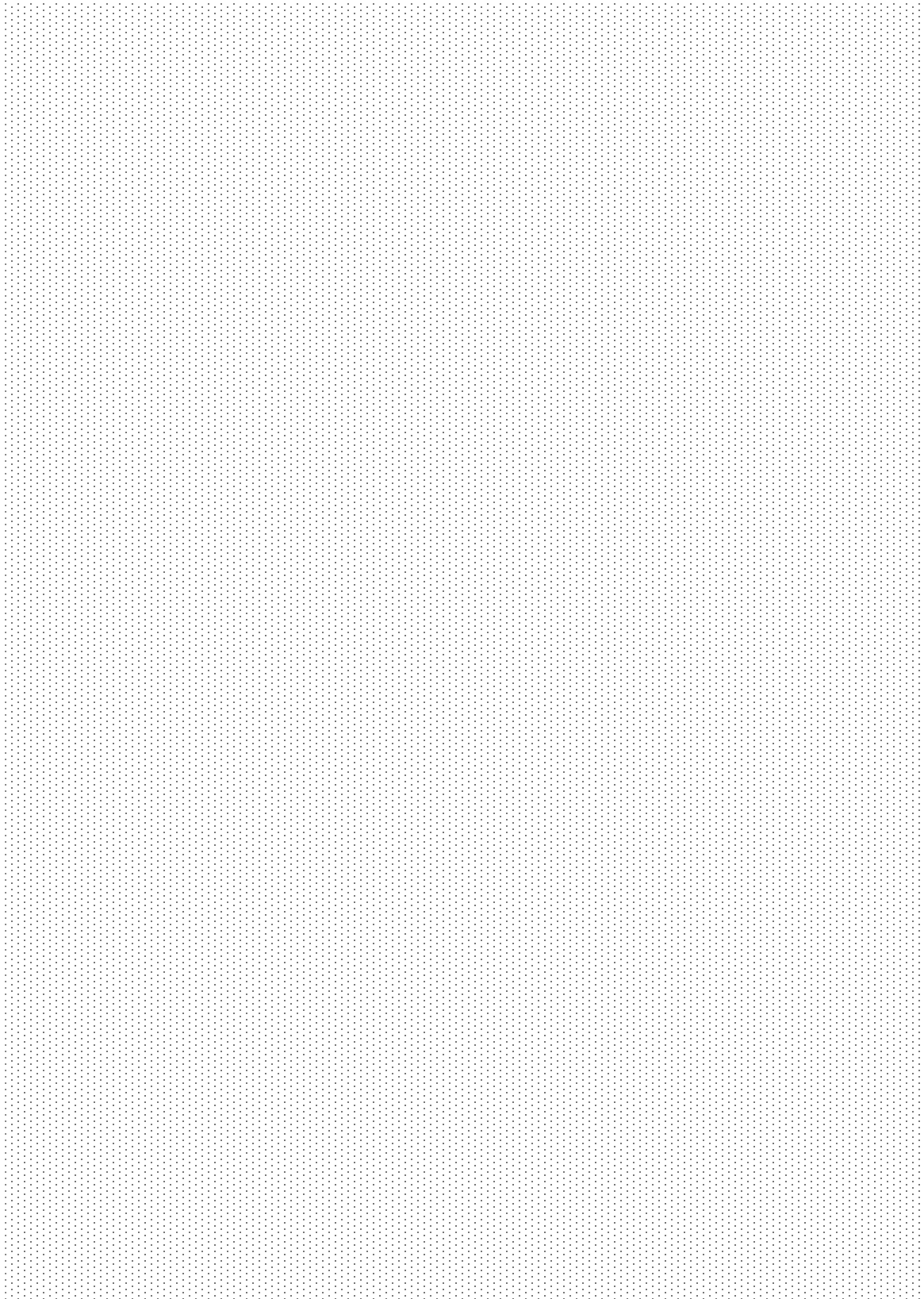


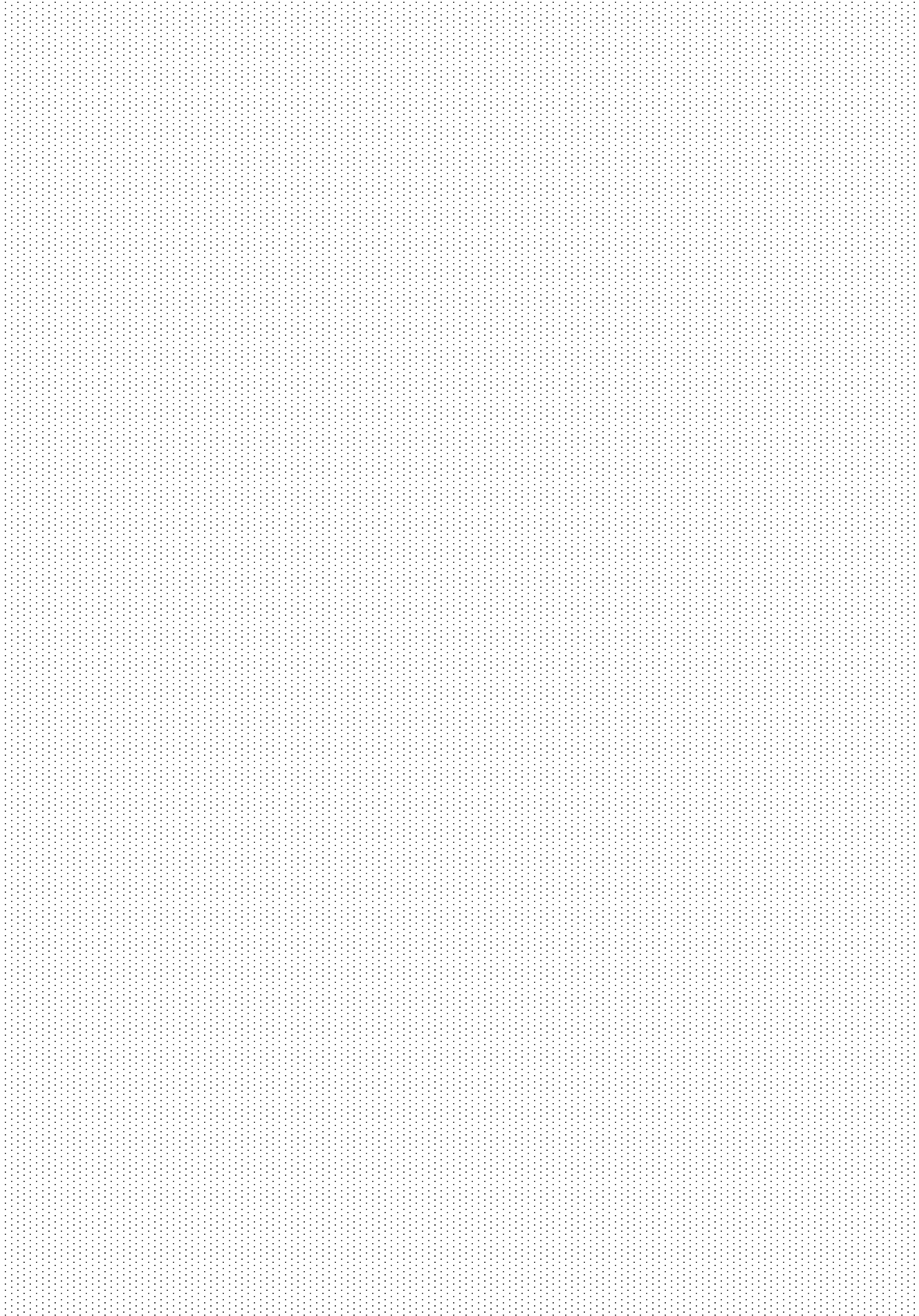
Interim report for the three months ended 31 March 2016

Posteitaliane



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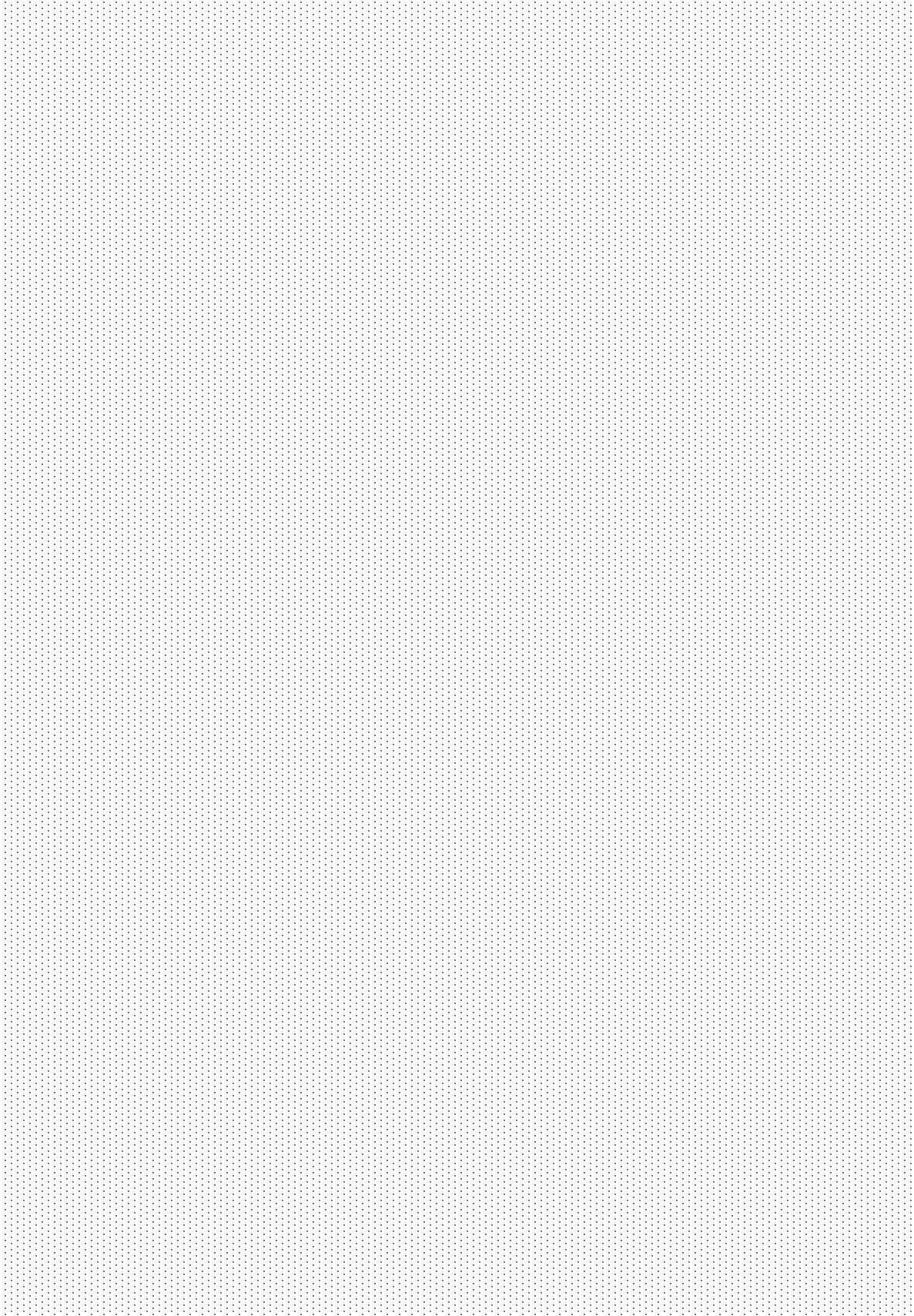
1. FINANCIAL AND OPERATIONAL HIGHLIGHTS

Results of operations for the three months ended 31 March (€m)	2016	2015
Total revenue	9,759	8,543
<i>of which:</i>		
<i>from Postal and Business Services</i>	936	983
<i>from Financial Services</i>	1,556	1,497
<i>from Insurance Services and Asset Management</i>	7,210	5,999
<i>from Other Services</i>	57	64
EBITDA	713	629
Operating profit/(loss)	562	484
Profit for the year	367	311
Gross ROE	5.9%	5.4%
Financial position at 31 March (€m)	2016	2015
Non-current assets	2,922	3,010
Working capital	1,131	1,301
Net invested capital	916	999
Equity	9,637	9,658
Net funds/(debt)	8,721	8,659
Industrial net funds/(debt) (before adjusting for intersegment transactions)	118	307
Investment for the three months ended 31 March (€m)	2016	2015
Capital expenditure	62	59
Average workforce for the three months ended 31 March	2016	2015
Total permanent and flexible workforce expressed in full time equivalent terms	142,582	143,242
Other operational data at 31 March	2016	2015
Outstanding customer current accounts ('000) ¹	6,384	6,362
Client assets (€m) ²	486,460	475,939
Number of post offices	13,047	13,048
for the three months ended 31 March	2016	2015
Letters handled by Group (volumes in million)	922	1,023
Express Delivery items and Parcels handled by Group (volumes in million)	23	21
Current account deposits (average for the period in €m) ³	47,991	45,025
Poste Vita group (net premium revenue in €m)	6,116	4,921
Number of PosteMobile SIM cards (average for the period in '000)	3,614	3,354

¹ This figure does not include transaction accounts.

