LE GROUPE LA POSTE

PRESS RELEASE
Paris, 31 July 2019

LE GROUPE LA POSTE 2019 FIRST-HALF RESULTS

Major strategic steps in the transformation of the Group's business model
Increase in operating revenue but financial profits impacted by low interest rates and the ongoing decrease in mail volumes

Key figures

- **Operating revenue**: €12,795 million, up 4.5% (+0.9% at constant scope and exchange rates)
- **Operating profit**: €572 million, down 33.3% (-34.7% at constant scope and exchange rates)
- **Net profit Group share**: €474 million, down 25.5%
(-26.4% at constant scope and exchange rates)
- **Free cash flow***: €132 million (vs €250 million at 30 June 2018)
- **Net debt**: €6,231 million, of which €2,534 million for the first-time application of IFRS 16 (€3,442 million at 31 December 2018)
- **Net debt/equity ratio**: 0.50 including IFRS 16 (0.29 at 31 December 2018 excluding IFRS 16)

Half-year highlights

- A guiding half year **for the creation of the large public financial unit** which saw the **strategic equity alliance** between **La Poste** and **Caisse des Dépôts and that between La Banque Postale and CNP Assurances** take decisive steps
- Continuation of **the industrial and logistics facilities investment plan** in **France and internationally**
- **Dynamic of continued external growth in France and internationally** in all Group activities

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 2019.
"*Our financial profits have been impacted by the continued fall in mail volumes and persistently low interest rates. At the same time, over the half year the Group has taken major steps forward in its strategic plan, with the creation of the large public financial unit, the consolidation of Asendia and a majority stake*[1] *acquired in BRT, the leading Italian express parcel operator, announced today. The Group is also pursuing its investment programme to promote diversification and the development of all its business lines*".

* Free cash flow = cash flows from operating activities excluding change in provisions for current assets and irrecoverable receivables + HR provisions (excluding end-of-career arrangements) – CAPEX net of disposals – Net interest paid – loan repayments and financial expenses on finance leases

[1] Subject to the approval of the competition authorities

Selected financial information on 30 June 2019

The first half of 2019 was characterised by the entry into force of IFRS 16 (Leases), which is applicable from 1 January 2019. Le Groupe La Poste is applying this standard based on the ”modified retrospective” approach. Consequently, the right-of-use asset, depreciated over the term of the lease, will be recognised under assets, and a lease liability equal to the discounted value of lease payments not yet paid will be recognised under liabilities.
The standard does not allow for the restatement of comparative years for 2018 (under the modified retrospective transition approach).
The financial information for the first half of 2019 therefore sets out the estimated impact of IFRS 16 on the 2019 fiscal year, and therefore enables a comparison to be made between the 2018 and 2019 fiscal years excluding the effect of this standard.
All changes observed and explained in this press release shall be assumed to exclude IFRS 16.

(In millions of euros)	**30/06/2019**	*2019 IFRS 16 impact**	**30/06/2019** *Excluding IFRS 16 impact**	30/06/2018	*Change*			
					vs n-1 (excluding IFRS 16)		*vs n-1 at constant scope and exchange rates (excluding IFRS 16)*	
Operating performance		in €M			in €M	in %	in €M	in %
Operating revenue	**12,795**	*+0*	12,795	12,246	*+549*	*+4.5%*	*+114*	*+0.9%*
Operating profit/(loss) *(after share of net profit of jointly controlled entities)*	**572**	*+35*	538	806	*-268*	*-33.3%*	*-279*	*-34.7%*
Operating margin	*4.5%*	-	*4.2%*	*6.6%*	-	*-2.4pt*	-	*-2.3pt*
Financial profit/(loss)	**-124**	*-34*	-90	-92	*+2*	*-2.5%*	-	-
Income tax	**-108**	*-0*	-108	-200	*+92*	*-45.9%*	-	-
Net profit/(loss), Group share	**474**	*+0*	474	636	*-162*	*-25.5%*	*-168*	*-26.4%*
Net margin	*3.7%*	-	*3.7%*	*5.2%*	-	*-1.5pt*	-	*-1.4pt*
Financial structure	**30/06/2019**			31/12/2018				
Net debt (ND)	**6,231**	*2,534*	3,696	3,442	*+254*	*+7.4%*	-	-
Equity Group Share (E)	**12,451**	*-149*	12,600	12,014	*+586*	*+4.9%*	-	-
ND/E	**50.0%**	-	-	28.7%	-	*+0.7pt*	-	-
Key ratios – La Banque Postale								
Common Equity Tier One Ratio[2]	**12.7%**	-	-	11.7%	-	*+1.0pt*	-	-
“Loan to Deposit” ratio[3]	**85%**		-	86%	-	*-1.2pt*	-	-

**Estimated impact*

[2] Fully loaded CET1 ratio
[3] Excluding centralised savings held by Caisse des Dépôts.

