

POSTE ITALIANE

CAPITAL MARKETS DAY

2018 RESULTS & 2019 GUIDANCE

DELIVER 2022 ON TRACK

Guido Nola - CFO

FY18 & 4Q18 RESULTS SUMMARY

FY2018 RESULTS OVERVIEW

ALL SEGMENTS CONTRIBUTED TO STRONG GROWTH IN OPERATING PROFITABILITY

€ m unless otherwise stated

	2017	2018	Var.	Var. (%)
REVENUES	10,629	10,864	+236	+2.2%
REVENUES ADJUSTED¹	9,939	10,356	+417	+4.2%
TOTAL OPERATING COSTS (INCLUDING D&A)	9,506	9,366	(140)	(1.5%)
EBIT	1,123	1,499	+376	+33.5%
EBIT MARGIN	11%	14%	+3p.p.	
EBIT ADJUSTED¹	1,111	1,673	+562	+50.6%
NET PROFIT	689	1,399	+709	+102.9%
EPS (€/SHARE)	0.53	1.07	0.54	
NET PROFIT ADJUSTED¹	752	1,172	+419	+55.7%
EPS ADJUSTED (€/SHARE)	0.58	0.90	0.32	

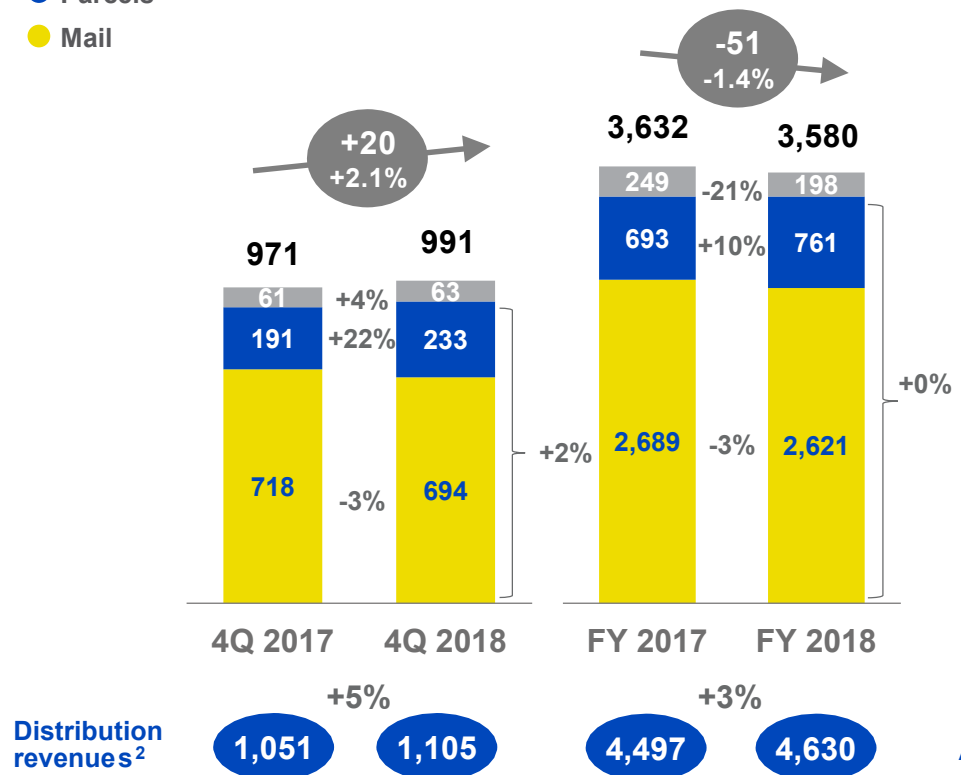
2018 RESULTS – MAIL, PARCEL & DISTRIBUTION

MAIL AND PARCEL COMBINED REVENUES NOT DECREASING FOR THE FIRST TIME IN TEN YEARS

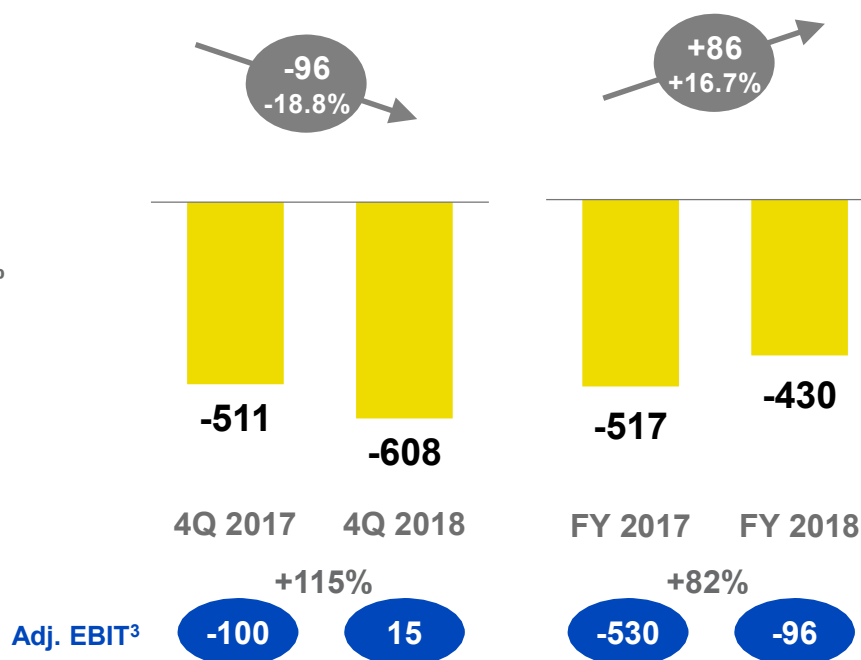
€ m unless otherwise stated

SEGMENT REVENUES

- Other¹
- Parcels
- Mail



EBIT



KEY HIGHLIGHTS

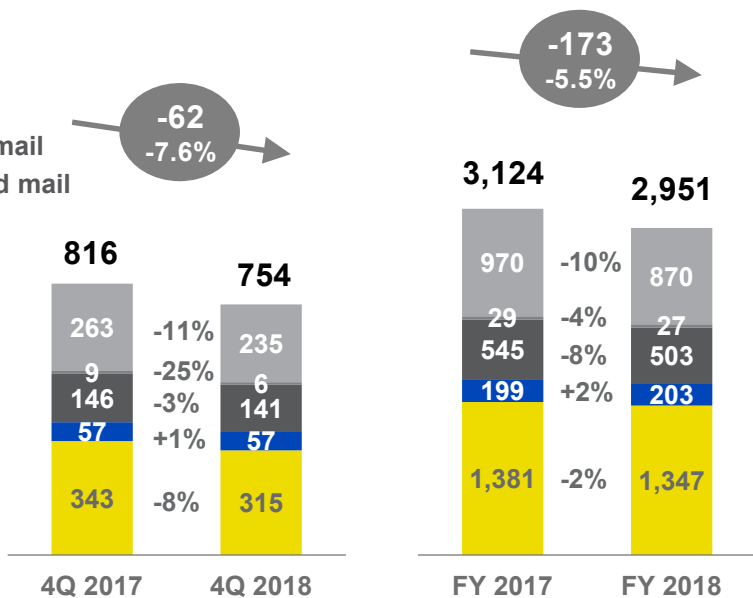
- Network transformation supporting the acceleration of operating profitability
- Parcel revenues up supported by strong B2C business, offsetting Mail decline
- 2018 Mail revenues exceeded expectations thanks to non recurring effect

2018 RESULTS – MAIL, PARCEL & DISTRIBUTION

JOINT DELIVERY MODEL ENABLING STRONG PARCEL VOLUMES, REPLACING LOWER MAIL VOLUMES

MAIL VOLUMES (M/PC)

- Other¹
- Integrated services
- Direct marketing
- Recorded mail
- Unrecorded mail

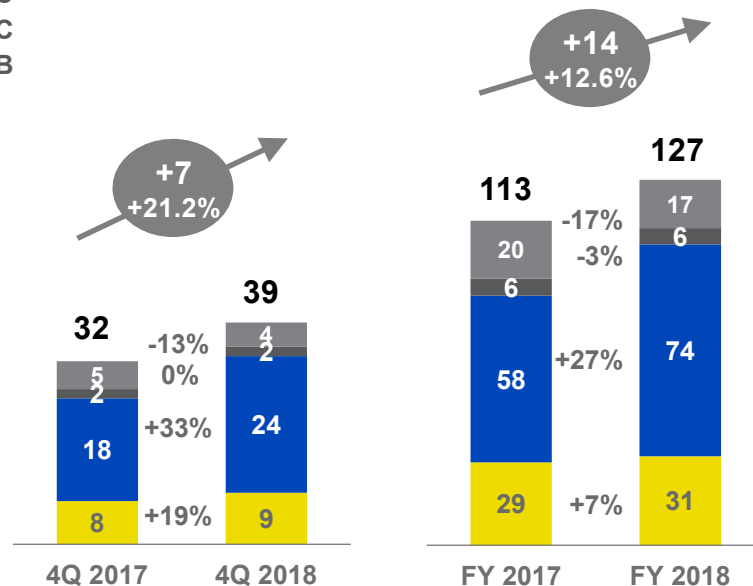


AVERAGE PRICE INDEX (base 100)



PARCEL VOLUMES (M/PC)

- Other²
- C2C
- B2C
- B2B



AVERAGE PRICE INDEX (base 100)



KEY HIGHLIGHTS

- Mail volumes decrease related to lower margin products (e.g. direct marketing and unrecorded mail)
- Average prices benefitted from repricing since July
- Parcel volumes positive trend boosted by record B2C and sustained B2B
- Overall parcel tariff down due to volumes mix effect, with B2C prices up in 2018

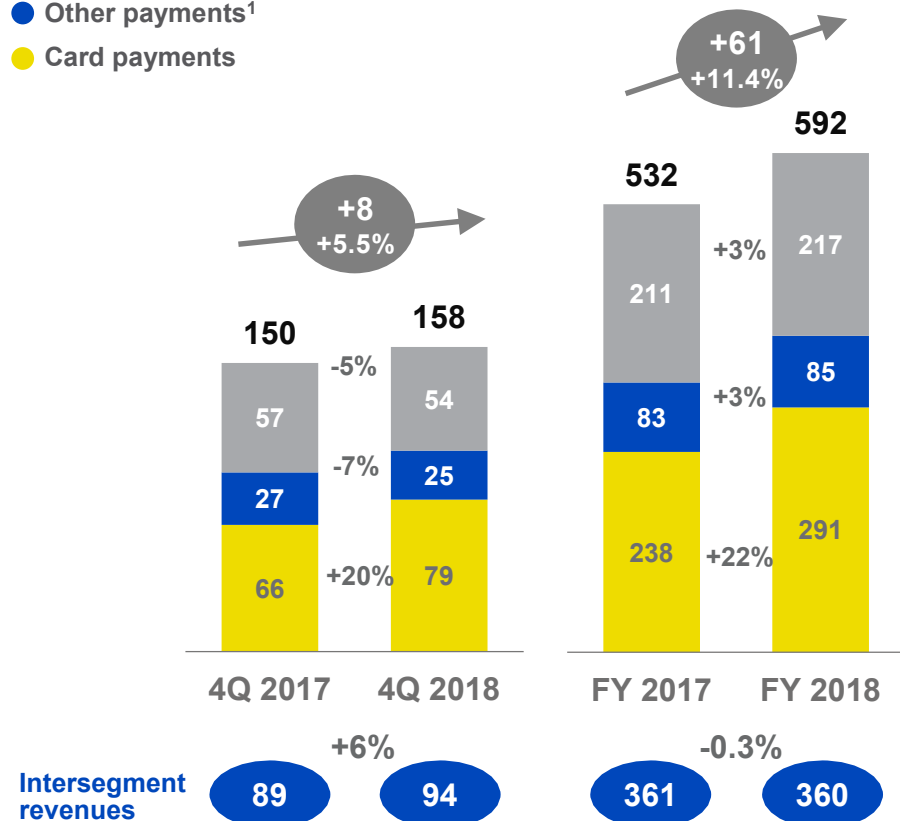
2018 RESULTS – PAYMENTS, MOBILE & DIGITAL

2018 OPERATING PROFIT PROGRESSION FUELLED BY DOUBLE DIGIT GROWTH IN CARDS REVENUES

€ m unless otherwise stated

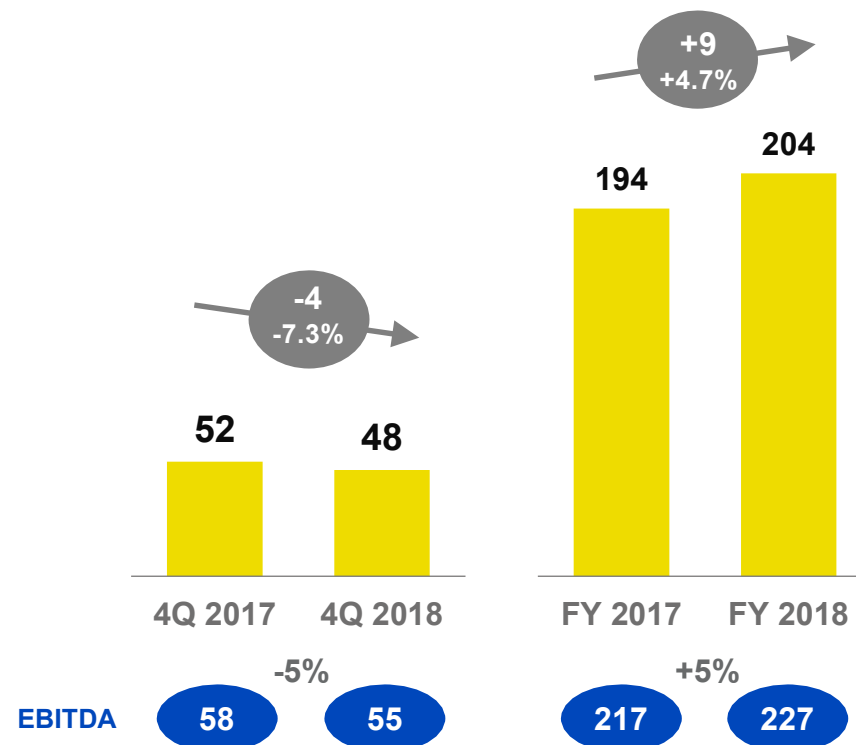
SEGMENT REVENUES

- Telecom
- Other payments¹
- Card payments



EBIT & EBITDA

- EBIT



KEY HIGHLIGHTS

- Continued progression of operating profit in 2018; 4Q 2018 impacted by VAT provisions for c.6m
- Revenues continue to increase, thanks to the strong contribution from growth in Postepay payment cards and transactions
- Other payments revenues impacted by tax payments services anticipated to 3Q18
- Telecom revenues mirroring the ongoing refocus to more sustainable yearly fees

