



**LOGISTICS
HUB
BOLOGNA**

SITE VISIT

Bologna, September 19, 2019

MAIL, PARCEL & DISTRIBUTION TRANSFORMATION

PROGRESS UPDATE

Massimo Rosini - Head of Mail & Parcel

PARCEL REVENUE GROWTH OFFSETTING MAIL DECLINE IN LINE WITH LONG TERM STRATEGY

INNOVATIVE JOINT DELIVERY MODEL, TO SERVE B2C PARCEL GROWTH AND DRIVE EFFICIENCY

CAPEX SUPPORTING LOGISTICS CHAIN TRANSFORMATION: TRANSPORT, SORTING AND DELIVERY

FOCUS ON CUSTOMER EXPERIENCE TO MEET EVOLVING NEEDS AND EXPAND MERCHANT CLIENT BASE

FINANCIAL TARGETS AND KPIS

€ bn unless otherwise stated

	FY TREND			1H TREND		
	2017	2018	2022	1H19	1H18	Var.
SEGMENT REVENUES	3.63	3.58	3.5	1.76	1.76	-0.3%
B2C REVENUES	0.24	0.30	0.6	0.17	0.13	+29%
B2C MARKET SHARE	30%	33%	40%	c.35% ¹	c.33% ¹	+2p.p. ²
PARCELS DELIVERED BY "POSTINI" (M PCS)	35	45	>100	24	19	+22%
SEGMENT REVENUES/ FTE (€ '000)	60	62	68	34	32	+7%

ROADMAP

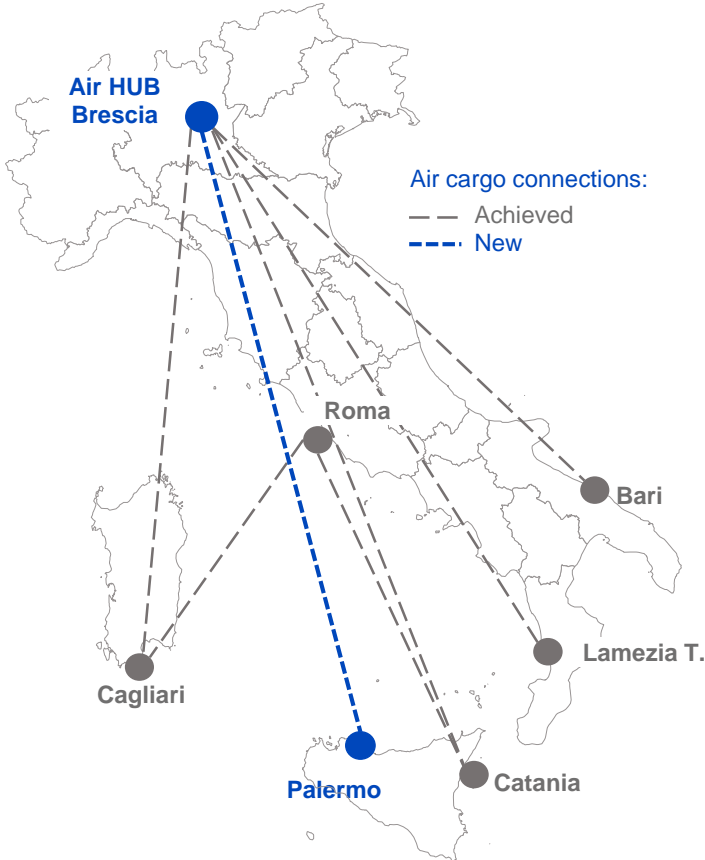


STRATEGIC FOCUS TO SERVE **PARCEL GROWTH** AND DRIVE **EFFICIENCY**

PROGRESS ON **TRACK & EXECUTION RISK UNDER CONTROL**

LONG TERM **STRATEGY CONFIRMED**

AIR TRANSPORTATION – FULLY FOCUSSED ON CARGO, SUPPORTING B2C PARCEL DELIVERY ACROSS ALL OF ITALY



- Enhanced air connections, improving next day parcel delivery availability
- Mistral Air restructuring successfully completed, with air cargo division now EBIT positive

ROAD TRANSPORTATION – IMPROVE EFFICIENCY & INTEGRATE INTO LOGISTICS CHAIN

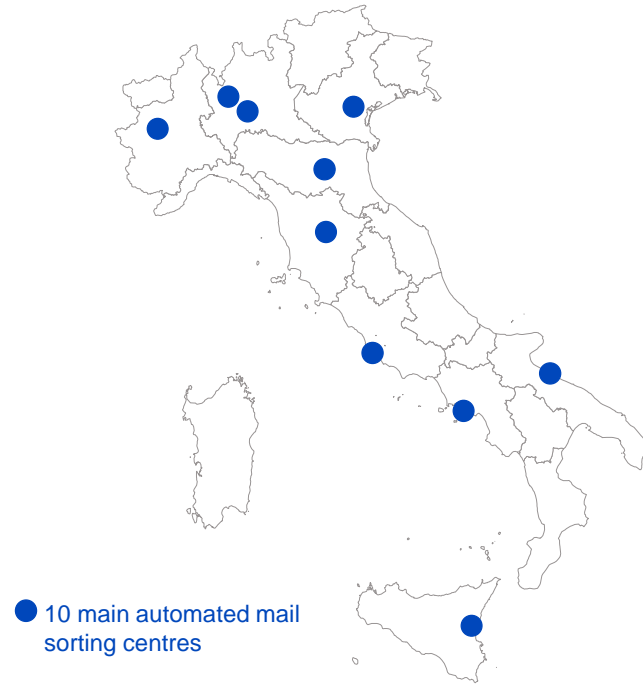


- Dedicated structural focus on improving long-haul road transportation efficiency
- Strategic program launched to insource elements, supported by partnership with *sennder*¹ to ensure full capacity
- Opportunity to meet third party demand thanks to economies of scale and technology

