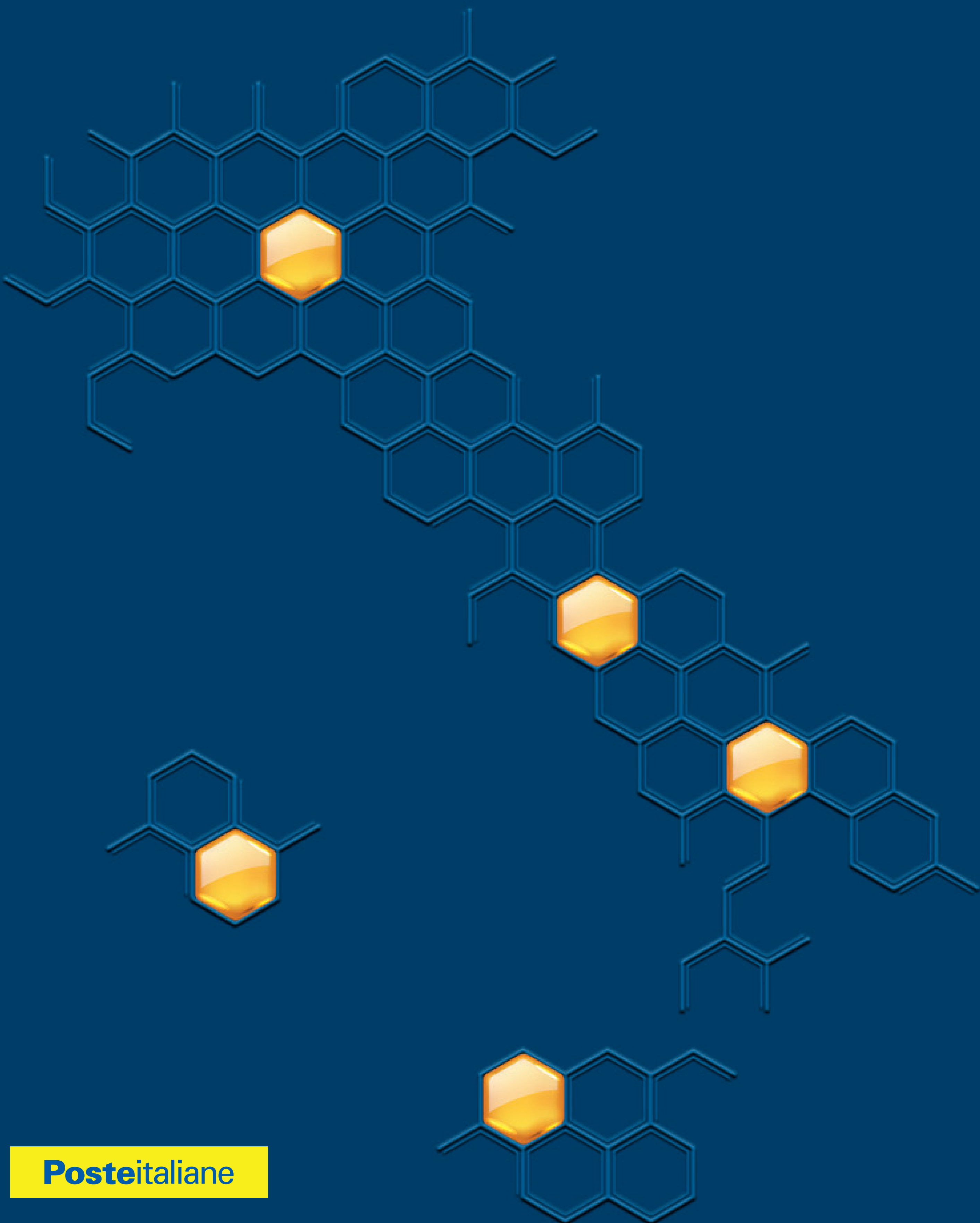
DELIVERING RESPONSIBLE GROWTH TOGETHER

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2020



Posteitaliane

DELIVERING RESPONSIBLE GROWTH TOGETHER

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2020

Summary

1. Introduction

This consolidated interim report of the Poste Italiane Group at 31 March 2020 has been prepared on a voluntary basis, in accordance with the provisions of art. 82-*ter* of the CONSOB Issuers' Regulation "Additional Periodic Financial Information" in order to ensure continuity and regularity of information to the financial community, and in compliance with the recognition and measurement criteria established by the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 and in force at the end of the period. The consistency and correctness of the additional disclosures contained in the document, which has not been audited, is guaranteed, as is comparability of the related information with the corresponding disclosures included in previously published financial reports.

The information contained in this document aims to provide an update on events and circumstances occurring between the end of 2019 and the date of approval of Poste Italiane Group's consolidated interim report for the three months ended 31 March 2020.

For more detailed information, reference should be made to the Annual Report for 2019, which will be submitted for approval by the Annual General Meeting of shareholders to be held on 15 May 2020.

The first quarter of 2020 was marked, starting from the end of February, by the effects of the Coronavirus pandemic (Covid-19), requiring Poste Italiane to implement urgent and exceptional countermeasures to protect the health of citizens and customers, while at the same time ensuring the continuity of delivery services and territorial coverage through the operations of Post Offices.

The impacts of Covid-19 are presented in this Report, which was also prepared taking into account the recommendations issued by ESMA in March[1].

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

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

2. Covid-19 emergency

The Poste Italiane Group has constantly monitored the evolution of the Coronavirus emergency and has immediately adopted stringent measures with the primary objective of ensuring the protection of employees and customers. The commitment was mainly aimed at identifying solutions that would, on the one hand, combat the spread of the virus and, on the other, reduce, to the extent possible, the impact on the delivery service and services offered by Post Offices.

To deal with the Coronavirus emergency, Poste Italiane has set up bodies and instruments aimed at a unified and nationally coordinated governance of containment and prevention actions:

Coronavirus Risk Management Committee

In compliance with the Crisis Management Guidelines, the Committee has been established, chaired by the Chief Executive Officer and the Deputy General Manager, attended by all Poste Italiane employers, the technical structures competent in crisis management and other company support structures

Operational structure for emergency management

Two structures have been identified to coordinate the activities of Poste Italiane and Group Companies for emergency management. The coordination structures (Corporate Protection and Properties in Corporate Affairs) refer to the other operational functions: Properties, Communication, Information Systems, Human Resources, Business Functions (PCL, MP, MBPA)

- **+500 People dedicated**
  to emergency management at Central HQ and on the territory

Interactions with competent Government Bodies

Poste Italiane has immediately activated contacts with government bodies responsible for crisis management

- **Civil protection**
  Stable and uninterrupted presence of Poste Italiane within the Civil Protection Operations Committee
- **Prefecture and Law Enforcement**
  Management of relations with Prefectures and law enforcement agencies concerned at local level
- **CODISE and COBAN**
  Poste Italiane participates in every meeting of CODISE and COBAN as the central operator of the country's economic and financial system

Measures to protect the health and safety of employees and customers

Information, hygiene, anti-contagion devices, reorganisation of timetables and smart working: this is how Poste Italiane has responded to the government's requests, guaranteeing the functioning of the universal service and the protection of resources and customers:

Protection of employees and customers

- Communications to customers to reduce crowding in Post Offices and procedures for staggered access in Post Offices
- Suspension of all training courses in classroom and cancellation of internal public events and participation in external public events
- Suspension of international, national, intra-regional, regional travel unless it cannot be postponed
- Suspension of access to third parties (consultants, service providers and visitors) to management offices
- Closing of internal bars and company canteens
- Incentives to smart working
- Invitation to employees to comply with hygiene rules and behavioural measures in line with regulatory requirements

Procurement and distribution of materials

Poste Italiane has activated channels around the world to ensure constant and adequate provision to its employees of devices, in a global scenario in which PPEs is very difficult to find.

- Distribution of masks, disinfectant gel and disposable gloves giving priority to personnel in contact with the public
- Extraordinary sanitisation of production sites, management offices and Post Offices, according to a very tight schedule, involving several hundred sites per day
- Supply of several bottles of disinfectant for surfaces
- Purchase and installation of chemical restrooms for use by third parties (e.g. suppliers)
- Activation of thermal imaging cameras for temperature control for all areas of forced access at the Rome EUR management offices (which houses over 6,000 employees)
- Laying lines of distance from the workstations of postal operators in Post Offices

Smart working

Approx. **80%** of resources operating in functions of central and territorial staff

The data does not include figures who perform an activity that is not compatible with smart working.

Provisioning of safety devices

10mln pieces — Masks

1mln pieces — Hand gel

50mln pieces — Disposable gloves

300k pieces — Disinfectant for surfaces

Communication activities

Poste Italiane has constantly informed employees and customers about the measures taken to prevent the spread of the disease, while ensuring business continuity:

Employees

Poste Italiane has been in constant dialogue with its 130,000 employees communicating all the preventive measures adopted in line with the indications received by the Health Authorities both through digital tools and posters.

11
Posters
in management offices

26
e-mail, Intranet and push App communications
580 thousand
views
4 thousand
comments

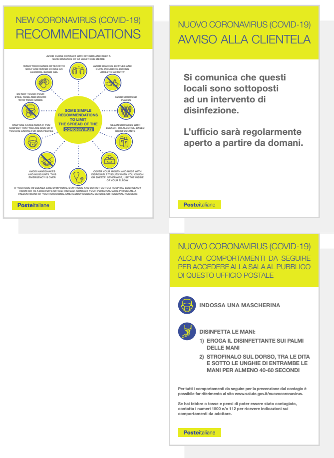
NoidiPoste

2
video messages of the CEO
160 thousand
views

Customers

Poste Italiane has informed customers on the use of ATM, as an alternative to counters, for cash withdrawal as well as the use of digital channels to access other transactions, if possible.

Specific communications were issued to reduce crowding in Post Offices and on behaviour required in compliance with provisions of the Authorities.



24
Posters according to the different requirements on Post Office windows

Pension payments

Search for information about offices, opening days and hours on the Home Page **www.poste.it** and TOLL FREE NUMBER **800 00 3322**

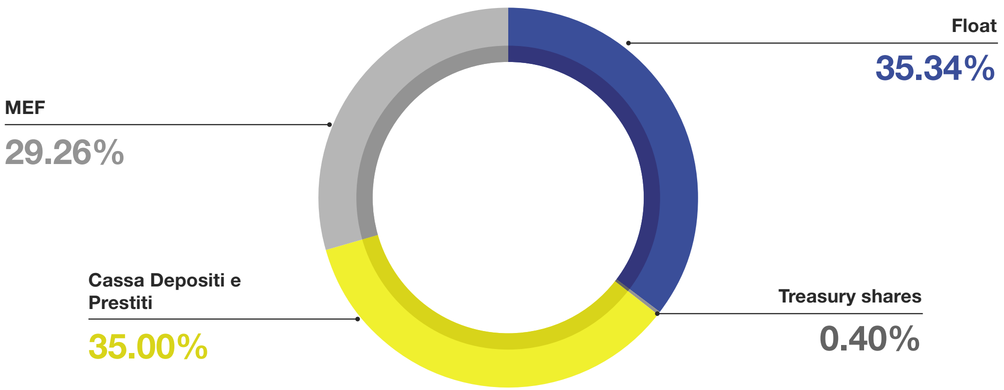
Notice to customers at Post Offices

Commercial for information

More than **100 pezzi** pieces on national media, thousands of articles on local media (newspapers, TV, radio, web)

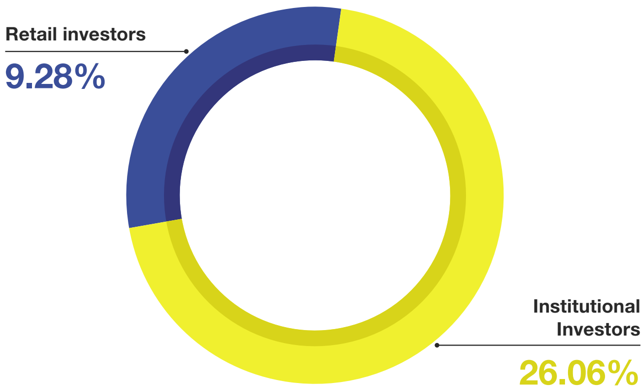
3. Ownership, Group and organisational structures

Shareholder structure

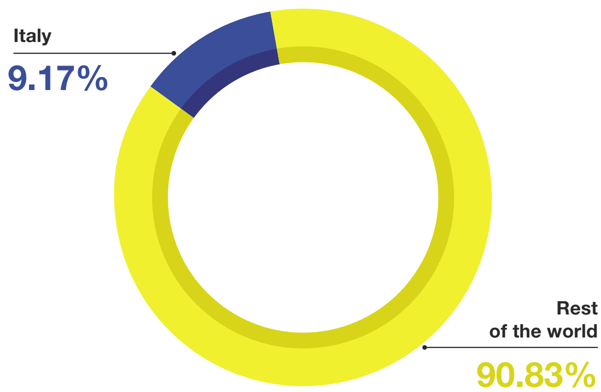


Poste Italiane has issued shares listed on the *Mercato Telematico Azionario* (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana SpA as of 27 October 2015. At 31 March 2020, the Company is 29.3% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti SpA (CDP), also controlled by the MEF. The remaining shares are held by institutional and retail investors.

Floating equity profile

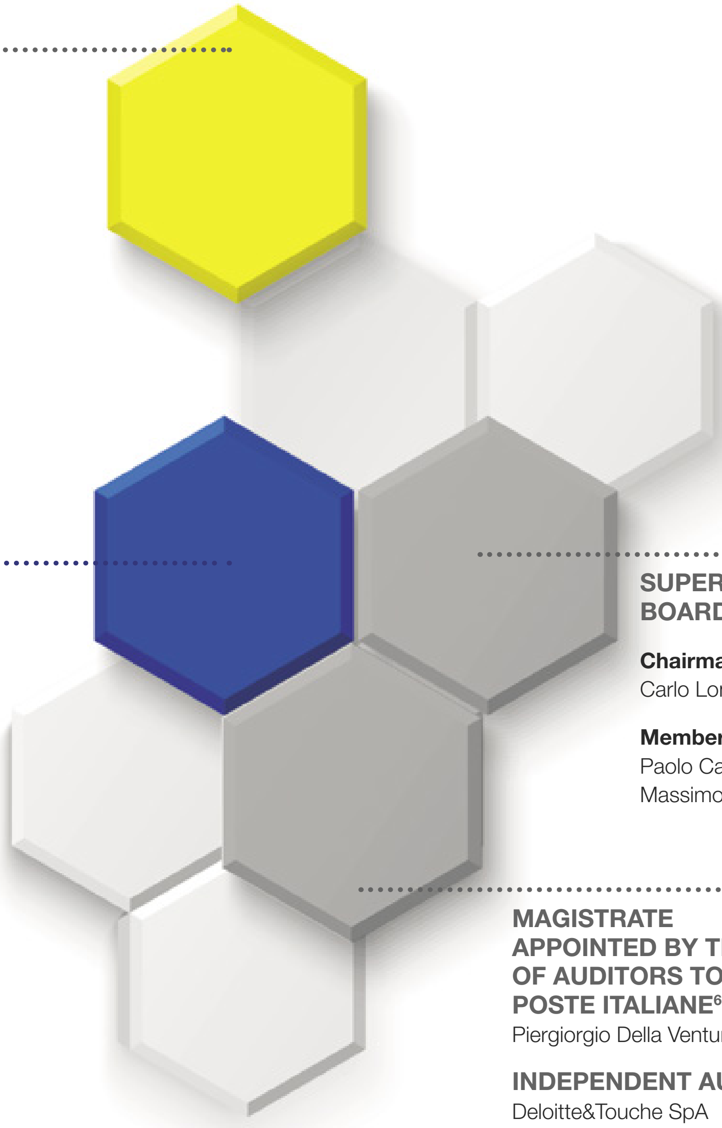


Geographical breakdown Institutional investors



Management and supervisory bodies

Below is the representation of Poste Italiane SpA administrative and control bodies. The Board of Directors was elected by the Annual General Meeting held on 27 April 2017 to serve for a period of three years, and will remain in office until the Annual General Meeting of 15 May 2020.



BOARD OF DIRECTORS[1]

Chairwoman
Maria Bianca Farina

Chief Executive Officer and General Manager
Matteo Del Fante

Directors
Giovanni Azzone
Carlo Cerami
Antonella Guglielmetti
Francesca Isgrò
Mimi Kung
Roberto Rao
Roberto Rossi

BOARD OF STATUTORY AUDITORS[3]

Chairman
Mauro Lonardo

Statutory auditors
Luigi Borrè
Anna Rosa Adiutori

Statutory auditors
Alberto De Nigro
Maria Francesca Talamonti
Antonio Santi

SUPERVISORY BOARD[4]

Chairman
Carlo Longari

Members
Paolo Casati[5]
Massimo Lauro

MAGISTRATE APPOINTED BY THE ITALIAN COURT OF AUDITORS TO AUDIT POSTE ITALIANE[6]
Piergiorgio Della Ventura

INDEPENDENT AUDITORS[7]
Deloitte&Touche SpA

CONTROL, RISK AND SUSTAINABILITY COMMITTEE[2]
Antonella Guglielmetti
(Chairwoman)
Giovanni Azzone
Francesca Isgrò
Roberto Rossi

REMUNERATION COMMITTEE[2]
Carlo Cerami
(Chairman)
Giovanni Azzone
Roberto Rossi

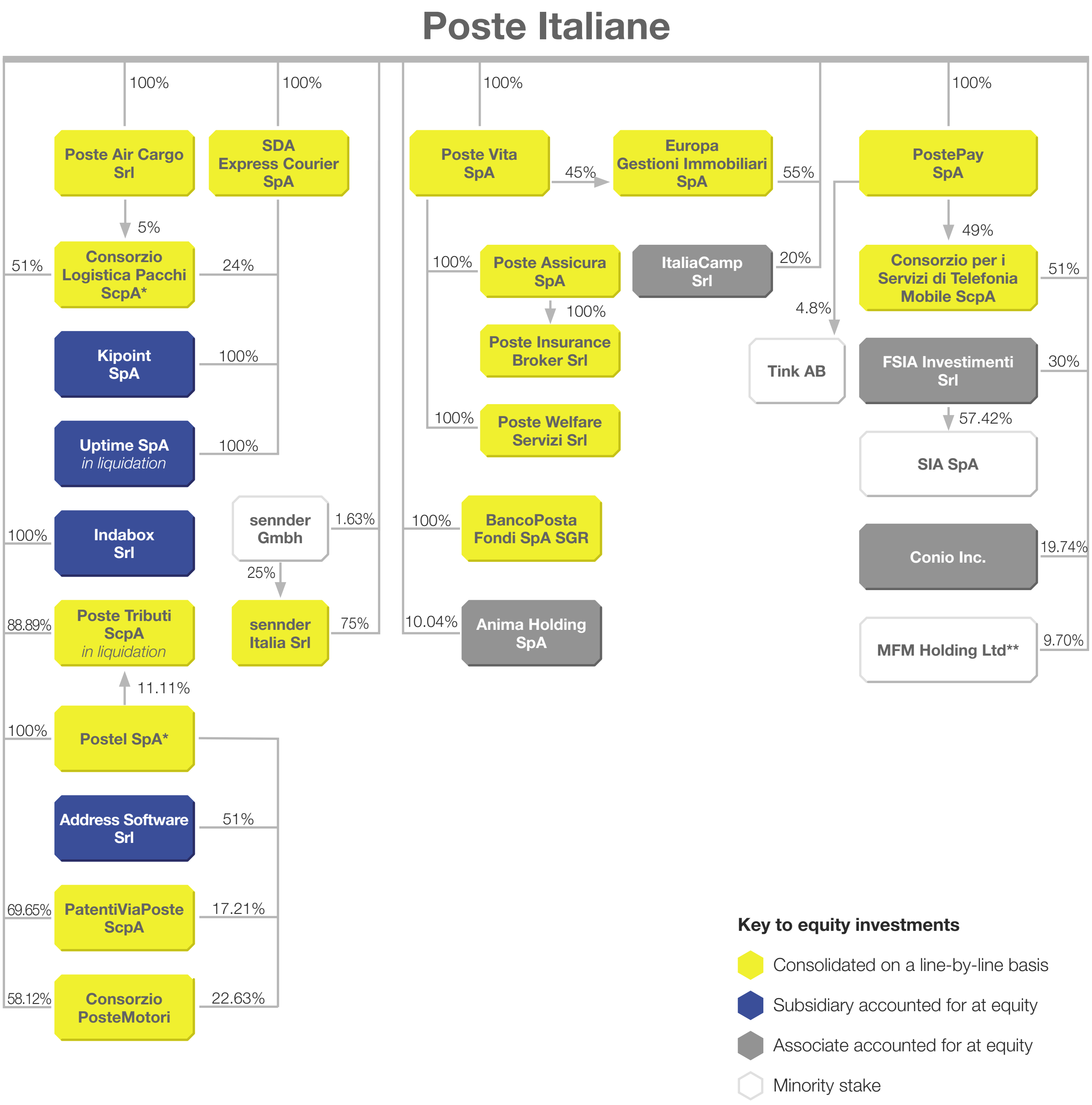
APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE[2]
Roberto Rao
(Chairman)
Antonella Guglielmetti
Mimi Kung

RELATED PARTY AND CONNECTED PARTIES COMMITTE[2]
Francesca Isgrò
(Chairman)
Carlo Cerami
Mimi Kung
Roberto Rao

1. The Board of Directors was elected by the Annual General Meeting held on 27 April 2017 to serve for a period of three years, and will remain in office until the Annual General Meeting's approval of the financial statements for the year ended 31 December 2019.
2. Committee members were appointed by the Board of Directors' meeting of 28 April 2017.
3. The Board of Statutory Auditors was elected by the Ordinary General Meeting of 28 May 2019 to serve for a period of three years and will remain in office until the General Meeting's approval of the financial statements for the year ended 31 December 2021.
4. The Supervisory Board was appointed by the Board of Directors' meeting of 30 July 2019 for a three-year term and will remain in office until 30 July 2022.
5. The only internal member, Head of Poste Italiane SpA's Internal Auditing.
6. Assigned by the Court of Auditors with effect from 1 January 2020.
7. The Ordinary General Meeting of 28 May 2019 resolved to appoint Deloitte & Touche SpA to audit the accounts of Poste Italiane Group companies for the years 2020-2028.

Group structure at 31 March 2020

Since the first quarter of 2020, Poste Italiane SpA has held 75% of sennder Italia Srl; PostePay SpA holds 4.8% of Tink AB.



* The remaining 20% of the share capital of Consorzio Logistica Pacchi ScpA is held by Postel SpA.
** The equity investment of Poste Italiane SpA in MFM Holding Ltd is equal to 9.70% of the shares with voting rights (10.36% of property rights).

The Poste Italiane Group company businesses

Companies by Strategic Business Unit	Business
MAIL, PARCELS AND DISTRIBUTION	
SDA Express Courier SpA	This is the Group’s operational company. It mainly carries out activities to serve the logistics processes. It also operates on the Express Courier market, providing customised solutions to handle any type of transport.
Postel SpA	This company operates in communication services for businesses and the public administration, providing printing and delivery services, electronic document management solutions, direct marketing, e-procurement, IT services and website management (portals) for online payments.
Poste Air Cargo Srl (formerly Mistral Air Srl)	This company provides commercial air transport, cargo courier transport and insures, as the Group's sole provider, the air logistics in support of mail and parcel delivery.
Consorzio PosteMotori	This is a non-profit consortium that manages and reports on the payment of prices due by users for the proceedings for which the Transport Department of the Ministry of Infrastructure and Transport is competent (e.g. issue of "pink sheets", issue and renewal of copies of driving licences, registrations, MOTs, etc.).
Consorzio Logistica Pacchi ScpA	This consortium coordinates the activities of the consortium members (Poste Italiane, SDA, Postel and Poste Air Cargo) in transport overland, by air of postal effects, integrated logistics, printing and envelope filling, electronic document management, e-commerce, marketing and telemarketing.
PatentiViaPoste ScpA	Non-profit consortium that provides centralised printing services, the dispatch and delivery of new licences and copies of log books.
Address Software Srl	This company develops, mainly for Postel SpA, application software packages for the processing of personal and territorial data (normalisation of addresses, data cleaning and geomarketing).
Europa Gestioni Immobiliari SpA	This company manages and optimises Poste's real estate assets that are no longer instrumental; it carries out town planning and construction transformations, in order to assure the relative marketing (new leases and sales). It also operates on the electricity market as "wholesale" purchaser for the Group.
ItaliaCamp Srl	This company intermediates the supply and demand of ideas and solutions for the development of social, economic and scientific projects as well as consultancy for businesses and entities for the supply of services relating to projects, both in the public and private context.
Indabox Srl	This company develops IT and telematic systems offering logistics support to e-commerce, offering customers a collection service of parcels purchased online from authorised retailers.
Kipoint SpA	Through a network of franchise stores, this company sells national and international deliveries, products and services. Following the stipulation of the contract with Grandi Stazioni, it also manages luggage deposits at major railway stations.
Conio Inc.	This Californian company creates and offers innovative services in digital currencies. It controls 100% of Conio Srl, which is involved in the research, development and testing of results consisting of innovative electronic payment technological solutions (cryptocurrencies, bitcoins).
sennder Italia Srl	The Company carries out national and international long-distance road transport activities. The business model is based on highly digitised processes and proprietary IT platforms capable of optimising flows and distances travelled, positively impacting both the costs and the environmental impact of transport.
PAYMENTS AND MOBILE	
PostePay SpA	A company that integrates electronic money and payment services for retail business and Public Administration customers acting as an Electronic Money Institution (EMI) and as a Mobile Virtual Network Operator (MVNO) with the PosteMobile brand.
Consorzio per i Servizi di Telefonia Mobile ScpA	Consortium for the supply of services relating to the "Electronic Postman" platform, mobile telephony and integrating messaging services (device info services connected with financial instruments) exclusively for Poste Italiane.
Fsia Investimenti Srl	Investment SPV that purchases, subscribes, holds, administers, sells and otherwise disposes of shares in SIA SpA, bonds or participating financial instruments issued by SIA. FSIA Investimenti Srl holds 57.42% of SIA SpA, a company that designs, develops and manages infrastructures and technological services dedicated to financial institutions, central banks, businesses and public administrations, in the areas of payments, electronic money, network services and capital markets.
Tink AB	Swedish company accredited as a PSD2 operator with the FSA (Financial Supervisory Authority), present in more than 10 European countries (including Italy), is one of the main open banking platforms, providing banks and financial institutions with PSD2 technology solutions.

Companies by Strategic Business Unit	Business
FINANCIAL SERVICES	
BancoPosta Fondi SpA SGR	Collective asset management company that operates through the establishment and management of mutual investment funds and the individual portfolio management service relative to institutional mandates assigned to the Group.
Anima Holding SpA	Investment holding company in the asset management sector. It controls 100% of Anima SGR, which, in turn, controls 100% of Anima Asset Management Ltd.
MFM Holding LTD	Digital asset management company, specialised in ETF (Exchange Traded Funds) portfolios.
INSURANCE SERVICES	
Poste Vita SpA	Insurance company that provides insurance and reinsurance in Life classes.
Poste Assicura SpA	Insurance company that provides personal protection (health and accident), property protection (home and assets) and credit protection (insurance of loans and mortgages from unforeseen events).
Poste Insurance Broker Srl	Insurance broker for the distribution and brokerage of insurance and reinsurance.
Poste Welfare Servizi Srl	Company that manages Supplementary Medical Funds, services for the acquisition and validation of databases, services and liquidation of services on behalf of private medical funds; it also supplies services for the management of Poste Vita Group health and welfare products.

Corporate actions during the period

sennder GmbH – sennder Italia

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

Tink AB

On 20 December 2019, Poste Italiane signed agreements for the establishment of a strategic partnership with the Swedish company Tink AB, one of the leading open banking[2] platforms in Europe. These agreements provide, in addition to the commercial provision of PSD2 technology solutions[3], for long-term strategic collaboration as an enabling factor for the expansion of the Poste Italiane Group's digital service offering, including through the sharing of technological developments and the joint development of solutions and services. As part of these agreements, the Poste Italiane Group, through its subsidiary PostePay SpA, has agreed with other investors to a capital increase in TINK with an investment of around €20 million, acquiring 4.8% in Tink capital. The subscription of the capital increase was completed on 10 March 2020.

2. Open banking is sharing of data between different players in the banking ecosystem. With the entry into force of the European PSD2 Digital Payments Directive, European banks are obliged to open up their API (Application Program Interface) to fintech (technology applied to finance) companies and other companies involved in financial products and services. This will allow external companies (third parties) access to payment data thus increasing competition.
3. PSD2 - Payment Services Directive 2 is the new European Directive (2015/2366/EU) on payment services.

MLK Deliveries SpA

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

MLK Deliveries will be responsible for providing Same Day and Scheduled[4] delivery services for the Poste Italiane Group through the exclusive use of Milkman technology, which in turn will reposition itself as a pure technology provider. At the same time, Poste Italiane acquired about 6% in the share capital of Milkman by participating in a capital increase with an investment of €5 million. Finally, there are purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase 100% of MLK and ownership of the Milkman technology for e-commerce applications.

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

MFM Holding Ltd - MFM Investments Ltd

On 2 August 2019, Poste Italiane, in line with the Strategic Plan, launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset management services. The agreement provides that Poste Italiane will distribute an asset management service in Exchange Traded Funds (ETF) with 7 investment lines of which 2 developed exclusively for its customers. As part of this partnership, on 9 August 2019, Poste Italiane signed a contract with MFM Holding Ltd (the company that controls 100% of Moneyfarm) which provides for a capital increase by the latter for a value of approximately €40 million (£36 million) through the issue of convertible preference shares to be subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involved two phases. In the first, which ended in August 2019, Poste Italiane subscribed shares in MFM Holding Ltd for a total value of €15 million, representing 9.70% of voting rights (10.36% of equity rights). The second, which provides for the subscription by Poste Italiane of further MFM Holding shares for a total value of approximately €9.6 million, with an increase in the investment up to 14.10% of voting rights (15.16% of equity rights), will be completed in May 2020, having obtained the necessary authorisations from the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

Other transactions

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

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

The Group's organisation and operating segments

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

These Strategic Business Units are supported by two distribution channels for retail customers, on the one hand, and business and Public Administration customers, on the other. These channels operate alongside a series of corporate functions responsible for policy, governance, controls and the provision of business process support services..

Strategic Business Units

Mail, Parcels and Distribution

In addition to managing the mail and parcel service, the SBU also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to BancoPosta RFC and the other segments in which the Group operates.

Payments and Mobile

The SBU includes the activities of PostePay SpA and the mobile telecommunications services of the associate FSIA Investimenti. Starting in 2020, and in line with the organisational changes that in 2019 saw the transfer of the digital channel control activities from the Payments, Mobile and Digital Function to the Customer Experience Transformation function, the name of the Payments, Mobile and Digital SBU has been updated to Payments and Mobile.

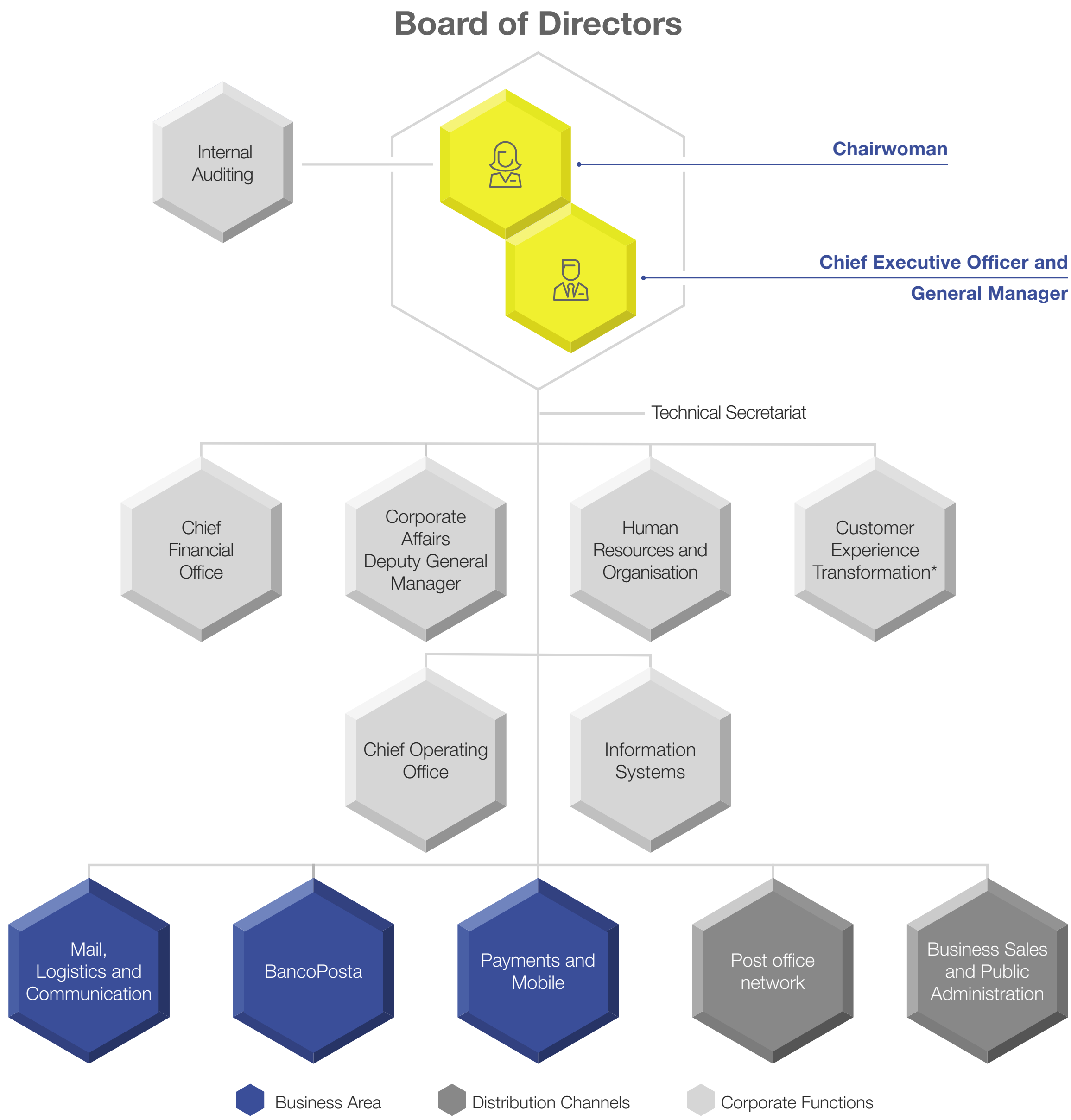
Financial Services

The Financial Services SBU includes the activities of BancoPosta RFC, BancoPosta Fondi SpA SGR and the associate Anima Holding SpA.

