

## LE GROUPE LA POSTE 2017 RESULTS

**Sound results:  
increased revenue and operating profit  
driven by business development and the expansion into new markets.**

The Board of Directors of La Poste, which met today under the chairmanship of Philippe Wahl, approved the Group's consolidated financial statements for the 2017 fiscal year.

- **Operating revenue:** €24,110 million, up 3.5% (up 2.5% at constant scope and exchange rates)
- **Operating profit<sup>1</sup>:** €1,012 million, up 3.8% (+6.4% at constant scope and exchange rates)
- **Net profit Group share:** €851 million, up 0.3% (+0.4% at constant scope and exchange rates)
- **Economic health indicator<sup>2</sup>:** €436 million (up €202 million compared to 31 December 2016)
- **Net debt<sup>3</sup>:** €3,820 million (up €101 million compared to 31 December 2016)
- **Net debt<sup>3</sup>/equity ratio:** 0.34 (stable compared to 31 December 2016)

In 2017, consolidated revenue for Le Groupe La Poste totalled €24,110 million, an increase of 3.5%, and its operating profit was €1,012 million, up 3.8%.

This good performance reflects the Group's commitment to its development and to cost control. It is the result, in particular, of the resistance shown by the Services-Mail-Parcels business unit, supported by the surge in new services and an increase in parcels; the significant development of both the Express (GeoPost) and the Digital Services business units, and the good performance of the activities of La Banque Postale.

The step-up in new activities, focusing on local services and the adaptation of services to lifestyles and changes in society is reflected in programmes such as "Look after my parents" or passing the written driving licence test. The expansion into new markets accelerated as a result of an active policy of external growth, to which the Group

<sup>1</sup> Operating profit/(loss) after share of net profit/(loss) of jointly controlled companies

<sup>2</sup> Economic health indicator = Cash flow from operating activities excluding banking activities (€1,827 million) - (capital expenditures excluding banking activities (€1,075 million) + proceeds from vehicle disposals (€18 million) - dividends paid (€173 million) - interest paid (€162 million)). In 2016, the amounts were, respectively: €1,448 million, €917 million, €21 million, €174 million, and €145 million.

<sup>3</sup> Group net debt does not take into account banking activities, for which this concept is not relevant.



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allocated €677 million, primarily in the Express sector, but also in the Silver Economy, and local or digital services; in particular, it purchased an equity investment in BRT<sup>4</sup> and acquired Asten Santé<sup>4</sup> and Ametix<sup>4</sup>. Lastly it dedicated €1,352<sup>5</sup> million to investments to expand its activities.

At the same time, the Group worked with the French State to prepare the new Government Public Contract, which sets out the objectives and means of executing its public service mission for the 2018-2022 period. This contract was signed on 16 January 2018. Also in 2017, and with the prior agreement of Arcep (*Autorité de régulation des communications électroniques et des postes* - French Authority for regulation of the electronic communications and postal sectors), the 2018 price cap for universal postal service tariffs was reviewed and the multiannual price cap was set for the 2019 - 2022 period. These decisions confirm the commitment of the authorities to the sustainability of the public service mission awarded to La Poste.

At a social level, 12 new agreements were concluded, including the "Postmen 2017" agreement for the improvement of working conditions and development of the delivery business lines and the services offered by postmen and their supervisors. These agreements reflect the intensity of the social dialogue within the company. Training programmes were also rolled out and more than 84% of postal workers received some sort of training throughout the year, the highest rate ever recorded.

Finally, La Poste continued its initiatives in societal commitment and energy transition, resulting in improved non-financial ratings.

All of the above actions reflect the Group's commitment to promoting social interaction and the general interest, to offer its employees the means to complete their duties and develop new know-how, to encourage responsible development while ensuring the sustainability of its business.

Philippe Wahl thanks all postal workers for their daily commitment and their high level of involvement in serving its customers and the Group's transformation. These good results have induced an increase in the incentive-based premium. Each postal worker will receive the same amount regardless of status, business line or compensation level.

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<sup>4</sup> Respectively 37.5% in BRT, 52.7% in Asten Santé and 70% in Ametix.

