

POSTE ITALIANE

COMPANY PROFILE

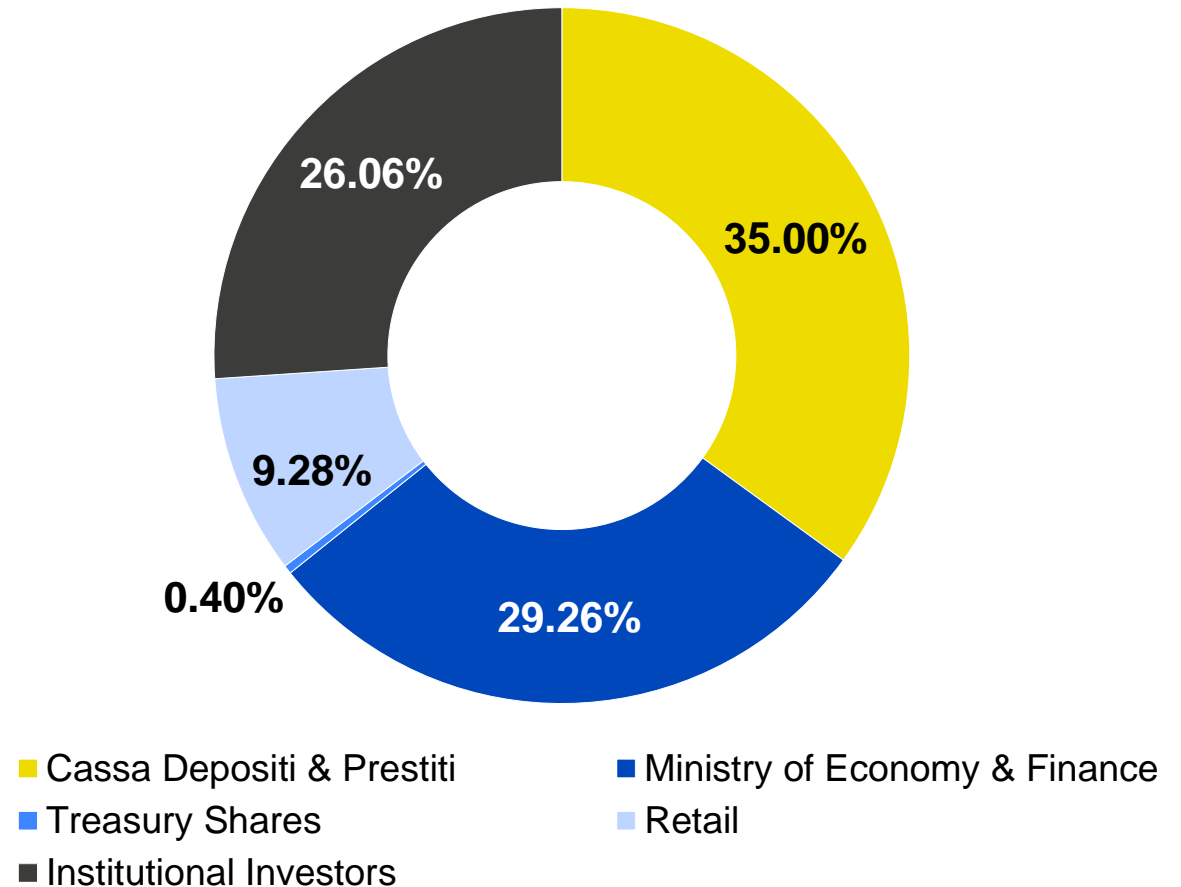
July 2020

POSTE ITALIANE: ITALY'S MOST EFFECTIVE AND TRUSTED DISTRIBUTION NETWORK

KEY HIGHLIGHTS

- Poste Italiane is the largest service distribution network in Italy. Established in 1862, Poste guarantees trust and proximity to the general public, businesses and institutions
- In 2015 the Group was listed on the Milan Stock Exchange
- Key shareholders include the Ministry of the Economy and Finance and Cassa Depositi e Prestiti, with 29.26% and 35% of share capital respectively
- Group's activities include: mail and parcel delivery, financial and insurance services, digital and card payment systems, telecommunication services
- The Group benefits from a strong balance sheet and sound liquidity position coupled with a low leverage and wide debt capacity

SHARE CAPITAL STRUCTURE¹



BUSINESS SEGMENTS OVERVIEW

DELIVER 2022 STRATEGY AND RESULTS ACHIEVED

MAIL & PARCEL

32%

Incumbent postal operator experiencing secular mail decline, leveraging on an unrivalled distribution network

OUR 2022 STRATEGY

Transform mail network to seize market opportunities from growing e-commerce needs

KPIs: 2019 (vs 2017)

- 100% Joint Delivery Model implemented
- 52m parcels delivered by Postini (+50%)
- 620k daily automated parcel sorting capacity (+55%)
- 35% B2C market share (+5p.p.)
- Alternative delivery network: 8,000 points

PAYMENTS & MOBILE

6%

Italian traditional and digital payment champion

Manage the transition towards digital channels in the Italian payments market
Accelerate convergence of payments & mobile businesses

- 28.7m card stock (+16%)
- €33.1bn total card transaction value (+45%)
- 5.4m active e-wallets (+213%)
- 1.4bn card transactions (#)
- 15.6% card transactions (€) market share

FINANCIAL SERVICES

47%

Market leading financial distributor

Reduce reliance on capital gains
Develop a multichannel distribution platform, expand and renew product offer to cover all financial needs

- €536bn TFA
- Retail net inflows at €3.5bn (vs. €1.2bn)
- Postal savings net outflows -€3.5bn (vs. -€7.9bn)
- €3.6bn loan & mortgage (+36%)
- 9% personal loans (€) market share

INSURANCE SERVICES

15%

Trusted leader in traditional life insurance

Fully fledged insurance offer with a diversified life insurance mix and P&C protection

- €18.0bn GWP
- 18% Life-Multiclass (GWP) market share
- Multiclass 36% of GWP

BUSINESS SEGMENT REFOCUS POWERING FINANCIAL PERFORMANCE

DELIVER 2022 IN ACTION

KEY INITIATIVES

KPIs: 2019 (vs 2017)

CAPITAL GAINS

- Focus on recurring and sustainable revenues leveraging on capital light(er) product distribution
- Limited reliance on capital gains on bottom line - relevant part of capital gains planned for 2020 secured

€m	2016	2017	2018	2019
Net profit	622	689	1,399	1,342
Cap. gains ¹ (% net profit)	69%	68%	19%	18%

COST DISCIPLINE

- Improved HR costs thanks to workforce transformation
- Non-HR costs balancing ongoing operational efficiencies and business activity support

- HR Costs €5,902m (-3.6%)²
- 50% Ordinary HR costs/Revenues (-3pp)
- Non-HR Costs €2,594m (-10%)

OPEN INNOVATION & DISTRIBUTION STRATEGY

- Internal innovation with focus on digital payments and mobile convergence
- Strategic product partnerships with external specialists across key areas via API-based infrastructure (logistics, last-mile, financial services and payments)
- Distribution partnership boosting PuntoPoste network

- Launch of PostePay Connect and Codice Postepay
- Partnerships with sender, Milkman, Moneyfarm and Tink!
- More parcels delivered through Punto Poste network than post offices

INDUSTRIAL TRANSFORMATION DRIVERS

INVESTMENT, PEOPLE AND PROACTIVE ESG STRATEGY SUPPORTED BY INNOVATION

CAPEX

PEOPLE

ESG

GOAL

€2.8bn CAPEX commitment over plan horizon (2018-2022)

Average headcount target 123,000 by 2022¹ (2017: 138,000)
10,000 skilled hires to drive transformation

