Poste Italiane Group

Interim Financial Report at 30 June 2011

SUMMARY OF CONTENTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Poste Italiane Group

Results of operations

(€m)	H1 2009	H1 2010	H1 2011
Revenues from sales and services and earned premiums	8,111	11,216	10,525
of which:			
Postal Services	2,699	2,677	2,439
Financial Services	2,365	2,236	2,338
Insurance Services	2,898	6,111	5,536
Other Services	149	192	212
Operating profit	805	915	860
Profit for the period	468	488	460
ROS (*)	9.9%	8.2%	8.2%
ROI (**)	1.0%	1.0%	0.9%
ROE (***)	21.3%	21.3%	19.7%

(*) ROS (Return on Sales) is the ratio of operating profit to revenues and earned premiums.

(**) ROI (Return on Investment) is the ratio of operating profit to average operating assets for the period. Operating assets equal assets less investment property and non-current assets held for sale.

(***) ROE (Return on Equity) is the ratio of profit before tax to equity for the two comparative periods.

Financial position

(€m)	30 June 2010	31 December 2010	30 June 2011
Equity	4,197	4,383	4,356
Net (funds)/debt	(1,465)	(986)	(503)
Net invested capital	2,731	3,397	3,853

Investment

(€m)	H1 2009	H1 2010	H1 2011
Investment during the period	171	128	131
of which:			
capital expenditure	171	127	129
financial investments (equity investments)	-	1	2

Workforce	H1 2009	H1 2010	H1 2011
Average workforce (*)	153,743	149,523	146,085

(*) The average workforce (shown in full-time equivalent terms) includes the flexible workforce and excludes seconded and suspended staff.

Operational highlights		30 June 2010	31 December 2010	30 June 2011
Operational data (€m)				
Current accounts (average for the period)		36,022	35,949	37,563
Post Office Savings Books		92,977	97,656	94,575
Interest-bearing Postal Certificates		195,137	198,489	201,782
Other indicators				
Number of outstanding current accounts ('000)		5,646	5,533	5,531
Number of post offices		14,036	14,005	13,981
Levels of service		H1 2009	H1 2010	H1 2011
Priority Mail	delivered within 1 day	90.9%	90.8%	95.1%

(*) The figure for the first half of 2011 represents the cumulative figure to May. The cumulative level of service to June is being calculated.

CONTENTS

1. MANAGEMENT AND SUPERVISORY BODIES

Board of Directors [1]

	In office from 21 April 2011
Chairman	Giovanni Ialongo
Chief Executive Officer and General Manager [2]	Massimo Sarmi
Directors	Maria Claudia Ioannucci Antonio Mondardo Alessandro Rivera

	In office until 21 April 2011
Chairman	Giovanni Ialongo
Deputy Chairman	Nunzio Guglielmino
Chief Executive Officer and General Manager [2]	Massimo Sarmi
Directors	Roberto Colombo Mauro MIchielon

Board of Statutory Auditors [3]

Chairman	Silvana Amadori
Auditors	Ernesto Calaprice Francesco Ruscigno
Alternates	Vinca Maria Sant'Elia Giovanni Rapisarda

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane [4]

	Adolfo Teobaldo De Girolamo

Independent Auditors [5]

	PricewaterhouseCoopers SpA

(1) The Board of Directors, which was elected by the General Meeting of 21 April 2011, has a term of office of three years, which will expire on approval of the financial statements for 2013. The Board of Directors' meeting of 6 May 2011 elected the Chief Executive Officer (CEO).

(2) The appointment as General Manager was approved by the Board of Directors' meeting of 24 May 2002.

(3) The Board of Statutory Auditors was elected by the General Meeting of 4 May 2010 and has a term of office of three years, which will expire on approval of the financial statements for 2012.

(4) The functions were assigned by the Council of the Presidency of the Court of Auditors, in its Resolution of 6-7 July 2010, with effect from 27 July 2010.

(5) Appointed for nine years by the General Meeting of 14 April 2011, as required by Legislative Decree 39/10.

Poste Italiane SpA is a wholly owned subsidiary of the Ministry of the Economy and Finance (the MEF). General Meetings are held periodically to vote on resolutions regarding matters within its purview in accordance with the law.

The governance model adopted by Poste Italiane SpA is based on the traditional separation of the functions of the Board of Directors and those of the Board of Statutory Auditors. Responsibility for auditing the Group has been assigned to an auditing firm.

The *Board of Directors* consists of 5 members and meets once a month to examine and vote on resolutions regarding the operating performance, the results of operations, proposals relating to the organisational structure and transactions of strategic importance. The Board met 8 times during the first half of the year.
The *Chairman* exercises the powers assigned by the Articles of Association and those assigned to him by the Board of Directors' meeting of 6 May 2011. In compliance with the provisions of the 2008 Budget Law and subsequent amendments and additions, the Board of Directors has been given the authority by the General Meeting of shareholders to grant the Chairman executive powers in respect of the following matters: communication and Government relations, international relations and legal affairs.
The *Chief Executive Officer* (*CEO*) and *General Manager*, to whom all key departments report, has full powers for the administration of the Company across the organisational structure, with the exception of following powers reserved to the Board of Directors:

- the issue of bonds and the assumption of medium/long-term borrowings of amounts in excess of 25,000,000 euros, unless otherwise indicated in specific resolutions passed by the General Meeting or the Board of Directors itself;
- strategic agreements;
- agreements (with ministries, local authorities, etc.) involving commitments in excess of 50,000,000 euros;
- the incorporation of new companies, and the acquisition and disposal of equity holdings;
- changes to the Company's organisational model;
- the purchase, exchange and disposal of properties with a value of more than 5,000,000 euros;
- the approval of regulations governing supplies, tenders, services and sales;
- the appointment and termination of the Manager responsible for financial reporting, as proposed by the CEO and with the prior approval of the Board of Statutory Auditors.
- the appointment, at the proposal of the CEO, of the head of the BancoPosta function.

The Board of Directors also examines and approves the long-term business plans and annual budgets prepared by the CEO, approving strategic guidelines and directives for Group companies proposed by the CEO. The Board must approve the CEO's proposals regarding the exercise of the Group's vote at the extraordinary general meetings of subsidiaries and other investee companies.

The *Board of Statutory Auditors* has 3 standing members elected by the General Meeting. Pursuant to art. 2403 of the Italian Civil Code, the Board verifies compliance with the law, the articles of association and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality. The Board met 13 times during the first half of the year.

With the introduction of Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts"), the new legislation governing audits have come into effect. Under the new legislation, Poste Italiane is classified as a Public Interest Entity. As a result, it has transferred from the audit regime established by art. 2409-*ter* of the Italian Civil Code to a new regime that requires, among other things, that independent auditors should be appointed for a nine-year term and that their appointment should be subject to approval by the General Meeting at the "recommendation" of the Board of Statutory Auditors.

On completion of a tender process designed to select an auditing firm to carry out this role, the Board of Statutory Auditors recommended the firm that had submitted the best bid. The General Meeting of 14 April 2011 then voted to appoint the auditing firm, PricewaterhouseCoopers SpA, to audit the Group's accounts for the years 2011/2019.

The Board of Directors has established a *Remuneration Committee*, which is responsible for making proposals to the Board regarding the remuneration of executive directors.

In accordance with Law 259 of 21 March 1958, which requires parliamentary scrutiny of the financial management of agencies to which the State contributes on an ordinary basis, Poste Italiane SpA is subject to controls by the Italian Court of Auditors, which examines its budget and financial management. The controls consist in ascertaining the legitimacy and regularity of management activities, as well as of the operation of internal controls.

The Extraordinary General Meeting of 14 April 2011 resolved – pursuant to art. 2, paragraphs 17-*octies et seq.* of law Decree 225 of 29 December 2010, as converted with amendments into Law 10 of 26 February 2011 – to form ring-fenced capital to be used exclusively in relation to BancoPosta's operations.

The General Meeting also approved the rules governing the organisation, management and compared with of BancoPosta's ring-fenced capital.

The formation of the ring-fenced capital was effective from the date the above resolution was filed with the Companies' Register on 2 May 2011. The resolution became executive after receiving clearance from creditors. As a result, from 2 July 2011 BancoPosta's capital is for all purposes separate from both Poste italiane's capital and from any other ring-fenced capital; the assets and contractual relations included in BancoPosta's capital are to be used solely to meet obligations arising from BancoPosta's operations; Poste Italiane's liability for obligations arising from BancoPosta's operations is limited to the ring-fenced capital.

The rules for organising and managing BancoPosta's capital have been drawn up in line with the model used by Poste Italiane and according to the following levels:

- Board of Directors;
- CEO;
- Head of the BancoPosta function;
- Cross-functional Committee.

BancoPosta's capital is managed by Poste Italiane's Board of Directors, which has responsibility for strategic supervision and which, with regard to the ring-fenced capital, is exclusively responsible for, among other things, establishing strategic guidelines, adopting and amending business and financial plans, and for assessing the adequacy of the organisational, administrative and accounting structure, and the functionality, efficiency and effectiveness of internal controls.

The Chairman of the Board of Directors carries out the functions assigned by the Articles of Association.

Management of BancoPosta's capital is the responsibility of Poste Italiane's CEO, who has been assigned full authority to implement the strategic guidelines and manage the ring-fenced capital.

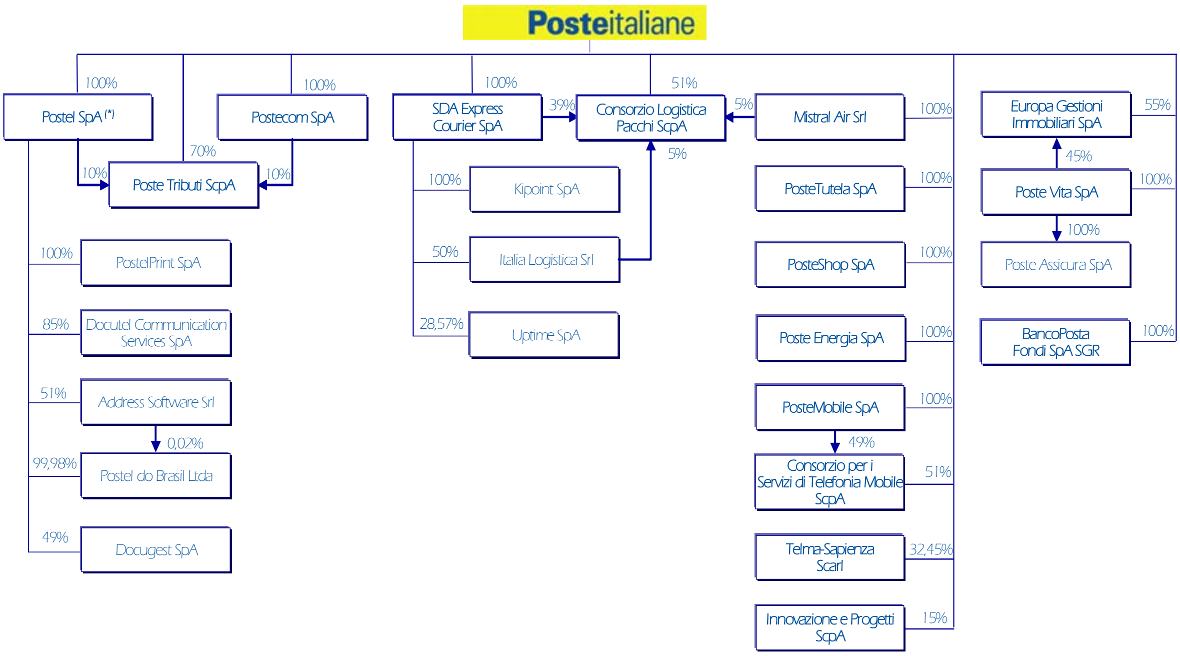
Without prejudice to the powers assigned to the Head of the BancoPosta function, the CEO may avail himself of the support of the BancoPosta function, of Poste Italiane's other business and corporate functions involved in operations relating to the ring-fenced capital and of the Cross-functional Committee.
The CEO assigns responsibility for BancoPosta's operations, granting the necessary powers, to the Head of the BancoPosta function, who has a duty to report to the Cross-functional Committee, to prepare and update internal regulations governing levels of service together with other functions, and to prepare reports, on at least a six-monthly basis, for the Board of Directors on the overall performance of the operations for which he is responsible.
The Cross-functional Committee, whose permanent members are the CEO, who also acts as chairman, the Head of the BancoPosta function and the heads of the functions to be established during the second half of the year under a specific organisational arrangement, has consultative and advisory functions and is responsible for linking the BancoPosta function with the other functions involved in operations relating to the ring-fenced capital. The Committee meets monthly.
The Board of Statutory Auditors, the Supervisory Board set up by Poste Italiane in response to Legislative Decree 231 and Poste Italiane's independent auditors are also responsible for carrying out the respective controls in relation to BancoPosta's capital.
The BancoPosta function also has its own independent controls: Risk Management, Compliance, Internal Auditing and Anti-Money Laundering. Support is provided by Poste Italiane's Internal Auditing function under a service contract.

A series of initiatives was undertaken during the first half of the year with a view to continually and progressively strengthening the Company's and the Group's governance, implementing ongoing improvements to the design and functionality of key processes in the internal control system.
The Company also made further progress towards structuring and reinforcing organisational and procedural/operational solutions designed to reduce the risk represented by the offences referred to in Legislative Decree 231 and in the Company's Organisational Model. This was accompanied by the gradual implementation of a "231-based" approach to governance throughout the Group, partly with the aim of providing specialist support in this regard, aiding in the process of analysing areas potentially at risk within the various parts of the organisation.

2. ORGANISATION

2.1 THE POSTE ITALIANE GROUP

GROUP STRUCTURE



(*) Poste Link Scrl was merged with and into Postel SpA on 30 June 2011.

2.2 ORGANISATIONAL STRUCTURE OF POSTE ITALIANE SPA

Poste Italiane SpA's organisation breaks down into the following business and corporate functions:

Business functions:

- Postal Services
- Philately
- BancoPosta
- Retail Market
- Large Accounts and Public Sector
- Logistic and Digital Services Marketing

Corporate functions:

- Purchasing
- Public affairs
- Legal Affairs
- Corporate Affairs
- Accountancy and Control
- External Relations
- Internal Auditing
- Finance
- Real Estate
- Internet
- Strategic Planning
- Human Resources and Organisation
- Chief Information Office
- Security & Safety

Significant events affecting the organisational structure during the first half regard:

- the setting up of the e-Commerce Development Project, with a view to developing new business opportunities and extending the range of e-commerce services by making full use of the logistics and technological assets belonging Poste Italiane SpA and the Group;
- the launch of preliminary planning activities regarding establishment of the Banca del Mezzogiorno (the Bank for Southern Italy) via Poste Italiane's expected acquisition of Medio Credito Centrale;
- establishment of the following IT functions:
  a) Technology Governance, which provides special integrated support for planning and management of the portfolio of projects and initiatives;
  b) Research and Development, which provides dedicated support to ongoing research into developmental solutions and enhancement of technologically innovative applications and system solutions, as well as promotional actions regarding these assets and their potential, both inside and outside the Company;
- in completion of the planning initiative begun during 2010, formalisation of the new governance model regarding the Group's Information Security which, partly through reorganisation of the corporate functions most concerned and the related coordinating bodies, enables more precise management of the process of ensuring the security of the entire Information life cycle; in conclusion of the organisational communication phase, a policy document regarding corporate information security governance, defining the specific organisational and operational aspects of the model, was issued;
- at BancoPosta, the organisational structure of the Projects, Processes and Procedures and the Operations

functions was redefined. The organisational change was based on a detailed segregation of processes, aimed at achieving a precise division between "control" and operating activities, in line with the guidelines set out by the supervisory authority;

- the formation of ring-fenced capital to be used exclusively in relation to BancoPosta, in compliance with the Bank of Italy's prudential requirements; in this connection, definition of the rules governing the organisation and management of the capital, as part of the Regulations for BancoPosta's ring-fenced capital, was particularly important;
- integration of the process of engineering and managing integrated services within the scope of central and local Postal Services units, in order to optimise the use of all assets and obtain the related operating synergies;
- regarding Postal Services, establishment of a Security, Infrastructure and Support Services function as a centre providing specialist support to the Security & Safety function and local units, in order to align and standardise improvement initiatives regarding safety and security based on operational requirements.

2.3 GEOGRAPHICAL PRESENCE

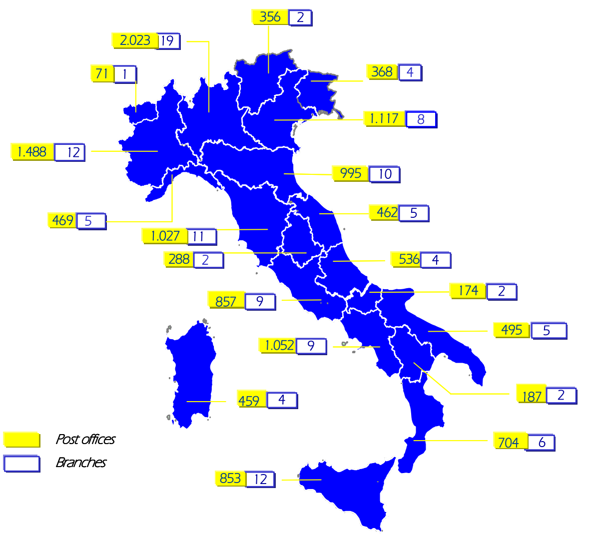
Retail Market

As part of an ongoing rationalisation process, the post office network - from a commercial point of view classified as central, relations, transit, standard, service, support offices and Poste Impresa - was reduced by 24 post offices in the first half (13,981 at 30 June 2011, compared with 14,005 at 31 December 2010).

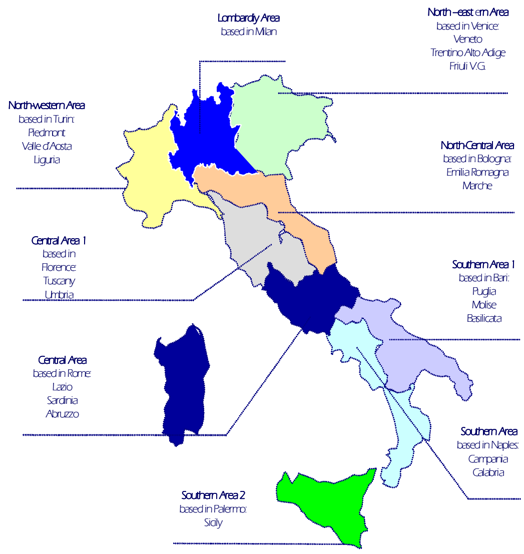
The period also witnessed:

- the gradual establishment of PosteImpresa offices continued, with 253 opened at 30 June 2011 (239 at 31 December 2010);
- the overall reorganisation of customer care, within the scope of the Customer Service function, was completed with the closure of sites in Bari, Cagliari and Florence;
- back-office activities were reorganised by establishing Specialist Units within the Centralised Service Teams handling loans and probate issues in order to provide specialist support to post offices and improve integration with front-end staff. Specifically, the processing of loan products has been allocated to sites in Turin, Bologna, Naples and Palermo, while the processing of probate applications is carried out at sites in Trieste, Florence, Rome and Bari.

Geographical distribution of post offices and branch offices



Geographical distribution of Area Offices



Postal Services

The main events relating to Postal Services during the first half are as follows:

- on-schedule completion of the union agreement of 27 July 2010, regarding the restructuring of logistics and operations, based on the provision of postal services five days a week (Progett8VENTI). Consequently, in the country's major cities[1], it is now possible to guarantee deliveries throughout the working day (from 8.00am to 8.00pm from Monday to Friday) and offer the delivery of certain types of mail on Saturday morning. The main stages of project include:

[1] In provincial capitals and municipalities with more than 30,000 inhabitants.

a) 24 January 2011: new five-day working introduced at Sorting Centres;

b) 23 May 2011: completion of the project, with the launch of all the planned 915 Distribution Centres and efficiency savings equivalent to 4,142 delivery zones.

- amalgamation within Postal Services of domestic and international gateway parcels – activities previously attributed to the former Express Delivery and Parcels function – and the subsequent launch of the "Gateway Unification" project, aimed at centralising international parcel processing at one site in Lonate Pozzolo (VA);
- conclusion of the transfer of Coding Service Centres, which were previously located within Priority Centres and Delivery Logistics Centres, to the Operations departments of the relevant Logistics Area Offices;
- the launch of a pilot scheme in Terni on 16 May, regarding the delivery and collection of the entire range of parcel products by postmen and women from the Universal Services unit and dedicated teams;
- the launch of a pilot scheme in June at the Prato Datini Distribution Centre regarding the "Payment of pre-printed bills via POS", using postmen and women from the Universal Services and the new Innovative Services units.

Distribution of Area Logistics Offices

Distribution of Postal Network Centres

	SC	OPC
Piedmont - Aosta Valley - Liguria	3	1
Lombardy	3	1
Triveneto	3	3
Emilia Romagna - Marche	2	1
Tuscany - Umbria	2	2
Lazio (*) - Abruzzo - Molise - Sardinia	3	3
Campania - Calabria	2	1
Puglia - Basilicata	1	2
Sicily	2	1
TOTAL	**21**	**15**

(*) Operating Postal Centres include the Printing Centre at Rome Romanina and the Portonaccio site (supporting logistics centres with residual manual processes)

3. FINANCIAL REVIEW

3.1 RISK MANAGEMENT FOR THE GROUP AND POSTE ITALIANE SpA

Macroeconomic environment

Major advanced economies saw a further downturn during the first half of 2011, as a result of civil unrest in the Middle East, the nuclear disaster in Japan and sovereign debt crisis affecting a number of European countries. The resulting uncertainty about the strength of the global recovery also led to increased financial market volatility.

Consumer price inflation, which remained stable at around 1.7% during the second half of 2010, rose to 2.3% in the first half of 2011, reflecting big rises in commodity, energy and food prices.

Labour market weakness and reduced disposable income drove consumer spending down.

The recent reduction in saving also continued. The saving rate for Italian households is the lowest among the leading euro zone countries.

This economic uncertainty has provided the backdrop to Poste Italiane SpA's operating and financial performance, with a negative impact on demand for products and services from retail and business customers and from the Public Sector.

Market conditions and competition

Following the introduction of Legislative Decree 58 of 31 March 2011, fully deregulating the postal market, a number of competitors have reinforced their presence by focusing primarily on high-value customers and the most profitable areas of the market. This has occurred at the same time as a natural decline in the use of traditional forms of communication, as a result of its progressive replacement by information technology and the economic downturn.

Against this backdrop, Poste Italiane continues to bear the cost of providing a Universal Service, whilst ensuring high quality services and covering an enormous geographical area.

Fraud and external event risks

Poste Italiane SpA pays great attention to security in order to protect its staff and the Company's assets, and deal with the risks deriving from fraud or criminal actions committed by external agents. These risks are monitored and mitigated via the anti-phishing system, which identifies any attempts at phishing for customers' details, the Security Room, customer awareness campaigns, heightened fraud prevention initiatives and an increased internal investigation capacity, as well as greater coordination with the police and magistrates.

Financial risk management

Definition and optimisation of the financial structure, over both the short and medium/long term, and management of the Group's related cash flows is the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Management of the Group's financial assets and liabilities is primarily attributable to the operations of the Parent Company and the insurance subsidiary, Poste Vita SpA.

Balanced financial management and monitoring of the main risk/return profiles is carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including via the progressive introduction of appropriate information systems.

From an organisational viewpoint, risk management is the responsibility of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- a Risk Measurement and Control function carried out by appropriate functions established within the Parent Company and the subsidiaries that provide financial and insurance services (BancoPosta Fondi SGR SpA and Poste Vita SpA), and that operates on the basis of the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory committees, which are responsible for carrying out an integrated assessment of the main risk profiles. The outcomes of these assessments are then examined by a Financial Risk Committee set up by the Parent Company.

With regard to the Parent Company, financial transactions primarily regard BancoPosta's operations and transactions involved in the funding of assets and the investment of liquidity. BancoPosta's operations are governed by Presidential Decree 144/2001. From 2 May 2011 BancoPosta has ring-fenced capital of 1 billion euros, as approved by the General Meeting of 14 April 2011 for the purposes of applying the Bank of Italy's prudential requirements and protecting creditors, pursuant to art. 2 (paragraphs 17-*octies* to 17-*duodecies*) of the so-called "*Milleproroghe*" ("Thousand Extensions") Decree, converted into Law 10 of 26 February 2011. In particular, these operations regard management of the liquidity deposited in postal current accounts, carried out under the Company's own name but subject to restrictions on the investment of the liquidity in compliance with the applicable legislation[2], the management of collections and payments in the name and on behalf of third parties.

During the first half of 2011 BancoPosta was engaged in reinvesting the funds deriving from maturing government Securities and in the trading of securities designed to progressively match the maturity profile of the portfolio with the new investment model approved by the Board of Directors in April 2010. This new investment profile is, among other things, based on the results of continuous monitoring of the performance of postal current account deposits, and on an updated statistical/econometric model of deposits developed by a leading consulting firm. This model forms the basis of the Company's investment policy with the aim of mitigating exposure to interest rate and liquidity risk by predicting potential gaps emerging as a result of the need to reconcile risk exposure with the necessity of earning returns linked to the market interest rate curve.
On the other hand, operations not covered by the ring-fenced capital, primarily regarding management of the Group's own liquidity, are carried out in accordance with investment guidelines approved by the Board of Directors, which require the Parent Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. Liquidity is also deposited in postal current accounts, with the resulting deposits subject to the same requirements as apply to the investment of deposits by private current account holders.
With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes the five main subsidiaries and makes use, via the banking channel, of zero balance cash pooling. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

The Group's business is by its nature exposed to elements of reputational risk, associated mainly with the placement of index-linked bonds issued by other credit institutions and/or insurance policies issued by Poste Vita SpA.

[2] The Company is required to invest the funds deriving from postal current account deposits by private customers in euro area government securities, whilst deposits by Public Sector entities are deposited with the MEF.

In this respect, in July 2008, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), the Parent Company adopted the "consulting service" model, which is currently being implemented.

The financial instruments held by the insurance company, Poste Vita SpA, primarily regard investments designed to cover its contractual obligations to policyholders who have taken out classic with profit life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

Poste Vita SpA's financial risks relate to separately managed accounts in the Branch I category sold by the company and, as is typical in the insurance business, deriving from the guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements of the measurement of the assets in which the technical provisions are invested.

The crisis of recent years has had profound effects on the performance of all the financial instruments on the market, especially those whose returns are magnified. These instruments, which are used exclusively, and on a residual basis, by the subsidiary, Poste Vita SpA, to invest the premiums collected on so-called Branch III policies, are inevitably exposed to higher risk and volatility of their fair value.

Even though the Group has developed over time prudential policies in the customers' best interests, which entails the selection of domestic and foreign issuers solely with investment grade ratings, the situation prompted closer scrutiny at Group level, so as to ensure full awareness of the performance of the products placed and the risks for the customers. In this regard, Poste Vita issued over the years Branch III index- and unit-linked policies. For this type of product, issued prior to the introduction of ISVAP Regulation 32/2009, the company does not guarantee capital or a minimum return and, as such, the credit and financial risks associated with them are borne by the customer. The company has taken steps to safeguard its own and the Group's reputation and its operating capacity by constantly monitoring changes in the risk profile. Particular attention was given to monitoring certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99. These instruments bring together different financial positions, including securitisation transactions and credit and financial derivatives, whose performances were affected by the financial and credit market crisis. Whilst it is true that, in accordance with the legal nature of the products in question, the related investment risk is transferred to policyholders, if appropriate the company is prepared to restructure the instruments in order to safeguard its commercial interests, which could be prejudiced by widespread dissatisfaction among customers, and the potential impact on its reputation as a result of a general expression of discontent. In this context, in December 2008 and May 2009 Poste Vita SpA offered policyholders the opportunity to convert certain Branch III policies into Branch I policies providing minimum returns guaranteed by the company.

Further information on financial risk management is provided in the notes to the condensed interim financial statements for the six months ended 30 June 2011 (note 3).

Regulatory risk

Given that the Group operates in a range of different sectors (postal, integrated communication services, logistics, financial), it is subject to numerous laws and regulations (specific laws and regulations, including tax and environmental legislation, and regulations issued by regulatory authorities). Compliance with these laws and regulations requires ongoing adjustments to internal processes and procedures, their application to market offerings, initiatives designed to prevent external disputes and appropriate staff training, to list only a few. Regulatory compliance is the responsibility of specific units within the various departments, in addition to the Legal Affairs function.

Legal Affairs also carries out ongoing analysis and assessment of acts of parliament and government policies and of legislation in general, keeping other functions within the Company promptly informed. This function also lobbies for changes to amendments to legislation or to laws in force.

Risks connected to the management of human resources

The significance of the Company's staff costs means that any changes in legislation, regarding contributions or other staff-related matters, can have a substantial impact on its operating results.

In addition, the Company continues to be involved in labour disputes regarding its use of fixed-term contracts. This has resulted in a number of important labour union agreements designed to resolve the situation.

Achievement of the Company's objectives is dependent on the ongoing development of its staff through training courses and e-learning initiatives designed to enhance the professional skills of the Company's employees.

Other operational risks

A number of post offices experienced problems with their information systems in early June 2011, resulting in temporary disruption to services. Poste Italiane has taken steps to ensure that all post offices are once again fully operational and has announced its willingness, in agreement with consumers' associations, to honour claims from customers who can provide documentary proof of any damages incurred.

3.2 GROUP OPERATING RESULTS

INCOME STATEMENT

Poste Italiane Group €m	H1 2010	H1 2011	Increase/(Decrease) Amount	Increase/(Decrease) %
Revenues from sales and services	5,105	4,989	(116)	(2.3)
Earned premiums	6,111	5,536	(575)	(9.4)
Other income from financial and insurance activities	1,119	972	(147)	(13.1)
Other operating income	58	50	(8)	(13.8)
Total revenue	12,393	11,547	(846)	(6.8)
Cost of goods and services	1,276	1,287	11	0.9
Net change in technical provisions for insurance business and other claims expenses	6,350	5,958	(392)	(6.2)
Other expenses from financial and insurance activities	261	181	(80)	(30.7)
Staff costs	3,149	2,887	(262)	(8.3)
Depreciation, amortisation and impairments	283	277	(6)	(2.1)
Capitalised costs and expenses	(12)	(20)	(8)	66.7
Other operating costs	171	117	(54)	(31.6)
Operating profit/(loss)	**915**	**860**	**(55)**	**(6.0)**
Finance costs	75	73	(2)	(2.7)
Finance income	93	73	(20.0)	(21.5)
Profit/(loss) on investments accounted for using the equity method	(0.1)	0.5	0.6	n/s
Profit/(Loss) before tax	**933**	**860**	**(72)**	**(7.8)**
Income tax expense	445	400	(45)	(10.1)
Profit for the period (*)	**488**	**460**	**(27)**	**(5.6)**

n/s: not significant

(*) Profit is entirely attributable to owners of the Parent, and no portion is attributable to minority interest.

Very briefly, compared with the first half of 2010, the operating results were marked by a reduced contribution from the subsidiary, Poste Vita, reflecting the less than positive performance of earned premiums for Branch III policies, partly offset by an improvement at the Parent Company. Indeed, despite the natural decline in revenues from postal services, a reduction in government subsidies and lower finance income, Poste Italiane SpA recorded a significant reduction in both recurring and non-recurring staff costs and successfully contain the cost of goods and services.

The results are described in greater detail below.

A breakdown of revenue by operating segment is provided below:

(€m)	Total revenue H1 2010	Total revenue H1 2011	Increase/(Decrease) Amount	Increase/(Decrease) %
Postal Services	2,684	2,447	(237)	(8.8)
Financial Services	2,494	2,447	(47)	(1.9)
Insurance Services	6,973	6,399	(574)	(8.2)
Other Services	242	254	12	5.0
Total Poste Italiane Group	**12,393**	**11,547**	**(846)**	**(6.8)**

After consolidation adjustments and elimination of intercompany transactions.

A more detailed breakdown of revenue by type of revenue/income is shown below:

	Revenues from sales and services		%	Earned premiums		%	Other income from financial and insurance activities		%	Other operating income		%
(€m)	H1 2010	H1 2011	inc./ (dec.)	H1 2010	H1 2011	inc./ (dec.)	H1 2010	H1 2011	inc./ (dec.)	H1 2010	H1 2011	inc./ (dec.)
Postal Services	2,677	2,439	(8.9)	-	-	-	-	-	-	7	8	14.3
Financial Services	2,236	2,338	4.6	-	-	-	258	109	(57.8)	-	-	-
Insurance Services	-	-	-	6,111	5,536	(9.4)	862	863	0.1	0.1	0.2	n/s
Other Services	192	212	10.4	-	-	-	-	-	-	51	42	(17.6)
Total Poste Italiane Group	**5,105**	**4,989**	**(2.3)**	**6,111**	**5,536**	**(9.4)**	**1,119**	**972**	**(13.1)**	**58**	**50**	**(13.6)**

n/s: not significant

Total revenue from Postal Services is down 8.8% from 2,684 million euros to 2,447 million euros. This reflects the impact of an ongoing decline in demand for mail services, progressive growth in digital communication and even tougher competition following the entry into effect of Legislative Decree 58/2011 (which is more fully commented on in the section "*Legal, regulatory and market environment*"), which marks completion of the process of deregulating the European postal market. The results for this segment also reflect lower revenues in the form of electoral and publisher tariff subsidies.

Total revenue from Financial Services amounts to 2,447 million euros (2,494 million euros in the first half of 2010). The reduction reflects a decline in other income from financial activities in the first half (down 149 million euros), which offset growth in revenues from sales and services (up 102 million euros on the first half of 2010).

Insurance Services contributed 6,399 million euros to total revenue (6,973 million euros in the first half of the previous year). This is due to a decline in earned premiums, which are down from 6.1 billion euros in the first half of 2010 to 5.5 billion euros for the first half of 2011, reflecting lower demand for Branch III products.

Revenues from Other Services (254 million euros in the first half of 2011, compared with 242 million euros in the same period of the previous year), which are generated by ordinary activities not directly related to the Postal, Financial and Insurance operating segments, primarily include income from property sales and leases generated by EGI SpA, sales through the PosteShop network, income from collective asset management activities carried out by BancoPosta Fondi

SpA SGR, and income from activities normally carried out by the Parent Company, linked, for example, to services provided by its Contact Centres.

COST ANALYSIS

(€m)	H1 2010	H1 2011	% inc./(dec.)
Cost of goods and services	1,276	1,287	0.9
Net change in technical provisions for insurance business and other claims expenses	6,350	5,958	(6.2)
Other expenses from financial and insurance activities	261	181	(30.7)
Staff costs	3,149	2,887	(8.3)
Depreciation, amortisation and impairments	283	277	(2.1)
Capitalised costs and expenses	(12)	(20)	66.7
Other operating costs	171	117	(31.6)
Total costs	**11,478**	**10,687**	**(6.9)**

An analysis of costs and other charges shows a decrease of 6.9% (10,687 million euros in the first half of 2011, compared with 11,478 million euros in the same period of the previous year). This is essentially due to:

- a reduction in technical provisions for the insurance business (down 392 million euros), which are closely linked to the volume of earned premiums recorded by the subsidiary, Poste Vita, during the first half;
- a decrease in impairments following the fair value measurement of financial instruments largely attributable to the portfolio held by the subsidiary, Poste Vita;
- the reduction in staff costs described below.

STAFF COSTS

			Increase/(Decrease)	
(€m)	**H1 2010**	**H1 2011**	**Amount**	**%**
Salaries, social security contributions and sundry expenses (*)	2,995	2,783	(212)	(7.1)
Redundancy payments	9	140	131	n/s
Net provisions for disputes	126	24	(102)	(81.0)
Provisions to the Solidarity Fund	-	(5)	(5)	n/s
Provisions for restructuring charges	19	-	(19)	n/s
Total	**3,149**	**2,942**	**(207)**	**(6.6)**
Income from fixed-term contract agreement	-	(55)	(55)	n/s
Total Staff costs	**3,149**	**2,887**	**(262)**	**(8.3)**

n/s: not significant

(*) This includes the following items reported in note 34.1 to the condensed interim financial statements: salaries and wages; social security contributions; staff termination benefits; temporary work; Directors' fees and expenses; other costs.

The ordinary component of staff costs, relating to salaries, wages and sundry expenses, is down 7.1% from 2,995 million euros in the first half of 2010 to 2,783 million euros in the first half 2011. This reflects a reduction in the average workforce during the period (approximately 3,400 fewer staff on average employed in the first half 2011, compared with the same period of the previous year) and the release of provisions for charges connected to staff costs made in previous years and no longer necessary.

Net provisions for disputes, which are mainly essentially linked to the estimated liabilities to be incurred by the Parent Company in relation to the dispute over fixed-term contracts, are down from 126 million euros in the first half 2010 to 24 million euros in the first half of 2011. The estimates take account of both the overall amount of claims payable, and application of the so-called *Collegato lavoro* legislation, which has introduced a cap on compensation payable as a result of claims brought by workers on fixed-term contracts, who have been re-employed on permanent contracts by court order.

Staff costs also reflect an increase of 140 million euros (9 million euros in the first half 2010) for redundancy payments, the release of provisions made in previous years and no longer necessary, and income of 55 million euros deriving from the fixed-term contract agreement of July 2010 between the Parent Company and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts.

Total staff costs are thus down 8.3% from the 3,149 million euros of the first half of 2010 to 2,887 million euros in the first half of 2011.

The above performance of revenues and costs results in Operating profit of 860 million euros (915 million euros for the same period of 2010), as shown below.

OPERATING PROFIT BY OPERATING SEGMENT (*)

			Increase/(Decrease)	
(€m)	H1 2010	H1 2011	Amount	%
Postal Services	(138)	(79)	59	(42.8)
Financial Services	755	693	(62)	(8.2)
Insurance Services	265	168	(97)	(36.6)
Other Services	33	77	44	n/s
Unallocated amounts, adjustments and eliminations (**)	-	1	1	n/s
Total Poste Italiane Group	**915**	**860**	**(55)**	**(6.0)**

(*) Determined on the basis of the accounting unbundling regime required by art. 7.c.1 of Legislative Decree 261/99, after consolidation adjustments and elimination of intercompany transactions.

(**) Elimination of cost incurred by the Parent Company for interest paid to consolidated subsidiaries (recognised by the latter in finance income).

n/s: not significant

After finance income and finance costs both amounting to 73 million euros for the period, profit before tax amounts to 860 million euros (933 million euros for the first half 2010).

Profit for the period thus amounts to 460 million euros (488 million euros for the first half of 2010).

3.3 OPERATING SEGMENTS

3.3.1 OPERATING RESULTS OF POSTAL SERVICES

Mail

A new range of pre-franked (envelopes and packing) and pre-packaged postal services, ready to be mailed, was piloted in the first half 2011. Thanks to standardised packaging and a single price based on the package format, the customer can send documents, goods and other objects easily and conveniently from the comfort of their own home, checking on where their mail is by using the tracking system.

Reverse logistics services were also developed during the period. This offering is designed to meet the needs of certain businesses wishing to provide their final customers with a value added service, which uses the post office network as a channel for delivering goods returned for maintenance or replacement and for collection of the repaired or replaced item. Large customers will benefit from advanced methods of delivery, electronic document storage and reporting, tracking services and the documentation of shipments.

The Electronic Document Management offering has been extended in order to meet the needs of SMEs and local government, as well as major companies and central government. The new offering involves installation, at the customer's premises, of an IT platform that enables the customer to publish documents on their website or, in the case of government entities, on their notice board.

With regard to registered mail, the Raccomandata1 offering for business customers has been extended and now provides a choice of three options: "Raccomandata 1 Easy", "Raccomandata 1 Tutto Incluso" and "Raccomandata 1 Prepagata". The new diversified offering allows customers to choose from a range of additional services designed to better meet their needs, including Pick-up and Posta Easy.

Philately

The philately programme for the first half of the year featured issues commemorating the 150th anniversary of the Unification of Italy, which falls in 2011. The most important issues primarily marked the Proclamation of the Kingdom of Italy, the various protagonists (Camillo Benso, Count of Cavour, Carlo Cattaneo, Giuseppe Garibaldi, Vincenzo Gioberti, Giuseppe Mazzini, Carlo Pisacane and Vittorio Emanuele II) and the Italian Navy, with a collection of four stamps on a single sheet.

Another important issue was the stamp commemorating the Venerable Servant of God John Paul II to mark his Beatification ceremony in San Peter's Square on 1 May 2011.

Italian art, food, tourist attractions and culture were celebrated in stamps featuring *Roma Capitale* and World Theatre Day and in a "Made in Italy" series focusing on Italian PDO cheeses.

Finally, the issue marking the 50th anniversary of the foundation of Amnesty International was of particular social significance.

Express Delivery and Parcels

In the domestic market, a new commercial offering for the Pick-up service provided to small and small to medium sized enterprises (an additional service offered in combination with the *Postacelere 1 plus, Paccocelere 1 plus* and *Paccocelere 3* products) was launched with the aim of simplifying price grids.

Postacelere1 Plus, Paccocelere1 Plus and Paccocelere3 customers are now also offered discounts by purchasing a carnet of prepaid consignment notes.

The Home Box service, which enables large customers to track shipments via the internet, has been further improved with a new solution enabling customers to automatically print consignment notes and receive reports on shipments made.
Special parcel preparation areas are being piloted at a number of post offices, with a view to making the service more accessible to retail customers.
The Express Mail Service (EMS) and Quick Pack Europe offerings for international parcels were extended with new services designed for Business customers, such as the Pick-up service and the ability of customers to produce their own consignment notes.

During the first half 2011 the subsidiary, SDA Express Courier SpA, ran a number of promotions for existing products, designed to boost the competitiveness and profitability of its domestic and international offerings. In particular, with the aim of enabling distance sellers to improve their tracking services, new functions have been added to the WEB SDA and Paccocelere Impresa portals allowing them to use Smart Alerts to keep customers informed about the delivery status of shipments via email or text message. This also provides addressees with detailed information about shipments in order to ensure prompt delivery.

The corporate transactions described below affected the Postel Group during the first half of the year.
The sale to Cedacri SpA of Postel SpA's 17% shareholding in C-Global SpA was completed on 31 January 2011 with the simultaneous acquisition by Cedacri SpA of 12% of the share capital of Docugest. Postel's shareholding in Docugest rose to 49% on conclusion of the sale with the other 51% being held by C-Global SpA (37%) and Cedacri SpA (14%).
On 29 March 2011 Postel SpA acquired the stakes held by Poste Italiane and PosteCom SpA (70% and 15%, respectively) in Poste Link Scrl, thus becoming the sole shareholder. On 6 April 2011 the general meetings of the two companies' shareholders approved the merger of Poste Link scrl with and into Postel SpA and the merger deed was executed on 24 June 2011.
The transaction was effective for legal purposes from 30 June 2011, whilst the tax and accounting effects have been backdated to 1 January 2011.
Finally, the liquidation of Postel do Brasil Ltda (99.98% owned by Postel SpA and 0.02% by Address Software Srl), a Brazilian company established to bid, through ConsÓrcio BRPOSTAL, for a contract to develop hybrid mail services in Brazil[3], proceeded. Following the cancellation of the tender in 2008, the Consortium was dissolved in 2010 and Postel consequently instructed the sole director of Postel do Brasil to liquidate the company, whose only purpose was to take part in the tender.
For the purposes of the liquidation, it was necessary to convert loans provided over time by Postel SPA to Postel do Brasil into equity.

Finally, with regard to e-commerce initiatives, Postel's new PostelOffice portal, offering SMEs and professionals the chance to buy personalised printing services and office products, was activated. The service allows users to manage all their company's postal communications and printing processes and the personalisation and mailing of all forms of paper document (business cards, headed paper, advertising postcards and mailings), thus streamlining existing procedures.

[3] The Postel Group was the ConsÓrcio BRPOSTAL's technological partner for the operation of hybrid mail services and the supply of the relevant software platform.