Insurance Services

The SBU refers to the activities carried out by the Poste Vita Group.

Poste Italiane SpA's organisational structure



* As of April 2020, the Customer Experience Transformation (CET) function no longer exists.

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

With particular reference to corporate functions:
The function **Corporate Affairs** is responsible for all processes relating to communication and institutional relations, legal, corporate and regulatory affairs in the postal sector, as well as those relating to the management of purchases and real estate, corporate protection and philately. In addition, Corporate Affairs includes the Group Risk Management function, which is the single point of reference for the governance and management of all risks and the Group Anti-Money Laundering function.

The **Chief Operating Office** function guarantees the development and operational excellence of customer service activities and back office processing with a view to continuous improvement of the customer experience.

In April 2020, a process of optimisation of the customer experience monitoring model was launched, which saw, as a first step, the removal of the Customer Experience Transformation function and the transfer regarding **Information Systems** of the activities to monitor customer experience optimisation initiatives to the physical and online channel, pending the identification of the best organisational solution.

During the same period, a function dedicated to Business Innovation and the design of Marketplace solutions was established in **Administration, Finance and Control.**

Distribution channels

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

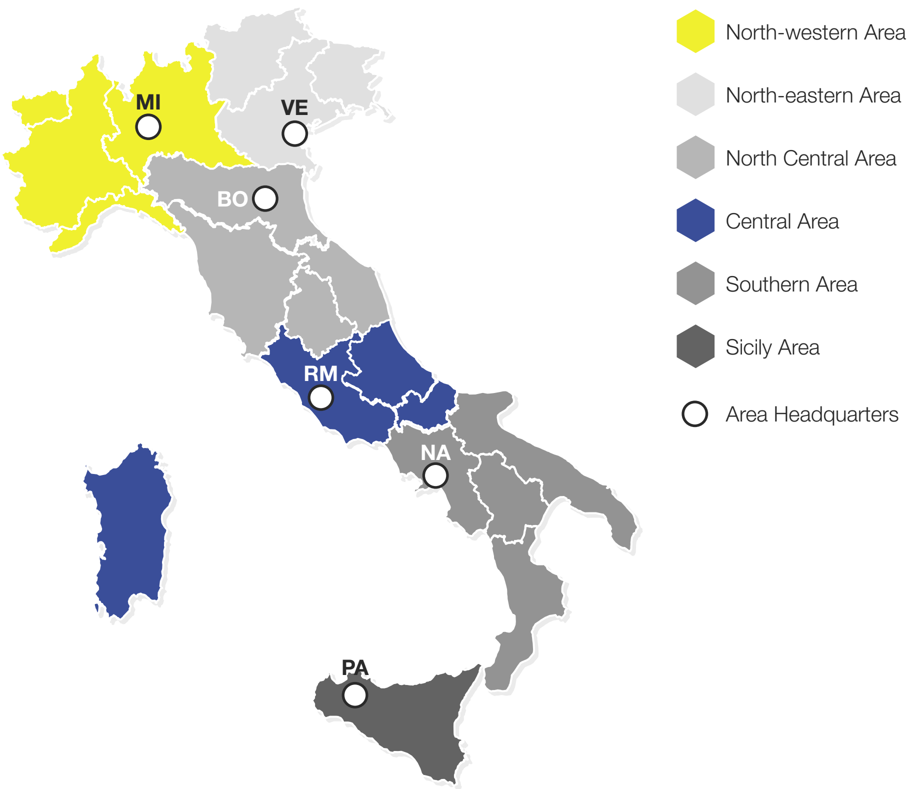
The customer physical contact channels are managed by two Poste Italiane functions dedicated to the sale of products and services and specialised by type of customer: **Post Office Network and Business and Public Administration**.

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

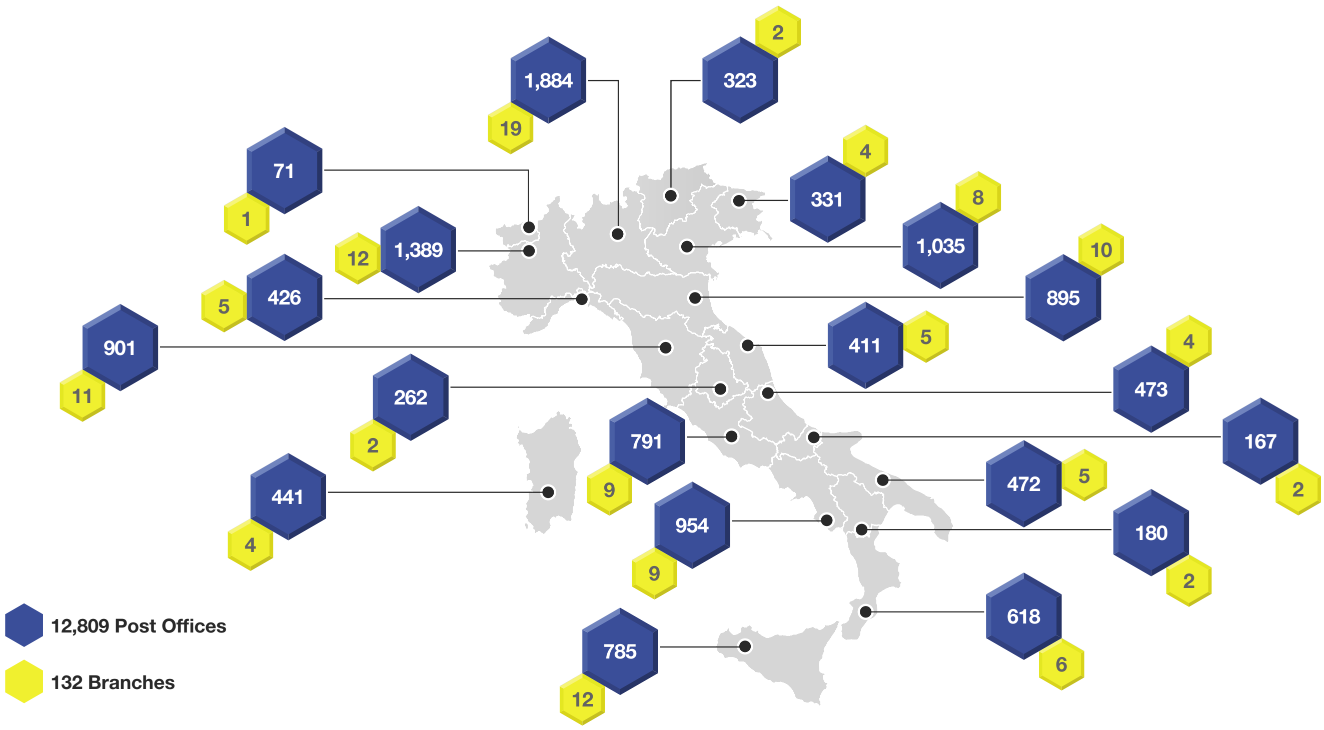
Commercial Network - Post Office Network

The Post Office Network function manages the commercial front end for the Private Customer (retail) and SME (small business) segments and is in charge of area offices, branches and Post Offices covering the entire country.

Post Office Network Macro Areas



Geographical Distribution of Post Offices and Branches



As already anticipated, the first quarter of 2020 saw the Company engaged in the organisation of the Post Office network to deal with the health emergency due to the spread of the Covid-19 virus. The government measures adopted as of 23 February 2020 have progressively limited the mobility of the entire Italian population throughout Italy, causing significant repercussions in terms of reduced customer numbers and operational management of Post Offices. In this scenario, in order to ensure continuity in the provision of essential services and at the same time the safety of its employees, the Company has reorganised Post Office operations. Initially the afternoon shift was deactivated for approximately 1,200 offices normally open for double shift; approximately 3,300 offices normally open for single morning shift were closed and the weekly opening hours of approximately 2,600 offices were rescheduled. Subsequently, following the enactment of the "*Cura Italia*" Decree Law no. 18 of 17 March 2020, the operation of Post Offices was further rationalised with a reduction in opening days, both with reference to the entire national network and the size of the population for each municipality. From 14 April and 20 April, in conjunction with local institutions, over 2,100 Post Offices were gradually reopened to the public.

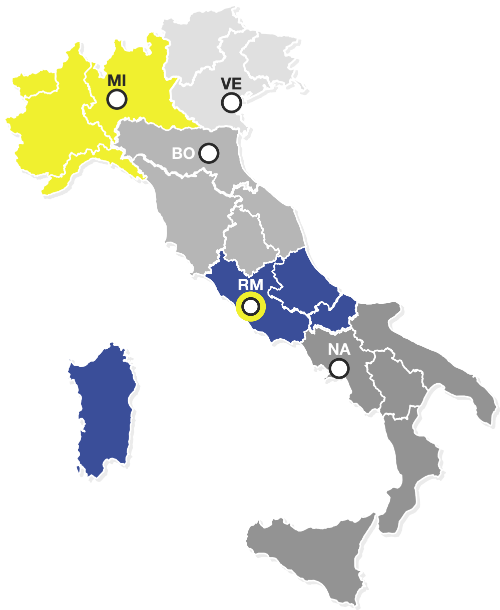
In addition, in order to limit access to the PO on the day of payment of pensions for the months of April, May and June, the possibility has been provided to obtain payment six days in advance in relation to the first day of the month and according to an alphabetical rotation by surnames. Finally, thanks to the Convention signed with the Carabinieri, all citizens aged 75 years and over who receive social security benefits at the Post Offices can request to receive their money at home free of charge, delegating the Carabinieri to collect it.

Commercial Network - Business and Public Administration

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

Business and Public Administration Macro Areas

- North-western Area
- North-eastern Area
- North Central Area
- Central Area
- Southern Area
- Central Structures
- Area Headquarters



Digital web channels and apps

Increasingly important is the monitoring of customer relations through digital channels in the face of continuous growth of "connected" users, also in relation to the recent Covid-19 Emergency and the related citizen lockdown measures.

The Italian Digital[5] market consists of about 50 million people with online access and 35 million users active on social channels. The Poste Italiane **digital web and app** channels provide access to online services for 21.7 million retail users (18.6 million users at 31 March 2019 and 20.8 million at 31 December 2019) and operate as both direct sales and after-sales channels. The daily average of web and app users was about 2.4 million (1.9 million average daily users in 1Q 2019 and 2 million average daily users in 2019). Digital channel transactions grew in the first quarter of 2020, reaching 17.8 million for a transaction value of €4.4 billion (13 million transactions in 1Q 2019 for a transaction value of €3.5 billion).

Main KPI Digital	1Q 2020	1Q 2019	Δ	
Customers registered on Poste Italiane's digital channels (websites and apps) (m)*	21.7	20.8	0.9	4.2%
Daily users (website and apps) (m)**	2.4	1.9	0.6	30.3%
Number of digital - consumer transactions (m)	17.8	13.0	4.8	37.1%
App downloads (m)*	33.3	30.8	2.5	8.3%
Poste Italiane Digital e-Wallets (m)*	5.9	5.4	0.5	8.3%
Digital identities (m)*	4.7	4.1	0.6	14.4%
Private digital identities (m)*	2.1	0.6	1.5	241.7%

* The figure in column 1Q 2019 refers to 31 December 2019.
** Average daily values during reference period.

5. Source: https://wearesocial.com/it/blog/2020/01/report-digital-2020-i-dati-global.

Work continued in the first quarter of 2020 to simplify and evolve customers' experience on digital channels in the use of Poste Italiane services in the areas of payments, finance, mail and logistics, including the activation, in January 2020, of the new portal poste.it dedicated to small and medium-sized businesses, integrated with mail and parcel management services.

The occurrence of the national emergency linked to Covid-19 and the related lockdown led to an increase in the use of the Group's digital channels: in particular, at 31 March, the website recorded higher traffic volumes than in the pre-Covid period, from an average of about 0.7 million daily visitors in February 2020 to an average of about 0.85 million in March 2020; the apps, after an initial peak in the first half of March, are in line with historical trends, recording an average of about 1.6 million daily visitors in March 2020. There was also a significant increase in the number of transactions carried out on digital channels, amounting to about 6.7 million transactions in March 2020 alone, up 50% (equal to 2.3 million additional transactions) compared with the same period in 2019.

Always with reference to the Covid-19 emergency, the Group has implemented a series of measures aimed at supporting the reduction of the influx of customers at Post Offices by directing them to use digital channels for services such as: the acceptance of expired identity documents where digital service requires identification through them, the suspension of the online booking of tickets at the Post Office, the possibility of receiving remote consultancy offers and online acceptance, online access to after-sales services such as the request for redemption or settlement of policies.

Poste Italiane’s logistics network

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

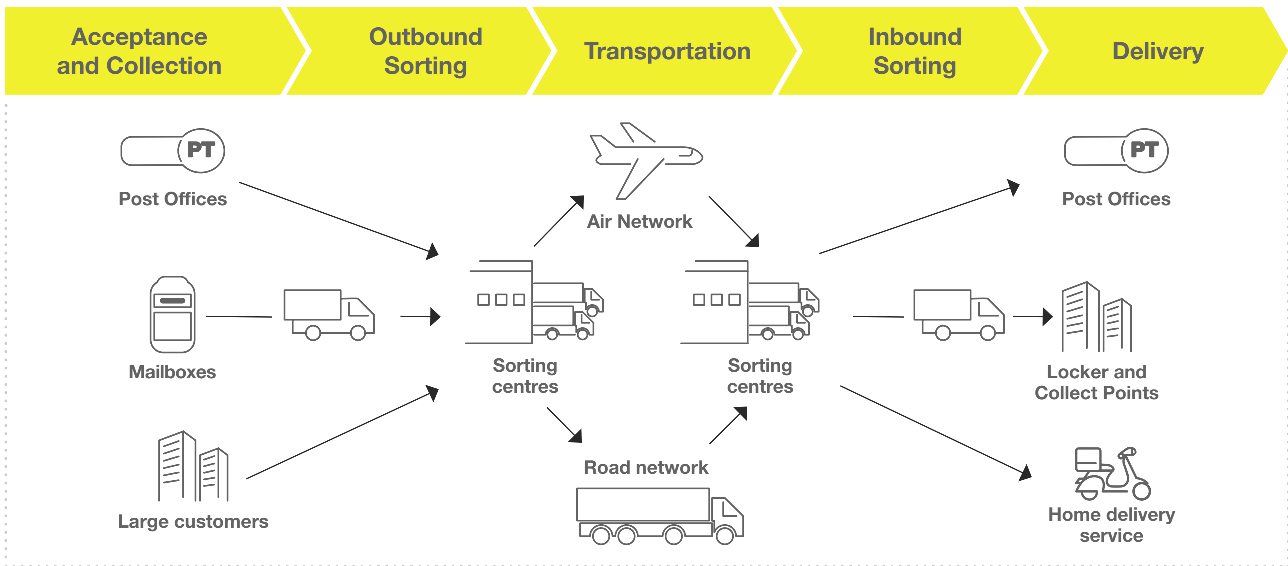
The integration between the two networks has been further strengthened as of January 2020 through a project aimed at increasing the interchange between the two networks of the volumes of small parcels (carriable under 5 kilos). The delivery of these products on the Italian territory can be performed indistinctly by the Postal Logistics Network and the Parcel Logistics Network according to a dynamic approach, following the logic of the unsaturation of volumes on the postal network and the logic of economic efficiency by territorial area.

As part of the measures adopted by the Company for the management of the Covid-19 emergency, logistics have been reorganised. Initially, the concentration of staff within the operational sites at the same time slots was reduced and the daily requirement for operational staff was lowered. Subsequently, following the issue of the Cura Italia Decree, it was possible to further reduce the number of staff in service. In addition, it was planned to place registered and insured mail in a mailbox and distribute parcels to homes at a place agreed with the recipient.

Postal logistics network

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

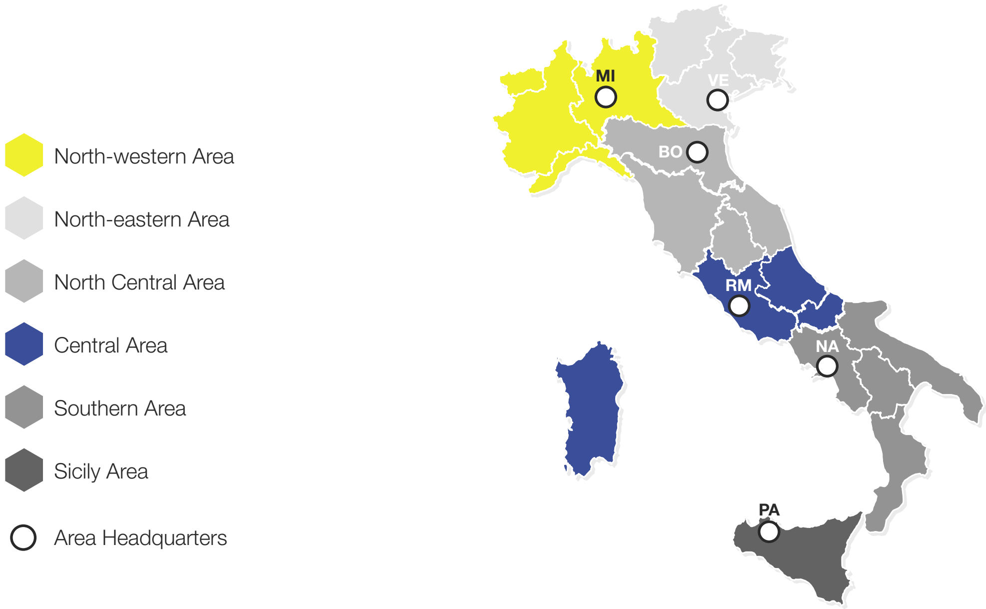
The following chart provides an overview of the postal logistics network value chain and the main quantitative drivers.



KEY ELEMENTS OF THE POSTAL LOGISTICS NETWORK			
ACCEPTANCE/COLLECTION	SORTING	TRANSPORTATION	DELIVERY
■ ~12,800 Postal Offices and mailboxes ■ ~120 Business acceptance points	■ 16 Sorting Centres ■ 9 Operating Centres	■ 8 aircraft, serving 9 routes ■ ~230 national road connections	■ ~1,530 Delivery Offices ■ ~more than 7,300 Lockers and Collect Points (mainly tobacconists) ■ about 30,900 postmen and women on permanent and flexible contracts

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

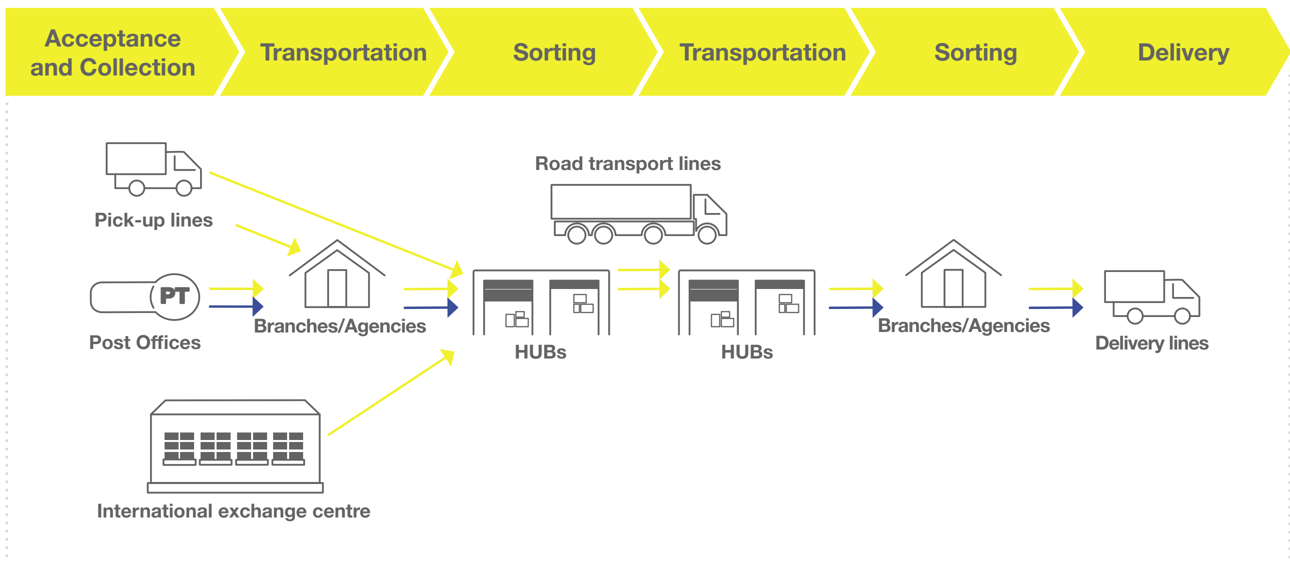
The model's macro areas are shown below.



Parcels network

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

SDA's logistics flow is shown below.



KEY ELEMENTS OF THE LOGISTICS NETWORK			
ACCEPTANCE/COLLECTION	SORTING	TRANSPORTATION	DELIVERY
■ ~ 4,550 pick-up lines ■ ~12,800 Post Offices ■ ~ 87 Branches/Agencies	■ 3 automated hubs, 8 mini hubs	■ ~700 road transport lines	■ ~ 4,550 delivery lines

4. Macroeconomic environment

Worldwide, the first quarter of the year was impacted by the health emergency due to the Covid-19 pandemic. Governments have progressively implemented restrictive measures to contain the spread of contagion (lockdown), which has led to a rapid and sharp decline in economic activity. The shock of a real nature has affected both supply (closure of activities) and demand (collapse in consumption, reduction in incomes) and manifested itself with speed and intensity never seen historically. This has led to repeated downward revisions of the world GDP forecast for which an overall decline is expected in 2020[6]. Data from the "G20 Economic Outlook" report of the Organisation for Economic Co-operation and Development (OECD) of 2 March 2020[7] indicated world growth for the current year at 2.4% compared to 2.9% in previous estimates in November 2019. However, already at the end of March, the Managing Director of the International Monetary Fund (IMF) declared that the world economy had entered a recessionary phase worse than that suffered during the 2008 financial crisis[8]. In the spring scenario update, the IMF expects the world economy to be in recession (GDP per capita will fall this year in 170 countries) and forecasts a 3% decline for the current year, followed by an uncertain 5.8% rebound in 2021.

The financial markets reacted with a sharp fall in asset prices and a sharp increase in volatility. The outlook for world trade, already declining in January 2020, has deteriorated dramatically. To counteract the effects of the lockdown on the economy, central banks have repeatedly intervened with extraordinary measures to support demand and inject liquidity into the economic system. At the same time, many countries announced expansive tax measures aimed at supporting citizens' incomes and production activities.

The fall in economic activity and world trade are having a depressing effect on oil demand[9] and the breakdown of the agreement between producers to limit supply[10] has caused Brent prices per barrel to fall from around $69 on 2 January 2020 to around $23 on 31 March.[11]

In the **United States**, the limitations on activity in some production sectors caused by the spread of the virus will cause a drop in GDP in the first quarter of 2020 and a sharp decline in the second. The macroeconomic information collected after the outbreak began in the USA gives indications consistent with a significantly negative picture. The latest figures from the Federal Reserve (FED) Weekly Economic Index (WEI) show a decline of about -4.5% year-on-year in GDP, in line with an annualised quarterly decline of about -20% quarter-on-quarter annual. The sharp increase in the number of applications for unemployment benefits[12] and an unemployment rate to 4.4%, from 3.5% in February 2020[13], are among the first signs of the worsening of the situation.

The economic policy response to the emergency was unprecedented and incorporated immediate cooperation between fiscal policy and monetary policy, which is essential to contain the effects of the lockdown. To stem the economic shock, the government has adopted 3 tax packages, amounting to 10% of GDP and also announced a fourth package of $2 trillion investment in infrastructure renewal[14].

6. Europe Research Centre - Covid-19 Observatory - April 2020.
7. OECD Economic Outlook - Interim Report - March 2020.
8. Il Sole 24 Ore - IMF, it is clear that we have already entered recession as or worse than 2008 (RCO) - 27 March 2020.
9. Il Sole 24 Ore - Oil at $20 stops drilling - 31 March 2020.
10. Il Sole 24 Ore - Oil, Moscow axis breaks. Riyadh: no cuts from Opec Plus - 7 March 2020.
11. Il Sole 24 Ore - Brent price - 31 March 2020.
12. Il Sole 24 Ore - USA, 6.6 million applications for unemployment benefits in one week - 2 April 2020.
13. ISTAT: Monthly note on the country's economic performance - April 2020.
14. Il Sole 24 Ore - USA, against the great depression Trump relaunches infrastructure - 1 April 2020.

The intervention of the FED was rapid and proactive, with the preparation of measures already tried and tested during the financial crisis and the creation of new facilities to favour the provision of credit to businesses and households, avoiding a collapse of the economic system and a freezing of the financial system. The FED, after cutting interest rates to 0-0.25%[15], significantly increased domestic liquidity (with frequent and large repos) and international liquidity (with swap lines agreed with 14 central banks) and introduced a Quantitative Easing[16] (QE) program[17] unlimited in time and extent.

China saw the outbreak of the Covid-19 epidemic in January 2020 in the province of Hubei, the country's most developed and productive central region. However, as early as March 2020, the government declared that the contagion had been stopped and began to reopen production activities. In the first two months of the year, there was a 13.5% drop in industrial production and a 20.5% drop in retail sales[18]. However, in March 2020, the index of manufacturing Small and Medium-sized Enterprises (SME) had already risen to 52 points compared to 35.7 in January-February 2020[19].The economic paralysis of part of the country will be reflected in a drop in GDP in the first quarter of this year, and the recovery of the economy will also suffer the effects of the fall in world trade in the following quarters[20]: according to a World Bank report, China's expansion in 2020 is expected to slow down to +2.3% from +6.1% in 2019[21].

The cycle of the **European economy** in the last part of 2019 had already been characterised by a generalised slowdown in all the main countries of the Eurozone[22]. For the first quarter of 2020, the economic information available for January-February does not provide a measure of the real negative impact on the economy of the restrictions adopted to contain the virus. The European Commission has provided a first update of the GDP 2020 for the area, setting it at -1%, from +1.4%, expected in February in the Winter Economic Forecast report[23]. However, more recently, the President of the European Central Bank (ECB) has stated that it expects a drop in GDP of 3.5-4% in the event of a closure of a few weeks, and 9-10% in a closure scenario extended to a few months. The International Monetary Fund's central scenario for the Eurozone as a whole sees GDP fall by 7.5% (with a 4.7% recovery in 2021). The impact on public finance will be significant as the fiscal outlook across the Eurozone worsens sharply due to the emergency fiscal measures adopted to counter the economic and financial repercussions of the epidemic[24].

In such a negative context, the ECB decided to intervene with a series of measures aimed at strengthening the provision of credit to the economy. The Expanded Asset Purchase Program (APP) was upgraded with an additional €120 billion and an extraordinary asset purchase program referred to as the Pandemic Emergency Purchase Programme (PEPP), was launched for €750 billion and will continue until the end of 2020. In addition, in order to facilitate the inflow of liquidity to the economy through the banking channel, the conditions of the Targeted Longer-Term Refinancing Operations (TLTRO III) program have been made much more favourable, new LTRO have been announced and, finally, banks have been authorised to operate below the capital and liquidity limits.

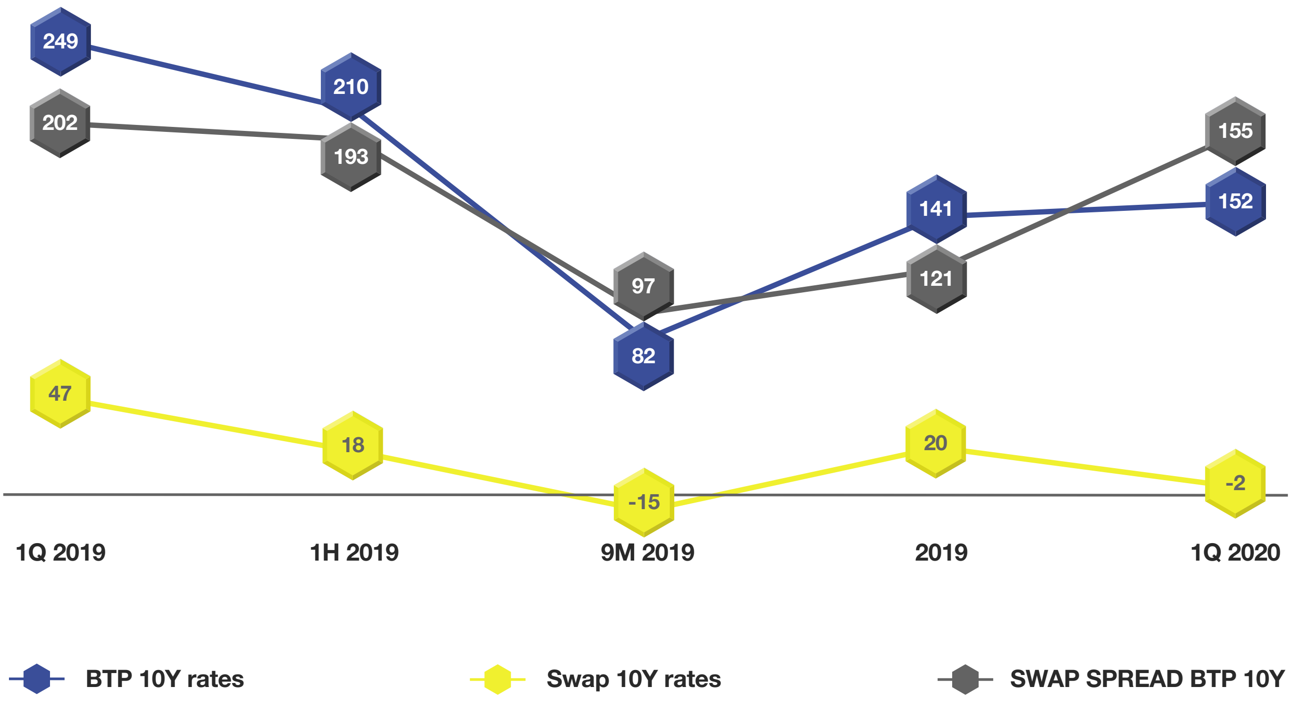
The European Commission has decided to activate the general crisis clause provided for in the Stability Pact, which allows States to deviate from the adjustment path towards budgetary targets, and the Eurogroup is negotiating a package of economic support measures for a total value of about €500 billion, which includes: investments by the European Investment Bank (EIB) to companies and local authorities; a plan referred to as "Sure" to refinance national social security nets; unconditional financing from the European Stability Mechanism (ESM). The 27 countries of the European Union, with regard to the Recovery Fund, whose purpose is to provide funding through the budgets of Member States, to program designed to relaunch their economies, have agreed that the Commission must study the architecture of this instrument and make a proposal by 6 May 2020.

15. AGI - The Federal Reserve brings interest rates back to zero - 16 March 2020.
16. Il Sole 24 Ore - Coronavirus, new Fed move: zero rates and 700 billion QE - 16 March 2020.
17. It is the process of expansive monetary policy through which central banks increase the amount of money in circulation by purchasing from commercial banks financial assets, which consist largely of government bonds. The effect is similar to "money creation".
18. ISTAT - Monthly note on the country's economic performance - April 2020.
19. ANSA - Coronavirus: China, leaps to 52 manufacturing SME March - 31 March 2020.
20. Il Sole 24 Ore - How much will the Coronavirus cost the world economy? Estimates and scenarios of IMF, OECD and Cerved - 18 March 2020.
21. Italian business - Coronavirus, China: growth estimates down. From +6.1% in 2019 to +2.3% in 2020 - 31 March 2020.
22. Prometeia - Forecast report - March 2020.
23. European Commission - Annexes Covid-19 - 19 March 2020.
24. Il Sole 24 Ore - Def: GDP -8%, deficit -10.4%, debt 155.7%. Towards 10 billion to small businesses and 12 billion to PA creditors. Deficit 2020 over 10%. Stop for sugar and plastic tax - 23 April 2020.

Italy, already weakened by the economic results of the fourth quarter 2019 since March 2020, has had to face the shutdown of production activities and non-core services decided by the government to curb the Covid-19 pandemic.

The measures taken by the government will have a further short-term negative impact that will lead to a severe decline in GDP this year, which the IMF estimates to be -9.1%, with a rebound of 4.8% in 2021. Pending the first useful data on the value of GDP in the first quarter of 2020 by ISTAT, the SME index, calculated by Markit, fell in March 2020 to 40.3 points compared to 48.7 points in February 2020 for manufacturing activity[25] but plunged in the services sector, where it recorded a value of 17.4 points from 52.1 points in February 2020, indicating the sharpest decline since the start of data collection 22 years ago[26].

The performance of the yields on 10-year BTP in the first quarter, which closed at 152 bps from 141 bps at 31 December 2019 and 82 bps at 30 September 2019, is shown below.



25. Il Sole 24 Ore - Trump's virus alert scares Stock Markets: -3% Piazza Affari, Wall Street worse - 1 April 2020.
26. Il Sole 24 Ore - Italy: SME services index record collapse in March to 17.4 - 3 April 2020.

