

Financial Services Strategic Business Unit

- Increasing the attractiveness of savings and promoting a diversified asset allocation that is consistent with customer needs, leveraging the omni-channel platform, developing the number and professionalism of consultants and increasing attention to customer segmentation
- Integration of insurance coverage in the offer of investment products, meeting at the same time the savings and protection needs of customers

- The completion of the digitisation of the product offering portfolio
- The extension of the offering also through the use of new partnerships and the development of existing ones.

Insurance Services Strategic Business Unit

- Consolidation of leadership in Life business through a gradual rebalancing of inflows towards products that, while respecting the needs and characteristics of customers, are also capital light. These products (Multi-class) are characterised by a moderate risk profile, with potentially more attractive returns on investments
- Commitment and contribution to reducing “under-insurance” in Italy in the P&C sector, through the continuation of the profitable and sustainable growth path with the development of a modular and integrable offer of the various covers that make up the different lines of protection, customised to the needs of each customer
- The progressive penetration of the car liability market and the development of Welfare.

Payments and Mobile Strategic Business Unit

- Continuous evolution of the business model by combining offerings in payments, telecommunications (Connect offer) and - in the near future - energy
- The consolidation of leadership in digital payments, through the introduction of value-added services to act as a market facilitator, connecting customers, SMEs and Public Administrations
- The offer of integrated, innovative and flexible payment solutions on online channels and the spread of the “Postepay Code” as a fast and Covid-free payment method
- The launch of a new PostePay debit card, totally biodegradable, which will offer the same functions as the prepaid card, improving the customer experience
- Penetration of the ultra-broadband fiber market, thanks to agreements with TIM and Open Fiber signed in 2020.

The results for the first quarter of 2021 show that the path of innovation and consolidation, outlined in the 24SI plan, has been positively undertaken by the Group; the economic objectives forecast for 2021 are based on the hoped expectation of continuous improvement in the emergency situation, over the months, until a “new-normal” is reached during 2022.



7. OTHER INFORMATION

[EVENTS AFTER 31 MARCH 2021](#)

[SIGNIFICANT TRANSACTIONS](#)

[INDUSTRIAL RELATIONS](#)

[WELFARE-DIVERSITY AND INCLUSION](#)

[CORPORATE UNIVERSITY](#)

[PROCEEDINGS PENDING AND PRINCIPAL RELATIONS WITH THE AUTHORITIES](#)

7.1 EVENTS AFTER 31 MARCH 2021



The events after the end of the interim reporting period at 31 March 2021 have been described in other sections of the document.

7.2 SIGNIFICANT TRANSACTIONS



Within the scope of the transactions with Monte dei Paschi di Siena Capital Services Banca per le Imprese S.p.A. authorised by the Board of Directors on 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, eight Interest Rate Swaps for interest rate risk hedging purposes, and sixteen trades in government securities were carried out from 1 January to 31 March 2021.

7.3 INDUSTRIAL RELATIONS



Covid-19 Emergency

During the first quarter of the year, following the spread of the epidemiological emergency relating to Covid-19, the Company and the Trade Unions continued their discussions within the OPN Committee (National Joint Committee for Health and Safety in the Workplace) aimed at ensuring, through the adoption of preventive measures, the safety of people and the containment of the virus.

The Committee continues to pay the utmost attention to safety measures suitable for carrying out work activities (e.g., the provision of masks, gels, gloves, respect for interpersonal distance, position stalls, cleaning and sanitisation), encouraging the use of smart working and monitoring the preventive screening activities implemented by the Company. In addition, as part of the measures to contain the risk of infection by Coronavirus, the Operational Instruction for the reconstruction of Covid-19 contacts was amended in light of new indications provided by the competent governmental and health authorities, for the part relating to the resistance of the virus on surfaces and the duration of the incubation period.

National Collective Labour Agreement for Non-Executive Personnel of Poste Italiane

In March 2021, the discussion resumed with the Labour Unions for the renewal of the National Collective Labour Contract. In this context, the work of the three commissions is therefore continuing to revise the contractual text with reference to the system of industrial relations and labour union rights, the regulation of the employment relationship and the system of supplementary health care and corporate social responsibility.

Post office network

On 14 January 2021, the Company and the Trade Unions signed minutes regarding certain Post office network matters. With regard to the structure of the post office network, which was modified in response to the current pandemic, it was agreed to continue with further actions to gradually restore it. In addition, in order to improve the quality of the service offered to customers in offices even during the health emergency, a number of initiatives aimed at managing waiting customers more effectively were illustrated (attention to the reception phase, assessment of the possibility of increasing the maximum capacity of people who can stay inside the Post Office at the same time).

Active labour policies

On 24 March 2021, it was agreed with the Trade Unions to initiate an extraordinary maneuver, additional to that defined in the Understanding of 14 January 2021⁵⁶, which aims to ensure the necessary support for the operation of the Post office network front end. The Agreement, without prejudice to the framework of Active Policies that will be defined by the Parties for the next three years, identifies the management levers, to be included in consideration of the territorial peculiarities, such as part-time recruitment from the external market, counters, conversions from part time to full time and recruitment of specialists from the external market. With regard to the hiring of specialists, it was also agreed to launch a selection phase to exploit any internal candidates already belonging to the Post office network through a specific job posting.