Proactive long-standing sustainability targets

2017-2019

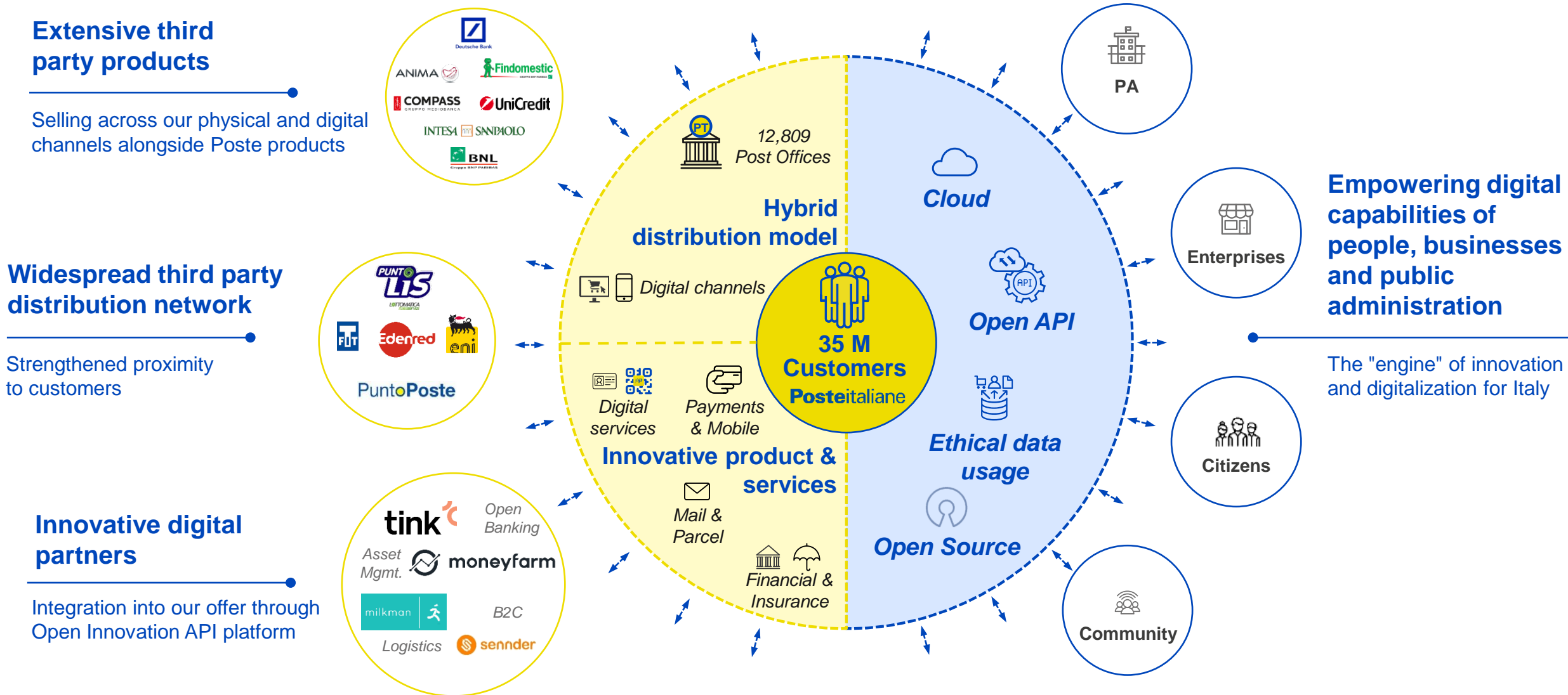
- €1.3bn deployed to date (2018-19)
- Increased automated sorting capacity including Bologna Parcel Hub
- Accelerated payments innovation
- Centralized CRM and robo-for-advisory solutions

- 60% FTE reduction target for 2022 already achieved: **9,000** (2018-19)
- New hires with capabilities in last-mile-delivery, digital & financial advisory: **4,600**² (2018-19)
- Reverse in workforce average age trend for first time in 20Y: **49.5 vs. 50**
- Value added per employee: **67,100 vs. 60,000**

- From SDG³ goals to six ESG pillars: first integrated ESG report (2018)
- Poste included in key ESG indexes
- 30% MBO⁴ incentives ESG related
- Wide ranging commitments for small communities (*Piccoli Comuni*)
- 40% reduction in fleet CO2 emissions by 2022

DISTRIBUTION PLATFORM OF CHOICE

EXTENSIVE PRODUCT OFFER AND SEAMLESS CUSTOMER EXPERIENCE



ENVIRONMENT, SOCIAL AND GOVERNANCE STRATEGY

The integration of sustainability targets within the Group's processes supports long term performance and reduces the risk profile. The Group's sustainability strategy is based on 8 pillars:



SIGNIFICANT SUPPORT TO THE COUNTRY

With a turnover of over €11 billion, the Group generates significant direct, indirect and induced impacts on the country, specifically on Gross Domestic Product, tax revenues, employment and household income



€1.2 bn (48% of total purchases from Italian suppliers) from over 2,300 SMEs engaged by the Poste Italiane Group in 2019

POSTE ITALIANE TOP RANKING WITHIN MAJOR SUSTAINABILITY INDICES



RANKED #1
in the Environment and Social fields
by Institutional Shareholder Services



RANKED #5
among 134 companies worldwide
RANKED #46
at European level in 'Transports and
Logistics'
*The Group is included in the international index
and in the regional indices Euronext Vigeo
Eurozone 120 and Europe 120.*



RANKED #6
in the Integrated Governance Index



TOP TEN
among best performing companies in
the insurance sector worldwide
*Awarded as 'Industry Mover' for the best score
improvement y/y compared to selected sector
peers*

**Dow Jones
Sustainability Indices**

SINCE 2019

*Poste has been included in the Dow Jones
Sustainability World Index and in the more
selective Europe Dow Jones Sustainability
Index*



SINCE 2019

*Poste Italiane has been included in the
Bloomberg Gender-Equality Index (GEI) 2020,
assessing gender equality and reporting
transparency*



FTSE4Good

SINCE 2019

*Poste has been included in the FTSE4Good
Europe and FTSE4Good Developed indices,
standing out for transparent management and
the application of sustainable criteria*



AMONG TOP
in 2019 within Stoxx Europe 600,
within the Gender Diversity Index

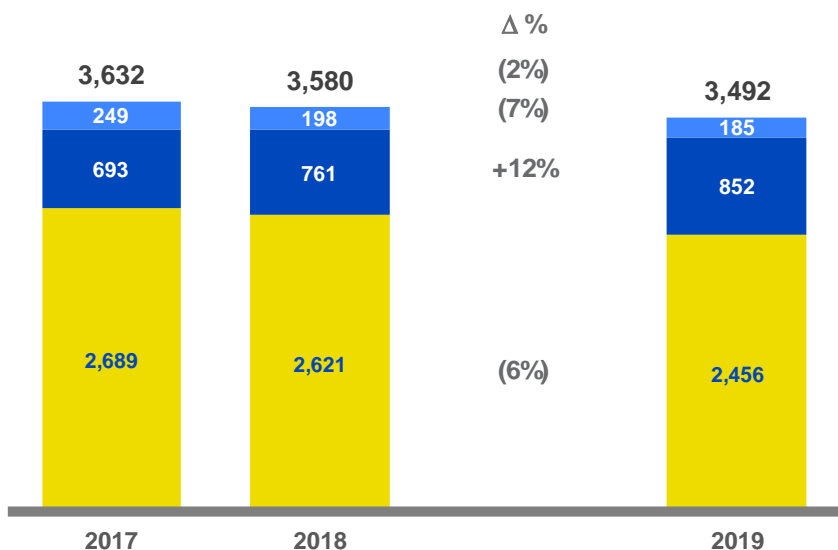
MAIL, PARCEL & DISTRIBUTION

PARCEL REVENUE GROWTH MITIGATING ACCELERATED MAIL DECLINE; EBIT IN LINE WITH TARGET

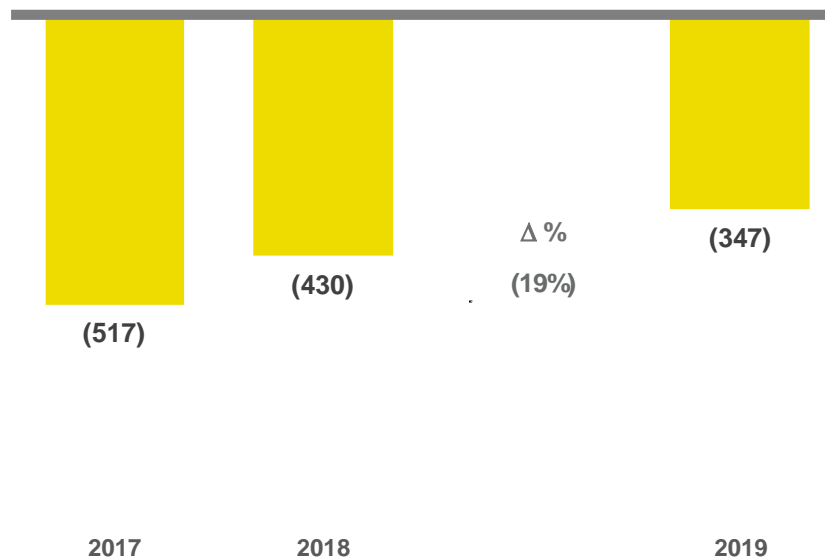
€ m (actual)

SEGMENT REVENUES¹

- Others²
- Parcel
- Mail



EBIT



KEY HIGHLIGHTS

- Mail revenue decline accelerated due to e-substitution from corporate clients in H2
- Parcel revenues up thanks to B2C outpacing market and improving B2B revenues
- EBIT in line with target as a result of accelerated restructuring

Intersegment revenues³

4.50

4.63

4.72

EBIT margin

(6%)

(5%)

