

## LE GROUPE LA POSTE 2016 RESULTS

**Good performance in 2016  
thanks to a solid multi-business model.  
The Group is moving ahead with its transformation.**

- **Operating revenue:** €23,294 million, up 1.1%
- **Operating profit<sup>1</sup>:** €975 million, up 11.5%
- **Net profit Group share:** €849 million, up 33.6%
- **Economic health indicator<sup>2</sup>:** €233 million (vs. €498 million as at 31 December 2015)
- **Net debt<sup>3</sup>:** €3,719 million (+€62 million compared to 31 December 2015)
- **Strengthened financial structure,** with net debt<sup>3</sup>-to-equity ratio at 0.34 (0.38 as at 31 December 2015)

In 2016, the Group posted consolidated revenue of €23.3 billion, up 1.1%, and an operating profit of €975 million, up 11.5%, confirming the strength of its multi-business model.

The action plans undertaken with regard to development, transverse cooperation and cost control, are reflected in the growing consolidated results, illustrating the undergoing transformation of the company.

Indeed, the Group launched several new services focused on proximity and on simplifying lifestyles. It rolled out an active external growth policy and dedicated €237 million for this purpose in the digital sector, in the silver economy and in the express market, both in France and abroad. In addition, the Group invested €1,140 million to develop its activities.

La Poste engaged in an active social dialogue which resulted in signing five national agreements and launching several negotiations. Notably, discussions on working conditions and on postmen's and their supervisors' jobs led, on 7 February 2017, to an agreement that will ensure support for postmen in diversifying their activities, particularly with the development of new services.

<sup>1</sup> Operating profit/(loss) after share of net profit/(loss) of companies under joint control

<sup>2</sup> Economic health indicator = Cash flow from operating activities excluding banking (€1,448 million) - (capital expenditures excluding banking activities (€917 million) + proceeds from vehicle disposals (€21 million)) - dividends paid (€174 million) - interest paid (€145 million). At 31/12/2015, the amounts were as follows, respectively: €1,574 million, €778 million, €19 million, €173 million and €145 million.

<sup>3</sup> Group net debt does not take into account La Banque Postale's financial assets and liabilities, for which this concept is not relevant.



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Lastly, Le Groupe La Poste consolidated all of its head offices within the La Poste Village, as announced in 2015. Completed in record time, this project illustrates the Group's strong capacity to achieve its goals, and shows its willingness to bolster cooperation and synergies between the different business units and to save on costs.

These developments are the result of the daily commitment of all employees to promoting social cohesion and the general interest for everyone, everywhere, every day.

### Key figures as at 31 December 2016

#### Le Groupe La Poste

<i>(In millions of euros)</i>	<b>31/12/2016</b>	31/12/2015	Change	
			<i>published</i>	<i>at constant scope and exchange rates</i>
<b>Group operating performance</b>				
Operating revenue	<b>23,294</b>	23,045	+1.1%	+1.0%
Operating profit <i>(after share of net profit/(loss) of companies under joint control)</i>	<b>975</b>	875	+11.5%	+13.6%
Operating margin	<b>4.2%</b>	3.8%	+0.4pt	+0.5pt
Financial profit/(loss)	<b>-169</b>	-154	+10.0%	-
Income tax	<b>-104</b>	-253	-59.1%	-
Net profit Group share	<b>849</b>	635	+33.6%	+35.3%
<i>Net margin</i>	<b>3.6%</b>	2.8%	+0.8pt	+0.9pt
Economic health indicator <sup>4</sup>	<b>233</b>	498	-€264 million	
<b>Financial structure</b>				
Net debt (ND) <sup>5</sup>	<b>3,719</b>	3,657	+€62 million	
Equity Group Share (E)	<b>10,917</b>	9,723	+€1,194 million	
ND/E	<b>34.1%</b>	37.6%	-3.5pt	
<b>Key ratios – La Banque Postale</b>				
Common Equity Tier One Ratio <sup>6</sup>	<b>13.7%</b>	13.2%	+0.5pt	
"Loan to Deposit" Ratio <sup>7</sup>	<b>74%</b>	75%	-0.4pt	
Liquidity Coverage Ratio (LCR)	<b>260%</b>	218%	+42pt	
Estimated leverage ratio <sup>8</sup>	<b>4.6%</b>	n/a		

<sup>4</sup> Economic health indicator = Cash flow from operating activities excluding banking activities (€1,448 million) – (capital expenditures excluding banking activities (€917 million) + proceeds from vehicle disposals (€21 million)) – dividends paid (€174 million) – interest paid (€145 million). At 31/12/2015, the amounts were as follows, respectively: €1,574 million, €778 million, €19 million, €173 million and €145 million.