Demonetisation of Holidays Coinciding with Sunday

On 3 March 2021, Agreement Minutes was signed with the Trade Unions for Poste Italiane and for the Group companies that apply the same national collective labour agreement. These regard the removal of compensation payable when a public holiday coincides with a Sunday. The understanding grants employees, for 2021, the right to choose to convert the payment previously due to them into one day of paid leave. This applies to the public holidays of 25 April, 15 August and 26 December, falling on a Sunday. Workers who opt for the use of “demonetised” holidays are entitled to additional hourly paid leave, which cannot be monetised, equal to 1 hour for each demonetised holiday. At territorial level, the signing of the Agreements for the demonetisation of the holiday of the Patron Saint coinciding with Sunday was delegated.



7.4 WELFARE - DIVERSITY AND INCLUSION

The Company's commitment to safeguarding the well-being of people continues through initiatives aimed at strengthening the welfare system with interventions in favour of employees and their families in a logic of growing proximity and personalisation of caring.

As part of initiatives in favour of the younger generations, school orientation activities were launched for young people from vulnerable social backgrounds, in continuity with the Next Generation programme and, in view of the launch of the new edition of the welfare programme for the conversion of the result bonus, a path of listening to colleagues was undertaken to understand the main individual and family needs with regard to the goods and services to be made available.

In order to accompany the actions in support of the Diversity and Inclusion business plan, the work of the cross-functional groups was completed and the project priorities were identified on the basis of the qualitative and quantitative impact on the corporate population and the implementation schedule in line with the strategic objectives. At the same time, personnel awareness and training initiatives are being intensified to overcome common stereotypes and prevailing biases, to support and care for family members with frailty, and to build an alliance across generations.

⁵⁶ The agreement, with reference to active policy measures, aimed at speeding up the completion of residual actions referring to 2020.



7.5 CORPORATE UNIVERSITY

During the first quarter of 2021, a total of more than 1.4 million hours of training were provided, an increase of 21% over the same period last year.

Of the total number of hours provided, approximately 660 thousand relate to training projects in the finance and insurance sectors to support regulatory amendments, the business model and the placement of new products (e.g., third-party motor liability) new products (e.g., Car TPL).



7.6 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 three months of 2021. For full details, please refer to the Financial Statements at 31 December 2020.

PRINCIPAL PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

Autorità per le Garanzie nelle Comunicazioni (AGCOM - the Italian Communications Authority)

During 2020, the procedure for verifying the net cost of the universal postal service for the year 2019 was launched. In particular, with a communication dated 8 July 2020, AGCOM extended to 2019 the objective scope of the net cost verification procedure of the universal postal service for the years 2017 and 2018, previously initiated with Resolution 215/19/CONS of 2 July 2019. On 22 March 2021 with Resolution **79/21/CONS**, the public consultation phase was launched, aimed at acquiring, within 45 days of publication, comments and contributions from the Company and other interested parties on the universal service charge for the years 2017, 2018 and 2019. The measure concludes that the charge borne by the Company for the provision of the Universal Postal Service is unfair. For the year 2017, the charge is quantified at €348 million. For the years 2018 and 2019, two alternative indicators of reasonable profit are proposed: the Weighted Average Cost of Capital (WACC) and the Ebit Margin. Depending on the use of the first or the second indicator, the amounts placed for consultation are respectively €329 and €403 million for the year 2018 and €170 and €238 million for the year 2019. Given the period covered by the Contratto di Programma (Service Contract), i.e. 2015-2019, and the compensation authorised by the European Commission under State aid rules, the charge of providing the Universal Postal Service over the entire period would, in any event, exceed the authorised compensation. Finally, in continuity with the decisions for previous years, in the above-mentioned public consultation AGCOM does not consider it appropriate to proceed with the activation of a compensation fund for the years 2017, 2018 and 2019.

On 25 March 2021, **Poste Italiane** paid a fine of €1.06 million, assessed in 2020, for breach of the obligation to provide continuity in the provision of the universal service, in relation to the non-opening of certain post offices, concentrated almost entirely in Trentino Alto Adige, due to the sudden absence of personnel during the period 1 January - 21 February 2020. At 31 March 2021, the provisions made in 2020 had been used in full.

Bank of Italy

In January 2021, the Bank of Italy requested information regarding the closure of the Online Trading service with particular reference to the reasons and methods of communication to customers. The feedback was provided on 25 March 2021.

In February 2021, the Bank of Italy launched a fact-finding investigation concerning the technological innovations adopted by financial intermediaries “Fintech Survey 2021”, with a focus both on investments and collaborations with fintech companies, and on the holding of crypto assets. The investigation was also launched into the subsidiary, PostePay S.p.A., with which feedback was provided. The feedback was provided on 23 April 2021.

