

LE GROUPE LA POSTE 2015 FIRST HALF RESULTS

Le Groupe La Poste continues to implement its "La Poste 2020: Conquering the Future" strategic plan

After meeting today under the chairmanship of Philippe Wahl, the Board of Directors of La Poste approved the Group consolidated financial statements for the first half of 2015.

- **Operating revenue:** €11,459 million, up 4.5% (+3.0% at constant scope and exchange rates)
- **Operating profit**¹: €616 million, up 44.3% (+40.9% at constant scope and exchange rates)
- **Net profit Group share:** €424 million, up 31.7% (+27.4% at constant scope and exchange rates)
- A marked improvement in **cash generation**, with an economic health indicator² of €401 million (vs €35 million for the first half of 2014)
- A strengthened financial structure with a **net debt**³ / **equity** ratio of 0.39 (0.44 at end-December 2014)

In an economic environment marked by a slight upturn, Le Groupe La Poste recorded increasing results, illustrating the initial achievements of the "La Poste 2020: Conquering the future" strategic plan. This positive development is due to all of the business units' momentum, and especially that of GeoPost and La Banque Postale, coupled with tight control of costs as well as an increase in mail prices which offset rapidly declining volumes.

¹ Operating profit after share of net profit of companies under joint control.

² Economic health indicator = Cash flows from operating activities - purchases of property, plant and equipment and intangible assets excluding banking + vehicle disposals - interest paid - dividends paid.

³ The Group's net debt does not take into account La Banque Postale, for which this concept is not relevant.

Key figures as at 30 June 2015

Le Groupe La Poste

The 2014 financial statements were adjusted for the initial application of the interpretation of IFRIC 21 on levies and for the application of IFRS 10. A pro-forma income statement was prepared as at 30 June 2014. Net debt and equity were also adjusted.

(€ millions)	30/06/2015	30/06/2014 pro-forma	Change	
			Reported vs pro-forma	At constant scope and exchange rates
Group operating performance				
Operating revenue	11,459	10,965	+4.5%	+3.0%
Operating profit	615	423	+45.2%	
Operating profit after share of net profit of companies under joint control.	616	427	+44.3%	+40.9%
<i>Operating margin</i>	5.4%	3.9%	+1.5pt	+1.4pt
Net profit Group share	424	322	+31.7%	+27.4%
<i>Net margin</i>	3.7%	2.9%	+0.8pt	+0.7pt
Economic health indicator ⁴	401	35	+€366m	

	30/06/2015	Pro forma 31/12/14	
Financial structure			
Net debt ⁵	3,713	4,005	-€292m
<i>Net debt⁵ / Equity</i>	0.39	0.44	-0.5pt

Key ratios – La Banque Postale			
<i>Operating ratio</i>	81.5%	82.4%	-0.9pt
<i>Common Equity Tier 1 ratio⁶</i>	13.1%	12.7%	+0.4pt
<i>Loans/deposits ratio⁷</i>	74%	75%	-1pt
<i>Estimated leverage ratio⁸</i>	5.3%	5.4%	-0.1pt

⁴ Economic health indicator = Cash flows from operating activities - purchases of property, plant and equipment and intangible assets excluding banking + vehicle disposals - interest paid - dividends paid.

⁵ The Group's net debt does not take into account La Banque Postale, for which this concept is not relevant.

⁶ CRDIV-CRR ratio phased-in with the application of interim measures (the fully-loaded ratio was 13.9% at 30 June 2015).

⁷ Excluding savings centralised at CDC.

⁸ Leverage ratio with application of the delegated act of October 2014 regarding savings centralised at CDC, subject to ECB authorization. Excluding the delegated act, the ratio is estimated at 3.4%.

Rebound in results

Operating revenue

Le Groupe La Poste's operating revenue recorded 4.5% growth (+3.0% at constant scope and exchange rates) in the first half of 2015 and reached €11,459 million. Revenue increased for all business units, with particularly dynamic growth in express activities (GeoPost business unit) and banking activities (La Banque Postale business unit). Scope effect amounted to €72 million and primarily fell under acquisitions made by GeoPost (WorldNet in the United Kingdom and Siodemka in Poland at the end of 2014, Wordlink in Australia in 2015), and to a lesser extent, the acquisition of Sofiap by La Banque Postale in May 2014.

