

LE GROUPE LA POSTE 2016 FIRST-HALF RESULTS

Moderate revenue growth

Operating profit growth supported by one-offs (+11.2% excluding one-offs¹)

After meeting today under the chairmanship of Philippe Wahl, the Board of Directors of La Poste approved the consolidated financial statements for the first half of 2016.

- **Operating revenue:** €11,770 million, up 2.7%
- **Operating profit²:** €852 million, up 38.3% and +11.2% excluding one-offs¹
- **Net profit Group share:** €675 million, up 59.4% and +28.5% excluding one-offs¹
- **Economic health indicator³** of €70 million (€401 million during the first half of 2015)
- **Net debt⁴** of €3,737 million, €80 million higher than at 31 December 2015
- **A healthy financial structure** with an improved net debt⁴ / equity ratio at 0.36 (0.38 at 31 December 2015)

As at 30 June 2016, Le Groupe La Poste recorded moderate organic⁵ revenue growth (+2.2%), with performance varying from business to business. The Services-Mail-Parcels business unit has delivered stable growth despite declining mail volumes. GeoPost has taken full advantage of the e-commerce boom and innovative last mile solutions rolled out. La Banque Postale has been impacted by an environment with historically low interest rates. The Digital Services business unit is developing in the growing digital transformation market. Close attention to cost control in each business unit thanks to the commitment of all employees contributed to improving operating profit, which nevertheless includes one-offs¹.

The first half of the year was characterised by several major projects coming to fruition: the written driver's license exam being administered in postal sites, launching evening parcel delivery in cities with more than 50,000 people, getting a foothold in the Silver economy market via the creation of La Poste Silver, positioning the Group in the fresh-products delivery market with the roll-out of Chronofresh in France, and consolidating the Group and business units' headquarters with the goal of developing synergies between business units and reducing costs.

¹ Favourable impact of a €107m capital gain from the sale of La Banque Postale stake in Visa Europe and favourable impact of a €60 million securities revaluation after the acquisition by GeoPost of the remaining 50% share of Armadillo (Russia).

² Operating profit/(loss) after share of net profit/(loss) of jointly controlled companies.

³ Economic health indicator = Cash flows from operating activities (€662 million) - purchases of intangible assets and property, plant and equipment excluding LBP (€401 million) + vehicle disposals (€10 million) - interests paid (€29 million) - dividends paid (€173 million). Amounts as at 30/06/2015 were respectively: €903 million, €312 million, €6 million, €24 million and €171 million respectively.

⁴ Group net debt does not take into account La Banque Postale for which this concept is not relevant.

⁵ Organic: at constant scope and exchange rates.

Le Groupe La Poste is continuing to implement its strategic plan, “La Poste 2020: Conquering the Future”, and remains focused on transforming its business model.

Key figures as at 30 June 2016

	30/06/2016	30/06/2015	Changes	
			Published	At constant scope and exchange rates
<i>(€ million)</i>				
Group operating performance				
Operating revenue	11,770	11,459	+2.7%	+2.2%
Operating profit after share of net profit/(loss) of companies under joint control	852	616	+38.3%	+38.7%
<i>Operating margin</i>	7.2%	5.4%	+1.9 pt	+1.9 pt
Net profit Group share	675	424	+59.4%	+61.9%
<i>Net margin</i>	5.7%	3.7%	+2.0 pt	+2.1 pt
Economic health indicator ⁶	70	401	-82.4%	
<hr/>				
	30/06/2016	31/12/2015		
Group financial structure				
Net debt ⁷	3,737	3,657	+2.2%	
<i>Net debt⁸ / Equity</i>	36.3%	37.6%	-1.3 pt	
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Key ratios La Banque Postale				
<i>Operating ratio</i>	80.7%	81.5% ⁸	-0.8 pt	
<i>Common Equity Tier-1 Ratio⁹</i>	13.4%	13.2%	+0.2pt	
<i>Loan-to-deposit ratio¹⁰</i>	74%	75%	-1pt	
<i>Estimated leverage ratio¹¹</i>	5.0%	5.2%	-0.2pt	

⁶ Economic health indicator = Cash flows from operating activities (€662 million) - purchases of intangible assets, and property, plant and equipment excluding LBP (€401 million) + vehicle disposals (€10 million) - interests paid (€29 million) - dividends paid (€173 million). Amounts as at 30/06/2015 were respectively: €903 million, €312 million, €6 million, €24 million and €171 million respectively.

⁷ Group net debt does not take into account La Banque Postale for which this concept is not relevant.

⁸ At 30 June 2016.

⁹ Phased-in CRR-CRDIV ratio with the application of provisional measures (the fully-loaded ratio is 14.4% at 30 June 2016).

¹⁰ Excluding centralised savings at CDC.

¹¹ Leverage ratio, which takes into account the delegated act dated October 2014 regarding centralised savings at CDC, subject to the European Central Bank's authorisation. Excluding the delegated act, the ratio is estimated at 3.4% (vs 3.5% at 31 December 2015).

