

# **POSTE ITALIANE: FIRST HALF 2020 NET PROFIT AT €546M DESPITE THE COVID-19 EMERGENCY DIVIDEND STRATEGY CONFIRMED**

**POSTE ITALIANE'S ROLE AS SYSTEMIC PLAYER STRENGTHENED  
GROUP PERFORMANCE RECOVERING FROM JUNE**

**TANGIBLE COST REDUCTION INITIATIVES IN Q2 TO PRESERVE LONG TERM  
PROFITABILITY**

**SHARP MAIL DECLINE, MITIGATED BY STRONG B2C PARCEL REVENUES  
DIVIDEND STRATEGY CONFIRMED AHEAD OF DELIVER 2022 UPDATE IN Q4**

- Q2-20 REVENUES AT €2.3BN, -13.1% Y/Y (-7.9% H/H TO €5.1BN IN H1-20) IMPACTED BY LOCKDOWN, WITH COMMERCIAL ACTIVITIES GAINING MOMENTUM IN JUNE:
  - Q2-20 MAIL, PARCEL & DISTRIBUTION REVENUES AT €701M, -19.9% Y/Y (-16.1% H/H AT €1.5BN IN H1-20) WITH SHARP MAIL DECLINE MITIGATED BY B2C PARCELS BOOST
  - Q2-20 PAYMENTS & MOBILE REVENUES AT €172M, +3.5% Y/Y (+10.3% H/H AT €338M IN H1-20) HIGHLIGHTING THE DIGITAL SHIFT AND LOYAL TELCO CUSTOMER BASE
  - Q2-20 FINANCIAL SERVICES REVENUES AT €1.1BN, -9.2% Y/Y (-4.9% H/H AT €2.5BN IN H1-20) WITH POSTAL SAVINGS DISTRIBUTION A CORNERSTONE OF RECOVERY SINCE JUNE
  - Q2-20 INSURANCE SERVICES REVENUES AT €384M, -16.2% Y/Y (-7.2% H/H AT €739M IN H1-20) WITH MULTICLASS PRODUCTS SUCCESSFULLY REDUCING MARKET VOLATILITY EXPOSURE
- Q2-20 COSTS DOWN TO €2.0BN, -9.6% Y/Y (-2.8% H/H TO €4.3BN IN H1-20) WITH STRUCTURAL EFFICIENCIES ALREADY VISIBLE IN Q2-20
- Q2-20 EBIT AT €325M, -29.9% Y/Y (-29.2% H/H TO €766M IN H1-20) WITH COST REDUCTION ABSORBING 60% OF LOWER REVENUES
- Q2-20 NET PROFIT AT €239M, -26.2% Y/Y (-28.5% H/H TO €546M IN H1-20)
- CONFIRMED CUSTOMERS' TRUST AND PREFERENCE FOR LIQUIDITY WITH STRONG RETAIL NET INFLOWS OF €8.9BN IN H1-20 – TFA UP TO €548BN IN JUNE

## Q2 & H1 2020 Group Financial Highlights

- **Revenues impacted by lockdown:** Q2 at €2.3bn (-13.1% y/y) and H1 at €5.1bn (-7.9% h/h)
- **Total Operating Costs showing visible signs of reduction in Q2:** €2.0bn (-9.6% y/y): **HR Costs** at €1.2bn (-12.0% y/y) supported by lower FTE and performance related expenses; **COGS** at €580m (+5.2% y/y): quarterly increase related to one-off costs to face the emergency, while higher variable costs related to growing parcels, telco and payments are offset by effective cost initiatives; **D&A** reduced by €57m to €136m (-29.5% y/y) related to the reassessment of the residual useful life and value of certain real assets in accordance with IFRS. Total costs €4.3bn in H1 (-2.8% h/h)
- **EBIT:** €325m in Q2 (-29.9% y/y) with lower costs absorbing 60% impact of lower revenues. EBIT €766m in H1 (-29.2% h/h)
- **Total Financial Assets (TFA)** at €548bn (+€12.2bn vs December 2019) with strong retail net inflows of €8.9bn across all asset classes in a volatile market
- **Strong capital position:** BancoPosta CET1 ratio at 17.6% and Poste Vita Group Solvency II Ratio at 216%, above managerial ambition of 200% through the cycle