5. Risk Management

Poste Italiane's Integrated Internal Control and Risk Management System

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

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

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

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

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

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

Risk Management and Risk Assessment

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

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

Risk category	Description
Strategic	This category of risks could influence achievement of the goals set out in the Strategic Plan and are identified, classified and monitored with the involvement of management from the GRM function. This process describes the key nature of the risks, the triggers and the potential consequences or effects, in both financial terms (e.g. losses, increased costs due to delays or the failure to implement restructuring plans and efficiencies, reduced revenue), and in other terms (e.g. customer satisfaction).
Operational	Operational risks refer to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. Management of operational risk takes place at both the level of specialist units within the Group (the Risk Management functions within BancoPosta, the Poste Vita Group, BancoPosta Fondi SGR and PostePay), in compliance with the respective supervisory standards, and at an integrated level, involving the GRM function. The following risks, among others, are closely monitored: i) IT risk, above all the risk that malfunctions and/or shortcomings in information systems could result in the loss of data integrity, leaks of personal data or breaches of confidentiality, potentially causing disruption to the services provided to customers; ii) health and safety risk, with specific regard to the risk of workplace injury to employees or contractors as a result of operating activities (e.g. the collection, transport and sorting of parcels and letter post, and the delivery of postal products using motor vehicles); iii) physical security risk, relating to access to the headquarters premises of Group companies, to Post Offices or other private areas by unauthorised or unidentified persons, and the limited protection of Poste Italiane's assets and property against criminal behaviour (robberies, losses resulting from fraud, theft, ATM attacks, vandalism, etc.). Operational risk also includes disruption and/or obstacles to entry to the Group's operating facilities (mail sorting centres and delivery centres, etc.) due to industrial action or strikes.
Compliance	This refers to risks of breaches of existing laws and regulations, such as the risks connected with Legislative Decree no. 231/01, Law 262/05, Data Protection and Market Abuse regulations or the introduction of new legislation or regulations (or new interpretations legislation and regulations) of either general importance (e.g. regarding administrative, accounting, tax matters, etc.) or specific to the sectors in which the Poste Italiane Group operates. This risk category includes the risks linked to the introduction of new regulations governing the management and development of universal postal services and the related rates providing a return for Poste Italiane, and the risk of the failure to meet the service quality standards set by the regulator (*the Autorità per le Garanzie nelle Comunicazioni or AGCom*).
ESG	Risks arising from factors related to environmental, social and governance issues (in particular, related to human rights and climate change).
Financial and insurance	Financial risks that are regulated and overseen by supervisory authorities (the Bank of Italy and IVASS, the insurance industry regulator) and the responsibility of the Risk Management units belonging to the various business units, coordinated by the function responsible for coordinating risk governance at Group level. Financial risks primarily relate to the operations of BancoPosta RFC and PostePay's ring-fenced EMI (the active management of the liquidity deriving from postal current account deposits, and of collections and payments carried out in the name of and on behalf of third parties), asset financing and the investment of liquidity and, as regards the Poste Vita Insurance Group, investments designed to cover contractual obligations to policyholders. Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, the terms and conditions of cash surrender, etc.). In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy, alongside the risk associated with surrenders.

Risk category	Description
Spread	This is the risk of a potential fall in the value of the bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread on yields on government securities has on the fair value of euro zone government and corporate securities. In the Poste Italiane Group's case, this risk particularly relates to the spread on Italian government securities, which influences the fair value of the Group's holdings of Italian government securities. The nominal value of these securities at 31 March 2020 amounts to €128.3 billion (€152 billion in terms of total bond holdings). The first quarter of 2020 was characterised by a narrowing of the spread until February, and a sudden rise in the following month caused mainly by uncertainty in the markets due to the Covid-19 emergency, which was then mitigated by ECB interventions. The BTP-Bund spread increased from 159.7 bps in December 2019 to 199.4 bps at the end of March 2020. The increase in yields on Italian government bonds, particularly on yields up to 10 years, has led to an increase in valuation losses[27]. A further consequence of the fluctuation in the spread is the effect on the Poste Vita Group's Solvency Ratio, which stood at 226% at 31 March 2020, down from 276% at December 2019 and 242% at the end of June 2019. In addition, in August 2019, the Company was authorised by IVASS to use the Transitory Measures on technical provisions and the effect of this application allowed the Solvency Ratio to be raised to 259% at the end of March 2020 (311.7% at the end of 2019). During 2018, the Company made use of the Ancillary Own Funds (AOF), i.e. non-asset items represented by guarantees or signature commitments that can be included in own funds items. The transaction designed to strengthen the company's capital position through the use of AOFs was formalised in November 2018 with the Parent Company Poste Italiane SpA's signature of an unconditional, irrevocable commitment letter with a five-year term. The letter commits the Parent Company, merely at the request of the subsidiary, to subscribe for ordinary shares to be issued in future by Poste Vita, amounting to up to €1.8 billion. Following IVASS authorisation in February 2019, the commitment letter signed by the Parent Company in favour of Poste Vita SpA is included among Tier-2 ancillary own funds (Tier 2 - AOF), together with the subordinated loan, the value of which amounted to €0.2 billion at 31 March 2020. Therefore, in accordance with the Solvency II Directive and the regulatory framework of reference for insurance, the Tier-2 elements eligible to cover the Capital Requirement amount to €2 billion at 31 March 2020.
Price	This is the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.
Credit	This is the risk of default of one of the counterparties to which there is an exposure. In relation to revenue and receivables due from the state and from central and local government entities, regulated by statute and specific agreements or contracts, prompt and full payment of the amounts due is dependent on availability of the necessary funds in the state budget or in the budgets of the related public sector entities.
Liquidity	This is the risk that the Poste Italiane Group is unable to meet its obligations deriving from financial instruments due to its inability to raise sufficient funds (funding liquidity risk) or to sell assets in the market (market liquidity risk) effectively or at market conditions. The Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term borrowings and counterparties, the availability of significant committed and uncommitted lines of credit in terms of amounts and the number of banks, the gradual and consistent distribution of the maturities of medium/long-term borrowings and the use of dedicated analytical models to monitor the maturities of assets and liabilities. The Poste Italiane Group, in order to deal with any adverse scenarios linked to the Covid-19 pandemic, is arranging additional liquidity through the use of part of its credit lines and the signing of medium-term loans to cover any financial requirements. In this regard, further details are provided in the section of this Report entitled "Group Financial position and cash flow".
Fair value interest rate	This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates. This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components (the interest spread) of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these risks is directly related to the financial instrument's duration.

27. The positions of Poste Italiane exposed to the risk in question regard financial assets at fair value through other comprehensive income with a fair value at 31 March 2020 of €34 billion. The sensitivity analysis conducted on the portfolio shows that an upward shift of in the spread of 100 bps would reduce fair value by approximately €3 billion before the related taxation. The fair value of fixed income instruments measured at amortised cost, entirely attributable to BancoPosta and amounting to €25 billion at 31 March 2020 (a fair value of €29 billion), would be reduced by approximately €3 billion following a 100 bps increase in the spread, with the change not reflected in the accounts.
With regard to the Poste Vita Group, on the other hand, the portfolio exposed to this form of risk at 31 March 2020 amounts to a total of €103 billion and primarily consists of financial assets at FVTOCI. The sensitivity analysis conducted on the portfolio as a whole shows that an upward shift of in the spread of 100 bps would reduce fair value by approximately €8.4 billion (€8.3 billion would be attributed to deferred liabilities to policyholders under the shadow accounting mechanism).

Risk category	Description
Cash flow interest rate	This is defined as the uncertainty related to the generation of future cash flows, due to fluctuations in market interest rates. It may result from the misalignment - in terms of interest rates, indexation methods and maturities - of financial assets and liabilities that tend to remain in place until their contractual or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.
Cash flow inflation	This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.
Foreign exchange risk	This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency. This risk primarily regards trade receivables and payables due from and to overseas counterparties, investments in equity instruments and holdings in certain funds.
Downgrading of Poste Italiane[28]	Risk of downgrading the Rating assigned to Poste Italiane. An eventual downgrade due to a significant deterioration in Poste Italiane's creditworthiness, above all to below investment grade, could have an impact on Poste Italiane's cost of funding and potentially restrict Poste Italiane's access to certain forms of financing, including the capital markets. The latest rating update is as follows: ▪ Standard & Poors: BBB/Negative (confirmed on 3 March 2020); ▪ Moody's: Baa3/Stable (confirmed on 25 October 2019 by means of issue of Credit Opinion).

Covid-19 Risk Management at Poste Italiane

The first quarter of 2020 was characterised by a situation of uncertainty due to the progressive intensification of the Covid-19 emergency. The escalation of measures to contain the virus led, at first, to an initial slowdown in production activities followed by a general deterioration in economic conditions, especially following the entry into force of the Prime Ministerial Decree of 11 March 2020 and the Italian Decree Law of 17 March, which extended the measures adopted in the "red zones" to the entire country, putting the country's functioning from the health, economic and service points of view to the test.

In such a market context, Poste Italiane has constantly followed the evolution of the crisis and, from the outset, has set up the Coronavirus Risk Management Committee chaired by the Chief Executive Officer and the Deputy General Manager, in which all the Employers and the competent technical structures and other support functions participate, and convened the Strategic Crisis Committee, with the aim of immediately setting up a control group at national level that could take cross-cutting decisions on all the actions to be carried out to combat the epidemic and interact with all the institutions and trade unions.

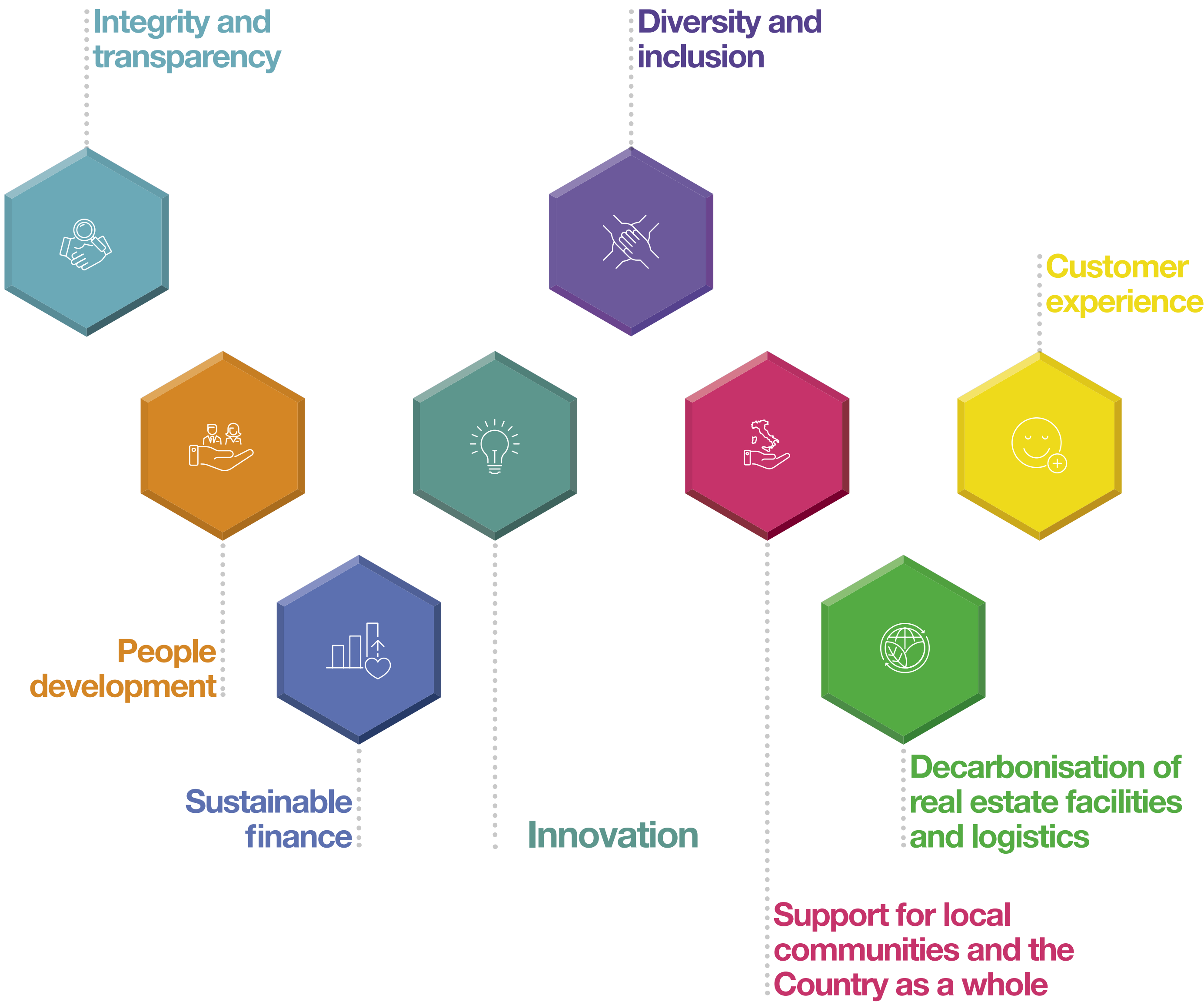
The Company has considered of fundamental importance to guarantee first of all the safeguard of health and employees by using, on the one hand, flexible forms of work (smart working) and on the other hand - in relation to activities that are not compatible with smart working (e.g. postal-logistics but also PO network) - by providing all the necessary equipment to safely carry out operational activities. If in the first case one of the most critical aspects taken into consideration was the IT infrastructure (e.g. adequacy and speed of the technological infrastructure needed to ensure business continuity, criticality for data and privacy management, potential IT breaches due to the shifting of work models on a large scale remotely, etc.), the other priority was to quickly adapt to a "new normality" (e.g. social distancing, use of protective masks and gloves, installation of plexiglass panels in workstations, etc.).

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

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

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

All actions undertaken are consistent with the values recognised by Poste Italiane in relation to the sustainability strategy, based on eight pillars, and in line with the recommendations of the Global Compact Network Italy, the UN PRI (Principles for Responsible Investment) guidelines and the additional indications provided by the United Nations in relation to the impact of the Covid-19 emergency on SDGs[29]:



29. “Shared Responsibility, Global Solidarity: responding to the socio-economic impacts of Covid-19”, March 2020.

Actions taken

OUR POSTE ITALIANE PEOPLE

Establishment of bodies and tools aimed at a unified and nationally coordinated governance of containment and prevention actions (Coronavirus Risk Management Committee chaired by CEO and Deputy General Manager, Strategic Crisis Committee for Coronavirus Risk Management, which involved more than 500 people from the various corporate structures of Corporate Protection, Properties, Purchasing, Communication, Human Resources, Institutional Affairs, Regulatory Affairs, Information Systems and all Business Functions).

Measures to reduce the level of contagion potential: organisational measures to remodulate operations for the network of counters and logistics-postal activities (reduction in the concentration of personnel to ensure the minimum interpersonal safety distance within the operational sites). Smart Working (about 80% of the resources working in central and territorial staff functions). Suspension of travel (international, national, intra-regional except travel that absolutely cannot be postponed), classroom training for internal events and participation in external events. Suspension of access for consultants, service providers and visitors to the management offices and, in a second phase, closure of in-house bars and canteens.

Constant distribution of PPE to exposed personnel (protective masks, disposable gloves, disinfectant gel); extraordinary cleaning and sanitisation of PO and SC workplaces and production sites, using alcohol-based detergents, as well as sanitisation of the company fleet (vehicle spraying devices).

Extension of employee health policy: extension of the guarantees offered to Poste Assicura health policyholders and its employees who have adhered to the Group's Health Fund plan, with the aim of providing the best possible assistance to people infected by Covid-19.

Establishment of a dual communication channel to facilitate the flow of information (web portal to allow timely verification of the actions taken by Poste Italiane and a toll-free number to request further information).

Solidarity initiatives by Executives: identification on a voluntary basis of managerial personnel interested in adhering to one or more initiatives (donation of the amount equivalent to the gross salary of up to four working days; redetermination in reduction from one to 5 days of leave entitlement referred to 2020; possibility for the executive to adhere to an extent greater than as specified above. Poste Italiane will supplement the amount collected with its own contribution in return for the availability shown by the executives).

Installation of thermal cameras to detect body temperature at the headquarters (temperature control for all areas of forced access at the Rome EUR management offices, which houses over 6,000 employees), logistics and postal sorting centres and all other work environments with more than 150 employees, including logistics HUBs.

CUSTOMERS

Suspension of mortgages and financing (suspension of mortgage instalments for individuals, self-employed and freelance workers; "remote" suspension of BancoPosta financing instalments for Small and Medium-sized Enterprises (SMEs) and self-employed workers with VAT number).	
Adoption of measures to ensure spacing in the PO (e.g. safety strips on the floor at each counter, regulation of entrances, etc.).	
Multichannel and growth in the digital segment (which ensure the service also outside the traditional Post Offices). Adoption of tools to discourage the use of cash (e.g. ATM, app, digital channels, etc.).	
Continuity in the openings of PO, also taking into account the proportion with inhabitants (no closure of PO in small Municipalities to limit travel). Continuity in the provision of services (e.g. delivery, collection of pensions in March and April, etc.).	
Chatbot reinforcement: addition to the chat channel of the Digital Mail Assistant (chatbot) of the voice channel (voicebot), which has addressed numerous standardised and repetitive requests for assistance, giving valuable time to "human co-workers" for the management of more complex and emerging situations.	
Communication activities to customers also through advertising campaigns. Information to the PO to have the security measures adopted to contain the spread of the virus (27 communications via e-mail, Intranet and push app; 40 messages/letters posted from time to time at all Post Offices to communicate the preventive measures taken and the required behaviour).	
Installation of 14,000 sustainable plexiglass barriers (polymethylmethacrylate - PMMA), protective panels installed at all PO that did not have them to protect staff and customers, as well as an additional 300 barriers in acceptance centres dedicated to business customers.	

INTERNATIONAL, NATIONAL AND LOCAL AUTHORITIES

Opening of an interactive channel with all the institutions potentially affected by the phenomenon starting from the Presidency of the Council. Interaction with government bodies in charge of crisis management: Civil Protection (stable and uninterrupted presence of Poste Italiane within the Civil Protection Operations Committee), Prefectures and law enforcement (Management of relations with Prefectures and law enforcement involved at local level), CODISE and COBAN (Poste Italiane participates in every meeting of CODISE and COBAN as the central operator of the country's economic-financial system). Daily monitoring of regulatory provisions relating to measures adopted by the authorities.
Agreements to maintain the service guarantee (e.g. agreements with AGCom to be able to place all signed mail in the mailbox or alternatively, collect it from the Post Offices but with twice the usual storage time). Opening of PO in each territorial area at least once a week.
Close collaboration with trade unions and constant updating with respect to the strengthening of measures to limit contagions and measures aimed at ensuring service continuity.
Agreement between Poste Italiane and the Carabinieri for the provision and home delivery of pensions for citizens over 75 years of age. In addition, explicit request to the MEF, the Civil Protection, the Ministry of Labour, INPS and the Bank of Italy to identify a gradual payment method for pensions. At the same time, contracting more than 500 surveillance institutes and contact with all the Prefects, the Postal Police, the Carabinieri and the Civil Protection to request collaboration in the management of possible gatherings outside the PO.
Agreements with local administrations for the delivery of masks to the population. Listening strategy and proximity to institutions to offer, even in a limited time span, solutions to emerging critical issues.
Widespread campaigns of well-defined institutional communications addressed to the Mayors and Prefects of all the territories of the country with the aim of raising awareness and conveying them to citizens (over 26 thousand communications addressed to mayors and prefects), with particular focus on "red zones". Continuous communication activities to national and local institutions.
UNPRI engagement on Covid-19 response: adhesion to the PRI Association initiative, through which members ask the business community to adopt company welfare measures to mitigate the worst effects of the pandemic, for the benefit of the entire community, including financial markets. Moreover, adhesion to "European alliance for a green recovery", an initiative of the PRI Association that supports the appeal made to the European Union in support of a Green Recovery Plan.

SUPPLIERS

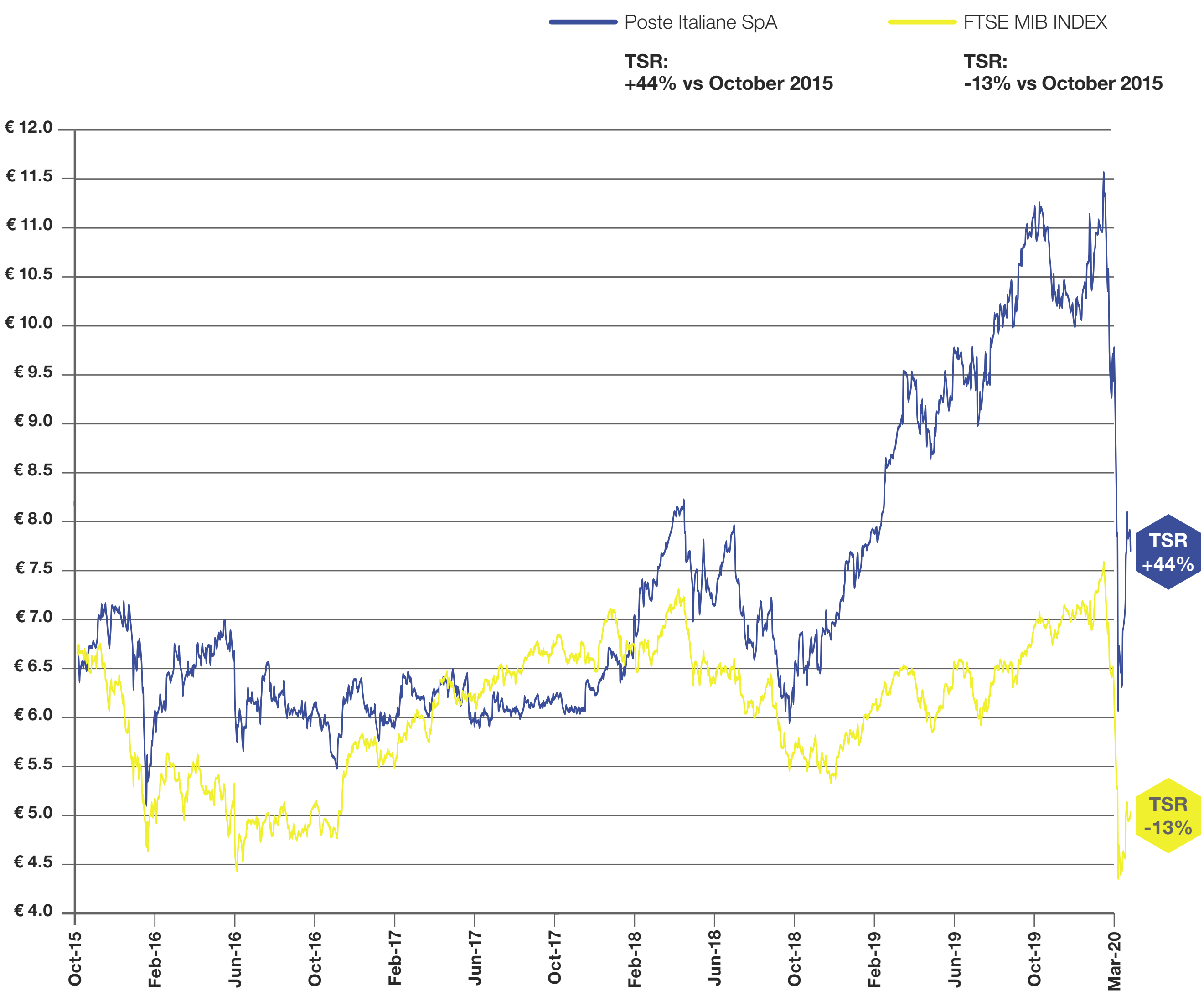
Supplier assessment that includes the Covid-19 risk by specific sector identified through the Ateco code (also based on the contents of the government-INAIL task force).
Transparency in the management and maintenance of relations with the supply chain, based on stable and solid partnerships that allow reactivity of demand satisfaction (time-to-market) also thanks to the national geographic origin of suppliers.
Respect for payment methods and times towards suppliers.
Creation of a new logistics, ad hoc, supply network to import all the necessary safety devices. Immediate activation of channels worldwide to find masks (10 million pieces), disinfectant gels (1 million pieces), disposable gloves (50 million pieces) and surface disinfectant (300,000 pieces) (e.g. purchase of commercial space on scheduled flights to be able to load and receive materials continuously). Creation of a storage warehouse in Italy to be able to replenish the operational facilities on a daily basis (65,000 masks per day, in addition to gels, gloves and disinfectants).
Engagement of specialised companies for sanitisation involving more than 13,000 headquarters, production sites, management offices, Post Offices, with a time schedule that has involved hundreds of different locations every day).
Purchase and installation in every logistics site of chemical toilets for exclusive use of external couriers.

6. Financial Review

Performance of Poste Italiane shares

During the first three months of 2020, Poste Italiane shares lost 24% on the stock market, falling from €10.12 at the beginning of the year to €7.72 at the end of March due to events relating to the Covid-19 pandemic.

From the date of listing on the stock exchange (27 October 2015) to 31 March 2020, Poste's Italiane share price increased by 14% (while the FTSEMIB index decreased by 25%), guaranteeing an overall return for shareholders (TSR[30]) of +43.7% while the main Italian stock exchange index recorded -12.8%.



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

Group operating results

The Group's overall results for the quarter were affected by the crisis scenario caused by the current pandemic, starting in March.

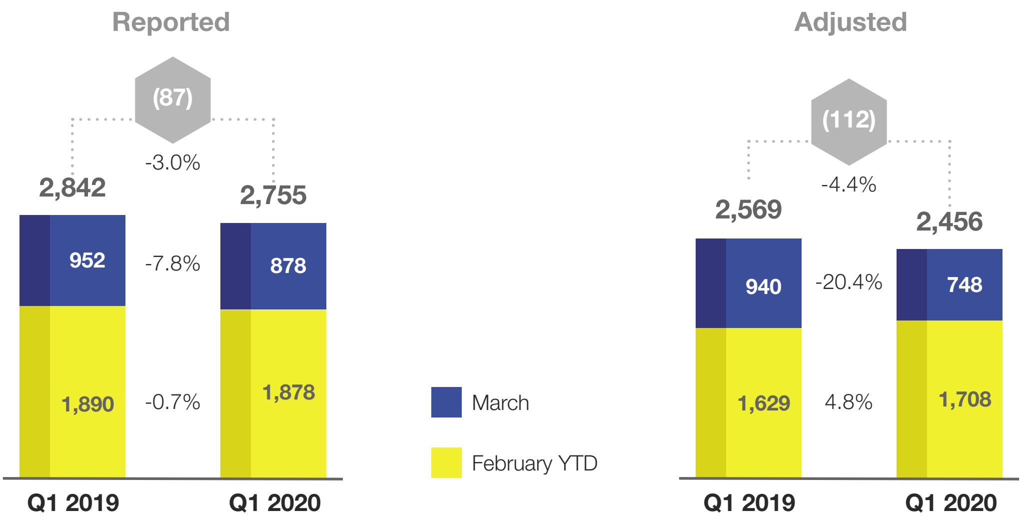
Consolidated operating results

(€ million)	1Q 2020	1Q 2019	CHANGES	
EXTERNAL REVENUE	**2,755**	**2,842**	**(87)**	**-3.0%**
Adjusted external revenue	*2,456*	*2,569*	*(112)*	*-4.4%*
TOTAL COSTS	**2,315**	**2,225**	**+90**	**+4.0%**
Adjusted total costs	*2,246*	*2,218*	*+28*	*+1.3%*
EBIT	**441**	**617**	**(177)**	**-28.6%**
Adjusted EBIT	*211*	*351*	*(140)*	*-40.0%*
EBIT Margin %	**16.0%**	**21.7%**		
Adjusted EBIT Margin %	*8.6%*	*13.7%*		
NET PROFIT	**306**	**439**	**(133)**	**-30.2%**
Adjusted Net Profit	*143*	*247*	*(104)*	*-42.2%*
NET EARNINGS PER SHARE	**0.24**	**0.34**	**(0.10)**	**-30%**
CAPEX	**97**	**65**	**+32**	**+49%**
% of revenue	*3.5%*	*2.3%*		

The Group's total revenue of €2.8 billion is down €87 million compared with the first quarter of 2019 (down 3.0%). Revenue decreased for the Strategic Business Units Mail, Parcels and Distribution (-12.4%) and Financial Services (-1.4%) compared to the first quarter of 2019, partially offset by the positive contribution of the Strategic Business Units Payments and Mobile and Insurance Services, respectively +18.4% and +5.1% compared to the first quarter of 2019.

Adjusted revenue[31] also fell €112 million (-4.4%) compared to the first quarter of 2019.

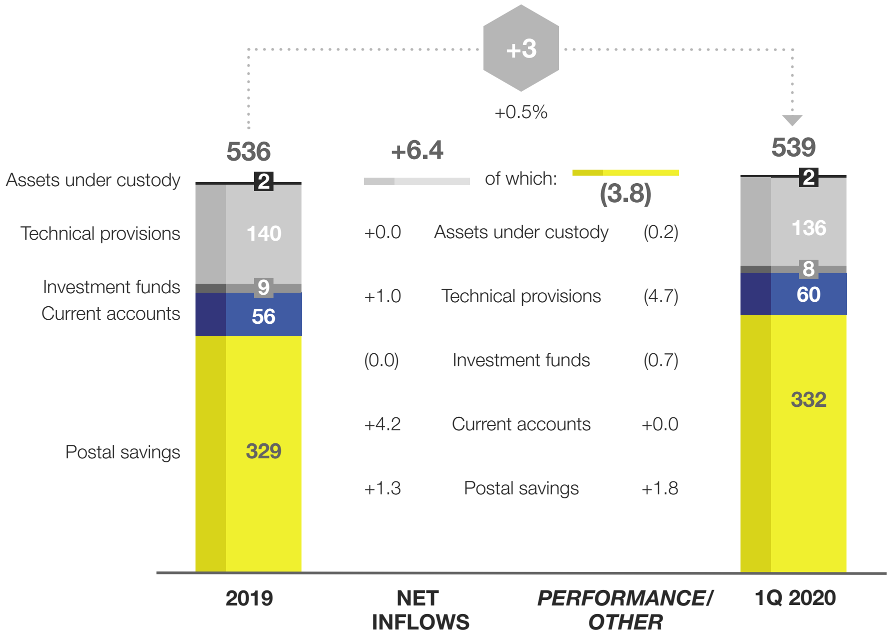
EXTERNAL REVENUE (€ million)



31. Adjusted revenue items: gains on securities (€291 million in 1Q 2020, €261 million in 1Q 2019), gain on fair value measurement of Visa shares (€8 million in 1Q 2020, €12 million in 1Q 2019).

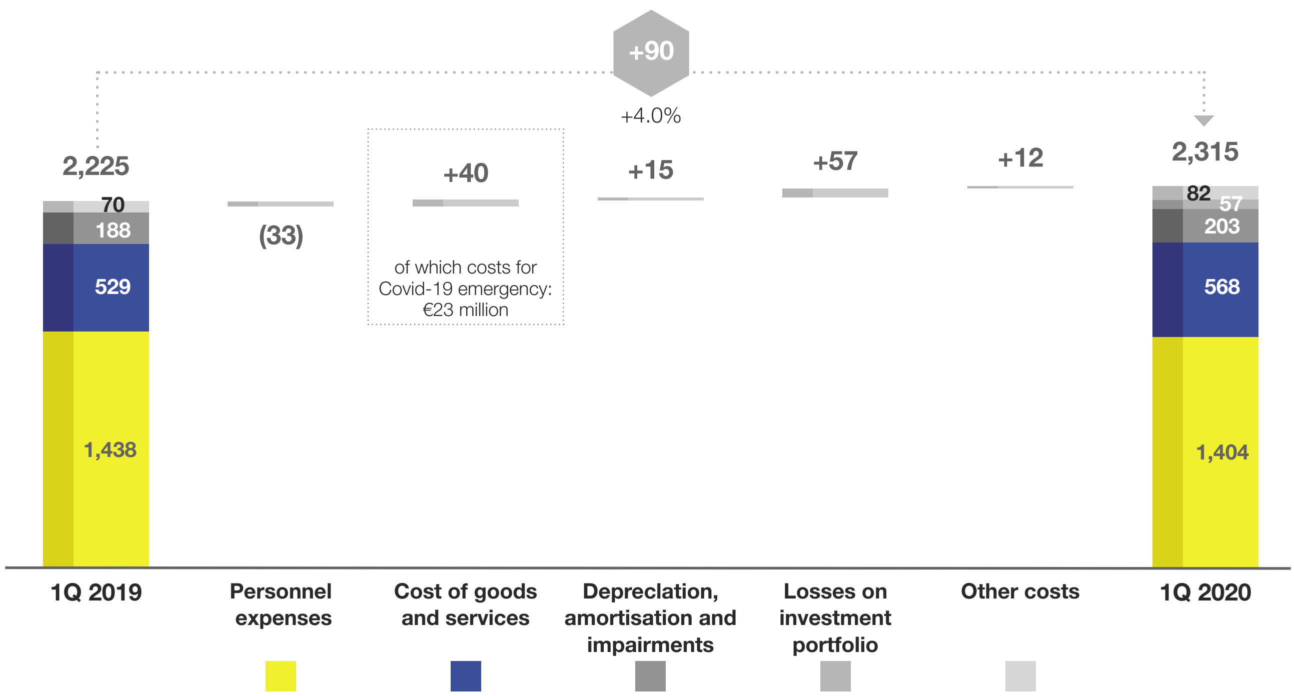
The overall change in the quarter, compared to the same period of 2019, was significantly affected by the lockdown effect that occurred from March onwards, which resulted in a marked reduction in both Post Office network operations and delivery activities.

TOTAL FINANCIAL ASSETS (€ billion)



Financial assets amounted to €539 billion, an increase of approximately €3 billion (+0.5%) compared to 31 December 2019 due to the positive performance of current accounts and postal savings, partially offset by the decrease in the insurance segment, mainly due to changes in the fair value of financial instruments and mutual funds.