VOLUMES AND REVENUES

Group Postal Services

(€m)	Total revenue H1 2010		Total revenue H1 2011		Increase/(Decrease) Amount	%
Poste Italiane SpA	2,392		2,160			
intercompany revenues	10		10			
Poste Italiane SpA - external revenue		2,382		2,150	(232)	(9.7)
SDA Express Courier SpA	210		220			
intercompany revenues	60		60			
SDA Express Courier SpA - external revenue		150		160	10	6.7
Postel Group	207		200			
intercompany revenues	71		78			
Postel Group - external revenue		136		122	(14)	(10.3)
Italia Logistica srl	21		23			
intercompany revenues	5		8			
Italia Logistica srl - external revenue		16		15	(1)	(6.3)
Mistral Air Srl	18		18			
intercompany revenues	18		18			
Mistral Air Srl - external revenue		0		0	0	n/s
Total external revenue		2,684		2,447	(237)	(8.8)

n/s: not significant

Poste Italiane SpA's Postal Services

	Volumes ('000)		Increase/(Decrease)		Revenues (€m)		Increase/(Decrease)	
	H1 2010	H1 2011	Amount	%	H1 2010	H1 2011	Amount	%
Mail and Philately	3,001,508	2,693,596	(307,912)	(10.3)	2,001	1,893	(108)	(5.4)
Express Delivery, Logistics and Parcels	8,379	5,356	(3,023)	(36.1)	84	66	(18)	(21.1)
Total market revenues from Postal Services					2,085	1,959	(126)	(6.0)
Universal Service subsidies					182	178	(4)	(2.2)
Tariff subsidies (*)					125	23	(102)	(81.6)
Total					**2,392**	**2,160**	**(232)**	**(9.7)**

(*) Subsidies for services provided at discounted rates under the relevant legislation.

Mail and Philately

	Volumes ('000)			Revenues (€m)		
	H1 2010	**H1 2011**	**% inc./(dec.)**	**H1 2010**	**H1 2011**	**% inc./(dec.)**
Priority mail	623,562	576,564	(7.5)	419	423	1.0
Bulk mail	816,415	759,591	(7.0)	466	416	(10.7)
Total unrecorded mail	**1,439,977**	**1,336,155**	(7.2)	**885**	**839**	(5.2)
Registered mail	128,323	118,190	(7.9)	488	456	(6.6)
Insured mail and legal process	15,673	15,632	(0.3)	90	104	15.6
Total recorded mail	**143,996**	**133,822**	(7.1)	**578**	**560**	(3.1)
Philatelic products and Other Basic Services	**n/s**	**n/s**	**n/s**	**99**	**80**	(19.2)
Integrated Services	**34,980**	**30,326**	(13.3)	**128**	**138**	7.8
Digital and Multi-channel Services	**7,805**	**6,968**	(10.7)	**34**	**31**	(8.8)
Direct Marketing	**622,565**	**569,844**	(8.5)	**152**	**150**	(1.3)
Unaddressed Mail	**365,700**	**325,997**	(10.9)	**15**	**13**	(13.3)
Services for Publishers	**386,485**	**290,484**	(24.8)	**104**	**78**	(25.0)
Post Office Box rental				**6**	**4**	(33.3)
Total market revenues	**3,001,508**	**2,693,596**	(10.3)	**2,001**	**1,893**	(5.4)
including Philately Products and Revenue Stamps				**108**	**91**	(15.7)
Electoral subsidies				**67**	**23**	(65.7)
Publisher tariff subsidies				**53**	**0**	n.s.
Total Mail and Philately (*)	**3,001,508**	**2,693,596**	**(10.3)**	**2,121**	**1,916**	**(9.7)**
Postel Group - External revenue	**-**	**-**	**-**	**136**	**122**	**(10.3)**

n/s: not significant

The figure for Prioritary Mail includes the advice of receipt for Registered and Insured Mail.

(*) Overall mail volumes, including items handled by Postel and relating to Promoposta (16.2 million items), amount to approximately 2.7 billion items at 30 June 2011.

Mail volumes, which include the figures for philately, fell 10.3% in the first half 2011 compared with the same period of 2010 (308 million items less), whilst revenues are down 9.7% (1,916 million euros in the first half of 2011, compared with 2,121 million euros in the same period of the previous year).

Against a backdrop marked by continuing uncertainty over the strength of the economic recovery, the reduction in volumes primarily reflects a reduction in the volume of Unrecorded Mail (down 7.2%, or 104 million fewer items). In addition to a decline in electoral mailings (50 million items less in the first half of 2011, compared with the first half of 2010) the reduction is a result of an ongoing decline in demand for mail services, progressive growth in digital communication and even tougher competition following the entry into effect of Legislative Decree 58/2011 (more fully commented on in the section "*Legal, regulatory and market environment*"), marking a further step in the process of deregulating the postal market.

Market revenues, before publisher tariff and electoral subsidies, total 1,893 million euros, representing a reduction of 108 million euros compared with the first half of 2010 (down 5.4%). This is essentially due to a decrease in Unrecorded Mail (down 46 million euros or 5.2% on the first half of 2010) and in services for Publishers (down 26 million euros or 25% on the first half of 2010).

It should, however, be noted that Unrecorded Mail revenues did benefit from a positive contribution from priority mail as a result of the strong performance of international mail, partly reflecting an increase in the prices charged for outbound mail.

Despite the positive performances of the Raccomandata 1 service (up 2.9% or approximately 160 thousand items) and Legal Process (up 1.6% or approximately 183 thousand items), Recorded Mail reports a 7.1% reduction in volumes and a decrease of 3.1% in revenues.

Integrated Services relating to the delivery of administrative notices and tax demands made a positive contribution to Postal Service revenues, recording a 10 million euro (7.8%) increase in revenues compared with the previous first half.

The volume of Direct Marketing items fell by 53 million items (down 8.5%), partly reflecting the 14 million reduction in electoral mailings, resulting in a 2 million euro (1.3%) reduction in revenues compared with the same period of 2010.
Unaddressed Mail volumes are down by 39.7 million (10.9%), resulting in a 2 million euro reduction in revenues compared with the previous first half.
The market for Services for Publishers was influenced by significant regulatory changes during the previous year, resulting in the abolition of subsidised tariffs for publications from 1 April 2010. The new regulations resulted in reductions in both volumes and revenues of 24.8% (96 million fewer items) and 25% (down 26 million euros). In terms of revenues, the reduction is even greater of the fact that there were no publisher tariff subsidies in the first half of 2011 is taken into account (compared with 53 million euros in subsidies in the first half 2010), with the resulting overall decline in revenues from Services for Publishers (market revenues and publisher tariff subsidies) amounting to 50.3% (79 million euros).

Philately revenues included in postal services revenue, including those generated by the sale of Revenue Stamps, amount to 91 million euros (108 million euros in 2010), following a Philately Programme that included 23 issues of a total of 41 stamps with a value of 27 euros (22 issues of 33 stamps and 1 postcard with a value of 25.50 euros in the first half of 2010).

The Postel Group's external revenue is down 10.3% on the same period of 2010 (122 million euros in the first half 2011, compared with 136 million euros in the first half 2010). This reflects the ongoing downturn in the Mass Printing market, which has reached saturation point, and a reduced contribution from E-Procurement, only partially offset by the strong performance of the Electronic Document Management business.
Mass Printing revenues, generated primarily by services provided to customers outside the Poste Italiane Group, are down from 96.6 million euros in the first half 2010 to 85.6 million euros in the first half 2011, whilst revenues from E-Procurement have fallen from the 42.5 million euros of the first half 2010 to 29.4 million euros in the first half 2011.
As mentioned above, these declines were only partially offset by a particularly strong performance from the Electronic Document Management business, which recorded an increase in revenues from the 13.7 million euros of the first half 2010 to 25.7 million euros in the first half 2011.
In line with the decline in revenues, external operating costs are also down, falling from 169.5 million euros in the first half 2010 to 151.7 million euros in the first half 2011.
Overall, revenues and operating costs amount, respectively, to 176.7 million euros and 164.4 million euros, resulting in an operating profit for the group in line with the figure for the same period of the previous year (12.3 million euros in both first halves) and a profit for the period of 4.2 million euros (5.8 million euros for the first half of 2010).

Express Delivery and Parcels

	Volumes ('000)			Revenues (€m)		
	H1 2010	H1 2011	% inc./(dec.)	H1 2010	H1 2011	% inc./(dec.)
Postacelere						
Domestic	4,520	3,363	(25.6)	45.4	34.6	(23.8)
International	1,097	837	(23.7)	18.1	15.9	(12.2)
Total Postacelere	**5,617**	**4,200**	**(25.2)**	**63.5**	**50.5**	**(20.5)**
SDA Express Courier SpA						
Domestic Express Delivery	17,124	18,857	10.1	115.8	126.9	9.6
International Express Delivery	1,216	1,241	2.1	9.4	9.6	2.1
Tailor-made Services	n/r	n/r	n/a	17.3	17.3	n/s
Other revenues	n/r	n/r	n/a	7.2	6.7	(6.9)
Total SDA Express Courier SpA - External revenue	**18,340**	**20,098**	**9.6**	**149.7**	**160.5**	**7.2**
Total Express Delivery	**23,957**	**24,298**	**1.4**	**213.2**	**211.0**	**(1.0)**

n/r: not recordable as such data relates to tailor-made services supplied to banks and insurance companies that cannot be calculated in volume terms.
n/a: not applicable
n/s: not significant

The first half saw a slight increase in the number of items sent by Express Delivery (up 1.4%), entirely due to the good performance of the domestic Express Delivery services offered by SDA Express Courier SpA, which offset the decline in Postacelere volumes for retail customers. Total Express Delivery revenues are down from 213.2 million euros in the first half 2010 to 211.0 million euros.

In detail, there was a 25.2% fall in Postacelere segment volumes, with revenues down 20.5% on the same period of 2010. The decline in volumes affected both the domestic market (down 25.6%) and international services (down 23.7%). Despite being down on the first half of 2010, revenues from international services were positively impacted by an improved tariff mix, which enabled the Group to contain the loss caused by the decline in volumes (down 12.2%).

As mentioned above, the subsidiary, SDA Express Courier SpA, made a positive contribution to this segment's revenues. Domestic Express Delivery volumes are up 10.1% (1,733 thousand more items than in the same period of the previous year), with revenues rising 9.6% (up 11.1 million euros). This was achieved thanks to the company's commercial strategy aimed at acquiring customers who make a large amount of shipments (online retailers, for example) and protecting its market share.

International market results were also good, with volumes and revenues both up 2.1% due to the increase in the number of items handled on behalf of UPS and Fedex.

	Volumes ('000)			Revenues (€m)		
	H1 2010	H1 2011	% inc./(dec.)	H1 2010	H1 2011	% inc./(dec.)
Universal Parcels Service						
Domestic Parcels	2,432	823	(66.2)	10.4	4.9	(52.9)
Parcels - international outbound	198	218	10.1	7.6	8.8	15.8
Parcels - international inbound	132	115	(12.9)	1.8	1.7	(5.6)
Other revenues				0.7	0.4	(42.9)
Total	**2,762**	**1,156**	**(58.1)**	**20.5**	**15.8**	**(22.9)**
Publisher tariff subsidies				4.6	-	n/s
Total Parcels	**2,762**	**1,156**	**(58.1)**	**25.1**	**15.8**	**(37.1)**

n/s: not significant

The decline in Universal Parcels Service revenues reflects the reduction in the volume of publications for the domestic market, primarily due to the abolition of subsidised tariffs for customers following changes in the related legislation from 1 April 2010, which have altered the tariff system for all publications.

Mistral Air Srl

In addition to the impact of the Parent Company's reorganisation of delivery operations, which have led the company to reduce the frequency of night mail flights from five times a week to four, Mistral Air's first-half results reflected the difficult macroeconomic environment in which it operates.

The civil unrest in the Middle East and North Africa (above all in Tunisia and Egypt) effectively deprived Mistral Air of its traditional passenger charter markets, forcing the company to look for business in other areas of Europe where the low-cost carriers dominate. These events and the rise in fuel prices are reflected in the results.

The increase in passenger charter flights during the period has resulted in a 44% rise in revenues (47.2 million euros in the first half 2011, compared with 32.8 million euros in the first half 2010). This, however, is not enough to offset the increase in overall costs, which are up from 34.6 million euros in the first half 2010 to 49,5 million euros in the first half 2011.

The company thus reports an operating loss for the period of 2.3 million euros (1.8 million euros for the first half 2010), with negative equity of 0.5 million euros (1.6 million euros of positive equity at 31 December 2010) and a loss for the period of 2 million euros (a loss of 1.6 million euros for the first half 2010).

Italia Logistica Srl

The period was marked by the launch and management of the new integrated logistics contracts obtained during the previous year. In the transport and multi-modal logistics sector, the company was engaged in developing an intermodal rail offering, based around the use of mobile crates.

The above activities have resulted in an increase in revenues from sales and services, which are up from 41.6 million euros in the first half 2010 to 44.8 million euros in the first half 2011. Integrated logistics and international shipping revenues are up 38% (8.9 million euros) and 36% (1 million euros), respectively, compared with the same period of 2010. These increases are partially offset by a reduction of 6 million euros in transport and multi-model logistics revenues (down 40% on the same period of 2010).

The above revenue growth was also accompanied by a rise in the cost of goods and services, which totalled 45.1 million euros in the first half 2011 (41.9 million euros in the same period of 2010).

This performance has resulted in a deterioration in the operating loss from the 0.8 million euros of the first half 2010 to 1.3 million euros for the first half 2011.

POSTAL SERVICE QUALITY

The table below shows the quality achieved compared with the targets set.

		Delivery within	2011 Annual target	2011 Actual H1
Prioritary Mail (*)		1 day	89.0%	95,1% (1)
International Mail (**)				
	inbound	3 days	85.0%	92.6%
	outbound	3 days	85.0%	91.6%
Registered Mail (***)		3 days	92.5%	93,5% (1)
Insured Mail (***)		3 days	94.0%	99% (1)

(1) The result represents the cumulative figure to May. The cumulative level of service to June is being calculated.

(*) Based on data certified by IZI on behalf of the Ministry for Economic Development.

(**) IPC – UNEX End-to-End Official Rule.

(***) Monitored by electronic tracking system.

	Delivery within	2011 Annual target	2011 Actual H1 (1)
Standard Parcels	5 days	94.0%	99.5%
Postacelere Express Delivery	1 day	90.0%	97.4%
Paccocelere	3 days	98.0%	99.7%

All products are monitored with an electronic tracking system.

(1) The result represents the cumulative figure to May. The cumulative level of service to June is being calculated.

3.3.2 OPERATING RESULTS OF FINANCIAL SERVICES

In terms of transactional products for private customers, the Group used the first half of 2011 to consolidate its BancoPosta Più current account offering, backed up by a range of marketing initiatives (direct mailing, leaflets, posters and press advertisements) and direct marketing activities via the contact centre and promotional campaigns run though post offices.

The electronic money segment, where the Group is present with its Postamat Maestro card (6.3 million cards as of June 2011, substantially in line with the number in December 2010) and Postepay card (7.6 million prepaid cards issued as of June 2011, compared with 6.8 million as of December 2010), witnessed, among other things:

- improved results from the BancoPosta Più credit card, which from 1 June 2011 requires holders to pay off the full balance each month, with a line of credit worth a minimum amount of 2 thousand euros, which holders can apply for, use up to a pre-established limit and pay off in instalments;
- the launch, in May, of the first charity Postepay card (aimed primarily at companies, their customers and Public Sector entities), which aims to raise funds for school meals projects run by the World Food Programme, the largest humanitarian agency fighting hunger around the world. For each card issued and every payment made, Poste Italiane will donate a portion of its revenues from the card to school meals projects for children in Haiti and Benin;
- creation of e-postepay, the first completely virtual card, which can be applied for free of charge on the www.postepay.it website and can be used at retailers that use the MasterCard online service;
- the development, in collaboration with the partners Edenred and Qui!Group, of a multi-application prepaid Postepay Lunch card which, in addition to the usual payment functions, can also be used as an electronic luncheon voucher. The cards, which have been in use by Poste italiane staff since 2010, are being marketed to companies and Public Sector entities looking to simplify the administrative and financial aspects of issuing luncheon vouchers to their employees.

The external top-up channel for Postepay cards, comprising around 40 thousand SISAL betting shops and over 12 thousand tobacconists linked up to the Banca ITB network, boosted the product's competitive positioning during the first half of 2011, with approximately 6.5 million top-ups in just 6 months (10 million in 2010 as a whole).

A large number of campaigns were run or repeated in order to promote loan products, including:

- an initiative promoting Prestito BancoPosta Zero Spese, the loan product that, in addition to eliminating application and collection fees and statement charges, also refunds taxes payable by law and allows borrowers to effect early repayment without incurring any charge;
- the Mutuo Zero Spese promotion, featuring the loan that has eliminated arrangement and valuation fees across all durations and all types of loan and interest rate;
- the Prestito BancoPosta Famiglia promotion, featuring easy-term loans for newlyweds and new parents;
- repricing of the Prontissimo loan, enabling all customers to obtain the loan on promotional terms;
- from 4 January to 4 February 2011, in line with the Group's traditional commitment to meeting the needs of families, the offer to suspend the repayment of loans for up to 8 months for households in the areas in the Veneto region hit by flooding[4].

[4] As identified in Cabinet Office Ordinance 3906 of 13 November 2010.

Turning to investment products, the Group began marketing 2 different types of product issued by Banco Popolare. The first, with a duration of 6 years, offers rising interest rates over the medium to long term, with fixed payouts for the first two years, followed by six-monthly payments in the subsequent four years equal to 6-month EUIBOR plus a fixed spread falling within a capped and floor rate of return.
The second product, with a duration of 3 years, offers rising fixed annual payouts, although the principal novelty regards the customer segment. This product is aimed exclusively at customers making new deposits (investors cannot invest money already held on deposit with Poste Italiane prior to placement of the product), and offers a higher return than standard issues, accompanied by a significant reduction in fees.

In terms of online activities, the home banking services linked to the BancoPosta (BancoPostaOnline) and Conto BancoPosta Click accounts again performed well in the first half 2011: the number of online accounts opened by consumer customers now stands at well over the 1 million mark, with around 1.1 million accounts (1.01 million at the end of 2010), whilst business accounts total approximately 220 thousand (211 thousand at the end of 2010). Online customers carried out over 8.3 million payment transactions during the first half. The payment of bills proved to be the most successful of the classic internet banking services, with approximately 2.4 million bills paid on line (2.1 million in the first half of 2010) via current account direct debits and the use of credit/Postepay cards. Of these, 1.9 million transactions were carried out by consumer customers (1.7 million in the first half 2010), with 216 thousand using the BancoPosta Click channel. Over 500 thousand bills were paid by business customers.
Other transactions also performed well, with 1.1 million online bank transfers carried out (900 thousand in the first half 2010), including over 200 thousand using the BancoPosta Click channel (100 thousand in the first half of 2010), 2.4 million telephone top-ups (2.6 million in the first half of 2010), 2.4 million PostePay top-ups (2.3 million in the first half of 2010), and more than 600 thousand giro payments (500 thousand in the first half of 2010).
Online sales of financial products were also a success, with 36 thousand people subscribing to Interest-bearing Postal Certificates on line (20 thousand in the first half of 2010) and over 1,500 online loans disbursed.
In terms of investment services, and above all the development of new services, in June 2011 Poste Italiane launched its Trading On Line (TOL) service, which allows customers to trade on the secondary market and subscribe to offerings on the primary market on line, without the need to go to a post office.
Poste Italiane customers can trade in over 8 thousand Italian and overseas financial instruments, such as shares, bonds, government securities, certificates, covered warrants and closed-end funds. They can also subscribe directly on line to bond and certificate offerings, offered exclusively by BancoPosta, and take part in auctions of government securities.

VOLUMES AND REVENUES

BANCOPOSTA

Revenues (€m)	H1 2010	H1 2011	% inc./(dec.)
Current Accounts	**1,283**	**1,384**	**7.9**
Bills	327	315	(3.7)
Income from investment of customer deposits	668	770	15.3
Other Revenues from current accounts and prepaid cards (*)	288	299	3.8
Money Transfers (*)	**37**	**34**	**(8.1)**
Postal savings and investment	**904**	**896**	**(1.0)**
Post Office Savings Books and Certificates	700	675	(3.6)
Government securities	3.4	3.8	11.8
Equities and bonds	-	43	n/s
Insurance policies	187	159	(15.0)
Investment funds	2	4	n/s
Securities Deposits	12	11	(8.3)
Delegated Services	**100**	**90**	**(10.0)**
Loan products	**91**	**87**	**(4.4)**
Other products (**)	**16**	**16**	**n/s**
Total Revenues	**2,431**	**2,507**	**3.1**

Certain amounts for the first half of 2010 have been reclassified in order to ensure comparability across the two periods.

n/s: not significant

(*) This item includes all revenues from domestic and international money orders and inbound and outbound Eurogiros.

(**) This item includes revenues from tax collection forms and tax returns, and revenue stamps.

Deposits (€m)	31 Dec 2010	30 June 2011	% inc./(dec.)
Current Accounts (*)	**35,949**	**37,563**	**4.5**
Post Office Savings Books (**)	**97,656**	**94,575**	**(3.2)**
Interest-bearing Postal Certificates (**)	**198,489**	**201,782**	**1.7**

(*) Average deposits for the period.

(**) Deposits include accrued interest for the period.

Number of transactions ('000)	H1 2010	H1 2011	% inc./(dec.)
Bills processed	**289,871**	**278,075**	**(4.1)**
Domestic postal orders (*)	**4,034**	**3,723**	**(7.7)**
International postal orders	**1,608**	**1,600**	**(0.5)**
Inbound	***861***	***851***	***(1.2)***
Outbound	***747***	***749***	***0.3***
Pensions and other standing orders	**42,784**	**43,119**	**0.8**
Tax services	**5,669**	**5,460**	**(3.7)**

(*) Includes Vaglia Circolari giro drafts.

Volumes ('000)	31 Dec 2010	30 June 2011	% inc./(dec.)
Number of customer Current Accounts	**5,533**	**5,531**	**n/s**
Number of Credit Cards	**379**	**402**	**6.1**
Number of Debit Cards	**6,261**	**6,258**	**n/s**
Number of Prepaid Cards	**6,794**	**7,551**	**11.1**

n/s: not significant

BancoPosta service revenues are up 3.1%, rising from 2,431 million euros in the first half 2010 to 2,507 million euros in the first half 2011. This essentially reflects the positive performance of current account revenues, which are up from 1,283 million euros in the first half 2010 to 1,384 million euros in the first half of 2011.

In detail, current account revenues are up 7.9% on the same period of 2010, thanks to a 15.3% increase in income from the investment of current account deposits, which has risen from the 668 million euros of the first half 2010 to 770 million euros in the first half 2011. This reflects both a 4.5% increase in average deposits (35.9 billion euros in 2010, compared with 37.6 billion euros in the first half of 2011), and the increased contribution of income from the investment in securities of private customers' current account deposits. Other revenues from current account services are up 3.8% (an increase of 11 million euros), thanks to increased use of electronic money. This has offset a reduction in revenues on bill payments (down 3.7%), reflecting a decrease in the number of bills processed (278 million bills process in the first half of 2011, compared with 290 million in the same period of 2010).
Revenues from Money Transfers were down 8.1%, due to a reduction in the volume of domestic transfers (Domestic Money Orders), which is down from 4 million transactions in the first half 2010 to 3.7 million in the first half 2011.

The Postal Savings segment (the distribution of Interest-bearing Postal Certificates and Post Office Savings Books on behalf of Cassa Depositi e Prestiti SpA) was affected by the presence of competing products offered by the banking system paying high returns. Revenues from traditional savings products are this down from 700 million euros in the first half 2010 to 675 million euros in the first half 2011, as prudently assessed on the basis of the related agreement. Indeed, based on the results of negotiations currently underway with a view to entering into a new long-term agreement, which is likely to establish a new fee structure, it is reasonable to believe that income for 2011 may be higher than currently estimated.
Post Office Savings Books deposits amount to 94.6 billion euros at 30 June 2011 (97.7 billion euros at the end of 2010), whilst Interest-bearing Postal Certificates in issue amount to 201.8 billion euros (198.5 billion euros at the close of 2010).

Asset and fund management[5] reports an increase of 8%, with revenues up from 204 million euros in the first half 2010 to 221 million euros in the first half 2011. This reflects the positive performance of bond placements, which generated income of 43 million euros (there were no bond placements during the same period of the previous year). Revenues from the distribution of insurance policies, in the form of management fees, are down (187 million euros in the first half of 2010, compared with 159 million euros in the first half 2011).
The placement of funds performed well, with fees rising to 4 million euros in the first half 2011 from the 2 million euros of the first half 2010.
Revenues from Delegated Services amount to 90 million euros (100 million euros in the first half of 2010). This figure includes revenues from the payment of INPS (National Social Insurance Institute) pensions, totalling 48.6 million euros, the payment of INPDAP pensions, totalling 6.2 million euros, and the payment of pensions and other sums for the Ministry of the Economy and Finance, totalling 28.3 million euros.
Revenues from the distribution of loan products[6] are down 4.4% (87 million euros in the first half of 2011, compared with 91 million euros in the same period of the previous year).
The amount of loans originated is down 38 million euros (831 million euros in the first half 2011, compared with 869 million in the same period of 2010), whilst origination fees are down from 69.2 million euros in the first half 2010 to 63.6 million euros in the first half 2011.
The performance of mortgages was substantially in line with the same period of 2010 (7 million euros), whilst salary loans recorded a 14.7% increase in revenues, which are up from 9.1 million euros in the first half 2010 to 10.5 million

[5] Asset and fund management includes the distribution of government securities, equities, bonds, life assurance policies, mutual investment funds and commissions on safe custody accounts.
[6] Personal loans, mortgage loans, overdrafts, salary loans and credit protection.

euros in the first half 2011. This reflects an increase in the volume of loans originated to 145.8 million in the first half 2011 from the 121.8 million of the first half 2010.

3.3.3 OPERATING RESULTS OF INSURANCE SERVICES

POSTE VITA SpA

During the first half the company's commercial initiatives were aimed at maintaining the level of earned premiums from traditional Branch I life insurance products, in addition to focusing strongly on pension products and personal protection products in general. Premiums written during the first half total approximately 5.5 billion euros, recording a reduction (down 9.4% with respect to the first half of 2010) that was lower than the market as a whole. The bulk of this figure is represented by sales of traditional products, amounting to around 4.8 billion euros. This figure is up 31% on the 3.6 billion euros of the first half 2010, in part thanks to the positive sales performance of the new "Cedola" product and of the "Poste Previdenza Valore" product.

In contrast, the operating result for the period was hit by the different timing of the offering of the new index-linked "Titanium" policy, which was launched in March and closed in early July, just as the crisis in the financial markets worsened. This resulted in a reduction in earned premiums from Branch III products of approximately 1.7 billion euros compared with the first half of 2010.

The value of assets attributable to separately managed accounts and the company's free capital are up from 32.8 billion euros at the beginning of the year to 37 billion euros at the end of the period. Investment yields (on average approximately 3.6%) recorded a positive performance, despite the company maintaining the extremely prudent guidelines given to asset managers. Investments underlying index-linked products amount to 10.6 billion euros.

In terms of derivatives, the Group entered into a limited number of currency forward transactions during the first half to hedge the foreign exchange risk on securities denominated in foreign currency.

In addition, in February the Board of Directors approved the forward purchase of securities to hedge future cash flows linked to the new index-linked policy, "Titanium". These transactions amounted to 1,450 million euros, based on forecast sales of the same amount. However, following an unforeseen reduction in estimated sales of the policy in question, the Board of Directors initially approved a reduction in the value of the policies to be sold to 750 million euros, at the same time unwinding forward purchases of the underlying assets with a matching notional value. Following this, at the Board meeting held on 14 July, the Directors decided that, in such a delicate market environment, it would be better not to unwind the outstanding positions. Instead, given also the fact that the type of asset to be purchased is perfectly in line with the investment strategy for the company's free capital adopted for 2011, in terms of both underlying risk (that of the Italian State) and duration, the Directors opted to delay settlement of the transaction until 22 November 2011.

As a whole, this situation has resulted in impairment losses and realised losses of approximately 20.4 million euros.

In June, moreover, the company entered into forward purchases of Italian Long-term Treasury Certificates (BTPs) with a notional value of 230 million euros, to cover contractual obligations deriving from a new Branch III policy to be launched in August 2011. At 30 June 2011 these transactions recorded a net fair value gain of 0.6 million euros.

As a result of the above, profit for the period is 38.5 million euros (94.3 million euros for the same period of the previous year), which also reflects the impact of changes to taxation of the "change in the technical reserves for life policies" and the increase in the IRAP rate to 5.9%. In PosteVita's case, this has resulted in an increase in income tax expense of approximately 17 million euros.

During the first half the subsidiary, Poste Assicura, issued a total of around 135 thousand new policies, resulting in premium income of 19 million euros. Combined with the positive performance of claims and and a reduction in operating costs, this enabled the company to break even.

On 14 September 2010 the pension fund regulator (the *Commissione di Vigilanza su Fondi Pensione*, or COVIP) began an inspection of Poste Vita SpA relating to its "Postaprevidenza Valore – Piano individuale pensionistico – Fondo Pensione" pension product during the period from 1 January 2009 to 30 June 2010. The results of the inspection, which was completed on 18 February 2011, focused primarily on internal claims management procedures, the handling of complaints and aspects of the sale of products. On 4 July 2011 the company filed a submission with the regulator, describing the initiatives taken and/or that it plans to take in response to the inspectors' findings.

On 22 June 2011 the Regional Tax Office for Large Taxpayers (*Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti*) began an audit of certain aspects of the company's taxation for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of law 388 of 23 December 2000. The audit is ongoing and the company has so far provided all the documentation requested by the inspectors.

3.3.4 OPERATING RESULTS OF OTHER SERVICES

BANCOPOSTA FONDI SpA SGR

During the first half of 2011 BancoPosta Fondi SpA SGR continued to manage collective investment funds and Individual Investment Portfolios. Two new proprietary buy-and-hold mutual funds were launched during the period.
Total assets under management in relation to the company's lines of business at 30 June 2011 amount to 17.8 billion euros (16.1 billion euros at 31 December 2010, marking an increase of 11%). Third-party and proprietary mutual funds have assets of 3,548 million euros (3,629 million euros at the end of 2010), whereas Individual Investment Portfolio assets managed for the insurance company, Poste Vita, amount to 14,265 million euros (12,484 million euros at 31 December 2010).
Gross inflows into mutual funds amount to 525 million euros, compared with 685 million euros in the same period of the previous year (down 23%), whilst redemptions amounted to 595 million euros, up on the 442 million euros of the first half 2010. This figure was influenced by the CentoPiù fund, whose investment period ended on 28 February 2011, along with the expiry of the guarantee. The performance of gross inflows and redemptions resulted in a net outflow of 70 million euros, compared with a net inflow of 243 million euros in the same period of 2010.
Profit for the period is 4.8 million euros (8.5 million euros for the first half of 2010). This was significantly influenced by the new method of calculating the fees paid to Poste Italiane for distributing the funds. On 28 February 2011 BancoPosta Fondi SGR and Poste Italiane signed a revised distribution agreement for proprietary funds, which has altered the method of calculating the fees payable to the Distributor, based on the distribution model applied and the type of services rendered by Poste Italiane. The impact on the result for the period, linked to the new method and criteria for calculating the fees payable to the Distributor (in terms of higher costs), after taxation, amounts to approximately 2.9 million euros.

POSTE MOBILE SpA

During the first half of 2011 the company continued to focus on maintaining and building on its "value strategy", developing promotions designed to drive customer acquisitions, including the introduction of MNP (Mobile Number Portabiliy). This goal also included a review of its offerings, which resulted in the launch of a number of new features for consumer customers, including:

- new fixed price plans that include calls to all numbers;
- weekly fixed price options and price plans;
- unlimited calls to on-net numbers.

During the first half of 2011 the company moved to take advantage of strong growth in the business market by launching a range of price packages and expanding its data offerings.

The company also made significant progress in expanding its range of distinctive value added services, which have taken on a central role in PosteMobile's positioning. During the first half this involved the launch of the PosteMobile Store which, among other things, enables users to download an array of digital content and applications, including the "Pago Bollettino" application for paying bills using the barcode on pre-printed bills, marking a further step in PosteMobile's commitment to integrating telecommunications and financial services. In this regard, the number of mobile payment transactions carried out by PosteMobile customers during the first half amounts to 7.7 million (up 41.2% on the same period of 2010), including 3.3 million outgoing payments (up 44.8% on the first half of 2010). The value of transactions exceeded 90 million euros, marking a significant increase with respect to the 64 million euros of the same period of the previous year, with approximately 1.1 million customers linking their SIM card to a payment tool, representing 55% of all customers (1.98 million lines at the end of the first half of 2011, compared with 1.7 million at the end of 2010).

The number of SIM cards sold during the period totals 406 thousand, 374 thousand of which to consumers and 32 thousand to businesses (405 thousand sold in the previous first half, with 381 thousand sold to consumers and 24 thousand to businesses).

On 12 April 2011 the transfer of Poste Italiane SpA's telecommunications unit to PosteMobile SpA was completed, with the aim of integrating management of the Group's mobile and fixed line telecommunications assets and obtaining the related synergies.

Thanks to the above initiatives, the company achieved an across-the-board improvement in its key performance indicators during the first six months of 2011. Revenues from sales and services are up 74% (129.9 million euros in the first half 2011, compared with 74.7 million euros in the first half 2010), driven by an acceleration of growth in all segments of the business and an increase in the basis of consolidation[7]. Voice services, with revenue of 84 million euros (55 million euros in the first half of 2010), was again the leading segment due to the expansion of the customer base and the increase in traffic volumes. The cost of goods and services kept pace with revenue, increasing as a result of traffic growth from 60.7 million euros in the first half of 2010 to 101.9 million in the first half 2011.

Overall, the first-half performance resulted in an operating profit of 13.1 million euros (5.3 million euros in the first half of 2010) and profit for the period of 8.5 million euros (2.8 million euros for the same period of the previous year).

POSTECOM SpA

The first half saw the company develop its organisational model in order to boost its market presence and the process of renewing its products and services. The key elements of this process were the reorganisation of sales and the creation of marketing and customer service teams. The company also developed and supplied web-based information services for Poste Italiane Group companies during the first half.

[7] The total contribution to revenues from the telecommunications unit amounts to 19.8 million euros.

The company's revenues from sales and services are up 22% (36.4 million euros in the first half of 2011, compared with 29.9 million euros in the first half 2010). This increase is essentially due to income from the development and supply of web-based information services for Poste Italiane Group companies, which is up 55% on the previous first half and accounts for 65% of total revenue (51% in the first half 2010). The increase in intercompany sales, which involves high variable costs, led to a significant increase in operating costs, which are up 32% from 26.3 million euros in the first half 2010 to 34.7 million euros in the first half of 2011. Overall, the company reports a profit for the period of 0.9 million euros (2.5 million euros for the first half of 2010).

EUROPA GESTIONI IMMOBILIARI SpA

The difficult economic environment also impacted on the real estate sector in which the company operates, resulting in a downturn in demand and a general increase of the average time required to sell properties. Moreover, the specific nature of EGI's portfolio and above all the fact that its properties are sited in secondary locations, and require upgrading in order to bring them up to the standards needed for the various uses, has resulted in a significant gap between demand for the company's properties and the number on offer.

In this context, EGI generated rental income of 8.4 million euros (9.8 million euros in the first half 2010). The cost of upgrading its property assets (excluding technical consultancy) amount to 1 million euros (0.7 million euros in the first half 2010).

The company reports a profit for the period of 4 million euros (2.8 million euros in the first half 2010), thanks to a 1.6 million euros reduction in income tax expense for previous years, following the conclusion, on 16 March 2011, of the limited tax audit regarding certain items in the tax declaration for the 2008 tax year [8]. On completion of the audit, which began in December 2010 and which found that the company had correctly and legitimately calculated taxation on the gain on property sales, EGI revised its income tax expense for 2010 with respect to the amount accounted for in the financial statements for 2010.

POSTE SHOP SpA

During the first half the company continued with its reorganisation of its sales channels, modifying its sales model with the aim of converting from a standardised offering for each channel[9] to an offering designed for each channel's target customers. The company has also begun the process of improving the layout of its "Shop in Shop" outlets (216 at 30 June 2011) and the related product displays.

In terms of commercial initiatives, the sale of lottery scratch cards, launched in the previous year, continued to be a success, with sales being extended to 1,500 post offices. This resulted in commissions of 0.9 million euros on total takings of over 11 million euros.

Finally, further steps were taken to improve cost controls by optimising distribution and rationalizing stocks.

The general downturn in consumer spending and reorganisation of the sales network resulted in an 11% reduction in revenues from sales and services (21.7 million euros in the first half 2011, compared with 24.3 million euros in the first half 2010), accompanied by a 24% decrease in costs from 23.9 million euros in the first half 2010 to 18 million euros in the first half 2011. The performance of costs and revenues also reflected the reduction in sales due to the sale, in October 2010, of the Kipoint sales network to Kipoint SpA. Overall, the company reports an operating profit of 1.8 million euros (an operating loss of 1 million euros for the previous first half).

With regard to the Antitrust Authority's initiation of a PB/455 procedure regarding the company in 2009, in order to

[8] The tax authorities initiated a limited audit of the Company on 22 December 2010 for the examination of accounting entries regarding income taxes, IRAP and VAT in connection with certain items in the tax declarations for the 2008 tax year.

[9] The company sells products and services in post offices through direct or catalogue sales and through shops set up within the offices ("Shop in Shop"), as well on line via www.posteshop.it, via telephone sales and via MondoBancoPosta.

investigate alleged infringements connected with the advertising material used by PosteShop to promote the activities of the Kipoint franchise retail network, on 30 March 2010 the Authority decided to fine the company 100 thousand euros. The appeal against the fine before Lazio Regional Administrative Court was turned down on 10 November 2010 and Posteshop SpA filed appeal with the Council of State on 11 March 2011.

GLOBAL CYBER SECURITY CENTER FOUNDATION

During the first half the Foundation conducted research and information campaigns focusing on the various aspects of the issues linked to cyber security, with the aim of devising and implementing strategies capable of effectively combating cyber crime and ensuring adequate monitoring of the world wide web.

3.4 GROUP FINANCIAL POSITION AT 30 JUNE 2011

The Poste Italiane Group's Net invested capital amounts to 3,853 million euros (3,397 million euros at 31 December 2010), financed entirely by equity.

(€m)	Note (*)	31 Dec 2010	30 June 2011	Increase/ (Decrease)
Non-current assets		3,654	3,502	(152)
Working capital		1,066	1,602	536
Staff termination benefits	[23]	(1,323)	(1,251)	72
Net invested capital		**3,397**	**3,853**	**456**

(*) Notes to the condensed interim financial statements.

Non-current assets break down as follows at 30 June 2011 and 31 December 2010:

(€m)	Note (*)	31 Dec 2010	30 June 2011	Increase/ (Decrease)
Property, plant and equipment	[5]	2,957	2,824	(133)
Investment property	[6]	163	156	(7)
Intangible assets	[7]	521	507	(14)
Investments accounted for using the equity method	[8]	7	9	2
Non-current assets held for sale	[16]	6	6	0
Non-current assets		**3,654**	**3,502**	(152)

(*) Notes to the condensed interim financial statements.

Compared with the situation at the end of 2010, Non-current assets report a net decrease of 152.1 million euros as a result of additions of 131.2 million euros and reductions totalling 283.3 million euros.

Reductions regard:

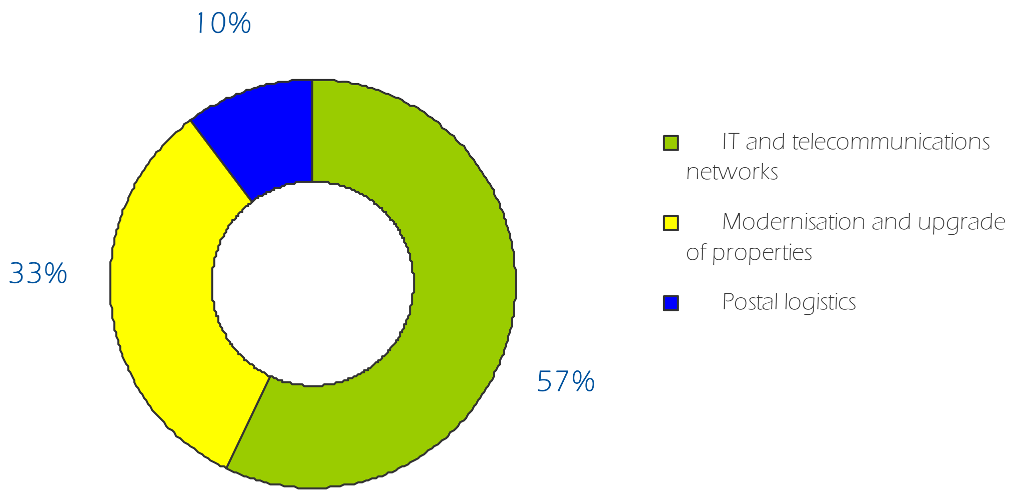
- depreciation, amortisation and impairments, totalling 277.2 million euros;
- sales of *Investment property* by the Parent Company (service accommodation owned by the Company), totalling 4.7 million euros, of *Property, plant and equipment*, amounting to 0.6 million euros, of *Intangible assets*, totalling 0.7 million euros, and of *Non-current assets held for sale*, amounting to 0.1 million euros.

Additions regard:

- investments in *Intangible assets*, amounting to 70.4 million euros, in *Property, plant and equipment*, amounting to 57.2 million euros, and in *Investment property,* amounting to 1 million euros, primarily by the Parent Company and described more fully below;
- *Investments accounted for using the equity method*, which has registered a net change of 2.1 million euros, including: an increase of 2.06 million euros relating to the merger of CSAB Printing Srl with and into Docugest SpA; an increase of 30 thousand euros to the capital increase carried out by Postel do Brasil Ltda[10]; and a reduction of 10 thousand euros deriving from the liquidation of the Consorzio Accademia Nazionale di Aviazione Civile (ANAC) and the resulting initiation of the process of cancelling this company from the companies' register;
- adjustments and reclassifications of 0.5 million euros.

[10] On 11 April 2011 the capital increase of 1.2 million euros was subscribed to via the conversion of all the receivables due to Postel SpA from the Brazilian subsidiary and written off in previous years and via a cash payment of 30 thousand euros.

The Parent Company's capital expenditure, amounting to 108 million euros, represents 84% of the Group's total investments. 57% of this amount regards information systems and telecommunications networks, 10% postal logistics and 33% modernisation and renovation of buildings.



The following activities regarding ICT (Information & Communication Technology) were carried out during the period:

- development of the telecommunications network, which in 2010 had already allowed the Group to extend VoiP technology to over 6,850 post offices, branches and industrial facilities (representing a total of more than 60 thousand users), continued via work on upgrading the network infrastructure used by the Data Centres;
- rollout of the Content Delivery Network (used in the distribution of digital content) proceeded, with over 3 thousand peripherals installed at 31 March 2011[11] with the aim of improving transmission quality and expanding data transmission capacity;
- the computerisation of Customer Relationship Management (CRM) services and the Enterprise DataWarehouse (EDWH) continued. The principal developments relating to CRM regarded extension to all retail post offices (around 41 thousand users) of the functions used in the management of appointments at post offices, and in targeting analysis, the monitoring of advertising campaigns and in the creation of specific reports for commercial and marketing purposes. In terms of EDWH, the process of adding to the Group's information archives and developing the catalogue of products and services continued;
- the new Service Delivery Platform (SDP) continued to be installed at post offices; at 30 June 2011 more than 11 thousand offices have been equipped with this new multi-channel platform that is capable of handling all Poste Italiane's distribution channels. In the first half this enabled, among other things, the start-up of the process of dematerializing pre-printed bills;
- work on financial and insurance systems primarily related to compliance with Italian and international regulatory requirements (including the new Banking Transparency regulations, rules issued by the tax authorities regarding the tax roll and monthly reporting requirements), and to upgrading to meet the technological and security standards required by the international VISA and Mastercard circuits;

- the applications platform for the insurance company, Poste Assicura, was released.

The modernisation and renovation of buildings regarded work on the overall renovation of 27 post offices and work on the partial renovation of 540 post offices. The renovation work included improvements to plant, perimeter security and other works.

In terms of postal logistics, the reorganisation of Postal Services ("*Progetto8Venti*") was implemented during the first half, with mail collection, sorting and deliveries now taking place 5 days a week instead of 6.
The distribution of palmtop computers for postmen and women and of POS (in 2011 a further 5 thousand postmen and women will be given the kit) continued, enabling the provision of innovative services, such as the payment of bills and cash on delivery payments and PosteMobile topups.

