

## LE GROUPE LA POSTE 2014 ANNUAL RESULTS

### Limited decline in results thanks to the first positive impacts of the « La Poste 2020: Conquering the future » strategic plan

- **Consolidated revenue:** €22,163 million, up 2.1%  
(up 0.9% at constant scope and exchange rates)
- **Operating profit<sup>1</sup>:** €719 million, down 7.6%  
(down 9.9% at constant scope and exchange rates)
- **Net profit Group share:** €513 million, down 17.7%  
(down 20.5% at constant scope and exchange rates)
- **Economic health indicator<sup>2</sup>** has improved but remains negative  
(at -€113 million vs. -€134 million in 2013)
- **Net debt<sup>3</sup>:** €4,005 million, +€200 million
- **Stable Group financial structure** with "net debt/equity<sup>4</sup>" ratio maintained  
at 0.44

The Board of Directors of La Poste met on Tuesday, 24 February 2015, under the chairmanship of Philippe Wahl, and approved the Group's consolidated financial statements for the year ended 31 December 2014.

2014 was a defining year for Le Groupe La Poste, characterised by the drawing up of its new strategic plan called "La Poste 2020: Conquering the future". After it presented this plan to the Board of Directors on 28 January 2014, on 4 April, the Group announced its new structure around five business units, designed to fulfil its purpose of developing existing business activities and conquering new rapidly-growing areas, of modernising its public service missions and of restoring the Group's economic health. The business units' action plans, as well as the Group's financial business plan, were detailed on 26 June 2014.

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

<sup>2</sup> Economic health indicator = Cash flow from operating activities excluding banking (€1,030m) – capital expenditures excluding banking activities (€844m) + proceeds from vehicle disposals (€25m) – dividends paid (€174m) – interests paid (€150m).

<sup>3</sup> Group net debt excludes the banking business for which this concept is not relevant.

<sup>4</sup> The ratio compares net debt to equity Group share.

Throughout the year, the Group levered all its action drivers, starting with accelerating development as well as focusing on synergies and cooperation between business units. Philippe Wahl welcomed the initial benefits of actions initiated in 2014, and in this respect, thanked all employees who joined forces to begin the Group's transformation.

Within this context, and despite a persistently difficult economic environment, consolidated revenue rose by 2% to €22.2 billion. Growth was primarily driven by GeoPost's success and its value-added delivery solutions and La Banque Postale's sales momentum, which offset the effects of digitisation on the Group's other business units. Operating profit came to €719 million, down 7.6%. The continued decline in mail volumes and reduced customer traffic in post offices were partially offset by growth in business activities. Cash generation remains negative but has improved.

## Key figures as at 31 December 2014

### Le Groupe La Poste

The new IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements standards went into effect on 1 January 2014. Entities that were previously proportionately consolidated are now presented in a specific line item in the income statement, based on their share of net profit/(loss) (equity method). The changes resulting from these new standards are essentially:

- Maintaining the "operating profit/(loss)" line item, which includes the operating profit/(loss) of the fully consolidated companies;
- Addition of the "operating profit/(loss) after share of net profit/(loss) of companies under joint control" line item, integrating the share of net profit/(loss) of companies under joint control in the calculation of the Group's operating profit/(loss).

A pro forma income statement and a cash flow statement were restated as at 31 December 2013. Opening net debt and equity as at 1 January 2013 were also restated. These impacts as at 31 December 2013 (detailed in the consolidated financial statements available on the website <http://legroupe.laposte.fr/Finance/Publications>) amounted to:

- +€156 million on equity Group Share;
- +€8 million on operating profit
- -€4 million on net profit.

In millions of euros	31/12/2014	31/12/2013 <i>pro forma</i>	Change vs. <i>pro forma</i>	Change at constant scope and exchange rates
Operating revenue	<b>22,163</b>	21,715	+2.1%	+0.9%
Operating profit	701	766	-8.4%	
Operating profit(after share of net profit of companies under joint control)	<b>719</b>	778	-7.6%	-9.9%
Operating margin	3.2%	3.6%	-0.4pt	
Net profit Group share	<b>513</b>	624	-17.7%	-20.5%
Net margin	2.3%	2.9%	-0.6pt	
Economic health indicator	-113	-134	+15.7%	
<b>Financial structure</b>				
Net debt <sup>5</sup>	4,005	3,805	+€200m	
Equity Group share	9,088	8,615	+5.5%	
Net Debt/Equity	0.44	0.44	-	
Net Profit/Equity	5.6%	7.2%	-1.6pt	
<b>Key ratios for La Banque Postale</b>				
Operating ratio	82.7%	84.7%	-2.0pt	
Common Equity Tier One <sup>6</sup>	12.7%	10.1%	+2.6pt	
"Loans/Deposits" ratio	75%	67%		

<sup>5</sup> Group net debt excludes the banking business for which this concept is not relevant.