² These amounts include postal savings deposits, the mutual investment funds marketed, Poste Vita's technical provisions and average current account deposits (average current account deposits include Long Term RePo).

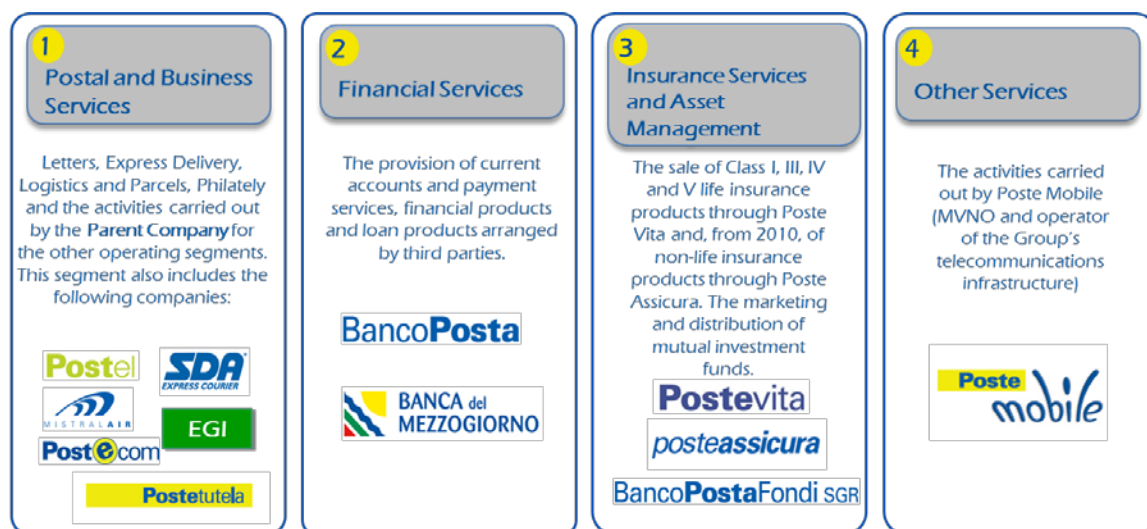
³ These amounts include both private customer deposits (including the investment of liquidity by Group companies and amounts payable to financial institutions under repurchase agreements), and deposits by the Public Administration.



2. POSTE ITALIANE'S MISSION

Poste Italiane aims to be a driving force for inclusive development in Italy, helping citizens, businesses and the Public Administration through the transition to a digital economy by offering high-quality, simple, transparent and reliable services.

3. THE GROUP'S OPERATING SEGMENTS



Following a number of organisational changes, from 2016, the allocation of certain companies to the related operating segments has altered. Specifically, BancoPosta Fondi SpA SGR, which was previously allocated to the Financial Services segment, now forms part of the Insurance Services and Asset Management segment, whilst Poste Tributi ScpA, which was previously allocated to the Postal and Business Services segment, has been transferred to the Financial Services segment. The relevant comparative amounts for the first quarter of 2015 have been accordingly reclassified in this interim report.

4. MANAGEMENT AND SUPERVISORY BODIES

Board of Directors ⁽¹⁾

Chairwoman	Luisa Todini
Chief Executive Officer and General Manager	Francesco Caio
Directors	Elisabetta Fabri Umberto Carlo Maria Nicodano Chiara Palmieri Filippo Passerini Roberto Rao

(1) The Board of Directors was elected by the Ordinary General Meeting of 2 May 2014. The number of Directors was increased at the General Meeting of 31 July 2015 which, in keeping with the Company's By-laws, increased the number of Board members in order to add new expertise and capabilities, partly to ensure an adequate composition of the various Board committees. The General Meeting voted to elect seven Board members and proceeded to elect Umberto Carlo Maria Nicodano and Chiara Palmieri, whose terms of office will expire at the same time as those of the existing Directors.

In addition, on 7 August 2015, Antonio Campo Dall'Orto resigned from the Board with immediate effect and, on 10 September 2015, the Board – in accordance with art. 2386 of the Italian Civil Code and art. 14.4 of the By-laws – appointed Filippo Passerini to replace the departing Director. Mr Passerini's election was then confirmed by the General Meeting of 23 September 2015.

Board of Statutory Auditors ⁽²⁾

Chairwoman	Benedetta Navarra
Auditors	Maurizio Bastoni Nadia Fontana
Alternates	Manuela Albertella Alfonso Tono

(2) The Board of Statutory Auditors was elected by the Ordinary General Meeting of 25 July 2013 to serve until approval of the financial statements for the year ended 31 December 2015.

Following the resignations of the Chairman, Biagio Mazzotta, and the alternates, Roberto Coffa and Patrizia Padroni, the Ordinary General Meeting of 23 September 2015 proceeded to replace the departing auditors, electing Maurizio Bastoni as a standing auditor and two alternates, Manuela Albertella and Alfonso Tono. At the same meeting, Benedetta Navarra was elected Chairwoman.

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

Francesco Petronio

Independent Auditors

PricewaterhouseCoopersSpA

At the meeting held on 10 September 2015, the Board of Directors established 3 Board committees with responsibility for making recommendations and providing advice to the Board. The following committee members were appointed:

Nominations Committee	Remuneration Committee	Audit and Risk Committee
- Roberto Rao - Chairman - Chiara Palmieri - Filippo Passerini	- Filippo Passerini - Chairman - Elisabetta Fabri - Umberto Carlo Maria Nicodano	- Umberto Carlo Maria Nicodano - Chairman - Chiara Palmieri - Roberto Rao

5. PERFORMANCE INDICATORS

Legislative Decree 25 of 15 February 2016 has replaced article 154-ter, paragraph 5 of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance). The new legislation has removed the obligation to publish interim reports, granting the CONSOB the option of requiring issuers whose home member state is Italy to publish additional interim financial disclosures. Whilst awaiting the CONSOB's decision on this matter, Poste Italiane has published this document on a voluntary basis. This decision is not intended to put the Company under any future obligation and is subject to review in the light of changes in the relevant statutory and regulatory requirements. The recognition, measurement and classification criteria used are consistent with those used in the preparation of the Annual Report for 2015 and are those established by the International Financial Reporting Standards (IFRS) adopted by the European Union and contained in the related EU regulations published up to 10 May 2016, the date on which Poste Italiane SpA's Board of Directors approved this interim report for the three months ended 31 March 2016. This document has not been audited.

The disclosures in the interim report are designed to provide an update on operations, events and circumstances taking place solely in the first quarter of 2016. Full disclosure is provided in the Annual Report for 2015.

In accordance with the Committee of European Securities Regulators' Recommendation CESR/05-178b regarding alternative performance indicators, in addition to the financial disclosures required by IFRS, Poste Italiane has included a number of indicators in this report that have been derived from them. These provide management with a further tool for measuring the performances of the Parent Company and its subsidiaries. In particular, in addition to the operating segment disclosures required by IFRS 8, management has proceeded to reclassify the income statement for the Financial Services and Insurance Services and Asset Management segments solely for the purpose of integrating and enhancing its assessment of the operating performance of the specific segments in which the Group operates.

The following alternative performance indicators have been used:

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – this is an indicator of a company's operating profitability before non-operating financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets and investment property.

Gross ROE (Return On Equity) – the ratio of pre-tax profit to the average value of equity at the beginning and end of the reporting period. The performance of this indicator reflects, among other things, the change in the fair value reserves for financial assets classified as available-for-sale. In order to facilitate comparison of the Group's profitability, pre-tax profit has been used in calculating this indicator, rather than net profit for the period, given the different forms of taxation to which the Group's operating segments are subject and changes in the related tax regulations in recent years.

NON-CURRENT ASSETS – this indicator represents the sum of property, plant and equipment, investment property, intangible assets and investments measured using the equity method.

WORKING CAPITAL – the sum of inventories, trade receivables and other receivables and assets, current tax assets, trade payables and other liabilities, and current tax liabilities.

NET INVESTED CAPITAL – the sum of non-current assets and working capital, deferred tax assets, provisions for risks and charges, provisions for employee termination benefits and pension plans and deferred tax liabilities.

GROUP NET (DEBT)/FUNDS - the sum of financial liabilities, technical provisions for the insurance business, financial assets, technical provisions attributable to reinsurers, cash and deposits attributable to BancoPosta and cash and cash equivalents. This indicator is also shown separately for each operating segment.

INDUSTRIAL NET (DEBT)/FUNDS, IN ACCORDANCE WITH ESMA GUIDELINES, for the Postal and Business Services and Other Services segments - the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

INDUSTRIAL NET (DEBT)/FUNDS, before adjusting for intersegment transactions: this is the sum of net debt attributable to the sum of net (debt)/funds for the Postal and Business Services and Other Services segments before adjusting for intersegment transactions.

6. MACROECONOMIC AND MARKET ENVIRONMENT

The first quarter of 2016 has confirmed the trends seen in the closing months of 2015: a global economic cycle marked by moderate growth, weaker trade and very low inflation, primarily due to commodity prices and easy monetary policies in the advanced nations.

The uncertain growth outlook for the Chinese economy and fears that the crisis in a number of emerging countries could have an impact on advanced economies have helped to further erode confidence in financial markets and led to a sell-off of equities. Market sentiment improved from February, as news of a possible agreement between the largest oil producers, who decided to freeze production at current levels, led to a recovery in share prices.

Among the industrialised economies, the USA continues to grow on the back of internal demand, which has offset the weakness of exports caused by the relative strength of the dollar. Uncertainty surrounding the global macroeconomic environment has led the FED, despite rising employment and a pick-up in inflation, to once again put off raising interest rates.

Of the emerging countries, the Chinese economy shows signs of slowing further during the difficult transfer to a growth model based on internal demand rather than on exports. Russia is also on a downward trajectory and Brazil is suffering the effects of falling commodity prices, a decline in investment, cuts in public spending and a difficult political situation.

In Europe, the latest available figures show that the recovery has slowed. Low inflation and the slight increase in employment continue to support internal demand, compared with a significant fall in exports. Against this backdrop, the expansionary measures introduced by the European Central Bank (ECB) in March, with the aim of boosting the impact of monetary policy on the real economy, have helped to halt the decline in market expectations.

The ECB has asked European leaders to carry out structural reforms, given that monetary policy alone will not be sufficient to kick-start the economy. Further downside risks are represented by the UK's potential exit from the European Union, to be decided by a referendum in June of this year.

