

Poste Italiane Group

Interim Financial Report at 30 June 2015

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Poste Italiane Group

Results of operations

for the six months ended 30 June

<i>(millions of Euro)</i>	2013	2014	2015
Revenue from sales and services and insurance premium revenue	11,435	12,842	13,864
of which:			
from Postal and Business Services	2,240	2,026	1,909
from Financial Services	2,469	2,457	2,359
from Insurance Services	6,604	8,249	9,474
from Other Services	122	110	122
Operating profit	661	506	638
Profit for the period	362	222	435
R.O.S. ^(*)	5.8%	3.9%	4.6%
R.O.E. ^(**)	12.2%	6.9%	8.0%

(*) ROS (Return on Sales) is the ratio of operating profit to revenue from sales and services and insurance premium revenue

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

Financial position

<i>(millions of Euro)</i>	at 30 June 2014	at 31 December 2014	at 30 June 2015
Equity	7,765	8,418	8,223
Net (funds)/debt	(4,080)	(4,741)	(4,617)
Net invested capital	3,685	3,677	3,606

Investment

during the six months ended 30 June

<i>(millions of Euro)</i>	2013	2014	2015
Investment during the period	147	156	346
of which:			
in property, plant and equipment and intangible assets	147	156	135
in financial investments (equity investments)	-	-	211

Number of employees

during the six months ended 30 June

	2013	2014	2015
Average ^(*)	144,147	143,249	142,021

(*) The average number of employees (in full-time equivalents) includes staff on flexible contracts and excludes seconded and suspended staff.

	at 30 June 2014	at 31 December 2014	at 30 June 2015
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Operational highlights

Operational data (deposits in millions of Euro)

Current accounts (average for the period)	44,197	43,953	45,157
Post office savings books	108,648	114,359	116,888
Interest-bearing postal certificates	211,693	211,333	210,002

Other indicators

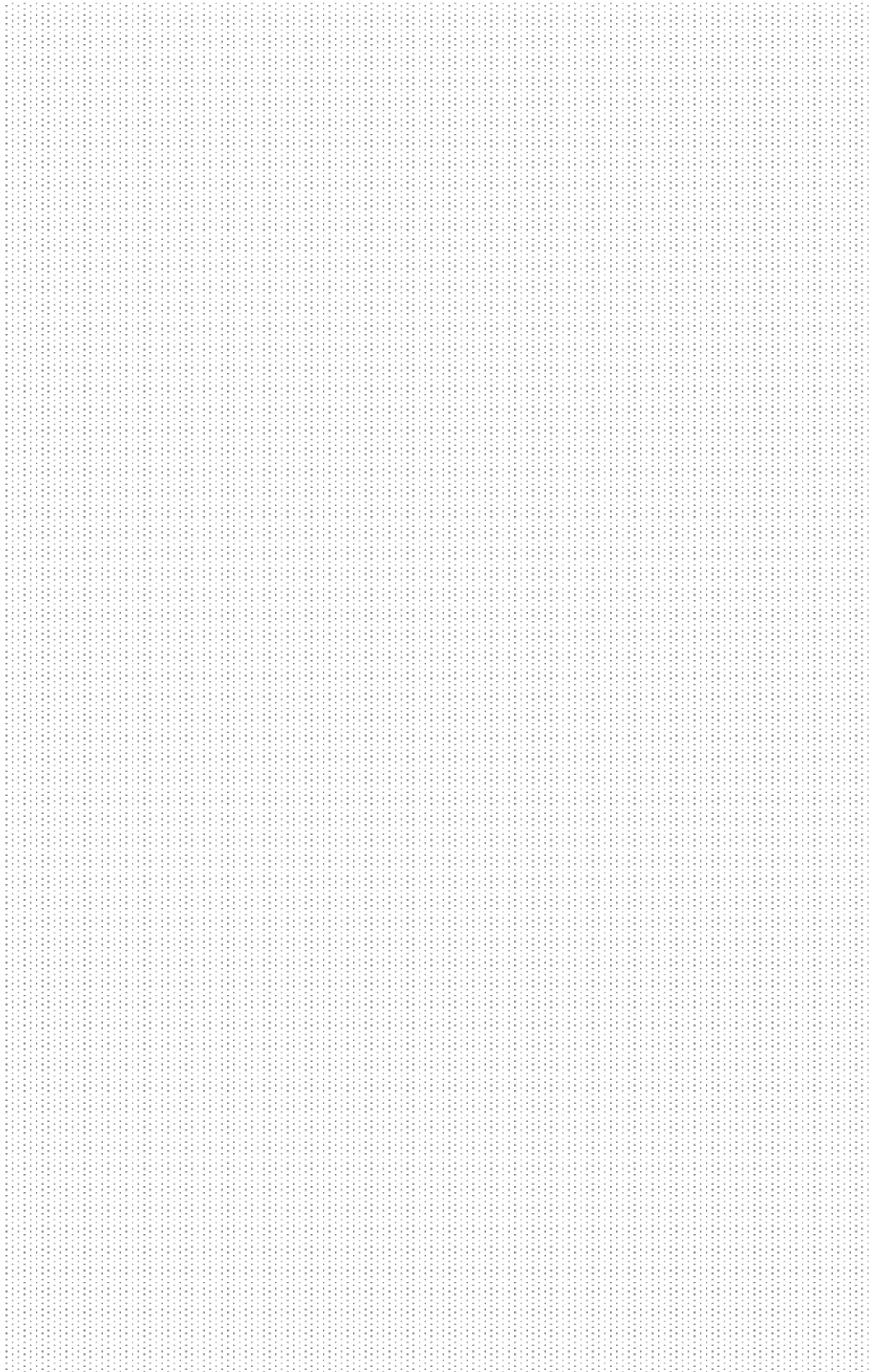
Number of outstanding current accounts (thousands)	6,099	6,173	6,215
Number of post offices	13,254	13,233	13,228

Service levels

during the six months ended 30 June

	2013	2014	2015
delivery within			
Priority mail ^(*) 1 day	91.8%	90.6%	90.3%

(*) The result for the six months ended 30 June 2015 reflects cumulative data to May 2015. The service level to the end of June 2015 is in the process of being calculated.



Strategic Guidelines

Enabled by the development of new digital technology, Italy is currently facing a significant transformation of its production processes and, in so doing, is catching up with its main European partners. In this regard, Poste Italiane, which can count on the trust of the general public, business and the Public administration in addition to its significant and widespread physical and technological asset base, is a key force for change and development.

The company's strategic direction is guided by this mission and is based on an integrated range of products and services, supported by a multi-channel distribution network, unique in Italy in terms of its reach and proximity to customers. Specifically, the company's strategy is built around three business lines: Postal and Business Services, Financial Services and Insurance Services.

With regard to Postal and Business Services, key objectives include restructuring of the Mail business and developing the Parcel business, by exploiting the opportunities offered by e-commerce. Four priority areas for action have been identified to achieve these objectives:

- simplification of the offering and development of new products to respond to customer requirements;
- improvement in operations through integration of the SDA and Poste Italiane networks and infrastructures, in order to improve customer care and reduce costs;
- redefinition of the Universal Service with a view to making it economically sustainable; and
- focus on quality, through improvements to existing processes and the introduction of new customer services aimed at consolidating and increasing the trust of customers with significant mailing activities and increasing end-user satisfaction.

In terms of Financial Services, Group strategy is based on technological innovation in the area of mobile collection and payments and strengthening customer relations. The product offering will be adjusted in line with the new approach based on customer requirements and guaranteeing maximum access to the general public, businesses and the Public Administration. Four priority areas for action have been identified:

- promotion of the retail client base and generation of increased customer loyalty through more accurate customer profiling;
- development of the product offering to support existing postal savings products, introduce new and more modern savings products, broaden the retail loan offering through partnerships with third party operators and support the development of the collections and payments system;
- reorganisation of the retail service model based on customer groupings, in terms of financial characteristics and behaviour, to facilitate the work of consultants and financial promoters; and
- digital repositioning of BancoPosta within the multi-channel strategy.

In terms of Insurance Services, in which Poste Vita, in just a few years, has become market leader, the following priority action areas, aimed at consolidating the market leader position, have been identified;

- diversification of the Life and funds product offering to offer clients access to both guaranteed and non-guaranteed investments;
- strengthening of distribution capacity linked to welfare products (social services and health care) and citizen protection in general with the objective of filling gaps in public welfare provision; and
- innovation in financial management, through asset diversification, in order to respond to market conditions

With a view to improving customer satisfaction, the new business strategies have been designed in a multi-channel logic (digital, ATM/self-service, post offices and home visits) in order to provide customers with access to services in line with

their individual requirements and preferences. In this sense, PosteMobile will continue to be a determining feature as a cross-cutting channel for access to financial services.

Realisation of Poste Italiane's Strategic Plan foresees a programme of intensive investment in staff training aimed at developing professional competencies and external recruitment of qualified personnel to satisfy demand for new professional profiles.

Posteitaliane

INTERIM REPORT ON OPERATIONS AT 30 JUNE 2015

1. MANAGEMENT AND SUPERVISORY BODIES

Board of Directors ⁽¹⁾

Chairwoman Luisa Todini

Chief Executive Officer and General Manager ⁽⁴⁾ Francesco Caio

Directors Antonio Campo Dall'Orto
Elisabetta Fabri
Roberto Rao

Board of Statutory Auditors

Chairperson Biagio Mazzotta

Auditors Nadia Fontana
Benedetta Navarra

Alternates Roberto Coffa
Patrizia Padroni

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane ⁽³⁾

Francesco Petronio

Independent Auditors ⁽⁴⁾

PricewaterhouseCoopers SpA

(1) The Board of Directors, which was elected by the General Meeting of 2 May 2014, has a term of office of three years, which will expire on the date of the General Meeting called to approve the financial statements for 2016.

(2) The Board of Directors' meeting of 7 May 2014 appointed the Chief Executive Officer (CEO) and General Manager.

(3) The functions were assigned by the Council of the Presidency of the Court of Auditors, in its meeting of 27-28 January 2015, with effect from 16 February 2015. The functions were previously assigned to Adolfo Teobaldo De Girolamo.

(4) Appointed for nine years by the General Meeting of 14 April 2011, in accordance with Legislative Decree 39/10.

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

The Board of Directors consists of 5 members and normally meets once a month to examine and vote on resolutions regarding operating performance, the results of operations and matters of strategic importance. During the first six months of 2015, the Board met on 9 occasions.

The Chairperson is responsible for leading and overseeing the work of the Board of Directors, through exercise of the powers provided for by law and Company By-laws and those assigned by the Board of Directors' meeting of 7 May 2014; the Board of Directors had been authorised by the General Meeting to grant the Chairperson executive powers in relation to internal control matters and relations with public institutions.

Activities currently underway in relation to privatisation of the Company are exclusively within the remit of the Chief Executive Officer.

The Chief Executive Officer (CEO) and General Manager, to whom all first-level functions report, has full powers for the administration of the Company, unless otherwise provided for by law and the Company By-laws, with the exception of the following powers reserved to the Board of Directors:

- the issue of bonds and the assumption of medium/long-term borrowings of amounts in excess of Euro 25,000,000, unless otherwise indicated in specific resolutions passed by the General Meeting or the Board of Directors itself;
- strategic agreements;
- the award of procurement, supply or service contracts involving amounts in excess of Euro 50,000,000;
- agreements (with ministries, local authorities, etc.) involving commitments in excess of Euro 50,000,000;
- the incorporation of new companies, and the acquisition and disposal of equity interests;
- changes to the Company's organisational structure;
- the purchase, exchange and disposal of properties with a value greater than Euro 5,000,000;
- the approval of regulations governing supplies, tenders, services and sales;
- the appointment and termination, based on the proposal of the CEO and with the prior approval of the Board of Statutory Auditors, of the Manager responsible for financial reporting, granting the appropriate powers and means;
- the appointment, based on the proposal of the CEO, of the Head of BancoPosta;
- the appointment and termination of the head of the Internal Audit function, based on the joint proposal of the Chairperson and CEO, in consultation with the Board of Statutory Auditors.

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

Poste Italiane SpA's Board of Statutory Auditors has 3 standing members appointed by the General Meeting. In accordance with art. 2403 of the Italian Civil Code, the Board verifies compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their proper functioning. The Board of Statutory Auditors, has also been designated to serve as Supervisory Board pursuant to Legislative Decree 231 of 8 June 2001; indeed, Poste Italiane's Board of Directors has exercised the option provided by art. 14, paragraph 12, Law 183 of 12 November 2011 (the "2012 Stability Law") to assign the role of Supervisory Board to the Board of Statutory Auditors. During the six months ending 30 June 2015, the Board met on 11 occasions, including in its role of Supervisory Board.

The audit firm PricewaterhouseCoopers SpA has been appointed to audit the Company's accounts for the period 2011-2019. The appointment was made in conformity with Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts").

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

In accordance with Law 259 of 21 March 1958, requiring parliamentary scrutiny of the financial management of organisations normally financed by the state, Poste Italiane SpA's budget and financial management are subject to review by the Italian Court of Auditors. Such reviews entail verification of the propriety and regularity of management actions and the proper functioning of internal controls.

The procedure in place for delegation of authority, entails powers being delegated to the heads of the various functions through granting personal powers of attorney to individuals.

With regard to the governance of BancoPosta RFC, in accordance with the Supervisory Standards for BancoPosta issued by the Bank of Italy on 27 May 2014, Poste Italiane, in conducting BancoPosta's activities, is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity. On the basis of this classification, the Company is taking a series of steps designed to ensure that it is fully compliant with the Supervisory Standards, including a review, among other things, of its internal regulations (By-laws and the BancoPosta RFC regulation).

The process of complying with the Supervisory Standards is one of a number of changes currently facing the Company, which is expected to be privatised during the second half of 2015. As previously reported, on 16 May 2014 the Italian Cabinet Office approved an outline Cabinet Office Decree establishing the criteria for the privatisation and the procedures to be applied in the sale of up to 40% of the MEF's shareholding in Poste Italiane. The sale, which may take place in tranches, is to take the form of a public offering of shares to Italian private investors and/or Italian and international institutional investors.

In this context and with a view to its listing, Poste Italiane is working to bring its governance arrangements into line with those expected of listed companies, considering existing applicable regulations and the recommendations contained in the Corporate Governance Code.

In particular, with a view to the forthcoming privatisation and in compliance with the Supervisory Standards issued by the Bank of Italy, the Board of Directors has approved the following:

- the [Corporate Governance Project](#), in line with the standards issued by the Bank of Italy and applicable to Poste Italiane in respect of the BancoPosta activities. The document sets out the overall governance and organisational arrangements also in relation to BancoPosta RFC, which is comparable – in accordance with relevant legislation - to a major bank in terms of size and operational complexity.

The main aspects of corporate governance highlighted in the Project include the following:

- justification for the choice of administration and control model (traditional model);
- share capital structure, focused on the constitution of the BancoPosta RFC;
- responsibilities, authorities and composition of the principal company bodies, with particular regard to advisory bodies;
- delegations of authority, with particular regard to BancoPosta RFC;
- accounting control function, with specific description of the separate accounting system used to prepare BancoPosta's separate report;

- BancoPosta organisational structure;
 - BancoPosta internal control system;
 - Corporate functions carried out by Poste Italiane on behalf of BancoPosta;
 - Policy and procedures for managing conflicts of interest;
 - Incentive and remuneration policies; and
 - Information flows.
- [new Company By-laws](#), which will come into effect on the date of admission to listing of the Company's ordinary shares on the Electronic Stock Exchange (MTA) and which contain all adjustments necessary to comply with both the aforementioned Supervisory Standards and the rules foreseen for listed companies;
- the new [BancoPosta RFC Regulation](#), which contains the organisational, management and control related rules that govern the functioning of the RFC and takes on board the specific corporate governance standards foreseen by the Bank of Italy's Supervisory Standards. See the section on Corporate Governance of BancoPosta RFC for further details regarding the content of the Regulation.

Moreover, in addition to the BancoPosta RFC Regulation and the new Company By-laws, which will come into effect on the date of admission to listing of the Company's ordinary shares on the Stock Exchange, the Board of Directors will also present to the General Meeting a version of the same document which will govern the functioning of the Company prior to listing. This version will not include certain details (e.g. maximum percentage of shares, voting rules etc.), which are not compatible with its status as an unlisted company.

The Board of Directors has also approved the following documents, which will also be presented to the General Meeting.

- [General Meeting Regulations](#), which set out the procedures to be followed to ensure an ordered and functional execution of the General Meeting sessions, and guarantee the right of each shareholder to take the floor on matters being discussed. The Regulations will become effective on the date of admission to listing of the Company's ordinary shares on the Electronic Stock Exchange.
- [BancoPosta Guidelines on Remuneration and Incentives](#), prepared in accordance with the Supervisory Standards issued by the Bank of Italy. As explained in the guidelines, the aim of the document is to define the remuneration and incentive policies relating to Company staff employed in the BancoPosta RFC.

The policy is aligned to (i) BancoPosta RFC's organisational and management model, (ii) the existing organisational structure, (iii) the requirements of BancoPosta RFC's By-laws and Regulation and (iv) the arrangements for banks and banking Groups "with regard to remuneration and incentive policies" pursuant to First Part., Title IV., Chapter 2 of Bank of Italy Circular 285/2013.

Finally, the Board of Directors has approved:

- [Guidelines for the System of Internal Control and Risk Management \(SCIGR\)](#), which define the details of Poste Italiane SpA's System of Internal Control and Risk Management and enable the Board of Directors to pursue the priority objective of ensuring the creation of value in the medium-long term, with due consideration to the nature and level of risk compatible with strategic objectives.
- [Guidelines for the management of conflicts of interest with Related Parties and Associated Entities](#), which (i) define the governance arrangements and rules applying to Poste Italiane, (also with regard to BancoPosta activities), and to

other Group companies in relation to management of operations with related parties and associated entities, as well as (iii) ensure transparency and substantive and procedural propriety in managing operations in which there is a potential conflict of interest.

Such guidelines were prepared in response to the following requirements:

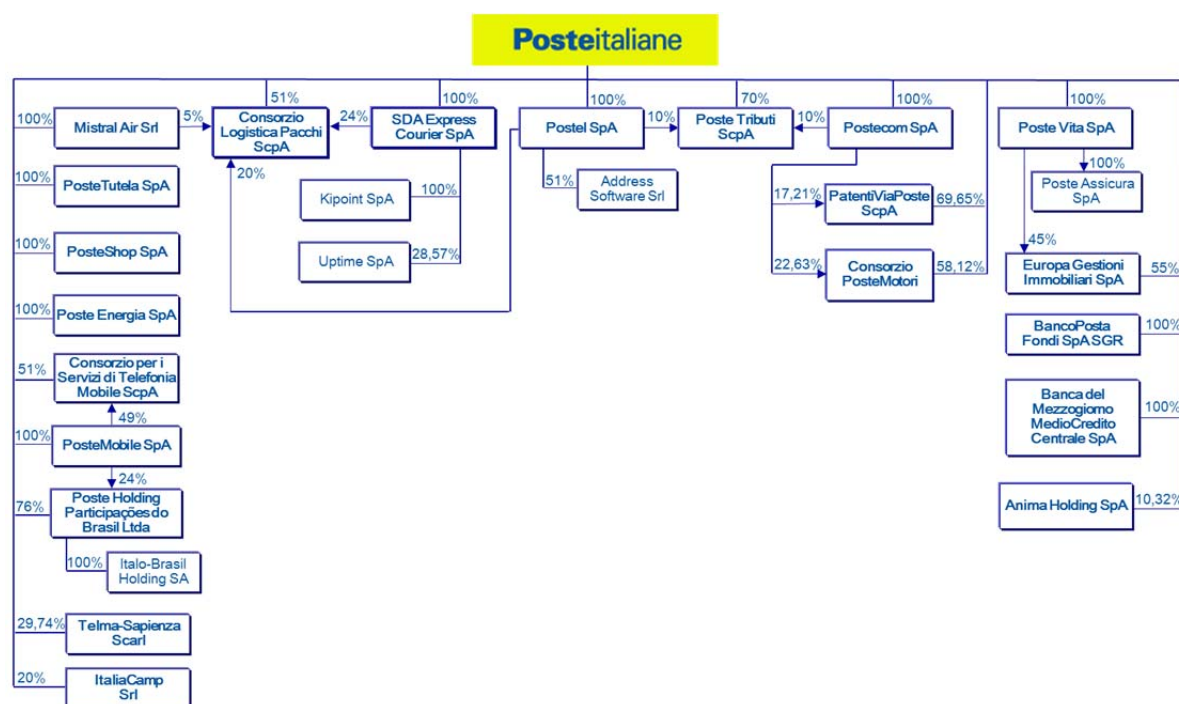
- CONSOB Regulation 17221, “Regulations containing provisions relating to transactions with related parties”, subsequently amended by Resolution no. 17389 of 23 June 2010, with which Poste Italiane is required to comply in view of the listing process;
- Bank of Italy Circular no. 63/06, Title V., Chapter 5, “Risk activities and conflicts of interest in relation to associated entities”, which is applicable to Poste Italiane in respect of BancoPosta operations with related parties of Poste Italiane, other than those included in Section II “Limits of risk activities”.

Full application of such guidelines is foreseen from the date of admission to listing of the Company's ordinary shares on the Italian Stock Exchange. Until such time, only those relating to the Bank of Italy Circular are applicable and, consequently, application of the guidelines is limited to the operations of BancoPosta with related parties and entities associated with Poste.

Information relating to approval of the guidelines for the management of conflicts of interest with Related Parties and Associated Entities will be disclosed to the General Meeting.

2. GROUP ORGANISATIONAL STRUCTURE

STRUCTURE OF THE POSTE ITALIANE GROUP



Consistent with the objectives set out in Poste Italiane's Business Plan, the process of rationalisation of the corporate structure, aimed at achieving business and operational synergies at a Group level, continued throughout the six months ending 30 June 2015,

The following initiatives were taken in the Postal and Business Services operating segment, with a view to creating a single reference point for document management, consolidating all of the activities associated with the integrated logistics process under SDA Express Courier SpA and creating a dedicated technical courier centre able to exploit synergies between the technical competencies in Italia Logistica and the transport network of SDA:

- on 18 February 2015, [PostelPrint SpA](#) acquired 20% of the share capital of [Consorzio Logistica e Pacchi ScpA](#) from [SDA Express Courier SpA](#);
- on 31 March 2015, [Postel SpA](#) entered into a contract to purchase the so-called "Physical Document Management" business of [Italia Logistica](#), with effect from 1 April 2015;
- on 30 April 2015, the merger by incorporation of [PostelPrint SpA](#) into [Postel SpA](#) was completed, with the merger becoming effective from an accounting and tax viewpoint from 1 January 2015;
- on 26 May 2015, [Italia Logistica Srl](#) was merged into [SDA Express Courier](#), with effect from 1 June 2015.

In addition, Poste Italiane SpA committed to provide financial support to the subsidiary companies [Mistral Air Srl](#), [SDA Express Courier SpA](#) (whose results were negatively impacted by the results of [Italia Logistica Srl](#)) and [PosteShop SpA](#).

On 10 July 2015, the Board of Directors of Poste Italiane SpA approved the transfer by the Parent Company of its investment of 100% of the share capital of [Poste Energia SpA](#) to [Europa Gestioni Immobiliari SpA](#). Such transfer, which was designed to support the merger of [Poste Energia SpA](#) into [Europa Gestioni Immobiliari SpA](#), is part of a broader

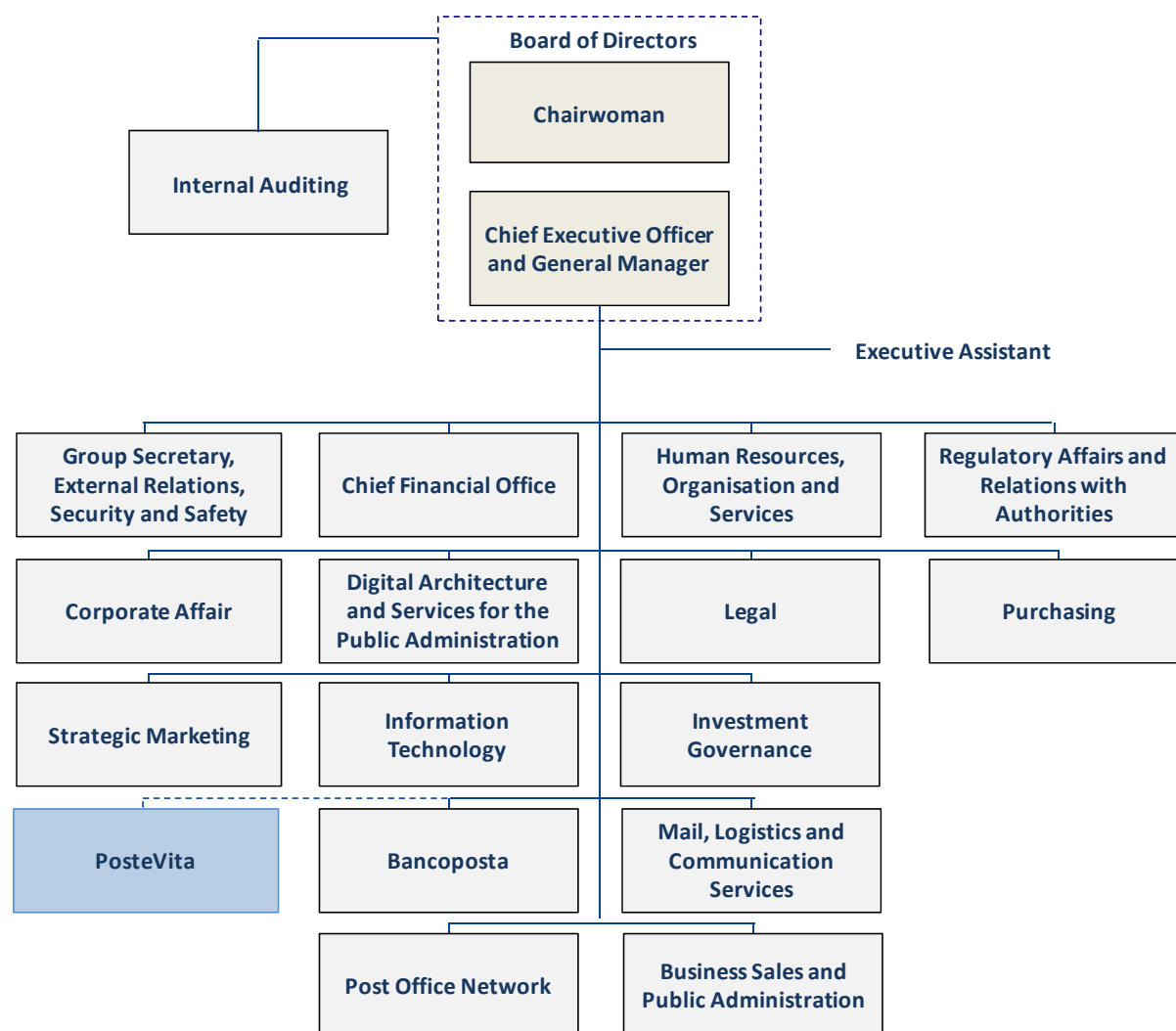
process to bring together property and energy related competencies in a single dedicated company, by pooling the know-how of Europa Gestioni Immobiliari SpA with that relating to the rationalisation and optimisation of procurement of electricity, developed by Poste Energia SpA.

On 25 June 2015, Poste Italiane SpA completed the acquisition of 10.32% of the share capital of [Anima Holding SpA](#) from Monte Paschi Siena SpA (BMPS), for a total consideration of Euro 210.5 million, corresponding to a price of Euro 6.8 per share, broadly in line with the average price recorded by the share on the Milan Stock Exchange during the month prior to the agreement between Poste e BMPS signed in April 2015. The agreement also provided for the involvement of Poste Italiane in the shareholders' agreement that BMPS had entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the share capital of the subsidiary.

Anima Holding SpA is an independent asset manager with around Euro 60 billion in assets managed at the end of 2014 and provides strategic direction and coordination to the Group of the same name, which is one of the main asset management operators in Italy. The operation has a strong operational logic and confirms Poste Italiane's commitment to the managed savings sector which is one of the strategic pillars of the Group's Business Plan.

On 16 April 2015, in order to promote and develop a home grown institutional presence at a national level in support of inclusion and social solidarity policies, the [Fondazione Poste Insieme Onlus](#) (a not for profit social utility organisation) was set up with initial capital of Euro 1 million provided by Poste Italiane SpA. The "Fondazione" will also be able to count on a fund amounting to Euro 1 million per annum to support project activities in the areas of social and health related activities, charity, education, amateur sport, protection of the civil rights of disadvantaged individuals with particular attention being given to children and young people, equal opportunities, families, those with disabilities and the aged. Following assignment of the Board of Directors on 8 July 2015, the "Fondazione" will now commence its activities once it is officially recognised by the relevant competent authorities.

2.1 ORGANISATIONAL STRUCTURE OF POSTE ITALIANE SPA



Work continued throughout the first six months of 2015 on implementation of the Group's organisational and operating model in line with the strategic direction and objectives set out in the 2015-2019 Business Plan. Key initiatives in this regard included:

- definition of the organisational structures of the two commercial functions: Post Office Network and Business Sales and Public Administration. In particular, with regard to the latter, the new model foresees the creation of central and local offices specialised in industry and high value customers, with dedicated account teams including pre-sales and after-sales specialists in addition to sales persons; and
- definition of the structure of the Post, Communication and Logistics function to enable oversight of the integrated planning and management of the logistics process, reinforcing focus on continuous improvement of service quality as well as the development of products and services in line with customer and market requirements;
- creation of the Digital Architecture and Services for the Public Administration function. In the context of ongoing modernisation and the need to provide users with faster and more efficient services, this function is tasked with monitoring all new developments in relation to Italy's digital architecture and helping define Poste Italiane's role in this regard;
- creation of the Group Secretary, External Relations, Security and Safety function tasked with ensuring a single point of control over processes relating to external communication and institutional relations. The scope of the function was

extended to include legislative affairs, Local Communication Services (previously included in Local Affairs within the Private Customer function) and the Safety and Security function.

Further initiatives related to development of various corporate functions including Strategic Marketing, Regulatory Affairs and Relations with Authorities and Legal.

2.1.1 GEOGRAPHICAL PRESENCE

POST OFFICE NETWORK

As part of the ongoing process of rationalisation of the post office network¹, a further 5 offices were closed during the first six months of 2015, with the number of post offices being reduced from 13,233 at 31 December 2014 to 13,228 at 30 June 2015 (including 248 Poste Impresa offices at both dates).

Post offices are classified in terms of their size, commercial potential and range of services, into the following categories: "MiFID qualified with consulting area", "MiFID qualified with no consulting area" and "non-MiFID qualified with no consulting area". Such categories define the greater/lesser complexity of services provided by the three types of office and the qualifications (MiFID/IVASS) held by staff in each of the types of office.

"MiFID qualified with consulting area" offices offer the entire range of Group products and are for the main part located in the Regional/Provincial capital towns or cities and other densely populated municipalities and have one or more (up to a maximum of 4) consulting rooms used for meeting with customers.

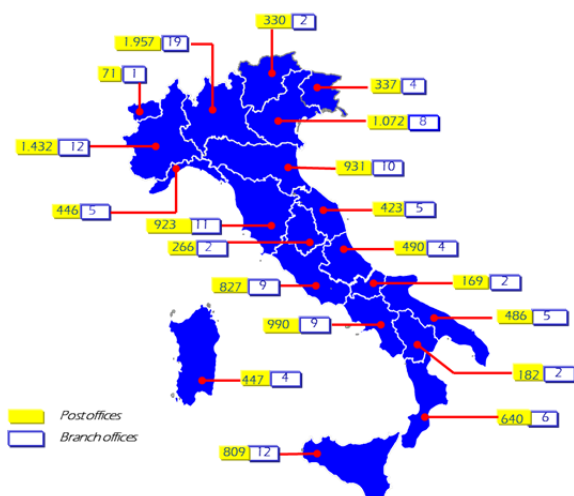
"MiFID qualified with no consulting area" offices have a lighter structure (they are typically smaller with fewer counters) and are present throughout the country in municipalities with lower population density. These too offer the entire range of Group products.

"Non-MiFID qualified with no consulting area" offices typically have one or two counters and are tasked with ensuring the level of coverage foreseen by the Universal Postal Service and are located almost exclusively in small municipalities and sparsely populated communities. Such offices offer the most widespread services (including payment by payslip, F24 tax forms, mail and parcel services, postal savings etc.) while more complex services are offered to customers through specialised vendors who operate by appointment in a number of post offices.

In line with the organisational changes introduced at the end of 2014, the following actions have been taken in the Private Customers area:

- the process to try-out the "new retail service model" in 900 post offices throughout Italy has been initiated: trials are foreseen in three phases, each involving 300 offices, and are expected to be completed by the end of December 2015. The new service model is based on greater customer focus, to be achieved through having dedicated post office staff responsible for welcoming customers and providing guidance and assistance as required, as well as consultants specialised in the needs of the various types of customer;
- the network of Specialist Commercial Financial Promoters, comprising individuals qualified to promote and place certain investment products and services, was further expanded (182 at 30 June 2015);
- in line with the PosteShop Evolution project, greater focus has been placed on development of the on-line sales channel which has now almost entirely replaced the physical network of Shops; and
- the 7 "Spazio Filatelia" outlets have been moved under the responsibility of the (geographically) nearest branch office in order to guarantee a comprehensive and rapid response to network and customer requirements.

¹ Post offices are classified with respect to their business operations into central, reporting, standard, basic and PostImpresa offices.



POST, COMMUNICATION AND LOGISTICS

Key initiatives implemented during the first six months of 2015 were aimed at further consolidation of the Post, Communication and Logistics function and completion of a series of actions initiated in 2013-2014.

In particular, among the various steps taken to further standardise delivery processes, the “Operational compliance and delivery standardisation” project, already rolled out in the North-eastern, Central 1, North-Central, Southern 2, Southern 1 and North-West Logistics Area Offices, was extended to include the metropolitan area of Rome. The aim is to improve operational standards at Distribution Centres and improve staff knowledge of processes, through preparation and use of a “Distribution Centre Manual”. In terms of initiatives aimed at improving the quality of performance, monthly monitoring of a series of operational objectives has been introduced, enabling top-down review of indicators at an organisational unit level (Primary, Secondary Distribution Centre/Decentralised Distribution Centre level),

Certain initiatives were also taken to reconsider aspects of the customer assistance model with a view to creating specific services for the various segments. These included activities in support of the new management model being experimented in relation to unsuccessful deliveries that allow the addressee of registered mail to contact a dedicated toll-free number to agree delivery details, in cases where previous attempts to deliver have been unsuccessful. The objective of such experiments is to reduce the level of undelivered mail through alternative delivery procedures, aimed at increasing customer satisfaction.

Further steps were also taken in various areas in relation to the gradual insourcing of delivery activities.

With reference to the Parcel Logistics Integration Plan, following completion of the insourcing of activities transferring responsibility for the delivery of Poste Italiane branded parcels weighing up to 3 kg to postmen and women (in relation to shipments to and from the 49 provinces covered by the Plan), trials have been initiated with a view to increasing the weight limit for the parcels distributed by postmen and women to 5 kg. In terms of related capital investment, the corporate vehicle fleet has been increased by 335 4-wheel drive vehicles.

Finally, reorganisation of the Logistics Network in line with the National Agreement, signed with the unions on 28 February 2013, was completed during the period with the conversion of the Brescia and Venice Sorting Centres into Priority Centres.

Distribution of Logistics Areas ²

Distribution of Postal Network Centres



at 30 June 2015

	Sorting Centres	Priority Centres	Logistics Support
Piedmont-V. Aosta - Liguria	2	1	-
Lombardy	2	1	-
Triveneto	2	2	-
Emilia Romagna - Marche	2	-	-
Tuscany - Umbria	1	2	-
Lazio - Abruzzo - Molise - Sardinia	2	1	2
Campania - Calabria	2	-	-
Puglia - Basilicata	1	-	-
Sicily	2	-	-
TOTAL	16	7	2

² As part of the activities to consolidate the organisational structure of the Post, Communication and Logistics function, the ex-Territorial Logistics Areas were renamed Logistics Areas

2.2. DISTRIBUTION CHANNELS

2.2.1 RETAIL/SME

During the first six months of 2015, work continued on improvements to the organisational and commercial management of the retail and business segments. In addition to “new retail service model” trials, described in the section on Poste Italiane SpA’s organisational structure, the use of electronic forms for the main over-the-counter financial transactions was extended throughout the network of “MiFID qualified with consulting area” offices (approximately 3,800 at 30 June 2015) and 900 single-operator post offices.

In addition, commercial and sales activities relating to financial services were simplified by the installation of “New Front-End Postal Savings Book” and “New Front-End Postal Certificate” applications in around 4,300 post offices, which enable the automated management of the process of opening Postal Savings Books and related services and emission of virtual Interest Bearing Postal Certificates. New functionality has also been added to the “New Commercial Front-End” application, which supports customer management and is used in the management of BancoPosta Più and BancoPosta Click current accounts (account opening, transfer, new services). The application, which was introduced at the end of 2014, has been rolled out to all post offices.

The number of Specialist Commercial Financial Promoters was increased during the period (from 129 at 31 December 2014 to 182 at 30 June 2015) as was the number of Consulting Rooms which increased from 4,847 at 31 December 2014 (a total of 5,027 rooms had been authorised³ at the end of 2014) to 4,994 at 30 June 2015 (with a total of 5,054 rooms authorised up to 30 June 2015).

Extension of the national ATM network continued during the period, (with approximately 7,212 ATMs in operation at 30 June 2015) and new separate “Postamat lines” were created in certain post offices. At 30 June 2015, 2,776 post offices have separate Postamat lines (2,759 at 31 December 2014), with a total of 3,905 counters reserved for BancoPosta current account holders (3,899 at 31 December 2014).

Poste Italiane’s development of its mobile telephony business continued during the period, with the number of PosteMobile corners inside post offices being increased. At 30 June 2015, 335 of the 338 corners installed were in operation (319 corners in operation and 338 installed at 31 December 2013).

In addition, in order to provide improved support to customers seeking insurance cover and savings products, additional insurance corners, staffed by personnel with expertise in non-life insurance products, were set up (59 at 30 June 2015 compared with 41 at 31 December 2014).

Finally, the “New queue management system”, was installed in 24 post offices; the system offers new functionality including the option to book a ticket (join the queue) using an app and the option to choose an operating model that enables calling tickets with longer waiting times

During the period, further actions were also taken to improve the commercial effectiveness and sales network management of the business sales channel; these included optimisation of pre-sales activities through the introduction of “personalised” solutions and definition of the criteria to be used in structuring and allocating customer portfolios as well as provision of ongoing support to the relevant local offices and assistance with organising sales activities.

³ Authorised consulting rooms refer to rooms which exist, to which staff have not yet been assigned

2.2.2 BUSINESS AND PUBLIC ADMINISTRATION

During the period, a new Business and Public Administration customer management model was introduced, based on the following principles:

- adoption of differentiated approaches, depending on characteristics and current and potential value of customers (large, medium or small);
- creation of a central and local business model, specialised by industry, for large and medium sized customers in order to maximise the effectiveness of sales and marketing activities through sales force specialisation and guarantee appropriate pre and after-sales levels of services;
- development of market potential through focused commercial partnerships; and
- consolidation of the role of local offices as key agents of business development, through the creation of account teams able to meet the requirements of large and medium sized customers at all stages of the process (pre-sales, sales and after-sales)

2.2.3 CONTACT CENTRE AND THE INTERNET

During the period, the Poste Risponde Contact Centre handled approximately 11.8 million contacts (10.2 million in the corresponding period in 2014), of which 85% relating to the captive market. The main services provided in support of internal Group activities related to:

- retail customer-relationship management regarding financial, postal and internet-related matters;
- assisting the post office network with enquiries regarding regulations, operations and product and service support;
- after-sales services and assistance to post offices regarding Poste Vita, Poste Assicura and Poste Mobile products and PosteShop customer care.

The web distribution channel run by Postecom, via the www.poste.it and other dedicated web portals, provides access to online services for around 12 million retail and business customers (11.3 million at 31 December 2014), operating as a direct end-to-end sales channel and providing support to other channels.

During the period, in addition to updating and developing the portal, Postecom implemented a series of initiatives aimed at improving the Group's online offering. The most significant of these was the graphic and functional restyling of the Poste.it and Postepay.it websites, enabling mobile navigation through responsive design.⁴ In addition, functionality to support payment of F24 tax forms was extended to the Bancopostaonline.poste.it and Bancopostaclick.poste.it portals, which can now be used to complete the forms on-line, with payment being made subsequently in post offices. The Postevita.it portal was also updated through graphic restyling to enable mobile navigation and activation of the service to manage PosteID codes.

⁴ Responsive web design (RWD) is an approach to web design aimed at creating sites that adapt automatically to the device on which they are viewed (including computers with various screen resolutions, tablets, smartphones, cellular phones, web-tv) reducing to a minimum the need for user resizing, panning, and scrolling

3. GROUP FINANCIAL REVIEW

In January 2014 Poste Italiane was added to the list of companies to be privatised. The plan drawn up by the MEF envisages the sale of up to a 40% interest via a public offering of shares to Italian private investors and/or Italian and international institutional investors and the necessary steps have been taken to appoint legal and financial advisors for the transaction and banks to act as global coordinators.

With a view to the listing, special teams have been set up to assess and address all aspects of the sale.

In view of its strategic importance, listing marks a major opportunity for the Company and will have a significant impact on Poste Italiane's governance, on its core business operating processes and on its Business Plan, which foresees the Group strengthening its position in the sectors in which it currently operates by leveraging three key aspects: quality, technology and innovation.

3.1 MACROECONOMIC, MARKET AND REGULATORY ENVIRONMENT

The early months of 2015 saw moderate growth in the global economy with varying prospects for the various geographical areas; global trade grew less than expected, in large part due to the fall in demand for imports on the part of the major emerging economies.

The rate of growth picked up in the industrialised nations, helped by falling commodity prices and expansionary monetary policies (in particular in the Eurozone), whereas it slowed down in developing countries, although their growth is generally more structurally sound than that of the industrialised countries.

Among the industrialised nations, despite some contrasting results in the early part of the year, the United States recorded a positive upturn in economic activity for the sixth consecutive year; the UK economy also performed well thanks to positive internal demand sustained by expansive fiscal policy. Following a period of stagnation in 2014, the Japanese economy enjoyed modest growth.

In the developing countries, the Chinese economy recorded a further slowdown in growth as a result of lower exports. Such slowdown in growth is also affecting those countries whose economies are heavily dependent upon exports of energy products, in particular the OPEC countries. The situation in Russia remains particularly difficult, where the economy has suffered the combined effects of a fall in oil exports, a decline in the value of the Rouble and the effects of international trade and financial sanctions imposed by Western economies. The slowing down of these economies has only been partially offset by the positive performance of other countries such as India and certain Asian countries.

Recovery seems to be underway throughout the Eurozone where consumer and business confidence have increased thanks to both internal and external factors which are benefitting the economy, including depreciation of the Euro, the fall in oil prices and the ECB's expansionary monetary policies. Recovery is also confirmed by the Composite Leading Indicators, (a set of indicators whose changes tend to precede changes in the overall economy, published by the OECD in June of each year) which show a strengthening of growth in the Eurozone.

The financial crisis in Greece, however, continues to be an unknown for the European Union. During the first half of July negotiations between the Greek government and EU representatives led to the first signs of an agreement whereby the situation would be resolved by unblocking of international loans leading to resolution of the liquidity crisis in the Greek banking system, in exchange for the implementation of strict public expenditure containment measures.

The Italian economy also started to benefit during the first six months of 2015 from a combination of positive factors; the reduction in energy costs has started to free up resources which, allied with the low cost of money, are likely to convince consumers and business to increase consumer and investment spending. After three years of decline, GDP is starting to grow. Consumption has not yet fully recovered and consumers remain prudent, however, recovery appears to be

underway although it has not yet reached all areas of the economy. The upturn in the economy is also reflected in an increase in the number of people in employment and a modest increase in the rate of inflation.

THE POSTAL SERVICES MARKET

Against this backdrop of modest economic recovery in the Eurozone, the principal European postal operators saw a continuing reduction in volumes of correspondence during the first six months of 2015.

Volume reduction is happening at different rates in the various countries, depending on the degree of internet penetration, the intensity of public and private sector e-invoicing and e-billing initiatives, the degree of market competition and liberalisation, the degree of demand elasticity to price changes and other macroeconomic factors.

In this regard, a number of national regulators are looking at the possibility of making changes to the regulations governing postal services, with a view, on the one hand, to safeguarding the sustainability of the Universal Service supplied by public providers and, on the other, to opening up the market to greater competition.

In Italy, where the reduction in volumes since 2007 has been the highest of all the main European operators, the recent decisions of AGCom (the Italian Communications Authority) in relation to provision of the Universal Postal Service enable the Company to proceed with its plans for transformation of the postal service, seen as being necessary to provide an effective service and meet requirements in the digital age.

POSTAL SECTOR REGULATION

The Contratto di Programma (Planning Agreement) regulates relations between the Ministry for Economic Development and Poste Italiane regarding provision of the Universal Postal Service.

In accordance with the survival-of-terms provision contained in art.16, paragraph 3 of the expired Planning Agreement for 2009-2011 and confirmed by article 1, paragraph 274 of the 2015 Stability Law (Law 190 of 23 December 2014), the Planning Agreement for 2009-2011 remains valid until approval and entry into force of the new Planning Agreement covering the five year period 2015-2019.

The 2015 Stability Law, which came into effect from 1 January 2015, includes a series of provisions of significance for the Company, some of which amend Legislative Decree 261/99. Specifically, the Law:

- reintroduced ordinary mail as a basic non-bulk mail service and defined priority mail as a non-bulk express mail service;
- reset Universal Service delivery targets to within four working days of posting, except for priority mail, where the requirement continues to be delivery within one working day;
- established that the revision of quality targets and Universal Service tariffs by the regulator (AGCom - the Italian Communications Authority) must take place within 60 days of submission of the Company's proposal;
- granted the option of delivering mail on alternate days, in the event of particular infrastructural or geographical situations in areas with a population density of less than 200 inhabitants per km², and, in any case, up to a maximum of one quarter of the population (instead of one eighth);
- (in implementation of relevant European legislation and without prejudice to decisions made by AGCom), foresaw the possibility that the Planning Agreement may provide for the introduction of additional measures regarding the form and frequency of nationwide service provision, in order to bring the service into line with users' actual requirements and guarantee the sustainability of the Universal Service;
- established that Planning Agreements for periods after the 2012-2014 regulatory period shall have a duration of five years and confirmed that the Planning Agreement for the period 2015-2019 would be approved and notified to the European Commission by 31 March 2015; and set government compensation for the Universal Service obligation at a maximum of €262.4 million per annum with effect from 2015, without prejudice to the results of AGCom's assessment of the net cost of the Universal Service.

The draft of the 2015-2019 Planning Agreement incorporating the above provisions (as contained in the 2015 Stability Law), was sent to the Ministry for Economic Development (MISE) in January 2015. Following subsequent discussion between the parties, on 3 July 2015, a definitive version of the Planning Agreement for 2015-2019 was agreed with the MISE and forwarded to MEF and AGCom for their advisory opinions. Such advisory opinions were acquired by the MISE on 16 and 17 July 2015 and, on 24 July 2015, MISE then forwarded the draft to the Chamber of Deputies to obtain the non-binding opinions of the relevant Parliamentary Commissions, which require to be given within 20 days of receipt. At the end of such period, the Planning Agreement can be signed.

With regard to the necessary review of the Planning Agreement by the European Commission in relation to EU legislation on state aid, the relevant notification is currently being prepared by the MISE.

Following the entry into force of the 2015 Stability Law, the Company forwarded two proposals to the Authority with which it:

- requested authorisation to deliver mail on alternate days; and
- proposed new quality objectives and new universal postal delivery tariffs.

Through Resolutions [163/15/CONS](#) and [164/15/CONS](#) respectively, AGCom submitted both documents for public consultation on 27 March 2015.

With Resolution [163/15/CONS](#), AGCom launched the “Public consultation on the introduction of a model with alternate day delivery of mail sent under the universal service”; the document (Annex 1 to the Resolution) contains the Authority’s considerations on the merits of Poste Italiane’s request for authorisation. The Company sent its own contribution to the consultation on 4 May 2015.

On 20 July 2015, AGCom adopted Resolution [395/15/CONS](#) approving the introduction of a model with alternate day delivery of mail sent under the universal service. Specifically, the Authority defined the criteria to identify the municipalities affected by the new model, based on the particular geographical and infrastructural circumstances that define mail delivery in Italy. Actual introduction of alternate day delivery (with delivery to take place on Monday-Wednesday-Friday-Tuesday-Thursday in a given two-week period) will take place in three successive phases starting in October 2015, April 2016 and no sooner than February 2017 respectively and will in total affect up to a maximum of one-quarter of the Italian population.

The Resolution regarding the new model of alternate day delivery of mail, will require to be submitted to the European Commission.

The Authority can restrict or enforce corrective measures on the phases following the first phase, whether in respect of matters notified by the European Commission or to correct problems identified during the monitoring process. Poste Italiane will require to transmit quarterly reports to the Authority including detailed information on cost savings achieved, problems encountered and the impact on users. In addition, an annual report is to be sent both to the Authority and to the European Commission providing summary details of each implementation phase of the model.

Following implementation of the new delivery model, from February 2018 onwards, the Authority will review and consider the existence of conditions to extend authorisation to proceed with the model, based on issues encountered during the overall implementation of the model and the consistency of results achieved with those foreseen in Poste Italiane’s Business Plan.

With regard to regulation of universal service tariffs, in addition to reintroducing a universal ordinary postal service, the 2015 Stability Law codified principles aimed at safeguarding the sustainability of the Universal Service, even in the event of falling volumes in the future and considering also the level of resources available to fund it.

Based on such principles and following review of the Company’s proposal, (proposal initially made by the Company on 9 January 2015 and subsequently included in the proceedings through a note dated 5 May 2015) AGCom adopted

Resolution [396/15/CONS](#), introducing certain modifications to Resolution 728/13/CONS which governed the price of services falling within the scope of the universal service obligation.

The Resolution effectively adopted the Company's proposal regarding the new architecture of the universal service (in terms of both prices and service levels).

Of the most important measures, the Authority revisited definitions in order to adopt the new service architecture and as a result, change the areas of application of the various obligations.

In terms of price regulation, the Resolution transfers the safeguard. cap mechanism from priority mail to ordinary mail, allowing Poste to anticipate to 1 October 2015 the option to charge the maximum price of Euro 0.95 (price for national retail first attempted delivery). The mechanisms linking changes in the price for subsequent delivery attempts and international and on-line products to changes in the price for national retail first attempted delivery have been substituted by more flexible criteria relating to accessibility, equity, reasonableness and non-discrimination. Future movements in the price of ordinary mail see Poste able to change prices during the period from 1 January 2017 until the end of the 2015-2019 Planning Agreement with adjustments on an at least annual basis, inversely proportional to movement in volumes.

With regard to priority mail, Poste Italiane's sole obligation is to charge equitable, reasonable and non-discriminatory prices. However, in the event in which quality obligations are not respected, AGCom can impose different prices for different levels of service and automatic compensation mechanisms.

With regard to service quality, the 80% delivery target for priority mail relates to each of the following scenarios: (i) both despatch and delivery in municipalities not subject to alternate day delivery; (ii) either despatch or delivery in municipalities subject to alternate day delivery; and (iii) both despatch and delivery in municipalities subject to alternate day delivery; The overall reliability target is calculated as 98% arriving within 4 days of despatch.

For other products regulated by the Resolution (ordinary mail, bulk mail, registered mail, insured mail and ordinary parcels) the delivery target is fixed at J+4 for 90% of items despatched and the reliability target (not applicable to ordinary parcels) is set at J+6 for 98% of despatches.

Following completion of a procedure initiated in 2013 and to which Poste Italiane had contributed, on 11 March 2015, AGCom adopted Resolution [129/15/CONS](#) approving the "Regulation regarding qualifications required to offer postal services to the public" (Annex A to the Resolution) which came into force on 24 March and sets out the conditions (requirements and obligations) for the issue of an individual licence and general authorisation by MISE.

