

## LE GROUPE LA POSTE 2017 FIRST-HALF RESULTS

### Increase in operating profit adjusted for non-recurring items<sup>1</sup> recorded in the first half of 2016

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 2017.

- **Operating revenue:** €11,905 million, up 1.1%
- **Operating profit**<sup>2</sup>: €761 million, down 10.7%, and up 11.1% excluding non-recurring items<sup>1</sup>
- **Net profit Group share:** €642 million, down 4.9%, and up 17.8% excluding non-recurring items<sup>1</sup>
- **Economic health indicator**<sup>3</sup>: €534 million (€70 million in the first half of 2016)
- **Net debt**<sup>4</sup> of €3,826 million, up €106 million from 31 December 2016
- **Net debt/equity ratio:** 0.34 (unchanged compared to 31 December 2016).

At 30 June 2017, Le Groupe La Poste's consolidated revenue was €11,905 million, up slightly (+1.1%), with the express and digital services segments, new services in the mail and parcels segments showing good performance, mail segment revenues generally at the same level as at 30 June 2016, and a downward trend of net banking income<sup>5</sup> for La Banque Postale in the context of persistently low interest rates. Adjusted for non-recurring items<sup>1</sup> recognised in the first half of 2016, operating profit was up 11.1% due to the progress in the Group's revenue and the cost-savings programmes conducted by all business units.

Undergoing a process of profound transformation, Le Groupe La Poste carried out numerous projects in line with its strategic priorities during the first half of the year,

<sup>1</sup> Favourable impact in the first half of 2016 of i) a capital gain of €107 million recorded by La Banque Postale from the sale of the Visa Europe securities and ii) the revaluation of securities in relation to GeoPost's acquisition of the 50% that it did not already hold in Armadillo (Russia) for €60 million.

<sup>2</sup> Operating profit/(loss) after share of net profit/(loss) from jointly-controlled companies

<sup>3</sup> Economic health indicator = Cash flows from operating activities excluding LBP (€1,161 million) – purchases of intangible assets and property, plant and equipment excluding LBP (€436 million) + vehicle disposals (€9 million) – interest paid (€28 million) – dividends paid (€172 million). At 30 June 2016, the amounts were as follows, respectively: €662 million, €401 million, €10 million, €29 million and €173 million respectively.

<sup>4</sup> Group net debt does not take into account La Banque Postale as this item is not relevant to it.

<sup>5</sup> Up 1.6% excluding non-recurring items (capital gain on Visa securities), change in the home-savings provision and at constant scope

including the silver economy, international development, new technologies and innovation, as well as urban logistics:

- In the silver economy, with the roll-out of the "Veiller sur mes parents" service, the Group enhanced its offer of local services that are both useful to society and meet the needs of an ageing population. It also started operations in the home healthcare services market by acquiring a majority stake in Asten Santé;
- For the international development of its express business, the Group strengthened its external growth transactions: in Italy, it acquired a stake in the capital of the leader in the Italian market; in Russia, together with a key market player it established a joint venture, controlled by GeoPost and ranking second in the Russian market; and in Spain and Portugal, it continued to expand its local network;
- Innovation and new technologies, which are core to the Group's new offers, were instrumental for the launch of Talk-to-Pay, a secure remote payment solution by voice recognition, that fits the new banking practices. La Banque Postale was the first bank to launch this service in France;
- Urban logistics is another major strategic priority for which La Poste is designing a model for responsible delivery to city centres. In relation to this, as the head of a consortium, La Poste obtained a public service concession contract for the MIN (*Marché d'intérêt national* – national interest market) of Toulouse.