Italy is expected to have seen a modest GDP growth in the first quarter, driven by internal demand and partly confirmed by early indicators; falling interest rates on loans continue to boost consumer spending, above all on durable goods. The labour market remains uncertain, partly due to the end of the contribution holiday introduced by Law 190/2014 (the so-called "jobs act").

If the reduced contribution from overseas trade is confirmed, the strength of the recovery will depend on progressive growth in other components of demand and on investment, which has so far had a modest impact.

7. GROUP OPERATING RESULTS

Profit for the first quarter of 2016 amounts to €367 million, an improvement of €56 million on the same period of 2015.

Operating profit is up 16.1% from €484 million for the first quarter of 2015 to €562 million for the first three months of 2016, benefitting from the positive performances of almost all the sectors in which the Group operates. The contribution to operating profit from the Postal and Business Services segment is up 46% (€177 million in the first quarter of 2016, compared with €121 million in the same period of 2015). This essentially reflects the positive contribution from the fees paid by BancoPosta RFC in return for use of the Group's distribution network. The Financial Services segment recorded a strong performance, with operating profit of €267 million (€250 million in the first quarter of 2015), primarily linked to returns on BancoPosta RFC's investments.

The Insurance Services and Asset Management segment reports operating profit of €108 million (up 11.3%) and an excellent operating performance, with €6.1 billion in premium revenue during the period (€4.9 billion in the first quarter of 2015).

Reclassified consolidated statement of profit or loss

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Revenue from sales and services and insurance premium revenue	8,277	7,142	1,135	15.9%
Postal and Business Services	923	969	(46)	-4.7%
Financial Services	1,165	1,178	(13)	-1.1%
Insurance Services and Asset Management	6,132	4,931	1,201	24.4%
Other Services	57	64	(7)	-10.9%
Other income from financial and insurance activities	1,467	1,385	82	5.9%
Financial Services	389	317	72	22.7%
Insurance Services and Asset Management	1,078	1,068	10	0.9%
Other operating income	15	16	(1)	-6.3%
Postal and Business Services	13	14	(1)	-7.1%
Financial Services	2	2	-	n/s
Total revenue	9,759	8,543	1,216	14.2%
Cost of goods and services	600	617	(17)	-2.8%
Net change in technical provisions for insurance business and other claims expenses	6,728	5,734	994	17.3%
Other expenses from financial and insurance activities	197	15	182	n/s
Personnel expenses	1,505	1,498	7	0.5%
Capitalised costs and expenses	(4)	(5)	1	-20.0%
Other operating costs	20	55	(35)	-63.6%
Total costs	9,046	7,914	1,132	14.3%
EBITDA	713	629	84	13.4%
Depreciation, amortisation and impairments	151	145	6	4.1%
Operating profit/(loss)	562	484	78	16.1%
Finance income/(costs)	3	2	1	50.0%
Profit/(loss) on investments accounted for using the equity method	3	-	3	n/s
Profit/(Loss) before tax	568	486	82	16.9%
Income tax expense	201	175	26	14.9%
Profit for the period	367	311	56	18.0%

n/s: not significant

Total revenue by operating segment

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Postal and Business Services	936	983	(47)	-4.8%
Financial Services	1,556	1,497	59	3.9%
Insurance Services and Asset Management	7,210	5,999	1,211	20.2%
Other Services	57	64	(7)	-10.9%
Total revenue	9,759	8,543	1,216	14.2%

Total revenue of €9,759 million is up 14.2% on the same period of 2015. The improvement primarily reflects the positive performance of insurance services and asset management, where total revenue amounts to €7,210 million (up 20.2% on the first quarter of 2015).

Postal and Business Services contributed total revenue €936 million, registering a reduction of 4.8% (€983 million in the first quarter of 2015) due to the expected decline in traditional letter post.

Total revenue from Financial Services amounts to €1,556 million, marking an increase of 3.9% due to a rise in "Other income from financial activities", which is up from €317 million in the first quarter of 2015 to €389 million in the same period of 2016. This income is primarily generated by the sale of available-for-sale financial assets, in which the postal current account deposits of BancoPosta RFC's private customers are invested.

As noted above, the Insurance Services and Asset Management segment which, from 1 January 2016, also includes the activities of BancoPosta Fondi Sgr, delivered excellent results during the period, with Poste Vita and its subsidiary, Poste Assicura, recording premium revenue of €6.1 billion (premium revenue of €4.9 billion in the same period of 2015). This primarily reflects the performances of traditional Class I investment and savings products, where the Group has built up a strong presence. Other income from financial and insurance activities is up €10 million from €1,068 million in the first quarter of 2015 to €1,078 million in the same period of 2016.

Total revenue from Other Services amounts to €57 million (€64 million in the same period of 2015) and is generated by Poste Mobile.

Cost of goods and services

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Services	467	465	2	0.4%
Lease expense	86	88	(2)	-2.3%
Raw, ancillary and consumable materials and goods for resale	37	42	(5)	-11.9%
Interest expense	10	22	(12)	-54.5%
Total	600	617	(17)	-2.8%

The cost of goods and services is down 2.8% from €617 million in the first quarter of 2015 to €600 million in the first quarter of 2016, primarily reflecting a reduction in the cost of funding, represented by interest paid to customers by BancoPosta RFC.

The net change in technical provisions for the insurance business and other claims expenses, which is closely linked to the above growth in premium revenue recorded by Poste Vita, amounts to €6.7 billion (€5.7 billion in the first quarter of the previous year).

Other expenses from financial and insurance activities are up from €15 million in the first quarter of 2015 to €197 million in the same period of 2016, reflecting the greater impact of movements in the fair value of financial instruments, for the most part attributable to the subsidiary, PosteVita.

Personnel expenses

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Salaries, social security contributions and sundry expenses ^(*)	1,498	1,492	6	0.4%
Redundancy payments	6	9	(3)	-33.3%
Net provisions (uses) for disputes	1	(3)	4	n/s
Total personnel expenses	1,505	1,498	7	0.5%

n/s: not significant

^(*) This includes the following items: salaries and wages; social security contributions; employee termination benefits; temporary work; Directors' fees and expenses; other costs (cost recoveries).

Ordinary personnel expenses, linked to salaries, contributions and sundry expenses, amount to €1,498 million, marking a slight increase with respect to the first quarter of 2015 (up 0.4%).

The cost of early retirement incentives during the quarter amounts to €6 million (€9 million in the same period of the previous year) and regards management personnel. The cost of early retirement incentives for non-management staff was covered by a portion of the provisions for restructuring charges, made at the end of the previous year to cover the estimated costs to be incurred by Poste Italiane for early retirement incentives for employees leaving the Company by 31 December 2017.

OPERATING RESULTS BY OPERATING SEGMENT

for the three months ended 31 March 2016 (€m)	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Adjustments and eliminations	Total
External revenue	936	1,556	7,210	57	-	9,759
Intersegment revenue	1,352	154	-	22	(1,528)	-
Total revenue	2,288	1,710	7,210	79	(1,528)	9,759
Costs	2,080	100	6,953	64	-	9,197
Intersegment costs	31	1,343	149	5	(1,528)	-
Total costs	2,111	1,443	7,102	69	(1,528)	9,197
Operating profit/(loss)	177	267	108	10	-	562

for the three months ended 31 March 2015 (€m)	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Adjustments and eliminations	Total
External revenue	983	1,497	5,999	64	-	8,543
Intersegment revenue	1,274	135	-	22	(1,431)	-
Total revenue	2,257	1,632	5,999	86	(1,431)	8,543
Costs	2,105	115	5,774	65	-	8,059
Intersegment costs	31	1,267	128	5	(1,431)	-
Total costs	2,136	1,382	5,902	70	(1,431)	8,059
Operating profit/(loss)	121	250	97	16	-	484

POSTAL AND BUSINESS SERVICES

POSTAL SERVICES MARKET

The main European incumbents continued to register falling letter volumes in the first quarter of 2016. The pace of decline varies from one operator to another depending on the level of internet penetration, the degree to which public and private organisations have shifted to electronic invoicing and billing (e-substitution), the level of market competition and deregulation, the degree of demand elasticity to price changes and other macroeconomic factors.

In Italy, where the rate of decline in volumes since 2007 has been the fastest among all the main European operators, the approach adopted by the regulator (AGCom - the Italian Communications Authority) to provision of the Universal Postal Service has allowed Poste Italiane to proceed with its planned transformation of the postal service, necessary in order to continue to effectively meet the changing needs of customers in the digital age.

In contrast, the market for express delivery and parcel services continues to grow, primarily driven by the expansion of e-commerce.

POSTAL SECTOR REGULATION

On 26 January 2015, the Ministry for Economic Development 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", 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). Poste Italiane paid the contributions for 2012 and 2013 to the regulator on 30 March 2015. The contribution for 2014 was paid on 11 December 2015, subject to the right to request a recalculation depending on the outcome of the appeal lodged by the Italian Association of International Air Couriers (AICAI) and other postal operators, requesting cancellation of the relevant Decree. On 10 February 2016, with sentence no. 1930 in first instance, the First Section of the Lazio Regional Administrative Court ruled that the retroactive nature of the contribution for the years 2012-2014 was illegitimate, and therefore the final outcome of the dispute is awaited.

On 10 March 2016, the Ministry for Economic Development issued an Interministerial Decree (published in Official Bulletin 72 of 26 March 2016) regulating payment of the contribution payable, by certain postal operators, to AGCom for 2016, whilst awaiting the Ministry's issue of the decree determining the contribution for 2015 and 2016, in accordance with the provisions of Legislative Decree 261/99, art. 2, paragraph 14, letter b).

Segment profit or loss

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Revenue from sales and services	923	969	(46)	-4.7%
Other operating income	13	14	(1)	-7.1%
Total external revenue	936	983	(47)	-4.8%
Intersegment revenue	1,352	1,274	78	6.1%
Total revenue	2,288	2,257	31	1.4%
Cost of goods and services	492	501	(9)	-1.8%
Personnel expenses	1,457	1,454	3	0.2%
Depreciation, amortisation and impairments	138	133	5	3.8%
Capitalised costs and expenses	(4)	(5)	1	-20.0%
Other operating costs	(3)	22	(25)	n/s
Intersegment costs	31	31	-	n/s
Total costs	2,111	2,136	(25)	-1.2%
Operating profit/(loss) (EBIT)	177	121	56	46.3%

n/s: not significant

The Postal and Business Services segment reports operating profit of €177 million, an improvement of €56 million on the same period of 2015.

This reflects an increase in intersegment revenue (up €78 million or 6.1% compared with the same period of 2015), which is regulated by specific internal operating guidelines governing the fees payable for services provided to the Financial Service segment. This more than made up for the reduction in traditional letter post and philately volumes, resulting in a €47 million (4.8%) fall in external revenue compared with the first quarter of the previous year.

The segment's positive performance during the period also reflects both a lower cost of goods and services (down €9 million on the same period of 2015) and a reduction in other operating costs (down €25 million on the same period of 2015).

With regard to Contact Centre activities carried out within the Group, for both the internal and external markets, calls for tenders were launched in 2015 to find a suitable provider to manage the entire service. On completion of the tender process, the companies to which SDA Express Courier had outsourced the services until the end of 2015 – Uptime SpA (28.57% owned by SDA) and Gepin Contact SpA (which owns 71.43% of Uptime SpA) – were not awarded the contract and, on 30 December 2015, SDA terminated its relationships with these companies, as provided for in the relevant contracts. The terminations will take effect on 1 July 2016.

On 16 March 2016, an Extraordinary General Meeting of Uptime SpA's shareholders, with the vote of the majority shareholder, Gepin Contact SpA, determined to terminate operations and wind-up the company on 30 June 2016.

The above situation could have repercussions for jobs at the companies involved.

Strictly in terms of employment law – even though no court document or formal letter of notice has been received so far – the possibility of disputes arising with staff employed by the two companies cannot be ruled out. Any claims will be assessed on merit in view of the actual circumstances.

