

## Y 2018 Earnings Call

### Company Participants

- Andrea Novelli, CEO of BancoPosta
- Guido Maria Nola, Chief Financial Officer
- Marco Siracusano, CEO PostePay SpA
- Massimiliano Riggi, Head of Investor Relations
- Massimo Rosini - Head of Mail & Parcel
- Matteo Del Fante, Chief Executive Officer and General Manager
- Unidentified Speaker

### Other Participants

- Alberto Villa
- Analyst
- Anna Adamo
- Ashik Musaddi
- Elena Perini
- Federico Braga
- Gian Luca Ferrari
- Giovanni Razzoli
- Manuela Meroni
- Matija Gergolet

### Presentation

#### Massimiliano Riggi {BIO 20490987 <GO>}

Good morning, and welcome to Poste Italiane Capital Markets Day 2019. I am Massimiliano Riggi, Head of Investor Relations. Thank you for being with us. Today we will focus on the financial and operational results for 2018, and provide a guidance on 2019. All within the context of our Deliver 2018 [ph] Strategic Plan. On screen, you can see our agenda for today. In a few moments, you will hear from Matteo Del Fante, Chief Executive Officer and My General Manager, who will provide an overview of our progress on Deliver 2022. Then (inaudible), Head of Mail and Parcel will focus on the ongoing transformation of our Core Postal Services. followed by Marco Siracusano, CEO of PostePay SpA, who will give you an update on our payments, mobile, and digital activities. We will then have a Q&A session, where we will take questions on the main parts certain distribution as well as payments, mobile and digital presentations. After a coffee break of a 15 minutes, we will resume at 10 to 11, Andrea Novelli, CEO of BancoPosta, will discuss the key developments related to our financial and insurance services activities. Then, Guido Nola,

Group CFO will provide more detail on our financial results for 2018 and as well as our guidance on 2019.

We will then take all of your questions on the CEO, CFO, and Financial and Insurance presentations during our final Q&A session. During the Q&A, we will try and answer as many of your questions as possible. Please keep to a maximum of two questions, and please state your name and company before asking the question.

For each topic not covered -- prefer to contact me and my team and we will come back to you as soon as possible. The event will conclude that around 12:40 London time, following some concluding remarks from our CEO. Before we start, I must ask you to read disclaimer on screen. A copy of this is also included in the presentation that could -- that you received on arrival. So let's get started and I hope you enjoy the rest of the day. Thank you. Matteo, over to you.

### **Matteo Del Fante** {BIO 6237992 <GO>}

Thank you, Mr. Massimiliano. So ladies and gentlemen, welcome to Poste Italiane Capital Market Day. It is our first one here in London. And delighted that you were able to join us today, given the major events, so that are taking place in London today. So thank you for that.

I would like to welcome also all my Poste Italian colleagues, who are joining us online from our headquarters in Rome and from all our locations around Eagerly [ph]. So we're getting (inaudible).

### **Unidentified Speaker**

Thank you to all my colleagues institutions and social actors. Who supports the daily work of our company.

### **Matteo Del Fante** {BIO 6237992 <GO>}

On progress against financial and operational targets for 2018, and provide you guidance for 2019. Across everything you see today, Deliver 2022 targets are unchanged from those we are announced just a year ago in February 2019. And for the sake of clarity, you will see targets for 2020 and 2022, shaded in gray. So that you can better identify the actual figures and KPI for 2018. And then, the new guidance we'll provided for 2019.

Let's get started. On slide 2, I wanted to remind you of the key principle of our Deliver 2022. Our strategic blueprint which we launched just a year ago in the Milan. Our goal is to build on our powerful network capabilities both in terms of physical and product distribution. And ensure that, we remain the most effective and trusted network in Italy. Deliver 22 is built on clear market needs across all our businesses. The long-term market trends remain unchanged and we creating a business that is better position to both capitalize on market growth. And we stand the volatility.

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Deliver 2022, is a transformation program and we have seen significant progress in 2018, across all segments. We now have many I believe of the core elements in place and can focus on optimizing the business so to drive the future growth. And finally Deliver 2022 provides a clear financial targets and KPI's and we will show you today, how we have met those for 2018. And provide you guidance for 2019. On slide On slide 3 please, let me remind you of the key consolidated targets, that we presented at our first Capital Markets Day last year. We committed to revenues growing organically based on conservative assumptions. Most importantly, we committed to improve both the mix and the quality of our revenue streams. The impact will be at the EBITDA and at the net profit level with a growth of 10% and 15% accumulated annually respectively. This supported by cost efficiencies during the course of plan.

You'll also remember that, we announce a new dividend policy committing to a 5% annual dividend for 2018, 2019 and 2020. And then to a minimum payout of 60% for 2021 and 2022.

Let's now, look at slide number 4. Where we can say that they were very pleased that we have actually met all our 2018 financial targets, as you can see in the chart. Our CFO, Guido Nola will go into more detail on our Q4 and 2018 financials. But let me just focus on a couple of points. We beat our revenue target with a more sustainable mix, with all segments are contributing to an underlying operational progression.

This resulted in a EBIT of 1.5 billion versus our target of 1.4 billion. Net profit was 1.4 billion ahead of our target. This includes a 385 million one-off DTA affect related to Poste Vita. As anticipated we are proposing a dividend of \$0.44 per share for 2018. Obviously subject to approval of our forthcoming [ph] Annual General Meeting.

In summary, we are pleased with progress in the first year. The remain focused on Delivery given the significant operational transformation of our activity. So which are still underway.

On slide 5, please. We look at our financial performance at the segment level. Thanks to market opportunities and Deliver 2022 initiatives we took, and we roll out last year. All segments achieve the financial targets for the first year of the plan as you can see.

In Mail, Parcel & Distribution, B2C Parcel Growth drove revenues supported by better than expected the Mail performance. While, our network transformation drove an acceleration in cost efficiencies. In Payment, Mobile and Digital, growth in overall card stock and transactions as well as mobile and landline users, drove revenues and supported the bottom line. In Parcel services, we expanded our product portfolio and improve our service offer, resulting in higher TFAs. And in insurance services, we retain our leadership in life products. While, continuing to rebalance our business to capital life products, and PNC activities.

On slide 6. We have confidence in our ability to meet looking forward, our Deliver 2022 targets. Thanks to the broader market trends that underpin our growth. Which we highlight on this page. Our business leaders will go into more details later. But just to remind you of the key market trends behind our growth paths. For Mail and Parcel, the

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long-term decline in Mail is offset by accelerating opportunity in B2C Parcel, driven by rapid growth in e-commerce. E-commerce now represent the 7% of total retail sales in Italy, up from 4% in 2017. The average Italian last year receive 3.4 Parcel per year which is one more than the receiver, will received in 2017. In financial services and insurance growing Italian wealth, low personal debt levels, and low P&C penetration creates opportunity for our improved product range and service offer. Additionally, we believe (inaudible) and (inaudible) also create opportunities for Poste, given our reputation as a cost effective and transparent service provider.

Finally steady growth in card payments and faster growth in the innovative digital payments arena is supported by high-end and European penetration of smartphone and more and data usage in Italy. With at the same time, a non-cash payments lag in European levels and therefore creating an interest opportunity for growth of our (inaudible) business in Italy.

Before, we look more closely at our Deliver 2022 progress. Let's look at some of our Key highlights for 2018, please.

Let's now more detail of our business transformation. Starting with our core Parcel business on the slide no. 9 please. In 2018, we achieve an important milestone, when the increase in Parcel revenues, basically offset for the first time the decline in Mail revenues. Our effort to get to this point have been significant.

We began, with a new focus on commercial leadership to optimize client penetration. We then focus on our network logistic, which we transform to increase the Delivery of B2C Parcel using the Mail network. In practice, what we did, we restructure the Mail Delivery network with the aim of maximizing this share of the growing B2C volumes implementing a full Joint Delivery Model on our logistic network.

In the traditional rigid world of logistic where global peers are now piloting Joint Mail and Parcel Delivery in specific logistic areas, Poste Italiane was the first to commit to a large-scale Joint Delivery Transformation. Not only to Deliver Parcel by our Prestiti [ph], which we were already doing. But also to capitalize on the rapid development e-commerce transformation, through the transformation of the Logistic network with this specific aim. Supported by a major network optimization program, that transformation has been significant and the impact immediate. In 2019 [ph], we successfully rolled out 50% 50% of our Joint Delivery Model, and our target is to get to 100% by the end of 2019. Some figures, 45 million Parcels were delivered by our postini [ph] in 2018. And we're planning to increase this number to 60 million in 2019. Given that, the figure was 35 million in 2017. And only 14 million in 2016. The progression is really impressive. We invested in state-of-the-art automated equipment in sorting and introduced a new local manufacturing model, delivering immediate results in productivity and capacity. We now have a stable platform for significantly improve customer experience, which we believe is the real key to e-commerce growth. Massimo Rosini, our Head of Mail and Parcel, we take you through the transformation in more detail, highlighting some service innovation we're working on. From afternoon and weekend deliveries, which we already doing today to instant same day and scheduled delivery that we're working on two service tomorrow.

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Let's now move to slide number 10. Where we shift our focus from physical, to product distribution. Our priority within Deliver 2022 is to maximize the unique value of our front-end distribution network, I remind you. The improvements we are driving across all activities are a key factor of the trust, that people and clients having Poste Italiane and the important role we were playing in communities across Italy. We actively embrace this role and several recent initiative has demonstrated this.

Let me start with the ready to digital enhance, our citizen income a key program of central administration were Poste Italiane provides application and issuance support clearly demonstrating our strong capabilities in managing complex initiatives efficiently, thanks to our stronger and reliable IT platform and our physical footprint. We're also the main issuer of digital ID's that provide a single electronic platform access to government services. We have 85 market share of those ID's on behalf of the Italian state. Another major Poste Italiane project was piccoli Comuni or more communities.

Last November, we brought together in Rome over 3,000 may [ph] years from all around Italy and more than a 100 government representatives, to share our commitment to Italy's communities. And our (inaudible) and commitment to keep post offices open in municipalities, with less than 5,000 inhabitants.

Retaining the trust of our communities is vital to the success of our business we believe. It will always be a priority for us as well as a key driver of performance.

Moving to slide number 11. Our focus in financial and insurance is enhancing the role of the Post Office in our communities. We did this by expanding our product range to become the financial one stop shop for our customers. We made significant progress in this space in 2018. We have enhanced our offer across wealth management, mutual funds, life and P&C insurance, postal savings, loans and mortgage distribution. We are particularly pleased to see in 2018, postal savings back at the heart of our offer. Thanks to the agreement with CDP, Cassa Depositi e Prestiti, that we signed on 2017, and our renewed commetal [ph] focus on the product. Let me remind you, that Poste Italiane has been collecting, state guarantee, retail savings since 1876. Why you have seen many players reporting lower TFAs in a challenging market. Our TFAs have grown from 510 billion to 514 billion in 2018. Primary thanks to record retail network inflows as you will see later. And market share increase, across Key asset classes and products. The other area of focus has been the announcement of our commercial frontline. A Key component of this, as being the strengthening of our relationship manager network. And today , we have 20% of our clients with a dedicated relationship manager. I remind you, that we started in 2017 with a 7% coverage.

In 2019, we will take the total number of Relationship Manager from 8000 to 9000. But, given the scale of our network one area of focus has been on mobile coverage, where specialists mobile Relationship Manager work on a IT optimized model, based both on geographic efficiency and business potential. We currently have around 1,000 mobile Relationship Managers and we will also increase this number by around 50% in 2019.

Our Relationship Managers all of them, will be supported by improve digital capabilities from data-driven CRMs to real time investment proposal and referral tools. Andrea Novelli, CEO of BancoPosta, will tell you more about the major steps we have taken and we are taking in this space.