On 30 March 2021, the Bank of Italy sent BancoPosta and its subsidiary, PostePay S.p.A., a note requesting further information on the actions underway to manage IT risk, focusing on certain areas for improvement identified in the note. The deadline for feedback is 29 May 2021.

CONSOB

In March 2021, CONSOB launched a thematic survey concerning the provision of cryptocurrency services by Intermediaries, with a focus on investments/financial instruments with underlying cryptocurrencies placed on behalf of customers together with any project activities planned on the matter over the next three years. The feedback was provided on 19 April 2021.

Lastly, again in March 2021, CONSOB requested information on reports by customers of delays in the execution of requests to transfer securities to other intermediaries, requesting evidence of complaints relating to the case in question, any anomalies identified in the process in question and, finally, the Compliance function's assessment of the matter, together with the controls carried out. The feedback was provided on 22 April 2021.

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

On 19 February 2020, IVASS notified **Poste Vita** of a complaint concerning the alleged delay in the liquidation of life insurance policies. The Company filed its defence briefs, the filing deadline for which, set at 60 days from the date of notification, was suspended from 23 February to 15 April 2020 and further extended to 15 May 2020 due to the entry into force of Decree Law no. 23 of 8 April 2020, published in the Official Gazette no. 94 of 8 April 2020. Subsequently, on 3 March 2021, IVASS notified Poste Vita of its proposal to conclude the preliminary investigation phase of the proceedings in question, proposing the application of a minimum fine of €0.03 million for the company; however, in order for the proceedings to be completed, the Supervisory Authority must issue a specific, reasoned decision.

On 25 August 2020 and 24 February 2021, IVASS notified Poste Vita of two further complaints, both regarding alleged delays in the payment of life insurance policies. With regard to the first document, the Company filed its defence briefs by the deadlines, while it is currently preparing its defence briefs for the second, given the deadline set for the end of April 2021.

On 14 December 2020, IVASS launched an ordinary inspection of Poste Vita to assess the governance, management and control of investments and financial risks, which is still ongoing.

Garante per la protezione dei dati personali (the Data Protection Authority)

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €0.34 million on **Postel**, which the Company accounted for in its financial statements for 2013. Postel has appealed against this provision, which has been partially upheld by the Court of Rome. In the subsequent proceedings before the Court of Cassation the penalty of €0.34 million was upheld. 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 it requests, in addition to payment of a fine of €0.24 million, as reduced by the judgement from the Court of Rome, an additional amount of €0.12 million. Postel appealed against the order for €0.12 million, which was partially annulled by the Court of Rome. Against this judgement, the Authority appealed to the Court of Cassation, which, fully adhering to the Company's arguments, declared the appeal filed by the Authority inadmissible, also ordering it to reimburse the legal costs.

Therefore, for the recovery of the sum of €0.12 million, Postel sent a formal request to the State General Accountancy Office and the tax authorities collection office. At the end of March, the Rome Territorial State Accounting Office announced

that it had issued the payment order, which is currently being checked by the relevant office, for subsequent forwarding for collection.

8. CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2021



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

ASSETS	31 March 2021	31 December 2020
Non-current assets		
Property, plant and equipment	2,141	2,134
Investment property	30	31
Intangible assets	781	755
Right-of-use assets	1,224	1,200
Investments accounted for using the equity method	619	615
Financial assets	215,674	217,877
Trade receivables	3	2
Deferred tax assets	1,101	1,123
Other receivables and assets	4,176	3,868
Technical provisions attributable to reinsurers	52	54
Total	225,801	227,659
Current assets		
Inventories	164	165
Trade receivables	2,732	2,373
Current tax assets	210	187
Other receivables and assets	979	1,060
Financial assets	28,798	30,006
Cash and deposits attributable to BancoPosta	6,251	6,391
Cash and cash equivalents	5,165	4,516
Total	44,299	44,698
TOTAL ASSETS	270,100	272,357
LIABILITIES AND EQUITY	31 March 2021	31 December 2020
Equity		
Share capital	1,306	1,306
Reserves	4,328	3,909
Treasury shares	(40)	(40)
Retained earnings	6,794	6,327
Total equity attributable to owners of the Parent	12,388	11,502
Equity attributable to non-controlling interests	5	5
Total	12,393	11,507
Non-current liabilities		
Technical provisions for insurance business	154,495	153,794
Provisions for risks and charges	661	625
Employee termination benefits	967	1,030
Financial liabilities	14,545	18,366
Deferred tax liabilities	1,361	1,229
Other liabilities	1,532	1,576
Total	173,561	176,620
Current liabilities		
Provisions for risks and charges	813	771
Trade payables	1,763	1,837
Current tax liabilities	224	13
Other liabilities	1,701	1,745
Financial liabilities	79,645	79,864
Total	84,146	84,230
TOTAL LIABILITIES AND EQUITY	270,100	272,357