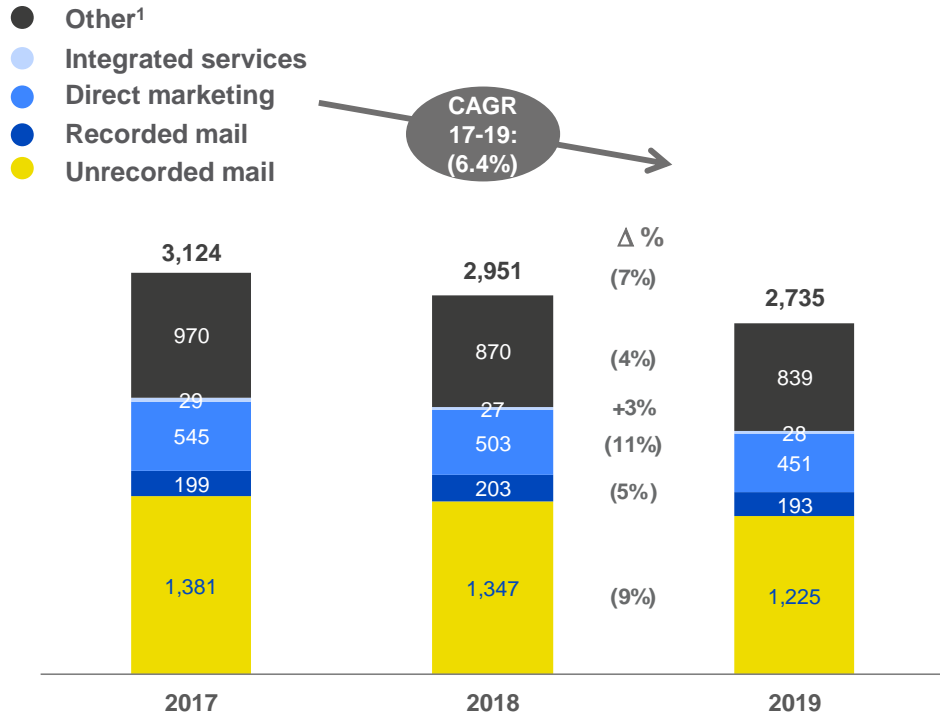
(4%)

MAIL, PARCEL & DISTRIBUTION

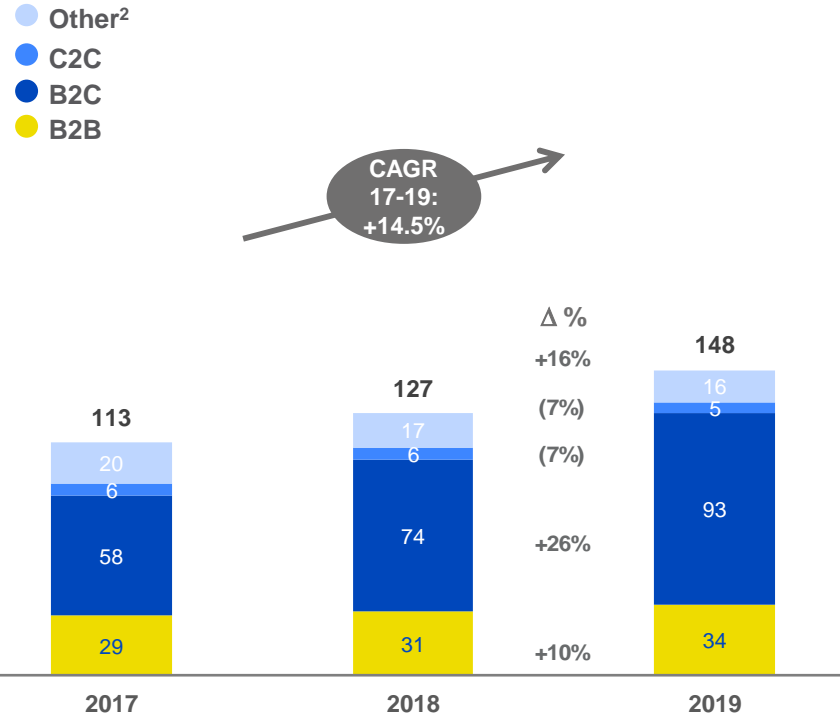
MAIL DECLINE IN LINE WITH LONG TERM TREND; B2C PARCEL PROGRESSING

€ m (actual)

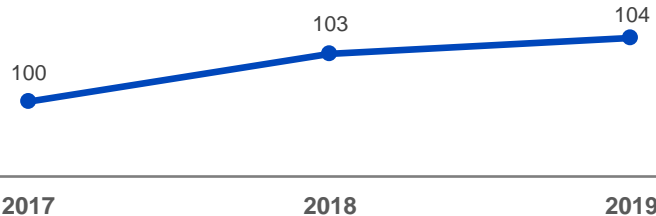
MAIL VOLUMES (M/PC)



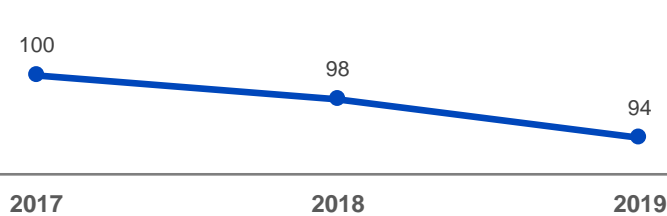
PARCEL VOLUMES (M/PC)



AVERAGE PRICE INDEX (base 100)



AVERAGE PRICE INDEX (base 100)



KEY HIGHLIGHTS

- Mail volumes down mainly in lower margin products (unrecorded mail, direct marketing)
- Mail tariff benefitting from July-18 repricing
- Parcel volumes boosted by record B2C and sustained B2B growth
- Average parcel tariff down on volume mix; B2C tariff up in a competitive environment, due to higher value delivery services

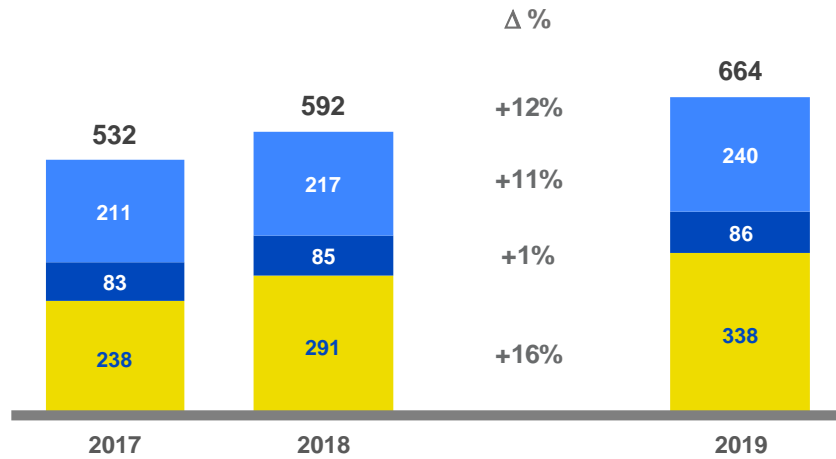
PAYMENTS & MOBILE

REVENUES FURTHER INCREASING WITH STRONG CARD PAYMENT GROWTH

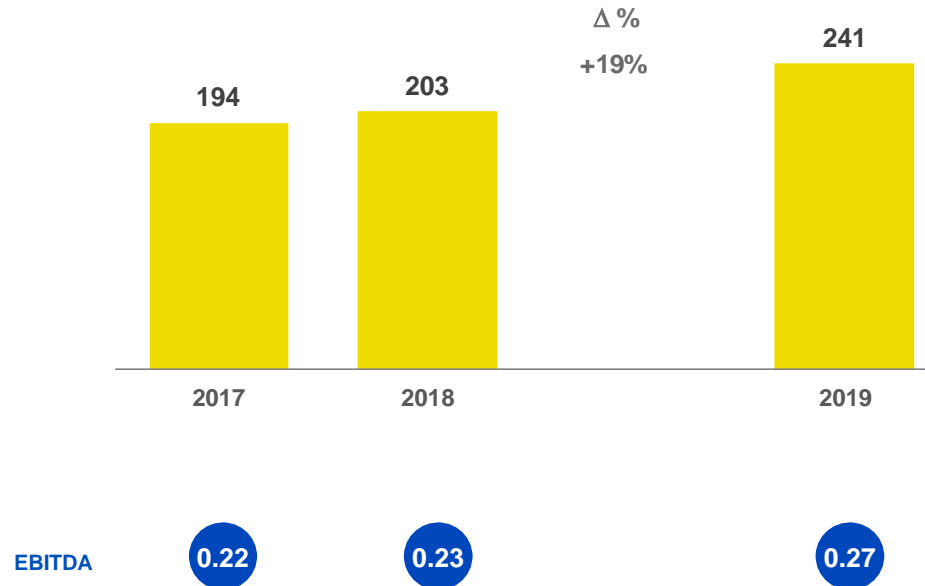
€ m (actual)