## Key figures at 30 June 2017

	30/06/2017	30/06/2016	Change	
			Published	At constant scope and exchange rates
<i>(in € million)</i>				
<b>Group operating performance</b>				
Operating revenue	11,905	11,770	+1.1%	+0.6%
Operating profit/(loss) <i>(after share of net profit/(loss) from jointly-controlled companies)</i>	761	852	-10.7%	-9.3%
Operating margin	6.4%	7.2%	-0.8pt	-0.7pt
Financial profit/(loss)	-81	-92	-11.7%	-13.3%
Income tax	-170	-148	+14.5%	+14.2%
Net profit/(loss), Group share	642	675	-4.9%	-5.2%
Net margin	5.4%	5.7%	-0.3pt	-0.3pt
Economic health indicator <sup>6</sup>	534	70	n/s	
<hr/>				
	30/06/2017	31/12/2016		
<b>Group financial structure</b>				
Net debt (ND) <sup>7</sup>	3,826	3,719	+106	
Equity Group Share (E)	11,301	10,917	+383	
ND/E	33.9%	34.1%	-0.2pt	
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<b>Key ratios – La Banque Postale</b>				
Common Equity Tier 1 Ratio <sup>8</sup>	13.6%	13.7%		
Loans/deposits ratio <sup>9</sup>	76%	74%		

<sup>6</sup> Economic health indicator = Cash flows from operating activities, excl. banking (€1,161 million) – purchases of intangible assets and property, plant and equipment excluding LBP (€436 million) + vehicle disposals (€9 million) – interest paid (€28 million) – dividends paid (€172 million). At 30 June 2016, the amounts were as follows, respectively: €662 million, €401 million, €10 million, €29 million and €173 million respectively.

<sup>7</sup> Group net debt does not take into account La Banque Postale as this item is not relevant to it.

<sup>8</sup> Estimated CET1 Ratio with the application of provisional measures (the estimated fully-loaded ratio was 13.8% at 30 June 2017).

<sup>9</sup> Excluding centralised savings at CDC.

## Operating revenue

**Le Groupe La Poste's operating revenue** was €11,905 million at 30 June 2017, up 1.1% (+0.6% at constant scope and exchange rates). The positive scope effect totalled €105 million due to the 2016 and 2017<sup>10</sup> acquisitions made primarily by GeoPost and, to a lesser extent, by Services-Mail-Parcels, Digital Services and La Banque Postale. Exchange rate movements had a €40 million unfavourable impact (for the most part in relation to the British pound).

(in € million)	30/06/2017	30/06/2016	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	5,757	5,747	+0.2%	+0.0%
GeoPost	3,256	2,969	+9.7%	+8.1%
La Banque Postale	2,808	2,974	-5.6%	-5.2%
Digital Services	321	289	+10.9%	+4.8%
Other segments and intercompany <sup>a</sup>	-238	-209	+13.7%	+13.9%
<b>OPERATING REVENUE</b>	<b>11,905</b>	<b>11,770</b>	<b>+1.1%</b>	<b>+0.6%</b>

<sup>a</sup> Primarily transactions between business units

### By business unit:

Revenue for the **Services-Mail-Parcels** business unit was unchanged at €5,757 million, with varying differences among the business units' activities:

- The **Services-Mail** segment reported a small decline in revenue (-0.6%) to €4,927 million. The decrease in addressed mail volumes (-6.8%<sup>11</sup>), combined with a mild unfavourable mix/product effect was partially offset by several positive developments: the price increase at 1 January 2017 (+3.2% on average), the impact of election-related mail (presidential and legislative elections, +€71 million), international expansion (+€22 million), and the creation of new services (+€15 million), such as the written driver's licence exam (+€10 million). The subsidiaries positioned in the direct marketing, logistic solutions and e-logistics, eco-mobility and silver economy markets posted an 11% increase (+€30 million).
- Revenue for the **Parcels** segment (Colissimo) increased by 5.0% to €830 million, driven by rising volumes (+7.7%<sup>11</sup>). The very slightly positive price effect was absorbed by an adverse price/customer mix (including in particular the increase in volumes for major key accounts).

<sup>10</sup> Scope effects (see section on "external growth") includes in particular: in relation to GeoPost, the acquisitions of Jadlog and DPD Zeitfracht, in relation to La Banque Postale, Ciloger (deconsolidated), in relation to the mail subsidiaries Axeco and Mediapost Spain and Digital Services Docapost Fast, Tikeasy, Applicam and Ametix.