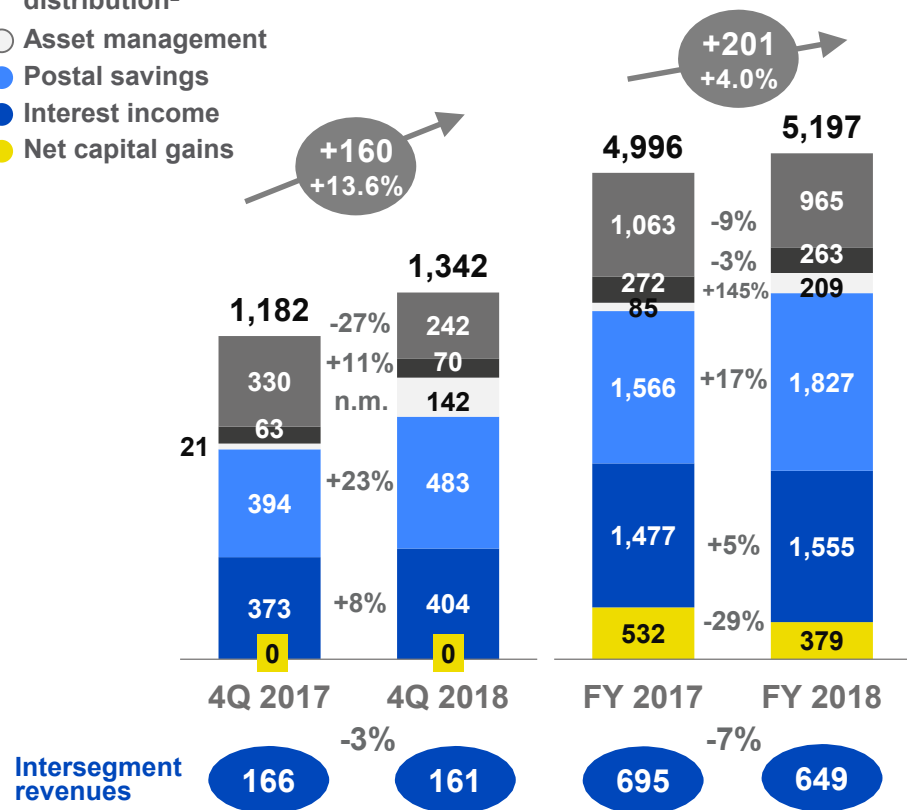
2018 RESULTS – FINANCIAL SERVICES

REVENUES UP WITH A MORE SUSTAINABLE MIX LEADING TO HIGHER UNDERLYING PROFITABILITY

€ m unless otherwise stated

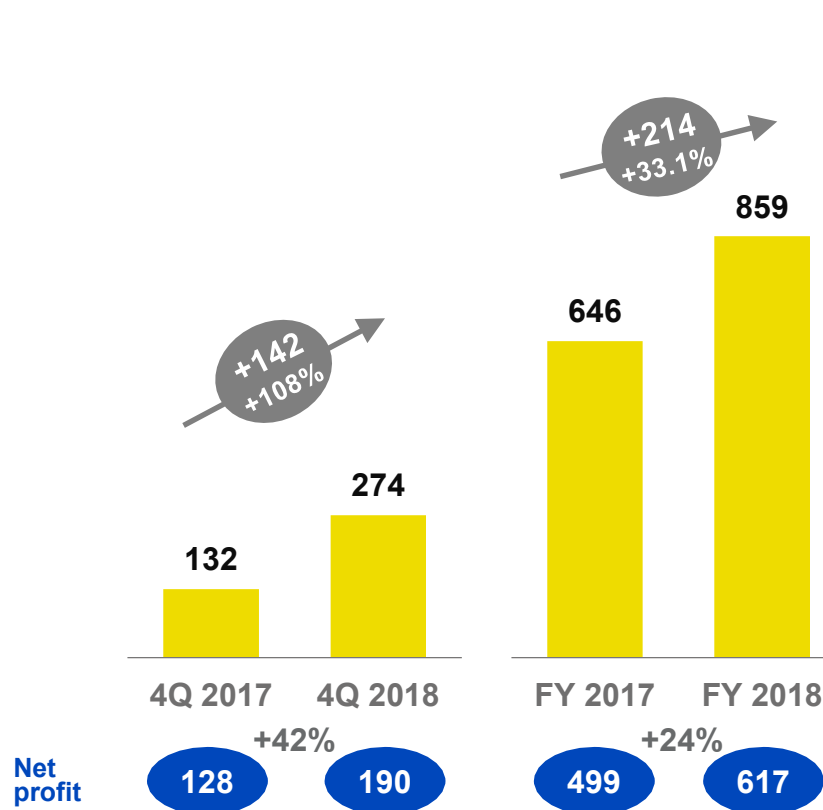
SEGMENT REVENUES

- Transaction banking¹
- Loan & mortgage distribution²
- Asset management
- Postal savings
- Interest income
- Net capital gains



EBIT & NET PROFIT

- EBIT



KEY HIGHLIGHTS

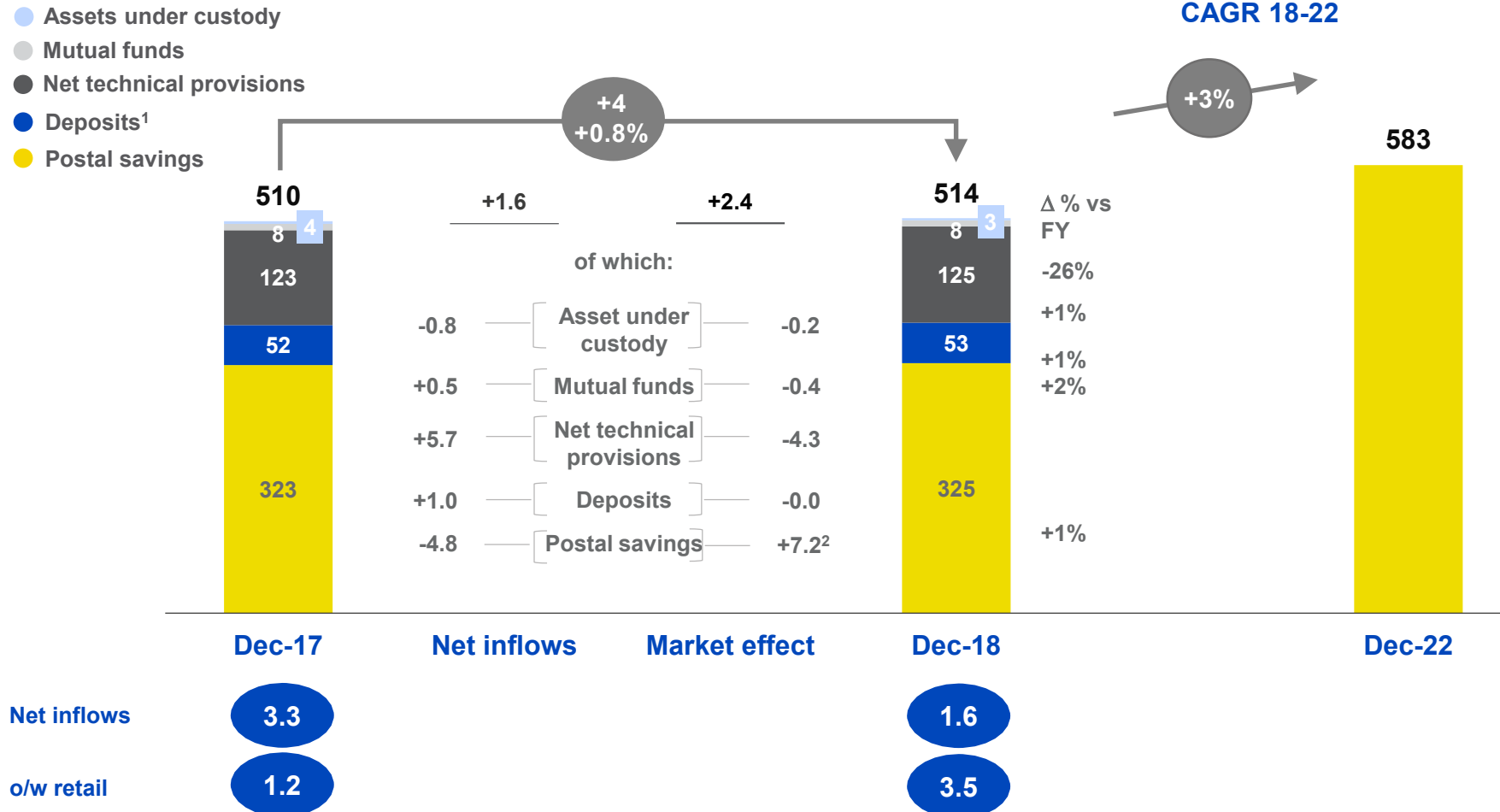
- Continued underlying progression of operating and net profit
- Postal saving fees increasing to the upper end range of new CDP agreement
- Interest income up thanks to higher volumes
- Asset management fees benefitting 120m Anima capital gain in 4Q18
- Loan and mortgages steadily increasing (net of IFRS15 accounting changes)
- Transaction banking impacted by Mastercard capital gain in 4Q17

GROUP TOTAL FINANCIAL ASSETS

RESILIENT BUSINESS MODEL WITH POSITIVE NET INFLOWS IN A CHALLENGING ENVIRONMENT

€ bn unless otherwise stated

TFA EVOLUTION



KEY HIGHLIGHTS

- Total financial assets up by 4bn in 2018, in a volatile environment
- Positive retail net inflows of 3.5bn
- Insurance net inflows up 5.7bn with increasing market share in Life
- Postal savings net inflows improving, supported by new commercial initiatives
- Deposits up 1bn thanks to retail customer base (+2.7bn)
- Mutual funds up 0.5bn leading to increasing market shares

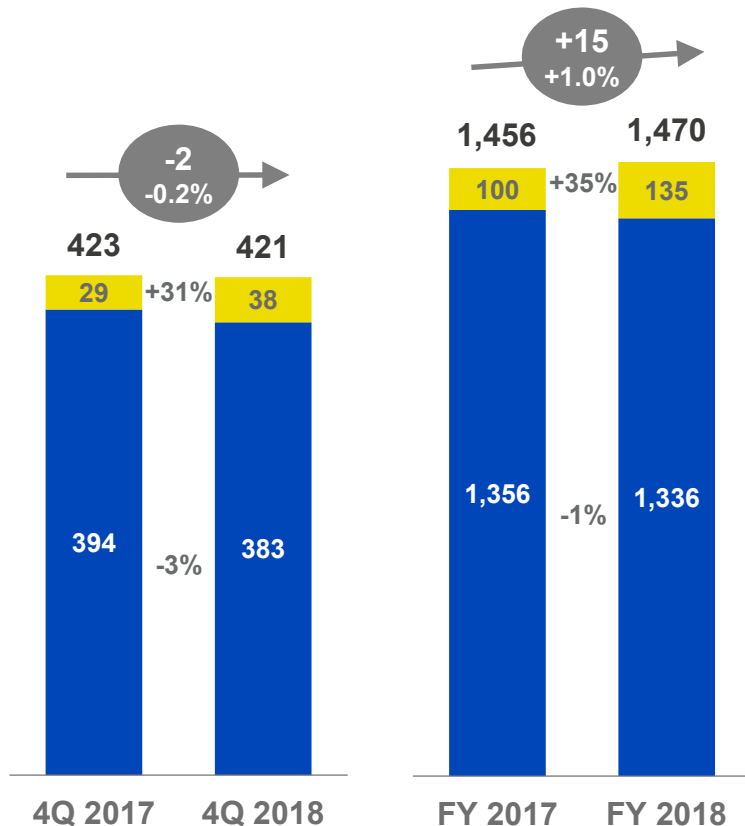
2018 RESULTS – INSURANCE SERVICES

ONGOING FOCUS ON GROWING P&C

€ m unless otherwise stated

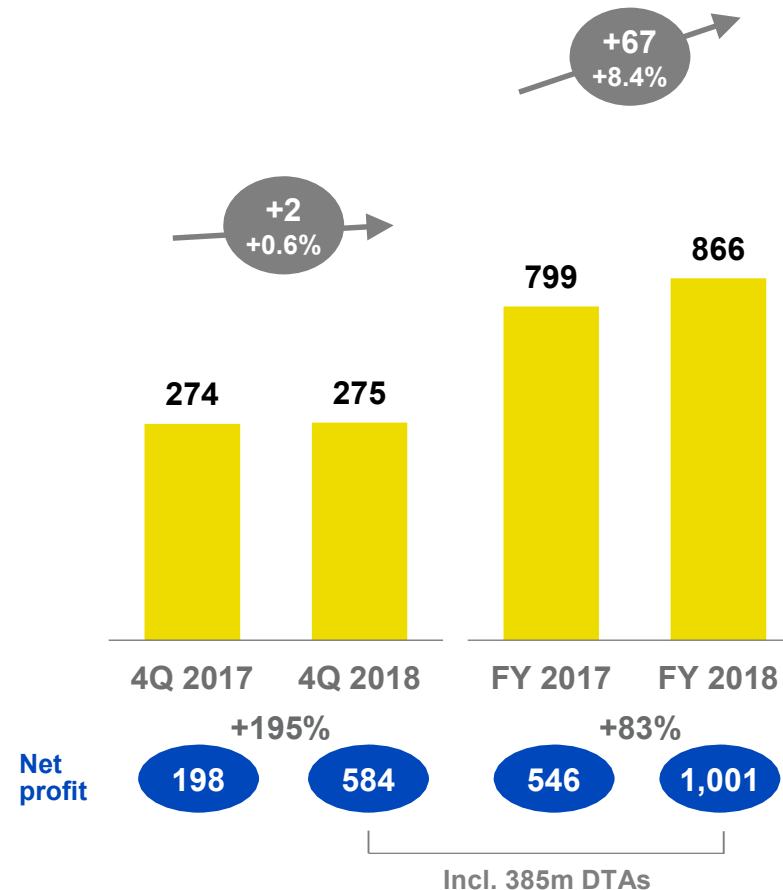
SEGMENT REVENUES

- P&C
- Life¹



EBIT & NET PROFIT

- EBIT



KEY HIGHLIGHTS

- Net profit well on track with 2018 target, net of DTA effects
- Revenues broadly stable in 4Q and up in FY18 thanks to ongoing focus on P&C
- Operating profitability progressing in the year thanks to positive net inflows and progress on P&C
- Increasing market share in Life Insurance in a volatile market environment