From a civil law standpoint, however, with a memorandum on 26 February 2016, Gepin Contact claimed damages of €10.5 million from SDA and, on 23 March 2016, notified SDA of a writ of summons to appear before the Civil Court of Rome at a hearing (yet to be confirmed) to be held on 20 July 2016. On this occasion, the plaintiff also filed a further claim for non-economic damages of €5 million. As grounds for its claims, the counterparty has pointed out that, as it only received the notice of termination on 29 December 2015, it was unable to access the special redundancy fund, which was abolished by Legislative Decree 148/2015 with effect from 31 December 2015. According to the plaintiff's version of events, SDA should have taken account of this issue and terminated the contract in due time to prevent such an occurrence. As matters stand, the claim appears to be largely unfounded. Indeed, SDA merely exercised – in the correct manner – its contractual right, by which, among other things, the parties had established that there can be no grounds for any claim for damages or compensation. From another standpoint, SDA's conduct could not have been legitimately interpreted as giving Gepin any assurance that the contract would have been extended. In any event, the dispute has prudently been taken into account, during the first quarter of 2016, with sole regard to potential costs and expenses.

Postal service quality targets

With regard to the audit of quality targets for 2014, published by the regulator on 22 December 2015, AGCom has identified a slight shortfall (0.1%) with respect to the national regulatory target for extra-regional Priority Mail.

On 31 March 2016, the results for registered, bulk and priority mail¹ (for the period October-December 2015) and ordinary parcel post in the second half of 2015 were submitted to AGCom. All the results are in line with the relevant regulatory targets. Finally, With Resolution [5/16/CONS](#) of 14 January 2016, notified to Poste Italiane on 3 February 2016, AGCom confirmed the application of a €50,000 penalty for the failure, in 2014, to meet the regional target in Abruzzo (a 1.12% shortfall with respect to the regulatory target). Poste Italiane paid the above penalty on 7 March 2016.

¹ With regard to the figures for priority mail in 2015, on 18 December 2015, the regulator informed Poste Italiane that the performance was not monitored from 1 October 2015 (the date on which the new prices and replacement of the product with the Posta 1 product came into effect). From this date, therefore, the monitoring of Posta 1 quality targets is based on the Company's own monitoring systems.

FINANCIAL SERVICES

FINANCIAL MARKET TRENDS

The European Central Bank (ECB) adopted further expansionary monetary policies in March. In addition to cuts in the main refinancing operations rate for the Eurosystem (from 0.05% to 0.00%) and in the deposit facility rate for banks (from -0.30% to -0.40%), this included an increase, from April, in its monthly purchases of government securities from €60 to €80 billion and the introduction, from June 2016, of four new Targeted Longer-Term Refinancing Operations (TLTRO2) with four-year terms and incentives designed to encourage banks to lend to the private sector. These measures helped to contain the widening of sovereign spreads in a number of euro area countries seen in the first few months of 2016: the spread between 10-year Treasury Notes (BTPs) and 10-year German Bunds at 31 December 2015 was approximately 96 basis points, rising to over 150 basis points in February 2016, before returning to the levels seen at the end of 2015 in March at around 120 basis points (106 basis points at 31 March 2016).

Against this backdrop, the international equity markets saw sharp falls through to mid-February, only partially reversed towards the end of the quarter. Overall, the US markets significantly outperformed their European counterparts: at 31 March, the S&P 500 is up 1% from the beginning of the year, whilst European stock exchanges have lost 8%. The Italian market was the worst performer in the first quarter of 2016, falling 15% since the beginning of the year).

The above falls were driven, above all, by European banking stocks, reflecting the high amount of doubtful loans as a proportion of total lending and reactions to the entry into effect, from 1 January 2016, of Europe's new Bank Recovery and Resolution Directive (BRRD), which provides for a series of measures designed to prevent and manage banking crises, including bail-ins².

Unlike 2015, when there was a large difference between the monetary policies of the two principal central banks, in the first quarter of 2016 the Federal Reserve halted the process of raising interest rates. This was reflected in the currency markets, leading the US dollar to fall (the average euro/USD exchange rate in March 2016 was 1.11, compared with 1.09 in December 2015).

BANKING SYSTEM

Bank deposits by resident Italian savers fell in the first quarter of 2016, with aggregate deposits totalling approximately €1,675 billion in March 2016 (down 1.3% year on year). This negative performance is due to falling investment in bonds, only partially offset by growth in deposits by resident customers. Funding costs (deposits, bonds and repurchase agreements) were also slightly down in the first quarter of 2016: the average cost of customer deposits in March 2016 is 1.13%, compared with the 1.19% of December 2015 and 1.37% of March 2015.

Bank lending is up, continuing the upward trend seen towards the end of 2015. In March 2016, total lending to Italian residents - excluding interbank loans - amounted to €1,824 billion, marking a year-on-year increase of 0.1%.

Doubtful loans within the banking system, after impairments, amounted to €83.1 billion in February 2016 (€83.6 billion in January 2016 and €88.95 billion in December 2015). In percentage terms, doubtful loans

² A bail-in enables the authorities, in the event of the need to implement a resolution plan, to write down the value of shares and of certain loans (or to convert them into shares) in order to absorb losses and recapitalise the bank in difficulty.

amount to 4.60% of total loans in February 2016 (4.39% in February 2015 and 4.94% in December 2015). The average interest rate applied to consumer and corporate loans continued to fall the first quarter of 2016, with the rate at 3.16% in March 2016, compared with 3.25% in December 2015 and 3.53% in March 2015.

REGULATORY ENVIRONMENT

With regard to the steps taken in 2015 to ensure compliance with the Supervisory Standards issued by the Bank of Italy (Circular 285 of 17 December 2013), the activities carried out in the first quarter of 2016 were designed to integrate and further revise the Regulations and Guidelines previously issued in 2015.

Changes to procedures and IT systems continued with a view to strengthening business continuity and information systems, as part of a two-year review plan.

In terms of payment services, the process of implementing the SEPA (Single Euro Payments Area) scheme has been completed, with migration to the new system of the procedures for financial direct debits (direct debits within Italy for payments linked to the management of financial instruments) and for fixed-amount direct debits (involving the debit of a fixed amount determined at the time of authorising the account debit).

With regard to insurance broking, implementation of the "Compliance Plan" drawn up by Poste Italiane and PosteVita in 2015, following the joint communication from IVASS and the Bank of Italy dated 26 August 2015, was completed in the first quarter. The Plan, drawn up in response to a request for enhanced protection for customers when selling PPI (Payment Protection Insurance), primarily entailed the following:

- improving the transparency of the information provided and the preventive checks carried out (including computerised checks) at the distribution stage;
- improvements to "post-sales" procedures, automating and simplifying the process for withdrawal from or early termination of a loan agreement;
- updates to internal procedures and training of the relevant post office staff.

Finally, following the entry into effect of the MEF Decree of 29 February 2016, providing for the introduction, from 15 November 2016, of dematerialised Savings Books, the process of deciding on the necessary changes to contracts, procedures and IT systems got underway. The change aims to make it easier to access savings by offering an instrument represented solely by accounting entries, in addition to books in paper form.

Segment profit or loss

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Interest and similar income	393	400	(7)	-1.8%
Interest and similar expense	11	22	(11)	-50.0%
Net interest income	382	378	4	1.1%
Fee and commission income	923	911	12	1.3%
Fee and commission expense	12	13	(1)	-7.7%
Net fee and commission income	911	898	13	1.4%
Profits/(Losses) on trading, on disposals or repurchases and fair value adjustments in hedge accounting	382	315	67	21.3%
Net interest and other banking income	1,675	1,591	84	5.3%
Net losses /recoveries on impairment of loans and advances	(4)	(5)	1	n/s
Net income from banking activities	1,671	1,586	85	5.4%
Administrative expenses:	1,393	1,316	77	5.9%
a) personnel expenses	33	31	2	6.5%
b) other administrative expenses	1,360	1,285	75	5.8%
Net provisions for risks and charges	4	13	(9)	-69.2%
Other operating income/(expenses)	7	7	-	n/s
Operating expenses	1,404	1,336	68	5.1%
Operating profit/(loss) (EBIT)	267	250	17	6.8%

n/s: not significant

Operating profit generated by the Financial Services segment in the first three months of 2016 amounts to €267 million, up 7% on the same period of the previous year (€250 million for the first quarter of 2015). This was essentially generated by BancoPosta RFC's operations, which benefitted from active management of its investments, fees generated by the issue and use of prepaid cards, the distribution of loan products, insurance broking and the processing of bills paid by payment slip.

Net interest income of €382 million marks a slight increase of 1.1% (€378 million in the first quarter of 2015). This essentially reflects a reduction in the cost of funding (down €11.1million), which more than offset the decrease (down €7.1 million) in the return on deposits with the Ministry of the Economy and Finance, in line with market rates.

Net fee and commission income is up from €898 million in the first quarter of 2015 to €911 million in the same period of 2016. This income primarily consists of commissions earned on the distribution of postal savings products, totalling €407 million, and €504 million from the processing of bills paid by payment slip, insurance broking, the distribution of loan products and other collection and payment services.

Net interest and other banking income is up from €1,591 million in the first quarter of 2015 to €1,675 million (up 5.3%), primarily due to gains on the sale of available-for-sale financial assets held by BancoPosta RFC, totalling €386 million (€309 million in the same period of the previous year).

Net income from banking activities is up €85 million from the €1,586 million of the first quarter of 2015 to €1,671 million in the same period of 2016, after impairment losses on loans of €4 million. This regards the impairment of current accounts held by BancoPosta's customers which, as a result of charges and taxes payable on even just small balances, remain persistently overdrawn.

Operating expenses are up 5% on the same period of the previous year, due primarily to an increase in intersegment costs paid for the services provided by the distribution network to the Financial Services segment.

INSURANCE SERVICES AND ASSET MANAGEMENT

THE INSURANCE MARKET

New business for individual policies sold in Italy during the first two months of 2016 amounts to €17.8 billion, down 1.3% compared with the same period of the previous year. This primarily reflects a significant reduction in sales of Class III policies, where new business (in terms of unit-linked products alone) amounted to €3.1 billion, marking a decrease of 33.1% compared with the same period of 2015. Premium revenue generated by Class I products, on the other hand, amounts to €14.4 billion, up 11.3% on the same period of the previous year. This performance therefore confirms the significant demand from customers for traditional policies, considered a safer form of investment during periods of high market volatility.

Albeit marginal, the contribution from sales of individual pension plans reached €185 million in the first two months of the year, up 16.1% on the same period of the previous year.

Segment profit or loss

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Net insurance premium revenue	6,116	4,921	1,195	24.3%
gross premium revenue	6,126	4,931	1,195	24.2%
outward reinsurance premiums	10	10	-	n/s
Fee and commission income	13	10	3	30.0%
Net financial income from assets related to traditional products	993	744	249	33.5%
Net financial income from assets related to index- and unit-linked products	(96)	317	(413)	n/s
Net change in technical provisions for insurance business and other claims expenses	6,728	5,734	994	17.3%
Claims paid	1,964	1,758	206	11.7%
Net change in technical provisions for insurance business	4,768	3,984	784	19.7%
Change in technical provisions where investment risk is transferred to policyholders	(4)	(8)	4	-50.0%
Investment management expenses	5	4	1	25.0%
Acquisition and administration costs	177	148	29	19.6%
Net commissions and other acquisition costs	140	122	18	14.8%
Operating costs	37	26	11	42.3%
Other revenues/(costs), net	(8)	(9)	1	-11.1%
Operating profit/(loss) (EBIT)	108	97	11	11.3%

n/s: not significant

The Insurance Services and Asset Management segment reports operating profit of €108 million, up 11.3% on the same period of the previous year. This result is primarily attributable to the positive operating performance of the Poste Vita insurance group, whose sales have resulted in total premium revenue of €6.1 billion, after the portion ceded to reinsurers (€4.9 billion in premium revenue in the first quarter of 2015). Of this amount, €6,098 million (€4,971 million in the same period of the previous year) is attributable to sales of life products and €18 million to sales of non-life products.