Moving to slide 12, we are maximizing the opportunities from payment and mobile convergence, with over 26 million cards in circulation and 1.1 billion transaction managed in 2018. We will build on our leadership in payments clearly on the issuance side, on the card side, by adding new service and partnership that Deliver improve customer experience.

We continue to grow our mobile customer base of over 4 million active SIM cards, and landline contracts. Driving future profitability through more sustainable, longer term contracts and bundle offers. The key events of 2018 was the launch of PostePay Connect. An innovative, integrated offer which bundle payment and mobile services including real time Giga and instant peer-to-peer money transfer. All in one app, for a single annual fee.

Our payment mobile and digital unit is also helping to accelerate our group wide digital developments, always with the goal of improving customer experience. Marco Siracusano, the CEO of the newly-built PostePay company will take you through these developments in more detail later.

Looking at our investment in projects on slide number 13. We are accelerating our CapEx deployments for 2019, as we continue to drive transformation and growth. Total CapEx will increase by 12% and reached 600 million, we have highlighted on this slide. The key investment areas on a segment by segment basis. In Mail, Parcel and Distribution the focus is an additional investment in latest sorting and automation technology machines.

In Payment, Mobile and Digital the focus is on product and business developments we look to continue our customer and market share growth. And in financial and insurance services, we will continue to invest in our product portfolio, and ensure our continuous compliance with all regulatory requirements across our network.

To close my presentation today, let me focus on guidance for 2019. I start with the 2018 results so that you can see on page 15 as a reminder and our performance in meeting those targets for 2018.

On slide 16, whereas some progression has we said of underlined operating profit allow us to beat our targets of the year. The growth in revenues that you see supported by cost efficiency, at a meaningful impact of the operating level that with low leverage, and financial charges translated into an increase in net profit. And this is through also stripping out the 385 million one-off effect of the DTA, we mentioned earlier related to Poste Vita.

We can now move to slide 17, where we present our guidance for 2019. In '19 you will see, on page -- okay, a progression of our revenues, margins and profitability also thanks to our strong balance sheet. Our first year result plus our second year targets of our five-year Deliver 2022 journey clearly show we're heading in the right direction. My colleagues will

provide you more detail on the initiatives, we're putting in place across all our segments to make sure, we deliver another successful year of results. And Guido will provide more detail on both the Q4 and full year 2018 results. So that you will then be able to look at the 2019 guidance targets for all business areas.

Finally, moving to slide 18. I want to repeat we're committed to closely tracking Deliver 2022 progress, and we will continue to update you on the key performance indicator across all our business on a quarterly basis. And as you can see, on the chart, we're moving in the right direction in all segments and in all indicators.

In May, Poste Italiana we'll receive next May, -- release -- sorry, our first integrated group ESG Report. Which will be built on our new strategic framework. Our plan is to build on 6 pillars which link Poste to the key 17 United Nations Sustainable Development Goals. The focus on a couple or three areas. I would like to emphasize, the first to the people. Which includes in our targets health and safety, as well as the major training and development initiatives. We are implementing to support to Deliver 2022. We perform almost 4 million hours of training in 2018, and 20 million hours of training will be provided by the end of the Deliver 2022.

Second, the support to the system to the country and the territory, where we assess Poste Italiane, social economic impact across GDP employment and public administration.

And third, Decarbonization [ph] , real estate and logistics. Where we focus on energy savings in our real estate together with a significant increase in electric vehicle within our delivery fleet and optimize capacity in transport Logistic. We look forward to the first publication of our first integrated ESG report, as we further demonstrate our commitment to retain the high level of thruster from our stakeholders at the moment. That's all for me now, it is time to hear from our business leaders on the exciting progress taking place around Poste Italiane. We have later two Q&A sessions, to answer a specific question from the audience. And now I will hand over to my colleague, please Massimo Rosini, Head on Mail and Parcel. Thank you all of you.

### **Massimiliano Riggi** {BIO 20490987 <GO>}

Thank you, Matteo. Good morning everyone, thank you for being here today. In the next 20 minutes, I'm going to provide an update on our comprehensive network transformation plan. I will be glad to take your questions during Q&A session. The strategy I presented to you last February, remains the backbone of our plan. And now our 2018 results, demonstrate that this strategy is the right one.

Let me remind you, of the 3 main pillars of our Delivery 2022 Strategy. We are using our unrivalled Logistic and Distribution network, to capitalize on the (inaudible) growth of e-commerce and counter the unavoidable declining Mail.

Second, we are transforming our network by leveraging our innovative Joint Delivery Model for Mail and Parcels. This transformation covers the entire value chain, transport

sorting and delivery it involves people technology and infrastructure. Improving efficiency and addressing present and future growth opportunities.

Third, this transformation will allow us to further improve our customer experience. A Key step to meet evolving e-commerce needs. We are convinced of that, e-commerce and B2C Parcel growth, are a huge opportunity for Poste. But the only way to deliver these growth is to focus on e-shopper satisfaction.

As you can see on slide 2, we have achieved our 2018 targets and made solid first step in our long-term plan . To focus on the few key points, stable 2018 segment revenues are driven by Parcel growth offsetting Mail decline. We are to perform at the revenue target for our segment. Thanks to a delay in the liberalization of a specific registered Mail product. B2C Parcel revenues grew from 0.2 to 0.3 in 2018, and impressive growth rate of 28%.

As a result of this our B2C market share moved from 30% to 33%. Thanks to our improved value proposition. 45 million Parcel were delivered by our postini, up 30% year-on-year. Thanks to the implementation of the Joint Delivery model. These results allowed us to improve our segment revenue on FDE ratio, a key measure to evaluate our network transformation. It increase from EUR60,000 to EUR62,000.

These encouraging results are enforced by the trend we have seen in the first month of the 2019. With the double-digit Parcel growth offsetting the continued decline of Mail.

Let's move to slide 3. The long term market trend, presented last year are confirmed by the latest available data. Let's start with Mail. In 2018, the Italian market so a lower declined that European average, but in the long-term Italy, remains one of the country's most impacted by e-substitution. Mail per capital ratio is still well below the EU is on [ph] average.

On the other hand, B2C Italian Parcel growth is confirmed, with a year-on-year growth of 17% in 2018. Online sales as a percentage of total retail sales moved from 4% to 7% year-on-year. And the gap between Italy and the European average is still significant. In summary, the growth of e-commerce in Italy is happening today, and it is a great opportunity for the future.

Now I'm going to take you through our network transformation in more detail. I will show you progress in 2018, and outline our key priorities for 2019. Drive Five, summarizes the key areas of our network transformation. Our overall roadmap is unchanged, and progress is fully on track. The transformation is focusing on the whole value chain transport sorting, and delivery. Starting with transport, we are optimizing our Air and Ground network connections.

Second, sorting, we are streamlining operations by introducing new automatic equipment building new sorton [ph] centers for all group Parcels and introducing a lean [ph] manufacturing methodology in old sorting centers.

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Third delivery, we are introducing our New Joint Delivery Model, to drive work shift flexibility in line with client needs. with a combined approach for Mail and Parcel. All initiatives are underway, and our 23 performance confirms that the long-term targets are achievable.

Now I would like to dive into each segment of the value chain. Let's move to slide 6. Transport optimization is a key to enabling us, to better save the e-commerce market with faster end-to-end solutions. In 2018, we optimized aim transportation on a leveraging on our joint approach for Mail and Parcel, improving overall vehicle situation from 78% to 80%.

During 2018 our A company shifted its focus completely to Cargo, exploding the opportunities related to Parcel growth. We now have six dedicated eight cargo routes that allow for next day delivery to Southern Italy and the Islands. This is summing other players simply cannot offer.

During the traditional busy Christmas period, we introduced an additional air connection (inaudible) Italy. In order to meet increased demand.

Finally, overall transportation costs including ground have been reduced through fleet right-sizing, dropping from 29,000 to 27,000 in 2018. In 2019 we will continue to focus on further improvements in our air connections driven by volume growth. We will also begin to focus on ground cargo connections. Optimizing long goal efficiency and quality through advanced IT solution.

Moving to slide 7, and a sorting. Here our focus is on automation and operational excellence to improve our automated sorting capacity and efficiency. We are also empowering our people to be the drivers of change. We introduced one new best in class Mail and Parcel sorting machine in Milan, increasing our automated Parcel sorting capacity by 25%. We also introduced the two new mix at the Mail sorting machine, in Boloniya and Milan.

These can sort multiple Mail sizes that previously required different machines. As a result, we reduced overall Mail sorting lines by 60% and improved real estate usage. We also began to introduce a lean [ph] manufacturing approach. I am pleased to say seven of our 10 sorting centers are already up and running. This methodology mainly used industrial companies is a bottom-up approach, where all our people become the engines of change, by suggesting continuous workplace improvements. The main pillars are safety, quality and cost reduction.

The lean approach is a vital tool in changing the mindset of our staff, improving overall engagement and satisfaction. In 2019, we will introduce a new Parcel sorting center in Boloniya this is significant investment in the Logistic heart of Italy, will improve our automated sorting capacity and driver further efficiency. We will also install four new Mail and one new Parcel of sorting machine, and will complete the rollout of lean manufacturing across all 10 sorting center.

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Finally, I am pleased to announce that on the 8 of March, we signed an important new agreement with our unions. This will be a Key enabler for all ongoing sorting improvements, benefiting our people, our network, our customers. We achieve these important goals thanks to the proactive and collaborative engagement with our unions. Demonstrating they are aligned with our strategic plan.

Moving to slide 8. Let us now take a closer look after the most important component of our network transformation, The Joint delivery model, I'm pleased to say that Poste Italiane has been a first mover among its global peers. We have completely reorganized the way we deliver. In our delivery centers, we have introduced a morning shift for traditional Mail, and the daily additional shift in afternoon for Parcel and Register Mail.

Given that the most important logistics issue to manage, is daily product variability. The Joint Delivery Model allow us to maximize productivity by moving products between the two daily shifts in a way that others cannot do. The implementation began in May-April last year and by the end of 2018 almost half of Italy has been reorganized in line with our targets.

We expect total roll out by the end of 2019. As of today the results are very positive, afternoon [ph] we can delivery is now in place improving delivery efficacy, and customer satisfaction. Sunday delivery was added during the Christmas period improving e-shoppers experience. We saw improved productivity and the 10% reduction in FTEs in line with plan yearly retirement initiatives.

The rollout of the Joint Delivery Model was also supported by the introduction of more than 303 wheeled electric vehicles improving load factor, safety and sustainability.

In summary, the Joint Delivery Model gives us the possibility not only to deliver Parcel by our postini, but also to capitalize on the rapid development of e-commerce.

Moving to slide 9, our network transformation at an operational level has created a strong platform for us, to capture growth opportunities. I would like to spend a few minutes, talking about our vision for quality and customer experience.

On slide10. We have outlined the steps taken in 2018 to improve our offer based on customer needs. Customers wanted to drop off or pick up Parcels at place is convenient to their everyday lives. We now have been placed the most expensive proximity network in Italy, called the PuntoPoste network. PuntoPoste offers our customers easily accessible service points and flexible opening hours through locals and retail outlets. This is in addition to Post Offices.

In 2018, we introduced more than 400 alternative delivery points, and then we will add around 8,000 more by 2022. In May last year, we signed an agreement with the Federation of Italian Tobacco business. This is the largest network in Italy, with around 50,000 sales [ph] point and the agreement enables tobacconist shops to join the PuntoPoste network. We launched the new Parcel of features in order to improve customer experience.