LEADERSHIP IN INSURANCE

A UNIQUE BUSINESS MODEL

MARKET LEADERSHIP

- Market leader in Life and Pension; solid growth in P&C
- Unique network reach, strong brand and loyal client base

BEST IN CLASS LAPSE RATE & RESILIENT ASSET AND LIABILITY MANAGEMENT

- Historical low lapse rate in all market conditions
- Resilient asset and liability management, ongoing asset diversification

ONGOING DIVERSIFICATION

- Ongoing diversification within Life products offering

SUSTAINABLE GROWTH

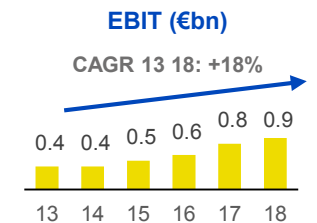
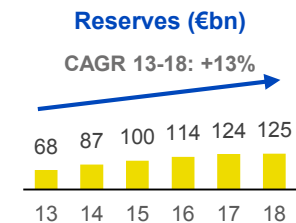
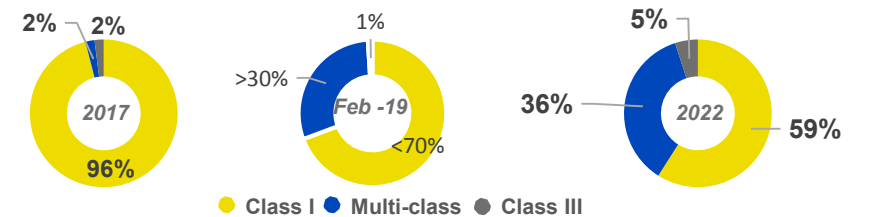
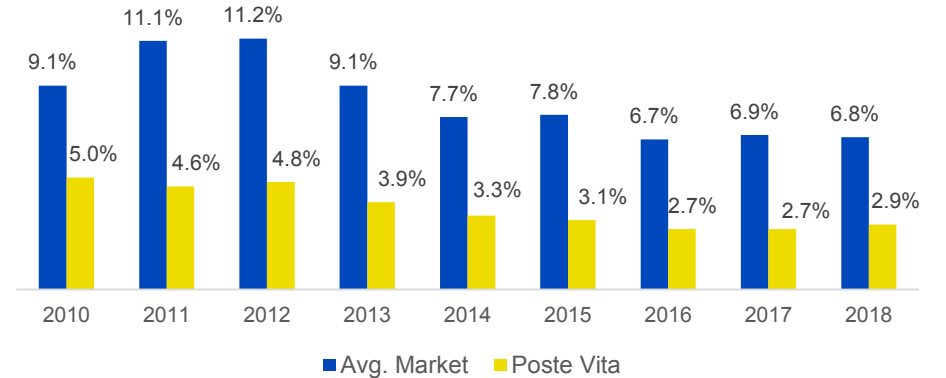
- Robust net inflows and operating profit continuing over time
- Renewed 60% of expiring policies
- No minimum guaranteed offered on new products

KPIs

17.9%
Life market share¹

4m
Customers

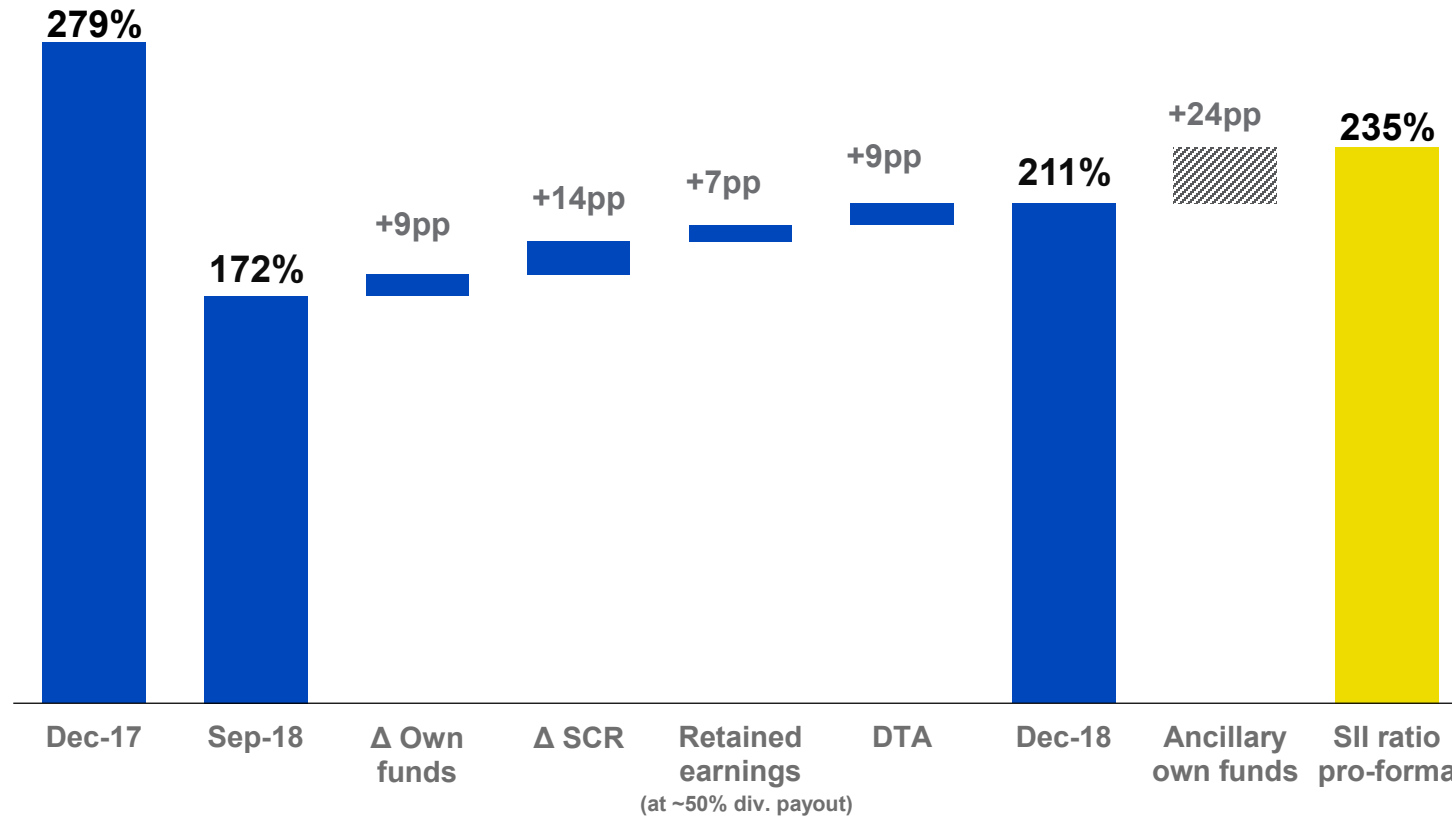
Lapse rate²



SOLVENCY II EVOLUTION

SOLVENCY RATIO UP BENEFITTING FROM CAPITAL MANAGEMENT

CHANGE IN SOLVENCY RATIO



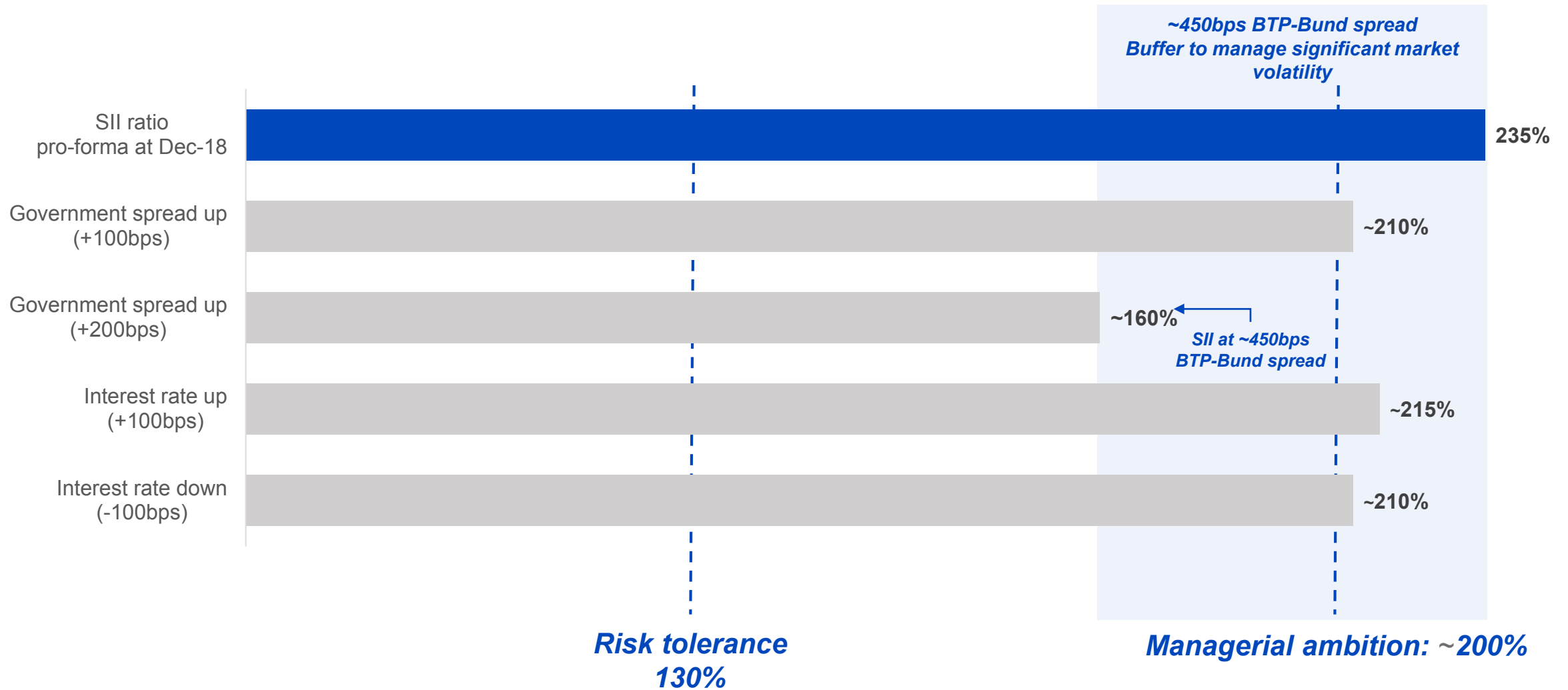
KEY HIGHLIGHTS

- Solid Solvency II ratio, consistent with Plan
- Solvency ratio in Dec-18 supported by positive market trends and effective capital management actions:
 - Dividend payout to Poste Italiane SpA at ~50% in 2018
 - Ancillary own funds approved by the regulator (Feb. 2019)
- Full accounting recognition of DTAs in 4Q18
- Volatility adjustment (VA) contribution increased in 4Q18 (no country specific VA triggered)