With regard to assets under management, the quarter saw an increase in inflows into mutual investment funds, generating commission income of €13 million (up 30% on the same period of the previous year).

Despite a market scenario marked by falling yields on government securities, net finance income from securities related to traditional products amounts to €993 million, up on the €744 million of 2015. This reflects both an increase in ordinary income, thanks to growth in assets under management, and above all financial market trends, which resulted in the recognition of net unrealised gains of €321 million, compared with €103

million in 2015. Given that these investments are included in the separately managed accounts covering the matching insurance liabilities; this amount has been attributed in full to policyholders under the shadow accounting method.

Financial market volatility, together with the reduction in volumes due to a number of Class III products reaching maturity, are also reflected in investments linked to index- and unit-linked products, which generated total losses of €96 million (gains of €317 million in the first quarter of 2015). This amount is almost entirely matched by a corresponding change in technical provisions.

As a result of the above operating performance and the corresponding revaluation of insurance liabilities due to the positive financial performance, the matching change in technical provisions, after the portion ceded to reinsurers, amounts to €6,728 million, compared with €5,734 million in the same period of the previous year. Of the above change, claims paid to customers, inclusive of policy expirations of approximately €1 billion, amount to €2 billion (€1.8 billion in the same period of 2015). Total surrenders accounted for 2.9% of initial provisions (3.1% in the first quarter of 2015), a figure that continues to be far lower than the industry average. Investment management expenses (€5 million in the first quarter of 2016, compared with €4 million in the same period of 2015) primarily regard portfolio management fees and fees for the custody of securities. The increase is due to growth in the portfolio.

Given the positive operating performance, infra-group commissions for distribution and collection amount to €140 million (€122 million in the first quarter of 2015). The increase has benefitted the Group's Financial Services segment, which is responsible for marketing the products, and the Postal and Business Services segment in return for the distribution services provided.

Operating expenses of €37 million are up 42.3% compared with the €26 million of the first quarter of 2015. This reflects increases in the quality and size of the company's workforce, needed in order to respond to the continuous growth in size and business volumes, and its investment in ongoing functional/infrastructural improvements to key business support systems. However, operating expenses continue to account for around 0.6% of premium revenue and 0.1% of provisions and, therefore, well below the market average.

In keeping with the strategic objectives pursued in previous years, in the first three months of 2016 the [Poste Vita insurance group](#) primarily focused its efforts on:

- strengthening its leadership in the life insurance market and consolidating its competitive position;
- boosting its position in the welfare segment, investing in health insurance products.

In a market environment marked by low interest rates and high volatility, and in keeping with the strategy set out in the business plan, the group aims to progressively rebalance its offering towards products with a significant investment component without guarantees ("multi-line" and "unit-linked" products), but providing a moderate risk-return profile, in line with the type of customer served by the group, whilst potentially providing more attractive returns on investment. At the same time, the group is committed to developing new instruments and training network staff in the provision of advice, sales and long-term customer relationship management.

Premium revenue from Multi-line products in the first quarter of 2016 amounts to approximately €200 million. Sales of regular premium products also performed well (*Multiutile Ricorrente*, *Long Term Care*, *Posta Futuro Da Grande*), with around 35 thousand policies sold during the period, as did sales of the

PostaPrevidenzaValore product which, with over 23 thousand policies sold and a total number of members amounting to 806 thousand, has enabled Poste Vita to consolidate its role in the pensions market.

Sales of pure risk policies (term life insurance) also performed well. These are sold in stand-alone versions (not bundled together with products of a financial nature), with over 5 thousand new policies sold during the first three months of 2016, whilst more than 9 thousand were new policies, again of a pure risk nature, sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network.

Management of the non-life business was also along the lines set out in the business plan, which began to be implemented in 2015, above all seeking to meet the new needs of customers in the areas of welfare and health insurance. While the contribution of the non-life business to the Group's results is still limited, the segment recorded a positive performance, with premium revenue for the period of €25.1 million (on sales of approximately 95 thousand new policies), up 5% compared with the same period of 2015.

In terms of investments during the period, against a backdrop of falling interest rates and declining yields on government securities, the investment policy continues to be marked by the utmost prudence, with the portfolio primarily invested in Italian government securities and highly-rated corporate bonds, and with an overall exposure that, whilst lower compared with 2015, represents over 84% of the entire portfolio. In addition, also in line with the new Solvency II requirements, during the first quarter of 2016, whilst maintaining a moderate risk appetite, the company continued with the gradual process of diversifying investments by increasing its exposure to equities (up from 10.6% to 11.1%), above all multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. In line with its strategic asset allocation policy, moreover, the company continued investing in real estate funds (targeting retail and office properties) in Europe.

As a result of the above operating and financial performance, technical provisions for the direct Italian portfolio amount to €94.4 billion (€90.5 billion at the end of 2015), including €86.2 billion for Class I and V products (€81.7 billion at the end of 2015). Provisions for products where the investment risk is borne by policyholders amount to €7.2 billion (€7.2 billion at 31 December 2015). Deferred Policyholder Liability (DPL) provisions, linked to the change in the fair value of the financial instruments covering the provisions, are up from €9.7 billion at the end of 2015 to €11.5 billion, reflecting an increase in fair values as a result of the more positive performance of financial markets compared with the end of the previous year.

Technical provisions for the non-life business, before the portion ceded to reinsurers, amount to €0.1 billion at the end of the period, up 5% compared with the end of 2015.

Finally, with regard to the mutual investment funds business, the sale of 2 new funds, both distributed in partnership with Anima SGR, began in the first quarter. Gross inflows during the quarter amount to €590 million, up 9% on the €542 million of the same period of the previous year, whilst the significant reduction in redemptions was reflected in an increase in net inflows, which are up from €49 million in the first quarter of 2015 to €353 million. As a result, the assets of retail customers managed by Banco Posta Fondi Sgr are up from €5.7 billion at the end of December 2015 to €6,1 billion at 31 March 2016 (up €324 million or 6%). Taking into account the portion of the Poste Vita group's technical provisions under management, total assets

under management at 31 March 2016 have risen to €73.4 billion, representing growth of 5% compared with the €70.1 billion of the end of 2015.

OTHER SERVICES

THE MOBILE TELECOMMUNICATIONS MARKET

In early 2016, the mobile telecommunications market appears to be continuing where it left off towards the end of 2015: further rationalisation of price offerings, with bundles that include even more traffic (primarily mobile data). Basing their strategies around triple and quad play bundles³, operators are expanding their offerings with the introduction of on-demand TV/video and streaming packages, with a view to capturing a large portion of consumers' communication and entertainment spend. The trend towards convergent landline and mobile services has continued, as has the development of partnerships, of different entity, between the suppliers of digital content and the operators of telecommunications networks.

A number of retail market trends have continued, with the use of social media due for further expansion in all key markets. In the business market, operators aim to play a leading role in the digital transformation of Italian companies across all sectors, including the Public Administration.

Segment profit or loss

for the three months ended 31 March (€m)	2016	2015	Increase/(decrease)	
Revenue from sales and services	57	64	(7)	-10.9%
Total external revenue	57	64	(7)	-10.9%
Intersegment revenue	22	22	-	n/s
Total revenue	79	86	(7)	-8.1%
Cost of goods and services	49	48	1	2.1%
Personnel expenses	5	6	(1)	-16.7%
Depreciation, amortisation and impairments	9	9	-	n/s
Other operating costs	1	2	(1)	-50.0%
Intersegment costs	5	5	-	n/s
Total costs	69	70	(1)	-1.4%
Operating profit/(loss) (EBIT)	10	16	(6)	-37.5%

n/s: not significant

The Other Services segment, which includes the company, **PosteMobile**, reports operating profit of €10 million for the first quarter of 2016, down €6 million on the same period of the previous year (€16 million for the first quarter of 2015). The reduction reflects the performance of revenue, which is down 8.1% to €79 million as a result of reduced revenue from non-recurring items in the the first quarter of 2015.

The cost of goods and services is in line with the first quarter of 2015 at €49 million, having benefitted from the cost efficiencies resulting from the contract with the new operator that has enabled PosteMobile to operate as a Full MVNO. Despite an increase in the workforce (315 FTEs in the first quarter of 2016, compared with 306 in the first quarter of 2015), personnel expenses are down 16.7% from €6 million in the first quarter of 2015 to €5 million in the first quarter of 2016.

At the end of March 2016, PosteMobile's customer base totals 3.6 million lines (on a par with 31 December 2015). Good performances were registered both by voice services, with over 1.3 billion minutes used during the period (up 7% on the same period of 2015), and above all by data services, with substantial growth of

³ Operators that use telecommunications networks can exploit the convergence between telecommunications and TV to offer *triple play* bundles (fixed line, broadband and pay-TV) and *quad play* bundles (fixed line, mobile, broadband and pay-TV).

more than 1.3 thousand terabytes (up 70% on the same period of 2015), primarily due to the introduction of flat-rate packages offering larger data allowances.

In the first three months of 2016, PosteMobile further strengthened its position in the mobile payment services market, registering total transactions of in excess of €209 million, double the figure for the first quarter of 2015.

This growth was made possible by the role played by PosteMobile App which, thanks to ongoing updates of the functions and user experiences offered, continues to be one of the most popular and widely used apps in the segment. With almost 1.5 million downloads, presence across all the devices available in the market and an average customer rating in stores of over 4 (on a scale of 1-5), it is one of the leading mobile wallet services in the Italian mobile market.

The BancoPosta app, made available to all Poste Italiane customers from July 2015, regardless of their mobile operator, also consolidated its position, with over 940 thousand downloads, enabling 350 thousand customers to use its payment services.

8. GROUP FINANCIAL POSITION AND CASH FLOW

Net invested capital and related funding

at 31 March (€m)	2016	2015	Increase/(decrease)	
Non-current assets:				
Property, plant and equipment	2,128	2,190	(62)	-2.8%
Investment property	59	61	(2)	-3.3%
Intangible assets	518	545	(27)	-5.0%
Investments accounted for using the equity method	217	214	3	1.4%
Total non-current assets (a)	2,922	3,010	(88)	-2.9%
Working capital:				
Inventories	134	134	-	n/s
Trade receivables and other receivables and assets	5,718	5,546	172	3.1%
Trade payables and other liabilities	(4,534)	(4,398)	(136)	3.1%
Current tax assets and liabilities	(187)	19	(206)	n/s
Total working capital: (b)	1,131	1,301	(170)	-13.1%
Gross invested capital (a+b)	4,053	4,311	(258)	-6.0%
Provisions for risks and charges	(1,406)	(1,397)	(9)	0.6%
Provisions for employee termination benefits and pension plans	(1,336)	(1,361)	25	-1.8%
Deferred tax assets/(liabilities)	(395)	(554)	159	-28.7%
Net invested capital	916	999	(83)	-8.3%
Equity	9,637	9,658	(21)	-0.2%
Net funds	8,721	8,659	62	0.7%

n/s: not significant

The Poste Italiane Group's **net invested capital** at 31 March 2016 amounts to €916 million (€999 million at 31 December 2015).

Non-current assets of €2,922 million are down €88 million compared with the end of 2015.