<sup>5</sup> Investments taken into account in generating cash flow were non-banking investments for €1,075 million (€278 million was invested and financed by La Banque Postale).

**Key figures as at 31 December 2017****Le Groupe La Poste**

<i>(In millions of euros)</i>	<b>31/12/2017</b>	31/12/2016	<i>Published</i>	<i>Change at constant scope and exchange rates</i>
<b>Group operating performance</b>				
Operating revenue	<b>24,110</b>	23,294	+3.5%	+2.5%
Operating profit/(loss) <i>(after share of net profit/(loss) of companies under joint control)</i>	<b>1,012</b>	975	+3.8%	+6.4%
<i>Operating margin</i>	<b>4.2%</b>	4.2%	<i>0.0 pt</i>	<i>+0.2 pt</i>
Financial profit/(loss)	<b>-168</b>	-169	-0.7%	-
Income tax	<b>-248</b>	-104	<i>n.s.</i>	-
Net profit Group share	<b>851</b>	849	+0.3%	+0.4%
<i>Net margin</i>	<b>3.5%</b>	3.6%	<i>-0.1 pt</i>	<i>-0.1 pt</i>
Economic health indicator <sup>6</sup>	<b>436</b>	233	<i>+€202 m</i>	
<b>Financial structure</b>				
Net debt (ND) <sup>7</sup>	<b>3,820</b>	3,719	<i>+€101 m</i>	
Equity Group Share (E)	<b>11,364</b>	10,917	<i>+€447 m</i>	
ND/E	<b>33.6%</b>	34.1%	<i>-0.5 pt</i>	
<b>Key ratios – La Banque Postale</b>				
Common Equity Tier One Ratio <sup>8</sup>	<b>13.1%</b>	13.7%	<i>-0.6 pt</i>	
"Loan to Deposit" Ratio <sup>9</sup>	<b>81%</b>	74%	<i>+6.9 pts</i>	

<sup>6</sup> Economic health indicator = Cash flow from operating activities excluding banking activities (€1,827 million) – (capital expenditures excluding banking activities (€1,075 million) + proceeds from vehicle disposals (€18 million) – dividends paid (€173 million) – interest paid (€162 million)). In 2016, the amounts were, respectively: €1,448 million, €917 million, €21 million, €174 million, and €145 million.

<sup>7</sup> Group net debt does not take into account banking activities, for which this concept is not relevant.

<sup>8</sup> CET1 ratio with the application of provisional measures (the fully loaded ratio was 13.4% at 31 December 2017).

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



## Operating revenue

**Le Groupe La Poste's consolidated operating revenue** totalled €24,110 million, up 3.5% (+2.5% at constant scope and exchange rates). The positive scope effect of +€297 million, essentially from GeoPost (+€221 million) and, to a lesser extent the subsidiaries of the Services-Mail-Parcels business unit, the Digital Services business unit and La Banque Postale, was affected by a unfavourable exchange rate impact of -€69 million (mainly due to the pound sterling).

All business units made a positive contribution to growth, driven in particular by the dynamic growth of GeoPost and the Digital Services business unit, the good performance of La Banque Postale operations and the slight increase in the Services-Mail-Parcels business unit.

### Per business unit:

(In millions of euros)	31/12/2017	31/12/2016	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	11,424	11,354	+0.6%	0.0%
GeoPost	6,816	6,166	+10.5%	+8.2%
La Banque Postale	5,687	5,602	+1.5%	+2.0%
Digital Services	672	609	+10.4%	+5.7%
Other segments and intercompany	-489	-436	+12.2%	+12.0%
<b>OPERATING REVENUE</b>	<b>24,110</b>	<b>23,294</b>	<b>+3.5%</b>	<b>+2.5%</b>

The Services-Mail-Parcels business unit grew by 0.6% to 11,424 million, a slight increase experienced for the first time since 2009.

The slight decrease in **Mail** revenue reflects the continued structural decline in addressed mail volumes (down 6.8%<sup>10</sup>), which was offset by several positive impacts, including the tariff increase on 1 January 2017, up 3.2%<sup>11</sup> on average (+€253 million), a rise in international flows (up by €45 million), and the stabilisation of advertising mail<sup>12</sup>.