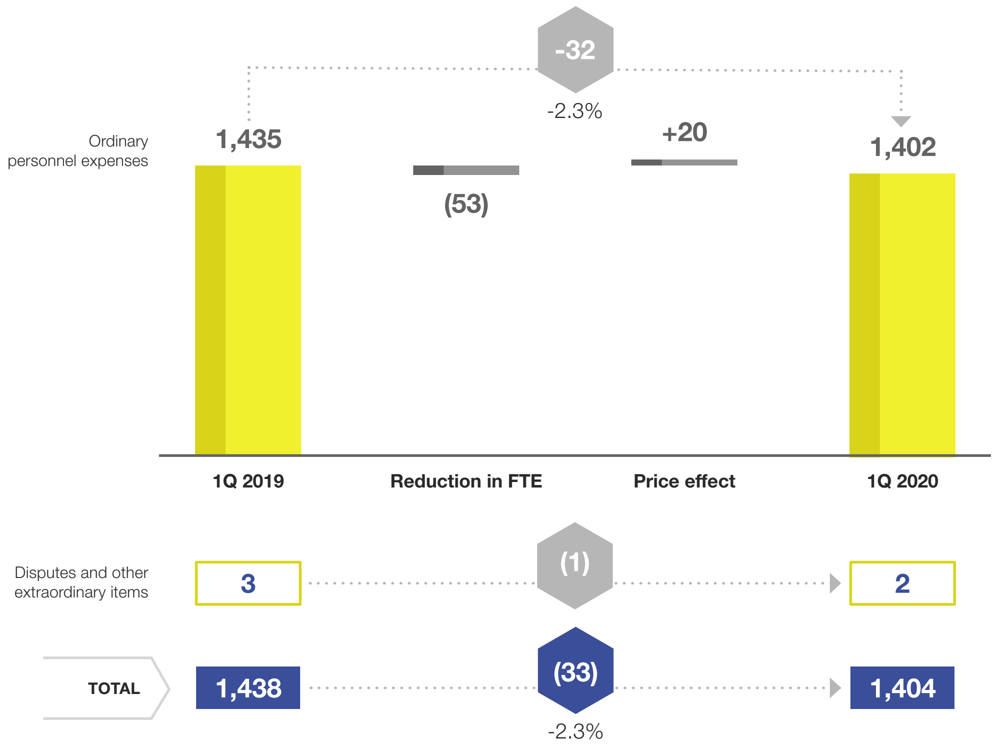
TOTAL COSTS (€ million)



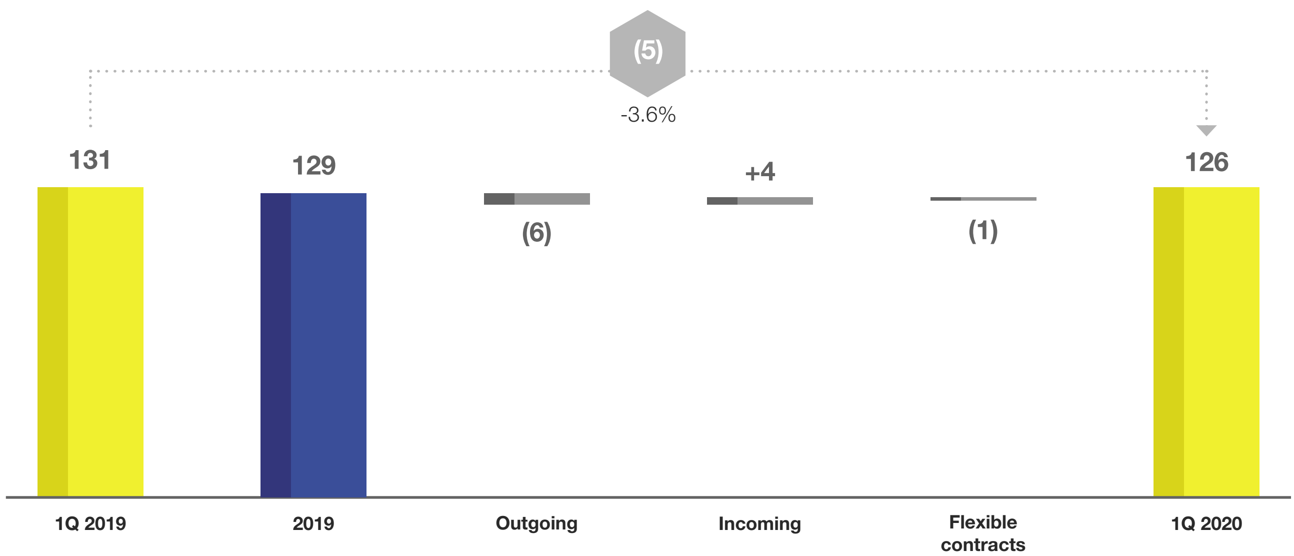
Total costs amounted to €2,315 million, up from €2,225 million in the first quarter of 2019 (up €90 million). Personnel expenses amounted to €1,404 million, or €33 million less than in the same period last year. Operating expenses, which amounted to €708 million, were up €109 million compared to the first quarter of 2019 due to higher costs from financial operations (up €71 million) attributable primarily to losses from the restructuring of the securities portfolio (up €57 million) fully offset by gains realised during the quarter and higher costs for goods and services (up €40 million) primarily due to extraordinary expenses incurred for the containment of the Covid-19 (€23 million for the purchase of personal protective equipment, plexiglass screens, sanitisation costs, extraordinary cleaning of premises, communication costs, etc.), as well as the increase of variable costs from Telco traffic and electronic money and the growth of the parcel business.

Depreciation, amortisation and impairments increased by €15 million from €188 million in the first quarter of 2019 to €203 million in the first quarter of 2020.

PERSONNEL EXPENSES (€ million)

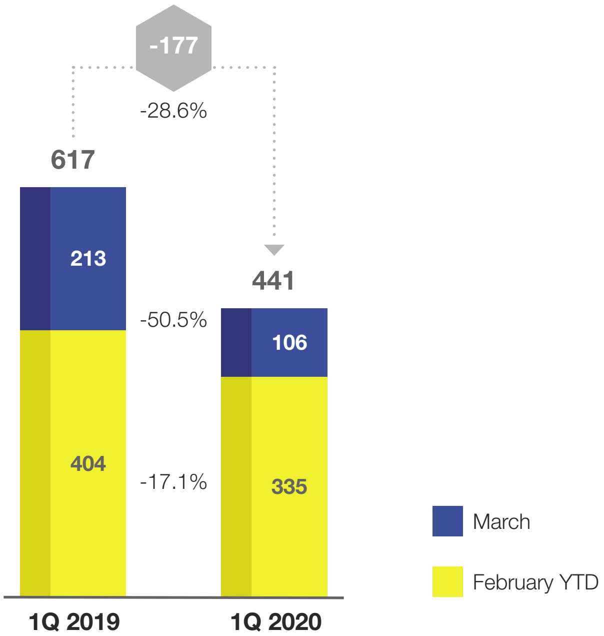


WORKFORCE (average in thousands of FTEs)



The total personnel expenses decreased by €33 million (-2.3%) compared to the first quarter of 2019. This change is attributable to a reduction in the ordinary component from €1,435 million in the first quarter of 2019 to €1,402 million in the same period in 2020, due to a reduction in average workforce during the period (over 4,700 FTE less than in the first quarter of 2019).

EBIT (€ million)



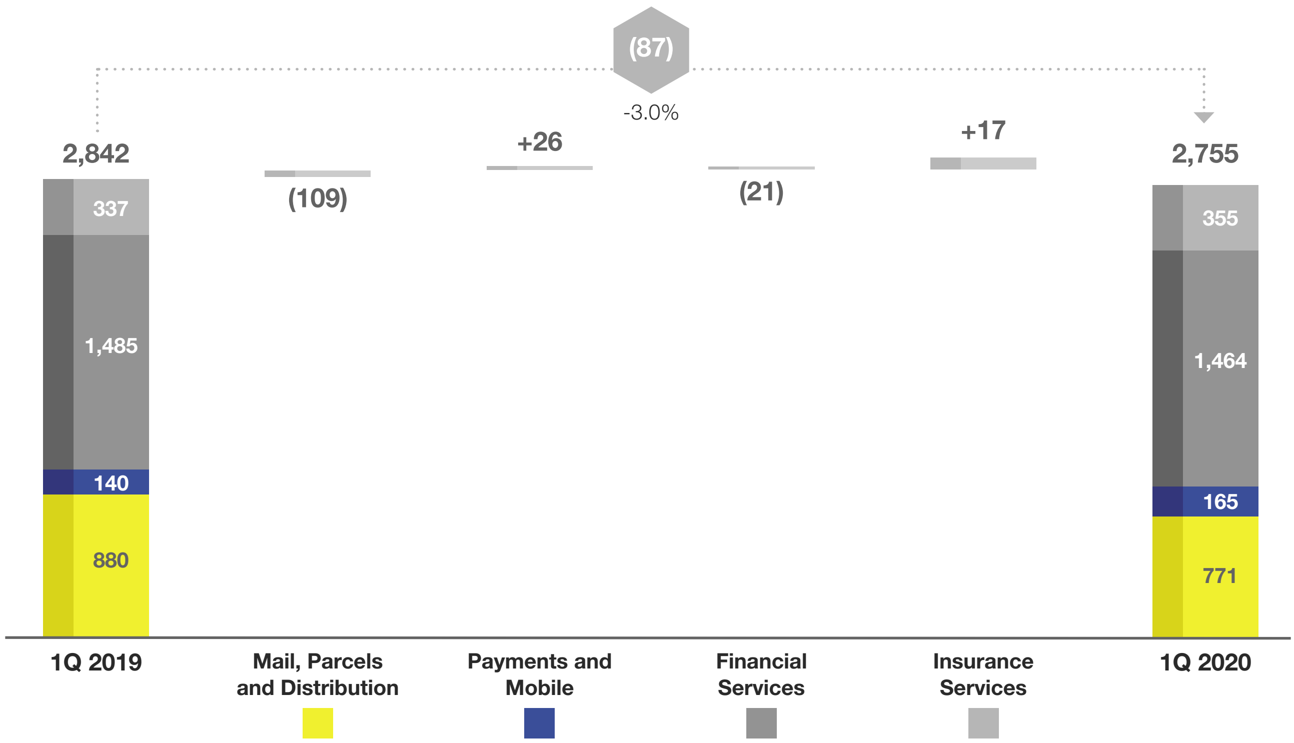
Consolidated EBIT of €441 million is down €177 million (-28.6%) compared with the same period of the previous year (€617 million). The decrease was recorded above all in March, when EBIT amounted to €106 million (down €108 million, or -50%, compared to the same month in 2019) and was affected by the restrictive measures approved by the government in relation to the Covid-19 pandemic, mainly due to the aforementioned decline in revenue in March (down €74 million, or -8%) compared to 2019, as well as higher costs incurred to contain the contagion.

Taking into account financial management, which includes the revaluation of the investment in FSIA for approximately €4 million and taxes for the period, the quarter closed with a net profit of €306 million (€439 million in the first quarter of 2019).

Summary of operating results by Strategic Business Unit

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

EXTERNAL REVENUE (€ million)



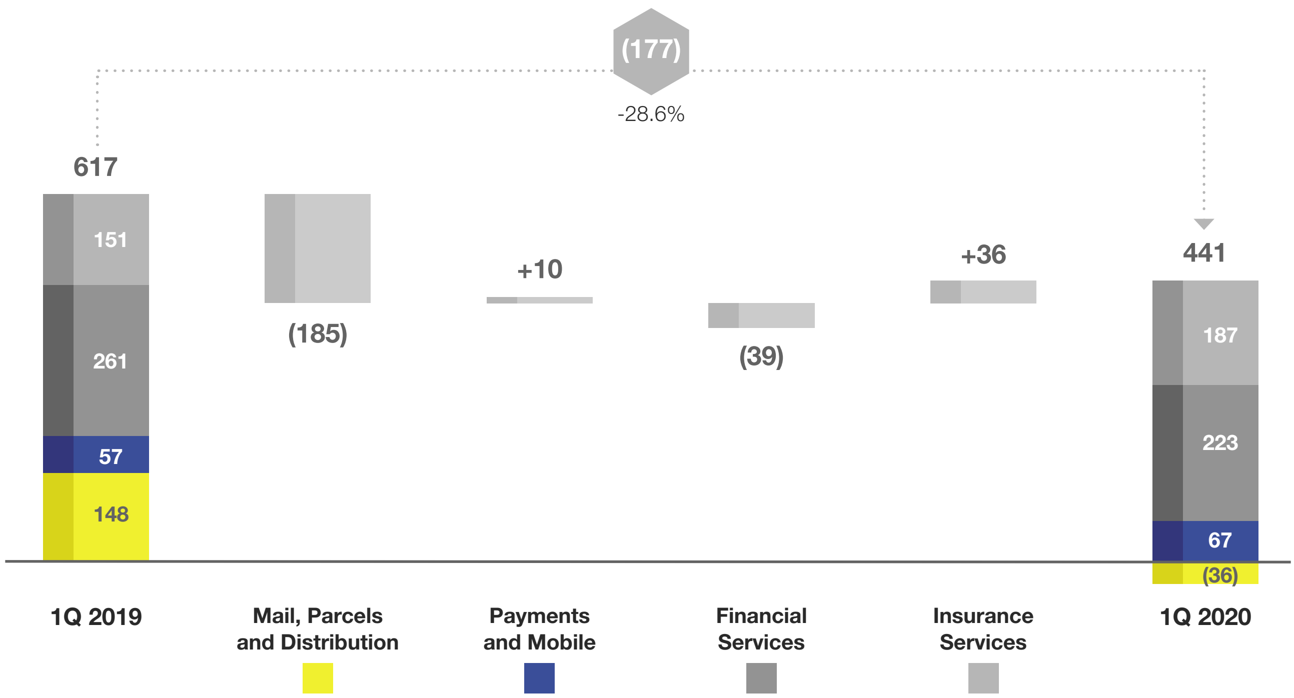
Revenue from the **Mail, Parcels and Distribution** Strategic Business Unit totalled €771 million, down 12.4% (-€109 million) compared with the 1Q 2019, due to a reduction in revenue from the mail segment (-19.2%, or -€123 million), only partly mitigated by growth in the parcel segment (+5%, or +€10 million) thanks to the positive performance in the B2C segment, driven by the development of e-commerce. The decline in the sector's revenue in the first quarter of 2020 was essentially due to the negative performance in March with revenue down €90 million (-29%) compared to March 2019 due to the lockdown that accelerated the decline in revenue and volumes of the mail segment that already begun in the first two months of the year with the drop in volumes from China.

The **Payments and Mobile** Strategic Business Unit contributed to total revenue of €165 million (+€26 million, +18.4%, compared to the same period in 2019), recording growth in both the electronic money and mobile segments. The negative effect of the pandemic on the electronic money segment was mitigated by the use of online channels.

The **Financial Services** Strategic Business Unit contributed €1,464 million to the Group's revenue, a negative change of €21 million (-1.4%) compared to the first quarter of 2019. Net of "adjusted" items (including gains and valuation effects on Visa shares and derivatives), there was an alignment of the segment's revenue in the first two months of the year compared to the first two months of the previous year, with the overall slowdown in the quarter due to the reduced operations following the lockdown being concentrated in March.

Positive performance for the **Insurance Services** Strategic Business Unit with market revenue of €355 million and an increase of 5.1% (+€17 million) compared to the first quarter of 2019 thanks to the positive contribution of the Life business. Also for this sector, the results for the quarter were affected by lower revenue in March (-€63 million, -37%) compared with the same period of last year.

EBIT (€ million)



The operating income of the Mail, Parcels and Distribution Strategic Business Unit was negative for €36 million, down from €148 million in the first quarter of 2019 (-€185 million). The performance of the Payments and Mobile Strategic Business Unit, on the other hand, was positive, with EBIT of €67 million (up €10 million, +18.2%, compared with the same period of 2019) and the Insurance Services Strategic Business Unit with EBIT of €187 million, up 24% (+€36 million) compared with the first quarter of 2019. The Financial Services Strategic Business Unit contributed to the group's operating income with a positive EBIT of €223 million, down €39 million (-14.8%) compared to the same period last year (€261 million).

Mail, Parcels and Distribution Strategic Business Unit

Market contest

The postal services market is going through a phase of radical change, primarily linked to the digital transformation, which has influenced the volume of letters and parcels in circulation. The ongoing structural decline in traditional mail, replaced with digital forms of communication (e-mail, instant messaging, etc.) is accompanied by a significant increase in the volume of parcels sent, linked to the growth in e-commerce. In Italy, the percentage of retail purchases made online rose from 4% in 2015 to 7% in 2019[32], and growth remains compared with the double-digit growth rates registered in the main European countries. Poste Italiane is now one of the leading operators in the sector with a market share (B2C - Business to Consumer) from 30% in 2017 to 35%[33] in 2019.

In 2020, all European and international markets will continue to witness a decline in the mail market, partly offset by parcel growth. E-commerce confirmed as the key driver of growth in this segment, mainly for light and low-value items[34]. In particular, an increase in per capita parcels is expected in Italy (from 4 units in 2019 to 5 units in the current year)[35].

The first months of 2020 show an even more significant decline in mail with historical trends due to the lockdown caused by the health emergency, which caused a general slowdown in the Italian economy. The parcel segment, on the other hand, was substantially stable compared with the same period of the previous year .

Regulatory environment

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

Regarding state contributions for the editorial tariff concessions applied by the Company, the Budget Law 2020 (Law no. 160 of 27 December 2019) redefined the appropriations for reimbursement, providing for a value of €53.1 million for 2020, €53.2 million for 2021 and €52.5 million for 2022. As these State contributions constitute State aid, they are subject to notification to the European Commission for the purposes of verification of compatibility with EU law. For the three-year period 2020-2022, the notification procedure to the Commission will be initiated in the current year.

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

As part of the measures adopted by the Government to deal with the Covid-19 epidemiological emergency, with Decree Law no. 18 of 17 March 2020 ("Cura Italia"), specific urgent measures have been defined for the provision of the postal service, providing that the delivery of registered, insured and parcel items and the notification by mail of judicial documents and fines throughout the country will be carried out until 30 June, after verification of the presence of the recipient or person entitled to collect, by placing the item in the home mailbox or other place indicated at the same time. The Decree thus endorsed the extraordinary delivery measures already adopted by Poste Italiane as from 6 March with reference to signature items (registered and insured items and parcels) and extended them also to notifications of judicial documents and fines. In fact, as already argued, the Company has undertaken a series of measures concerning the way services are carried out, the functioning of Post Offices, as well as actions to protect workers and users, in order to ensure the provision of essential services for the community and the pre-eminent protection of public health. In relation to these measures, as of 21 February, the Company has been constantly updating AGCom. The latter, in implementation of Decree Law no. 18 of 17 March 2020 ("Cura Italia"), has set up a "Table" dedicated to postal services in order to establish a permanent point of contact and coordination with operators in the sector.

32. Source: Data Osservatorio e-commerce B2C - Politecnico Milano.
33. Internal processing based on Cerved Databank data, Netcomm 2019.
34. Source: Report IPC and other postal/logistics operators.
35. Source: Internal processing on historical data and forecasts Cerved Databank, Netcomm.

Evolution in the regulatory scenario

In September 2019, AGCom, by means of Resolution **350/19/CONS**, submitted for public consultation the draft measure concerning the analysis of the parcel delivery services market, aimed at monitoring the market in order to assess whether, and in what way, the current amendments have modified, or may modify, its competitive structure in the future. Parties concerned were able to submit their contributions to the consultation by 8 November 2019 and publication of the final measure is pending.

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

Mail, Parcels and Distribution SBU Operating Results

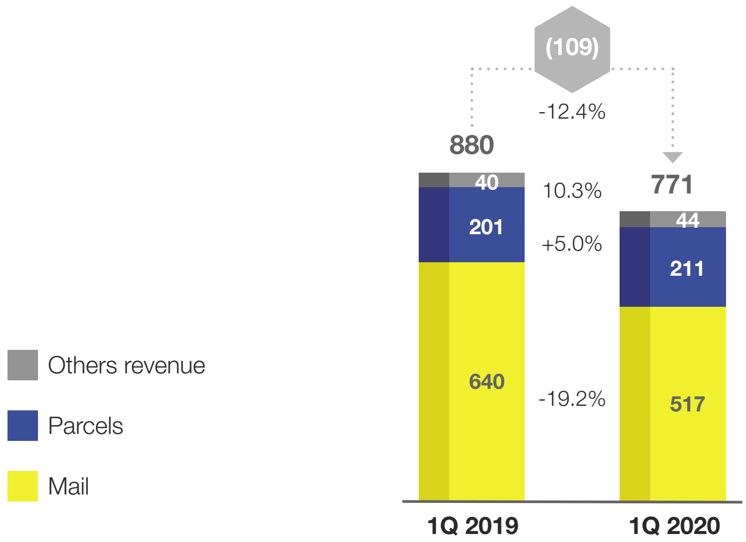
The SBU results were significantly impacted by the effects of the current crisis, which, particularly in the mail segment, were anticipated in February as a result of trade relations with China.

Mail, Parcels and Distribution (€ million)	1Q 2020	1Q 2019	Changes	
External revenue	771	880	(109)	-12.4%
Revenue from other sectors	1,260	1,331	(71)	-5.4%
Total revenue	**2,031**	**2,211**	**(180)**	**-8.1%**
Total adjusted revenue	***1,846***	***2,007***	***(161)***	***-8.0%***
Costs	2,050	2,043	7	+0.4%
Costs vs other sectors	17	20	(3)	-13.9%
Total costs	**2,067**	**2,063**	**5**	**+0.2%**
Adjusted total costs	***2,067***	***2,060***	***+7***	***+0.3%***
EBIT	**(36)**	**148**	**(185)**	**-124.6%**
Adjusted EBIT	***(221)***	***(53)***	***(168)***	***-317.2%***
EBIT Margin %	**-1.8%**	**6.7%**		
NET RESULTS	**(31)**	**101**	**(132)**	**-130.7%**

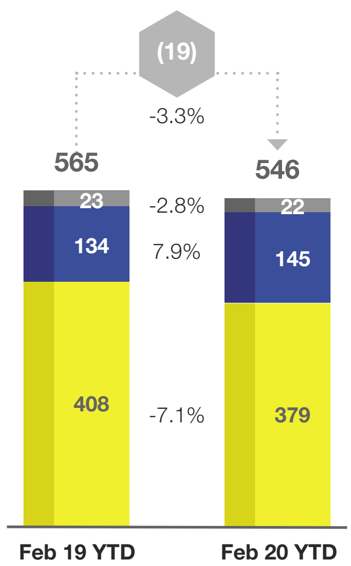
Main KPIs	1Q 2020	1Q 2019	Changes	
Mail and parcels				
Revenue/FTE (€ million)	16	17	(1)	-4.7%
Parcels that can be delivered as standard mail (volumes in million)	14.1	12.3	1.9	15.3%
New Punto Poste Network (number of lockers and alternative collection points)*	7,324	6,288	1,036	16.5%
Distribution				
Numbers of Post Offices*	12,809	12,809	-	0.0%
Numbers of customers (million)	34.8	34.9	(0.1)	-0.2%
Rooms dedicated to consultancy	6,751	6,551	200	3.1%
Postamat ATM network	7,707	7,287	420	5.8%

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

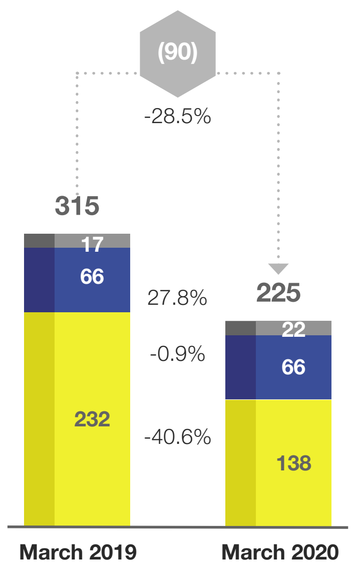
EXTERNAL REVENUE



FEBRUARY YTD



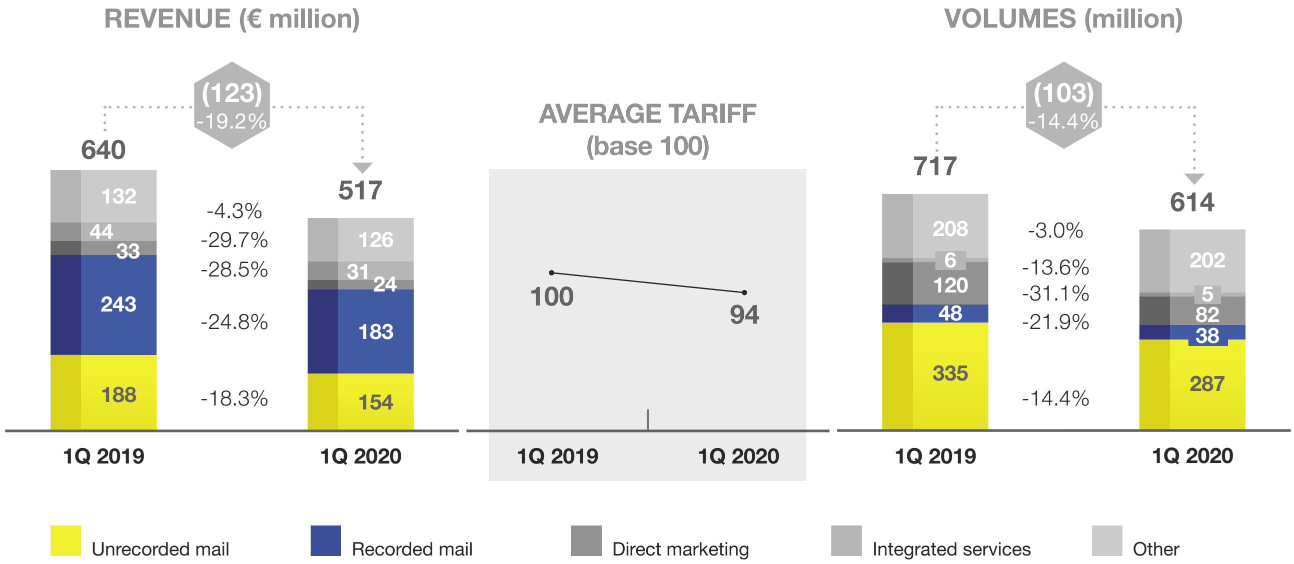
MARCH



External revenue went from €880 million in 1Q 2019 to €771 million and reflect lower revenue from traditional mail (down €123 million), only partly offset by the growth in the parcels segment (up €10 million, or +5.0%, on the same period of the previous year), for the positive performance in the B2C segment driven by the development of e-commerce.

The fall in revenue in the segment in the first two months of the year (down €19 million) was exacerbated in March when revenue was down €90 million compared to 1Q 2019 (-28.5%) due to the lockdown imposed following the pandemic and the significant drop in operations that followed.

Performance of mail



Unrecorded Mail: standard mail service with mailbox delivery.

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

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

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

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

The performance of the Group's Mail services saw volumes and revenue decrease by 14.4% (103 million fewer items) and 19.2% (€123 million), respectively, compared with the first quarter of the previous year. The causes are mainly attributable to the reduction in production activities following the lockdown imposed by the Government to contain the virus.

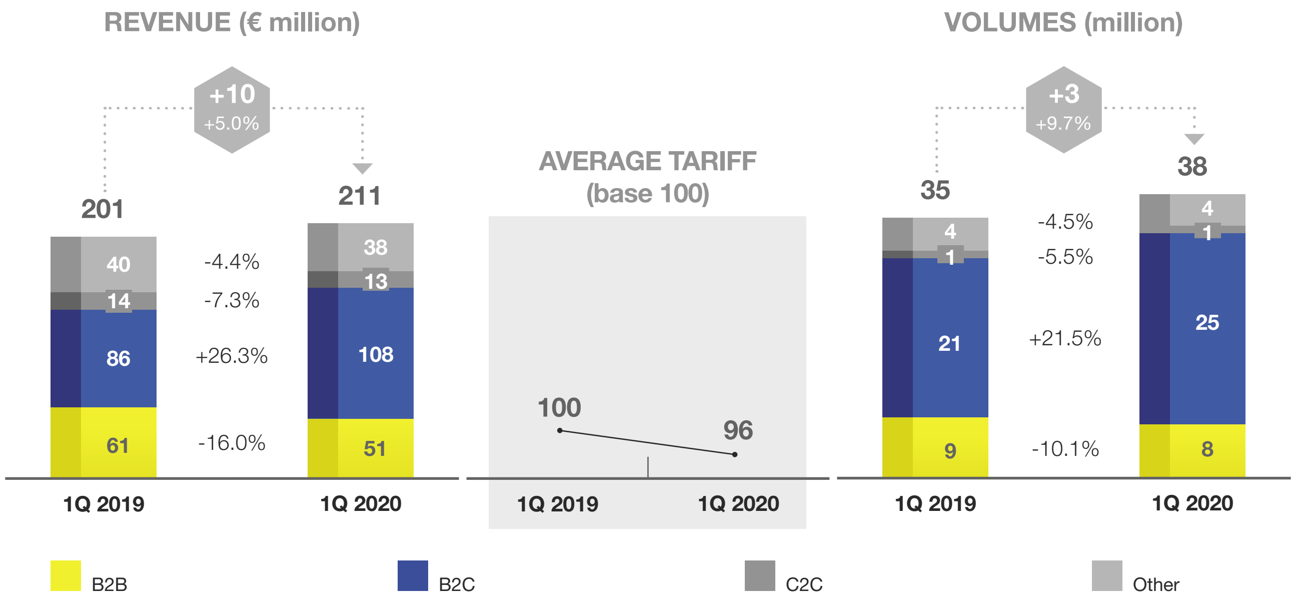
The reduction in volumes and revenue from traditional mail reported during the quarter is distributed indiscriminately across all product families, with Unrecorded and Recorded Mail reporting a drop of 14.4% and 21.9%, respectively, corresponding to a drop in revenue of 18.3% and 24.8%. This trend is attributable to the drop in operations linked to the closure of part of the Post Offices and the lower sorting and delivery activities recorded in March following the lockdown.

Direct Marketing saw a 31.1% decrease in volumes (37 million fewer items) and a related 28.5% fall in revenue (down €9 million). This decrease is linked to the decline in the processing of commercial mail, due to both the intention of Poste Italiane to reduce production activities at sorting centres and to the lower number of commercial mail items sent by customers.

Volumes of Integrated services fell by 13.6% compared with the first quarter of 2019 (around 1 million fewer items) and revenue fell by 29.7% (down €13 million) due to the interruption in the mailing of tax collection notices and fines for blocking circulation.

Other revenue that also includes revenue from the Mass Printing services provided by the subsidiary, Postel, is down 3% in volume terms (6 million fewer items) compared with the same period of 2019, due to a decline in the market for printing services also determined by the slowdown of the Italian economy following the lockdown. Corresponding revenue also includes publisher tariff subsidies (€12 million in the first quarter of 2020 and €14 million in the first quarter of 2019), down due to a fall in mailings linked to publishing. The compensation covering the cost of the Universal Service for 2020 amounts to €66 million, in line with the revenue recorded in the first quarter of 2019.

Parcels



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

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

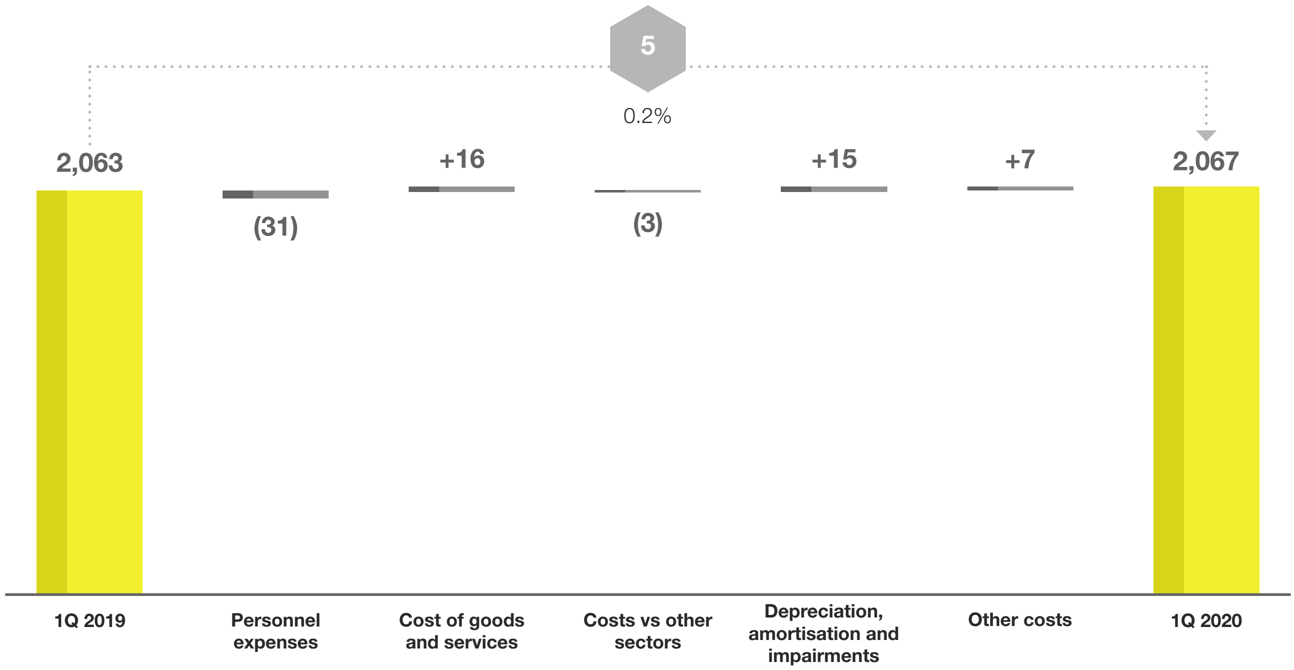
C2C: acronym for Consumer to Consumer. Services for shipments from private user to private user. Basic offer focused on ease of access (Post Office network and website).