ENHANCING ROUTES, INFRASTRUCTURE REORGANISATION AND SATURATION, ALSO LEVERAGING ON OUR JOINT APPROACH FOR MAIL AND PARCEL



MAIL NETWORK ¹



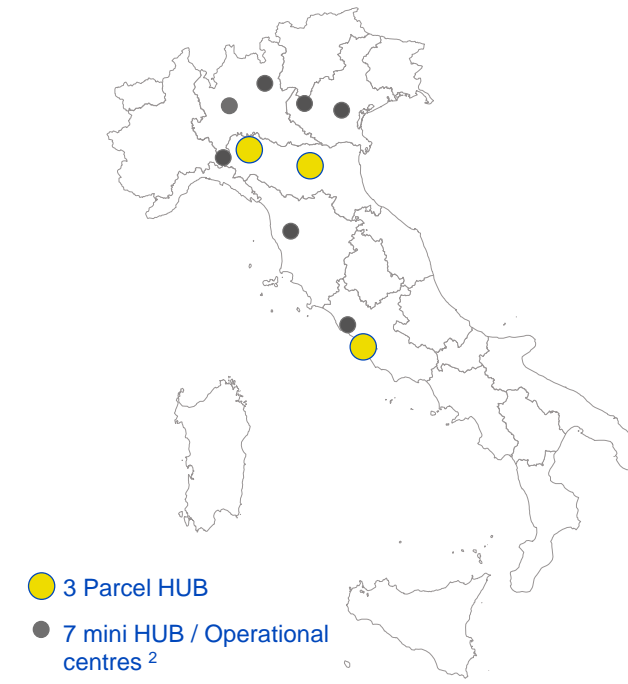
IMPROVED EFFICIENCY AND QUALITY

50% reduction of sorting machines ³ by 2022

10-15% Staff performance improvement ⁴ by 2022



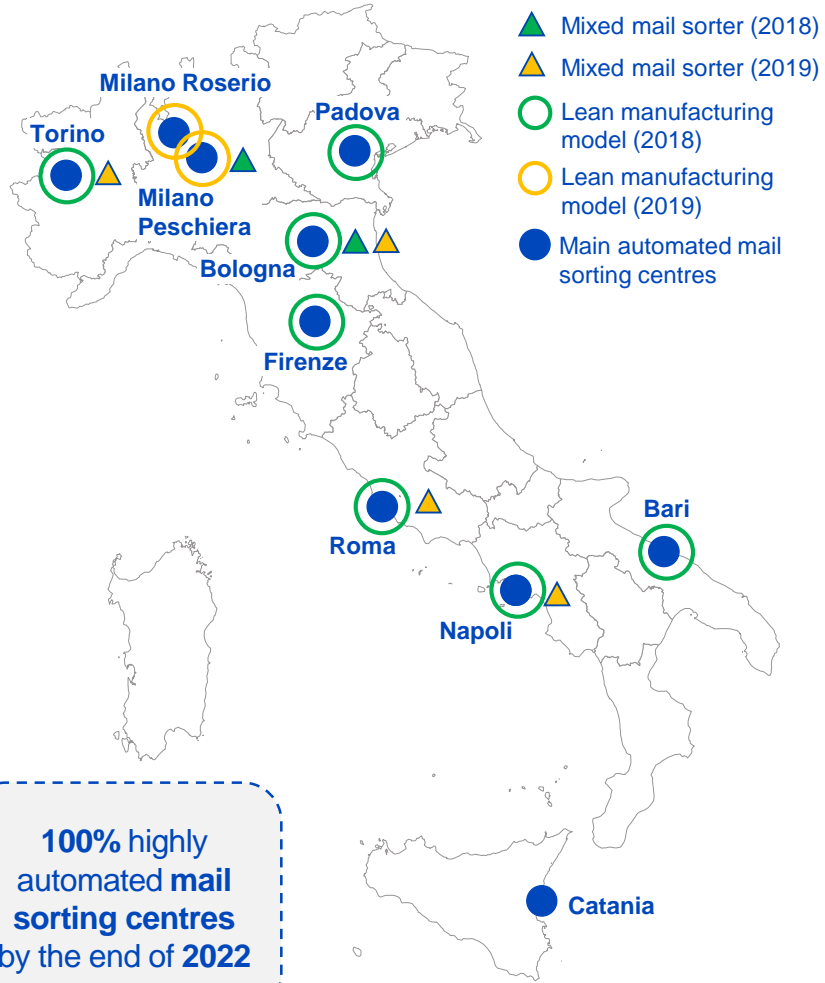
PARCEL NETWORK ¹



ENHANCED AUTOMATED SORTING CAPACITY

3 new green field parcel hubs by 2022

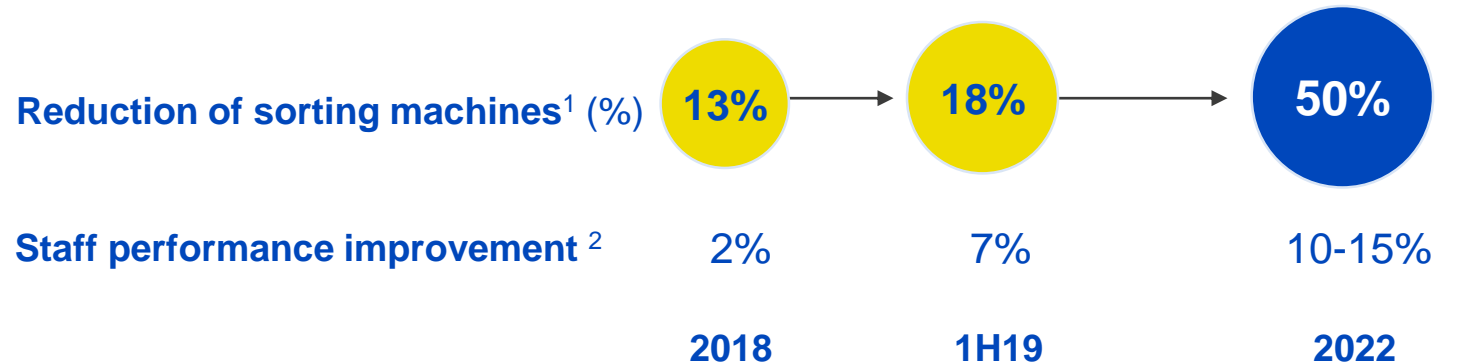
900k daily automated parcel capacity by 2022 (2x vs 2017)

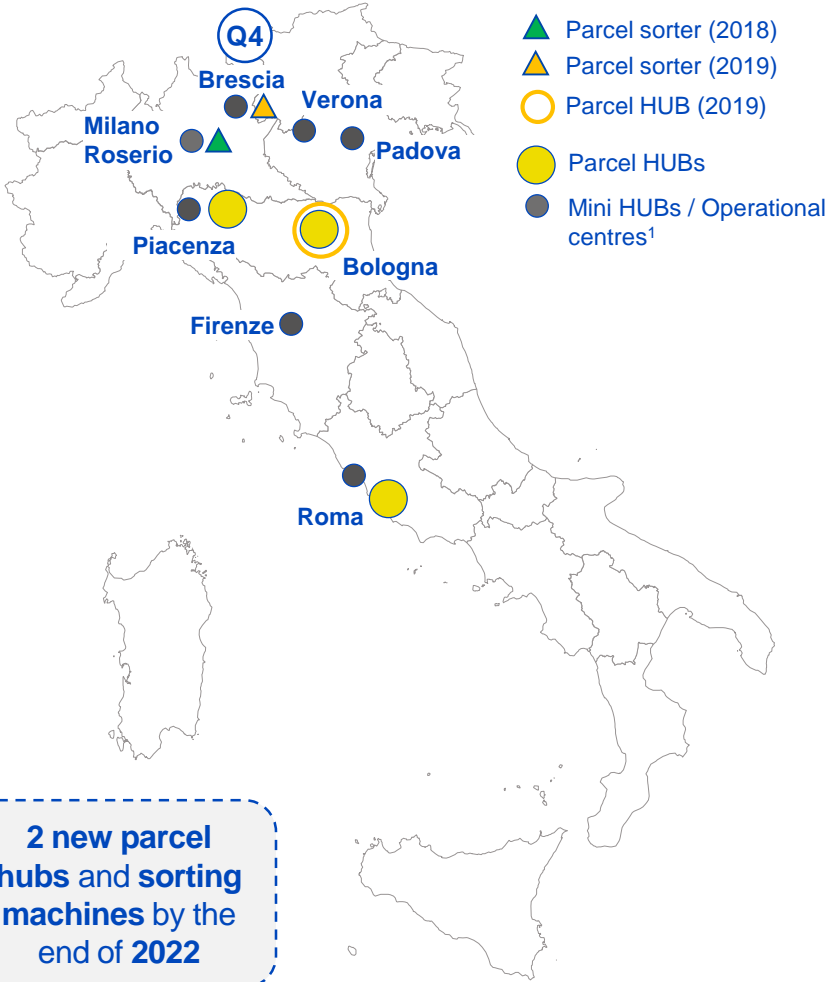


100% highly automated mail sorting centres by the end of 2022

2018-2019 PROGRESS