HALF-YEAR RESULTS

Operating revenue

Le Groupe La Poste's operating revenue amounted to €11.770 billion as at 30 June 2016, up 2.7% (+2.2% at constant scope and exchange rates). Scope effect totalled +€123 million and was primarily related to GeoPost acquisitions in 2015 and 2016 (Armadillo in Russia and DPD Systemslogitik in Germany) and La Banque Postale acquisitions (Fédéris and Ciloger). Exchange rate movements had a €57 million unfavourable impact (mainly on the pound sterling).

(€ million)	30/06/2016	30/06/2015	Changes	
			Published	At constant scope and exchange rates
Services Mail-Parcels	5,747	5,757	-0.2%	-0.2%
GeoPost	2,969	2,693	+10.3%	+9.2%
La Banque Postale	2,974	2,929	+1.6%	+0.8%
Digital Services	289	278	+4.0%	+3.1%
Other segments and intercompany	-209	-198	+5.7%	+8.7%
OPERATING REVENUE	11,770	11,459	+2.7%	+2.2%

Revenue for the **Services-Mail-Parcels** business unit was almost stable, with varying trends among the different businesses:

- The **Services-Mail** business recorded a small decline in revenue (-0.6% at €4,956 million), affected by a decrease in addressed mail volumes (-5.3%¹²) which was partially offset by a favourable working-day effect (+1.9%), a price increase which took effect on 1 January 2016 (+3.8% on average) and growth in international revenue. Note that there was no revenue from elections, unlike during the first half of 2015. New services grew significantly (to 19.5 million euros, up 43.4%) Subsidiaries positioned in the logistics market (**Viapost Services**) and the **unaddressed advertising mail delivery market (Mediapost)**, recorded a 3.4% increase in revenue, to €264 million.
- Revenue for the **Parcels** business rose 2.7% to €791 million, driven by a volume effect (+6.2%¹³), which was partially mitigated by changes in price and customer mix (increase in BtoC and key accounts).

The **GeoPost** business unit, which operates in the deferred parcel and express BtoB and BtoC businesses in France and abroad, continued to grow sharply (+10.3%, +9.2% at constant scope and exchange rates), in line with the overall increase in volumes

¹² Including a -1.9% decrease in direct marketing volumes and -8,3% on traditional mail volumes (letters)

¹³ 2.4% of which was working-day effect (+3 days)

(+14.3%, +10.0% at constant scope¹⁴), and particularly BtoC volumes, which benefited from the growth of e-commerce and now account for 33% of GeoPost's total volumes. Every country recorded strong momentum, and particularly France (volumes up +15%), Spain (+14.3%), Benelux (+11.8%), the United Kingdom (+11.7%) and Germany (+4.8%). Changes in price/mix had a marginally adverse impact (-1.7%).

La Banque Postale's Net Banking Income (NBI) grew 1.6% (-6.3% at constant scope and excluding changes in the home-savings provision¹⁵). It includes a €107 million capital gain from the sale of Visa Europe securities.

- The **Retail banking** division recorded €2,797 million in NBI, up 0.9% (-6.6% excluding the home-savings provision). This change is the result of historically low interest rates: the reduction in net interest margin exceeded the increase in commissions brought about from developing customer equipment and life insurance. All outstanding loans increased (+32.5% for outstanding loans to legal entities, +9.7% for outstanding consumer loans and +0.8% for outstanding home loans).
- NBI for the **Asset management division** posted 25.8% growth (-9.3% at constant scope, affected by a market environment that had an adverse impact on outstandings and management commissions and related moves). As part of its partnership with Aegon Asset Management, set up during the second half of 2015, La Banque Postale Asset Management launched new ranges of funds during the half year.
- NBI for the **Insurance division** grew 4.9% thanks to the development of the policy portfolio (+6.0%) due to strong sales of property and casualty insurance (+16%) and health insurance (+52%) offerings, in particular.

Revenue for the **Digital Services** business unit rose 4.0%, driven by increasing online sales (www.laposte.fr) and by growth in the Docapost division (+4.4% to €219 million), notably influenced by its developing digitisation business. The Mediapost Communication division recorded €48 million in revenue, up 3.3%, with the decline in the advertising business being offset by growth in the Data and Advice division.

La Poste Network has accelerated its strategy to implement synergies and pool resources with the roll-out of new formats (opening of 98 public service areas, roll-out of 135 postman-counter clerk positions to maintain the Group's presence in rural areas, implementation of 51 urban postal outlets with extended operating hours).

La **Poste Mobile's**¹⁶ revenue increased 6.4% at the end of June 2016, with its portfolio of lines up 9.35%, totalling more than 1.3 million customers.

Operating profit

The Group's consolidated operating profit after share of net profit of jointly controlled companies¹⁷ totalled €852 million during the first half of 2016, up 38.3%

¹⁴ +1.5% of which was working-day effect (+3 days)

¹⁵ €142 million draw-down as at 30 June 2016, compared to a €70 million allocation in 2015, i.e. a difference of +€212 million.

¹⁶ Not consolidated.