<sup>11</sup> Change at constant working days

The **GeoPost** business unit, which operates under the DPD brand deferred and express parcel market in France and abroad, continued its strong growth with revenue up 9.7% to €3,256 million (+8.1% at constant scope and exchange rates). This performance was driven by rising volumes (+9.3%<sup>12</sup> with 587 million parcels delivered during the period). Price and fuel effect had a +0.7% favourable impact on revenue. All countries saw their organic revenue grow, including the UK (+8.7%), Poland (+18.6%), Germany (+5.9%), Spain (+7.7%) and Russia (+15.9%).

**La Banque Postale's** Net Banking Income (NBI) declined 5.6% to €2,808 million (-2.3% at constant scope and excluding changes in the home-savings provision<sup>13</sup>). Note that in the first half of 2016, it included a capital gain of €107 million from the sale of the Visa Europe securities. Adjusted for this non-recurring item and the reasons mentioned above, NBI rose by 1.6%.

- The **Retail banking** division recorded NBI of €2,617 million, down 6.5% (-3.4% excluding the home-savings provision). Net interest margin (NIM) was down 14.4% and showed mixed trends: the continued decrease in returns on home loans (low interest rates impact and effect of renegotiations and early repayments) had an adverse effect on NIM. Conversely, it benefited from the increase in revenue from loans to legal entities and the good performance of consumer loans, reflecting the expansion of La Banque Postale in these markets. Commissions posted 4.6% growth, driven in particular by the continued efforts to increase direct sales to customers. In terms of sales momentum, La Banque Postale continued its strategy to win market share with an increase of 2.6% in savings outstandings and 12.1% in loan outstandings (up 48.2% in loans to legal entities, 6.3% in consumer loans and 5.7% in home loans).
- NBI for the **Asset Management division** was down 11.7% (up 5.8% at constant scope<sup>14</sup>). Assets under management in this division totalled more than €191 billion at end-June. This figure will grow with the new mandate awarded in July 2017 by CNP Assurances to La Banque Postale Asset Management (for €23 billion).
- NBI for the **Insurance** division rose 24.5%, thanks to the increase in property and casualty (+9%) and health insurance (+26%) policies and to the general improvement in the claim-to-premium ratio of the subsidiaries.

The **Digital Services** business unit's revenue rose 10.9% to €321 million (up 4.8% at constant scope). This performance can be attributed to the 8% increase in online sales ([www.laposte.fr](http://www.laposte.fr)) and Docompost's 10.6% increase (up 3.1% at constant scope) reflecting a strong activity reported for the digital platforms and customer relationship management. The Mediapost Communication division was down 8.1% (-11% at constant scope) as a result of reduced activity over the period.

**La Poste Network** combines the sales and distribution activities to retail and professional customers of Le Groupe La Poste; its revenue is generated by services performed on behalf of the other business units that are then invoiced to them. In the

<sup>12</sup> A 7.1% increase at constant scope

<sup>13</sup> A reversal of €52 million at 30 June 2017, versus a reversal of €142 million at 30 June 2016, i.e. a change of +€89 million

<sup>14</sup> Deconsolidation of Ciloger following its merger with AEW Europe.

first half of the year, the Network continued to update its structure and its businesses to stay in sync with its rapidly-changing market. The opening of 148 "La Poste Relais" outlets, primarily in urban areas and offering extended opening hours, enable it to best meet the needs of city dwellers. The Network also enhanced its presence in the 500 public service areas and continued rolling out new forms of resource sharing with postmen-counter clerks in post offices (640 at end-June 2017), which has helped preserve postal coverage in rural and semi-rural areas.

La Poste Mobile<sup>15</sup> has continued growing in a highly competitive and mature market. The period was marked by the overhaul of the range of its telephone service packages and by a broader offer, as well as by an expanded retail sales force. With the sale of 234,000 new lines, at end-June 2017 La Poste Mobile held 1.33 million lines (up 2.2%).

## Operating profit

The Group's consolidated operating profit after share of net profit of jointly-controlled companies<sup>16</sup> totalled €761 million in the first half of 2017, down 10.7% compared to the first half of 2016 (-9.3% at constant scope and exchange rates). Adjusted for non-recurring items<sup>17</sup> recognised in the first half of 2016, operating profit was up 11.1%.