Revenue for the **Services-Mail-Parcels** business unit totalled €5,757 million, a slight increase (+0.6% and +0.7% at constant scope and exchange rate).

- **Mail** revenue remained stable at €4,732 million (+0.2%). Rapidly declining addressed mail volumes (-7%) were offset by the price increase that took effect on 1 January 2015 (+7% on average, under the multi-annual framework defined with ARCEP⁹) as well as by an active innovation policy. Revenue tripled over the half-year for the Recy'go¹⁰ offering and the new postmen services¹¹ designed to simplify the lives of French people. In addition, equipping postmen with Facteo smartphones continued (70% were equipped at end-June 2015).
- Revenue for the **Parcels** business rose (+2.2%) to €770 million, mainly due to a favourable price/product mix effect.
- The subsidiaries positioned in the **logistics (Viapost Services) and in the unaddressed advertising material delivery markets (Mediapost)**, recorded a 2.1% increase in revenue, to €256 million, in line with their strategy to win back market share, and despite a tense competitive environment in unaddressed advertising in France. Asendia¹², a joint venture with Swiss Post, experienced a 9.6% growth in revenue, which came in at €236 million at the end of June 2015.

The **GeoPost** business unit, which operates in the deferred parcel and express BtoB and BtoC markets in France and abroad, has continued its strong growth. Revenue reached €2,693 million, up 16.5% (+9.3% at constant scope and exchange rates). It was fuelled by growing volumes in all of the countries where GeoPost operates (+16%), and especially in the United Kingdom (+24%) and in Poland (+16%¹³), with a slightly disadvantageous price/mix effect, notably driven by the rising share of BtoC. GeoPost has continued its active policy on service innovation. The first half of the year was characterised by the implementation of a new brand identity (DPD Group), the development of handling capacities and the expansion of delivery solutions (development of the pick-up and drop-off network, making the Predict¹⁴ option a more widespread offering and roll-out of weekend delivery in certain countries).

⁹ Autorité de régulation des communications électroniques et des postes (France's Regulatory Authority for Electronic Communications and Postal Services).

¹⁰ Service to collect office paper for recycling.

¹¹ Home visits to isolated/vulnerable people (Cohesio), energy meter reading service on behalf of companies in the sector (Releveo), delivery of items by the postman (Facileo), delivery of books/medications (Porteo), etc.

¹² Asendia is now recognised in the "share of net profit of companies under joint control" line item instead of in the business unit's revenue, in accordance with IFRS 11, which pertains to companies under joint control and which has been in effect since 1 January 2014.

¹³ Organic growth in volumes, excluding the impact of integrating Siodemka, which merged with DPD Pologne in May 2015.

¹⁴ An option that enables delivery in a one or two-hour window with the option to reschedule via SMS/email.

La Banque Postale recorded a growth in its net banking income (NBI) to €2,929 million (+2.9% and +3.9% at constant scope and exchange rates and excluding the home-savings provision). This development, which was achieved despite an environment marked by historically low interest rates, reflects strong commercial momentum, ongoing customer equipment and increase in loans.

- The **Retail banking division** experienced sustained growth in its outstanding loans (+9.1%), driven by consumer credit (+17%) and loans to legal entities and local authorities (+66.5%). Overall, savings outstandings grew 1.6%: the drop in collection for passbook savings accounts and for UCITS, which suffered from weak interest rates, was more than offset by growth in sight deposits, home savings and life insurance outstandings. The Retail banking division's NBI rose 3.7% at constant scope and exchange rates and excluding the home-savings provision.
- The **Asset Management division** grew 19.5% thanks to the performance of discretionary asset management and stronger equity markets over the period.
- NBI for the **Insurance** division recorded 4.7%¹⁵ growth, in line with the sales results obtained in property and casualty insurance, health insurance, and contingency insurance offerings.

The **Digital Services** business unit's revenue rose +4.9% to €278 million.