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These includes safe place delivery, neighborhood delivery, change place and time and old my Parcel during the day options. As a result of all these actions, we saw year-on-year growth of 27% for B2C volumes well above the market. In 2019, we will announce our PuntoPoste network with around 3500 additional delivery points. And, we'll continue to introduce new Parcel features, such as same-day delivery. We will also carry out a pilot city logistic project. This will test on food, and bicycle delivery options in town center's easing environmental and traffic impact.

Let's move to slide 11. Now I want to share with you our perspective of the future development of the e-commerce in Italy. In our vision the e-shopper will drive the evolution of the market, by observing more mature markets we can better prepare for the evolution of e-commerce in Italy. We know e-shoppers will look for faster, customized ongoing solutions. For example, highly customized delivery solution at based such as a step-by-step delivery visual monitor using GPS

To meet this trend, we must embrace new disruptive service model, and lead the way we need, when it comes too. Introducing new product features such as instant delivery solutions, shifting from centralized warehouse into small urban storage points, that are closer to these shoppers, or time definite options to deliver Parcel in agreed time slots with full transparency on the driver journey.

To summarize, while our clients are the sender's, merchants and marketplaces. We believe, the only way for us to obtain our business is to propose new solutions that need and anticipate evolving e-shoppers needs. We are exploring all options to deliver this. Now I want to play a short video that shows you our 2018 network upgrades. And the way, we are improving e-shopper experience, enjoy.

Let's now look at our financial targets and KPI evolution across the plan. Please move to slide 14. After more than 10 years in 2018, Parcels revenues growth as offset Mail decline. We expect this trend to continue in 2019. In fact, in the first month, we are experiencing a double-digit Parcel growth offsetting the continued decline of Mail. Our main goal for the future is to achieve a sustainable business model, through stable revenues and efficiency enhancements driven by our network turn around.

On slide 15, we confirm our core targets. Stable total revenues for 2019 and throughout the plan, significant double-digit growth in B2C Parcels and market share increase. More than 100 million Parcels to be delivered by postini in 2022. And segment revenue on FTE ratio growing to EUR68,000 in 2022. This growth is fueled by a significant investment plan, focused on automation, new Parcel sorting centers, advanced IT solutions infrastructure and safety.

Finally, it's time (inaudible) to our client today's key messages. First, our long-term strategy is confirmed and delivering early results. Second network turnaround is fully on track, producing tangible effects. And we take a solution risk fully under control. These as improved , thanks to the union agreement sign on the 8 of March.

Third e-commerce development is a certainty in the present and the great opportunity for the future. Today we are playing a key role and we want remain leader tomorrow, contributing to the digital transformation of the country. Let me see a gain after one year. We are changing the way Postal business is done in Italy, come and see us has deliver. Thank you for your attention. Over to you Marco.

## **Marco Siracusano** {BIO 20101643 <GO>}

Thank you, Massimo. Good morning, everyone. I Marco Siracusano, Head of Payments, Mobile & Digital, and CEO PostePay. Today I will focus on our progress in the digital payments industry and our plans to maintain and build on our existing capabilities. To give you a brief overview, Payments, Mobile and Digital is a dedicated business unit, that was created to maximize synergies between Payments, Mobile offering and Digital services. Which had previously been spread across different business units. Payments covers, issuing [ph], where we aim to improve our digital offer to identify and enable new experiences and used cases, such as proximity and up based payments.

Acquiring, where we aim to become the payment enabler, a both physical and digital business growth for our SMEs and corporate clients . Mobile our focus is on the retaining and growing mobile and landline business while creating a new integrated offer with digital payments and finally, regarding digital our goal is to develop the group's digital ecosystem by exploiting cross businesses synergies from an open perspective, in terms of services and partnerships.

Moving to slide 3, here we have outlined the key market trends that the underpinned our strategy. The key market opportunities outlined last year still stand. Italy is quickly bridging the gap with other European countries in the digital world. Electronic payments are progressively replacing cash. Showing double-digit growth and this is especially to for the innovative digital payments market, which is expecting growth of 50% by 2020. This is also supported by the growing penetration of the internet via mobile and other devices. And the massive usage of smart phones in Italy that are key enablers of e-commerce, and other digital payments.

Go to slide 4, the traditional patterns of all industries both in payments and in mobile are changing in line with new customer behaviors. And in this fast changing scenario Poste Italiana created PostePay SpA. As unique company that manages and ecosystem of integrated payment and Telco [ph] product and services.

Therefore last October, we completed the journey to create the new company. And in November, we launched our Flagship product PostePay Connect, which I will better described in the following slides.

Moving now to slide 5. Here we have outlined the key revenue drivers for both payments and mobile. On the payment side, the key priorities are to grow , the PostePay card base a continue to grow the number of card transactions at the rate higher than expected market loan.

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On the mobile side in a competitive market, we have increased our stock. Thanks to a combined actions of maintaining customer acquisitions, while reducing term. And the measure opportunity for growth and a key driver for the decision to create, PostePay SpA is to leverage both on the very large PostePay customer base to offer mobile services. On the loyal Mobile customer base to offer payments product. There are also significant (inaudible) opportunities.

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On the payment side, our goal is to transition customers from our standard prepay [ph] PostePay card offer to the PostePay evolution one which is a prepaid card with an IBAN [ph] code which operates like a checking account. In Telco Business, we are driving convergence of mobile and landline offers, to increase overall average revenue per user. Now, I'm very pleased to introduce you PostePay connect. Our Flagship product that represent a unique digital framework let me show you a short video first (Advertisement). . PostePay connect is the distinctive digital solution to manage payment cards, and Mobile SIM through one single PostePay up.

The new platform is very powerful, in terms of creating a unique customer experience, only one click and providing innovative features not currently available with other providers. These include the ability to transfer Giga real time, a make instant payments within the PostePay community. The immediate benefit for our business is a boost in both payments card and Telco SIM sales, and lower attritional mobile customer base by transforming almost 40% of sales from monthly to annual fees.

Since, PostePay launched is in November we are already seeing a very positive impact on daily sales figures from the first few months of 2019. Up 19% on cards and 9% on mobile SIM.

Let's turn to slide 8. On payment side, we have user innovation to boost digital payments via new services. Both are consumers such as approximately payments in the PostePay up and for merchants with (inaudible) on PostePay a new one click acquiring solution. We established our renewed partnership, to further increase the reach and volume of our payment services. As a result, we saw significant growth in our performance key indicators, 18% growth year-on-year in total card transactions. With that very positive impact on market share and 22% increase in total payment revenues.

In 2019, we will continue to expand and ecosystem of user experiences and digital payment services for the PostePay client community. We will also lead the change in consumer SMEs and corporate usage by creating, new channels integrated product and services in acquiring e-commerce and mobile payments. We will continue to develop partnership to strengthen the PostePay ecosystem by expanding opportunities for PostePay payments.

Let's now turn on Slide 9. Looking now at 2018 achievements for mobile from an innovation standpoint, we launched fully online digital sales service, which enables customers to get a new user experience through digital video identification, online payment and self SIM activation, plus 53% year-on-year of total online sales. We also launched our multi monthly fees offer, which reduced our customer churn and increasing

the customer loyalty. We also saw good growth in our landline customer base. As a result, SIM and landline stock grew by 7% year-on-year, while total mobile revenues grew by 3% outperforming the market.

Our focus for mobile in 2019 can be divided into three key pillars. A reactive strategy in the competitive mobile market with the focus on new renewal models such as multi monthly and annual fee. A proactive strategy in the less competitive landline and digital market, focusing on an integrated offer to drive both seniors and youth segment sales. And then active strategy in growing and innovative markets with the focus on Ultra Broadband at the internet offering services.

We will now focus on financial and commercial KPI's on Slide 11. Let me give you first some update of the major 2018 PostePay commercial KPI's for our payment and mobile business. PostePay portfolio cards growing by 8%. Payment card transaction increasing by 18%. Mobile and landline stock growing by 7%. Stock of digital wireless [ph] strongly increasing by 64%.

Move to Slide 12. In 2019, we expect to continue to grow as follows. PostePay Evolution stock grows by 25%, with the net increase of 1.6 million cards. Payment and card transactions will grow by 18%, exceeding 1.3 billion transactions.

Turn to Slide 13. Thanks to the previous commercial KPI's showed, 2019 revenues are progressing well up by 14%, y/y are one the growth in card payments plus 25% and Telco plus 2% and to contribution from other payments is expected to be in line. As you can see all our results are progressing in line with deliver 2022 targets. Now, I would like to show you a short video, which some apps why we created PostePay SpA (Video Advertisement) Before leaving the stage, I would like to update you also on digital progress at a group level. We are accelerating in three major areas. Group digital ecosystem to offer a unique selling proposition. Innovation by creating value through strong digital now [ph] and agile methodologies.

Customer experience by creating a simple and secure digital experience recognized by our customers and digital community. Our efforts are not only on the consumer and corporate side. But, as mentioned by our CEO also actively support the digitalization of the Italian Public Administration.

Let's turn to slide 16, as you can see, we also add strong double-digit growth across all group digital KPI's in 2018. The major one is up downloads which increased the by 44% to 21.6 million downloads.

Let's turn to slide 17, in conclusion I would say that the delivery 2022 initiatives are well on track, increasing both revenues and transactions. We set up PostePay, SpA consolidating our leadership in the payment market in Italy. And finally our flagship product PostePay Connect is the unique integrated platform innovating the payment and Telco markets. Thank you for your time, and thank you for your attention.

## Questions And Answers

### Operator

(Question And Answer)

We're now taking questions on the presentation from Massimo, from Marco. Matija?

#### **Q - Matija Gergolet** {BIO 3561672 <GO>}

Matija Gergolet from Goldman Sachs. So two questions on my side. The first one it's for Mr. Rosini, Can you give us a bit more color on the recent agreement with the unions. At this time there's a lot of say talking Europe about a shortage of Labor, maybe it -- isn't a slightly different situation. But what did you manage to agree, what can you share with us, what's going to be able to say that to some extended financial impact on Poste Italiane wage costs going forward. And second question is on a page 12, of the PostePay or the presentation of the payments and mobile. If I look at the chart in year -- you talking about 2022 delivery targets but on page 12 it seems to me that you are generally inline or ahead of the 2022 targets is that a fair assessment or no should we expect a slowdown in the coming years? Thank you. I think it's page 12, of the of the presentation of the payments and digital. I mean if I look like at cards, transactions. Very good growth in '18. Thank you.

#### **A - Marco Siracusano** {BIO 20101643 <GO>}

Okay. I will start with the union and then ask Massimo, who give more details. Basically every year before we commit to the budget, that goes to the board and then to the markets. We have to find the agreement with unions, because all the activities that then we implement to reach what we are committing to today. For example, in terms of operating margin need to have a pre agreed. So, last year remember we signed an agreement on the 8 of February, February and we present it to markets on the March 28 -- sorry February. This year is 8th of March to 28th of March. Last year the agreement was mainly affecting the last mile. So, the delivery portion of our distribution network, this year the agreement is more related to the sorting centers and Massimo highlighted that we are in the process of putting quarter-on-quarter efficiency through lean manufacturing initiative in all our centers, and we are now I would say, half way in the process, but we need their agreement to actually achieve the final results for this year.

More specifically Massimo want to say the sickers and the -- Now you'll -- Okay, thank you for the question and then the agreement of the 8 March as Matteo said these center on the efficiencies on sorting, because on deliver we sign an agreement for the two years set for the total implementation of our Joint Delivery Model. With this agreement, we shared with the unions the part of efficiency in sorting, including all the introduction and implementation of automatic machines, and also the lean manufacturing. So, we are sharing with them the path of 2019, including the efficiency.

We want figures, we're talking around the 3000, which is more or less in that specific space. So, what we achieved last year, if you look at my chart when I say, FTE reduction last month minus 10%, that's exactly the 3,000 efficiencies that we found last year in the last month.