## Q2 & H1 2020 Operational Segment Highlights

- **Mail, Parcel & Distribution:** Sharp decline in Mail volumes from temporary lockdown measures and permanent e-substitution effects. Record high Parcel volumes increase successfully managed in Q2 (+54% y/y) with almost 19m parcels delivered by *Postini* (+70.5% y/y)
- **Payments & Mobile:** Over 2 million existing customers used their cards for digital payments for the first time, with a broader activity on Poste's digital channels, e-commerce transactions and low touch payments
- **Financial Services:** Renewed commercial focus revamping network sales with average daily gross inflows and loan volumes distributed, recovering since June
- **Insurance Services:** Gross written premiums in June higher y/y and daily sales of P&C products supported by the modular offer

## **SUCCESSFULLY MANAGED THE EMERGENCY THANKS TO A DIVERSIFIED BUSINESS AND RESILIENT OPERATIONS - BRAND AND REPUTATION STRENGTHENED**

### **TAKING CARE OF OUR STAKEHOLDERS' NEEDS DURING THE EMERGENCY**

- **Customers:** guaranteeing business continuity despite a voluntary reduction of non-essential activities and promoting third-party and digital channels
- **Employees:** service reduction to protect health & safety of our people
- **Communities:** cooperating with key institutions to facilitate the implementation of State's social and economic initiatives as well as supporting government entities with our best-in-class logistic capabilities

### **POSTE ITALIANE'S SOCIAL ROLE WIDELY RECOGNIZED**

- **"Best in Media Communication Index"** in Corporate Social Responsibility section for the best communication and media impact with a specific mention to activities performed during Covid-19 lockdown period
- **Top ranking in the Integrated Governance Index 2020**, confirming ESG relevance embedded in Deliver 2022
- **"Best ESG Digital Governance Award"** for the use of digital platforms managing ESG data
- Awarded **UNI ISO 26000 Assurance Statement**, certifying the adoption of sustainable ESG policies and **UNI EN ISO 14001:2015** certification for environmentally friendly policies across the company

**Rome, 31 July 2020**, yesterday, the Board of Directors of Poste Italiane S.p.A. (“Poste Italiane” or the “Group”), chaired by Maria Bianca Farina, approved the First Half 2020 Financial Results.

**Matteo Del Fante, Poste Italiane Chief Executive Officer and General Manager, commented:**

*“The first half of the year has been a defining moment for the Country and the company. The benefits of business diversification and operational resilience have been confirmed in a challenging environment. Poste Italiane managed to ensure uninterrupted business while supporting all stakeholders. Extensive co-operation with national institutions continues, with our operational know-how supporting the Protezione Civile’s (Italian Civil Protection Department) logistics activities.*

*Revenues were penalized by the sharp mail decline, mitigated by a record high B2C parcels delivered also thanks to the fully fledged Joint Delivery Model and our state of the art automated sorting centre in Bologna.*

*Our digital and third-party distribution channels have effectively complemented the physical network of our post offices, both during lockdown and the recovery phase.*

*We are seeing growing momentum in revenues, we succeeded to preserve a solid balance sheet and, as planned, we paid 2019 dividend. We are also keeping our dividend strategy unchanged ahead of the Deliver 2022 update in Q4.*

*We are assessing and executing significant cost reduction initiatives with the aim of preserving long term profitability, with the second quarter already benefitting from some of these actions.*

*Long term strategic trends, at the heart of our Deliver 2022 plan, have been confirmed.*

*Thanks to the ongoing transformation plan we are able to seize new market opportunities.*

*I am confident in our ability to drive change and create value for all our stakeholders. The daily hard work of our people and the resiliency they have demonstrated are materially contributing to the gradual commercial recovery which we expect to continue in the second half of the year.”*

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## **POSTE ITALIANE Q2 and H1 2020 Results**

Friday 31 July 2020 –14:30 CEST

To attend the event via audio conference, please confirm your participation at the following link:

[Poste Italiane Q2 2020 Results Webcast](#)

A personalized PIN will be provided in the confirmation email

Passcode: 4411279

A listen only audio conference is also available:

+39 02 8020927 (Listen-only, Italy – Conference Passcode: 4411279)

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## CONSOLIDATED FINANCIAL RESULTS SUMMARY