Operating revenue

(In millions of euros)	30/06/2019	30/06/2018 proforma*	Change	
			Published	At constant scope and exchange rates
Services- Mail-Parcels	6,122	5,771	+6.1%	-1.3%
GeoPost	3,730	3,478	+7.2%	+7.3%
La Banque Postale	2,850	2,926	-2.6%	-2.6%
Digital services	339	313	+8.4%	+4.6%
Other segments and intercompany	-245	-241	+1.7%	+0.5%
OPERATING REVENUE	**12,795**	**12,246**	**+4.5%**	**+0.9%**

** The proforma covers the segment reclassifications for the Services-Mail-Parcels, GeoPost and Digital Services business units*

Le Groupe La Poste's consolidated operating revenue amounted to €12,795 million, up €549 million or 4.5% (+0.9% at constant scope and exchange rates), with differing trends depending on the business unit. The scope effect of +€436 million is most pronounced in the Services-Mail-Parcels business unit (+€425 million) primarily due to the consolidation of Asendia but also due to continued acquisitions in the Silver economy, and to a lesser extent in the Digital Services business unit. The exchange rate effect is negligible (-€2 million).

Operating profit/(loss)[4]

(In millions of euros)	30/06/2019	2019 IFRS 16 impact**	30/06/2019 Excluding IFRS 16 impact**	30/06/2018 (proforma*)	Change			
					vs n-1 (Excluding IFRS 16)		vs n-1 at constant scope and exchange rates (Excluding IFRS 16)	
		in €M			in €M	in %	in €M	in %
Services- Mail-Parcels	289	+4	285	376	-90	-24.0%	-99	-26.2%
GeoPost	193	+21	172	186	-14	-7.5%	-15	-8.0%
La Banque Postale	492	-0	492	546	-54	-9.9%	-54	-9.9%
Digital services	-5	+0	-6	-1	-5	n.s.	-6	n.s.
Network, other segments and intercompany	-397	+9	-407	-301	-105	+34.9%	-106	+35.1%
OPERATING PROFIT/(LOSS)	**572**	**+35**	**538**	**806**	**-268**	**-33.3%**	**-279**	**-34.7%**

** The proforma covers the segment reclassifications for the Services-Mail-Parcels, GeoPost and Digital Services business units*
***Estimated impact*

The Group's consolidated operating profit reached €572 million, down €268 million or 33.3% (-34.7% at constant scope and exchange rates[5]). Please note that the first half of 2018 included €168 million in profit for a real estate[6] site disposal, and that the first half of 2019 included the impact of government measures introduced at the end of 2018 (the capping of bank charges with an impact of €39 million).

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[4] Operating profit/loss (for the Group and business units) is presented after share of net profit/(loss) of companies under joint control
[5] Exchange rate effect of €0 million
[6] La Boétie real estate site located in Paris

Excluding these items, the change in the operating profit reflects the decrease in revenue from traditional mail activities and in the Bank's NBI, as well as the pressure on Express subcontracting and transport costs in Europe, perpetuating 2018's trend. This has led the Group to commit to a cost savings plan for 2019 and 2020, to save €300 million.

Net profit

The **net profit Group share** reached €474 million, down 25.5% (-26.4% at constant scope and exchange rates). This change is primarily due to the reduction in operating profit, and to a lesser extent to the decrease in the financial result to -€124 million (versus -€92 million in the first half of 2018), linked to the first-time adoption of IFRS 16.
Of note is the lower income tax of -€108 million (compared with -€200 million in the first half of 2018), linked to the decrease in profit before tax and the fall in the tax rate applicable to the Group (32.02% vs 34.43%).

