

## LE GROUPE LA POSTE 2015 ANNUAL RESULTS

### 2015: A Rebound Year

- **Operating revenue:** €23,045 million, up 4.0% (+2.5% at constant scope and exchange rates)
- **Operating profit<sup>1</sup>:** €875 million, up 21.6% (+15.3% at constant scope and exchange rates)
- **Net profit Group share:** €635 million, up 23.9% (+15.0% at constant scope and exchange rates)
- **Economic health indicator<sup>2</sup>:** €498 million, a significant improvement (+€610 million, supported by non-recurring items)
- **Net debt<sup>3</sup>:** €3,657 million, a €348 million improvement
- **Stronger Group financial structure**, with “net debt/equity” ratio<sup>4</sup> at 0.38 (vs 0.44 in 2014)

The Board of Directors of La Poste met on Tuesday, 23 February 2016, under the chairmanship of Philippe Wahl, and approved the Group's consolidated financial statements for the year ended 31 December 2015.

Throughout 2015, Le Groupe La Poste continued its transformation by activating all the levers of its strategic plan “La Poste 2020: Conquering the Future”. Developing all of the business units led to a 4% increase in consolidated revenue in an economic environment that remains difficult due to rapidly declining mail volumes (-6.5%), dwindling post office visits and persistent, historically low interest rates. Operating profit rose 21.6% due to major cost control efforts. Cash generation has become positive. This solid performance reflects the daily dedication and commitment of all the Group's employees.

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

<sup>2</sup> Economic health indicator = Cash flow from operating activities excluding banking (€1,574 million) – capital expenditures excluding banking activities (€778 million) + proceeds from vehicle disposals (€19 million) – dividends paid (€173 million) – interests paid (€145 million).

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

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

Throughout the year, the Group continued its dynamic development by positioning itself in new markets (immediate urban delivery, fresh and frozen food transportation) while bolstering synergies between its business units, particularly through the launch of five shared high-priority projects<sup>5</sup>. Furthermore, the Group has stepped up its digital transformation (launch of household letterbox shipping and collection service, French IOT programme<sup>6</sup>, etc.)

With regards to La Poste employees, eight agreements were signed in 2015, including a majority agreement called "A future for each employee", demonstrating the willingness to include the Group's employees in the transformation of the coming years.

## Key figures as at 31 December 2015

### Le Groupe La Poste

In millions of euros	31/12/2015	31/12/2014	Change	Change at constant scope and exchange rates
Operating revenue	<b>23,045</b>	22,163	+4.0%	+2.5%
Operating profit (after share of net profit/(loss) from companies under joint control)	<b>875</b>	719	+21.6%	+15.3%
Operating margin	<b>3.8%</b>	3.2%	+0.6 pt	+0.4 pt
Net profit Group share	<b>635</b>	513	+23.9%	+15.0%
Net margin	<b>2.8%</b>	2.3%	+0.4pt	+0.3pt
Economic health indicator	<b>+498</b>	-113	+€610m	
<b>Financial structure</b>				
Net debt <sup>7</sup>	<b>3,657</b>	4,005	-€348m	
Equity Group share <sup>8</sup>	<b>9,723</b>	9,112	+€610m	
Net Debt/Equity	<b>0.38</b>	0.44	-6.3pt	
Net Profit/Equity	<b>6.5%</b>	5.6%	+0.9pt	
<b>Key ratios for La Banque Postale</b>				
Operating ratio	<b>82.1%</b>	82.7%	-0.6pt	
Common Equity Tier One <sup>9</sup>	<b>13.2%</b>	12.7%	+0.5pt	
"Loans/Deposits" ratio <sup>10</sup>	<b>75%</b>	75%	-	
Estimated leverage ratio <sup>11</sup>	<b>5.2%</b>	5.4%	-0.2pt	

<sup>5</sup> Projects shared among all business units and managed across entities relating to energy transition, urban logistics, e-commerce, customer knowledge and public action modernisation.

<sup>6</sup> The French IoT programme (Internet of things) was launched by La Poste and its subsidiary Docapost to support regional innovation and start-ups.

<sup>7</sup> Group net debt does not take into account La Banque Postale financial assets and liabilities, for which this concept is not relevant.

<sup>8</sup> 2014 proforma figures: published 2014 figures restated to take into account the impact of IFRIC 21 (+ €24m).

<sup>9</sup> CRR/CRD IV phased-in ratio with the application of provisional measures (the fully-loaded ratio is 14.2%).

<sup>10</sup> Excluding centralised savings at CDC.