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

The performance of the Parcels segment continues to be positive, with growth in both volumes and revenue of 9.7% (up €3 million) and 5.0% (up €10 million), respectively, compared with the same period of the previous year, primarily due to the growing development of Poste's Italiane business in the B2C segment driven by e-commerce.

The B2C segment generated revenue of €108 million, up 26.3% on the first quarter of 2019, compared with 25 million shipments (+21.5%), with a rising unit tariff, despite a highly competitive market. The growth of B2C was further reinforced by the growing propensity of the population to buy online, which, since March, has coexisted with the restrictive measures imposed by the PM Decree of 11 March 2020. This trend made it possible to offset the loss on all other sectors of the parcel segment, especially B2B (-1 million parcels, -10.1%, corresponding to -€10 million in revenue), the most affected by the lockdown due to the closure of production activities.

COSTS



Costs, including depreciation, amortisation and impairments, totalled €2,067 million, substantially in line with the first quarter of the previous year.

Personnel expenses amounted to €1,375 million, down €31 million (-2.2% compared to the first quarter of 2019), mainly due to the average reduction in staff (approximately 4,600 FTE less). The evolution of the workforce is consistent with the provisions of the Deliver 2022 Strategic Plan and is the result of efficiency initiatives implemented by the Company.

On the other hand, there was an increase in other operating costs of approximately €23 million (+5% compared to 2019), mainly due to expenses incurred to ensure the safety of employees engaged in operating activities in the territory. These costs refer to the purchase of personal protective equipment, plexiglass, and costs for the sanitisation of the premises, extraordinary cleaning costs, higher surveillance costs at Post Offices for splitting the payment of pensions over several days, higher communication costs. Finally, there was an increase in depreciation, amortisation and impairments of approximately €15 million (+9% compared to the first quarter of 2019), against the increase in investments made.

In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reports negative EBIT of €36 million, €185 million worse compared with EBIT in 1Q 2019 (€148 million).

Operating review

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

Parcels

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

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

Work continued on the renewal of the company’s fleet, which in the first quarter, led to the completion of the supply of Euro4 two-wheeled vehicles (approximately 2,000 new vehicles to date) and the introduction of 300 new electric three-wheeled vehicles.

With reference to sorting activities and automation of production processes, the renewal of SDA’s plants is underway.

As far as the delivery area is concerned**,** the development of the potential of the collaboration with Amazon continues, in line with Poste Italiane’s strategy of growth in logistics linked to online purchases. This is also connected with expansion of the PuntoPoste network for collecting online purchases and sending returns. To date, this consists of over 7 thousand active alternative collection points, mainly tobacconists and lockers, which are in addition to Post Offices.

As part of the partnership with Zalando (management of customer returns in Italy), in the first quarter of 2020, the Poste Italiane Group was entrusted with approximately 500 thousand returns via Post Offices or the PuntoPoste network (around 30% returned via the drop-off point).

Moreover, the collaboration continued with the innovative start-up Milkman, specialised in “last mile” logistics for the development of innovative and technologically advanced delivery services, such as the Scheduled Delivery service that allows e-Shoppers to request delivery on the desired day and in a specific time slot among those available. The service, offered in partnership with Milkman, is active in the cities of Milan, Rome and Turin and was planned to be extended to the cities of Brescia and Verona in March. However, activities were rescheduled due to the Covid-19 health emergency. On 24 April 2020, Poste Italiane acquired 70% in MLK Deliveries SpA (the remaining 30% is held by Milkman), which will provide Same Day and Scheduled Delivery services for the Poste Group.

The range of Poste Delivery parcels continued, both front-end and online, which reinforces the features of completeness, simplicity and convenience of the service, providing various shipping options and customisation possibilities.

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

Small Municipalities Project

The activities continue that were started in November 2018 in favour of the communities of **Small Municipalities** according to the programme illustrated by the Company on 28 October 2019 during the second edition of the event Mayors of Italy. On this occasion, the Company, in addition to continuing with the commitments already undertaken (no closure of Post Offices in small Municipalities, new Postamat for innovative services on the territory, treasury service provided together with Cassa Depositi e Prestiti, installation of video surveillance inside and outside the offices, removal of architectural barriers to facilitate the usability of the structures, property projects for urban decorum (murals), strengthening of resources in Post Offices in tourist areas) has added new initiatives in favour of the communities:

- digital and postal financial education programmes;
- free payment and POS services for Municipalities;
- Punto Poste da te;
- installation of new smart mailboxes;
- information services for citizens;
- philately programmes;
- new green fleet with reduced emissions (-40%);
- initiatives to enhance the artistic and cultural heritage of small Municipalities.

Following the state of emergency on the national territory declared by the competent authorities concerning the health risk related to the Coronavirus, some activities have been suspended. The following is the main data at 24 February 2020:

- there have been no Post Office closures;
- a central office now provides dedicated support for small Municipalities;
- 796 new ATMs have been installed in 794 Municipalities;
- 5,692 Wi-fi connections have been installed in 5,042 Municipalities;
- services provided at home and at affiliated businesses in Municipalities without a Post Office;
- 754 architectural barriers have been removed in 724 Municipalities;
- 4,272 video-surveillance systems have been installed in 1,815 Municipalities;
- the treasury service was activated in the municipalities that requested it;
- 7,243 new mailboxes have been installed in 3,616 Municipalities, 13 buildings have been donated to Municipalities for collective interest activities; 17 murals have been created to improve the urban decorum of the peripheral Post Offices;
- 219 Post Offices were strengthened with increased resources and extended hours in 211 tourist Municipalities.

Payments and Mobile Strategic Business Unit

Market context

The first quarter of 2020 was significantly affected by the Covid-19 pandemic and the progressive restrictive measures implemented by national governments to contain the spread of contagion highlighted expectations of strong reductions in economic activity, prompting analysts to continue downward revisions of global growth forecasts.

In this general economic context, in the Italian payment card market, on the basis of the latest available data[36], total transactions in 2019 amounted to €261 billion (+13% compared to 2018) while transactions grew by 20% for a total of over 4.7 billion transactions on POS. Debit cards are the most used, developing more than 50% of total transactions (€132 billion, +11% compared to 2018) and transactions (2.5 million transactions, +17% compared to 2018); credit cards are also good, with more than 1.2 billion transactions with +17% compared to 2018 and +12% on transactions, reaching €90 billion.

The number of cards active on the market exceeds 90 million, growing by 3.1% compared to 2018, mainly thanks to the dissemination of prepaid cards, which in 2019, grew by more than 2 million compared to the previous year.

According to the latest available figures, mobile market penetration[37], in terms of total mobile lines, stands at approximately 172% of the population, with MVNOs accounting for 15.2%[38]. The total number of lines at 31 December 2019 amounts to 103.7 million, including approximately 24.3 million Machine to Machine (M2M) SIM cards. PosteMobile, with a total market share of approximately 4.1%, accounts for around 46.1% of the total customers of mobile virtual network operators.

Regulatory environment

Electronic money

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

In the **telecommunications** sector with reference to voice call termination services[39], by 31 December 2020, the European Commission must adopt a delegated act supplementing the directive establishing the European Electronic Communications Code, defining a single maximum termination rate for voice calls on mobile and fixed networks within the European Union.

36. Source: Internal processing and estimates on Bank of Italy data (supervisory reporting flows).
37. Source: AGCom Communications Observatory no. 1/2020, Operators Report.
38. Source: Internal Estimate PostePay - Administration, Planning and Control.
39. In order to ensure that subscribers to different fixed and mobile network operators are able to communicate with each other, networks must be interconnected and operators must therefore enter into interconnection contracts regarding the provision of one or more services.

Payments and Mobile SBU operating results

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

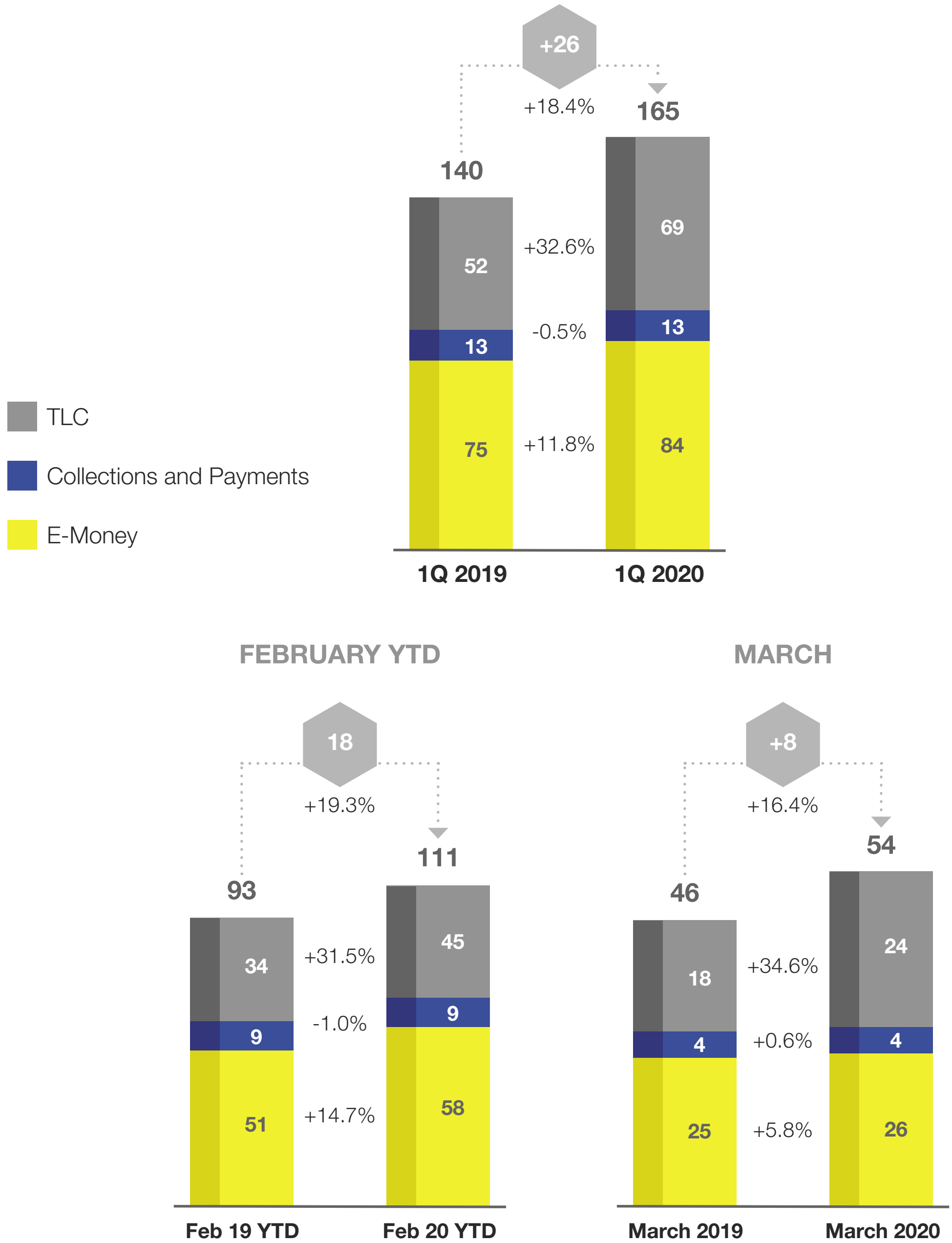
Payments and Mobile (€ million)	1Q 2020	1Q 2019	Changes	
External revenue	165	140	+26	+18.4%
Revenue from other sectors	90	96	(6)	-5.9%
Total revenue	**255**	**235**	**+20**	**+8.5%**
Costs	101	88	+13	+15.2%
Costs vs other sectors	87	91	(4)	-4.1%
Total costs	**188**	**178**	**+10**	**+5.4%**
EBIT	**67**	**57**	**+10**	**+18.2%**
EBIT Margin %	**26.3%**	**24.2%**		
NET PROFIT	**51**	**42**	**+9**	**+21.4%**

Figures for 1Q 2019 include the Digital component that was merged into the Mail, Parcels and Distribution SBU in 2020.

MAIN KPIs	1Q 2020	1Q 2019	Δ	
E-Money				
Total value of card transactions (€ million)*	8,286	7,060	1,226	17.4%
Number of cards (million)**	28.2	28.7	(0.5)	-1.7%
of which Postepay cards (million)***	21.0	21.5	(0.5)	-2.2%
of which Postepay Evolution cards (million)****	7.0	7.2	(0.2)	-3.3%
Number of cards transactions (million)	354	326	28	8.6%
of which number of e-commerce transactions (million)	*81*	*56*	*26*	*46.1%*
TLC				
SIM PosteMobile landlines and mobile telephones (stock in thousands)***	4,470	4,416	54.0	1.2%

* Transactions relative to payments made by Postamat and Postepay.
** Includes Postepay cards and debit cards. The figure indicated in column 1Q 2019 refers to 31 December 2019.
*** The figure indicated in column 1Q 2019 refers to 31 December 2019.
**** Including business customers. The figure indicated in column 1Q 2019 refers to 31 December 2019.

EXTERNAL REVENUE (€ million)



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

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

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

Total revenue for the first quarter of 2020 amounted to €255 million, up 8.5% compared to the same period of the previous year, and benefited from the positive performance of both the Electronic money and Telecommunications segments.

Although March saw a positive change in external revenue compared with the same period of 2019 (+16.4%, up €8 million), growth in the quarter slowed down due to the Covid-19 effects in particular in the Payments and Electronic money segments, in the face of the restrictive measures imposed by the Authority (closing of businesses).

In the Electronic money segment, revenue rose from €75 million in the first quarter of 2019 to €84 million (+11.8%), mainly due to higher revenue from payment card operations and higher acquiring services due to the growth in transactions, while revenue from other collection and payment services remained substantially unchanged.

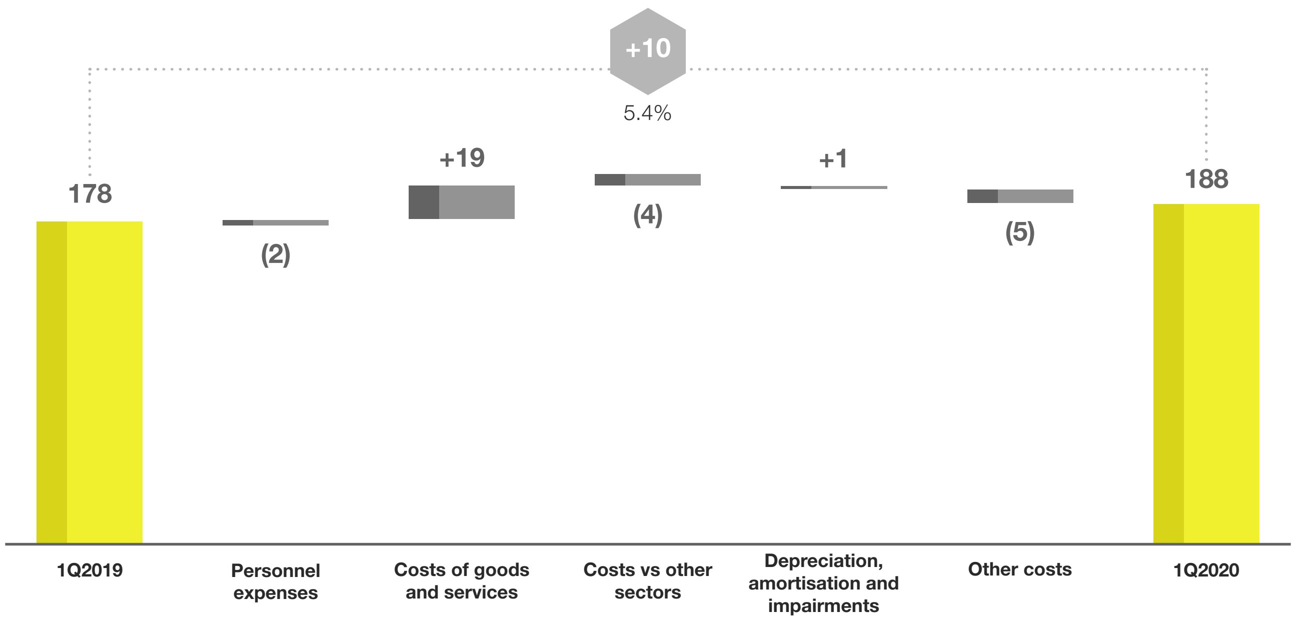
At the end of March 2020, Postepay cards in circulation amounted to 21.0 million (21.5 million at 31 December 2019); of these 7.0 million are Postepay Evolution cards which, despite a decrease in the first quarter of the year due to the closure of cards with negative balance, show (over the last 12 months) an increase of 5.6% compared to the same period of 2019. Existing Postamat cards, amounting to 7.2 million, remain substantially unchanged compared to 31 December 2019.

In 1Q 2020, Postepay cards developed total payment transactions of about €4.6 billion (€3.5 billion in March 2019, +31.5%) while Postamat card transactions amounted to €3.7 billion (€3.6 billion in the same period of 2019 +3.6%).

Acquiring transactions amounted to €4.3 billion, up 5.9% compared to the same period of the previous year (€4.1 billion).

The performance of the Telecommunications business also improved compared to the previous year (revenue of €69 million, up 32.6% on the first quarter of 2019), primarily due to the higher customer base.

TOTAL COSTS (€ million)



Total costs, including amortisation, depreciation and impairments, amounted to €188 million, an increase of €10 million (+5.4%) compared with the same period of 2019 due to business growth. In particular, costs for goods and services increased by €19 million, mainly due to higher variable traffic costs related to fixed-mobile telecommunications services (up €14 million) and those related to card operations (up €5 million), partially offset by a €4 million reduction in costs for services provided by other Poste Italiane functions (for distribution, information systems management, back office, anti-money laundering and postal services). Personnel expenses decreased by €2 million compared to the first quarter of 2019.

In light of the results described, the Payments and Mobile Strategic Business Unit reports EBIT of €67 million, an increase of 18.2% compared with the same period of the previous year.

Taking into account the positive financial management of €3 million (which includes income from the revaluation of the investment in FSIA Investimenti Srl for about €4 million) and taxes for the period (€19 million compared with €16 million in the first quarter of 2019), the segment closed with a net result of €51 million, up 21.4% (up €9 million) compared with the same period of 2019.

Operating review

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

Electronic money

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

In the Acquiring area, the Postepay Code was activated in January. However, the proposal of the new product to operators was suspended due to the Covid -19 emergency. The service, launched on an experimental basis at the end of 2019, allows merchants to make collections using the Postepay Code functionality which, included in the Postepay app, allows scanning QR codes directly into the app so as to return the payment option on screen and then proceed with the transaction. At the same time, the new Postepay Code app was launched that allows merchants to manage payments made through Postepay Code (notifications/reversals and transactions list).

Also in the acquiring area, with reference to the agreement with Lottomatica - LIS *Istituto di Pagamento*, after the roll-out phase concluded at the end of 2019, the bill payments acceptance service is fully operational for the approximately 54 thousand points of sale in the network. In addition, since January 2020, the channel has been active for remote sale by LIS of the physical Postepay POS acquiring service on the entire network of affiliated tobacconists.

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

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

Collections and Payments

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

Telecommunications

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

Financial Services Strategic Business Unit

Market context

Financial markets[40]

After the gains achieved in 2019, even more than 30% for the USA and Italy, in the first quarter of this year, the world stock indices experienced a drastic decline for Europe never seen before in history, while for the USA, second only to that of October 1987. In mid-January 2020, the emergence of the Covid-19 emergency in China had affected the world stock exchanges marginally and only for a few weeks; then, in mid-February, with contagion beyond expectations even outside China - starting from northern Italy - the fear of recessionary impacts of the epidemic on the global economy increased. The stock markets have therefore started a phase of sharp falls. At the beginning of March 2020, restrictive measures to contain contagion, the classification of Covid-19 as a “pandemic” and the state of national emergency declared by the USA contributed to destabilise the markets, triggering losses that have risen to about 30% for the global equity index since the beginning of the year. Higher losses were recorded for the Italian market. In 1Q 2020, the Eurostoxx 50 index lost about 25.7% while Down Jones decreased by 23%.

Central banks everywhere have intervened promptly and massively, deploying all instruments, traditional and non-traditional, to guarantee the full functioning of money markets with the aim of ensuring that the financial sector did not contribute to further amplification of the shock.

The Quantitative Easing programmes have been implemented without restrictions on purchases (Federal Reserve) or for amounts never experienced before (European Central Bank).

Stock exchanges remained weak, at least initially, even after the measures adopted by the monetary authorities. Despite the recovery in the last days of March 2020, stock prices have been impacted by the possibility that the measures announced, even if substantial, will not avoid a severe economic recession.

In the first quarter of 2020, long-term government bond yields and sovereign spreads initially experienced high volatility and then stabilised as a result of monetary policy interventions. At the same time as expectations of a recovery in central bank purchasing plans, risk free returns fell to an all-time low on 9 March 2020.

The aforementioned downward movement started in the USA, where the ten-year rate went from 1.89% in December 2019 to 0.67% in March 2020. The yield on Italian ten-year government bonds closed 1Q 2020 at 1.52%, up from 1.41% at the end of December 2019. This increase was determined by the increase in the spread. Indeed, although the 10-year German Bund fell from 0.18% at the end of 2019 to -0.48% in March 2020, the spread of the Multi-year Treasury Bond (BTP) increased from 159 basis points at the end of 2019 to 199 basis points at the end of March 2020[41].

Corporate bond spreads in the Eurozone increased in 1Q 2020. Overall, the spread on the bonds of non-financial investment grade companies in the Eurozone stood at around 180 bps at 31 March 2020, an increase of around 120 bps compared to 2019. The debt spreads of the financial sector also increased, with the differential with respect to the risk-free rate increasing by about 150 bps to about 215 bps.

40. Prometeia: Forecast report - March 2020.
41. Source: Bloomberg.

Below is the table that represents the precise returns expressed in percen age terms at the end of the period for BTPs government bonds and interest rate swaps[42].

	1Q 2019	1H 2019	9M 2019	2019	1Q 2020
BTP 10Y	2.49	2.10	0.82	1.41	1.52
SWAP 10Y	0.47	0.18	(0.15)	0.20	(0.02)
BTP 15Y	3.08	2.55	1.37	1.89	1.92
SWAP 15Y	0.82	0.49	0.07	0.46	0.16
BTP 30Y	3.47	3.09	1.91	2.47	2.44
SWAP 30Y	1.07	0.72	0.22	0.63	0.17

Spread BTP vs *BUND* 10 yrs

42. Source: Bloomberg.

Banking system

On the basis of estimates provided by the Italian Banking Association (ABI), at 31 March 2020, customer deposits of the total number of banks in Italy, represented by deposits to resident customers and bonds, increased by 3.7% annually to approximately €1,824 billion (+€11 billion compared to the beginning of the year). This trend reflected a significant increase in 1Q 2020 in deposits from resident customers (in current accounts, certificates of deposit and repurchase agreements), amounting to approximately €19 billion (+5.1% year-on-year), accompanied by a decrease of €7.5 billion of bond deposits (down 12 billion year-on-year, -5%). In March 2020, the average cost of bank funding (which includes the return on deposits, bonds and repos from households and non-financial companies) was around 0.57%. (0.58% at 31 December 2019). Bank loans increased slightly overall during the first quarter of 2020, while the private sector component showed an acceleration in March 2020. At 31 March 2020, total loans to residents (Private Sector and Public Administration) in Italy - excluding interbank lending - stood at around €1,680 billion (+0.6% year-on-year) of which €1,418 billion related to loans to households and businesses, up 1.4% year-on-year (+0.5% year-on-year in February 2020).

Asset management

The latest Assogestioni data available[43] show at 31 March 2020 total assets amounting to approximately €2,143 billion, compared to €2,306 billion at the end of December 2019 (-7.1%). With regard to Portfolio Management (Retail and Institutional), assets totalled approximately €1,114 billion, down compared to the end of December 2019 (€1,171 billion, -4.9%). On the other hand, with regard to collective asset management (open-end and closed-end mutual funds), customer assets went from approximately €1,135 billion at the end of December 2019 to approximately €1,029 billion at the end of March 2020, recording a decrease of 9.3%. With regard to open-ended mutual funds alone, assets amounted to approximately €966 billion, compared to approximately €1,071 billion at the end of December 2019 (-9.8%, of which -8.4% attributable to performance and -1.4% to inflows). In terms of inflows, the asset management industry recorded a total negative balance of €13.7 billion in 1Q 2020, compared with +55.3 billion last year.

Regulatory environment

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

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

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

In relation to the provisions regarding investment services, on 21 February 2020, CONSOB launched a consultation with the market, with a view to publishing a “Recommendation on ex post reporting of costs and charges related to the provision of investment and ancillary services”. This recommendation provides for specific indications: i) on the reorganisation of the sections of the current report; ii) on the representation of the client’s portfolio broken down according to the type of investment service provided; iii) on the ease of reconciliation of the items set out in the analytical report and in the aggregate report; iv) on the timing of sending the Report for 2019.

In light of the significant turbulence triggered by the Covid-19 pandemic, CONSOB adopted specific measures aimed at containing the volatility of financial markets and restoring market integrity, also in light of the exceptional measures adopted by ESMA and the supervisory authorities of Spain, France and Belgium; in particular, in its meeting of 18 March 2020, the Authority, by Resolution no. 21303, introduced, for the following 3 months, a ban on short selling and other bearish transactions on all shares traded on the Italian regulated market, including through derivatives or other financial instruments.

43. Assogestioni - Data and research year 2020. Assets under management, March down - 24 April 2020.

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

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

With reference to the entry into force of the Regulation of the *Istituto per la Vigilanza sulle Assicurazioni* (IVASS) containing provisions on Product Oversight Governance (POG[44]), as well as the Provision amending and supplementing IVASS Regulations nos. 23/2008, 24/2008, 38/2018, 40/2018 and 41/2018[45], in both cases set for 31 March 2020, as things stand at present, there has still been no publication.

On 17 March 2020, IVASS and the Bank of Italy jointly published a letter to the market in which they reaffirmed the importance of adopting the correct procedures for the sale of products combined with financing, also expressly mentioning the collaboration with the Antitrust Authority (AGCM), as it is transversally responsible for the protection of consumers. The letter provides a series of indications on the precautions to be adopted in order to ensure the correctness of customer relations and the effective awareness of customers about the characteristics, obligations and advantages deriving from the combination of the products offered.

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

44. The provisions of the Regulation require companies and intermediaries that manufacture and distribute insurance products to adopt specific processes for the design, review, monitoring, verification and distribution of each new insurance product, before it is distributed to customers, or of an existing insurance product, before the adoption of a significant change.
45. The IVASS measure complements the rules on the distribution of IBIP products for the channels for which IVASS is responsible, in order to ensure uniformity in the sale of these products regardless of the distribution channel (insurance companies or intermediaries) and the consistency and effectiveness of the IVASS and CONSOB supervisory system in their respective areas of competence.

Financial Services SBU operating results

The SBU results for the quarter were penalised by a reduction in operations due to the lockdown that began in March and a reduction in net gains in line with the Deliver 2022 Plan.

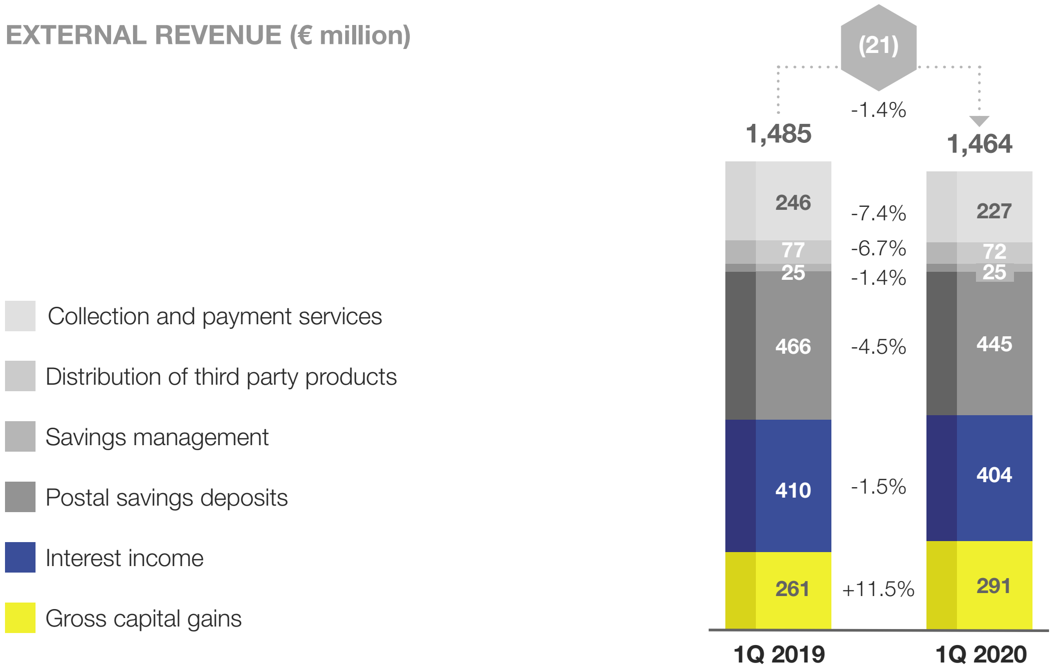
BancoPosta RFC solidity has been confirmed (CET1 at 18% at 31 March 2020).

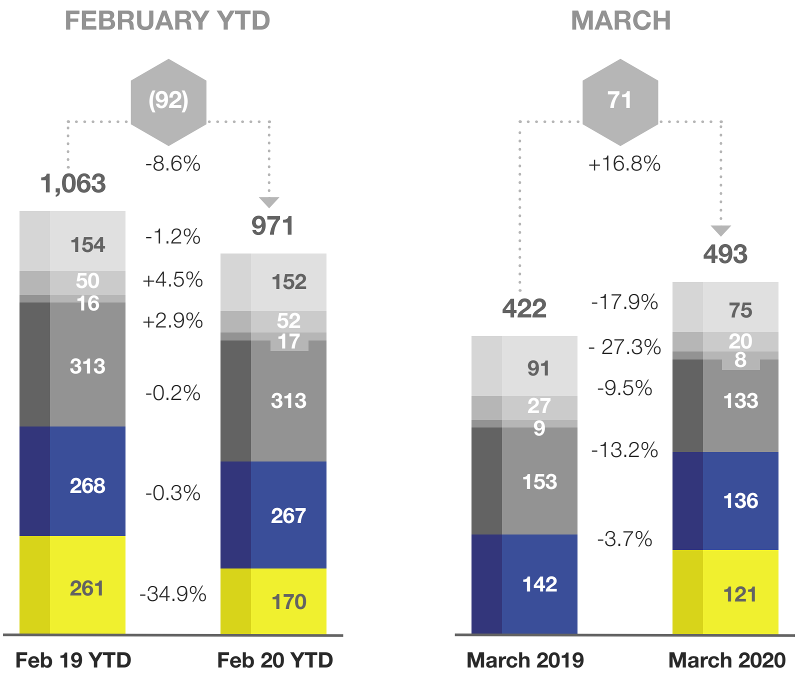
FINANCIAL SERVICES (€ million)	1Q 2020	1Q 2019	Changes	
External revenue	1,464	1,485	(21)	-1.4%
Revenue from other sectors	166	193	(27)	-14.0%
Total revenue	**1,630**	**1,678**	**(48)**	**-2.8%**
Total adjusted revenue	***1,331***	***1,405***	***(74)***	***-5.2%***
Costs	124	56	+68	+122.6%
Costs vs other sectors	1,284	1,361	(77)	-5.7%
Total costs	**1,408**	**1,417**	**(9)**	**-0.6%**
Adjusted total costs	***1,155***	***1,209***	***(54)***	***-4.5%***
EBIT	**223**	**261**	**(39)**	**-14.8%**
Adjusted EBIT	***176***	***196***	***(20)***	***-10.0%***
EBIT Margin %	**13.7%**	**15.6%**		
NET PROFIT	**155**	**190**	**(35)**	**-18.4%**

Main KPIs	1Q 2020	1Q 2019	Δ	
Total financial assets (€ billion)*	539	536	3	0.5%
Net inflows (€ million)	6,415	6,468	(53)	-0.8%
Latent capital gains/losses (€ million)	(2,224)	(3,093)	869	28.1%
Net capital gains (€ million)	234	261	(27)	-10.3%
Current accounts (average deposits for the period in € billion)	64.3	61.2	3.1	5.0%
Inflows total return	2.46%	2.65%		
Postal savings (average deposits in € billion)	316	312	3.5	1.1%
Loans (disbursed in € million)	766	967	(200.6)	-20.8%

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

EXTERNAL REVENUE (€ million)





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

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

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

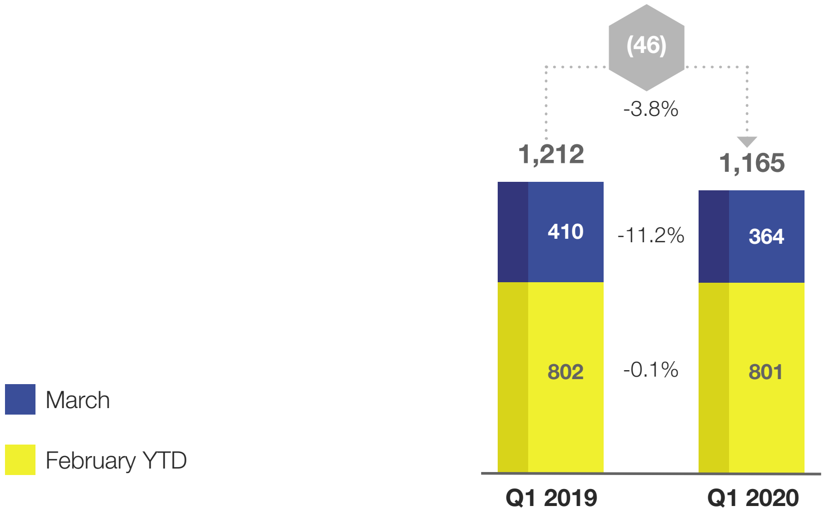
Postal savings deposits: savings deposits through Interest-bearing Postal Certificates and Postal Savings Books issued by Cassa Depositi e Prestiti.