€m	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>GROUP</b>						
Revenues	2,679	<b>2,328</b>	-13.1%	5,521	<b>5,083</b>	-7.9%
Adjusted Revenues	2,674	<b>2,336</b>	-12.6%	5,242	<b>4,792</b>	-8.6%
EBIT	464	<b>325</b>	-29.9%	1,081	<b>766</b>	-29.2%
Adjusted EBIT	474	<b>320</b>	-32.4%	825	<b>531</b>	-35.6%
Net Profit	324	<b>239</b>	-26.2%	763	<b>546</b>	-28.5%
Adjusted Net Profit	332	<b>256</b>	-22.7%	579	<b>399</b>	-31.0%
<b>MAIL, PARCEL &amp; DISTRIBUTION</b>						
External Revenues	875	<b>701</b>	-19.9%	1,755	<b>1,472</b>	-16.1%
EBIT	(67)	<b>(157)</b>	-134.8%	81	<b>(194)</b>	n.m.
Adjusted EBIT	(57)	<b>(155)</b>	n.m.	(110)	<b>(376)</b>	n.m.
Net Profit	(51)	<b>(104)</b>	n.m.	50	<b>(135)</b>	n.m.
<b>PAYMENTS &amp; MOBILE</b>						
External Revenues	167	<b>172</b>	+3.5%	306	<b>338</b>	+10.3%
EBIT	54	<b>59</b>	+10.0%	111	<b>126</b>	+14.2%
Net Profit	41	<b>39</b>	-3.9%	83	<b>90</b>	+9.0%
<b>FINANCIAL SERVICES</b>						
External Revenues	1,180	<b>1,071</b>	-9.2%	2,665	<b>2,535</b>	-4.9%
External Adjusted Revenues	1,174	<b>1,079</b>	-8.1%	2,386	<b>2,244</b>	-5.9%
EBIT	174	<b>175</b>	+1.1%	435	<b>398</b>	-8.4%
Adjusted EBIT	174	<b>168</b>	-3.4%	370	<b>345</b>	-6.9%
Net Profit	114	<b>117</b>	+2.5%	305	<b>273</b>	-10.5%
Adjusted Net Profit	115	<b>133</b>	+15.4%	257	<b>256</b>	-0.4%
<b>INSURANCE SERVICES</b>						
External Revenues	458	<b>384</b>	-16.2%	795	<b>739</b>	-7.2%
EBIT	303	<b>248</b>	-18.4%	454	<b>435</b>	-4.3%
Net Profit	220	<b>186</b>	-15.3%	325	<b>317</b>	-2.5%

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*In addition to the standard financial indicators required by IFRS, Poste Italiane discloses alternative performance indicators to provide a better understanding of business performance and financial position. These indicators are described in the Half Year Report for the six months ended 30 June 2020, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.*

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**MAIL, PARCEL & DISTRIBUTION – ACCELERATED MAIL DECLINE MITIGATED BY STRONG PARCEL REVENUES BOOSTED BY B2C GROWTH**

€m	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>SEGMENT REVENUES</b>	875	<b>701</b>	-19.9%	1,755	<b>1,472</b>	-16.1%
<b>INTERSEGMENT REVENUES</b>	1,122	<b>996</b>	-11.2%	2,453	<b>2,256</b>	-8.0%
<b>TOTAL REVENUES</b>	1,997	<b>1,697</b>	-15.0%	4,208	<b>3,728</b>	-11.4%
<b>EBIT</b>	(67)	<b>(157)</b>	-134.8%	81	<b>(194)</b>	n.m.
<b>Adjusted EBIT</b>	(57)	<b>(155)</b>	n.m.	(110)	<b>(376)</b>	n.m.
EBIT Margin (%)	-3.4%	<b>-9.3%</b>	n.m.	1.9%	<b>-5.2%</b>	n.m.
<b>NET PROFIT</b>	(51)	<b>(104)</b>	n.m.	50	<b>(135)</b>	n.m.
<b>KPI's</b>						
Mail Volumes (#m)	690	<b>523</b>	-24.2%	1,407	<b>1,137</b>	-19.2%
Parcels delivered by mailmen (#m)	11	<b>19</b>	+70.5%	24	<b>33</b>	+41.7%
Parcel Volumes (#m)	34	<b>52</b>	+53.9%	68	<b>90</b>	+31.5%
B2C Revenues (€m)	81	<b>145</b>	+79.7%	167	<b>254</b>	+52.3%

In Q2 Mail, Parcel & Distribution segment revenues are down 19.9% y/y to €701m (-16.1% h/h to €1.5bn in H1) mainly due to lower mail volumes mitigated by an increase in parcel volumes.

During lockdown some higher margin products have been temporarily suspended and e-substitution trend has been accelerated. As a result, Mail revenues in Q2 are down 35% y/y to €407m (-27.2% h/h to €924m in H1).

In Q2 parcel revenues are up 32.6% y/y to €262m (+18.7% h/h to €473m in H1), boosted by B2C growth of a remarkable 79.7% to €145m (+52.3% h/h to €254m in H1). In Q2, parcel volumes are up 53.9% y/y to 51.8m (+31.5% h/h to 89.9m in H1) reaching 36.3m B2C parcels delivered (+50.3% h/h to 61.6m in H1).