Local **Services** have stepped up, driven on the one hand by growth of the activities of subsidiaries<sup>13</sup>, in particular in the Silver Economy (up €67 million) and on the other hand the increasing contribution of new Services (up €38 million, including an increase of €15 million relating to the written driving licence test).

Revenue from **Parcels** recorded an increase of €89 million (+5.4%) to €1,748 million, as a result of the significant increase in volumes (up 8.1%<sup>14</sup>) to a record high of 318 million parcels (essentially domestic BtoC flows).

<sup>10</sup> In equivalent working days

<sup>11</sup> As a percentage of traffic-generating revenue

<sup>12</sup> The Growth in Mediapost (direct marketing)'s revenue of €37 million offsets the decline in addressed advertising mail

<sup>13</sup> Logistics, e-Logistics, energy transition and Silver Economy

<sup>14</sup> In equivalent working days



Revenue for the **GeoPost**<sup>15</sup> business unit increased by €650 million to €6,816 million, up 10.5%. This increase was driven by a significant increase in volumes, with 1,228 million parcels delivered, representing a rise of 9.8%<sup>16</sup> compared to 2016, in addition to other favourable impacts such as the fuel surcharge and a slightly positive price impact. Revenue was also sustained by the active external growth policy (an increase of €221 million linked to scope impacts as a result of the consolidation in 2017 of Jadlog in Brazil and SPSR in Russia). At constant scope and exchange rates, the increase in revenue amounts to 8.2%. All countries contributed favourably to this growth, in particular the United Kingdom (+11%), France (+6.3%), Poland (+18.3%) and Russia (+13.7%).

**La Banque Postale** recorded €5,687 million in Net Banking Income (NBI), up 1.5% (up 3.4% at constant scope<sup>17</sup> and after restating the home-savings provision<sup>18</sup>). The 2016 NBI included a €107 million capital gain for the disposal of Visa Europe securities. The 2017 NBI included the retroactive recording with respect to 2016 of the increased compensation in relation to the General Interest Mission for banking<sup>19</sup> accessibility for the sum of €130 million.

NBI from the **Retail banking** division posted a 1.5% increase (+3.0% excluding the home savings provision) to €5,320 million. The adjusted net interest margin grew by €45 million, attributable to the growth in revenue from financing legal entities that is a reflection of the development of La Banque Postale on this market. The increase in compensation for the General Interest Mission helps compensate for the continued decline in yields from home loans (impact of low interest rates and the effects of re-negotiations and early redemption). Commissions increased by 4.1% as a result of the continued development of customer equipment and changes to tariffs. In total, loans outstanding rose 12.0%, with a 43.5% increase for loans to legal entities outstanding, up 2.6% for consumer loans outstanding and up 4.8% for property loans outstanding. The development of distance sales channels and changes in the distribution of home loans within the Network also contributed to this increase.

NBI for the **Asset Management** division of €145 million rose by 6.3% after restating the scope effect linked to the disposal of Ciloger<sup>17</sup>. Outstandings for this division reached €218 billion at the end of 2017, up 15%, benefitting in particular from the new mandate awarded in the summer by CNP Assurances to La Banque Postale Asset Management (€24 billion in outstandings). The new Allocation Flexible range launched in May 2016 by La Banque Postale Asset Management as part of its partnership with Aegon Asset Management, confirmed its success (with €1.9 billion of assets under management at the end of 2017).

NBI for the **Insurance** division increased by 12.1% to €222 million. This increase is due both to the expansion of the policy portfolio of the Property & Casualty insurance (up 8%) and Health insurance (up 19%) subsidiaries, which reflects the Bank's strategy of customer development, and to the general improvement in the loss ratio.