The share in profits of equity associates was virtually stable at €143 million (€142 million in the first half of 2018), and essentially covers CNP Assurances (20.15%), and to a lesser extent BRT (37.5%) and Ninja Van (32.3%).

Net debt and financial structure

Free cash flow reached €132 million (vs €250 million at 30 June 2018). This change was primarily due to a decline in working capital, and to the fact that there were no major real estate disposals over the period.

Net debt increased by €2,789 million to €6,231 million. This change was largely prompted by the entry into force of IFRS 16, which led to a lease liability equal to the discounted value of lease payments not yet paid being recognised under liabilities (additional sum of €2,534 million). Excluding this effect, debt increased by €254 million.

Consolidated equity Group share totalled €12,451 million, up €437 million, including an IFRS 16 impact of -€149 million.

Consequently, the net debt/equity ratio was 0.50 (while the 2018 ratio, which did not include the IFRS 16 impact, stood at 0.29).

Ratings

Credit ratings for La Poste have remained unchanged over the six-month period:

	Long and short-term rating	Outlook	Updated
Standard & Poor's	A / A-1	Positive	30/10/2018
Fitch	A+ / F1	Stable	11/09/2018

By business unit

Services- Mail-Parcels

Revenue for the **Services-Mail-Parcels** business unit totalled €6,122 million, up €351 million or +6.1% (-1.3% at constant scope and exchange rates). The scope and exchange rate effect of €426 million is primarily linked to the consolidation of Asendia in the second half of 2018, and to a lesser extent to the consolidation of Diadom (Silver Economy division). The performance of +6.1% stems from the introduction of a number of items:

- the 4.3% decline in the Mail revenue to €4,288 million. This activity is characterised by a 7.5%[7] drop in addressed mail volumes (-€367 million), due to increased streamlining of shipments in the banking and public sectors and for telephony operators. This effect was partially offset by the 4.9% average price increase implemented on 1 January 2019 (+€180 million) and the rise in international flows of small (mainly import) parcels (+€13 million), as well as the impact of the European elections (+€22 million);
- the 4.2% increase in the Parcel revenue (+€35 million) to €884 million. This result was buoyed by increased flows (volumes up by 9.6%[7] to 168 million items), driven by growth in e-commerce and particularly BtoC flows, as well as the development of "out-of-home" deliveries and return flows;
- the growth in Local Services as a result of Silver Economy activities[8] (+€19 million including a scope effect of +€18 million) and new services[9] (+€6 million). The other activities have recorded contrasting changes, with advertising mail up (+€10 million) and logistics down (-€7 million).

Operating profit for the **Services-Mail-Parcels business** unit decreased by 24.0% to €289 million (down 26.2% at constant scope and exchange rates), due to the fall in traditional mail, which was not offset by the Parcels operating profit nor by the positive contribution of new activities and acquisitions.

GeoPost

Revenue for the **GeoPost**[10] business unit increased by €252 million to €3,730 million or 7.2% (+7.3% at constant scope and exchange rates). GeoPost has implemented a price increase policy in certain countries, boosting revenue with volume growth of 2.3%[11] (638 million parcels), and a BtoC share which now covers 44% of total volumes. Also of note is the positive impact of surcharges applied on 1 January 2019 (+€35 million). Most geographic areas have posted a positive change in organic revenue, in particular the United Kingdom (+6.4%), Germany (+5.9%) and France (+5.8%).

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[7] In equivalent working days.
[8] Tikeasy, Axeo, Asten Santé and Diadom
[9] Services rolled out by subsidiaries (Geoptis, Recygo, Mobigreen, Nouvelle attitude)
[10] GeoPost operates under the DPD, Chronopost and Seur brands.
[11] +2.2% organic growth

GeoPost's operating profit was down 7.5% (-8.0% at constant scope and exchange rates) to €193 million. This change is primarily due to a European backdrop characterised by Brexit and pressures on subcontracting costs in certain countries.

GeoPost is pursuing its external growth transactions, and today announces an agreement with shareholders of BRT (in which it has already held a 37.5% stake since 2017), which authorises it (subject to the approval of the competition authorities) to acquire a majority stake in BRT, the leading express parcel operator in Italy.

La Banque Postale

La Banque Postale reported a Net Banking Income (NBI) of €2,850 million, down 2.6% (-3.0% after restating the home savings provision[12]).