On the second question, Matteo, you want to take it? I think is a third question we want to see how you're going to take it.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

We are performing for frankly very well, and in 2019 we will continue to grow maybe better than in 2018 if you can see, because we are forecasting a growth on cards revenues by 55%, compared to 22% on 2018, this is a very relevant for us.

**Q - Matija Gergolet** {BIO 3561672 <GO>}

Yeah.

**A - Massimo Rosini - Head of Mail & Parcel**

No, but I agree, there is a point you will see it in other figures the risk is that in a 19 steps over, you know 2020 in some metrics and financials and sometimes, but this is a bit more specific steps into 2022, deliver 2022. But for the time being we announced the plan last year, I think there is as I said a lot of transformation effort that we're performing and I think that the best use of management time is in execution, because there is a lot to do and you know we will decide when is the right time to review our future that's I think the only answer I can give you this point with this. Ashik?

**Q - Ashik Musaddi** {BIO 15847584 <GO>}

Hi. Good morning. This is Ashik Musaddi from JP Morgan. Just a couple of questions. First of all Massimo thanks a lot for showing those delivery models, the video was pretty nice to understand. But, what I want to check is how much is the usage of delivery models like lockers and like the tobacconist centers, are they -- are people using those things or is it just too early stages because what I notice is you're clearly increasing the locker for example, 400 to 8,000, that's a big jump, I mean that will involve cost as well.

So, are people really using those alternative delivery points so, that's my first one. And secondly, can you give us some dynamics about pricing, I mean clearly we can see that distribution power you have for parcels business. But how does the pricing plays a role here. Because I mean for example, for mass products, I mean are your pricing better than your competitors. Any thoughts on pricing and the trend for that would be great. Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Okay. There's no cost related to the third-party network, is purely a variable cost. So, we have an agreement where they are going to receive as a revenues, which is because for us per parcel ex amount of so, is purely added flexibility and the use of this network we will see certainly, is a very unique network in Italy compared to other major countries, especially because the background is have an official government license. And they're open many hours during the day and weekend.

And so as it happened in other countries in Europe many years ago, they can be seen over time as cozi [ph] franchisees for some transactional services and products, so we put



in a big focus on this third party network.

In terms of your second question of pricing, the pricing index goes down by 3% in Parcels '18 over '17 purely for the change in mix. Busy [ph] in our Parcel business in 2018 is the first time where we go way above 50% in B2C. We were not a B2C company two years ago. We're now a B2C courier. So, the price index goes down by 3%, because you change the mix. The actual price on the B2C products is relatively stable.

## Operator

Next question, Gian Luca.

## Q - Gian Luca Ferrari

Yes, Hi. Gian Luca Ferrari for Mediobanca. Again on pricing, you said in B2C is kind of stable but, if I have to look at the charts you showed, you are basically growing 20% per year in terms of volumes, in terms of revenues I see only a kind of 10% per year growth. So, is it B2C really that stable in terms of pricing, are you price taker in that respect?

Are you having some weapons to defend pricing in parcel B2C?

Second question is for Marco. I think you flagged a couple of times you want to play it the acquiring business in SME's at the moment you have 27,000 clients if I spotted it properly, there are 3.7 million of SME's in Italy. You have only more or less 1% market share. Now, the market in Italy is intermediated by banks. So, I was wondering how can you increase this penetration SME's? Are you planning to acquire some books, for example, from banks or you just plan to grow organically at current growth rates? Thank you.

## A - Matteo Del Fante {BIO 6237992 <GO>}

I think, you know on the first question, we can go more into detail maybe offline but, the last quarter 2018 B2C price average was Apple [ph] versus 2017.

## Q - Gian Luca Ferrari

Okay.

## A - Matteo Del Fante {BIO 6237992 <GO>}

So, we are experiencing lower growth than volumes, because of the change in mix. In terms of the increase of SMEs clients on the payment side, obviously, the SMEs space is interesting to pass the for the acquiring business side of the payment business. We are on the issuing inside, on the card side, the market leader with 26 million cards issued and around 22% of overall payments through our cards.

We have a much lower penetration of the SMEs max space. We are now improving that penetration through marketing efforts. And there is no specific plan to do it in any different way, and there is no specific meaningful increase in revenues in the plan that you see today related to acquiring revenues.

**Q - Alberto Villa** {BIO 16005221 <GO>}

Yes. Thank you. It's Alberto Villa from Intermonte. Couple of questions from my side as well. The first one is on the breakdown of revenues you gave in mobile and digital. Can you provide us with an indication also of the operating margin split between the two business. And how you see it develop?

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Okay.

**Q - Alberto Villa** {BIO 16005221 <GO>}

Special because it's quite interesting in the digital payment nowadays. And secondly, you front loaded a lot of early retirement expenses this year more than 600 million. Can you give us an indication of what this implies in terms of accelerating or from tending the employees retirement, and if the pension reform would have any impact on your plans, given that it may offer some opportunities for you to accelerate on that. Thank you very much.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Thank you, Alberto. To be a bit short on this, because the operating margin of every segment and the HR analysis are in part too of today's program. So, if you just need to they're with us another few more minutes and then we'll go into the details. Giovanni.

**Q - Giovanni Razzoli** {BIO 7269718 <GO>}

Good Morning. It's Giovanni Razzoli from Equita. Just one question on the payment mobile and digital space. I was wondering how shall we look at the PSD2 directive. Shall we look at it as an enabler of further services that you can provide to your customer? Shall we forget about it, because it's a non-material, or so how shall we consider the market environment as it is going to be placed from this year? Thank you.

**A - Massimo Rosini - Head of Mail & Parcel**

Matteo, you want to answer?

**A - Matteo Del Fante** {BIO 6237992 <GO>}

The PSD2 directive, the main effect will be for sure to open the market, also to non-traditional players. We are working very hard on it, even though the starting point will be in September 2019. And also we are well on track, both on compliant side and innovation side, because due to the fact that the market will be hoping and also we are ready to put in place our powerful brand, our IT capabilities, and our innovation capabilities in order to provide value-added services that the new framework will be available.

**A - Massimo Rosini - Head of Mail & Parcel**

And I think the more strategic answer can probably be that the game we believe on PSD2 is going be in customer engagement, okay. So, whoever will be able to provide its clients with the best answers and tools will win that race. So, we start with a very good footprint

with relatively state-of-the-art product. But, the aim is to improve the customer experience and the customer engagement. So, that is with the number of products and the number of clients we have is going to be very hard for any entrants to come and take some of our space, but clearly is that right an opportunity at the same time.

**Q - Giovanni Razzoli** {BIO 7269718 <GO>}

Yeah, it's right exactly. Thank you.

**Operator**

(inaudible).

**Q - Analyst**

This is (inaudible) from Picture 18 [ph]. I have a question for Mr. Rosini. To what extent the 3.5 billion revenue targeted for 2022, is sensitive to the discontinuation of the distribution of judicial postal letters, as well as the possible discontinuation of the subsidies for delivery of magazines which have to be discussed beyond 2019.

**A - Massimo Rosini - Head of Mail & Parcel**

Yes, the 3.5 billion in revenues is our goal for the plan to maintain the revenue stable. In terms of USO, we are now with that -- on the January 1, 2020 we will add a new USO, now we are negotiating the new contract with the government. We expect no negative impact from the negotiation during our plan.

And for the rest, we are very confident that in terms of revenue we can maintain the result of this year. So, we cannot set with Parcel growth the unavoidable decline in May. And anyway, more specifically on the Judiciary Act, we have pricing in our project, the decrease of revenues for a portion which we assume is a fair estimate on the Mail component. Federico?

**Q - Federico Braga** {BIO 19916816 <GO>}

Good morning. Federico Braga from UBS Just a follow-up on your Mail revenues, I mean mail revenue targets for 2020-2022. If I'm not wrong, it seems that you have raised by roughly 100 million your revenue targets for the mail division up to 2.4 in 2020, 2.2 in 2022, up from 2.3 and 2.1 in the original plan, but you kept flat your overall target. So, this is just a conservative approach or we should expect actually some upside on your total revenue targets for these divisions? Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Please, Guido.

**A - Guido Maria Nola** {BIO 20719012 <GO>}

I can take this one. I think again you'll see more details in my presentation later on. I think the answer you will hear from us throughout this presentation is that we will focus on '19,

we have certain numbers that are particularly good this year. But, we feel very confident that we will deliver on the plan but, we're not going to talk about anything that goes beyond 2019, so from 2020 onwards.

But I'm sure that you find more explanation while you see my presentation.

### **A - Matteo Del Fante** {BIO 6237992 <GO>}

Any question? So, thank you. We are now ready for a coffee break of 15 minutes and we will be back at 15 to 11, the schedule. Thank you. . . . .

Okay. So, we start the second session, with Andrea Novelli, the CEO of BancoPosta. And then, we have the CFO as he anticipated with all the figures. Let me take the opportunity to say that Andrea from next month will take increase responsibility in the group, would be in charge of the net worth of the solution of the postal offices. So this is a good opportunity to hear from the center the product what as a matter of fact is going to ask her to be delivering, you know from next month on the ground. Please, Andrea.

### **A - Andrea Novelli** {BIO 15185958 <GO>}

Thank you, Matteo. And good morning, ladies and gentlemen. Today I'm very happy to update you on our progress on the implementation of the Deliver 2022 plan across our financial and insurance distribution activities. And then, I will also give you some perspective on our priorities for 2019.

Starting from Slide 2. Let me start by confirming that we reached or exceeded our 2018 revenue targets set and Deliver 2022 for the financial segment. Moreover, in terms of the principle KPI's, we have lined at the launch of the plan last year, we had grown both total financial assets and product sales by volumes. This is a result as our strategy to leverage on our market leading distribution network and despite macroeconomic headwinds and increase financial markets volatility.

Going to Slide 3. So, while we are seeing signs of European economic slowdown, we believe that the long-term trends we outlined last year are still in place and continue to be very favorable for our business model. First, while Italian house [ph] as well in the second half of 2018 was temporarily affected by financial market performance. It continues to grow and is expected to grow at a steady rate during the plan period.

We still assume moderate growth in interest rates, while the volatility in government bonds trends can create an upside opportunity for us. And our CFO will show this in more detail later. At the same time, we are ready for the impact of MiFID II and IDD

We believe that our commitment to a straightforward and transparent portfolio of products clearly communicated is a major opportunity. Finally, for the other products we distribute such as PNC [ph] insurance and loans mortgages, the Italian market is still under penetrated when compared to the rest of the Europe.

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Bloomberg Transcript

Turning now to Slide 4. I would like to stress that our business model in financial and insurance distribution is resilient in all market conditions. This chart which looks at Poste's retail net inflows in recent years helps demonstrate this fact. While Poste Italiane is seen by Italian retail customers as a safe haven during periods of market turbulence, we also perform well in more stable environments.

Of course, volatility can impact the mix of products we distribute on short-term basis, but as we will discuss later, this does not change the long-term shift we see from capital guaranteed products to mutual funds and unit linked insurance products, this is because we start from a low penetration of those products, and so it is even more in the interest of our clients to diversify their portfolios when faced with a more challenging economic environment.

And while do you would expect loan and non-life insurance volume to be lower in a slowing markets, Poste Italiane is a new entrant, so, we still have a significant opportunity to grow our market share.

Going to Slide 5. So, our TFA performance in 2018 demonstrates the resilience that I just spoken about. While many players in the financial and insurance industry have reported declining in TFAs in 2018, our TFA is increased from 510 billion to 514 billion. We saw growth across all retail segments with the highest increase coming from private segment customers. Here, we saw both an increase of net new customers, as well as a net migration from other segments.