SOLVENCY II – RISK FRAMEWORK

A DISCIPLINED RISK APPETITE FRAMEWORK, TARGETING SOLVENCY II RATIO AT ~200% THROUGH THE CYCLE

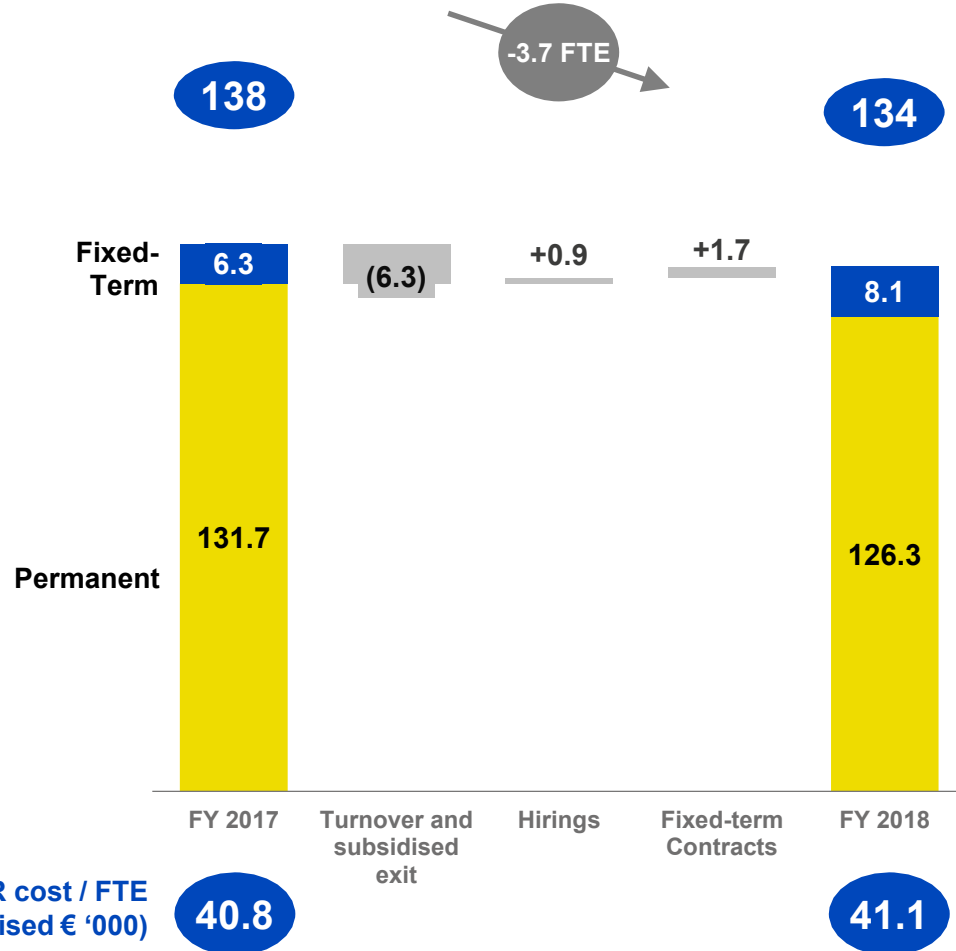
SOLVENCY RATIO AND SENSITIVITIES



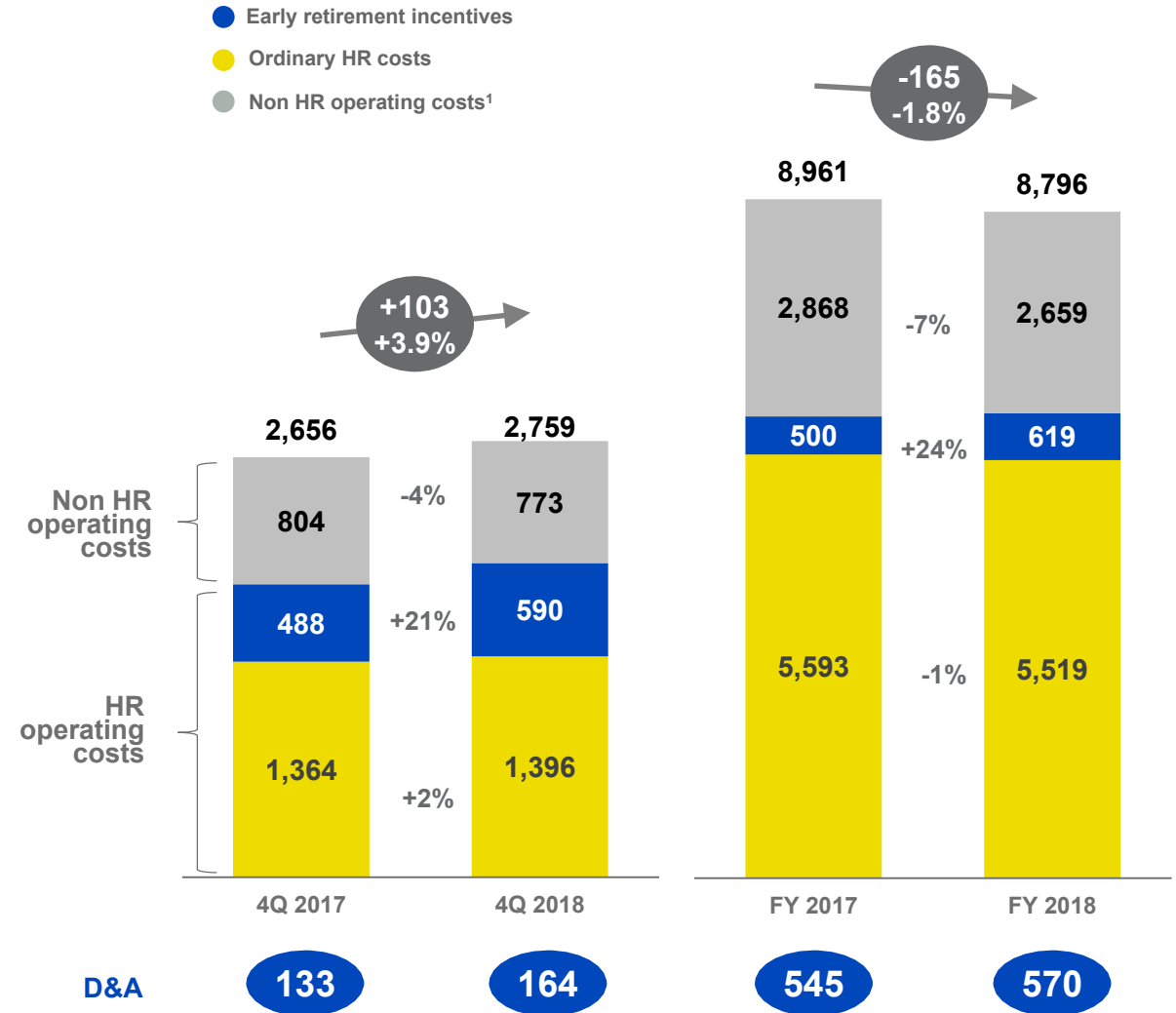
COSTS DOWN THANKS TO MAIL, PARCEL & DISTRIBUTION RE-ORGANISATION

CONFIRMED TRACK RECORD TO MANAGE REDUCTION OF HEADCOUNTS

AVERAGE HEADCOUNT ('000)



GROUP COSTS



DELIVER 2022

FINANCIAL UPDATE

KEY CONSOLIDATED FINANCIAL TARGETS

2019 GUIDANCE – CONTINUED PROGRESSION TOWARDS LONG-TERM TARGETS

€ bn unless otherwise stated

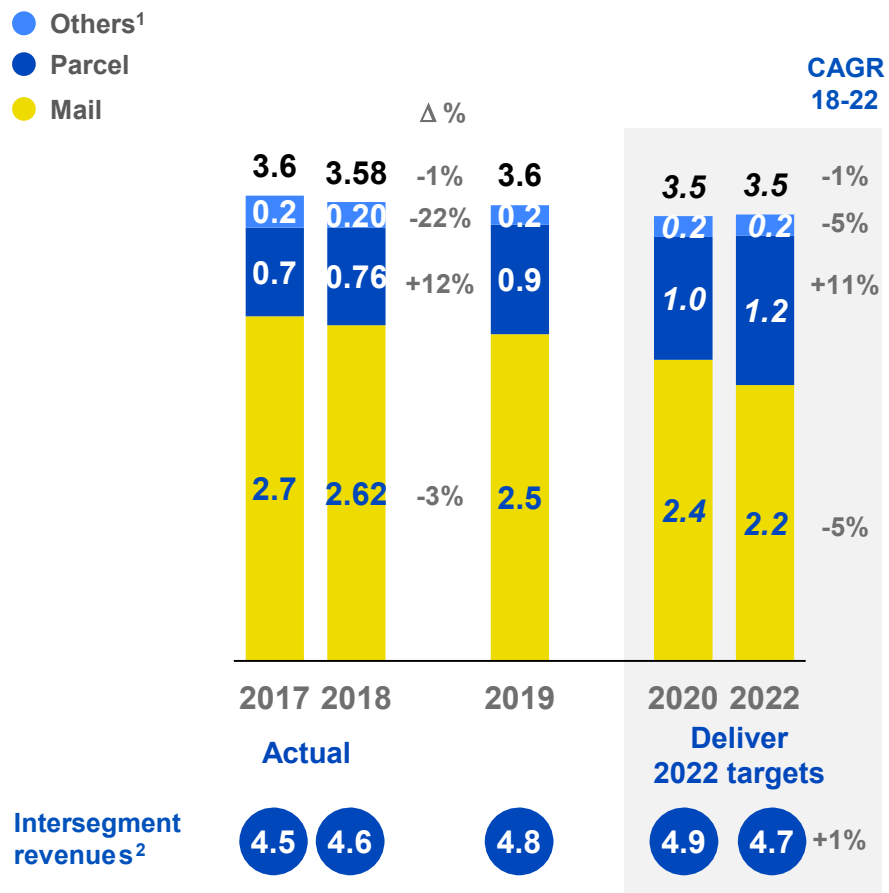
	2017	2018	2019	2020	2022	CAGR 17-22
REVENUE	10.6	10.86	11.0	10.9	11.2	+1%
EBIT	1.1	1.50	1.6	1.6	1.8	+10%
EBIT MARGIN	11%	14%	15%	15%	16%	
NET PROFIT	0.7	1.40	1.1	1.1	1.2	+13%
ROE¹	10%	18%	14%	13%	13%	
DIVIDEND (€/SHARE)	0.42	0.44 ²	+5%	+5%	Min. payout 60%	
EPS (€/SHARE)	0.53	1.07	0.87	0.86	0.96	

MAIL, PARCEL & DISTRIBUTION

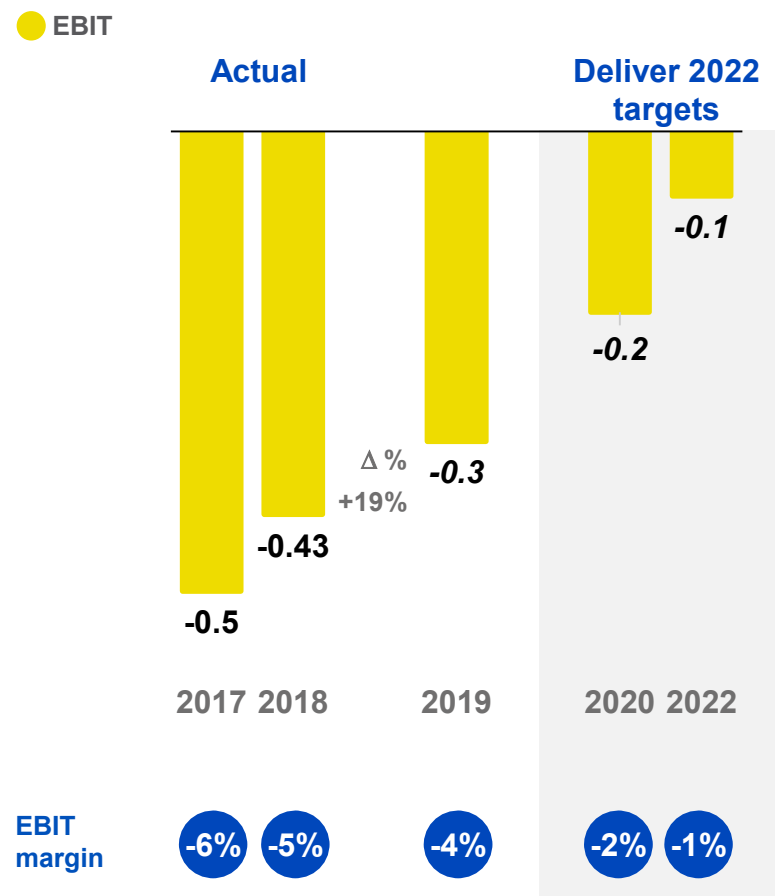
CONTINUED FOCUS ON PARCEL BUSINESS TO OFFSET MAIL DECLINE AND STABILISE REVENUES

€ bn unless otherwise stated

SEGMENT REVENUES³



EBIT



KEY HIGHLIGHTS

- Stable segment revenues expected in 2019, with parcel growth offsetting mail decline
- 2019 parcel growth rate expected in line with long-term target
- Operating profitability confirmed to gradually improve in line with Plan