On 27 May 2015, the company Nexive SpA and the 'AICAI (Italian International Air Couriers Association) challenged the Resolution before the Regional Administrative Court of Lazio (also notifying Poste Italiane as an interested party), with particular regard to the subjection of those in possession of general authorisation to the obligation to contribute to the USO compensation fund, on the basis of them earning revenue from the sale of services considered to be in alternative to the universal service. On 27 June 2015, Poste Italiane deposited its brief with the Regional Administrative Court of Lazio in relation to the challenge made by AICAI.

On 31 October 2014, AGCom issued Resolution [564/14/CONS](#), launching a procedure designed to define the legal and financial terms and conditions relating to the return to other operators of mail items that are despatched by such other operators and end up in the Poste Italiane network⁵. The launch of the investigation was justified by the large number of such items, and certain difficulties involved in negotiating the related agreements for their return. The period set for the procedure was 120 days from the date of publication of the Resolution, unless any justified extensions were subsequently granted following requests for information. Subsequently, on 12 May 2015, AGCom issued Resolution [287/15/CONS](#),

⁵ Article 18 of the General Terms and Conditions of Service (Resolution 385/13/CONS) only regulates the recovery of such items, referring the definition of the terms and conditions for their return to an agreement between operators, and only provides for the regulator's intervention in the event of the failure to reach agreement.

initiating a public consultation on the definition of the legal and economic conditions for the return of items that are despatched by other operators and end up in the postal network. Poste Italiane deposited its contribution to the consultation on 6 July 2015.

On 26 January 2015, the MISE issued a Decree regarding *Calculation and procedures for the payment of contributions by postal operators to the Autorità per le Garanzie nelle Comunicazioni (AGCom) for the years 2012, 2013 and 2014* (published in Official Gazette no. 30 of 6 February 2015), regarding the contribution that all postal service operators are obliged to pay to AGCom to fund the regulator's activities, in accordance with the provisions of Legislative Decree 261/99, art. 2, paragraph 14, letter b).

The Decree established the following levels of contribution:

- for 2012, 0.055% of total revenue reported in the 2010 financial statements;
- for 2013, 0.056% of total revenue reported in the 2011 financial statements;
- for 2014, 0.068% of total revenue reported in the 2012 financial statements (art. 1, paragraphs 1-3);

and also specified that, pursuant to art. 2, paragraph 14, letter b), of Legislative Decree 261/99, the amount of revenue for the Universal Service provider is determined net of the Universal Service cost and income from services assigned on an exclusive basis by art. 4 of the Decree.

In cases where one company controls or coordinates the activities of another, even through commercial relations within the same Group, each company is obliged to pay an independent contribution based on the revenues reported in its own financial statements (art. 1, paragraph 6).

On 27 February 2015, AGCom published instructions regarding contribution payment procedures on its website. The contributions for 2012 and 2013 were to be paid by 30 March 2015, while the contribution for 2014 was to be paid by 30 June 2015. On 30 March 2015, Poste Italiane paid the contributions due to the Authority for 2012 and 2013.

Payment of the contribution for 2014 has been suspended following the decision of the Regional Administrative Court of Lazio, in response to the challenge made by AICAI and certain postal operators to have the related Decree annulled, to suspend its effect. The hearing on the merits of the challenge has been scheduled for 13 January 2016.

On 11 March 2015, AGCom issued Resolution [121/15/CONS](#), initiating a procedure aimed at measuring and reducing administrative costs relating to reporting requirements in the Authority's area of responsibility. The period set for the procedure is 180 days from the date of publication of the Resolution on the Authority's web-site, unless any justified extensions are subsequently granted. At the Authority's request, Poste Italiane has sent an initial written brief to the Authority.

Finally, with regard to further initiatives aimed at modifying postal sector regulation, article 18 of bill no. 3012 "Annual Law on the market and competition", presented by the Government in June 2015 foresees the annulment, from 10 June 2016, of article 4 of Decree Law 261/99 which attributes to Poste Italiane (in its role as universal service provider) exclusive responsibility for delivery by mail of legal notifications and communication of traffic violations.

FINANCIAL MARKET TRENDS

Deflationary pressures in the Eurozone and the ongoing credit crunch led the ECB to intervene in the markets through further quantitative easing measures. Specifically, the beginning of March saw the launch of the Public Sector Purchase Programme which consists of combined monthly purchases by the ECB of Euro 60 billion in public and private sector securities, until September 2016 (an injection of around Euro 1,100 billion liquidity into the system). The initial effects of such increase in liquidity were to reduce returns on government securities and further reduce interest rates. Italian sovereign debt also benefited from this situation, with the spread between 10-year Treasury Bonds (BTPs) and Bunds,

which had been relatively constant at below 160 basis points, reaching very low levels of around 90 basis points in March 2015. The ECB's expansionary policies also limited the negative effects of the worsening of the financial crisis in Greece; during the first weeks of July, following a referendum confirming Greece's decision not to accept the initial requests of international creditors, a new plan was agreed to support the Greek economy, deferring worries of Greek withdrawal from the Eurozone.

THE ITALIAN BANKING SYSTEM

The deposits of resident savers in Italian banks decreased during the first six months of 2015; deposits at May 2015 were approximately Euro 1,704 billion, a reduction of 1.4% with respect to the previous year. Such negative performance is explained by a fall in the level of bonds that was only partially offset by an increase in customer deposits. Funding costs (deposits, bonds and repurchase agreements) continued their downward trend during the period; the average cost of customer deposits at May 2015 was 1.33%, compared with 1.50% at December 2014 and 1.74% at May 2014.

Although there are signs of improvement in the second half of the year the difficult economic situation and related weak demand have had a negative effect on bank lending which continued to fall during the first six months of 2015, with total lending (excluding interbank lending) of around Euro 1,815 billion at May 2015, compared with Euro 1,834 billion at May 2014. The level of bad debts in the Italian banking system increased during the first six months of 2015 compared to 2014, reaching Euro 192 billion at April 2015, an increase of around 15% compared to the previous year. In April 2015, bad debts represented around 10% as a percentage of investments (the highest level since 1996), whereas at the end of 2007, prior to the start of the international financial crisis, they represented around 2.8%. The average rate applied to consumer and business loans decreased in early 2015, settling at around 3.44% in May 2015, compared with 3.65% in December 2014 and 3.85% in May 2014.

THE INSURANCE MARKET

The [life insurance](#) market continued to grow significantly during the first six months of 2015, increasing by more than 20%; this result is even more significant when it is considered that 2014 was a record year in terms of premiums collected.

New contracts increased by less (around 8%) than the market as a whole, confirming the trend towards single payment policies, with the average premium on subscription up to Euro 30 thousand from Euro 27 thousand at the end of the first six months of 2014. Single payment premiums accounted for almost 96% of total new collections during the period; while this was broadly in line with the level in 2014 (95%), the make-up of such premiums was very different compared to the past. Premiums from Class III policies, (index-linked and unit-linked products where investment risk remains with the policy-holder), grew by almost 80% as compared with a reduction of around 3.5% in the strictly insurance-type Class I policies. In terms of premiums collected, Class III products accounted for approximately around 42% of the total during the first six months of 2015. Such shift in products has seen the relative share of insurance/investment policies increase with respect to the more straightforward traditional insurance policies. Classic unit-linked products account for almost 91% of total Class III revenues. This shift in products sold is in part the result of the particular nature of the current national and international economic situation which has pushed both customer demand and insurance company supply to look for potentially more efficient forms of investment. The availability of so-called "multiramo" products has certainly contributed to this as they allow customers to combine traditional (separately managed) and unit-linked components. While official figures relating to this type of collection are not available, the significant commercial activity demonstrated by companies during the early part of 2015, suggest that this type of product offering, providing as it does an acceptable balance between certainty and return on investment, is contributing significantly to the changing mix of new premiums collected.

While representing a limited share (1.5%) of total premiums collected, more strictly insurance-type policies (pure risk insurance and pension plans) accounted for almost 25% of new policies underwritten during the first six months of 2015. Obviously the real value of such policies, with recurring premiums being collected over the long or very long term, is not in the premiums collected during the year the policy is issued, (which given the nature of the policies is obviously low), but in their intrinsic economic and marketing value, which provides companies both with recurring premium-related income and the opportunity to build an ongoing long-term relationship with customers and their families. Pension related collections were in contrast to the trend seen for other products in this segment; indeed, after years of growth, there was an almost zero increase in the number of policies sold during the first six months of 2015.

During the first quarter of 2015, the **non-life** market, with a total portfolio of around Euro 9 billion, saw a reduction in total premiums collected of around 1.8% with respect to the same period in the previous year. Such reduction was largely due to results in the automobile insurance market which, with premiums collected of Euro 4.5 billion, saw collections decrease by 5.7% with respect to the same period in the previous year. Other branches of the non-life market, accounting for Euro 4.5 billion in premiums, continued to generate positive results, achieving a growth rate consistent with that recorded in the first quarter of 2014 (+2.5%).

Agencies continue to be the main distribution channels, placing around 78.8% of the non-life portfolio (80.3% at the end of the first quarter of 2014); the share sold through bank and postal counters was around 4.5%, an increase with respect to the 3.8% recorded in the first quarter of 2014. Direct sales (telephone and internet) accounted for 9.3% of products sold, (9.1% during the first quarter of 2014)

THE MOBILE VIRTUAL NETWORK OPERATOR (MVNO) MARKET

The performance of the mobile telephony market during the first six months of 2015 was broadly in line with that seen during 2014, with an overall reduction in the total number of lines, as a result of the reduction in MNO (Mobile Network Operator) lines being only partially offset by the increase in MVNO (Mobile Virtual Network Operator) lines.

In terms of gross additions, the period recorded an increase of around 3% with respect to the previous year, an improvement on previous months, albeit with an increasing churn rate for the main operators.

Overall, the revenue trend in the sector remained negative, although better than in previous quarters, with all of the major operators seeing a reduction in revenue from traditional services, which has not yet been fully compensated by a consistent increase in revenue from value added services, (in particular, data traffic exploiting the rapid expansion of the 4G LTE network). A snapshot of the market shows that operators have rationalised their service offerings, choosing to invest in the convergence of fixed and mobile network services and the introduction of content and services to support business proposals aimed at exploiting (4G, LTE Advanced) network speed and quality.

A review of competition in the market during the first six months of 2015 confirms that, as in the second half of 2014, the main market operators have maintained stable pricing policies aimed at preserving revenues and margins.

In the consumer market, it appears that the key objective of the main operators is no longer to simply increase their customer base but rather to improve customer satisfaction through improved Customer Relationship Management and upselling.

In the business market, the key objective of the main operators is to participate in the digital transformation of Italian companies in all areas of business, including the public sector.

In this context, PosteMobile has continued to develop its competitive position by leveraging its capacity to develop payment “ecosystems” and position itself as enabler of Italian mobile digitalisation. Indeed, PosteMobile continues to be an example to other companies, achieving both constant growth of its customer base (3.5 million lines at 30 June 2015, compared with 3.3 million at the end of 2014) and improvement in its key economic indicators.

3.2 GROUP OPERATING RESULTS

Notwithstanding the expected reduction in postal sector revenues, the Group's operating results during the first six months of 2015 were positive, with Operating profit reaching Euro 638 million, an increase of 26.1% with respect to the corresponding period in the prior year (Euro 506 million) and Profit for the period of Euro 435 million (Euro 222 million for the first six months of 2014).

Revenues in the Financial Services segment increased with respect to the first six months of 2014 (Euro 2,680 million in the first six months of 2015 compared with Euro 2,665 million in the first six months of 2014) with contribution to Operating profit up 48.6% on the corresponding period (Euro 468 million for the first six months of 2015 compared with Euro 315 million for the same period in 2014).

The results achieved by the Insurance Services segment were also positive, with Poste Vita SpA generating Euro 9.4 billion in insurance premiums collected (compared with Euro 8.2 billion in the corresponding period in 2014).

Consolidated statement of profit or loss

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
<i>millions of Euro</i>				
Revenue from sales and services	4,593	4,390	(203)	(4.4)
Insurance premium revenue	8,249	9,474	1,225	14.9
Other income from financial and insurance activities	2,063	2,055	(8)	(0.4)
Other operating income	53	31	(22)	(41.5)
Total revenue	14,958	15,950	992	6.6
Cost of goods and services	1,278	1,233	(45)	(3.5)
Net change in technical provisions for insurance business and other claims expenses	9,584	10,385	801	8.4
Other expenses from financial and insurance activities	54	311	257	n/s
Personnel expenses	3,031	2,983	(48)	(1.6)
Depreciation, amortisation and impairments	342	289	(53)	(15.5)
Capitalised costs and expenses	(10)	(12)	(2)	20.0
Other operating costs	173	123	(50)	(28.9)
Total costs	14,452	15,312	860	6.0
Operating profit/(loss)	506	638	132	26.1
Finance income	141	88	(53)	(37.6)
Finance costs	129	61	(68)	(52.7)
Profit/(loss) on investments accounted for using the equity method	(1)	-	1	n/s
Profit/(loss) before tax	517	665	148	28.6
Income tax expense	295	230	(65)	(22.0)
Profit for the period	222	435	213	95.9

n/s: not significant

Total revenue generated by the Poste Group during the first six months of 2015 amounts to Euro 15,950 million, an increase of 6.6% with respect to the corresponding period in 2014; in addition to the positive performance of the Insurance business, which generated total revenue of Euro 11,209 million (Euro 10,109 million during the first six months of 2014), this was due to the increased revenue of the Financial Services segment which increased from Euro 2,665 million in the first six months of 2014 to Euro 2,680 million in the first six months of 2015 and Other Services. These positive results more than compensated for the lower revenue generated by the Postal and Business Services segment

which decreased from Euro 2,073 million during the first six months of 2014 to Euro 1,938 million in the first six months of 2015.

Revenue by operating segment for the six months ended 30 June

	Total revenue		Increase/(decrease)	
	2014	2015	Amount	%
(millions of Euro)				
Postal and Business Services	2,073	1,938	(135)	(6.5)
Financial Services	2,665	2,680	15	0.6
Insurance Services	10,109	11,209	1,100	10.9
Other Services	111	123	12	10.8
Total Poste Italiane Group	14,958	15,950	992	6.6

After consolidation adjustments and elimination of intercompany transactions.

The following table provides further details in relation to revenue and income.

	Revenue from sales and services			Insurance premium revenue			Other income from financial and insurance activities			Other operating income		
	2014	2015	% inc/(dec)	2014	2015	% inc/(dec)	2014	2015	% inc/(dec)	2014	2015	% inc/(dec)
for the six months ended 30 June (millions of Euro)												
Postal and Business Services	2,026	1,909	(5.8)	-	-	-	-	-	-	47	29	(38.3)
Financial Services	2,457	2,359	(4.0)	-	-	-	203	320	57.6	5	1	(80.0)
Insurance Services	-	-	-	8,249	9,474	14.9	1,860	1,735	(6.7)	-	-	n/s
Other Services	110	122	10.9	-	-	-	-	-	-	1	1	n/s
Total Poste Italiane Group	4,593	4,390	(4.4)	8,249	9,474	14.9	2,063	2,055	(0.4)	53	31	(41.5)

n/s: not significant

Total revenue generated by Postal and Business Services decreased by Euro 135 million with respect to the corresponding period in 2014, reflecting, as noted elsewhere in this report, the effects of the digitalisation of media and communications that has led to a progressive reduction in demand for traditional products and services.

Total revenue earned by Financial Services increased by Euro 15 million with respect to the corresponding period in 2014, due to the positive performance of Other income from financial activities, which increased from Euro 203 million during the first six months of 2014 to Euro 320 million during the first six months of 2015 (+57.6%) and includes gains from sales of available for sale financial assets, in the form of Eurozone⁶ government securities in which BancoPosta RFC's private customer deposits in postal current accounts are invested.

Notwithstanding the increase in deposits, (an increase of Euro 1.2 billion in average current account deposits at 30 June 2015 with respect the previous year), revenue and income decreased by Euro 98 million as a result of the decrease in average interest earned on deposits invested in government securities and interest bearing deposits with the Ministry of the Economy and Finance.

Insurance Services delivered excellent results with Group insurance premium collection (generated by Poste Vita and its subsidiary, Poste Assicura) amounting to Euro 9.5 billion (Euro 8.2 billion in the corresponding period in 2014) earned mainly on traditional Class I and V investment and savings products, in which Group performance is particularly strong.

⁶ As a result of the changes introduced by the 2015 Stability Law, BancoPosta RFC can invest up to 50% of customer deposits in securities guaranteed by the Italian state

Other income from financial and insurance activities, on the other hand, decreased from Euro 1,860 million for the first six months of 2014 to Euro 1,735 million for the first six months of 2015, due to the reduction in fair value of the financial instruments held to cover reserves.

Total revenue from Other Services amounted to Euro 123 million, an increase of 10.8%, thanks to the positive contribution of PosteMobile which during the first six months of 2015 achieved positive results through development of its customer base and increase in voice traffic volumes.

COST ANALYSIS

for the six months ended 30 June

(millions of Euro)	2014	2015	% inc/ (dec)
Cost of goods and services	1,278	1,233	(3.5)
Net change in technical provisions for insurance business and other claims expenses	9,584	10,385	8.4
Other expenses from financial and insurance activities	54	311	n/s
Personnel expenses	3,031	2,983	(1.6)
Depreciation, amortisation and impairments	342	289	(15.5)
Capitalised costs and expenses	(10)	(12)	20.0
Other operating costs	173	123	(28.9)
Total costs	14,452	15,312	6.0

n/s: not significant

The cost of goods and services decreased by 3.5%, from Euro 1,278 million in the first six months of 2014 to Euro 1,233 million in the first six months of 2015, mainly due to the reduction in the cost of funding, represented by interest paid to customers by BancoPosta RFC.

Net change in technical provisions for the insurance business and other claims expenses, which is closely linked to the aforementioned growth in premium revenue recorded by Poste Vita, amounted to Euro 10,385 million, an increase of 8.4% on the corresponding period in the previous year.

Other expenses from financial and insurance activities increased from Euro 54 million in the first six months of 2014 to Euro 311 million in 2015 as a result of the greater incidence of fair value losses on financial instruments held for the main part by PosteVita.

Personnel expenses

for the six months ended 30 June

(millions of Euro)	2014	2015	Increase/(decrease)	
			Amount	%
Salaries, social security contributions and sundry expenses ^(*)	2,997	2,969	(28)	(0.9)
Early retirement incentives	37	17	(20)	(54.1)
Net provisions for/(uses of) provisions for disputes with staff	(3)	(3)	-	n/s
Totale Costo del lavoro	3,031	2,983	(48)	(1.6)

n/s: not significant

^(*) This includes the following items reported in note C8 to the condensed interim financial statements: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; and other staff costs/(cost recoveries)

Total personnel expenses decreased by 1.6%, from Euro 3,031 million in the first six months of 2014 to Euro 2,983 million in the first six months of 2015. Ordinary personnel expenses, however, consisting of salaries, contributions and sundry expenses, decreased by 0.9% (representing a reduction of Euro 28 million) with respect to the first six months of 2014 reflecting a decrease in the average number of employees during the period (on average, more than 1200 fewer full-

time equivalents were employed during the first six months of 2015, compared with the same period of the previous year) and use of the provisions for early retirement costs set up in previous periods.

The aforementioned movements in revenues and costs have resulted in Operating profit for the period of Euro 638 million (Euro 506 million for the first six months of 2014).

3.3 GROUP FINANCIAL POSITION AND CASH FLOW

Poste Italiane Group's net invested capital at 30 June 2015 amounts to Euro 3,606 million (Euro 3,677 million at 31 December 2014), wholly financed by equity.

(millions of Euro)	Note (*)	31 December 2014	30 June 2015	Increase/ (decrease)
Non-current assets		2,893	2,948	55
Working capital		3,941	3,579	(362)
Provisions for risks and charges	[B6]	(1,334)	(1,433)	(99)
Employee termination benefits and pension plans	[B7]	(1,478)	(1,369)	109
Deferred tax assets/(liabilities)	[C12]	(345)	(119)	226
Net invested capital		3,677	3,606	(71)

(*) Notes to the condensed interim financial statements

The following table provides a breakdown of **Non-current assets** at 30 June 2015 and 31 December 2014:

(millions of Euro)	Note (*)	31 December 2014	30 June 2015	Increase/ (decrease)
Property, plant and equipment	[A1]	2,296	2,181	(115)
Investment property	[A2]	67	64	(3)
Intangible assets	[A3]	529	492	(37)
Partecipazioni valutate con il metodo del Patrimonio Netto	[A4]	1	211	210
Non-current assets		2,893	2,948	55

(*) Notes to the condensed interim financial statements

Non-current assets have increased by a total of Euro 55 million with respect to the end of 2014. As described in Section 2 – Group Organisational Structure, such increase, amounting to Euro 353 million, relates for the main part to the Parent Company's acquisition on 25 June 2015 of 10.32% of the share capital of Anima Holding SpA from Monte Paschi Siena SpA (BMPS) for a total consideration of Euro 210.5 million. Other increases in Non-current assets relate to capital expenditure amounting to Euro 135 million, of which Euro 105 million spent by the Parent Company in connection with assets relating to IT and telecommunications networks, modernisation and upgrade of properties and postal logistics.

Capital expenditure on **IT and telecommunications networks** continued to focus on consolidation and development of hardware, storage⁷ and backup⁸ systems, as well as activities aimed at redesigning the Group's Data Centre infrastructure. Over the years, such investments have enabled the Group to reduce the original 35 systems spread throughout the country to the current 6 Data Centres⁹ where the process of consolidating servers and upgrading technology is ongoing.

Further investments were made to upgrade office technology including the purchase of over 14,000 devices including work stations, printers, bar-code readers, cheque readers, and other devices used in post offices and local head offices.

Work on the **modernisation and upgrade of properties** used in operations involved the complete restructuring of 19 post offices and the partial restructuring of a further 51. Overall, such work included planned upgrades (including furniture and fittings), emergency maintenance and improvements required to make work spaces fit for purpose as well as building works such as waterproofing, restoration, external refurbishment, reactivation of elevators and refurbishment of flooring.

⁷ The term storage refers to dedicated hardware, infrastructure and software for the conservation of data in digital form

⁸ The centralised backup infrastructure enables the Company to make copies of all the data and applications used by the systems located in Poste Italiane's Data Centre.

⁹ The 6 active Data Centres are: Rome Arte Antica, Rome Congressi, Pomezia, Bari, Rozzano and Turin.

Reductions in Non-current assets, amounting to Euro 298 million, relate to depreciation, amortisation and impairments (net of reversals), totalling Euro 288.7 million, of which Euro 171.7 million regards property, plant and equipment, Euro 114.7 million intangible assets and Euro 2.3 million depreciation and impairments of investment property.

The following table provides a breakdown of **Working capital** at 30 June 2015 and 31 December 2014:

(millions of Euro)	Note (*)	31 December 2014	30 June 2015	Increase/ (decrease)
Inventories	[A6]	139	139	-
Trade receivables and other current receivables and assets	[A7] [A8]	5,232	4,595	(637)
Trade payables and other current liabilities	[B9] [B10]	(3,317)	(3,087)	230
Current tax assets and liabilities	[C12]	634	440	(194)
Trade receivables and other non-current assets and liabilities	[A7] [A8] [B10]	1,253	1,492	239
Working capital		3,941	3,579	(362)

(*) Notes to the condensed interim financial statements

At 30 June 2015, Working capital amounts to Euro 3,579 million, a decrease of Euro 362 million with respect to the end of 2014 explained by:

- a decrease of Euro 637 million in Trade receivables and other current receivables and assets, for the main part relating to the receipt of Euro 535 million, in May 2015, in settlement of the receivable due from MEF, in accordance with art. 1, para 281 of the 2015 Stability Law, for the return of amounts deducted in 2008 from Poste Italiane SpA's retained earnings and transferred to the MEF, pursuant to the European Commission's Decision C42/2006; further details are provided in the Section "Principal proceedings pending and relations with the authorities". The amount also includes receivables of Euro 164.6 million accruing during the period in relation to Universal Service compensation¹⁰; and
- an increase of Euro 239 million in Trade receivables and other non-current assets and liabilities, primarily due to tax assets relating to prepayments by Poste Vita SpA (for the years 2010-2015) of withholding and substitute tax on capital gains on life insurance policies.

At 30 June 2015, **Equity** amounts to Euro 8,223 million (Euro 8,418 million at 31 December 2014) and includes the following:

○ Share capital	Euro 1,306 million
○ Reserves	Euro 2,721 million
○ Retained earnings	Euro 4,195 million
○ Equity attributable to non-controlling interests	Euro 294 thousand

¹⁰ In addition to receivables accruing during the first six months of 2015 (Euro 164.6 million of which some Euro 33.4 million is not funded in the state budget), the overall amount receivable in relation to Universal Service compensation at 30 June 2015 (Euro 1,251.6 million) also includes Euro 335.9 million relating to 2014 (of which Euro 58.5 million is not funded in the state budget), Euro 342.8 million relating to 2013, and approximately Euro 400 million relating to 2012 and 2011 (of which Euro 78 million is not funded in the state budget). In accordance with the 2015 Stability Law, the sums in question will be paid to the extent of the funds available under current legislation, without prejudice to the results of AGCom's assessment of the net cost incurred by Poste Italiane SpA. In any case, collection will only be possible following finalisation of the Planning Agreement for the five-year period 2015-2019 the latest version of which was forwarded by the MISE to MEF and AGCom for their advisory opinions. Further details are provided in the Section "Principal proceedings pending and relations with the authorities". The overall total also includes a further receivable of approximately €8.7 million relating to 2005.

Compared with 31 December 2014, equity has decreased by Euro 195 million as a result of the following:

Increases:

- profit for the period of Euro 435 million;
- recognition in equity of Actuarial gains/(losses) on provisions for employee termination benefits and pension plans, totalling Euro 59 million, net of tax;

Decreases:

- Euro 385 million in movements in fair value reserves (net of tax), as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC and Poste Vita SpA;
- Euro 250 million relating to the Parent Company's payment of dividends to the shareholder; and
- Euro 54 million in movements in the cash flow hedge reserves (net of tax).

LIQUIDITY

for the six months ended 30 June (millions of Euro)	2014	2015
Adjusted cash and cash equivalents at beginning of period	559	778
Cash flow from/(for) operating activities	(481)	(285)
- cash flow generated by operating activities before movements in working capital	628	755
- movement in working capital	(546)	(203)
- financial assets and liabilities attributable to financial activities	(411)	(504)
<i>of which BancoPosta deposits not yet invested in financial asset</i>	262	511
- financial assets and liabilities attributable to insurance activities	600	250
- cash attributable to technical provisions for insurance business	(752)	(583)
Cash flow from/(for) investing activities	(159)	(341)
Cash flow from/(for) financing activities	1,055	(51)
Cash flow from/(for) shareholder transactions	(500)	285
Adjusted movement in cash	(85)	(392)
Adjusted cash and cash equivalents at end of period ⁽¹⁾	474	386
Amounts that cannot be drawn on due to court rulings	(16)	(17)
Current account overdrafts	(15)	(6)
Cash received on delivery	(16)	(20)
Unrestricted net cash and cash equivalents at end of period	427	343

⁽¹⁾ Cash and cash equivalents does not include cash attributable to technical provisions for the insurance business (Euro 1,376 million at 30 June 2014 and Euro 998 million at 30 June 2015).

Reconciliation with statement of cash flows in condensed financial statements

Adjusted cash and cash equivalents	474	386
Cash attributable to technical provisions for insurance business	1,376	999
Net cash and cash equivalents at end of period	1,850	1,385

Cash flows during the first six months of 2015 included changes in working capital totalling Euro 203 million, relating, *inter alia*, to normal trends in payments to suppliers, resulting in a Euro 126 million reduction in trade payables, collection of certain receivables relating to the Parent Company's management of postal savings and an increase in receivables relating to advance payment by Poste Vita SpA of withholding and substitute tax on capital gains on Life policies.

Cash generated was also used to fund the acquisition (for Euro 210.5 million) of 10.32% of the share capital of Anima Holding SpA and capital expenditure which, net of disposals, absorbed Euro 131 million.

Following distribution to the shareholder of Euro 250 million in dividends and collection from the shareholder of Euro 535 million, (for the return of amounts deducted from Poste Italiane SpA's retained earnings in 2008 and transferred to the MEF, pursuant to the European Commission's Decision C42/2006), cash and cash equivalents at 30 June 2015 amounts to Euro 343 million.

Net funds at 30 June 2015 amount to Euro 4,617 million, broadly in line with the position at the end of December 2014 (Net funds of Euro 4,741 million). The balance reflects gains in the fair value of investments amounting to Euro 2,080 million, restricted funds held to cover Technical provisions for insurance business (as shown in the following table) and net financial assets (amounting to approximately Euro 2 billion) relating to the regulatory capital requirements of Poste Vita and Banca del Mezzogiorno-MedioCredito Centrale.

(millions of Euro)	Note ^(*)	31 December 2014	30 June 2015
Financial liabilities	[B8]	55,358	55,424
Technical provisions for insurance business	[B5]	87,219	92,000
Financial assets	[A5]	(142,687)	(148,025)
Technical provisions for claims attributable to reinsurers	[A8]	(54)	(63)
Net financial liabilities/(assets)		(164)	(664)
Cash and deposits attributable to BancoPosta	[A9]	(2,873)	(2,568)
Cash and cash equivalents	[A10]	(1,704)	(1,385)
<i>of which:</i>			
- Adjusted cash and cash equivalents		(778)	(386)
- Restricted cash		(511)	-
- Cash attributable to technical provisions for insurance business		(415)	(999)
Net debt/(funds)		(4,741)	(4,617)

^(*) Notes to the condensed interim financial statements

3.4 RESULTS BY OPERATING SEGMENT

millions of Euro

Six months ended 30 June 2015	Postal and Business Services	Financial Services	Insurance Services	Other Services	Unallocated	Adjustments and eliminations	Total
External revenue	1,938	2,680	11,209	123	-	-	15,950
Inter-segment revenue	2,253	249	-	44	-	(2,546)	-
Total revenue	4,191	2,929	11,209	167	-	(2,546)	15,950
Operating profit/(loss)	(89)	468	236	23	-	-	638
Finance income/(costs)	-	-	-	-	27	-	27
Profit/(Loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(230)	-	(230)
Profit/(Loss) for the the period							435

millions of Euro

Six months ended 30 June 2014	Postal and Business Services	Financial Services	Insurance Services	Other Services	Unallocated	Adjustments and eliminations	Total
External revenue	2,073	2,665	10,109	111	-	-	14,958
Inter-segment revenue	2,364	215	-	40	-	(2,619)	-
Total revenue	4,437	2,880	10,109	151	-	(2,619)	14,958
Operating profit/(loss)	(36)	315	220	6	-	-	506
Finance income/(costs)	-	-	-	-	13	(1)*	12
Profit/(Loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(296)	-	(296)
Profit/(Loss) for the the period							222

*Elimination of interest paid by Poste Italiane SpA to Group current account holders against finance income accounted for by the latter

Consolidated profit for the six months ending 30 June 2015 increased by Euro 132 million (+26.1%) with respect to the corresponding period in the previous year, mainly as a result of increases in the financial and insurance segments, offset by a fall in margins - linked to the falling volumes of traditional postal services - in the Postal and Business Services segment.

3.4.1 POSTAL AND BUSINESS SERVICES

Segment profit or loss - Postal and Business Services

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
Revenue from sales and services	2,026	1,909	(117)	(5.8)
Other operating income	47	29	(18)	(38.3)
Total external revenue	2,073	1,938	(135)	(6.5)
Inter-segment revenue	2,364	2,253	(111)	(4.7)
TOTAL REVENUE	4,437	4,191	(246)	(5.5)
Personnel expenses	2,947	2,895	(52)	(1.8)
Cost of goods and services	1,039	1,014	(25)	(2.4)
Other operating costs	128	56	(72)	(56.3)
Costs from other segments	52	62	10	19.2
Capitalised costs and expenses	(9)	(12)	(3)	33.3
Depreciation, amortisation and impairments	316	265	(51)	(16.1)
TOTAL COSTS	4,473	4,280	(193)	(4.3)
OPERATING PROFIT/(LOSS) (EBIT)	(36)	(89)	(53)	n/s

n/s: not significant

The Postal and Business Services segment recorded an operating loss (EBIT) of Euro 89 million during the first six months of 2015. Such result, a loss of Euro 53 million more than in the corresponding period of the previous year, is explained by the decrease in external revenue of Euro 135 million caused by the reduction in volumes of mail and philately (-11.8%) and the lower contributions from SDA e Postel), the lower USO compensation and the abolition of the electoral subsidies (around Euro 53 million). Lower personnel expenses and lower costs for depreciation, amortisation and impairments made a positive contribution to the result for the period.

The following table provides a breakdown of external revenue for Postal and Business Services:

Postal and Business Services

(millions of Euro)	Total revenue for the six months ended 30 June		Increase/ (decrease)	
	2014	2015	Amount	%
Poste Italiane SpA ^(*)	1,732	1,690		
intercompany revenue	39	147		
Poste Italiane SpA - external revenue	1,693	1,543	(150)	(8.9)
SDA Express Courier SpA	254	253		
intercompany revenue	56	61		
SDA Express Courier SpA - external revenue	198	192	(6)	(3.0)
Consorzio Logistica Pacchi ScpA	89	86		
intercompany revenue	80	67		
Consorzio Logistica Pacchi ScpA - external revenue	9	19	10	n/s
Postel SpA ^(**)	163	113		
intercompany revenue	83	47		
Postel SpA - external revenue	80	66	(14)	(17.5)
Italia Logistica srl ^(***)	37	24		
intercompany revenue	17	12		
Italia Logistica srl - external revenue	20	12	(8)	(40.0)
Mistral Air Srl	46	53		
intercompany revenue	17	17		
Mistral Air Srl - external revenue	29	36	7	24.1
PosteShop SpA	13	5		
intercompany revenue	-	-		
PosteShop SpA - external revenue	13	5	(8)	(61.5)
Postecom SpA	44	39		
intercompany revenue	39	36		
Postecom SpA - external revenue	5	3	(2)	(40.0)
Other companies	109	148		
intercompany revenue	83	86		
Other companies - external revenue	26	62	36	n/s
Total external revenue	2,073	1,938	(135)	(6.5)

n/s: not significant

^(*) This item includes Postal services revenue (including compensation for the Universal Service, amounting to Euro 131.2 million during the first six months of 2015 and Euro 167.9 million during the first six months of 2014), other revenue from the sale of goods and services and other operating income. It does not include the portion attributable to BancoPosta RFC.

^(**) The amount for the six months ended 30 June 2014 includes revenue from the subsidiary company PostelPrint SpA, which was merged by incorporation into Postel SpA on 30 April 2015, with the merger becoming effective from an accounting and tax viewpoint from 1 January 2015.

^(***) Italia Logistica Srl was merged by incorporation into SDA Express Courier SpA with the merger becoming effective from an accounting and tax viewpoint from 1 June 2015. Accordingly, revenue for the six months ended 30 June 2015 relates only to the first 5 months of 2015.

RESULTS

for the six months ended 30 June	Volumes (thousands)			Revenue (millions of Euro)		
	2014	2015	% inc/ (dec)	2014	2015	% inc/ (dec)
Total unrecorded mail	961,742	847,658	(11.9)	618	566	(8.4)
Total recorded mail	108,949	103,112	(5.4)	463	447	(3.5)
Direct Marketing	405,450	372,713	(8.1)	99	90	(9.1)
Unaddressed Mail	249,497	197,777	(20.7)	13	9	(30.8)
Services for Publishers	219,350	192,548	(12.2)	57	51	(10.5)
Other ^(*)	30,348	28,363	(6.5)	154	157	1.9
Total revenue				1,404	1,320	(6.0)
Tariff and electoral subsidies				17	-	n/s
Total Mail and Philately	1,975,336	1,742,171	(11.8)	1,421	1,320	(7.1)

In order to provide a more accurate comparison of data between the two periods, certain amounts relating to the six months ended 30 June 2014 have been reclassified

(*) Other includes Philately, Other basic products, Integrated services, Multi-channel services and Post office box rental.

n/s: not significant

The market for traditional postal services continues to suffer from a structural decline in volumes, linked to the small size of the domestic market, the development of digital services and the significant shift of public and private organisations towards electronic billing; such decline has affected all of Europe's postal operators. In Italy, moreover, the falling demand for postal services is taking place in a market which is highly competitive in the most profitable areas while being almost absent in rural and mountain areas and in which the costs facing an operator with a Universal Service obligation, such as Poste Italiane, remain high, discouraging the entry of other operators into the market.

Against this backdrop, compared with the same period of 2014, the Parent Company's results for mail and philately services during the first six months of 2015 show reductions in both volumes and revenue of 11.8% (233 million fewer items handled) and 7.1% (a decrease in revenue of Euro 101 million) respectively. In detail, the contraction in the Unrecorded Mail market, which generated revenue totalling Euro 566 million during the first six months of 2015 (Euro 618 million during the first six months of 2014) and continued to be negatively impacted by e-substitution and increasing technological innovation, affected both Bulk Mail volumes (down 6.5%, corresponding to a reduction of 35 million items on the first half of 2014) and PriorityMail volumes (down 20.4%, corresponding to a reduction of 87 million items on the first half of 2014); the related reduction in revenues was partly offset by tariff adjustments introduced by AGCom Resolution 728/13/CONS on 1 December 2014. Such tariff adjustments affected certain of the services included in the Universal Service including priority mail, registered mail, legal process and ordinary national and overseas parcels.

Recorded Mail generated revenue of Euro 447 million during the first six months of 2015, (Euro 463 million during the first six months of 2014), a decrease of 3.5% (Euro 16 million) due both to lower levels of correspondence issued by the Public Administration as a result of the public spending review and the negative performance of Registered Mail (6 million fewer items handled, corresponding to a fall in revenue of Euro 12 million with respect to the corresponding period in the previous year).

Demand for Direct Marketing services decreased by 8.1% (volumes down by 33 million) compared to the corresponding period in the previous year, with revenue falling 9.1% (a decrease of Euro 9 million), as companies cut their advertising budgets. Unaddressed mail also suffered from lower activity levels, with volumes and revenues decreasing by 20.7% (down by 52 million) and 30.8% (a decrease of Euro 4 million), respectively.

Other revenue includes Services for publishers, revenue from which continues to fall in line with the ongoing decline in magazine and newspaper subscriptions which are being replaced by online versions, and Integrated services, which recorded an increase in revenue due to delivery of higher value added services at higher average tariffs.

Finally, with regard to electoral subsidies, Law Decree 66/2014 abolished all such subsidies with effect from 1 June 2014, including those relating to both elections and the “2 per thousand” tax options.

Express delivery and parcels

RESULTS

for the six months ended 30 June

Express Courier Poste Italiane SpA	Volumes (thousands)			Revenue (millions of Euro)		
	2014	2015	% inc/ (dec)	2014	2015	% inc/ (dec)
Domestic	4,085	5,410	32.4	29.2	34.0	16.4
International	927	1,092	17.8	17.4	21.1	21.3
Total	5,012	6,502	29.7	46.6	55.1	18.2

Poste Italiane SpA's express delivery volumes and revenues increased by 29.7% and 18.2% respectively compared with the first six months of 2014. Such improvement was due mainly to significant growth in the Domestic market which saw volumes and revenues increase by 1.3 million items and Euro 4.8 million respectively (volumes up by 32.4% and revenues up by 16.4% compared with the first six months of 2014). The main reason for the increase was the growth in Promopacco volumes used for B2C shipment and despatch.

RESULTS

for the six months ended 30 June

SDA Express Courier SpA	Volumes (thousands)			Revenue (millions of Euro)		
	2014	2015	% inc/ (dec)	2014	2015	% inc/ (dec)
Domestic Express Delivery	23,396	23,295	(0.4)	145.2	140.3	(3.4)
International Express Delivery	6,511	7,066	8.5	25.3	26.8	5.9
International Express Export	103	114	10.7	4.3	4.0	(7.0)
International Express Import	6,408	6,952	8.5	21.0	22.8	8.6
Tailor-made services	n/r	n/r	n/a	19.4	15.8	(18.6)
Integrated logistics				-	2.2	n/s
Other revenue				7.9	6.5	(17.7)
Total SDA Express Courier SpA - External revenue	29,907	30,361	1.5	197.8	191.6	(3.1)

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

n/a: not applicable

n/s: not significant

Notwithstanding the negative impact of industrial action during the period, described in more detail in the section on “Activities during the period and service quality”, SDA Express Courier SpA, was able to increase volumes by 1.5% (an increase of 454 thousand items shipped compared with the first six months of 2014). Such increase in volumes, however, did not translate into a corresponding increase in revenue, which amounted to Euro 191.6 million, a decrease of 3.1% on the corresponding period in 2014. Such decrease was due to the contribution of the Domestic Express Delivery service which, while maintaining volumes constant, at around 23.3 million shipments, saw revenues decrease by Euro 4.9 million as a result of the greater share of volumes relating to products of large B2C customers which have lower average tariffs. The International Express Delivery service performed well, (with volumes and revenue increasing by 8.5% and 5.9% respectively), largely as a result of the partnership agreements with UPS and the Eurodis network.

As a consequence of the difficulties caused by industrial action taken by the Cobas union and the resulting need to use an alternative emergency network, higher costs were incurred for goods and services; such costs increased from Euro 213.4 million in the first six months of 2014 to Euro 222.6 million during the first six months of 2015, leading to an

operating loss of Euro 19.1 million for the period as compared with an operating loss of Euro 6.7 million for the corresponding period in the previous year.

As a result, SDA Express Courier SpA ended the first six months of 2015 with a loss of Euro 14.9 million (loss of Euro 6.6 million during the corresponding period in 2014), requiring the company to apply art. 2447 of the Italian Civil Code (capital below the legal minimum). The General Meeting of Shareholders which will decide on this issue has already been called.

RESULTS for the six months ended 30 June	Volumes (thousands)			Revenue (millions of Euro)		
	2014	2015	% inc/ (dec)	2014	2015	% inc/ (dec)
Consorzio Logistica Pacchi ScpA						
Domestic Express Delivery	960	2,283	n/s	5.5	12.2	n/s
International Express Delivery	137	211	54.0	3.8	6.9	81.6
Total Consorzio Logistica Pacchi ScpA - External revenue	1,097	2,494	n/s	9.3	19.1	n/s

n/s: not significant

Consorzio Logistica Pacchi generated external revenue of Euro 19.1 million (Euro 9.3 million during the first six months of 2014), with such positive result being in large part due to the high degree of customer satisfaction with B2C customer Express Box shipments. The International Express delivery service registered a positive result (54% increase in volumes and 81.6% increase in revenue) thanks to Export Box shipments which, being aimed at business customers, are able to generate particularly competitive tariffs.

RESULTS for the six months ended 30 June	Volumes (thousands)			Revenue (millions of Euro)		
	2014	2015	% inc/ (dec)	2014	2015	% inc/ (dec)
Parcels - Universal Service						
Domestic parcels	535	660	23.4	5.3	6.7	26.4
Parcels - international export	269	238	(11.5)	11.2	11.6	3.6
Parcels - international import	82	78	(4.9)	0.9	1.0	11.1
Total Parcels	886	976	10.2	17.4	19.3	10.9

Universal Parcels Service revenue of Euro 19.3 million (Euro 17.4 million during the first six months of 2014) reflects positive performances of all three products, with growth in Domestic Parcels (increased revenue of 26.4%), International Export Parcels (increased revenue of 3.6%) and International Import Parcels (increased revenue of 11.1% compared to the first six months of 2014).

Activities during the period and service quality

During the first six months of 2015, the Group continued in its endeavour to create personalised solutions in the Mail services area to meet customer needs, with the main marketing initiatives during the period relating to the Recorded mail and Integrated services areas. In terms of recorded mail, June 2015 saw the launch of *Raccomandata InCittà*, a tracking with signature product, aimed at customers who have a recurring requirement to send mail to recipients in their local areas. In addition, after an initial introductory phase in 2014, the Infodelivery Light internet service was launched on an experimental basis. This service enables reporting of delivery outcomes for Registered, Registered 1 and Insured products and is aimed at professionals and SMEs who use registered mail on a regular basis.

In terms of value added services, during February, the Registered SIN Smart was launched to manage the entire process of sending administrative documents using registered mail with notice of receipt.

Activities continued throughout the period to extend the supply of products available to stamp collectors and philately customers through issues celebrating important social and cultural matters and organisation of promotional activities through over 600 temporary outlets¹¹.

With regard to **Public Services**¹², a range of services aimed at simplifying relations between private citizens and the Public Administration continued to be delivered via *Sportello Amico* counters, including: local tax collection services including the option to obtain copies of the forms required to make payments using payslips or F24 forms; payment of health service charges with the service being provided also by post offices not part of the Sportello Amico network; and the ELI service (to support regularisation of immigrant workers) covering presentation of requests for renewal and issue of residence permits, the issue of registry office certificates, the issue of social security certificates and the issue of cadastral documents.

Finally, with regard to the printing and delivery of driving licences by PatentiViaPoste ScpA, updates were made to the website, www.patentiviaposte.it, which has been developed to inform the public of the new services work and how to use them. During the first six months of 2015, the site was visited by more than 19 thousand users.

In the **Express Delivery and Parcels** business, the Group continued to take steps to optimise services in support of the B2C and e-commerce markets. In particular, during May, the new Paccoreverse service was launched to support the management of reverse logistics - a returns service where post offices and households act as receiving points.

During June, innovations were introduced to Promopacco, a product specifically aimed at business customers operating in e-commerce which, using an integrated SDA-Poste Italiane logistics system in the collection, sorting and delivery phases, provides a nationwide "non-express" delivery service for small items and goods weighing up to 3 kg. Innovations introduced during the period include:

- reduction of delivery times from 4-5 days to 2-4 days through better use of addressee post codes (with delivery times higher by one day for shipping to Calabria, Sicily and Sardinia);
- reduction from 2000 to 500 in the minimum number of items per single pick-up in order to extend access to the standard Promopacco service to medium sized customers;
- the possibility to transport lithium batteries in accordance with relevant legislation¹³;
- improvements in the tracking system with the introduction of new functionality.

During the first six months of 2015, the business of the subsidiary company **SDA Express Courier SpA** was negatively affected by industrial action involving a total stop in the activities of one of the most important automated sorting offices, located in Bologna. Indeed, as early as the beginning of December 2014, there had been an increase in industrial action on the part of the Confederazione dei Comitati di Base – Cobas, (a rank and file union), involving not only SDA but all companies in the industry, with wildcat strikes during peak periods forcing the main groups to initiate negotiations with the Cobas. Following long negotiations, carried out with the mediation of the Prefect of Bologna, an agreement was finally reached in May.

Throughout the difficulties, SDA strived to provide a continuous service to its customers, finding alternative solutions, in terms of operating networks, such as using branch offices to substitute for and limit the impact of closure of the Bologna office. The situation had repercussions both in terms of daily shipments and revenue and also operating costs, which increased significantly as a direct consequence of the emergency.

¹¹ Philately and stamp collection outlets which are set up during significant exhibitions and events

¹² The range of Public Services regards all areas of business in which the Group operates, including initiatives relating to payment innovation and traceability, multichannel communication to the general public and companies, certification and document management, and local taxation.

¹³ From 1 January 2015, lithium batteries can no longer be transported on passenger aircraft (without appropriate equipment), but only on cargo planes.

In particular, volumes decreased by around 40 thousand shipments per day from the end of April and throughout May, leading to a loss of revenue in May and June of around Euro 5 million and Euro 4 million respectively compared to the early months of 2015.

Use of the alternative emergency network had a negative impact on costs of around Euro 1 million, plus a further sum of approximately Euro 2.5 million relating to amounts paid to suppliers of portage services at the Bologna hub in indemnity payments and wage increases in line with union agreements.

Digital and multi-channel services

The development and supply of digital postal services that Poste Italiane supplies through Postecom SpA continued throughout the first six months of 2015. In particular, with a view to the forthcoming activation of the public system for managing digital identity (SPID), a number of activities were undertaken to enable Poste Italiane to take on the role of Identity Provider.

As foreseen by Legislative Decree no. 82 of 7 March 2005 “Digital Administration Code”, as modified by Law no. 98 of 9 August 2013, once activated, the SPID system will enable citizens to access all public administration services using a unique PIN, requiring confirmation of identity with one of the nominated Identity providers on a single occasion only. The process is currently underway to approve and issue the Decree which will determine when the system will become operative.

POSTAL SERVICES – SERVICE LEVELS

		2015	
		Annual target	Actual Six months ended 30 June 2015
	Delivery within		
Priority Mail ^(*)	1 day	89.0%	90.3% ⁽²⁾
International Mail ^(**)			
	inbound	3 days	85.0%
	outbound	3 days	88.2%
Registered Mail ^(***)	4 days ⁽¹⁾	92.5%	97.4% ⁽²⁾
Insured Mail ^(***)	4 days ⁽¹⁾	94.0%	99.4% ⁽²⁾

⁽¹⁾ The 2015 Stability Law, which came into effect on 1 January 2015, set the required service level for the universal postal service, (with the exception of priority mail), at delivery within the fourth working day following the date of receipt into the public postal network

⁽²⁾ The result reflects cumulative data to May 2015. The service level to the end of June 2015 is in the process of being calculated.

^(*) Based on data certified by IZI on behalf of AGCom.

^(**) IPC - UNEX End-to-End Official Rule data.

^(***) Monitored by the electronic tracking system.

		2015	
		Annual target	Actual Six months ended 30 June 2015 ⁽¹⁾
	Delivery within		
Standard Parcels	4 days ⁽²⁾	94.0%	94.3%
Postacelere Express Delivery	1 day	90.0%	84.3%
Paccocelere	3 days	98.0%	87.7%

All products are monitored with an electronic tracking system.

⁽¹⁾ The result reflects cumulative data to May 2015. The service level to the end of June 2015 is in the process of being calculated.

⁽²⁾ The 2015 Stability Law, which came into effect on 1 January 2015, set the required service level for the universal postal service, (with the exception of priority mail), at delivery within the fourth working day following the date of receipt into the public postal network.

Service level targets

2014

On 30 March 2015, the Company informed AGCom of the 2014 service level results measured by the Company for registered mail, standard parcels and bulk¹⁴ mail, all of which were in line with the Regulator's targets.

Certain lower level detailed targets were not, however, fully achieved, including the target service level for inter-regional national mail and regional targets for Abruzzo and Sardinia. The Company is currently awaiting the results of the Regulator's annual review, which will be carried out on the basis of consolidated annual data provided by IZI and may differ slightly from the cumulative results for the period January to December 2014.

In accordance with relevant legislation, service levels achieved in relation to the provision of universal services during the first six months of 2015 are communicated to AGCom by 30 September 2015.

¹⁴ Bulk mail service levels were reviewed for the first time in 2013. The results were measured by Poste Italiane and communicated to AGCom at the latter's request.

3.4.2 FINANCIAL SERVICES

As noted previously in the section on Group companies and operating segments, the Financial Services segment relates to the operations of BancoPosta RFC (current accounts, payment services, financial products and third-party loan products), the management of public funds carried out by Banca del Mezzogiorno – MedioCredito Centrale SpA and the management of collective investment undertakings carried out by BancoPosta Fondi SpA SGR.

An operating review of BancoPosta RFC is provided in section 9 - “BancoPosta RFC management review”.

Segment profit or loss - Financial Services

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
<i>millions of Euro</i>				
Revenue from sales and services	2,457	2,359	(98)	(4.0)
Other income from financial activities	203	320	117	57.6
Other operating income	5	1	(4)	(80.0)
Inter-segment revenue	215	249	34	15.8
TOTAL REVENUE	2,880	2,929	49	1.7
Personnel expenses	61	64	3	4.9
Cost of goods and services	116	95	(21)	(18.1)
Other operating costs	40	60	20	50.0
Other expenses from financial activities	9	5	(4)	(44.4)
Costs from other segments	2,338	2,236	(102)	(4.4)
Depreciation, amortisation and impairments	1	1	-	n/s
TOTAL COSTS	2,565	2,461	(104)	(4.1)
OPERATING PROFIT/(LOSS) (EBIT)	315	468	153	48.6

n/s: not significant

Operating profit for the Financial Services segment in the first six months of 2015 was Euro 468 million, an increase of Euro 153 million with respect to the corresponding period in the previous year. The increase in Other income from financial activities, linked to the sale of available for sale securities by BancoPosta, compensated for the lower Revenue from sales and services, due for the main part to lower returns on investment of public customer current account deposits, (deposited with the MEF) and the portfolio of securities in which funds deposited by private account holders are invested.