(in € million)	30/06/2017	30/06/2016	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	507	504	+0.6%	+0.9%
GeoPost	198	254	-22.1%	-19.3%
La Banque Postale	421	514	-18.1%	-16.9%
Digital Services	-7	0	n/s	n/s
Other segments and intercompany <sup>a</sup>	-358	-419	-14.5%	-14.3%
<b>OPERATING PROFIT/(LOSS)</b>	<b>761</b>	<b>852</b>	<b>-10.7%</b>	<b>-9.3%</b>

<sup>a</sup> Primarily support departments and headquarters costs (recognised at Group level) and net cost of postal coverage (unallocated).

The **Services-Mail-Parcels** business unit's operating profit posted a very slight increase of 0.6% (+0.9% at constant scope and exchange rates). The structural decline in mail volumes was offset by the good performance of the parcels segment and of the subsidiaries, among other things.

<sup>15</sup> La Poste Mobile is the brand of the La Poste Telecom subsidiary, included in the "share of net profit/(loss) of jointly controlled companies" line.

<sup>16</sup> All of the operating profit/(loss) below is presented after share of net profit/(loss) of jointly-controlled companies.

<sup>17</sup> Favourable impact in the first half of 2016 of i) a capital gain of €107 million recorded by La Banque Postale from the sale of the Visa Europe securities and ii) the revaluation of securities in relation to GeoPost's acquisition of the 50% that it did not already hold in Armadillo (Russia) for €60 million.

**GeoPost** recorded a 22.1% decline in operating profit (-19.3% at constant scope and exchange rates). This change includes, in the first half of 2016, the revaluation of securities in relation to GeoPost's acquisition of the 50% that it did not already hold in Armadillo (Russia) for €60 million. Adjusted for this non-recurring item and at constant scope and exchange rates, GeoPost posted a 6.7% increase in profit due to the combined effect of growing volumes and continued cost control, particularly in France, UK and Poland.

**La Banque Postale's** contribution to the Group's operating profit declined 18.1% (-16.9% at constant scope). Profit for the first half of 2016 included a capital gain of €107 million from the sale of the Visa Europe securities. Adjusted for this non-recurring item and for the scope effect, there was a 5.4% increase thanks to the 2.5% decrease in operating expenses, despite costs related to the implementation of major transformation programmes (information systems in particular) and to the subsidiaries' growth. Cost of credit risk, in relation to outstandings<sup>18</sup>, remains low (16 basis points). La Banque Postale's net profit Group share was up 1.7%.

The **Digital Services** business unit posted a loss of €7 million, compared to a break-even performance in the first half of 2016. This change is attributed to the frequency of re-invoicing and the expense commitments being different from those in 2016.

## Net profit

After net financial loss (€81 million), income tax expenses (€170 million), and share of profit of equity associates (€150 million, primarily €131 million for CNP Assurances and €19 million for BRT), **net profit Group share** was €642 million, down 4.9%. Adjusted for non-recurring items<sup>19</sup> recognised in the first half of 2016, net profit Group share was up 17.8%.

## Investments

In the first half of 2017, the Group invested €532<sup>20</sup> million for purposes such as:

- information systems for all of the business units, including La Banque Postale, which rolled out major IT transformation projects to improve service and client customisation;
- design and roll out of large digital infrastructures directed at individual consumers (unique customer account, data lake, customer database, connected objects hub);
- developing new services in the Service-Mail-Parcel business unit;
- continued automation of logistics processes for parcels and site resource sharing and optimisation of usable space in the Mail and Parcels divisions;

<sup>18</sup> Commercial bank's cost of credit risk in relation to outstandings at the beginning of the period.

<sup>19</sup> Favourable impact in the first half of 2016 of i) a capital gain of €107 million recorded by La Banque Postale from the sale of the Visa Europe securities and ii) the revaluation of securities in relation to GeoPost's acquisition of the 50% that it did not already hold in Armadillo (Russia) for €60 million.