Poste's successful transformation of the logistic value chain through investments in long haul, automatic sorting and the Joint Delivery Model allow us to benefit from the growing e-commerce trend and manage peaks effectively.

Segment EBIT in Q2 was down by €90.2m to €-157m (€-274.6m h/h to €-194m in H1).

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## PAYMENTS AND MOBILE – INCREASING REVENUES IN A CHALLENGING ENVIRONMENT

€m	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>SEGMENT REVENUES</b>	167	172	+3.5%	306	338	+10.3%
<i>Cards Payments</i>	85	86	+0.5%	161	170	+5.8%
<i>Other Payments</i>	24	16	-35.0%	37	28	-23.2%
<i>Telecom</i>	57	71	+24.3%	109	139	+28.3%
<b>INTERSEGMENT REVENUES</b>	94	81	-13.8%	190	172	-9.8%
<b>TOTAL REVENUES</b>	261	254	-2.8%	496	509	+2.6%
<b>EBIT</b>	54	59	+10.0%	111	126	+14.2%
EBIT Margin (%)	20.5%	23.2%	n.m.	22.3%	24.8%	n.m.
<b>NET PROFIT</b>	41	39	-3.9%	83	90	+9.0%
<b>KPI's</b>						
<b>Postepay cards (#m)</b>	-	-	-	22.2	21.7	-2.5%
<i>of which Postepay Evolution cards(#m)</i>	-	-	-	6.9	7.3	+5.0%
<b>Total payment cards transactions (#bn)</b>	-	-	-	0.7	0.7	+2.8%
<i>of which eCommerce transactions (#m)</i>	-	-	-	108.8	180.9	+66.2%
<b>Mobile &amp; land-line (#m)</b>	-	-	-	4.4	4.5	+4.3%
<b>Digital e-Wallets (#m) *</b>	-	-	-	3.4	6.4	+86.6%

\* H1-19 refers to FY 19 figures

In Q2 Payments & Mobile segment revenues are up 3.5% y/y to €172m (+10.3% h/h to €338m in H1).

Card Payment revenues are up 0.5% in Q2 to €86m (+5.8% h/h to €170m in H1) with a different mix including lower international transactions and ATM withdrawals.

In Q2 Other Payments are down 35% y/y to €16m (-23.2% h/h to €28m in H1) mainly due to the postponement of tax payments deadlines.

In Q2 Telecom revenues increased by a strong 24.3% y/y to €71m (+28.3% h/h to €139m in H1), thanks to a larger customer-base, outpacing a competitive market.

The validity of our digital infrastructure for payments is confirmed. A digital shift is taking place, with over 2 million existing customers using their cards for digital payments for the first time.

In Q2 Segment EBIT was up 10% y/y to €59m (+14.2% h/h to €126m in H1).

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**FINANCIAL SERVICES – RE-IGNITING THE COMMERCIAL DISTRIBUTION ENGINE**  
**STARTING FROM JUNE**

€m	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>SEGMENT REVENUES</b>	1,180	1,071	-9.2%	2,665	2,535	-4.9%
ADJUSTED SEGMENT REVENUES	1,174	1,079	-8.1%	2,386	2,244	-5.9%
INTERSEGMENT REVENUES	179	143	-20.1%	372	309	-16.9%
<b>TOTAL REVENUES</b>	1,359	1,214	-10.7%	3,037	2,844	-6.3%
<b>EBIT</b>	174	175	+1.1%	435	398	-8.4%
ADJUSTED EBIT	174	168	-3.4%	370	345	-6.9%
EBIT Margin (%)	12.8%	14.5%	-	14.3%	14.0%	-
<b>NET PROFIT</b>	114	117	+2.5%	305	273	-10.5%
ADJUSTED NET PROFIT	115	133	+15.4%	257	256	-0.4%
<b>KPI's</b>						
TOTAL FINANCIAL ASSETS - TFAs (€/bn)	-	-	-	530	548	+3.5%
Average Current Account Deposits (€m)	-	-	-	61.6	65.4	+6.1%
Average Postal Savings Deposits (€bn)	-	-	-	311.4	316.4	+1.6%
Postal Savings Net Inflows (€m)	(1,893)	241	+112.7%	(3,653)	1,491	+140.8%
Unrealized gains (€m)	-	-	-	(1,889)	(1,411)	+25.3%
Product Sales (# m)	-	-	-	4.2	3.5	-15.0%

In Q2 segment revenues are down 9.2% y/y to €1.1 billion (-4.9% h/h to €2.5bn in H1) due to the temporary suspension of commercial activities during lockdown.