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

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

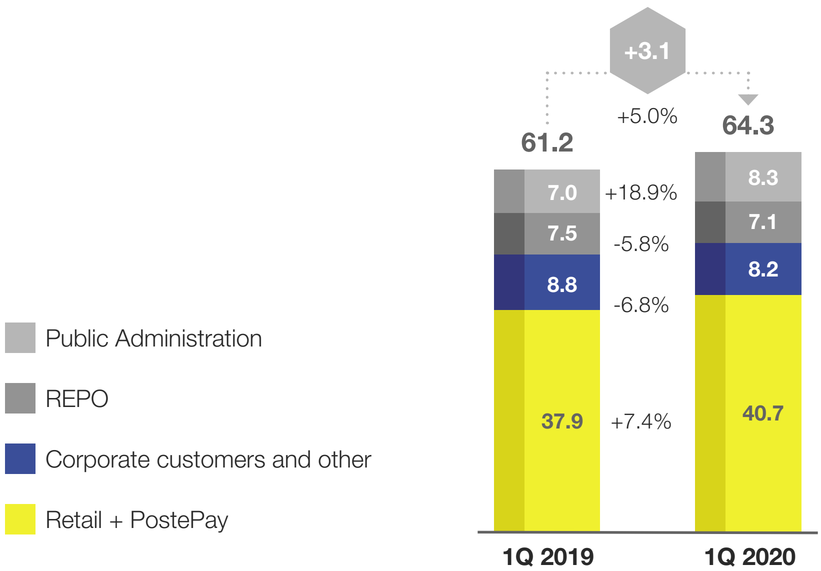
External revenue for the first quarter of 2020 amounted to €1,464 million, down €21 million from €1,485 million in the first three months of 2019 (-1.4%). In detail, the period under review shows Interest Income slightly down from the first quarter of 2019 (-1.5%) and Gains of €291 million (before Losses of €57 million, not present in the same period last year), up €30 million compared to €261 million in the first quarter of 2019 (+11.5%). Revenue from postal savings collection services amounted to €445 million, down €21 million on the first quarter of 2019, (-4.5%), whilst revenue from collection and payment services amounted to €227 million, down 7.4% on the same period of last year (down €18 million), primarily due to lower volumes of slips. Revenue from Distribution of third-party products totalled €72 million, down €5 million compared to €77 million in the first quarter of 2019, due mainly to a decrease in volumes of loans placed. Revenue from asset management are substantially in line with the same period of 2019 (€25 million).

ADJUSTED EXTERNAL REVENUE (€ million)



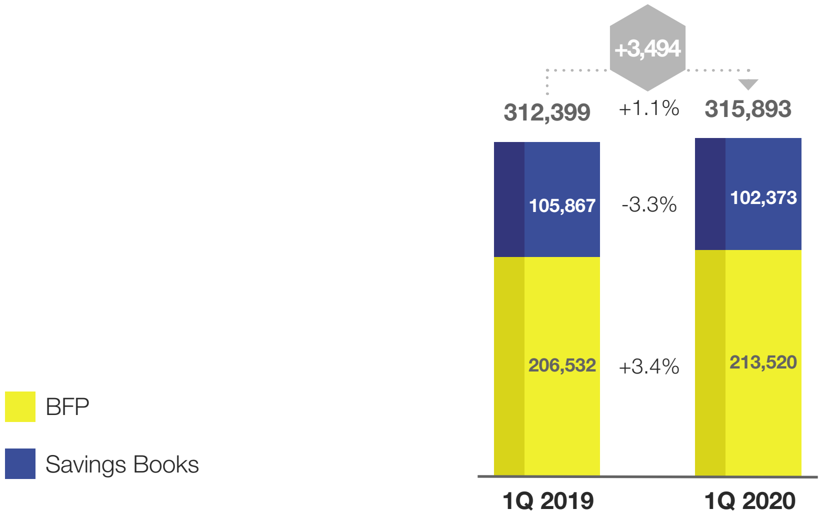
Net of “adjusted” items (including gains, which show different timing in the two quarters under comparison, and valuation effects on Visa shares and derivative), there was, on the one hand, a substantial alignment of the segment’s external revenue between the first two months of 2020 and the corresponding two months of 2019, and on the other hand, in March 2020, an overall slowdown compared to the corresponding month of last year, mainly due to lower operations attributable to the lockdown.

AVERAGE CURRENT ACCOUNT BALANCE (€ billion)



At 31 March 2020, the average current account balance increased from €61.2 billion to €64.3 billion. This increase of €3.1 billion was attributable to the positive performance of funding from Retail/PostePay customers (€2.8 billion) and from the Public Administration (€1.3 billion), offset by lower funding from Corporate customers, as well as lower recourse to REPO operations.

POSTAL SAVINGS (average deposit in € million)

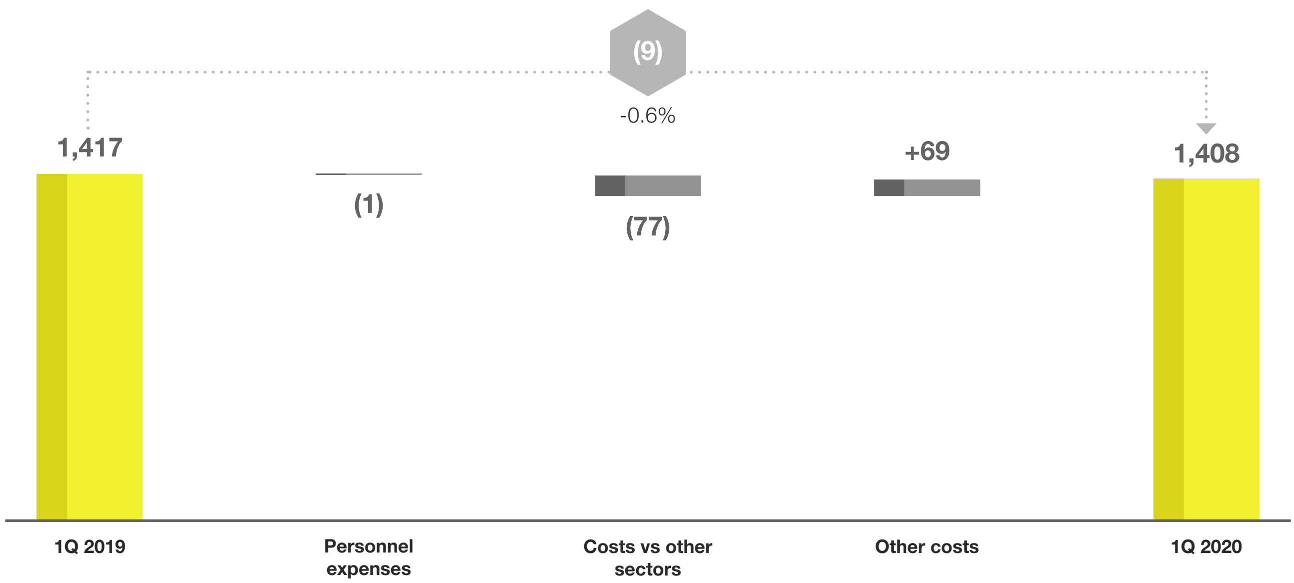


€ million	1Q 2019	1Q 2020	Change	Change %
Postal savings net deposits	(1,760)	1,250	3,010	171.0%

The first quarter of 2020 recorded positive net inflows of €1,250 million, up over €3,000 million compared with the same period of the previous year. This increase is explained by the increased liquidity in savings books due to the current Covid-19 health emergency and the market context, which have influenced patterns of customers, making them more liquidity orientated. The performance of net inflows of savings books was also affected by the different timing of the INPS pension credit in April, which, also due to the Covid-19 emergency, was anticipated to the end of March 2020.

The average balance of Interest-bearing Postal Certificates shows a significant increase compared with the first quarter of 2019, mainly due to the capitalisation of interest, which more than offset the decrease in the average balance of postal savings books in the period under review.

TOTAL COSTS (€ million)

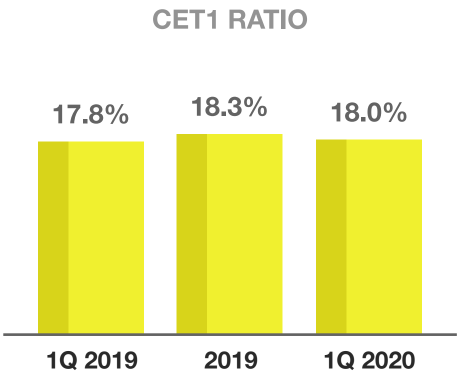


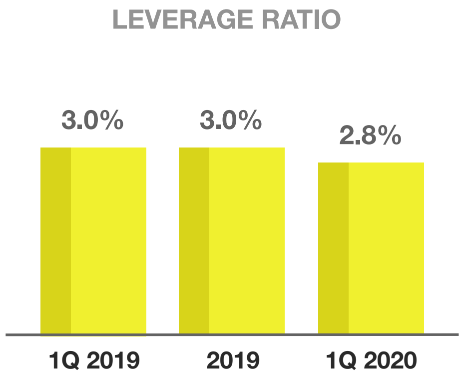
Total costs in the sector amounted to €1,408 million, compared to €1,417 million in the first quarter of 2019 (down €9 million, -0.6%), primarily due to lower intersegment costs relating to the Operating Guidelines of the commercial network, which more than offset the increase in other operating costs (up €69 million). This increase is mainly due to losses incurred during the period (€57 million), relating to the securities portfolio, completely offset by gains realised as part of the restructuring process.

The operating income (EBIT) of the sector for the first quarter of 2020 amounted to €223 million, down 14.8% compared to the same period of the previous year (down €39 million).

Net of financial management and taxes, the sector closed with a Profit of €155 million, down €35 million compared to €190 million in 1Q 2019 (-18.4%).

€ million	1Q 2019	2019	1Q 2020
CET1 CAPITAL	2,290	2,388	2,383
TOTAL ASSETS	79,467	85,010	95,594
RWA - Risk Weighted Assets	12,861	13,020	13,256





With regard to BancoPosta RFC structure, following the exceptional increase in inflows due to the lockdown and market decline, the Leverage Ratio fell to 2.8% at the end of the first quarter of 2020. The CET 1 ratio at 31 March 2020 was 18.0% (18.3% at the end of 2019), confirming BancoPosta's capital strength.

Operating review

Securities portfolio management

The securities portfolio, in which deposits from private customers on postal current accounts with a nominal value of about €54.8 billion are used, consists of about €51 billion of Italian fixed-income government securities and about €3.8 billion of debt securities issued by Cassa Depositi e Prestiti (guaranteed by the Italian government).

The first two months of 2020 were characterised by rather stable markets in line with the end of 2019; in particular, the BTP-Bund spread had a downward trend reaching 130 basis points around mid-February. In this context was the continuation of the gains programme as well as the efficiency of the asset swap portfolio started at the end of 2019. The strategy has provided for the replacement of asset swaps with ten-year maturity by asset swaps with longer maturity improving the interest income profile over the Deliver 2022 Plan.

Since March, due to the Covid-19 pandemic, there has been a progressive increase in volatility in all world markets. The situation worsened as the epidemic expanded in Europe and other parts of the world, leading to a general collapse of financial markets. Government spreads widened and, in particular, the BTP-Bund spread at the end of March closed at around 200 basis points. On the current accounts side, there was a significant increase in liquidity, which required an expansion of the purchasing programme.

In addition, given the low levels of monetary rates, new funding repos with a maturity of up to 4 years were executed with the aim of early renewal of structural funding repos of the portfolio with a residual maturity of less than 12 months.

Lastly, in the widening phases of the spread, operations were carried out to hedge the MEF parameter to which the return of Public Administration funding is linked.

In the first two months of 2020, in line with the Deliver 2022 Plan, the commercial initiatives described below continued to focus on enhancing the offering of postal savings products, and developing the distribution of financial, consumer credit and corporate loan products and services. Subsequently, in March, the outbreak of the Covid-19 pandemic and the related measures approved by the Government following the health emergency, which led to the country's lockdown, have had a significant impact on planned activities with effects that will depend on the national restart plan. In this context, several project activities have been implemented, including those aimed at enabling remote consultancy starting from investment and protection products, as well as enhancing the digital channel compared to the physical one.

Postal Savings

With regard to postal savings, with the aim of improving the quality of the offer to customers and the customer experience, online operations (via the website www.poste.it and the BancoPosta app) have been implemented in the area of vouchers and savings books for minors.

Current accounts

In the Retail current accounts segment, innovation in the offer continued in order to evolve the positioning of the BancoPosta account towards the digital world and reach an evolved target of customers.

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

Asset management

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

Distribution of third-party products

With reference to loans provided to private customers by external partners, a number of promotions were run for specific categories of customer, type of product or interest rate and/or purpose, supported by communication activities.

With specific reference to the offer of mortgages, following the outbreak of the Covid-19 pandemic, in agreement with the partners, a form was made available to customers belonging to the municipalities in the red zones identified by the Government Ordinance of 29 February 2020 to request the suspension of instalments up to a maximum of 6 months. In addition, one of the partners offered the possibility to request the suspension, for a period of 3 months, also for mortgage holders and employees of private companies located outside the municipalities of the red zone, where excluded from the benefits of the social security nets. In addition, since the second half of March, a targeted promotion has been activated for the BancoPosta Online Loan.

With regard to the placement of units in real estate funds during the period 2002-2005, Poste Italiane, in order to protect customers and maintain the Group's reputation and operating capacity credentials based on trust and transparency, from 19 March 2020, has undertaken a second window of adhesion to the initiative to protect the Obelisco Fund, expired on 31 December 2018 and whose conclusion is expected in the current year.

Other assets

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

In the area of investments, Poste Italiane has made available to its MiFID profiled customers the possibility to independently renew their online profile within the reserved area. With regard to the digital transformation and acceleration programme, the offer of the asset management placement service for customers, accessible exclusively through a special area on the website www.poste.it called Postefuturo Investimenti, continued in collaboration with Moneyfarm.

As part of the evolution of the tools to support financial consultants, in the first quarter of the year, material was produced and developed to support the commercial aspect for the new modular offer in the protection area in the Consultant's briefcase (*Valigetta del Consulente*) platform, which is reserved for financial consultants and commercial coordination figures with over 12 thousand authorised users.

Other information

Bank of Italy

On 26 February 2020, the Bank of Italy launched an ordinary and general inspection of BancoPosta Fondi SpA SGR, in accordance with article 6-*ter* of Legislative Decree no. 58 of 24 February 1998. This inspection is still ongoing.

CONSOB

In January 2020, the CONSOB launched an inspection of a general nature pursuant to article 6-*ter*, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID 2 legislation. This inspection is still ongoing.

Insurance Services Strategic Business Unit

The production data of the Life and P&C segment at the end of March 2020, to be published in the coming days, is likely to undergo a significant decline, due to the ongoing crisis linked to the Covid-19 pandemic, compared to the positive trends recorded in the first two months of 2020 and 2019 respectively and illustrated below.

Market context

Life business

Based on official data available at the end of February 2020[46], new Life individual business including the EU area reached €18.4 billion (+18.9% compared to the same period in 2019). The new Life business collected in Italy by Italian companies and representatives of non-EU companies reached €16.5 billion (+15.3% compared to the same period in 2019).

Analysing the figures by class of insurance, Class I premiums amounted to €10.9 billion at the end of February 2020, slightly down (-1.8%) compared with the same period of the previous year. Class III products (in exclusive unit-linked form), on the other hand, recorded particularly positive performance, with a 79.6% growth in premiums to €5.2 billion compared with the corresponding period of 2019. Residual inflows came from capitalisation products (€0.3 billion), up in the first two months of the year (+21.8%) compared to the same period in 2019. The trend in new premiums relating to long-term health policies (Class IV) was positive with a volume that, although still limited (approximately €6 million), grew significantly (+74.9%) compared to the same period in 2019.

Single premiums continued to be the preferred form of payment for policyholders, representing 95.4% of total premiums written and 65.8% of policies by number.

With regard to the distribution channel, around 72.4% of new business was obtained through banks and Post Offices until February 2020, with premium revenue of about €11.9 billion, up (+17.5%) compared with the same period of 2019.

New Life individual business by class*

(updated to February 2020 in € million)

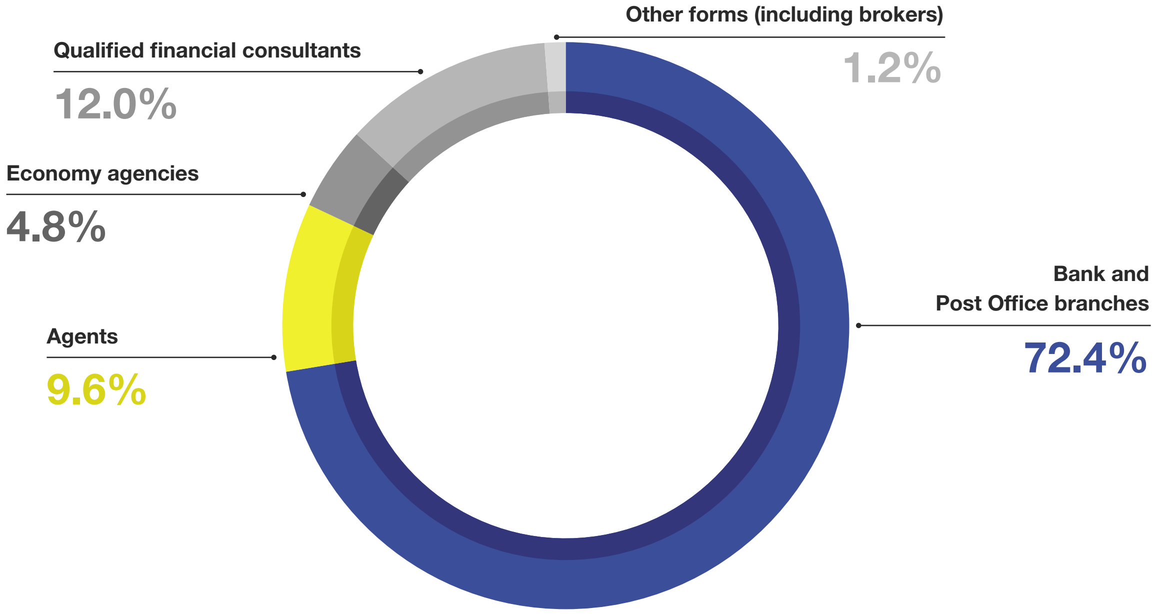
Premiums by class/product	Premiums YTD	% change 2020 vs 2019
Life - class I	10,904	-1.8%
Unit - Linked - class III	5,227	79.6%
Capitalisations - class V	310	21.8%
Other	28	-
Italian insurers - non-UE	**16,469**	**15.3%**
UE insurers**	**1,964**	**62.2%**
Total	**18,433**	**18.9%**

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

46. Source: ANIA Trends, new Life business (March 2020).

New Life individual business by distribution channel*

(updated to February 2020 in € million)



* Source: ANIA.

P&C

Total direct Italian premiums in the **P&C insurance market**, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) amounted to €38.8 billion at the end of the fourth quarter of 2019, up compared to the fourth quarter of 2018 (+2.8%). The positive trend was driven in particular by premium growth in Other P&C classes (+ 4.8% compared to the fourth quarter of the previous year). The Car segment as a whole grew slightly by 0.4% compared with the previous year.

In terms of distribution channels, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continue to lead the way with a market share of 74.1%, slightly down on the figure for previous years (75.3% in the fourth quarter of 2018). Brokers recorded a market share of 9.1%, representing the second largest distribution channel. Furthermore, the market share of bank and Post Office counters increased to 7.5% (6.6% at the end of 2018); this growth is attributable to the involvement in the marketing of premiums in the Credit and Monetary losses lines of business.

Direct P&C premiums by class*

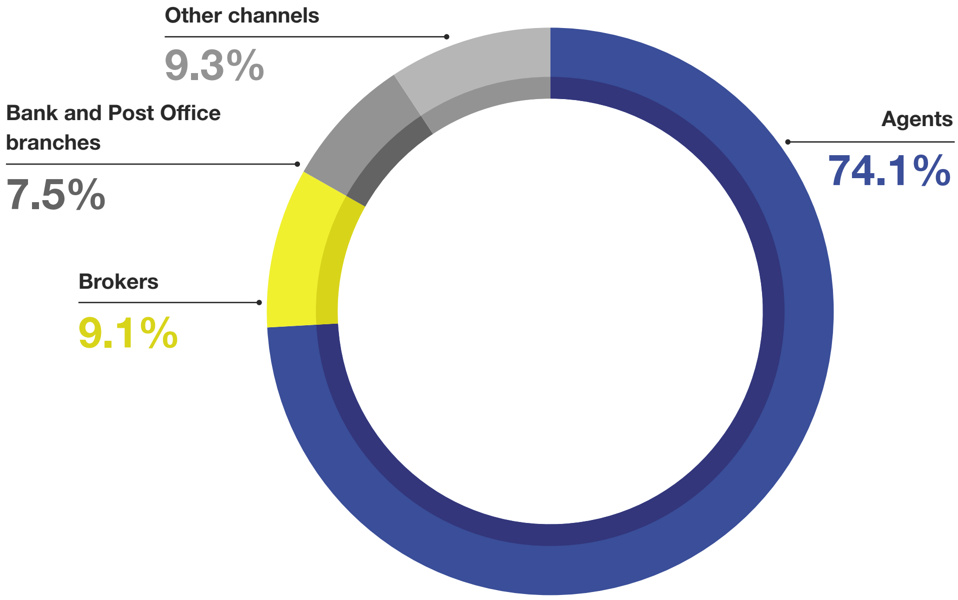
(updated to December 2019 in € million)

Premiums by class**	Premiums YTD	% change 4Q 2019 vs 4Q 2018
Total motor sector segment	17,179	0.4%
Other P&C classes	21,600	4.8%
Total P&C classes	**38,779**	**2.8%**

* Source: ANIA.
** Premiums refer to Italian and non-EU undertakings and EU undertakings.

Distribution of direct P&C premiums by distribution channel*

(updated to December 2019 in € million)



Source: ANIA.
* Italian insurers and non-EU insurer representatives operating as an establishment.

Regulatory environment

Letter to the market of 17 March 2020 - Joint Communication IVASS - Bank of Italy: offering products combined with financing.

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

Insurance Services SBU operating results

Resilience of the results of the SBU with respect to the current pandemic, with higher revenue in the Life business (higher assets under management and improved profitability of new products), mitigated by lower entries followed by lower commercial production. P&C segment revenue substantially stable.

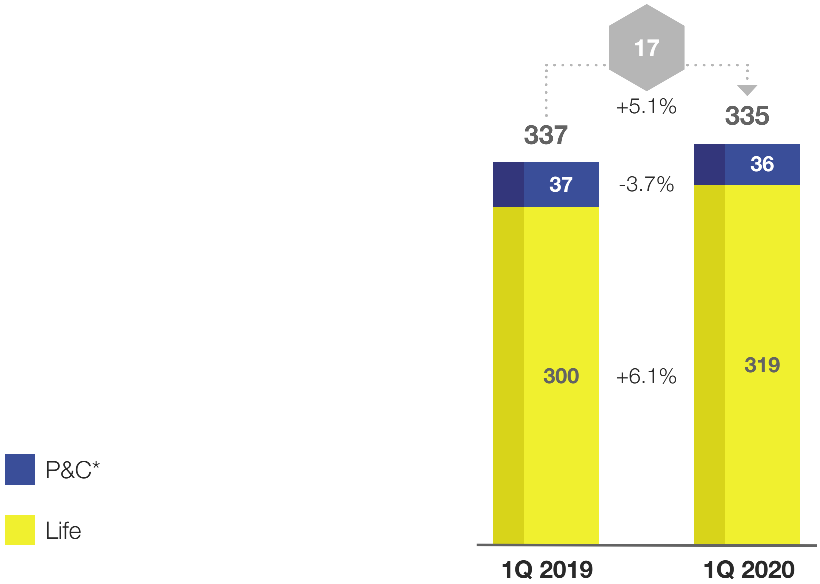
The insurance Group's capital solidity is confirmed, with a Solvency ratio that exceeds both regulatory constraints and managerial ambition.

Insurance Services (€ million)	1Q 2020	1Q 2019	Changes	
External revenue	**355**	**337**	**17**	**+5.1%**
Revenue from other sectors	0	0	(0)	-85.7%
Total revenue	**355**	**338**	**17**	**+5.0%**
Costs	40	38	+2	+4.1%
Costs vs other sectors	127	148	(21)	-14.1%
Total costs	**167**	**187**	**(19)**	**-10.4%**
EBIT	**187**	**151**	**36**	**+24.0%**
EBIT Margin %	**52.8%**	**44.7%**		
NET PROFIT	**131**	**105**	**25**	**+24.1%**

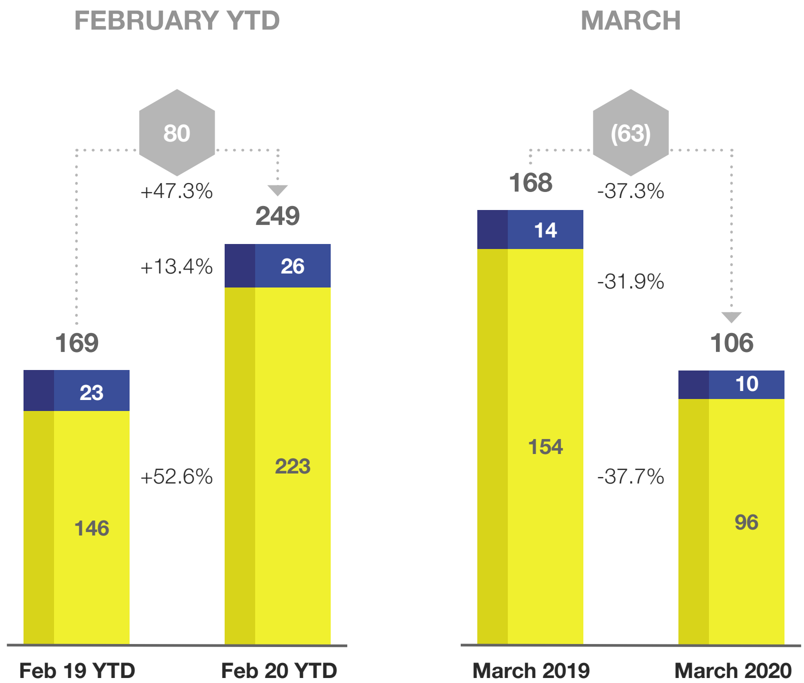
Main KPIs	31 March 2020	31 December 2019	Changes	
Net technical provisions Poste Vita Group (€ billion)	136.5	140.2	-3.7	-2.6%
Life	**1Q 2020**	**1Q 2019**	**Changes**	
Gross premium revenue - Life (€ million)*	4,522	5,910	(1,388)	-23.5%
of which: Classes I-IV-V	3,908	5,382	(1,474)	-27.4%
of which: Class III	614	528	86	16.3%
P&C	**1Q 2020**	**1Q 2019**	**Changes**	
Gross premium revenue - P&C (€m)*	76.8	79.2	-2.4	-3.0%
*Loss ratio***	45.3%	28.9%		
*Expenses ratio (ANIA)****	25.6%	21.4%		
*Combined ratio (ANIA)*****	70.9%	50.3%		

* Includes gross premium revenue before the premium reserve and outward reinsurance premiums.
** Corresponds to the ratio of the expenses from claim liquidation and gross premiums.
*** Corresponds to the ratio of operating costs + commission and gross premium revenue.
**** Equal to the sum of the Loss and Expenses ratio.

EXTERNAL REVENUE (€ million)



* Includes Poste Welfare Services and other revenue.

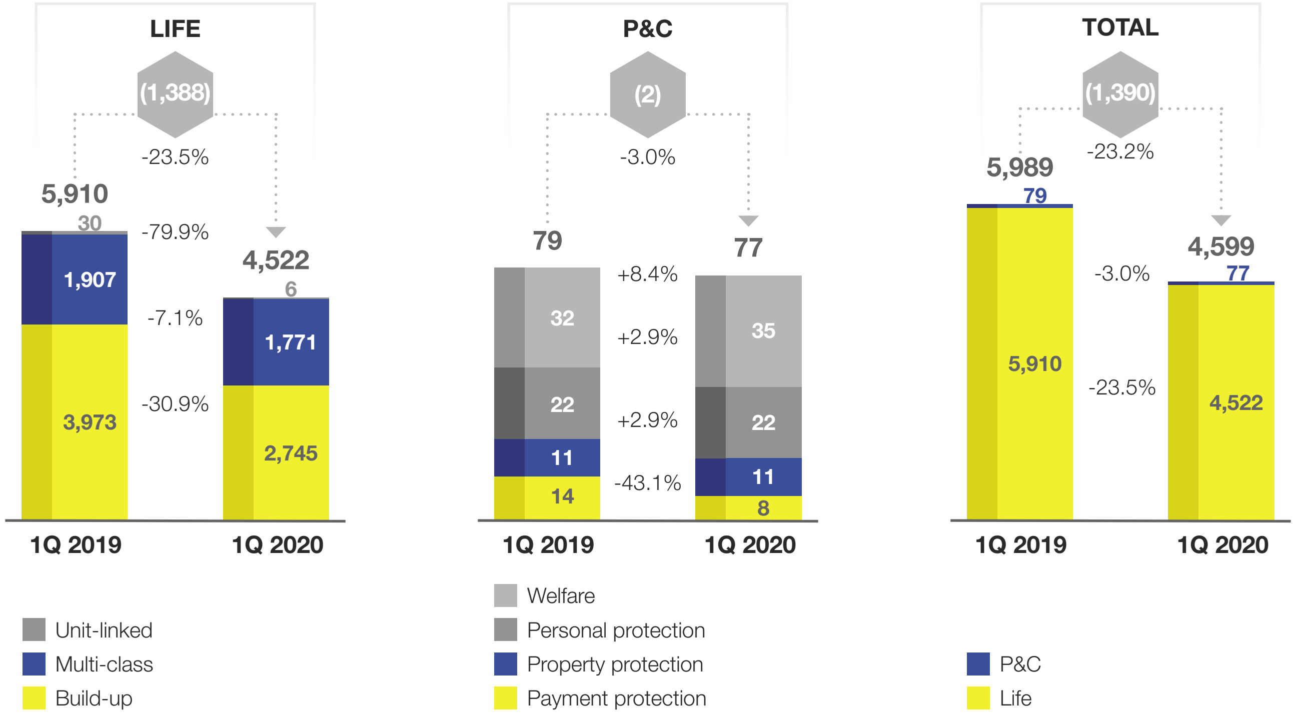


External revenue went from €337 million in 1Q 2019 to €355 million in 1Q 2020 (+5.1%), essentially due to the performance of the Life business, which contributed €319 million, whilst the P&C business contributed €34 million, net of Poste Welfare Servizi revenue and other revenue. Revenue growth during the quarter was affected by the negative contribution of March, which recorded revenue down €63 million compared to March 2019, mainly due to lower commercial production following the Covid-19 emergency. Life net revenue increased by 6.1% (up €18 million compared to the first quarter of 2019), mainly supported by the financial margin (up €28 million compared to the same period of the previous year, due to the increase in average assets under management and the higher profitability of new products under placement) and lower allocations on other technical provisions (additional provisions of €28 million), only partially offset by lower entries (down €34 million) due to the decrease in gross inflows.

P&C net revenue totalled €34 million and were broadly in line with revenue of €35 million (down €1 million) in the first quarter of 2019.

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

GROSS PREMIUM REVENUE (€ million)

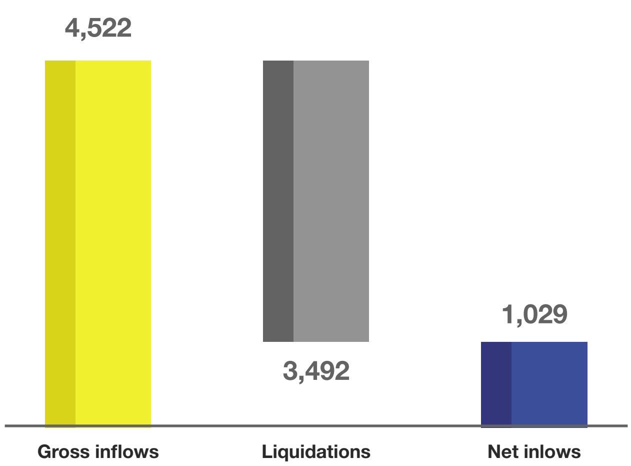


Life and P&C gross inflows in the first quarter of 2020 were affected by the ongoing healthcare emergency; pre-crisis gross inflows were in line with commercial expectations for the period.

Gross Life business inflows in the first quarter amounted to €4.5 billion, down 23.5% compared to the first quarter of 2019, with a change in favour of Multi-class products, which as a percentage of total Life gross inflows went from 32% in 2019 to 39% in 2020.

Gross premium revenue in the P&C business amounted to €77 million, down 3% (down €2 million) compared to the first quarter of 2019, with lower inflows in the Payments line (-43.1%, down €6 million), partially offset by higher inflows in the Welfare segment (+8.4%, up €3 million) and in the Property and Personal lines (+2.9%, up €1 million), which benefited from the launch of the new modular product in February.