Working capital breaks down as follows at 30 June 2011 and 31December 2010:

(€m)	Note [*]	31 Dec 2010	30 June 2011	Increase/ (Decrease)
Inventories	[11]	44	50	6
Trade receivables and other current assets	[12] [13]	4,518	4,580	62
Trade payables and other current liabilities	[25] [26]	(3,462)	(3,432)	30
Current and deferred tax assets and liabilities	[38]	474	472	(2)
Provisions for liabilities and charges	[22]	(1,264)	(1,081)	183
Other non-current assets and liabilities	[10] [26]	756	1,013	257
Working capital		**1,066**	**1,602**	**536**

[*] Notes to the condensed interim financial statements.

Working capital amounts to 1,602 million euros, representing an increase of 536 million euros compared with the end of 2010. The decrease is essentially due to the following:

- an increase in the net balance of *Other non-current assets and liabilities*, amounting to 257 million euros, primarily due to the tax asset recognised by Poste Vita SpA as a result of advance payments made for the period 2006-2011, withholding taxes and substitute taxes on capital gains on life policies;
- a reduction in *Provisions for liabilities and charges*, totalling 182.6 million euros, representing the balance of uses and releases of 278.4 million euros and new provisions of 95.8 million euros, primarily relating to staff costs and labour disputes.

At 30 June 2011 Equity amounts to 4,355.9 million euros (4,383.1 million euros at 31 December 2010) and breaks down as follows:

- Share capital 1,306.1 million euros
- Reserves 836.0 million euros
- Retained earnings 2,213.8 million euros.

Compared with 31 December 2010, Equity is down 27.2 million euros as a result of the following changes.
Additions:

- profit for the period of 460.4 million euros;
- the balance of actuarial gains and losses on provisions for staff termination benefits, totalling 6.9 million euros

[11] On 12 April 2011 the transfer of Poste Italiane SpA's telecommunications unit to PosteMobile SpA was completed.

net of tax.

Reductions:

- the payment of dividends to shareholders, totalling 350 million euros;
- changes in the fair value reserves, amounting to 79.5 million euros net of tax;
- changes in the cash flow hedge reserve, totalling 65.0 million euros net of tax.

In addition, a reserve with a value of 1 billion euros was established during the first half in relation to BancoPosta's ring-fenced capital. This was done by transferring the above amount from *Retained earnings*;

Net funds are analysed in the following schedule:

(€m)	Note [*]	31 Dec 2010	30 June 2011	Increase/ (Decrease)
Financial liabilities	[24]	**5,331**	**4,980**	**(351)**
- Financial assets at fair value		721	535	(186)
- Bonds		770	789	19
- Loans from Cassa Depositi e Prestiti		513	523	10
- Bank borrowings		950	471	(479)
- Other borrowings		61	37	(24)
- Other (**)		2,316	2,625	309
Technical provisions for insurance business	[21]	**41,739**	**45,754**	**4,015**
Liabilities attributable to BancoPosta	[14]	**37,811**	**42,578**	**4,767**
Financial assets	[9]	**(45,112)**	**(47,597)**	**(2,485)**
- Loans and receivables		(750)	(597)	153
- Available-for-sale financial assets		(33,035)	(36,457)	(3,422)
- Financial instruments at fair value through profit or loss		(11,198)	(10,430)	768
- Other derivative financial instruments		(129)	(113)	16
Assets attributable to BancoPosta	[14]	**(39,654)**	**(44,708)**	**(5,054)**
Technical provisions for claims attributable to reinsurers	[10.1]	**(8.0)**	**(14.0)**	**(6)**
Net liabilities/(assets)		**107**	**993**	**886**
Cash and cash equivalents	[15]	**(1,093)**	**(1,496)**	**(403)**
Net debt/(funds)		**(986)**	**(503)**	**483**

(*) Notes to the condensed interim financial statements.
(**) Includes derivative instruments, financial liabilities payable to subsidiaries and other financial liabilities.

Net funds amount to 503 million euros at 30 June 2011 (net funds at the end of 2010 totalled 986 million euros).

Liquidity

(€m)	H1 2010	H1 2011
Deposits and cash in hand at beginning of period	**2,039**	**1,093**
Cash flow from/(for) operating activities	2,115	978
Cash flow from/(for) investing activities (*)	(1,814)	(138)
Cash flow from/(for) financing activities	25	(87)
Cash flow from/(for) shareholder transactions	-	(350)
Net change in cash and cash equivalents	**326**	**403**
Deposits and cash in hand at end of period	**2,365**	**1,496**

(*) This item includes BancoPosta's investments in held-to-maturity financial assets.

4. LEGAL, REGULATORY AND MARKET ENVIRONMENT

Postal Services and Other Services

The *Contratto di Programma* (Planning Agreement) regulates relations between the Ministry for Economic Development and Poste Italiane SpA in connection with the Universal Postal Service.

The outline *Contratto di Programma* (Planning Agreement) for 2009-2011 was agreed by the parties in November 2010 and is currently being examined by the relevant institutions for their views (CIPE and the relevant parliamentary committees). The outline must also be notified to the European Commission. In the meantime, the provisions of the *Contratto di Programma* (Planning Agreement) for 2006-2008 remain in effect.

Once definitively signed, the new *Contratto di Programma* (Planning Agreement) will formalise the amount of subsidies paid by the Government to Poste Italiane to partially cover Universal Service costs for the three-year period 2009-2011.

During the first half legislation governing the sector was affected by the issue of Legislative Decree 58 of 31 March 2011 relating to "*Implementation of Directive 2008/6/EC,*[12] *which amends Directive 97/67/EC, with regard to the full accomplishment of the internal market of Community postal services",* in force since 30 April 2011.

As well as redefining the scope of the Universal Service, including the collection, transport and distribution (delivery) of mail up to 2 kg and parcels of up to 20 kg, as well services relating to registered and insured mail, with the exclusion of direct mail for advertising purposes, as of 1 June 2012, the Decree redefines its characteristics[13].

Legislative Decree 58/2011 has renewed Poste Italiane's concession regarding provision of the Universal Service for another fifteen years, including five-yearly checks on the efficiency of service provision, and has set up a national Agency to regulate the postal sector. The Agency's responsibilities include:

- regulation of markets, including definition of Universal Service quality standards and the monitoring of fulfilment of the Universal Service provider's obligations and those deriving from licences and authorisations;
- adoption of postal network and related service access measures, and definition of general conditions of service;
- establishing tariff caps for services included within the Universal Service.

The Agency has three members, appointed by Prime Ministerial Decree on the recommendation of the Minister for Economic Development, following parliamentary consultation. Members hold office for a three-year period, and may only be appointed once. The Ministry is responsible for providing staff. For at least 12 months after termination of their office, members may not enter into any employment relationship with companies in the sector. The Agency submits a report to Parliament by 31 March each year.

The Decree also amended the criteria for calculating the net cost of the Universal Service which, as of 2011, will be calculated "*as the difference between the net operating costs of a designated service provider subject to universal service obligations and net operating costs without such obligations. The calculation will take account of all relevant elements, including the intangible and commercial advantages that postal service providers designated to provide the*

[12] Deregulation of the European postal market, launched in 1997, has been the subject of three directives issued by the European Parliament and the Council: Directive 97/67/EC, implemented by Legislative Decree 261 of 22 July 1999; Directive 2002/39/EC, implemented by Legislative Decree 384 of 23 December 2003; and lastly Directive 2008/6/EC, implemented by Legislative Decree 58 of 31 March 2011.

[13] Art. 3, paragraph 5, specifically provided for:
- defined quality standards for each service with reference to EU legislation;
- provision of services on a continuous basis throughout the year;
- connection with all access points nationwide to be identified, in accordance with reasonable criteria, by the regulator;
- accessible prices, geared to costs, in accordance with cost efficient management of provision;
- delivery on at least five days a week, except for the possibility of delivering on alternate days, subject to authorisation by the regulator, in the event of particular infrastructural or geographical conditions in areas with a population density of no less than 200 inhabitants per km, and in any case up to a maximum of one eighth of the national population.

universal service benefit from, the right to make reasonable profits, and incentives for greater economic efficiency", and also established that the charge for Universal Service provision will be financed by transfers from state funds, as specified in the *Contratto di programma* (Planning Agreement) between the Ministry for Economic Development and the Universal Service provider, as well as via a compensation fund to which companies authorised to operate postal services will contribute.
In accordance with EU principles, the Decree limits the exclusive rights granted to Poste Italiane, as the Universal Service provider, to offer services relating to legal process and the notification of violations of the Highway Code.
Regarding conditions of employment, the Decree requires all postal service providers to comply with the conditions of employment provided for by national legislation and the relevant collective labour contracts.

Regarding postal services for publishers, the Decree of 23 December 2010, "Reduced-rate postal tariffs for non-profit associations and organisations", issued by the Ministry for Economic Development in cooperation with the Ministry of the Economy and Finance, was published in the Official Gazette on 21 February 2011. This Decree introduces new reduced-rate tariffs for the non-profit sector for 2010 pursuant to limits on the allocation of funds provided for by art. 2, paragraph 2-11, of Legislative Decree no. 40/2010[14].

During the first half of the year, Constitutional Court sentence 46 of 11 February 2011 declared that "*article 6 of Presidential Decree 156 of 29 March 1973 (Approval of the consolidated law regarding postal, postal banking and telecommunications services) is unconstitutional, to the extent that the grantor and operators of public telegraphic services are deemed to have no responsibility for the late delivery of mail dispatched by Postacelere service*".
The dispute arose from a claim for damages following the delayed delivery of a parcel (containing documents) sent by Postacelere service. In addition to the refund of delivery charges, the company that sent the parcel claimed compensation from Poste Italiane for the fact that it was thus unable to participate in a tender process.
The above Constitutional Court sentence has clarified the fact that, in the event of the late delivery of an Postacelere item, Poste Italiane's liability is not limited merely to the refund of the related delivery charges.

In 2010 the Company continued to engage with the Antitrust Authority in relation to proceedings A/413 concerning alleged abuse of a dominant market position in connection with certain commercial practices of Poste Italiane relating to the Posta Time product and participation in certain tenders. The Company has put forward a series of proposals, in part designed to modify a number of postal service regulations, with the aim of bringing them more into line with the spirit of activities carried out in a competitive market.
The proposals were turned down by the Authority by resolution of 10 November 2010, and the Company consequently filed an appeal with Lazio Regional Administrative Court, where it is currently pending.

The Antitrust Authority also initiated proceedings on 30 April 2010 (PS/3341) regarding the Company's alleged improper trade practices within the meaning of Legislative Decree 206/2005 (the Consumer Code), consisting of the dissemination of advertising (press and web) of the Raccomandata1 service. The Authority, having rejected the Company's undertaking to eliminate the alleged improprieties, notified completion of the investigation on 29 December 2010 and fined Poste Italiane 200 thousand euros. Use of the advertising material was also prohibited.
The Company paid the fine in February 2011 and appealed the decision before Lazio Regional Administrative Court.

[14] This Decree, which was converted into Law 73 of 22 May 2010, allocated a sum of 30 millon euros for 2010 in subsidies for the non-profit sector.

On 9 March 2011 the Antitrust Authority launched an investigation regarding an alleged abuse of a dominant position relating to commercial practices adopted by Poste Italiane with reference to the bulk mail service. Specifically, this investigation aims to ascertain whether, through its behaviour, the Company hindered the market entry of a company called Selecta, to the advantage of its subsidiary, Postel.
Poste Italiane has offered to make a number of commitments, which the Authority is currently assessing.

Finally, on 24 March 2011 the Antitrust Authority launched procedure PS/6858 regarding alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code) regarding the unavailability of forms relating to standard Registered Mail and Parcel products at post offices. The Company has offered to make a number of commitments, which the Authority is currently assessing.

On 20 May 2011 the Minister for Economic Development, as the Regulator of the postal sector, approved the measures regarding the Standard Parcel product, which include a price rise to 9.10 euros, introduction of a tracking service and the raising of the delivery standard to J+3.

Financial Services

Regarding payment services, following the entry into force of Directive 2007/64/EC[15] of the European Parliament and Council – Payment Services Directive (PSD), Poste Italiane continued to make the necessary changes to organisational arrangements and IT systems in order to complete the alignment of IT procedures with the required standards (to be completed by the end of 2011, in accordance with the regulations).
In terms of banking transparency, following the Bank of Italy's Directive of 9 February 2011[16] – Application of the Directive on consumer credit – which intermediaries were obliged to comply with by 1 June 2011, in agreement with its partners on whose behalf financial products are distributed, during the first half of 2011 Poste Italiane implemented a series of changes to organisational arrangements and IT systems aimed at increasing transparency (advertising and pre-contract information, contracts, communication with customers) and bringing the sales procedures and operating processes concerned into line with the new regulations.
The project regarding the prevention of money laundering continued, and was aimed at:

- adding further customer checks to operational workflows on the initiation of ongoing relationships (current accounts, securities, funds, insurance policies) by linking their conclusion to the completion of data acquisition activities;
- the strengthening of anti-terrorism controls particularly in connection with statutory requirements relating to ex ante blocks on transactions (the registration of/changes to customer data held at the Registry Office, the initiation of relationships regarding securities, funds and insurance policies) carried out by parties included in lists prepared by the European Union.

The agreement between Poste Italiane SpA and UniCredit SpA for the acquisition, at a price of 136 million euros, of the entire share capital of Unicredit MedioCredito Centrale SpA[17] received clearance from the Antitrust Authority and the Bank of Italy during the first half of 2011. Following the fulfilment of a number of other formalities, the transaction is nearing completion.

[15] Directive 2007/64/EC - PSD was transposed into Italian Law by Legislative Decree 11 of 27 January 2010 and became effective on 1 March for credit transfers and electronic money, whereas the effective date for direct debits and trade collections was 5 July 2010.
[16] Issued in implementation of Legislative Decree no. 141 of 13 August 2010, and subsequent amendments, which implements Directive 2008/48/EC regarding consumer credit contracts in Italy.
[17] A company that promotes and manages government subsidies for businesses designed to support economic development.

5. DISTRIBUTION CHANNELS

5.1 RETAIL/SME

During the first half of the year the Company continued its efforts to improve the quality of services provided and customer relations, introducing standards capable of guaranteeing consistency throughout the country and enhancement of the flexibility provided for in the new National Collective Labour Contract, designed to bring the opening hours of retail and PosteImpresa offices into line with customers' requirements.

In this regard, activities aimed at enabling rapid customer access to services continued with the acquisition of 1,100 ATMs to extend the current national network (the total nationwide network includes more than 6,000 ATMs).

Additional separate Postamat windows have also been introduced in some post offices. As of 30 June 2011, 2,637 post offices have Postamat windows (2,609 as of 31 December 2010), with a total of 3,642 counters reserved for BancoPosta current account holders (3,594 as of 31 December 2010).

The PosteImpresa channel, which at 30 June 2011 comprises 253 PosteImpresa Offices and 225 Specialist Areas and registers an increase in the number of PT-Impresa customers (1.9 million at 30 June 2011, compared with 700 thousand at 31 December 2010), has continued to play an important role in developing business with SMEs, strengthening its presence in markets with higher concentrations of this type of customer. Indeed, activities were focused on proactive customer management, which was also partly enabled through the upgrading of IT systems. In particular, a new module of the CRM (Customer Relationship Management) tool was introduced, aimed at increasing customer loyalty via cross-selling and up-selling.

5.2 BUSINESS AND PUBLIC SECTOR

During the first half the Company continued its efforts to step up customer management and development in all phases of the marketing process (pre-sales, sales and after-sales), with the aim of maintaining postal volumes with large customers, and increasing sales of innovative services.

Specifically, activities focused on:

- efforts to keep business with large and public sector accounts that are increasingly subject to competition (commercial staff were engaged in helping end users find better solutions for their mailing and payment needs);
- strengthening the degree of specialisation among commercial staff in regard to market segments with the greatest sales potential, such as local authorities, healthcare providers and local tax offices;
- the definition of new development strategies with the help of commercial agreements with partners that can distribute innovative service offerings.

5.3 THE CONTACT CENTRE AND THE INTERNET

The "*Poste Risponde*" Contact Centre continues to play a key role in customer relationship management and in supporting Business functions and Group companies. It handled a total of approximately 8 million contacts during the first half, 90% of which for the captive market.

In addition to customer relationship management regarding financial, postal and internet matters, the main services provided in support of internal Group activities regard: assisting the post office network with enquiries regarding regulations, operations and product and service support; after-sales services and assistance to post offices regarding Poste Vita and Poste Assicura products; customer care regarding Poste Shop products; and assistance to the sales network regarding Poste Mobile products.

The most important initiatives during the period include:

- the extension of Contact Centres and Centralised Service Team operating centres that deal with the processing of financial products and services, in order to improve and complete the after-sales service (specialised support regarding Conto InProprio, Conto Più, Conto Click, etc.);
- the establishment of Specialist Units as part of the Centralised Service Teams to handle loans and probate issues in order to provide specialist support to post offices and improve integration with front-end staff;
- activities aimed at gathering suggestions for improvements to service quality, such as customer satisfaction surveys focusing on assistance at post offices, and the setting up of working groups involving the participation of 12 post office managers.

The www.poste.it website represents an access point for online services for around 6.5 million retail and business customers, with an average of around 2.6 million unique visits per day.
In the first half of 2011, in order to strengthen the Company's web presence and image, make it easier for customers to find what they are looking for and improve access to the services offered for all types of customer (private customers, small and medium-sized enterprises, large companies and the Public Sector), the Company began the process of restyling its website, affecting both the pre-login and post-login areas.
Another new element in customer relationship management was the opening of an official Poste Italiane page on Facebook, as an everyday channel for engaging with and dialoguing with customers, which saw more than 18 thousand friends register during the first half of the year. Belief in the importance of social networking also led the Company to use the YouTube channel to disseminate official corporate videos (institutional and commercial tutorials).
Finally, the process of web positioning development was launched. This will involve a programme of change that will encourage the convergence and integration of virtual and physical channels in order to reach new customer targets and optimise internal working processes.

6. HUMAN RESOURCES

Poste Italiane Group

	Number of employees (*)		
	Average		
Permanent workforce	**H1 2010**	**FY 2010**	**H1 2011**
Senior managers	709	718	722
Middle managers	14,642	14,752	14,624
Frontline staff	127,749	128,505	126,584
Back-office staff	5,899	5,474	4,203
Total workforce on permanent contracts	**148,999**	**149,449**	**146,133**
Traineeships	48	42	42
Apprenticeships	36	33	38
TOTAL	**149,083**	**149,524**	**146,213**

	Average		
Flexible workforce	**H1 2010**	**FY 2010**	**H1 2011**
Temporary contracts	125	125	137
Fixed-term contracts	2,255	2,195	1,665
TOTAL	**2,380**	**2,320**	**1,802**
TOTAL PERMANENT AND FLEXIBLE WORKFORCE	**151,463**	**151,844**	**148,015**

(*) All workforce data is expressed in full-time equivalent terms.

The Company's recruitment policies focused on the following areas during the first half of 2011:

- the recruitment of personnel to strengthen and rejuvenate front-end staff (counter operators, commercial specialists and so-called multilingual staff);
- the recruitment of 30 young university/high school graduates who were previously interns;
- the recruitment of 50 professionals in business support functions, including those allocated to the Banca del Mezzogiorno project and the upgrade of IT structures.

Internal recruitment and selection procedures (the development of graduates in service and job posting) were also stepped up; these are vital in meeting emerging needs and at the same time ensuring that staff are motivated and can develop their careers.

In addition, in relation to the union agreements of 10 and 22 July 2008, regarding the hiring of staff previously employed by the Company on fixed-term contracts, approximately 400 people were offered permanent positions.

Finally, around 50 staff, most of them trained professionals, were recruited by Group companies.

The usual performance appraisal procedure for middle managers and other staff members involved approximately 82 thousand people (4% more than in 2010) and 5,500 appraisers.

During the period, assessment of potential using the Assessment Centre method involved around 40 middle managers and 150 white-collar staff in sessions aimed at identifying staff suitable for senior management positions or for development as middle managers.

As part of its incentive policies, the Company launched Management by Objectives (MBO) and commercial incentive schemes.

Training activities supported implementation of organisational changes in Postal Services, business innovation for Retail

Market activities and specialist technical refresher courses for corporate and operating staff. Initiatives to support change management at Postal Services involved a total of more than 2 thousand staff in various positions. The programme also included teaching modules on communication, problem solving and team building exercises.
In support of business development in the credit sector, for the Retail Market segment the first phase of the "Credit culture and techniques" project was completed. Aimed at 5,500 staff, including post office managers and local commercial managers from southern Italy involved in the Banca del Mezzogiorno project, this project aims to improve skills relating to the granting of credit and the presentation of products to customers.
Training courses aimed at corporate and operating staff primarily regarded the Real Estate, Information Technology, Administration and Control, Safety & Security and Internal Auditing functions at BancoPosta.
In terms of e-learning, an ample portion of activities was geared towards achieving compliance objectives (70% of new participants during the period, out of a total of around 250 thousand).
Substantial and widespread efforts were undertaken to ensure that staff operating the Retail Market segment were trained in the new anti-money laundering procedures designed to ensure adequate checks on customers. This was in line with technological developments connected with migration to the new SDP (Service Delivery Platform), which resulted in the provision of four training courses to around 41 thousand staff in the first half of the year.
Moreover, the course on "Suspected counterfeit banknotes and cheques" was continued, with more than 38 thousand enrolments. This course is aimed at disseminating knowledge of security criteria, control processes and procedures for reporting suspected counterfeit banknotes.
From the early weeks of its provision, particular interest was also aroused by the programme on Savings Management, which was launched in May with a view to creating more widespread awareness of customer needs and the various options available in the market. Aimed at financial services sales staff, the programme is divided into seven courses that may be followed online or personalised in terms of the actual training needs of individual participants, including back-up from a specialist tutoring service.
Finally, the programme regarding the certification of professional requirements for insurance service operators has resulted in the issue and signature of more than 71,300 certificates in the first half of the year, using a tried and tested system of training programmes, processes and dedicated management systems.
Regarding Postal Services, e-learning has contributed towards the development of service innovation with the scheduling in June of the "Electronic Postman – payments via POS" course, aimed at illustrating cash-on-delivery payment operating procedures via PosteMobile cards and SIMs. Provided via both e-learning and mobile learning using palmtop computers, the course is aimed at around 8 thousand postmen and women.

As part of the activities of the *Ente Bilaterale per la Formazione e Riqualificazione del Personale* (the Bilateral Agency for Staff Training and Retraining), 36 projects were approved and authorised during the first half of the year, and activities continued to obtain funding from both Fondimpresa and the Solidarity Fund.
In particular, the reimbursement of contributions paid to INPS for courses funded in previous years was completed, thereby bringing the submission of applications and the provision of training courses closer together. A total of 7 applications regarding 15 training courses, amounting to reimbursements of around 16 million euros, including 14 million euros regarding training courses provided in 2010 and 2 million euros for 2011, were submitted to the Solidarity Fund.
Regarding Fondimpresa, 12 training plans with a value of around 2 million euros were accounted for.

Industrial relations activities primarily saw the Company and labour unions involved in procedures leading to renewal of the Collective Labour Contract for non-managerial staff, which was signed on 14 April 2011. This is a blanket agreement covering financial aspects and containing a number of new forms of flexible employment.

In application of the provisions of the union agreements regarding collective bargaining arrangements, the effectiveness of the contract that lasts for a three-year period was adjusted in relation to both pay and conditions, which will now be in effect from 1 January 2010 to 31 December 2012.
Also on the industrial relations front, matters regarding primary and secondary bargaining were more clearly defined, procedures for renewal of the collective contract were reviewed and the participatory nature of the model via improved definition of the functions of the joint bodies was reaffirmed.
In terms of pay, one of the most significant aspects is the increase in the minimum wage to an average, once fully implemented, of 100.00 euros for grade C staff, who make up the bulk of the Company's personnel. This adjustment is in line with the main collective contracts already renewed.
Regarding conditions, the regulations governing trainees were made fully operative by enabling training to be carried out entirely within the Company.
Part-time employment, which facilitates flexible employment, was also enhanced with the introduction of a new flexible clause exclusively aimed at vertical part-time contracts, which allows staff to perform their duties during periods not included in the individual employment contract.
Another innovation regards the establishment of an individual hour count, which allows any additional hours worked to be specifically compensated for.
Regarding social protection, measures were implemented regarding sick leave (including extension of the number of particularly serious illnesses) and maternity leave, in confirmation of the attention paid by the Company to social issues, the needs of staff and work-life balance requirements.
Finally, a section was introduced regarding social policies, training, and staff development, formalising previous contractual provisions.

During the first half of 2011 all the Bilateral Agencies continued their activities. In particular, by conducting technical investigations, the *Ente Bilaterale per la Formazione e Riqualificazione del Personale* (the Bilateral Agency for Staff Training and Retraining) supported the preparation, presentation and activation of numerous projects and the signing of three agreements that enabled access to funding granted by Fondimpresa and the Solidarity Fund.

The work of the *Organismo Paritetico Nazionale* (Joint National Body) focused on initiatives aimed at implementing legislation relating to stress at the workplace. Specifically, an assessment procedure was launched regarding the risk of stress at the workplace, entailing preparation of a time schedule (indicating activities to be carried out and their related implementation times, in order to record any risk factors and identify actions designed to eliminate them). A permanent working group was also set up to deal with the various activities provided for in the time schedule.

Efforts regarding sustainability issues, especially social policies, focused on improving the quality of work and the well-being of people. Social policies for employees related to the development of work-life balance initiatives and the provision of real support for families, including specific projects for deprived persons.

Regarding the spread of teleworking, staff access to this form of employment was extended and 60 new workstations were activated. Results have been positive, with an increase in productivity of around 30% and a similar reduction in absenteeism. Efforts were stepped up during the year regarding the project for the employment of the disabled, aimed at identifying concrete measures to encourage the inclusion and development of the disabled and, in general, help remove physical, sensory and cultural barriers at workplaces, when at work and in the community.

With respect to labour disputes, the first half saw an increase in claims relating to fixed-term contracts (CTD), which amounted to 1,828 (1,382 at 30 June 2010). This increase most likely stems from the entry into force of Law 183/10 (the so-called *Collegato Lavoro* legislation), which has imposed a shorter time limit for challenging contracts, which has also had an impact the time limit for taking legal action. The number of cases lost regarding CTDs, relating to appeals filed in the previous year and pending decision, stood at around 36%, registering a significant drop with respect to the previous year. Moreover, numerous cases have been subject to lengthy delays whilst awaiting the Constitutional Court's decision on the *Collegato Lavoro* legislation, due to its impact on determining any claims. Specifically, reference is made to the judgment to be handed down by the Court regarding the legitimacy of art. 32 of Law 183/10 ,which has capped the compensation payable to workers following the court-imposed conversion of a fixed-term contract at a level equivalent to 12 months' pay.

In conclusion, it should be pointed out that the issue regarding the compatibility of art. 2, paragraph 1 *bis*, of Legislative Decree 368/01 (which contains the current legislation governing fixed-term contracts) with EU legislation has once again been referred to the EU Court of Justice by the same Italian judge (at the Court of Trani). In November 2010 the EU Court had already deemed that the Italian law fully complied with EU legislation.

Regarding flexible work (temporary and contract work), 134 new appeals were lodged, registering a decrease compared with the same period of the previous year (166 appeals). The number of cases lost regarding this type of dispute fell sharply: 43% compared with the 51% registered in 2010.

The number of disputes arising from new contractual terms and conditions, totalling 998, was substantially in line with the first half of 2010 (950 cases registered in the same period of the previous year). As already mentioned, these are perfectly normal levels in terms of the number of people employed by the Company.

7. EVENTS AFTER 30 JUNE 2011

Events after the end of the reporting period have been described in other sections of the Report and no other material events occurred after 30 June 2011.

8. OUTLOOK

In the Postal Services segment the second half of the year will see the Company engaged in the development of new services. A package of online services, called PosteMailBox, for receiving and sending messages, digital storage, digital signature and accessing all of Poste Italiane's online services, will be launched for professionals and the general public.
The new Innovative Services Unit will be boosted by development of new dedicated products, consolidation of the organisation and the availability of support tools in order to enable the new unit to be fully operational.
As part of activities aimed at total renewal of the vehicle fleet, around 16 thousand new vehicles of various types were leased during the first half, and previously used vehicles were returned to suppliers. As well as providing new vehicles that are more in keeping with changes in the organisational requirements of Postal Services in terms of type and quantity, this will lead to a substantial reduction in maintenance costs, thanks to disposal of the remaining Company-owned vehicles. Indeed, the decision to acquire the new fleet under long-term leases has already helped in meeting the transport requirements connected with the new five-day delivery cycle (an increase in the number of vehicles available to postmen and women, a reduction in the number of motorcycles, and provision of the right kind of vehicle for the various market networks).
Moreover, thanks to the introduction of new vehicles with lower levels of pollution, fuel consumption and specific emissions, an increasingly robust response is being made to environmental issues.

With respect to Express Delivery and Parcel services, the Group continues to be committed to consolidating integration of the Parent Company's tracking systems with those of the subsidiary, SDA Express Courier SpA, in order to create a single, integrated logistics network. In this context, a new interface will be set up on the website www.poste.it to enable shipments to be monitored on line and consignment notes to be filled in and paid. Services will also be introduced for small online retailers.

In addition to new issues to commemorate the 150th anniversary of Italian Unification, during the second half of the year the philately programme will include the issue of stamps to commemorate the 25th National Eucharistic Congress, the International Year of Chemistry, the OECD and the Equestrian Order of the Holy Sepulchre of Jerusalem.
Commemorative issues will include celebration of Italo Svevo and Giorgio Vasari, while main issues for the thematic series will regard the Benedictine Abbey of the Holy Trinity Cava de' Tirreni, Hadrian's Villa in Tivoli and Trajan's Arch in Benevento as part of the "Italian artistic and cultural heritage" series.

With regard to Financial Services, the second half of the year will see the Company involved in new initiatives designed to develop the transactional product offering for private customers. In particular, from 1 September 2011 the Company plans to raise the gross interest rate payable to Conto BancoPosta Più account holders whose salary or pension is paid directly into their account, and who pay by direct debit and have a BancoPosta Più credit card, to 1.00%. A gross base rate of 0.25% will be applied to anyone not meeting these requirements. On the same date, the gross annual interest rate payable to private Conto BancoPosta customers will be lowered from 0.15% to 0.00%.
With regard to SMEs, with a view to completing the range of In Proprio current accounts, the second half of 2011 will see the launch of a current account specifically designed for the non-profit sector, with the dual objective of improving the quality of the existing customer base and acquiring new customers.
In the Personal Loans segment, the Prestito BancoPosta Studi promotion, aimed at parents looking for help with their children's education fees, and the Prestito Salute promotion, which offers loans to households with medical and/or dentistry expenses to pay, will be repeated. In October 2011 the Company will launch the Prontissimo Salto Rata

promotion, offering a loan that allows customers to defer payment of up to five instalments per repayment plan at no additional cost. Salary loans for public sector employees will also be offered again and extended to include Poste Italiane Group staff.
In the second half of 2011 it will also be possible to apply for a floating rate BancoPosta mortgage with a term of up to 40 years, thus enabling customers to take out a mortgage with more manageable repayments.
The electronic money segment will be broadened through product innovation. In particular, the second half of the year will see the launch of a new credit card aimed at SMEs and professionals, developed in collaboration with Deutsche Bank and Visa, as well as extension of the "Sconti BancoPosta" loyalty programme, including the retail credit cards issued by Deutsche Bank (Classic and Gold).
A contactless version of the Postamat Maestro debit card will be piloted.
With regard to Postepay, the offering of multi-application cards to business customers will be extended, with the launch of a prepaid card that can be used on Milan's public transport system and the introduction of contactless functions on standard cards.
Investment products will be added to with new bond products with an offering that, by combining customer requirements with the current market situation, will represent a repeat of the two types of product chosen for the first offerings of the year.
In terms of the Public Sector, the second half will see the marketing of a Reverse Factoring product. This is a product deriving from an agreement with Sace Fct (the SACE Group's factoring company) and will allow customers owed money by a Public Sector entity to factor the related receivables at post offices that serve business customers.
Moreover, in the second half of the year the Company will be deeply involved in the investment of Postal Savings deposits, which continue to represent an important source of revenue, partly due to the new long-term agreement being signed that may establish a new form of remuneration.

With respect to telecommunications, the second half of 2011 will see PosteMobile concentrate on the launch of its post-paid offering, with the dual objective of boosting its position in the business market (primarily SMEs) and enhancing its market offering for high value consumer customers. Preliminary activities will also be carried out regarding the Company's entry into the online gaming market.
For PosteMobile online gaming constitutes a means of diversifying its sources of revenue, as well as a means of strengthening its presence in the online arena.

Forecasts for the second half of the year point to a high degree of uncertainty, in view of the risks connected to a possible slowdown in the global economic recovery and a continuation of the sovereign debt crisis in the euro area, particularly with regard to the economic and financial effects arising from a further increase in the spreads on Italian government bonds compared with 30 June 2011.
In this context, PosteVita will maintain its offering of Branch I products, whilst at the same time working on the development and launch of a new Branch III product.
In the light of these factors, also taking into account the one-off nature of certain positive events that occurred during the first half of the year, which also reported a reduction in profit compared with the same period of 2010, we can reasonably expect the performance for full year 2011 to continue to be positive, albeit not on a par with the result for 2010.

9. OTHER INFORMATION

Related party transactions

With regard to postal current account services and postal savings deposits, the main transactions entered into by the Group during the period were with the shareholder, the Ministry of the Economy and Finance.

Details of the Poste Italiane Group's related party transactions are provided in note 39 to the condensed interim financial statements.

Legislative Decree 196 of 30 June 2003

In compliance with Legislative Decree 196/2003, the "Data Protection Code" ("*Codice in materia di protezione dei dati personali*"), the Company has revised its Data Protection Planning Document, which describes the Company's overall organisation, its technological infrastructure, and the distribution of duties and responsibilities within the departments involved in the processing of personal data, as well as overseeing the correct application of the minimum security requirements provided for by the law. The revision has involved the confirmation of references to company regulations which, in addition to procedures, include notes, instructions, references to the intranet, forms, policies, minutes and other relevant documents.

Statement of reconciliation of profit and equity

The statement of reconciliation of the Parent Company's profit/(loss) for the period and equity with the consolidated amounts at 30 June 2011, compared with the statement at 31 December 2010, is included in note 17 to the condensed interim financial statements.

APPENDIX
KEY PERFORMANCE INDICATORS FOR PRINCIPAL GROUP COMPANIES

(€m)	H1 2010	H1 2011	Increase/(Decrease) Amount	Increase/(Decrease) %
Revenues from sales and services	4,874	4,711	(163)	(3.3)
Other income from financial activities	258	109	(149)	(57.8)
Other operating income	51	49	(2)	(3.9)
Total revenue	5,183	4,869	(314)	(6.1)
Cost of goods and services	977	967	(10)	(1.0)
Other expenses from financial activities	1	2	1	n/s
Staff costs	3,058	2,788	(270)	(8.8)
Depreciation, amortisation and impairments	259	247	(12)	(4.6)
Capitalised costs and expenses	(4)	(5)	(1)	25.0
Other operating costs	156	105	(51)	(32.7)
OPERATING PROFIT/(LOSS)	**736**	**765**	**29**	**3.9**
Finance costs	73	73	n/s	n/s
Finance income	71	59	(12)	(16.9)
PROFIT/(LOSS) BEFORE TAX	**734**	**751**	**17**	**2.3**
Income tax expense	360	338	(22)	(6.1)
PROFIT FOR THE PERIOD	**374**	**414**	**40**	**10.6**
EQUITY (*)	**3,613**	**3,589**	**(24)**	**(0.7)**
TOTAL INVESTMENT	**115**	**138**	**23**	**20.0**
including:				
Capital expenditure	110	108	(2)	(1.8)
Financial investments (equity investments)	5	30	25	n/s
AVERAGE WORKFORCE (**)	**145,900**	**142,318**	**(3,582)**	**(2.5)**

n/s: not significant

(*) The amount shown in column H1 2010 refers to 31 December 2010.

(**) The average workforce (shown in full-time equivalent terms) includes the flexible workforce and excludes seconded and suspended staff.

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

Postel SpA (*)			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	154,048	144,705	(9,343)	(6.1)
Operating profit	8,609	8,861	252	2.9
Profit for the period	3,302	2,299	(1,003)	(30.4)
Investment	7,162	4,855	(2,307)	(32.2)
Equity (**)	148,625	152,647	4,022	2.7
Permanent workforce - average	1,036	1,082	46	4.4
Flexible workforce - average	116	106	(10)	(8.6)

(*) The figures for the first half of 2011 include Poste Link Scrl, which was merged with and into the company on 30 June 2011, with effect for accounting and tax purposes from 1 January 2011.

(**) The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 6 people seconded from the Parent Company.

PostelPrint SpA			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	53,306	55,362	2,056	3.9
Operating profit	3,709	3,479	(230)	(6.2)
Profit for the period	2,547	2,025	(522)	(20.5)
Investment	299	326	27	9.0
Equity (*)	36,891	38,910	2,019	5.5
Permanent workforce - average	231	231	n/s	n/s
Flexible workforce - average	21	33	12	57.1

n/s: not significant

(*) The amount shown in column H1 2010 refers to 31 December 2010.

SDA Express Courier SpA (*)			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	209,537	220,316	10,779	5.1
Operating profit	(7,457)	(3,558)	3,899	(52.3)
Profit for the period	(7,881)	(5,306)	2,575	(32.7)
Investment	2,037	1,339	(698)	(34.3)
Equity (**)	52,449	47,183	(5,266)	(10.0)
Permanent workforce - average	1,276	1,341	65	5.1
Flexible workforce - average	12	8	(4)	(33.3)

(*) The figures for the first half of 2010 do not include Poste Italiane Trasporti SpA, which was merged with and into the company on 31 December 2010, with effect for accounting and tax purposes from 1 January 2010.

(**) The amount shown in column H1 2010 refers to 31 December 2010.

Italia Logistica Srl (*)			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	41,777	45,109	3,332	8.0
Operating profit	(761)	(1,039)	(278)	36.5
Profit for the period	(1,333)	(1,284)	49	(3.7)
Investment	811	1,584	773	95.3
Equity (**)	1,876	613	(1,263)	(67.3)
Permanent workforce - average	92	67	(25)	(27.2)
Flexible workforce - average	16	20	4	25.0

(*) Since 2008 the company has been accounted for using proportionate consolidation. In the previous table it was consolidated on a line-by-line basis.

(**) The amount shown in column H1 2010 refers to 31 December 2010.

Poste Tutela SpA

(€000)	H1 2010	H1 2011	Increase/(Decrease) Amount	%
Revenue	38,819	40,034	1,215	3.1
Operating profit	988	818	(170)	(17.2)
Profit for the period	632	574	(58)	(9.2)
Investment	21	-	(21)	n/s
Equity (*)	8,146	8,720	574	7.0
Permanent workforce - average	-	4	4	n/s

n/s: not significant

(*) The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 2 people seconded from the Parent Company.

Poste Vita SpA (*)

(€000)	H1 2010	H1 2011	Increase/(Decrease) Amount	%
Earned premiums (**)	6,107,380	5,530,728	(576,652)	n/s
Profit for the period	94,336	38,520	(55,816)	(59.2)
Financial assets (***)	43,677,787	46,961,605	3,283,818	7.5
Balance of technical account for life assurance and Financial liabilities at fair value (***)	42,450,276	46,269,562	3,819,286	9.0
Equity (***)	1,240,577	1,229,549	(11,028)	(0.9)
Permanent workforce - average	145	174	29	20.0
Flexible workforce - average	2	6	4	n/s

n/s: not significant

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

(**) Earned premiums are reported gross of outward reinsurance premiums.

(***) The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 1 person seconded from the Parent Company.

BancoPosta Fondi SpA SGR

(€000)	H1 2010	H1 2011	Increase/(Decrease) Amount	%
Fee income	17,967	16,173	(1,794)	(10.0)
Net fee income	15,473	10,768	(4,705)	(30.4)
Profit for the period	8,542	4,804	(3,738)	(43.8)
Financial assets (liquidity and securities) (*)	65,556	76,059	10,503	16.0
Equity (*)	66,467	71,348	4,881	7.3
Permanent workforce - average	28	40	12	42.9

(*) The amount shown in column H1 2010 refers to 31 December 2010.

Postecom SpA

(€000)	H1 2010	H1 2011	Increase/(Decrease) Amount	%
Revenue	30,194	37,072	6,878	22.8
Operating profit	3,933	2,312	(1,621)	(41.2)
Profit for the period	2,459	916	(1,543)	(62.7)
Investment	791	1,596	805	n/s
Equity (*)	38,721	39,629	908	2.3
Permanent workforce - average	241	243	2	0.8
Flexible workforce - average	10	5	(5)	(50.0)

n/s: not significant

(*) The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 8 people seconded from the Parent Company.

PosteMobile SpA [(*)]			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	75,688	133,352	57,664	76.2
Operating profit	5,261	13,128	7,867	n/s
Profit for the period	2,766	8,470	5,704	n/s
Investment	5,642	45,077	39,435	n/s
Equity [(**)]	14,886	53,540	38,654	n/s
Permanent workforce - average	120	198	78	65.0

n/s: not significant

[(*)] The figures for the first half of 2011 take account of the contribution of Poste Italiane SpA's telecommunications unit.

[(**)] The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 2 people seconded from the Parent Company.

Europa Gestioni Immobiliari SpA			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	11,887	11,074	(813)	(6.8)
Operating profit	4,661	3,353	(1,308)	(28.1)
Profit for the period	2,814	4,049	1,235	43.9
Investment	291	1,065	774	n/s
Equity [(*)]	435,616	439,665	4,049	0.9
Permanent workforce - average	10	12	2	20.0

n/s: not significant

[(*)] The amount shown in column H1 2010 refers to 31 December 2010.

PosteShop SpA			**Increase/(Decrease)**	
(€000)	**H1 2010**	**H1 2011**	**Amount**	**%**
Revenue	25,100	22,201	(2,899)	(11.5)
Operating profit	(965)	1,817	2,782	n/s
Profit for the period	(1,031)	1,144	2,175	n/s
Investment	224	98	(126)	(56.3)
Equity [(*)]	3,307	4,430	1,123	34.0
Permanent workforce - average	38	27	(11)	(28.9)

n/s: not significant

[(*)] The amount shown in column H1 2010 refers to 31 December 2010.

The company employed on average 13 people seconded from the Parent Company.

* * *

The manager responsible for Poste Italiane SpA's financial reporting, Alessandro Zurzolo, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document is consistent with the underlying accounting records.

Rome, 28 July 2011

GLOSSARY

Content Delivery Network: A system of computers and servers linked via the internet and used to deliver rich multimedia content to end users.

Distribution centres: Physical sites serving their local area, carrying out the basic delivery service, internal handling, support services for the transport network, other external activities not directly linked to distribution and, on occasion, other high-value-added services.

Mass Printing: The range of services involved in the outsourced management of large quantities of mail.

Payment Services Directive (PSD): This European Commission Directive aims to provide a single legislative framework covering all aspects of payments, in order to support the creation of a single payment services market (the SEPA). The goal is to boost competition in the internal market, increase transparency and guarantee greater security for consumers.

Phishing: An attempt to criminally and fraudulently acquire confidential information by masquerading as a trustworthy entity in an electronic communication.

Priority Centres: These centres manually handle the collection, transport and sorting of registered mail for end users in the provinces in which they operate.

SEPA: Simple Euro Payments Area.

Sorting Centres: Highly automated centres for managing mail collection, transport and sorting activities.

VoIP: Voice over Internet Protocol.