<sup>11</sup> Estimated ratio, which takes into account the delegated act published by the European Commission on 10 October 2014 regarding centralised savings at CDC, subject to the European Central Bank's authorisation. The ratio is estimated at 3.5%, excluding the delegated act.

## OPERATING REVENUE

**Le Groupe La Poste's consolidated operating revenue** reached €23.045 billion, up 4.0% (2.5% at constant scope and exchange rates), thanks to contributions from all the Group's business units. Scope effect amounted to €159 million and was mainly related to acquisitions made by GeoPost in 2014 and 2015 (in Poland, in the United Kingdom, in Germany and in Australia). Exchange rate movements, particularly on the pound sterling, had a €160 million positive impact.

### Per business unit:

Revenue for the **Services-Mail-Parcels** business unit slightly increased to €11.461 billion (+0.6% and +0.7% at constant scope and exchange rates).

- **Mail** revenue improved marginally (+0.1%) at €9.334 billion. The average 7% price increase that took place on 1 January 2015 offset almost all of the drop in addressed mail volumes. The development of services offered by postmen, who are now all equipped with Facticeo smartphones, helped increase revenue as well.
- **Parcels** saw its revenue grow 2.3% to €1.602 billion in a highly competitive environment. The increase in volumes (+1.6% compared to -2.7% in 2014, and +2.3% for BtoC volumes only) reflects the results of a strategy to win back market share. The price increases as well as changes in export product mix have also helped improve revenue.
- The **subsidiaries** positioned in the logistics market (Viapost Services) and the unaddressed advertising mail market (Mediapost) posted better results as well, due to aggressive sales policies. Total revenue for these subsidiaries reached €525 million (+7.9% at constant scope).

Revenue for the **GeoPost** business unit, which is positioned in the deferred express BtoB and BtoC markets in France and abroad, continued its remarkably strong growth (+15.3% and +9.1% at constant scope and exchange rates), totalling €5.675 billion. All countries have contributed to this momentum, and especially the United Kingdom (+17%<sup>12</sup>), Benelux (+14%<sup>12</sup>), Spain (+9.5%<sup>12</sup>), Poland (+9.1%<sup>12</sup>) and Germany (+8%<sup>12</sup>). This performance was driven by a 10.9% increase in volumes<sup>13</sup>. BtoC share continued to rise, and now accounts for 30% of volumes, but has a slightly unfavourable price/mix effect (-1.7%). The year was characterised by rolling out home delivery services (Predict) and out-of-home delivery services (Pickup Services) as well as increasing handling capacities (particularly with the launch of Europe's largest hub in Birmingham that started operations in September).

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<sup>12</sup> Organic growth

<sup>13</sup> Organic growth. Reported volume growth was +16.4%.

The **La Banque Postale** business unit recorded €5.745 billion in Net Banking Income (NBI), up +1.3%.

- The **Retail banking** division recorded a +0.5% increase in its Net Banking Income (NBI), driven by package and insurance product sales to customers, increased consumer credit (outstandings up 12.9%) and loans to corporations, to customers in the professional market and to the local public sector (outstandings up 50.4%). This sales momentum was also reflected by a sharp rise in home loans, including external redemptions related to the low interest rate environment.
- The **Asset Management** Division continued its growth, with Net Banking Income up +32.4% to €144 million, particularly due to the success of new funds launched in 2015 and to favourable stock market effects (+9% over 2015). The division integrated Fédéris Gestion d'Actifs and Ciloger in 2015.
- The **Insurance** Division achieved €186 million in Net Banking Income, up +4.3% due to solid sales performances for contingency offerings as well as property and casualty insurance and healthcare insurance offerings (portfolio growth of 19% and 29%, respectively). 2015 was characterised by the launch of a group health insurance offering in partnership with Malakoff Médéric and Mutuelle Générale.

**La Poste Network's** sales revenue (made up of mail, postal parcel and chronopost express activities) increased 0.3% to €2.265 billion. Banking activities rose significantly, and particularly home loans and consumer credit. New local postal coverage formats were put in place throughout the year: public service areas, postmen-counter clerks<sup>14</sup> and urban relais Poste outlets ("La Poste Relais").

La **Poste Mobile** continued its development with the sale of 588,010 new lines. It now owns a total portfolio of more than 1.2 million lines as at 31 December 2015 - an 8% increase.