We also grew the overall number of customers. Thanks to the success of our payments business, and to the issuing of PostePay to many young Italians. And this creates future cross-selling and upselling opportunities.

On to Slide 6. Let's now review in more detail what we have achieved in 2018. Last year, we say that the immediate focus of our Deliver 2022 plan was to expand our product range to become a financial one stop shop for our customers. We made significant progress in 2018. In wealth management, we build an effective control open architecture. Primarily, thanks to the agreement with CDP, and partners such as Anima and the new role of our asset management company. This setup gives us the best of both worlds.

We get the flexibility to pick and choose, the best in class asset management partners. But we also retain full control of the relationship with our clients and we optimize our margins. Our expanded platform includes new mutual funds and insurance products that are playing a key role in the diversification of our clients' portfolios.

I will go into more detail later with the steps that we are taking to continue the development of our wealth management offer.

We also further developed our capital light along distribution platform, by adding Intesa and Unicredit as new partners. We now have a strong platform in this area, and very good negotiating power when it comes to new and existing agreements.

Last but not least, in our life insurance, we successfully launched an innovative property product and develop the complete welfare offering both for Post employees and external customers.

As you can see our partners are always amongst the best players in each sector. And importantly, we now have a proven track record in successfully managing these partnerships. And again I will provide more detail later on how we continue to develop this platform.

Going to Slide 7. So, one of our major achievements in 2018 was the successful implementation of our new (inaudible) agreement with CDP concerning Postal savings. We exceeded the net inflow target set for the year, and this was stands to all the action we put in place with CDP, which allowed for a renewed commercial focus by our network.

As a result, revenue was close to the upper end of the fee range and visiting [ph] the agreement, exceeding 1.8 billion. This makes a significant contribution to the substitution of capital gains with recurring revenue.

Moving to Slide 8. Our more comprehensive portfolio is underpinned by major operational changes across our network, as we enhance our service model and we organized our business. We strengthen our network of relationship managers with a particular focus on highly effective mobile relationship managers, who cover Poste's affluent client base. Last year, customers with a dedicated relationship manager jump from 7% to more than 20%. So, we are on track to achieve our target of 50% of customers by 2022.

I will apply later our news mark coverage model that would be key to achieving this goal. Thanks to the new investment plan part of Deliver 2022.

In Q4, we also released a major update of the IT platform available to our relationship managers. This includes a robust for advisor tool, a data-driven CRM and enhanced front end and is now MIFID2 and IDD compliant. Finally, as announced last year, we began to delayer our structure but it using the number of regions from 9 to 6, and delivered efficiencies in the network leading to savings in terms of FTE's.

But before we move ahead, I would like now to show a short video that shows one of our 1,000 mobile relationship manager at work. Please. (Audio-Video Presentation)

Moving now to Slide 10. So, as a result of the extraordinary commitment of our people and all the action about line, we are proud to report record results for all product areas in 2018.

We grew TFAs faster than the market, despite headwinds in terms of performance affect in the life insurance business, mainly related to lower analyze capital gains of PosteVita's government bond portfolio. And as already mentioned, we exceeded the target set for

postal savings in our agreement with CDP, significantly improving net outflows versus last year.

At the same time, we had a very large positive net inflow in life insurance and we're one of the few asset gatherers to report positive net inflow for mutual funds. Thanks also to strong positive flows in deposits, total net inflows were almost 3x higher compared to 2017.

When looking at our life insurance volume, please remember that we have one of the lowest lapse rates in the market. And also, as a policy we never advise our customers to redeem capital guarantee its products before maturity. As such, we are continue to gain market share in life insurance even if Gross Written Premiums in 2018 declined compared to 2017.

Then in loan distribution, non-life insurance and payments, we achieved our highest ever volume, gaining market share in line with the growth path set out in Deliver 2022. Of course, this is just the first step in our longer journey, but we believe that these results demonstrate that they're moving in the right direction. And 2019 is the next step of our journey.

So, now let's focus on what lies ahead moving to Slide 12. Let's look at the key priorities for 2019 in terms of organization and service model. We will start by adding around 1,000 new relationship managers to keep increasing client coverage. Most of them will be young graduates hired from Italy's top universities.

In addition, we are going to retrain our best internal performance from across our business. We would also create a new team of around 100 specialists to support our relationship managers in accelerating our growth in PNC insurance. Then we already have on average 1.4 million customers visiting our post offices each day. So, we are also focusing on increasing synergies between tellers [ph] and our relationship managers. To do this, we have developed a real-time referral engine and now we are progressively implementing this across the network.

To give you just one example, when an affluent client enters into a post office and identifies himself, a dedicated message is sent in real time to his or her relationship manager. Also in terms of IT development in 2019, we will provide our relationship managers with automated real time investment proposals for all clients, so with this new feature that will be able to spend more time with the clients rather than preparing investment proposals themselves.

Moving now to Slide 13. I believe that it is useful to spend some more time demonstrating how we are developing our network of relationship managers, using data analytics to optimize coverage. So, our first priority is to increase the number of mobile relationship managers because they are the most effective and efficient solution to ensure comprehensive coverage of high-value customers across Italy.

So, the number of mobile relationship managers will increase by up to 50% in 2019. Then to decide where to best our total focus our efforts, we have developed a data-driven model that optimizes the coverage area for each mobile relationship manager in terms of both of distance covered, meaning less time is wasted in the car and market potential.

For example, in areas where our current market share is lower than our potential such as area x. X that we can see in the slide, we will give our relationship managers a much smaller customer portfolio business they can focus on the acquisition of new clients, rather than just managing existing ones.

Moving now to Slide 14. I would like to share with you the next chapter of our wealth management strategy. So, last year we said that the cornerstone of our strategy is to put customer first and to develop a closer relationship rather than simply sell products.

In work management, this means moving from a Single Standard Service Model to a Diversified Interaction Model driven by customer needs. Of course, we will continue to develop our traditional model, based on in-person interactions in our post offices, and we will add more and more support to our relationship managers. Thanks to investments in IT

But in addition to that, in the coming months we will launch a fully digital advisory platform, and a premium wealth management advisory service.

Looking first at the premium offer, we are already successfully attracting and retaining private and affluent customers, despite not historically having a dedicated premium service model. These customers tend to have multiple relationships with other work managers.

So, with the new simple and transparent dedicated proposition, we believe we have the opportunity to increase our share of wallet and to attracting clients. We are creating a network of highly skilled dedicated relationship managers, and supporting them with a state-of-the-art advisory platform provided by a global asset manager. This will also include real estate advisory and succession planning capabilities.

At the same time, we are developing new dedicated insurance and asset management products, with an open platform approach as it is market standard for this segment. We will offer those services and products with the new fee on top scheme, whereby fees will decrease in relative terms with increasing the TFA's. And in our 2019 targets, we are not factoring in any meaningful revenue contribution for this business, because it is a major innovation for us and we want to make sure we have the right model in place before setting any target.

Turning to Slide 15. Before I introduce our new digital world management platform, let me first talk about what we are already doing in this space. In previous years, we began to offer existing customers the opportunity to invest online in postal bonds or term deposits on pass books.



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More recently, we launched an end-to-end digital onboarding for new customers wanting to invest in postal bonds. So, without any major marketing effort, we were able to gather around 1 billion of gross in so last year through our digital channels only. And now thanks to a new multi-channel campaign this currently live, we have already gathered more than 400 million in the first two months of 2019 alone. So, while the Italian digital wealth management market is still at an early stage, we see a significant opportunity to lead the way.

As Marco showed earlier, we already have a significant number of digital users for transaction banking and payment services, most of them are young customers who own a Postepay prepaid card, but they are mainly hidden affluent customers among them. For example, around 50% of customers who have invested in postal savings online are under 45, and more of these customers are affluent compared with offline customers.

So, we believe that our fully digital wealth management platform could meet the need of young customers looking to begin their savings and investment journey, but we can also meet the needs of smart affluent customers looking for a simple transparent and cost-effective way of investing their savings. And both groups are reassured by our trusted bank.

So to speed up, our title market we will embed the engine of a specialized fintech [ph] company. As we always do, will be entirely in charge of the relationship with our clients, and we will use our own brand. This will be as well a financial education tool with the strong support of our central team for clients requiring assistance in the investment process or after the initial investment.

Our revenue model will be based on a known in fee. And while we are -- of course very excited about this new development, we are not factoring in any relevant contribution to our 2019 targets, while this program gets off the ground.

Moving to Slide 16. In Deliver 2022, our priority for life insurance is changing the mix from capital guaranteed products into unit linked and multi-class product. We want to meet the need for additional diversification in our clients' portfolios, while at the same time benefiting PosteVita capital requirements. Now, thanks to the new multi class product we launched last year, as well as the efforts we put on training our salesforce and developing our advisory platform, I am pleased to say that we are already in line with the mix we targeted for 2022.

And in the coming months, we will continue to develop other multi-class products, without aggressive pricing and an increasing level of customization based on clients' needs.

Moving to Slide 17. I would also like constitute how client -- how we are preparing for the final stage of MIFID2 and IDD implementation. We have completed the (inaudible) certification of relationship managers, and we continued the extensive training efforts required. The robot for advisor platform that every dimension is

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fully MIFID2 and IDD compliant. So, when our relationship managers discuss an investment proposal with the clients, they have the peace of mind that they are proposing something that is full in line with the risk profile of the client.

Finally, we are well below our benchmarks in terms of total cost of asset management and life insurance products to the clients. So, all in all we believe that we are very well positioned to capture opportunities that could arise from MIFID2 and IDD implementation.

Moving to Slide 18. Now in loan and mortgage distribution, while we already have an effective open platform, we had the significant room to improve activation and network productivity as a result of Deliver 2022 initiatives.

In 2019, we will complete integration of new partners, and make significant investments in IT and marketing to support our growth. Thanks to these investments. We will launch an end-to-end digital learning solution and we will further improve the use of data and analytics for better targeting.

To give you an example, we have already started a pilot project, where we are able to pre-score selected customers. Based on our internal modeling, this is both creating and higher propensity to complete the loan application and is resulting higher approval rates.

In this respect, we are already achieving an approval rate for higher-rated customers almost twice higher, compared to lower rated ones. So, we continue to grow faster than the market as we aim to become the leading distribution platform for personal loans in Italy.

On to Slide 19. In non-life insurance, we currently have separate products for each different protection needs. And as the latest addition to our offering, we can improve both productivity and branch activation. This year, we work to evolve our separate products into a simple modular offer that our clients will buy through signing a single contract to cover all their protection needs.

To support this, we are building an advisory platform that will help our relationship managers to better assess the protection needs of the clients. And as I mentioned earlier, that will also benefit from the support of the new dedicated PNC specialist.

Also to update you on where we stand on motor insurance, let me remind first that in Deliver 2022, we are not factoring in any relevant contribution from this business before 2020. Last year, we started to look for potential partners. And after the first round of discussions, we decided to start a pilot project, whereby we will be distributing motor insurance to our existing and former employees and their families, in partnership with leading insurance companies.

Now, given that we are talking about around 500,000 potential clients, we believe it is going to be a very good test before approaching external clients.

Let's look at Slide 20, now at the revenue targets for the financial segment. Guido Nola will cover later our targets for the insurance segment.

In 2019, we expect to continue the steady growth of adjusted gross revenue, as we continue to reduce the reliance on non-recurring revenue. The highest contribution to revenue growth will come from interest income, and loan and mortgage distribution, both thanks to higher volume.

As well from higher revenue from other segments that will increase significantly, thanks to the expected higher volume for the distribution of life, non-life insurance, as well as PostePay products.