<sup>5</sup> Group net debt does not take into account La Banque Postale's financial assets and liabilities, for which this concept is not relevant.

<sup>6</sup> CET1 Ratio with the application of provisional measures (the fully loaded ratio was 14.3% at 31 December 2016).

<sup>7</sup> Excluding centralised savings at CDC.

## Operating revenue

**Le Groupe La Poste's consolidated operating revenue** totalled €23.294 billion, up slightly 1.1% (+1.0% at constant scope and exchange rates). Scope effect related to acquisitions primarily made by GeoPost in 2015 and 2016, and by La Banque Postale and the Digital Services business unit to a lesser extent, amounted to €208 million. Exchange rate movements had an unfavourable impact of €177 million (mainly associated with the pound sterling).

The multi-business model of the Group enables to balance the mixed business trends (with, on the one hand, solid momentum in the parcel, express and services to individuals markets and, on the other hand, a reduction in mail volumes and a decrease in interest rates impacting banking activities).

(In millions of euros)	31/12/2016	31/12/2015	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	11,354	11,461	-0.9%	-1.0%
GeoPost	6,166	5,675	+8.6%	+9.3%
La Banque Postale	5,602	5,745	-2.5%	-2.8%
Digital services	609	560	+8.7%	+5.8%
Other segments and intercompany	-436	-396	+10.2%	+13.6%
<b>OPERATING REVENUE</b>	<b>23,294</b>	<b>23,045</b>	<b>+1.1%</b>	<b>+1.0%</b>

Revenue for the **Services-Mail-Parcels** business unit recorded a minor -0.9% decline, with results varying by business activity. **Services and Mail** revenue, which accounted for 80% of the business unit's total revenue, recorded a -2.0% decrease to €9.147 billion, reflecting declining addressed mail volumes (-5.2%<sup>9</sup>) as well as an unfavourable mix/product effect, which were partially offset by several positive factors: the price increase that took place on 1 January 2016 (+3.4% on average), growth in international (+€46 million) in particular from China, expanded postmen services (+€10 million) and the launch of new services such as the driving licence written exam. **Parcels** (Colissimo) achieved a 3.6% increase in revenue to €1.659 billion. Business was sustained throughout the year, driven by growth in volumes (+6.6%<sup>9</sup>), particularly during the last quarter. This increase was partially offset by an adverse price/customer mix. The **subsidiaries** positioned in the direct marketing, logistics and energy transition markets, posted a total 4.2% increase in revenue, amounting to €548 million.

The **GeoPost** business unit, which operates under the DPDgroup brand in the BtoB and BtoC deferred and express parcel market in France and abroad, continued its sharp growth with revenue up 8.6% (+9.3% at constant scope and exchange rates) to €6.166

<sup>8</sup> Ratio estimated by taking into account provisional measures authorised by the European Central Bank on processing centralised savings outstanding at Caisse des Dépôts (decision dated 24 August 2016, which does not allow for centralised savings to be excluded, but authorises a transition period for LBP). The ratio is 5.2% excluding Caisse des Dépôts centralised savings, in compliance with the Delegated Act published by the European Commission on 10 October 2014.

<sup>9</sup> At constant number of working days



billion. This performance is due to growth in volumes (+11.2%<sup>10</sup> with 1,119 million parcels delivered in 2016), driven by a wider product and service offerings at home, outside home, and in new market segments such as temperature-controlled product transportation in the healthcare/pharmaceutical and food product industries. An active external growth policy focused on expanding GeoPost's multi-domestic network also contributed to the overall increase. Price effect had a -0.9% impact on revenue. All countries registered growth.

**La Banque Postale** recorded €5.602 billion in Net Banking Income (NBI), down 2.5% (-6.3% at constant scope and after restating the home-savings provision<sup>11</sup>). It included a €107 million capital gain for the disposal of Visa Europe securities.

NBI from the **Retail banking** division posted a 3.2% decrease (-6.9% at constant scope and excluding the home savings provision<sup>11</sup>) to €5.242 billion. All-time low interest rates took a toll on net interest margin, which has been on the decline. The impact was partly offset by a +2.3% increase in revenue from commissions (product/service sales and life insurance) due to strong sales momentum. Global loans outstanding rose +9.8%, with +48.2% for loans to legal entities outstanding, +8.4% for consumer loans outstanding and +3.2% for property loans outstanding.