(€m)	Property, plant and equipment	Investment property	Intangible assets	Investments	Total
Balance at 31 December 2015					
Cost	7,692	144	2,787	214	10,837
Accumulated amortisation and impairments	(5,502)	(83)	(2,242)	-	(7,827)
Carrying amount	2,190	61	545	214	3,010
Movements during the period					
Additions	26	-	36	-	62
Transfers and disposals	-	(1)	(1)	-	(2)
Amortisation and impairments	(88)	(1)	(62)	-	(151)
Other changes	-	-	-	3	3
Total movements	(62)	(2)	(27)	3	(88)
Balance at 31 March 2016					
Cost	7,697	142	2,822	217	10,878
Accumulated amortisation and impairments	(5,569)	(83)	(2,304)	-	(7,956)
Carrying amount	2,128	59	518	217	2,922

Movements in non-current assets reflect capital expenditure of €62 million, including €47 million relating to the Parent Company's investments in IT assets and telecommunications networks and in the modernisation

and upgrade of properties. Depreciation, amortisation and impairments (after reversals of impairments) during the period amount to €151 million.

Working capital amounts to €1,131 million at 31 March 2016, a decrease of €170 million compared with the end of 2015. This primarily reflects the movement in receivables in the form of tax withholdings paid (after the related tax liabilities) and estimated income tax expense for the period. The reduction is partially offset by a reduction in trade payables and amounts payable to personnel (early retirement incentives and outstanding salary payments).

Amounts due from the Public Administration⁴ amount to €1,169 million, before provisions for doubtful debts, and are down €52 million compared with 31 December 2015. The balance includes €269 million in Universal Service compensation (€334 million at 31 December 2015), of which €131 million was collected during the first quarter of 2016, relating to compensation for the second half of 2015, and €66 million regards compensation accruing during the period. Compensation for 2016 was recognised in accordance with the provision of the new *Contratto di programma* (Service Contract) for 2015-2019, effective from 1 January 2016, and was collected in full in April 2016.

Equity amounts to €9,637 million at 31 March 2016, marking a reduction of €21 million compared with 31 December 2015. This reflects movements in reserves (€388 million, after tax) due primarily to movements in the fair value of investments in available-for-sale financial assets held by the Financial Services segment, offset by profit for the period (€367 million).

⁴ Excluding shareholder transactions, which refer to a receivable with a nominal value of €45 million resulting from cancellation of the EC Decision of 16 July 2008 and unchanged with respect to 31 December 2015.

ANALYSIS OF NET (DEBT)/FUNDS

Group net (debt)/funds by operating segment

(€m)

Balance at 31 March 2016	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Eliminations	Consolidated amount
Financial liabilities	(2,868)	(58,048)	(1,225)	(4)	2,691	(59,454)
Postal current accounts	-	(43,888)	-	-	457	(43,431)
Bonds	(817)	(494)	(764)	-	-	(2,075)
Borrowings from financial institutions	(412)	(7,566)	-	-	-	(7,978)
Other borrowings	(1)	-	-	-	-	(1)
Finance leases	(6)	-	-	(4)	-	(10)
Derivative financial instruments	(56)	(2,605)	-	-	-	(2,661)
Other financial liabilities	(14)	(3,276)	(8)	-	-	(3,298)
Intersegment financial liabilities	(1,562)	(219)	(453)	-	2,234	-
Technical provisions for insurance business	-	-	(106,078)	-	-	(106,078)
Financial assets	1,499	60,633	108,345	36	(2,234)	168,279
Loans and receivables	146	10,808	181	-	-	11,135
Held-to-maturity financial assets	-	12,871	-	-	-	12,871
Available-for-sale financial assets	682	35,194	88,184	-	-	124,060
Financial assets at fair value through profit or loss	-	-	19,828	-	-	19,828
Derivative financial instruments	-	238	147	-	-	385
Intersegment financial assets	671	1,522	5	36	(2,234)	-
Technical provisions for claims attributable to reinsurers	-	-	59	-	-	59
Net financial assets/(liabilities)	(1,369)	2,585	1,101	32	457	2,806
Cash and deposits attributable to BancoPosta	-	2,822	-	-	-	2,822
Cash and cash equivalents	1,446	511	1,584	9	(457)	3,093
Net funds/(debt)	77	5,918	2,685	41	-	8,721

(€m)

Balance at 31 December 2015	Postal and Business Services	Financial Services	Insurance Services and Asset Management	Other Services	Eliminations	Consolidated amount
Financial liabilities	(2,442)	(55,418)	(1,218)	(4)	1,604	(57,478)
Postal current accounts	-	(43,757)	-	-	289	(43,468)
Bonds	(811)	(479)	(758)	-	-	(2,048)
Borrowings from financial institutions	(917)	(6,101)	-	-	-	(7,018)
Other borrowings	(1)	-	-	-	-	(1)
Finance leases	(6)	-	-	(4)	-	(10)
Derivative financial instruments	(52)	(1,547)	-	-	-	(1,599)
Other financial liabilities	(14)	(3,314)	(6)	-	-	(3,334)
Intersegment financial liabilities	(641)	(220)	(454)	-	1,315	-
Technical provisions for insurance business	-	-	(100,314)	-	-	(100,314)
Financial assets	1,396	57,574	102,409	26	(1,315)	160,090
Loans and receivables	141	10,301	66	-	-	10,508
Held-to-maturity financial assets	-	12,886	-	-	-	12,886
Available-for-sale financial assets	581	33,360	83,928	-	-	117,869
Financial assets at fair value through profit or loss	-	-	18,132	-	-	18,132
Derivative financial instruments	-	450	245	-	-	695
Intersegment financial assets	674	577	38	26	(1,315)	-
Technical provisions for claims attributable to reinsurers	-	-	58	-	-	58
Net financial assets/(liabilities)	(1,046)	2,156	935	22	289	2,356
Cash and deposits attributable to BancoPosta	-	3,161	-	-	-	3,161
Cash and cash equivalents	1,315	485	1,615	16	(289)	3,142
Net funds/(debt)	269	5,802	2,550	38	-	8,659

Total **net funds** at 31 March 2016 amount to €8,721 million, slightly up on the figure for 31 December 2015 (when net funds amounted to €8,659 million). This reflects, among other things, the component linked to fair value measurement of investments in securities, totalling approximately €3,208 million (€3,775 million at 31 December 2015), primarily by BancoPosta RFC, and, to a lesser extent, by the subsidiary, Poste Vita.

Industrial net (debt)/funds, in accordance with ESMA guidelines

(€m)	at 31 March 2016	at 31 December 2015
A. Cash	2	2
B. Other cash equivalents	1,453	1,330
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	1,455	1,332
E. Current loans and receivables	167	169
F. Current bank borrowings	(12)	(516)
G. Current portion of non-current debt	(20)	(15)
H. Other current financial liabilities	(18)	(21)
I. Current financial debt (F+G+H)	(50)	(552)
J. Current net funds/(debt) (I+E+D)	1,572	949
K. Non-current bank borrowings	(400)	(400)
L. Bond issues	(797)	(798)
M. Other non-current liabilities	(63)	(56)
N. Non-current financial debt (K+L+M)	(1,260)	(1,254)
O. Industrial net funds/(debt) (ESMA guidelines) (J+N)	312	(305)
Non-current financial assets	661	553
Industrial net funds/(debt)	973	248
Intersegment loans and receivables	671	674
Intersegment financial liabilities	(1,526)	(615)
Industrial net funds/(debt) including intersegment transactions	118	307
<i>of which:</i>		
- Postal and Business Services	77	269
- Other	41	38

LIQUIDITY

for the three months ended 31 March (€m)	2016	2015
Cash and cash equivalents at beginning of period	3,142	1,704
Cash flow from/(for) operating activities	616	112
Cash flow from/(for) investing activities	(163)	(64)
Cash flow from/(for) financing activities and shareholder transactions	(502)	(635)
Movement in cash	(49)	(587)
Cash and cash equivalents at end of period	3,093	1,117
<i>of which:</i>		
Cash attributable to technical provisions for insurance business	1,301	426
Other cash subject to restrictions	36	29

Operating activities generated a cash inflow of €616 million during the period. This was generated by, among other things, profit for the period of €367 million and the positive movement in working capital (€170 million). The cash generated was used to fund capital expenditure which, after disposals, resulted in an outflow of €60 million, to purchase 10-year Treasury Notes (BTPs) with a nominal value of €100 million and to pay off short-term borrowings of approximately €502 million, net. Cash and cash equivalents declined by €49 million in the first quarter.

Disclosures regarding financial assets and liabilities are provided in the section, "Consolidated financial statements at and for the three months ended 31 March 2016".

9. OUTLOOK

Implementation of the 2020 Business Plan will proceed in 2016.

In terms of Savings products, the Group will continue to develop its Class I life products and its innovative and transparent asset management product offering. In the Insurance Services segment, the Group will continue to develop solutions designed to respond to the growing demand for personal and asset protection policies and supplementary pensions, making the offering simpler and more accessible and improving its position in the welfare market.

BancoPosta RFC will continue to act on its strategic objectives. This will see it pay particular attention to the following: fully exploiting its existing customer base, involving targeted offerings of products and services designed to meet customer needs; strengthening its leadership in the electronic money segment and in collection and payment services, helping to drive the digital transformation of the Public Administration; development of its presence in the consumer credit market and the repositioning of BancoPosta as a provider of digital services as part of Poste Italiane's wider multi-channel strategy. In addition, the strategy of actively managing the securities portfolio, with the aim of stabilising the overall return, in terms of interest income and capital gains, will continue.

In terms of traditional mail products, the Group will continue with the restructuring of this segment, taking advantage, on the one hand, of the new regulatory framework and, on the other, the efficiency improvements achieved thanks to implementation of the new delivery model, in agreement with the unions.

The Group will also proceed with its commitment to optimise and simplify the various offerings, with the aim of further improving its competitiveness in the express delivery and parcels market.

10. OTHER INFORMATION

Principal related party transactions

The nature of the Parent Company's principal transactions with related parties is summarised below, in order of importance.

- Amounts receivable from the MEF, relating primarily to compensation for carrying out the universal service (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. At 31 March 2016, the amount receivable in return for provision of the above services totals €446 million.
- Amounts receivable from CDP SpA, relating mainly to payment for the collection of postal savings deposits. At 31 March 2016, the related amount totals €407 million and was collected on 26 April 2016.

Industrial relations

With regard to the requirements identified in relation to delivery activities, on 27 January 2016, a statement of agreement was signed. This provides for the conversion of up to 125 fixed-term contracts, entered into as a result of statements of agreement reached with the labour unions in 2013 and 2014, to permanent part-time contracts. The conversion to permanent deals, which took place in March 2016, applies to staff in service at the date of signature of the agreement to carry out delivery activities, at the offices to which they have been assigned. These staff have been employed on part-time contracts, reducing their annual working time by 50% of the time worked by full-time staff in corresponding roles.

On 24 February 2016, a statement of agreement was signed with the labour unions, with the exception of UILposte, following completion of the process of jointly assessing plans for the reorganisation of the Mail, Logistics and Communication function in 2016, drawn up in accordance with the guidelines agreed on 25 September 2015. The agreement envisages, from 2016, the implementation of new delivery models for provincial capitals and unregulated rural areas and for regulated rural areas, as previously identified in the agreement of 25 September 2015. This approach offers the best way of managing the resulting impact on jobs. The agreement has identified 4 thousand staff surplus to requirements. Whilst retaining the current approach to operational flexibility, the parties have agreed to raise the monthly and annual limits applicable to operational flexibility for delivery staff on a five-day working week.

Finally, the Company has agreed to offer to convert at least 150 part-time positions within the Mail, Logistics and Communication function, wherever located, to full-time posts for delivery personnel in the provinces of Milan and Monza Brianza.

11. PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

The information contained in this section aims to provide an update on activities and events occurring between the end of the previous year and the date of approval of this interim report. For more detailed information, reference should be made to the Annual Report for 2015.