In Q2 postal savings distribution fees are back on track, up 4.5% y/y to €451m (-0.1% h/h to €896m in H1) thanks to new product campaigns activated since June via both the physical and digital channels.

In Q2 interest income is down 2.9% y/y at €401m (-2.2% h/h to €805m in H1) as a result of higher retail volumes mitigating the impact of yield compression.

Loan and mortgage distribution fees are impacted by the lockdown, further compounded by an €18m one-off charge for potential early redemption penalties in a lower interest rate environment. However, loan volumes increased to €332m in the month of June (up 21.8% vs June 2019), recovering in a downward trending market.

In Q2, transaction banking fees are down 21.5% y/y to €183m (-14.3% h/h to €410m in H1), mainly related to lower payment slips volumes during lockdown, mitigated by increasing volumes via third party networks and digital channels.

In Q2 fees from asset management are down 7.3% y/y to €23m (-4.3% h/h to €48m in H1) due to lower upfront fees. Average assets under management are resilient at €8.7bn at the end of June.

Total Financial Assets reached €548 billion at the end of June (up €12.2bn from December 2019), as a result of increased total net inflows of €9.0bn across all asset classes and a €3.3bn positive market effect. Customers confirm their trust in Poste and continue to rely on a wide-range of products with a limited market volatility.

In Q2 EBIT was up 1.1% y/y to €175m (-8.4% h/h to €398m in H1).

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**INSURANCE SERVICES – RESILIENT REVENUES AGAINST REDUCED CUSTOMER ACTIVITY, STEADILY RECOVERING STARTING FROM JUNE**

€m	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>SEGMENT REVENUES</b>	458	<b>384</b>	-16.2%	795	<b>739</b>	-7.2%
Life (inc. Private Pension Plan)	418	<b>345</b>	-17.3%	718	<b>664</b>	-7.5%
P&C	40	<b>39</b>	-4.3%	77	<b>74</b>	-4.0%
<b>INTERSEGMENT REVENUES</b>	0	<b>0</b>	n.m.	0	<b>0</b>	-72.8%
<b>TOTAL REVENUES</b>	458	<b>384</b>	-16.1%	796	<b>739</b>	-7.2%
<b>EBIT</b>	303	<b>248</b>	-18.4%	454	<b>435</b>	-4.3%
EBIT Margin (%)	66.2%	<b>64.5%</b>	-	57.1%	<b>58.9%</b>	-
<b>NET PROFIT</b>	220	<b>186</b>	-15.3%	325	<b>317</b>	-2.5%
<b>KPI's</b>						
<b>Gross Written Premiums (€m)</b>	4,184	<b>3,147</b>	-24.8%	10,173	<b>7,746</b>	-23.9%
<b>GWP - Life + Private Pension Plans (€m)</b>	4,129	<b>3,095</b>	-25.0%	10,039	<b>7,617</b>	-24.1%
<b>GWP - P&amp;C (€m)</b>	54	<b>52</b>	-4.7%	133	<b>128</b>	-3.7%

In Q2, Insurance segment revenues are down 16.2% y/y to €384m (-7.2% h/h to €739m in H1) impacted by lower gross written premium and lower release on technical reserves. Daily average gross inflows show visible signs of recovery both in Multiclass and modular P&C products.

In Q2 EBIT down 18.4% y/y to €248m (-4.3% h/h to €435m in H1).

At the end of June 2020, Poste Vita Group's Solvency II Ratio stood at 216%. Transitional measures provide an additional buffer of 34p.p. to absorb potential market volatility going forward. The ratio remains above the 200% managerial ambition through the cycle.

## RECENT EVENTS AND BUSINESS OUTLOOK

The current Covid-19 health emergency has had a significant economic and financial impact on the Country as well as on the Poste Italiane Group. March and April were characterised by the government's restrictive measures, progressively reduced in the following months but, to date, not yet possible to precisely outline what will be the "new normal"; this makes it premature to make realistic forecasts on the Group's economic and financial evolution during 2020.

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

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

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

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

Its cash flow generation has remained solid and it continues to hold significant net cash. BancoPosta and Poste Vita have a high level of capital strength, as demonstrated by BancoPosta's CET1 and the Insurance Group's Solvency II Ratio. BancoPosta's business model, the investments of which are limited to the subscription of securities issued by institutional investors, is resilient to credit risk fluctuations, as well as capital light.