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

	First quarter 2021	First quarter 2020
Revenue from Mail, Parcels and other	917	771
Net revenue from Financial Services	1,327	1,380
Revenue from Financial Services	1,363	1,464
Expenses from financial activities	(36)	(84)
Revenue from Insurance Services after changes in technical provisions and other claim expenses	497	355
Insurance premium revenue	5,812	4,576
Income from insurance activities	1,024	738
Movement in technical provisions for insurance business and other claim expenses	(5,709)	(2,589)
Expenses from insurance activities	(630)	(2,370)
Revenue from Payments and Mobile	192	165
Net operating revenue	2,933	2,671
Cost of goods and services	704	569
Personnel expenses	1,358	1,404
Depreciation, amortisation and impairments	199	203
Capitalised costs and expenses	(8)	(8)
Other operating costs	60	48
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	-	14
Operating profit/(loss)	620	441
Finance costs	22	23
Finance income	38	25
Impairment losses/(reversals of impairment losses) on financial assets	-	-
Profit/(Loss) on investments accounted for using the equity method	4	4
Profit/(Loss) before tax	640	447
Income tax expense	193	141
NET PROFIT FOR THE PERIOD	447	306
of which attributable to owners of the Parent	447	306
of which attributable to non-controlling interests	-	-
Earnings per share	0.344	0.236
Diluted earnings per share	0.344	0.236

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

	First quarter 2021	FY 2020	First quarter 2020
Profit/(Loss) for the period	447	1,206	306
Items to be reclassified in the Statement of profit (loss) for the period			
FVOCI debt instruments			
Increase/(decrease) in fair value during the period	887	2,016	(1,751)
Transfers to profit or loss	(259)	(263)	(229)
Increase/(Decrease) for expected losses	-	7	(1)
Cash flow hedges			
Increase/(decrease) in fair value during the period	(52)	(28)	163
Transfers to profit or loss	7	5	(1)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit/(loss) for the period	(166)	(495)	519
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
Items not to be reclassified in the Statement of profit/(loss) for the period			
FVOCI equity instruments			
Increase/(decrease) in fair value during the period	1	17	(1)
Transfers to equity	-	-	-
Actuarial gains /(losses) on employee termination benefits	27	(5)	24
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit/(loss) for the period	(7)	1	(7)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
Total other comprehensive income	438	1,255	(1,284)
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD	885	2,461	(978)
of which attributable to owners of the Parent	885	2,462	(978)
of which attributable to non-controlling interests	-	(1)	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity												
	Share capital	Treasury shares	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	Total equity
			Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve							
Balance at 1 January 2020	1,306	(40)	299	1,210	1,018	115	2	2	5,786	9,698	-	9,698	
Total comprehensive income statement for the period	-	-	-	-	(1,417)	116	-	-	323	(978)	-	(978)	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	1	1	
Balance at 31 March 2020	1,306	(40)	299	1,210	(399)	231	2	2	6,109	8,720	1	8,721	
Total comprehensive income statement for the period	-	-	-	-	2,693	(133)	-	-	880	3,440	(1)	3,439	
Dividends paid	-	-	-	-	-	-	-	-	(402)	(402)	-	(402)	
Interim dividend	-	-	-	-	-	-	-	-	(211)	(211)	-	(211)	
Transactions with minority shareholders	-	-	-	-	-	-	-	-	(49)	(49)	-	(49)	
Incentive plans	-	-	-	-	-	-	-	4	-	4	-	4	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	5	5	
Balance at 31 December 2020	1,306	(40)	299	1,210	2,294	98	2	6	6,327	11,502	5	11,507	
Total comprehensive income statement for the period	-	-	-	-	450	(32)	-	-	467	885	-	885	
Incentive plans	-	-	-	-	-	-	-	1	-	1	-	1	
Balance at 31 March 2021	1,306	(40)	299	1,210	2,744	66	2	7	6,794	12,388	5	12,393	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	First quarter 2021	First quarter 2020
Unrestricted net cash and cash equivalents at the beginning of the period	2,811	1,265
Restricted net cash and cash equivalents at the beginning of the period	1,705	884
Cash and cash equivalents at the beginning of the period	4,516	2,149
Cash and cash equivalents at the beginning of the period	4,516	2,149
Result for the period	447	306
Depreciation, amortisation and impairments	199	203
Losses and impairment losses/(reversals of impairment losses) on receivables	(1)	14
(Gains)/Losses on disposals	(1)	(1)
(Increase)/Decrease in Inventories	2	(3)
(Increase)/Decrease Receivables and Other assets	(570)	(500)
Increase/(Decrease) Payables and Other liabilities	16	(181)
Change in provisions for risks and charges	69	58
Change in employee termination benefits and Provision for retirement benefits	(44)	(46)
Difference in accrued financial expenses and income (cash adjustment)	13	14
Other changes	(20)	39
Net cash flow from/(for) non-financial operating activities [a]	110	(97)
Increase/(Decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance	(1,124)	9,842
Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring and insurance	1,055	(7,699)
(Income)/Expense and other non-cash components	(1,017)	881
Increase/(Decrease) in net technical provisions for insurance business	2,077	(712)
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance [b]	991	2,312
Net cash flow from/(for) operating activities [c]=[a+b]	1,101	2,215
<i>Investing activities:</i>		
Property, plant and equipment, Inv. property and intangible assets	(116)	(97)
Other financial assets	(6)	-
Investments in consolidated companies net of cash acquired	(40)	-
<i>Disposals:</i>		
Property, plant and equipment, inv. property, intangible assets and assets held for sale	1	1
Other financial assets	411	6
Net cash flow from/(for) investing activities [d]	250	(90)
Proceeds from/(Repayments of) borrowings	(702)	479
Other transactions with minority shareholders	-	1
Net cash flow from/(for) financing activities and shareholder transactions [e]	(702)	480
Net increase/(decrease) in cash [f]=[c+d+e]	649	2,605
Cash and cash equivalents at the end of the period	5,165	4,754
Cash and cash equivalents at the end of the period	5,165	4,754
Restricted cash and cash equivalents at the end of the period	(2,268)	(2,736)
Unrestricted net cash and cash equivalents at the end of the period	2,897	2,018