POSTE ITALIANE GROUP
Condensed interim financial statements for the six months ended 30 June 2011

STATEMENTS AND NOTES

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

STATO PATRIMONIALE

(€000)

ASSETS	Note	30 June 2011	*of which related party transactions (note 39)*	31 December 2010	*of which related party transactions (note 39)*
Non-current assets					
Property, plant and equipment	[5]	2,823,564	-	2,956,784	-
Investment property	[6]	155,673	-	162,945	-
Intangible assets	[7]	507,256	-	521,358	-
Investments accounted for using the equity method	[8]	9,278	*9,278*	6,671	*6,671*
Financial assets	[9]	43,147,974	*331,772*	40,499,401	*324,834*
Deferred tax assets	[38]	740,803	-	760,014	-
Other non-current assets	[10]	1,100,612	*1,466*	838,076	*1,466*
Total		**48,485,160**		**45,745,249**	
Assets attributable to BancoPosta	[14]	**44,708,188**	***11,750,451***	**39,653,994**	***6,173,454***
Current assets					
Inventories	[11]	50,497	-	44,190	-
Trade receivables	[12]	4,087,946	*2,144,584*	3,915,400	*2,139,963*
Current tax assets	[38]	341,123	-	52,408	-
Other current receivables and assets	[13]	491,767	*73*	603,234	*33*
Financial assets	[9]	4,448,699	*180,592*	4,612,096	*416,823*
Cash and cash equivalents	[15]	1,496,667	-	1,093,145	-
Total		**10,916,699**		**10,320,473**	
Non-current assets held for sale	[16]	**5,446**	**-**	**5,582**	**-**
TOTAL ASSETS		**104,115,493**		**95,725,298**	

LIABILITIES AND EQUITY	Note	30 June 2011	*of which related party transactions (note 39)*	31 December 2010	*of which related party transactions (note 39)*
Equity					
Share capital	[17]	1,306,110	-	1,306,110	-
Reserves *	[20]	836,025	-	(58,421)	-
Retained earnings		2,213,759	-	3,135,376	-
Total Equity attributable to owners of the Parent		**4,355,894**		**4,383,065**	
Non-controlling interests		13	-	13	-
Total		**4,355,907**		**4,383,078**	
Non-current liabilities					
Technical provisions for insurance business	[21]	45,754,203	-	41,738,868	-
Provisions for liabilities and charges	[22]	412,594	*22,782*	422,235	*30,276*
Staff termination benefits	[23]	1,250,777	-	1,323,481	-
Financial liabilities	[24]	2,414,752	*371,123*	2,390,440	*371,122*
Deferred tax liabilities	[38]	248,293	-	293,795	-
Other liabilities	[26]	73,396	*6*	73,903	*6*
Total		**50,154,015**		**46,242,722**	
Liabilities attributable to BancoPosta	[14]	**42,578,186**	***673***	**37,810,862**	***74,405***
Current liabilities					
Provisions for liabilities and charges	[22]	668,623	*7,212*	841,554	*10,321*
Trade payables	[25]	1,645,515	*234,218*	1,688,813	*239,871*
Current tax liabilities	[38]	361,859	-	43,888	-
Other liabilities	[26]	1,786,376	*65,085*	1,773,255	*90,608*
Financial liabilities	[24]	2,565,012	*154,651*	2,941,126	*149,552*
Total		**7,027,385**		**7,288,636**	

* This item includes the "Reserve for BancoPosta capital", totalling 1 billion euros, established on 14 April 2011 with a transfer from Retained earnings (note 20.1).

CONSOLIDATED INCOME STATEMENT

(€000)

	Note	H1 2011	*of which related party transactions (note 39)*	H1 2010	*of which related party transactions (note 39)*
Revenues from sales and services	[27]	4,989,393	*1,230,106*	5,104,631	*1,282,338*
Earned premiums	[28]	5,535,866	-	6,111,098	-
Other income from financial and insurance activities	[29]	972,066	-	1,119,526	-
Other operating income	[30]	49,665	*1,689*	57,784	*2,132*
Total revenue	[4]	**11,546,990**		**12,393,039**	
Cost of goods and services	[31]	1,286,899	*76,298*	1,275,625	*75,153*
Profit/(Loss) on disposal of trading properties		-	-	-	-
Net change in technical provisions for insurance business and other claims expenses	[32]	5,958,282	-	6,350,300	-
Other expenses from financial and insurance activities	[33]	181,210	-	260,933	-
Staff costs	[34]	2,887,302	*14,623*	3,149,227	*14,685*
of which non-recurring costs/(income)		*(54,940)*	-	-	-
Depreciation, amortisation and impairments	[35]	277,217	-	283,384	-
Capitalised costs and expenses		(20,746)	-	(12,738)	-
Other operating costs	[36]	116,928	*9,030*	170,925	*32,484*
Operating profit/(loss)		**859,898**		**915,383**	
Finance costs	[37]	73,131	*10,084*	75,508	*13,371*
Finance income	[37]	72,674	*22,108*	93,221	*12,069*
Profit/(loss) on investments accounted for using the equity method	[8]	527		(74)	*(74)*
Profit/(Loss) before tax		**859,968**		**933,022**	
Income tax expense	[38]	399,561	-	444,848	-
PROFIT FOR THE PERIOD		**460,407**		**488,174**	
attributable to owners of the Parent		460,407		488,174	
attributable to non-controlling interests		-		-	
Earnings per share	[19]	**0.353**		**0.374**	
Diluted earnings per share	[19]	**0.353**		**0.374**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€000)

	Note	H1 2011	FY 2010	H1 2010
Profit/(Loss) for the period		**460,407**	**1,017,921**	**488,174**
Available-for-sale financial assets				
Increase(Decrease) in fair value during the period	[20.1]	(66,731)	(896,610)	(370,437)
Transfers to profit or loss	[20.1]	(51,221)	(339,167)	(321,182)
Cash flow hedges				
Increase/(Decrease) in fair value during the period	[20.1]	(52,350)	86,659	98,104
Transfers to profit or loss	[20.1]	(43,162)	33,252	42,980
Actuarial gains/(losses) on provisions for staff termination benefits	[23.1]	9,582	70,003	13,471
Taxation of items recognised directly in, or transferred from, Equity	[38.5]	66,304	336,097	170,597
Total other components of comprehensive income		**(137,578)**	**(709,766)**	**(366,467)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**322,829**	**308,155**	**121,707**
attributable to owners of the Parent		322,829	308,155	121,707
attributable to non-controlling interests		-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€000)

	Note	Equity								
		Share capital	Reserves				Retained earnings/ (Accumulated losses)	Total Equity attributable to owners of the Parent	Non-controlling interests	Total Equity
			Legal reserve	Reserve for BancoPosta capital	Fair value reserve	Cash flow hedge reserve				
Balance at 1 January 2010		**1,306,110**	**148,351**	**-**	**634,588**	**(119,321)**	**2,605,182**	**4,574,910**	**13**	**4,574,923**
Total comprehensive income for the period		-	-	-	(472,383)	96,120	497,970	121,707	-	121,707
Appropriation of Profit to Reserves	[20]	-	38,640	-	-	-	(38,640)	-	-	-
Dividends paid	[18]	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Balance at 30 June 2010		**1,306,110**	**186,991**	**-**	**162,205**	**(23,201)**	**2,564,512**	**4,196,617**	**13**	**4,196,630**
Total comprehensive income for the period		-	-	-	(370,000)	(14,416)	570,864	186,448	-	186,448
Appropriation of Profit to Reserves	[20]	-	-	-	-	-	-	-	-	-
Dividends paid	[18]	-	-	-	-	-	-	-	-	-
Balance at 31 December 2010		**1,306,110**	**186,991**	**-**	**(207,795)**	**(37,617)**	**3,135,376**	**4,383,065**	**13**	**4,383,078**
Total comprehensive income for the period		-	-	-	(79,487)	(65,015)	467,331 *	322,829	-	322,829
Appropriation of Profit to Reserves	[20]	-	38,948	-	-	-	(38,948)	-	-	-
Dividends paid	[18]	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Formation of BancoPosta capital	[20]	-	-	1,000,000	-	-	(1,000,000)	-	-	-
Balance at 30 June 2011		**1,306,110**	**225,939**	**1,000,000**	**(287,282)**	**(102,632)**	**2,213,759**	**4,355,894**	**13**	**4,355,907**

* This item includes profit for the period of 460,407 thousand euros and actuarial gains on provisions for staff termination benefits of 9,582 thousand euros, net of the related current and deferred taxation of 2,658 thousand euros.

CONSOLIDATED SUMMARY STATEMENT OF CASH FLOWS

(€000)

		H1 2011	H1 2010
Deposits and cash in hand at beginning of period		**1,093,145**	**2,038,783**
Profit/(loss) for period		460,407	488,174
Depreciation, amortisation and impairments		277,217	283,384
Losses and impairments/(Recoveries) on receivables		26,202	37,210
(Gains)/losses on disposals		(4,457)	(1,697)
(Gains)/losses on financial assets/liabilities measured at fair value		(97,400)	(100,293)
(Income)/Expenses from financial and insurance activities		(548,983)	(599,424)
(Increase)/Decrease in Inventories		(6,307)	2,375
(Increase)/Decrease in Receivables and Other assets		(638,532)	(264,071)
Increase/(Decrease) in Payables and Other liabilities		284,665	264,819
Change in provisions for liabilities and charges		(182,572)	(4,462)
Change in Provisions for staff termination benefits		(63,122)	(34,564)
Change in Technical provisions for insurance business		4,062,126	5,056,741
Differences in accrued finance costs and income (cash correction)		15,017	19,066
Other changes		40,956	(6,121)
Cash flow generated/(used) by non-financial operating activities	**[a]**	**3,625,217**	**5,141,137**
Increase/(Decrease) in liabilities attributable to Bancoposta		4,761,838	1,072,186
Net cash generated by/(used for) available-for-sale financial assets attributable to BancoPosta		(912,986)	798,130
Net cash generated by/(used for) financial assets held for trading attributable to BancoPosta		-	113,114
(Increase)/Decrease in other assets attributable to Bancoposta		(4,117,854)	(1,770,708)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	**[b]**	**(269,002)**	**212,722**
Payment of liabilities linked to financial contracts issued by insurance segment		(197,530)	(452,083)
Net cash generated /(used) by financial assets at fair value through profit or loss attributable to		881,431	(505,498)
Net cash generated by/(used for) available-for-sale financial assets attributable to insurance segment		(3,061,705)	(2,280,827)
Cash generated by/(used for) financial assets and liabilities attributable to insurance segment	**[c]**	**(2,377,804)**	**(3,238,408)**
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**	**978,411**	**2,115,451**
- of which related party transactions		***(5,701,440)***	***(14,980)***
Investing activities:			
Property, plant and equipment, investment property and intangible assets		(128,553)	(127,496)
Investments		(2,080)	(551)
Other financial assets		(123,364)	(135,670)
Net cash used by held-to-maturity investments attributable to Bancoposta		(520,272)	(2,507,041)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		10,521	4,610
Other financial assets		160,422	54,862
Net cash generated by held-to-maturity investments attributable to Bancoposta		465,000	897,000
Net cash flow from/(for) investing activities (*)	**[e]**	**(138,326)**	**(1,814,286)**
- of which related party transactions		***92,351***	***(7,832)***
Proceeds from/(Repayments of) borrowings		(229,268)	(139,870)
(Increase)/Decrease in loans and receivables		142,705	165,343
Dividends paid		(350,000)	-
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(436,563)**	**25,473**
- of which related party transactions		***(212,140)***	***165,344***
Net increase/(decrease) in cash and cash equivalents	**[g]=[d+e+f]**	**403,522**	**326,638**
Deposits and cash in hand at end of period		**1,496,667**	**2,365,421**

* This item includes BancoPosta's portfolio of held-to-maturity investments.

NOTES

1 INTRODUCTION

Poste Italiane SpA (hereinafter also referred to as the "Parent Company") derives from the conversion of the Public Entity, Poste Italiane, under Resolution 244 of 18 December 1997 passed by the Interministerial Economic Planning Committee. The Company's registered office is at Viale Europa 190, Rome (Italy) and it is a wholly owned subsidiary of the Ministry of the Economy and Finance (hereinafter also re ferred to as the "MEF").

On 26 February 2011, art. 2, paragraphs 17-octies *et seq.* of Law 10, which converted Law Decree 225 of 29 December 2010 into law, provided that Poste Italiane SpA shareholder should form ring-fenced capital to be used exclusively in relation to BancoPosta's operations, as governed by Presidential Decree 144/2001. The ensuing resolution, which was approved a General Meeting held on 14 April 2011 and filed with the Companies' Register on 2 May 2011, required the Parent Company to establish ring-fenced capital of 1 billion euros (note 20). On 11 July 2011 the Court of Rome certified the absence of any opposition from creditors or of any legal challenge to the above shareholder resolutions, thereby rendering them effective from 2 May 2011.

These condensed interim financial statements for the six months ended 30 June 2011 have been prepared in euros, the currency of the economy in which the Group operates. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in Equity, the statement of cash flows and the following notes. All amounts in the consolidated financial statements and the notes are shown in thousands of euros, unless otherwise stated.

2 BASIS OF ACCOUNTING

2.1 BASIS OF PREPARATION

The Poste Italiane Group prepares its consolidated interim financial statements under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union in EC Regulation 1606/2002 of 19 July 2002, and pursuant to Legislative Decree 38 of 20 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee or SIC), adopted by the European Union and contained in the EU regulations published through to 28 July 2011, the date on which the Board of Directors of Poste Italiane SpA approved these consolidated interim financial statements.

Legislative Decree 195 of 6 November 2007, which implemented Directive 2004/109/EC that standardised the transparency requirements relating to the information published by issuers whose financial instruments are traded on a regulated market (the so-called Transparency Directive), has amended Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance), introducing the definition "listed issuers whose home member State is Italy". Given that Poste Italiane SpA falls within this definition as an issuer of bonds listed on the Luxembourg Stock Exchange,

during preparation of this document the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 were taken into account.
These consolidated interim financial statements have been prepared in compliance with IAS 34 – *Interim Financial Reporting*, applying the same accounting standards and policies adopted in the preparation of the consolidated financial statements for the year ended 31 December 2010.

The statement of financial position has been prepared on the basis of the current/non-current distinction[1]. The format of the income statement is based on the nature of expenses. The statement of cash flows has been prepared in accordance with the indirect method[2].

As required by CONSOB Resolution 15519 of 27 July 2006, each item in the statement of financial position, income statement and statement of cash flows shows the amounts deriving from related party transactions. The income statement also shows, where present, income and expenses deriving from material non-recurring transactions or from non-recurring events. Taking account of the different nature and the number of transactions carried out by Group companies, many items of income and expense of a non-recurring nature may occur with significant frequency. These items of income and expense are only presented separately when they are both of an exceptional nature and were generated by a transaction of a material nature.

In order to allow comparison on a like-for-like basis with the amounts for 2010, amounts in certain notes have been reclassified.

At the date of approval of these consolidated interim financial statements, there is no established practice on which to base interpretation and application of all the new, or revised, international accounting standards. The tax authorities have issued systematic official interpretations for a number of the effects of the tax-related measures contained in Legislative Decree 38 of 20 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which have introduced numerous changes to IRES and IRAP. The recent MEF Decree, issued on 8 June 2011, contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP. The Ministerial Decree does not, however, cover all aspects and, in view of the fact that it has only recently been issued, there are no significant legal interpretations or specific examples of best practice. The consolidated interim finance statements have, therefore, been prepared on the basis of the best knowledge currently available and taking account of best practice in this regard. Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

[1] Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (paragraph 68, Revised IAS 1).

[2] Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

Changes in the basis of consolidation

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

Subsidiaries	30 June 2011	31 December 2010
Consolidated on a line-by-line basis	15	16
Consolidated using proportionate consolidation	1	1
Consolidated using the equity method	7	7
Total companies	23	24

On 29 March 2011 the investments held by Poste Italiane SpA and Postecom SpA in PosteLink Scrl, amounting to 70% and 15% respectively, were transferred to Postel SpA, which already held a 15% interest. Then, on 24 June 2011, PosteLink Scrl was merged with and into Postel SpA, with effect for legal purposes from 30 June 2011 and with the tax and accounting effects backdated to 1 January 2011.

On 11 April Postel do Brasil Ltda carried out a capital increase with a value of 2,214,452 Brazilian reals (equal to 1,202,137 euros) by converting all the receivables due to Postel SpA from the Brazilian subsidiary, and written off in previous years, and via a cash payment of 68,343 Brazilian reals (29,975 euros). The deed is currently being registered with the Brazilian Trade Board and, following registration, the Sole Director will be able to formally place the company in liquidation. As a result of the capital increase, the Group's interest in Postel do Brasil Ltda has risen from 99.88% to 99.99%.

The agreement between Poste Italiane SpA and UniCredit SpA for the acquisition, at a price of 136 million euros, of the entire share capital of Unicredit MedioCredito Centrale SpA[3] received clearance from the Antitrust Authority and the Bank of Italy during the first half of 2011. Following the fulfilment of a number of other formalities, the transaction is nearing completion.

A list of subsidiaries consolidated on a line-by-line basis and key information is supplied in note 41.1. Summary information about investments in associates accounted for using the equity method is provided in notes 8.3 and 41.3.

Accounting standards and interpretation applicable from 1 January 2011

The following accounting standards, amendments and interpretations are applicable from 1 January 2011, but their adoption has not resulted in any change to the presentation or measurement of items in the Poste Italiane Group's financial statements:

- Change to IAS 32 – *Financial Instruments: Presentation*, adopted by EC Regulation 1293 issued on 23 December 2009;
- Change to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and Change to IFRS 7 – *Financial Instruments: Disclosures*, adopted by EC Regulation 574 issued on 30 June 2010;
- IAS 24 – *Related Party Disclosures* and Change to IFRS 8 – *Operating segments*, adopted by EC Regulation 632 issued on 19 July 2010;
- Changes to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*, adopted by EC Regulation 633 issued on 19 July 2010.
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* and Change to IFRS 1 – *First-time Adoption of Financial Reporting Standards*, adopted by EC Regulation 662 issued on 23 July 2010.

[3] A company that promotes and manages government subsidies for businesses designed to support economic development.

In addition, EC Regulation 149/2011 was published on 18 February 2011. This regulation has adopted a number of improvements to International Financial Reporting Standards to be applied from 1 January 2011.

New accounting standards and interpretations not yet effective

At the date of approval of these consolidated interim financial statements, the IASB has issued the following accounting standards, interpretations and amendments, which have yet to be endorsed by the European Union and which, in certain cases, are still at the consultation stage. These include the following:

- IFRS 9 – *Financial Instruments*, as part of the review of the existing IAS 39;
- a number of Exposure Drafts (EDs), also issued as part of the review of the existing IAS 39, regarding *Amortised Cost, Impairment and the Fair Value Option for Financial Liabilities and Hedge Accounting;*
- Exposure Draft (ED) *"Measurement of Non-financial Liabilities"* as part of the review of the existing IAS 37 regarding the recognition and measurement of provisions, contingent liabilities and contingent assets;
- Exposure Draft (ED) "*Revenue from Contracts with Customers"* as part of the review of the existing IAS 11 and IAS 18, regarding revenue recognition;
- Exposure Draft (ED) "*Insurance Contracts*" as part of the review of the existing IFRS 4, regarding the accounting treatment of insurance contracts;
- Exposure Draft (ED) "*Leases*" as part of the review of the existing IAS 17, regarding the accounting treatment of leases;
- Exposure Draft (ED) "*Income Taxes: "Deferred Tax: Recovery of Underlying Assets"*;
- Exposure Draft (ED) *"Improvements to IFRS"* as part of the annual programme of general improvements and review of IFRS;
- Change to *IAS 1 - "Presentation of Financial Statements: Statement of Comprehensive Income"*, regarding presentation of the statement of comprehensive income in the financial statements;
- *IAS 19 – "Employee Benefits"* as part of the review of the international accounting standard for employee benefits;
- *IFRS 10 – "Consolidated Financial Statements"*, regarding consolidation of the financial statements of subsidiaries as part of the review of IAS 27 and SIC 12 - *Consolidation – Special Purpose Entities*;
- *IFRS 11 – "Joint Arrangements"*, as part of the review of IAS 31 – *Interests in joint ventures*;
- *IFRS 12 – "Disclosure of Interests in Other Entities;*
- *IFRS 13 – "Fair Value Measurement"* .

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

2.2 USE OF ESTIMATES

Preparation of the consolidated interim financial statements requires management to apply accounting standards and methods that are at times based on complex judgements and estimates, linked to historical experience, and assumptions that are considered reasonable and realistic under the related circumstances. Use of these estimates and assumptions influences the amounts reported in the financial statements, with reference to the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the notes. The actual amounts of items for which the above estimates and assumptions have been applied may diverge from those reported in previous financial statements, due to uncertainties regarding assumptions and the conditions on which estimates are based. The estimates and assumptions are periodically reviewed and the impact of any changes reflected in the financial statements for the period in which the estimated is revised, if the revision only influences the current period, or also in future periods if the revision influences the current and future periods.

This section provides a description of accounting treatments that, more than others, require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Group's consolidated interim financial statements.

Revenues and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances.

Whilst awaiting renewal of agreements with the tax authorities that expired in 2007, in the first half of 2011 Poste Italiane SpA continued to provide the related delegated services as normal. Revenue recognition is based on the tariffs established in the previous agreements and which it is reasonable to expect will be confirmed, or on the lower tariffs inferred from the state of negotiations with the relevant public sector customer.

At 30 June 2011, receivables due to the Parent Company from the MEF and the Cabinet Office amount to a face value of approximately 1.98 billion euros. This amount consists of:

- receivables of over 1,032 million euros in the form of Universal Service Obligation (USO) subsidies. Of this amount, collection of approximately 950 million euros will only be possible following formalisation of the *Contratto di Programma* (Planning Agreement) for the three-year period 2009-2011;
- receivables of approximately 606 million euros in the form of publisher tariff subsidies. Of this amount, approximately 310 million euros in subsidies for the years from 2001 to 2007 are to be received in instalments in accordance with a specific Cabinet Office Decree, which has established that collection is to take place on a straight-line basis between 2010 and 2016. This receivable has been accounted for at present value. There is no specific evidence that the remaining amount has been budgeted for in full by the government and, during 2010, the Cabinet Office moved the date for fixing the exact amount of subsidies payable from August 2009 to March 2010, whilst awaiting the outcome of the work of a special interministerial committee;
- further receivables of 342 million euros due from the MEF, in relation to payment of interest on the Parent Company's mandatory deposits with the Ministry, for the provision of treasury services, for the distribution of euro converters and for electoral subsidies. No provision has been made in the government's budget for the last two items.

Of the total amount receivable, with a face value of over 1.98 billion euros, in the case of approximately 280 million euros either no provision has been made in the government's budget or there is no legislation establishing the procedures for payment of Poste Italiane SpA, whilst the collection of approximately 1,260 million euros will take place in instalments or has been deferred.

The increase in these receivables over time means that Poste Italiane SpA has to finance growing amounts of working capital, with a negative impact on cash flow management and the related returns. Given that it is not currently possible to forecast when and how the receivables will be paid by the various Public Sector entities, without prejudice to the Parent Company's full entitlement and related rights, provisions for doubtful debts due from the parent, the MEF, at 30 June 2011 reflect the best estimate based on the circumstances and the financial impact of the above situation.

In the past, changes to the relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing the income statement. The above circumstances mean that management cannot exclude the possibility that, as a result of future legislation or the negotiations currently underway, the operating results for reporting periods after the six months ended 30 June 2011 will reflect changes to the estimates in question.

Provisions

The Group makes provisions for potential liabilities deriving from disputes with staff, suppliers, third parties and, in general, for liabilities deriving from present obligations.

Among other things, these provisions cover the liabilities that could result from legal action relating to fixed-term contracts. In this regard, in November 2010 the so-called *Collegato lavoro* legislation was enacted. Among other things, this law has made the "Compulsory" attempt at Conciliation in labour disputes (art. 31) optional and introduced a time limit for appeals against dismissal, and a cap on compensation payable to an employee in the event of "court-imposed conversion" of a fixed-term contract (art. 32). With regard to claims resulting from the conversion of a fixed-term contract, the courts may now award claimants between a minimum of 2.5 and a maximum of 12 months pay (regardless of the duration of the proceedings), which is reduced to 6 for companies that implement recruitment lists also applicable to the permanent employment of workers formerly on fixed-term contracts. Compared with the first half of 2010, this important reform, which is also applicable to ongoing legal actions, has resulted in a review of the Parent Company's provisions.

In the course of the disputes in question, the plaintiffs have at times attempted to seize the Parent Company's liquidity, and an estimate of the liabilities linked to this factor is included in the calculation of the related provisions.

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

Goodwill and measurement of assets that have indefinite useful lives

In measuring the value of these assets, the current economic and financial crisis, which has resulted in highly volatile markets and great uncertainty with regard to economic projections, it is difficult to produce forecasts that can, without any uncertainty, be defined as reliable.

Goodwill and Goodwill arising from consolidation

Goodwill and Goodwill arising from consolidation are tested annually to assess whether or not they have suffered any impairment to be recognised in profit or loss. Above all, the test involves the allocation of goodwill to the various cash generating units and the subsequent measurement of the related fair value. If the resulting fair value is lower than the carrying amount of the cash generating unit, it is necessary to reduce the value of goodwill allocated to the unit. The allocation of goodwill to cash generating units and the measurement of their fair value involves the use of estimates based on factors that may change over time, with resulting effects, of a potentially significant nature, on the measurements performed.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. Where applicable, the tests carried out at 30 June 2011 were based on projections contained in the three-year plans for the relevant cash generating units (Group companies or their subsidiaries) for the period 2012-2014, where available, and on economic forecasts for future reporting periods. The figures for the last year of the plan were used to project cash flows for subsequent years over an indefinite time horizon. The Discounted Cash Flow (DCF) method was then applied to the resulting amounts. In calculating value in use, NOPLAT (Net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted average cost of capital). An assumed growth rate of 2% was used in the tests carried out at 30 June 2011.

Measurement of assets that have indefinite useful lives

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing for the above indicators requires the use of subjective judgements based on the information available within the Group and in the market, and on historical experience. Moreover, when an impairment is recognised the Group calculates the entity of the impairment using appropriate measurement techniques. The correct identification of events or changes in circumstances indicating an impairment, and the estimates used in their calculation, are linked to factors that may change over time, with a resulting impact on the measurements and estimates performed. The current economic and financial crisis, which has resulted in highly volatile markets and great uncertainty with regard to economic projections, makes it is difficult to produce forecasts that can, without any uncertainty, be defined as reliable.

At 30 June 2011 the fair value of the Parent Company's operating properties was significantly higher than their carrying amount. In determining the net carrying amount of operating Land and Buildings, the Company also took account of any indications that these assets may be impaired. In this regard, and with particular reference to properties used as post offices and Sorting Centres, Poste Italiane SpA's Universal Service Obligation was taken into account. The process thus took account of the inseparability of the cash flows generated by the large number of properties that provide this service, which the Company is required to operate throughout the country regardless of the expected profitability of each location. The unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also taken into consideration. On this basis, the value in use of the Parent Company's operating Land and Buildings is relatively unaffected by changes in the commercial value of the properties concerned and, under particularly critical market conditions, certain properties may have values that are significantly higher than their mere commercial value, without this having any negative impact on the Parent Company's cash flows or overall earnings.

Depreciation and amortisation of Property, plant and equipment and Intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of purchase and based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, including new technologies. The effective useful life may, therefore, differ from the estimated useful life. The Group periodically assesses changes in technology and in the industry, in dismantling costs and in the recoverable amount of assets in order to update their residual useful lives. This periodic update may lead to changes in the depreciation or amortisation period and thus in charges for depreciation or amortisation in the current and in future years.

In the case of assets located on land held under concession or sub-concession, on expiry of the concession term, or whilst awaiting confirmation of renewal, any additional depreciation of assets to be handed over free of charge at the end of the concession term is calculated on the basis of the probable residual duration of the right to use the assets to provide public services, estimated on the basis of the framework agreements entered into with the Public Sector, the status of negotiations with the grantors and past experience.

Deferred tax assets

Accounting for deferred tax assets is based on expectations of taxable income in future years. Assessments of expected taxable income to be used in order to account for deferred taxes depend on factors that may change over time, with a significant impact on the measurement of this component of the statement of financial position.

Provisions for doubtful debts

Provisions for doubtful debts reflect estimated losses on receivables, taking into account, in the case of specific items receivable from Public Sector entities, of legislation restricting public spending. Provisions for expected losses reflect the estimated credit risk associated with historical experience of similar receivables, an analysis of past due items (both current and historical), losses and collections, and monitoring of the current and future economic conditions in the related markets.

Fair value of unquoted financial instruments

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers, or on internal valuation techniques that result in an estimate of what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. The Group uses valuation models based primarily on financial variables taken from the market, taking account, where possible, of prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk.

Technical provisions for insurance business

The measurement of technical provisions for the insurance business is based on the conclusions reached by internal actuaries employed by Poste Vita SpA, which are regularly verified by independent external actuaries. Liability Adequacy tests (LATs) are periodically conducted to verify the adequacy of the provisions. These tests measure the ability of future cash flows from the insurance contracts to cover liabilities towards the policyholder. If necessary, technical provisions are topped up and the related charge expensed in the income statement. In addition, in comparison with annual tests, in order to provide prompt disclosure, during preparation of the consolidated interim financial statements testing of the Technical provisions for the insurance business and the related components is sometimes based on provisional data, when adoption of this technique, the results of which are subsequently verified, does not affect the reliability of the Group's overall financial position, results of operations and cash flows.

Staff termination benefits

Calculation of staff termination benefits is carried out by independent actuaries. The calculation takes account of vested termination benefits for the period of service to date and is based on actuarial assumptions of both a demographic and economic and financial nature. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

3 RISK MANAGEMENT

Definition and optimisation of The Poste Italiane Group's financial structure, over both the short and medium/long term, and management of the related cash flows is the responsibility of the Parent Company's Finance department, acting in accordance with the general guidelines established by governance bodies.

Management of the Group's financial assets and liabilities and of the associated risks is primarily attributable to the operations of the Parent Company and the insurance subsidiary, Poste Vita SpA.

POSTE ITALIANE SPA

With regard to the Parent Company, financial transactions primarily regard BancoPosta's operations and transactions involved in the funding of assets and the investment of liquidity. BancoPosta's operations are governed by Presidential Decree 144/2001. From 2 May 2011 BancoPosta has ring-fenced capital ("BancoPosta capital"), as approved by the General Meeting of 14 April 2011 for the purposes of applying the Bank of Italy's prudential requirements and protecting creditors, pursuant to art. 2 (paragraphs 17-*octies* to 17-*duodecies*) of the so-called "*Milleproroghe*" ("Thousand Extensions") Decree, converted into Law 10 of 26 February 2011. A reserve with a value of 1 billion euros has been established in relation to BancoPosta's ring-fenced capital by transferring the above amount from Retained earnings. In particular, BancoPosta's operations regard management of the liquidity deposited in postal current accounts, carried out under the Company's own name but subject to restrictions on the investment of the liquidity in compliance with the applicable legislation, and the management of collections and payments in the name and on behalf of third parties.

In compliance with the 2007 Budget Law, from that year Poste Italiane SpA has been required to invest the funds raised as a result of postal current account deposits made by private customers in euro area government securities, whilst the postal current account deposits of Public Sector customers have continued to be deposited with the MEF. In the first half of 2011 BancoPosta was engaged in reinvesting the funds deriving from maturing government Securities and in the trading of securities designed to progressively match the maturity profile of the portfolio with the new investment model approved by the Board of Directors in April 2010. This new investment profile is, among other things, based on the results of continuous monitoring of the performance of postal current account deposits, and on an updated statistical/econometric model of deposits developed by a leading consulting firm. This model forms the basis of the Company's investment policy with the aim of mitigating exposure to interest rate and liquidity risk by predicting potential gaps emerging as a result of the need to reconcile risk exposure with the necessity of earning returns linked to the market interest rate curve.

On the other hand, operations not covered by BancoPosta's ring-fenced capital, primarily regarding management of the Group's own liquidity, are carried out in accordance with investment guidelines approved by the Board of Directors, which require the Parent Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. Liquidity is also deposited in postal current accounts, with the resulting deposits subject to the same requirements as apply to the investment of deposits by private current account holders (note 14.6).

POSTE VITA SPA

The financial instruments held by the insurance company, Poste Vita SpA, primarily regard investments designed to cover its contractual obligations to policyholders who have taken out classic with profit life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

Traditional life policies, classified under Branch I, include products whose benefits are revaluated in keeping with the return generated through the management of separate pools of financial assets, which enjoy a certain autonomy, though only in accounting terms, from the rest of the company's assets (so-called separately managed accounts). On these products, the company provides a minimum rate of return payable upon maturity of the policy. It follows that the impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions. In particular, this absorption depends on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses conducted with the aid of an internal financial-actuarial model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions.

Index- and unit-linked products, classified under Branch III, include policies where premiums collected are invested in structured bonds. For this type of product issued prior to the introduction of ISVAP Regulation 32 of 11 June 2009, the company does not guarantee capital or a minimum return, and the associated financial risks are thus borne entirely by the policyholder. For policies issued after introduction of the above regulation, however, the company only assumes liability for the risk of insolvency of the issuer of the securities in which the premiums are invested. The company constantly monitors changes in the risk profile of the individual products, with special emphasis on the issuer's solvency risk.

FINANCIAL RISK MANAGEMENT

Within this context, balanced financial management and monitoring of the main risk/return profiles is carried out by organisational structures operating separately and independently. In addition, specific processes are in place governing the assumption, management and control of financial risks, including via the progressive introduction of appropriate information systems. From an organisational viewpoint, the model consists of:

- a Finance Committee, which oversees Poste Italiane SpA's financial strategy, based on indicators referring to internal planning and the external economic/financial cycle. The Committee meets at least on a quarterly basis and is a specialist body that advises on the analysis and identification of investment and disinvestment opportunities;
- a Risk Measurement and Control function carried out by appropriate functions established within the Parent Company and the subsidiaries that provide financial and insurance services (BancoPosta Fondi SGR SpA and Poste Vita SpA), and that operates on the basis of the organisational separation of risk assessment from risk management activities. The results of these activities are examined by the relevant advisory committees, which are responsible for carrying out an integrated assessment of the main risk profiles. The outcomes of these assessments are then examined by a Financial Risk Committee set up by the Parent Company.

The risk environment is defined on the basis of the framework established by IFRS 7 – *Financial Instruments: Disclosures*, which distinguishes between four main types of risk (a non-exhaustive classification):

- market risk;
- credit risk;
- liquidity risk;

- cash flow interest rate risk.

Market risk regards:

- price risk: this is the risk that the value of a financial instrument fluctuates as a result of market price movements, including both movements deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on 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 presentation currency;
- fair value interest rate risk: this is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

In constructing the Risk Model adopted in order to monitor credit, liquidity and cash flow interest rate risks, the Group has also taken account of the authoritative regulatory yardstick provided by the Bank of Italy's prudential supervisory standards, despite the fact that the Parent Company is not currently required to apply such standards.

MARKET RISK

PRICE RISK

This type of risk regards financial assets that the Group has classified as "Available-for-sale" (AFS) or "Held for trading" ("Financial instruments at fair value through profit or loss") and certain derivative financial instruments where changes in value are recognised in profit or loss.

Available-for-sale financial assets

These refer mainly to the Parent Company's investments in shares and Poste Vita SpA's position in Other investments, represented mainly by equity mutual funds.

Investments in equity instruments total 45,058 thousand euros (39,750 thousand euros at 31 December 2010) and include 150,628 Master Card Incorporated class B shares, with a fair value of 31,405 thousand euros (150,628 shares with a fair value of 25,263 thousand euros at 31 December 2010). These shares are not traded in a regulated stock exchange but, should the Parent Company decide to sell them, they could be converted into an equal number of Class A shares, which are traded on the New York Stock Exchange. The increase in fair value reflects a rise in the price of the Class A shares, partially offset by the impact of the euro/dollar exchange rate.

Investments in mutual funds total 2,381,833 thousand euros (2,392,370 thousand euros at 31 December 2010), include investments by Poste Vita SpA with a value of 2,378,159 thousand euros to meet its obligations to policyholders invested in separate Branch I portfolios (2,388,540 thousand euros at 31 December 2010).

Held-for-trading financial instruments (fair value through profit or loss)

These instruments include investments by Poste Vita SpA with a value of 6,752,468 thousand euros (7,529,516 thousand euros at 31 December 2010). The instruments are used nearly entirely to cover obligations deriving from Branch III index- and unit-linked policies, whose risks, subject to the provisions of the above ISVAP Regulation 32/2009, are borne by policyholders. These include structured bonds totalling 6,020,683 thousand euros (note 9.1) and units in mutual funds, amounting to 731,785 thousand euros (note 9.1), whose performance is equity-linked. The overall change during the first half primarily reflects sales and redemptions. Fair value gains for the first half amount to 58,970 thousand euros.

Derivative financial instruments

These hedges of price risk have been entered into to hedge the indexed component of returns on Branch III policies. They consist of warrants with a face value of 3,799 million euros and a total fair value of 88,328 thousand euros (at 31 December 2010 a face value of 3,800 million euros and a fair value of 105,555 thousand euros), and residual forward purchases of warrants with, concluded during the first half and linked to sales of the "Titanium" policy, with a face value of 950 million euros and a negative fair value of 11,619 thousand euros, as more fully described in note 9.5.

FOREIGN EXCHANGE RISK

At 30 June 2011 Poste Vita SpA has extinguished its exposure to foreign exchange risk regarding fixed income instruments denominated in US dollars related to obligations deriving from Branch I policies (0.8 million US dollars at 31 December 2010) .

Trade receivables and Trade payables deriving from the Parent Company's relations with overseas correspondents and the Parent Company's investment in shares in Mastercard (45,390 thousand US dollars) are also exposed to this form of risk. At 30 June 2011, trade receivables due from overseas correspondents denominated in SDRs (Special Drawing Rights) temporarily exceed trade payables by approximately 6 million US dollars (approximately 7 million euros). This exposure is expected to be reduced in the very short term with no material impact on the income statement.

FAIR VALUE INTEREST RATE RISK

This regards the effects of changes in interest rates on the price of fixed income and fixed rate securities held by the Parent Company, mainly in relation to Bancoposta's activities, and by Poste Vita SpA.

Assets attributable to BancoPosta

Bancoposta's investment securities (note 14.3) are nearly equally split between Held-to-maturity (HTM) and Available-for-sale (AFS). While a change in fair value does not have an impact in terms of financial position or operating performance for HTM financial assets, which are initially recognised at their fair value and subsequently at their amortised cost, it does have an effect in terms of financial position for AFS financial assets, which are recognised at fair value with any change accounted for in equity, making it necessary to monitor constantly any unrealised gains and losses.

This item includes fixed income government securities with a face value of 12,071,600 thousand euros (12,443,600 thousand euros at 31 December 2010) and floating rate securities converted to fixed rate positions by entering into *asset swaps* (*cash flow hedges*). The floating rate securities consist of inflation-linked BTPs (BTP€i) with a face value of 2,583,750 thousand euros (2,073,750 thousand euros at 31 December 2010) and CCTeus (Euribor + a spread of 1.00%) with a face value of 950,000 thousand euros, the latter purchased in the first half 2011.

A portion of the fixed income portfolio, relating to ordinary BTPs (Italian Long-term Treasury Certificates), has in contrast been partially hedged against this risk via asset swaps that qualify as fair value hedges:

- BTPs with a notional amount of 500.000 thousand euros are hedged against the risk of changes in their fair value via an IRS, effective immediately;
- BTPs with a notional amount of 400,000 thousand euros maturing in 2023 and 2025 are partially hedged against the risk of changes in their fair value via IRSs, starting in 2016 (forward start).
- BTPs with a notional amount of 2,800,000 thousand euros maturing 2026, 2034 and 2040 are partially hedged against the risk of changes in their fair value via IRSs, starting in 2015, 2016 and 2020, respectively (forward start).

These hedging transactions are described in note 14.4.

Partly as a result of the above-mentioned matching of the maturity of the portfolio with the new replication model approved by the Board of Directors, during the first half of 2011 the term to maturity of AFS investments was 6.91 (at 31 December 2010 the term to maturity of the securities portfolio was 6.23). This has increased the sensitivity of the fair value of the portfolio to interest rate risk, albeit to a limited extent.

At 30 June 2011 this form of interest rate risk also influenced the fair value of outstanding forward purchases of securities attributable to BancoPosta with a notional amount of 1,150,000 thousand euros (note 14.4).

Available-for-sale financial assets

Exposure to the risk in question primarily regards Poste Vita SpA's fixed income investments with a fair value of 31,306,182 thousand euros, compared with a notional value of 31,485,114 thousand euros (27,922,704 thousand euros and 27,994,401 thousand euros, respectively at 31 December 2010). These investments are designed primarily to cover Branch I contractual obligations whilst also, to a residual extent, relating to the company's free capital.

With regard to the instruments used to cover Branch I obligations, at 30 June 2011 an analysis of the impact on guaranteed minimum returns of losses on securities included in the separately management account, "Posta Valore Più", was carried out. Particularly negative financial market trends at the end of the reporting period have generated losses of 727,629 thousand euros on securities in the related portfolio. Simulation of the sale of all the securities in portfolio at 30 June 2011 was used to assess the impact of realising the losses on existing contractually guaranteed minimum returns (equal to 1.5%). The simulation showed that returns on the separately managed account would be between 1.33% and 2.72% for the 12 months following the sale. As a result, the value of the unrealised losses transferrable to policyholders, amounting to 650,766 thousand euros, was calculated using the shadow accounting method[4]. As a result, at 30 June 2011 the specific equity reserve for changes in the fair value of AFS instruments includes 76,863 thousand euros, before the related deferred tax assets, resulting from the above losses.

This item also includes investments by the Parent Company in BTPs with a notional value of 125,000 thousand euros. This amount regards a portion of the portfolio described in note 9.3, consisting of BTPs with a notional value of 500,000 thousand euros (including 100,000 thousand euros purchased during the first half) and a fair value of 474,514 thousand euros, of which 375,000 thousand euros was hedged in 2010 via asset swaps qualifying as fair value hedges.

Financial assets at fair value through profit or loss.

This item reflects fixed income investments by Poste Vita SpA, totalling 3,382,108 thousand euros (3,274,718 thousand euros at 31 December 2010). These consist of investments with a fair value of 3,283,127 thousand euros, relating to coupon stripped[5] BTPs (3,210,624 thousand euros at 31 December 2010) covering obligations associated with the Branch III insurance products, and with a fair value of 98,981 thousand euros (64,094 thousand euros at 31 December 2010), covering Branch I contractual obligations.

Derivative financial instruments

This item refers entirely to forward purchases of coupon stripped BTPs by Poste Vita SpA during the first half. Fair value losses on these instruments amount to 21,382 thousand euros. As described in note 9.5, securities with a notional value of 1,965 million euros were purchased primarily to cover obligations associated with the Branch III policy, "Titanium", and Branch I policies, whilst securities with a notional value of 230 million euros cover a new Branch III policy to be launched in August 2011.

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[4] Portions of unrealised gains and losses attributable to policyholders are transferred to them and recognised in specific technical provisions to the extent of the contractually guaranteed minimum return.

[5] Coupon stripping is the act of detaching the interest payment coupons from a note or bond. Coupon stripping transforms each government security into a series of zero coupon securities. Each component may be traded separately.

In February 2011 Poste Vita SpA executed forward purchases of securities with a notional value of 1,450 million euros to cover its contractual obligations under the "Titanium" policy (note 9.5), which was launched in March 2011. In May and June 2011, following a reduction in estimated sales of the policy in question, the company's Board of Directors approved a reduction in the value of the policies to be sold to 750 million euros, at the same time unwinding the above forward purchases in excess of the revised amount. In early July 2011 Poste Vita SpA gradually unwound the forward transactions and, in extinguishing transactions with a notional value of approximately 300 million euros, incurred total losses of approximately 9.2 million euros, reflecting the high degree of market volatility and reduced market depth. As a result, unrealised losses of approximately 4.3 million euros have been recognised in the consolidated income statement for the six months ended 30 June 2011. Finally, given the deterioration in the overall situation primarily regarding Italian government securities, Poste Vita SpA's Board of Directors, at their meeting of 14 July 2011, decided to suspend extinction of the remaining outstanding positions and to delay settlement until 22 November 2011. The type of asset to be purchased is, in fact, perfectly in line with the investment strategy for the company's free capital adopted for 2011, in terms of both underlying risk (that of the Italian State) and duration.

CREDIT RISK

Credit risk regards the risk that a debtor might default on a payment or go into liquidation. This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

At 30 June 2011 the following positions are subject to this risk:

Financial assets

As the international financial crisis peters out, the first half has witnessed the stabilisation of the creditworthiness of the Poste Italiane Group's debtors. In fact, 2009 was characterised by an extensive rating review activity by the main agencies, with a significant amount of downgrades. Consequently, the Group suffered from a deterioration of the weighted average rating of its exposure (which went from AA to AA- in 2009), even though the associated financial assets continued to be investment grade.