PAYMENTS, MOBILE & DIGITAL

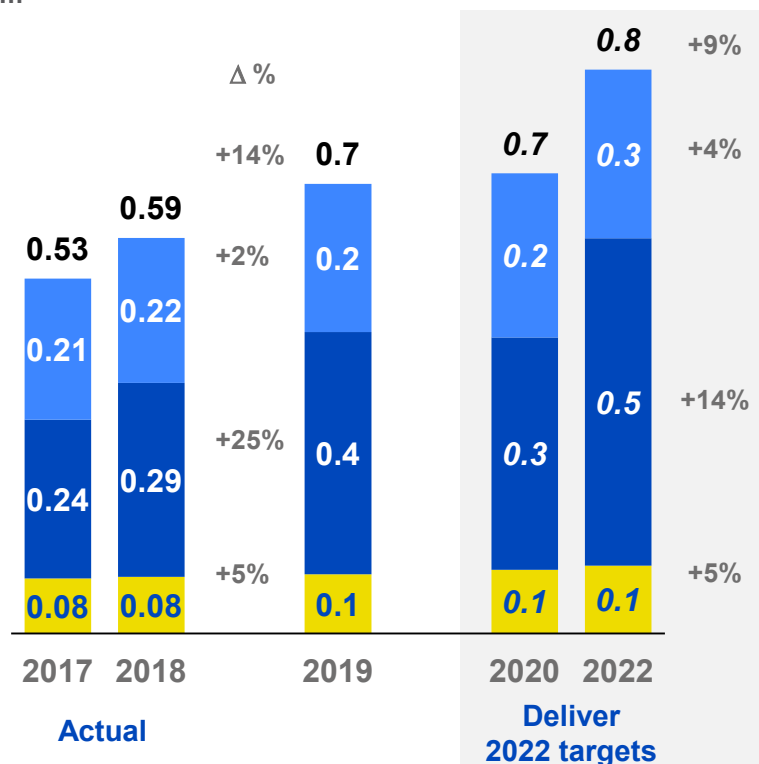
REVENUES FURTHER PROGRESSING THANKS TO STRONG GROWTH OF CARD PAYMENTS

€ bn unless otherwise stated

SEGMENT REVENUES¹

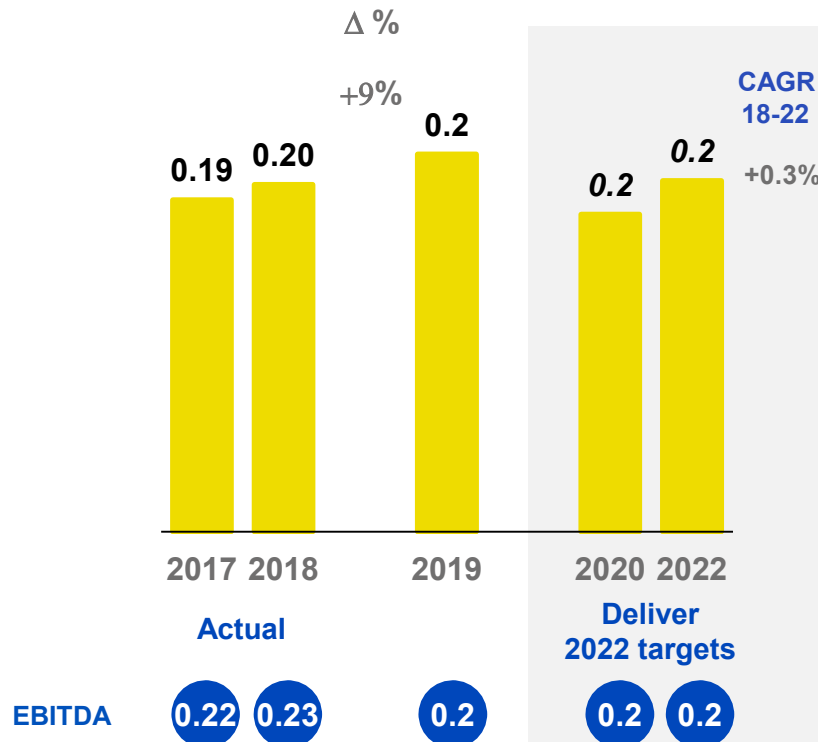
- Other payments
- Card payments
- Telecom

CAGR
18-22



EBITDA & EBIT

- EBIT



KEY HIGHLIGHTS

- Operating profit further improving in 2019, with revenues up by 14% supported by double digit growth in card payments (+25%)
- Contribution from traditional products expected to slow down in line with Plan

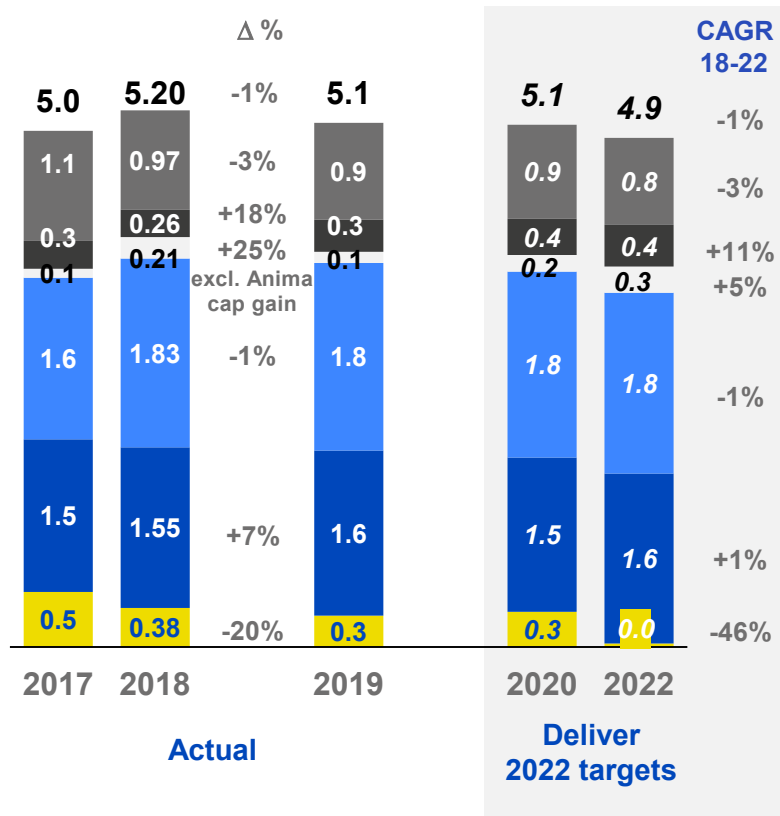
FINANCIAL SERVICES

UNDERLYING PROFITABILITY EXPECTED TO FURTHER IMPROVE LEVERAGING ON DISTRIBUTION

€ bn unless otherwise stated

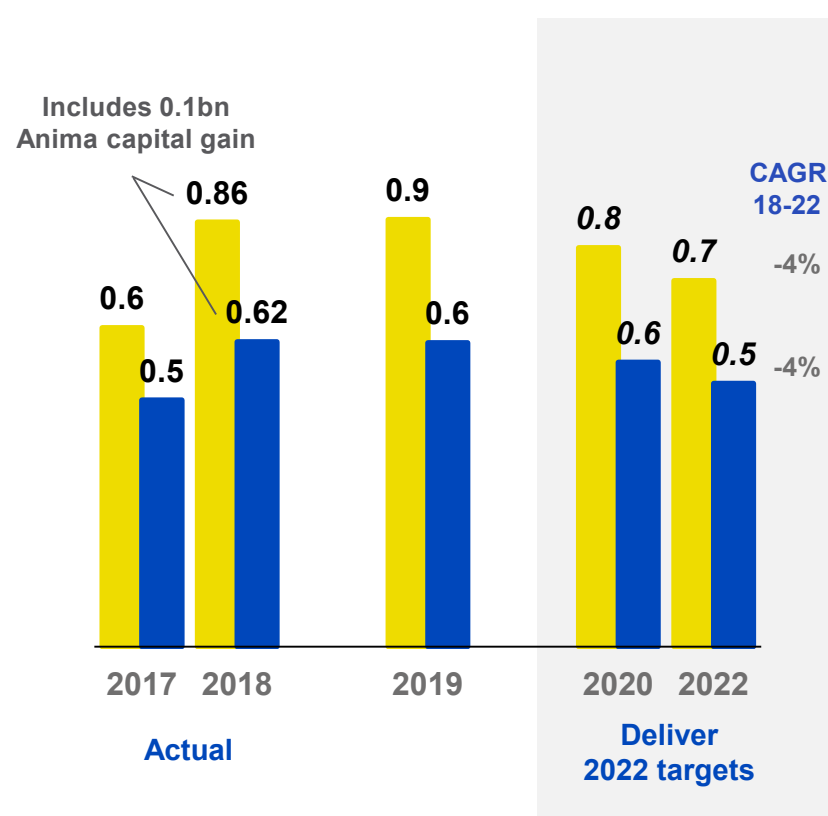
SEGMENT REVENUES

- Net capital gains
- Interest income
- Postal savings
- Asset Management
- Loan and mortgage distribution
- Transaction banking¹



EBIT & NET PROFIT

- EBIT
- Net Profit



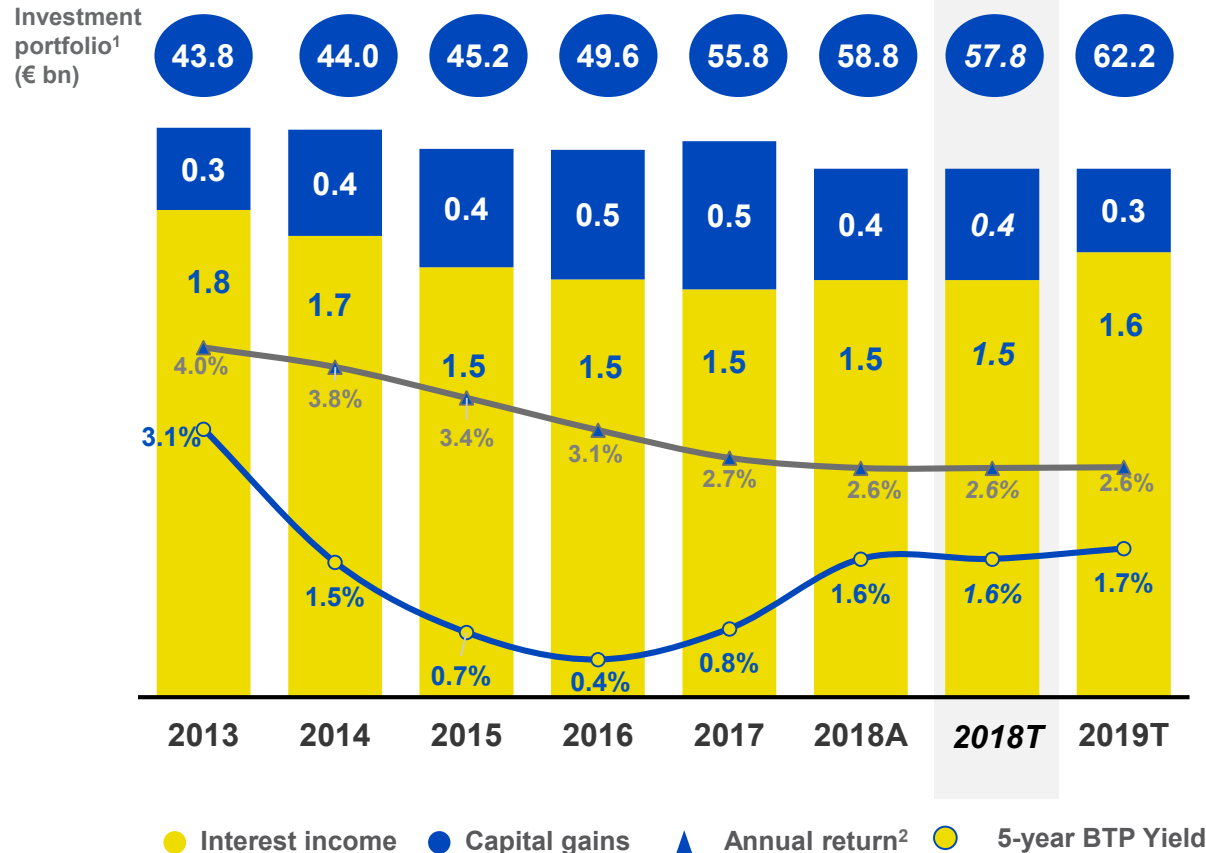
KEY HIGHLIGHTS

- Underlying profitability expected to improve in 2019, reducing reliance on capital gains
- Asset management progressing net of 120m Anima capital gain in 2018
- Interest income further up thanks to higher volumes
- Loan and mortgages increasing due to higher volumes and distribution agreements
- Postal saving fees confirmed at the upper end range of CDP agreement

DELIVER 2022: ACTIVE PORTFOLIO MANAGEMENT

RESILIENT AND FLEXIBLE STRATEGY ADAPTING TO CHANGING ECONOMIC CONDITIONS

REVENUES FROM INVESTMENT ACTIVITIES



KEY HIGHLIGHTS

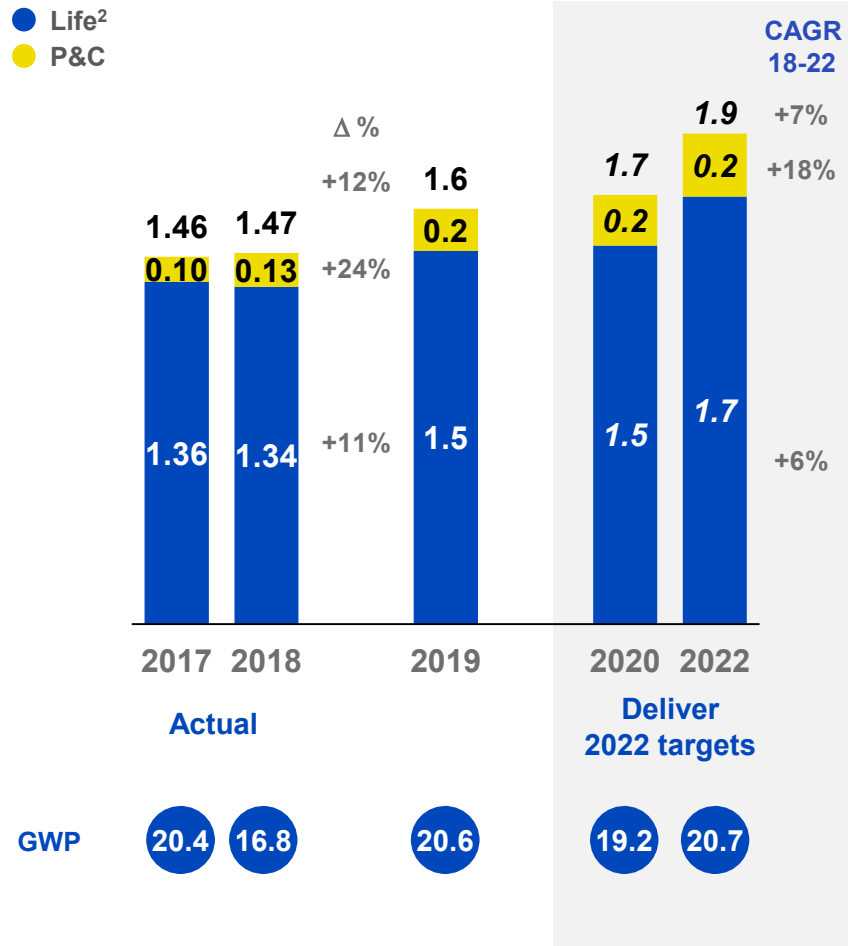
- Deliver 2022 targets related to net interest and capital gains confirmed, with active portfolio management to address volatility
- Most of the capital gains planned in Deliver 2022 already achieved thanks to a mix of realised capital gains and higher interest income of bonds purchased at higher reinvestment yield
- Future capital gains and net interest to be realised with a changing mix, thanks to active portfolio management adapting to different market scenarios