- 6 mixed mail sorting machines enabling 18% reduction of sorting machines - 50% of centres now highly automated
- Lean manufacturing model to be introduced in all centres by the end of 2019, increasing efficiency and empowering people

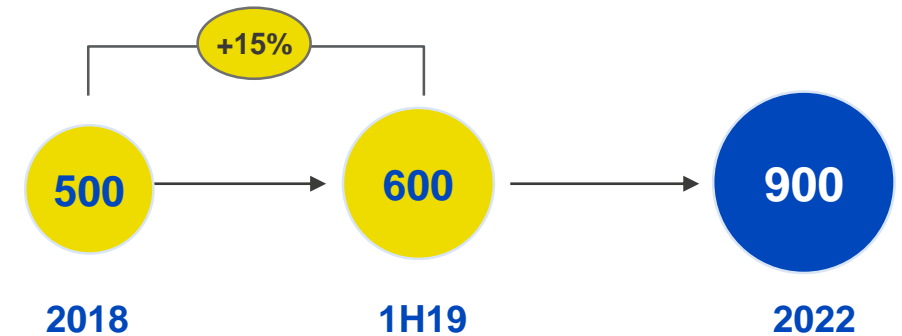




2018-2019 PROGRESS

- Bologna parcel sorting centre:
 - State-of the art sorting facility with a total capacity of 250k parcels per day, c.40% of Poste Italiane's total daily automated capacity
 - Focus on environmental sustainability, with energy saving lighting and solar energy produced on site
- 2 new parcel sorting machines:
 - Milano Roserio operational, Brescia by end 2019