The **Asset management** division reported a 12.7% increase in its NBI (-0.9% at constant scope, as 2015 benefited from an exceptionally favourable market effect) to €163 million. La Banque Postale Asset Management launched a new range of five funds in May 2016 as part of its partnership with Aegon Asset Management, which was very well-received by customers (€738 million in inflows).

The **Insurance** division saw its NBI increase by 6.3%, to €198 million, thanks to contributions by all subsidiaries and to increased sales of property and casualty insurance and health insurance products, with a 5.5% increase in the policy portfolio.

**The Digital Services business unit** continued its growth, achieving €609 million in revenue, up 8.7% (+5.8% excluding scope effect). The Docapost division, which specialises in corporate digital transformation, rose 6% (+1.8% at constant scope) with growth in digitisation activities (infractions, HR services platform, etc.). The Mediapost Communication division was up 2% (+3.2% at constant scope). Online sales (www.laposte.fr) increased 6%.

**La Poste Network** supports the business units' commercial development. Its revenue consists of services performed on behalf of the other business units, which are re-invoiced to them. In 2016, the Network rolled out a new managerial structure focused on commercial development and support for banking advisors. The Network continued adapting the layout of its retail outlets. 500 public service areas are now located inside post offices in rural areas. More than 560 postmen-counter clerks are active in less populated areas. New kinds of "La Poste Relais" partnerships have been set up in urban areas to better adapt to people's changing needs.

<sup>10</sup> +6.5% at constant scope and number of working days.

<sup>11</sup> A reversal of €142 million at 31 December 2016, versus an allocation of €63 million at 31 December 2015, i.e. a change in the amount of €205 million



La Poste Mobile has continued to grow in a highly competitive and mature market, with a portfolio of 1.3 million lines as at 31 December 2016, up 6.5% thanks to the sale of nearly 550,000 new lines during the year. A triple or quadruple play fibre optic offering was launched in February 2016, for which 21,000 set-top boxes were subscribed.

## Operating profit<sup>12</sup>

**Group consolidated operating profit** totalled €975 million, up 11.5% (+13.6% at constant scope and exchange rates).

(In millions of euros)	31/12/2016	31/12/2015	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	584	697	-16.2%	-15.9%
GeoPost	438	268	+63.6%	+78.0%
La Banque Postale	834	851	-2.0%	-2.7%
Digital services	-6	-14	+55.2%	+32.2%
Support and structures and intercompany	-130	-208	+37.5%	+37.5%
Unallocated and eliminations	-745	-719	+3.7%	+3.5%
<b>OPERATING PROFIT</b>	<b>975</b>	<b>875</b>	<b>+11.5%</b>	<b>+13.6%</b>

The **Services-Mail-Parcels** business unit's revenue was down 16.2% (-15.9% at constant scope and exchange rates). This change was due to a drop in mail volumes coupled with costs to implement new services and costs to transform the industrial network, and was partially offset by mail price adjustments and a strong performance in Parcels.

**GeoPost's** operating profit grew sharply by 63.6% (+78.0% at constant scope and exchange rates) due to the combined effect of rising volumes and cost control. For 2016, this result includes the €60 million favourable impact from securities revaluation after the acquisition of the remaining 50% of Armadillo (Russia) while it included, for 2015, a €99 million provision in relation to an investigation<sup>13</sup> by the French Competition Authority.

**La Banque Postale's** contribution to the Group's operating profit declined 2.0% (-2.7% at constant scope). This result includes a capital gain of €107 million from the sale of the Visa Europe securities. Despite costs related to gradually implementing major transformation programmes (information systems) and developing subsidiaries, La Banque Postale posted a 3.1% decline in management expenses (reflecting cost control

<sup>12</sup>Operating profit/(loss) (for the Group and business units) are presented after share of net profit/(loss) of companies under joint control

<sup>13</sup> Fine handed down by the French Competition Authority following an investigation into parcel transport. An annulment procedure was formed with the Paris Court of Appeal, hearings will take place in March 2017



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efforts), which partially offset the decline in NBI. Cost of credit risk remained unchanged at €181 million. La Banque Postale's operating ratio was 82.4% at 31 December 2016.

The **Digital Services** business unit's operating loss totalled -€6 million, an €8 million improvement from last year.

The net cost of national postal coverage as well as the costs of the headquarters and support departments are deducted from the business units' operating profits to obtain the Group's consolidated operating profit.

## **Net profit**

**Net profit Group share** reached €849 million, up 33.6%.

Financial loss amounted to €169 million, up 10% mainly due to changes in fair value of debt and derivatives, whereas net interest expense was down thanks to a decrease in average cost of debt.