Banca del Mezzogiorno - MedioCredito Centrale SpA

During the first six months of 2015, Banca del Mezzogiorno-MedioCredito Centrale continued to provide support for creditworthy companies operating in southern Italy, through its lending activities and by promoting and facilitating access to government subsidies.

In terms of its [lending](#), the bank continued to support the economic development and strengthening of entrepreneurial capacity, for the main part in the south of Italy. In this area of its activities, the bank:

- consolidated development of its retail business and, in particular, the provision of residential mortgages for consumers;
- continued to support SMEs, offering both “ordinary” loans and subsidised loans;
- disbursed loans to medium and large enterprises, in certain cases through co-financing arrangements with other banks, whilst continuing to operate mainly in southern Italian regions.

The bank's [management of public funds and subsidies](#), and above all of the Fondo di Garanzia per le PMI (a guarantee fund for SMEs), continued to expand; over 54,100 applications were received, an increase of 19% compared to the first six months of 2014, with over 49,600 being approved, resulting in loans totalling approximately Euro 7.3 billion (an increase of 21.9% compared to the first six months of 2014).

The Bank also continued its coordination role with regard to the research incentives promoted by the Ministry for Economic Development (MISE) for which, in 2014, on behalf of a group of companies, the Bank had provided assistance and support to the process of granting subsidies for research, development and innovation projects within the context of the Fondo per la Crescita Sostenibile (Sustainable Growth Fund). In particular, more than 250 applications were reviewed as part of the first selection process, relating to research and development projects in the technical areas covered by the EC "Horizon 2020" (Research and Innovation) Programme (total funding of Euro 300 million), for which the related awards will shortly be communicated by Ministerial Decree.

In terms of other forms of subsidy, the Bank continued to handle the principal types of funding for research, innovation and environmental initiatives, where the bank essentially conducts ex-ante assessment (from the presentation of applications through to the end of the application process), ongoing evaluation (examination of the project and the documentation) and ex-post checks and assessments (on site and/or documentary, or impact assessments following disbursement).

The Bank recorded positive results during the first six months of 2015, achieving net interest and other banking income of Euro 53.1 million, an increase with respect to the Euro 48.9 million recorded in the first half of 2014. Such increase was generated by net interest income (Euro 24 million compared to the Euro 19 million in the first half of 2014), reflecting increased lending activity, and the growth in net fees and commission income (Euro 21.9 million, compared to the Euro 19.2 million earned in the first six months of 2014) resulting from the management of subsidised financing and, in particular, fees accruing from management of the Fondo di Garanzia per le PMI (the guarantee fund for SMEs). Net profit for the six months ending 30 June 2015 amounted to Euro 19.4 million (Euro 16.1 million for the first six months of 2014).

BancoPosta Fondi SpA SGR

During the first six months of 2015, BancoPosta Fondi SpA SGR continued operations in its two key lines of business, namely the Individual Investment Portfolio service and Collective Investment Undertakings – UCIs.

On 8 June 2015, it began placement of a new flexible mutual investment fund, known as BancoPosta Selezione Attiva. The fund's objective is to realise moderate capital growth in the medium term through diversified investment of assets managed.

Total assets under management in relation to the company's two lines of business amount to Euro 63.9 billion at 30 June 2015 (an increase of 3% with respect to the Euro 62.2 billion managed at the end of 2014); these include assets of individual Investment Portfolio service customers (managed for the Poste Vita Insurance Group) amounting to Euro 58.7 billion (Euro 57.2 billion at 31 December 2014) and assets of UCI customers amounting to Euro 5.2 billion (Euro 5.0 billion at 31 December 2014),

In the absence of redemptions during the period, net inflows to the Individual Investment Portfolio service coincided with gross inflows and amounted to Euro 2.1 billion.

With regard to UCIs, gross inflows during the first six months of 2015 amounted to Euro 1,031 million, in line with gross inflows of Euro 1,030 million during the corresponding period in the previous year, while redemptions amounted to

Euro 836 million (Euro 855 million during the first six months of 2014). The pattern of gross inflows and redemptions resulted in net inflows of Euro 195 million during the first six months of 2015, compared with net inflows of Euro 175 million in the same period of the previous year (+11%).

The main contribution to total gross inflows during the period was from balanced and flexible funds (Euro 571 million, representing 55% of total inflows), followed by income distribution bond funds (Euro 325 million, representing 32% of total inflows) and equity funds (Euro 135 million, representing 13% of total inflows). Redemptions were concentrated primarily in income distribution bond funds (42% of the total) and the 2014 BancoPosta Corporate fund (18% of the total). Having reached the end of its investment cycle, on 26 June, the latter fund was incorporated into the BancoPosta Euro Liquidity fund.

The company generated a net profit for the period of Euro 8 million (net profit of Euro 7 million for the corresponding period in 2014).

3.4.3 INSURANCE SERVICES

Segment profit or loss - Insurance Services

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
<i>millions of Euro</i>				
Insurance premium revenue	8,249	9,474	1,225	14.9
Other income from insurance activities	1,860	1,735	(125)	(6.7)
TOTAL REVENUE	10,109	11,209	1,100	10.9
Personnel expenses	11	13	2	18.2
Cost of goods and services	21	22	1	4.8
Other operating costs	4	4	-	n/s
Net change in technical provisions for insurance business and other claims expenses	9,584	10,385	801	8.4
Other expenses from insurance activities	45	306	261	n/s
Costs from other segments	221	238	17	7.7
Depreciation, amortisation and impairments	3	5	2	66.7
TOTAL COSTS	9,889	10,973	1,084	11.0
OPERATING PROFIT/(LOSS) (EBIT)	220	236	16	7.3

n/s: not significant

The Insurance Services segment recorded an operating profit for the period of Euro 236 million, an increase of Euro 16 million compared to the first six months of the previous year. Such result is explained by the positive performance of Poste Vita which generated premium revenue, for the main part relating to Class I and Class V savings and investment products of Euro 9.5 billion (Euro 8.2 billion during the first six months of 2014). This positive result was partially offset by the reduction in Other income from insurance activities relating to the loss on fair value of financial instruments held to cover provisions.

Poste Vita Group

In line with its strategic objectives, during the first half of 2014 the PosteVita Insurance Group primarily focused its efforts on:

- consolidating and strengthening the company's position in the life insurance and pensions market, with a particular focus on the supplementary pension segment and new emerging needs (primarily welfare and longevity); and
- growing the non-life insurance business, with a view to positioning the subsidiary, Poste Assicura, as a leading player in this market.

Consistent with its product focus, ongoing strengthening of the distribution network and increasing customer loyalty, during the first six months of 2015, Poste Vita's sales related almost exclusively to Class I and Class V investment and savings products (traditional separately managed accounts) with inflows of around Euro 9.3 billion, (Euro 8.2 billion during the first six months of 2014) with a marginal contribution being made by the sale of Class III products. Overall, premium revenue amounted to Euro 9.4 billion (Euro 8.2 billion during the first six months of 2014).

During the period, Poste Vita also consolidated its undisputed leadership in the pensions market, with the number of subscriptions to the Postaprevidenza Valore pension fund reaching 750 thousand (711 thousand at the end of 2014).

Sales of recurring premium products performed well, with over 90 thousand policies sold during the period. Pure risk policies (term life insurance) also sold well, whether sold as stand-alone policies (not bundled with investment products), of which over 11 thousand new policies were sold during the period, or sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network, of which approximately 59 thousand were sold.

With regard to treasury management, the company continued with its investment policy focused on keeping investment funds separate in order to increasingly match investments to insurance obligations and, at the same time, running a portfolio capable of providing stable returns in line with the market. Investment policy, in an uncertain national and international context, was marked by maximum prudence, with a portfolio primarily invested in Italian government securities and highly-rated corporate bonds. Moreover, during the period, the company continued the process, initiated during the second half of 2014, of diversification of investments maintaining, however, a moderate risk appetite through the acquisition of (UCITS type) open-ended harmonised multi-asset funds. Returns on investment from separately managed accounts, (3.9% for PostaValorePiù and 4.8% for PostaPrevidenza) as well as from the company's free capital, were both good.

As a result of the above-mentioned operating and financial performance, technical provisions for the direct Italian portfolio amount to Euro 84.4 billion at 30 June 2015 (Euro 77.7 billion at the end of 2014) of which Euro 75.5 billion refer to Class I and V products (Euro 68.4 billion at the end of 2014), while provisions relating to products for which investment risk is borne by policyholders amount to Euro 8.1 billion (Euro 8.5 billion at the end of 2014).

Deferred Policyholder Liability provisions decreased from Euro 9.4 billion at the beginning of the year to Euro 7.5 billion at 30 June 2015 as a result of fair value losses on financial instruments held to cover the provisions, following the increased market volatility in June and its effects on interest rates.

In terms of organisational structure, the process of strengthening the quality and size of the company's workforce has continued in 2015, in line with the constant growth in size and volumes, as have a number of activities designed to promote development and ongoing functional and infrastructure improvement of key business support systems.

In particular, the company has launched all the functional activities required to comply with the requirements of the Solvency II legislation to be applied in 2016, including adaptation of its governance model and organisational and operating structure, with a view to strengthening decision-making processes and optimising risk management procedures, in order to increase and safeguard value creation. In this regard, as required by the interim measures and in accordance with the reporting deadlines, on 3 June and 15 July 2015, the company transmitted the first supervisory reports to Ivass.

As in 2014, administrative costs during the first six months of 2015 were again well below the market average (0.4% of earned premiums and 0.1% of provisions).

Gross profit for the period amounted to Euro 264.4 million as compared with Euro 327.9 million during the corresponding period in 2014, which, however, benefitted from realised and unrealised gains of Euro 70 million on management of the company's free capital. Net profit for the period amounted to Euro 157 million (Euro 198 million during the first six months of 2014).

Finally, in line with the insurance Group's strategic objective to strengthen its individual and collective offering in the health sector, in June 2015 the Group requested the authorisation of the relevant supervisory authority to acquire 100% of the share capital of S.D.S. System Data Software Srl, which in turn owns 100% of the share capital of S.D.S. Nuova

Sanità Srl. The SDS Group manages and performs services on behalf of third parties, including private supplementary health care funds (in particular, Fasi and Faschim); it also designs, develops and maintains management software products and provides professional IT services.

During the six months ending 30 June 2015, the subsidiary company [Poste Assicura](#), concentrated on the following priorities:

- exploiting new customer needs in the areas of pre and post-retirement welfare, healthcare, assistance and income security, aimed at developing a new insurance model able to cover protection, savings, investment and pension needs all at the same time;
- an upgrade of the offering, with a flexible approach to product and service management in terms of varying market conditions and customer needs;
- optimisation of the network support model, including trials of new sales channels and commercial initiatives.

Premium revenue during the period totalled Euro 46.9 million (Euro 43.5 million during the first six months of 2014) with 147 thousand new policies sold.

These factors, together with the positive performance of net financial income and cost efficiencies, enabled the company to report a profit for the six months ending 30 June 2015 of Euro 4.6 million (Euro 3.8 million in the corresponding period in 2014).

3.4.4 OTHER SERVICES

Segment profit or loss - Other Services

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
<i>millions of Euro</i>				
Revenue from sales and services	110	122	12	10.9
Other operating income	1	1	-	n/s
Inter-segment revenue	41	43	2	4.9
TOTAL REVENUE	152	166	14	9.2
Personnel expenses	12	11	(1)	(8.3)
Cost of goods and services	102	101	(1)	(1.0)
Other operating costs	1	3	2	n/s
Costs from other segments	10	10	-	n/s
Capitalised costs and expenses	(1)	-	1	n/s
Depreciation, amortisation and impairments	22	18	(4)	(18.2)
TOTAL COSTS	146	143	(3)	(2.1)
OPERATING PROFIT/(LOSS) (EBIT)	6	23	17	n/s

n/s: not significant

The Other Services segment, which includes PosteMobile, recorded an operating profit for the period of Euro 23 million, an increase of Euro 17 million compared to the first six months of the previous year. The mobile telephone business benefitted from development of the customer base and good voice and data traffic volumes, which led to an increase in revenue of around Euro 15 million compared to the first six months of 2014.

PosteMobile SpA

During the first six months of 2015, PosteMobile SpA focused its efforts on developing initiatives to acquire higher value customers; this led to an increase in the customer base (with 3.5 million lines at 30 June 2015 compared to 3.3 million at the end of 2014) and consolidation of the quality of acquisitions, resulting in an improvement in key performance indicators.

In particular, the company focused its efforts during the period on innovating its commercial offering, through addition of a number of new initiatives, and further developing the company's role in the mobile payment services market.

The PosteMobile app, now confirmed as a leading Italian mobile wallet, will be replicated to create the new replacement BancoPosta app, which will be available to all Poste Italiane clients independently of their mobile telephone operator.

In confirmation of its ability to innovate, the company won the "Most Successful MVNO" and "Most Innovative MVNO"¹⁵ awards at the 2015 MVNOs World Congress held in Nice.

In the consumer market, PosteMobile has based its strategy on increasing market share, in both volume and value terms, focusing in particular on fixed price plans in the "Creami" range, which are structured in terms of bundles that customers can use freely for any type of traffic (voice, SMS, and data).

In the Small-Office Home-Office (SoHo) market, the product range includes a new bundled offering, "PM Ufficio Full", with unlimited voice and SMS traffic and 3 GB of data traffic, aimed at professionals with high levels of consumption.

¹⁵ The prize was awarded for being the MVNO making the most significant impact in the industry, representing best practice in terms of results, innovation, completeness and simplicity of business offering, operational excellence and flexibility of business model, enriching content with value added services through the launch of the "PosteMobile wallet" and Super SIM NFC.

In the business market, a new entry-level plan (with minutes included) has been launched. In addition, with a view to increasing sales of the higher level unlimited plans, special offers have been designed promoting sale of the bundle-plan together with the telephone.

During the period, PosteMobile's role in the mobile technology payment services market was further strengthened, with the average monthly value of financial transactions entered into by customers reaching almost Euro 35 million; the continuing growth has been due to the strengthening of the app, through the introduction of a process that enables users to link to BancoPosta accounts and Postpay functions directly from the web or smartphone without requiring to visit post offices. Consistent with its mission to innovate and simplify the Italian mobile technology market and create value for Poste Italiane, the use of NFC, thanks to the SuperSIM, has led to distribution of over 600 thousand SuperSIM NFCs and enabled around 80 thousand customers with digital BancoPosta (Postamat or Postepay) cards to use proximity services.

Finally, in terms of its close collaboration with the Parent Company, during February 2015, the new Gestore Attese (queue management) service which is available on the PosteMobile app was installed on an experimental basis in 24 post offices and fully integrated with the queue management project being rolled out across post offices. This represents a further step towards digitalisation and greater involvement in Poste Italiane's sphere of activities, not only of habitual visitors to post offices but also digital natives.

Growth of the customer base and the good performance of voice traffic volumes (which during the period exceeded 2.6 billion minutes, representing an increase of 31% on the corresponding period in the previous year) and data traffic volumes on the PosteMobile network (which during the period exceeded 1,500 Terabyte, representing an increase of 100% on the corresponding period in the previous year) led to positive results in terms of Revenue from sales and services which increased from Euro 149.6 million during the first six months of 2014 to Euro 164.9 million during the first six months of 2015. Cost of goods and services amounted to Euro 110.5 million (Euro 110.7 million during the first six months of 2014).

Overall, the company reported an operating profit of Euro 22.5 million for the six months ending 30 June 2015 (Euro 6.3 million in the corresponding period in 2014) and profit for the period of Euro 14.1 million (Euro 2.8 million in the corresponding period in 2014).

4. HUMAN RESOURCES

Poste Italiane Group

	Number of employees ^(*)		
	Average		
	For the six months ended 30 June 2014	For the year ended 31 December 2014	For the six months ended 30 June 2015
Staff on permanent contracts			
Executives	793	789	783
Middle managers	15,973	16,010	16,027
Operational staff	123,577	123,255	121,789
Back-office staff	2,486	2,167	1,548
Total staff on permanent contracts	142,829	142,221	140,147
Apprenticeships	46	45	46
TOTAL	142,875	142,266	140,193
	Average		
	For the six months ended 30 June 2014	For the year ended 31 December 2014	For the six months ended 30 June 2015
Staff on flexible contracts			
Temporary contracts	223	198	126
Fixed-term contracts	1,629	2,171	3,169
TOTAL	1,852	2,369	3,295
TOTAL EMPLOYEES ON PERMANENT AND FLEXIBLE CONTRACTS	144,727	144,635	143,488

(*) All figures in full time equivalents

External recruitment and selection of recent graduates continued throughout the first six months of 2015, aimed in particular at strengthening the local consultancy service, extending the financial promoter network and enhancing front-end capacity in post offices with a significant number of nonnative customers.

Staff were also recruited externally to work in Chief Financial Office (to work on activities relating to privatisation and stock exchange listing), Information Technology, Digital Architecture and Services for the Public Administration and Group Secretary, External Relations, Security and Safety.

Staff were also recruited externally to meet specific business needs of Group companies, in particular, Poste Vita.

Finally, in a logic of continuous improvement, the process of recruiting and selecting employees to work in delivery and sorting on fixed term contracts was reviewed.

Internal recruitment and selection activities, including promotion of graduates and internal postings of vacant positions, were also continued.

In accordance with the trade union agreement of 22 May 2013 and taking into account both corporate requirements and transfer requests submitted, the process followed to ensure an appropriate geographical distribution of staff involved collection of transfer requests at a national level in February and publication of the related transfer lists on 31 March 2015. A development architecture has been defined for the "2020 Plan", including identification of key roles and talent pools, based on strategic and business requirements, and redefinition of the managerial competencies framework.

A series of related development initiatives have been planned, based on the following three macro-level objectives:

- identification and development of talent;

- filling key management roles through systematic internal scouting; and
- management of processes to identify and develop the competencies of key groups

With regard to managerial staff, a process has been developed to assist in the management of succession planning for Executive positions and a new manager assessment plan has been introduced. The assessment of 50 managers from the Engineering and Operations function of Mail, Logistic and Communication Services was completed in May 2015 and similar assessments will be undertaken for a further 75 managers from other business functions.

A new approach has also been developed to evaluate the potential of middle managers to take on highly complex managerial roles.

A new, “people review” process has been introduced to help grow the pool of resources from which to fill key roles (e.g. Branch Office Managers, Delivery Area Managers, Sorting Office Managers); the objective of such process, which is based on joint meetings involving local and central office managers, is to identify specific pools of individuals, based on their readiness to take-on target positions and undertake dedicated training and development.

In terms of developing core competencies, processes to map such competencies are planned to take place during the second half of 2015, involving around 450 sales staff in the Business and Public Sector Market area and 400 heads of Distribution Centres in the Mail, Logistics and Communication Services area.

Professional profiles and the related development programmes have been redefined for staff in the Information Systems function and competency mapping organised for around 1,400 staff.

The “Osservatorio 2015” initiative was introduced to monitor the objectives and development of recently recruited graduates and assist in planning training and development activities for the short to medium term.

Another notable change management activity was the launch in May of “Opinion 2015”, with the objective of listening to staff throughout the Group with a view to identifying areas for improvement where action can be taken to renew and improve our corporate culture.

The 2014 [performance appraisal](#) of middle managers and white-collar staff took place between January and March 2015 with more than 93,000 appraisals being completed (3 thousand more than in the previous year) by around 8,400 appraisers.

With a view to ensuring the application of standard criteria and internal fairness, the role of the local appraisal-adjustment committees, coordinated by Regional Human Resources Departments, was continued. The appraisal process for Executives was also completed in May.

An initiative is currently being planned, on an experimental basis, to increase the number of staff in the Mail, Logistics and Communication Services area included in the appraisal process, during the second half of 2015.

In terms of incentive policies, the 2015 commercial and operations incentive schemes were finalised, however, the Management by Objectives Scheme is still under review.

Particular attention was dedicated to qualitative and customer relations indicators in the Private Customer area in order to ensure these were properly reflected (together with financial considerations) in the related incentive schemes.

A new phase of management development was introduced during the first six months of 2015, with the Corporate University launching a series of [training initiatives](#). In particular, two cycles of “fireside chats” (involving exchange, discussion and analysis of strategic themes) were held, dedicated to corporate management issues:

- the first cycle, involving 50 first and second level Executives concentrated on governance and leadership issues through a reinterpretation of certain of Shakespeare’s works; and
- the second cycle, dedicated to “strategic thinking”, brought together first level Executives in an exercise focused on decision making in complex situations and environments.

Sixty young employees (professionals or supervisors under 35) involved in the management of key processes within the Group participated in the “Future is Now” project. This initiative was centred on contemporary trends and was aimed at helping participants interpret new scenarios and situations with the objective of stimulating the adoption of innovative work related strategies and solutions.

June saw the launch of the “LiberaMente al lavoro”, initiative, which is targeted on young graduates from across the business functions and aimed at increasing engagement and motivation and building professional competencies. This is a structured project, which draws on various formative methods, aimed at reinforcing participants’ competencies and inter-personal skills with a view to adding value to the business.

In terms of role-specific training plans, there was significant take-up of company-wide courses on professional and managerial skills and language training started up again.

Technical and specialist training courses included:

- programmes on regulatory compliance (approx. 140 thousand participants), with courses on financial matters and banking transparency: combating money laundering, MiFID, Legislative Decree 231/01, market abuse, privacy code, IT security, physical security, and courses on safety in the workplace;
- operational business support programmes for commercial activities, (involving around 138 thousand participants) with courses on sales techniques, the centrality of the customer and front-desk customer relations;
- delivery support programmes, (involving around 14 thousand participants), dealing with quality, new services, role-specific training for postmen and women and other delivery-specific skills);
- programmes to develop specialist skills for non-managerial roles, (involving around 1,900 participants) with courses on professional effectiveness, audit techniques and ICT professional profiles; and
- programmes designed to exploit internal expertise, (involving around 300 participants). These courses are part of the long-term “Training for Trainers” programme, aimed at those involved in corporate training across the organisation.

Finally, a series of initiatives (involving around 37 thousand participants) were organised on matters of social and environmental importance, such as energy saving and eco-driving.

With regard to the Ente Bilaterale per la Formazione e Riqualificazione del Personale (the Bilateral Agency for Staff Training and Retraining), efforts continued during the period to recover costs (amounting to Euro 4.2 million, representing 135 training plans) from the Fondimpresa inter-professional fund, in relation to training provided to non-managerial staff. Efforts also continued to recover the costs of a managerial training plan (amounting to Euro 32 thousand) from the Fondirigenti inter-professional fund.

[Industrial relations](#) at Poste Italiane during the first six months of 2015 saw the Company involved in negotiations with trade unions on the matters described below.

[Poste Italiane SpA’s 2015-2019 Strategic Plan](#)

Various meetings were held in relation to implementation of the “Poste 2020” Business Plan, which had been presented to the unions on 16 December 2014. The principal objective of such meetings was to consider the implications for staff of the reorganisation of business processes.

In particular, on 16 January 2015, a meeting was held to present the Plan as it related to the Private Customer function and similar meetings were held in relation to the new Retail Service model, the evolution of the Area and Branch commercial structure, developments in customer service and the evolution of the Business commercial structure. Following such meetings, on 12 June 2015, the parties jointly signed an agreement setting out the placement and reassignment process to be followed with regard to staff members affected by the changes.

Similar meetings, to present Business Plan actions relating to the Post, Communication and Logistics area, were held on 5 and 18 March and 24 June 2015.

On 28 January 2015, the minutes of a meeting on the Private Customer area were signed, following agreement regarding automatic response modalities of operators at Contact Centres and the project to develop PosteShop.

On 29 April, the minutes of a meeting relating to BancoPosta were agreed in relation to the new model for the CUAS (Automated Services Unified Centres) in Florence, Venice and Bari, involving the processing of products and services other than payslips.

Bilateral Agencies

During the first six months of 2015, the Ente Bilaterale per la Formazione e Riquilificazione del Personale (Bilateral Agency for Staff Training and Retraining) continued to support the development, presentation and activation of various projects and concluded several agreements to assist in obtaining finance from Fondimpresa.

The national organisation for health and safety in the workplace also continued its work to ensure the uniform and correct application of guidance relating to the health and safety of workers. In this regard, the Company presented its new organisational structure and made changes to delegations relating to responsibility for health and safety in the workplace.

Legislation

On the regulatory front, following the opinions expressed by INPS and related legislation (L.114/2014) regarding protection of the disabled, procedures setting out requirements regarding authorisations and leave were updated and a handbook dealing with such matters was prepared and published on the corporate intranet.

With regard to the hiring of staff with disabilities, the Company entered into a series of agreements with provincial and city authorities. Such agreements foresee the possibility that individuals from areas where a large number of disabled people have been identified can be included in lists relating to other areas where fewer people with disabilities have been identified.

Regarding [Social Policies and Corporate Social Responsibility](#), in the first half of 2015 the Company's welfare system continued to promote inclusive services provided to socially vulnerable groups, and initiatives geared primarily to the needs of employees and their families.

Teleworking continues to be popular in terms of work-life balance, with around 170 teleworking employees, for the main part individuals with specific social needs, making use of the option.

With regard to services provided to staff members, particular attention continued to be paid during the period to healthcare issues, employment of the disabled and cultural matters. In addition, the number of agreements providing staff discounts on a range of products and services was increased, with 160 agreements and offers now in place, relating, in particular, to preventative healthcare programmes aimed at specific target groups within the Company and holiday camps for children and young people.

The number of [labour disputes](#) during the period increased slightly (by around 8%) compared with the same period in 2014, with the total number of actions brought at 30 June 2015 amounting to 780, compared with 720 at 30 June 2014.

With specific regard to flexible working arrangements:

- 47 new claims relating to fixed-term contracts were filed, compared with 109 during the first six months of 2014; the number of cases lost – calculated on the basis of outcomes notified regardless of the year in which the claims were filed – decreased to 18%, compared with 22% in the same period of the previous year; and
- 11 new claims relating to temporary and agency work were filed, compared with 3 during the first six months of 2014; around 45% of cases were lost, broadly in line with results in the same period of the previous year.

The number of disputes arising from other contractual terms and conditions increased from 610 during the first six months of 2014 to 724 during the first six months of 2015 with a share of cases lost of around 34%.

5. RISK MANAGEMENT

RISK MANAGEMENT

Responsibility for risk management had traditionally been spread across various functions. With a view to the anticipated stock market listing, such arrangements are currently being reviewed and, to this end, the Company has completed an assessment of the Internal Control and Risk Management System (ICRMS) at the Parent Company and its principal subsidiaries, identifying and analysing the organizational structures involved in risk control and management activities at various levels. Implementation of the necessary improvements identified as part of the ICRMS assessment is currently underway.

In this regard, a Group Risk Oversight function has been established in the Chief Financial Office function, with responsibility for overseeing and guaranteeing the proper functioning of the process to identify, assess and monitor risks facing the Group, including strategic risks which could undermine achievement of the objectives set out in the Business Plan; such Group Risk Oversight function will achieve this through coordination of the relevant functions in Poste Italiane and the Group companies and with due regard to the relevant norms, rules and regulations. The function will also support senior management in defining the Group's risk appetite and compatibility of risks assumed with management of the Company based on achievement of its strategic objectives.

During the first six months of 2015, the Group's risk governance framework was defined, and appropriate instruments and methodologies developed, consistent with the peculiarities of the business, best practice and the relevant regulatory context. The first integrated risk assessment based on the new Strategic Plan, aimed at identifying and assessing the key risks facing the Group, is currently being finalised.

OPERATIONAL RISK

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk. The principal types of risk identified are described below.

Risk of attack and external events

One of Poste Italiane's key focus areas is post office security, which involves protecting staff and the Company's assets and dealing with the risks deriving from fraud or crime perpetrated by outsiders.

As a result of measures taken over the years to prevent and deal with issues and improve general security levels, the Company was able to reduce the number of robberies during the first six months of 2015 by 7%, compared with the same period in the previous year. However, evidence gathered during the period shows an increase in crime, in particular thefts (which increased by 33%) and attacks on ATMs (which increased from 38 during the six months ending 30 June 2014 to 44 during the first six months of 2015), with the percentage of successful attacks rising from 3% in 2014 to 27%.

Great attention is also paid to combating the risks deriving from potential fraud, both inside and outside the Company. To combat such risks, Poste Italiane has adopted a range of tools, used by the various departments within the Company, including the Oracolo system for checking proof of identity and the Identity Check system for controlling access to the website at www.poste.it, enabling it to block perpetrators already known to the authorities. During the period, these systems enabled the Company to conduct over 15 million checks and analyse more than 1.8 million subscriptions of financial products, preventing fraud worth an estimated Euro 0.9 million.

Another control in place, this time to prevent and combat digital identity theft, is the "Fraud.DNA" system, which is based on an analysis engine capable of spotting unusual online customer activity. Such system enables real-time analysis of all

accesses to Poste Italiane's online services, aimed at rapid identification of customer accounts that may have been violated and prevention of digital identity theft. During the first six months of 2015, approximately 78 million accesses to online services were monitored, enabling around 35 thousand affected accounts to be identified and blocked.

In the same way, the anti-malware fraud detection service, which picks up the presence of malware on the computers used by customers to access its online services, enabled the interception and analysis of around 13 thousand malware attacks and the identification of over 7 thousand infected computers during the first six months of 2015.

Although to a lesser extent than in the past, phishing continues to be one of the most prevalent and sophisticated forms of online fraud. During the period, organisational and technological controls used for the prevention, management and elimination of this crime enabled the Company to intercept and analyse over 3 thousand cases. Some 1,062 attacks were dealt with, resulting in the shutdown of the same number of clone sites with an average of 6 sites being blocked per day

Finally, the Early Warning service, which has been integrated into Poste Italiane's CERT (Computer Emergency Response Team) and is designed to handle reports of new cyber threats (covering vulnerability, malicious codes, security risks, critical issues and IP addresses identified as malicious and other data), led to the identification of 8,504 IT vulnerabilities and 481 malicious codes during the six month period. The system also provides a description of the problem, its potential impact, how it spreads and the actions necessary to mitigate or combat the risk.

Information security

In terms of information security, in recent years, Poste Italiane has designed and adopted an integrated Information Security Governance model at Group level which sets out roles, responsibilities and activities required and followed to monitor the security infrastructure relating to corporate data. During the first six months of 2015, the Company dedicated significant attention to this matter through the analysis and assessment of information security risks; this involved application of a methodology which foresees a first phase of Business Impact Analysis, followed by risk analysis of processes, data, applications, operating systems, hardware and facilities relating to the service in question .

Moreover, within the scope of cyber-crime prevention, since 2013, the CERT – Computer Emergency Response Team, has operated at the Rome Technology Campus, tasked with analysing and synthesising information flows from the various internal security systems and coordinating the response to any computer emergencies.

An analysis of financial risks and related risk management arrangements is included in the condensed, consolidated, interim financial statements at 30 June 2015.

6. EVENTS AFTER 30 JUNE 2015

Events occurring after the end of the reporting period have been described elsewhere in this document and there are no other material events after 30 June 2015 to report.

7. OUTLOOK

During the second half of 2015, the **Postal and Business Services** segment will continue the organisational restructuring of logistics and operations, as well as developing business using new technologies.

With regard to the restructuring of logistics and operations, implementation of the new postal services operating model will continue to focus on three key areas: Postal Network Operations, their Optimisation and their Evolution.

Initiatives relating to Postal Network Operations will aim to ensure the network's operational continuity and optimisation of the Tracking system, which provides timely updates on the progress of items throughout the logistics chain. Initiatives relating to Optimisation of the Postal Network involve process streamlining through increased computerisation and automation, with particular regard to management of the fleet and the internal processes followed by delivery staff and staff at Sorting Centres.

Evolution of the Postal Network will focus on the re-engineering of network logistics, with the introduction of new models for sorting and delivery.

During the second half of 2015, the Group will continue to rationalise and optimise its various product offerings. In particular, Posta Contest, a non-USO product designed for tenders and SMEs, will be introduced for the delivery of shipments of unrecorded mail, combined with other additional premium services such as reporting, fast delivery, fewer weight and size limits and delivery throughout the entire country.

In terms of registered mail, the Extradoc range - a new non-USO postal service aimed at Business and Public Administration customers for tracked and signed-for items up to 20kg, to be delivered within 6 working days - will be launched, as will Raccomandata Market, a modular product designed for tenders, which includes pre-production services and second attempted delivery.

In terms of Value Added Services, the new Interactive range of products (send only, return only, send and return) will be introduced together with additional services such as integrated reporting and real time notification.

In the **Express Delivery and Parcels** area, the second half of 2015 will see the launch of Gamma Free International, the new Gamma Free service for overseas (USA and European Union) including shipment and delivery of signed-for mail prepared by the customer using special pre-franked packaging purchased at post offices.

The new Contrassegno su Promopacco (Cash on delivery for Promopacco) service will also be launched; the service will be available to customers with BancoPosta current accounts who are able to produce their own waybills and attach type 896 payslips to shipments.

During the second half of 2015, management of cash on delivery at post offices will also be introduced, with data transmitted by T&T enabling counter staff to read automatically produced payslip details.

Also expected during the second half of 2015 is the launch of the first phase of the Crono project, which will introduce a series of innovative express courier services, including: a single brand (Crono) for the entire B2C segment of the express courier product offering, harmonisation of customer service and support models, second attempt delivery and harmonisation of the number of days packages are held free of charge by post offices.

In terms of the **Financial Services** segment, BancoPosta RFC's commercial initiatives are described in section 9.6 "Outlook for BancoPosta RFC, while, with regard to **Banca del Mezzogiorno-MedioCredito Centrale**, it is noted that, following the period-end, the bank approved an update of its 2015-2017 Business Plan.

While confirming the strategic objectives as set out in the previous Plan, changes have been introduced in relation to how such objectives will be achieved; in particular, the revised Plan confirms the growth in the level of investments and reduction in their average duration, as well as recourse to medium/long term funding. In addition, the Plan recognises the importance of the role of the Parent Company in marketing its products.

Finally, recoverability of receivables may be influenced by market conditions and this could affect the Bank's future performance.

Consistent with the objectives of the Group's five-year Business Plan, **BancoPosta Fondi SGR** will aim to strengthen its business with the main objective being to achieve progressive and significant growth in the mutual investments funds business.

During the second half of the year, **Poste Vita** will continue to be guided by the strategic and business priorities set out in its business plan and will move ahead with a series of major initiatives, including activities relating to distribution and financial matters, with a view to driving further profitable growth. The company expects to see further growth in premium revenue during the second half of the year, due in part to the introduction of innovative products and an increase in sales and marketing activities in collaboration with the distribution network. In addition, Poste Vita will continue work on other projects, including the task of ensuring compliance with the new "Solvency II" regulations, with initial requirements coming into force during next year.

PosteMobile will continue to position itself as an enabler of mobile digital services, offering innovative, easy-to-use and secure services. In this regard, it will continue to implement a strategy aimed at consolidating its core business and achieving growth in markets adjacent to and integrated with those of the Poste Italiane Group. Key initiatives will be aimed at developing and launching Broadband LTE services, building on its distinctive offering and extending the company's activities with the launch of strategic diversification projects and the development of new services.

Notwithstanding the complex economic situation, forecasts for the Italian economy foresee GDP growing steadily at around 0.7%, improvement in the labour market and a resulting increase in the propensity to save, thereby leading to a partial restoration of wealth lost during the financial crisis.

Against this background, the Poste Italiane Group will be involved in completing the process required to achieve listing of its shares, expected to take place during autumn 2015. This will involve continuation of the numerous financial communication initiatives already underway, as well as a significant volume of information being provided for the public in relation to the placement.

The first six months of 2015 saw continuation of constructive discussions with the shareholder, MEF, aimed at determining the amounts to be paid and methods of payment in relation to the receivables due to Poste Italiane SpA by public authorities; such discussions also covered a series of contracts and agreements currently awaiting renewal, described elsewhere in this document. As explained in Notes 2.3 and A7 of the interim financial statements, in reporting the results and financial position at and for the six months ending 30 June 2015, the Parent Company has applied estimates and measurements consistent with past periods. The effects of any further developments regarding the definition of receivables due from the state will be reflected in future financial statements (including those relating to the second half of 2015) following finalisation of relevant decisions and related legislative provisions.

8. OTHER INFORMATION

8.1 PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

AGCM (the Antitrust Authority)

With regard to the investigation of Poste Italiane's business practices ([Ay/441](#)), launched in 2012 to establish whether the Company could be deemed to have abused its dominant position in violation of article 102 of the European Treaty, if it were determined that it did not charge VAT on deregulated services, on 23 April 2013, the Authority concluded the procedure, ruling that Poste Italiane could not take advantage of such a tax break and that it had "abused its dominant position by applying discounts – due to the non-application of VAT – that its competitors could not match, thereby resulting in unfair competition, to the detriment of consumers".

In addition, the Authority decided:

- for disapplication of Italian legislation, specifying that the Company "is not liable to fines for the period prior to the decision to disapply national legislation", for conduct prior to the Authority's decision; and
- that "Poste Italiane should, therefore, cease the abuse by charging VAT on those postal services, falling within the universal service, whose conditions of supply have been deregulated".

On 21 June 2013, Poste Italiane SpA appealed the Authority's ruling before the Lazio Regional Administrative Court and on 7 February 2014 the appeal was rejected. On 25 March 2014, the Company, therefore, appealed to the Council of State, at the same time requesting suspension of the Regional Administrative Court's sentence and, accordingly, the Authority's ruling. A hearing on the merits, initially scheduled to take place on 26 May 2015, was postponed to take place on 20 October 2015. In the meantime, the Company is complying with the Authority's ruling and providing related reports to the Authority.

In this regard, it is noted that on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, reflecting the arguments made by AGCM, amended Italian legislation to bring it into line with EU laws. Exemption from VAT thus no longer extends to deregulated services.

In this case, the legislator, in compliance with EU law, also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

In March 2011 the Antitrust Authority launched procedure [PS/6858](#) regarding alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code). This regarded the unavailability of forms at post offices relating to standard Registered Mail and Standard Parcel products. On completion of its investigation, the Authority imposed a fine of Euro 540 thousand on Poste Italiane. The fine was paid in February 2012, however, the Company has appealed the fine before the Lazio Regional Administrative Court. A request to bring forward the decision on the merits of the case has been submitted.

On 4 June 2015, the AGCM initiated proceedings ([SP/157](#)) pursuant to art.8 para.2 quarter of Law 287/1990 (Antitrust Law), to determine whether actions taken by [Poste Italiane](#) were such as to preclude access by the company H3G to the post office network. On 8 July 2015, the Authority communicated that it had accepted Fastweb SpA's request to participate in the proceedings. On the same date that proceedings were initiated (4 June 2015) the offices of [PosteMobile](#) were inspected by AGCM. The Company, which was inspected as a third party in the proceedings, has presented a request to participate in the proceedings in order to demonstrate the absence of any violation, in terms of its own area of responsibility.

In October 2013, the Antitrust Authority petitioned the Regional Administrative Court with respect to the Ministry for Infrastructure and Transport and Poste Italiane (in its role as agent of the [PosteMotori](#) consortium, which had been formed to take part in a tender process announced by the MIT for the provision of management and remittance services for payments, by road users, for the services provided by the Department of Transport). The objective of the Antitrust Authority's action was to declare the tender null and void and, pending a final ruling, to suspend enforceability of the tender, the tender terms and conditions, instructions to bidders, the executive order to announce the tender and all related clarifications and acts. The grounds cited for the petition were the fact that art. 11 of the tender terms and conditions restricted competition, in that points for the technical bid were awarded on the basis of the "widespread nature, availability and number of physical payment points", rendering the bid evaluation process unfair in breach of art. 2 of Legislative Decree 163/06 which established the principle of free and non-discriminatory competition in tenders for the provision and performance of services under concession. On 27 May 2015, the Regional Administrative Court issued sentence no. 7546/15 rejecting the petition.

[AGCom \(the Italian Communications Authority\)](#)

With regard to Universal Service tariffs, as part of its investigation of "the setting of the price cap for services falling within the scope of the universal service obligation" launched in 2012, AGCom approved Resolution [728/13/CONS](#) in December 2013. This resolution, which made substantial changes to the draft measures submitted for public consultation, in all respects replaced the price cap regime that had been applied until then.

The resolution governs the prices that Poste Italiane can charge for universal postal services in the three-year period 2014-2016 and grants the option to increase existing service tariffs up to "fair and reasonable" levels, without prejudice to the safeguard cap for priority and registered mail for retail customers (respectively, Euro 0.95 and Euro 5.40, to be reached progressively over three years). In addition, the resolution introduces new obligations for Poste Italiane in terms of cost accounting for postal services and in relation to access to the universal postal network.

Following an in-depth technical and financial analysis, the Company concluded that there are grounds to appeal to the administrative courts to overturn the resolution. A hearing on the merits has been adjourned until a later date.

In June 2014, AGCom and Poste Italiane met to discuss the method of implementing certain provisions contained in the resolution and, in August, the Company informed AGCom of its intention to increase the prices of a number of the services included in the Universal Service, with effect from 1 December 2014. These included:

- an increase in the retail price for priority mail from Euro 0.70 to Euro 0.80 (for the first attempted delivery and the acknowledgement of receipt service, with proportional increases for subsequent attempts at delivery and international services);
- an increase in the retail price for registered mail from Euro 3.60 to Euro 4.00 (for the first attempted delivery, with proportional increases for subsequent attempts at delivery and international services);
- a reduction in the price for legal process from Euro 7.20 to Euro 6.60 (for the first attempted delivery, with proportional price reductions for subsequent attempts);
- the repricing of ordinary domestic and international parcels services, with the introduction of two attempts at delivery and the grouping of overseas destinations into six price zones.

On 21 January 2015, the Authority notified Poste Italiane of its decision to contest the failure to increase the price of Raccomandata Online (online registered mail), given the increase in the retail price for registered mail. According to the Authority, this constitutes a violation of art. 9 of the Resolution, which links the prices of the two products in question. Poste Italiane submitted defence briefs on 20 February and 10 March 2015, during dedicated hearings with the Authority.

On 30 January 2015, the Consumers' Association, Codacons, which had previously challenged the section of Resolution [728/13/CONS](#) in which it permits increases in the prices of Poste Italiane's universal services, challenged the increases introduced from 1 December 2014, submitting additional arguments and requesting interim relief. On 25 February, the Administrative Court of Lazio did not examine the request for interim relief submitted by Codacons and the challenge was adjourned to a hearing on the merits, which has yet to be scheduled.

Resolution [728/13/CONS](#) also contains provisions relating to access to Poste Italiane's network. In particular, AGCom requires Poste Italiane to provide, at the request of third parties, access to its postal services under fair and reasonable conditions freely negotiated by the parties. Whilst awaiting the outcome of the Company's appeal against the resolution, Poste Italiane has received two requests for access to its postal network, one in February and a second in October 2014. Neither of the negotiations has reached a conclusion. With regard to the first request, in October 2014, the operator making the request asked the Authority to intervene and, in response, the Authority urged the parties to continue with their negotiations. In January 2015, the operator informally informed Poste that, given lack of progress in the negotiations, it had again requested the Authority to intervene, however, to date, the Authority has taken no action in respect of such request to intervene.

On 9 April 2014, AGCom merged the procedures launched on 4 October 2012 (Resolution [444/12/CONS](#), concerning the "universal postal service: analysis and application of the allocation mechanism and assessment of the net cost of the service for 2011"), and on 13 March 2014 (Resolution [117/14/CONS](#) concerning "analysis and applicability of the mechanism for allocating and assessing the net cost for 2012"). On 28 May 2014, with Resolution [260/14/CONS](#), the Authority then launched a public consultation on the draft measure "Universal postal service: analysis and applicability of the method for allocating and assessing the net cost for 2011 and 2012".

Poste Italiane presented its contribution to the consultation on 10 July 2014, providing detailed information in support of its analysis.

On 29 July 2014, the board of AGCom issued Resolution [412/14/CONS](#), approving the measure defining the method of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. In confirming that the cost of the universal service for 2011 and 2012 was, in certain respects, unfair and thus merited compensation, the resolution quantified the cost for 2011 and 2012, respectively, as Euro 380.6 million and Euro 327.3 million, compared with compensation (calculated on the basis of the subsidy cap mechanism provided for in the existing Planning Agreement) originally recognised by Poste Italiane of approximately Euro 357 million and Euro 350 million, respectively¹⁶. For the first time, following transposition into Italian law of the third European directive regarding postal services (Directive 2008/6/CE), the so-called "net avoided cost" method was applied in quantifying the cost of the universal service. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

On 23 September 2014, the Authority published Resolution [493/14/CONS](#), marking the start of the process covering the analysis and applicability of the method for allocating and assessing the net cost of the Universal Postal Service for 2013¹⁷, with the aim of checking the calculation against the method applying the indications contained in Directive 2008/6/EC, and identifying, if necessary, a mechanism for allocating the cost among operators that would minimise market distortion.

On 13 November 2014, the Company lodged an appeal with the Administrative Court against AGCom's resolution relating to the net cost for 2011 and 2012 and is awaiting confirmation of the scheduling of the hearing on the merits.

¹⁶ The sum of Euro 357 million for 2011 was approved by the European Commission (EC). Compatibility of the sum of Euro 350 million for 2012 with European legislation regarding state aid, will be assessed by the Commission as part of its assessment of the entire three-year period 2012-2014. The 2012 Stability Law had, in contrast, earmarked the sum of Euro 321.6 million for 2012. In addition, in May 2014, the EC was given advance notification of the levels of public compensation to cover the cost of the Universal Service for the three-year period 2012-2014 and the five-year period 2015-2019.

¹⁷ For which the 2012 Stability Law had earmarked the sum of Euro 351.6 million and capped the sum for 2014 at Euro 291.6 million, subsequently reduced by the 2014 Stability Law to Euro 277.4 million.

On 24 July 2015, the Authority confirmed that the procedure on analysis and application of the allocation mechanism and assessment of the net cost of the service would, without prejudice to previous rulings, be extended to include also 2014.

On 4 June 2013 AGCom published Resolution [372/13/CONS](#), alleging that Poste Italiane had failed to achieve its regional sub-target for priority mail in the Campania region for 2012, and proposed a fine of Euro 400 thousand in accordance with the Contratto di Programma (Planning Agreement) for 2009-2011. During the investigation, Poste Italiane informed the regulator of all the various force majeure events that had resulted in its failure to meet the targets, requesting that the fine not be imposed. With Resolution 18/14/CONS of 21 January 2014, the Authority imposed a fine of Euro 300 thousand on Poste Italiane, only partially recognising the role played by the aforementioned force majeure events. On 31 March 2014 the Company lodged an appeal before the Regional Administrative Court against the Resolution and is currently awaiting scheduling of the hearing on the merits.

On 17 July 2014, in publishing Resolution [364/14/CONS](#), AGCom launched a survey entitled “Universal Service: the needs of end users and potential future developments”, aimed at assessing the adequacy of postal services, and in particular those classed as universal services, in relation to the needs and expectations of end users. On 13 January 2015 AGCom issued Resolution [22/15/CONS](#), extending the deadline for termination of the survey by 180 days.

On 14 April 2015, AGCom lodged a protest, [CONT 02/15/DSP](#), against Poste Italiane for alleged violation of legal obligations linked to the supply of the universal postal service, in relation to the extraordinary closure on certain days during July and August 2014 of 21 post offices located in the Province of Messina. The deadline for termination of the proceedings was set by the Authority at 150 days from notification, unless any justified extensions are subsequently granted. Poste Italiane submitted its defence brief on 14 May 2015 and provided further information, prepared following access to the relevant details.

On 29 July 2014 AGCom adopted Resolution [410/14/CONS](#), containing Regulations governing aspects of the pre-investigation and investigation stages of AGCom procedures involving the imposition of administrative fines in the sectors for which it is responsible. The resolution also marked the start of a public consultation on the document containing guidelines on the criteria for actually quantifying the fines. Poste Italiane presented its submission for the consultation on 14 October 2014. On 28 April 2015, AGCom adopted Resolution [265/15/CONS](#) (published on the Authority’s web site on 16 July 2015), adopting the guidelines on the criteria for quantifying fines in the sectors for which it is responsible (Annex A of the Resolution).

On 26 June 2014, following completion of proceedings initiated in 2013, in which Poste Italiane had participated in its own right, AGCom adopted Resolution [342/14/CONS](#), concluding the procedure. The ruling added to existing criteria used in deciding on the distribution of post offices, defined by the Ministerial Decree of 7 October 2008, introducing, in particular, a ban on the closure of offices located in municipalities in rural and mountain areas. On 29 September 2014 and 8 April 2015, the Company submitted to AGCom its plan for the rationalisation of post offices and delivery offices not considered to be financially viable in 2014 and 2015.

On 10 July 2015, AGCom lodged a protest, [CONT 04/15/DSP](#), against Poste Italiane for alleged violation of legal obligations linked to certain post offices and local head offices in 2014, following monitoring carried out by IZI, in relation to changes to opening hours of post offices during the summer period. The deadline for termination of the proceedings was set by the Authority at 150 days from notification, unless any justified extensions are subsequently granted. Poste Italiane is currently preparing its defence brief in opposition to such protest.

European Commission

On 13 September 2013, the Court of Justice of the European Union upheld [Poste Italiane SpA's](#) appeal, overturning the Decision of the European Commission of 16 July 2008 on state aid ([Decision C42/2006](#)), and ordered the EC to pay legal costs. Acting on the European Commission's Decision, and in accordance with instructions from the Parent Company's shareholder, in November 2008, Poste Italiane SpA returned the sums requested (Euro 443 million plus interest of Euro 41 million). In implementation of the European Court's decision, the 2015 Stability Law authorised the payment of Euro 535 million to Poste Italiane for 2014. The Company received the amount in an account with the Italian Treasury on 13 May 2015.

The European Commission subsequently reopened its review and appointed an external expert to determine whether (in accordance with art. 1 para.31 of the 2006 Financial Law - Law 266 of 23 December 2005) the rates of interest earned by the Company on deposits with MEF during the period from 1 January 2005 to 31 December 2007 were in line with market rates. At the date of this report, the expert has provided the Commission, on a preliminary basis, with an updated version of the analysis originally performed by the Commission. Poste Italiane will collaborate with relevant national authorities to demonstrate the propriety of the returns earned during the period in question.

On 15 October 2013, the European Commission notified initiation of a preliminary investigation, in accordance with EU regulations concerning state aid, regarding Alitalia Compagnia Aerea Italiana SpA ("Alitalia"), and submitted a series of requests for information on these matters to the Italian authorities. Subsequently, additional requests were submitted, to which the Italian authorities replied, partly based on information provided by Poste Italiane. On 6 February 2015, the European Commission notified that it had completed its preliminary investigation without finding evidence of state aid as regards Poste Italiane's investment in Alitalia; indeed, it found that Poste Italiane had invested in the airline under the same terms and conditions that would apply between two private operators (a so-called *pari passu* transaction).

On 4 March 2014, the European Commission requested clarification from the Italian authorities, regarding payment – in favour of IPOST, and following its abolition, in favour of INPS – of approximately Euro 1 billion per year during the period 2010-2013, to cover a deficit relating to Poste Italiane SpA's staff pension obligations. On 2 April 2014, the Italian Authorities sent a reply to the request for clarification, including information provided by Poste Italiane, which was filed with the European Commission on 4 April.

In a letter dated 14 October 2014, addressed to the Italian authorities, the Commission confirmed that- in light of the clarifications provided – it had not identified evidence of state aid in the measures in question.

Information on procedures and regulatory issues affecting BancoPosta RFC is provided in section 9, "BancoPosta RFC management review".

IVASS - Istituto per la Vigilanza sulle Assicurazioni (Insurance regulator)

Following the inspection that took place between 1 April and 14 July 2014, for the purposes of assessing the governance, management and control of investments and financial risks and compliance with anti-money laundering regulations, on 17 September 2014, IVASS notified Poste Vita of its recommendations and the start of administrative proceedings regarding the alleged violation of four provisions concerning anti-money laundering regulations. The Company has submitted defence briefs and the proceedings will be closed within two years.

Italian Data Protection Authority

On 28 May 2015, on the basis of a press report, the Authority requested Poste to provide information in relation to allegations regarding its handling of the personal details of individuals working for companies (in particular IZI SpA)

carrying out quality control reviews in relation to the postal service. According to the Authority, personal details had been handled without providing the interested parties with the relevant privacy information and without obtaining the consent of the individuals regarding use of the data.

Poste responded within the deadline of 22 June 2015, informing the Authority that a dedicated internal audit review would be performed to obtain the information requested.