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<sup>15</sup> GeoPost operates under the DPD, Chronopost and Seur brands

<sup>16</sup> +7.3% organic

<sup>17</sup> Merger of Ciloger and AEW Europe at the end of October 2016 (scope effect: -€26 million)

<sup>18</sup> A reversal of €69 million at 31 December 2017, versus a reversal of €142 million at 31 December 2016, i.e. a change in the amount of -€73 million

<sup>19</sup> On 24 October 2017, the European Commission estimated that the compensation awarded by France to La Banque Postale did not exceed the net cost incurred as a result of executing its public service obligations and did comply with the rules of the European Union relating to State aid. The decree of 4 December 2017 set the amounts for the period 2015-2020.



Revenue for the **Digital** Services business unit increased 10.4% to €672 million (up 5.7% at constant scope and exchange rates). Activities in the **Docapost** division, which specialises in the digital transformation of companies, increased by €44 million (9.7%), in particular with regard to digital platforms and the digitisation of business processes. A favourable impact of €25 million was also recorded in relation to acquisitions (Fast, Applicam, Ametix and Localeo) made in 2016 and 2017. Online sales increased, with a 12% rise in revenue from the site [www.laposte.fr](http://www.laposte.fr) and there was growth in the Digiposte (digital personal assistant and its associated services, 2.2 million accounts opened at the end of 2017). Finally, the **Mediapost Communication** division recorded a slight decline of €2 million<sup>20</sup> linked to a fall in advertising revenue.

The **Network** business unit supports the commercial development of the business units<sup>21</sup>. In 2017, the Network business unit continued to adapt its organisation and lines to always give more decision-making power and expertise close to its customers, particularly in the banking sector. Improved customer experiences, digital transformation of its points of contact and the adjustment of their formats are proof of the efforts made to adapt to customers' new uses. Investments were carried out in equipment and renovation of the main offices. There are now 1,200 "Relais Poste Urbain" outlets, which are flexible structures that can be adapted to people's needs, as well as 504 public service areas.

La **Poste Mobile** continued to grow on a mature and yet competitive market. It has a network of almost 1.4 million lines as at 31 December 2017, up 6.4% thanks to the sale of 515,000 new lines over the year. It has also extended its offering, including the launch of a mobile offering for professionals.

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<sup>20</sup> Including a €4m Probayes scope effect

<sup>21</sup> The revenue for the Networks business line consists of the invoicing of services performed.

## Operating profit<sup>22</sup>

**Group consolidated operating profit totalled** €1,012 million, up 3.8% (up 6.4% at constant scope and exchange rates). Restated for exceptional items<sup>23</sup> accounted for in 2016 and 2017 and scope and exchange rate effects, operating profit increased by 12.6%.

(In millions of euros)	31/12/2017	31/12/2016	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	600	584	+2.7%	+2.5%
GeoPost	430	438	-1.8%	+1.5%
La Banque Postale	870	834	+4.4%	+6.4%
Digital Services	-20	-6	<i>n.s.</i>	<i>n.s.</i>
Support/Structure and others	-183	-130	+40.4%	+40.4%
Unallocated and eliminations	-686	-745	-7.8%	-7.8%
<b>OPERATING PROFIT</b>	<b>1,012</b>	<b>975</b>	<b>+3.8%</b>	<b>+6.4%</b>

Operating profit for the **Services-Mail-Parcels business unit** increased by 2.7% to €600 million (up 2.5% at constant scope and exchange rates). The decreasing mail volumes was offset by the good activity registered in the different divisions (in particular for parcels and the direct marketing subsidiaries), efforts to control costs and offsetting up synergies between Mail and Parcels.

**GeoPost's** operating profit fell 1.8%, and increased by 18.2% at constant scope and exchange rates and excluding the revaluation of securities as part of the acquisition in 2016 of the remaining 50% of Armadillo in Russia. It benefitted from rising volumes and continued cost controls.

**La Banque Postale's** contribution to the Group's operating profit increased by 4.4% (+6.4% at constant scope). It includes a slight increase of 0.8% in operating expenses, including costs resulting from the effects of the transformation of IT systems and supporting the development of the subsidiaries. The cost to income ratio reached 81.8%. The cost of risk remained under control at €192 million and, compared to outstandings, at a still very low level of 22 basis points, despite an increase in outstanding loans of 12.0%. It is worth noting that in 2016, operating profit included a gain of €107 million for the disposal of Visa Europe securities. In 2017, it includes the retroactive recording

<sup>22</sup> Operating profit/(loss) (for the Group and business units) are presented after share of net profit/(loss) of companies under joint control.