Daily automated parcel capacity (k pcs) ²



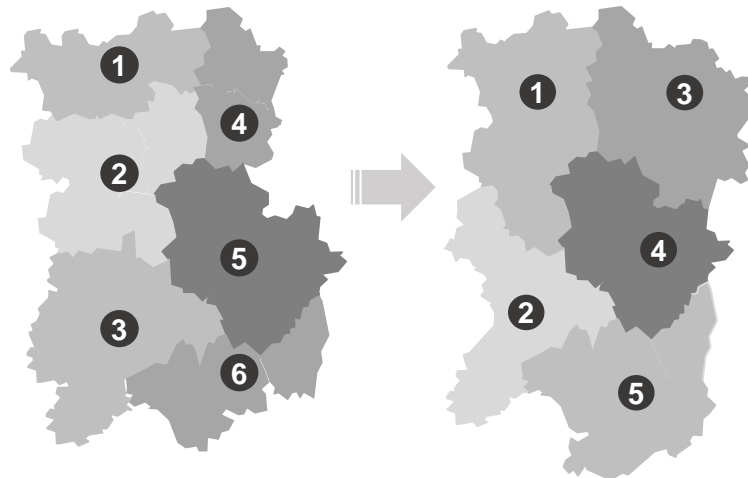
JOINT DELIVERY MODEL

TRANSFORMATION DRIVEN BY FLEXIBILITY

BEFORE 2016

Rigid delivery model **focussed on mail** (alternative day delivery – as a defence mechanism to counter mail decline)

1 TRADITIONAL MORNING SHIFT

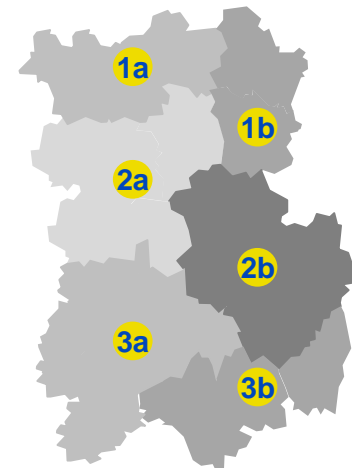


- Areas progressively widened to face mail decline (6 → 5) and served by fewer Postini
- Inefficient model with increased time spent on travelling rather than delivering
- Postini deliver mostly letters (only 4m parcels in 2015)

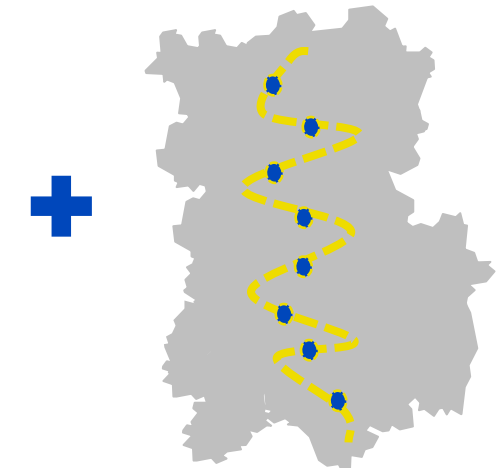
AFTER 2017

Resilient network to serve **B2C parcel market growth** with mail contributing to saturation

1 ALTERNATE DAY MORNING SHIFT



2 ADDITIONAL AFTERNOON / WEEKEND SHIFT



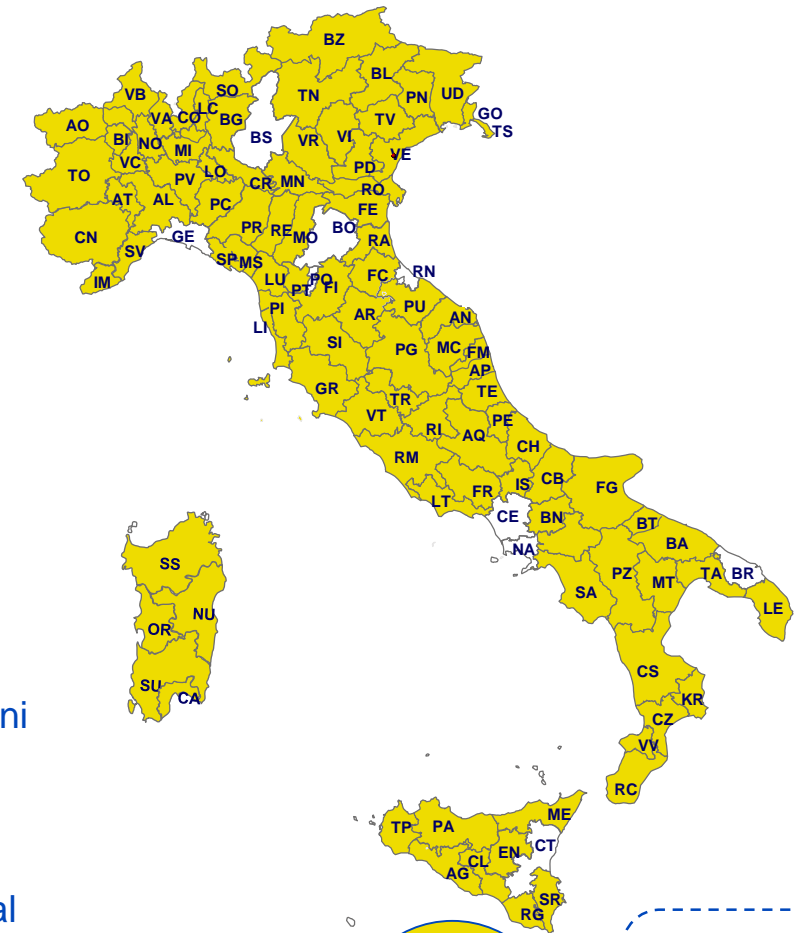
- Each Postino continues to serve two areas with alternate day mail delivery and introduction of daily afternoon shifts to deliver parcels and registered mail
- Flexible and self-balancing model allowing network reorganization based on demand
- Postini enabled to deliver mail and B2C parcels together