Litigation

In 2011, as part of a criminal investigation of third parties, the Finance Police in Rome, acting on behalf of local judicial authorities, seized accounting and administrative documents from **Postel SpA** related to e-procurement transactions carried out in 2010 and, to a lesser extent, in 2011; as a precautionary measure, e-procurement operations were suspended in 2011. The company, assisted by its external legal advisors, has declared its willingness to support the investigation and will consider what actions to take to best safeguard the company's interests, should it be necessary.

Tax disputes

In 2012, the Agenzia delle Entrate - Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti (Regional Tax Office for Large Taxpayers) began an audit of Poste Italiane SpA's IRES, IRAP, VAT and withholding taxes for the 2009 tax year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. The audit, which was suspended on 27 February 2013, was relaunched on 4 June 2014 and extended to include the 2010 tax year, solely in relation to inspection of VAT exemption relating to postal services. The audit was completed on 27 October 2014, with the findings being published in an official tax audit report and on 26 November 2014, Poste Italiane SpA paid related taxes and interest amounting to Euro 211 thousand and reduced penalties amounting to Euro 31 thousand. With regard to the issue of the VAT exemption for postal services, the tax authorities did not find any irregularities, merely reporting the matter to the assessing office which, for 2009, did not find evidence of a violation. The Company believes the same will be the case in relation to 2010.

With regard to the alleged violations of VAT regulations notified to **Poste Vita** by the Tax Authorities in relation to the alleged failure to pay VAT on invoices for service commissions in 2004 and 2006, the Provincial Tax Tribunal of Rome has found in the company's favour, ruling that the tax authorities' allegations are without grounds. The Agency challenged such rulings and filed appeals. Both hearings were held before the Provincial Tax Tribunal of Rome on 25 June 2015 and as of the date of this report, no ruling has been reached. With regard to the alleged violations relating to 2005, the first hearing before the Provincial Tax Tribunal of Rome was held on 13 July 2015. The likely outcomes of these tax disputes have been considered in determining provisions for risks and charges.

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 **BdM-MCC SpA** received an official tax audit report contesting the deductibility of Euro 19.6 million in costs, relating to transactions effected in 2008 to settle disputes with the Parmalat Group. The report further claims that BdM-MCC underreported its taxable income by Euro 16.2 million, relating to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. In view of the fact that for the 2008 tax year the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Provincial Tax Tribunal and in May 2015, the tax authorities appealed the Provincial Tax Tribunal's ruling. Given that responsibility for these events and related actions rests with the previous owner of the bank, whose lawyers are defending the bank in this case, it is felt that any liabilities arising from such violations cannot, in any way, be attributed to BdM-MCC SpA.

In November 2011, the tax authorities notified [EGI SpA](#) of three notices of assessment for the years 2006, 2007 and 2008. All three notices concerned a similar IRES related irregularity, regarding the application of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased to third parties. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company paid a total of approximately Euro 2.1 million within the required deadline. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the Company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. Following the successful appeal, on 10 June 2015, Equitalia reimbursed the full sum paid to EGI SpA. On 24 April 2015, the tax authorities notified EGI that they had filed an appeal with the Court of Cassation, requesting annulment of the judgement on appeal in favour of the company and on 12 June 2015 EGI SpA presented a cross appeal. The litigation is currently pending before the Supreme Court of Cassation.

On 22 July 2014, the Italian Finance Police - Tax Unit, Rome commenced a tax audit of [Postel SpA](#) relating to direct taxes and VAT for the tax years from 2009 to 2012, with the aim of reporting on the violations identified as a result of the criminal investigation described above in the section on Litigation. This audit was completed on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, is contested. In support of its defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000, which are still being considered by the tax authorities. The likely outcome has been considered in determining provisions for risks and charges¹⁸.

Again with reference to Postel SpA, proceedings regarding the statute of limitations for IRAP in relation to 2005-2006, which had been contested by the tax authorities on a residual basis following an audit covering 2003-2006, were brought to an end during July 2015 through payment of negligible amounts.

Finally, on 6 July 2015, the Italian Finance Police - Tax Unit, Rome visited Postel SpA to start an audit of income taxes, IRAP and withholding taxes in accordance with articles 32 and 33 of Presidential Decree no. 600 of 29 September 1973, art. 35 of Law no. 4 of 7 July 1929 and art. 2 of Legislative Decree no.68 of 19 March 2001, in connection with alleged omission of payment of contributions by the company during the period 2010-2014 in relation to staff and other human resources of Wizard Srl.

¹⁸ In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the Guardia di Finanza – Nucleo Speciale Polizia Valutaria (Italian Finance Police - Currency Unit, Rome) began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio Postelink, now merged with the company, and Phoenix 2009 Srl.

8.2 ADDITIONAL INFORMATION

Related party transactions

With regard to the management of postal current account services and postal savings deposits, the principal transactions conducted by the Group relate to its shareholder, the Ministry of the Economy and Finance, and to Cassa Depositi e Prestiti SpA.

Details of all related party transactions regarding the Poste Italiane Group are provided in Poste Italiane Group's condensed interim financial statements at and for the six months ending 30 June 2015 (Related party transactions).

Statement of reconciliation of profit and Equity

The statement of reconciliation of the Parent Company's equity at 30 June 2015 and profit/(loss) for the period with the related Group amounts, (with comparative figures provided for the year ended 31 December 2014), is included in Poste Italiane Group's condensed interim financial statements at and for the six months ending 30 June 2014 (Notes to the financial statements - Equity).

9. BANCOPOSTA RFC MANAGEMENT REVIEW

9.1 BANCOPOSTA RFC CORPORATE GOVERNANCE

Appropriation of the ring fenced capital to be used to fund the operations of BancoPosta in compliance with relevant legislation, was approved by the Extraordinary General Meeting of 14 April 2011. The same EGM also approved the BancoPosta RFC Regulation, which governs the organisation, management and control of BancoPosta's operations and sets out the terms and effects of the ring-fencing, the related operating and accounting procedures and the nature of the relationship between BancoPosta RFC and Poste Italiane SpA's other corporate functions.

As described in the section of this report on Management and Supervisory Bodies, in accordance with the Supervisory Standards for BancoPosta issued by the Bank of Italy on 27 May 2014, in conducting BancoPosta's activities, Poste Italiane is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity (First Part, Title IV, Chapter I "Corporate Governance" of Circular no. 285 of 17 December 2013). Relevant legislation requires such companies to prepare and maintain an up to date corporate governance code describing relevant By-laws, rules and regulations and providing details of the internal organisational structure; such code must be approved by the body responsible for strategic supervision (i.e. the Board of Directors, in a traditional management and control model), in agreement with the oversight body (i.e. the Board of Statutory Auditors in the traditional model) and, if requested, be submitted to the Bank of Italy.

In view of the aforementioned classification, the Company is currently implementing a series of initiatives aimed at full compliance with the Supervisory Standards. In this regard, on 10 July 2015, the Company's Board of Directors approved the Corporate Governance Project, certain changes to the By-laws and the new BancoPosta RFC Regulation. Such changes will be presented for the final approval of the General Meeting of Shareholders.

BancoPosta RFC's current organisation and management model (described in detail in the 2014 Annual Report) will remain valid, pending completion of the process of complying with the new Supervisory Standards. It consists of the following bodies and officers, each with their delegated responsibilities and authorities: the Board of Directors, the Chief Executive Officer, the Head of BancoPosta and the Cross-functional Committee.

9.2 BANCOPOSTA'S SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

9.2.1 INTERNAL CONTROL

A system of internal control consists of a body of rules, procedures and organisational structures that aim to prevent or limit the consequences of unexpected events, enable the achievement of strategic and operating objectives and compliance with relevant laws and regulations, and ensure the fairness and transparency of internal and external reporting.

In terms of the reference framework adopted by the Group, the “Control Environment”, in the sense of the general context in which corporate resources carry out their activities and execute their responsibilities, is considered to be one of the most important components of an internal control system. The control environment includes integrity and other corporate ethical values, the organisational structure, the allocation and exercise of authorities and responsibilities, segregation of duties, staff management and incentive policies, staff competencies and, more in general, corporate culture. The key elements of BancoPosta's control environment are described in the 2014 Annual Report, to which reference is made.

In accordance with the regulatory requirements relating to internal control, contained in the Bank of Italy's Supervisory Standards and the CONSOB regulation (Resolution 17297 of 28 April 2010) to which BancoPosta is subject, during the first months of 2015, BancoPosta's Internal Audit function prepared its 2014 Annual Report. The purpose of such document is to report to corporate bodies, on a periodic basis, on the completeness, adequacy, functionality and reliability of the overall system of controls, with specific regard to information systems and the control processes, procedures and mechanisms applied in the oversight of BancoPosta's activities. The Report was prepared on the basis of the findings of audit activities carried out by the function and set out in the Audit Plan for 2014.

The audits were performed, making use as appropriate of the results of work carried out by Poste Italiane's Internal Audit function, which, in accordance with the General Operating Guidelines regarding BancoPosta's and Poste Italiane's respective responsibilities for corporate functions, is responsible for IT audit and the audit of the units and distribution channels within Poste Italiane's network involved in BancoPosta processes and products.

Following presentation to BancoPosta's Board of Statutory Auditors and Board of Directors, the 2014 Annual Report was submitted to the Bank of Italy and the section relating to investment services was submitted to the CONSOB.

The Internal Audit function also drew up its Annual (2015) and Multi-year (2015 - 2017) Audit Plan, based on a risk assessment process designed to ensure adequate coverage of BancoPosta's Business Process Model, including regulatory issues, operational and financial risks, changing aspects of the business and BancoPosta RFC's organisational structures. The Plan was presented to the Board of Statutory Auditors and submitted for the attention of the Board of Directors.

During the first six months of 2015, the Internal Audit function completed all relevant activities foreseen in the Plan, including audit of the Internal Capital Adequacy Assessment Process (ICAAP), on which specific reporting is provided to the Bank of Italy.

The Internal Audit function also carried out systematic monitoring of the status of implementation of management actions agreed following individual audit reviews and analyses carried out in prior years.

9.2.2 RISK MANAGEMENT

BancoPosta has created its own autonomous risk management function. In collaboration with the Group Risk Oversight function, BancoPosta's risk management function is responsible for developing an integrated (current and forecast) vision of the risk context and capital and organisational adequacy of the ring fenced capital. In particular, the function develops risk assessment and risk management systems and methodologies relevant to BancoPosta RFC, ensuring risk events are properly identified, classified and updated on a timely basis to reflect changes in operating and market circumstances.

The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities include:

- cash flow interest rate risk;
- spread risk;
- cash flow inflation risk;
- credit risk (including counterparty risk);
- market risk (including banking book rate risk);
- liquidity risk; and
- operational risk.

Risk assessment and risk management processes involve various different functions, each responsible for managing specific areas and categories of risk, using models and approaches specific to their own areas of competence. The degree of maturity of such activities varies between functions.

During the first six months of 2015, the Risk Management function proceeded with the project to comply with the new Supervisory Standards issued by the Bank of Italy on 27 May 2014, with particular regard to prudential supervisory regulations (in force from 31 December 2014). In particular:

- a new ICAAP report was prepared, (the first to be prepared on a mandatory basis), setting out the process followed to assess BancoPosta RFC's capital adequacy in relation to the range of significant risks identified. Following approval by the Board of Directors on 28 April 2015, the report was submitted to the Bank of Italy;
- the first public disclosure on risk in accordance with Pillar 3 of Basel III as at 31 December 2014 was published on the Poste Italiane site concurrently with publication of the 2014 Annual Report and financial statements;
- a new quarterly report (the "Tableau de Bord"), prepared as at 31 March 2015, was presented to the Board of Directors on 27 May 2015; such quarterly reports cover monitoring of the metrics included in the Risk Appetite Framework (which had been adjusted in line with updates to the Business Plan),

In terms of the evolution of significant risks, the first six months of 2015 were first of all affected by further reduction in the returns on Italian government securities, resulting in substantial gains on measurement of the securities (in part realised in profit or loss) and then, following the launch of Quantitative Easing by the ECB, by an increase in risk-free rates and (to a lesser extent) in the spread between Italian and German government securities.

The market situation, combined with the trend in deposits and investments, meant that exposure to banking book interest rate risk increased with respect to the very low levels recorded at the end of 2014, remaining, however, consistent with the targets in terms of incidence on capital adequacy.

The Basel 3 leverage ratio, which following the transfer to retained earnings of a share of the 2014 profits was above the required level of 3%, remained relatively stable in relation to the aforementioned trend in the fair values of government securities.

9.3 BANCOPOSTA RFC FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS ⁽¹⁾

for the six months ended 30 June	2014	2015
ROA ⁽¹⁾	0.66%	1.06%
ROE ⁽²⁾	20.0%	30.7%
Net interest income / Net interest and other banking income ⁽³⁾	28.7%	26.4%
Operating expenses / Net interest and other banking income ⁽⁴⁾	89.5%	84.5%

⁽¹⁾The most commonly used income ratios take on a different meaning, given the the unique nature of BancoPosta RFC and the fact that payments to Poste Italiane in reimbursement of costs are classified as "administrative expenses". The absolute amounts of the ratios are, consequently, irrelevant and should not be used for market comparisons but solely for analyses over time.

⁽¹⁾ Ratio between annualised profit for the period and total assets

⁽²⁾ Ratio between annualised profit for the period and equity less profit for the period and valuation on reporting reserves

⁽³⁾ Net interest income as a share of net interest and other banking income.

⁽⁴⁾ Cost/income ratio.

9.3.1 OPERATING RESULTS

RECLASSIFIED INCOME STATEMENT

for the six months ended 30 June	(millions of Euro)		
Income/(expense)	2014	2015	% inc/ (dec)
Net interest income	780	739	(5.3)
Net fee and commission income	1,749	1,742	(0.4)
Net interest and other banking income	2,716	2,794	2.9
Net income from banking activities	2,711	2,788	2.8
Operating expenses	(2,431)	(2,360)	(2.9)
Operating profit/(loss) before tax	280	428	52.9
Income tax expense	(100)	(129)	29.0
Profit/(loss) for the period	180	299	66.1

The positive operating performance during the first six months of 2015 resulted in a profit for the period of Euro 299 million (Euro 180 million in the corresponding period in 2014).

Net interest income of Euro 739 million (Euro 780 million in the same period of the previous year) reflects the difference between:

- interest earned on investments in government securities and deposits at the MEF, amounting to Euro 771 million (Euro 844 million in the first six months of 2014); and
- interest expense of Euro 32 million (Euro 64 million in the same period of the previous year), including Euro 21 million paid to current and term deposit account holders (Euro 48 million in the first six months of 2014) and Euro 11 million (Euro 16 million in the first six months of 2014) payable to major financial institutions acting as counterparties in repurchase agreements.

The reduction in net interest income (down 5.3% with respect to the corresponding period in 2014) is mainly explained by the lower return on the deposit of amounts deposited by public sector customers with the MEF (the rate of interest received fell from 1.47% at 30 June 2014 to 0.62% at 30 June 2015) and the securities portfolio¹⁹, the return on which fell from 4.28% at 30 June 2014 to 3.98% at 30 June 2015

Net fee and commission income during the period is substantially in line with the corresponding period in the previous year (Euro 1,742 million during the first six months of 2015, compared with Euro 1,749 million in 2014) and includes:

- fee and commission income of Euro 1,768 million (Euro 1,772 million during the first six months of 2014), including Euro 809 million generated by operations covered by the agreement with Cassa Depositi e Prestiti - the commission on which is based on average deposits in postal savings products and no longer on net deposits (Euro 766 million during the first six months of 2014), Euro 528 million from the processing of bills paid by payment slip and sundry payments (Euro 588 million during the first six months of 2014) and Euro 431 million (Euro 418 million during the first six months of 2014) from other services offered to customers (e.g. insurance broking);
- fees and commissions paid, amounting to Euro 26 million (Euro 23 million during the first six months of 2014), primarily relating to debit/credit card clearing services.

Net interest and other banking income amounts to Euro 2,794 million (Euro 2,716 million in the first six months of 2014) and includes gains on the sale of available-for-sale financial assets amounting to Euro 309 million (Euro 186 million in the first six months of 2014). Profit on trading amounts to approximately Euro 3 million (Euro 1 million in the first six months of 2014).

Net income from banking activities amounts to Euro 2,788 million (Euro 2,711 million in 2014), net of write down of Euro 6 million of receivables (Euro 5 million during the corresponding period in the previous year), relating for the main part to impairments on current account overdrafts.

OPERATING EXPENSES

for the six months ended 30 June (millions of Euro)	2014	2015	% inc/ (dec)
Administrative expenses:	2,402	2,312	(3.7)
<i>a) personnel expenses</i>	46	49	6.5
<i>b) other administrative expenses</i>	2,356	2,263	(3.9)
Net provisions for risks and charges	22	29	31.8
Other operating expenses/(income)	7	19	171.4
Total operating expenses	2,431	2,360	(2.9)

Operating expenses are down by 2.9%, due mainly to the reduction in Other administrative expenses, which decreased from Euro 2,356 million in the first six months of 2014 to million to Euro 2,263 million in the first six months of 2015 as a result of the reduction in transfer prices charged by other Poste Italiane functions for services provided in accordance with the General Operating Guidelines and in application of specific internal guidelines. The cost of such internal services total Euro 2,216 million in the first six months of 2015 (lower than the corresponding figure of Euro 2,303 million in the first six months of 2014) and include the cost to BancoPosta of using the commercial network, amounting to Euro 2,020 million (Euro 2,103 million in the first six months of 2014). The reduction is explained by the new method of calculating the charge, which is now based on a percentage share of revenue generated and no longer on the cost of providing the service plus mark-up.

¹⁹ As a result of the changes made to art. 1, para. 1097 of Law 296 of 27 December 2006 by art. 1, para. 285 of the 2015 Stability Law (Law 190 of 23 December 2014), BancoPosta RFC can invest up to 50% of customer deposits in securities guaranteed by the Italian state.

Personnel expenses, amounting to Euro 49 million (Euro 46 million in the first half of 2014) relate solely to the BancoPosta employees detailed in the following table. It is noted however that, given the nature of its operations and in line with the General Internal Operating Guidelines, BancoPosta RFC benefits from services provided by Poste Italiane staff, particularly those employed in post offices and Contact Centres.

Bancoposta RFC number of employees

Employees	Average number of employees		
	Six months ended 30 June 2014	Year ended 31 December 2014	Six months ended 30 June 2015
Executives	47	47	51
Middle managers - A1, A2	434	438	450
Grades B, C, D, E, F	1,343	1,339	1,343
Total employees on permanent contracts	1,824	1,824	1,844

All figures in full time equivalents

Operating profit/(loss) before tax for the first six months of 2015 amounts to Euro 428 million (Euro 280 million for the first six months of 2014) after net provisions for risks and charges of Euro 29 million (Euro 22 million for the first six months of 2014).

9.3.2 FINANCIAL POSITION AND CASH FLOW

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(millions of Euro)

Assets	31 December 2014	30 June 2015
Cash and cash equivalents	2,878	2,575
Available-for-sale financial assets	28,807	28,858
Held-to-maturity financial assets	14,100	13,491
Due from banks	917	735
Due from customers	8,494	8,684
Hedging derivatives	49	353
Tax assets	230	321
Other assets	1,495	1,619
Total assets	56,970	56,636

(millions of Euro)

Liabilities and equity	31 December 2014	30 June 2015
Due to banks	5,551	6,224
Due to customers	42,567	42,280
Hedging derivatives	1,720	1,388
Tax liabilities	924	828
Other liabilities	1,973	2,019
Employee termination benefits	20	19
Provisions for risks and charges	358	381
Total liabilities	53,113	53,139
Equity	3,857	3,497
<i>of which:</i>		
Initial reserve	1,000	1,000
Retained earnings	799	949
Valuation reserve	1,618	1,249
Profit for the period	440	299
Total liabilities and equity	56,970	56,636

Cash and cash equivalents at 30 June 2015 amount to Euro 2,575 million (Euro 2,878 million at the end of 2014) and include cash on hand at post offices and in transit with companies that provide cash transportation services, totalling Euro 2,395 million (Euro 2,760 million at the end of 2014) representing amounts received in relation to postal current accounts and postal savings products (Interest Bearing Postal Certificates and Postal Savings Books deposits) not yet deposited with Cassa Depositi e Prestiti, or advances collected from the State Treasury to finance post office operations. Cash and cash equivalents also include Euro 180 million (Euro 118 million at 31 December 2014) deposited in an account with the Bank of Italy to be used in interbank settlements.

Available-for-sale financial assets amount to Euro 28,858 million, an increase of Euro 51 million with respect to the balance at the end of 2014, due to the purchase of new Italian government securities to replace those nearing maturity, in part offset by fair value losses. In this regard, in view of the general economic climate, the strategy of optimising the average portfolio maturity was continued throughout the period to protect the portfolio from the risk of fair value losses due to potential rises in interest rates.

Held-to-maturity financial assets, consisting of fixed payment or fixed maturity debt securities, amount to Euro 13,491 million, lower than the equivalent balance of Euro 14,100 million at 31 December 2014, mainly as a result of reimbursement of securities on maturity amounting to Euro 598 million.

Amounts due from customers are up from Euro 8,494 million at 31 December 2014 to Euro 8,684 million at 30 June 2015 and include Euro 4,932 million (Euro 5,467 million at 31 December 2014) in amounts deposited by Public Sector customers and held at the MEF, which in accordance with the terms of the dedicated agreement with MEF²⁰ earn a variable rate of return, calculated on a basket of government bonds.

A separate treasury services agreement with the MEF also includes a provision whereby a share of the funds from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in the amounts of private customer deposits.

Buffer account deposits are remunerated at a variable rate equal to the Euro OverNight Index Average (EONIA)²¹ rate and the amount deposited in the Buffer account at 30 June 2015 amounts to Euro 188 million (Euro 934 million at 31 December 2014).

The amount due to banks, totalling Euro 6,224 million (Euro 5,551 million at 31 December 2014), relates mainly to repurchase agreements amounting to Euro 5,830 million (Euro 5,231 million at 31 December 2014) connected with:

- long term RePo loans totalling Euro 4,108 million, entered into with primary financial market operators, with the loans being invested entirely in Italian government bonds for a similar notional amount; and
- ordinary loan operations totalling Euro 1,722 million with primary financial market operators to optimise investments in line with short term movements in private customer deposits.

Amounts due to customers have decreased slightly from Euro 42,567 million at 31 December 2014 to Euro 42,280 million at 30 June 2015 and relate mainly to current account deposits of Euro 39,848 million (Euro 40,012 million at 31 December 2014) and amounts due in relation to other forms of deposit totalling Euro 1,732 million (Euro 1,433 million at 31 December 2014) of which Euro 1,150 million relates to Postepay (Euro 922 million at 31 December 2014).

The reduction in payables is for the main part explained by repayments relating to repurchase agreements.

Among other liabilities, hedging derivatives have decreased from Euro 1,720 million at 31 December 2014 to Euro 1,388 million, reflecting movements in fair value.

Poste Italiane SpA provides BancoPosta RFC with both real estate related services (e.g., use and management of office space for operations) and technology services (e.g., the design and implementation of new services and development and maintenance of operations and business software). In this regard, capital expenditure was incurred during the first six months of 2015 in relation to development of the infrastructure required to support introduction of the new "guided consultancy" service.

²⁰ The new agreement with MEF, covering the period 2015-2016, was signed on 27 March 2015. The agreement sets out the details of returns on deposit with MEF of post office current account deposits from non-private customers.

²¹ The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the ECB by a panel of banks operating in the Eurozone (the biggest banks in all the Eurozone countries).

The provision of such services is regulated by internal operating guidelines and remunerated through the payment by BancoPosta RFC of transfer charges to Poste Italiane.

BancoPosta RFC's equity at 30 June 2015 amounts to Euro 3,497 million (Euro 3,857 million at the end of 2014). In addition to the initial reserve of Euro 1 billion, it includes retained earnings of Euro 949 million, the positive movement in the fair value reserve for investments in available-for-sale financial assets, totalling Euro 1,249 million, and profit for the year of Euro 299 million.

9.4 BANCOPOSTA RFC OPERATIONS DURING THE PERIOD

REGULATORY ENVIRONMENT

As noted above in the section on corporate governance, on 27 May 2014 the Bank of Italy issued its third revision of Circular 285 of 17 December 2013, containing new Supervisory Standards for BancoPosta, “Standards for particular intermediaries”. This establishes prudential requirements that are substantially in line with those applicable to banks, but with certain adjustments to take into account specific regulatory and operational aspects of Bancoposta. In order to ensure compliance with the requirements of the new Supervisory Standards, during 2014, Poste Italiane launched the “Project to update BancoPosta’s Regulatory Environment”.

The project involves a series of working groups, each overseen by the relevant responsible BancoPosta manager who is responsible for managing and monitoring the various activities. In addition, the following documents (referred to in other sections of this report) have been prepared and approved by the relevant corporate bodies to update the regulatory environment:

- By-laws
- BancoPosta RFC Regulation
- Corporate Governance Project and System of Internal Control and Risk Management (SCIGR)
- Guidelines for management of conflicts of interest with Related Parties and Associated Entities
- Guidelines on Remuneration and Incentives
- Financial management guidelines
- Public disclosure and operating procedures
- Regulation regarding corporate functions carried out by Poste Italiane on behalf of BancoPosta
- Risk appetite framework and key operations
- Fair value policy
- Internal Capital Adequacy Assessment Process (ICAAP)
- Report of the Board of Statutory Auditors on the costs, benefits and risks of the activities entrusted to Poste Italiane
- Executive guidelines for important operational functions
- Executive guidelines for control functions

The documents listed above are strategic in nature and set out the new overall architecture of BancoPosta RFC in line with the Supervisory Standards; they provide the framework within which rules regarding operational activities are currently being updated, leading to preparation and approval of the remaining documents during the second half of 2015.

COMMERCIAL OFFERING

In terms of actions taken during the period to promote the cross-selling of Poste Italiane Group products, in the private current account segment, the Conto BancoPosta Più offering was expanded to include a new offer whereby customers purchasing a Postaprotezione Innova Infortuni insurance policy have their annual current account fee cut to zero. Similarly, in May 2015 the “Opzione SorpRende” service was introduced for SME customers, which allows them to earn a higher return than usual if they deposit funds for a longer period.

Activities continued throughout the period to streamline and improve the current account opening process; the objective is to enable around 80 percent of potential customers to open accounts and receive payment instruments (such as Postamat card and remote banking capability) immediately on demand.

In the light of recent financial market trends and the ongoing reduction in interest rates, account charges on Conto BancoPosta Più accounts (from 1 March 2015) and on BancoPosta In Proprio and BancoPosta Impresa (from 1 July 2015) have been reduced to zero.

In the [collections and payments](#) area, the process of opening the payment slips service to third party networks continued, resulting in extension of the service to large-scale retailers; in addition, an advertising initiative was launched together with Banca ITB, aimed at promoting the use of the recognised tobacconist network to accept payment slips.

Again, in the collections and payments area, steps were taken to promote the new “paperless payment slips” functionality which allows customers to verify amounts owing and process payments electronically and in real time. During March, an updated version of the service was released to Telecom Italia; such service allows payment of telephone bills to be made in post offices without any need to present a paper payment slip, with the payee simply being required to provide telephone number, amount to be paid and period to which the bill relates.

The [electronic money sector](#), in which the Group is present with its Postamat Maestro card (6.9 million cards at 30 June 2015 and at 31 December 2014) and Postepay card (13.0 million cards at 30 June 2015 compared with 12.2 million cards at 31 December 2014), saw the extension of contactless technology to all standard Postepay cards (both new cards and replacements) and the introduction, for Postepay cards bearing the user’s name, of the security programme “3D Secure with dynamic password”, thanks to which for each internet purchase on sites using the 3D Secure protocol, users will be required to enter a one-time password (OTP), valid for only one transaction after which it expires.

In June 2015, Postepay Evolution, the prepaid card, bearing the user’s name and equipped with an IBAN, reached an issue of 1 million cards since its launch in July 2014; in collaboration with the United Nations World Food Programme, the card, which belongs to the international MasterCard system, contributed to providing 1 million school meals by offering users the chance to make a donation to WFP each time the card is used.

Finally, during the first six months of 2015, more than 14.5 million top-ups (12.5 million during the first six months of 2014) were made using the external top-up channel for Postepay cards, including approximately 40 thousand SISALPLAY betting shops, 16 thousand tobacconists linked to Banca ITB, the home banking function of banks in the BPM Group and other authorised networks.

With regard to [loan products](#) for private customers, changes were made to prices, products and processes in order to maintain demand levels, extend the availability of products and improve product quality. The range of personal loan products was extended to include specific purpose loans (debt consolidation, home restructuring and energy saving initiatives) and flexible repayment options (skip an instalment, flexible instalments).

The range of BancoPosta Quinto (salary loan) products was also extended to include an offer aimed at public sector employees, offering interest rates below those typically available on the market; since April 2015, Inpdap pensioners have also been able to request the BancoPosta Quinto loan to replace existing Quinto loans in place with other banks.

The terms and conditions of BancoPosata Mutuo products (mortgage loans) were also revised, both in terms of price and in terms of product range; spreads were reduced on mortgages aimed at house purchase or restructuring and the normal uses for mortgage loans were extended to include subrogation, change of property, change of property plus restructuring, change of property to generate liquidity.

Special conditions were offered on loan products aimed at SMEs and freelance professionals; these were bundled together with offers on Banco Posta current accounts and an advertising campaign for the Prontissimo Affari product aimed at existing customers.

With regard to the distribution and management of [Postal Savings](#) products, the first six months of 2015 saw changes to the range of Interest-bearing Postal Certificates (BFPs), with the issue of certain products being halted (Buono BFP3x4Fedeltà, Buono BFP3x4RisparmiNuovi e BFPImpresa)) and replaced by new certificates (e.g., BFP4x4Fedeltà, for customers redeeming at maturity certificates or bonds distributed exclusively by Poste Italiane; Buono BFP4x4RisparmiNuovi, aimed exclusively at savers wishing to invest funds deriving from “Nuova Liquidità”; and BFP4x4, representing a medium-long term investment, at an increasing rate of interest over a maximum period of 16 years).

New offers were also introduced in relation to Postal Savings Books, both with regard to new customers opening a Libretto Smart and existing customers already in possession of a Libretto Nominativo Ordinario, wishing to open a Libretto Smart.

Online services

During the first six months of 2015, online home banking services linked to the BancoPosta (BancoPostaOnline) and Conto BancoPosta Click accounts continued to grow, with over 2.0 million active online consumer accounts (over 1.8 million online consumer accounts active at the end of 2014) and around 263 thousand business accounts (around 257 thousand at the end of 2014).

The number of online transactions processed during the first six months of 2015 exceeded 12 million (11.2 million during the first six months of 2014) and related to the following products:

Online transactions during the six months ended 30 June (thousands)	2014	2015	% inc/ (dec)
Payment of bills using payment slip forms	3,008	2,934	(2.5)
Bank transfers	2,012	2,336	16.1
Post office giros	852	959	12.6
PostePay top-ups	2,636	3,123	18.5
Phone top-ups	1,836	1,802	(1.9)
Tax payments (using the F24 form)	797	924	15.9
Interest-bearing Postal Certificates	24	24	n/s
Other	40	39	(2.5)
Total	11,205	12,141	8.4

n/s: not significant

BANCOPOSTA'S OPERATING RESULTS

The following tables provide details of BancoPosta's contribution to the condensed, consolidated interim financial statements of the Poste Italiane Group:

Revenue for the six months ended 30 June	2014	2015	% inc/ (dec)
(millions of Euro)			
Current Accounts	1,427	1,310	(8.2)
Payment of bills by payment slip	277	224	(19.1)
Income from investment of customer deposits	842	771	(8.4)
Other revenue from current accounts and prepaid cards	308	315	2.3
Money transfers ^(*)	25	22	(12.0)
Postal savings and investment	990	1,044	5.5
Postal Savings Books and Certificates	766	809	5.6
Government securities	4	3	(25.0)
Equities and bonds	3	-	n/s
Insurance policies	202	218	7.9
Investment funds	9	10	11.1
Securities Deposits	6	4	(33.3)
Delegated Services	65	63	(3.1)
Loan products	59	66	11.9
Other products ^(**)	49	35	(28.6)
Total BancoPosta revenue	2,615	2,540	(2.9)
Reconciliation with BancoPosta's Separate Report ^(***)	1	(1)	n/s
BancoPosta RFC interest and fee and commission income	2,616	2,539	(2.9)

n/s: not significant

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

(**) This item includes revenue from tax collection forms and tax returns and other BancoPosta revenue

(***) This item primarily includes income from the investment of own liquidity and certain financial income classified, for the purposes of the Separate Report, in other items in the income statement

Deposits (millions of Euro)	31 December 2014	30 June 2015	% inc/ (dec)
Current accounts ^(*)	43,953	45,157	2.7
Postal savings books ^(**)	114,359	116,888	2.2
Interest-bearing postal certificates ^(**)	211,333	210,002	(0.6)

(*) This refers to the average deposits during the period. They include time deposits and repurchase agreements.

(**) Deposits include accrued interest for the period

Number of transactions during the six months ended 30 June (thousands)	2014	2015	% inc/ (dec)
Payment slips processed	225,635	220,322	(2.4)
Domestic postal orders	2,782	2,505	(10.0)
International postal orders	1,174	1,005	(14.4)
<i>Inbound</i>	<i>607</i>	<i>429</i>	<i>(29.3)</i>
<i>Outbound</i>	<i>567</i>	<i>576</i>	<i>1.6</i>
Pensions and other standing orders	39,408	40,810	3.6
Tax services	19,413	20,199	4.0

Volumes (thousands)	31 December 2014	30 June 2014	% inc/ (dec)
Number of customer current accounts	6,173	6,215	0.7
Number of credit cards	457	453	(0.9)
Number of debit cards	6,896	6,929	0.5
Number of prepaid cards	12,175	13,027	7.0

Total revenue from financial services in the first six months of 2015, amounting to Euro 2,540 million, is 2.9% lower than the Euro 2,615 million recorded during the corresponding period in 2014. This is primarily due to the reduction of 8.2% in revenue generated by current accounts (Euro 1,310 million during the first six months of 2015, compared with Euro 1,427 million during the first six months of 2014). This reduction reflects:

- a decrease in revenue from the payment of bills by payment slip, which decreased from Euro 277 million in the first six months of 2014 to Euro 224 million in the first six months of 2015 due to reduction in the number of bills processed (226 million during the first six months of 2014, compared with 220 million during the first six months of 2015). Moreover, during the first six months of 2014, revenue benefitted from payment of bills by payment slip, amounting to Euro 40.9 million, in relation to the service provided to the Department of Land Transport of the Ministry of Economic Development. Since 14 July 2014, such service is managed by Consorzio Poste Motori and generates revenue through reporting rather than payment slip processing; and
- the reduction in interest earned on the investment of deposits (Euro 771 million in the first six months of 2015, compared with Euro 842 million during the first six months of 2014), which, notwithstanding the increase in average deposits held (Euro 45.2 billion at 30 June 2015, compared with Euro 43.9 billion at 31 December 2014), reflects in turn the lower average rate earned on securities and deposits with the Ministry of the Economy and Finance.

Other revenue from current accounts and prepaid cards amounts to Euro 315 million (an increase of 2.3% with respect to the corresponding period in the previous year) and includes Euro 18.4 million relating to revenue from payslip reporting, as described above.

There was a 12% decrease in money transfer revenue as a result of the reduction in the volume of domestic transfers processed (2.8 million transactions during the first six months of 2014, compared with 2.5 million during the first six months of 2015) and in the number of international transfers (1.2 million transactions during the first six months of 2014, compared with 1.0 million during the first six months of 2015).

Postal savings books and certificates generated revenue amounting to Euro 809 million (Euro 766 in the corresponding period of the previous year). In terms of assets under management, savings book deposits amount to Euro 116.9 billion at 30 June 2015 (Euro 114.4 billion at 31 December 2014), whilst savings in the form of Certificates amount to Euro 210.0 billion at 30 June 2015 (Euro 211.3 billion at 31 December 2014).

Asset and fund management²² registered an increase in revenue of 4.9% (up from Euro 224 million in the first six months of 2014 to Euro 235 million in the first six months of 2015), generated mainly by growing sales of insurance policies (up from Euro 202 million in the first six months of 2014 to Euro 218 million in the first six months of 2015).

Delegated service revenue shows a decrease of 3.1% (down from Euro 65 million in the first six months of 2014 to Euro 63 million in the first six months of 2015) due to the different commission applied to pensions paid at counters as opposed to current or savings account credits which, by convention, are reimbursed at a lower tariff than counter payments.

Revenue during the period from the distribution of loan products²³ amounts to Euro 66 million, an increase of 11.9% with respect the corresponding period in the previous year, due essentially to higher revenue generated by the Cessione del Quinto (salary loan) product, which increased from Euro 2.3 million in the first six months of 2014 to Euro 12 million in the first six months of 2015, (based on disbursements of Euro 111 million in the first six months of 2014 and disbursements of Euro 168 million in the first six months of 2015).

²² Asset and fund management includes the distribution of government securities, equities, bonds, insurance policies, mutual investment funds and commissions on safe custody accounts.

²³ Personal loans, mortgage loans, overdrafts, salary loans and credit protection.

Finally, the 28.6% decrease in revenue from other products reflects the change in commissions on F24 forms introduced in July 2014.

9.5 BANCOPOSTA RFC EVENTS AFTER 30 JUNE 2015

Events occurring after the end of the reporting period have been described elsewhere in this document and there are no other material events after 30 June 2015 to report.

9.6 BANCOPOSTA RFC OUTLOOK

In the private and business current account segment, BancoPosta has set itself the dual objective of simplifying the business and strengthening its integrated multi-channel approach; to this end, during the second half of 2015, it will continue to focus attention on developing its product and service offering, involving both post offices and direct channels jointly in initiatives to further consolidate customer relations. In addition, new SorpRende offers aimed at the SME market will be developed and new mechanisms introduced whereby customers will be able to reduce charges on their BancoPosta Più accounts to zero.

In the electronic money segment, new services and functions will be added to Postamat cards and the Postepay Evolution product will also be developed for the Business market, aimed at freelance professionals and SMEs.

In terms of innovative payment systems, international customers will be offered the new Dynamic Currency Conversion service at Postamat ATMs, enabling those wishing to withdraw cash using a non-euro card to check the relevant exchange rate at the time of withdrawal.

With regard to loans for private customers, the online channel for the Specialcash Postepay product will be further developed to enable customers to apply for loans and receive feedback directly on-line.

With regard to loans for SMEs and freelance professionals, the Prontissimo Affari and Fido Affari products will also be made available to partnerships.

9.7 OTHER INFORMATION RELATING TO BANCOPOSTA RFC

RELATIONS WITH THE AUTHORITIES

Bank of Italy

During the first six months of 2015, [Poste Italiane SpA](#) was served 2 notices of alleged violations of anti-money laundering regulations. In response, the Company submitted a defence brief to the MEF for each of the above notices. At 30 June 2015, there are 31 proceedings pending with MEF, including 26 for failure to report suspect transactions and 5 for violation of the regulations limiting the use of cash and bearer securities.

Consob

In April 2013, in accordance with art. 10, paragraph 1 of the TUF (consolidated banking law), CONSOB commenced a general inspection of the investment services offered by BancoPosta. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. In accordance with a Board decision on 16 September 2014, Poste Italiane has developed an action plan for each of the areas identified and relevant actions to resolve issues identified in relation to MiFID investment services will be completed progressively by the end of December 2015.

The various initiatives to strengthen organisational structures and procedures, certain of which have required dedicated projects given their impact on systems and processes, are being implemented with regard to:

- commercial policies adopted in light of the regulations governing conflicts of interest in the provision of investment services and the distribution of banking and insurance products;
- procedures for providing customer advice and consultancy services and changes to the “guided consultancy” model;
- the model for assessing the suitability of transactions and customer profiling;
- procedures followed to select issuers and for pricing financial products to be offered to customers.

PROCEEDINGS PENDING

AGCM (the Antitrust Authority)

In 2012 the Antitrust Authority notified the initiation of procedure [PS/8510](#) pursuant to art. 27, paragraph 3, Legislative Decree 206/2005 (the Consumer Code) and art. 6 of the “Regulations governing the investigation of misleading and comparative advertising, unfair commercial practices and unfair contract terms”, and at the same time requested information pursuant to art. 12, paragraph 1 of the Regulations regarding the “PROMO 4%” promotion for Bancoposta Più and Bancoposta Click accounts that was made between December 2011 and March 2012. In particular, the Authority challenged the manner with which the terms and conditions of the accounts were advertised and imposed a fine at a reduced rate of Euro 250 thousand, which was paid on 11 July 2013. The Company appealed the ruling to the Lazio Regional Administrative Court in September 2013 and has requested that the date of the hearing be brought forward.

On 1 August 2014, the Authority launched an investigation ([PS/8998](#)) of the alleged violation of articles 20, 21 and 22 of the Consumer Code (misleading and comparative advertising) in connection with the “Specialcash postepay” personal loan. In response, the Company prepared a defence brief, including a response to the requests for information made by the Authority at the time it began the investigation. On 22 September 2014, Poste Italiane submitted a list of undertakings designed to resolve the alleged violations indicated by the Authority and bring about the closure of the investigation without imposition of a fine. On 4 November 2014, the Authority sent a request for further information and, on 21 November 2014, the Company responded and at the same time submitted a revised list of undertakings.

On 27 March 2015, the Authority notified that it had accepted the list of undertakings submitted by the Company and closed the investigation without sanctions being applied.

On 9 March 2015, the Authority launched an investigation ([PS/10009](#)) of the alleged violation of articles 20, 21 and 22 of the Consumer Code, in relation to the “Libretto Smart” (a savings product). In particular, the Authority contested the fact that in the advertising campaigns during February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer with which such advertised returns were associated. On 3 April 2015, responses to the requests made for information at the start of proceedings were communicated to the Authority and on 23 April 2015 the first list of undertakings was presented. On 12 May 2015, following the hearing which took place at the Authority's offices the proposed list of undertakings was modified and added to and a second List was sent. On 12 June 2015, AGCM informed Poste Italiane SpA that it had rejected its proposed list of undertakings and that it wished to proceed with its verification of the alleged violation. On 3 July 2015 Poste Italiane SpA was informed that proceedings had been extended to include Cassa Depositi e Prestiti SpA. The proceedings are expected to be completed by 5 October 2015.

Litigation

On 27 February 2015, the tax authorities notified Poste Italiane SpA of an indictment for accounting irregularities before the Court of Auditors for the Lazio region, in relation to certain accounting records regarding the handling and distribution of revenue stamps during the period 2007-2010. The hearing was held on 2 July 2015 and (with sentence no. 332 of 9 July 2015) the Court of Auditors for the Lazio region fined the Parent Company an amount of Euro 8 million, and requested payment of the amount by which the sum had increased to the date of the sentence and late payment fees. Poste Italiane SpA is currently considering what actions to take to best safeguard its interests and the likely final outcome of this litigation is considered in determining provisions for risks and charges.

10. KEY PERFORMANCE INDICATORS FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

Poste Italiane SpA

	Six months ended 30 June		Increase/(decrease)	
	2014	2015	Amount	%
(millions of Euro)				
Revenue from sales and services	4,306	4,103	(203)	(4.7)
Other income from financial activities	192	314	122	63.5
Other operating income	45	127	82	n/s
Total revenue	4,543	4,544	1	n/s
Cost of goods and services	944	886	(58)	(6.1)
Other expenses from financial activities	5	1	(4)	(80.0)
Personnel expenses	2,898	2,853	(45)	(1.6)
Depreciation, amortisation and impairments	302	249	(53)	(17.5)
Capitalised costs and expenses	(3)	(3)	-	n/s
Other operating costs	148	137	(11)	(7.4)
Total costs	4,294	4,123	(171)	(4.0)
OPERATING PROFIT/(LOSS)	249	421	172	69.1
Finance income	35	36	1	2.9
Finance costs	126	40	(86)	(68.3)
PROFIT/(LOSS) BEFORE TAX	158	417	259	n/s
Income tax expense for the period	138	111	(27)	(19.6)
PROFIT FOR THE PERIOD	20	306	286	n/s
EQUITY (*)	6,505	6,245	(260)	(4.0)
- of which BancoPosta RFC (*)	3,857	3,497	(360)	(9.3)
TOTAL INVESTMENT	340	317	(23)	(6.8)
of which:				
in property, plant and equipment and intangible non-current asset	103	105	2	1.9
in financial investments (equity investments)	237	212	(25)	(10.5)
AVERAGE NUMBER OF EMPLOYEES (**)	138,700	137,477	(1,223)	(0.9)

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

(**) The average number of employees (expressed in full time equivalents) includes employees on both permanent and flexible contracts and excludes employees who are seconded outside the Group, suspended and seconded to Group companies.

The figures in the following tables show key financial and operating indicators (based on the relevant financial reports) of the principal Group companies, prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the boards of directors of the respective companies.

Postel SpA ^(*)

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	110,183	112,875	2,692	2.4
Operating profit/(loss)	5,409	(1,418)	(6,827)	n/s
Profit/(loss) for the period	2,143	(2,234)	(4,377)	n/s
Investment	4,303	4,488	185	4.3
Equity ^(**)	134,716	104,580	(30,136)	(22.4)
Average number of employees on permanent contracts	1,076	1,206	130	12.1
Average number of employees on flexible contracts	24	37	13	54.2

n/s: not significant

^(*) During the six months ended 30 June 2015, Postel SpA incorporated PostePrint SpA, effective from an accounting and tax viewpoint from 1 January 2015.

^(**) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

SDA Express Courier SpA ^(*)

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	254,050	252,838	(1,212)	(0.5)
Operating profit/(loss)	(6,729)	(19,124)	(12,395)	n/s
Profit/(loss) for the period	(6,618)	(14,889)	(8,271)	n/s
Investment	1,586	742	(844)	(53.2)
Equity ^(**)	784	(14,989)	(15,773)	n/s
Average number of employees on permanent contracts	1,400	1,416	16	1.1
Average number of employees on flexible contracts	170	144	(26)	(15.3)

n/s: not significant

^(*) During the six months ended 30 June 2015, SDA Express Courier SpA incorporated Italia Logistica Srl, effective from an accounting and tax viewpoint from 1 June 2015.

^(**) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

PosteTutela SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	41,608	42,872	1,264	3.0
Operating profit/(loss)	724	435	(289)	(39.9)
Profit/(loss) for the period	491	288	(203)	(41.3)
Investment	37	54	17	45.9
Equity ^(*)	12,401	12,697	296	2.4
Average number of employees on permanent contracts	12	14	2	16.7

^(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Postecom SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	43,845	37,067	(6,778)	(15.5)
Operating profit/(loss)	1,762	792	(970)	(55.1)
Profit/(loss) for the period	469	461	(8)	(1.7)
Investment	3,421	3,672	251	7.3
Equity ^(*)	50,815	51,441	626	1.2
Average number of employees on permanent contracts	359	298	(61)	(17.0)
Average number of employees on flexible contracts	10	6	(4)	(40.0)

^(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Europa Gestioni Immobiliari SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	7,847	7,703	(144)	(1.8)
Operating profit/(loss)	1,899	757	(1,142)	(60.1)
Profit/(loss) for the period	1,007	1,686	679	67.4
Investment	345	581	236	68.4
Equity ^(*)	362,857	364,550	1,693	0.5
Average number of employees on permanent contracts	16	16	-	n/s

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

PosteShop SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	12,944	4,850	(8,094)	(62.5)
Operating profit/(loss)	(892)	(1,033)	(141)	15.8
Profit/(loss) for the period	(1,057)	(1,062)	(5)	0.5
Investment	5	0	(5)	n/s
Equity ^(*)	(7,752)	260	8,012	n/s
Average number of employees on permanent contracts	45	38	(8)	(16.7)
Average number of employees on flexible contracts	2	1	(1)	(50.0)

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Mistral Air Srl

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	46,448	52,828	6,380	13.7
Operating profit/(loss)	(6,183)	(1,495)	4,688	(75.8)
Profit/(loss) for the period	(4,905)	(1,163)	3,742	(76.3)
Investment	65	58	(7)	(10.8)
Equity ^(*)	3,998	2,803	(1,195)	(29.9)
Average number of employees on permanent contracts	131	152	21	16.0
Average number of employees on flexible contracts	20	74	54	n/s

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

On average, the company employed two resources seconded from the Parent Company

Poste Energia SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Revenue from sales and services	39,035	41,181	2,146	5.5
Operating profit/(loss)	950	1,124	174	18.3
Profit/(loss) for the period	596	708	112	18.8
Equity ^(*)	2,780	3,494	714	25.7
Average number of employees on permanent contracts	14	17	3	23.6

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

BancoPosta Fondi SpA SGR

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Fee income	23,563	27,990	4,427	18.8
Net fee income	13,845	16,651	2,806	20.3
Profit/(loss) for the period	7,123	8,110	987	13.9
Financial assets (liquidity and securities)	67,891	73,686	5,795	8.5
Equity (*)	60,274	67,915	7,641	12.7
Average number of employees on permanent contracts	55	55	-	n/s

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Banca del Mezzogiorno - MedioCredito Centrale SpA

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Net interest income	19,239	24,365	5,126	26.6
Net fee and commission income	19,236	21,916	2,680	13.9
Profit/(loss) for the year	16,080	19,399	3,319	20.6
Financial assets	2,273,506	2,441,418	167,912	7.4
Equity (*)	426,747	443,330	16,583	3.9
Average number of employees on permanent contracts	264	273	9	3.4
Average number of employees on flexible contracts	17	19	2	11.8

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Poste Vita SpA (*)

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Insurance premium revenue (**)	8,230,364	9,449,259	1,218,895	14.8
Profit/(loss) for the period	197,980	156,954	(41,026)	(20.7)
Financial assets (****)	89,983,564	93,781,332	3,797,768	4.2
Technical provisions for insurance business (****)	87,129,449	91,898,937	4,769,488	5.5
Equity (***)	3,052,208	3,048,338	(3,870)	(0.1)
Average number of employees on permanent contracts	264	282	18	6.8
Average number of employees on flexible contracts	15	2	(13)	(86.7)

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

(**) Insurance premium revenue is reported gross of outward reinsurance premiums

(****) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

Poste Assicura SpA (*)

(thousands of Euro)	Six months ended 30 June 2014	Six months ended 30 June 2015	Increase/(decrease)	
			Amount	%
Insurance premium revenue (**)	43,492	46,892	3,400	7.8
Profit/(loss) for the period	3,794	4,583	789	20.8
Financial assets (****)	117,013	124,374	7,361	6.3
Technical provisions for insurance business (****)	89,774	100,595	10,821	12.1
Equity (***)	54,813	57,523	2,710	4.9
Average number of employees on permanent contracts	50	52	2	4.0
Average number of employees on flexible contracts	2	-	(2)	n/s

n/s: not significant

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

(**) Insurance premium revenue is reported gross of outward reinsurance premiums

(****) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

PosteMobile SpA

PosteMobile SpA			Increase/(decrease)	
	Six months ended 30 June 2014	Six months ended 30 June 2015	Amount	%
(thousands of Euro)				
Revenue from sales and services	151,260	166,114	14,854	9.8
Operating profit/(loss)	6,260	22,453	16,193	n/s
Profit/(loss) for the period	2,833	14,100	11,267	n/s
Investment	32,859	7,895	(24,964)	(76.0)
Equity (*)	72,660	87,020	14,360	19.8
Average number of employees on permanent contracts	329	308	(21)	(6.4)
Average number of employees on flexible contracts	7	1	(6)	(85.7)

n/s: not significant

(*) The amount shown in the column for the six months ended 30 June 2014 refers to 31 December 2014.

GLOSSARY

Business to Consumer (also B2C): online transactions between companies and final consumers.

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

Grexit: the potential exit of Greece from the Eurozone monetary union as a result of its recession and precarious financial circumstances.

ICAAP (Internal Capital Adequacy Assessment Process): the self-assessment exercise to be followed by investment firms to determine the adequacy of their capital to meet risks to which it is or might be exposed.

InfoSec (Information Security): this is the application of security measures designed to protect information processed, stored or transmitted by communications or information systems, or by other electronic systems, against the loss of confidentiality, integrity or availability, whether accidental or intentional, and to prevent the loss of integrity and availability of information systems themselves. InfoSec measures include computer security and the identification, documentation and neutralisation of threats to information and systems.