SEGMENT REVENUES

- Telecom
- Other payments
- Card payments



EBITDA & EBIT

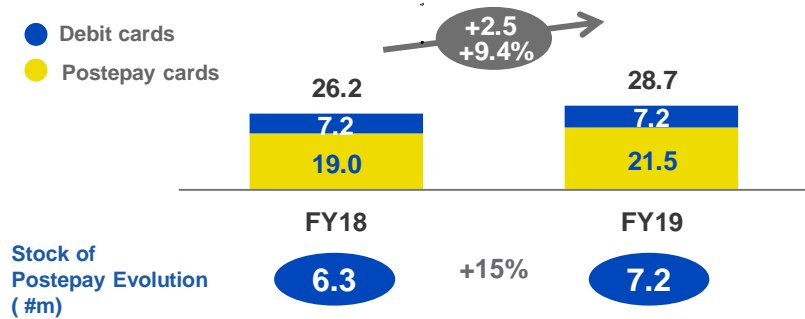


KEY HIGHLIGHTS

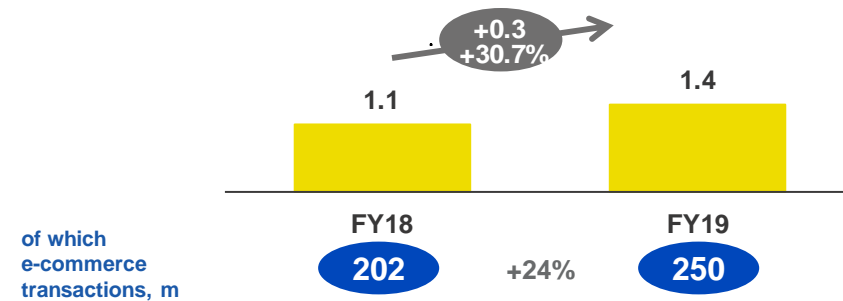
- Card payments benefitting from growing transaction volumes and Postepay Evolution stock
- Other payments benefitting from new international digital money transfer partnership
- Telecom revenues up in a competitive market thanks to stable customer base



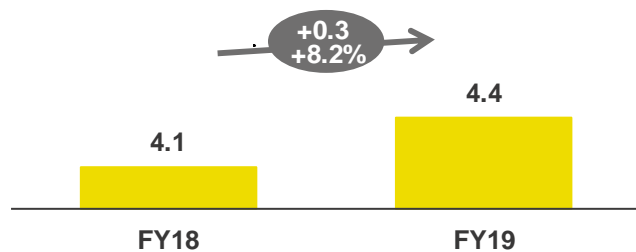
CARD STOCK



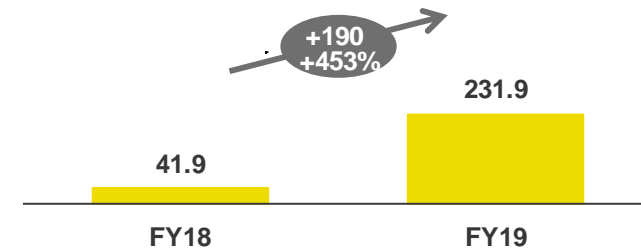
TOTAL PAYMENT CARD TRANSACTIONS (# BN)



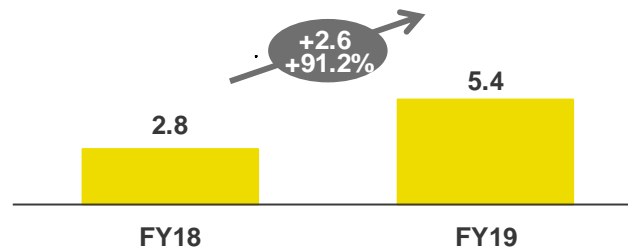
MOBILE & LAND LINE, STOCK (# M)



POSTEPAY CONNECT SUBSCRIPTIONS (# K)



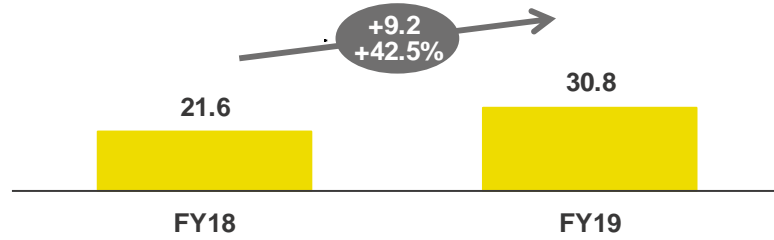
DIGITAL E-WALLET, STOCK (# M)¹



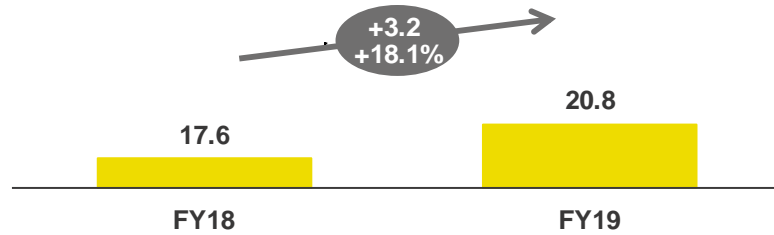
1. An innovative electronic tool associated to a single customer, which is enabled through a mobile app to authorize payment transactions

m

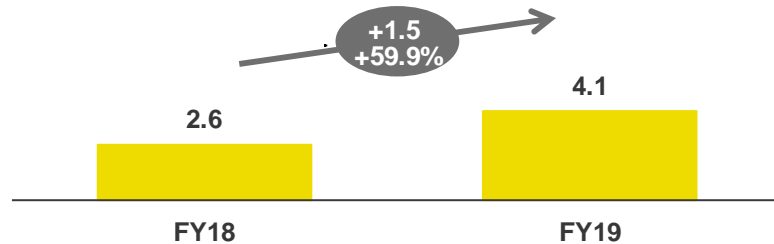
GROWTH IN CUMULATED APP DOWNLOADS¹



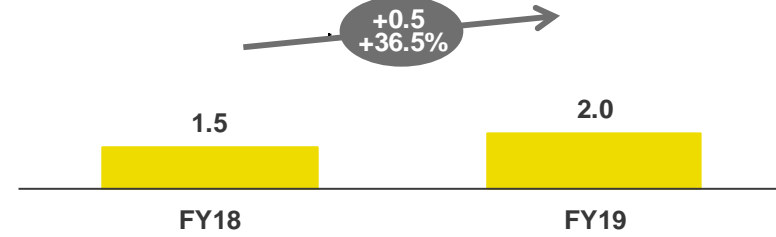
REGISTERED ONLINE USERS



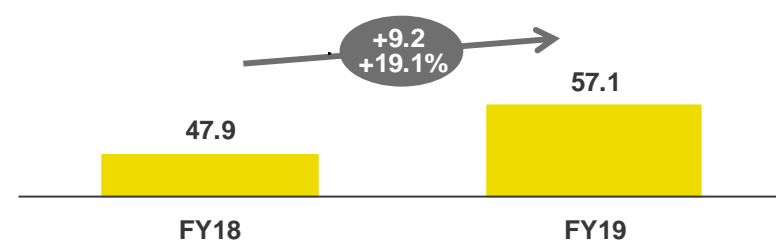
ELECTRONIC IDENTIFICATION² STOCK



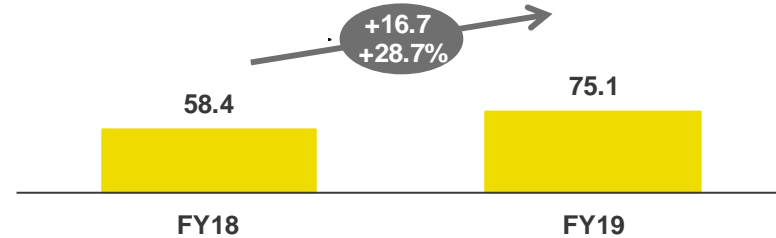
DAILY ONLINE USERS



GROWTH IN CONSUMER FIN. TRANSACTIONS



GROWTH IN TRACK & TRACE SEARCHES³



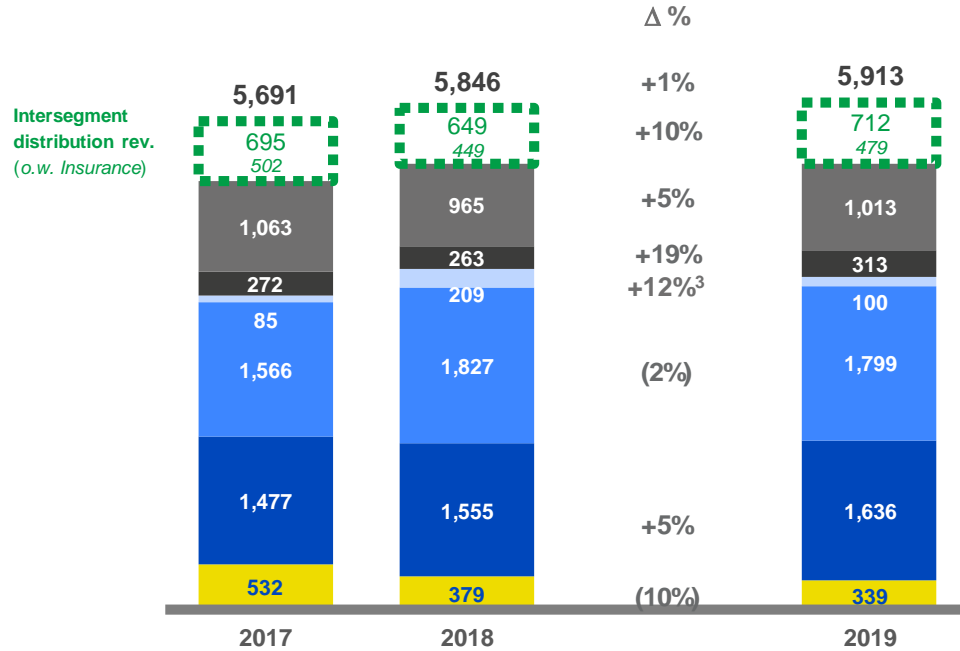
FINANCIAL SERVICES

UNDERLYING PROFITABILITY LEVERAGING ON IMPROVED DISTRIBUTION CAPABILITIES

€ m (actual)