- Retail banking:
  The fact that interest rates have remained at an all-time low (or even negative) has weighed on the retail banking NBI, which stood at €2,596 million, down 4.1% (-4.6% excluding the home savings provision). The net interest margin, restated for the home savings provision, fell by 6.0% while commissions were down 2.1%, following the impact of commitments made by La Banque Postale to cap incidental banking costs in the wake of government measures introduced at the end of 2018. The impact of these measures is calculated at €39 million.
  However, commercial activities remain robust, with outstanding loans still growing (+14.5%, of which 36.3% for the loans to legal entities segment, 3.2% for the consumer loan segment and 4.7% for home loans), the same as outstanding savings (+1.9%), characterised by both an increase in ordinary savings and sight deposits, and by virtual stability in financial savings. Meanwhile, outstandings for the BPE subsidiary were up 9.6% and highlighted the boosting of the Bank's expertise in respect of high net-worth customers.
- NBI for the Asset Management division was stable at €74 million. Outstandings increased (+2.6%) to €230 billion over the period.
- Finally, the NBI for the Insurance division was up 24.2% to €180 million, supported by a non-life insurance policy portfolio which increased by 0.4%, together with the commercial momentum of the P&C segment (policies up by 3.8%).

La Banque Postale's contribution to the Group's operating profit was down 9.9% to €492 million. Efforts to rein in expenses resulted in a 0.6% drop in management expenses, but did not totally offset the decline in NBI. Therefore, the cost to income ratio reached 83.2%. The cost of risk stood at €41 million (compared with €49 million for the first half of 2018). It remained at a very low 7 basis points[13] compared to outstandings, despite the growth in outstanding loans and more particularly business with legal entities.

[12] A reversal of €28 million at 30/06/2019 versus a reversal of €17 million at 30/06/2018, i.e. a change of +€12 million
[13] The retail bank's cost of credit risk compared with outstandings at the beginning of the period

Digital Services

The revenue of the **Digital Services** business unit, at €339 million, increased by 8.4% (+4.6% at constant scope[14] and exchange rates).
Revenue for the "Commercial Activities" division grew by 7.6% to €306 million, thanks to the Docaposte and Mediapost Communication subsidiaries, and the laposte.fr e-commerce portal. More specifically, Docaposte revenues were up by 6.3% to €261 million, thanks to the development of its digital activities and the Voxaly and Brains acquisitions. Revenue for Mediapost Communication (whose activities are now based[15] around data and artificial intelligence) increased by 20.2% to €19 million, which included the acquisition of Marketshot. Lastly, sales on the e-commerce website laposte.fr were up 9.2%.
Furthermore, the "Transformation and Innovation" division of the business unit has committed investments and expenditure for the Group's digital projects and for other business units. These investments were up over the half-year with the development of cross-entity projects and of the "digital trust" activity. Notably, Digiposte customers were up by 32% to 3.5 million.

The **Digital Services** business unit reported a decrease in operating profit of €5 million to -€5 million, due to a ramping up of projects and the development of new activities, as well as costs related to platform security and regulatory compliance (GDPR[16] in particular).

The Network

In an increasingly multichannel environment, the **Network** continues to adapt the formats in which it is present. It has thus installed 143 new urban "La Poste Relais" outlets in the first half of 2019 and has consolidated its services to the general public with its 501 Public Service Areas, already installed since 2017. In this context, overall customer satisfaction remains high. The transformation of the Network therefore contributes positively to Le Groupe La Poste's cost control. Furthermore, the Network's commercial dynamism is sustained, driven in particular by the banking advisors activity and by the development of mail-parcel services for professional customers.
In an extremely competitive market, **La Poste Mobile**[17] has managed to win over 307,000 new customers (including prepaid customers), 256,000 of which were new subscribers during the half-year, (85,000 net subscription sales). It now has a total database of 1.6 million customers, representing an increase of 6%.

Other Segments

"**Other segments and intercompany**" notably includes Real Estate and Supports & Structures, primarily internal within the Group.

Other sectors' profits/losses are deducted from those of the business units to obtain the Group's consolidated operating profit/loss:

- unallocated expenses (-€323 million) includes the net costs of the postal coverage (-€250 million);

[14] Voxaly, Brains, Marketshot, Société and Médiaprisme BE
[15] Advertising marketing activities were transferred to the Services-Mail-Parcels business unit on 1 January 2019
[16] General Data Protection Regulation
[17] La Poste Mobile is a brand operated by La Poste Telecom, a joint venture between Le Groupe La Poste (51%) and SFR (49%).