BEFORE 2017

- Alternative day delivery model for mail only as a defensive move rather than long-term solution
- Traditional and rigid delivery model - not aligned with market demand
- Postini deliver mostly letters (only 4m parcels in 2015)
- Traditional last mile delivery

2018-2019 PROGRESS

- ➔ • New strategic vision to benefit from e-commerce and serve B2C parcel market growth
- ➔ • Flexible delivery model, based on client needs (afternoon/weekend deliveries). Maximize productivity through two daily shifts
- ➔ • Postini delivering mail and B2C parcels together (15% efficiency increase, parcels delivered by Postini up to 60m in 2019)
- ➔ • New 3 wheeled electric vehicles improving load factor, environmental sustainability and safety



CUSTOMER CENTRIC APPROACH TO QUALITY

CUSTOMER SATISFACTION DRIVING MERCHANT SELECTION PROCESS



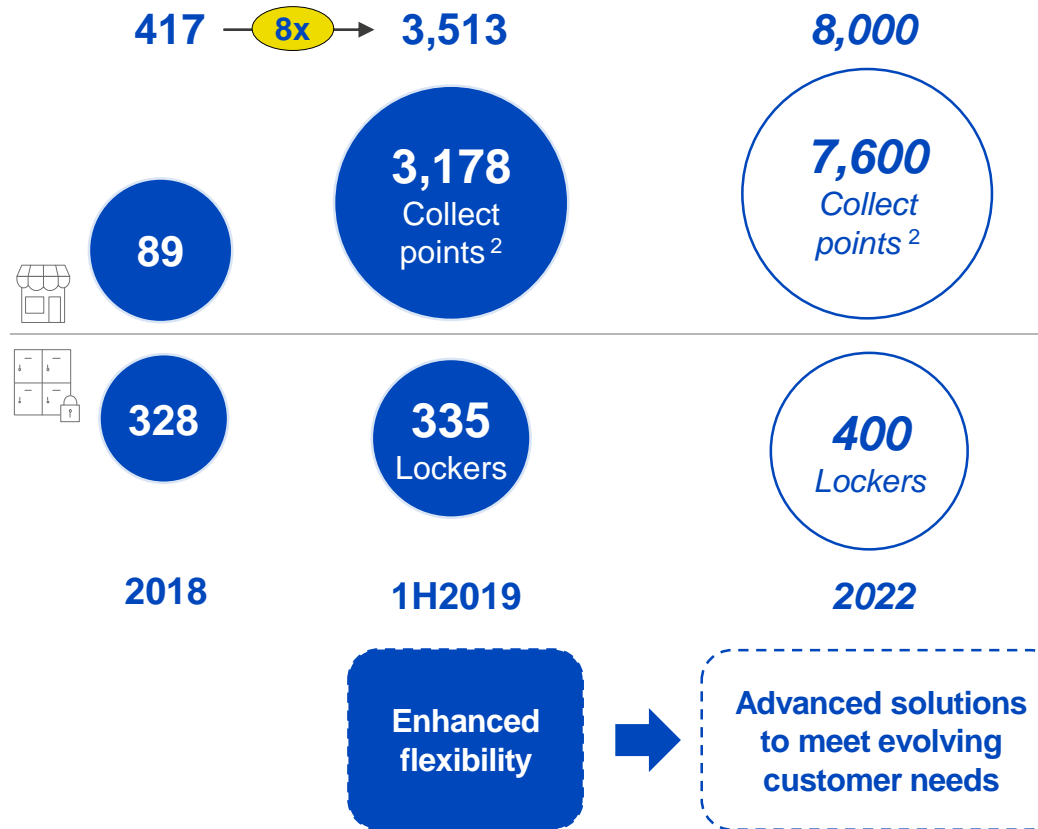
A WINNING APPROACH TO DELIVER CUSTOMER BASE GROWTH

ENHANCED PUNTOPOSTE NETWORK

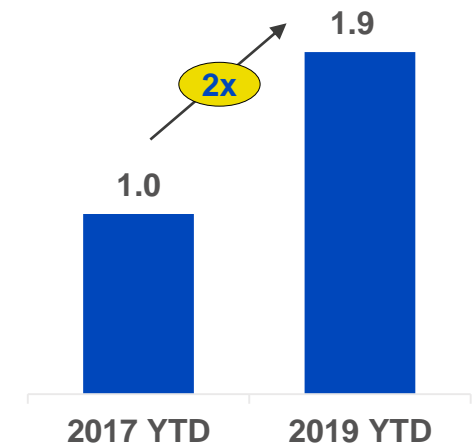
EASIER PICK-UP AND DROP-OFF (P.U.D.O.) THROUGH EXTENSION OF OUR RETAIL NETWORK



c. 3,500 P.U.D.O.¹ points now active, on top of c.12,800 post offices, to match e-commerce needs for easier pick-up and drop-off (including return solutions)