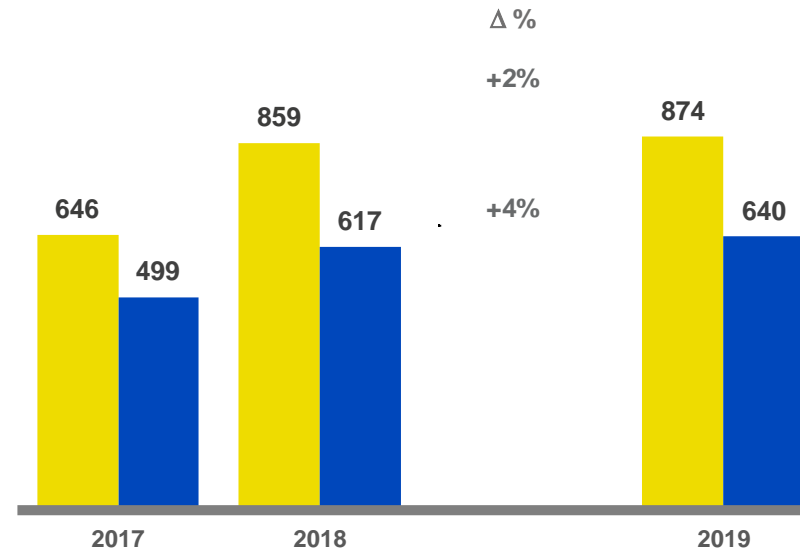
GROSS REVENUES

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



EBIT & NET PROFIT

- EBIT
- Net profit



KEY HIGHLIGHTS

- Strong revenue growth in areas of strategic focus – insurance, loans & mortgages distribution and asset management
- Postal savings distribution in line with targets
- Reduced weight of capital gains
- EBIT and net profit in line with target

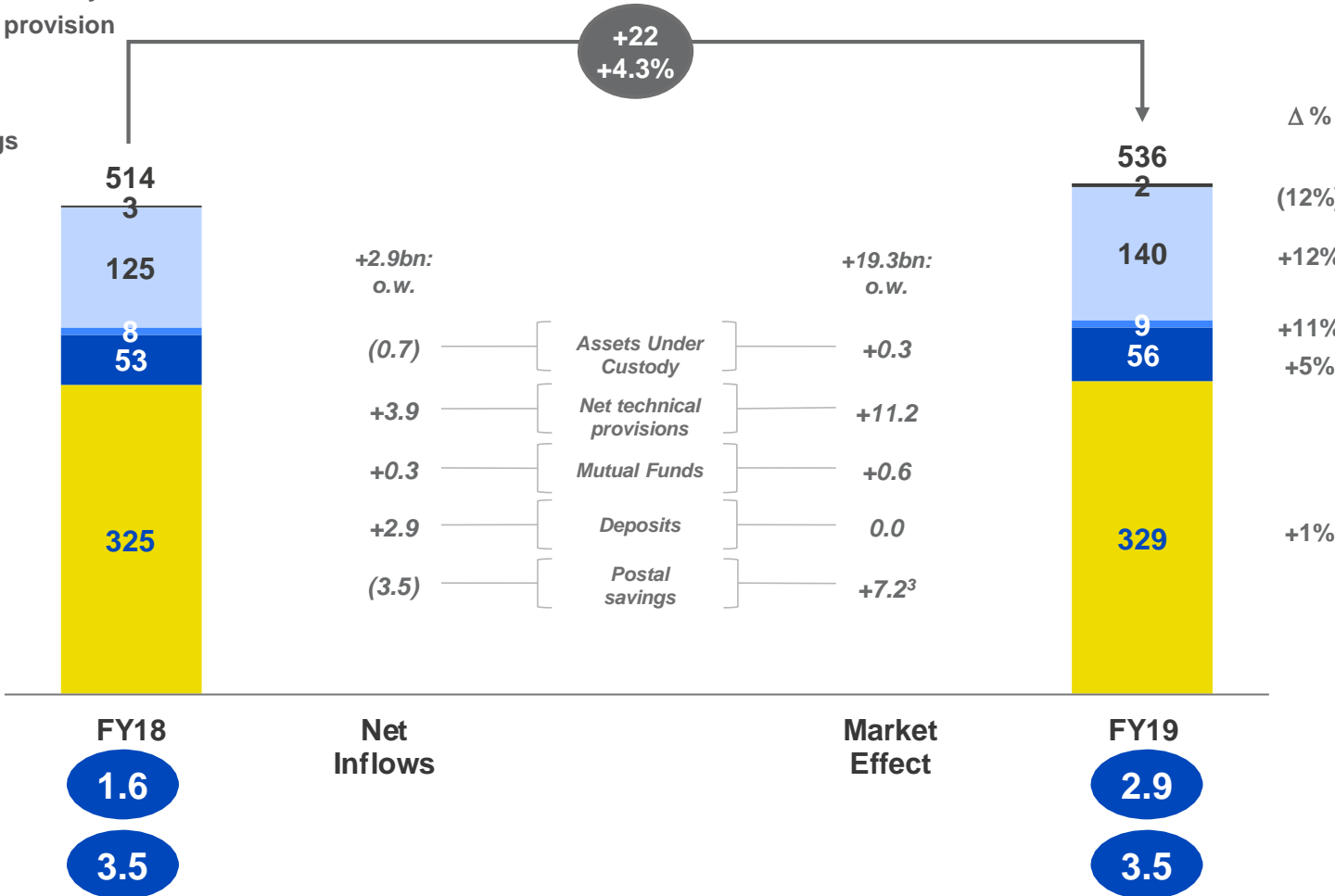
GROUP TOTAL FINANCIAL ASSETS

POSITIVE NET INFLOWS AND IMPROVED MIX CONFIRM EFFECTIVE COMMERCIAL STRATEGY

€ bn unless otherwise stated

TFA EVOLUTION¹

- Assets under custody
- Net technical provision
- Mutual funds
- Deposits²
- Postal savings



KEY HIGHLIGHTS

- TFAs up by 22bn y/y, with positive market effect and 2.9bn net inflows:
- Insurance +3.9bn net inflows supported by successful multiclass diversification strategy
- Deposits +2.9bn, benefitting from retail, Postepay and Public Administration inflows
- Mutual funds +0.3bn net inflows
- Postal savings distribution further improving in 2019, successfully addressing a low rate environment with enhanced commercial offer

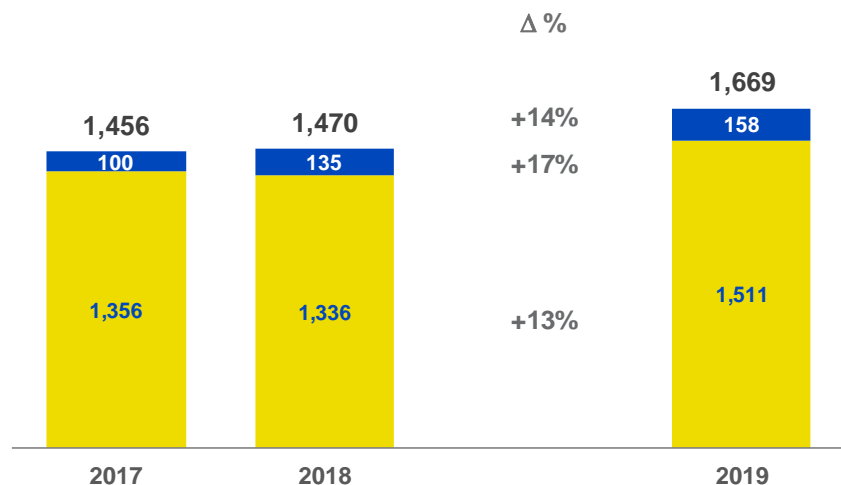
INSURANCE SERVICES

CONSOLIDATING LEADERSHIP IN LIFE WITH SHIFT TO MULTICLASS AND GROWING P&C

€ m (actual)