LTE (Long Term Evolution): indicates the latest standard for mobile telephony. It represents the new generation of Mobile Broadband Wireless Access and forms part of the pre-4G segment, in an intermediate position between 3G technologies, such as UMTS, and 4G technologies.

Malware: a term derived from the English words “malicious” and “software”. This is a form of software designed to sidestep authentication systems and steal the confidential data of customers who access online services.

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

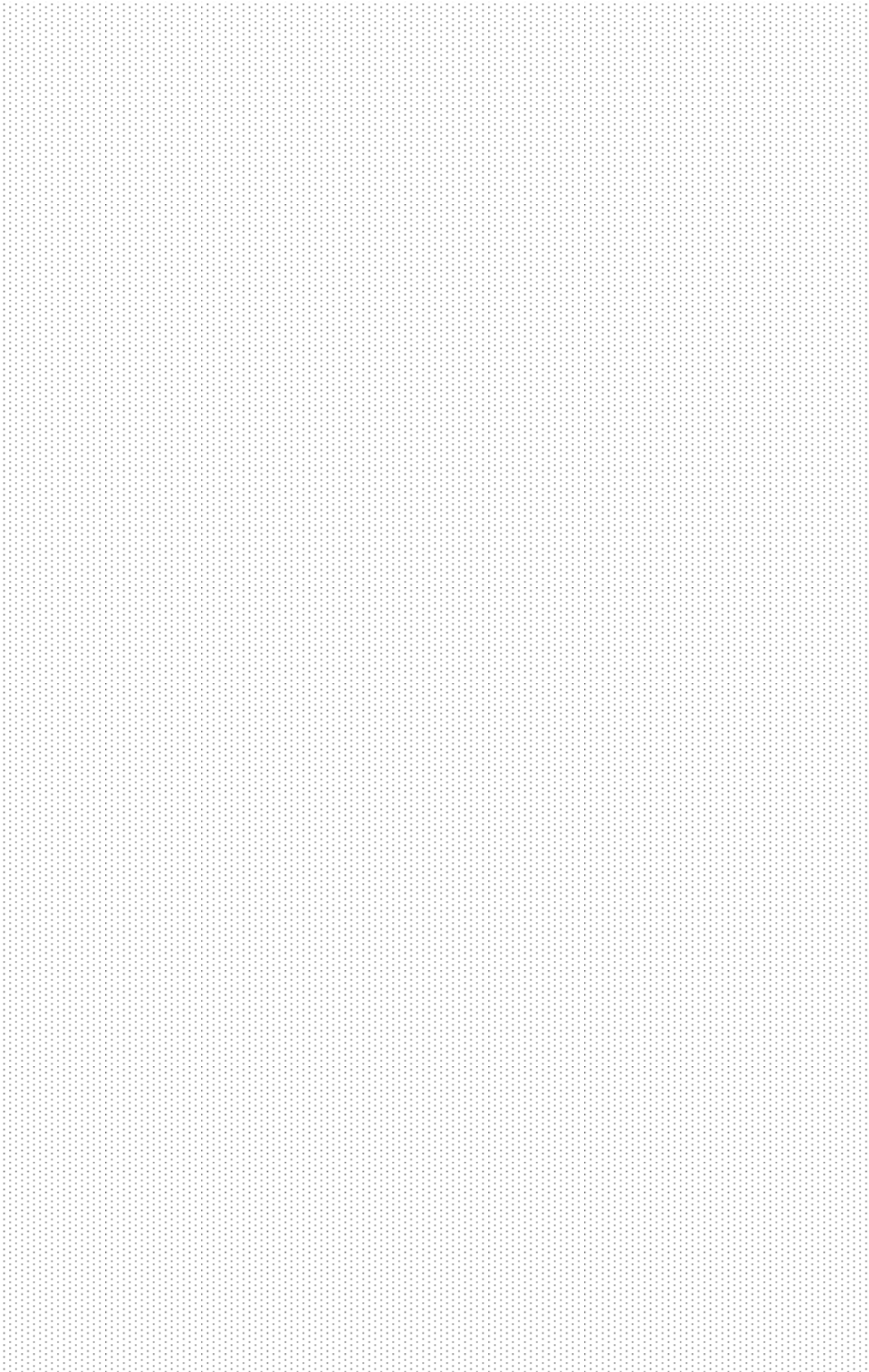
Posta Pick-up: a service involving the door-to-door collection of mail and parcels.

Quantitative easing: a form of expansionary monetary policy, through which central banks increase the money supply by purchasing financial assets, for the most part government securities, from commercial banks. The effect is comparable to the “creation of money”.

Reverse Logistics: services typically relating to items which, once delivered, may be returned to the sender (e.g., items returned for technical assistance or which must be replaced)

Technical provisions: the amounts set aside by insurance companies to cover claims. Technical provisions include mathematical, premium and claims provisions. As required by articles 36 and 37 of the Codice delle Assicurazioni (Private Insurance Code) they are calculated prior to reinsurance, in accordance with actuarial principles and relevant rules set by IVASS.

UCITS (Undertakings for Collective Investment in Transferable Securities): this acronym refers to the EU Directive governing the distribution in member states of UCIs domiciled in one of those states. A UCITS complies with EU law regarding three principal aspects: it is subject to the same rules in every EU country, and is thus freely distributable in Europe; it may invest in numerous financial instruments, provided that they are provided for by law; and it contains restrictions on investments with the aim of protecting investors.





**Condensed interim consolidated financial
statements**

at and for the six months ending 30 June 2015

1. INTRODUCTION

Poste Italiane SpA (the “Parent Company”) is the company formed following conversion of the former public sector entity, “Poste Italiane”, in accordance with Inter-ministerial Economic Planning Committee Resolution 244 of 18 December 1997. The Company is wholly owned by the Ministry of the Economy and Finance (the “MEF”) and has its registered office at Viale Europa 190, Rome (Italy).

These condensed interim consolidated financial statements at and for the six months ending 30 June 2015 have been prepared in Euro, the currency of the economy in which the Group operates. They consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the accompanying notes. In accordance with CONSOB Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the statement of cash flows show amounts deriving from related party transactions. Unless otherwise stated, all amounts in the condensed interim financial statements and accompanying notes are stated in thousands of Euro.

2. BASIS OF PREPARATION

2.1 CONFORMITY WITH IAS/IFRS

Poste Italiane Group’s consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union (“EU”) in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which governs the application of IFRS in Italian law. The IFRS include all the International Financial Reporting Standards, International Accounting Standards (“IAS”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”, previously known as the Standing Interpretations Committee or “SIC”), adopted by the European Union and contained in the EU regulations published as of 31 July 2015, the date on which the Board of Directors of Poste Italiane SpA approved the interim report.

2.2 BASIS OF PREPARATION AND ACCOUNTING STANDARDS APPLIED

These consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. As permitted by IAS 34, they provide less information than the annual financial statements (which are prepared in accordance with IAS 1 – Presentation of Financial statements), as they are intended to provide an update on the latest complete set of annual financial statements focusing on new activities, events and circumstances – to the extent considered relevant – as well as certain minimum additional information; accordingly, they do not duplicate information previously reported in the consolidated financial statements of the Poste Italiane Group at 31 December 2014, to which reference is made for a more complete understanding of the matters reported herein. In accordance with IAS 34, the following information included in these financial statements is considered to be relevant in terms of providing an understanding of the changes in financial position and performance during the first six months of 2015.

Other than in relation to classification of Changes in estimates¹ in the statement of profit or loss for the period, the accounting policies and methods of identification, measurement and classification adopted in preparing the consolidated interim financial statements are the same as those adopted in the preparation of the consolidated financial statements at and for the year ended 31 December 2014; from 1 January 2015, Changes in estimates are accounted for in terms of their nature in the same accounts in which the estimates were reported in previous periods and are no longer reported among Other operating income and Other operating costs. The introduction of new and recently applicable accounting standards has not had any effect on the condensed consolidated financial statements (see Note 2.5).

At the date of approval of these financial statements, there is no established practice on which to base interpretation and application of certain international accounting standards and, in particular with regard to certain aspects of taxation,² interpretations based on examples of best practice and case-law cannot yet be regarded as exhaustive. These financial statements have, therefore, been prepared on the basis of information currently available and best practice. Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

2.3 USE OF ESTIMATES

While preparation of the consolidated interim financial statements requires management to make more extensive use of estimates compared with the annual financial statements, there have been no changes with respect to the consolidated financial statements of the Poste Italiane Group at 31 December 2014 in terms of either the type of estimates made or the methods of calculation and measurement adopted.

This section provides an update of those consistently adopted accounting estimates that in view of changing conditions during the six months ending 30 June 2015, require to be updated. See the 2014 Annual Report for a comprehensive review of the use of estimates.

➤ Revenue and receivables due from the State

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

Whilst awaiting finalisation of agreements between Poste Italiane SpA and the Ministry for Economic Development, as in 2014, the Company provided the universal postal service throughout the first six months of 2015 in accordance with the survival-of-terms provision contained in the expired *Contratto di Programma* (Planning Agreement) for 2009-2011; the amount payable by the Ministry of the Economy and Finances, in partial compensation of the costs incurred, has been reviewed to take account of public funding foreseen by relevant legislation, as provided for in article 1, paragraph 274 of the 2015 Stability Law (Law 190 of 23 December 2014).

¹ In accordance with the definition in *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, a change in accounting estimate is “an adjustment of the carrying amount of an asset or a liability (...) that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors” (IAS 8, paragraph 5). Accounting for such changes in accounting estimates in terms of their nature in the same accounts in which the estimates were reported in previous periods has become possible following improvements in accounting systems (cfr. IAS 8, paragraph 50).

² The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP.

At 30 June 2015, receivables due to Poste Italiane SpA from the MEF and the Cabinet Office amounted to more than Euro 1.5 billion. This amount consists of:

- Receivables in excess of Euro 1,251 million relating to universal service compensation, of which: Euro 164 million relating to the first six months of 2015 (of which approximately Euro 33 million not funded in the state budget); Euro 336 million for 2014 (of which approximately Euro 59 million not funded in the state budget); Euro 343 million for 2013; Euro 400 million for 2012 and 2011 (of which approximately Euro 78 not funded in the state budget); and Euro 8 million for 2005 (following budget cuts imposed by legislation in 2007 and 2008). In accordance with the aforementioned 2015 Stability Law (Law 190/2014), the sums in question will be paid to the extent of the funds available under current legislation, without prejudice to the results of AGCom's assessment of the net cost incurred by Poste Italiane SpA³. In any case, collection may only occur after finalisation of the Planning Agreement for the five-year period 2015-2019 –expected to be issued soon by the MISE to MEF and AGCom – and clearance by the European Commission in relation to public subsidies.
- Receivables of approximately Euro 103 million relating to publisher tariff subsidies. Of this amount, approximately Euro 101 million (for the years from 2001 to 2007) is to be received in instalments in accordance with a specific Cabinet Office Decree, which has established that collection is to take place during the period to 2016 in equal annual instalments. These receivables have been accounted for at present value. No state funding has been earmarked to cover the balance of approximately Euro 2 million relating to 2008 and 2009.
- Further receivables of approximately Euro 140 million due from the MEF, relating to interest on the Parent Company's mandatory deposits with the MEF, the provision of treasury services, electoral subsidies and the distribution of euro converters. No provision has been made in the state budget for approximately Euro 6 million of such receivables and payment of a further amount of around Euro 5 million has been suspended whilst awaiting specific measures.

In summary, of the total Euro 1.5 billion receivable, no provision has been made in the state budget in relation to approximately Euro 186 million and collection of approximately Euro 1,179 million has been deferred or suspended.

Moreover, receivables of Euro 11 million due to the Group, in relation to services provided by Poste SpA to ISTAT in support of the 2011 national census, are subject to dispute.

Finally, whilst awaiting renewal of certain agreements, such as that between Poste Italiane SpA and the tax authorities, the Parent Company has continued to provide the related services. Revenue recognition is based on the tariffs established in previous agreements, which it is reasonable to expect will be confirmed in the new agreement, or on lower tariffs based on the recent negotiations with the relevant public sector entity.

The timing and terms of payment of the aforementioned receivables have not yet been finalised and it is not currently possible to forecast exactly how and when the receivables will be paid by the various public sector entities. The long outstanding nature of these receivables means that Poste Italiane SpA has to finance the related effects on working capital and, while awaiting finalisation of payment terms, without prejudice to the Parent Company's full entitlement and related rights, the provisions for doubtful debts due from the MEF at 30 June 2015 reflect the Group's best estimate of the circumstances and the financial impact of this situation.

³ In this regard, see tables A7.3 (Receivables due from the MEF) in Note A7 in Section 3

In past periods, changes to relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing profit or loss. In view of the circumstances described above, management cannot exclude the possibility that, as a result of future legislation or the negotiations currently underway, the operating results for reporting periods after 30 June 2015 may reflect changes to these estimates.

➤ Impairment tests and cash generating units

Goodwill and non-current assets are tested for impairment in accordance with the applicable accounting standards.

In particular, two cash generating units (CGUs) are identified for the Parent Company - BancoPosta RFC and the remaining Postal and Business services segment - and no goodwill is allocated to either of these. Each of the other Group companies is considered as a separate CGU. Details of goodwill are provided in Note 3.3, table A3.2.

The impairment tests at 30 June 2015 were performed on the basis of the five-year Business Plans for 2015-2019 of the units concerned or the latest available projections. Data from the last year of the plan were used to project cash flows for subsequent years over an indefinite time, and the resulting value was then discounted using the Discounted Cash Flow (DCF) method. For the determination of value in use, NOPLAT (net operating profit less adjusted taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (weighted average cost of capital)⁴.

• Measurement of non-current assets

The current economic and financial crisis - which has resulted in highly volatile markets and great uncertainty with regard to economic projections - and the decline of the postal market in which the Group operates, make it difficult to produce reliable forecasts. In this context, the value of the Parent Company's Postal and Business services segment at 30 June 2015 was tested for impairment, considering, inter alia, the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's network, as reflected in the updated 2015-2019 Business Plan approved by the Parent Company's Board of Directors on 15 May 2015. The results of the test were positive and confirmed the reasonableness of book values as did the fair value analysis carried out during the first six months of 2015 for the purposes of preparing the 2014 annual financial statements.

In addition, in assessing the value of non-current assets belonging to the Postal and Business services segment, account was taken of the likely effects on the value in use of certain properties, should such properties no longer be used in operations in future. In certain cases, this led to further impairment losses being recognised on a precautionary basis in line with best information at 30 June 2015. The overall fair value of the non-current assets belonging to the Postal and Business services segment used in operations was, however, significantly higher than their carrying amount. As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated by the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also considered. On this basis, the value in use of the Parent Company's land and buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain

⁴ In the test carried out at 31 December 2014, use was made of an assumed growth rate of 1% while the WACC for each CGU tested for impairment, determined in accordance with best practices, ranged from 6.14% to 7.57%.

critical market conditions, certain properties may have values that are significantly higher than their market value, without this having any impact on the cash flows or results of the Postal and Business services segment

2.4 DETERMINATION OF FAIR VALUE

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with guidance issued by the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the measurement techniques adopted at Group level⁵.

In compliance with IFRS 13 - *Fair Value Measurement*, this section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and assets and liabilities carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the inputs to measurement techniques used to measure fair value.

The hierarchy consists of three levels.

Level 1: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. For the Poste Italiane Group, fair values determined with reference to Level 1 inputs include the following types of financial instruments:

Bonds quoted in active markets:

- **Bonds issued by EU government bodies or Italian or foreign corporate bonds:** measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Bloomberg Composite Price) third;
- **Financial liabilities:** measurement is based on the ask prices quoted by CBBT (*Bloomberg Composite Price*).

Equities and ETFs (Exchange Traded Funds) quoted in active markets: measurement is based on the price of the last trade of the day on the stock exchange of reference.

Quoted investment funds: measurement is based on the closing market price of the day as provided by Bloomberg or determined by the fund manager.

Level 1 bond price quotations incorporate a credit risk component.

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premia, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

For the Poste Italiane Group these include the following types of financial instruments:

⁵ The Group's Fair Value Policy does not set out any techniques or criteria to be followed in determining the fair value of investments in shares of funds, for which NAV per share as determined by the fund managers are available.

Unquoted bonds and bonds quoted on inactive markets:

- **Straight Italian and international government and non-government bonds:** valued using discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- **Structured bonds:** measurement is based on a building blocks approach, where the structured bond is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression used in option measurement models with underlyings exposed to such risks. In the case of structured bonds used to hedge index-linked policies (prior to ISVAP regulation no. 32), measurement is based on the bid price provided by the financial counterparties with which buyback agreements have been struck.

Unquoted equities: this category includes unquoted equities for which the price of quoted equities of the same issuer can be used as a benchmark. The price of such unquoted equities is considered to be the price of the quoted equities, adjusted as appropriate to reflect the implicit cost of converting the unquoted equities into quoted equities.

Unquoted open-end investment funds: measurement is based on the NAV (Net Asset Value) provided by Bloomberg or determined by the fund manager.

Derivative financial instruments:

- **Interest rate swaps:**

Plain vanilla interest rate swaps: these are measured using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

Interest rate swaps with an embedded option: measurement is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Given the derivatives held in Poste Italiane's portfolio, the option component is derived from interest rate or inflation rate risks and is valued using a standard closed form expression used in option measurement models with underlyings exposed to such risks.

- **Warrants:** considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use measurement models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.

The derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged

debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In those rare cases in which collateral agreements do not substantially reduce counterparty risk, measurement involves calculating the present value of future cash flows, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Fixed rate and variable rate instruments: measurement is based on the discounted cash flow approach. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves representing the counterparty's rating, as constructed based on input data observable on the market.

Unquoted financial liabilities and financial liabilities quoted on inactive markets

- **Straight bonds:** these are measured by discounting future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- **Structured bonds:** measurement is based on a building blocks approach, where the structured product is broken down into its basic components: the bond component and the option component. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression used in option measurement models with underlyings exposed to such risks..
- **Borrowings:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements:** these are measured using discounted cash flow techniques involving the discounting of future contractual cash flows. Repos may be used for collateral and therefore fair value need not be adjusted for counterparty credit risk.

Investment property (excluding former service accommodation) and properties held for sale: The fair value of both investment property and properties held for sale has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses an appropriate discount rate that considers the risks associated with the property.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The following categories of financial instrument are relevant in the case of the Poste Italiane Group:

Fixed rate and variable rate instruments: measurement is based on discounted cash flow techniques. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks.

Unquoted closed-end funds: these include funds that invest mainly in unlisted instruments. Their fair value is determined by considering the most recent NAV (Net Asset Value) reported by the fund manager, which is then

adjusted for any capital calls and reimbursements announced by the managers between the latest NAV date and the measurement date.

Investment property (former service accommodation): The value of such property is determined on the basis of applicable legislation (Law 560 of 24 December 1993), which sets the selling price in the case of sale to the tenant or the minimum selling price in the case in which the property is sold through public auction.

Unlisted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market.

2.5 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following amendments, interpretations and revisions are applicable from 1 January 2015:

- **IFRIC 21 – Levies**, adopted by (EU) Regulation no. 634/2014. This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37
- **Annual Improvements to IFRSs 2011 - 2013 Cycle**, adopted by (EU) Regulation no.1361/2014 in connection with the annual projects to improve and revise international accounting standards.

The logo for Posteitaliane, featuring the word "Posteitaliane" in a bold, blue, sans-serif font. The text is centered within a bright yellow rectangular background. This yellow rectangle is enclosed within a thin white border, which is itself set against a light gray background with a subtle drop shadow effect.

Posteitaliane

3. Poste Italiane Group at 30 June 2015

3.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euro)					
ASSETS	Note	30 June 2015	of which, related party transactions (note 3.5)	31 December 2014	of which, related party transactions (note 3.5)
Non-current assets					
Property, plant and equipment	[A1]	2,180,970	-	2,295,901	-
Investment property	[A2]	64,050	-	66,765	-
Intangible assets	[A3]	491,580	-	529,394	-
Investments accounted for using the equity method	[A4]	211,583	211,583	1,098	1,098
Financial assets	[A5]	128,974,412	2,313,557	121,675,939	2,304,949
Trade receivables	[A7]	61,887	-	58,747	-
Deferred tax assets	[C12]	777,130	-	702,190	-
Other receivables and assets	[A8]	2,229,553	1,477	2,013,351	1,466
Total		134,991,165		127,343,385	
Current assets					
Inventories	[A6]	139,432	-	138,585	-
Trade receivables	[A7]	3,308,796	1,849,719	3,701,555	2,246,081
Current tax assets	[C12]	703,702	-	658,290	-
Other receivables and assets	[A8]	1,286,264	2,615	1,530,173	536,494
Financial assets	[A5]	19,050,530	7,443,108	21,010,553	6,806,805
Cash and deposits attributable to BancoPosta	[A9]	2,568,273	-	2,873,042	-
Cash and cash equivalents	[A10]	1,384,770	187,595	1,703,765	933,566
Total		28,441,767		31,615,963	
Non-current assets held for sale		-	-	-	-
TOTAL ASSETS		163,432,932		158,959,348	
LIABILITIES AND EQUITY	Note	30 June 2015	of which, related party transactions (note 3.5)	31 December 2014	of which, related party transactions (note 3.5)
Equity					
Share capital	[B1]	1,306,110	-	1,306,110	-
Reserves	[B4]	2,720,919	-	3,159,927	-
Retained earnings		4,195,444	-	3,951,961	-
Equity attributable to owners of the Parent		8,222,473		8,417,998	
Equity attributable to non-controlling interests		294	-	291	-
Total		8,222,767		8,418,289	
Non-current liabilities					
Technical provisions for insurance business	[B5]	91,999,532	-	87,219,223	-
Provisions for risks and charges	[B6]	634,300	55,986	600,934	53,451
Employee termination benefits and pension plans	[B7]	1,369,211	-	1,478,486	-
Financial liabilities	[B8]	7,826,846	91,975	5,781,832	95,874
Deferred tax liabilities	[C12]	895,996	-	1,047,401	-
Other liabilities	[B10]	737,228	300	763,754	220
Total		103,463,113		96,891,630	
Current liabilities					
Provisions for risks and charges	[B6]	799,030	10,562	732,949	12,009
Trade payables	[B9]	1,296,029	169,887	1,421,877	174,158
Current tax liabilities	[C12]	264,158	-	23,748	-
Other liabilities	[B10]	1,790,657	27,422	1,894,750	71,310
Financial liabilities	[B8]	47,597,178	23,272	49,576,105	414,018
Total		51,747,052		53,649,429	
TOTAL EQUITY AND LIABILITIES		163,432,932		158,959,348	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June

(thousands of Euro)

	Note	2015	of which, related party transactions (note 3.5)	2014	of which, related party transactions (note 3.5)
Revenue from sales and services	[C1]	4,389,482	1,157,481	4,593,215	1,197,901
Insurance premium revenue	[C2]	9,474,018	-	8,248,669	-
Other income from financial and insurance activities	[C3]	2,055,422	30,450	2,062,512	73,200
Other operating income	[C4]	31,386	2,945	53,987	3,929
Total revenue		15,950,308		14,958,383	
Cost of goods and services	[C5]	1,233,023	78,824	1,277,627	69,067
Net change in technical provisions for insurance business and other claims expenses	[C6]	10,384,545	-	9,584,169	-
Other expenses from financial and insurance activities	[C7]	311,506	-	54,132	-
Personnel expenses	[C8]	2,982,745	20,130	3,031,045	19,952
of which, non-recurring costs/(income)		-		-	
Depreciation, amortisation and impairments	[C9]	288,623	-	342,413	-
Capitalised costs and expenses		(11,547)	-	(10,286)	-
Other operating costs	[C10]	123,592	(2,826)	173,687	14,598
Operating profit/(loss)		637,821		505,596	
Finance costs	[C11]	60,612	137	128,530	2,313
of which, non-recurring costs		-	-	75,000	-
Finance income	[C11]	88,141	2,188	140,580	3,241
of which, non-recurring income		-		-	
Profit/(Loss) on investments accounted for using the equity method	[A4]	(32)		(537)	
Profit/(Loss) before tax		665,318		517,109	
Income tax expense	[C12]	230,314	-	295,591	-
of which, non-recurring costs/(income)		(17,174)		-	
PROFIT FOR THE PERIOD		435,004		221,518	
attributable to owners of the Parent		435,004		221,514	
attributable to non-controlling interests		-		4	
Earnings per share	[B3]	0.333		0.170	
Diluted earnings per share	[B3]	0.333		0.170	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)				
	Note	For the six months ended 30 June 2015	For the year ended 31 December 2014	For the six months ended 30 June 2014
Profit/(Loss) for the period		435,004	211,975	221,518
Items to be reclassified in the Statement of profit or loss for the period				
Available for sale financial assets				
Increase/(decrease) in fair value during the period	[tab. B4]	(222,218)	1,965,733	1,658,792
Transfers to profit or loss	[tab. B4]	(349,503)	(288,920)	(175,438)
Cash flow hedges				
Increase/(decrease) in fair value during the period	[tab. B4]	(39,040)	143,870	27,583
Transfers to profit or loss	[tab. B4]	(40,329)	(46,483)	(36,659)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period		212,082	(566,161)	(465,344)
Items not to be reclassified in the Statement of profit or loss for the period				
Actuarial gains/(losses) on provisions for employee termination benefits and pension plans	[tab. B7]	85,772	(176,631)	(111,880)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period		(27,290)	48,544	30,277
Total other components of comprehensive income		(380,526)	1,079,952	927,331
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		54,478	1,291,927	1,148,849
of which, attributable to owners of the Parent		54,475	1,291,933	1,148,849
of which, attributable to non-controlling interests		3	(6)	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)

	Equity								Total equity
	Share capital	Reserves			Cash flow hedge reserve	Retained earnings/ (Accumulated losses)	Total equity attributable to owners of the Parent	Non-controlling Interests	
		Legal reserve	BancoPosta RFC reserve	Fair value reserve					
Balance at 1 January 2014	1,306,110	299,234	1,000,000	670,848	(18,194)	3,858,306	7,116,304	-	7,116,304
Total comprehensive income for the period	-	-	-	1,015,244	(6,310)	139,915	1,148,849	-	1,148,849
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Change in scope of consolidation	-	-	-	-	-	-	-	274	274
Other shareholder transactions(**)	-	-	-	-	-	-	-	-	-
Balance at 30 June 2014	1,306,110	299,234	1,000,000	1,686,092	(24,504)	3,498,221	7,765,153	274	7,765,427
Total comprehensive income for the period	-	-	-	126,584	72,521	(56,021)	143,084	(6)	143,078
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	23	23
Other shareholder transactions(**)	-	-	-	-	-	509,761	509,761	-	509,761
Balance at 31 December 2014	1,306,110	299,234	1,000,000	1,812,676	48,017	3,951,961	8,417,998	291	8,418,289
Total comprehensive income for the period	-	-	-	(385,050)	(53,958)	493,483 ^(*)	54,475	3	54,478
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-
Other shareholder transactions(**)	-	-	-	-	-	-	-	-	-
Balance at 30 June 2015	1,306,110	299,234	1,000,000	1,427,626	(5,941)	4,195,444	8,222,473	294	8,222,767

(*) This item includes profit for the period of Euro 435,004 thousand, actuarial gains on provisions for employee termination benefits for Euro 85,772 thousand after current and deferred tax expense of Euro 27,290 thousand (after-tax actuarial gains of Euro 3 thousand refer to reserves attributable to non-controlling interests)

(**) Shareholder transactions are described in Note B2

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Unrestricted net cash and cash equivalents at beginning of period	747,161	529,827
Cash subject to investment restrictions	511,405	262,157
Cash attributable to technical provisions for insurance business	414,617	624,625
Amounts that cannot be drawn on due to court rulings	15,849	17,036
Current account overdrafts	7,964	4,925
Cash received on delivery (restricted)	6,769	6,764
Cash and cash equivalents at beginning of period	1,703,765	1,445,334
Cash and cash equivalents at beginning of period	1,703,765	1,445,334
Profit/(loss) for the period	435,004	221,518
Depreciation, amortisation and impairments	288,623	342,413
Losses and impairments/(recoveries) on receivables	(173)	39,180
(Gains)/Losses on disposals	178	1,143
Impairment of available for sale investments	37	75,000
(Increase)/decrease in inventories	(847)	(2,584)
(Increase)/decrease in receivables and Other assets	(149,185)	(569,987)
Increase/(decrease) in Payables and Other liabilities	(53,655)	27,458
Movement in provisions for risks and charges	98,633	(36,863)
Movement in provisions for employee termination benefits and pension plans	(23,503)	(21,810)
Differences in accrued finance costs and income (cash correction)	(28,243)	(2,294)
Other changes	(14,841)	8,353
Net cash flow generated by/(used in) non-financial operating activities [a]	552,028	81,527
Increase/(decrease) in liabilities attributable to financial activities	621,492	90,681
Net cash generated by/(used for) held for trading financial assets attributable to financial activities	(287)	-
Net cash generated by/(used for) available for sale financial assets attributable to financial activities	(677,709)	(51,997)
Net cash generated by/(used for) held to maturity financial assets attributable to financial activities	805,512	227,513
(Increase)/decrease in cash and deposits attributable to BancoPosta	304,770	586,233
(Increase)/decrease in other assets attributable to financial activities	(1,217,004)	(822,752)
(Income)/expenses from financial activities	(851,562)	(702,640)
Cash generated by/(used for) assets and liabilities attributable to financial activities [b]	(1,014,788)	(672,962)
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities	(3,752,209)	(83,309)
Increase/(decrease) in net technical provisions for insurance business	6,629,575	6,979,293
Net cash generated by/(used for) available for sale financial assets attributable to insurance activities	(1,502,611)	(4,746,931)
(Increase)/decrease in other assets attributable to insurance activities	(122,450)	(3,072)
(Gains)/losses on financial assets/liabilities measured at fair value	64,703	(1,090,750)
(Income)/expenses from insurance activities	(1,066,941)	(454,981)
Cash generated by/(used for) assets and liabilities attributable to insurance activities [c]	250,067	600,250
Net cash flow from/(for) operating activities	[d]=[a+b+c]	[d]=[a+b+c]
- of which, related party transactions	(803,985)	(132,106)
<i>Investing activities</i>		
Property, plant and equipment, investment property and intangible assets	(135,244)	(156,491)
Investments	(210,517)	(99)
Other financial assets	-	(12,687)
Disposals	-	-
Property, plant and equipment, investment property and intangible assets and assets held for sale	1,901	1,760
Investments	-	-
Other financial assets	3,197	5,484
Change in scope of consolidation	-	2,865
Net cash flow from/(for) investing activities	[e]	[e]
- of which, related party transactions	(212,216)	5,829
Proceeds from/(Repayments of) borrowings	(164,233)	943,683
(Increase)/decrease in loans and receivables	113,594	111,862
Dividends paid	(250,000)	(500,000)
Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court	535,000	-
Net cash flow from/(for) financing activities and shareholder transactions	[f]	[f]
- of which, related party transactions	397,488	(382,633)
Net Increase/(decrease) in cash	[g]=[d+e+f]	[g]=[d+e+f]
Cash and cash equivalents at end of period	1,384,770	1,850,526
Cash and cash equivalents at end of period	1,384,770	1,850,526
Cash attributable to technical provisions for insurance business	(998,500)	(1,375,957)
Amounts that cannot be drawn on due to court rulings	(17,341)	(16,131)
Current account overdrafts	(5,605)	(15,120)
Cash received on delivery (restricted)	(20,235)	(16,385)
Unrestricted net cash and cash equivalents at end of period	343,089	426,933

3.2 BASIS OF CONSOLIDATION

Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control (as defined by IFRS 10) from the date on which control is obtained until the date on which control is no longer held by the Group.

The financial statements used for consolidation purposes have been prepared as at 30 June 2015 and have been adjusted, as required, to align them with the accounting policies adopted by the Parent Company.

Subsidiaries which, individually or taken together, would have no significant quantitative or qualitative impact on the Group's operating results and financial position have not been included within the scope of consolidation and are therefore not consolidated on a line by line basis..

The criteria and basis of consolidation adopted in these interim financial statements are consistent with those adopted in preparing the consolidated financial statements at 31 December 2014, to which reference is made for further details.

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

Subsidiaries	30/06/2015	31/12/2014
Consolidated on a line-by-line basis	18	20
Accounted for using the equity method	5	5
Total companies	23	25

During the first six months of 2015, as part of a broader rationalisation of the Poste Italiane Group structure, the following operations, all of which under the direct or indirect control of the Parent Company, were completed.

- On 18 February 2015, PostelPrint SpA acquired a 20% interest in the share capital of Consorzio Logistica e Pacchi ScpA from SDA Express Courier SpA.
- On 4 February 2015 and 6 February 2015, the Boards of Directors of Postel SpA and PostelPrint SpA respectively agreed the merger by incorporation of PostelPrint SpA into Postel SpA. The deed of merger was signed on 27 April 2015 and filed in the Companies' Register on 28 April 2015; the merger became effective from a legal viewpoint on 30 April 2015 and from an accounting and tax viewpoint from 1 January 2015.
- The shareholders' meetings of SDA Express Courier SpA and Italia Logistica Srl, held on 12 March 2015 and 13 March 2015 respectively, agreed the merger by incorporation of Italia Logistica Srl into SDA Express Courier SpA and approved the related project. The deed of merger was filed in the Companies' Register on 16 May 2015 and on 26 May 2015 the companies signed the deed of merger; it became effective from a legal viewpoint on 30 April 2015. For accounting and tax purposes, the effects of the merger commenced on 1 June 2015.

Finally, on 25 June 2015, following the decision of its Board of Directors on 15 April 2015, the Parent Company completed the acquisition of 10.32% of the share capital of Anima Holding SpA from Monte Paschi Siena SpA (BMPS). Total consideration for the acquisition was Euro 210,468 thousand, equal to Euro 6.80 per share, which was broadly in line with the average market price of the company's shares on the Milan Stock Exchange during the month prior to the agreement which was signed on 14 April 2015. The agreement also foresees the involvement of Poste Italiane in the shareholders' agreement that BMPS had entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the share capital of the subsidiary. In view of the strategic importance of the operation and the significant influence acquired through the shareholders' agreement, the investment has been classified among associated

companies. Anima Holding SpA is the company that provides strategic direction and coordination to the Group of the same name, which is one of the main asset management operators in Italy.

On 30 June 2015 the book value of the investment in Anima Holding SpA is equal to the acquisition price. At the date of preparing these financial statements, Anima Holding SpA's consolidated interim financial statements at 30 June 2015 are in the process of being approved by the company's Board of Directors. The Parent Company has decided to take advantage of the option foreseen in paragraphs 45 *et seq* of IFRS 3, to complete the fair value measurement of the value of the business combination within twelve months of the acquisition date.

A list of subsidiaries consolidated on a line-by-line basis and associated companies accounted for using the equity method, together with key information, is provided in Note 3.8.

3.3 NOTES TO THE FINANCIAL STATEMENTS

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT

The following table shows movements in property, plant and equipment during the first six months of 2015:

tab. A1 - Movements in property, plant and equipment

	Land	Property used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and prepayments	Total
Balance at 1 January 2014								
Cost	75,358	2,793,338	2,177,877	317,982	374,964	1,568,849	52,125	7,360,493
Accumulated depreciation	-	(1,325,606)	(1,718,208)	(276,873)	(175,391)	(1,293,901)	-	(4,789,979)
Accumulated impairment	(14)	(56,163)	(22,506)	(810)	(471)	(272)	-	(80,236)
Carrying amount	75,344	1,411,569	437,163	40,299	199,102	274,676	52,125	2,490,278
Movements during the year								
Additions	772	34,490	43,452	5,276	22,112	79,261	34,210	219,573
Adjustments	-	-	-	-	-	4	-	4
Reclassifications	-	13,636	14,276	314	5,221	7,115	(43,145)	(2,583)
Disposals	(39)	(112)	(182)	(1)	(1,581)	(449)	(81)	(2,445)
Change in scope of consolidation	-	-	-	-	-	3	-	3
Depreciation	-	(106,022)	(109,885)	(10,939)	(29,018)	(105,603)	-	(361,467)
(Impairments)/reversal of impairments	(281)	(38,990)	3,655	(3)	(11,617)	(226)	-	(47,462)
Total movements	452	(96,998)	(48,684)	(5,353)	(14,883)	(19,895)	(9,016)	(194,377)
Balance at 31 December 2014								
Cost	76,091	2,840,153	2,199,826	323,480	398,193	1,638,751	43,109	7,519,603
Accumulated depreciation	-	(1,430,856)	(1,793,304)	(287,761)	(201,909)	(1,383,527)	-	(5,097,357)
Accumulated impairment	(295)	(94,726)	(18,043)	(773)	(12,065)	(443)	-	(126,345)
Carrying amount	75,796	1,314,571	388,479	34,946	184,219	254,781	43,109	2,295,901
Movements during the period								
Additions	-	7,398	7,834	1,910	5,613	19,080	15,820	57,655
Adjustments ⁽¹⁾	-	-	-	-	-	2	-	2
Reclassifications ⁽²⁾	-	5,532	5,273	(4)	3,642	9,029	(23,485)	(13)
Disposals ⁽³⁾	-	(24)	(134)	(9)	(618)	(31)	(123)	(939)
Depreciation	-	(53,768)	(52,278)	(4,875)	(14,064)	(53,755)	-	(178,740)
(Impairments)/Revaluations	-	6,619	(6,646)	-	7,114	17	-	7,104
Total movements	-	(34,243)	(45,951)	(2,978)	1,687	(25,658)	(7,788)	(114,931)
Balance at 30 June 2015								
Cost	76,091	2,850,434	2,211,338	325,352	406,830	1,663,834	35,321	7,569,200
Accumulated depreciation	-	(1,481,999)	(1,844,121)	(292,611)	(215,974)	(1,434,239)	-	(5,268,944)
Accumulated impairment	(295)	(88,107)	(24,689)	(773)	(4,950)	(472)	-	(119,286)
Carrying amount	75,796	1,280,328	342,528	31,968	185,906	229,123	35,321	2,180,970
Adjustments⁽¹⁾								
Cost	-	-	379	-	-	67	-	446
Accumulated depreciation	-	-	(379)	-	-	(65)	-	(444)
Accumulated impairment	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	2	-	2
Reclassifications⁽²⁾								
Cost	-	2,907	5,546	(10)	6,070	8,931	(23,485)	(41)
Accumulated depreciation	-	2,625	(273)	6	(2,428)	144	-	74
Accumulated impairment	-	-	-	-	-	(46)	-	(46)
Total	-	5,532	5,273	(4)	3,642	9,029	(23,485)	(13)
Disposals⁽³⁾								
Cost	-	(24)	(2,247)	(28)	(3,046)	(2,995)	(123)	(8,463)
Accumulated depreciation	-	-	2,113	19	2,427	2,964	-	7,523
Accumulated impairment	-	-	-	-	1	-	-	1
Total	-	(24)	(134)	(9)	(618)	(31)	(123)	(939)

At 30 June 2015, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed back free of charge at the end of the concession term. These assets have a total carrying amount of Euro 96,940 thousand.

Capital expenditure during the first six months of 2015 amounts to Euro 57,655 thousand, including Euro 2,334 thousand in capitalised costs for self-constructed assets. It includes:

- Euro 7,398 thousand relating to extraordinary maintenance of post offices and local head offices around the country (Euro 5,018 thousand) and mail sorting offices (Euro 1,288 thousand);
- Euro 7,834 thousand relating to plant, with the most significant investments being made by the Parent Company, including Euro 4,756 thousand for plant and equipment related to buildings and Euro 1,762 thousand for the installation and extraordinary maintenance of video surveillance systems;
- Euro 5,613 thousand to upgrade plant and the structure of properties held under lease;
- Euro 19,080 thousand relating to Other assets, with the most significant investments being made by the Parent Company, including Euro 12,895 thousand for the purchase of new computer hardware for post offices and head offices and consolidation of storage systems, Euro 2,076 thousand for the purchase of furniture and fittings in connection with the new layouts for post offices and Euro 1,551 thousand for new equipment related to delivery activities; and
- Euro 15,820 thousand relating to assets under construction, with the most significant investments being made by the Parent Company, including Euro 6,208 thousand for the restyling of post offices, Euro 5,335 thousand for the restructuring of head offices and Euro 2,200 thousand for purchases made by PosteMobile SpA for hardware for the mobile network and equipment for the fixed network.

Impairments and related writedown of net asset values relate to forecasts and estimates regarding owned industrial buildings (property used in operations) and leased commercial buildings (leasehold improvements) held by the Parent Company, and reflect prudent consideration of the effects on the relevant values in use of reduced utilisation or future removal from the production cycle (Note 2.3 – *Use of estimates*).

Reclassifications from assets under construction, totalling Euro 23,485 thousand, relate primarily to the acquisition cost of assets that became available and ready for use during the year. In particular, these assets regard the rollout of hardware held in storage and completion of the process of restyling leased and owned properties.

The following table provides a breakdown by category of property, plant and equipment held under finance leases, showing the carrying amounts at 30 June 2015:

tab. A1.1 - Property, plant and equipment held under finance leases

Item	at 30 June 2015			at 31 December 2014		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Buildings	17,043	(6,646)	10,397	17,043	(6,389)	10,654
Other assets	61	(25)	36	61	(22)	39
Total	17,104	(6,671)	10,433	17,104	(6,411)	10,693

A2 - INVESTMENT PROPERTY

Investment property relates to residential accommodation previously used by post office directors and former service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993. Movements in investment property are as follows:

tab. A2 - Movements in investment property

	Six months ended 30 June 2015	Year ended 31 December 2014
Balance at 1 January		
Cost	146,961	145,269
Accumulated depreciation	(78,925)	(74,651)
Accumulated impairment	(1,271)	(1,684)
Carrying amount	66,765	68,934
Movements during the period		
Additions	121	510
Reclassifications (1)	(1)	2,346
Disposals (2)	(495)	(590)
Depreciation	(2,457)	(4,836)
(Impairments)/reversal of impairments	117	401
Total movements	(2,715)	(2,169)
Balance at end of period		
Cost	146,049	146,963
Accumulated depreciation	(80,845)	(78,926)
Accumulated impairment	(1,154)	(1,272)
Carrying amount	64,050	66,765
Fair value at end of period	114,915	115,893
Reclassifications ⁽¹⁾		
Cost	(1)	2,346
Accumulated depreciation	-	-
Accumulated impairment	-	-
Total	(1)	2,346
Disposals ⁽²⁾		
Cost	(1,032)	(1,162)
Accumulated depreciation	537	561
Accumulated impairment	-	11
Total	(495)	(590)

The fair value of investment property at 30 June 2015 includes approximately Euro 68,849 thousand representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects price estimates computed internally by the Company⁶.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, as the Group retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six months' notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

⁶ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, former service accommodation qualifies for level 3, while the other investment property qualifies for level 2.

A3 - INTANGIBLE ASSETS

The following table shows net values and movements in intangible assets during the first six months of 2015:

tab. A3 - Movements in intangible assets

	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Balance at 1 January 2014					
Cost	1,965,658	181,743	103,614	83,643	2,334,658
Accumulated amortisation and impairments	(1,629,286)	(99)	(56,857)	(71,505)	(1,757,747)
Carrying amount	336,372	181,644	46,757	12,138	576,911
Movements during the year					
Additions	149,666	57,291	-	10,573	217,530
Reclassifications	152,119	(157,599)	-	5,495	15
Transfers and disposals	(5)	(7,393)	-	(319)	(7,717)
Change in scope of consolidation	65	-	-	-	65
Amortisation and impairments	(247,700)	-	-	(9,710)	(257,410)
Total movements	54,145	(107,701)	-	6,039	(47,517)
Balance at 31 December 2014					
Cost	2,264,455	74,042	103,614	99,392	2,541,503
Accumulated amortisation and impairments	(1,873,938)	(99)	(56,857)	(81,215)	(2,012,109)
Carrying amount	390,517	73,943	46,757	18,177	529,394
Movements during the period					
Additions	33,182	40,881	-	3,405	77,468
Reclassifications ⁽¹⁾	23,591	(25,351)	-	1,774	14
Transfers and disposals ⁽²⁾	(50)	(361)	-	(236)	(647)
Amortisation and impairments	(109,717)	-	-	(4,932)	(114,649)
Total movements	(52,994)	15,169	-	11	(37,814)
Balance at 30 June 2015					
Cost	2,318,801	89,211	103,614	104,431	2,616,057
Accumulated amortisation and impairments	(1,981,278)	(99)	(56,857)	(86,243)	(2,124,477)
Carrying amount	337,523	89,112	46,757	18,188	491,580
Reclassifications ⁽¹⁾					
Cost	23,524	(25,351)	-	1,870	43
Accumulated amortisation and impairments	67	-	-	(96)	(29)
Total	23,591	(25,351)	-	1,774	14
Transfers and disposals ⁽²⁾					
Cost	(2,360)	(361)	-	(236)	(2,957)
Accumulated amortisation and impairments	2,310	-	-	-	2,310
Total	(50)	(361)	-	(236)	(647)

Investment in "Intangible assets" during the first six months of 2015 amounts to Euro 77,468 thousand, of which Euro 9,213 thousand relates to internally developed software. Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

Additions to Industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights total Euro 33,182 thousand, before amortisation for the period, and relate primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

The following table provides details in relation to the IT platform for the development of the Full MVNO (*Mobile Virtual Network Operator*) project, held by PosteMobile SpA under a finance lease. The platform is amortised over a ten-year period.

tab. A3.1 - Intangible assets held under finance leases

Item	at 30 June 2015			at 31 December 2014		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	16,023	(2,338)	13,685	16,023	(790)	15,233
Total	16,023	(2,338)	13,685	16,023	(790)	15,233

Intangible assets under construction relates to activities conducted by the Parent Company, primarily regarding the development of software for the infrastructure platform (Euro 31,277 thousand), for BancoPosta services (Euro 20,053 thousand), for the postal products platform (Euro 12,464 thousand), and for provision of support to the sales network (Euro 5,967 thousand) and design and development of reporting processes for business and HR functions network (Euro 5,210 thousand).

During the period the Group reclassified certain balances amounting to Euro 25,351 thousand from intangible assets under construction to industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights and Other, reflecting the completion and entry into operation of software programmes and the upgrade of existing software.

The following table provides details of **Goodwill**:

tab. A3.2 - Goodwill

Item	Balance at 30 June 2015	Balance at 31 December 2014
Postel SpA	45,000	45,000
BdM - MCC SpA	1,757	1,757
Total	46,757	46,757

Goodwill has been tested for impairment in accordance with the relevant accounting standards. Based on best information regarding the future and the impairment tests conducted, it has not been necessary to recognise impairment losses in the consolidated financial statements.

A4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

tab. A4 - Investments

Item	Balance at 30 June 2015	Balance at 31 December 2014
Investments in subsidiaries	562	544
Investments in joint ventures	50	52
Investments in associated companies	210,971	502
Total	211,583	1,098

Movements in investments accounted for using the equity method during the year are as follows:

Movements in investments accounted for using the equity method during the six months ended 30 June 2015

Investments	Balance at 1 January 2015	Additions/ (Reductions)	Changes in the scope of consolidation	Adjustments		Balance at 30 June 2015
				accounted for using the equity method	dividend adjustments	
In subsidiaries						
Address Software Srl	182	-	-	18	-	200
Italo-Brasil Holding SA	-	-	-	-	-	-
Kipoint SpA ⁽¹⁾	362	-	-	-	-	362
Poste Holding Participações do Brasil Ltda	-	49	-	(49)	-	-
Total subsidiaries	544	49	-	(31)	-	562
In joint ventures						
Uptime SpA ⁽¹⁾	52	-	-	(2)	-	50
Total joint ventures	52	-	-	(2)	-	50
In associated companies						
Anima Holding SpA	-	210,468	-	-	-	210,468
ItaliaCamp Srl ⁽¹⁾	2	-	-	1	-	3
Telma - Sapienza Scarl ⁽¹⁾	491	-	-	-	-	491
Other SDA Group associates ⁽²⁾	9	-	-	-	-	9
Total associated companies	502	210,468	-	1	-	210,971
Total	1,098	210,517	-	(32)	-	211,583

(1) The value of the investment is aligned with equity as reported at 31 December 2014

(2) The other SDA Express Courier associates are: Epiemme srl (dormant), I.C.S. Srl, International Speedy Srl in liquidation, MDG Express Srl, Speedy Express Courier Srl, T.W.S. Express Courier Srl

Movements in investments accounted for using the equity method in the year ended 31 December 2014

Investments	Balance at 1 January 2014	Additions/ (Reductions)	Changes in the scope of consolidation	Adjustments		Balance at 31 December 2014
				accounted for using the equity method	dividend adjustments	
In subsidiaries						
Address Software Srl	165	-	-	17	-	182
Italo-Brasil Holding SA	-	-	-	-	-	-
Kipoint SpA	395	-	-	(33)	-	362
PatentiViaPoste ScpA	104	-	(104)	-	-	-
Poste Holding Participações do Brasil Ltda	9	391	-	(400)	-	-
Poste Tributi ScpA	2,325	-	(2,325)	-	-	-
Total subsidiaries	2,998	391	(2,429)	(416)	-	544
In joint ventures						
Uptime SpA ⁽¹⁾	48	-	-	4	-	52
Total joint ventures	48	-	-	4	-	52
In associated companies						
Docugest SpA	5,067	(4,502)	-	(565)	-	-
ItaliaCamp Srl	-	2	-	-	-	2
Telma - Sapienza Scarl ⁽¹⁾	489	-	-	2	-	491
Other SDA Group associates ⁽²⁾	9	-	-	-	-	9
Total associated companies	5,565	(4,500)	-	(563)	-	502
Total	8,611	(4,109)	(2,429)	(975)	-	1,098

(1) The value of the investment is aligned with equity as reported at 31 December 2013

(2) The other SDA Express Courier associates are: Epiemme srl (dormant), I.C.S. Srl, International Speedy Srl in liquidation, MDG Express Srl, Speedy Express Courier Srl, T.W.S. Express Courier Srl

Significant movements are described in Note 3.2

A5 - FINANCIAL ASSETS

The following table provides a breakdown of financial assets at 30 June 2015:

tab. A5 - Financial assets

Financial assets

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans and receivables	1,238,324	8,883,685	10,122,009	1,189,465	7,708,090	8,897,555
Held to maturity financial assets	12,697,968	792,543	13,490,511	12,697,970	1,401,716	14,099,686
Available for sale financial assets	99,731,930	8,049,626	107,781,556	96,673,868	10,472,880	107,146,748
Financial assets at fair value through profit or loss	14,552,507	1,309,123	15,861,630	10,748,814	1,406,210	12,155,024
Derivative financial instruments	753,683	15,553	769,236	365,822	21,657	387,479
Total	128,974,412	19,050,530	148,024,942	121,675,939	21,010,553	142,686,492

Financial assets by operating segment

Descrizione	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
FINANCIAL SERVICES	43,031,456	10,450,255	53,481,711	40,969,278	11,483,883	52,453,161
Loans and receivables	1,151,799	8,683,663	9,835,462	1,104,367	7,514,091	8,618,458
Held to maturity financial assets	12,697,968	792,543	13,490,511	12,697,970	1,401,716	14,099,686
Available for sale financial assets	28,727,238	958,496	29,685,734	27,007,492	2,546,419	29,553,911
Derivative financial instruments	454,451	15,553	470,004	159,449	21,657	181,106
INSURANCE SERVICES	85,401,340	8,431,361	93,832,701	80,052,976	9,344,722	89,397,698
Loans and receivables	-	145,921	145,921	-	23,471	23,471
Available for sale financial assets	70,549,601	6,976,317	77,525,918	69,097,789	7,915,041	77,012,830
Financial assets at fair value through profit or loss	14,552,507	1,309,123	15,861,630	10,748,814	1,406,210	12,155,024
Derivative financial instruments	299,232	-	299,232	206,373	-	206,373
POSTAL AND BUSINESS SERVICES	541,616	168,914	710,530	653,685	181,948	835,633
Loans and receivables	86,525	54,101	140,626	85,098	170,528	255,626
Available for sale financial assets	455,091	114,813	569,904	568,587	11,420	580,007
Derivative financial instruments	-	-	-	-	-	-
Total	128,974,412	19,050,530	148,024,942	121,675,939	21,010,553	142,686,492

Financial assets are broken down by operating segment as follows:

- Financial services includes financial assets relating for the main part to BancoPosta RFC⁷, BdM-MCC SpA and BancoPosta Fondi SpA SGR;
- Insurance services includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Postal and Business services includes all the other financial assets of the Group.