INCREASED P.U.D.O. POINTS SUPPORTING B2C VOLUME GROWTH



B2C parcels delivered through P.U.D.O. points (m pcs)

INNOVATIVE LAST MILE SOLUTIONS

SAME DAY AND SCHEDULED DELIVERY NOW AVAILABLE IN MAIN ITALIAN CITIES



SAME DAY DELIVERY



Same day delivery for purchases completed by 9:00 am



2019

Same day delivery in main Italian cities (Bari, Bologna, Firenze, Milano, Napoli, Padova, Roma, Torino, Verona)



2020

Instant delivery
4 hours from click to deliver



SCHEDULED DELIVERY



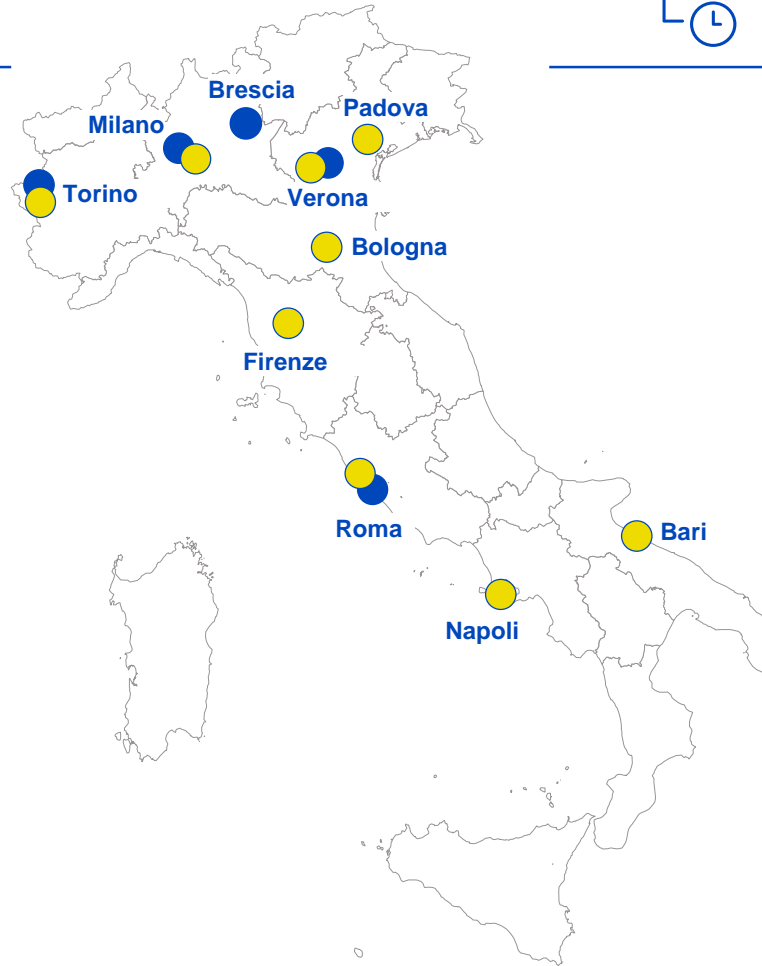
Deliveries can be scheduled in agreed day and time slots



Pilot scheme with innovative start ups in Milano, service available in Roma, Torino, Brescia, Verona by the end of 2019



Advanced scheduled delivery
2 hour delivery time slot



AMAZON SOCIAL MEDIA VIDEO

AUGUST 21TH 2019

#DELIVERINGSMILES

DELIVERING CUSTOMER BASE GROWTH

MERCHANT TRUST THROUGH E-SHOPPER SATISFACTION



- Exclusive agreement with Zalando (June 2019), to manage returns for all customers via post offices and extensive PuntoPoste network

 **+90% Parcel revenues¹ growth vs 2018 (c.20k pcs per day)**

 **From 0% to 100% on Zalando returns**
Market share

CHINESE E-COMMERCE PLAYERS

- Agreement with AliExpress (Sept 2018) on inbound of small packets
- Increasing volumes with other Chinese merchants

 **30k parcels per day**



- Target new major Chinese e-commerce players through end to end proprietary logistics solutions and local operational centres (available by the end of 2020)
- Reduce “click to delivery” and improve cross border user experience

THE ROLE OF SDA, POSTE ITALIANE'S EXPRESS COURIER

SHIFTING TO A FULLY INTEGRATED COMPANY



**OFFER AND
POSITIONING**

GO TO MARKET

IT INFRASTRUCTURE



CURRENT

- Potential overlap in commercial offer
- Two commercial networks, with different offers and customer services
- Overlapping IT systems



FUTURE

- Single and comprehensive consolidated offer for all clients, strengthening competitiveness and effectiveness
- One commercial network and customer service
- Integrated IT infrastructure to improve efficiency and uniform user experience

SDA: OPERATING COMPANY FOR PARCEL GROUP SORTING ACTIVITIES AND DELIVERY, MAXIMISING SYNERGIES AND IMPROVING COST REDUCTION

LOGISTICS HUB BOLOGNA

DEEP DIVE ON THE BOLOGNA HUB

Gabriele Di Marzio – CEO SDA Express Courier

BOLOGNA SORTING CENTRE

KEY FACTS AND FIGURES



Customised cross docking facility completed in 17 months

- **75,000** sqm total area
- **23,600** sqm warehouse
- **182** loading doors
- **3** sorting systems



Up to **250,000** automated parcels per day
More than **500** trucks (in+out) per day