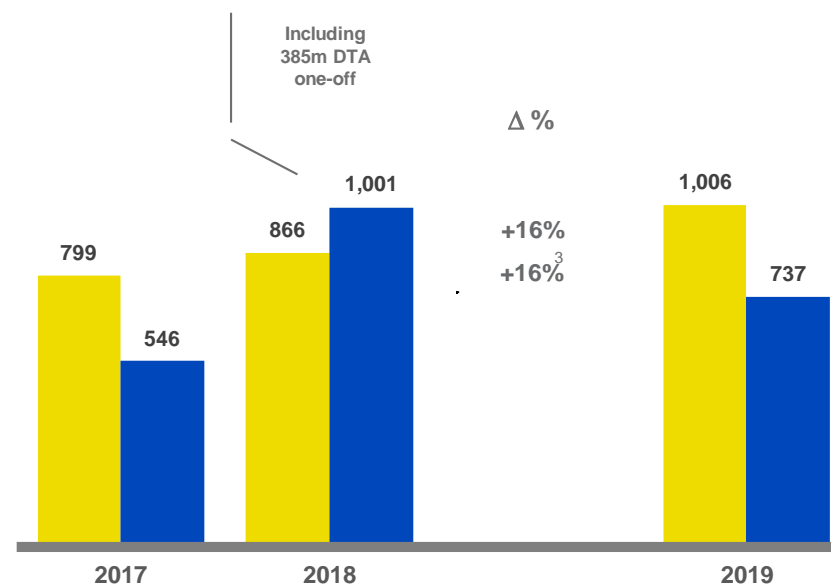
SEGMENT REVENUES

- P&C¹
- Life²



EBIT & NET PROFIT

- EBIT
- Net profit



KEY HIGHLIGHTS

- Confirmed leadership in life insurance thanks to commercial focus on multiclass products, now representing 35% of GWP
- Increased investment margin in a favourable market environment
- P&C revenue up with positive contribution from all products
- EBIT and net profit above target supported by all product lines