Income tax represented an expense of €104 million over the period (versus €253 million in 2015). This decrease was caused by lower taxable income due to non-taxable income.

The contribution of equity associates, mainly from CNP Assurances, totalled €191 million.

## **Capital expenditures and external growth**

Development is one of the pillars of the Group strategic plan and the company engages firmly in the transformation of its business model through significant Capex and an active external growth policy.

### **Capital expenditures**

In 2016, the Group invested €1,140<sup>14</sup> million, a €147 million increase compared to 2015. Capital expenditures were particularly dedicated to:

- information systems for all of the business units, and notably La Banque Postale which rolls out major IS transformation projects to improve service customisation;
- developing new services;
- strengthening GeoPost's hubs and warehouses;
- pooling sites and optimizing the use of available space in Services-Mail-Parcels;
- modernising the real estate portfolio and post offices;
- acquiring new vehicles, and particularly electric vehicles.

### **External growth**

In 2016, €237 million (less cash acquired) were dedicated to acquiring companies and shareholding interests enabling the Group to enter new market segments.

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<sup>14</sup>Investments taken into account in generating cash flow were non-banking investments for €917 million; €223 million was invested and financed by La Banque Postale.



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By business unit, the main operations were the following:

The **Services-Mail-Parcels business unit** is targeting to gain a foothold on the silver economy market, and thus dedicated most of its acquisitions to that segment in 2016: it took 100% of Tikeasy (touch screen tablet designed for older people, €2.1 million in revenue) in April and 51% of Axeo Services in October (services to individuals and to SMEs such as home maintenance, lawn care, household tasks, home improvement, cleaning, maintenance, etc., €6.6 million in revenue).

The **GeoPost business unit** strengthened and expanded its geographic network with several transactions:

- Acquisition of the remaining 50% not yet held in Armadillo holding GmbH (express delivery specialist operating in Russia, Kazakhstan and Belarus, €104 million in revenue) in January. The acquired entity became DPD Russia.
- Acquisition of 100% of DPD Zeitfracht in October, enabling a full ownership of the German franchisees at the end of 2016.
- Acquisition of 60% of JadLog in December (number 2 in the Brazilian parcels-express market, €110 million in revenue).
- Merger of DPD Russia and SPSR Express, a Russian express parcel operator, subject to approval by the Russian Competition Authority. The request for approval was submitted at the end of December 2016. The new entity will become the second largest operator in Russia.

GeoPost also entered new market segments, such as controlled-temperature delivery through the acquisition in July of 100% of Biologistic (one of the main controlled-temperature product carriers in the healthcare/pharmaceutical sector in France, €26 million in revenue).

The **Digital Services business unit**' acquisitions of the year were dedicated to strengthening the Group's digital expertise, with regard to data management and digital apps for local authorities:

- Acquisition of 100% of CDC Fast (digital trust solutions to local authorities and corporations, €5 million in revenue) in January.
- Acquisition of 100% of Applicam (specialised in e-administration, such as grants and subsidies management, and private electronic transactions management, €15 million in revenue), in May.
- Acquisition of 100% of ProbaYes (Artificial Intelligence research centre focused on predictive and optimisation solutions through data analysis, less than €1 million in revenue), in May.



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## Financial structure

The Group's financial structure is strong, illustrated by an improving debt ratio of 0.34 (vs 0.38 at 31 December 2015).

Consolidated equity Group share amounted to €10,917 million, up €1,194 million as a result of recording net profit Group share (net of dividends paid) and other items that contributed favourably.

Net debt<sup>15</sup> totalled €3,719 million and increased €62 million compared to 2015, due to financing part of the Group's acquisitions.

In December 2016, the Group issued fixed-term subordinated notes in the amount of \$500 million due 2043, placed with an investor. Ratings agencies consider this hybrid debt as 50% share capital and 50% debt. This transaction enables the Group to extend the maturity of its debt and will help fund its development plan.

## 2017 Outlook

In 2017, Le Groupe La Poste is on track to carry out its "La Poste 2020: Conquering the Future" strategic plan, defined in 2014, and intends to continue the in-depth transformation of its business model.

Despite low interest rates and increasing digitisation, which is expected to continue, the Group anticipates slight growth in revenue and operating profit as well as a positive cash flow generation for 2017.

Le Groupe La Poste firmly prepares its future and that of its employees while continuing to carry out its public service missions.

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Le Groupe La Poste's consolidated financial statements are available online at <http://legroupe.laposte.fr/finance/publications>

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