We also expect to remain the higher part of the range of the agreement with CDP for postal savings fees. In asset management fees, we will grow faster than assets under management net of Anima capital gain in 2018.

In transaction banking, we expect to grow core banking revenue with the launch of the new current accounts offering, mostly offsetting the secular decline of bollettino payments slips.

On Slide 21, you can see our targets and KPI's which are again confirming full from Deliver 2022.

So to close on Slide 22. To sum up our priorities for 2019, we will further improve client coverage and the IT platform supporting our relationship managers. We will develop a differentiated multi-channel, wealth management service model, increase loan and mortgage distribution, and launch a new tailored offer in PNC insurance.

Now after delivering record results in 2018, we are confident that all these actions will allow us to reach the target set for 2019, and continue our journey towards the successful implementation of Deliver 2022. Thank you very much for your attention. I will now leave the floor to our group's CFO, Guido Nola.

### **A - Guido Maria Nola** {BIO 20719012 <GO>}

Good morning, everyone. I'm Guido Nola, Chief Financial Officer of Poste Italiane. It's a pleasure to present you in person for the first time since I was appointed. I've met many of you, since I joined and I look forward to connecting with you at the end of this presentation.

I will start today by taking you through a quick overview of our financial results for full year '18 and Q4 '18 on a group and segment basis. A full result presentation is also available on the Investor Relations website. I will then provide a Deliver 2022 financial update looking at 2019 guidance.

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Moving to financial results for 2018 on Slide 3. All segments have contributed to strong growth in operating profitability. Revenues were 10.9 billion, up 236 million or 2.2% versus 2017. Net of capital gain and other items revenues increased by over 4% for the year. Total operating cost for the year was down 1.5%, aligned with our 2018 targets.

As anticipated with book the majority of early retirement charges for 2018 in Q4, as well as high [ph] cost related to increase business activity in the last part of the year. I will provide more details on cost both for 2018 and 2019 later on.

EBIT was 1.5 billion for 2018, up over 33% on year-on-year, demonstrating improved operating leverage as increased revenues translate equally to EBIT, supported by cost efficiency and net profit. Thanks to our strong balance sheet with no leverage. This is to even after stripping out 385 million one-off DTAs.

The strong progression of underlying operating profitability is more visible on an adjusted basis. Net of extra ordinaries such as capital gains, early retirement incentives and provision, EBIT increased by over 50% in the year. Reported net profit amounted to 1.4 billion for the year, and 1.2 billion on an adjusted basis, strongly increasing year-on-year.

Let's now move to mail and parcel and distribution on Slide 4. We're accelerating operating profitability, was driven by early results from our ongoing network transformation, combined with a better-than-expected performance in mail. Overall, segment revenues increased by 2.1% in the fourth quarter, but were down 1.4% on a full-year basis, broadly in line with Deliver 2022.

Let me highlight that combined mail and parcel revenues did not decline for the first time in the last 10 years. This is a significant achievement in our strategy to stabilize revenues offsetting the secular decline in mail, while capitalizing on e-commerce growth.

Parcel revenues were up 22% for the quarter and 10% for the year, ahead of expectations. These results validate the ongoing rollout of the new Joint Delivery Model and our focus both on efficiency and quality.

Mail revenues were down 3%, ahead of expectations. Thanks to the delay in the liberalization of specific register mail product which we currently deliver on an exclusive basis. 2018, so significant progression in terms of EBIT, supporting the acceleration of our early retirement, that I will look at in more detail later.

Looking at EBIT on an adjusted basis, the underlying operating profit progression is also confirmed on a quarterly basis.

Moving to Slide 5, we focus on volume and price trends. So, on Slide 5, record B2C parcel growth countered the expected mail decline. Starting on the left, mail volumes decreased by 7.6% in the fourth quarter and 5.5% for the year, broadly in line with Deliver 2022 expectations.

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The transfer mail volumes share with you early in the year continues. The lower margin mail products decreasing, while higher margin products resilient. However, it is worth flagging that we do expect to see greater competition in these areas from 2019. Average mail prices were up 5% in the quarter, and 4% in the year. And this is thanks to repricing action to mitigate revenue decline.

Moving to the right hand side of Slide 5, parcel volume increased by over 21% for the quarter, and 12.6% for the year, boosted by record B2C volumes up 27% for the year and 33% for the quarter. With a record 2.3 million parcel delivered during Black Friday week and a one-day record of 1.2 million parcel delivered, we are clearly pleased with the positive impact of Joint Delivery. With an increase in volume is just one element of our network transformation, and maintaining high quality remains our priority.

Our average price index for parcel was down by 3%, both in the quarter and in the year. This was due to volume mix, while average B2C prices were up in the fourth quarter, and in the year.

Let's move to Slide 6. Poste Italiana benefits from leadership in fast-growing payment market and so a strong progression in operating profit. Revenue grew by over 11% for the year.

Card payments were up 22% for the year, driven by a growing number of PostePay prepaid cards, and higher transaction volume in both physical and digital channels. Other payment revenues which include tax payments and money transfer were down 7% in the fourth quarter, primarily impacted by the timing of certain tax payments, which shifted to the third quarter.

Telecom revenues for the full year were up 3%, which was practically noteworthy in a challenging competitive environment. Telecom revenues decreased by 5% in the fourth quarter, primarily due to the ongoing business focus on transitioning clients to a more sustainable yearly fee model.

Operating profitability show continued progression on a yearly basis, while fourth quarter results were impacted by 6 million one-off DTA charge, related to the startup of the new PostePay company. This business will be a key driver of unlocking opportunities from payments and mobile convergence. The new integrated product "PostePay Connect" is a great example of what to expect going forward.

And now we move to Slide 7. The results for financial services demonstrate process ability to substitute non-recurring revenues with a more sustainable revenue mix. Segment revenues increased by 13.6% in the fourth quarter, and by 4% for the year. Thanks to our renewed commercial focus.

Let me highlight a few key elements. Postal saving fees were up 17% for the year, increasing to the upper end of the range defined with GDP agreement signed at the end of 2017. Interest income was up 5% for the year, driven by higher than planned volume and yields. Union mortgage distribution revenues, network accounting changes, group

steady. In the appendix, we had provided adjusted figures for the segment to help demonstrate the underlying trends.

And now we can move to Slide 8. Well, you can see that we achieved positive results on TFAs in spite of a volatile market. Total financial assets increased by 4 billion in 2018, driven by 1.6 billion net inflows. If we consider retailing inflows only, this number becomes a much higher 3.5 billion from life insurance, mutual funds, and retail deposits.

Insurance products contributed with 5.6 billion of net inflows, of which 1.3 billion were Unit linked and Multi Assets. Strong net inflows allowed us to offset market performance mostly related to government bond volatility. Postal savings net inflows improved significantly, supported by commercial initiatives and new digital offers. Digital funds posted positive net inflows of 0.5 billion, thanks to new product offerings, leading to higher market share in a very complex market environment.

Let's move to insurance services on Slide 9. Segment revenues were broadly stable in the fourth quarter and up for the full year, driven by our expanded product and service offer. P&C revenues grew by 35% in 2018, as part of the ongoing diversification of our offer with a significant contribution from welfare products developed for employees which are now ready to be fully distributed to the market.

Life insurance revenues were broadly stable in the quarter end in the year, and we continue to increase our market share in life in 2018, while we are balancing the product mix to Multi-Class. EBIT increased by 8.4% in the year, supported by higher revenues as well as lower distribution costs. And finally, net profit was in line with target for 2018, even without the one-off 385 million DTA impact.

On Slide 10. I wanted to pose briefly to focus on our unique business model for insurance. We benefit from 100% client base -- Italian client base, with limited churn and historically low lapse rate, 50% lower than the market under all microenvironment.

This allow us to manage volatility through the cycle, with a solid asset liability management approach and we started to diversify our portfolio. Moreover, let me underline that even in current market condition, we still have significant unrealized gains amounting to 4 billion as of to date. In any case, we are rebalancing our life insurance product mix from capital guaranteed products into unit linked and multi-class in the interest of our customers.

Finally, let me stress the sustainability of our business over time. While we are not the market leader by gross return premiums, we are by net inflows. Thanks to the loyalty of our customers. We have an historical reinvestment rate above 60%. Please also bear in mind that the guaranteed level of minimum guarantee returns is actually coming down and is below our competitors.

Going forward, we expect an improvement, thanks to the increased weight of new business.

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On Slide 11 now. On Slide 11, we look at PosteVita solvency ratio which on pro forma basis 6 at 235%. Thanks to decisive actions taken in 2018. As a result of the market deterioration in the first half of 2018, the ratio was down to 172% at the end of September. Although, there was no business impact, we took proactive management actions in the third quarter to restore solvency II, with no cost or dividend implications for the group.

Two of these actions were already accounted for in 2018. First, we limited the dividend payout from PosteVita to Poste Italiane to about 50% for 2018. Second, the recognition of 385 million benefit from deferred tax assets. In the meantime, market condition improved both in terms of own funds and capital requirements, with a combine benefit of 23 percentage points as you can see here, allowing PosteVita to end 2018 with a solvency ratio of 211%.

In February, the regulator approved EUR 1.75 billion hard commitment from Poste Italiane to PosteVita, of which about EUR 1 billion was accounted for here through capital, with the benefit of 24 percentage points.

Let me remind you that the balance will be accounted for tier-2, once our subordinated bond expires in May, 2019. Looking back, these actions allowed us to reinforce our own funds by 1.5 billion, a clear demonstration of our ability to manage market volatility within the group.

Our pro-forma ratio today is far more resilient than one year ago, considering that in the meantime the spread of BTP to boom has almost doubled.

Let's move to Slide 12. With confidence in the resilience of our solvency ratio, our ambition is to maintain it around 200% through the cycle. We currently stand at 235%, including the Ancillary own funds just approved.

On this slide, we have a line wise scenarios. It particular if the BTP boom spread widen to 450 basis points, our solvency would still be around 160%, well in excess of our risk tolerance trigger.

Other sensitivities are also shown here for your benefit so, we can move to Slide 13. Let's finish our full-year review and look at cost and headcount reductions. Average account decreased by 3,700 FTEs year-on-year, driven by turnover and early retirements, a key enabler of workforce renewal. On the right-hand side of the slide, you can see the total cost were down 1.8% for the year, despite accelerating early retirement charges.

On a quarterly basis, the trends are broadly confirmed with the exception of ordinary HR costs, increasing following the latest labor contract which will show its full impact during 2019.

Let's now look ahead with a focus on 2019 guidance on Slide 15. A quick reminder of the financial targets of Deliver 2022. As flagged by Matteo, targets for 2020 and 2022 are as

presented last February and clearly signposted. Our group 2019 financial targets are both pragmatic and achievable and in line with the trends for the plan.

Steady revenue growth in all segments contributed to the EBIT. 2019 targets are broadly in line with the trend seen so far. When removing 385 million one-off DTAs, resulting in ROE broadly unchanged year-on-year. In particular, ROE for 2018 on an adjusted basis stood at 15%. This numbers support our dividend growth for 2018 as planned in Deliver 2022.

And now moving to Slide 16, where we have mail, parcel and distribution. We're targeting stable segment revenues in 2019, down 1% year-on-year with parcel revenues growing in line with recent years and market trends offsetting the ongoing mail decline. We confirm that operating profit will continue to improve in line with the overall trajectory of Deliver 2022. The EBIT improvement will also be supported by increase of distribution revenues.

Moving to payments, mobile & digital on Slide 17. Card payments will continue to drive 2019 segment revenue growth up 14% year-on-year. We are targeting steady mobile revenue growth up 2%, while contribution from traditional products are expected to slow down. EBIT will grow by 9%, continuing the positive trend seen so far.