⁷ The assets in question relate to financial services provided by the Parent Company in accordance with Presidential Decree 144/2001 which, since 2 May 2011, are attributable to the ring-fenced capital. In particular, they relate to the management of postal current account deposits on its own behalf (subject to restrictions imposed by applicable legislation) and the management of collections and payments on behalf of third parties. Private customer deposits can only be used to purchase Eurozone government securities. Moreover, as a result of the changes made to art.1, para. 1097 of Law 296 of 27 December 2006 by art.1, para. 285 of the 2015 Stability Law (Law 190 of 23 December 2014), BancoPosta RFC can invest up to 50% of customer deposits in securities guaranteed by the Italian state. Funds deposited by Public Sector entities, on the other hand, are placed with the Ministry of the Economy and Finance at a variable rate of interest linked to a basket of government securities and money market indices, in accordance with a specific agreement with the MEF regarding treasury services. Collection and payment services performed on behalf of third parties include the collection of postal savings (Postal Savings Books and Postal Certificates) on behalf of Cassa Depositi e Prestiti and the MEF and services delegated by Public Sector entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of balances awaiting financial settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, within two bank working days of the transaction date.

FINANCIAL SERVICES

Loans and receivables

tab. A5.1 - Loans and receivables

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	1,151,799	247,502	1,399,301	1,104,367	183,205	1,287,572
Receivables	-	8,436,161	8,436,161	-	7,330,886	7,330,886
Amounts deposited with MEF	-	4,932,253	4,932,253	-	5,467,139	5,467,139
MEF account, held at the Treasury	-	2,398,903	2,398,903	-	662,963	662,963
Other financial receivables	-	1,105,005	1,105,005	-	1,200,784	1,200,784
Total	1,151,799	8,683,663	9,835,462	1,104,367	7,514,091	8,618,458

At 30 June 2015, **loans** amounting to Euro 1,399,301 thousand, relating entirely to BdM-MCC SpA, reflect loans and mortgages provided to companies and individuals. The fair value⁸ of these loans is Euro 1,616,212 thousand.

Of these, loans amounting to Euro 710,276 thousand have been pledged as collateral. Specifically:

- Euro 654,805 thousand, (together with part of the available-for-sale portfolio (tab. A.5.2.1)), were pledged as collateral within the scope of refinancing operations launched by the ECB through national central banks (Note B8);
- Euro 55,471 thousand were pledged as collateral for a loan from the Cassa Depositi e Prestiti, amounting in total (including overdue instalments) to Euro 110,597 thousand.

Receivables, amounting to Euro 8,436,161 thousand, include:

- **Amounts deposited with the MEF**, totalling Euro 4,932,253 thousand, relating to public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government securities⁹. During the first six months of 2015, the Parent Company entered into derivative contracts to convert part of the return on such deposits to fixed rate. This involved exchanging the return on the indexed component for longer term returns, through a series of repurchase agreements involving 7-year BTPs with no collection of the underlying securities on maturity, but with settlement of the differential between the forward price and market value of the security
- The balance of the Parent Company's **MEF account**, held at the **Treasury**, amounting to Euro 2,398,903 thousand, consisting of:

tab. A5.1.1 - MEF account, held at the Treasury

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Balance of cash flows for advances	-	2,669,465	2,669,465	-	905,298	905,298
Balance of cash flows from management of postal savings	-	(78,053)	(78,053)	-	(49,361)	(49,361)
Amounts payable due to theft	-	(157,911)	(157,911)	-	(159,113)	(159,113)
Amounts payable for operational risks	-	(34,598)	(34,598)	-	(33,861)	(33,861)
Total	-	2,398,903	2,398,903	-	662,963	662,963

The *balance of cash flows for advances*, amounting to Euro 2,669,465 thousand, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta. It may be further analysed as follows:

⁸ In terms of the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 3.

⁹ The rate in question is calculated as follows: 50% is based on the return on 6 month BOTs, with the remaining 50% based on the monthly average Rendistato index. The latter represents the average yield on government securities with maturity greater than 2 years, which approximates to the return on 7 year BTPs.

tab. A5.1.1 a) - Balance of cash flows for advances

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Net advances	-	2,669,511	2,669,511	-	917,898	917,898
MEF postal current accounts and other payables	-	(671,806)	(671,806)	-	(672,214)	(672,214)
Ministry of Justice - Orders for payment	-	(59)	(59)	-	(12,319)	(12,319)
MEF - State pensions	-	671,819	671,819	-	671,933	671,933
Total	-	2,669,465	2,669,465	-	905,298	905,298

Net advances at 30 June 2015 are significantly higher than at 31 December 2014 as a result of the combined effect of the revised payment schedule for ex-INPDAP pensions, (as a result of which increased payments credited to the paying agency INPS, accounted for under payables due to current account holders, are reflected in increased receivables due from the Treasury) and the lower cash requirements of post offices at 30 June 2015.

The *balance of cash flows from the management of postal savings*, amounting to a negative Euro 78,053 thousand, represents the balance of withdrawals less deposits during the last two days of the first half of the year, settled during the second half of the year. At 30 June 2015, the balance consists of Euro 105,237 thousand payable to Cassa Depositi e Prestiti, less Euro 27,184 thousand receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from post offices relate to amounts owed by the Parent Company to the MEF account held at the Treasury for losses resulting from theft and fraud, totalling Euro 157,911 thousand. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate. Movements in this liability during the first six months of 2015 are as follows:

tab. A5.1.1 b) - Movements in amounts payable due to theft

	Note	Six months ended 30 June 2015	Year ended 31 December 2014
Balance at 1 January		159,113	158,329
Amounts payable for thefts during the period	[tab. C11]	3,117	5,856
Repayments made		(4,319)	(5,072)
Balance at end of period		157,911	159,113

During the first six months of 2015, Poste Italiane SpA made repayments to the Italian Treasury for thefts that took place up to 31 December 2014 amounting to Euro 3,321 thousand and also, following a decision of the Court of Auditors, for thefts that took place up to 31 December 1993, amounting to Euro 998 thousand.

Amounts payable for operational risks (Euro 34,598 thousand) relate to that portion of advances obtained to fund the operations of BancoPosta, in relation to which asset underrecovery is certain or probable. Movements in these payables are as follows:

tab. A5.1.1 c) - Movements in amounts payable to the Italian Treasury for operational risks

	Six months ended 30 June 2015	Year ended 31 December 2014
Balance at 1 January	33,861	33,861
New payables for operational risks	624	2,502
Operational risks that did not occur	(255)	(709)
	369	1,793
Repayments made	(35)	(1,816)
Reclassifications from Provisions for disputes	403	23
Balance at end of period	34,598	33,861

- Other financial receivables amounting to Euro 1,105,005 thousand may be broken down as follows:

tab. A5.1.2 - Other financial receivables

Item	Balance at 30 June 2015	Balance at 31 December 2014
Guarantee deposits	703,829	891,647
Other amounts to be charged to customers	227,700	176,246
Items awaiting settlement with the banking system	117,561	90,432
Other receivables	55,915	42,459
Total	1,105,005	1,200,784

Guarantee deposits, totalling Euro 703,829 thousand, include Euro 696,194 thousand relating to sums provided to counterparties in asset swap transactions (collateral foreseen by specific Credit Support Annexes) and Euro 7,635 thousand to sums provided to counterparties in repurchase agreements on fixed income securities transactions (collateral foreseen by specific Global Master Repurchase Agreements).

Other amounts to be charged to customers amount to Euro 227,700 thousand and primarily relate to withdrawals from BancoPosta ATMs, use of BancoPosta debit cards, cheques and other items settled in the clearing house

Investments in securities and equity instruments

The following table shows a breakdown of investments in securities and equity instruments:

tab. A5.2 - Investments in securities and equity instruments

Item	Note	Balance at 30 June 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Held-to-maturity financial assets		12,697,968	792,543	13,490,511	12,697,970	1,401,716	14,099,686
Fixed income instruments	[tab. A5.2.1]	12,697,968	792,543	13,490,511	12,697,970	1,401,716	14,099,686
Available-for-sale financial assets		28,727,238	958,496	29,685,734	27,007,492	2,546,419	29,553,911
Fixed income instruments	[tab. A5.2.1]	28,661,595	958,496	29,620,091	26,951,062	2,546,419	29,497,481
Equity instruments		65,643	-	65,643	56,430	-	56,430
Total		41,425,206	1,751,039	43,176,245	39,705,462	3,948,135	43,653,597

Investments in securities relate to investments in Italian government securities with a nominal value of Euro 38,797,166 thousand, held primarily by BancoPosta RFC¹⁰ and to a lesser extent by BdM-MCC SpA and BancoPosta Fondi SpA SGR.

Movements in investments in securities during 2014 and the first six months of 2015 are as follows:

tab. A5.2.1 - Movements in investments in securities

Securities	HTM		AFS		FVPL		TOTAL	
	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
Balance at 31 December 2013	14,913,550	15,221,162	23,263,010	24,844,453	-	-	38,176,560	40,065,615
Purchases		102,651		8,064,232		543,249		8,710,132
Transfers to equity		-		(243,466)		-		(243,466)
Change in amortised cost		3,209		(5,892)		-		(2,683)
Changes in fair value through equity		-		1,775,187		-		1,775,187
Changes in fair value through profit or loss		-		1,327,676		-		1,327,676
Changes in cash flow hedge transactions*		-		12,501		-		12,501
Effect of sales on profit or loss		-		391,951		1		391,952
Accrued income		207,512		294,842		-		502,354
Sales, redemptions and settlement of accrued income		(1,434,848)		(6,964,003)		(543,250)		(8,942,101)
Balance at 31 December 2014	13,807,550	14,099,686	24,621,710	29,497,481	-	-	38,429,260	43,597,167
Purchases		-		6,411,050		1,320,561		7,731,611
Transfers to equity		-		(282,695)		-		(282,695)
Change in amortised cost		1,519		(13,701)		-		(12,182)
Changes in fair value through equity		-		(201,197)		-		(201,197)
Changes in fair value through profit or loss		-		(650,922)		-		(650,922)
Changes in cash flow hedge transactions*		-		-		-		-
Effect of sales on profit or loss		-		286,362		(287)		286,075
Accrued income		194,819		307,051		-		501,870
Sales, redemptions and settlement of accrued income		(805,513)		(5,733,338)		(1,320,274)		(7,859,125)
Balance at 30 June 2015	13,209,550	13,490,511	25,522,684	29,620,091	-	-	38,732,234	43,110,602

* Changes in cash flow hedge transactions, (forward purchases in relation to cash flow hedges), reflect changes in the fair value of securities between the purchase date and the settlement date and are offset by corresponding changes in the Cash flow hedge reserve.

At 30 June 2015, the fair value¹¹ of the held-to-maturity portfolio, accounted for at amortised cost, is Euro 15,284,110 thousand (including Euro 194,819 thousand in accrued interest).

Securities with a nominal value of Euro 5,601,140 thousand are encumbered as follows:

- Euro 4,765,990 thousand transferred to counterparties under repurchase agreements;
- Euro 315,150 thousand transferred to counterparties as collateral for asset swaps;
- Euro 520,000 thousand transferred to the Bank of Italy as collateral for intraday credit extended to the Parent Company.

The fair value of the available-for-sale portfolio is Euro 29,620,091 thousand (including Euro 307,051 thousand in accrued interest). The overall reduction in fair value during the period was Euro 852,119 thousand. Part of the reduction, (Euro 201,197 thousand, relating to the portion of the portfolio not hedged by fair value hedges) has been recognised in the relevant equity reserve, with the remainder of the reduction (Euro 650,922 thousand, relating to the hedged portion) being accounted for through profit or loss.

Securities with a nominal value of Euro 1,249,284 thousand are encumbered as follows:

- Euro 703,500 thousand transferred by BancoPosta RFC to counterparties under repurchase agreements;
- Euro 541,000 thousand used by BdM-MCC SpA as collateral for a short-term loan promoted by the ECB (Note B.8);
- Euro 2,400 thousand used as collateral for obligations relating to BdM-MCC's staff severance pay provision
- Euro 2,384 thousand used as collateral for the participation of BdM-MCC SpA in subsidised financing projects.

¹⁰ The composition of this portfolio aims to replicate the financial structure of deposits paid into postal current accounts by private customers. Trend analysis for forecasting and prudential purposes is based on an appropriate statistical model developed for Poste Italiane SpA by a leading market operator. An Asset & Liability Management system has been developed to manage the relationship between customer deposits and investments.

¹¹ In terms of the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 1.

Investments in equity instruments are attributable to BancoPosta RFC and for the main part relate to Euro 62,932 thousand representing the fair value of 756,280 class B shares in MasterCard Incorporated. These equity instruments are not quoted on a regulated market, however, in the event of disposal, may be converted into an equal number of Class A shares, which are listed on the New York Stock Exchange.

Fair value gains of Euro 9,213 thousand during the six months ending 30 June 2015 have been recognised in the relevant equity reserve (section B4).

Derivative financial instruments

At 30 June 2015, derivative financial instruments attributable to the Financial services segment, amounting to Euro 470,004 thousand, include Euro 353,270 thousand attributable to BancoPosta RFC and Euro 116,734 thousand to BdM-MCC SpA.

The following table shows movements in the derivative instruments attributable to BancoPosta RFC:

tab. A5.3 - Movements in derivative financial instruments

Table A5.3 - Movements in derivative financial instruments												
	Cash flow hedges				Fair value hedges		FVPL				Total	
	Forward purchases		Asset swaps		Asset swaps		Forward purchases		Forward sales			
	notional	fair value	notional	fair value	notional	fair value	notional	fair value	notional	fair value		
Balance at 1 January 2013	-	-	2,225,000	(71,609)	3,900,000	(367,277)	-	-	-	-	6,125,000	(438,886)
Increases/(decreases) *	225,000	12,502	-	131,369	3,575,000	(1,337,957)	400,000	3	-	-	4,200,000	(1,194,083)
Gains/(Losses) through profit or loss **	-	-	-	202	-	(1,230)	-	-	-	-	-	(1,028)
Transactions settled ***	(225,000)	(12,502)	(525,000)	(59,350)	(180,000)	34,241	(400,000)	(3)	-	-	(1,330,000)	(37,614)
Balance at 31 December 2014	-	-	1,700,000	612	7,295,000	(1,672,223)	-	-	-	-	8,995,000	(1,671,611)
Increases/(decreases) *	-	-	-	(39,040)	2,995,000	638,870	53,817	(263)	1,000,000	(1,644)	4,048,817	597,923
Gains/(Losses) through profit or loss **	-	-	-	(205)	-	776	-	-	-	-	-	571
Transactions settled ***	-	-	-	(19,560)	(320,000)	55,823	-	-	(1,000,000)	1,644	(1,320,000)	37,907
Balance at 30 June 2015	-	-	1,700,000	(58,193)	9,970,000	(976,754)	53,817	(263)	-	-	11,723,817	(1,035,210)
Of which:												
Derivative assets	-	-	175,000	32,346	3,095,000	320,924	-	-	-	-	3,270,000	353,270
Derivative liabilities	-	-	1,525,000	(90,539)	6,875,000	(1,297,678)	53,817	(263)	-	-	8,453,817	(1,388,480)

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

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

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

During the six month period under review, the effective portion of interest rate hedging instruments recorded an overall reduction in fair value of Euro 39,040 thousand reflected in the cash flow hedge reserve in equity.

The fair value hedges in place, which are held to limit the price volatility of certain available-for-sale fixed rate instruments, saw their effective portion record a fair value gain of Euro 638,870 thousand, while the hedged securities (tab. A5.2.1) recorded a reduction in fair value of Euro 650,922 thousand, with the difference of Euro 12,052 thousand due to paid and accruing differentials.

During the six months under review, the Parent Company carried out the following transactions:

- entered into new asset swaps used as fair value hedges with a notional value of Euro 2,995,000 thousand;
- settled asset swaps used as fair value hedges for securities sold, with a notional value of Euro 320,000 thousand.

With regard to derivative instruments accounted for at fair value through profit or loss, the Parent Company entered into new derivative contracts for a notional value of Euro 53,817 thousand with the objective of fixing the return during the second half of 2015 on amounts (of public customers' current account deposits) deposited with the MEF, which earn a variable rate of return (tab. A5.1). Also during the first six months of 2015, in managing temporary fluctuations in deposits, the Parent Company entered into reverse repurchase agreements for a nominal value of Euro 1 billion.

Movements in derivative instruments attributable to BdM-MCC SpA are as follows:

tab. A5.4 - Movements in derivative financial instruments

	Six months ended 30 June 2015				Year ended 31 December 2014			
	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January	-	132,496	9	132,505	-	87,062	13	87,075
Increases/(decreases)	-	(7,450)	-	(7,450)	-	55,257	-	55,257
Gains/(Losses) through profit or loss	-	1	7	8	-	7	(4)	3
Transactions settled	-	(8,329)	-	(8,329)	-	(9,830)	-	(9,830)
Balance at end of period	-	116,718	16	116,734	-	132,496	9	132,505
Of which:								
Derivative assets	-	116,718	16	116,734	-	132,496	9	132,505
Derivative liabilities	-	-	-	-	-	-	-	-

The fair value of Euro 116,718 thousand of derivatives designated as fair value hedges refers to the value of four interest rate swap contracts used to hedge bonds issued by BdM-MCC SpA (tab. B8), with a total notional value of Euro 355,185 thousand. These instruments recorded a net reduction in fair value of Euro 7,450 thousand, whilst the hedged bonds recorded a fair value gain of Euro 12,815 thousand. The difference of Euro 5,368 thousand, due to the differentials for the period, is recognised through profit or loss.

INSURANCE SERVICES

Receivables

Receivables of Euro 145,921 thousand relate to subscription of and payment for unissued units of mutual investment funds by Poste Vita SpA (Euro 88,176) and receivables in respect of coupons to be cashed (Euro 57,745).

Available-for-sale financial assets

Movements in available-for-sale financial assets are as follows:

tab. A5.5 - Movements in available-for-sale financial assets

	Fixed income instruments		Other investments	Equity instruments	Total
	Nominal value	Fair value	Fair value	Fair value	Fair value
Balance at 1 January 2014	57,905,750	57,617,659	1,536,911	5,284	59,159,854
Purchases		21,779,641	75,666	4,949	21,860,256
Transfers to equity		(172,740)	13,962	1,423	(157,355)
Changes in amortised cost		275,711	-	-	275,711
Fair value gains and losses through equity		6,868,463	(4,219)	308	6,864,552
Effects of sales on profit or loss		348,512	(15,676)	(1,413)	331,423
Accrued income		704,201	-	-	704,201
Sales, redemptions and settlement of accrued income		(11,909,741)	(113,552)	(2,519)	(12,025,812)
Balance at 31 December 2014	68,684,620	75,511,706	1,493,092	8,032	77,012,830
Purchases		12,209,730	31,718	11,897	12,253,345
Transfers to equity		(187,798)	-	(48)	(187,846)
Changes in amortised cost		123,848	-	-	123,848
Fair value gains and losses through equity		(1,798,799)	38,633	(409)	(1,760,575)
Effects of sales on profit or loss		172,674	-	-	172,674
Accrued income		662,376	-	-	662,376
Sales, redemptions and settlement of accrued income		(10,718,943)	(21,060)	(10,731)	(10,750,734)
Balance at 30 June 2015	70,990,843	75,974,794	1,542,383	8,741	77,525,918

These instruments recorded a net reduction in fair value of Euro 1,760,575 thousand as follows:

- net reduction of Euro 1,758,093 thousand deriving from the measurement of securities held by Poste Vita SpA, of which Euro 1,733,566 thousand was transferred to policyholders and accounted for in the relevant technical provision in accordance with the shadow accounting method;
- net reduction in the value of securities held by Poste Assicura SpA, totalling Euro 2,482 thousand.

The sum of the aforementioned movements in the fair value of available-for-sale financial assets during the first six months of 2015 had a negative net effect on the relevant equity reserve of Euro 27,009 thousand (tab. B4).

Fixed income instruments relate to investments held by Poste Vita SpA, totalling Euro 75,850,421 thousand (nominal value of Euro 70,872,779 thousand) issued by European governments and European blue-chip companies. These instruments are for the main part intended to cover separately managed funds, in relation to which, under the shadow method of accounting, any the unrealised gains and losses are transferred to policyholders and recognised in technical provisions, with the remainder being used as investment of free capital.

The remaining balance of Euro 124,373 thousand relates to the fair value of fixed income instruments held by Poste Assicura SpA.

Other investments relate to units of mutual investment funds, totalling Euro 1,542,383 thousand, of which Euro 1,107,920 thousand consists of equity funds and Euro 387,328 thousand of bond funds subscribed to by Poste Vita SpA and allocated to the insurance company's separately managed accounts. The remaining balance relates to the fair value of units of property funds, totalling Euro 47,135 thousand.

Equity instruments relate to investments totalling Euro 8,741 thousand held by Poste Vita SpA, used to cover Class I products related to separately managed accounts.

Financial instruments at fair value through profit or loss

Movements in financial instruments at fair value through profit or loss are as follows:

tab. A5.6 - Movements in financial instruments at fair value through profit or loss

	Fixed Income Instruments		Structured bonds		Other Investments	Total
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Balance at 1 January 2014	7,106,167	6,560,746	2,574,248	2,983,252	729,835	10,273,833
Purchases		1,026,941		-	1,814,643	2,841,584
Fair value gains and losses through profit or loss		490,653		173,148	20,969	684,770
Accrued income		18,787		417	-	19,204
Effects of sales on profit or loss		11,128		13,622	1,058	25,808
Sales/Settlement of accrued income		(737,831)		(803,403)	(148,941)	(1,690,175)
Balance at 31 December 2014	7,404,065	7,370,424	1,965,205	2,367,036	2,417,564	12,155,024
Purchases		379,054		16,051	4,099,088	4,494,193
Fair value gains and losses through profit or loss		(10,275)		17,421	(83,805)	(76,659)
Accrued income		18,684		416	-	19,100
Effects of sales on profit or loss		840		10,767	349	11,956
Sales/Settlement of accrued income		(183,705)		(529,534)	(28,745)	(741,984)
Balance at 30 June 2015	7,623,222	7,575,022	1,519,878	1,882,157	6,404,451	15,861,630

These financial instruments are held by the subsidiary, Poste Vita SpA, and include:

- **fixed income securities**, amounting to Euro 7,575,022 thousand and consisting of Euro 5,999,302 thousand in coupon stripped BTPs acquired to cover the contractual obligations arising on Class III insurance policies and Euro 1,575,720 thousand of blue-chip corporate bonds linked primarily to separately managed accounts;
- **structured bonds**, amounting to Euro 1,882,157 thousand and relating to investments whose returns are linked to particular market indices, held primarily to cover the insurance obligations to the holders of Class III index-linked

policies; such financial instruments include bonds issued by CDP SpA with a fair value of Euro 535,817 thousand (notional value of Euro 500,000 thousand) held to cover obligations arising on Class I policies;

- **other investments**, amounting to Euro 6,404,451 thousand and relating to units of mutual investment funds. These instruments include Euro 4,129,949 thousand invested in the UCITS, *Blackrock Diversified Distribution Fund*, and a further Euro 1,579,158 thousand invested during the first six months of 2015 in the UCITS, *Multiflex*, in relation to Class I products, with the aim of diversifying the insurance business's exposure to government bonds and, securing consistent returns for policyholders (see Note 3.7 on "Unconsolidated structured entities"). Other investments, totalling Euro 692,773 thousand, are used to cover Class III unit-linked products,

Derivative financial instruments

The instruments in place at 30 June 2015 are warrants, with a *fair value* of Euro 299,232 thousand and a notional value of Euro 5,558 million, executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies. The increase in the overall fair value of Euro 92,859 thousand is due to an increase in fair value of Euro 96,990 thousand net of sales during the six month period of Euro 4,131 thousand.

Details of the Group's warrants are as follows:

tab. A5.7 - Warrants

Policy	30.06.15		31.12.14	
	Nominal value	Fair value	Nominal value	Fair value
Alba	712,242	24,544	729,951	16,314
Terra	1,355,039	45,245	1,375,271	29,307
Quarzo	1,253,802	44,836	1,276,749	29,673
Titanium	655,615	44,195	672,050	28,838
Arco	174,032	35,955	178,453	25,765
Prisma	174,550	28,822	178,896	21,666
6Speciale	200,000	6	200,000	-
6Avanti	200,000	6	200,000	-
6Serenio	181,482	17,381	184,646	13,527
Primula	184,119	16,609	187,332	12,688
Top5	232,962	19,266	236,612	12,647
Top5 edizione II	234,214	22,367	238,037	15,948
Total	5,558,057	299,232	5,657,997	206,373

POSTAL AND BUSINESS SERVICES

Loans and receivables

Loans and receivables amount to Euro 140,626 thousand and consist of **Loans** of Euro 76,726 thousand and **Receivables** of Euro 63,900 thousand.

The Loans of Euro 76,727 thousand (total nominal value of Euro 75 million) relate to Contingent Convertible Notes¹², subscribed on 23 December 2014 by Poste Italiane SpA, in connection with the operation that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI SpA¹³. The Notes were issued by Midco SpA, which in turn owns 51% of

¹² In accordance with art. 2346 para.6 of the Italian Civil Code, this loan is convertible, on the fulfilment of certain negative pledge conditions, into an equity instrument carrying the same rights associated with the loan.

¹³ This is the so-called "Nuova Alitalia", the company to which all the aviation assets and activities of Alitalia Compagnia Aerea Italiana SpA, (now CAI SpA), have been transferred. The company owns 100% of Midco SpA.

Alitalia SAI. The Contingent Convertible Notes, with a twenty-year term to maturity starting 1 January 2015, carry a nominal rate of interest of 7% per annum. Interest and principal payments will be made by Midco SpA if, and to the extent that, there is available liquidity. Based on the Alitalia Group's Business Plan, 4.6% is a reasonable estimate of the effective interest rate payable on the Notes.

Receivables relate almost wholly to the Parent Company and may be broken down as follows:

tab. A5.8 - Receivables

	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from MEF for repayment of loans accounted for in liabilities	966	2,301	3,267	945	115,844	116,789
Guarantee deposits	-	51,784	51,784	-	54,450	54,450
Due from the purchasers of service accommodation	8,830	-	8,830	9,149	-	9,149
Due from others	3	299	302	2	332	334
Provisions for doubtful debts	-	(283)	(283)	-	(310)	(310)
Total	9,799	54,101	63,900	10,096	170,316	180,412

The receivable of Euro 3,267 thousand due from MEF refers to the repayment of loans provided in the past by Cassa Depositi e Prestiti to the former Postal and Telecommunications Administration. The receivable (which has a fair value¹⁴ of Euro 3,374 thousand at 30 June 2015) reflects the amortised cost¹⁵ of the receivable (nominal value of Euro 3,382 thousand) and is expected to be collected by 2016.

Guarantee deposits amount to Euro 51,784 thousand of which Euro 46,800 thousand relate to collateral provided to counterparties with which the Company has entered into asset swaps and Euro 4,984 thousand relate to repurchase agreements on fixed income securities (collateral foreseen by dedicated *Global Master Repurchase Agreements*).

Available-for-sale financial assets

Details of and movements in Available-for-sale financial assets, which are held primarily by the Parent Company, are as follows:

¹⁴ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

¹⁵ The amortised cost of the non-interest bearing receivable in question was calculated on the basis of the present value obtained using the risk-free interest rate applicable at the date from which the incorporation of Poste Italiane SpA took effect (1 January 1998). The receivable is thus increased each year by the amount of interest accrued and reduced by any amounts collected.

tab. A5.9 - Movements in available-for-sale financial assets

	Fixed Income Instruments		Other Investments		Equity Instruments	Total
	Nominal value	Fair value	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2014	650,000	675,895	5,000	5,002	80,322	761,219
Purchases		-		-	14	14
Redemptions		(150,000)		-	-	(150,000)
Transfers to equity reserves		-		-	-	-
Changes in amortised cost		(2,121)		-	-	(2,121)
Impairments		-		-	(75,168)	(75,168)
Fair value gains and losses through equity		21,962		610	-	22,572
Fair value gains and losses through profit or loss		26,124		-	-	26,124
Effects of sales on profit or loss		-		-	-	-
Accrued income		5,807		-	-	5,807
Sales and settlement of accrued income		(8,440)		-	-	(8,440)
Balance at 31 December 2014	500,000	569,227	5,000	5,612	5,168	580,007
Purchases		-		-	-	-
Redemptions		-		-	-	-
Transfers to equity reserves		-		-	-	-
Changes in amortised cost		191		-	-	191
Impairments		-		-	-	-
Fair value gains and losses through equity		(3,925)		700	-	(3,225)
Fair value gains and losses through profit or loss		(6,936)		-	(37)	(6,973)
Effects of sales on profit or loss		-		-	-	-
Accrued income		5,711		-	-	5,711
Sales and settlement of accrued income		(5,807)		-	-	(5,807)
Balance at 30 June 2015	500,000	558,461	5,000	6,312	5,131	569,904

Fixed income instruments relate to BTPs with a total nominal value of Euro 500,000 thousand (*fair value* of Euro 558,461 thousand). Of these, instruments with a value of Euro 375,000 thousand have been hedged using asset swaps designated as fair value hedges. All of the instruments in question are encumbered, as they have been transferred to counterparties under repurchase agreements (tab. B8.1).

Other investments relate to units of equity mutual investment funds and have a fair value of Euro 6,312 thousand.

Equity instruments relates mainly to the historical cost of the 15% interest in Innovazione e Progetti ScpA, which is in liquidation. The carrying amount of Euro 4,500 thousand is unchanged with respect to the previous year.

Poste Italiane's 2.99% equity interest in CAI SpA (formerly Alitalia-CAI SpA), acquired during 2013 for Euro 75,000 thousand, has been fully written off.

Derivative financial instruments

Movements in derivative assets and liabilities are as follows:

tab. A5.10 - Movements in derivative financial instruments

	Six months ended 30 June 2015				Year ended 31 December 2014			
	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January	-	(51,367)	(6,647)	(58,014)	-	(25,176)	(337)	(25,513)
Increases/(decreases)	-	2,488	1,608	4,096	-	(34,472)	(6,577)	(41,049)
Gains/(Losses) through profit or loss	-	12	-	12	-	15	-	15
Transactions settled	-	4,319	-	4,319	-	8,266	267	8,533
Balance at end of period	-	(44,548)	(5,039)	(49,587)	-	(51,367)	(6,647)	(58,014)
Of which:								
Derivative assets	-	-	-	-	-	-	-	-
Derivative liabilities	-	(44,548)	(5,039)	(49,587)	-	(51,367)	(6,647)	(58,014)

At 30 June 2015, the derivative financial instruments held by the Parent Company, with fair value losses of Euro 49,587 thousand, included:

- nine asset swaps used as fair value hedges. The contracts were entered into in 2010 to protect the value of BTPs with a notional value of Euro 375 million against movements in interest rates. These instruments have enabled the Parent Company to convert the fixed rate on the BTPs of 3.75% into a variable rate;
- a swap contract entered into in 2013 to hedge the cash flows relating to a Euro 50 million bond issued on 25 October 2013 (section B8). The cash flow hedge of this derivative will set in starting in the third year, when the bond

will begin to pay a variable interest rate. With this transaction, the Parent Company took on the obligation to pay a fixed rate of 4.035%.

A6 - INVENTORIES

The following table provides a breakdown of net inventories at 30 June 2015:

tab. A6 - Inventories

Item	Balance at 31 December 2014	Increase/ (decrease)	Balance at 30 June 2015
Properties held for sale	111,148	1,600	112,748
Work in progress, semi-finished and finished goods and goods for resale	13,087	2,259	15,346
Raw, ancillary and consumable materials	14,350	(3,012)	11,338
Total	138,585	847	139,432

This item in question relates mainly to properties held for sale, including those in EGI SpA's real estate portfolio which, at 30 June 2015, had a fair value¹⁶ of approximately Euro 320 million.

A7 - TRADE RECEIVABLES

The following tables provide a breakdown of Trade receivables at 30 June 2015:

tab. A7 - Trade receivables

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Customers	61,887	2,102,897	2,164,784	58,747	2,550,074	2,608,821
MEF	-	1,203,558	1,203,558	-	1,148,857	1,148,857
Subsidiaries	-	209	209	-	242	242
Associated companies	-	1,710	1,710	-	2,017	2,017
Joint ventures	-	148	148	-	121	121
Prepayments to suppliers	-	274	274	-	244	244
Total	61,887	3,308,796	3,370,683	58,747	3,701,555	3,760,302

Receivables due from customers

tab. A7.1 - Receivables due from customers

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Sector entities	61,085	673,872	734,957	57,799	705,189	762,988
Cassa Depositi e Prestiti	-	405,454	405,454	-	901,118	901,118
Unfranked mail delivered and other value added services	21,114	349,333	370,447	21,114	349,794	370,908
Overseas counterparties	-	216,603	216,603	-	193,982	193,982
Parcel express courier and express parcel services	-	204,443	204,443	-	192,872	192,872
Overdrawn current accounts	-	133,397	133,397	-	133,855	133,855
Amounts due for other BancoPosta services	-	-	-	-	79,413	79,413
Amounts due for management of government subsidies	-	66,767	66,767	-	47,967	47,967
Property management	-	8,406	8,406	-	6,505	6,505
Other trade receivables	192	499,575	499,767	296	389,872	390,168
Provisions for doubtful debts	(20,504)	(454,953)	(475,457)	(20,462)	(450,493)	(470,955)
Total	61,887	2,102,897	2,164,784	58,747	2,550,074	2,608,821

¹⁶ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

Amounts due from **Ministries and Public Sector entities** include Euro 309,394 thousand relating to Integrated Notification and mailroom services and Euro 101,340 thousand (nominal value of Euro 103,166 thousand) relating to amounts owed to the Parent Company by the *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office – Publishing department), in relation to payment of publisher tariff subsidies for the financial years from 2001 to 2010. The receivable is accounted for at its present value to recognise the time it is expected to take to collect the amount due, based on best information available and relevant rules and legislation. For this reason, an amount of Euro 48,977 thousand (corresponding to a nominal value of Euro 50,802 thousand) is classified in “Non-current assets”.

Movements in **Provisions for doubtful debts** are as follows:

tab. A7.2 - Movements in provisions for doubtful debts

Item	Balance at 1 January 2014	Net provisions	Deferred revenues	Uses	Balance at 31 December 2014	Net provisions	Deferred revenues	Uses	Change in scope of consolidation	Balance at 30 June 2015
Overseas postal operators	8,096	(2,891)	-	-	5,205	(1,108)	-	-	-	4,097
Public Sector entities	141,636	(10,162)	3,205	(30)	134,649	(4,455)	1,603	(113)	-	131,684
Private customers	282,858	40,826	-	(10,198)	313,486	11,418	-	(2,284)	-	322,620
	432,590	27,773	3,205	(10,228)	453,340	5,855	1,603	(2,397)	-	458,401
Interest on late payments	17,567	8,305	-	(8,257)	17,615	4,340	-	(4,899)	-	17,056
Total	450,157	36,078	3,205	(18,485)	470,955	10,195	1,603	(7,296)	-	475,457

Receivables due from the MEF

The following table provides details of trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

tab. A7.3 - Receivables due from the MEF

Item	Balance at 30 June 2015	Balance at 31 December 2014
Universal Service compensation	1,251,551	1,086,996
Publisher tariff and electoral subsidies	86,779	116,779
Remuneration of current account deposits	18,862	72,223
Payment for delegated services	28,295	28,295
Payment for distribution of euro coins	6,026	6,026
Other	4,099	4,226
Provision for doubtful debts due from the MEF	(192,054)	(165,688)
Total	1,203,558	1,148,857

The following points provide further details:

- Receivables relating to the **Universal Service compensation** may be broken down as follows:

tab. A7.3.1 - Universal Service related receivables

Relating to	Balance at 30.06.2015	Balance at 31.12.2014
First six months of 2015	164,555	-
2014	335,895	335,895
2013	342,820	342,820
2012	349,888	349,888
Remaining balance relating to 2011	49,730	49,730
Remaining balance relating to 2005	8,663	8,663
Total	1,251,551	1,086,996

Receivables relating to the period 2012-14 and to the first six months of 2015 correspond to the full compensation earned during the period as determined by the subsidy cap mechanism foreseen by the Planning Agreement 2009-2011 which, in accordance with the survival-of-terms provision, remains valid until the entry into force of the new Planning Agreement 2015-2019

Of the compensation relating to the first six months of 2015, an amount of Euro 33,355 thousand is not funded in the state budget.

Of the compensation relating to 2014, an amount of Euro 58,455 thousand is not funded in the state budget.

With regard to compensation for 2013, AGCom has initiated an assessment of the net cost incurred by the Company (Resolution 493/14/CONS of 9 October 2014) and, on 24 July 2015, AGCom confirmed that such assessment would be extended to consider also 2014.

Of the compensation relating to 2012, an amount of Euro 28,288 thousand is not funded in the state budget. Also with regard to 2012, AGCom recognised a net cost incurred by the Company of Euro 327,300 thousand as compared to compensation of Euro 349,888 thousand calculated by the Parent Company. The reasonableness of this amount will be the subject of review and approval by the European Commission as part of its review of the entire 2012-2014 period. On 13 November 2014, Poste Italiane filed an appeal with the Regional Administrative Court against the AGCom resolution.

There is no funding in the state budget to cover the outstanding balance of Euro 49,730 relating to 2011. For 2011, AGCom recognised a net cost of Euro 380,600 thousand, compared to Euro 357,101 thousand recorded by Poste Italiane SpA in accordance with the 2009-2011 Planning Agreement approved by the European Commission.

The outstanding receivable relating to compensation for 2005 was subject to budget cuts imposed by legislation in 2007 and 2008.

See Note 2.3 – *Use of estimates* for further details.

- Receivables for **Electoral subsidies** relate to compensation accruing between 2011 and 2014.
- Receivables for **Remuneration of current account deposits** refers for the main part to amounts accruing during the first six months of 2015 and relates almost entirely to the deposit of funds deriving from accounts opened by Public Sector entities and attributable to BancoPosta RFC.
- Receivables for **delegated services** relate to fees accrued during the first six months of 2015 for treasury services performed by Bancoposta on behalf of the state in accordance with a special agreement with the MEF, which was renewed on 11 June 2014 for the three-year period 2014-2016.

As noted above, at 30 June 2015, funds to pay certain of the aforementioned receivables have not been appropriated in the state budget, which means that the payment is either suspended or deferred (Note 2.3). Movements in **provisions for doubtful debts due from the MEF** are as follows

:

tab. A7.4 - Movements in provisions for doubtful debts due from the MEF

	Balance at 1 January 2014	Provisions	Deferred revenue	Uses	Balance at 31 December 2014	Provisions	Deferred revenue	Uses	Balance at 30 June 2015
Provisions for doubtful debts	50,054	57,179	58,455	-	165,688	(6,989)	33,355	-	192,054

The Provision for doubtful debts due from the MEF takes account of the potential impact of legislation on public finances, and, in particular, gaps in funding relating to compensation due to the Parent Company.

The provision reflects a best estimate of the effects of delays in recovery resulting from the government's management of public finances. The increase in the provision during the first six months of 2015 is due to the effects of the measures contained in art. 1, para. 274 of the 2015 Stability Law (Law 190/2014).

A8 - OTHER RECEIVABLES AND ASSETS

The following table provides a breakdown of Other receivables and assets:

tab. A8 - Other receivables and assets

Item	Note	Balance at 30 June 2015			Balance at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		2,003,488	645,248	2,648,736	1,786,082	566,931	2,353,013
Receivable from fixed-term contract settlements		151,521	96,272	247,793	161,449	98,412	259,861
Amounts due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	81,521	81,521	-	81,009	81,009
Amounts restricted by court rulings		-	67,144	67,144	-	81,441	81,441
Technical provisions attributable to reinsurers		62,427	-	62,427	54,403	-	54,403
Accrued income and prepaid expenses from trading transactions		796	24,927	25,723	556	16,104	16,660
Tax assets		-	8,290	8,290	-	13,142	13,142
Other amounts due from associated companies		-	-	-	-	-	-
Other amounts due from subsidiaries		-	36	36	-	33	33
Sundry receivables		11,321	342,481	353,802	10,861	123,970	134,831
Provisions for doubtful debts due from others		-	(55,288)	(55,288)	-	(56,221)	(56,221)
Other receivables and assets		2,229,553	1,210,631	3,440,184	2,013,351	924,821	2,938,172
Receivable authorised by the 2015 Stability in implementation of the sentence of the European Court	[B2]	-	-	-	-	535,000	535,000
Interest accrued on IRES refund	[C12.1]	-	75,633	75,633	-	70,352	70,352
Total		2,229,553	1,286,264	3,515,817	2,013,351	1,530,173	3,543,524

Specifically:

- Receivables for **substitute tax paid** include:
 - Euro 1,417,892 thousand paid in advance by Poste Vita SpA for the financial years 2010-2015, relating to withholding and substitute tax paid on capital gains on life policies¹⁷;
 - Euro 585,457 thousand charged to holders of interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 30 June 2015¹⁸. The amount is offset by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
 - Euro 595,780 thousand relating to advances paid in relation to stamp duty to be paid in virtual form in 2015 and 2016 and charged to customers;
 - Euro 19,967 thousand for advances paid in relation to 2015 withholding tax on interest earned by current account holders, which is to be recovered from customers;
- Amounts due from staff under **fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012 and 21 March 2013 between Poste Italiane SpA and the trade unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of Euro 247,793 thousand and is due from staff, INPS and pension funds in variable instalments, the last of which is due in 2038.
- Amounts restricted by court rulings** include Euro 54,065 thousand in amounts seized and not assigned to creditors, currently in the process of recovery, and Euro 13,079 thousand stolen from the Parent Company in December 2007 as a result of an attempted fraud and which remain on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed.

¹⁷ Of the total amount, Euro 362,762 thousand, assessed on the basis of provisions at 30 June 2015, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).

¹⁸ Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

As explained in Note B2, the receivable due from the MEF of Euro 535,000 thousand, payment of which was authorised by the 2015 Stability Law no.190/2014 in implementation of the sentence of the European Court of 13 September 2013, was collected on 13 May 2015.

Movements in the provisions for doubtful debts due from others are as follows

tab. A8.1 - Movements in Provisions for doubtful debts due from others

Item	Balance at 1 January 2014	Net provisions	Uses	Balance at 31 December 2014	Net provisions	Uses	Balance at 30 June 2015
Public sector entities for sundry services	13,037	179	(22)	13,194	58	-	13,252
Receivables relating to fixed-term contract settlements	5,913	(37)	-	5,876	214	-	6,090
Other receivables	33,650	5,906	(2,405)	37,151	336	(1,541)	35,946
Total	52,600	6,048	(2,427)	56,221	608	(1,541)	55,288

A9 - CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

The following table provides a breakdown of Cash and deposits attributable to BancoPosta:

tab. A9 - Cash and deposits attributable to BancoPosta

Item	Balance at 30 June 2015	Balance at 31 December 2014
Cash and cash equivalents in hand	2,385,128	2,749,948
Cheques	41	573
Bank deposits	183,104	122,521
Total	2,568,273	2,873,042

Cash at post offices attributable solely to BancoPosta RFC results from cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. Such cash may only be used to settle the aforementioned obligations. Cash and cash equivalents in hand are held at post offices (Euro 959,979 thousand) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (Euro 1,425,149 thousand). Bank deposits are used to fund BancoPosta RFC's operations and include amounts totalling Euro 179,720 thousand, deposited in an account with the Bank of Italy to be used in interbank settlements.

A10 - CASH AND CASH EQUIVALENTS

tab. A10 - Cash and cash equivalents

Item	Balance at 30 June 2015	Balance at 31 December 2014
Bank deposits and amounts held at the Italian Treasury	1,183,833	759,931
Deposits with the MEF	187,595	933,566
Cash and cash equivalents in hand	13,342	10,268
Total	1,384,770	1,703,765

Bank deposits and amounts held at the Italian Treasury include Euro 17,341 thousand, the use of which is restricted by court orders relating to various disputes.

EQUITY

B1 - SHARE CAPITAL

Share capital consists of 1,306,110,000 ordinary shares with a par value of Euro 1 each, owned by the MEF, the sole shareholder.

At 30 June 2015, all the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Parent Company does not hold treasury shares.

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

tab. B1 - Reconciliation of equity

	Equity at 30 June 2015	Changes in equity during first six months of 2015	Profit/(loss) for first six months of 2015	Equity at 31 December 2014	Changes in equity during year ended 31 December 2014	Profit/(loss) for year ended 31 December 2014	Equity at 1 January 2014
Financial statements of Poste Italiane SpA	6,244,946	(566,413)	306,436	6,504,923	1,017,825	56,892	5,430,206
- Undistributed profit (loss) of consolidated companies	2,072,602	-	185,356	1,887,246	-	376,855	1,510,391
- Investments accounted for using the equity method	187	-	(32)	219	-	(975)	1,195
- Balance of FV and CHF reserves of investee companies	135,812	(66,316)	-	202,128	76,067	-	126,061
- Actuarial gains and losses on employee termination benefits of investee companies	(3,373)	2,200	-	(5,573)	(4,172)	-	(1,401)
- Fees to be amortised attributable to Poste Vita SpA and Poste	(35,801)	-	(1,308)	(34,493)	-	(5,262)	(29,231)
- Effects of contributions and transfers of business units between Group companies	-	-	-	-	-	-	-
- SDA Express Courier SpA	2,269	-	-	2,269	-	-	2,269
- EGI SpA	(64,760)	-	94	(64,854)	-	(2,430)	(62,424)
- Postel SpA	16,849	-	154	16,695	-	307	16,388
- PosteShop SpA	664	-	-	664	-	-	664
- Effects of intercompany transactions (including dividends)	(346,316)	-	(100,000)	(246,316)	-	(235,000)	(11,316)
- Elimination of adjustments to value of consolidated companies	302,016	-	23,235	278,781	-	28,681	250,100
- Amortisation until 1 January 2004/Impairment of goodwill	(126,673)	-	-	(126,673)	-	-	(126,673)
- Effects of tax consolidation arrangement	-	-	-	-	-	-	-
- Other consolidation adjustments	24,051	-	21,069	2,982	-	(7,093)	10,075
Equity attributable to owners of the Parent	8,222,473	(630,529)	435,004	8,417,998	1,089,720	211,975	7,116,304
- Non-controlling interests (excluding profit/(loss))	294	3	-	291	291	-	-
- Non-controlling interests in profit/loss	-	-	-	-	-	-	-
Non-controlling interests in equity	294	3	-	291	291	-	-
TOTAL CONSOLIDATED EQUITY	8,222,767	(630,526)	435,004	8,418,289	1,090,011	211,975	7,116,304

B2 – SHAREHOLDER TRANSACTIONS

In accordance with the decision of the General Meeting of shareholders held on 28 April 2015, on 28 May 2015 Poste Italiane SpA paid dividends totalling Euro 250,000 thousand, based on a dividend per share of Euro 0.19.

Other shareholder transactions as reported in the Statement of changes in equity, relate to recognition, at 31 December 2014, of a receivable amounting to Euro 535,000 thousand, due from the MEF, for the return of amounts deducted from Poste Italiane SpA's retained earnings on 17 November 2008 and transferred to the MEF, pursuant to the European Commission's Decision C42/2006 of 16 July 2008 in relation to State Aid. Recognition of the receivable led to an increase of Euro 509,761 thousand in retained earnings net of taxation at 31 December 2014. The receivable was collected on 13 May 2015¹⁹.

In implementing the sentence of the European Court of 13 September 2013, art. 1, para 281 of the 2015 Stability Law 190/2014 authorised payment of the sum of Euro 535,000 thousand, less than the Euro 580,372 thousand inclusive of (pre-tax) interest, payable to the Company at 13 May 2015, the date on which the funds were recovered. Given the uncertainty regarding whether in future there will be new laws authorising additional payments to Poste Italiane,

¹⁹ As payment of the amounts determined by the 2008 Decision was made from the retained earnings of the Parent Company, which had "ideally" been generated by returns on Poste Italiane's deposits with MEF, which in turn had been considered improper by the European Commission and representative, in essence, of State Aid in favour of a state owned company, the reimbursement by MEF has been accounted for by crediting the amounts to retained earnings, in accordance with the aforementioned Law 190/2014.

retained earnings at 31 December 2014 were increased only to the extent authorised by the aforementioned Stability Law. Consistent with this, interest accrued up to 31 December 2013, amounting to Euro 33,407 thousand, was written off as was interest for 2014 amounting to Euro 8,970 thousand (of which Euro 4,441 thousand relating to the six months ending 30 June 2014). During the first six months of 2015, accrued interest up to the collection date, amounting to Euro 2,995 thousand, was also written off.

B3 – EARNINGS PER SHARE

Earnings per share

The calculation of basic and diluted earnings per share (EPS) is based on consolidated profit for the period. The denominator used in the calculation of both basic and diluted EPS is represented by the number of the Parent Company's shares in issue, given that no financial instruments with potentially dilutive effects have been issued at 30 June 2015 or at 31 December 2014.

B4 – RESERVES

tab. B4 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Total
Balance at 1 January 2014	299,234	1,000,000	670,848	(18,194)	1,951,888
Increases/(decreases) in fair value during the period	-	-	1,658,792	27,583	1,686,375
Tax effect of changes in fair value	-	-	(524,897)	(8,846)	(533,743)
Transfers to profit or loss	-	-	(175,438)	(36,659)	(212,097)
Tax effect of transfers to profit or loss	-	-	56,787	11,612	68,399
Gains/(Losses) recognised in equity	-	-	1,015,244	(6,310)	1,008,934
Balance at 30 June 2014	299,234	1,000,000	1,686,092	(24,504)	2,960,822
Increases/(decreases) in fair value during the period	-	-	306,941	116,287	423,228
Tax effect of changes in fair value	-	-	(103,733)	(37,210)	(140,943)
Transfers to profit or loss	-	-	(113,482)	(9,824)	(123,306)
Tax effect of transfers to profit or loss	-	-	36,858	3,268	40,126
Gains/(Losses) recognised in equity	-	-	126,584	72,521	199,105
Balance at 31 December 2014	299,234	1,000,000	1,812,676	48,017	3,159,927
Increases/(decreases) in fair value during the period	-	-	(222,218)	(39,040)	(261,258)
Tax effect of changes in fair value	-	-	73,159	12,496	85,655
Transfers to profit or loss	-	-	(349,503)	(40,329)	(389,832)
Tax effect of transfers to profit or loss	-	-	113,512	12,915	126,427
Gains/(Losses) recognised in equity	-	-	(385,050)	(53,958)	(439,008)
Balance at 30 June 2015	299,234	1,000,000	1,427,626	(5,941)	2,720,919

The following points provide further details:

- The **fair value reserve** is used to account for changes in the fair value of available-for-sale financial assets. During the first six months of 2015, overall reductions of Euro 222,218 thousand in fair value were recognised as follows:
 - Euro 191,984 thousand relating to the net reduction in fair value of available-for-sale financial assets attributable to the Group's Financial services segment, reflecting reductions of Euro 201,197 thousand on securities and gains of Euro 9,213 thousand on equity instruments;
 - Euro 27,009 thousand relating to the net reduction in fair value of available-for-sale financial assets attributable to the Group's Insurance services segment;

- Euro 3,225 thousand relating to the net reduction in fair value of available-for-sale financial assets attributable to the Group's Postal and Business Services segment.
- The **cash flow hedge** reserve, (relating to the Parent Company), reflects changes in the fair value of the effective portion of cash flow hedges. During the first six months of 2015, there was a net reduction of Euro 39,040 thousand in the fair value of BancoPosta RFC's derivative financial instruments.

LIABILITIES

B5 - TECHNICAL PROVISIONS FOR INSURANCE BUSINESS

These technical provisions relate to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, including deferred liabilities resulting from application of the shadow accounting method. They include:

tab. B5 - Technical provisions for insurance business

Item	Balance at 30 June 2015	Balance at 31 December 2014
Mathematical provisions	75,783,082	68,641,233
Outstanding claims provisions	469,012	474,727
Technical provisions where investment risk is transferred to policyholders	8,112,120	8,503,478
Other provisions	7,534,723	9,510,011
for operating costs	79,921	82,202
for deferred liabilities to policyholders	7,454,802	9,427,809
Technical provisions for claims	100,595	89,774
Total	91,999,532	87,219,223

Details of movements in technical provisions for the insurance business and other claims expenses are provided in the notes to the consolidated statement of profit or loss.