The **Digital Services** business unit, which drives the entire Group's innovation and digital transformation, delivered a 5% increase in revenue, totalling €560 million, thanks to developments of the laposte.fr website (online sales and ad revenue) and to projects implemented for the business units. The Docapost Division continued transforming its core business toward digital service support operations (digitisation, e-voting, securing electronic transactions, etc.). Its revenue fell 2% to €427 million due to a decline in traditional business activities. The Mediapost Communication Division expanded in high-growth markets such as marketing campaign management and customer knowledge. However, its multi-channel advertising business was impacted by a challenging advertising market in 2015, which led to its revenue decreasing by 2% to €95 million.

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<sup>14</sup> Presence of postmen at post office counters during the day.

## OPERATING PROFIT<sup>15</sup>

The Group's consolidated operating profit totalled €875 million, up 21.6%, and 15.3% at constant scope and exchange rates, due in particular to all of the business units making strong efforts to control operating expenses.

Per business unit:

**Services-Mail-Parcels** business unit operating profit rose 66.3% (+64.9% at constant scope and exchange rates) to €697 million, driven by the mail price increase and significant cost reduction efforts to offset rapidly declining mail volumes. Growth was strong in every division.

Operating profit for **GeoPost** amounted to €268 million, down 5.9%. This change includes the non-recurring provision recorded for the French Competition Authority's investigation of French transportation carriers<sup>16</sup>. If restated to exclude this provision and scope and exchange rate effects, the business unit delivered a 2.8% growth. Revenue growth absorbed the cost of several development projects as well as the launch of the new DPDgroup brand in 2015, which is becoming Geopost's identity in Europe.

The **La Banque Postale** business unit's contribution to the Group's operating profit totalled €851 million, up 1.1% (stable at constant scope and exchange rates). Solid sales momentum and cost control efforts drove this growth, in an environment with unfavourable interest rates and despite the launch of major transformation projects (overhaul of banking distribution and renovation of the bank platform). The operating ratio continued to improve (-0.6 points) to 82.1%.

**La Poste Network** followed the action plans to control the Group's expenses. Lowering its costs reduced invoices to the business units and helped improved their competitiveness.

Operating profit for the **Digital Services** business unit improved, but remained negative at -€14 million, due to some non-recurring expenses for the subsidiaries. Excluding non-recurring items, it posted +€11 million.

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

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<sup>15</sup> Operating profits (Group and business units) are presented after share of net profit/(loss) from companies under joint control.

<sup>16</sup> Investigation of several French transportation carriers and couriers finalised in December 2015: a provision for €45 million was recorded in June 2014 and an additional €99 million provision was added in December 2015. La Poste, Chronopost and DPD France lodged an appeal against this ruling.

## NET PROFIT

After taking into account financial loss (-€154 million, a €44 million improvement resulting from a decrease in cost of net financial debt), income tax (-€253 million, up €72 million due to an increase in profit before tax) and the contribution of equity associates (€207 million, essentially from CNP Assurances), **net profit Group Share** reached €635 million, up 23.9% compared to 2014 (up 15.0% at constant scope and exchange rates).

## Capital expenditure and acquisitions

The Group dedicated €778 million<sup>17</sup> to a targeted **investment** policy to support the development of all the business units for 2015. These investments have primarily pertained to improving information systems for all operations, developing express capacities, renovating the post office network and modernising the real estate portfolio, building a digital hub and continuing to equip the Group with electric vehicles.

Furthermore, €130 million was dedicated to **acquisitions** (less cash acquired), primarily to continue expanding the express network abroad and penetrating new growth markets. As a result, GeoPost:

- acquired an 80% stake in the share capital of Resto-in, a restaurant market place that offers deferred home delivery of meals in France and in Europe,
- acquired a 22% stake in the share capital of the French company Stuart, which operates in the immediate urban delivery segment,
- acquired the Australian operator Worldlink Perth (100%) and the British operator Signet UK (100%) in the freight forwarding segment (intercontinental import and export flows) via its subsidiary Tigers,
- acquired DPD Systemlogistik in Germany.

## Partnerships

Le Groupe La Poste proactively pursued partnerships in 2015.

The **Services-Mail-Parcels** business unit signed service partnerships with the French National Elderly Insurance Fund and Mutuelle Sociale Agricole to launch support and monitoring products and services that prevent social and geographical isolation and which mainly target isolated elderly people.

The **GeoPost** business unit expanded its strategic partnership with PostNord (leader in logistics solutions in the Scandinavian market), to connect the two partners' parcel networks to create a network of 26,000 pick-up and drop-off points in Europe. A part of PostNord's delivery fleet will display the DPD brand in Denmark, Sweden, Norway and Finland.