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

On 10 July 2015, AGCom issued formal notification of penalty [04/15/DISP](#), launching a procedure against Poste Italiane for the alleged violation of its legal obligations relating to certain post offices and local area offices, following monitoring carried out by IZI SpA in 2014 in connection with changes to post office opening hours during the summer period. On 7 August 2015, Poste Italiane sent the regulator a defence brief, rejecting the alleged violations. The regulator initially set a deadline for completion of the procedure at 150 days from notification of the proceedings, but this was extended on 18 December 2015 and then on 26 February 2016, in order to further examine the legal implications of the disputed violations. On 18 March 2016, AGCom summoned Poste Italiane to a hearing to look into the matter. In response, on 4 April 2016, the Company sent the regulator its closing arguments.

On 3 March 2016, AGCom issued Directives [5/16/DISP](#) and [6/16/DSP](#), claiming that Poste Italiane had failed to meet its obligations relating to legal process requirements and its information obligations to customers, following inspections carried out at the Rome Belsito post office and the Naples South Main Distribution Centre, respectively. The Company submitted its defence brief on 2 April 2016.

On 27 April 2016, AGCom issued Directives [8/16/DSP](#) and [9/16/DSP](#), claiming that Poste Italiane: violated its obligation to ensure the continuity of universal service provision, following the temporary closure and transfer to other premises of the Borgo Flora post office due to the fact that it was deemed not fit for purpose; violated its obligations relating to legal process requirements, following inspections carried out at the Rome Prati Main Distribution Centre. The Company will submit its defence brief within 30 days.

In an appeal brought before Lazio Regional Administrative Court, the National Confederation of Local Authorities (ANCI) and some 40 municipalities have requested the cancellation of AGCom Resolution [395/15/CONS](#), which has authorised Poste Italiane to adopt alternate day delivery in providing the universal postal service. The Regional Administrative Court's decision was published on 29 April 2016, in which the court declared the appellants' arguments without grounds and upheld the legitimacy of the above resolution, whilst at the same time referring the case to the European Court of Justice for the following reasons:

- the European Postal Directive, in requiring member states to ensure the delivery of mail on at least five days a week, grants the possibility to apply exemptions, but only under circumstances or geographical conditions deemed exceptional;
- national legislation, on the other hand, appears – according to the Regional Administrative Court - to also permit exemptions in situations that are not exceptional.

As a result, the European Court of Justice is called on to rule on the compatibility of the national legislation with the European Postal Directive.

AGCM (the Antitrust Authority)

With regard to investigation [PS/10009](#), launched by the AGCM in 2015, into alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the “Libretto Smart” product, the Authority imposed a fine of €540,000, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate.

Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court (RG 2288/16) on 24 February 2016. At the hearing held on 23 March 2016, the court adjourned the case until a hearing on the merits.

In addition, on 7 March 2016, the AGCM, as part of a compliance audit, sent a request for information on the nature of the Libretto Smart product from 1 July 2015 and on the related “Supersmart” offering. Poste Italiane replied to the Authority on 22 March 2016.

On 4 June 2015, the AGCM launched an investigation ([SP/157](#)) pursuant to art.8, paragraph 2 *quater* of Law 287/90, aimed at ascertaining whether actions taken by Poste Italiane were designed to prevent H3G SpA from accessing the post office network. In July 2015, the Authority accepted requests to participate in the investigation from Fastweb SpA and Vodafone Omnitel BV. At the same time the procedure was launched, PosteMobile was subject to an inspection by the Authority at its offices. The company, which was inspected as a third party in the proceedings, submitted a request to participate in order to demonstrate its lack of responsibility for any alleged violation. The hearing was held on 18 September 2015, and on 29 October 2015 the Authority released the results of its investigation. With the ruling adopted at a meeting held on 16 December 2015, the Authority deemed that Poste Italiane – at variance with the provisions of art. 8, paragraph 2 *quater* of Law 287/90 – failed, when requested, to offer a competitor of its subsidiary, PosteMobile, equal access to goods and services that are exclusively available from Poste Italiane, as they form part of the activities carried out within the scope of the Universal Postal Service. In the same ruling, the Authority also ruled that Poste Italiane should desist from such conduct in the future. The Authority did not impose a fine. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court (RG 2325/16) on 25 February 2016. At the hearing convened to hear the application for interim relief on 9 March 2016, the case was adjourned until a hearing on the merits scheduled for 22 June 2016. Despite this, Poste Italiane requested that the hearing be brought forward, filing the related request. PosteMobile also lodged an appeal against the final ruling before the Lazio Regional Administrative Court (RG 2381/16) on 19 February 2016. Moreover, on 23 December 2015, H3G also submitted a writ of summons to the Court of Rome, citing Poste Italiane and PosteMobile and requesting that the latter be ordered to pay compensation for damages incurred arising from the violations referred to in the above ruling, as well as court fees. At the preliminary hearing, held on 7 April 2016, before the Civil Court of Rome, Poste Italiane, represented by its defence counsel, appeared to file a defence brief, with attached documentation relating to quantification of the damages, claiming that it had acted in full compliance with existing legislation. The court, upholding a procedural objection raised, adjourned the hearing until 22 June 2016. As matters stand, given the complex and novel nature of the matters in hand and the uncertain nature of any judgment, it is difficult to make a reliable forecast on the outcome of the dispute.

Italian National Anti-Corruption Authority (ANAC)

On 28 September 2015, the Italian National Anti-Corruption Authority (ANAC) notified Poste Italiane that it was launching an investigation to verify the administrative procedures carried out regarding upgrade and restyling work at the Sesto Fiorentino sorting centre (FI). The Authority asked Poste Italiane to submit an explanatory report on the contract, together with the related documentation. On 17 November 2015, the person responsible for the procedure sent the documented report to ANAC and asked to testify before the Authority. The hearing was held on 27 January 2016, when the Company provided clarification and details regarding the contract in question. The Authority's conclusions are awaited.

Bank of Italy

In the first quarter of 2016, the Financial Intelligence Unit (*UIF*) notified Poste Italiane SpA of an alleged breach of anti-money laundering legislation. The Company is currently preparing its response in the form of a defence brief to be submitted to the MEF.

Data Protection Authority

On 29 May 2015, in response to certain press reports, the Data Protection Authority asked Poste Italiane to provide information regarding alleged processing of the personal data of persons operating at companies (in particular IZI SpA) appointed to monitor postal service quality standards. According to the Authority, the data was processed without providing the parties concerned with the relevant privacy notices and without obtaining their consent to use of the data.

Poste Italiane has met all of the Authority's requests, providing a full and documented response and setting out details of the resulting internal audit carried out, the disciplinary proceedings regarding the staff involved and the organisational and procedural steps taken or in the process of being implemented. In the light of this, on 23 March 2016, the Authority, in view of the provisions of Authority regulation 1/2007 (art. 11, paragraph 1, letter d), announced that, at that time, there were no grounds for applying restrictions or prohibitions.

From the findings of the internal audit, it appears, however, that certain members of staff interfered with quality control systems in violation of the Company's policy. It is currently impossible to ascertain whether this behaviour may have influenced determination of the service quality indicators recorded, and the possibility that the impact of such events may give rise to legal proceedings and fines cannot be ruled out. Poste Italiane has requested its legal advisors to go ahead with all appropriate measures. In this context, the Company has submitted a statement to the judiciary and appeared as the injured party in the related criminal proceedings. It has also submitted the necessary information to AGCom. Poste Italiane has launched disciplinary proceedings regarding the staff involved in the activities as revealed by the findings of a specific preliminary investigation. A technical committee was set up to manage these proceedings in order to verify the findings regarding the contested audits, taking into account the defence arguments put forward by the parties concerned and any other evidence that may emerge. All these measures also refer to the Company's right to take action to protect its rights and interests with respect to findings that may yet emerge and damages the Company may suffer for any reason or cause whatsoever.

12. EVENTS AFTER 31 MARCH 2016

Events after the end of the reporting period are described in the above notes and there are no further material events occurring after 31 March 2016 to report.

13. CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

ASSETS	at 31 March 2016	at 31 December 2015
Non-current assets		
Property, plant and equipment	2,128	2,190
Investment property	59	61
Intangible assets	518	545
Investments accounted for using the equity method	217	214
Financial assets	144,835	139,310
Trade receivables	63	54
Deferred tax assets	643	623
Other receivables and assets	2,612	2,303
Technical provisions for claims attributable to reinsurers	59	58
Total	151,134	145,358
Current assets		
Inventories	134	134
Trade receivables	2,298	2,292
Current tax assets	73	72
Other receivables and assets	745	897
Financial assets	23,444	20,780
Cash and deposits attributable to BancoPosta	2,822	3,161
Cash and cash equivalents	3,093	3,142
Total	32,609	30,478
TOTAL ASSETS	183,743	175,836
LIABILITIES AND EQUITY		
Equity		
Share capital	1,306	1,306
Reserves	3,659	4,047
Retained earnings	4,672	4,305
Equity attributable to owners of the Parent	9,637	9,658
Equity attributable to non-controlling interests	-	-
Total	9,637	9,658
Non-current liabilities		
Technical provisions for insurance business	106,078	100,314
Provisions for risks and charges	607	634
Employee termination benefits and pension plans	1,336	1,361
Financial liabilities	7,930	7,598
Deferred tax liabilities	1,038	1,177
Other liabilities	902	920
Total	117,891	112,004
Current liabilities		
Provisions for risks and charges	799	763
Trade payables	1,342	1,453
Current tax liabilities	260	53
Other liabilities	2,290	2,025
Financial liabilities	51,524	49,880
Total	56,215	54,174
TOTAL EQUITY AND LIABILITIES	183,743	175,836

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March (€m)	2016	2015
Revenue from sales and services	2,161	2,221
Insurance premium revenue	6,116	4,921
Other income from financial and insurance activities	1,467	1,385
Other operating income	15	16
Total revenue	9,759	8,543
Cost of goods and services	600	617
Net change in technical provisions for insurance business and other claims expenses	6,728	5,734
Other expenses from financial and insurance activities	197	15
Personnel expenses	1,505	1,498
Depreciation, amortisation and impairments	151	145
Capitalised costs and expenses	(4)	(5)
Other operating costs	20	55
Operating profit/(loss)	562	484
Finance costs	28	30
Finance income	31	32
Profit/(Loss) on investments accounted for using the equity method	3	-
Profit/(Loss) before tax	568	486
Income tax expense	201	175
PROFIT FOR THE PERIOD	367	311
of which, attributable to owners of the Parent	367	311
of which, attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)	For the three months ended 31 March 2016	For the year ended 31 December 2015	For the three months ended 31 March 2015
Profit/(Loss) for the period	367	552	311
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	(198)	1,591	1,542
Transfers to profit or loss	(369)	(467)	(277)
Cash flow hedges			
Increase/(decrease) in fair value during the period	43	13	(30)
Transfers to profit or loss	(17)	(71)	(33)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period	153	(179)	(384)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
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	-	81	-
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period	-	(30)	-
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-
Total other components of comprehensive income	(388)	938	818
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(21)	1,490	1,129
of which, attributable to owners of the Parent	(21)	1,490	1,129
of which, attributable to non-controlling interests	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

	Equity									
	Share capital	Reserves				Reserve for investees accounted for using equity method	Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
		Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve					
Balance at 1 January 2015	1,306	299	1,000	1,813	48	-	3,952	8,418	-	8,418
Total comprehensive income for the period	-	-	-	861	(43)	-	311	1,129	-	1,129
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2015	1,306	299	1,000	2,674	5	-	4,263	9,547	-	9,547
Total comprehensive income for the period	-	-	-	65	4	-	292	361	-	361
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(250)	(250)	-	(250)
Changes due to share-based payments	-	-	-	-	-	-	1	1	-	1
Other changes	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	(1)	(1)	-	(1)
Balance at 31 December 2015	1,306	299	1,000	2,739	9	-	4,305	9,658	-	9,658
Total comprehensive income for the period	-	-	-	(407)	19	-	367	(21)	-	(21)
Attribution of profit to reserves	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Changes due to share-based payments	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other shareholder transactions	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2016	1,306	299	1,000	2,332	28	-	4,672	9,637	-	9,637