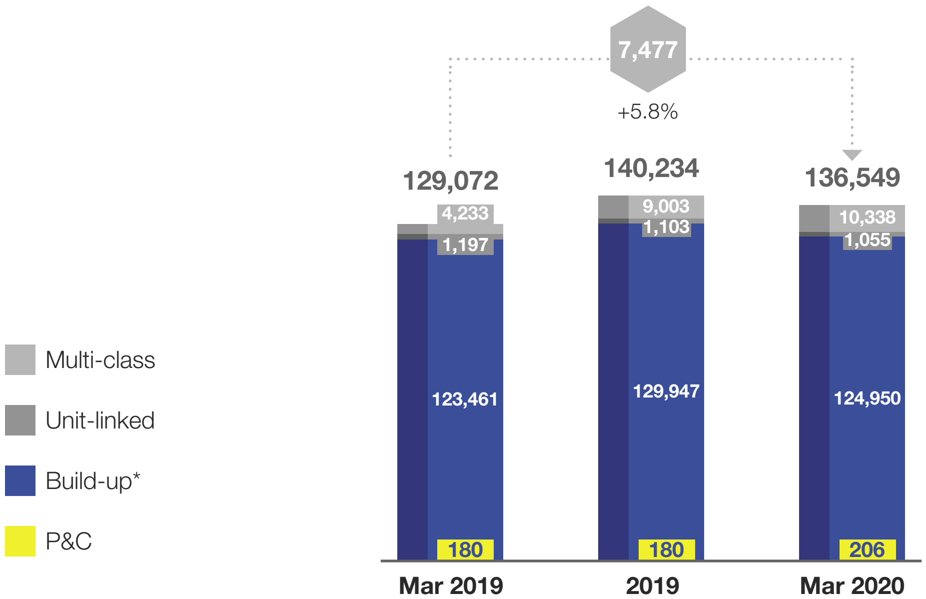
LIFE PREMIUM REVENUE 1Q 2020 (€ million)



Net Life business inflows amounted to €1 billion and remained positive on all the separately managed and internal fund portfolios.

The lapse rate recorded in the first quarter of 2020 was 2.7%, a decrease compared to the first quarter of 2019 (3.1%), also due to driving restrictions and the partial closure of Post Offices caused by the lockdown imposed for the management of the health emergency.

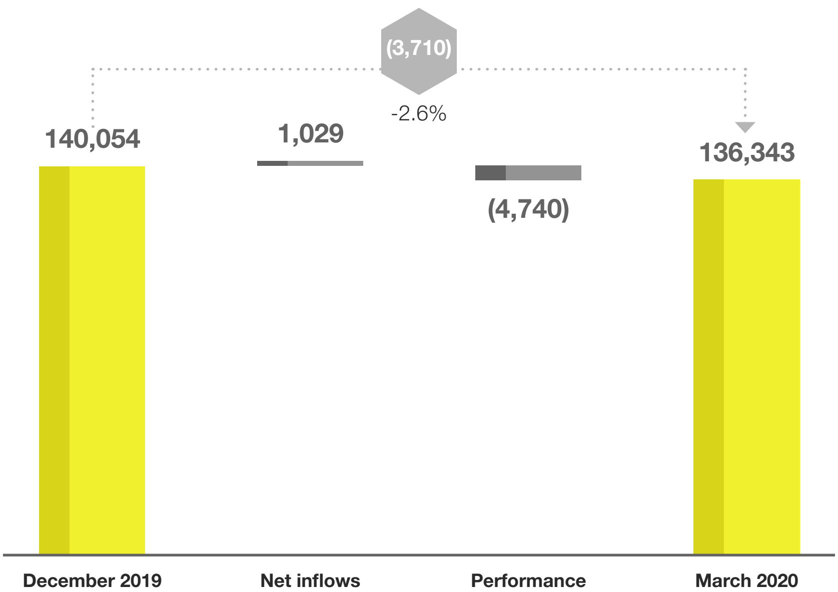
TECHNICAL PROVISIONS (€ million)



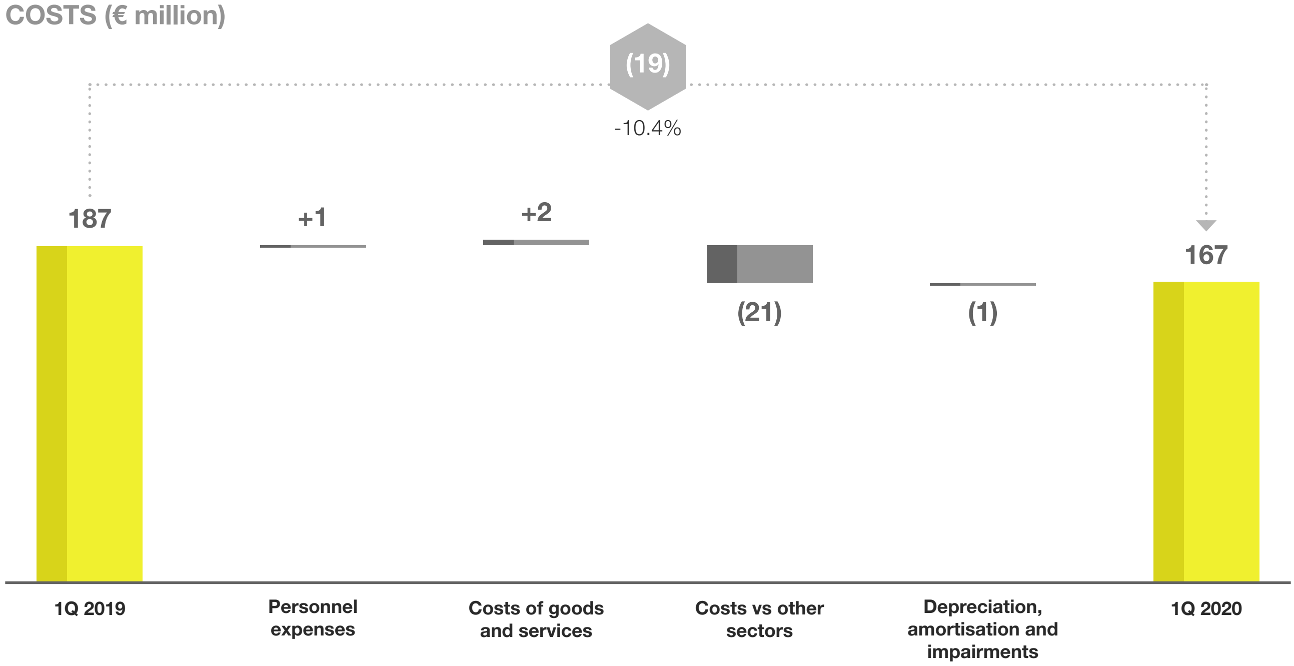
* Includes Protection and Welfare.

Life business technical provisions amounted to €136.3 billion and decreased by €3.7 billion compared to 31 December 2019, mainly due to the performance of Deferred Policyholder Liabilities (down €4.9 billion), which includes changes in the fair value of financial instruments used to cover policies issued, offset by growth in mathematical provisions (up €1 billion), supported by positive net inflows, and other technical provisions (up €0.2 billion). Technical provisions for the P&C business, after the portion ceded to reinsurers, amount to €206 million at the end of the period (€232 million before the portion ceded to reinsurers), an increase of 18% compared with the end of 2019 (€180 million; €207 million before the portion ceded to reinsurers).

CHANGES IN TECHNICAL PROVISIONS FOR LIFE BUSINESS (€ million)



COSTS (€ million)

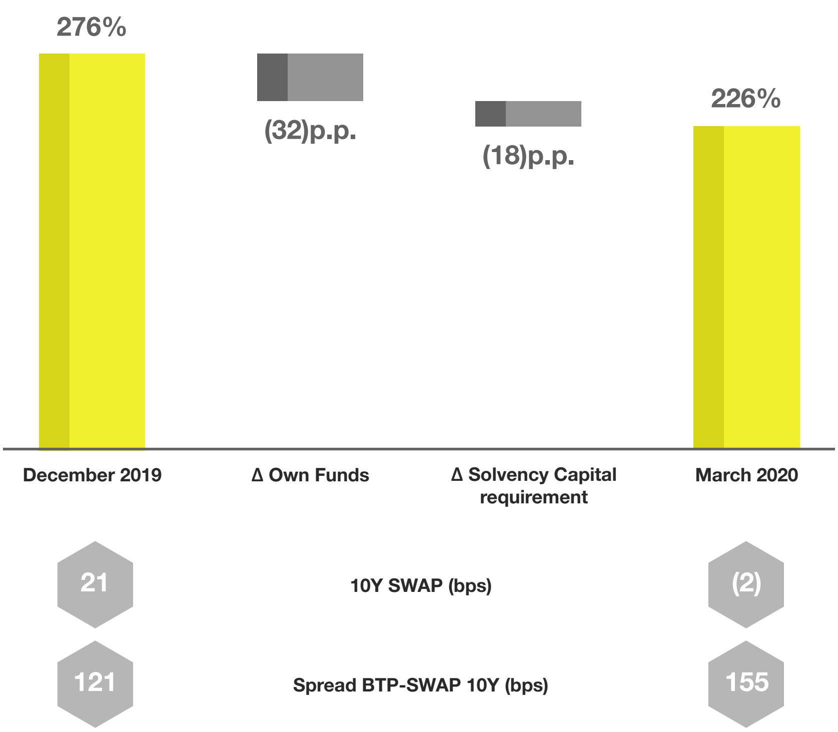


Total costs of €167 million are down €19 million compared with the figure for the same period of 2019, primarily due to the performance of inter-segment costs, essentially linked to lower fees paid for distribution, collection and maintenance services related to the decrease in gross inflows.

In light of the results illustrated, the Insurance Services Strategic Business Unit generated EBIT of €187 million in 1Q 2020, an increase of 24% compared with the same period of previous year (€151 million).

After tax expense for the period (€58 million), the Business Unit reported a net result of €131 million, up 24.1% compared with the €105 million of the same period of the previous year.

SOLVENCY RATIO



The Insurance Group's Solvency Ratio at 31 March 2020 was 226%, down from 276 at December 2019 (-50 p.p.) and continues to remain at higher levels than the regulatory constraints.

The change in the quarter is mainly due to the reduction in own funds available due to the decrease in the value of the securities portfolio, following the negative dynamics of the financial markets, which more than offset the decrease in the value of Technical Provisions. Given the unfavourable market context, there was also an increase in the Capital Requirement, due to the higher capital absorption required for market and counterparty risks, only partially offset by lower operational and technical life risks related to lower production volumes during the quarter.

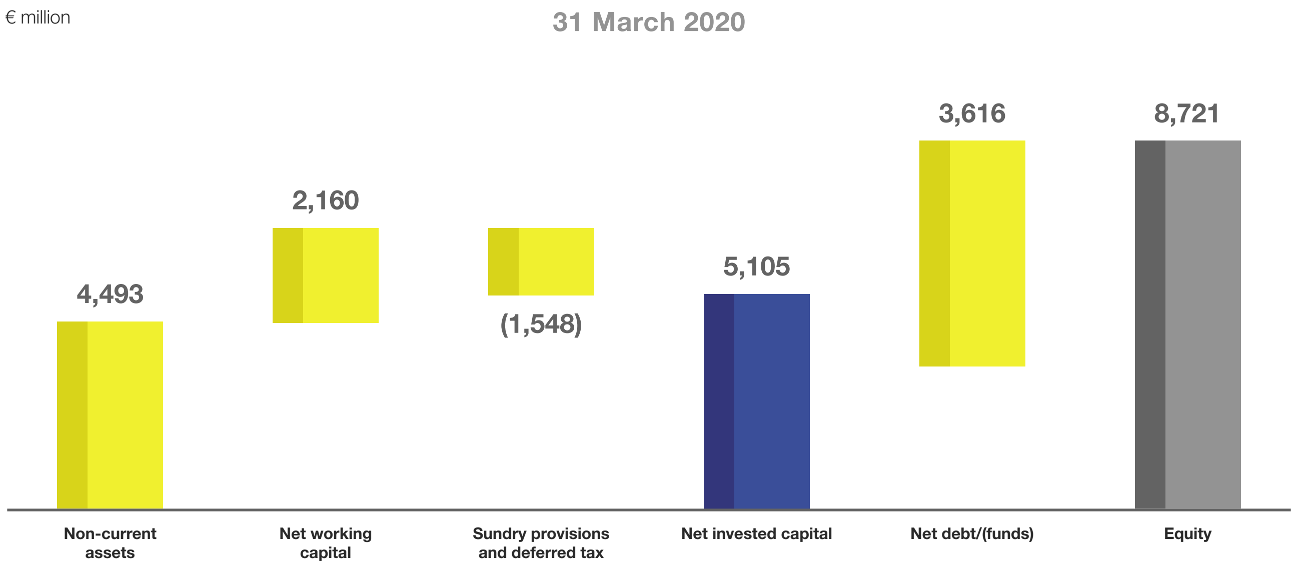
The inclusion of the transitional measures on technical provisions approved in 2019 has resulted in an increase in eligible own funds allowing an increase in the Solvency Ratio to 259% at 31 March 2020 (312% at 31 December 2019).

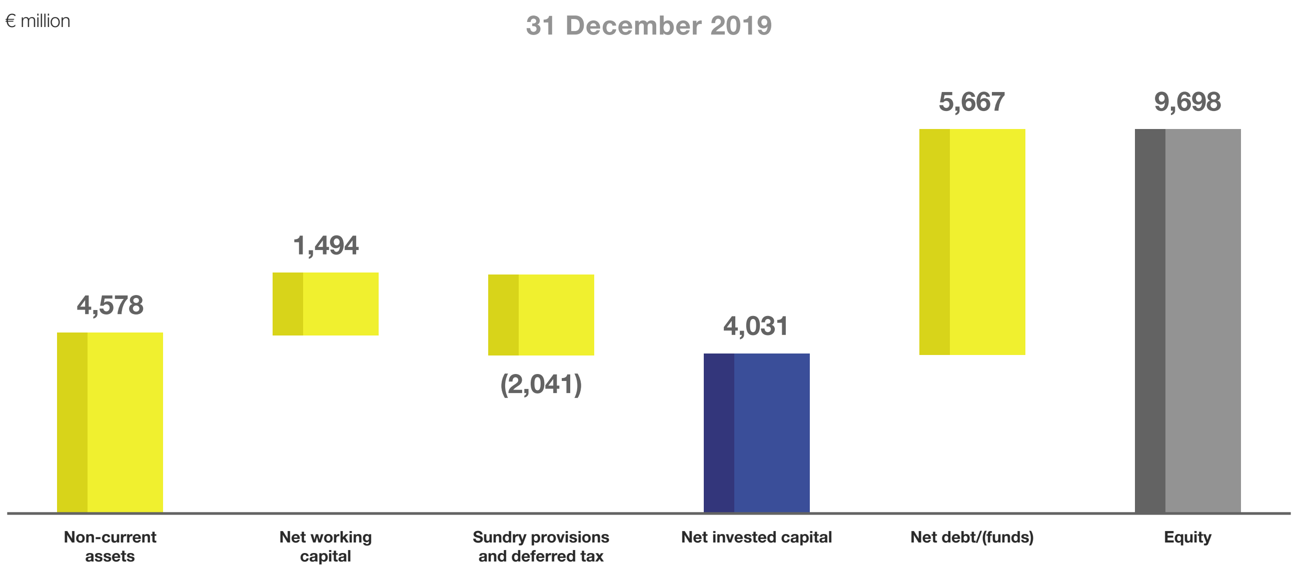
Operating review

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

Group financial position and cash flow

(€ million)	31 March 2020	31 December 2019	Changes	
NON-CURRENT ASSETS	4,493	4,578	(85)	-2%
NET WORKING CAPITAL	2,160	1,494	+666	+45%
GROSS INVESTED CAPITAL	6,653	6,072	+581	+10%
SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES	(1,548)	(2,041)	+493	-24%
NET INVESTED CAPITAL	5,105	4,031	+1,074	+27%
EQUITY	8,721	9,698	(977)	-10%
NET DEBT/(FUNDS)	**(3,616)**	**(5,667)**	**+2,051**	**-36%**
Net debt/(funds) of the Mail, Parcels and Distribution SBU	*790*	*815*	*(25)*	*-3%*

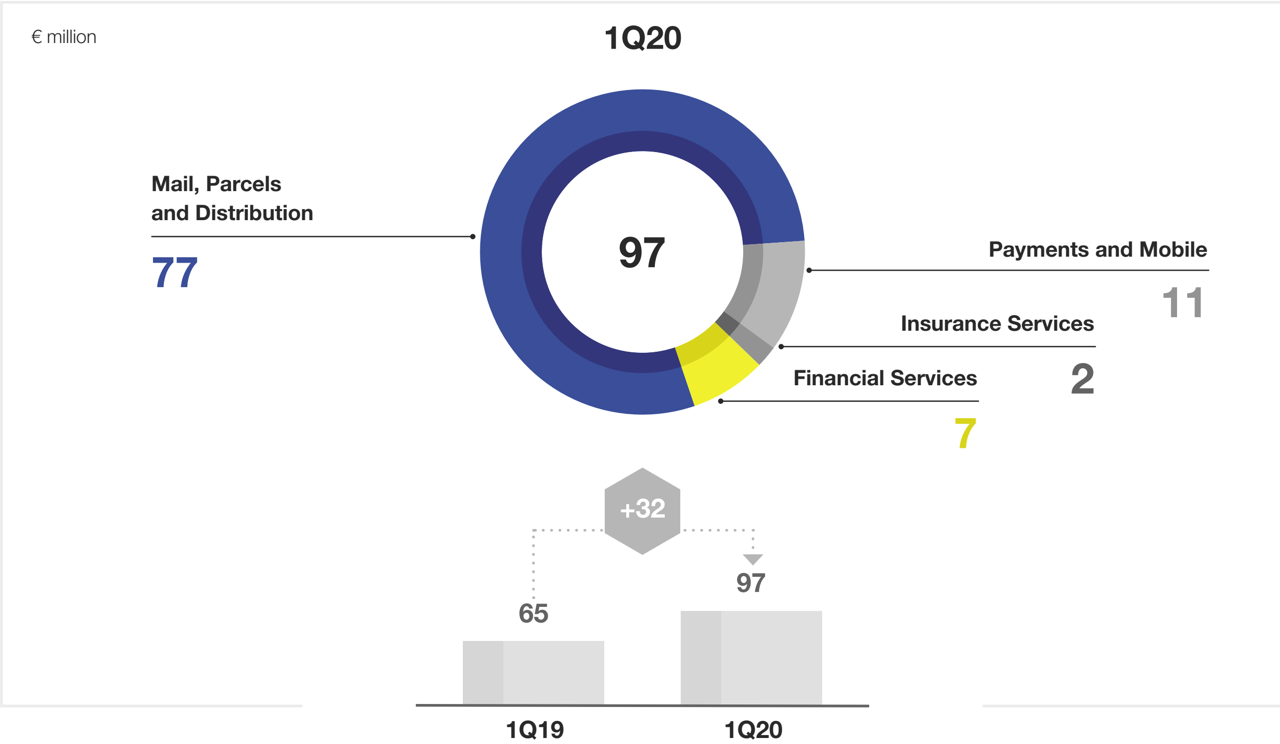




The Poste Italiane Group's **non-current assets** at 31 March 2020 amount to €4,493 million, a decrease of €85 million compared with the end of 2019. Investments of €97 million contributed to the formation of non-current assets, more than offset by amortisation of €203 million.

This item includes investments accounted for using the equity method totalling €613 million (almost entirely related to the investments in Anima Holding SpA and FSIA Investimenti Srl).

The Group's **investments** in the first quarter of 2020 amounts to €97 million, a 49% increase compared with the first quarter of 2019 (up €32 million). As a result of the particular context due to the Covid-19 emergency, the Group has revised its investment plan to verify its consistency with the peculiar characteristics of the "new normality" (e.g.: social distancing, preference for full digital solutions, etc.) and to take into account the reduced production capacity of suppliers.



To cope with the health emergency (Covid-19), all the necessary tools have been enabled to ensure the continuity of remote operations. This has led to the distribution of portable PCs, the massive adoption of Office 365 and Teams (about 96,000 Office users and 13,500 active users on Teams) and the activation of VPN connections and a dedicated Service Desk. In addition, the processes for securing activities have been reviewed to ensure the operational continuity of Post Office clerks, letter carriers and Customer Care operators (activation of Voice bot pension withdrawal, remote Call Centre and Back Office activities). In addition, "Termo scanners" have been installed, able to detect changes in body temperature at the entrances of the EUR - Rome Management Complex and almost all the Sorting Centres.

In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 79% of the Group's investment (€77 million) focused on the transformation of the **Mail, Parcels and Distribution** Strategic Business Unit. In particular, within this Business Unit the modernisation continued of the delivery and automation structures of the sorting centres; in the first quarter of 2020, the Milano Roserio Sorting Centre and the Brescia Operating Centre were certified according to TAPA - FSR (Transported Asset Protection Association - Facility Security Requirements) standards. In addition, the renewal of the company's fleet continued, leading in the first quarter, to the completion of the supply of the Euro4 two-wheeled vehicles with increased trunk (about 2,000 new vehicles to date) and to the continuation of the fleet expansion of new electric three-wheeled vehicles (about 300 in the first quarter). With regard to the containment of environmental impacts, activities aimed at reducing electricity consumption continued through the replacement of old lamps with LED technology (more than 2,600 in 1Q 2020).

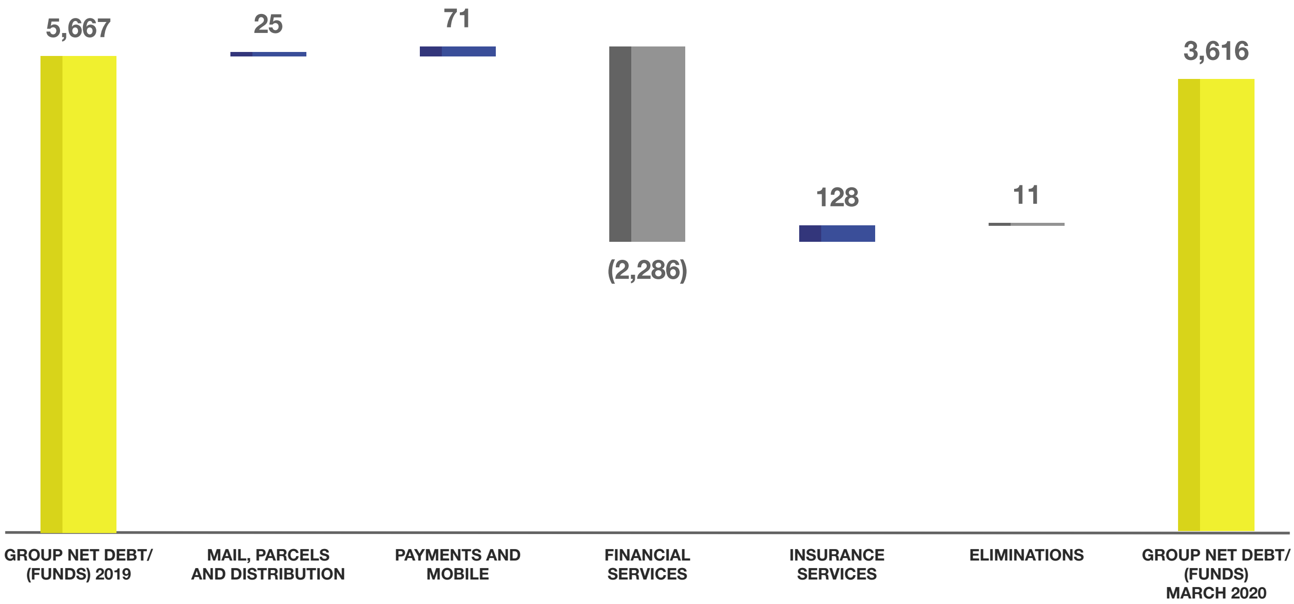
Net working capital at 31 March 2020 amounted to €2,160 million and increased by €666 million compared to the end of 2019. This change was due to higher receivables of €448 million, largely due to an increase in trade receivables from Cassa Deposti e Prestiti, and lower payables of €320 million, mainly relating to payables due to personnel (incentives, 14th month salary payments). In April, the Parent Company collected approximately €450 million in receivables from Cassa Depositi e Prestiti.

The balance of **Sundry provisions and Other assets/liabilities** at 31 March 2020 amounted to €1,548 million and increased by €493 million compared to 31 December 2019 mainly due to higher net deferred tax assets of €480 million largely attributable to the negative change in the fair value of financial instruments classified as FVTOCI. The balance of Provisions for risks and charges contributed to this item, which amounted to €1,275 million (€1,218 million at the end of December 2019) and includes Provisions for early retirement incentives of €376 million (€421 million at 31 December 2019). The balance also includes the provision for operational risks relating primarily to liabilities arising from BancoPosta's operations amounting to €231 million (€241 million at 31 December 2019) and the provision for disputes with third parties amounting to €305 million (€313 million at 31 December 2019).

Equity amounted to €8,721 million at 31 March 2020, a decrease of €977 million compared with 31 December 2019. The change during the period reflects a decrease of €1,417 million in the fair value reserve, due to sales during the quarter and fluctuations in the value of investments classified as FVTOCI held primarily by the Financial Services SBU, offset by profit for the period of €306 million.

Group Net Debt/(Funds)

€ million



The total **Net Debt/(Funds)** at 31 March 2020 showed funds of €3,616 million, down by €2,051 million compared to 31 December 2019 (when it showed funds of €5,667 million); this change mainly reflects the decrease in the fair value of investments classified as FVTOCI held by the Financial Services SBU.

With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the period was positive by approximately €0.5 billion and was recognised in a specific equity reserve for negative €1.7 billion for the portion not hedged by fair value hedges, and through profit or loss for positive €2.2 billion for the portion hedged, offset by the negative fair value change of fair value hedging derivatives. At 31 March 2020, the total balance of derivatives in fair value hedge was negative for €7.2 billion (€5.4 billion at 31 December 2019). In addition, as part of these hedging transactions, as a result of the negative change in derivatives, the Parent Company increased its guarantee deposits in favour of counterparties by approximately €1.6 billion.

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

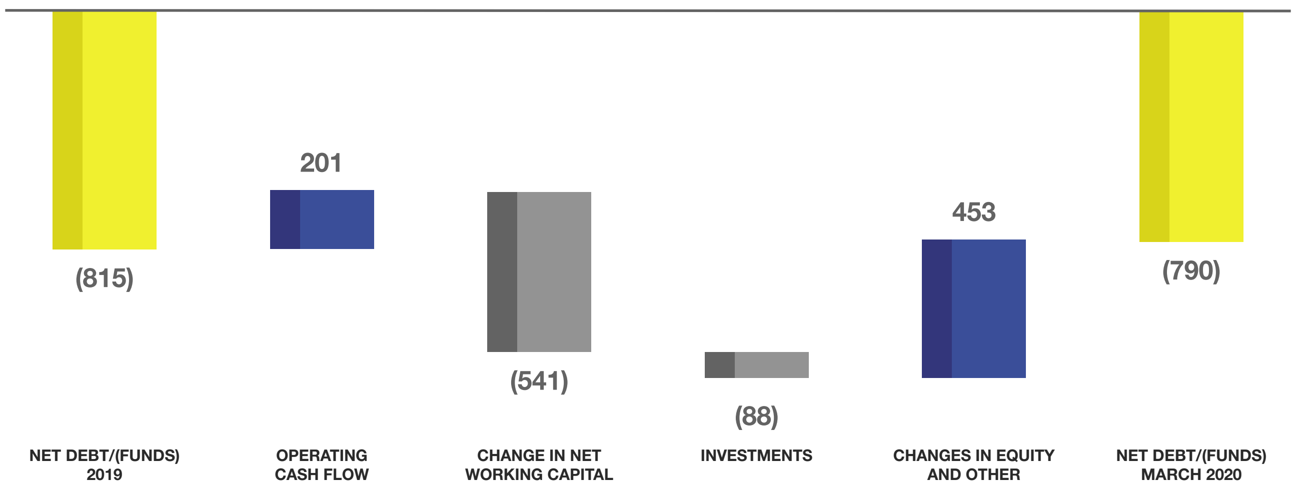
- an increase in postal current account deposits of €3.8 billion;
- an increase in payables due from financial institutions of €6.8 billion, largely attributable to current repurchase agreements aimed at strengthening the financing of guarantee deposits in markets characterised by high volatility. At 31 March, part of the liquidity from these transactions was allocated to repurchase agreements for €3.8 billion;
- a net increase in fixed income instruments measured at amortised cost for €5.9 billion; the total fair value fluctuation of the period was positive for €1.1 billion;
- a net decrease in fixed income instruments classified as FVTOCI by €3.3 billion; the total fair value fluctuation of the period was negative for €0.6 billion.

Lastly, with reference to BancoPosta RFC, it should also be noted that it may access:

- a short-term committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €5 billion and with a duration of 12 months that may be extended;
- in order to fund intraday interbank transactions, Bank of Italy access to intraday credit and collateral provided by securities with nominal value of €716 million, unused at 31 March 2020.

Analysis of the Net Debt/(Funds) of the Mail, Parcels and Distribution Strategic Business Unit

€ million



Total net debt/(funds) of the Mail, Parcels and Distribution Strategic Business Unit at 31 March 2020 shows a debt of €790 million, substantially in line compared to 31 December 2019 (when there was a net debt of €815 million). Net of the financial liabilities for leases provided for by IFRS 16 for €1,236 million, net debt/(funds) show funds of €446 million (at 31 December 2019, it showed funds of €436 million).

The movement reflects:

- positive operating income of €201 million (including €191 million for depreciation and amortisation for the period, €41 million for the net change in provisions for risks and charges, provision for employee termination benefits and other non-monetary items) partially offset by a net loss of €31 million;
- a negative cash flow due to the change in net working capital for a total of €541 million due mainly to higher net trade receivables and lower payables related to items with personnel;
- investments for €88 million;
- a positive cash flow from dividends of €526 million and the recognition of net lease liabilities of a further €32 million.

The borrowings shown in the above analysis primary regard the following:

- financing through repurchase agreements on government securities for approximately €509 million;
- an EIB loan of €173 million maturing in March 2026;
- an EIB loan of €400 million maturing in October 2026;
- a loan of €20 million maturing in June 2020;
- a private placement of approximately €50 million.

Analysis of the Net Debt/(Funds) of the Mail, Parcels and Distribution Strategic Business Unit in accordance with ESMA guidelines

ESMA net debt/(funds) (€ million)	31 March 2020	31 December 2019	Changes	
A. Liquidity	**(1,321)**	**(851)**	**(470)**	**55.2%**
B. Current loans and receivables	**(534)**	**(135)**	**(399)**	**295.6%**
C. Current due to banks	530	1	529	-
D. Current lease payables	254	215	39	18.1%
E. Current portion of non-current debt	-	-	-	-
F. Other current financial liabilities	12	15	(3)	-20.0%
G. Current financial debt (C+D+E+F)	**796**	**231**	**565**	**244.6%**
H. Current net debt/(funds) (A+B+G)	**(1,059)**	**(755)**	**(304)**	**40.3%**
I. Non-current due to banks	573	573	-	-
L. Bonds issued	50	50	-	-
M. Non-current lease payables	982	1,036	(54)	-5.2%
N. Other non-current liabilities	16	18	(2)	-11.1%
O. Non-current financial debt (I+L+M+N)	**1,621**	**1,677**	**(56)**	**-3.3%**
P. Net debt/(funds) (ESMA) (H+O)	**562**	**922**	**(360)**	**-39.0%**
Non-current financial assets	(55)	(474)	419	-88.4%
Net debt/(funds)	**507**	**448**	**59**	**13.2%**
Intersegment loans and receivables and financial liabilities	283	367	(84)	-22.9%
Net debt/(funds) including intersegment transactions	**790**	**815**	**(25)**	**-3.1%**

Existing cash and credit lines are commensurate to cover expected financial requirements. More specifically, at 31 March 2020, cash amounted to €1.3 billion (of which €1.2 billion relating to the Parent Company), while committed and uncommitted lines to support liquidity totalled approximately €3.0 billion; in particular:

- unused committed lines of €2,000 million;
- uncommitted lines that may be used for short-term loans for €1,021 million[47], used for €20 million.

In addition, in April 2020, in order to have additional liquidity and to cope with any adverse scenarios related to the Covid-19 pandemic:

- uncommitted credit lines for short-term loans were increased by €5 million and used for an additional €640 million;
- two medium-term financing operations for a total amount of €350 million were stipulated and disbursed.

47. There is an additional €684 million in lines for personal guarantees, used for €357 million in favour of third parties and €173 million for account overdraft.

7. Outlook

The current health emergency, linked to the spread of the Coronavirus, will have a decisive influence on the evolution of the economic and social context in the coming months and so far, it is not possible to precisely outline what will be the “new normality”; this makes it impossible to make realistic forecasts on the economic and financial evolution of the Group during 2020.

In the health and humanitarian emergency that Covid-19 has represented in recent months, the Group’s priority from the outset has been to protect the health of its employees and customers, supporting communities and national institutions in the management of the crisis, guaranteeing a continuous level of public utility services on a national scale. The considerable organisational and economic effort made in March has enabled the Group to adapt the Post Office and delivery network to the new security standards, often anticipating the Government’s instructions, to guarantee business continuity for the Company, which has been and is an asset for institutions in emergency management and has established Poste Italiane as a point of reference for all national companies in what will be the “new normality”.

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

The diversified business model highlights segments penalized by the lockdown, but also rising segments, such as parcels, where demand has received a strong boost from e-commerce orders. The Group’s digital properties (website and APP) and third-party networks also provide the service outside Post Offices. Its cash flow generation has remained solid and it continues to hold significant net cash. Poste Italiane has tackled the emergency on the basis of an extremely low level of financial indebtedness and, consequently, limited financial expenditure forecasts for the two-year period 2020/21. The capacity to draw on existing credit lines, most of which are still largely unused, remains ample.

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

In the Mail, Parcels and Distribution segment, the emergency has led to a sharp acceleration towards the future, albeit on the basis of trends already outlined: the decline in mail and the growth in parcels linked to e-commerce, with particular reference to the “inbound” segment from China, where the Group, thanks to international initiatives implemented over time, already has a strong market position.

In the area of Financial Services, the Group will continue to support Institutions, also by proactively agreeing on the implementation of all measures useful for emergency management, as it did in March for the advance payment of pensions. The Group is also adapting its go to market model to the standards of the “new normality”, and intends to launch in the second quarter of the year a “remote” advisory model for the placement of life insurance policies and, after implementing the necessary regulatory adjustments, also for postal savings. This option, appropriately supported by Post Office consultancy, represents an alternative for those customers who are most exposed to risk and for whom it is appropriate to limit their presence at the Post Office. Moreover, Poste Italiane, in partnership with a leading banking institution, offers customers with a salary credit the possibility to receive in advance, at no additional cost, the ordinary and exceptional redundancy payments, as well as the ordinary cheque of the SIF, provided for events related to the epidemiological emergency by Covid-19, by articles 19 to 22, Decree Law no. 18 of 17 March 2020.