¹⁷ All of the operating profit/(loss) in the following paragraph is presented after share of net profit/(loss) of jointly controlled companies.

compared to the first half of 2015 (+38.7% at constant scope and exchange rates, +11.2% excluding one-offs¹⁸).

(€ million)	30/06/2016	30/06/2015	Changes	
			Published	At constant scope and exchange rates
Services Mail-Parcels	504	508	-0.9%	-0.9%
GeoPost	254	171	+48.1%	+53.5%
La Banque Postale	514	468	+9.6%	+7.7%
Digital Services	0	-9	ns	ns
Other segments and intercompany	-59	-192	-69.5%	-69.7%
Unallocated	-360	-331	+9.0%	+8.3%
OPERATING PROFIT/(LOSS)	852	616	+38.3%	+38.7%

The **Services-Mail-Parcels** business unit's operating profit levelled off, with the development of action plans and the reduction in operating expenses combined with the mail price increase offsetting reduced mail volumes.

GeoPost posted a sharp increase in operating profit despite development costs (notably costs related to commissioning the Birmingham mega-hub in the United Kingdom), thanks to good cost control in all countries where GeoPost operates. There was a non-recurring favourable impact of €60 million from a securities revaluation that was recorded during the first half of 2016 after the acquisition of the remaining 50% share of Armadillo (Russia).

La Banque Postale's contribution to the Group's operating profit also increased. La Banque Postale's management expenses were stable despite gradually implementing major transformation programmes (information systems) and the development of its subsidiaries. Cost of credit risk amounted to €84 million and was stable compared to outstandings (19 basis points) in an environment with rising outstandings and stronger home-loan risk coverage. La Banque Postale's operating ratio was 80.7% at 30 June 2016, down 0.8pt.

The **Digital Services** business unit reached break even, with operating profit improving.

¹⁸ Favourable impact of a €107m capital gain from the sale of La Banque Postale stake in Visa Europe and favourable impact of a €60 million securities revaluation after the acquisition by GeoPost of the remaining 50% share of Armadillo (Russia).

The net cost of national postal coverage as well as the costs of the headquarters and support departments are deducted from the business units' results and recognised at Group-level.

Net profit

Net profit Group share totalled €675 million, up 59.4% (+61.9% at constant scope and exchange rates, +28.5% excluding one-offs¹⁹) after taking into account financial loss (-€92 million), taxes (-€148 million) and contributions from equity associates (€88 million, mainly including the contribution from CNP Assurances, in which the Group holds a 20.15% stake via La Banque Postale).

Investments and external growth

The Group allocated €496 million to investments in information systems for all of the business units, in developing a digital hub, in strengthening the GeoPost network, in modernising the Real Estate portfolio and post offices, and in equipping vehicles.

€99 million (less cash acquired) was allocated to external growth:

Services-Mail-Parcels business unit:

- Acquisition of 100% of Tikeasy by La Poste Silver in April (conception of touch-screen tablets for seniors).

GeoPost business unit:

- Finalisation of the acquisition of the 50% remaining equity interest in Armadillo holding GmbH (express delivery specialist operating in Russia, Kazakhstan and Belarus, €80 million in revenue), in January.
- Acquisition of the 40% remaining equity interest in Worldnet TPC (British parcel delivery operator, €10 million in revenue) by Worldnet Direct, a GeoPost subsidiary, in March.

Digital Services business unit:

- Acquisition of 100% of CDC Fast (digital trust solutions provider for local authorities and companies, €5 million in revenue) by Docapost in January.
- Acquisition of 100% of Applicam (specialised in e-administration such as grant and subsidies management and private electronic transactions management, €15 million in revenue) by Docapost in May.
- Acquisition of 100% of Probayes (artificial intelligence research centre, operating in the forecasting and optimisation solutions segment using data analysis), in May.

¹⁹ Favourable impact of a €107m capital gain from the sale of La Banque Postale stake in Visa Europe and favourable impact of a €60 million securities revaluation after the acquisition by GeoPost of the remaining 50% share of Armadillo (Russia).

Financial Structure

The Group's financial structure is sound, with a net debt²⁰ / equity ratio of 0.36 as at 30 June 2016 (compared to 0.38 as at 31 December 2015). The Group's equity Group share totalled €10,293 million at 30 June 2016, up €570 million compared to 31 December 2015. The Group's net debt totalled €3,737 million, up €80 million compared to the end of 2015.

2016 Outlook

For 2016, the Group anticipates slight revenue growth and an increase in operating profit and operating margin in an environment with low interest rates and trade digitisation, both of which are likely to continue. Cash generation should remain positive, and trends recorded during the first half of the year are expected to continue.

The Group will continue its transformation-related action plans by acting on each of the focus areas of its strategic plan: employee commitment, development, performance and synergies.

Le Groupe La Poste's half-year financial report is available online at
<http://legroupe.laposte.fr/finance/publications>

PRESS RELATIONS

Virginie GUEIDIER
Tel.: +33 (0) 1 55 44 22 41
virginie.queidier@laposte.fr

INVESTOR RELATIONS

Yasmina GALLE
Tel.: +33 (0) 1 55 44 17 02
yasmina.galle@laposte.fr

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