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Unrestricted net cash and cash equivalents at beginning of period	1,783	747
Cash subject to investment restrictions	1	511
Cash attributable to technical provisions for insurance business	1,324	415
Amounts that cannot be drawn on due to court rulings	18	16
Current account overdrafts	5	8
Cash received on delivery (restricted)	11	7
Cash and cash equivalents at beginning of period	3,142	1,704
Cash and cash equivalents at beginning of period	3,142	1,704
Profit/(loss) for the period	367	311
Depreciation, amortisation and impairments	151	145
Losses and impairments/(recoveries) on receivables	7	3
(Gains)/Losses on disposals	-	-
Impairment of available-for-sale investments	-	-
(Increase)/decrease in inventories	(1)	1
(Increase)/decrease in receivables and Other assets	(194)	612
Increase/(decrease) in Payables and Other liabilities	359	(103)
Movement in provisions for risks and charges	9	51
Movement in provisions for employee termination benefits and pension plans	(25)	(19)
Differences in accrued finance costs and income (cash correction)	7	11
Other changes	(10)	(22)
Net cash flow generated by/(used in) non-financial operating activities	670	990
Increase/(decrease) in liabilities attributable to financial activities	1,388	203
Net cash generated by/(used for) held for trading financial assets attributable to financial activities	-	-
Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities	(616)	73
Net cash generated by/(used for) held to maturity financial assets attributable to financial activities	103	806
(Increase)/decrease in cash and deposits attributable to BancoPosta	338	445
(Increase)/decrease in other assets attributable to financial activities	(508)	(1,686)
(Income)/expenses from financial activities	(599)	(594)
Cash generated by/(used for) assets and liabilities attributable to financial activities	106	(753)
Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities	(1,347)	(1,846)
Increase/(decrease) in net technical provisions for insurance business	4,266	3,998
Net cash generated by/(used for) available for sale financial assets attributable to insurance activities	(2,132)	(1,263)
(Increase)/decrease in other assets attributable to insurance activities	(114)	(27)
(Gains)/losses on financial assets/liabilities measured at fair value	(322)	(240)
(Income)/expenses from insurance activities	(511)	(747)
Cash generated by/(used for) assets and liabilities attributable to insurance activities	(160)	(125)
Net cash flow from/(for) operating activities	[d]=[a+b+c]	616
Investing activities		
Property, plant and equipment, investment property and intangible assets	(62)	(59)
Investments	-	-
Other financial assets	(103)	(6)
Disposals:		
Property, plant and equipment, investment property and intangible assets and assets held for sale	2	1
Investments	-	-
Other financial assets	-	-
Change in scope of consolidation	-	-
Net cash flow from/(for) investing activities	[e]	(163)
Proceeds from/(Repayments of) borrowings	(502)	(637)
(Increase)/decrease in loans and receivables	-	2
Dividends paid	-	-
Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court	-	-
Net cash flow from/(for) financing activities and shareholder transactions	[f]	(502)
Net increase/(decrease) in cash	[g]=[d+e+f]	(49)
Cash and cash equivalents at end of period	3,093	1,117
Cash and cash equivalents at end of period	3,093	1,117
Cash subject to investment restrictions	-	-
Cash attributable to technical provisions for insurance business	(1,301)	(426)
Amounts that cannot be drawn on due to court rulings	(13)	(12)
Current account overdrafts	(12)	(6)
Cash received on delivery (restricted)	(11)	(11)
Unrestricted net cash and cash equivalents at end of period	1,756	662

FINANCIAL ASSETS AND LIABILITIES BY OPERATING SEGMENT

POSTAL AND BUSINESS SERVICES

Financial assets

At 31 March 2016, financial assets include:

- Available-for-sale investments in 10-year Treasury Notes (BTPs) with a nominal value of €600 million (a fair value of €671 million), including €100 million purchased in the first quarter of 2016.
- Loans and receivables, represented by Contingent Convertible Notes with value of €79 million (a nominal value of €75 million) subscribed by Poste Italiane SpA and issued by Midco SpA, which owns 51% of Alitalia SAI, and guarantee deposits of €54 million relate to collateral provided to counterparties with whom the Parent Company has entered into asset swaps.

Financial liabilities

At 31 March 2016, financial liabilities include:

- bonds with a nominal value of €800 million issued in 2013 and accounted for at an amortised cost of €817 million;
- EIB loans with a total nominal value of €400 million;
- Derivative instruments with fair value losses of €56 million, consisting of nine asset swaps used as fair value hedges to protect the value of BTPs with a nominal value of €375 million against movements in interest rates, and a swap contract entered into in 2013 to hedge the cash flows of a €50 million bond.

Liabilities in the form of repurchase agreements outstanding at 31 December 2015, totalling €511 million, reached maturity in the first quarter of 2016.

FINANCIAL SERVICES

Financial assets

At 31 March 2016, loans and receivables primarily include:

- loans and financing provided to companies and to individuals by BdM-MCC SpA, totalling €1,436 million.
- Amounts deposited with the MEF, totalling €5,152 million, including public sector customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds.
- The balance of the Parent Company's MEF account, held at the Treasury, amounting to €1,921 million, primarily due to the amount receivable following the transfer of excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta and the balance of cash flows from the management of postal savings, carried out on behalf of CDP SpA.
- Guarantee deposits of €1,914 million, relating to €1,899 million provided to counterparties in asset swap transactions (with collateral provided by specific Credit Support Annexes) and €15 million provided to counterparties in reverse repurchase agreements involving fixed-income securities (with collateral contemplated by specific a Global Master Repurchase Agreements).

The Financial Services segment's investments in securities and equity instruments include:

- Held-to-maturity financial assets accounted for at an amortised cost of €12,871 million (a fair value of €15,194 million), held entirely by BancoPosta RFC.

- Available-for-sale financial assets with a fair value of €35,194 million, including €35,017 million in Italian government securities (held primarily by BancoPosta RFC and, to a residual extent, by BdM-MCC SpA) and €177 million in equity instruments.

Fair value gains on available-for-sale financial assets in the first quarter amount to €1,091 million. The balance includes a loss of €238 million, regarding the unhedged portion of fair value hedges, accounted for in the relevant equity reserve, and gains of €1,329 million, relating to the hedged portion, accounted for in profit or loss.

At 31 March 2016, derivative financial instruments attributable to the Financial Services segment, amounting to €238 million, include €109 million attributable to instruments hedging BancoPosta RFC's investments, and €129 million in instruments hedging bonds issued by BdM-MCC SpA.

Financial liabilities

At 31 March 2016, financial liabilities include:

- Payables deriving from postal current accounts, totalling €43,888 million, representing BancoPosta's direct deposits.
- Bonds with a carrying amount of €494 million issued by BdM-MCC SpA.
- Borrowings from financial institutions, totalling €7,566 million, primarily regarding:
 - repurchase agreements entered into by the Parent Company with major financial institutions, totalling €6,477 million (a total nominal value of €5,944 million);
 - short-term ECB loan of €780 million obtained by BdM-MCC SpA, within the scope of the ECB's open market operations channelled through national central banks.
- Derivative financial instruments with fair value losses of €2,605 million, entirely represented by hedges of BancoPosta RFC's investments.

In particular, BancoPosta RFC holds:

- cash flow hedges deriving from investments with a nominal value of €1,400 million (€1,700 million at 31 December 2015); hedging instruments hedging securities that have been disposed of were unwound during the quarter; at 31 March 2016, the net fair value of these derivative instruments is €4 million;
- fair value hedges with a notional value of €13,875 million (€11,755 million at 31 December 2015); new asset swaps with a notional value of €2,250 million were entered into during the quarter and existing hedges of securities disposed of, with a notional value of €130 million, were unwound; in the same period, these instruments recorded fair value losses of €1,339 million on the effective portion, whilst the underlying securities report fair value gains of €1,329 million, with the difference of €10 million due to differentials paid and in the process of accruing. At 31 March 2016, net fair value losses on these derivative instruments are approximately €2,500 million (losses of €1,193 million at 31 December 2015).

INSURANCE SERVICES AND ASSET MANAGEMENT

Financial assets

Available-for-sale financial assets, amounting to €88,184 million, include €86,479 million in bonds issued by European governments and prime corporates and, to a lesser extent, units in mutual funds and equities.

During the period under review, the financial instruments in question recorded a fair value gain of €1,631 million, of which €1,587 million was transferred to policyholders and recognised in technical provisions under the shadow accounting method.

Financial instruments at fair value through profit or loss consist of:

- Fixed-income securities, amounting to €8,226 million and consisting of €5,622 million in coupon stripped BTPs.
- Structured bonds, amounting to €1,342 million and used primarily to cover contractual obligations deriving from Class III products.
- Other investments, amounting to €10,260 million and relating to units of mutual investment funds. These instruments include €5,586 million invested in the Blackrock Diversified Distribution Fund, a UCITS, and an investment of €3,972 million in Multiflex, a UCITS, 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.

At 31 March 2016, outstanding derivatives primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies with a fair value of €147 million and a notional amount of €5,558 million.

Financial liabilities and technical provisions

At 31 March 2016, the segment's financial liabilities primarily regard the subordinated loan with a nominal value of €750 million issued by Poste Vita SpA in 2014 and having an amortised cost of €764 million.

At the same date, technical provisions for the insurance business after the portion ceded to reinsurers, amount to €106,019 million.

EXPOSURE TO SOVEREIGN DEBT

The following table shows the Group's exposure to sovereign debt at 31 March 2016, including details of the nominal value, carrying amount and fair value of each type of portfolio.

Item	at 31 March 2016			at 31 December 2015		
	Nominal value	Carrying amount	Fair Value	Nominal value	Carrying amount	Fair Value
(€m)						
Italy	106,439	121,421	123,744	104,304	117,688	119,859
Held-to-maturity financial assets	12,692	12,871	15,194	12,612	12,886	15,057
Available-for-sale financial assets	88,122	102,928	102,928	86,014	99,137	99,137
Financial assets at FV through profit or loss	5,625	5,622	5,622	5,678	5,665	5,665
Austria	-	-	-	10	11	11
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	10	11	11
Financial assets at FV through profit or loss	-	-	-	-	-	-
Belgium	95	104	104	95	93	93
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	95	104	104	95	93	93
Financial assets at FV through profit or loss	-	-	-	-	-	-
France	151	183	183	208	217	217
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	151	183	183	208	217	217
Financial assets at FV through profit or loss	-	-	-	-	-	-
Germany	27	37	37	25	32	32
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	27	37	37	25	32	32
Financial assets at FV through profit or loss	-	-	-	-	-	-
Ireland	173	179	179	355	365	365
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	173	179	179	355	365	365
Financial assets at FV through profit or loss	-	-	-	-	-	-
Netherlands	-	-	-	10	10	10
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	10	10	10
Financial assets at FV through profit or loss	-	-	-	-	-	-
Portugal	-	-	-	28	29	29
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	28	29	29
Financial assets at FV through profit or loss	-	-	-	-	-	-
Spain	2,029	2,284	2,284	1,359	1,487	1,487
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	2,029	2,284	2,284	1,359	1,487	1,487
Financial assets at FV through profit or loss	-	-	-	-	-	-
Slovenia	70	74	74	40	43	43
Held-to-maturity financial assets	-	-	-	-	-	-
Available-for-sale financial assets	70	74	74	40	43	43
Financial assets at FV through profit or loss	-	-	-	-	-	-
Total	108,984	124,283	126,606	106,435	119,974	122,145

14. DECLARATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

The manager responsible for financial reporting, Luciano Loiodice, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim report for the three months ended 31 March 2016 is consistent with the underlying accounting records.

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