

LE GROUPE LA POSTE 2018 FIRST-HALF RESULTS

Growth of business activities Resilience of operating profit Sustained investment to support transformation

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 2018.

- **Operating revenue:** €12,246 million, an increase of 2.9% (+2.3% at constant scope and exchange rates)
- **Operating profit¹:** €806 million, an increase of 5.9% (+6.7% at constant scope and exchange rates)
- **Net profit, Group share:** €636 million, a decrease of 0.9% (+0.7% at constant scope and exchange rates)
- **Economic health indicator²:** -€231 million (€534 million at 30 June 2017)
- **Net debt³:** €3,148 million (€3,820 million at 31 December 2017)
- **Net debt/equity ratio:** 0.26 (0.34 at 31 December 2017)

At 30 June 2018, consolidated operating revenue for Le Groupe La Poste totalled €12,246 million, up 2.9%, and operating profit amounted to €806 million, up 5.9%. This performance is due to activities which on the whole have remained strong, and to cost control as part of the deployment of the strategic plan, reflecting the Group's attention to profitability.

During the first half of the year, the Group continued to make investments with €564 million allocated to developing all of its business units to ensure that they prepare efficiently for their futures and benefit from major transformations in society and the economy.

¹ Operating profit after share of net profit of jointly controlled entities. All references to operating profit/(loss) within this document adopt this definition.

² Economic health indicator = Cash flows from operating activities excluding LBP (€396 million) – purchases of intangible assets and property, plant and equipment excluding LBP (€435 million) + vehicle disposals (€10 million) – net interest paid (€31 million) – dividends paid (€171 million). At 30 June 2017, the amounts were as follows, respectively: €1,161 million, €436 million, €9 million, €28 million and €172 million. All references to the Economic health indicator adopt this definition.

³ Group net debt does not take into account banking activities for which this concept is not relevant. All references to Group net debt within this document adopt this definition.

The first half of the year was marked by the signing of the new 2018-2022 Public Service Agreement between the French State and La Poste on 16 January. This Agreement reinforces the Group's public service missions and its civic-minded commitments to ensure that general interest is at the core of its future.

At the same time, throughout the first half of the year, the Group continued its actions in favour of social dialogue with the signature of seven new collective agreements and amendments, following on from the twelve signed in 2017.

During the Board meeting, Philippe Wahl recalled Le Groupe La Poste's commitment to continuing its transformation for the benefit of society as a whole, and more specifically the Group's customers and employees.

Key figures at 30 June 2018

Le Groupe La Poste

<i>(in € million)</i>	30/06/2018	30/06/2017	<i>published</i>	<i>Change at constant scope and exchange rates</i>
Group operating performance				
Operating revenue	12,246	11,905	+2.9%	+2.3%
Operating profit/(loss) <i>(after share of net profit of jointly controlled entities)</i>	806	761	+5.9%	+6.7%
<i>Operating margin</i>	6.6%	6.4%	+0.2pt	+0.3pt
Financial profit /(loss)	(92)	(81)	+13.6%	-
Income tax	(200)	(170)	+17.7%	-
Net profit/(loss), Group share	636	642	-0.9%	+0.7%
<i>Net margin</i>	5.2%	5.4%	-0.2pt	-0.1pt
Economic health indicator	(231)	534	(€765m)	
	30/06/2018	31/12/2017		
Financial structure				
Net debt (ND)	3,148	3,820	(€672m)	
Equity Group Share (E)	11,981	11,364	+€616m	
ND/E	26.3%	33.6%	-7.3pt	
Key ratios – La Banque Postale				
CET1 Ratio (Common Equity Tier 1) ⁴	12.4%	13.4%	-1.0pt	
"Loan to Deposit" ratio ⁵	80%	81%	-1.7pt	

⁴ Fully loaded CET1 ratios.

⁵ Excluding centralised savings held by Caisse des Dépôts.

Operating revenue

Le Groupe La Poste's consolidated operating revenue amounted to €12,246 million, up 2.9% (+2.3% at constant scope and exchange rates). This amount includes a positive scope effect of €108 million from the Services-Mail-Parcels business unit (€59 million essentially from the Silver economy), GeoPost (€41 million) and to a lesser extent from the Digital Services business unit (€9 million). This amount was offset by the negative exchange rate effect which resulted in a decrease of €45 million primarily linked to the sterling pound, the rouble and the Brazilian real.

By business unit:

(in € million)	30/06/2018	30/06/2017	Change	
			Published	At constant scope and exchange rates
Services-Mail-Parcels	5,708	5,757	-0.9%	-1.9%
GeoPost	3,527	3,256	+8.3%	+8.5%
La Banque Postale	2,926	2,808	+4.2%	+4.2%
Digital Services	342	321	+6.7%	+3.9%
Other segments and intercompany	(257)	(238)	+8.1%	+7.9%
OPERATING REVENUE	12,246	11,905	+2.9%	+2.3%

Revenue for **Services-Mail-Parcels** business unit totalled €5,708 million, down 0.9% (-1.9% at constant scope and exchange rates).