In terms of costs and investments, the Group has implemented a broad and strict reduction program, with the main objective of achieving structural savings in the medium and long term. In particular, the Group has used the flexibility levers on labour costs and adopted extraordinary measures on costs linked to commercial performance and managerial incentives (reduced the MBO bonus by 50%). The Group also appealed to the Solidarity Fund in relation to personnel whose work has been reduced/suspended during the health emergency. In the emergency, the Group activated smart working in record time for all resources applied to compatible activities (over 16,000 people). This measure has had a positive impact on productivity and cost containment.

Lastly, the Group has launched a strategic review to enhance the value of its real estate assets; these initiatives will be outlined in the Deliver 2022 plan update that will be presented in Q4.

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

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

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

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

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

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

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

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

In line with the offer evolution towards digital solutions, a full digital prepaid card that can be requested directly via the Postepay App is planned in the course of the year.

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

In the Telecom area, our offer will be further developed with a specific focus on online channels, in order to intercept a complementary target to the usual post office visitors.

## **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 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:

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 presented separately for each Strategic Business Unit.

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.

ADJUSTED EBIT AND NET PROFIT – to provide an improved basis for assessment and comparison, the following statement shows the reconciliation of reported EBIT, net profit and adjusted EBIT and net profit.

## EXPLANATORY NOTES ON ADJUSTED FIGURES

	Q2 19	Q2 20	Y/Y%	H1 19	H1 20	H/H%
<b>SEGMENT REPORTED REVENUES</b>	<b>1,180</b>	<b>1,071</b>	<b>-9.2%</b>	<b>2,665</b>	<b>2,535</b>	<b>-4.9%</b>
GROSS CAPITAL GAINS ON INV. PORTFOLIO	0	0	-	261	291	-
VISA - FAIR VALUE VALUATION/ FAIR VALUE HEDGE	4	(8)	-	17	0	-
VISA - CAPITAL GAIN ON SHARES DISPOSAL	1	0	-	1	0	-
ANIMA - ONE OFF	-	-	-	-	-	-
<b>SEGMENT ADJUSTED REVENUES</b>	<b>1,174</b>	<b>1,079</b>	<b>-8.1%</b>	<b>2,386</b>	<b>2,244</b>	<b>-5.9%</b>
INTERSEGMENT REVENUES	179	143	-20.1%	372	309	-16.9%
<b>ADJUSTED TOTAL REVENUES</b>	<b>1,353</b>	<b>1,222</b>	<b>-9.7%</b>	<b>2,758</b>	<b>2,553</b>	<b>-7.4%</b>
<b>REPORTED COSTS</b>	<b>1,185</b>	<b>1,038</b>	<b>-12.4%</b>	<b>2,602</b>	<b>2,446</b>	<b>-6.0%</b>
EARLY RETIREMENT INCENTIVES	0	1	-	1	1	-
CAPITAL LOSSES ON INV. PORTFOLIO	6	0	-	6	57	-
CAPITAL GAINS COMMISSIONING	(4)	0	-	199	185	-
REAL ESTATE FUNDS PROVISIONS	0	(15)	-	0	(15)	-
REAL ESTATE FUNDS PROVISIONS	-	-	-	-	-	-
VISA - COMMISSIONING ON IFRS 9 VALUATION	-	-	-	-	-	-
VISA - FAIR VALUE VALUATION/ FAIR VALUE HEDGE	5	(1)	-	9	10	-
<b>ADJUSTED COSTS</b>	<b>1,179</b>	<b>1,053</b>	<b>-10.6%</b>	<b>2,388</b>	<b>2,208</b>	<b>-7.5%</b>
<b>REPORTED EBIT</b>	<b>174</b>	<b>175</b>	<b>+1.1%</b>	<b>435</b>	<b>398</b>	<b>-8.4%</b>
<b>ADJUSTED EBIT</b>	<b>174</b>	<b>168</b>	<b>-3.4%</b>	<b>370</b>	<b>345</b>	<b>-6.9%</b>
IMPAIRMENTS	0	19	-	0	19	-
<b>REPORTED NET PROFIT</b>	<b>114</b>	<b>117</b>	<b>+2.5%</b>	<b>305</b>	<b>273</b>	<b>-10.5%</b>
<b>ADJUSTED NET PROFIT</b>	<b>115</b>	<b>133</b>	<b>+15.4%</b>	<b>257</b>	<b>256</b>	<b>-0.4%</b>