9. DECLARATION 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 31 March 2021 is consistent with the underlying accounting records.

10. APPENDIX

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)	1Q 2021	1Q 2020	CHANGES	
Total Revenue	2,933	2,671	262	9.8%
<i>of which:</i>				
Mail, Parcels and Distribution Services	917	771	146	18.9%
Financial Services	1,327	1,380	(53)	-3.8%
<i>of which net gains</i>	222	234	(13)	-5.3%
Insurance Services	496	355	142	40.0%
Payments and Mobile Services	192	165	27	16.5%
Costs	2,114	2,027	86	4.3%
<i>of which:</i>				
Total personnel expenses	1,358	1,404	(46)	-3.3%
<i>of which ordinary personnel expenses</i>	1,358	1,402	(44)	-3.1%
<i>of which early retirement incentives</i>	2	1	1	65.9%
<i>of which disputes and other extraordinary items</i>	(2)	1	(3)	-297.2%
Other operating expenses	755	623	132	21.2%
EBITDA	819	644	176	27.3%
Depreciation, amortisation and impairments	199	203	(4)	-2.1%
EBIT	620	441	180	40.8%
EBIT Margin	21.2%	16.5%		
Finance income/(costs)	20	7	13	n/s
Gross profit	640	447	193	43.2%
Taxes	193	141	52	37.2%
Net profit	447	306	141	46.0%
Net earnings per share (€)	0.34	0.24	0.11	46.0%

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

1Q 2021	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
(€m)						
Total revenue	2,192	1,527	497	276	(1,558)	2,933
Revenue from third parties	917	1,327	496	192	0	2,933
Intersegment revenue	1,275	199	1	83	(1,558)	
Total costs	2,134	1,321	209	206	(1,558)	2,313
Total personnel expenses	1,332	11	9	6		1,358
<i>of which ordinary personnel expenses</i>	1,332	11	9	6		1,358
<i>of which early retirement incentives</i>	2	0	0	0		2
<i>of which disputes and other extraordinary items</i>	(2)	0	0	0		(2)
Other operating expenses	589	42	27	97		755
Depreciation, amortisation and impairments	194	0	1	4		199
Intersegment costs	19	1,268	172	98	(1,558)	-
EBIT	57	206	288	70		620
EBIT MARGIN	2.6%	13.5%	58.0%	25.2%		21.2%
Finance income/(costs)	5	5	11	(2)		20
Gross profit	62	211	300	68		640
Taxes	24	59	90	20		193
Net profit	38	152	210	48		447

STATEMENTS OF PROFIT OR LOSS BY STRATEGIC BUSINESS UNIT

MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

(€m)	1Q 2021	1Q 2020	CHANGES	
Total Revenue	2,192	2,031	161	7.9%
Mail	509	517	(7)	-1.4%
Parcels	368	211	157	74.5%
Other revenue	40	44	(4)	-9.1%
Intersegment revenue	1,275	1,260	15	1.2%
Costs	1,941	1,876	65	3.5%
<i>of which:</i>				
Total personnel expenses	1,332	1,375	(43)	-3.1%
<i>of which ordinary personnel expenses</i>	1,332	1,375	(42)	-3.1%
<i>of which early retirement incentives</i>	2	0	1	n/s
<i>of which disputes and other extraordinary items</i>	(2)	1	(3)	n/s
Other operating expenses	589	484	105	21.8%
Intersegment costs	19	17	3	15.1%
EBITDA	251	155	96	61.8%
Depreciation, amortisation and impairments	194	191	2	1.2%
EBIT	57	(36)	94	n/s
EBIT Margin	2.6%	-1.8%		
Finance income/(costs)	5	3	2	65.5%
Gross profit	62	(33)	95	n/s
Taxes	24	(2)	27	n/s
Net profit	38	(31)	69	n/s