The provision for deferred liabilities due to policyholders includes the shares of unrealised gains and losses attributable to policyholders under the shadow accounting method. In particular, the value of the provision reflects the attribution to policyholders, in accordance with the relevant accounting standards (which are unchanged with respect to 31 December 2014), of unrealised gains and losses on available-for-sale financial assets at 30 June 2015 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 - PROVISIONS FOR RISKS AND CHARGES

Movements in provisions for risks and charges are as follows:

Movements in provisions for risks and charges for the six months ended 30 June 2015

Item	Balance at 31 December 2014	Provisions	Finance costs	Released to profit or loss	Uses	Change in scope of consolidation	Balance at 30 June 2015
Provisions for non-recurring charges	278,609	22,706	-	(487)	(8,236)	-	292,592
Provisions for disputes with third parties	384,275	38,309	590	(16,159)	(9,285)	-	397,730
Provisions for disputes with staff ⁽¹⁾	185,344	9,678	-	(8,616)	(20,766)	-	165,640
Provisions for personnel expenses	114,742	220,853	-	(1,634)	(21,596)	-	312,365
Provisions for restructuring charges	256,500	-	-	-	(104,036)	-	152,464
Provisions for expired and statute barred postal savings certificates	13,375	-	241	-	(64)	-	13,552
Provisions for taxation/social security contributions	23,771	-	4	-	(14)	-	23,761
Other provisions for risks and charges	77,267	5,212	(21)	(4,760)	(2,472)	-	75,226
Total	1,333,883	296,758	814	(31,656)	(166,469)	-	1,433,330
Overall analysis of provisions for risks and charges:							
- non-current	600,934						634,300
- current	732,949						799,030
	1,333,883						1,433,330

⁽¹⁾ Net releases for personnel expenses total Euro 2,637 thousand. Service costs (legal assistance) total Euro 3,699 thousand.

Movements in provisions for risks and charges for the year ended 31 December 2014

Item	Balance at 31 December 2013	Provisions	Finance costs	Released to profit or loss	Uses	Change in scope of consolidation	Balance at 31 December 2014
Provisions for non-recurring charges	269,558	46,592	-	(17,562)	(19,979)	-	278,609
Provisions for disputes with third parties	348,365	80,329	1,312	(33,965)	(11,766)	-	384,275
Provisions for disputes with staff ⁽¹⁾	233,077	27,386	-	(31,856)	(43,263)	-	185,344
Provisions for personnel expenses	107,867	66,165	-	(10,242)	(49,268)	220	114,742
Provisions for restructuring charges	114,000	256,500	-	-	(114,000)	-	256,500
Provisions for expired and statute barred postal savings certificates	13,038	-	492	-	(155)	-	13,375
Provisions for taxation/social security contributions	16,400	11,873	15	(1,894)	(2,623)	-	23,771
Other provisions for risks and charges	63,390	22,471	-	(4,803)	(3,791)	-	77,267
Total	1,165,695	511,316	1,819	(100,322)	(244,845)	220	1,333,883
Overall analysis of provisions for risks and charges:							
- non-current	564,552						600,934
- current	601,143						732,949
	1,165,695						1,333,883

⁽¹⁾ Net releases for personnel expenses total Euro 10,720 thousand. Service costs (legal assistance) total Euro 6,250 thousand.

The following points provide further details:

- **Provisions for non-recurring charges** relate to operational risks for the main part associated with the Group's financial services. Provisions for the period relate mainly to liabilities for risks linked to the provision of delegated services to social security institutions, fraud, administrative sanctions and adjustments to income for previous years. Uses relate to settlement of disputes and payment of other liabilities during the period. Releases to profit or loss relate to liabilities recognised in the past that failed to materialise.
- **Provisions for disputes with third parties** relate to expected liabilities deriving from various types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Provisions for the period amounting to Euro 38,309 thousand reflect the estimated value of new liabilities measured on the basis of expected outcomes. The reduction of Euro 16,159 thousand relates to the reversal of liabilities recognised in the past, whilst a reduction of Euro 9,285 thousand regards the value of disputes settled.
- **Provisions for disputes with staff** relate to liabilities that may arise following staff litigation issues and disputes of various type. Net provisions of Euro 1,062 thousand relate to an update in the estimate of the liabilities and the related legal expenses, taking account of both the overall cost of negative outcomes to date and the application of Law 183 of 4 November 2010 ("*Collegato lavoro*"), which has introduced a cap on current and future

compensation levels payable to employees in the event of "court-imposed conversion" of a fixed-term contracts. Uses, amounting to Euro 20,766 thousand relate to settlement of disputes.

- **Provisions for personnel expenses** are made to cover expected liabilities relating to personnel costs where these are considered certain or likely to materialise but their amounts are not known with certainty. Such provisions were increased by Euro 220,853 thousand during the first six months of 2015 in relation to new liabilities and decreased as a result of past liabilities failing to materialise (Euro 1,634 thousand) and settled disputes (Euro 21,596 thousand).
- **Provisions for restructuring charges** were set-up in 2014 and reflect the estimated costs to be incurred by the Parent Company in relation to early retirement incentives, under the current redundancy scheme for employees leaving the Company by 31 December 2016. During the first six months of 2015, Euro 104,036 thousand of the provision was used.

B7 - EMPLOYEE TERMINATION BENEFITS AND PENSION PLANS

The following table shows movements in provisions for employee termination benefits and pension plans during the first six months of 2015:

tab. B7 - Movements in employee termination benefits and pension plans

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Employee termination benefits	Pension plans	Total	Employee termination benefits	Pension plans	Total
Balance at 1 January	1,475,343	3,143	1,478,486	1,336,616	3,261	1,339,877
Change in scope of consolidation	-	-	-	340	-	340
Current service cost	475	-	475	445	-	445
Interest component	12,797	23	12,820	22,154	51	22,205
Effect of actuarial gains/(losses)	(85,691)	(81)	(85,772)	111,669	211	111,880
Uses for the period	(36,650)	(148)	(36,798)	(44,305)	(155)	(44,460)
Reductions due to fixed-term contract settlements of 2012 and 2013	-	-	-	(219)	-	(219)
Balance at 30 June	1,366,274	2,937	1,369,211	1,426,700	3,368	1,430,068

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs. Net uses of provisions for employee termination benefits, inclusive of the substitute tax withheld, amount to Euro 36,798 thousand.

The main actuarial assumptions applied in calculating provisions for employee termination benefits and the pension plan, which relates solely to BdM-MCC employees, are as follows:

tab. B7.1 - Financial assumptions

	30.06.2015	31.12.2014	30.06.2014
Discount rate	2.06%	1.49%	2.30%
Inflation	0,60% for 2015	0,60% for 2015	2.00%
	1,20% for 2016	1,20% for 2016	
	1,50% 2017 and 2018	1,50% 2017 and 2018	
	2,00% from 2019 on	2,00% from 2019 on	
Annual rate of increase in employee termination benefits	1,95% for 2015	1,95% for 2015	3.00%
	2,40% for 2016	2,40% for 2016	
	2,625% 2017 and 2018	2,625% 2017 and 2018	
	3,00% from 2019 on	3,00% from 2019 on	

tab. B7.2 - Demographic assumptions

30.06.2015	
Mortality	RG48
Disability	INPS table by age and gender
Pensionable age	Having reached legal retirement age

Actuarial gains and losses are generated by the following factors:

tab. B7.3 - Actuarial (gains)/losses

	Employee termination benefits at 30.06.2015	Pension plan at 30.06.2015	Employee termination benefits at 30.06.2014	Pension plan at 30.06.2014
Change in demographic assumptions	-	-	-	-
Change in financial assumptions	(79,098)	(134)	118,141	218
Other experience related adjustments	(6,593)	53	(6,472)	(7)
Total	(85,691)	(81)	111,669	211

The following table provides details of the sensitivity of employee termination benefits and the pension plan to changes in the principal actuarial assumptions.

tab. B7.4 - Sensitivity analysis

	Employee termination benefits at 30.06.2015	Pension plan at 30.06.2015	Employee termination benefits at 30.06.2014	Pension plan at 30.06.2014
Inflation rate +0,25%	1,407,059	2,980	1,451,151	3,307
Inflation rate -0,25%	1,364,658	2,895	1,402,779	3,217
Discount rate +0,25%	1,352,359	2,882	1,391,100	3,200
Discount rate -0,25%	1,419,596	2,994	1,463,673	3,325
Turnover rate +0,25%	1,365,354	-	1,425,761	-
Turnover rate -0,25%	1,367,802	-	1,427,666	-

The following table provides further information in relation to employee termination benefits.

tab. B7.5 - Other information

30.06.2015	
<i>Expected service cost (for next 12 months)</i>	766
<i>Average duration of defined benefit plan</i>	10.5
<i>Average employee turnover</i>	0.64%

B8 - FINANCIAL LIABILITIES

Financial liabilities at 30 June 2015 may be broken down as follows:

tab. B8 - Financial liabilities

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Payables deriving from postal current accounts	-	40,494,800	40,494,800	-	40,615,151	40,615,151
Borrowings	6,394,248	4,152,592	10,546,840	4,003,351	6,470,227	10,473,578
Bonds	2,007,395	9,110	2,016,505	2,009,516	35,474	2,044,990
Borrowings from financial institutions	4,376,030	4,138,084	8,514,114	1,982,492	6,428,853	8,411,345
Other borrowings	1,031	2,479	3,510	1,030	2,351	3,381
Finance leases	9,792	2,919	12,711	10,313	3,549	13,862
Derivative financial instruments	1,432,220	5,846	1,438,066	1,778,379	(153)	1,778,226
Cash flow hedges	101,135	(10,596)	90,539	55,298	(7,309)	47,989
Fair value hedges	1,326,226	15,999	1,342,225	1,716,488	7,102	1,723,590
Fair value through profit or loss	4,859	443	5,302	6,593	54	6,647
Other financial liabilities	378	2,943,940	2,944,318	102	2,490,880	2,490,982
Total	7,826,846	47,597,178	55,424,024	5,781,832	49,576,105	55,357,937

Payables deriving from postal current accounts

Payables deriving from postal current accounts represent BancoPosta's direct deposits.

Borrowings

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants that would require Group companies to comply with financial ratios or maintain a certain minimum rating.

Bonds

Bonds consist of the following:

- Two issues by Poste Italiane SpA, recognised at an amortised cost of Euro 798,483 thousand, under the EMTN – Euro Medium Term Note programme of Euro 2 billion, listed by the Company in 2013 on the Luxembourg Stock Exchange. Specifically:
 - bonds with a nominal value of Euro 750 million, placed through a public offering for institutional investors at a below par price of Euro 99.66 on 18 June 2013. The bonds have a term to maturity of five years and pay annual coupon interest at a fixed rate of 3.25%. The fair value²⁰ of this borrowing at 30 June 2015 is Euro 799,710 thousand;
 - bonds with a nominal value of Euro 50 million subscribed by investors through a private placement at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). Interest rate risk exposure is hedged as described in section A5; the fair value²¹ of this borrowing at 30 June 2015 is Euro 51,330 thousand.
- Subordinated bonds²² with a nominal value of Euro 750 million, accounted for at their amortised cost of Euro 746,647 thousand; the bonds were issued at a below par price of Euro 99,597 by Poste Vita SpA on 30 May 2014

²⁰ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 1.

²¹ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

²² The bondholders rank below customers holding the company's insurance policies.

and are listed on the Luxembourg Stock Exchange. They have a five-year term to maturity and pay annual coupon interest of 2.875%. The fair value²³ of this liability at 30 June 2015 is Euro 770,745 thousand.

- Four bond issues totalling Euro 471,375 thousand, issued by BdM-MCC SpA between 1998 and 1999 with maturities falling between 2018 and 2028. The bonds, which are listed on the MOT, carry variable rates of interest or simulate variable rate bonds through the use of fair value hedges. They call for total repayment on maturity of Euro 530,623 thousand (nominal value plus interest) and are accounted for at an amortised cost at the reporting date of Euro 380,667 thousand; as a result of the aforementioned fair value hedges, at 30 June 2015, the carrying amount of the bonds reflects a fair value adjustment of Euro 90,708 thousand. The total fair value²⁴ of the bonds at 30 June 2015 is Euro 453,345 thousand.

Borrowings from financial institutions

The following table provides details of Borrowings from financial institutions.

tab. B8.1 - Borrowings from financial institutions

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current	Current liabilities	Total	Non-current	Current liabilities	Total
Repurchase agreements	3,884,292	2,512,938	6,397,230	1,500,515	4,702,882	6,203,397
Short-term ECB loan	-	845,000	845,000	-	800,000	800,000
EIB fixed rate loan maturing 11 April 2018	200,000	-	200,000	200,000	-	200,000
EIB fixed rate loan maturing 23 March 2019	200,000	-	200,000	200,000	-	200,000
EIB variable rate loan maturing in 2017	797	797	1,594	1,196	1,127	2,323
Other borrowings	90,941	771,835	862,776	80,781	913,453	994,234
Current account overdrafts	-	5,605	5,605	-	7,964	7,964
Accrued interest expense	-	1,909	1,909	-	3,427	3,427
Total	4,376,030	4,138,084	8,514,114	1,982,492	6,428,853	8,411,345

Borrowings from financial institutions are subject to standard negative pledge clauses²⁵.

At 30 June 2015, outstanding liabilities linked to repurchase agreements amount to Euro 6,397,230 thousand and relate to contracts with a total nominal value of Euro 5,969,490 thousand, entered into by the Parent Company with major financial institutions. They include:

- Euro 4,107,735 thousand (Euro 6,254 thousand of which accrued interest) relating to Long Term Repos entered into with primary counterparties, with the resulting resources invested in Italian fixed income government securities of a matching notional amount;
- Euro 1,721,803 thousand (Euro 51 thousand of which accrued interest) relating to BancoPosta's ordinary borrowing operations via repurchase agreement transactions with primary financial institutions, aimed at optimising the match between investments and short-term movements in current account deposits by private customers;
- Euro 567,692 thousand relating to repurchase agreements, involving securities with a total notional amount of Euro 500,000 thousand, entered into by the Parent Company to optimise returns and meet its short-term liquidity requirements.

At 30 June 2015 the fair value²⁶ of repurchase agreements amounts to Euro 6,446,441 thousand.

²³ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 1.

²⁴ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

²⁵ A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking *pari passu* with existing creditors, unless the same degree of protection is also offered to them.

²⁶ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

The short-term ECB loan of Euro 845,000 thousand was obtained by BdM-MCC SpA during the first six months of 2015, within the scope of the ECB's open market operations channelled through national central banks. The carrying amount approximates to the relevant fair value at 30 June 2015.

The fair value,²⁷ at 30 June 2015, of the two fixed rate EIB loans totalling Euro 400,000 thousand is Euro 407,179 thousand.

Other borrowings of Euro 862,776 thousand include:

- short-term loans totalling Euro 750,000 thousand (of which Euro 600,000 thousand entered into by the Parent Company and Euro 150,000 thousand entered into by BdM-MCC SpA); the carrying amounts approximate the relevant fair values at 30 June 2015;
- loans provided by Cassa Depositi e Prestiti SpA to BdM-MCC SpA, mainly for on-lending to small and medium sized enterprises, totalling Euro 110,597 thousand (with fair value of Euro 101,790 thousand).

Other borrowings

These relate to fixed rate loans with residual value at 30 June 2015, measured at amortised cost, of Euro 3,510 thousand and fair value²⁸ at the same date of Euro 3,694 thousand. The outstanding principal is assigned by law to the Ministry of the Economy and Finance and is offset by a receivable, recognised as a financial asset due from the MEF, which is collected in line with the loans' repayment schedules.

Credit facilities

At 30 June 2015, the following credit facilities are available:

- committed credit lines of Euro 1,645 million, of which Euro 845 million has been used;
- uncommitted credit lines of Euro 1,186 million, of which Euro 750 million has been used for short-term borrowings;
- overdraft facilities of Euro 89 million, of which Euro 6 million has been used;
- unsecured guarantee facilities totalling Euro 442 million (of which Euro 302 million available to the Parent Company); of these, guarantees amounting to Euro 272 million have been used on behalf of companies of the Poste Italiane Group in favour of third parties.

No collateral has been provided to secure the lines of credit obtained.

Since 2014, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of Euro 520 million and the facility is unused at 30 June 2015.

Derivative financial instruments

Movements in derivative financial instruments during the first six months of 2015 are described in section A5.

²⁷ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

²⁸ In terms of fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value, this amount qualifies for level 2.

Other financial liabilities

Other financial liabilities relate mainly to BancoPosta and are accounted for at values that approximate their fair value.

tab. B8.2 - Other financial liabilities

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	1,167,353	1,167,353	-	937,506	937,506
Domestic and international money transfers	-	635,333	635,333	-	520,105	520,105
Cashed cheques	-	227,746	227,746	-	332,871	332,871
Guarantee deposits	-	236,527	236,527	-	167,821	167,821
Endorsed cheques	-	169,543	169,543	-	157,527	157,527
Tax collection and road tax	-	145,881	145,881	-	136,987	136,987
Amounts to be credited to customers	-	115,308	115,308	-	120,189	120,189
Amounts due to BdM-MCC SpA customers	-	100,505	100,505	-	-	-
Other amounts payable to third parties	-	69,356	69,356	-	62,352	62,352
Payables for items in process	-	48,244	48,244	-	40,965	40,965
Other	378	28,144	28,522	102	14,557	14,659
Total	378	2,943,940	2,944,318	102	2,490,880	2,490,982

- Amounts due on prepaid cards include Euro 1,157,929 thousand relating to customer balances on Postepay cards.

B9 - TRADE PAYABLES

The following tables provide details of trade payables:

tab. B9 - Trade payables

Item	Balance at 30 June 2015	Balance at 31 December 2014
Amounts due to suppliers	1,091,469	1,222,797
Prepayments and advances from customers	184,348	185,452
Other trade payables	15,076	9,000
Amounts due to subsidiaries	1,110	1,974
Amounts due to associated companies	2	297
Amounts due to joint ventures	4,024	2,357
Total	1,296,029	1,421,877

Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers

Item	Balance at 30 June 2015	Balance at 31 December 2014
Italian suppliers	957,437	1,094,321
Overseas suppliers	25,253	24,624
Overseas counterparties (1)	108,779	103,852
Totale	1,091,469	1,222,797

⁽¹⁾The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Prepayments and advances from customers

Prepayments and advances from customers relate to amounts received from customers as prepayment for the following services:

tab. B9.2 -Prepayments and advances from customers

Item	Balance at 30 June 2015	Balance at 31 December 2014
Prepayments from overseas correspondents	70,671	79,558
Automated franking	66,186	65,617
Unfranked mail	27,661	17,254
Postage-paid mailing services	3,754	6,065
Other services	16,076	16,958
Total	184,348	185,452

B10 - OTHER LIABILITIES

Details of other liabilities are as follows:

tab. B10 - Other liabilities

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	-	619,965	619,965	-	770,495	770,495
Social security payables	43,443	386,806	430,249	43,443	496,138	539,581
Other taxes payable	585,457	632,336	1,217,793	617,028	522,802	1,139,830
Amounts due to the MEF	-	12,140	12,140	-	12,140	12,140
Other amounts due to joint ventures	300	-	300	220	-	220
Other amounts due to associated companies	-	-	-	-	-	-
Other amounts due to subsidiaries	-	-	-	-	391	391
Sundry payables	90,370	69,866	160,236	89,360	48,163	137,523
Accrued liabilities and deferred income	17,658	69,544	87,202	13,703	44,621	58,324
Total	737,228	1,790,657	2,527,885	763,754	1,894,750	2,658,504

Amounts due to staff

Amounts due to staff relate primarily to amounts accrued and not paid at 30 June 2015. Details are as follows:

tab. B10.1 - Amounts due to staff

Item	Balance at 30 June 2015	Balance at 31 December 2014
Thirteenth and fourteenth month salaries	247,212	237,851
Incentives	149,913	300,210
Accrued vacation pay	107,166	57,894
Other amounts due to staff	115,674	174,540
Total	619,965	770,495

At 30 June 2015, certain liabilities relating to staff, the exact amount of which is not yet known, have been included in Provisions for personnel expenses (Note B6).

Social security payables

tab. B10.2 - Social security payables

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	81	309,157	309,238	81	404,009	404,090
Pension funds	-	66,202	66,202	-	80,293	80,293
INAIL	43,362	3,271	46,633	43,362	3,026	46,388
Solidarity Fund	-	-	-	-	186	186
Other agencies	-	8,176	8,176	-	8,624	8,624
Total	43,443	386,806	430,249	43,443	496,138	539,581

Specifically:

- Amounts due to the *Istituto Nazionale per la Previdenza Sociale* (INPS, the National Institute of Social Security) relate to amounts due on salaries paid and accrued at 30 June 2015. This item also includes provisions for employee termination benefits still to be paid. With respect to 31 December 2015, the calculation of contributions due in respect of the 13th and 14th month salaries relates to the six month period.
- Amounts payable to pension funds relate to sums due to FondoPoste and other pension funds following the decision by certain Group employees to join supplementary funds.
- Amounts due to the *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro* (INAIL, the National Occupational Injury Compensation Authority) relate mainly to injury compensation paid to employees of the Parent Company for injuries occurring up to 31 December 1998.

Other taxes payable

tab. B10.3 - Other taxes payable

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	585,457	75,729	661,186	617,028	-	617,028
Tax due on insurance provisions	-	362,762	362,762	-	334,096	334,096
Withholding tax on employees' and consultants' salaries	-	89,572	89,572	-	100,651	100,651
Withholding tax on postal current accounts	-	4,907	4,907	-	20,653	20,653
VAT payable	-	33,144	33,144	-	24,280	24,280
Substitute tax	-	21,943	21,943	-	19,210	19,210
Other taxes due	-	44,279	44,279	-	23,912	23,912
Total	585,457	632,336	1,217,793	617,028	522,802	1,139,830

In particular:

- Stamp duty paid on line is shown at 30 June 2015 gross of related advances paid. The non-current share of Stamp duty payable relates to amounts accrued at 30 June 2015 on Interest-bearing Postal Certificates and Class III and V insurance policies, in accordance with the new legislation referred to in Section A8.
- Tax due on insurance provisions relates to Poste Vita SpA and is described in section A8.

Amounts due to the MEF

Amounts due to the MEF, amounting to Euro 12,140 thousand, relate to pensions paid by the Ministry to former employees of Poste Italiane SpA during the period 1 January 1994 to 31 July 1994.

Sundry payables

tab. B10.4 - Sundry payables

Item	Balance at 30 June 2015			Balance at 31 December 2014		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	76,581	5,797	82,378	76,384	10,337	86,721
Guarantee deposits	8,175	2,074	10,249	7,971	1,619	9,590
Other payables	5,614	61,995	67,609	5,005	36,207	41,212
Total	90,370	69,866	160,236	89,360	48,163	137,523

Sundry payables attributable to BancoPosta operations primarily relate to prior year balances currently being verified.

Accrued expenses and deferred income from trading transactions

Deferred income includes:

- Euro 20,172 thousand in prepaid telephone traffic sold by PosteMobile SpA as of 30 June 2015 and not yet used by customers;
- Euro 14,788 thousand commission on Postamat and "Postepay Evolution" cards collected in advance by the Parent Company;
- Euro 11,201 thousand in grants approved by the competent public authorities in favour of the Parent Company, the matching costs of which have not yet been incurred.

STATEMENT OF PROFIT OR LOSS

C1 - REVENUE FROM SALES AND SERVICES

Revenue from sales and services, amounting to Euro 4,389,482 thousand, may be broken down as follows:

tab. C1 - Revenue from sales and services

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Postal and Business services	1,908,841	2,026,379
Financial services	2,358,745	2,457,234
Other sales of goods and services	121,896	109,602
Total	4,389,482	4,593,215

Postal and Business services

Revenue from Postal and Business services may be analysed as follows:

tab. C1.1 - Revenue from postal and business services

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Unfranked mail	591,900	631,263
Automated franking by third parties and at post offices	427,218	457,769
Express parcel and express courier service	202,010	199,165
Stamps	113,946	129,628
Integrated services	112,129	106,728
Overseas mail and parcels	59,575	52,327
Postage-paid mailing services	57,467	63,211
Electronic document management and e-procurement services	21,167	25,399
Telegrams	20,895	15,130
Logistics service	14,742	15,139
Innovative service	9,825	15,658
Other postal services	36,787	35,115
Total revenue from Postal services	1,667,661	1,746,532
Air shipping services	34,519	27,882
Income from application for residence permits	15,082	16,485
Rentals	7,485	7,955
PosteShop sales	4,687	11,460
Other business services	48,207	31,597
Total revenue from Business services	109,980	95,379
Total market revenue	1,777,641	1,841,911
Universal Service compensation	131,200	167,947
Electoral subsidies ⁽¹⁾	-	16,521
Total	1,908,841	2,026,379

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

Universal Service compensation relates to amounts paid by the MEF in partial payment of the cost of fulfilling the USO. Compensation recorded in the Statement of profit or loss for the six month period ending 30 June 2015 is limited to the sum appropriated in the state budget under applicable legislation (article 1, paragraph 274 of Law 190/2014). In this regard, reference is made to Notes 2.3 – *Use of estimates* and A7.3 – *Due from the MEF*.

Financial services

Revenue from Financial services relates mainly to services rendered by the Parent Company's BancoPosta RFC, by BdM-MCC SpA and by BancoPosta Fondi SpA SGR. The following table provides further details

tab. C1.2 - Revenue from Financial services

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Fees for collection of postal savings deposits	808,816	765,940
Income from investment of postal current account deposits	770,992	841,804
Other revenues from current account services	234,273	250,434
Commissions on payment of bills by payment slip	224,163	276,903
Income from delegated services	63,415	65,358
Fees for issue and use of prepaid cards	61,002	56,518
Distribution of loan products	60,564	53,327
Loan interest and other income	28,104	23,063
Money transfers	22,345	24,664
Fees for the management of public funds	22,233	19,343
Mutual fund management fees	21,220	18,246
Securities custody	4,250	6,266
Commissions from securities trading	2,543	6,137
Other products and services	34,825	49,231
Total	2,358,745	2,457,234

In particular:

- **Fees for collection of postal savings deposits** relate to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 4 December 2014 covering the five-year period 2014-2018.
- **Income from investment of postal current account deposits** may be broken down as follows:

tab. C1.3 - Income from investment of postal current accounts deposits

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Income from investments in securities	752,382	799,825
Interest income on held-to-maturity financial assets	290,172	322,524
Interest income on available-for-sale financial asset	456,523	450,604
Interest income on securities held for trading	288	-
Interest income on asset swaps of available-for-sale financial asset	5,399	26,697
Income from deposits held with the MEF	18,614	42,217
Remuneration of current account deposits (deposited with the MEF)	18,614	42,217
Differential on derivatives stabilising returns	-	-
Net remuneration of own liquidity recognised in finance income and costs	(4)	(238)
Total	770,992	841,804

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in Note A5.

Remuneration of postal current account deposits represents accrued interest for the period on amounts deposited by public sector entities and, to a lesser extent, returns on amounts deposited in the so-called Buffer account with the MEF.

Net remuneration of own liquidity on postal current accounts relates to net earnings from the Group's own cash and cash equivalents and is shown separately in finance income from BancoPosta's investment of third-party deposits

Other sales of goods and services

Other sales of goods and services relate to income of Euro 121,896 thousand generated by PosteMobile SpA for mobile telephony services, which are not directly attributable to the specific Postal and Business, Financial or Insurance services segments.

C2 - INSURANCE PREMIUM REVENUE

Details regarding Insurance premium revenue are provided in the following table:

tab. C2 - Insurance premium revenue

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Life premiums*	9,442,186	8,222,672
Class I	9,295,722	7,871,392
Class III	88,631	11,194
Class IV	4,037	340
Class V	53,796	336,746
Non-life premiums*	31,832	25,997
Total	9,474,018	8,248,669

* Insurance premium revenue is reported net of outward reinsurance premiums

C3 - OTHER INCOME FROM FINANCIAL AND INSURANCE ACTIVITIES

Details regarding Other income from financial and insurance activities are provided in the following table:

tab. C3 - Other income from financial and insurance activities

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Income from financial assets at fair value through profit or loss	390,676	526,625
Interest	244,606	165,827
Fair value gains	131,755	293,719
Realised gains	14,315	67,079
Income from available-for-sale financial assets	1,653,652	1,528,245
Interest	1,129,486	1,112,005
Realised gains	524,166	416,240
Income from fair value hedges	1,772	210
Fair value gains	1,772	210
Foreign exchange gains	2,650	1,084
Unrealised gains	1,029	157
Realised gains	1,621	927
Other income	6,672	6,348
Total	2,055,422	2,062,512

C4 - OTHER OPERATING INCOME

Details regarding Other operating income are provided in the following table:

tab. C4 - Other operating income

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Recoveries of contract expenses and other recoveries	13,751	9,302
Government grants	6,327	5,726
Recovery of cost of seconded staff	682	733
Gains on disposals	534	567
Increases to estimates of previous years	-	23,632
Other income	10,092	14,027
Total	31,386	53,987

(*) In this regard, see comments in Note 2.2.

C5 - COST OF GOODS AND SERVICES

The following tables provide a breakdown of the cost of goods and services:

tab. C5 - Cost of goods and services

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Services	937,233	919,229
Lease expense	179,411	186,795
Raw, ancillary and consumable materials and goods for resale	82,620	106,556
Interest expense	33,759	65,047
Total	1,233,023	1,277,627

Cost of services

tab. C5.1 - Services

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Transport of mail, parcels and forms	238,765	233,477
Routine maintenance and technical assistance	130,528	116,199
Outsourcing fees and external service charges	81,194	94,931
Personnel services	80,514	82,554
Energy and water	66,953	65,074
Mobile telecommunication services for customers	55,253	54,262
Transport of cash	50,239	48,159
Mail, telegraph and telex	36,591	22,370
Credit and debit card fees and charge	34,912	31,285
Cleaning, waste disposal and security	31,081	30,936
Mail, telegraph and telex	30,292	33,605
Consultants' fees and legal expenses	22,015	12,784
Advertising and promotions	19,604	19,062
Electronic document management, printing and enveloping services	17,439	26,366
Airport costs	12,072	11,765
Logistics and document storage services	11,286	17,185
Insurance premiums	7,814	8,184
Agent commissions and other	7,028	7,986
Asset management fees	1,141	876
Securities custody and management fee	995	831
Remuneration of Statutory Auditors	837	811
Other	680	527
Total	937,233	919,229

Lease expense

tab. C5.2 - Lease expense

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Real estate leases and ancillary cost	96,978	100,205
Vehicle leases	39,377	42,507
Equipment hire and software licences	25,208	29,550
Other lease expense	17,848	14,533
Total	179,411	186,795

Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

Item	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Consumables and goods for resale		38,711	54,398
Fuels and lubricants		32,842	37,786
Printed matter, stationery and advertising materia		6,180	11,112
Printing of postage and revenue stamps		4,833	4,630
<i>SIM cards and scratch cards</i>		780	972
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[tab. A6]	(2,259)	(4,152)
Change in inventories of raw, ancillary and consumable materials	[tab. A6]	3,012	(1,388)
Change in property held for sale	[tab. A6]	(1,600)	2,956
Other		121	242
Total		82,620	106,556

Interest expense

tab. C5.4 - Interest expense

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest on customers' deposits	20,638	47,384
Interest expense on repurchase agreements	10,612	15,710
Interest due to MEF	215	-
Other interest expense and similar charges	2,375	1,953
Net remuneration of own liquidity recognised in finance income and costs(*)	(81)	-
Total	33,759	65,047

(*)During the first six months of 2015, returns on the Parent Company's deposits with the MEF were negative, resulting in interest expense amounting to Euro 215 thousand. Of this amount, Euro 81 thousand, relating to deposits of cash and cash equivalents, has been recognised in Finance costs.

Interest on customers' deposits are lower than in the comparative six month period, mainly as a result of the lower rates of interest on certain types of postal current account.

Other interest expense refers to interest incurred on the various types of deposit accepted by BdM-MCC SpA, less the positive differentials arising on fair value hedge transactions undertaken with respect to bonds in issue (Note B8).

C6 - NET MOVEMENT IN TECHNICAL PROVISIONS FOR INSURANCE BUSINESS AND OTHER CLAIMS EXPENSES

The following table provides a breakdown of such movements:

tab. C6 - Movements in technical provisions for insurance business and other claims expenses

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Claims paid	3,751,247	2,605,598
Movement in mathematical provisions	7,140,627	6,796,358
Movement in outstanding claim provisions	(6,421)	43,147
Movement in Other technical provisions	(120,820)	72,992
Movement in technical provisions where investment risk is transferred to policyholders	(391,357)	56,035
Claim expenses and movement in other provisions - Non-life	11,269	10,039
Total	10,384,545	9,584,169

C7 - OTHER EXPENSES FROM FINANCIAL AND INSURANCE ACTIVITIES

The following table provides a breakdown of Other expenses from financial and insurance activities:

tab. C7 - Other expenses from financial and insurance activities

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Expenses from financial instruments through profit or loss	240,508	5,523
Unrealised losses	238,935	3,976
Realised losses	1,573	1,547
Expenses from available-for-sale financial instruments	43,199	36,141
Realised losses	43,199	36,141
Expenses from cash flow hedges	205	-
Fair value losses	205	-
Expenses from fair value hedges	74	511
Fair value losses	74	511
Foreign exchange losses	171	183
Unrealised losses	6	12
Realised losses	165	171
Other expenses	27,349	11,774
Total	311,506	54,132

C8 - PERSONNEL EXPENSES

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses is recognised in "Other operating income". The following table provides a breakdown of Personnel expenses:

tab. C8 - Personnel expenses

Item	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Wages and salaries		2,221,111	2,241,075
Social security contribution		626,459	631,246
Provisions for employee termination benefits: current service cos	[tab. B7]	475	445
Provisions for employee termination benefits: supplementary pension funds and INPS		134,585	135,339
Agency staff		2,839	5,036
Remuneration and expenses paid to Director		893	2,287
Early retirement incentives		16,764	37,198
Net provisions (reversals) for disputes with staff	[tab. B6]	(2,637)	(2,525)
Other staff costs/(cost recoveries)		(17,744)	(19,056)
Total		2,982,745	3,031,045

Further information on Net provisions for disputes with staff is provided in section B6.

Cost recoveries refer mainly to changes in estimates made in previous years.

The following table shows the Group's average headcount by category

tab. C8.1 - Number of employees

Category	Number of employees (*)	
	Average	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Executives	783	793
Middle managers	16,027	15,973
Operational staff	121,789	123,577
Back-office staff	1,548	2,486
Total employees on permanent contracts	140,147	142,829
Traineeships	-	-
Apprenticeships	46	46
Total	140,193	142,875
	Average	
	Six months ended 30 June 2015	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Temporary contracts	126	223
Fixed-term contracts	3,169	1,629
Total	3,295	1,852
Total employees on permanent and flexible contracts	143,488	144,727

(*) Figures expressed in Full Time Equivalents (FTE)

C9 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The following table provides a breakdown of Depreciation, amortisation and impairments:

tab. C9 - Depreciation, amortisation and impairments

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Property, plant and equipment	178,740	184,626
Properties used in operations	53,768	52,732
Plant and machinery	52,278	58,563
Industrial and commercial equipment	4,875	5,560
Leasehold improvements	14,064	16,189
Other assets	53,755	51,582
Impairments/recoveries/adjustments of property, plant and equipment	(7,106)	33,200
Depreciation of investment property	2,457	2,406
Impairment/recoveries/adjustments of investment property	(117)	(278)
Amortisation and impairments of intangible asset	114,649	122,459
Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar	109,717	118,857
Other	4,932	3,602
Impairment goodwill/difference on consolidation	-	-
Total	288,623	342,413

C10 – OTHER OPERATING COSTS

The following table provides a breakdown of Other operating costs:

tab. C10 - Other operating costs

Item	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Net provisions and losses on doubtful debts (uses of provisions)		(173)	39,180
Provisions for receivables due from customers	[tab. A7.2]	5,855	21,939
Provisions (reversal of provisions) for receivables due from MEF	[tab. A7.4]	(6,989)	14,165
Provisions (reversal of provisions) for sundry receivables	[tab. A8.1]	608	3,076
Losses on receivables		353	-
Operational risk events		20,365	10,928
Thefts	[tab. A5.11b]	3,117	2,470
Loss of BancoPosta assets, net of recoveries		624	870
Other operating losses of BancoPosta		16,624	7,588
Net provisions for risks and charges made/(released)		44,821	58,501
for disputes with third parties	[tab. B6]	22,150	30,898
for non-recurring charges	[tab. B6]	22,219	21,239
for other risks and charges	[tab. B6]	452	6,364
Losses		712	1,710
Municipal property tax, urban waste tax and other taxes and duties		39,623	37,907
Revised estimates and assessments for previous years(*)		-	9,091
Other current costs		18,244	16,370
Total		123,592	173,687

(*) In this regard, see comments in Note 2.2

C11 - FINANCE INCOME/COSTS

Finance income and finance costs relate to assets other than those typically associated with BancoPosta and/or the insurance business

Finance income

tab. C11.1 - Finance income

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Income from available-for-sale financial assets	65,110	119,175
Interest	61,386	68,797
Accrued differentials on fair value hedges	(4,448)	(4,061)
Realised gains ⁽¹⁾	8,055	54,257
Dividends	117	182
Income from financial assets at fair value through profit or loss	279	886
Other finance income	17,206	19,766
Interest from the MEF	1,848	-
Remuneration of Poste Italiane liquidity	4	238
Interest on bank current accounts	12	3,538
Finance income on discounted receivables ⁽²⁾	5,884	10,156
Late payment interest	4,407	4,210
Impairment of amounts due as Late payment interest	(4,279)	(4,071)
Income from subsidiaries	1	1
Interest on IRES refund	5,281	5,480
Other	4,048	214
Foreign exchange gains	5,546	753
Total	88,141	140,580

⁽¹⁾ The movement with respect to the comparative six month period is due mainly to lower realised gains on the free capital of Poste Vita SpA

⁽²⁾ Finance income on discounted receivables includes: Euro 3,987 thousand in interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012 and 2013; Euro 1,826 thousand in interest on amounts due for publisher tariff subsidies; and Euro 71 thousand in accrued interest on the amount due from the MEF,

Finance costs

tab. C11.2 - Finance costs

Item	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Finance costs on financial liabilities		30,223	27,448
on bonds		24,548	15,383
on loans from Cassa Depositi e Prestiti		119	2,257
on borrowings from financial institutions		5,202	6,608
on finance leases		220	475
paid to MEF		9	23
on derivative financial instruments		125	2,702
Sundry finance costs on financial assets		8,454	75,028
Impairment loss on available-for-sale investments	[tab. A5.9]	37	75,000
Realised losses on available-for-sale financial assets		26	12
Fair value losses on financial instruments at fair value through profit or loss		-	7
Realised losses on financial instruments at fair value through profit or loss		8,391	9
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	12,820	22,205
Finance costs on provisions for risks	[tab. B6]	814	1,012
Remuneration of Poste Italiane liquidity	[tab. C5.4]	81	-
Other finance costs		2,851	2,293
Foreign exchange losses		5,369	544
Total		60,612	128,530

C12 - INCOME TAX EXPENSE

The following table provides a breakdown of Income tax expense:

tab. C12 - Income tax expense

Item	Six months ended 30 June 2015			Six months ended 30 June 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	205,884	39,303	245,187	179,500	116,782	296,282
Deferred tax income	(26,917)	(28,008)	(54,925)	(10,142)	722	(9,420)
Deferred tax expense	32,047	8,005	40,052	9,414	(685)	8,729
Total	211,014	19,300	230,314	178,772	116,819	295,591

Current tax assets and liabilities

The following table provides details of movements in current tax balances during the first six months of 2015:

tab. C12.1 - Movements in current tax assets/(liabilities)

Item	Current taxes for the six months ended 30 June 2015			Current taxes for the year ended 31 December 2014		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/(Liabilities)	Assets/(Liabilities)		Assets/(Liabilities)	Assets/(Liabilities)	
Balance at 1 January	586,522	48,020	634,542	558,679	58,150	616,829
Payments of	66,796	7,150	73,946	291,907	229,909	521,816
prepayments for the current year	54,823	3,108	57,931	228,486	224,551	453,037
balance payable for the previous year	11,973	4,042	16,015	63,421	5,358	68,779
Provisions to profit or loss	(205,884)	(39,303)	(245,187)	(287,981)	(239,961)	(527,942)
Provisions to equity	(22,896)	(3,784)	(26,680)	13,601	-	13,601
Other	2,904	19	2,923	10,316	(78)	10,238
Balance at end of period	427,442	12,102	439,544	586,522	48,020	634,542
Of which:						
Current tax assets	650,788	52,914	703,702	605,107	53,183	658,290
Current tax liabilities	(223,346)	(40,812)	(264,158)	(18,585)	(5,163)	(23,748)

In addition to advance payments against 2015 taxes, current tax assets at 30 June 2015, amounting to Euro 703,702 thousand, include the following items which are unchanged with respect to 31 December 2014:

- Euro 500,624 thousand in tax credits, recognised in 2012 and 2013, in relation to the IRES refund arising from the overpayment of IRAP on non-deductible personnel expenses under Law Decree 201/2011 in the years from 2004 to 2011; during the first six months of 2015, this tax credit accrued interest of Euro 5,281 thousand, which has been recognised in “Finance income” (tab. C11.1) and “Other receivables and assets” (Tab. A.8);
- Euro 39,334 thousand due to the payment of increased tax expense as a result of the non-deductibility of 10% of IRAP between 2003 and 2007. A claim for a rebate of this amount was filed in previous years.

Deferred tax assets and liabilities

Deferred tax assets/(liabilities) at 30 June 2015 were as follows:

tab. C12.2 - Deferred taxes

Item	Balance at 30 June 2015	Balance at 31 December 2014
Deferred tax assets	777,130	702,190
Deferred tax liabilities	(895,996)	(1,047,401)
Total	(118,866)	(345,211)

The nominal tax rate for IRES is 27.5%, whilst the Group’s average statutory rate for IRAP, calculated at 31 December 2014, was 6.43%²⁹. Movements in deferred tax assets and liabilities are shown below:

tab. C12.3 - Movements in deferred tax assets and liabilities

Item	Six months ended 30 June 2015	Year ended 31 December 2014
Balance at 1 January	(345,211)	167,799
Deferred tax income/(expenses) recognised in profit or loss	(2,301)	43,193
Non-recurring deferred tax income/(expenses) recognised in profit or loss	17,174	-
Deferred tax income/(expenses) recognised in equity	211,472	(556,457)
Change in scope of consolidation	-	254
Balance at end of period	(118,866)	(345,211)

The 2015 Stability Law (Law 190 of 23 December 2014) recognised the deductibility of costs relating to staff employed under permanent contracts for the purposes of calculating IRAP. Moreover, in its Circular 22E of 9 June 2015, the Agenzia delle Entrate (Italian revenue agency) clarified that “Provisions relating to staff costs included in the financial statements for periods prior to the entry into effect of this legislation, which had not been considered deductible on the basis of existing IRAP rules, will be considered deductible – from the tax year following that underway at 31 December 2014 – in the case in which the event in respect of which they were included in the financial statements is realised. In addition, as the aforementioned provisions may have been included in the calculation of the IRAP deducted for income tax calculation purposes, it will be necessary to re-calculate the IRAP deducted in previous years relating to these.” For this reason, **Non-recurring deferred tax income/(expenses) recognised in profit or loss** during the six months ending 30 June 2015 reflects IRAP-related deferred tax assets amounting to Euro 23,688 thousand in relation to provisions that will become deductible in the future when they are effectively used and IRES-related deferred tax liabilities amounting to Euro 6,514 thousand in relation to lower IRES charged in previous periods that will require to be paid when the provisions are recognised for tax purposes.

At 30 June 2015, deferred tax assets and liabilities recognised directly in equity are as follows:

²⁹ The nominal IRAP rate is 3.90% for most businesses, 4.65% for banks and other financial institutions and 5.90% for insurance companies (+/- 0.92% relating to regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

Item	Increases/(decreases) in equity	
	Six months ended 30 June 2015	Year ended 31 December 2014
Fair value reserve for available for sale financial instruments	186,671	(534,985)
Cash flow hedge reserve for derivative instruments used for hedging	25,411	(31,176)
Actuarial gains/(losses) on employee termination benefits	(610)	34,943
Retained earnings on operations with shareholders	-	(25,239)
Total	211,472	(556,457)

3.4 OPERATING SEGMENTS

The four operating segments identified by the Group are Postal and Business services, Financial services, Insurance services and Other services, which includes the remaining activities.

The Postal and Business services segment earns revenue from the services provided by the various Poste Italiane SpA functions to BancoPosta RFC. In this regard, separate General Operating Guidelines have been developed and approved by Poste Italiane SpA's Board of Directors which, in implementation of BancoPosta RFC's By-laws, identify the services provided by Poste Italiane SpA functions to BancoPosta and determine the manner in which they are remunerated.

Segments are measured in terms of their operating profit/(loss). All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated financial statements.

The following results, which are shown separately in accordance with management's view of the business and with applicable accounting standards, should be viewed together, considering the integration of the services offered by the sales force within the postal, financial and insurance businesses and also considering the obligation to provide the Universal Postal Service.

(millions of Euro)

Six months ended 30 June 2015	Postal and Business services	Financial services	Insurance services	Other services	Unallocated items	Adjustments and eliminations	Total
Revenue from third parties	1,938	2,680	11,209	123	-	-	15,950
Revenue from other segments	2,253	249	-	44	-	(2,546)	-
Total revenue	4,191	2,929	11,209	167	-	(2,546)	15,950
Operating profit/(loss)	(89)	468	236	23	-	-	638
Finance income /(costs)	-	-	-	-	27	-	27
Profit (loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(230)	-	(230)
Profit/(Loss) for the period							435

(millions of Euro)

Six months ended 30 June 2014	Postal and Business services	Financial services	Insurance services	Other services	Unallocated items	Adjustments and eliminations	Total
Revenue from third parties	2,073	2,665	10,109	111	-	-	14,958
Revenue from other segments	2,364	215	-	40	-	(2,619)	-
Total revenue	4,437	2,880	10,109	151	-	(2,619)	14,958
Operating profit/(loss)	(36)	315	220	6	-	1*	506
Finance income /(costs)	-	-	-	-	13	(1)*	12
Profit (loss) on investments accounted for using the equity method	-	-	-	-	-	-	-
Income tax expense					(296)	-	(296)
Profit/(Loss) for the period							222

* Elimination of costs incurred by Poste Italiane SpA for interest paid to Group companies (current account holders) offset by finance income accounted for by the latter

Disclosure regarding geographical presence, based on the geographical areas in which the various Group companies are based or the location of its customers is of no material significance. At 30 June 2015, all entities consolidated on a line-by-line basis are based in Italy, as is the majority of their customer base; revenue from foreign customers does not represent a significant percentage of total revenue.

3.5 RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and results of operations

The following tables provide details of the impact of related party transactions on the financial position and results of operations.

tab. 3.5.1 - Impact of related party transactions on the financial position at 30 June 2015

Name	Balance at 30 June 2015						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	92	33	-	4	709	-
Kipoint SpA	1	117	3	-	439	401	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	-
Joint ventures							
Uptime SpA	-	148	-	-	-	4,024	300
Associated companies							
Telma-Sapienza Scarl	-	-	-	-	12	-	-
Other SDA group associates	-	1,710	-	-	-	2	-
Related parties external to the Group							
MEF	7,334,423	1,487,071	13,639	187,595	685	99,400	11,462
Cassa Depositi e Prestiti Group	2,111,566	405,855	11	-	114,107	5,762	-
Enel Group	77,905	54,931	-	-	-	4,253	-
Eni Group	130,612	11,671	-	-	-	15,107	-
Equitalia Group	-	81,873	-	-	-	1,333	-
Finmeccanica Group	24,550	41	-	-	-	27,386	-
Other related parties external to the Group	77,608	3,362	-	-	-	11,510	15,960
Provision for doubtful debts owing from external related parties	-	(197,152)	(9,594)	-	-	-	-
Total	9,756,665	1,849,719	4,092	187,595	115,247	169,887	27,722

At 30 June 2015, provisions for risks and charges to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to Euro 66,548 thousand.

tab. 3.5.2 - Impact of related party transactions on the financial position at 31 December 2014

Name	Balance at 31 December 2014						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	67	31	-	4	1,317	-
Kipoint SpA	213	175	2	-	61	657	-
Poste Holding Participações do Brasil Ltda	-	-	-	-	-	-	391
Joint ventures							
Uptime SpA	-	121	-	-	-	2,357	220
Associated companies							
Telma-Sapienza Scarl	-	-	-	-	14	-	-
Other SDA group associates	-	2,016	-	-	-	297	-
Related parties external to the Group							
MEF	6,246,892	1,390,021	547,521	933,566	1,919	95,101	10,221
Cassa Depositi e Prestiti Group	2,553,379	901,651	-	-	507,894	8,017	-
Enel Group	79,660	48,934	-	-	-	7,935	-
Eni Group	127,579	18,065	-	-	-	12,945	-
Equitalia Group	-	51,100	-	-	-	5,552	-
Finmeccanica Group	25,662	7	-	-	-	27,764	-
Other related parties external to the Group	78,369	4,141	-	-	-	12,216	60,698
Provision for doubtful debts owing from external related parties	-	(170,217)	(9,594)	-	-	-	-
Total	9,111,754	2,246,081	537,960	933,566	509,892	174,158	71,530

tab. 3.5.3 - Impact of related party transactions on the results of operations for the six months ended 30 June 2015

Name	Six months ended 30 June 2015									
	Revenue				Capital expenditure		Costs			
	Revenue from sales and services	Other operating income	Other income from financial and insurance activities	Finance income	Property, plant and equipment	Intangible assets	Goods and services	Personnel expenses	Other operating costs	Finance costs
Subsidiaries										
Address Software Srl	22	180	-	-	-	-	618	-	-	-
Kipoint SpA	49	59	-	1	-	-	493	-	-	-
Joint ventures										
Uptime SpA	15	9	-	-	-	-	3,359	-	-	-
Related parties external to the Group										
MEF	241,081	302	-	1,911	-	-	851	7	(6,345)	9
Cassa Depositi e Prestiti Group	809,227	-	25,554	276	-	-	10,382	-	623	119
Enel Group	52,496	642	1,316	-	-	-	19,158	-	318	9
Eni Group	13,446	8	1,966	-	-	-	18,466	-	9	-
Equitalia Group	31,963	187	-	-	-	-	1,443	-	-	-
Finmeccanica Group	60	-	540	-	-	1,911	15,113	-	-	-
Other related parties external to the Group	9,122	1,558	1,074	-	-	-	8,941	20,123	1,348	-
Total	1,157,481	2,945	30,450	2,188	-	1,911	78,824	20,130	(4,047)	137

At 30 June 2015, net provisions made for risks and charges to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amount to Euro 1,221 thousand.

tab. 3.5.4 - Impact of related party transactions on the results of operations for the six months ended 30 June 2014

Name	Six months ended 30 June 2014									
	Revenue				Capital expenditure		Costs			
	Revenue from sales and services	Other operating income	Other income from financial and insurance activities	Finance income	Property, plant and equipment	Intangible assets	Goods and services	Personnel expenses	Other operating costs	Finance costs
Subsidiaries										
Address Software Srl	38	129	-	-	-	-	773	-	-	-
Kipoint SpA	23	53	-	-	-	-	600	-	-	1
Joint ventures										
Uptime SpA	7	-	-	-	-	-	-	-	-	-
Associated companies										
Docugest SpA	710	-	-	-	-	-	3,833	-	-	-
Related parties external to the Group										
MEF	315,543	328	-	2,487	-	-	464	2	14,857	23
Cassa Depositi e Prestiti Group	766,418	-	67,729	213	-	-	4,255	-	366	2,257
Enel Group	57,321	603	1,663	-	46	-	6,324	-	21	32
Eni Group	14,985	22	2,192	-	-	-	26,835	-	(1,500)	-
Equitalia Group	29,538	131	-	-	-	-	1,459	-	-	-
Finmeccanica Group	70	1,129	541	541	301	1,638	18,548	-	-	-
Other related parties external to the Group	13,248	1,534	1,075	-	-	-	5,976	19,950	1,425	-
Total	1,197,901	3,929	73,200	3,241	347	1,638	69,067	19,952	15,169	2,313

The nature of the Parent Company's principal transactions with related parties external to the Group is summarised below, in order of importance.