## Composition of net financial position\* (€m):

	MAIL, PARCEL & DISTRIBUTION	PAYMENTS & MOBILE	FINANCIAL SERVICES	INSURANCE SERVICES	ADJUSTMENTS	CONSOLIDATED
<b>Balance at 30 June 2020</b>						
Financial liabilities	4,894	6,701	89,685	324	(8,933)	92,671
Technical reserves for the insurance business	0	0	0	141,978	0	141,978
Financial assets	(1,415)	(6,815)	(85,723)	(142,413)	8,191	(228,175)
Technical reserves attributable to reinsurers	0	0	0	(56)	0	(56)
Cash and deposits attributable to BancoPosta	0	0	(4,222)	0	0	(4,222)
Cash and cash equivalents	(1,977)	(32)	(2,011)	(2,049)	732	(5,337)
<b>Net Financial Position*</b>	<b>1,502</b>	<b>(146)</b>	<b>(2,271)</b>	<b>(2,216)</b>	<b>(10)</b>	<b>(3,141)</b>
<b>Balance at 31 December 2019</b>						
Financial liabilities	3,061	5,539	78,219	295	(7,598)	79,516
Technical reserves for the insurance business	0	0	0	140,261	0	140,261
Financial assets	(1,395)	(5,645)	(77,078)	(141,936)	7,120	(218,934)
Technical reserves attributable to reinsurers	0	0	0	(58)	0	(58)
Cash and deposits attributable to BancoPosta	0	0	(4,303)	0	0	(4,303)
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)
<b>Net Financial Position*</b>	<b>815</b>	<b>(202)</b>	<b>(3,680)</b>	<b>(2,599)</b>	<b>(1)</b>	<b>(5,667)</b>

\* Net financial position: (Surplus) / Net debt

## TABLES

### POSTE ITALIANE GROUP'S FINANCIAL STATEMENTS

#### CONSOLIDATED BALANCE SHEET (€M)

ASSETS	at 30 June 2020	at 31 December 2019
<b>Non-current assets</b>		
Property, plant and equipment	2,014	2,015
Investment property	28	44
Intangible assets	656	648
Right-of-use assets	1,209	1,254
Investments accounted for using the equity method	600	617
Financial assets	201,331	194,207
Trade receivables	5	5
Deferred tax assets	1,503	1,199
Other receivables and assets	3,570	3,729
Technical provisions attributable to reinsurers	56	58
<b>Total</b>	<b>210,972</b>	<b>203,776</b>
<b>Current assets</b>		
Inventories	173	140
Trade receivables	2,334	2,166
Current tax assets	272	52
Other receivables and assets	1,048	938
Financial assets	26,844	24,727
Cash and deposits attributable to BancoPosta	4,222	4,303
Cash and cash equivalents	5,337	2,149
<b>Total</b>	<b>40,230</b>	<b>34,475</b>
<b>TOTAL ASSETS</b>	<b>251,202</b>	<b>238,251</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Equity</b>		
Share capital	1,306	1,306
Reserves	1,721	2,646
Own shares	(40)	(40)
Retained earnings	5,881	5,786
<b>Equity attributable to owners of the Parent</b>	<b>8,868</b>	<b>9,698</b>
Equity attributable to non-controlling interests	6	-
<b>Total</b>	<b>8,874</b>	<b>9,698</b>
<b>Non-current liabilities</b>		
Technical provisions for insurance business	141,978	140,261
Provisions for risks and charges	471	501
Employee termination benefits	1,072	1,135
Financial liabilities	19,589	13,964
Deferred tax liabilities	898	887
Other liabilities	1,449	1,525
<b>Total</b>	<b>165,457</b>	<b>158,273</b>
<b>Current liabilities</b>		
Provisions for risks and charges	808	717
Trade payables	1,486	1,627
Current tax liabilities	150	274
Other liabilities	1,345	2,110
Financial liabilities	73,082	65,552
<b>Total</b>	<b>76,871</b>	<b>70,280</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>251,202</b>	<b>238,251</b>

## CONSOLIDATED STATEMENT OF NET PROFIT (LOSS) (€M)

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (€M)