<sup>6</sup> Phased-in ratio with the application of transitional measures (the fully loaded ratio is 14%).

## Le Groupe La Poste results

### Change in revenue

**Le Groupe La Poste's consolidated revenue**, €22.2 billion, rose 2.1%. This increase resulted from both organic growth (+0.9% at constant scope and exchange rates) as well as from new companies acquired in 2013 and 2014.

### Per business unit

#### **Services-Mail-Parcels**

Revenue for the Services-Mail-Parcels business unit totalled €11.4 billion, down 1.8% (+1.7% at constant scope and exchange rates). The structural decline in addressed mail volumes (down 5.8%), intensified by the gloomy economic backdrop, was partially offset by the price increase, which went into effect on 1 January 2014 (+3% on average) and the roll-out of innovative services (corporate recycling offer by Recy'go, new home services for individuals<sup>7</sup>, implemented notably thanks to equipping postmen with connected Facticeo mobile terminals). The Parcel division recorded a very slight increase in revenue<sup>8</sup> to €1.6 billion (the decrease in volumes is in line with the restructuring of/change in the historic portfolio, and the development of competition was offset by price increases and growth in exports). In the printed ad and logistics solutions markets, the Mediapost and Viapost subsidiaries delivered €501 million in revenue, marginally down in a highly competitive environment in the unaddressed advertising mail market and as a result of the redeployment of e-logistics activities.

#### **GeoPost**

GeoPost's revenue rose sharply (13.3%) to €4.9 billion, even at constant scope and exchange rates (+8.4%). GeoPost continues to develop, largely driven by rising volumes (+10.7%, or +9% at constant scope and exchange rates) in France and abroad as well as by the roll-out of high value-added innovative services (expanded pick-up and drop-off points, deployment of lockers, roll-out of the Predict option<sup>9</sup>, Saturday delivery and even Sunday delivery in certain countries, etc.). All countries saw growth, with particular momentum in certain countries. GeoPost's success, which made nearly 77% of its revenue outside France, also relies on the efficiency of its hybrid network, which has enabled growth in both BtoB (up 6%) as well as in BtoC (up 16%).

#### **La Banque Postale**

Net banking income (NBI) for La Banque Postale came to €5.7 billion, up 1.8% and 4% at constant scope and exchange rates and excluding home-savings provision, despite a very unfavourable interest rates. Growth was driven by sales momentum. A single, simplified business structure with the Network has also been put in place.

The Retail banking division increased 1.2% (+3.5% at constant scope and exchange rates and excluding the home-savings provision) under the effects of development in consumer credit, loans to legal entities and rising commissions (+7.9%) thanks to efforts made in terms of customer equipment and expanded product ranges.

NBI for the Asset Management division grew sharply (+10.3%) thanks to the strong commercial performance of La Banque Postale Gestion Privée.

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<sup>7</sup> Cohésio (regular home visits by postmen to households with isolated and/or disabled members), Relevéo (a service to read energy meters on behalf of companies in the sector), Facileo Distribution (item or parcel drop-off with a message issued to the customer and commented by the postman), "appraisal" photos on behalf of insurance companies, technical installation services, listing labour demand services, various courier services (groceries, books, CDs, medications).

<sup>8</sup> Including intercompany revenue to mail subsidiaries.

<sup>9</sup> A delivery option to announce the delivery in a smaller timeslot (one to six hours depending on the country) with the option to reschedule the timeslot via SMS/email.

The Insurance division is also showing significant growth (+13.0%) in NBI, correlating with the expansion of its policy portfolio, which has been particularly marked for the La Banque Postale IARD and La Banque Postale Assurance Santé subsidiaries.

### **La Poste Network**

The Network markets Group products and services in its 17,104 public outlets spread out across the entire country.

Bolstered by its new commercial banking structure, it accounts for 100% of deposits collected from households, 82.4% of home loans and 68% of consumer credit.

For the merchant portion, it delivered €2.3 billion in sales revenue (mail, postal parcels and express parcels), down 2.5%, and played a crucial role in developing the La Poste Mobile portfolio<sup>10</sup> (22% increase in the number of lines at the end of 2014).

The Network is focusing on rolling out an innovative service offering (making 3D printers and digital tablets available, marketing new La Poste Mobile offers) and helps develop synergies within the Group.