Moving to financial services on Slide 18. We will continue to deliver an increasing revenue quality by reducing the reliance on capital gains. Postal saving fees are confirmed at the upper end range of CDP agreement, as we continue to put postal savings back at the center of our product offer. Loan and mortgage distribution will continue to increase, supported by the agreement signed in 2018, which will provide tangible results and value on our network.

As you remember, we secured most of the capital gains planned for this year early in 2018, and secured the total amount early in the Q1, proving the effectiveness of our active portfolio management.

Let's move to Slide 19. On Slide 19, we show our strong track record in stabilizing the contribution from our BancoPosta investment portfolio over time. Looking ahead to Deliver 2022 targets, we confirm that impact of volatility is manageable and we are confident in achieving our targets in all realistic market scenarios. In particular, we will continue to take active portfolio management approach to address volatility. So, while the macro environment may change the underlying mix, it will not impact the end result.

Moving to insurance services on Slide 20. We will consolidate our leadership in life and continue to grow the contribution from P&C We are targeting and increasing segment revenues of 12%, driven by the shift from traditional life products to multi-cross products seen ahead of schedule in 2018.

P&C will continue to grow as we increase our focus and dedicate more resources to this business. EBIT forecast is stable due to high distribution cost pay to the network.



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Slide 12 focuses on costs. Provision for early retirement incentives are expected to decrease to 0.5 billion in 2019. We have also provided a chart another operating cost guidance for 2019, in line with Deliver 2022, where we reinforce our focus on cost discipline.

Regulatory changes, including (inaudible) are currently under assessment and may increase the pool of potential beneficiaries of early retirement incentives. We will update you further when more information is available.

Ordinary HR cost is expected to be higher in 2019, and bedding the latest label contract salary increase for the full year. Non-HR costs including DNA will increase in 2019, due to variable cost required to support growth and ongoing transformation initiatives.

On Slide 22, we looked at headcount evolution. Average headcount will decrease by 3,650 FTEs in 2019 to support ongoing workforce renewal. Early retirements as well as natural turn over will continue to drive this process.

Although, 2019 will see a significant increase in new hires to support key areas of industrial development such as, last mile delivery, relationship managers for financial services and group-wide IT and digital specialists. We saw a material growth in the value added for employee from 60,000 to 63,000 per FTE between 2017 and 2018, and we expect to go up to 66,000 in 2019, as a result of ongoing productivity enhancement.

Moving to CapEx on Slide 23. We will continue to deliver significant and targeted investments to support the ongoing Deliver 2022 strategic transformation. The total amount of CapEx for the duration of the plan counts to 2.8 billion, 539 was deployed in 2018, and 600 will be deployed over the course of this year. We are showing here the key areas of focus and let me underline that 2019 investments are already identified and approved.

Let's move to Slide 24. To close, let me share with you my key takeaways. As you referred from my colleagues today, 2018 has seen a great progress in activating the key initiatives required to execute our plan significantly reducing the execution risk of Deliver 2022. We met all our financial targets at both a group, and business unit level in 2018.

From both an operational and market perspective, we believe in our ability to continue this process in 2019 and beyond. With good visibility on dividend growth, with a DPS of 0.44 for 2018, and further 5% in 2019, we are very confident about our commitment to the future total return -- shareholders return.

On screen, I have highlighted our key priorities from a finance perspective. One, we'll continue to focus on the financial targets and KPI's established in Deliver 2022, pushing all segments to meet their long-term targets. Our plan is made of many small steps and we intend to consistently deliver on a quarter-by-quarter basis. Two, we will continue to enforce cost discipline across the group, and use targeted investments to support business transformation.

And three, we will maintain an efficient and strong balance sheet across all business segments. Thank you very much for your attention. Will now be very happy to take your questions. Gianluca first.

## Q - Gian Luca Ferrari

Yes, hi. Gian Luca Ferrari from Mediobanca. First question is for Andrea. Very interesting presentation on your asset gathering or wealth management platform. Just you can push back we get is that the customer base of Poste is not very keen on having high exposure to equities. So, I was wondering for your private banking kind of clients, which kind of solutions are you expected to offer? And which kind of exposure to equities do you think your clients will get?

The second question is for Guido. Looking at the solvency, you just showed us -- I think you're setting your managerial ambition at 200%.

So, you are ready above that but, the remittance you get from PosteVita is still quite low. 50% of PosteVita's earnings, so it seems you are quite conservative on the earnings that PosteVita is up streaming, but you are happy with your solvency II position, so which is the level you want to reach before having a stronger upstream of cash from PosteVita, a link to these if you can tell us what is the effect of the country VA embedded in the 25 percentage points decline in the solvency for spreads up 100 basis points. Thank you.

## A - Matteo Del Fante {BIO 6237992 <GO>}

Please Andrea.

## A - Andrea Novelli {BIO 15185958 <GO>}

Thank you, Matteo. So, as I said -- I will say as a general remark, we are recommending our clients to increase their equity exposure smoothly. As shown in my presentation, we are transitioning from an exposure towards mainly capital guaranteed products, towards other asset classes because, we believe it is in the interest of our clients to do that.

And if you look at the breakdown between segments, you would notice that the equity exposure for upfront and in particular private customer is already higher, compared to the overall customer base, because the data is shown these for the overall customer base.

And notwithstanding that, what we are doing for the new service model, as I mentioned we are working on new multi-class insurance products dedicated for this specific segment, where they will be a higher equity exposure, compared to the same kind of products we sell to mass customers for example.

And we will also working to open up the architecture a little bit, for example; for clients that wants to bring their own mutual funds or other products they already have somewhere else, not to Poste to be managed within single relationship.

## A - Guido Maria Nola {BIO 20719012 <GO>}

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Okay, so on the 2 points which were very correct. If you go -- if you could put up page 12 of my presentation, actually 11 of my presentation, we showed that this year we retained 50%. And if you remember from last quarter's call what the CEO committed to is to stabilize the solvency II ratio with the growth of the business. So, what we said during the call is that we were reviewing the 90% payout to a more flexible more than 50%.

So, what we are doing here is that we are assuming that we will keep using for '19 the same approach and then obviously, we'll look how the market develops, and how the growth develops. So, we're very confident and you can see the effective of about 6-7 percentage points, which is broadly in line and our expectation of this year growth of the business.

To the second point of country VA, what I can tell you is that last year so that 2018 doesn't have in it any effect from country VA Country VA was about five basis points away from being triggered. So, the effect of this slide that is now gone, you'd see that the first 10% increasing DTP has a lower effect than the 200, because if he had removed 5% more at the beginning went up before going down. So, that's to give you a sense of how the VA acts. In the sensitivities included. Giovanni?

#### **Q - Giovanni Razzoli** {BIO 7269718 <GO>}

Good morning. This is Giovanni from Equita. Thank you for taking my question. And the first one is on the NII, where in the 2018 now you are posting 1.6 billion of NII and -- sorry 1.6 billion target of NII in 2019, and you basically assumed as lack of trend up to 2022. In fact to me seems a fairly prudent assumption.

So, in general I would like to know what that you share this comment. And if you can also share with other what would be a nutshell [ph] trend in NII if we were to project the current spreads reinvestment yields over the life of the plan. So, just to have an idea of what could be the upside on this target, because if you're not -- if I remember correctly in the plant in February last year, you were assuming something like 100 basis points of lower reinvesting in. So, that's my first question.

And the second question is on the average margin on the total financial assets. You have reported 4 basis points year-on-year increase from 92 to not mistaken to 96. I assume that this is due to a mix effect. So, if you can also comment on these are what were the main component of all these trends? Thank you.

#### **A - Matteo Del Fante** {BIO 6237992 <GO>}

Okay. Please, Andrea.

#### **A - Andrea Novelli** {BIO 15185958 <GO>}

So, on the NII, as you mentioned we are reinvesting maturities and new inflow coming from retail deposits at a rate which is a bit higher compared to the expectation we had originally in Deliver 2022, and this is a confirmation what we said that during the course during the year that a short-term volatility in government bonds spread could be positive for Poste in terms of progression of NII

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Looking ahead, as a general remark as the CEO and we're looking for -- we are not updating the targets for 2020 and beyond. In terms of our target is to manage the portfolio activity in order to let's say stabilize as much as we can the overall return we get from the portfolio.

Going to the second question on revenue over TFA there are both a mix effect, and I will say an yield effect. The mix effect is coming from the transition we were discussing earlier from let's say low-risk towards equity products, which generally speaking have higher revenue for us, when we sell a -- of course in equity fund that we have NII return compare to a fixed income fund like everybody in the market.

And in 2018, there was also an yield effect coming from postal savings where in the average return from Poste went up as the result of the new agreement with CDP.

### **A - Matteo Del Fante** {BIO 6237992 <GO>}

The next question.

I think if I can just add on the first question. Andrea is correct to say this is more of a strategic decision today of not updating 2020 and 2022 Deliver 2022 figures. Let's not forget that the EBIT of 2017 was 1.1 billion, of which 532 million were made of capital gains.

So, being able to date to have a discussion and Q&A, a way from capital gains, I think is already in itself a very important result for the firm. Give us the time to come back with in more structure. I'm swear on net interest margin going forward.

### **Q - Ashik Musaddi** {BIO 15847584 <GO>}

Hi. This is Ashik Musaddi from JP Morgan. Just a couple of questions. First for Guido. I mean, is it possible to get some color on the cash flows at the holding company, and because you are expecting some lower dividend from insurance. So, how should we think about the dividends to the shareholders? How safe it is? Do you have any buffers? Or are you running at the is a kind of 100% level after CapEx, etcetera? So, any color on cash flows for next 2-3 years so there you look at it would be great.

Then secondly for Andrea. I mean Andrea, if I understand correctly continental customers are very riskovers [ph]. I mean they are happy with 0% guarantees, but they typically don't want to go into no guarantee or say micro-risk products. So, what gives you more confidence that you can switch 40% of your flows into multi-asset, which I would say would have capital I mean risk capital addressed.

So, what gives you that confidence that customers will start switching into that, I mean this is what I have noticed in Belgium and Holland and France that unit linked multi-asset is still not that common and same in Italy so far, so that would be another question. Thank you.

### **A - Matteo Del Fante** {BIO 6237992 <GO>}

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Okay, Guido.

**A - Guido Maria Nola** {BIO 20719012 <GO>}

Okay. On cash flow you can see, I don't know if you could put up page 33 of my presentation where you can see our cash flows for the year -- I think overall, what I can tell you apart from just this slide is that this is a particular year it marginally we generate cash normally. In this year you had a very small reduction given by the 50% payment from dividend reduction from PosteVita or PostePay and from a capital increase at Poste -- BancoPosta. So net of that it will be positively generating, but overall we start from a very high position.

This year, we will pay an increased dividend out of this new setup with decreased dividends from PosteVita and without affecting any reserves. The other thing that I can tell you is that I stress every time you have zero leverage. We currently have basically nothing, when the bond is going to step off the PosteVita bond is going to expire, as we said we're not going to renew it, that will take the overall indebtedness of the group down. So, I think from a cash perspective, we feel extremely strong.

Manuela --

**A - Matteo Del Fante** {BIO 6237992 <GO>}

There was a second question.

**A - Guido Maria Nola** {BIO 20719012 <GO>}

I'm sorry. Yeah, there was a second question pretty, please.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

So, if you go back to page 16 of my presentation. To answer your question here we are showing that we are already aligned with the needs we targeted in Deliver 2022 in terms of switch from capital guaranteed towards multi-class products.

And if you look at the same figures for the overall Italian market, we are actually more conservative compared to what the market is doing that. Broadly speaking is now 50/50 capital guaranteed and multi-class (inaudible). So, we're doing it. .