Workforce of **50** employees and **300** sub-contracted handling operators



BOLOGNA SORTING CENTRE

SITE KEY FEATURES

ENVIRONMENTAL

- **LEED GOLD** certified building
- **Full LED lighting** system and **5,500 sqm** of solar panels to reduce energy consumption
- **Recycling** unit to reduce cardboard and wood usage

SAFETY

- **High level of automation** to reduce manual handling and forklift transportation
- **Truck wheel-locking** system to secure loading operations

SECURITY

- Integrated **access control** system
- Full coverage **CCTV** system
- **Image parcel tracking** system



BOLOGNA SORTING CENTRE

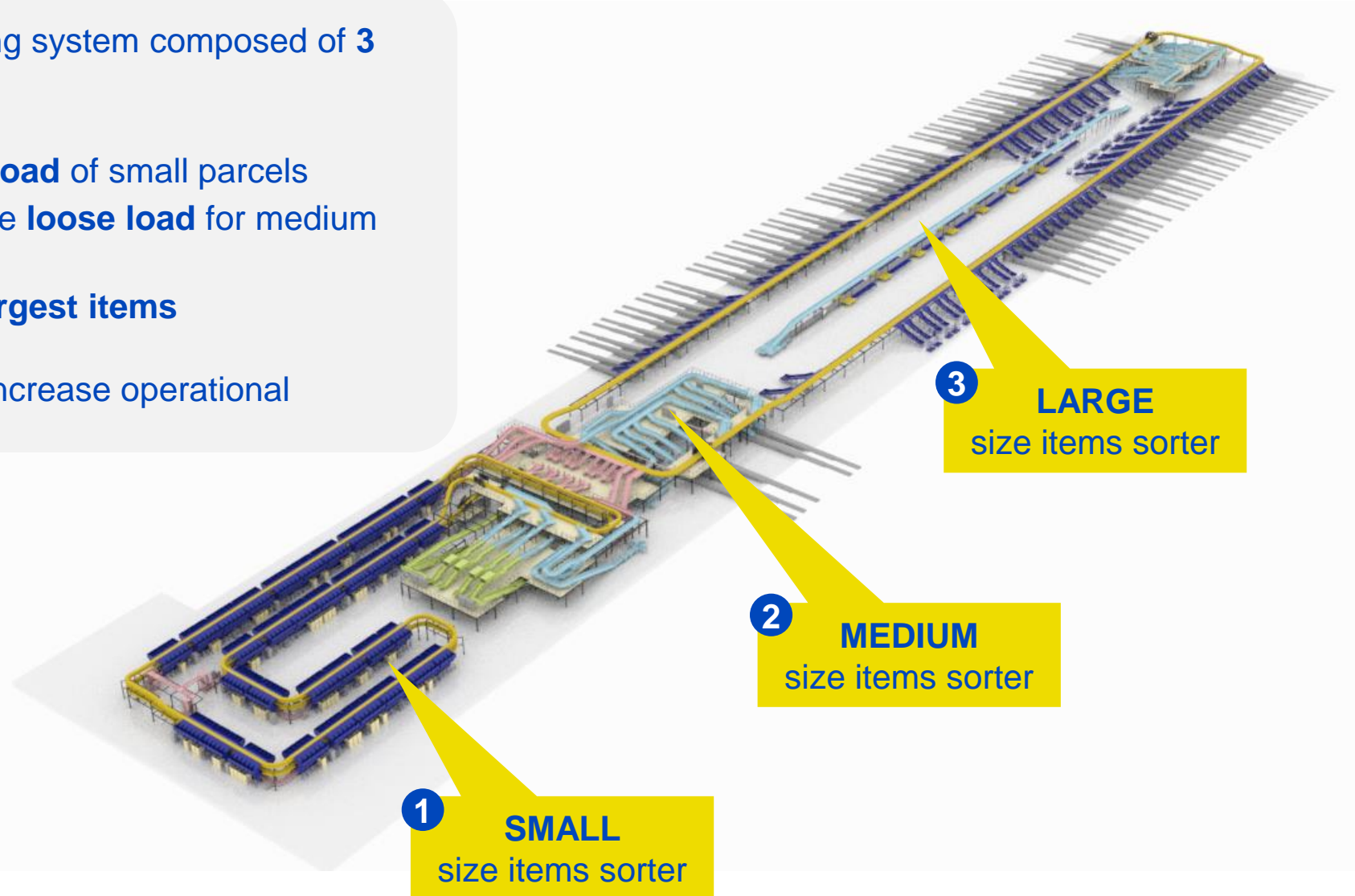
STATE OF THE ART SORTING AND HANDLING SYSTEM

An **innovative** and **integrated** sorting system composed of **3 specialised machines**:

- 1) Singulators to enable **bulk unload** of small parcels
- 2) Telescopic conveyors to enable **loose load** for medium parcels
- 3) Automated sorters covering **largest items**

Maximise **linehaul saturation** and increase operational **productivity**

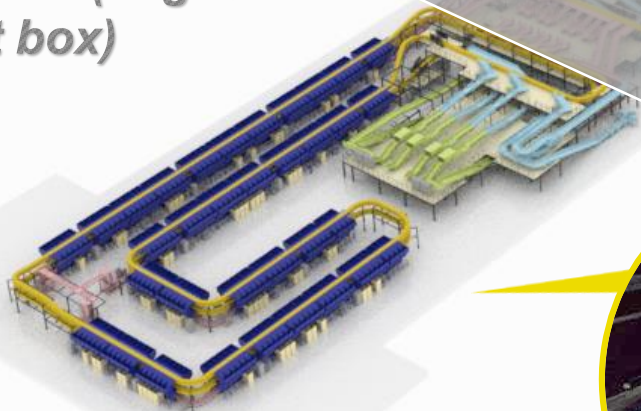
A total of 544 outlets to match Poste Italiane's **unique network capillarity**