### **Digital Services**

The Digital Services business unit achieved €539 million in revenue<sup>11</sup>, down slightly (-1.7%) due to the structural decline in traditional business activities (check processing) within the Docapost division<sup>12</sup> and due to the difficult market environment for ad revenue within the Mediapost Communication division<sup>12</sup>. However, new offerings (e-service platforms, the Media Data Live offering<sup>13</sup>, e-signature offering in all markets, etc.) were rolled out throughout the year. 2014 was also characterised by the major L@poste online transformation and modernisation project, which resulted in the redesign of the laposte.net email service and the laposte.fr website, the showcase for the Group's products and services online, where sales increased 15%.

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<sup>10</sup> La Poste Mobile is the "brand" of La Poste Telecom, owned by Le Groupe La Poste (51%) and SFR (49%).

<sup>11</sup> Intercompany revenue from services on behalf of the other business units (including revenue from online sales) were put in place on 1 January 2015 and were not recognised in 2014 revenue.

<sup>12</sup> Docapost and Mediapost Communication were formerly part of the Mail business line.

<sup>13</sup> Multi-channel retargeting offer.

## **Change in results**

### **OPERATING PROFIT<sup>14</sup>**

**The Group's consolidated operating profit** after share of net profit(/loss) from companies under joint control totalled €719 million, down 7.6% compared with 2013, and -9.9% at constant scope and exchange rates.

#### Per business unit

##### **Services-Mail-Parcels**

The Services-Mail-Parcels business unit posted €419 million in operating profit, down 23.2% (same change at constant scope and exchange rates). Cost control efforts helped soften the impact from falling mail volumes. Within the business unit, the Parcel division's operating profit improved by 8.2% due to lowered costs.

##### **GeoPost**

Operating profit amounted to €284 million, down 10% (down 12.7% at constant scope and exchange rates). Excluding a one-off provision<sup>15</sup>, it rose 4.2% to €329 million, despite the increase in operating expenses and investments intended to support growth (developing handling capacities *via* the implementation of new hubs, expanding delivery points, implementing weekend delivery in some countries, rolling out the Predict delivery option, etc.). The operating margin (excluding a one-off provision) came to 6.7%.

##### **La Banque Postale**

The La Banque Postale business unit's contribution to Group operating profit was €842 million, up 16% (+14.6% at constant scope and exchange rates), driven by growth of NBI, cost of risk control in a time of increased outstanding loans (cost as a proportion of outstandings is declining), and controlled operating expenses, despite the investments made to finance the development of subsidiaries and new business activities. As a result, La Banque Postale's operating ratio improved from 84.7% in 2013 to 82.7%.

##### **La Poste Network**

The La Poste Network serves Le Groupe La Poste's business units, and charges back its services to them. In keeping with the Group's cost control action plans, the Network stabilised its costs in 2014, thereby contributing to the business units' competitiveness.

##### **Digital Services**

The Digital Services business unit's operating loss of €62 million does not take into account the service agreements allowing for services carried out on behalf of Group business units to be invoiced, which were not put in place until 1 January 2015. It also includes non-recurring items, including the restructuring of business activities in the Docopost division (check processing and check-cashing services).

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<sup>14</sup> All operating profits (Group and business units') are presented after share of net profit(/loss) from companies under joint control.

<sup>15</sup> Provision for risk related to the French Competition Authority's investigation into the transport and courier markets in France.

## NET PROFIT

After taking into account financial loss (-€198 million, improvement by €24 million), income tax (-€182 million, up €56 million) and the contribution of equity associates (+€200 million, essentially from CNP Assurances in which the Group has a 20.15% stake), **net profit Group Share** reached €513 million, down 17.7% compared to 2013 (down 20.5% at constant scope and exchange rates).

## Capital expenditure, external growth and partnerships

The Group allocated €1,052 million<sup>16</sup> to a targeted **investment** policy in 2014, aimed at supporting business unit development (including new hubs to strengthen the European express network, investments in information systems for all business activities and banking activities in particular, the renovation of the post office network and modernisation of the real estate portfolio and the purchase of electric vehicles).

€189 million has also been allocated to **external growth** with the objective of:

- Pursuing the European express network. GeoPost completed several acquisitions in 2014:
  - In May, the acquisition of a controlling interest in the British logistics provider Worldnet Direct (€70 million in revenue) with 63.5% of share capital (vs. 20% until that time),
  - in October, the acquisition of 100% of the share capital of Siodemka (€80 million in revenue), one of the leaders in the domestic express parcel market in Poland,
  - in November, the acquisition of new Seur franchises in Spain and in Portugal,
- Reinforcing La Banque Postale's home loan offerings, with the acquisition of a 66% stake in Sofiap (the remaining 34% being held by SNCF), which offers contractual home loans in France.