GWP

20.4

16.8

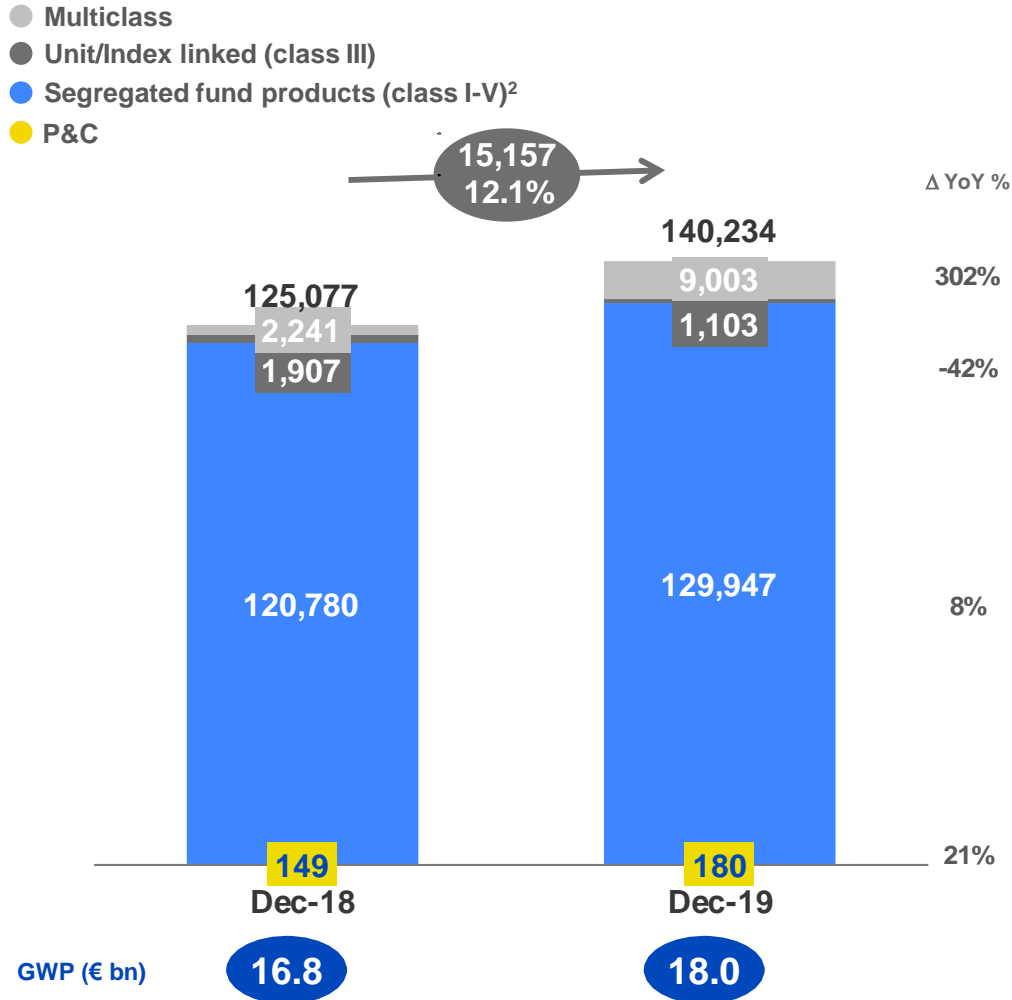
18.0

NET TECHNICAL PROVISIONS INCREASING WHILE CHANGING MIX

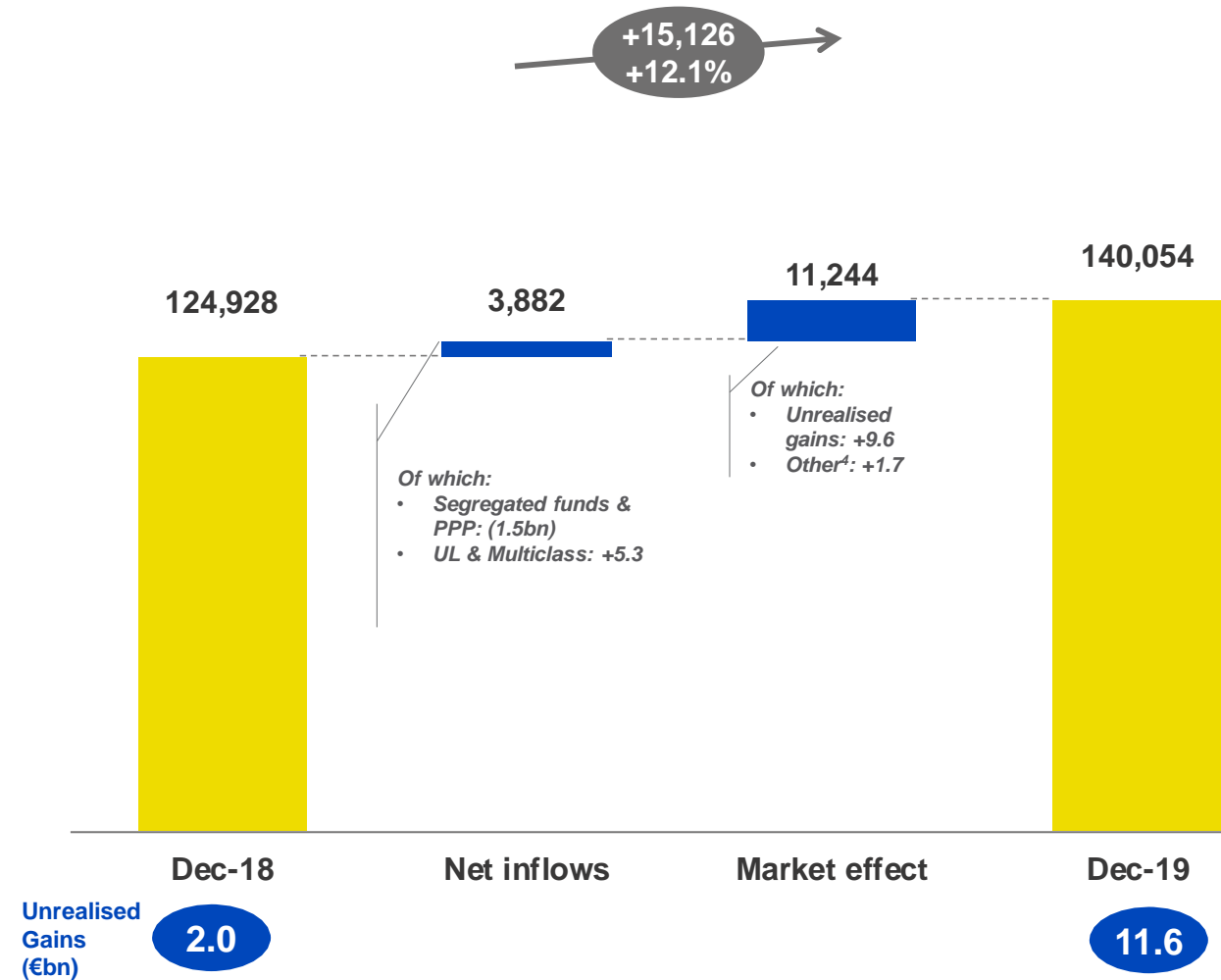
CONTINUED DIVERSIFICATION TOWARDS CAPITAL EFFICIENT PRODUCTS

€ m unless otherwise stated

GROUP NET TECHNICAL PROVISIONS¹



LIFE NET TECHNICAL PROVISIONS EVOLUTION³

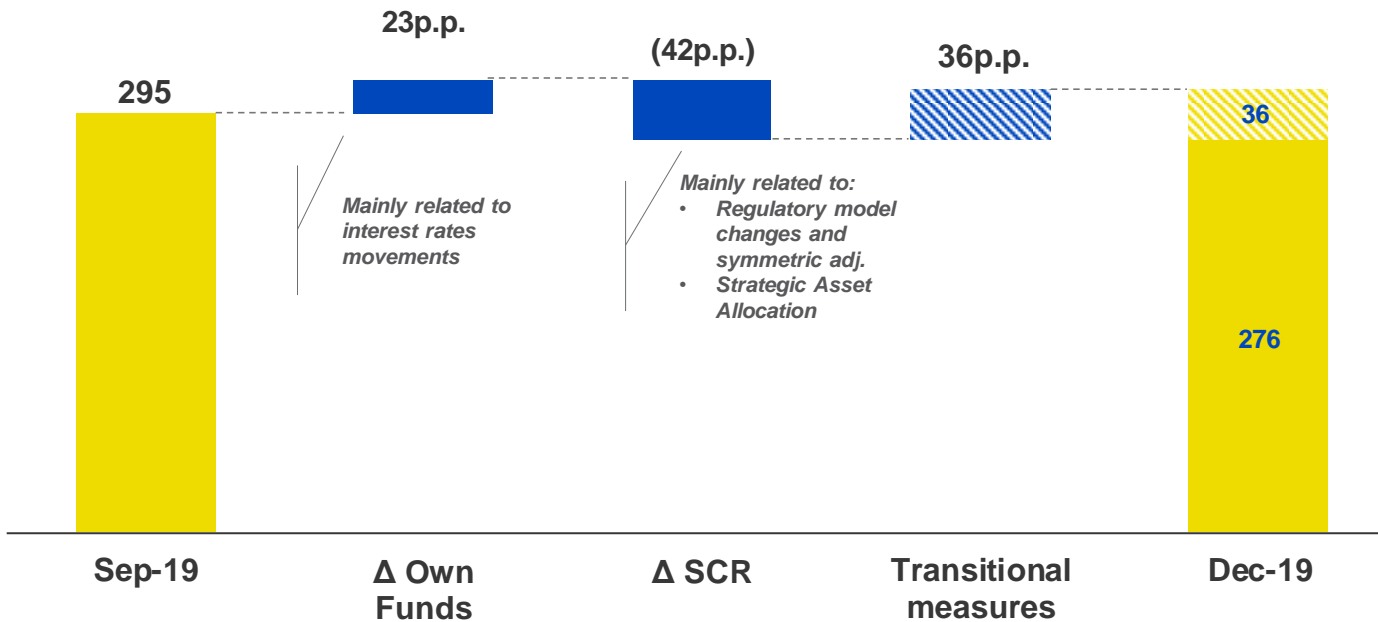


INSURANCE SERVICES: SOLVENCY II RATIO

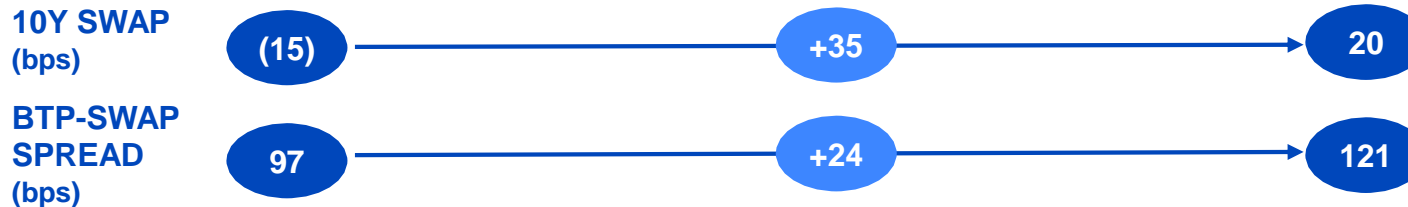
WELL ABOVE 200% MANAGERIAL AMBITION THROUGH THE CYCLE

SOLVENCY II RATIO EVOLUTION

KEY HIGHLIGHTS



- Positive impact from higher risk free rates offsetting BTP-SWAP spread increase (+13p.p.)
- Ongoing asset diversification to improve risk-return supporting lower Solvency II future volatility (-11p.p.)
- One-off impact from regulatory model changes and increase in the variable component of capital charge on equity exposures¹ (-21p.p.)
- Transitional measures provide 36p.p. buffer to address market volatility
- Dividend payout to Poste Italiane confirmed at 50% in 2020



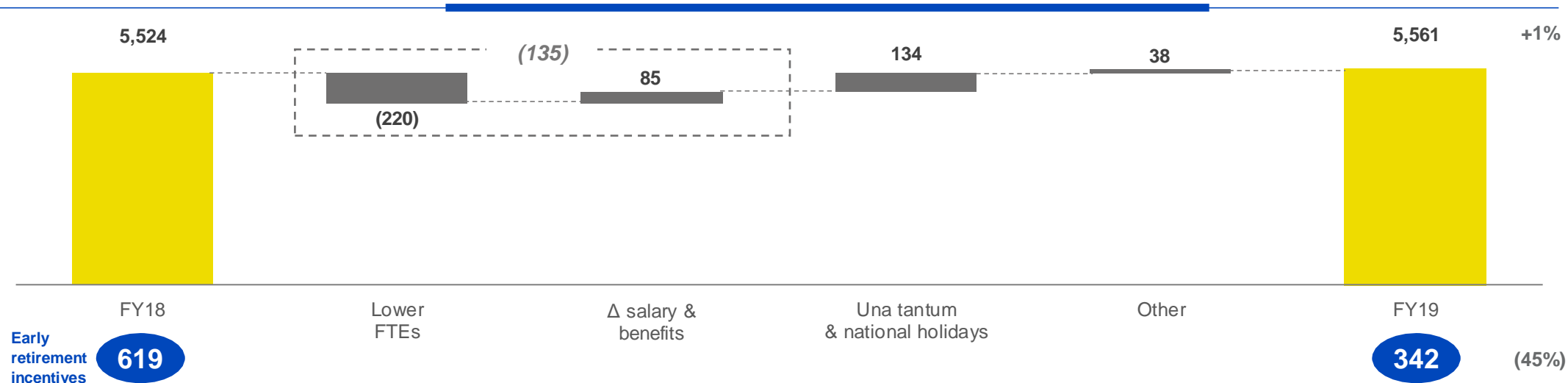
1. "Symmetric adjustment" is a countercyclical tool provided by the regulator which allows insurance companies to reduce the capital requirement on equity exposures when markets experience negative performances

COST DISCIPLINE – FY19 VS FY18

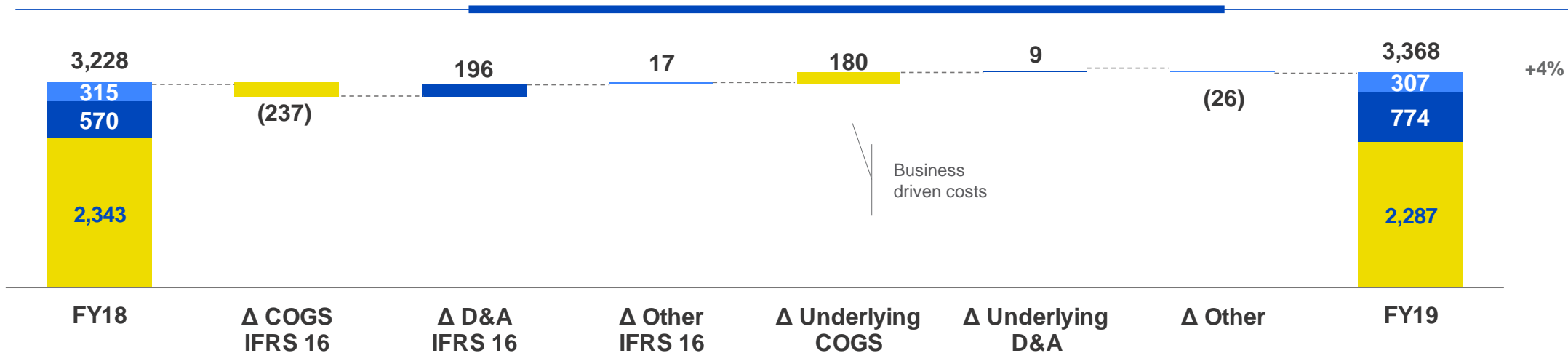
LOWER FTEs DRIVING COST DISCIPLINE, WHILE NON-HR COSTS INCREASE TO SUPPORT GROWTH