INSURANCE SERVICES

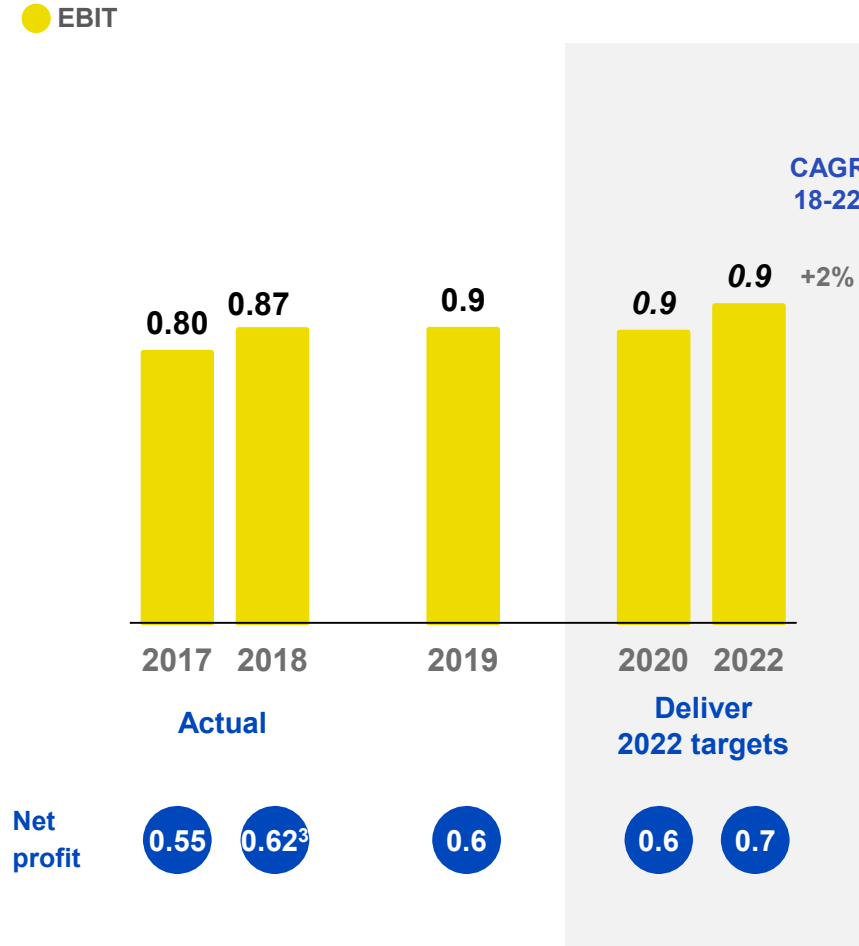
CONSOLIDATING LEADERSHIP IN LIFE AND GROWING P&C

€ bn unless otherwise stated

SEGMENT REVENUES¹



EBIT & NET PROFIT



KEY HIGHLIGHTS

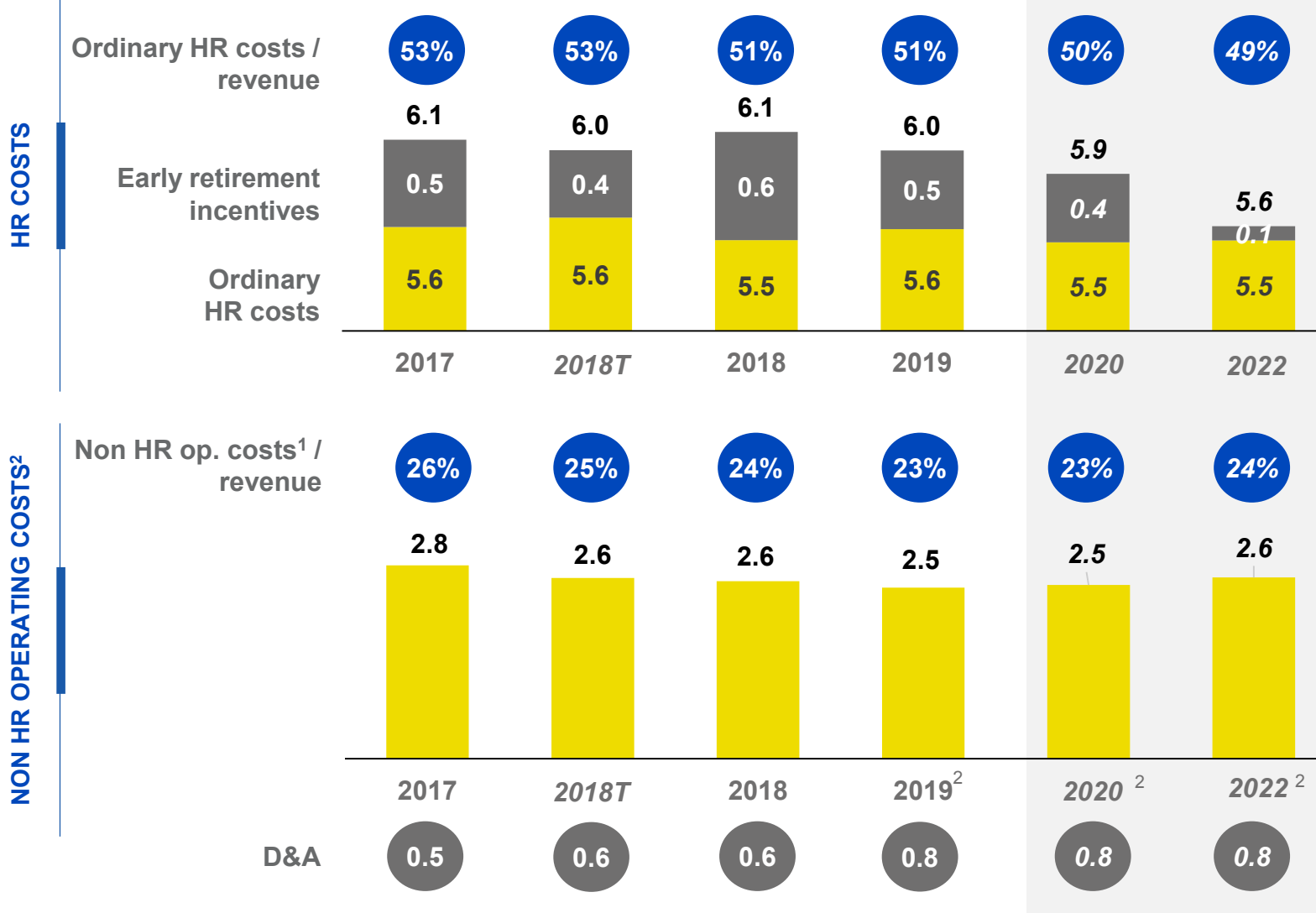
- Net profit 2019 at 0.6bn, confirming leadership in insurance
- Shift from traditional life to multi-class ahead of schedule, underpinning revenue generation over 2019 together with P&C

COST DISCIPLINE

COST DISCIPLINE IN BOTH HR AND OTHER OPERATING COSTS

€ bn unless otherwise stated

← **Δ 2018-2022: -2p.p.** →



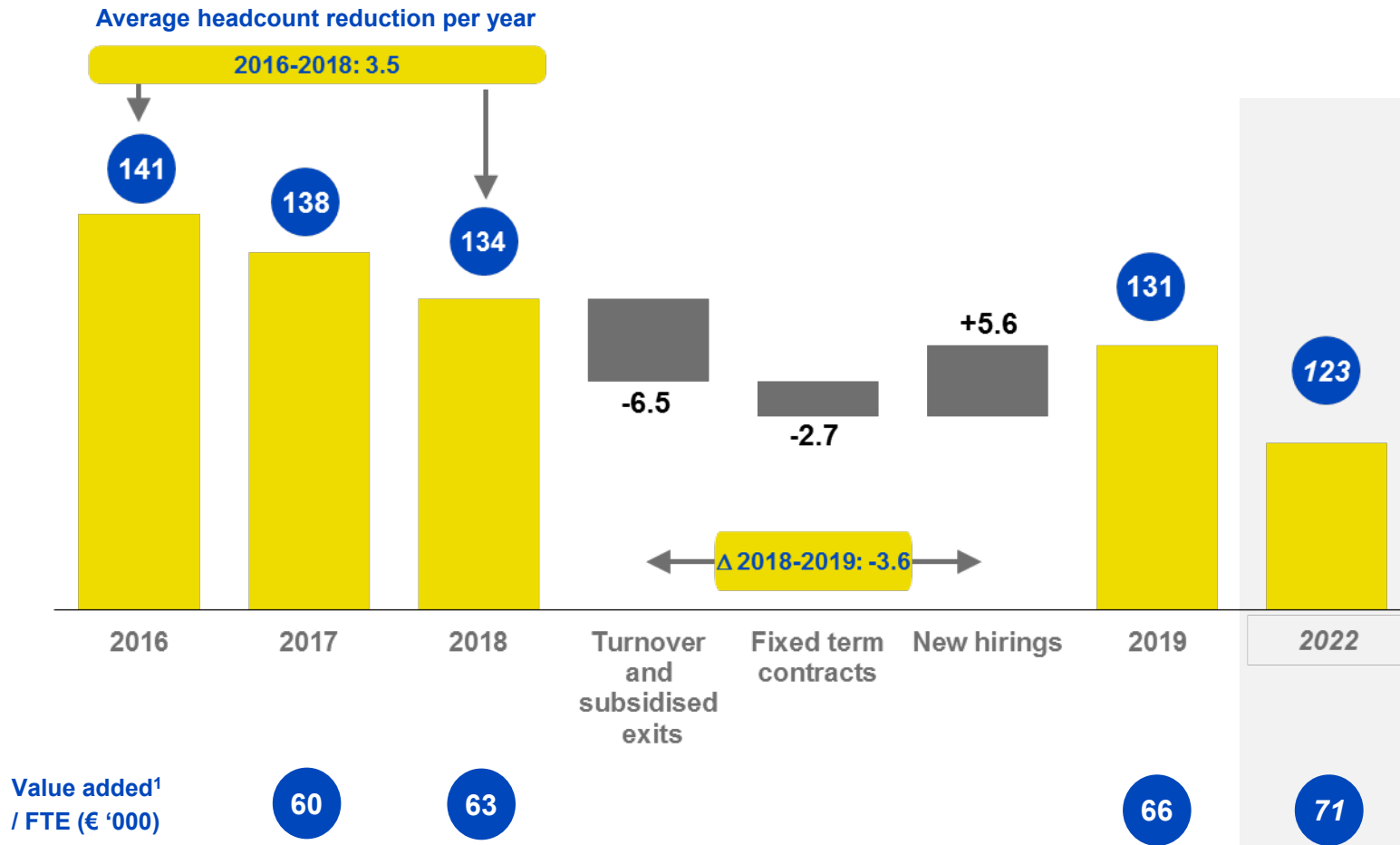
KEY HIGHLIGHTS

- Focus on cost discipline confirmed for 2019
- Higher early retirement incentives in 2018 to accelerate transformation and down in 2019 y/y, while confirming Deliver 2022 cumulative total
- Total amount of Non HR costs and D&A increasing in 2019; net of IFRS 16, variable costs increase to support revenue growth

COST DISCIPLINE

HEADCOUNT REDUCTION TO SUPPORT TRANSFORMATION

AVERAGE HEADCOUNT ('000)