<sup>23</sup> Favourable impacts recorded in 2016: gain of €107 million accounted for by La Banque Postale for the sale of Visa Europe securities and the revaluation of securities as part of the GeoPost's acquisition of the remaining 50% of Armadillo (Russia) to the sum of €60 million. Favourable impacts recorded in 2017: increase in the GIM compensation with respect to 2016 to the sum of €130 million.



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with respect to 2016 of the General Interest Mission compensation amounting to €130 million<sup>24</sup>.

The **Digital** Services business unit operating loss totalled -€20 million, a decline of €13 million, due to the impairment of assets totalling €20 million.

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 €851 million, a slight increase of 0.3%. This is due to three concomitant factors. Financial loss of €168 million is more or less stable (loss of €169 million in 2016). Corporate tax increased to €248 million (compared to €104 million in 2016, this amount was particularly low due to non-taxable income). Finally, the share of profit of equity associates, which totalled €297 million, increased by €106 million (including €68 million from CNP Assurances and €31 million from BRT).

### **Capital expenditures and external growth**

Le Groupe La Poste increased its pace of development, with €1,352<sup>25</sup> million dedicated to its investments and €677 million to external growth. These amounts, which have increased compared to previous years, are proof of its commitment to transformation.

### **Investments**

The Group therefore invested €1,352<sup>25</sup> million in 2017. The Services-Mail-Parcels business unit dedicated €274 million to investments including the automation of its parcel platforms, the development of its subsidiaries (in particular the Silver Economy) and its operations to pool the mail/parcel platforms. GeoPost invested €260 million in development projects and in the upkeep and maintenance of its depots and hubs, in a certain number of countries. The Digital Services business unit allocated €68 million to the development of its La Poste website as well as projects linked to digital trust and customer knowledge. Finally, the Group dedicated €318 million to real estate investments and €127 million to vehicle purchases.

### **External growth**

In 2017, €667 million (excluding a deduction for the cash acquired) was allocated to acquisitions and equity investments.

These acquisitions largely concerned the **GeoPost** business unit, which accounted for €546 million, with the acquisition of 37.5% of the share capital of BRT in Italy and 77.9%

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<sup>24</sup> A retroactive GIM increase with respect to 2016 was recognised in 2017 as well as the GIM increase for 2017.

<sup>25</sup> Investments taken into account in generating cash flow were non-banking investments for €1,075 million (€278 million was invested and financed by La Banque Postale).





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of that comprising DPD Russia/SPSR. Within the **Services-Mail-Parcels** business unit, €109 million was used for acquisitions, including a 52.7% stake in the capital of Asten Santé. Finally, the **Digital Services** business unit allocated €17 million to acquisitions, in particular a majority stake in the capital of Ametix.

### **Economic health indicator and net debt**

The Economic health indicator (EHI) measures the cash flow of Group operations after financing investments, and payments of interest and dividends, amounted to €436 million, up €202 million compared to 2016. This surplus, along with real estate disposals (€272 million) has financed most of the external growth, thus limiting any growth in net debt to €101 million.

### **Financial structure**

The Group's financial structure is solid, as shown by the equity/net debt ratio of 0.34 (compared to 0.34 as at 31 December 2016).

Consolidated equity Group share totalled €11,364 million, up €447 million. It includes in particular the recording of net profit Group share (net of dividends paid). Net debt amounted to €3,820 million.

### **2018 Outlook**

In respect of 2018, Le Groupe La Poste anticipates moderate growth in its revenue and expects its operating profit to remain almost stable. Investments and external growth transactions will continue to support the development of the business units.

Le Groupe La Poste is completely on track for the implementation of its ambitious transformation plan and hopes to make postal workers both participants and beneficiaries of this transformation. Its commitment to serving public action priorities and local authorities and more generally that of the company as a whole, remains intact.

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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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