Lastly, several **partnerships** were established:

- Between GeoPost and Neopost in January to develop automated lockers for parcels in order to develop alternative delivery solutions and capture the strong growth in BtoC;
- With the Japanese postal service in September, to expand GeoPoste's presence in Asia. This partnership was made via an equity partnership with GeoPost, resulting in both parties holding a stake in the logistics provider, Lenton (34.7% and 14.9% respectively).
- In the area of health insurance, between La Banque Postale and Malakoff Médéric - La Mutuelle Générale. New commercial agreements were concluded in September in anticipation of the roll-out of supplementary health insurance to all employees. On 2 February 2015, Malakoff Médéric, La Mutuelle Générale and La Banque Postale announced that their new group health insurance offering would be offered by La Banque Postale Assurance Santé, of which the Malakoff-Médéric - La Mutuelle Générale group holds 49% and La Banque Postale 51%. Subject to approval by the relevant authorities, the definitive agreements should be concluded by the end of the first quarter of 2015.

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<sup>16</sup> Gross capital expenditure.

- In the area of asset management:
  - a capital and industrial partnership (announced in December 2014) was signed<sup>17</sup> between La Banque Postale, La Banque Postale Asset Management (LBPAM) on 18 February 2015. The partnership includes Aegon taking a 25% equity investment in the share capital of LBPAM,
  - A partnership with Malakoff Médéric, whose subsidiary Fédéris Gestion d'Actifs would partner with LBPAM to develop a major asset management centre. On this occasion, Malakoff Médéric would make a 5% equity investment in LBPAM's share capital. The partnership should be finalised by the end of first quarter 2015.

Lastly, in 2014, Le Groupe La Poste carried out a €633 million capital increase of La Banque Postale in the form of a contribution in kind (cash held at the post offices). This new step towards the consolidation of the financial strength of La Banque Postale, which had also carried out a €750 million issue of Tier 2 subordinated notes with 12-year maturity, supports the Bank's development strategy. La Banque Postale's Common Equity Tier 1 ratio came to 12.7% as at 31 December 2014<sup>18</sup>.

This quality of La Banque Postale's balance sheet was also confirmed by the results of the AQR and stress tests published in October by the European Central Bank.

## Financial structure

Equity Group share amounted to €9.1 billion as at 31 December 2014, up €473 million, notably due to the recognition of €513 million in earnings and the 2013 dividend paid to shareholders in 2014.

Net debt<sup>19</sup> amounted to €4 billion, up €200 million compared with 2013. This change particularly includes net operating cash outflow after dividends<sup>20</sup> of €113 million as well as external growth financing (net of asset disposals).

The Net Debt-to-Equity ratio remained stable at 0.44.

Additionally, regarding debt management, in July 2014, La Poste repaid a CHF 250 million bond issue that matured (pegged at €151 million). La Poste has continued its objective of actively managing its financial resources while optimising costs: the cost of debt was 3.04% in 2014.

## Outlook for 2015: Rebounding successfully

In 2015, the Group will continue rolling out its "La Poste 2020: Conquering the Future" strategic plan, focusing on development and cost control. The development will occur both organically and by conquering new areas, in particular through five high-priority shared projects defined around e-commerce, energy transition, modernisation of public action, urban logistics and customer insight.

Within this context, and despite an environment that should remain marked by weak economic growth and persistent and historically low interest rate levels, the Group is expecting its revenue to rise around 3%.

<sup>17</sup> Subject to the relevant authorities' approval of the project, the final agreements should be concluded before the end of second quarter 2015.

<sup>18</sup> Phased-in ratio with the application of transitory measures (the fully loaded ratio is 14%).

<sup>19</sup> Group net debt excludes the banking business for which this concept is not relevant.

<sup>20</sup> Net operating cash flow after dividends represents the economic health indicator.

Efforts to control costs and reduce expenses at the registered offices and structures should increase operating profit and operating margin despite continually declining mail volumes. The Group also anticipates an improvement in cash flow generation.

With "La Poste 2020: Conquering the Future", Le Groupe La Poste is building a high-performance multi-business and omni-channel postal model for its customers and employees. The Group is thus providing itself with the means to control its future, regain sound economic health and finance its development in a sustainable manner, in the service of and close to everyone, everywhere, every day.

## **PRESS RELATIONS**

Virginie GUEIDIER  
Tel: 01 55 44 22 41  
[virginie.queidier@laposte.fr](mailto:virginie.queidier@laposte.fr)

Jacques GOURIER  
Tel: 01 55 44 22 43  
[virginie.queidier@laposte.fr](mailto:virginie.queidier@laposte.fr)

## **INVESTOR RELATIONS**

Yasmina GALLE  
Tel: 01 55 44 17 02  
[yasmina.galle@laposte.fr](mailto:yasmina.galle@laposte.fr)