During the year under review, the macroeconomic events that had an impact on the risk-return profiles of the Group's financial assets were the debt crises in Greece and Ireland, which caused spreads among European government bonds to widen, with a particular impact on those related to Italy's sovereign risk, and continuing uncertainty regarding the health of the banking sector. Nevertheless, the weighted average rating of the Group's exposure at 30 June 2011 is unchanged from that at 31 December 2010 (AA-).

Receivables (note 9.2) primarily regard the Parent Company's claims on the parent, the MEF, amounting to 511,051 thousand euros, and on the A-rated counterparties in asset swap and interest rate swap transactions (with collateral provided by a specific Credit Support Annex[6]), totalling 59,550 thousand euros, entered into as cash flow hedges and fair value hedges, respectively.

This item also includes receivables of 8,999 thousand euros, representing advances paid by Poste Vita SpA in relation to the subscription of units in mutual funds, where the investment has yet to be completed, and receivables of 677

[6] Under these contracts, counterparty risk is limited through periodic margining, whereby if the fair value of the derivative instrument exceeds a set value, the debtor must post adequate collateral with the creditor.

thousand euros due to the Parent Company from a bank that had been declared bankrupt in 2008 and written off in the same year.

Available-for-sale financial assets are described in note 9.3. In terms of credit risk, no account has been taken of equity instruments or equity funds, whose credit risk takes shape in the form of changes in their fair value (price risk).

Financial instruments at fair value through profit or loss are described in note 9.1. These include Poste Vita SpA's investments in structured bonds with a value of 6,020,683 thousand euros, which are subject to credit risk in connection with the crisis that is affecting the financial markets. As these were financial instruments designed to cover Branch III insurance policies, any impairment of elements classified under this item translates into lower liabilities towards customers. This item also includes 3,283,127 thousand euros in coupon stripped BTPs (3,210,624 thousand euros at 31 December 2010). A comment on this item was made in connection with the interest rate risk to which the fair value of these instruments is subject and which is borne entirely by Poste Vita SpA.

Derivative instruments are described in note 9.5 and include warrants purchased by Poste Vita SpA, and reported at a fair value of 88,328 thousand euros (105,555 thousand euros at 31 December 2010), and asset swaps qualifying as fair value hedges, reported at a fair value of 23,919 thousand euros, which were entered into by the Parent Company during the period to hedge BTPs with a notional value of 375,000 euros against interest rate risk. Credit risk arising from derivative transactions is mitigated through rating and counterparty concentration limits as well as, in the case of asset swaps, by obtaining sufficient collateral, as mentioned above. Exposure is quantified and monitored using the current value method, in accordance with the Bank of Italy's prudential supervisory instructions.

Assets attributable to BancoPosta

The Parent Company's operational characteristics, related in particular to BancoPosta's investment activities, give rise to a significant exposure toward the Italian State, involving essentially deposits with the MEF and the majority of holdings of Italian government securities (note 14.1).

The fair value of derivative financial instruments included in Assets attributable to BancoPosta amounts to 145,509 thousand euros and primarily reflects asset swaps qualifying as cash flow hedges (fair value equal to 25,680 thousand euros) and fair value hedges (fair value equal to 119,829 thousand euros). At 30 June 2011 all counterparties for the Group's derivatives have investment grade ratings.

During the year accreting[7] asset swap contracts on long-term BTP€Is were entered into, with a notional amount that varies over time, so as to minimise collateral requirements.

All asset swap transactions are conducted within the scope of the Credit Support Annex.

Trade receivables and Other assets

The nature of the Group's customers, the structure of revenues and the method of collection mean that there is a limited risk of default on trade receivables. In this regard, reference should be made to the paragraph of note 2.2 dealing with Revenues and receivables due from the State. All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

LIQUIDITY RISK

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may regard the inability to sell financial assets quickly at an

[7] Accreting asset swaps entered into to hedge against interest rate risk make it possible to reduce the payments to be made to the counterparty from time to time under the CSA contracts

amount close to fair value or the need to raise funds on excessively onerous terms or, in extreme cases, the inability to borrow in the market.

The Poste Italiane Group applies a financial strategy that aims to minimise this type of risk as follows:

- diversification of the various forms of short- and long-term borrowings and counterparties;
- the availability of lines of credit in terms of amount and the number of banks;
- the gradual and consistent distribution of the maturities of medium/long-term borrowings;
- the adoption of analysis models designed to monitor the maturities of assets and liabilities.

At 30 June 2011 liquidity risk regards the potential exposure deriving from obligations relating to the investment of deposits by current account customers and to the holders of Branch I insurance policies issued by Poste Vita SpA.

In terms of the Parent Company, the liquidity risk associated with BancoPosta's activities regards the investment of current account deposits in euro area government securities. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the Company's ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the prudential statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of 30 years in the case of private customers, and within 5 years in the case of Public Sector customers. Though not as conservative as the previous model, which assumed withdrawals over a period of no more than 10 years, the new model is sustainable in view of deposit trends and the highly liquid nature of investments, thus enabling a parallel improvement in the return profile. This approach is also in line with the Bank of Italy's prudential supervisory requirements.

At 30 June 2011 the degree of the match between the maturities of investments in euro area government securities and the new portfolio replication model approved by the Board of Directors is being calculated, whilst the average term to maturity of investments as a whole has risen from 5.56 at 31 December 2010 to 5.95 at 30 June 2011.

The components of the financial statements most subject to liquidity risk are described below.

Liabilities attributable to BancoPosta

The liquidity risk profile at 30 June 2011 has increased slightly from the preceding year, due to the realignment, which is still under way, of the investment maturities with the new statistical model utilised to define the maturity profile of the deposit base.

Compared with the year ended 31 December 2010, whilst demand deposits from Public Sector entities are slightly down, demand deposits from private customers are up, above all the retail component, which is typically more stable. The Parent Company continues to closely monitor the deposit base.

In the fourth quarter of 2010 the Parent Company introduced new short-term funding arrangements via the matched sale and repurchase of BTPs held in BancoPosta's portfolio, with the aim of optimising profitability and funding temporary cash withdrawals from demand deposits.

Technical provisions for insurance business

In order to analyse its liquidity risk profile, Poste Vita SpA uses asset-liability management (ALM) to effectively manage assets in relation to its obligations to policyholders, whilst also developing projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics). At 30 June 2011 liabilities attributable to Branch I policies have an average term to maturity of 8.34 years, compared with an average duration of the matching assets of 6.46 years (approximately 6.78 and 5.25 years, respectively, at 31 December 2010).

The financial instruments intended to cover the technical provisions for Branch III have maturities that match those of the liabilities.

Financial liabilities

At 30 June 2011 the main changes in the structure of the Group's debt with respect to 31 December 2010, as more fully described in note 24.1, are linked to the Parent Company's repayment of short-term borrowings (686,482 thousand euros) and the redemption of certain investment contracts by Poste Vita SpA (197,530 thousand euros), partially offset by the Parent Company's use of the EIB line of credit (200,000 thousand euros) and a reduction in financial liabilities whose use is not restricted and are attributable to BancoPosta.

CASH FLOW INTEREST RATE RISK

This regards uncertainty over future cash flows following fluctuations in market interest rates. It may be caused by a mismatch – in terms of type of rate, indexation method and term to maturity – between financial assets and liabilities that tends to last until contractual and/or expected maturity (the banking book), and which, as such, generates an impact on the interest margin, which is thus reflected in the operating results for future periods.

The following items are primarily exposed to this risk.

Financial assets – Fixed income instruments

Exposure to cash flow interest rate risk concerns floating rate instruments, or transactions rendered thus by fair value hedges, which at 31 December 2010 and 30 June 2011 are classified as Available-for-Sale and at Fair Value through profit or loss.

The effects of the risk in question on the cash flows related to the investments of the Branch I policies sold by Posta Vita are not currently deemed such as to affect the minimum guaranteed return to policyholders and reflected entirely on the liabilities towards policyholders. In terms of consolidated income statement, the effects of this risk were related to the investment of Poste Vita SpA's free capital and the Parent Company's own cash.

With reference to the variable or indexed cash flows, designed to generate a return on the index- or unit-linked Branch III policies issued until the entry into effect of ISVAP Regulation 32/2009, considering the peculiar composition of such investments, consisting of structured bonds yielding returns linked closely to bond and equity markets, any effect of changes in interest rates on cash flows is reflected in the Liabilities towards policyholders (technical provisions and financial liabilities recognised at fair value). Sensitivity to changes in interest rates thus generates a reputational risk that can affect the company's business, in connection with policyholders' expectations, as described in note 3.

Finally, the risk in question concerns a notional amount of 375,000 euros in fixed-rate BTPs held by the Parent Company, which were hedged against any market risk that might change their fair value, as described in the paragraph on fair value interest rate risk.

Assets attributable to BancoPosta

At 30 June 2011 this risk primarily relates to the investment of the funds deriving from the current account deposits of Public Sector entities, which must be deposited with the MEF. Since 1 January 2008, these investments earn interest at a floating rate, calculated on the basis of a basket of government securities and money market indexes, in accordance with the method provided for by the European Commission in its Decision of 16 July 2008 and set out in the related agreement between the MEF and Poste Italiane SpA, which was renewed on 1 April 2011. Although the amounts involved are lower, this risk also regards the liquidity deposited in a buffer account with the MEF, which earns interest in accordance with the treasury services agreement currently being renewed. This is calculated as the average yield on auctions of Short-term Treasury Certificates (BOT) organised by the MEF during the relevant six-month period.

Finally, as noted above, this risk concerns a portion of the fixed-rate portfolio related to BTPs, whose fair value was hedged against market risk using fair value hedges. These hedging transactions are described in note 14.4.

BANKING BOOK INTEREST RATE RISK

This is the risk, or the probability, that movements in interest rates will have a negative impact on an entity's operating results and financial position. It may be caused by a mismatch – in terms of type of rate, indexation method and term to maturity – between financial assets and liabilities that tends to last until contractual and/or expected maturity (the banking book), and which, as such, generates an impact on the interest margin, which is thus reflected in the operating results for future periods.

At 30 June 2011 most of the risk in question is linked to the investment of the funds deriving from the postal current account deposits of private customers in euro area government securities, as well as the liquidity held by Public Sector entities in current accounts with the Parent Company, which must be deposited with the MEF. Returns on the investment of these funds is related to general trends in interest rates, as the Parent Company takes a commercial approach to their management, and interest paid on these deposits is not index-linked:

- investments in euro area government securities yield a return based on the interest rates prevailing at the time of purchase; BancoPosta's securities portfolio is currently for the most part invested in fixed income instruments, or transactions rendered thus by asset swaps qualifying as cash flow hedges[8];
- as noted elsewhere, the funds deposited with the MEF yield floating interest payments.

Both types of investment are associated with an interest rate risk profile that is analysed and monitored with respect to the financial characteristics of the instruments and is managed through an adequate hedging policy (note 14.4). As a result, at 30 June 2011 forward purchases with a notional value of 1,150,000 thousand euros, maturing in 2011, are in place, in addition to asset swaps with a notional value of 3,533,750 thousand euros.

DETERMINATION OF FAIR VALUE

The fair value hierarchy comprises the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no material changes in the financial instruments classified in Level 3 during the period.

OTHER RISKS

OPERATIONAL RISK

This regards the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems

[8] The residual use of fair value hedges, in contrast, primarily enables the inclusion, among potential investments, of longer term securities, reducing the related durations and thus the volatility of the related fair values.

failures, breach of contract and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect the Group from this form of risk, in line with the prudential supervisory requirements, issued by the Bank of Italy in December 2006, and adopted by Poste Italiane SpA as benchmarks, the Parent Company has formalised and agreed a methodological and organisational framework to manage the operating risk related to the products/processes of the BancoPosta function and the asset management company, BancoPosta Fondi SpA SGR.

At 30 June 2011 the results of the monitoring conducted in accordance with the above framework show which types of operational risk BancoPosta's products are exposed to, as follows:

Event type	No. of risk types
Internal fraud	25
External fraud	41
Employment relations and safety at work	6
Customers, products and operational practices	21
Damage caused by external events	5
Business disruption and systems failures	7
Process execution, management and delivery	162
Total	267

A number of post offices experienced problems with their information systems in early June 2011, resulting in temporary disruption to services. Poste Italiane has taken steps to ensure that all post offices are once again fully operational and has announced its willingness, in agreement with consumers' associations, to honour claims from customers who can provide documentary proof of any damages incurred.

Recent changes to the model for identifying and assessing operational risks used by Poste Vita SpA were consolidated during the first half of 2011. In particular, the method of risk assessment was revisited.

Operational risk assessment is qualitative and quantitative in nature and is carried out using a structured process for identifying and assessing potential risks (Risk Self Assessment), focusing on the following aspects:

- which events may occur in the future, covering potential and not merely historic events;
- the frequency of such events, an aspect that is necessary in order to take account of potential risks that have not previously occurred;
- the likely economic impact of potential loss events when they occur;
- the degree of effectiveness of the related controls.

The identification method enables management, via subjective estimates, to evaluate the level of risk involved, based on the maximum potential loss for each type of operational risk. In addition, risks are also allocated to risk owners and mitigation initiatives for the most significant risks are identified.

INSURANCE RISKS

This type of risk arises with the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.).

The risks to which Poste Vita is exposed primarily relate to separately managed accounts in the Branch I category sold by the company and, as is typical in the insurance business, deriving from the guaranteed minimum returns on investment to be paid to policyholders, and the potential impact on the financial statements of the measurement of the assets in which the technical provisions are invested.

In strictly technical terms, mortality is one of the main risk factors in life insurance, i.e. any risk associated with the uncertainty of a policyholder's life expectancy.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when death frequencies are lower than the death probabilities realistically calculated.

Nevertheless, at 30 June 2011 the mortality risk is limited for the Company and mainly concerns:

- repayment of the premiums paid, in case of the death of holders of Branch III index- and unit-linked policies,[9] and the minimum guaranteed capital in case of death, as required by the contracts for separate portfolio products;
- repayment of the insured capital for term life insurance policies.

As to pricing risk, i.e. the risk of incurring losses due to the inadequate premiums charged for the insurance products sold, this may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Posta Vita's mixed and whole-life policies have cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is no pricing risk associated with the choice of technical basis in Poste Vita's portfolio.

The options embedded in the policies held in portfolio include:

- Surrender option;
- Guaranteed minimum return option;
- Annuity conversion option.

For nearly all the products in the portfolio there are no surrender penalties. The surrender risk only becomes significant, however, in the event of mass surrenders, which have a low probability of occurrence.

The contractually guaranteed minimum return is 1.5%[10] per non-consolidated event[11], thus showing a very low risk significance compared with the returns generated to date by the separate portfolios, as determined by the asset-liability management analyses performed for the purposes of ISVAP Regulation 21 of 28 March 2008.

Poste Assicura SpA, which began operating as a non-life company in April 2010, is exposed to the following insurance risks:

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9 In the event that the surrender value is lower than the premiums paid, the Company makes up for the difference up to 5,000 euros.

10 For a residual share of the portfolio, there is no guaranteed return.

11 In case of death, surrender and expiration.

- Underwriting risk: the risk deriving from the conclusion of insurance contracts, associated with the events insured, the processes followed when pricing policies and selecting risks, and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:

  - Pricing risk: the risk linked to the company's pricing of its policies and dependent on the actuarial assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. This category includes "expense risk", being the risk that the premiums charged are not sufficient to cover the costs effectively incurred by the company, and the risks linked to excessive growth in operations if associated with poor selection of risks, imprudent pricing or the absence of resources sufficient to keep up with the pace of growth.

  - Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.

- Catastrophe risk: the risk that extreme and exceptional events have a negative impact that has not been taken into account when pricing the policies.
- Anti-selection risk: this relates to the company's unwillingness to insure an event not classified as future, uncertain and damaging.
- Disability and morbidity risk: the risk associated with compensating or reimbursing losses caused by illness, accident or disability, or medical expenses due to illness, accident or disability. Two aspects must be taken into account: the first regards a number of claims over and above the expected number, and the second a duration of the compensation beyond what was expected.

Given the fact that the insurance business is at the start-up stage, and in view of the expected growth of the portfolio and the differing degrees of risk associated with the products distributed, the company has adopted a highly prudent approach to reinsurance. It has entered into pro rata reinsurance treaties with major reinsurance providers, establishing the amounts to be ceded based on the specific type and size of the risk to be assumed, backed up by excess-loss or stop-loss treaties to cover risks of a certain size (accident policies or so-called catastrophic risks). In addition, when defining the guarantees offered, the assumption of specific types of risk has been mitigated by limiting the size of payouts in the event of certain specific types of claim.

REPUTATIONAL RISK

The Group's business is by its nature exposed to elements of reputational risk, associated mainly with the placement of index-linked bonds issued by other credit institutions and/or insurance policies issued by Poste Vita SpA.

In this respect, in July 2008, in accordance with the Markets in Financial Instruments Directive by the EU (Directive 2004/39/EC, "MiFID"), the Parent Company has adopted the "consulting service" model.

The crisis of recent years has had profound effects on the performance of all the financial instruments on the market, especially those whose returns are magnified. These instruments, which are used exclusively, and on a residual basis, by the subsidiary, Poste Vita SpA, to invest the premiums collected on so-called Branch III policies, are inevitably exposed to higher risk and volatility of their fair value.

Even though the Group has developed over time prudential policies in customers' best interests, entailing the selection of domestic and foreign issuers solely with investment grade ratings, the situation has prompted closer scrutiny at Group level, so as to ensure full awareness of the performance of the products sold and the risks for customers that, to this day, characterize these products[12].

OTHER INFORMATION

With regard to cash flow management within the Group, a centralised treasury management system enables the automatic elimination of co-existing large debit and credit balances attributable to individual companies, offering the Group advantages in terms of improved liquidity and a reduction in the related risk. The system includes four of the main subsidiaries, and makes use, with regard to the banking channel, of zero balance cash pooling. In this way cash flows between the current accounts of subsidiaries and the Parent Company are transferred on a daily basis.

The Group's financial structure at 30 June 2011 is solid and balanced, and adequately protected from liquidity or refinancing risks. Overall borrowings are primarily medium/long-term, except for bank overdrafts, which are of a limited amount. Medium/long-term debt is sufficient to cover the Group's expected financial needs.

At the end of the reporting period the Group has unused uncommitted lines of 1,231 million euros. The Group also has overdraft facilities in place, totalling 84.1 million euros, of which 18.4 million euros has been used, and bank guarantee facilities with a value of approximately 295.1 million euros (with 174.5 million euros available to the Parent Company), of which guarantees with a value of 123.9 million euros have been used.

[12] In this regard, Poste Vita issued over the years Branch III index- and unit-linked policies, whose residual fair value at 30 June 2010 amounts to 50,044 thousand euros, that call for the investment of the premiums paid in a structured bond or in mutual funds whose increase in value reflects on the value of the policies. For this type of product issued prior to the introduction of ISVAP Regulation 32/2009, the company does not guarantee capital or a minimum return and, as such, the credit and financial risks associated with them are borne by the customer. In order to protect its own good name and reputation, and those of its Group, as well as its credentials as a capable operator, the company constantly monitors developments in the risk profile. Particular attention was given to monitoring certain financial instruments underlying index-linked policies issued in the period 2001-2002 by Programma Dinamico SpA, a securitisation vehicle set up under Law 130/99 that matches the definition of control established in the combined provisions of IAS 27 and SIC 12. These instruments, whose remaining fair value at 31 December 2010 is 378 million euros, bring together different financial positions, including securitisation transactions and credit and financial derivatives (CDOs – Collateralised Debt Obligations), whose past performances were affected by the financial and credit market crisis. In this context, in May 2009 and December 2008 Poste Vita SpA offered the holders of certain Branch III policies the opportunity to convert these policies into Branch I policies providing minimum returns guaranteed by the company. Whilst it is true that, in accordance with the legal nature of the products in question, the related investment risk is transferred to policyholders, the company has carried out the restructuring initiatives in order to safeguard its commercial interests, which could be prejudiced by widespread dissatisfaction among customers, and the potential impact on its reputation as a result of a general expression of discontent.

4 OPERATING SEGMENTS

The identified operating segments are: Postal services, Financial services and Insurance services. The "Postal Services" segment includes Mail, Express Delivery, Logistics and Parcels, and Philately. The "Financial Services" segment includes the collection of public deposits on behalf of Cassa Depositi e Prestiti and the management of postal current accounts and related services, the payment of pensions under authority, the transfer of funds via postal order, collection services for third parties. The "Insurance Services" segment regards the sale of life assurance products in Branches I, III and V, and, secondarily, the recently launched sale of non-life insurance. The remaining "Other Services" segment includes segments which, based on the indications in IFRS 8 - *Operating Segments*, are not significant within the context of the Group's operations. This segment includes the remaining services carried out by Poste Italiane SpA and those conducted by certain Group companies, including PosteMobile SpA, a mobile virtual network operator, BancoPosta Fondi SpA SGR, an asset management company, EGI SpA, which operates in the property sector.

Segment information regards revenue components and is prepared on the basis of the Accounting Unbundling that Poste Italiane SpA is required to carry out at the end of each reporting period in accordance with the laws in force at 31 December 2010 (Legislative Decree 261/99 and Legislative Decree 144/01). The cost allocation method adopted is based on the absorption of resources (staff, external costs, plant, etc.) by the various business segments.

In response to the legislation enacted on 26 February 2011, described in note 20, the Parent Company has, in application of the Bank of Italy's prudential requirements, ring fenced capital in relation to BancoPosta's operations. As a result, the methods of measuring and presenting the performances of the operating segments may be revised.

The result for each segment is based on Operating profit/(loss). All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated interim financial statements.

(€000)

H1 2011	Postal Services	Financial Services	Insurance Services	Other services	Unallocated items, adjustments and eliminations	Total
External revenue	2,447	2,447	6,399	254	-	11,547
Intersegment revenue	149	4	-	104	(257)	-
Total revenue	**2,596**	**2,452**	**6,399**	**357**	**(257)**	**11,547**
Operating profit/(loss)	**(79)**	**693**	**168**	**77**	**1***	**860**
Finance income/(costs)					(1)	(1)
Profit/(loss) on investments accounted for using the equity method	1	-	-	0	-	1
Profit/(Loss) before tax						860
Income tax expense					(400)	(400)
Profit/(Loss) for the period						460

*Elimination of cost incurred by Poste Italiane SpA for interest paid to consolidated subsidiaries (recognised by the latter in finance income).

(€000)

H1 2010	Postal Services	Financial Services	Insurance Services	Other services	Unallocated items, adjustments and eliminations	Total
External revenue	2,684	2,494	6,973	242		12,393
Intersegment revenue	155	4	0	70	(230)	-
Total revenue	**2,839**	**2,498**	**6,973**	**312**	**(230)**	**12,393**
Operating profit/(loss)	**(138)**	**755**	**265**	**33**	**0***	**915**
Finance income/(costs)					18	18
Profit/(loss) on investments accounted for using the equity method	0	-	-	-	-	0
Profit/(Loss) before tax						933
Income tax expense					(445)	(445)
Profit/(Loss) for the period						488

*Elimination of cost incurred by Poste Italiane SpA for interest paid to consolidated subsidiaries (recognised by the latter in finance income).

Information about geographical segments, based on the geographical areas in which the various Group companies are based, is not material. At 30 June 2011 all entities consolidated on a line-by-line basis are based in Italy, whilst their customers are also primarily located in Italy and revenue from overseas customers does not account for a significant proportion of total revenue.

5 PROPERTY, PLANT AND EQUIPMENT

The following table shows changes in property, plant and equipment in 2010 and the first half of 2011:

5.1 - Changes in Property, plant and equipment

	Land	Operating properties	Plant and equipment	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets in the course of construction and prepayments	Total
Balance at 1 January 2010								
Cost	74,505	2,715,167	2,137,771	292,212	218,649	1,246,954	190,364	6,875,622
Accumulated depreciation	-	(972,686)	(1,442,842)	(230,186)	(62,017)	(1,016,117)	-	(3,723,848)
Accumulated impairments	-	(13,981)	(13,028)	(770)	(5)	(48)	-	(27,832)
Carrying amount	**74,505**	**1,728,500**	**681,901**	**61,256**	**156,627**	**230,789**	**190,364**	**3,123,942**
Changes during year								
Purchases	625	27,479	44,302	12,525	28,103	60,679	73,343	247,056
Adjustments	-	-	-	-	-	-	-	-
Reclassifications	(26)	286	52,830	26	37,988	41,739	(166,053)	(33,210)
Disposals	(93)	(1,528)	(1,099)	(90)	(3)	(395)	(22)	(3,230)
Depreciation	-	(99,108)	(147,912)	(14,548)	(26,356)	(86,766)	-	(374,690)
Impairments	(462)	(1,266)	(397)	-	(947)	(12)	-	(3,084)
Total changes	**44**	**(74,137)**	**(52,276)**	**(2,087)**	**38,785**	**15,245**	**(92,732)**	**(167,158)**
Balance at 31 December 2010								
Cost	74,652	2,717,568	2,148,453	304,041	283,696	1,344,839	97,632	6,970,881
Accumulated depreciation	-	(1,047,958)	(1,506,136)	(244,102)	(88,249)	(1,098,745)	-	(3,985,190)
Accumulated impairments	(103)	(15,247)	(12,692)	(770)	(35)	(60)	-	(28,907)
Carrying amount	**74,549**	**1,654,363**	**629,625**	**59,169**	**195,412**	**246,034**	**97,632**	**2,956,784**
Changes during period								
Purchases	-	5,720	16,477	2,748	8,548	8,247	15,438	57,178
Reclassifications (1)	(8)	6,134	13,778	367	9,398	21,920	(51,071)	518
Disposals (2)	-	(192)	(134)	(57)	(1)	(139)	(54)	(577)
Depreciation	-	(49,880)	(71,406)	(7,114)	(15,474)	(45,357)	-	(189,231)
Impairments	-	(7)	(40)	-	(853)	(206)	-	(1,106)
Total changes	**(8)**	**(38,225)**	**(41,325)**	**(4,056)**	**1,618**	**(15,535)**	**(35,687)**	**(133,218)**
Balance at 30 June 2011								
Cost	74,644	2,728,985	2,122,681	306,327	300,392	1,368,089	61,945	6,963,063
Accumulated depreciation	-	(1,097,593)	(1,521,686)	(250,444)	(103,329)	(1,137,326)	-	(4,110,378)
Accumulated impairments	(103)	(15,254)	(12,695)	(770)	(33)	(266)	-	(29,121)
Carrying amount	**74,541**	**1,616,138**	**588,300**	**55,113**	**197,030**	**230,497**	**61,945**	**2,823,564**
Reclassifications (1)								
Cost	(8)	6,163	13,876	433	9,411	21,822	(51,071)	626
Accumulated depreciation	-	(29)	(98)	(66)	(13)	98	-	(108)
Accumulated impairments	-	-	-	-	-	-	-	-
Total	**(8)**	**6,134**	**13,778**	**367**	**9,398**	**21,920**	**(51,071)**	**518**
Disposals (2)								
Cost	-	(466)	(56,125)	(895)	(1,263)	(6,817)	(54)	(65,620)
Accumulated depreciation	-	274	55,954	838	407	6,678	-	64,151
Accumulated impairments	-	-	37	-	855	-	-	892
Totale	**-**	**(192)**	**(134)**	**(57)**	**(1)**	**(139)**	**(54)**	**(577)**

At 30 June 2011 Property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which is to be handed over free of charge at the end of the concession term, with a carrying amount of 163,948 thousand euros (173,782 thousand euros at 31 December 2010).

The principal changes during the first half of 2011 are described below.

Capital expenditure of 57,178 thousand euros, including 724 thousand euros in capitalised costs and expenses, primarily regards:

- 5,720 thousand euros relating primarily to the extraordinary maintenance of post offices and local head offices around the country;
- 16,477 thousand euros relating to plant, with the most significant items regarding the Parent Company and relating to plant for buildings (7,070 thousand euros), installation of a LAN (Local Area Network) for the Company's communications (4,249 thousand euros), and the purchase of sorting equipment used at Sorting Centres (1,466 thousand euros);
- 2,748 thousand euros primarily relating to the purchase of security equipment for post office access and for the deposit of cash and sundry documents;

- 8,548 thousand euros invested almost entirely by the Parent Company in plant upgrades (6,505 thousand euros) and structural improvements (1,993 thousand euros) for properties held under lease;
- 8,247 thousand euros regarding Other assets and primarily relating to the Parent Company. This includes 3,386 thousand euros for the purchase of new computer hardware for post offices and head offices and the expansion of storage systems, 1,494 thousand euros for the purchase of furniture and fittings in connection with the new layouts for post offices and 1,123 thousand euros for the purchase of other durable goods used in delivery activities;
- 15,348 thousand euros, primarily referring to the Parent Company's investments in progress, with 6,211 thousand euros relating to the restyling of post offices, 3,480 thousand euros regarding the renovation of central facilities, 2,888 thousand euros regarding the renovation of Sorting Centres, and 2,251 thousand euros for the purchase of computer hardware and other equipment yet to enter service,.

Impairments of 1,106 thousand euros, relating entirely to the Parent Company, primarily regard leasehold improvements following early termination of the leases.

Reclassifications from Assets in the course of construction, totalling 51,071 thousand euros, primarily regard the purchase cost of assets that became available and ready for use during the period. Above all, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

The following table shows a breakdown by category of property, plant and equipment held under finance leases at 30 June 2011 and 31 December 2010:

5.2 - Assets held under finance leases

	30 June 2011			31 December 2010		
Item	**Cost**	**Accumulated depreciation**	**Net carrying amount**	**Cost**	**Accumulated depreciation**	**Net carrying amount**
Buildings held under finance leases	17,043	(4,601)	12,442	17,043	(4,345)	12,698
Plant and equipment held under finance leases	64,835	(64,253)	582	64,835	(63,795)	1,040
Other assets (hardware)	6,824	(3,604)	3,220	6,824	(3,144)	3,680
Total	**88,702**	**(72,458)**	**16,244**	**88,702**	**(71,284)**	**17,418**

6 INVESTMENT PROPERTY

Investment property primarily regards properties owned by the subsidiary, EGI SpA, residential accommodation previously used by post office managers and former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993. The following changes in investment property took place in the first half of 2011 and in 2010:

6.1 - Changes in investment property

	H1 2011	FY 2010
Balance at beginning of period		
Cost	247,198	215,714
Accumulated depreciation	(80,819)	(56,918)
Accumulated impairments	(3,434)	(5,120)
Carrying amount	**162,945**	**153,676**
Changes during the period		
Purchases	1,008	1,180
Reclassifications [1]	(9)	26,452
Disposals [2]	(4,701)	(11,787)
Depreciation	(4,047)	(7,679)
Reversals of impairments/(Impairments)	477	1,103
Total changes	**(7,272)**	**9,269**
Balance at end of period		
Cost	240,246	247,198
Accumulated depreciation	(81,767)	(80,819)
Accumulated impairments	(2,806)	(3,434)
Carrying amount	**155,673**	**162,945**
Reclassifications [1]		
Cost	(20)	50,009
Accumulated depreciation	11	(23,557)
Accumulated impairments	-	-
Total	**(9)**	**26,452**
Disposals [2]		
Cost	(7,940)	(19,705)
Accumulated depreciation	3,088	7,335
Accumulated impairments	151	583
Total	**(4,701)**	**(11,787)**

The fair value of Investment property at 30 June 2011 amounts to approximately 329 million euros (326 million euros at 31 December 2010). This value includes approximately 249 million euros representing the market prices of the investment property, based primarily on independent valuations, and 80 million euros representing the sale price applicable to the Parent Company's former service accommodation pursuant to Law 560 of 24 December 1993.

7 INTANGIBLE ASSETS

The following table shows the carrying amount of and changes in intangible assets in 2010 and the first half of 2011:

7.1 - Changes in intangible assets

	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Intangible assets in progress and prepayments	Goodwill	Other	Total
Balance at 1 January 2010					
Cost	1,244,954	94,875	106,103	120,383	1,566,315
Accumulated amortisation	(935,741)	-	-	(106,717)	(1,042,458)
Accumulated impairments	(1,356)	(99)	(2,162)	(6,690)	(10,307)
Carrying amount	**307,857**	**94,776**	**103,941**	**6,976**	**513,550**
Changes during year					
Purchases	71,364	110,105	-	4,276	185,745
Reclassifications	38,725	(44,541)	-	4,543	(1,273)
Amortisation	(157,553)	-	-	(5,117)	(162,670)
Impairments	(212)	-	(13,390)	-	(13,602)
Total changes	**(48,068)**	**65,564**	**(13,390)**	**3,702**	**7,808**
Balance at 31 December 2010					
Cost	1,354,514	160,439	106,103	129,202	1,750,258
Accumulated amortisation	(1,093,178)	-	-	(111,834)	(1,205,012)
Accumulated impairments	(1,547)	(99)	(15,552)	(6,690)	(23,888)
Carrying amount	**259,789**	**160,340**	**90,551**	**10,678**	**521,358**
Changes during period					
Purchases	19,922	49,712	-	733	70,367
Reclassifications (1)	44,900	(46,650)	-	1,284	(466)
Transfers and disposals (2)	(693)	-	-	-	(693)
Amortisation	(80,568)	-	-	(2,742)	(83,310)
Impairments		-	-	-	-
Total changes	**(16,439)**	**3,062**	**-**	**(725)**	**(14,102)**
Balance at 30 June 2011					
Cost	1,419,192	163,501	106,103	131,219	1,820,015
Accumulated amortisation	(1,173,629)	-	-	(114,576)	(1,288,205)
Accumulated impairments	(2,213)	(99)	(15,552)	(6,690)	(24,554)
Carrying amount	**243,350**	**163,402**	**90,551**	**9,953**	**507,256**
Reclassifications (1)					
Cost	44,900	(46,650)	-	1,284	(466)
Accumulated amortisation	-	-	-	-	-
Accumulated impairments		-	-	-	-
Total	**44,900**	**(46,650)**	**-**	**1,284**	**(466)**
Transfers and disposals (2)					
Cost	(144)	-	-	-	(144)
Accumulated amortisation	117	-	-	-	117
Accumulated impairments	(666)	-	-	-	(666)
Total	**(693)**	**-**	**-**	**-**	**(693)**

Investment in Intangible assets during the first half of 2011 amounts to 70,367 thousand euros, including 20,022 thousand euros regarding software developed in-house by the Group.

The increase of 19,922 thousand euros in Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights, before amortisation for the year, primarily refers to:

- 13,505 thousand euros regarding the purchase and entry into service of new software applications used by the Parent Company;
- 2,904 thousand euros, representing the fair value of recent developments of the software component for the ICT platform used in the provision of virtual mobile services by PosteMobile SpA, which was purchased under a finance lease.

The balance of Intangible assets in progress and prepayments includes uncompleted investment by the Parent Company, primarily regarding the development of software used in Bancoposta services (34,003 thousand euros), the platform for Integrated Web Services provided to postal customers (19,732 thousand euros), the postal products platform (17,033 thousand euros), the platform used in providing Multi-channel Services (11,659 thousand euros), the infrastructure platform (9,816 thousand euros), and the platform used in providing corporate security (8,799 thousand euros).

During the year, the Group effected reclassifications from Intangible assets in progress and prepayments to Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights, amounting to 46,650 thousand euros. This primarily reflects the release and entry into service of new software programmes and the evolution of existing programmes.

At 30 June 2011 Intangible assets include assets purchased under finance leases, the carrying amount of which is as follows:

7.2 - Assets held under finance leases

Item	30 June 2011			31 December 2010		
	Cost	Accumulated amortisation	Net carrying amount	Cost	Accumulated amortisation	Net carrying amount
Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	51,876	(19,071)	32,805	48,972	(14,549)	34,423
Total	**51,876**	**(19,071)**	**32,805**	**48,972**	**(14,549)**	**34,423**

In 2007 PosteMobile SpA signed a contract for the supply of the hardware and software platform to be used in the provision of virtual mobile services. The contract, which expires on 31 December 2014, envisages payment to the supplier of a set-up fee and a series of annual fees. The contract has been accounted for as a finance lease. At 30 June 2011 the software component amounts to 32,141 thousand euros, after accumulated amortisation. The hardware component is accounted for in Other assets, under Property, plant and equipment (note 5), at a carrying amount of 3,220 thousand euros, after accumulated depreciation.

In 2009 Italia Logistica Srl agreed to lease three divisions of a business until March 2013. The value of the right to manage the divisions has been accounted for as a finance lease (IAS - 17 *Leases*, and IFRIC 4 – *Determining whether an Arrangement contains a Lease*). At 30 June 2011 the value of the intangible asset recognised is 664 thousand euros, after accumulated amortisation.

Goodwill, as shown in the following schedule, primarily derives from acquisitions and subsequent mergers of companies carried out by the subsidiaries, Postel SpA and PostelPrint SpA, after accumulated amortisation until 1 January 2004. This item also includes Goodwill arising from consolidation, generated by the process of eliminating the value of investments consolidated on a line-by-line basis, represents differences between the acquisition price and the fair value of the assets acquired and liabilities assumed.

7.3 - Goodwill

Item	Balance at 30 June 2011	Balance at 31 December 2010
Postel SpA	45,000	45,000
Italia Logistica Srl	3,296	3,296
Mistral Air Srl	4,934	4,934
SDA Express Courier SpA	37,321	37,321
Total	**90,551**	**90,551**

Goodwill has been tested for impairment in accordance with the relevant accounting standards. Based on the prospective information available, there are no material indications of impairments to be accounted for in the consolidated financial statements.

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the following:

8.1 - Investments

Item	Balance at 30 June 2011	Balance at 31 December 2010
Investments in subsidiaries	4,398	4,178
Investments in joint ventures	39	34
Investments in associates	4,841	2,459
Total	**9,278**	**6,671**

Changes in Investments accounted for using the equity method during 2010 and the first half of 2011 are as follows:

8.2 - Changes in investments in 2010

Investments	Balance at 1 January 2010	Additions/ (Reductions)	Changes in basis of consolidation	Adjustments		Balance at 31 December 2010
				accounted for using equity method	dividend adjustments	
in subsidiaries						
Address Software Srl	101	-	-	(4)	-	97
Consorzio Poste Contact	968	-	(968)	-	-	-
Docutel SpA	1,197	-	-	4	-	1,201
Kipoint SpA	-	1,000	-	(445)	-	555
Poste Assicura SpA	8,176	-	(8,176)	-	-	-
Poste Tributi ScpA	2,325	-	-	-	-	2,325
Poste Voice SpA	54	-	(54)	-	-	-
Postel do Brasil Ltda	-	-	-	-	-	-
Total subsidiaries	**12,821**	**1,000**	**(9,198)**	**(445)**	**-**	**4,178**
in joint ventures						
Uptime SpA (1)	-	51	28	(45)	-	34
Total joint ventures	**-**	**51**	**28**	**(45)**	**-**	**34**
in associates						
Docugest SpA	1,781	-	-	-	-	1,781
Consorzio ANAC	10	-	-	-	-	10
Telma - Sapienza Scarl	-	649	-	-	-	649
Uptime SpA	28	-	(28)	-	-	-
Other SDA Group associates	19	-	-	-	-	19
Total associates	**1,838**	**649**	**(28)**	**-**	**-**	**2,459**
Total	**14,659**	**1,700**	**(9,198)**	**(490)**	**-**	**6,671**

(1) Measurement using the equity method was based on the latest available financial statements for the year 31 December 2009.

8.3 - Changes in investments in first half of 2011

Investments	Balance at 1 January 2011	Additions/ (Reductions)	Changes in basis of consolidation	Adjustments		Balance at 30 June 2011
				accounted for using equity method	dividend adjustments	
in subsidiaries						
Address Software Srl	97	-	-	5	-	102
Docutel SpA	1,201	-	-	48	-	1,249
Kipoint SpA (1)	555	-	-	167	-	722
Poste Tributi ScpA	2,325	-	-	-	-	2,325
Postel do Brasil Ltda	-	30	-	(30)	-	-
Total subsidiaries	**4,178**	**30**	**-**	**190**	**-**	**4,398**
in joint ventures						
Uptime SpA (2)	34	-	-	5	-	39
Total joint ventures	**34**	**-**	**-**	**5**	**-**	**39**
in associates						
Docugest SpA (2)	1,781	2,060	-	491	-	4,332
Consorzio ANAC *in liquidazione*	10	(10)	-	-	-	-
Telma - Sapienza Scarl (2)	649	-	-	(159)	-	490
Other SDA group associates (3)	19	-	-	-	-	19
Total associates	**2,459**	**2,050**	**-**	**332**	**-**	**4,841**
Total	**6,671**	**2,080**	**-**	**527**	**-**	**9,278**

(1) Measurement using the equity method was based on the alignment of the investment with Equity in the latest available financial statements for the year ended 31 December 2010.
(2) Measurement using the equity method was based on the latest available financial statements for the year ended 31 December 2010.
(3) The SDA Express Courier group's other associates are: Epiemme srl inattiva, G.T.E. Transport Srl (in liquidation), I.C.S. Srl, International Speedy Srl (in liquidation) , MDG Express Srl, Speedy Express Courier Srl, S.T.E. Srl and T.W.S. Express Courier Srl.

Changes during the first half of 2011, as described in note 8.3, regard:

- Participation in the capital increase carried out by Postel do Brasil Ltda on 11 April, with a value of 2,214,452 Brazilian reals (equal to 1,202,137 euros) by converting all the receivables due to Postel SpA from the Brazilian subsidiary, and written off in previous years, and via a cash payment of 68,343 Brazilian reals (29,975 euros). The deed is currently being registered with the Brazilian Trade Board and, following registration, the Sole Director will be able to formally place the company in liquidation. As a result of the capital increase, the Group's interest in Postel do Brasil Ltda has risen from 99.88% to 99.99%.

- Changes in the ownership structure of Docugest SpA, in which Postel SpA holds an interest. On 16 November 2010 Docugest SpA merged with and absorbed a third company, CSAB Printing Srl, with effect for legal purposes from 1 December 2010. Following the resulting capital increase carried out by Docugest SpA, Postel SpA's interest was reduced from 50% to 37%. In addition, on 31 January 2011 Postel SpA acquired 162,151 shares in Docugest SpA, representing 12% of the company's share capital, at the same time transferring 152,556 shares in C-Global SpA, representing 17% of this company's share capital, to a third company, CEDACRI SpA. As a result of these transactions, Postel SpA owns a 49% interest in Docugest SpA.
- The request for cancellation of the Consorzio Accademia Nazionale di Aviazione Civile (ANAC) from the various registers, including the companies' register. After approving the final accounts and related distribution plan, the General Meeting of shareholders held on 24 June authorised the liquidator to file the accounts with the companies' register and request that the company be struck off the register.

9 FINANCIAL ASSETS

Financial assets break down as follows at 30 June 2011 and 31 December 2010:

9.1 - Financial assets

Item	Balance at 30 June 2011			Balance at 31 December 2010		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	344,188	253,191	597,379	336,575	413,295	749,870
Loans	-	1,300	1,300	332	1,298	1,630
Receivables	344,188	251,891	596,079	336,243	411,997	748,240
Available-for-sale financial assets	32,381,934	4,074,450	36,456,384	28,862,191	4,172,970	33,035,161
Equity instruments	37,482	7,576	45,058	33,333	6,417	39,750
Fixed income instruments	29,873,052	4,062,864	33,935,916	26,348,490	4,162,453	30,510,943
Other investments	2,471,400	4,010	2,475,410	2,480,368	4,100	2,484,468
Financial assets at fair value through profit or loss	10,312,232	117,349	10,429,581	11,174,547	23,299	11,197,846
Fixed income instruments	3,559,764	117,349	3,677,113	3,645,031	23,299	3,668,330
Structured bonds	6,020,683	-	6,020,683	6,787,051	-	6,787,051
Other investments	731,785	-	731,785	742,465	-	742,465
Derivative financial instruments	109,620	3,709	113,329	126,088	2,532	128,620
Cash flow hedges	-	-	-	16	103	119
Fair value hedges	21,292	2,627	23,919	20,517	2,416	22,933
Fair value through profit or loss	88,328	1,082	89,410	105,555	13	105,568
Total	**43,147,974**	**4,448,699**	**47,596,673**	**40,499,401**	**4,612,096**	**45,111,497**

LOANS AND RECEIVABLES

Loans

This item includes 1,011 thousand euros relating to the portion not consolidated using the proportionate method of the loan formerly granted by SDA Express Courier SpA to Italia Logistica Srl, and 289 thousand euros relating to the loan previously granted by Postel SpA to the subsidiary not consolidated on a line-by-line basis, Address Software Srl.