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

(€m)	1Q 2021	1Q 2020	CHANGES	
Total Revenue	1,527	1,540	(13)	-0.9%
Net capital gains	222	234	(13)	-5.3%
Net interest income	362	387	(26)	-6.6%
Postal savings deposits	452	445	7	1.5%
Collection and payment services	199	216	(17)	-8.0%
Distribution of third-party products	65	72	(7)	-10.3%
Asset management	28	25	4	14.2%
Intersegment revenue	199	160	39	24.6%
Costs	1,321	1,317	4	0.3%
<i>of which:</i>				
Total personnel expenses	11	11	(0)	-2.1%
<i>of which ordinary personnel expenses</i>	11	11	(0)	-2.1%
<i>of which early retirement incentives</i>				
Other operating expenses	42	28	13	46.7%
Intersegment costs	1,268	1,278	(9)	-0.7%
EBITDA	206	223	(17)	-7.6%
Depreciation, amortisation and impairments	0.1	0.1	0	14.0%
EBIT	206	223	(17)	-7.6%
EBIT Margin	13.5%	14.5%		
Finance income/(costs)	5	(1)	6	n/s
Gross profit	211	221	(10)	-4.7%
Taxes	59	66	(7)	-10.2%
Net profit	152	155	(4)	-2.4%

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

(€m)	1Q 2021	1Q 2020	CHANGES	
Total Revenue	497	355	142	40.2%
Up Front - Life	96	80	16	20.6%
Financial margin - Life	357	233	125	53.6%
Protection margin - Life	6	6	0	1.8%
Change to other technical provisions and other technical income/expenses	(0)	1	(1)	n/s
Life net revenue	459	319	140	44.0%
Insurance premium revenue	72	61	11	17.9%
Change in technical provisions and claims settlement costs	(35)	(26)	(9)	-34.9%
Reinsurance results	(1)	(2)	0	26.2%
P&C net income	(1)	(0)	(1)	n/s
P&C net revenue	35	34	1	3.8%
Other operating income	3	2	0	19.0%
Intersegment revenue	1	0	1	n/s
Costs	208	163	45	27.3%
<i>of which:</i>			0	
Total personnel expenses	9	11	(2)	-17.9%
<i>of which ordinary personnel expenses</i>	9	10	(1)	-11.0%
<i>of which early retirement incentives</i>	0	1	(1)	n/s
Other operating expenses	27	25	2	8.3%
Intersegment costs	172	127	44	34.9%
<i>of which commissions</i>	152	117	35	29.5%
EBITDA	289	191	98	51.1%
Depreciation, amortisation and impairments	1	4	(3)	-73.1%
EBIT	288	187	101	53.9%
EBIT Margin	58.0%	52.8%		
Finance income/(costs)	11	2	10	n/s
Gross profit	300	189	111	58.7%
Taxes	90	58	32	54.6%
Net profit	210	131	79	60.5%

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

(€m)	1Q 2021	1Q 2020	CHANGES	
Total Revenue	276	255	20	8.0%
E-money	101	84	17	20.3%
Other payments	17	13	4	34.2%
Mobile	74	69	6	8.6%
Intersegment revenue	83	90	(7)	-7.5%
Costs	202	181	22	12.0%
<i>of which:</i>				
Total personnel expenses	6	7	(0.3)	-4.4%
<i>of which ordinary personnel expenses</i>	6	7	(0.3)	-4.4%
<i>of which early retirement incentives</i>				
Other operating expenses	97	87	11	12.2%
Intersegment costs	98	87	11	13.0%
EBITDA	74	75	(1)	-1.5%
Depreciation, amortisation and impairments	4	8	(3)	-45.0%
EBIT	70	67	2	3.4%
EBIT Margin	25.2%	26.3%		
Finance income/(costs)	(2)	3	(5)	-144.0%
Gross profit	68	71	(3)	-3.8%
Taxes	20	19	0.5	2.4%
Net profit	48	51	(3)	-6.1%

FINANCIAL POSITION

NET INVESTED CAPITAL AND RELATED FUNDING

(€m)	31 March 2021	31 December 2020	CHANGES	
Tangible fixed assets	2,171	2,165	6	0.3%
Intangible fixed assets	781	755	26	3.4%
Right-of-use assets	1,224	1,200	24	2.0%
Investments	619	615	4	0.7%
Non-current assets	4,795	4,735	60	1.3%
Trade receivables, Other receivables and assets and Inven	8,054	7,468	586	7.8%
Trade payables and Other liabilities	(4,996)	(5,158)	162	-3.1%
Current tax assets/(liabilities)	(14)	174	(188)	n/s
Net working capital	3,044	2,484	560	22.5%
Gross invested capital	7,839	7,219	620	8.6%
Provisions for risks and charges	(1,474)	(1,396)	(78)	5.6%
Employee termination benefits	(967)	(1,030)	63	-6.1%
Prepaid/deferred tax assets/(liabilities)	(260)	(106)	(154)	n/s
Net invested capital	5,138	4,687	451	9.6%
Equity	12,393	11,507	886	7.7%
<i>of which profit for the period</i>	<i>447</i>	<i>1,207</i>	<i>(760)</i>	<i>-63.0%</i>
<i>of which fair value reserve</i>	<i>2,744</i>	<i>2,294</i>	<i>450</i>	<i>19.6%</i>
Financial liabilities	94,190	98,230	(4,040)	-4.1%
Net technical provisions for insurance business	154,443	153,740	703	0.5%
Financial assets	(244,472)	(247,883)	3,411	-1.4%
Cash and deposits attributable to BancoPosta	(6,251)	(6,391)	140	-2.2%
Cash and cash equivalents	(5,165)	(4,516)	(649)	14.4%
Net debt/(funds)	(7,255)	(6,820)	(435)	6.4%