Small size / light packages up to 5kg*



Containerised into handling units (bags / pallet box)



- **System capacity of 19,250 items/hour**
- **Package size up to 7kg** / 500x380x300mm**
- **6 induction lines**
- **400 configurable outlets in cages and bags**
- **Coding method with cameras**



Medium size and weight packages up to 30kg*



Loose loaded into / from trucks



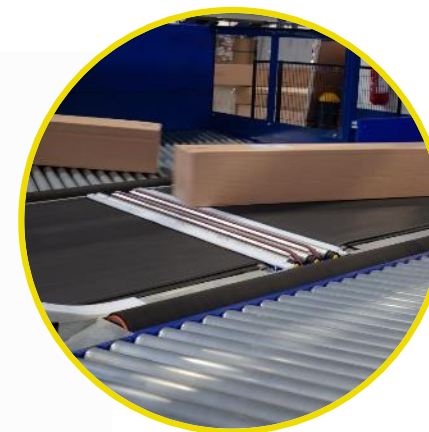
- System capacity of 12,990 items/hour
- Package size up to 50kg** / 1,200x800x600mm
- 4 induction lines
- 130 outlets (90 telescopic + 40 slide chute)
- Coding method with cameras



Large size / heavy packages up to 60kg
“Uglies” / usually
“non conveyable” items



*Loose loaded / palletised
into / from trucks*



- System capacity of 1,500 items/hour
- Package size up to 60kg/
2,300x1,200x800mm
- 2 induction lines
- 14 outlets
- Coding method with cameras



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- **Automated sorter** = system that allows the sorting of items without manual intervention (as opposed to manual sorting, where the operator performs the sorting of items, by reading the information reported on the shipment label and moving the item accordingly to an assigned location)
- **Coding method / process** = method / process of decoding the information of the items (shipment label and shipment weight / size) for the purpose of identification and sorting
- **Cross docking** = practice of unloading materials from an incoming semi-trailer truck or railroad car and loading these materials directly into outbound trucks, trailers, or rail cars, with little or no storage in between. This may be done to change the type of conveyance, to sort material intended for different destinations, or to combine material from different origins into transport vehicles (or containers) with the same destination or similar destinations. A “cross docking building” is a building that is designed to enable cross docking process, typically where loading and unloading gates are facing each other
- **Induction process** = process where items are transferred from induction lines to the sorting machine
- **Induction lines** = lines where the material processed is entering the sorting machine; the number of induction lines should be sized according the system sorting capacity; it is composed by a group of infeed lines where items are loaded that are typically merged into the induction line
- **Loading doors** = doors / gates where the loading process occurs, leading the truck to the assigned destination
- **Loading process** = process of loading items (shipments / parcels) into the assigned container for the next transportation piece (bag, cage, pallet, truck)
- **Loading process/ loose load approach** = practice of loading items into a truck without using an intermediate container; the aim is to avoid waste in transportation / handling and to improve truck saturation (an alternative practise is palletised load approach)
- **Loading process/ palletised approach** = process of loading items into an intermediate container (typically a pallet) and load them into a truck (an alternative practice is loose load. See above)
- **LEED GOLD certified** = LEED (Leadership in Energy and Environmental Design) is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most (energy savings, water, etc...). The four LEED certification level designations are Platinum, Gold, Silver and Certified. Regardless of the certification level achieved, all projects must meet mandated prerequisites and then choose from 110 available credit points to reach the desired certification level

- **Outlets** = exits of the sorting system where the sorted items are directed to after being sorted; there are different types of outlets depending on the items (weight and size) that are to be discharged (gravity vs powered; flat vs sliding; slide vs spiral vs roller vs waterfall; telescopic vs to cage vs to bag; 90° vs 45° vs 30°)
- **Slide chute** = outlet where the items being sorted are «sliding» into a chute
- **Singulator** = machine that pulls out items from a bulk flow; the singulation leads the item to a sorting machine; singulation could be done by a machine (automated) or manually by the operators when loading the items
- **Singularisation process** = process where items are singulated (see above)
- **Sorting system** = a system comprised of hardware and software components that is capable of arranging items in an ordered sequence. Depending on both the products that need to be handled and the required capacity, a broad range of sorting systems is available. Sorting systems can sort various products by code, weight, shape, size, colour and quality. The sorting can take place by means of camera technology, weighing systems or through transponders and barcode labels. Camera systems can also be used for other purposes such as counting, assembly control, product identification and location of randomly positioned products
- **Telescopic conveyors** = conveyor having or consisting of concentric sections designed to slide into one another
- **Telescopic chute** = chute with a final part made of a telescopic conveyor (roller or belt) that allows direct loading of sorted items into the truck, without using an intermediate container and avoiding storage / buffering
- **Unloading process** = process of unloading items (shipments / parcels) from the assigned container (bag, cage, pallet, truck) and loading them on the infeed lines of the sorting system
- **Unloading process/ loose load approach** = process of unloading items from a truck directly to the infeed lines of the sorting machines without using an intermediate container; the aim of the process is to avoid wastes in transportation / handling and to improve truck saturation (alternative is to load items into a container, i.e. bag / cage / pallet and then move the container into the truck)
- **Unloading process / bulk load approach** = process of unloading items into the infeed lines in a bulk flow, without manually separating them (the alternative provides the items to be loaded to the infeed lines one by one)