Receivables

Receivables break down as follows:

9.2 - Financial receivables

	Balance at 30 June 2011			Balance at 31 December 2010		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from parent	331,722	179,329	511,051	324,503	314,699	639,202
repayment of loans accounted for in liabilities	331,722	150,682	482,404	324,503	292,454	616,957
payment of interest for 2010 on loan (Law 887/84)	-	9,633	9,633	-	9,633	9,633
interest on Poste Italiane SpA's liquidity	-	10,015	10,015	-	5,601	5,601
repayment of sums in dormant accounts	-	8,999	8,999	-	7,011	7,011
Due from buyers of service accommodation	12,464	-	12,464	11,737	-	11,737
Due from overseas postal operators for international money orders	-	3,931	3,931	-	3,841	3,841
Due from others	2	69,308	69,310	3	102,234	102,237
Provisions for doubtful debts	-	(677)	(677)	-	(8,777)	(8,777)
Total	**344,188**	**251,891**	**596,079**	**336,243**	**411,997**	**748,240**

With the sole exception of amounts due from the parent to repay loans, at 30 June 2011, the carrying amount of receivables in this category approximates to fair value.

Receivables due from the parent, the MEF, amounting to 511,051 thousand euros, primarily regard a receivable of 482,404 thousand euros relating to the residual principal to be repaid on loans accounted for in liabilities, and which, in accordance with the laws that authorised the relevant loans, are to be repaid by the parent. This receivable is represented by the amortised cost[13] of a receivable with a face value of 522,208 thousand euros, which is expected to be collected by 2016. The fair value of this receivable at 30 June 2011 is 490,822 thousand euros (627,630 thousand euros at 31 December 2010). During the first half the Parent Company collected receivables with a face value of 144,693 thousand euros and estimated accrued finance income on the present value of the receivables to be 10,140 thousand euros.

Receivables due from the parent, the MEF, also include:

- 9,633 thousand euros in interest on the loan granted under Law 887/84 accruing in 2010;
- 10,015 thousand euros due as accrued interest on the deposit of Poste Italiane SpA's liquidity with the MEF in the first half;
- 8,999 thousand euros for amounts returned to customers holding dormant accounts, the balances of which had previously been paid into a specific fund set up by the MEF, pursuant to Presidential Decree 116/2007. As envisaged by MEF Circular 11439 of 13 February 2009, the Parent Company, which has advanced the sums claimed to customers, applied to the Ministry for reimbursement on 19 November 2010

Amounts due from others, totalling 69,310 thousand euros, include:

- guarantee deposits, totalling 59,550 thousand euros, accounted for by the Parent Company in current assets, and made in favour of counterparties with whom the Company has executed asset swap transactions (with collateral provided by a specific Credit Support Annex) as part of Poste Italiane SpA's cash flow and fair value hedging policies (notes 9.4 and 14.4);
- 8,980 thousand euros relating to Poste Vita SpA and regarding the subscription of and payment for units of mutual funds;

13 The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

- 677 thousand euros due from a counterparty declared bankrupt in 2008 and written off in the same year, resulting from early extinguishment of two Interest Rate Swaps carried out by the Parent Company in accordance with the related contracts terms. During the first half of 2011, a further receivable of 9,000 thousand euros, due to Poste Vita SpA from the same counterparty at 31 December 2010 in relation to the redemption of matured securities, and already written down by 8,100 thousand euros, was sold to third parties, realising income of 1,216 thousand euros.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets break down as follows:

9.3 - Available-for-sale financial assets

		Balance at 30 June 2011		Balance at 31 December 2010
Equity instruments		45,058		39,750
Fixed income instruments		33,935,916		30,510,943
Mutual investment funds	2,381,833		2,392,370	
Fiduciary deposits	93,577		92,098	
Other investments		2,475,410		2,484,468
Total		**36,456,384**		**33,035,161**

Financial instruments classified as Available-for-sale financial assets report a decrease in fair value of 123,054 thousand euros for the first half of 2011. This amount reflects:

- fair value losses of 133,916 thousand euros deriving from the measurement of securities held by Poste Vita SpA, with 59,058 thousand euros transferred to policyholders, whilst a contra-entry is made in technical provisions, and 74,858 thousand euros accounted for in the fair value reserve; this amount includes 76,863 thousand euros in losses on investments relating to Branch I policies which, in accordance with the policy terms and conditions, cannot be transferred to policyholders (note 3);
- net fair value losses of 10,862 thousand euros deriving from the measurement of other financial instruments, with 10,975 thousand euros on equity instruments, fixed income instruments and deposits held by the Parent Company.

The sum of the above changes in the fair value of Available-for-sale financial assets during the first half of 2011 results in a net decrease in the relevant Equity reserve of 63,996 thousand euros (note 20.1).

Equity instruments

Equity instruments primarily include 31,405 thousand euros relating to the fair value of 150,628 class B shares in MasterCard Incorporated held by the Parent Company (150,628 shares with a fair value of 25,263 thousand euros at 31 December 2010). These equity instruments are not quoted on a regulated market but, should it be necessary to sell them, they may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange.

Fixed income instruments

Fixed income instruments primarily regard investments held by Poste Vita SpA, totalling 33,399,006 thousand euros (29,975,803 thousand euros at 31 December 2010). This refers to listed instruments with a face value of 32.570.402 thousand euros issued by European governments and European blue-chip companies, with 31.663.489 thousand euros (28.243.225 thousand euros at 31 December 2010) of these securities covering contractual obligations deriving from separately managed accounts. Under the shadow accounting method applied, unrealised gains and losses on these instruments are entirely transferred to policyholders and recognised in technical provisions, provided that the changes in fair value do not affect the contractually guaranteed minimum return. The remaining amount regards the insurance company's investment of free capital.

This item also includes 474,514 thousand euros in investments in BTPs held by the Parent Company with a total face value of 500,000 thousand euros (including 100,000 thousand euros purchased during the first half of 2011). Of this amount, securities worth 375,000 thousand euros have been hedged via the asset swaps and fair value hedges described in note 9.4.

Other investments

Other investments regard:

- units of mutual funds with a value of 2,381,833 thousand euros (2,392,370 thousand euros at 31 December 2010), including 2,344,185 thousand euros primarily consisting of equity funds and 33,974 thousand euros relating to real estate funds, subscribed entirely by Poste Vita SpA and allocated to the insurance company's separately managed accounts. The balance is made up by 3,674 thousand euros relating to the fair value of units of mutual funds held by the Parent Company;
- 93,577 thousand euros (92,098 thousand euros at 31 December 2010) regarding a fiduciary deposit with a face value of 93,550 thousand euros (unchanged with respect to the end of 2010), established by the Parent Company in 2002 and expiring on 5 July 2012, and paying interest at a floating rate.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments designated at fair value through profit or loss are held by the subsidiary, Poste Vita SpA and regard:

- fixed income instruments of 3,677,113 thousand euros (3,668,330 thousand euros at 31 December 2010), consisting of 3,283,127 thousand euros in coupon stripped BTPs covering contractual obligations driving from with Branch III insurance policies, with the balance of 393,986 thousand euros primarily made up of corporate bonds issued by blue-chip companies and primarily linked to separately managed accounts in Branch I;
- structured bonds of 6,020,683 thousand euros (6,787,051 thousand euros at 31 December 2010) relating to investments whose returns are linked to the performances of particular market indexes, primarily designed to cover the insurance company's contractual obligations to the holders of Branch III index-linked policies; the item also includes instruments issued by the securitisation vehicle, Programma Dinamico SpA, with a fair value of 374,474 thousand euros (378,150 thousand euros at 31 December 2010);
- other investments totalling 731,785 thousand euros (742,465 thousand euros at 31 December 2010) regarding units of mutual funds primarily acquired to cover contractual obligations to the holders of Branch III unit-linked policies.

DERIVATIVE FINANCIAL INSTRUMENTS

Changes in derivative assets and liabilities are as follows:

9.4 - Changes in derivative financial instruments

		H1 2011				FY 2010			
	Note	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January		**119**	**22,933**	**105,568**	**128,620**	**(269)**	**(2,314)**	**22,584**	**20,001**
Purchases/Sales		-	-	(166)	(166)	-	-	107,057	107,057
Fair value gains and losses	[20.1]	(273)	771	(47,115)	(46,617)	598	24,580	(46,119)	(20,941)
Gains/Losses through profit or loss		79	215	(2,960)	(2,666)	(210)	667	22,046	22,503
Balance at end of period		**(75)**	**23,919**	**55,327**	**79,171**	**119**	**22,933**	**105,568**	**128,620**
of which:									
Derivative assets	[9.1]	-	23,919	89,410	**113,329**	119	22,933	105,568	**128,620**
Derivative liabilities	[24.1]	(75)	-	(34,083)	**(34,158)**	-	-	-	**-**

Cash flow hedges

At 30 June 2011 outstanding derivative financial instruments with a negative fair value of 75 thousand euros consist exclusively of two currency forwards executed in March 2007 by Mistral Air SpA in order to hedge the foreign exchange risk linked with a notional value of 2.65 million US dollars. This sum relates to the fees payable to suppliers for the lease of two aircraft.

Fair value hedges

At 30 June 2011 outstanding derivative financial instruments with a positive fair value[14] of 23,919 thousand euros consist of 9 asset swaps used as fair value hedges entered into by the Parent Company during the year under review to protect the value of BTPs with a notional value of 375 million euros from movements in interest rates. These instruments have enabled the Parent Company to sell the fixed rate on the BTPs of 3.75% and purchase a suitable floating rate.

Derivative financial instruments at fair value through profit or loss

At 30 June 2011 outstanding transactions primarily regard warrants and forward purchases of securities or warrants executed by Poste Vita SpA to cover contractual obligations deriving from Branch I and III policies already distributed or in the process of being distributed.

Changes in the related assets and liabilities during the period are as follows:

[14] The fair value of these derivative instruments is based on the present value of expected cash flows deriving from the differentials to be exchanged.

9.5 - Changes in derivative financial instruments at fair value through profit or loss

	USD currency forwards	Forward purchase of coupon stripped BTPs	Forward purchase of warrants	Warrants	Other less significant instruments	Total
Balance at 31 December 2009	**(21)**	**(7,547)**	**(4,860)**	**34,880**	**132**	**22,584**
Purchases/Sales	9,257	-	-	97,800	-	107,057
Fair value gains and losses	12	(7,891)	(11,115)	(27,125)	-	(46,119)
Income / Expenses through profit or loss	(9,235)	15,438	15,975	-	(132)	22,046
Balance at 31 December 2010	**13**	**-**	**-**	**105,555**	**-**	**105,568**
Purchases/Sales	2,202	-	-	(2,368)	-	(166)
Fair value gains and losses	35	(21,382)	(11,619)	(14,149)	-	(47,115)
Gains/Losses through profit or loss	(2,250)	-	-	(710)	-	(2,960)
Balance at 30 June 2011	**-**	**(21,382)**	**(11,619)**	**88,328**	**-**	**55,327**
of which:						
Derivative assets	-	1,082	-	88,328	-	89,410
Derivative liabilities	-	(22,464)	(11,619)	-	-	(34,083)

- Extinguishment of forward sales of US dollars outstanding at 31 December 2010, executed to hedge the redemption values at maturity of securities denominated in this currency.
- Execution of 46 forward coupon stripped BTP purchases with a total notional value of 1,965 million euros, in part relating to investment of Poste Vita's free capital and in part covering contractual obligations deriving from Branch I policies and the Branch III "Titanium" policy, the offering for which, with an expected value of 1,450 million euros, was closed on 15 July 2011; at 30 June 2011 the net fair value of these transactions reports a loss of 21,958 thousand euros[15].
- Execution of 4 forward coupon stripped BTP purchases with a total notional value of 230 million euros, covering contractual obligations deriving from a new Branch III policy to be launched in August 2011; at 30 June 2011 the net fair value of these transactions reports a gain of 576 thousand euros.
- Execution of forward purchases of *Index Linked Warrants* with a face value of 1,450 million euros, covering the index-linked component of returns on the Branch III "Titanium" policy. On 31 May 2011 a portion of this purchase, with a face value of 500 million euros, was extinguished early in view of the expected shortfall in sales of the policy, resulting in a cost of 5,765 thousand euros[15] recognised in Other expenses from insurance activities. At 30 June 2011 the remaining forward purchases amount to a face value of 950 million euros and report fair value losses of 11,619 thousand euros[15].
- Partial extinguishment of warrants with a face value of 1.2 million euros, covering contractual obligations for the Branch III "Quarzo" policy. This extinguishment resulted in a realised loss of 710 thousand euros.

At 30 June 2011 the Group's position in warrants is represented by instruments with a total face value of 3,799 million euros and a positive fair value of 88,328 thousand euros, as follows:

[15] The total cost for the first half of 2011 of the above forward purchases thus amounts to 39.3 million euros (including 38.5 million euros for instruments to cover contractual obligations deriving from the Branch III "Titanium" policy and 0.8 million euros to cover obligations associated with Branch I policies). As a result of this cost, following the closure of the offering of the "Titanium" policy in July 2011, 18.9 million euros was accounted for as a reduction in liabilities towards policyholders, resulting in recognition of a net loss in the Group's consolidated income statement for the six months ended 30 June 2011 of 20.4 million euros. In this regard, reference should be made to note 3 above in relation to market risk.

- warrants with a face value of 800 million euros purchased in 2009 and a positive fair value of 19,360 thousand euros (24,000 thousand euros at 31 December 2010), covering the index-linked component of returns on the Branch III "Alba" policy;
- warrants with a face value of 1,500 million euros purchased in 2010 and a positive fair value of 40,230 thousand euros (42,555 thousand euros at 31 December 2010), covering the index-linked component of returns on the Branch III "Terra" policy.
- warrants with a residual face value of 1,498.8 million euros purchased in 2010 (1,500 million euros at 31 December 2010), with a positive fair value of 28,738 thousand euros (39,000 thousand euros at 31 December 2010), covering the index-linked component of returns on the Branch III "Quarzo" policy.

10 OTHER NON-CURRENT ASSETS

10.1 - Other non-current assets

Item	Note	Balance at 30 June 2011		Balance at 31 December 2010	
Long-term portion of trade receivables due from Public Sector entities	[12.2]		222,161		216,583
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2006		26,667		32,672	
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2008		115,723		122,569	
Long-term portion of receivables due from staff under fixed-term contracts settlement of 2010		75,483		33,029	
Long-term portion of receivables due from IPOST under fixed-term contracts settlements of 2006-2008		33,042		39,266	
Provisions for doubtful debts due from staff		(2,189)		(2,189)	
			248,726		225,347
Tax assets			606,617		378,578
Guarantee deposits paid to suppliers			6,273		6,197
Third-party deposits in Post Office Savings Books registered in the name of Poste Italiane SpA			2,956		2,957
Technical provisions for claims attributable to reinsurers			13,798		8,333
Other receivables			81		81
Total			**1,100,612**		**838,076**

The long-term portion of receivables due from staff under fixed-term contracts settlements consists of salaries and the relevant contributions to be recovered following the agreements of 13 January 2006, 10 July 2008 and 27 July 2010 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. As shown in the following table, at 30 June 2011 these receivables regard the total residual present value of amounts due from staff and the pension fund, IPOST, totalling 330,995 thousand euros (after provisions for doubtful debts). Amounts due from staff are recoverable in the form of variable instalments, the last of which is due in 2030. Under an agreement reached with IPOST on 23 December 2009, contributions relating to the agreements of 2006 and 2008 are to be recovered in straight-line six-monthly instalments, the last of which is due in 2014.

10.2 - Receivables from fixed-term contracts settlements

Item	Balance at 30 June 2011				Balance at 31 December 2010			
	Non-current assets	Current assets	Total	Face value	Non-current assets	Current assets	Total	Face value
Receivables								
due from staff under agreement of 2006 [1]	26,667	14,059	40,726	44,953	32,672	14,397	47,069	52,203
due from staff under agreement of 2008 [2]	115,723	29,216	144,939	169,431	122,569	28,477	151,046	178,534
due from staff under agreement of 2010 [3]	75,483	18,229	93,712	120,468	33,029	11,352	44,381	56,515
due from IPOST [4]	33,042	20,765	53,807	55,372	39,266	13,843	53,109	55,372
Provisions for doubtful debts	(2,189)	-	(2,189)		(2,189)	-	(2,189)	
Total	**248,726**	**82,269**	**330,995**		**225,347**	**68,069**	**293,416**	

(1) Discounted on the basis of the forward interest rate curve for government securities in issue at 30 June 2006.
(2) Discounted on the basis of the forward interest rate curve for government securities in issue at 31 December 2008 in the case of individual agreements entered into in 2008, and on the basis of the forward interest rate curve for government securities in issue at 30 June 2009 for individual agreements entered into in the first half of 2009.
(3) Discounted on the basis of the forward interest rate curve for government securities in issue at 31 December 2010 in the case of individual agreements entered into in 2010, and on the basis of the forward interest rate curve for government securities in issue at 30 June 2011 for individual agreements entered into in the first half of 2011.
(4) Discounted on the basis of the forward interest rate curve for government securities in issue at 31 December 2009.

The current portion of 82,269 thousand euros is accounted for in Other current receivables and assets (note 13).

Prepaid taxes include 606,617 thousand euros relating to a total receivable of 620,750 thousand euros (including 14,232 thousand euros accounted for in Current assets, as described in note 13.1), representing advance payment by Poste Vita SpA of withholding tax and substitute tax on capital gains on life assurance policies for the years 2006 to 2011. Of this amount, the sum of 160,395 thousand euros, calculated on the basis of provisions at 30 June 2011, regards the amount still to be paid and accounted for in Other tax liabilities (note 26.4).

11 INVENTORIES

Net inventories break down as follows:

11.1 - Inventories

Item	Balance at 30 June 2011	Balance at 31 December 2010	Increase/ (Decrease)
Work in progress, semi-finished and finished goods and goods for resale	25,386	21,131	4,255
Properties held for sale	11,923	11,923	-
Raw, ancillary and consumable materials	13,188	11,136	2,052
Contract work in progress	8,087	8,087	-
Accumulated impairments of contract work in progress	(8,087)	(8,087)	-
Total	**50,497**	**44,190**	**6,307**

Work in progress, which was previous written off, refers to the interests of Postel SpA and its subsidiary, Postel do Brasil Ltda (whose liquidation is close to completion), in a long-term contract for the sale of an integrated hybrid e-mail platform in Brazil, a transaction that did not take place.

Properties held for sale regard a number of properties in EGI SpA portfolio that are to be sold. The fair value of these properties at 30 June 2011 amounts to approximately 77 million euros.

12 TRADE RECEIVABLES

Trade receivables break down as follows:

12.1 - Trade receivables

Item	30 June 2011			31 December 2010		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	222,161	2,778,162	3,000,323	216,583	2,734,234	2,950,817
Parents	-	1,295,073	1,295,073	-	1,171,053	1,171,053
Subsidiaries	-	5,462	5,462	-	3,261	3,261
Associates	-	3,743	3,743	-	3,084	3,084
Joint ventures	-	3,519	3,519	-	3,422	3,422
Prepayments to suppliers	-	1,987	1,987	-	346	346
Total	**222,161**	**4,087,946**	**4,310,107**	**216,583**	**3,915,400**	**4,131,983**

CUSTOMERS

This item breaks down as follows:

12.2 - Customers

Item	30 June 2011			31 December 2010		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Sector entities	222,161	988,634	1,210,795	216,583	897,917	1,114,500
Cassa Depositi e Prestiti	-	695,556	695,556	-	842,556	842,556
Unfranked mail delivered on behalf of third parties	-	483,400	483,400	-	419,402	419,402
Other BancoPosta services	-	203,977	203,977	-	256,181	256,181
Overseas correspondents	-	219,126	219,126	-	184,210	184,210
Parcel, express courier and express parcel services	-	149,867	149,867	-	150,791	150,791
Users of telegraphic services	-	40,949	40,949	-	45,131	45,131
Property management	-	9,752	9,752	-	7,875	7,875
Other trade receivables	-	272,523	272,523	-	204,879	204,879
Provisions for doubtful debts	-	(285,622)	(285,622)	-	(274,708)	(274,708)
Total	**222,161**	**2,778,162**	**3,000,323**	**216,583**	**2,734,234**	**2,950,817**

Amounts due from ministries and Public Sector entities for mail and delegated services include the amount due to the Parent Company from the Cabinet Office - Publishing Department, totalling 574,288 thousand euros, corresponding to a face value of 606,125 thousand euros, and relating to publisher tariff subsidies for the financial years from 2001 to 2010. The receivable is accounted for at its present value to take account of the time it is expected to take to collect the amount due in accordance with the regulations in force and the best information available. For this reason the sum of 222,161 thousand euros (corresponding to a face value of 253,999 thousand euros) is classified in Other non-current assets (note10.1)[16].

Amounts due from Cassa Depositi e Prestiti total 695,556 thousand euros and include 675,000 thousand euros in accrued fees for the management of postal savings accounts in the first half of 2011, with the remainder regarding previous years.

Provisions for doubtful debts

Changes in provisions for doubtful debts are as follows:

12.3 - Changes in provisions for doubtful debts

Item	Balance at 1 Jan 2010	Net provisions	Deferred revenues	Uses	Balance at 31 Dec 2010	Net provisions	Deferred revenues	Uses	Balance at 30 June 2011
Overseas postal operators	8,259	1,922	-	(14)	10,167	-	-	-	10,167
Public Sector entities	153,640	6,609	3,213	(10,398)	153,064	8,559	1,606	-	163,229
Private customers	97,565	8,328	570	(2,535)	103,928	(1,052)	247	(566)	102,557
	259,464	16,859	3,783	(12,947)	267,159	7,507	1,853	(566)	275,953
For overdue interest	5,736	3,542	-	(1,729)	7,549	2,803	-	(683)	9,669
Total	**265,200**	**20,401**	**3,783**	**(14,676)**	**274,708**	**10,310**	**1,853**	**(1,249)**	**285,622**

Net provisions (releases of provisions) for doubtful debts are accounted for in the income statement in Other operating costs (note 36.1), or, if referring to receivables accruing during the year, via deferral of the related revenues.

16 The increase in the non-current portion of these receivables in the first half of 2011 is entirely due to accrued finance income on the present value of the receivable accounted for.

PARENTS

Amounts receivable regard trade receivables due to the Parent Company from the Ministry of the Economy and Finance. The following table shows a breakdown:

12.4 - Receivables due from parents

Item	Balance at 30 June 2011	Balance at 31 December 2010
Universal Service	1,032,881	854,330
Publisher tariff and electoral subsidies	160,677	155,758
Remuneration of current account deposits	128,871	185,217
Payment for delegated services	36,322	36,322
Payment for distribution of euro coins	6,026	6,026
Other	10,646	6,255
Provisions for doubtful debts due from parents	(80,350)	(72,855)
Total	**1,295,073**	**1,171,053**

Universal Service subsidies include 178,551 thousand euros representing the amount accruing in the first half of 2011, 364,463 thousand euros representing the amount accruing in 2010, 371,830 thousand euros in amounts accrued in 2009, 32,011 thousand euros in amounts accrued in 2008 and 33,642, 43,721 and 8,663 thousand euros regarding residual amounts accrued in 2007, 2006 and 2005.

Electoral subsidies include 22,918 thousand euros accruing in the first half of 2011, with the remainder attributable to previous years. These receivables have not been budgeted for by the Government.

The remuneration of current account deposits refers entirely to amounts accruing in the first half of 2011 and almost entirely regards the deposit of funds deriving from accounts opened by Public Sector entities.

Payments for delegated services regard fees for treasury services carried out on behalf of the State under the relevant Agreement with the MEF, which is currently being renewed. 28,350 thousand euros regards amounts accruing in the first half of 2011, with 7,972 thousand euros regarding the residual amount due for 2008 and 2007.

Payment due for the distribution of euro coins includes 6,026 thousand euros for the supply and delivery of euro converters, carried out at the time on behalf of the Cabinet Office. At 30 June 2011 these receivables have not been budgeted for by the Government.

12.5 - Changes in provisions for doubtful debts due from parents

	Balance at 1 Jan 2010	Provisions	Deferred revenues	Uses	Balance at 31 Dec 2010	Provisions	Deferred revenues	Uses	Balance at 30 June 2011
Provisions for doubtful debts	77,230	(4,375)	-	-	72,855	7,495	-	-	80,350

Provisions for doubtful debts due from parents take account, overall, of the potential impact of legislation and other policies regarding the government's management of the public finances, which make it difficult to collect receivables recognised on the basis of legislation, contracts and agreements in force at the time of recognition. The provisions reflect the best estimate of unrecoverable amounts in view of the fact that these receivables have not been budgeted for by the government and are based on the related financial impact.

13 OTHER CURRENT RECEIVABLES AND ASSETS

This item breaks down as follows:

13.1 - Other current receivables and assets

Item	Balance at 30 June 2011	Balance at 31 December 2010
Prepaid taxes	253,141	368,347
Receivables due from others	348,364	346,932
Provisions for doubtful debts due from others	(134,964)	(129,395)
Other amounts due from subsidiaries	41	34
Other amounts due from associates	32	-
Accrued income and prepaid expenses from trading transactions	25,153	17,316
Total	**491,767**	**603,234**

PREPAID TAXES

These primarily include 226,588 thousand euros in advances that the Parent Company has paid to the tax authorities, including 214,905 thousand euros in stamp duty to be paid in virtual form in 2011, and 11,683 thousand euros as withholding tax on interest paid to current account holders for 2011. A further 14,232 thousand euros regards tax credits attributable to Poste Vita SpA, as described in note10.1.

RECEIVABLES DUE FROM OTHERS

These primarily regard:

- 82,269 thousand euros (68,069 thousand euros at 31 December 2010) relating to the current portion of the receivable described in note 10.2 relating to pay and contributions and due from staff previously employed on fixed-term contracts, who have been subsequently re-employed after acceptance of the union agreements of 13 January 2006, 10 July 2008 and 27 July 2010;
- 80,378 thousand euros (76,770 thousand euros at 31 December 2010) payable to BancoPosta by the heirs of INPS and INPDAP pensioners, following the collection of pension payments after the death of the pensioners concerned;
- 49,108 thousand euros deriving from the recharging of third-party postal current account holders of stamp duty paid by the Parent Company in virtual form in accordance with existing legislation (62,003 thousand euros at 31 December 2010);
- amounts to be recovered by BancoPosta from the holders of Post Office Savings Books, totalling 13,479 thousand euros (13,816 thousand euros at 31 December 2010), due to transactions in the process of being settled;
- 13,079 thousand euros in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud. This amount is currently held by an overseas bank and may only be recovered once completion of the necessary legal formalities enables it to be released and returned to Poste Italiane SpA;
- 11,050 thousand euros (11,231 thousand euros at 31 December 2010) due from ministries and Public Sector entities in the form of pay and contributions for personnel seconded to them by Poste Italiane SpA.

PROVISIONS FOR DOUBTUL DEBTS DUE FROM OTHERS

Changes in provisions for doubtful debts are as follows:

13.2 - Changes in provisions for doubtful debts due from others

Item	Balance at 1 Jan 2010	Net provisions	Uses	Balance at 31 Dec 2010	Net provisions	Uses	Balance at 30 June 2011
Sundry receivables attributable to BancoPosta	107,307	(16,669)	(52)	90,586	3,270	-	93,856
Public Sector entities for sundry services	11,451	(984)	-	10,467	(8)	-	10,459
Other	12,808	15,534	-	28,342	5,127	(2,820)	30,649
Total	**131,566**	**(2,119)**	**(52)**	**129,395**	**8,389**	**(2,820)**	**134,964**

Provisions for sundry receivables attributable to BancoPosta regard amounts that the Group is expected to have difficulty in recovering from private customers for transactions to be settled.

14 ASSETS AND LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

These items refer to the balances of financial transactions carried out by the Parent Company pursuant to Presidential Decree 144/2001 (see also note 20.1). In particular, these transactions regard management of the liquidity deposited in postal current accounts, carried out under the BancoPosta name, but subject to restrictions on the investment of such liquidity in compliance with the applicable legislation. The transactions also regard the management of collections and payments in the name and on behalf of third parties. These include the collection of postal savings (savings books and savings certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Sector entities. Among other things, these transactions involve the use of cash advances from the Italian Treasury and the recognition of receivables awaiting financial settlement. The specific agreement with the MEF, which expired on 31 December 2010 and is in the process of being renewed, requires BancoPosta to provide daily statements of all cash flows, with a delay of one bank working day with respect to the transaction date.

The liquidity deriving from current account deposits by Public Sector entities must be invested with the MEF and is remunerated at a floating rate in accordance with the specific agreement with the MEF. This was renewed on 1 April 2011, as approved by Ministerial Decree on 7 April 2009, and is valid until 31 December 2011. This agreement applies the European Commission's Decision of 16 July 2008.

In compliance with the 2007 Budget Law, with effect from 2007 the Parent Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in euro area government securities.

The above agreement with the MEF for treasury services, which is in the process of being renewed, envisages that a limited portion of the funds deriving from deposits paid into postal current accounts by private customers may be invested in a specific account held at the MEF (the so-called Buffer Account). This is done with the aim of ensuring a certain flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a rate equal to the average yield on Short-term Italian Treasury Certificates (*BOT*) in the relevant six-month period.

ASSETS ATTRIBUTABLE TO BANCOPOSTA

These assets are shown less the Group's liquidity (note 14.6) and include:

14.1 - Assets attributable to BancoPosta

Item	Balance at 30 June 2011	Balance at 31 December 2010
Investments in securities	30,182,817	29,303,781
Derivative financial instruments	145,509	88,205
Amounts due from the MEF	12,387,592	7,014,078
Amounts due from the Italian Treasury	-	1,188,592
Balance of cash flows from management of postal savings	17,363	-
Other receivables	648,803	548,717
Cash and cash equivalents	1,980,608	2,351,245
Total assets attributable to BancoPosta	**45,362,692**	**40,494,618**
Poste Italiane SpA's own liquidity held in postal current accounts	(654,504)	(840,624)
Total	**44,708,188**	**39,653,994**

INVESTMENTS IN SECURITIES

This item regards investments in fixed income euro area government securities with a face value of 30,200,000 thousand euros, including 30,109,000 thousand euros invested in Italian government bonds and 91,000 thousand euros invested in BTAN (*Bon du Tresor a Taux Fix et a Interet Annue*) issued by the French government.

These investments break down as follows:

14.2 - Investments in securities

Securities	Maturing			Total	Face value
	within 12 months	between 1 and 5 years	over 5 years		
Held-to-maturity (HTM)	1,593,460	5,024,525	8,150,228	14,768,213	14,509,650
Available-for-sale (AFS)	764,258	2,183,221	11,588,089	14,535,568	14,517,350
Held for trading (FVPL)	-	-	-	-	-
Balance at 31 December 2010	**2,357,718**	**7,207,746**	**19,738,317**	**29,303,781**	**29,027,000**
Held-to-maturity (HTM)	1,124,846	5,019,850	8,663,170	14,807,866	14,594,650
Available-for-sale (AFS)	795,709	686,206	13,893,036	15,374,951	15,605,350
Held for trading (FVPL)	-	-	-	-	-
Balance at 30 June 2011	**1,920,555**	**5,706,056**	**22,556,206**	**30,182,817**	**30,200,000**

The composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes is based on appropriate statistical models developed by a leading market player. An Asset & Liability Management system has been created to management the match between customer deposits and investments. During the first half the process of matching the maturity of the portfolio with the new replication model for deposits, introduced in 2010, continued.

Changes in investments in securities in 2010 and in the first half of 2011 are as follows:

14.3 - Changes in investments in securities

	HTM		AFS		FVPL		TOTAL	
Securities	**Face Value**	**Carrying amount**	**Face Value**	**Fair value**	**Face Value**	**Fair value**	**Face Value**	**Carrying amount**
Balance at 31 December 2009	13,114,650	13,287,112	14,092,700	15,067,840	100,000	104,021	27,307,350	28,458,973
Purchases	2,695,000	2,814,133	6,967,000	7,196,615	1,911,000	1,921,109	11,573,000	11,931,857
Sales	(150,000)	(154,059)	(5,707,350)	(5,814,550)	(2,011,000)	(2,025,807)	(7,868,350)	(7,994,416)
Redemptions	(1,150,000)	(1,150,000)	(835,000)	(835,000)	-	-	(1,985,000)	(1,985,000)
Transfers to Equity reserves	-	(17,857)	-	(227,728)	-	-	-	(245,585)
Increase/(Decrease) in accrued income	-	(5,029)	-	17,645	-	677	-	13,293
Changes in amortised cost	-	(6,087)	-	9,912	-	-	-	3,825
Changes in fair value through PL	-	-	-	(24,694)	-	-	-	(24,694)
Changes in fair value through Equity	-	-	-	(854,472)	-	-	-	(854,472)
Balance at 31 December 2010	**14,509,650**	**14,768,213**	**14,517,350**	**14,535,568**	**-**	**-**	**29,027,000**	**29,303,781**
Purchases	550,000	520,272	5,423,200	5,341,859	-	-	5,973,200	5,862,131
Sales	-	-	(3,838,500)	(3,824,282)	-	-	(3,838,500)	(3,824,282)
Redemptions	(465,000)	(465,000)	(496,700)	(496,700)	-	-	(961,700)	(961,700)
Transfers to Equity reserves	-	(12,856)	-	(92,614)	-	-	-	(105,470)
Increase/(Decrease) in accrued income	-	(890)	-	272	-	-	-	(618)
Changes in amortised cost	-	(1,873)	-	9,892	-	-	-	8,019
Changes in fair value through PL	-	-	-	(96,309)	-	-	-	(96,309)
Changes in fair value through Equity	-	-	-	(2,735)	-	-	-	(2,735)
Balance at 30 June 2011	**14,594,650**	**14,807,866**	**15,605,350**	**15,374,951**	**-**	**-**	**30,200,000**	**30,182,817**

At 30 June 2011 the fair value of the held-to-maturity portfolio, accounted for at amortised cost, is 14,745,726 thousand euros (including 229,258 thousand euros in accrued daily interest payments). A notional amount of 1,000,000 thousand euros regards securities that are restricted as they have been used as collateral for repurchase agreements (note 14.6).

The fair value of the available-for-sale portfolio is 15,374,951 thousand euros (including 222,655 thousand euros in accrued daily interest payments). A notional amount of 180,000 thousand euros regards restricted investments in securities used as collateral for repurchase agreements (note 14.6). The overall fair value loss of 99,042 thousand euros for the period is recognised in the relevant Equity reserve, consisting of a loss of 2,735 thousand euros relating to the portion of the portfolio not covered by fair value hedges, and in the income statement, represented by a loss of 96,309 relating to the hedged portion. In July 2011, following the particularly volatile performance of the market for government securities, the fair value of this portfolio registered significant changes. Given the tendency of the underlying private customer deposits to remain stable, it is not expected that these movements will result in charges to be recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

Changes in derivative financial instruments during the first half are as follows:

14.4 Changes in derivative financial instruments

	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value
Balance at 1 January 2010	**578,000**	**40,969**	**2,618,700**	**(93,075)**	**-**	**-**	**-**	**-**	**100,000**	**(7)**	**3,296,700**	**(52,113)**
Discontinued CFHs	(91,000)	(6,941)	-	-	-	-	91,000	6,941	-	-	-	-
Increases/(decreases) *	1,820,000	2,802	450,000	83,259	2,950,000	15,904	-	2,286	541,000	(2,543)	5,761,000	101,708
Gains/(losses) through profit or loss **	-	-	-	-	-	(24)	-	-	-	-	-	(24)
Transactions settled ***	(1,587,000)	(50,530)	(994,950)	2,476	-	2,864	(91,000)	(9,227)	(641,000)	2,550	(3,313,950)	(51,867)
Balance at 31 December 2010	**720,000**	**(13,700)**	**2,073,750**	**(7,340)**	**2,950,000**	**18,744**	**-**	**-**	**-**	**-**	**5,743,750**	**(2,296)**
Discontinued CFHs	-	-	-		-	-	-	-	-	-	-	-
Increases/(decreases) *	1,340,000	7,366	1,710,000	(59,443)	750,000	91,246	-	-	-	-	3,800,000	39,169
Gains/(losses) through profit or loss **	-	-	-	69	-	34	-	-	-	-	-	103
Transactions settled ***	(910,000)	18,524	(250,000)	(11,288)	-	5,309	-	-	-	-	(1,160,000)	12,545
Balance at 30 June 2011	**1,150,000**	**12,190**	**3,533,750**	**(78,002)**	**3,700,000**	**115,333**	**-**	**-**	**-**	**-**	**8,383,750**	**49,521**
including:												
Derivative assets	1,050,000	12,391	1,550,000	13,289	3,300,000	119,829	-	-	-	-	5,900,000	145,509
Derivative liabilities	100,000	(201)	1,983,750	(91,291)	400,000	(4,496)	-	-	-	-	2,483,750	(95,988)

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

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

*** Transactions settled include forward transactions settled, accrued differentials and the extinguishment of asset swaps linked to securities sold.

During period under review Poste Italiane SpA carried out the following transactions in relation to cash flow hedges:

- the settlement of outstanding forward purchases at 31 December 2010 with a notional value of 720,000 thousand euros;
- the execution of new forward purchase agreements with a notional value of 1,340,000 thousand euros (so-called cash flow hedges of forecast transactions), including 190,000 thousand euros already settled at 30 June 2011;
- the execution of asset swaps on securities purchased during the period and with a notional value 1,710,000 thousand euros, and the extinction of asset swaps on securities sold, which were already protected by cash flow hedges, with a notional value of 250,000 thousand euros; as a result of these transactions, at 30 June 2011 the Parent Company reports outstanding assets swaps with a total notional value of 3,533,750 thousand euros, with which it has purchased a fixed rate of 4.86% (the weighted average of the rates provided for in the contracts) and sold a floating rate on BTPs indexed to inflation (BTP€is) and CCTeus indexed to 6-month EURIBOR.

These instruments recorded an overall fair value loss of 52,077 thousand euros on the effective component of the hedges during the first half, which is reflected in the cash flow hedge reserve.

During the first half of 2011 the Parent Company also executed fair value hedges to limit exposure to the price volatility of certain investments in available-for-sale fixed income instruments. These instruments are long-term in nature or designed to provide portfolio flexibility. These transactions include interest rate swaps with a total notional value of 750,000 thousand euros, including 350,000 thousand euros to be activated in 2015 and 400,000 thousand euros to be activated in 2016. The swaps have enabled the Parent Company to purchase a suitable floating rate and sell the fixed rate applicable to the relevant BTPs. As a result of fluctuations in market rates, these instruments have undergone an overall net fair value gain of 91,246 thousand euros during the first half, whilst the hedged securities (note 14.3) have recorded a fair value loss of 96,309 thousand euros. The difference of 5,063 thousand euros is due to paid or maturing differentials.

AMOUNTS DUE FROM THE MEF

This item includes liquidity, amounting to 11,733,088 thousand euros (6,173,454 thousand euros at 31 December 2010), deriving from the investment of postal current account deposits of Public Sector entities under the restriction established by the Regent's Decree of 22 November 1945. It also includes 654,504 thousand euros (840,624 thousand euros at 31 December 2010) in deposits (the so-called Buffer Account) provided for in the above Agreement with the MEF for treasury services. At 30 June 2011 the increase in the investment of postal current account deposits of Public Sector entities is dependent on and due to the fact that funds were made available by the relevant entity in advance, compared with the usual timing, in order to pay pensions (4,970,000 thousand euros).

BALANCE OF CASH FLOWS FROM MANAGEMENT OF POSTAL SAVINGS

This item represents the balance of withdrawals less deposits during the last day of the period under review and cleared on the first day of the second half. The balance at 30 June 2011 consists of 26,267 thousand euros receivable from the MEF (36,025 thousand euros at 31 December 2010), after deducting a payable due to Cassa Depositi e Prestiti, totalling 8,904 thousand euros (109,428 thousand euros at 31 December 2010).

OTHER RECEIVABLES

Other receivables primarily relate to bank and postal cheques and bankers' drafts (388,724 thousand euros), and amounts due from customers in the form of withdrawals from ATMs yet to be registered on their accounts (95,522 thousand euros).

CASH AND CASH EQUIVALENTS ATTRIBUTABLE TO BANCOPOSTA

14.5 - Cash and cash equivalents

Item	Balance at 30 June 2011	Balance at 31 December 2010
Cash in hand	1,964,371	2,314,930
Cheques	50	50
Bank deposits	16,187	36,265
Total	**1,980,608**	**2,351,245**

Cash essentially regards cash in hand held at post offices and by companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury.

LIABILITIES ATTRIBUTABLE TO BANCOPOSTA

Liabilities attributable to BancoPosta are accounted for after deducting the Group's liquidity held in postal current accounts in the names of consolidated companies. These liabilities break down as follows:

14.6 - Liabilities attributable to BancoPosta

Item	Note	Balance at 30 June 2011	Balance at 31 December 2010
Payables deriving from postal current accounts		41,304,911	39,476,478
Amounts due to the Italian Treasury		2,373,405	-
Repurchase agreements		1,204,139	389,212
Balance of cash flows from management of postal savings		-	73,403
Derivative financial instruments	[14.4]	95,988	90,501
Other payables		302,503	287,484
Total liabilities attributable to BancoPosta		**45,280,946**	**40,317,078**
Amounts payable to consolidated companies for postal current accounts		(2,702,760)	(2,506,216)
Total		**42,578,186**	**37,810,862**

PAYABLES DERIVING FROM POSTAL CURRENT ACCOUNTS

These payables regard the balance of postal current accounts in the name of Poste Italiane SpA and other Group companies, totalling 2,702,760 thousand euros (2,506,216 thousand euros at 31 December 2010) which have been eliminated. The increase in the balance compared with 31 December 2010 is primarily attributable to Public Sector customers. This item includes a payable of 100,000 thousand euros regarding a time deposit made by a private customer and maturing within 2011.

AMOUNTS DUE TO THE ITALIAN TREASURY

This item breaks down as follows:

14.7 - Amounts receivable from/(payable to) the Italian Treasury

Item		Balance at 30 June 2011	Balance at 31 December 2010
Amounts receivable from the Treasury		2,376,535	(1,186,508)
MEF postal current accounts and other payables		681,516	679,417
	Subtotal	3,058,051	(507,091)
Ministry of Justice		(411)	(16)
Ministry of the Economy and Finance		(684,235)	(681,485)
Total		**2,373,405**	**(1,188,592)**

The net balance of amounts payable to and receivable from the Italian Treasury is represented by advances from the MEF to meet the cash requirements of post offices, less transfers of deposits and any excess liquidity by the Parent Company. At 30 June 2011 this item is in debit as certain amounts received in advance from the Government have already been settled (deposited with the MEF – note 14.1).

REPURCHASE AGREEMENTS

In the first half of 2011 the Parent Company executed 41 repurchase agreements with prime financial counterparties. These transactions, amounting to 4,961,771 thousand euros, were entered into to optimise investments with respect to short-term movements in deposits. At 30 June 2011, 9 contracts with a total value of 1,204,139 thousand euros remain outstanding. They are due to mature by the end of July 2011.

OTHER PAYABLES

Other payables primarily regard 203,896 thousand euros in cheques presented for payment into Post Office Savings Books (178,982 thousand euros al 31 December 2010).

AMOUNTS PAYABLE TO CONSOLIDATED COMPANIES FOR POSTAL CURRENT ACCOUNTS

At 30 June 2011 the Group's liquidity held in postal current accounts to be deducted from BancoPosta's liabilities amounts to 2,702,760 thousand euros. This amount is normally represented by demand deposits with the MEF held in the so-called Buffer Account, totalling 654,504 thousand euros (note 14.1), and investments in securities accounted for in Assets attributable to BancoPosta, totalling 2,048,256 thousand euros, deriving from deposits in the form of the financial instruments referred to in Financial liabilities (note 24.4).