€ m unless otherwise stated

HR COSTS¹, Y/Y



NON-HR COSTS, Y/Y

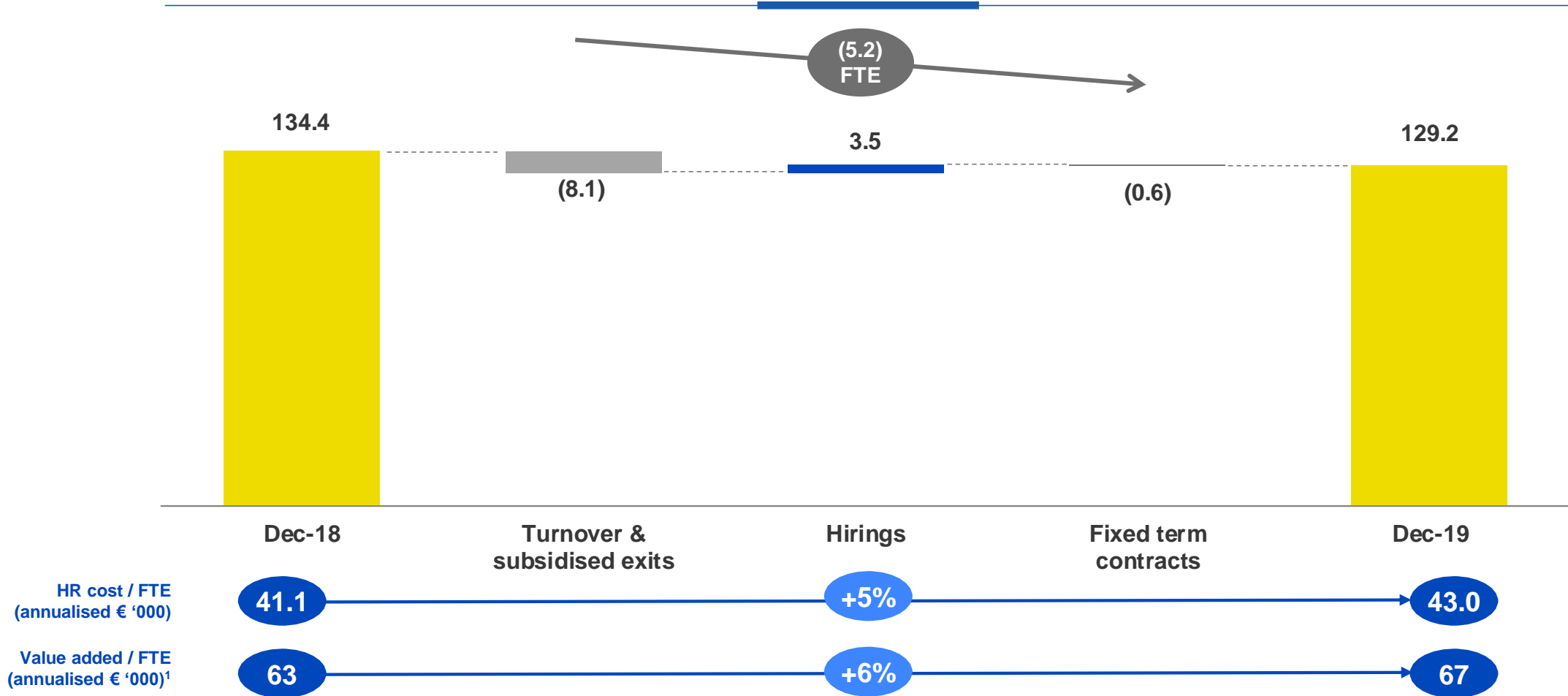


● COGS ● D&A ● Other

WORKFORCE EVOLUTION

HEADCOUNT REDUCTION AHEAD OF PLAN TO SUPPORT TRANSFORMATION

AVERAGE HEADCOUNT ('000)

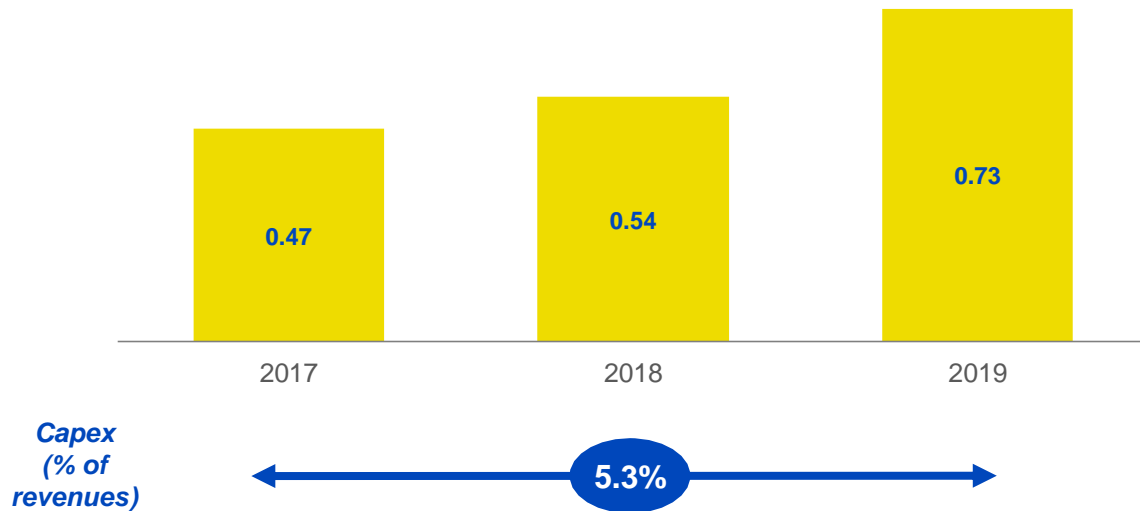


EFFECTIVE CAPITAL EXPENDITURE

CONTINUED INVESTMENTS TO SUPPORT STRATEGY

€ bn unless otherwise stated

CAPEX PLAN







INVESTMENT FOCUS

- Mail, Parcel & Distribution:
 - Growing capex in automation, efficiency and customer experience
 - Mixed mail, parcel sorting machines, higher quality delivery services
- Financial Services and Insurance:
 - Products and service evolution
- Payments and Mobile :
 - Products development and card payments innovation (e.g. QR-Code)

KEY PERFORMANCE INDICATORS

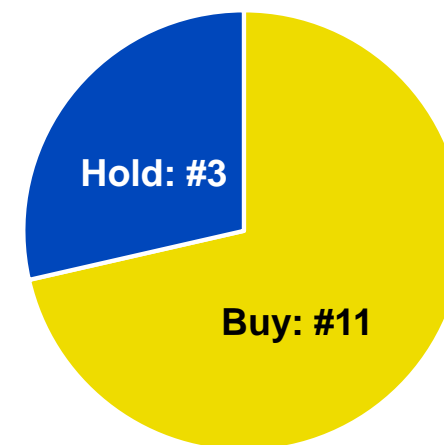
TRACKING PROGRESS ACROSS ALL SEGMENTS

		2017	2018	2019	
 MAIL, PARCEL & DISTRIBUTION	<ul style="list-style-type: none"> Operational turnaround Trusted provider and unique network 	Segment revenue/ FTE	€60k	€62k	€64k
		Parcels delivered by Postini ¹	35m/pcs	45m/pcs	52m/pcs
		B2C market share	30%	33%	35%
 PAYMENTS & MOBILE	<ul style="list-style-type: none"> Enhancement of payment eco-system 	Total Postepay cards stock (#)	17.7m	19.0m	21.5m
		o/w Postepay evolution stock (#)	4.7m	6.3m	7.2m
		Payment cards transactions (#)	0.9bn	1.1bn	1.4bn
		Digital e-wallet stock (#)	1.7m	2.8m	5.4m
 FINANCIAL SERVICES	<ul style="list-style-type: none"> Distribution of comprehensive range of products covering all financial needs 	TFAs	€510bn	€514bn	€536bn
		Product sales (#)	8.0m	8.4m	8.0m
		Fees per client	€222	€235	€241
 INSURANCE SERVICES	<ul style="list-style-type: none"> Growth in Life capital-light products and P&C offering 	GWP	€20.4bn	€16.8bn	€18.0bn
		% multi-class, unit-linked on Life GWP	4%	8%	36%

FINANCIAL ANALYSTS COVERAGE

Banca Akros	Enrico Esposti	€ 10.00	Buy
Banca IMI	Manuela Meroni, Elena Perini	€ 9.00	Add
Bank of America	Alberto Cordara	€ 10.00	Neutral
Citigroup	Azzurra Guelfi	€ 9.50	Buy
Deutsche Bank	Paola Sabbione	€ 10.50	Buy
Equita	Giovanni Razzoli	€ 10.30	Buy
Fidentiis	Fabrizio Bernardi	€ 9.88	Hold
Goldman Sachs	Matija Gergolet	€ 12.50	Buy
Intermonte	Alberto Villa	€ 9.50	Outperform
JP Morgan	Ashik Musaddi	€ 12.60	Overweight
Kepler Cheuvreux	Anna Maria Benassi	€ 10.00	Buy
Mainfirst	Irene Rossetto	€ 9.20	Buy
Mediobanca	Gian Luca Ferrari	€ 10.00	Outperform
UBS	Federico Braga	€ 8.20	Neutral

Average Target price & Rating



Average Target price: € 10.08

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

These forward-looking statements are made as of the date of this presentation and are based on current expectations, reasonable assumptions and projections about future events and are therefore subject to risks and uncertainties. Actual future results and performance may indeed differ materially from what expressed or implied in this presentation, due to any number of different factors, many of which are beyond the ability of Poste Italiane to foresee, control or precisely estimate, including, but not limited to, changes in the legislative and regulatory framework, market developments and price fluctuations.

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