31 March 2021 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations and adjustments	Consolidated
Tangible fixed assets	2,145	1	2	23	-	2,171
Intangible fixed assets	762	-	18	1	-	781
Right-of-use assets	1,201	2	23	6	(8)	1,224
Investments	1,434	216	157	401	(1,589)	619
Non-current assets	5,542	219	200	431	(1,597)	4,795
Trade receivables, Other receivables and assets and Inventories	3,776	3,330	2,562	308	(1,922)	8,054
Trade payables and Other liabilities	(3,546)	(2,301)	(565)	(504)	1,920	(4,996)
Current tax assets/(liabilities)	55	(2)	(45)	(20)	(2)	(14)
Net working capital	285	1,027	1,952	(216)	(4)	3,044
Gross invested capital	5,827	1,246	2,152	215	(1,601)	7,839
Provisions for risks and charges	(1,217)	(229)	(18)	(10)	-	(1,474)
Employee termination benefits	(959)	(3)	(2)	(2)	(1)	(967)
Prepaid/deferred tax assets/(liabilities)	478	(1,014)	260	14	2	(260)
Net invested capital	4,129	-	2,392	217	(1,600)	5,138
Equity	2,041	5,853	5,497	592	(1,590)	12,393
<i>of which profit for the period</i>	<i>38</i>	<i>152</i>	<i>209</i>	<i>48</i>	<i>-</i>	<i>447</i>
<i>of which fair value reserve</i>	<i>9</i>	<i>2,636</i>	<i>89</i>	<i>10</i>	<i>-</i>	<i>2,744</i>
Financial liabilities	5,287	92,045	307	7,547	(10,996)	94,190
Net technical provisions for insurance business	-	-	154,443	-	-	154,443
Financial assets	(907)	(89,632)	(156,084)	(7,898)	10,049	(244,472)
Cash and deposits attributable to BancoPosta	-	(6,251)	-	-	-	(6,251)
Cash and cash equivalents	(2,292)	(2,015)	(1,771)	(24)	937	(5,165)
Net debt/(funds)	2,088	(5,853)	(3,105)	(375)	(10)	(7,255)

n/s: not significant

31 December 2020 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations and adjustments	Consolidated
Tangible fixed assets	2,140	1	2	22	-	2,165
Intangible fixed assets	736	-	18	1	-	755
Right-of-use assets	1,176	2	24	7	(9)	1,200
Investments	1,434	210	157	402	(1,588)	615
Non-current assets	5,486	213	201	432	(1,597)	4,735
Trade receivables, Other receivables and assets and Inventories	3,143	3,089	2,582	518	(1,864)	7,468
Trade payables and Other liabilities	(3,202)	(2,455)	(644)	(719)	1,862	(5,158)
Current tax assets/(liabilities)	137	(1)	39	(1)	-	174
Net working capital	78	633	1,977	(202)	(2)	2,484
Gross invested capital	5,564	846	2,178	230	(1,599)	7,219
Provisions for risks and charges	(1,156)	(214)	(17)	(9)	-	(1,396)
Employee termination benefits	(1,022)	(3)	(3)	(2)	-	(1,030)
Prepaid/deferred tax assets/(liabilities)	470	(849)	259	14	-	(106)
Net invested capital	3,856	(220)	2,417	233	(1,599)	4,687
Equity	1,982	5,281	5,290	543	(1,589)	11,507
<i>of which profit for the period</i>	<i>(418)</i>	<i>647</i>	<i>784</i>	<i>194</i>	<i>-</i>	<i>1,207</i>
<i>of which fair value reserve</i>	<i>9</i>	<i>2,183</i>	<i>92</i>	<i>10</i>	<i>-</i>	<i>2,294</i>
Financial liabilities	5,438	95,295	302	7,460	(10,265)	98,230
Net technical provisions for insurance business	-	-	153,740	-	-	153,740
Financial assets	(1,310)	(92,385)	(155,952)	(7,753)	9,517	(247,883)
Cash and deposits attributable to BancoPosta	-	(6,391)	-	-	-	(6,391)
Cash and cash equivalents	(2,254)	(2,020)	(963)	(17)	738	(4,516)
Net debt/(funds)	1,874	(5,501)	(2,873)	(310)	(10)	(6,820)