- Amounts receivable from the MEF relate primarily to compensation for carrying out the USO, payment for the management of postal current accounts, reimbursement of electoral tariff reductions and subsidies, payment for delegated services and payment for integrated e-mail services, the franking of mail on credit and for collection of tax returns.
- Amounts receivable from CDP SpA relate mainly to payment for the collection of postal savings deposits.
- Amounts receivable from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services, etc. Costs incurred primarily relate to the supply of gas.
- Amounts receivable from the Equitalia Group relate mainly to payment for the integrated notification service and for unfranked mail. Costs incurred primarily relate to electronic transmission of tax collection (F24) data.
- Amounts receivable from the Eni Group relate primarily to payment for mail shipments. Costs incurred relate to the supply of fuel for motorcycles and vehicles and the supply of gas.

- Purchases from the Finmeccanica Group primarily relate to the supply, by Selex ES SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, systems and IT assistance regarding the creation of document storage facilities, specialist consulting and software maintenance and the supply of software licences and hardware.

Key management personnel

Key management personnel consist of Directors of the Parent Company and first level Executives of Poste Italiane SpA; (during the comparative six month period, Executives in the main Group companies were also considered part of key management personnel). The following table provides details of the related remuneration, (gross of expenses and social security contributions), of such key management personnel.

tab. 3.5.5 - Remuneration of key management personnel

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Remuneration to be paid in short/medium term	6,938	6,673
Post-employment benefits	-	184
Other benefits to be paid in longer term	-	-
Termination benefits	-	10,965
Total	6,938	17,822

No loans were granted to key management personnel during the first six months of 2015 and at 30 June 2015, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with staff pensions funds

The Parent Company and its subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for non-managerial staff. As indicated in article 14, paragraph 1 of Fondoposte's By-laws, the representation of members among the various officers and boards (the General Meeting of delegates, the Board of Directors, Chairman and Deputy Chairman, Board of Statutory Auditors) is shared equally between the workers and the companies that are members of the Fund. The Fund's Board of Directors takes decisions including:

- the general criteria for the allocation of risk in terms of investments and investment policies;
- the choice of fund manager and custodian bank.

3.6 OTHER INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

Net financial position

The following table provides an analysis of Poste Italiane Group's net financial position, in terms of net debt/(funds), at 30 June 2015:

tab. 3.6.1 - Net debt/(funds)

Item	Note	Balance at 30 June 2015	of which, related parties	Balance at 31 December 2014	of which, related parties
Financial liabilities	[tab. B8]	55,424,024		55,357,937	
Postal current accounts		40,494,800	455	40,615,151	79
Bonds		2,016,505	-	2,044,990	-
Borrowings from financial institutions		8,514,114	110,597	8,411,345	504,512
Other borrowings		3,510	3,510	3,381	3,382
Finance leases		12,711	-	13,862	-
Derivative financial instruments		1,438,066	-	1,778,226	-
Other financial liabilities		2,944,318	685	2,490,982	1,919
Technical provisions for insurance business	[tab. B5]	91,999,532	-	87,219,223	-
Financial assets	[tab. A5]	(148,024,942)		(142,686,492)	
Loans and receivables		(10,122,009)	(7,350,665)	(8,897,555)	(6,263,136)
Held-to-maturity financial assets		(13,490,511)	-	(14,099,686)	-
Available-for-sale financial assets		(107,781,556)	(1,870,183)	(107,146,748)	(2,297,650)
Financial assets at fair value through profit or loss		(15,861,630)	(535,817)	(12,155,024)	(550,968)
Derivative financial instruments		(769,236)	-	(387,479)	-
Technical provisions for claims attributable to reinsurers	[tab. A8]	(62,427)	-	(54,403)	-
Net financial liabilities/(assets)		(663,813)		(163,735)	
Cash and deposits attributable to BancoPosta	[tab. A9]	(2,568,273)	-	(2,873,042)	-
Cash and cash equivalents	[tab. A10]	(1,384,770)	(187,595)	(1,703,765)	(933,566)
Net debt/(funds)		(4,616,856)		(4,740,542)	

At 30 June 2015, fair value reserves related to available-for-sale financial assets amount to Euro 2,080 million (Euro 2,651 million at 31 December 2014), on a pre-tax basis.

Determination of fair value

The fair value measurement techniques used by the Poste Italiane Group are described in Note 2.4. This section provides additional information regarding financial assets and liabilities recognised at fair value. Additional information regarding financial assets and liabilities recognised at amortised cost is provided in the respective notes.

The following table provides a breakdown of the fair value of financial assets and liabilities, in terms of the fair value hierarchy:

Item	30.06.2015				31.12.2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available for sale financial assets	103,317,402	4,197,830	266,324	107,781,556	102,323,945	4,574,768	248,035	107,146,748
Equity shares	8,741	65,526	5,248	79,515	8,032	56,313	5,285	69,630
Fixed income securities	103,302,349	2,850,997	-	106,153,346	102,310,301	3,268,114	-	105,578,414
Other	6,312	1,281,307	261,076	1,548,695	5,612	1,250,342	242,750	1,498,704
Financial assets at fair value through profit or loss								
Equity shares	8,214,730	7,646,900	-	15,861,630	7,274,297	4,880,728	-	12,155,024
Fixed income securities	7,572,704	2,318	-	7,575,022	7,274,297	96,128	-	7,370,424
Other	-	1,882,157	-	1,882,157	-	2,367,036	-	2,367,036
Derivative financial instruments	642,026	5,762,425	-	6,404,451	-	2,417,564	-	2,417,564
TOTAL FAIR VALUE ASSETS	111,532,132	12,613,966	266,324	124,412,422	109,598,241	9,842,975	248,035	119,689,251
Financial liabilities								
Fair value financial liabilities	-	-	-	-	-	-	-	-
Derivative financial instruments	-	(1,438,067)	-	(1,438,067)	-	(1,778,226)	-	(1,778,226)
TOTAL FAIR VALUE LIABILITIES	-	(1,438,067)	-	(1,438,067)	-	(1,778,226)	-	(1,778,226)

The following table provides details of transfers between levels 1 and level 2 of the hierarchy of financial instruments measured at fair value on a recurring basis.

Net transfers between levels 1 and 2 at 30 June 2015

Item	from level 1 to level 2		from level 2 to level 1	
	Level 1	Level 2	Level 1	Level 2
Transfer of financial assets	(151,927)	151,927	720,230	(720,230)
Available for sale assets				
Equity shares	-	-	-	-
Fixed income securities	(151,927)	151,927	66,452	(66,452)
Other	-	-	-	-
Financial assets at fair value through profit or loss				
Fixed income securities	-	-	38,963	(38,963)
Structured bonds	-	-	-	-
Other	-	-	614,815	(614,815)
Transfer of financial liabilities	-	-	-	-
Fair value financial liabilities	-	-	-	-
Derivative financial instruments	-	-	-	-
Net transfers at 30 June 2015	(151,927)	151,927	720,230	(720,230)

The reclassifications in question relate to financial assets held by Poste Vita SpA and are due to application of the Group's Fair Value Policy.

In particular, reclassifications from level 1 to level 2 at 30 June 2015 relate mainly to *corporate* fixed income securities classified as available for sale, the fair value of which at 30 June 2015 does not respect the definition of a "liquid and active" market as set out in the aforementioned Fair Value Policy.

Reclassifications from level 2 to level 1 relate mainly to coupon-stripped Italian government bonds included in Financial assets at fair value through profit or loss, the fair value of which was observed at 30 June 2015 on a liquid and active market. With regard to *Other investments*, reclassification from level 2 to level 1 relates to Quoted open-end investment funds in which Poste Vita SpA has invested to hedge Class III products; these are valued on the basis of the closing daily market price reported by Bloomberg or the fund manager.

The following table provides a reconciliation of the opening and closing balances of financial instruments measured at fair value and classified in level 3.

Descrizione	Financial assets			Total
	Available for sale investments	Fair value through profit or loss	Derivative financial instruments	
Balance at 1 January 2014	291,840	-	-	291,840
Purchases /Issues	47,861	-	-	47,861
Sales /Settlement of opening accruals	(30,205)	-	-	(30,205)
Redemptions	-	-	-	-
Movements in fair value through profit or loss	-	-	-	-
Movements in fair value through equity	14,978	-	-	14,978
Transfers to profit or loss	-	-	-	-
Gains /Losses on sales to profit or loss	(1,439)	-	-	(1,439)
Transfers to level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Movements in amortised cost	-	-	-	-
Impairments	(75,000)	-	-	(75,000)
Other movements (including period end accruals)	-	-	-	-
Balance at 31 December 2014	248,035	-	-	248,035
Purchases /Issues	19,610	-	-	19,610
Sales /Settlement of opening accruals	(21,060)	-	-	(21,060)
Redemptions	-	-	-	-
Movements in fair value through profit or loss	-	-	-	-
Movements in fair value through equity	19,739	-	-	19,739
Transfers to profit or loss	-	-	-	-
Gains /Losses on sales to profit or loss	-	-	-	-
Transfers to level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Movements in amortised cost	-	-	-	-
Impairments	-	-	-	-
Other movements (including period end accruals)	-	-	-	-
Balance at 30 June 2015	266,324	-	-	266,324

Movements in level 3 of the fair value hierarchy relate to new investments or sale by Poste Vita SpA of shares in unlisted closed-end funds. These include funds which invest mainly in unlisted instruments, the fair value of which is determined by considering the most recent NAV (Net Asset Value) reported by the fund manager, which is then adjusted for any capital calls and reimbursements announced by the managers between the latest NAV date and the measurement date.

3.7 OTHER INFORMATION

Postal savings deposits

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

tab. 3.7.1 - Postal savings deposits

Item	At 30 June 2015	At 31 December 2014
Post office savings books	116,888,357	114,358,856
Interest-bearing Postal Certificates	210,002,398	211,332,916
Cassa Depositi e Prestiti	138,709,009	139,814,813
MEF	71,293,389	71,518,103
Total	326,890,755	325,691,772

Assets under management

The following table provides details of Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the period.:

tab. 3.7.2 - Assets under management

Item	At 30 June 2015	At 31 December 2014
Collective investment funds		
Funds managed by the Group	5,128,738	1,894,759
Funds managed by third parties	116,161	3,153,012
Total	5,244,899	5,047,771

Average assets under management by the Group in mutual funds, during the first six months of 2015, amount to Euro 5,214 million. BancoPosta Fondi SpA SGR also manages the individual investment portfolios of Poste Vita SpA and Poste Assicura SpA.

Commitments

Purchase commitments at 30 June 2015, relating primarily to the Parent Company, are as follows.

tab. 3.7.3 - Commitments

Item	At 30 June 2015	At 31 December 2014
Purchase commitments		
Property leases	542,903	580,868
Purchase of Property, plant and equipment	68,526	61,367
Purchase of Intangible assets	53,421	28,975
Investment property	21	2
Vehicle leases	15,710	48,844
Other leases	14,227	24,545
Committed lines of credit		
Loans agreed to be disbursed	50,597	67,758
Total	745,405	812,359

Poste Energia SpA has a commitment, for the second half of 2015 and 2016, to purchase electricity on regulated forward markets for a total value of Euro 6,019 thousand. At 30 June 2015, the corresponding market value is Euro 6,011 thousand. Comparative values at 31 December 2014 were Euro 5,922 thousand and Euro 5,569 thousand respectively.

Guarantees

Unsecured guarantees issued by the Group are as follows:

tab. 3.7.4 - Guarantees

Item	At 30 June 2015	At 31 December 2014
Bank and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	271,857	260,900
by the Group in its own interests in favour of third parties	-	-
Total	271,857	260,900

Third-party assets

tab. 3.7.5 - Third-party assets

Item	At 30 June 2015	At 31 December 2014
Bonds subscribed by customers held at third-party banks	6,191,023	7,746,715
Other assets	15,089	21,917
Total	6,206,112	7,768,632

Assets in the process of allocation

At 30 June 2015, the Parent Company had paid a total of Euro 139,027 thousand on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it had already been reimbursed by the Treasury but was still awaiting acknowledgement of the receivable on the part of the Ministry of Justice.

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, thereby ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased in excess of 50% of the assets managed by certain investment funds. In such cases, tests have been performed in accordance with the requirements of IFRS to determine the existence of control. The results of the tests on such funds suggest that Poste Vita SpA does not exercise any control within the meaning of IFRS 10 – *Consolidated Financial Statements*. However, such funds do qualify as unconsolidated structured entities, which are entities designed in such a way as not to make voting rights the key factor in determining control, such as in those cases where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

At 30 June 2015, the above definition is relevant to the company's investments in the following funds:

- *BlackRock MultiAssets diversified distribution fund* (Open-end fund)
- *MXF – Global Multi – Asset Income Fund* (Open-end fund, set-up during the six months ending 30 June 2015)
- *Advance Capital Energy Fund* (Closed-end Fund)

- *Piano 400 Fund Deutsche Bank* (Open-end fund)
- *Tages Capital Platinum* (Open-end fund)
- *Tages Platinum Growth* (Open-end fund)

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government bonds and Euro-denominated corporate bonds. Details are provided in the following table.

ISIN	Name	Nature of entity	Fund activity	% Investment	NAV Reference date	Amount
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Harmonised UCITS Open-end fund	Investment in a mix of asset classes (corporate bonds, government bonds e equities)	100%	30/06/2015	4,129,949
LU1193254122	MPX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Harmonised UCITS Open-end fund	Investment in a mix of asset classes (corporate bonds, government bonds e equities)	100%	30/06/2015	1,579,158
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Non-harmonised, closed-end fund	Investment in energy companies aimed at increasing value with a view to subsequent sale and related capital gains	86.21%	31/12/2014	23,247
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Harmonised Open-end fund	Investment in a mix of asset classes, in particular loan instruments in various industrial sectors and countries	100%	19/06/2015	520,382
IT0004801996	TAGES CAPITAL PLATINUM	Non-harmonised, Hedge Fund	Objective is to achieve absolute returns with a low level of volatility and correlation with long term financial market returns	100%	29/05/2015	217,128
IT0004937691	TAGES PLATINUM GROWTH	Non-harmonised, Hedge Fund	Objective is to achieve absolute returns with a low level of volatility and correlation with long term financial market returns	100%	29/05/2015	130,379

Nature of the risk

The company's investments in the funds in question are reported at fair value (level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments have been made in connection with Class I policies (Separately Managed Accounts) and, therefore, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Details are provided in the following table.

ISIN	Name	Accounting classification	Book value	Maximum loss exposure*	Comparison between book value and maximum exposure	Method of calculating maximum loss exposure
IE00BP9DPZ45	BLACKROCK DIVERSIFIED DISTRIBUTION FUND	Financial assets at fair value through profit or loss	4,129,949	494,329	3,635,619	Analytical VaR 99,5% over a period of 1 year
LU1193254122	MPX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets at fair value through profit or loss	1,579,158	204,501	1,374,657	Analytical VaR 99,5% over a period of 1 year
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Available for sale financial assets	20,041	10,481	9,560	VaR of 99,5% over a period of 1 year
IE00B1VWGP80	PIANO 400 FUND DEUTSCHE BANK	Available for sale financial assets	520,382	19,973	500,409	Difference between current market price and par value
IT0004801996	TAGES CAPITAL PLATINUM	Available for sale financial assets	217,128	41,158	175,970	VaR of 99,5% over a period of 1 year
IT0004937691	TAGES PLATINUM GROWTH	Available for sale financial assets	130,379	2,155	128,224	VaR of 99,5% over a period of 1 year

*Maximum exposure is estimated gross of the capacity to absorb losses in relation to all liabilities and is therefore a very prudent estimate

The following tables provide details of the various types of financial instrument and the main markets in which the *BlackRock* and *MPX* funds invest.

BlackRock Diversified Distribution Fund Institutional

Item	30.06.2015 Fair Value
Financial instruments	
Equity shares (in currency other than Euro)	468,353
Government securities (in Euro)	1 14,587
Government securities (in currency other than Euro)	418,105
Corporate bonds (in Euro)	100,850
Corporate bonds (in currency other than Euro)	2,621,877
Cash and cash equivalents	99,085
Other investments (funds etc)	275,188
Derivative financial instruments	
Forwards	27,578
Futures	-
Swaps	4,326
Total	4,129,949

Item	30.06.2015 Fair Value
Hong Kong	58,903
Dublin	89,065
Paris	32,177
Luxemburg	60,391
Singapore	109,628
London	131,133
Eurotx	38,385
Euromtf	130,727
Euronext	32,627
Germany (Frankfurt, Berlin, Munich)	491,797
Trace	723,082
New York	930,701
Others	1,026,145
Funds	275,188
Total	4,129,949

MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)

Item	30.06.2015 Fair Value
Financial instruments	
Loans and receivables (in Euro)	15,581
Equity shares (in Euro)	28,207
Equity shares (in currency other than Euro)	116,684
Government securities (in Euro)	209,425
Government securities (in currency other than Euro)	332,135
Corporate bonds (in Euro)	172,922
Corporate bonds (in currency other than Euro)	631,094
Cash and cash equivalents	4,597
Other investments (funds etc)	69,531
Derivative financial instruments	
Forwards	(902)
Futures	(107)
Swaps	(9)
Total	1,579,158

Item	30.06.2015 Fair Value
Hong Kong	15,004
Dublin	71,818
Paris	10,308
Luxemburg	36,429
London	97,558
Eurotlx	3,650
Euromtf	33,777
Euronext	25,735
Germany (Frankfurt, Berlin, Munich)	297,886
Trace	171,730
Tokyo	30,185
New York	224,784
Others	490,763
Funds	69,531
Total	1,579,158

3.8 INFORMATION ON INVESTMENTS

The following tables provide details of investments consolidated on a line-by-line basis and investments accounted for using the equity method:

tab. 3.8.1 - List of investments consolidated on a line-by-line basis

Name (Registered office)	% Interest	Share capital	Profit/(loss) for the period	Equity
BancoPosta Fondi SpA SGR <i>(Roma)</i>	100.00%	12,000	8,110	67,915
Banca del Mezzogiorno - MedioCredito Centrale SpA <i>(Roma)</i>	100.00%	364,509	19,189	443,121
Consorzio Logistica Pacchi ScpA <i>(Roma)</i>	100.00%	516	-	516
Consorzio per i Servizi di Telefonia Mobile ScpA <i>(Roma)</i> (*)	100.00%	120	-	120
Consorzio PosteMotori <i>(Roma)</i>	80.75%	120	-	120
Europa Gestioni Immobiliari SpA <i>(Roma)</i>	100.00%	103,200	1,686	364,550
Mistral Air Srl <i>(Roma)</i> (**)	100.00%	1,000	(1,163)	2,803
PatentiViaPoste ScpA <i>(Roma)</i> (*)	86.86%	120	1	122
Postecom SpA <i>(Roma)</i>	100.00%	6,450	461	51,441
PosteMobile SpA <i>(Roma)</i>	100.00%	32,561	14,100	87,020
Poste Energia SpA <i>(Roma)</i>	100.00%	120	708	3,494
Poste Tributi ScpA <i>(Roma)</i> (*)	90.00%	2,583	-	2,544
PosteTutela SpA <i>(Roma)</i>	100.00%	153	288	12,697
Poste Vita SpA <i>(Roma)</i> (*)	100.00%	1,216,608	156,954	3,048,338
Poste Assicura SpA <i>(Roma)</i> (*)	100.00%	25,000	4,583	57,523
Postel SpA <i>(Roma)</i>	100.00%	20,400	(2,234)	104,580
PosteShop SpA <i>(Roma)</i> (**)	100.00%	500	(1,062)	260
SDA Express Courier SpA <i>(Roma)</i> (**)	100.00%	30,000	(14,889)	(14,989)

(*) The figures reported for these companies have been calculated under IFRS, and may not be consistent with those contained in the interim financial statements prepared in accordance with the Italian Civil Code and Italian GAAP.

(**) Poste Italiane SpA is committed to providing financial support to the subsidiaries, SDA Express Courier SpA, Mistral Air Srl and PosteShop SpA at least until 31 December 2015.

Italia Logistica Srl was merged by incorporation into SDA Express Courier SpA, with the merger becoming effective from an accounting and tax viewpoint from 1 June 2015. The loss for the period, relating to the first five months of 2015, amounted to Euro 1,376 thousand.

tab. 3.8.2 - List of investments accounted for using the equity method

Name (Registered office)	% Interest	Assets	Liabilities	Equity	Revenue and Income	Profit/(loss) for the period
Address Software Srl <i>(Roma)</i>	51.00%	981	592	389	618	35
Anima Holding SpA <i>(Milano)</i> (a)	10.32%	1,229,150	473,659	755,491	225,875 (1)	44,872
ItaliaCamp Srl <i>(Roma)</i> (b)	20.00%	162	141	21	214	3
Italo-Brasil Holding SA <i>(San Paolo - Brasile)</i> (c)	100.00%	100	43	57	-	(20)
Kipoint SpA <i>(Roma)</i> (d)	100.00%	2,470	2,108	362	3,885	(33)
Poste Holding Participações do Brasil Ltda <i>(San Paolo - Brasile)</i> (c)	100.00%	108	539	(431)	-	55
Programma Dinamico SpA <i>(Roma)</i> (d)	0.00%	272	153	119	126	(28)
Telma Sapienza Scarl <i>(Roma)</i> (b)	29.74%	1,675	24	1,651	28	-
Uptime SpA <i>(Roma)</i> (b)	28.57%	4,302	4,125	177	5,817	(6)

(a) Figures from the Company's latest approved financial statements as at 31 March 2015.

(b) Figures from the Company's latest approved financial statements as at 31 December 2014.

(c) Figures from the Company's latest approved financial statements as at 31 May 2015.

(d) Figures from the Company's latest approved financial statements as at 31 December 2013. ; Group companies do not hold any equity interest in Programma Dinamico SpA.

(*) this figure includes commissions and interest income and other similar income

3.9 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are described in the above notes and there are no other significant events occurring after 30 June 2015.

4. RISK MANAGEMENT

Financial risks

This section provides a brief review of those balances subject to financial risk (as set-out in IFRS 7 – *Financial Instruments: Disclosures*), in summary form as permitted by IAS 34 – *Interim Financial Reporting* (see section 2 “Basis of preparation” of these condensed interim consolidated financial statements).

Management of the Group’s financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- Poste Italiane SpA’s BancoPosta RFC operations consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds deposited by private account holders in postal current accounts are invested in Eurozone government securities³⁰, while deposits by Public Sector entities are deposited with the MEF. The investment profile is based, *inter alia*, on constant monitoring of the behaviour of current account holders and the updating, by a leading market operator, of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. In this regard, the composition of the portfolio aims to replicate the financial structure of current accounts held by private customers. The company has also an asset-liability model in place to match the maturities of deposits and related investments.
- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and index-linked and unit-linked policies.

With regard to traditional life policies (Classes I and V), gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the portfolio. The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the “separate portfolio” for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a “central scenario” (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model enables Poste Vita SpA to manage the risks assumed on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

Price risk

Price risk relates to financial assets that the Group has classified as “Available-for-sale” (AFS) or “Held for trading” and certain derivative financial instruments for which changes in value are recognised in profit or loss.

Available-for-sale financial assets subject to price risk relate mainly to Poste Vita SpA’s position in *Other investments*, represented by shares in mutual investment funds amounting to Euro 1,155,055 thousand to cover obligations with respect to policy holders in the separately managed portfolios, and the Parent Company’s investment, through BancoPosta RFC, in Mastercard Incorporated shares amounting to Euro 62,932 thousand.

³⁰ Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government.

With regard to **financial assets recognised at fair value through profit or loss**, price risk relates to investments amounting to Euro 7,750,791 thousand held by Poste Vita SpA, of which Euro 2,038,909 thousand used mainly to cover Class III policies with equity-linked returns, Euro 5,709,106 thousand represented by UCITS and Multi-Asset open funds to cover Class I policies and Euro 2,276 thousand in shares in mutual fund units held in the Company's free capital³¹.

Finally, with regard to **derivative financial instruments**, price risk relates to warrants amounting to Euro 299,232 thousand held by Poste Vita SpA to cover the benefits associated with Class III policies.

Foreign exchange risk

The main items subject to foreign exchange risk are the Parent Company's trade receivables and trade payables due from/to overseas correspondents and the aforementioned Parent Company investments in Mastercard shares (USD 70,697 thousand at 30 June 2015).

Fair value interest rate risk

Fair value interest rate risk 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 spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the portfolio duration.

Available-for-sale financial assets exposed to the risk in question relate mainly to fixed rate instruments held almost exclusively by the Parent Company and Poste Vita SpA.

They include:

- fixed-rate government bonds (including CDP bonds) held by Poste Vita SpA, totalling Euro 64,967,599 thousand (of which Euro 6,075,636 thousand in inflation-indexed bonds); of this amount, Euro 61,716,762 thousand is used to cover Class I policies linked to separately managed funds, Euro 494,975 thousand to cover specific assets, and Euro 2,755,862 thousand relates to the Company's free capital;
- Euro 28,791,919 thousand in government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to Euro 12,097,279 thousand; variable rate bonds converted into fixed rate bonds via asset swaps and cash flow hedges amounting to Euro 2,103,545 thousand; variable rate bonds amounting to Euro 2,982,749 thousand (of which Euro 2,406,106 thousand in inflation-linked instruments and Euro 576,643 thousand in CCTeUs); and fixed or variable rate bonds converted to variable-rate positions via fair value hedges amounting to Euro 11,608,346 thousand.
- Euro 10,882,822 thousand in other, non-government bonds held by Poste Vita SpA, used mainly to meet obligations towards policyholders in relation to separately managed Class I and V policies.

In terms of **financial assets at fair value through profit or loss**, fair value interest rate risk relates to a portion of the fixed rate investments of Poste Vita SpA, totalling Euro 7,575,022 thousand. These consist of coupon stripped³² BTPs with a fair value of Euro 5,999,302 thousand, covering obligations associated with Class III insurance products, corporate bonds with a fair value of Euro 1,575,720 thousand, covering Class I and V contractual obligations, and bonds issued by CDP SpA with a fair value of Euro 535,817 thousand, covering Class I policies.

With regard to **Derivative financial instruments**, interest rate risk influences contracts entered into by the Parent Company with a notional value of Euro 53,817 thousand. Such contracts were entered into during the first six months of 2015 in

³¹ The balance of this item does not include investment in financial instruments issued by the Cassa Depositi e Prestiti SpA for which price risk is considered to be irrelevant.

³² Coupon stripping consists in detaching the interest payment coupons from a note or bond. Coupon stripping transforms each government security into a series of zero-coupon bonds. Each component may be traded separately.

order to fix part of the variable return on deposits with the MEF of Public Administration current account deposits. The variable return on such deposits is the average of the return on 6 month Treasury Bills (BOTs) and the average monthly Rendistato index. The latter represents the average yield on government securities with maturity greater than 2 years and reflects the average duration (of around 5 years) of Italian public debt, equivalent to the duration of 7 year BTPs. The contracts aim to fix the share of the return indexed to the Rendistato for the second half of 2015, through a series of repurchase agreements involving 7 year BTPs which are cash settled (i.e. only differentials are settled with no actual exchange of securities).

With regard to **financial liabilities**, the risk in question concerns the fair value losses of Euro 5,039 thousand on the derivative contract entered into by the Parent Company to hedge the cash flows of the bond with a nominal value of Euro 50 million issued in 2013 (Note 3.3, tab. A5.10).

With regard to the interest rate risk exposure determined by the average duration of the portfolios, at 30 June 2015, the duration of BancoPosta's overall investments is 5.6 years, while with regard to separately managed funds and investments to cover specific products issued by Poste Vita SpA, the average duration of the assets matching such policies is 5.9 years and the average duration of the liabilities is 5.83 years. The financial instruments intended to cover the technical provisions for Class III have maturities that match those of the liabilities.

Spread risk

The value of the portfolio of Italian government bonds is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due, in part, to the fact that, with respect to changes in so-called risk-free interest rates, changes in credit spreads have a greater influence on the value of variable rate bonds and, especially, to the fact that, unlike pure interest rate risk, which is hedged by the Parent Company, no hedging policy is in place to protect against such credit risk.

Accordingly, if interest rates rise as a result of a wider credit spread for the Italian Republic, losses on government bonds are not offset by movements in the opposite direction of other exposures.

During the first six months of 2015, the spreads between German *bunds* and government bonds issued by many other European countries, including Italy, decreased through April, benefitting from the quantitative easing introduced by the ECB, and then increased in the following months due to the worsening of the financial situation in Greece. Such movements resulted in a spread for 10-year terms of 155 bps at 30 June 2015 (138 bps at 31 December 2014). The overall worsening of the perceived creditworthiness of the Italian Republic during the first six months of 2015 impacted negatively on the price of government bonds, generating a reduction in the unrealised gains on those included in the Group's Available for sale portfolio.

Credit risk

Credit risk refers to all assets, except shares and units of mutual funds.

This risk is managed through:

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

During the first six months of 2015, revisions to ratings by the main agencies did not result in changes in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was A3 at 30 June 2015, unchanged from 31 December 2014.

Credit risk arising from derivative transactions is mitigated through rating and group/counterparty concentration limits. In relation to BancoPosta RFC and BdM-MCC SpA, interest rate and asset swap contracts are guaranteed by collateral foreseen by specific Credit Support Annexes. Exposure is quantified and monitored using the “market value” method provided for by Regulation (EU) 575/2013 (Basel 3).

With regard to “Revenue and receivables due from the state”, the nature of the Group’s customers, the structure of revenue and the method of collection limit the risk of default on trade receivables. However, as explained in Note 2.3, certain of the Parent Company’s activities envisage only partial reimbursement by the government of the cost incurred by the Company and amounts due to Poste Italiane are not always included in the state budget. Such activities are typically regulated by statute and specific agreements or contracts which involve particularly complex renewal processes.

All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

Finally, with regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the following table shows Poste Italiane SpA’s exposure to sovereign debt³³ at 30 June 2015, including details of the nominal value, carrying amount and fair value of each type of portfolio.

POSTE ITALIANE GROUP - Exposure to sovereign debt

(thousands of Euro)

Item	30.06.2015			31.12.2014		
	Nominal value	Book value	Market value	Nominal value	Book value	Market value
Italy	103,175,992	111,617,628	113,411,227	101,141,004	111,810,990	113,974,716
Held to maturity investments	13,209,550	13,490,511	15,284,110	13,807,550	14,099,686	16,263,412
Available for sale financial assets	83,874,409	92,127,815	92,127,815	81,163,783	91,678,558	91,678,558
Financial assets at fair value through profit or loss	6,092,033	5,999,302	5,999,302	6,169,671	6,032,746	6,032,746
Austria	10,425	10,540	10,540	425	504	504
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	10,425	10,540	10,540	425	504	504
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Belgium	95,060	90,840	90,840	143,060	145,637	145,637
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	95,060	90,840	90,840	143,060	145,637	145,637
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Finland	-	-	-	10,000	10,097	10,097
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	-	-	-	10,000	10,097	10,097
Financial assets at fair value through profit or loss	-	-	-	-	-	-
France	208,330	210,946	210,946	268,330	283,675	283,675
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	208,330	210,946	210,946	268,330	283,675	283,675
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Germany	89,590	105,079	105,079	22,590	32,178	32,178
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	89,590	105,079	105,079	22,590	32,178	32,178
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Ireland	355,000	352,032	352,032	-	-	-
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	355,000	352,032	352,032	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Holland	10,000	10,053	10,053	-	-	-
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	10,000	10,053	10,053	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Spain	903,450	929,000	929,000	605,700	697,325	697,325
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	903,450	929,000	929,000	605,700	697,325	697,325
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Slovenia	20,000	20,623	20,623	10,000	10,307	10,307
Held to maturity investments	-	-	-	-	-	-
Available for sale financial assets	20,000	20,623	20,623	10,000	10,307	10,307
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Total	104,867,847	113,346,741	115,140,340	102,201,109	112,990,713	115,154,439

³³ “Sovereign debt” includes bonds issued by, and loans provided to, central and local governments and government bodies.

Liquidity risk

In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, Poste Italiane Group applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amounts and the number of banks;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

In terms of BancoPosta RFC's specific operations, liquidity risk relates to the investment of current account deposits in Eurozone government securities.

At 30 June 2015, the maturities of investments in Eurozone government securities and the portfolio replication model approved by the Board of Directors of the Company were largely matched, in accordance with the internal guidelines in this area

In order to analyse its liquidity risk profile with regard to policies sold, Poste Vita SpA, performs Asset/liability management (ALM) analysis to support effective management of assets in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Finally, in order to measure liquidity risk correctly, it should be borne in mind that, unless restricted, investments in Eurozone government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. Such practice is normally adopted by BancoPosta.

Additional information on liquidity risk

The Group's financial structure at 30 June 2015 is solid and balanced and adequately protected from liquidity or refinancing risks. Overall, borrowings are primarily medium/long-term, except for drawdowns on short-term lines of credit and repurchase agreements. The lines of credit and medium/long-term borrowings outstanding at 30 June 2015 are adequate to meet expected financing requirements (Note 3.3, section B8).

Cash flow interest rate risk

Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

With regard to **Financial assets**, cash flow interest rate risk facing the Group primarily relates to:

- a share of the securities portfolio held by Poste Vita SpA, with a total nominal value of Euro 7,555,360 thousand;
- Parent Company deposits with MEF of the funds deriving from the current account deposits of Public Sector entities, amounting to Euro 4,932,253 thousand;
- fixed and variable rate government bonds with a total nominal value of Euro 570,000 thousand, as well as fixed rate bonds swapped into variable rate through fair value hedges, with a total nominal amount of Euro 1,075,000 thousand;
- receivables of Euro 703,829 thousand, for the main part relating to BancoPosta RFC, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments.

With regard to **Cash and cash equivalents**, cash flow interest rate risk relates mainly to amounts deposited by the Parent Company with the MEF and held in the so-called "buffer" account.

Cash flow inflation risk

At 30 June 2015, cash flow inflation rate risk relates to inflation-linked government securities not subject to cash flow hedges, held by Poste Vita SpA (nominal value of Euro 5,408,049 thousand) and BancoPosta RFC (nominal value of Euro 2,060,000 thousand).

Other risks

Reputational risk

The Group's business is by its nature exposed to elements of **reputational risk**, linked to market performance and primarily associated with the placement of investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

In view of such exposure and in order to optimise the risk-return profile of the products offered to its customers, Poste Italiane has adopted competitive selection policies and procedures for third-party issuers, ensuring selection of domestic and foreign issuers among banks and financial institutions with investment grade ratings. In addition, in order to protect and safeguard the Group's excellent reputation and public confidence in its operations and to protect its commercial interests from potential dissatisfaction among savers, significant monitoring activity is carried out throughout the Group to keep track of the performance of individual products and of changes in the risks to which customers are exposed. In particular, with regard to the sale of certain real estate funds in 2002-2005, which resulted in a number of complaints and disputes, in addition to assessing the need for provisions in the financial statements, Poste Italiane continues to monitor market trends closely in order to protect its customers' interests.

Details regarding other risks to which the Poste Italiane Group is exposed, such as operational risk and insurance risk, are included in the 2014 Annual Report.

5. PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

Litigation

In 2011, as part of a criminal investigation of third parties, the Tax Office in Rome, acting on behalf of local judicial authorities, seized accounting and administrative documents from **Postel SpA** related to e-procurement transactions carried out in 2010 and, to a lesser extent, in 2011; as a precautionary measure, e-procurement operations were suspended in 2011. The company and its external legal advisors will consider what actions to take to best safeguard the company's interests, should it be necessary.

On 27 February 2015, the tax authorities notified **Poste Italiane SpA** of an indictment for accounting irregularities before the Court of Auditors for the Lazio region, in relation to certain accounting records regarding the handling and distribution of revenue stamps during the period 2007-2010. The hearing was held on 2 July 2015 and (with sentence no. 332 of 9 July 2015) the Court of Auditors for the Lazio region fined the Parent Company an amount of Euro 8,127 thousand and requested payment of the amount by which the sum had increased to the date of the sentence and late payment fees. Poste Italiane SpA is currently considering what actions to take to best safeguard its interests and the likely final outcome of this litigation is considered in determining provisions for risks and charges.

Tax disputes

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 **BdM-MCC SpA** received an official tax audit report contesting the deductibility of Euro 19.6 million in costs, relating to transactions effected in 2008 to settle disputes with the Parmalat Group. The report further claimed that BdM-MCC had underreported its taxable income by Euro 16.2 million, in relation to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. In view of the fact that for the 2008 tax year the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Provincial Tax Tribunal and in May 2015, the tax authorities appealed the Provincial Tax Tribunal's ruling. Given that responsibility for these events and related actions rests with the previous owner of the bank, whose lawyers are defending the bank in this case, it is felt that any liabilities arising from such violations cannot, in any way, be attributed to BdM-MCC SpA.

In November 2011, the tax authorities notified **EGI SpA** of three notices of assessment for the years 2006, 2007 and 2008. All three notices concerned a similar IRES related irregularity, regarding the application of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased to third parties. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company paid a total amount of approximately Euro 2.1 million within the required deadline. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the Company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. Following the successful appeal, on 10 June 2015, Equitalia reimbursed the full sum paid to EGI SpA. On 24 April 2015, the tax authorities notified EGI that they had filed an appeal with the Court of Cassation, requesting annulment of the judgement on appeal in favour of the company and on 12 June 2015 EGI SpA presented a cross appeal. The litigation is currently pending before the Supreme Court of Cassation.

In 2009, the *Agenzia delle Entrate Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) notified Poste Vita SpA of an alleged violation of the VAT regulations in relation to the 2004 tax year, resulting in fines of approximately Euro 2.3 million for the alleged failure to

pay VAT on invoices for service commissions. Poste Vita SpA appealed the above findings before the Provincial Tax Tribunal of Rome. In December 2010 and September 2011, the tax authorities sent notices of two further small fines for the same violation in fiscal years 2005 and 2006. These fines have also been appealed. With regard to the dispute over VAT for 2004 and 2006, the Provincial Tax Tribunal of Rome has found in the company's favour, ruling that the tax authorities' allegations are without grounds. The Agency challenged such rulings and filed appeals. Both hearings were held before the Provincial Tax Tribunal of Rome on 25 June 2015 and as of the date of preparing these financial statements, no ruling has been reached. With regard to the alleged violations relating to 2005, the first hearing before the Provincial Tax Tribunal of Rome was held on 13 July 2015. The likely outcomes of these tax disputes have been considered in determining provisions for risks and charges.

In 2012, as part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000, the *Agenzia delle Entrate Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) began an audit of Poste Italiane SpA's IRES, IRAP, VAT and withholding taxes for the 2009 tax year. This audit was then extended to include the 2010 tax year, relating solely to inspection of the VAT exemption on postal services. The audit was completed on 27 October 2014, with the findings being published in an official tax audit report and on 26 November 2014, Poste Italiane SpA paid related taxes, interest and reduced penalties for a modest total amount. With regard to the issue of the VAT exemption for postal services, the tax authorities did not find any irregularities, merely reporting the matter to the assessing office which, for 2009, did not find evidence of a violation. The Company believes the same will be the case in relation to 2010.

In order to report on the tax implications of the violations identified during the criminal investigation described above in the section on Litigation, on 22 July 2014, the *Guardia di Finanza, Nucleo Polizia Tributaria Roma* (Italian Finance Police - Tax Unit, Rome) commenced a tax audit of **Postel SpA** relating to direct taxes and VAT for the tax years from 2009 to 2012. The audit was completed on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, was contested. In support of its defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000, which are still being considered by the tax authorities. The likely outcome has been considered in determining provisions for risks and charges³⁴.

Again with reference to Postel SpA, proceedings regarding the statute of limitations for IRAP in relation to 2004-2006, which had been contested by the tax authorities on a residual basis following an audit covering 2003-2006, were brought to an end during the six months ending 30 June and July 2015 through payment of negligible amounts.

Finally, on 6 July 2015, the *Guardia di Finanza, Nucleo Polizia Tributaria Roma* (Italian Finance Police - Tax Unit, Rome) visited Postel SpA to start an audit of income taxes, IRAP and withholding taxes in accordance with articles 32 and 33 of Presidential Decree no. 600 of 29 September 1973, art. 35 of Law no. 4 of 7 July 1929 and art. 2 of Legislative Decree no. 68 of 19 March 2001, in connection with alleged omission of payment of contributions by the company during the period 2010-2014 in relation to staff and other human resources of Wizard Srl.

Social security dispute

Since 2012, the *Istituto Nazionale per la Previdenza Sociale (INPS)*, the National Institute of Social Security) office at Genoa Ponente has issued Postel SpA and Postelprint SpA (which on 27 April 2015, was merged by incorporation into Postel SpA, effective from a legal and accounting viewpoint from 1 January 2015) with a number of notices of adjustment,

³⁴ In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the Guardia di Finanza – Nucleo Speciale Polizia Valutaria (Italian Finance Police - Currency Unit, Rome) began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio Postelink, now merged with the company, and Phoenix 2009 Srl.

some of which have resulted in payment orders, totalling Euro 9.6 million which, according to the agency, represents unpaid social security contributions. The companies immediately challenged the grounds for the payment orders, initially through administrative channels before the Administrative Committee for Employee Pensions, and subsequently through legal action before the Court of Genoa. The Court awarded an injunction suspending the payment orders and adjourned the discussion until the related hearings. In a brief filed on 24 May 2014 with regard to one of the pending actions, INPS for the first time clarified the nature of its claim for unpaid contributions, arguing that the companies, whilst correctly paying pension contributions to IPOST (a fact that cannot be contested in the light of the authentic interpretation provided by art 7, paragraph 9 *sexies* of Law Decree 101/2013), should have paid non-pension contributions to INPS, on the assumption that IPOST represents a supplementary pension scheme and not an alternative to the general regime, and that its sole purpose is to provide old age, invalidity and survivors' pensions. According to this interpretation, Poste SpA would be required to insure its employees with INPS in order to provide other forms of cover (income support, extraordinary income support, unemployment benefit and family benefits) not provided by IPOST. On the basis, *inter alia*, of the opinion of its legal counsel, the company maintains that it applied the relevant legislation correctly and that INPS's claims are without grounds. The element of uncertainty linked to the outcome of the pending challenges has, in any event, been prudently considered in calculating provisions for risks and charges at 30 June 2015.

Principal proceedings pending and relations with the authorities

European Commission

On 13 September 2013, the Court of Justice of the European Union upheld **Poste Italiane SpA's** appeal, overturning the decision of the European Commission of 16 July 2008 on state aid, and ordered the EC to pay legal costs. Acting on the European Commission's Decision, and in accordance with instructions from the Parent Company's shareholder, in November 2008, Poste Italiane SpA made available Euro 443 million plus interest of Euro 41 million to the MEF, which collected the sum in January 2009. In implementation of the European Court's (by then definitive) decision, in accordance with art.1 para. 281 of the 2015 Stability Law, (Law no. 190 of 23 December 2014), on 13 May 2015, the Company collected the amount of Euro 535,000 thousand from its shareholder MEF (Note B2). Following the European Court's decision, however, the European Commission reopened its review and appointed an external expert to determine whether (in accordance with art. 1 para.31 of the 2006 Financial Law - Law 266 of 23 December 2005) the rates of interest earned by the Company on deposits with MEF during the period from 1 January 2005 to 31 December 2007 were in line with market rates. At the date of preparing these financial statements, the expert has provided the Commission on a preliminary basis with an updated version of the analysis originally performed by the Commission. Poste Italiane will collaborate with relevant national authorities to demonstrate the appropriate nature of the returns earned during the period in question.

AGCM (the Antitrust Authority)

On 14 March 2012 the Antitrust Authority launched an investigation of Poste Italiane SpA to establish whether the Company was abusing its dominant position in the deregulated postal services market. The procedure was intended to determine whether or not Poste Italiane provided individual customers with services for which it does not charge VAT, thereby benefitting from an unjustified competitive advantage in being able to offer services exempt from value added tax. On 23 April 2013, Poste Italiane SpA was notified of the Authority's ruling which, in brief, concluded that the national VAT legislation was not in keeping with that of the EU and, accordingly, must be disapplied. While the ruling did not result in any financial sanctions for the Company, it further concluded that Poste Italiane SpA had abused its dominant position by applying discounts – due to the non-application of VAT – that its competitors could not match, and gave the Company 180 days after notification of the ruling to cease the abuse by charging VAT on postal services whose conditions of supply have been deregulated. On 21 June 2013, Poste Italiane SpA appealed the Authority's ruling before the Lazio Regional Administrative Court and on 7 February 2014 the appeal was rejected. On 25 March 2014, the

Company, therefore, appealed to the Council of State, at the same time requesting suspension of the Regional Administrative Court's sentence and, accordingly, the Authority's ruling. A hearing on the merits which had initially been scheduled to take place on 26 May 2015 was postponed and will now take place on 20 October 2015. In the meantime, the Company is complying with the Authority's ruling and providing related reports to the Authority. In this regard, it is noted that on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted Poste Italiane's conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation that was only transposed into Italian law following the above amendment.

On 9 March 2015, proceedings were initiated against Poste Italiane SpA for alleged violation of articles 20, 21 and 22 of the Consumer Code, in relation to the "Libretto Smart" (a savings product). In particular, the Authority contested the fact that in the advertising campaigns during February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer with which such advertised returns were associated. On 3 April 2015, responses to the requests made for information at the start of proceedings were communicated to the Authority and on 23 April 2015 the first list of undertakings was presented. On 12 May 2015, following the hearing which took place at the Authority's offices, the proposed list of undertakings was modified and added to and a second List was sent. On 12 June 2015, AGCM informed Poste Italiane SpA that it had rejected its proposed list of undertakings and that it intended to proceed with its verification of the alleged violation. On 3 July 2015 Poste Italiane SpA was informed that proceedings had been extended to include Cassa Depositi e Prestiti SpA. The proceedings are expected to be completed by 5 October 2015.

On 4 June 2015, proceedings were initiated against Poste Italiane SpA, following a petition presented by H3G SpA in relation to a presumed violation of art.8 para.2 quarter of Law 287/1990 (Antitrust Law), to determine whether actions taken by Poste Italiane SpA were such as to preclude access by H3G SpA to the post office network. In opening the procedure, AGCM set an end-date for proceedings of 31 December 2015. On 8 July 2015, the Authority communicated that it had accepted Fastweb SpA's request to participate in the proceedings. On the same date that proceedings were initiated (4 June 2015) the offices of **PosteMobile SpA** were inspected by AGCM. The Company, which was inspected as a third party in the proceedings, has presented a request to participate in the proceedings in order to demonstrate the absence of any violation, in terms of its own area of responsibility.

AGCom (the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector from the Ministry for Economic Development to the Italian Communications Authority (AGCom). The following points provide a brief overview of the main pending proceedings.

- Investigation concerning the "the setting of the price cap for services falling within the scope of the universal service obligation". With a specific resolution dated 24 December 2013, AGCom approved the prices applicable by **Poste Italiane SpA**, for universal postal services in the three-year period 2014-2016 granting, in particular, the option to increase the existing tariffs for retail and business services. In addition, the resolution introduced new obligations for Poste Italiane in terms of cost accounting for postal services and in relation to the matter of access to the universal postal network. Following an in-depth technical and financial analysis, the Company concluded that there are grounds to appeal to the administrative courts to suspend and overturn the above resolution. The hearing on the merits has been adjourned until further notice.
- Investigations concerning the "universal postal service". For the first time since transposition into Italian law of the third European directive regarding postal services (Directive 2008/6/CE), the so-called "net avoided cost" method was applied in quantifying the cost of the universal service. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal

service obligations and the net operating cost without such obligations. On 29 July 2014, the Board of AGCom issued Resolution 412/14/CONS, approving the means of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. In confirming that the cost of the universal service, as calculated for 2011 and 2012 had been unfair, in certain respects, and thus merited compensation, the resolution quantified the cost for 2011 and 2012 respectively, as Euro 381 million and Euro 327 million, as compared to the sums originally recorded of approximately Euro 357 million and Euro 350 million (see also Note A7.3 in section 3). On 13 November 2014, Poste Italiane SpA challenged the resolution by filing an appeal before the Regional Administrative Court (TAR). The date of the related hearing on the merits has not yet been set. On 23 September 2014, the Authority began the process of analysis and review of applicability of the method for allocating and assessing the net cost of the Universal Postal Service for 2013 and, on 24 July 2015, confirmed that such process would be extended to include also 2014.

Bank of Italy

The processes and controls involved in the prevention of money laundering and the financing of terrorism have been further strengthened, with all areas susceptible to money laundering being included in a structured review of the system and new control features being released on a gradual basis. In particular, key initiatives to date have involved ongoing acquisition of the information needed to perform “Adequate Checks” and the rollout of the new IT platform to support identification of potentially suspect transactions and automatic blocking of post office transactions at a high risk of money laundering (cash, bank transfers, money transfers), for further detailed checking and additional authorisation as required.

During the first six months of 2015, **Poste Italiane SpA** was served 2 notices of alleged violations of anti-money laundering regulations. In response, the Company submitted a defence brief to the MEF for each of the notices. In total, at 30 June 2015, there are 31 proceedings pending with MEF, of which 26 relating to failure to report suspect transactions and 5 for violation of the regulations limiting the use of cash and bearer securities.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (Insurance regulator)

Following the inspection that took place between 1 April and 14 July 2014, for the purposes of assessing the governance, management and control of investments and financial risks, and compliance with anti-money laundering regulations, on 17 September 2014 IVASS notified **Poste Vita SpA** of its recommendations and the start of administrative proceedings regarding the alleged violation of four provisions concerning anti-money laundering regulations. The Company has submitted defence briefs and the proceedings will be closed within two years.

CONSOB

In April 2013, CONSOB commenced a general review of the investment services offered by BancoPosta pursuant to art. 10, paragraph 1 of Legislative Decree 58/98. The review was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. The Parent Company is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures as part of a specific project coordinated by BancoPosta. Progress is in line with planned timelines and detailed progress reporting was provided to Consob on 4 June 2015.

6. ATTESTATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING AND INDEPENDENT AUDITORS' REPORT

Management attestation in relation to the condensed interim financial statements for the six months ended 30 June 2015, pursuant to art. 154-bis of Legislative Decree 58/1998

1. We, the undersigned, Francesco Caio, as Chief Executive Officer, and Luigi Ferraris, as Manager responsible for Poste Italiane SpA's financial reporting, having also taken account of the provisions of art.154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, confirm:

- the adequacy, with regard to the nature of the Company, and
- the effective application during the six months ended 30 June 2015 of the administrative and accounting procedures adopted in preparing the condensed interim financial statements.

2. In this regard, we note that, as highlighted in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, the generally accepted international reference in matters relating to internal control, and expressly referred to by Confindustria in its *Guidelines for the role of Manager responsible for financial reporting pursuant to art. 154-bis of the Consolidated Law on Finance*, an internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance regarding achievement of an entity's objectives, including the truth and fairness of its financial reporting.

3. We also confirm that:

3.1 the condensed interim financial statements:

- a) have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union on 19 July 2002 in EC Regulation 1606/2002, issued by the European Parliament and Council;
- b) are consistent with the underlying books of account and accounting records; and
- c) give a true and fair view of the financial position and results of operations of the issuer and the companies included within the scope of consolidation.

3.2 the Interim Report on Operations provides a reliable analysis of significant events occurring during the first six months of 2015 and their impact on the condensed interim financial statements, as well as a description of the main risks and uncertainties facing us in the second half of the year.

Rome,
31 July 2015

Chief Executive Officer

Francesco Caio

Manager responsible for financial reporting

Luigi Ferraris

(This certification has been translated from the original which was issued in accordance with Italian legislation)



INDEPENDENT AUDITOR'S REPORT

POSTE ITALIANE SPA

**REPORT ON THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS AT 30 JUNE 2015**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Poste Italiane SpA

Report on the condensed interim consolidated financial statements as at 30 June 2015

We have audited the accompanying condensed interim consolidated financial statements of Poste Italiane SpA and its subsidiaries ("Poste Italiane Group") as at 30 June 2015, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related notes.

Management's responsibility for the condensed interim consolidated financial statements

Management is responsible for the preparation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed interim consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drafted pursuant to article 11, para. 3, of Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the condensed interim consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the condensed interim consolidated financial statements of the Poste Italiane Group for the period ended 30 June 2015 are prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Rome, 31 July 2015

PricewaterhouseCoopers SpA

Signed by

Monica Biccari
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers. We have not examined the translation of the condensed consolidated interim financial statements referred to in this report.