Revenue for **Services and Mail** (€4,850 million, -1.6%) was affected by the lasting impact of the streamlining and digitisation of traditional mail, with a decrease in addressed mail volumes of 7.0%⁶ (impact amounting to a decrease of €305 million). In addition, the presidential and legislative elections in the first half of 2017 generated additional revenue, which was non-recurring in the first half of 2018 (for an impact of -€81 million). These items were in part offset by the price increase that took effect from 1 January 2018, which amounted to 4.9%⁷ on average (impact amounting to an increase of €192 million), increase in international activities (impact amounting to an increase of €27 million) and that of unaddressed advertising mail (impact amounting to an increase of €11 million). Local services benefited from the growth of La Poste Silver (impact amounting to an increase of €60 million, scope effect included⁸) and other new services (impact amounting to an increase of €12 million) and they also helped offset in part for the decline in traditional mail.

Revenue for **Parcels** (€858 million, +3.4%) benefited from the increased volumes of packages (+4.4%⁹) which totalled 154 million items (essentially domestic BtoC flows). There was also a significant increase in "out-of-home" deliveries (+45.7%).

⁶ Equivalent working days.

⁷ Increase as a percentage of basic traffic-generating revenue.

⁸ Asten Santé for €57 million.

⁹ Equivalent working days.

Revenue for the **GeoPost** business unit totalled €3,527 million, up 8.3% (+8.5% at constant scope and exchange rates¹⁰).

The 7.5%¹¹ growth in parcels delivered amounting to 631 million items (impact amounting to an increase of €263 million, mix included) explains to a large extent this increase. The other services (including surcharges) contribute to a lesser extent to growth (impact amounting to an increase of €16 million). These effects were tempered by a slightly negative price effect (impact amounting to a decrease of €5 million). All countries¹², and more particularly the Benelux countries (+13.3%), France (+9.9%), Poland (+19.0%), the United Kingdom (+11.4%) and Russia (+21.7%) contributed to this growth.

La Banque Postale reported a Net Banking Income (NBI) of €2,926 million, up 4.2% (+5.6% following restatement of the home savings provision¹³).

The **Retail Banking** division benefited from commercial dynamism in all customer segments, resulting in a rise in outstanding loans which increased 8.8% to €86.4 billion (including +33.8% for loans to legal entities, +2.5% for consumer loans and +2.6% for home loans) and a 1.0% increase in outstanding savings. The NBI for this division amounted to €2,707 million, up 3.5% (+4.9% excluding the home savings provision). It includes the impact of the increased compensation for the general interest banking accessibility mission¹⁴. The net interest margin adjusted for the home savings provision increased by €146 million, while commissions declined slightly.

Assets under management for the **Asset Management** division totalled more than €224 billion (+15.0%), benefiting from a positive market and net collection effects (including the new mandate granted by CNP Assurances). This positive performance was reflected in the NBI, which was up 4.9% to €74 million.

The global portfolio of contracts for the Non-Life **Insurance** division increased 2.1% thanks to the dynamism of Health (+8.2%) and Casualty and Property (+5.4%). Revenues for the division amounted to €145 million, up 20.2%.

Revenue for the **Digital Services** business unit increased 6.7% to €342 million (+3.9% at constant scope and exchange rates¹⁵), mainly thanks to an increase in online sales (+17%), the "digital trust" business (Digiposte increased by 36% to 2.6 million accounts) and the acceleration of digital projects for all of the Group's business units. The **Docapost** division, which specialises in digital transformation, was sustained by the acquisitions of Ametix and Euklès. The **Mediapost Communication** division benefited from an increase in its data and media activities while its consultancy business (including advertising campaigns) declined.

"**Other segments and intercompany**" includes the activities of La Poste Network, Real Estate and Supports and Structures, which are primarily internal within the Group.

¹⁰ Scope effect of an increase of €41 million (ALP Group and Seur franchises in 2018, SPSR in 2017) and exchange rate impact of a decrease of €44 million.

¹¹ Organic growth: +6.5%.

¹² Data at constant scope and exchange rates.

¹³ A reversal of €17 million at 30 June 2018, versus a reversal of €52 million at 30 June 2017, i.e. a change of -€35 million.

¹⁴ For €65 million. The €260 million (130+130) increase with respect to 2016 and 2017 came into effect at the end of 2017.

¹⁵ Scope effect of an increase of €9 million linked to Ametix and Euklès within Docapost.