15 CASH AND CASH EQUIVALENTS

This item breaks down as follows:

15.1 - Cash and cash equivalents

Item	Balance at 30 June 2011	Balance at 31 December 2010
Bank and Postal Office deposits	3,531,743	2,745,331
Cash in hand	13,180	13,406
	3,544,923	2,758,737
Postal deposits invested in Assets attributable to BancoPosta	(2,048,256)	(1,665,592)
Total	**1,496,667**	**1,093,145**

Deposits and cash in hand

Cash belonging to the Parent Company and a number of subsidiaries is primarily deposited in postal current accounts. The Parent Company's deposits earn returns based on the yield on short-term deposits with the MEF held in the so-called Buffer Account (note 14). Remuneration of these cash deposits is shown separately in Finance income (note 37.1), as opposed to revenue deriving from the investment of deposits from third parties (note 27.4).

Bank and post office deposits include 22,667 thousand euros that has been frozen as a result of court orders relating to a number of legal actions of various nature.

Postal deposits invested in Assets attributable to BancoPosta reflect the fact that, in compliance with the provisions of the 2007 Budget Law, funds deriving from deposits paid into postal current accounts by private customers, and therefore also the liquidity of Group companies held in postal current accounts (note 14.6), are invested in euro area government securities, which are accounted for in Assets attributable to BancoPosta (note 14.1).

16 NON-CURRENT ASSETS HELD FOR SALE

This item breaks down as follows:

16.1 - Non-current assets held for sale

	H1 2011	FY 2010
Balance at beginning of period		
Cost	9,753	2,687
Accumulated depreciation	(3,706)	(937)
Impairments	(465)	(465)
Carrying amount	**5,582**	**1,285**
Changes during period		
Reclassifications of non-current assets [1]	(44)	8,031
Disposals [2]	(92)	(3,734)
Total changes	**(136)**	**4,297**
Balance at end of period		
Cost	9,468	9,753
Accumulated depreciation	(3,557)	(3,706)
Impairments	(465)	(465)
Carrying amount	**5,446**	**5,582**
Reclassifications [1]		
Cost	(140)	12,997
Accumulated depreciation	96	(4,966)
Total	**(44)**	**8,031**
Disposals [2]		
Cost	(145)	(5,931)
Accumulated depreciation	53	2,197
Total	**(92)**	**(3,734)**

These assets refer to industrial buildings belonging to the Parent Company for which the related sales process has been completed, and which are expected to fetch a total price of over 20 million euros. Recognition of this item has not resulted in charges to be recognised in the income statement..

17 SHARE CAPITAL

The share capital consists of 1,306,110,000 ordinary shares with a par value of 1 euro each owned by the sole shareholder, the Ministry of the Economy and Finance.

Al 30 June 2011 all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Parent Company does not hold treasury shares.

The following table shows a reconciliation of the Parent Company's equity and profit/(loss) for the period with the consolidated amounts:

17.1 Reconciliation of Equity

	Equity 30 June 2011	Changes in equity H1 2011	Profit/(Loss) for H1 2011	Equity 31 Dec 2010	Changes in equity 2010	Profit/(Loss) for 2010	Equity 1 Jan 2010
Financial Statements of Poste Italiane SpA	**3,588,665**	**(438,077)**	**413,517**	**3,613,225**	**(1,192,730)**	**729,035**	**4,076,920**
- Undistributed profit/(loss) of consolidated companies	894,593	-	54,876	**839,717**	-	205,040	634,677
- Investments accounted for using the equity method	1,241	-	527	**714**	-	(490)	1,204
- Balance of FV and CFH reserves of investee companies	(87,629)	(49,730)	-	**(37,899)**	(18,022)	-	(19,877)
- Actuarial gains and losses on staff termination benefits of investee companies	1,408	229	-	**1,179**	986	-	193
- Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA (*)	(2,650)	-	373	**(3,023)**	-	3,524	(6,547)
- Effects of contributions and transfers of business units between Group companies							-
SDA Express Courier SpA	(29,940)	-	1,080	**(31,020)**	-	16,395	(47,415)
EGI SpA	(65,216)	-	581	**(65,797)**	-	12,623	(78,420)
PostelPrint SpA	(12,837)	-	-	**(12,837)**	-	-	(12,837)
PosteShop SpA	664	-	-	**664**	-	-	664
- Effects of intercompany transactions	(11,316)	-	(9,423)	**(1,893)**	-	-	(1,893)
- Elimination of adjustments to value of consolidated investments	150,413	-	-	**150,413**	-	61,671	88,742
- Amortisation until 1 Jan 2004/impairment of goodwill arising from consolidation	(84,418)	-	-	**(84,418)**	-	(13,390)	(71,028)
- Effect of tax consolidation arrangement	6,208	-	-	**6,208**	-	2,824	3,384
- Other consolidation adjustments	6,708	-	(1,124)	**7,832**	-	689	7,143
Equity attributable to owners of the Parent	**4,355,894**	**(487,578)**	**460,407**	**4,383,065**	**(1,209,766)**	**1,017,921**	**4,574,910**
- Non-controlling interests (excluding profit/(loss))	13	-	-	**13**	-	-	13
- Non-controlling interests in profit/(loss)	-	-	-	**-**	-	-	-
Non-controlling interests in equity	**13**	**-**	**-**	**13**	**-**	**-**	**13**
TOTAL CONSOLIDATED EQUITY	**4,355,907**	**(487,578)**	**460,407**	**4,383,078**	**(1,209,766)**	**1,017,921**	**4,574,923**

(*) This adjustment regards deferment of fees payable for the distribution by Poste Vita SpA of Life products classified as investment contracts and Non-life products and by Poste Assicura SpA of Non-life products. As distribution takes place via Poste Italiane SpA's network, the deferment is eliminated.

18 SHAREHOLDER TRANSACTIONS

The General Meeting of shareholders held on 14 April 2011 approved payment of dividends totalling 350,000 thousand euros (based on a dividend per share of 0.27 euros).

19 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (EPS) is based on the Group's profit for the period. The denominator used in the calculation of both basic and diluted EPS is represented by the number of the Parent Company's shares in issue, given that no financial instruments with potentially dilutive effects have been issued at 30 June 2011 and 30 June 2010.

20 RESERVES

Reserves break down as follows:

20.1 - Reserves

	Legal reserve	Reserve for BancoPosta capital	Fair value reserve	Cash Flow Hedge Reserve	Total
Balance at 1 January 2010	**148,351**	**-**	**634,588**	**(119,321)**	**663,618**
Increases/(Decreases) in fair value during the period	-	-	(370,437)	98,104	(272,333)
Tax effect of changes in fair value	-	-	118,148	(31,252)	86,896
Transfers to profit or loss	-	-	(321,182)	42,980	(278,202)
Tax effect of transfers to profit or loss	-	-	101,088	(13,712)	87,376
Gains/(losses) recognised directly in Equity	-	-	(472,383)	96,120	(376,263)
Appropriation of profit for 2009	38,640	-	-	-	38,640
Balance at 30 June 2010	**186,991**	**-**	**162,205**	**(23,201)**	**325,995**
Increases/(Decreases) in fair value during the period	-	-	(526,173)	(11,445)	(537,618)
Tax effect of changes in fair value	-	-	167,824	3,643	171,467
Transfers to profit or loss	-	-	(17,985)	(9,728)	(27,713)
Tax effect of transfers to profit or loss	-	-	6,334	3,114	9,448
Gains/(losses) recognised directly in Equity	-	-	(370,000)	(14,416)	(384,416)
Appropriation of profit for 2009	-	-	-	-	-
Balance at 31 December 2010	**186,991**	**-**	**(207,795)**	**(37,617)**	**(58,421)**
Increases/(Decreases) in fair value during the period	-	-	(66,731)	(52,350)	(119,081)
Tax effect of changes in fair value	-	-	22,125	16,707	38,832
Transfers to profit or loss	-	-	(51,221)	(43,162)	(94,383)
Tax effect of transfers to profit or loss	-	-	16,340	13,790	30,130
Gains/(losses) recognised directly in Equity	-	-	(79,487)	(65,015)	(144,502)
Appropriation of profit for 2010	38,948	-	-	-	38,948
Formation of BancoPosta capital	-	1,000,000	-	-	1,000,000
Balance at 30 June 2011	**225,939**	**1,000,000**	**(287,282)**	**(102,632)**	**836,025**

RESERVE FOR BANCOPOSTA CAPITAL

In order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements and protecting creditors, on 26 February 2011 art. 2, paragraphs 17-*octies et seq.* of Law 10, which converted Law Decree 225 of 29 December 2010 into law, provided that Poste Italiane SpA shareholder should form ring-fenced capital to be used exclusively in relation to BancoPosta's operations, as governed by Presidential Decree 144/2001. As a result of the ensuing resolution, which was approved a General Meeting held on 14 April 2011 and filed with the Companies' Register on 2 May 2011, the Parent Company has formed ring-fenced capital ("BancoPosta capital"), and established the assets and contractual relations to be included in the ring fence and the rules for its organisation, management and control. A reserve with a value of 1 billion euros has been established in relation to BancoPosta's ring-fenced capital by transferring the above amount from Retained earnings. The Parent Company has also drawn up a new model for accounting unbundling, extending the application of unbundling, which originally only regarded financial transactions carried out by the Parent Company pursuant to Presidential Decree 144/2001, and identified in this Interim Report as "Assets and liabilities attributable to BancoPosta", to all items in the statement of financial position generated by revenue and cost components attributable to these operations. This will result in preparation of a separate report, to be attached to the financial statements from 2011. On 11 July 2011 the Court of Rome certified the absence of any opposition from creditors or of any legal challenge to the above shareholder resolutions, thereby rendering them effective from 2 May 2011. The separate report for the year ended 31 December 2011 will thus include the income statement for BancoPosta's operations during the first eight months of the year.

FAIR VALUE RESERVE

The fair value reserve regards changes in the fair value of Available-for-sale financial assets. During the first half of 2011 fair value losses totalling 66,731 thousand euros included:

- 2,735 thousand euros relating to the net fair value loss on BancoPosta's investments in securities described in note 14.3;
- 63,996 thousand euros regarding the net fair value loss on investments described in note 9.3.

CASH FLOW HEDGE RESERVE

The Cash flow hedge reserve, which primarily relates to the Parent Company, reflects changes in the fair value of the effective portion of cash flow hedges outstanding. During the first half of 2011 net fair value losses of 52,350 thousand euros reflected:

- a net loss of 52,077 thousand euros on the value of derivative financial instruments described in note 14.4;
- a loss of 273 thousand euros on the value of derivative financial instruments described in note 9.4.

21 TECHNICAL PROVISIONS FOR INSURANCE BUSINESS

These provisions refer to obligations the subsidiary, Poste Vita SpA, has made to its policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method. They break down as follows:

21.1 - Technical provisions for insurance business

Item	Balance at 30 June 2011	Balance at 31 December 2010
Mathematical provisions	36,038,573	31,989,508
Outstanding claims provisions	200,745	332,531
Technical provisions where investment risk is transferred to policyholders	10,104,409	10,003,902
Other provisions	(612,752)	(600,732)
for operating costs	86,133	87,077
for deferred liabilities due to policyholders	(698,885)	(687,809)
Technical provisions for claims	23,228	13,659
Total	**45,754,203**	**41,738,868**

Details of changes are shown in the table regarding Changes in technical provisions for insurance business and other claims expenses (note 32).

22 PROVISIONS FOR LIABILITIES AND CHARGES

Changes in provisions are as follows:

22.1 - Changes in provisions in 2010

Item	Balance at 31 Dec 2009	Provisions	Finance costs	Released to income statement	Uses	Balance at 31 Dec 2010
Provisions for non-recurring charges	127,075	50,865	-	(3,563)	(13,767)	160,610
Provisions for disputes with third parties	183,603	116,395	557	(17,499)	(20,656)	262,400
Provisions for disputes with staff (1)	642,232	76,610	-	(868)	(245,252)	472,722
Provisions for staff costs	-	166,702	-	-	-	166,702
Provisions for restructuring charges	115,000	-	-	-	(115,000)	-
Provisions to the solidarity fund	-	58,706	-	-	-	58,706
Provisions for invalidated postal savings certificates	19,464	-	518	-	(403)	19,579
Provisions for taxation/social security contributions	14,456	-	12	(28)	(3,103)	11,337
Other provisions	132,355	24,979	21	(28,508)	(17,114)	111,733
Total	**1,234,185**	**494,257**	**1,108**	**(50,466)**	**(415,295)**	**1,263,789**
Overall analysis of provisions:						
- non-current portion	335,201					422,235
- current portion	898,984					841,554
	1,234,185					**1,263,789**

(1) Net provisions of 49,061 thousand euros for staff costs and 26,681 thousand euros for service costs (legal assistance).

22.2 - Changes in provisions in the first half of 2011

Item	Balance at 31 Dec 2010	Provisions	Finance costs	Released to income statement	Uses	Balance at 30 June 2011
Provisions for non-recurring charges	160,610	13,778	-	(268)	(11,725)	162,395
Provisions for disputes with third parties	262,400	21,601	628	(8,138)	(13,694)	262,797
Provisions for disputes with staff (1)	472,722	50,367	-	(19,850)	(68,649)	434,590
Provisions for staff costs	166,702	8,214	-	(88,306)	(46,976)	39,634
Provisions to the solidarity fund	58,706	-	-	(4,616)	-	54,090
Provisions for invalidated postal savings certificates	19,579	-	234	-	(359)	19,454
Provisions for taxation/social security contributions	11,337	-	7	-	-	11,344
Other provisions	111,733	985	-	(4,181)	(11,624)	96,913
Total	**1,263,789**	**94,945**	**869**	**(125,359)**	**(153,027)**	**1,081,217**
Overall analysis of provisions:						
- non-current portion	422,235					412,594
- current portion	841,554					668,623
	1,263,789					**1,081,217**

(1) Net provisions of 23,889 thousand euros for staff costs and 6,628 thousand euros for service costs (legal assistance).

Provisions for non-recurring charges regard operating risks connected with the Group's financial and insurance activities. Provisions for the period amount to 13,778 thousand euros and primarily regard estimated revisions of fees received for the distribution of financial products. The size of these fees depends on the behaviour of subscribers. Uses of 11,725 thousand euros refer to liabilities identified or settled during the first half.

Provisions for disputes with third parties regard expected liabilities deriving from different types of legal and out-of-court dispute with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Provisions, which reflect the present value of identified liabilities, were increased during the period by the estimated value of new liabilities (21,601 thousand euros), measured on the basis of the expected outcomes of certain ongoing disputes, legal actions and negotiations. Reductions relate to the non-occurrence of liabilities identified in the past (8,138 thousand euros) and the value of disputes settled (13,694 thousand euros).

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types, but largely attributable to the Parent Company's use of fixed-term employment contracts. Net provisions of 30,517 thousand euros regard an updated estimate of the Parent Company's liabilities and the related legal expenses, taking account of both the overall value of negative outcomes (in terms of litigation and union agreements), and the application of Law183 of 4 November 2010 (the so-called "Collegato lavoro"), which has introduced a cap on compensation payable to an employee in the event of "court-imposed conversion" of a fixed-term contract. Uses, amounting to 68,649 thousand euros, include amounts used to cover the cost of settling disputes, including 4,436 thousand euros in the form of asset seizures by the Parent Company's creditors. Provisions are based on the present value of identified liabilities, which are believed to be short term.

Provisions for staff costs, first made in 2010 to cover expected liabilities relating to such costs, were increased during the period by the estimated value of new liabilities (8,214 thousand euros). The provisions decreased as a result of the non-occurrence of liabilities identified in the past (88,306 thousand euros) and the value of disputes settled (46,976 thousand euros).

Provisions to the solidarity fund have been established following the agreement of 27 July 2010 between Poste Italiane SpA and the labour unions. The provisions have been made within the scope of the *Fondo di Solidarietà* (the Solidarity Fund established by Ministerial Decree 178/2005) to provide income support for qualifying employees who decide to take early retirement. At 30 June 2011 the provisions correspond to the updated present value of estimated liabilities amounting to a face value of 58,504 thousand euros. These provisions are expected to be used progressively through to 2015.

The other provisions cover probable liabilities of various types, including: estimated liabilities deriving from the risk that specific legal actions to be undertaken in order to reverse seizures of the Parent Company's assets may be unable to recover the related amounts; claims for rent arrears on properties used free of charge by Poste Italiane SpA; and claims for payment of accrued interest expense due to certain suppliers. Uses of these provisions, totalling 11,624 thousand euros, regard liabilities settled during the first half. Releases to the income statement, totalling 4,181 thousand euros, are due to the non-occurrence of liabilities identified in the past.

23 STAFF TERMINATION BENEFITS

Following the reform of supplementary pension provision, from 1 January 2007 companies with over 50 employees must pay vested staff termination benefits into a supplementary pension fund or into a Treasury Fund set up by INPS (should the employee have exercised the specific option provided for by the new legislation). These benefits qualify as a defined contribution plan and thus represent an expense to be recognised at face value in staff costs. In the case of Group companies with over 50 employees, staff termination benefits vesting up to 31 December 2006 remain with the company and continue to represent accumulated liabilities qualifying as a defined benefit plan, for which actuarial calculation is necessary. A similar treatment is applied to vested staff termination benefits at Group companies with less than 50 employees.

The following changes in staff termination benefits took place in the first half of 2011 and the first half of 2010:

23.1 - Changes in staff termination benefits

	H1 2011		H1 2010	
Balance at 1 January		**1,323,481**		**1,445,954**
current service cost	372		248	
interest component	32,524		30,947	
effect of actuarial gains/(losses)	(9,582)		(13,471)	
Provisions for the period		23,314		17,724
Uses for the period		(94,031)		(65,759)
Reduction due to fixed-term contracts settlement of 2010		(1,987)		-
Balance at 30 June		**1,250,777**		**1,397,919**

The main actuarial assumptions applied in calculating staff termination benefits are as follows:

	H1 2011	H1 2010
Discount rate	4.65%	4.10%
Average staff turnover[17] (summary data)	0.93%	0.40%

Based on experience obtained since the date of transition to IAS/IFRS, a number of actuarial assumptions were revisited during preparation of the financial statements for the year ended 31 December 2010, including annual staff turnover. This revision has not, however, resulted in significant changes to the liability in question.

24 FINANCIAL LIABILITIES

This item breaks down as follows:

24.1 - Financial liabilities

	30 June 2011			31 December 2010		
Item	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**
Financial liabilities at fair value	535,216	-	535,216	721,564	-	721,564
Borrowings	1,584,595	235,234	1,819,829	1,385,706	907,961	2,293,667
Bonds	750,522	38,609	789,131	750,785	19,364	770,149
Loans from Cassa Depositi e Prestiti	371,123	151,489	522,612	371,122	141,545	512,667
Bank borrowings	450,000	20,779	470,779	250,000	700,149	950,149
Other borrowings	12,950	24,357	37,307	13,799	46,903	60,702
Derivative financial instruments	-	34,158	34,158	-	-	-
Cash flow hedges	-	75	75	-	-	-
Fair Value hedges	-	-	-	-	-	-
Fair value through profit or loss	-	34,083	34,083	-	-	-
Financial liabilities due to subsidiaries	-	547	547	-	545	545
Other financial liabilities	294,941	2,295,073	2,590,014	283,170	2,032,620	2,315,790
Amounts deriving from liability for robberies	156,124	4,345	160,469	156,801	3,698	160,499
Sundry financial liabilities	138,817	2,290,728	2,429,545	126,369	2,028,922	2,155,291
Total	**2,414,752**	**2,565,012**	**4,979,764**	**2,390,440**	**2,941,126**	**5,331,566**

FINANCIAL LIABILITIES AT FAIR VALUE

Financial liabilities at fair value through profit or loss are linked to investment contracts issued by the insurance company, Poste Vita SpA. These liabilities have decreased following redemptions of 197,530 thousand euros, and have increased due to the change in fair value, amounting to 11,182 thousand euros (note 33.1).

BORROWINGS

Borrowings are unsecured and are not subject to financial covenants, requiring Group companies to comply with certain financial ratios, or maintain a certain level of rating. The bonds in issue and bank borrowings are subject to standard negative pledge clauses[18].

Bonds

Bonds regard fixed rate bonds issued by the Parent Company, paying coupon interest of 5.25% and with a par value of 750 million euros. The bonds, which were issued in two tranches in 2002, are listed on the Luxembourg Stock Exchange and were placed in the form of a public offering to institutional investors. These 10-year bonds are to be

17 Frequency of early termination of employment due to resignations and dismissals.

18 A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with the pre-existing creditors, unless the same degree of protection is offered to them also.

redeemed in a lump sum in July 2012. The current portion of the loan represents accrued interest expense. The fair value of the bonds at 30 June 2011 is 767,700 thousand euros (780,953 thousand euros at 31 December 2010).

Loans from Cassa Depositi e Prestiti

This item refers to fixed rate loans issued to the Parent Company by Cassa Depositi e Prestiti. The fair value of the loans is 530,443 thousand euros (524,854 thousand euros at 31 December 2010). The outstanding principal of 512,667 thousand euros, in addition to accrued interest of 9,945 thousand euros, assigned by law to the Ministry of the Economy and Finance for payment, is offset by a receivable of 522,208 thousand euros accounted for in Financial assets and due from the parent. Collection of the amount receivable is linked to the repayment schedules for the loans (note 9.2).

Bank borrowings

These items, which primarily regard the Parent Company, break down as follows:

24.2 - Bank borrowings

	30 June 2011			31 December 2010		
Item	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**
EIB loan maturing 11 April 2018	200,000	-	200,000	-	-	-
Floating rate loan from DEPFA Bank maturing 30 Sept 2013	250,000	-	250,000	250,000	-	250,000
Repurchase agreements	-	-	-	-	386,482	386,482
Short-term borrowings	-	-	-	-	300,000	300,000
Current account overdrafts	-	18,397	18,397	-	12,193	12,193
Accrued interest expense	-	2,382	2,382	-	1,474	1,474
Total	**450,000**	**20,779**	**470,779**	**250,000**	**700,149**	**950,149**

During the first half of 2011 the Parent Company used a line of credit provided by the European Investment Bank (EIB) to fund specific investments in, above all, improvements to postal services and infrastructure. The fair value of these liabilities at 30 June 2011 is 167,139 thousand euros.

The value of the above financial liabilities approximates to fair value.

Drawdowns on the Group's total committed and uncommitted lines of credit, totalling 1,315,246 thousand euros, amount to 18,397 thousand euros. The lines of credit are unsecured.

Other borrowings

This item regards:

- 19,764 thousand euros in fixed rate loans issued to the Parent Company by CPG Società di Cartolarizzazione arl. The fair value of these borrowings is 20,302 thousand euros (40,605 thousand euros at 31 December 2010);
- 17,541 thousand euros (including 117 thousand euros in accrued interest) representing the outstanding principal due on financial liabilities due to suppliers of durable goods acquired under finance leases, with the right to acquire ownership at the end of the lease (notes 5 and 7).

DERIVATIVE FINANCIAL INSTRUMENTS

This item, amounting to 34,158 thousand euros, regards contracts described in note 9.4.

OTHER FINANCIAL LIABILITIES

Amounts deriving from liability for robberies

The Parent Company is liable to the Italian Treasury for losses resulting from robberies and fraud. The loss of cash resulting from these criminal acts has to be made up for, in order to ensure that post offices can carry out their daily operations. This is done via withdrawals from the Treasury. Changes in this liability during the period are as follows:

24.3 - Changes in amounts deriving from liability for robberies

	Note	H1 2011	FY 2010
Balance at 1 January		**160,499**	**164,604**
Liabilities deriving from robberies during period	[36.1]	3,610	6,748
Repayments made		(3,640)	(10,853)
Balance at end of period		**160,469**	**160,499**

During the first half of 2011 the Parent Company made repayments of 2,964 thousand euros to the Treasury for robberies that took place up to 31 December 2010. A further 676 thousand euros was repaid following rulings by the Italian Court of Auditors in respect of robberies up to 31 December 1993.

Sundry financial liabilities

Sundry financial liabilities are generated by BancoPosta activities not subject to the investment restrictions described in note 14. For this reason, they are not included in Liabilities attributable to BancoPosta (note 14.7). These liabilities break down as follows:

24.4 - Sundry financial liabilities

	30 June 2011			31 December 2010		
Financial liabilities	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**
Italian Treasury for operational risk	138,004	-	138,004	125,456	-	125,456
Amounts due on bills paid	-	672,816	672,816	-	630,819	630,819
Amounts due on prepaid cards	-	672,128	672,128	-	629,683	629,683
National and international money transfers	-	455,964	455,964	-	381,106	381,106
Endorsed checks	-	193,262	193,262	-	179,688	179,688
Tax collection	-	135,309	135,309	-	137,680	137,680
Other	813	161,249	162,062	913	69,946	70,859
Total	**138,817**	**2,290,728**	**2,429,545**	**126,369**	**2,028,922**	**2,155,291**

Other financial liabilities include:

- 111,030 thousand euros (39,720 thousand euros at 31 December 2010) in guarantee deposits received by the Parent Company from counterparties with whom the Company has executed asset swap transactions (with collateral provided by a specific Credit Support Annex) as part of its cash flow and fair value hedging policies (notes 9.6 and 14.4),
- 5,765 thousand euros payable by Poste Vita SpA following partial extinguishment of the agreement for the forward purchase of warrants described in note 9.5.
- 2,608 thousand euros payable by Poste Vita SpA pursuant to Law 166/2008 , which has extended application of the regulations governing dormant accounts to insurance companies, including the requirement to pay the value of any dormant policies into the specific fund established by the MEF.

Analysis of net debt/(funds)

The Group's net funds at 30 June 2011 and 31 December 2010 are as follows:

24.5 - Net debt/(funds)

Item	Note	Balance at 30 June 2011	*of which related party transactions*	Balance at 31 Dec 2010	*of which related party transactions*
Financial liabilities	[24.1]	4,979,764		5,331,566	
Financial assets designated at fair value		535,216	-	721,564	-
Bonds		789,131	-	770,149	-
Loans from Cassa Depositi e Prestiti		522,612	*522,612*	512,667	*512,667*
Bank borrowings		470,779	-	950,149	-
Other borrowings		37,307	-	60,702	-
Other		2,624,719	*3,162*	2,316,335	*8,007*
Technical provisions for insurance business	[21.1]	45,754,203	-	41,738,868	-
Liabilities attributable to BancoPosta	[14.6]	42,578,186	*673*	37,810,862	*74,405*
Financial assets	[9.1]	(47,596,673)		(45,111,497)	
Loans and receivables		(597,379)	*(512,364)*	(749,870)	*(640,832)*
Available-for-sale financial assets		(36,456,384)	-	(33,035,161)	*(100,825)*
Financial instruments designated at fair value through profit or loss		(10,429,581)	-	(11,197,846)	-
Derivative financial instruments		(113,329)	-	(128,620)	-
Assets attributable to BancoPosta	[14.1]	(44,708,188)	*(11,750,451)*	(39,653,994)	*(6,173,454)*
Technical provisions for claims attributable to reinsurers	[10.1]	(13,798)	-	(8,333)	-
Net liabilities/(assets)		**993,494**		**107,472**	
Cash and cash equivalents	[15.1]	(1,496,667)	-	(1,093,145)	-
Net debt/(funds)		**(503,173)**		**(985,673)**	

25 TRADE PAYABLES

This item breaks down as follows:

25.1 - Trade payables

Item	Balance at 30 June 2011	Balance at 31 December 2010
Amounts due to suppliers	1,382,053	1,417,354
Prepayments and advances from customers	207,183	187,452
Interest payable to customers	34,960	66,303
Amounts due to joint ventures	10,217	10,213
Amounts due to subsidiaries	5,745	4,034
Amounts due to associates	5,357	3,457
Total	**1,645,515**	**1,688,813**

AMOUNTS DUE TO SUPPLIERS

25.2 - Amounts due to suppliers

Item	Balance at 30 June 2011	Balance at 31 December 2010
Italian suppliers	1,164,934	1,285,577
Overseas suppliers	14,229	10,066
Overseas correspondents [1]	202,890	121,711
Total	**1,382,053**	**1,417,354**

(1) The amount due to overseas correspondents regard fees payable to overseas postal operators and companies in return for postal and telegraphic services provided.

PREPAYMENTS AND ADVANCES FROM CUSTOMERS

This item refers to amounts received from customers as prepayment for the following services to be rendered:

25.3 - Prepayments and advances from customers

Item	Balance at 30 June 2011	Balance at 31 December 2010
Mechanized franking	85,496	63,701
Prepayments from overseas correspondents	75,611	76,650
Unfranked mail	26,037	23,782
Postage-paid mailing services	11,166	10,025
Other services	8,873	13,294
Total	**207,183**	**187,452**

INTEREST PAYABLE TO CUSTOMERS

This primarily refers to interest accrued on postal current accounts during the first half, less the related withholding tax. This item totals 35,518 thousand euros.

26 OTHER LIABILITIES

This item breaks down as follows:

26.1 - Other liabilities

Item	30 June 2011			31 December 2010		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	780,575	780,575	-	852,806	852,806
Amounts due to social security agencies	54,217	384,773	438,990	54,217	423,342	477,559
Other tax liabilities	-	404,075	404,075	-	310,457	310,457
Amounts due to the parent	-	12,140	12,140	-	12,140	12,140
Other amounts due to associates	6	-	6	6	-	6
Sundry payables	11,616	141,283	152,899	10,106	134,269	144,375
Accrued expenses and deferred income from trading transactions	7,557	63,530	71,087	9,574	40,241	49,815
Total	**73,396**	**1,786,376**	**1,859,772**	**73,903**	**1,773,255**	**1,847,158**

AMOUNTS DUE TO STAFF

These items primarily regard accrued amounts that have yet to be paid at 30 June 2011. The following table shows a breakdown:

26.2 - Amounts due to staff

Item	Balance at 30 June 2011	Balance at 31 December 2010
Incentives and productivity bonuses	294,647	388,144
Thirteenth and fourteenth month salaries	244,057	236,969
Accrued vacation pay	114,164	75,733
Other amounts due to staff	127,707	151,960
Total	**780,575**	**852,806**

AMOUNTS DUE TO SOCIAL SECURITY AGENCIES

26.3 - Amounts due to social security agencies

Item	30 June 2011			31 December 2010		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
IPOST	-	268,213	268,213	-	286,283	286,283
INPS	81	42,646	42,727	81	44,183	44,264
INAIL	54,136	2,552	56,688	54,136	2,602	56,738
Pension funds	-	55,043	55,043	-	70,797	70,797
Other agencies	-	14,818	14,818	-	15,904	15,904
Amounts due to the Solidarity Fund *	-	1,501	1,501	-	3,573	3,573
Total	**54,217**	**384,773**	**438,990**	**54,217**	**423,342**	**477,559**

* Amounts due from the Parent Company to the Solidarity Fund (set up by Ministerial Decree 178 of 1 July 2005) regard amounts designed to cover redundancy payments and income support for employees who, having qualified for participation, decide to take voluntary early retirement. This liability was reduced by 2,108 thousand euros during the period as a result of contributions paid and redundancy payments effected.

OTHER TAX LIABILITIES

This item breaks down as follows:

26.4 - Other tax liabilities

Item	Balance at 30 June 2011	Balance at 31 December 2010
Tax due on insurance provisions	160,395	147,220
Stamp duty	101,811	4,756
Withholding tax on employees' and consultants' salaries	67,899	90,357
VAT payable	31,594	27,107
Withholding tax on postal current accounts	12,636	23,365
Substitute tax	13,822	3,645
Other taxes due	15,918	14,007
Total	**404,075**	**310,457**

Tax due on insurance provisions regards Poste Vita SpA and is described in note 10.1.

The amount due as stamp duty to be paid in virtual form at 30 June 2011 is shown gross of advances paid.

AMOUNTS DUE TO THE PARENT

This item refers to 12,140 thousand euros due to the Ministry of the Economy and Finance for pensions paid by the Ministry to former employees of the Parent Company for the period 1 January to 31 July 1994.

SUNDRY PAYABLES

This item breaks down as follows:

26.5 - Sundry payables

Item	30 June 2011			31 December 2010		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	-	94,138	94,138	-	90,868	90,868
Guarantee deposits	10,763	611	11,374	9,825	536	10,361
Other	853	46,534	47,387	281	42,865	43,146
Total	**11,616**	**141,283**	**152,899**	**10,106**	**134,269**	**144,375**

Sundry payables primarily attributable to BancoPosta refer to 80,378 thousand euros due to INPS and INPDAP for pensions paid by Poste Italiane SpA to pensioners after their death and which are in the process of being recovered. A further 13,479 thousand euros is due to Cassa Depositi e Prestiti as a result of amounts registered in customers' Postal savings books and in the process of verification.

27 REVENUES FROM SALES AND SERVICES

27.1 - Revenues from sales and services

Item	H1 2011	H1 2010
Postal Services	2,439,052	2,676,796
Financial Services	2,338,094	2,236,110
Other sales of goods and services	212,247	191,725
Total	**4,989,393**	**5,104,631**

POSTAL SERVICES

27.2 - Postal Services

Item	H1 2011	H1 2010
Unfranked mail	837,001	886,475
Mechanized franking by third parties and at post offices	625,443	670,770
Stamps	217,638	229,573
Express parcel and express courier services	153,848	144,008
Integrated services	136,062	125,355
Postage-paid mailing services	78,822	112,306
Overseas mail and parcels	56,512	57,611
Telegarms and online services	28,359	32,508
Innovative services	24,746	26,757
Logistics services	14,456	15,300
E-procurement services	9,431	22,204
Other postal services	55,265	47,157
Total market revenues	2,237,583	2,370,024
Universal Service subsidies	178,551	182,232
Publisher and electoral tariff subsidies (1)	22,918	124,540
Total	**2,439,052**	**2,676,796**

(1) Subsidies to compensate for tariffs discounted in accordance with the law.

Universal Service Obligation subsidies regard the subsidies paid by the Ministry of the Economy and Finance to cover the costs of fulfilling the Universal Service Obligation (USO). Subsidies of 178,551 thousand euros are, whilst awaiting renewal of the *Contratto di Programma* (Planning Agreement) for the three-year period 2009-2011, estimated on the basis of the terms and conditions of the draft Agreement currently being examined by the Interministerial Committee for Economic Planning (CIPE).

Publisher and electoral tariff subsidies regard 22,918 thousand euros in amounts paid exclusively by the State to cover reductions and preferential prices granted to election candidates under Law 515/93. This amount is currently not budgeted for by the MEF.

With regard to publisher tariff subsidies, following the issue of the Ministry for Economic Development Decree of 30 March 2010, which has limited the application of publisher tariff subsidies until 31 March 2010, and of the joint Ministry for Economic Development Decree-MEF Decree of 21 October 2010, which governs the tariffs to be applied to publishers by Poste Italiane from 1 September 2010, no subsidies are currently payable by the Information and Publishing Department of the Cabinet Office.

FINANCIAL SERVICES

Revenues from Financial Services, which regard the Parent Company, break down as follows:

27.3 - Financial Services

Item	H1 2011	H1 2010
Fees for collection of postal savings deposits	770,139	667,732
Income from investment of postal current account deposits	675,000	700,000
Commissions on bills processed	314,591	327,197
Other revenues from current account services	252,775	246,128
Income from delegated services	90,030	99,628
Distribution of loan products	81,916	86,142
Fees from securities placement and trading	46,931	3,378
Fees for issue and use of prepaid cards	45,979	41,235
Money transfers	34,218	36,988
Securities custody	10,976	11,577
Other financial products and services	15,539	16,105
Total	**2,338,094**	**2,236,110**

Income from the investment of postal current account deposits breaks down as follows:

27.4 - Income from the investment of postal current account deposits

Item	H1 2011	H1 2010
Income from investment in securities	646,201	571,454
Interest income on HTM securities	300,834	278,248
Interest income on AFS financial assets	320,747	275,878
Interest income on securities held for trading	-	537
Interest income on asset swaps of AFS financial assets	24,620	16,791
Income from deposits held with the MEF	138,374	101,355
Net remuneration of own liquidity recognised in finance income and costs	(14,436)	(5,077)
Total	**770,139**	**667,732**

Income from investments in securities

Interest income on securities derives from the investment of deposits paid into postal current accounts by private customers. The total includes the impact of the cash flow hedges described in note 14.4.

Income from deposits held with the MEF

Remuneration of postal current account deposits represents accrued interest for the year on amounts deposited by Public Sector entities and, to a lesser extent, returns on amounts deposited in the so-called Buffer account with the Ministry of the Economy and Finance, as described in note 14. The floating rate used to calculate remuneration of the above deposits and the rate used to calculate interest on the Buffer account are those provided for in the agreements with the MEF described in note 14.

Net remuneration of the Group's own liquidity deposited in postal current accounts

This item is shown separately in Finance income and costs (note 37).

Fees for the collection of postal savings deposits

Fees for the collection of postal savings deposits regard payment for managing the issue and redemption of Postal Savings Certificates and payments into and withdrawals from Post Office Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti. The Agreement governing provision of the service expired on 31 December 2010. Revenue for the first half of 675,000 thousand euros was prudently assessed on the basis of this agreement. Indeed, based on the results of negotiations currently underway with a view to entering into a new long-term agreement, which is likely to establish a new fee structure, it is reasonable to believe that income for 2011 may be higher than currently estimated.

OTHER SALES OF GOODS AND SERVICES

This relates to income from ordinary activities that is not directly attributable to the specific Postal, Financial and Insurance segments, to which it is allocated for the purposes of segment reporting in accordance with the relevant accounting standards. The main component consists of telecommunications service revenues generated by PosteMobile SpA, totalling 104,581 thousand euros (70,965 thousand euros in the first half of 2010).

28 EARNED PREMIUMS

28.1 - Earned premiums

Item	H1 2011	H1 2010
Life premiums*	5,525,261	6,101,682
Branch I	4,808,325	3,597,206
Branch III	674,061	2,405,583
Branch V	42,875	98,893
Non-life premiums*	10,501	3,756
Other income from Insurance Services	104	5,660
Total	**5,535,866**	**6,111,098**

* Earned premiums are reported net of outward reinsurance premiums.

29 OTHER INCOME FROM FINANCIAL AND INSURANCE ACTIVITIES

29.1 - Other income from financial and insurance activities

Item	H1 2011	H1 2010
Income from financial instruments at fair value through profit or loss	216,368	344,564
Interest	140,794	121,090
Fair value gains	65,848	154,722
Realised gains	9,726	68,752
Income from available-for-sale financial assets	750,645	769,167
Interest	593,511	454,264
Realised gains	157,134	314,903
Other income	5,053	5,795
Total	**972,066**	**1,119,526**

30 OTHER OPERATING INCOME

30.1 - Other operating income

Item	H1 2011	H1 2010
Increases to estimates for previous years	21,968	30,485
Recovery of contract expenses and other recoveries	7,630	10,139
Lease rentals	4,959	4,784
Gains on disposals	4,864	2,011
Grants related to income	1,727	1,207
Recovery of cost of seconded staff	869	1,480
Other income	7,648	7,678
Total	**49,665**	**57,784**

31 COST OF GOODS AND SERVICES

31.1 - Cost of goods and services

Item	H1 2011	H1 2010
Services	944,012	937,729
Lease expense	183,239	169,652
Raw, ancillary and consumable materials and goods for resale	111,688	124,586
Interest expense paid to customers	47,960	43,658
Total	**1,286,899**	**1,275,625**

SERVICES

31.2 - Services

Item	H1 2011	H1 2010
Transport of mail, parcels and forms	242,635	247,742
Routine maintenance and technical assistance	115,782	110,286
Personnel services	88,288	80,161
Outsourcing fees and other external service charges	75,903	78,413
Energy and water	67,584	63,297
Mobile telecommunications services for customers	51,606	39,766
Transport of cash	44,747	44,169
Printing and enveloping services	42,735	47,643
Mail, telegraph and telex	38,286	39,686
Cleaning, waste disposal and security	35,822	36,643
Telecommunications and data transmission	35,316	44,284
Credit and debit card fees and charges	25,066	23,436
Consultants' fees and legal expenses	24,590	31,483
Advertising and promotions	18,626	19,649
Agents' commissions and other	13,866	11,536
Airport costs	10,467	6,972
Insurance premiums	9,807	9,738
Asset management fees	933	914
Remuneration of Statutory Auditors	886	766
Securities custody fees	795	838
Other	272	307
Total	**944,012**	**937,729**

LEASE EXPENSE

31.3 - Lease expense

Item	H1 2011	H1 2010
Property rentals and ancillary costs	94,275	90,218
Vehicle leases	41,728	38,024
Equipment hire and software licenses	27,581	26,173
Other lease expense	19,655	15,237
Total	**183,239**	**169,652**

RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

31.4 - Raw, ancillary and consumable materials and goods for resale

Item	Note	H1 2011	H1 2010
Consumables and goods for resale		64,574	77,858
Fuels and lubricants		36,345	31,017
Printed matter, stationery and advertising material		8,934	1,413
Printing of postage and revenue stamps		7,013	10,952
SIM cards and scratch cards		990	949
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[11.1]	(4,255)	2,212
Change in inventories of raw, ancillary and consumable materials	[11.1]	(2,052)	163
Other		139	22
Total		**111,688**	**124,586**

INTEREST EXPENSE PAID TO CURRENT ACCOUNT HOLDERS

The rate paid to retail customers for the first half was 0.15% (in effect from 10 May 2010; 0.25% until 9 May 2010).

32 CHANGE IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

32.1 - Change in technical provisions for insurance business and other claims expenses

Item	H1 2011	H1 2010
Claims paid	1,907,493	1,298,743
Change in outstanding claims provisions	(131,786)	97,788
Change in mathematical provisions	4,043,990	2,930,010
Change in other technical provisions	35,665	(471)
Change in technical provisions where investment risk is transferred to policyholders	100,507	2,023,565
Claims expenses and change in other provisions - Non-life	2,413	665
Total	**5,958,282**	**6,350,300**

33 OTHER EXPENSES FROM FINANCIAL AND INSURANCE ACTIVITIES

33.1 - Other expenses from financial and insurance activities

Item	H1 2011	H1 2010
Expenses from financial instruments at fair value through profit or loss	110,319	232,063
Fair value losses	91,441	228,867
Realised losses	18,878	3,196
Expenses from available-for-sale financial assets	43,667	6,002
Realised losses	43,667	6,002
Change in fair value of financial liabilities	11,182	19,642
Other expenses	16,042	3,226
Total	**181,210**	**260,933**

34 STAFF COSTS

Staff costs include the cost of staff seconded to other organisations. The recovery of such expenses is posted to Other operating income. Staff costs break down as follows:

34.1 - Staff costs

Item	Note	H1 2011	H1 2010
Wages and salaries		2,156,135	2,235,361
Social security contributions		604,675	633,484
Provisions for staff termination benefits: current service cost	[23.1]	372	248
Provisions for staff termination benefits: supplementary pension funds and INPS		129,155	134,646
Agency staff		3,577	3,112
Remuneration and expenses paid to Directors		1,506	2,107
Redundancy payments		139,746	8,557
Net provisions for disputes with staff	[22.2]	23,889	126,297
Provisions to the solidarity fund		(4,616)	-
Provisions for restructuring charges	[22.2]	-	19,500
Other staff costs/cost recoveries)		(112,197)	(14,085)
Total costs		2,942,242	3,149,227
Income from fixed-term contracts settlements		(54,940)	-
Total		**2,887,302**	**3,149,227**

Income from the fixed-term contracts settlement refers to additional staff who, during the first half of 2011, accepted the terms of the agreement reached on 27 July 2010, between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. These amounts, totalling approximately 70 million euros, represent gross salaries and accrued termination benefits. Compared with the above face value of the amounts to be returned, the amount of 54,940 thousand euros has been recognised in the income statement for the year based on the present value of income deriving from the settlement. This present value was calculated on the basis of the expected cash flows deriving from collection of the amounts due under the individual agreements (based on the forward yield curve for government securities at 30 June 2011).

The Group's average headcount is as follows:

34.2 - Headcount

	Headcount (*)	
	Average	
Permanent workforce	**H1 2011**	**H1 2010**
Senior managers	722	709
Middle managers	14,624	14,642
Frontline staff	126,584	127,749
Back-office staff	4,203	5,899
Total permanent workforce	**146,133**	**148,999**
Traineeships	42	48
Apprenticeships	38	36
Total	**146,213**	**149,083**
	Average	
Flexible workforce	**H1 2011**	**H1 2010**
Temporary contracts	137	125
Fixed-term contracts	1,665	2,255
Total	**1,802**	**2,380**
Total permanent and flexible workforce	**148,015**	**151,463**

(*) Figures expressed in full-time equivalent terms.