Difference 1Q 2021 vs 31.12.2020 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations and adjustments	Consolidated
Tangible fixed assets	5	-	-	1	-	6
Intangible fixed assets	26	-	-	-	-	26
Right-of-use assets	25	-	(1)	(1)	1	24
Investments	-	6	-	(1)	(1)	4
Non-current assets	56	6	(1)	(1)	-	60
Trade receivables, Other receivables and assets and Inventories	633	241	(20)	(210)	(58)	586
Trade payables and Other liabilities	(344)	154	79	215	58	162
Current tax assets/(liabilities)	(82)	(1)	(84)	(19)	(2)	(188)
Net working capital	207	394	(25)	(14)	(2)	560
Gross invested capital	263	400	(26)	(15)	(2)	620
Provisions for risks and charges	(61)	(15)	(1)	(1)	-	(78)
Employee termination benefits	63	-	1	-	(1)	63
Prepaid/deferred tax assets/(liabilities)	8	(165)	1	-	2	(154)
Net invested capital	273	220	(25)	(16)	(1)	451
Equity	59	572	207	49	(1)	886
<i>of which fair value reserve</i>	<i>-</i>	<i>453</i>	<i>(3)</i>	<i>-</i>	<i>-</i>	<i>450</i>
Financial liabilities	(151)	(3,250)	5	87	(731)	(4,040)
Net technical provisions for insurance business	-	-	703	-	-	703
Financial assets	403	2,753	(132)	(145)	532	3,411
Cash and deposits attributable to BancoPosta	-	140	-	-	-	140
Cash and cash equivalents	(38)	5	(808)	(7)	199	(649)
Net debt/(funds)	214	(352)	(232)	(65)	-	(435)

NET DEBT/(FUNDS) OF THE MAIL, PARCELS AND DISTRIBUTION SBU

ESMA NET DEBT/(FUNDS)

(€m)	31 March 2021	31 December 2020	CHANGES	
A. Liquidity	(2,292)	(2,254)	(38)	-1.7%
B. Current financial receivables	(9)	(425)	416	97.9%
C. Current due to banks	276	665	(389)	-58.5%
D. Current lease payables	236	212	24	11.3%
E. Current portion of non-current debt	1	0	1	n/s
F. Other current borrowings	13	17	(4)	-23.5%
G. Current financial debt (C+D+E+F)	526	894	(368)	-41.2%
H. Current net debt/(funds) (A+B+G)	(1,775)	(1,785)	10	0.6%
I. Non-current due to banks	573	823	(250)	-30.4%
L. Bonds issued	1,046	1,046	0	0.0%
M. Non-current lease payables	1,010	999	11	1.1%
N. Other non-current liabilities	56	51	5	9.8%
O. Non-current financial debt (I+L+M+N)	2,685	2,919	(234)	-8.0%
P. Net debt/(funds) (ESMA) (H+O)	910	1,134	(224)	-19.8%
Non-current financial assets	(108)	(97)	(11)	-11.3%
Net debt/(funds)	802	1,037	(235)	-22.7%
Intersegment financial receivables and borrowings	1,286	837	449	53.6%
Net debt/(funds) including intersegment transactions	2,088	1,874	214	11.4%

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.

CET1 CAPITAL: is an indicator that includes initial capital and retained earnings (Tier 1 capital), applied on a transitional basis (EU Regulation 2017/2395).

CET 1 RATIO: is the ratio that 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 (net reinsurance): is a profitability indicator and corresponds to the ratio between the total amount of costs incurred (commissions for the year + charges relating to claims + balance of business ceded + operating costs + other technical expenses and income) and gross premiums earned.

UNIT DIVIDEND: represents the amount of dividends paid by the company for each outstanding share. It is calculated as Dividends paid/Number of shares outstanding.

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

EBIT margin: 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): is an indicator of operating profit before financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets.

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

LAPSE RATE: is an indirect measure of the degree of customer loyalty. It is based on surrenders during the period as a percentage of mathematical provisions at the beginning of the period.

It is calculated as Surrenders/Mathematical Provisions (on a linear basis over 12 months).

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

LOSS RATIO: is a measure of the technical performance of an insurance company providing P&C cover and is calculated as the ratio of total losses incurred (including settlement expenses) and gross earned premiums.

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

NET CASH POSITION OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT: 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.

NET FINANCIAL POSITION OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT AS PER IFRS 16: is calculated as the net financial position of the Mail, Parcels and Distribution Strategic Business Unit, excluding financial liabilities for leases (IFRS 16).

AVERAGE PORTFOLIO YIELD EXCLUDING GAINS (%): is the average portfolio yield calculated as the ratio of interest income to average current account balances (excluding gains).

RWA (Risk Weighted Assets): is the indicator that measures the risk exposure of assets in accordance with Basel 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.

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

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.

EARNINGS PER SHARE: is the portion of a listed company's net income granted to each of its outstanding common shares. It is calculated as the ratio of the Group's net profit to the number of outstanding shares.