<sup>20</sup> The investments taken into account in generating cash flow were non-banking investments for €436 million; La Banque Postale's Capex are self-financed (€96 million)

- strengthening GeoPost's hubs and warehouses;
- modernisation of the real estate portfolio and post offices;
- acquiring new vehicles, and particularly electric vehicles.

## External growth

In the first half of 2017, €558 million (less cash acquired) were allocated to acquisitions and equity investments in new markets.

The **Services-Mail-Parcels Business Unit** for example, established itself in the home healthcare services market by acquiring a 51% stake in Asten Santé, a company specialised in the installation and maintenance of medical equipment at home for the treatment of chronic illnesses (€83 million in annual revenue).

The **GeoPost Business Unit** continued to expand its geographical network with the acquisition of 37.5% of BRT, the leader in the express delivery market in Italy (€1,270 million in revenue) and, in May, with the acquisition of three new Seur franchises in Spain and one in Portugal. In Russia, GeoPost strengthened its positioning with the creation of a joint venture (71.2% held by GeoPost) between SPSR Express, a Russian express operator (€92 million in annual revenue) and DPD Russia. With this transaction<sup>21</sup> GeoPost will become one of the market leaders in Russia.

Lastly, GeoPost strengthened its positioning in the urban delivery sector with the acquisition in March of 100% of Stuart (in which it had already held 22% since 2015), an urban delivery platform with operations in France, Spain and the UK.

**La Banque Postale**, for its part, took a position on the crowdfunding market through the acquisition of 100% of KissKissBankBank (transaction finalised in July), which had been a partner prior to that. The platform includes the KissKissBankBank, Hellomerci and Lendopolis brands.

The **Digital Services Business Unit** dedicated its external growth transactions to enhancing its expertise in the areas of providing support to companies, administrations and local authorities with the acquisition of 70% in Ametix (€14 million in annual revenue), a company specialised in technical support services, digital consulting and human resources.

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<sup>21</sup> Russia's competition authority approved the creation of the joint-venture in February



## Financial structure

The Group's financial structure remains sound, with a net debt<sup>22</sup>/equity ratio of 0.34 at 30 June 2017 (unchanged compared to 31 December 2016).

Equity Group share totalled €11,301 million at 30 June 2017, up €383 million compared to 31 December 2016.

Net debt<sup>22</sup> totalled €3,826 million, an increase of €106 million compared to end-2016, due to financing a portion of the Group's external growth transactions. Note that at the end of the period the Group monetised its CICE (tax credit for competitiveness and employment) receivables generated in 2015 and in 2016 for a total amount of €533 million.

## 2017 Outlook

For 2017, the Group anticipates slight growth in revenue and operating profit in the context of persistently low interest rates and continued digitisation of the means of communication. Cash generation is expected to remain positive.

A generator of social connection and dialogue, Le Groupe La Poste has demonstrated its ability to transform itself and to adapt to societal trends (digital society, ageing population) and to become one of the leaders in the field of local services in the public interest.

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

A wholly state-owned public limited company, Le Groupe La Poste is structured around five core branches: Services-Mail-Parcels, La Banque Postale, Network La Poste, GeoPost, and Digital Services. The Group operates out of 40 countries in four continents. La Poste's 17,000 postal retail outlets make it France's leading local business network, serving 1.6 million customers every day. Every year, La Poste delivers 23.265 billion items worldwide (letters, printed advertising media and parcels), 6 days a week. In 2016, the Group generated €23.294 billion in revenues (22.4% out of France) and had a headcount of more than 250,000. Closer and more connected, La Poste is stepping up its digital transformation by offering a range of services hinging on its role as universal operator for exchanges. In its strategic plan "La Poste 2020: conquering the future", Le Groupe La Poste has set itself the ambitious objective of speeding up development in its five core businesses and

<sup>22</sup> Group net debt does not take into account La Banque Postale as this item is not relevant to it.



expanding into new regions. Accessible to everyone, everywhere, every day, La Poste puts human considerations and trust at the centre of customer relations to become the leading company for services on a human scale.