- profits/losses of the Support functions and Head Office Services (-€73 million);
- the Real Estate profit of €34 million is down €159 million, due to the impact of the €168 million profit from the real estate site disposal in the first half of 2018[18].

Strategic equity alliance between La Poste and Caisse des Dépôts: key steps taken for the creation of a large public financial unit

Since the beginning of 2019, a number of key steps have been taken in the project for the creation of a large public financial unit, involving the French State, Caisse des Dépôts, La Poste, La Banque Postale and CNP Assurances.

- The PACTE Act was enacted on 22 May, meaning that Caisse des Dépôts can now become the majority shareholder of La Poste;
- On 4 June, the BPCE group and La Banque Postale announced they had begun discussions with a view to expanding and deepening their industrial partnership at the same time as the major public banking and insurance unit is established. A project to bring certain, mainly insurance-based, euro rate management activities together within a common platform was announced, as well as an eight-year extension of the agreements between BPCE / Natixis and CNP Assurances relating to ADE[19], contingency insurance and healthcare, until 31 December 2030;
- On 11 June, the French State, Caisse des Dépôts, La Poste and La Banque Postale signed a non-binding memorandum of understanding for the creation of a large public financial unit. It will be implemented by way of a contribution by the French State and Caisse des Dépôts to La Poste, followed by the contribution by La Poste to La Banque Postale, of their respective equity investments of 1.11% and 40.87% in CNP Assurances. Once the deal is complete, Caisse des Dépôts will hold a majority stake in La Poste. La Banque Postale's equity investment in the capital of CNP Assurances (whose multi-partnership model is reaffirmed by this project) will then increase to 62.13%;
- On 25 June, the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) granted La Banque Postale an exemption from its obligation to submit a takeover bid for CNP Assurances. The period for appealing this exemption elapsed on 8 July 2019.
- On 26 June, La Banque Postale withdrew from the CNP Assurances agreement concluded on 2 September 1998with Caisse des Dépôts, the French State, La Poste and BPCE. This agreement shall no longer be effective from 1 January 2020, and a new shareholders' agreement between Caisse des Dépôts, La Poste, La Banque Postale and the French State will take effect on 1 January 2020, under which the parties' rights and obligations shall be identical to those contained in the original agreement. The parties to the new agreement have agreed on a long-term basis that the agreement shall remain in force until all operations have been completed;
- On 26 July, the BPCE group and La Banque Postale confirmed that they had moved forward in discussions aimed at expanding their industrial partnership, with a target completion date in the first half of 2020. Furthermore, BPCE and La Banque Postale will sign a new shareholders' agreement regarding CNP Assurances, in their capacity as stable shareholders of the company, holding respectively 16.11% and 62.13%;

[18] La Boétie real estate site located in Paris
[19] « loan protection insurance »

- On 31 July, the binding memorandum for the creation of a large public financial unit has been signed by all parties involved: the French State, Caisse des Dépôts, La Poste and La Banque Postale.

The proper completion of information or consultation processes for staff representation bodies of the various entities has been carried out.
Completion of this project is currently subject to obtaining regulatory authorisations from the relevant authorities.

2019 Outlook

Against the backdrop of a difficult macroeconomic environment, Le Groupe La Poste expects moderate organic growth of its revenue over the year. In the second half of 2019 and in 2020 it will seek to shore up its economic and financial results and maintain its investment capacity by rolling out a cross-entity Group savings programme for €300 million that will primarily target head office and Structures costs. It will also target reinforced investment prioritising (with -€100 million impact).
The second half will also be dedicated to the achievement of key steps of the Group's strategic plan announced during first half:

- the strategic equity alliance with Caisse des Dépôts for a shared industrial project in the interests of the French people and regions;
- the merger between La Banque Postale and CNP Assurances;
- the acquisition of a majority stake in BRT, the leading express parcel operator in Italy.

These projects should be completed in full during the first half of 2020.

The half-year financial report of Le Groupe La Poste is now available online at https://www.groupelaposte.com / Our Financial Information / Publications

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