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<sup>17</sup> Gross investments, excluding La Banque Postale amounting to €216 million in 2015, mainly devoted to information systems (major projects such as CAP Client, Concerto, etc.). Additionally, La Banque Postale is continuing its project to modernise its fleet of ATMs.

**La Banque Postale** also concluded strategic partnerships:

- **In asset management:**
  - On 18 February, La Banque Postale, La Banque Postale Asset Management (LBPAM) and Aegon Asset Management signed an equity and industrial partnership agreement (acquisition of a 25% stake in LBPAM's share capital by Aegon Asset Management, development of a comprehensive service offering including international and multi-asset funds).
  - In February, La Banque Postale and Malakoff Médéric announced the merger of their subsidiaries LBPAM and Fédéris Gestion d'actifs. This transaction was concluded on 30 July through Fédéris's transfer to LBPAM, which will reinforce its rank as the 5th largest French asset management company, holding a portfolio of nearly €177 billion in managed assets, and through Malakoff Médéric acquiring a 5% stake in the share capital of LBPAM.
  - On 2 July, La Banque Postale acquired Nexity's equity investment in the share capital of Ciloger (a real estate investment partnership (SPCI) and open-ended property funds (OPCI) portfolio management company). La Banque Postale now holds a 90% stake in Ciloger, versus 45% previously.
- **In insurance:**
  - On 1 April 2015, La Banque Postale, Malakoff Médéric and Mutuelle Générale signed a company health insurance partnership. Malakoff Médéric and Mutuelle Générale purchased a stake in the share capital of La Banque Postale Assurance Santé (14% and 35% equity investments, respectively), with the remainder (51%) being held by La Banque Postale. The new company health insurance offering was launched on 2 April 2015.
  - In December 2015, CNP Assurances and La Banque Postale announced that they concluded a preliminary draft agreement to renew their partnership starting in 2016 for a 10-year period, for both life insurance and capitalisation (expanded to BPE) as well as for contingency/protection. The definitive agreements should be concluded during the 1st quarter of 2016. The current agreements will remain in effect until that time.

In terms of connected objects, the **Digital Services** business unit participated in the Consumer Electronics Show (CES) in Las Vegas in January 2016 alongside 15 start-ups from the “French IoT” programme offering objects and services connected to La Poste's digital hub<sup>18</sup>.

## Financial structure

The Group demonstrated its financial strength in 2015 with a new improvement in net debt<sup>19</sup>/equity ratio, which came to 37.6% (vs 44.0% in 2014).

Consolidated equity Group share amounted to €9.723 billion as at 31 December 2015, up €610 million, notably as a result of an increase in net profit Group share.

Net debt<sup>19</sup> totalled €3.657 billion, a €348 million improvement compared to 2014, chiefly due to improved cash flows from operating activities.

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<sup>18</sup> La Poste's digital hub, available since spring 2015, is a universal control steering station, accessible from any smartphone, tablet or computer, which enables users to combine connected things and services with one another (a watch, an alarm system, an energy management system, a connected scale, etc.).

<sup>19</sup> Group net debt does not take banking activities into account for which this concept is not relevant.

Additionally, La Poste has continued to actively manage its financial resources by extending the maturity of its debt while optimising its 2015-2018 average cost of financing (2.65% vs 3.83% before active management). As a result, in 2015, La Poste issued a 10-year €750 million bond at the lowest coupon ever in its history (1.125%) through the issue of €500 million in May 2015, then adding €250 million to this bond issue in September.

## 2016 Outlook

In 2016, Le Groupe La Poste will continue its transformation action plans by setting the three focus areas of its strategic plan into motion: development, performance and synergies.

Development will happen by rolling out new services in all of the business units, expanding banking products and services, and particularly those intended for customers in the professional market, continuing the geographic expansion of express operations, and rolling out innovative digital service offerings.

The Group will continue monitoring cost control, with the goal of reducing headquarters' costs and overheads. 2016 will be marked by the Group's headquarters and business units moving to a centralised location, which will group together multi-disciplinary teams at the Group's headquarters to leverage performance and synergies.

Furthermore, the action plans implemented for the Group's five major shared high-priority projects that have been organised throughout 2015 will start to produce results, and new products and services will emerge.

Despite the low interest rates and increasing digitisation of trade, which should continue, the Group still anticipates 1% to 2% growth in revenue as well as increased profit and operating margin in 2016. Cash generation should remain positive.

The Group remains on track to achieve the trajectory defined in its strategic plan and to continue transforming its business model.

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

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