**Q - Manuela Meroni** {BIO 1782610 <GO>}

Good morning. Manuela Meroni from Banca IMI I have two questions. The first one is on Mail, Parcel & Distribution. I'm wondering if you can provide us with a little bit of color on the main drivers of the revenue evolution in 2019, divided by volume growth and the price mix and within price mix, if you expect some changes in terms of total pricing or just a mix that change the price index?

And the second question is just on a clarification on financial services NII yield, do you expect in 2019 to of a NII yield higher compared what we have seen in the last quarter of

2018? Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Yes. Andrea, you want to start with the NII and I'll ask (inaudible).

**A - Andrea Novelli** {BIO 15185958 <GO>}

Yes, I think I will repeat what I said earlier we are -- our target is pretty much to stabilize the yield by as a result of the reinvestments of expiring bonds and the new investments we are doing.

**A - Guido Maria Nola** {BIO 20719012 <GO>}

All right. I'll take the first part -- Just the first part if you want to go page 5 of my presentation and then --

**A - Matteo Del Fante** {BIO 6237992 <GO>}

More focusing on '19, correct?

**A - Andrea Novelli** {BIO 15185958 <GO>}

Yes, I'll start from '19 volumes, okay. With the trends what -- so basically I think I can say that we confirm the trends we've seen this year apart from the mail performance which we said in a few instances that was better than what we expected and better than the trends we've seen so far in the last years. So, this we expect for '19 going back to that trend rather than repeating of 2019.

So, in mail, we expect to go back to a minus 0.5%. And in terms of pricing, we don't expect to review pricings up again. I think we are going to have to stick with the ones we have. What we have is that, from a positive side of things, as I said in my speech, the delay in certain specific products, delay of the opening on the market in certain specific product is also taking to account the plan might have some positive, if it takes longer than we expected in to be seen in the numbers.

In terms of parcel, well you heard again several times we keep saying the same path of growth, especially in B2C and in that you'll see a reduction again in pricing, but once again only given by the volume mix, we're not expecting a reduction in the pricing of specific products.

**A - Guido Maria Nola** {BIO 20719012 <GO>}

Yes. Clearly, we are setting relatively ambitious targets of revenues in parcel for ourselves this year. We gave our commercial frontline ambitious targets. And on the mail side, it's going to be slightly worse in terms of decrease than last year, but to get there we still need to make big commercial effort.

So overall, as I said in my opening speech, the whole company is getting much more of a commercial attitude, the SDA parcel unit, the express company of the group -- sales force

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from 2019 has been merge into the Poste Italiana and we're going to be offering one single parcel product, because; up to last year it was two separate product and two separate sales force, and there is we believe will bring us a higher market penetration, but it's correct, there is a -- we have set in ourselves ambitious targets in this space.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Elena?

**Q - Elena Perini** {BIO 4202240 <GO>}

Yes. Good morning. Elena Perini from Banca IMI I've got three questions. And one clarification on the insurance business.

In particular, looking at the Slide number 20 of the CFO's presentation, I see a big jump in the gross rate and premiums in 2019, then they go down again in 2020. I would like you to provide if you can some more color on this movement and on the main drivers.

Then about the segment revenues of the insurance services. We have a significant growth in 2019, combined with a basically flattish EBIT or a limited growth, so I was wondering if it is due to higher inter-segment cost or other cost for side items?

And then on the motor business, if you are going to provide a pilot project to your employees with -- the partners. So, I was wondering at what stage are your negotiations with potential partners. And finally a clarification on the remittance of PosteVita. The 50% level is only for 2018, or it is assumed to be stable going forward too? Thank you very much.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Yes. Maybe I can start with the last one and then let Andrea.

We set it at 50%, because we want to has a target that the growth of the company is supported by capital. And therefore, we change it for 2018 and we have the target for 2019. But obviously, this is 100% fully owned company. So, we will assess depending on growth of the business and level of the solvency, and clearly depending also on market trends. And Andrea, if you want to start with page 20?

**A - Andrea Novelli** {BIO 15185958 <GO>}

Okay. So the gross written premiums are first the trend pretty much depends on the amount of maturities we have on each year. So, we expect to have it growing fast in terms of '19 flow. So, we are not expecting a declining net inflow, despite declining gross written premiums. So, the difference is due to a different amount of maturities here.

I can cover also the motor insurance question. As I said in my presentation, we are discussing with leading insurance companies and we will announce in due course you

know the departments [ph] we will use for this pilot. And I guess I will need to be though the --

**A - Matteo Del Fante** {BIO 6237992 <GO>}

No, I think we'd play another one.

**A - Andrea Novelli** {BIO 15185958 <GO>}

Yes, all right.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Anna, Please.

**Q - Anna Adamo** {BIO 16893946 <GO>}

Good morning. Anna Adamo from Autonomous. I have two questions. And firstly, can you update us on your M&A strategy, and related to this point, are you still considering increasing your stake in FSIA to become a vertically integrated player in the payment ecosystem in Italy?

And secondly, I'm sorry I have to come back to the bond portfolio in BancoPosta, can you update us what is the level of unrealized gains or losses in BancoPosta bond portfolio, whether I'm right in assuming that in 2019 you have already secured the 300 million of capital gains? Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Okay. I'll take the first one and ask Andrea to take second one. There is no update on M&A The plan is based on organic growth and we're not planning to become a vertically integrated mobile -- sorry payment operator. And on the bond portfolio, the -- who wants to take this one? Andrea?

**A - Andrea Novelli** {BIO 15185958 <GO>}

Yes. So the -- I confirm that we are -- we have mostly secured the capital gains we were planning for 2019, as we already announced last year. And we are going to book them in the first quarter of 2019. Whereas in terms of a add or loss capital gain or capital losses in the BancoPosta portfolio, the number at the end of December was minus 1.7 billion as we said in the presentation.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Federico

**Q - Federico Braga** {BIO 19916816 <GO>}

Good morning. Federico Braga from UBS Just one question again on the product mix for your clients to the higher risk that you are trying to add to the portfolio of your clients. So, to what extent in that this strategy could put at risk the trust from your clients that you've

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mentioned also the beginning of the presentation, which you define as a key asset for Poste Italiane [ph] risk coming from this strategy? Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Andrea?

**A - Andrea Novelli** {BIO 15185958 <GO>}

I think it is useful to clarify one point. We have a different strategy for each segment. For example, for mass customers who have let's say EUR10,000 to invest, we never advise them to buy anything else than for example a Postal bond or invest in turn depositing in a passbook., because if you have a smaller wealth and a small portfolio, it doesn't make sense to buy mutual funds or equity.

Whereas, when we are talking about private segment customers, we have customers with the portfolio with us which is let's say EUR5 million or EUR10 million, they most likely have the same amount with other work managers. I think it's the other way around. If we don't advise them to diversify their portfolios and we have them keeping 100% of their portfolio invested in a single product 100% capital guaranteed, we believe we are not doing the interest of that clients.

So the answer is really depending on what kind of customers we're talking about and we adjust our proposition and strategy depending on that.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Matija?

**Q - Matija Gergolet** {BIO 3561672 <GO>}

Matija Gergolet from Goldman Sachs. Two questions for me. One on numbers and one more on strategy. So, on the numbers, just a quick one on the labor costs in the fourth quarter up 2%, I didn't quite get why they were up 2% in the fourth quarter, but for the full year they were down, so you can just a bit elaborate this was the some one-off or was there -- I think on page 13 of your presentation.

And secondly maybe going back to the presentation earlier this morning, you're creating PostePay like an SpA so I didn't find the company, because there are some other IPOs in the payment sector in Italy and it's a fairly is a hot sector. Are you also considering maybe in the future to not bring that subsidiary to the market to maybe now bring out some hidden value in the company? Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Okay, I'll take the first question. There is no IPO in the plan and not in the strategy of the company. You have to consider that in that company today we have 26 million contracts of card holders and over 4 million contracts and relationship of TLC clients. So, we believe

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that there is so much value in cross selling to client base together with rest of the product range of the company, that input -- I think the utility [ph] for us to consider selling.

We have a lot of -- you know on the other side we have a lot proposals of other product factories that want to obviously get into some sort of agreement and then benefit of our network for distributing in other products. We -- you know, either we do a commercial agreement there, where we select the partners, look at loan and mortgages, we select the partner and then we distribute on their own name third-party, okay. Or we have our own product in house and don't share the outside of the company itself.

And on labor cost that does increase -- Guido?

**A - Guido Maria Nola** {BIO 20719012 <GO>}

So, if you go actually to page 13, you can see what you're referring to. In order to come on this, and we'll also go to page 21. So yes, in October, you're totally right, we announced that the renegotiation of the labor contract was hitting us since October. So, this is why you could also see on page 21, that between 2018 and 2019 we expect an increase in ordinary HR cost, this is driven by the fact that this contract it says in full in 2019. So for 2019, only hit us for the last quarter.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

Ashik for the last question.

**Q - Ashik Musaddi** {BIO 15847584 <GO>}

Hi. Ashik Mussadi from JP Morgan. Just one quick question. I mean when you have done really a good job in harvesting your distribution network by I mean getting into with Anima, Verizon, Intesa looking for motor insurance as well. I mean what more is there in the pipeline on your distribution.

I mean Matteo just alluded that in payments as well there could be some opportunities, but is there any intangible things that are there on the horizon or is it a constant lookout. I mean can you just give us a bit more visibility on what could be there or let's say two-three years? Or at the moment if there is nothing would be great to know as well. Thank you.

**A - Matteo Del Fante** {BIO 6237992 <GO>}

At the moment there is basically nothing else, basically -- obviously we have sort of medium-term expansion strategies, but the reality is that we are putting quite a lot at the moment on the plate of the postal office, not only in terms of products. As I think, Andrea's presentation has shown very clearly is a transformation that is happening inside the operating model of the postal office which is coming from a cultural and people transformation on one end, and a big which I think today was emphasized but I would like to take the opportunity of your question to re-emphasize this even more.

The digital support of this transformation is much stronger than you might proceed. When you're talking 2.5 million transactions per day, 13,000 offices, 60,000 front end people, if you put a digital support to this huge day-to-day platform clearly, you know the productivity gains that you get are very significant.

And that's what we're doing and we think is the best way to extract value from the network.

Last question? Yes, the very last question.

### Q - Analyst

The last question from (inaudible). A quick one. Given the 1.7 billion unrealized losses at BancoPosta. Do you see any risk that dividends or profits pro-forma from BancoPosta to Poste Italiane have risen by the regulator in any environment in any scenario?

### A - Matteo Del Fante {BIO 6237992 <GO>}

I think the answer is easy. No, because they don't hate as anywhere and so, we nor on the business side nor in the capital side so, that doesn't have any effect.

### Operator

Thank you. We're ready for the closing remarks by CEO.

### A - Matteo Del Fante {BIO 6237992 <GO>}

So, thank you for all your questions and obviously feel free to contact Massimo and our team if you need any additional clarification.

I just wanted to close today reiterating a couple of key messages. The first one is that Post Italiane, we have shown you has met all financial targets both at the group and segment level. Thanks to a strong progression of underlying operating profitability.

What we're really proud of is the improvement of the quality of our revenues and our revenue results. The reduced reliance on capital gains as I mentioned. The increase in B2C parcel volumes and added value services in the space. The leadership in cards payments and the broadening of our service and product delivery in postal offices as we've seen today. These are the key elements that's driving our company-wide transformation.

The decision to put our clients at the center of our company strategy, coupled with operating efficiencies are really creating a very powerful distribution network. I honestly believe that we are only at the beginning of this journey. In 2019, we will consolidate the transformation and we will show you that we are even more confident that we are clearly on the right track.

Thank you very much again for coming today. And I look forward to seeing all of you in the nearest future. Thank you very much.

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