35 DEPRECIATION, AMORTISATION AND IMPAIRMENTS

35.1 - Depreciation, amortisation and impairments

Item	H1 2011	H1 2010
Property, plant and machinery	189,231	192,275
Operating properties	49,880	49,599
Plant and machinery	71,406	77,311
Industrial and commercial equipment	7,114	7,233
Leasehold improvements	15,474	12,187
Other assets	45,357	45,945
Impairments/recoveries/adjustments of Property, plant and equipment	1,106	569
Depreciation of Investment property	4,047	3,346
Impairments/recoveries/adjustments of Investment property	(477)	(592)
Amortisation of Intangible assets	83,310	87,786
Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights	80,568	85,831
Other	2,742	1,955
Total	**277,217**	**283,384**

36 OTHER OPERATING COSTS

36.1 - Other operating costs

Item	Note	H1 2011	H1 2010
Net provisions and losses on doubtful debts (uses of provisions)		23,399	35,422
Provisions for receivables due from customers	[12.3]	7,507	5,334
Provisions for receivables due from parent	[12.5]	7,495	26,978
Provisions for sundry receivables	[13.2]	8,389	3,101
Losses on receivables		8	9
Occurrence of operational risks		22,965	17,682
Robberies during the period	[24.3]	3,610	4,134
Reversal of BancoPosta assets, net of recoveries		8,552	3,583
Other operating losses of BancoPosta		10,803	9,965
Net provisions for liabilities and charges made/(used)		23,777	71,801
for disputes with third parties	[22.2]	13,463	33,977
for non-recurring charges	[22.2]	13,510	24,316
for other liabilities and charges	[22.2]	(3,196)	13,508
Losses		407	314
Minicipal property tax, urban waste tax and other taxes and duties		20,033	19,172
Revised estimates and assessments for previous years		8,815	11,848
Other recurring expenses		17,532	14,686
Total		**116,928**	**170,925**

37 FINANCE INCOME/COSTS

FINANCE INCOME

37.1 - Finance income

Item	H1 2011	H1 2010
Income from available-for-sale financial assets	25,489	52,408
Interest	27,730	18,971
Accrued differentials on fair value hedges	(2,342)	-
Realised gains	58	33,353
Dividends	43	84
Income from financial assets at fair value through profit or loss	1,177	3,133
Other finance income	44,305	30,332
Interest from parent	68	57
Remuneration of Poste Italiane SpA's liquidity	14,436	5,077
Interest on term bank accounts	-	173
Interest on bank current accounts	6,565	5,479
Finance income on discounted receivables (1)	21,233	25,172
Overdue interest	4,106	1,795
Impairment of amounts due as overdue interest	(2,803)	(1,788)
Deferred finance income	-	(6,539)
Income from subsidiaries	13	8
Other	687	898
Foreign exchange gains	1,703	7,348
Total	**72,674**	**93,221**

Finance income from financial assets regards assets other than those in which deposits collected by BancoPosta and/or the insurance company, Poste Vita SpA, are invested.

1. Finance income on discounted receivables regards: 10,140 thousand euros in accrued interest on the amount due from the MEF (note 9.2), 5,578 thousand euros in interest on amounts due for the publisher tariff subsidies described in note 12.2, and 5,515 thousand euros in interest on amounts due from staff and IPOST under the fixed-term contracts settlements of 2006, 2008 and 2010 (note 10.1).

FINANCE COSTS

37.2 - Finance costs

Item	Note	H1 2011	H1 2010
Finance costs on financial liabilities		35,222	36,600
on bonds		18,982	19,005
on loans from Cassa Depositi e Prestiti		9,870	13,107
on bank borrowings		5,072	1,485
on other borrowings		1,221	2,908
paid to the parent		75	94
on amounts payable to subsidiaries		2	1
Sundry finance costs on financial assets		432	394
Realised losses on available-for-sale financial assets		111	-
Fair value losses on financial instruments at *fair value* through profit or loss		14	264
Realised losses on financial instruments at *fair value* through profit or loss		307	130
Finance costs on provisions for staff termination benefits	[23.1]	32,524	30,947
Finance costs on provisions for liabilities	[22.2]	869	634
Finance costs on discounted amounts payable to solidarity fund		-	106
Other finance costs		2,268	1,767
Foreign exchange losses		1,816	5,060
Total		**73,131**	**75,508**

Finance costs on financial liabilities regards liabilities other than deposits and assets other than those in which deposits collected by BancoPosta and/or the insurance company, Poste Vita SpA, are invested.

38 INCOME TAX EXPENSE

38.1 - Income tax expense

Item	H1 2011			H1 2010		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	213,096	143,830	356,926	271,683	154,550	426,233
Deferred tax income	49,224	(300)	48,924	8,558	(708)	7,850
Deferred tax expense	(6,381)	92	(6,289)	8,663	2,102	10,765
Total	**255,939**	**143,622**	**399,561**	**288,904**	**155,944**	**444,848**

The nominal tax rates used to calculate current and deferred taxation at 30 June 2011 are 27.5% for IRES and 3.9% for IRAP (+/–0.92% as a result of regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

Article 23 of Law Decree 98 of 6 July 2011, containing "Urgent measures to promote financial stability", converted into Law 111 of 15 July 2011, has raised the rate for IRAP from 3.90% to 4.20% for all concession operators other than the providers of construction services and motorway and tunnel operators. In the absence of interpretations and best practice regarding application of the new definition of so-called "concession operators" and assessment of the related tax base, and given the uncertainty surrounding the regional surtaxes to be fixed by individual local authorities following the entry into force of the Decree, income tax expense for the first half of 2011 has been calculated on the basis of the pre-existing rates.

Once clarification regarding application of the Decree has been received, should Poste Italiane be included among the entities covered by the above legislation, a rough estimate of the impact, based on the results of an initial interpretation of the new regulations, indicates a total increase in income tax expense for the first half of approximately 7.4 million euros, including 10.8 million euros in additional current tax expense, 1.7 million euros in reduced deferred income tax expense and 1.7 million euros in reduced deferred tax expense on Equity reserves.

CURRENT TAX ASSETS AND LIABILITIES

38.2 Changes in current tax assets/(liabilities)

Item	Current taxes for H1 2011			Current taxes for 2010		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)		Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	**8,311**	**209**	**8,520**	**(26,279)**	**(2,933)**	**(29,212)**
Payments of	206,093	115,004	321,097	487,979	294,912	782,891
prepayments for the current year	178,781	112,401	291,182	422,968	285,483	708,451
balance payable for previous year	27,291	2,603	29,894	38,914	9,429	48,343
substitute tax	21	-	21	26,097	-	26,097
Provisions to the income statement for	(213,096)	(143,830)	(356,926)	(461,763)	(291,473)	(753,236)
current tax expense	(220,057)	(143,915)	(363,972)	(475,811)	(291,795)	(767,606)
realignment**	6,961	85	7,046	14,048	322	14,370
Provisions to Equity	(2,622)	-	(2,622)	(18,846)	12	(18,834)
Other	9,381	(186)	9,195	27,220	(309)	26,911
Balance at end of period	**8,067**	**(28,803)**	**(20,736)**	**8,311**	**209**	**8,520**
of which:						
Current tax assets *	227,287	113,836	341,123	47,216	5,192	52,408
Current tax liabilities	(219,220)	(142,639)	(361,859)	(38,905)	(4,983)	(43,888)

* The IRES credit includes the non-offsettable amount of 38,042 thousand euros (38,042 thousand euros at 31 December 2010) due to the payment of excess taxation as a result of the non-deductibility of 10% of IRAP between 2003 and 2007. A claim for a rebate of this amount was filed in previous years.

** This item refers to a reduction in current tax expense, which has given rise to a matching charge for the release of deferred tax assets, due to the re-alignment of differences between the carrying amounts of assets and liabilities and their tax bases arising after adoption of IAS/IFRS, which became deductible in five equal instalments from 2009 and in the four subsequent years.

DEFERRED TAX ASSETS AND LIABILITIES

The following table shows deferred tax assets and liabilities:

38.3 - Deferred taxes

Item	H1 2011	H1 2010
Deferred tax assets	740,803	760,014
Deferred tax liabilities	(248,293)	(293,795)
Total	**492,510**	**466,219**

Changes in deferred tax assets and liabilities are shown below:

38.4 - Changes in deferred tax assets and liabilities

Item	H1 2011	FY 2010
Balance at 1 January	**466,219**	**227,516**
Deferred tax income/(expenses) recognised in the income statement	(42,635)	(116,295)
Deferred tax income/(expenses) recognised in Equity	68,926	354,931
Change in the basis of consolidation	-	67
Balance at end of period	**492,510**	**466,219**

Deferred tax assets (and liabilities) accruing during the period and generated by changes in Equity are as follows:

38.5 - Deferred tax assets and liabilities recognised in Equity

	Increases/(Decreases) in Equity	
Item	H1 2011	FY 2010
Fair value reserve for available-for-sale financial assets	38,465	393,296
Cash flow hedge reserve for hedging derivatives	30,497	(38,207)
Actuarial gains/(losses) on staff termination benefits	(36)	(158)
Total	**68,926**	**354,931**

Finally, Current tax expense of 2,622 thousand euros was recognised in Equity during the period under review, as a result of actuarial gains on staff termination benefits. As a result, the total tax charge accounted for in Equity is 66,304 thousand euros.

39 RELATED PARTY TRANSACTIONS

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

The impact of related party transactions on the financial position and results of operations is shown in the following tables from 39.1 to 39.4. All related party transactions are conducted on an arm's length basis.

39.1 - Impact of related party transactions on the financial position at 30 June 2011

	Balance at 30 June 2011							
Name	**Financial assets**	**Assets attrib. to BancoPosta**	**Trade receivables**	**Other assets Other receivables**	**Financial liabilities**	**Liabilities attrib. to BancoPosta**	**Trade payables**	**Other liabilities**
Subsidiaries								
Address Software Srl	289	-	138	16	-	5	646	-
Docutel SpA	-	-	899	24	-	-	2,656	-
Kipoint SpA	-	-	410	1	-	-	543	-
Poste Tributi ScpA	-	-	4,015	-	547	665	1,902	-
Joint ventures								
Italia Logistica Srl	1,011	-	3,463	-	-	3	8,146	-
Uptime SpA	-	-	56	-	-	-	2,071	-
Associates								
Consorzio ANAC (in liquidation)	-	-	-	-	-	-	-	-
Docugest SpA	-	-	1,004	32	-	-	5,150	-
Telma - Sapienza Scarl	-	-	-	-	-	-	-	-
Other SDA Group associates	-	-	2,739	-	-	-	207	6
Related parties external to the Group								
Ministry of the Economy and Finance	511,051	11,759,355	1,432,364	6,368	2,608	-	124,745	12,140
Direct relations	511,051	11,759,355	1,375,423	6,368	2,608		-	12,140
Agencies and other local offices	-	-	56,939	-	-	-	-	-
Former government procurement department	-	-	2	-	-	-	124,745	-
Cassa Depositi e Prestiti Group	-	(8,904)	695,556	-	522,612	-	-	13,479
Cinecittà Luce SpA	-	-	174	-	-	-	-	-
CONI Servizi	-	-	-	-	-	-	6	-
Consap SpA	-	-	-	-	-	-	41	-
Consip SpA	-	-	47	-	-	-	-	-
Enav SpA	-	-	13	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	1,541	-
Expo 2015 SpA	-	-	108	-	-	-	-	-
Fondoposte pension fund	-	-	3	-	-	-	-	39,466
Anas Group	-	-	84	-	-	-	-	-
Enel Group	-	-	51,825	-	7	-	1,147	-
Eni Group	-	-	7,091	-	-	-	28,058	-
Equitalia Group	-	-	46,021	-	-	-	818	-
Ferrovie dello Stato Group	13	-	3,374	-	-	-	11,639	-
Finmeccanica Group	-	-	57	-	-	-	44,840	-
Fintecna Group	-	-	37	-	-	-	25	-
Gestore Servizi Elettrici Group	-	-	8	-	-	-	-	-
Invitalia Group	-	-	369	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato Group	-	-	182	-	-	-	34	-
Italia Lavoro Group	-	-	2	-	-	-		-
RAI Group	-	-	7	-	-	-	3	-
Sogei Group	-	-	22	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	-	-
Rete Autostradale Mediterranee SpA	-	-	-	-	-	-	-	-
Sicot Srl	-	-	-	-	-	-	-	-
Soc. Svil.po Mercato F.di Pensione SpA (MEFOP)	-	-	1	-	-	-	-	-
STMicroelectronics Holding NV	-	-	2	-	-	-	-	-
Provisions for doubtful receivables from external related parties	-	-	(105,487)	(4,902)	-	-	-	-
Total	**512,364**	**11,750,451**	**2,144,584**	**1,539**	**525,774**	**673**	**234,218**	**65,091**

At 30 June 2011 total Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Group and regarding trading relations amount to 29,994 thousand euros (40,597 thousand euros at 31 December 2010).

39.2 - Impact of related party transactions on the financial position at 31 December 2010

Name	Balance at 31 December 2010							
	Financial assets	**Assets attrib. to BancoPosta**	**Trade receivables**	**Other assets Other receivables**	**Financial liabilities**	**Liabilities attrib. to BancoPosta**	**Trade payables**	**Other liabilities**
Subsidiaries								
Address Software Srl	287	-	56	13	-	5	742	-
Docutel SpA	-	-	495	20	-	1	1,591	-
Kipoint SpA	-	-	289	1	-	-	156	-
Poste Tributi ScpA	-	-	2,421	-	545	977	1,546	-
Joint ventures								
Italia Logistica Srl	1,012	-	3,355	-	-	3	8,801	-
Uptime SpA	-	-	67	-	-	-	1,412	-
Associates								
Consorzio ANAC	-	-	3	-	-	16	-	-
Docugest SpA	-	-	180	-	-	-	3,116	-
Telma - Sapienza Scarl	331		-	-	-	-	-	-
Other SDA Group associates	-	-	2,901	-	-	-	341	6
Related parties external to the Group								
Ministry of the Economy and Finance	639,202	6,173,454	1,297,595	6,367	7,462	-	121,397	12,140
Direct relations	639,202	6,173,454	1,243,908	6,367	7,462		-	12,140
Agencies and other local offices	-	-	53,687	-	-	-	-	-
Former government procurement department	-	-	-	-	-	-	121,397	-
Cassa Depositi e Prestiti Group	100,825	-	842,556	-	512,667	73,403	-	13,816
Cinecittà Luce SpA	-	-	1	-	-	-	-	-
CONI Servizi	-	-	112	-	-	-	6	-
Consap SpA	-	-	-	-	-	-	41	-
Consip SpA	-	-	152	-	-	-	-	-
Enav SpA	-	-	11	-	-	-	-	-
EUR SpA	-	-	-	-	-	-	1,368	-
Fondoposte pension fund	-	-	613	-	-	-	-	64,652
Anas Group	-	-	42	-	-	-	-	-
Enel Group	-	-	39,138	-	-	-	1,259	-
Eni Group	-	-	11,708	-	-	-	24,117	-
Equitalia Group	-	-	29,552	-	-	-	785	-
Ferrovie dello Stato Group	-	-	2,486	-	-	-	13,201	-
Finmeccanica Group	-	-	796	-	-	-	59,300	-
Fintecna Group	-	-	26	-	-	-	39	-
Gestore Servizi Elettrici Group	-	-	12	-	-	-	-	-
Invitalia Group	-	-	313	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato Group	-	-	116	-	-	-	621	-
RAI Group	-	-	1	-	-	-	18	-
Sogei Group	-	-	42	-	-	-	-	-
Sogin Group	-	-	-	-	-	-	14	-
Soc. Svil.po Mercato F.di Pensione SpA (MEFOP)	-	-	1	-	-	-	-	-
Provisions for doubtful receivables from external related parties	-	-	(95,077)	(4,902)	-	-	-	-
Total	**741,657**	**6,173,454**	**2,139,963**	**1,499**	**520,674**	**74,405**	**239,871**	**90,614**

39.3 - Impact of related party transactions on the results of operations for H1 2011

	H1 2011								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
Name	**Revenues from sales and services**	**Other operating income**	**Finance income**	**PPE**	**Intangible assets**	**Goods and services**	**Staff costs**	**Other operating costs**	**Finance costs**
Subsidiaries									
Address Software Srl	9	123	2	-	-	528	14	-	-
Docutel SpA	3	797	-	-	-	2,173	-	-	-
Kipoint SpA	35	77	-	-	-	380	-	-	-
Poste Tributi ScpA	1,370	119	-	-	-	3	-	458	2
Postel do Brasil Ltda	-	-	-	-	-	-	-	-	-
Joint ventures									
Italia Logistica Srl	1,186	166	11	-	-	7,962	-	-	-
Uptime SpA	7	-	-	-	-	1,773	-	-	-
Associates									
Consorzio ANAC in liquidazione	-	-	-	-	-	-	-	-	-
Docugest SpA	157	-	-	-	-	5,740	-	-	-
Other SDA Group associates	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	411,199	191	21,947	-	-	-	-	7,624	75
Direct relations	362,182	-	21,947	-	-	-	-	7,495	75
Agencies and other local offices	49,017	191	-	-	-	-	-	129	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti Group	675,146	-	148	-	-	-	-	-	9,870
Cinecittà Luce SpA	5	-	-	-	-	-	-	-	-
CONI Servizi	504	-	-	-	-	35	-	-	-
Consap SpA	46	-	-	-	-	-	-	-	-
Consip SpA	4	-	-	-	-	-	-	-	-
Enav SpA	89	31	-	-	-	-	-	-	-
EUR SpA	-	-	-	-	-	765	-	479	-
Fondoposte pension fund	63	175	-	-	-	-	14,589	-	-
Anas Group	395	-	-	-	-	-	-	-	-
Enel Group	62,801	10	-	-	-	847	-	41	28
Eni Group	18,097	-	-	-	-	26,504	-	27	-
Equitalia Group	50,874	-	-	-	-	320	-	-	-
Ferrovie dello Stato Group	1,014	-	-	-	-	1,959	20	-	109
Finmeccanica Group	102	-	-	1,023	4,822	23,730	-	-	-
Fintecna Group	152	-	-	-	-	176	-	-	-
Gestore Servizi Elettrici	162	-	-	-	-	-	-	-	-
Invitalia Group	316	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato Group	631	-	-	-	-	3,403	-	2	-
Italia Lavoro Group	3	-	-	-	-	-	-	-	-
RAI Group	5,621	-	-	-	-	-	-	-	-
SACE Group	51	-	-	-	-	-	-	-	-
Sogei Group	22	-	-	-	-	-	-	-	-
Sogin Group	1	-	-	-	-	-	-	-	-
Sicot Srl	28	-	-	-	-	-	-	-	-
Soc. Svil.po Mercato F.di Pensione SpA (MEFOP)	2	-	-	-	-	-	-	-	-
STMicroelectronics Holding NV	11	-	-	-	-	-	-	-	-
Total	**1,230,106**	**1,689**	**22,108**	**1,023**	**4,822**	**76,298**	**14,623**	**8,631**	**10,084**

In the first half of 2011 net Provisions for liabilities and charges made to cover probable liabilities arising from transactions with related parties external to the Group and regarding trading relations amount to 399 thousand euros (3,851 thousand euros in the first half of 2010).

39.4 - Impact of related party transactions on the results of operations for H1 2010

Name	H1 2010								
	Revenue			Costs					
				Capital expenditure		Current expenditure			
	Revenues from sales and services	Other operating income	Finance income	PPE	Intangible assets	Goods and services	Staff costs	Other operating costs	Finance costs
Subsidiaries									
Address Software Srl	2	31	-	-	-	487	-	-	-
Docutel SpA	-	847	-	-	-	2,196	-	-	-
Poste Tributi ScpA	622	476	-	-	-	-	-	578	1
Postel do Brasil Ltda	-	-	-	-	-	-	-	-	-
Joint ventures									
Italia Logistica Srl	1,128	248	8	-	-	5,524	-	-	-
Uptime SpA	7	14	-	-	-	4,233	-	-	-
Associates									
Docugest SpA	116	49	-	-	-	2,673	-	-	-
Other SDA Group associates	-	-	-	-	-	-	-	-	-
Related parties external to the Group									
Ministry of the Economy and Finance	430,962	267	11,067	-	-	-	-	27,635	94
Direct relations	380,479	-	11,067	-	-	-	-	26,809	94
Agencies and other local offices	50,483	267	-	-	-	-	-	826	-
Former government procurement department	-	-	-	-	-	-	-	-	-
Cassa Depositi e Prestiti Group	700,114	-	994	-	-	-	-	-	13,107
Cinecittà Luce SpA	4	-	-	-	-	-	-	-	-
CONI Servizi	514	-	-	-	-	35	-	-	-
Consap SpA	35	-	-	-	-	-	-	-	-
Consip SpA	36	-	-	-	-	-	-	-	-
Enav SpA	99	30	-	-	-	-	-	-	-
EUR SpA	-	-	-	-	-	607	-	416	-
Fondoposte pension fund	70	155	-	-	-	-	14,607	-	-
Anas Group	403	-	-	-	-	-	-	-	-
Enel Group	76,922	9	-	-	-	435	-	3	-
Eni Group	14,606	-	-	-	-	21,763	69		-
Equitalia Group	48,255	-	-	-	-	346	-	-	-
Ferrovie dello Stato Group	1,072	6	-	-	-	2,980	9	-	169
Finmeccanica Group	102	-	-	6,198	1,436	25,974	-	-	-
Fintecna Group	161	-	-	-	-	6	-	-	-
Gestore Servizi Elettrici Group	90	-	-	-	-	-	-	-	-
Invitalia Group	304	-	-	-	-	-	-	-	-
Istituto Poligrafico Zecca dello Stato Group	814	-	-	-	-	7,885	-	1	-
Italia Lavoro Group	9	-	-	-	-	-	-	-	-
RAI Group	5,777	-	-	-	-	-	-	-	-
SACE Group	49	-	-	-	-	-	-	-	-
Sogei Group	28	-	-	-	-	-	-	-	-
Sogin Group	1	-	-	-	-	9	-	-	-
Sicot Srl	33	-	-	-	-	-	-	-	-
Soc. Svil.po Mercato F.di Pensione SpA (MEFOP)	3	-	-	-	-	-	-	-	-
Total	**1,282,338**	**2,132**	**12,069**	**6,198**	**1,436**	**75,153**	**14,685**	**28,633**	**13,371**

KEY MANAGEMENT PERSONNEL

Key management personnel consist of Directors of the Parent Company, Poste Italiane SpA's first-line managers and senior management in the most important Group companies. The related remuneration, including social and pension contributions, is as follows:

39.5 - Remuneration of key management personnel

Item	H1 2011	H1 2010
Remuneration paid in short term	9,906	8,522
Post-employment benefits	147	217
Total	**10,053**	**8,739**

No loans were granted to key management personnel during the first half of 2011 and at 30 June 2011 Group companies do not report receivables in respect of loans granted to such personnel.

40 OTHER INFORMATION

POSTAL SAVINGS DEPOSITS

Postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti are shown in the table below, which breaks deposits down by category.

40.1 - Postal savings deposits

Item	30 June 2011	31 December 2010
Postal savings books	94,575,060	97,656,369
Interest-bearing Postal Certificates	201,781,685	198,488,569
Cassa Depositi e Prestiti	120,894,823	113,503,394
Ministry of the Economy and Finance	80,886,862	84,985,175
Total	**296,356,745**	**296,144,938**

The above amounts include accrued, unpaid interest.

ASSETS UNDER MANAGEMENT

Total assets under management by BancoPosta Fondi SpA SGR (relating solely to funds managed by third parties), consisting of the fair value of units measured on the last working day of the period, amount to 3,017 million euros (3,066 million euros at 31 December 2010).

COMMITMENTS

Purchase commitments given primarily by the Parent Company are summarised below.

40.2 - Commitments

Item	30 June 2011	31 December 2010
Purchase commitments		
Goods and services	804,034	806,114
Property leases	538,131	544,097
Property, plant and equipment	85,322	68,667
Intangible assets	51,669	43,847
Investment property	91	39
Total	**1,479,247**	**1,462,764**

As described in note 2.1, on 20 December 2010 the Parent Company concluded an agreement with UniCredit SpA for the acquisition, at a price of 136 million euros, of the entire share capital of Unicredit MedioCredito Centrale SpA. The transaction will close very shortly, once the last formalities have been completed.

GUARANTEES

Personal guarantees issued by the Group are as follows:

40.3 - Guarantees

Item	30 June 2011	31 December 2010
Sureties and other guarantees issued		
by the Group in its own interests in favour of third parties	1,925	2,818
by banks in the interests of Group companies in favour of third parties	123,891	104,991
Total	**125,816**	**107,809**

THIRD-PARTY ASSETS

40.4 - Third-party assets

Item	30 June 2011	31 December 2010
Bonds subscribed by customers held by third-party banks*	19,816,392	19,920,461
Other assets	23,412	12,468
Total	**19,839,804**	**19,932,929**

* In addition to 175 million euros in the Parent Company's financial instruments other than bonds (approximately 179 million euros at 31 December 2010)

ASSETS IN THE PROCESS OF ALLOCATION

At 30 June 2011 the Parent Company has paid a total of 291,363 thousand euros in claims on behalf of the Ministry of Justice (279,589 thousand euros at 31 December 2010), for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

LITIGATION

In 2008 the Parent Company was charged with violation of certain requirements of Legislative Decree 231/2001. The charges regard the failure to implement appropriate preventive measures at organisational and operational level, thereby permitting the deliberate overestimation of postal savings deposits in 2003, in order to earn an undue amount of income. Whilst it is not possible to predict the outcome of the trial, which is underway at the Court of Naples, it should be noted that the financial and commercial effects of the dispute have been reflected in the financial statements for previous years, and that Poste Italiane SpA has for some time now taken appropriate organisational and operational steps to comply with the requirements of Legislative Decree 231/2001.

PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

European Commission

In execution of the European Commission's Decision of 16 July 2008 regarding State aid, and in accordance with instructions from the Parent Company's shareholder, on 15 January 2009 Poste Italiane SpA paid the amount due to the MEF. The Company's appeal is pending before the European Community Court.

Antitrust Authority

The investigation of the Parent Company launched on 15 October 2009, in relation to deregulated postal services (*in order "to determine whether the Company's actions entailed an abuse of a dominant market position pursuant to art. 82 of the EC Treaty", with specific reference to the Posta Time product and participation in certain tenders*), is still in progress. On 10 November 2010 the Authority rejected the commitments given by the Company, which has appealed the decision before Lazio Regional Administrative Court.

The investigation of PosteShop SpA launched on 8 October 2009, in order to investigate alleged violation of the "Regulations governing misleading advertising" (connected with the advertising material used by PosteShop to promote the activities of the Kipoint franchise retail network), resulted in the imposition of a fine of 100 thousand euros, which the company accordingly paid. An appeal against the fine before Lazio Regional Administrative Court was turned down on 10 November 2010. Posteshop SpA intends to appeal to the Council of State.

The investigation of the Parent Company launched on 30 April 2010, pursuant to Legislative Decree 206/2005 (the Consumer Code), into allegations that certain material advertising the "Raccomandata 1" registered mail service is misleading (*in relation to delivery times and the conditions applicable to refunds for late delivery*) was completed on 29 December 2010, with the Authority ruling against Poste Italiane SpA and imposing a fine of 200 thousand euros. This was accordingly paid by the Company in February 2011. The ruling has been challenged before Lazio Regional Administrative Court.

ISVAP

As a result of the findings notified to Poste Vita SpA by the insurance industry regulator (the *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo*, or ISVAP) on 30 July 2010 following an investigation in December 2009, the company is liable to fines of between 55 and 550 thousand euros. Poste Vita SpA has submitted an in-depth, reasoned defence, amongst other things raising a number of procedural objections regarding the fact that the investigation has exceeded the statute of limitations and is untimely. The company has requested that the procedure be closed or, otherwise, that a hearing be arranged. The procedure is still ongoing.

COVIP

On 14 September 2010 the pension fund regulator (the *Commissione di Vigilanza su Fondi Pensione*, or COVIP) began an inspection of Poste Vita SpA relating to the sale of its "Postaprevidenza Valore – Piano individuale pensionistico – Fondo Pensione" pension product, the handling of complaints and internal claims management procedures, focusing particularly on transfers to other funds. On April 2011 the regulator notified the company of the findings of the inspection completed on 18 February 2011. On 4 July 2011 the company filed a submission with the regulator, describing the initiatives taken and/or that it plans to take in response to the findings.

Regional Tax Office for Lazio

On 22 June 2011 the Regional Tax Office for Large Taxpayers (*Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti*) began an audit of certain aspects of the company's taxation for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. The audit is ongoing and the company has so far provided all the documentation requested by the inspectors.

41 INFORMATION ON INVESTMENTS

41.1 - List of investments consolidated on a line-by-line basis

Name (registered office)	% interest	Share capital	Profit/(loss) for period	Equity
Banco Posta Fondi SpA SGR *(Rome)*	100%	12,000	4,804	71,348
Consorzio Logistica Pacchi ScpA *(Rome)*	97.5%	516	-	516
Consorzio per i Servizi di Telefonia Mobile ScpA *(Rome)* (*)	100%	120	-	120
Europa Gestioni Immobiliari SpA *(Rome)*	100%	103,200	4,049	439,665
Mistral Air Srl *(Rome)*	100%	530	(2,002)	(448)
Postecom SpA *(Rome)*	100%	6,450	916	39,629
PosteMobile SpA *(Rome)*	100%	32,561	8,470	53,540
Poste Energia SpA *(Rome)* (*)	100%	120	(55)	821
Poste Tutela SpA *(Rome)*	100%	153	574	8,720
Poste Vita SpA *(Rome)* (*)	100%	561,608	38,520	1,229,549
Poste Assicura Spa *(Rome)* (*)	100%	25,000	80	27,364
Postel SpA *(Rome)*	100%	20,400	2,299	152,647
PostelPrint SpA *(Rome)*	100%	7,140	2,025	38,910
PosteShop SpA *(Rome)*	100%	2,582	1,144	4,430
SDA Express Courier SpA *(Rome)*	100%	56,339	(5,306)	47,183

(*) The figures for these companies have been calculated under IFRS, and may not, therefore, be consistent with those contained in the financial statements prepared under Italian GAAP.

41.2 - List of investments accounted for using proportionate consolidation

Name *(registered office)*	% interest	Assets		Liabilities		Revenues from sales and services	Profit/(loss) for period
		current	non-current	current	non-current		
Italia Logistica Srl (*) *(Rome)*	50%	51,833	15,310	64,446	2,084	45,109	(1,284)

(*)The number of staff at 30 June 2011 totals 94.

41.3 - List of investments accounted for using the equity method

Name (*registered office*)	% interest	Assets	Liabilities	Revenues from sales and services	Profit/(Loss) for period
Address Software Srl *(Rome)*	51%	1,215	1,018	802	10
Consorzio ANAC *(in liquidatione) (Rome)* (a)	30.3%	47	14	-	-
Docugest SpA *(Parma)* (a)	49%	15,018	7,401	14,390	1,330
Docutel Communications Services SpA *(Siena)*	85%	3,725	2,275	2,569	56
Kipoint SpA (Rome)(a)	100%	1,761	1,249	529	(210)
Poste Tributi ScpA (Rome)	90%	7,066	4,483	1,710	-
Postel do Brasil Ltda (*Brasilia*) (b)	99.99%	834	756	-	12
Programma Dinamico SpA (Rome) (c)	-	582	450	-	3
Telma Sapienza Scarl (Rome) (a)	32.45%	1,636	126	-	-
Uptime SpA (Rome) (a)	28.57%	4,910	4,773	6,864	17

(a) Figures taken from the company's latest approved financial statements for the year ended 31 December 2010.

(b) Figures taken from the company's latest approved financial statements for the year ended 31 December 2007.

(c) Figures taken from the company's latest approved financial statements for the year ended 31 December 2010; Group companies do not hold investments in Programma Dinamico SpA.

42 EVENTS AFTER 30 JUNE 2011

Events after the end of the reporting period are described in the above notes. No other material events have taken place after 30 June 2011. Reference should be made above all to the information in note 20.1 regarding the formation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations.

ATTESTATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011 PURSUANT TO ART.154-BIS OF LEGISLATIVE DECREE 58/1998

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

- the adequacy with regard to the nature of the Company and
- the effective application of the administrative and accounting procedures adopted in preparation of the condensed interim financial statements during the six months ended 30 June 2011.

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

2.1 as highlighted in the Internal Control-Integrated framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the international standard body of generally accepted principles of internal control, as expressly referred to by Confindustria (the main organization representing Italian manufacturing and services companies) in its Guidelines for the role of Manager responsible for financial reporting pursuant to art.154-bis of the Consolidated Law on Finance, an internal control system, no matter how well designed and implemented, can only provide reasonable, not absolute, assurance that the company's objectives will be achieved, including true and fair financial reporting;

2.2 a number of activities, including checks on the effective application of administrative and accounting procedures, are in progress.

3. We also attest that:

3.1 the condensed interim financial statements:

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

3.2 the Directors' interim report on operations includes a reliable analysis of the significant events in the first six months of the current financial year and the impact of such events on the condensed interim financial statements, as well as a description of the main risks and uncertainties for the second half of the year.

Rome, Italy
28 July, 2011

Chief Executive Officer	Manager responsible for financial reporting
Massimo Sarmi	Alessandro Zurzolo

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

INDEPENDENT AUDITORS' REPORT

pwc

POSTE ITALIANE GROUP

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011 pwc

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

To the Shareholder of
Poste Italiane SpA

1. We have reviewed the condensed consolidated interim financial statements of Poste Italiane Group as of 30 June 2011, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated summary statement of cash flows and the related explanatory notes. The Directors of Poste Italiane SpA are responsible for the preparation of the condensed interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Listed Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed interim financial statements.

   Regarding the amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 21 March 2011 and dated 4 August 2010, respectively.

PricewaterhouseCoopers SpA

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3. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Poste Italiane Group as of 30 June 2011 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Rome, 5 August 2011

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

"This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers. We have not examined the translation of the condensed interim financial statements referred to in this report".

POSTE ITALIANE SpA

Financial statements

for the six months ended 30 June 2011

POSTE ITALIANE SPA'S INTERIM FINANCIAL STATEMENTS

Poste Italiane SpA publishes its interim financial statements in compliance with the requirements of article 154-ter of Legislative Decree 58 of 24 February 1998 (TUF), amended following transposition of the EU's Transparency Directive that has standardised the transparency requirements relating to the information published by issuers whose financial instruments are traded on a regulated market.

Although not expressly required by the Regulations for Issuers container in CONSOB Resolution 11971 and subsequent amendments, Poste Italiane SpA believes it appropriate to present the following separate statements at 30 June 2011: the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and the summary statement of cash flows.

Poste Italiane SpA prepares its financial statements under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union in EC Regulation 1606/2002 of 19 July 2002, and pursuant to Legislative Decree 38 of 20 February 2005, which introduced regulations governing the adoption of IFRS in Italian law. The accounting policies are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2010, to which reference should be made.

The following financial statements have not been audited.

STATEMENT OF FINANCIAL POSITION

(€000)

ASSETS	30 June 2011	*of which related party transactions*	31 December 2010	*of which related party transactions*
Non-current assets				
Property, plant and equipment	2,652,958	-	2,805,563	-
Investment property	85,243	-	92,023	-
Intangible assets	338,307	-	358,346	-
Investments	1,047,225	*1,047,225*	1,017,400	*1,017,400*
Financial assets	1,572,000	*939,642*	1,501,811	*980,063*
Deferred tax assets	619,788	-	660,248	-
Other assets	476,947	*1,466*	447,922	*1,466*
Total	**6,792,468**		**6,883,313**	
Assets attributable to BancoPosta	**44,708,188**	***11,750,451***	**39,656,830**	***6,173,455***
Current assets				
Trade receivables	3,898,936	*2,471,972*	3,670,300	*2,346,923*
Current tax assets	333,280	-	38,457	-
Other current receivables and assets	441,818	*47*	453,286	*78*
Financial assets	482,148	*406,156*	717,839	*613,642*
Cash and cash equivalents	699,400	-	907,980	-
Total	**5,855,582**		**5,787,862**	
Non-current assets held for sale	**2,828**	**-**	**2,964**	**-**
TOTAL ASSETS	**57,359,066**		**52,330,969**	

LIABILITIES AND EQUITY	30 June 2011	*of which related party transactions*	31 December 2010	*of which related party transactions*
Equity				
Share capital	1,306,110	-	1,306,110	-
Reserves (*)	899,745	-	(44,431)	-
Retained earnings	1,382,810	-	2,351,546	-
Total	**3,588,665**		**3,613,225**	
Non-current liabilities				
Provisions for liabilities and charges	361,658	*22,782*	365,966	*30,276*
Staff termination benefits	1,223,957		1,297,780	
Financial liabilities	1,866,586	*371,123*	1,655,077	*371,123*
Deferred tax liabilities	95,843	-	139,271	-
Other liabilities	70,933	-	70,152	-
Total	**3,618,977**		**3,528,246**	
Liabilities attributable to BancoPosta	**42,775,215**	***197,730***	**38,077,164**	***340,707***
Current liabilities				
Provisions for liabilities and charges	661,099	*7,212*	832,609	*10,321*
Trade payables	1,539,528	*524,080*	1,593,340	*518,855*
Current tax liabilities	306,179	-	23,255	-
Other liabilities	1,526,502	*84,163*	1,536,084	*105,152*
Financial liabilities	3,342,901	*1,010,505*	3,127,046	*373,063*
Total	**7,376,209**		**7,112,334**	
TOTAL LIABILITIES AND EQUITY	**57,359,066**		**52,330,969**	

* This item includes the "Reserve for BancoPosta capital", totalling 1 billion euros, established on 14 April 2011 with a transfer from Retained earnings.

INCOME STATEMENT

(€000)

	H1 2011	*of which related party transactions*	H1 2010	*of which related party transactions*
Revenues from sales and services	4,711,339	*1,403,633*	4,873,764	*1,480,977*
Other income from financial activities	109,149	-	257,757	-
Other operating income	48,247	*7,722*	51,422	*6,676*
Total revenue	**4,868,735**		**5,182,943**	
Cost of goods and services	966,824	*360,496*	977,536	*351,516*
Other expenses from financial activities	2,242	-	596	-
Staff costs	2,787,629	*15,076*	3,057,890	*15,588*
of which non-recurring costs/(income)	*(54,940)*	-	-	-
Depreciation, amortisation and impairments	246,752	-	259,092	-
Capitalised costs and expenses	(4,421)	-	(3,938)	-
Other operating costs	104,831	*9,252*	155,985	*32,442*
Operating profit/(loss)	**764,878**		**735,782**	
Finance costs	72,801	*12,338*	73,197	*13,478*
Finance income	59,242	*34,523*	71,378	*18,269*
Profit/(Loss) before tax	**751,319**		**733,963**	
Income tax expense	337,802	-	360,043	-
PROFIT FOR THE PERIOD	**413,517**		**373,920**	

STATEMENT OF COMPREHENSIVE INCOME

			(€000)
	H1 2011	**FY 2010**	**H1 2010**
Profit/(Loss) for the period	413,517	729,035	373,920
Available-for-sale financial assets			
Increase(Decrease) in fair value during the period	8,240	(860,641)	(377,022)
Transfers to profit or loss	(52,841)	(348,048)	(324,600)
Cash flow hedges			
Increase/(Decrease) in fair value during the period	(52,077)	86,062	97,119
Transfers to profit or loss	(43,286)	33,376	43,033
Actuarial gains/(losses) on provisions for staff termination benefits	9,234	68,866	13,362
Taxation of items recognised directly in, or transferred from, Equity	42,653	327,655	174,128
Total other components of comprehensive income	**(88,077)**	**(692,730)**	**(373,980)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**325,440**	**36,305**	**(60)**

STATEMENT OF CHANGES IN EQUITY

(€000)

	Equity						
	Share capital	Reserves				Retained earnings/ (Accummulated losses)	Total
		Legal reserve	Reserve for BancoPosta capital	Fair value reserve	Cash flow hedge reserve		
Balance at 1 January 2010	**1,306,110**	**148,351**	**-**	**630,214**	**(118,978)**	**2,111,223**	**4,076,920**
Total comprehensive income for the period	-	-	-	(479,111)	95,444	383,607	(60)
Appropriation of Profit to Reserves	-	38,640	-	-	-	(38,640)	-
Dividends paid	-	-	-	-	-	(500,000)	(500,000)
Balance at 30 June 2010	**1,306,110**	**186,991**	**-**	**151,103**	**(23,534)**	**1,956,190**	**3,576,860**
Total comprehensive income for the period	-	-	-	(344,906)	(14,085)	395,356	36,365
Appropriation of Profit to Reserves	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2010	**1,306,110**	**186,991**	**-**	**(193,803)**	**(37,619)**	**2,351,546**	**3,613,225**
Total comprehensive income for the period	-	-	-	(29,866)	(64,906)	420,212 (*)	325,440
Appropriation of Profit to Reserves	-	38,948	-	-	-	(38,948)	-
Dividends paid	-	-	-	-	-	(350,000)	(350,000)
Formation of BancoPosta capital	-	-	1,000,000	-	-	(1,000,000)	-
Balance at 30 June 2011	**1,306,110**	**225,939**	**1,000,000**	**(223,669)**	**(102,525)**	**1,382,810**	**3,588,665**

* This item includes profit for the period of 413,517 thousand euros and actuarial gains on provisions for staff termination benefits of 9,234 thousand euros, net of the related current taxation of 2,539 thousand euros.

SUMMARY STATEMENT OF CASH FLOWS

			(€000)
		H1 2011	**H1 2010**
Deposits and cash in hand at beginning of period		**907,980**	**1,598,564**
Profit/(loss) for period		413,517	373,920
Depreciation, amortisation and impairments		246,752	259,092
Impairments of investments		-	277
Losses and impairments/(Recoveries) on receivables		23,662	34,718
(Gains)/losses on disposals		(12,252)	(1,703)
(Gains)/Losses on financial transactions		(113,532)	(252,669)
(Increase)/Decrease in Receivables and Other assets		(564,678)	(133,445)
Increase/(Decrease) in Payables and Other liabilities		221,717	141,687
Change in provisions for liabilities and charges		(175,818)	(8,404)
Change in Provisions for staff termination benefits		(63,101)	(34,795)
Differences in accrued finance costs and income (cash correction)		15,716	18,278
Other changes		41,239	(29,566)
Cash flow generated/(used) by non-financial operating activities	**[a]**	**33,222**	**367,390**
Increase/(Decrease) in liabilities attributable to Bancoposta		4,692,564	1,150,704
Net cash generated by/(used for) financial assets held for trading attributable to BancoPosta		-	113,114
Net cash generated by/(used for) available-for-sale financial assets attributable to BancoPosta		(912,986)	798,130
(Increase)/Decrease in other assets attributable to Bancoposta		(4,115,018)	(1,770,708)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	**[b]**	**(335,440)**	**291,240**
Net cash flow from/(for) operating activities	**[c]=[a+b]**	**(302,218)**	**658,630**
- of which related party transactions		***(5,874,566)***	***(11,837)***
Investing activities:			
Property, plant and equipment, investment property and intangible assets		(107,937)	(109,616)
Investments		(50)	(3,500)
Other financial assets		(100,041)	(482,567)
Held-to-maturity investments attributable to Bancoposta		(520,272)	(2,507,041)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		9,849	4,588
Investments		7,941	42
Other financial assets		151,278	41,499
Held-to-maturity investments attributable to Bancoposta		465,000	897,000
Net cash flow from/(for) investing activities (*)	**[d]**	**(94,232)**	**(2,159,595)**
- of which related party transactions		***99,401***	***(363,895)***
Proceeds from/(Repayments of) borrowings		395,165	453,739
(Increase)/Decrease in loans and receivables		142,705	165,344
Dividends paid		(350,000)	-
Net cash flow from/(for) financing activities and shareholder transactions	**[e]**	**187,870**	**619,083**
- of which related party transactions		***417,842***	***754,755***
Net increase/(decrease) in cash and cash equivalents	**[f]=[c+d+e]**	**(208,580)**	**(881,882)**
Deposits and cash in hand at end of period		**699,400**	**716,682**

* This item includes BancoPosta's portfolio of held-to-maturity investments.

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The manager responsible for financial reporting, Alessandro Zurzolo, declares, pursuant to section 2 of article 154 bis of the TUF, that the accounting information contained in Poste Italiane SpA's "Interim financial statements for the six months ended 30 June 2011" is consistent with the underlying accounting records.

Rome, Italy
28 July 2011