The Docapost division (€209 million in revenue, down 3%), continued transforming its core business, with new services, in particular for regulated professions, which partially offset the foreseen decline in traditional activities (digitisation and check processing). The Mediapost Communication division (revenue of €47 million, down 5%) was impacted by weak investments in advertising due to a currently difficult economic climate that is dampening its advertising and BtoB emailing businesses. Online sales revenue has increased 20%.

La Poste Network experienced an increase in its banking activities (sharp rise in new home loans and consumer loans) and a slight increase in sales figures (mail/parcels). The Network rolled out new offerings throughout the half-year: digital and touch screen terminals, new mobile telephone offers. The Network also continued its initiatives to simplify customer pathways in post offices and to adapt how it operates in rural and urban areas. The Network's orientation towards banking, which began with the roll out of a new unified commercial structure in late 2014, continued with the reshaping of local management in post offices.

Operating profit

The Group's consolidated operating profit after share of net profit of companies under joint control¹⁶ totalled €616 million, up 44.3% (+40.9% at constant scope and exchange rates). This improvement was driven by developing activities, increasing postage prices as well as initiatives led to control costs in all of the business units, and specifically within the La Poste parent company: organic operating expenses rose less quickly (+1.9%) than revenue (+3.0% at constant scope and exchange rates) over the half-year.

¹⁵ Change in accounting classification for unpaid insurance premiums leading to a reported 0.6% decrease for the Insurance division's NBI.

¹⁶ All of the operating profits/(losses) in the following paragraph are presented after share of net profit of companies under joint control.

The **Services-Mail-Parcels** business unit posted €508 million in operating profit, a 65.0% increase (+65.0% at constant scope and exchange rates). This change reflects the combined effects from the price increase on postal products, which offset declining mail volumes, as well the decrease in expenses (optimising production processes and reducing overheads).

GeoPost recorded €171 million in operating profit, up 34.9% (+22.9% at constant scope and exchange rates). Profit was stable excluding non-recurring items¹⁷, despite the costs incurred on several projects launched to support the strong momentum of the business and the development of BtoC.

La Banque Postale's contribution to the Group's operating profit totalled €468 million over the half year, up 6.8% (+6.7% at constant scope). This improvement was achieved in the context of expanding banking activities (costs to structure dedicated channels for professional customers and high net worth customers, launch of major IT transformation projects aiming to support sales growth and operational efficiency), and resulted from an increase in NBI, a decrease in expenses invoiced by the Group and a controlled cost of risk. The operating ratio improved again and reached 81.5% (-0.9 points) at 30 June 2015.

The **Digital Services** business unit posted a +29.7% improvement in operating profit, which still remained negative (-€9 million) given various non-recurring expenses.

Net profit

The net cost of national postal coverage as well as the cost of the headquarters and support departments are deducted from the business units' results and recognised at Group-level.

Net profit Group share reached €424 million, up 31.7% (+27.4% at constant scope and exchange rates) after taking into account financial loss (-€74 million, a €28 million improvement primarily due to a decline in net borrowing cost), higher taxes (-€217 million as a result of an increase in profit) and a stable contribution from equity associates (€113 million, mainly including CNP Assurances' contribution, in which the Group holds a 20.15% stake via La Banque Postale)

Investments and external growth to support development

€312 million in gross investments were made during the first half of 2015, mainly to develop information systems for all the business units, to strengthen GeoPost's network, to modernise the real estate portfolio and post offices and to equip vehicles.

Le Groupe La Poste also allocated €86 million (less cash acquired) to external growth, mainly for GeoPost: acquisition of DPD Systemlogistik in Germany for €58 million, Wordlink in Australia (freight forwarding) for €6 million, Signet in England (freight forwarding) for €10 million and a 22% stake in Stuart in France (same day delivery) for €10 million.

Investments and external growth were self-financed.

¹⁷ Adjusted for the provision for risk recorded in June 2014, in line with the French Competition Authority's investigation on various players in the French transportation and courier markets in France.

Very active partnership policy

The **Services-Mail-Parcels** business unit signed service partnerships with Caisse Nationale d'Assurance Vieillesse and Mutuelle Sociale Agricole to offer services for elderly isolated people.