Insurance Services will focus on the multi-branch offer, expanding the range through the launch of a policy with limited and gradual exposure to risk, with the aim of safeguarding the return on our clients’ investment from market volatility, which was particularly marked in March.

Also in the Payments and Mobile segment it is expected to accelerate the natural evolution of the offer towards full digital solutions: during the second quarter, it will be possible to request the Postepay Evolution online, with the subsequent delivery of cards at home, while in the second half of 2020, a fully digital prepaid card will be launched, which can be requested in the Postepay app and then made available and used through e-wallet.

In terms of costs and investments, the Group has implemented a broad and strict reduction and revision program, with the main objective of achieving structural savings in the medium and long term and rethinking its planning from a new perspective. Moreover, in the same sense, during the month of April, the Group suspended all expenses for consultancy and professional services. In the same perspective, it was decided to reduce by 50% the percentage of the Mbo 2020 bonus attributable to the entire management (over 1,300 beneficiaries).

In the emergency, the Group activated smart working in record time for all resources applied to compatible activities (over 15,000). This measure will be confirmed for the coming months and further work is underway to make it an integral part of the way of working at Poste Italiane, to the benefit and support of employees, with positive impacts on productivity and cost discipline.

8. Other information

Events after 31 March 2020

Other events after the end of the interim reporting period have been described in other sections of the document.

Transactions of greater importance

Within the scope of the transactions with Monte dei Paschi di Siena Capital Services Banca per le Imprese SpA authorised by the Board of Directors on 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, a repurchase agreement, an Interest Rate Swap for hedging purposes, as well as 10 trades in government securities were carried out at 31 March 2020.

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

Industrial relations

Covid-19 emergency

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

Specifically, as mentioned in the section on organisation, on **23 March 2020**, in order to monitor the evolution of the situation and adopt extraordinary measures to implement the measures taken from time to time by the competent Authorities, an **OPN Committee** (Joint National Body for Health and Safety at Work) was established at national level with the task of applying and verifying the rules identified in the “Shared protocol for the regulation of measures to combat and contain the Covid-19 virus in the workplace” signed by the Government and Social Parties on 14 March 2020. The OPN Committee, which avails itself of the direct and constant collaboration of the members of the Joint National Body, works in close synergy with the Joint Regional Bodies in order to enhance the knowledge of the territorial specificities and to favour effective and timely coordination between the centre and the territory. In this regard, the Committee pays particular attention to the safety measures suitable to allow the performance of work activity (e.g. mask, gel, gloves, respect for interpersonal distance, cleaning and sanitisation), encouraging the use of smart working and reorganising work activities to reduce as much as possible the presence of workers on duty and therefore their concentration within the workplace.

In addition, a further Agreement was signed on 23 March 2020 which, taking into account the company’s organisational restructuring, temporarily suspended all actions regarding active labour policies. They will be reactivated as soon as conditions permit.

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

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

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

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

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

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

National Collective Labour Contract for non-executive personnel of Poste Italiane

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

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

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

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

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

Economic and regulatory treatment of employees of Poste Welfare Servizi Srl

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

Proceedings pending and relations with the Authorities

The following information, provided in accordance with accounting standard IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, only covers ongoing proceedings where there have been significant developments in the first three months of 2020. For full details, please refer to the Financial Statements at 31 December 2019.

Social security disputes

Since 2012, the Istituto Nazionale per la Previdenza Sociale (INPS, the National Institute of Social Security) office at Genoa Ponente has issued **Postel** some payment orders, for a total amount payable of €21.1 million at 31 March 2020. According to INPS, this amount represents social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa.

Taking into account the judgements, the reasons given for the judgements and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges based on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 March 2020 amount to €12.44 million.

9. Consolidated financial statements at and for the three months ended 31 March 2020

Basis of preparation and use of estimates

Basis of preparation

The accounting standards used, the recognition and measurement criteria and the consolidation criteria and methods applied in the preparation of this Interim Report are the same as those adopted for the preparation of the Annual Report at 31 December 2019, to which reference should be made for further details. In addition to the accounting standards adopted for the preparation of the Annual Report, the following are the standards, interpretations and amendments to existing standards, relevant to the Poste Italiane Group, that were first adopted on 1 January 2020:

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

Use of estimates

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

This context of significant uncertainty makes it particularly complex to make estimates that, in any case, are usually based on complex subjective evaluations and assumptions linked to historical experience and from time to time considered reasonable and realistic according to the relevant circumstances. Therefore, taking into account the exceptional economic and social context due to the current pandemic, the factors used to determine the estimates may also be subject to significant revision in the future, with even material effects on the values of future financial statements.

In addition, taking into account the requirements of ESMA in the recommendations issued in March[48], as well as the CONSOB Attention Notice no. 6/20 of 9 April 2020, the Group has conducted an analysis in order to identify the items for which a greater use of assumptions and estimates is expected and which may be more influenced by the economic and financial performance in the coming months.

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

Impairment and stage allocation for financial instruments

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated by the Poste Italiane Group concerned the estimate of the counterparty ratings and probability of default (PD).

In view of the situation of high volatility of the current macroeconomic scenario and uncertainty of future prospects, some European authorities (such as the ECB and ESMA) have provided some recommendations regarding the application of the methodology for the impairment of financial instruments, inviting entities not to automatically classify any receivables in default, considering instead the need to consider the moratoria and support measures put in place by the various States affected by the Covid-19 emergency.

Based also on the recommendations provided and given the difficulty of estimating reliable future scenarios, therefore, for the purpose of calculating the expected losses on financial instruments for this Interim Report, the Group deemed it appropriate to use long-term forecast scenarios based on historical data, keeping Italy's PD unchanged from that used in the assessments of the Annual Report at 31 December 2019.

Assuming that the current elements of uncertainty are reduced and that more reliable reference scenarios are made available, such as to allow for more complete valuations, the Group will proceed to review the factors underlying its estimates, not excluding also significant effects on the financial statements for the periods subsequent to the one under review.

Impairment tests of goodwill, cash generating units and equity investments

Impairment testing involves the use of estimates based on factors that may change over time, potentially resulting in even significant effects in the valuation of items subject to testing.

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

The impairment tests performed at 31 March 2020 refer to:

Mail, Parcels and Distribution CGU

For the Parent Company, the impairment test was carried out on the cash flow generating unit represented by the Mail, Parcels and Distribution segment to which Goodwill is not allocated. For the purposes of estimating the CGU's value in use, to be compared with the total carrying amount of net invested capital, reference was made to the economic forecasts of the 2018-2022 Business Plan[49] and the budget for 2020[50], also making reference to the transfer prices at which BancoPosta RFC are expected to remunerate the services provided by Poste Italiane's commercial network. The estimates used have not been updated in view of the difficulty of making realistic forecasts of the economic and financial evolution of the market and the Poste Italiane Group in 2020.

The determination of the terminal value, calculated on the basis of the latest explicit projection year, was also based on normalised earnings, taking into account the existence of potential positive elements whose value was not reflected in the explicit projections over the life of the plan. Finally, a long-term growth rate of 1.20% (1.32% at 31 December 2019) was assumed and the WACC value was updated (5.35% compared to 5.21% used at 31 December 2019) to reflect the best estimate of the weighted average cost of capital. The analysis conducted determined that the related carrying amounts are fair. In addition, taking into account the situation of significant uncertainty and in order to highlight the potential impact of a change in the parameters underlying the above estimate (both in terms of rates and cash flows), a sensitivity analysis was carried out, which showed that the carrying amounts were maintained even under stress conditions.

49. Approved by the Board of Directors of Poste Italiane SpA on 26 February 2018.
50. Approved by the Board of Directors of Poste Italiane SpA on 5 March 2020.

Investment in Anima Holding SpA

With reference to the impairment test of the investment in Anima Holding SpA, the value in use was determined taking into account available 2020-2021 forecasts, a long-term growth rate of 0.65% (1.14% at 31 December 2019) and the most updated cost of equity (ke) of 7.65% (compared to 7.54% used at 31 December 2019). Based on the results of the test, which showed a value in use substantially in line with the carrying amount of the investment, and also taking into account the high volatility of the stock market value of the security, there is currently no need to adjust the value of the investment. In addition, a number of in-depth studies were carried out with a view to obtaining more recent information and estimates over a longer time horizon (compared with 2021 considered for the impairment test, for which a growth rate that is inevitably affected by the effects of Covid-19 was used). The analysis carried out made it possible to further confirm that the carrying amount of the investment was maintained.

Investment in FSIA Investimenti Srl

With regard to the impairment test of the investment in FSIA Investimenti Srl, the fair value of the investment was determined on the basis of the most recent available forecasts by applying a multiple of 12x referring to 2021 EV/EBITDA (compared to 16.5x used at 31 December 2019). Also in this case, the test result did not reveal any critical issues.

Consolidated statement of financial position

ASSETS (€ million)	31 March 2020	31 December 2019
Non-current assets		
Property, plant and equipment	1,971	2,015
Investment property	43	44
Intangible assets	644	648
Right-of-use assets	1,222	1,254
Investments accounted for using the equity method	613	617
Financial assets	189,457	194,207
Trade receivables	5	5
Deferred tax assets	1,770	1,199
Other receivables and assets	3,636	3,729
Technical provisions attributable to reinsurers	55	58
TOTAL	**199,416**	**203,776**
Current assets		
Inventories	144	140
Trade receivables	2,815	2,166
Current tax assets	58	52
Other receivables and assets	826	938
Financial assets	32,874	24,727
Cash and deposits attributable to BancoPosta	4,622	4,303
Cash and cash equivalents	4,754	2,149
Total	**46,093**	**34,475**
TOTAL ASSETS	**245,509**	**238,251**

LIABILITIES AND EQUITY (€ million)	31 March 2020	31 December 2019
Equity		
Share capital	1,306	1,306
Reserves	1,345	2,646
Own shares	(40)	(40)
Retained earnings	6,109	5,786
Equity attributable to owners of the Parent	**8,720**	**9,698**
Equity attributable to non-controlling interests	1	-
Total	**8,721**	**9,698**
Non-current liabilities		
Technical provisions for insurance business	136,584	140,261
Provisions for risks and charges	498	501
Employee termination benefits	1,065	1,135
Financial liabilities	16,038	13,964
Deferred tax liabilities	978	887
Other liabilities	1,495	1,525
Total	**156,658**	**158,273**
Current liabilities		
Provisions for risks and charges	777	717
Trade payables	1,557	1,627
Current tax liabilities	382	274
Other liabilities	1,890	2,110
Financial liabilities	75,524	65,552
Total	**80,130**	**70,280**
TOTAL EQUITY AND LIABILITIES	**245,509**	**238,251**

Consolidated statement of profit or loss

(€ million)	For the three months ended 31 March 2020	For the three months ended 31 March 2019
Revenue from Mail, Parcels & other	771	880
Revenue from Payments & Mobile	165	140
Revenue from Financial Services	1,464	1,484
Revenue from Insurance Services after movements in technical provisions and other claims expenses	355	338
Insurance premium revenue	4,576	5,952
Income from insurance activities	738	1,751
Net change in technical provisions for insurance business and other claims expenses	(2,589)	(7,304)
Expenses from insurance activities	(2,370)	(61)
Net operating revenue	**2,755**	**2,842**
Cost of goods and services	569	528
Expenses from financial activities	84	13
Personnel expenses	1,404	1,438
Depreciation, amortisation and impairments	203	188
Capitalised costs and expenses	(8)	(5)
Other operating costs	48	53
Impairment loss/(reversal) on debt instruments, receivables and other assets	14	10
Operating profit/(loss)	**441**	**617**
Finance costs	23	23
Finance income	25	25
Impairment loss/(reversal) on financial instruments	-	-
Profit/(Loss) on investments accounted for using the equity method	4	4
Profit/(Loss) before tax	**447**	**623**
Income tax expense	141	184
NET PROFIT FOR THE PERIOD	**306**	**439**
of which, attributable to owners of the Parent	306	439
of which, attributable to non-controlling interests	-	-
Earnings per share	**0.236**	**0.338**
Diluted earnings per share	**0.236**	**0.338**

Consolidated statement of comprehensive income

(€ million)	For the three months ended 31 March 2020	For the year ended 31 December 2019	For the three months ended 31 March 2019
Net profit/(loss) for the period	**306**	**1,342**	**439**
Items to be reclassified in the Statement of profit or loss for the period			
FVOCI debt instruments			
Increase/(decrease) in fair value during the period	(1,751)	1,767	(608)
Transfers to profit or loss	(229)	(244)	(207)
Increase/(Decrease) for expected credit loss	(1)	(2)	-
Cash flow hedges			
Increase/(decrease) in fair value during the period	163	95	52
Transfers to profit or loss	(1)	(59)	(85)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period	519	(445)	241
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	(1)	-
Items not to be reclassified in the Statement of profit or loss for the period			
FVOCI equity instruments			
Increase/(decrease) in fair value during the period	(1)	1	-
Transfers to equity	-	-	-
Actuarial gains/(losses) on provisions for employee termination benefits	24	(70)	(29)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period	(7)	20	8
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
Total other comprehensive income	**(1,284)**	**1,062**	**(628)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(978)**	**2,404**	**(189)**
of which, attributable to owners of the Parent	(978)	2,404	(189)
of which, attributable to non-controlling interests	-	-	-

Consolidated statement of changes in equity

(€ million)	Equity												
	Share capital	Own shares	Reserves					Reserve for incentive plans	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
			Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method					
Balance at 1 January 2019	**1,306**	**-**	**299**	**1,210**	**(69)**	**89**	**2**	**-**	**5,268**	**8,105**	**-**	**8,105**
Total comprehensive income for the period	-	-	-	-	(582)	(24)	(1)	-	418	(189)	-	(189)
Other changes	-	(40)	-	-	-	-	-	-	-	(40)	-	(40)
Balance at 31 March 2019	**1,306**	**(40)**	**299**	**1,210**	**(651)**	**65**	**1**	**-**	**5,686**	**7,876**	**-**	**7,876**
Total comprehensive income for the period	-	-	-	-	1,669	50	-	-	874	2,593	-	2,593
Incentive plans	-	-	-	-	-	-	-	2	-	2	-	2
Dividends paid	-	-	-	-	-	-	-	-	(574)	(574)	-	(574)
Interim dividend	-	-	-	-	-	-	-	-	(200)	(200)	-	(200)
Other changes	-		-	-	-	-	1	-	-	1	-	1
Balance at 31 December 2019	**1,306**	**(40)**	**299**	**1,210**	**1,018**	**115**	**2**	**2**	**5,786**	**9,698**	**-**	**9,698**
Total comprehensive income for the period	-	-	-	-	(1,417)	116	-	-	323	(978)	-	(978)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	1	1
Balance at 31 March 2020	**1,306**	**(40)**	**299**	**1,210**	**(399)**	**231**	**2**	**2**	**6,109**	**8,720**	**1**	**8,721**

Condensed consolidated statement of cash flows

(€ million)		For the three months ended 31 March 2020	For the three months ended 31 March 2019
Unrestricted net cash and cash equivalents at beginning of period		**1,265**	**1,639**
Unrestricted net cash and cash equivalents at beginning of period		884	1,556
Cash and cash equivalents at beginning of period		**2,149**	**3,195**
Cash and cash equivalents at beginning of period		**2,149**	**3,195**
Profit/(loss) for the period		306	439
Depreciation, amortisation and impairments		203	188
Losses and impairments/(recoveries) on receivables		14	8
(Gains)/Losses on disposals		(1)	-
(Increase)/decrease in inventories		(3)	(2)
(Increase)/decrease in receivables and other assets		(500)	(541)
Increase/(decrease) in payables and other liabilities		(181)	(54)
Movement in provisions for risks and charges		58	16
Movement in provisions for employee termination benefits and pension plans		(46)	(48)
Differences in accrued finance costs and income (cash correction)		14	14
Other changes		39	30
Net cash flow generated by/(used in) non-financial operating activities	**[a]**	**(97)**	**50**
Increase/(decrease) in financial liabilities attributable to financial, payment service, card payment and insurance activities		9,842	5,503
Cash generated by/(used for) financial assets attributable to financial, payment service, card payment and insurance activities		(7,699)	(7,753)
(Income)/Expenses and other non-cash components		881	(2,006)
Increase/(decrease) in net technical provisions for insurance business		(712)	2,905
Cash generated by/(used for) financial assets attributable to financial, payment service, card payment and insurance activities	**[b]**	**2,312**	**(1,351)**
Net cash flow from/(for) operating activities	**[c]=[a+b]**	**2,215**	**(1,301)**
Investing activities			
Property, plant and equipment, investment property and intangible assets		(97)	(65)
Investments		-	(1)
Other financial assets		-	(50)
Disposals			
Property, plant and equipment, investment property and intangible assets and assets held for sale		1	-
Other financial assets		6	25
Net cash flow from/(for) investing activities	**[d]**	**(90)**	**(91)**
Proceeds from/(Repayments of) borrowings		479	(71)
(Purchase)/disposal of own shares		-	(40)
Other transactions with non-controlling interests		1	-
Net cash flow from/(for) financing activities and shareholder transactions	**[e]**	**480**	**(111)**
Net increase/(decrease) in cash	**[f]=[c+d+e]**	**2,605**	**(1,503)**
Cash and cash equivalents at end of period		**4,754**	**1,692**
Cash and cash equivalents at end of period		**4,754**	**1,692**
Restricted net cash and cash equivalents at the end of period		**(2,736)**	**(1,264)**
Unrestricted net cash and cash equivalents at end of period		**2,018**	**428**

10. Declaration of the Manager Responsible for financial reporting

The Manager Responsible for financial reporting, Alessandro Del Gobbo, declares, pursuant to paragraph 2 of article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this interim report for the three months ended 31 March 2020 is consistent with the underlying accounting records.

11. Appendix

Consolidated statement of profit or loss

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (€ million)	1Q 2020	1Q 2019	CHANGES	
Revenue	**2,755**	**2,842**	**(87)**	**-3.0%**
of which:				
Mail, Parcels and Distribution Services	771	880	(109)	-12.4%
Payments and Mobile Services	165	140	26	18.4%
Financial Services	1,464	1,485	(21)	-1.4%
of which capital gains	291	261	30	11.5%
Insurance Services	355	337	17	5.1%
Costs	**2,112**	**2,037**	**75**	**3.7%**
of which:				
Total personnel expenses	1,404	1,438	(33)	-2.3%
of which ordinary personnel expenses	*1,402*	*1,435*	*(32)*	*-2.3%*
of which early retirement incentives	*1*	*3*	*(2)*	*-67.9%*
of which disputes and other extraordinary items	*1*	*0*	*1*	*3061.7%*
Other operating costs	708	599	109	18.1%
EBITDA	**644**	**805**	**(162)**	**-20.1%**
Depreciation, amortisation and impairments	203	188	15	7.9%
EBIT	**441**	**617**	**(177)**	**-28.6%**
EBIT Margin	**16.0%**	**21.7%**		
Finance income/(costs)	7	6	0	6.8%
Gross profit	447	623	(176)	-28.3%
Taxes	141	184	(44)	-23.6%
Net profit	**306**	**439**	**(133)**	**-30.2%**
Net earnings per share (€)	**0.24**	**0.34**	**(0.10)**	**-30.2%**

Contribution of Strategic Business Unit to the consolidated statement of profit or loss

1Q 2020 (€ million)	Mail, Parcels and Distribution	Payments and Mobile	Financial	Insurance	Adjustments and eliminations	Total
Total revenue	**2,031**	**255**	**1,630**	**355**		**2,755**
Revenue from third parties	771	165	1,464	355		2,755
Intersegment revenue	1,260	90	166	0	(1,516)	-
Total costs	**2,067**	**188**	**1,408**	**167**	**(1,516)**	**2,315**
Total personnel expenses	1,375	7	11	11		1,404
of which ordinary personnel expenses	*1,375*	*7*	*11*	*10*		*1,402*
of which early retirement incentives	*0*	*0*	*0*	*1*		*1*
of which disputes and other extraordinary items	*1*	*0*	*0*	*0*		*1*
Other operating costs	483	87	113	25		708
Depreciation, amortisation and impairments	191	8	0	4		203
Intersegment costs	17	87	1,284	127	(1,516)	-
EBIT	**(36)**	**67**	**223**	**187**		**441**
EBIT MARGIN	**-1.8%**	**26.3%**	**13.7%**	**52.8%**		**16.0%**
Finance income/(costs)	3	3	(1)	2		7
Gross profit	**(33)**	**71**	**221**	**189**		**447**
Taxes	(2)	19	66	58		141
Net profit	**(31)**	**51**	**155**	**131**		**306**

Statements of profit or loss by Strategic Business Unit

STATEMENT OF PROFIT OR LOSS FOR THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT (€ million)	1Q 2020	1Q 2019	CHANGES	
Revenue	**2,031**	**2,211**	**(180)**	**-8.1%**
Mail	517	640	(123)	-19.2%
Parcels	211	201	10	5.0%
Other revenue	44	40	4	10.3%
Intersegment revenue	1,260	1,331	(71)	-5.4%
Costs	**1,876**	**1,887**	**(11)**	**-0.6%**
of which:				
Total personnel expenses	1,375	1,407	(31)	-2.2%
of which ordinary personnel expenses	*1,375*	*1,404*	*(30)*	*-2.1%*
of which early retirement incentives	*0*	*2*	*(2)*	*-94.5%*
of which disputes and other extraordinary items	*1*	*0*	*1*	*3061.7%*
Other operating costs	483	460	23	5.1%
Intersegment costs	17	20	(3)	-13.9%
EBITDA	**155**	**324**	**(169)**	**-52.2%**
Depreciation, amortisation and impairments	191	176	15	8.7%
EBIT	**(36)**	**148**	**(185)**	**-124.6%**
EBIT Margin	**-1.8%**	**6.7%**		
Finance income/(costs)	3	2	1	26.7%
Gross profit	**(33)**	**151**	**(184)**	**-122.3%**
Taxes	(2)	49	(52)	-105.0%
Net profit	**(31)**	**101**	**(132)**	**-130.7%**

STATEMENT OF PROFIT OR LOSS FOR THE PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT (€ million)	1Q 2020	1Q 2019	CHANGES	
Revenue	**255**	**235**	**20**	**8.5%**
E-Money	84	75	9	11.8%
Other payments	13	13	(0)	-0.5%
Mobile	69	52	17	32.6%
Intersegment revenue	90	96	(6)	-5.9%
Costs	**181**	**172**	**8**	**4.9%**
of which:				
Total personnel expenses	7	9	(2)	-23.0%
of which ordinary personnel expenses	*7*	*9*	*(2)*	*-23.0%*
of which early retirement incentives	*0*	*0*	*0*	*-*
Other operating costs	87	73	14	19.5%
Intersegment costs	87	91	(4)	-4.1%
EBITDA	**75**	**63**	**12**	**18.3%**
Depreciation, amortisation and impairments	8	6	1	19.3%
EBIT	**67**	**57**	**10**	**18.2%**
EBIT Margin	**26.3%**	**24.2%**		
Finance income/(costs)	3	2	2	96.4%
Gross profit	**71**	**59**	**12**	**20.5%**
Taxes	19	16	3	18.2%
Net profit	**51**	**42**	**9**	**21.4%**

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL SERVICES STRATEGIC BUSINESS UNIT (€ million)	1Q 2020	1Q 2019	CHANGES	
Revenue	**1,630**	**1,678**	**(48)**	**-2.8%**
Gross capital gains	291	261	30	11.5%
Interest income	404	410	(6)	-1.5%
Postal savings deposits	445	466	(21)	-4.5%
Collection and payment services	227	246	(18)	-7.4%
Distribution of third party products	72	77	(5)	-6.7%
Savings management	25	25	(0)	-1.4%
Intersegment revenue	166	193	(27)	-14.0%
Costs	**1,408**	**1,417**	**(9)**	**-0.7%**
of which:				
Total personnel expenses	11	12	(1)	-8.9%
of which ordinary personnel expenses	*11*	*11*	*(1)*	*-4.6%*
of which early retirement incentives	*0*	*1*	*(1)*	*-100.0%*
Other operating costs	113	44	69	158.6%
Intersegment costs	1,284	1,361	(77)	-5.7%
EBITDA	**223**	**261**	**(39)**	**-14.8%**
Depreciation, amortisation and impairments	0.1	0.1	0,0	74.5%
EBIT	**223**	**261**	**(39)**	**-14.8%**
EBIT Margin	**13.7%**	**15.6%**		
Finance income/(costs)	(1)	1	(3)	-200.4%
Gross profit	**221**	**263**	**(42)**	**-15.8%**
Taxes	66	72	(7)	-9.1%
Net profit	**155**	**190**	**(35)**	**-18.4%**

STATEMENT OF PROFIT OR LOSS FOR THE INSURANCE SERVICES STRATEGIC BUSINESS UNIT (€ million)	1Q 2020	1Q 2019	CHANGES	
Revenue	**355**	**338**	**17**	**5.0%**
Up Front Life	80	114	(34)	-29.9%
Financial margin life	233	204	28	13.7%
Protection margin life	6	10	(4)	-38.4%
Change to other technical provisions and other technical income/expenses	1	(28)	28	102.2%
Net income life	**319**	**300**	**18**	**6.1%**
Insurance premium revenue	61	54	8	14.0%
Change in technical provisions and other claim expenses	(26)	(14)	(11)	-80.1%
Reinsurance results	(2)	(4)	2	59.0%
Net P&C income	(0)	(1)	1	79.3%
Net P&C revenue	**34**	**35**	**(1)**	**-2.7%**
Other operating income	2	3	(0)	-16.8%
Intersegment revenue	0	0	(0)	-85.7%
Costs	**163**	**181**	**(18)**	**-9.9%**
of which:				
Total personnel expenses	11	10	1	7.5%
of which ordinary personnel expenses	*10*	*10*	*(0)*	*-0.8%*
of which early retirement incentives	*1*	*0*	*1*	*100.0%*
Other operating costs	25	23	2	10.0%
Intersegment costs	127	148	(21)	-14.1%
of which commission	*117*	*142*	*(25)*	*-17.4%*
EBITDA	**191**	**157**	**35**	**22.2%**
Depreciation, amortisation and impairments	4	6	(1)	-25.4%
EBIT	**187**	**151**	**36**	**24.0%**
EBIT Margin	**52.8%**	**44.7%**		
Finance income/(costs)	2	0	1	214.5%
Gross profit	**189**	**151**	**37**	**24.6%**
Taxes	58	46	12	25.8%
Net profit	**131**	**105**	**25**	**24.1%**

Financial position

Net invested capital and related funding

(€ million)	31 March 2020	31 December 2019	Changes	
Tangible fixed assets	2,014	2,059	(45)	-2.2%
Intangible fixed assets	644	648	(4)	-0.6%
Right-of-use assets	1,222	1,254	(32)	-2.6%
Investments	613	617	(4)	-0.6%
Non-current assets	**4,493**	**4,578**	**(85)**	**-1.9%**
Trade receivables, Other receivables and assets and Inventories	7,426	6,978	448	6.4%
Trade payables and Other liabilities	(4,942)	(5,262)	320	-6.1%
Current tax assets/(liabilities)	(324)	(222)	(102)	45.9%
Net working capital	**2,160**	**1,494**	**666**	**44.6%**
Gross invested capital	**6,653**	**6,072**	**581**	**9.6%**
Provisions for risks and charges	(1,275)	(1,218)	(57)	4.7%
Employee termination benefits	(1,065)	(1,135)	70	-6.2%
Prepaid/deferred tax assets//(liabilities)	792	312	480	153.8%
Net invested capital	**5,105**	**4,031**	**1,074**	**26.6%**
Equity	**8,721**	**9,698**	**(977)**	**-10.1%**
of which profit for the period	*306*	*1,342*	*(1,036)*	*-77.2%*
of which fair value reserve	*(399)*	*1,018*	*(1,417)*	*-139.2%*
Financial liabilities	91,562	79,516	12,046	15.1%
Net technical provisions for insurance business	136,529	140,203	(3,674)	-2.6%
Financial assets	(222,331)	(218,934)	(3,397)	1.6%
Cash and deposits attributable to BancoPosta	(4,622)	(4,303)	(319)	7.4%
Cash and cash equivalents	(4,754)	(2,149)	(2,605)	121.2%
Net debt/(funds)	**(3,616)**	**(5,667)**	**2,051**	**-36.2%**

31 March 2020 (€ million)	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
Tangible fixed assets	1,982	28	1	3	-	2,014
Intangible fixed assets	607	20	-	17	-	644
Right-of-use assets	1,188	17	2	26	(11)	1,222
Investments	1,436	397	213	157	(1,590)	613
Non-current assets	**5,213**	**462**	**216**	**203**	**(1,601)**	**4,493**
Trade receivables, Other receivables and assets and Inventories	3,138	291	3,643	2,397	(2,043)	7,426
Trade payables and Other liabilities	(3,257)	(611)	(2,207)	(909)	2,042	(4,942)
Current tax assets/(liabilities)	(232)	(28)	(2)	(62)	-	(324)
Net working capital	**(351)**	**(348)**	**1,434**	**1,426**	**(1)**	**2,160**
Gross invested capital	**4,862**	**114**	**1,650**	**1,629**	**(1,602)**	**6,653**
Provisions for risks and charges	(926)	(11)	(318)	(20)	-	(1,275)
Employee termination benefits	(1,057)	(3)	(3)	(2)	-	(1,065)
Prepaid/deferred tax assets//(liabilities)	411	17	150	214	-	792
Net invested capital	**3,290**	**117**	**1,479**	**1,821**	**(1,602)**	**5,105**
Equity	**2,500**	**390**	**2,873**	**4,548**	**(1,590)**	**8,721**
of which profit for the period	*(31)*	*51*	*155*	*131*	-	*306*
of which fair value reserve	*3*	-	*(406)*	*4*	-	*(399)*
Financial liabilities	3,488	5,863	90,001	325	(8,115)	91,562
Net technical provisions for insurance business	-	-	-	136,529	-	136,529
Financial assets	(1,377)	(6,107)	(84,984)	(137,236)	7,373	(222,331)
Cash and deposits attributable to BancoPosta	-	-	(4,622)	-	-	(4,622)
Cash and cash equivalents	(1,321)	(29)	(1,789)	(2,345)	730	(4,754)
Net debt/(funds)	**790**	**(273)**	**(1,394)**	**(2,727)**	**(12)**	**(3,616)**

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

Difference 1Q 2020 vs 2019 (€ million)	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
Tangible fixed assets	(41)	3	-	(7)	-	(45)
Intangible fixed assets	31	(1)	-	(34)	-	(4)
Right-of-use assets	(30)	8	1	(1)	(10)	(32)
Investments	2	4	(8)	-	(2)	(4)
Non-current assets	**(38)**	**14**	**(7)**	**(42)**	**(12)**	**(85)**
Trade receivables, Other receivables and assets and Inventories	418	58	800	(31)	(797)	448
Trade payables and Other liabilities	(209)	(213)	(129)	75	796	320
Current tax assets/(liabilities)	(83)	(19)	(3)	3	-	(102)
Net working capital	**126**	**(174)**	**668**	**47**	**(1)**	**666**
Gross invested capital	**88**	**(160)**	**661**	**5**	**(13)**	**581**
Provisions for risks and charges	(69)	(1)	12	1	-	(57)
Employee termination benefits	69	-	-	1	-	70
Prepaid/deferred tax assets//(liabilities)	19	1	499	(39)	-	480
Net invested capital	**107**	**(160)**	**1,172**	**(32)**	**(13)**	**1,074**
Equity	**132**	**(89)**	**(1,114)**	**96**	**(2)**	**(977)**
of which fair value reserve	*(3)*	-	*(1,377)*	*(37)*	-	*(1,417)*
Financial liabilities	427	324	11,782	30	(517)	12,046
Net technical provisions for insurance business	-	-	-	(3,674)	-	(3,674)
Financial assets	18	(462)	(7,906)	4,700	253	(3,397)
Cash and deposits attributable to BancoPosta	-	-	(319)	-	-	(319)
Cash and cash equivalents	(470)	67	(1,271)	(1,184)	253	(2,605)
Net debt/(funds)	**(25)**	**(71)**	**2,286**	**(128)**	**(11)**	**2,051**

Alternative performance indicators

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NET CASH POSITION OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT - this is the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

TOTAL ASSETS - total assets in the Balance Sheet of BancoPosta RFC.

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

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

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

Reconciliation of values from reported to adjusted	1Q 2019	1Q 2020
REPORTED REVENUE	**2,842**	**2,755**
ADJUSTMENT	273	299
Capital gains	*261*	*291*
VISA shares (valuation at FV pursuant to IFRS 9/ change in FV derivative)	12	8
ADJUSTED REVENUE	**2,569**	**2,456**
REPORTED COSTS	**2,225**	**2,315**
ADJUSTMENT	7	69
Early retirement incentives	*3*	*1*
Provision made for Real estate funds	*0*	*0*
Capital losses	*0*	*57*
VISA shares (valuation at FV pursuant to IFRS 9/ change in FV derivative)	*4*	*11*
ADJUSTED COSTS	**2,218**	**2,246**
REPORTED EBIT	**617**	**441**
TOTAL ADJ ITEMS	(266)	(230)
ADJUSTED EBIT	**351**	**211**
REPORTED FINANCIAL MANAGEMENT	**6**	**7**
ADJUSTMENT	0	0
ADJUSTED FINANCIAL MANAGEMENT	**6**	**7**
REPORTED EBT	**623**	**447**
ADJUSTED EBT	**357**	**217**
REPORTED NET RESULT	**439**	**306**
ADJUSTMENT	(192)	(164)
ADJ OVER EBIT (NET OF THE TAX EFFECT)	*(192)*	*(164)*
ADJUSTED NET RESULT	**247**	**143**

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Poste Italiane SpA

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