La **Poste Network**, which supports the Group's activities, continued to contribute to the commercial development of its business units, by expanding the formats of its retail outlets to adapt to customer use. 266 new partnerships were signed, including 174 in towns and cities. As part of this transformation, it opened two innovative offices in the Paris airports to adapt to travellers' needs. **La Poste Mobile** finally expanded its offering during the first half of the year with the launch of the ADSL offering to retail customers under its own brand to complement its High-Speed Internet offering.

Operating profit

Group consolidated operating profit totalled €806 million, up 5.9% (+6.7% at constant scope and exchange rates).

<i>(in € million)</i>	30/06/2018	30/06/2017	<i>Change</i>	
			<i>Published</i>	<i>At constant scope and exchange rates</i>
Services-Mail-Parcels	376	507	-25.8%	-25.6%
GeoPost	186	198	-5.8%	-2.5%
La Banque Postale	546	421	+29.9%	+29.9%
Digital Services	(2)	(7)	-71.8%	-51.4%
Supports, Structures, and others	11	(3)	<i>N.S</i>	<i>N.S</i>
Unallocated and eliminations	(313)	(355)	-12.0%	-12.0%
OPERATING PROFIT/(LOSS)	806	761	+5.9%	+6.7%

Operating profit for **Services-Mail-Parcels** business unit fell by 25.8% to €376 million (-25.6% at constant scope and exchange rates). The ongoing efforts to control costs were not able to offset the decline in volumes, the effect of the absence of elections during the first half of 2018 and the rise in expenses linked to the development of new activities and parcels.

Operating profit for **GeoPost** declined by 5.8% to €186 million (-2.5% at constant scope and exchange rates). Its development is primarily marked by an increase in costs in Germany.

La Banque Postale's contribution to the Group's operating profit amounted to €546 million, an increase of 29.9%. This performance is explained by the increase in NBI along with relatively stable operating expenses which amounted to €2,330 million (+0.6%) and a cost of risk which fell to €49 million¹⁶. As a result, the cost income ratio improved to 81.4% (-2.1 pt). Note that the cost of risk compared to outstandings remained at a very low level of 11 basis points, despite the 8.8% increase in outstanding loans.

¹⁶ Post application of the new IFRS9 standard

Operating loss for the **Digital Services** business unit amounted to -€2 million, an improvement of €5 million, including a favourable scope effect of €1 million.

The "**Other Segments**" are made up of La Poste Network, Real Estate, "Supports and Structures" and "Unallocated and eliminations". In the first half of 2018, Real Estate recorded a strong increase in operating profit, mainly due to a capital gain from disposal. The Unallocated and eliminations segment that includes in particular public service mission costs, has seen its operating profit improve due to the reduction in net cost of regional coverage.

Net profit

Net profit Group share decreased slightly to €636 million (-0.9%). This change is due to the decline in financial loss (-€92 million versus -€81 million at 30 June 2017), the decrease in net interest expense being absorbed by the unfavourable effect of the fair value of hedging instruments. Corporate tax totalled -€200 million, compared to -€170 million at 30 June 2017. The share of profit of equity associates (essentially CNP Assurances and BRT) amounted to €142 million, compared to €150 million at 30 June 2017.

Investments

Le Groupe La Poste allocated €564 million to investments during the first half of the year. The majority of these were related to the modernisation of the IT systems, adapting the industrial facilities and expanding the processing capacities to deal with the increasing e-commerce, and implementing synergies between the mail and parcel activities (new industrial framework). The Group also continued its real estate investments and vehicle purchases.

Economic health indicator and net debt

The economic health indicator (EHI), which measures cash flows from the Group's operations after financing investments excluding banking activities¹⁷ and compensation of equity contributors (interests and dividends), amounted to -€231 million, compared to €534 million at 30 June 2017. It is worth noting that the first half of 2017 benefited from the monetisation of 2015 and 2016 CICE balances (tax credit for competitiveness and employment) for the sum of €533 million.

Net debt increased by €672 million to €3,148 million. This favourable change was primarily due to the issue of perpetual hybrid subordinated notes of €750 million in May

¹⁷ Investments taken into account in cash flow generation are non-banking investments amounting to €435 million (€129 million were invested and funded by La Banque Postale).

2018, classed according to their perpetual maturity into equity, generating a significant cash input. Real estate disposals complete this positive trend.

Financial structure

The Group's financial structure is solid, as illustrated by a net debt/equity ratio which improved to 0.26 (compared to 0.34 at 31 December 2017).

Consolidated equity Group share totalled €11,981 million, up €616 million, in particular due to the effect of the reporting in "equity" of the income from perpetual hybrid subordinated notes issued in May 2018.

2018 Outlook

With respect to the year as a whole, Le Groupe La Poste anticipates a moderate increase in operating revenue and a relatively stable operating profit.

Le Groupe La Poste's half year financial report is available online at <http://legroupe.laposte.fr/finance/publications>

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