KEY HIGHLIGHTS

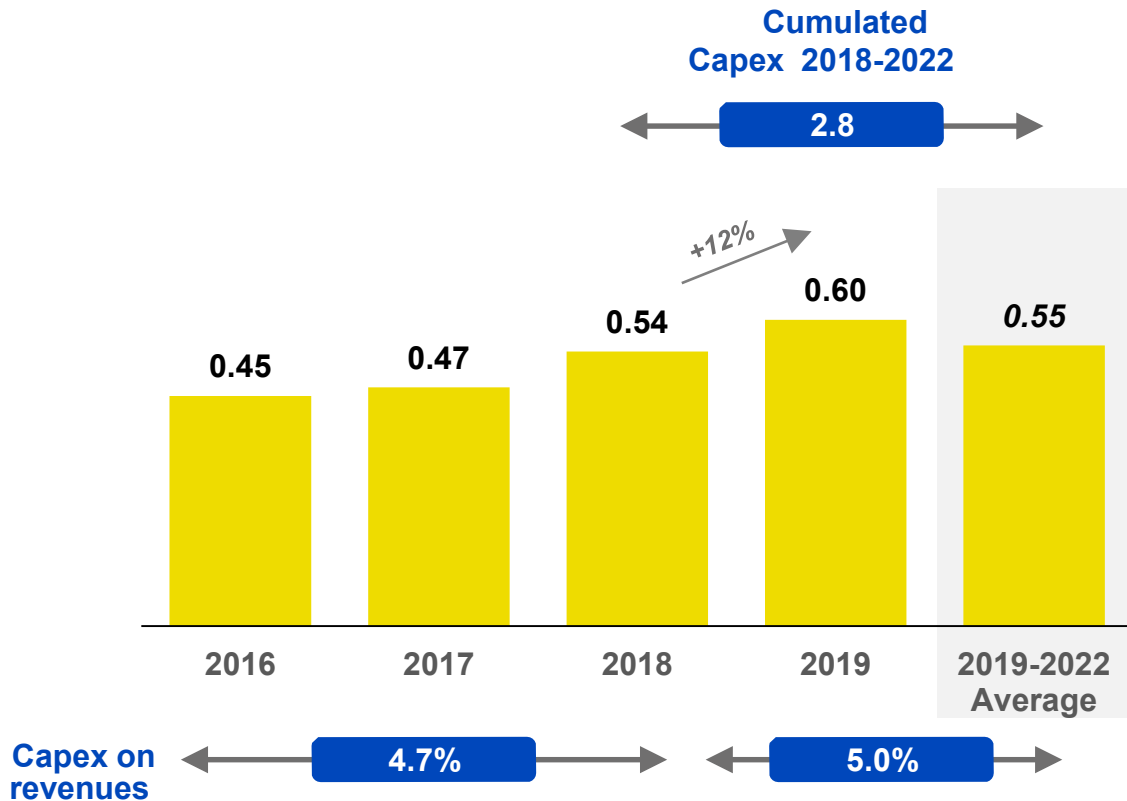
- Average headcount further down in 2019 by c.3,650 to support ongoing transformation
- Voluntary subsidised exits and natural turnover as key driver of transformation
- New hires, equal to c. 5,600 FTE in 2019, focused on specialist expertise to support workforce renewal
- Value added per FTE up to 63k in 2018, further increasing to 66k in 2019

EFFECTIVE CAPITAL EXPENDITURE

SIGNIFICANT AND FOCUSED INVESTMENTS TO SUPPORT DELIVER 2022 STRATEGY

€ bn unless otherwise stated

CAPEX PLAN



2019 INVESTMENT FOCUS

- **Mail, Parcel & Distribution:**
 - Mail and parcel sorting automation
 - New delivery model
 - Lean program
- **Financial Services & Insurance**
 - Products and service evolution
 - Compliance and regulatory
- **Payments, Mobile and Digital**
 - Postpay infrastructure setup

DELIVER 2022 – FINANCIAL PRIORITIES

**ENSURE PRAGMATIC FINANCIAL TARGETS AND KPIs
ACROSS KEY BUSINESS ACTIVITIES ARE ACHIEVED**

**PRESERVE COST DISCIPLINE AND EFFECTIVE
CAPITAL ALLOCATION**

**MAINTAIN AN EFFICIENT AND STRONG BALANCE SHEET
ACROSS ALL BUSINESS SEGMENTS**

APPENDIX

ADDITIONAL FINANCIAL INFORMATION

4Q 2018 RESULTS OVERVIEW

OPERATING PROFIT IMPROVING IN 4Q 2018, HIGHER COSTS TO ACCELERATE TRANSFORMATION

€ m unless otherwise stated

	4Q 2017	4Q 2018	Var.	Var. (%)
REVENUES	2,735	2,913	+178	+6.5%
REVENUES ADJUSTED¹	2,642	2,801	+159	+6.0%
TOTAL OPERATING COSTS (INCLUDING D&A)	2,789	2,923	+134	+4.8%
EBIT	(54)	(10)	+44	+81.6%
EBIT MARGIN	(2.0%)	(0.3%)	+1.7p.p.	
EBIT ADJUSTED²	394	490	+96	+24.4%
NET PROFIT	(35)	343	+377	
EPS (€/SHARE)	(0.03)	0.26	+0.29	n.m.
NET PROFIT ADJUSTED³	285	349	+63	
EPS (€/SHARE)	0.22	0.27	+0.05	+22.2%

POSTE GROUP: 2018 & 2017 ONE-OFFS

EXPLANATORY NOTES TO ADJUSTED FIGURES

€million	4Q 2017	4Q 2018	%	2017	2018	%
REVENUES REPORTED	2,735	2,913	6%	10,629	10,864	2%
NET CAPITAL GAINS	0	0		532	379	
IFRS 9 IMPACT ON VISA	0	(7)		0	9	
BDM/MCC	0	0		48	0	
IFRS 15	2	0		18	0	
ANIMA	0	120		0	120	
MASTERCARD	91	0		91	0	
REVENUES ADJUSTED	2,642	2,801	6%	9,939	10,356	4%
COSTS REPORTED	2,789	2,923		9,506	9,366	
COSTS ADJUSTED¹	2,248	2,310		8,828	8,684	
EBIT REPORTED	(54)	(10)	82%	1,123	1,499	+34%
EBIT ADJUSTED	394	490	24%	1,111	1,673	
IMPAIRMENTS	0	62		94	62	
NET PROFIT	(35)	343		689	1,399	103%
NET PROFIT ADJUSTED²	285	349	22%	752	1,172	56%

1. In 2017 costs are adjusted for early retirement incentives, real estate fund provisions, IFRS 15 and BdM - MCC; costs adjustments in 2018 refer to early retirement incentives, real estate fund provisions and Postel goodwill impairment 2. EBIT adjustments, impairments in finance income / (costs) and their tax effects. Excluding Poste Vita one-off DTAs

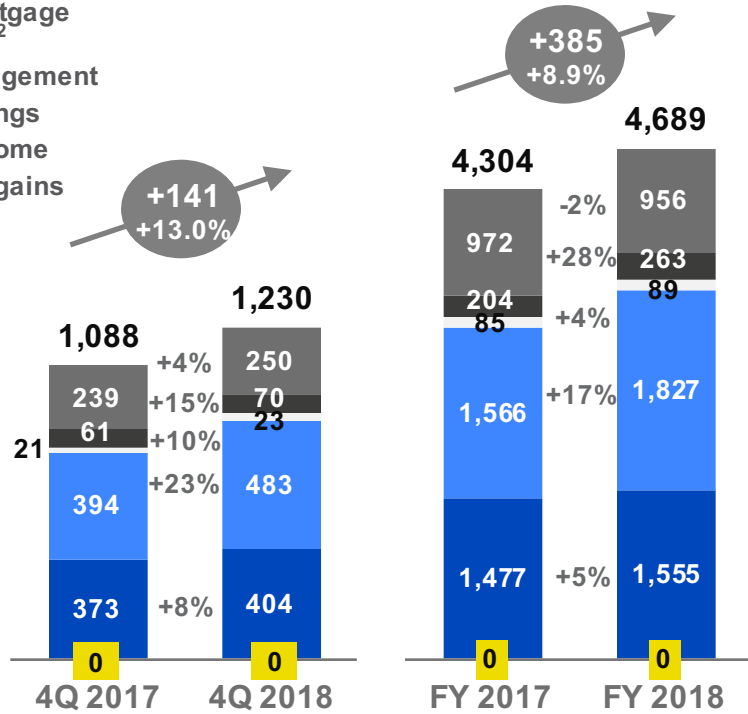
2018 RESULTS – FINANCIAL SERVICES

REVENUES UP WITH A MORE SUSTAINABLE MIX LEADING TO HIGHER UNDERLYING PROFITABILITY

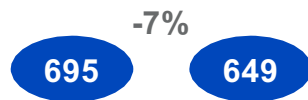
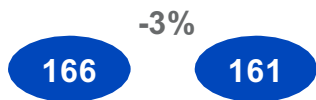
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ADJUSTED SEGMENT REVENUES³

- Transaction banking¹
- Loan & mortgage distribution²
- Asset management
- Postal savings
- Interest income
- Net capital gains

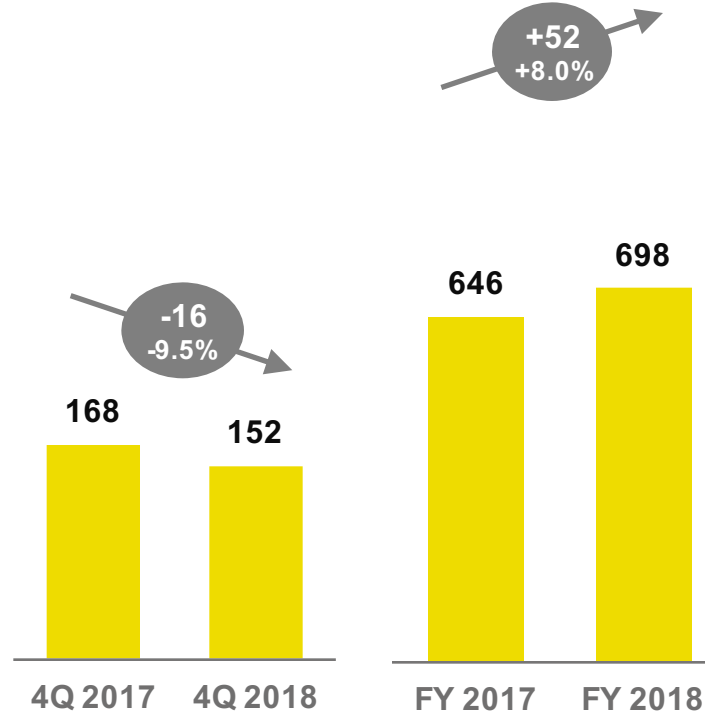


Intersegment revenues

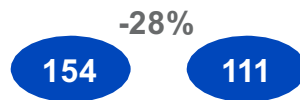


ADJUSTED EBIT⁴ & NET PROFIT⁵

● ADJ. EBIT



Adj. net profit⁵



KEY HIGHLIGHTS

- Continued underlying progression of operating and net profit
- Postal saving fees increasing to the upper end range of new CDP agreement
- Asset management fees benefitting from new distribution agreements
- Interest income up thanks to higher volumes and yields
- Loan and mortgages steadily increasing supported by higher volumes and new distribution agreements

FINANCIAL SERVICES: 2018 & 2017 ONE-OFFS

EXPLANATORY NOTES TO ADJUSTED FIGURES

€million	4Q 2017	4Q 2018	%	2017	2018	%
REVENUES REPORTED¹	1,348	1,503	11%	5,691	5,846	3%
NET CAPITAL GAINS	0	0		532	379	
IFRS 9 IMPACT ON VISA	0	(7)		0	9	
BDM/MCC	0	0		50	0	
IFRS 15	2	0		18	0	
ANIMA	0	120		0	120	
MASTERCARD	91	0		91	0	
REVENUES ADJUSTED	1,254	1,390	11%	5,000	5,338	7%
COSTS REPORTED	1,216	1,228	1%	5,045	4,987	
COSTS ADJUSTED²	1,087	1,239		4,354	4,640	
EBIT	132	274		646	859	
EBIT ADJUSTED	168	152		646	698	
IMPAIRMENTS	0	42		0	42	
NET PROFIT	128	190		499	617	24%
NET PROFIT ADJUSTED	154	111		499	511	2%
TRANSACTION BANKING						
Stated revenues	330	242	(27%)	1,063	965	(9%)
Adjusted revenues	239	250	4%	972	956	(2%)
ASSET MANAGEMENT						
Stated revenues	21	142	n.m.	85	209	145%
Adjusted revenues	21	23	10%	85	89	4%
LOANS & MORTGAGE DISTR.						
Stated revenues	63	70	11%	272	263	(3%)
Adjusted revenues	61	70	15%	204	263	28%

1. Segment revenues + intersegment revenues

2. Adjustments in 2017: real estate funds provisions, IFRS 15, BdM–MCC, Mastercard, capital gains rebated to the network, early retirements incentives; in 2018 adjustments related to real estate funds provisions, capital gains rebated to the network, and early retirement incentives

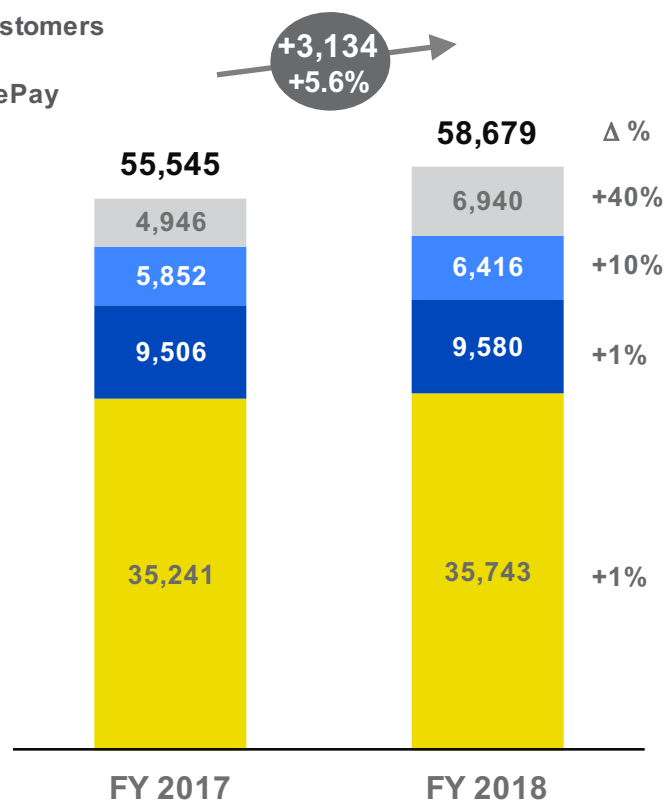
CURRENT ACCOUNTS AVERAGE VOLUMES AT A SOUND 58.7BN

INTEREST INCOME UP THANKS TO HIGHER VOLUMES OFFSETTING LOWER YIELDS

€ m unless otherwise stated

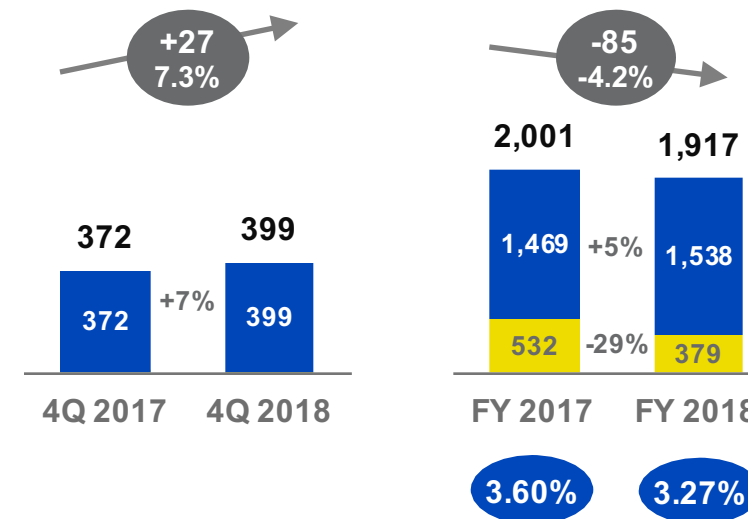
AVERAGE CURRENT ACCOUNT DEPOSITS¹

- Repo
- Public Administration²
- Corporate customers & other³
- Retail + PostePay