The **GeoPost** business unit expanded its strategic partnership with PostNord (postal operator in Sweden and Denmark and leader in logistics solutions in the Scandinavian market). As part of this cooperation, the parcel networks of the two partners will be brought together to create a harmonised 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.

La Banque Postale also concluded partnerships in several areas:

- **Health insurance:** on 1 April 2015, La Banque Postale, Malakoff Médéric and Mutuelle Générale signed a company health insurance partnership. Malakoff Médéric and Mutuelle Générale will purchase a stake in the share capital of La Banque Postale Assurance Santé (14% and 35% equity investments, respectively), the remainder (51%) being held by La Banque Postale. The new company health insurance offering was launched on 2 April 2015.
- **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 (25% equity investment by Aegon Asset Management in LBPAM's share capital, development of a comprehensive service offering including international and multi-asset funds).
 - La Banque Postale and Malakoff Médéric announced the merger of their subsidiaries LBPAM (€150 billion in assets under management) and Fédérés Gestion d'actifs (€27 billion in assets under management). This transaction will result in 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% share in Ciloger, versus 45% previously.

In terms of connected objects, **the Digital Services business unit** signed a strategic partnership with the Angers City of Connected Objects, which will participate in La Poste's "French IoT" programme¹⁸ and may use its digital hub¹⁹ as an innovation platform.

¹⁸ The French IoT programme (Internet of things) was launched by La Poste and its subsidiary Docapost to support regional innovation and start-ups.

¹⁹ 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.).

Solid financial structure

The Group's financial structure improved, with a net debt²⁰ / equity ratio of 0.39 (vs. 0.44 at 31 December 2014). Equity Group share totalled €9,435 million at 30 June 2015, up €322 million compared to 31 December 2014. The Group's net debt fell €292 million compared to 2014 proforma net debt, falling from €4,005 million to €3,713 million, primarily under the effects of an increase in cash flows from operating activities, in line with the improvement in EBITDA of industrial and commercial activities and the increase in dividends received from La Banque Postale and equity associates.

In addition, on 26 May 2015, La Poste issued a €500 million 10-year bond with a historically low coupon of 1.125% (+33 basis points above the OAT 0.5% May 2025, corresponding to a spread equivalent of +27 basis points above the mid-swap curve). The issue was placed among a top quality and diversified investor base, with nearly 40% non-domestic investors. La Poste has thus continued to actively manage its financial resources by extending the maturity of its debt while optimising its average cost of financing (2.75% vs 3.95% before active management).

Outlook confirmed: 2015, the rebound year

For 2015, the Group anticipates around 3% revenue growth, an increase in its operating profit and a substantial improvement in cash generation.

Business development, coupled with the price increases that took place on 1 January 2015 as well as efforts to control costs and reduce overheads explain the improvement expected for the year, even with mail volumes continuing to fall. The Group remains ready to face challenges to meet its medium-term business plan defined under the "La Poste 2020: Conquering the Future" strategic plan and to transform its business model.

²⁰ The Group's net debt does not take into account La Banque Postale, for which this concept is not relevant.

About Le Groupe La Poste :

La Poste is a limited company in 100% public ownership since 1 March 2010 with a unique corporate model structured around five business units: Mail-Parcels-Home Services, La Banque Postale, The Network La Poste, GeoPost and Digital Services. The Group operates out of 40 countries on 4 continents. La Poste's 17,000 retail outlets make it France's leading local distribution network, each day serving 1.7 million customers. Every year, La Poste delivers 23,5 billion items worldwide (letters, printed ad media and parcels), 6 days a week. In 2013, Le Groupe La Poste generated €22.2 billion in revenues (17,9% outside France) and had a headcount of over 266,000. Le Groupe La Poste's strategic plan, "La Poste 2020: Conquering the Future" outlines its ambitious objective of speeding up development in its five business units and expanding into new territories. La Poste puts human considerations and trust at the centre of customer relations. Greater synergies between its networks, accessible to everyone, everywhere, every day, are helping to make life easier for La Poste's customers.

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