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
<b>Unrestricted net cash and cash equivalents at beginning of period</b>	<b>1,265</b>	<b>1,639</b>
Unrestricted net cash and cash equivalents at beginning of period	884	1,556
<b>Cash and cash equivalents at beginning of period</b>	<b>2,149</b>	<b>3,195</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,149</b>	<b>3,195</b>
Profit/(loss) for the period	546	763
Depreciation, amortisation and impairments	339	381
Losses and impairments/(recoveries) on receivables	42	22
(Gains)/Losses on disposals	(1)	1
(Increase)/decrease in inventories	(34)	(5)
(Increase)/decrease in receivables and other assets	(242)	(186)
Increase/(decrease) in payables and other liabilities	(1,248)	(190)
Movement in provisions for risks and charges	61	(149)
Movement in provisions for employee termination benefits and pension plans	(63)	(62)
Differences in accrued finance costs and income (cash correction)	25	20
Other changes	98	(7)
Net cash flow generated by/(used in) non-financial operating activities [a]	(477)	588
Increase/(decrease) in liabilities attributable to financial, payments, cards and acquiring, insurance activities	8,392	9,273
Net cash generated by/(used for) financial assets attributable to financial, payments, cards and acquiring, insurance activities	(6,686)	(11,858)
(Income)/Expenses and other non-cash components	(1,326)	(3,278)
Increase/(decrease) in net technical provisions for insurance business	2,095	4,793
Cash generated by/(used for) financial assets and liabilities attributable to financial, payment, cards and acquiring, insurance activities [b]	2,475	(1,070)
<b>Net cash flow from/(for) operating activities [c]=[a+b]</b>	<b>1,998</b>	<b>(482)</b>
<i>Investing activities</i>		
Property, plant and equipment, investment property and intangible assets	(209)	(230)
Investments	(2)	-
Other financial assets	(35)	(1)
<i>Disposals</i>		
Property, plant and equipment, investment property and intangible assets and assets held for sale	2	-
Investments	-	1
Other financial assets	7	23
Change in scope of consolidation	-	-
<b>Net cash flow from/(for) investing activities [d]</b>	<b>(237)</b>	<b>(207)</b>
Proceeds from/(Repayments of) borrowings	1,828	(367)
(Purchase)/disposal of own shares	-	(40)
Dividends paid	(402)	(574)
Other transactions with non-controlling interests	1	-
<b>Net cash flow from/(for) financing activities and shareholder transactions [e]</b>	<b>1,427</b>	<b>(981)</b>
<b>Net increase/(decrease) in cash [f]=[c+d+e]</b>	<b>3,188</b>	<b>(1,670)</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,337</b>	<b>1,525</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,337</b>	<b>1,525</b>
Restricted net cash and cash equivalents at the end of period	(2,702)	(617)
<b>Unrestricted net cash and cash equivalents at end of period</b>	<b>2,635</b>	<b>908</b>

*The document containing the Interim Financial Report as of 30 June 2020 will be published by the deadline set out by law, made available to the public at the Company's head office, on the Company's website ([www.posteitaliane.it](http://www.posteitaliane.it)), on the website of the authorised storage system "eMarket Storage" ([www.emarketstorage.com](http://www.emarketstorage.com)), and filed with Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)), the Italian stock exchange.*

**Declaration by the Executive responsible for preparing the corporate accounting documents**

The undersigned, Alessandro Del Gobbo, in his capacity as Executive responsible for preparing Poste Italiane's corporate accounting documents (*Dirigente Preposto*)

DECLARES

that, pursuant to art. 154-BIS, par. 2, of the Consolidated Financial Bill of February 24, 1998, accounting information disclosed in this document corresponds to document results and accounting books and records.

This document includes summary financial information and should not be considered a substitute for Poste Italiane Group Interim Financial Report as of 30 June 2020.

Rome, 31 July 2020

## **Forward looking statements and other important information**

This document contains certain forward-looking statements that reflect Poste Italiane's management's current views with respect to future events and financial and operational performance of the Company and of the Company's Group.

These forward-looking statements are made as of the date of this document and are based on current expectations, reasonable assumptions and projections about future events and are therefore subject to risks and uncertainties. Actual future results and performance may indeed differ materially from what is expressed or implied in this presentation, due to any number of different factors, many of which are beyond the ability of Poste Italiane to foresee, control or estimate precisely, including, but not limited to, changes in the legislative and regulatory framework, market developments, price fluctuations and other risks and uncertainties, such as, for instance, risks deriving from the recent Covid-19 pandemic and from the restrictive measures taken by each Country to face it.

Forward-looking statements contained herein are not a guarantee of future performance and you are therefore cautioned not to place undue reliance thereon.

This document does not constitute a recommendation regarding the securities of the Company; it does not contain an offer to sell or a solicitation of any offer to buy any securities issued by Poste Italiane or any of its Group companies or other forms of financial assets, products or services.

Except as may be required by applicable law, Poste Italiane denies any intention or obligation to update or revise any forward-looking statements contained herein to reflect events or circumstances after the date of this presentation.

This presentation includes summary financial information and should not be considered a substitute for Poste Italiane's full financial statements.

Numbers in the document may not add up only due to roundings.