REVENUES FROM PORTFOLIO MANAGEMENT

- Interest income⁴
- Net capital gains



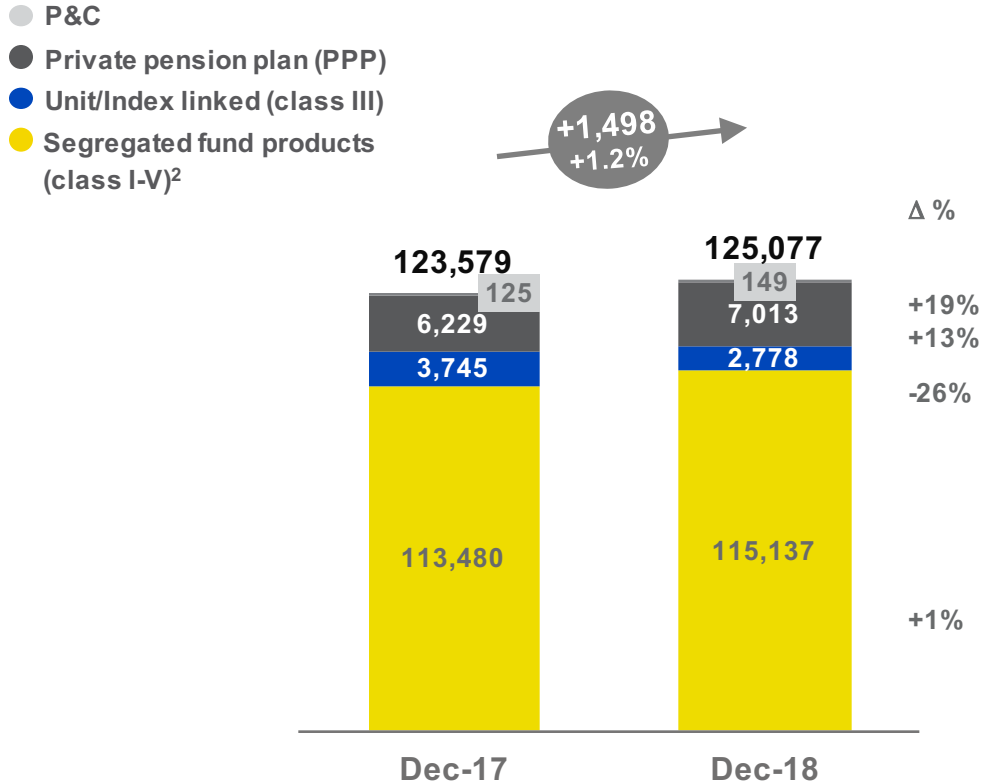
	2017	2018	Var.
Average return excl. capital gains (%) ⁴	2.64%	2.62%	-2bps
Unrealised capital gains (€/m)	1,615	-1,687	-3,302
Portfolio duration (years)	5.3	5.2	-0.1
Portfolio maturity (years) ⁶	12.4	13.0	+0.6

NET TECHNICAL PROVISIONS

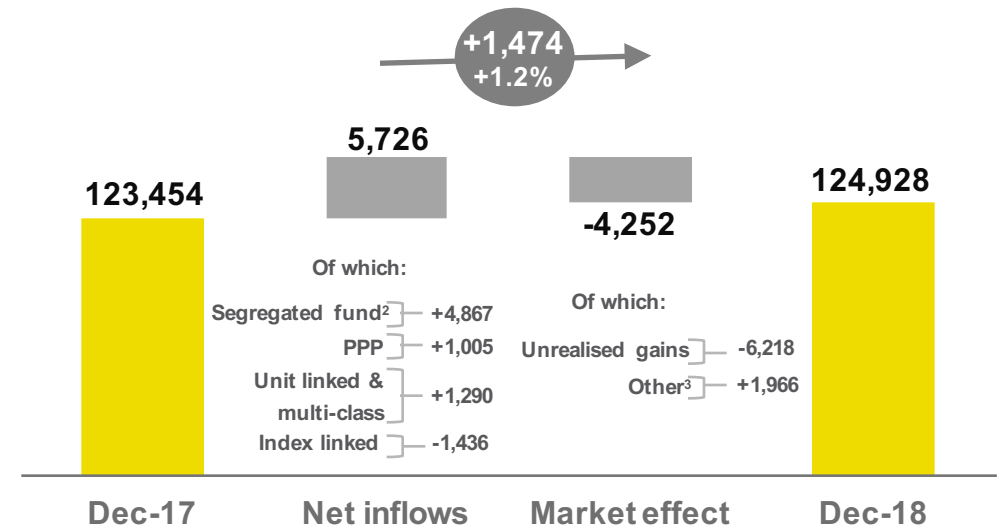
POSITIVE NET INFLOWS MITIGATING THE IMPACT OF LOWER RETURNS IN A LOWER YIELD TREND

€ m unless otherwise stated

GROUP NET TECHNICAL PROVISIONS¹



LIFE NET TECHNICAL PROVISIONS EVOLUTION

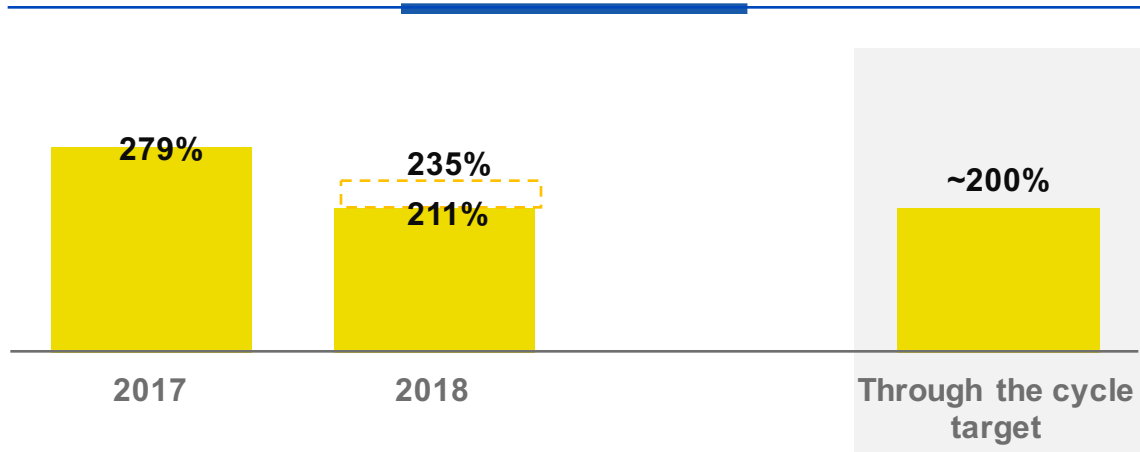


	FY 2017	FY 2018	Var. YoY
Unrealised gains (€/m)	8,225	2,007	-6,218
Minimum guaranteed return (Class I) (%)	0.88%	0.78%	-10bps
Asset return (%)	3.03%	2.82%	-21bps

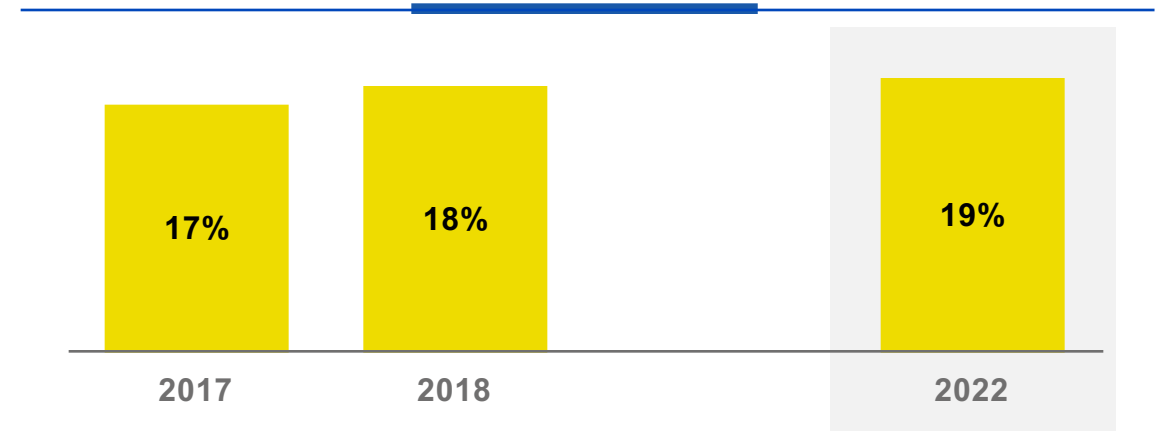
SOLID AND EFFICIENT BALANCE SHEET ACROSS BUSINESS SEGMENTS

CAPITAL POSITION TO SUPPORT SUSTAINABLE GROWTH AND DIVIDEND POLICY OVER THE PLAN

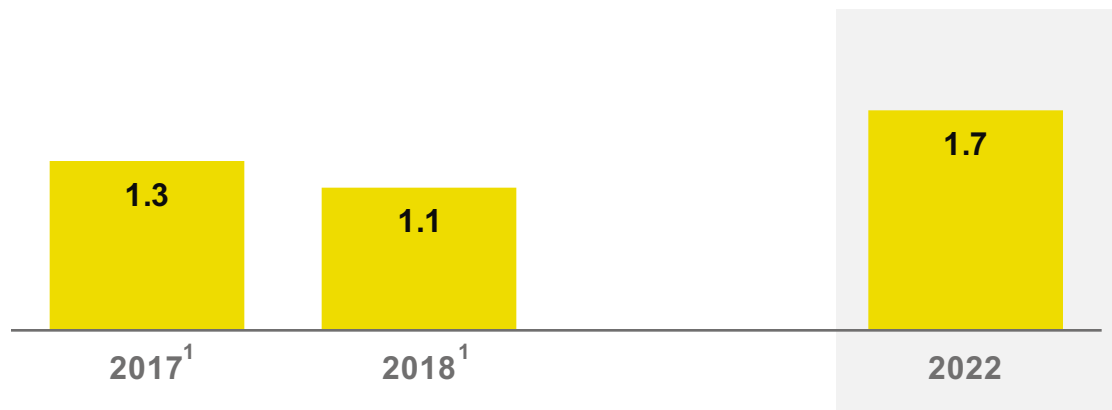
SOLVENCY II %



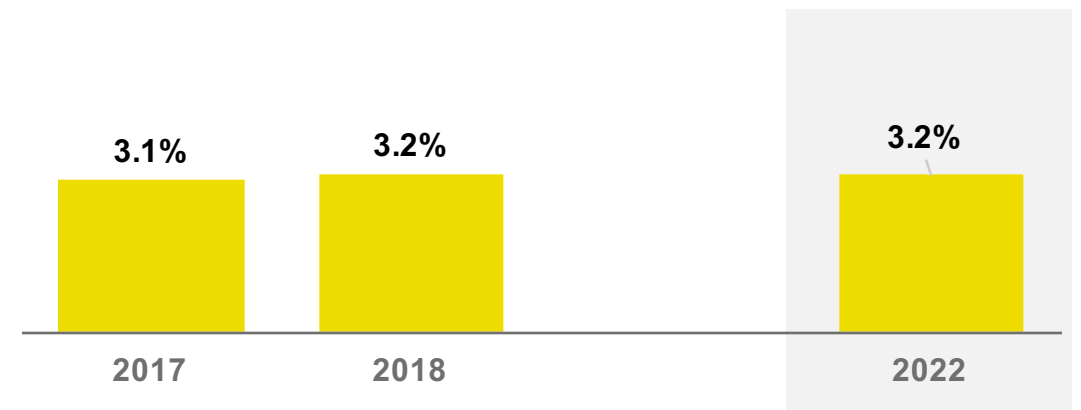
CET 1 RATIO %



MP&D FINANCIAL POSITION (€ bn)



LEVERAGE RATIO %



MAIL, PARCEL & DISTRIBUTION NET CASH POSITION

SOLID LIQUIDITY POSITION AND FURTHER AVAILABLE UNDRAWN FACILITIES

€ m unless otherwise stated

NET CASH POSITION (+ Cash - Debt)

